

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

FOR RELEASE Thursday, January 25, 2018
EMBARGOED FOR 10 A.M. CENTRAL TIME
CONTACT: Pam Campbell
405-270-8617
Pam.Campbell@kc.frb.org

TENTH DISTRICT MANUFACTURING GROWTH STRENGTHENED FURTHER *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 growth in Tenth District manufacturing activity strengthened further, and expectations for future activity increased.

“We saw faster growth this month despite some firms noting negative effects from extremely cold weather, and several price indexes rose considerably,” 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 2018. 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

Growth in Tenth District manufacturing activity strengthened further in January, and firms' expectations for future activity increased. Most price indexes rose moderately from the previous month, with some indexes reaching five to ten year highs.

The month-over-month composite index was 16 in January, higher than 13 in December and 15 in November (Tables 1 & 2, Chart 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth in factory activity improved at both durable and non-durable goods plants, particularly for machinery, aircraft, chemicals, and plastics. Most month-over-month indexes also increased. The shipments, new orders, and order backlog indexes all rose moderately. The employment index inched higher from 16 to 18, while the production index was unchanged. The raw materials inventory index climbed from 7 to 15, and the finished goods inventory index moved into positive territory.

Most year-over-year factory indexes were slightly higher in January. The composite index rose from 30 to 35, and the production, order backlog, and new orders for exports indexes also increased. The shipments and new order indexes were unchanged, while the employment and capital expenditures indexes fell slightly. The raw materials inventory index jumped from 15 to 38, and the finished goods inventory index also increased.

Future factory activity expectations improved moderately over the previous month. The future composite index increased from 23 to 29, and the future production, shipments, new orders, and order backlog indexes also rose. The future capital expenditures index jumped from 22 to 38, while the future employment index edged lower. The future raw materials inventory index increased from 7 to 15, and the future finished goods inventory index moved slightly higher.

Most price indexes increased moderately in January. The month-over-month finished goods price index climbed from 11 to 21, and the raw materials price index rose considerably, with both reaching their highest level in approximately six years. The year-over-year finished goods price index increased from 37 to 49, its highest level since July 2011, and the year-over-year raw materials price index moved moderately higher. The future finished goods price index jumped from 31 to 44, reaching a ten-year high, and the future raw materials price index also increased.

SELECTED COMMENTS

“Suppliers are having difficulty keeping up with our demand. As the price of oil has steadily increased the volume of business is subsequently increasing. Prognosticating and planning ahead are becoming more necessary as the just in time theory is stretched in this environment.”

“The reduction in tax rates should provide for additional benefits to employees, as well as capital to invest in facilities.”

“We lost business to work moved to Mexico. Some companies might move production back to the U.S. if NAFTA is renegotiated”

“Biggest January challenge has been extremely cold weather slowing production.”

“Slow start to the year. Probably due to the weather. Expecting great growth in 2018 as we have business lined up once we get our upgrades done to handle it.”

Table 1
Summary of Tenth District Manufacturing Conditions, January 2018

Plant Level Indicators	January vs. December (percent)*					January vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index^	Index**^	Increase	Change	Decrease	Index^	Increase	Change	Decrease	Index^	Index**^
Composite Index				15	16				35				32	29
Production	38	36	26	12	16	59	23	19	40	55	28	16	39	37
Volume of shipments	37	36	28	9	14	60	19	21	39	55	27	18	38	32
Volume of new orders	41	33	26	14	14	57	23	20	37	53	34	14	39	36
Backlog of orders	38	43	19	19	20	57	28	15	42	40	43	17	24	30
Number of employees	29	57	14	14	18	52	27	21	31	49	39	12	37	33
Average employee workweek	18	59	22	-4	2	47	35	18	30	37	47	16	21	23
Prices received for finished product	23	73	4	19	21	57	35	8	49	47	47	5	42	44
Prices paid for raw materials	38	59	3	35	34	72	21	7	65	61	33	5	56	58
Capital expenditures						49	36	15	34	44	47	9	35	38
New orders for exports	15	76	8	7	6	24	68	8	15	24	70	6	18	19
Supplier delivery time	24	72	4	20	18	35	57	8	27	27	70	3	24	25
Inventories: Materials	32	49	19	14	15	53	32	15	38	37	48	15	22	15
Inventories: Finished goods	28	46	25	3	3	37	42	21	15	34	53	13	21	19

*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 77 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Composite Index vs. a Month Ago

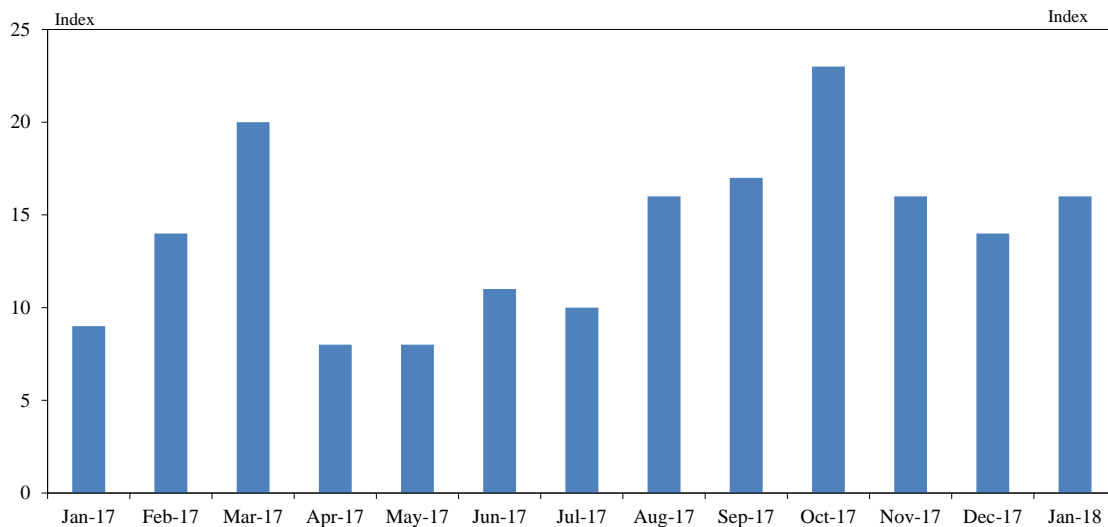


Table2
Historical Manufacturing Survey Indexes

	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17	Jan'18
Versus a Month Ago (seasonally adjusted)													
Composite Index	10	14	18	10	9	12	12	16	18	22	15	13	16
Production	19	13	33	15	1	22	10	22	21	18	15	16	16
Volume of shipments	20	17	34	14	3	22	0	23	24	20	19	10	14
Volume of new orders	19	24	23	11	11	8	13	24	15	24	19	11	14
Backlog of orders	14	17	19	8	12	-5	1	13	9	22	13	8	20
Number of employees	9	16	13	11	12	15	16	14	18	19	16	16	18
Average employee workweek	8	13	11	-3	4	8	4	9	7	10	6	10	2
Prices received for finished product	2	3	8	6	8	-1	6	8	12	11	11	11	21
Prices paid for raw materials	24	26	28	33	19	19	20	23	25	22	24	15	34
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	-4	9	2	3	4	3	-2	4	6	6	-1	4	6
Supplier delivery time	3	7	4	7	13	9	10	10	22	19	8	13	18
Inventories: Materials	1	11	14	4	5	4	11	10	13	28	16	7	15
Inventories: Finished goods	-2	5	12	7	2	-1	5	2	-6	18	3	-8	3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	7	6	14	13	18	28	24	23	35	34	37	30	35
Production	11	3	17	19	20	43	28	27	56	41	51	36	40
Volume of shipments	7	7	14	17	16	39	33	29	49	42	49	39	39
Volume of new orders	20	15	30	16	28	35	38	27	47	45	41	38	37
Backlog of orders	6	10	16	20	27	20	22	18	37	34	42	20	42
Number of employees	3	-2	17	15	19	24	23	22	30	30	32	35	31
Average employee workweek	-4	-3	6	0	13	11	15	20	31	26	35	28	30
Prices received for finished product	13	14	26	30	16	15	20	29	38	33	35	37	49
Prices paid for raw materials	31	28	37	50	45	48	45	48	56	61	64	55	65
Capital expenditures	-2	15	12	5	16	13	15	21	26	21	19	39	34
New orders for exports	-1	-1	4	11	5	7	0	9	10	9	9	8	15
Supplier delivery time	6	10	7	14	15	15	19	23	27	26	18	25	27
Inventories: Materials	-3	4	1	4	8	22	10	18	16	30	45	15	38
Inventories: Finished goods	-3	-5	4	-3	17	11	7	6	2	15	28	8	15
Expected in Six Months (seasonally adjusted)													
Composite Index	26	30	31	19	30	25	21	24	26	30	26	23	29
Production	48	43	50	29	48	42	31	39	40	45	42	29	37
Volume of shipments	45	40	51	32	44	39	36	39	39	42	38	28	32
Volume of new orders	40	38	41	18	43	38	28	39	29	47	32	24	36
Backlog of orders	37	16	28	14	31	14	13	20	21	31	26	13	30
Number of employees	27	31	43	29	28	32	28	27	28	33	30	36	33
Average employee workweek	24	18	11	8	17	11	17	2	9	27	14	10	23
Prices received for finished product	19	24	27	27	26	23	13	30	29	31	38	31	44
Prices paid for raw materials	42	52	56	47	36	49	40	41	42	44	59	49	58
Capital expenditures	20	26	33	11	23	17	18	19	15	21	19	22	38
New orders for exports	5	14	9	11	16	12	0	5	9	15	8	9	19
Supplier delivery time	6	18	13	14	22	12	14	13	16	10	14	18	25
Inventories: Materials	7	22	9	6	10	3	6	-1	14	16	12	7	15
Inventories: Finished goods	7	25	7	13	14	8	15	-5	10	14	9	12	19