



NEWS RELEASE

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Tenth District Manufacturing Activity Declined Slightly in February
Federal Reserve Bank of Kansas City Releases February Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the February 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 slightly in February and expectations for future activity moderated but remained slightly positive.

“Regional factory activity fell slightly in February, and expectations for future activity were not as high as last month,” said Wilkerson. “Production and new orders were essentially flat, but the volume of shipments and employment picked up.”

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 declined slightly in February, and expectations for future activity moderated but remained slightly positive. Price growth for raw materials slowed somewhat this month and finished product prices also eased, although future increases are expected. On a year-over-year basis, both price indexes increased at similar paces. (Chart 1, Tables 1 & 2)

Factory Activity Declined Slightly

The month-over-month composite index was -4 in February, up from -9 in January and down from -1 in December (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity for nondurable goods fell, while activity rose slightly for durable goods, with nonmetallic minerals, electrical equipment, and transportation equipment manufacturing driving the increases from last month. The production and new orders indexes improved considerably, while the volume of shipments index grew to 6 and the employment index increased to 8. However, Inventories of raw materials and finished goods, as well as supplier delivery times, declined further this month. The year-over-year index for factory activity increased to -8 from -12. Production, new orders, shipments, and backlogs remained negative but the indexes rose slightly from last month's readings. Year-over-year capital expenditures declined slightly for the first time since January 2021. The future composite index fell to 2 from 11 in February, as expectations for growth in production, shipments, and new orders slowed. Despite this, firms expect employment to increase even further.

Special Questions

This month contacts were asked special questions about price pressures and profit margins. Changes in firms' profit margins have been mixed over the past 3 months. 37% of firms reported their margins have decreased slightly while a third reported no change, 30% reported a slight increase, and 11% (1%) reported a significant decrease (increase). Expectations for the year ahead are also mixed, with 30% of firms anticipating a slight increase, 29% a slight decrease, 28% no change, and around 6-7% each reporting a significant increase or significant decrease (Chart 2). Most firms reported they are passing through higher costs to customers to maintain their margins, while a third are also reducing worker hours or overtime and over a quarter are changing supplier relationships to reduce input prices. Additionally, 17% of firms are curtailing production and 7% are laying off workers, while another 17% have not implemented any of the above strategies to maintain margins (Chart 3).

Selected Manufacturing Comments

“We are focusing on improving efficiencies to offset pricing threats. We make sure we have monthly employee appreciation events and have invested significantly in our workplace to provide the best environment for employees to thrive. We are not having any problems with hiring.”

“We currently are having no problems with staffing. Inflow of applications is high. Complete 180 vs. approximately 2 years ago. Quality is so-so, but it has been that way for a long time. But, more folks are showing up, actually working, sticking around etc.”

“From our vantage point, the supposed lack of qualified employees is overblown. People are out there, and if you've built up a reputation as a good employer, they will seek you out without any extra effort on the employer's part.”

“Still not seeing highly skilled applicants for open positions.”

“Labor utilization is critical. We have struggled with this in the past. We have spent a lot of time with our managers to help them understand the financial impact of the decisions they make on a daily basis.”

“In rural Oklahoma, the job market is very tight and difficult to hire employees with relevant experience. We work to hire employees that are willing to train through our in-house education program. If they do not try to improve their skill set, we will let them go and move on.”

“January started out strong, but business has fallen off in February.”

“We are anticipating companies to begin purchasing inventory to refill last year's supply.”

Table 1. Summary of Tenth District Manufacturing Conditions, February 2024

Plant Level Indicators	February vs. January (percent)*					February 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				0	-4				-8				4	2	
Production	34	36	30	5	3	35	26	39	-4	40	38	21	19	18	
Volume of shipments	35	34	31	3	6	33	27	40	-8	40	37	22	18	18	
Volume of new orders	34	36	30	3	-2	32	31	38	-6	35	37	28	7	1	
Backlog of orders	24	46	30	-7	-13	24	39	37	-13	28	42	30	-2	-4	
Number of employees	26	61	13	12	8	37	32	31	6	33	51	17	16	16	
Average employee workweek	13	73	13	0	2	21	57	21	0	13	72	15	-1	-3	
Prices received for finished product	13	72	15	-1	-2	56	25	19	37	33	55	12	20	21	
Prices paid for raw materials	24	69	8	16	15	58	19	22	36	40	49	10	30	26	
Capital expenditures						20	55	25	-4	28	62	10	18	16	
New orders for exports	7	82	11	-4	-7	11	74	15	-5	11	79	11	0	-2	
Supplier delivery time	4	83	12	-8	-12	13	52	35	-23	9	72	19	-10	-10	
Inventories: Materials	16	54	30	-14	-15	25	38	38	-13	17	53	30	-13	-15	
Inventories: Finished goods	15	60	24	-9	-8	28	40	33	-5	17	53	29	-12	-18	

*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 February survey was open for a six-day period from February 21-26, 2024 and included 89 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

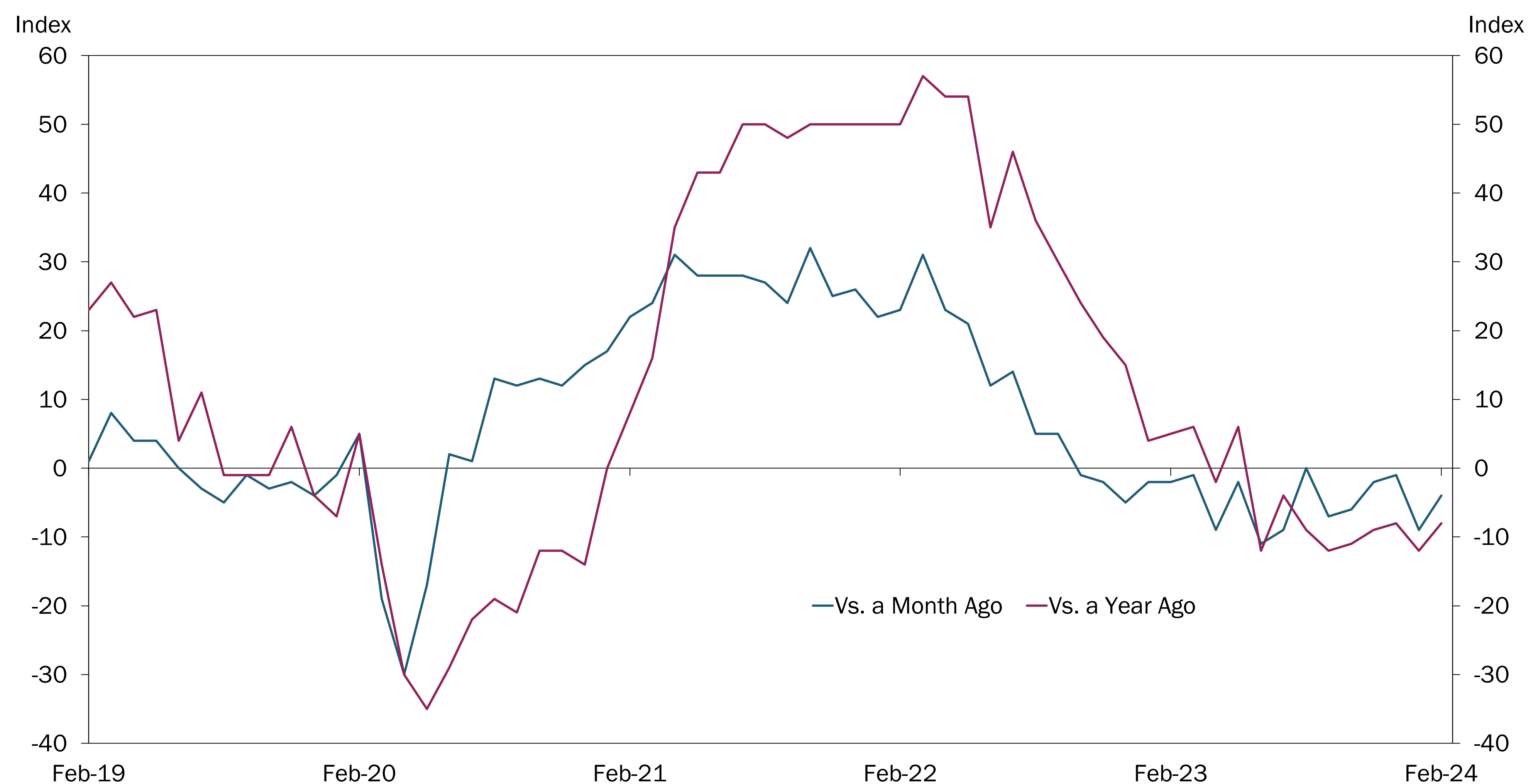


Chart 2. Special Question: Given current price pressures, how have profit margins changed for your firm since the last 3 months and how will they change over the next 12 months?

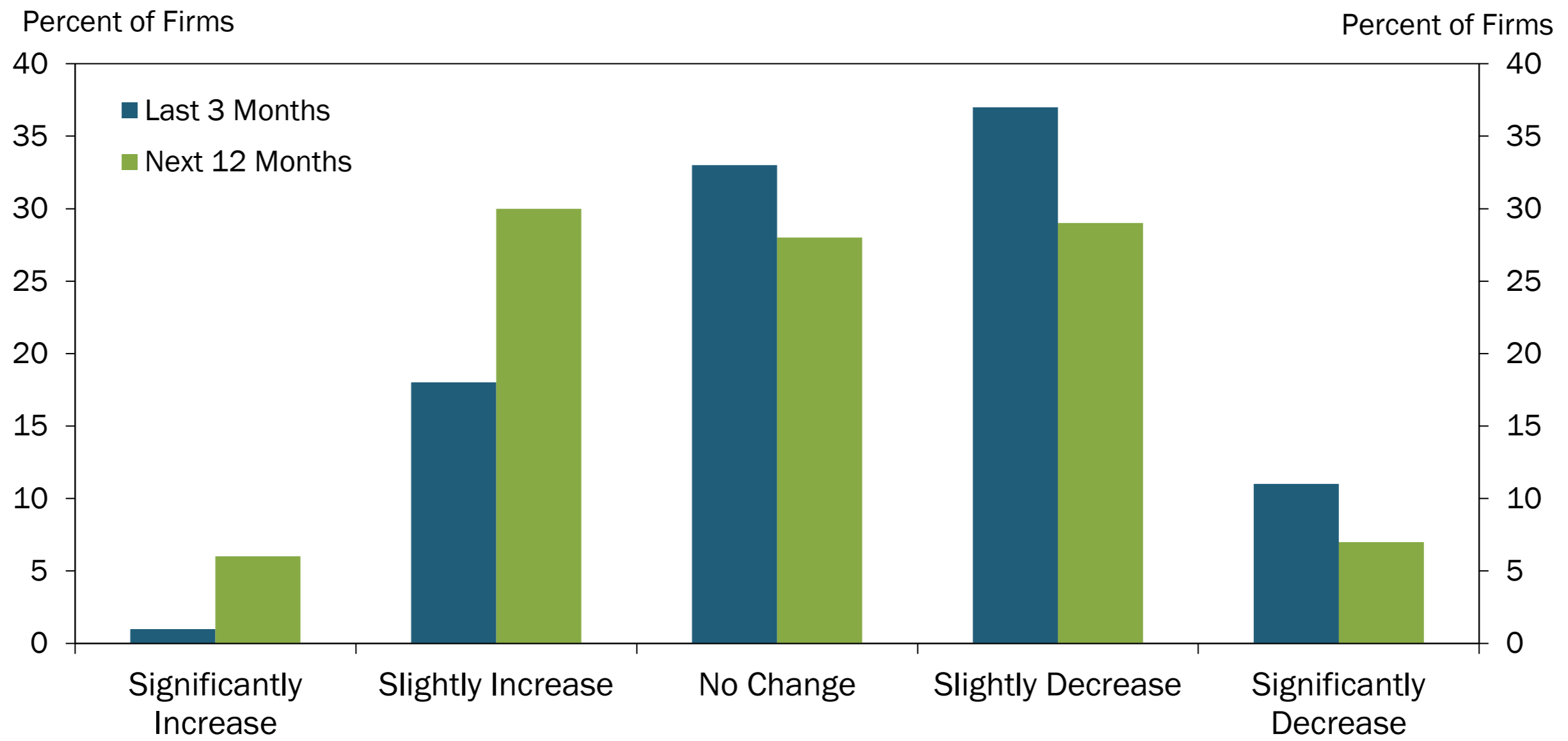


Chart 3. Special Question: Which strategies are you implementing to maintain profit margins? (Choose as many as apply)

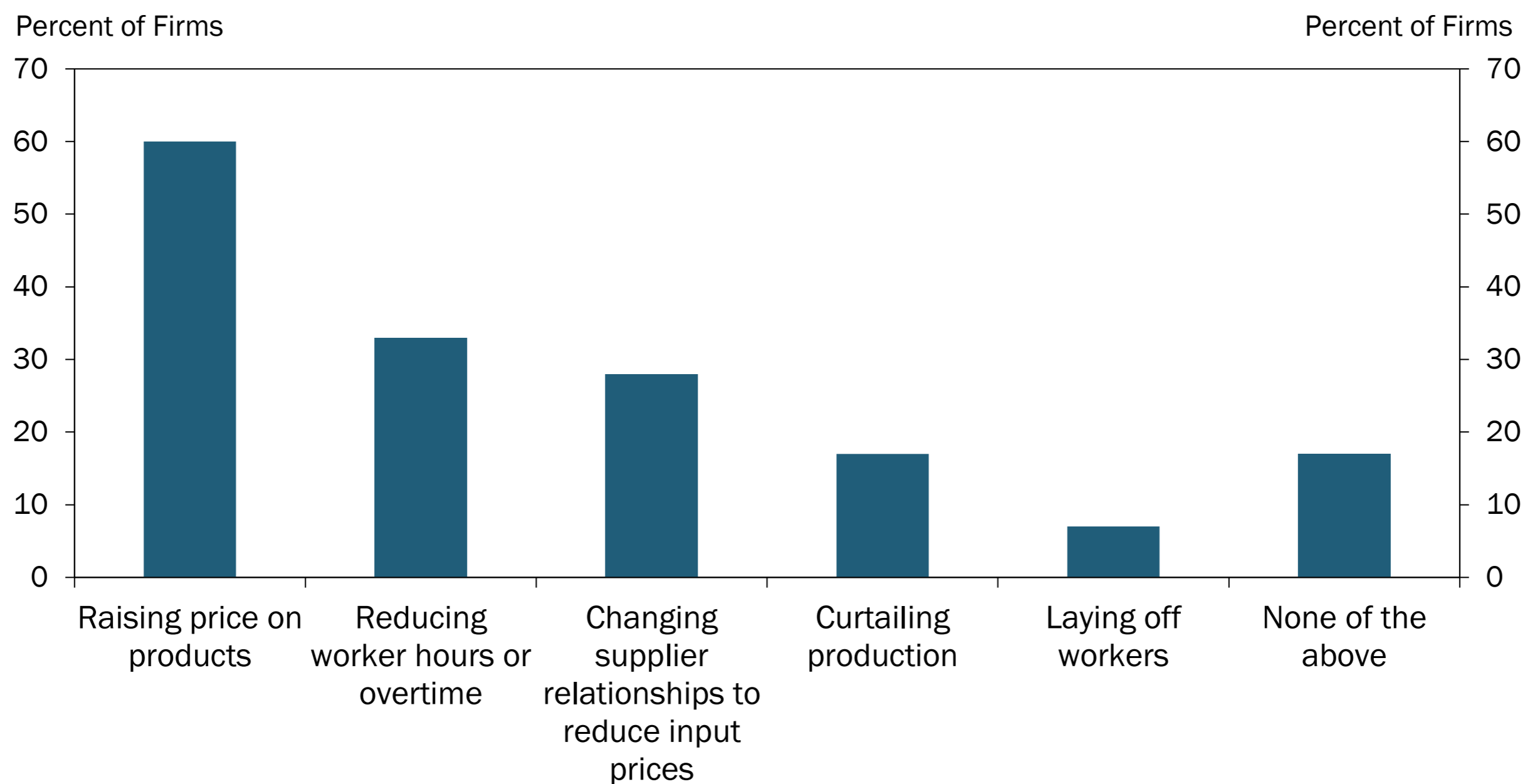


Table 2
Historical Manufacturing Survey Indexes

	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	-2	-1	-9	-2	-11	-9	0	-7	-6	-2	-1	-9	-4
Production	-10	-4	-18	-4	-8	-18	13	-10	-5	-3	-5	-17	3
Volume of shipments	-12	2	-12	-3	-3	-20	1	-11	-8	2	-5	-20	6
Volume of new orders	-9	-13	-19	-14	-13	-17	-4	-13	-19	-3	-9	-19	-2
Backlog of orders	-21	-18	-24	-23	-16	-36	-13	-22	-14	-13	-8	-24	-13
Number of employees	9	17	1	5	-12	4	2	3	-2	-1	7	-2	8
Average employee workweek	-11	-9	3	-5	-9	-19	-6	-3	-1	-5	-2	-6	2
Prices received for finished product	15	11	19	11	4	-4	-3	3	2	0	3	7	-2
Prices paid for raw materials	23	25	27	15	7	10	13	8	2	9	11	24	15
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	3	-12	-13	-9	-6	-8	-8	-8	-5	-1	-8	-7
Supplier delivery time	-1	-5	-4	-1	-7	-6	-1	-1	-3	-2	1	-1	-12
Inventories: Materials	0	-2	-4	5	-17	-9	-9	-13	-1	-1	0	-7	-15
Inventories: Finished goods	-9	-3	-11	0	-7	-3	4	-7	-2	-1	2	-2	-8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	5	6	-2	6	-12	-4	-9	-12	-11	-9	-8	-12	-8
Production	1	0	-1	0	-7	3	0	-10	-8	-10	-4	-12	-4
Volume of shipments	0	7	0	-2	-6	2	-3	-14	-3	0	-5	-14	-8
Volume of new orders	-1	-4	-11	3	-20	-9	-13	-11	-24	-8	-6	-19	-6
Backlog of orders	1	-4	-13	-5	-19	-15	-12	-22	-31	-26	-21	-28	-13
Number of employees	4	24	8	13	2	13	-2	1	7	5	6	-2	6
Average employee workweek	-3	-2	-5	-2	-8	-5	-10	-10	-9	-17	-4	-20	0
Prices received for finished product	70	72	63	54	55	39	40	39	44	42	37	39	37
Prices paid for raw materials	59	57	52	40	33	40	22	17	20	20	18	36	36
Capital expenditures	0	5	15	14	2	14	7	16	6	11	13	1	-4
New orders for exports	3	-3	-8	1	-5	-1	-15	-13	-13	1	-11	-11	-5
Supplier delivery time	0	-3	-24	-8	-20	-24	-18	-26	-24	-30	-20	-17	-23
Inventories: Materials	19	14	19	22	-14	-4	-10	-13	-6	0	-16	-10	-13
Inventories: Finished goods	1	0	1	13	-2	-2	1	-5	-2	-12	-2	-8	-5
Expected in Six Months (seasonally adjusted)													
Composite Index	2	2	2	1	-1	-1	2	2	2	0	5	11	2
Production	13	13	12	12	14	3	12	6	10	15	13	32	18
Volume of shipments	4	10	8	8	10	0	5	5	13	9	23	30	18
Volume of new orders	-1	3	3	3	1	2	7	6	2	9	6	22	1
Backlog of orders	-17	-20	-17	-11	-13	-17	2	-4	-9	-7	0	-2	-4
Number of employees	14	15	14	11	11	16	16	15	13	3	13	5	16
Average employee workweek	0	-1	-1	-2	-5	2	2	0	4	-9	8	7	-3
Prices received for finished product	36	37	33	18	21	18	25	20	16	22	26	25	21
Prices paid for raw materials	38	37	37	23	13	24	28	28	20	29	41	34	26
Capital expenditures	0	6	5	9	13	14	14	9	4	-1	5	2	16
New orders for exports	2	0	0	5	-4	-1	-13	4	0	2	-1	6	-2
Supplier delivery time	-9	-10	0	-3	-11	-6	-2	-5	-8	-11	-1	-3	-10
Inventories: Materials	-10	-11	-17	-16	-21	-21	-22	-14	-9	-15	-7	-3	-15
Inventories: Finished goods	-8	-12	-10	-11	-15	-14	-13	-13	-12	-9	-12	-6	-18