

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY REBOUNDED MODERATELY *Federal Reserve Bank of Kansas City Releases September Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the September 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 increased moderately.

“For the second time in four months we had a positive reading on our composite index,” said Wilkerson. “This followed 15 straight months of contraction and suggests regional factory activity may be stabilizing.”

A summary of the September 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 rebounded moderately in September, and producers' expectations for future activity remained positive. The price indexes were mixed.

The month-over-month composite index was 6 in September, up from -4 in August and -6 in July (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Non-durable goods activity grew modestly, while durable goods production grew strongly, particularly for machinery and metals production. Most month-over-month indexes improved markedly in September. The production index climbed from -7 to 15, and the shipments and new orders indexes also rose considerably. The employment, new export orders, order backlog indexes were modestly higher, while the supplier delivery time index fell into negative territory. The raw materials inventory index rose from -1 to 8, and the finished goods inventory index inched higher.

Year-over-year factory indexes improved further but remained below zero. The composite year-over-year index inched higher from -12 to -9, and the new orders and new orders for exports indexes also rose somewhat. The production, shipments, and capital spending indexes were moderately higher, while the employment and order backlog indexes were unchanged. The supplier delivery time index eased to -5. The raw materials inventory index increased from -10 to -4, and the finished goods inventory index moved up to -7.

Most future factory indexes remained positive. The future composite index inched lower from 11 to 10, and the future production and supplier delivery time indexes were also slightly lower. However, the future capital spending index jumped to 14, the highest in over a year, and the future new orders for exports and employee workweek indexes rose modestly. The future employment and new orders indexes also edged higher, while the future shipments and order backlog indexes stayed flat. The future raw materials inventory index edged down -7, while the future finished goods index rose from -8 to -5.

Price indexes remained mixed in September. The month-over-month finished goods price index was unchanged at -7, while the raw materials price index edged lower again. The year-over-year finished goods price index fell into negative territory, while the raw materials price index rose slightly from -4 to -2. The future finished goods price index declined from 17 to 7, while the future raw materials price index increased to 26.

SELECTED COMMENTS

“Export business has decreased dramatically. New orders for export business is down 60%. Oil demand and oil prices continue to fall which is having a lasting negative effect on business.”

“Wages are rising - employees are starting to look around for better paying jobs or jobs that pay the same but are closer to home.”

“Business has improved in both the export sector and local markets except for industrial (oil and gas and agriculture).”

“Unemployment is extremely low and just attracting applicants is very difficult. Manufacturing jobs for younger workers are not appealing and retaining newly hired employees has been tough. Offering an attractive wage while still trying to maintain an acceptable margin is becoming more and more difficult.”

“Our biggest challenge is finding the skilled labor force that will work consistently. Everyone always has an eye out for the next best job.”

“We have not had a layoff due to our aging workforce; we don't replace the retirees. We are a smaller company through attrition. Current employees just divide up the workload of the unfilled position.”

“We have initiated a performance bonus program and are trying to give people more flexibility in time off away from the office / plant to attract and retain workers.”

Table 1
Summary of Tenth District Manufacturing Conditions, September 2016

Plant Level Indicators	September vs. August (percent)*					September vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^	SA Index**^	Increase	Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index**^
Composite Index				5	6				-9				11	10
Production	37	40	23	14	15	34	22	44	-10	42	36	22	20	15
Volume of shipments	36	41	21	15	16	33	22	43	-10	42	36	20	22	17
Volume of new orders	34	42	24	10	12	32	23	45	-13	41	43	16	24	24
Backlog of orders	25	48	25	0	0	21	38	38	-18	27	53	16	11	11
Number of employees	22	53	24	-2	-3	30	24	45	-15	27	56	15	12	14
Average employee workweek	19	67	13	5	5	21	52	25	-4	20	66	13	7	7
Prices received for finished product	5	82	12	-7	-7	24	48	27	-3	19	68	11	8	7
Prices paid for raw materials	16	68	14	2	2	34	29	36	-2	36	47	13	23	26
Capital expenditures						31	32	35	-4	30	49	16	13	14
New orders for exports	9	69	12	-3	-4	11	60	19	-8	14	65	10	4	6
Supplier delivery time	4	87	7	-2	-3	10	73	15	-5	9	82	4	4	5
Inventories: Materials	21	62	18	3	8	27	38	32	-4	19	54	25	-7	-7
Inventories: Finished goods	19	58	19	0	0	23	41	30	-7	19	54	23	-4	-5

*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 September survey included 91 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

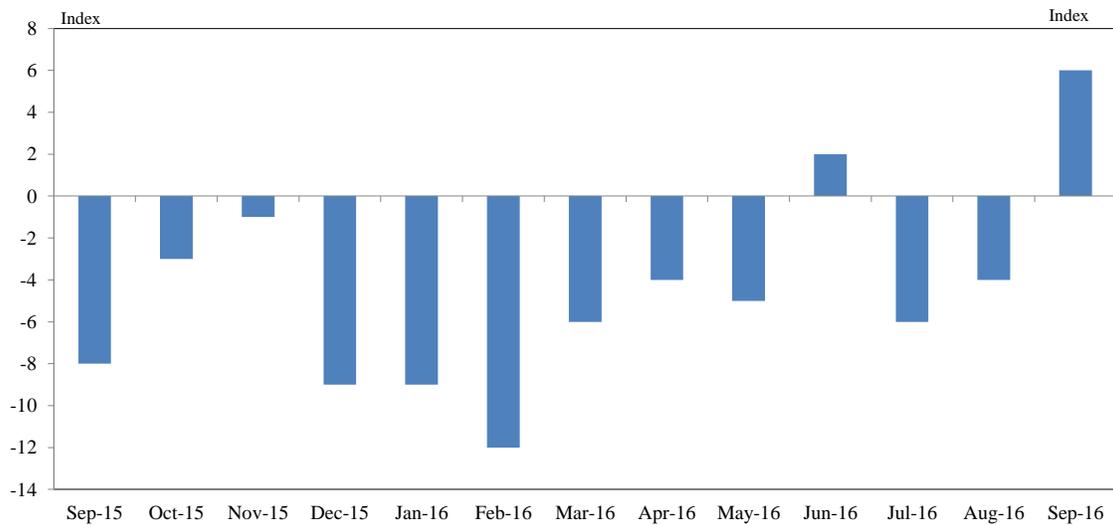


Table2
Historical Manufacturing Survey Indexes

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