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FEDERAL RESERVE BANK OF PHILADELPHIA

DEPARTMENT OF RESEARCH

This Summary of Returns reports on the June 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 regional economy is continuing to hold its own, according to area executives. The latest Business Outlook Survey of large manufacturers in the Third Federal Reserve District shows that, on balance, business conditions are much the same in June as they were in May. Area executives report that their new orders are up for the first time since last September, and their inventories have been trimmed further. But the number of respondents reporting cutbacks in their workforces still outnumbers those reporting increases, and price movements are squeezing profits. Area manufacturers report that the prices they pay were up slightly in June, while the prices they charge were down to some extent.

Despite this mixed bag of current indicators, the outlook for the longer term has become strikingly optimistic. More than 90 percent of the executives surveyed foresee a higher level of business activity by December. By contrast, last January only 45 percent of the respondents were expecting an upturn within a half-year. In the months ahead new orders are expected to increase, and some additional pruning of inventories is anticipated. In addition, almost half of these manufacturers plan to add employees. But in spite of the growing optimism, almost 60 percent of the area businessmen polled intend to hold the current line on capital expenditures over the next two quarters.

Along with the expected pickup in regional economic activity, manufacturers also anticipate a speed-up in inflation. Almost two-thirds foresee paying higher prices by year-end, while none of the respondents expects to be paying less for his supplies. On the revenue side, half of those surveyed anticipate raising their prices by December.

In short, area executives report steady business conditions overall and are increasingly optimistic about the next two quarters. But inflation and unemployment will still be part of the regional scene by December.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
JUNE 1975

INDICATOR	June vs. May			Six Months from Now vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	14.8	68.5	14.8	1.9	3.7	92.6
COMPANY BUSINESS INDICATORS						
New Orders	14.8	55.6	27.8	1.9	13.0	81.5
Shipments	11.1	61.1	27.8	3.7	29.6	66.7
Unfilled Orders	25.9	64.8	7.4	3.7	48.1	44.4
Delivery Time	16.7	79.6	1.9	5.6	81.5	11.1
Inventories	40.7	53.7	5.6	37.0	38.9	24.1
Prices Paid	11.1	72.2	16.7	0.0	35.2	64.8
Prices Received	14.8	74.1	9.3	3.7	44.4	50.0
Number of Employees	22.2	66.7	11.1	7.4	44.4	48.1
Average Employee Workweek	9.3	83.3	5.6	5.6	61.1	31.5
Capital Expenditures				9.3	57.4	27.8

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