



BUSINESS OUTLOOK SURVEY

Summary of Returns

August, 1969

This Summary of Returns reports on the August 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.

Expectations for a business slowdown continue, according to manufacturers in the Third Federal Reserve District. The latest Business Outlook Survey shows that nearly one-half of the corporate executives polled anticipate lower levels of business activity six months ahead. Only four months ago the outlook was dominated by rising expectations. The consensus for September, however, is for "no change" from current levels.

The six-month outlook for new orders, shipments, and unfilled orders underlies the increasingly bearish predictions of area manufacturers. The table below compares the percentage of respondents expecting an increase in these indicators in March and August:

	<u>March</u>	<u>August</u>	<u>Change</u>
New orders	62.5	28.3	- 34.2
Shipments	77.1	32.1	- 45.0
Unfilled orders	47.9	15.1	- 32.8

In part, this dramatic shift in sentiment may reflect the widely held view among professional economists that, indeed, a recession is on its way. But more likely, it reflects what is happening at the company level. For July, nearly 45 per cent of the executives polled reported a decline in shipments, and one out of three indicated a drop in new orders. This

showing is the poorest for any month since the Survey began over a year ago.

Despite falling expectations, however, businessmen do not foresee major layoffs or drastically reduced workweeks. Recruiting and training skilled labor is expensive. Especially if the dip in economic activity is short-lived, manufacturers may feel that hoarding labor is a cheaper alternative to laying off and then attempting to rehire workers with scarce skills.

The outlook for prices remains inflationary. Nearly three out of five respondents anticipate paying higher prices six months from now. The inflationary psychology, nourished by three years of spiralling prices, will not succumb easily.

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SUMMARY TABLE OF RETURNS

August 1969

INDICATOR	July vs. June			August vs. July			September vs. August			Six Months From Now vs. August		
	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS												
What is your evaluation of the level of general business activity?	24.5	56.6	18.9	13.2	64.2	22.6	15.1	54.7	28.3	47.2	26.4	26.4
COMPANY BUSINESS INDICATORS												
New Orders	34.0	41.5	22.6	13.2	41.5	43.4	15.1	47.2	35.8	32.1	37.7	28.3
Shipments	43.4	34.0	20.8	7.5	41.5	49.1	11.3	54.7	32.1	30.2	35.8	32.1
Unfilled Orders	30.2	49.1	18.9	24.5	47.2	26.4	22.6	50.9	24.5	43.4	39.6	15.1
Delivery Time	7.5	77.4	13.2	13.2	75.5	9.4	3.8	83.0	11.3	22.6	66.0	9.4
Inventories	28.3	50.9	20.8	20.8	52.8	26.4	20.8	50.9	28.3	30.2	47.2	22.6
Prices Paid	0	58.5	39.6	0	56.6	41.5	0	64.2	34.0	1.9	35.8	60.4
Prices Received	3.8	81.1	13.2	0	84.9	11.3	0	73.6	24.5	0	56.6	41.5
Number of Employees	3.8	77.4	17.0	7.5	77.4	13.2	5.7	71.7	18.9	11.3	71.7	15.1
Average Employee Workweek	5.7	81.1	11.3	3.8	83.0	11.3	1.9	84.9	11.3	15.1	79.2	3.8
Capital Expenditures										20.8	47.2	30.2

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