BUSINESS OUTLOOK SURVEY·For:

FEDERAL RESERVE BANK OF PHILADELPHIA
Department of RESEARCH

June 1979

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.

Respondents to the June Business Outlook Survey say local industrial activity is unchanged for the third month in a row. This means that there has been virtually no expansion in area manufacturing in the second quarter of 1979 overall. Shipments are once again higher in June, but the month has not seen a similar pickup in new orders. Stock levels have tumbled for the seventh time in eight months as inventory used for shipments is not replaced. On the jobs scene, area labor seems to be holding its own. Industrial employment is reported to be about the same as in May and the length of the average workweek remains unaltered.

Present conditions, however, are not expected to last much longer. June survey respondents foresee some weakness in the outlook and have again forecasted an imminent downturn. Just how far into the predicted slump we'll be by year-end, or how severe it will be by that time, is open to question, however. Although some paring of inventories is planned, neither shipments nor new orders are projected to drop between now and December. Moreover, responding manufacturers do not expect at this time to cut payrolls within the next six months, and widespread plans to increase spending on plant and equipment are still reported.

Industrial prices appear to be up sharply in the region this month. Eighty-six percent of the respondents report paying higher prices for inputs in June, and over 40 percent are charging more for their finished goods. For the longer term more of the

same is expected—recession or no recession. Manufacturing executives were nearly unanimous (94 percent) in predicting further hikes in the cost of raw materials over the next six months, and over 60 percent plan to raise the prices of goods they sell.

In short, June has been another no-growth month for Delaware Valley industry, leaving manufacturing activity just about where it was in March. Looking to the balance of 1979, executives in the industrial sector see some clouds on the business horizon, and predict a slump by year-end along with pervasive inflation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
June 1979

INDICATOR	June vs. July			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?	14.3	68.6	14.3	40.0	40.0	20.0
COMPANY BUSINESS INDICATORS						
New Orders	22.9	60.0	17.1	34.3	37.1	28.6
Shipments	0.0	65.7	34.3	34.3	37.1	28.6
Unfilled Orders	25.7	60.0	11.4	40.0	45.7	11.4
Delivery Time	8.6	74.3	14.3	28.6	60.0	8.6
Inventories	40.0	48.6	11.4	34.3	48.6	17.1
Prices Paid	0.0	14.3	85.7	0.0	5.7	94.3
Prices Received	2.9	51.4	42.9	0.0	34.3	62.9
Number of Employees	8.6	77.1	14.3	22.9	57.1	20.0
Average Employee Workweek	8.6	85.7	5.7	25.7	65.7	8.6
Capital Expenditures				5.7	62.9	28.6

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