



## Tenth District Manufacturing Activity Edged Up Slightly in July

by: Cortney Cowley and Megan Williams

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Tenth District manufacturing activity edged up slightly, and expectations for future activity remained expansionary (Chart 1, Tables 1 & 2). Price growth cooled slightly for both raw materials and finished products.

### Factory Activity Edged Up Slightly

The month-over-month composite index was 1 in July, up slightly from -2 in June and -3 in May (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The increase from last month was driven by nondurable manufacturing, while durable manufacturing activity continued to fall. The month-over-month indexes were mixed. The volume of shipments and new orders both increased modestly, but production fell from 5 to -3. The backlog of orders fell considerably from -11 to 30 and the employment index continued to decrease from -8 to -11. Most year-over-year indexes were negative, but up somewhat from last month's readings. Production and backlogs fell substantially, while the shipments, new orders, and employment count and workweek indexes all declined moderately. Expectations for future activity remained positive, with the composite index ticking down from 9 to 8, as firms continued to have positive outlooks for production, new orders, and employment.

### Special Questions

This month, contacts were asked special questions about profit margins and passthrough ability. Changes in firms' profit margins were mixed. Over a third (35%) of firms reported a slight decrease in profit margins over the previous quarter and 21% reported a significant decrease, while 21% reported no change, 20% reported a slight increase, and 3% reported a significant increase. In the next 12 months, 32% of firms expect margins to decrease slightly, 10% expect them to decrease significantly, 26% expect no change, 29% expect them to increase slightly, and 3% expect them to increase significantly (Chart 2). Firms were also asked if their ability to pass through rising input prices has changed in the last few months. A third of firms (33%) reported a slightly increased ability, another 33% reported no change in passthrough ability, 31% reported it is harder to passthrough costs, and 3% reported a considerably increased passthrough ability (Chart 3).

## Selected Manufacturing Comments

“Economic conditions in our industry have continued to deteriorate. Two of the most damaging factors are the uncertainty surrounding tariffs and the rescinding of valid work permits.”

“Uncertainties created by tariffs, inflation, and the complex tax structure are hurting our ability as a small business to grow and be successful.”

“To date in our industry, tariffs have only had a mild effect on raw material sales to industrial customers. Inventories were in good enough shape to manage that. Replacement inventories are coming in at higher cost and this cost will be passed through to customers. We also produce retail products, and this is an even slower process to gain price increases. It will take three to six months to fully pass those costs on and during that time margins will be compressed.”

“Customers have zero appetite for price increases at the moment. In fact, most are actively looking for ways to cut costs. But we are going to have to push select, relatively small increases through.”

## Survey Data

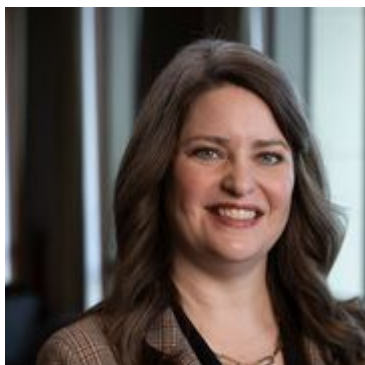
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## Authors



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Cortney Cowley serves as [Oklahoma City](#) Branch Executive and Assistant Vice President for the Federal Reserve Bank of Kansas City. Cowley joined the Bank in 2015 as an economist and was promoted to senior economist in 2021. In 2025, Cowley began her role as Branch Executive. As Oklahoma City Branch Executive, Cowley is the Bank's lead officer and economist in Oklahoma. She recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing Kansas City Fed President Jeff Schmid, a member of the Federal Open Market Committee, on economic trends in the state. She also serves as a special advisor on agriculture to Governor Miki Bowman at the Federal Reserve Board of Governors. Cowley's team conducts research and surveys on key regional issues such as energy, manufacturing and migration. Cowley holds a Ph.D. in Agricultural Economics from Oklahoma State University, as well as a master's degree in Civil Engineering from Colorado State University and a bachelor's degree in Biosystems Engineering from Oklahoma State University, where she was named a Harry S. Truman Scholar. She is a member of the Economic Club of Oklahoma, Downtown Club of Oklahoma City, the Agricultural and Applied Economics Association and serves as an economic advisor on the campaign cabinet of the United Way of Central Oklahoma. Cowley, along with her husband and eight-year-old twins, lives on a small farm northwest of Oklahoma City.



### 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.