



Tenth District Manufacturing Activity Declined Modestly in October

by: and Chase Farha

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Regional factory activity continued to edge down this month. However, producers continue to be positive about the months ahead, as they are expecting increases in production, new orders, and employment.

Factory Activity Declined Modestly

Tenth District manufacturing activity declined modestly in October, while expectations for future activity stayed positive. Both finished product and raw materials prices increased this month after cooling somewhat last month. (Chart 1, Tables 1 & 2)

The month-over-month composite index was -4 in October, up from -8 in September and nearly equal to -3 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. The decline was present in both durable and nondurable goods, particularly chemical, steel, and beverage manufacturing. Most month-over-month indexes were higher than last month's readings but still in negative territory, except for inventory indexes which fell markedly. Volume of shipments and new orders improved moderately, and production jumped from -18 to 0. The two employment indexes also ticked up slightly but remained negative. The year-over-year composite index for factory activity inched higher from -17 to -14, as production, shipments, and new orders all improved. The capital expenditures and new orders for export indexes were basically unchanged. The future composite index eased slightly from 9 to 7, while the production, shipments, and new orders indexes all increased. The future employment and capital expenditures indexes both moderated slightly from last month.

Special Questions

This month contacts were asked about demand and profit margin expectations. Most firms (50%) said their demand expectations were slightly higher for 2025 compared to 2024, but around a quarter (22%) reported they expect them to be slightly lower while 20% expect no change, 2% expect them significantly higher, and 7% said significantly lower (Chart 2). Firms were also asked how profit margins compared to pre-pandemic levels, and how they expected them to change in 2025. 38% of firms reported slightly higher margins compared to pre-pandemic levels, while 33% reported slightly lower, 17% reported significantly lower, 10% no change, and 3% significantly higher (Chart 3). In addition, 42% of firms expected slightly higher margins in 2025, with 26% slightly lower, 25% no change, and 7% significantly lower.

Selected Manufacturing Comments

“Bookings in the first half of 2024 were significantly lower than budgeted. In the second half of 2024, demand has increased substantially. We attribute this to the perception that interest rates would have changed sooner, and customers delayed purchase. We hope that lower rates will have a positive impact on our business in 2025.”

“Commodities are mostly favorable and appear to be staying favorable for the short to medium term. Avoiding the port strike - at least for now - has helped. Pricing to customer-wise we are looking at steady to maybe even slightly down on some products moving into '25 due to favorable commodity prices. Labor is widely available -but very unskilled.”

“The interest rates will determine how much capital expenditure we spend. Margins are tight and any interest rates lower will help margins.”

“New orders are significantly lower than last year. The outlook for the first quarter of 2025 doesn't look any better.”

“A manufacturing recession continues. Lower business levels are exacerbated by high interest rates and the election.”

“We are studying options on how to reduce overhead costs.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

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