



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Rose Moderately**  
*Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the August 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 rose moderately from July but remained below year-ago levels, while expectations for future activity expanded further.

“Regional factory activity increased more in August than in June and July, but it was still below year-ago levels,” said Wilkerson. “Most firms said government programs had positively affected their business over the past 3 months, but a majority of firms also reported challenges rehiring furloughed or laid-off employees due to the extra CARES Act unemployment benefits.”

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).

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## **TENTH DISTRICT MANUFACTURING SUMMARY**

Tenth District manufacturing activity rose moderately from July but remained below year-ago levels, while expectations for future activity expanded further (Chart 1, Tables 1 & 2). Prices paid for raw materials increased and prices received for finished goods were slightly positive. District firms expected prices for both finished goods and raw materials to expand more in the next six months.

### **Factory Activity Rose Moderately in August**

The month-over-month composite index was 14 in August, moderately higher than 3 in July and 1 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Non-durable goods factories continued to drive the uptick in recent activity, especially food and beverage manufacturers. Activity at durable goods plants grew slightly. The majority of month-over-month indexes were positive, indicating continued expansion. Production, shipments, and new orders grew considerably compared to a month ago. Only the month-over-month finished goods inventories index was still negative, but it declined at a slower pace in August. Most year-over-year factory indexes remained negative in August, but slightly less negative than in previous months. The future composite index expanded further in August to 19, up from 14 in July.

### **Special Questions**

This month contacts were asked special questions about the impact of government stimulus and unemployment benefits. Nearly two-thirds of contacts reported that government stimulus programs positively contributed to their business's performance in the past three months (Chart 2). Many firms noted the helpfulness of Paycheck Protection Program (PPP) loans in retaining staff, and around half of firms indicated their business outlook was dependent on additional government support of some sort. At the same time, almost 60% of contacts indicated the CARES Act extra \$600/week or recent \$400/week boost in unemployment benefits created some or significant difficulties in bringing furloughed or laid-off employees back to work (Chart 3). More than 40% of firms also reported difficulty sourcing inputs, especially from international suppliers.

## Selected Manufacturing Comments

“Difficulty hiring new employees - entry level employees can earn more on unemployment.”

“No employees have been laid off or furloughed so far. Production volume is lower and the factory has been slowed down, but we hope to hold on to all employees if possible.”

“We could not recruit any new employees until the extra \$600/week expired. It has gotten a little better when it went to \$400/week.”

“I think the majority of our employees would rather come to work and earn a pay check than rely on the increased unemployment benefits.”

“We believe [employment] will improve now that the additional unemployment benefit has expired. For our area, \$600/week was outside of the price we are able to afford for manufacturing employees.”

“Some materials are taking longer to receive than normal and seeing some good price increases for high demand products.”

“Materials, shipments have been majorly delayed from our U.S. vendors due to their parts not coming from overseas... our machine assembly line is now shut down until they are received”

“We had a solid backlog when COVID-19 hit, but we have worked through the backlog and have seen a large decrease in new orders.”

“Our April business was off 60%, May off about 15%, June & July off about 8 - 10%. Without the stimulus we would have had significant layoffs in April/May. Lately, business has been stable, off a bit in areas to be expected with COVID, but stable.”

“PPP assisted in keeping our staff at the factory on board and working on fulfilling orders.”

“Spending by the market and government for COVID-19 related testing has increased our orders.”

“Our business went up with the virus so the [government] stimulus had no effect for us.”

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

Plant Level Indicators	August vs. July (percent)*				August 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				11	14				-19				17	19
Production	44	29	28	16	23	23	19	57	-34	46	27	28	18	20
Volume of shipments	44	26	29	15	19	26	20	54	-28	44	28	29	15	19
Volume of new orders	45	25	29	16	26	28	18	54	-25	46	26	27	19	21
Backlog of orders	30	40	30	0	3	19	36	45	-26	31	37	32	-1	3
Number of employees	31	45	24	6	9	25	22	53	-27	43	35	22	21	26
Average employee workweek	19	68	13	6	4	15	48	37	-22	25	54	21	4	4
Prices received for finished product	15	73	13	2	4	33	40	27	6	30	56	14	16	16
Prices paid for raw materials	26	60	14	13	17	39	29	32	6	43	43	14	29	31
Capital expenditures						27	35	38	-11	25	47	27	-2	4
New orders for exports	13	73	13	0	1	13	66	21	-8	13	71	16	-2	-1
Supplier delivery time	22	63	15	7	8	32	38	30	2	26	57	17	9	7
Inventories: Materials	27	53	20	7	5	31	28	41	-11	41	36	23	18	21
Inventories: Finished goods	17	57	26	-9	-8	18	40	41	-23	27	49	24	3	1

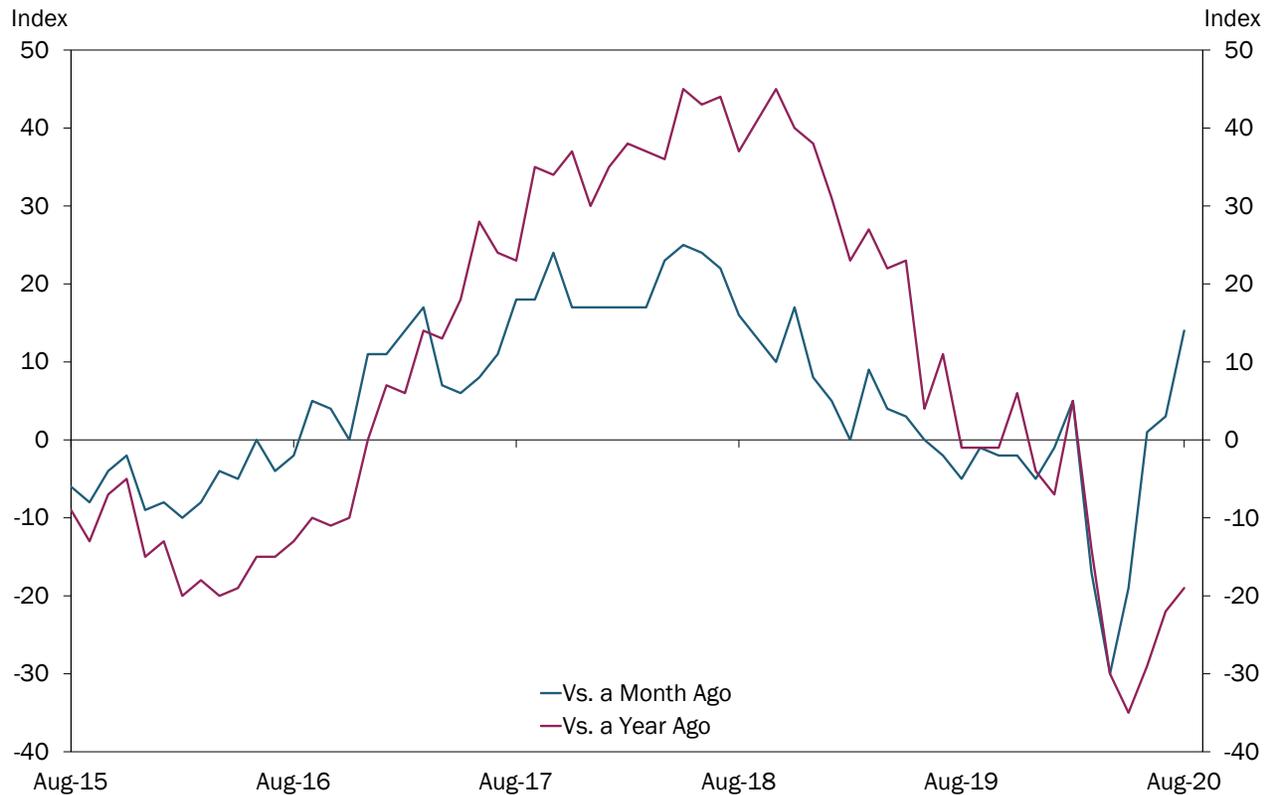
\*Percentage may not add to 100 due to rounding.

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

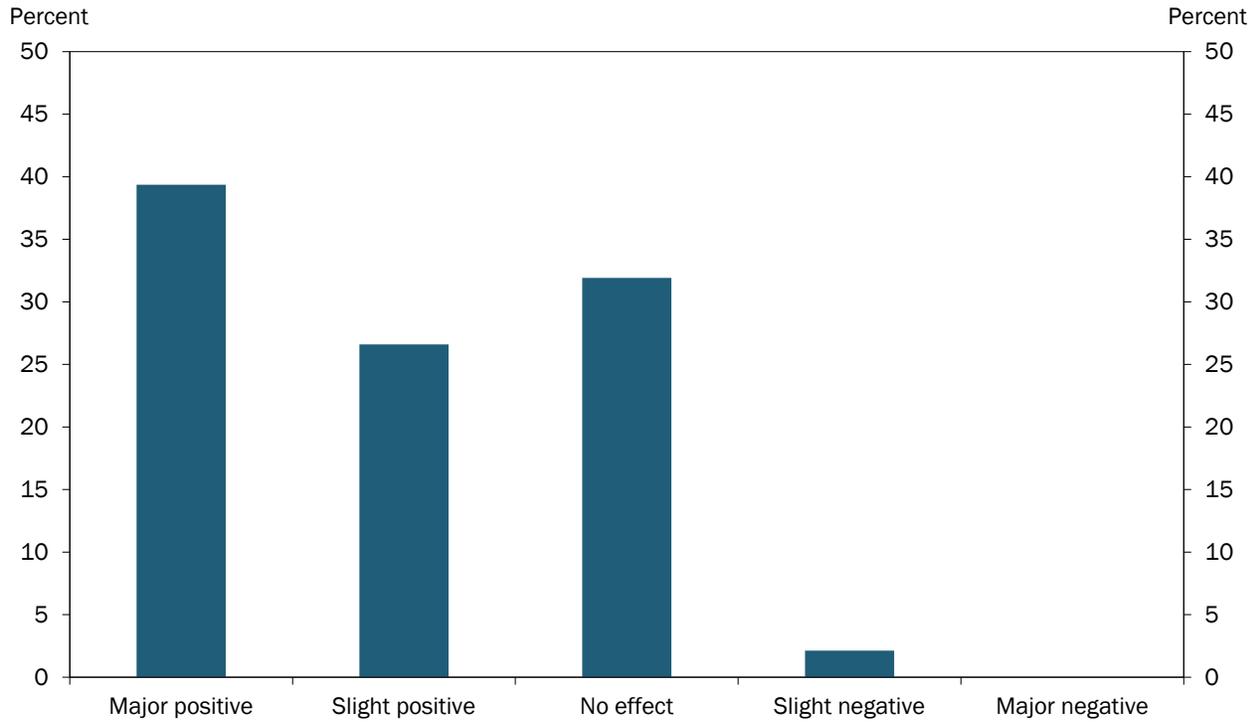
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The August survey was open for a five-day period from August 19-24, 2020 and included 95 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

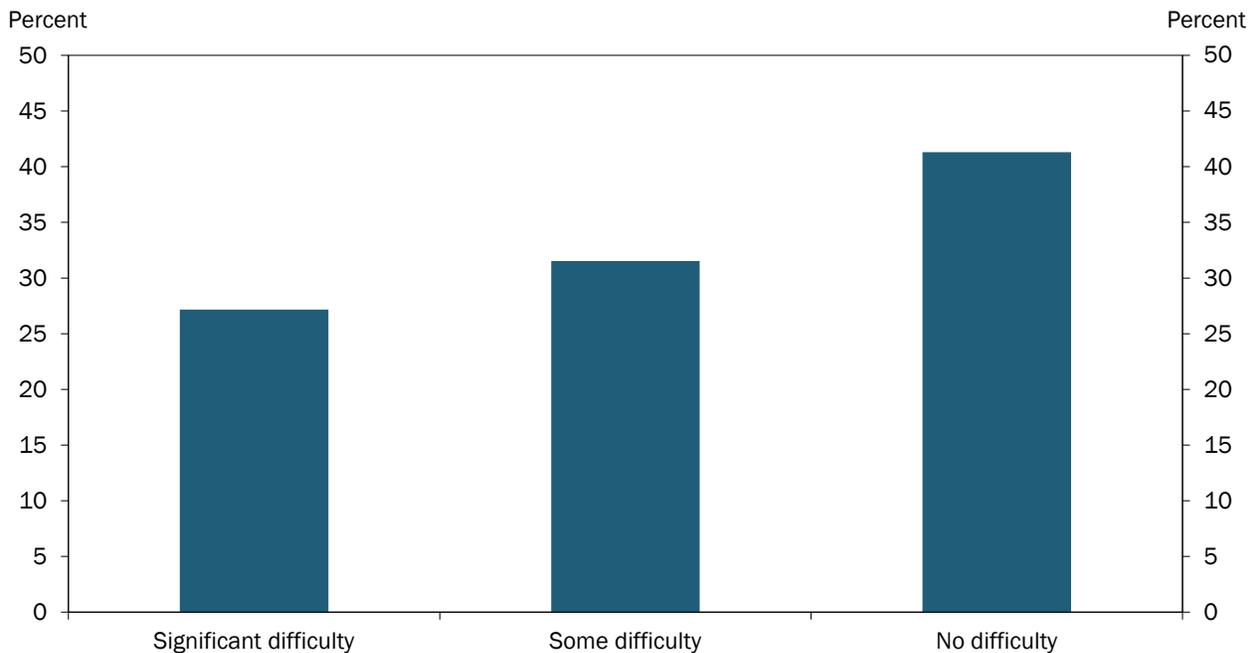
**Chart 1. Manufacturing Composite Indexes**



**Chart 2. Special Question: To what extent did government stimulus contribute to your business's performance in the past three months?**



**Chart 3. Special Question: What challenges (if any) has the CARES Act extra \$600/week or recent \$400/week boost in unemployment benefits created in bringing employees back to work?**



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

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