

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

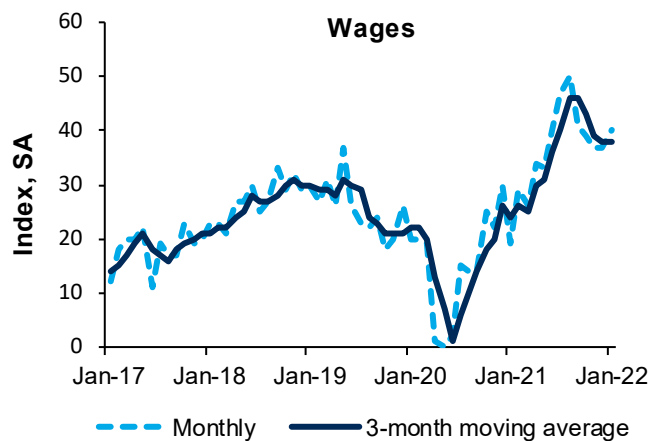
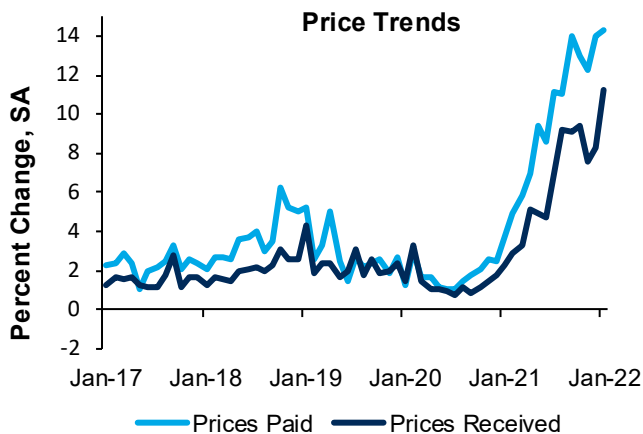
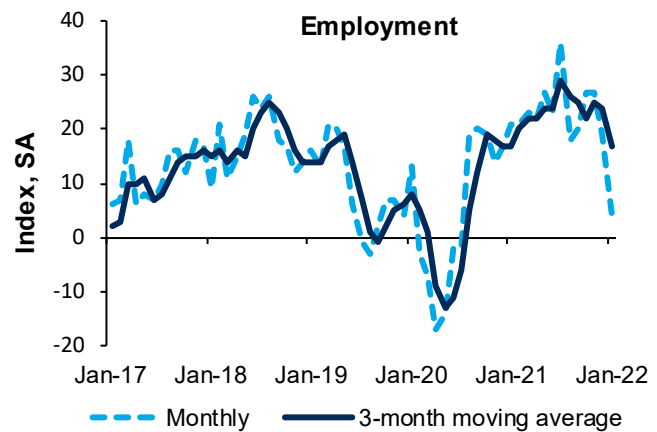
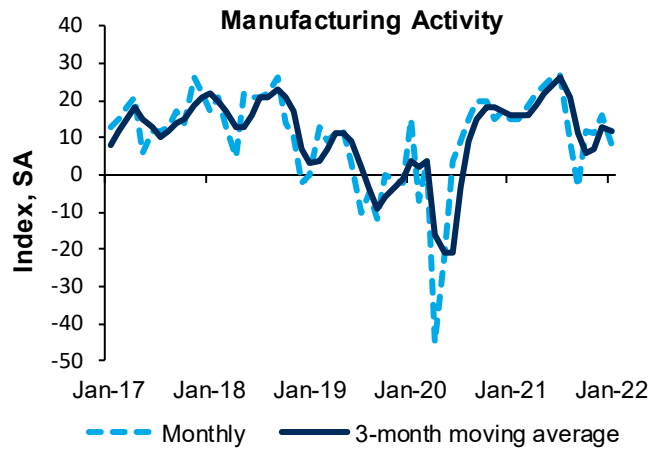
January 25, 2022

Manufacturing Activity Softened Somewhat in January

Fifth District manufacturing activity softened somewhat in January, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index fell from 16 in December to 8 in January, due to declines in the indexes for new orders and employment. The third component in the composite index, the index for shipments, increased slightly to 14 in January from 12 in December. The backlog of orders index dropped considerably in January, while the index for vendor lead time remained high and inventories indexes remained near historic lows. Firms' perceptions about changes in local business conditions remained slightly negative; however, firms are optimistic about future conditions.

Reported hiring moderated in January as fewer manufacturing firms increased employment compared to December. Additionally, firms continued to report challenges finding the skills that they need. The wage index increased to 40, which is the second highest value on record. Firms expect wages to continue increasing, with the expected wage index remaining firmly in expansionary territory.

The average growth rate of prices paid and prices received by survey participants increased in January.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Jan-22	Dec-21	Nov-21	Jan-22	Dec-21	Nov-21
Fifth District Manufacturing Index ³	8	16	11	--	--	--
Shipments	14	12	4	40	43	33
Volume of New Orders	6	17	5	24	34	27
Backlog of Orders	2	26	13	4	8	2
Capacity Utilization	4	21	0	40	34	26
Vendor Lead Time	50	35	57	16	11	23
Local Business Conditions	-4	-2	-4	23	11	7
Capital Expenditures	16	14	11	25	35	34
Finished Goods Inventories	-13	-7	-23	-13	-12	-14
Raw Materials Inventories	-17	-22	-22	-11	-10	-21
Equipment & Software Spending	15	21	9	15	24	30
Services Expenditures	2	3	9	0	21	8
Employment						
Number of Employees	4	19	27	38	46	43
Wages	40	37	37	54	74	66
Availability of Skills Needed	-19	-21	-23	-11	-16	-23
Average Workweek	6	10	11	10	6	12
Price Trends⁴						
Prices Paid	14.32	13.98	12.28	5.83	7.00	6.33
Prices Received	11.27	8.26	7.59	5.97	5.66	5.80

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 68-73 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.

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