



NEWS RELEASE

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Tenth District Manufacturing Largely Unchanged Again in July
Federal Reserve Bank of Kansas City Releases July Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the July 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 was largely unchanged in July, while expectations for future activity remained moderately positive.

“Regional factory growth remained basically flat this month, and a number of firms noted increased uncertainty because of trade concerns and weaker domestic demand,” said Wilkerson. “However, nearly 80 percent of manufacturing contacts reported confidence in their local economy.”

A summary of the July 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 was largely unchanged in July, while expectations for future activity remained moderately positive (Chart 1). The price index for raw materials increased from both last month and a year ago. Prices received for finished products were largely unchanged.

Factory Activity Decrease in July

The month-over-month composite index was -1 in July, similar to the reading of 0 in June and slightly lower than an index of 4 in May (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The small change in manufacturing activity was mostly driven by a decline at durable production plants, including computers, electronic products, appliances, and miscellaneous manufacturing. Most month-over-month indexes edged lower in July, and the new orders, employment, and finished goods inventory indexes turned negative. However, the volume of shipments was flat after last month's slowdown, and supplier delivery time increased. Nearly all of the year-over-year factory indexes increased, and the composite index rose from 4 to 11. The future composite index remained moderately positive, inching down from 11 to 9, while expectations for production, new orders, and capital expenditures edged higher.

Special Questions

This month contacts were asked special questions about the availability of workers, wage conditions, and their current level of confidence in their local economy. Nearly 80 percent of manufacturing contacts noted that workers are in short supply, and over 60 percent said they are having to raise wages more than normal to attract or keep at least one type of worker (Chart 2). Skilled workers were mentioned as those in the shortest supply. Contacts who have had to raise wages report a typical salary increase of 5 to 10 percent. 61 percent of contacts said their firm's uncertainty about the economy has increased recently, citing trade concerns and weaker domestic demand as the causes. Still, nearly 80 percent of respondents reported they were confident in their local economy, and only 4 percent reported no confidence (Chart 3).

Selected Manufacturing Comments

“Weather plays a role in our demand and a cold spring slowed the demand this year. We hope to see improvements through the balance of the summer.”

“Employees remain readily available but at a higher entry-level wage percentile than before.”

“We have uncertainty about many aspects of the economy and financial markets. Lack of available workers both skilled and unskilled.”

“Business is very good and we continue to get more opportunities to grow our business. We have major concerns with the availability of labor.”

“Our heavy duty truck customers have been running close to capacity for the last year driving our manufacturing volume. We are now just starting to see a 10% drop in third quarter volumes and probably will see another 10% in 2020. So volume is starting to decline but still at strong levels.”

“Tariffs continue to have negative impacts on our bottom line. Business is trending down in the industries we serve. We are aggressively quoting new business.”

“Uncertainties, from trade to next year’s election, are causing people to pump the brakes on buying the capital goods we manufacture.”

“Ag is down, but retail and some manufacturing is up.”

“The construction market is currently very strong and should continue into early next year. Some signs of slowing are showing up in the oil and gas industry and since it is a major part of our economy is likely to have an impact next year if it does not improve.”

“We continue to see high activity in both quoting jobs and new orders.”

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

Plant Level Indicators	July vs. June (percent)*					July 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				-2	-1				11				8	9	
Production	26	38	36	-11	-6	43	22	35	8	37	45	18	19	23	
Volume of shipments	25	41	33	-8	0	40	25	35	5	32	47	20	12	17	
Volume of new orders	29	36	35	-5	-2	41	19	40	1	36	42	22	15	17	
Backlog of orders	18	47	35	-18	-13	28	36	35	-7	19	56	25	-6	-6	
Number of employees	20	56	24	-4	-6	41	32	27	14	24	56	21	3	5	
Average employee workweek	12	70	18	-5	-4	24	55	20	4	13	70	17	-4	-5	
Prices received for finished product	16	68	16	0	2	68	20	12	56	34	51	15	19	18	
Prices paid for raw materials	30	56	14	16	15	70	16	14	56	43	50	7	36	37	
Capital expenditures						42	40	18	25	29	54	17	13	14	
New orders for exports	6	80	14	-8	-6	15	66	18	-3	13	69	18	-4	-6	
Supplier delivery time	15	77	8	7	6	27	63	10	18	15	75	10	6	4	
Inventories: Materials	24	55	21	3	1	34	45	22	12	22	51	26	-4	-2	
Inventories: Finished goods	21	60	19	1	-1	42	38	21	21	17	56	27	-10	-13	

*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 July survey was open for a five-day period from July 17-22, 2019 and included 75 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

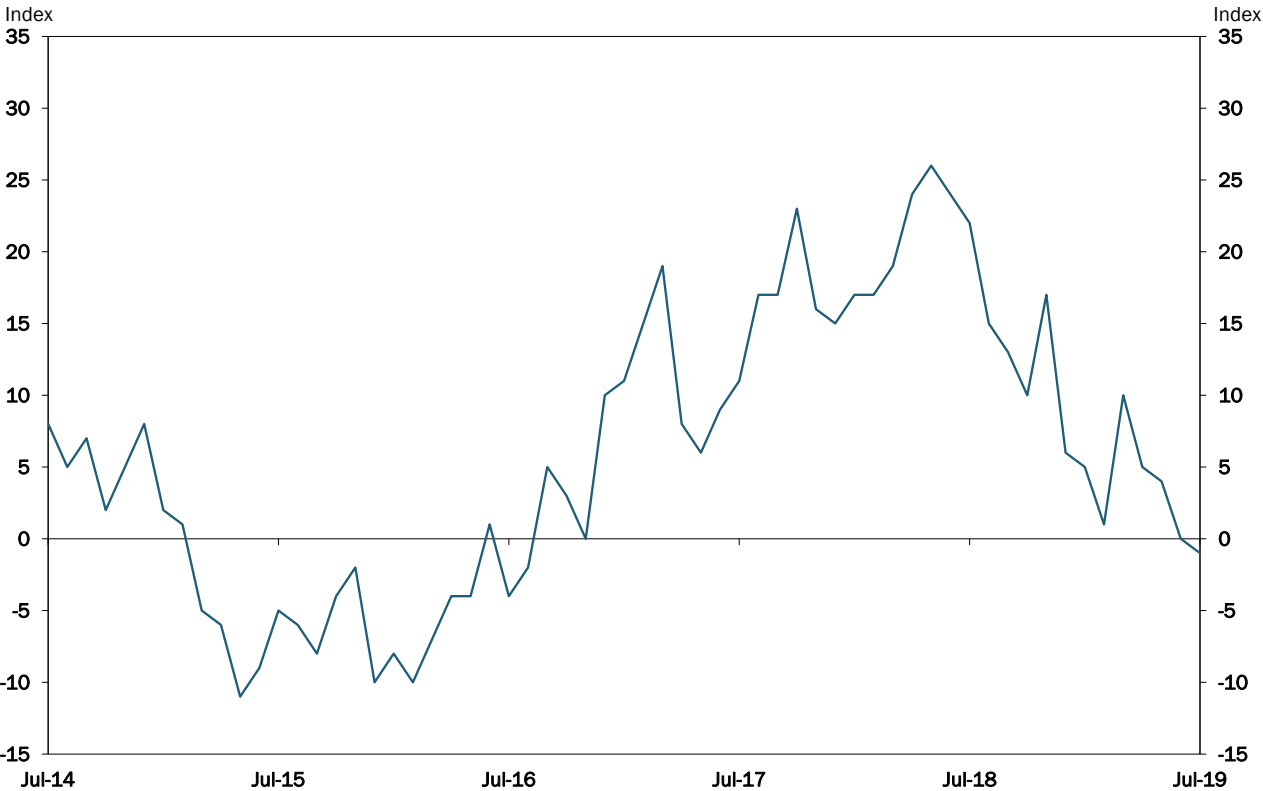


Chart 2. Special Question: Labor market and wage conditions

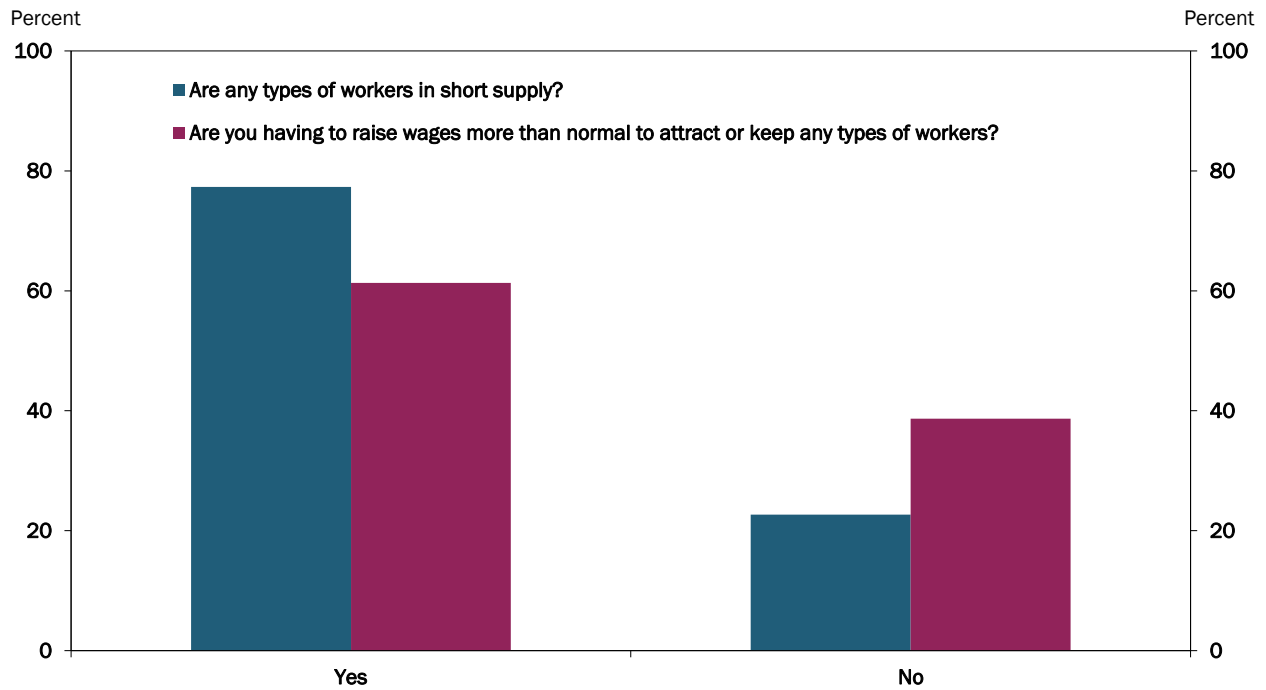


Chart 3. Special Question: What is your firm's current level of confidence in your local economy?

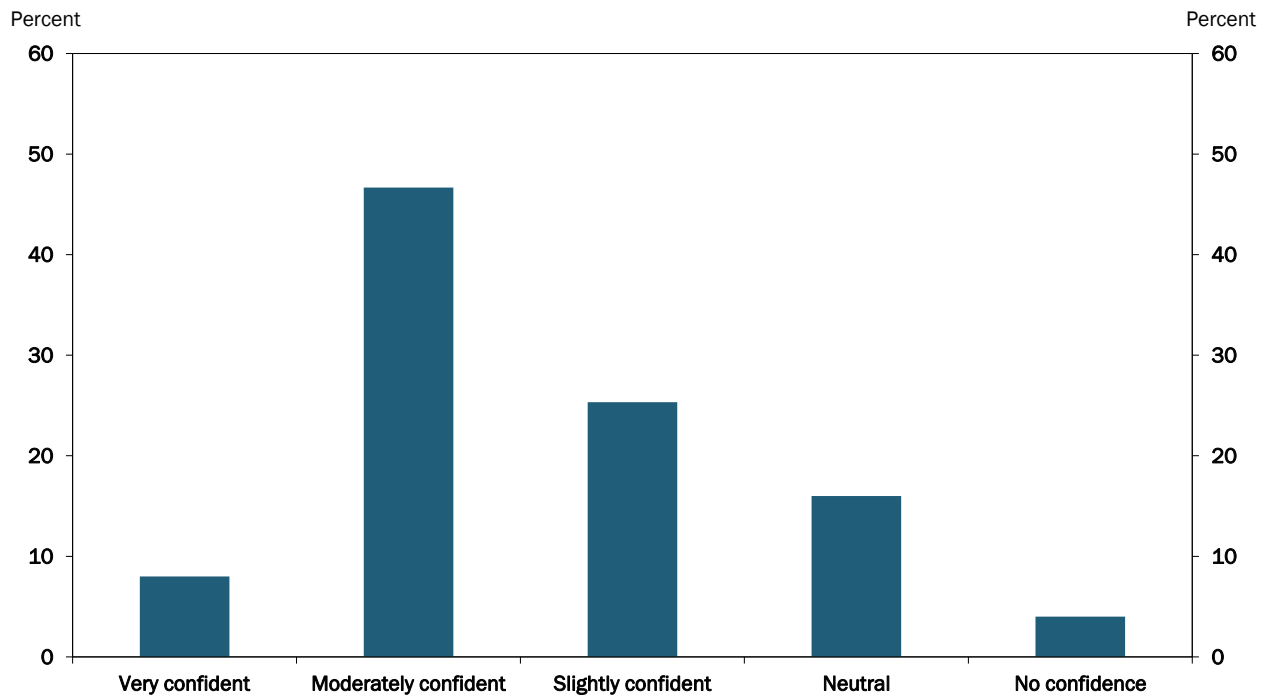


Table 2
Historical Manufacturing Survey Indexes

	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	22	15	13	10	17	6	5	1	10	5	4	0	-1
Production	22	10	12	8	27	-13	2	-4	17	12	2	-3	-6
Volume of shipments	22	17	2	14	33	3	6	-14	14	9	-2	-7	0
Volume of new orders	20	13	13	9	22	7	1	-10	4	10	4	5	-2
Backlog of orders	11	9	7	7	19	9	-13	-18	9	-5	-5	-7	-13
Number of employees	25	15	3	10	9	10	7	10	14	2	5	5	-6
Average employee workweek	12	1	4	5	5	3	7	0	14	14	2	0	-4
Prices received for finished product	25	25	23	20	26	8	23	18	7	10	15	3	2
Prices paid for raw materials	50	44	44	37	45	34	23	19	15	15	13	9	15
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	0	2	2	5	-6	-10	-2	5	8	6	-4	-6
Supplier delivery time	27	18	17	9	10	7	14	10	8	6	9	-3	6
Inventories: Materials	17	17	18	11	14	19	4	-2	9	-4	0	-3	1
Inventories: Finished goods	10	9	10	8	11	12	8	4	0	2	8	6	-1
Versus a Year Ago (not seasonally adjusted)													
Composite Index	44	37	41	45	40	38	31	23	27	22	23	4	11
Production	48	34	44	54	39	35	26	13	29	24	28	-7	8
Volume of shipments	44	32	42	50	47	39	19	10	29	16	21	-3	5
Volume of new orders	49	44	46	57	46	37	28	15	25	23	16	-12	1
Backlog of orders	43	35	41	40	34	35	19	16	11	9	17	-8	-7
Number of employees	47	33	36	49	49	46	38	44	34	28	26	20	14
Average employee workweek	33	25	24	30	30	31	19	4	12	6	-1	-1	4
Prices received for finished product	60	50	56	60	61	56	53	52	53	59	53	52	56
Prices paid for raw materials	86	67	79	78	75	79	69	73	64	76	60	46	56
Capital expenditures	39	43	47	30	48	43	26	11	15	19	24	7	25
New orders for exports	13	9	11	11	20	10	-4	-6	10	1	11	7	-3
Supplier delivery time	42	39	35	27	23	26	25	19	14	18	21	1	18
Inventories: Materials	32	34	45	37	42	49	36	24	35	18	25	17	12
Inventories: Finished goods	23	30	31	21	33	34	27	14	27	24	25	18	21
Expected in Six Months (seasonally adjusted)													
Composite Index	33	29	27	21	18	22	18	13	22	11	12	11	9
Production	46	42	37	37	28	24	33	18	28	14	20	22	23
Volume of shipments	48	39	34	34	27	25	30	15	33	14	23	23	17
Volume of new orders	37	36	35	35	26	23	25	13	29	12	12	16	17
Backlog of orders	27	18	18	25	10	7	17	4	17	4	-3	11	-6
Number of employees	40	33	29	16	23	37	22	28	34	19	23	11	5
Average employee workweek	13	15	14	9	13	17	10	5	13	-5	1	-3	-5
Prices received for finished product	43	28	43	39	30	41	40	34	39	35	36	31	18
Prices paid for raw materials	67	41	57	43	42	50	49	43	45	48	52	36	37
Capital expenditures	37	29	35	16	26	33	33	12	31	23	27	11	14
New orders for exports	9	9	14	9	20	9	-4	-3	6	4	4	4	-6
Supplier delivery time	26	20	18	13	9	17	13	12	15	8	8	-1	4
Inventories: Materials	15	14	15	5	6	7	-2	-4	7	3	-2	4	-2
Inventories: Finished goods	7	10	9	-4	8	9	-5	2	6	-3	-1	-2	-13