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Tenth District Manufacturing Activity Declined Less in August
Federal Reserve Bank of Kansas City Releases August Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the August 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 less this month than in July, and expectations for future activity remained positive.

“Regional factory activity did not decline as much in August following a sharper decline last month,” said Wilkerson. “Production rebounded somewhat while the volume of new orders and employment decreased further but are expected to grow in the next six months.”

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 less this month than in July, while expectations for future activity remained positive. Finished product prices increased somewhat this month after staying flat in July, but raw materials prices continue to grow at a faster pace. (Chart 1, Tables 1 & 2)

Factory Activity Declined Less

The month-over-month composite index was -3 in August, up from -13 in July and -8 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Nondurable manufacturing was essentially flat, while durable goods manufacturing fell somewhat, driven by transportation equipment, fabricated metal, and machinery. The month-over-month indexes were mixed, but all increased from last month's readings. Production rebounded from -12 to 6 while the volume of new orders stayed negative at -12 and backlogs posted a reading of -19. The two employment indexes also declined further. The year-over-year composite index for factory activity ticked down from -13 to -14 as production, shipments, and new orders all continue to fall considerably. Employment levels decreased moderately while capital expenditures stayed steady with a reading of 1. The future composite index increased from 5 to 8, as production and employment are expected to increase substantially.

Special Questions

This month contacts were asked special questions about plans for hiring and capital expenditures as well as transportation costs. 19% of firms report they expect to hire more workers by the end of 2024 than they had originally planned at the beginning of the year, while 32% expect to hire less workers and 49% of firms' plans are unchanged. Additionally, 11% of firms expect more capital expenditures by the end of the year than originally planned, 29% expect less, and 60% have unchanged plans (Chart 2). Contacts were also asked about transportation costs. In the last 6 months, transportation costs have increased significantly for 20% of firms, increased slightly for 50%, remained unchanged for 17%, and decreased slightly for 13%. Similarly in the next 6 months, 3% of firms expect transportation costs to increase significantly, 61% expect a slight increase, 28% expect no change, and 8% expect a slight decrease. (Chart 3).

Selected Manufacturing Comments

“Orders for the first half of 2024 were down substantially. We suspect that customers have been holding off, expecting interest rates to drop. We are seeing some recovery, but mostly with international customers.”

“Everything flipped in July. We got caught up and orders were pushed out at the same time. We laid off 30% of our hourly work force last week.”

“We continue to experience lower business levels than we have in the past several years. New business opportunities have come from failures of competitors, including facility closures, cyber-attack and ERP issues. There is continuing wage pressure at the shop-floor level. Election uncertainty, foreign dumping and the erosion of the spending power of consumers (higher debt/lower savings) make future business levels concerning.”

“We're starting to see some sales softening - especially with long-term/legacy customers. Really only has become noticeable over the last month or so. Customers telling us their transactions are down to a significant level. We remain concerned about cost increases on product inputs, particularly select commodities. Labor market continues to become more attractive with lots of incoming applicants.”

“Our industry is down by 20-35% which is a challenge to our sales department and maintaining work for our employees.”

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

	August vs. July (percent)*					August vs. Year Ago (percent)*				Expected in Six Months (percent)*				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index^	SA Index*^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				-4	-3				-14				7	8
Production	33	35	33	0	6	32	19	49	-18	41	36	23	18	20
Volume of shipments	27	41	32	-4	-1	30	21	49	-18	34	41	25	9	11
Volume of new orders	24	38	38	-14	-12	27	25	48	-21	35	39	26	9	12
Backlog of orders	24	34	42	-18	-19	23	25	52	-29	22	45	34	-12	-7
Number of employees	21	52	27	-7	-7	33	26	41	-9	30	54	15	15	17
Average employee workweek	14	64	22	-8	-10	13	58	29	-16	14	72	14	0	5
Prices received for finished product	12	78	10	2	6	50	34	16	34	34	54	12	22	21
Prices paid for raw materials	25	63	12	13	18	61	15	24	37	42	52	5	37	40
Capital expenditures						29	42	28	1	20	58	23	-3	-4
New orders for exports	11	80	9	2	4	10	74	16	-6	9	79	12	-3	-2
Supplier delivery time	7	88	5	1	-1	15	57	28	-13	10	79	11	-1	-3
Inventories: Materials	15	67	17	-2	0	25	41	34	-9	18	57	25	-7	-5
Inventories: Finished goods	21	63	16	6	6	26	46	27	-1	14	66	20	-5	1

*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 August survey was open for a six-day period from August 14-19, 2024 and included 92 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

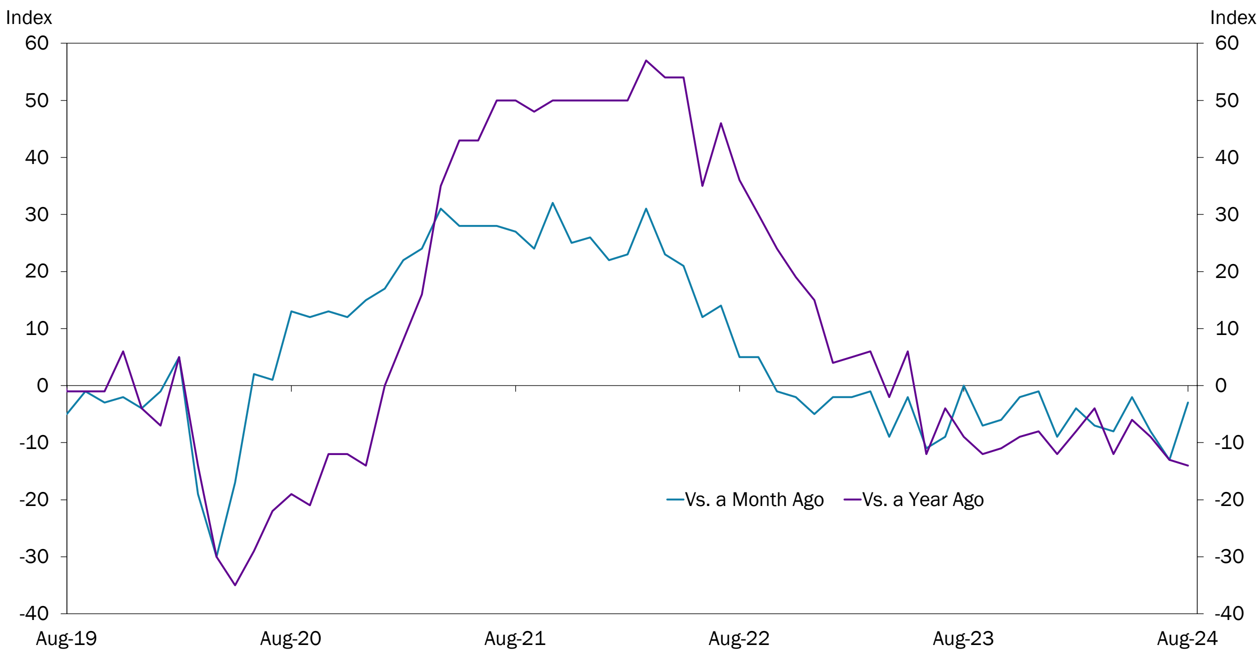

Chart 2. Special Question: Compared to the beginning of the year, have your plans for the following changed for the remainder of 2024?

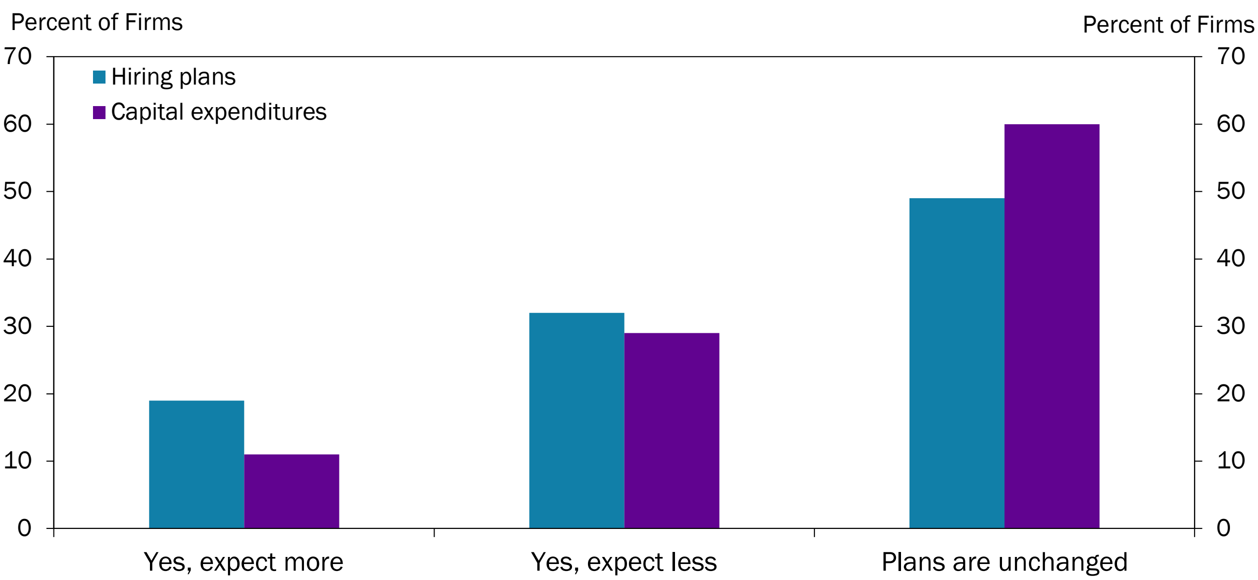

Chart 3. Special Question: How have/will transporation costs change for your firm?

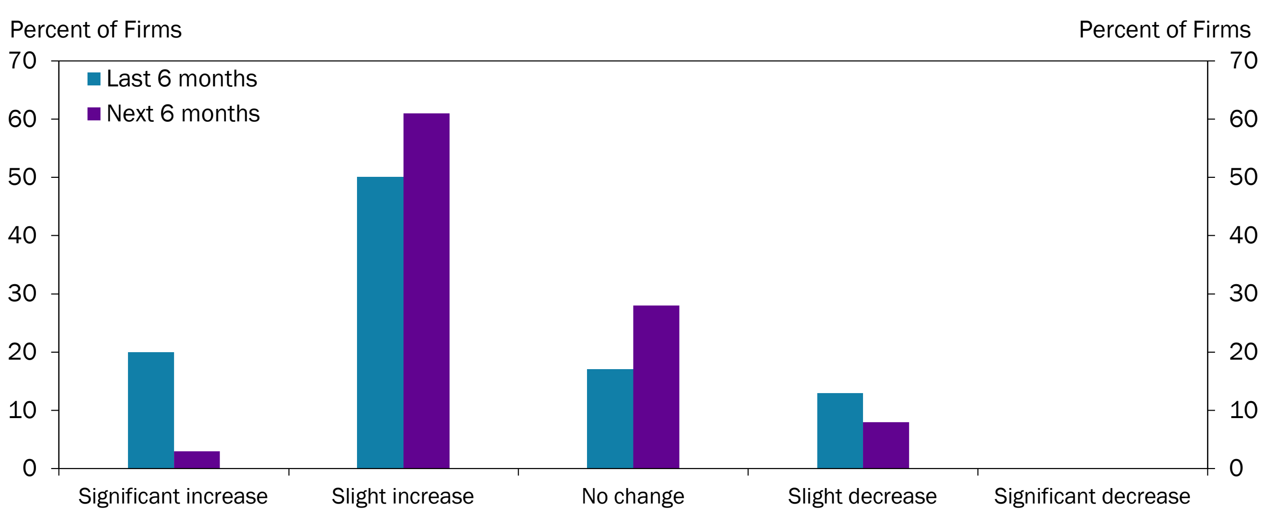

Table 2
Historical Manufacturing Survey Indexes

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