Manufacturing Survey

Tenth District Manufacturing Activity Was Unchanged in August

by: Chad Wilkerson, Chase Farha and Jannety Mosley
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Regional factory activity was basically flat in August. Firms also reported another decline in finished product prices but anticipate output prices to rise in coming months.

Factory Activity Was Unchanged

Tenth District manufacturing activity was unchanged in August, and expectations for future activity rose slightly (Chart 1, Tables 1 & 2). District firms’ finished product prices continued to decline on a monthly basis even as raw materials prices increased. Firms continue to expect input and output price increases in the next six months.

The month-over-month composite index was 0 in August, up from -11 in July and -12 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The change from last month was primarily driven by increases in printing, wood production, and furniture manufacturing. The month-over-month indexes were mixed, but all increased from previous readings except the number of employees which cooled slightly and new orders for exports which declined further. The production and volume of shipments indexes increased significantly, while the materials inventory index continued to decrease as finished goods inventories picked up. Factory activity decreased further on a year-over-year basis. The composite index decreased to -9 in August from -4 in July, but was up from -12 in June. Production stayed flat, while new orders and materials inventory fell and capital expenditures growth cooled. The future composite index increased to 2 in August from -2 in July, as firms expect production and new orders to grow somewhat in the next six months.
Special Questions

This month contacts were asked special questions about changes in wages and prices. 44% of firms reported that wages have increased by 6-10% in the last year, while 34% reported an increase of less than 5% and about 15% said wages had risen more than 10%. However, for the coming year, nearly three-quarters of firms expect wages to increase less than 5% (Chart 2). Additionally, nearly a third of firms reported that prices for their company’s products or services have increased by less than 5%, while 29% reported a 6-10% increase, and 2% reported an increase of 11-15%. In the next 12 months, nearly half of all firms surveyed expect their prices to increase by less than 5%, while 28% expect a 6-10% increase (Chart 3).

Selected Manufacturing Comments

“Obviously at a macro level inflation is way down, but in our little corner of the world it is still a huge threat. Lots of volatility and uncertainty. Some items way down, other items way up. Commodities in general are just not as predictable as they used to be.”

“Our hourly billing rates are still below what most industries charge. With demand continuing to increase and outpacing labor supply, we will continue to increase our rates.”

“Companies are literally buying jobs just to keep crews busy because there are so many gaps in the backlog, but you don’t dare pare down or lay off on your skilled labor cause you won’t ever get them back.” “American manufacturers are being forced into a much more difficult position competitively with huge labor cost increases against foreign competitors.”

“We are seeing some abatement with wages, however our medical premiums are increasing for next renewal cycle in September. The quality of available workforce is still a challenge.”

“We are seeing some softening in the market.”

“The tooling industry faces significant challenges due to low-cost imports from China and India. We are going to struggle to keep highly trained staff due to pressure on wages caused by reduced margins necessary to stay competitive with those who are paying much less for similar skill set.”

Survey Data

Current Release

Historical Monthly Data
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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https://www.kansascityfed.org/surveys/manufacturing-survey/tenth-district-manufacturing-activity-was-unchanged-in-august/

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