

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

*Manufacturing Activity Picks Up the Pace in March: Expectations Remain Optimistic*

### Overview

Manufacturing activity in the central Atlantic region advanced somewhat faster in March than a month earlier, according to the Richmond Fed's latest survey. Looking at the main components of activity, shipments grew at a modest pace, while new orders were virtually unchanged and employment steadied. Other indicators were mixed. Backlogs of orders landed in negative territory and capacity utilization turned positive after being negative for the last three months. Vendor delivery times grew at a considerably quicker rate, while manufacturers reported somewhat slower growth in finished goods inventories.

Looking forward, manufacturers' optimism remained in place in March. Firms looked for steady growth in shipments, new orders, backlogs and capacity utilization in the months ahead, while they expected employment to grow moderately and reverse its negative reading that was seen last month.

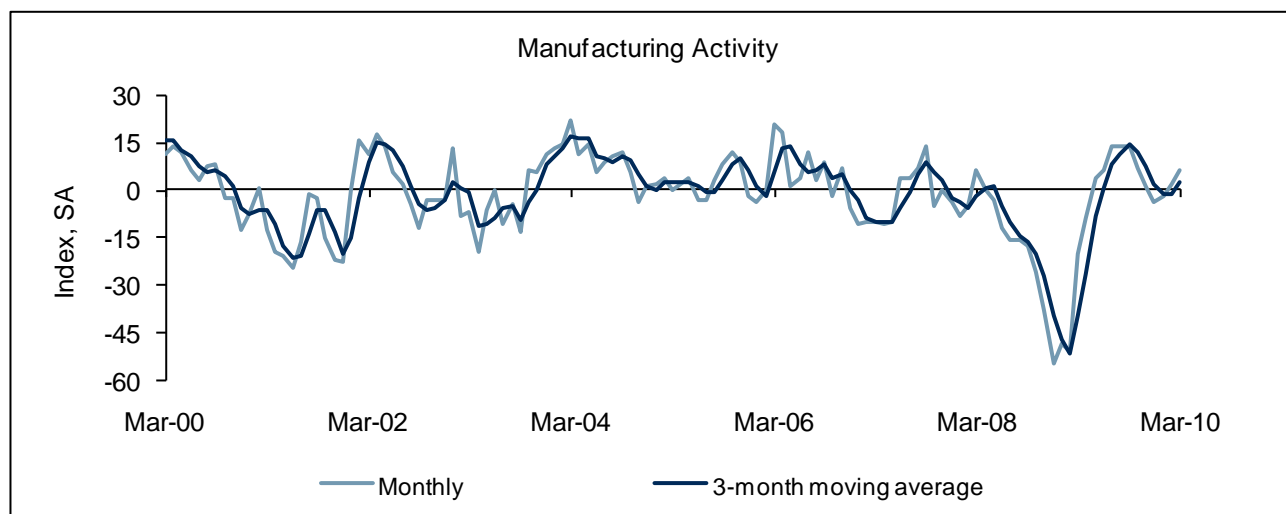
Survey measures of prices revealed that growth in

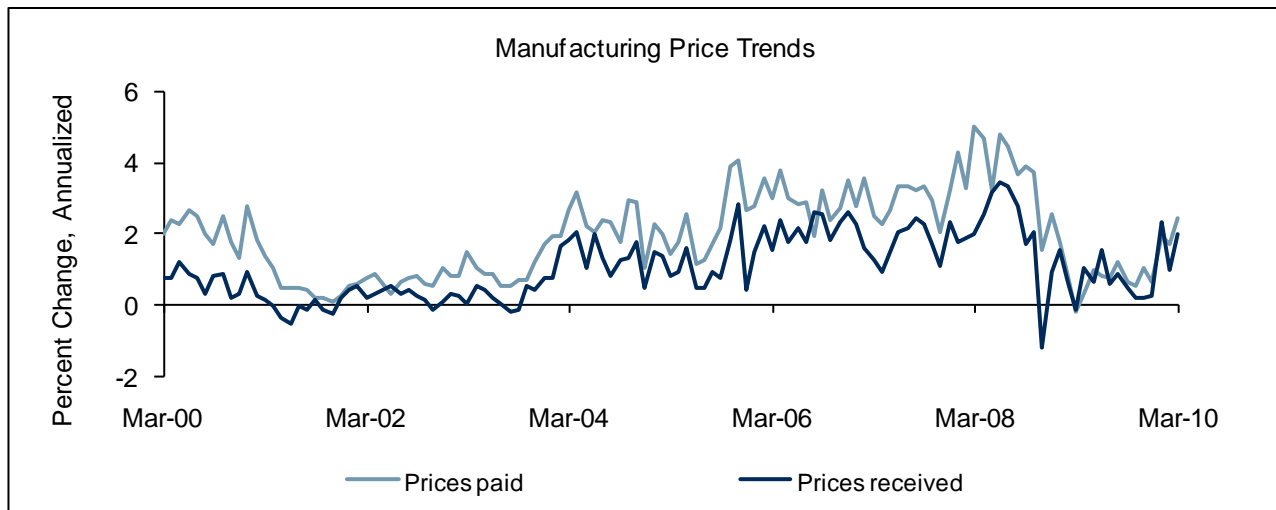
raw materials and finished goods increased at a quicker pace in March than a month ago. Respondents indicated that during the next six months they expected slower growth in both raw materials and finished goods prices from what they had anticipated last month.

### Current Activity

In March the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing—inched up four points to 6 from February's reading of 2. Among the index's components, shipments picked up five points to 5, new orders edged up one point to finish at 10, and the jobs index advanced seven points to end at 0.

Other indicators also varied. The backlog of orders measure lost seven points to -7, while the index for capacity utilization increased six points to 3. The delivery times index added six points to end at 8. Our gauges for inventories were mixed in March. The finished goods inventory index dropped seven points to 6, while the raw materials inventory index rose two points to finish at 7.





**Employment**

Hiring activity at District plants stabilized in March. The employment index gained seven points to end the month at 0, and the average workweek measure inched up four points to 0. In contrast, wage growth turned negative, with the index losing six points to -3.

**Expectations**

In our latest survey, contacts remained generally positive about their business prospects during the next six months. The index of expected shipments advanced three points to 40, while the new orders index eased two points to 37. In addition, the capacity utilization index grew more quickly, gaining twelve points to 34, while the backlogs indicator held steady at 17. Moreover, the vendor delivery times expectations index posted a seven-point gain to 13, while the index for planned capital expenditures gave up eight points to 14.

District manufacturers' plans to increase hiring were mixed in March. The expected manufacturing employment index turned positive, increasing five points to 4 from a month ago. The average workweek index, however, declined four points to 16. Furthermore, the expected wages index posted a 17-point loss to 20.

**Prices**

District manufacturers reported that raw materials

prices increased at an average annual rate of 2.39 percent compared with February's reading of 1.68 percent. Finished goods prices rose at a 2.00 percent pace—a notable increase from February's reading of 0.97.

Looking ahead, respondents expected that the prices they pay will advance at a 1.32 percent pace, somewhat lower than the previous month's expectation of 2.21 percent. Additionally, contacts looked for finished goods prices to increase at a 0.20 percent annual rate, considerably lower than last month's expectation of 1.14 percent.

Contact

**Judy Cox**

Senior Economic Analyst  
 Research Dept. /Regional Economics  
 Federal Reserve Bank of Richmond  
 Richmond Office

Ph: 804.697.8152 • Fax: 804.697.8123  
[judy.cox@rich.frb.org](mailto:judy.cox@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)



<b>Business Activity Indexes<sup>1</sup></b>						
<b>General Business Assessment</b>	<b>Current Conditions</b>			<b>Expectations<sup>2</sup></b>		
	<b>Mar-10</b>	<b>Feb-10</b>	<b>Jan-10</b>	<b>Mar-10</b>	<b>Feb-10</b>	<b>Jan-10</b>
Fifth District Manufacturing Index <sup>3</sup>	6	2	-2	--	--	--
<b>Company Conditions</b>						
Shipments	5	0	-2	40	37	29
Volume of New Orders	10	9	1	37	39	34
Backlog of Orders	-7	0	-13	17	17	20
Capacity Utilization	3	-3	-3	34	22	26
Vendor Lead-time	8	2	5	13	6	6
Number of Employees	0	-7	-5	4	-1	3
Average Workweek	0	-4	-6	16	20	14
Wages	-3	3	6	20	37	34
Capital Expenditures	--	--	--	14	22	20
<b>Inventory Levels</b>						
Finished Goods Inventories	6	13	10	--	--	--
Raw Materials Inventories	7	5	9	--	--	--
<b>Price Trends<sup>4</sup></b>						
Prices Paid	2.39	1.68	1.89	1.32	2.21	3.09
Prices Received	2.00	0.97	2.29	0.20	1.14	1.89

**Technical Notes:**

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are seasonally adjusted. Results are based on responses from 80 of 144 firms surveyed.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 The Manufacturing Index is a gauge of broad activity in the District's manufacturing sector. It is a composite index representing a weighted average of the shipments (33 percent), new orders (40 percent) and employment (27 percent) indexes. All firms surveyed are located within the Fifth Federal Reserve District, which includes the District of Columbia, Maryland, North Carolina, South Carolina, Virginia, and most of West Virginia.
- 4 Price changes are expressed as a percent change, annualized.