



NEWS RELEASE

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Tenth District Manufacturing Activity Continued to Decline in July
Federal Reserve Bank of Kansas City Releases July Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the July Manufacturing Survey today. According to Chad Wilkerson, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity continued to decline in July, and expectations for future activity stayed mostly flat.

“Regional factory activity continued to decline in July,” said Wilkerson. “District production decreased moderately, while employment activity picked up slightly and is expected to increase further.”

A summary of the survey is attached. Historical data, results from past surveys, and release dates for future surveys can be found at <https://kansascityfed.org/surveys/manufacturing-survey/>.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity continued to decline in July, and expectations for future activity stayed mostly flat (Chart 1, Tables 1 & 2). District firms' prices paid for raw materials increased on a monthly and yearly basis, while prices received for finished products declined moderately month-over-month. Heading forward, firms expect input prices to increase at a faster pace, and finished product prices to increase at a slower pace.

Factory Activity Continued to Decline

The month-over-month composite index was -11 in July, up from -12 in June and down from -1 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 pace of decline eased slightly for durable goods, while it stayed steady for nondurable goods. All month-over-month indexes remained negative, except for the number of employees and prices paid for raw materials. The production index decreased moderately, and the volume of shipments, volume of new orders, and backlog of orders indexes all fell significantly. Year-over-year factory indexes were mixed. The composite index increased to -4 in July from -12 in June. However, year-over-year production and volume of shipments turned positive while capital expenditures grew further. The future composite index remained at -2 in July, as firms expect further declines in production and orders along with increases in employment.

Special Questions

This month contacts were asked special questions about profit margins. A majority of firms reported that profit margins decreased significantly (11%) or decreased slightly (45%) since the beginning of the year, while 17% of firms reported no change in profit margins, 23% reported a slight increase, and 4% reported a significant increase. (Chart 2). Firms were also asked how supply chain issues have changed from a year ago. About a quarter (26%) of contacts reported they were much better, while nearly half (49%) said they were slightly better. 10% of contacts reported no change, 10% reported they were slightly worse, 2% reported they were much worse, and 3% of contacts have not experienced supply chain issues over the last year (Chart 3).

Selected Manufacturing Comments

“Generally things are better, but in our segment inflation is not tamed. Still challenging, but more on an individual item basis. Pricing pressures to customers still exist, again, not at critical levels - but generally not great either. Customers expect things to either not climb or even come down price wise which just isn't obtainable. We did not raise prices as much as input costs went up, so we are still working at recapturing margins.”

“Overall, deliveries of new and larger aircraft in our industry have created increased demand for labor services and price competition has decreased significantly.”

“Most of our customers are slowing down and are unsure about potential orders past the current day. Uncertainty is the key word for our business.”

“Last 60 days have seen a dramatic decrease (50%) in our weekly bookings.”

“Material prices have declined rapidly, and delivery times have improved.”

“Industrial orders are slowing, in some areas, quite significantly.”

Table 1. Summary of Tenth District Manufacturing Conditions, July 2023

Plant Level Indicators	July vs. June (percent)*					July vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}
Composite Index				-8	-11				-4				-3	-2
Production	17	49	33	-16	-20	41	22	38	3	34	35	32	2	-1
Volume of shipments	18	45	37	-18	-24	42	17	40	2	32	34	35	-3	-4
Volume of new orders	17	46	37	-20	-20	34	24	42	-9	34	35	32	2	0
Backlog of orders	10	51	40	-30	-38	27	31	42	-15	18	46	36	-17	-20
Number of employees	25	59	16	9	4	41	31	28	13	35	46	20	15	17
Average employee workweek	9	69	23	-14	-20	22	52	27	-5	20	62	18	1	2
Prices received for finished product	12	72	16	-4	-7	60	18	22	39	29	55	15	14	13
Prices paid for raw materials	25	57	18	6	9	63	13	24	40	34	52	14	20	23
Capital expenditures						34	47	20	14	29	57	14	15	16
New orders for exports	6	83	11	-6	-3	12	74	13	-1	8	80	13	-5	-2
Supplier delivery time	10	76	14	-4	-6	18	40	42	-24	12	68	20	-8	-5
Inventories: Materials	20	53	27	-8	-10	30	35	35	-4	15	43	42	-26	-23
Inventories: Finished goods	16	63	21	-4	-3	27	43	30	-2	14	51	34	-20	-15

*Percentage may not add to 100 due to rounding.

[^]Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

^{^^}Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The July survey was open for a six-day period from July 19-24, 2023 and included 93 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

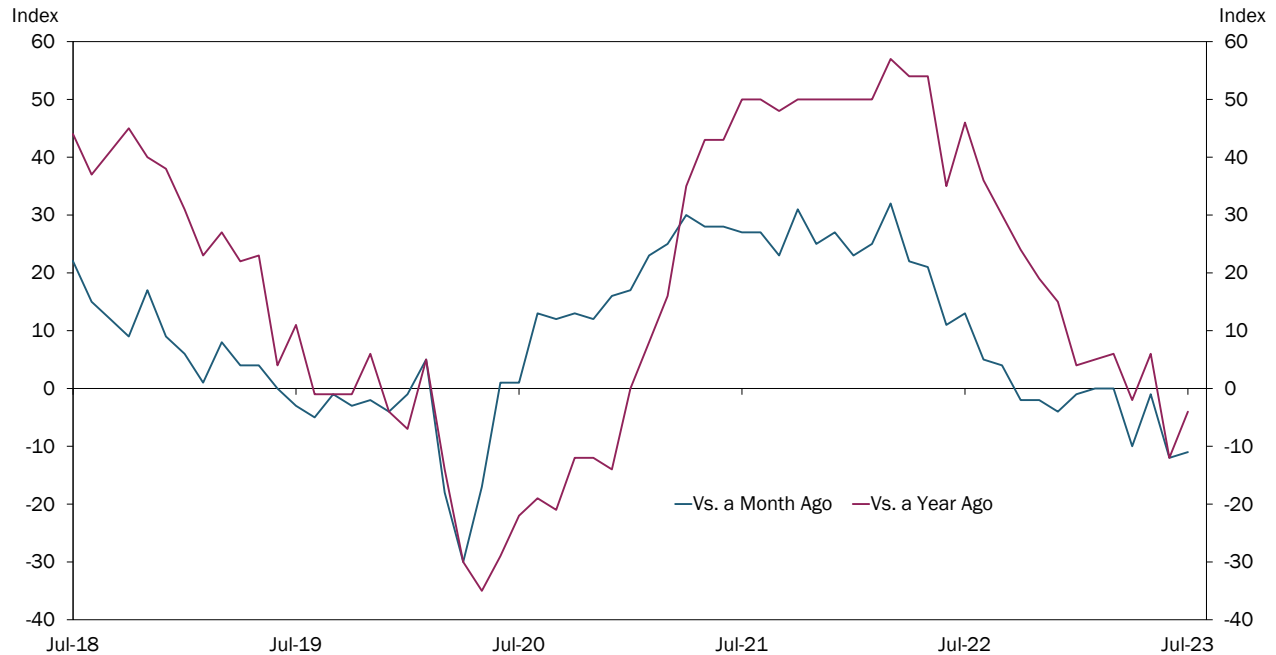


Chart 2. Special Question: Given current price pressures, how have profit margins changed for your firm since the beginning of the year?

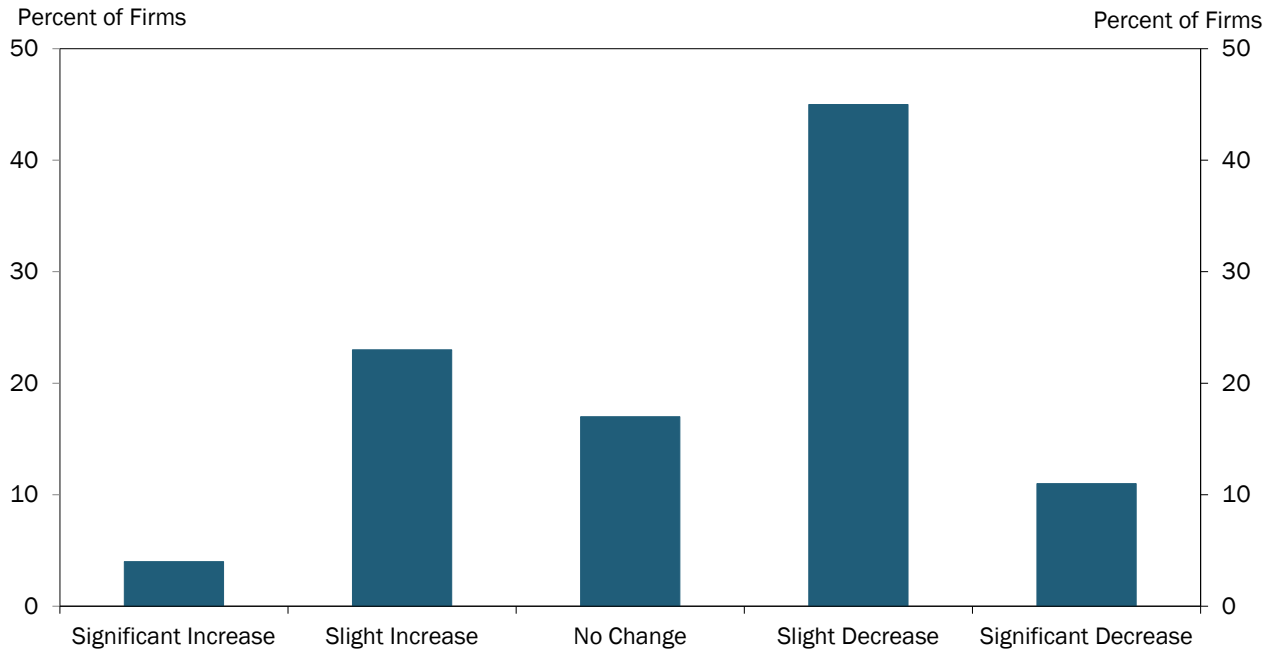


Chart 3. Special Question: How have supply chain issues changed from a year ago?

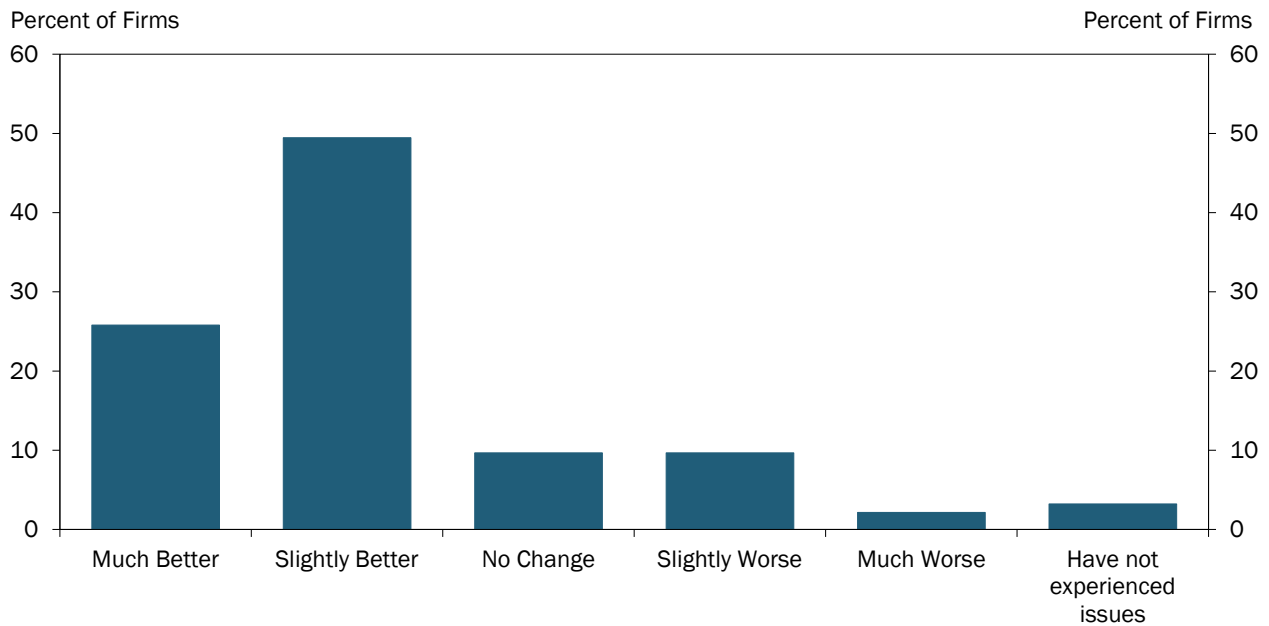


Table 2
Historical Manufacturing Survey Indexes

	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	13	5	4	-2	-2	-4	-1	0	0	-10	-1	-12	-11
Production	6	-6	4	-14	-4	-6	-4	-9	3	-21	-2	-10	-20
Volume of shipments	7	-8	3	-11	0	2	1	-13	6	-13	-1	-2	-24
Volume of new orders	0	-11	-6	-10	-10	-15	-8	-6	-13	-21	-14	-14	-20
Backlog of orders	1	-5	-2	-12	-16	-16	-17	-22	-18	-26	-25	-14	-38
Number of employees	16	11	10	5	6	4	4	11	18	-1	7	-12	4
Average employee workweek	5	-7	17	1	7	0	-8	-13	-10	1	-4	-11	-20
Prices received for finished product	35	28	27	18	19	15	16	17	13	21	16	3	-7
Prices paid for raw materials	42	40	42	29	25	18	20	26	30	32	16	4	9
Capital expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New orders for exports	0	-2	-1	-3	-7	-2	-15	-5	3	-13	-15	-10	-3
Supplier delivery time	22	21	3	2	-8	-3	-1	2	-6	-3	1	-8	-6
Inventories: Materials	20	10	8	5	6	-2	4	1	-1	-3	4	-18	-10
Inventories: Finished goods	-3	-2	-6	2	12	-2	-6	-11	2	-13	1	-10	-3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	46	36	30	24	19	15	4	5	6	-2	6	-12	-4
Production	43	23	28	23	16	14	2	1	0	-1	0	-7	3
Volume of shipments	40	23	34	27	21	17	1	0	7	0	-2	-6	2
Volume of new orders	37	25	24	16	5	4	-1	-1	-4	-11	3	-20	-9
Backlog of orders	33	39	39	16	5	2	-4	1	-4	-13	-5	-19	-15
Number of employees	44	37	30	23	20	20	9	4	24	8	13	2	13
Average employee workweek	19	3	23	12	15	7	9	-3	-2	-5	-2	-8	-5
Prices received for finished product	78	79	78	71	75	73	58	70	72	63	54	55	39
Prices paid for raw materials	87	79	88	78	73	74	53	59	57	52	40	33	40
Capital expenditures	27	23	24	10	11	12	10	0	5	15	14	2	14
New orders for exports	4	3	5	4	4	3	-14	3	-3	-8	1	-5	-1
Supplier delivery time	53	46	28	22	19	12	-6	0	-3	-24	-8	-20	-24
Inventories: Materials	53	51	39	35	37	27	16	19	14	19	22	-14	-4
Inventories: Finished goods	10	13	10	14	18	15	5	1	0	1	13	-2	-2
Expected in Six Months (seasonally adjusted)													
Composite Index	26	12	11	3	4	6	3	1	3	3	2	-2	-2
Production	28	23	17	6	13	22	10	13	13	14	13	15	-1
Volume of shipments	35	30	19	9	14	16	7	3	11	9	9	10	-4
Volume of new orders	23	12	11	-11	2	4	4	-2	3	3	3	2	0
Backlog of orders	12	0	12	-12	-10	-12	-10	-19	-22	-19	-10	-13	-20
Number of employees	44	21	20	16	14	11	28	14	15	13	11	10	17
Average employee workweek	11	2	11	1	6	-3	-4	0	-1	-1	-2	-8	2
Prices received for finished product	44	53	51	46	40	37	29	40	41	37	17	20	13
Prices paid for raw materials	59	49	60	40	33	34	27	42	40	40	21	13	23
Capital expenditures	19	29	12	8	5	10	10	-3	5	4	9	14	16
New orders for exports	6	7	1	1	-2	0	-8	4	1	0	6	-5	-2
Supplier delivery time	20	10	11	0	-13	-2	-8	-11	-11	2	2	-12	-5
Inventories: Materials	15	-5	-6	6	3	-6	-19	-8	-7	-17	-17	-23	-23
Inventories: Finished goods	-6	-7	-6	-2	5	0	-7	-5	-11	-9	-10	-17	-15