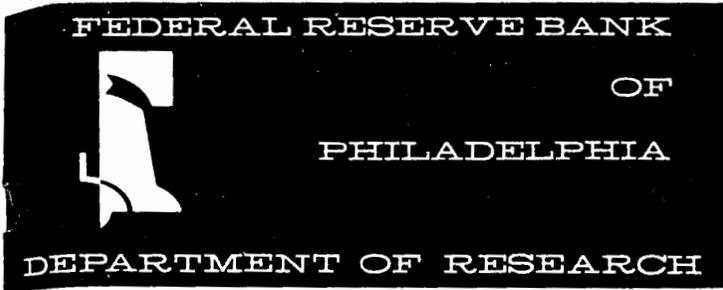


*B. Sunbelle*



BUSINESS OUTLOOK SURVEY  
Summary of Returns  
February 1977

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.

Prior to the natural gas shortage, activity in the region's industrial sector was beginning to pick up and employment levels were holding steady. In the latest survey of manufacturing executives, 33 percent say conditions are better than in the previous month while only 5 percent say they are worse.

New orders and shipments are both higher, and inventories are down at more than one-third of the firms sampled. At the same time, employment and the average workweek are unchanged for the second month in a row. Additions to work forces in durable goods industries are balanced by cut-backs in nondurables.

For the longer term, manufacturers look for additional improvement. Almost 9 out of 10 executives surveyed expect a pickup in economic activity over the next two quarters. New orders, shipments, and inventories are projected to increase over the period. Employment prospects are favorable as well. One-half of the respondents plan to hire additional employees and nearly one-third plan to lengthen the average workweek. At the same time, capital expenditures are expected to climb at 51 percent of the firms sampled--up about 10 percentage points from the previous survey.

Price pressures in manufacturing are about the same as last month.

Forty-one percent of the respondents report paying more for their supplies and 16 percent are receiving more for their finished products. Both of these proportions show little change from the previous survey. By August, more than 9 out of 10 expect to be paying more for their inputs and more than 8 out of 10 anticipate higher prices for the products they sell.

In short, conditions in the region's manufacturing sector were improving before the natural gas shortage, and the outlook for production and employment was optimistic. The shortage has altered the current picture to some degree, but the full impact over the longer run is unclear.

## BUSINESS OUTLOOK SURVEY

### SUMMARY OF RETURNS FEBRUARY 1977

INDICATOR

| February<br>vs.<br>January |              |          | Six Months from Now<br>vs.<br>February |              |          |
|----------------------------|--------------|----------|--|--------------|----------|
| Decrease                   | No<br>Change | Increase | Decrease                               | No<br>Change | Increase |

#### GENERAL BUSINESS CONDITIONS

|  |     |      |      |     |      |      |
|--|-----|------|------|-----|------|------|
| What is your evaluation of the level of general business activity? | 5.4 | 62.2 | 32.4 | 0.0 | 10.8 | 86.5 |
|--|-----|------|------|-----|------|------|

#### COMPANY BUSINESS INDICATORS

|                           |      |      |      |      |      |      |
|---------------------------|------|------|------|------|------|------|
| New Orders                | 10.8 | 54.1 | 32.4 | 2.7  | 13.5 | 78.4 |
| Shipments                 | 8.1  | 54.1 | 35.1 | 2.7  | 27.0 | 67.6 |
| Unfilled Orders           | 13.5 | 67.6 | 13.5 | 0.0  | 43.2 | 51.4 |
| Delivery Time             | 8.1  | 78.4 | 8.1  | 5.4  | 67.6 | 21.6 |
| Inventories               | 37.8 | 48.6 | 13.5 | 24.3 | 40.5 | 35.1 |
| Prices Paid               | 0.0  | 59.5 | 40.5 | 2.7  | 2.7  | 94.6 |
| Prices Received           | 2.7  | 81.1 | 16.2 | 2.7  | 13.5 | 83.8 |
| Number of Employees       | 10.8 | 78.4 | 10.8 | 0.0  | 48.6 | 51.4 |
| Average Employee Workweek | 8.1  | 81.1 | 5.4  | 0.0  | 64.9 | 29.7 |
| Capital Expenditures      |      |      |      | 2.7  | 43.2 | 51.4 |