Tenth District Manufacturing Activity Expanded at a Slightly Slower Pace in August 2018

by: Chad Wilkerson

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Tenth District manufacturing activity expanded at a slightly slower pace in August, with the composite index dropping back to around the rates of growth that prevailed in late 2017 and early 2018. Expectations for future growth remained solid, despite continued concerns about trade and tariffs. Price indexes moderated somewhat.

The month-over-month composite index was 14 in August, down from readings of 23 in July and 28 in June (Tables 1& 2, Chart 1). The composite index is an average of the production, new orders, employment, supplier delivery time and raw materials inventory indexes. Growth in factory activity remained relatively stable at nondurable goods plants,while durable goods activity slowed slightly, particularly for machinery, computers and electronics. Most month-over-month indexes moderated in August, but were still generally solid. The production, new orders, employment, and new orders for exports indexes all decreased modestly. In contrast, the shipments index rose from 12 to 18 after falling considerably last month. The finished goods inventory index dipped slightly, while the raw material inventory index was unchanged.

Most year-over-year factory indexes eased slightly in August. The composite index edged lower from 44 to 37, and the production, shipments, new orders, and order backlog indexes also fell. The employment index decreased from 47 to 33, and the new orders for exports index also moved lower. On the other hand, the capital expenditures index inched higher from 39 to 43. Both inventory indexes rose modestly.

Indexes for future factory activity were mostly lower, but still at high levels. The future composite index eased from 34 to 29, and the future production, shipments, and order backlog indexes also edged lower. The future employment index fell from 42 to 33, while the future new orders index was unchanged. The future capital expenditures index dipped from 38 to 28, its lowest level in eight months. The future raw materials index eased from 15 to 11, while the future finished goods inventory index inched higher.

Most price indexes moderated somewhat in August. The month-over-month raw materials price index fell from 52 to 44, while the finished goods price index was unchanged. The year-over-year finished goods price index edged lowerfrom 60 to 50, and the year-over-year raw materials price index also decreased modestly. The future finished goods price index dropped from 43 to 28, and the future raw materials price index also fell moderately.

Selected Comments

“Shipping costs have increased substantially in the last 3 months. So far we have not passed these costs on to our customers. At the same time lack of availability of LTL trucks has hurt our ability to ship on time.”

“It’s a struggle to find employees at all skill levels. Competition for employees is fierce and opportunities for higher wage positions seem to be readily available across the metro area.”

“Tariffs have hurt our industry. Material and component prices are up across the board. Everyone in the area is offering hiring bonuses to attract workers. In addition, our export demand is lower due to political reasons related to tariffs. U.S. economy is strong now, but our planning outlook is getting cloudy.”

“Tariffs and threats of tariffs is causing raw material increases that are eating away the benefit of a lower corporate tax rate. We are unable to pass along tariff caused increases, for items under contract.”

“Sales were off last month but expect it to be a temporary shift in production.”

“Effects of the tariffs and trade war are concerning. It creates uncertainty which is always bad for business.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey

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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.