FEDERAL RESERVE BANK OF KANSAS CITY
Denver / Oklahoma City / Omaha

News Release

FOR IMMEDIATE RELEASE
Oct. 23, 2025

CONTACT: Sarah Dickson
(405) 827-7294
Sarah.Dickson@kc.frb.org

Tenth District Manufacturing Activity Rose Further in October
Federal Reserve Bank of Kansas City Releases October Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the October Manufacturing Survey today. According to Cortney Cowley, assistant vice president and Oklahoma City Branch executive, the survey revealed that Tenth District manufacturing rose further, and expectations for future activity accelerated.

“Regional factory activity continued to increase modestly in October, and firms expect additional growth in the next six months,” said Cowley. “Two-thirds of firms surveyed reported that AI has not affected their business strategy or plans, while another third have used AI or plan to in the future.”

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.

The views expressed are those of the authors and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity rose further, and expectations for future activity accelerated (Chart 1, Tables 1 & 2). Price growth for finished products and raw materials edged slightly higher from last month.

Factory Activity Rose Further

The month-over-month composite index was 6 in October, up from 4 in September and 1 in August (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Both durable and nondurable manufacturing activity grew slightly. Growth in the nondurable manufacturing sector was driven primarily by printing and paper manufacturing, while growth in the durable manufacturing sector was driven primarily by metal manufacturing. Most month-over-month indexes were positive except for new orders for exports and average work week. Production and shipments increased moderately. Most year-over-year indexes were negative except for the supplier delivery time and capital expenditures indexes. Production and employment indexes remained in negative territory. Expectations for future activity accelerated, with the composite index increasing from 7 to 14. However, expectations for new orders and employment in the next six months remained unchanged from last month's expectations.

Special Questions

This month, contacts were asked special questions about changes in profit margins and AI usage. Over a third of firms (37%) reported their profit margins slightly decreased this year, 18% reported a significant decrease, 17% reported no change, 25% reported a slight increase, and 3% reported their profit margins this year significantly increased. In 2026, 31% of firms expect their profit margins will slightly decrease, 7% anticipate a significant decrease, 22% anticipate no change, and 40% anticipate a slight increase (Chart 2). Additionally, two-thirds of firms (67%) reported that AI has not affected their business strategy or plans, while 12% of firms expanded their existing use of AI since the beginning of 2025, 13% started using AI, and 8% have not incorporated AI but plan to in the future (Chart 3).

Selected Manufacturing Comments

"So much uncertainty with prices. We hope to hold or slightly increase prices, but we are getting pressure to lower some prices."

"Construction activity continues to slow; backlog of work decreasing. A lot of uncertainty in the market."

"We have increased prices this year, which decreased our sales volume. But the price increases have not kept pace with the increase in costs. We will need to increase prices at a higher rate."

"Slight increase in orders, no increase in margin. Doing more production with less people."

"Shipping is down some, but new orders are up."

"Labor market is critically low."

"Our volume has taken a massive hit. Our two biggest customers have placed their lowest revenue year in 2024 and will be even lower in 2025. Struggling to find new customers to replace the missing volume."

"All available resources are focused on finding new business volume."

"Overall order activity is more stable than early this year, late last year."

Table 1. Summary of Tenth District Manufacturing Conditions, October, 2025

Plant Level Indicators	October vs. September (percent)*					October 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				3	6				-6				14	14
Production	31	49	20	11	15	38	21	41	-3	50	34	17	33	33
Volume of shipments	34	47	20	14	15	36	21	43	-7	47	36	17	30	28
Volume of new orders	30	42	29	1	1	34	18	48	-14	38	35	27	11	10
Backlog of orders	25	48	27	-2	1	21	33	46	-26	26	49	25	2	4
Number of employees	20	57	22	-2	1	26	36	38	-12	28	55	17	12	12
Average employee workweek	11	77	12	-2	-3	17	55	27	-10	19	73	8	11	13
Prices received for finished product	24	70	7	17	19	64	25	11	52	48	47	6	42	39
Prices paid for raw materials	42	55	3	39	41	78	16	7	71	67	30	3	64	62
Capital expenditures						30	45	25	4	26	50	24	2	4
New orders for exports	8	79	13	-4	-4	12	62	26	-14	10	71	19	-9	-9
Supplier delivery time	11	85	3	8	11	19	68	13	6	16	79	6	10	17
Inventories: Materials	20	56	25	-5	0	30	35	36	-6	21	61	18	2	-2
Inventories: Finished goods	18	64	18	0	1	23	53	24	-1	18	68	14	4	3

*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 October survey was open for a six-day period from October 15-20, 2025 and included 122 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

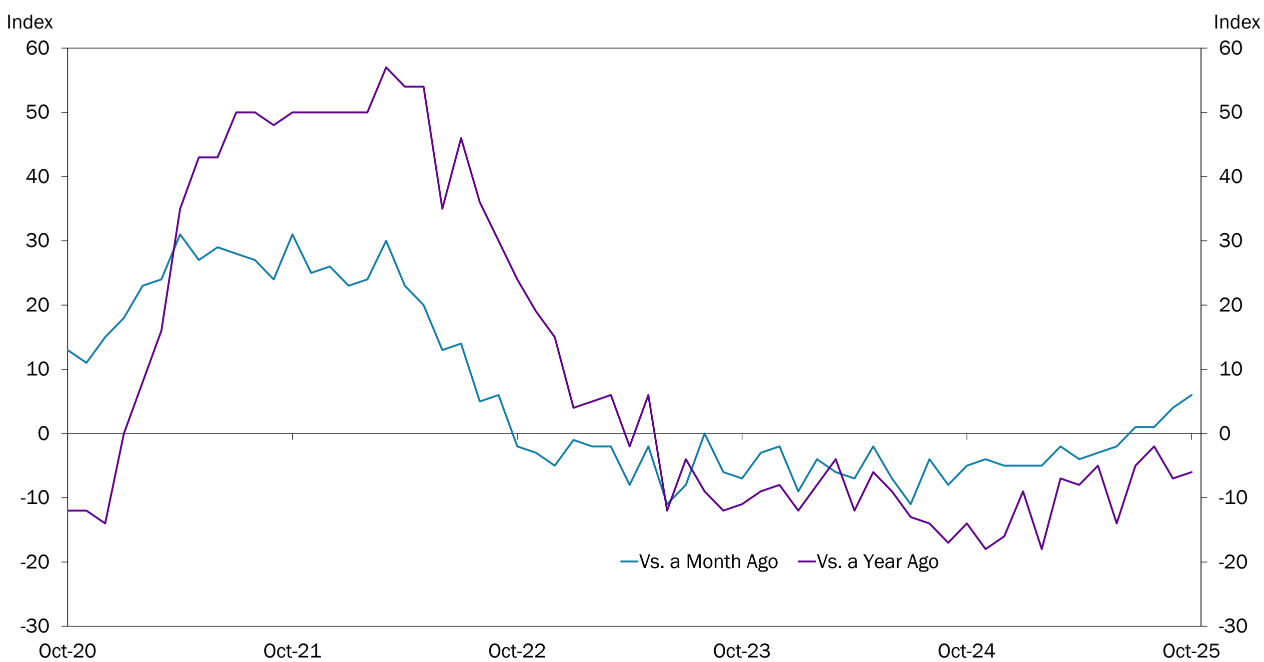

Chart 2. Special Question: How did profit margins change for your firm this year and how do you expect profit margins will change for your firm in 2026?

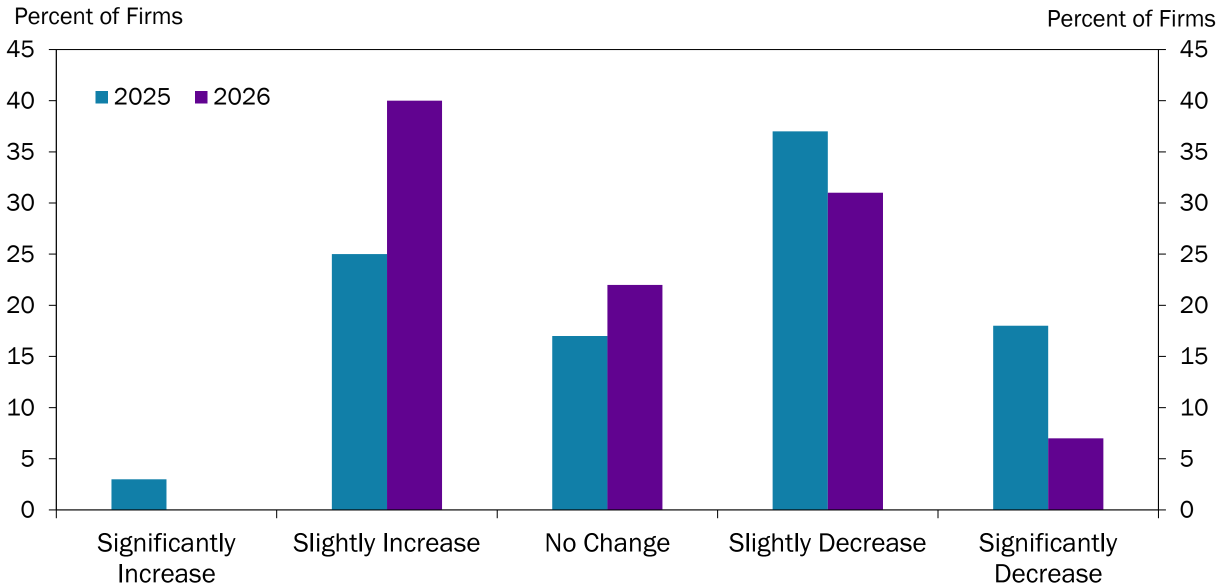

Chart 3. Special Question: Please select the option below that best describes developments in your company's use of artificial intelligence (AI) since the beginning of 2025.

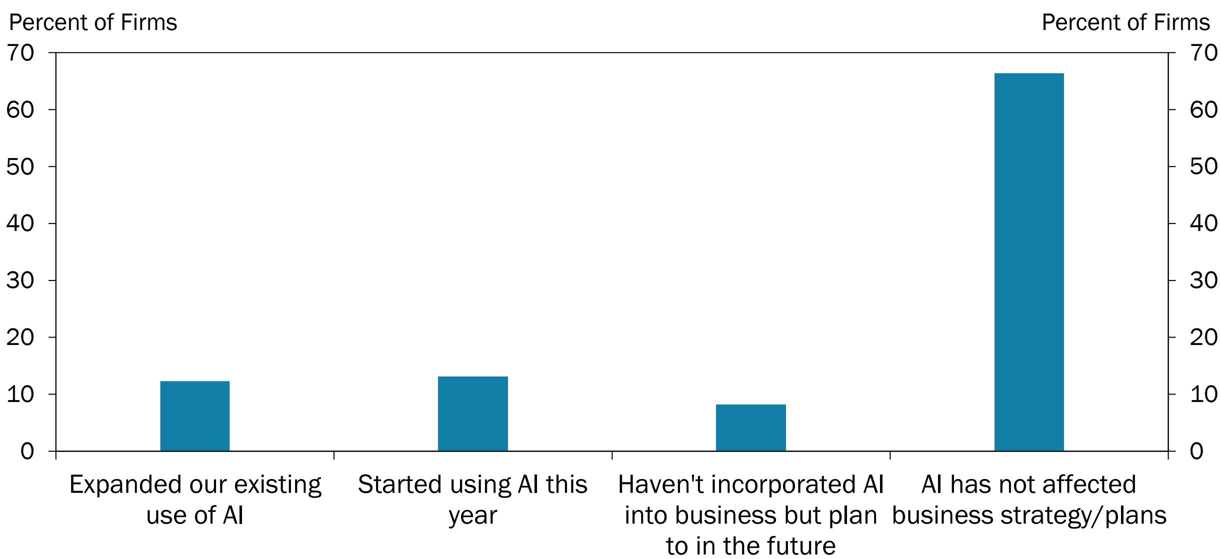

Table 2
Historical Manufacturing Survey Indexes

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