

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

*Manufacturing Sector Activity Expanded; New Orders Rose Modestly, Employment Increased*

### Overview

Fifth District manufacturing activity grew modestly in December, according to the most recent survey by the Federal Reserve Bank of Richmond. The volume of new orders picked up in December, while shipments flattened. Manufacturing employment strengthened this month and average wages rose moderately, while the average workweek lengthened. Raw materials prices and prices of finished goods rose at a somewhat faster pace.

Manufacturing executives anticipated positive business conditions during the next six months. Firms expected growth in shipments and in new orders. Additionally, producers anticipated order backlogs to build and expected increased capacity utilization. Survey participants looked for slightly longer vendor lead times.

Manufacturers expected faster growth in the number of employees and looked for average wages to increase at a moderate pace in the six months ahead. They expected a modest rise in the length of the average workweek. In addition, producers expected faster growth in prices paid and in prices received during the next six months.

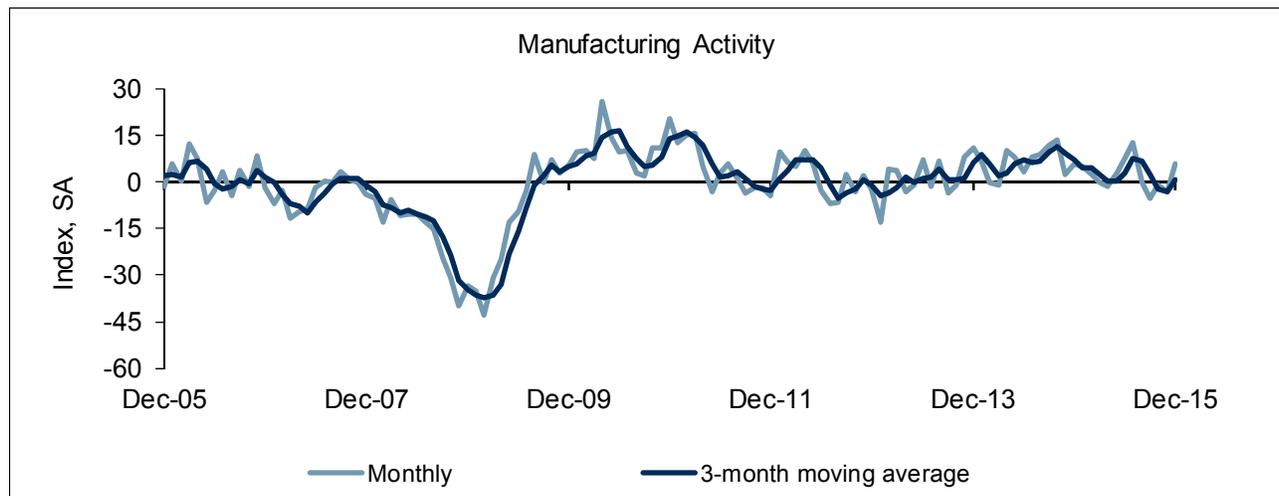
### Current Activity

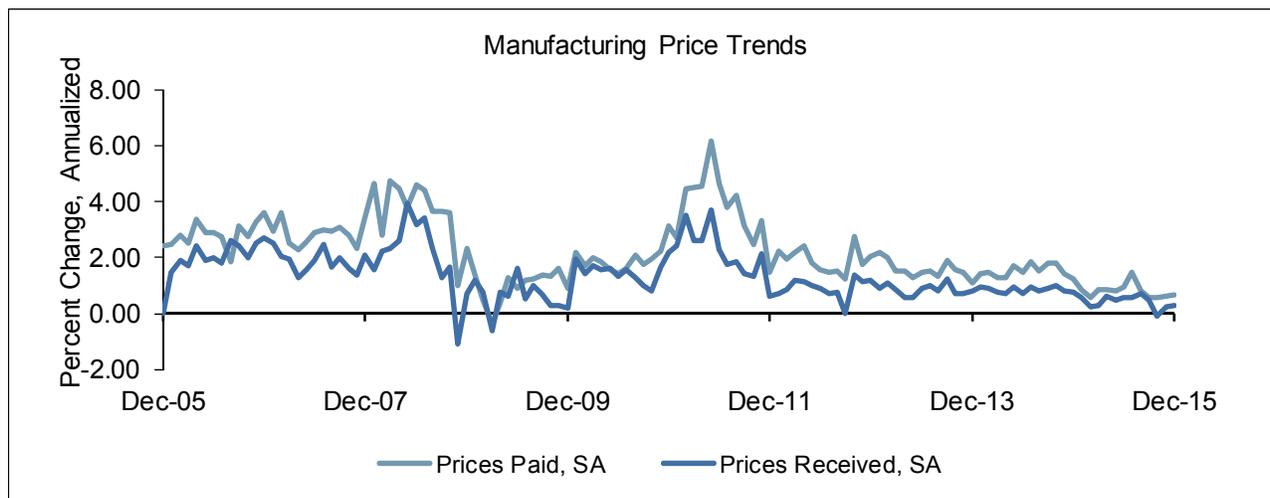
Overall, manufacturing activity improved this month, compared to a month earlier. The December composite index for manufacturing advanced nine points to a reading of 6. The index for shipments flattened, ending at 0, while the index for new orders climbed 14 points to a reading of 8. Manufacturing employment increased moderately this month to a reading of 12.

Capacity utilization increased mildly in December, with that gauge edging up two points to end at 2. Additionally, vendor lead time lengthened slightly this month, with the index adding four points to end at 3. Backlogs of new orders leveled off this month. The indicator climbed 16 points, finishing at 0. Finished goods inventories rose faster than a month ago. The index advanced seven points to end at 27. Raw materials inventories growth remained solid this month. That gauge moved to 23 from 29.

### Employment

Manufacturing employment strengthened in December, with the index climbing to a reading of 12. The average workweek lengthened this month, moving that index up 10 points to end at 7. Average





wages rose at a moderate pace; the index added 11 points to finish at a reading of 17.

**Expectations**

Manufacturers anticipated better business conditions during the next six months, with steady growth in shipments and in the volume of new orders. The index for expected shipments gained three points from the December reading to end at 24. Compared to November readings, the index for expected new orders lost four points to end at 23.

Survey participants expected backlogs would build more quickly in the next six months. However, the December outlook index softened 10 points to finish at 11, below last month’s outlook. Firms anticipated vendor lead times would lengthen modestly in the months ahead. Producers planned sizeable increases in capital spending. The index ended at a reading of 23, 17 points above last month’s outlook. The index for future capacity utilization lost 8 points to end at a solid reading of 16.

Manufacturers expected to increase hiring at a moderate pace in the six months ahead. The index for the expected number of employees settled at a reading of 16 compared to the November reading of 11. The index for expected average wages remained at 22, while the gauge for the expected average workweek lost eight points to end at a reading of 4.

**Prices**

Prices of raw materials prices rose at a somewhat faster pace in December, advancing at an annualized 0.67 percent rate, compared to the previous 0.61 percent rate.

Prices of finished goods also rose slightly faster, growing at a 0.27 annualized rate, compared to November’s 0.22 percent pace.

Survey respondents expected input prices would rise more quickly in the six months ahead. They looked for an annualized 1.60 percent increase, compared to the previous 1.21 percent rate increase. Finished goods prices were expected to rise at an annualized 1.18 percent rate, compared to the previous expectation for 1.09 percent growth.

Contact

**Jeannette Plamp**

Economic Analyst  
 Research Dept. / Regional Economics  
 Federal Reserve Bank of Richmond

Richmond Office: 804.697.8152 · Fax:  
 804.697.8123

[Jeannette.Plamp@rich.frb.org](mailto:Jeannette.Plamp@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

**Business Activity Indexes<sup>1,4</sup>**

General Business Assessment	Current Conditions			Expectations <sup>2</sup>		
	Dec-15	Nov-15	Oct-15	Dec-15	Nov-15	Oct-15
Fifth District Manufacturing Index <sup>3</sup>	6	-3	-1	--	--	--
<b>Company Conditions</b>						
Shipments	0	-2	-4	24	21	42
Volume of New Orders	8	-6	0	23	27	44
Backlog of Orders	0	-16	-7	11	21	21
Capacity Utilization	2	0	-14	16	24	28
Vendor Lead-time	3	-1	-2	8	-2	5
Number of Employees	12	0	3	16	11	19
Average Workweek	7	-3	-5	4	12	12
Wages	17	6	17	22	22	37
Capital Expenditures	--	--	--	23	6	21
<b>Inventory Levels</b>						
Finished Goods Inventories	27	20	25	--	--	--
Raw Materials Inventories	23	29	26	--	--	--
<b>Price Trends<sup>4</sup></b>						
Prices Paid	0.67	0.61	0.58	1.60	1.21	0.78
Prices Received	0.27	0.22	-0.10	1.18	1.09	0.39

**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 83 firms.
- 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 percent change, annualized.