

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

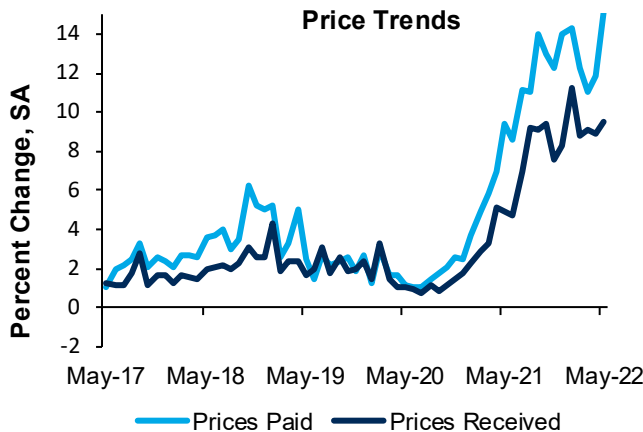
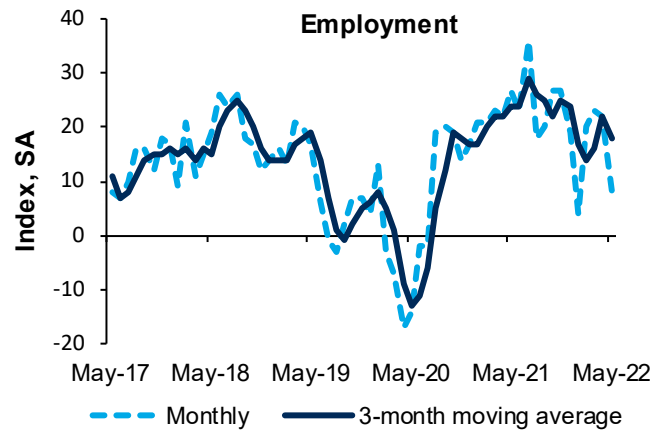
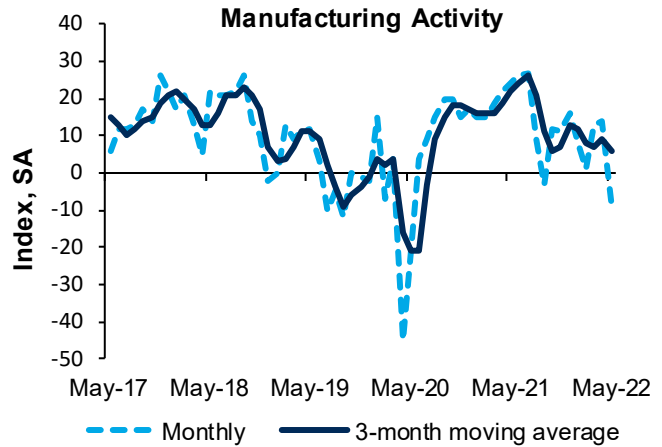
May 24, 2022

Fifth District Manufacturing Activity Declined in May

Many Fifth District manufacturing firms reported declines in activity in May, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index fell from 14 in April to -9 in May, as two of the three components of the index turned negative: the indexes for shipments and volume of new orders declined from 6 in April to -16 and -15 in May, respectively. The third component, the employment index, remained positive at 8 but fell from 22 in April. Additionally, the local business conditions index continued its decline to -16 in May, from -10 in April. Firms are also less optimistic about conditions in the next six months as the index decreased to -13 in May from -1 in April.

On a positive note, there was some indication of supply chain improvement as the indexes for vendor lead time and order backlogs both decreased in May from record highs earlier in the year. In addition, all three spending indexes increased in May. The wage index also remained elevated, indicating that a large share of firms continue to report increasing wages.

The average growth rate of prices paid increased notably in May. Firms also reported higher average growth in prices received in May.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	May-22	Apr-22	Mar-22	May-22	Apr-22	Mar-22
Fifth District Manufacturing Index ³	-9	14	13	--	--	--
Shipments	-14	17	9	19	31	30
Volume of New Orders	-16	6	10	-4	20	11
Backlog of Orders	-15	6	7	-11	6	2
Capacity Utilization	-11	17	9	6	13	16
Vendor Lead Time	18	36	44	14	12	25
Local Business Conditions	-16	-10	-5	-13	-1	9
Capital Expenditures	20	18	21	27	32	39
Finished Goods Inventories	-12	-10	-15	-6	-14	-8
Raw Materials Inventories	-16	-13	-15	-11	-21	-9
Equipment & Software Spending	21	16	19	28	25	35
Services Expenditures	11	6	17	-6	2	8
Employment						
Number of Employees	8	22	23	14	43	40
Wages	41	41	37	66	64	59
Availability of Skills Needed	-24	-15	-21	-14	-9	-11
Average Workweek	-1	18	18	-4	-2	0
Price Trends⁴						
Prices Paid	15.13	11.83	11.05	7.28	6.09	6.56
Prices Received	9.57	8.93	9.16	5.30	5.29	5.58

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 64-68 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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