

Regional Surveys of Business Activity

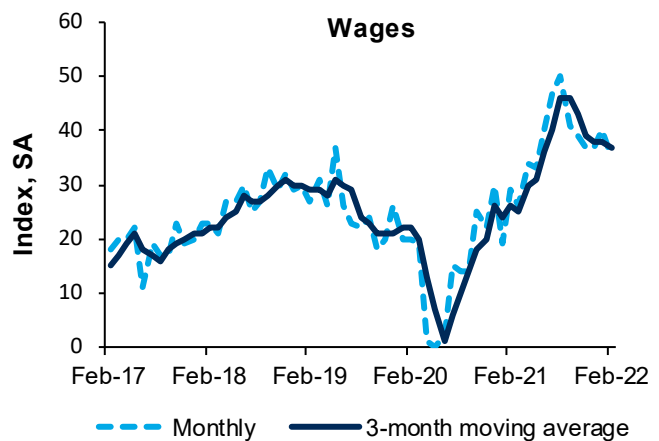
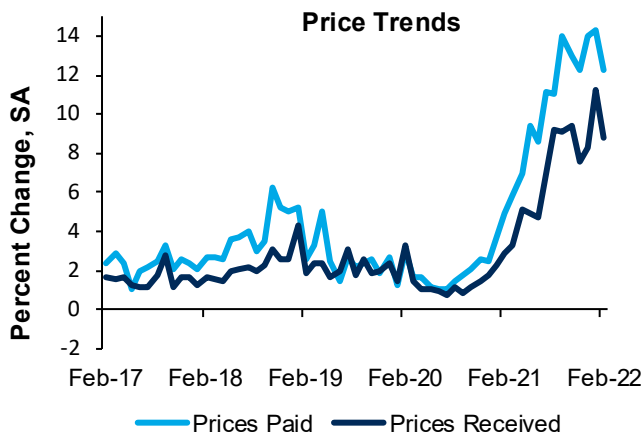
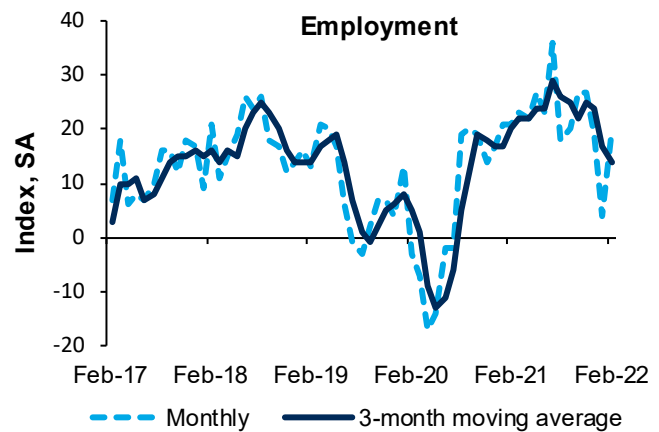
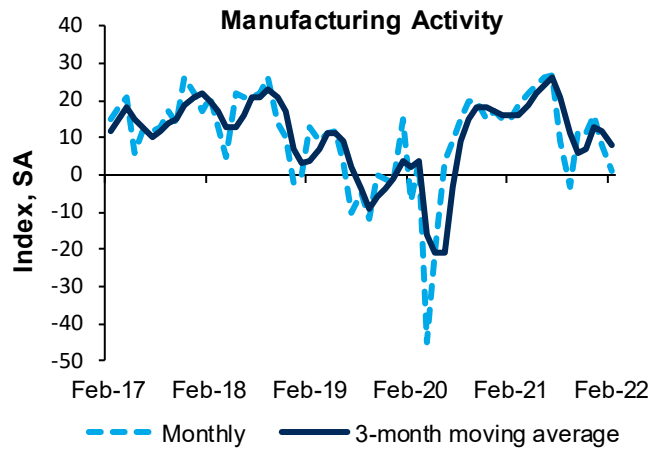
Fifth District Survey of Manufacturing Activity

February 22, 2022

Manufacturing Activity Softened Somewhat in February

Fifth District manufacturing activity softened in February, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index fell from 8 in January to 1 in February, due to declines in the indexes for shipments and new orders. Both indexes turned negative, with the shipments index dropping notably from 14 in January to -11 in February. However, the third component in the composite index, employment, increased to 20 from 4 in January. Firms reported decreases in order backlogs, as the index became negative for the first time since June 2020. Vendor lead times increased for many firms as that index remained at near-historic highs. Firms' perceptions about changes in local business conditions remained slightly negative; however, firms remained optimistic about future conditions.

Reported hiring increased in February as more manufacturing firms increased employment. Firms continued to report increasing wages while also citing challenges finding workers with the necessary skills. Firms expect this challenge to last for at least the next six months as the expectations index remained in negative territory.



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Business Activity Indexes^{1,4}

| Business Sector Indicators | Current Conditions | | | Expectations ² | | |
|---|--------------------|--------|--------|---------------------------|--------|--------|
| | Feb-22 | Jan-22 | Dec-21 | Feb-22 | Jan-22 | Dec-21 |
| Fifth District Manufacturing Index ³ | 1 | 8 | 16 | -- | -- | -- |
| Shipments | -11 | 14 | 12 | 48 | 40 | 43 |
| Volume of New Orders | -3 | 6 | 17 | 42 | 24 | 34 |
| Backlog of Orders | -4 | 2 | 26 | 13 | 4 | 8 |
| Capacity Utilization | -12 | 4 | 21 | 39 | 40 | 34 |
| Vendor Lead Time | 45 | 50 | 35 | 17 | 16 | 11 |
| Local Business Conditions | -6 | -4 | -2 | 29 | 23 | 11 |
| Capital Expenditures | 20 | 16 | 14 | 42 | 25 | 35 |
| Finished Goods Inventories | -14 | -13 | -7 | -13 | -13 | -12 |
| Raw Materials Inventories | -22 | -17 | -22 | -17 | -11 | -10 |
| Equipment & Software Spending | 31 | 15 | 21 | 34 | 15 | 24 |
| Services Expenditures | 12 | 2 | 3 | 9 | 0 | 21 |
| Employment | | | | | | |
| Number of Employees | 20 | 4 | 19 | 41 | 38 | 46 |
| Wages | 35 | 40 | 37 | 67 | 54 | 74 |
| Availability of Skills Needed | -16 | -19 | -21 | -12 | -11 | -16 |
| Average Workweek | -1 | 6 | 10 | 17 | 10 | 6 |
| Price Trends⁴ | | | | | | |
| Prices Paid | 12.27 | 14.32 | 13.98 | 5.47 | 5.83 | 7.00 |
| Prices Received | 8.77 | 11.27 | 8.26 | 4.92 | 5.97 | 5.66 |

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 68-75 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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