

B. J. ...

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: August 1979

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.

Respondents to this month's Business Outlook Survey indicate further slowing in the local industrial sector in August. As expected though, the current dropoff is not nearly as sharp as that reported in July, probably because a good part of the July slowdown was seasonal. Nevertheless, the slump is still significant, with over 25 percent of the executives surveyed indicating a drop in area business activity, and only about 10 percent reporting improvement. Turning to business indicators at individual plants, however, it appears that some leveling off has occurred since last month. New orders are unchanged from July and shipments are up fractionally. Inventories have been cut once again, continuing a trend started in May of 1978. Area labor continues to weather the slowdown with little damage. Shorter working hours in August have been offset by a corresponding increase in employment.

As for the future, local manufacturers are forecasting a further slowdown in business activity over the next six months. In the current survey, the bears outnumber the bulls by nearly 3 to 1—the widest the margin has been in over five years. Both new orders and shipments are expected to dip significantly between now and February, and survey respondents plan to cut inventories somewhat as well. Moreover, for the first time since expectations of a downturn have become widespread, manufacturers are also reporting plans to cut back on labor by trimming both payrolls and hours by early 1980.

On the price front, inflation continues in the Delaware Valley industrial sector. About 3 out of 5 of this month's respondents report paying higher prices for inputs in August, and 2 out of 5 are charging more for the goods they sell. Looking ahead, almost 90 percent expect the cost of raw materials to be hiked within six months, and 70 percent also expect to raise the prices of their finished products by that time.

In short, August has seen further slowing in local industrial activity. As for the future, more of the same is expected by area manufacturers, along with continued inflation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS August 1979

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?	27.8	61.1	11.1	55.6	25.0	19.4
COMPANY BUSINESS INDICATORS						
New Orders	30.6	44.4	25.0	50.0	25.0	25.0
Shipments	16.7	55.6	27.8	47.2	27.8	25.0
Unfilled Orders	33.3	52.8	13.9	41.7	44.4	11.1
Delivery Time	11.1	83.3	2.8	19.4	69.4	8.3
Inventories	44.4	38.9	16.7	36.1	38.9	25.0
Prices Paid	0.0	38.9	61.1	0.0	11.1	88.9
Prices Received	0.0	55.6	41.7	2.8	25.0	69.4
Number of Employees	8.3	72.2	19.4	38.9	52.8	8.3
Average Employee Workweek	11.1	86.1	0.0	33.3	61.1	5.6
Capital Expenditures				5.6	55.6	33.3

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