Tenth District Manufacturing Activity Rose Again in October 2020

by:

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Factory Activity Rose Again

Tenth District manufacturing activity rose again in October but remained lower than a year ago, while expectations for future activity continued to expand (Chart 1, Tables 1 & 2). Prices paid for raw materials grew at a faster pace and prices received for finished goods inched up from a month ago. District firms expected prices for both raw materials and finished goods to increase in the next six months.

The month-over-month composite index was 13 in October, up slightly from 11 in September and similar to 14 in August (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable and durable goods factories expanded at a similar pace. The increase in activity was faster at fabricated metal and machinery plants in October. Nearly all of the month-over-month indexes remained positive, indicating continued expansion. Production, shipments, new orders, employment, and employee workweek indexes rose faster than in September, but order backlog and supplier delivery time increased at a slower pace. The indexes for new orders for exports and materials inventories inched higher, while finished goods inventories declined slightly. Most year-over-year factory indexes remained negative in October but less so than last month, as the composite index moved from -21 to -12. The future composite index expanded further in October, increasing from 18 to 21.

Special questions

This month contacts were asked special questions about how business indicators compare to pre-COVID levels, as well as expectations for post-COVID. More than 55% of firms indicated employment levels were already even with or exceeding pre-COVID levels, but around 15% didn't expect employment to fully rebound until 2022 or 2023 (Chart 2). Only 35% of firms said sales and revenue levels were at or above pre-COVID levels, though a significant share expected sales to rise in the next year. 41% of firms reported capital spending was at pre-COVID levels, while more than 30% didn't expect it to match pre-COVID levels until 2022 or 2023. Additionally, firms were asked about long-term business changes after the risks from the pandemic dissipate (Chart 3). Nearly 56% of contacts expected less travel, while over 30% expected to increase their labor force and diversify suppliers. Another one-third of firms expected continual workforce health screenings, and at least a quarter of firms expected permanent scheduling changes or work-from home policies for at least some staff.

Selected comments

"Our year ends in October and we are on track to have one of our best year's in our history. Not in the way we planned, but we are very fortunate."

"Orders continue to break records. We are not sure why there has been such large demand but are overwhelmed at the current level of new orders."

"We will look at increasing our finished goods inventory to help offset the lack of people to smooth out our production schedule."

"Small businesses need better access to capital."

"We are still struggling to find good employees, especially ones with higher skills and attitudes."

"There are many unknowns with the pandemic from how do we handle employees that test positive to lunch breaks. We will continue to have disruption in our workspace."

"Really need a second round of PPP loans to keep us afloat. We kept employees on as long as possible."

"The tariffs from China as a result of the trade war with them are making us non-competitive."

"Capital expenditure plans have been put on hold until 2021."

"We quite likely may have to reduce the scale of our operation in order to reduce fixed costs and other variable expenses."

“We have learned that we can operate with less personnel and other unnecessary expenses.”

“Some of our business (+/-20%) was food service. We do not expect restaurants to return to "normal" until at least 2022.”

“Demand for lower ticket products will remain at a higher level. The pandemic will provide new opportunities in the markets we serve.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
