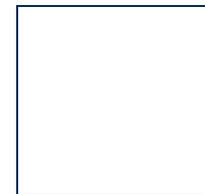
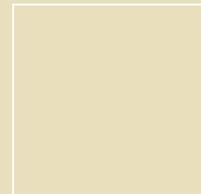


# Richmond Fed Surveys

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THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE



# Richmond Fed's Monthly Surveys

## ▪ Activity Measured

- Manufacturing
- Services Sector

## ▪ Geographic Coverage

- Fifth Federal Reserve District, composed of:
  - District of Columbia
  - Maryland
  - North Carolina
  - South Carolina
  - Virginia
  - West Virginia

## ▪ History

- Released Monthly since November 1993

## ▪ Number of Respondents

- Approximately 100 for each survey





# Manufacturing Survey Questionnaire

Indicator	Compared to the Previous Month				Six Months from Now			
	Decrease	No Change	Increase	N/A	Decrease	No Change	Increase	N/A
Shipments								
Volume of New Orders								
Backlog of Orders								
Capacity Utilization								
Vendor Lead Time								
Number of Employees								
Average Employee Workweek								
Wages								
Capital Expenditures								
<b>Inventories / Desired Levels</b>	Too Low	Correct	Too High	N/A	Too Low	Correct	Too High	N/A
Finished Goods								
Raw Materials								

## Price Trends

What do you believe was the percentage change in your industry during the past month (on an annualized basis)?

Prices Paid  % per year

Prices Received  % per year

What do you believe will be the percentage change in your industry during the next six months (on an annualized basis)?

Prices Paid  % per year

Prices Received  % per year

# Service Sector Survey Questionnaire

## Retail & Wholesale Businesses

Current Indicators	Compared to Previous Month			
	Decrease	No Change	Increase	Not Applicable
Sales Revenues				
Number of Employees				
Average Wages/ Employee Compensation				
Sales of Big-Ticket Items				
Shopper Traffic				
Inventory				
	<b>Six Months from Now</b>			
Demand for your Products				
	<b>Price Trends</b>			
Current Price Trends	Percent change this month (on annualized basis)			
				% per year
	Percentage change expected in next 6 months (on annualized basis)			
Future Price Trends				% per year

## Services Businesses

Current Indicators	Compared to Previous Month			
	Decrease	No Change	Increase	Not Applicable
Revenues				
Number of Employees				
Average Wages/ Employee Compensation				
	<b>Six Months from Now</b>			
Demand for your Services				
	<b>Price Trends</b>			
Current Price Trends	Percentage change this month (on annualized basis)			
				% per year
Future Price Trends	Percentage change expected in the next 6 months (on an annualized basis)?			
				% per year



# Manufacturing Results

July 22, 2008

## FIFTH DISTRICT MANUFACTURING ACTIVITY Federal Reserve Bank of Richmond

### Production activity retreated for third straight month in July; Manufacturers' optimism wanes

Manufacturing activity in the central Atlantic region contracted again in July, according to the Richmond Fed's latest survey. Respondents reported somewhat greater declines in factory shipments and new orders and more moderate weakness in employment. Most other indicators also implied weaker activity. District contacts reported capacity utilization declined further and vendor delivery times reversed the positive reading seen last month. Moreover, manufacturers noted orders backlogs were virtually unchanged and finished goods inventories grew on pace with June.

Looking ahead, manufacturers' optimism about future business prospects dropped considerably in July. Firms anticipated that growth in shipments, new orders, backlogs, employment, and average workweek would turn negative during the next six months.

Survey assessments of current prices were on par with a month ago. Looking forward, respondents expected price growth to quicken over the next six months.

#### Current Activity

In July, the seasonally adjusted manufacturing index—our broadest measure of manufacturing activity—

-12. Among the index's components, shipments lost twelve points to -23, new orders moved down four points to -17 and the jobs index gained seven points to finish at -5.

Other indicators also suggested softer activity. Capacity utilization fell six points to -15, and vendor delivery times turned negative, inching down four points to -2. The orders backlogs index held nearly steady at -22, while our gauges for inventories were mixed. The finished goods inventory index slipped one point to end at 27, while the raw materials inventory index edged up three points to finish at 20.

#### Labor Market Conditions

Labor market activity at District plants was mixed in July. The employment index picked up seven points to end at -5, while the average workweek indicator lost six points to -6. Wage growth remained modest, matching its three-month average of 8.

#### Expectations

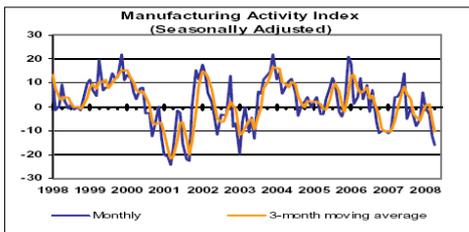
In the July survey, our contacts were less confident about their business prospects for the next six months. The index of expected shipments declined eighteen points to -4, and the new orders

points to end at -1. In addition, the orders backlogs index remained in negative territory but contracted at a slower pace, gaining three points to -4. Vendor delivery times posted a nine-point loss to -9, and capacity utilization fell nine points to 4. Moreover, readings on planned capital expenditures declined from a month ago; the index registered a three-point loss to 1.

District manufacturers' hiring plans in July were less optimistic as well. The expected manufacturing employment index declined five points to -8, and the average workweek index fell six points to end at -8. Additionally, the expected wage index stayed on pace—nearly matching its three-month average of 20.

#### Prices

District manufacturers reported that raw material prices increased at an average annual rate of 4.41 percent in July compared with June's reading of 4.74 percent. Finished goods prices rose at a 3.34 percent pace versus 3.43 percent last month. Price pressures remained elevated and respondents continued to voice concern over rising energy and transportation costs. Looking forward, respondents expected that the prices they pay will advance at a 5.84 percent pace during the next six months, a series high, compared to the previous month's expectation of 5.57 percent. In addition, contacts looked for finished goods prices to increase at a 3.41 percent annual rate during the next six months, the highest reading in our series, compared to last month's expectation of 3.23 percent.



decreased to -16 from June's reading of indicator turned negative, losing twelve

July 22, 2008

## The Survey of Fifth District Manufacturing Activity Federal Reserve Bank of Richmond

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 92 of 174 firms surveyed.

#### Business activity indexes

	July	June	May	3-Month Average
<i>Compared to the previous month</i>				
<b>Manufacturing Index*</b>	-16	-12	-3	-11
Shipments	-23	-11	-1	-12
Volume of new orders	-17	-13	-4	-12
Backlog of orders	-22	-21	-5	-16
Capacity utilization	-15	-9	-6	-10
Vendor lead-time	-2	2	12	4
Number of employees	-5	-12	-4	-7
Average workweek	-6	0	-7	-4
Wages	8	6	9	8
<i>Six months from now</i>				
Shipments	-4	14	15	8
Volume of new orders	-1	11	19	10
Backlog of orders	-4	-7	15	1
Capacity utilization	4	13	13	10
Vendor lead-time	-9	0	2	-2
Number of employees	-8	-3	4	-3
Average workweek	-8	-2	3	-2
Wages	19	18	24	20
Capital Expenditures	1	4	0	2
<i>Inventory levels</i>				
Finished goods inventories	27	28	32	29
Raw materials inventories	20	17	22	20

#### Price trends

(percent change, annualized)

	July	June	May
<i>Current trends</i>			
Prices paid	4.41	4.74	3.17
Prices received	3.34	3.43	3.17
<i>Expected trends during next six months</i>			
Price paid	5.84	5.57	3.77
Prices received	3.41	3.23	2.08

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.

\*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.

See page 1 for text. For further information, contact:

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# Services Results

July 22, 2008

## FIFTH DISTRICT SERVICE SECTOR ACTIVITY

Federal Reserve Bank of Richmond

### Retail Activity Recedes Further; Revenues Flatten at Services Firms

Revenues declined in the District's service sector, pulled down by falling retail sales, according to the latest survey by the Federal Reserve Bank of Richmond. Retail sales dropped steeply in July, owing in part to a continued slide in big-ticket sales. Shopper traffic also declined further. Retail inventories grew slightly after six months of contraction. Revenues stabilized at services-producing firms. In service sector labor markets, the pace of hiring was flat at services-producing firms, while retailers made further cuts. Average wages in the sector grew somewhat more quickly in July. Looking ahead six months, retailers were guarded in their expectations for sales, while contacts at services firms maintained their upbeat outlook.

Prices in the service sector grew a bit more slowly in July than a month ago. Compared to their June outlook, contacts expected price growth to moderate during the six months ahead.

#### Overall Service Sector Conditions

Revenues in the overall service sector dropped in July; the index finished at -15, one point below June's reading. Employment in the District's service sector also declined, with that index shaving five points from June's reading to settle at -13. In contrast, average wage growth in the sector edged up, pushing the index to 14 in July from 11 a

month ago. Looking to the six months ahead, survey respondents were a bit more optimistic about their business opportunities. The expectations index added five points to end at 7 this month.

#### Retail

Retail activity receded further in July, with the sales revenues index sinking to -43 from June's -33. Falling big-ticket sales were partly to blame for the decline. At -59, the big-ticket index was four points below last month's reading. In addition, shopper traffic dropped, with that index settling at -42 in July compared to -32 in June. Retail inventories grew in July; the index rose to 3 from -11. For the six months ahead, however, retailers shifted their somewhat pessimistic outlook of a month ago to a more neutral outlook; the expectations index rose 13 points to level off at 1.

Retail job eliminations continued in July, with the index for employment giving up another 7 points to finish at -40. In contrast, the pace of average retail wage growth stepped up, pushing that index to 13 from June's 4.

#### Services-Producing Firms

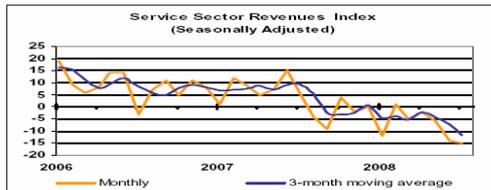
Revenues at services-producing firms flattened in July, with the index settling at -1 after last month's -5. The pace of hiring at services-producing firms was unchanged,

leaving the index at 0. As in the retail sector, average wage growth at services firms advanced more quickly, with that index climbing to 17 in July from 14. Respondents at services firms continued to have an optimistic outlook for business prospects in the six months ahead; the expectations index added a point to June's reading to finish at 10.

#### Prices

Price growth slowed slightly in the broad service sector in July, to an annual rate of 1.10 percent following June's 1.17 percent annual rate. At services firms, price growth slowed to 0.54 percent compared to 0.64 percent last month. At retail businesses, price growth moderated to 2.17 percent. In June retail prices grew at a 2.41 percent pace.

Expectations for prices in the six months ahead were lower in July than in June. Survey respondents looked for price growth of 1.29 percent overall. In June, they expected prices to climb at a 1.47 percent pace. Separately, retailers looked for price growth of 2.45 percent in the months ahead, while contacts at services firms anticipated price growth of 0.78 percent. A month ago, those expectations were for 2.78 percent and 0.88 percent growth, respectively, at retail and services-producing businesses.



July 22, 2008

## Fifth District Service Sector Activity

Federal Reserve Bank of Richmond

Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. All data are seasonally adjusted. Results are based on responses from 103 of 147 firms surveyed.

### Business activity indexes

	July	June	May	3-Month Average
<i>Service-Sector Indicators</i>				
Revenues	-15	-14	-6	-12
Number of employees	-13	-8	-7	-9
Average wage	14	11	8	11
Product demand during next six months	7	2	8	6
<i>Retail Indicators</i>				
Sales revenues	-43	-33	-28	-35
Number of employees	-40	-33	-28	-34
Average wage	13	4	1	6
Inventories	3	-11	-3	-3
Big-ticket sales	-59	-55	-57	-57
Shopper traffic	-42	-32	-36	-37
Product demand during next six months	1	-12	2	-3
<i>Services Firms Indicators</i>				
Revenues	-1	-5	2	-1
Number of employees	0	0	1	0
Average wage	17	14	10	14
Product demand during next six months	10	9	8	9

### Price trends

(percent change, annualized)	July	June	May
<i>Current trends</i>			
Service Sector	1.10	1.17	0.76
Retail	2.17	2.41	2.06
Services Firms	0.54	0.64	0.09
<i>Expected trends during next six months</i>			
Service Sector	1.29	1.47	1.64
Retail	2.45	2.78	2.48
Services Firms	0.78	0.88	1.27

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.

See page 1 for text. For further information, contact:

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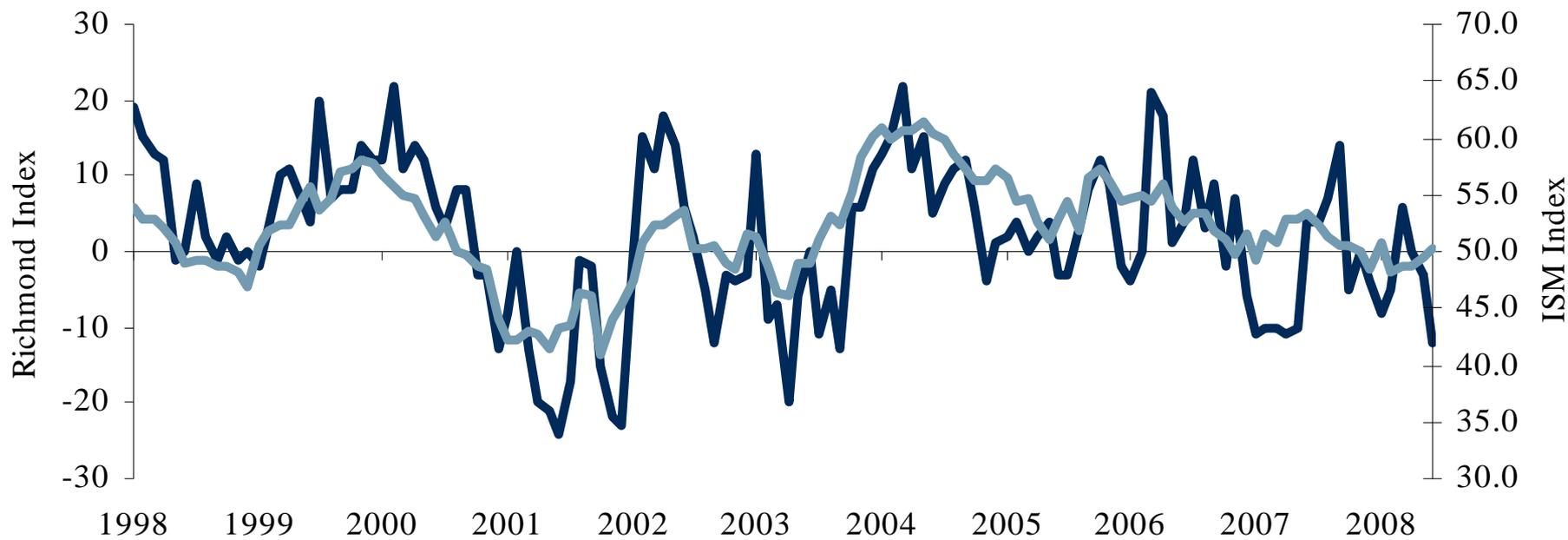




# Manufacturing Activity Indices

## *Richmond Fed vs. Institute for Supply Management (ISM)*

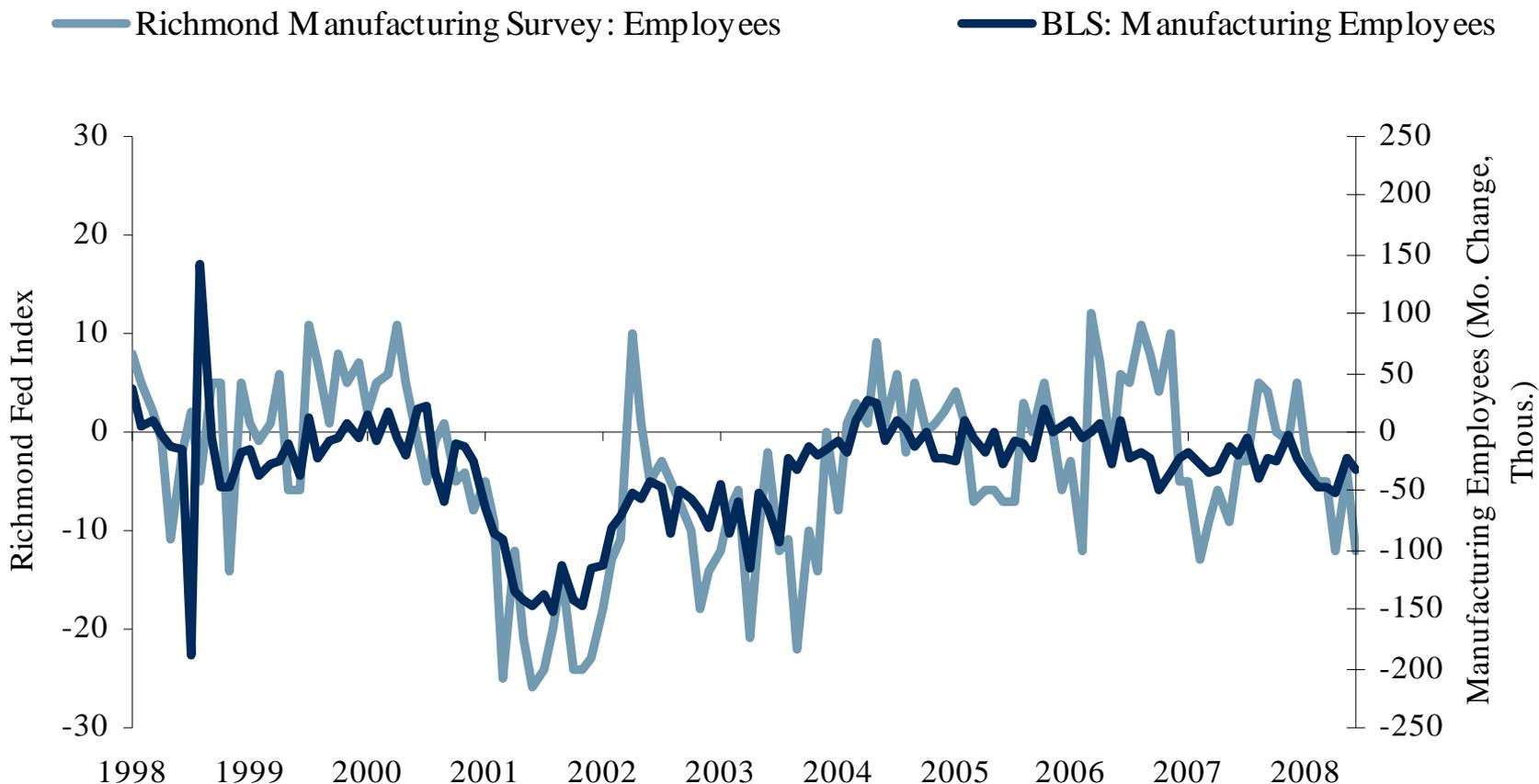
— Richmond Fed Manufacturing Survey: Composite Index — ISM Manufacturing: PMI Composite Index





# Manufacturing Employment

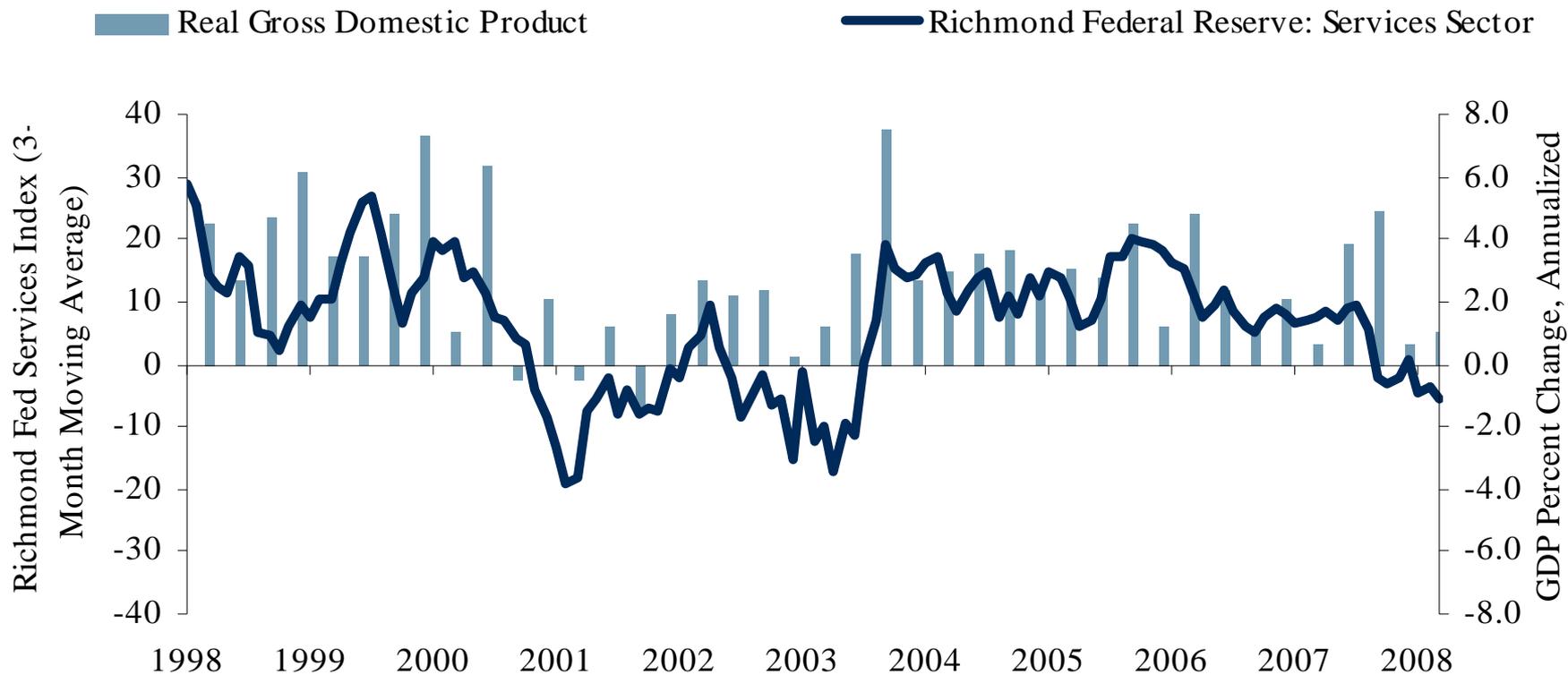
## *Richmond Fed vs. BLS (1-Month Change)*





# Services Activity and GDP

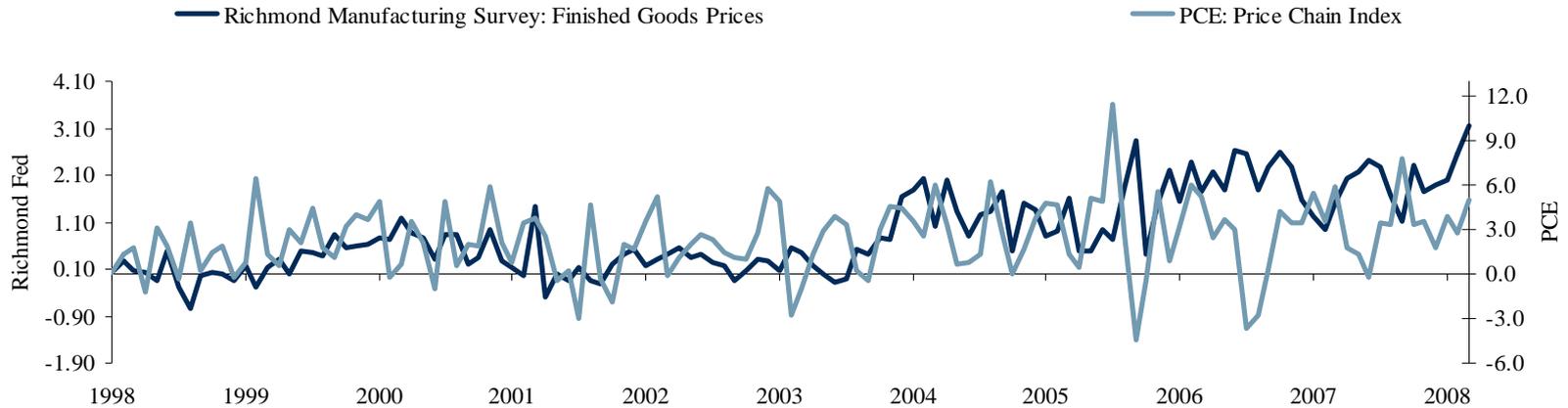
## Richmond Fed Services Index vs. Real GDP



# Prices

## Richmond Fed Manufacturing Services Survey vs. PCE

Richmond Fed vs. Bureau of Labor Statistics: Manufacturing Prices, Percent Change at Annual Rate



Richmond Fed vs. Bureau of Labor Statistics: Services Prices, Percent Change at Annual Rate

