

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

### *Manufacturing Activity Rebounded In February; Expectations Rose*

#### Overview

Manufacturing activity in the central Atlantic region rebounded in February after declining in January, according to the Richmond Fed's latest survey. Looking at the main components of activity, factory shipments and employment returned to positive territory, while the volume of new orders stabilized. Other indicators also suggested additional firmness. Capacity utilization turned positive, while the gauge for delivery times steadied and backlogs contracted at a somewhat slower pace. In addition, inventories grew at a slightly slower rate.

Looking forward, assessments of business prospects for the next six months were generally more optimistic in February. An increasing number of contacts anticipated faster growth for shipments, new orders, backlogs, and capacity utilization compared to a month ago.

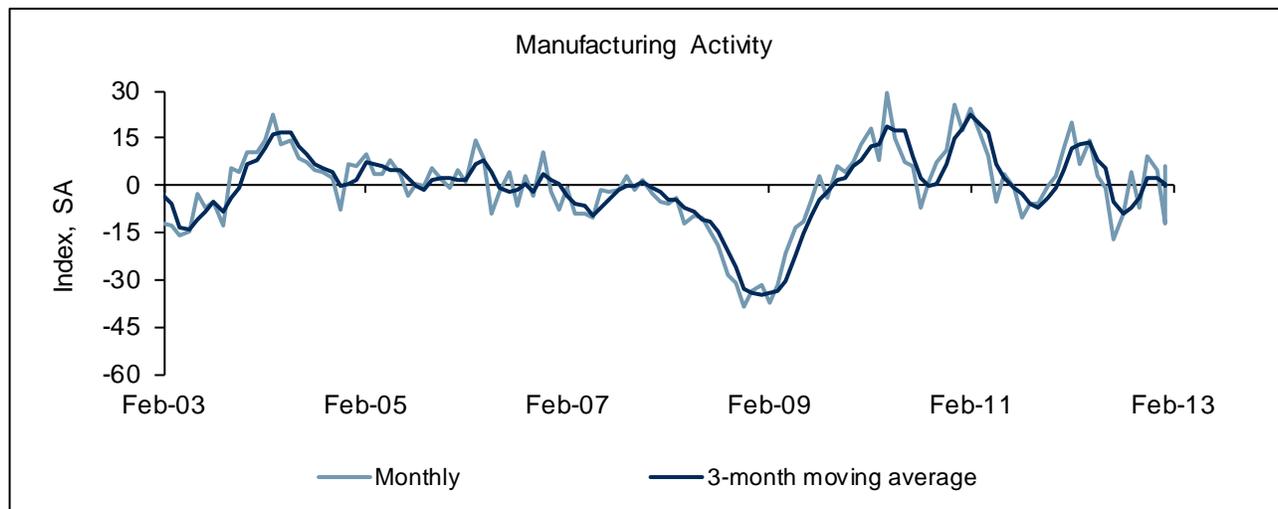
Survey participants indicated that both raw materials and finished goods prices grew at a slightly slower pace than in January. Over the next six months, respondents expected both raw

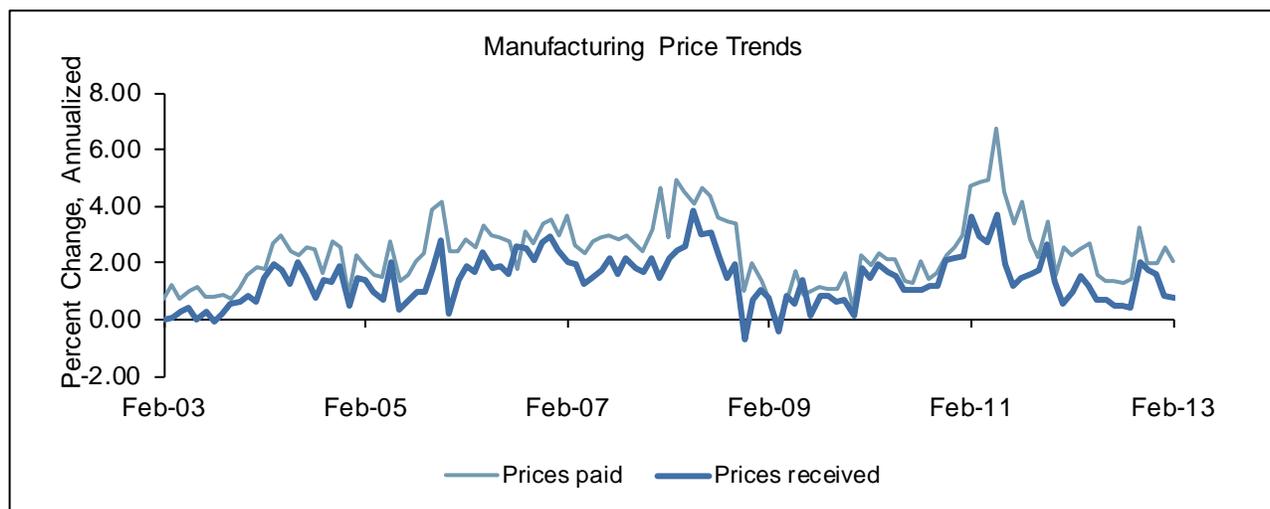
materials and finished goods prices to grow at a slightly quicker rate than they had anticipated a month earlier.

#### Current Activity

In February, the seasonally adjusted composite index of manufacturing activity—our broadest measure of manufacturing activity—gained eighteen points, settling at 6 from January's reading of -12. Among the index's components, shipments rose twenty-one points to 10, the gauge for new orders moved up seventeen points to end at 0, and the jobs index increased thirteen points to 8.

Other indicators also suggested strengthening in February. The index for capacity utilization moved higher, adding twenty-nine points to 11, and the index for backlogs of orders gained seven points to end at -12. The delivery times index stabilized, picking up four points to end at 4, while both our gauges for inventories were lower in February. The raw materials inventory index lost seven points to finish at 16, and the finished goods inventories moved down eleven points to end at 12.





### Employment

Hiring activity at District plants was mixed in February. The manufacturing employment index moved up thirteen points to settle at 8, while the average workweek indicator remained weak, tacking on just two points to end at -2. However, the wage index held steady at 11.

### Expectations

In the current survey, contacts were generally more optimistic about their future business prospects than they reported a month ago. The index of expected shipments added ten points, ending at a reading of 28, and the new orders index picked up eight points to finish at 26. Backlogs gained eleven points, rising to an index reading of 11, while the gauge for capacity utilization inched up three points to 13. The indicator for vendor lead-time eased two points to 2 and the index reading for planned capital expenditures fell five points to finish at 7.

District manufacturers' hiring plans were also more optimistic in February. The index for expected manufacturing employment gained twelve points to finish at a reading of 12, while the average workweek indicator held steady at 1. The index for expected wages added five points to end at 25.

### Prices

District manufacturers reported that raw materials

prices increased at an average annual rate of 2.04 percent, somewhat lower than January's average reading of 2.54 percent. Finished goods prices rose at a 0.79 percent pace, in line with January's reading of 0.85 percent.

Looking ahead six months, respondents on average expected that the prices they pay will advance at a 2.72 percent pace, somewhat above January's outlook of 1.97 percent. Contacts looked for finished goods prices to increase at a 1.80 percent annual rate, slightly above last month's expectation for a 1.11 percent pace.

### Contact

#### Judy Cox

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

Richmond Office

Ph: 804.697.8152 • Fax: 804.697.8123

[judy.cox@rich.frb.org](mailto:judy.cox@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

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

General Business Assessment	Current Conditions			Expectations <sup>2</sup>		
	Feb-13	Jan-13	Dec-12	Feb-13	Jan-13	Dec-12
Fifth District Manufacturing Index <sup>3</sup>	6	-12	5	--	--	--
<b>Company Conditions</b>						
Shipments	10	-11	6	28	18	20
Volume of New Orders	0	-17	10	26	18	12
Backlog of Orders	-12	-19	-11	11	0	0
Capacity Utilization	11	-18	3	13	10	4
Vendor Lead-time	0	-4	3	2	4	-3
Number of Employees	8	-5	-3	12	0	2
Average Workweek	-2	-4	-2	1	1	-5
Wages	11	11	10	25	20	21
Capital Expenditures	--	--	--	7	12	9
<b>Inventory Levels</b>						
Finished Goods Inventories	12	23	12	--	--	--
Raw Materials Inventories	16	23	24	--	--	--
<b>Price Trends<sup>4</sup></b>						
Prices Paid	2.04	2.54	2.01	2.72	1.97	2.54
Prices Received	0.79	0.85	1.57	1.80	1.11	0.87

### 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 109 of 290 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.