

Regional Manufacturing Conditions

Manufacturing Industry Research Exchange

May 10, 2023

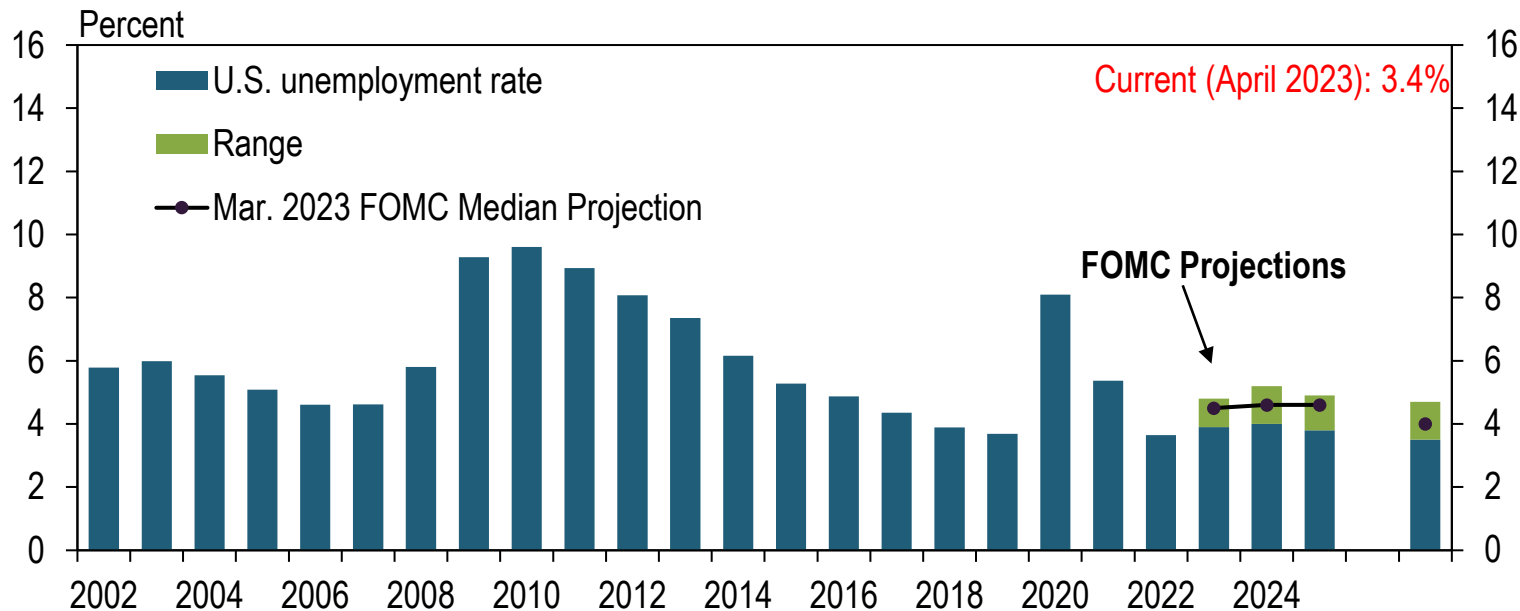
Megan Williams
Associate Economist & Manager

*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

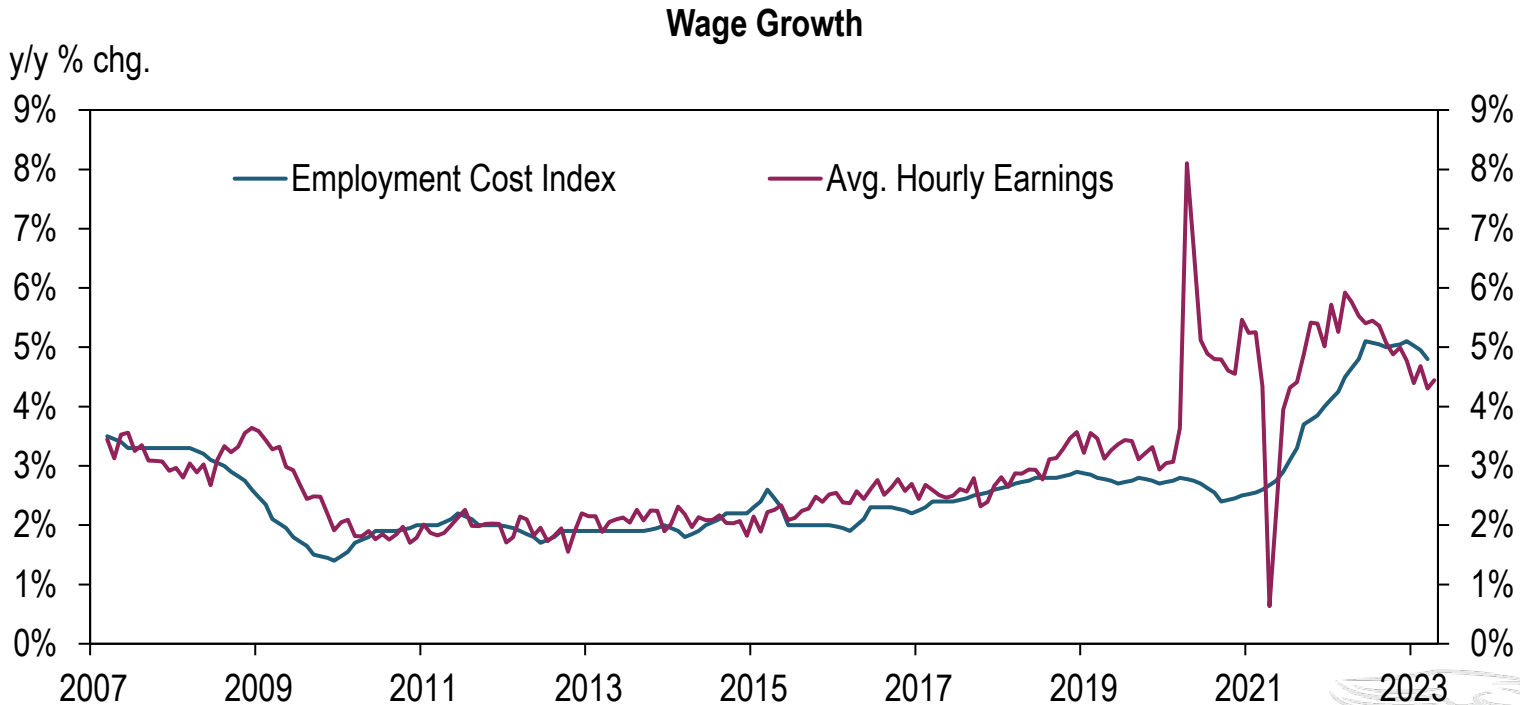


U.S. unemployment remains historically low and is projected to rise only slightly in coming years

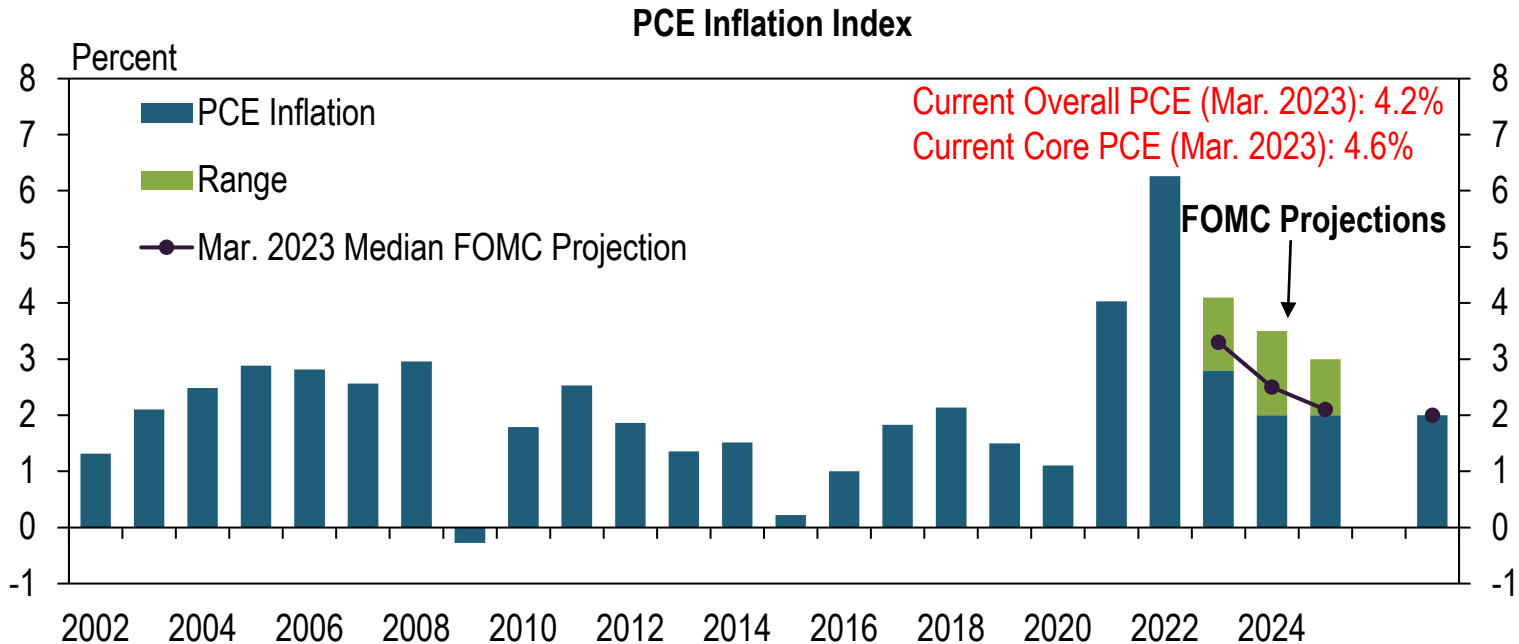
U.S. Unemployment Rate



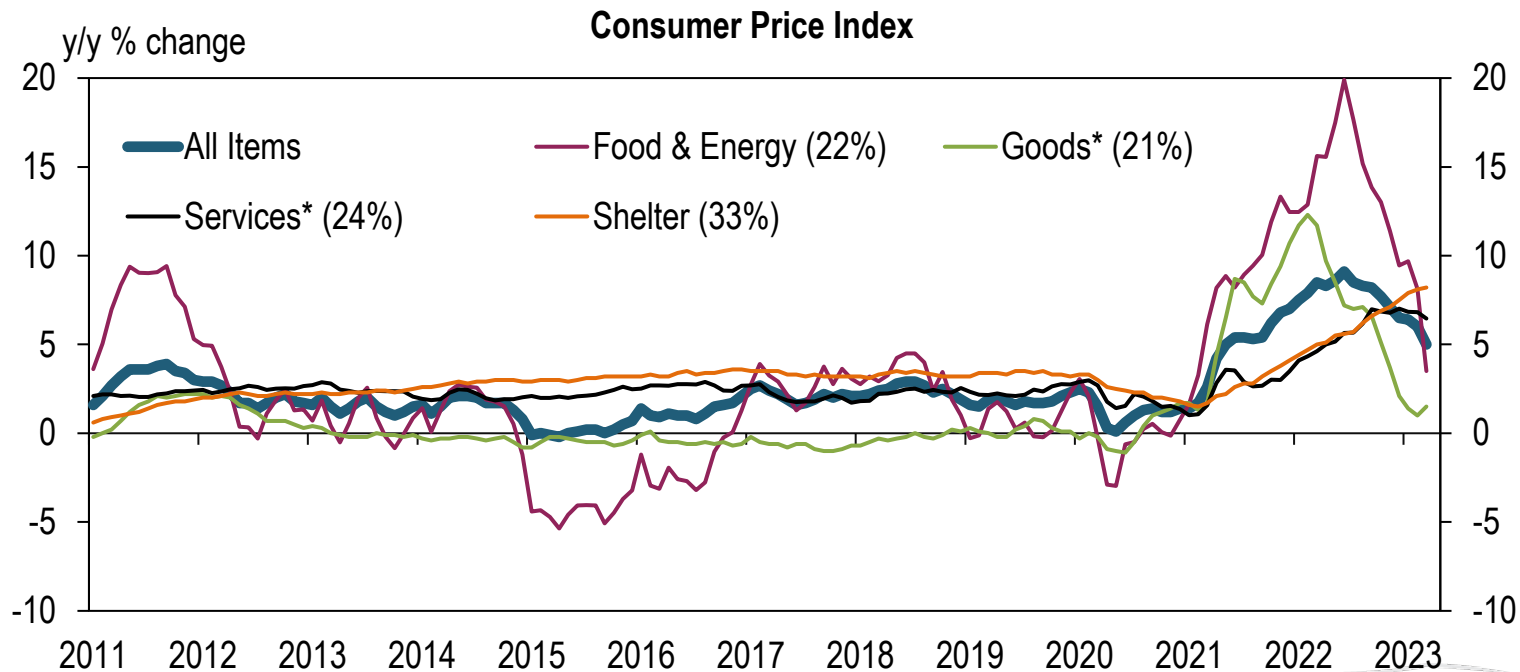
Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months



Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis



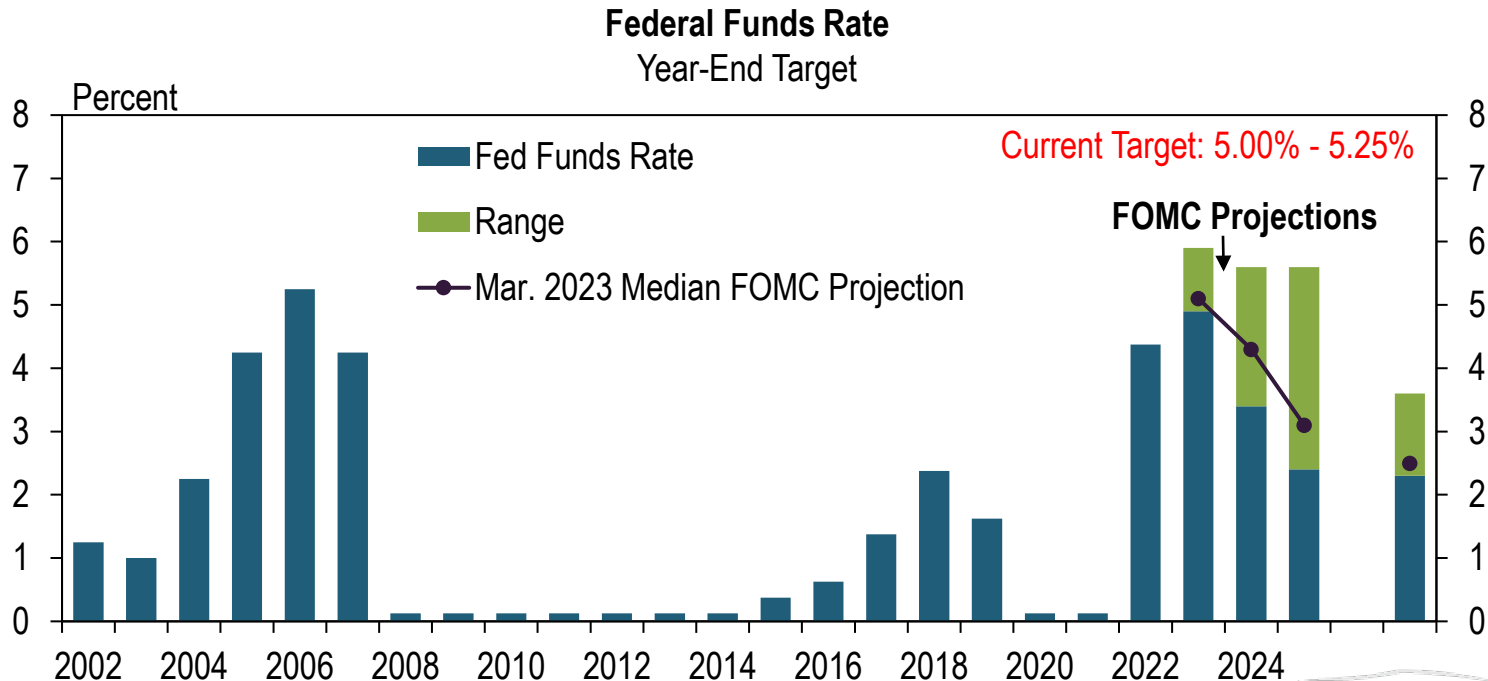
CPI inflation eased again in March to 5.0% as food & energy prices fell further, but services and shelter inflation remain high



*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.



The Fed raised the federal funds rate by 25 basis points again this month, and the latest FOMC projections are shown

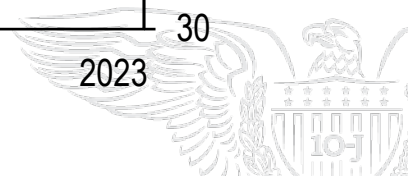
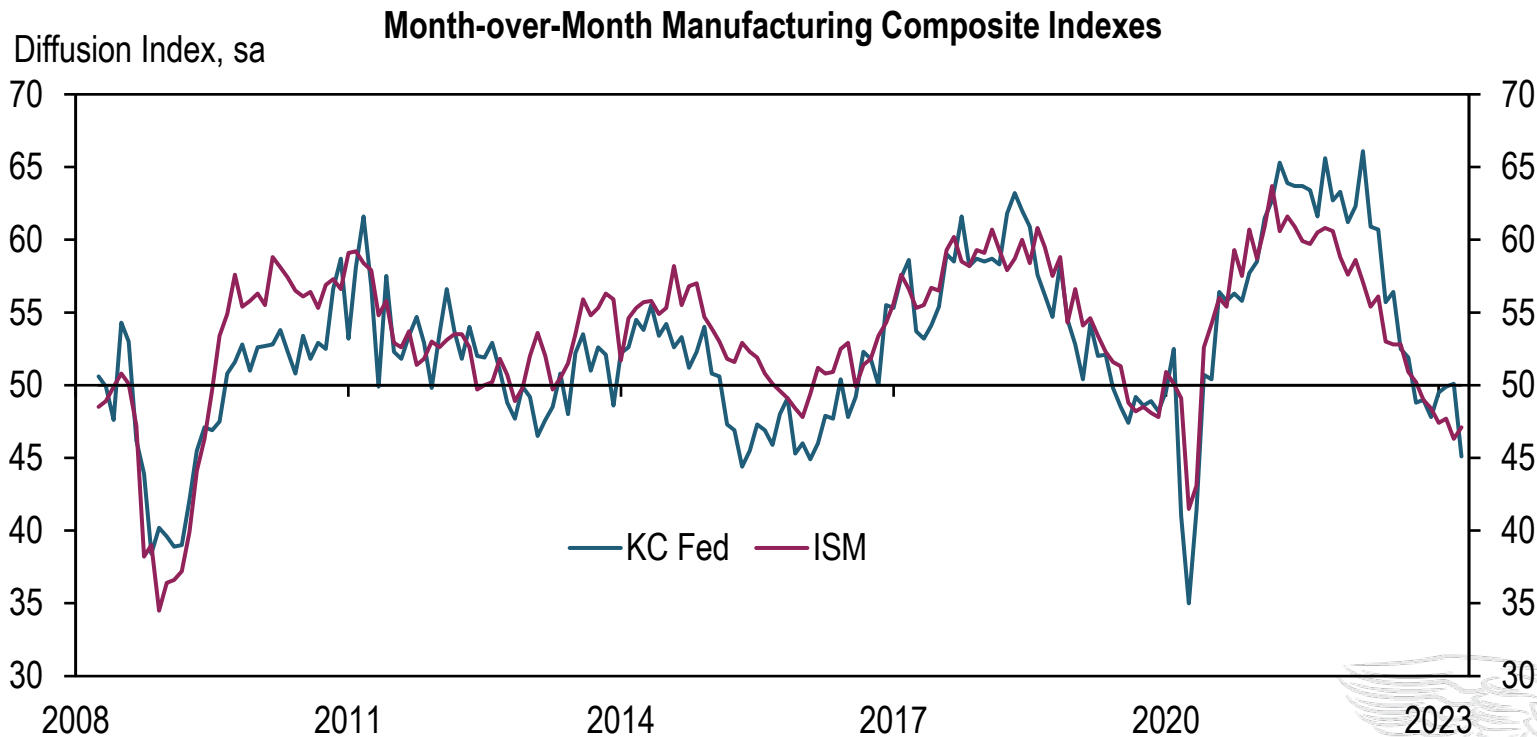


KC Fed Monthly Manufacturing Survey

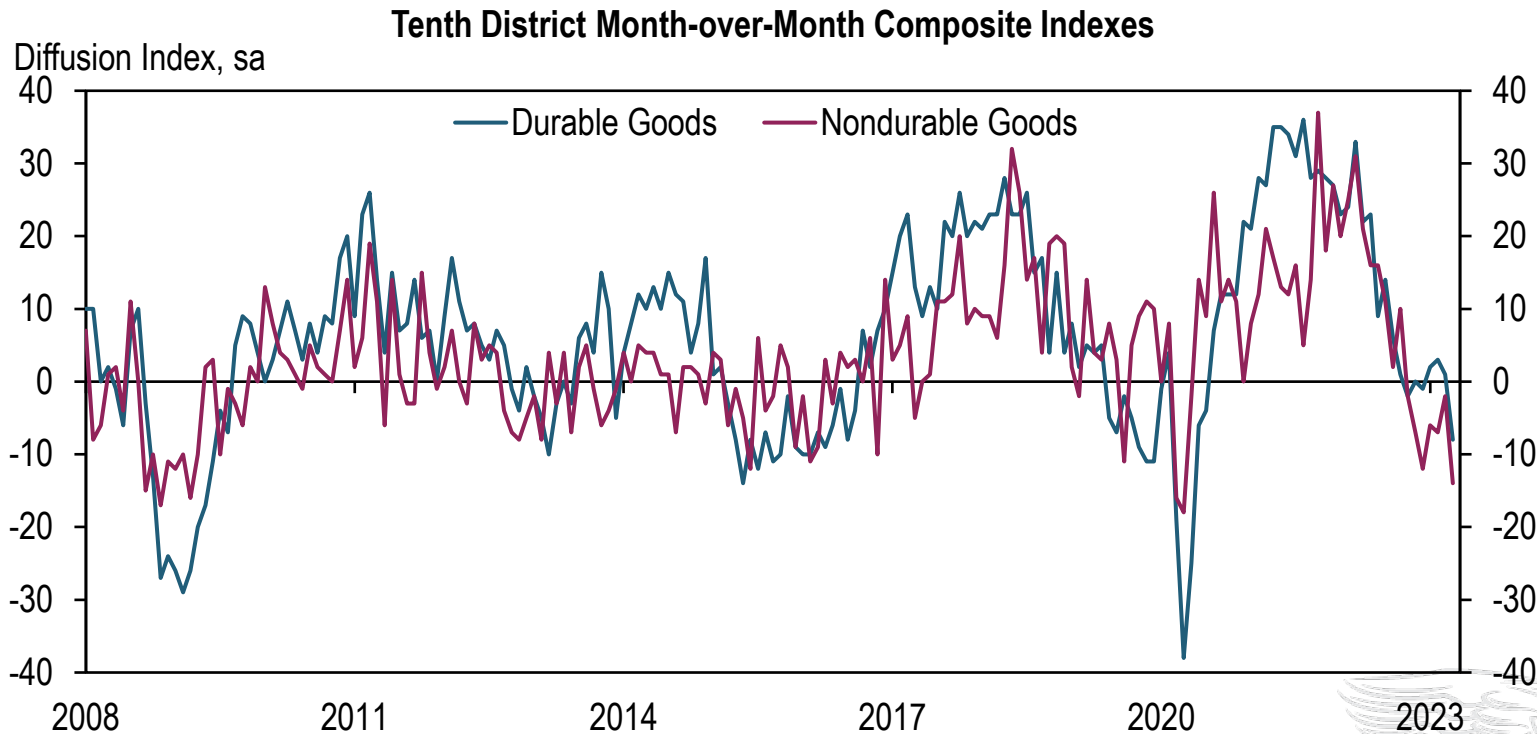
- KC Fed conducts business surveys of Tenth District firms
 - Manufacturing and Services monthly
 - Energy and Ag Finance quarterly
 - Tenth District States: Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Wyoming
- Manufacturing survey averages 100 respondents each month
- Uses a diffusion index to track overall business activity and key indicators
- Informs KC Fed's monetary policy



U.S. and Tenth District manufacturing activity has continued declining since Q4 2022

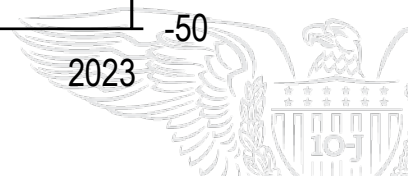
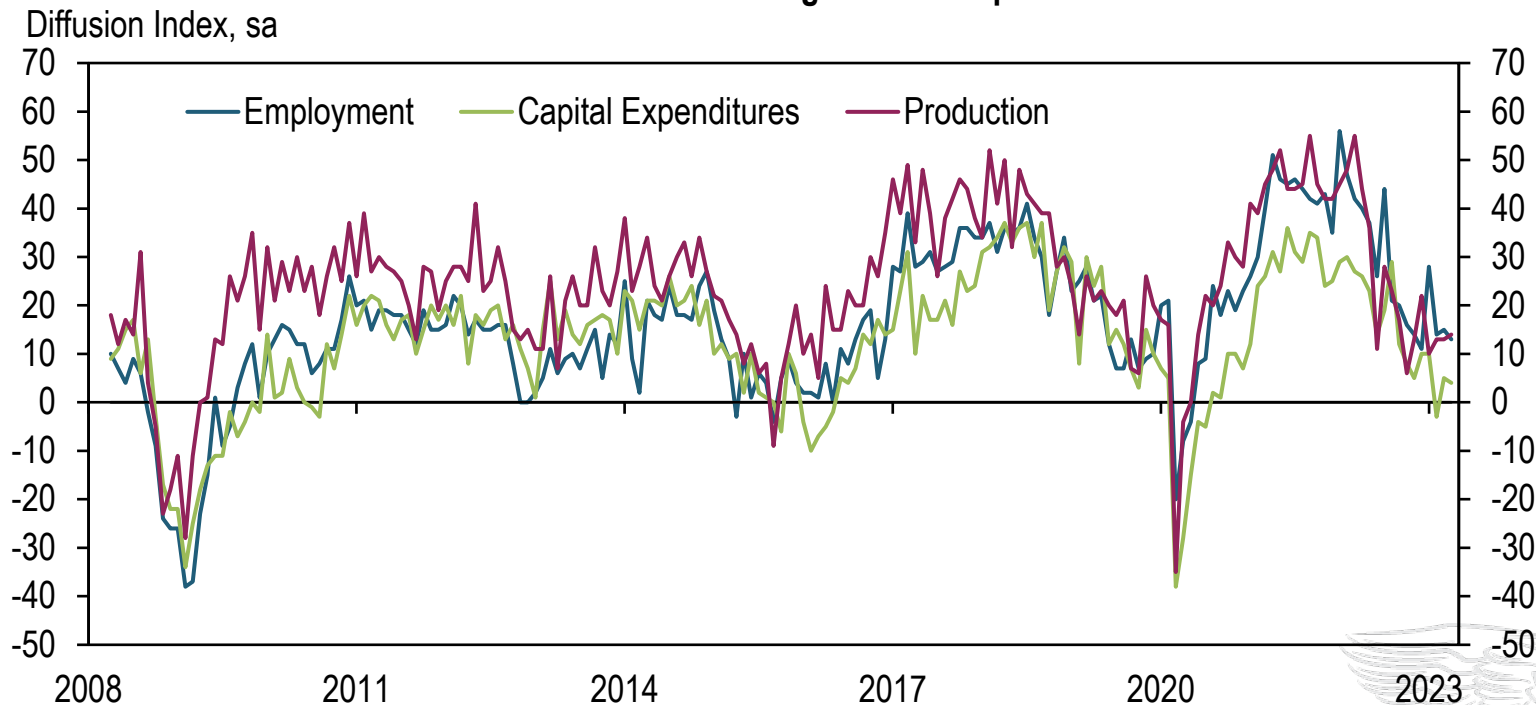


The recent decline in the Tenth District is driven more by nondurable goods production, particularly plastics and printing

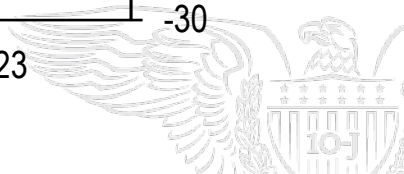
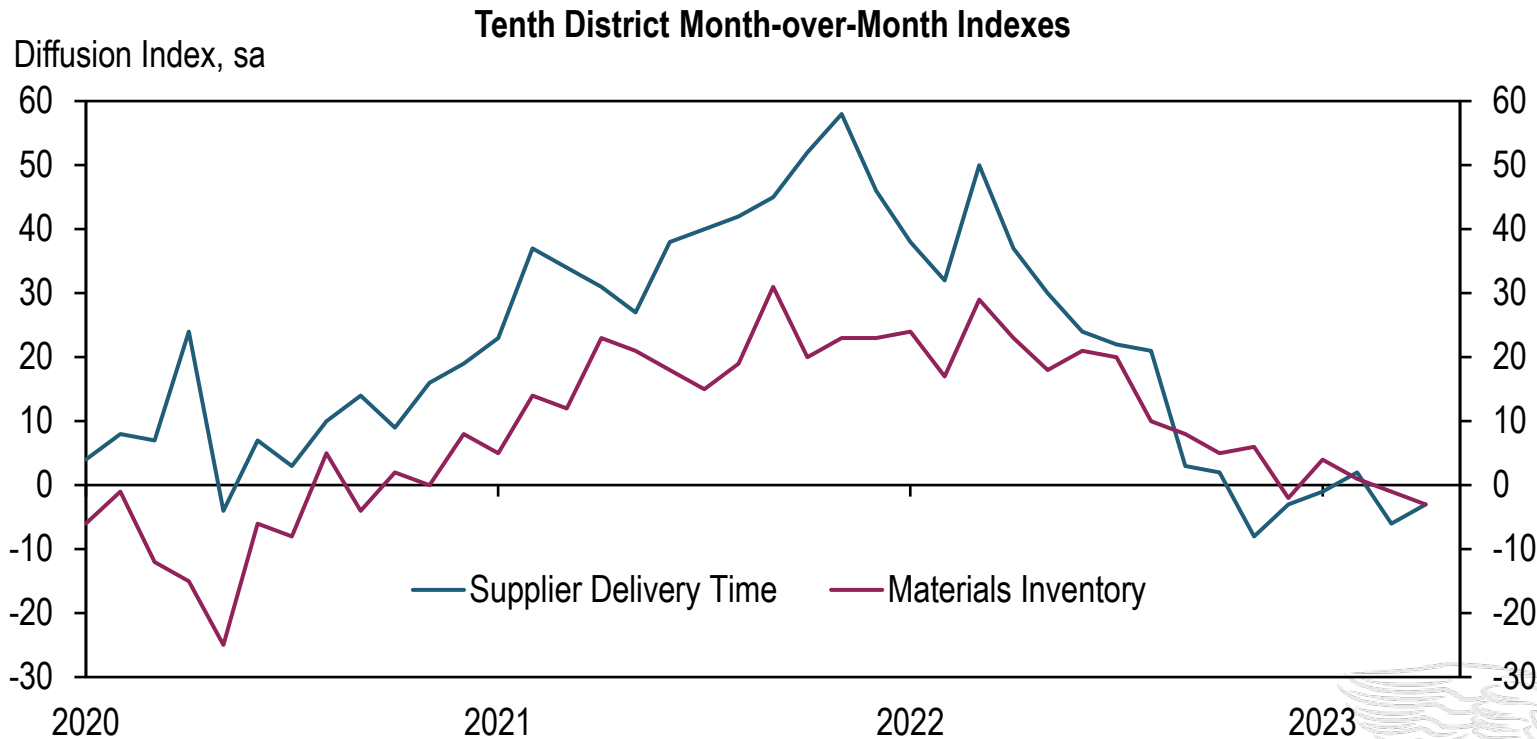


Despite the recent downturn, Tenth District firms' expectations remained expansionary in April

Tenth District Manufacturing 6-Month Expectations

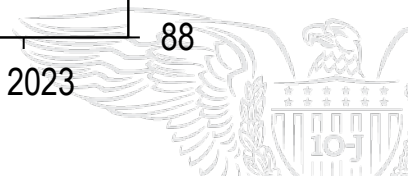
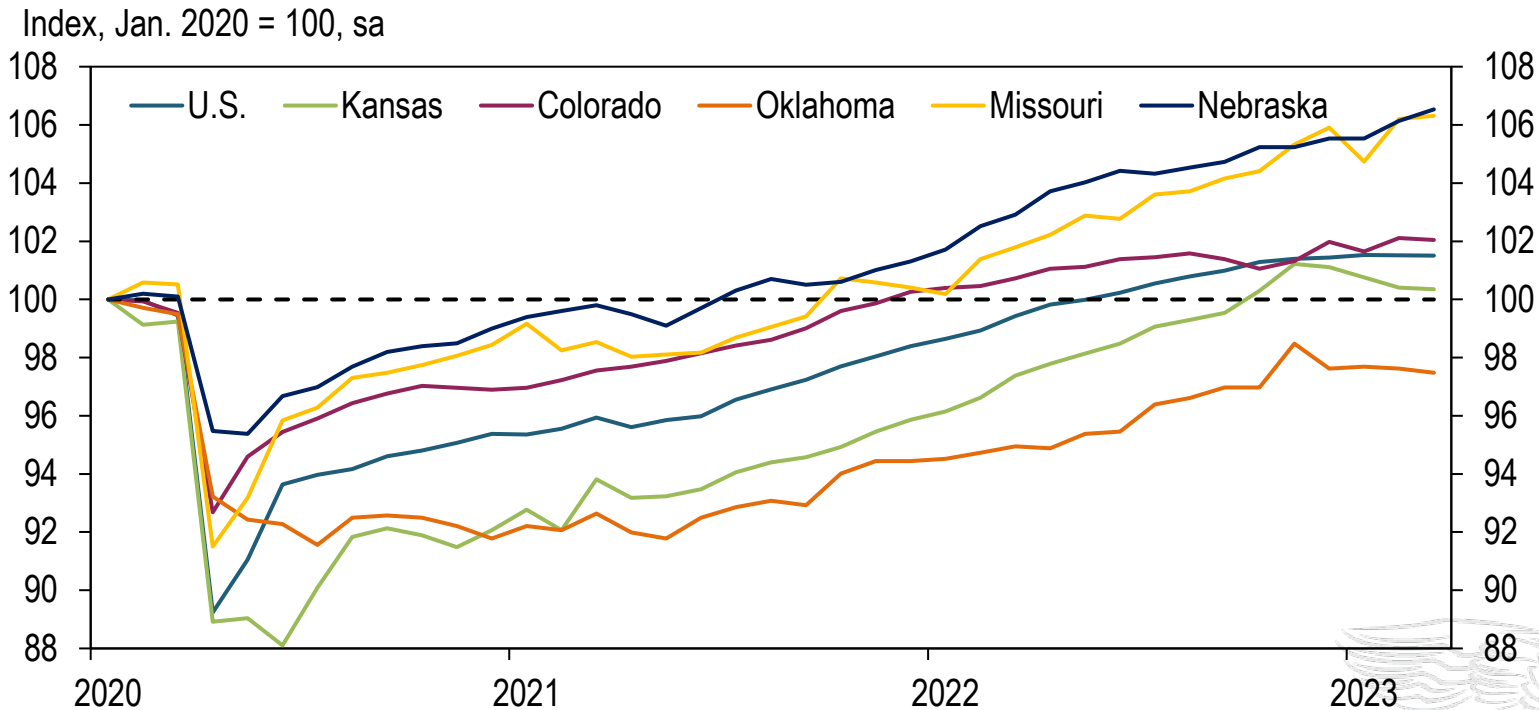


Materials inventory and supplier delivery times have decreased for the first time since the start of the pandemic



U.S. and Midwestern states have recovered pandemic losses in manufacturing employment, while Oklahoma still lags

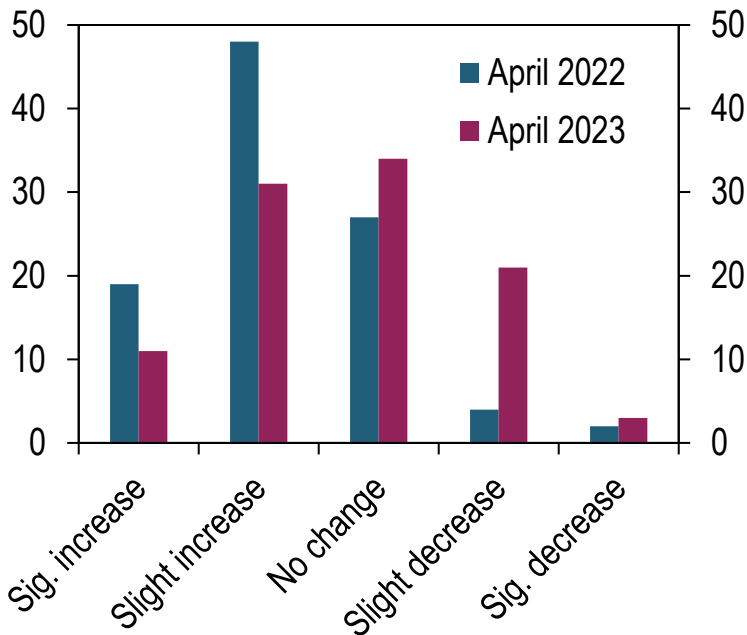
Manufacturing Employment



Many firms face a shortage of workers with a H.S. degree, and their number of job openings remains mostly unchanged from the year's start

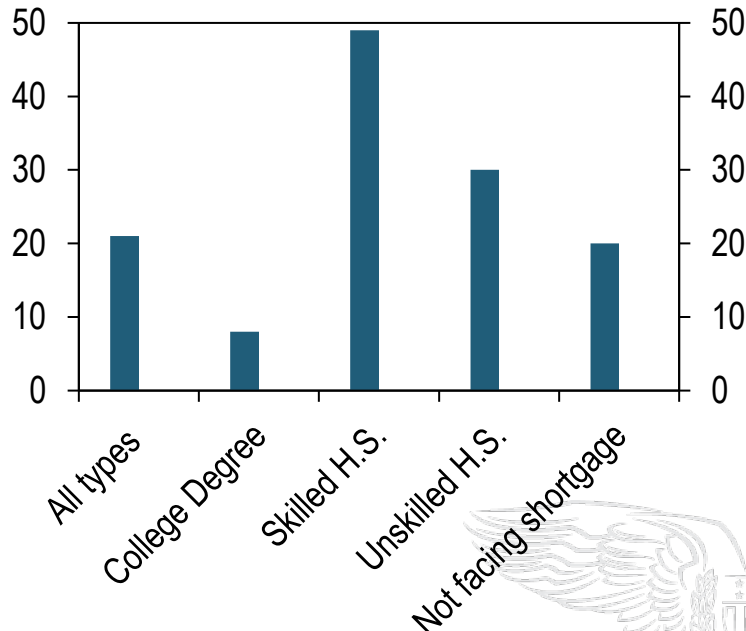
How have the number of job openings changed for your firm since the beginning of the year?

Percent of firms

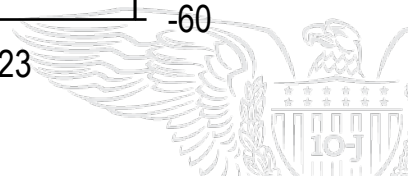
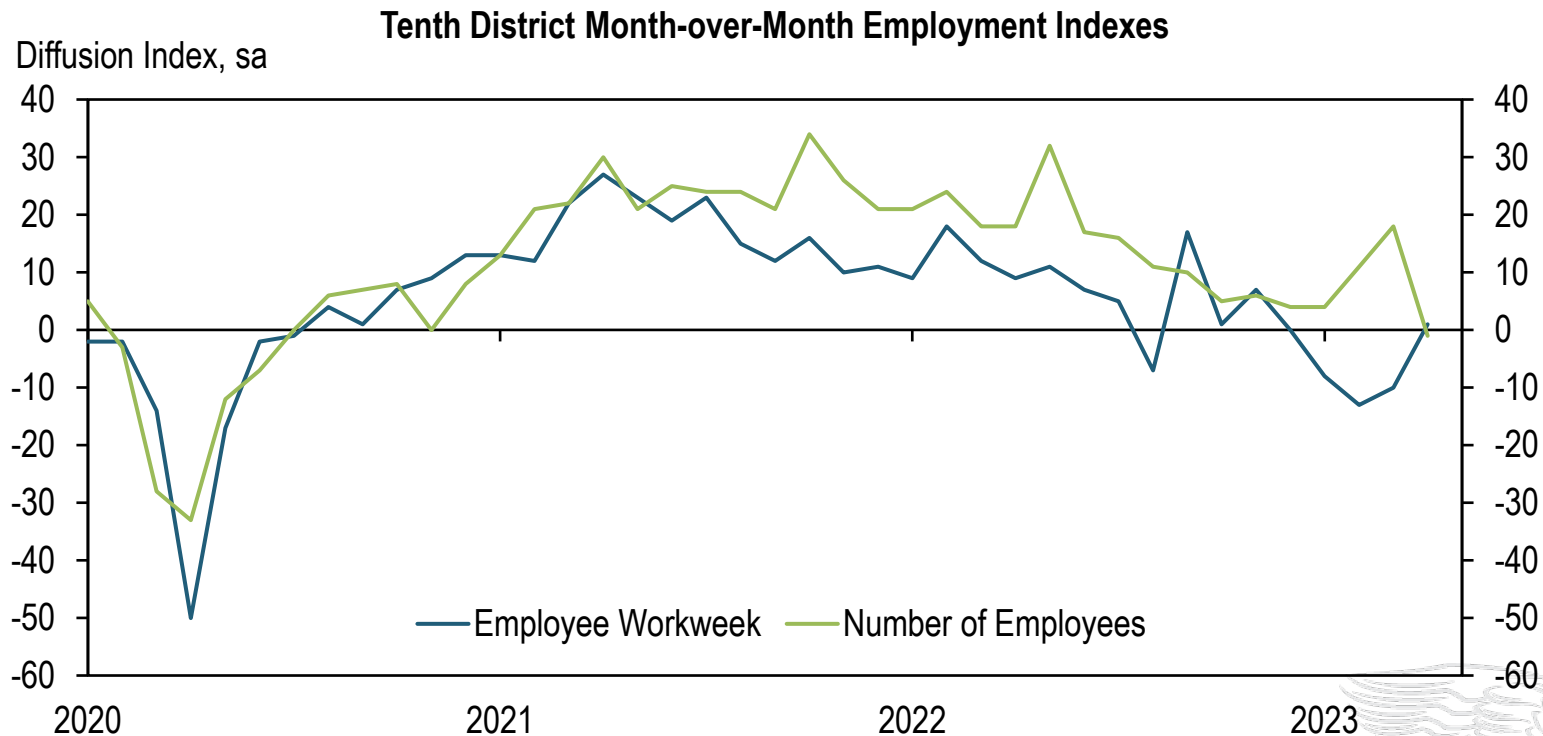


April 2023: If you are facing worker shortages, in which categories are you facing those shortages?

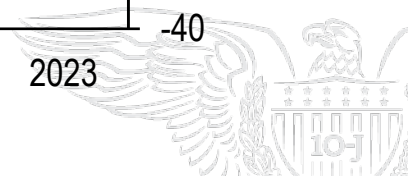
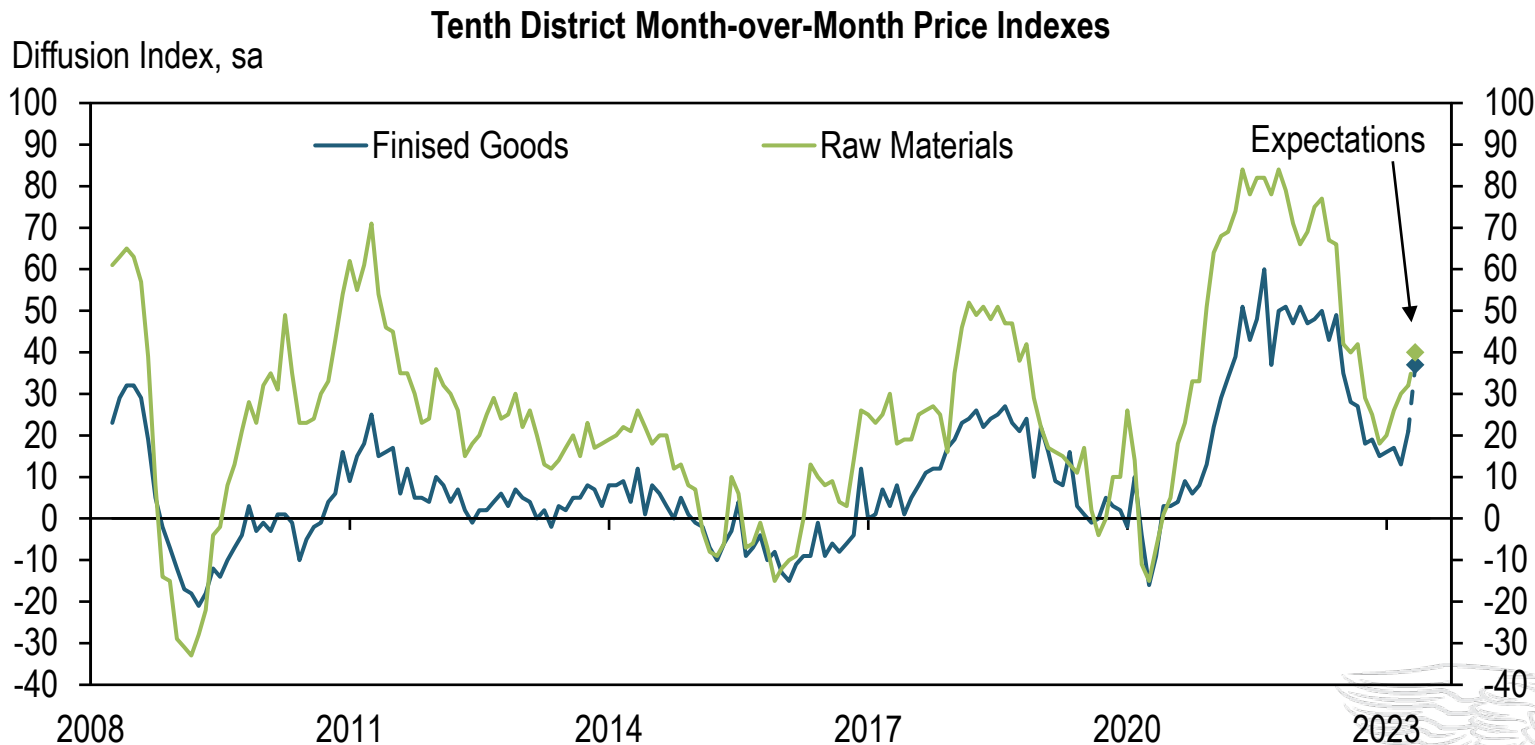
Percent of firms



As the growth in number of employees slows, firms are increasing current employees' hours



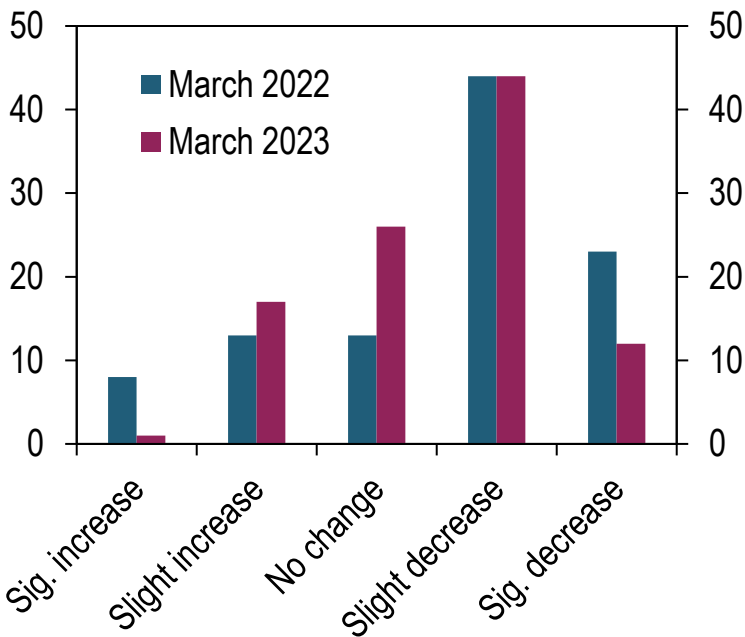
Input and output price growth has ticked back up recently after easing in 2022



Profit margins and output prices have stabilized more in 2023 relative to 2022

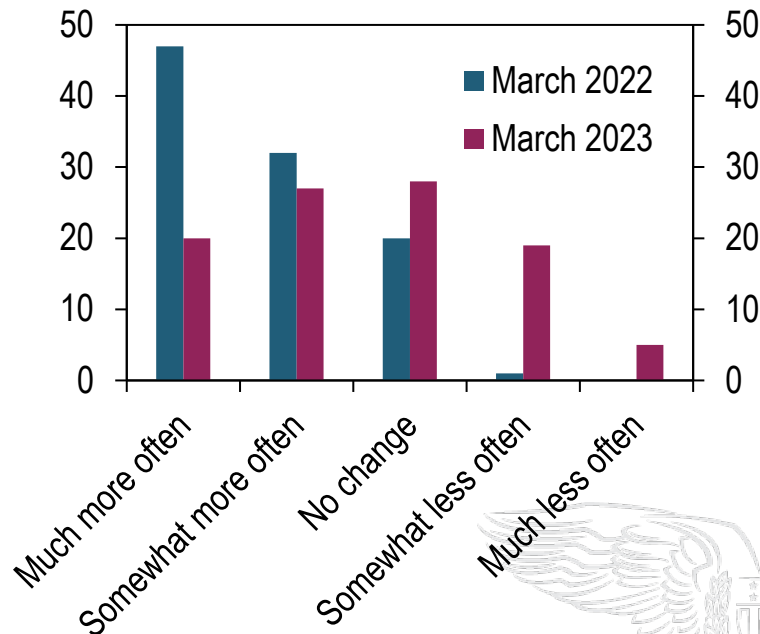
How have profit margins changed for your firm since the beginning of the year?

Percent of firms



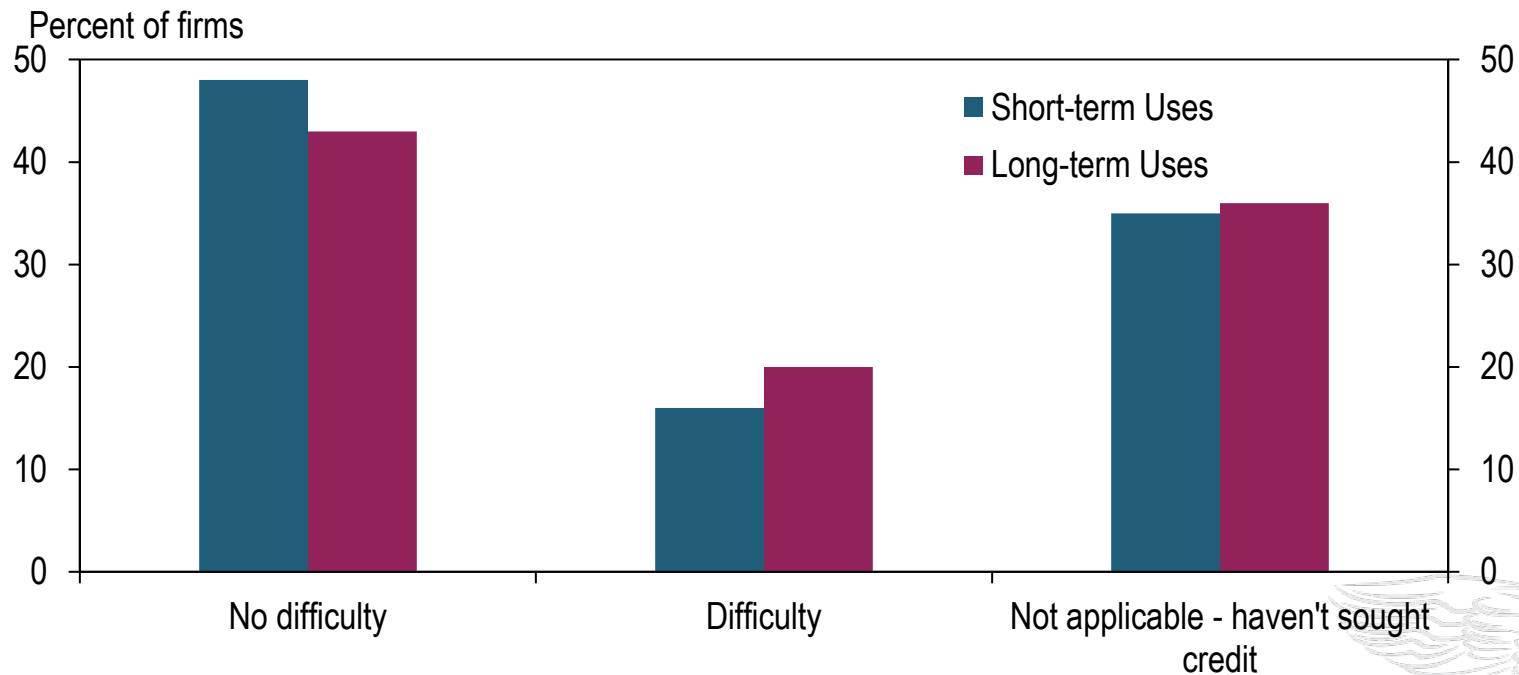
How much more or less frequently is your firm changing prices compared to last year?

Percent of firms



A majority of firms that have sought financing report no difficulty obtaining credit

April 2023: To what extent is your business having difficulty obtaining financing for desired short-term or long-term uses?



Questions?

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