

# Economic Update: Outlook for Manufacturing

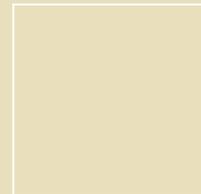
**Rick Kaglic**  
**Regional Economist**  
**Research Department**

**Metals Service Center Institute, South Atlantic Chapter**  
**September 6, 2012**



**THE FEDERAL RESERVE BANK OF RICHMOND**

RICHMOND ■ BALTIMORE ■ CHARLOTTE





# A Machinist Turned Economist





# About the Fed



**THE FEDERAL RESERVE BANK OF RICHMOND**  
RICHMOND ■ BALTIMORE ■ CHARLOTTE



# A Slower Economy





# Real Gross Domestic Product

	2011			2012	
	Q2	Q3	Q4	Q1	Q2
<b>CHANGE FROM PREVIOUS QUARTER AT COMPOUND ANNUAL RATE [Percent]:</b>					
Gross Domestic Product	2.5	1.3	4.1	2.0	1.7
Personal Consumption Expenditures	1.0	1.7	2.0	2.4	1.7
Nonresidential Fixed Investment	14.5	19.0	9.5	7.5	4.2
Structures	35.2	20.7	11.5	12.9	2.8
Equipment & Software	7.8	18.3	8.8	5.4	4.7
Residential Fixed Investment	4.1	1.4	12.1	20.5	8.9
Exports of Goods & Services	4.1	6.1	1.4	4.4	6.0
Imports of Goods & Services	0.1	4.7	4.9	3.1	2.9
Government Consumption Expenditures & Gross Investment	-0.8	-2.9	-2.2	-3	-0.9
Final Sales to Domestic Purchasers	1.8	2.2	2.1	2.2	1.6
<b>LEVEL IN QUARTER AT SEASONALLY ADJUSTED ANNUAL RATE [Billions of Chained (2005) Dollars]:</b>					
Change in Private Inventories	27.5	-4.3	70.5	56.9	49.9
Net Exports of Goods & Services	-399.6	-397.9	-418.0	-415.5	-404.7

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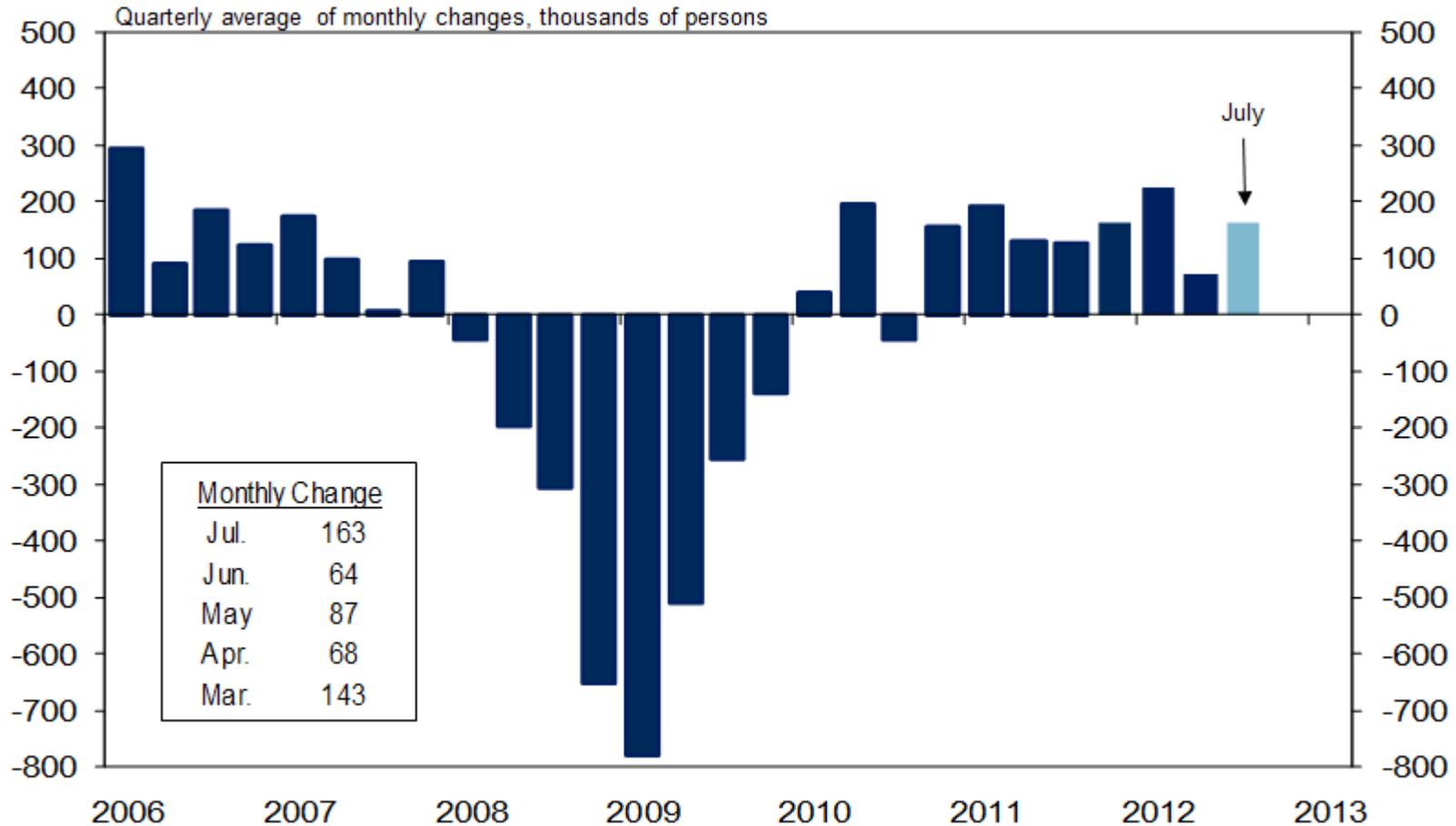
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# Nonfarm Payroll Employment – U.S.



Monthly Change	
Jul.	163
Jun.	64
May	87
Apr.	68
Mar.	143

# Gauges of Inflation

<b>Expenditure Price Indexes</b>	[Percent Change from Previous Month at Annual Rate]:		
	<b>May</b>	<b>June</b>	<b>YoY %</b>
Personal Consumption Expenditures	-2.2	1.3	1.5
Core (excludes Food* and Energy)	1.4	2.5	1.8

<b>Consumer Price Indexes</b>	[Percent Change from Previous Month at Annual Rate]:		
	<b>June</b>	<b>July</b>	<b>YoY %</b>
All Items	0.5	0.6	1.4
Core (excludes Food and Energy)	2.5	1.1	2.1

<b>Producer Price Indexes</b>	[Percent Change from Previous Month at Annual Rate]:		
	<b>June</b>	<b>July</b>	<b>YoY %</b>
Finished Goods	0.6	3.2	0.5
Core (excludes Food and Energy)	2.7	5.4	2.6
Core Intermediate Goods	-8.3	-10.6	-1.5
Crude Goods	-36.0	23.9	-9.8

<b>Spot Commodity Price Index</b>	[Percent Change from Previous Month]:		
	<b>June</b>	<b>July</b>	<b>YoY %</b>
CRB Spot Commodity Price Index	-1.3	1.3	-13.1

Notes: Core PCE Price Index includes expenditures on food services.



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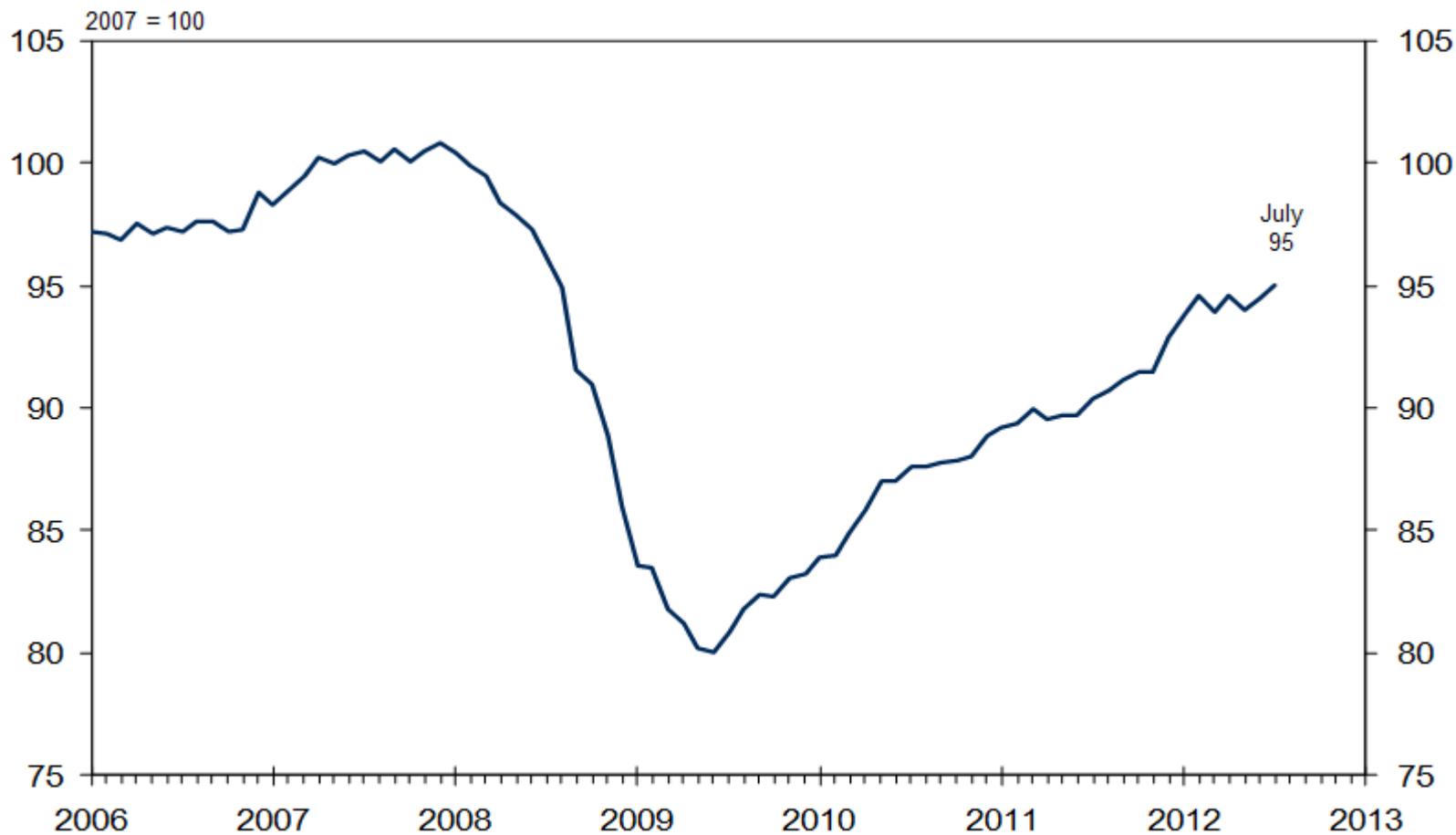
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# Industrial Production Index: Manufacturing



# ISM: Business Survey Indexes

## MANUFACTURING BUSINESS:

	<u>July</u>	<u>Aug.</u>
Purchasing Managers Index	49.8	49.6
Production	51.3	47.2
New Orders	48.0	47.1
Employment	52.0	51.6
Supplier Deliveries	48.7	49.3
Inventories	49.0	53.0
Prices	39.5	54.0
Backlog of Orders	43.0	42.5
New Export Orders	46.5	47.0
Imports	50.5	49.0

## NONMANUFACTURING BUSINESS:

	<u>June</u>	<u>July</u>
NonManufacturing Index	52.1	52.6
Business Activity	51.7	57.2
New Orders	53.3	54.3
Employment	52.3	49.3
Supplier Deliveries	51.0	49.5
Inventories	53.0	54.5
Prices	48.9	54.9
Backlog of Orders	47.5	44.5
New Export Orders	49.5	51.0
Imports	53.5	44.5

DIFFUSION INDEXES: Numbers above 50 percent indicate a preponderance of expanding firm activity.



# ISM: Business Survey Indexes

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New Export Orders	46.5	47.0	New Export Orders	49.5	51.0
Imports	50.5	49.0	Imports	53.5	44.5

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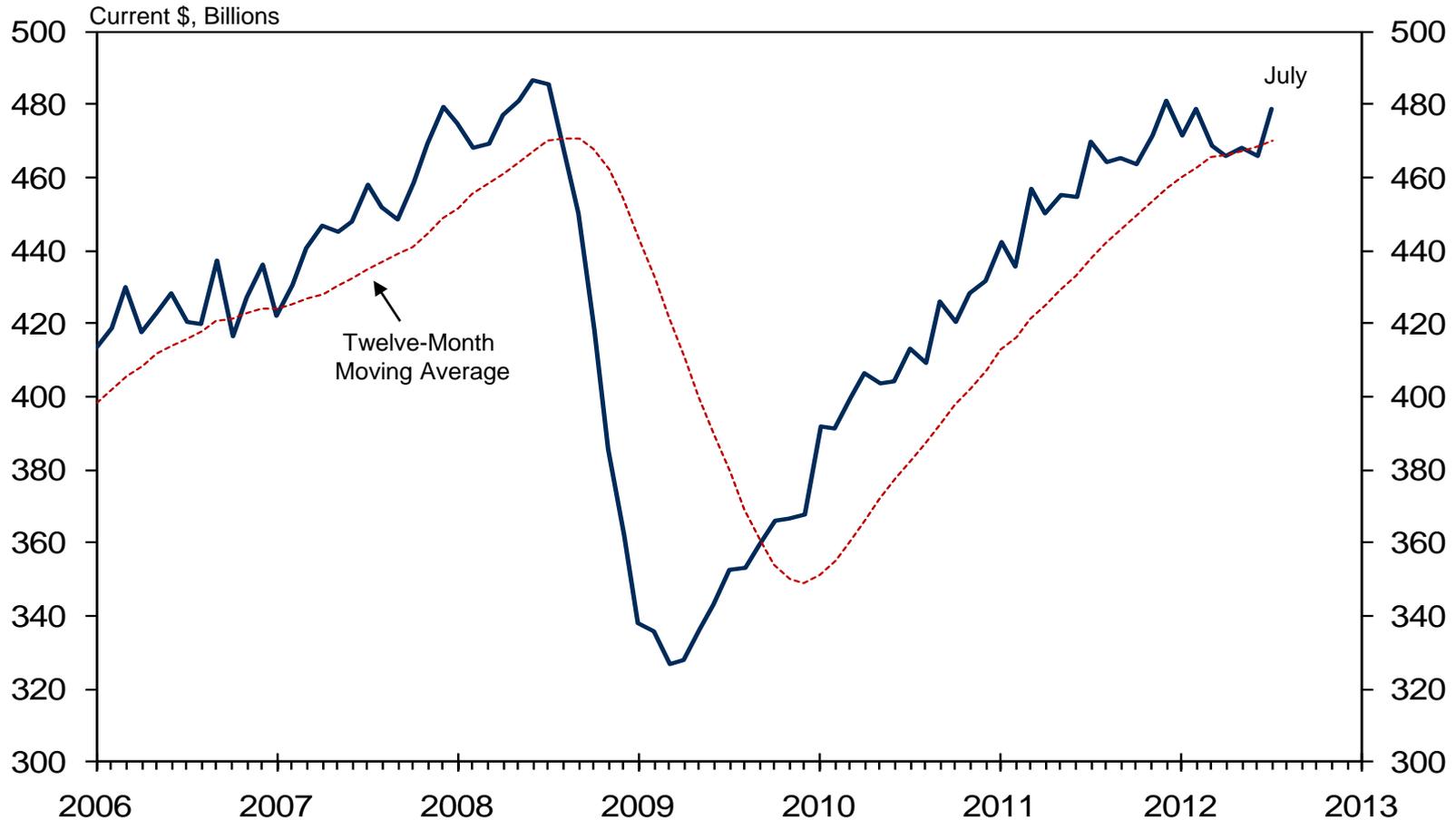
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# Manufacturers' New Orders

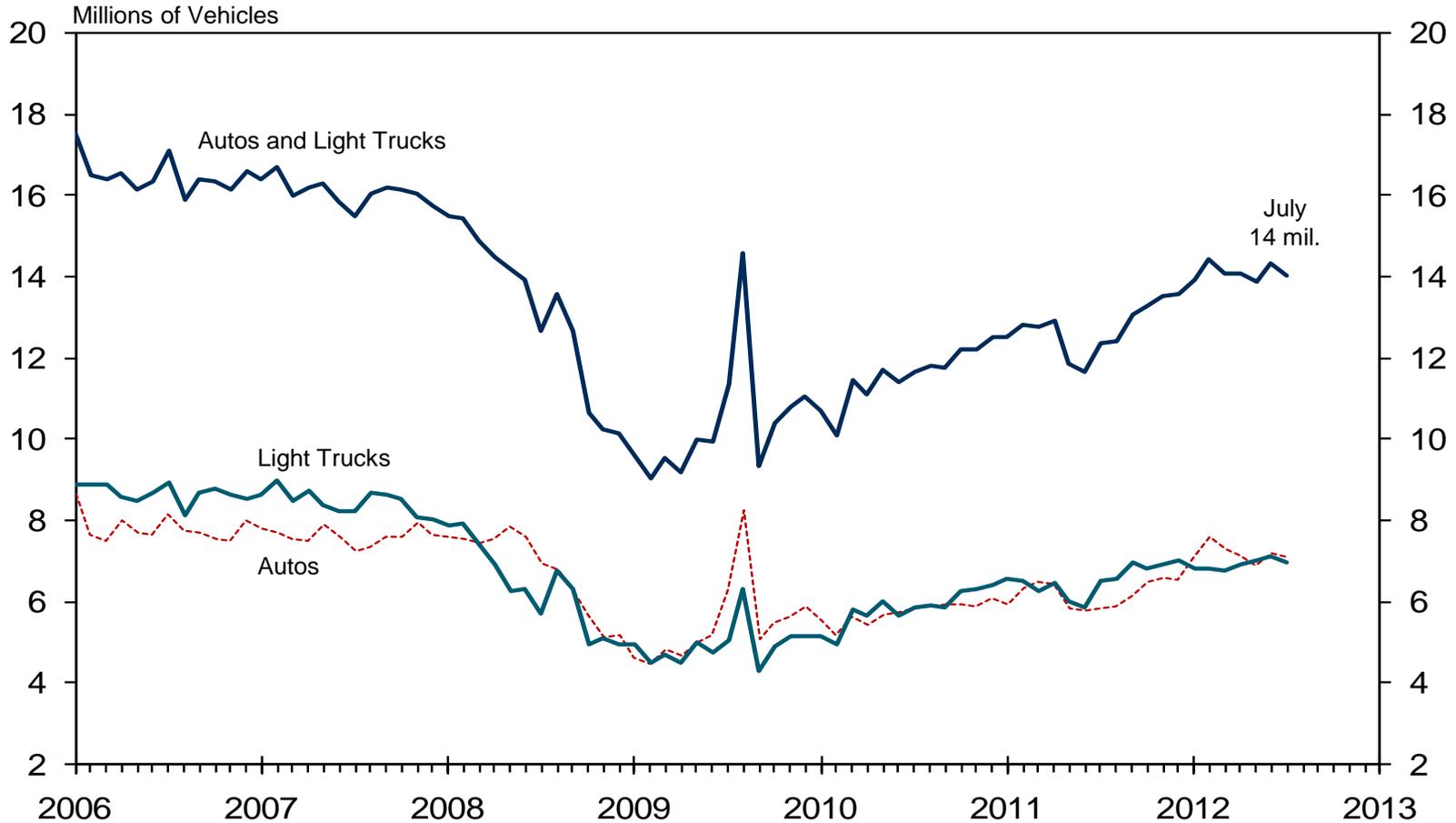




# Retail Spending Down

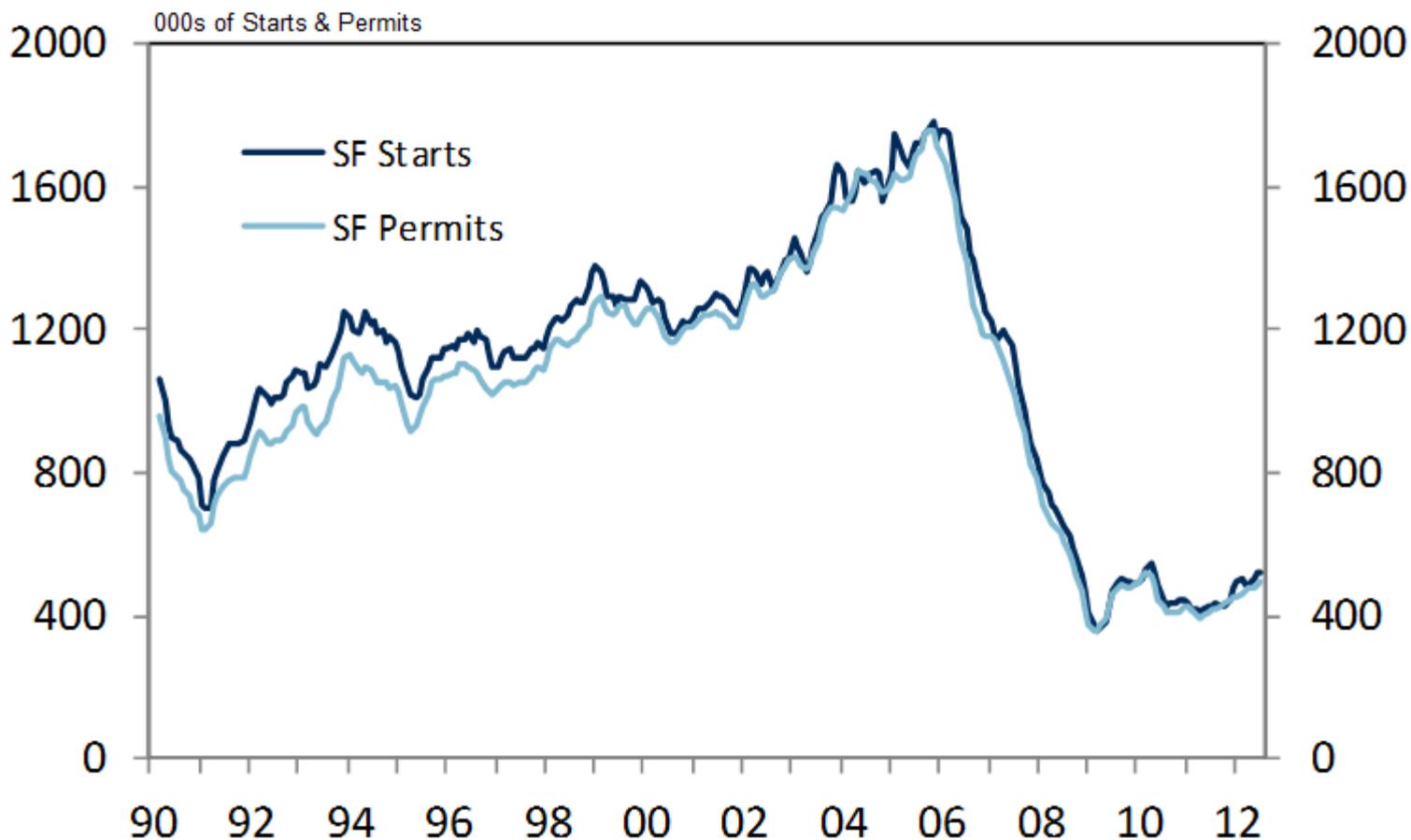


# Sales of Automobiles and Light Trucks

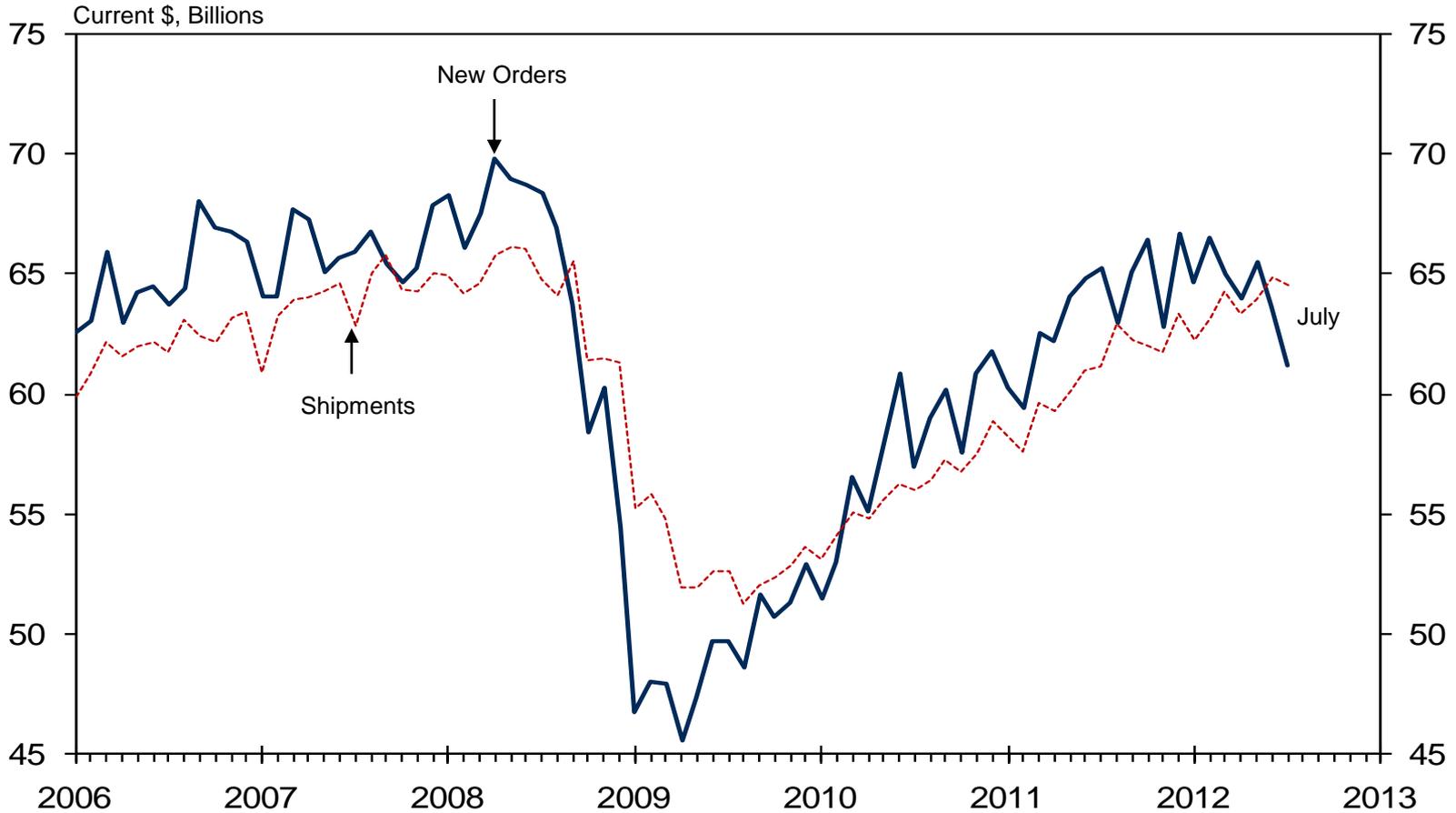




# Private Single-Family Housing Starts and Permits

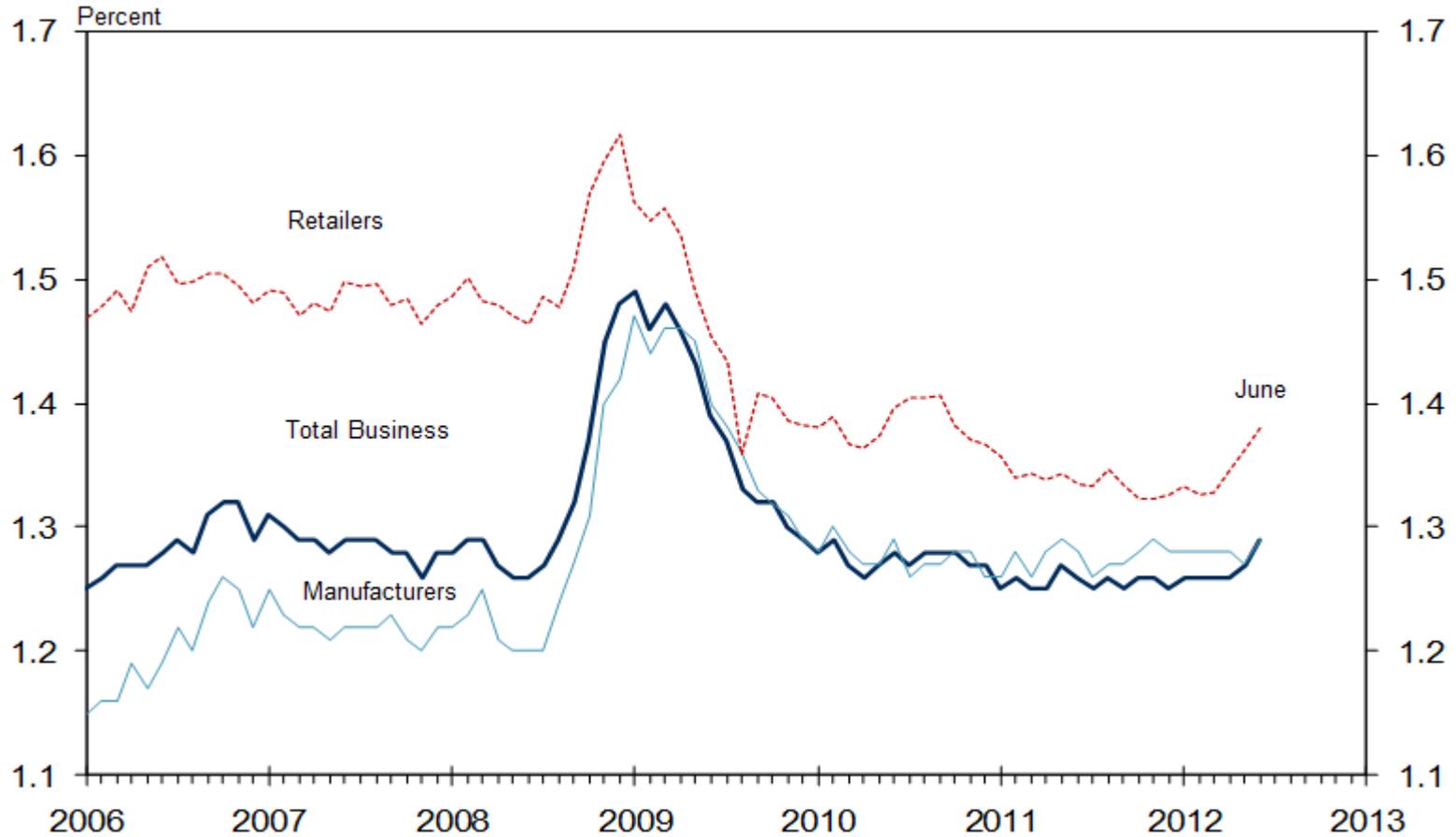


# Core Capital Goods

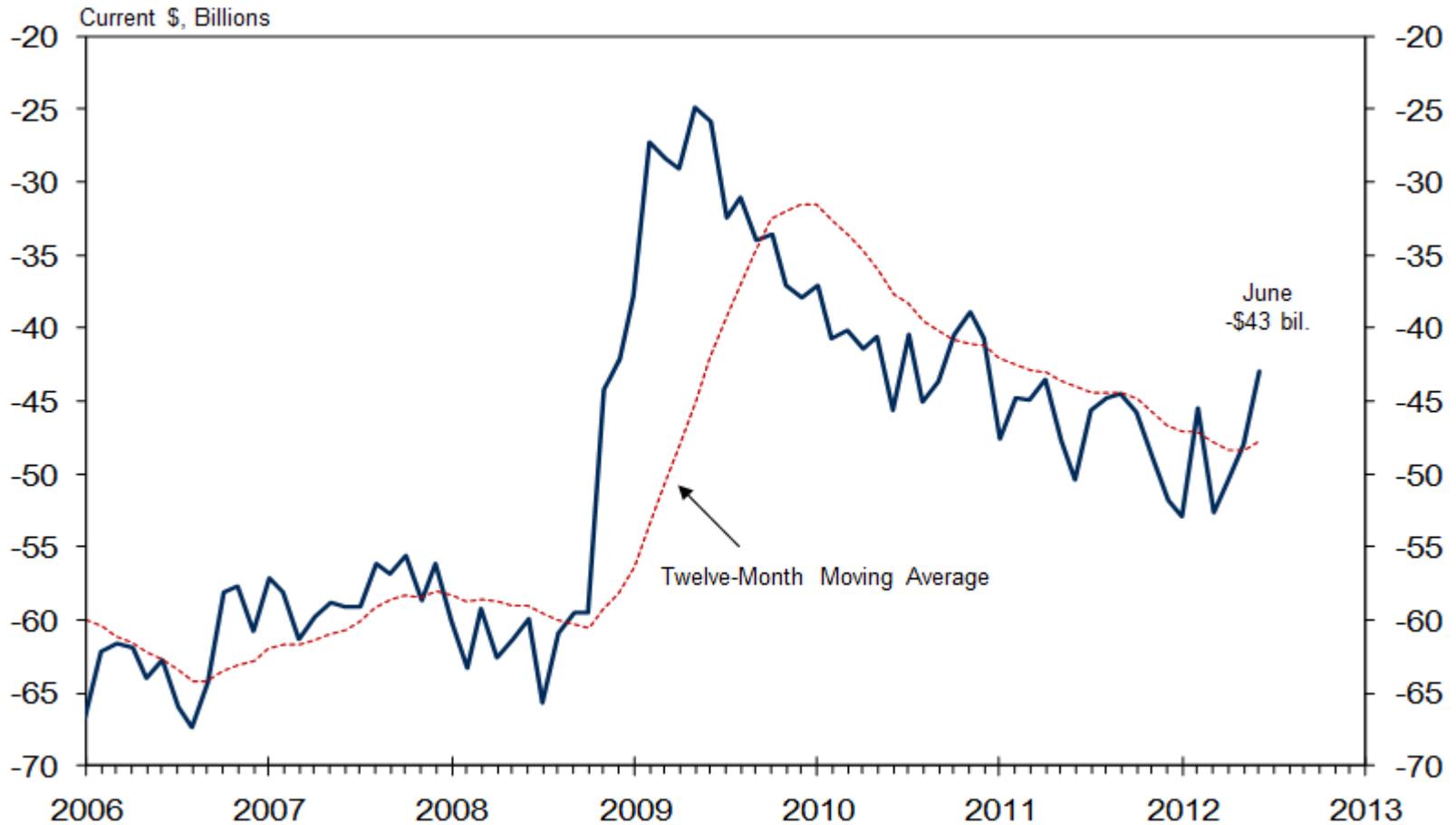


Notes: Core capital goods are nondefense capital goods excluding aircraft.

# Business Inventory/Sales Ratio

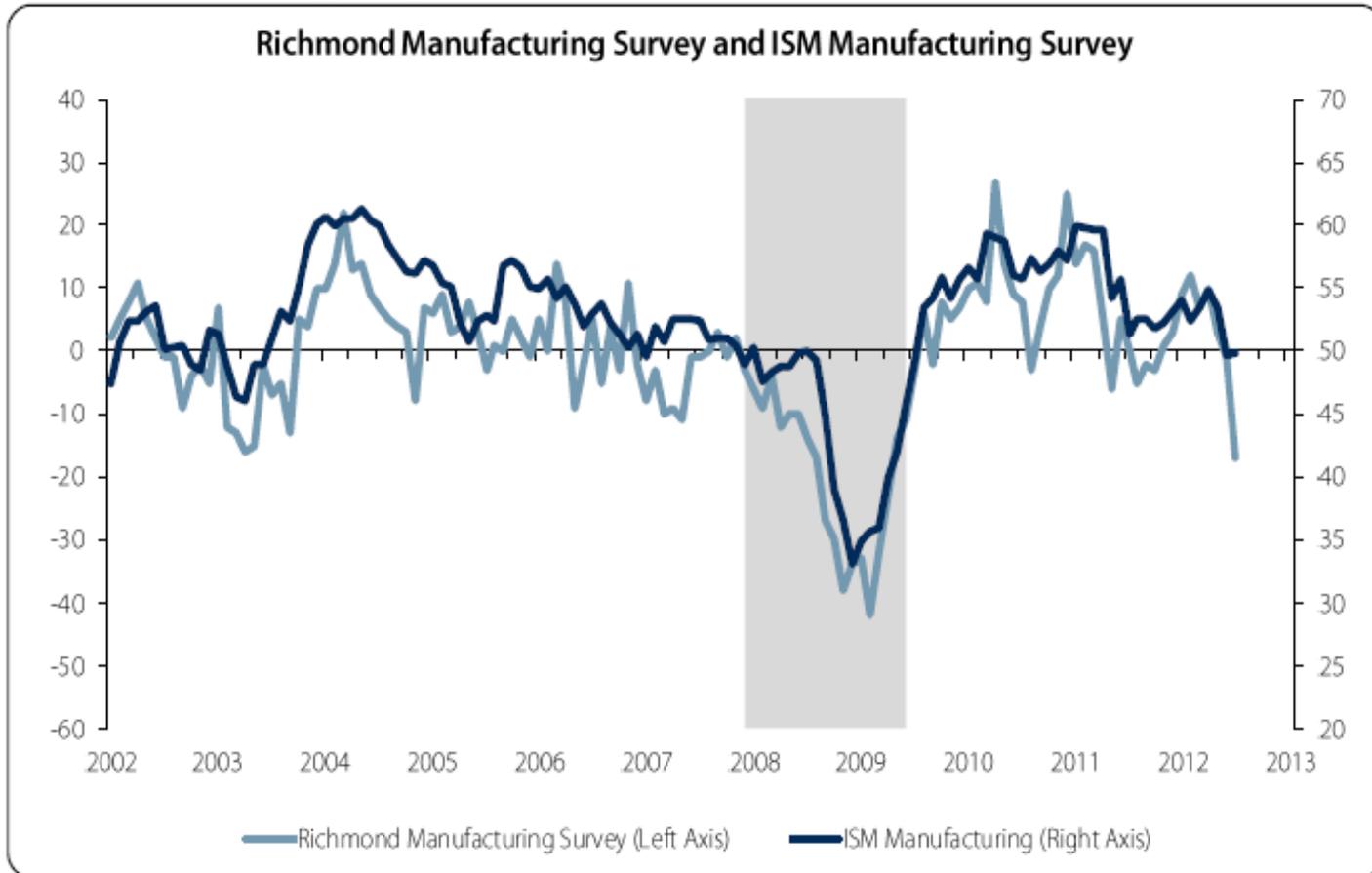


# Balance of International Trade



# In the Region: Business Activity Surveys

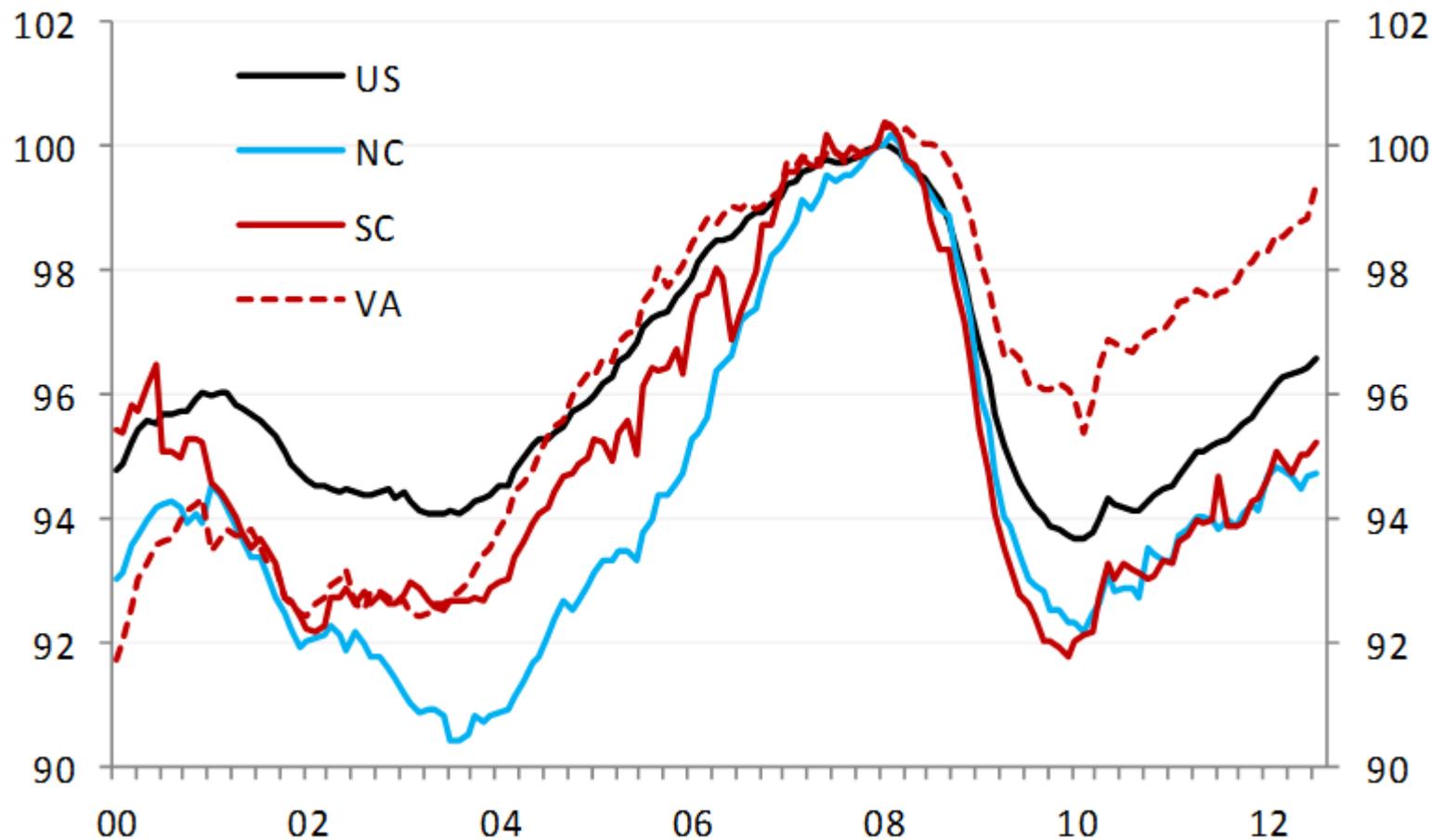
Reading above horizontal suggests expansion



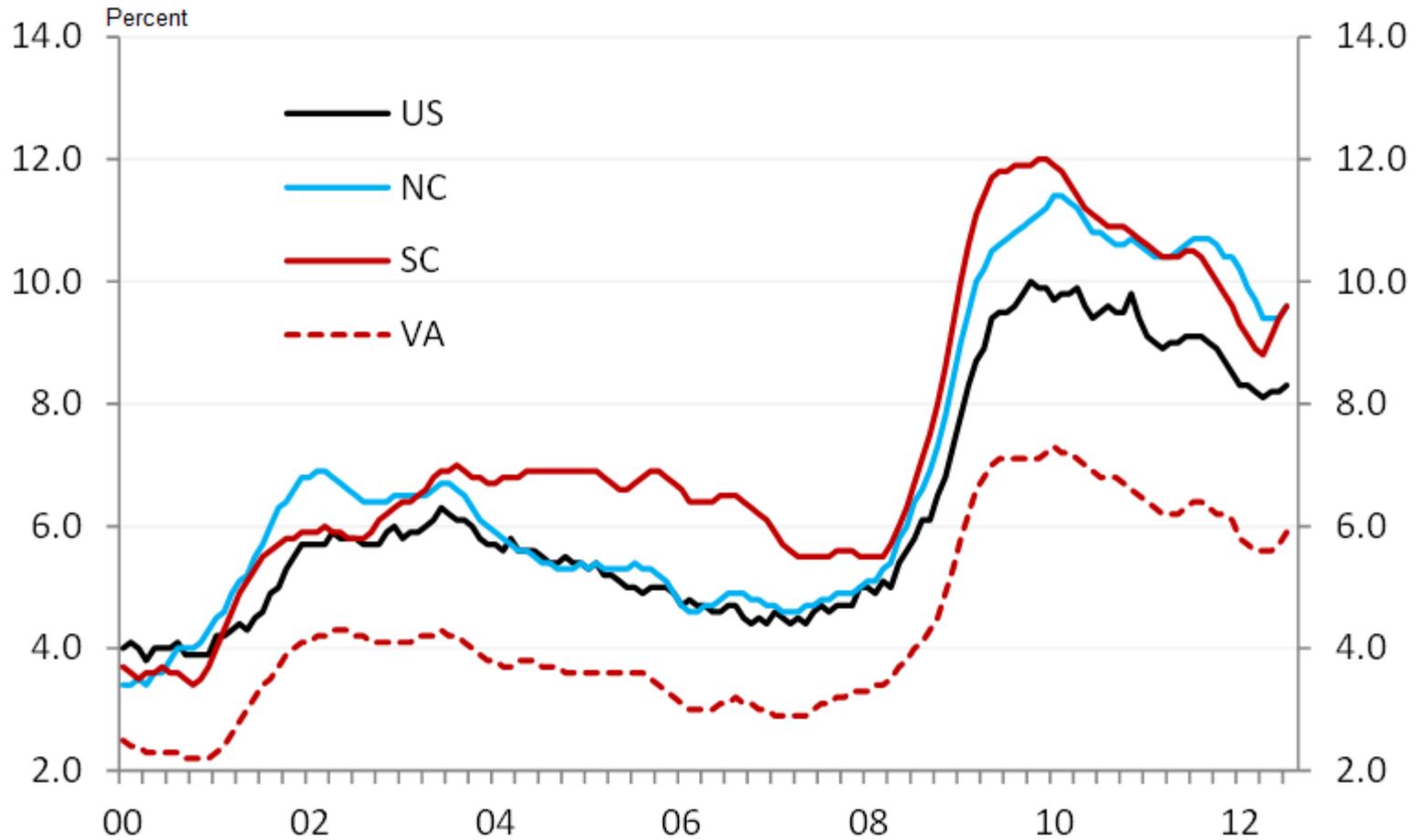


# Nonfarm Payroll Employment – U.S. vs. Fifth District

Index, Dec. 2007 = 100



# Unemployment Rate





# Conclusion



The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.



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RICHMOND ■ BALTIMORE ■ CHARLOTTE