Manufacturing Survey

Tenth District Manufacturing Activity Was Flat in December

by: Chad Wilkerson, Chase Farha and Jannety Mosley

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This month's Manufacturing Survey found regional factory activity stayed steady in December, and expectations for future activity rebounded.

Tenth District Manufacturing summary

Tenth District manufacturing activity was flat in December, and expectations for future activity picked up. Price increases for both raw materials and finished products picked up slightly this month with further increases expected. However, price growth eased year-over-year. Increases in raw materials prices continue to outpace finished product prices increases. (Chart 1, Tables 1 & 2)

Factory Activity Was Flat

The month-over-month composite index was -1 in December, up slightly from -2 in November and -8 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. Activity for nondurable goods rose—particularly for food & beverage and plastics manufacturing—while activity declined slightly for durable goods, driven by primary metal and furniture manufacturing. The production, shipments, and new orders indexes were all slightly negative, while employment activity rebounded. Additionally, inventories for raw materials and finished goods rose slightly after a stagnant few months. The year-over-year index for factory activity ticked up to -8 from -9. Production, new orders, backlogs, supplier delivery time, and the average employee workweek remained negative but rose slightly from last month’s readings. Capital expenditures continued to expand moderately. The future composite index increased to 6 from -1 in December, as sentiment for production and new orders is higher than earlier this year and employment is anticipated to rise.
Special Questions

This month contacts were asked special questions about expectations for demand and capital expenditures in 2024. 42% of firms expect demand for their products to be slightly higher in 2024 and 6% expect it to be significantly higher, while 22% of firms expect no change, 23% expect slightly lower demand, and 7% expect significantly lower demand (Chart 2). 32% of firms expect capital expenditures to be unchanged in 2024, while 28% expect them to be slightly higher and 10% significantly higher. Only 18% of firms expect capital expenditures to be slightly lower and another 12% expect significantly lower expenditures (Chart 3).

Selected Manufacturing Comments

“We are hoping supply chain issues improve and upward pressure on raw material prices eases. Our margins have taken some hits in order to maintain business.”

“2023 revenue is up by the amount of price increases taken in May. Volume in pounds shipped is down indicating customers are buying less. Price increase fatigue has hit our customers, and we are receiving significant resistance. This has squeezed gross margins. Restaurant traffic is down, grocery traffic is down. Difficult time to operate a food manufacturing business.”

“Backlogs for 2024 are good. The fourth quarter of 2023 will be impacted by a reduction in discretionary spending for interiors and avionics. Part of this could be caused by high demand of travel and reluctance of companies to put their aircraft down during this timeframe.”

“Fortunately, business is good and based on contractual agreements and customer sentiment business will remain strong in 2024. Still very concerned about inflation. Raw ingredients have basically leveled, but we are not bullish on where they move medium to long-term. Labor is much better, but still relatively expensive. Access to capital is not a huge issue. Cost of capital is a significant challenge.”

“Labor is more consistent and stable for skilled workers, but still a challenge for entry level. Overtime is up for year-end production demand. Health costs are up around 5% year over year. Supply chain for electronic parts is better, but seeing longer lead times for outdated electronic parts and some parts out of China.”

Survey Data

Current Release

Historical Monthly Data
About Manufacturing Survey
Authors

Chad Wilkerson
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.