

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY WAS LARGELY FLAT *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 was largely flat, although expectations for future activity improved considerably.

“We saw our composite index move just slightly into positive territory for the first time since February, as some segments of durable manufacturing improved even as activity in our energy states remained sluggish,” 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](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 was largely flat in November, although expectations for future activity improved considerably from the previous few months. Most price indexes edged back down after rising slightly last month.

The month-over-month composite index was 1 in November, up from -1 in October and -8 in September (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Most of the modest improvement came from durable goods activity, particularly for aircraft, computer and electronic equipment production. Nondurable goods activity eased somewhat due to weaker chemicals and plastics production, but still remained positive overall. Other month-over-month indexes were mixed. The production index was basically unchanged, while the new orders, order backlog, and employment indexes fell moderately. In contrast, the shipments index increased from -2 to 5, and the new orders for exports index moved into positive territory for the first time this year. The raw materials inventory index jumped from -12 to 3, while the finished goods inventory index was basically unchanged.

Most year-over-year factory indexes edged up in November, but stayed in negative territory. The composite year-over-year index improved from -7 to -5, and the shipments, new orders and order backlog indexes also moved slightly higher but remained negative. The production and employment indexes fell further, while the new orders for export index was mostly stable. Both inventory indexes increased moderately from the previous month.

Most future factory indexes continued to rise after falling markedly a few months ago. The future composite index jumped from -1 to 8, and the future production, shipments, and new orders indexes also increased. The future employment index rose from 6 to 13, its highest level in nine months. The future capital expenditures index rebounded from -9 to 11, while the future new orders for exports index eased slightly. Both future inventory indexes moved higher but remained in negative territory.

Price indexes were mixed in November but generally remained at low levels. The month-over-month finished goods price index decreased from -3 to -9, and the raw materials price index fell back into negative territory. The year-over-year finished goods price index edged lower from 13 to 6, while the raw materials price index remained unchanged. The future finished goods price index eased from 8 to 2, while the future raw materials price index increased slightly for the second month in a row.

## SELECTED COMMENTS

“Qualified employees are still very difficult to find. We keep offering a higher starting wage but still not finding people.”

“The industrial economy as we see it is under attack by low demand, foreign competition and the high cost of government law and regulation. We have reduced headcount and otherwise cut pay of existing employees. Our capital projects are aimed at reducing labor input and increasing efficiencies, rather than growing and creating jobs.”

“Sales growth is very sluggish. On-shoring to North America more often means Mexico. Companies are not launching new programs due to pessimistic outlook on the economy. Most new business we have picked up has been accomplished by taking existing business away from our competitors through innovation and better prices.”

“We are paying more for our top talent to retain them.”

“Because we were not at full capacity in 2015, we are hoping to grow in 2016 by simply utilizing our current staff more effectively. We have only very nominal growth of employment budgeted for 2016.”

“New orders have been hard to come by for the past six months or more but this month we added significantly to our backlog of orders which gives us reason to provide a cheerful response at this time.”

“We will show restraint in hiring because we need to stay under 100 as long as possible to avoid additional reporting and ACA requirements. If we grow enough we will put hiring the 100th employee off as long as possible.”

“Current business is very soft. However, a new customer initiative may increase capex, employment & sales in a down market.”

“Some improvement, mostly driven by automotive but still negatively affected by currency exchange rate and oil and gas industry softness.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, November 2015**

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				-3	1				-5				8	8
Production	25	47	28	-3	3	33	21	46	-13	41	33	26	15	14
Volume of shipments	29	39	32	-3	5	36	18	42	-6	41	32	25	16	10
Volume of new orders	30	38	32	-2	5	35	22	42	-7	40	34	24	16	18
Backlog of orders	17	42	38	-21	-17	25	33	39	-14	26	47	25	1	-1
Number of employees	18	55	27	-9	-8	32	27	40	-8	32	47	18	14	13
Average employee workweek	18	65	17	1	2	21	45	33	-12	22	56	20	2	3
Prices received for finished product	5	77	16	-11	-9	33	39	27	6	20	62	17	3	2
Prices paid for raw materials	12	64	24	-12	-7	43	26	30	13	34	48	14	20	19
Capital expenditures						34	39	27	7	32	46	20	12	11
New orders for exports	10	76	6	4	7	8	64	20	-12	13	66	13	0	-1
Supplier delivery time	8	81	8	0	0	13	71	13	0	10	80	8	2	3
Inventories: Materials	24	52	23	1	3	36	30	32	4	23	47	28	-5	-9
Inventories: Finished goods	17	54	22	-5	-6	23	44	28	-5	20	49	23	-3	-4

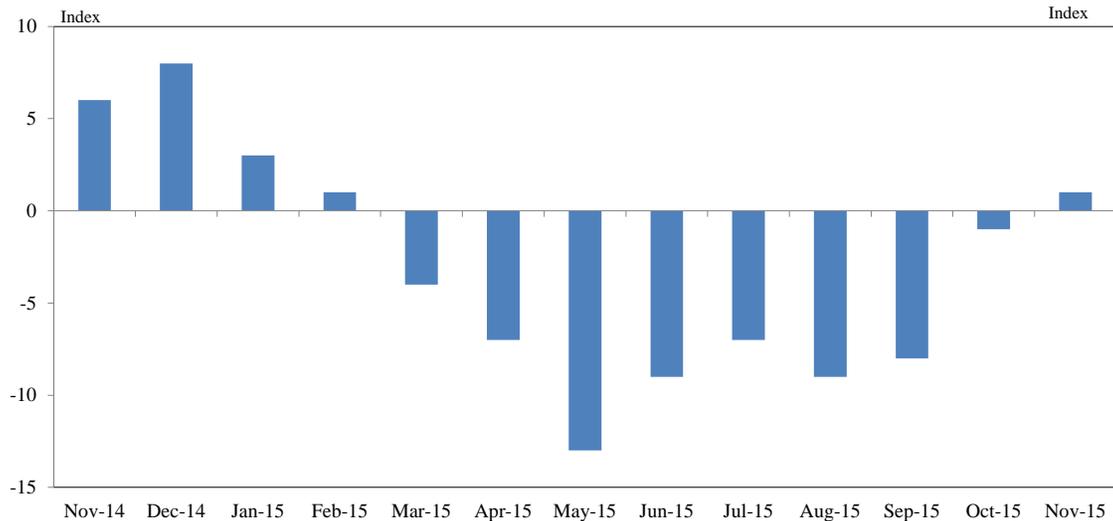
\*Percentage may not add to 100 due to rounding

^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 100 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**

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