The State of Our Manufacturing Economy

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The U.S. ISM factory index has now been below 50 for three straight months, as exports drop.
Factories account for less than 10% of U.S. and Oklahoma jobs, but have recently spurred growth.

Manufacturing's Share of Total Job Growth, First Half 2012

Source: U.S. Bureau of Labor Statistics
This is important because U.S. and regional job growth has generally slowed in recent months.

Level of Payroll Employment
January 2008 through August 2012

Source: U.S. Bureau of Labor Statistics
• Long-term trends in Tenth District and Oklahoma manufacturing

Drawn primarily from:

“The Transformation of Manufacturing across Federal Reserve Districts: Success for the Great Plains?”
by Chad R. Wilkerson and Megan D. Williams
Federal Reserve Bank of Kansas City Economic Review
Second Quarter 2012
Since 1990, factory job losses in Fed Districts in the Great Plains have been much smaller.

Change in Manufacturing Employment by Federal Reserve District, 1990-2011

Source: U.S. Bureau of Labor Statistics
As a result, manufacturing jobs are now more evenly spread across the country.

Manufacturing Sector’s Share of Employment by Federal Reserve District, 2011

Source: U.S. Bureau of Labor Statistics
Oklahoma’s better performance in the 90s was due to both factory industry mix and other factors.

Manufacturing Employment Change Relative to the Nation
1990 – 2000

Percentage points

Due to Regional Effect
Due to Industry Mix

BOS NY PHIL CLEV RICH ATL CHI STL MINN KC DAL SF OK

U.S. Growth Rate = -2.2%

Source: U.S. Bureau of Labor Statistics
Since 2000, industry mix has become even more important, but other factors also contribute.
• *Recent trends in Tenth District and Oklahoma manufacturing*

Drawn primarily from:

**Monthly Survey of Tenth District Manufacturers**  
Federal Reserve Bank of Kansas City  
Managed from Oklahoma City Branch Office  
Conducted October 1994 - present
U.S. and regional factory jobs have rebounded since the recession, especially in Oklahoma.
But the pace of regional factory growth has slowed, though it remains slightly expansionary.

Manufacturing Survey Composite Indexes
Seasonally Adjusted

Note – FRBKC index is computed on an ISM basis (50 = zero change)

Sources: FRBKC Manufacturing Survey, ISM
Factory expectations in the region have eased since earlier this year, but remain positive.
• *Foreign trade exposure in the Tenth District and Oklahoma*

Drawn primarily from:

“The Export Potential of Tenth District States”
by Chad R. Wilkerson and Megan D. Williams
Federal Reserve Bank of Kansas City *Economic Review*
Third Quarter 2010 (updated Q2 2012)
Weak factory exports to Europe have impacted the national, regional, and state factory sectors.
But District factories say the European impact has been moderate, and more indirect than direct.
Over a quarter of our District’s total exports go to Europe, presenting some risk

Europe’s Share of Total Exports, 2010

Percent

Sources: U.S. Bureau of Labor Statistics, USDA, WISERTRADE
But exports are a smaller part of most Tenth District states’ overall economies.
Summary

• Longer-term trends in U.S. manufacturing have done less damage to the Tenth District and Oklahoma.

• Growth in U.S., Tenth District, and Oklahoma factory activity has slowed recently and manufacturers have downgraded their outlooks, but still expect expansion.

• Exports to Europe are declining, but overall foreign trade exposure in the Tenth District and Oklahoma is generally low, which may currently be a good thing.
Questions?

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