

BUSINESS OUTLOOK



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RESEARCH

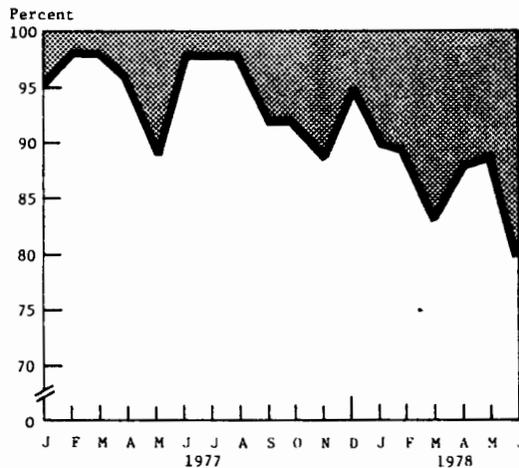
SURVEY For: June 1978

This Summary of the Returns reports on the May responses to the Business Outlook Survey conducted by the Federal Reserve Bank of Philadelphia. Its purpose is to provide an insight into Third District business conditions. The survey sample polls manufacturing firms with 500 or more employees.

Manufacturers responding to the June Business Outlook Survey report a fourth consecutive month of expansion in the local industrial sector. New orders and shipments are both higher again in June, giving factory employment its fourth boost in as many months. Almost 30 percent of the respondents this month indicate larger work forces at their plants while only 3 percent have trimmed their payrolls.

Despite the current strength, however, local manufacturers continue to become less confident about economic conditions six months out. Although there hasn't been a dramatic drop-off in optimism, the chart shows that the proportion of respondents expecting a worsening of business conditions a half a year ahead has been slowly growing since the beginning of 1977. In the current Survey, the bears (see

BUSINESS CONFIDENCE*



*Index represents percentage of respondents expecting no change in business conditions over the next six months plus percentage expecting improvement.

shaded area) account for over one-fifth of all respondents. Thus, while local manufacturers still forecast increases in sales, work forces and capital spending between now and December, the expectation of increases is less widespread than it was a year and a half ago.

On the price front, inflation continues to plague the local industrial sector. Forty percent of the responding manufacturers report paying more for raw materials this month, and 26 percent say they're charging more for their finished products. For the longer term, price hikes are expected to become more widespread, with 87 percent of those polled projecting higher prices for inputs by year-end, and 60 percent reporting plans to increase the prices of the goods they sell.

In summary, the local economy is posting gains again in June. Looking ahead six months, manufacturers continue to become less confident, but still see positive growth through the second half of the year.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS JUNE 1978

INDICATOR	June vs. May			Six Months from No vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	2.6	65.8	31.6	21.1	31.6	47.3
COMPANY BUSINESS INDICATORS						
New Orders	7.9	65.8	26.3	23.7	28.9	47.4
Shipments	5.3	65.8	28.9	26.3	28.9	44.8
Unfilled Orders	10.5	65.8	21.1	23.7	52.6	21.7
Delivery Time	5.3	84.2	7.9	21.1	63.2	13.7
Inventories	28.9	55.3	13.2	28.9	36.8	31.7
Prices Paid	0.0	60.5	39.5	0.0	13.2	86.8
Prices Received	0.0	71.1	26.3	2.6	28.9	63.7
Number of Employees	2.6	68.4	28.9	10.5	60.5	28.9
Average Employee Workweek	0.0	78.9	15.8	13.2	73.7	7.1