

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

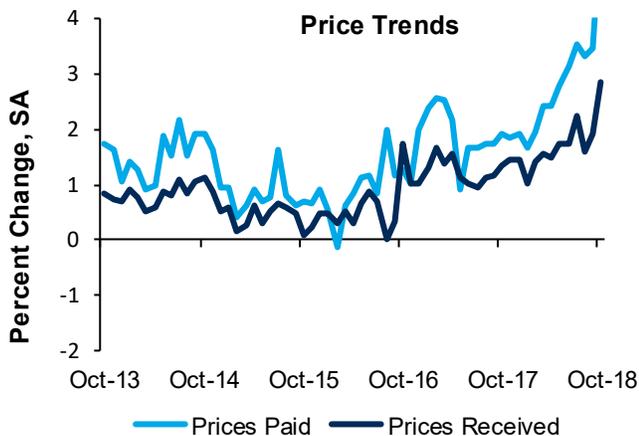
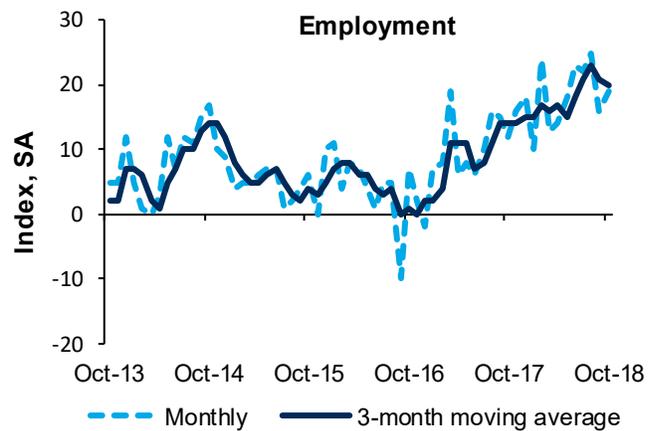
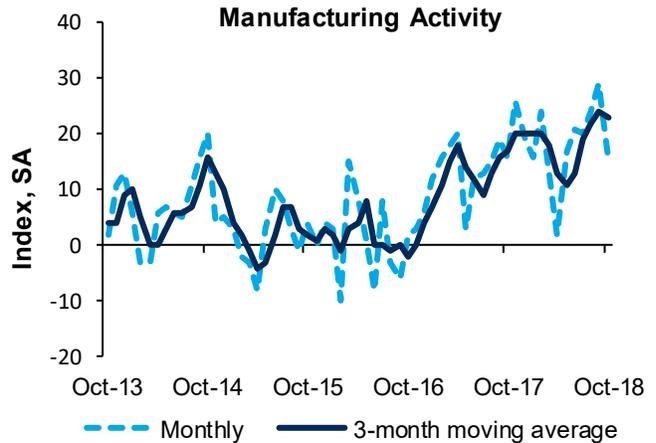
October 23, 2018

Fifth District Manufacturing Activity Expanded Moderately in October

Fifth District manufacturing activity expanded moderately in October, according to the results from the most recent survey by the Federal Reserve Bank of Richmond. The composite index fell from 29 in September to 15 in October, as indexes for shipments and new orders dropped, while the third component, employment, rose. However, survey respondents were optimistic, expecting to see positive growth across most measures in the coming months.

While the employment index rose in October, the indexes for wages and workweek dropped but remained positive, indicating continued but weaker growth. Firms were unable to find workers with skills they needed, as the skills index dropped to an all-time low of -22. Respondents expect this struggle to continue in the next six months.

Both prices paid and prices received grew at an accelerated rate in October. Growth of prices paid continued to outpace growth of prices received and hit its highest rate since May 2011. Firms expect price growth to continue in the near future.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Oct-18	Sep-18	Aug-18	Oct-18	Sep-18	Aug-18
Fifth District Manufacturing Index ³	15	29	24	--	--	--
Shipments	7	33	23	49	43	42
Volume of New Orders	20	34	25	43	37	40
Backlog of Orders	13	20	15	21	26	20
Capacity Utilization	20	20	18	36	40	37
Vendor Lead Time	23	32	35	20	29	23
Local Business Conditions	8	27	13	37	32	26
Capital Expenditures	21	29	21	38	29	37
Finished Goods Inventories	1	6	4	-2	2	-3
Raw Materials Inventories	14	14	15	0	-1	0
Equipment & Software Spending	16	20	19	28	23	32
Services Expenditures	-1	5	12	8	5	14
Employment						
Number of Employees	19	16	25	33	23	28
Wages	28	33	27	59	45	43
Availability of Skills Needed	-22	-11	-17	-25	-12	-8
Average Workweek	16	19	16	15	12	13
Price Trends⁴						
Prices Paid	5.68	3.47	3.31	3.87	3.04	3.24
Prices Received	2.84	1.93	1.58	2.66	2.37	2.63

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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