



NEWS RELEASE

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Tenth District Manufacturing Declined Moderately
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 declined moderately, while expectations for future activity expanded further.

“Regional factory activity contracted in January, but future activity is expected to increase,” said Wilkerson. “Input prices increased sharply this month, and firms expect them to rise further in 2024.”

A summary of the January survey is below. 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 2024. 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 moderately, and expectations for future activity expanded further (Chart 1, Tables 1 & 2). Prices paid for raw materials in January increased sharply relative to last month and this time last year. Heading forward, raw materials prices are expected to continue increasing at a faster pace than finished product prices.

Factory Activity Declined Moderately

The month-over-month composite index was -9 in January, down from -1 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. The contraction was driven more by durable goods manufacturing, particularly nonmetallic mineral and primary metal manufacturers. All month-over-month indexes were negative and decreased from previous readings, except the price indexes. Production and new orders fell to -17 and -19, respectively, but employment stayed mostly flat with a reading of -2. Year-over-year factory indexes decreased further in January, with the composite index decreasing from -8 to -12. Other than the prices indexes, the capital expenditures is the only index with a positive reading, but it cooled from 13 to 1. Meanwhile, the future composite index grew from 5 to 11 in January with heightened expectations for production and shipments in the next six months.

Special Questions

This month contacts were asked special questions about expectations for wages, input prices, and capital expenditures in 2024. A majority of firms (57%) expect to increase wages by 2-4% in 2024, while another 4% expect no change, 15% expect a 0-2% increase, 22% expect 4-6%, and 2% expect 6-8% growth. Expectations for input prices were more mixed. 41% of firms expect input prices to increase 2-4%, while 21% each expect a 0-2% or 4-6% increase, 1% expect a decrease, 8% expect no change, 6% expect a 6-8% increase, and 2% expect an increase of over 8% (Chart 2). Firms cited the need to preserve cash (45%) and uncertainty (42%) in the coming year as the top factors impacting capital expenditures plans in 2024. Additionally, 27% of firms selected unfavorable financing as having an impact and 12% of firms said they have no need to expand current levels of capital expenditures (Chart 3).

Selected Manufacturing Comments

“The labor market is getting better from both a quantity and quality perspective. Cost inputs are semi-stable. Some things down, some things still up.

“Very cold temperatures are negatively affecting our business right now.”

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

“There is a lot of uncertainty with inflation and demand. We are being optimistic and planning on growth, but we don't have the visible indicators to support that plan in the market today.”

“We have a healthy backlog of orders and expect to continue for the near future.”

“Demand for our product remains high. Perhaps not increasing like it has been the last couple of years, but it's leveling off, certainly not decreasing overall.”

“Freight due to issues in Suez and Panama canals are already affecting inbound prices. We expect that to increase in coming months. We are currently projecting a minimum cost increase to raw materials of between 5-10% depending on the item.”

“Demand is still weak. More companies are asking for longer payment terms.”

“The month of January has started off strong. How we perform through the first quarter of 2024 is going to determine how aggressive we get in capital expenditures and hiring.”

“So far materials are easily found. We have not experienced many shortages. Prices seem somewhat stable.”

Table 1. Summary of Tenth District Manufacturing Conditions, January 2024

Plant Level Indicators	January vs. December (percent)*					January 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	-9				-12				13	11	
Production	24	35	42	-18	-17	31	26	43	-12	51	33	17	34	32	
Volume of shipments	22	38	40	-18	-20	30	26	44	-14	50	32	18	32	30	
Volume of new orders	23	37	40	-17	-19	28	26	47	-19	44	33	22	22	22	
Backlog of orders	20	41	39	-19	-24	21	30	49	-28	30	43	27	3	-2	
Number of employees	12	69	19	-7	-2	30	37	33	-2	31	53	16	16	5	
Average employee workweek	6	77	18	-12	-6	8	64	28	-20	20	68	12	8	7	
Prices received for finished product	16	73	11	4	7	56	28	17	39	34	53	12	22	25	
Prices paid for raw materials	28	66	7	21	24	60	17	24	36	40	47	12	28	34	
Capital expenditures						22	57	21	1	27	49	24	2	2	
New orders for exports	6	85	9	-4	-8	6	78	16	-11	13	79	8	5	6	
Supplier delivery time	10	79	11	-1	-1	18	48	34	-17	12	73	14	-2	-3	
Inventories: Materials	19	55	26	-7	-7	27	36	37	-10	22	53	25	-2	-3	
Inventories: Finished goods	22	56	23	-1	-2	23	47	31	-8	18	57	25	-7	-6	

*Percentage may not add to 100 due to rounding.

^ADiffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

^{AA}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 six-day period from January 17-22, 2024 and included 90 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

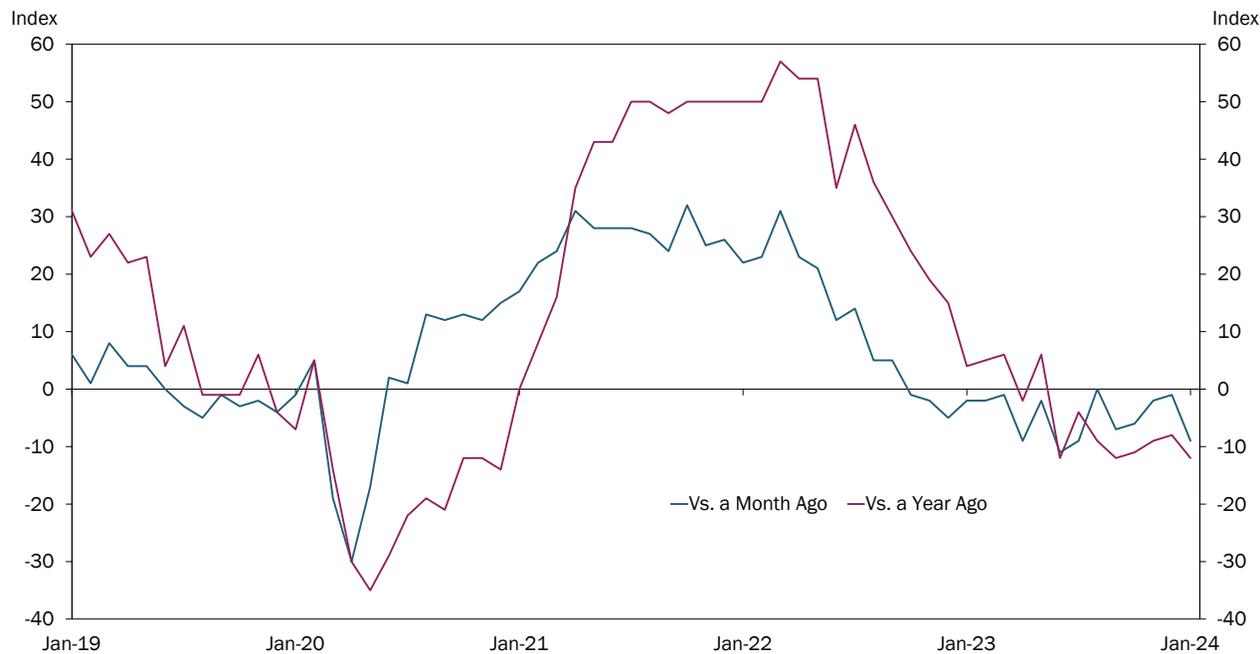


Chart 2. Special Question: On average, how much do you expect wages/input prices to change for 2024?

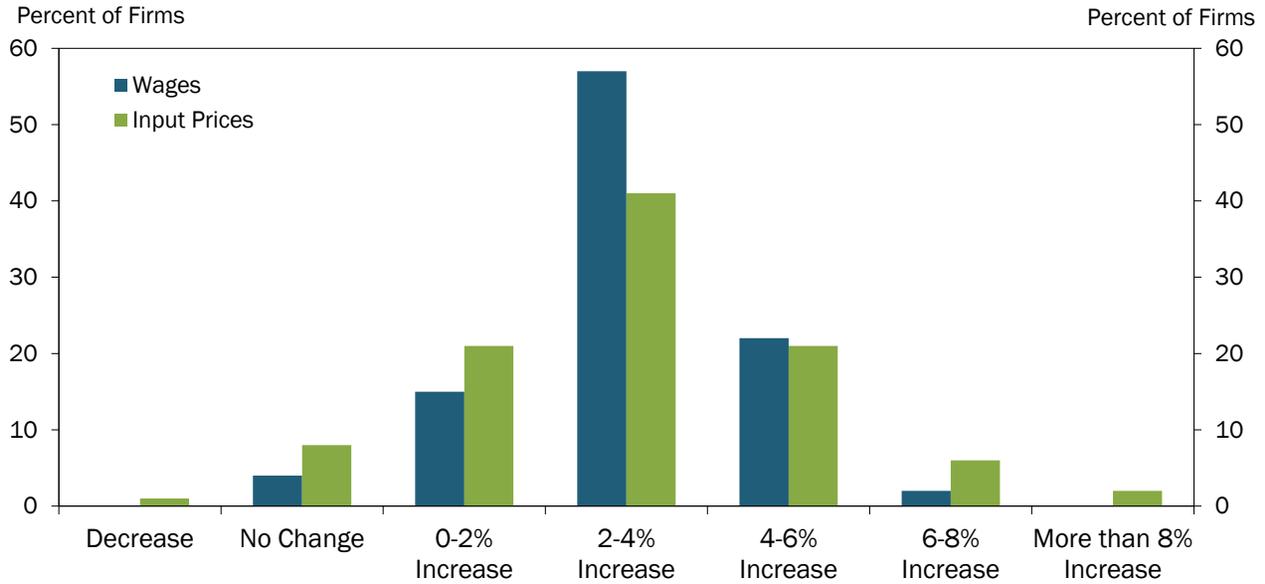


Chart 3. Special Question: Please indicate if any of these are impacting your capital expenditures (Capex) plans for 2024? (Choose all the relevant factors)

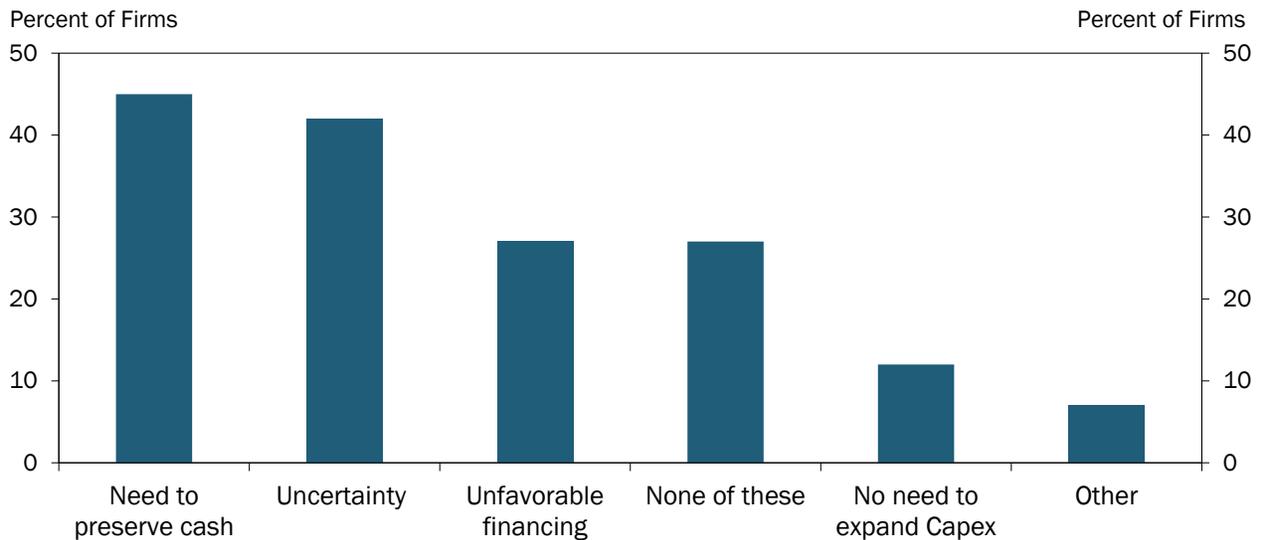


Table 2
Historical Manufacturing Survey Indexes

	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	-2	-2	-1	-9	-2	-11	-9	0	-7	-6	-2	-1	-9
Production	-5	-10	-4	-18	-4	-8	-18	13	-10	-5	-3	-5	-17
Volume of shipments	0	-12	2	-12	-3	-3	-20	1	-11	-8	2	-5	-20
Volume of new orders	-9	-9	-13	-19	-14	-13	-17	-4	-13	-19	-3	-9	-19
Backlog of orders	-17	-21	-18	-24	-23	-16	-36	-13	-22	-14	-13	-8	-24
Number of employees	4	9	17	1	5	-12	4	2	3	-2	-1	7	-2
Average employee workweek	-7	-11	-9	3	-5	-9	-19	-6	-3	-1	-5	-2	-6
Prices received for finished product	14	15	11	19	11	4	-4	-3	3	2	0	3	7
Prices paid for raw materials	22	23	25	27	15	7	10	13	8	2	9	11	24
Capital expenditures	n/a												
New orders for exports	-14	-6	3	-12	-13	-9	-6	-8	-8	-8	-5	-1	-8
Supplier delivery time	-1	-1	-5	-4	-1	-7	-6	-1	-1	-3	-2	1	-1
Inventories: Materials	2	0	-2	-4	5	-17	-9	-9	-13	-1	-1	0	-7
Inventories: Finished goods	-5	-9	-3	-11	0	-7	-3	4	-7	-2	-1	2	-2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	4	5	6	-2	6	-12	-4	-9	-12	-11	-9	-8	-12
Production	2	1	0	-1	0	-7	3	0	-10	-8	-10	-4	-12
Volume of shipments	1	0	7	0	-2	-6	2	-3	-14	-3	0	-5	-14
Volume of new orders	-1	-1	-4	-11	3	-20	-9	-13	-11	-24	-8	-6	-19
Backlog of orders	-4	1	-4	-13	-5	-19	-15	-12	-22	-31	-26	-21	-28
Number of employees	9	4	24	8	13	2	13	-2	1	7	5	6	-2
Average employee workweek	9	-3	-2	-5	-2	-8	-5	-10	-10	-9	-17	-4	-20
Prices received for finished product	58	70	72	63	54	55	39	40	39	44	42	37	39
Prices paid for raw materials	53	59	57	52	40	33	40	22	17	20	20	18	36
Capital expenditures	10	0	5	15	14	2	14	7	16	6	11	13	1
New orders for exports	-14	3	-3	-8	1	-5	-1	-15	-13	-13	1	-11	-11
Supplier delivery time	-6	0	-3	-24	-8	-20	-24	-18	-26	-24	-30	-20	-17
Inventories: Materials	16	19	14	19	22	-14	-4	-10	-13	-6	0	-16	-10
Inventories: Finished goods	5	1	0	1	13	-2	-2	1	-5	-2	-12	-2	-8
Expected in Six Months (seasonally adjusted)													
Composite Index	1	2	2	2	1	-1	-1	2	2	2	0	5	11
Production	11	13	13	12	12	14	3	12	6	10	15	13	32
Volume of shipments	8	4	10	8	8	10	0	5	5	13	9	23	30
Volume of new orders	4	-1	3	3	3	1	2	7	6	2	9	6	22
Backlog of orders	-10	-17	-20	-17	-11	-13	-17	2	-4	-9	-7	0	-2
Number of employees	18	14	15	14	11	11	16	16	15	13	3	13	5
Average employee workweek	-2	0	-1	-1	-2	-5	2	2	0	4	-9	8	7
Prices received for finished product	32	36	37	33	18	21	18	25	20	16	22	26	25
Prices paid for raw materials	31	38	37	37	23	13	24	28	28	20	29	41	34
Capital expenditures	10	0	6	5	9	13	14	14	9	4	-1	5	2
New orders for exports	-7	2	0	0	5	-4	-1	-13	4	0	2	-1	6
Supplier delivery time	-8	-9	-10	0	-3	-11	-6	-2	-5	-8	-11	-1	-3
Inventories: Materials	-19	-10	-11	-17	-16	-21	-21	-22	-14	-9	-15	-7	-3
Inventories: Finished goods	-6	-8	-12	-10	-11	-15	-14	-13	-13	-12	-9	-12	-6