

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED AGAIN

Federal Reserve Bank of Kansas City Releases July Manufacturing Survey

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the July 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 again in July but less so than in previous months.

“Our headline index was closer to zero than in May or June but was still negative, indicating further contraction in regional factory activity. However, firms expect a modest pickup in activity in coming months.”

A summary of the July 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 declined again in July, but less so than in previous months. Producers' remained slightly optimistic about future activity, although the majority of contacts indicated difficulties finding qualified labor. Most price indexes indicated continued rising prices, but the rate of increase slowed a bit for raw materials.

The month-over-month composite index was -7 in July, up from -9 in June and -13 in May (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 slight improvement was mostly attributable to a rebound in nondurable goods manufacturing, led by an increase in food, beverage, and paper production. However, durable goods production fell further, particularly for metals, computer, and electronic products. Production indexes improved in nearly all District states, but activity was still negative in all states but Colorado. The majority of other month-over-month indexes posted mixed results. The production index jumped from -21 to -5, and the shipments and order backlog indexes also moved higher. On the other hand, the new orders index eased from -3 to -6, and the employment index dropped to its lowest level since April 2009, with many firms noting difficulties finding qualified workers. The raw materials inventory index fell from -10 to -7, while the finished goods inventory index was unchanged.

Year-over-year factory indexes were mixed. The composite year-over-year index inched eased somewhat from -9 to -10, and the employment index fell to a five-year low. The production index improved slightly from -21 to -20, and the shipments, new orders, and order backlog indexes also inched higher. The capital expenditures index increased markedly from 5 to 17. The raw materials inventory index rose from -4 to -1, while the finished goods inventory index fell into negative territory.

Most future factory indexes remained modestly positive in July. The future composite index was unchanged at 3, while the future production, shipments, and order backlog indexes eased slightly but remained above zero. The future new orders and employment indexes increased slightly, while the future capital expenditures index dropped from 13 to 1. Both future inventory indexes increased modestly but remained negative.

Most price indexes were flat to down, but still well above zero. The month-over-month raw materials price index eased from 13 to 8, while the finished goods price index moved into positive territory for the first time since last December. The year-over-year raw materials price index fell from 27 to 19, while the finished goods price index was unchanged. The future raw materials price index decreased from 33 to 23, while the future finished goods price index remained stable.

SELECTED COMMENTS

“We are seeing a drastic decline in new order activity across many areas of our business. Not only customers associated with oil field equipment but now most other commercial areas such as welding and large scale HVAC. We have not seen this type of decline in over 30 years.”

“This has been the busiest summer that we have seen for the last 6 years. Business has been very steady.”

“Economy in US and Asia seem weakest, with US being down the strongest. Europe seems steady.”

“Business continues to slow, with no sign of an improvement. If it does not improve soon, our winter slow season will be terrible.”

“Orders have slowed significantly in the first half of the year. E & P spending is expected but only to bolster orders in the second half. Layoffs are not anticipated in this time frame.”

“Any uncertainty in the market has the effect of making our customers wait until the last moment to make buying decision.”

“Exports to China are the primary driver of lower sales and lower forecast. Sales in Europe are not affected much by the turmoil in Greece.”

“We've seen a reduction in business due to falling oil prices and falling raw material prices due to demand reduction (both due to China).”

“A weaker Euro is good for us as we import component parts that we manufacture further, and European suppliers are now becoming more competitive with our Asian suppliers. The strong dollar is good for us and our customers!”

Table 1
Summary of Tenth District Manufacturing Conditions, July 2015

Plant Level Indicators	July vs. June (percent)*					July 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				-5	-7				-10				2	3
Production	29	41	30	-1	-5	33	14	53	-20	28	45	27	1	5
Volume of shipments	30	40	29	1	-2	34	17	49	-15	30	41	29	1	6
Volume of new orders	25	43	32	-7	-6	30	26	42	-11	33	45	21	13	13
Backlog of orders	15	52	31	-17	-14	21	35	40	-19	20	58	19	1	3
Number of employees	11	61	27	-16	-19	25	34	41	-16	22	57	19	3	3
Average employee workweek	8	66	25	-17	-18	18	47	34	-17	15	66	19	-4	-5
Prices received for finished product	9	80	9	0	2	38	40	20	18	20	69	8	11	14
Prices paid for raw materials	17	71	11	5	8	45	29	26	19	31	57	11	20	23
Capital expenditures						40	35	23	17	25	50	24	1	1
New orders for exports	4	73	14	-9	-10	11	59	21	-9	14	67	10	3	2
Supplier delivery time	6	88	4	2	2	11	72	14	-2	5	85	7	-2	-1
Inventories: Materials	20	56	23	-3	-7	27	44	28	-1	18	56	24	-6	-5
Inventories: Finished goods	16	55	23	-7	-6	22	50	25	-3	16	58	22	-6	-3

*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 July survey included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

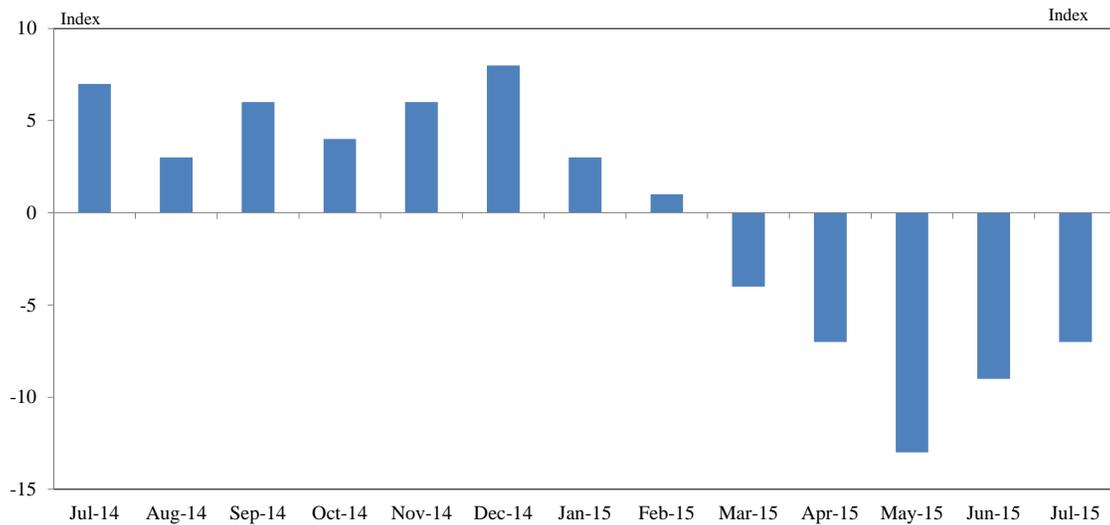


Table2
Historical Manufacturing Survey Indexes

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