



# NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY  
DENVER • OKLAHOMA CITY • OMAHA

**FOR IMMEDIATE RELEASE**

June 25, 2020

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

**Tenth District Manufacturing Activity Grew Slightly**  
*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 grew slightly after sharply decreasing for three straight months. Activity still remained well below year-ago levels, while expectations for future activity rebounded moderately.

“Regional factory activity expanded just slightly in June compared with a month ago, but was still well below year-ago levels,” said Wilkerson. “Of those surveyed, 76% of firms have taken advantage of emergency lending options, and expectations for future activity and employment levels have improved somewhat.”

Historical data, 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).

###

## **TENTH DISTRICT MANUFACTURING SUMMARY**

Tenth District manufacturing activity grew slightly after sharply decreasing the past three months, but remained well below year-ago levels (Chart 1, Tables 1 & 2). Expectations for future activity rebounded moderately. Month-over-month price indexes increased in June after dropping sharply in previous months. District firms expected prices for both finished goods and raw materials to expand in the next six months.

### **Factory Activity Grew Slightly in June**

The month-over-month composite index was 1 in June, up considerably from -19 in May and a record low of -30 in April (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 driven by non-durable goods plants, while durable goods factories, especially nonmetallic mineral products, primary metals, fabricated metals, and computer and electronics plants continued to decline. Month-over-month indexes were mixed. Production, shipments, new orders, and supplier delivery time indexes recovered to positive levels, while indexes for order backlog, employment, new orders for exports, and inventories remained negative. Year-over-year factory indexes mostly remained highly negative in June, but the composite index moved up slightly from -35 to -29. The future composite index rose considerably in June, rebounding from -2 to 9.

### **Special Questions**

This month contacts were asked special questions about lending assistance programs and the effects of COVID-19 on revenue and employment. 76% of factory contacts had applied for the Small Business Administration (SBA) Paycheck Protection Program since March 13, 2020 (up from 67% reported in April), and 97% of contacts reported receiving the loan (Chart 2). For firms that received an SBA loan, 86% reported that it prevented layoffs and/or furloughs (Chart 3). 53% of SBA loan recipients surveyed indicated the loans prevented wage reductions, and 51% said it helped pay bills and/or rent. Overall, 80% of firms reported the impact of coronavirus developments had decreased their firm's revenues in 2020 vs. 2019, by an average of 25%. Additionally, the majority of firms reported lower employment in June compared with February, and while employment expectations were positive in June, most firms did not anticipate returning to February employment levels by the end of 2020.

## Selected Manufacturing Comments

“We have remained open during this entire period. We have not laid off personnel and have been hiring. The unemployment bonus has made it more difficult to attract staff to fill open positions than it was before the program was established. We believe that the virus is a permanent part of our environment and are working to educate staff and reduce exposure opportunities within our facilities.”

“We have initiated consistent awareness programs regarding safety & health. We allow those capable of working from home to choose to do that as needed, but not as a requirement. Shift work has not changed, distancing & masks are in use as well as disinfecting offices over the weekends.”

“Health has become a very high priority. Keeping social distancing requirements in place until further notice... Travel restrictions will be partially lifted, but some may stay in place long term.”

“The virus has been an integral part of our slowdown; however, the major impact is related to the fall of oil prices. The pandemic along with the collapse of the oil industry has been a double edged sword and it has certainly cut both ways.”

“Our business should return to normal when commercial flights return to pre-Covid-19 status.”

“We never closed down as we are considered essential. Pretty much business as usual.”

“We are working full time to fill orders with our biggest challenge of getting raw materials in a timely manner. Sales are off a little but we are staying busy enough to keep everyone employed and looking to hire.”

“We expect most of our customers to be back at full capacity in a few months. We are already seeing increased orders in that regard.”

“PPP loan was a life line for us. Plus our bank has deferred loan payments.”

“The PPP was very needed and saved jobs. The EIDL would have been nice if the rules had stayed the same.”

“We have used all of the PPP funding. If revenues do not start increasing soon, we will have to start furloughing employees.”

**Table 1. Summary of Tenth District Manufacturing Conditions, June 2020**

Plant Level Indicators	June vs. May (percent)*					June 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				4	1				-29				6	9	
Production	37	33	30	7	2	20	11	68	-48	51	12	37	13	14	
Volume of shipments	41	30	28	13	8	19	14	66	-47	46	16	37	9	12	
Volume of new orders	39	29	31	8	7	17	12	70	-53	46	19	34	12	16	
Backlog of orders	20	36	44	-23	-24	14	24	62	-47	32	32	37	-5	-5	
Number of employees	19	62	19	0	-6	15	39	46	-31	28	48	23	5	8	
Average employee workweek	19	65	16	3	0	9	45	46	-37	23	55	22	1	6	
Prices received for finished product	13	77	10	3	7	34	37	30	4	22	66	12	10	13	
Prices paid for raw materials	18	65	17	1	1	38	24	38	0	30	58	12	18	17	
Capital expenditures						18	40	42	-23	27	40	33	-6	-3	
New orders for exports	9	75	16	-6	-8	7	59	34	-27	14	62	24	-11	-10	
Supplier delivery time	18	71	11	7	8	29	50	21	7	19	68	13	6	8	
Inventories: Materials	26	46	27	-1	-4	23	32	45	-21	27	41	31	-4	-1	
Inventories: Finished goods	24	49	27	-2	-5	27	33	40	-13	28	43	30	-2	1	

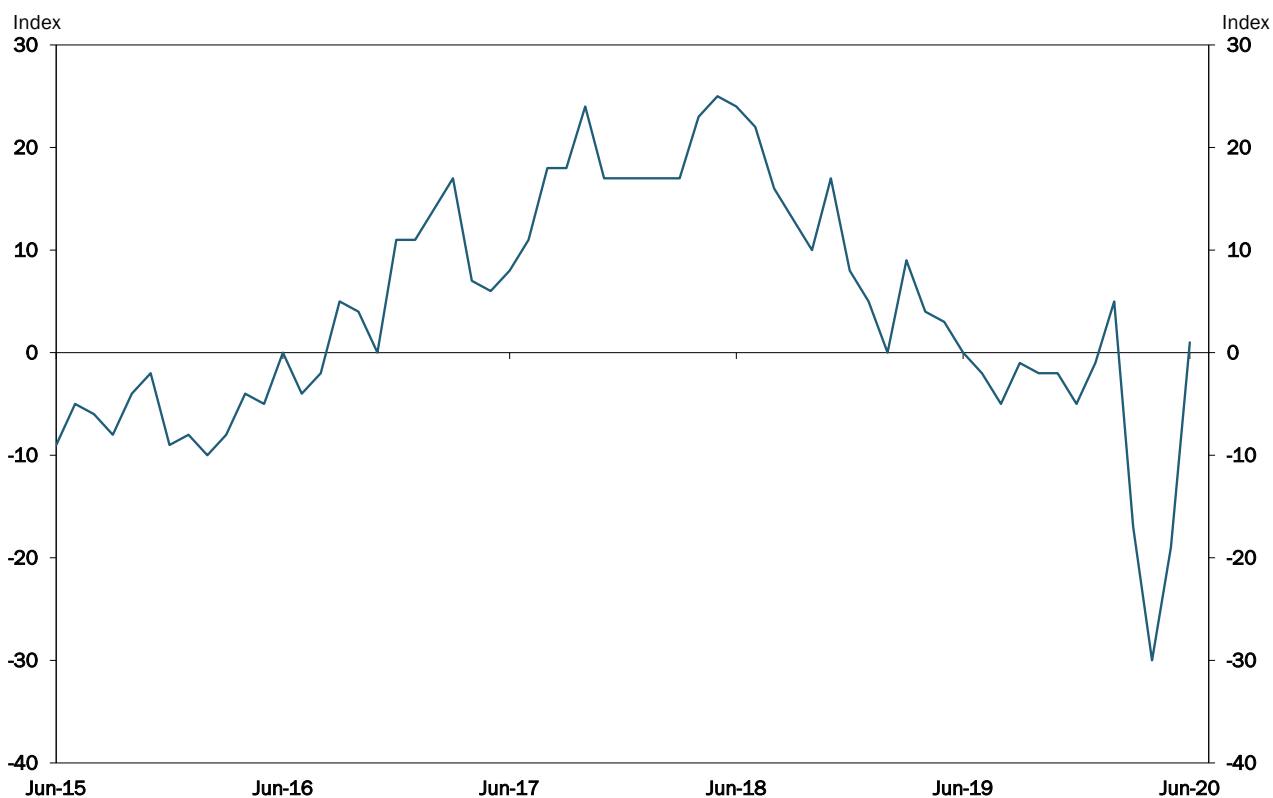
\*Percentage may not add to 100 due to rounding.

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

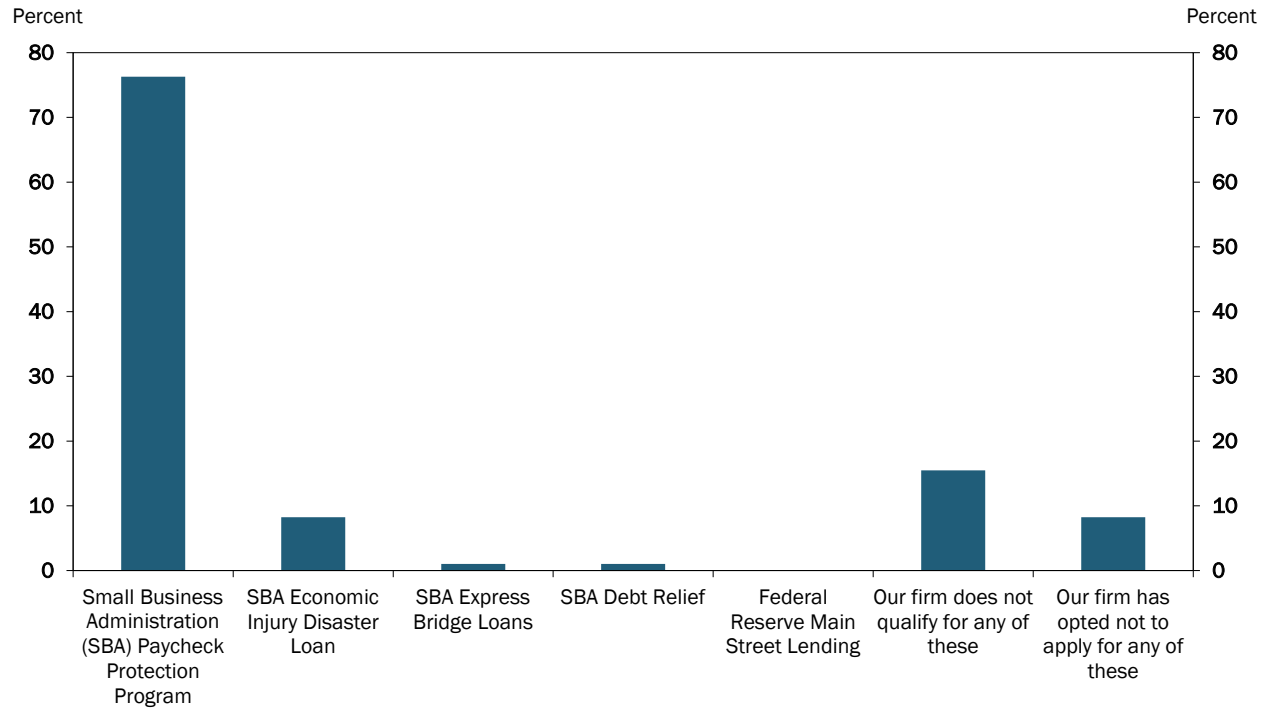
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The June survey was open for a five-day period from June 17-22, 2020 and included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

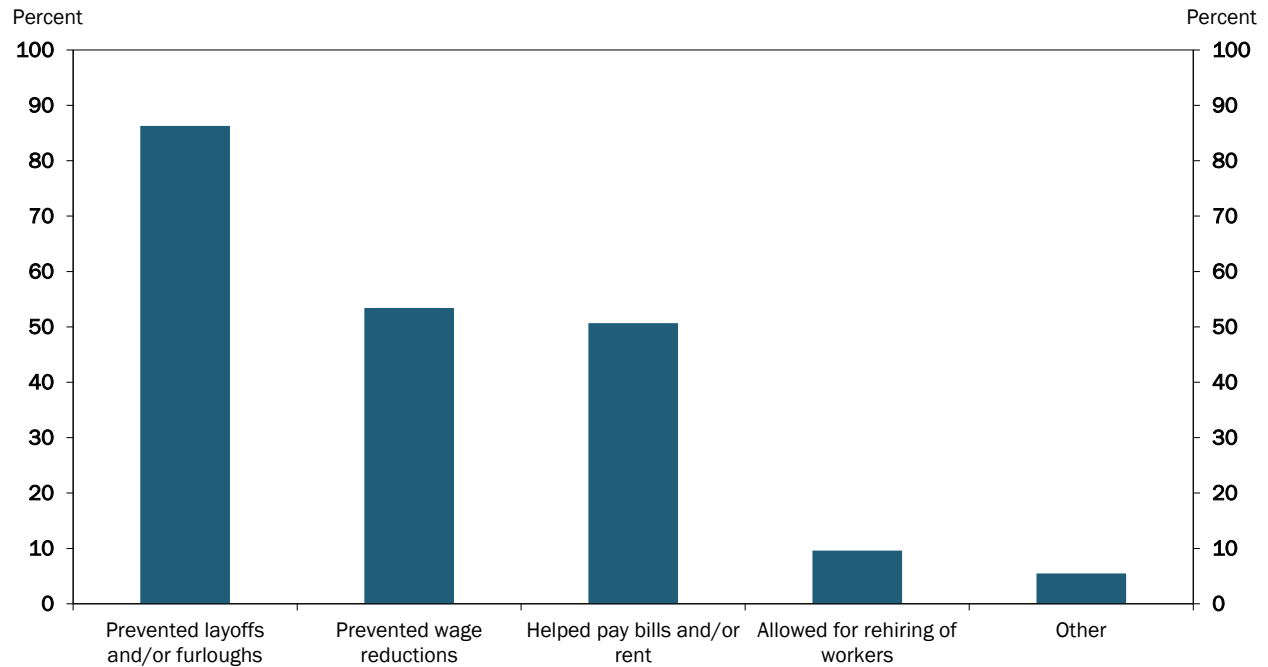
**Chart 1. Manufacturing Composite Index vs. a Month Ago**



**Chart 2. Special Question: Since March 13, 2020 which of the following has your firm applied for? (Select all that apply)**



**Chart 3. Special Question: If your firm has received a loan from one of the assistance programs, how did it benefit the business? (Select all that apply)**



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

	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	0	-2	-5	-1	-2	-2	-5	-1	5	-17	-30	-19	1
Production	-2	-5	-1	9	7	-2	-3	-4	8	-18	-62	-25	2
Volume of shipments	-5	-1	-5	6	1	4	-3	-4	9	-23	-57	-22	8
Volume of new orders	3	-2	-13	-2	-9	-4	-13	-2	8	-38	-64	-25	7
Backlog of orders	-7	-12	-16	-16	-12	-8	-14	-20	-16	-41	-54	-32	-24
Number of employees	3	-5	-6	-10	-5	-7	-7	4	-4	-32	-34	-13	-6
Average employee workweek	2	-3	6	8	3	-3	-4	-3	-2	-15	-51	-20	0
Prices received for finished product	5	3	0	2	4	3	-2	-3	9	-6	-14	-9	7
Prices paid for raw materials	10	15	1	-4	1	10	13	28	14	-13	-16	-6	1
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	-4	-5	-2	-3	-5	-4	-8	-4	5	-18	-29	-25	-8
Supplier delivery time	-1	4	-5	2	3	9	4	3	11	13	26	-8	8
Inventories: Materials	-3	0	1	-5	-5	-7	-6	-8	2	-12	-14	-24	-4
Inventories: Finished goods	3	-1	-5	-7	-1	-3	-6	-6	7	-16	-16	-11	-5
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	4	11	-1	-1	-1	6	-4	-7	5	-14	-30	-35	-29
Production	-7	8	-1	-6	-3	6	-5	-11	-5	-19	-63	-58	-48
Volume of shipments	-3	5	3	6	-6	13	-7	-10	4	-25	-61	-60	-47
Volume of new orders	-12	1	-16	-1	-10	0	-14	-20	6	-31	-54	-55	-53
Backlog of orders	-8	-7	-12	-16	-6	-5	-17	-24	-16	-33	-49	-46	-47
Number of employees	20	14	8	7	7	10	7	1	12	-14	-32	-31	-31
Average employee workweek	-1	4	-3	6	3	3	-3	-12	-6	-21	-50	-43	-37
Prices received for finished product	52	56	41	33	36	29	27	22	28	13	3	-2	4
Prices paid for raw materials	46	56	33	26	26	25	36	26	31	14	0	4	0
Capital expenditures	7	25	19	22	13	24	15	5	15	-15	-42	-34	-23
New orders for exports	7	-3	-3	-8	-1	-1	-9	-9	-3	-8	-27	-28	-27
Supplier delivery time	1	18	3	2	2	6	5	0	11	5	16	-6	7
Inventories: Materials	17	12	4	-8	0	9	-10	-6	0	-9	-15	-23	-21
Inventories: Finished goods	18	21	1	-1	-1	13	-9	-3	-1	-19	-15	-22	-13
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	10	9	11	6	4	16	9	14	16	-19	-6	-2	9
Production	20	20	20	7	5	27	14	23	21	-36	-8	-2	14
Volume of shipments	20	15	18	7	5	27	11	25	24	-37	-8	-1	12
Volume of new orders	16	15	11	13	11	28	16	9	21	-35	-8	7	16
Backlog of orders	8	-4	3	-10	-13	1	-4	4	-2	-38	-6	-5	-5
Number of employees	12	8	9	14	6	7	9	20	20	-19	-10	-4	8
Average employee workweek	-2	-3	3	-1	3	12	-4	0	8	-20	-3	-3	6
Prices received for finished product	30	20	22	18	18	17	13	20	28	-10	2	-5	13
Prices paid for raw materials	36	37	36	31	25	31	36	35	37	-8	4	17	17
Capital expenditures	12	15	13	9	6	17	8	8	7	-41	-30	-19	-3
New orders for exports	4	-4	6	-2	2	5	3	-6	6	-17	-9	-7	-10
Supplier delivery time	2	4	5	2	3	14	6	8	15	8	8	-7	8
Inventories: Materials	2	-2	10	-6	-4	5	0	8	5	-11	-9	-3	-1
Inventories: Finished goods	-2	-11	3	-1	-10	3	-1	9	1	-28	-14	-3	1