



Manufacturing Survey

Tenth District Manufacturing Activity Declined Somewhat in September

by: , Chase Farha and Jannety Mosley

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Regional factory activity declined somewhat in September. District production decreased while employment stayed steady, and access to credit has remained unchanged for a strong majority of manufacturing firms.

Factory Activity Declined Somewhat

Tenth District manufacturing activity declined somewhat in September, and expectations for future activity stayed mostly flat (Chart 1, Tables 1 & 2). District firms' finished product prices picked up slightly this month even as growth in raw materials prices slowed slightly. However, firms expect raw materials price increases to outpace finished product prices in the next six months.

The month-over-month composite index was -8 in September, down from 0 in August and up slightly from -11 in July (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decline from last month was primarily driven by decreases in durable goods, particularly metal manufacturing. Most month-over-month indexes were negative and decreased from previous readings. The production, shipments, and new orders indexes all declined significantly—now at -13, -15, and -14 respectively. Backlogs and inventories also declined, while the number of employees and the average employee workweek remained steady. Factory activity decreased further on a year-over-year basis. The composite index decreased to -12 in September from -9 in August and -4 in July. Growth in capital expenditures increased moderately, despite declines in production, orders, and backlogs. The future composite index ticked down to 1 in September from 2 in August, as firms expectations for production and new orders in six months softened.

Special Questions

This month contacts were asked special questions about employee qualifications and access to credit. A majority of District firms reported that overall qualifications of applicants for open positions were unchanged in the last six months across all worker categories, while nearly one-third reported that workers are less qualified (Chart 2). Additionally, over 75% of firms' access to credit has not changed in the past few months or over the last year, while only 13% (10%) of firms' access to credit has decreased in the last year (in the past few months) (Chart 3).

Selected Manufacturing Comments

"Inflation (cost of inputs - mostly material costs) is still a significant concern. If energy costs continue to climb it will become more of a challenge. Access to labor is better across all shifts, but quality of applicant is still low. Concerned about macro-level economic conditions; consumer appears to be tapped out."

"Maintenance remains strong. Discretionary spending has been reduced, which could be caused by the need to keep the aircraft flying."

"Currently debt free but have access to line of credit if necessary."

"Material prices continue to fall. Gasoline is our biggest inflation problem."

"Business softening suddenly this month."

"Business has been fairly regular."

"Too many unknowns currently making capital expenditures a little more risky. In addition, the cost of financing is high."

Survey Data

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