

FEDERAL RESERVE BANK  
OF  
PHILADELPHIA



Research Department

BUSINESS OUTLOOK SURVEY  
Summary of Returns  
February 1969

This Summary of Returns reports on the February 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.

Manufacturers in the Third Federal Reserve District remain confident -- and even bullish -- about the business outlook. The most recent Business Outlook Survey shows that March is expected to be a considerably better month than February. Although half the respondents anticipate "no change" for March, over 40 per cent expect an increase in the level of business activity. Optimism for the month just ahead has been on a marked upswing since December, when only 13 per cent of the respondents expected a pickup in business activity for the ensuing month. The outlook for six months hence remains buoyant, with three out of five respondents anticipating a rising level of general business activity.

Underlying the buoyant outlook for March are increased expectations of rising new orders, shipments and unfilled orders for next month. At the same time, inventories do not appear to be out of line with sales expectations. Thus, higher sales volumes and jumps in new orders can be translated directly into additional production and, for some companies, a longer employee workweek.

For the longer-term outlook, the optimistic mood is underscored by the record percentage of respondents -- nearly half -- expecting to spend more on plant and equipment six months hence than at present. In part, their anticipated acceleration in capital spending may reflect a fear of further inflation of plant and equipment costs and the desire

to modernize facilities to mitigate the impact of rising labor costs. But a more basic consideration probably is that businessmen plan to sell more, and this requires greater productive capacity.

Respondents to the February Survey also expect inflationary pressures to persist. Looking ahead six months, though, the percentage of those expecting to pay higher prices a half year from now has declined from 85 per cent in December and 75 per cent in January to 65 per cent this month. Thus, despite buoyant demand expectations, a growing minority of manufacturers seems to sense some relief from upward price movements. Whether this apparent trend is a prelude to a softening of demand expectations for later in the year is uncertain, but it deserves close attention in subsequent surveys.

## BUSINESS OUTLOOK SURVEY

### SUMMARY TABLE OF RETURNS

February 1969

INDICATOR	January vs. December			February vs. January			March vs. February			Six Months From Now vs. February		
	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS												
What is your evaluation of the level of general business activity?	17.4	43.5	39.1	6.5	67.4	26.1	6.5	50.0	43.5	19.6	19.6	60.9
COMPANY BUSINESS INDICATORS												
New Orders	13.0	26.1	56.5	13.0	54.3	28.3	6.5	37.0	52.2	15.2	30.4	50.0
Shipments	23.9	21.7	54.3	10.9	65.2	23.9	6.5	37.0	54.3	17.4	19.6	60.9
Unfilled Orders	19.6	37.0	37.0	19.6	56.5	17.4	13.0	45.7	34.8	13.0	50.0	30.4
Delivery Time	6.5	71.7	17.0	4.3	80.4	10.9	2.2	76.1	17.4	8.7	65.2	21.7
Inventories	17.4	45.7	37.0	19.6	39.1	41.3	17.4	50.0	32.6	26.1	43.5	30.4
Prices Paid	0.0	60.9	37.0	0.0	69.6	28.3	0.0	65.2	32.6	0.0	32.6	65.2
Prices Received	6.5	71.7	19.6	0.0	76.1	21.7	0.0	67.4	30.4	2.2	47.8	47.8
Number of Employees	6.5	69.6	21.7	4.3	71.7	21.7	2.2	69.6	26.1	10.9	41.3	45.7
Average Employee Workweek	8.7	73.9	15.2	2.2	80.4	15.2	2.2	73.9	21.7	13.0	56.5	28.3
Capital Expenditures										2.2	41.3	43.5

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