



NEWS RELEASE

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Tenth District Manufacturing Activity Continued to Decline Modestly in November
Federal Reserve Bank of Kansas City Releases November Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the November 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 continued to decline modestly in November, however expectations for future activity rebounded moderately.

“Regional factory activity continued to edge down in November, driven again by deterioration in durable goods production,” said Wilkerson. “But considerably more firms expect to add workers than reduce their workforce over the next year.”

A summary of the November 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 continued to decline modestly in November, however expectations for future activity rebounded moderately (Chart 1). The month-over-month price indexes for raw materials and finished products both increased and District firms expected prices to increase over the next 6 months.

Factory Activity Continued to Decline Modestly in November

The month-over-month composite index was -3 in November, equal to -3 in October, and similar to -2 in September (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decline in district manufacturing activity continued to be driven by slower activity at durable goods plants, especially from decreases in primary metal, fabricated metal products, machinery, and computer and electronic products manufacturing. Most month-over-month indexes were negative in November. The overall production index turned negative and the materials inventory index declined further. However, the shipments and supplier delivery time indexes expanded somewhat. Year-over-year factory indexes increased slightly in November, and the composite index rose from -1 to 6. The future composite index also grew, increasing from 2 to 15, the highest reading since March 2019.

Special Questions

This month contacts were asked special questions about employment plans and changes in wages and salaries to attract or retain employees. While over 48 percent of District manufacturing contacts expected their firms to leave employment unchanged over the next 12 months, nearly 40 percent expected their firms to increase employment levels (Chart 2). Almost 40 percent of contacts indicated they were increasing wages and/or salaries for most job categories by more than in previous years to attract new hires, and 37 percent of contacts indicated they were increasing wages and salaries for most job categories in order to retain existing employees (Chart 3). Another 41 percent and 33 percent of firms reported increased wages and salaries for selected job categories by more than in the past few years in order to attract new hires or retain existing employees, respectively.

Selected Manufacturing Comments

“Labor market is really tight, and production labor is hard to attract and retain even at higher hourly pay.”

“Tariffs continue to reduce sales. No government decision or direction forces companies to make our own decisions.”

“Our business is seasonal, so we flexed the work force down until next year, but we plan on hiring a bit stronger in 2020.”

“Seems like the 4th quarter is slow in getting started. Usually cold weather helps our sales but we haven’t seen the bump yet.”

“The extreme labor shortage has reduced production and the number of specialty products we can make.”

“Backlog is dropping and new orders are harder to get signed. Shipments are ahead of last year because of stronger backlog from summer orders.”

“Sales continue to be strong going into the winter months.”

“We believe things will improve into next year, but are very watchful of political turmoil and non-business friendly platforms.”

“The economy is running smoothly and efficiently at this time. We are well balanced overall and see continued growth short of political upheaval and concern around the upcoming elections.”

“The energy industry demands have decreased. We are hoping for an upturn in the coming year.”

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

Plant Level Indicators	November vs. October (percent)*					November vs. Year Ago (percent)*					Expected in Six Months (percent)*				
				Diff	SA				Diff				Diff	SA	
	Increase	Change	Decrease	Index [^]	Index ^{^^}	Increase	Change	Decrease	Index [^]	Increase	Change	Decrease	Index [^]	Index ^{^^}	
Composite Index				-4	-3				6				18	15	
Production	26	39	34	-8	-5	41	23	36	6	51	30	20	31	25	
Volume of shipments	34	36	29	5	7	45	23	32	13	51	30	20	31	25	
Volume of new orders	31	36	33	-2	-3	40	21	40	0	48	33	19	29	28	
Backlog of orders	24	41	35	-10	-8	32	31	37	-5	27	50	23	4	0	
Number of employees	17	56	26	-9	-9	37	37	26	10	31	48	21	10	4	
Average employee workweek	18	59	23	-5	-6	28	48	24	3	27	62	12	15	12	
Prices received for finished product	14	76	10	3	5	47	35	18	29	33	53	14	18	16	
Prices paid for raw materials	24	62	14	10	14	54	17	29	25	45	45	9	36	27	
Capital expenditures						44	36	20	24	36	47	16	20	14	
New orders for exports	10	78	13	-3	-6	17	64	19	-1	19	70	11	7	6	
Supplier delivery time	15	78	7	8	8	23	60	17	6	21	70	9	11	13	
Inventories: Materials	27	40	34	-7	-9	38	33	29	9	31	49	20	11	7	
Inventories: Finished goods	27	42	31	-4	-4	40	34	27	13	26	53	21	5	5	

*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 November survey was open for a five-day period from November 13-18, 2019 and included 88 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

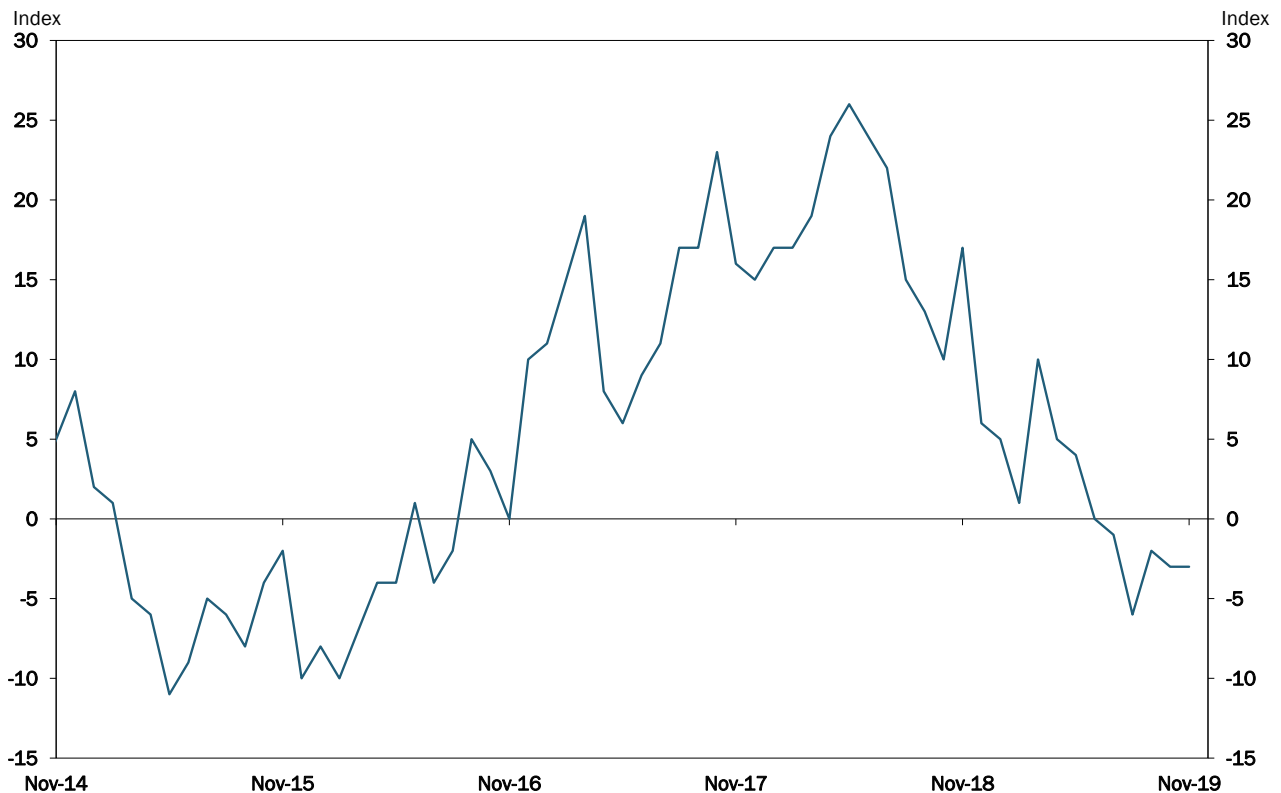


Chart 2. Special Question: Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next twelve months?

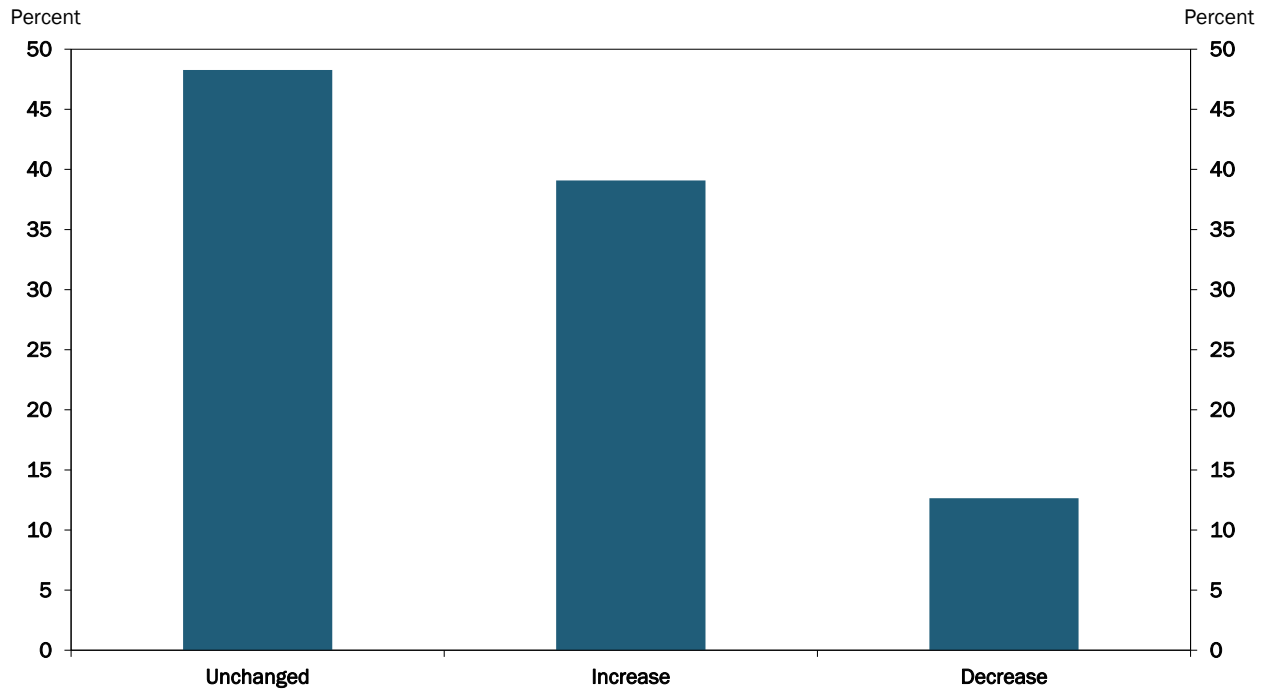


Chart 3. Special Question: Which of the following best describes your use of changes in wages and salaries to attract new hires and retain existing employees?

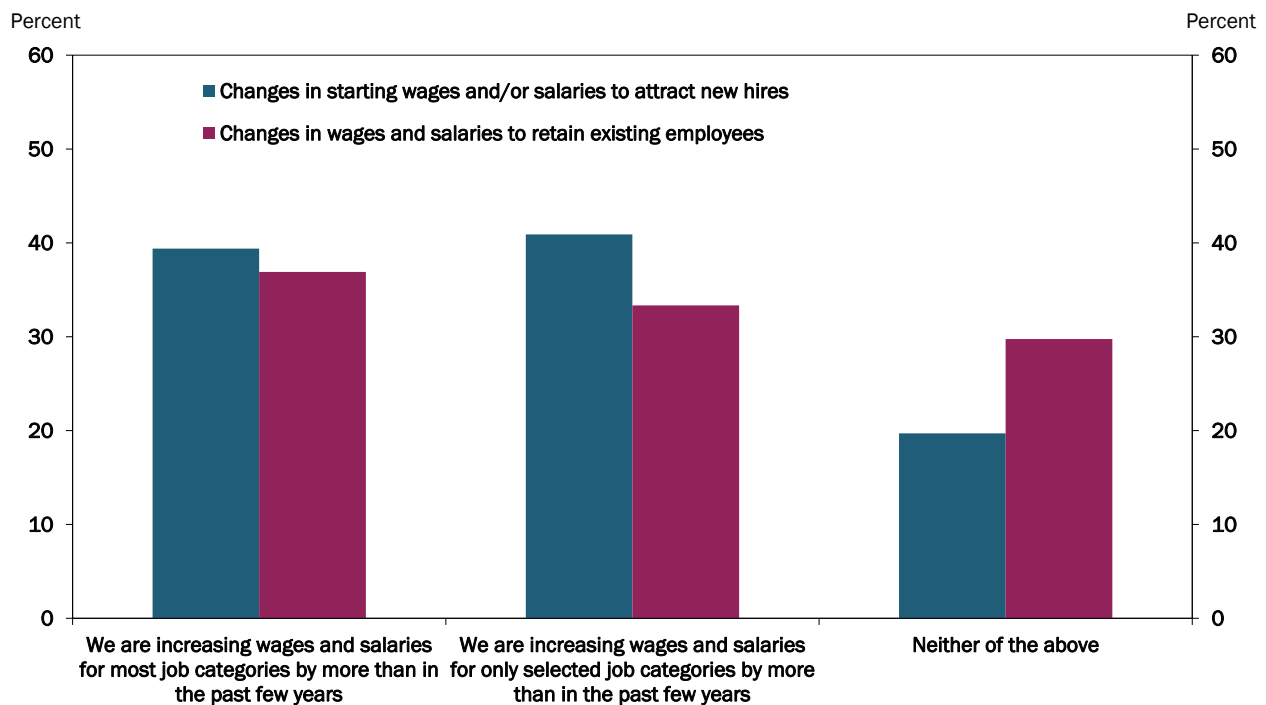


Table 2
Historical Manufacturing Survey Indexes

	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	17	6	5	1	10	5	4	0	-1	-6	-2	-3	-3
Production	27	-13	2	-4	17	12	2	-3	-6	-2	11	8	-5
Volume of shipments	33	3	6	-14	14	9	-2	-7	0	-7	9	0	7
Volume of new orders	22	7	1	-10	4	10	4	5	-2	-16	-3	-13	-3
Backlog of orders	19	9	-13	-18	9	-5	-5	-7	-13	-19	-19	-11	-8
Number of employees	9	10	7	10	14	2	5	5	-6	-7	-13	-6	-9
Average employee workweek	5	3	7	0	14	14	2	0	-4	7	10	3	-6
Prices received for finished product	26	8	23	18	7	10	15	3	2	-3	1	4	5
Prices paid for raw materials	45	34	23	19	15	15	13	9	15	-2	-6	-1	14
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	-6	-10	-2	5	8	6	-4	-6	0	-2	-7	-6
Supplier delivery time	10	7	14	10	8	6	9	-3	6	-6	1	3	8
Inventories: Materials	14	19	4	-2	9	-4	0	-3	1	3	-5	-5	-9
Inventories: Finished goods	11	12	8	4	0	2	8	6	-1	-6	-9	0	-4
Versus a Year Ago (not seasonally adjusted)													
Composite Index	40	38	31	23	27	22	23	4	11	-1	-1	-1	6
Production	39	35	26	13	29	24	28	-7	8	-1	-6	-3	6
Volume of shipments	47	39	19	10	29	16	21	-3	5	3	6	-6	13
Volume of new orders	46	37	28	15	25	23	16	-12	1	-16	-1	-10	0
Backlog of orders	34	35	19	16	11	9	17	-8	-7	-12	-16	-6	-5
Number of employees	49	46	38	44	34	28	26	20	14	8	7	7	10
Average employee workweek	30	31	19	4	12	6	-1	-1	4	-3	6	3	3
Prices received for finished product	61	56	53	52	53	59	53	52	56	41	33	36	29
Prices paid for raw materials	75	79	69	73	64	76	60	46	56	33	26	26	25
Capital expenditures	48	43	26	11	15	19	24	7	25	19	22	13	24
New orders for exports	20	10	-4	-6	10	1	11	7	-3	-3	-8	-1	-1
Supplier delivery time	23	26	25	19	14	18	21	1	18	3	2	2	6
Inventories: Materials	42	49	36	24	35	18	25	17	12	4	-8	0	9
Inventories: Finished goods	33	34	27	14	27	24	25	18	21	1	-1	-1	13
Expected in Six Months (seasonally adjusted)													
Composite Index	18	22	18	13	22	11	12	11	9	11	5	2	15
Production	28	24	33	18	28	14	20	22	23	23	5	2	25
Volume of shipments	27	25	30	15	33	14	23	23	17	20	5	2	25
Volume of new orders	26	23	25	13	29	12	12	16	17	11	13	11	28
Backlog of orders	10	7	17	4	17	4	-3	11	-6	4	-12	-15	0
Number of employees	23	37	22	28	34	19	23	11	5	7	13	4	4
Average employee workweek	13	17	10	5	13	-5	1	-3	-5	4	-2	4	12
Prices received for finished product	30	41	40	34	39	35	36	31	18	20	14	16	16
Prices paid for raw materials	42	50	49	43	45	48	52	36	37	35	30	21	27
Capital expenditures	26	33	33	12	31	23	27	11	14	12	6	1	14
New orders for exports	20	9	-4	-3	6	4	4	4	-6	6	-2	2	6
Supplier delivery time	9	17	13	12	15	8	8	-1	4	4	0	1	13
Inventories: Materials	6	7	-2	-4	7	3	-2	4	-2	11	-8	-6	7
Inventories: Finished goods	8	9	-5	2	6	-3	-1	-2	-13	4	0	-14	5