



Manufacturing Survey

Tenth District Manufacturing Activity Was Flat in February

by: Chad Wilkerson and Jannety Mosley

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Regional factory activity was flat in February. However, firms expected steady growth in their average number of employees to continue in 2023.

Factory Activity was Mostly Flat

Tenth District manufacturing activity was flat, and expectations for future activity were modest (Chart 1, Tables 1 & 2).

Monthly and annual survey price indexes continued to increase slightly, and expectations for future raw material and finished goods prices also rose.

The month-over-month composite index was 0 in February, up slightly from -1 in January and -4 in December (Tables 1 & 2).

The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The pace of factory was affected by decreased activity at nondurable goods plants in February, especially plastics, chemical, and food manufacturing. Month-over-month indexes remained mostly negative in February. Indexes for new orders, number of employees, exports, and delivery time increased from January's readings, while volume of shipments, order backlog, employment, materials, and finished goods indexes decreased slightly. Year-over-year factory indexes increased slightly, from a composite index of 4 to 5. The future composite index decreased from 3 to 1 in February with volume of new orders and capital expenditures indexes moving into negative territory this month.

Special Questions

This month contacts were asked special questions about their biggest hiring priorities and change in average number of employees over time. In February, 44% of firms expected their biggest priority in hiring over the next six months was for entry level workers, while 40% of firms expected to focus on mid-level workers, 9% of firms expected other workers, and 7% expected senior level workers (Chart 2). In 2022, firms' year over year change in average number of employees was 2.6% and in 2023 firms expect the year over year change to remain at about that pace (Chart 3).

Selected Manufacturing Comments

“I know people say inflation is easing - but - we are not seeing it in our sector. Costs for production inputs are still very high and climbing. Lead times on raw materials is still long - but not as long as at times last year. Overall, costs remain high, and still struggling to price our way out of it. Margins slim. If the economy slows later this year it will be a big struggle.”

“Material costs have dropped, delivery time has improved, and I expect it to continue.”

“Business activity is showing some signs of softness. On a more positive note, lead time for raw materials has decreased.” “We have approximately 50 open positions currently. We expect this to be reduced greatly by year-end.”

“We need larger skilled labor pool. Applicants are unskilled mostly with no soft skills.”

“We continue to pay more than normal and higher than inflation for skilled people.”

“Extremely hard time finding new employees that want to show up for work or work when they get here.”

“Currently trying to figure out who goes and who stays. We are seeing numbers comparable to 2008 in business levels.”

“The economy continues to weaken as prices continue to rise. At best, this is a tenuous business environment. Personnel-related regulations and taxes must be reduced. Inflation is still out of control as are costs of imported goods.”

Survey Data

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Authors



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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.



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