

BUSINESS OUTLOOK



FEDERAL
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Department of
RESEARCH

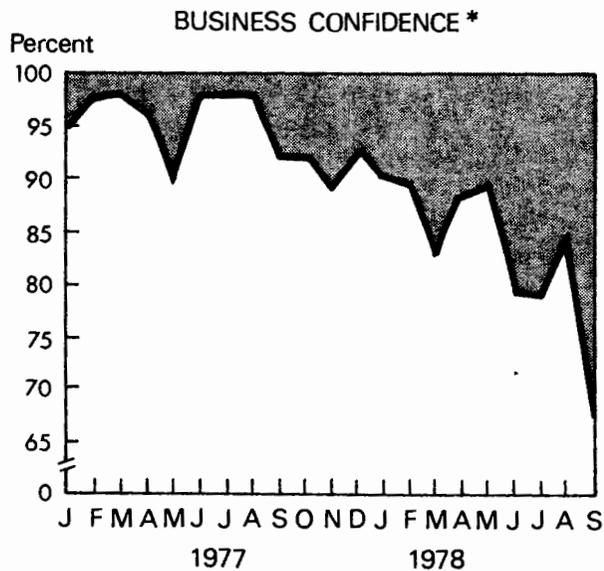
SURVEY For: *September 1978.*

This Summary of Returns reports on the September 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.

Economic expansion in the local industrial sector is continuing at a brisk pace according to manufacturers responding to the September Business Outlook Survey. New orders and shipments are up again this month, giving employment another boost. At the same time, inventories appear to have stabilized after four straight months of liquidation.

Despite the apparent stamina of the current expansion, responding manufacturers' confidence about economic conditions six months out continues to diminish. As the chart shows, the proportion of respondents anticipating a decline in economic conditions a half a year ahead has been growing. Currently, the bears (see shaded area) account for 30 percent of all Survey participants.

As a result of the spreading pessimism, responding



*Index represents percentage of respondents expecting no change in business conditions over the next six months plus percentage expecting improvement.

manufacturers look for new orders to slip fractionally within the next six months and for inventories to remain at their current levels. No change in employment or capital expenditures is forecast.

On the price front, inflation continues in the local manufacturing sector. September respondents report higher prices for both inputs and finished products. For the longer term, price hikes are expected to become more widespread.

In summary, the local industrial sector is surging ahead in September. Looking ahead six months though, area manufacturers continue to lose confidence as more anticipate a turndown accompanied by more inflation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS SEPTEMBER 1978

| INDICATOR | September vs. August | | | Six Months from Now vs. September | | |
|--|----------------------------|--------------|----------|---|--------------|----------|
| | Decrease | No Change | Increase | Decrease | No Change | Increase |
| GENERAL BUSINESS CONDITIONS | | | | | | |
| What is your evaluation of the level of general business activity? | 8.1 | 56.8 | 35.1 | 29.7 | 45.9 | 21.6 |
| COMPANY BUSINESS INDICATORS | | | | | | |
| New Orders | 16.2 | 48.6 | 35.1 | 32.4 | 43.2 | 21.6 |
| Shipments | 13.5 | 48.6 | 37.8 | 24.3 | 51.4 | 21.6 |
| Unfilled Orders | 13.5 | 62.2 | 21.6 | 32.4 | 51.4 | 10.8 |
| Delivery Time | 2.7 | 86.5 | 8.1 | 10.8 | 78.4 | 5.4 |
| Inventories | 24.3 | 51.4 | 24.3 | 18.9 | 59.5 | 18.9 |
| Prices Paid | 0.0 | 43.2 | 56.8 | 0.0 | 13.5 | 83.8 |
| Prices Received | 0.0 | 56.8 | 40.5 | 0.0 | 37.8 | 54.1 |
| Number of Employees | 5.4 | 75.7 | 18.9 | 18.9 | 59.5 | 18.9 |
| Average Employee Workweek | 0.0 | 83.8 | 13.5 | 16.2 | 67.6 | 10.8 |
| Capital Expenditures | | | | 18.9 | 51.4 | 18.9 |

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