



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Was Unchanged in August**  
*Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the August 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 unchanged in August, and expectations for future activity rose slightly.

“Regional factory activity was basically flat in August,” said Wilkerson. “Firms also reported another decline in finished product prices but anticipate output prices to rise in coming months.”

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](http://www.kansascityfed.org).

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## **TENTH DISTRICT MANUFACTURING SUMMARY**

Tenth District manufacturing activity was unchanged in August, and expectations for future activity rose slightly (Chart 1, Tables 1 & 2). District firms' finished product prices continued to decline on a monthly basis even as raw materials prices increased. Firms continue to expect input and output price increases in the next six months.

### **Factory Activity Was Unchanged**

The month-over-month composite index was 0 in August, up from -11 in July and -12 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The change from last month was primarily driven by increases in printing, wood production, and furniture manufacturing. The month-over-month indexes were mixed, but all increased from previous readings except the number of employees which cooled slightly and new orders for exports which declined further. The production and volume of shipments indexes increased significantly, while the materials inventory index continued to decrease as finished goods inventories picked up. Factory activity decreased further on a year-over-year basis. The composite index decreased to -9 in August from -4 in July, but was up from -12 in June. Production stayed flat, while new orders and materials inventory fell and capital expenditures growth cooled. The future composite index increased to 2 in August from -2 in July, as firms expect production and new orders to grow somewhat in the next six months.

### **Special Questions**

This month contacts were asked special questions about changes in wages and prices. 44% of firms reported that wages have increased by 6-10% in the last year, while 34% reported an increase of less than 5% and about 15% said wages had risen more than 10%. However, for the coming year, nearly three-quarters of firms expect wages to increase less than 5% (Chart 2). Additionally, nearly a third of firms reported that prices for their company's products or services have increased by less than 5%, while 29% reported a 6-10% increase, and 2% reported an increase of 11-15%. In the next 12 months, nearly half of all firms surveyed expect their prices to increase by less than 5%, while 28% expect a 6-10% increase (Chart 3).

## **Selected Manufacturing Comments**

“Obviously at a macro level inflation is way down, but in our little corner of the world it is still a huge threat. Lots of volatility and uncertainty. Some items way down, other items way up. Commodities in general are just not as predictable as they used to be.”

“Our hourly billing rates are still below what most industries charge. With demand continuing to increase and outpacing labor supply, we will continue to increase our rates.”

“Companies are literally buying jobs just to keep crews busy cause there are so many gaps in the backlog, but you don't dare pare down or lay off on your skilled labor cause you won't ever get them back.”

“American manufacturers are being forced into a much more difficult position competitively with huge labor cost increases against foreign competitors.”

“We are seeing some abatement with wages, however our medical premiums are increasing for next renewal cycle in September. The quality of available workforce is still a challenge.”

“We are seeing some softening in the market.”

“The tooling industry faces significant challenges due to low-cost imports from China and India. We are going to struggle to keep highly trained staff due to pressure on wages caused by reduced margins necessary to stay competitive with those who are paying much less for similar skill set.”

**Table 1. Summary of Tenth District Manufacturing Conditions, August 2023**

Plant Level Indicators	August vs. July (percent)*					August vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>A</sup>	SA Index <sup>AA</sup>	Increase	No Change	Decrease	Diff Index <sup>A</sup>	Increase	No Change	Decrease	Diff Index <sup>A</sup>	SA Index <sup>AA</sup>	
Composite Index				-1	0				-9				1	2	
Production	31	44	24	7	12	36	28	36	0	35	40	25	10	11	
Volume of shipments	27	46	28	-1	1	38	20	42	-3	31	39	29	2	4	
Volume of new orders	27	41	32	-6	-3	31	24	45	-13	31	40	28	3	8	
Backlog of orders	19	50	31	-12	-12	26	36	38	-12	22	52	26	-3	2	
Number of employees	18	66	16	2	1	31	36	33	-2	30	56	15	15	17	
Average employee workweek	13	70	17	-3	-6	19	52	29	-10	11	74	15	-3	3	
Prices received for finished product	8	78	14	-7	-6	60	21	19	40	37	51	12	25	26	
Prices paid for raw materials	20	68	12	8	13	52	19	29	22	39	47	13	26	29	
Capital expenditures						34	39	27	7	34	47	19	15	17	
New orders for exports	5	81	14	-9	-8	6	73	21	-15	6	74	20	-14	-14	
Supplier delivery time	12	77	11	1	2	21	39	39	-18	17	66	17	0	0	
Inventories: Materials	15	61	25	-10	-10	25	40	35	-10	11	55	34	-23	-27	
Inventories: Finished goods	22	60	18	3	6	28	46	26	1	9	62	29	-20	-14	

\*Percentage may not add to 100 due to rounding.

<sup>A</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

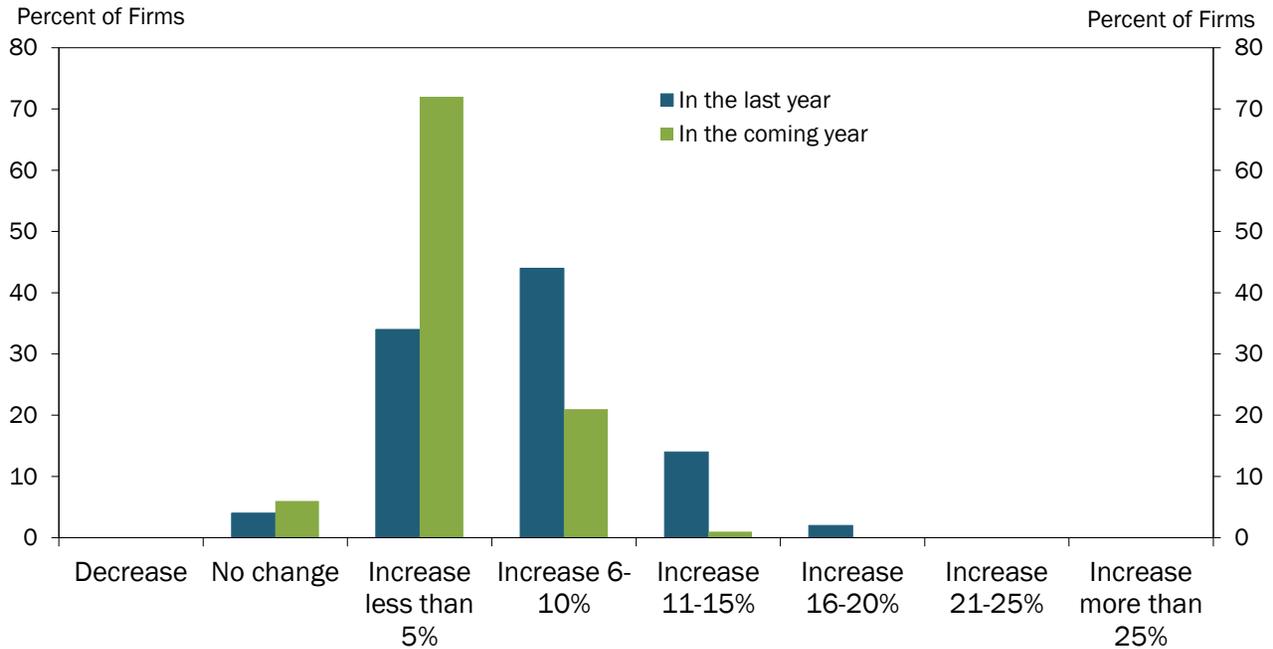
<sup>AA</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The August survey was open for a six-day period from August 16-21, 2023 and included 90 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

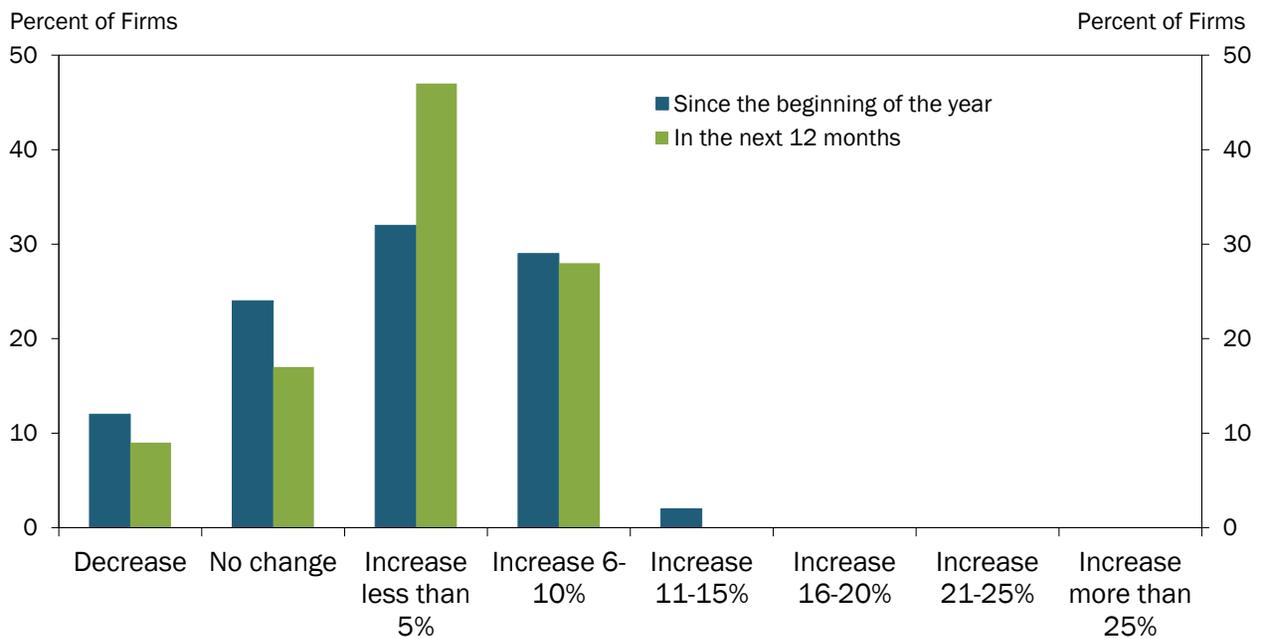
**Chart 1. Manufacturing Composite Indexes**



**Chart 2. Special Question: How much have/will wages change overall for your workforce?**



**Chart 3. Special Question: How much have/will prices change for your company's products or services?**



**Table 2**  
**Historical Manufacturing Survey Indexes**

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