

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY. For: May 1979

This Summary of 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.

Respondents to the May Business Outlook Survey say the level of industrial activity in the area is unchanged for the second consecutive month. Shipments have been stepped up significantly since April, but new orders are only fractionally higher. And, since the pickup in shipments has not been matched by increased production, inventories have undergone further depletion in May. On the employment front, a stagnant situation is reported. Factory payrolls remain at their April levels and the workweek has been neither lengthened nor shortened.

Looking ahead to the balance of 1979, however, manufacturers do not foresee a continuation of present conditions. Survey participants continue to call for a downturn within six months, with the bears outnumbering the bulls by almost three to one. Shipments are expected to decline only fractionally between now and November, but a significant dropoff in new orders is forecast. Nevertheless, manufacturers do plan to maintain current stock levels. And, local factory labor should not feel too much of a pinch if the anticipated slowdown does materialize. Executives surveyed say they plan to economize on labor by trimming working hours rather than by cutting staff.

Prices continue to go up in the Delaware Valley industrial sector. Two-thirds of the executives polled in May are paying higher prices for inputs than they did in April, and one-third are charging more for the products they produce. More of the same is expected through November. About 85 percent of the survey participants

expect higher costs for raw materials within six months, and 65 percent plan to raise the prices of the goods they sell.

In short, local business conditions are about the same in May as they were in March and April. Looking ahead to the balance of the year though, manufacturers are anticipating a downturn along with continued inflation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
May 1979

INDICATOR	May vs. April			Six Months from Now vs. May		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	8.8	73.5	14.7	41.2	38.2	14.7
COMPANY BUSINESS INDICATORS						
New Orders	17.6	50.0	26.5	44.1	26.5	26.5
Shipments	8.8	58.8	29.4	35.3	38.2	26.5
Unfilled Orders	20.6	55.9	17.6	44.1	38.2	14.7
Delivery Time	5.9	82.4	5.9	26.5	61.8	8.8
Inventories	38.2	44.1	14.7	26.5	44.1	29.4
Prices Paid	0.0	29.4	67.6	0.0	14.7	85.3
Prices Received	0.0	58.8	35.3	0.0	32.4	64.7
Number of Employees	8.8	79.4	8.8	23.5	52.9	23.5
Average Employee Workweek	8.8	76.5	11.8	23.5	64.7	11.8
Capital Expenditures				14.7	47.1	38.2

Note: Items may not add to 100 per cent because of omission by respondents.