

FEDERAL RESERVE BANK



OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY  
Summary of Returns  
July 1970

This Summary of Returns reports on the July 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.

The current slump in economic activity is lasting longer than most businessmen thought it would several months back. The July Business Outlook Survey confirms that large manufacturers in the Third Federal Reserve District have had to revise their expectations of when the economy will begin to trend upward again. Businessmen have now postponed expectations of recovery from summer to the fall and winter months.

Underlying this marked change in business sentiment is what executives see happening in their own firms. Back in January, businessmen were pessimistic about the immediate period ahead and optimistic about the summer months. But with summer upon them, they are no more optimistic about the weeks ahead now than they were in January.

The table, for example, compares the percentage of respondents expecting an increase in new orders, shipments, and unfilled orders one month ahead in January and in July 1970.

	<u>January</u>	<u>July</u>	<u>Change</u>
New Orders	22.6	23.5	+ .9
Shipments	22.6	23.5	+ .9
Unfilled Orders	13.2	13.7	+ .5

It shows that back in January less than one in four area businessmen expected these key indicators to be rising one month ahead. Survey results for

July show essentially this same bearishness for the near-term outlook.

The impact of a delayed recovery is showing up most noticeably in spending plans for plant and equipment. Only a few months ago manufacturers were holding to earlier plans for stepping up investment outlays in 1970. Now, however, the same number of firms intends to cut back on capital outlays as plan increases.

Although area executives now expect a longer slump than they did in early 1970, they still do not anticipate an easing of inflationary pressures this year. If previous slowdowns are any guide, however, signs that inflation is beginning to wane should begin to appear before the end of the year.

## BUSINESS OUTLOOK SURVEY

### SUMMARY OF RETURNS

July 1970

INDICATOR	June vs. May			July vs. June			August vs. July			Six Months From Now vs. July		
	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>												
What is your evaluation of the level of general business activity?	27.5	54.9	15.7	27.5	54.3	13.7	3.9	74.5	17.6	7.8	23.5	66.7
<b>COMPANY BUSINESS INDICATORS</b>												
New Orders	21.6	47.1	29.4	27.5	51.0	17.6	5.9	66.7	23.5	5.9	29.4	60.8
Shipments	25.5	47.1	27.5	35.3	41.2	21.6	15.7	58.8	23.5	5.9	33.3	58.8
Fulfilled Orders	25.5	49.0	21.6	19.6	56.9	15.7	17.6	62.7	13.7	11.8	39.2	43.1
Delivery Time	9.8	84.3	3.9	9.8	78.4	5.9	2.0	86.3	7.8	5.9	76.5	15.7
Inventories	27.5	45.1	27.5	23.5	52.9	19.6	21.6	54.9	21.6	31.4	27.5	39.2
Prices Paid	0.0	60.8	37.3	2.0	58.8	33.3	0.0	64.7	31.4	2.0	31.4	62.7
Prices Received	2.0	78.4	17.6	2.0	72.5	21.6	0.0	70.6	25.5	5.9	43.1	49.0
Number of Employees	21.6	66.7	7.8	17.6	68.6	7.8	11.8	70.6	11.8	9.8	62.7	23.5
Average Employee Workweek	15.7	70.6	7.8	13.7	70.6	9.8	5.9	82.4	5.9	5.9	74.5	13.7
Capital Expenditures										19.6	49.0	19.6

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