



NEWS RELEASE

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Apr. 25, 2019

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Tenth District Manufacturing Activity Grew More Modestly
Federal Reserve Bank of Kansas City Releases April Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the April 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 grew more modestly, but expectations for future activity remained generally solid.

“Regional factory growth in April was a bit weaker than in March, but similar to previous months,” said Wilkerson. “About a third of firms noted that flooding and extreme weather had negatively affected their activity in recent months.”

A summary of the April 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 grew more modestly in April, and expectations for future activity eased slightly but remained mostly solid (Chart 1). Price indexes showed little change, with some slight upticks in month-over-month selling prices and future raw materials prices.

Factories Report More Modest Growth in April

The month-over-month composite index was 5 in April, down slightly from 10 in March but higher than 1 in February (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth eased slightly in factory production of both durable and nondurable goods, particularly food, machinery, electronic, and chemical products. Most month-over-month indexes slowed in April but remained positive, with production, shipments, order backlog, and employment all decreasing. In contrast, the new orders index edged higher from 4 to 10. Most year-over-year factory indexes fell in April, and the composite index eased from 27 to 22. The future composite index also moved lower from 22 to 11, as most future factory activity indexes eased somewhat.

Special Questions

This month, contacts were asked special questions about impacts from recent flooding or extreme weather. About 33 percent of manufacturing contacts indicated they have had some negative effects from weather, mostly due to delayed shipments, power outages, and staffing challenges (Chart 2). Firms were also asked if recent increases in interest rates had affected their capital spending plans (Chart 3). Over 87 percent of firms said their spending plans were unchanged, with approximately 9 percent noting some decreases in expenditures as a result of higher rates, while 4 percent of firms indicated an increase in capital spending due to elevated rates.

Selected Manufacturing Comments

“Productivity, late deliveries and quality continues to be impacted negatively as a result of people shortages.”

“Record levels of demand in January thru April. Will be another strong year for sales if it continues.”

“Clearly a cooling in some business sectors, primarily consumer and industrial.”

“We have an aggressive capital plan and will continue to move at the speed provided by our results, which has been good for some time. We have begun to reduce our inventories and strengthen our balance sheet. We believe things will be good for some time, but the amount of political turmoil and anti-business sentiment presents a risk that cannot be ignored.”

“Labor is still a big issue for us. We lost a handful of workers who have gone to outside work, construction and lawn care as examples. Finding it hard to replace them.”

“Anytime there is inclement weather that causes us to shut down a shift and/or reduce hours on a shift, our productivity is impacted. We have lost 1,000 man hours due to bad weather and power outages.”

“Biggest challenge is finding qualified entry level employees. This could impact growth plans in the future.”

“We need good weather to catch up on installations.”

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

Plant Level Indicators	April vs. March (percent)*					April 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				7	5				22				12	11	
Production	41	37	22	19	12	51	21	28	24	43	29	28	15	14	
Volume of shipments	38	40	22	16	9	49	19	33	16	42	29	29	13	14	
Volume of new orders	36	44	20	16	10	52	19	29	23	42	34	25	17	12	
Backlog of orders	26	45	29	-3	-5	38	32	29	9	29	46	24	5	4	
Number of employees	19	64	17	1	2	46	35	19	28	33	53	14	18	19	
Average employee workweek	23	65	11	12	14	26	54	20	6	17	61	22	-5	-5	
Prices received for finished product	19	75	6	12	10	68	23	9	59	47	43	10	36	35	
Prices paid for raw materials	29	63	9	20	15	81	14	5	76	56	35	9	47	48	
Capital expenditures						44	32	24	19	38	47	16	22	23	
New orders for exports	12	83	5	6	8	12	78	11	1	13	76	11	3	4	
Supplier delivery time	10	84	6	4	6	28	62	10	18	18	76	6	12	8	
Inventories: Materials	24	49	27	-3	-4	42	35	23	18	29	41	30	-1	3	
Inventories: Finished goods	23	54	23	0	2	42	41	18	24	24	47	29	-6	-3	

*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 April survey was open for a five-day period from April 17-22, 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

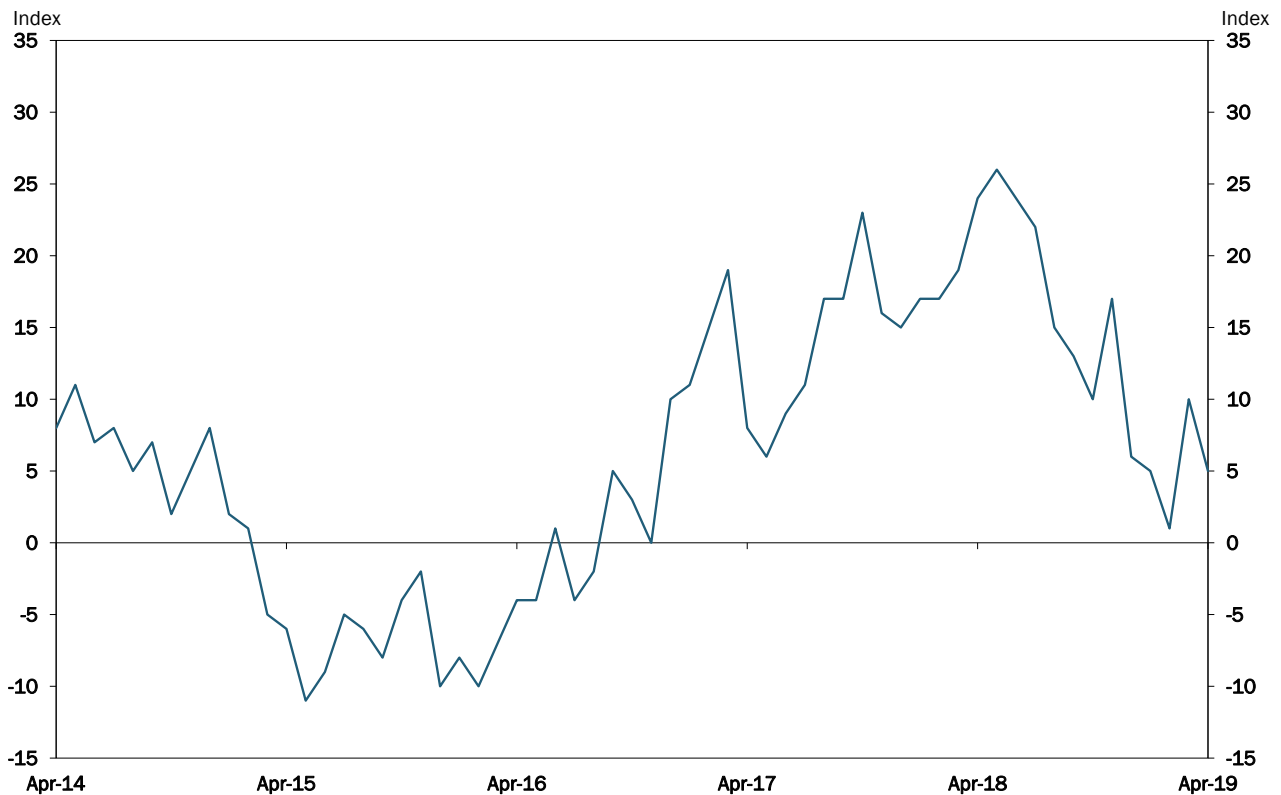


Chart 2. Special Question: Has flooding or extreme weather affected your business activity in recent months?

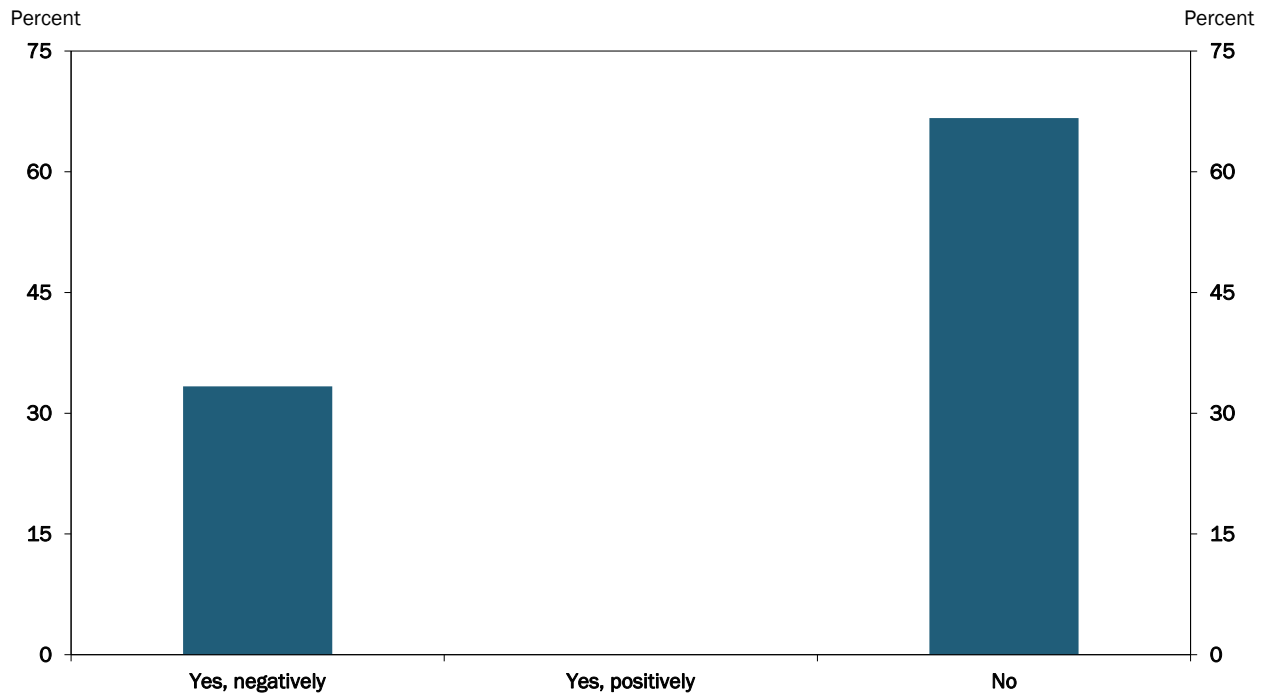


Chart 3. Special Question: How have recent movements in interest rates affected capital spending plans for your firm?

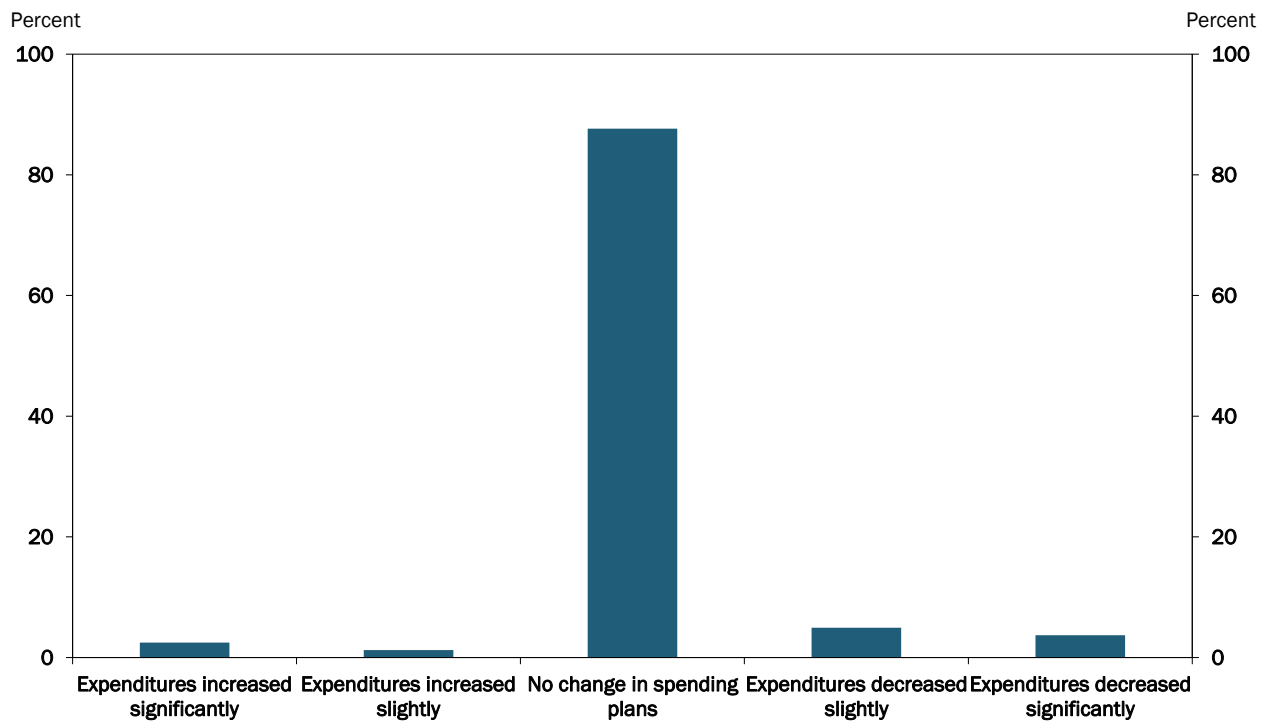


Table 2
Historical Manufacturing Survey Indexes

	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	24	26	24	22	15	13	10	17	6	5	1	10	5
Production	29	36	29	22	10	12	8	27	-13	2	-4	17	12
Volume of shipments	32	37	31	22	17	2	14	33	3	6	-14	14	9
Volume of new orders	32	32	25	20	13	13	9	22	7	1	-10	4	10
Backlog of orders	26	24	12	11	9	7	7	19	9	-13	-18	9	-5
Number of employees	24	22	23	25	15	3	10	9	10	7	10	14	2
Average employee workweek	12	21	23	12	1	4	5	5	3	7	0	14	14
Prices received for finished product	27	22	23	25	25	23	20	26	8	23	18	7	10
Prices paid for raw materials	49	50	47	50	44	44	37	45	34	23	19	15	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	
New orders for exports	1	8	5	5	0	2	2	5	-6	-10	-2	5	8
Supplier delivery time	17	22	21	27	18	17	9	10	7	14	10	8	6
Inventories: Materials	18	19	24	17	17	18	11	14	19	4	-2	9	-4
Inventories: Finished goods	6	11	15	10	9	10	8	11	12	8	4	0	2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	36	45	43	44	37	41	45	40	38	31	23	27	22
Production	40	56	45	48	34	44	54	39	35	26	13	29	24
Note: The January survey was open for a	34	56	51	44	32	42	50	47	39	19	10	29	16
Volume of new orders	43	54	53	49	44	46	57	46	37	28	15	25	23
Backlog of orders	38	41	35	43	35	41	40	34	35	19	16	11	9
Number of employees	35	49	48	47	33	36	49	49	46	38	44	34	28
Average employee workweek	28	37	44	33	25	24	30	30	31	19	4	12	6
Prices received for finished product	60	56	60	60	50	56	60	61	56	53	52	53	59
Prices paid for raw materials	74	77	79	86	67	79	78	75	79	69	73	64	76
Capital expenditures	26	33	32	39	43	47	30	48	43	26	11	15	19
New orders for exports	10	13	7	13	9	11	11	20	10	-4	-6	10	1
Supplier delivery time	28	37	31	42	39	35	27	23	26	25	19	14	18
Inventories: Materials	32	28	36	32	34	45	37	42	49	36	24	35	18
Inventories: Finished goods	12	24	26	23	30	31	21	33	34	27	14	27	24
Expected in Six Months (seasonally adjusted)													
Composite Index	31	25	35	33	29	27	21	18	22	18	13	22	11
Production	44	30	49	46	42	37	37	28	24	33	18	28	14
Volume of shipments	45	39	48	48	39	34	34	27	25	30	15	33	14
Volume of new orders	33	28	42	37	36	35	35	26	23	25	13	29	12
Backlog of orders	27	24	25	27	18	18	25	10	7	17	4	17	4
Number of employees	35	35	36	40	33	29	16	23	37	22	28	34	19
Average employee workweek	22	13	30	13	15	14	9	13	17	10	5	13	-5
Prices received for finished product	50	45	41	43	28	43	39	30	41	40	34	39	35
Prices paid for raw materials	65	65	66	67	41	57	43	42	50	49	43	45	48
Capital expenditures	36	33	35	37	29	35	16	26	33	33	12	31	23
New orders for exports	11	11	8	9	9	14	9	20	9	-4	-3	6	4
Supplier delivery time	26	27	19	26	20	18	13	9	17	13	12	15	8
Inventories: Materials	18	6	29	15	14	15	5	6	7	-2	-4	7	3
Inventories: Finished goods	10	3	23	7	10	9	-4	8	9	-5	2	6	-3