



NEWS RELEASE

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Tenth District Manufacturing Activity Continued to Grow Slightly
Federal Reserve Bank of Kansas City Releases July Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the July 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 continued to grow slightly after sharply decreasing in the spring. Activity still remained well below year-ago levels, while expectations for future activity continued to improve slightly.

“Regional factory activity continued to expand slightly in July, but was still well below year-ago levels,” said Wilkerson. “Of those surveyed, 44% of firms said that their business costs have increased in the past 6 months, but expectations for future activity and employment continued to improve.”

Historical data, 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 slightly after decreasing sharply in the spring, but still remained well below year-ago levels (Chart 1, Tables 1 & 2). Expectations for future activity continued to improve slightly. District firms continued to expect prices for both finished goods and raw materials to expand in the next six months.

Factory Activity Continued to Grow Slightly in July

The month-over-month composite index was 3 in July, up slightly from 1 in June and up considerably from -19 in May (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The improvement in activity was still driven by non-durable goods plants. However, activity in most durable goods factories also improved except for continued decreases in fabricated metals and computer and electronics plants. Most month-over-month indexes were positive. Production, shipments, new orders, and supplier delivery time indexes remained positive, and indexes for order backlog and employment recovered to positive levels. Only new orders for exports and inventories indexes remained negative. Most year-over-year factory indexes increased but remained negative in July. The future composite index continued to rise in July, increasing slightly from 9 to 14.

Special Questions

This month contacts were asked special questions about changes in business costs and their need for physical infrastructure since managing the effects of COVID-19. 67% of contacts reported that their need for physical infrastructure had not changed in the past 6 months, and 69% anticipated that that need would not change in the medium term (1-2 years) (Chart 2). Additionally, 66% of contacts said they had utilized a work from home policy in the last 6 months, but very few said that any portion of their workforce will now permanently work from home. In terms of business costs, 42% of firms reported that their costs have increased in the past 6 months, 26% reported no change, and 21% reported decreases (Chart 3).

Selected Manufacturing Comments

“We’ve already adjusted to the effects of the pandemic on our market/business and don’t see any future effects on our business if the government support were to diminish, unless there were unforeseen negative effects.”

“Business recovery is extremely slow. Running out of improvement projects. Will have to cut staff significantly unless business activity rebounds soon, or additional government employment incentives are implemented.”

“April/May were awful from a revenue point of view. The PPP plan functioned exactly as it was intended to for our small business. We were able to maintain our staff and pay them normally during a significant downturn in revenue. We are, however, having difficulty hiring now due to Federal unemployment combined with State unemployment incentivizing those currently unemployed to not work.”

“PPP funding allowed working hours and head count to remain the same for the last 12 weeks.”

“PPP saved us initially. It has all been utilized and a second round would be welcomed. If that doesn’t occur, further cuts will be made.”

“We are busy with supplying government contracts but we don’t expect them to go to the end of the year. A lot depends on the restaurant industry and if the schools open in the fall and have a school lunch program working. A lot of unknowns yet through the rest of the year.”

“Trying to compete with businesses who do not follow CDC guidelines is difficult.”

“If demand decreases more, we will need additional cash (bank debt) to support business.”

“Ending [PPP] programs would not harm us except to the extent that the broader economy slows. We believe more people will become available and interested in employment opportunities if the government assistance programs end.”

Table 1. Summary of Tenth District Manufacturing Conditions, July 2020

Plant Level Indicators	July vs. June (percent)*					July vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^	SA Index^^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index^^	
Composite Index				2	3				-22				12	14	
Production	33	34	32	1	7	23	18	59	-36	53	19	28	24	25	
Volume of shipments	38	29	33	4	11	22	18	60	-39	49	19	32	18	21	
Volume of new orders	36	33	30	6	9	24	19	57	-33	48	22	29	19	20	
Backlog of orders	30	35	34	-4	2	25	23	52	-27	37	29	34	3	5	
Number of employees	25	54	21	4	3	24	29	47	-23	29	46	24	5	11	
Average employee workweek	21	61	18	3	6	20	41	40	-20	25	58	17	8	10	
Prices received for finished product	16	72	13	3	6	34	38	28	6	26	59	15	11	13	
Prices paid for raw materials	22	60	18	4	3	41	25	34	6	32	54	15	17	17	
Capital expenditures						25	33	42	-17	27	39	34	-7	-5	
New orders for exports	5	76	18	-13	-10	8	59	34	-26	13	63	24	-11	-10	
Supplier delivery time	23	60	17	6	3	32	41	27	5	26	58	16	10	9	
Inventories: Materials	25	45	30	-5	-8	21	38	42	-21	31	40	29	2	5	
Inventories: Finished goods	18	53	29	-12	-14	19	39	42	-23	28	48	23	5	5	

*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-13.

Note: The July survey was open for a five-day period from July 15-20, 2020 and included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

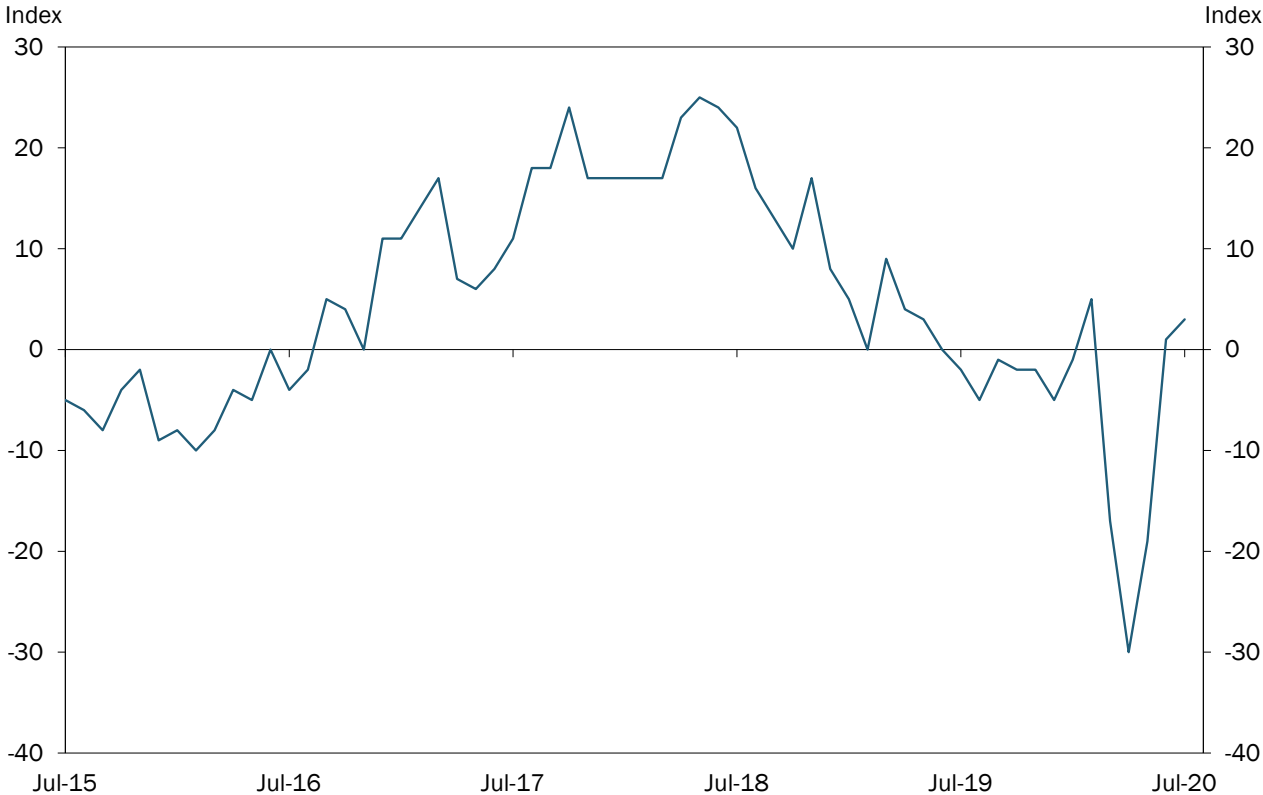


Chart 2. Special Question: How has your need for office space or physical infrastructure (e.g., real estate, office space, etc.) changed in the last 6 months and how do you anticipate it will change over the medium term (1-2 years)?

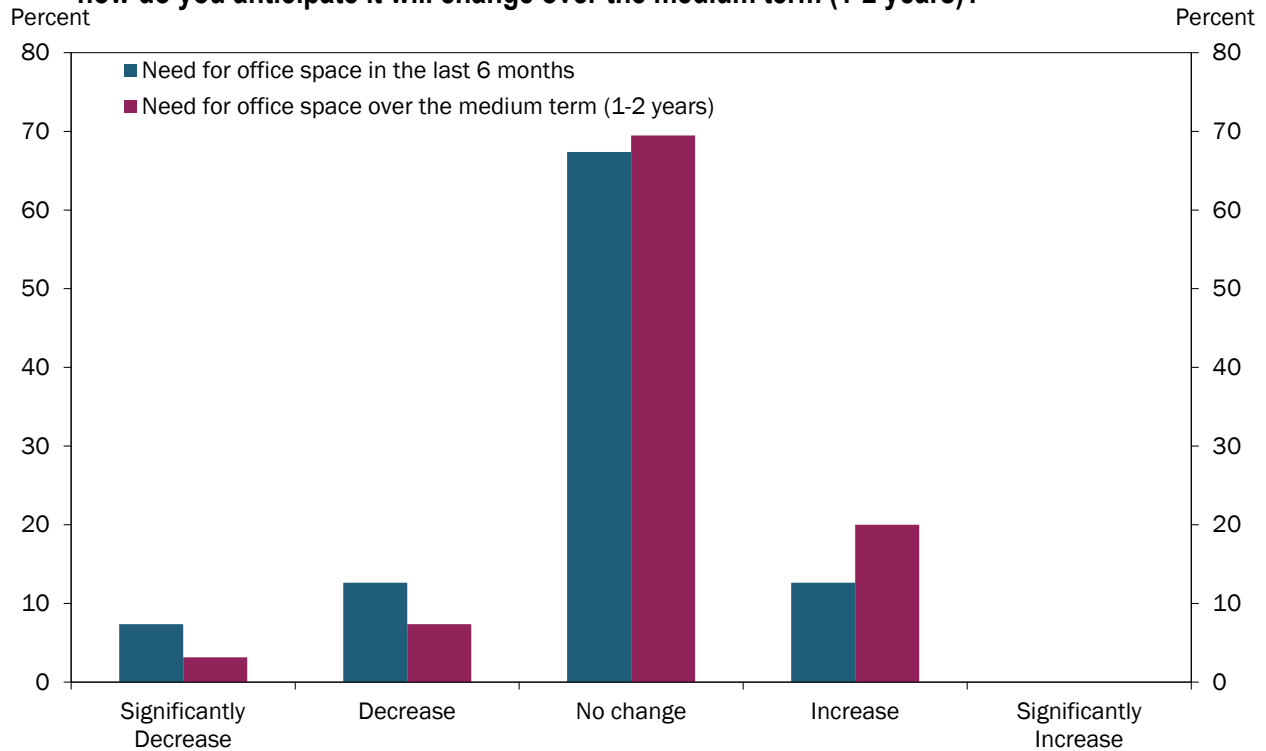


Chart 3. Special Question: How have your business costs changed in the last 6 months?

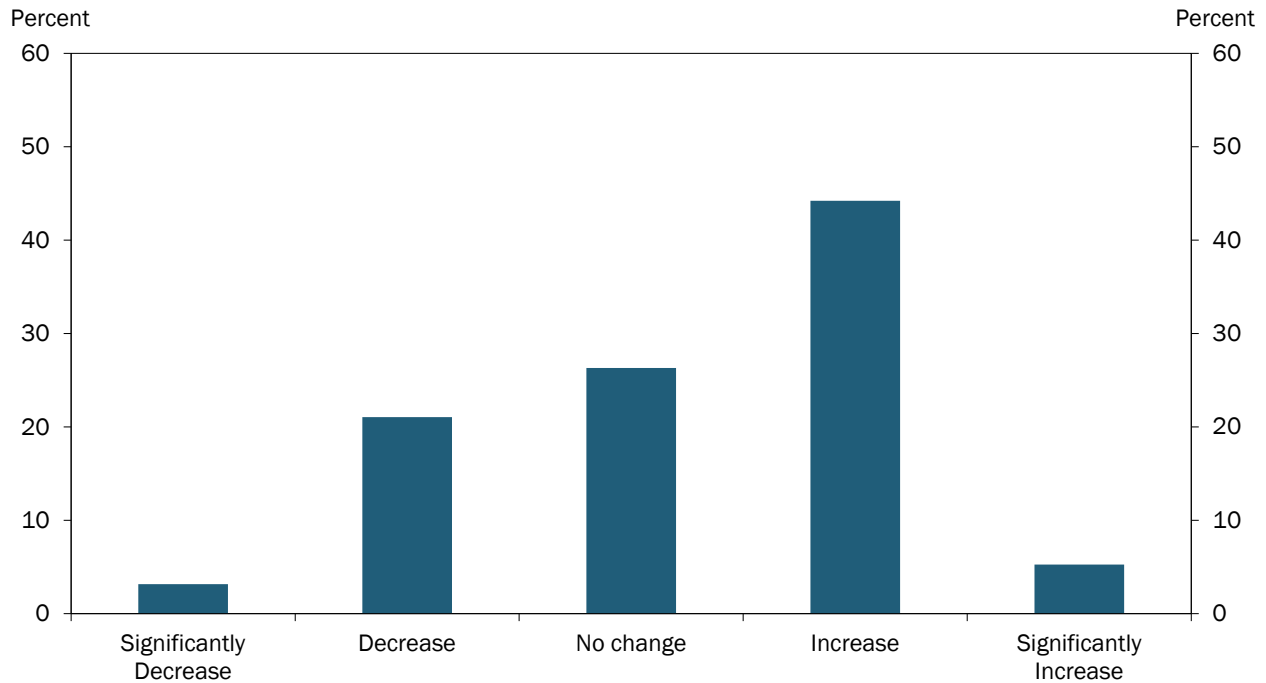


Table 2
Historical Manufacturing Survey Indexes

	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	-2	-5	-1	-2	-2	-5	-1	5	-17	-30	-19	1	3
Production	-5	-1	9	7	-2	-3	-4	8	-18	-62	-25	2	7
Volume of shipments	-1	-5	6	1	4	-3	-4	9	-23	-57	-22	8	11
Volume of new orders	-2	-13	-2	-9	-4	-13	-2	8	-38	-64	-25	7	9
Backlog of orders	-12	-16	-16	-12	-8	-14	-20	-16	-41	-54	-32	-24	2
Number of employees	-5	-6	-10	-5	-7	-7	4	-4	-32	-34	-13	-6	3
Average employee workweek	-3	6	8	3	-3	-4	-3	-2	-15	-51	-20	0	6
Prices received for finished product	3	0	2	4	3	-2	-3	9	-6	-14	-9	7	6
Prices paid for raw materials	15	1	-4	1	10	13	28	14	-13	-16	-6	1	3
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	-2	-3	-5	-4	-8	-4	5	-18	-29	-25	-8	-10
Supplier delivery time	4	-5	2	3	9	4	3	11	13	26	-8	8	3
Inventories: Materials	0	1	-5	-5	-7	-6	-8	2	-12	-14	-24	-4	-8
Inventories: Finished goods	-1	-5	-7	-1	-3	-6	-6	7	-16	-16	-11	-5	-14
Versus a Year Ago (not seasonally adjusted)													
Composite Index	11	-1	-1	-1	6	-4	-7	5	-14	-30	-35	-29	-22
Production	8	-1	-6	-3	6	-5	-11	-5	-19	-63	-58	-48	-36
Volume of shipments	5	3	6	-6	13	-7	-10	4	-25	-61	-60	-47	-39
Volume of new orders	1	-16	-1	-10	0	-14	-20	6	-31	-54	-55	-53	-33
Backlog of orders	-7	-12	-16	-6	-5	-17	-24	-16	-33	-49	-46	-47	-27
Number of employees	14	8	7	7	10	7	1	12	-14	-32	-31	-31	-23
Average employee workweek	4	-3	6	3	3	-3	-12	-6	-21	-50	-43	-37	-20
Prices received for finished product	56	41	33	36	29	27	22	28	13	3	-2	4	6
Prices paid for raw materials	56	33	26	26	25	36	26	31	14	0	4	0	6
Capital expenditures	25	19	22	13	24	15	5	15	-15	-42	-34	-23	-17
New orders for exports	-3	-3	-8	-1	-1	-9	-9	-3	-8	-27	-28	-27	-26
Supplier delivery time	18	3	2	2	6	5	0	11	5	16	-6	7	5
Inventories: Materials	12	4	-8	0	9	-10	-6	0	-9	-15	-23	-21	-21
Inventories: Finished goods	21	1	-1	-1	13	-9	-3	-1	-19	-15	-22	-13	-23
Expected in Six Months (seasonally adjusted)													
Composite Index	9	11	6	4	16	9	14	16	-19	-6	-2	9	14
Production	20	20	7	5	27	14	23	21	-36	-8	-2	14	25
Volume of shipments	15	18	7	5	27	11	25	24	-37	-8	-1	12	21
Volume of new orders	15	11	13	11	28	16	9	21	-35	-8	7	16	20
Backlog of orders	-4	3	-10	-13	1	-4	4	-2	-38	-6	-5	-5	5
Number of employees	8	9	14	6	7	9	20	20	-19	-10	-4	8	11
Average employee workweek	-3	3	-1	3	12	-4	0	8	-20	-3	-3	6	10
Prices received for finished product	20	22	18	18	17	13	20	28	-10	2	-5	13	13
Prices paid for raw materials	37	36	31	25	31	36	35	37	-8	4	17	17	17
Capital expenditures	15	13	9	6	17	8	8	7	-41	-30	-19	-3	-5
New orders for exports	-4	6	-2	2	5	3	-6	6	-17	-9	-7	-10	-10
Supplier delivery time	4	5	2	3	14	6	8	15	8	8	-7	8	9
Inventories: Materials	-2	10	-6	-4	5	0	8	5	-11	-9	-3	-1	5
Inventories: Finished goods	-11	3	-1	-10	3	-1	9	1	-28	-14	-3	1	5