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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Up Only Slightly**  
*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 was up only slightly, while expectations for future activity remained positive but were slightly lower than in previous months.

“Regional factories saw hardly any growth in February,” said Wilkerson. “More than three-quarters of firms reported difficulties in finding workers, despite wage increases.”

A summary of the February 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 was up only slightly in February, while expectations for future activity remained positive but were slightly lower than in previous months (Chart 1). The month-over-month finished goods and raw materials price indexes both eased down in February. Price expectations for the next six months also edged lower.

### Factories Report Steady Activity in February

The month-over-month composite index was 1 in February, down from 5 in January and 6 in December (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factories expanded durable goods production, particularly machinery and transportation equipment, while manufacturing of more non-durable goods, including food and beverage products, declined. Most month-over-month indexes decreased in February, with production, shipments, and new orders dropping into negative territory. However, the month-over-month employment index expanded moderately. Most year-over-year factory indexes declined from the previous month but remained positive, and the composite index dipped from 31 to 23. Future factory activity expectations continued to drift down, but also remained positive. The future composite index dipped from 18 to 13, the lowest future composite index since late 2016, but the future employment index expanded solidly.

### Special Questions

This month contacts were asked special questions about tightening labor market conditions, specifically worker shortages and wage gains. More than 76 percent of manufacturing contacts reported workers were in short supply, and nearly 59 percent indicated they were having to raise wages more than normal to attract or retain employees (Chart 2). On average in 2018, 57 percent of firms reported 2 to 4 percent wage gains, while 34 percent of firms said wage gains were of more than 4 percent (Chart 3). In 2019, most respondents expect their firms to increase wages at similar rates, with approximately 58 percent of firms expecting wage increases of 2 to 4 percent. Another 26 percent of firms expect wage gains of more than 4 percent in 2019.

## Selected Manufacturing Comments

“First of year started slower than last year; however, already seeing an uptick.”

“We are currently operating at full capacity to support the demands of our energy related customer base. We are optimistic and expect this demand to continue this year and beyond.”

“The US/China tariff discussions has led to Chinese consumer uncertainty and lower imports of our products.”

“Tariffs continue to be very disruptive to our business.”

“Still experiencing poor sales volume due to low agriculture commodity pricing, and high steel costs are hurting our margins.”

“Productivity continues to be constrained by a lack of skilled workers. On time delivery is impacted and we are unable to take on new business opportunities because of human capital not being available. Capacity expansion is not possible.”

“Business is very good. Getting many opportunities to increase our business levels. Biggest constraint is lack of available labor and quality of applicants. Many no shows for interviews and failures on drug tests.”

“Attracting quality manufacturing workers continue to be a challenge. We are making increased investments in automation.”

“We are in short supply of workers at all levels - unskilled, semi-skilled and skilled factory workers, clerical and professional. There are always difficulties attracting employees to rural areas and usually unemployment levels in rural areas is lower than national averages, making the current situation difficult.”

“We are in short supply of committed entry-level personnel. We typically have turnover among newer personnel but the rate has increased over the last year even with a 12% increase in entry level wages.”

“We have increased wages 5% or more. Higher wages are good for our employees in the short run, but bad when we cannot compete with foreign labor costs.”

“We believe that there will be a slight increase in our business because of efforts of diversification.”

**Table 1. Summary of Tenth District Manufacturing Conditions, February 2019**

Plant Level Indicators	February vs. January (percent)*				February vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>
Composite Index				-1	1				23				12	13
Production	26	43	31	-6	-4	45	24	32	13	42	33	25	17	18
Volume of shipments	22	41	37	-15	-14	40	29	31	10	43	32	25	18	15
Volume of new orders	22	46	32	-9	-10	42	32	26	15	36	42	23	13	13
Backlog of orders	16	52	32	-16	-18	38	41	22	16	28	47	25	3	4
Number of employees	20	68	12	8	10	55	33	12	44	39	48	13	26	28
Average employee workweek	17	63	20	-2	0	23	58	19	4	25	60	15	9	5
Prices received for finished product	24	69	7	17	18	64	25	12	52	44	46	11	33	34
Prices paid for raw materials	31	58	12	19	19	80	13	7	73	50	42	8	42	43
Capital expenditures						35	40	24	11	29	55	16	13	12
New orders for exports	7	81	11	-4	-2	9	76	15	-6	12	72	17	-5	-3
Supplier delivery time	15	76	8	7	10	30	59	11	19	20	69	11	10	12
Inventories: Materials	20	56	24	-4	-2	42	40	18	24	26	44	30	-4	-4
Inventories: Finished goods	26	51	23	2	4	35	44	21	14	28	42	30	-1	2

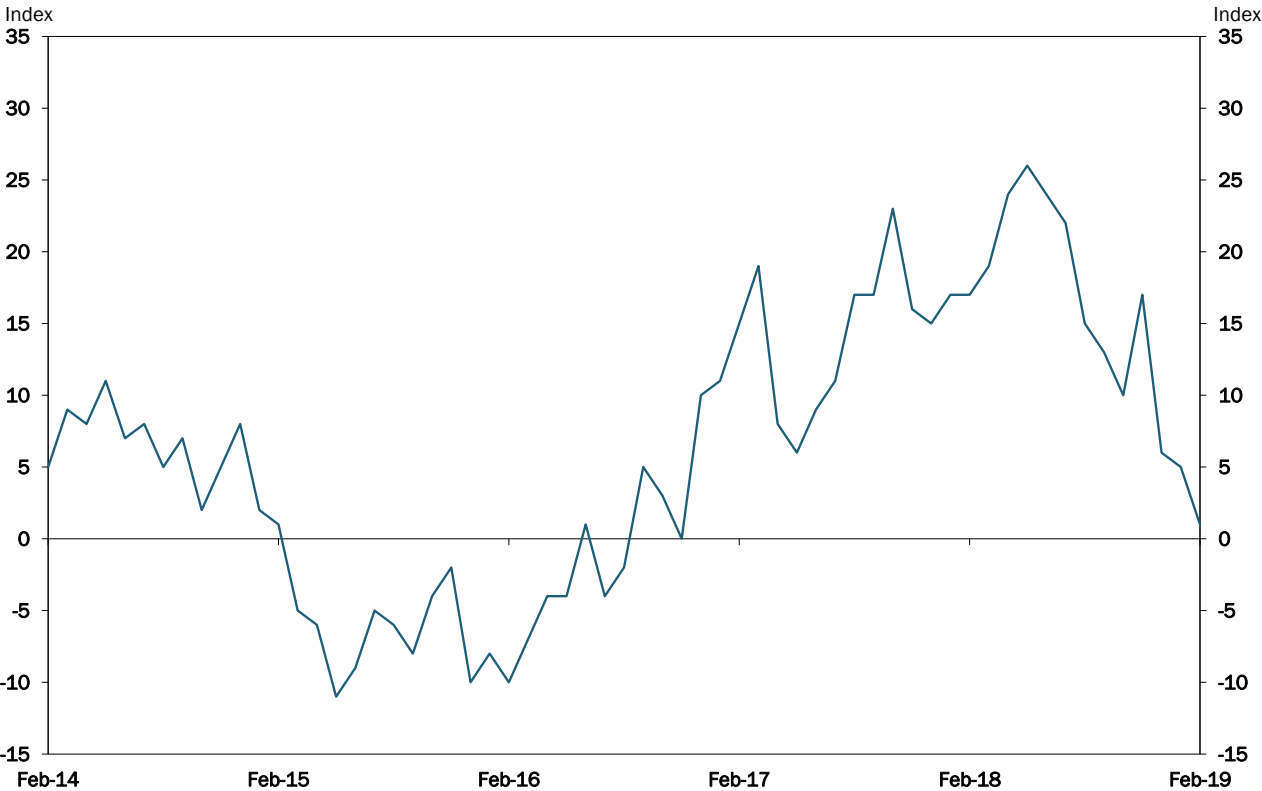
\*Percentage may not add to 100 due to rounding.

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

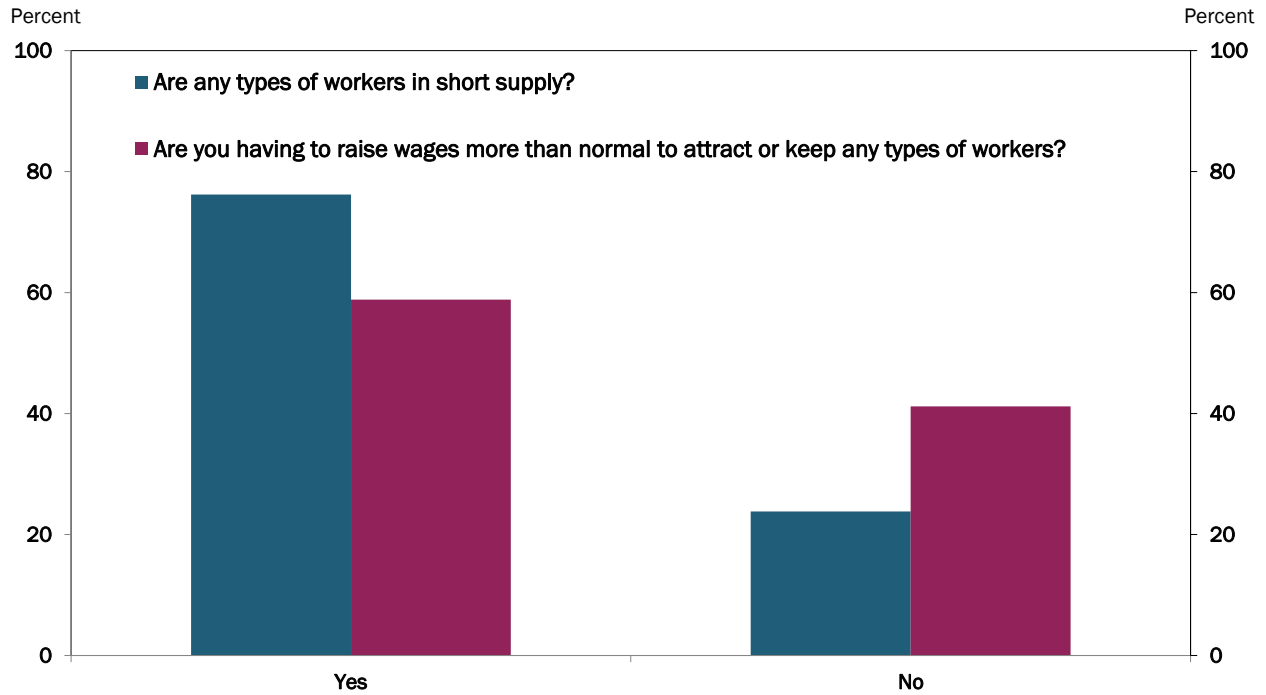
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The February survey was open for a five-day period from February 20-25, 2019 and included 86 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

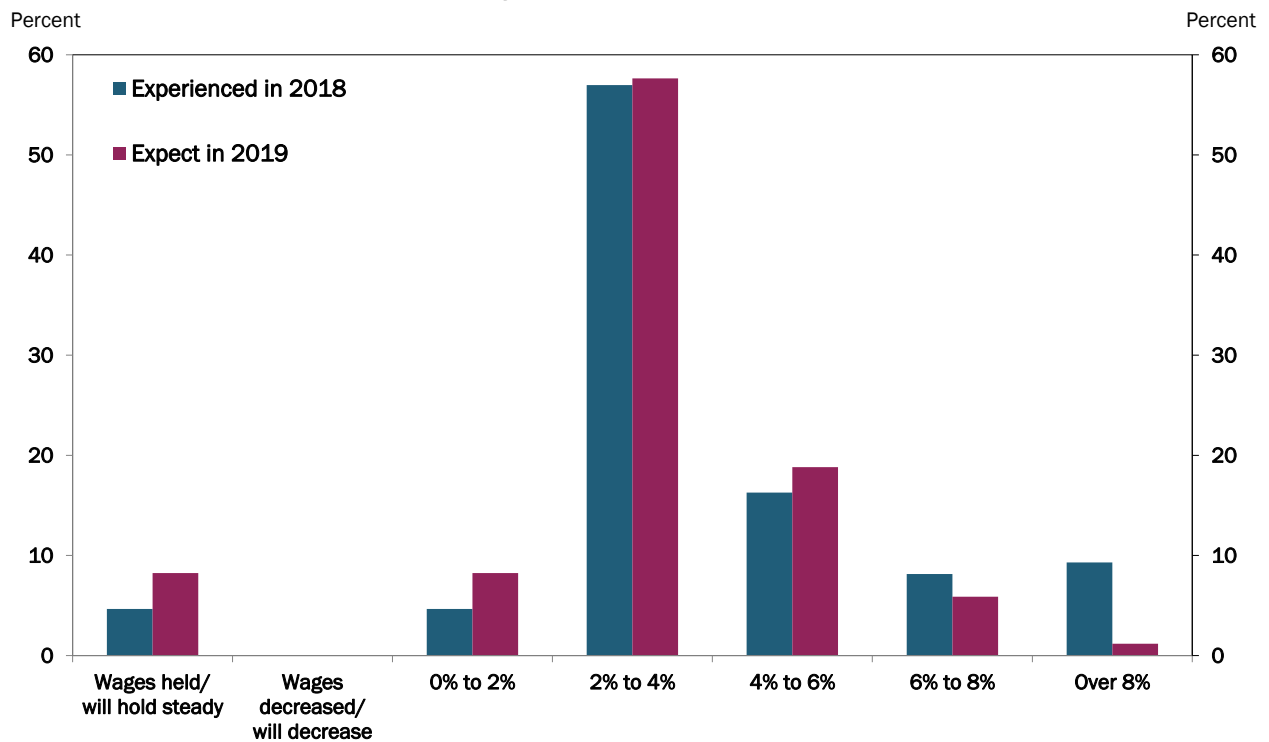
**Chart 1. Manufacturing Composite Index vs. a Month Ago**



**Chart 2. Special Question: Labor market and wage conditions**



**Chart 3. Special Question: On average, what percentage wage gains did your firm experience in 2018, and what are your expectations for 2019?**



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

	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	17	19	24	26	24	22	15	13	10	17	6	5	1
Production	20	24	29	36	29	22	10	12	8	27	-13	2	-4
Volume of shipments	22	15	32	37	31	22	17	2	14	33	3	6	-14
Volume of new orders	16	3	32	32	25	20	13	13	9	22	7	1	-10
Backlog of orders	13	14	26	24	12	11	9	7	7	19	9	-13	-18
Number of employees	22	24	24	22	23	25	15	3	10	9	10	7	10
Average employee workweek	10	13	12	21	23	12	1	4	5	5	3	7	0
Prices received for finished product	25	23	27	22	23	25	25	23	20	26	8	23	18
Prices paid for raw materials	48	52	49	50	47	50	44	44	37	45	34	23	19
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	3	2	1	8	5	5	0	2	2	5	-6	-10	-2
Supplier delivery time	16	30	17	22	21	27	18	17	9	10	7	14	10
Inventories: Materials	11	12	18	19	24	17	17	18	11	14	19	4	-2
Inventories: Finished goods	6	5	6	11	15	10	9	10	8	11	12	8	4
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	38	37	36	45	43	44	37	41	45	40	38	31	23
Production	51	45	40	56	45	48	34	44	54	39	35	26	13
Note: The January survey was open for a	54	36	34	56	51	44	32	42	50	47	39	19	10
Volume of new orders	55	44	43	54	53	49	44	46	57	46	37	28	15
Backlog of orders	47	31	38	41	35	43	35	41	40	34	35	19	16
Number of employees	39	37	35	49	48	47	33	36	49	49	46	38	44
Average employee workweek	28	23	28	37	44	33	25	24	30	30	31	19	4
Prices received for finished product	51	49	60	56	60	60	50	56	60	61	56	53	52
Prices paid for raw materials	71	74	74	77	79	86	67	79	78	75	79	69	73
Capital expenditures	37	19	26	33	32	39	43	47	30	48	43	26	11
New orders for exports	18	12	10	13	7	13	9	11	11	20	10	-4	-6
Supplier delivery time	20	30	28	37	31	42	39	35	27	23	26	25	19
Inventories: Materials	23	30	32	28	36	32	34	45	37	42	49	36	24
Inventories: Finished goods	18	19	12	24	26	23	30	31	21	33	34	27	14
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	36	32	31	25	35	33	29	27	21	18	22	18	13
Production	55	43	44	30	49	46	42	37	37	28	24	33	18
Volume of shipments	47	43	45	39	48	48	39	34	34	27	25	30	15
Volume of new orders	47	41	33	28	42	37	36	35	35	26	23	25	13
Backlog of orders	31	30	27	24	25	27	18	18	25	10	7	17	4
Number of employees	39	36	35	35	36	40	33	29	16	23	37	22	28
Average employee workweek	23	17	22	13	30	13	15	14	9	13	17	10	5
Prices received for finished product	51	47	50	45	41	43	28	43	39	30	41	40	34
Prices paid for raw materials	69	69	65	65	66	67	41	57	43	42	50	49	43
Capital expenditures	35	35	36	33	35	37	29	35	16	26	33	33	12
New orders for exports	15	13	11	11	8	9	9	14	9	20	9	-4	-3
Supplier delivery time	19	22	26	27	19	26	20	18	13	9	17	13	12
Inventories: Materials	20	20	18	6	29	15	14	15	5	6	7	-2	-4
Inventories: Finished goods	11	14	10	3	23	7	10	9	-4	8	9	-5	2