



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Oct. 27, 2022

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

Tenth District Manufacturing Activity Declined Slightly
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 Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity declined slightly, and expectations for future activity also fell.

“Regional factory activity declined slightly in October,” said Wilkerson. “Indexes fell considerably for production, shipments, and new orders; however, firms still reported slight gains in employment.”

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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity declined slightly, and expectations for future activity also decreased (Chart 1, Tables 1 & 2). The monthly index of raw materials prices slowed in October and continued to decrease compared to a year ago. Finished goods price indexes decreased slightly from a month ago and compared to year-ago levels. Expectations for future raw materials and finished goods prices also slowed moderately.

Factory Activity Declined Slightly

The month-over-month composite index was -7 in October, the lowest composite reading since May 2020, and down from 1 in September and 3 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. The slower pace in factory growth in October was driven by decreased activity in computer and electronic, wood, primary metals, and plastics and rubber manufacturing. Most month-over-month indexes decreased in October, except for supplier delivery time and finished goods inventories. Year-over-year factory indexes continued to decrease in October, and the composite index slowed from 30 to 24. The future composite index dropped from 9 to -1 in October, with the future production, new orders, order backlog, employee workweek, new orders for exports, supplier delivery time, and finished goods inventories indexes also moving into negative territory.

Special Questions

This month contacts were asked special questions on changes in their workforce and investments compared to pre-pandemic. In October, 65% of firms reported devoting significantly or slightly more resources to training workers in order to meet skill requirements, while 33% reported no change (Chart 2). Due to labor shortages, 36% of firms reported investing or planning to invest in labor-saving automation strategies at a faster pace than in the past. On the same questions, 28% percent of firms invested or planned to invest similar to the past and about 25% of firms reported not investing in labor-saving technology (Chart 3).

Selected Manufacturing Comments

“Prices paid for commodities still through the roof. No relief in sight. Labor is still hard to find. Economy is still decent - lots of future growth opportunities sitting out there - but they will be hard to support with labor market.”

“Overall workforce remains good. A second all-employee salary increase occurred in September which is over and above normal raises.”

“We are promoting productivity and efficiency. As I said, doing more with less. We are getting a good response from our workforce.”

“Supply chain is better, overseas shipments are cheaper and faster, helping reduce prices paid for materials.”

“We are still struggling with finding competent and reliable employees. It is severely inhibiting our ability to expand our operations.”

“We do not have the capital available for automation. We are concentrating more on our inventory availability.”

Table 1. Summary of Tenth District Manufacturing Conditions, October 2022

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	-7				24				3	-1
Production	18	50	32	-14	-22	50	22	28	23	33	40	28	5	-1
Volume of shipments	22	48	31	-9	-18	50	26	24	27	32	42	27	5	2
Volume of new orders	24	44	33	-9	-16	47	23	31	16	27	37	37	-10	-14
Backlog of orders	20	44	37	-17	-19	45	27	29	16	25	38	38	-13	-18
Number of employees	26	54	20	6	3	45	34	22	23	33	50	17	16	11
Average employee workweek	14	73	13	1	-3	28	56	16	12	17	64	19	-2	-3
Prices received for finished product	32	52	16	16	13	81	9	10	71	59	30	11	48	43
Prices paid for raw materials	45	39	17	28	26	89	0	11	78	62	20	18	44	35
Capital expenditures						30	50	20	10	27	56	17	10	5
New orders for exports	4	89	7	-3	-5	15	73	11	4	10	81	9	1	-1
Supplier delivery time	19	63	18	1	-1	48	27	26	22	26	44	31	-5	-4
Inventories: Materials	25	49	26	-1	1	57	22	21	35	32	43	25	7	6
Inventories: Finished goods	20	60	19	1	2	37	41	22	14	22	55	22	0	-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 five-day period from October 19-24, 2022 and included 102 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes



Chart 2. Special Question: Has your firm been devoting more resources (internal or external) to training workers that do not meet skill requirements?

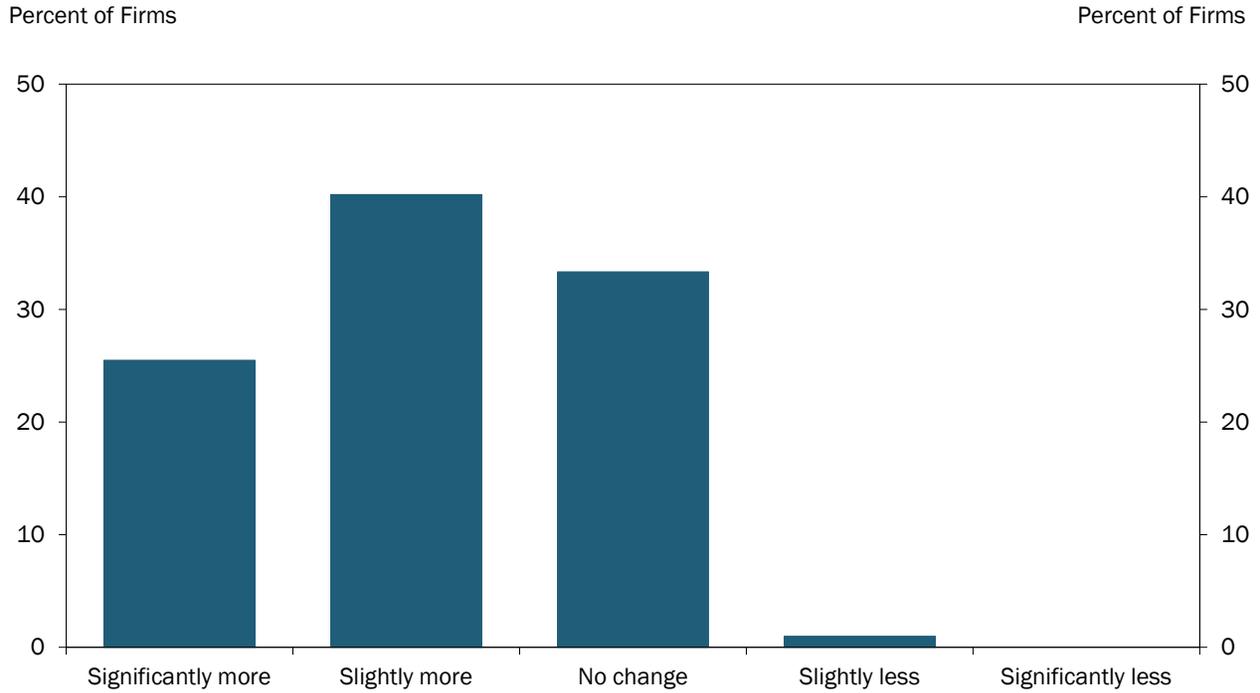


Chart 3. Special Question: Because of labor shortages, has your firm invested or plan to invest in labor-saving automation strategies?

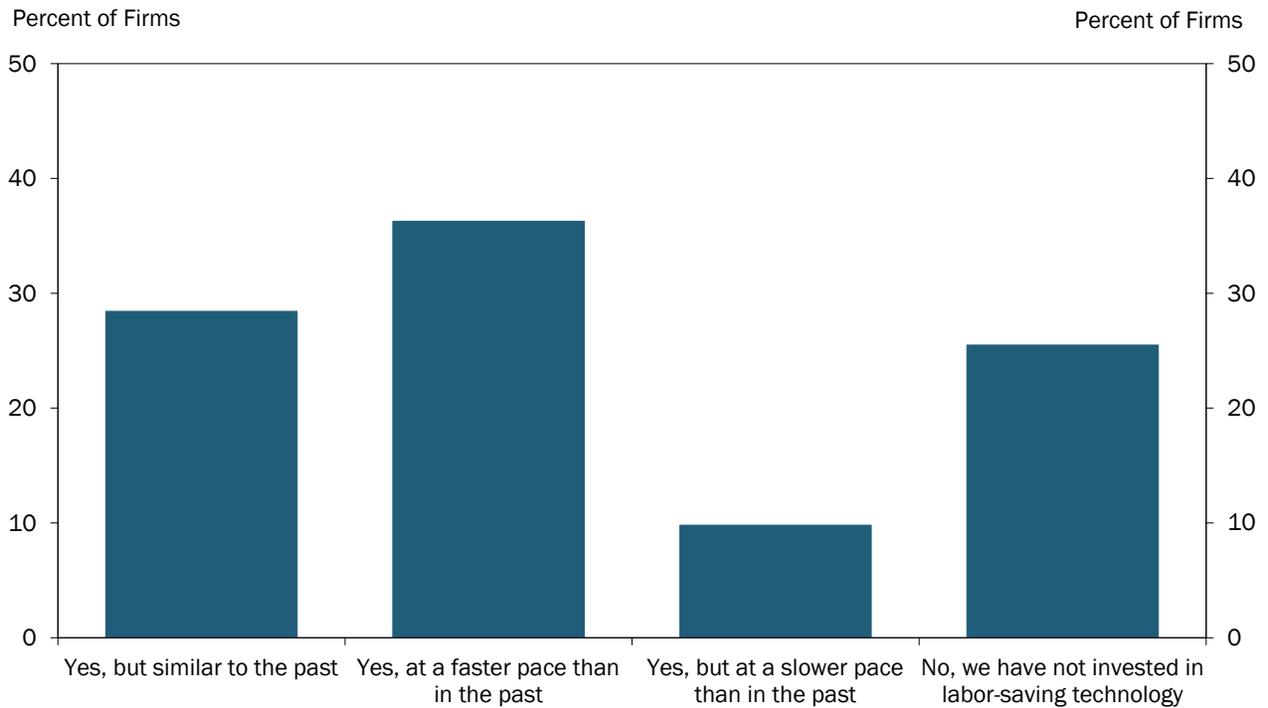


Table 2
Historical Manufacturing Survey Indexes

	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22
Versus a Month Ago													
(seasonally adjusted)													
Composite Index	28	22	22	24	29	37	25	23	12	13	3	1	-7
Production	19	14	11	20	31	46	28	19	-1	7	-9	2	-22
Volume of shipments	21	7	13	5	24	46	27	17	-3	9	-13	0	-18
Volume of new orders	20	-2	22	14	32	33	10	15	-8	-2	-16	-11	-16
Backlog of orders	21	10	9	27	22	29	9	20	-4	5	-7	-4	-19
Number of employees	32	23	18	24	26	18	19	34	18	17	10	10	3
Average employee workweek	13	9	8	8	24	14	10	13	9	5	-8	15	-3
Prices received for finished product	45	50	46	49	47	51	57	42	51	36	25	27	13
Prices paid for raw materials	81	77	67	64	64	81	83	72	71	41	38	41	26
Capital expenditures	n/a												
New orders for exports	4	4	1	6	10	8	4	8	4	-1	-3	-2	-5
Supplier delivery time	49	55	44	38	36	55	42	29	25	23	22	-2	-1
Inventories: Materials	17	20	17	27	19	32	26	19	23	22	9	6	1
Inventories: Finished goods	4	-2	4	8	7	19	5	1	9	-5	-3	-8	2
Versus a Year Ago													
(not seasonally adjusted)													
Composite Index	50	50	50	50	50	57	54	54	35	46	36	30	24
Production	55	49	54	49	52	63	63	52	25	43	23	28	23
Volume of shipments	55	46	49	38	55	53	65	51	29	40	23	34	27
Volume of new orders	64	57	60	51	47	58	53	53	30	37	25	24	16
Backlog of orders	60	56	48	53	54	60	52	44	20	33	39	39	16
Number of employees	41	42	38	41	51	38	48	44	39	44	37	30	23
Average employee workweek	39	41	32	34	32	28	23	19	22	19	3	23	12
Prices received for finished product	89	87	88	88	86	87	92	90	87	78	79	78	71
Prices paid for raw materials	99	98	98	97	99	98	98	95	93	87	79	88	78
Capital expenditures	28	29	43	26	29	16	28	30	21	27	23	24	10
New orders for exports	20	17	14	13	10	16	12	9	10	4	3	5	4
Supplier delivery time	63	70	66	62	63	71	57	67	44	53	46	28	22
Inventories: Materials	28	29	34	49	38	56	52	53	38	53	51	39	35
Inventories: Finished goods	6	0	12	17	18	28	21	28	19	10	13	10	14
Expected in Six Months													
(seasonally adjusted)													
Composite Index	32	31	26	37	38	41	34	31	10	26	10	9	-1
Production	39	37	33	44	57	61	49	39	13	29	22	16	-1
Volume of shipments	36	35	34	45	55	57	51	32	13	37	31	17	2
Volume of new orders	34	36	22	30	36	40	31	28	10	25	10	9	-14
Backlog of orders	16	11	11	33	29	22	11	18	-3	14	-2	10	-18
Number of employees	37	41	34	57	52	46	41	40	26	44	19	17	11
Average employee workweek	17	14	13	30	26	25	19	22	7	10	-2	11	-3
Prices received for finished product	58	53	52	67	70	75	74	68	67	45	51	51	43
Prices paid for raw materials	72	60	65	73	85	84	79	69	66	60	47	58	35
Capital expenditures	32	20	21	28	35	29	29	24	14	20	29	11	5
New orders for exports	10	9	1	17	14	20	10	13	12	6	7	-1	-1
Supplier delivery time	42	32	31	37	30	48	29	39	9	20	9	10	-4
Inventories: Materials	8	9	11	16	14	11	17	8	-8	14	-8	-9	6
Inventories: Finished goods	6	3	1	10	19	12	10	7	-4	-8	-10	-11	-3