

# BUSINESS OUTLOOK



FEDERAL  
RESERVE  
BANK OF  
PHILADELPHIA  
Department of  
RESEARCH

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SURVEY For: January 1978

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.

Manufacturing activity in the region has resumed expansion in January, but at a reduced pace. The majority of the respondents to the current survey report business conditions to be unchanged from last month, with about one-fourth noting improvement. In terms of specific indicators, factory employment and the average workweek are both unchanged in January, continuing a three-month trend. At the same time, new orders and shipments are higher, but inventories are down somewhat.

As for the future, responding manufacturers continue to foresee further growth, but at a somewhat slower rate than previously reported. Optimism about future economic conditions is less widespread than it has been since October. Consequently, the proportion of respondents looking for a pick-up in new orders and shipments over the next two quarters is also down. Inventories are expected to remain unchanged over the period. Consistent with this moderate growth outlook, manufacturers foresee gains in employment for Delaware Valley workers, and expanded capital spending. In fact, increases in plant and equipment expenditures are planned at a slightly higher proportion of sampled firms than six months ago when there was considerably more bullishness about the future course of the economy.

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Delaware Valley workers. A similar proportion reports intentions to spend more on plant and equipment six months down the road.

On the inflation front, price hikes among manufacturers are no more prevalent than they were in January. About one-half of those polled report higher prices for inputs, while about one-fourth say they're getting more for their finished products. For the longer-term, manufacturers continue to foresee boosts in the cost of raw materials and in the prices of the goods they sell.

In summary, business activity in the local industrial sector in February remains sluggish for the fourth straight month. For the future, manufacturers look for some expansion, but they are steadily becoming less optimistic.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS FEBRUARY 1978

INDICATOR	February vs. January			Six Months from Now vs. February		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	7.9	78.9	13.2	7.9	42.1	47.4
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	10.5	73.7	15.8	7.9	47.4	44.7
Shipments	7.9	71.1	21.1	5.3	50.0	44.7
Unfilled Orders	10.5	73.7	13.2	5.3	60.5	31.6
Delivery Time	0.0	92.1	5.3	7.9	78.9	10.5
Inventories	7.9	71.1	21.1	15.8	55.3	28.9
Prices Paid	2.6	50.0	47.4	2.6	13.2	84.2
Prices Received	0.0	71.1	26.3	0.0	34.2	60.5
Number of Employees	5.3	86.8	7.9	5.3	55.3	39.5
Average Employee Workweek	0.0	97.4	2.6	5.3	86.8	7.9
Capital Expenditures				0.0	52.6	39.5