

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.

Again this month, there is evidence that the deterioration in business activity in the region may be slowly bottoming out. Over 68 percent of the executives responding to the April survey of large manufacturers in the Third Federal Reserve District report "no change" in the general level of business activity. And, this general leveling in business activity is reflected in their own firms. Over 50 percent of the respondents report new orders and shipments are holding steady in April. Although this stabilizing of economic activity over the past two months may not mean that the area economy has started on the upward road to recovery, it is an optimistic sign.

Also, area manufacturers are more optimistic about the longer term outlook. Over three quarters of the executives polled expect increases in new orders and shipments by October. This expected increase in business activity is causing area manufacturers to adjust their hiring plans upward. For example, in December only 20 percent of the respondents expected to increase their workforce six months out. However, as of this month almost 45 percent plan to increase the size of their workforce by late fall. The table below depicts this trend.

|  | <u>Month Surveyed</u> |                 |              |
|--|-----------------------|-----------------|--------------|
|  | <u>December</u>       | <u>February</u> | <u>April</u> |
| Expecting to increase the size of the workforce six months ahead | 20.5%                 | 30.4%           | 44.7%        |

But, despite this upward trend in hiring plans, unemployment may still be a problem in the region. The reason is that population increases mean an expanding pool of manpower. While employment may increase, the size of the labor force may grow by an even larger amount. Thus, unemployment may continue to plague the Third District for sometime.

On the price front, a majority of manufacturers are still forecasting increases in the prices of goods they will buy and sell six months from now. Hence, the area is still likely to suffer from continued inflationary pressures until well into the fall.

In sum, area manufacturing activity remains stable for the second consecutive month, indicating a possible bottoming out in the current economic slump. Moreover, executives expect current economic activity to pick-up during the next two quarters. However, rising prices and unemployment will remain major sore spots in the regional economy.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

APRIL 1975

INDICATOR

| April<br>vs.<br>March |              |          | Six Months from Now<br>vs.<br>April |              |          |
|-----------------------|--------------|----------|-------------------------------------|--------------|----------|
| Decrease              | No<br>Change | Increase | Decrease                            | No<br>Change | Increase |

#### GENERAL BUSINESS CONDITIONS

| INDICATOR  | Decrease | No<br>Change | Increase | Decrease | No<br>Change | Increase |
|--|----------|--------------|----------|----------|--------------|----------|
| What is your evaluation of the level of general business activity? | 25.5     | 68.1         | 4.3      | 8.5      | 12.8         | 76.6     |

#### COMPANY BUSINESS INDICATORS

| INDICATOR                 | Decrease | No<br>Change | Increase | Decrease | No<br>Change | Increase |
|---------------------------|----------|--------------|----------|----------|--------------|----------|
| New Orders                | 34.0     | 51.1         | 12.8     | 12.8     | 8.5          | 76.6     |
| Shipments                 | 25.5     | 55.3         | 19.1     | 8.5      | 17.0         | 74.5     |
| Unfilled Orders           | 40.4     | 51.1         | 4.3      | 12.8     | 42.6         | 40.4     |
| Delivery Time             | 27.7     | 68.1         | 0.0      | 14.9     | 74.5         | 6.4      |
| Inventories               | 55.3     | 23.4         | 21.3     | 46.8     | 31.9         | 21.3     |
| Prices Paid               | 19.1     | 57.4         | 21.3     | 10.6     | 34.0         | 55.3     |
| Prices Received           | 25.5     | 61.7         | 10.6     | 6.4      | 40.4         | 51.1     |
| Number of Employees       | 42.6     | 53.2         | 4.3      | 8.5      | 46.8         | 44.7     |
| Average Employee Workweek | 19.1     | 78.7         | 2.1      | 10.6     | 53.2         | 36.2     |
| Capital Expenditures      |          |              |          | 12.8     | 46.8         | 31.9     |

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