Tenth District Manufacturing Activity Declined Sharply in March 2020

by: Chad Wilkerson

March 26, 2020

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Factory Activity Declined Sharply in March

Tenth District manufacturing activity declined sharply compared with a month ago, and expectations for future activity fell to levels last seen in early 2009 (Chart 1 & Table 1). Month-over-month price indexes decreased moderately, and District firms expected lower prices in the next 6 months.

The month-over-month composite index was -17 in March, the lowest composite reading since April 2009, and down considerably from 5 in February and -1 in January (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease in district manufacturing activity was across both durable and non-durable goods plants. All month-over-month indexes except for supplier delivery time were negative in March, and many indexes dropped to the lowest levels since 2015 or 2009. Year-over-year factory indexes also declined, and the composite index fell from 5 to -12. The future composite index dropped significantly from 16 to -19.

Special questions

This month contacts were asked special questions about the impact of Coronavirus (COVID-19) and recent market volatility. Approximately 73 percent of factory contacts reported decreased outlooks for business activity and demand for products or services due to the coronavirus outbreak and recent market volatility (Chart 2). More than 43 percent indicated increased/slower delivery times. Over 35 percent of firms either reported lower levels of employment or expected employment levels to decline, and nearly 59 percent reported their outlook for capital expenditures for 2020 had declined or spending plans had been put on hold. Around 60 percent of manufacturers faced delayed payments from customers and 54 percent had concerns about cash availability (Chart 3). In response to coronavirus, all firms reported instituting protective measures at their facilities (e.g. hand sanitizer, etc.), nearly 90 percent of firms reported restricting business travel, and 34 percent indicated they had altered healthcare policies due to the coronavirus outbreak.

Selected comments

“Margins can't get much worse. We may have to shut down.”

“Customers are cancelling orders already booked. Also cancelling work not finished and asking that you hold it for them.”

“We have several key accounts extending payment well beyond our terms. They are a week or two from being placed on credit hold.”

“We are restricting visits from suppliers and service providers. No travel for sales staff. Restricting access for truck drivers at dock area.”

“We are concerned of being shut down by State Gov... Business volume is high right now and we cannot afford to shut down. Currently quoting projects pertaining to assistance in medical (coronavirus in particular).”

“Our biggest challenge is protecting our manufacturing labor, these are jobs that cannot be performed at home. Besides the risk of absences due to infection or caring for others, the closure of restaurants, hotels, etc. resulting in employee layoffs affects our production labor staff and creates further challenges, for instance since their roommates can't pay rent.”

“$30 per barrel oil is a much bigger problem that people are not focusing on because of C-19.”

“Losing production employees who live paycheck to paycheck. We are trying to keep them on but if this thing lasts more than a month we will have to lay many people off.”

“The match on our 401-K is being temporarily halted until and if there is a turn around.”

“COVID-19 has the potential to be more disruptive than any other economic event in the 20 years that I've run the organization.”

“Future demand is very uncertain due to economic impact of COVID-19.”

“This is the most uncertain about the future that I have ever been during my 29 years with this company.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey

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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.