

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

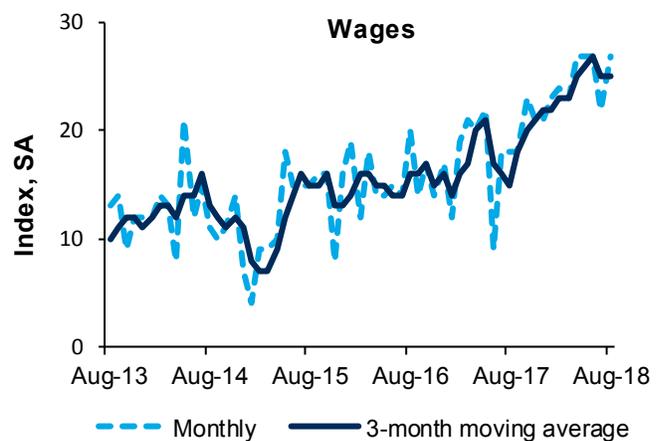
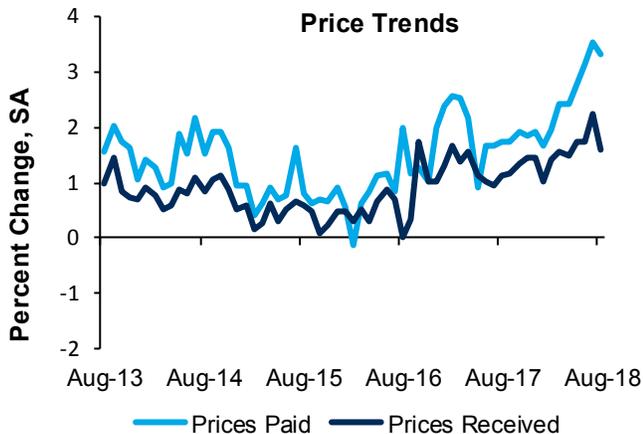
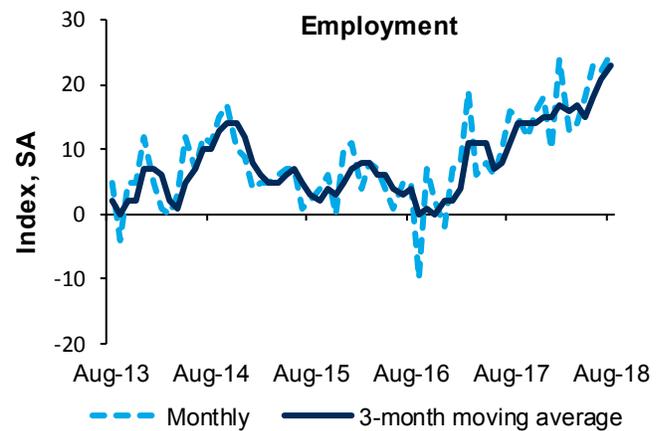
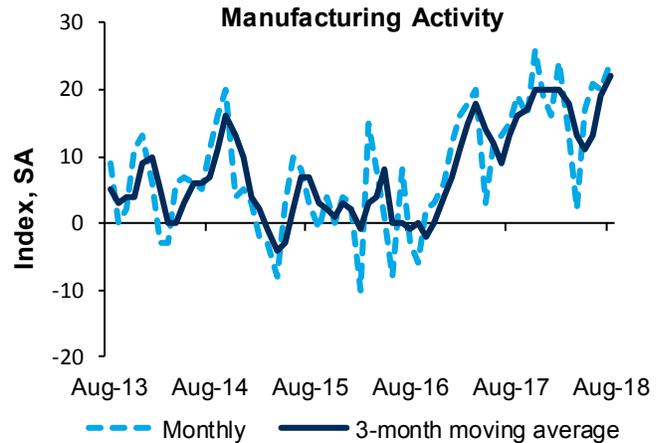
August 28, 2018

Fifth District Manufacturing Firms Reported Strong Growth in August

Fifth District manufacturing activity expanded in August, according to results of the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from 20 in July to 24 in August, as all three components (shipments, new orders, and employment) increased. Respondents remained optimistic in August, expecting growth to continue in the coming months.

Employment and wages continued to rise, yet manufacturing firms continued to struggle to find workers with the skills they needed, as this indicator dropped to -17, its lowest value on record. Firms expect this struggle to continue in the next six months but anticipate sustained employment growth as well.

Respondents reported slower growth in both prices paid and prices received in August as the rise in prices paid continued to outpace growth of prices received. However, firms expect this gap to narrow in coming months, anticipating further slowing of growth in prices paid but accelerated growth of prices received.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Aug-18	Jul-18	Jun-18	Aug-18	Jul-18	Jun-18
Fifth District Manufacturing Index ³	24	20	21	--	--	--
Shipments	23	16	17	42	44	48
Volume of New Orders	25	22	22	40	39	46
Backlog of Orders	15	4	20	20	26	25
Capacity Utilization	18	8	20	37	40	36
Vendor Lead Time	35	17	18	23	19	22
Local Business Conditions	13	18	13	26	31	37
Capital Expenditures	21	25	26	37	30	31
Finished Goods Inventories	4	10	2	-3	5	5
Raw Materials Inventories	15	20	19	0	7	10
Equipment & Software Spending	19	18	17	32	14	21
Services Expenditures	12	6	1	14	-1	10
Employment						
Number of Employees	25	22	23	28	26	33
Wages	27	22	27	43	43	39
Availability of Skills Needed	-17	-16	-13	-8	-10	-4
Average Workweek	16	10	11	13	18	11
Price Trends⁴						
Prices Paid	3.31	3.54	3.14	3.24	2.84	2.00
Prices Received	1.58	2.24	1.72	2.63	2.74	1.46

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 102 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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