

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

March 26, 2024

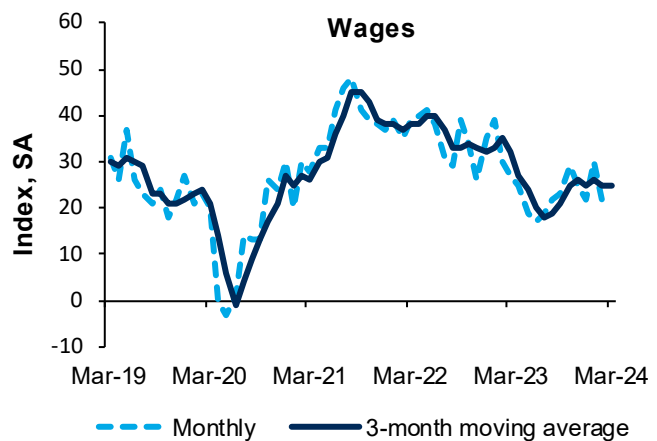
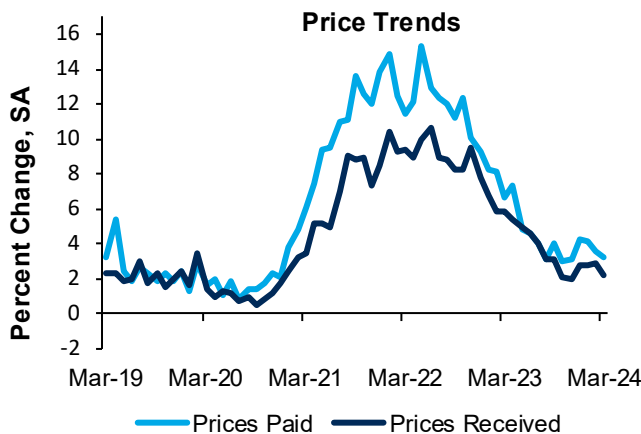
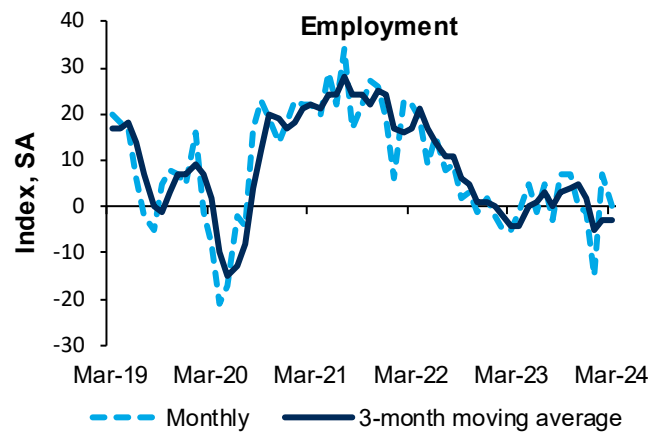
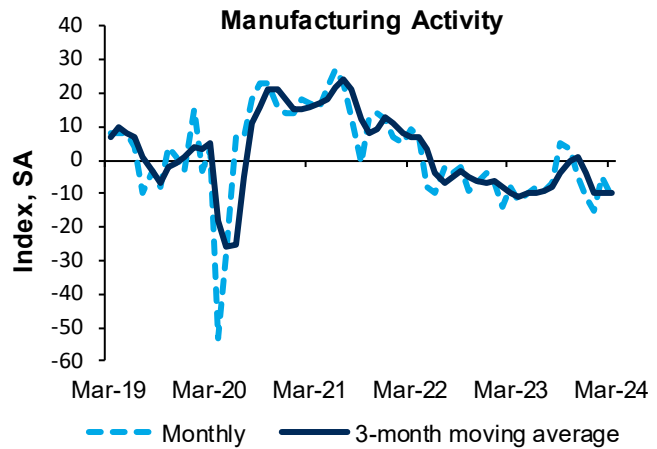
### Manufacturing Activity Slowed in March

Fifth District manufacturing activity slowed in March, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index decreased from -5 in February to -11 in March. Of its three component indexes, shipments remained solidly negative at -14, new orders fell from -5 to -17, and employment fell from 7 to 0.

Firms were split about local business conditions, as the index hovered around 0. The index for future local business conditions, however, increased from 3 in February to 12 in March.

Most firms continued to report declining backlogs as the index remained negative. The vendor lead time index returned to negative territory, decreasing from 4 to -17 in March. The capacity utilization index fell from -4 to -21.

The average growth rate of prices paid and prices received decreased in March. Firms expect both growth rates to moderate further over the next 12 months.



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### Business Activity Indexes<sup>1,4,5</sup>

| Business Sector Indicators                      | Current Conditions |        |        | Expectations <sup>2</sup> |        |        |
|---|--------------------|--------|--------|---------------------------|--------|--------|
|   | Mar-24             | Feb-24 | Jan-24 | Mar-24                    | Feb-24 | Jan-24 |
| Fifth District Manufacturing Index <sup>3</sup> | -11                | -5     | -15    | --                        | --     | --     |
| Shipments                                       | -14                | -15    | -15    | 19                        | 22     | 10     |
| Volume of New Orders                            | -17                | -5     | -16    | 19                        | 22     | 20     |
| Backlog of Orders                               | -25                | -15    | -23    | -1                        | -1     | -10    |
| Capacity Utilization                            | -21                | -4     | -27    | 11                        | 15     | 6      |
| Vendor Lead Time                                | -17                | 4      | -3     | -18                       | 4      | -6     |
| Local Business Conditions                       | -1                 | 1      | -8     | 12                        | 3      | 0      |
| Capital Expenditures                            | -9                 | -7     | 0      | 0                         | -5     | 9      |
| Finished Goods Inventories                      | 22                 | 14     | 22     | 4                         | 5      | 10     |
| Raw Materials Inventories                       | 22                 | 16     | 12     | 6                         | 6      | 10     |
| Equipment & Software Spending                   | -6                 | 0      | 4      | 0                         | -3     | 10     |
| Services Expenditures                           | -17                | -11    | -12    | -17                       | -17    | -11    |
| <b>Employment</b>                               |                    |        |        |                           |        |        |
| Number of Employees                             | 0                  | 7      | -15    | 2                         | 12     | 9      |
| Wages   | 23                 | 22     | 30     | 44                        | 43     | 48     |
| Availability of Skills Needed                   | -3                 | -6     | -3     | -2                        | 4      | 0      |
| <b>Price Trends<sup>4</sup></b>                 |                    |        |        |                           |        |        |
| Prices Paid                                     | 3.22               | 3.52   | 4.19   | 2.94                      | 3.03   | 3.21   |
| Prices Received                                 | 2.23               | 2.85   | 2.80   | 2.03                      | 2.08   | 1.38   |

#### 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 75-80 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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