

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

FOR RELEASE Thursday, March 23, 2017
EMBARGOED FOR 10 A.M. CENTRAL TIME
CONTACT: Pam Campbell
405-270-8617
Pam.Campbell@kc.frb.org

TENTH DISTRICT MANUFACTURING ACTIVITY STRENGTHENED FURTHER *Federal Reserve Bank of Kansas City Releases March Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the March 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 strengthened further with strong expectations for future activity.

“Our composite index accelerated again, and has only been higher one time in the last 15 years,” said Wilkerson. “The future employment index was the strongest in the 23-year history of the survey.”

A summary of the March 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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity strengthened further in March, and many indexes of expectations for future activity were at or near record highs. Most price indexes increased moderately.

The month-over-month composite index was 20 in March, its highest reading since March 2011, up from 14 in February and 9 in March (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, computer, electronic, and aircraft products. Most month-over-month indexes rose further in March. The production and shipments indexes increased considerably, while the new orders and order backlog indexes rose more moderately but remained high. The employment index moderated slightly from 17 to 13, and the new orders for exports index also eased. Both inventory indexes increased for the second straight month.

Most year-over-year factory indexes improved from the previous month. The composite year-over-year index grew from 6 to 14, and the production, shipments, new orders, and order backlog indexes also increased. The employment index jumped from -2 to 17, while the capital expenditures index eased slightly. The raw materials inventory index decreased from 3 to 1, while the finished goods inventory index moved into positive territory.

Expectations for future factory activity increased further to some of the highest levels in survey history. The future composite index edged up from 29 to 32, its highest reading ever. The future production, shipments, and new orders indexes all increased to near-record highs. The future employment index jumped from 30 to 43, its highest level in survey history, and the future capital expenditures index increased moderately. The future raw materials inventory index decreased from 20 to 8, and the future finished goods index also fell modestly.

Price indexes increased moderately in March. The month-over-month finished goods price index rose from 1 to 9, and the raw materials price index also edged up slightly. The year-over-year finished goods price index jumped from 13 to 26, and the raw materials price index also moved higher. The future raw materials price index rose from 53 to 59, and the future finished goods price index also increased.

SELECTED COMMENTS

“January was best month for January sales since 2012 and February was better than January. Orders continue to flow in and backlog of orders are increasing.”

“General improvement, although any improvement related to energy markets has not reached us. We continue to evaluate investments that generate labor efficiencies because of the cost, lack of availability and regulations associated with labor.”

“We cannot find reliable entry level workers for less than \$10.00/hour and speculate that a significant working block receives enough government assistance that they aren't willing to work for the difference.”

“The year has started off slow. We are not seeing the growth we saw the last 2 years in the first quarter. We are pretty much even with last year but still have a lot of confidence we will end the year up better than last year.”

“Our rural economy is not recovering.”

Table 1
Summary of Tenth District Manufacturing Conditions, March 2017

Plant Level Indicators	March vs. February (percent)*					March 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				22	20				14				30	32
Production	54	32	14	41	37	46	26	28	17	63	23	14	49	51
Volume of shipments	53	35	12	41	35	42	28	28	14	63	25	12	51	53
Volume of new orders	52	33	14	38	32	47	35	17	30	54	33	12	42	43
Backlog of orders	36	47	15	21	21	35	44	19	16	37	49	11	26	29
Number of employees	26	60	14	12	13	40	38	22	17	49	43	7	42	43
Average employee workweek	21	68	11	10	13	26	53	20	6	25	62	14	11	11
Prices received for finished product	14	83	4	10	9	40	47	14	26	28	68	4	25	27
Prices paid for raw materials	32	63	4	28	28	51	36	14	37	56	42	1	54	59
Capital expenditures						35	43	22	12	37	51	11	26	34
New orders for exports	7	81	5	2	2	15	65	11	4	14	72	6	7	9
Supplier delivery time	5	90	4	1	2	14	73	7	6	14	79	2	11	12
Inventories: Materials	32	54	14	19	16	26	48	25	1	23	57	20	4	8
Inventories: Finished goods	28	56	12	16	17	26	48	22	4	20	62	16	4	4

*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 March survey included 81 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

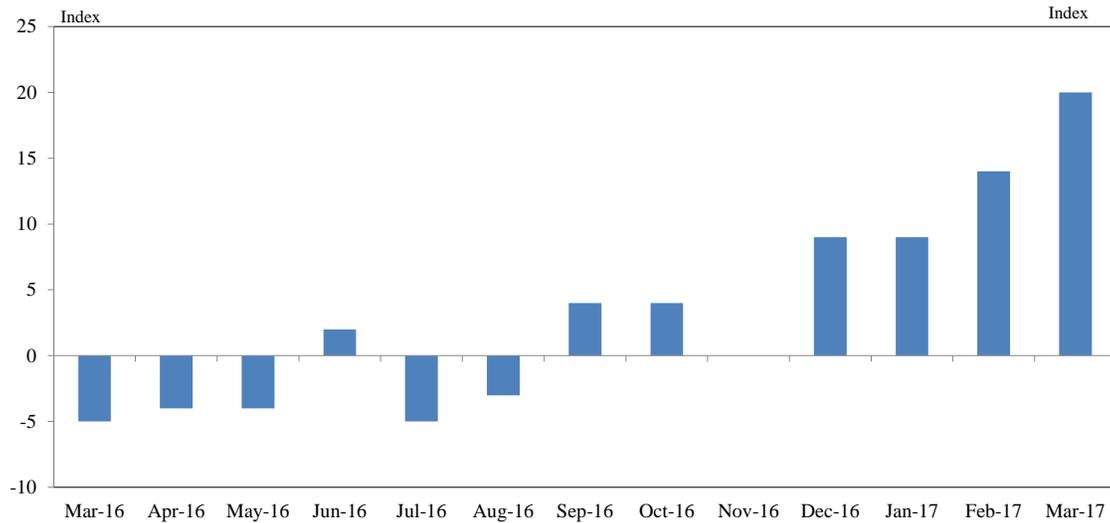


Table2
Historical Manufacturing Survey Indexes

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