

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

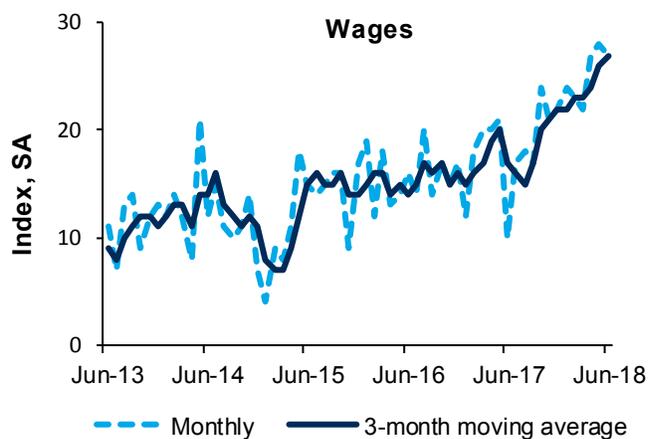
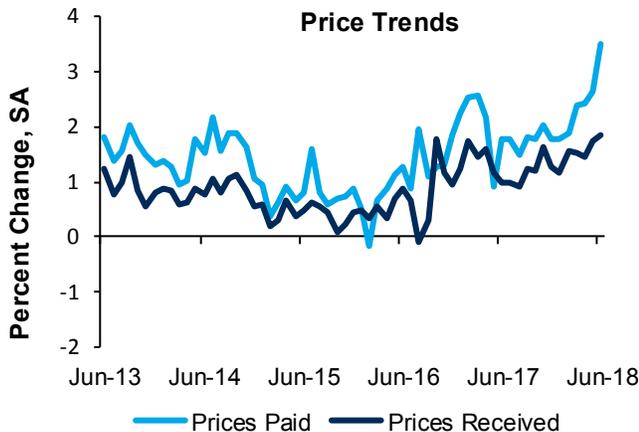
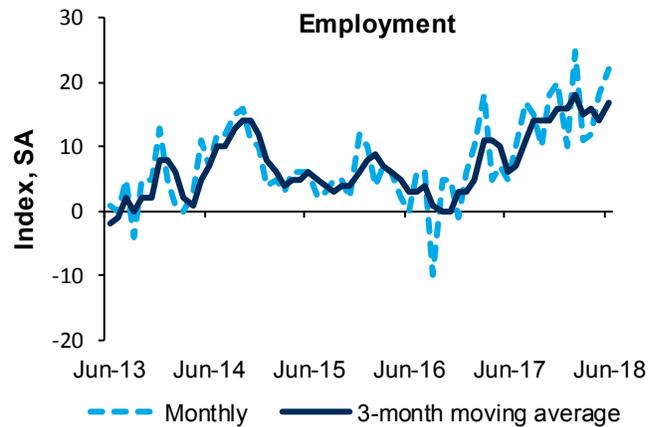
June 26, 2018

Fifth District Manufacturing Firms Reported Continued Growth in June

Fifth District manufacturing continued to expand in June, according to results of the most recent survey from the Richmond Fed. The composite manufacturing index rose from 16 in May to 20 in June, buoyed by an increase in all three components (shipments, new orders, and employment). Firms also saw an increase in backlog of orders, as the index rose to its highest value of this year. Respondents were optimistic in June, expecting growth to continue across most indicators.

While survey results suggest a rise in employment in June, firms continued to struggle to find employees with the skills they needed, as this indicator fell from -3 in May to -14 in June, indicating further contraction. In spite of expectations of continued shortages, manufacturers expect payrolls to expand further in coming months.

On balance, manufacturers reported that price increases accelerated in June. In fact, the average increase in current prices paid reached its highest level since November 2012. However firms expect growth in both prices paid and prices received to slow in the next six months.



Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

June 26, 2018

Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Jun-18	May-18	Apr-18	Jun-18	May-18	Apr-18
Fifth District Manufacturing Index ³	20	16	-3	--	--	--
Shipments	17	15	-8	46	41	39
Volume of New Orders	22	16	-9	45	34	36
Backlog of Orders	19	7	-4	28	15	14
Capacity Utilization	15	19	-4	36	32	25
Vendor Lead Time	17	17	18	23	16	12
Local Business Conditions	11	11	-1	40	25	34
Capital Expenditures	26	19	31	33	24	30
Finished Goods Inventories	1	8	15	4	1	6
Raw Materials Inventories	20	19	17	10	13	12
Equipment & Software Spending	16	26	19	20	17	14
Services Expenditures	0	11	16	7	9	20
Employment						
Number of Employees	22	18	12	35	26	34
Wages	27	28	27	39	40	47
Availability of Skills Needed	-14	-3	-8	-6	-2	-15
Average Workweek	12	9	8	13	7	10
Price Trends⁴						
Prices Paid	3.52	2.63	2.43	1.97	2.18	2.52
Prices Received	1.86	1.75	1.46	1.48	1.74	1.91

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 79 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.

For more information contact Roisin McCord at 804.697.8702 or Rich.RegionalSurveyTeam@rich.frb.org