



Manufacturing Survey

Tenth District Manufacturing Activity Declined at a Slightly Faster Pace

by: Chad Wilkerson

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Regional factory activity declined at a slightly faster pace in December than the previous month. The index for raw materials prices also fell to its lowest level since July 2020.

Factory Activity Declined at a Slightly Faster Pace

Tenth District manufacturing activity declined at a slightly faster pace than last month, while expectations for future activity were mostly flat or slightly positive (Chart 1, Tables 1 & 2). The monthly index of raw materials prices continued to slow in December, but materials prices were still higher than a year ago at most firms and expected to rise moderately in the months ahead. Finished goods price increases were also smaller than last month and more firms than in previous surveys anticipated further easing.

The month-over-month composite index was -9 in December, down from -6 in November and -7 in October (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slower pace in factory growth in December was driven by decreased activity in printing, wood products, machinery manufacturing, and food manufacturing. Month-over-month indexes were mostly negative in December. The monthly employment index fell from 3 to 0, its lowest level since 2020 but still indicative of flat employment for the month. Indexes for year-over-year factory activity slowed slightly in December, including the composite index, which decreased from 19 to 15. The future composite index increased from 0 to 2 in December, with the expected volume of new orders index also moving into positive territory for the first time in two months.

Special Questions

This month contacts were asked special questions about price pass through and expectations for wages and prices. In December, 43% of firms expected wages to rise faster compared to the past 12 months, while 23% of firms expected wages to rise at a similar rate and 35% of firms expected wages to rise more slowly (Chart 2). About 27% of all firms facing higher costs (inputs and labor) were able to pass through 80 to 100% of increased costs, while a quarter of firms could only pass through 0 to 20% (Chart 3).

Selected Manufacturing Comments

“All we have done over the last two years is increase costs. Pass through percentages averaged only 55% and we absorbed the remaining.”

“Costs of raw materials have risen at a rapid rate, but the possibility exists we have weathered the storm and these prices will begin to level out.”

“We are definitely seeing a decrease in customer demand for almost all our items. December has been extremely slow, and we fear a recession is under way.”

“Sales remain strong although softening a little. Workforce shortages continue with no end in sight. Parts shortages continue to limit production but slowly improving.”

“Everything in our world is still very aggressive - both cost wise and volume of business wise. We have seen some stabilizing on some commodities and freight - but other items are still climbing aggressively. Hard situation with how much we can really pass through to customers. Our profitability is not where it needs to be despite record sales and manufacturing volumes.”

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 for the Federal Reserve Bank of Kansas City. Wilkerson began his career with Federal Reserve in the Kansas City research department in 1998, before accepting the role of Oklahoma City Branch Executive in 2006. In 2022, Wilkerson was appointed Senior Vice President. 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. Serving as Senior Vice President of Community Development, Wilkerson supports community development staff 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.