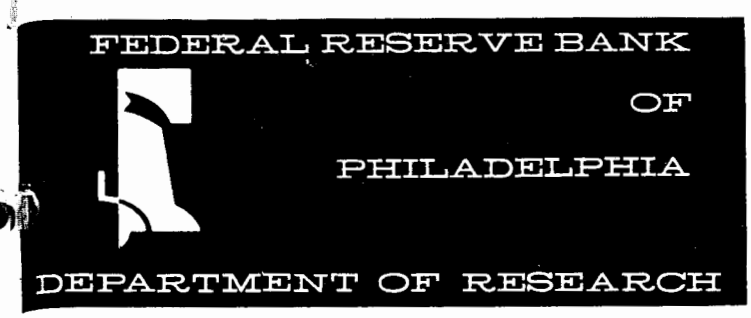
B. Turnbull



BUSINESS OUTLOOK SURVEY
Summary of Returns
May 1975

This Summary of Returns reports on the May 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.

According to area executives, there are strong signs that the decline in the regional economy is bottoming out. Almost 70 percent of the respondents to the May survey of large manufacturers in the Third Federal Reserve District indicate that there has been no change in the general level of business activity since last month. This is the third month in a row that two-thirds or more of the respondents have reported steady business conditions. The proportion of executives experiencing declining business activity has also dropped in each of those three months. While inventory reductions are continuing, new orders are nearly level--an improvement over last month. Employment levels also reflect this flattening out in business activity as cutbacks in the manufacturing workforce slowed considerably in May.

Manufacturers continue to be optimistic about the longer-term outlook with three-fourths expecting an accelerated pace of business activity by November. Inventory liquidation is expected to slow, and for the second straight month, manufacturers report plans to boost their workforces and average workweek by late fall. With the labor force growing however, it is difficult to know how much of an impact this pickup will have on the unemployment rate. Respondents are being cautious in their spending plans for new plant and equipment. Nearly 60 percent plan no change in capital expenditures by November.

On the inflation front, manufacturers expect that the price stability reported in this month's survey will give way to higher prices in the next two quarters. One-half or more of the respondents anticipate paying and charging higher prices six months out.

In sum, area executives report continued signs that the decline in regional business activity is bottoming out; and, they remain optimistic for the longer term. However, inflationary pressure and high unemployment are expected to be with us through most of 1975.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

MAY 1975

INDICATOR	May vs. April			Six Months from Now vs. May		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	18.9	69.8	11.3	3.8	17.0	75.5
COMPANY BUSINESS INDICATORS						
New Orders	24.5	52.8	22.6	5.7	13.2	79.2
Shipments	5.7	67.9	26.4	3.8	24.5	69.8
Unfilled Orders	35.8	50.9	9.4	9.4	34.0	49.1
Delivery Time	18.9	75.5	1.9	9.4	71.7	13.2
Inventories	50.9	43.4	5.7	35.8	37.7	24.5
Prices Paid	7.5	77.4	15.1	5.7	34.0	58.5
Prices Received	5.7	88.7	5.7	3.8	45.3	49.1
Number of Employees	20.8	69.8	9.4	5.7	49.1	43.4
Average Employee Workweek	15.1	81.1	1.9	5.7	54.7	34.0
Capital Expenditures				11.3	58.5	24.5

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