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BUSINESS OUTLOOK SURVEY For: December 1979

FEDERAL RESERVE BANK OF PHILADELPHIA
Department of RESEARCH

This Summary of Returns reports on the December 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 this month's Business Outlook Survey have indicated they see another major drop in local industrial activity in December. Business at area manufacturing establishments alternately faltered and recovered in the first half of 1979, but has been slipping steadily now for about six months. Consistent with reports of the continuing slump, both new orders and shipments are down again this month, and backlogs continue to shrink. Inventory cutting is becoming more widespread, with stock levels down from November at half of the firms surveyed. Working hours have been cut at several area plants in response to the slowdown, but the number of workers on the job has not been affected as yet.

Looking ahead to the first half of 1980, executives polled in December again foresee a worsening of the regional business climate, but still do not anticipate any real dip in specific indicators of regional business activity. Survey respondents do not expect new orders, shipments, or backlogs to be significantly different in June '80 than they are now. At the same time, though, they plan to trim inventories and payrolls fractionally just to be on the safe side. And, about 2 out of 3 of the manufacturers responding to the survey this month plan to hold the line on capital spending throughout the first half of next year.

On the price front, there is little change from November reported. Input prices are up from last month at two-thirds of the responding firms in December, while prices charged for finished products have been raised at about one-third. As for the future, 9 out of 10 executives surveyed forecast higher costs for raw materials by summer, while 4 out of 5 plan to be charging more by then for the goods they sell.

Overall, it appears that another significant slowdown in local industrial activity is shaping up in December. Looking ahead, manufacturers remain cagey, and forecast continued inflation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
December 1979

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	47.4	42.1	10.5	52.6	23.7	23.7
COMPANY BUSINESS INDICATORS						
New Orders	39.5	47.4	13.2	34.2	34.2	28.9
Shipments	39.5	42.1	18.4	28.9	36.8	34.2
Unfilled Orders	34.2	57.9	5.3	21.1	60.5	15.8
Delivery Time	5.3	84.2	7.9	26.3	65.8	5.3
Inventories	50.0	44.7	5.3	36.8	36.8	26.3
Prices Paid	0.0	34.2	65.8	0.0	10.5	89.5
Prices Received	0.0	65.8	31.6	0.0	15.8	81.6
Number of Employees	15.8	73.7	10.5	23.7	65.8	10.5
Average Employee Workweek	21.1	76.3	2.6	18.4	68.4	13.2
Capital Expenditures				15.8	63.2	15.8

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