

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY STEADIED

Federal Reserve Bank of Kansas City Releases October Manufacturing Survey

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the October 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 steadied somewhat and was expected to remain largely unchanged heading forward.

“Following six months of composite index readings of worse than -6, this month’s reading of -1 was somewhat encouraging,” said Wilkerson. “Modest increases in new orders and production nearly offset declines in employment, supplier delivery time, and inventory indexes.”

A summary of the October 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 steadied somewhat, and expectations for future activity were largely flat following last month's more negative reading. Most price indexes edged higher for the first time in several months.

The month-over-month composite index was -1 in October, up from -8 in September and -9 in August (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Most of the improvement came from nondurable goods activity, with the exception of plastics products which continued to fall. Some durable goods also showed improvement in October, particularly machinery and primary metals, but other products such as fabricated metals, electronic equipment, and aircraft remained weak. The majority of other month-over-month indexes edged higher but still remained sluggish. The production index increased from 1 to 4, and the shipments, employment, and order backlog indexes also improved somewhat but stayed negative. The new orders index jumped from -8 to 7, its highest level in 10 months. The new orders for exports index fell further from -3 to -10, and both inventory indexes remained negative.

Year-over-year factory indexes edged up in October, but most stayed in negative territory. The composite year-over-year index improved from -13 to -7, and the production, shipments, new orders and employment indexes also moved slightly higher but remained negative. The capital expenditures index jumped from -3 to 13, while the new orders for exports index was basically unchanged. The raw materials inventory index edged up from -10 to -5, but the finished goods inventory index fell from -6 to -10.

Most future factory indexes rebounded after falling markedly last month. The future composite index moved up from -12 to -1, and the future production, shipments, and new orders indexes also increased. The future order backlog index jumped from -20 to -1, and the future employment index moved back into positive territory. The future new orders for exports index increased from -7 to 0, and both future inventory indexes also rose somewhat. In contrast, the future capital expenditures index fell from -1 to -9, its lowest level since July 2009.

Price indexes rose in October although some still remained at low levels. The month-over-month finished goods price index edged up from -7 to -3, and the raw materials price index also increased slightly. The year-over-year raw materials price index rose from 10 to 13, and the finished goods price index also moved higher. The future finished goods price index jumped from -5 to 8, and the future raw materials price index also increased.

SELECTED COMMENTS

“Our production has been slowed down by government regulations while we have to put in new equipment to meet the rules. This has put extreme pressure on fulfilling customer orders and adding a lot of overtime to our payroll. All the equipment we need is custom fabricated so it is going to take 3 months to get back to a normal production speed.”

“Uncertainty and volatility in the US economy continues, resulting in long term plans being put on hold.”

“The industrial market has been negatively impacted by energy and agriculture. The military market is also soft and the export market has been negatively affected by the exchange rate.”

“Generally speaking, the slowdown we experienced with oil industry customers months back is beginning to show up in other markets. Our customers do not have a very positive outlook for the future at this point in time. We are cutting back our costs as much as possible.”

“Orders appear to be slowing in the 4th quarter compared to earlier in the year.”

“Our incoming order rate traditionally slows during the summer but picks-up after labor day. As of October 15, the traditional pick-up still has not occurred. We just had to put the majority of the plant on a 32 hour work-week.”

“We are having a very difficult time finding good employees to work in our factories. We need 100-150 new employees in various manufacturing skill levels.”

“After observing a declining order backlog level for the past eight months, we were fortunate to reverse this trend this month. Hopefully, this new buying activity will spark other orders.”

“The strength of the US dollar is having a very significant effect upon our export shipments and our profitability.”

“Our European business is off by about 33% in 2015. The issues within Russia have impacted European businesses.”

“Our business looks good for the foreseeable future.”

Table 1
Summary of Tenth District Manufacturing Conditions, October 2015

Plant Level Indicators	October vs. September (percent)*					October vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{**^}	Increase	No Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{**^}
Composite Index				-5	-1				-7				-2	-1
Production	25	47	28	-3	4	33	23	43	-11	29	46	23	6	6
Volume of shipments	24	41	33	-9	-2	31	23	46	-15	27	46	22	5	5
Volume of new orders	24	48	26	-2	7	29	25	43	-14	26	49	20	6	7
Backlog of orders	20	49	30	-10	-4	16	40	41	-25	21	51	24	-3	-1
Number of employees	15	61	24	-9	-3	35	29	37	-2	27	47	22	5	6
Average employee workweek	12	70	18	-7	-5	15	54	29	-13	14	65	18	-4	1
Prices received for finished product	11	76	13	-3	-3	38	36	25	13	25	57	16	9	8
Prices paid for raw materials	13	70	15	-2	0	41	31	28	13	33	50	15	17	13
Capital expenditures						38	36	25	13	20	52	26	-6	-9
New orders for exports	9	64	19	-11	-10	12	57	25	-13	10	72	11	-1	0
Supplier delivery time	3	91	4	-1	-2	10	76	13	-4	5	83	9	-4	-4
Inventories: Materials	16	55	29	-12	-12	30	35	35	-5	15	47	37	-21	-19
Inventories: Finished goods	13	63	21	-9	-7	20	44	30	-10	15	54	27	-12	-10

*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 October survey included 104 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

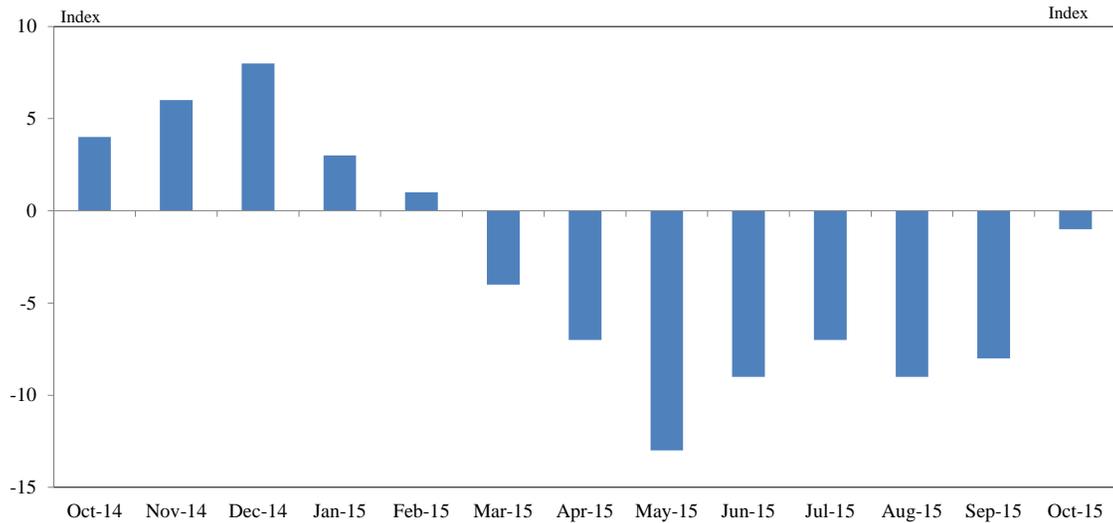


Table2
Historical Manufacturing Survey Indexes

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