

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

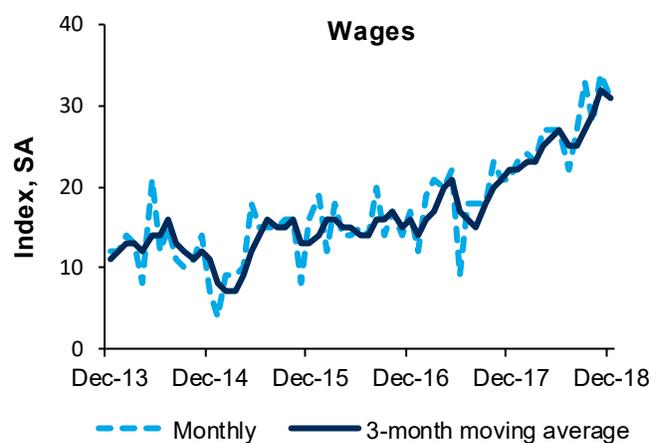
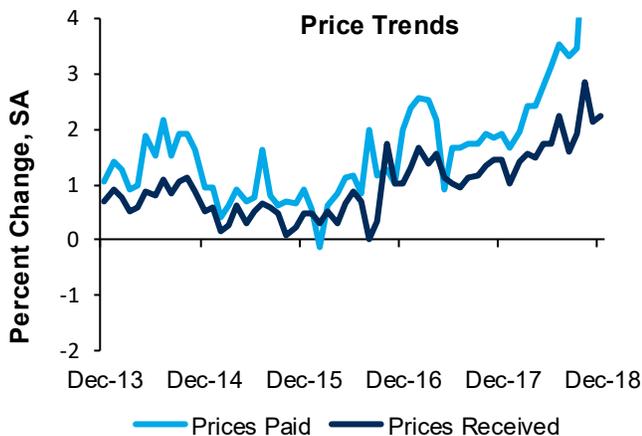
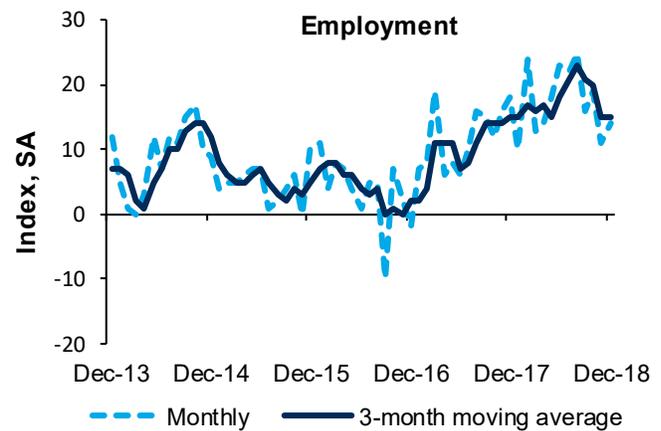
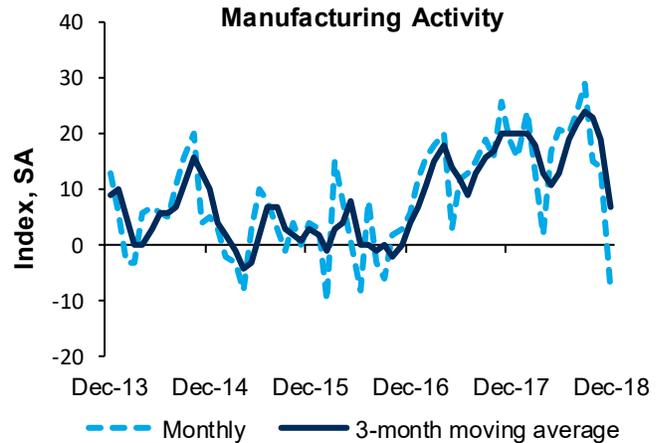
December 26, 2018

### *Fifth District Manufacturing Activity Weakened in December*

Fifth District manufacturing activity weakened in December, according to the latest survey from the Richmond Fed. The composite index dropped from 14 in November to -8 in December, weighed down by drops in the indexes for new orders and shipments. At -25, the shipments index was its lowest reading since April 2009. However, the third component, the index for employment, rose. Respondents indicated a deterioration in local business conditions, as this index fell to -25, its lowest reading on record, but most firms were optimistic that conditions would improve.

Survey results suggested employment growth among many manufacturing firms in December, but firms continued to struggle to find workers with the necessary skills. Respondents expected this problem to continue in the coming months but anticipated continued employment growth as well.

Both prices paid and prices received by manufacturing firms grew in December. Growth of prices paid continued to outpace growth of prices received, although the gap narrowed slightly. Firms expected these trends to persist in the coming months.



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

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Dec-18	Nov-18	Oct-18	Dec-18	Nov-18	Oct-18
Fifth District Manufacturing Index <sup>3</sup>	-8	14	15	--	--	--
Shipments	-25	12	7	19	30	49
Volume of New Orders	-9	17	20	15	27	43
Backlog of Orders	-18	15	13	0	1	21
Capacity Utilization	-16	9	20	20	29	36
Vendor Lead Time	14	35	23	4	22	20
Local Business Conditions	-25	5	8	14	16	37
Capital Expenditures	17	17	21	22	37	38
Finished Goods Inventories	13	2	1	7	1	-2
Raw Materials Inventories	15	5	14	9	1	0
Equipment & Software Spending	13	19	16	21	30	28
Services Expenditures	2	9	-1	-1	12	8
<b>Employment</b>						
Number of Employees	14	11	19	28	32	33
Wages	31	34	28	49	58	59
Availability of Skills Needed	-28	-26	-22	-23	-29	-25
Average Workweek	3	11	16	4	11	15
<b>Price Trends<sup>4</sup></b>						
Prices Paid	4.36	4.70	5.68	2.90	3.92	3.87
Prices Received	2.26	2.13	2.84	2.31	2.60	2.66

#### 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 78 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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