

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Friday, November 16, 2018
EMBARGOED FOR 10 A.M. CENTRAL TIME
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GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY EDGED HIGHER *Federal Reserve Bank of Kansas City Releases November Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the November Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing activity edged higher, while expectations for future activity moderated slightly.

“Firms reported a pickup in orders, production, and shipments in November, following some slowing in recent months” said Wilkerson.

A summary of the November survey is attached. 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

Growth in Tenth District manufacturing activity edged higher in November, while expectations for future activity moderated slightly. Price indexes were mixed.

The month-over-month composite index was 15 in November, up from 8 in October and 13 in September (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. The increase in factory growth was driven by both durable and nondurable goods producers, particularly metals, aircraft, food, and plastics. Most month-over-month indexes rose modestly. The production, shipments, new orders, and order backlog indexes all increased to their highest levels since the middle of the year. The new orders for exports index inched up from 3 to 6, while the employment index eased somewhat. The materials inventory index rose from 10 to 15 and the finished goods inventory index also moved higher.

Most year-over-year factory indexes were lower than a year ago. The composite index eased from 45 to 40, and the production, shipments, new orders, and order backlog indexes also decreased. In contrast, the employment index was unchanged, and the capital expenditures index jumped from 30 to 48. The finished goods and raw materials inventory indexes both rebounded after falling last month.

Future factory activity expectations moderated further. The future composite index eased from 21 to 16, and the future production, shipments, new orders, and order backlog indexes also fell somewhat. On the other hand, the future employment index edged up from 15 to 20, and the future capital expenditures and new orders for exports indexes also increased moderately. The future finished goods inventory index moved into positive territory, while the future raw materials inventory index was unchanged.

Price indexes were mixed in November. The month-over-month finished goods price index inched higher from 19 to 23, and the raw materials price index increased from 33 to 41. The year-over-year raw materials price index eased from 78 to 75, while the finished goods price index was basically unchanged. The future raw materials price index rose from 37 to 46, while the future finished goods price index moved slightly lower.

SELECTED COMMENTS

“The 4th Quarter is looking good. If the weather stays cold, we should see a strong finish to our year. We are feeling good about the future.”

“Tariffs and threats of tariffs are still a big financial concern.”

“At this stage of the economic expansion, labor availability and the uncertainty around tariffs are the significant but manageable problems we face.”

“We are having difficulty finding entry level job applicants.”

“This is the middle of our busy season, and we will likely see a slowdown in Q1 and Q2. We are planning to use that time to train new hires for operator positions.”

Table 1
Summary of Tenth District Manufacturing Conditions, November 2018

Plant Level Indicators	November vs. October (percent)*					November vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	Change	Decrease	Diff Index^	SA Index**^	Increase	Change	Decrease	Diff Index^	Increase	Change	Decrease	Diff Index^	SA Index**^
Composite Index				16	15				40				22	16
Production	39	46	15	24	24	62	15	23	39	48	37	15	33	27
Volume of shipments	44	42	14	31	31	63	21	16	47	47	40	14	33	25
Volume of new orders	38	46	16	22	20	62	22	16	46	42	43	15	27	25
Backlog of orders	35	46	19	16	18	48	39	14	34	30	53	16	14	8
Number of employees	20	69	11	9	6	61	26	13	49	41	48	11	30	20
Average employee workweek	18	70	12	6	3	40	50	10	30	28	60	12	16	12
Prices received for finished product	29	66	5	24	23	67	27	6	61	41	49	10	32	30
Prices paid for raw materials	45	51	4	41	41	80	15	5	75	57	36	6	51	46
Capital expenditures						55	38	7	48	46	40	14	33	23
New orders for exports	14	81	5	8	6	27	67	7	20	26	70	4	22	20
Supplier delivery time	19	73	9	10	11	36	52	12	23	20	67	13	8	6
Inventories: Materials	33	51	16	16	15	53	36	11	42	28	54	18	10	3
Inventories: Finished goods	29	53	18	11	11	47	38	14	33	26	56	18	8	8

*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 November survey included 82 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Composite Index vs. a Month Ago

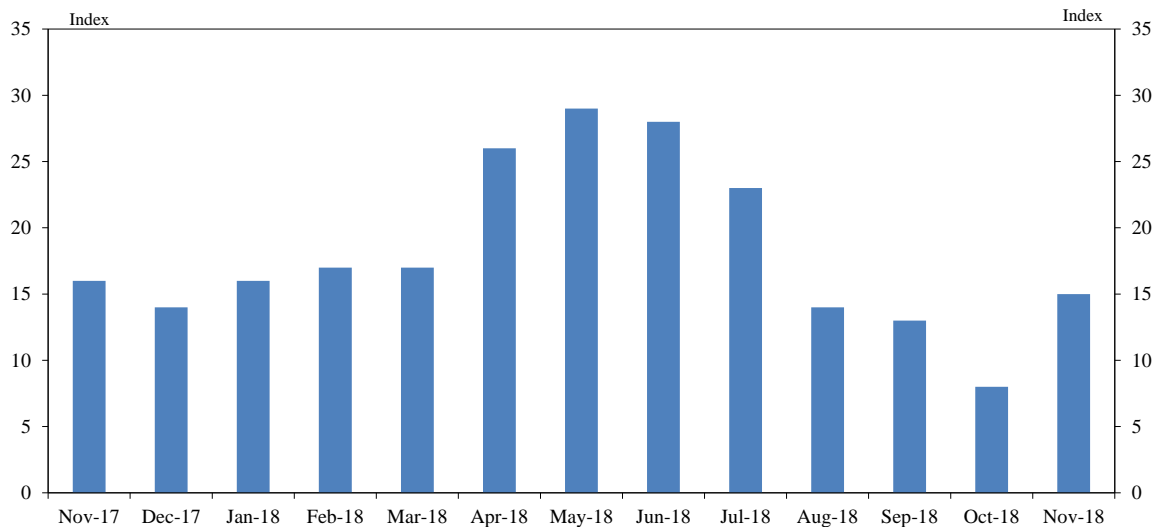


Table2
Historical Manufacturing Survey Indexes

	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18
Versus a Month Ago (seasonally adjusted)													
Composite Index	15	13	16	17	17	26	29	28	23	14	13	8	15
Production	15	16	16	21	20	33	41	38	22	10	10	5	24
Volume of shipments	19	10	14	24	12	37	42	39	12	18	2	14	31
Volume of new orders	19	11	14	16	-1	37	38	27	21	9	15	7	20
Backlog of orders	13	8	20	13	14	29	27	10	9	8	4	6	18
Number of employees	16	16	18	23	26	26	24	24	26	14	1	8	6
Average employee workweek	6	10	2	11	15	10	24	25	14	1	3	4	3
Prices received for finished product	11	11	21	26	24	29	22	22	27	27	24	19	23
Prices paid for raw materials	24	15	34	50	55	52	53	47	52	44	45	33	41
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	-1	4	6	2	1	1	9	6	6	-1	1	3	6
Supplier delivery time	8	13	18	16	30	17	23	22	28	19	18	8	11
Inventories: Materials	16	7	15	8	11	17	19	27	17	17	20	10	15
Inventories: Finished goods	3	-8	3	4	9	4	11	16	11	9	7	7	11
Versus a Year Ago (not seasonally adjusted)													
Composite Index	37	30	35	38	37	36	45	43	44	37	41	45	40
Production	51	36	40	51	45	40	56	45	48	34	44	54	39
Volume of shipments	49	39	39	54	36	34	56	51	44	32	42	50	47
Volume of new orders	41	38	37	55	44	43	54	53	49	44	46	57	46
Backlog of orders	42	20	42	47	31	38	41	35	43	35	41	40	34
Number of employees	32	35	31	39	37	35	49	48	47	33	36	49	49
Average employee workweek	35	28	30	28	23	28	37	44	33	25	24	30	30
Prices received for finished product	35	37	49	51	49	60	56	60	60	50	56	60	61
Prices paid for raw materials	64	55	65	71	74	74	77	79	86	67	79	78	75
Capital expenditures	19	39	34	37	19	26	33	32	39	43	47	30	48
New orders for exports	9	8	15	18	12	10	13	7	13	9	11	11	20
Supplier delivery time	18	25	27	20	30	28	37	31	42	39	35	27	23
Inventories: Materials	45	15	38	23	30	32	28	36	32	34	45	37	42
Inventories: Finished goods	28	8	15	18	19	12	24	26	23	30	31	21	33
Expected in Six Months (seasonally adjusted)													
Composite Index	26	23	29	38	33	31	26	36	34	29	27	21	16
Production	42	29	37	56	42	44	32	53	49	44	38	37	27
Volume of shipments	38	28	32	49	42	47	39	52	52	40	34	34	25
Volume of new orders	32	24	36	49	42	30	26	42	37	36	35	41	25
Backlog of orders	26	13	30	32	30	26	24	25	29	16	17	27	8
Number of employees	30	36	33	41	36	35	35	37	42	33	29	15	20
Average employee workweek	14	10	23	25	17	23	12	31	13	15	14	7	12
Prices received for finished product	38	31	44	53	48	53	44	40	43	28	44	38	30
Prices paid for raw materials	59	49	58	73	72	66	63	67	68	40	57	37	46
Capital expenditures	19	22	38	36	37	37	33	36	38	28	36	14	23
New orders for exports	8	9	19	16	14	12	11	7	8	9	15	8	20
Supplier delivery time	14	18	25	18	23	28	30	20	29	21	18	11	6
Inventories: Materials	12	7	15	23	21	19	7	30	15	11	17	3	3
Inventories: Finished goods	9	12	19	11	15	11	3	23	7	10	9	-5	8