

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

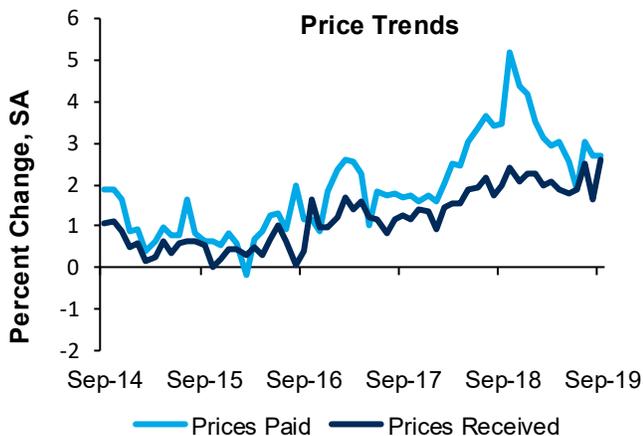
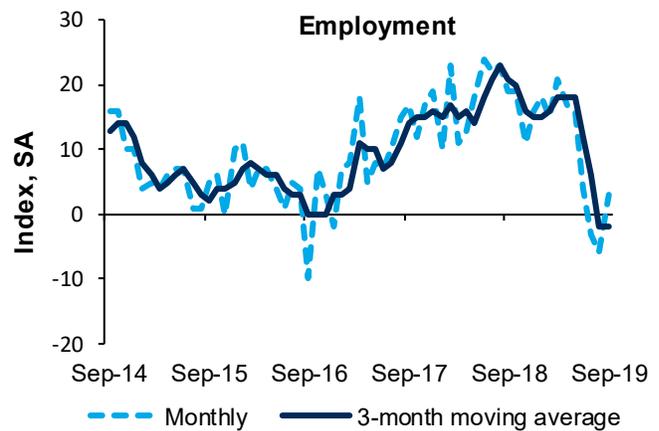
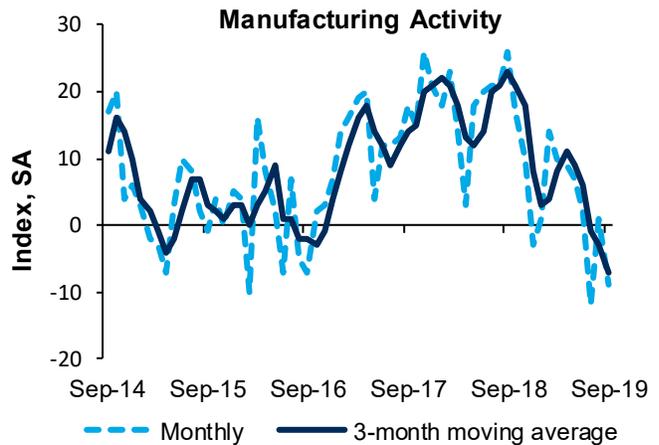
September 24, 2019

Manufacturing Activity Softened in September

Fifth District manufacturing activity softened in September, according to the most recent survey from the Richmond Fed. The composite index dropped from 1 in August to -9 in September, as both shipments and new orders fell. However, the third component, employment, rose. Firms also reported a drop in backlog of orders and weakening local business conditions but were optimistic that conditions would improve in the coming months.

Survey results indicated wage growth and a slight increase in employment in the manufacturing sector in September. However, firms struggled to find workers with the necessary skills, and the indicator for the average workweek hit a nine-year-low. Manufacturers expected wages and employment to continue to grow but finding workers to continue to be a struggle in the next six months.

Growth of prices paid by survey respondents held fairly steady in September, while the growth rate of prices received increased, narrowing the gap between the two. Firms expected growth of both prices paid and prices received to slow in the near future.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Sep-19	Aug-19	Jul-19	Sep-19	Aug-19	Jul-19
Fifth District Manufacturing Index ³	-9	1	-12	--	--	--
Shipments	-14	5	-13	15	18	32
Volume of New Orders	-14	2	-18	22	31	36
Backlog of Orders	-11	-9	-26	12	12	8
Capacity Utilization	-11	-3	-24	21	8	24
Vendor Lead Time	7	6	1	5	4	1
Local Business Conditions	-15	-3	-18	5	12	25
Capital Expenditures	7	9	7	19	14	19
Finished Goods Inventories	13	10	17	-1	5	8
Raw Materials Inventories	24	21	22	7	6	5
Equipment & Software Spending	18	18	6	21	18	18
Services Expenditures	-2	2	2	1	0	1
Employment						
Number of Employees	3	-6	-3	16	5	13
Wages	24	22	20	56	45	44
Availability of Skills Needed	-8	-16	-19	-17	-15	-21
Average Workweek	-10	4	-9	8	-4	3
Price Trends⁴						
Prices Paid	2.68	2.69	3.04	2.10	2.28	2.33
Prices Received	2.59	1.66	2.49	1.42	1.60	1.85

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 63 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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