

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

September 26, 2023

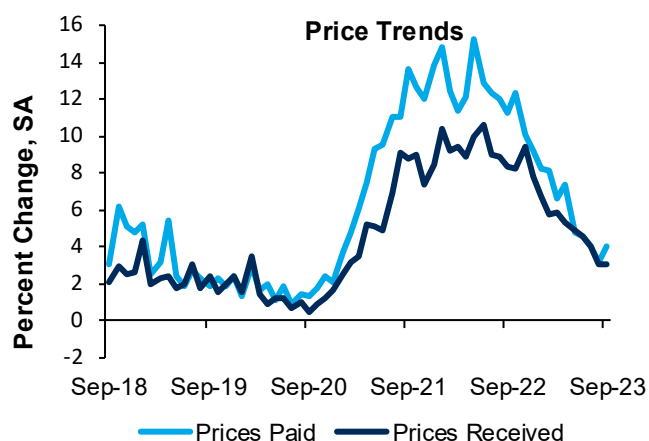
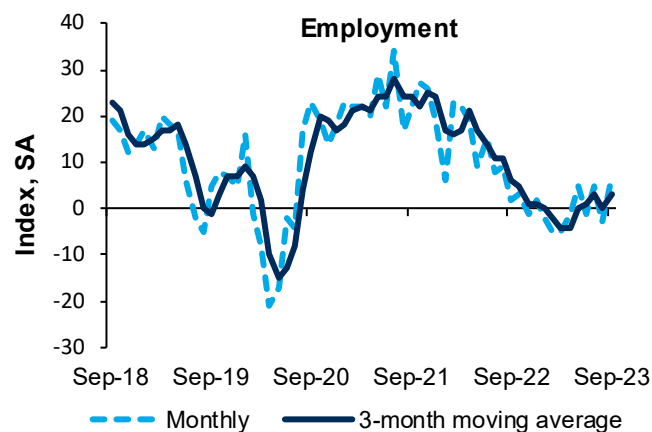
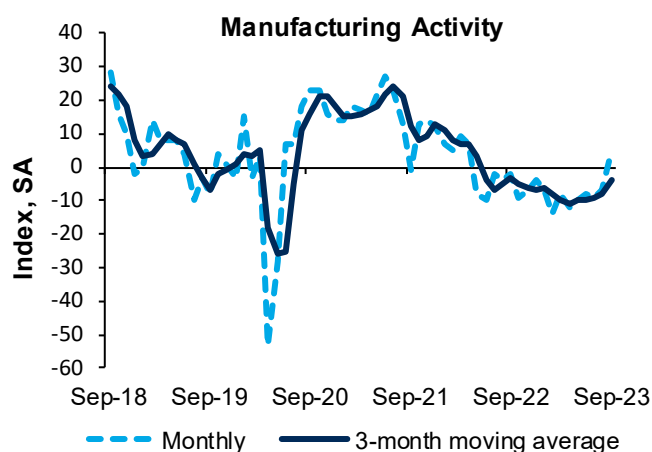
Manufacturing Activity Improved in September

Fifth District manufacturing activity improved in September, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index increased from -7 in August to 5 in September. Each of its three component indexes—shipments, new orders, and employment—increased. The shipments index improved from -5 in August to 7 in September, the new orders index increased from -11 to 3, and the employment index rose from -3 to 7. Although the level of the composite index was not very high, this was the first positive reading of the index since the spring of 2022.

Firms were not much more optimistic about local business conditions, however, as the index edged down two points to 0 in September. The index for future local business conditions fell slightly, but remained positive, declining from 10 in August to 6 in September.

Although the orders backlogs index increased notably in September, most firms continued to report declining backlogs and vendor lead time as these indexes both remained negative. Meanwhile, two of the three spending indexes increased.

The average growth rates of prices paid increased somewhat in September, while the average growth rate of prices received edged downward. Firms continued to expect both to moderate in the coming year.



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Business Activity Indexes^{1,4,5}

Business Sector Indicators	Current Conditions			Expectations ²		
	Sep-23	Aug-23	Jul-23	Sep-23	Aug-23	Jul-23
Fifth District Manufacturing Index ³	5	-7	-9	--	--	--
Shipments	7	-5	-6	12	22	14
Volume of New Orders	3	-11	-20	17	22	9
Backlog of Orders	-7	-26	-28	-13	-11	-20
Capacity Utilization	6	-11	-7	11	9	6
Vendor Lead Time	-26	-17	-8	-15	-21	-12
Local Business Conditions	0	2	-9	6	10	1
Capital Expenditures	1	4	8	13	14	12
Finished Goods Inventories	14	21	8	4	7	11
Raw Materials Inventories	15	17	12	13	13	7
Equipment & Software Spending	4	0	7	9	-5	12
Services Expenditures	-7	-13	-2	-7	-11	-2
Employment						
Number of Employees	7	-3	5	19	13	9
Wages	23	22	19	39	55	40
Availability of Skills Needed	-10	-10	-12	-1	-7	-2
Price Trends⁴						
Prices Paid	4.06	3.17	4.07	2.84	3.61	2.89
Prices Received	3.06	3.11	4.01	2.51	2.69	2.33

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 74-79 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 Current price changes are percentage changes over the last 12 months. Expected price changes are expected changes over the next 12 months.
- ⁵ Seasonal adjustment factors are recalculated every July and the entire series is revised to better reflect current economic trends.

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