



Stability Expected for 2020

A random sample survey of Minnesota manufacturers conducted from November 2019- January 2020 by the Minnesota Department of Employment and Economic Development and the Federal Reserve Bank of Minneapolis reports that Minnesota manufacturers expect conditions in 2020 to remain mostly stable. Sixty-four percent anticipate stable employment while 56 percent expect unchanged productivity.

The Manufacturing Industry in 2019

Minnesota manufacturers reported unchanged or improved conditions but at a lower rate than the previous year. Forty-eight percent reported unchanged productivity while 44 percent experienced stable employment. Forty-one percent indicated increased number of orders. Nonetheless, diffusion indexes for all indicators were lower compared to the previous year, indicating declining conditions. The diffusion index for profits was 46, lower than 50, suggesting contraction. The decline was particularly pronounced for exports with a diffusion index of 43 compared to 58 from the previous year.

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

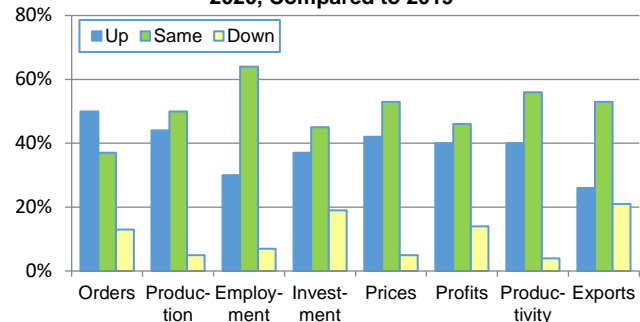


Outlook on the Manufacturing Industry

Manufacturers expect mostly unchanged conditions for the coming year. Sixty-four percent of respondents expect stable employment and 56 percent anticipate unchanged productivity. Fifty-three percent expect stable prices. Manufacturers were moderately optimistic about number of orders with half 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 2020 than they were for 2019.

Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2020, Compared to 2019



Outlook on the State Economy

Manufacturers expect mostly constant conditions for next year. Sixty-five percent expect stable employment while 61 percent anticipate unchanged consumer spending. Nearly 60 percent expect economic growth, the same percent expecting 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 (81 percent),

investment (79 percent) and capital expenditure (74 percent). However, 44 percent reported negative effect for input cost and 42 percent for revenue.

Minnesota 2019 Manufacturing Business Condition Survey Results¹

Business indicators in 2019, compared to 2018:	Up	Same	Down	Diffusion Index 2019 ⁽²⁾	Diffusion Index 2018 ⁽²⁾
Number of orders	41%	29%	31%	55	69
Product/service production level	37%	37%	26%	56	71
Employment level	29%	44%	27%	51	64
Investment in plant/equipment	43%	37%	20%	61	67
Prices	38%	52%	10%	64	75
Profits	29%	33%	38%	46	50
Productivity	35%	48%	17%	59	63
Exports	13%	59%	28%	43	58

Labor indicators in 2019, compared to 2018:	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	1%	14%	27%	47%	5%	6%
Benefits per worker	4%	33%	22%	28%	8%	5%

Expected business indicators in 2020, compared to 2019:	Up	Same	Down	Diffusion Index 2019 ⁽²⁾	Diffusion Index 2018 ⁽²⁾
Number of orders	50%	37%	13%	69	69
Product/service production level	44%	50%	5%	69	71
Employment level	30%	64%	7%	61	64
Investment in plant/equipment	37%	45%	19%	59	62
Prices	42%	53%	5%	68	74
Profits	40%	46%	14%	63	63
Productivity	40%	56%	4%	68	72
Exports	26%	53%	21%	52	60

Expected labor indicators in 2020, compared to 2019:	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	1%	13%	37%	46%	1%	2%
Benefits per worker	1%	35%	29%	26%	6%	3%

Expected outlook on the following state economic indicators during the next year:	Up	Same	Down	Diffusion Index 2019 ⁽²⁾	Diffusion Index 2018 ⁽²⁾
Business Inv.	27%	56%	17%	55	60
Employment	23%	65%	12%	56	62
Consumer spending	24%	61%	15%	55	54
Inflation	39%	59%	2%	68	85
Economic growth	27%	59%	14%	57	59
Corp. profits	26%	54%	20%	53	54

Effect of U.S. Tariffs and Foreign Countermeasures	U.S. Tariffs			Foreign Countermeasures		
	Negative	No Effect	Positive	Negative	No Effect	Positive
Employment	16%	81%	3%	14%	85%	1%
Capital Expenditure	22%	74%	3%	17%	81%	1%
Investment	18%	79%	3%	14%	86%	1%
Input Cost	44%	54%	2%	34%	65%	1%
Input Availability	25%	72%	2%	20%	80%	0%
Revenue	42%	54%	4%	31%	68%	1%
Cost to Consumers	41%	56%	3%	32%	67%	1%

(1) Based on responses from 220 Minnesota manufacturing businesses, for a response rate of 22 percent. The sampling error is plus or minus 6.5 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 2020.