

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED AT A SLOWER PACE *Federal Reserve Bank of Kansas City Releases June Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the June 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 at a slightly slower pace, and producers' expectations improved modestly.

"Regional factory conditions continued to decline in June, especially in energy-producing areas," said Wilkerson. "However, firms continue to expect some stabilization in the months ahead and for orders to rise by the end of the year."

A summary of the June 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 at a slightly slower pace than the previous month, and producers' expectations improved modestly. Most price indexes continued to rise, particularly for raw materials.

The month-over-month composite index was -9 in June, up from -13 in May but down from -7 in April (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Durable goods manufacturing improved slightly, although still negative, particularly for aircraft products and parts. However, nondurable goods production fell further broadly across all types of plants. Production fell in all District states except for Colorado, but continued to be most negative in energy-concentrated Oklahoma. The majority of other month-over-month indexes also remained negative. The production index contracted further from -13 to -21, its lowest level since February 2009, and the shipments index also decreased. On the other hand, although still negative, the new orders, order backlog, employment, and new orders for export indexes edged higher. The finished goods inventory index fell from 0 to -6, while the raw materials inventory index was basically unchanged.

Year-over-year factory indexes decreased from the previous month. The composite year-over-year index eased from -5 to -9, and the production, shipments, new orders, and order backlog indexes all fell to their lowest levels since late 2009. The employment index fell back into negative territory after increasing last month, and the capital expenditures index inched lower while remaining positive. Both inventory indexes decreased from the previous month.

Most future factory indexes improved slightly in June. The future composite index edged up from 0 to 3, and the future production, new orders, and order backlog indexes also showed positive gains. The future capital expenditures index jumped from 0 to 13, its highest level in 5 months. In contrast, the future employment index decreased from 7 to 0, and the future shipments index also eased somewhat. The future finished goods inventory index fell from -5 to -11, while the future raw materials inventory index was basically unchanged.

Most price indexes continued to rise in June, although monthly selling prices were still negative. The month-over-month finished goods price index inched higher from -4 to -2, and the raw materials price index jumped from -6 to 13. The year-over-year raw materials price index increased from 6 to 27, and the finished goods price index edged up slightly. The future raw materials price index rose from 19 to 33, while the future finished goods price index was basically unchanged.

SELECTED COMMENTS

“We have seen business related to oil and gas fall off sharply this year. We are also seeing business related to other industries to be softer than expected. My feelings and that shared by colleagues at other companies is that the manufacturing economy is not as strong as portrayed in the national media.”

“Many of our customers sell to the oil industry and the lower prices have reduced new orders to us by around 50%.”

“Foreign currency issues are having a major impact on our business.”

“We have seen a substantial pick up in business in June after a very slow May. Not having real hot weather yet has probably been a plus for us.”

“The recent reduction in production, shipment and labor hours is due to the consistent rain in our area.”

“We are turning to greater automation because of price pressures. 3D printers are becoming more powerful and less expensive. We will increase our use of that technology for our prototyping efforts.”

“Technology continues to improve our efficiency on the shop floor, equipment and machinery.”

Table 1
Summary of Tenth District Manufacturing Conditions, June 2015

Plant Level Indicators	June vs. May (percent)*					June 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				-7	-9				-9				1	3
Production	21	42	37	-16	-21	26	27	47	-21	34	40	26	8	11
Volume of shipments	24	39	35	-11	-15	27	22	50	-23	35	36	28	7	10
Volume of new orders	27	36	35	-8	-3	24	30	45	-21	28	48	22	7	9
Backlog of orders	21	45	34	-13	-16	21	36	40	-20	25	53	21	4	5
Number of employees	17	59	23	-5	-9	28	36	35	-7	18	59	22	-3	0
Average employee workweek	11	70	18	-8	-13	12	58	28	-16	11	73	15	-4	-3
Prices received for finished product	9	77	13	-4	-2	40	36	22	18	25	62	12	13	14
Prices paid for raw materials	17	74	8	10	13	52	21	25	27	40	51	8	33	33
Capital expenditures						32	42	26	5	25	61	14	11	13
New orders for exports	10	62	16	-7	-5	11	51	27	-16	14	60	14	0	0
Supplier delivery time	3	88	3	0	-1	14	73	8	7	12	78	3	9	8
Inventories: Materials	18	55	24	-5	-10	28	37	33	-4	16	54	29	-13	-13
Inventories: Finished goods	17	55	23	-5	-6	26	43	26	0	15	55	25	-10	-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 June survey included 92 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

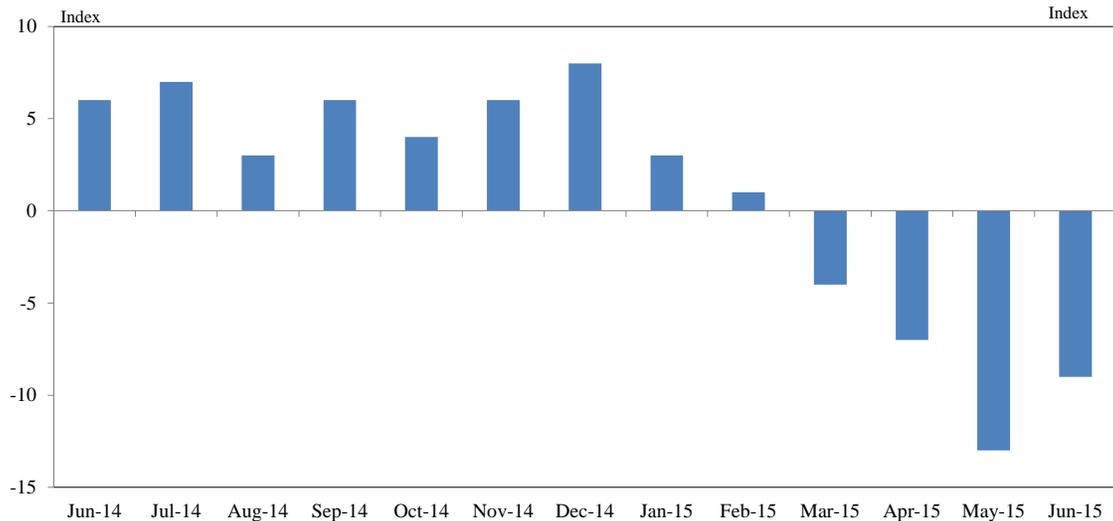


Table2
Historical Manufacturing Survey Indexes

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