

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

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CONTACT: Jessie Blackwell  
405-270-8619  
[Jessie.Blackwell@kc.frb.org](mailto:Jessie.Blackwell@kc.frb.org)

## TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED MODESTLY

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

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the April 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 declined modestly.

“Factories reported a modest decline in activity in April, but expectations for future activity increased to their highest reading of the year,” said Wilkerson.

A summary of the April 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 continued to decline modestly, while producers' expectations for future activity improved considerably. Most price indexes moved slightly higher in April, but remained at low levels.

The month-over-month composite index was -4 in April, up from -6 in March and -12 in February (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slight improvement in the index came from a rise in nondurable goods production, particularly for food, paper, and plastics products. Durable goods production such as metals and machinery remained negative. Most month-over-month indexes rose somewhat from the previous month. The production, shipments, and new orders for exports indexes improved slightly but remained in negative territory. In contrast, the new orders and employment indexes were negative but unchanged and the order backlog index fell from -15 to -18. The raw materials inventory edged up from -2 to 0, while the finished goods inventory index fell.

Year-over-year factory indexes were mixed, but generally remained weak. The composite year-over-year index was basically unchanged at -19, while the production and shipments indexes showed slight improvements. The new orders, order backlog, and employment indexes all fell further into negative territory. The capital expenditures index was basically unchanged at its lowest level since December 2009. Both inventory indexes declined after rebounding last month.

Most future factory indexes improved markedly in April. The future composite index jumped from -2 to 10, its highest level in over a year, and the future production, shipments, and new orders indexes also rebounded strongly. The future order backlog index rose from -10 to -1, and the future employment index posted its highest level in five months. The future capital expenditures index inched higher from -9 to -6, and the future new orders for exports index moved into positive territory. The future raw materials inventory index increased from -13 to -5, while the future finished goods inventory index moved slightly lower.

Price indexes edged higher in April but remained at low levels. The month-over-month finished goods price index moved up from -10 to -6, and the raw materials price index jumped from -10 to 4. The year-over-year finished goods price index rose from -4 to -1, while the raw materials price index was unchanged. The future finished goods price index increased slightly from 1 to 2, and the future raw materials price index also rose modestly.

## **SELECTED COMMENTS**

“Export business has improved primarily due to automotive market improvements. Local industrial market remains soft.”

“Business continues to be very soft for manufacturers servicing the Oil & Gas Industry in Oklahoma. No expectation for improvement in the next 12 to 19 months.”

“Our company needs to develop a long term plan to replace aging workforce.”

“Work has increased slightly and inquiries are continuing to come in. A couple of large projects are potentially coming to fruition in the near future.”

“New orders have increased mainly due to customers securing pricing for the remainder of the year. Major oil and gas customers continue to have declining economic conditions.”

“New E&P spending is still constrained with no real change for the better in sight.”

“One of the real impeters to moving forward with hiring is the uncertainty of how a new administration might affect our bottom line and the rules around ACA. We simply cannot sustain the increases in cost due to the move from 40 to 30 hours a week for FT employment.”

“We are in a seasonal down turn. We expect increased activity over remaining months of the year.”

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

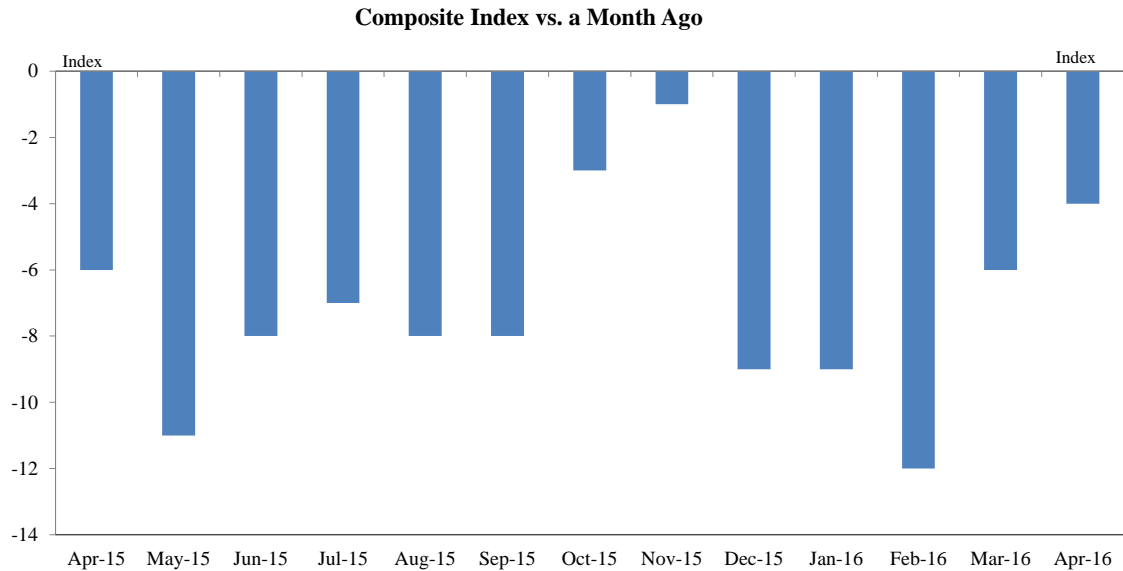
Plant Level Indicators	April vs. March (percent)*					April vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No	Decrease	Diff	SA	Increase	No	Decrease	Diff	Increase	No	Decrease	Diff	SA
		Change		Index^	Index**^		Change		Change		Change		Index^	Index**^
Composite Index				-1	-4				-19				11	10
Production	32	33	31	1	-8	31	15	51	-20	42	36	18	24	25
Volume of shipments	38	29	33	4	-6	32	15	52	-20	43	39	17	26	27
Volume of new orders	33	36	29	4	-2	26	22	52	-26	41	45	14	27	20
Backlog of orders	20	45	32	-12	-18	15	34	47	-32	23	53	20	3	-1
Number of employees	17	56	27	-10	-12	24	30	46	-22	26	55	16	10	8
Average employee workweek	11	72	17	-5	-9	14	51	34	-21	19	67	13	6	8
Prices received for finished product	6	80	13	-6	-6	27	44	28	-1	20	60	17	3	2
Prices paid for raw materials	19	63	16	3	4	30	29	39	-8	29	49	19	10	9
Capital expenditures						21	40	39	-18	19	54	25	-6	-6
New orders for exports	8	70	14	-5	-4	8	58	27	-19	11	69	13	-1	1
Supplier delivery time	5	88	4	1	1	5	78	14	-8	6	86	4	2	1
Inventories: Materials	25	48	26	-1	0	22	34	43	-21	20	50	29	-9	-5
Inventories: Finished goods	15	53	27	-12	-11	17	36	41	-24	15	49	30	-16	-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 April survey included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.



**Table2**  
**Historical Manufacturing Survey Indexes**

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