B. Turnbull

BUSINESS OUTLOOK SURVEY·For:

FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

July 1979

This Summary of Returns reports on the July 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 responding to the July Business Outlook Survey indicate a sharp dropoff in local industrial activity. Business is down at over 35 percent of the firms polled this month, and improved at only 3 percent. This "net change" of minus 32 is the largest drop recorded in over four and a half years. A word of caution though: these figures may somewhat overstate any actual decline in activity that may have occurred. July is typically a slow month for local industry and this should be taken into account when interpreting this month's results.

Turning to specific indicators of current business activity, both new orders and shipments are reported to be off in July, and inventories have been pared once again. However, local factory labor remains unaffected by the sluggish business climate. Neither payroll sizes nor hours worked have changed since last month.

Looking ahead to the start of 1980, about half of the responding manufacturers foresee further worsening of business conditions, while less than one-fourth expect improvement. As was reported last month, however, the severity of the predicted slowdown six months from now remains open to question. Manufacturers polled in July again anticipate no changes in the level of either new orders or shipments by January, and, overall, inventories are also likely to hold their current levels. Factory payrolls are not expected to be affected by the projected slump, although the workweek may be trimmed fractionally.

On the inflation front, industrial prices are up again in July. About 3 out of 4 of the executives polled this month are paying higher prices for inputs than they did in June, and 3 out of 8 are charging more for the products they manufacture. For the longer term, 5 out of 6 respondents foresee further hikes in the cost of raw materials by the new year, and 2 out of 3 expect to boost the cost of their finished goods by that time.

Overall, July brings a significant slippage in Delaware Valley industrial activity, but part of the dropoff may be seasonal in nature. As for the future, further slowing is predicted along with higher prices in the manufacturing sector.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
July 1979

INDICATOR	July vs. June			Six Months from Now vs. July		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	35.1	62.2	2.7	48.6	24.3	24.3
COMPANY BUSINESS INDICATORS						
New Orders	37.8	56.8	5.4	35.1	32.4	32.4
Shipments	27.0	56.8	16.2	35.1	24.3	40.5
Unfilled Orders	27.0	67.6	2.7	40.5	43.2	13.5
Delivery Time	16.2	75.7	5.4	24.3	64.9	8.1
Inventories	29.7	48.6	18.9	32.4	37.8	27.0
Prices Paid	0.0	24.3	75.7	0.0	16.2	83.8
Prices Received	0.0	59.5	37.8	2.7	27.0	67.6
Number of Employees	8.1	89.2	2.7	16.2	73.0	10.8
Average Employee Workweek	8.1	89.2	2.7	24.3	64.9	10.8
Capital Expenditures				10.8	59.5	29.7

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