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Tenth District Manufacturing Activity Was Mostly Unchanged in December
Federal Reserve Bank of Kansas City Releases December Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the December Manufacturing Survey today. According to Cortney Cowley, assistant vice president and Oklahoma City Branch executive, the survey revealed that Tenth District manufacturing was mostly unchanged, while expectations for future activity remained expansionary.

“Growth in regional factory activity cooled in December, as production and employment fell slightly,” said Cowley. “Looking ahead, sentiment for future activity remains positive, but the outlook for capital expenditures in 2026 is mixed.”

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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity was mostly unchanged, and expectations for future activity remained expansionary (Chart 1, Tables 1 & 2). Price growth for finished products and raw materials increased this month, with raw materials prices still rising faster than finished goods.

Factory Activity Was Mostly Unchanged

The month-over-month composite index was 1 in December, down from 8 in November and 6 in October (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth eased from last month in both durable and nondurable manufacturing, particularly driven by decreases in food, metal, and transportation equipment manufacturing. The month-over-month indexes were mixed. Production and employment both entered slight negative territory following strong readings last month. Volumes of shipments and new orders were both unchanged from last month at 0. The year-over-year indexes were mostly negative and lower than last month. Production and shipments declined, and employment fell from 5 to -7. However, capital expenditures increased from 9 to 14 and new orders ticked up from -3 to 2. Expectations for future activity remained expansionary with the composite increasing from 9 to 13, as the production, new orders, and employment indexes increased from last month.

Special Questions

This month, contacts were asked special questions about employee turnover, productivity, and capital expenditures. On net, firms reported a decrease in turnover and an increase in productivity over the past year. About a quarter (24%) of firms reported decreased employee turnover over the past year, while 15% reported an increase and 61% reported no change. Around a third (34%) of firms reported average productivity increased, while 15% reported a decrease and 51% reported no change (Chart 2). Firms also reported mixed expectations for capital expenditures in 2026, with 11% expecting them to be significantly higher, 26% expecting slightly higher, 29% expecting no change, 16% expecting slightly lower, and 18% expecting significantly lower capital expenditures (Chart 3).

Selected Manufacturing Comments

“This has been a record year. The coming year is going to be questionable.”

“In 2026, we will make significant capital expenditures for productivity improvement and automation.”

“Steel markets are concerning with pricing changes and availability of aluminum.”

“We will not be spending as much in 2026 on capital outlay.”

“Our costs are way up and customer purchasing is down.”

“We would expand more aggressively if we could get satisfactory financing.”

“Domestic sales have come back after a slow 2024, however we have lost major international sales in 2025.”

“The skill level of the average employee is down from historic levels, leading to a drop in productivity. We are working on more robust training programs, process improvements, and some automation to compensate for the situation.”

“We're pumping more out with only a small increase in head count. We have increased automation across a few different fronts.”

“Machine and home-developed software are increasing operator productivity. AI and other outside technological developments have yet to deliver productivity gains relative to their investment requirement.”

“Easier to find experienced and higher quality workers. Our production needs are up, and we seem to be hiring into a downturn. Our long-term employees are steady and gaining more productivity. The noticeable increase is in new hires, which are higher quality.”

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

Plant Level Indicators	December vs. November (percent)*					December vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^A	SA Index^A^	Increase	No Change	Decrease	Diff Index^A	Increase	No Change	Decrease	Diff Index^A	SA Index^A^
Composite Index				-6	1				-4				15	13
Production	22	41	37	-15	-3	33	26	41	-8	48	26	26	22	19
Volume of shipments	28	33	39	-11	0	36	23	41	-5	44	32	23	21	15
Volume of new orders	30	29	42	-12	0	36	30	34	2	40	40	20	20	17
Backlog of orders	23	39	38	-16	-2	23	32	44	-21	26	49	25	1	-2
Number of employees	16	63	21	-5	-4	29	36	36	-7	34	54	12	22	20
Average employee workweek	18	64	17	1	5	17	57	27	-10	24	63	13	11	8
Prices received for finished product	25	68	6	19	22	64	30	6	58	46	46	8	38	37
Prices paid for raw materials	39	56	4	35	40	77	15	9	68	64	30	5	59	55
Capital expenditures						33	48	19	14	33	46	21	12	10
New orders for exports	4	87	9	-4	-4	7	73	19	-12	9	80	12	-3	-4
Supplier delivery time	10	84	5	5	8	18	66	16	3	15	77	9	6	5
Inventories: Materials	23	52	24	-1	3	28	34	38	-10	30	44	25	5	2
Inventories: Finished goods	26	52	22	4	3	32	39	28	4	29	54	17	12	9

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

Note: The December survey was open for a six-day period from December 10-15, 2025 and included 115 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

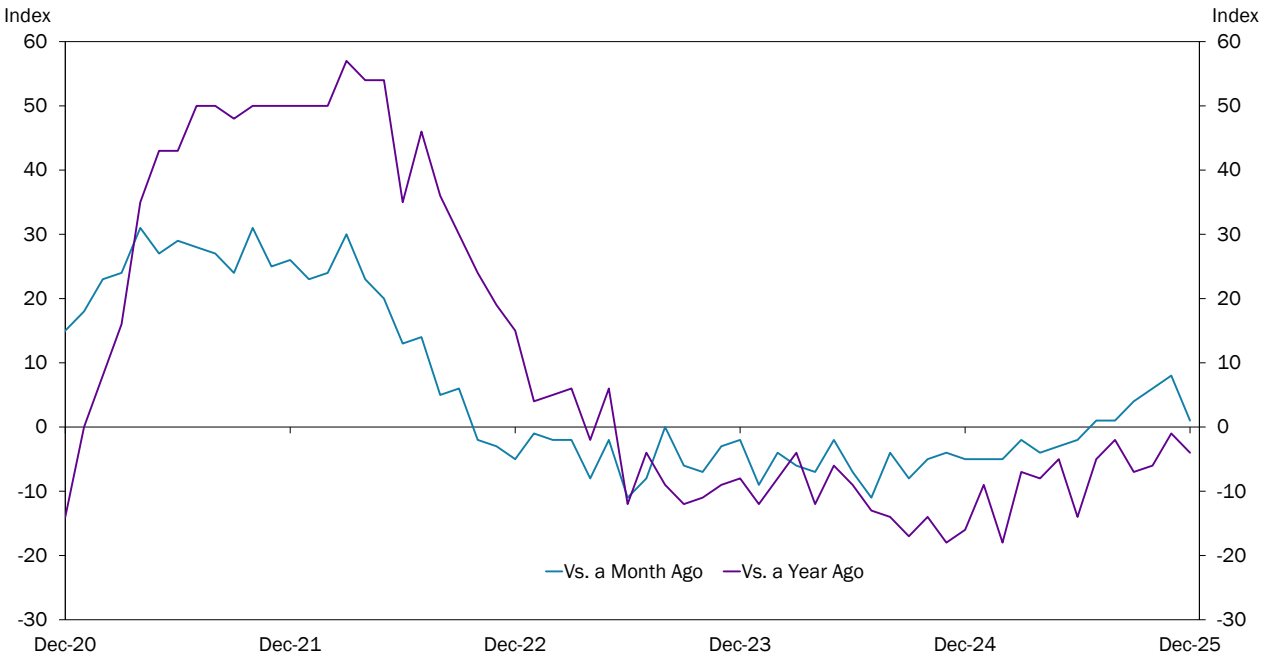


Chart 2. Special Question: How has employee turnover and average employee productivity changed at your firm over the past year?

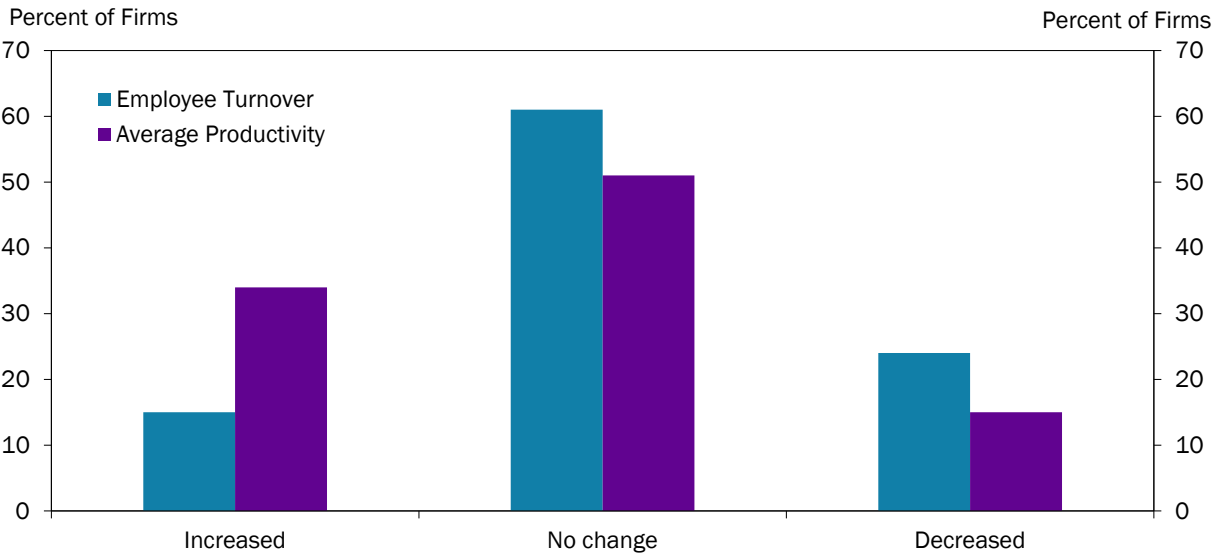


Chart 3. Special Question: What are your firm's expectations for capital expenditures in 2026 compared to last year?

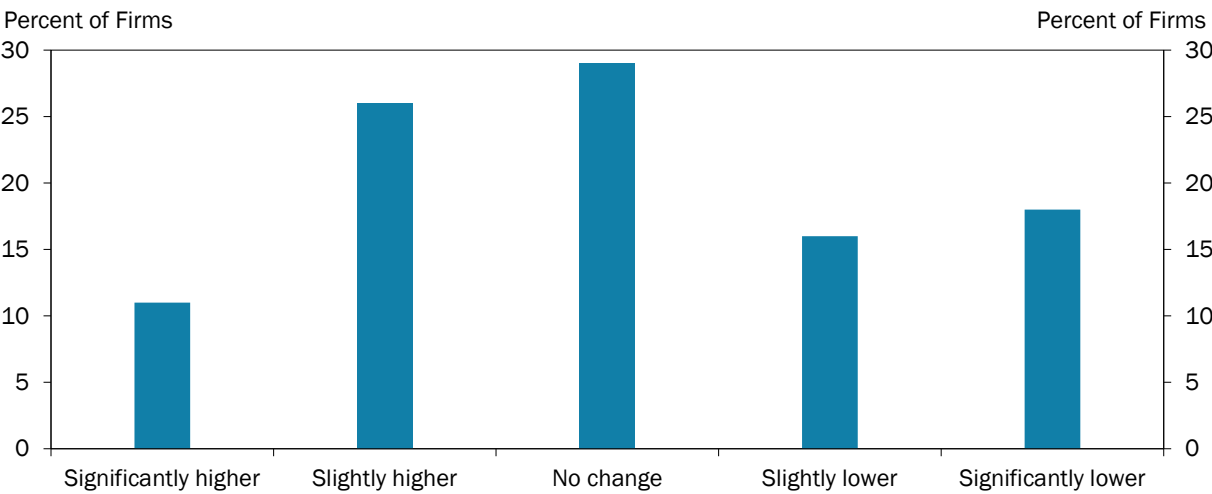


Table 2
Historical Manufacturing Survey Indexes

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