

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

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CONTACT: Pam Campbell
405-270-8617
Pam.Campbell@kc.frb.org

TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED MODERATELY *Federal Reserve Bank of Kansas City Releases July Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the July 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 moderately with solid expectations for future activity.

“We’ve now seen four months of steady gains following more rapid growth in factory activity earlier this year,” said Wilkerson. “Firms overall seem confident that moderate growth will continue.”

A summary of the July 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 moderately again, and expectations for future activity eased slightly but remained positive. Price indexes remained mixed, with modest increases in finished goods prices.

The month-over-month composite index was 10 in July, down slightly from 11 in June but up from 8 in May (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 moderately at non-durable goods plants, particularly for chemicals and plastics, while durable activity moderated somewhat. Month-over-month indexes were mixed. The production index tumbled from 23 to 4, and the shipments index fell into negative territory for the first time since August 2016. Conversely, the employment index remained solid, while the new orders index rose modestly, and the order backlog index also increased but remained negative. The raw materials inventory index rose slightly, and the finished good inventory index increased back into positive territory.

The year-over-year factory indexes were mixed in July. The year-over-year production index declined from 43 to 28, and the composite, shipment, new orders for exports, and employment indexes eased modestly. However, the new orders, order backlog, and capital expenditures indexes moved slightly higher. The raw materials inventory index fell moderately, while the finished goods inventory index inched down from 10 to 7.

Expectations for future factory activity edged down but remained positive. The future composite index fell from 25 to 19, and the future production and new orders indexes also decreased moderately but remained in positive territory. The future employment, shipments, and order backlog indexes inched lower. In contrast, the future capital expenditures index remained unchanged, while the future employee workweek index increased from 10 to 17. The future raw materials inventory index rose from 0 to 4, and the future finished goods inventory index increased to a five month high.

Price indexes remained mixed in July. The month-over-month finished goods price index increased from -2 to 7, while the raw materials price index inched higher. The year-over-year finished goods price index rose from 15 to 20, while the year-over-year raw materials price index eased slightly. The future raw materials price index decreased from 49 to 36, and the future finished goods price index moderated.

SELECTED COMMENTS

“Sales activity has picked up this year. We are seeing new product launches for the first time in several years. There seems to be more optimism.”

“We are spending on new equipment to make sure we stay competitive with foreign and domestic competitors. We must also ensure we stay relevant in meeting our customers changing needs.”

“We have no plans to spend anything on capital equipment in the next 12-months. We need business to firm up substantially before we would commit to more equipment.”

“Potential for business growth is driving our capital spending plans. We are very concerned about potential steel tariffs adversely affecting material costs.”

“Labor shortage is showing up again. We are finding it very difficult to find general labor employees as well as a few skilled positions.”

“We are optimistically waiting for sales growth before initiating new spending programs. Once we see the revenues then we will authorize increased spending.”

Table 1
Summary of Tenth District Manufacturing Conditions, July 2017

Plant Level Indicators	July vs. June (percent)*					July vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA
		Change	Decrease				Change	Decrease			Change	Decrease		
Composite Index				11	10				23				18	19
Production	31	43	26	6	4	55	18	27	28	43	37	19	24	29
Volume of shipments	31	39	29	2	-2	58	15	26	33	47	31	20	27	34
Volume of new orders	33	44	24	9	10	57	21	20	37	45	33	19	26	25
Backlog of orders	22	53	24	-1	-1	39	39	18	21	29	47	19	10	10
Number of employees	28	61	11	17	15	45	30	22	22	36	51	12	24	26
Average employee workweek	20	60	20	0	1	30	52	16	15	29	57	11	18	17
Prices received for finished product	11	80	9	2	5	35	49	15	20	26	60	11	15	13
Prices paid for raw materials	25	70	6	19	18	51	40	7	44	40	51	4	36	36
Capital expenditures						38	38	24	15	29	51	15	15	16
New orders for exports	3	79	8	-4	-2	10	70	10	0	11	70	9	2	0
Supplier delivery time	11	88	1	10	10	21	75	2	19	16	76	3	12	14
Inventories: Materials	30	52	18	12	10	39	31	29	10	27	46	24	3	4
Inventories: Finished goods	25	52	19	6	7	33	38	26	7	29	51	12	17	17

*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 July survey included 89 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

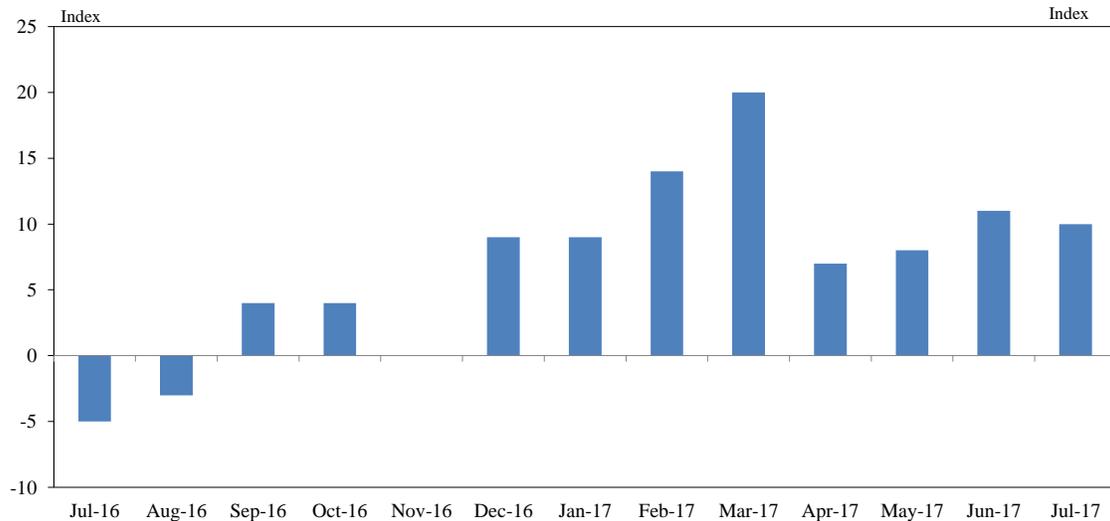


Table2
Historical Manufacturing Survey Indexes

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