

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

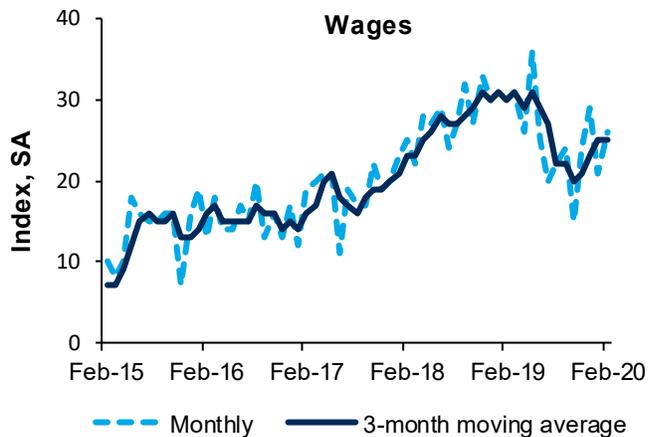
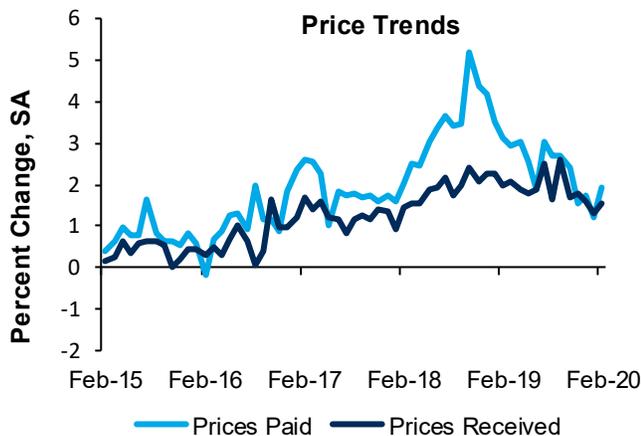
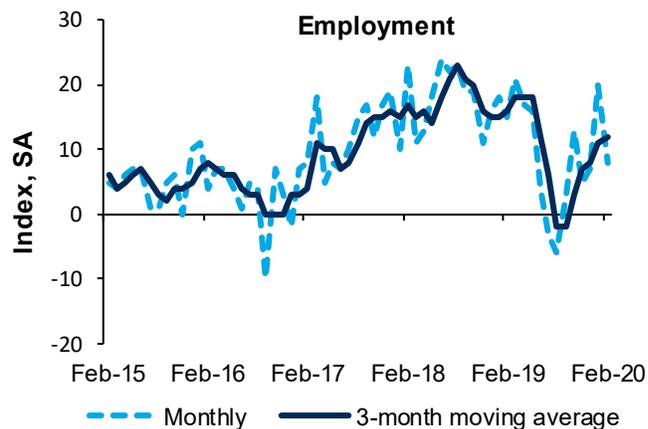
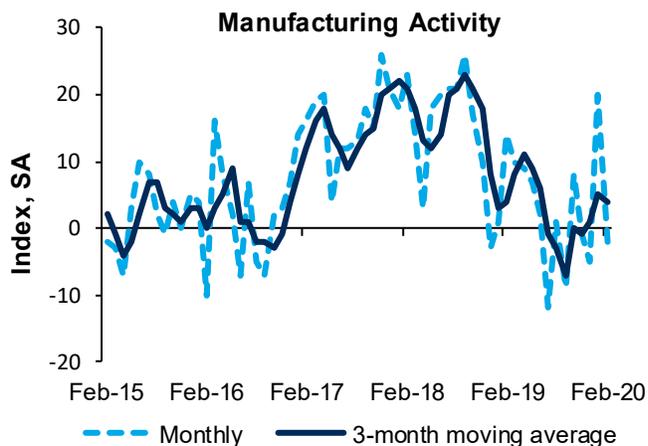
February 25, 2020

### Manufacturing Activity Softened in February

Fifth District manufacturing activity softened in February, according to the most recent survey from the Richmond Fed. The composite index fell from 20 in January to -2 in February. All three components of the composite index — shipments, new orders, and employment — moved lower from January. Firms also reported a decrease in backlog of orders. Still, the index for local business conditions remained positive, and manufacturers were optimistic that activity would improve in the coming months.

Survey results suggest that firms saw continued growth in employment and wages in February. However firms continued to struggle to find workers with the necessary skills, as this index dropped to -35. Respondents expected this struggle to continue but employment and wages to grow in the next six months.

The average growth rates of both prices paid and prices received by survey participants rose in February, as growth of prices paid surpassed that of prices received. Manufacturers expected this gap to widen in the near future.



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

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Feb-20	Jan-20	Dec-19	Feb-20	Jan-20	Dec-19
Fifth District Manufacturing Index <sup>3</sup>	-2	20	-5	--	--	--
Shipments	1	29	-6	28	41	38
Volume of New Orders	-10	13	-13	40	37	29
Backlog of Orders	-6	9	-11	22	19	8
Capacity Utilization	2	14	-12	21	37	28
Vendor Lead Time	11	9	6	21	0	1
Local Business Conditions	6	16	-6	17	14	27
Capital Expenditures	6	15	12	19	5	4
Finished Goods Inventories	21	28	22	2	3	3
Raw Materials Inventories	34	37	21	7	8	8
Equipment & Software Spending	0	-1	1	13	10	-7
Services Expenditures	0	-6	-13	13	-3	-7
<b>Employment</b>						
Number of Employees	8	20	7	11	19	12
Wages	26	21	29	31	46	46
Availability of Skills Needed	-35	-26	-18	-18	-29	-16
Average Workweek	-4	7	-15	3	25	14
<b>Price Trends<sup>4</sup></b>						
Prices Paid	1.95	1.21	1.73	2.26	1.51	1.59
Prices Received	1.54	1.31	1.60	1.46	1.29	1.43

#### 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 39 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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