

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

Manufacturing Activity Expanded; New Orders Picked Up, Average Wage Increases Broadened

Overview

Fifth District manufacturing activity expanded in November, after a three-month contraction period. New orders increased in the most recent survey period, while shipments remained flat. Hiring activity continued to strengthen mildly across firms and wage increases were more widespread. Prices of raw materials and finished goods rose at a somewhat slower pace in November.

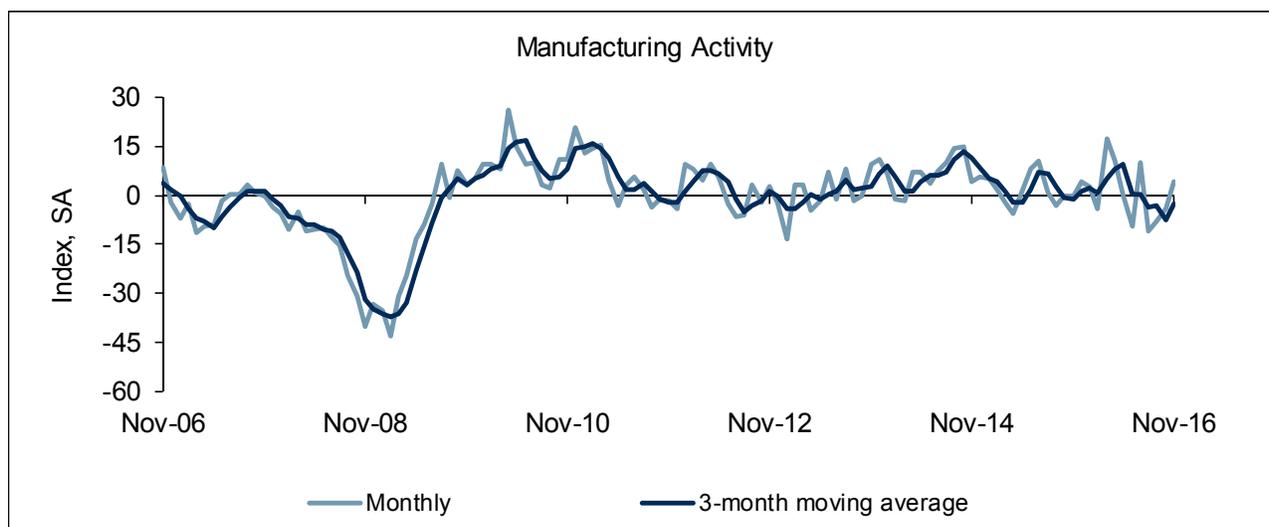
Manufacturers anticipated positive business conditions during the next six months. Producers expected faster growth in shipments and in the volume of new orders. Survey participants looked for backlogs to grow in the months ahead and anticipated increased capacity utilization. Firms looked for slightly longer vendor lead times during the next six months.

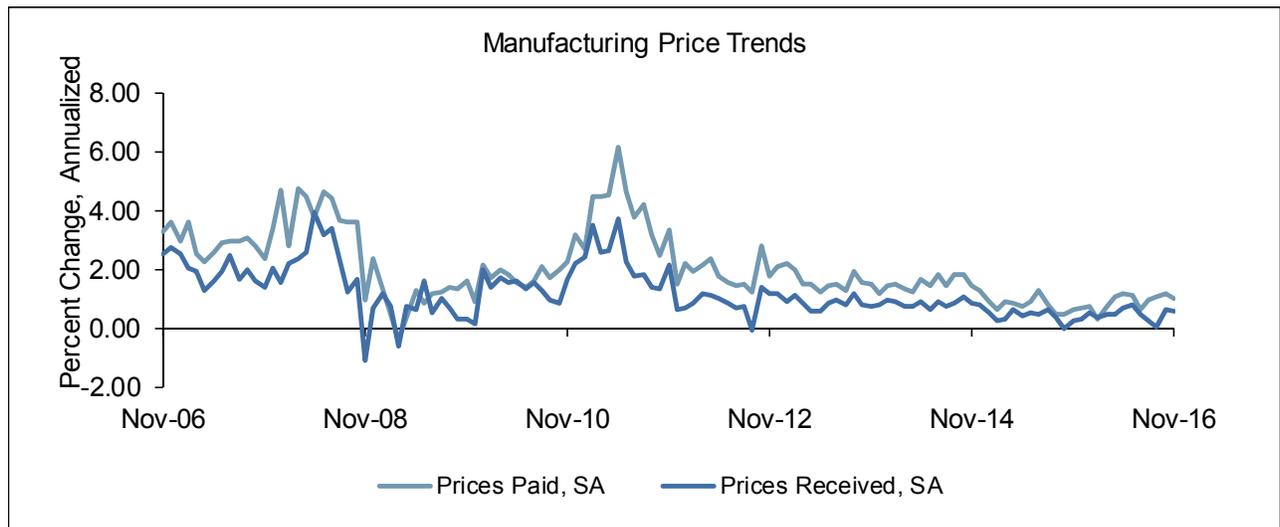
Looking ahead, survey participants planned more hiring. In November, more respondents reported future wage increases, while they anticipated somewhat longer average workweeks. Manufacturers looked for faster growth in prices paid and prices received.

Current Activity

Overall manufacturing conditions expanded this month. The composite index for manufacturing gained eight points, moving into positive territory to end at a reading of 4. The new orders indicator increased this month, ending at a reading of 7, while the shipments index remained at a flat reading of 1. The manufacturing employment index changed little this month. The index added two points to end at 5.

The backlog of new orders index remained negative in November as that gauge added one point to end at 12. The capacity utilization index moved up to a flat reading of -1. Vendor lead time lengthened only slightly this month with the index slipping three points, ending at 4. Finished goods inventories rose across more firms than they fell; the index remained at 18. Similarly, growth in raw materials inventories outweighed declines in November, with that indicator ending at 23.





Employment

The employment index remained positive in November for two consecutive months. The indicator ended at 5, compared to last month’s reading of 3. The number of firms reporting average wage increases remained on pace with last month; that index ended two points below October at 16. The average workweek index increased seven points to end at 4.

Expectations

Manufacturers anticipated positive business conditions during the next six months. The outlook indexes for expected shipments and new orders ended at readings of 41 and 38, respectively.

Survey participants expected backlogs would build up in the next six months. The outlook index finished two points lower in November, at a reading of 16. Manufacturers expected vendor lead times to lengthen only modestly. The indicator ended at 5 compared to last month’s reading of 12. Firms anticipated capital expenditures would increase over the next six months; the expected index advanced eight points to 27. The November index for future capacity utilization remained at a reading of 28.

Hiring increases for the next six months were more widespread. However, the expectations index for the number of employees ended five points lower at 15. The index for expected average wages remained at a reading of 26. Additionally, the expected average workweek indicator held steady this month, at a reading of 6.

Prices

Prices of raw materials rose at an annualized 1.00 percent rate in November, somewhat slower than October’s 1.17 percent pace. Prices of finished goods rose at a 0.57 annualized rate, slightly slower than October’s 0.64 percent pace.

For the six months ahead, survey participants anticipated input prices would grow at a 1.17 percent pace. Finished goods prices were expected to rise at an annualized 0.91 percent rate.

Contact

Jeannette Plamp

Senior 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
www.richmondfed.org

Business Activity Indexes^{1,4}

General Business Assessment	Current Conditions			Expectations ²		
	Nov-16	Oct-16	Sep-16	Nov-16	Oct-16	Sep-16
Fifth District Manufacturing Index ³	4	-4	-8	--	--	--
Company Conditions						
Shipments	1	2	-4	41	35	26
Volume of New Orders	7	-12	-7	38	32	29
Backlog of Orders	-12	-11	-20	16	18	13
Capacity Utilization	-1	-5	-11	28	28	22
Vendor Lead Time	4	7	5	5	12	7
Number of Employees	5	3	-13	15	20	3
Average Workweek	4	-3	1	6	6	10
Wages	16	18	13	26	29	32
Capital Expenditures	--	--	--	27	19	13
Inventory Levels						
Finished Goods Inventories	18	18	20	--	--	--
Raw Materials Inventories	23	22	25	--	--	--
Price Trends⁴						
Prices Paid	1.00	1.17	1.10	1.17	1.51	1.42
Prices Received	0.57	0.64	0.07	0.91	0.71	0.96

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 102 firms.
- 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 percent change, annualized.