

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

FOR RELEASE Thursday, June 22, 2017
EMBARGOED FOR 10 A.M. CENTRAL TIME
CONTACT: Pam Campbell
405-270-8617
Pam.Campbell@kc.frb.org

TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED FURTHER *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 expanded further with strong expectations for future activity.

“Firms reported faster growth in June than earlier in the second quarter,” said Wilkerson. “The share of factories planning to add workers over the next six months also rose solidly.”

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.

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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity expanded further in June, and expectations for future activity remained strong. Price indexes were mixed, with some increases in raw materials prices.

The month-over-month composite index was 11 in June, up from 8 in May and 7 in April (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity increased moderately at both durable and non-durable goods plants, particularly for aircraft, computers and electronics, chemicals, and plastics. Month-over-month indexes were mixed. The production index jumped from -1 to 23, and the shipments and employment indexes also increased. On the other hand, the new orders index eased from 9 to 4, and the order backlog index fell into negative territory. Both inventory indexes inched lower.

Most year-over-year factory indexes increased from the previous month. The composite year-over-year index rose from 18 to 28, its highest level since June 2011, and the production, shipment, and new orders indexes also increased moderately. The employment index edged higher from 18 to 24, a five-year high. In contrast, the capital expenditures index eased from 16 to 13 and the order backlog index also moved slightly lower. The raw materials inventory index climbed from 8 to 22, while the finished goods inventory index moderated.

Expectations for future factory activity generally remained strong. The future composite index inched down from 30 to 25, and the future production, shipments, new orders, and order backlog indexes also decreased modestly but remained solidly in positive territory. The future capital expenditures index eased from 23 to 16, while the future employment index increased after falling the past two months. The future raw materials inventory index fell from 10 to 0, and the future finished goods inventory index also decreased.

Price indexes were mixed in June. The month-over-month finished goods price index fell from 8 to -2, while the raw materials price index was mostly unchanged. The raw materials price index edged higher from 44 to 47, while the year-over-year finished goods price index was basically unchanged. The future raw materials price index increased from 37 to 49, while the future finished goods price index eased slightly.

SELECTED COMMENTS

“Business remains very strong and our sales revenue is mostly constrained by serious lack of labor in all our manufacturing locations.”

“Orders look promising for the third quarter. A lot of confidence building as the year progresses.”

“There is nothing that feels solid about the increase in activity we are seeing. Energy prices are lower than expected, customers are waiting until the last minute to place orders, and increased uncertainty in Washington, etc.”

“Labor competition for the right entry level personnel is more significant than for higher-paid, longer-tenure personnel, which is why our emphasis is on raising our starting pay for qualified candidates.”

“We continue to find methods to increase production without increasing head count. Automation and efficient scheduling are leading the way.”

“Our international business peaked in 2014 and has declined each year since. Replacing the international business with US volume has been difficult. We seem to have seen our international business level off this year and that would be a positive.”

Table 1
Summary of Tenth District Manufacturing Conditions, June 2017

Plant Level Indicators	June vs. May (percent)*					June vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff	SA	Index^	No		Diff	Index^	No		Diff	SA	
	Increase	Change				Increase	Change			Increase	Change			
Composite Index				11	11			28				21	25	
Production	40	40	20	19	23	64	16	20	43	55	26	19	35	42
Volume of shipments	42	36	20	22	23	59	19	20	39	50	27	22	28	37
Volume of new orders	32	41	27	5	4	56	24	20	35	51	30	19	32	39
Backlog of orders	23	50	24	-1	-6	38	41	18	19	30	49	17	13	12
Number of employees	27	63	9	18	15	45	33	22	24	38	49	10	27	32
Average employee workweek	26	57	16	10	7	28	53	17	11	24	57	17	7	10
Prices received for finished product	10	78	11	-1	-2	34	45	19	15	30	60	8	22	21
Prices paid for raw materials	26	65	7	19	16	56	32	9	47	50	42	3	47	49
Capital expenditures						39	33	26	13	30	53	14	16	16
New orders for exports	9	76	6	3	3	16	67	9	7	19	64	8	11	11
Supplier delivery time	11	81	2	9	8	20	72	6	15	15	77	3	11	11
Inventories: Materials	26	53	20	6	2	42	38	20	22	22	52	24	-2	0
Inventories: Finished goods	20	53	23	-2	-2	34	38	24	10	24	53	19	5	7

*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 88 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

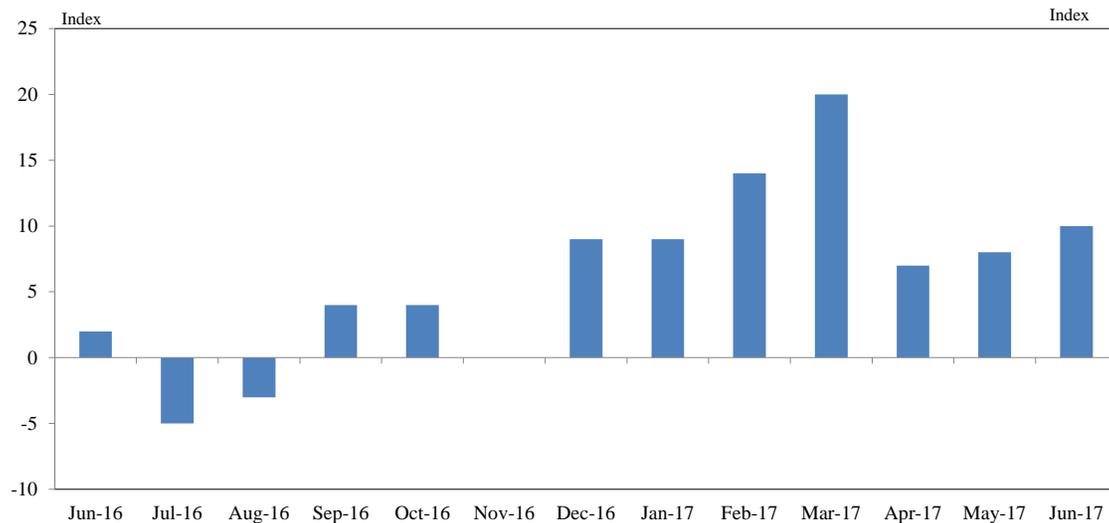


Table2
Historical Manufacturing Survey Indexes

	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17
Versus a Month Ago (seasonally adjusted)													
Composite Index	2	-5	-3	4	4	0	9	9	14	20	7	8	11
Production	14	-13	-4	11	12	5	18	20	11	37	12	-1	23
Volume of shipments	11	-16	-3	12	18	4	8	20	16	35	11	3	23
Volume of new orders	3	-3	-5	9	9	5	5	20	26	32	8	9	4
Backlog of orders	-5	-5	-5	-2	3	-1	4	14	19	21	7	12	-6
Number of employees	-4	-5	-8	-4	3	-1	8	6	17	13	9	11	15
Average employee workweek	1	6	3	4	5	-9	3	9	15	13	-4	1	7
Prices received for finished product	-4	-10	-7	-7	-6	-4	10	0	1	9	5	8	-2
Prices paid for raw materials	8	7	6	2	2	12	28	24	26	28	34	17	16
Capital expenditures	n/a												
New orders for exports	-2	-5	-8	-4	0	-3	-4	-5	9	2	4	4	3
Supplier delivery time	2	2	3	-1	3	0	7	4	6	2	5	14	8
Inventories: Materials	-3	-6	-2	6	-9	-7	4	-3	11	16	4	4	2
Inventories: Finished goods	-5	4	-3	-2	-7	-14	0	-4	5	17	8	0	-2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-15	-15	-12	-10	-11	-10	0	7	6	14	13	18	28
Production	-20	-22	-22	-10	-16	-21	0	11	3	17	18	20	43
Volume of shipments	-21	-28	-21	-10	-20	-20	1	7	7	14	16	16	39
Volume of new orders	-18	-22	-14	-13	-3	-7	4	20	14	30	15	27	35
Backlog of orders	-26	-26	-18	-18	-8	-12	-5	5	10	16	18	26	19
Number of employees	-16	-12	-15	-15	-14	-11	-5	3	-2	17	14	18	24
Average employee workweek	-14	-13	-11	-4	-11	-9	5	-4	-3	6	0	13	11
Prices received for finished product	8	12	1	-3	1	10	17	13	13	26	29	16	15
Prices paid for raw materials	16	7	-4	-2	14	20	24	31	28	37	48	44	47
Capital expenditures	-3	-14	-13	-4	-7	-1	2	-2	14	12	5	16	13
New orders for exports	-13	-13	-13	-8	-10	-11	-5	-1	-1	4	10	5	7
Supplier delivery time	0	-3	-1	-5	-1	4	7	5	10	6	13	15	15
Inventories: Materials	-22	-14	-10	-4	-19	-15	-9	-3	3	1	3	8	22
Inventories: Finished goods	-18	-5	-14	-7	-16	-6	-10	-3	-4	4	-2	16	10
Expected in Six Months (seasonally adjusted)													
Composite Index	8	13	11	11	16	11	17	27	29	32	17	30	25
Production	17	24	18	18	30	23	29	50	42	51	28	50	42
Volume of shipments	11	19	17	19	30	21	28	47	39	53	27	44	37
Volume of new orders	14	28	22	23	16	24	34	41	36	43	15	46	39
Backlog of orders	5	14	10	9	5	9	25	35	13	29	12	29	12
Number of employees	12	7	11	13	18	5	11	31	30	43	26	24	32
Average employee workweek	-1	6	1	6	3	5	14	22	19	11	6	18	10
Prices received for finished product	5	10	16	7	7	9	21	21	21	27	24	23	21
Prices paid for raw materials	11	16	16	21	18	20	37	38	53	59	45	37	49
Capital expenditures	6	4	5	11	7	13	9	19	27	34	11	23	16
New orders for exports	0	2	1	5	1	5	3	4	13	9	10	17	11
Supplier delivery time	3	4	6	5	5	4	5	5	16	12	13	21	11
Inventories: Materials	-7	2	-3	-3	12	1	4	7	20	8	4	10	0
Inventories: Finished goods	-10	2	-8	-6	4	-3	1	7	23	4	12	14	7