Tenth District Manufacturing Activity Declined Slightly in February

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Regional factory activity fell slightly in February, and expectations for future activity were not as high as last month. Production and new orders were essentially flat, but the volume of shipments and employment picked up.

Factory Activity Declined Slightly

Tenth District manufacturing activity declined slightly in February, and expectations for future activity moderated but remained slightly positive. Price growth for raw materials slowed somewhat this month and finished product prices also eased, although future increases are expected. On a year-over-year basis, both price indexes increased at similar paces. (Chart 1, Tables 1 & 2)

The month-over-month composite index was -4 in February, up from -9 in January and down from -1 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. Activity for nondurable goods fell, while activity rose slightly for durable goods, with nonmetallic minerals, electrical equipment, and transportation equipment manufacturing driving the increases from last month. The production and new orders indexes improved considerably, while the volume of shipments index grew to 6 and the employment index increased to 8. However, Inventories of raw materials and finished goods, as well as supplier delivery times, declined further this month. The year-over-year index for factory activity increased to -8 from -12. Production, new orders, shipments, and backlogs remained negative but the indexes rose slightly from last month’s readings. Year-over-year capital expenditures declined slightly for the first time since January 2021. The future composite index fell to 2 from 11 in February, as expectations for growth in production, shipments, and new orders slowed. Despite this, firms expect employment to increase even further.

Special Questions

This month contacts were asked special questions about price pressures and profit margins. Changes in firms' profit margins have been mixed over the past 3 months. 37% of firms reported their margins have decreased slightly while a third reported no change, 30% reported a slight increase, and 11% (1%) reported a significant decrease (increase). Expectations for the year ahead are also mixed, with 30% of firms anticipating a slight increase, 29% a slight decrease, 28% no change, and around 6-7% each reporting a significant increase or significant decrease (Chart 2). Most firms reported they are passing through higher costs to customers to maintain their margins, while a third are also reducing worker hours or overtime and over a quarter are changing supplier relationships to reduce input prices. Additionally, 17% of firms are curtailing production and 7% are laying off workers, while another 17% have not implemented any of the above strategies to maintain margins (Chart 3).

Selected Manufacturing Comments

"We are focusing on improving efficiencies to offset pricing threats. We make sure we have monthly employee appreciation events and have invested significantly in our workplace to provide the best environment for employees to thrive. We are not having any problems with hiring."

"We currently are having no problems with staffing. Inflow of applications is high. Complete 180 vs. approximately 2 years ago. Quality is so-so, but it has been that way for a long time. But, more folks are showing up, actually working, sticking around etc."

"From our vantage point, the supposed lack of qualified employees is overblown. People are out there, and if you've built up a reputation as a good employer, they will seek you out without any extra effort on the employer's part."

"Still not seeing highly skilled applicants for open positions."

"Labor utilization is critical. We have struggled with this in the past. We have spent a lot of time with our managers to help them understand the financial impact of the decisions they make on a daily basis."

"In rural Oklahoma, the job market is very tight and difficult to hire employees with relevant experience. We work to hire employees that are willing to train through our in-house education program. If they do not try to improve their skill set, we will let them go and move on."

"January started out strong, but business has fallen off in February."

"We are anticipating companies to begin purchasing inventory to refill last year's supply."

Survey Data

Current Release

Historical Monthly Data

About Manufacturing Survey

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