



Manufacturing Survey

Tenth District Manufacturing Declined Moderately

by: Chad Wilkerson, Chase Farha and Jannety Mosley

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Regional factory activity contracted in January, but future activity is expected to increase. Input prices increased sharply this month, and firms expect them to rise further in 2024.

Factory Activity Declined Moderately

Tenth District manufacturing activity declined moderately, and expectations for future activity expanded further (Chart 1, Tables 1 & 2). Prices paid for raw materials in January increased sharply relative to last month and this time last year. Heading forward, raw materials prices are expected to continue increasing at a faster pace than finished product prices.

The month-over-month composite index was -9 in January, down from -1 in December and -2 in November (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The contraction was driven more by durable goods manufacturing, particularly nonmetallic mineral and primary metal manufacturers. All month-over-month indexes were negative and decreased from previous readings, except the price indexes. Production and new orders fell to -17 and -19, respectively, but employment stayed mostly flat with a reading of -2. Year-over-year factory indexes decreased further in January, with the composite index decreasing from -8 to -12. Other than the prices indexes, the capital expenditures is the only index with a positive reading, but it cooled from 13 to 1. Meanwhile, the future composite index grew from 5 to 11 in January with heightened expectations for production and shipments in the next six months.

Special Questions

This month contacts were asked special questions about expectations for wages, input prices, and capital expenditures in 2024. A majority of firms (57%) expect to increase wages by 2-4% in 2024, while another 4% expect no change, 15% expect a 0-2% increase, 22% expect 4-6%, and 2% expect 6-8% growth. Expectations for input prices were more mixed. 41% of firms expect input prices to increase 2-4%, while 21% each expect a 0-2% or 4-6% increase, 1% expect a decrease, 8% expect no change, 6% expect a 6-8% increase, and 2% expect an increase of over 8% (Chart 2). Firms cited the need to preserve cash (45%) and uncertainty (42%) in the coming year as the top factors impacting capital expenditures plans in 2024. Additionally, 27% of firms selected unfavorable financing as having an impact and 12% of firms said they have no need to expand current levels of capital expenditures (Chart 3).

Selected Manufacturing Comments

"The labor market is getting better from both a quantity and quality perspective. Cost inputs are semi-stable. Some things down, some things still up."

"Very cold temperatures are negatively affecting our business right now."

"Supply chain has improved, prices for materials are falling fast and delivery times are much better."

"There is a lot of uncertainty with inflation and demand. We are being optimistic and planning on growth, but we don't have the visible indicators to support that plan in the market today."

"We have a healthy backlog of orders and expect to continue for the near future."

"Demand for our product remains high. Perhaps not increasing like it has been the last couple of years, but it's leveling off, certainly not decreasing overall."

"Freight due to issues in Suez and Panama canals are already affecting inbound prices. We expect that to increase in coming months. We are currently projecting a minimum cost increase to raw materials of between 5-10% depending on the item."

"Demand is still weak. More companies are asking for longer payment terms."

"The month of January has started off strong. How we perform through the first quarter of 2024 is going to determine how aggressive we get in capital expenditures and hiring."

"So far materials are easily found. We have not experienced many shortages. Prices seem somewhat stable."

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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Jannety Mosley is a Senior Survey Analyst in the Regional Affairs Department at the Oklahoma City Branch of the Federal Reserve Bank of Kansas City. In this role, she primarily supports the district economic surveys and reports. She also supports the recruitment and retention efforts of business participants in the economic surveys. She holds a B.S. degree in Agricultural Economics (Agribusiness) from North Carolina A&T State University and a M.S. degree in Rural Sociology from Pennsylvania State University.
