

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

Manufacturing Activity Picks Up the Pace in April; Expectations Remain Upbeat

Overview

Manufacturing activity in the central Atlantic region advanced somewhat faster in April following slightly slower growth in March, according to the Richmond Fed's latest survey. A significant increase in the shipments component pushed the overall index higher, while employment grew at a rate above March's pace and growth in new orders held nearly steady. Most other indicators also suggested solid activity. District contacts reported capacity utilization grew more quickly, while backlogs grew more slowly. In addition, manufacturers reported that delivery times lessened, while inventories grew at a somewhat higher rate.

Looking ahead, manufacturers' optimism remained in place in April. Contacts at more firms anticipated that shipments, new orders, backlogs, capacity utilization, and capital expenditures would continue to grow at a solid pace in the months ahead.

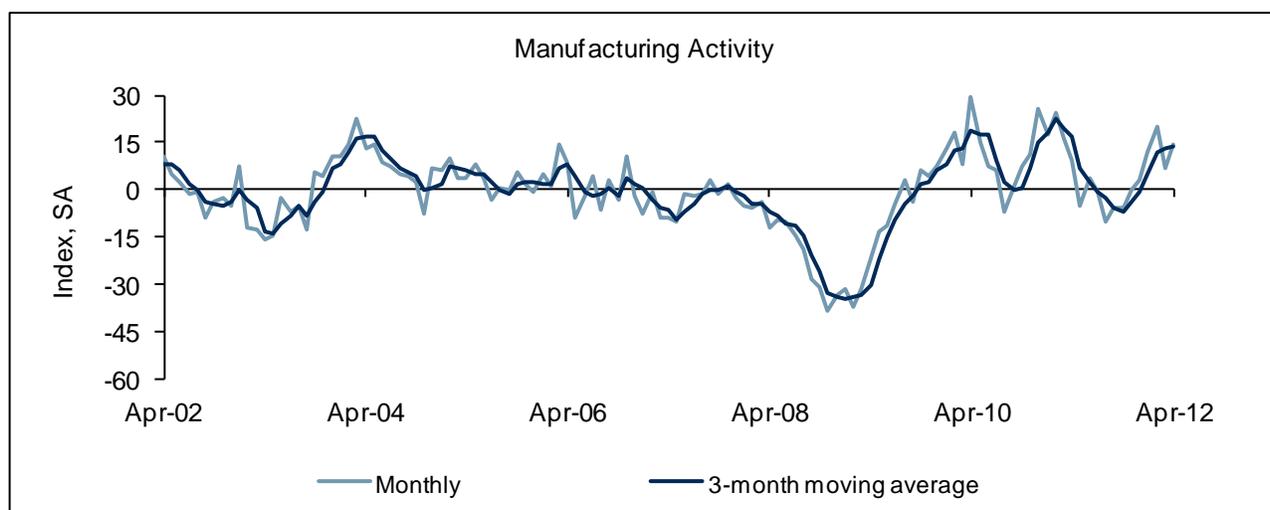
Survey assessments of current prices revealed that raw materials prices grew at a somewhat quicker rate in April than a month ago, while

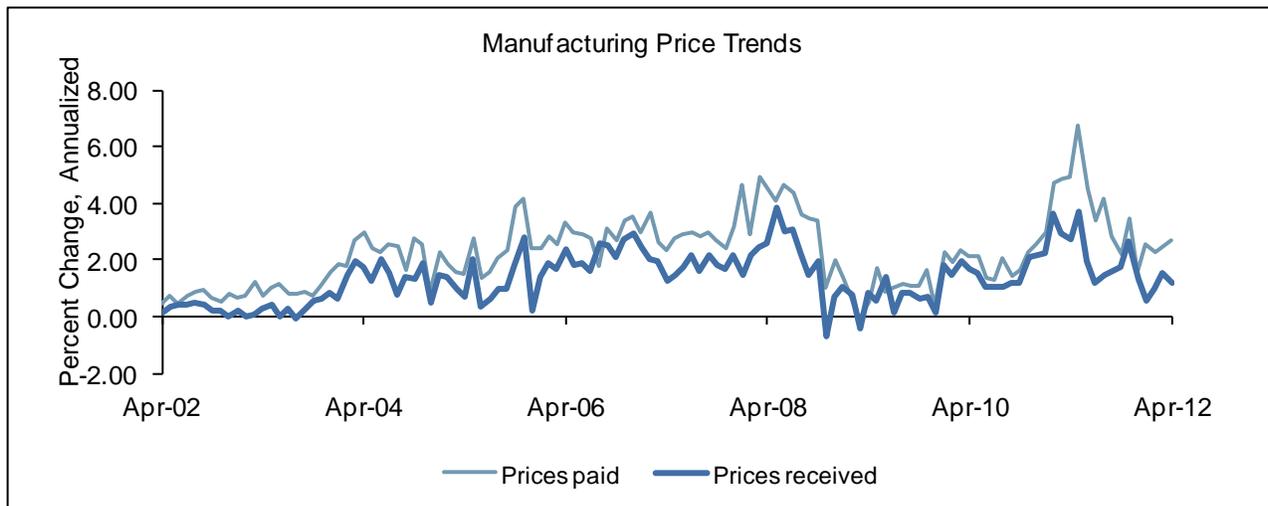
finished goods prices grew more slowly. Over the next six months, respondents expected growth in finished goods prices to rise at a somewhat faster pace than they had anticipated last month, while they expected raw materials prices to grow at a slower rate.

Current Activity

In April, the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing—advanced seven points to 14 from March's reading of 7. Among the index's components, shipments jumped sixteen points to 18, new orders edged up two points to end at 13, and the jobs index moved up four points to 10.

Most other indicators also suggested stronger activity. The capacity utilization indicator gained nine points to finish at 15, while the backlogs index eased two points to 2. Additionally, the delivery times index lost three points to 8, while our gauges for inventories were somewhat higher in April. Indexes for both finished goods and raw materials inventories each added three points to finish at 7 and 17, respectively.





Employment

Hiring activity strengthened at District plants in April. The manufacturing employment index moved up four points to end at 10, and the average workweek indicator edged up one point to 3. The wage index added three points to 14.

Expectations

In our April survey, our contacts remained confident about their business prospects for the next six months. The index of expected shipments moved up two points to 28, while expected orders moved down three points to finish at 29. Backlogs added three points to 14, while indicators for both capacity utilization and vendor lead-time declined three points to 21 and 7, respectively. Readings for planned capital expenditures lost two points to finish at 20.

District manufacturers' hiring plans were generally more optimistic in April. The expected manufacturing employment index gained eight points to 18, while the average workweek indicator slipped two points to 7. The index of expected wages was virtually unchanged at 23.

Prices

District manufacturers reported that raw materials prices increased at an average annual rate of 2.71 percent in April compared to March's reading of 2.50 percent. Finished goods prices rose at a

1.19 percent pace, somewhat lower compared to March's reading of 1.50 percent.

Looking forward, respondents expected that the prices they pay will advance at a 2.55 percent pace, down somewhat from March's reading of 2.80 percent. Contacts looked for finished goods prices to increase at a 1.95 percent annual rate, up slightly from last month's 1.60 percent pace.

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Business Activity Indexes¹

General Business Assessment	Current Conditions			Expectations ²		
	Apr-12	Mar-12	Feb-12	Apr-12	Mar-12	Feb-12
Fifth District Manufacturing Index ³	14	7	20	--	--	--
Company Conditions						
Shipments	18	2	25	28	26	30
Volume of New Orders	13	11	21	29	32	31
Backlog of Orders	2	4	4	14	11	12
Capacity Utilization	15	6	12	21	24	28
Vendor Lead-time	8	11	14	7	10	10
Number of Employees	10	6	13	18	10	32
Average Workweek	3	2	10	7	9	10
Wages	14	11	7	23	24	26
Capital Expenditures	--	--	--	20	22	19
Inventory Levels						
Finished Goods Inventories	7	4	12	--	--	--
Raw Materials Inventories	17	14	11	--	--	--
Price Trends⁴						
Prices Paid	2.71	2.50	2.25	2.55	2.80	1.58
Prices Received	1.19	1.50	0.97	1.95	1.60	1.55

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 139 of 343 firms surveyed.
- 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 a percent change, annualized.