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FEDERAL RESERVE BANK



OF

PHILADELPHIA

BUSINESS OUTLOOK SURVEY  
Summary of Returns  
November 1973

DEPARTMENT OF RESEARCH

This Summary of Returns reports on the November 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.

Business executives are reporting a continuing advance in the area economy. The latest Business Outlook Survey of large manufacturing firms in the Third Federal Reserve District shows new orders, shipments of finished goods, backlogs of unfilled orders and delivery times are all up slightly since last month. This expansion is reflected in increasing employment opportunities at some firms. Of the firms reporting changes in their labor force, more than twice as many are adding to payrolls as are cutting back.

Over the next six months the outlook of area executives is less optimistic than the current month's report. A significant minority of the firms contacted expect some softening in general business conditions by next spring. However, over 70 percent of the respondents expect either no change or increasing business activity a half year ahead. And, even though new orders, and inventories are expected to dwindle slightly, the outlook for capital spending is still very strong.

The long-term outlook of the business executives surveyed has changed significantly during the last three months. As the chart shows, since September the proportion of respondents expecting business activity to increase over the coming six months has declined. Simultaneously, the proportion expecting business to decrease has also dwindled.

SIX-MONTH OUTLOOK FOR GENERAL BUSINESS CONDITIONS

	<u>Decrease</u>	<u>No Change</u>	<u>Increase</u>
September survey	37.0%	32.6%	28.3%
October survey	33.3	50.0	14.6
November survey	28.3	54.3	17.4

The net effect of these altered expectations has been a substantial increase in the number of businessmen who now anticipate no change in the economic climate. While the overall forecast is still slightly bearish, expectations of a major downturn are diminishing.

Rising prices are still a problem facing most businessmen. Three quarters of the respondents report that the prices they pay rose this month while one third indicate that the prices they charge also increased. And, the outlook for the next six months is for a continued upward trend in prices.

In summary, area businessmen report that the regional economy is slowly continuing its upward climb. But the future outlook is clouded by continuing inflation and the expectation that business activity may slow down next year.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS  
NOVEMBER 1973

INDICATOR	November vs. October			Six Months From Now vs. November		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	6.5	78.3	15.2	28.3	54.3	17.4
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	17.4	58.7	23.9	34.8	52.2	13.0
Shipments	8.7	65.2	26.1	19.6	65.2	15.2
Unfilled Orders	13.0	65.2	19.6	30.4	63.0	4.3
Delivery Time	4.3	80.4	13.0	23.9	71.7	2.2
Inventories	17.4	65.2	17.4	26.1	56.5	17.4
Prices Paid	0.0	26.1	73.9	0.0	15.2	84.8
Prices Received	0.0	65.2	34.8	0.0	17.4	80.4
Number of Employees	4.3	84.8	10.9	10.9	82.6	6.5
Average Employee Workweek	2.2	89.1	6.5	10.9	87.0	0.0
Capital Expenditures				8.7	54.3	32.6

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