

BUSINESS OUTLOOK



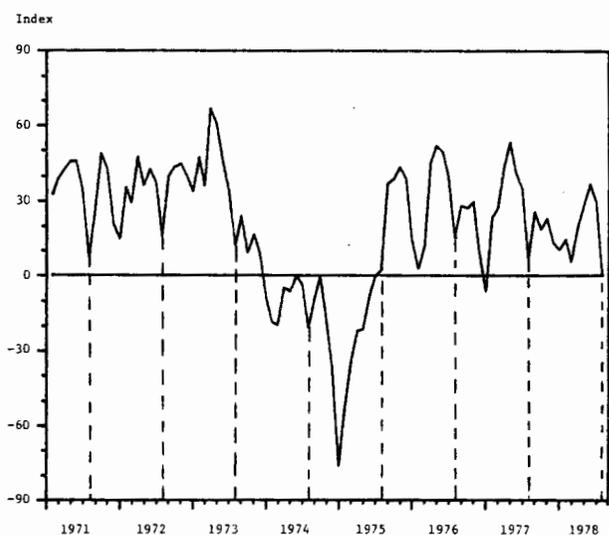
FEDERAL
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Department of
RESEARCH

SURVEY. For: July 1978

This Summary of Returns reports on the July 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.

Economic expansion in the local industrial sector has been virtually stifled in July, according to manufacturers responding to this month's Business Outlook Survey. However, if past patterns hold, this will be only a seasonal slowdown followed by a rebound in August. Such a mid-summer lull has been reported each July for the past seven years, with the exception of 1975 when the economy was climbing from the depths of the last recession (see Chart). Even then, however, the rate at which the local industrial economy was picking up speed slowed a little. Looking at specific indicators for July, both new orders and shipments are unchanged from last month's level, while inventories are reported to be down marginally. On the employment scene, payrolls are larger at about one-fifth of the sampled firms.

GROWTH IN THIRD DISTRICT MANUFACTURING ACTIVITY*



*Index represents percentage of respondents indicating an increase in general business activity less the percentage indicating a decrease. Broken lines indicate July of each year.

For the longer term, manufacturers foresee only slight improvement in business conditions over the next six months, with half of those responding to the current Survey expecting to maintain the status quo. No improvement is foreseen on the employment front, and capital expenditures are projected to remain at their current levels.

Inflation in the industrial sector appears to be gaining strength again after abating somewhat last month. Half of the responding manufacturers report higher prices for inputs in July, and one-third have hiked the prices of their finished goods. Looking ahead six months, price increases are expected to become more widespread.

In summary, we are experiencing a mid-summer hiatus in industrial growth which is probably seasonal in nature. For the longer term, respondents see little strength in the manufacturing sector and expect only marginal expansion.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS JULY 1978

INDICATOR

July vs. June			Six Months from Now vs. July		
Decrease	No Change	Increase	Decrease	No Change	Increase

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	18.4	63.2	18.4	21.1	50.0	28.9
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COMPANY BUSINESS INDICATORS

New Orders	15.8	68.4	13.2	23.7	36.8	36.8
Shipments	18.4	65.8	15.8	21.1	39.5	39.5
Unfilled Orders	15.8	63.2	15.8	21.1	55.3	18.4
Delivery Time	2.6	81.6	10.5	7.9	78.9	7.9
Inventories	23.7	57.9	18.4	28.9	36.8	31.6
Prices Paid	0.0	50.0	50.0	0.0	15.8	84.2
Prices Received	0.0	65.8	34.2	0.0	34.2	65.8
Number of Employees	2.6	73.7	23.7	15.8	63.2	21.1
Average Employee Workweek	13.2	73.7	10.5	10.5	81.6	5.3
Capital Expenditures				13.2	68.4	15.8