

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

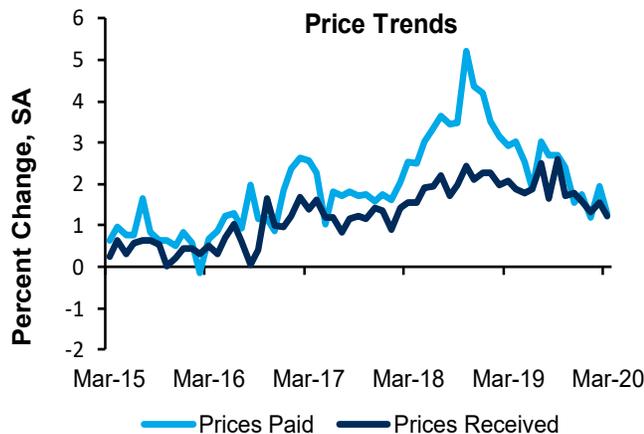
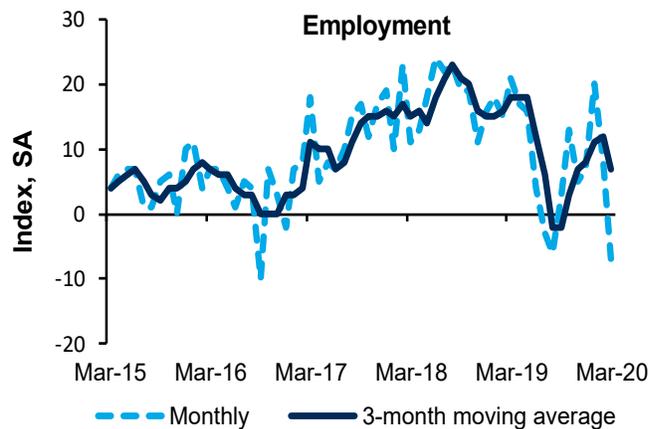
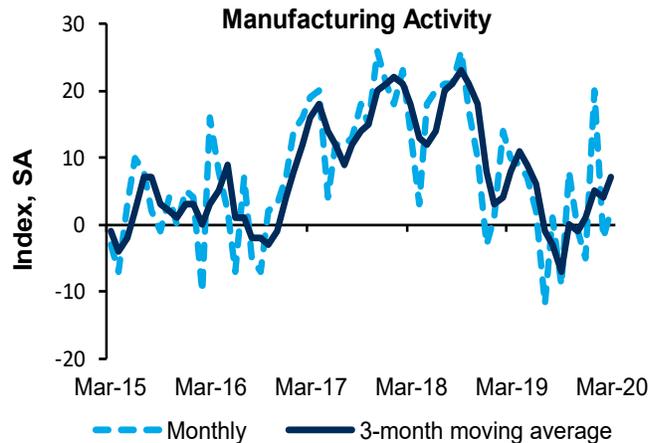
March 24, 2020

Manufacturers Reported Little Change in Activity Through the First Half of March

Fifth District manufacturing activity remained fairly flat in March, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index remained close to 0, rising from -2 in February to 2 in March. The indexes for shipments and new orders were above their February values, but the third component—employment—decreased. Manufacturers reported weakening local business conditions and a decrease in backlog of orders. Survey respondents were pessimistic, expecting weaker business conditions and a drop in shipments and new orders in the coming months.

Survey results suggested a drop in employment but continued growth in wages in recent weeks. Employers continued to struggle to find workers with the necessary skills and expected this difficulty to persist in the next six months.

Manufacturers reported a drop in the growth rates of both prices paid and prices received, with growth of prices paid slightly outpacing that of prices received. Growth rates of both prices paid and prices received were expected to increase in the near future.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Mar-20	Feb-20	Jan-20	Mar-20	Feb-20	Jan-20
Fifth District Manufacturing Index ³	2	-2	20	--	--	--
Shipments	13	1	29	-19	28	41
Volume of New Orders	0	-10	13	-20	40	37
Backlog of Orders	-8	-6	9	-9	22	19
Capacity Utilization	-9	2	14	7	21	37
Vendor Lead Time	29	11	9	15	21	0
Local Business Conditions	-15	6	16	-26	17	14
Capital Expenditures	9	6	15	11	19	5
Finished Goods Inventories	7	21	28	1	2	3
Raw Materials Inventories	14	34	37	7	7	8
Equipment & Software Spending	9	0	-1	3	13	10
Services Expenditures	-10	0	-6	-10	13	-3
Employment						
Number of Employees	-7	8	20	1	11	19
Wages	20	26	21	36	31	46
Availability of Skills Needed	-26	-35	-26	-12	-18	-29
Average Workweek	3	-4	7	-12	3	25
Price Trends⁴						
Prices Paid	1.29	1.95	1.21	1.99	2.26	1.51
Prices Received	1.22	1.54	1.31	1.60	1.46	1.29

Technical Notes:

- 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 55 firms.
- Expectations refer to the time period six months out from the survey period.
- 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.
- Price changes are expressed as percent change, annualized.

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