

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY REMAINED NEGATIVE

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

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the March 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 remained negative.

“Factories reported another decline in activity in March, although the drop was somewhat smaller than in the previous three months” said Wilkerson.

A summary of the March 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 remained negative, while producers' expectations for future activity weakened. Most price indexes edged higher in March, but remained at low levels.

The month-over-month composite index was -6 in March, up from -12 in February and -9 in January (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 in the index came from both durable and nondurable goods factories, particularly for chemicals, machinery, and nonmetallic mineral production. Activity remained weak in most District states. Most month-over-month indexes rose somewhat from the previous month. The new orders, order backlog, and employment indexes improved slightly but remained in negative territory. In contrast, the production index dropped from -8 to -14, and the shipments and new orders for exports indexes also fell. The raw materials inventory jumped from -16 to -2, and the finished goods inventory index also moved higher.

Year-over-year factory indexes were mixed but generally remained weak. The composite year-over-year index inched higher from -20 to -18, and the new orders, order backlog, and employment indexes also showed slight improvements. The production and shipments indexes decreased further, while the new orders for exports index remained unchanged at -13. The capital expenditures index declined from -10 to -19, its lowest level since December 2009. Both inventory indexes moved slightly higher.

Most future factory indexes eased somewhat in March. The future composite index edged down from 4 to -2, falling into negative territory for the first time in six months. The future production, shipments, new orders, and order backlog indexes all fell slightly but remained positive. The future employment index eased from 3 to 1, while the future capital expenditures index was unchanged at -9. The future raw materials inventory index decreased from -10 to -13, while the future finished goods inventory index moved higher.

Price indexes generally edged up in March but remained at low levels. The month-over-month finished goods price index moved up from -17 to -10, while the raw materials price index was basically unchanged. The year-over-year finished goods price index rose from -10 to -4, and the raw materials price index also increased. The future finished goods price index increased slightly from -2 to 1, while the future raw materials price index was basically unchanged.

## **SELECTED COMMENTS**

“Overall activity is a mixed bag. We continue to see declining order activity for customers associated with the oil and gas business. However we are seeing a lot of activity for potential new business opportunities. Companies are shopping around to find the lowest price suppliers to maximize their profit potential in this uncertain market.”

“Even though our exports have stayed about the same as last year, those sales are less profitable. We are trying to protect market share but have to do it with lower margins to stay competitive with non-dollar denominated competitors.”

“Stocking distributors have reduced the number of days in inventory. They are still requesting extra dating terms while purchasing less. JIT is being squeezed down to reduced shipments and greater length in payment terms. This all equals margin contribution reductions.”

“Capital spending remains constrained with little real relief on the horizon.”

“Sales force is doing a good job and production is stabilizing.”

“Business levels for all categories seem to be dropping including energy, commercial items, automotive.”

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

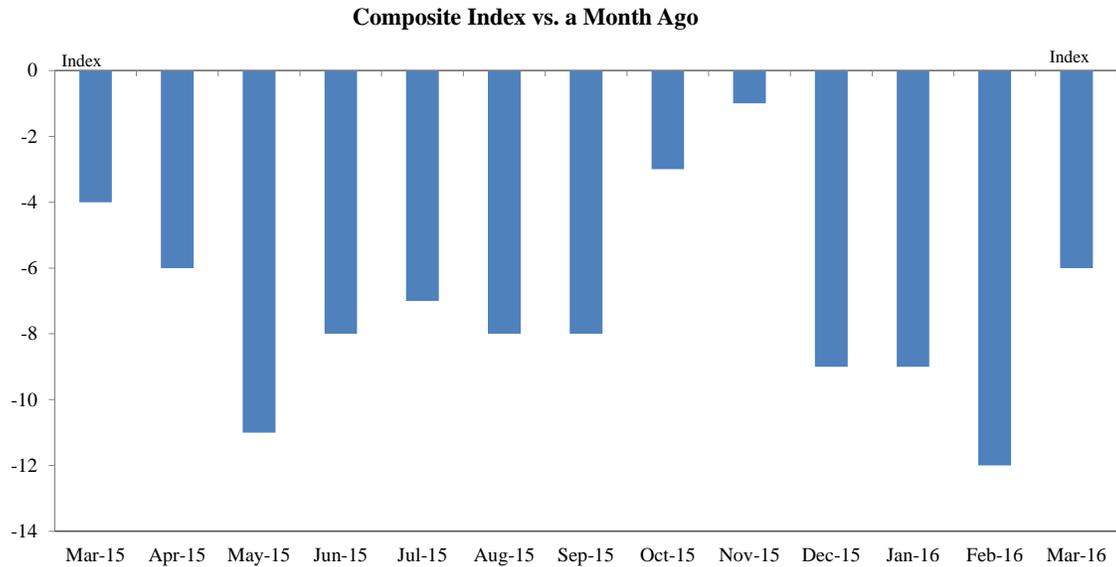
Plant Level Indicators	March vs. February (percent)*					March vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA
		Change	Decrease				Change	Decrease			Change	Decrease		
Composite Index				-3	-6				-18				-1	-2
Production	27	40	33	-7	-14	29	17	53	-24	33	37	28	6	5
Volume of shipments	29	38	33	-4	-15	29	19	51	-22	33	38	27	7	5
Volume of new orders	32	41	27	6	-2	28	26	46	-18	27	47	24	2	0
Backlog of orders	21	43	34	-13	-15	20	31	46	-26	19	51	28	-9	-10
Number of employees	13	60	26	-12	-12	24	30	44	-20	23	53	20	3	1
Average employee workweek	10	68	21	-11	-13	17	48	36	-19	20	61	17	3	3
Prices received for finished product	8	77	16	-8	-10	30	36	34	-4	21	57	21	0	1
Prices paid for raw materials	10	76	14	-4	-10	30	31	38	-8	23	57	19	4	5
Capital expenditures						19	41	38	-19	11	62	23	-12	-9
New orders for exports	4	76	11	-7	-10	7	62	20	-13	12	64	13	-1	0
Supplier delivery time	2	90	4	-2	-1	3	74	18	-14	4	87	6	-1	-1
Inventories: Materials	23	53	23	0	-2	23	41	36	-12	19	47	33	-14	-13
Inventories: Finished goods	22	50	22	0	0	21	37	36	-14	19	46	30	-11	-10

\*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 March survey included 90 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.



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

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