



NEWS RELEASE

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Tenth District Manufacturing Activity Declined Modestly 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 Megan Williams, survey manager, the survey revealed that Tenth District manufacturing activity declined modestly this month, while expectations for future activity stayed positive.

“Regional factory activity continued to edge down this month,” said Williams. “However, producers continue to be positive about the months ahead, as they are expecting increases in production, new orders, and employment.”

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 modestly in October, while expectations for future activity stayed positive. Both finished product and raw materials prices increased this month after cooling somewhat last month. (Chart 1, Tables 1 & 2)

Factory Activity Declined Modestly

The month-over-month composite index was -4 in October, up from -8 in September and nearly equal to -3 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. The decline was present in both durable and nondurable goods, particularly chemical, steel, and beverage manufacturing. Most month-over-month indexes were higher than last month's readings but still in negative territory, except for inventory indexes which fell markedly. Volume of shipments and new orders improved moderately, and production jumped from -18 to 0. The two employment indexes also ticked up slightly but remained negative. The year-over-year composite index for factory activity inched higher from -17 to -14, as production, shipments, and new orders all improved. The capital expenditures and new orders for exports indexes were basically unchanged. The future composite index eased slightly from 9 to 7, while the production, shipments, and new orders indexes all increased. The future employment and capital expenditures indexes both moderated slightly from last month.

Special Questions

This month contacts were asked about demand and profit margin expectations. Most firms (50%) said their demand expectations were slightly higher for 2025 compared to 2024, but around a quarter (22%) reported they expect them to be slightly lower while 20% expect no change, 2% expect them significantly higher, and 7% said significantly lower (Chart 2). Firms were also asked how profit margins compared to pre-pandemic levels, and how they expected them to change in 2025. 38% of firms reported slightly higher margins compared to pre-pandemic levels, while 33% reported slightly lower, 17% reported significantly lower, 10% no change, and 3% significantly higher (Chart 3). In addition, 42% of firms expected slightly higher margins in 2025, with 26% slightly lower, 25% no change, and 7% significantly lower.

Selected Manufacturing Comments

“Bookings in the first half of 2024 were significantly lower than budgeted. In the second half of 2024, demand has increased substantially. We attribute this to the perception that interest rates would have changed sooner, and customers delayed purchase. We hope that lower rates will have a positive impact on our business in 2025.”

“Commodities are mostly favorable and appear to be staying favorable for the short to medium term. Avoiding the port strike - at least for now - has helped. Pricing to customer-wise we are looking at steady to maybe even slightly down on some products moving into '25 due to favorable commodity prices. Labor is widely available - but very unskilled.”

“The interest rates will determine how much capital expenditure we spend. Margins are tight and any interest rates lower will help margins.”

“New orders are significantly lower than last year. The outlook for the first quarter of 2025 doesn't look any better.”

“A manufacturing recession continues. Lower business levels are exacerbated by high interest rates and the election.”

“We are studying options on how to reduce overhead costs.”

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

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				-7	-4				-14				6	7
Production	24	48	28	-5	0	34	18	48	-14	40	45	16	24	27
Volume of shipments	36	32	32	4	7	37	20	43	-6	41	39	20	20	21
Volume of new orders	29	33	38	-9	-5	30	22	48	-18	36	42	22	14	14
Backlog of orders	18	46	36	-19	-14	17	33	50	-32	19	51	29	-10	-8
Number of employees	15	66	19	-4	-2	32	31	37	-5	29	55	16	14	15
Average employee workweek	13	69	18	-6	-7	16	52	32	-17	14	70	17	-3	0
Prices received for finished product	18	71	11	7	11	54	28	17	37	43	50	7	36	35
Prices paid for raw materials	22	69	9	14	19	57	16	27	30	47	46	8	39	38
Capital expenditures						28	44	27	1	24	55	22	2	1
New orders for exports	9	81	10	-1	0	12	68	20	-8	16	75	10	6	6
Supplier delivery time	6	85	9	-3	-1	14	57	29	-16	5	78	17	-13	-7
Inventories: Materials	11	63	26	-16	-10	23	37	40	-17	17	54	28	-11	-14
Inventories: Finished goods	20	57	23	-3	-3	31	36	33	-2	21	54	25	-4	-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 October survey was open for a six-day period from October 16-21, 2024 and included 103 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

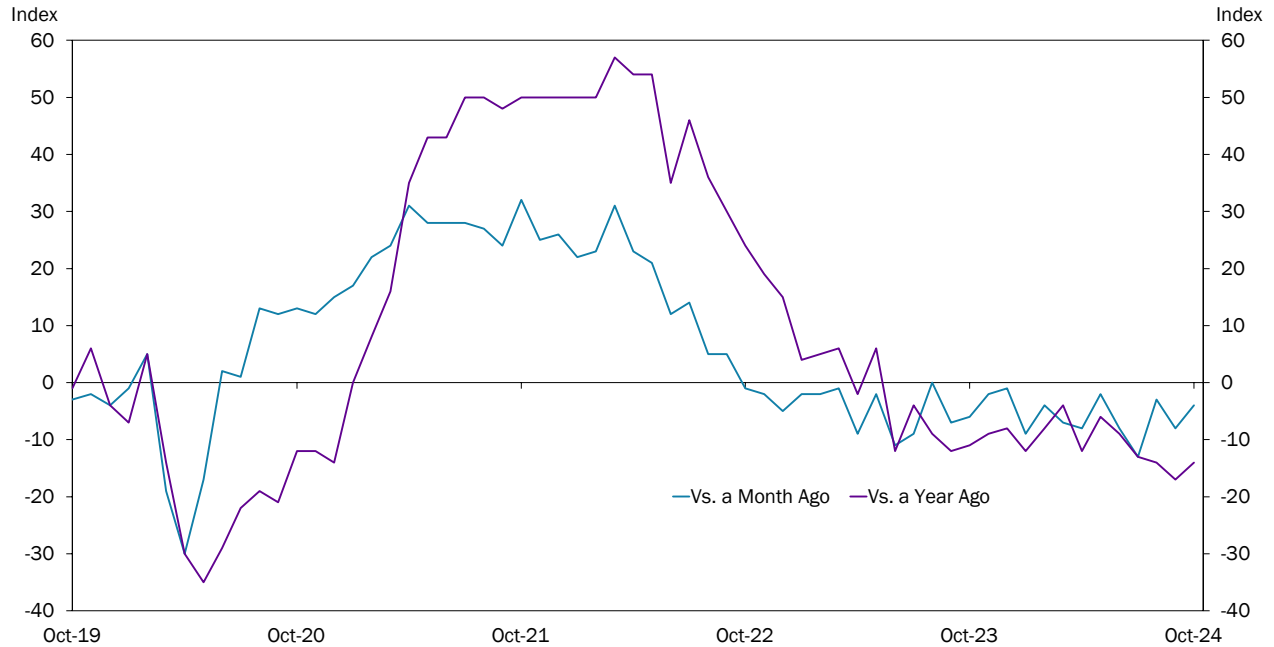


Chart 2. Special Question: What are your expectations for demand for your firm's products in 2025 compared to 2024?

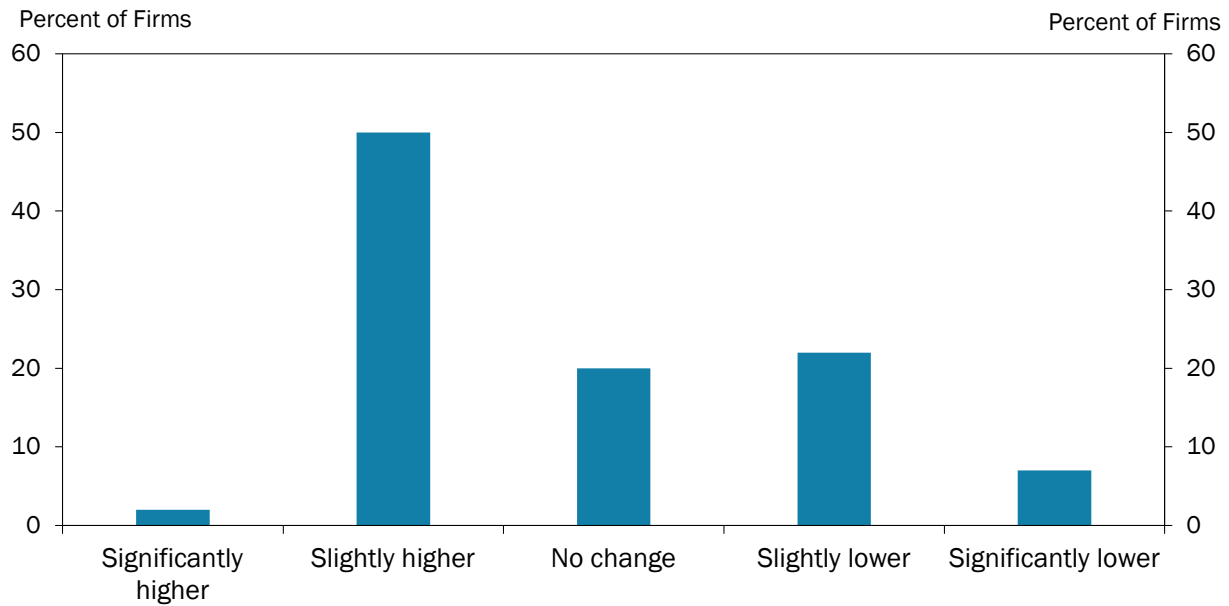


Chart 3. Special Question: How do your firm's profit margins compare to pre-pandemic levels, and how do you expect them to change in 2025?

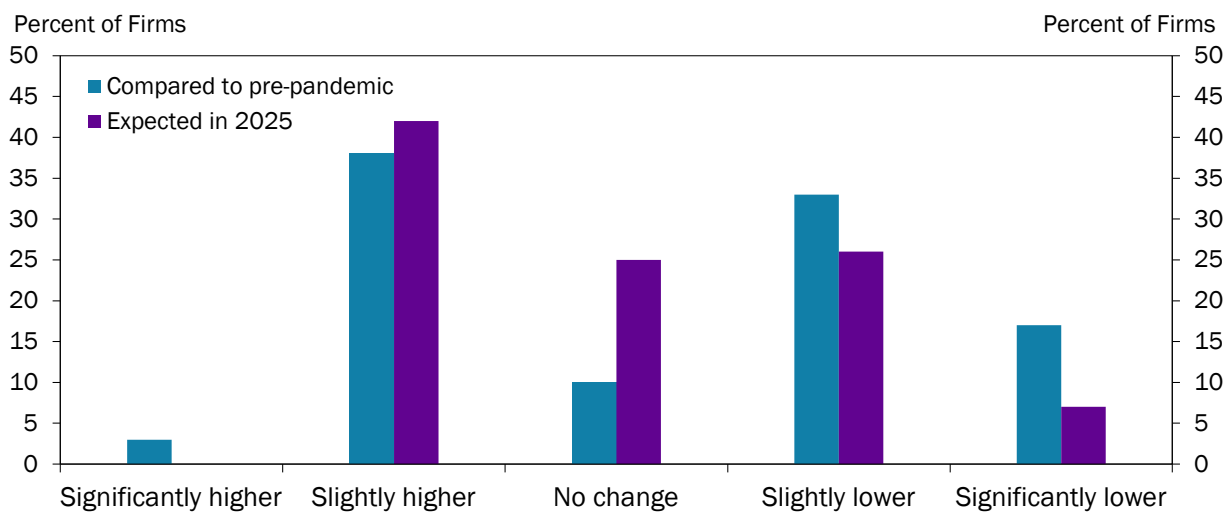


Table 2
Historical Manufacturing Survey Indexes

	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	-6	-2	-1	-9	-4	-7	-8	-2	-8	-13	-3	-8	-4
Production	-5	-3	-5	-17	3	-9	-13	-1	-11	-12	6	-18	0
Volume of shipments	-8	2	-5	-20	6	-5	-11	8	-1	-18	-1	-12	7
Volume of new orders	-19	-3	-9	-19	-2	-17	-6	-13	-13	-21	-12	-14	-5
Backlog of orders	-14	-13	-8	-24	-13	-27	-18	-19	-23	-24	-19	-33	-14
Number of employees	-2	-1	7	-2	8	6	-2	9	-11	-12	-7	-11	-2
Average employee workweek	-1	-5	-2	-6	2	-11	-3	-5	-12	-17	-10	-15	-7
Prices received for finished product	2	0	3	7	-2	5	0	7	3	0	6	-5	11
Prices paid for raw materials	2	9	11	24	15	17	18	19	9	17	18	13	19
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	
New orders for exports	-8	-5	-1	-8	-7	3	0	7	-2	-5	4	-2	0
Supplier delivery time	-3	-2	1	-1	-12	-3	-5	-3	1	-3	-1	-2	-1
Inventories: Materials	-1	-1	0	-7	-15	-10	-15	-3	-4	-17	0	4	-10
Inventories: Finished goods	-2	-1	2	-2	-8	-7	-3	2	-1	-1	6	6	-3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-11	-9	-8	-12	-8	-4	-12	-6	-9	-13	-14	-17	-14
Production	-8	-10	-4	-12	-4	-3	-8	-7	-13	-12	-18	-24	-14
Volume of shipments	-3	0	-5	-14	-8	5	-5	-5	-15	-12	-18	-22	-6
Volume of new orders	-24	-8	-6	-19	-6	-10	-12	-7	-21	-24	-21	-30	-18
Backlog of orders	-31	-26	-21	-28	-13	-28	-13	-14	-22	-29	-29	-36	-32
Number of employees	7	5	6	-2	6	14	-7	9	6	-2	-9	-7	-5
Average employee workweek	-9	-17	-4	-20	0	-14	-12	-8	-10	-8	-16	-17	-17
Prices received for finished product	44	42	37	39	37	33	45	34	33	31	34	30	37
Prices paid for raw materials	20	20	18	36	36	39	46	37	32	35	37	41	30
Capital expenditures	6	11	13	1	-4	-2	-6	-1	-3	5	1	-1	1
New orders for exports	-13	1	-11	-11	-5	-6	-4	0	1	-3	-6	-8	-8
Supplier delivery time	-24	-30	-20	-17	-23	-11	-24	-24	-15	-10	-13	-13	-16
Inventories: Materials	-6	0	-16	-10	-13	-6	-12	1	-3	-14	-9	-10	-17
Inventories: Finished goods	-2	-12	-2	-8	-5	3	-4	2	-2	-6	-1	-5	-2
Expected in Six Months (seasonally adjusted)													
Composite Index	2	0	5	11	2	1	2	6	7	5	8	9	7
Production	10	15	13	32	18	18	16	21	18	13	20	19	27
Volume of shipments	13	9	23	30	18	15	5	15	12	14	11	10	21
Volume of new orders	2	9	6	22	1	4	1	18	8	8	12	12	14
Backlog of orders	-9	-7	0	-2	-4	-19	-12	-3	-3	-8	-7	-9	-8
Number of employees	13	3	13	5	16	7	7	14	17	13	17	18	15
Average employee workweek	4	-9	8	7	-3	-15	-1	2	6	1	5	-5	0
Prices received for finished product	16	22	26	25	21	26	26	26	21	23	21	33	35
Prices paid for raw materials	20	29	41	34	26	34	30	40	38	36	40	33	38
Capital expenditures	4	-1	5	2	16	6	3	17	5	10	-4	11	1
New orders for exports	0	2	-1	6	-2	0	5	5	8	6	-2	4	6
Supplier delivery time	-8	-11	-1	-3	-10	-8	-2	-7	-1	-4	-3	-1	-7
Inventories: Materials	-9	-15	-7	-3	-15	-16	-15	-17	-6	-5	-5	-4	-14
Inventories: Finished goods	-12	-9	-12	-6	-18	-5	0	-11	-6	-5	1	-9	-5