



Tenth District Manufacturing Activity Declined Further in March

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March 28, 2024

Regional factory activity fell further in March, and expectations for future activity were again steady. Employment levels expanded modestly even as production and new orders contracted, and over half of firms have given mid-year wage increases recently but fewer plan to this year.

Factory Activity Declined Further

Tenth District manufacturing activity declined further in March, and expectations for future activity were again steady. Prices continued to grow at a similar rate to previous months, with a continued spread between raw materials and finished goods growth. (Chart 1, Tables 1 & 2)

The month-over-month composite index was -7 in March, down from -4 in February and up from -9 in January (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 declined modestly for both durable and nondurable goods, with primary metal, electrical equipment, and paper manufacturing driving the decreases. Production and volume of shipments decreased somewhat, while both new orders and backlogs fell sharply. Employment levels continued to climb, but the average employee workweek declined from 2 to -11. The year over-year index for factory activity ticked up to -4 from -8. The pace of decline slowed in the supplier delivery time and raw materials inventory indexes, while volume of shipments and number of employees grew. The production and capital expenditures indexes both had similar readings to last month. The future composite index ticked down to 1 from 2 in March, with the production index boosting the composite at a reading of 18 and the raw materials inventory index dragging at -16.

Special Questions

This month contacts were asked special questions about labor-saving technology and mid-year wage increases. 42% of firms reported they have or plan to invest in labor-saving/productivity-enhancing technology at a similar pace to the past, 27% have invested at a faster pace, 9% have invested at a slower pace, and 22% have not invested in this technology (Chart 2). Firms were also asked about plans to give mid-year wage increases. While 55% of firms gave employees a mid-year increase within the past year, only 40% plan to do so this year (Chart 3).

Selected Manufacturing Comments

“Continue to train new hires heavily using internal training program. Best solution for us given our rural location.”

“The supply chain, especially in truck chassis, continues to be a bottleneck.”

“The available labor pool appears to be growing. However, the quality of the candidates is still not as strong as we would like it to be.”

“2023 finished with much higher bookings and shipments than 2022, but orders in Q1 of 2024 have slowed substantially.”

“Labor availability and growing labor costs are our biggest concerns for curtailing growth.”

“High interest costs continue to hinder our performance. Margins are very low as we are not able to raise prices as much as costs have increased.”

“Hiring people is our greatest and most critical challenge. Educated employees want much more money than our range allows and want to work less. It all depends on the employee's willingness to learn and adapt.”

“Product inputs, labor and general cost of doing business is going significantly up.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

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Authors



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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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