

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

Manufacturing Growth Moderates in April; Expectations Remain Positive

Overview

Manufacturing activity in the central Atlantic region expanded in April for the seventh straight month but at a more temperate pace than a month ago, according to the Richmond Fed's latest survey. All broad indicators – including shipments, new orders and employment – continued to grow but at a rate below March's pace. Other indicators were mixed. Fifth District contacts reported that capacity utilization continued to grow more slowly, while backlogs turned slightly negative. Vendor delivery times edged higher and raw materials inventories grew at a somewhat higher rate.

In spite of the recent moderation in activity, assessments for business activity remained generally positive since our last report. Survey contacts at an increasing number of firms looked for solid growth in shipments, new orders, capacity utilization and capital expenditures over the next six months.

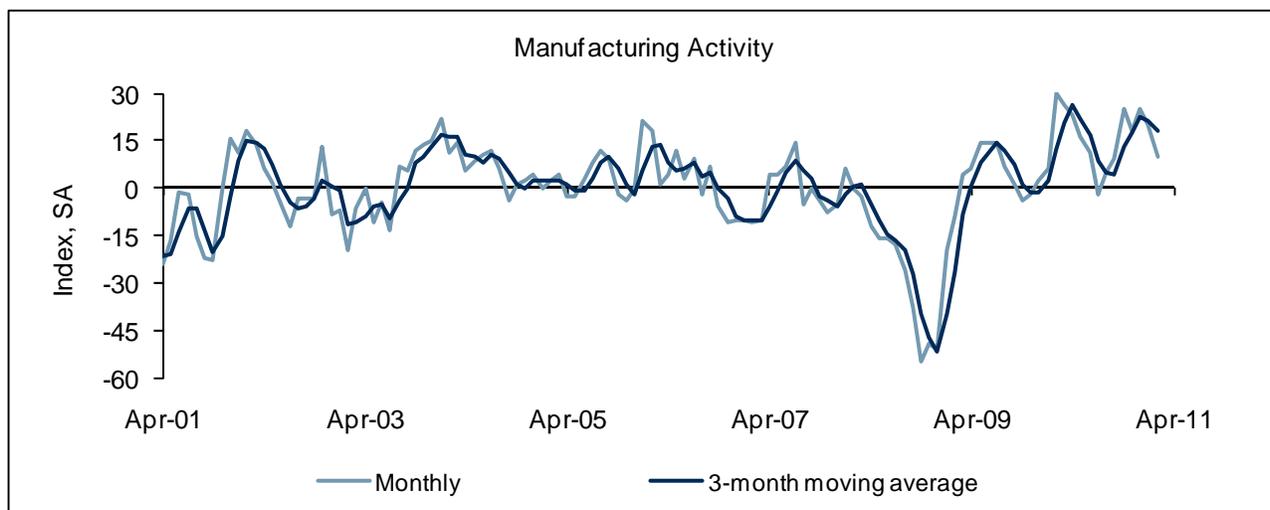
Survey measures of current prices revealed that prices of raw materials grew at a slightly higher rate and finished goods grew at a slightly slower

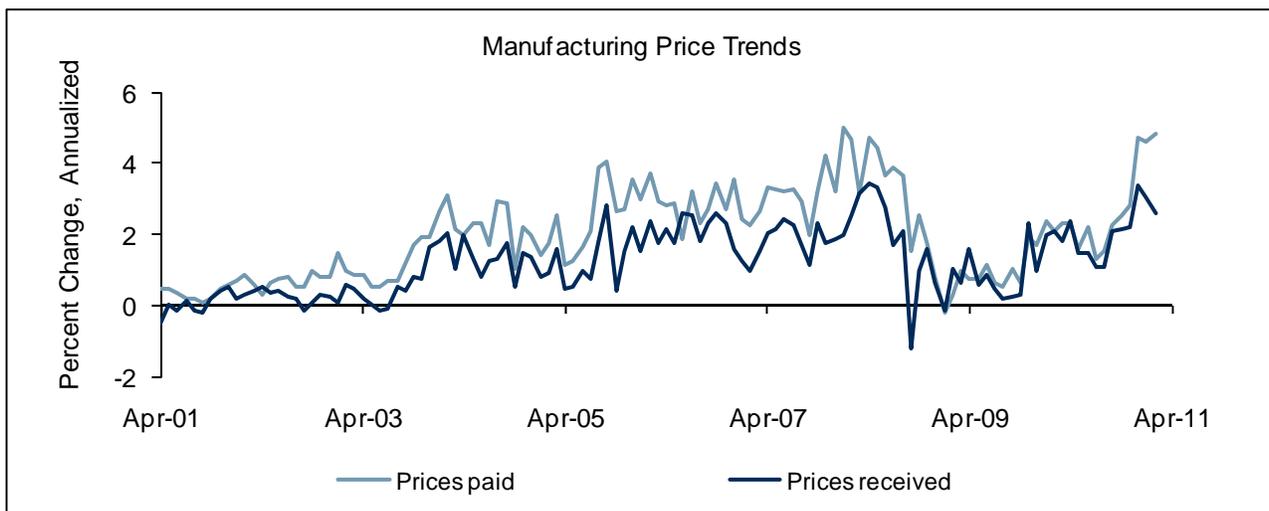
pace in April. Respondents indicated that during the next six months they expected growth in raw materials prices to slow somewhat, but expected finished goods prices to quicken from what they had anticipated last month.

Current Activity

In April, the seasonally adjusted composite index of manufacturing activity – our broadest measure of manufacturing – fell ten points to 10 from March's reading of 20. Among the index's components, shipments decreased seventeen points to 6, new orders dropped ten points to finish at 10, and the jobs index eased two points to 14.

Other indicators varied. The index for capacity utilization moved down twelve points to 2, and the backlogs of orders turned negative, losing nine points to -1. The delivery times index edged up two points to end at 18, while our gauges for inventories were mixed in April. The finished goods inventory index trimmed four points in April to end at 10, while the raw materials inventories index added nine points to 18.





Employment

Hiring conditions at Fifth District plants changed little in April from their March pace. The manufacturing employment index slipped two points to end at 14 and the average workweek measure eased three points to 7. In contrast, wage growth added three points to 22.

Expectations

Respondents in the current survey were generally optimistic about their business prospects over the next six months. The index of expected shipments decreased eleven points to end at 31, and the volume of new orders index dropped seven points to 38. Backlogs edged up two points to end at 27, while the capacity utilization and vendor lead time indexes both lost six points to finish at 28 and 12, respectively. Readings for planned capital expenditures registered a one-point gain to 29.

District manufacturers' intentions to expand hiring held steady in April. The expected manufacturing employment index was unchanged at 17 and the average workweek indicator remained at 12. In addition, the expected wages index posted an eight-point loss to 30.

Prices

District manufacturers reported that raw materials prices increased at an average annual rate of 4.81 percent from March's reading of 4.61 percent.

Finished goods prices rose at a 2.60 percent pace from March's reading of 3.01 percent last month.

Looking ahead, respondents expected that the prices they pay will advance at a 3.88 percent pace, down somewhat from March's reading of 4.31 percent. Additionally, contacts looked for finished goods prices to increase at a 3.02 percent annual rate, up slightly from last month's expectation of 2.40 percent.

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Business Activity Indexes¹						
General Business Assessment	Current Conditions			Expectations²		
	Apr-11	Mar-10	Feb-10	Apr-11	Mar-10	Feb-10
Fifth District Manufacturing Index ³	10	20	25	--	--	--
Company Conditions						
Shipments	6	23	29	31	42	49
Volume of New Orders	10	20	27	38	45	48
Backlog of Orders	-1	8	12	27	25	31
Capacity Utilization	2	14	17	28	34	41
Vendor Lead-time	18	16	20	12	18	16
Number of Employees	14	16	16	17	17	27
Average Workweek	7	10	17	12	12	20
Wages	22	19	18	30	38	44
Capital Expenditures	--	--	--	29	28	20
Inventory Levels						
Finished Goods Inventories	10	14	10	--	--	--
Raw Materials Inventories	18	9	8	--	--	--
Price Trends⁴						
Prices Paid	4.81	4.61	4.72	3.88	4.31	3.47
Prices Received	2.60	3.01	3.38	3.02	2.40	2.38

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 117 of 288 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.