

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

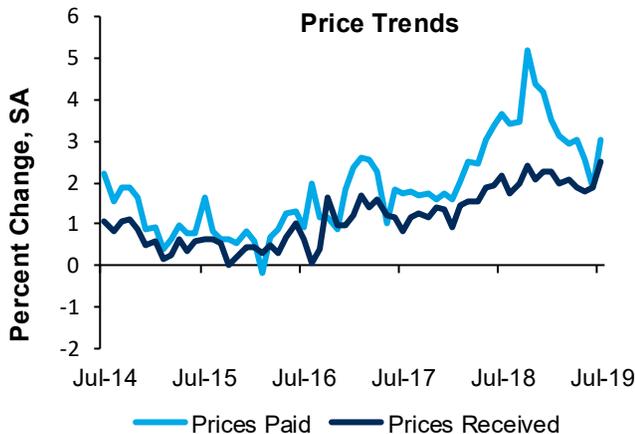
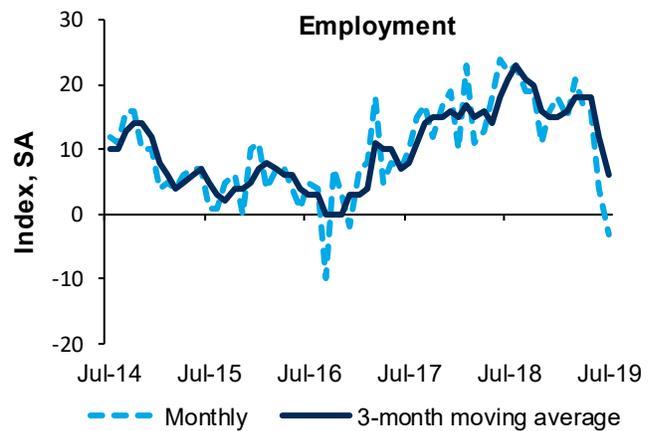
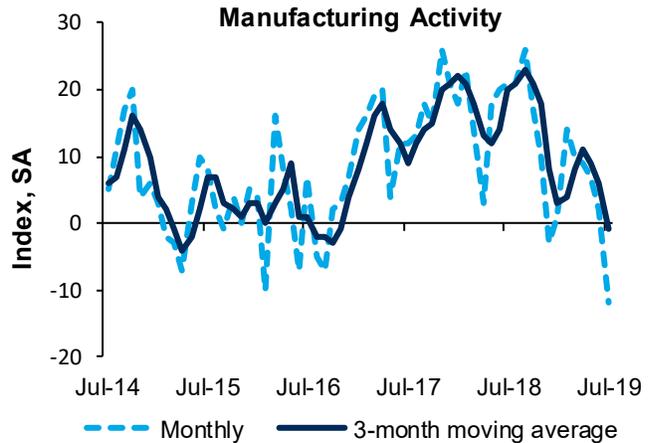
July 23, 2019

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

Fifth District manufacturing activity weakened in July, according to the most recent survey from the Richmond Fed. The composite index fell from 2 in June to -12 in July, its lowest reading since January 2013, as all three components—shipments, new orders, and employment—registered declines. Backlogs of orders also fell, reaching a value of -26, its lowest reading since April 2009. Firms reported worsening local business conditions, as this index dropped from 7 to -18, its largest one-month drop on record. However, respondents were optimistic that conditions would improve in the coming months.

Survey results indicated that employment and the average workweek declined in July. However, wage growth continued among survey respondents. Firms continued to struggle to find workers with the necessary skills and expect that struggle to continue in the next six months.

The growth rates of both prices paid and prices received rose in July, as growth of prices paid outpaced that of prices received. Survey participants, on average, expected growth of both prices paid and prices received to slow in the near future.



# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

July 23, 2019

### Business Activity Indexes<sup>1,5</sup>

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Jul-19	Jun-19	May-19	Jul-19	Jun-19	May-19
Fifth District Manufacturing Index <sup>3</sup>	-12	2	7	--	--	--
Shipments	-13	5	1	32	23	29
Volume of New Orders	-18	-2	5	36	27	30
Backlog of Orders	-26	-3	-3	8	7	8
Capacity Utilization	-24	-4	-1	24	17	22
Vendor Lead Time	1	9	3	1	6	3
Local Business Conditions	-18	7	4	25	11	20
Capital Expenditures	7	18	15	19	28	33
Finished Goods Inventories	17	19	24	8	1	6
Raw Materials Inventories	22	25	33	5	1	7
Equipment & Software Spending	6	16	13	18	28	31
Services Expenditures	2	2	5	1	11	11
<b>Employment</b>						
Number of Employees	-3	4	16	13	12	21
Wages	20	25	36	44	52	66
Availability of Skills Needed	-19	-18	-20	-21	-26	-21
Average Workweek	-9	1	5	3	6	5
<b>Price Trends<sup>4</sup></b>						
Prices Paid	3.04	1.89	2.54	2.33	2.50	2.56
Prices Received	2.49	1.88	1.77	1.85	1.87	1.87

#### 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 75 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.
- <sup>5</sup> Seasonal adjustment factors have been recalculated to better reflect current economic trends, and the entire series has been revised. New factors will be calculated annually.

For more information contact Roisin McCord at 804.697.8702 or [Rich.RegionalSurveyTeam@rich.frb.org](mailto:Rich.RegionalSurveyTeam@rich.frb.org)