



Tenth District Manufacturing Activity Increased Modestly in February 2020

by:

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Factory activity increased modestly in February

Tenth District manufacturing activity increased modestly in February, reaching positive territory for the first time in eight months (Chart 1). Expectations for future activity remained at solid levels, and the month-over-month price indexes increased at a moderate pace. District firms continued to expect higher prices in the next 6 months.

The month-over-month composite index was 5 in February, higher than -1 in January and -5 in December (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The increase in district manufacturing activity was driven by both durable and non-durable goods plants, particularly food and transportation equipment producers. Most month-over-month indexes moved into positive territory in February, with many reaching their highest levels in over a year. However, the order backlog and employment indexes continued to fall. Year-over-year factory indexes rebounded strongly, with the composite index jumping from -7 to 5. The future composite index remained solid, inching slightly higher from 14 to 16.

Special questions

This month contacts were asked special questions about how several global developments were affecting their businesses. Over 40 percent of District manufacturing contacts reported negative effects from Coronavirus so far in 2020 (Chart 2). Looking ahead, over 50 percent of manufacturers expect negative effects from Coronavirus for the rest of 2020, but 46 percent of firms anticipated some positive effects from recently signed trade deals this year (Chart 3).

Selected comments

"The USMCA helped remove some uncertainty for our customers' spending. However, Coronavirus has caused some supply chain disruption."

"Seeing supply chain issues starting to arise with delayed component shipments from Chinese suppliers."

"The grounding of the 737 Max has now resulted in some layoffs of personnel in our community which helps to improve the skilled labor pool for a period of time."

"Pretty steady since the start of the new year. Hope the economy stays the course and we have a successful 2020."

"The issues in China have had a negative impact on our supply chain for raw materials. With respect to the 737 Max, our business with a strategic partner to Boeing is down significantly."

"Our vendors who import from China have raised prices and charged tariff fees. Just recently, delivery dates moved out due to a hold up overseas blamed on Coronavirus."

"Metals are not moving back and forth to Asia as before because of trade wars, and now with things shut down to a certain extent because of the Coronavirus, this inhibits business."

"Difficulty in getting product shipped from Asia."

"Economy is still very strong and labor force continues to be tight."

"The longer the 737 Max situation continues and if Coronavirus is not contained we are going to see negative supply and demand issues at our company. Once the trade deals are finalized I believe they will have a net positive affect on our business."

"Our export sales to China are in decline as the virus lingers."

"It could increase our business if there is little to no production being done in China."

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