

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

December 27, 2023

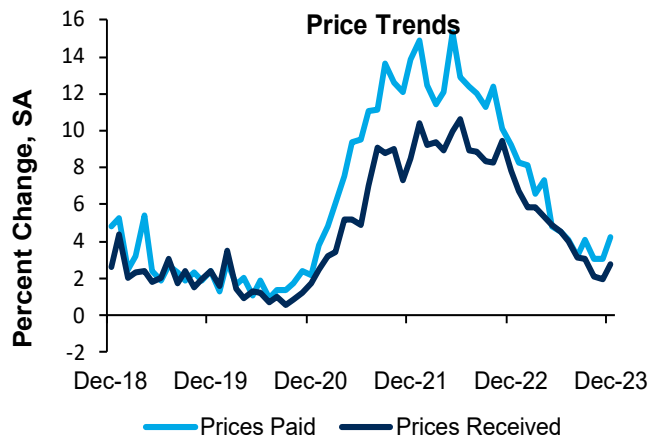
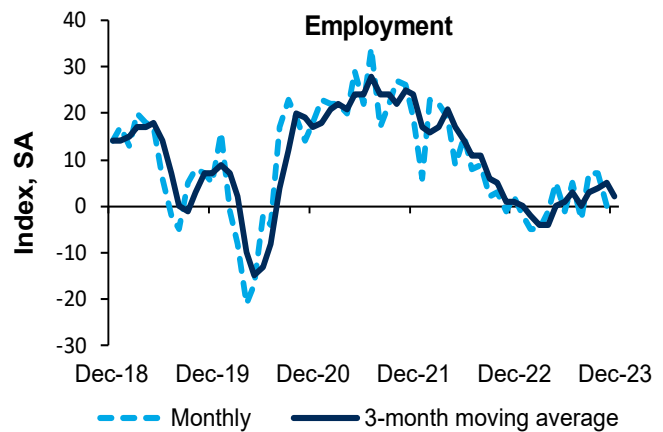
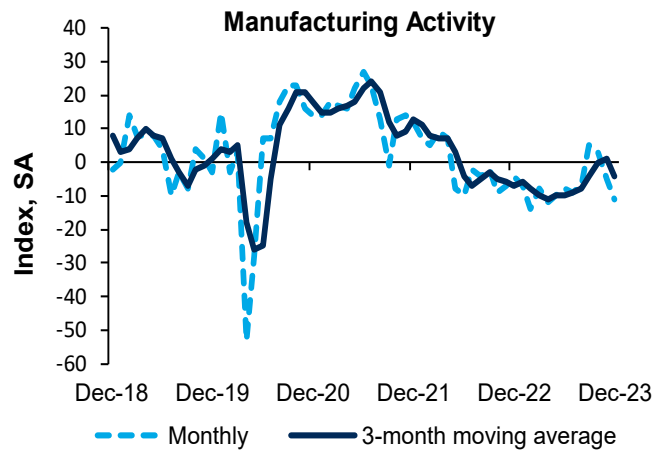
Manufacturing Activity Slowed in December

Fifth District manufacturing activity slowed in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index decreased from -5 in November to -11 in December. Of its three component indexes, shipments fell from -8 to -17, new orders decreased from -5 to -14, and employment edged down from 0 to -1.

Firms remained generally pessimistic about local business conditions, as the index edged up but remained in negative territory. The index for future local business conditions was unchanged at -5 in December.

Most firms continued to report declining backlogs as the index remained negative. The vendor lead time index increased from -4 to 1 in December, the first positive reading since June 2022.

The average growth rates of prices paid and prices received increased in December, and expected price changes over the next 12 months also increased slightly.



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Business Activity Indexes^{1,4,5}

| Business Sector Indicators | Current Conditions | | | Expectations ² | | |
|---|--------------------|--------|--------|---------------------------|--------|--------|
| | Dec-23 | Nov-23 | Oct-23 | Dec-23 | Nov-23 | Oct-23 |
| Fifth District Manufacturing Index ³ | -11 | -5 | 3 | -- | -- | -- |
| Shipments | -17 | -8 | 9 | 9 | -1 | 12 |
| Volume of New Orders | -14 | -5 | -4 | 8 | 6 | 6 |
| Backlog of Orders | -17 | -23 | -17 | -13 | -16 | -13 |
| Capacity Utilization | -8 | -5 | -6 | 5 | 12 | 8 |
| Vendor Lead Time | 1 | -4 | -12 | -12 | -12 | -13 |
| Local Business Conditions | -12 | -14 | -9 | -5 | -5 | -3 |
| Capital Expenditures | -4 | 5 | 4 | 10 | 10 | 1 |
| Finished Goods Inventories | 15 | 23 | 23 | 1 | 10 | 7 |
| Raw Materials Inventories | 15 | 18 | 23 | 7 | 12 | 11 |
| Equipment & Software Spending | -1 | -4 | -2 | 19 | 9 | 6 |
| Services Expenditures | -2 | 0 | -13 | -8 | -7 | -10 |
| Employment | | | | | | |
| Number of Employees | -1 | 0 | 7 | 6 | 16 | 15 |
| Wages | 22 | 25 | 29 | 44 | 50 | 46 |
| Availability of Skills Needed | 0 | 6 | -1 | 4 | 11 | 4 |
| Price Trends⁴ | | | | | | |
| Prices Paid | 4.24 | 3.08 | 3.02 | 3.24 | 2.91 | 3.45 |
| Prices Received | 2.79 | 1.97 | 2.07 | 2.31 | 2.07 | 2.08 |

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 85-92 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.

For more information contact Jason Kosakow at 571.287.0448 or Rich.RegionalSurveyTeam@rich.frb.org