



NEWS RELEASE

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

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the February 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 were modest.

“Regional factory activity was flat in February,” said Wilkerson. “However, firms expected steady growth in their average number of employees to continue in 2023.”

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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity was flat, and expectations for future activity were modest (Chart 1, Tables 1 & 2). Monthly and annual survey price indexes continued to increase slightly, and expectations for future raw material and finished goods prices also rose.

Factory Activity was Mostly Flat

The month-over-month composite index was 0 in February, up slightly from -1 in January and -4 in December (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The pace of factory was affected by decreased activity at nondurable goods plants in February, especially plastics, chemical, and food manufacturing. Month-over-month indexes remained mostly negative in February. Indexes for new orders, number of employees, exports, and delivery time increased from January's readings, while volume of shipments, order backlog, employment, materials, and finished goods indexes decreased slightly. Year-over-year factory indexes increased slightly, from a composite index of 4 to 5. The future composite index decreased from 3 to 1 in February with volume of new orders and capital expenditures indexes moving into negative territory this month.

Special Questions

This month contacts were asked special questions about their biggest hiring priorities and change in average number of employees over time. In February, 44% of firms expected their biggest priority in hiring over the next six months was for entry level workers, while 40% of firms expected to focus on mid-level workers, 9% of firms expected other workers, and 7% expected senior level workers (Chart 2). In 2022, firms' year over year change in average number of employees was 2.6% and in 2023 firms expect the year over year change to remain at about that pace (Chart 3).

Selected Manufacturing Comments

“I know people say inflation is easing - but - we are not seeing it in our sector. Costs for production inputs are still very high and climbing. Lead times on raw materials is still long - but not as long as at times last year. Overall, costs remain high and still struggling to price our way out of it. Margins slim. If economy slows later this year it will be a big struggle.”

“Material costs have dropped, delivery time has improved, and I expect it to continue.”

“Business activity is showing some signs of softness. On a more positive note, lead time for raw materials has decreased.”

“We have approximately 50 open positions currently. We expect this to be reduced greatly by year end.”

“We need larger skilled labor pool. Applicants are unskilled mostly with no soft skills.”

“We continue to pay more than normal and higher than inflation for skilled people.”

“Extremely hard time finding new employees that want to show up for work or work when they get here.”

“Currently trying to figure out who goes and who stays. We are seeing numbers comparable to 2008 in business levels.”

“The economy continues to weaken as prices continue to rise. At best, this is a tenuous business environment. Personnel related regulations and taxes must be reduced. Inflation is still out of control as are costs of imported goods.”

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

Plant Level Indicators	February vs. January (percent)*					February 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				1	0				5				3	1	
Production	21	50	29	-9	-9	38	26	36	1	41	33	26	14	13	
Volume of shipments	19	46	35	-16	-13	38	25	38	0	38	29	33	4	3	
Volume of new orders	23	49	28	-4	-6	35	29	36	-1	36	33	30	6	-2	
Backlog of orders	17	51	32	-14	-22	35	32	33	1	25	35	41	-16	-19	
Number of employees	29	54	16	13	11	34	37	29	4	35	43	22	13	14	
Average employee workweek	3	81	16	-13	-13	19	59	22	-3	16	70	14	1	0	
Prices received for finished product	26	64	10	16	17	75	19	6	70	47	41	12	35	40	
Prices paid for raw materials	36	52	12	25	26	74	12	14	59	57	29	14	42	42	
Capital expenditures						25	51	25	0	22	58	20	1	-3	
New orders for exports	9	79	12	-3	-5	18	67	15	3	18	69	13	4	4	
Supplier delivery time	16	71	13	3	2	32	36	32	0	17	57	26	-9	-11	
Inventories: Materials	22	58	20	1	1	44	31	25	19	24	46	31	-7	-8	
Inventories: Finished goods	10	69	21	-10	-11	25	51	24	1	21	56	24	-3	-5	

*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 February survey was open for a six-day period from February 15-21, 2023 and included 69 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes



Chart 2. Special Question: Which of the following is your firm's biggest priority in hiring over the next six months?

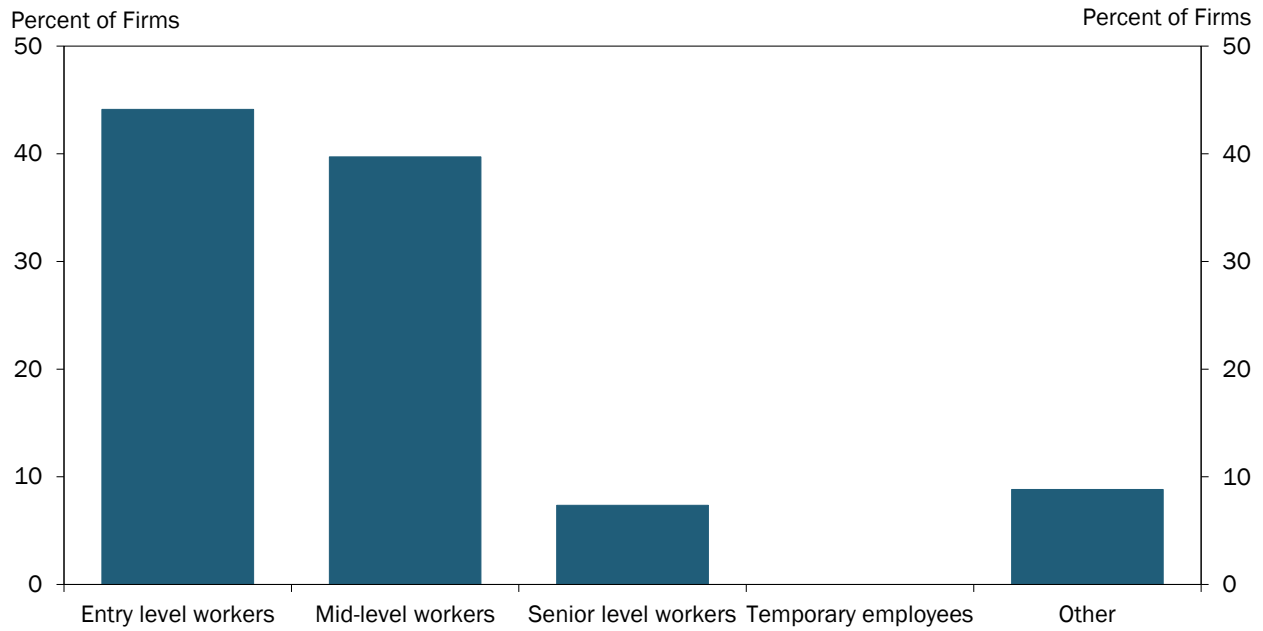


Chart 3. Special Question: Firm's year over year change in average number of employees?

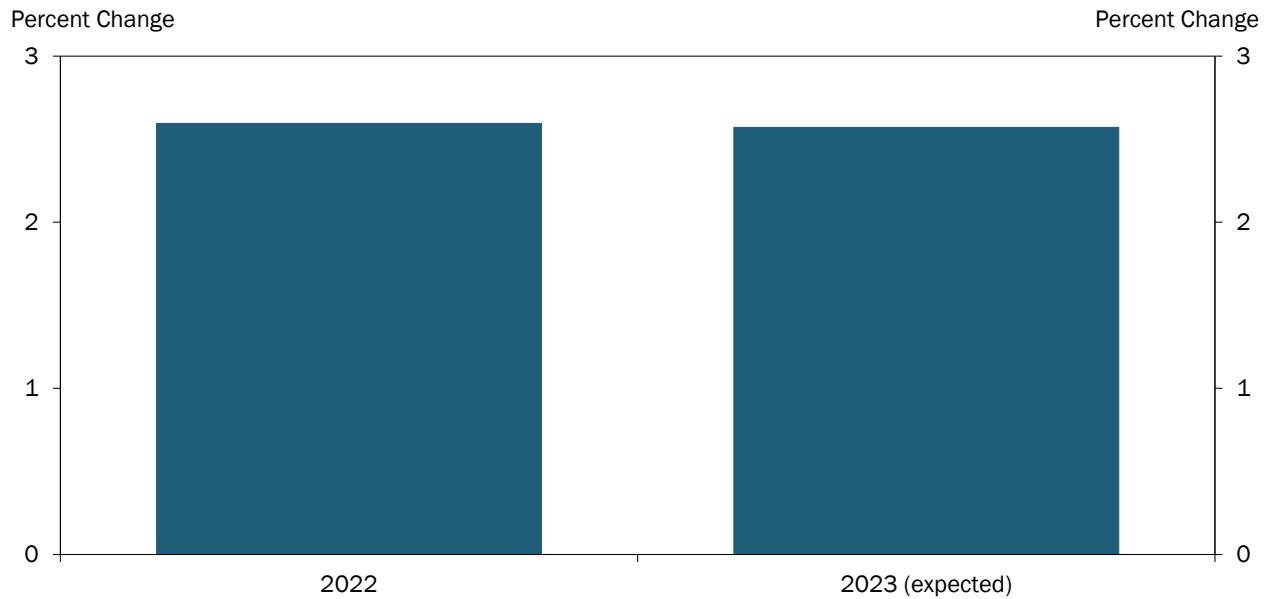


Table 2
Historical Manufacturing Survey Indexes

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