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# BUSINESS OUTLOOK



FEDERAL  
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RESEARCH

SURVEY For: April 1979

This Summary of Returns reports on the April 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 April Business Outlook Survey say business conditions in the local industrial sector are about the same as last month. These results follow several months of erratic behavior in the general business indicator, and leave the level of manufacturing activity just about where it was in November. This may partially be the result of severe winter weather experienced early this year. In terms of specific indicators, both new orders and shipments are reported higher in April, while stock levels are unchanged from March. This latest development in inventories comes on the heels of five consecutive drops and might signal the end of recent widespread inventory liquidation. Meanwhile, some slight expansion is reported in employment, as manufacturers both add to their payrolls as well as lengthen working hours.

For the longer term, executives polled in April are fairly bearish, forecasting a significant drop-off in business activity within six months. Similar expectations have been reported three times in the last four months. Consistent with this bleak outlook, responding manufacturers also look for a decline in new orders, while they expect shipments to continue at their current rate. Consequently, some further paring of inventories is forecast, but on a very small scale. The effects of the anticipated slowdown are also expected to be felt by labor, but more in terms of a shorter workweek than in layoffs. Factory work forces are projected to hold their current

levels through October. Despite such widespread pessimism, capital expenditure outlays are projected to increase over the summer. Although this may initially appear to be at odds with the rest of the outlook, it might be explained by the fact that some spending commitments were made before current economic forecasts were generated.

On the price front, inflation continues in the Delaware Valley industrial sector. In the current survey, three-quarters of the respondents report paying higher prices for raw materials in April while two-fifths are charging more for their finished products. Looking ahead six months, about four out of five of the executives polled expect further hikes in the cost of raw materials, while two out of three plan to boost the prices of the goods they sell.

In short, April business conditions are unchanged from last month. As for the future though, manufacturers look for a downturn by October along with continued price inflation.

## BUSINESS OUTLOOK SURVEY

### SUMMARY OF RETURNS April 1979

INDICATOR	April vs. March			Six Months from Now vs. April		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	11.4	65.7	17.1	42.9	28.6	22.9
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	17.1	54.3	28.6	45.7	22.9	31.4
Shipments	5.7	65.7	25.7	37.1	28.6	31.4
Unfilled Orders	11.4	65.7	20.0	40.0	42.9	14.3
Delivery Time	5.7	85.7	5.7	25.7	60.0	11.4
Inventories	31.4	42.9	25.7	37.1	34.3	28.6
Prices Paid	0.0	25.7	74.3	0.0	17.1	82.9
Prices Received	0.0	57.1	40.0	2.9	25.7	68.6
Number of Employees	0.0	88.6	11.4	25.7	51.4	22.9
Average Employee Workweek	0.0	88.6	8.6	28.6	62.9	5.7
Capital Expenditures				11.4	51.4	28.6