MANUFACTURING NEWS

BRIEFS

NEWS, RULES, REGULATION AND LEGISLATION

THE MANUFACTURING ECONOMY

Fed's Rate Moves Put Manufacturing Sector at Risk

The American manufacturing sector is starting to show signs of weakness after two years of strong growth, as higher interest rates and a slowdown in exports threaten production. Weaker manufacturing data suggests that consumers and businesses are starting to retrench in the face of economic uncertainty, said Jonathan Millar, senior U.S. economist at Barclays PLC. A manufacturing downturn could be a sign of trouble in the broader U.S. economy.

The Fed's aggressive pace of interest-rate increases to fight inflation has made it more expensive to borrow for big-ticket items such as consumer appliances or business machinery. Fed officials have signaled they are likely to raise rates again when they convene later this year. "As the Fed continues to hike, manufacturing is going to be in the crosshairs," Mr. Millar said. "It's hard to see this sector not suffer some sort of a downturn that is more significant than what we've seen already."

Global Supply Chains Back to Normal After Rocky Three Years, NY Fed Says

Global supply chains have returned to normal, the Federal Reserve Bank of New York said, almost three years after Covid-19 was declared a pandemic. Actually, supply pressures around the world fell below normal. The February reading in the NY Fed's Global Supply Chain Pressure Index was -0.26, reaching negative territory for the first time since August 2019. Zero marks the historical average, and changes in either direction mark standard deviations from that trend.

Less shipping congestion, an easing of parts shortages and weaker consumer demand have pulled the indicator lower in seven of the past 10 months, and the latest figure reflected more improvement. "There were significant downward contributions by the majority of the factors, with the largest negative contribution from European area delivery times," the NY Fed said. The gauge brings together 27 variables that take the temperature of everything from cross-border transportation costs to country-level manufacturing data in the euro area, China, Japan, South Korea, Taiwan, the UK, and the US.

March Empire State Manufacturing Survey: "Activity Continued to Decline"

Manufacturing activity continued to decline in New York State, according to the March survey. The general business conditions index fell nineteen points to -24.6, continuing the see-saw pattern of ups and downs within negative territory seen in recent months.

Here are the key numbers:

- The new orders index fell fourteen points to -21.7, indicating that orders declined substantially.
- The shipments index fell fourteen points to -13.4, pointing to a decline in shipments.
- The unfilled orders index came in at -6.7, a sign that unfilled orders continued to decline.
- The inventories index moved down eight points to -1.9, indicating that inventory levels held steady.
- The index for number of employees fell four points to -10.1, indicating that employment levels continued to decline.
- The average workweek index fell six points to -18.5, its lowest level since early in the pandemic.
- The prices paid index fell three points to 41.9, and the prices received index moved down six points to 22.9.
- The index for future business conditions fell twelve points to 2.9, suggesting that firms do not expect activity to improve over the next six months.
- The capital spending index and technology spending index both fell to 13.3.

U.S. Purchasing Managers Index: Manufacturing Activity Improves Slightly But Still Continues to Shrink

Manufacturing economic activity contracted for the fourth consecutive month, according to the Institute for Supply Management's February 2023 manufacturing sector report. Results were better than in January, but the index remains mired in negative territory. After four months below 50%, the prices index figure climbed up 6.8 points to 51.3%, making its way into increasing territory.

The Purchasing Manager's Index came in 0.3 points higher last month than the January report at 47.7%. Anything lower than 50% represents contraction. The new orders index, although 4.5 points higher than the January figure, kept its contractions status at 47%. The employment index fell 1.5 points into contraction territory, and the production index reading dropped 0.7 points compared to the previous month.

Manufacturers' Fourth Quarter 2022 Outlook Survey: Inflation Concerns

The National Association of Manufacturers Q4 2022 Manufacturers' Outlook Survey shows manufacturers' concerns around a challenging economic environment characterized by inflation, supply chain disruption and the workforce crisis. The NAM conducted the survey Nov. 29 – Dec. 13, 2022.

Key Findings:

- 4% of manufacturing leaders believed that the U.S. economy would officially slip officially into a recession in 2023.
- 7% of manufacturing leaders listed attracting and retaining quality workforce as a primary business challenge with supply chain disruptions (65.7%) and increased raw material costs (60.7%) the next biggest impediments.
- Even in a recession, manufacturers plan to do the following: capital spending on new equipment and technological investments (65.3%), upskilling and training of existing workforce (64.1%), seeing solid demand for their company's products (63.2%), hiring new employees (55.1%), investing in research and development (52.1%), and spending on new structures and existing facilities (38.6%).
- More than three-quarters of respondents (75.8%) said pushing back against regulatory overreach should be the top priority of the 118th Congress. Other priorities included supporting increased domestic energy production (69.3%), passing comprehensive immigration reform (65.4%), maintaining and permanently extending tax reform (63.0%), controlling rising health care costs (55.5%), addressing the skills gap facing manufacturers (50.5%), and modernizing permitting to reduce red tape (40.0%).
- 9% of respondents have a positive outlook for their company, the lowest since the third quarter of 2020.

Siena College Upstate New York Business Leader Survey: Pessimism Reigns

Fifty-four percent of Upstate New York CEOs say business conditions have worsened over the last year and only 19%, down from 36% a year ago, expect improvement in the coming year according to the 16th annual Upstate New York Business Leader Survey from Siena College Research Institute (SCRI) sponsored by the Business Council of New York State, Inc. Only 23% of CEOs say the economy has improved this year and 54% up from 41% last year see worsening conditions in the next year.

Thirty-eight percent, down from 47% last year, predict increasing revenues in 2023 while 26%, down from 34%, anticipate growing profits in the year ahead. Still, unchanged from last year, over half, 55%, intend to invest in fixed assets in 2023. Eighty-five percent say inflation is having a negative impact on profitability. Seventy-five percent are having difficulty recruiting for their open positions despite 72% offering increased wages and 53% being flexible with work hours.

CLIMATE, ENVIRONMENT, SAFETY AND HEALTH

NYS Climate Action Council (CAC) Approves Final Scoping Plan

December 19, 2022, the Climate Action Council (CAC) voted in favor of approving its final Scoping Plan. The official Scoping Plan is required to be delivered to the Governor and the Legislature and published on the Council's website by January 1st.

In accordance with the Climate Leadership and Community Protection Act (CLCPA), recommendations in the Scoping Plan will be incorporated into an updated State Energy Plan. The Department of Environmental Conservation (DEC) will have until January 1st, 2024 to promulgate regulations necessary to enforce the State's emissions reductions goals. Proposals included in the Scoping plan which require legislative approval will go through the regular legislative process.

Sticker Shock Awaits New Yorkers' Utility Bills to Fund Renewables

Politico reports that while New York is eager to move away from fossil fuels customers will feel the switch in their wallets. The state has largely funded the recent investments in clean energy, electric vehicle chargers, heat pumps, and new transmission lines incrementally through piecemeal decisions by the quasi-independent Public Service Commission, which regulates utilities. "Financing them exclusively through rates, particularly on residential, is the least progressive mechanism for financing anything. We make no judgment whether you have the money to pay or you don't have the money to pay," John Howard, a commissioner on the Public Service Commission, said at last month's meeting.

While lawmakers' concerns are growing over the impact on consumers, they have few levers to shift course on the already-approved costs. A wholesale transition of the state's energy system is not optional: It is mandated under a sweeping 2019 law requiring 70 percent renewable electricity by 2030 and an emissions free grid by 2040, alongside overall reductions in planet-warming gasses. So, it requires a wholesale electrification of the state's economy if New York is to meet the statutory targets.

OSHA Announces New Enforcement Guidance

On January 26, OSHA announced new enforcement guidance changes which can "save lives and hold employers to greater account for safety and health failures." The announcement said these changes will "target employers who put profit over safety." It will do this by making the penalties "more effective in stopping employers from repeatedly exposing workers to life-threatening hazards or failing to comply with certain workplace safety and health requirements."

OSHA Regional Administrators and Area Office Directors now have the authority to cite certain types of violations as “instance-by-instance citations” for cases where the agency identifies “high-gravity” serious violations of OSHA standards specific to certain conditions where the language of the rule supports a citation for each instance of non-compliance. The guidance mentions conditions that include lockout/tagout, machine guarding, permit-required confined space, respiratory protection, falls, trenching, and for cases with other-than-serious violations specific to record keeping.

U.S. to End COVID-19 Emergency Declarations on May 11

President Joe Biden's administration in February said it will end COVID-19 emergency declarations on May 11, nearly three years after the United States imposed sweeping pandemic measures to curb the spread of the illness. The COVID-19 national emergency and public health emergency (PHE) were put in place in 2020 by then-President Donald Trump. Biden has repeatedly extended the measures, which allow millions of Americans to receive free tests, vaccines and treatments.

The White House's Office of Management and Budget (OMB) said in a statement the declarations would be extended again until May 11 and then terminated. The government has been paying for COVID-19 vaccines, some tests, and certain treatments under the PHE declaration. When it expires, those costs will be transferred to private insurance and government health plans.

Judge Freezes Biden Waters of the United States (WOTUS) Rules in 2 States

A federal judge in Texas has put the Biden administration’s signature water regulation on hold in two states amid a mounting push from White House critics, who want the rule stalled until a much-anticipated Supreme Court ruling lands later this year. Judge Jeffrey Brown in March handed the states of Texas and Idaho a victory in their fight to head off the new “waters of the United States,” or WOTUS, rule.

Two separate lawsuits in the U.S. District Court for the Southern District of Texas had argued that EPA and the Army Corps of Engineers should have to wait for the upcoming Sackett v. EPA decision before implementing the new regulation. One was brought by state officials and one by industry members. The consolidated lawsuits were brought by 18 industry groups and Texas Attorney General Ken Paxton (R), alongside state agencies. The litigation contends that the Biden administration overstepped when regulators released the new WOTUS rule in late 2022.

ADVOCACY

NAM President Jay Timmons Gives NAM State of Manufacturing Address

Timmons spoke to a gathering of manufacturing team members and the media at Husco International in Waukesha, Wisconsin. In his remarks, he laid out the NAM's view of where the industry is and where it's going. Timmons cited a variety of manufacturing challenges. These included Supporting immigration, Promoting permitting reform, Fighting for tax fixes, competing with China, and pushing back on new EPA rules.

Timmons also spoke about Russia's invasion of Ukraine, the importance of the manufacturing industry's support for the Ukrainian people and the larger struggle between freedom and tyranny. "Despite everything happening around us, like the threat of a recession and global conflict, manufacturers are still leading the way forward," said Timmons. "And although our industry and our country will need to make audacious and sometimes uncomfortable changes to adapt to economic, political and global challenges … I'm confident in reporting that the state of manufacturing in America remains steadfast and resolute."

LABOR, EMPLOYMENT AND WORKFORCE DEVELOPMENT

Manufacturing Loses 4,000 Jobs in February

Manufacturing lost 4,000 jobs, the Bureau of Labor Statistics said. Durable goods employment was little changed while non-durable goods absorbed the bulk of the job loss, according to a breakdown by sector issued by the bureau. Job gainers included transportation equipment, up 1,300 jobs. That included a gain of 200 jobs in motor vehicles and parts. Non-metallic mineral products added 1,500 jobs and computer and electronic products added 2,800. Industries posting job losses included furniture, down 2,800 jobs, and wood products, down 1,000.

Manufacturing totaled 12.983 million jobs on a seasonally adjusted basis in February, according to the bureau. That was down from an adjusted 12.987 million in January but better than the 12.654 million in February 2022.

The 3 Jobs Manufacturers Are Struggling to Fill in 2023

Nearly 780,000 jobs were unfilled in the industry as of November 2022, according to the Bureau of Labor Statistics. But amid those thousands of open roles, some are proving particularly hard to fill. As technical skill requirements and academic interests continue to change, companies are struggling to find production workers, engineers and middle skill workers, a problem that experts say is unlikely to subside in the year ahead.

As the rising e-commerce industry sends demand for talent surging, manufacturing has fallen further behind when it comes to base compensation ranges, Olson added. Manufacturing's digital transformation is also creating a mismatch between available workers and the skills needed to fill open jobs. NAM Chief Economist Chad Moutray said that companies are constantly looking for workers that can leverage new technologies, which "takes a lot of folks off the table."

Manufacturing Apprenticeships a Boon to Students, Employers

When his pursuit of a mechanical engineering degree at Penn State New Kensington was derailed, Cameron Fouse turned to Plan B. "I tried machining for the first time and learned everything I could online," said Fouse, 29, of Ford City. An entry-level job at Metplas Inc. in Harrison landed Fouse the chance at a four-year apprenticeship, where he can earn his certification while getting paid.

Through the apprenticeship offered by the National Tooling & Milling Association (NTMA), Fouse and other students spend hundreds of hours in class at Northern Westmoreland Career and Technical Center inside Valley High School in New Kensington. The program is a boon to the students and the employer, said Eric Galbreath, program manager of defense projects at Metplas. "It's definitely beneficial," Galbreath said. "Not everyone is cut out for four-year college. Here, they learn a trade while they're getting paid."

7 Million American Men are 'Done' Looking for Work and Have 'Punched Out' of the Workforce

Men have been steadily clocking out of the American workforce since pre-pandemic times — even now despite there being millions of job openings and an uncertain economic climate. While the U.S. labor market remains incredibly tight — with the economy adding another 517,000 jobs in December — around 7 million "prime age" men between the ages of 25 and 54 are reportedly sitting it out.

"They are affirmatively not looking for work. They've punched out. They're done," TV host Mike Rowe said on The Brian Kilmeade Show, citing research from economist Nick Eberstadt. Eberstadt says a vast majority of these prime-age men spend around 2,000 hours a year on screens, do little housework and don't spend time volunteering. However, there might be more to the story than men simply slacking off and sitting at home. The decline of men in the workforce may be partially due to the drop in manufacturing jobs since the 1960s, which have either been automated or moved offshore.

New York Health Officials Shift COVID Reporting and Strategies

For three years, the New York governor's office would compile and release daily updates on COVID-19 cases, hospitalizations, deaths and, later on, vaccinations. That reporting is set to be scaled back this month and state health officials will also assess how COVID data is collected from local officials, Gov. Kathy Hochul's

Congratulations to the 2023 Manufacturing Champions. Help us celebrate them at our Champions Breakfast on May 18th.

office said. COVID data was closely watched for much of the pandemic, but a major spike in cases has not occurred in more than a year after the onset of the highly contagious omicron variant.

COVID data will also still be available on the state Department of Health's website. A news release that was sent out five days a week will now be scaled back to weekly on Fridays. Hochul's office also announced the Department of Health is considering changes to how COVID information is collected from local health officials and health care providers "in order to alleviate the burden on providers and leverage other data sources to maintain its ability to monitor the state of the disease and health care delivery system capacity," according to the governor's office.

After Testing Four-Day Week, Companies Say They Don’t Want to Stop

In one of the largest trials of a four-day week to date, 61 British businesses ranging from banks to fast-food restaurants to marketing agencies gave their 2,900 workers a paid day off a week to see whether they could get just as much done while working less, but more effectively. More than 90% said they would continue testing the shorter week, while 18 planned to make it permanent, according to a new report from the study’s organizers.

The idea of working less than the conventional 40 hours over five days a week has been discussed for decades. The concept has gained new momentum recently as employers and employees seek new and better ways to work. The Covid-19 era ushered in broader acceptance of remote and hybrid work arrangements. Now, some employers, as well as policy makers, are exploring whether a shorter workweek can improve employee well-being and loyalty.

2023 Manufacturing Champions Announced

The Council of Industry is pleased to announce its 2023 manufacturing Champions! The Council of Industry's Manufacturing Champion Award is presented annually to individuals and/or organizations that work in the sector or provide direct support to the manufacturing sector in the Hudson Valley.

The 2023 Manufacturing Champions are:

- **Marty McGill** – Vice President, Allendale Machinery Systems
- **Elisha Tropper** – President, Cambridge Security Seals
- **Joe Andriac** – General Manager, Elementis
- **Mathew Leifeld** and **Noah Smith** – Teachers, Hudson Valley Pathways Academy

The Champions Breakfast will be held May 18th at Villa Venezia in Middletown. The event will include a manufacturing workforce developers expo and a live broadcast by WKIP’s Hudson Valley Focus Live with Tom Sipos *(2018 Champion)*.