

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

Manufacturing Activity Expands at a Solid Pace in April: Expectations Remain Upbeat

Overview

Manufacturing activity in the central Atlantic region expanded for the third straight month, according to the Richmond Fed's latest survey. All broad indicators—shipments, new orders and employment—landed in positive territory, with manufacturers noting their first increase in worker numbers since October 2009. Other indicators were also positive. Backlogs increased for the first time since August 2009 and capacity utilization hit an all-time high reading since the inception of the measure. Vendor lead-time grew at a considerably quicker rate—the highest reading since August 2004, indicating slower delivery times, and inventories increased at a somewhat quicker pace.

Looking ahead, manufacturers were more optimistic about their future prospects in April. Firms anticipated more rapid growth across the board, particularly for shipments, new orders, capacity utilization, and capital expenditures.

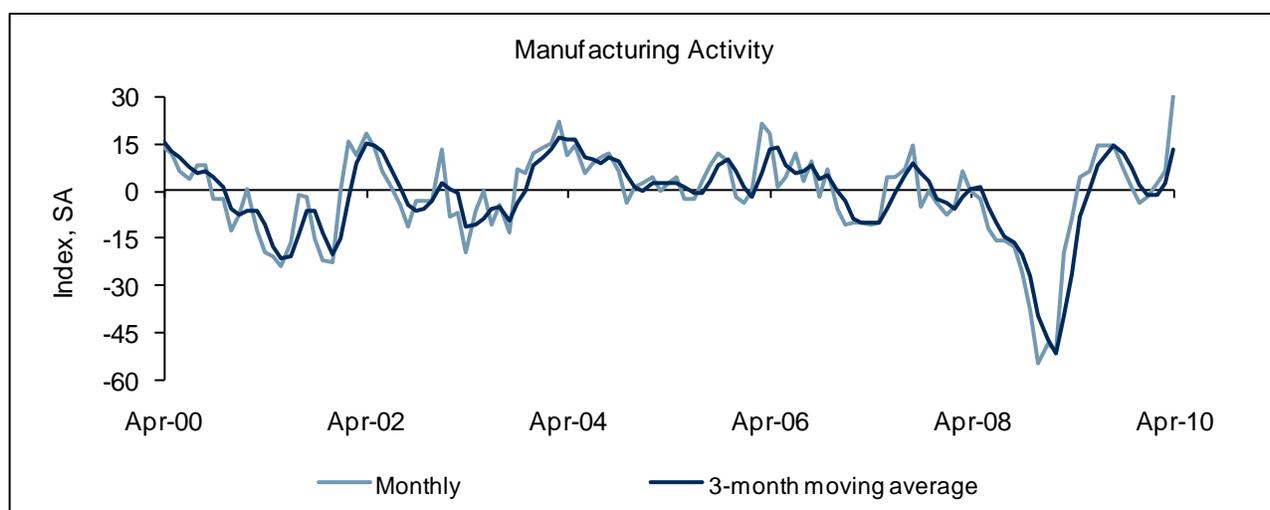
Survey measures of prices revealed that growth in raw materials increased at a slightly slower pace in April than a month ago, while finished goods

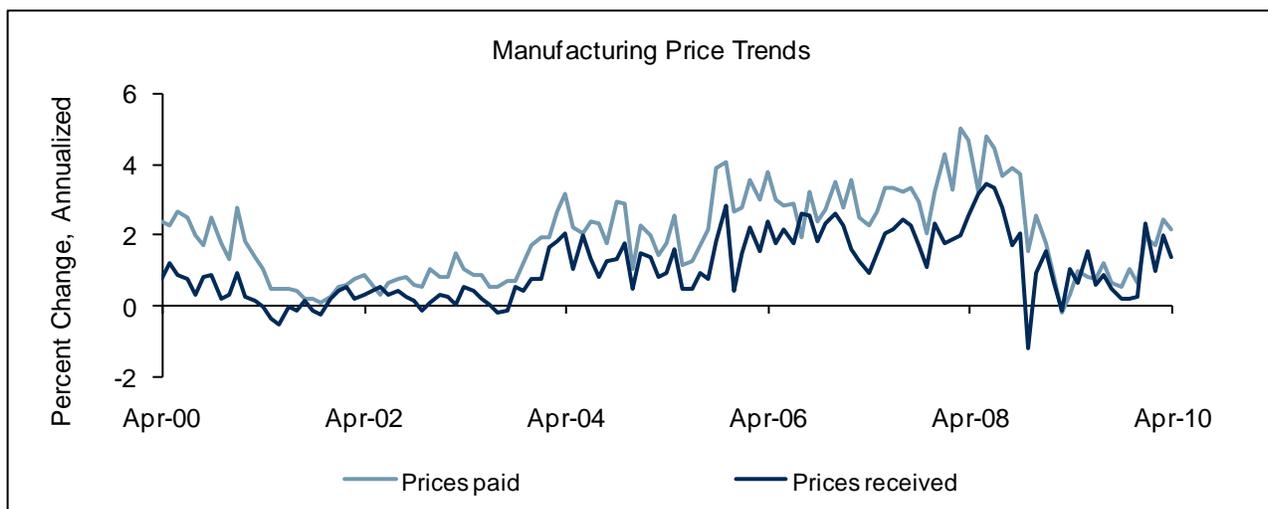
prices grew at a somewhat faster pace. Respondents indicated that during the next six months they expected quicker growth in both raw materials and finished goods prices from what they had anticipated last month.

Current Activity

In April the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing—jumped 24 points to 30 from March's reading of 6. Among the index's components, shipments moved up 25 points to 30, new orders leaped 31 points to finish at 41, and the jobs index advanced 13 points to end at 13.

Other indicators also suggest stronger activity. The backlog of orders measure turned positive, picking up 12 points to 5, and the index for capacity utilization increased 24 points to 27. The delivery times index added nine points to end at 17. Our gauges for inventories were slightly higher in April. The finished goods inventory index rose seven points to 13, and the raw materials inventory index edged up two points to finish at 9.





Employment

Hiring activity at District plants strengthened in April. In addition to the notable gains in the employment index, the average workweek measure leaped 16 points to 16. Moreover, wage growth turned positive, picking up nine points to 6.

Expectations

In our latest survey, contacts were more bullish about their business prospects during the next six months. The index of expected shipments advanced six points to 46, and the new orders index rose seven points to 44. In addition, the capacity utilization index inched up four points to 38, and the backlogs indicator advanced eight points to 25. Moreover, the vendor delivery times expectations index posted a four-point gain to 17, and the index for planned capital expenditures moved up nine points to 23.

District manufacturers' plans to increase hiring were also more positive in April. The expected manufacturing employment index accelerated 13 points to 17 from a month ago and the average workweek indicator rose six points to 22. Furthermore, the expected wages index posted a 23-point gain to 43.

Prices

District manufacturers reported that raw materials prices increased at an average annual rate of

2.11 percent compared with March's reading of 2.39 percent. Finished goods prices rose at a 2.08 percent pace—a touch above March's reading of 2.00.

Looking forward, respondents expected that the prices they pay will advance at a 2.79 percent pace, well above the previous month's expectation of 1.32 percent. Additionally, contacts looked for finished goods prices to increase at a 1.39 percent annual rate, also considerably higher than last month's expectation of 0.20 percent.

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Business Activity Indexes¹						
General Business Assessment	Current Conditions			Expectations²		
	Apr-10	Mar-10	Feb-10	Apr-10	Mar-10	Feb-10
Fifth District Manufacturing Index ³	30	6	2	--	--	--
Company Conditions						
Shipments	30	5	0	46	40	37
Volume of New Orders	41	10	9	44	37	39
Backlog of Orders	5	-7	0	25	17	17
Capacity Utilization	27	3	-3	38	34	22
Vendor Lead-time	17	8	2	17	13	6
Number of Employees	13	0	-7	17	4	-1
Average Workweek	16	0	-4	22	16	20
Wages	6	-3	3	43	20	37
Capital Expenditures	--	--	--	23	14	22
Inventory Levels						
Finished Goods Inventories	13	6	13	--	--	--
Raw Materials Inventories	9	7	5	--	--	--
Price Trends⁴						
Prices Paid	2.11	2.39	1.68	2.79	1.32	2.21
Prices Received	2.08	2.00	0.97	1.39	0.20	1.14

Technical Notes:

- 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.
- Expectations refer to the time period six months out from the survey period.
- 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.
- Price changes are expressed as a percent change, annualized.