

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

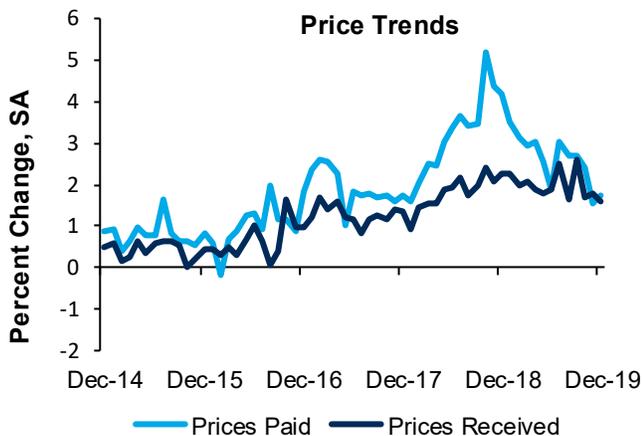
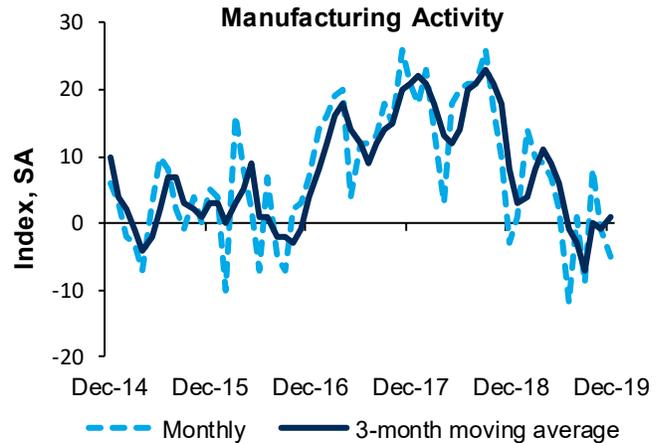
December 24, 2019

Manufacturing Activity Slowed in December

Fifth District manufacturing activity slowed in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index fell from -1 in November to -5 in December, weighed down by decreases in the already negative indexes for shipments and new orders, while the third component—employment—increased slightly. Manufacturers also reported weakness in local business conditions and capacity utilization, but they were optimistic that conditions would improve in the coming months.

Many firms saw growth in employment and wages in December. However, respondents reported declines in the average workweek, as this index decreased to -15, its lowest reading since April 2009. Manufacturers continued to report difficulty finding workers with the necessary skills and expected that struggle to continue in the next six months.

The growth rate of prices paid by manufacturing firms rose in December, while that of prices received fell. Respondents 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		
	Dec-19	Nov-19	Oct-19	Dec-19	Nov-19	Oct-19
Fifth District Manufacturing Index ³	-5	-1	8	--	--	--
Shipments	-6	-2	4	38	31	24
Volume of New Orders	-13	-3	7	29	30	33
Backlog of Orders	-11	-11	6	8	16	6
Capacity Utilization	-12	2	7	28	31	27
Vendor Lead Time	6	1	-3	1	7	4
Local Business Conditions	-6	5	4	27	16	12
Capital Expenditures	12	1	0	4	4	7
Finished Goods Inventories	22	15	5	3	3	4
Raw Materials Inventories	21	20	19	8	6	7
Equipment & Software Spending	1	6	7	-7	-8	4
Services Expenditures	-13	-2	-3	-7	1	5
Employment						
Number of Employees	7	5	13	12	13	20
Wages	29	24	15	46	62	54
Availability of Skills Needed	-18	-18	-6	-16	-15	-5
Average Workweek	-15	3	10	14	5	15
Price Trends⁴						
Prices Paid	1.73	1.55	2.40	1.59	1.73	2.33
Prices Received	1.60	1.80	1.71	1.43	1.48	1.38

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 62 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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