



Tenth District Manufacturing Activity Flat in June 2019

by:

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Factory activity mostly flat in June

Tenth District manufacturing activity was flat in June, while expectations for future activity remained solid (Chart 1). Price indexes were lower than a month ago, indicating that prices continue to rise but at a slower pace. The raw materials price index was lower than a year ago, and expectations for future price indexes also declined.

The month-over-month composite index was 0 in June, slightly lower than 4 in May and 5 in April (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The change in manufacturing activity was mostly driven by a decline at durable production plants, especially for computers, electronic products, and transportation equipment. Most month-over-month indexes edged lower in June, with a number of indexes decreasing, including the materials inventory index. However, the new orders index inched higher. Nearly all of the year-over-year factory indexes decreased to their lowest levels since late 2016, and the composite index fell from 23 to 4. The future composite index remained solid, inching down from 12 to 11, while expectations for production and new orders moved higher.

Special questions

This month contacts were asked special questions about how their firm's plans and expectations have changed for the remainder of 2019 and about their current level of confidence in the U.S. economy. Over 21 percent of manufacturing contacts noted their plans for capital expenditures had increased for the remainder of 2019, and nearly 24 percent indicated their employment plans had increased (Chart 2). However, a similar share of contacts expected their plans for capital expenditures and employment to decrease for the remainder of 2019. About 29 percent of contacts said they expect wages to rise more than originally expected in the second half of 2019. Nearly 70 percent of respondents reported they were confident in the U.S. economy, and only 4 percent reported no confidence (Chart 3). Additionally, 26 percent of contacts indicated that their firm or firm's suppliers had changed their sources of inputs as a result of the various tariffs that have been put in place.

Selected comments

“We see continued strong demand for labor (low unemployment) & demand for products also seems to continue to be strong.”

“We see more manufacturing activity in the U.S. and the only deterrent to more growth is the lack of skilled and entry level workers.”

“Our biggest obstacles are still finding employees.”

“Customer demand is fairly steady, but project business is spotty and we are cautious on new spending.”

“We have seen a softening for the 3rd quarter, but expecting a better 4th quarter.”

“We primarily purchased inputs from domestic sources before tariffs began but we have worked to improve that process. Frequently we did find cost effective supplies from China but we have been able to move some of that buying to Mexico and the US.”

“Tariff threats lead to instability and we are always looking for a stable supply of product and raw material. China is a question mark and some sourcing now comes through Mexico or even Europe.”

“Some of our inputs have gone to domestic sources which has increased the cost of raw material inputs.”

“The most difficult situation for our company is that our exports to China have dramatically dropped due to new Chinese government regulations, tariffs now placed on our products by China and the poor consumer economy in China.”

“We constantly review manufacturing in the US. The cost to produce in the US remains 15-25% greater than paying a 25% tariff. Lag reporting in numbers only tells 25% of what the real deal is.”

“The flood in Missouri caused significant disruptions in rail shipments of containers from the Southeast coast ports in May and June. Ocean container shipments connected to rail had to be broken and trucked from the east coast to continue to have supplies for production. 9 containers were stuck on the rails for 4 weeks.”

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