



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Nov. 17, 2022

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

Tenth District Manufacturing Activity Declined at a Steady Pace
Federal Reserve Bank of Kansas City Releases November Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the November Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity declined at a similar pace compared to last month, while expectations for future activity were mostly flat or slightly positive.

“Regional factory activity continued to decline at a steady rate in November,” said Wilkerson. “However, the pace of decline for production, shipments, and new orders slowed slightly, and approximately 91% of firms reported plans to increase or maintain current 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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity declined at a similar pace compared to last month, while expectations for future activity were mostly flat or slightly positive (Chart 1, Tables 1 & 2). The monthly index of raw materials prices continued to slow in November and decreased compared to a year ago. Finished goods price indexes increased slightly from a month ago and compared to year-ago levels. Expectations for future raw materials and finished goods prices continued to fall.

Factory Activity Continued to Decline at a Similar Pace

The month-over-month composite index was -6 in November, similar to -7 in October and down from 1 in September (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slower pace in factory growth in November was driven by decreased activity in primary metals, plastics and rubber products, chemical, furniture, and fabricated metals manufacturing. Month-over-month indexes were mostly negative in November. The current and expected supplier delivery time indexes reached their lowest level in survey history. Indexes for year-over-year factory activity slowed slightly in November, and the composite index decreased from 24 to 19. The future composite index increased from -1 to 0 in November, with the production, employee workweek, and finished goods inventories indexes also moving into positive territory.

Special Questions

This month contacts were asked special questions about employment plans and labor market conditions. About 47% of firms expected to increase employment over the next 12 months, 44% of firms expected to leave employment unchanged, and 8% of firms expected to decrease employment over the next 12 months (Chart 2). About 71% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving employment plans (Chart 3). Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff.

Selected Manufacturing Comments

“Competition for new workers continues. While increasing wages and benefits, team members feel that it is not enough. We need relief from inflation, especially housing costs if we are to satisfy the expectations of our workers.”

“Our workload is increasing on a month over month rate with added emphasis on sales. Reducing overhead, increasing efficiency, and getting in front of the customer is paying off.”

“We are starting to see prices for raw materials level off and not have as many increases lately. Orders for our products are slowing down some, but also seasonal as well. Very concerned about inflation still increasing for what seems like very little reason at this point.”

“Have switched our focus and investment to automation vs. hiring additional employees. Process is painful and expensive as we implement automation and try to keep key employees engaged.”

“The retrenchment of financial resources is a huge issue for stabilizing/growing business.”

“Restaurant industry has been hit hard by inflation. Traffic is off by 30-40%, we have taken a position of cutting costs and working hours, and passed cost increases on to customers.”

Table 1. Summary of Tenth District Manufacturing Conditions, November 2022

Plant Level Indicators	November vs. October (percent)*					November 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				-6	-6				19				6	0
Production	18	50	32	-13	-10	44	27	28	16	39	38	23	15	6
Volume of shipments	26	40	35	-9	-5	48	24	27	21	40	37	23	16	7
Volume of new orders	21	43	36	-14	-12	43	18	38	5	34	35	32	2	-1
Backlog of orders	16	39	45	-29	-25	40	24	35	5	26	35	40	-14	-16
Number of employees	21	61	17	4	3	46	27	26	20	35	46	19	15	12
Average employee workweek	17	69	13	4	5	33	48	18	15	17	69	13	4	3
Prices received for finished product	36	48	16	19	19	83	9	8	75	53	35	12	41	37
Prices paid for raw materials	41	43	16	24	22	84	5	11	73	53	29	18	35	24
Capital expenditures						30	52	18	11	25	57	18	7	0
New orders for exports	6	80	14	-8	-11	17	70	13	4	12	75	13	-1	-6
Supplier delivery time	18	54	28	-9	-12	45	28	26	19	20	51	29	-8	-19
Inventories: Materials	29	45	26	3	2	58	20	21	37	37	29	34	3	1
Inventories: Finished goods	26	57	17	9	11	38	43	20	18	32	44	24	7	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 November survey was open for a five-day period from November 9-14, 2022 and included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

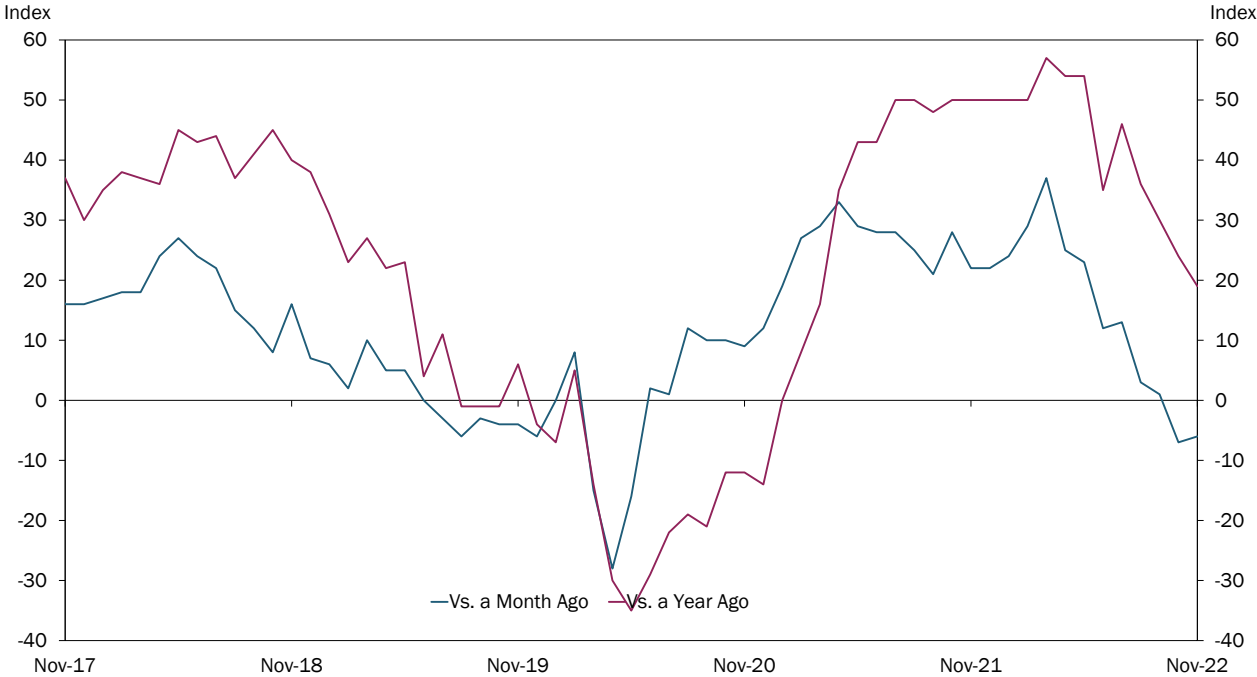


Chart 2. Special Question: Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next twelve months?

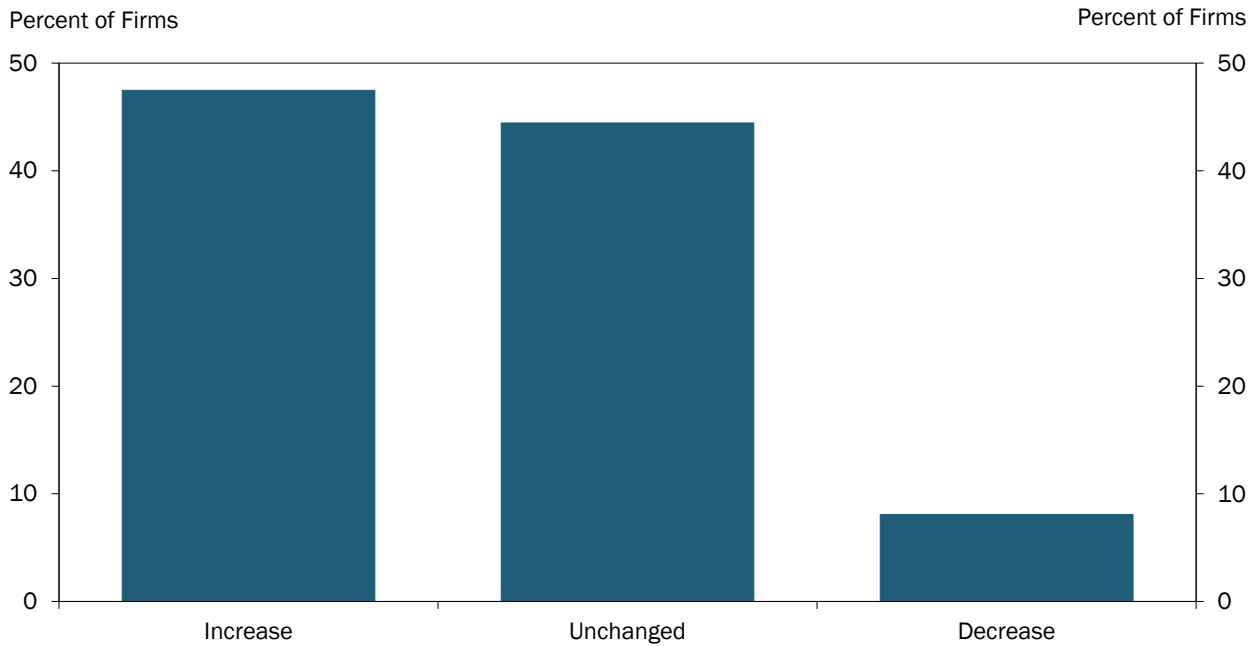


Chart 3. Special Question: What are the three most important factors behind your plans to increase employment? Please rank the three factors in order from 1 (most important) to 3 (third most important).

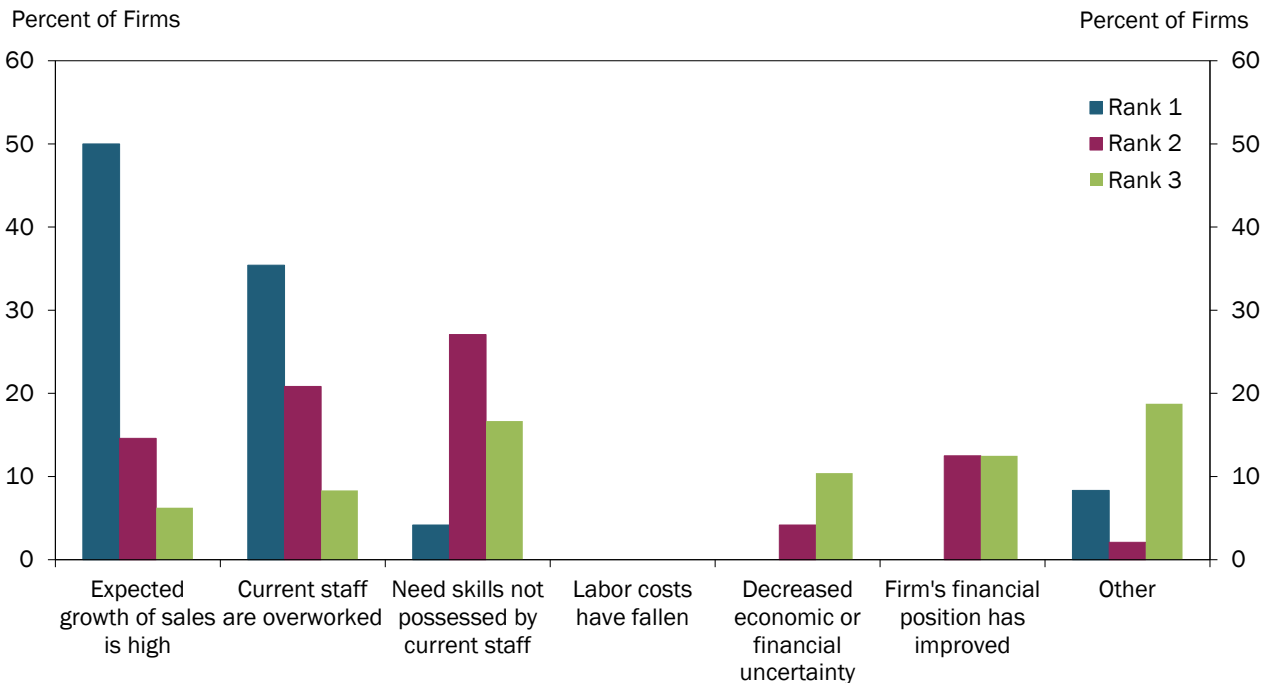


Table 2
Historical Manufacturing Survey Indexes

	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	22	22	24	29	37	25	23	12	13	3	1	-7	-6
Production	14	11	20	31	46	28	19	-1	7	-9	2	-22	-10
Volume of shipments	7	13	5	24	46	27	17	-3	9	-13	0	-18	-5
Volume of new orders	-2	22	14	32	33	10	15	-8	-2	-16	-11	-16	-12
Backlog of orders	10	9	27	22	29	9	20	-4	5	-7	-4	-19	-25
Number of employees	23	18	24	26	18	19	34	18	17	10	10	3	3
Average employee workweek	9	8	8	24	14	10	13	9	5	-8	15	-3	5
Prices received for finished product	50	46	49	47	51	57	42	51	36	25	27	13	19
Prices paid for raw materials	77	67	64	64	81	83	72	71	41	38	41	26	22
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	4	1	6	10	8	4	8	4	-1	-3	-2	-5	-11
Supplier delivery time	55	44	38	36	55	42	29	25	23	22	-2	-1	-12
Inventories: Materials	20	17	27	19	32	26	19	23	22	9	6	1	2
Inventories: Finished goods	-2	4	8	7	19	5	1	9	-5	-3	-8	2	11
Versus a Year Ago (not seasonally adjusted)													
Composite Index	50	50	50	50	57	54	54	35	46	36	30	24	19
Production	49	54	49	52	63	63	52	25	43	23	28	23	16
Volume of shipments	46	49	38	55	53	65	51	29	40	23	34	27	21
Volume of new orders	57	60	51	47	58	53	53	30	37	25	24	16	5
Backlog of orders	56	48	53	54	60	52	44	20	33	39	39	16	5
Number of employees	42	38	41	51	38	48	44	39	44	37	30	23	20
Average employee workweek	41	32	34	32	28	23	19	22	19	3	23	12	15
Prices received for finished product	87	88	88	86	87	92	90	87	78	79	78	71	75
Prices paid for raw materials	98	98	97	99	98	98	95	93	87	79	88	78	73
Capital expenditures	29	43	26	29	16	28	30	21	27	23	24	10	11
New orders for exports	17	14	13	10	16	12	9	10	4	3	5	4	4
Supplier delivery time	70	66	62	63	71	57	67	44	53	46	28	22	19
Inventories: Materials	29	34	49	38	56	52	53	38	53	51	39	35	37
Inventories: Finished goods	0	12	17	18	28	21	28	19	10	13	10	14	18
Expected in Six Months (seasonally adjusted)													
Composite Index	31	26	37	38	41	34	31	10	26	10	9	-1	0
Production	37	33	44	57	61	49	39	13	29	22	16	-1	6
Volume of shipments	35	34	45	55	57	51	32	13	37	31	17	2	7
Volume of new orders	36	22	30	36	40	31	28	10	25	10	9	-14	-1
Backlog of orders	11	11	33	29	22	11	18	-3	14	-2	10	-18	-16
Number of employees	41	34	57	52	46	41	40	26	44	19	17	11	12
Average employee workweek	14	13	30	26	25	19	22	7	10	-2	11	-3	3
Prices received for finished product	53	52	67	70	75	74	68	67	45	51	51	43	37
Prices paid for raw materials	60	65	73	85	84	79	69	66	60	47	58	35	24
Capital expenditures	20	21	28	35	29	29	24	14	20	29	11	5	0
New orders for exports	9	1	17	14	20	10	13	12	6	7	-1	-1	-6
Supplier delivery time	32	31	37	30	48	29	39	9	20	9	10	-4	-19
Inventories: Materials	9	11	16	14	11	17	8	-8	14	-8	-9	6	1
Inventories: Finished goods	3	1	10	19	12	10	7	-4	-8	-10	-11	-3	5