MANUFACTURING NEWS

BRIEFS

THE MANUFACTURING ECONOMY
NAM Survey: Large Manufacturers Slightly Optimistic, Small Manufacturers Mostly Pessimistic About Future Growth

Manufacturing sentiment appears to have stabilized after several quarters of declining assessments about the economic outlook, and the latest data appear to mostly back that assertion up, but with some caveats. Indeed, economic challenges continue in the sector, among them being concerns over rising health care costs, and dampening perceived growth rates.

As large manufacturers (i.e., those with 500 or more employees) were more upbeat about their company’s outlook this quarter, but small (i.e., those with fewer than 50 employees) and medium-sized manufacturers experienced declines in their outlook in this survey. This was especially the case for the smallest of firms, with just 48.7 percent positive in their outlook in this survey. Overall, one could characterize manufacturers’ current economic outlook as cautiously encouraging, but still less-than-desired and highly varied by firm size and export sales growth expectations.

Empire State Manufacturing Survey: Business Activity Edged Lower in New York State

Business activity edged lower in New York State, according to firms responding to the September 2016 Empire State Manufacturing Survey. The headline general business conditions index held below zero, and was little changed at -2.0. The new orders index fell eight points to -7.5 and the shipments index fell eighteen points to -9.4 developments that pointed to a marked decline in both orders and shipments.

Labor market conditions weakened, with both employment levels and the average work week reported as lower. Price indexes remained close to last month’s levels, and indicated ongoing moderate input price increases coupled with a continued slight increase in selling prices.

Indexes for the six-month outlook suggested that respondents were more optimistic about future conditions than they were last month. The index for future business conditions climbed eleven points to 34.5. The index for future new orders advanced to a similar level, while the index for future shipments, though positive, declined. The index for future employment moved up into positive territory, suggesting that firms expected to expand employment in the months ahead. Indexes for future prices rose considerably, suggesting that firms expected both input prices and selling prices to increase more significantly over the next six months. The capital expenditures and technology spending indexes both climbed to 10.7.

Federal Reserve Considers Rate Hike

A Wall Street Journal survey of economists recently found that only 13.1% of the economists polled expect to see Fed interest rates rise this fall, while 73.8% said the central bank will wait until December, the Journal says. The same survey conducted in August showed similar results, with 11% saying September and 71% saying December. The National Association of Manufacturers’ Chief Economist Chad Moutray is quoted as saying there’s insufficient data to conclude the Fed will move at the September meeting. The Journal characterizes the survey results as somewhat surprising in light of recent comments by Fed officials indicating a possible short-term interest rate hike this month.

The NAM – in the previously mentioned Manufacturers’ Outlook Survey – asked when manufacturers think that the FOMC should act. Roughly one-fifth said that they would like for the Federal Reserve to raise short-term rates this fall, but that was less than the 28.4 percent that had no opinion. Overall, 37.2 percent of manufacturers felt that the FOMC should act in 2016, and 34.5 percent believed that the Federal Reserve should move next year or later.

LABOR AND EMPLOYMENT
Kaiser Family Foundation Study: Employee Share of Healthcare Costs Increasing

An analysis by the Kaiser Family Foundation released on Wednesday shows that the share of employers offering coverage remained steady this year, and that the cost of premiums for health plans remained largely unchanged. But underneath some of those figures, some important changes are underway. The
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biggest shift is that workers continue to pay an ever-greater share of their medical bills, a trend for several years now.

Over all, employees have deductibles that are about 50 percent higher than they were five years ago. Four out of five covered employees pay a deductible, which averages about $1,500 each, Kaiser found. Employees who get insurance through a smaller company have deductibles that now average $2,100.

Workers are also paying a greater share of the premiums, contributing $5,277 annually toward a family plan, nearly a third of the total cost.

Federal Contractors Face Significant Challenges Under Fair Pay and Safe Workplaces Final Rule

In late August the Federal Acquisition Regulatory Council (FAR Council) released its Final Rule implementing President Obama’s 2014 Fair Pay and Safe Workplaces Executive Order. At the same time, the U.S. Department of Labor (DOL) released its Final Guidance on the rule. In short, the rule requires federal contractors to attest to whether they have had any labor law violations when bidding on covered federal contracts. Federal contracting agencies may then assess a contractor’s overall record of compliance with labor laws when awarding federal contracts.

The rule also places new reporting and notification burdens on contractors. The Final Rule goes into effect on October 25, 2016.

Under the Final Rule – sometimes referred to as the “Blacklisting Order” - federal contractors must publicly disclose information about covered violations, including the law violated, the case identification number, the date of the decision finding a violation, and the name of the body that made the decision. The disclosure requirement applies not only to civil judgments and administrative merits determinations, but also arbitral awards, violations that are not final or still subject to court review.

US Household Income Rose 5.2% In 2015

The Census Bureau reported that the median household income for American families in 2015 rose 5.2 percent to $56,516, — the largest one-year rise since at least 1967. The New York Times says the income gains show that recent economic gains “are being distributed more broadly,” but notes that the median is “still 1.6 percent lower than in 2007” and “remains 2.4 percent lower than the peak reached during the boom of the late 1990’s.”

The poverty rate “was at 13.5 percent, representing 43.1 million Americans,” down 1.2 percentage points from 2014, the agency said. According to Trudi Renwick, an assistant Census division chief, the rise in median income “was due mainly to an increase in employment and in full-time, year-round workers, with 1.4 million men and 1 million women added.”

NYS Labor Department Report: 44,800 Working in Manufacturing in the Hudson Valley Region

For the 12-month period ending in August 2016, private sector employment in the Hudson Valley increased by 13,100 or 1.7 percent, to 796,800. Jobs were added in educational and health services (+7,100), trade, transportation and utilities (+3,900), other services (+2,000), natural resources, mining and construction (+1,000), and professional and business services (+700). Job losses were mostly centered in financial activities (-800). The government sector added 600 jobs over the period. Manufacturing added 100 there are now 44,800 people working in the sector.

In August 2016, the regional job market continued its positive trend. Private sector job gains were recorded in five of nine sectors. Educational and health services remained the region’s leading job generator. Year-over-year, the sector grew by 3.7 percent or 7,100 jobs — its strongest August growth on record. Job growth was quite apparent in the region’s trade, transportation and utilities industry. The sector grew by 2.1 percent over the period — its strongest August growth since 2000.

Manufacturing Job Openings Increase in July

Job openings in the manufacturing sector grew in July for the second month in a row, according to data from the Bureau of Labor Statistics. Postings in the sector jumped from 361,000 in June to 379,000 in July, even as openings remained below April’s all-time high of 397,000. The increase in job openings stemmed from a pickup in activity for durable goods firms (up from 200,000 to 227,000); whereas, postings for nondurable goods entities (down from 160,000 to 152,000) declined for the third straight month.
Net hiring was also encouraging, with positive growth for the second consecutive month following four straight months of net declines. This was true in July despite declines in both hiring (down from 281,000 to 274,000) and separations (down from 264,000 to 258,000). Hiring increased for durable goods firms (up from 161,000 to 167,000), but this was offset by reduced hiring among nondurable goods manufacturers (down from 119,000 to 106,000). At the same time, total separations – which include quits, layoffs and retirements – fell to a 12-month low. Overall, net hiring (or hiring minus separations) equaled 16,000 in July, off slightly from 17,000 in June.

GLOBAL TRADE
Obama Readies One Last Push for Trans-Pacific Partnership

President Obama is readying one final push for approval of the Trans-Pacific Partnership, the largest regional trade agreement ever, between the United States and 11 other Pacific Rim nations, reports the New York Times. “And though the odds may be long, a presidency defined by partisan stalemate may yet secure one last legacy – only because of Mr. Obama’s delicate alliance with the Republicans who control Congress.”

Although the administration’s push will begin in September, no vote on the accord will occur before the election. Just as the White House and Congressional Republican leaders mostly agree on the economic benefits of trade, they have parallel political interests in delaying debate.

ENERGY
Energy Costs Expected to Increase with N.Y. Regulators’ Approval of Clean Energy Standard

New York state energy regulators last month approved the Clean Energy Standard, which requires that 50 percent of the state’s power will come from clean and renewable sources of energy by 2030, including nuclear power. As part of the plan several upstate nuclear power plants will be paid up to $965 million in subsidies over two years to keep the reactors in service and meet the state’s carbon reduction goals. The subsidies are part of an effort to keep the nuclear reactors, which produce almost no emissions, operating at a time of low prices for power as well as for natural gas, an alternative generator fuel.

Darren Suarez, Director of Government Affairs for The Business Council of New York State, Inc. is critical of the Clean Energy Standard. “With this action, it is clear the Public Service Commission has failed to properly evaluate the significant costs associated with the Clean Energy Standard. This failure will cost New York State businesses billions of dollars and put current and future New York manufacturing jobs, and jobs in other energy-intensive sectors, in mortal danger. Had the PSC properly understood the cost of this policy, the Commission could have modified the Clean Energy Standard to ensure that electric power was provided at just and reasonable rates for all customers.”

New York “Energy Highway Plan” Builds Energy Infrastructure leads to an increase In Monthly Bills

Ratepayers in New York have begun to see increases in their monthly bills, as the impact of the State’s Energy Highway strategy starts to take hold. The plan included 13 actions designed to provide up to 3,200 megawatts of new generation and transmission capacity. One of those actions focused on improving and replacing older transmission infrastructure. Beginning in June, customers started to see charges on their monthly bills related to that portion of the plan.

In 2014, a number of Empire State investor-owned utilities and transmission owners formed New York Transco, a public-private consortium created to build, own, and upgrade transmission facilities that would help meet the goals of Cuomo’s initiative. The partners are Central Hudson, Con Edison, National Grid, New York State Electric & Gas (NYSEG), Orange and Rockland Utilities (O&R), and Rochester Gas & Electric (RG&E).

Projects include the Ramp to Rock Tavern transmission line, which establishes a second 345 kV line between Central Hudson’s Rock Tavern 345 kV substation and Con Edison’s Ramapo 345 kV substation.