

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

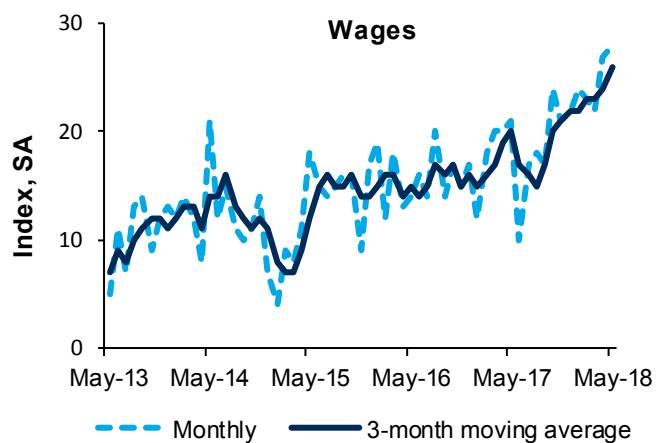
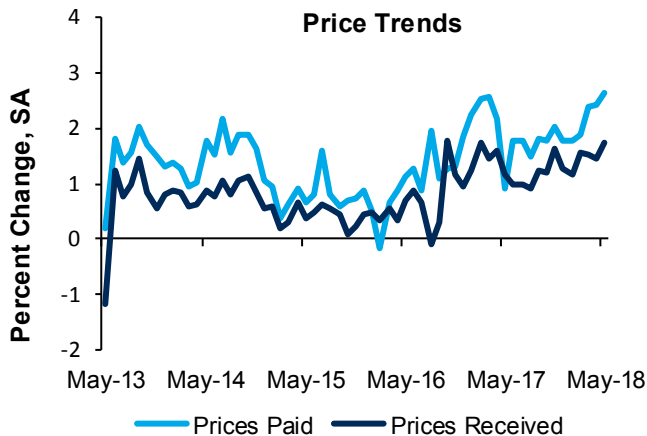
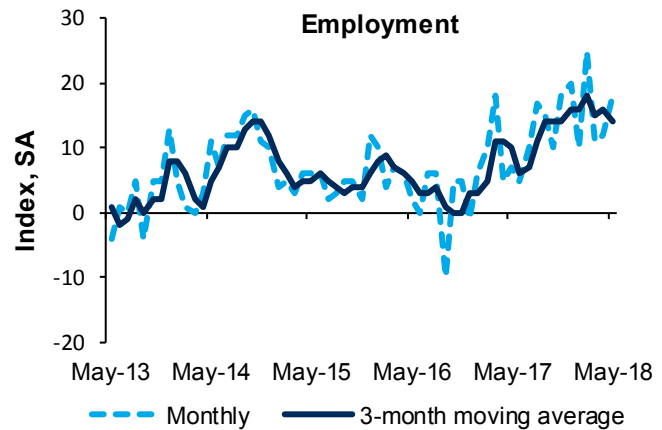
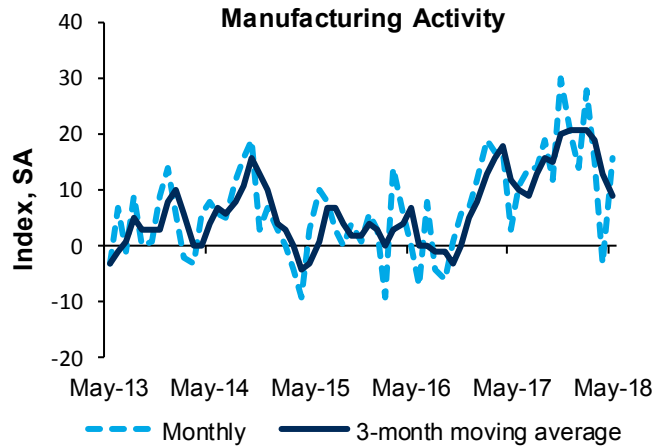
May 22, 2018

*Fifth District Manufacturing Firms Reported Robust Growth in May*

Fifth District manufacturing firms saw robust growth in May, according to survey results from the Federal Reserve Bank of Richmond. The composite index swung from -3 in April to 16 in May, boosted by growth in the indexes for shipments, new orders, and employment. Local business conditions also moved back into expansionary territory, after weakening in April, and firms remained optimistic that growth would continue in coming months.

Survey results indicate that both employment and wages rose among manufacturing firms in May, however, firms still struggled to find the skills they needed. They expect this struggle to continue in the next six months and also expect employment and wages to increase further.

Many manufacturing firms continued to increase spending in May. The growth rate of prices paid continued to rise, on average, but firms seemed able to pass some of change through to customers, as prices received also grew at a faster rate.



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### Business Activity Indexes<sup>1,4</sup>

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	May-18	Apr-18	Mar-18	May-18	Apr-18	Mar-18
Fifth District Manufacturing Index <sup>3</sup>	16	-3	15	--	--	--
Shipments	15	-8	15	41	39	55
Volume of New Orders	16	-9	17	34	36	46
Backlog of Orders	7	-4	10	15	14	34
Capacity Utilization	19	-4	13	32	25	40
Vendor Lead Time	17	18	16	16	12	22
Local Business Conditions	11	-1	7	25	34	45
Capital Expenditures	19	31	16	24	30	39
Finished Goods Inventories	8	15	5	1	6	1
Raw Materials Inventories	19	17	17	13	12	8
Equipment & Software Spending	26	19	16	17	14	23
Services Expenditures	11	16	18	9	20	23
<b>Employment</b>						
Number of Employees	18	12	11	26	34	31
Wages	28	27	22	40	47	42
Availability of Skills Needed	-3	-8	-6	-2	-15	-5
Average Workweek	9	8	12	7	10	18
<b>Price Trends<sup>4</sup></b>						
Prices Paid	2.63	2.43	2.39	2.18	2.52	2.59
Prices Received	1.75	1.46	1.54	1.74	1.91	1.84

#### Technical Notes:

- <sup>1</sup> 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 77 firms.
- <sup>2</sup> Expectations refer to the time period six months out from the survey period.
- <sup>3</sup> 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.
- <sup>4</sup> Price changes are expressed as percent change, annualized.

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