

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

*Manufacturing Activity Advanced in November; Optimism Increased*

### Overview

Manufacturing activity in the central Atlantic region advanced moderately in November following a slight pullback in October, according to the Richmond Fed's latest survey. All broad indicators—shipments, new orders and employment—landed in positive territory. Other indicators were mixed, however. Capacity utilization was virtually unchanged, while backlogs fell further from its October reading. Moreover, the gauge for delivery times steadied, while finished goods inventories grew at a slightly quicker pace and growth in raw materials edged lower.

Looking ahead, assessments of business prospects for the next six months were more optimistic in November. Contacts at more firms anticipated that shipments, new orders, backlogs, vendor lead-times and capital expenditures will grow more quickly than anticipated a month ago.

Survey assessments of current prices revealed that growth in both raw materials and finished goods prices grew at a somewhat slower rate than a month ago. Over the next six months, respondents expected growth in both raw

materials and finished goods prices at a slightly slower pace than they had anticipated a month earlier.

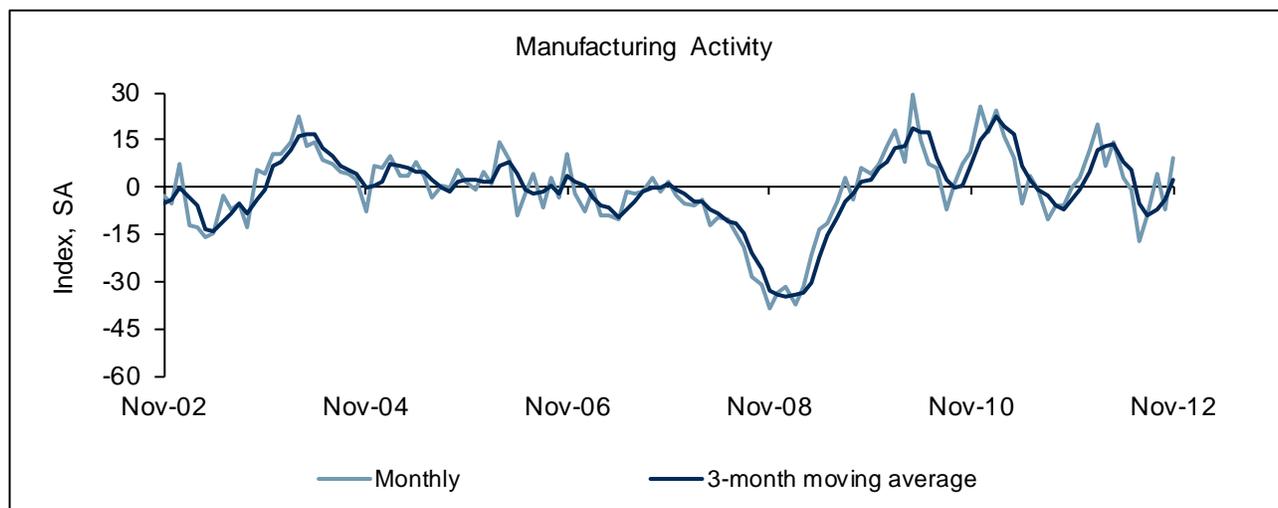
### Current Activity

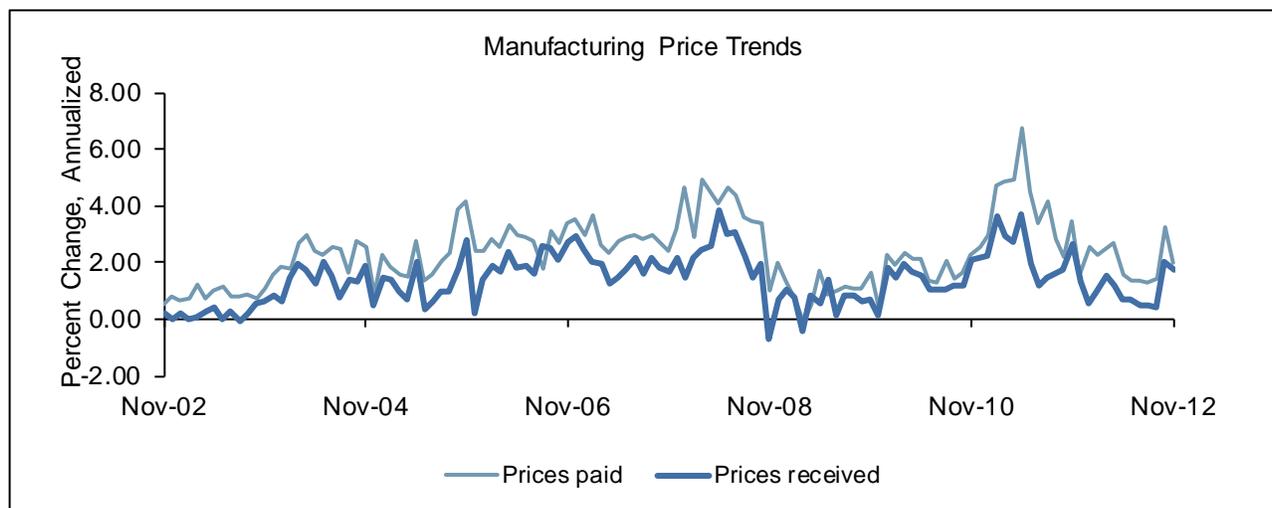
In November, the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing activity—gained sixteen points to 9 from October's reading of -7. Among the index's components, shipments rose twenty points to 11, new orders moved up seventeen points to finish at 11, and the jobs index increased eight points to 3.

Other indicators varied. The index for capacity utilization changed little, adding one point to -3, and the backlogs of orders declined six points to end at -9. In contrast, the delivery times index rose two points to 0, while our gauges for inventories were mixed in November. The raw materials inventory index eased two points to finish at 21, while the finished goods index gained four points to 19.

### Employment

Labor market conditions firmed somewhat from a month ago. The manufacturing employment index





turned positive, picking up eight points to 3, while the average workweek indicator was almost unchanged at 2. Moreover, the wage index held steady at 10.

**Expectations**

In the current survey, contacts were generally more optimistic about their business prospects than reported a month ago. The index of expected shipments moved up seven points to 28 and the new orders index increased six points to finish at 25. Backlogs added thirteen points to end at 19, and capacity utilization moved down seven points to 12. Vendor lead-time inched up three points to 10 and readings for planned capital expenditures added four points to 4.

District manufacturers' hiring plans were mixed in November. The expected manufacturing employment index lost eight points to finish at 0, while the average workweek indicator fell four points to 6. Moreover, the index of expected wages rose three points to end at 28.

**Prices**

District manufacturers reported that raw materials prices increased at an average annual rate of 1.99 percent, notably lower than October's reading of 3.21 percent. Finished goods prices rose at a 1.72 percent pace, slightly below October's reading of 1.99 percent.

Looking ahead, respondents on average expected that the prices they pay will advance at a 1.95 percent pace, somewhat below October's reading of 2.55 percent. Contacts looked for finished goods prices to increase at a 1.29 percent annual rate, also slightly below last month's 1.51 percent pace.

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## Business Activity Indexes<sup>1</sup>

General Business Assessment	Current Conditions			Expectations <sup>2</sup>		
	Nov-12	Oct-12	Sep-12	Nov-12	Oct-12	Sep-12
Fifth District Manufacturing Index <sup>3</sup>	9	-7	4	--	--	--
<b>Company Conditions</b>						
Shipments	11	-9	9	28	21	20
Volume of New Orders	11	-6	7	25	19	26
Backlog of Orders	-9	-3	-9	19	6	16
Capacity Utilization	-3	-4	3	12	19	23
Vendor Lead-time	0	-2	-1	10	7	13
Number of Employees	3	-5	-5	0	8	1
Average Workweek	2	3	-5	6	10	11
Wages	10	10	6	28	25	21
Capital Expenditures	--	--	--	4	0	2
<b>Inventory Levels</b>						
Finished Goods Inventories	19	15	18	--	--	--
Raw Materials Inventories	21	23	17	--	--	--
<b>Price Trends<sup>4</sup></b>						
Prices Paid	1.99	3.21	1.42	1.95	2.55	1.33
Prices Received	1.72	1.99	0.44	1.29	1.51	1.27 <sup>5</sup>

**Technical Notes:**

- <sup>1</sup> 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 111 of 290 firms surveyed.
- <sup>2</sup> Expectations refer to the time period six months out from the survey period.
- <sup>3</sup> 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.
- <sup>4</sup> Price changes are expressed a percent change, annualized.
- <sup>5</sup> Revised to exclude outliers that skewed the index.