



Tenth District Manufacturing Continued to Decline Slightly

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Regional factory activity continued to fall in February. Firms decreased employment levels moderately this month but expect overall activity and employment to increase in the next six months.

Tenth District manufacturing activity continued to decline slightly, but expectations for future activity remained expansionary (Chart 1, Tables 1 & 2). Prices paid for raw materials increased substantially this month and continued to outpace growth in finished product prices, further constraining profit margins.

The month-over-month composite index was -5 in February, unchanged from -5 in January and December (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The declines were driven more by nondurable manufacturing, particularly food, chemical, and paper manufacturing. All month-over-month indexes were negative, except for the price, inventories, and supplier delivery time indexes.

Production, volume of shipments, and backlogs all decreased moderately. Employment levels declined somewhat following a few months of steady activity, decreasing from 1 to -14. All year-over-year indexes were negative, except the price indexes. The composite index declined -9 to -18 in February. Production and average employee workweek fell substantially, while backlogs and employment levels also decreased moderately. Capital expenditures continued to stay steady. The future composite index ticked down from 15 to 14 in February as expectations for new orders lowered slightly. However, firms continue to anticipate employment increases in the next six months.

Special Questions

This month contacts were asked special questions about trade policy and passthrough ability. 43% of firms believe recent trade policy changes will not change their demand or revenues, while approximately a quarter each believe demand will be lower (26%) and higher (23%). Another 7% of firms believe trade policy changes will lower demand significantly while 1% believe it will increase demand significantly. (Chart 2). Contacts were also asked about their ability to pass through higher costs to their customers. 39% of firms reported passing through 0-20% to their customers, 6% reported passing through 20-40%, 12% reported 40-60%, 11% reported 60-80%, 23% reported 80-100%, 2% reported more than 100%, and 7% of firms had decrease prices (Chart 3).

Selected Manufacturing Comments

“Couldn’t ship freezables many days in February, due to cold, We have a warehouse full of orders shipping this week.”

“Capital Equipment cost that are imported are a huge concern for us and the type of capital equipment we purchase is not produced in the USA for many years.”

“Markets we serve [machinery manufacturing] are down 30% for quarters 1 and 2 2025 vs quarters 1 and 2 2024.”

“The second calendar quarter is seasonally the worst. The last half of 2024 was not good, but seeing uptick in early 2025 and optimism for the year. Foreign dumping is still a problem.”

“We are in a comprehensive evaluation of all input costs and labor/production efficiencies. Based on the outcome of this research we will adjust pricing accordingly.”

“Material Costs continue to rise. Several suppliers increasing price after the beginning of the year.”

“This is a time of uncertainty for manufacturers, very difficult to make business plans.”

“Costs in specific categories/commodities are going up significantly and quickly. Big changes since the first of the year already. We will see continued/accelerated inflation on select goods/categories. We’ll have to pass it along - question is will consumers pay/impact on demand?”

“We cannot absorb the cost increases. We have to pass those along.”

“We will scale back rather than take any hit to profit margin. We are expecting significant issues with payment and credit in next year and building cash margin to absorb bankruptcies and flailing business.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About Manufacturing Survey](#)

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