

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

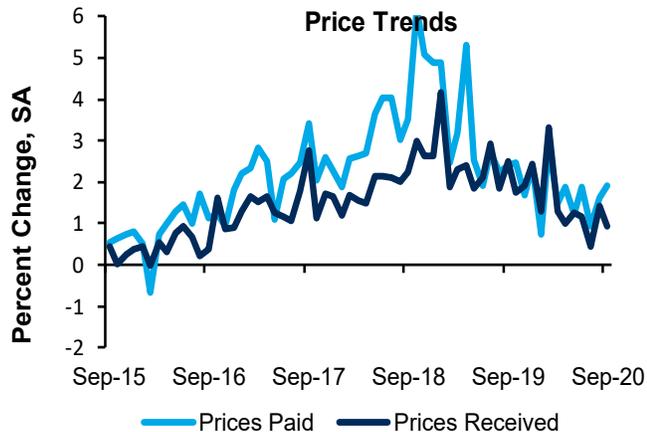
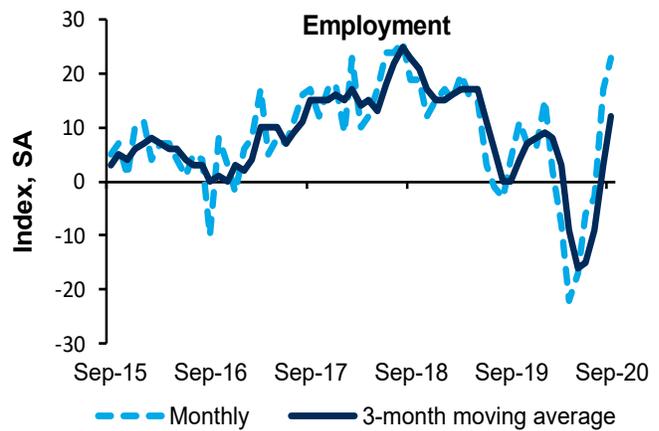
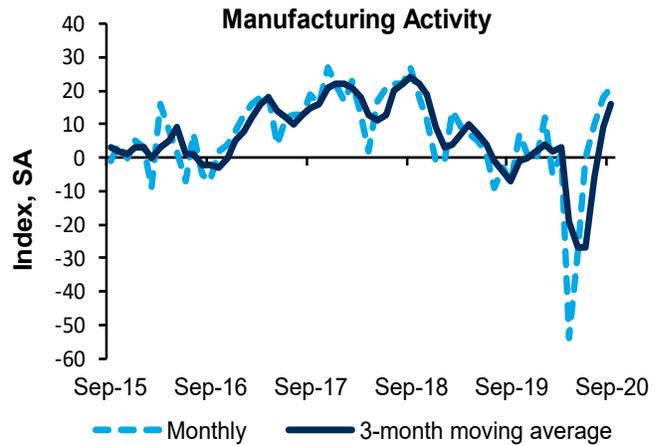
September 22, 2020

Manufacturing Activity Improved in September

Manufacturing activity in the Fifth District improved in September, according to the most recent survey from the Richmond Fed. The composite index climbed from 18 in August to 21 in September, buoyed by increases in the indicators for new orders and employment. The third component index—shipments—decreased but remained positive, suggesting continued expansion. Survey results also reflected improvement in local business conditions and increased capital spending. Overall, respondents were optimistic that conditions would continue to improve in the next six months.

Results reflected higher employment among many survey participants in September and suggested several manufacturers raised wages over the month. Firms struggled to find workers with the necessary skills. Respondents expected to see a continued rise in employment and wages.

The average growth rate of prices paid by surveyed manufacturers rose in September, while that of prices received fell, widening the gap between the two. On average, firms expected growth rates of both prices paid and prices received to rise in the near future.



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Business Activity Indexes^{1,4}

| Business Sector Indicators | Current Conditions | | | Expectations ² | | |
|---|--------------------|--------|--------|---------------------------|--------|--------|
| | Sep-20 | Aug-20 | Jul-20 | Sep-20 | Aug-20 | Jul-20 |
| Fifth District Manufacturing Index ³ | 21 | 18 | 10 | -- | -- | -- |
| Shipments | 13 | 22 | 23 | 51 | 33 | 57 |
| Volume of New Orders | 27 | 15 | 9 | 45 | 25 | 48 |
| Backlog of Orders | 15 | 6 | 5 | 18 | 13 | 29 |
| Capacity Utilization | 21 | 15 | 20 | 43 | 31 | 46 |
| Vendor Lead Time | 27 | 15 | 12 | 10 | 6 | 19 |
| Local Business Conditions | 24 | 19 | 10 | 52 | 23 | 44 |
| Capital Expenditures | 20 | 4 | -15 | 35 | 19 | 8 |
| Finished Goods Inventories | 1 | 7 | 8 | 1 | -3 | 6 |
| Raw Materials Inventories | -2 | 10 | 12 | -4 | -3 | -2 |
| Equipment & Software Spending | 6 | 4 | -8 | 20 | 13 | 14 |
| Services Expenditures | 0 | -18 | -23 | -7 | -14 | -6 |
| Employment | | | | | | |
| Number of Employees | 23 | 17 | -3 | 47 | 23 | 28 |
| Wages | 13 | 13 | 12 | 51 | 37 | 41 |
| Availability of Skills Needed | -20 | -21 | 3 | -3 | -8 | 1 |
| Average Workweek | 21 | 14 | 8 | 15 | 13 | 15 |
| Price Trends⁴ | | | | | | |
| Prices Paid | 1.91 | 1.62 | 0.93 | 2.16 | 1.91 | 1.97 |
| Prices Received | 0.93 | 1.43 | 0.45 | 1.36 | 0.81 | 2.07 |

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 70 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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