



NEWS RELEASE

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Tenth District Manufacturing Activity Expanded Further
Federal Reserve Bank of Kansas City Releases December Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the December 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 expanded further in December. Manufacturing activity was still below year ago levels, but expectations for future activity were positive.

“Regional factories reported another month of solid growth, but activity continues to lag pre-COVID levels,” said Wilkerson. “The recent wave of COVID-19 has negatively affected manufacturers, but many firms still indicated significant capital spending plans for the coming year.”

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 expanded further in December (Chart 1, Tables 1 & 2). Manufacturing activity was still below year ago levels, but expectations for future activity were positive. Prices paid for raw materials and finished goods rose further from a month ago and a year ago. District firms expected prices for both raw materials and finished goods to increase in the next six months.

Factory Activity Expanded Further

The month-over-month composite index was 14 in December, up from 11 in November and 13 in October (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable plants declined slightly, while activity at durable goods factories expanded more. Food and beverage production dipped, but transportation equipment manufacturing increased. Month-over-month indexes were positive, indicating continued expansion. Shipments, new orders, order backlog, employment, new orders for exports, and supplier delivery time increased at a faster pace. Materials inventories rebounded while finished goods inventories declined further. Year-over-year factory indexes declined slightly in December, and the composite index dipped from -12 to -14. The future composite index was slightly lower than 21 in November but remained positive at 17 in December.

Special Questions

This month contacts were asked special questions about the recent surge in COVID-19 cases and their expectations regarding capital outlays and restraints. More than three-quarters of factory contacts indicated the recent surge in COVID-19 cases has negatively affected their firm's business (Chart 2). Many contacts noted that more employees have missed work recently after testing positive for COVID-19 or being exposed to the virus, and other contacts reported weaker demand from customers. Regarding capital outlays, 71% of firms reported investing in equipment to enhance production capacity as their primary motivation for the upcoming year, and 61% listed labor-saving technology (Chart 3). Another 35% of contacts said IT infrastructure was a primary motivator for capital outlays in the upcoming year. On the other hand, over half of firms indicated they will be reducing capital outlays for facilities for the upcoming year.

Selected Manufacturing Comments

“New orders placed by our customers for next year are very encouraging. We are starting to see a nice rebound in sales from 2020 (down 20%+).”

“The US-imposed tariffs continue to cause price increases to the consumer.”

“We are reducing hours and costs to adjust to... the reality of lowered activity combined with typical seasonality... and believe that activity will resume in the spring.”

“The impact of COVID-19 has been devastating yet hard to measure. It affects everything at once such as supply of cattle, labor availability, demand for wholesale beef, demand for retail beef, export markets, transportation, availability of cold storage, availability of dry ice, just to name a few.”

“We're concerned about transportation -- freight costs, regulations leading to reduced capacity.”

“Our business planning assumptions are based on no changes in the current tax laws and/or regulation. Should business and personal taxes and/or regulations negatively change, then all bets are off.”

“Due to permanent restaurant/bar closures, our business may take years to fully recover from the government-imposed restrictions.”

“More stimulus or less regulation/restrictions will be needed in order to avoid a major downturn.”

“We already burned through cash reserves... shutdown business-lay off employees is next step.”

“Banks are willing to lend with tighter covenants.”

“Another round of PPP would be beneficial in our industry to allow some employees on the bubble to retain their jobs.”

“Our infrastructure was adequate prior to the downturn and there is no need to make additional changes until opportunities arise.”

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

	December vs. November (percent)*				December vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	No Increase	Change	Decrease	Diff Index [^]	SA Index ^{^^}	No Increase	Change	Decrease	Diff Index [^]	No Increase	Change	Decrease	Diff Index [^]	SA Index ^{^^}
Plant Level Indicators														
Composite Index				7	14				-14				22	17
Production	34	35	30	4	12	29	11	60	-31	52	23	25	26	20
Volume of shipments	33	34	33	0	17	30	10	60	-30	54	19	27	26	19
Volume of new orders	40	28	32	8	24	37	12	51	-14	51	26	23	27	21
Backlog of orders	35	34	31	4	14	37	21	42	-5	46	25	28	18	13
Number of employees	23	59	18	5	7	23	28	49	-26	43	44	12	31	22
Average employee workweek	24	60	16	8	11	23	43	34	-11	33	53	14	19	15
Prices received for finished product	17	73	10	7	9	43	38	19	24	40	51	9	31	25
Prices paid for raw materials	54	44	2	52	53	72	19	9	63	54	41	5	48	45
Capital expenditures						24	48	27	-3	29	54	17	11	4
New orders for exports	14	76	11	3	6	12	64	24	-13	21	68	11	11	8
Supplier delivery time	28	61	11	17	17	41	37	21	20	30	56	14	16	14
Inventories: Materials	28	44	27	1	9	27	25	47	-20	33	44	23	9	5
Inventories: Finished goods	19	44	37	-19	-14	20	32	48	-29	31	47	22	9	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 December survey was open for a five-day period from December 9-14, 2020 and included 100 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

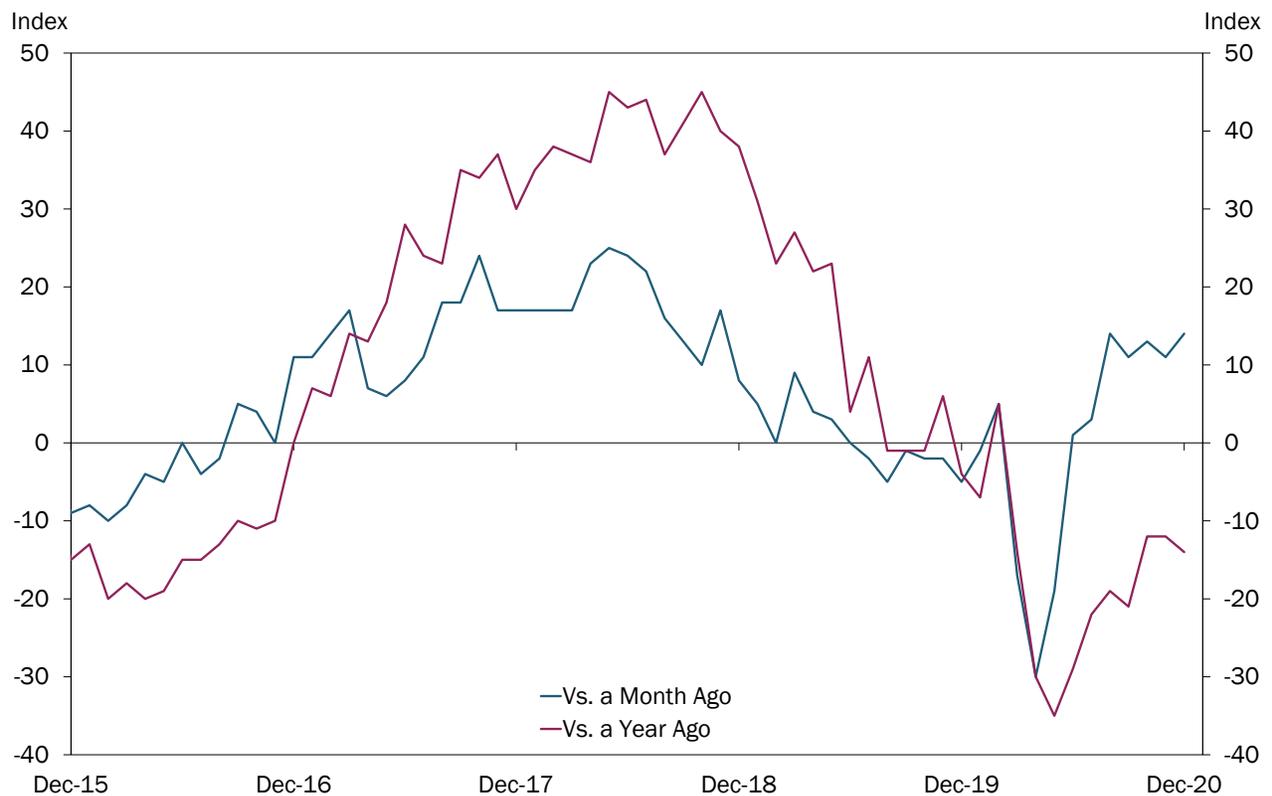


Chart 2. Special Question: How is the recent wave of COVID cases affecting your firm's business?

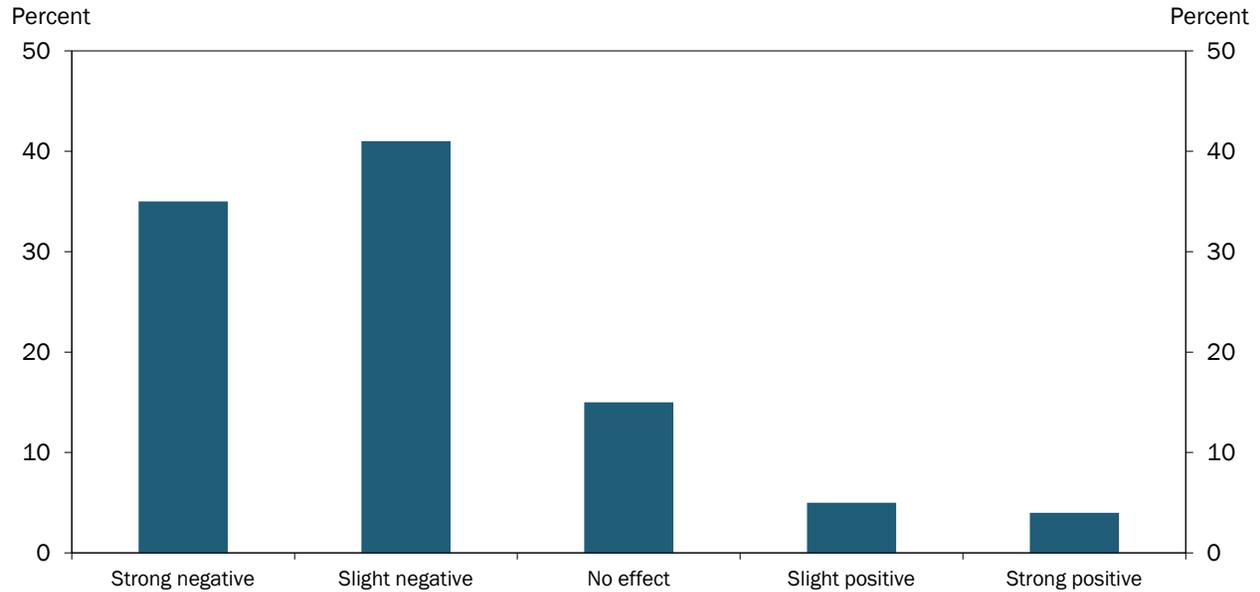


Chart 3. Special Question: Which of the following are your firm's primary motivations for capital outlays in the upcoming year? If applicable, in which areas is your business reducing capital outlays? (check all that apply)

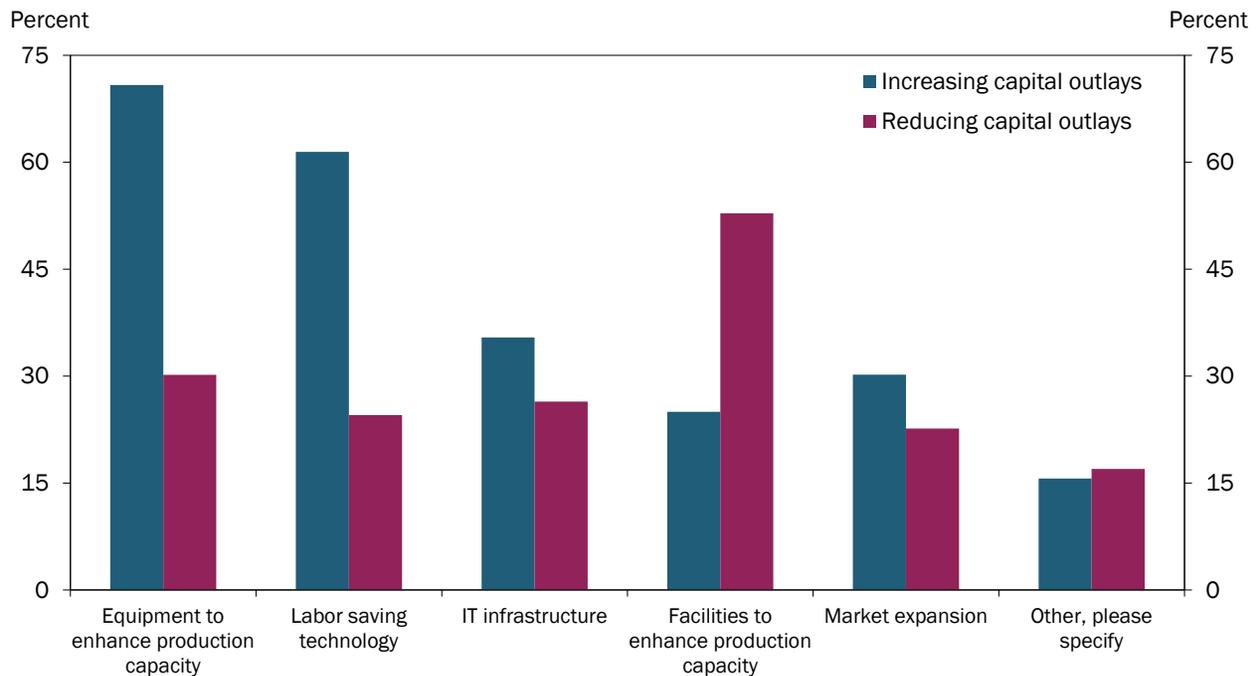


Table 2
Historical Manufacturing Survey Indexes

	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	-5	-1	5	-17	-30	-19	1	3	14	11	13	11	14
Production	-3	-4	8	-18	-62	-25	2	7	23	18	23	20	12
Volume of shipments	-3	-4	9	-23	-57	-22	8	11	19	9	22	3	17
Volume of new orders	-13	-2	8	-38	-64	-25	7	9	26	23	26	19	24
Backlog of orders	-14	-20	-16	-41	-54	-32	-24	2	3	13	2	4	14
Number of employees	-7	4	-4	-32	-34	-13	-6	3	9	7	9	1	7
Average employee workweek	-4	-3	-2	-15	-51	-20	0	6	4	-1	7	8	11
Prices received for finished product	-2	-3	9	-6	-14	-9	7	6	4	12	4	7	9
Prices paid for raw materials	13	28	14	-13	-16	-6	1	3	17	24	34	32	53
Capital expenditures	n/a												
New orders for exports	-8	-4	5	-18	-29	-25	-8	-10	1	-4	1	-10	6
Supplier delivery time	4	3	11	13	26	-8	8	3	8	13	7	15	17
Inventories: Materials	-6	-8	2	-12	-14	-24	-4	-8	5	-6	1	-1	9
Inventories: Finished goods	-6	-6	7	-16	-16	-11	-5	-14	-8	-3	-6	-5	-14
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-4	-7	5	-14	-30	-35	-29	-22	-19	-21	-12	-12	-14
Production	-5	-11	-5	-19	-63	-58	-48	-36	-34	-31	-23	-23	-31
Volume of shipments	-7	-10	4	-25	-61	-60	-47	-39	-28	-29	-24	-24	-30
Volume of new orders	-14	-20	6	-31	-54	-55	-53	-33	-25	-30	-9	-18	-14
Backlog of orders	-17	-24	-16	-33	-49	-46	-47	-27	-26	-23	-15	-18	-5
Number of employees	7	1	12	-14	-32	-31	-31	-23	-27	-30	-21	-24	-26
Average employee workweek	-3	-12	-6	-21	-50	-43	-37	-20	-22	-23	-9	-14	-11
Prices received for finished product	27	22	28	13	3	-2	4	6	6	12	18	21	24
Prices paid for raw materials	36	26	31	14	0	4	0	6	6	21	24	46	63
Capital expenditures	15	5	15	-15	-42	-34	-23	-17	-11	-4	3	14	-3
New orders for exports	-9	-9	-3	-8	-27	-28	-27	-26	-8	-16	-9	-13	-13
Supplier delivery time	5	0	11	5	16	-6	7	5	2	9	13	20	20
Inventories: Materials	-10	-6	0	-9	-15	-23	-21	-21	-11	-24	-20	-14	-20
Inventories: Finished goods	-9	-3	-1	-19	-15	-22	-13	-23	-23	-20	-16	-13	-29
Expected in Six Months (seasonally adjusted)													
Composite Index	9	14	16	-19	-6	-2	9	14	19	18	21	20	17
Production	14	23	21	-36	-8	-2	14	25	20	25	31	31	20
Volume of shipments	11	25	24	-37	-8	-1	12	21	19	27	26	29	19
Volume of new orders	16	9	21	-35	-8	7	16	20	21	23	24	24	21
Backlog of orders	-4	4	-2	-38	-6	-5	-5	5	3	13	9	6	13
Number of employees	9	20	20	-19	-10	-4	8	11	26	19	22	17	22
Average employee workweek	-4	0	8	-20	-3	-3	6	10	4	11	12	6	15
Prices received for finished product	13	20	28	-10	2	-5	13	13	16	34	26	30	25
Prices paid for raw materials	36	35	37	-8	4	17	17	17	31	33	55	50	45
Capital expenditures	8	8	7	-41	-30	-19	-3	-5	4	3	13	11	4
New orders for exports	3	-6	6	-17	-9	-7	-10	-10	-1	6	5	4	8
Supplier delivery time	6	8	15	8	8	-7	8	9	7	13	16	30	14
Inventories: Materials	0	8	5	-11	-9	-3	-1	5	21	11	12	-2	5
Inventories: Finished goods	-1	9	1	-28	-14	-3	1	5	1	7	7	0	5