Tenth District Manufacturing Activity Nearly Flat in January 2020

by:

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Tenth District manufacturing activity was nearly flat in January while expectations for future activity expanded.

Factory activity nearly flat in January

Tenth District manufacturing activity was nearly flat in January while expectations for future activity expanded (Chart 1). The month-over-month prices for raw materials increased, while prices for finished products declined from a month ago. District firms continued to expect higher prices in the next 6 months.

The month-over-month composite index was -1 in January, slightly higher than -5 in December and -2 in November (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slight decrease in district manufacturing activity was driven by declines in: nonmetallic mineral products, primary metal, fabricated metal products, computer and electronic products, beverage and tobacco products, and printing manufacturing, while several other industries improved. Most month-over-month indexes remained slightly negative in January, and inventories continued to decline. However, the month-over-month employment index rose back into positive territory for the first time in over six months and the supplier delivery time index was also slightly positive. Year-over-year factory indexes dropped further in January, and the composite decreased from -4 to -7. On the other hand, the future composite index grew from 9 to 14 in January.

Special questions

This month contacts were asked special questions about the labor market. Over 62 percent of District manufacturing contacts reported workers were in short supply, down slightly from July 2019 when more than 77 percent of District firms reported workers were in short supply (Chart 2). Nearly 54 percent of firms reported they were raising wages more than normal to attract or keep workers in January 2020, compared to over 61 percent of firms that reported having to raise wages more than normal in July 2019 (Chart 3).

Selected comments

"We are seeing our normal slowdown for the beginning of the year...we are expecting sales to increase as we move through the 1st quarter. We are feeling good about the future."

"Tariffs continue to reduce hiring, cap spending, sales and cash."

"Overall sales are flat. We are seeing an increase of raw material costs."

"Our business is not doing poorly, it is just not as robust as it has been. The inventory burn... over the past 9 months, along with a significant drop in steel cost, made business and results softer than the prior couple of years... while results may not be what they were in 2018 and early 2019, we expect them to improve."

"Lack of workers and uncertain trade and tariffs negatively affect business."

"Tariffs continue to negatively impact manufacturing."

"Generally speaking, we are anticipating our business to be flat to down 10% this year compared to last."

"The trade deals will help our business."

"We were very aggressive last year in raising our starting wage and gave raises every quarter to retain the people we were able to hire to try and keep them."

"We have focused salary increases on entry-level personnel. We increased our entry target by nearly 10% during the year and included additional raises at year-end. We are seeing improved trend on retention following the changes."

"A considerable amount of company time is spent on searching and recruiting employees. Turnover is very high for the unskilled workers seeking employment, which means we are spending a lot of time and money on initial training... availability of reliable and skilled labor is almost at crisis level and is delaying our plans to grow, which makes looking outside the U.S. for products we currently manufacture more inevitable. We are also looking to automate processes, but our relatively low volume and high variety of products make automation unlikely."

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey