

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: December 1978

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.

Business conditions have deteriorated somewhat at area manufacturing firms in December, according to responses to this month's Business Outlook Survey. Twenty-four percent of the executives polled in December report a slowdown in business activity from last month, while only 12 percent indicate a pickup. This "net loss" of 12 percent is the first slippage in business at surveyed firms in two years. Supporting the claims of slower activity, responding manufacturers report new orders to be down fractionally from November levels, while shipments are unchanged. At the same time, inventories have fallen slightly. Consequently, there has been no change in either factory employment or the length of the average workweek for the second month in a row.

For the longer term, manufacturers anticipate further slowing in the first half of 1979. New orders are projected to fall marginally, while shipments and inventories are expected to remain unchanged. At the same time, executives surveyed plan to maintain factory payrolls at their current levels and trim the length of the workweek. On the brighter side of the outlook, Survey respondents forecast a pickup in plant and equipment expenditures over the next two quarters.

Price hikes are becoming more widespread in the local industrial sector in December. Input prices are reported higher at two-thirds of the firms sampled this month, while the prices of finished goods are up at one-third. Looking ahead to the next six months, about 9 out of 10 of this month's respondents anticipate higher costs

for raw materials in 1979, while 6 out of 10 plan to boost the prices of the goods they sell.

In short, business conditions have worsened in the manufacturing sector in December. As for the future, local manufacturers anticipate further slowing in the area economy and continuing inflation in the industrial sector.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS DECEMBER 1978

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?	24.2	63.6	12.1	36.4	42.4	21.2
COMPANY BUSINESS INDICATORS						
New Orders	24.2	63.6	12.1	33.3	39.4	24.2
Shipments	21.2	63.6	15.2	27.3	42.4	27.3
Unfilled Orders	24.2	60.6	12.1	33.3	48.5	15.2
Delivery Time	12.1	78.8	6.1	21.2	69.7	6.1
Inventories	24.2	60.6	15.2	30.3	42.4	27.3
Prices Paid	0.0	33.3	66.7	0.0	12.1	87.9
Prices Received	0.0	66.7	33.3	3.0	33.3	63.6
Number of Employees	0.0	93.9	6.1	21.2	63.6	15.2
Average Employee Workweek	12.1	78.8	6.1	18.2	75.8	3.0
Capital Expenditures				6.1	60.6	27.3

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