

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Thursday, August 24, 2017  
EMBARGOED FOR 10 A.M. CENTRAL TIME  
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## TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED MODERATELY *Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the August 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 at a faster pace and expectations remained solid.

“Factories reported acceleration in activity in August to the fastest pace since March,” said Wilkerson. “Many firms also reported plans to raise finished goods prices in coming months.”

A summary of the August 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 at a faster pace in August, and expectations for future activity also remained solid. Price indexes rose across the board, especially the expectations index for finished goods prices.

The month-over-month composite index was 16 in July, up from 10 in July and 11 in June (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory activity increased solidly at durable goods plants, particularly for electronics, metals, and aircraft products, while nondurable goods activity rose more modestly. Most month-over-month indexes increased over the previous month. The production index jumped from 4 to 22, and shipments, new orders, and order backlog indexes rebounded strongly after falling last month. The employment index has remained basically unchanged for the past three months, while the new orders for exports index edged higher. The finished goods inventory index fell from 7 to 2, while the raw materials inventory index was unchanged.

The year-over-year factory indexes were mixed in August. The composite index was unchanged at 23, while the production, shipments, new orders, and order backlog indexes eased slightly but remained well above zero. However, the employment index was stable at 22, and the capital expenditures index rose from 15 to 21. The raw materials inventory index increased from 10 to 18, while the finished goods inventory index was basically unchanged.

Expectations for future factory activity edged higher after easing slightly last month, and remained solid overall. The future composite index rose from 19 to 23, and the future production, shipments, new orders, and order backlog indexes all increased slightly. The future employment index was unchanged at 26, while the future capital expenditures index inched higher from 16 to 18. The future raw materials inventory index decreased from 4 to -2, and the future finished goods inventory index also fell into negative territory.

Price indexes increased in August. The month-over-month finished goods price index edged up from 5 to 8, and the raw materials price index also inched higher. The year-over-year finished goods price index rose from 20 to 29, and the year-over-year raw materials price index also increased slightly. The future finished goods price index jumped from 13 to 34, and the future raw materials price index moved slightly higher.

## **SELECTED COMMENTS**

“We are seeing our yearly increase in business and it looks like it should be stronger than last year as long as nothing changes drastically to the economy. We are feeling confident going into the end of the 3rd quarter and start of the 4th.”

“It is difficult to find entry level employees that want to work the night shifts. Skilled workers are extremely difficult to find. Our educational system needs to be revamped to meet the job opportunities that are available. We need more technical schools to meet this demand.”

“Health insurance premiums increased 22% in current year. Next year may be too expensive to maintain coverage for employees.”

“If trends continue this could be a record year for sales.”

“Customers have become conservative in their purchasing. Supplier price increases are not driven by demand, but from increasing input costs.”

“Supplier capacity is increasing again after being very tight for the prior 6-12 months. Automotive capital spending is leveling off or decreasing as they finish a lot of their major program updates.”

“Too much world-wide capacity prevents us from raising prices, yet costs continue to increase, with the most extreme example being health care insurance. The price from the same insurer for the same plan has increased 80% in 7 years.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, August 2017**

Plant Level Indicators	August vs. July (percent)*					August vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index <sup>^</sup>	Index <sup>**^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Index <sup>**^</sup>
Composite Index				14	16				23				21	23
Production	37	42	22	15	22	55	17	28	27	52	28	20	32	38
Volume of shipments	41	37	23	18	23	58	13	29	29	50	29	21	29	38
Volume of new orders	43	38	20	23	25	56	15	29	27	53	29	18	35	39
Backlog of orders	31	51	18	13	13	43	32	25	18	35	46	19	16	19
Number of employees	28	58	15	13	14	47	28	25	22	38	49	14	24	26
Average employee workweek	25	59	15	10	9	35	49	15	20	19	62	19	0	1
Prices received for finished product	15	76	9	6	8	44	42	14	29	39	55	6	33	34
Prices paid for raw materials	27	68	5	22	21	57	34	9	48	46	47	6	40	39
Capital expenditures						41	39	20	21	31	52	17	14	18
New orders for exports	11	82	8	3	4	22	64	13	9	13	77	9	4	4
Supplier delivery time	13	85	3	10	10	27	69	4	23	22	72	6	15	14
Inventories: Materials	26	59	15	11	10	43	33	25	18	25	48	28	-2	-2
Inventories: Finished goods	19	64	17	3	2	33	40	27	6	23	49	27	-4	-6

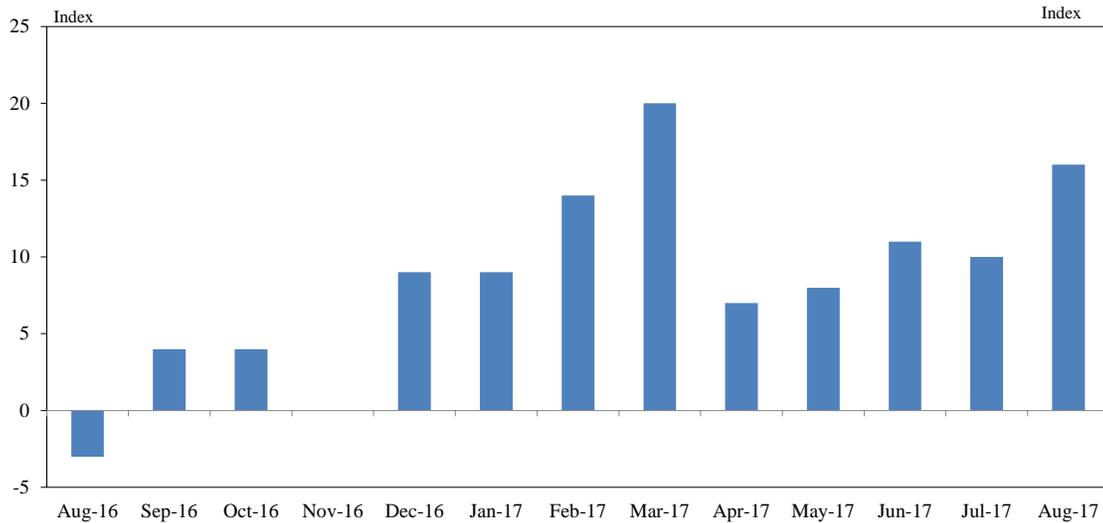
\*Percentage may not add to 100 due to rounding

<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 August survey included 80 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**

	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17
Versus a Month Ago (seasonally adjusted)													
Composite Index	-3	4	4	0	9	9	14	20	7	8	11	10	16
Production	-4	11	12	5	18	20	11	37	12	-1	23	4	22
Volume of shipments	-3	12	18	4	8	20	16	35	11	3	23	-2	23
Volume of new orders	-5	9	9	5	5	20	26	32	8	9	4	10	25
Backlog of orders	-5	-2	3	-1	4	14	19	21	7	12	-6	-1	13
Number of employees	-8	-4	3	-1	8	6	17	13	9	11	15	15	14
Average employee workweek	3	4	5	-9	3	9	15	13	-4	1	7	1	9
Prices received for finished product	-7	-7	-6	-4	10	0	1	9	5	8	-2	5	8
Prices paid for raw materials	6	2	2	12	28	24	26	28	34	17	16	18	21
Capital expenditures	n/a												
New orders for exports	-8	-4	0	-3	-4	-5	9	2	4	4	3	-2	4
Supplier delivery time	3	-1	3	0	7	4	6	2	5	14	8	10	10
Inventories: Materials	-2	6	-9	-7	4	-3	11	16	4	4	2	10	10
Inventories: Finished goods	-3	-2	-7	-14	0	-4	5	17	8	0	-2	7	2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-12	-10	-11	-10	0	7	6	14	13	18	28	23	23
Production	-22	-10	-16	-21	0	11	3	17	18	20	43	28	27
Volume of shipments	-21	-10	-20	-20	1	7	7	14	16	16	39	33	29
Volume of new orders	-14	-13	-3	-7	4	20	14	30	15	27	35	37	27
Backlog of orders	-18	-18	-8	-12	-5	5	10	16	18	26	19	21	18
Number of employees	-15	-15	-14	-11	-5	3	-2	17	14	18	24	22	22
Average employee workweek	-11	-4	-11	-9	5	-4	-3	6	0	13	11	15	20
Prices received for finished product	1	-3	1	10	17	13	13	26	29	16	15	20	29
Prices paid for raw materials	-4	-2	14	20	24	31	28	37	48	44	47	44	48
Capital expenditures	-13	-4	-7	-1	2	-2	14	12	5	16	12	15	21
New orders for exports	-13	-8	-10	-11	-5	-1	-1	4	10	5	7	0	9
Supplier delivery time	-1	-5	-1	4	7	5	10	6	13	15	15	19	23
Inventories: Materials	-10	-4	-19	-15	-9	-3	3	1	3	8	22	10	18
Inventories: Finished goods	-14	-7	-16	-6	-10	-3	-4	4	-2	16	10	7	6
Expected in Six Months (seasonally adjusted)													
Composite Index	11	11	16	11	17	27	29	32	17	30	25	19	23
Production	18	18	30	23	29	50	42	51	28	50	42	29	38
Volume of shipments	17	19	30	21	28	47	39	53	27	44	37	34	38
Volume of new orders	22	23	16	24	34	41	36	43	15	46	39	25	39
Backlog of orders	10	9	5	9	25	35	13	29	12	29	12	10	19
Number of employees	11	13	18	5	11	31	30	43	26	24	32	26	26
Average employee workweek	1	6	3	5	14	22	19	11	6	18	10	17	1
Prices received for finished product	16	7	7	9	21	21	21	27	24	23	21	13	34
Prices paid for raw materials	16	21	18	20	37	38	53	59	45	37	49	36	39
Capital expenditures	5	11	7	13	9	19	27	34	11	23	16	16	18
New orders for exports	1	5	1	5	3	4	13	9	10	17	11	0	4
Supplier delivery time	6	5	5	4	5	5	16	12	13	21	11	14	14
Inventories: Materials	-3	-3	12	1	4	7	20	8	4	10	0	4	-2
Inventories: Finished goods	-8	-6	4	-3	1	7	23	4	12	14	7	17	-6