



Tenth District Manufacturing Activity Improved Considerably in December 2016

by:

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Growth in manufacturing during December in the Tenth District was the most in more than two years.

Tenth District manufacturing activity improved considerably to its highest growth rate in over two years, and producers' expectations for future activity also increased. Price indexes continued to post moderate increases in December.

The month-over-month composite index was 11 in December, up from 1 in November and 6 in October (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 in nondurable goods plants increased markedly, particularly for food and plastics, while durable goods plants expanded at a slower pace. Most month-over-month indexes improved in December. The production index jumped from 9 to 24, and the shipments, new orders, and order backlog indexes also rose. The employment index increased from 1 to 10, its highest level since May 2014. The finished goods inventory index rose from -13 to 1, and the raw materials inventory index also moved higher.

Most year-over-year factory indexes moved out of negative territory for the first time in nearly two years. The composite year-over-year index jumped from -10 to 0, and the production, shipments, and new orders indexes were all higher than a year ago. The order backlog index increased from -12 to -5, and the employment index also rose slightly. The capital expenditures index inched higher from -1 to 2, and the new orders for exports index also improved somewhat. The raw materials inventory index increased from -15 to -9, while the finished goods inventory index eased slightly.

Expectations for future factory activity increased over the previous month. The future composite index rose from 12 to 19, and the future production, shipments, new orders, and order backlog indexes also moved up moderately. The future employment index increased modestly, while the future capital expenditures index moderated slightly from 19 to 14. The future raw materials inventory index increased slightly, and the future finished goods index moved into positive territory.

Price indexes increased in December. The month-over-month finished goods price index jumped from -2 to 13, its first positive reading since July 2015, and the raw materials price also increased moderately. The year-over-year finished goods

price index moved higher from 10 to 17, and the raw materials price rose slightly. The future finished goods price index posted its highest level in over two years, and the future raw materials price index also increased considerably.

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