

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

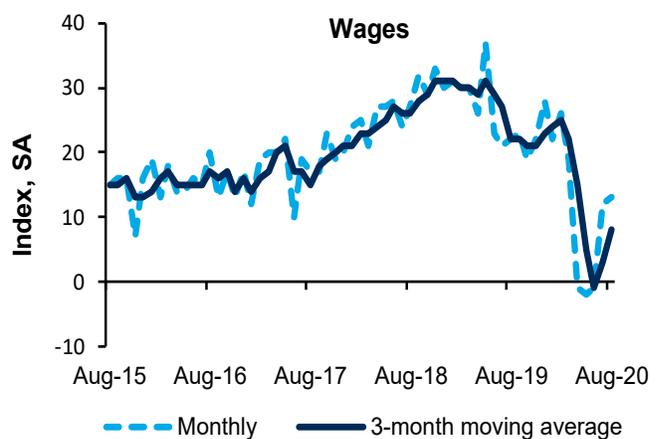
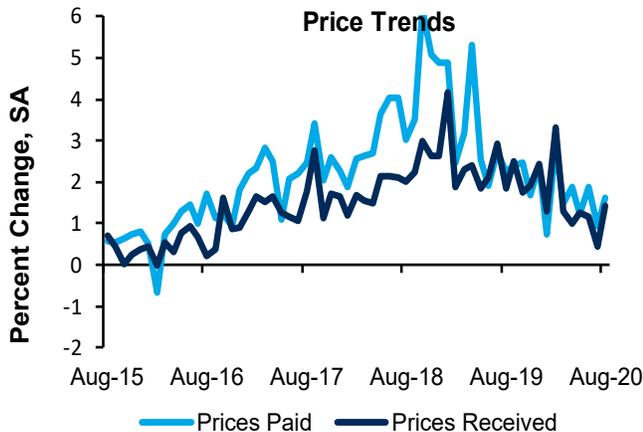
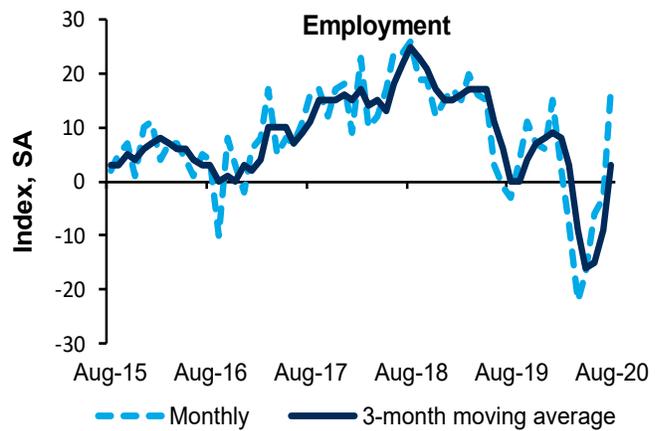
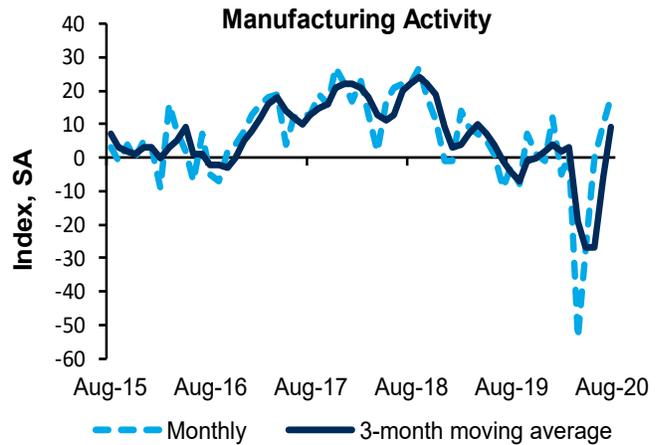
August 25, 2020

Manufacturing Activity Strengthened in August

Manufacturing activity in the Fifth District continued to strengthen in August, according to the most recent survey from the Richmond Fed. The composite index rose from 10 in July to 18 in August, as all three components—shipments, new orders, and employment—increased. The index for local business conditions also rose and many firms reported increased capital expenditures. Manufacturers were optimistic that conditions would continue to improve.

Survey results suggested many Fifth District manufacturers saw increases in employment, wages, and the average workweek in August. However, firms struggled to find workers with the necessary skills, as this index fell from 3 in July to -21 in August, its largest one-month drop on record. Survey respondents expected employment and wages to rise and continued difficulty finding skills in the coming months.

The average growth rates of both prices paid and prices received by survey participants increased in August. Growth of prices paid continued to outpace that of prices received, and respondents expect the gap to widen in the next six months.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Aug-20	Jul-20	Jun-20	Aug-20	Jul-20	Jun-20
Fifth District Manufacturing Index ³	18	10	0	--	--	--
Shipments	22	23	-4	33	57	51
Volume of New Orders	15	9	7	25	48	47
Backlog of Orders	6	5	-14	13	29	28
Capacity Utilization	15	20	2	31	46	53
Vendor Lead Time	15	12	7	6	19	-6
Local Business Conditions	19	10	2	23	44	55
Capital Expenditures	4	-15	-15	19	8	8
Finished Goods Inventories	7	8	9	-3	6	2
Raw Materials Inventories	10	12	17	-3	-2	3
Equipment & Software Spending	4	-8	-11	13	14	2
Services Expenditures	-18	-23	-25	-14	-6	-7
Employment						
Number of Employees	17	-3	-6	23	28	23
Wages	13	12	-1	37	41	34
Availability of Skills Needed	-21	3	-2	-8	1	1
Average Workweek	14	8	1	13	15	27
Price Trends⁴						
Prices Paid	1.62	0.93	1.87	1.91	1.97	2.23
Prices Received	1.43	0.45	1.16	0.81	2.07	1.68

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 69 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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