

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED MODERATELY *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 declined moderately, although expectations for future activity remained solid.

“After two months of mostly steady activity, regional factories pulled back again in December,” said Wilkerson. “The weakest activity was in energy-concentrated states.”

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](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 declined moderately in December, reversing gains from the last several months, while producers' expectations for future activity remained solid. Most price indexes continued to ease further.

The month-over-month composite index was -9 in December, down from 1 in November and -1 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. The decline came from both durable and nondurable goods factories, particularly for food and beverage, computer and electronic equipment, and machinery production. The weakest activity continues to be in energy-concentrated states. The majority of other month-over-month indexes also decreased. The production index fell from 3 to -8, and the shipments, new orders, and employment indexes dropped modestly. In contrast, the order backlog index improved somewhat from -17 to -2. The raw materials inventory fell from 3 to -16, and the finished goods inventory index also moved further into negative territory.

Most year-over-year factory indexes declined in December after improving slightly last month. The composite year-over-year index fell from -5 to -15, a six-year low, and the production, shipments, new orders, and order backlog indexes also decreased moderately. The employment index dropped from -8 to -14, and the capital expenditures index posted its lowest level since August 2010. Both inventory indexes decreased sharply from the previous month.

Future factory indexes were mixed, but remained at generally solid levels. The future composite index was basically unchanged at 7, while the future production, shipments, and new orders for exports indexes increased modestly. The future order backlog index moved into positive territory for the first time in four months, and the future capital expenditures index inched higher from 11 to 13. In contrast, the future new orders index eased from 18 to 16, and the future employment index also fell slightly. The future raw materials inventory index improved from -9 to -6, while the future finished goods inventory index moved further into negative territory.

Most price indexes decreased further in December. The month-over-month raw materials price index dropped from -7 to -14, while the finished goods price index edged up slightly but remained in negative territory. The year-over-year finished goods price index moved lower from 6 to 1, and the raw materials price index also decreased. The future finished goods price index eased from 2 to -1, and the future raw materials price index also fell slightly.

## **SELECTED COMMENTS**

“Business is still sluggish. We lost significant business to a competitor with a facility in Mexico therefore we are scrambling to find replacement business. Innovation seems to be the best avenue to capture business and essentially take existing business away from a competitor.”

“Technology in our industry is changing rapidly. We are being careful to invest in technologies that will be viable in the future and not just a short term trend.”

“Mild weather through December has kept orders moving without interruptions due to weather. Orders are strong for this time of year.”

“Our company has made adjustments to the slowdown in the oil industry and is in good shape financially with no debt and good employees; however, the continuation of this scenario depends upon the length of time the oil and gas prices remain low. Unfortunately the cutbacks by producers are very deep, thus eventually the pendulum will swing the other way and prices will again be too high. It might take a year or 5 years but history has shown this to be the case.”

“The strong dollar is affecting our sales and growth.”

“Little change since the last survey. E&P spending continues to contract with no visible relief on the horizon. Our basic strategy will thus be to curtail spending and operate within income until better times return.”

“Even with a mild winter so far, sales have been on a record pace. Will finish up almost 9% compared to 2014 and last year was fantastic.”

“Our rural economy does not have the infrastructure to attract investment, new jobs, or new industries.”

“Business (largely oil and gas related) continues to be very soft.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, December 2015**

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				-16	-9				-15				10	7
Production	19	40	40	-21	-8	30	20	50	-20	47	34	19	28	18
Volume of shipments	19	39	40	-21	-11	29	21	48	-19	44	35	19	24	16
Volume of new orders	22	36	41	-19	-5	24	31	44	-19	40	36	22	18	16
Backlog of orders	24	36	37	-13	-2	15	38	45	-30	29	47	21	7	6
Number of employees	13	52	34	-21	-17	30	23	44	-14	29	50	21	7	7
Average employee workweek	16	62	21	-5	0	20	48	30	-10	22	61	15	7	6
Prices received for finished product	5	80	15	-10	-7	33	35	32	1	19	63	18	1	-1
Prices paid for raw materials	6	66	24	-18	-14	43	20	35	7	31	52	16	15	16
Capital expenditures						27	43	31	-4	30	51	18	12	13
New orders for exports	13	68	14	-1	2	12	54	27	-15	14	70	11	3	3
Supplier delivery time	4	93	2	2	3	7	77	14	-6	6	84	4	2	0
Inventories: Materials	14	51	35	-21	-16	24	36	38	-14	20	51	26	-5	-6
Inventories: Finished goods	13	53	30	-17	-17	16	43	37	-21	15	55	27	-12	-11

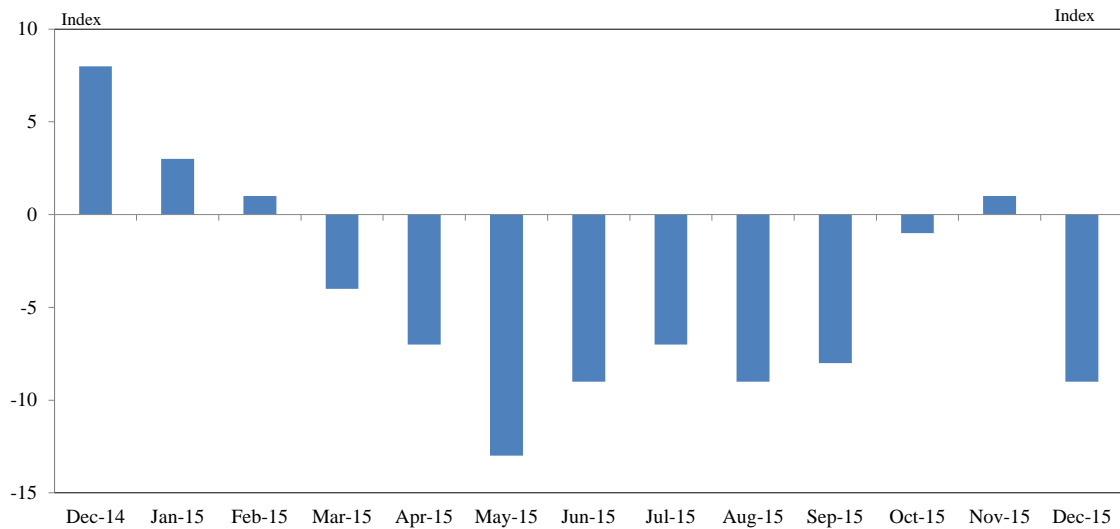
\*Percentage may not add to 100 due to rounding

^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 94 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'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15	Jul'15	Aug'15	Sept'15	Oct'15	Nov'15	Dec'15
Versus a Month Ago (seasonally adjusted)													
Composite Index	8	3	1	-4	-7	-13	-9	-7	-9	-8	-1	1	-9
Production	7	-2	5	-2	-2	-13	-21	-5	-16	1	4	3	-8
Volume of shipments	8	-5	7	0	-7	-9	-15	-2	-15	-4	-2	5	-11
Volume of new orders	14	-8	-10	-20	-12	-19	-3	-6	-9	-8	7	5	-5
Backlog of orders	5	-20	-16	-21	-25	-21	-16	-14	-21	-12	-4	-17	-2
Number of employees	8	0	-4	-2	-18	-17	-9	-19	-10	-7	-3	-8	-17
Average employee workweek	2	-10	1	-17	-10	-14	-13	-18	-7	-12	-5	2	0
Prices received for finished product	1	-3	-3	-6	-10	-4	-2	2	-10	-7	-3	-9	-7
Prices paid for raw materials	7	8	-6	-12	-7	-6	13	8	-8	-7	0	-7	-14
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	0	-7	-13	-9	-12	-9	-5	-10	-4	-3	-10	7	2
Supplier delivery time	5	10	12	3	-6	-7	-1	2	1	-6	-2	0	3
Inventories: Materials	7	12	3	-1	5	-11	-10	-7	-12	-20	-12	3	-16
Inventories: Finished goods	6	8	3	-2	-1	0	-6	-6	-8	-3	-7	-6	-17
Versus a Year Ago (not seasonally adjusted)													
Composite Index	11	9	9	-2	-3	-5	-9	-10	-9	-13	-7	-5	-15
Production	11	-1	10	-9	-8	-10	-21	-20	-20	-16	-11	-13	-20
Volume of shipments	19	4	5	-8	-6	-14	-23	-15	-22	-20	-15	-6	-19
Volume of new orders	11	5	3	-6	-6	-11	-21	-11	-14	-21	-14	-7	-19
Backlog of orders	5	-6	-2	-13	-8	-15	-20	-19	-26	-26	-25	-14	-30
Number of employees	18	11	3	-2	-8	0	-7	-16	-4	-14	-2	-8	-14
Average employee workweek	4	-7	1	-19	-17	-15	-16	-17	-21	-26	-13	-12	-10
Prices received for finished product	34	19	16	15	12	14	18	18	8	4	13	6	1
Prices paid for raw materials	41	39	29	22	7	6	27	19	14	10	13	13	7
Capital expenditures	12	7	9	3	8	7	5	17	8	-3	12	7	-4
New orders for exports	9	-8	-9	-15	-14	-14	-16	-9	-16	-12	-13	-12	-15
Supplier delivery time	4	16	15	3	1	-2	7	-2	-2	-3	-4	0	-6
Inventories: Materials	11	13	13	6	6	1	-4	-1	-5	-10	-5	4	-14
Inventories: Finished goods	3	18	17	9	4	6	0	-3	3	-6	-10	-5	-21
Expected in Six Months (seasonally adjusted)													
Composite Index	19	19	11	4	6	0	3	3	0	-12	-1	8	7
Production	26	27	26	16	17	6	11	5	4	-14	6	14	18
Volume of shipments	33	35	23	20	16	12	10	6	4	-17	5	10	16
Volume of new orders	23	24	15	6	21	2	9	13	9	-7	7	18	16
Backlog of orders	17	3	5	5	13	-6	5	3	-13	-20	-1	-1	6
Number of employees	30	24	14	7	-2	7	0	3	1	-9	6	13	7
Average employee workweek	2	7	4	1	-5	-13	-3	-5	-5	-15	1	3	6
Prices received for finished product	28	27	6	12	8	15	14	14	5	-5	8	2	-1
Prices paid for raw materials	36	31	25	24	9	19	33	23	17	6	13	19	16
Capital expenditures	25	16	12	2	10	0	13	1	-2	-1	-9	11	13
New orders for exports	8	-2	-2	4	-6	-2	0	2	-5	-7	0	-1	3
Supplier delivery time	9	12	7	5	8	-1	8	-1	1	-3	-4	3	0
Inventories: Materials	9	7	-7	-13	-14	-12	-13	-5	-16	-25	-19	-9	-6
Inventories: Finished goods	18	7	0	-9	-2	-5	-11	-3	-11	-15	-10	-4	-11