

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED AT A SLIGHTLY SLOWER PACE *Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the August 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 expanded at a slightly slower pace, while expectations remained solid.

“Our composite index came down a bit again in August,” said Wilkerson. “But the pace of growth in regional factories is still at the solid levels that prevailed in late 2017 and early 2018.”

A summary of the August survey is attached. Results from past surveys and release dates for future surveys can be found at [www.kansascityfed.org/research/indicatorsdata/mfg](http://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](http://www.kansascityfed.org).

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## TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity expanded at a slightly slower pace in August, with the composite index dropping back to around the rates of growth that prevailed in late 2017 and early 2018. Expectations for future growth remained solid, despite continued concerns about trade and tariffs. Price indexes moderated somewhat.

The month-over-month composite index was 14 in August, down from readings of 23 in July and 28 in June (Tables 1 & 2, Chart 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth in factory activity remained relatively stable at nondurable goods plants, while durable goods activity slowed slightly, particularly for machinery, computers and electronics. Most month-over-month indexes moderated in August, but were still generally solid. The production, new orders, employment, and new orders for exports indexes all decreased modestly. In contrast, the shipments index rose from 12 to 18 after falling considerably last month. The finished goods inventory index dipped slightly, while the raw material inventory index was unchanged.

Most year-over-year factory indexes eased slightly in August. The composite index edged lower from 44 to 37, and the production, shipments, new orders, and order backlog indexes also fell. The employment index decreased from 47 to 33, and the new orders for exports index also moved lower. On the other hand, the capital expenditures index inched higher from 39 to 43. Both inventory indexes rose modestly.

Indexes for future factory activity were mostly lower, but still at high levels. The future composite index eased from 34 to 29, and the future production, shipments, and order backlog indexes also edged lower. The future employment index fell from 42 to 33, while the future new orders index was unchanged. The future capital expenditures index dipped from 38 to 28, its lowest level in eight months. The future raw materials index eased from 15 to 11, while the future finished goods inventory index inched higher.

Most price indexes moderated somewhat in August. The month-over-month raw materials price index fell from 52 to 44, while the finished goods price index was unchanged. The year-over-year finished goods price index edged lower from 60 to 50, and the year-over-year raw materials price index also decreased modestly. The future finished goods price index dropped from 43 to 28, and the future raw materials price index also fell moderately.

## **SELECTED COMMENTS**

“Shipping costs have increased substantially in the last 3 months. So far we have not passed these costs on to our customers. At the same time lack of availability of LTL trucks has hurt our ability to ship on time.”

“It’s a struggle to find employees at all skill levels. Competition for employees is fierce and opportunities for higher wage positions seem to be readily available across the metro area.”

“Tariffs have hurt our industry. Material and component prices are up across the board. Everyone in the area is offering hiring bonuses to attract workers. In addition, our export demand is lower due to political reasons related to tariffs. US economy is strong now, but our planning outlook is getting cloudy.”

“Tariffs and threats of tariffs is causing raw material increases that are eating away the benefit of a lower corporate tax rate. We are unable to pass along tariff caused increases, for items under contract.”

“Sales were off last month but expect it to be a temporary shift in production.”

“Effects of the tariffs and trade war are concerning. It creates uncertainty which is always bad for business.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, August 2018**

Plant Level Indicators	August vs. July (percent)*					August vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>**^</sup>	Increase	Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>**^</sup>
Composite Index				12	14				37				26	29
Production	29	45	26	3	10	53	28	19	34	49	37	14	36	44
Volume of shipments	34	46	20	13	18	52	27	20	32	44	43	13	31	40
Volume of new orders	26	54	20	7	9	55	34	11	44	41	51	8	33	36
Backlog of orders	25	58	17	8	8	48	39	13	35	29	55	16	13	16
Number of employees	26	60	14	13	14	49	35	16	33	37	56	7	30	33
Average employee workweek	18	66	16	2	1	37	51	12	25	23	66	10	13	15
Prices received for finished product	29	66	4	25	27	60	31	10	50	40	51	9	31	28
Prices paid for raw materials	53	37	10	43	44	76	15	9	67	54	31	15	39	40
Capital expenditures						54	36	11	43	39	46	15	24	28
New orders for exports	7	83	10	-2	-1	19	72	10	9	19	70	11	8	9
Supplier delivery time	25	69	6	19	19	44	52	5	39	31	61	8	23	21
Inventories: Materials	30	59	11	18	17	47	41	13	34	30	49	21	9	11
Inventories: Finished goods	27	57	17	10	9	46	38	16	30	30	51	20	10	10

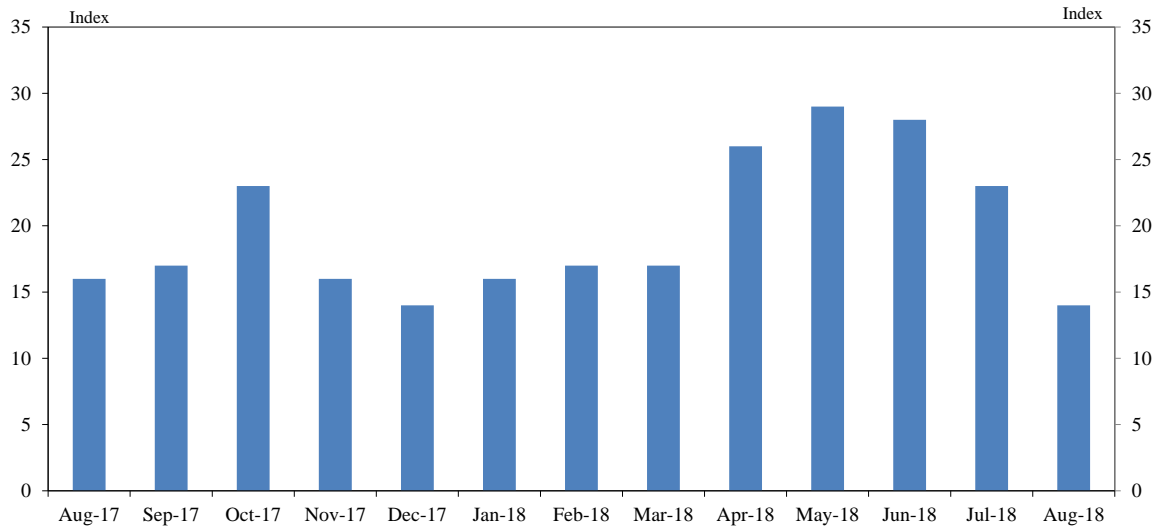
\*Percentage may not add to 100 due to rounding

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

<sup>\*\*^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The August survey included 89 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Chart 1. Composite Index vs. a Month Ago**



**Table2**  
**Historical Manufacturing Survey Indexes**

	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18
Versus a Month Ago (seasonally adjusted)													
Composite Index	16	18	22	15	13	16	17	17	26	29	28	23	14
Production	22	21	18	15	16	16	21	20	33	41	38	22	10
Volume of shipments	23	24	20	19	10	14	24	12	37	42	39	12	18
Volume of new orders	24	15	24	19	11	14	16	-1	37	38	27	21	9
Backlog of orders	13	9	22	13	8	20	13	14	29	27	10	9	8
Number of employees	14	18	19	16	16	18	23	26	26	24	24	26	14
Average employee workweek	9	7	10	6	10	2	11	15	10	24	25	14	1
Prices received for finished product	8	12	11	11	11	21	26	24	29	22	22	27	27
Prices paid for raw materials	23	25	22	24	15	34	50	55	52	53	47	52	44
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	6	6	-1	4	6	2	1	1	9	6	6	-1
Supplier delivery time	10	22	19	8	13	18	16	30	17	23	22	28	19
Inventories: Materials	10	13	28	16	7	15	8	11	17	19	27	17	17
Inventories: Finished goods	2	-6	18	3	-8	3	4	9	4	11	16	11	9
Versus a Year Ago (not seasonally adjusted)													
Composite Index	23	35	34	37	30	35	38	37	36	45	43	44	37
Production	27	56	41	51	36	40	51	45	40	56	45	48	34
Volume of shipments	29	49	42	49	39	39	54	36	34	56	51	44	32
Volume of new orders	27	47	45	41	38	37	55	44	43	54	53	49	44
Backlog of orders	18	37	34	42	20	42	47	31	38	41	35	43	35
Number of employees	22	30	30	32	35	31	39	37	35	49	48	47	33
Average employee workweek	20	31	26	35	28	30	28	23	28	37	44	33	25
Prices received for finished product	29	38	33	35	37	49	51	49	60	56	60	60	50
Prices paid for raw materials	48	56	61	64	55	65	71	74	74	77	79	86	67
Capital expenditures	21	26	21	19	39	34	37	19	26	33	32	39	43
New orders for exports	9	10	9	9	8	15	18	12	10	13	7	13	9
Supplier delivery time	23	27	26	18	25	27	20	30	28	37	31	42	39
Inventories: Materials	18	16	30	45	15	38	23	30	32	28	36	32	34
Inventories: Finished goods	6	2	15	28	8	15	18	19	12	24	26	23	30
Expected in Six Months (seasonally adjusted)													
Composite Index	24	26	30	26	23	29	38	33	31	26	36	34	29
Production	39	40	45	42	29	37	56	42	44	32	53	49	44
Volume of shipments	39	39	42	38	28	32	49	42	47	39	52	52	40
Volume of new orders	39	29	47	32	24	36	49	42	30	26	42	37	36
Backlog of orders	20	21	31	26	13	30	32	30	26	24	25	29	16
Number of employees	27	28	33	30	36	33	41	36	35	35	37	42	33
Average employee workweek	2	9	27	14	10	23	25	17	23	12	31	13	15
Prices received for finished product	30	29	31	38	31	44	53	48	53	44	40	43	28
Prices paid for raw materials	41	42	44	59	49	58	73	72	66	63	67	68	40
Capital expenditures	19	15	21	19	22	38	36	37	37	33	36	38	28
New orders for exports	5	9	15	8	9	19	16	14	12	11	7	8	9
Supplier delivery time	13	16	10	14	18	25	18	23	28	30	20	29	21
Inventories: Materials	-1	14	16	12	7	15	23	21	19	7	30	15	11
Inventories: Finished goods	-5	10	14	9	12	19	11	15	11	3	23	7	10