

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

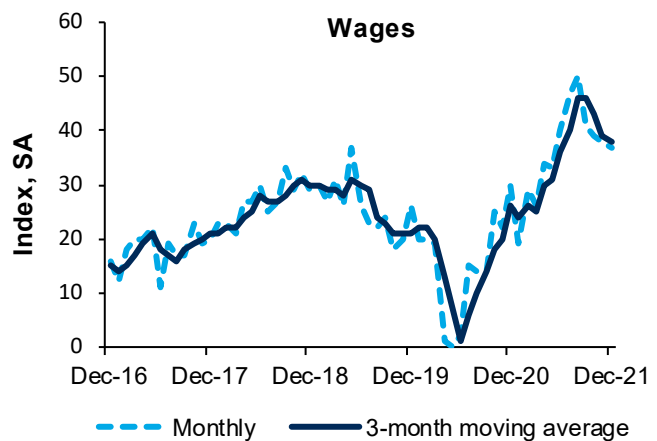
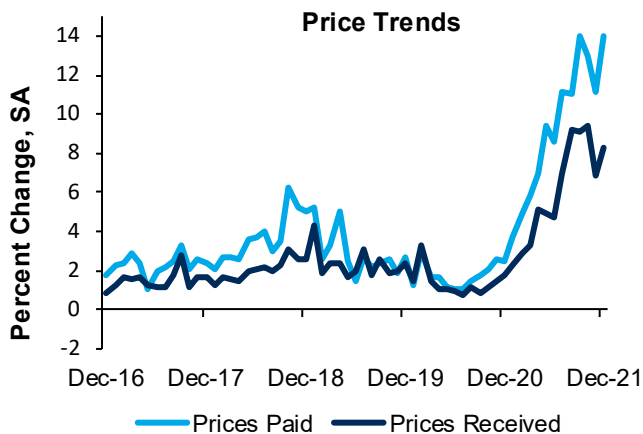
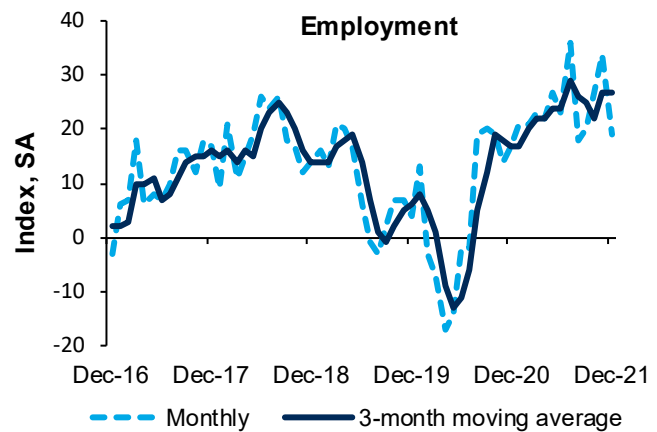
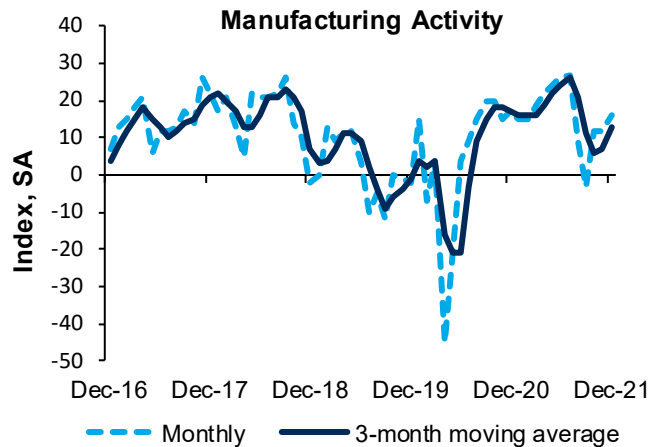
December 28, 2021

Manufacturing Activity Strengthened in December

Fifth District manufacturing activity strengthened in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from 12 in November to 16 in December, driven by increases in shipments and new orders. The third component in the composite index, employment, moderated but remained in expansionary territory. Backlogs of new orders registered their second highest index value on record, as vendor lead times remained high and inventories remained low. Meanwhile, manufacturers reported continued investment spending.

More manufacturing firms reported increasing employment than decreasing in December. Respondents continued to report difficulty finding workers with the necessary skills and are expecting this difficulty to continue. Many firms increased wages in December and are planning to keep increasing wages. Our expected wage index reached a record high of 74 in December.

The average growth rate of prices paid and prices received by survey participants increased in December. Firms expect the growth rate of prices paid and prices received to slow over the next year.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Dec-21	Nov-21	Oct-21	Dec-21	Nov-21	Oct-21
Fifth District Manufacturing Index ³	16	12	12	--	--	--
Shipments	12	0	1	43	39	33
Volume of New Orders	17	7	10	34	30	27
Backlog of Orders	26	21	19	8	8	8
Capacity Utilization	21	1	2	34	31	29
Vendor Lead Time	35	62	67	11	25	36
Local Business Conditions	-2	-10	-4	11	20	12
Capital Expenditures	14	13	17	35	31	38
Finished Goods Inventories	-7	-23	-11	-12	-14	-14
Raw Materials Inventories	-22	-18	-21	-10	-19	-21
Equipment & Software Spending	21	11	21	24	24	26
Services Expenditures	3	6	7	21	4	12
Employment						
Number of Employees	19	34	27	46	44	45
Wages	37	38	39	74	65	70
Availability of Skills Needed	-21	-17	-20	-16	-13	-5
Average Workweek	10	12	9	6	17	11
Price Trends⁴						
Prices Paid	13.98	11.19	13.04	7.00	6.85	6.49
Prices Received	8.26	6.91	9.42	5.66	7.16	5.73

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 73-79 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 Price changes are expressed as percent change, annualized.

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