



Tenth District Manufacturing Activity Continued to Grow Modestly in January 2019

by: Chad Wilkerson

January 24, 2019

Tenth District manufacturing activity continued to grow modestly in January, and expectations for future growth remained solid. The month-over-month finished goods price index rose, while the raw materials price index edged lower. Price expectations for the next six months held steady.

Factories Report Slightly Positive Growth in January

Tenth District manufacturing activity continued to grow modestly in January, and expectations for future growth remained solid (Chart 1). The month-over-month finished goods price index rose, while the raw materials price index edged lower. Price expectations for the next six months held steady.

The month-over-month composite index was 5 in January, similar to 6 in December, and lower than 17 in November (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slow and steady increase in factory activity was driven by durable goods producers, particularly wood products, fabricated metals, electrical equipment and appliances, and furniture manufacturing. Month-over-month indexes were somewhat mixed. The production index jumped back into positive territory, while the order backlog index turned negative for the first time since June 2017. Most year-over-year factory indexes eased from the previous month, and the composite index decreased from 38 to 31. Future factory activity expectations remained solid. The future composite index eased slightly from 22 to 18, while the future production index increased.

Special Questions

This month contacts were asked special questions about how the partial federal government shutdown has affected their business, and how credit conditions have changed over the past year. Nearly 17 percent of manufacturing contacts reported negative effects from the federal government shutdown on their business (Chart 3). Of the firms that reported negative effects from the shutdown, most noted permit delays or trade disruptions due to federal agencies being closed. Over the past year, more than 13 percent of firms reported that access to credit had increased while only seven percent of firms said access had decreased (Chart 4). However, 54 percent of contacts reported that the cost of credit increased over the past year.

Selected Comments

“Our business is more impacted by the tension with China and tariffs than with the government shutdown. Prices of steel and plastic have increased by 30-40 percent and 25 percent tariffs are putting us in the RED.”

“Tariffs are affecting sales at the consumer end. We are reducing our work force as sales have slowed due to higher costs.”

“Labor is still the issue in the plant. [There is a] shortage of non-skilled laborers.”

“Overall, our business volumes have remained strong. International business was up again in 2018, now at 16 percent of our business.”

“We are continuing to work towards increasing our capacity, although significant expansion takes at least a year. We are moving at a very measured pace so that we aren’t over-exposed if there is a substantial change in the economic / business environment. We are seeing upward pressures on wages.”

“There are a lot of uncertainties floating around - tariffs, shutdown, political, etc. Settling some of these, especially around tariffs, will help with business confidence.”

“We are debt free but the interest rates impact our customers. We hope to see a stabilization in the economy with more people entering the workforce and the resulting wages supporting continued growth.”

“We are unable to receive data we normally obtain from federal offices due to the federal government shutdown.”

“If the shutdown begins to hurt the general economy or overall consumer confidence we will be negatively impacted.”

“Since the federal government shutdown, there are fewer customer with expendable income, impacting retail sales which impacts our wholesale sales.”

“As yet, we’ve seen no effect from the federal government shutdown but expect to later in the quarter.”

“We cannot export due to federal government agencies not at work.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

Author



Chad Wilkerson

Senior Vice President and Oklahoma City Branch Executive

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.
