

FEDERAL RESERVE BANK



OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY
Summary of Returns
August 1977

This Summary of Returns reports on the August 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.

After slowing in July, activity in the region's manufacturing sector is growing again. This pickup, however, still leaves the pace of business expansion below that in previous months. Thirty-one percent of the executives in the current survey say that business is better than last month, while 5 percent say it is worse. This "margin of improvement" of 26 percentage points is up from 6 percentage points in July.

New orders and shipments are expanding after showing no change in the previous survey, and inventories are holding steady for the fourth month in a row. Despite these signs of a pickup in activity, employment in area factories is showing no growth. Both work forces and the average workweek are unchanged from July's levels.

For the longer term, manufacturers look for expansion in business activity although this optimism is less widespread than in recent months. Of the executives surveyed, about half look for better business conditions six months from now. This is down from three-fourths in June and July. Increases in new orders, shipments, and inventories are projected, but for each of these, the proportions expecting gains are below those reported in July. A similar pattern holds for hiring plans six months out. While projections for the average workweek match those of the July survey, the proportion of executives planning to add to their work forces is down. In the current survey, 21 percent plan to hire additional workers compared to

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31 percent last month. At the same time, increases in spending for plant and equipment are projected at 28 percent of the firms sampled--the lowest in a year and a half.

Prices in the industrial sector continue to climb. Forty-one percent of those surveyed report paying more for inputs, while 31 percent say they are receiving higher prices for their finished products. By February, 85 percent expect to be paying more for raw materials and 72 percent anticipate higher prices for the products they sell.

In short, activity in the region's manufacturing sector has picked up somewhat from July. For the next two quarters, executives look for additional improvement, but their forecasts indicate a more cautious attitude about the months ahead.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS AUGUST 1977

INDICATOR	August vs. July			Six Months from Now vs. August		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	5.1	64.1	30.8	2.6	43.6	53.8
COMPANY BUSINESS INDICATORS						
New Orders	7.7	59.0	30.8	5.1	35.9	56.4
Shipments	10.3	53.8	35.9	2.6	43.6	53.8
Unfilled Orders	15.4	61.5	17.9	5.1	56.4	33.5
Delivery Time	2.6	89.7	2.6	5.1	76.9	12.0
Inventories	20.5	61.5	17.9	20.5	48.7	30.8
Prices Paid	0.0	59.0	41.0	0.0	15.4	84.6
Prices Received	0.0	66.7	30.8	0.0	25.6	71.8
Number of Employees	5.1	89.7	5.1	5.1	74.4	20.5
Average Employee Workweek	10.3	82.1	7.7	2.6	71.8	25.6
Capital Expenditures				5.1	64.1	28.8

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