



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Sept. 28, 2023

CONTACT: Sarah Dickson

(405) 270-8401

Sarah.Dickson@kc.frb.org

Tenth District Manufacturing Activity Declined Somewhat in September
Federal Reserve Bank of Kansas City Releases September Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the September 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 declined somewhat in September, and expectations for future activity stayed mostly flat.

“Regional factory activity declined somewhat in September,” said Wilkerson. “District production decreased while employment stayed steady, and access to credit has remained unchanged for a strong majority of manufacturing firms.”

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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity declined somewhat in September, and expectations for future activity stayed mostly flat (Chart 1, Tables 1 & 2). District firms' finished product prices picked up slightly this month even as growth in raw materials prices slowed slightly. However, firms expect raw materials price increases to outpace finished product prices in the next six months.

Factory Activity Declined Somewhat

The month-over-month composite index was -8 in September, down from 0 in August and up slightly from -11 in July (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decline from last month was primarily driven by decreases in durable goods, particularly metal manufacturing. Most month-over-month indexes were negative and decreased from previous readings. The production, shipments, and new orders indexes all declined significantly—now at -13, -15, and -14 respectively. Backlogs and inventories also declined, while the number of employees and the average employee workweek remained steady. Factory activity decreased further on a year-over-year basis. The composite index decreased to -12 in September from -9 in August and -4 in July. Growth in capital expenditures increased moderately, despite declines in production, orders, and backlogs. The future composite index ticked down to 1 in September from 2 in August, as firms expectations for production and new orders in six months softened.

Special Questions

This month contacts were asked special questions about employee qualifications and access to credit. A majority of District firms reported that overall qualifications of applicants for open positions were unchanged in the last six months across all worker categories, while nearly one-third reported that workers are less qualified (Chart 2). Additionally, over 75% of firms' access to credit has not changed in the past few months or over the last year, while only 13% (10%) of firms' access to credit has decreased in the last year (in the past few months) (Chart 3).

Selected Manufacturing Comments

“Inflation (cost of inputs - mostly material costs) is still a significant concern. If energy costs continue to climb it will become more of a challenge. Access to labor is better across all shifts, but quality of applicant is still low. Concerned about macro-level economic conditions; consumer appears to be tapped out.

“Maintenance remains strong. Discretionary spending has been reduced, which could be caused by the need to keep the aircraft flying.”

“Currently debt free but have access to line of credit if necessary.”

“Material prices continue to fall. Gasoline is our biggest inflation problem.”

“Business softening suddenly this month.”

“Business has been fairly regular.”

“Too many unknowns currently making capital expenditures a little more risky. In addition, the cost of financing is high.”

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

Plant Level Indicators	September vs. August (percent)*					September 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				-10	-8				-12				0	1
Production	21	47	32	-11	-13	33	24	43	-10	31	42	27	4	2
Volume of shipments	22	41	37	-15	-15	34	18	48	-14	34	38	28	6	3
Volume of new orders	18	43	38	-20	-14	35	18	46	-11	34	35	30	4	6
Backlog of orders	17	44	39	-22	-24	24	30	46	-22	25	45	30	-5	-3
Number of employees	21	59	20	1	2	35	31	34	1	32	50	18	14	15
Average employee workweek	11	76	13	-2	0	18	54	28	-10	19	63	18	1	0
Prices received for finished product	13	80	7	6	2	59	21	20	39	32	57	11	21	20
Prices paid for raw materials	21	64	15	6	7	53	11	36	17	43	45	12	31	30
Capital expenditures						37	42	21	16	29	53	18	11	9
New orders for exports	5	81	14	-8	-8	9	68	22	-13	15	73	12	3	5
Supplier delivery time	7	82	11	-4	-1	17	40	43	-26	14	67	19	-5	-4
Inventories: Materials	18	45	36	-18	-15	25	36	38	-13	20	43	36	-16	-15
Inventories: Finished goods	18	51	31	-12	-10	28	40	33	-5	16	53	31	-14	-13

*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 September survey was open for a six-day period from September 20-25, 2023 and included 100 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

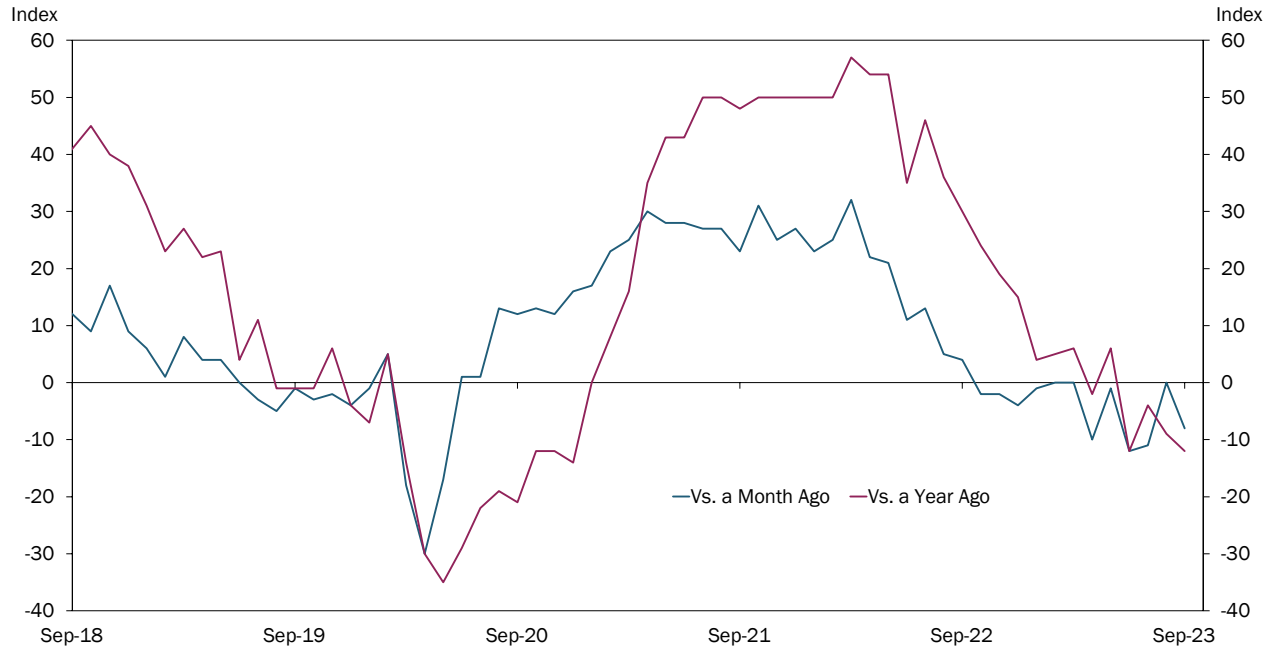


Chart 2. Special Question: How have the overall qualifications of applicants for open positions changed in the following job categories over the last 6 months?

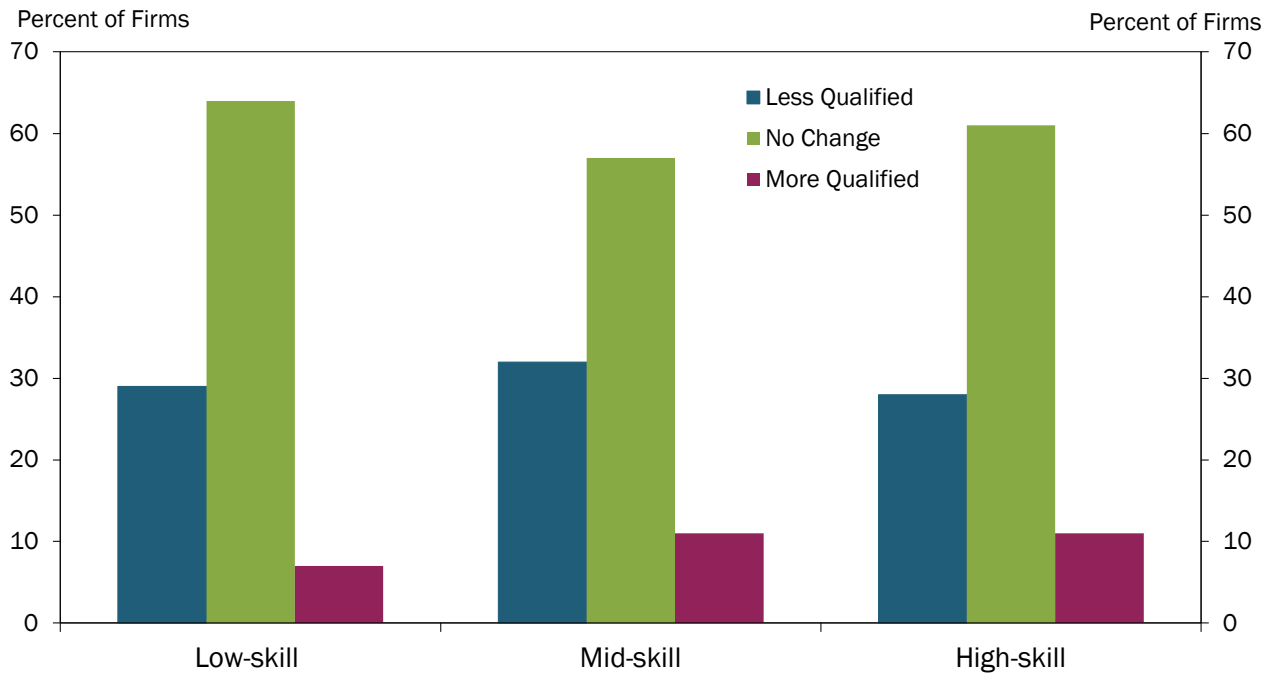


Chart 3. Special Question: How has your firm's access to credit changed?

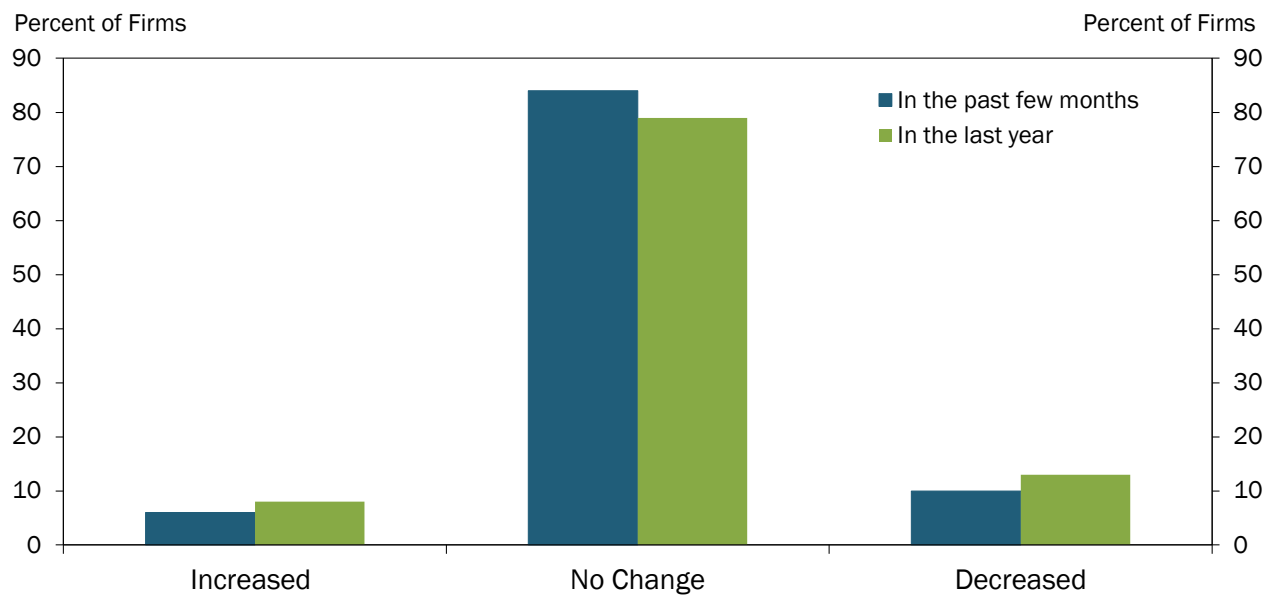


Table 2
Historical Manufacturing Survey Indexes

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