MANUFACTURING NEWS BRIEFS

A roundup of stories affecting Hudson Valley manufacturers

ECONOMY

NY Fed: Manufacturing Activity Continued to Contract Sharply in September

The Empire State Manufacturing Survey continued reflecting sharp contractions in activity for the second straight month. The composite index of general business conditions was -14.7 in September, only marginally better than the -14.9 seen in August. Each were the lowest levels since April 2009, and they reflect persistent softness in the sector in the New York Federal Reserve Bank's district.

Indeed, the underlying data were negative across-the-board, even with some easing in a few measures in the rate of decline. This included new orders (up from -15.7 to -12.9) and shipments (up from -13.8 to -8.0), with more than one-third of respondents citing declining demand for the month.

The labor market was also weaker. Hiring (down from 1.8 to -6.2) shifted from a slight positive in August to declining in September, with two-thirds of those completing the survey saying that their employment levels were unchanged and 19.6 percent citing fewer employees. The average workweek (down from 1.8 to -10.3) also narrowed significantly.

United States' Manufacturing Production Has Declined in Three of the Past Four Months

Manufacturing production declined 0.5 percent in August, falling back after rebounding strongly in July. Overall, these data continue to show the sector struggling with a number of economic headwinds, with output down in three of the past four months. Capacity utilization for manufacturers decreased from 76.2 percent to 75.8 percent. On a year-over-year basis, manufacturing production increased 1.4 percent in August, down from 1.5 percent in July. This represented a sharp deceleration in output from the 4.3 year-over-year pace observed in January.

GLOBAL ECONOMY

Headwinds

The global economy continues to be one of the larger headwinds for manufacturers in the United States, with exports from the sector down 4.93 percent year-to-date, using non-seasonally adjusted data through July. The stronger U.S. dollar and slowdowns in key economies have dampened international demand for U.S.-manufactured goods, with half of the top 10 markets in August experiencing contracting

INNOVATION

Photonics Institute to Headquarter in Rochester

This July, Vice President Biden announced that Rochester, NY would be the headquarters for the federal government's new Integrated Photonics Institute for Manufacturing Innovation. The photonics institute will encompass a coalition of state and private universities, including the University of Rochester (UR), Rochester Institute of Technology (RIT), and State University of New York Polytechnic Institute (SUNY Poly). Funding will come, in part, from the U.S. Department of Defense, which committed $110 million to the project.

The photonics institute brings with it more than $600 million dollars in total funding, from federal and state sources as well as private investors. U.S. Sen. Charles Schumer was quoted on the institute's impact, saying "This could create, over the years, thousands and thousands of good-paying jobs."

The announcement is particularly relevant to UR because of its long history of research in the field. The Institute of Optics, founded in 1929, is recognized as one of the strongest players in the optics and photonics field, which encompasses the study of light, lasers and fiber optics. With applications in telecommunications, computers and manufacturing, photonics is coming to be an important part of sustained technological innovation in the modern world.

levels of manufacturing activity, up from four in July. This includes Canada, our largest trading partner, which continues to struggle with significantly lower crude oil prices. The other four nations remained the same: Brazil, China, Hong Kong and South Korea, with all but the latter reaching multiyear lows in their PMI values. On a more positive note, the U.S. trade deficit narrowed in July, mostly on reduced goods imports.

China's Challenge

China presents a major challenge for worldwide growth, with its economy decelerating faster than anticipated. The Caixin China General Manufacturing PMI declined to its lowest level in more than six years. Data for August is expected to show continued easing in activity for the sector, building on recent trends for production, fixed asset investments and retail sales. Recent challenges also cast doubts on real GDP growth, which is likely less than the 7.0 percent year-over-year rate that has been reported. Beyond these economic statistics, the Shanghai Stock Exchange Composite Index has fallen more than 38 percent since June 12, and the yuan has depreciated by 2.5 percent since August 11.

Led by weaknesses in China and Brazil (which fell to nearly a four-year low with its manufacturing PMI value), the emerging markets are struggling. The Markit Emerging Market Manufacturing Index contracted for the fifth consecutive month, declining to its lowest level since April 2009.

LABOR

Executive Order Requires Paid Sick Leave for Federal Contractors

In September, President Obama issued an executive order requiring federal contractors to offer paid sick days to their employees. Administration officials said any costs to companies associated with the new policy would be offset by reduced attrition and improved employee loyalty and efficiency—an assertion that has been disputed by Republicans and businesses.

Jack Mozloom, media director of the National Federation of Independent Business, acknowledged in a statement that the president did, indeed, have the authority to place conditions on contractors, but said that not every business could afford the new benefit. "Mandatory paid leave is a great benefit for workers whose employers offer it," Mr. Mozloom said. "For workers whose employers can't absorb the cost, it's an arbitrary expense that will ultimately result in shorter hours, lower pay or disappearing jobs."

The president also has used executive actions to raise the minimum wage for employees under federal contracts and protect gay and transgender workers from discrimination.

TRADE

Ex-Im Bank Fallout - General Electric Announces Plans to Move 500 Jobs to Foreign Countries

General Electric will move as many as 500 U.S. power turbine manufacturing jobs to Europe and China because it can no longer access U.S. Export-Import Bank financing, reigniting a congressional battle over the suspended institution's future.

The largest U.S. industrial conglomerate said France's COFACE export agency has agreed to support some of GE's global power project bids with a new line of credit in exchange for moving production of some heavy-duty gas turbines to Belfort, France, along with 400 jobs. U.S. facilities in Greenville, South Carolina; Schenectady, New York; and Bangor, Maine, will lose out on those jobs if GE wins the power bids, a GE spokeswoman said.

Jay Timmons, president of the National Association of Manufacturers, called GE's decision "the beginning of a tragedy in the making," noting it will ripple to suppliers, and called on lawmakers to reauthorize the bank.

NLRB Ruling Upends Relationship Between Companies & Independent Contractors

In a sharp policy revision, The National Labor Relations Board (NLRB), in August, handed down a major decision, ruling that companies can be held responsible for labor violations committed by their contractors.

For more than 50 years, companies were only held responsible for employees under their direct control. Without the power to set hours, wages or job responsibilities, earlier NLRB rulings found that companies could not be held responsible for contractors' labor practices.

Companies are already planning to bring jobs in-house to avoid being responsible for another company's employees.

"It will make it much harder for self-employed subcontractors to get jobs," said Beth Milito, senior legal counsel at the NFIB. "Subcontractors will come under pressure by their clients to change employment policies or be cut out of the picture altogether."

U.S. DOL Issues New Rules on Overtime and Classification

Two July directives from the U.S. Department of Labor, each interpreting the federal Fair Labor Standards Act, could make more than 5 million salaried employees eligible for overtime pay and allow an additional 2 million workers to have health insurance benefits or organize into labor unions.

The proposed overtime rules would increase the minimum pay for an employee to be considered salaried and, therefore, exempt from overtime eligibility to $50,440 a year from $23,660. Labor market analysts have estimated the proposal could increase the number of overtime-eligible employees by as much as 5.9 million.

Two weeks later, Labor also released a new set of guidelines distinguishing a company employee from an independent contractor under the Fair Labor Standards Act's definition of employment as "to suffer or permit to work." The guidelines suggest most workers are employees — the definition of "employee" is broader than what many employers use and what some court rulings indicate.

ENVIRONMENTAL REGULATION

Ozone Regs To Be Most Expensive In U.S. History

The National Association of Manufacturers (NAM) recently announced that a new study conducted by NERA Economic Consulting and commissioned by NAM shows that Obama administration emission standards "could reduce GDP by $270 billion per year" and cost $2.2 trillion in compliance costs from 2017 to 2040. NAM estimates that these regulations "would be the most expensive regulation the US government has ever issued," increasing the costs of energy and risking millions of jobs.

NAM Vice President of Energy and Resources Policy Ross Eisenberg said, "We are rapidly approaching a point where we are requiring manufacturers to do the impossible," adding that the administration should "allow existing ozone standards to be implemented rather than move the goalposts with another set of requirements for manufacturers. Trillions of dollars are at stake."

TAX POLICY

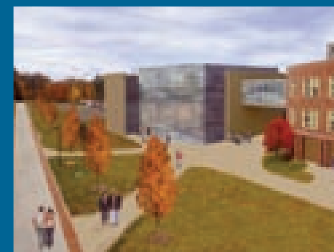
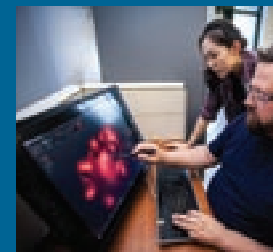
Tax Extenders

In September, the Broad Tax Extenders Coalition sent a letter to Congress signed by over two thousand companies, non-profits, coalitions and associations, representing millions of individuals, employees, and businesses of all sizes. The letter called on Congress to act immediately to extend the expired and expiring tax provisions known as "tax extenders."

Over fifty tax provisions relied upon by millions of Americans expired at the end of 2014. For manufacturers, this means that the research and development tax credit, a driver of innovation and contributor to domestic, high-wage jobs, is not currently available. Also expired are the enhanced expensing limits that allow businesses of all sizes to make capital investments in machinery and equipment, crucial to growth in manufacturing. The competitiveness of U.S. manufacturers that have operations overseas is also currently in jeopardy since deferral for active financing income and the look-through rule for controlled foreign corporations expired late last year.






Photos courtesy of SUNY New Paltz.

HV3D

HUDSON VALLEY 3D PRINTING

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as a

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in the category of

Regionalism and Cross-Border Collaboration

for Population Centers Greater Than 500,000

3D printing is a multi-billion dollar industry that is generating new jobs and revolutionizing the world around us with the click of a button. HV3D brings together a community of experts, private and public investors, academicians and entrepreneurs to unleash the full potential of this technology for the benefit of the Hudson Valley. HV3D established the Hudson Valley Center for Advanced Manufacturing at SUNY New Paltz, which led to the creation of the nation's first MakerBot Innovation Center and the upcoming establishment of an Engineering Innovation Hub.

2015

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