



NEWS RELEASE

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Tenth District Manufacturing Continued to Decline Slightly
Federal Reserve Bank of Kansas City Releases February Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the February Manufacturing Survey today. According to Megan Williams, associate economist and survey manager, the survey revealed that Tenth District manufacturing activity declined slightly, but expectations for future activity remained expansionary.

“Regional factory activity continued to fall in February,” said Williams. “Firms decreased employment levels moderately this month but expect overall activity and employment to increase in the next six months.”

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 slightly, but expectations for future activity remained expansionary (Chart 1, Tables 1 & 2). Prices paid for raw materials increased substantially this month and continued to outpace growth in finished product prices, further constraining profit margins.

Factory Activity Continued to Decline Slightly

The month-over-month composite index was -5 in February, unchanged from -5 in January and December (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The declines were driven more by nondurable manufacturing, particularly food, chemical, and paper manufacturing. All month-over-month indexes were negative, except for the price, inventories, and supplier delivery time indexes. Production, volume of shipments, and backlogs all decreased moderately. Employment levels declined somewhat following a few months of steady activity, decreasing from 1 to -14. All year-over-year indexes were negative, except the price indexes. The composite index declined -9 to -18 in February. Production and average employee workweek fell substantially, while backlogs and employment levels also decreased moderately. Capital expenditures continued to stay steady. The future composite index ticked down from 15 to 14 in February as expectations for new orders lowered slightly. However, firms continue to anticipate employment increases in the next six months.

Special Questions

This month contacts were asked special questions about trade policy and passthrough ability. 43% of firms believe recent trade policy changes will not change their demand or revenues, while approximately a quarter each believe demand will be lower (26%) and higher (23%). Another 7% of firms believe trade policy changes will lower demand significantly while 1% believe it will increase demand significantly. (Chart 2). Contacts were also asked about their ability to pass through higher costs to their customers. 39% of firms reported passing through 0-20% to their customers, 6% reported passing through 20-40%, 12% reported 40-60%, 11% reported 60-80%, 23% reported 80-100%, 2% reported more than 100%, and 7% of firms had decrease prices (Chart 3).

Selected Manufacturing Comments

“Couldn't ship freezables many days in February, due to cold, We have a warehouse full of orders shipping this week.”

“Capital Equipment cost that are imported are a huge concern for us and the type of capital equipment we purchase is not produced in the USA for many years.”

“Markets we serve [machinery manufacturing] are down 30% for quarters 1 and 2 2025 vs quarters 1 and 2 2024.”

“The second calendar quarter is seasonally the worst. The last half of 2024 was not good, but seeing uptick in early 2025 and optimism for the year. Foreign dumping is still a problem.”

“We are in a comprehensive evaluation of all input costs and labor/production efficiencies. Based on the outcome of this research we will adjust pricing accordingly.”

“Material Costs continue to rise. Several suppliers increasing price after the beginning of the year.”

“This is a time of uncertainty for manufacturers, very difficult to make business plans.”

“Costs in specific categories/commodities are going up significantly and quickly. Big changes since the first of the year already. We will see continued/accelerated inflation on select goods/categories. We'll have to pass it along - question is will consumers pay/impact on demand?”

“We cannot absorb the cost increases. We have to pass those along.”

“We will scale back rather than take any hit to profit margin. We are expecting significant issues with payment and credit in next year and building cash margin to absorb bankruptcies and flailing business.”

Table 1. Summary of Tenth District Manufacturing Conditions, February 2025

Plant Level Indicators	February vs. January (percent)*					February 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				-1	-5				-18				14	14
Production	23	45	32	-9	-13	21	30	49	-28	49	33	18	31	30
Volume of shipments	28	33	38	-10	-11	26	27	48	-22	48	32	20	28	28
Volume of new orders	33	36	30	3	-7	23	31	46	-22	50	30	20	30	27
Backlog of orders	22	52	26	-4	-12	16	38	46	-30	28	45	28	0	-2
Number of employees	12	69	18	-6	-14	23	37	40	-18	30	52	19	11	12
Average employee workweek	13	68	19	-6	-9	10	53	37	-27	24	54	21	3	2
Prices received for finished product	21	74	4	17	17	57	32	11	46	48	48	4	44	47
Prices paid for raw materials	42	55	3	39	38	68	15	16	52	69	25	6	63	60
Capital expenditures						21	57	22	-1	27	57	16	11	9
New orders for exports	6	84	10	-4	-6	7	78	14	-7	9	77	13	-4	-5
Supplier delivery time	8	89	3	5	5	13	68	19	-6	14	76	10	4	6
Inventories: Materials	18	64	18	0	2	16	52	32	-16	17	62	21	-4	-5
Inventories: Finished goods	16	65	19	-2	2	20	58	23	-3	19	60	22	-3	-6

*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 February survey was open for a six-day period from February 19-24, 2025 and included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

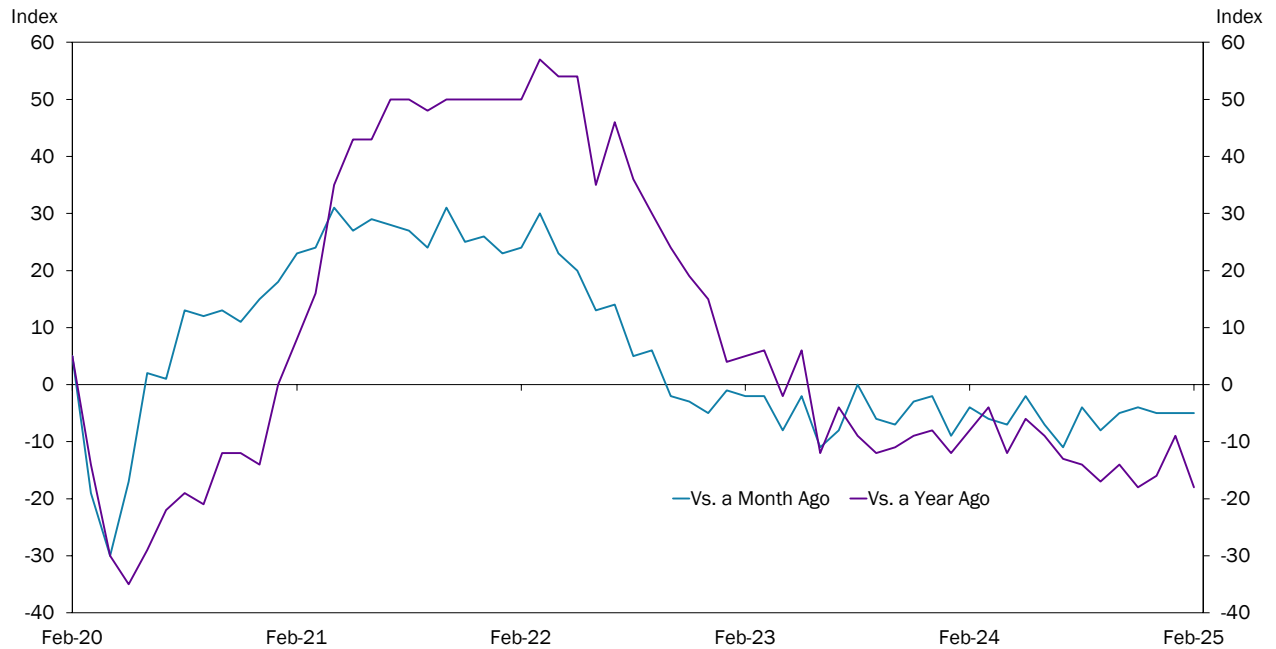


Chart 2. Special Question: How do you believe recent trade policy changes will affect demand or revenues for your business over the next year?

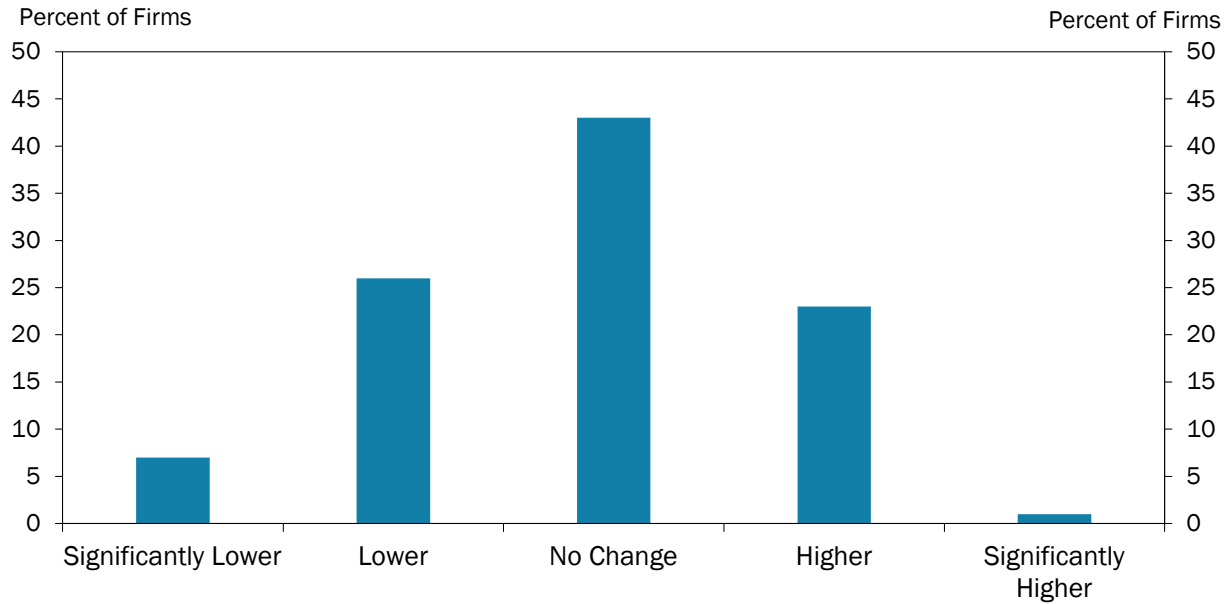


Chart 3. Special Question: If your firm is facing higher costs (inputs and labor), what share of those increases are you able to pass through to customers in the form of higher prices?

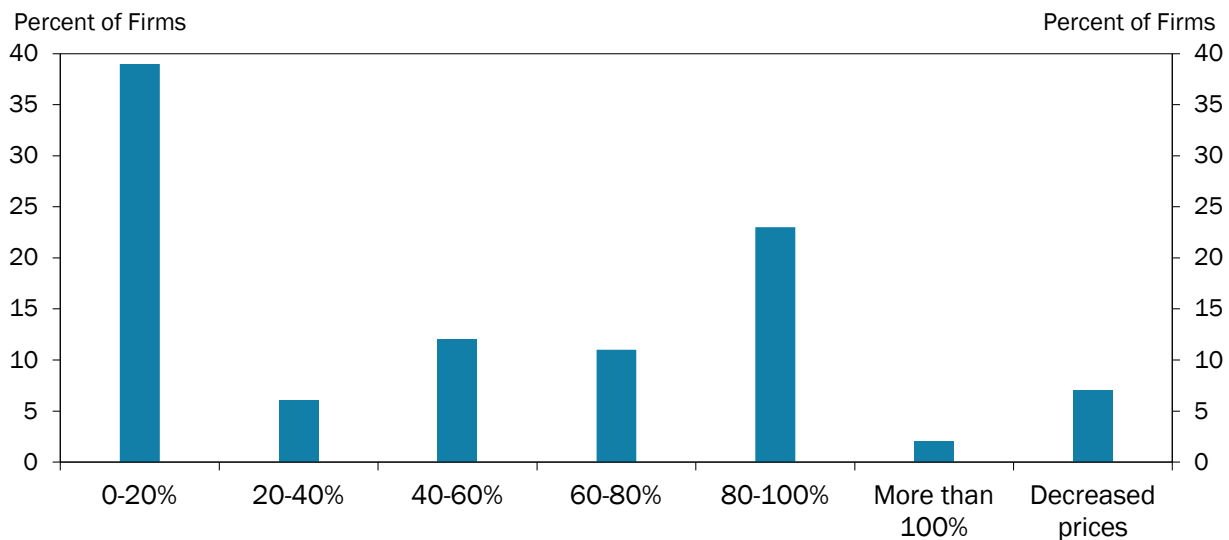


Table 2
Historical Manufacturing Survey Indexes

	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25
Versus a Month Ago (seasonally adjusted)													
Composite Index	-4	-6	-7	-2	-7	-11	-4	-8	-5	-4	-5	-5	-5
Production	2	-9	-10	-2	-10	-10	2	-14	-2	-5	-6	-9	-13
Volume of shipments	3	-5	-9	5	-3	-13	-3	-10	5	-2	-12	-6	-11
Volume of new orders	-5	-14	-7	-12	-13	-18	-12	-14	-9	-10	-16	-6	-7
Backlog of orders	-15	-25	-19	-20	-21	-23	-20	-30	-15	-16	-22	-19	-12
Number of employees	5	3	-2	9	-9	-10	-6	-9	-2	0	1	1	-14
Average employee workweek	-2	-10	-5	-6	-11	-14	-9	-13	-8	-9	-10	1	-9
Prices received for finished product	-1	4	2	6	3	2	6	-5	9	6	8	14	17
Prices paid for raw materials	14	16	17	19	13	17	17	14	16	8	18	18	38
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	-5	1	0	5	-2	-4	2	-2	-1	-6	-6	-3	-6
Supplier delivery time	-7	-3	-5	-4	0	-3	-2	-3	-1	1	-3	-1	5
Inventories: Materials	-12	-9	-12	-3	-4	-17	-1	2	-10	-4	0	-11	2
Inventories: Finished goods	-6	-6	-2	2	1	0	4	5	-2	6	5	2	2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-8	-4	-12	-6	-9	-13	-14	-17	-14	-18	-16	-9	-18
Production	-4	-3	-8	-7	-13	-12	-18	-24	-14	-14	-21	-9	-28
Volume of shipments	-8	5	-5	-5	-15	-12	-18	-22	-6	-10	-24	-9	-22
Volume of new orders	-6	-10	-12	-7	-21	-24	-21	-30	-18	-10	-30	-15	-22
Backlog of orders	-13	-28	-13	-14	-22	-29	-29	-36	-32	-27	-29	-19	-30
Number of employees	6	14	-7	9	6	-2	-9	-7	-5	-12	-1	-6	-18
Average employee workweek	0	-14	-12	-8	-10	-8	-16	-17	-17	-16	-18	-23	-27
Prices received for finished product	37	33	45	34	33	31	34	30	37	44	37	41	46
Prices paid for raw materials	36	39	46	37	32	35	37	41	30	27	41	34	52
Capital expenditures	-4	-2	-6	-1	-3	5	1	-1	1	7	5	1	-1
New orders for exports	-5	-6	-4	0	1	-3	-6	-8	-8	-9	-3	-1	-7
Supplier delivery time	-23	-11	-24	-24	-15	-10	-13	-13	-16	-30	-17	-6	-6
Inventories: Materials	-13	-6	-12	1	-3	-14	-9	-10	-17	-24	-13	-9	-16
Inventories: Finished goods	-5	3	-4	2	-2	-6	-1	-5	-2	-8	0	-11	-3
Expected in Six Months (seasonally adjusted)													
Composite Index	3	3	3	6	7	5	8	8	6	10	17	15	14
Production	18	19	17	21	19	16	20	20	25	22	40	28	30
Volume of shipments	18	16	7	16	14	16	13	13	20	22	31	23	28
Volume of new orders	3	6	3	17	9	8	12	12	13	16	35	30	27
Backlog of orders	-4	-17	-10	-3	-3	-8	-6	-9	-7	2	2	-5	-2
Number of employees	16	9	9	15	16	13	16	17	14	14	19	10	12
Average employee workweek	-2	-14	0	2	5	1	4	-3	0	-2	7	11	2
Prices received for finished product	23	24	26	27	23	25	24	32	33	30	32	30	47
Prices paid for raw materials	28	34	33	40	38	36	38	33	37	33	35	48	60
Capital expenditures	15	7	5	15	5	9	-5	10	3	15	8	20	9
New orders for exports	-1	1	5	5	7	5	0	4	6	-7	0	0	-5
Supplier delivery time	-8	-6	-3	-7	-3	-5	-3	-2	-6	-1	-4	4	6
Inventories: Materials	-14	-14	-13	-14	-6	-6	-4	-5	-14	-3	-4	2	-5
Inventories: Finished goods	-14	-5	0	-10	-6	-6	-1	-8	-5	-6	8	-2	-6