Regional Manufacturing Conditions

Manufacturing Industry Research Exchange
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*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*
U.S. unemployment remains historically low and is projected to rise only slightly in coming years.

**U.S. Unemployment Rate**

- **Current (April 2023): 3.4%**
- **Mar. 2023 FOMC Median Projection**

**FOMC Projections**

- **2023:**
- **2024:**

**Sources:** U.S. Bureau of Labor Statistics, FOMC

**Note:** Data and FOMC projections are for year-end.
Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months.

Note: Employment Cost Index data are interpolated between quarters.
Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis.

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
CPI inflation eased again in March to 5.0% as food & energy prices fell further, but services and shelter inflation remain high.
The Fed raised the federal funds rate by 25 basis points again this month, and the latest FOMC projections are shown.

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
KC Fed Monthly Manufacturing Survey

• KC Fed conducts business surveys of Tenth District firms
  o Manufacturing and Services monthly
  o Energy and Ag Finance quarterly
  o Tenth District States: Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Wyoming

• Manufacturing survey averages 100 respondents each month

• Uses a diffusion index to track overall business activity and key indicators

• Informs KC Fed’s monetary policy
U.S. and Tenth District manufacturing activity has continued declining since Q4 2022.
The recent decline in the Tenth District is driven more by nondurable goods production, particularly plastics and printing.
Despite the recent downturn, Tenth District firms’ expectations remained expansionary in April

Tenth District Manufacturing 6-Month Expectations

- Employment
- Capital Expenditures
- Production

Source: FRBKC
Materials inventory and supplier delivery times have decreased for the first time since the start of the pandemic.
U.S. and Midwestern states have recovered pandemic losses in manufacturing employment, while Oklahoma still lags.
Many firms face a shortage of workers with a H.S. degree, and their number of job openings remains mostly unchanged from the year’s start.

How have the number of job openings changed for your firm since the beginning of the year?

<table>
<thead>
<tr>
<th>Change</th>
<th>April 2022</th>
<th>April 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slight increase</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>No change</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Slight decrease</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Sig. decrease</td>
<td>10%</td>
<td>5%</td>
</tr>
</tbody>
</table>

April 2023: If you are facing worker shortages, in which categories are you facing those shortages?

- All types: 10%
- College Degree: 5%
- Skilled H.S.: 40%
- Unskilled H.S.: 15%
- Not facing shortage: 20%

Source: FRBKC Manufacturing Survey
As the growth in number of employees slows, firms are increasing current employees’ hours.
Input and output price growth has ticked back up recently after easing in 2022.
Profit margins and output prices have stabilized more in 2023 relative to 2022.

How have profit margins changed for your firm since the beginning of the year?

How much more or less frequently is your firm changing prices compared to last year?

Source: FRBKC Manufacturing Survey
A majority of firms that have sought financing report no difficulty obtaining credit.

April 2023: To what extent is your business having difficulty obtaining financing for desired short-term or long-term uses?

Percent of firms

- **Short-term Uses**
- **Long-term Uses**

Source: FRBKC Manufacturing Survey
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