Manufacturing Survey

Tenth District Manufacturing Activity Grew Moderately in July

by: Chad Wilkerson
July 28, 2022

The pace of regional factory growth remained more moderate than earlier in the year. Meanwhile, survey price indexes were the lowest in over a year.

Factory Activity Pace of Growth Remained Moderate

Tenth District manufacturing activity grew moderately in July. Expectations for future activity increased after dropping in June (Chart 1, Tables 1 & 2). Monthly and annual survey price indexes fell to their lowest levels in over a year, and indexes for price expectations also moderated.

The month-over-month composite index was 13 in July, up from 12 in June, and down from 23 in May (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. In July, the slower pace in factory growth than earlier in the year was driven by decreased in activity in electrical equipment, electronic products, primary metal, chemical manufacturing, and food manufacturing. Month-over-month indexes were mostly positive in July. Indexes for production, shipments, new orders, and order backlog increased from June's readings, while inventory and supplier delivery time indexes decreased slightly. Year-over-year factory indexes increased, to a composite index of 46. The supplier delivery time index increased slightly compared to a year ago, along with the materials inventory. However, indexes for finished goods and new orders for exports declined slightly compared to a year ago. The future composite index was 26 in July, rebounding from 10 in June. More firms expected increases in production, shipments, new orders, backlog of orders, employment, capital expenditures, supplier delivery times, and materials inventories.
Special Questions

This month contacts were asked special questions on firms’ need and use for physical infrastructure, the change in the geographical area that firms pull workers and remote workers from over the last year, and remote workers’ wages compared to in-person wages for the same type of occupation. In July, 71% of firms reported they were using 100% of the firm’s pre-pandemic physical infrastructure (e.g., real estate, office space, etc.). Looking ahead, about 66% of firms expected no change, 27% expect an increase, and about 7% expect a decrease in the firms’ need for physical infrastructure in the next year (Chart 2). About 85% of firms reported that if they have remote workers, their wages are the same compared to in-person wages. Most firms reported that the geographical areas they pull workers (74.2%) and remote workers (86.5%) from has stayed the same over the last year (Chart 3).

Selected Manufacturing Comments

“Increased ingredient cost, freight, utilities, insurance, packaging, labor, etc. have squeezed margins to nothing is left. Been very difficult to push price increases forward. Most ingredients have been contracted forward 6-9 months just to assure availability so no near-term relief.”

“Higher interest rates seemingly have cooled off price increases for our raw materials, which is a welcome relief. Demand for our finished products is still high but might be decreasing recently.

“It appears consumers are starting to pull back spending wise. Next few months are critical. Costs still out-of-control. Need to stay aggressive on inflation.”

“Our business is seasonal, with this month being one of the lowest after a strong June. We expect things to pick up significantly by September for a strong fall season.”

“Supply chain issues persist. Costs on raw materials continue to escalate. We are unable to find reliable employees even with incentives, benefits, and substantial increases in starting pay.”

“Our new order backlog has expanded significantly during the past 18 months.”

“The availability of a consistent workforce is a huge concern. It’s so everywhere, not just in Kansas. We cannot run at the levels dictated by the demand for our products. As a result, we are not building a financially sound base as we should be at this level of demand.”

“Wage inflation continues. We will be increasing all wages in the next 30 days to try to keep team members and attract more.”
Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
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.