

FEDERAL RESERVE BANK



OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY
Summary of Returns
May 1976

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.

Business conditions in the region's manufacturing sector continue to improve. Fifty-one percent of the executives responding to this month's survey of large manufacturing firms report a higher level of business activity. New orders and shipments are higher this month although the increases are not as widespread as they were in April. A little over one-third of the firms in the current survey report increases in new orders and more than 4 out of 10 indicate higher levels of shipments. Last month, by comparison, more than half of the respondents reported gains in each of these categories.

Employment is another "plus" this month. The factory workweek is longer, and work forces are higher at 16 percent of the businesses surveyed. While this gain in employment appears modest, the job picture is brighter than it has been for quite some time. Only 6 percent of the respondents report cutbacks in employment since last month, and this "net gain" of 10 percentage points is the highest in two years.

The only major area showing no increase this month is inventories. About one-fourth of the manufacturers polled report higher levels of inventories, but this is offset by a similar proportion reporting lower levels of goods on hand.

The outlook in manufacturing for the next two quarters is optimistic, with 8 out of 10 respondents projecting expansion. New orders and shipments are expected to be higher by fall and increases in inventories and employment are also projected. In addition, 46 percent of those surveyed

plan to hike their spending for plant and equipment--up fractionally from the proportion planning increases in the three previous surveys.

Prices are still moving upward but inflationary pressures are about the same as in April. Close to one-half of the respondents report higher prices for their supplies and one-fifth report higher price tags for their finished products. The outlook is for additional increases in the next six months. Eighty-two percent of those surveyed expect to be paying more for their inputs over the period and 73 percent anticipate charging more for the products they sell.

In short, business activity in the region's manufacturing sector is growing and the job picture is improving. For the longer term, additional gains in output and employment are projected along with further increases in prices.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS MAY 1976

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?	1.8	47.3	50.9	0.0	18.2	81.8
COMPANY BUSINESS INDICATORS						
New Orders	10.9	50.9	36.4	5.5	16.4	72.7
Shipments	5.5	50.9	43.6	7.3	21.8	69.1
Unfilled Orders	10.9	69.1	16.4	9.1	40.0	47.3
Delivery Time	7.3	78.2	10.9	5.5	65.5	25.5
Inventories	23.6	49.1	27.3	20.0	27.3	52.7
Prices Paid	0.0	52.7	47.3	0.0	18.2	81.8
Prices Received	0.0	80.0	18.2	0.0	27.3	72.7
Number of Employees	5.5	78.2	16.4	3.6	52.7	43.6
Average Employee Workweek	1.8	81.8	16.4	5.5	67.3	27.3
Capital Expenditures				7.3	45.5	45.5

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