

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED SLIGHTLY *Federal Reserve Bank of Kansas City Releases November Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the November 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 expanded slightly.

“Factory activity in our region rose for the third straight month in November, following a year and a half of near constant declines,” said Wilkerson. “Firms also remained optimistic about future activity.”

A summary of the November 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 expanded slightly, and producers' expectations for future activity remained solid. Price indexes increased moderately in November.

The month-over-month composite index was 1 in November, down from 6 in October and September (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Durable goods production continued to grow modestly, while nondurable goods activity fell moderately, particularly for food and plastics products. Most month-over-month indexes slowed somewhat in November. The production index decreased from 18 to 9, and the shipments, new orders, and order backlog indexes also dropped. The employment index eased from 7 to 1, still the second highest reading in over a year. The finished goods inventory index fell from -9 to -13, while the raw materials inventory index was unchanged.

Most year-over-year factory indexes remained below zero. The composite year-over-year index was basically unchanged at -10, while the production, new orders, and order backlog indexes fell further into negative territory. The shipments index was unchanged, while the employment index inched higher from -14 to -11. The capital expenditures index improved somewhat from -7 to -1, while the new orders for exports index remained generally stable. The raw materials inventory index increased from -19 to -15, and the finished goods inventory index also moved higher.

Expectations for future factory activity were mixed, but remained generally solid. The future composite index moderated from 18 to 12, and the future production, shipments, and employment indexes also fell from year-long highs. However, the future new orders and order backlog indexes rose moderately, and the future capital spending index jumped from 8 to 19. The future raw materials inventory index dropped from 13 to 2, and the future finished goods index also decreased considerably.

Price indexes increased in November. The month-over-month finished goods price index edged higher from -5 to -2, and the raw materials price index jumped from 0 to 16. The year-over-year finished goods price index moved higher from 1 to 10, and the raw materials price rose slightly. The future finished goods price index inched higher from 8 to 11, and the future raw materials price index also increased.

## **SELECTED COMMENTS**

“Business levels are increasing slightly. We hope that customers will make purchasing decisions now that the presidential election has occurred.”

“Business continues to be challenging, especially into the winter months. Our major projects have been generally aimed at reducing labor content / headcount. We have been dealing with massive increases in healthcare costs.”

“Though the total volume of work for this fiscal year will be down about 10-15% the last two months have almost doubled last year’s same months. The end of the year is finishing stronger than expected.”

“It has been a strong 4th quarter so far. Mild weather has helped as people are still going out to eat so our business remains steady. We are looking for a strong holiday season.”

“Finding quality applicants is our biggest restraint in hiring new employees. Raised wages to attract employees, but this has lowered our already slim profit margin.”

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

Plant Level Indicators	November vs. October (percent)*					November vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>**^</sup>	Increase	Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>**^</sup>
Composite Index				0	1				-10				16	12
Production	30	46	23	6	9	26	26	47	-21	47	36	16	31	24
Volume of shipments	27	44	25	2	7	28	22	48	-20	47	33	17	30	23
Volume of new orders	28	44	25	4	6	35	21	42	-7	44	35	19	26	27
Backlog of orders	20	57	21	-1	-2	23	37	36	-12	32	43	20	12	10
Number of employees	19	63	17	1	1	32	23	43	-11	28	52	17	11	5
Average employee workweek	14	65	20	-6	-8	22	44	31	-9	23	59	15	9	6
Prices received for finished product	5	84	10	-5	-2	32	44	22	10	25	59	14	11	11
Prices paid for raw materials	15	80	4	11	16	37	44	17	20	32	57	9	23	25
Capital expenditures						28	41	30	-1	30	57	10	20	19
New orders for exports	7	77	7	0	0	9	63	20	-11	14	69	6	7	6
Supplier delivery time	4	88	4	0	0	9	81	5	4	9	83	5	4	4
Inventories: Materials	14	58	26	-12	-11	21	42	36	-15	27	51	20	7	2
Inventories: Finished goods	12	59	25	-12	-13	21	47	27	-6	17	58	19	-1	-3

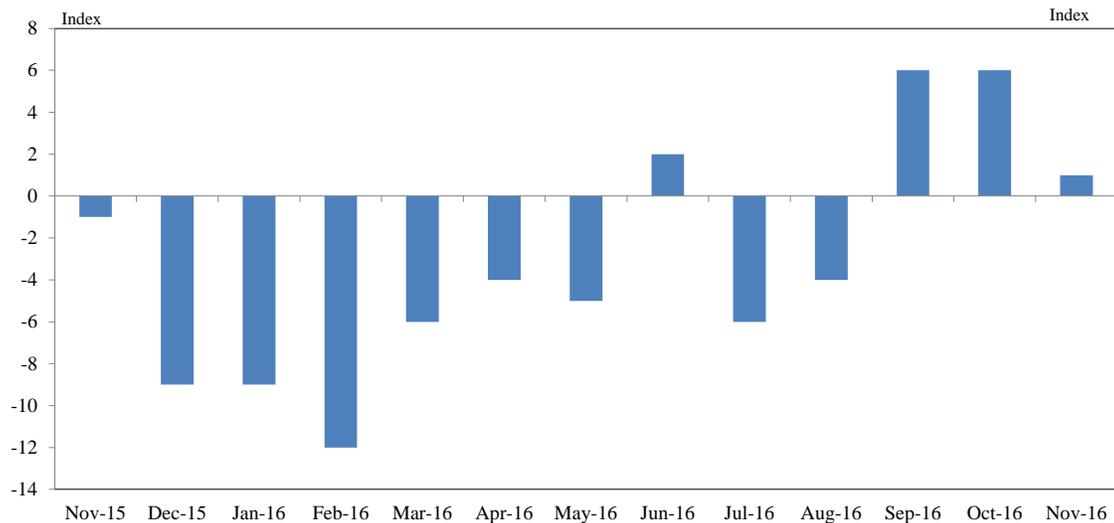
\*Percentage may not add to 100 due to rounding

<sup>^</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

<sup>\*\*^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The November survey included 81 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**

	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16
Versus a Month Ago (seasonally adjusted)													
Composite Index	-1	-9	-9	-12	-6	-4	-5	2	-6	-4	6	6	1
Production	0	-8	-8	-8	-14	-8	-11	12	-15	-7	15	18	9
Volume of shipments	2	-7	-7	-11	-15	-6	-6	10	-17	-4	16	20	7
Volume of new orders	1	-6	-27	-15	-2	-2	-3	4	-5	-7	12	14	6
Backlog of orders	-22	-4	-36	-17	-15	-18	-19	-3	-3	-4	0	4	-2
Number of employees	-9	-19	-7	-20	-12	-12	-13	-4	-5	-10	-3	7	1
Average employee workweek	-1	-4	-7	-14	-13	-9	-15	1	7	4	5	8	-8
Prices received for finished product	-8	-7	-15	-17	-10	-6	-8	-4	-11	-7	-7	-5	-2
Prices paid for raw materials	-7	-13	-14	-11	-10	4	13	12	10	7	2	0	16
Capital expenditures	n/a												
New orders for exports	4	-1	1	-6	-10	-4	-8	-1	-7	-10	-4	3	0
Supplier delivery time	0	2	-2	0	-1	1	4	2	3	3	-3	3	0
Inventories: Materials	3	-15	-2	-16	-2	0	-3	-3	-7	-1	8	-11	-11
Inventories: Finished goods	-5	-17	-9	-14	0	-11	-12	-5	5	-2	0	-9	-13
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-5	-15	-13	-20	-18	-19	-19	-15	-15	-12	-9	-11	-10
Production	-13	-20	-15	-18	-24	-20	-31	-20	-22	-22	-10	-16	-21
Volume of shipments	-6	-19	-11	-21	-22	-20	-26	-21	-28	-21	-10	-20	-20
Volume of new orders	-7	-19	-18	-30	-18	-26	-24	-18	-22	-14	-13	-3	-7
Backlog of orders	-14	-30	-32	-30	-26	-32	-36	-26	-26	-18	-18	-8	-12
Number of employees	-8	-14	-15	-26	-20	-22	-23	-16	-12	-15	-15	-14	-11
Average employee workweek	-12	-10	-11	-19	-19	-21	-24	-14	-13	-11	-4	-11	-9
Prices received for finished product	6	1	-4	-10	-4	-1	-4	8	12	1	-3	1	10
Prices paid for raw materials	13	7	-8	-20	-8	-8	-1	16	7	-4	-2	14	20
Capital expenditures	7	-4	-9	-10	-19	-18	-15	-3	-14	-13	-4	-7	-1
New orders for exports	-12	-15	-4	-13	-13	-19	-15	-13	-13	-13	-8	-10	-11
Supplier delivery time	0	-6	0	-6	-14	-8	-4	0	-3	-1	-5	-1	4
Inventories: Materials	4	-14	-16	-18	-12	-21	-15	-22	-14	-10	-4	-19	-15
Inventories: Finished goods	-5	-21	-23	-23	-14	-24	-20	-18	-5	-14	-7	-16	-6
Expected in Six Months (seasonally adjusted)													
Composite Index	6	6	5	4	-2	10	4	7	14	11	10	18	12
Production	10	19	14	16	5	25	15	15	25	17	15	32	24
Volume of shipments	10	14	18	20	5	27	9	7	18	17	17	32	23
Volume of new orders	17	14	13	15	0	20	15	12	30	23	24	16	27
Backlog of orders	-1	4	-2	-6	-10	-1	-6	5	16	11	11	5	10
Number of employees	9	3	5	3	1	8	-4	13	6	12	14	21	5
Average employee workweek	0	4	-8	1	3	8	-2	-2	7	0	7	4	6
Prices received for finished product	3	0	-6	-2	1	2	-1	5	13	17	7	8	11
Prices paid for raw materials	21	14	-4	6	5	9	9	9	17	17	26	19	25
Capital expenditures	11	5	-1	-9	-9	-6	-3	8	3	5	14	8	19
New orders for exports	-2	1	2	-1	0	1	-3	0	1	1	6	1	6
Supplier delivery time	3	0	-2	-2	-1	1	-3	4	4	7	5	6	4
Inventories: Materials	-10	-8	-6	-10	-13	-5	-4	-7	4	-4	-7	13	2
Inventories: Finished goods	-5	-9	-13	-21	-10	-13	-8	-11	3	-8	-5	7	-3