

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

August 22, 2023

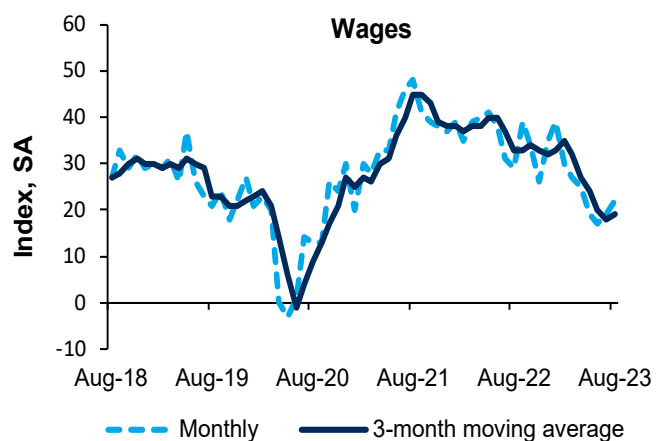
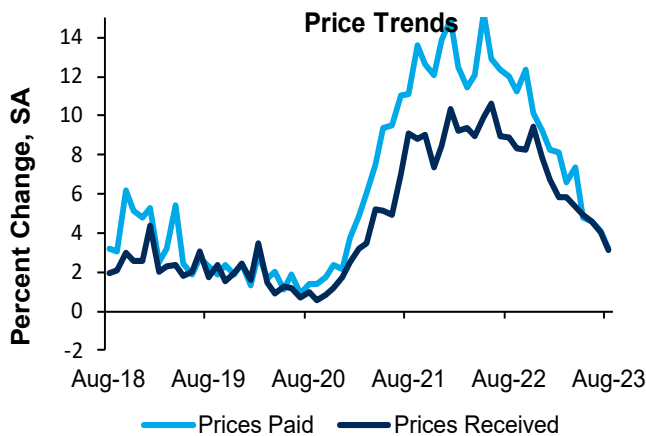
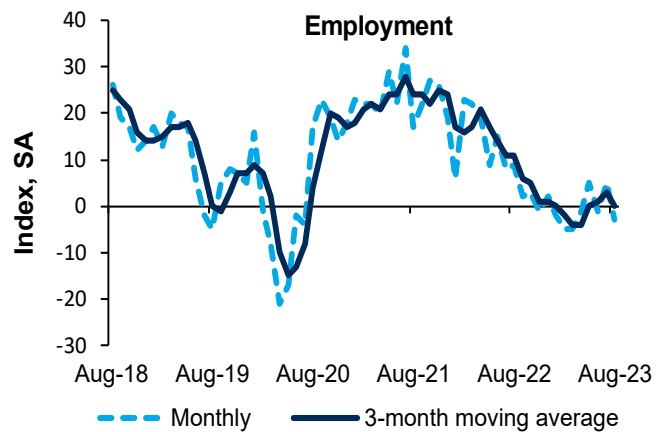
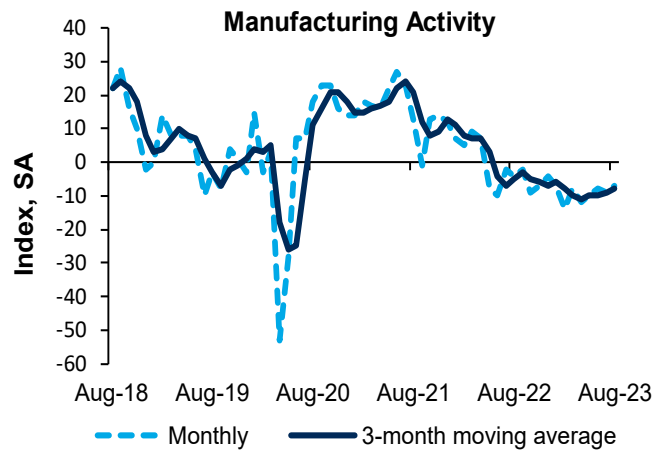
Manufacturing Activity Remained Sluggish in August

Fifth District manufacturing activity remained sluggish in August, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index edged up from -9 in July to -7 in August. Two of its three component indexes—shipments and new orders—also increased. The shipments index edged up from -6 in July to -5 in August, while the new orders index rose from -20 to -11. However, the third component index—the employment index—fell from 5 in July to -3 in August.

Firms grew more optimistic about local business conditions, as the index rose notably to 2 in August. The index for future local business conditions also increased, from 1 in July to 10 in August.

Many firms continued to report reductions in orders backlogs and vendor lead time as these indexes remained negative. Meanwhile, all three of the spending indexes decreased, with the services expenditures index decreasing the most.

The average growth rates of prices paid and prices received decreased somewhat in August, with the growth rate of prices paid dipping below firms' year-ahead expectations.



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Business Activity Indexes^{1,4,5}

Business Sector Indicators	Current Conditions			Expectations ²		
	Aug-23	Jul-23	Jun-23	Aug-23	Jul-23	Jun-23
Fifth District Manufacturing Index ³	-7	-9	-8	--	--	--
Shipments	-5	-6	-5	22	14	19
Volume of New Orders	-11	-20	-16	22	9	13
Backlog of Orders	-26	-28	-27	-11	-20	-12
Capacity Utilization	-11	-7	-7	9	6	10
Vendor Lead Time	-17	-8	-18	-21	-12	-16
Local Business Conditions	2	-9	-10	10	1	3
Capital Expenditures	4	8	5	14	12	13
Finished Goods Inventories	21	8	20	7	11	6
Raw Materials Inventories	17	12	22	13	7	11
Equipment & Software Spending	0	7	8	-5	12	4
Services Expenditures	-13	-2	-5	-11	-2	-9
Employment						
Number of Employees	-3	5	-1	13	9	10
Wages	22	19	17	55	40	40
Availability of Skills Needed	-10	-12	-4	-7	-2	-4
Price Trends⁴						
Prices Paid	3.17	4.07	4.56	3.61	2.89	2.77
Prices Received	3.11	4.01	4.56	2.69	2.33	1.87

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 68-71 firms.
- 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.
- Current price changes are percentage changes over the last 12 months. Expected price changes are expected changes over the next 12 months.
- Seasonal adjustment factors are recalculated every July and the entire series is revised to better reflect current economic trends.

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