

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED FURTHER *Federal Reserve Bank of Kansas City Releases February Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the February 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 further with continued strong expectations.

“This was the highest reading for our month-over-month composite index since June 2011,” said Wilkerson. “In addition, the future composite index was the highest since our survey switched to a monthly frequency in 2001.”

A summary of the February 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 expanded further in February to its highest composite reading since June 2011, and producers' expectations for future activity remained very strong. Most price indexes recorded little change, with the exception of expected input prices which increased markedly.

The month-over-month composite index was 14 in February, its highest reading since June 2011, up from 9 in both January and December (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity in both durable and nondurable goods plants increased, particularly for metals, machinery, computer, and electronic products. Most month-over-month indexes improved moderately in February. The new orders, order backlog, and employment indexes all edged higher, and the new orders for exports index moved into positive territory for the first time in over a year. On the other hand, the production and shipments indexes eased slightly but remained at solid levels. The finished goods inventory index rose from -4 to 5, and the raw materials inventory index also moved into positive territory.

Most year-over-year factory indexes remained stable after rising in recent months. The composite year-over-year index was largely unchanged at 6, and the shipments and new orders for exports indexes also recorded little change. The production index fell from 11 to 3, and the new orders and employment index also edged lower. In contrast, the order backlog index rose modestly, and the capital expenditures index jumped from -2 to 14. The raw materials inventory index increased from -3 to 3, while the finished goods inventory index remained unchanged.

Expectations for future factory activity remained at very strong levels. The future composite index moved higher from 27 to 29, its highest reading since the survey moved to a monthly frequency in 2001. The future production, shipments, and new orders indexes eased slightly from the twelve-year highs recorded last month. The future employment index was basically unchanged at 30, while the future capital expenditures index increased from 19 to 27, its highest level in eleven years. The future raw materials inventory index increased from 7 to 20, and the future finished goods index also rose.

Price indexes were mostly unchanged in February. The month-over-month finished goods price index moved slightly higher from 0 to 1, and the raw materials price index also edged up. The year-over-year raw materials price index eased from 31 to 28, while the finished goods price index was unchanged. The future raw materials price index jumped from 38 to 53, while the future finished goods price index remained the same.

SELECTED COMMENTS

“Highest order levels seen since 2010.”

“Overall, our business has significantly rebounded after the election in November. It was simply like a switch was flipped. Many customers are hopeful of less regulation under this Administration. Our backlog in most shops is now out to June and includes a growth in foreign business.”

“There are still too many unknowns related to future import costs. Such as, would raw/unfinished items needing further processing be treated differently than if importing a completely finished product?”

“Since December our industry has had significant increases in activity and January invoicing was the highest in over three years with more backlog of work than in recent memory.”

“The year started off great and has slowed down. It could be in part to the warm weather in the Midwest. Farm economy is coming into play for us.”

“During this strong economic cycle, our pricing power may enable us to pass the increased costs onto consumers. As the business cycle weakens, we may lose the pricing power and see an accelerated erosion of profits due to the increased cost of imports.”

“Our growth plans have been put on hold until we have more confidence in the market long term.”

Table 1
Summary of Tenth District Manufacturing Conditions, February 2017

Plant Level Indicators	February vs. January (percent)*					February 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				13	14				6				27	29
Production	34	42	23	11	11	41	21	38	3	59	21	18	41	42
Volume of shipments	37	40	22	14	16	44	18	38	7	58	22	18	40	39
Volume of new orders	39	46	14	24	26	46	21	31	14	52	24	18	34	36
Backlog of orders	36	44	18	18	19	34	39	24	10	33	36	20	13	13
Number of employees	27	60	13	13	17	36	27	38	-2	43	38	17	27	30
Average employee workweek	21	66	11	10	15	27	40	30	-3	33	48	14	19	19
Prices received for finished product	8	86	6	2	1	30	50	17	13	29	58	9	20	21
Prices paid for raw materials	28	69	3	24	26	44	38	17	28	49	46	3	46	53
Capital expenditures						32	48	18	14	39	42	13	26	27
New orders for exports	13	74	6	8	9	16	61	17	-1	19	62	9	10	13
Supplier delivery time	10	81	6	4	6	17	72	7	10	18	70	3	14	16
Inventories: Materials	23	64	11	12	11	30	38	27	3	33	48	14	19	20
Inventories: Finished goods	21	59	17	4	5	26	38	30	-4	32	50	11	21	23

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

Composite Index vs. a Month Ago

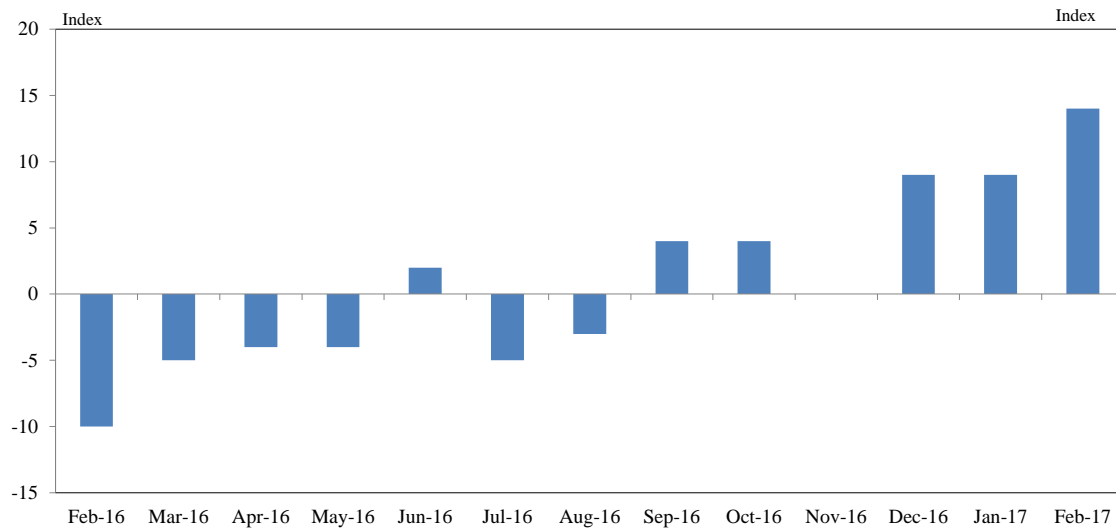


Table2
Historical Manufacturing Survey Indexes

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