

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 August Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the August 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 continued to decline moderately, similar to the pace of the previous few months.

“Survey respondents reported that weak oil and gas activity along with a stronger dollar continued to weigh on regional factories”, said Wilkerson. “Price indexes also fell after rising in recent months.”

A summary of the August 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 continued to decline moderately in August, similar to the pace of the previous few months. Producers cited weak oil and gas activity and the stronger dollar as key reasons for the continued decrease in activity. Most price indexes fell from the previous survey, with an actual decline in monthly price levels.

The month-over-month composite index was -9 in August, down from -7 in July and equal to -9 in June (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 decrease was mostly attributable to weaker nondurable goods manufacturing, led by a reduction in food, beverage, and plastics production. Durable goods production remained weak but stable, particularly for metals and machinery products. Production indexes fell in nearly all District states. The majority of other month-over-month indexes edged lower. The production index dropped from -5 to -16, and the new orders, shipments and order backlog indexes also declined moderately. On the other hand, the new orders index edged higher from -10 to -4, and the employment index rebounded slightly after falling considerably last month. The raw materials inventory index fell from -7 to -12, and the finished goods inventory index also decreased.

Year-over-year factory indexes were mixed but generally weaker than last month. The composite year-over-year index inched up from -10 to -9, and the employment index also moved higher from -16 to -4. The production index was unchanged at -20, while the shipments, new orders, and order backlog indexes decreased somewhat. The capital expenditures index moderated from 17 to 8, and the new orders for exports index fell further. The raw materials inventory index decreased from -1 to -5, while the finished goods inventory index moved into positive territory.

Most future factory indexes declined slightly in August, but remained above zero. The future composite index edged lower from 3 to 0, and the future production, shipments, and new orders indexes eased slightly but remained positive. The future order backlog index dropped from 3 to -13, its lowest level since March 2009, and the future capital expenditures index fell into negative territory for the first time in five years. Both future inventory indexes declined after some improvement last month.

Most price indexes decreased, particularly versus the previous month. The month-over-month raw materials price index plunged from 8 to -8, and the finished goods price index also declined into negative territory. The year-over-year raw materials price index edged down from 19 to 14, and the finished goods price index also fell. The future raw materials and finished goods price indexes both decreased to their lowest levels in nearly six years.

SELECTED COMMENTS

“The strength of the dollar, low oil prices and increased regulation are making business very difficult and decreasing international competitiveness through cost increases.”

“Our year to date has been up from last year and our cash flow position is better; however, the next six months appear shaky at best.”

“Our product is geared toward colder weather. We are having a great increase in orders for this time of the year which is nice to see. Fourth quarter is looking promising.”

“I speak to many other business executives who do exporting and all seem to be quite concerned about the dollar strength and the devaluation of the Chinese currency.”

“Delivery of imported goods delayed due to the west coast strike. We are still feeling effects of delays due to trucking and rail.”

“The decrease in the price of a barrel of oil has reduced our sales volume to the energy industry by 20% compared to last year. The drop in commodity prices for ag crops has reduced our sales volume to ag machinery manufacturers by 15%.”

“We have had a hard time getting new product placements in our existing customers. They are being very conservative on their orders and keeping inventory low or "Just-In-Time".”

“Capital spending by oil & gas producers continues to be restrained. All companies like ours are negatively impacted when the spending curve is trailing downward.”

Table 1
Summary of Tenth District Manufacturing Conditions, August 2015

Plant Level Indicators	August vs. July (percent)*					August 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				-8	-9				-9				-2	0
Production	19	46	35	-16	-16	27	25	47	-20	27	44	27	0	4
Volume of shipments	20	44	35	-15	-15	26	25	48	-22	28	42	29	-1	4
Volume of new orders	25	42	33	-8	-9	29	25	43	-14	31	40	26	5	9
Backlog of orders	17	44	37	-20	-21	16	40	42	-26	15	52	29	-14	-13
Number of employees	18	55	26	-8	-10	32	29	36	-4	20	58	20	0	1
Average employee workweek	12	66	21	-8	-7	12	53	33	-21	13	66	17	-4	-5
Prices received for finished product	9	69	21	-11	-10	35	36	27	8	19	61	16	3	5
Prices paid for raw materials	9	68	18	-8	-8	41	30	26	14	29	55	12	17	17
Capital expenditures						35	36	27	8	19	56	23	-4	-2
New orders for exports	8	72	11	-3	-4	7	64	23	-16	8	72	12	-4	-5
Supplier delivery time	2	93	2	0	1	9	75	11	-2	6	88	4	2	1
Inventories: Materials	16	59	25	-8	-12	27	38	32	-5	13	57	27	-14	-16
Inventories: Finished goods	17	58	23	-6	-8	28	42	25	3	20	49	26	-7	-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 August survey included 106 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

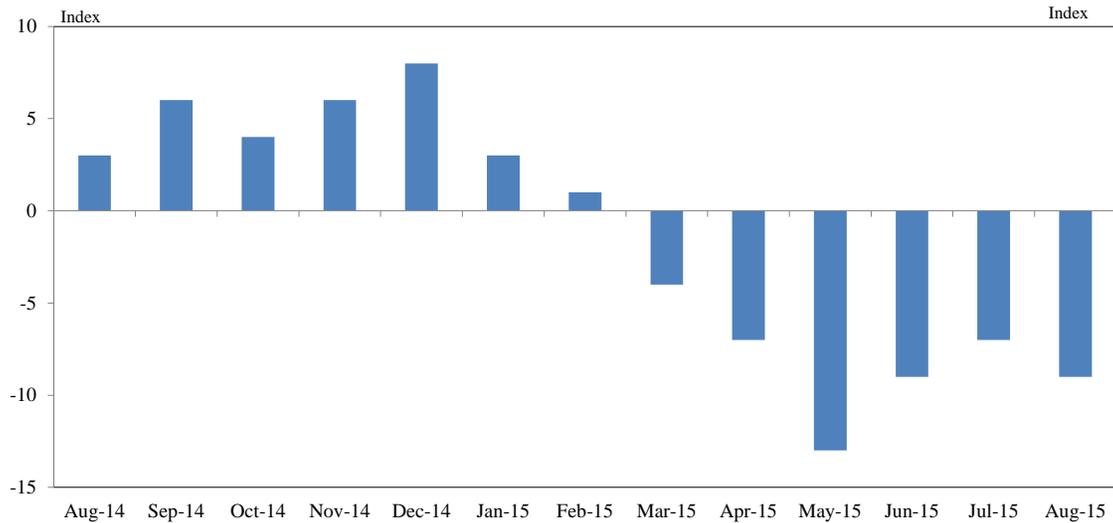


Table2
Historical Manufacturing Survey Indexes

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