



NEWS RELEASE

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Tenth District Manufacturing Activity Decreased Further in December
Federal Reserve Bank of Kansas City Releases December Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the December 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 decreased further in December while expectations for future activity remained positive.

“Regional factory activity declined for the sixth straight month in December, driven again by weaker activity in durable goods manufacturing,” said Wilkerson. “About half of District firms said weakening in other goods-producing sectors (such as energy and agriculture) has negatively affected business in their area.”

A summary of the December survey is attached. Results from past surveys and release dates for future surveys can be found at www.kansascityfed.org/research/indicatorsdata/mfg.

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 decreased further in December while expectations for future activity remained positive (Chart 1). The month-over-month prices for raw materials increased, while prices for finished products eased slightly from a month ago. District firms expected higher prices in the next 6 months.

Factory Activity Decreased Further in December

The month-over-month composite index was -8 in December, down from -3 in both November and October (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease in district manufacturing activity continued to be driven by weak activity at durable goods plants, especially from declines in: wood products, nonmetallic mineral products, primary metal, fabricated metal products, machinery, and computer and electronic products manufacturing. Most month-over-month indexes fell in December. The shipments index turned negative and the production, new orders, order backlog, and employment indexes declined further. Aside from the index for raw materials prices, only the supplier delivery time index remained slightly positive. Year-over-year factory indexes also dipped in December, and the composite slowed from 6 to -4. The future composite index moderated from 15 to 10 in December, but remained positive.

Special Questions

This month contacts were asked special questions about net profits and the impacts of conditions in other industries on their business activity. Nearly 44 percent of District manufacturing contacts reported higher net profits over the past year, but a similar share reported lower net profits (Chart 2). Over 56 percent of firms expect net profits to increase at some level over the next year. Just over 50 percent of contacts indicated that weakening in other goods-producing sectors (such as agriculture and energy) was leading to weaker conditions for business activity in their area (Chart 3). Another 24 percent of firms reported strengthening in other goods-producing sectors was leading to stronger conditions, while 26 percent of firms reported no connection between other goods-producing sectors and business activity.

Selected Manufacturing Comments

“The cost of fossil fuel energy has a direct impact on our business. The higher the cost of fossil fuels, the stronger the conditions in my business, and vice versa.”

“Weakness in the oil and gas market is significantly negatively impacting our business until we can offset that business with work from other sectors.”

“Our business is somewhat seasonal, so this month vs. last being down is a normal cycle. Overall customer spending is more robust than years past.”

“The holiday seasonal temp workers have made it even more difficult for us to find and retain employees. We literally have people coming to us for the first day of work and leaving because they got an offer \$1 to \$2 higher down the street. Labor is and continues to be our biggest struggle.”

“Overall the economy is running smoothly at this time without major wage pressure or problems finding reasonable labor for entry-level work. We regularly train personnel and promote from within and are finding more personnel who are interested in improving their own skills.”

“Best winter backlog we’ve see in a while.”

“We are being aggressive and proactive in both sales and the pricing arena.”

“Capital expenditures and labor efficiency has helped the bottom line for net profits.”

“We are on hold until someone decides what the next round of tariffs will be.”

“The tariff on steel and the trade issues are still a concern for 2020. We are being very conservative on capital expenditures and use of cash until these two things calm down.”

Table 1. Summary of Tenth District Manufacturing Conditions, December 2019

Plant Level Indicators	December vs. November (percent)*					December vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}
Composite Index				-12	-8				-4					14	10
Production	26	36	37	-11	-7	36	22	42	-5	43	43	33	24	20	12
Volume of shipments	23	35	42	-20	-6	35	24	41	-7	42	42	34	24	18	10
Volume of new orders	19	33	48	-30	-16	31	23	46	-14	43	43	36	21	22	16
Backlog of orders	17	42	41	-24	-19	25	34	42	-17	29	44	27	2	-7	
Number of employees	18	56	26	-9	-10	37	32	31	7	37	43	20	18	13	
Average employee workweek	16	60	23	-7	-7	23	51	26	-3	17	67	17	0	-4	
Prices received for finished product	10	77	13	-3	-2	48	31	21	27	32	55	14	18	16	
Prices paid for raw materials	22	68	10	12	16	58	20	22	36	48	43	9	39	37	
Capital expenditures						43	29	28	15	36	42	22	15	10	
New orders for exports	7	76	17	-10	-11	12	67	21	-9	19	69	13	6	3	
Supplier delivery time	11	82	7	5	3	17	70	13	5	13	82	5	8	9	
Inventories: Materials	20	46	34	-13	-9	29	33	38	-10	27	50	23	3	-2	
Inventories: Finished goods	20	51	30	-10	-12	30	32	39	-9	26	52	22	3	0	

*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-12.

Note: The December survey was open for a five-day period from December 11-16, 2019 and included 93 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

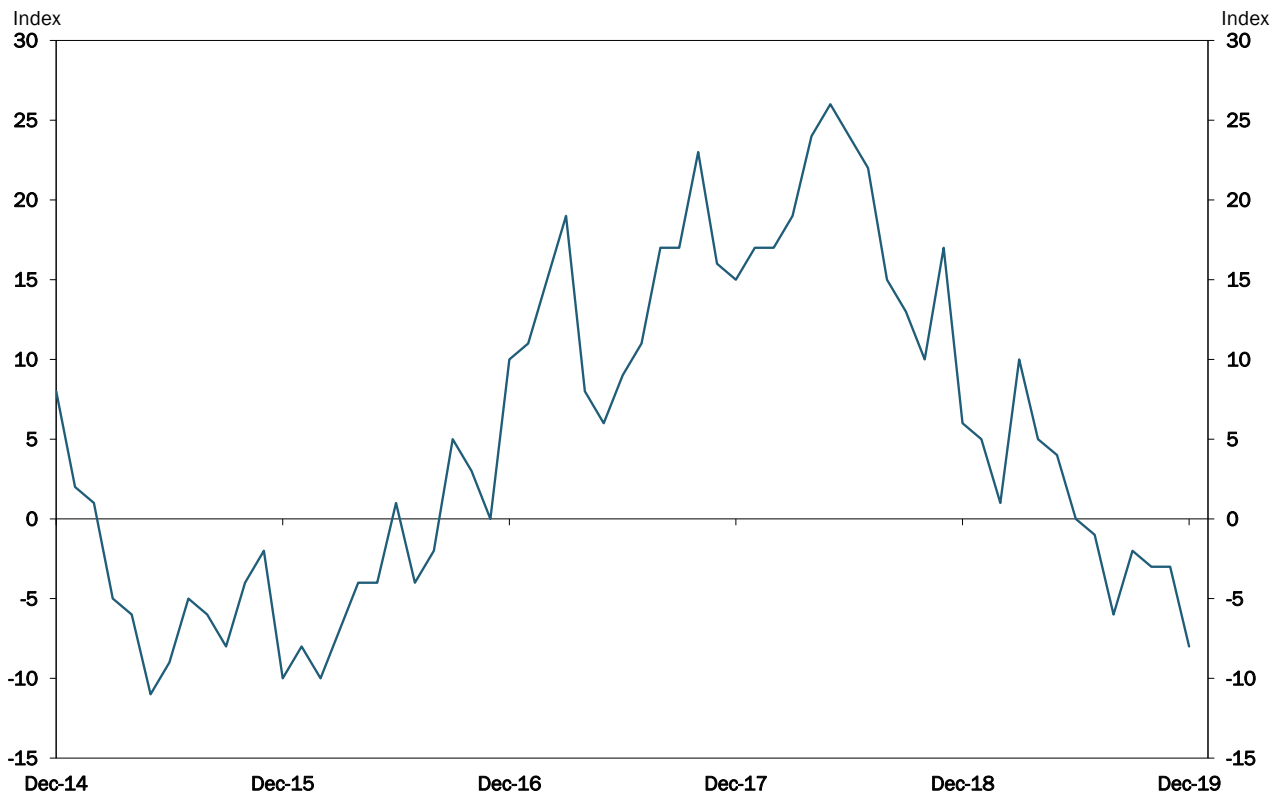


Chart 2. Special Question: What has been the change in your firm's net profit over the past year and how much do you expect net profit to change over the next year?

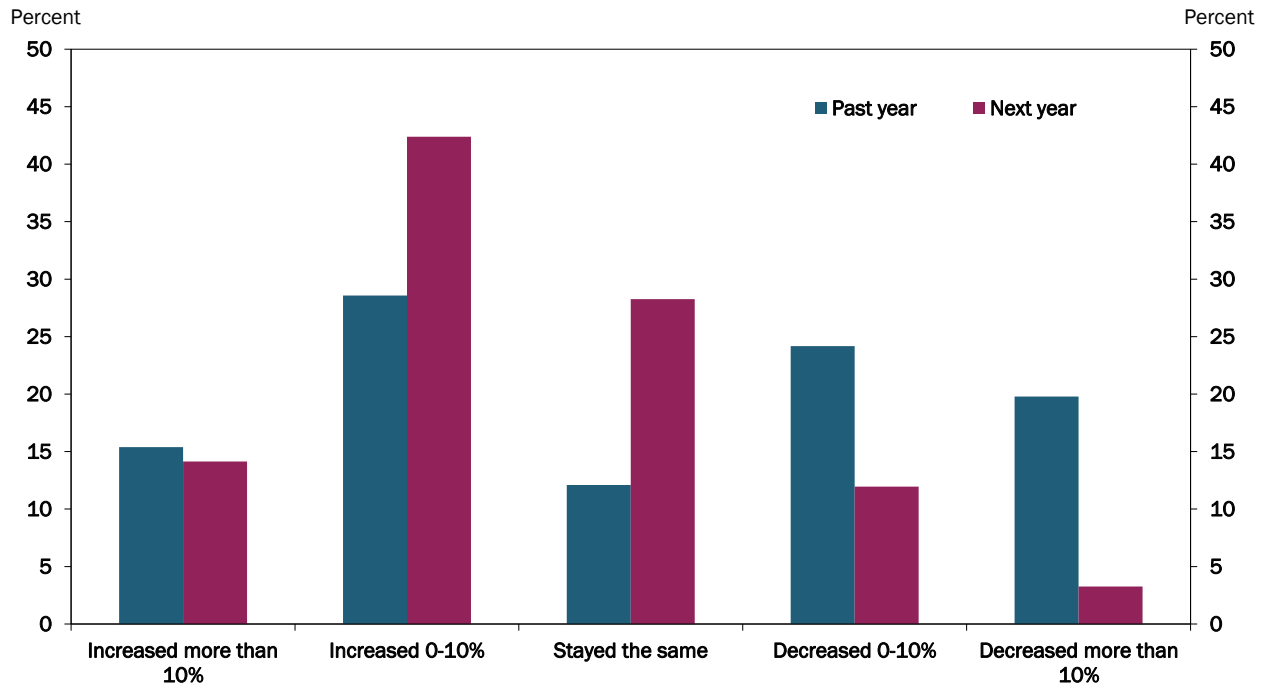


Chart 3. Special Question: How are current developments in other goods-producing sectors (examples: agriculture, energy) affecting business activity in your area?

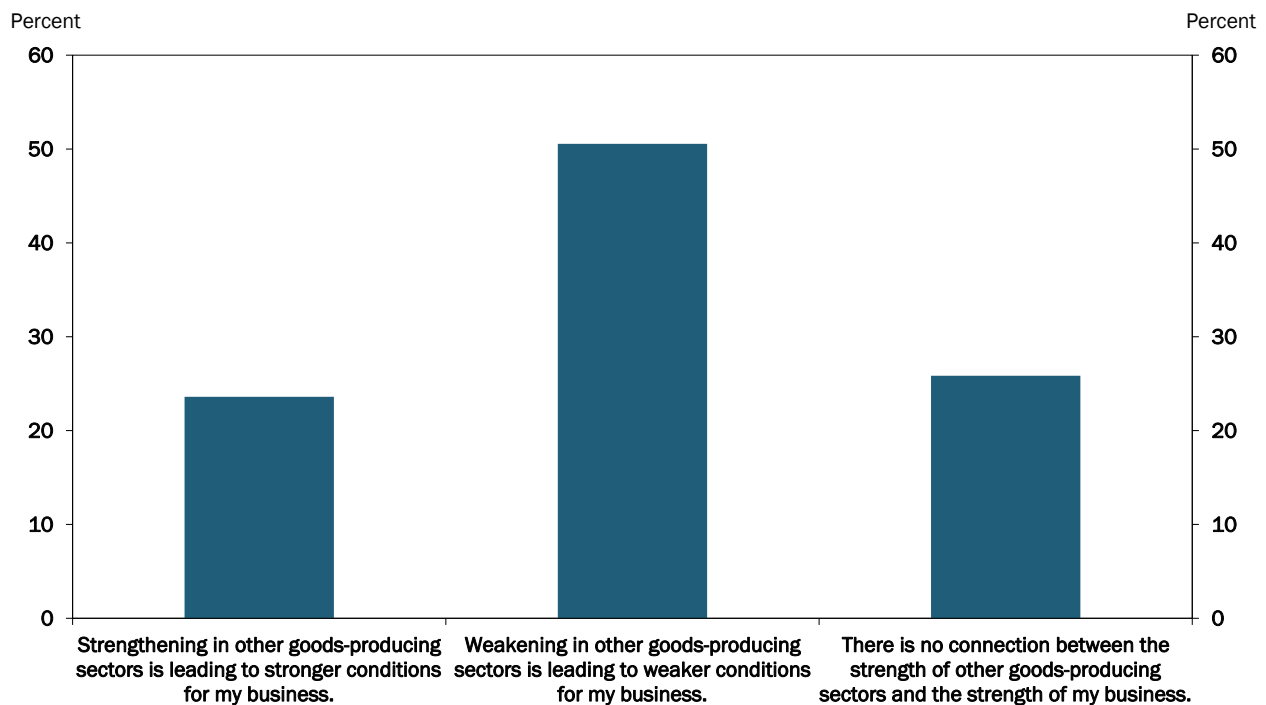


Table 2
Historical Manufacturing Survey Indexes

	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	6	5	1	10	5	4	0	-1	-6	-2	-3	-3	-8
Production	-13	2	-4	17	12	2	-3	-6	-2	11	8	-5	-7
Volume of shipments	3	6	-14	14	9	-2	-7	0	-7	9	0	7	-6
Volume of new orders	7	1	-10	4	10	4	5	-2	-16	-3	-13	-3	-16
Backlog of orders	9	-13	-18	9	-5	-5	-7	-13	-19	-19	-11	-8	-19
Number of employees	10	7	10	14	2	5	5	-6	-7	-13	-6	-9	-10
Average employee workweek	3	7	0	14	14	2	0	-4	7	10	3	-6	-7
Prices received for finished product	8	23	18	7	10	15	3	2	-3	1	4	5	-2
Prices paid for raw materials	34	23	19	15	15	13	9	15	-2	-6	-1	14	16
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	-6	-10	-2	5	8	6	-4	-6	0	-2	-7	-6	-11
Supplier delivery time	7	14	10	8	6	9	-3	6	-6	1	3	8	3
Inventories: Materials	19	4	-2	9	-4	0	-3	1	3	-5	-5	-9	-9
Inventories: Finished goods	12	8	4	0	2	8	6	-1	-6	-9	0	-4	-12
Versus a Year Ago (not seasonally adjusted)													
Composite Index	38	31	23	27	22	23	4	11	-1	-1	-1	6	-4
Production	35	26	13	29	24	28	-7	8	-1	-6	-3	6	-5
Volume of shipments	39	19	10	29	16	21	-3	5	3	6	-6	13	-7
Volume of new orders	37	28	15	25	23	16	-12	1	-16	-1	-10	0	-14
Backlog of orders	35	19	16	11	9	17	-8	-7	-12	-16	-6	-5	-17
Number of employees	46	38	44	34	28	26	20	14	8	7	7	10	7
Average employee workweek	31	19	4	12	6	-1	-1	4	-3	6	3	3	-3
Prices received for finished product	56	53	52	53	59	53	52	56	41	33	36	29	27
Prices paid for raw materials	79	69	73	64	76	60	46	56	33	26	26	25	36
Capital expenditures	43	26	11	15	19	24	7	25	19	22	13	24	15
New orders for exports	10	-4	-6	10	1	11	7	-3	-3	-8	-1	-1	-9
Supplier delivery time	26	25	19	14	18	21	1	18	3	2	2	6	5
Inventories: Materials	49	36	24	35	18	25	17	12	4	-8	0	9	-10
Inventories: Finished goods	34	27	14	27	24	25	18	21	1	-1	-1	13	-9
Expected in Six Months (seasonally adjusted)													
Composite Index	22	18	13	22	11	12	11	9	11	5	2	15	10
Production	24	33	18	28	14	20	22	23	23	5	2	25	12
Volume of shipments	25	30	15	33	14	23	23	17	20	5	2	25	10
Volume of new orders	23	25	13	29	12	12	16	17	11	13	11	28	16
Backlog of orders	7	17	4	17	4	-3	11	-6	4	-12	-15	0	-7
Number of employees	37	22	28	34	19	23	11	5	7	13	4	4	13
Average employee workweek	17	10	5	13	-5	1	-3	-5	4	-2	4	12	-4
Prices received for finished product	41	40	34	39	35	36	31	18	20	14	16	16	16
Prices paid for raw materials	50	49	43	45	48	52	36	37	35	30	21	27	37
Capital expenditures	33	33	12	31	23	27	11	14	12	6	1	14	10
New orders for exports	9	-4	-3	6	4	4	4	-6	6	-2	2	6	3
Supplier delivery time	17	13	12	15	8	8	-1	4	4	0	1	13	9
Inventories: Materials	7	-2	-4	7	3	-2	4	-2	11	-8	-6	7	-2
Inventories: Finished goods	9	-5	2	6	-3	-1	-2	-13	4	0	-14	5	0