

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

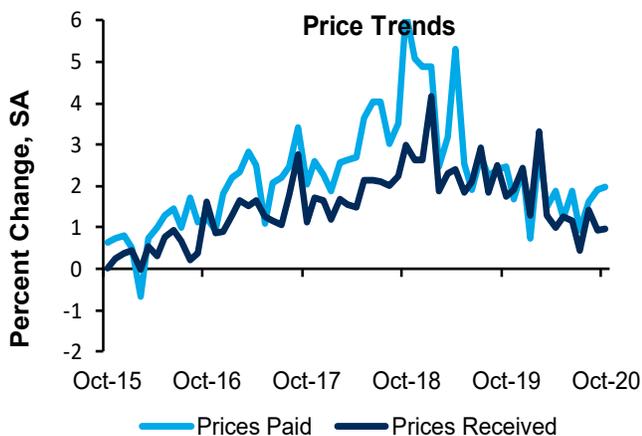
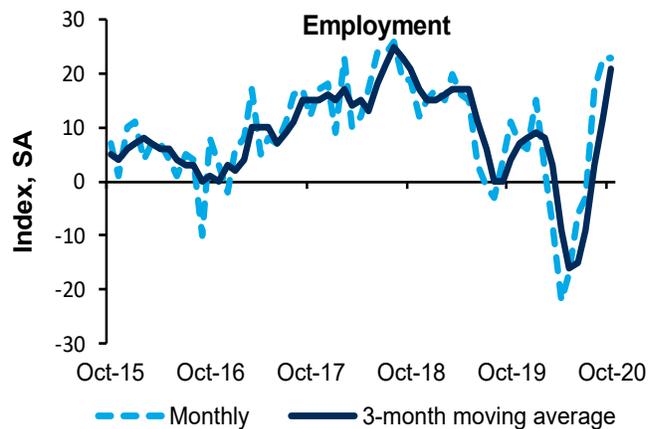
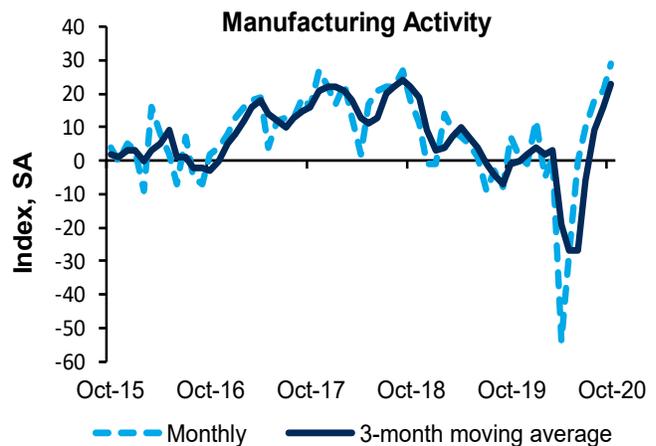
October 27, 2020

Manufacturing Activity Strengthened in October

Fifth District manufacturing activity strengthened in October, according to the most recent survey from the Richmond Fed. The composite index rose from 21 in September to 29 in October, its highest reading on record, buoyed by increases in the shipments and new orders indexes, while the third component—the employment index—was unchanged. Firms reported improving business conditions and growing backlogs of orders, overall. Manufacturers were optimistic that conditions would continue to improve in the coming months.

Survey results indicated that many manufacturers continued to increase employment and wages in October. However, firms struggled to find workers with the necessary skills. Contacts expected these trends to continue in the next six months.

The average growth rates of both prices paid and prices received by survey participants increased slightly in October. Growth of prices paid continued to outpace that of prices received, but contacts expected the gap to narrow in the near future.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Oct-20	Sep-20	Aug-20	Oct-20	Sep-20	Aug-20
Fifth District Manufacturing Index ³	29	21	18	--	--	--
Shipments	30	13	22	34	51	33
Volume of New Orders	32	27	15	24	45	25
Backlog of Orders	14	15	6	9	18	13
Capacity Utilization	26	21	15	22	43	31
Vendor Lead Time	26	27	15	-1	10	6
Local Business Conditions	30	24	19	37	52	23
Capital Expenditures	13	20	4	22	35	19
Finished Goods Inventories	-2	1	7	7	1	-3
Raw Materials Inventories	-4	-2	10	3	-4	-3
Equipment & Software Spending	13	6	4	14	20	13
Services Expenditures	0	0	-18	-5	-7	-14
Employment						
Number of Employees	23	23	17	23	47	23
Wages	26	13	13	46	51	37
Availability of Skills Needed	-18	-20	-21	-13	-3	-8
Average Workweek	23	21	14	4	15	13
Price Trends⁴						
Prices Paid	1.97	1.91	1.62	1.83	2.16	1.91
Prices Received	0.96	0.93	1.43	1.32	1.36	0.81

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 71 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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