

Regional Surveys of Business Activity

Fifth District Survey of Manufacturing Activity

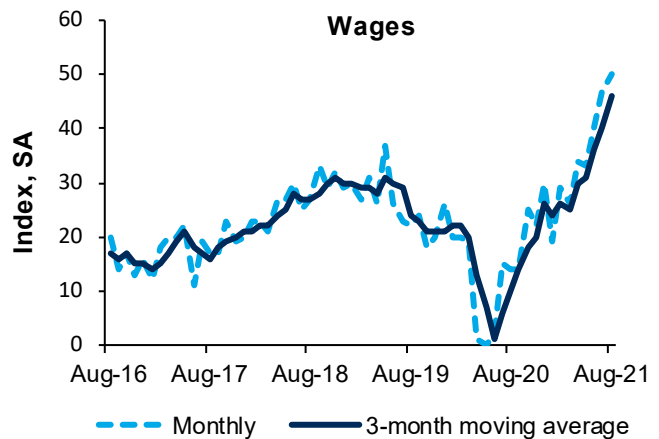
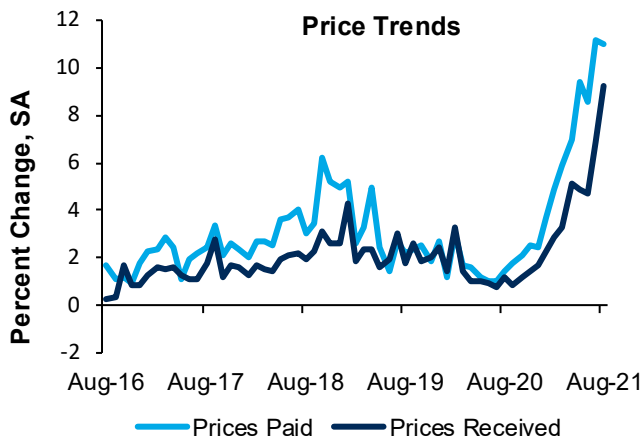
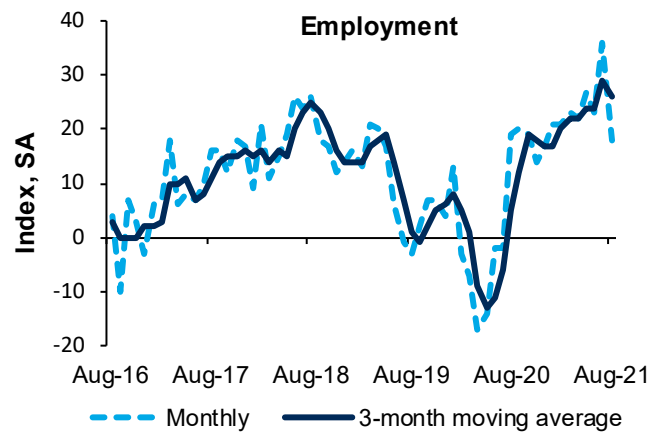
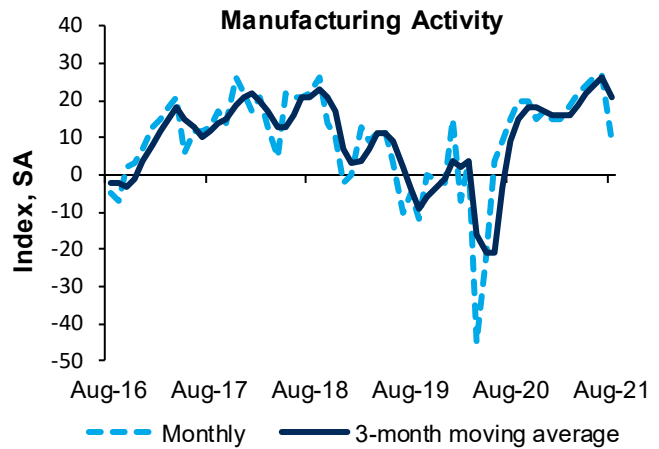
August 24, 2021

Manufacturing Activity Improved in August

Fifth District manufacturing activity improved in August, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index declined from 27 in July to 9 in August but remained in expansionary territory, as all three component indexes — shipments, new orders, and employment — decreased but remained positive. However, several manufacturers reported deteriorating local business conditions. Survey contacts also noted that lead times continued to increase and inventories remained low. Overall, they were optimistic that conditions would improve in the next six months.

Survey results suggested that many firms increased employment and wages in August, as the wage index hit a record high. Firms struggled to find workers with the necessary skills, and they expected these trends to continue in the coming months.

The average growth rate of prices paid by survey respondents declined slightly in August, while that of prices received increased. Firms expect price growth to slow over the next year.



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Business Activity Indexes^{1,4}

Business Sector Indicators	Current Conditions			Expectations ²		
	Aug-21	Jul-21	Jun-21	Aug-21	Jul-21	Jun-21
Fifth District Manufacturing Index ³	9	27	26	--	--	--
Shipments	6	21	15	36	41	46
Volume of New Orders	5	25	36	24	30	35
Backlog of Orders	9	25	26	4	4	12
Capacity Utilization	6	21	11	29	28	33
Vendor Lead Time	61	63	63	29	18	30
Local Business Conditions	-12	20	25	21	26	38
Capital Expenditures	16	24	17	30	44	36
Finished Goods Inventories	-10	-21	-16	-13	-17	-7
Raw Materials Inventories	-14	-24	-14	-20	-15	-13
Equipment & Software Spending	16	19	18	29	35	32
Services Expenditures	3	4	11	0	4	3
Employment						
Number of Employees	18	36	23	39	53	48
Wages	50	47	40	66	60	66
Availability of Skills Needed	-36	-34	-37	-22	-15	-18
Average Workweek	11	7	14	13	10	16
Price Trends⁴						
Prices Paid	11.05	11.16	8.57	6.20	5.63	5.02
Prices Received	9.25	6.93	4.70	5.03	4.98	4.57

Technical Notes:

- ¹ 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 80-86 firms.
- ² Expectations refer to the time period six months out from the survey period.
- ³ 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.
- ⁴ Price changes are expressed as percent change, annualized.

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