



Tenth District Manufacturing Fell Modestly in March

by: Megan Williams and Chase Farha

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Regional factory activity decreased modestly in March, driven by declines in nondurable manufacturing. Production was flat, but employment continued to decline, and nearly half of firms reported tighter profit margins in the past 12 months.

Tenth District manufacturing activity fell modestly, and expectations for future activity cooled but remained expansionary (Chart 1, Tables 1 & 2). Prices paid for raw materials increased this month while finished product prices ticked down, further constraining profit margins.

The month-over-month composite index was -2 in March, up from -5 in February and January (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The nondurable manufacturing sector continued to drive the declines, particularly food, paper, and printing manufacturing. Most month-over-month indexes were negative, but many improved from last month's readings. Production was flat this month following moderate declines recently, and the number of employees and volume of shipments declined at a milder pace in March, while the average employee workweek increased at its highest rate in at least a year. The volume of new orders and new orders for exports declined further this month. All year-over-year indexes were negative, except the price indexes and capital expenditures index. However, the pace of declines eased. The composite index increased from -18 to -7 in March. Production, shipments, new orders, and employment all fell moderately from this time last year but improved from last month's readings. Capital expenditures edged up modestly from last year. The future composite index fell from 14 to 10 in March as expectations for production, new orders, and employment lowered somewhat.

Special Questions

This month contacts were asked special questions about profit margins and strategy changes. Nearly half of firms reported decreased profit margins in the past 12 months. 27% (3%) of firms reported that their profit margins increased slightly (increased significantly) in the past 12 months, while 23% reported they did not change, and another 34% (13%) reported a slight decrease (significant decrease). Similarly, 31% (2%) of firms reported that they expect profit margins to increase slightly (increase significantly) in the next 12 months, while 25% expect no change, and another 33% (9%) expect a slight decrease (significant decrease) (Chart 2). Additionally, 66% of manufacturing firms surveyed reported that they were considering changes in strategy, management, sourcing of materials, or pricing to adapt to economic conditions this year (Chart 3).

Selected Manufacturing Comments

“Tariff increases have not fully hit our sector yet. We are using less expensive inventory, but will eventually have to restock at higher prices.”

“The uncertainty of the tariffs is having a direct impact on our business as well as the overall economy. We will be raising prices significantly for our imported products and seeking more domestic suppliers for our base raw material that we manufacture our products from (currently sourcing from Canda).”

“Increased metals prices have not hit inventory yet. They will this summer.”

“Will monitor cost of materials to finish work, which will lead to pricing decisions. Tariffs may cause problems with the ability for suppliers to deliver product at competitive prices.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About Manufacturing Survey](#)

Authors



Megan Williams

Associate Economist and Senior Manager

Megan Williams is Associate Economist and Senior Manager in the Regional Affairs department at the Kansas City Fed's Oklahoma City Branch office. In this role, she is responsible for current monetary policy research, district economic surveys, and a variety of economic research projects. She also serves as Secretary for the Oklahoma City Branch Board of Directors. Williams joined the Federal Reserve Bank in 2000 as an Analyst in the Retail Payments Support department, and assumed her current role in March 2006. She holds a bachelor's degree in Finance from Oklahoma State University and a MBA degree from the University of Oklahoma. Williams serves on the Board of Directors of the Oklahoma Council on Economic Education and is a former Board Chair. She lives in Choctaw, Oklahoma, with her husband and two children.



Chase Farha

Research Associate II

Chase Farha is a Research Associate in the Regional Affairs department at the Oklahoma City branch of the Federal Reserve Bank of Kansas City. In this role, his responsibilities include contributing to the Oklahoma Economist and a variety of research projects. He holds a Bachelor of Science degree in Economics, with minors in mathematics and Arabic, from Tulane University.