

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

October 25, 2022

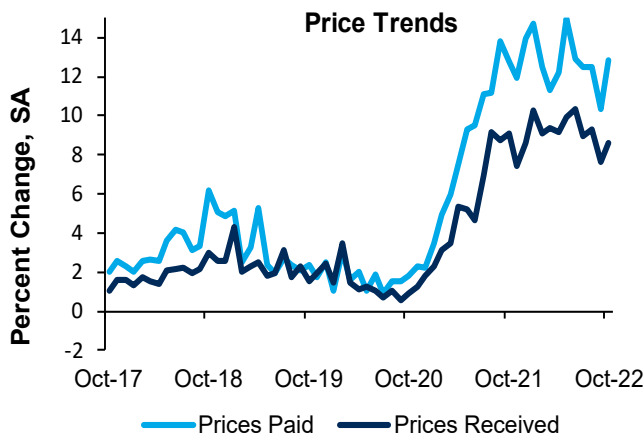
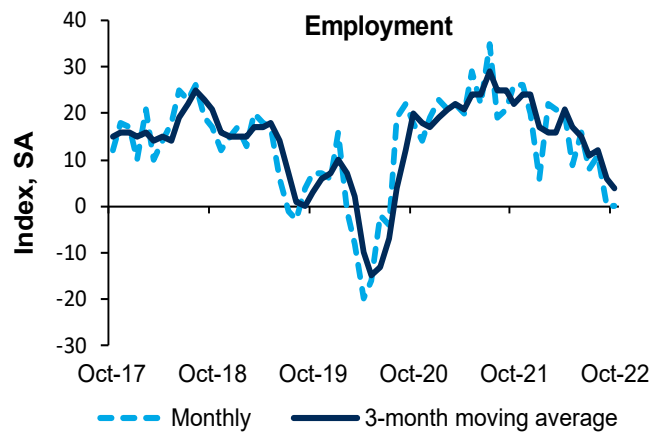
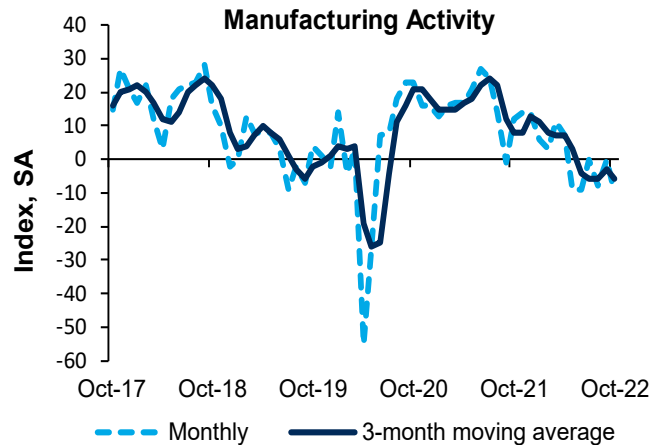
Manufacturing Activity Weakened in October

Many Fifth District manufacturing firms reported weaker conditions in October, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index fell from 0 in September to -10 in October, dipping below its August level. Two of its three component indexes deteriorated notably: the indexes for shipments and volume of new orders fell from 14 and -11 in September to -3 and -22 in October, respectively. The third component, the employment index, remained unchanged at 0 in October, as hiring challenges persisted.

The wage index decreased slightly but remained elevated. The local business conditions index slid from -5 in September to -16 in October, with considerably more firms pessimistic about conditions over the next six months.

There was little indication of supply chain relief since August, as the indexes for vendor lead time and backlog of orders remained steady, although both have improved dramatically since earlier this year.

The average growth rate of prices paid and prices received both increased again in October, after moderating in September. Expectations for both over the next 12 months also increased slightly from September.



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Business Activity Indexes^{1,4,5}

Business Sector Indicators	Current Conditions			Expectations ²		
	Oct-22	Sep-22	Aug-22	Oct-22	Sep-22	Aug-22
Fifth District Manufacturing Index ³	-10	0	-8	--	--	--
Shipments	-3	14	-8	-4	18	15
Volume of New Orders	-22	-11	-20	-16	13	4
Backlog of Orders	-28	-25	-24	-25	-13	-4
Capacity Utilization	-9	-4	-5	-7	14	14
Vendor Lead Time	-15	-11	-14	-24	-15	-32
Local Business Conditions	-16	-5	-14	-30	-7	-10
Capital Expenditures	18	22	18	8	20	29
Finished Goods Inventories	-2	-8	-5	0	-9	-5
Raw Materials Inventories	20	4	-3	3	-4	1
Equipment & Software Spending	12	17	14	7	24	17
Services Expenditures	4	6	9	-10	3	9
Employment						
Number of Employees	0	0	11	10	19	28
Wages	34	40	27	47	61	65
Availability of Skills Needed	-14	-6	-3	-16	-2	3
Price Trends⁴						
Prices Paid	12.81	10.34	12.47	6.08	5.14	4.90
Prices Received	8.62	7.66	9.31	4.80	4.50	4.35

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 65-69 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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