

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

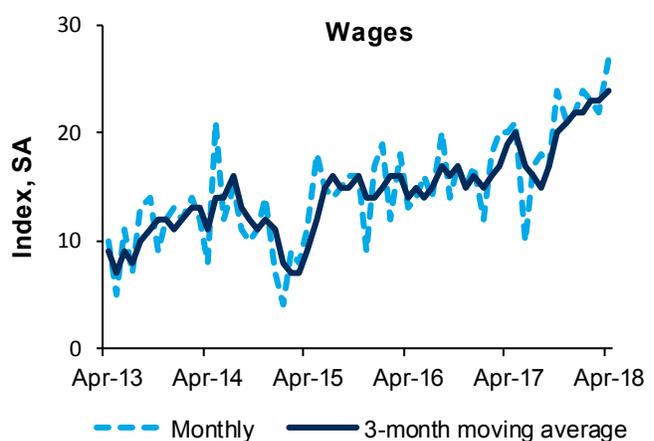
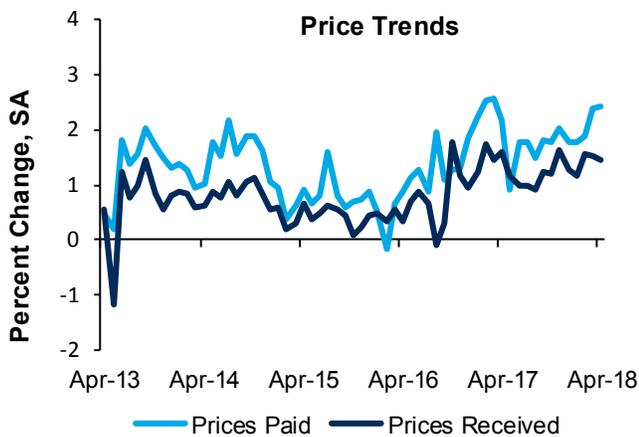
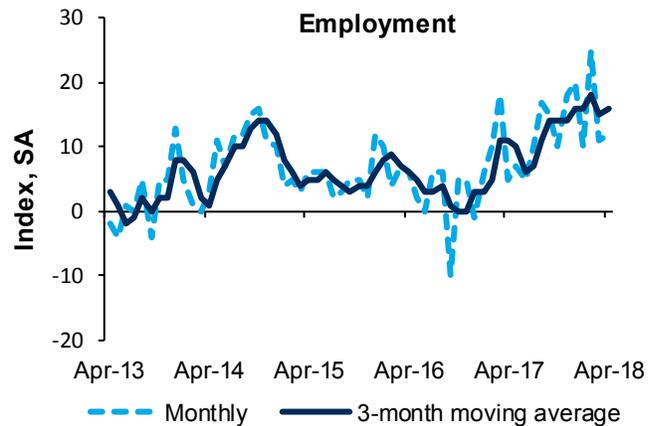
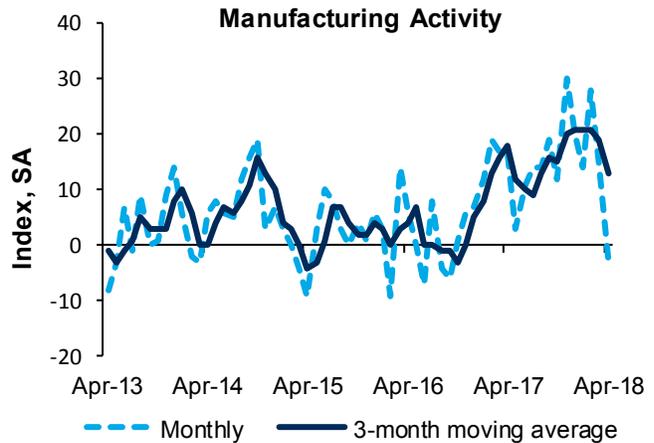
April 24, 2018

Fifth District Manufacturing Firms Reported Weakening Business Activity in April

Results of the most recent survey from the Richmond Fed suggest that Fifth District manufacturing activity slowed in April. The composite index dropped sharply from 15 in March to -3 in April, its first negative reading since September 2016. The index was weighed down by a contraction in shipments and new orders; however, its third component, employment, rose slightly and remained in expansionary territory. The negative reading of the local business conditions index also suggested worsening conditions for District manufacturers, but surveyed firms were generally optimistic that they would see overall growth in the next six months.

Survey results indicate that capital expenditures and wages increased among District manufacturing firms in April as both indicators reached record-high values of 31 and 27, respectively. Despite rising wages, firms continued to report difficulty in finding necessary skills.

Firms saw increased growth in prices paid in April, but growth of prices received continued to slow. Manufacturers expected to see faster growth in both prices paid and prices received in the coming months.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Apr-18	Mar-18	Feb-18	Apr-18	Mar-18	Feb-18
Fifth District Manufacturing Index ³	-3	15	28	--	--	--
Shipments	-8	15	31	39	55	45
Volume of New Orders	-9	17	27	36	46	40
Backlog of Orders	-4	10	18	14	34	26
Capacity Utilization	-4	13	32	25	40	34
Vendor Lead Time	18	16	18	12	22	13
Local Business Conditions	-1	7	29	34	45	36
Capital Expenditures	31	16	28	30	39	36
Finished Goods Inventories	15	5	17	6	1	5
Raw Materials Inventories	17	17	23	12	8	5
Equipment & Software Spending	19	16	27	14	23	23
Services Expenditures	16	18	10	20	23	4
Employment						
Number of Employees	12	11	25	34	31	22
Wages	27	22	23	47	42	38
Availability of Skills Needed	-8	-6	-17	-15	-5	-11
Average Workweek	8	12	28	10	18	7
Price Trends⁴						
Prices Paid	2.43	2.39	1.89	2.52	2.59	2.69
Prices Received	1.46	1.54	1.57	1.91	1.84	1.74

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 76 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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