

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING GROWTH CONTINUED AT A SOLID PACE *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 growth in Tenth District manufacturing activity continued at a solid pace, and optimism remained high.

“Factories in our region remain upbeat about hiring and capital spending as we head into 2018, following strong growth in recent months,” said Wilkerson.

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

Growth in Tenth District manufacturing activity continued at a solid pace, and optimism remained high for future activity. Price indexes were mixed, but posted little change overall.

The month-over-month composite index was 14 in December, lower than 16 in November and 23 in October (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 moderated slightly at both durable and non-durable goods plants, particularly for chemicals and plastics products. Month-over-month indexes were mixed but remained generally solid. The shipments, new orders, and order backlog indexes all decreased somewhat. However, the production index edged up from 15 to 21, and the employment and new orders for exports indexes also rose. The finished goods inventory index dropped from 2 to -11, and the raw materials inventory index also decreased.

Most year-over-year factory indexes were slightly lower in December. The composite index eased from 37 to 30, and the production, shipments, new orders, and order backlog indexes also fell. In contrast, the capital expenditures index jumped from 19 to 39, and the employment index inched higher. The new orders for exports index was mostly unchanged. The raw materials inventory index fell from 45 to 15, and the finished goods inventory index also decreased.

Future factory activity expectations eased slightly but remained favorable. The future composite index eased from 27 to 22, and the future production, shipments, new orders, and order backlog also slowed slightly. The future employment index edged lower from 35 to 33, while the future capital expenditures index was mostly unchanged. The future raw materials inventory index decreased from 13 to 6, while the future finished goods inventory index increased modestly.

Price indexes were mixed in December, but posted little change overall. The month-over-month finished goods price index edged up from 12 to 15, while the raw materials price index eased slightly. The year-over-year finished goods price index inched higher from 35 to 37, while the year-over-year raw materials price index fell somewhat. The future finished goods price index slipped from 37 to 33, and the future raw materials price index also moved slightly lower.

SELECTED COMMENTS

“Warm weather is having an effect on our business. Normally at this time we have snow on the ground and our sales go up because of more people eating our products. Been a good year and looks better going into 2018.”

“We are the type of company that shares the wealth/profits with our employees, so they should benefit from lower taxes and an increase in wages and benefits.”

“Continue to see increases in activity and looking at a promising 2018.”

“We are hoping for more cash flow to be put back into capital expenditures. We are gearing up for a upgrade to our plant.”

“Corporate savings will be reinvested into new product development, resulting in additional jobs.”

Table 1
Summary of Tenth District Manufacturing Conditions, December 2017

Plant Level Indicators	December vs. November (percent)*					December 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				11	14				30				29	22
Production	42	31	27	15	21	59	17	23	36	59	25	16	43	29
Volume of shipments	34	35	31	3	8	58	24	19	39	57	28	15	42	28
Volume of new orders	33	34	33	0	7	58	22	20	38	50	31	19	31	27
Backlog of orders	29	44	27	3	6	44	32	24	20	37	49	14	22	16
Number of employees	29	61	10	19	19	57	22	22	35	49	42	9	41	33
Average employee workweek	26	60	14	13	10	39	50	11	28	33	54	14	19	14
Prices received for finished product	22	70	7	15	15	51	36	14	37	42	53	5	37	33
Prices paid for raw materials	25	66	9	16	21	68	20	13	55	62	32	6	56	51
Capital expenditures						49	41	10	39	45	41	14	31	19
New orders for exports	14	78	8	5	4	19	70	11	8	22	69	9	12	9
Supplier delivery time	21	76	4	17	16	33	59	8	25	25	70	5	19	17
Inventories: Materials	28	47	25	3	9	41	33	26	15	32	49	19	13	6
Inventories: Finished goods	16	59	25	-9	-11	31	47	23	8	34	47	19	15	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 December survey included 81 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Composite Index vs. a Month Ago

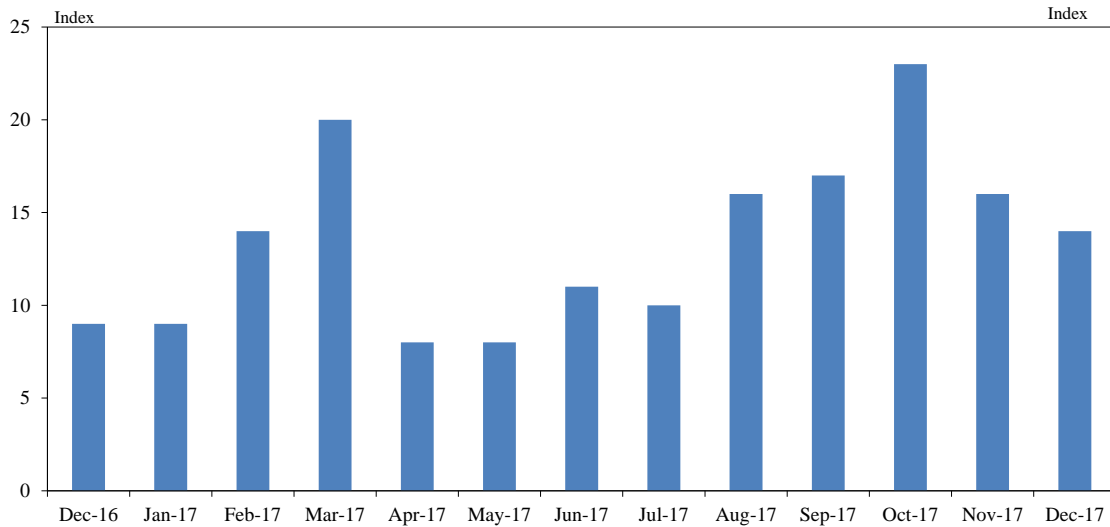


Table2
Historical Manufacturing Survey Indexes

	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sept'17	Oct'17	Nov'17	Dec'17
Versus a Month Ago (seasonally adjusted)													
Composite Index	9	9	14	20	8	8	11	10	16	17	23	16	14
Production	18	20	11	37	13	-1	23	4	22	22	20	15	21
Volume of shipments	8	20	16	35	11	3	23	-2	23	25	25	20	8
Volume of new orders	5	20	26	32	9	9	4	10	25	10	27	22	7
Backlog of orders	4	14	20	21	7	12	-6	-1	13	7	23	12	6
Number of employees	8	6	17	13	9	11	15	15	14	18	21	16	19
Average employee workweek	3	9	15	13	-4	1	7	1	9	7	12	7	10
Prices received for finished product	10	0	1	9	6	8	-2	5	8	13	13	12	15
Prices paid for raw materials	29	24	26	29	34	17	17	18	21	24	25	24	21
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	-5	9	2	4	4	4	-3	4	6	8	-2	4
Supplier delivery time	7	4	6	2	5	14	9	10	10	22	20	8	16
Inventories: Materials	4	-3	12	16	4	4	2	10	10	11	29	22	9
Inventories: Finished goods	0	-4	5	18	8	0	-2	8	2	-6	18	2	-11
Versus a Year Ago (not seasonally adjusted)													
Composite Index	0	7	6	14	13	18	28	24	23	35	34	37	30
Production	0	11	3	17	19	20	43	28	27	56	41	51	36
Volume of shipments	1	7	7	14	17	16	39	33	29	49	42	49	39
Volume of new orders	4	20	15	30	16	28	35	38	27	47	45	41	38
Backlog of orders	-5	6	10	16	20	27	20	22	18	37	34	42	20
Number of employees	-5	3	-2	17	15	19	24	23	22	30	30	32	35
Average employee workweek	5	-4	-3	6	0	13	11	15	20	31	26	35	28
Prices received for finished product	17	13	14	26	30	16	15	20	29	38	33	35	37
Prices paid for raw materials	25	31	28	37	50	45	48	45	48	56	61	64	55
Capital expenditures	2	-2	15	12	5	16	13	15	21	26	21	19	39
New orders for exports	-5	-1	-1	4	11	5	7	0	9	10	9	9	8
Supplier delivery time	8	6	10	7	14	15	15	19	23	27	26	18	25
Inventories: Materials	-9	-3	4	1	4	8	22	10	18	16	30	45	15
Inventories: Finished goods	-10	-3	-5	4	-3	17	11	7	6	2	15	28	8
Expected in Six Months (seasonally adjusted)													
Composite Index	17	27	30	32	18	30	25	20	23	26	32	27	22
Production	29	50	42	51	29	50	42	29	38	38	47	40	29
Volume of shipments	29	47	40	53	29	44	38	34	38	38	45	37	28
Volume of new orders	35	42	38	43	16	46	39	26	39	27	45	31	27
Backlog of orders	26	36	15	29	13	30	13	10	19	21	33	28	16
Number of employees	11	32	31	43	28	25	33	26	26	26	35	35	33
Average employee workweek	14	22	20	11	6	18	10	18	1	7	27	15	14
Prices received for finished product	21	21	22	27	26	24	21	13	34	29	32	37	33
Prices paid for raw materials	38	38	54	60	47	37	51	37	39	39	43	59	51
Capital expenditures	10	20	28	34	12	23	17	17	18	13	22	20	19
New orders for exports	3	5	14	9	11	17	13	1	4	8	15	7	9
Supplier delivery time	5	5	17	13	14	21	11	15	14	18	9	16	17
Inventories: Materials	4	8	21	8	4	10	0	4	-2	19	22	13	6
Inventories: Finished goods	2	7	25	4	13	15	7	18	-6	9	17	7	12