

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

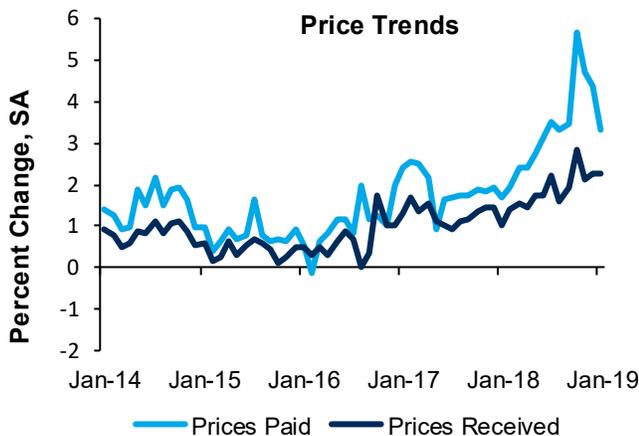
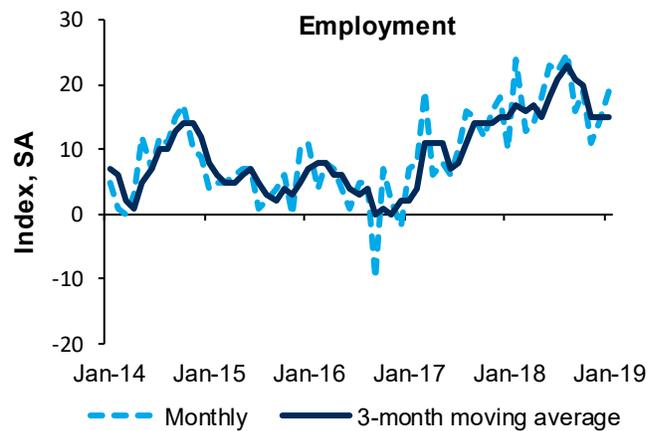
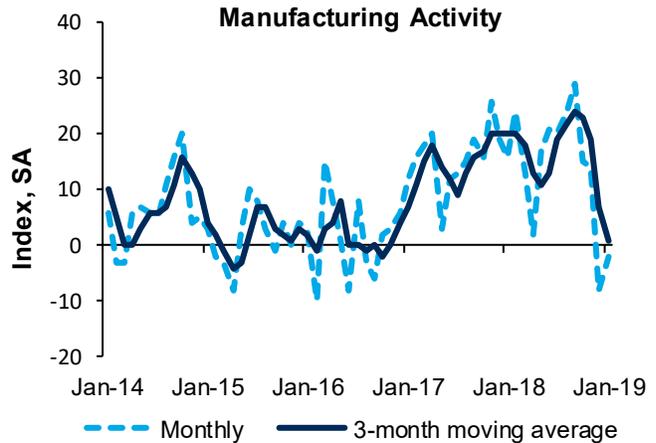
January 23, 2019

### *Fifth District Manufacturing Activity Was Soft in January*

Fifth District manufacturing activity was soft in January, according to the latest survey from the Richmond Fed. The composite index rose from -8 in December to -2 in January but continued to indicate weak growth. The rise from December came from increases in the component indexes of employment and shipments, although the shipments index remained negative. The third component, new orders, dropped to -11, its lowest reading since June 2016. Meanwhile, the index for backlog of orders fell to -21, its lowest reading since May 2009. However, manufacturers remained optimistic that conditions would improve in the coming months.

Survey results indicated continued growth in employment and wages in January, but firms still struggled to find workers with the skills they need. Respondents expected this struggle to continue, along with employment and wage growth, in the near future.

The growth rate of prices paid by survey respondents fell in January, but continued to outpace that of prices received, which held steady. Firms expected growth to slow for both prices paid and prices received in the next six months.



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

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Jan-19	Dec-18	Nov-18	Jan-19	Dec-18	Nov-18
Fifth District Manufacturing Index <sup>3</sup>	-2	-8	14	--	--	--
Shipments	-8	-25	12	29	19	30
Volume of New Orders	-11	-9	17	31	15	27
Backlog of Orders	-21	-18	15	5	0	1
Capacity Utilization	3	-16	9	20	20	29
Vendor Lead Time	4	14	35	-9	4	22
Local Business Conditions	-11	-25	5	27	14	16
Capital Expenditures	9	17	17	27	22	37
Finished Goods Inventories	3	13	2	0	7	1
Raw Materials Inventories	23	15	5	3	9	1
Equipment & Software Spending	8	13	19	18	21	30
Services Expenditures	6	2	9	8	-1	12
<b>Employment</b>						
Number of Employees	19	14	11	21	28	32
Wages	31	31	34	48	49	58
Availability of Skills Needed	-12	-28	-26	-17	-23	-29
Average Workweek	3	3	11	7	4	11
<b>Price Trends<sup>4</sup></b>						
Prices Paid	3.32	4.36	4.70	2.48	2.90	3.92
Prices Received	2.26	2.26	2.13	2.00	2.31	2.60

#### 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 82 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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