

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Thursday, April 27, 2017  
EMBARGOED FOR 10 A.M. CENTRAL TIME  
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## TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED AT A SLOWER PACE *Federal Reserve Bank of Kansas City Releases April Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the April 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 at a slower pace with solid expectations for future activity.

“We came down a bit from the rapid growth rate of the past two months,” said Wilkerson. “But firms still reported a good increase in activity and expected this to continue.”

A summary of the April survey is attached. 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 expanded at a somewhat slower pace in April, and expectations for future activity eased but remained at solid levels. Price indexes were mixed, but recorded little change overall.

The month-over-month composite index was 7 in April, down from the very strong readings of 20 in March and 14 in February (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 eased slightly, particularly for metals, machinery, food, and plastic products. Most month-over-month indexes expanded at a slower pace in April. The production, shipments, and new orders indexes fell but remained positive, and the employment index edged lower from 13 to 9. In contrast, the new orders for exports index increased from 2 to 4. Both inventory indexes fell moderately after rising the past two months.

Most year-over-year factory indexes recorded little change from the previous month's readings. The composite year-over-year index was basically unchanged at 13, and the production, shipments, and order backlog indexes also remained stable. The employment index eased from 17 to 14, and the new orders index fell moderately. The capital expenditures index edged lower from 12 to 5, while the new orders for exports index posted its highest reading in over five years. The raw materials inventory index increased from 1 to 3, while the finished goods inventory index decreased.

Expectations for future factory activity moderated slightly after posting historical highs last month. The future composite index fell from 32 to 17, and the future production, shipments, new orders, and order backlog indexes also decreased somewhat from their high readings last month. The future employment index dropped from 43 to 26, and the future capital expenditures index also fell moderately. The future raw materials inventory index decreased from 8 to 4, while the future finished goods index increased modestly.

Price indexes were mixed in April. The month-over-month finished goods price index eased from 9 to 5, while the raw materials price index edged higher. The year-over-year finished goods price index inched up from 26 to 29, and the raw materials price index also increased mildly. The future raw materials price index fell from 59 to 45, and the future finished goods price index also eased slightly.

## **SELECTED COMMENTS**

“Business is steady. We are still having issues finding qualified people to fill some of our skilled positions.”

“Energy related business has increased making a big difference in our top and bottom line. We are grateful for this business, but continue to seek new business unrelated to energy.”

“The global economy still demands competitiveness and we constantly strive to be more productive and efficient. The strength of the dollar is a challenge for exporting right now and we have adjusted accordingly.”

“Our intent is to grow business but stay conservative. This will allow us to be profitable, meet demand and limit debt.”

“We see the economy containing tremendous optimism for the current administration on the expectation that reduced regulation, or perception of excessive persecution of business activity, combined with changes in tax law, trade law and health care will stimulate growth.”

“It is difficult to gain new business without poaching off the competition. This tends to erode margins. We have a lot of foreign competition in several key product lines which is difficult to combat because of their price points.”

“Slow first quarter but some pickup in new order bookings in March. Lots of customer projects being discussed, but they seem to be slow to actually pull the trigger on placing orders.”

“International volumes have declined by 50% over the past two years. We have had to offset that decline with more North American business. We are hopeful that the international business will improve in 2017, or at least stay even from 2016. This should allow us to increase our revenue by 5% and decrease the pricing pressure as well.”

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

Plant Level Indicators	April vs. March (percent)*					April 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				10	7				13				19	17
Production	34	46	16	18	12	47	21	29	18	48	29	18	30	28
Volume of shipments	39	37	22	17	11	47	18	31	16	47	28	18	29	27
Volume of new orders	33	41	21	13	8	39	32	24	15	43	34	17	25	15
Backlog of orders	30	45	22	8	7	40	32	22	18	36	39	20	16	12
Number of employees	21	63	13	8	9	40	28	26	14	40	41	13	28	26
Average employee workweek	18	59	21	-2	-4	23	51	23	0	22	56	16	6	6
Prices received for finished product	15	71	9	6	5	41	41	13	29	31	56	7	24	24
Prices paid for raw materials	37	57	3	33	34	54	37	6	48	47	45	3	44	45
Capital expenditures						31	36	26	5	25	51	17	8	11
New orders for exports	9	76	7	2	4	20	62	9	10	16	66	8	8	10
Supplier delivery time	9	78	5	5	5	18	69	6	13	17	70	3	14	13
Inventories: Materials	25	52	20	6	4	31	37	28	3	24	45	24	0	4
Inventories: Finished goods	22	53	16	6	8	23	40	25	-2	24	47	16	8	12

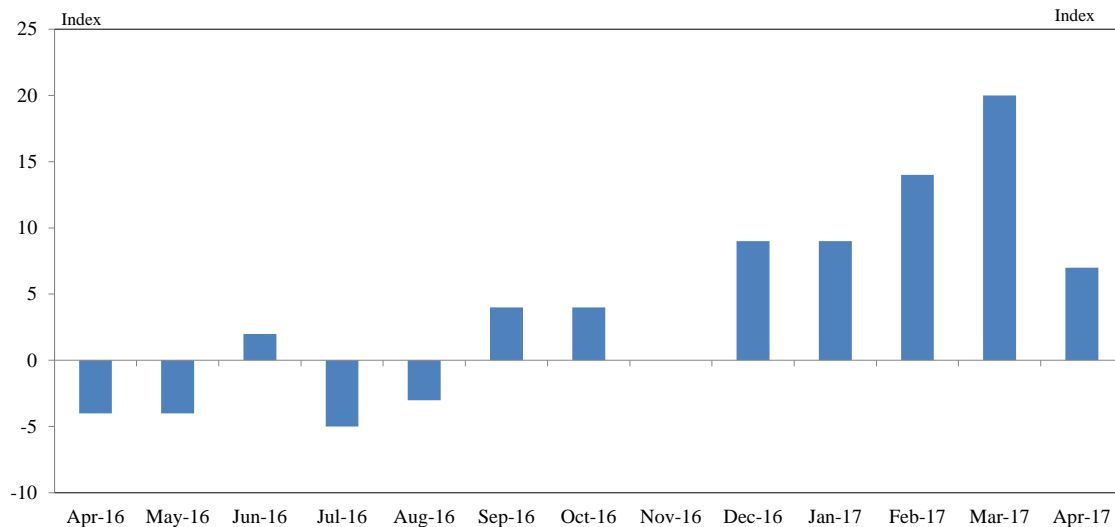
\*Percentage may not add to 100 due to rounding

^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 April survey included 87 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**

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