



NEWS RELEASE

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Tenth District Manufacturing Activity Flat
Federal Reserve Bank of Kansas City Releases June Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the June 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 flat in June, while expectations for future activity remained solid.

“Regional factory growth was relatively flat,” said Wilkerson. “However, nearly 70 percent of manufacturing contacts reported confidence in the U.S. economy, and a majority have not changed their 2019 plans for employment and capital spending.”

A summary of the June 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 flat in June, while expectations for future activity remained solid (Chart 1). Price indexes were lower than a month ago, indicating that prices continue to rise but at a slower pace. The raw materials price index was lower than a year ago, and expectations for future price indexes also declined.

Factory Activity Mostly Flat in June

The month-over-month composite index was 0 in June, slightly lower than 4 in May and 5 in April (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The change in manufacturing activity was mostly driven by a decline at durable production plants, especially for computers, electronic products, and transportation equipment. Most month-over-month indexes edged lower in June, with a number of indexes decreasing, including the materials inventory index. However, the new orders index inched higher. Nearly all of the year-over-year factory indexes decreased to their lowest levels since late 2016, and the composite index fell from 23 to 4. The future composite index remained solid, inching down from 12 to 11, while expectations for production and new orders moved higher.

Special Questions

This month contacts were asked special questions about how their firm's plans and expectations have changed for the remainder of 2019 and about their current level of confidence in the U.S. economy. Over 21 percent of manufacturing contacts noted their plans for capital expenditures had increased for the remainder of 2019, and nearly 24 percent indicated their employment plans had increased (Chart 2). However, a similar share of contacts expected their plans for capital expenditures and employment to decrease for the remainder of 2019. About 29 percent of contacts said they expect wages to rise more than originally expected in the second half of 2019. Nearly 70 percent of respondents reported they were confident in the U.S. economy, and only 4 percent reported no confidence (Chart 3). Additionally, 26 percent of contacts indicated that their firm or firm's suppliers had changed their sources of inputs as a result of the various tariffs that have been put in place.

Selected Manufacturing Comments

“We see continued strong demand for labor (low unemployment) & demand for products also seems to continue to be strong.”

“We see more manufacturing activity in the U.S. and the only deterrent to more growth is the lack of skilled and entry level workers.”

“Our biggest obstacles are still finding employees.”

“Customer demand is fairly steady, but project business is spotty and we are cautious on new spending.”

“We have seen a softening for the 3rd quarter, but expecting a better 4th quarter.”

“We primarily purchased inputs from domestic sources before tariffs began but we have worked to improve that process. Frequently we did find cost effective supplies from China but we have been able to move some of that buying to Mexico and the US.”

“Tariff threats lead to instability and we are always looking for a stable supply of product and raw material. China is a question mark and some sourcing now comes through Mexico or even Europe.”

“Some of our inputs have gone to domestic sources which has increased the cost of raw material inputs.”

“The most difficult situation for our company is that our exports to China have dramatically dropped due to new Chinese government regulations, tariffs now placed on our products by China and the poor consumer economy in China.”

“We constantly review manufacturing in the US. The cost to produce in the US remains 15-25% greater than paying a 25% tariff. Lag reporting in numbers only tells 25% of what the real deal is.”

“The flood in Missouri caused significant disruptions in rail shipments of containers from the Southeast coast ports in May and June. Ocean container shipments connected to rail had to be broken and trucked from the east coast to continue to have supplies for production. 9 containers were stuck on the rails for 4 weeks.”

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

Plant Level Indicators	June vs. May (percent)*					June vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^A	SA Index**	Increase	No Change	Decrease	Diff Index^A	SA Index**	Increase	No Change	Decrease	Diff Index^A	SA Index**
Composite Index				3	0				4					7	11
Production	30	43	27	3	-3	33	27	40	-7	36	46	18	18	18	22
Volume of shipments	31	40	29	1	-7	35	27	38	-3	36	43	20	16	16	23
Volume of new orders	29	45	25	4	5	28	31	41	-12	34	42	23	11	11	16
Backlog of orders	22	50	28	-6	-7	26	39	35	-8	28	52	20	8	8	11
Number of employees	27	56	17	9	5	42	36	22	20	29	52	19	10	10	11
Average employee workweek	19	68	13	5	0	18	64	19	-1	15	64	22	-7	-7	-3
Prices received for finished product	15	72	13	1	3	62	29	10	52	36	54	9	27	27	31
Prices paid for raw materials	27	57	16	11	9	65	16	19	46	45	47	8	37	37	36
Capital expenditures						36	36	29	7	31	48	21	10	10	11
New orders for exports	13	72	15	-3	-4	21	66	14	7	17	71	13	4	4	4
Supplier delivery time	6	88	7	-1	-3	18	66	16	1	10	81	10	0	0	-1
Inventories: Materials	19	62	19	0	-3	35	48	17	17	24	51	25	-1	-1	4
Inventories: Finished goods	25	56	19	6	6	37	44	19	18	24	47	29	-6	-6	-2

*Percentage may not add to 100 due to rounding.

^ADiffusion 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 June survey was open for a five-day period from June 19-24, 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

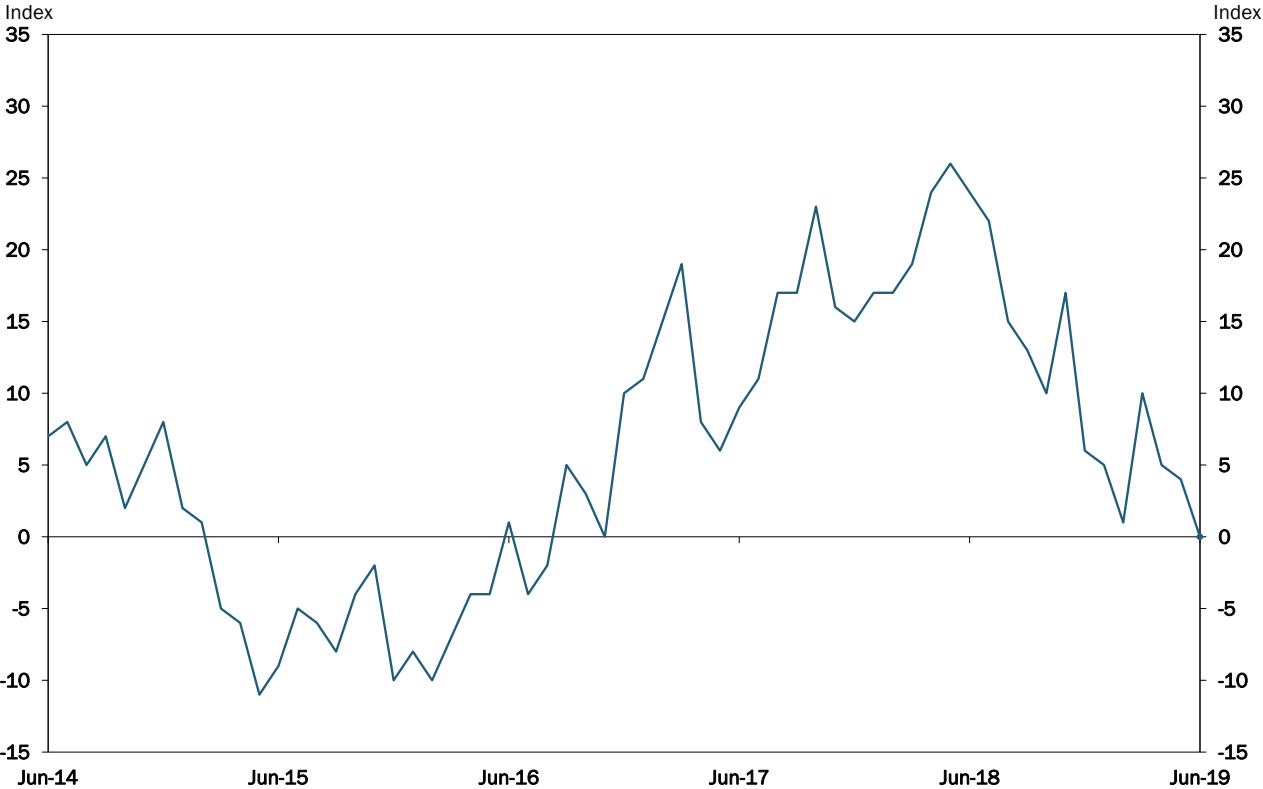


Chart 2. Special Question: Compared to the beginning of this year, how have your firms plans changed for the remainder of 2019?

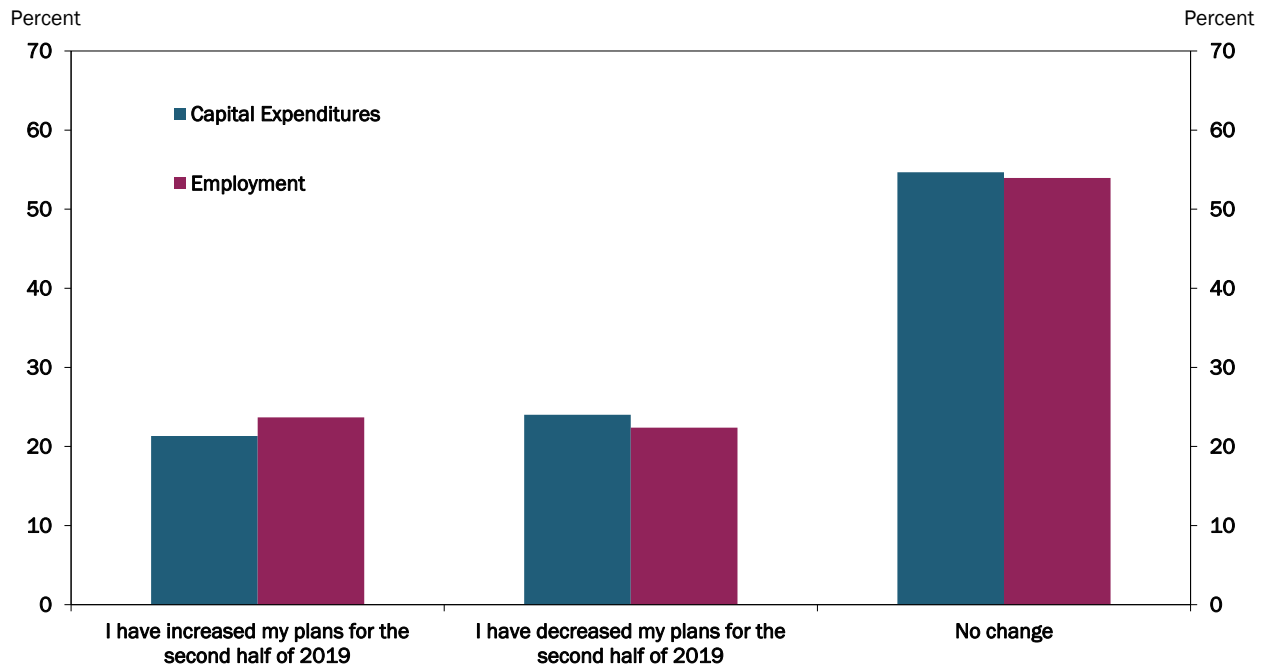


Chart 3. Special Question: What is your firm's current level of confidence in the U.S. economy?

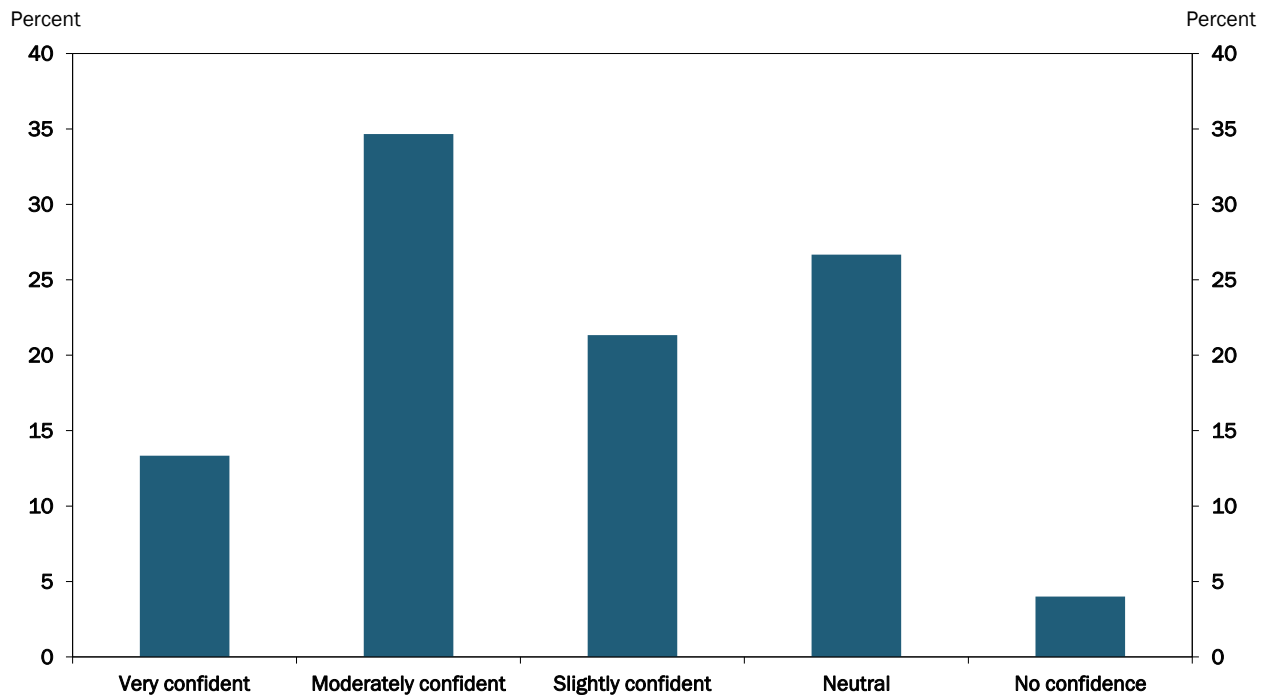


Table 2
Historical Manufacturing Survey Indexes

	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	24	22	15	13	10	17	6	5	1	10	5	4	0
Production	29	22	10	12	8	27	-13	2	-4	17	12	2	-3
Volume of shipments	31	22	17	2	14	33	3	6	-14	14	9	-2	-7
Volume of new orders	25	20	13	13	9	22	7	1	-10	4	10	4	5
Backlog of orders	12	11	9	7	7	19	9	-13	-18	9	-5	-5	-7
Number of employees	23	25	15	3	10	9	10	7	10	14	2	5	5
Average employee workweek	23	12	1	4	5	5	3	7	0	14	14	2	0
Prices received for finished product	23	25	25	23	20	26	8	23	18	7	10	15	3
Prices paid for raw materials	47	50	44	44	37	45	34	23	19	15	15	13	9
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	5	0	2	2	5	-6	-10	-2	5	8	6	-4
Supplier delivery time	21	27	18	17	9	10	7	14	10	8	6	9	-3
Inventories: Materials	24	17	17	18	11	14	19	4	-2	9	-4	0	-3
Inventories: Finished goods	15	10	9	10	8	11	12	8	4	0	2	8	6
Versus a Year Ago (not seasonally adjusted)													
Composite Index	43	44	37	41	45	40	38	31	23	27	22	23	4
Production	45	48	34	44	54	39	35	26	13	29	24	28	-7
Volume of shipments	51	44	32	42	50	47	39	19	10	29	16	21	-3
Volume of new orders	53	49	44	46	57	46	37	28	15	25	23	16	-12
Backlog of orders	35	43	35	41	40	34	35	19	16	11	9	17	-8
Number of employees	48	47	33	36	49	49	46	38	44	34	28	26	20
Average employee workweek	44	33	25	24	30	30	31	19	4	12	6	-1	-1
Prices received for finished product	60	60	50	56	60	61	56	53	52	53	59	53	52
Prices paid for raw materials	79	86	67	79	78	75	79	69	73	64	76	60	46
Capital expenditures	32	39	43	47	30	48	43	26	11	15	19	24	7
New orders for exports	7	13	9	11	11	20	10	-4	-6	10	1	11	7
Supplier delivery time	31	42	39	35	27	23	26	25	19	14	18	21	1
Inventories: Materials	36	32	34	45	37	42	49	36	24	35	18	25	17
Inventories: Finished goods	26	23	30	31	21	33	34	27	14	27	24	25	18
Expected in Six Months (seasonally adjusted)													
Composite Index	35	33	29	27	21	18	22	18	13	22	11	12	11
Production	49	46	42	37	37	28	24	33	18	28	14	20	22
Volume of shipments	48	48	39	34	34	27	25	30	15	33	14	23	23
Volume of new orders	42	37	36	35	35	26	23	25	13	29	12	12	16
Backlog of orders	25	27	18	18	25	10	7	17	4	17	4	-3	11
Number of employees	36	40	33	29	16	23	37	22	28	34	19	23	11
Average employee workweek	30	13	15	14	9	13	17	10	5	13	-5	1	-3
Prices received for finished product	41	43	28	43	39	30	41	40	34	39	35	36	31
Prices paid for raw materials	66	67	41	57	43	42	50	49	43	45	48	52	36
Capital expenditures	35	37	29	35	16	26	33	33	12	31	23	27	11
New orders for exports	8	9	9	14	9	20	9	-4	-3	6	4	4	4
Supplier delivery time	19	26	20	18	13	9	17	13	12	15	8	8	-1
Inventories: Materials	29	15	14	15	5	6	7	-2	-4	7	3	-2	4
Inventories: Finished goods	23	7	10	9	-4	8	9	-5	2	6	-3	-1	-2