

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY CONTINUED TO EXPAND MODERATELY *Federal Reserve Bank of Kansas City Releases January Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the January 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 continued to expand moderately with strong expectations for future activity.

“We had another solid composite index reading in January, and firms’ expectations for future activity were the highest in more than twelve years,” said Wilkerson.

The January survey incorporates new seasonal adjustment factors, so historical indexes differ slightly from previously-released numbers. The new seasonal factors will be used throughout 2017. 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 continued to expand moderately, and producers' expectations for future activity increased considerably. Most price indexes recorded little change, with the exception of current selling prices which fell modestly.

The month-over-month composite index was 9 in January, unchanged from 9 in December but up from 0 in November (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 durable goods plants increased moderately, particularly for metals, electronics, and machinery, while nondurable goods plants expanded at a slower pace with food production falling considerably. Most month-over-month indexes improved slightly in January. The production index moved slightly higher from 18 to 20, and the shipments, new orders, and order backlog indexes also increased. The employment index moderated somewhat from 8 to 6, and the new orders for exports index remained negative. The finished goods inventory index decreased from 0 to -4, and the raw materials inventory index also fell into negative territory.

Most year-over-year factory indexes increased considerably. The composite year-over-year index rose from 0 to 7, and the production, shipments, and new orders indexes recorded their highest levels in over two years. The order backlog index jumped from -5 to 5, and the employment index also moved into positive territory. In contrast, the capital expenditures index inched lower from 2 to -2, and the new orders for exports index continued to decline. The raw materials inventory index increased from -9 to -3, and the finished goods inventory index also rose.

Expectations for future factory activity continued to increase sharply. The future composite index jumped from 17 to 27, and the future production, shipments, and new orders indexes reached their highest levels in over twelve years. The future employment index increased markedly from 11 to 31, and the future capital expenditures index rose moderately. The future raw materials inventory index increased slightly, and the future finished goods index also moved higher.

Price indexes were mostly unchanged in January. The month-over-month finished goods price index fell from 10 to 0, and the raw materials price index also eased slightly. The year-over-year finished goods price index moderated from 17 to 13, while the raw materials price edged higher. Both the future finished goods price index and the future raw materials price index were basically unchanged from the previous month.

## **SELECTED COMMENTS**

“Our backlog has increased significantly since just the end of the year. New budgets and higher oil and gas prices have added optimism in our industry.”

“We still feel good going into the New Year. Business is steady and actually a little better than last year at this time. Weather has not had much of an effect on our business this year.”

“Cold weather has slowed down our efforts”

“A very strong December and is being followed up with a great start to January. We are looking at adding employees for the first time in two years.”

“Thinking positively about 2017, know more by mid-year. We have invested in '15, '16 and '17 to upgrade processing equipment capable of better quality and more efficiency. We can't afford to get behind the ‘power curve’ with machinery replacement and we can't afford to be wrong about future business either.”

“We are hoping that with the election out of the way, things will get busy. However, a trade war would be devastating as so much of our raw material comes from overseas.”

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

Plant Level Indicators	January vs. December (percent)*					January 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				9	9				7				28	27
Production	34	46	20	14	20	43	24	32	11	60	27	11	49	50
Volume of shipments	33	49	18	15	20	40	26	33	7	62	25	12	49	47
Volume of new orders	34	52	14	20	20	40	40	20	20	53	34	11	42	41
Backlog of orders	32	46	20	12	14	31	40	25	5	41	45	11	30	35
Number of employees	23	59	18	5	6	34	34	31	3	40	49	9	31	31
Average employee workweek	19	63	16	2	9	19	56	23	-4	33	55	10	23	22
Prices received for finished product	9	82	9	0	0	31	51	18	13	27	62	10	18	21
Prices paid for raw materials	29	68	3	25	24	46	37	15	31	47	46	7	41	38
Capital expenditures						25	44	27	-2	26	59	10	16	19
New orders for exports	7	78	9	-2	-5	9	73	10	-1	13	70	9	4	4
Supplier delivery time	9	85	3	5	4	10	85	4	5	10	84	4	5	5
Inventories: Materials	19	62	19	0	-3	26	44	30	-3	29	55	14	14	7
Inventories: Finished goods	19	55	21	-2	-4	22	48	25	-3	21	62	12	9	7

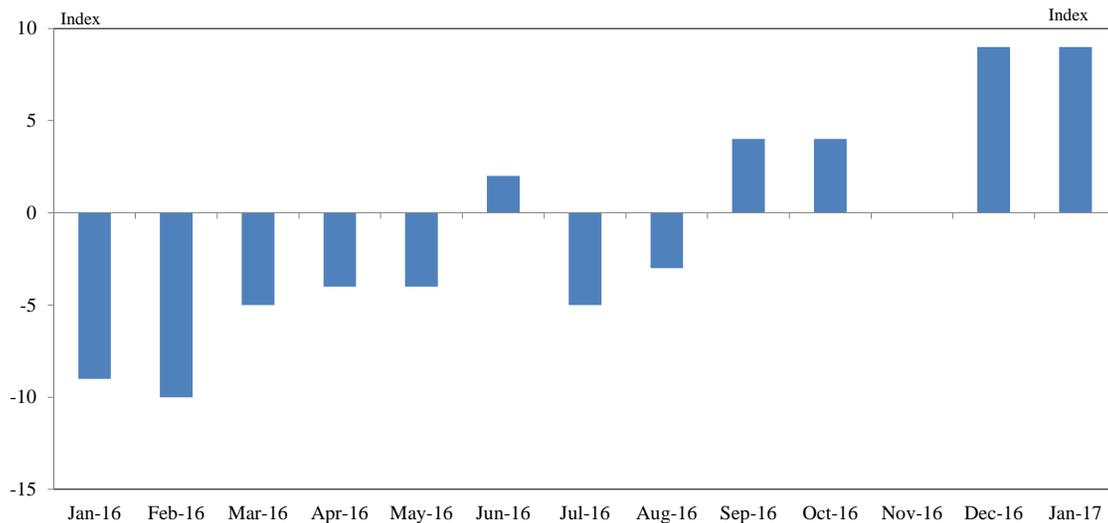
\*Percentage may not add to 100 due to rounding

^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 January 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**

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