

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

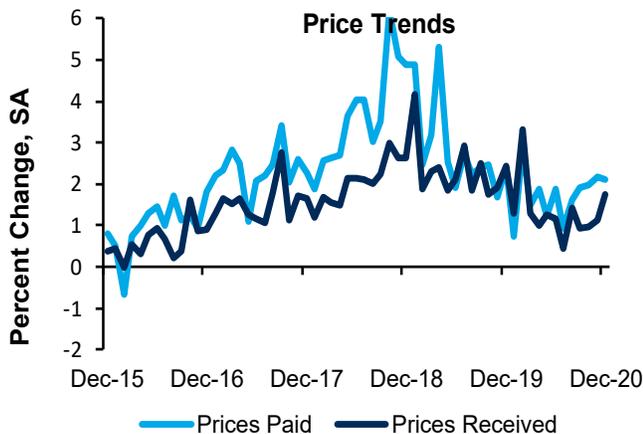
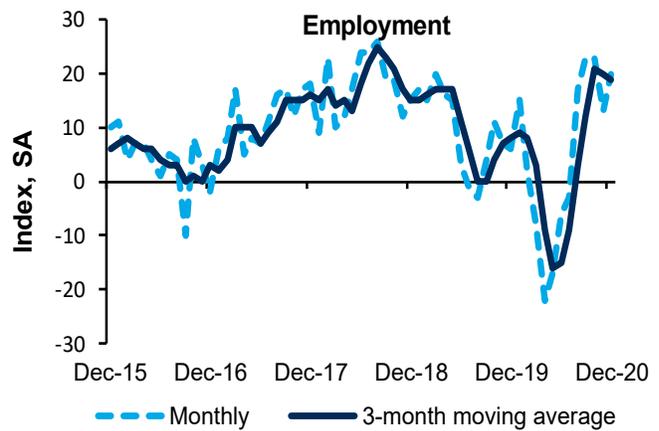
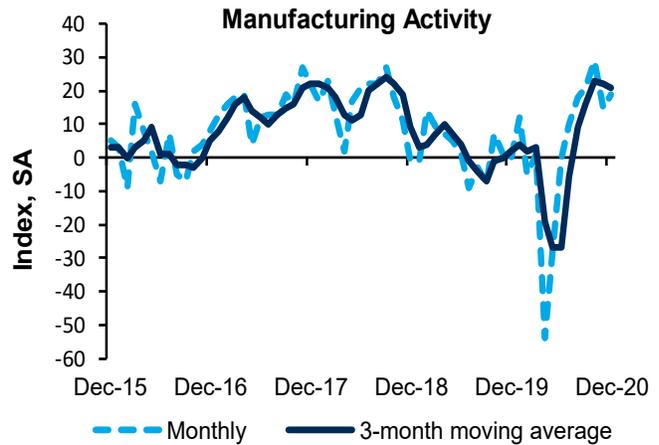
December 22, 2020

### Manufacturing Showed Signs of Improvement in December

Fifth District manufacturing activity showed signs of improvement in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from 15 in November to 19 in December, buoyed by increases in the indexes for new orders and employment, while the third component—the shipments index—declined but remained positive. Indexes for local business conditions and capital spending were also positive, and manufacturers were optimistic that conditions would improve in the coming months.

Survey results indicated that many firms increased employment and wages in December. However, manufacturers struggled to find workers with the necessary skills. They expected this difficulty to continue and both employment and wages to continue to grow in the next six months.

The average growth rate of prices paid by survey respondents declined slightly in December, while that of prices received rose, narrowing the gap between the two. Respondents expected growth of prices paid and received to increase in the near future.



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

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Dec-20	Nov-20	Oct-20	Dec-20	Nov-20	Oct-20
Fifth District Manufacturing Index <sup>3</sup>	19	15	29	--	--	--
Shipments	12	20	30	31	34	34
Volume of New Orders	24	12	32	23	33	24
Backlog of Orders	17	11	14	7	15	9
Capacity Utilization	15	14	26	15	29	22
Vendor Lead Time	31	17	26	14	10	-1
Local Business Conditions	4	21	30	26	29	37
Capital Expenditures	8	-1	13	33	18	22
Finished Goods Inventories	7	-7	-2	1	-3	7
Raw Materials Inventories	5	-1	-4	-3	3	3
Equipment & Software Spending	4	2	13	22	20	14
Services Expenditures	-1	0	0	13	4	-5
<b>Employment</b>						
Number of Employees	20	13	23	30	31	23
Wages	32	25	26	44	32	46
Availability of Skills Needed	-14	-19	-18	-21	-21	-13
Average Workweek	16	9	23	16	10	4
<b>Price Trends<sup>4</sup></b>						
Prices Paid	2.10	2.18	1.97	2.76	2.36	1.83
Prices Received	1.76	1.14	0.96	2.03	1.60	1.32

#### 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 62 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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