



Stability Expected for 2019

A random sample survey of Minnesota manufacturers conducted in November by the Minnesota Department of Employment and Economic Development and the Federal Reserve Bank of Minneapolis reports that Minnesota manufacturers expect conditions in 2019 to remain mostly stable. Sixty-one percent anticipate stable employment while 51 percent expect unchanged investment.

The Manufacturing Industry in 2018

Minnesota manufacturers reported mostly unchanged or improved conditions. Forty-nine percent reported unchanged productivity and exports while 45 percent experienced stable employment. Respondents were closely divided about profits with 34 percent reporting growth, the same percentage experiencing decrease and 32 percent unchanged conditions. The diffusion index for this indicator was 50, lower than the index of 54 for 2017, indicating contraction. Nonetheless, improved conditions were experienced by 55 percent of manufacturers with respect to number of orders and production levels.

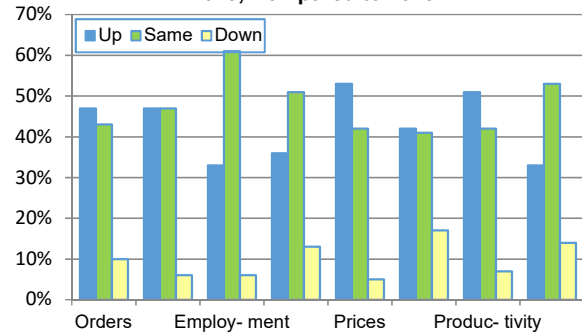
Economic Performance for Minnesota's Manufacturing Industry -- 2018, Compared to 2017



Outlook on the Manufacturing Industry

Manufacturers expect mostly unchanged conditions for the coming year. Sixty-one percent of respondents expect stable employment and 51 percent anticipate unchanged investment in plant and equipment. Respondents were equally split about production levels with 47 percent anticipating growth and the same percentage expecting unchanged conditions. Manufacturers were moderately optimistic about productivity with 51 percent expecting expansion. Although diffusion indexes for most indicators were higher than 50 indicating expansion, there were lower than indexes for the previous year, suggesting that manufacturers are less optimistic for 2019 than they were for 2018.

Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2019, Compared to 2018



Outlook on the State Economy

Manufacturers expect mostly constant conditions for next year. Fifty-nine percent expect stable employment while 57 percent anticipate unchanged business investment. Fifty-one percent anticipate constant corporate profits. Nonetheless, 70 percent expect increased inflation.

A special question inquired about the effect of U.S. tariffs and/or foreign countermeasures during the past year. The majority of manufacturers reported no effect from U.S. tariffs for employment (86 percent),

investment (80 percent) and capital expenditure (77 percent). However, 55 percent reported negative effect for input cost and cost to consumers.

Minnesota 2018 Manufacturing Business Condition Survey Results¹

Business indicators in 2018, compared to 2017:	Up	Same	Down	Diffusion Index 2018 ⁽²⁾	Diffusion Index 2017 ⁽²⁾
Number of orders	55%	27%	18%	69	69
Product/service production level	55%	31%	15%	71	71
Employment level	41%	45%	15%	64	62
Investment in plant/equipment	46%	42%	13%	67	68
Prices	57%	36%	7%	75	65
Profits	34%	32%	34%	50	54
Productivity	38%	49%	13%	63	67
Exports	33%	49%	17%	58	57

Labor indicators in 2018, compared to 2017:	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	2%	7%	24%	59%	5%	3%
Benefits per worker	2%	27%	21%	31%	9%	10%

Expected business indicators in 2019, compared to 2018:	Up	Same	Down	Diffusion Index 2018 ⁽²⁾	Diffusion Index 2017 ⁽²⁾
Number of orders	47%	43%	10%	69	77
Product/service production level	47%	47%	6%	71	75
Employment level	33%	61%	6%	64	70
Investment in plant/equipment	36%	51%	13%	62	66
Prices	53%	42%	5%	74	70
Profits	42%	41%	17%	63	67
Productivity	51%	42%	7%	72	74
Exports	33%	53%	14%	60	60

Expected labor indicators in 2019, compared to 2018:	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	0%	11%	28%	58%	2%	2%
Benefits per worker	1%	27%	24%	33%	10%	6%

Expected outlook on the following state economic indicators during the next year:	Up	Same	Down	Diffusion Index 2018 ⁽²⁾	Diffusion Index 2017 ⁽²⁾
Business Inv.	31%	57%	12%	60	67
Employment	32%	59%	10%	62	71
Consumer spending	29%	50%	21%	54	70
Inflation	70%	29%	1%	85	79
Economic growth	34%	49%	18%	59	74
Corp. profits	28%	51%	22%	54	66

Effect of U.S. Tariffs and Foreign Countermeasures	U.S. Tariffs			Foreign Countermeasures		
	Negative	No Effect	Positive	Negative	No Effect	Positive
Employment	13%	86%	1%	9%	89%	3%
Capital Expenditure	21%	77%	2%	13%	85%	3%
Investment	18%	80%	2%	11%	86%	3%
Input Cost	55%	44%	1%	34%	64%	3%
Input Availability	32%	67%	1%	16%	82%	2%
Revenue	37%	58%	5%	23%	72%	5%
Cost to Consumers	55%	44%	1%	31%	66%	3%

(1) Based on responses from 249 Minnesota manufacturing businesses, for a response rate of 24.9 percent. The sampling error is plus or minus 6.1 percentage points at the 95 percent confidence level. Percentages may not add to 100 percent due to rounding.

(2) A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.

Created by Magda Olson. EAU, Policy Office, MN Dept. of Employment and Economic Development. January 2019.