

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED MODESTLY

Federal Reserve Bank of Kansas City Releases May Manufacturing Survey

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the May 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.

“Regional factory activity continued to drift down in May, as weakness in energy and agriculture-related manufacturing persisted,” said Wilkerson. “Still, firms expect a modest pickup in activity later this year.”

A summary of the May 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 continued to decline modestly, while producers' expectations for future activity remained slightly positive. Most raw material price indexes rose moderately in May, but selling prices fell slightly.

The month-over-month composite index was -5 in May, which is largely unchanged from April and March readings (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Nondurable goods production slowed, particularly for food, chemical, and plastics production. On the other hand, durable goods production improved slightly but remained at low levels. Most month-over-month indexes were stable from the previous month. The production index fell from -8 to -11, while the shipments, news orders, employment and order backlog indexes were stable at low levels. The new orders for exports index decreased from -4 to -8. The raw materials inventory index eased from 0 to -3, while the finished goods inventory index was basically unchanged.

Year-over-year factory indexes were mixed, but generally remained weak. The composite year-over-year index was unchanged at -19, while the production, shipments, and order backlog indexes fell moderately. The new orders index improved slightly from -26 to -24, and the capital expenditures index also edged higher. The new orders for exports index moved up from -19 to -15, and both inventory indexes increased modestly.

Most future factory indexes slowed after improving considerably last month. The future composite index eased from 10 to 4, and the future production, shipments, and new orders indexes also slowed modestly. The future employment index fell from 8 to -4, its lowest level since September 2015. In contrast, the future capital expenditures index continued to climb higher, from -6 to -3. The future finished goods inventory index increased from -13 to -5, while the future raw materials inventory index was basically unchanged.

Price indexes were mixed in May. The month-over-month finished goods price index eased from -6 to -8, while the raw materials price index jumped from 4 to 13. The year-over-year finished goods price index fell from -1 to -4, while the raw materials price index moved higher. The future finished goods price index decreased slightly from 2 to -1, while the future raw materials price index was unchanged.

SELECTED COMMENTS

“Orders remain steady but not spectacular.”

“E & P spending is still constrained with little relief on the horizon.”

“We are showing that new orders for exports have not changed but that is because we really cut our margins in order to get some larger projects to keep our factory going. The strong dollar continues to be a problem.”

“Ag machinery production and energy continue to be in the doldrums. Normally we would start seeing an increase in agriculture activity based upon past cycles; seems like this downturn lasting longer than recent ones.”

“All things oil related are still very difficult.”

“I do not think we have hit bottom yet and the fact that raw material is edging up while sales are low is scary. We don't have any optimism yet.”

“Economy is growing in specific sectors, i.e. auto manufacturing, and maybe housing, but that is starting to bubble. Other commodity based businesses are still struggling.”

“A variety of customers are increasing capex spending. Long awaited projects are finally funded and released.”

Table 1
Summary of Tenth District Manufacturing Conditions, May 2016

Plant Level Indicators	May vs. April (percent)*					May vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{**^}	Increase	Change	Decrease	Diff Index [^]	Increase	Change	Decrease	Diff Index [^]	SA Index ^{**^}
Composite Index				-2	-5				-19				2	4
Production	29	39	32	-4	-11	24	21	55	-31	35	40	24	11	15
Volume of shipments	32	33	33	-1	-6	27	18	54	-26	33	38	26	7	9
Volume of new orders	33	33	32	1	-3	26	21	50	-24	36	38	23	13	15
Backlog of orders	21	38	38	-17	-19	19	25	55	-36	23	45	30	-7	-6
Number of employees	17	55	29	-12	-13	25	27	48	-23	23	49	26	-4	-4
Average employee workweek	7	71	19	-12	-15	11	54	35	-24	17	62	19	-2	-2
Prices received for finished product	5	81	13	-8	-8	24	46	27	-4	19	61	19	0	-1
Prices paid for raw materials	21	70	7	14	13	31	35	32	-1	25	55	17	8	9
Capital expenditures						24	36	39	-15	21	49	25	-4	-3
New orders for exports	6	74	14	-8	-8	8	63	24	-15	14	63	17	-2	-3
Supplier delivery time	7	86	4	4	4	7	79	11	-4	7	79	10	-2	-3
Inventories: Materials	21	57	21	0	-3	21	42	37	-15	20	51	26	-6	-4
Inventories: Finished goods	13	61	23	-10	-12	18	39	38	-20	17	50	26	-10	-8

*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 May survey included 84 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

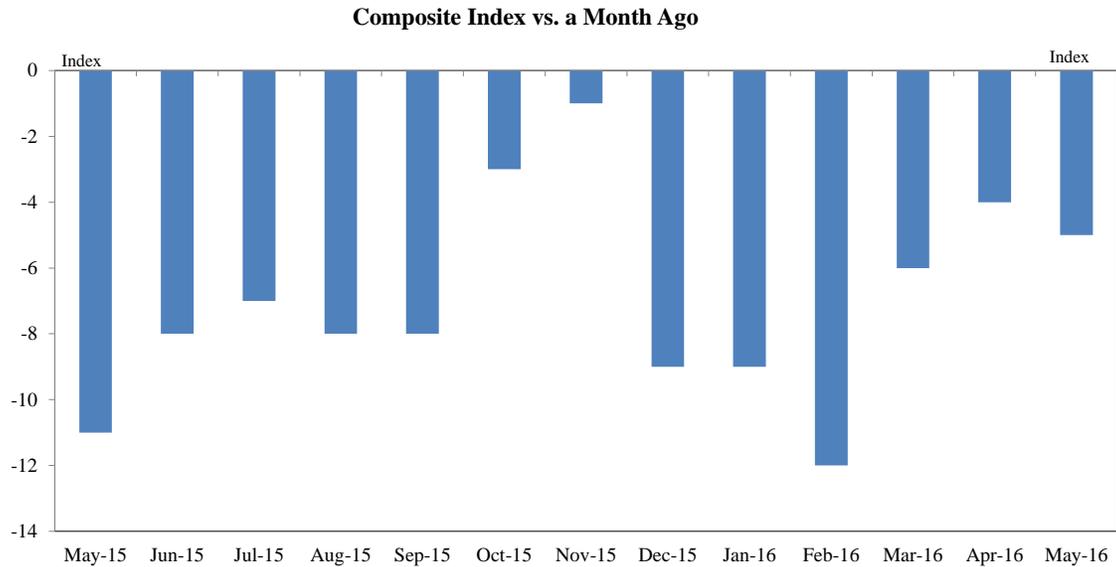


Table2
Historical Manufacturing Survey Indexes

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