

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

Manufacturing Sector Activity Remained Soft; Employment and Wages Grew Mildly

Overview

Manufacturing activity remained soft in April, according to the most recent survey by the Federal Reserve Bank of Richmond. Shipments, order backlogs, and the volume of new orders declined, although at a slower pace compared to last month. Manufacturing employment grew mildly, while the average workweek increased and wages rose slightly.

Manufacturers looked for better business conditions in the next six months. Survey participants expected faster growth in shipments and in the volume of new orders in the six months ahead. Producers also looked for increased capacity utilization and anticipated rising backlogs. Expectations were for somewhat longer vendor lead times.

Survey participants planned more hiring, along with moderate growth in wages and a pickup in the average workweek during the next six months.

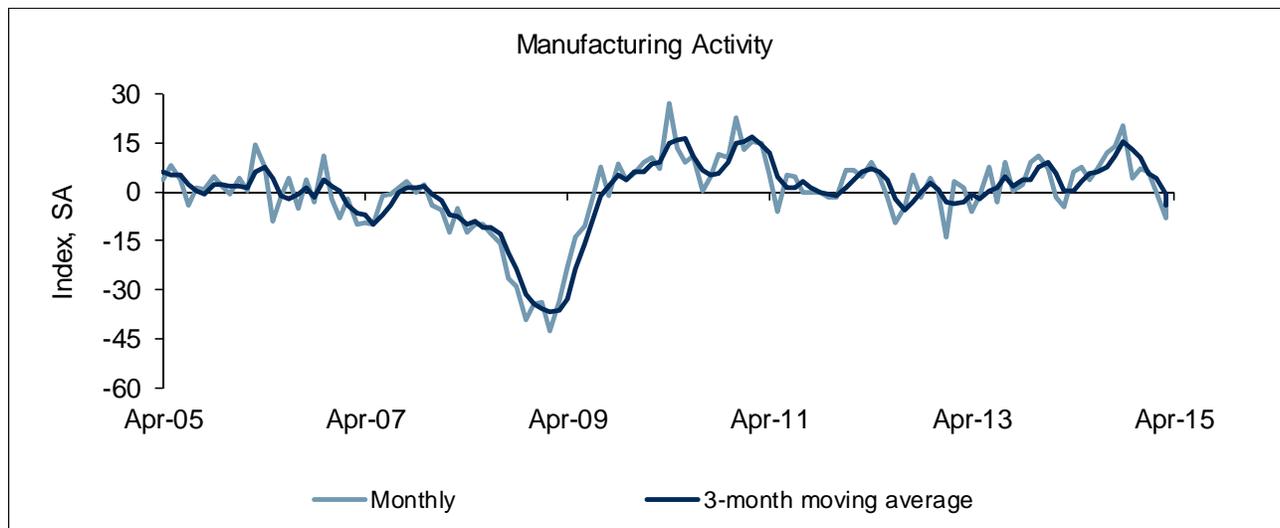
Prices of finished goods rose more rapidly in April compared to last month. Additionally, prices of raw

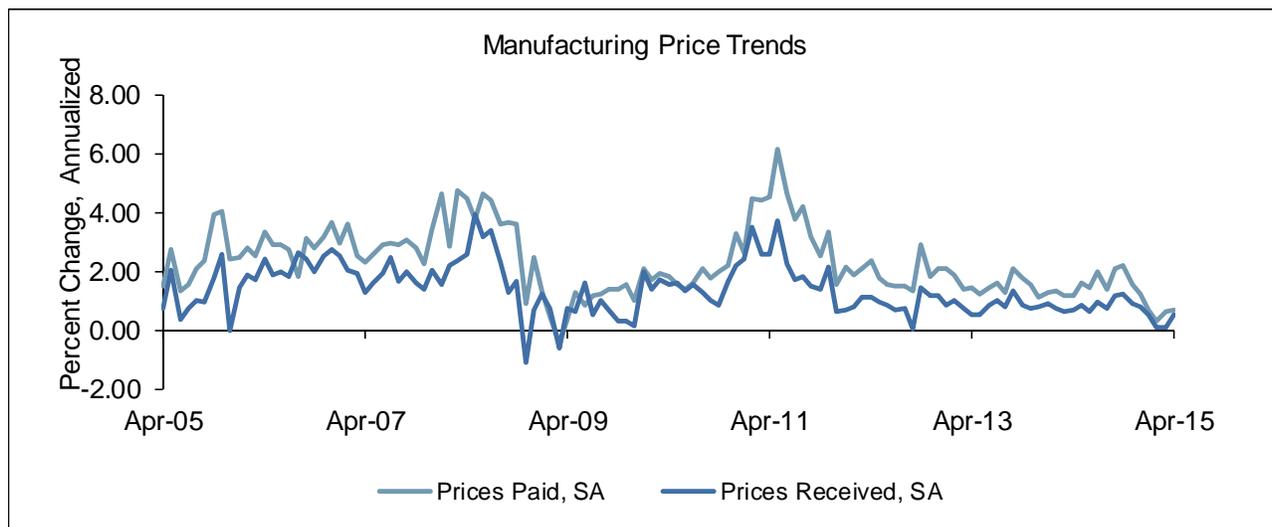
materials grew slightly faster than a month ago. Firms looked for faster growth in prices paid and prices received over the next six months, although their outlook was below March's expectations.

Current Activity

Overall, manufacturing conditions remained soft in April. The composite index for manufacturing moved to a reading of -3 following last month's reading of -8. The index for shipments and the index for new orders gained seven points in April, although both indicators finished at only -6. Manufacturing employment grew mildly this month. The indicator gained one point, ending at a reading of 7.

The indicator for vendor lead time remained negative. That gauge moved up three points to a reading of -6. Capacity utilization remained soft. The index moved up three points ending at -4. The index for backlog of new orders gained four points, finishing at a reading of -8. Finished goods inventories rose at a slower pace than a month ago. The index lost seven points, ending at 18.





Additionally, raw materials inventories increased at a slower rate compared to last month. That gauge moved to 19 from 25.

Employment

Manufacturing employment edged up a point this month, with the index ending at 7. The average workweek lengthened, moving the index up eight points to end at 4. The average wage index added one point to end at 9.

Expectations

Producers remained positive about business conditions for the six months ahead. They expected steady growth in shipments and in the volume of new orders. The indexes for expected shipments and new orders ended at readings of 38 and 32, respectively.

Compared to a month earlier, survey participants expected backlogs would rise at a faster pace in the next six months; the outlook index added three points finishing at 19. Manufacturers expected vendor lead time would lengthen. The outlook index added one point, finishing at 6. Firms anticipated capital spending would slow slightly. That index lost six points, settling at 26. The index for future capacity utilization gained two points to end at a reading of 26.

Firms looked for steady growth in hiring in the months ahead. However, that outlook index finished eight points below last month's gauge at a

reading of 15. Additionally, the index for expected average wages lost three points to end at 28, while the index for the expected average workweek gained four points to end at a reading of 12.

Prices

Prices of raw materials rose at a slightly faster pace this month, advancing at an annualized 0.69 percent rate, compared to a 0.62 percent pace previously. Prices of finished goods rose at a 0.51 annualized rate, above March's 0.10 percent pace.

For the six months ahead, survey respondents expected input prices would rise more quickly, at an annualized 1.22 percent rate, following March's expectation for 1.53 percent growth. Finished goods prices were expected to rise at an annualized 0.95 percent rate, compared to the previous expectation for 1.09 percent growth.

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Business Activity Indexes^{1,4}

General Business Assessment	Current Conditions			Expectations ²		
	Apr-15	Mar-15	Feb-15	Apr-15	Mar-15	Feb-15
Fifth District Manufacturing Index ³	-3	-8	0	--	--	--
Company Conditions						
Shipments	-6	-13	-1	38	37	30
Volume of New Orders	-6	-13	-2	32	35	24
Backlog of Orders	-8	-12	-10	19	16	11
Capacity Utilization	-4	-7	-4	26	24	25
Vendor Lead-time	-6	-9	2	6	5	4
Number of Employees	7	6	4	15	23	12
Average Workweek	4	-4	-6	12	8	10
Wages	9	8	8	28	31	23
Capital Expenditures	--	--	--	26	32	27
Inventory Levels						
Finished Goods Inventories	18	25	20	--	--	--
Raw Materials Inventories	19	25	16	--	--	--
Price Trends⁴						
Prices Paid	0.69	0.62	0.32	1.22	1.53	0.91
Prices Received	0.51	0.10	0.09	0.95	1.09	0.48

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 107 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.