



Tenth District Manufacturing Activity Continued to Grow Modestly in November 2020

by: Chad Wilkerson

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Factory Activity Continued to Grow Modestly

Tenth District manufacturing activity continued to grow modestly in November (Chart 1, Tables 1 & 2). Manufacturing activity remained below year ago levels, but expectations for future activity remained solid. Prices paid for raw materials and finished goods continued to expand compared to a month ago and a year ago. District firms expected prices for both raw materials and finished goods to increase further in the next six months.

The month-over-month composite index was 11 in November, slightly lower than 13 in October but the same as 11 in September (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable and durable goods factories expanded at a similar pace. Production of primary metals and nonmetallic mineral products slowed, while transportation equipment manufacturing increased. Month-over-month indexes remained mostly positive, indicating continued expansion. Production, shipments, new orders, and employment rose at a slower pace. The new orders for exports index decreased while the index for supplier delivery expanded. Year-over-year factory indexes remained mostly negative in November, and the composite index was unchanged at -12. The future composite index remained solid at 21 in November, similar to expectations in October.

Special questions

This month contacts were asked special questions about hiring restraints and how developments surrounding COVID-19 have affected online business strategies. Over half of firms reported an inability to find skilled workers and the lack of qualified applicants is one of the biggest factors restraining hiring plans (Chart 2). A significant share of firms also had restrained hiring plans due to low expectations for sales growth and uncertainty about the pandemic or Coronavirus-related regulations. Concerning online business, 38% of manufacturers indicated that developments surrounding COVID-19 affected their company's online business strategy. Around 21% of firms expanded their existing online business, 7% implemented an online

business segment, and 8% of firms have plans to create an online segment in the future (Chart 3). A third of manufacturers made no changes to their existing online business, while another 31% do not have an online business and have no plans to implement one in the future

Selected comments

“The latest increase in positive COVID testing has affected our business more than any other month. We have added new restrictions.”

“Without a clear direction of the government regulations... we are not planning any expansion for 2021.”

“We have reduced our debt to the point where we're considering capital improvements to our operation. We're finding much higher construction and equipment costs.”

“We are training and promoting from within to staff a second shift.”

“Lack of labor is our greatest restraint in increasing production and producing more products for the export market.”

“We consistently struggle with finding enough employees that are willing to work.”

“Capable workers are hard to find.”

“Regional low unemployment, not getting the applicants.”

“We are replacing workers who left during COVID-19.”

“Replace retiring employees.”

“We are expecting to replace terminated employees.”

“Plant expansion and new equipment will require increasing employment.”

“Lower interest rates have enabled us to increase our capital expenditures in 2020. Critical skilled workers continue to be in short supply. Moving towards automation to mitigate our exposure.”

“We have noticed an uptake in orders as of last week. We have hopes this is an indication of future business.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[Historical Quarterly Data](#)

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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.