



NEWS RELEASE

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Tenth District Manufacturing Activity Continued to Decline in October
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, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity continued to decline in October, and expectations for future activity stayed mostly flat.

“Regional factory activity continued to decline in October,” said Wilkerson. “District production and employment decreased, and the number of new orders fell substantially.”

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 continued to decline in October, and expectations for future activity stayed mostly flat (Chart 1, Tables 1 & 2). District firms' finished product prices stayed steady this month, and the raw materials prices declined slightly for the first time since 2020. Going forward, firms expect both finished product and raw materials prices to increase moderately.

Factory Activity Continued to Decline

The month-over-month composite index was -8 in October, unchanged from September and down from 0 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. Durable goods manufacturing declined more than nondurable goods, but both sectors declined at the same pace as the previous month. Most month-over-month indexes were negative. The production, shipments, and order backlog indexes all declined moderately, while new orders fell significantly. Accordingly, employment declined slightly while the average employee workweek held steady. Inventories were unchanged from last month. Factory activity also decreased at a similar pace on a year-over-year basis. The composite index ticked up to -11 in October from -12 in September and -9 in August. Production, new orders, volume of shipments, and backlogs all fell further, and capital expenditures cooled. The future composite index stayed at 1 in October and is down slightly from 2 in August, as firms' expectations for production grew but other indexes softened.

Special Questions

This month contacts were asked special questions about their employees. 20% of firms expect the loss of the federal childcare subsidy to reduce their ability to hire or retain workers, while 80% do not expect any difference (Chart 2). Firms were also asked if they have been devoting more resources to training workers that do not meet skills requirements. 33% reported devoting significantly more resources, 43% have devoted slightly more, 23% have seen no change, and only 1% reported devoting significantly less resources to training (Chart 3).

Selected Manufacturing Comments

“We anticipate more growth over the next 6 months. I am uncertain this will be sustainable, as the markets we serve are in the beginning of a contraction phase.”

“The world has a ton of risk currently. Domestically things are OK, but macro-level concern about international issues is high. We remain bullish about short- to medium-term business. Costs inputs—primarily energy related issues—remain a concern.”

“We are currently in a good position, with adequate backlog of work and quotations that are looking good.”

“We have a tough time finding and keeping workers in our area. Basic skill levels have fallen. Energy costs keep going up for our facility even with conservation methods we use. Fuels cost is a big driver for our raw materials, both in the manufacture and the delivery.”

“Business is pulling back. Manufacturing sectors, other than those supported by infrastructure spending, seem to be experiencing a manufacturing recession. The UAW strike has the potential to have a significant impact on our business.”

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

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				-9	-8				-11				0	1
Production	16	59	25	-9	-8	35	22	43	-8	34	40	26	8	10
Volume of shipments	20	49	31	-10	-11	38	22	41	-3	38	38	25	13	17
Volume of new orders	18	42	40	-22	-22	30	17	53	-24	34	34	32	2	2
Backlog of orders	17	48	35	-18	-13	19	31	50	-31	23	44	33	-10	-8
Number of employees	17	63	20	-3	-4	38	32	31	7	30	52	18	11	11
Average employee workweek	16	68	16	0	0	17	57	26	-9	18	65	17	1	5
Prices received for finished product	13	73	15	-2	0	61	22	17	44	31	56	14	17	15
Prices paid for raw materials	14	69	17	-3	-2	55	11	34	20	38	47	16	22	17
Capital expenditures						30	47	24	6	26	53	20	6	3
New orders for exports	4	85	12	-8	-8	8	71	21	-13	13	74	13	0	1
Supplier delivery time	8	78	14	-6	-4	17	42	41	-24	9	68	23	-14	-9
Inventories: Materials	19	57	24	-6	0	29	36	35	-6	24	45	30	-6	-7
Inventories: Finished goods	21	55	24	-2	-1	28	41	31	-2	18	54	28	-11	-12

*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 six-day period from October 18-23, 2023 and included 88 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

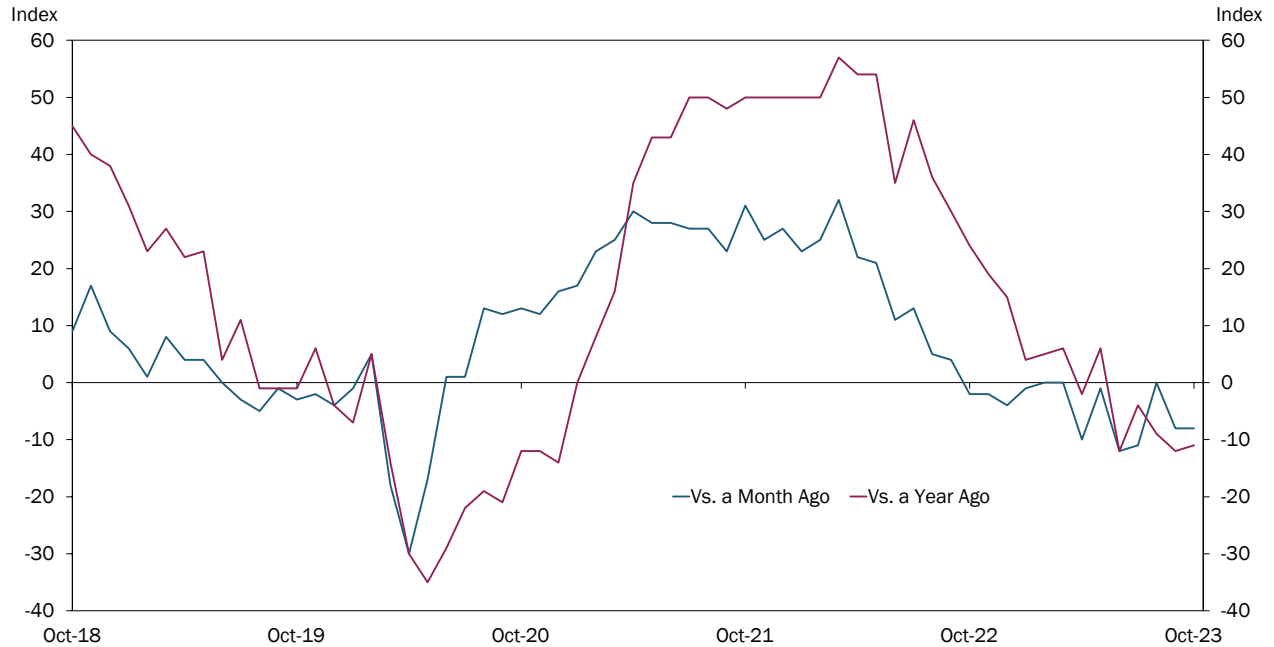


Chart 2. Special Question: Do you expect the loss of the child care subsidy to reduce your ability to hire or retain workers?

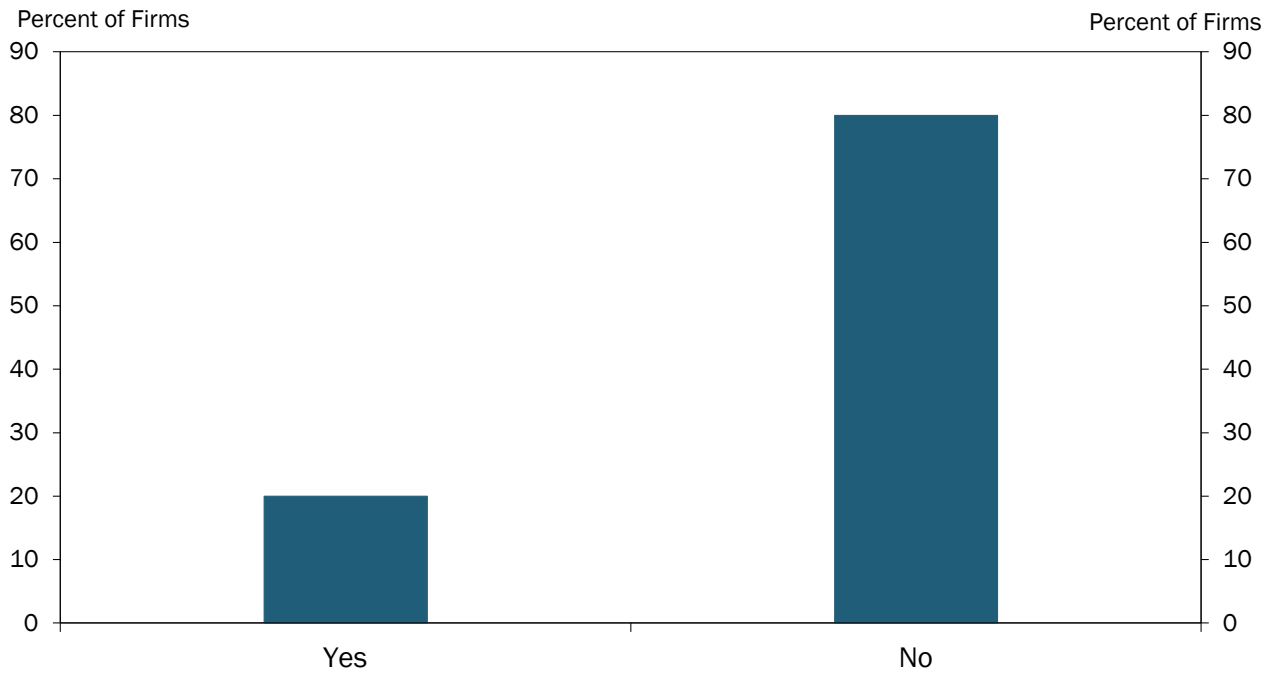


Chart 3. Special Question: Has your firm been devoting more resources (internal or external) to training workers that do not meet skill requirements?

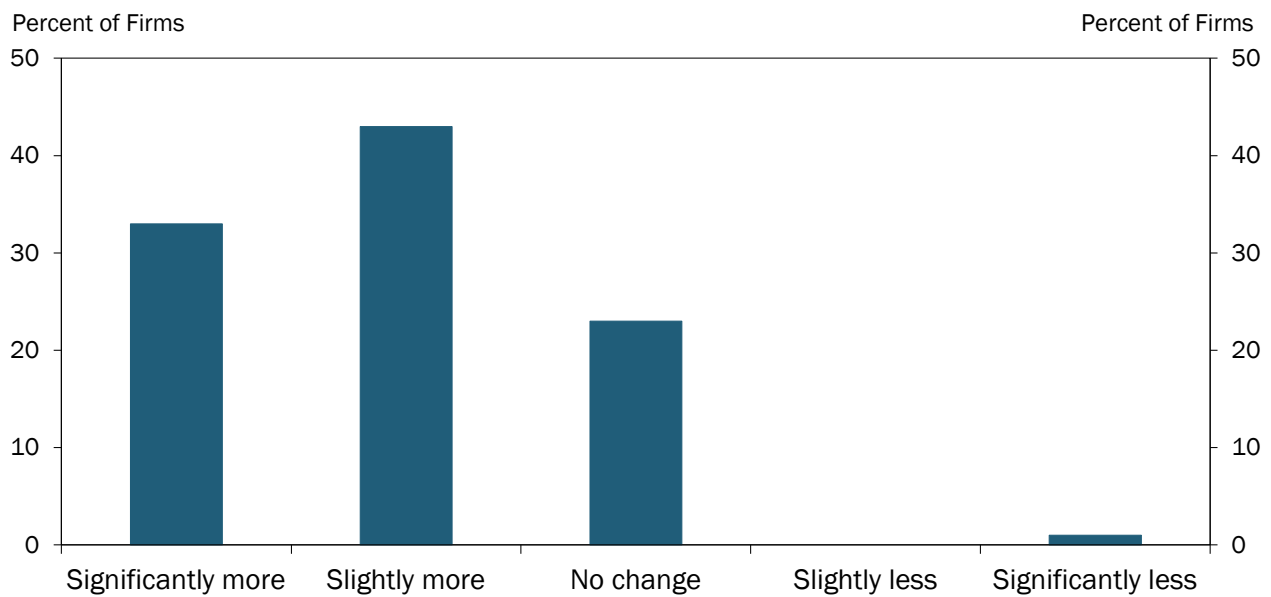


Table 2
Historical Manufacturing Survey Indexes

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