

FEDERAL RESERVE BANK
OF
PHILADELPHIA
DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY
Summary of Returns
December 1976

This Summary of Returns reports on the December 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.

Manufacturing activity in the area is faltering. Of the businessmen surveyed this month, only 16 percent indicate any improvement while 23 percent report a worsening in economic conditions. In November, the overall business climate was unchanged after improving steadily since February.

New orders and shipments show virtually no change for the second month in a row, and inventories are marginally higher after being flat since September. For the most part, the buildup in stocks is concentrated in those industries which are facing a slowdown in demand for their products.

With the reduced pace of activity, employment in manufacturing continues to weaken. Work forces at area factories are lower for the third month in a row, and the average workweek is shorter for the second month in a row. Both of these measures showed steady improvement during the spring and summer of this year.

Despite the current weakness, manufacturers remain optimistic for the longer term. More than two-thirds of those surveyed foresee better business conditions by June. New orders, shipments, and inventories are expected to increase over the period, and higher levels of employment are projected as well. However, the proportion of firms planning to hire additional employees six months out is down to 25 percent from 40 percent in November. Plans to increase capital spending are reported

by 43 percent of the firms sampled--a figure which has held steady for the better part of this year.

Reports of higher prices are no more widespread than in November. Thirty-two percent of the businessmen in the current survey report paying more for their supplies and 16 percent report charging more for their finished products. By mid-year, 9 out of 10 expect to be paying more for their inputs, and close to 7 out of 10 anticipate charging more for the products they sell.

To recap, manufacturing activity in the region has slowed somewhat in December, and employment continues to fall. Over the next two quarters, however, increases in output are anticipated and job prospects are expected to improve as well.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS December 1976

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase*
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	22.7	59.1	15.9	6.8	20.5	70.5
COMPANY BUSINESS INDICATORS						
New Orders	22.7	54.5	20.5	4.5	22.7	70.5
Shipments	27.3	50.0	22.7	6.8	20.5	70.5
Unfilled Orders	20.5	56.8	18.2	9.1	43.2	43.2
Delivery Time	13.6	75.0	6.8	9.1	63.6	22.7
Inventories	22.7	45.5	29.5	15.9	45.5	38.6
Prices Paid	4.5	63.6	31.8	0.0	11.4	88.6
Prices Received	9.1	75.0	15.9	2.3	29.5	65.9
Number of Employees	18.2	72.7	9.1	4.5	70.5	25.0
Average Employee Workweek	20.5	65.9	13.6	9.1	52.3	38.6
Capital Expenditures				4.5	47.7	43.2

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