

# Regional Surveys of Business Activity

## Fifth District Survey of Manufacturing Activity

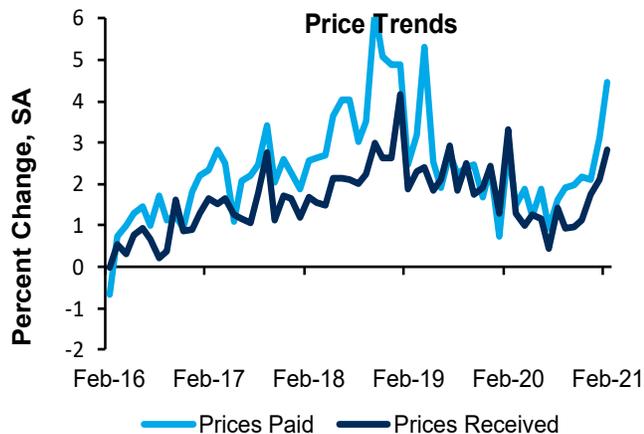
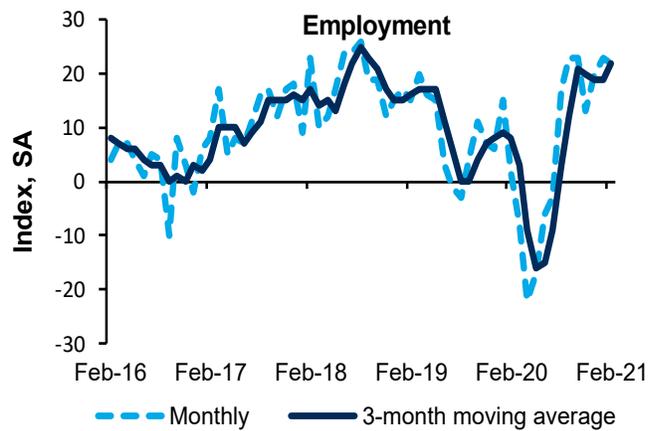
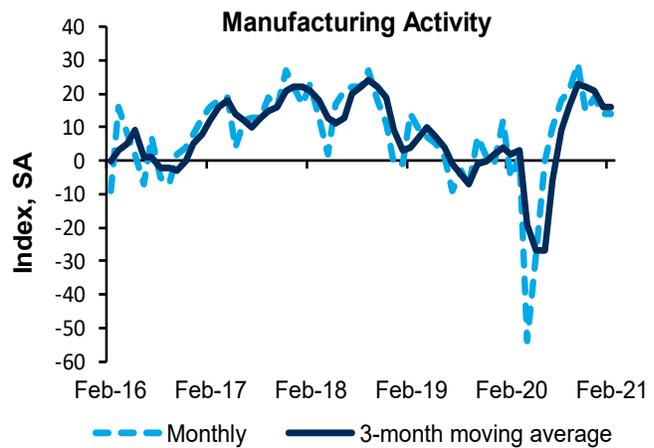
February 23, 2021

### *Manufacturing Continued to Improve in February*

Fifth District manufacturing activity continued to improve in February, according to the most recent survey from the Richmond Fed. The composite index held steady from January to February, at 14, as all three component indexes—shipments, new orders, and employment—remained firmly positive. The index for vendor lead time, which hit a 25-year-high of 39 in January, rose further to 46 in February. Firms also reported decreased inventory levels, as the index for raw materials inventories hit a series low of -8. Manufacturers were optimistic that conditions would improve in the coming months.

Survey results indicated that many manufacturers increased employment and wages in February. However, finding workers with the necessary skills was difficult. Respondents expected this difficulty to continue in the next six months.

The average growth rates of both prices paid and prices received by survey participants rose in February, as growth of prices paid continued to outpace that of prices received. Manufacturers expected this gap to narrow in the near future.



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

Business Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Feb-21	Jan-21	Dec-20	Feb-21	Jan-21	Dec-20
Fifth District Manufacturing Index <sup>3</sup>	14	14	19	--	--	--
Shipments	12	10	12	22	25	31
Volume of New Orders	10	12	24	15	26	23
Backlog of Orders	18	6	17	-3	3	7
Capacity Utilization	13	4	15	18	22	15
Vendor Lead Time	46	39	31	11	19	14
Local Business Conditions	5	10	4	20	16	26
Capital Expenditures	9	5	8	21	9	33
Finished Goods Inventories	-3	-6	7	0	-6	1
Raw Materials Inventories	-8	4	5	-1	-1	-3
Equipment & Software Spending	5	-5	4	12	8	22
Services Expenditures	-2	-8	-1	6	0	13
<b>Employment</b>						
Number of Employees	22	23	20	36	34	30
Wages	32	21	32	49	49	44
Availability of Skills Needed	-28	-24	-14	-19	-23	-21
Average Workweek	18	10	16	7	3	16
<b>Price Trends<sup>4</sup></b>						
Prices Paid	4.47	3.11	2.10	3.78	3.06	2.76
Prices Received	2.83	2.09	1.76	2.98	2.16	2.03

#### 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 77 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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