MANUFACTURING NEWS BRIEFS

NEWS, RULES, REGULATION AND LEGISLATION

THE MANUFACTURING ECONOMY

J.P.Morgan Global Manufacturing PMI™: Factory Activity Stays Weak

Global manufacturing activity remained weak on soft demand, surveys showed in March, as euro zone factory activity kept contracting, while there were mixed signs on the strength of China's economy. In the 20-member euro zone, Hamburg Commercial Bank's final manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, was firmly below the 50 mark dividing contraction from expansion in a broad based downturn. Still, it did rise to 44.2 in November from October's 43.1, above a 43.8 preliminary estimate.

China's private Caixin/S&P Global manufacturing PMI unexpectedly rose to 50.7 .Japan's final au Jibun Bank manufacturing PMI fell to 48.3, shrinking at the fastest pace in nine months. South Korea's PMI stood at 50.0, rising slightly. Manufacturing activity also shrank in Taiwan, Vietnam and Malaysia, but expanded in India, Indonesia and the Philippines, the surveys showed.

Conference Board's Leading Indicators Index Rises for First Time in 2 Years Led By Hours Worked in Manufacturing Component

The Conference Board said its Leading Economic Index rose in February for the first time in two years on the strength of hours worked at U.S. factories and the surging stock market, among other factors, but the gauge of future activity still signals some headwinds to growth remain. The business research group's index rose 0.1% in February to 102.8. It was the first increase in the index since February 2022 and comes a month after the organization abandoned its prediction that the economy would fall into a recession.

Digging into the report's components, average weekly hours worked by production workers in the manufacturing sector led the rise by adding 0.18 percentage points (pp) to the LEI in February. The positive contribution corroborates with anecdotal evidence of producers across the country preparing for a ramp up in production once the Fed starts to ease borrowing costs and the recent firming in durable goods orders. Stock prices continued to gain over the month (adding 0.17pp), while loosened financial conditions supported a solid 0.08pp contribution from the Leading Credit Index. The usual negative contributions, the new orders component of the ISM manufacturing index, consumer expectations and the interest rate spread, continued to weigh on the LEI.

NAM Survey: Manufacturers' Outlook Still Dim

The National Association of Manufacturers Q4 2023 Manufacturers' Outlook Survey shows that small companies with fewer than 50 employees and medium-sized firms with between 50 and 499 employees, which make up a vast majority of the sector, continued to have historically lower levels of optimism with 65.9% and 63.0% positivity rates in Q4, respectively. The NAM conducted the survey from November 14 to December 1, 2023.

Among the Key Findings:

- 89% of respondents said higher tax burdens on manufacturing activities would make it more difficult to expand their workforce, invest in new equipment or expand facilities.
- Workforce challenges also continue to dominate the sector, with more than 71% of manufacturers citing the inability to attract and retain employees as their top primary challenge.
- A weaker domestic economy and sales for manufactured products (63.7%), an unfavorable business climate (61.1%) and rising healthcare and insurance costs (59.8%) are also impacting manufacturing optimism.

IMF Raises 2024 Economic Growth Outlook, Says Global 'Soft Landing' in Sight

Earlier this year the International Monetary Fund (IMF) edged its forecast for global economic growth higher, upgrading the outlook for both the United States and China - the world's two largest economies - and citing faster-than-expected easing of inflation. The IMF forecast global growth of 3.1% in 2024, up two-tenths of a percentage point from its October forecast, and said it expected unchanged growth of 3.2% in 2025. The historical average for the 2000-2019 period was 3.8%. It forecasts global trade growth of 3.3% in 2024 and 3.6% in 2025, well below the historical average of 4.9%, with gains weighed down by some 3,000 trade restrictions that were imposed in 2023.

- The United States got one of the biggest upgrades in the January update of the IMF outlook, with its GDP now forecast to expand by 2.1% in 2024 versus the 1.5% forecast in October. Growth was expected to ease to 1.7% in 2025.
- The euro area got a downgrade, and was now expected to grow just 0.9% in 2024 and 1.7% in 2025, with the biggest European economy - Germany - expected to see minimal GDP growth of 0.5% in 2024 instead of the 0.9% forecast in October.
- China's GDP was expected to grow by 4.6% in 2024, an upward revision of four-tenths of a percentage point from October, and 4.1% in 2025.
- Growth in emerging market and developing economies overall was expected to come in at 4.1% in 2024, with emerging

and developing Europe getting an upgrade due to stronger than expected growth in Russia on the back of high military spending related to the ongoing war in Ukraine.

- Russia's GDP was expected to grow 2.6% in 2024, 1.5 percentage points more than expected in October, with growth seen easing to 1.1% in 2025. The IMF said there could be further revisions since the numbers were preliminary and there were questions about the extent of Russia's fiscal stimulus.
- Negative growth in Argentina dragged the forecast for the Latin America and Caribbean region lower, with growth likely to decline to 1.9% in 2024, four-tenths of a percentage point lower than in October. Growth should edge higher to 2.5% in 2025, the IMF said.

Activity Little Changed in September Empire State Manufacturing Survey

Manufacturing activity held steady in New York State, according to the September survey. After dropping sharply last month, the general business conditions index reversed course and climbed twenty-one points to 1.9.

- The new orders index shot up twenty-five points to 5.1, and the shipments index also rose twenty-five points to 12.4, pointing to an increase in orders and shipments.
- The unfilled orders index remained below zero at -5.2, a sign that unfilled orders continued to decline. Similarly, the inventories index came in at -6.2, indicating that inventories contracted again. The delivery times index ticked up to 2.1, suggesting little change in delivery times.
- The index for number of employees came in at -2.7, indicating a slight decline in employment levels.
- The prices paid index held steady at 25.8, pointing to little change in the pace of input price increases, while the prices received index rose seven points to 19.6, signaling a modest pickup in the pace of selling price increases.
- New orders and shipments are expected to increase significantly in the months ahead, and employment is expected to grow.

CLIMATE, ENVIRONMENT, SAFETY AND HEALTH

Ørsted Powers Up All Turbines at First U.S. Commercial-Scale Offshore Wind Farm

Ørsted has installed and powered up all 12 turbines at the landmark South Fork project, and the first utility-scale U.S. offshore wind farm has started delivering power to Long Island and the Rockaways, offshore New York. The commissioning of the wind farm is in its final stage, and when at full capacity of 130 MW, it will generate enough renewable energy to power approximately 70,000 homes. The renewable energy is generated roughly 35 miles off the coast of Montauk, and will eliminate up to six million tons of carbon emissions over the life of the project, the equivalent of taking 60,000 cars off the road for the next twenty years.

The South Fork Wind began construction in February 2022, beginning with the onshore export cable system that links the project to the Long Island electric grid. The wind farm reached its 'steel in the water' milestone in June 2023 with the installation of the project's first monopile foundation, and its final Siemens Gamesa-supplied turbine was installed in February 2024.

Gas – Not Renewables – Fills Gap in Power Generation from Indian Point Shuttering

When New York's deteriorating and unloved Indian Point nuclear plant finally shuttered in 2021, its demise was met with delight from environmentalists who had long demanded it be scrapped. But there has been a sting in the tail – since the closure, New York's greenhouse gas emissions have gone up. Castigated for its impact upon the surrounding environment and feared for its potential to unleash disaster close to the heart of New York City, Indian Point nevertheless supplied a large chunk of the state's carbon-free electricity.

Since the plant's closure, it has been gas, rather then clean energy such as solar and wind, that has filled the void, leaving New York City seeing its planet-heating emissions jump in recent years to the point its power grid is now dirtier than Texas's, as well as the U.S. average. "From a climate change point of view it's been a real step backwards and made it harder for New York City to decarbonize its electricity supply than it could've been," said Ben Furnas, a climate and energy policy expert at Cornell University. "This has been a cautionary tale that has left New York in a really challenging spot."

State Funds Hydrogen and Clean Fuel Program

The state has made $16 million available to advance innovation in clean hydrogen through the Hydrogen and Clean Fuel Program. This funding will be directed to support research, development, and demonstration projects as well as leverage federal hydrogen funding opportunities.

The grants will be administered by the New York State Energy Research and Development Authority. The funding is being made available through two competitive grants, one under the state's Hydrogen and Clean Fuel Program, and the other to help entities applying for federal hydrogen funding for New York-based projects.

EPA Gives Automakers More Leeway to Phase Out Gas-Engine Cars

The Biden administration enacted the strictest-ever rules for tailpipe emissions but also gave the auto industry more time to comply. The new rules apply to light-duty vehicles—cars, sport-utility vehicles and most pickup trucks—for model years 2027 through 2032. It governs how much heat-trapping carbon dioxide new vehicles can emit, as well as pollutants such as nitrogen oxides, which cause smog and lead to respiratory illnesses.

The concession to auto makers amounts to a recognition that the transition to electric cars will take longer than hoped. The EPA rules released in March ratchet up more gradually than regulators originally proposed, pushing the car industry toward majority EV sales by early next decade. That decision is to allow time for Americans to warm to EVs, as more chargers get installed and car companies develop more-affordable electric models.

EPA Bans Last Form of Asbestos

On March 18 the EPA announced a final rule to prohibit ongoing uses of chrysotile asbestos, the only known form of asbestos currently used in or imported to the United States. Chrysotile asbestos is found in products including asbestos diaphragms, sheet gaskets, brake blocks, aftermarket automotive brakes/linings, other vehicle friction products, and other gaskets. The use of asbestos in the United States has been declining for decades, and its use is already banned in over 50 countries.

Although there are several known types of asbestos, the only form known to be imported, processed, or distributed for use in the United States is chrysotile. Raw chrysotile asbestos was imported into the United States as recently as 2022 for use by the chlor-alkali industry. Most consumer products that historically contained chrysotile asbestos have been discontinued. The chlor-alkali sector uses asbestos diaphragms to make sodium hydroxide and chlorine, a critical use of which is to disinfect drinking water and wastewater. There are other ways to disinfect water and other ways to produce chlorine; in fact, two-thirds of the chlorine produced in the U.S. is produced without using asbestos.

OSHA Says Safety Helmets Provide Better Protection Than Hard Hats

On December 11, 2023, OSHA announced that the agency is replacing traditional hard hats used by its employees with more modern safety helmets to protect them better when they are on inspection sites. In 2020, the Bureau of Labor Statistics reports head injuries accounted for nearly 6 % of non-fatal occupational injuries involving days away from work. Almost half of those injuries occurred when workers came in contact with an object or equipment while about 20% were caused by slips, trips and falls.

Dating back to the 1960s, traditional hard hats protect the top of a worker's head but have minimal side impact protection and also lack chin straps. Without the straps, traditional hard hats can fall off a worker's head if they slip or trip, leaving them unprotected. In addition, traditional hard hats lacked vents and trapped heat inside. The agency recommends safety helmets be used by people working at construction industry and the oil and gas industry; in high-temperature, specialized work and low-risk environments; performing tasks involving electrical work and working from heights; and when required by regulations or industry standards.

LABOR, EMPLOYMENT AND WORKFORCE DEVELOPMENT

Federal Judge Voids NLRB's New Joint Employer Rule

A federal judge in Texas has blocked a new rule by the National Labor Relations Board that would have made it easier for millions of workers to form unions at big companies. The rule, which was due to go into effect March 11th, would have set new standards for determining when two companies should be considered "joint employers" in labor negotiations. Under the current NLRB rule, which was passed by a Republican-dominated board in 2020, a company like McDonald's isn't considered a joint employer of most of its workers since they are directly employed by franchisees.

The new rule would have expanded that definition to say companies may be considered joint employers if they have the ability to control — directly or indirectly — at least one condition of employment. Conditions include wages and benefits, hours and scheduling, the assignment of duties, work rules and hiring. The U.S. Chamber of Commerce, which filed the successful legal action against the rule in November along with other organizations, argued the regulation would have made it too easy for the NLRB to declare joint-employer status, potentially leading to companies facing liability for workers not on their payroll and work establishments they don't truly control.

Independent Contractor Rule Takes Effect

On March 11th a new rule from the U.S. DOL took effect governing the designation of Independent Contractors. The DOL rule restores a "multifactor economic reality test" for determining if an employee is an independent contractor. Businesses must take into account a number of factors when analyzing an employer-employee relationship, including "opportunity for profit or loss," and the degree of control an employer has over the work. No one factor should take precedence over another. The new policy rescinds a previous rule that was instituted under President Donald Trump in 2021. It could result in millions of gig workers being reclassified as full-time employees.

The fate of the rule is uncertain, however, as it faces several legal challenges that could disrupt its implementation. According to the complaints, the DOL rulemaking was arbitrary and capricious, was an abuse of discretion, and exceeded the agency's statutory authority because Congress did not empower DOL to issue legislative rules defining the employment relationship under the FLSA. The lawsuits uniformly seek a preliminary and permanent injunction barring DOL from enforcing the 2024 rule and an order invalidating the rule. The industry plaintiffs also want the court to declare unlawful and set aside the DOL's rescission of the 2021 rule and a declaration that the 2021 rule remains in effect.

New Year Employment Law Developments: Key Changes for New York Employers

Ringing in the new year means a host of new employment laws that are now effective and on the horizon for New York employers. With the state very busy at year-end, employers should take note of new laws impacting the workforce in 2024, including certain key developments summarized below.

- Wage and Hour Updates: The state has increased the minimum salary thresholds for the "executive" and "administrative" minimum wage and overtime exemptions under New York Labor Law. As of January 1, 2024 in New York City, Long Island and Westchester County. The new threshold is $1,200 per week ($62,400 annualized.) For the remainder of the State it's $1,124.20 per week ($58,458.40 annualized). The threshold will increase in 2025 and 2026 as well.
- Minimum Wage: Effective January 1, 2024, the minimum wage increased to $16 in New York City, Long Island, and Westchester County and $15 in the rest of the state. It is the first of a series of annual increases slated for the Empire State.
- Social Media: Effective March 12, 2024, New York law will prohibit an employer from requesting or requiring an employee or applicant to disclose information for accessing their personal social media accounts and from taking related actions.
- Freelancers: Effective May 20, 2024, New York State's Freelance Isn't Free Act will require certain protections for independent contractors who are hired to provide services for $800 or more, including, among other things, a written contract with certain detailed information.
- Release agreements: New York expanded its #MeToo statute in January to bar some of the most common terms for which employers bargain in settlement agreements involving claims of discrimination, harassment or retaliation.

NAM: Regulatory Onslaught Disproportionately Hits Small Manufacturers

NAM Vice President of Domestic Policy, Brandon Farris, told the House Committee on Small Business that the majority of manufacturing firms in the U.S. are small, and "…are the backbone of the manufacturing supply chain, often producing key components for larger firms … [but] manufacturing faces significant headwinds in the form of the cost, complexity and uncertainty associated with overreaching and burdensome federal regulations." He cited NAM data finding that: The federal cost of regulations for manufacturers in 2022 was roughly $350 billion, a 25% increase from 2012; and The average manufacturer in the U.S. pays $29,100 per employee per year to comply with federal rules, while for the average small manufacturer, that price is $50,100.

Farris cited other recent examples of onerous federal rulemaking, including: The Environmental Protection Agency's recently finalized update to the National Ambient Air Quality Standard from 12 micrograms per cubic meter of air to 9 micrograms, a level approaching naturally occurring levels in many parts of the U.S.; The Department of Energy's recent freeze of liquefied natural gas export permits, which, risks "leav[ing] our allies [and] our manufacturers in the cold"; and The Securities and Exchange Commission's proposed climate disclosure rule, which "would increase manufacturers' compliance costs dramatically, reveal proprietary and confidential information and ensnare wide swaths of the manufacturing supply chain."

Employee Happiness Hits 4-Year Low

A report from BambooHR found that the overall average employee satisfaction score, which in part accounts for how likely employees are to recommend the organization as a place to work, in December 2023 dropped to the lowest overall average score since 2019. The report is based on data collected from more than 1,600 companies nationwide, representing more than 57,000 employees.

The satisfaction drop is driven by factors including inflation and financial woes, inconsistent return-to-office policies, evolving employee expectations, and layoffs, said Anita Grantham, head of HR at BambooHR. The lattermost factor is a likely contributor to the fact that tech workers are among the least satisfied employees. The bulk of recent layoffs have been in the tech industry, with firms including LinkedIn, Google and eBay announcing layoffs in the first quarter of 2024. Meanwhile, a growing focus on artificial intelligence is also sparking competition and uncertainty, employees told BambooHR.

Survey: PTO Trends at U.S. Companies Are Changing

New data about U.S. workers provided by the International Foundation of Employee Benefit Plans shows that paid time off (PTO) trends in U.S. workplaces are changing. The Paid Leave in the Workplace 2024 Survey Report reveals what organizations are offering their employees for vacation, sick leave, parental leave and bereavement leave. The report also highlights the types of paid leave employees are seeking most adamantly.

Although federal law does not require employers to offer vacation time to their workers, nearly all (99%) organizations surveyed offer this benefit. For most organizations, the number of paid vacation days increases with service. Only 12% offer a flat number of vacation days regardless of service. While most companies offer paid leave, many employees are simply not taking the time off. Heavy workload (44%) and lack of adequate staffing (23%) are the two most common reasons workers do not use their paid vacation time. That being said, roughly three quarters of employers (74%) encourage employees to take paid vacation days.

Employers Should Expect Higher Health Care Costs in 2024, Outpacing Inflation

The 45th National Healthcare Trend Survey by Buck, a Gallagher Company, is a longstanding effort to track the trends in health care costs. The report, which surveyed nearly 100 insurers and health plan administrators, found that the overall medical trend reported was averaging 6.8% to 7.3%, up 50 to 100 basis points from the trends reported in the prior survey–although the report noted a wide range of variation.

"As the price of gas, food, and other goods and services increases due to inflation, medical trend factors used by insurers to set premium rates have clearly been incrementally affected as well," said Kelly Conlin, managing director and chief actuary, U.S. Health Financial & Actuarial Consulting at Gallagher. "But we're also seeing greater use of diagnostic tests and increased spending on research and development. While this investment may ultimately be the key to containing health care cost increases and improving patient outcomes, these advances tend to result in higher upfront development costs." Other factors emerged from the report as well; mergers and consolidations have given provider systems more bargaining power to negotiate higher prices, and drug costs continue to play a big role in increasing health care costs.

2024 Manufacturing Champions Named. Presentations to Occur April 26th at Awards Breakfast And Workforce Developer Expo

The Council of Industry's Manufacturing Champions Award is presented annually to individuals and/or organizations that "Through vision, dedication and tireless involvement have worked to overcome some of the many obstacles faced by manufacturers in the Hudson Valley and in so doing they have made it possible for manufacturers and their employees to prosper."

The Council of Industry Board of Directors is pleased to announce this year's Champions:

Barbara Reer - Assistant Dean for Workforce, Career Development, and Apprenticeship Initiatives at SUNY Ulster. Barbara has patiently and persistently built SUNY Ulster's Advanced manufacturing training programs over the past decade in support of manufacturing businesses across the region, not just Ulster County. The programs she has built have been key to the growth of the MIAP apprentice program.

Ron Hicks - Dutchess County Assistant County Executive for Strategic Planning and Economic Development. Ron has been a fixture in the world of economic development for more that 2 decades. His recent commitment to see the Mechatronics Lab built at Dutchess Community College's Fishkill campus is but one example of his vision and commitment to Dutchess County and Hudson Valley manufacturing.

Frank Falatyn - President, Fala Technologies and STEPs Industry Pre-apprenticeship – Founder / Executive Director. Frank's commitment to workforce development in the Hudson Valley is unmatched. He helped launch the Hudson Valley Pathways Academy P-TECH School. His support of apprenticeships and pre-apprenticeship programs was instrumental to the success of the MIAP program and has helped countless individuals find meaningful careers in manufacturing at his firm, Fala Technologies, and in many others throughout the region. His championing of manufacturing opportunities for neurodiverse individuals has been inspirational and transformative.

This year's awards will be presented at the **Champion's Breakfast and Workforce Developers Expo April 26th at The Villa in Middletown.** Sponsors are key to this event's success. Please join with JP Morgan Chase, Allendale Machinery Systems, Rhinebeck Bank, Central Hudson, Ulster Savings Bank and Ashworth Creative.

To support this or other Council events email info@councilofindustry.org

The Council of Industry names Barbara Reer, Ron Hicks and Frank Falatyn as the 2024 Manufacturing Champions.
Congratulations and Thank you for your tireless dedication!