# NEWS RELEASE

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**Tenth District Manufacturing Activity Increased Modestly**
***Federal Reserve Bank of Kansas City Releases February Manufacturing Survey***

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the February 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 increased modestly, reaching positive territory for the first time in eight months.

"Regional factory activity finally expanded again in February," said Wilkerson. "This was despite over 40 percent of firms reporting some negative effect from the spread of coronavirus so far in 2020."

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 increased modestly in February, reaching positive territory for the first time in eight months (Chart 1). Expectations for future activity remained at solid levels, and the month-over-month price indexes increased at a moderate pace. District firms continued to expect higher prices in the next 6 months.

## Factory Activity Increased Modestly in February

The month-over-month composite index was 5 in February, higher than -1 in January and -5 in December (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The increase in district manufacturing activity was driven by both durable and non-durable goods plants, particularly food and transportation equipment producers. Most month-over-month indexes moved into positive territory in February, with many reaching their highest levels in over a year. However, the order backlog and employment indexes continued to fall. Year-over-year factory indexes rebounded strongly, with the composite index jumping from -7 to 5. The future composite index remained solid, inching slightly higher from 14 to 16.

## Special Questions

This month contacts were asked special questions about how several global developments were affecting their businesses. Over 40 percent of District manufacturing contacts reported negative effects from Coronavirus so far in 2020 (Chart 2). Looking ahead, over 50 percent of manufacturers expect negative effects from Coronavirus for the rest of 2020, but 46 percent of firms anticipated some positive effects from recently signed trade deals this year (Chart 3).

## Selected Manufacturing Comments

“The USMCA helped remove some uncertainty for our customers’ spending. However, Coronavirus has caused some supply chain disruption.”

“Seeing supply chain issues starting to arise with delayed component shipments from Chinese suppliers.”

“The grounding of the 737 Max has now resulted in some layoffs of personnel in our community which helps to improve the skilled labor pool for a period of time.”

“Pretty steady since the start of the new year. Hope the economy stays the course and we have a successful 2020.”

“The issues in China have had a negative impact on our supply chain for raw materials. With respect to the 737 Max, our business with a strategic partner to Boeing is down significantly.”

“Our vendors who import from China have raised prices and charged tariff fees. Just recently, delivery dates moved out due to a hold up overseas blamed on Coronavirus.”

“Metals are not moving back and forth to Asia as before because of trade wars, and now with things shut down to a certain extent because of the Coronavirus, this inhibits business.”

“Difficulty in getting product shipped from Asia.”

“Economy is still very strong and labor force continues to be tight.”

“The longer the 737 Max situation continues and if Coronavirus is not contained we are going to see negative supply and demand issues at our company. Once the trade deals are finalized I believe they will have a net positive affect on our business.”

“Our export sales to China are in decline as the virus lingers.”

“It could increase our business if there is little to no production being done in China.”

## Table 1. Summary of Tenth District Manufacturing Conditions, February 2020

| | February vs. January (percent)* | | | | | February vs. Year Ago (percent)* | | | | Expected in Six Months (percent)* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Plant Level Indicators | Increase | No Change | Decrease | Diff Index^ | SA Index*^ | Increase | No Change | Decrease | Diff Index^ | Increase | No Change | Decrease | Diff Index^ | SA Index*^ |
| Composite Index | | | | 4 | 5 | | | | 5 | | | | 15 | 16 |
| Production | 32 | 40 | 28 | 4 | 8 | 37 | 21 | 42 | -5 | 42 | 32 | 25 | 17 | 21 |
| Volume of shipments | 36 | 36 | 28 | 8 | 9 | 42 | 20 | 38 | 4 | 49 | 25 | 26 | 23 | 24 |
| Volume of new orders | 36 | 39 | 25 | 10 | 8 | 44 | 19 | 37 | 6 | 41 | 36 | 23 | 18 | 21 |
| Backlog of orders | 23 | 42 | 36 | -13 | -16 | 27 | 30 | 43 | -16 | 29 | 39 | 32 | -3 | -2 |
| Number of employees | 19 | 61 | 21 | -2 | -4 | 40 | 32 | 28 | 12 | 39 | 43 | 18 | 21 | 20 |
| Average employee workweek | 11 | 73 | 16 | -5 | -2 | 20 | 54 | 26 | -6 | 27 | 59 | 14 | 13 | 8 |
| Prices received for finished product | 21 | 68 | 10 | 11 | 9 | 45 | 37 | 18 | 28 | 35 | 58 | 7 | 27 | 28 |
| Prices paid for raw materials | 22 | 70 | 7 | 15 | 14 | 55 | 22 | 23 | 31 | 44 | 49 | 7 | 36 | 37 |
| Capital expenditures | | | | | | 36 | 43 | 21 | 15 | 30 | 50 | 20 | 10 | 7 |
| New orders for exports | 13 | 78 | 9 | 4 | 5 | 14 | 70 | 17 | -3 | 18 | 71 | 12 | 6 | 6 |
| Supplier delivery time | 12 | 84 | 4 | 8 | 11 | 22 | 67 | 11 | 11 | 18 | 78 | 5 | 13 | 15 |
| Inventories: Materials | 23 | 55 | 23 | 0 | 2 | 28 | 43 | 28 | 0 | 26 | 53 | 21 | 5 | 5 |
| Inventories: Finished goods | 22 | 63 | 15 | 7 | 7 | 26 | 46 | 27 | -1 | 21 | 57 | 22 | -1 | 1 |

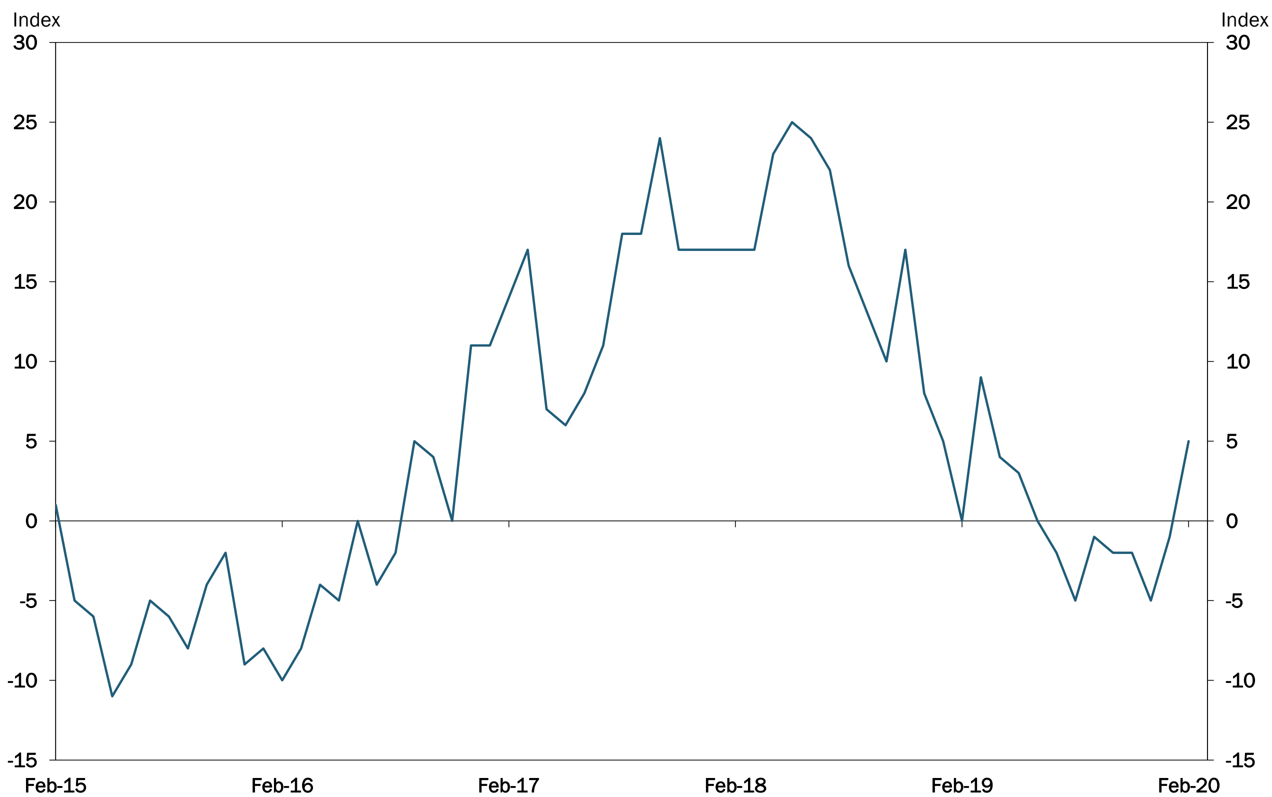
*Percentage may not add to 100 due to rounding.

^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

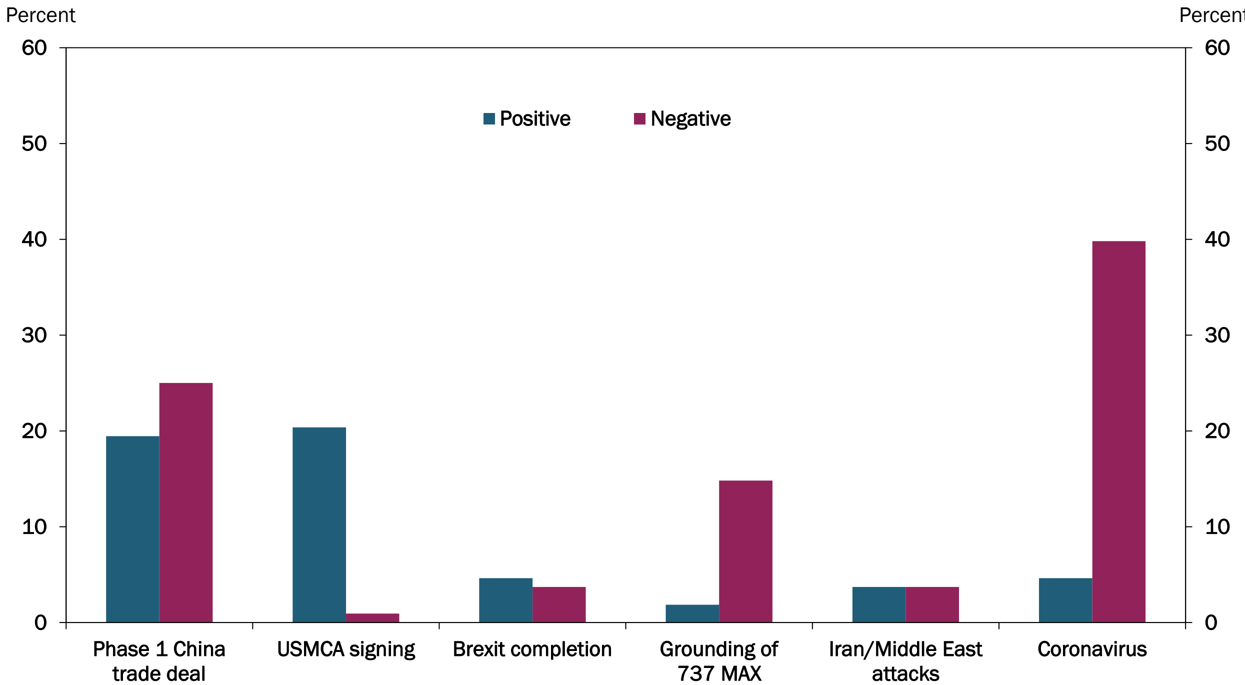
*^Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The February survey was open for a five-day period from February 19-24, 2020 and included 110 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: How have the following global developments affected your business so far in 2020?




## Chart 3. Special Question: How do you expect the following global developments to affect your business for the rest of 2020?

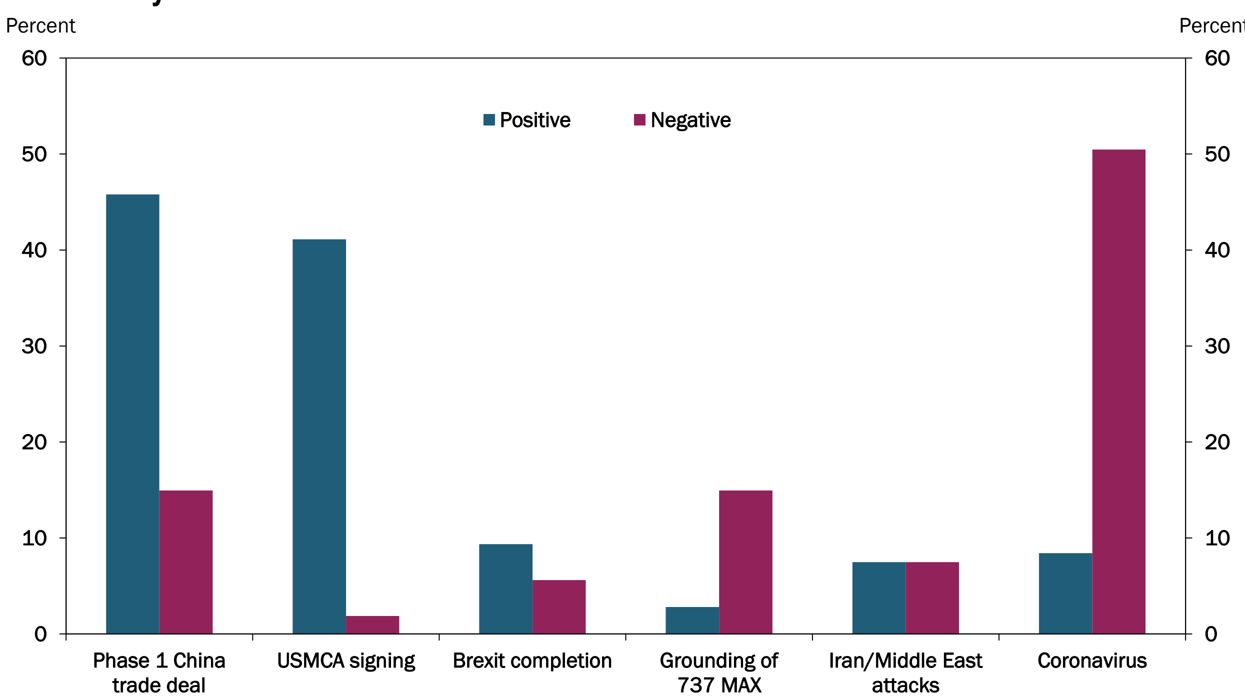


**Table 2**
**Historical Manufacturing Survey Indexes**

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