

## Regional Surveys of Business Activity

### Fifth District Survey of Manufacturing Activity

*The Pace of Manufacturing Activity Picked Up in November; Employment and Average Workweek Increased; Expectations Remained Upbeat*

#### Overview

Manufacturing activity in the central Atlantic region advanced somewhat faster in November, according to the Richmond Fed's latest survey. All broad indicators—shipments, new orders and employment—posted solid gains. Other indicators were also generally positive. District contacts reported that growth in capacity utilization grew at a faster pace, while growth in order backlogs exhibited more moderate weakness than a month ago. Delivery times were virtually unchanged, while manufacturers reported that inventories grew at a somewhat higher rate.

Looking forward, manufacturers' assessments of business prospects for the next six months remained optimistic in November. Survey contacts anticipated steady growth in shipments, new orders, backlog of orders, and capital expenditures.

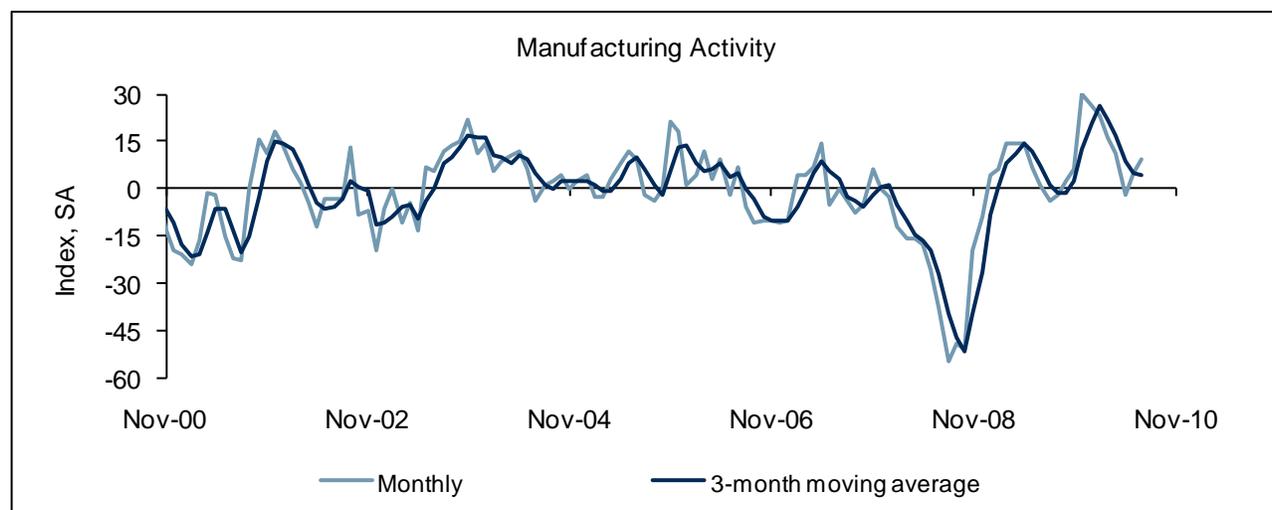
Survey measures of current prices revealed that both raw materials and finished goods prices grew at a slightly quicker pace in November.

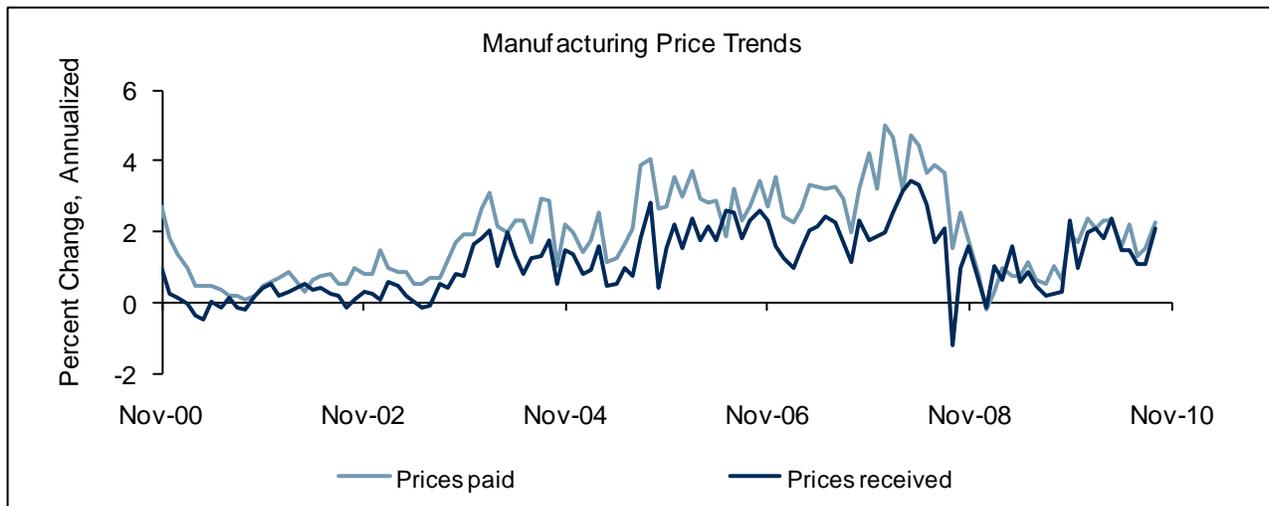
Respondents indicated that during the next six months they expected somewhat faster growth in both raw materials and finished goods prices from what they had anticipated last month.

#### Current Activity

In November, the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing activity—rose four points to 9 from October's reading of 5. Among the index's components, shipments rose four points to 7, new orders edged up two points to finish at 10, and the jobs index increased six points to 10.

Other indicators also suggested generally stronger activity. The index for capacity utilization moved up three points to 9, while the backlogs of orders contracted at a much slower pace, gaining nine points to -3. The delivery times index added one point to end at 6, and our gauges for inventories were somewhat higher in November. The finished goods inventory index increased ten points to 16, and the raw materials inventory index advanced five points to finish at 15.





### Employment

Labor market conditions strengthened at District plants in November. The manufacturing employment index registered a 10 versus October's reading of 4, and the average workweek measure moved up nine points to 9. In contrast, wage growth posted a four-point loss to 8.

### Expectations

In the November survey, our contacts remained generally confident about their business prospects during the next six months. The index of expected shipments eased down two points to 36, and the new orders index trimmed three points to 40. The capacity utilization index advanced seven points to 38, while the backlogs indicator retreated five points to 20. The vendor lead time index jumped twelve points to 19, while planned capital expenditures increased eight points to end at 24.

District manufacturers' intentions to expand hiring were mixed in November. The expected manufacturing employment index fell five points to 7, while the average workweek indicator improved one point to 10. Moreover, the expected wages index posted an eighteen-point gain to finish at 37.

### Prices

District manufacturers reported that raw materials prices increased at an average annual rate of 2.23 percent—a sharp pickup from October's

reading of 1.54 percent. Finished goods prices also posted a marked increase from October, rising at a 2.10 percent pace compared to 1.10 percent last month.

Looking ahead, respondents expected that the prices they pay will advance at a 3.30 percent pace—a sharp uptick from last month's reading of 2.40 percent. Additionally, contacts looked for finished goods prices to increase at a 1.81 percent annual rate, which was somewhat above last month's expectation of 1.44 percent.

### Contact

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<b>Business Activity Indexes<sup>1</sup></b>						
<b>General Business Assessment</b>	<b>Current Conditions</b>			<b>Expectations<sup>2</sup></b>		
	<b>Nov-10</b>	<b>Oct-10</b>	<b>Sep-10</b>	<b>Nov-10</b>	<b>Oct-10</b>	<b>Sep-10</b>
Fifth District Manufacturing Index <sup>3</sup>	9	5	-2	--	--	--
<b>Company Conditions</b>						
Shipments	7	3	-4	36	38	38
Volume of New Orders	10	8	0	40	43	42
Backlog of Orders	-3	-12	-11	20	25	20
Capacity Utilization	9	6	0	38	31	33
Vendor Lead-time	6	5	8	19	7	6
Number of Employees	10	4	-3	7	12	10
Average Workweek	9	0	0	10	9	20
Wages	8	12	8	37	19	24
Capital Expenditures	--	--	--	24	16	8
<b>Inventory Levels</b>						
Finished Goods Inventories	16	6	15	--	--	--
Raw Materials Inventories	15	10	13	--	--	--
<b>Price Trends<sup>4</sup></b>						
Prices Paid	2.23	1.54	1.31	3.30	2.40	2.46
Prices Received	2.10	1.10	1.06	1.81	1.44	1.17

**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 81 of 110 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.