

BUSINESS OUTLOOK SURVEY
Summary of Returns
December 1973

This Summary of Returns reports on the December 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.

The regional economy is losing the forward momentum that carried it to its current high level of output according to area executives. This month's Business Outlook Survey of manufacturing firms in the Third Federal Reserve District shows most respondents are reporting stable levels of output, but a growing minority are experiencing decreases. New orders, shipments and unfilled orders are all down slightly since last month. Employment opportunities, however, are holding stable according to the executives contacted.

Looking six months into the future reveals new elements of bearishness which were not present in the Surveys of the last three years. Over 40 percent of the firms report expectations that their new orders, shipments, and unfilled orders will be lower by next May. And, these expected reductions are reflected in the firms' employment outlook. Over one-quarter of the firms expect to be laying off workers or cutting the length of their average workweek during the first half of 1974. One bright spot on the six-month horizon is that area manufacturers continue to plan for expansion of investment in plant and equipment.

The current business expansion is about three years old now. For many months the area economy has been operating near full-capacity levels of output. As a result, many companies have planned capital expenditure

programs which are to be completed in 1974 and will increase their capacity to produce. These investment expenditures will provide a stimulus to continued growth in the months ahead.

Inflation continues to be a widespread problem among the respondents. Over 60 percent of the firms surveyed are paying higher prices than last month and over a quarter are charging their customers higher prices. And, six months from now over 80 percent of the respondents expect to be paying and receiving higher prices.

In summary, the rate of business output decreased slightly since last month, and many businessmen expect further decreases in the months ahead. However, area executives continue to expect widespread price increases.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS DECEMBER 1973

INDICATOR	December vs. November			Six Months From Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	20.0	66.7	11.1	62.2	20.0	13.3
COMPANY BUSINESS INDICATORS						
New Orders	22.2	71.1	6.7	55.6	31.1	13.3
Shipments	20.0	64.4	13.3	46.7	33.3	17.8
Unfilled Orders	17.8	73.3	6.7	46.7	44.4	6.7
Delivery Time	6.7	73.3	13.3	35.6	48.9	11.1
Inventories	26.7	48.9	22.2	42.2	35.6	17.8
Prices Paid	0.0	33.3	64.4	2.2	8.9	88.9
Prices Received	0.0	71.1	28.9	2.2	17.8	80.0
Number of Employees	13.3	75.6	11.1	35.6	51.1	13.3
Average Employee Workweek	11.1	84.4	2.2	26.7	71.1	0.0
Capital Expenditures				11.1	44.4	40.0

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