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BUSINESS OUTLOOK SURVEY
Summary of Returns
June 1974

FEDERAL RESERVE BANK

OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

This Summary of Returns reports on the June 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.

Business activity in the regional economy remains soft according to area executives. The latest Business Outlook Survey of large manufacturing firms in the Third Federal Reserve District indicates that new orders, shipments, and unfilled orders are almost unchanged from May's level. But, while almost half of the respondents are keeping their inventories at present levels, 12 percent more executives are increasing their stocks this month than are decreasing them.

Looking ahead six months, area businessmen are not as bullish about the level of business activity as they have been in previous months. In May, 52 percent expected an increase in new orders in the half a year ahead, and 50 percent expected an increase in shipments. However, this month only 38 percent of the executives polled expect any increase in these two key indicators in the next two quarters. And, this slow pace is reflected in manufacturers' employment plans. More than three-fourths of the respondents expect "no change" in their employment levels through December. While this "no hire" policy will keep layoffs to a minimum, it still implies rising unemployment for the region as a whole. The reason is that population increases mean an expanding pool of manpower, and new jobs need to be created--not just old ones maintained--if the ranks of the unemployed are not to swell.

But, rising unemployment may not be the only worry for the regional economy. Area businessmen remain pessimistic about the outlook for inflation. As of this month's survey, 82 percent of the executives polled expect to be paying higher prices by December, and 78 percent expect to be charging higher prices for their finished goods.

In short, area executives foresee a slow-growing regional economy through the remainder of the year, and possibly higher unemployment in the area as well. And, they see inflationary pressures as an additional trouble spot in the region through December.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS JUNE 1974

INDICATOR	June vs. May			Six Months from Now vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	16.0	72.0	12.0	14.0	36.0	50.0
COMPANY BUSINESS INDICATORS						
New Orders	12.0	70.0	16.0	14.0	44.0	38.0
Shipments	6.0	72.0	22.0	12.0	50.0	38.0
Unfilled Orders	12.0	64.0	20.0	22.0	56.0	18.0
Delivery Time	8.0	78.0	10.0	16.0	68.0	12.0
Inventories	22.0	44.0	34.0	30.0	40.0	30.0
Prices Paid	0.0	16.0	84.0	4.0	14.0	82.0
Prices Received	0.0	32.0	68.0	2.0	20.0	78.0
Number of Employees	8.0	86.0	6.0	14.0	76.0	10.0
Average Employee Workweek	4.0	88.0	4.0	10.0	84.0	4.0
Capital Expenditures				10.0	42.0	40.0

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