

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

Manufacturing Activity Pulled Back in April; Expectations Waned

Overview

Manufacturing activity in the central Atlantic region pulled back in April after growing at a slower pace in March, according to the Richmond Fed's latest survey. The index of overall activity landed in negative territory, driven by weak readings for factory shipments and volume of new orders. Employment, however, remained in positive territory but grew at a pace below March's rate. Other indicators also suggested weaker activity. Capacity utilization and backlogs fell further, while the gauge for delivery times was unchanged. In addition, inventories grew at a slightly slower rate.

Looking forward, manufacturers in April were less optimistic about their future business prospects. An increasing number of contacts anticipated slower growth across the board for all indicators of activity six months from now.

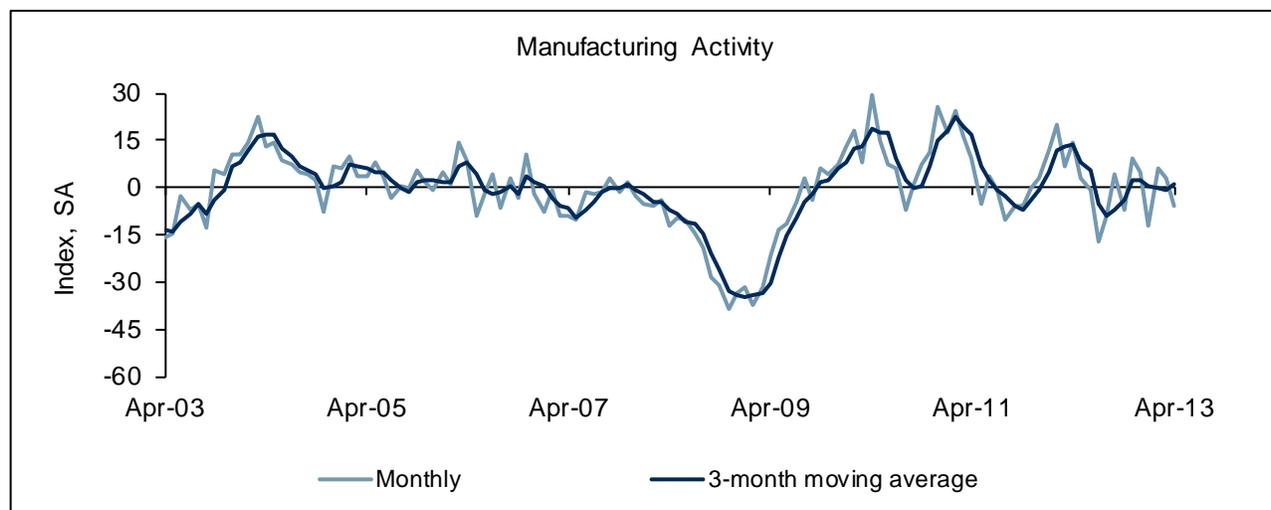
Survey participants indicated that raw materials prices grew on par with March's pace, while finished goods prices grew at a slower rate than a month ago. Over the next six months, however,

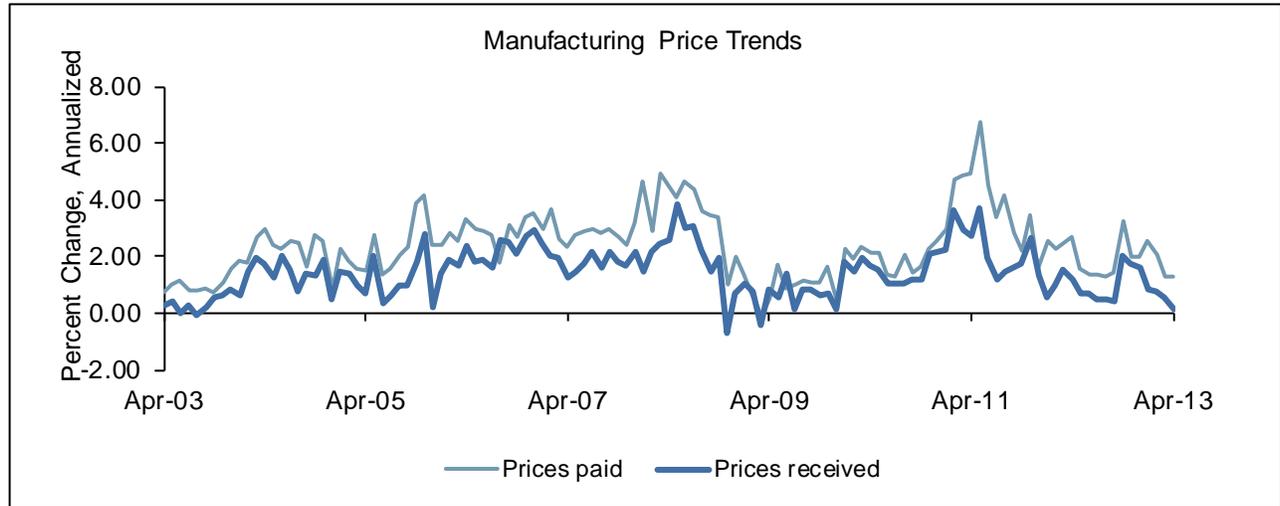
respondents expected both raw materials and finished goods prices to grow at a slightly quicker rate than they had anticipated last month.

Current Activity

In April, the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing—lost nine points, settling at -6 from March's reading of 3. Among the index's components, shipments fell seventeen points to -9, the gauge for new orders moved down four points to end at -8, and the jobs index subtracted six points to end at 3.

Other indicators also suggested weaker activity in April. The index for capacity utilization fell further, losing fifteen points to settle at -18, and the index for backlogs of orders dropped seven points to finish at -21. The delivery times index was unchanged at -2, while gauges for our inventories were somewhat lower in April. The raw materials inventory index decreased four points to finish at 18 and the finished goods inventories moved down one point to end at 9.





Employment

Hiring activity at Fifth District plants was mixed in April. The manufacturing employment index moved down six points to 3 and the average workweek indicator lost thirteen points to end at -3. In contrast, the wage index gained eight points to finish at 12.

Expectations

In the current survey, contacts were less optimistic about their future business prospects than they reported a month ago. The index of expected shipments lost six points, ending at a reading of 25, and the new orders index fell five points to finish at 26. The index for backlogs slipped two points to a reading of 10, while the gauge for capacity utilization declined eight points to 15. The indicator for vendor lead-time eased one point to 0 and the index for planned capital expenditures lost nine points to finish at 18.

Fifth District manufacturers’ hiring plans were also less optimistic in April. The index for expected manufacturing employment sank sixteen points to finish at a reading of 0 while the average workweek indicator dropped thirteen points to end at -2. However, the index for expected wages added five points to 30.

Prices

District manufacturers reported that raw materials prices increased at an average annual rate of 1.27 percent, virtually unchanged from last

month’s 1.28 percent pace. Finished goods prices rose at a 0.15 percent pace, slightly lower than March’s reading of 0.54 percent.

Looking ahead six months, respondents expected that the prices they pay will advance at a 1.85 percent pace, somewhat above March’s outlook of 1.77 percent. Contacts looked for finished goods prices to increase at a 1.26 percent annual rate, also slightly above last month’s 1.14 percent pace.

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Business Activity Indexes¹

General Business Assessment	Current Conditions			Expectations ²		
	Apr-13	Mar-13	Feb-13	Apr-13	Mar-13	Feb-13
Fifth District Manufacturing Index ³	-6	3	6	--	--	--
Company Conditions						
Shipments	-9	8	10	25	31	28
Volume of New Orders	-8	-4	0	26	31	26
Backlog of Orders	-21	-14	-12	10	12	11
Capacity Utilization	-18	-3	11	15	23	13
Vendor Lead-time	-2	-2	0	0	1	2
Number of Employees	3	9	8	0	16	12
Average Workweek	-3	10	-2	-2	11	1
Wages	12	4	11	30	25	25
Capital Expenditures	--	--	--	8	17	7
Inventory Levels						
Finished Goods Inventories	9	10	12	--	--	--
Raw Materials Inventories	18	22	16	--	--	--
Price Trends⁴						
Prices Paid	1.27	1.28	2.04	1.85	1.77	2.72
Prices Received	0.15	0.54	0.79	1.26	1.14	1.80

Technical Notes:

- ¹ Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are seasonally adjusted.
- 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 a percent change, annualized.