

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY IMPROVED CONSIDERABLY *Federal Reserve Bank of Kansas City Releases December Manufacturing Survey*

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the December 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 improved considerably to its highest growth rate in over two years.

“This was the highest composite reading in our survey since May 2014,” said Wilkerson. “This is now four straight months of factory expansion in our region, following a difficult time for many plants in 2015 and much of 2016.”

A summary of the December 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 improved considerably to its highest growth rate in over two years, and producers' expectations for future activity also increased. Price indexes continued to post moderate increases in December.

The month-over-month composite index was 11 in December, up from 1 in November and 6 in October (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 nondurable goods plants increased markedly, particularly for food and plastics, while durable goods plants expanded at a slower pace. Most month-over-month indexes improved in December. The production index jumped from 9 to 24, and the shipments, new orders, and order backlog indexes also rose. The employment index increased from 1 to 10, its highest level since May 2014. The finished goods inventory index rose from -13 to 1, and the raw materials inventory index also moved higher.

Most year-over-year factory indexes moved out of negative territory for the first time in nearly two years. The composite year-over-year index jumped from -10 to 0, and the production, shipments, and new orders indexes were all higher than a year ago. The order backlog index increased from -12 to -5, and the employment index also rose slightly. The capital expenditures index inched higher from -1 to 2, and the new orders for exports index also improved somewhat. The raw materials inventory index increased from -15 to -9, while the finished goods inventory index eased slightly.

Expectations for future factory activity increased over the previous month. The future composite index rose from 12 to 19, and the future production, shipments, new orders, and order backlog indexes also moved up moderately. The future employment index increased modestly, while the future capital expenditures index moderated slightly from 19 to 14. The future raw materials inventory index increased slightly, and the future finished goods index moved into positive territory.

Price indexes increased in December. The month-over-month finished goods price index jumped from -2 to 13, its first positive reading since July 2015, and the raw materials price also increased moderately. The year-over-year finished goods price index moved higher from 10 to 17, and the raw materials price rose slightly. The future finished goods price index posted its highest level in over two years, and the future raw materials price index also increased considerably.

SELECTED COMMENTS

“We will finish the year up nicely. Hoping that it continues into the new year.”

“The election brings some hope for lifting costly regulatory burdens and improving productivity.”

“We are continuing with significant capital spending, most aimed at improving efficiencies, enhancing quality, rationalizing labor or expanding capabilities.”

“Commodity prices are rising and fostering the prospects of more E&P spending in the months ahead. Meanwhile our order backlog is continuing to grow at a modest pace.”

“Our production for the year is down from last year; however, the last three months have seen significant increases of the respective months from last year. Anticipate this continuing into next year.”

“We saw a spike in activity after the election in November.”

Table 1
Summary of Tenth District Manufacturing Conditions, December 2016

Plant Level Indicators	December vs. November (percent)*					December 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				4	11				0				23	19
Production	41	28	30	11	24	38	24	38	0	55	32	13	41	33
Volume of shipments	38	27	35	2	16	39	23	38	1	57	26	16	41	30
Volume of new orders	29	39	32	-2	11	40	22	37	4	51	33	13	38	33
Backlog of orders	23	48	24	-1	7	28	38	33	-5	41	45	11	30	26
Number of employees	24	57	17	7	10	30	34	35	-5	35	45	17	18	13
Average employee workweek	21	62	16	5	6	27	49	22	5	33	51	15	18	15
Prices received for finished product	13	82	4	10	13	30	56	13	17	33	57	9	24	24
Prices paid for raw materials	27	66	4	23	29	40	41	16	24	48	45	6	41	40
Capital expenditures						32	38	29	2	32	55	11	21	14
New orders for exports	12	66	15	-2	-2	15	60	20	-5	18	63	12	6	3
Supplier delivery time	10	85	2	7	8	15	76	7	7	12	82	5	7	6
Inventories: Materials	21	55	23	-2	4	27	38	35	-9	29	52	18	11	7
Inventories: Finished goods	26	44	24	1	1	22	41	32	-10	21	55	17	4	6

*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 December survey included 82 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

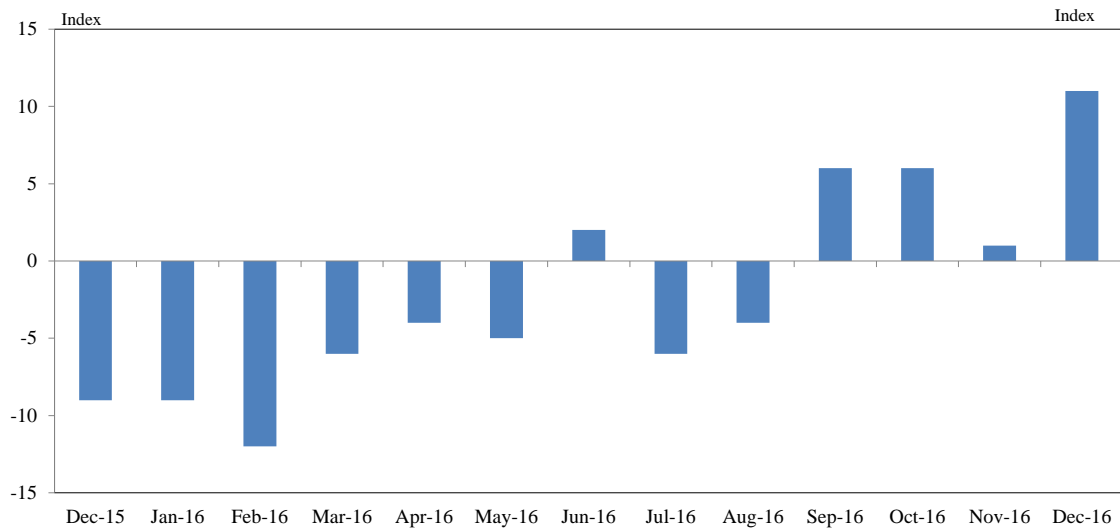


Table2
Historical Manufacturing Survey Indexes

	Dec'15	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16
Versus a Month Ago (seasonally adjusted)													
Composite Index	-9	-9	-12	-6	-4	-5	2	-6	-4	6	6	1	11
Production	-8	-8	-8	-14	-8	-11	12	-15	-7	15	18	9	24
Volume of shipments	-7	-7	-11	-15	-6	-6	10	-17	-4	16	20	7	16
Volume of new orders	-6	-27	-15	-2	-2	-3	4	-5	-7	12	14	6	11
Backlog of orders	-4	-36	-17	-15	-18	-19	-3	-3	-4	0	4	-2	7
Number of employees	-19	-7	-20	-12	-12	-13	-4	-5	-10	-3	7	1	10
Average employee workweek	-4	-7	-14	-13	-9	-15	1	7	4	5	8	-8	6
Prices received for finished product	-7	-15	-17	-10	-6	-8	-4	-11	-7	-7	-5	-2	13
Prices paid for raw materials	-13	-14	-11	-10	4	13	12	10	7	2	0	16	29
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	-1	1	-6	-10	-4	-8	-1	-7	-10	-4	3	0	-2
Supplier delivery time	2	-2	0	-1	1	4	2	3	3	-3	3	0	8
Inventories: Materials	-15	-2	-16	-2	0	-3	-3	-7	-1	8	-11	-11	4
Inventories: Finished goods	-17	-9	-14	0	-11	-12	-5	5	-2	0	-9	-13	1
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-15	-13	-20	-18	-19	-19	-15	-15	-12	-9	-11	-10	0
Production	-20	-15	-18	-24	-20	-31	-20	-22	-22	-10	-16	-21	0
Volume of shipments	-19	-11	-21	-22	-20	-26	-21	-28	-21	-10	-20	-20	1
Volume of new orders	-19	-18	-30	-18	-26	-24	-18	-22	-14	-13	-3	-7	4
Backlog of orders	-30	-32	-30	-26	-32	-36	-26	-26	-18	-18	-8	-12	-5
Number of employees	-14	-15	-26	-20	-22	-23	-16	-12	-15	-15	-14	-11	-5
Average employee workweek	-10	-11	-19	-19	-21	-24	-14	-13	-11	-4	-11	-9	5
Prices received for finished product	1	-4	-10	-4	-1	-4	8	12	1	-3	1	10	17
Prices paid for raw materials	7	-8	-20	-8	-8	-1	16	7	-4	-2	14	20	24
Capital expenditures	-4	-9	-10	-19	-18	-15	-3	-14	-13	-4	-7	-1	2
New orders for exports	-15	-4	-13	-13	-19	-15	-13	-13	-13	-8	-10	-11	-5
Supplier delivery time	-6	0	-6	-14	-8	-4	0	-3	-1	-5	-1	4	7
Inventories: Materials	-14	-16	-18	-12	-21	-15	-22	-14	-10	-4	-19	-15	-9
Inventories: Finished goods	-21	-23	-23	-14	-24	-20	-18	-5	-14	-7	-16	-6	-10
Expected in Six Months (seasonally adjusted)													
Composite Index	6	5	4	-2	10	4	7	14	11	10	18	12	19
Production	19	14	16	5	25	15	15	25	17	15	32	24	33
Volume of shipments	14	18	20	5	27	9	7	18	17	17	32	23	30
Volume of new orders	14	13	15	0	20	15	12	30	23	24	16	27	33
Backlog of orders	4	-2	-6	-10	-1	-6	5	16	11	11	5	10	26
Number of employees	3	5	3	1	8	-4	13	6	12	14	21	5	13
Average employee workweek	4	-8	1	3	8	-2	-2	7	0	7	4	6	15
Prices received for finished product	0	-6	-2	1	2	-1	5	13	17	7	8	11	24
Prices paid for raw materials	14	-4	6	5	9	9	9	17	17	26	19	25	40
Capital expenditures	5	-1	-9	-9	-6	-3	8	3	5	14	8	19	14
New orders for exports	1	2	-1	0	1	-3	0	1	1	6	1	6	3
Supplier delivery time	0	-2	-2	-1	1	-3	4	4	7	5	6	4	6
Inventories: Materials	-8	-6	-10	-13	-5	-4	-7	4	-4	-7	13	2	7
Inventories: Finished goods	-9	-13	-21	-10	-13	-8	-11	3	-8	-5	7	-3	6