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Tenth District Manufacturing Growth in Activity Remained Steady in July
Federal Reserve Bank of Kansas City Releases July Manufacturing Survey

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

"District manufacturing activity continued to expand in July, and about half of firms expect demand to be higher for the rest of the year," said Cowley. "Although growth in input prices eased slightly from last month, a majority of firms reported decreases in their profit margins since the beginning of the year."

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 growth in activity remained steady, while expectations for future activity rose slightly from last month (Chart 1, Tables 1 & 2). The month-over-month price indexes for finished products and raw materials fell slightly, but year-over-year price growth increased further.

Factory Activity Remained Steady

The month-over-month composite index was 9 in July, down from 11 in June and up from 8 in May (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth slowed in the nondurable manufacturing sector, primarily driven by declines in food manufacturing. Stronger growth in the durable manufacturing sector was driven by electrical equipment manufacturing. All month-over-month indexes were positive except for new orders for exports at -1. The inventories and employee workweek indexes rose from last month. The year-over-year composite index eased from 15 to 14, but all other indexes were positive except for new orders for exports and employment. Expectations for future activity remained expansionary with the composite index at 20, reaching its highest reading since July 2022, as expectations for future production and shipments are elevated.

Special Questions

This month, contacts were asked special questions about profit margin changes and changes in demand expectations. Almost a quarter (24%) of firms reported a slight increase in profit margins from the beginning of the year, 3% reported a significant increase, 16% reported no change, 43% reported a slight decrease, and 14% reported a significant decrease (Chart 2). Firms were also asked about changes in demand expectations for their products for the remainder of the year. A third of firms expect no change in demand, 6% expect demand to be significantly higher, 43% expect demand to be slightly higher, 11% expect demand to be slightly lower, and 7% expect demand to be significantly lower for the remainder of the year (Chart 3).

Selected Manufacturing Comments

“Capacity had to be reabsorbed after covid. The result was a downturn in the industry 2023-25. There seems to be a slow general recovery.”

“Due to anticipated volume increases with new business we are bringing in, we are assessing plant layout and equipment deficiencies. These will be addressed, which will improve productivity and throughput.”

“Data center and related construction is masking an underlying softness in other segments such as housing and non-residential.”

“Good levels of business in data center, geothermal and LNG. Other basic markets are dull.”

“We are seeing softening on orders as our customers work down inventory levels. They no longer are holding excess inventory and uncertainty on demand has led many companies, including us, to bleed down inventory and conserve cash. We have frozen hiring and we are not replacing employees who leave. Continued uncertainty continues to increase cost of doing business.”

“We have incurred decrease in productivity percentage because of reduced talent and settling for less than best.”

“The reduction in turnover has allowed our general workforce to increase in skill set.”

“Second half of 2026 appears dismal.”

“Foreign sales are up year-to-date.”

“We have the largest price increase we have ever experienced in the last 25 years. We are also getting several price increases during the year. We used to get just one or two price increases at most in past years.”

Table 1. Summary of Tenth District Manufacturing Conditions, July 2026

	July vs. June (percent)*					July vs. Year Ago (percent)*				Expected in Six Months (percent)*				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index^	SA Index*^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				8	9				14				17	20
Production	29	55	16	13	17	43	33	23	20	46	37	16	30	38
Volume of shipments	31	51	18	13	20	47	30	22	25	48	32	19	29	37
Volume of new orders	29	45	25	4	10	42	33	24	18	41	42	16	25	28
Backlog of orders	25	53	22	3	2	36	43	21	14	23	56	20	3	6
Number of employees	18	65	17	1	2	32	36	33	-1	26	63	11	14	17
Average employee workweek	13	76	11	2	4	26	56	18	8	21	67	12	9	11
Prices received for finished product	30	65	5	25	28	79	15	6	72	53	41	6	46	50
Prices paid for raw materials	53	45	2	51	52	94	4	2	92	70	25	5	65	67
Capital expenditures						27	53	20	6	31	49	20	10	10
New orders for exports	7	82	11	-3	-1	9	74	17	-7	9	78	13	-3	-1
Supplier delivery time	21	73	5	16	15	35	55	10	24	17	77	6	11	11
Inventories: Materials	22	59	18	4	3	36	39	26	10	22	57	20	2	5
Inventories: Finished goods	25	65	10	14	15	28	51	22	6	23	61	16	7	12

*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 July survey was open for a six-day period from July 15-20, 2026 and included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

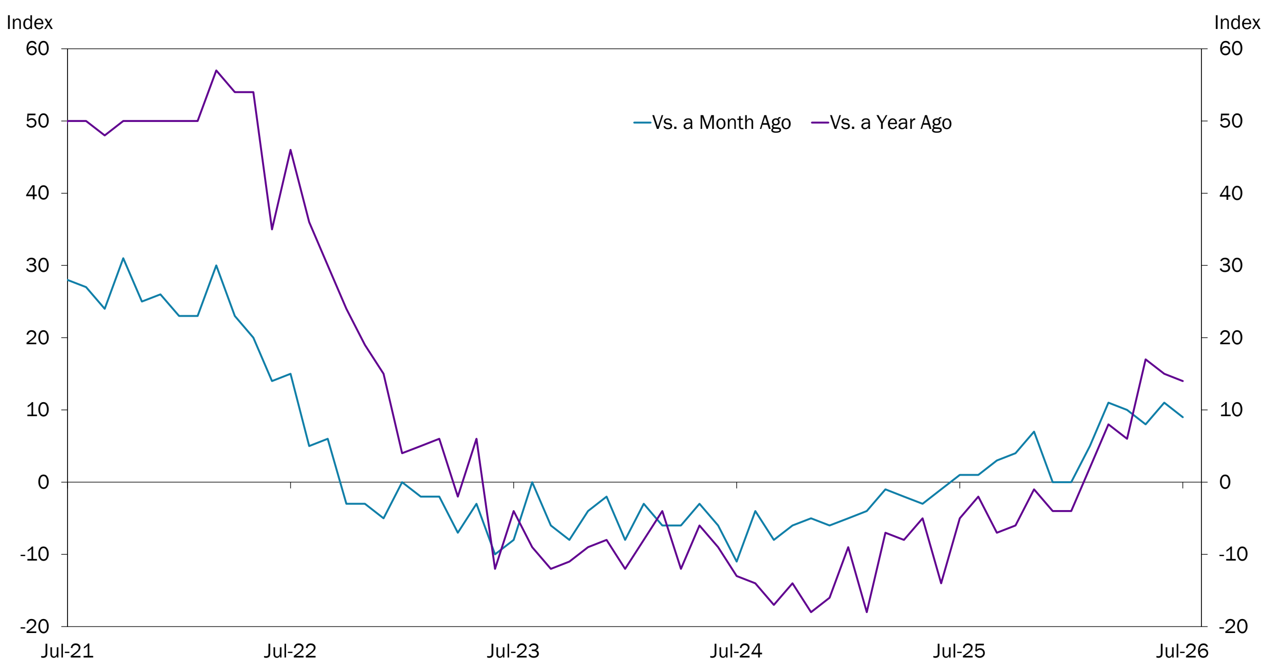

Chart 2. Special Question: Given current price pressures, how have profit margins changed for your firm since the beginning of the year?

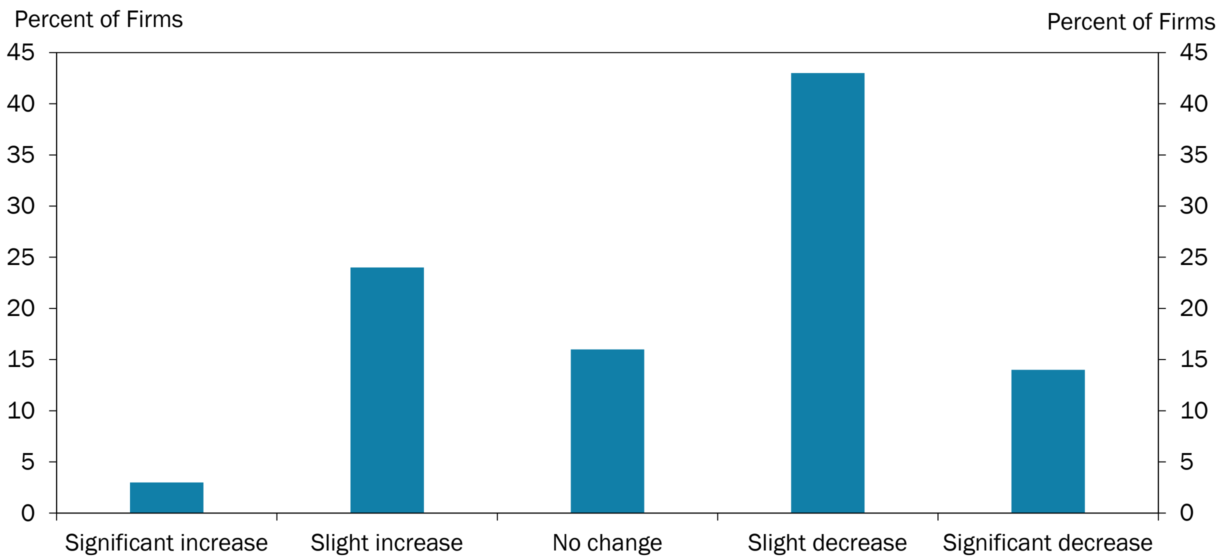

Chart 3. Special Question: What are your expectations for demand for your firm's products for the remainder of the year?

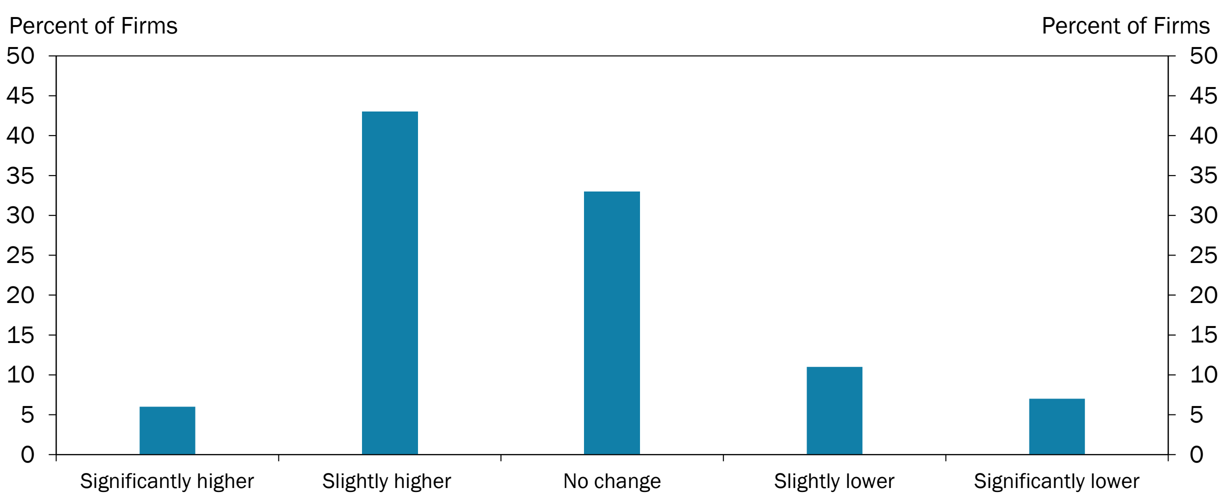

Table 2
Historical Manufacturing Survey Indexes

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