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Growth in Tenth District Manufacturing Activity Continued at a Modest Pace
Federal Reserve Bank of Kansas City Releases May Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the May Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing activity continued at a modest pace, and expectations for future activity remained generally solid.

“Regional factory growth was sluggish again in May,” said Wilkerson. “Several firms noted that new tariffs were disrupting activity.”

A summary of the May 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 continued to grow at a modest pace in May, and expectations for future activity remained mostly solid (Chart 1). Price indexes showed little change, with most indexes lower than a year ago and some slight upward movement in future raw materials prices.

Factories Report Continued Modest Growth

The month-over-month composite index was 4 in May, similar to a reading of 5 in April but down from 10 in March (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth continued to grow modestly at most durable and nondurable production plants, with stronger growth for food, plastics, and metals products. Most month-over-month indexes slowed slightly in May but remained positive, with production, shipments, and new orders indexes all decreasing. In contrast, the employment index rebounded from 2 to 5, and both inventory indexes also increased. Most year-over-year factory indexes showed little change, with the composite index inching higher from 22 to 23. The future composite index also edged up, moving from 11 to 12, and most future factory activity indexes remained stable or moved slightly higher.

Selected Manufacturing Comments

“The increased costs of steel and plastic are crippling us.”

“April was a down month but May will be worse. Tariffs will force us to reduce our workforce and increase costs to the consumer.”

“We believe we are seeing a temporary slowdown in business activity and expect levels to pick back up over the summer months.”

“Labor is still our biggest challenge. With the warm weather we have lost employees due to construction jobs and we are having a very difficult time finding replacements.”

“We are being more aggressive about increasing our entry-level wages to be attractive within the tightening labor market. Overall, this is balancing reasonably well so far and we are pleased with the general direction of the economy and our ability to operate within these shifting conditions.”

“The southern half of the US is growing well for us at this time.”

“The 25% tariffs from China will hurt profitability in the short term. We are shifting some supplier volume from China to other global sources to reduce the China tariff impact where it makes sense.”

“Weather has adversely effected our ability to complete jobs as we work mostly outside in the elements.”

“February and March were readjustment times but April was the second largest sales month in the last 18 months and May is set to surpass the April numbers.”

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

	May vs. April (percent)*					May vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No Increase	No Change	Decrease	Diff Index^	SA Index^^	No Increase	No Change	Decrease	Diff Index^	No Increase	No Change	Decrease	Diff Index^	SA Index^^
Plant Level Indicators														
Composite Index				6	4				23				10	12
Production	33	41	26	7	2	49	30	21	28	39	39	22	18	20
Volume of shipments	33	37	30	4	-2	46	29	25	21	40	38	23	18	23
Volume of new orders	35	38	27	7	4	44	28	28	16	37	33	29	8	12
Backlog of orders	27	47	27	0	-5	37	42	21	17	23	45	32	-9	-3
Number of employees	21	62	17	4	5	45	36	19	26	33	53	15	18	23
Average employee workweek	20	64	16	4	2	21	56	23	-1	18	62	19	-1	1
Prices received for finished product	23	70	8	15	15	62	29	9	53	41	51	8	33	36
Prices paid for raw materials	33	50	18	15	13	72	17	12	60	58	31	10	48	52
Capital expenditures						43	38	19	24	35	53	11	24	27
New orders for exports	12	82	6	5	6	20	71	9	11	14	77	9	4	4
Supplier delivery time	19	73	8	12	9	30	61	9	21	22	67	11	10	8
Inventories: Materials	28	46	26	1	0	46	34	20	25	25	47	28	-3	-2
Inventories: Finished goods	31	46	23	8	8	45	36	20	25	30	38	32	-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-12.

Note: The May survey was open for a five-day period from May 15-20, 2019 and included 81 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

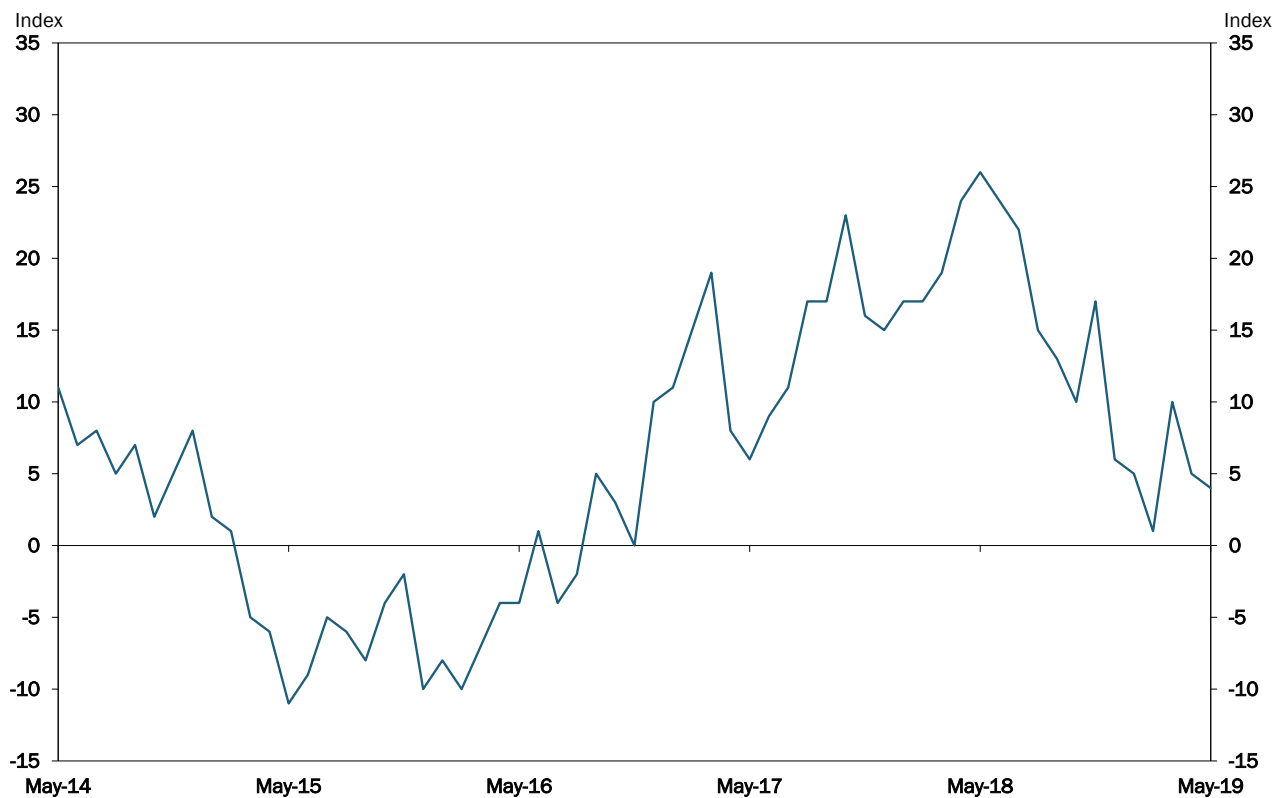


Table 2

Historical Manufacturing Survey Indexes

	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	26	24	22	15	13	10	17	6	5	1	10	5	4
Production	36	29	22	10	12	8	27	-13	2	-4	17	12	2
Volume of shipments	37	31	22	17	2	14	33	3	6	-14	14	9	-2
Volume of new orders	32	25	20	13	13	9	22	7	1	-10	4	10	4
Backlog of orders	24	12	11	9	7	7	19	9	-13	-18	9	-5	-5
Number of employees	22	23	25	15	3	10	9	10	7	10	14	2	5
Average employee workweek	21	23	12	1	4	5	5	3	7	0	14	14	2
Prices received for finished product	22	23	25	25	23	20	26	8	23	18	7	10	15
Prices paid for raw materials	50	47	50	44	44	37	45	34	23	19	15	15	13
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	8	5	5	0	2	2	5	-6	-10	-2	5	8	6
Supplier delivery time	22	21	27	18	17	9	10	7	14	10	8	6	9
Inventories: Materials	19	24	17	17	18	11	14	19	4	-2	9	-4	0
Inventories: Finished goods	11	15	10	9	10	8	11	12	8	4	0	2	8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	45	43	44	37	41	45	40	38	31	23	27	22	23
Production	56	45	48	34	44	54	39	35	26	13	29	24	28
Volume of shipments	56	51	44	32	42	50	47	39	19	10	29	16	21
Volume of new orders	54	53	49	44	46	57	46	37	28	15	25	23	16
Backlog of orders	41	35	43	35	41	40	34	35	19	16	11	9	17
Number of employees	49	48	47	33	36	49	49	46	38	44	34	28	26
Average employee workweek	37	44	33	25	24	30	30	31	19	4	12	6	-1
Prices received for finished product	56	60	60	50	56	60	61	56	53	52	53	59	53
Prices paid for raw materials	77	79	86	67	79	78	75	79	69	73	64	76	60
Capital expenditures	33	32	39	43	47	30	48	43	26	11	15	19	24
New orders for exports	13	7	13	9	11	11	20	10	-4	-6	10	1	11
Supplier delivery time	37	31	42	39	35	27	23	26	25	19	14	18	21
Inventories: Materials	28	36	32	34	45	37	42	49	36	24	35	18	25
Inventories: Finished goods	24	26	23	30	31	21	33	34	27	14	27	24	25
Expected in Six Months (seasonally adjusted)													
Composite Index	25	35	33	29	27	21	18	22	18	13	22	11	12
Production	30	49	46	42	37	37	28	24	33	18	28	14	20
Volume of shipments	39	48	48	39	34	34	27	25	30	15	33	14	23
Volume of new orders	28	42	37	36	35	35	26	23	25	13	29	12	12
Backlog of orders	24	25	27	18	18	25	10	7	17	4	17	4	-3
Number of employees	35	36	40	33	29	16	23	37	22	28	34	19	23
Average employee workweek	13	30	13	15	14	9	13	17	10	5	13	-5	1
Prices received for finished product	45	41	43	28	43	39	30	41	40	34	39	35	36
Prices paid for raw materials	65	66	67	41	57	43	42	50	49	43	45	48	52
Capital expenditures	33	35	37	29	35	16	26	33	33	12	31	23	27
New orders for exports	11	8	9	9	14	9	20	9	-4	-3	6	4	4
Supplier delivery time	27	19	26	20	18	13	9	17	13	12	15	8	8
Inventories: Materials	6	29	15	14	15	5	6	7	-2	-4	7	3	-2
Inventories: Finished goods	3	23	7	10	9	-4	8	9	-5	2	6	-3	-1