

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

FOR RELEASE Thursday, June 28, 2018  
EMBARGOED FOR 10 A.M. CENTRAL TIME  
CONTACT: Pam Campbell  
405-270-8617  
[Pam.Campbell@kc.frb.org](mailto:Pam.Campbell@kc.frb.org)

## TENTH DISTRICT MANUFACTURING ACTIVITY CONTINUED TO EXPAND AT A RAPID PACE *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 continued to expand at a rapid pace, and expectations for future growth increased moderately.

“The composite index remained strong for the third consecutive month, and many firms reported difficulties finding qualified workers,” said Wilkerson. “Prices indexes remained at high levels.”

A summary of the June 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).

###

## TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity continued to expand at a rapid pace in June, with the composite index similar to May's record-high reading. Expectations for future growth increased moderately, and many firms reported difficulties finding qualified workers. Price indexes remained at high levels.

The month-over-month composite index was 28 in June, similar to the reading of 29 in May and higher than 26 in April (Tables 1 & 2, Chart 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory activity increased at durable and nondurable goods plants, particularly for computer, electronics, and food products. Most month-over-month indexes were slightly lower than the previous month, but all indexes remained at high levels. The production index edged down from 41 to 38, and the volume of shipments and new orders for exports indexes eased slightly. The employment index was unchanged, while the new orders and order backlog indexes saw a modest decline. The raw materials inventory index improved from 19 to 27, and the finished goods inventory index also increased.

Most year-over-year factory indexes decreased slightly, but remained favorable. The composite index edged lower from 45 to 43, and the production, shipments, and order backlog indexes declined modestly. In contrast, the new orders, employment, and capital expenditures indexes were little changed. The raw materials inventory index increased from 28 to 36, and the finished goods inventory index also moved slightly higher.

Most future factory activity indexes increased moderately. The future composite index rose from 26 to 36, and the future production, shipments, and new orders indexes jumped considerably. The future capital expenditures index edged up from 33 to 36, and the order backlog and employment indexes also inched higher. The future raw materials inventory index increased substantially from 7 to 30, and the future finished goods inventory index jumped from 3 to 23.

Price indexes remained at high levels in June. The month-over-month finished goods price index was unchanged, while the raw materials price index slipped from 53 to 47. The year-over-year finished goods price index increased from 56 to 60, while the year-over-year raw materials price index inched higher for the second consecutive month. The future finished goods price index fell from 44 to 40, but the future raw materials price index grew slightly.

## **SELECTED COMMENTS**

“Business is strong right now, but tariffs and wage inflation may impact margins going forward.”

“The steel tariffs are not helpful. Material prices are rising and these costs have to be passed along to the consumer.”

“Bracing for the worst concerning China tariffs. We will move the last of manufacturing off shore. Loss of business due to tariffs will have a larger impact than interest rates.”

“Working on a record year, but we are closely monitoring price increases from suppliers due to new tariffs.”

“We continue to struggle to find qualified production workers. New order activity has increased significantly and it is a challenge to keep up unless we can find able individuals who want to work.”

“New orders have increased dramatically during the past 12 months and we expect the momentum to continue over the next year. Supply chains across the board are now challenged to keep up with growing demand.”

“We continue to look for strategic investment in capital equipment.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, June 2018**

Plant Level Indicators	June vs. May (percent)*					June vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index^	Index**^	Increase	Change	Decrease	Index^	Increase	Change	Decrease	Index^	Index**^
Composite Index				27	28				43				32	36
Production	46	42	12	35	38	65	16	20	45	57	31	11	46	53
Volume of shipments	48	42	9	39	39	66	20	15	51	55	31	14	42	52
Volume of new orders	44	36	20	24	27	66	22	13	53	52	32	16	36	42
Backlog of orders	31	53	17	14	10	51	34	16	35	37	49	14	23	25
Number of employees	37	54	9	27	24	60	28	12	48	43	47	9	34	37
Average employee workweek	35	57	7	28	25	51	41	7	44	38	50	12	27	31
Prices received for finished product	27	69	4	22	22	66	29	5	60	45	48	7	38	40
Prices paid for raw materials	54	41	5	48	47	84	11	5	79	72	23	5	66	67
Capital expenditures						46	39	15	32	43	50	7	35	36
New orders for exports	16	75	9	7	6	18	71	11	7	20	69	11	8	7
Supplier delivery time	29	65	7	22	22	41	48	11	31	28	63	8	20	20
Inventories: Materials	37	53	10	28	27	51	34	15	36	35	54	11	24	30
Inventories: Finished goods	28	59	13	14	16	39	48	13	26	33	54	13	19	23

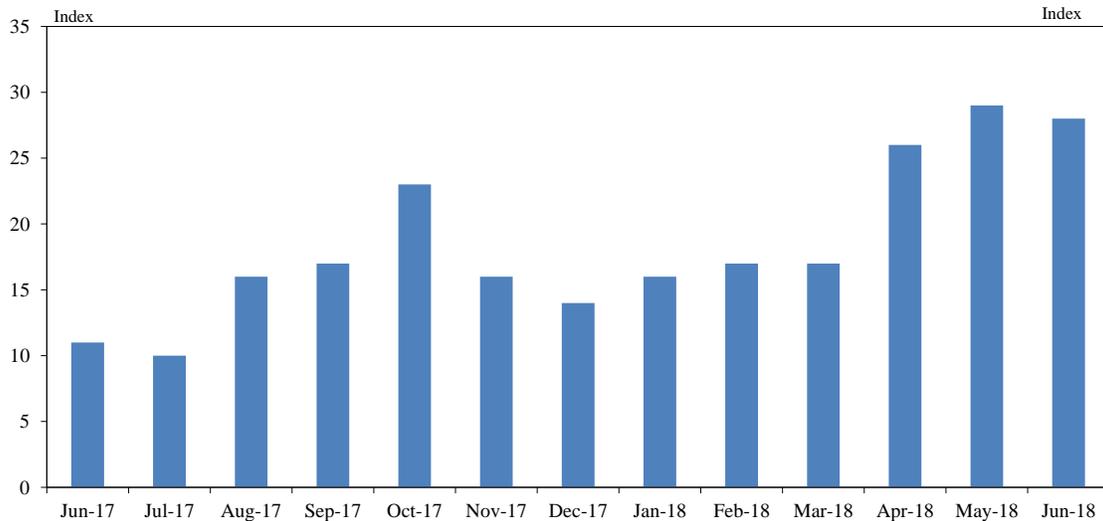
\*Percentage may not add to 100 due to rounding

^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-12.

Note: The June survey included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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



**Table2**  
**Historical Manufacturing Survey Indexes**

	Jun'17	Jul'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18
Versus a Month Ago (seasonally adjusted)													
Composite Index	12	12	16	18	22	15	13	16	17	17	26	29	28
Production	22	10	22	21	18	15	16	16	21	20	33	41	38
Volume of shipments	22	0	23	24	20	19	10	14	24	12	37	42	39
Volume of new orders	8	13	24	15	24	19	11	14	16	-1	37	38	27
Backlog of orders	-5	1	13	9	22	13	8	20	13	14	29	27	10
Number of employees	15	16	14	18	19	16	16	18	23	26	26	24	24
Average employee workweek	8	4	9	7	10	6	10	2	11	15	10	24	25
Prices received for finished product	-1	6	8	12	11	11	11	21	26	24	29	22	22
Prices paid for raw materials	19	20	23	25	22	24	15	34	50	55	52	53	47
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	4	6	6	-1	4	6	2	1	1	9	6
Supplier delivery time	9	10	10	22	19	8	13	18	16	30	17	23	22
Inventories: Materials	4	11	10	13	28	16	7	15	8	11	17	19	27
Inventories: Finished goods	-1	5	2	-6	18	3	-8	3	4	9	4	11	16
Versus a Year Ago (not seasonally adjusted)													
Composite Index	28	24	23	35	34	37	30	35	38	37	36	45	43
Production	43	28	27	56	41	51	36	40	51	45	40	56	45
Volume of shipments	39	33	29	49	42	49	39	39	54	36	34	56	51
Volume of new orders	35	38	27	47	45	41	38	37	55	44	43	54	53
Backlog of orders	20	22	18	37	34	42	20	42	47	31	38	41	35
Number of employees	24	23	22	30	30	32	35	31	39	37	35	49	48
Average employee workweek	11	15	20	31	26	35	28	30	28	23	28	37	44
Prices received for finished product	15	20	29	38	33	35	37	49	51	49	60	56	60
Prices paid for raw materials	48	45	48	56	61	64	55	65	71	74	74	77	79
Capital expenditures	13	15	21	26	21	19	39	34	37	19	26	33	32
New orders for exports	7	0	9	10	9	9	8	15	18	12	10	13	7
Supplier delivery time	15	19	23	27	26	18	25	27	20	30	28	37	31
Inventories: Materials	22	10	18	16	30	45	15	38	23	30	32	28	36
Inventories: Finished goods	11	7	6	2	15	28	8	15	18	19	12	24	26
Expected in Six Months (seasonally adjusted)													
Composite Index	25	21	24	26	30	26	23	29	38	33	31	26	36
Production	42	31	39	40	45	42	29	37	56	42	44	32	53
Volume of shipments	39	36	39	39	42	38	28	32	49	42	47	39	52
Volume of new orders	38	28	39	29	47	32	24	36	49	42	30	26	42
Backlog of orders	14	13	20	21	31	26	13	30	32	30	26	24	25
Number of employees	32	28	27	28	33	30	36	33	41	36	35	35	37
Average employee workweek	11	17	2	9	27	14	10	23	25	17	23	12	31
Prices received for finished product	23	13	30	29	31	38	31	44	53	48	53	44	40
Prices paid for raw materials	49	40	41	42	44	59	49	58	73	72	66	63	67
Capital expenditures	17	18	19	15	21	19	22	38	36	37	37	33	36
New orders for exports	12	0	5	9	15	8	9	19	16	14	12	11	7
Supplier delivery time	12	14	13	16	10	14	18	25	18	23	28	30	20
Inventories: Materials	3	6	-1	14	16	12	7	15	23	21	19	7	30
Inventories: Finished goods	8	15	-5	10	14	9	12	19	11	15	11	3	23