



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Nov. 19, 2020

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

Tenth District Manufacturing Activity Continued to Grow Modestly
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 grow modestly in November. Manufacturing activity remained below year ago levels, but expectations for future activity remained solid.

“While regional factories reported another month of growth, activity still has not returned to pre-COVID levels,” said Wilkerson. “A sizable share of firms said they cannot find skilled workers, but low sales growth and COVID-related uncertainty also restrained their hiring plans.”

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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity continued to grow modestly in November (Chart 1, Tables 1 & 2). Manufacturing activity remained below year ago levels, but expectations for future activity remained solid. Prices paid for raw materials and finished goods continued to expand compared to a month ago and a year ago. District firms expected prices for both raw materials and finished goods to increase further in the next six months.

Factory Activity Continued to Grow Modestly

The month-over-month composite index was 11 in November, slightly lower than 13 in October but the same as 11 in September (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable and durable goods factories expanded at a similar pace. Production of primary metals and nonmetallic mineral products slowed, while transportation equipment manufacturing increased. Month-over-month indexes remained mostly positive, indicating continued expansion. Production, shipments, new orders, and employment rose at a slower pace. The new orders for exports index decreased while the index for supplier delivery expanded. Year-over-year factory indexes remained mostly negative in November, and the composite index was unchanged at -12. The future composite index remained solid at 21 in November, similar to expectations in October.

Special Questions

This month contacts were asked special questions about hiring restraints and how developments surrounding COVID-19 have affected online business strategies. Over half of firms reported an inability to find skilled workers and the lack of qualified applicants is one of the biggest factors restraining hiring plans (Chart 2). A significant share of firms also had restrained hiring plans due to low expectations for sales growth and uncertainty about the pandemic or Coronavirus-related regulations. Concerning online business, 38% of manufacturers indicated that developments surrounding COVID-19 affected their company's online business strategy. Around 21% of firms expanded their existing online business, 7% implemented an online business segment, and 8% of firms have plans to create an online segment in the future (Chart 3). A third of manufacturers made no changes to their existing online business, while another 31% do not have an online business and have no plans to implement one in the future.

Selected Manufacturing Comments

“The latest increase in positive COVID testing has affected our business more than any other month. We have added new restrictions.”

“Without a clear direction of the government regulations... we are not planning any expansion for 2021.”

“We have reduced our debt to the point where we're considering capital improvements to our operation. We're finding much higher construction and equipment costs.”

“We are training and promoting from within to staff a second shift.”

“Lack of labor is our greatest restraint in increasing production and producing more products for the export market.”

“We consistently struggle with finding enough employees that are willing to work.”

“Capable workers are hard to find.”

“Regional low unemployment, not getting the applicants.”

“We are replacing workers who left during COVID-19.”

“Replace retiring employees.”

“We are expecting to replace terminated employees.”

“Plant expansion and new equipment will require increasing employment.”

“Lower interest rates have enabled us to increase our capital expenditures in 2020. Critical skilled workers continue to be in short supply. Moving towards automation to mitigate our exposure.”

“We have noticed an uptake in orders as of last week. We have hopes this is an indication of future business.”

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

Plant Level Indicators	November vs. October (percent)*					November vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	No			Diff	SA	No			Diff		No			Diff	SA
	Increase	Change	Decrease	Index^	Index^^	Increase	Change	Decrease	Index^		Increase	Change	Decrease	Index^	Index^^
Composite Index				9	11				-12					22	20
Production	38	38	24	13	20	31	16	54	-23	55	24	21	35	31	
Volume of shipments	34	37	29	5	3	30	16	54	-24	53	26	21	33	29	
Volume of new orders	47	28	25	21	19	33	16	51	-18	50	26	24	25	24	
Backlog of orders	31	40	29	2	4	29	25	46	-18	36	38	26	9	6	
Number of employees	21	57	22	-2	1	26	24	50	-24	36	48	16	21	17	
Average employee workweek	21	65	14	7	8	21	44	35	-14	23	62	15	8	6	
Prices received for finished product	15	78	7	9	7	40	40	20	21	41	51	8	32	30	
Prices paid for raw materials	40	55	6	34	32	64	19	18	46	62	31	7	56	50	
Capital expenditures						41	33	26	14	36	41	22	14	11	
New orders for exports	9	73	18	-9	-10	10	67	23	-13	19	69	12	7	4	
Supplier delivery time	25	64	10	15	15	37	45	18	20	37	53	10	28	30	
Inventories: Materials	29	41	30	-1	-1	30	25	45	-14	31	42	27	4	-2	
Inventories: Finished goods	23	48	29	-6	-5	27	33	40	-13	25	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-13.

Note: The November survey was open for a six-day period from November 10-16, 2020 and included 109 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

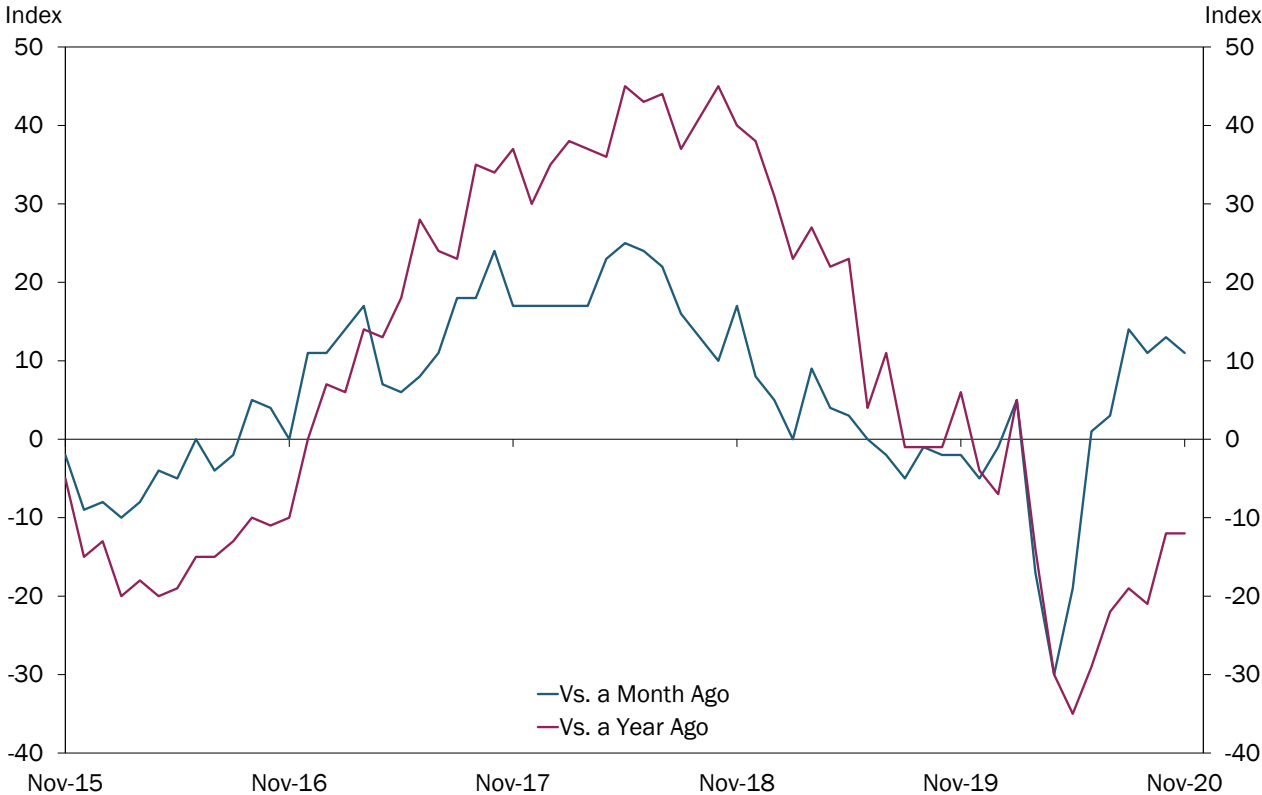


Chart 2. Special Question: What are the three most important factors, if any, restraining your hiring plans? Please rank the three factors in order from 1 (most important) to 3 (third most important).

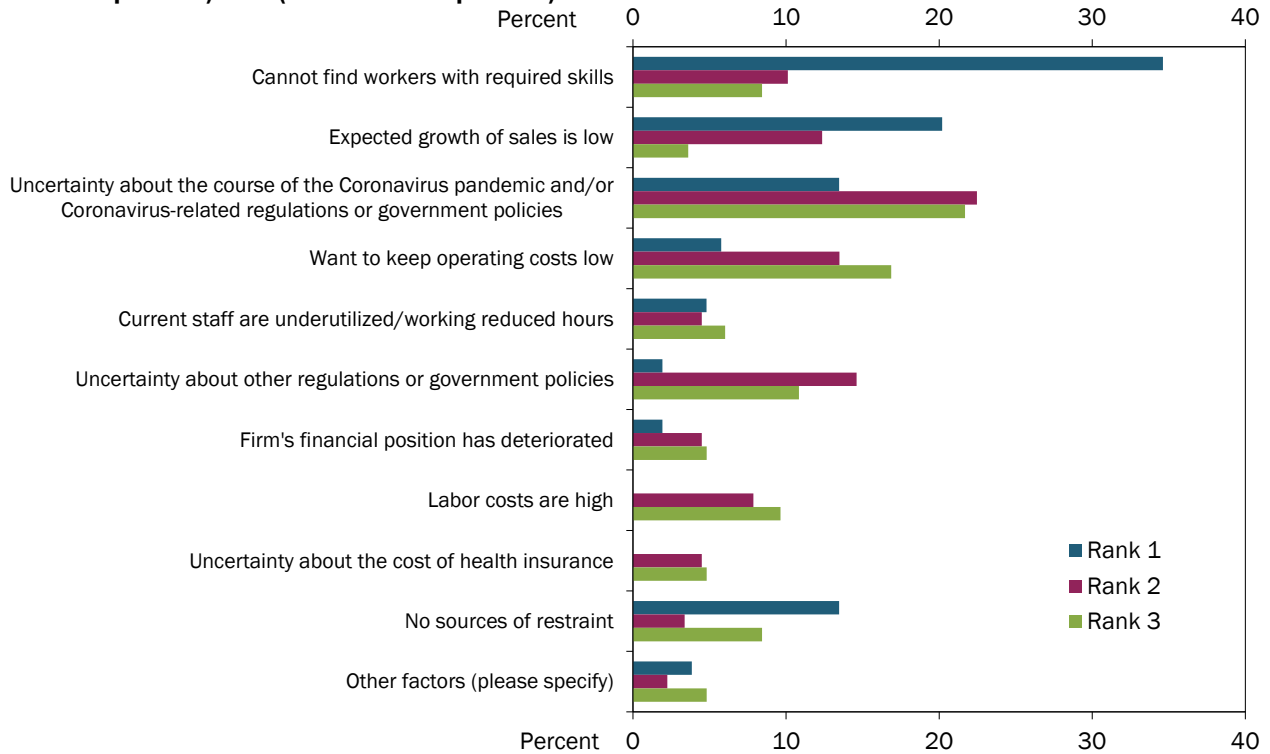


Chart 3. Special Question: Please select the option below that best describes developments in your company's on-line business since the beginning of 2020.

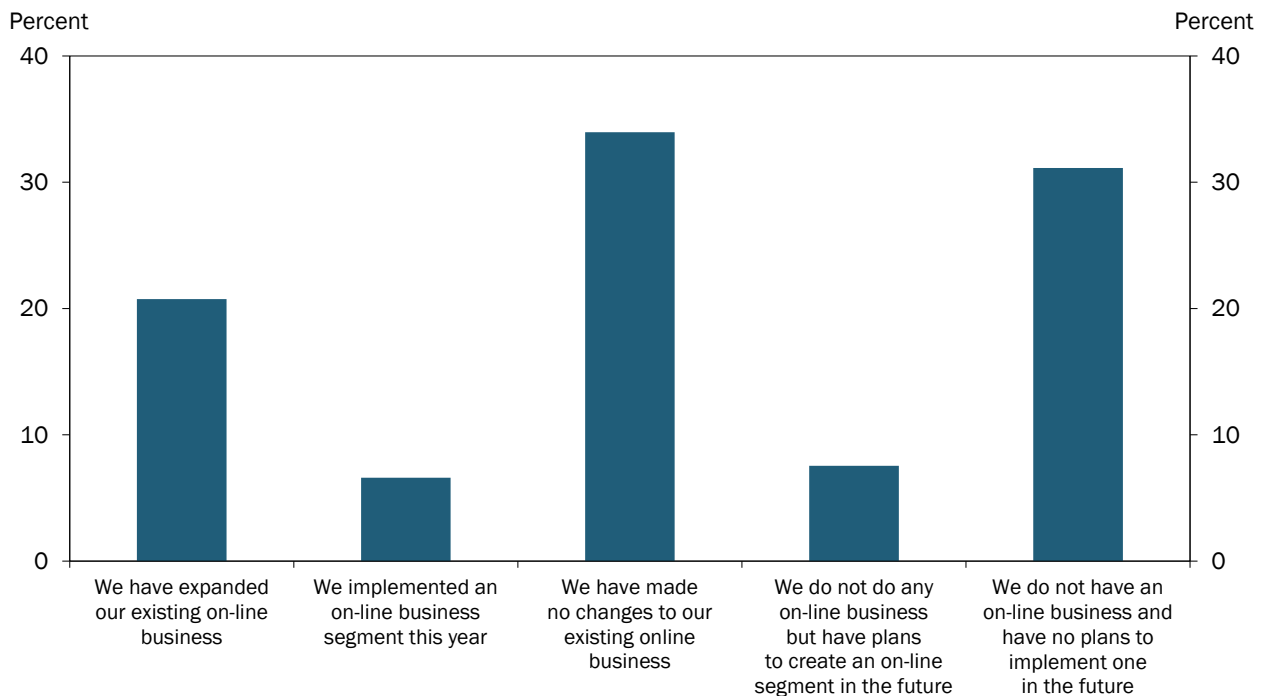


Table 2
Historical Manufacturing Survey Indexes

	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	-2	-5	-1	5	-17	-30	-19	1	3	14	11	13	11
Production	-2	-3	-4	8	-18	-62	-25	2	7	23	18	23	20
Volume of shipments	4	-3	-4	9	-23	-57	-22	8	11	19	9	22	3
Volume of new orders	-4	-13	-2	8	-38	-64	-25	7	9	26	23	26	19
Backlog of orders	-8	-14	-20	-16	-41	-54	-32	-24	2	3	13	2	4
Number of employees	-7	-7	4	-4	-32	-34	-13	-6	3	9	7	9	1
Average employee workweek	-3	-4	-3	-2	-15	-51	-20	0	6	4	-1	7	8
Prices received for finished product	3	-2	-3	9	-6	-14	-9	7	6	4	12	4	7
Prices paid for raw materials	10	13	28	14	-13	-16	-6	1	3	17	24	34	32
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	-4	-8	-4	5	-18	-29	-25	-8	-10	1	-4	1	-10
Supplier delivery time	9	4	3	11	13	26	-8	8	3	8	13	7	15
Inventories: Materials	-7	-6	-8	2	-12	-14	-24	-4	-8	5	-6	1	-1
Inventories: Finished goods	-3	-6	-6	7	-16	-16	-11	-5	-14	-8	-3	-6	-5
Versus a Year Ago (not seasonally adjusted)													
Composite Index	6	-4	-7	5	-14	-30	-35	-29	-22	-19	-21	-12	-12
Production	6	-5	-11	-5	-19	-63	-58	-48	-36	-34	-31	-23	-23
Volume of shipments	13	-7	-10	4	-25	-61	-60	-47	-39	-28	-29	-24	-24
Volume of new orders	0	-14	-20	6	-31	-54	-55	-53	-33	-25	-30	-9	-18
Backlog of orders	-5	-17	-24	-16	-33	-49	-46	-47	-27	-26	-23	-15	-18
Number of employees	10	7	1	12	-14	-32	-31	-31	-23	-27	-30	-21	-24
Average employee workweek	3	-3	-12	-6	-21	-50	-43	-37	-20	-22	-23	-9	-14
Prices received for finished product	29	27	22	28	13	3	-2	4	6	6	12	18	21
Prices paid for raw materials	25	36	26	31	14	0	4	0	6	6	21	24	46
Capital expenditures	24	15	5	15	-15	-42	-34	-23	-17	-11	-4	3	14
New orders for exports	-1	-9	-9	-3	-8	-27	-28	-27	-26	-8	-16	-9	-13
Supplier delivery time	6	5	0	11	5	16	-6	7	5	2	9	13	20
Inventories: Materials	9	-10	-6	0	-9	-15	-23	-21	-21	-11	-24	-20	-14
Inventories: Finished goods	13	-9	-3	-1	-19	-15	-22	-13	-23	-23	-20	-16	-13
Expected in Six Months (seasonally adjusted)													
Composite Index	16	9	14	16	-19	-6	-2	9	14	19	18	21	20
Production	27	14	23	21	-36	-8	-2	14	25	20	25	31	31
Volume of shipments	27	11	25	24	-37	-8	-1	12	21	19	27	26	29
Volume of new orders	28	16	9	21	-35	-8	7	16	20	21	23	24	24
Backlog of orders	1	-4	4	-2	-38	-6	-5	-5	5	3	13	9	6
Number of employees	7	9	20	20	-19	-10	-4	8	11	26	19	22	17
Average employee workweek	12	-4	0	8	-20	-3	-3	6	10	4	11	12	6
Prices received for finished product	17	13	20	28	-10	2	-5	13	13	16	34	26	30
Prices paid for raw materials	31	36	35	37	-8	4	17	17	17	31	33	55	50
Capital expenditures	17	8	8	7	-41	-30	-19	-3	-5	4	3	13	11
New orders for exports	5	3	-6	6	-17	-9	-7	-10	-10	-1	6	5	4
Supplier delivery time	14	6	8	15	8	8	-7	8	9	7	13	16	30
Inventories: Materials	5	0	8	5	-11	-9	-3	-1	5	21	11	12	-2
Inventories: Finished goods	3	-1	9	1	-28	-14	-3	1	5	1	7	7	0