

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY EXPANDED AT A SLOWER PACE *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 Tenth District manufacturing activity expanded at a slower pace, but producers' expectations for future activity remained at solid levels.

“We saw weaker activity in some energy sector-related manufacturing in January, and that pulled the overall index down somewhat”, said Wilkerson. “But firms still reported modest overall growth in regional factory activity

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 2015. 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 expanded at a slower pace in January, but producers' expectations for future activity remained at solid levels. Most price indexes were lower than last month, especially for finished goods prices.

The month-over-month composite index was 3 in January, down from 8 in December and 6 in November (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 overall slower growth was mostly attributable to declines in some types of durable goods production, particularly electronics, machinery, and metal products, some of which is likely due to lower energy activity. Looking across District states, the weakest activity was in energy-dependent Oklahoma. In contrast, nondurable goods producers reported a slight increase in production, especially for food and plastics products. Most other month-over-month indexes were also down compared to last month. The production, shipments, and new orders indexes moved into negative territory for the first time in over a year, and the employment index posted a five-month low. The order backlog index plunged from 5 to -20, and the new orders for exports index decreased from 0 to -7. The finished goods inventory index continued to rise somewhat, and the raw materials inventory index moved up from 7 to 12.

Year-over-year factory indexes were lower than the previous month. The composite year-over-year index edged down from 11 to 9, and the production, new orders, shipments, and order backlog indexes all posted their lowest levels in over a year. The employment index moderated from 18 to 11, and the capital expenditures index eased further. The new orders for exports index fell into negative territory, while both inventory indexes increased slightly.

Future factory indexes continued to remain stable at mostly solid levels. The future composite index was unchanged at 19, while the future production, shipments, and new orders indexes inched higher. In contrast, the future order backlog index dropped from 17 to 3, and the future employment index eased from 30 to 24. The future capital expenditures index moderated from 25 to 16 after increasing last month. The future finished goods inventory index fell from 18 to 7, and the future raw materials inventory index also decreased slightly.

Most price indexes slowed modestly in January. The month-over-month finished goods price index declined from 1 to -3, its lowest level since July 2010, while the raw materials price index was basically unchanged. The year-over-year raw materials price index eased slightly, and the finished goods price index dropped from 34 to 19. The future raw materials price index moderated from 36 to 31, while the future finished goods price index was basically unchanged.

SELECTED COMMENTS

“The strong dollar is really hurting our ability to compete with our European competitors. Also, shipping delays out of the Long Beach port are really causing us issues with getting product to our customers timely as well as getting product to us from China timely.”

“We originally had huge orders that are being trimmed recently.”

“Lower oil prices, so far, have only impacted our order backlog slightly. It will begin to affect us more if low oil persists for an extended time beyond the next six months.”

“Over next 6 months we are investing in new markets to diversify somewhat from the oil and gas production market.”

“We are seeing our usual January slowdown. The warm weather is having an effect on our product, as we sell cold weather products.”

“Our business strategy is to continue expanding aggressively to meet current and anticipated demand.”

“Lower oil prices have reduced our transportation costs but hurt the business prospects for some of our customers that serve the oil extraction industry.”

Table 1
Summary of Tenth District Manufacturing Conditions, January 2015

Plant Level Indicators	January vs. December (percent)*					January 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				1	3				9				16	19
Production	29	37	34	-5	-2	36	25	37	-1	46	31	22	25	27
Volume of shipments	28	35	35	-7	-5	36	30	32	4	45	33	18	28	35
Volume of new orders	31	35	34	-3	-8	36	32	31	5	40	36	22	19	24
Backlog of orders	16	48	33	-16	-20	26	40	32	-6	24	47	26	-2	3
Number of employees	13	69	18	-4	0	39	31	28	11	35	48	14	21	24
Average employee workweek	9	66	24	-14	-10	15	60	23	-7	21	64	12	8	7
Prices received for finished product	7	85	8	-1	-3	34	48	15	19	33	57	8	25	27
Prices paid for raw materials	21	67	12	8	8	56	26	16	39	42	47	9	33	31
Capital expenditures						33	41	26	7	31	46	21	10	16
New orders for exports	7	69	13	-6	-7	9	62	18	-8	13	62	12	1	-2
Supplier delivery time	10	87	1	9	10	20	74	3	16	13	78	3	10	12
Inventories:														
Materials	25	57	18	7	12	33	45	20	13	25	52	21	4	7
Finished goods	22	58	16	5	8	32	49	14	18	26	52	19	7	7

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

Composite Index vs. a Month Ago

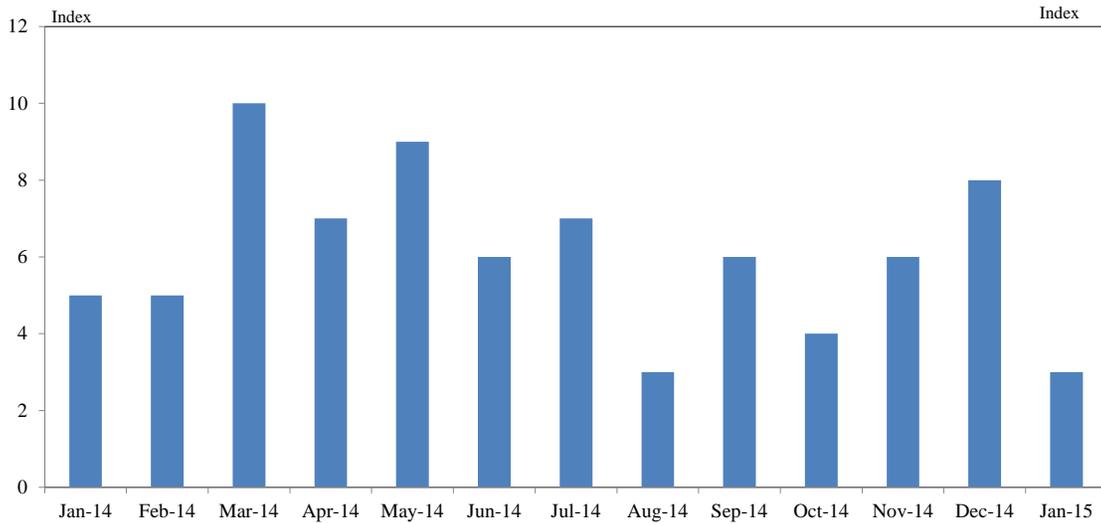


Table2
Historical Manufacturing Survey Indexes

	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14	Sept'14	Oct'14	Nov'14	Dec'14	Jan'15
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	5	10	7	9	6	7	3	6	4	6	8	3
Production	-4	5	20	12	12	4	8	4	11	3	9	7	-2
Volume of shipments	5	11	15	14	6	5	12	4	13	2	7	8	-5
Volume of new orders	6	6	12	9	10	10	10	5	5	3	0	14	-8
Backlog of orders	-1	-3	0	3	0	5	-5	-4	-4	-6	1	5	-20
Number of employees	10	4	4	3	8	2	7	-4	7	6	8	8	0
Average employee workweek	-5	1	3	5	12	6	-3	-1	3	-2	1	2	-10
Prices received for finished product	7	7	10	3	13	2	7	6	3	1	5	1	-3
Prices paid for raw materials	19	18	18	21	25	23	19	19	19	15	12	7	8
Capital expenditures	n/a	n/a	n/a	n/a	n/a								
New orders for exports	2	-1	4	0	-3	-9	-3	-6	-1	-9	8	0	-7
Supplier delivery time	8	2	5	10	5	9	5	4	7	4	7	5	10
Inventories: Materials	6	9	7	1	9	7	8	5	2	5	8	7	12
Inventories: Finished goods	4	3	2	2	3	-1	-2	7	2	-4	4	6	8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	8	8	12	14	15	15	13	13	15	17	9	11	9
Production	8	10	15	22	28	23	24	8	14	22	15	11	-1
Volume of shipments	11	13	11	18	27	23	27	10	16	22	9	19	4
Volume of new orders	8	7	24	19	15	21	17	13	15	24	8	11	5
Backlog of orders	-2	0	4	20	8	13	10	3	12	6	10	5	-6
Number of employees	7	7	7	7	14	12	13	11	12	16	10	18	11
Average employee workweek	-8	2	0	6	4	12	5	-4	-6	5	4	4	-7
Prices received for finished product	36	36	39	33	37	30	37	35	34	34	35	34	19
Prices paid for raw materials	48	37	57	59	65	54	55	55	45	44	46	41	39
Capital expenditures	19	18	20	14	18	19	10	14	17	23	18	12	7
New orders for exports	3	-1	6	4	3	-2	-3	-5	0	-5	5	9	-8
Supplier delivery time	8	4	5	11	11	13	11	15	12	11	6	4	16
Inventories: Materials	10	10	7	12	9	7	1	15	22	11	5	11	13
Inventories: Finished goods	8	7	6	10	-1	7	0	13	8	7	0	3	18
Expected in Six Months (seasonally adjusted)													
Composite Index	25	13	11	20	14	13	16	17	16	17	21	19	19
Production	42	26	28	36	21	20	25	26	29	24	35	26	27
Volume of shipments	46	27	27	35	26	23	28	22	32	27	29	33	35
Volume of new orders	35	23	28	31	22	19	24	26	26	26	24	23	24
Backlog of orders	23	14	11	19	10	11	12	15	15	14	18	17	3
Number of employees	29	10	2	21	17	15	22	16	14	15	28	30	24
Average employee workweek	8	1	5	10	9	5	11	10	5	1	12	2	7
Prices received for finished product	27	25	23	30	31	27	25	21	25	21	24	28	27
Prices paid for raw materials	45	35	39	43	49	45	44	42	39	39	34	36	31
Capital expenditures	27	21	10	21	19	22	23	17	20	21	16	25	16
New orders for exports	9	6	5	7	6	7	6	8	0	8	8	8	-2
Supplier delivery time	10	4	4	11	10	10	6	11	10	7	7	9	12
Inventories: Materials	10	1	-7	2	1	3	1	6	3	10	11	9	7
Inventories: Finished goods	0	6	-3	1	2	3	1	7	5	9	7	18	7