



NEWS RELEASE

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Tenth District Manufacturing Activity Was Flat
Federal Reserve Bank of Kansas City Releases January Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the January Manufacturing Survey today. According to Chad Wilkerson, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity was flat, and expectations for future activity moderated slightly.

“Regional factory activity was basically flat in January,” said Wilkerson. “However, expectations for future activity were still positive, and many firms expected employment levels to increase over the next six months.”

A summary of the January survey is attached. The January survey incorporates new seasonal adjustment factors using Census X-13 ARIMA-SEATS, so historical indexes differ slightly from previously released numbers. The new seasonal factors will be used throughout 2023. 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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity was mostly flat, and expectations for future activity moderated slightly (Chart 1, Tables 1 & 2). Monthly survey price indexes saw minimal growth in January. Price indexes remained above year-ago levels for most firms, and many firms expected some slowing in price gains over the next six months.

Factory Activity was Mostly Flat

The month-over-month composite index was -1 in January, up slightly from -4 in December and -2 in November (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth was driven more by activity at durable goods plants in January, especially wood product, machinery, and transportation equipment manufacturing. Month-over-month indexes remained mostly negative, but the pace of decline slowed compared to December. While employment and material inventory indexes were positive in January, and the new orders, backlog, and new orders for exports indexes continued to decline. Year-over-year factory indexes decreased further in January, and the composite index slowed from 15 to 4. The future composite index decreased from 6 to 3 in January with the new orders for exports and finished goods inventories indexes moving into negative territory this month.

Special Questions

This month contacts were asked special questions about demand for products, expectations for capital expenditures, impact of increases in long-term interest rates, and labor. In January, 52% of firms expected demand for their products to be higher in 2023 compared to last year, while 19% of firms expected no change in demand for their products, and 29% of firms expected demand for their products to be lower in 2023 compared to last year (Chart 2). About 38% of firms expected capital expenditures to be higher in 2023 compared to last year, while 30% of firms expected no change in in capital expenditures, and 32% of firms expected capital expenditures in 2023 to be lower compared to last year (Chart 3).

Selected Manufacturing Comments

“Have seen significant increase in backlog and in the process of hiring additional sales personnel.”

“Cost of goods (production inputs) remain extremely high and still going north. This idea that inflation is easing is not true - at least in our industry/segment. Profits taking hit despite price increases. Can't pass through all cost increases to customers - resulting in reduced margins on our side.”

“Supply chain has improved, prices for materials are falling fast and delivery times are much better.”

“Our energy costs continue to accelerate at a double-digit pace. We continue to experience a shortage of truck drivers and double-digit inflation in truck driver wages. Driver turnover remains a problem as competitors seek to entice them to work for them with higher pay.”

“Our industry saw a surge in demand during Covid. Customers appear to have over ordered and are working through inventory. We expect 2023 to be similar in demand to pre-Covid times. Our workforce has shrunk over the past 12 months significantly. Basically, we just didn't replace workers who quit or were terminated for various policy violations.”

“Overall demand is weaker for our products. With high prices for capital projects, we are delaying all the projects we can.”

Table 1. Summary of Tenth District Manufacturing Conditions, January 2023

Plant Level Indicators	January vs. December (percent)*					January 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	-1				4				4	3	
Production	25	43	32	-6	-4	36	29	34	2	40	34	26	14	10	
Volume of shipments	31	40	29	2	1	36	28	35	1	38	35	27	11	7	
Volume of new orders	29	35	35	-6	-8	38	24	39	-1	36	33	32	4	4	
Backlog of orders	21	46	33	-13	-17	33	29	38	-4	29	36	34	-5	-10	
Number of employees	18	64	19	-1	4	35	39	26	9	41	47	13	28	28	
Average employee workweek	8	70	22	-14	-8	26	57	17	9	19	61	20	-1	-4	
Prices received for finished product	25	61	14	11	16	74	10	16	58	44	43	14	30	29	
Prices paid for raw materials	33	53	14	20	20	72	9	19	53	44	39	18	26	27	
Capital expenditures						33	44	23	10	27	56	17	10	10	
New orders for exports	5	79	15	-10	-15	8	70	22	-14	7	79	14	-8	-8	
Supplier delivery time	13	74	14	-1	-1	30	33	36	-6	17	59	24	-7	-8	
Inventories: Materials	25	52	23	2	4	43	30	27	16	21	41	39	-18	-19	
Inventories: Finished goods	20	55	24	-4	-6	35	35	30	5	23	46	31	-7	-7	

*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 January survey was open for a five-day period from January 18-23, 2023 and included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

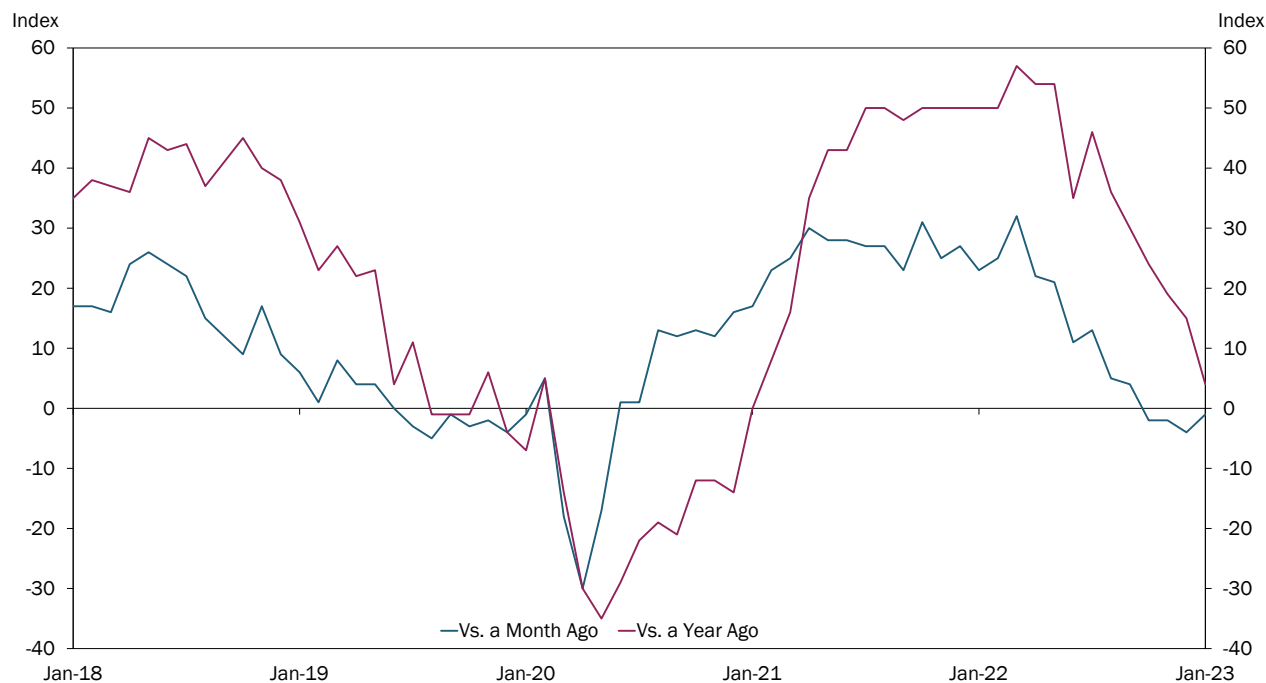


Chart 2. Special Question: What are your expectations for demand for your firm's products in 2023 compared to last year?

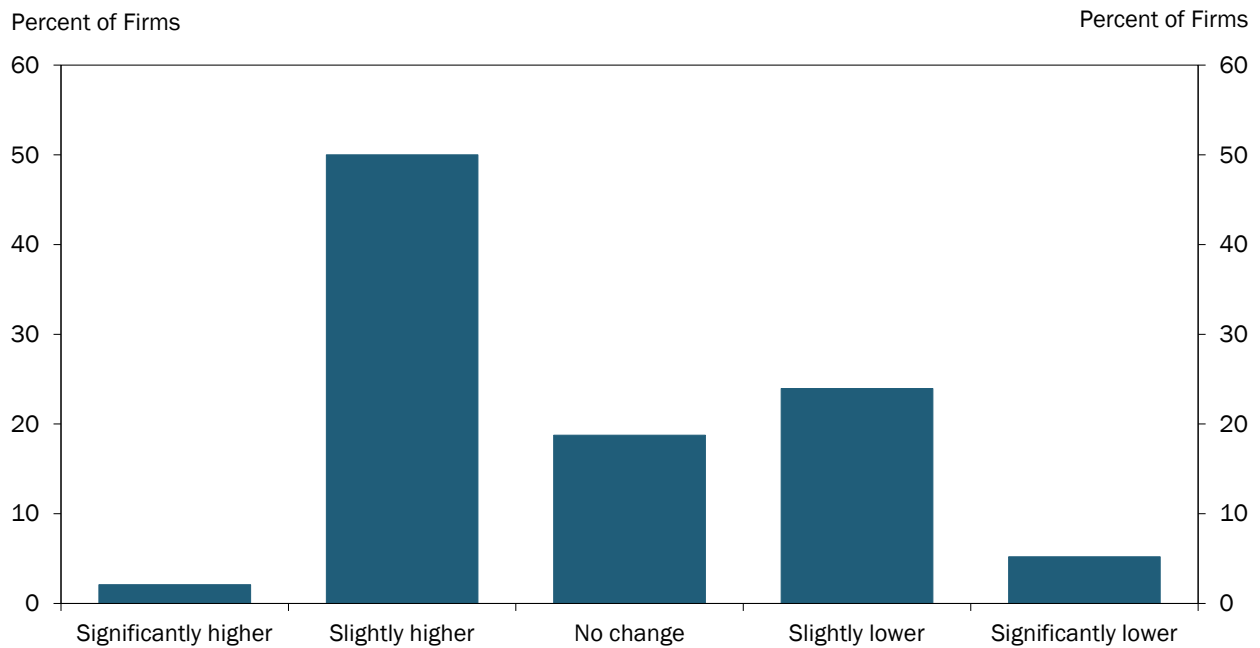


Chart 3. Special Question: What are your firm's expectations for capital expenditures in 2023 compared to last year?

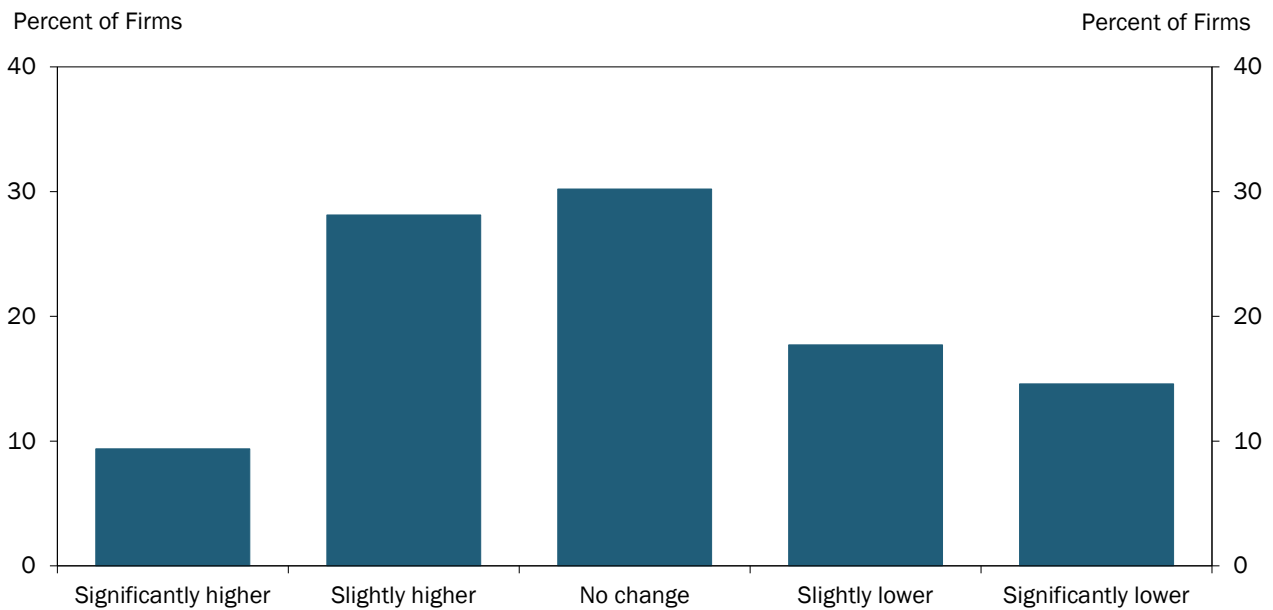


Table 2
Historical Manufacturing Survey Indexes

	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23
Versus a Month Ago													
(seasonally adjusted)													
Composite Index	23	25	32	22	21	11	13	5	4	-2	-2	-4	-1
Production	17	25	42	22	15	0	6	-6	4	-14	-4	-6	-4
Volume of shipments	1	19	43	21	13	-1	7	-8	3	-11	0	2	1
Volume of new orders	12	25	22	9	12	-5	0	-11	-6	-10	-10	-15	-8
Backlog of orders	21	17	20	8	16	-3	1	-5	-2	-12	-16	-16	-17
Number of employees	21	24	18	18	32	17	16	11	10	5	6	4	4
Average employee workweek	9	18	12	9	11	7	5	-7	17	1	7	0	-8
Prices received for finished product	51	47	48	50	43	49	35	28	27	18	19	15	16
Prices paid for raw materials	66	69	75	77	67	66	42	40	42	29	25	18	20
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	5	7	6	3	6	2	0	-2	-1	-3	-7	-2	-15
Supplier delivery time	38	32	50	37	30	24	22	21	3	2	-8	-3	-1
Inventories: Materials	24	17	29	23	18	21	20	10	8	5	6	-2	4
Inventories: Finished goods	7	5	16	5	1	7	-3	-2	-6	2	12	-2	-6
Versus a Year Ago													
(not seasonally adjusted)													
Composite Index	50	50	57	54	54	35	46	36	30	24	19	15	4
Production	49	52	63	63	52	25	43	23	28	23	16	14	2
Volume of shipments	38	55	53	65	51	29	40	23	34	27	21	17	1
Volume of new orders	51	47	58	53	53	30	37	25	24	16	5	4	-1
Backlog of orders	53	54	60	52	44	20	33	39	39	16	5	2	-4
Number of employees	41	51	38	48	44	39	44	37	30	23	20	20	9
Average employee workweek	34	32	28	23	19	22	19	3	23	12	15	7	9
Prices received for finished product	88	86	87	92	90	87	78	79	78	71	75	73	58
Prices paid for raw materials	97	99	98	98	95	93	87	79	88	78	73	74	53
Capital expenditures	26	29	16	28	30	21	27	23	24	10	11	12	10
New orders for exports	13	10	16	12	9	10	4	3	5	4	4	3	-14
Supplier delivery time	62	63	71	57	67	44	53	46	28	22	19	12	-6
Inventories: Materials	49	38	56	52	53	38	53	51	39	35	37	27	16
Inventories: Finished goods	17	18	28	21	28	19	10	13	10	14	18	15	5
Expected in Six Months													
(seasonally adjusted)													
Composite Index	36	34	38	31	28	9	26	12	11	3	4	6	3
Production	45	48	55	44	36	11	28	23	17	6	13	22	10
Volume of shipments	47	49	51	45	31	12	35	30	19	9	14	16	7
Volume of new orders	31	35	36	28	26	10	23	12	11	-11	2	4	4
Backlog of orders	24	24	19	10	16	-3	12	0	12	-12	-10	-12	-10
Number of employees	56	47	42	40	37	26	44	21	20	16	14	11	28
Average employee workweek	23	23	21	16	19	7	11	2	11	1	6	-3	-4
Prices received for finished product	67	70	72	71	65	65	44	53	51	46	40	37	29
Prices paid for raw materials	73	81	78	74	66	64	59	49	60	40	33	34	27
Capital expenditures	29	30	27	26	23	14	19	29	12	8	5	10	10
New orders for exports	15	13	18	10	12	11	6	7	1	1	-2	0	-8
Supplier delivery time	35	27	45	28	35	7	20	10	11	0	-13	-2	-8
Inventories: Materials	12	12	10	13	7	-9	15	-5	-6	6	3	-6	-19
Inventories: Finished goods	8	14	8	7	5	-3	-6	-7	-6	-2	5	0	-7