



Tenth District Manufacturing Activity Grew More Modestly in April 2019

by: Chad Wilkerson

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Factories Report More Modest Growth in April

Tenth District manufacturing activity grew more modestly in April, and expectations for future activity eased slightly but remained mostly solid (Chart 1). Price indexes showed little change, with some slight upticks in month-over-month selling prices and future raw materials prices.

The month-over-month composite index was 5 in April, down slightly from 10 in March but higher than 1 in February (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth eased slightly in factory production of both durable and nondurable goods, particularly food, machinery, electronic, and chemical products. Most month-over-month indexes slowed in April but remained positive, with production, shipments, order backlog, and employment all decreasing. In contrast, the new orders index edged higher from 4 to 10. Most year-over-year factory indexes fell in April, and the composite index eased from 27 to 22. The future composite index also moved lower from 22 to 11, as most future factory activity indexes eased somewhat.

Special Questions

This month, contacts were asked special questions about impacts from recent flooding or extreme weather. About 33 percent of manufacturing contacts indicated they have had some negative effects from weather, mostly due to delayed shipments, power outages, and staffing challenges (Chart 2). Firms were also asked if recent increases in interest rates had affected their capital spending plans (Chart 3). Over 87 percent of firms said their spending plans were unchanged, with approximately 9 percent noting some decreases in expenditures as a result of higher rates, while 4 percent of firms indicated an increase in capital spending due to elevated rates.

Selected Comments

“Productivity, late deliveries and quality continues to be impacted negatively as a result of people shortages.”

“Record levels of demand in January thru April. Will be another strong year for sales if it continues.”

“Clearly a cooling in some business sectors, primarily consumer and industrial.”

“We have an aggressive capital plan and will continue to move at the speed provided by our results, which has been good for some time. We have begun to reduce our inventories and strengthen our balance sheet. We believe things will be good for some time, but the amount of political turmoil and anti-business sentiment presents a risk that cannot be ignored.”

“Labor is still a big issue for us. We lost a handful of workers who have gone to outside work, construction and lawn care as examples. Finding it hard to replace them.”

“Anytime there is inclement weather that causes us to shut down a shift and/or reduce hours on a shift, our productivity is impacted. We have lost 1,000 man hours due to bad weather and power outages.”

“Biggest challenge is finding qualified entry level employees. This could impact growth plans in the future.”

“We need good weather to catch up on installations.”

Survey Data

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Author



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Chad Wilkerson serves as Oklahoma City Branch Executive and Senior Vice President of Community Development for the Federal Reserve Bank of Kansas City. Wilkerson has been with the Federal Reserve since 1998, starting in Kansas City's research department. Appointed in 2006 as Oklahoma City Branch Executive, Wilkerson is the Bank's lead officer and regional economist in Oklahoma. He recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing the Kansas City Fed president, a member of the Federal Open Market Committee, on economic trends in the state. His team conducts research and surveys on key regional issues such as energy, manufacturing and migration. Wilkerson was appointed Senior Vice President in 2022, and supports a Community Development team located across the Kansas City Fed's seven-state region. This group works to understand and address issues affecting the ability of underserved communities and small businesses to access credit. Community development focus areas include financial resiliency, affordable housing, community investments, workforce development, rural development and digital inclusion. Wilkerson holds a master's degree in public policy from the University of Chicago, as well as a master's degree from Southwestern Seminary and bachelor's degree from William Jewell College. He serves on the boards of the Economic Club of Oklahoma, the United Way of Central Oklahoma and City Rescue Mission. He lives in Edmond, Oklahoma, with his wife and children.
