



Tenth District Manufacturing Largely Unchanged Again in July 2019

by: Chad Wilkerson

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Factory activity decrease in July

Tenth District manufacturing activity was largely unchanged in July, while expectations for future activity remained moderately positive (Chart 1). The price index for raw materials increased from both last month and a year ago. Prices received for finished products were largely unchanged.

The month-over-month composite index was -1 in July, similar to the reading of 0 in June and slightly lower than an index of 4 in May (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The small change in manufacturing activity was mostly driven by a decline at durable production plants, including computers, electronic products, appliances, and miscellaneous manufacturing. Most month-over-month indexes edged lower in July, and the new orders, employment, and finished goods inventory indexes turned negative. However, the volume of shipments was flat after last month's slowdown, and supplier delivery time increased. Nearly all of the year-over-year factory indexes increased, and the composite index rose from 4 to 11. The future composite index remained moderately positive, inching down from 11 to 9, while expectations for production, new orders, and capital expenditures edged higher.

Special questions

This month contacts were asked special questions about the availability of workers, wage conditions, and their current level of confidence in their local economy. Nearly 80 percent of manufacturing contacts noted that workers are in short supply, and over 60 percent said they are having to raise wages more than normal to attract or keep at least one type of worker (Chart 2). Skilled workers were mentioned as those in the shortest supply. Contacts who have had to raise wages report a typical salary increase of 5 to 10 percent. 61 percent of contacts said their firm's uncertainty about the economy has increased recently, citing trade concerns and weaker domestic demand as the causes. Still, nearly 80 percent of respondents reported they were confident in their local economy, and only 4 percent reported no confidence (Chart 3).

Selected comments

"Weather plays a role in our demand and a cold spring slowed the demand this year. We hope to see improvements through the balance of the summer."

"Employees remain readily available but at a higher entry-level wage percentile than before."

"We have uncertainty about many aspects of the economy and financial markets. Lack of available workers both skilled and unskilled."

"Business is very good and we continue to get more opportunities to grow our business. We have major concerns with the availability of labor."

"Our heavy duty truck customers have been running close to capacity for the last year driving our manufacturing volume. We are now just starting to see a 10% drop in third quarter volumes and probably will see another 10% in 2020. So volume is starting to decline but still at strong levels."

"Tariffs continue to have negative impacts on our bottom line. Business is trending down in the industries we serve. We are aggressively quoting new business."

"Uncertainties, from trade to next year's election, are causing people to pump the brakes on buying the capital goods we manufacture."

"Ag is down, but retail and some manufacturing is up."

"The construction market is currently very strong and should continue into early next year. Some signs of slowing are showing up in the oil and gas industry and since it is a major part of our economy is likely to have an impact next year if it does not

improve.”

“We continue to see high activity in both quoting jobs and new orders.”

Survey 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.
