75. Turnbull

BUSINESS OUTLOOK SURVEY · For: October 1979

FEDERAL RESERVE BANK OF PHILADELPHIA
Department of RESEARCH

This Summary of Returns reports on the October 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.

Industrial activity in the area continues to slip in October, according to manufacturers responding to this month's Business Outlook Survey. This is the fourth time in as many months that business has significantly slowed for local manufacturers. In terms of specific indicators, shipments are virtually unchanged from September levels, while new orders are off substantially. Thus, manufacturers' backlogs continue to shrink as they have done since June, and over 40 percent of the manufacturers surveyed have made further cuts in inventories. Local labor has yet to really feel the pinch of the slowdown though. Although the workweek has been trimmed at some area firms, payrolls have not, as yet, been cut as a result of the slippage.

Looking ahead to the next six months, survey respondents expect overall industrial activity in April to be just about where it is now. New orders should be fractionally higher than they are now, but shipments are projected to remain steady, causing a marginal buildup of unfilled orders. Plans to increase capital spending are also reported. No inventory rebuilding is forecast, however. In fact, some further paring of stocks is anticipated. Local labor is expected, by April, to have felt some of the effects of the slump too. Payrolls are forecast to be smaller by then, and the workweek will likely be shorter.

Inflation appears to have picked up steam in October in the local industrial sector. The cost of raw materials is up from September at over three-fourths of the firms surveyed this month, and prices of finished goods are higher at about half. By April, 9 out of 10 respondents expect to be paying more for inputs, and 3 out of 4 plan to be charging more for the goods they produce.

Overall, manufacturing activity has taken another dip in October. For the longer term though, some moderation of the slump is expected, along with further price hikes.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
October 1979

INDICATOR	October vs. September			Six Months from Now vs. October		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	32.4	58.8	8.8	32.4	38.2	26.5
COMPANY BUSINESS INDICATORS						
New Orders	35.3	50.0	14.7	29.4	32.4	38.2
Shipments	20.6	52.9	26.5	26.5	38.2	32.4
Unfilled Orders	35.3	55.9	5.9	20.6	50.0	26.5
Delivery Time	20.6	76.5	0.0	11.8	76.5	8.8
Inventories	44.1	41.2	14.7	41.2	26.5	32.4
Prices Paid	0.0	20.6	79.4	0.0	8.8	91.2
Prices Received	0.0	50.0	47.1	0.0	23.5	73.5
Number of Employees	11.8	73.5	14.7	32.4	50.0	17.6
Average Employee Workweek	20.6	64.7	8.8	29.4	52.9	11.8
Capital Expenditures				2.9	67.6	23.5

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