

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY FELL AGAIN

*Federal Reserve Bank of Kansas City Releases January Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the January 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 fell again in January.

“We saw another moderate drop in regional factory activity in January, marking the eleventh straight month of slight to moderate declines,” said Wilkerson. “However, firms remained optimistic that conditions would improve slightly in coming months.”

The January survey incorporates new seasonal adjustment factors, so historical indexes differ slightly from previously-released numbers. The new seasonal factors will be used throughout 2016. 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 fell again in January, while producers' expectations for future activity remained solid. Most price indexes declined modestly.

The month-over-month composite index was -9 in January, unchanged from -9 in December but down from -1 in November (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 improved somewhat at nondurable goods factories, while durable goods saw further weakening, particularly for machinery and computer and electronic equipment. Most month-over-month indexes were mixed. The production and shipments indexes remained slightly negative, while the employment and new orders for exports indexes improved. Conversely, the new orders and order backlog indexes both fell to their lowest levels in six years. The raw materials inventory increased from -15 to -2, and the finished goods inventory index also rose but remained in negative territory.

Year-over-year factory indexes were mixed in January. The composite year-over-year index inched up from -15 to -13, and the production, shipments, and new orders indexes also moved higher but remained well below zero. The employment index was largely unchanged at -15. The order backlog index fell to a six year low, and the capital expenditures index declined again. Both inventory indexes eased slightly.

Most future factory indexes were somewhat lower, but on net positive overall. The future composite index was basically unchanged at 5, while the shipments, employment, and new orders for exports indexes increased somewhat. The future production and new orders indexes decreased slightly. The future order backlog index dropped back into negative territory after increasing last month, and the future capital expenditures index also declined modestly. The future raw materials inventory index moved slightly up, while the future finished goods inventory index edged down again.

Most price indexes fell modestly in January. The month-over-month finished goods price index decreased from -7 to -15, while the raw materials price index was basically unchanged. The year-over-year finished goods price index edged down from 1 to -4, and the raw materials price index also eased further. The future finished goods price index fell from 0 to -6, and the future raw materials price index declined moderately.

## **SELECTED COMMENTS**

“We have had a good start to the year; it's our strongest January in 3 years. Cold weather is helping our business.”

“Business is improving slowly but still weak from industrial and oil and gas sectors. Automotive is strongest segment and growing.”

“The low price of oil continues to have a negative impact on business conditions. The strength of the U.S. dollar has hurt export sales. Talk of oil prices falling even further has caused some customers to project a sales decrease for 2016 compared to 2015.”

“We are ramping up for new revenue, tied to a new contract. Other than that revenue seem to be stagnating. Most large customers are requiring long term agreements, in which they demand substantial year over year price reductions or advance rebates, or both, to initiate.”

“Severe drop off in January beyond what we have experienced in prior years.”

“Orders for the next 4 months look good; however, the reasons behind the orders seem weak and contradictory to the true economic climate.”

“2016 looks like it will be very similar to 2015 for our business, but with a weaker market demand in the energy driven economies.”

“Have not bought any new equipment or had major expenditures this year, but have bought some good used equipment from auctions where competitor went bankrupt.”

“Capital spending continues to be restrained. The mood of the industry now is to cancel projects that can be canceled and to delay those that cannot. 2016 is going to be a bumpy ride for better or for worse.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, January 2016**

Plant Level Indicators	January vs. December (percent)*					January vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA
		Change	Decrease				Change	Decrease			Change	Decrease		
Composite Index				-9	-9				-13				6	5
Production	27	34	39	-12	-8	31	23	46	-15	38	39	24	14	14
Volume of shipments	28	31	38	-10	-7	30	25	41	-11	38	39	20	17	18
Volume of new orders	23	30	46	-24	-27	25	31	43	-18	38	35	25	13	13
Backlog of orders	14	35	48	-34	-36	13	40	45	-32	25	41	31	-6	-2
Number of employees	13	65	23	-10	-7	26	33	41	-15	30	45	25	5	5
Average employee workweek	11	62	25	-14	-7	15	57	26	-11	16	61	22	-5	-8
Prices received for finished product	6	71	19	-13	-15	30	32	34	-4	15	62	20	-5	-6
Prices paid for raw materials	11	66	22	-11	-14	29	33	37	-8	20	57	22	-1	-4
Capital expenditures						23	44	31	-9	19	54	23	-3	-1
New orders for exports	12	69	10	2	1	12	62	16	-4	14	63	12	2	2
Supplier delivery time	5	89	4	1	-2	10	76	10	0	6	81	8	-1	-2
Inventories: Materials	25	48	26	-1	-2	22	40	38	-16	25	48	26	-1	-6
Inventories: Finished goods	19	48	27	-8	-9	16	39	39	-23	18	48	28	-10	-13

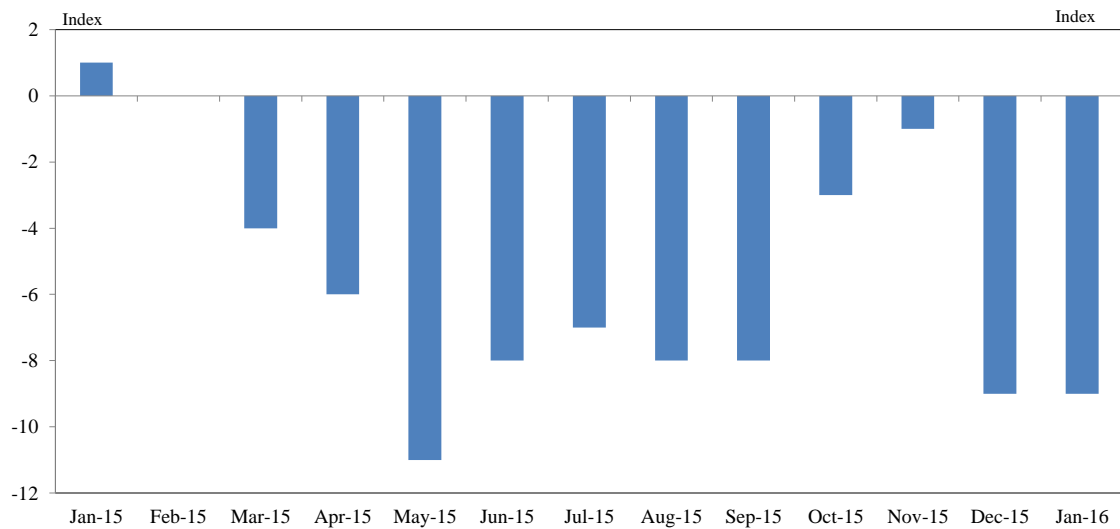
\*Percentage may not add to 100 due to rounding

^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 January survey included 93 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**

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