

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED MODESTLY *Federal Reserve Bank of Kansas City Releases May Manufacturing Survey*

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

“After slowing from a rapid rate of growth in February and March, we’ve seen more moderate growth the past two months,” said Wilkerson. “But firms are about as optimistic about future growth as they’ve ever been.”

A summary of the May 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 continued to expand at a moderate pace in May, and expectations for future activity increased strongly. Price indexes were mixed, but recorded little change overall.

The month-over-month composite index was 8 in May, up from 7 in April but down from 20 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 at durable manufacturing plants eased slightly but remained positive, while nondurable activity improved, particularly for plastics and chemicals. Month-over-month indexes were mixed with little change overall. The production and shipments indexes edged slightly lower, while the employment and order backlog indexes inched higher. The new orders and new orders for exports indexes were both basically unchanged. The finished goods inventory index fell from 8 to 0, while the raw materials inventory index was stable.

Most year-over-year factory indexes were up slightly from the previous month. The composite year-over-year index rose from 13 to 18, and the production, new orders, and order backlog indexes also edged up. The employment index increased from 14 to 18, its highest level since December 2014, and the capital expenditures index jumped from 5 to 16. The raw materials inventory index increased from 3 to 8, and the finished goods inventory index grew markedly.

Expectations for future factory activity rebounded to strong levels. The future composite index increased from 17 to 30, and the future production, shipments, new orders, and order backlog indexes also rose considerably. The future capital spending index climbed from 11 to 23, while the future employment index eased slightly. Both inventory indexes increased modestly.

Price indexes were mixed in May. The month-over-month finished goods price index inched higher from 5 to 8, while the raw materials price index decreased moderately. The year-over-year finished goods price index fell from 29 to 16, and the raw materials price index also eased. The future raw materials price index edged down from 45 to 37, while the future finished goods price index was basically unchanged.

SELECTED COMMENTS

“Our energy related business is still sluggish. Most other things are up somewhat and we are cautiously optimistic; however, there is anxiety as to whether business-friendly initiatives will be able to be put in place on a sustained basis.”

“Seasonal uptick has moved our month-to-month numbers up. We are still tracking significantly behind last year. Do not see significant improvement in final six months of year that will change that trend.”

“Business conditions are more positive than any time since 2012. Automotive business is very strong and industrial is rebounding nicely.”

“Business is steady but has slowed down for the warmer months. We are still tracking ahead of last year.”

“Orders continue to flow in with the size and scope resulting in economies of scale and increased profitability.”

“I have major concerns about changes to H1B program. Our company not only desires to have skilled people, but the H1B program has been beneficial to attracting specific skill sets where advanced degrees are needed. We struggle to attract skilled workers to our rural community. The H1B program (initiated with a partnership with a university) has been critical for our business and we are close to losing a very talented person because of the random selection program.”

Table 1
Summary of Tenth District Manufacturing Conditions, May 2017

Plant Level Indicators	May vs. April (percent)*					May vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff	SA	Index^	No		Diff	Index^	No		Diff	SA	
	Increase	Change				Increase	Change			Increase	Change			
Composite Index				9	8			18				27	30	
Production	30	43	27	2	-1	49	23	28	20	58	27	15	43	50
Volume of shipments	31	43	26	5	3	48	19	32	16	53	32	15	39	44
Volume of new orders	38	35	27	10	9	53	19	26	27	55	33	13	42	46
Backlog of orders	32	45	19	13	12	45	31	19	26	39	42	14	25	29
Number of employees	25	58	16	9	11	45	25	27	18	36	50	13	24	24
Average employee workweek	18	66	16	2	1	31	49	18	13	26	60	11	15	18
Prices received for finished product	15	77	7	8	8	36	42	20	16	31	60	7	24	23
Prices paid for raw materials	25	67	6	19	17	57	28	13	44	42	49	8	34	37
Capital expenditures						36	41	20	16	33	52	14	19	23
New orders for exports	9	78	7	2	4	17	66	13	5	20	72	5	16	17
Supplier delivery time	17	80	2	15	14	22	70	7	15	22	73	2	19	21
Inventories: Materials	22	64	15	7	4	32	44	24	8	30	48	22	8	10
Inventories: Finished goods	18	61	16	2	0	33	44	17	16	31	42	18	13	14

*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 May survey included 88 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

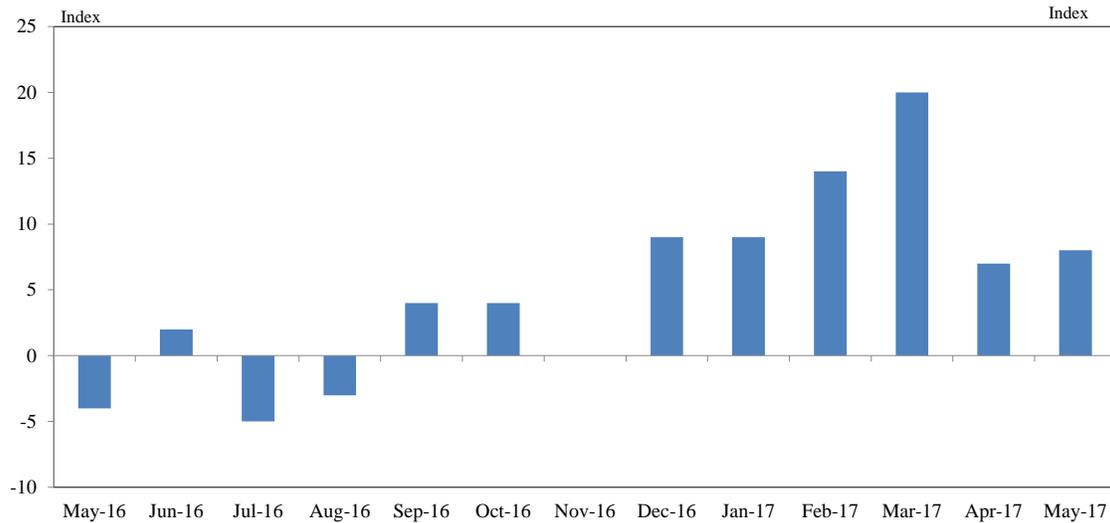


Table2
Historical Manufacturing Survey Indexes

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