



Tenth District Manufacturing Activity Accelerated Moderately in March 2019

by:

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Factories Report Accelerated Activity in March

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The month-over-month composite index was 10 in March, up from 1 in February and 5 in January (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factories expanded production of both durable and nondurable goods, particularly food and beverage products, as well as wood, paper, and printing manufacturing. Most month-over-month indexes increased in March, with production, shipments, new orders, order backlog, new orders for exports, and materials inventories rebounding back into positive territory. Most year-over-year factory indexes grew in March, and the composite index rose from 23 to 27. The future composite index also climbed up from 13 to 22, as future factory activity expectations increased across the board.

Special Questions

This month contacts were asked special questions about their expectations for capital spending. Nearly 48 percent of manufacturing contacts indicated they expect spending on new plant and equipment to increase over the next 6 to 12 months relative to actual spending over the past 6 to 12 months. Only 11 percent of firms expect to decrease capital spending. Almost 24 percent of contacts affirmed the recent changes in business and consumer confidence had an effect of increasing their capital spending plans. Of the contacts who marked plans to increase capital spending, more than half noted expectations of high sales growth and high capacity utilization as major drivers behind their spending plans. Additionally, more than 42 percent of contacts with plans to increase capital spending indicated they needed to replace other capital goods.

Selected Comments

“Our outlook is still conservative growth for the next calendar quarter. We continue to be concerned about human capital, rising wages, and some minor supply issues. Our quality is slipping somewhat because of the high turnover of employees although we are seeing some stabilization with workforce turnover.”

“Effect of the September 2018 tariffs are starting to be seen on the retail shelves. All price increases go to the consumer.”

“Our business outlook is very good and our sales forecast is very solid for the balance of this year. We increased our capital spending last year to accommodate our increased sales this year. The biggest concern we have this year is the lack of available entry level people for hire.”

“Slow start to the year. We have lost a couple of good customers due to upcoming price increase announcements. They are unwilling to take the price increase.”

“Business continues to be good. We are executing an aggressive capital plan in a manner that doesn’t over expose us if there is an adverse change in the economy.”

“We believe the economy is performing very well right now. We are challenged with labor availability and some inflation but it is currently manageable and seems to correspond with strong demand. Our greatest challenge has been increasing overall output due to retirements reducing internal efficiencies.”

“We will increase capital spending regardless of the provisions of the 2017 tax bill. We need production equipment upgrades to increase overall efficiency and keep up technologically.”

“There is a tax advantage to the accelerated depreciation that incentivizes investment in plant and equipment.”

“We had a substantial amount of capital spending in 2018 that addressed our needs so we will not be increasing capital spending over the next 6 to 12 months.”

“We will continue to invest in equipment that increases our efficiency, improves product quality, and/or lowers costs.”

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