

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

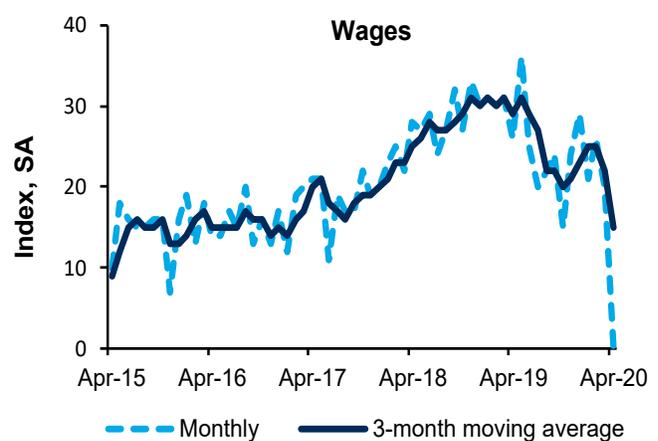
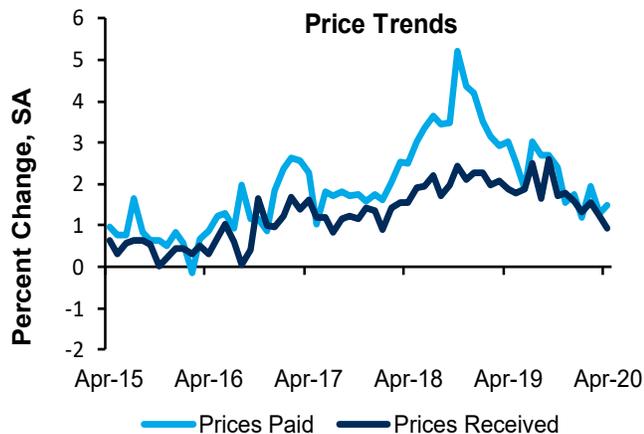
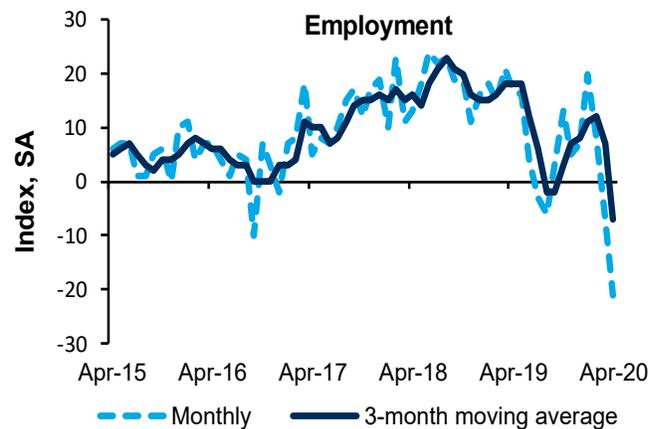
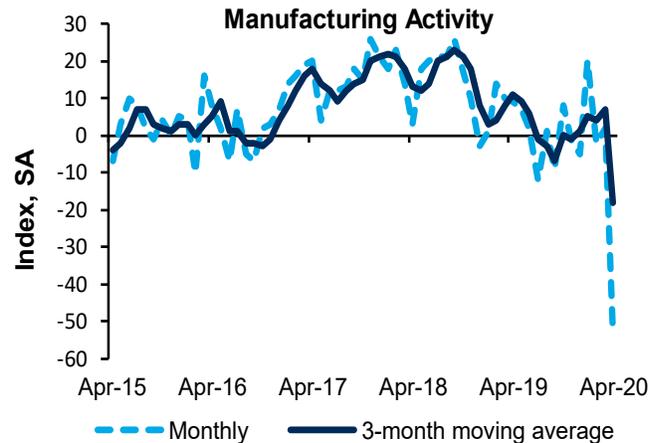
April 28, 2020

### Manufacturing Activity Declined Sharply in April

Fifth District manufacturing activity declined sharply in April, according to the most recent survey from the Richmond Fed. The composite index plummeted from 2 in March to -53 in April, its lowest reading and largest one-month drop on record. All three components—shipments, new orders, and employment—fell, and the indexes for shipments and new orders reached record lows. Firms reported weakened local business conditions and expected conditions to remain soft in the next six months.

Survey results reflected a deterioration in employment conditions in April. More contacts reported drops in employment and average work week, although the wage index remained flat. Manufacturers expected these conditions to persist. On balance, employers still struggled to find workers with the necessary skills, but expected this constraint to ease in the coming months—the expectation index for availability of skills was above zero for the first time since 2017.

The average growth rate of prices paid by survey respondents rose in April, while that of prices received fell, widening the gap between the two. Manufacturers expected the growth rates of both to increase in the next several months.



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

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Apr-20	Mar-20	Feb-20	Apr-20	Mar-20	Feb-20
Fifth District Manufacturing Index <sup>3</sup>	-53	2	-2	--	--	--
Shipments	-70	13	1	-7	-19	28
Volume of New Orders	-61	0	-10	-14	-20	40
Backlog of Orders	-42	-8	-6	-30	-9	22
Capacity Utilization	-47	-9	2	-12	7	21
Vendor Lead Time	28	29	11	11	15	21
Local Business Conditions	-87	-15	6	-37	-26	17
Capital Expenditures	-21	9	6	-15	11	19
Finished Goods Inventories	19	7	21	9	1	2
Raw Materials Inventories	30	14	34	8	7	7
Equipment & Software Spending	-22	9	0	-26	3	13
Services Expenditures	-30	-10	0	-28	-10	13
<b>Employment</b>						
Number of Employees	-21	-7	8	-14	1	11
Wages	0	20	26	0	36	31
Availability of Skills Needed	-5	-26	-35	12	-12	-18
Average Workweek	-28	3	-4	-19	-12	3
<b>Price Trends<sup>4</sup></b>						
Prices Paid	1.48	1.29	1.95	1.93	1.99	2.26
Prices Received	0.92	1.22	1.54	1.04	1.60	1.46

#### 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.

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