



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Aug. 25, 2022

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Growth in Tenth District Manufacturing Activity Slowed Considerably
Federal Reserve Bank of Kansas City Releases August Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the August Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity slowed considerably and future activity also eased, but both remained in positive territory.

“Overall, activity slowed considerably from the past few months,” said Wilkerson.

“However, expectations are still positive and price indexes reached their lowest level in over a year.”

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 growth slowed considerably in August but remained slightly positive. Expectations for future activity eased somewhat but were still solid overall (Chart 1, Tables 1 & 2). Monthly survey price indexes fell to their lowest levels in over a year. Both price indexes saw a significant easing in growth from a month and year ago. Expectations for future raw materials prices decreased further, while finished goods prices were expected to rise modestly.

Factory Activity Pace of Growth Slowed Considerably

The month-over-month composite index was 3 in August, down from 13 in July and 12 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. In August, the slower pace in factory growth was driven by decreased activity in wood products, machinery, computer products, and transportation equipment manufacturing. Month-over-month indexes were mostly negative in August. The new orders index declined to its lowest level since May 2020, and indexes for production, shipments, order backlog, and inventory materials declined moderately. On the other hand, the employment index remained moderately positive, and the finished goods inventory index increased slightly. Year-over-year factory indexes decreased, with a composite index of 36. Production, shipments, and new orders indexes declined moderately compared to a year ago. The future composite index was 10 in August, a moderate decline from 26 in July. Nearly all future indexes decreased from the previous month, with order backlog and inventory indexes falling into negative territory.

Special Questions

This month contacts were asked special questions on wages and hiring decisions. In August, 80% of firms reported adjusting employees' compensation due to inflation during the year, mainly through wage increases but also through added benefits and more flexible hours (Chart 2). About 34% of firms reported no plans to change employees' wages for the rest of the year (Chart 3). Of the firms that reported an increase, about 43% of firms reported a 1-5% increase, 21% reported a 5-10% increase, and 2.2% reported an increase of 10% or more (Chart 3).

Selected Manufacturing Comments

“Still a very sketchy environment. Costs are still up – through the roof – despite some easing on commodities and fuel. Still have not passed along even close to enough from a price increase perspective – so profits way down on a percent basis. And I think we are getting to the point where consumers are starting to tighten their wallets.”

“It is difficult to predict wage inflation will not continue even with the Fed increasing rates. A recession that impacts our industry and eliminates jobs will have to occur before we see wage inflation to stop.”

“Given all the reshoring of supply chains and coming infrastructure projects, workers will be in very short supply, which will contribute to inflation and limit growth in the long term.”

“The raising of interest rates is working to help control inflation.”

“It is a sad state of affairs in the market for workers. Our pay levels are very competitive with the market and we offer good benefits. People want a job but once they get one they quit working.”

“Public inflation statistics lag what is being felt by plant floor workers, since gas and food are having higher than average inflation.”

Table 1. Summary of Tenth District Manufacturing Conditions, August 2022

Plant Level Indicators	August vs. July (percent)*					August vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	No		Diff Index [^]	SA Index ^{^^}	Increase	No		Diff Index [^]	Increase	No		Diff Index [^]	SA Index ^{^^}		
	Increase	Change				Decrease	Increase			Change	Decrease			Increase	Change
Composite Index				4	3			36				12	10		
Production	22	45	33	-11	-9	54	15	31	23	44	34	22	22	22	
Volume of shipments	23	44	33	-10	-13	52	20	29	23	48	32	20	29	31	
Volume of new orders	24	37	38	-14	-16	53	20	27	25	34	40	26	8	10	
Backlog of orders	29	37	34	-6	-7	58	23	19	39	30	34	36	-6	-2	
Number of employees	30	53	18	12	10	53	32	15	37	31	57	12	19	19	
Average employee workweek	10	76	14	-4	-8	25	53	22	3	14	68	18	-3	-2	
Prices received for finished product	36	55	9	27	25	86	8	7	79	62	29	10	52	51	
Prices paid for raw materials	54	27	19	35	38	88	3	9	79	62	23	15	46	47	
Capital expenditures						36	51	13	23	36	54	10	26	29	
New orders for exports	8	81	11	-3	-3	14	74	11	3	16	76	9	7	7	
Supplier delivery time	33	53	13	20	22	66	14	20	46	37	37	27	10	9	
Inventories: Materials	34	42	23	11	9	64	22	13	51	31	38	31	0	-8	
Inventories: Finished goods	17	62	21	-4	-3	35	42	23	13	18	53	29	-11	-10	

*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 August survey was open for a five-day period from August 17-22, 2022 and included 91 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

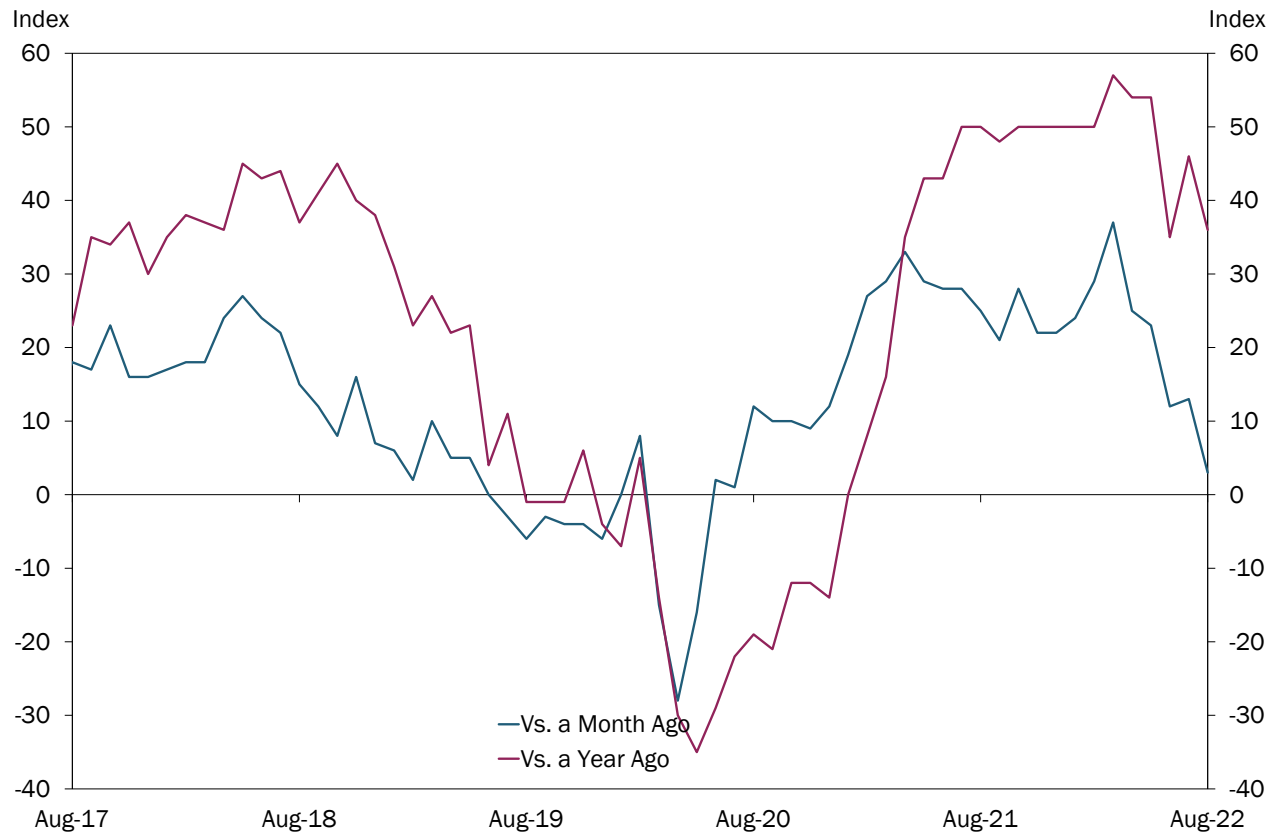


Chart 2. Special Question: Did you adjust employees' compensation due to inflation during this year?

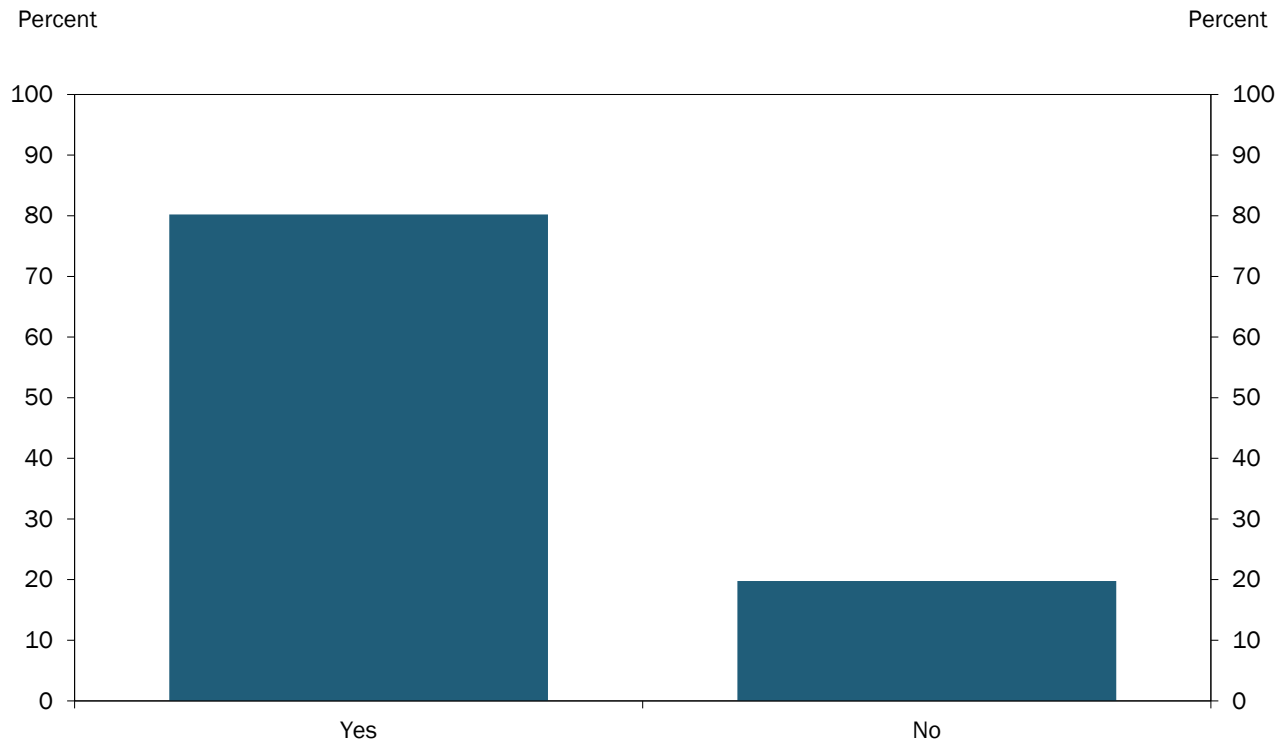


Chart 3. Special Question: On average, how much do you intend to change employees' wages for the rest of 2022?

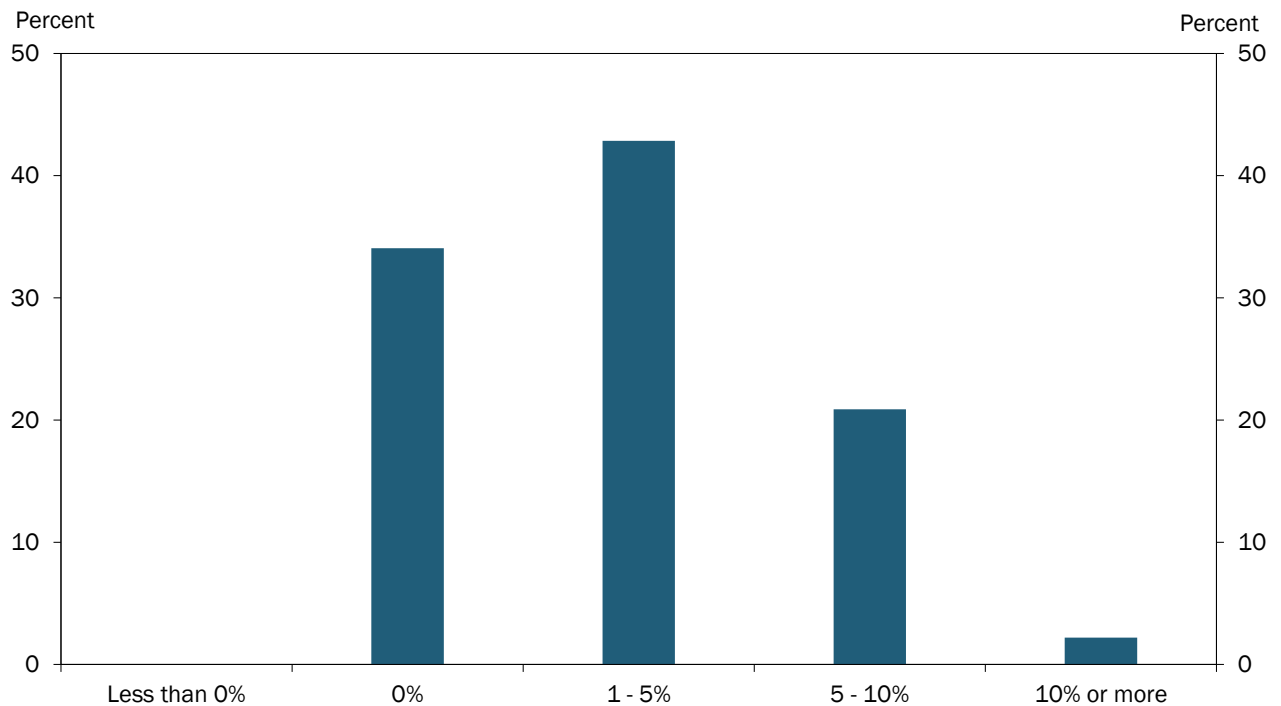


Table 2
Historical Manufacturing Survey Indexes

	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	25	21	28	22	22	24	29	37	25	23	12	13	3
Production	18	10	19	14	11	20	31	46	28	19	-1	7	-9
Volume of shipments	19	9	21	7	13	5	24	46	27	17	-3	9	-13
Volume of new orders	24	4	20	-2	22	14	32	33	10	15	-8	-2	-16
Backlog of orders	26	23	21	10	9	27	22	29	9	20	-4	5	-7
Number of employees	24	20	32	23	18	24	26	18	19	34	18	17	10
Average employee workweek	14	11	13	9	8	8	24	14	10	13	9	5	-8
Prices received for finished product	57	37	45	50	46	49	47	51	57	42	51	36	25
Prices paid for raw materials	80	78	81	77	67	64	64	81	83	72	71	41	38
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	6	4	4	4	1	6	10	8	4	8	4	-1	-3
Supplier delivery time	42	41	49	55	44	38	36	55	42	29	25	23	22
Inventories: Materials	18	29	17	20	17	27	19	32	26	19	23	22	9
Inventories: Finished goods	1	1	4	-2	4	8	7	19	5	1	9	-5	-3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	50	48	50	50	50	50	50	57	54	54	35	46	36
Production	64	67	55	49	54	49	52	63	63	52	25	43	23
Volume of shipments	55	55	55	46	49	38	55	53	65	51	29	40	23
Volume of new orders	57	57	64	57	60	51	47	58	53	53	30	37	25
Backlog of orders	63	59	60	56	48	53	54	60	52	44	20	33	39
Number of employees	35	24	41	42	38	41	51	38	48	44	39	44	37
Average employee workweek	44	43	39	41	32	34	32	28	23	19	22	19	3
Prices received for finished product	79	83	89	87	88	88	86	87	92	90	87	78	79
Prices paid for raw materials	96	100	99	98	98	97	99	98	98	95	93	87	79
Capital expenditures	26	34	28	29	43	26	29	16	28	30	21	27	23
New orders for exports	17	16	20	17	14	13	10	16	12	9	10	4	3
Supplier delivery time	48	56	63	70	66	62	63	71	57	67	44	53	46
Inventories: Materials	44	36	28	29	34	49	38	56	52	53	38	53	51
Inventories: Finished goods	14	14	6	0	12	17	18	28	21	28	19	10	13
Expected in Six Months (seasonally adjusted)													
Composite Index	33	33	32	31	26	37	38	41	34	31	10	26	10
Production	45	54	39	37	33	44	57	61	49	39	13	29	22
Volume of shipments	40	50	36	35	34	45	55	57	51	32	13	37	31
Volume of new orders	31	32	34	36	22	30	36	40	31	28	10	25	10
Backlog of orders	15	20	16	11	11	33	29	22	11	18	-3	14	-2
Number of employees	42	39	37	41	34	57	52	46	41	40	26	44	19
Average employee workweek	16	21	17	14	13	30	26	25	19	22	7	10	-2
Prices received for finished product	54	55	58	53	52	67	70	75	74	68	67	45	51
Prices paid for raw materials	74	76	72	60	65	73	85	84	79	69	66	60	47
Capital expenditures	29	34	32	20	21	28	35	29	29	24	14	20	29
New orders for exports	6	7	10	9	1	17	14	20	10	13	12	6	7
Supplier delivery time	30	27	42	32	31	37	30	48	29	39	9	20	9
Inventories: Materials	17	12	8	9	11	16	14	11	17	8	-8	14	-8
Inventories: Finished goods	-2	10	6	3	1	10	19	12	10	7	-4	-8	-10