



NEWS RELEASE

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

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the April 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 to the lowest reading in survey history (since 1994), while expectations for future activity improved but remained slightly negative.

“Regional factory activity continued to decline in April, with our composite index falling to the lowest level in survey history as firms continued to be negatively impacted by COVID-19,” said Wilkerson. “Many firms also reported employment changes in response to coronavirus.”

Historical data, 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 to the lowest reading in survey history (since 1994), while expectations for future activity improved but remained slightly negative (Chart 1, Tables 1 & 2). Month-over-month price indexes declined again in April, but District firms expected prices to rise slightly in the next six months.

Factory Activity Decreased Further in April

The month-over-month composite index was -30 in April, the lowest composite reading in survey history, and down considerably from -17 in March and 5 in February (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 was steepest at durable goods factories such as primary and fabricated metals, and activity at non-durable goods plants including food and beverage manufacturing declined as well. All month-over-month indexes dropped further in April except for supplier delivery time which continued to increase. Year-over-year factory indexes also decreased again in April, and the composite index fell from -14 to -30. The future composite index improved from -19 April, but remained slightly negative at -6.

Special Questions

This month contacts were asked special questions about measures taken to cover shortfalls in revenues and changes in employment as a result of Coronavirus (COVID-19). Approximately 67 percent of factory contacts reported applying for the SBA PPP program, more than 37 percent reported having drawn down cash reserves, and 28 percent made increased use of a credit line or took out a new loan (Chart 2). A number of firms reported applying for emergency governmental funding, but had not received funds yet. Regarding employment changes in response to coronavirus, a third of firms reported using PTO, 23 percent of firms used part-time or reduced staffing levels, and around 20 percent of manufacturers had layoffs (Chart 3). Additionally, 57 percent of firms reported taking other measures regarding employment in response to coronavirus, such as remaining fully staffed, increasing work from home, cutting overtime, and implementing more hygiene and social distancing measures at plants.

Selected Manufacturing Comments

“Until we begin to see slackening demand, we are operating as best as we can. We are monitoring our backlog as a barometer of when to slow down.”

“We have not lowered wages; however, overtime has been eliminated. Employment has been maintained where necessary and layoffs based on productivity. Revenues are diminished considerably due to the price of oil on top of COVID-19.”

“If the situation doesn't improve in the next 4-6 weeks we will be instituting large scale layoffs.”

“We have seen a good bit of projects put on hold until this crisis is over. I think sales will rebound strongly once there is a light at the end of the tunnel.”

“March's numbers were comparable to last year; April numbers will be down 30% to 40% compared to last year... reduced work schedules not really showing up until April.”

“We have furloughed around 17% of our workforce, while maintaining their benefits. Business is off considerably and bookings are way down... the instability and low price of oil is also going to have a devastating impact on business.”

“PPP rollout and first come first served was extremely stressful.”

“We reduced hours in manufacturing until PPP came along. Now we're back to full strength.”

“Business levels for us have been increasing for low ticket priced products. Higher priced products have seen lower order activity, but more active than 2008-09.”

“Our business is currently considered essential... business has been good in the first quarter but I have to believe there will be a drop in the coming months.”

“We are in the midst of examining some conversion to PPE production.”

“We are critical infrastructure, are open for business, and hiring.”

Table 1. Summary of Tenth District Manufacturing Conditions, April 2020

Plant Level Indicators	April vs. March (percent)*				April 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				-26	-30				-30				-6	-6
Production	12	23	65	-53	-62	13	11	76	-63	37	16	47	-10	-8
Volume of shipments	15	22	63	-49	-57	15	9	76	-61	36	17	47	-11	-8
Volume of new orders	16	15	69	-53	-64	19	8	73	-54	40	13	46	-6	-8
Backlog of orders	13	25	62	-49	-54	17	17	66	-49	36	23	41	-5	-6
Number of employees	6	54	40	-34	-34	18	33	50	-32	26	37	37	-11	-10
Average employee workweek	5	40	55	-50	-51	11	29	60	-50	26	42	32	-6	-3
Prices received for finished product	8	72	20	-12	-14	32	40	29	3	23	59	18	5	2
Prices paid for raw materials	13	63	24	-11	-16	34	33	34	0	26	53	21	5	4
Capital expenditures						13	33	54	-42	19	33	49	-30	-30
New orders for exports	3	64	33	-30	-29	5	63	32	-27	14	62	24	-11	-9
Supplier delivery time	32	60	8	24	26	35	46	19	16	27	57	16	11	8
Inventories: Materials	22	43	36	-14	-14	28	28	43	-15	27	35	39	-12	-9
Inventories: Finished goods	21	40	39	-17	-16	27	31	42	-15	23	38	40	-17	-14

*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 April survey was open for a five-day period from April 15-20, 2020 and included 103 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

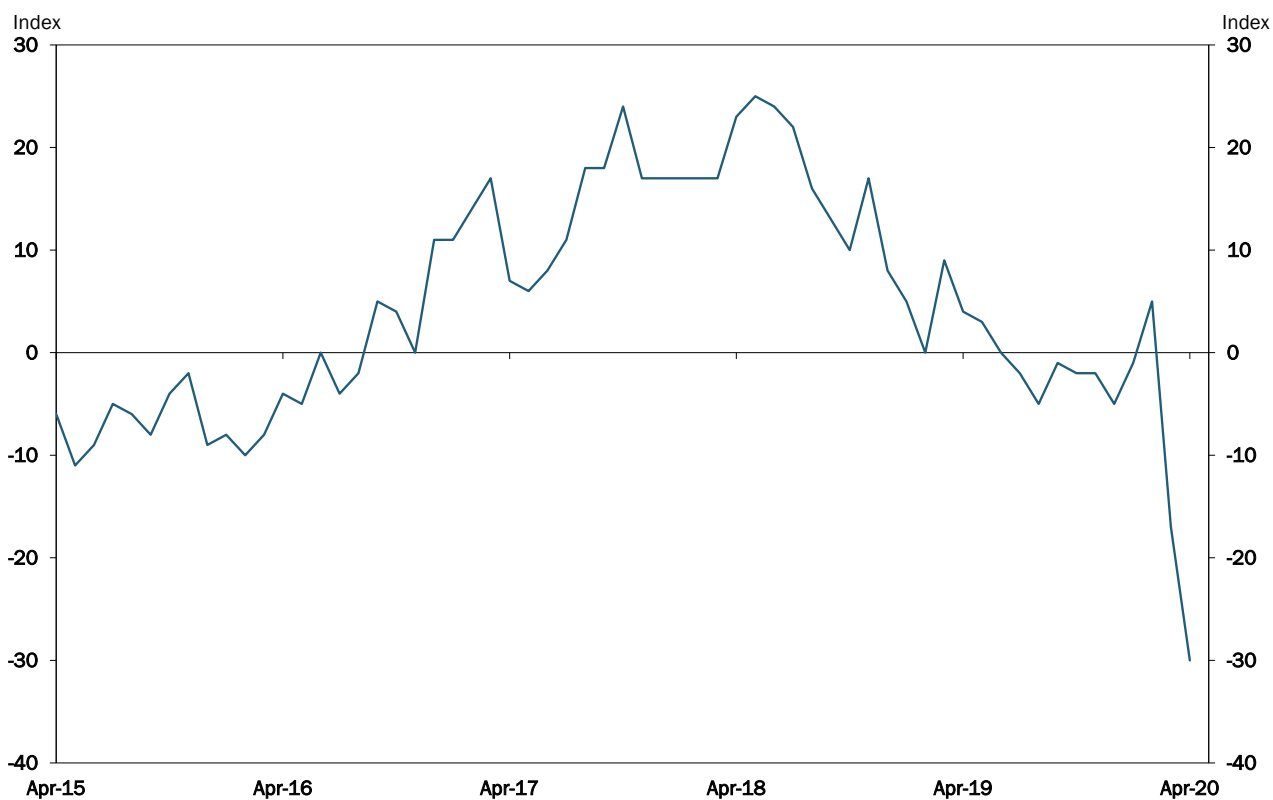


Chart 2. Special Question: Has your firm taken any measures listed below to cover shortfalls in revenues experienced as a result of the COVID-19 pandemic? (check all that apply)

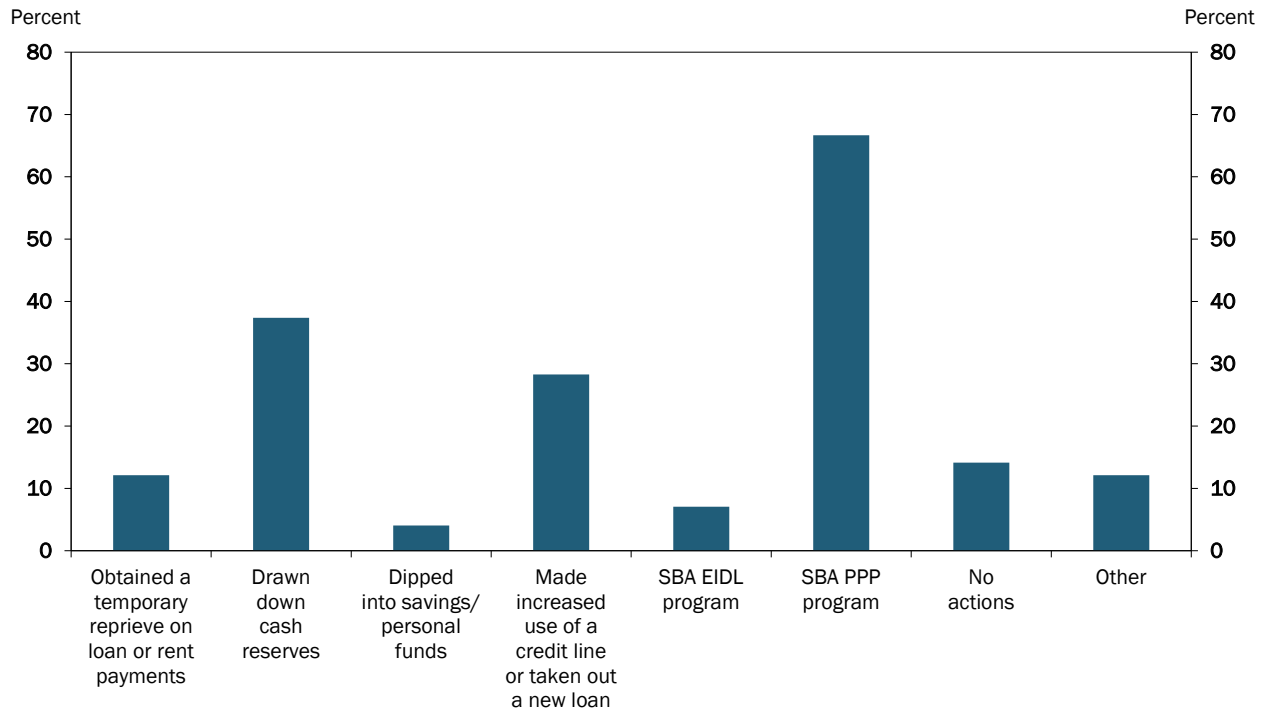


Chart 3. Special Question: What steps regarding employment has your firm taken in response to COVID-19? (check all that apply)

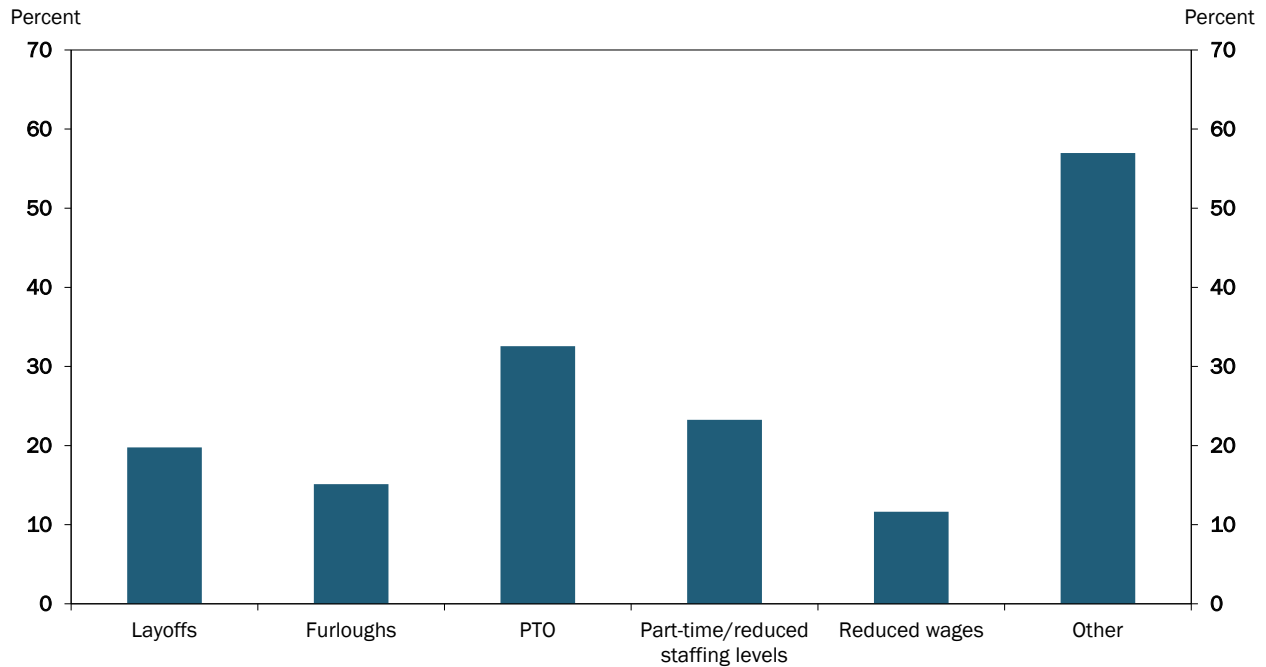


Table 2
Historical Manufacturing Survey Indexes

	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	4	3	0	-2	-5	-1	-2	-2	-5	-1	5	-17	-30
Production	9	1	-2	-5	-1	9	7	-2	-3	-4	8	-18	-62
Volume of shipments	8	0	-5	-1	-5	6	1	4	-3	-4	9	-23	-57
Volume of new orders	6	2	3	-2	-13	-2	-9	-4	-13	-2	8	-38	-64
Backlog of orders	-7	-7	-7	-12	-16	-16	-12	-8	-14	-20	-16	-41	-54
Number of employees	1	3	3	-5	-6	-10	-5	-7	-7	4	-4	-32	-34
Average employee workweek	13	2	2	-3	6	8	3	-3	-4	-3	-2	-15	-51
Prices received for finished product	10	15	5	3	0	2	4	3	-2	-3	9	-6	-14
Prices paid for raw materials	15	13	10	15	1	-4	1	10	13	28	14	-13	-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	7	4	-4	-5	-2	-3	-5	-4	-8	-4	5	-18	-29
Supplier delivery time	6	7	-1	4	-5	2	3	9	4	3	11	13	26
Inventories: Materials	-3	0	-3	0	1	-5	-5	-7	-6	-8	2	-12	-14
Inventories: Finished goods	1	6	3	-1	-5	-7	-1	-3	-6	-6	7	-16	-16
Versus a Year Ago (not seasonally adjusted)													
Composite Index	22	23	4	11	-1	-1	-1	6	-4	-7	5	-14	-30
Production	24	28	-7	8	-1	-6	-3	6	-5	-11	-5	-19	-63
Volume of shipments	16	21	-3	5	3	6	-6	13	-7	-10	4	-25	-61
Volume of new orders	23	16	-12	1	-16	-1	-10	0	-14	-20	6	-31	-54
Backlog of orders	9	17	-8	-7	-12	-16	-6	-5	-17	-24	-16	-33	-49
Number of employees	28	26	20	14	8	7	7	10	7	1	12	-14	-32
Average employee workweek	6	-1	-1	4	-3	6	3	3	-3	-12	-6	-21	-50
Prices received for finished product	59	53	52	56	41	33	36	29	27	22	28	13	3
Prices paid for raw materials	76	60	46	56	33	26	26	25	36	26	31	14	0
Capital expenditures	19	24	7	25	19	22	13	24	15	5	15	-15	-42
New orders for exports	1	11	7	-3	-3	-8	-1	-1	-9	-9	-3	-8	-27
Supplier delivery time	18	21	1	18	3	2	2	6	5	0	11	5	16
Inventories: Materials	18	25	17	12	4	-8	0	9	-10	-6	0	-9	-15
Inventories: Finished goods	24	25	18	21	1	-1	-1	13	-9	-3	-1	-19	-15
Expected in Six Months (seasonally adjusted)													
Composite Index	12	12	10	9	11	6	4	16	9	14	16	-19	-6
Production	16	19	20	20	20	7	5	27	14	23	21	-36	-8
Volume of shipments	16	21	20	15	18	7	5	27	11	25	24	-37	-8
Volume of new orders	13	14	16	15	11	13	11	28	16	9	21	-35	-8
Backlog of orders	3	-2	8	-4	3	-10	-13	1	-4	4	-2	-38	-6
Number of employees	19	21	12	8	9	14	6	7	9	20	20	-19	-10
Average employee workweek	-3	1	-2	-3	3	-1	3	12	-4	0	8	-20	-3
Prices received for finished product	34	34	30	20	22	18	18	17	13	20	28	-10	2
Prices paid for raw materials	46	48	36	37	36	31	25	31	36	35	37	-8	4
Capital expenditures	22	24	12	15	13	9	6	17	8	8	7	-41	-30
New orders for exports	4	4	4	-4	6	-2	2	5	3	-6	6	-17	-9
Supplier delivery time	8	6	2	4	5	2	3	14	6	8	15	8	8
Inventories: Materials	2	-1	2	-2	10	-6	-4	5	0	8	5	-11	-9
Inventories: Finished goods	-2	-1	-2	-11	3	-1	-10	3	-1	9	1	-28	-14