Manufacturing Survey

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Tenth District Manufacturing Activity Continued to Increase 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 Cortney Cowley, assistant vice president and Oklahoma City Branch executive, the survey revealed that activity in the Tenth District manufacturing sector continued to increase, and expectations for future activity remained steady.

“District manufacturing activity continued to rise along with the price indexes in September,” said Cowley. “When asked about strategies for an aging workforce, the top methods cited were an increase in automation and technology, investing in training and upskilling current workers, and offering flexible work arrangements.”

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 continued to increase, and expectations for future activity remained steady (Chart 1, Tables 1 & 2). Both month-over-month price indexes increased slightly from last month, with the finished products price index reaching its highest reading since July 2022.

Factory Activity Continued to Increase

The month-over-month composite index was 14 in September, up from 10 in August and 9 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. Both durable and nondurable manufacturing activity increased, driven primarily by plastics and rubber products and furniture-related products. All month-over-month indexes were positive. The average employee workweek index rose moderately. The year-over-year composite index eased from 16 to 15, and most indexes were positive except for new orders for exports and the employment index. Expectations for future activity remained expansionary with the composite index at 19.

Special Questions

This month, contacts were asked special questions about conditions to reduce headcount and investments/capital spending and retirement for current workforce. Almost a quarter (22%) of firms cited their sales would have to see a decline of 10% to less than 20% to decrease their investments/capital expenditures, 21% would not reduce, 17% cited a decline of 5% to less than 10%, 16% of firms are planning cuts, 15% cited a decline of 20% to less than 30%, 6% cited a decline of less than 5%, and 3% cited a decline of 30% or more before reducing their investments/capital expenditures. Nearly a third (26%) of firms cited their sales would have to see a decline of 5% to less than 10% to decrease their headcount, 22% cited a decline of 10% to less than 20%, 13% cited a decline of 20% to less than 30%, 12% would not reduce, 11% of firms are planning cuts, 10% cited a decline of less than 5%, and 6% cited a decline of 30% or more before reducing their headcount (Chart 2). Firms were also asked what share of their workforce is close to retirement eligibility. Half of firms cited less than 10% of their current workforce is within 5 years of retirement eligibility, 29% cited 10-20%, 12% cited 20-30%, 7% cited more than 30%, 3% were not appliable or unable to estimate (Chart 3).

Selected Manufacturing Comments

“Things are starting to look very good for us for the 4th quarter in terms of new orders and shipped orders.”

“Business continues to weaken and cost continue to rise. Our workers deserve higher wages, but the profit isn’t available to support more.”

“We are getting hit every single month with price increases.”

“We have an increase in new business for the next year of over 30%. We will try to automate as much as possible to minimize the need for additional headcount.”

“Ongoing theme for the past two years - lack of consistent economic and tariff policies coupled with global geo-political instability makes every decision exponentially more difficult and risky. It overhangs the decision-making process resulting in a tendency to restrain growth and investments, regardless of sales.”

“Grave concerns about energy costs and the impact on cost/pricing. Prices to customers are going to go up and go up significantly if something doesn't change quickly. We are looking at a huge new round of inflation. Perhaps even scarcity of supply. Very tenuous at the moment.”

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

	September vs. August (percent)*					September 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				11	14				15				18	19
Production	35	45	21	14	20	45	30	26	19	46	42	13	33	36
Volume of shipments	38	41	22	16	21	48	28	25	23	46	39	16	30	34
Volume of new orders	39	41	21	18	24	46	31	24	22	46	38	17	29	31
Backlog of orders	29	49	23	6	13	37	41	23	14	24	54	22	2	4
Number of employees	14	70	16	-2	0	30	38	33	-3	27	57	16	11	8
Average employee workweek	20	74	6	14	13	32	58	10	22	19	72	9	10	12
Prices received for finished product	38	59	3	35	37	80	13	7	73	65	30	5	60	59
Prices paid for raw materials	66	33	1	65	68	92	6	2	90	80	18	2	78	76
Capital expenditures						31	54	15	16	31	52	17	14	11
New orders for exports	11	77	12	-1	0	12	70	17	-5	10	77	13	-3	-2
Supplier delivery time	23	70	7	16	19	40	50	10	30	23	68	9	14	14
Inventories: Materials	26	56	18	8	9	36	35	30	6	24	55	21	3	6
Inventories: Finished goods	26	63	11	15	18	28	49	23	5	20	65	15	5	8

*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 16-21, 2026 and included 101 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

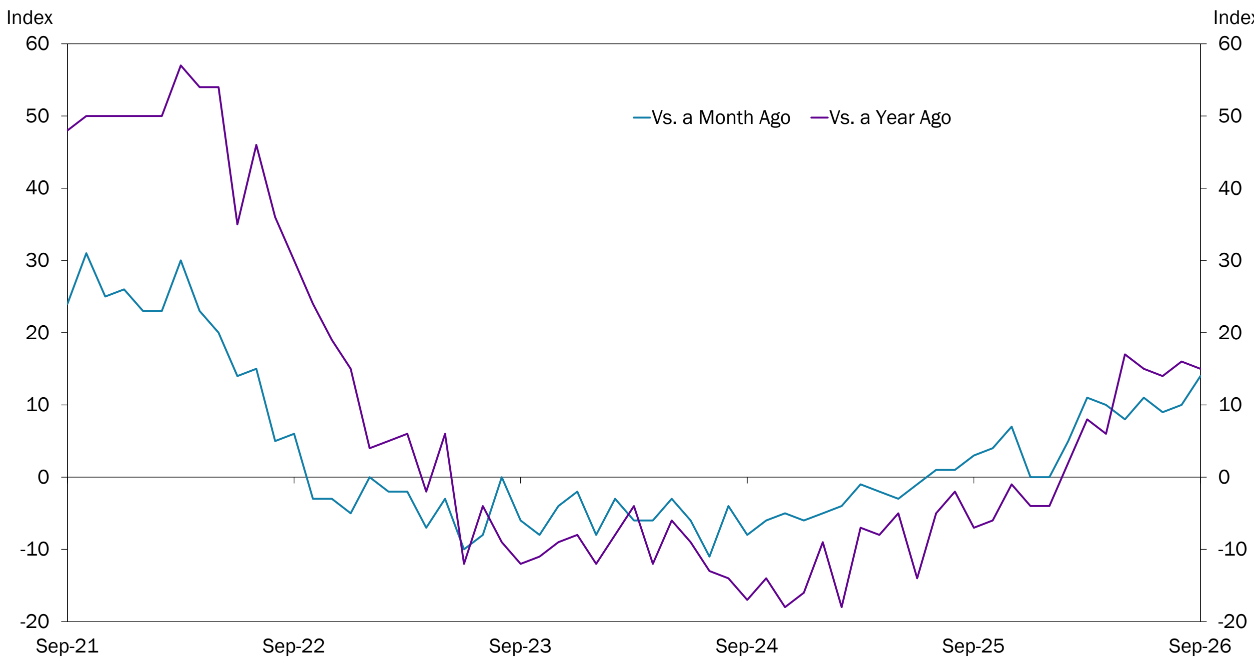

Chart 2. Special Question: How much would your sales have to change over the next year before your firm reduces its head count and investments/capital expenditures?

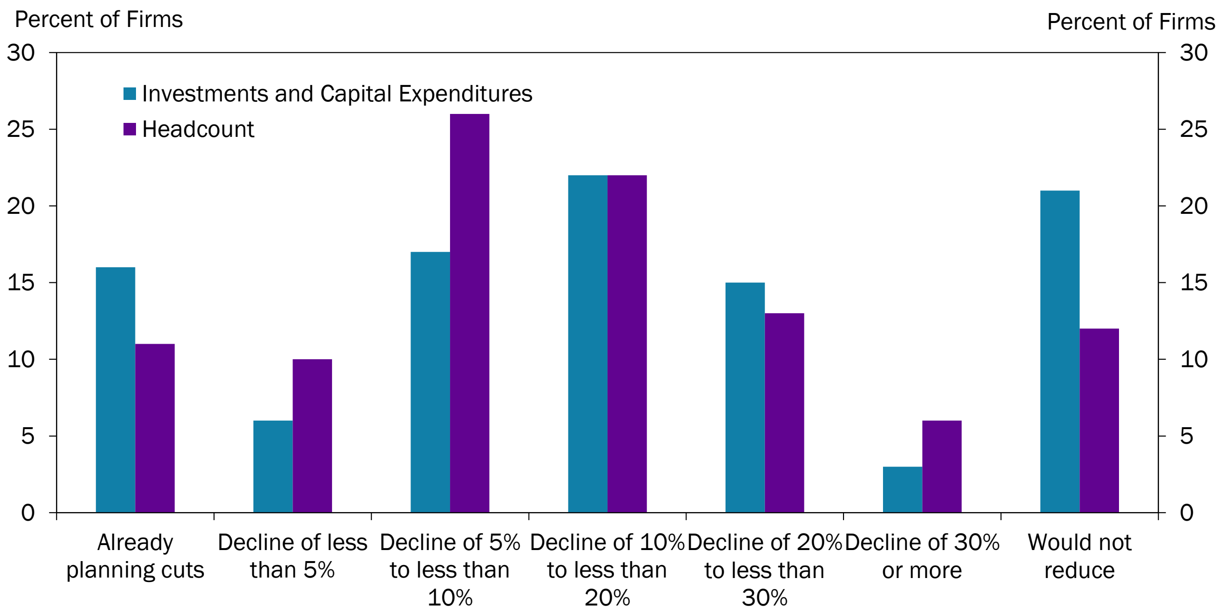

Chart 3. Special Question: Approximately what share of your current workforce is within 5 years of retirement eligibility (62 to 65 years old)?

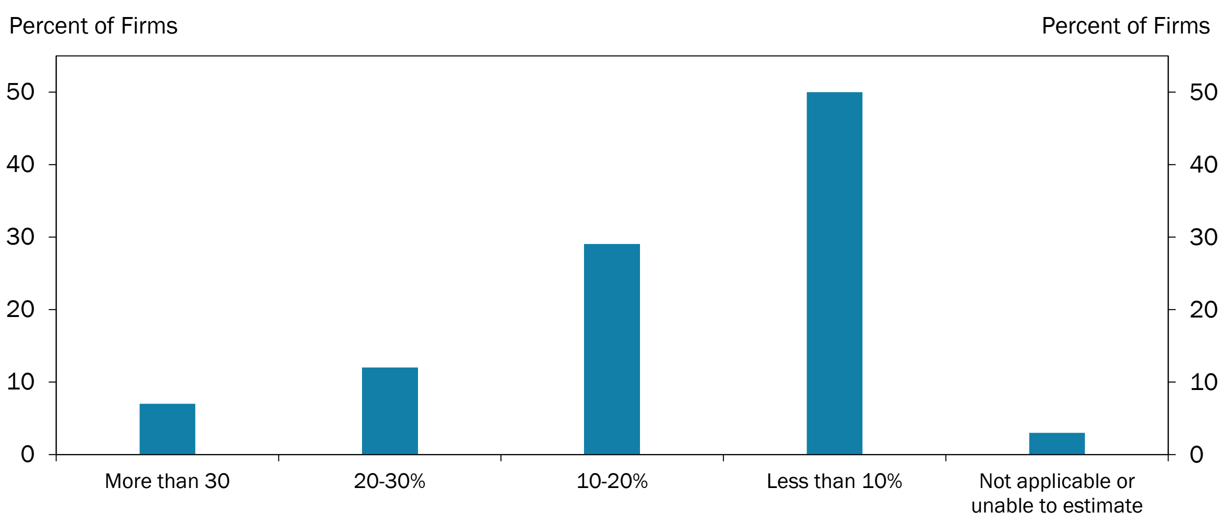

Table 2
Historical Manufacturing Survey Indexes

	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	Apr'26	May'26	Jun'26	Jul'26	Aug'26	Sept'26
Versus a Month Ago													
(seasonally adjusted)													
Composite Index	3	4	7	0	0	5	11	10	8	11	9	10	14
Production	3	10	14	-3	-2	10	11	10	9	19	17	17	20
Volume of shipments	6	11	16	0	-2	11	20	15	7	20	20	17	21
Volume of new orders	1	0	-2	-2	0	7	15	12	13	13	10	16	24
Backlog of orders	-11	-2	-7	-5	-11	8	13	2	14	4	2	4	13
Number of employees	6	0	10	-4	0	-6	7	2	-4	10	2	0	0
Average employee workweek	2	-3	1	3	4	6	7	7	6	2	4	1	13
Prices received for finished product	16	18	14	24	19	18	19	25	29	33	28	36	37
Prices paid for raw materials	40	40	36	41	44	42	37	63	63	68	52	55	68
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	-9	-5	-4	-5	-6	0	-4	-3	-3	0	-1	-2	0
Supplier delivery time	4	9	13	7	8	7	18	20	24	16	15	7	19
Inventories: Materials	-1	-1	-1	1	-4	6	3	8	-1	-1	3	11	9
Inventories: Finished goods	1	1	2	2	4	10	4	11	9	-5	15	6	18
Versus a Year Ago													
(not seasonally adjusted)													
Composite Index	-7	-6	-1	-4	-4	2	8	6	17	15	14	16	15
Production	-7	-3	-3	-8	-5	4	8	8	17	19	20	20	19
Volume of shipments	-7	-7	-1	-5	-9	4	17	5	22	20	25	13	23
Volume of new orders	-11	-14	-3	2	-7	3	16	11	31	20	18	28	22
Backlog of orders	-14	-26	-12	-21	-18	-2	9	-5	11	14	14	15	14
Number of employees	-11	-12	5	-7	-11	-6	-7	-12	2	10	-1	5	-3
Average employee workweek	-12	-10	-6	-10	-8	-4	2	-3	6	1	8	5	22
Prices received for finished product	55	52	50	58	54	58	52	57	72	70	72	69	73
Prices paid for raw materials	74	71	64	68	67	81	72	88	89	84	92	87	90
Capital expenditures	5	4	9	14	4	8	5	6	1	2	6	16	16
New orders for exports	-19	-14	-11	-12	-9	5	-9	1	-3	1	-7	-9	-5
Supplier delivery time	-3	6	5	3	9	8	14	21	29	21	24	17	30
Inventories: Materials	-2	-6	-9	-10	-6	4	7	-1	4	3	10	8	6
Inventories: Finished goods	-4	-1	2	4	4	-1	-3	1	7	0	6	0	5
Expected in Six Months													
(seasonally adjusted)													
Composite Index	8	14	9	10	7	15	16	18	19	19	20	20	19
Production	19	33	17	13	16	24	26	31	28	29	38	35	36
Volume of shipments	14	28	15	9	16	30	27	29	34	30	37	37	34
Volume of new orders	11	11	13	12	17	14	23	27	28	22	28	36	31
Backlog of orders	-4	3	-1	-2	-9	-1	6	8	7	6	6	10	4
Number of employees	11	10	11	17	3	22	15	18	25	19	17	12	8
Average employee workweek	4	10	5	5	2	7	8	5	9	13	11	4	12
Prices received for finished product	36	38	32	39	47	37	40	46	58	52	50	57	59
Prices paid for raw materials	59	61	61	59	62	56	61	67	75	68	67	66	76
Capital expenditures	4	5	1	9	5	13	8	5	13	0	10	17	11
New orders for exports	-9	-8	-6	-4	-9	7	1	8	-7	0	-1	1	-2
Supplier delivery time	2	16	5	5	6	11	13	9	15	13	11	8	14
Inventories: Materials	-2	0	-3	2	-9	3	0	4	2	12	5	9	6
Inventories: Finished goods	3	3	0	7	6	3	3	0	5	5	12	-1	8