



NEWS RELEASE

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CONTACT: Sarah Dickson

(405) 270-8401

Sarah.Dickson@kc.frb.org

Tenth District Manufacturing Activity Declined Further in June
Federal Reserve Bank of Kansas City Releases June Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the June 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 declined further in June, and expectations for future activity fell into negative territory.

“Regional factory activity declined further in June,” said Wilkerson. “District firms’ expectations for future activity fell to their lowest levels since April 2020, although firms were still fairly optimistic about employment levels.”

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 declined further in June, while expectations for future activity fell into negative territory (Chart 1, Tables 1 & 2). Monthly price indexes decreased significantly and are expected to continue to ease in the next six months.

Factory Activity Declined Further

The month-over-month composite index was -12 in June, down from -1 in May and from -10 in April (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease from last month was driven by both durable and non-durable goods, especially by primary metals and print manufacturing. Month-over-month indexes remained mostly negative, but the pace of decline accelerated compared to May. The production, volume of shipments, number of employees, supplier delivery time, and inventories indexes all declined at a faster rate. Year-over-year factory indexes decreased further in June, and the composite index slowed from 6 to -12. The future composite index decreased from 2 to -2 in June, reaching the lowest level since April 2020.

Special Questions

This month contacts were asked special questions about hiring and employment activity and expectations about demand. About 43% of firms reported that they stopped posting new positions, looking for new workers, and reducing the number of hours for hired workers in the last 3 months, with 29% of firms expecting to do so in the next 6 months (Chart 2). Additionally, 40% of district firms expected demand for their products to be lower for the remainder of 2023, while 37% of firms expected demand to be higher, and 23% of firms expected no change in the demand for their products (Chart 3).

Selected Manufacturing Comments

“Inflation on raw materials for us is still high - very high and projected to go higher on select items. We will have to continue to take price increases - although at a slower rate and smaller increments. Business is strong and projected to stay strong - despite some other macro level concerns about the economy. We still need people - lots of them - especially on 2nd shift/night shift.”

“We're cautiously planning our factory production requirements for the next year, assuming a light recession at some point, but making contingency plans if that is not the case.”

“We are working to pay down debt with excess cash flow while rates are high. Focusing on highest rate loans first.”

“Cost of money is delaying progress on plant expansion.”

“Higher interest rates are squeezing incremental capital spending. For others, more than us.”

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

Plant Level Indicators	June vs. May (percent)*					June vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^A	SA Index^AA	Increase	No Change	Decrease	Diff Index^A	Increase	No Change	Decrease	Diff Index^A	SA Index^AA	
Composite Index				-10	-12				-12				-3	-2	
Production	23	47	30	-7	-10	34	25	41	-7	39	36	25	14	15	
Volume of shipments	29	39	32	-3	-2	35	24	41	-6	38	34	28	9	10	
Volume of new orders	18	45	37	-18	-14	29	21	49	-20	33	34	33	0	2	
Backlog of orders	18	47	34	-16	-14	25	32	44	-19	22	42	35	-13	-13	
Number of employees	18	57	24	-6	-12	36	29	34	2	31	46	24	7	10	
Average employee workweek	10	72	17	-7	-11	21	49	29	-8	13	66	21	-8	-8	
Prices received for finished product	15	75	10	5	3	70	15	15	55	36	49	15	21	20	
Prices paid for raw materials	25	56	18	7	4	62	9	29	33	30	49	21	9	13	
Capital expenditures						32	38	30	2	28	57	15	13	14	
New orders for exports	5	80	15	-10	-10	13	68	18	-5	10	76	15	-5	-5	
Supplier delivery time	8	76	16	-8	-8	17	46	37	-20	13	61	26	-14	-12	
Inventories: Materials	19	51	30	-12	-18	24	37	38	-14	18	42	40	-22	-23	
Inventories: Finished goods	18	60	23	-5	-10	27	44	29	-2	15	51	33	-18	-17	

*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.

^ASeasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The June survey was open for a six-day period from June 14-20, 2023 and included 87 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

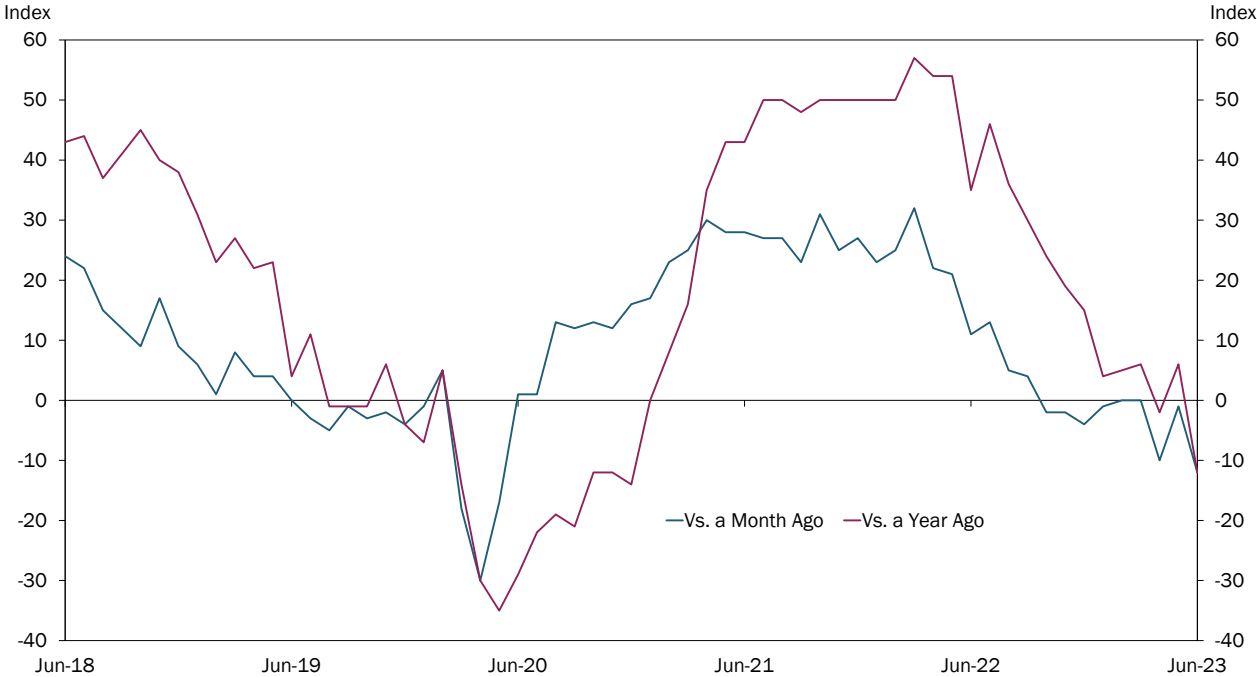


Chart 2. Special Question: District firms hiring and employment activity

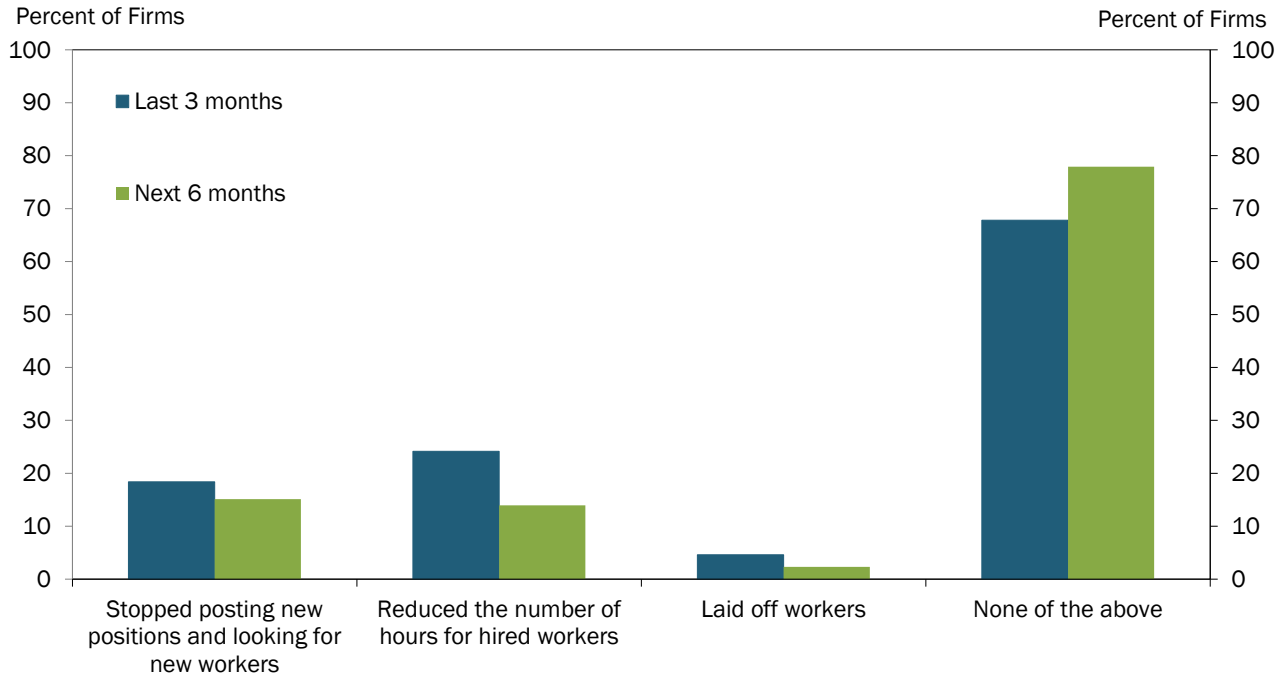


Chart 3. Special Question: What are your expectations for demand for your firm's products for the remainder of 2023?

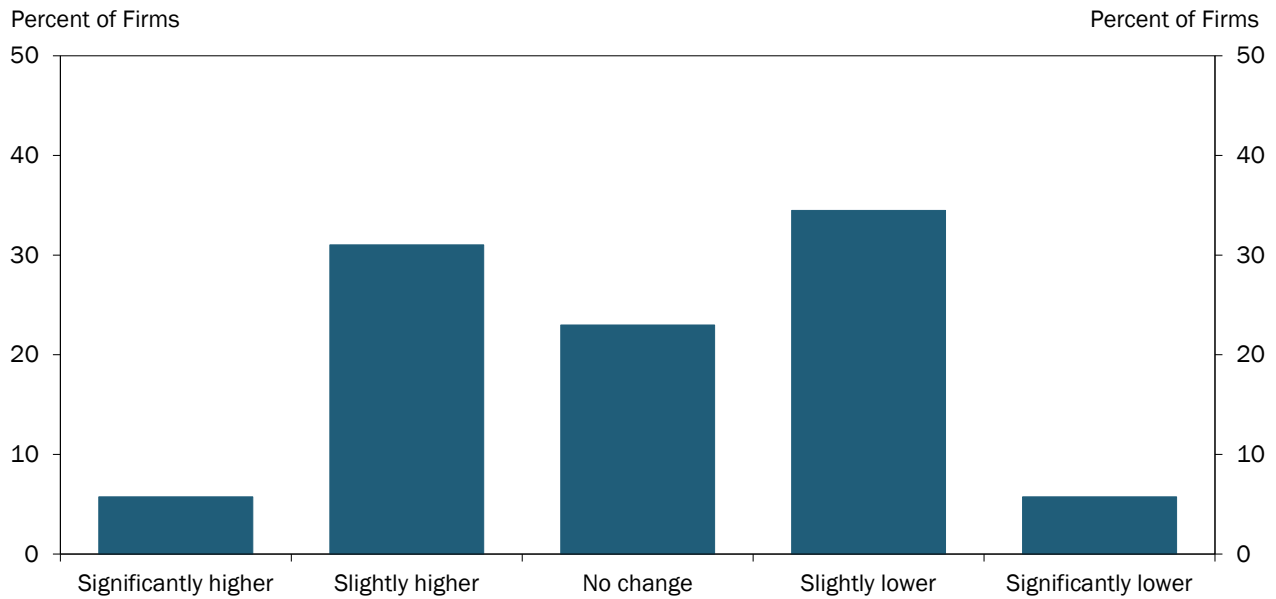


Table 2
Historical Manufacturing Survey Indexes

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