

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Thursday, June 23, 2016
EMBARGOED FOR 10 A.M. CENTRAL TIME
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TENTH DISTRICT MANUFACTURING ACTIVITY INCREASED SLIGHTLY

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 Megan Williams, survey manager and associate economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity increased slightly.

“Regional factory activity posted a positive reading for the first time since January 2015, as energy prices have stabilized somewhat and orders have increased,” said Williams. “Additionally, firms continue to expect further improvements for the months ahead.”

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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity increased slightly, posting a positive reading for the first time in eighteen months. Expectations for future activity remained generally solid, and most price indexes rose modestly.

The month-over-month composite index was 2 in June, up from -5 in May and -4 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. The improvement came from both durable and nondurable goods-producing plants, particularly aircraft, food, plastics, and electronic equipment. Most month-over-month indexes increased markedly. The production index jumped from -11 to 12, and the shipments, news orders, and order backlog indexes also rose considerably. The employment index edged up from -13 to -4, its highest level in over a year. The finished goods inventory index edged up from -12 to -5, while the raw materials inventory index was unchanged.

Year-over-year factory indexes improved moderately but remained negative. The composite year-over-year index was rose from -19 to -15, and the production, shipments, new orders, order backlog, and employment indexes also increased slightly. The capital spending index improved from -15 to -3, its highest level in seven months. The raw materials inventory index fell from -15 to -22, while the finished goods inventory index inched higher.

Future factory indexes were mixed in June but remained generally solid. The future composite index edged up from 4 to 7, and the future order backlog and employment indexes moved back into positive territory. The future capital spending index increased from -3 to 8, and the new orders for exports index also climbed higher. The future production index was unchanged, while the future shipments and new orders indexes eased slightly. Both future inventory indexes fell further into negative territory.

Price indexes rose modestly or were unchanged in June. The month-over-month finished goods price index rose from -8 to -4, while the raw materials price index was basically unchanged. The year-over-year finished goods price index jumped from -4 to 8, and the raw materials price index also increased markedly. The future finished goods price index edged higher from -1 to 5, while the future raw materials price index was unchanged for the third straight month.

SELECTED COMMENTS

“Energy business is still very difficult. Increased and continuing costs from regulatory action (Overtime Rules, Obamacare, NLRB, etc.) are increasing the economics behind capital spending aimed at reducing our headcount and labor content of our products.”

“Orders are smaller in volume, less in frequency, lower in pricing and we have to combat with taking market share. No real economic underpinnings or tailwinds supporting us at this stage.”

“The heat has a direct reflection on our business. When it gets this hot people seem to eat less. We are starting to see that in our orders.”

“Anticipate little growth this year in our company or industry.”

“Business levels have dropped reducing the cash flow and therefore reducing capital investment.”

“Based on current backlog, we may be facing temporary layoffs unless some new orders materialize.”

“The price of oil needs to stay at or above \$50 for several months to grow confidence in large companies to spend money on large projects.”

Table 1
Summary of Tenth District Manufacturing Conditions, June 2016

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				Decrease	Increase	Change			Decrease	Increase		
Composite Index				3	2				-15				4	7
Production	37	37	26	11	12	27	24	47	-20	34	41	23	11	15
Volume of shipments	38	32	27	11	10	24	26	45	-21	28	40	26	2	7
Volume of new orders	33	37	31	2	4	26	27	44	-18	31	43	23	7	12
Backlog of orders	28	42	28	0	-3	19	33	45	-26	24	51	19	5	5
Number of employees	20	59	21	-1	-4	22	38	38	-16	24	57	17	7	13
Average employee workweek	22	60	18	4	1	15	56	28	-14	15	64	19	-4	-2
Prices received for finished product	8	79	12	-3	-4	31	45	22	8	20	62	15	5	5
Prices paid for raw materials	20	71	9	11	12	38	39	22	16	24	59	15	9	9
Capital expenditures						28	39	32	-3	25	52	20	5	8
New orders for exports	7	75	9	-2	-1	6	66	19	-13	11	68	11	0	0
Supplier delivery time	7	86	4	3	2	11	76	11	0	8	84	4	4	4
Inventories: Materials	25	49	24	1	-3	22	33	44	-22	20	49	28	-8	-7
Inventories: Finished goods	19	53	24	-5	-5	20	38	38	-18	16	52	27	-12	-11

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

Composite Index vs. a Month Ago

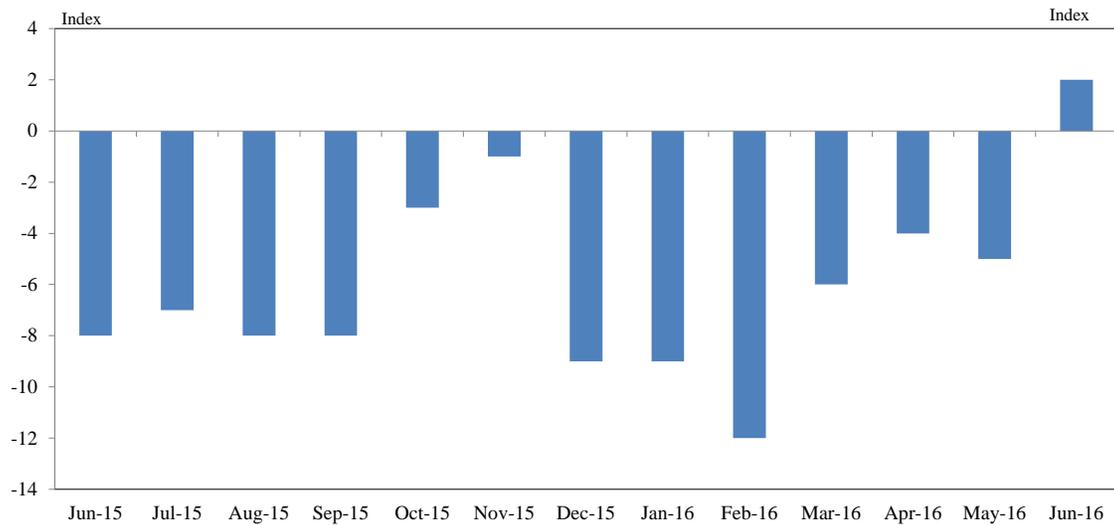


Table2
Historical Manufacturing Survey Indexes

	Jun'15	Jul'15	Aug'15	Sept'15	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16
Versus a Month Ago (seasonally adjusted)													
Composite Index	-8	-7	-8	-8	-3	-1	-9	-9	-12	-6	-4	-5	2
Production	-16	-6	-13	-1	1	0	-8	-8	-8	-14	-8	-11	12
Volume of shipments	-12	-3	-12	-5	-3	2	-7	-7	-11	-15	-6	-6	10
Volume of new orders	-5	-7	-9	-9	3	1	-6	-27	-15	-2	-2	-3	4
Backlog of orders	-16	-14	-19	-13	-7	-22	-4	-36	-17	-15	-18	-19	-3
Number of employees	-8	-17	-10	-8	-5	-9	-19	-7	-20	-12	-12	-13	-4
Average employee workweek	-11	-15	-8	-11	-6	-1	-4	-7	-14	-13	-9	-15	1
Prices received for finished product	-4	2	-10	-7	-4	-8	-7	-15	-17	-10	-6	-8	-4
Prices paid for raw materials	12	7	-8	-7	-3	-7	-13	-14	-11	-10	4	13	12
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	-6	-9	-4	-4	-7	4	-1	1	-6	-10	-4	-8	-1
Supplier delivery time	-1	2	1	-4	-1	0	2	-2	0	-1	1	4	2
Inventories: Materials	-9	-6	-10	-16	-11	3	-15	-2	-16	-2	0	-3	-3
Inventories: Finished goods	-5	-5	-6	-3	-7	-5	-17	-9	-14	0	-11	-12	-5
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-9	-10	-9	-13	-7	-5	-15	-13	-20	-18	-19	-19	-15
Production	-21	-20	-20	-16	-11	-13	-20	-15	-18	-24	-20	-31	-20
Volume of shipments	-23	-15	-22	-20	-15	-6	-19	-11	-21	-22	-20	-26	-21
Volume of new orders	-21	-11	-14	-21	-14	-7	-19	-18	-30	-18	-26	-24	-18
Backlog of orders	-20	-19	-26	-26	-25	-14	-30	-32	-30	-26	-32	-36	-26
Number of employees	-7	-16	-4	-14	-2	-8	-14	-15	-26	-20	-22	-23	-16
Average employee workweek	-16	-17	-21	-26	-13	-12	-10	-11	-19	-19	-21	-24	-14
Prices received for finished product	18	18	8	4	13	6	1	-4	-10	-4	-1	-4	8
Prices paid for raw materials	27	19	14	10	13	13	7	-8	-20	-8	-8	-1	16
Capital expenditures	5	17	8	-3	12	7	-4	-9	-10	-19	-18	-15	-3
New orders for exports	-16	-9	-16	-12	-13	-12	-15	-4	-13	-13	-19	-15	-13
Supplier delivery time	7	-2	-2	-3	-4	0	-6	0	-6	-14	-8	-4	0
Inventories: Materials	-4	-1	-5	-10	-5	4	-14	-16	-18	-12	-21	-15	-22
Inventories: Finished goods	0	-3	3	-6	-10	-5	-21	-23	-23	-14	-24	-20	-18
Expected in Six Months (seasonally adjusted)													
Composite Index	4	4	1	-10	0	6	6	5	4	-2	10	4	7
Production	12	7	5	-12	6	10	19	14	16	5	25	15	15
Volume of shipments	11	8	7	-14	6	10	14	18	20	5	27	9	7
Volume of new orders	11	13	9	-6	8	17	14	13	15	0	20	15	12
Backlog of orders	4	3	-10	-18	-1	-1	4	-2	-6	-10	-1	-6	5
Number of employees	2	5	3	-7	6	9	3	5	3	1	8	-4	13
Average employee workweek	-2	-4	-4	-13	0	0	4	-8	1	3	8	-2	-2
Prices received for finished product	13	13	6	-4	10	3	0	-6	-2	1	2	-1	5
Prices paid for raw materials	32	22	18	8	14	21	14	-4	6	5	9	9	9
Capital expenditures	14	2	0	1	-8	11	5	-1	-9	-9	-6	-3	8
New orders for exports	0	1	-4	-5	-1	-2	1	2	-1	0	1	-3	-0
Supplier delivery time	8	0	1	-2	-2	3	0	-2	-2	-1	1	-3	4
Inventories: Materials	-12	-3	-15	-23	-18	-10	-8	-6	-10	-13	-5	-4	-7
Inventories: Finished goods	-9	-4	-10	-13	-10	-5	-9	-13	-21	-10	-13	-8	-11