

FEDERAL RESERVE BANK

OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY

Summary of Returns

January 1974

This Summary of Returns reports on the January 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.

Notwithstanding recent evidence within their own firms, local manufacturing executives are looking for a worsening of general business conditions. According to the Business Outlook Survey of the Federal Reserve Bank of Philadelphia, manufacturing activity--as measured by new orders, shipments, and unfilled orders--has increased slightly since last month. And, most area firms report no change in the number of people they employ or the length of their average workweek. However, there is less pessimism in the respondent's assessments of current business conditions than there was just one month ago.

Looking six months into the future, the outlook for business continues to be bearish. One-half of the businessmen contacted expect the economy to be softer as the summer nears. Those expecting productive activity to diminish outnumber those looking for further gains by more than two to one. Furthermore, twice as many of the companies contacted expect to lay off some employees within the next six months as expect to add employees. However, the large spending programs for capital equipment which 45 percent of the firms report could furnish the stimulus to overcome expected downturns in other areas.

There are differences of opinion about the prospect of a business slowdown, but not a single businessman surveyed expects prices to drop

within the next six months. Over three-quarters of the firms surveyed report paying higher prices for their raw materials than they paid last month and half report charging higher prices. By summertime over three-fourths of the executives contacted expect to be paying and receiving higher prices for the goods they buy and sell.

Briefly summarizing, the area economy continues to advance very slowly, but expectations of a drop in business activity are widespread. Capital spending plans are still strong, but inflation remains a persistent problem.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

JANUARY

INDICATOR	January vs. December			Six Months From Now vs. January		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	34.0	50.9	15.1	50.9	28.3	20.8
COMPANY BUSINESS INDICATORS						
New Orders	20.8	56.6	20.8	45.3	30.2	22.6
Shipments	11.3	62.3	24.5	30.2	49.1	18.9
Unfilled Orders	15.1	56.6	24.5	49.1	34.0	13.2
Delivery Time	5.7	71.7	18.9	20.8	58.5	17.0
Inventories	13.2	62.3	24.5	28.3	43.4	28.3
Prices Paid	0.0	20.8	79.2	0.0	11.3	88.7
Prices Received	1.9	49.1	49.1	3.8	18.9	77.4
Number of Employees	5.7	86.8	7.5	20.8	67.9	9.4
Average Employee Workweek	5.7	84.9	5.7	13.2	81.1	3.8
Capital Expenditures				5.7	41.5	45.3

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