Tenth District Manufacturing Activity Up only Slightly February 2019

by:

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Factories Report Steady Activity in February

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The month-over-month composite index was 1 in February, down from 5 in January and 6 in December (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factories expanded durable goods production, particularly machinery an transportation equipment, while manufacturing of more non-durable goods, including food and beverage products, declined. Most month-over-month indexes decreased in February, with production, shipments, and new orders dropping into negative territory. However, the month-over-month employment index expanded moderately. Most year-over-year factory indexes declined from the previous month but remained positive, and the composite index dipped from 31 to 23. Future factory activity expectations continued to drift down, but also remained positive. The future composite index dipped from 18 to 13, the lowest future composite index since late 2016, but the future employment index expanded solidly.

Special Questions

This month contacts were asked special questions about tightening labor market conditions, specifically worker shortages and wage gains. More than 76 percent of manufacturing contacts reported workers were in short supply, and nearly 59 percent indicated they were having to raise wages more than normal to attract or retain employees (Chart 2). On average in 2018, 57 percent of firms reported 2 to 4 percent wage gains, while 34 percent of firms said wage gains were of more than 4 percent (Chart 3). In 2019, most respondents expect their firms to increase wages at similar rates, with approximately 58 percent of firms expecting wage increases of 2

to 4 percent. Another 26 percent of firms expect wage gains of more than 4 percent in 2019.

Selected Comments

“First of year started slower than last year; however, already seeing an uptick.”

“We are currently operating at full capacity to support the demands of our energy related customer base. We are optimistic and expect this demand to continue this year and beyond.”

“The US/China tariff discussions has led to Chinese consumer uncertainty and lower imports of our products.”

“Tariffs continue to be very disruptive to our business.”

“Still experiencing poor sales volume due to low agriculture commodity pricing, and high steel costs are hurting our margins.”

“Productivity continues to be constrained by a lack of skilled workers. On time delivery is impacted and we are unable to take on new business opportunities because of human capital not being available. Capacity expansion is not possible.”

“Business is very good. Getting many opportunities to increase our business levels. Biggest constraint is lack of available labor and quality of applicants. Many no shows for interviews and failures on drug tests.”

“Attracting quality manufacturing workers continue to be a challenge. We are making increased investments in automation.”

“We are in short supply of workers at all levels - unskilled, semi-skilled and skilled factory workers, clerical and professional. There are always difficulties attracting employees to rural areas and usually unemployment levels in rural areas is lower than national averages, making the current situation difficult.”

“We are in short supply of committed entry-level personnel. We typically have turnover among newer personnel but the rate has increased over the last year even with a 12% increase in entry level wages.”

“We have increased wages 5% or more. Higher wages are good for our employees in the short run, but bad when we cannot compete with foreign labor costs.”

“We believe that there will be a slight increase in our business because of efforts of diversification.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey