Manufacturing Survey

Tenth District Manufacturing Activity Declined Further in June

by: Chad Wilkerson, Chase Farha and Jannety Mosley

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Regional factory activity declined further in June. District firms' expectations for future activity fell to their lowest levels since April 2020, although firms were still fairly optimistic about employment levels.

Factory Activity Declined Further

Tenth District manufacturing activity declined further in June, while expectations for future activity fell into negative territory (Chart 1, Tables 1 & 2). Monthly price indexes decreased significantly and are expected to continue to ease in the next six months.

The month-over-month composite index was -12 in June, down from -1 in May and from -10 in April (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease from last month was driven by both durable and non-durable goods, especially by primary metals and print manufacturing. Month-over-month indexes remained mostly negative, but the pace of decline accelerated compared to May. The production, volume of shipments, number of employees, supplier delivery time, and inventories indexes all declined at a faster rate. Year-over-year factory indexes decreased further in June, and the composite index slowed from 6 to -12. The future composite index decreased from 2 to -2 in June, reaching the lowest level since April 2020.

Special Questions

This month contacts were asked special questions about hiring and employment activity and expectations about demand. About 43% of firms reported that they stopped posting new positions, looking for new workers, and reducing the number of hours for hired workers in the last 3 months, with 29% of firms expecting to do so in the next 6 months (Chart 2). Additionally, 40% of district firms expected demand for their products to be lower for the remainder of 2023, while 37% of firms expected demand to be higher, and 23% of firms expected no change in the demand for their products (Chart 3).
Selected Manufacturing Comments

“Inflation on raw materials for us is still high - very high and projected to go higher on select items. We will have to continue to take price increases - although at a slower rate and smaller increments. Business is strong and projected to stay strong - despite some other macro level concerns about the economy. We still need people - lots of them - especially on 2nd shift/night shift.”

“We’re cautiously planning our factory production requirements for the next year, assuming a light recession at some point, but making contingency plans if that is not the case.”

“We are working to pay down debt with excess cash flow while rates are high. Focusing on highest rate loans first.” “Cost of money is delaying progress on plant expansion.”

“Higher interest rates are squeezing incremental capital spending. For others, more than us.”

Survey Data

Current Release

Historical Monthly Data

About Manufacturing Survey
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Authors

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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.

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Jannety Mosley is a Senior Survey Analyst in the Regional Affairs Department at the Oklahoma City Branch of the Federal Reserve Bank of Kansas City. In this role, she primarily supports the district economic surveys and reports. She also supports the recruitment and retention efforts of business participants in the economic surveys. She holds a B.S. degree in Agricultural Economics (Agribusiness) from North Carolina A&T State University and a M.S. degree in Rural Sociology from Pennsylvania State University.