

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED FURTHER *Federal Reserve Bank of Kansas City Releases February Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the February 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 further.

“Factories reported a slightly larger decline in February than in previous months,” said Wilkerson. “Energy-related firms generally had a negative outlook, but firms overall remained slightly optimistic about future factory activity.”

A summary of the February 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 further in February, while producers' expectations for future activity remained slightly positive. Price indexes were mixed, but most remained in negative territory.

The month-over-month composite index was -12 in February, its lowest level since 2009, down from -9 in January and December (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 decline came from both durable and nondurable goods factories, particularly for food and beverage, chemical, metals, and plastics production. Activity was fairly weak across District states, in part due to continued low commodity prices for agriculture and energy. Most month-over-month indexes decreased from the previous month. The production index was unchanged, while the shipments and employment indexes decreased further. The new orders and order backlog indexes rose slightly but still remained negative. The raw materials inventory fell from -2 to -16, and the finished goods inventory index also dropped.

Year-over-year factory indexes were mostly lower than the previous month. The composite year-over-year index decreased from -13 to -20, and the production, shipments, and new orders indexes also moved further into negative territory. The employment index dropped from -15 to -26, its lowest level in nearly six years. The new orders for exports index fell from -4 to -13, while the capital expenditures index remained stable but weak. The raw materials inventory index moved slightly lower, while the finished goods inventory index was unchanged.

Most future factory indexes were stable or slightly higher than last month. The future composite index was basically unchanged at 4, while the future production, shipments, and new orders indexes increased modestly. In contrast, the future employment index eased slightly but still remained positive. The future order backlog index decreased from -2 to -6, and capital expenditures indexes also fell moderately. Both future inventory indexes fell further into negative territory.

Price indexes were mixed in February but most remained negative. The month-over-month finished goods price index inched lower from -15 to -17, while the raw materials price index increased slightly from -14 to -11. The year-over-year finished goods price index edged down from -4 to -10, and the raw materials price index also eased further. The future finished goods price index rose from -6 to -2, and the future raw materials price index rose back into positive territory.

SELECTED COMMENTS

“As the price of oil continues to hover around the \$30 range, measures are necessary to insure competitiveness. Efficiencies are essential in a market such as this.”

“Anything energy related shows no signs of life and we have low expectations into the future. We are operating at a low level and are planning to exist at that level for the foreseeable future. In the midst of this difficult environment, our costs continue to increase in response to laws, regulations and government activity.”

“We have chosen to take lower margins in order to keep our manufacturing facility open. These were larger projects so they helped volume.”

“Business is off at levels not seen since the recession of the early 1980's.”

“Sales seem to be strong at times but not steady. A lack of confidence in the economy and stock markets seem to be having an effect on our market segment.”

“We are starting off to a very slow year. Shipments are down 22% compared to last year. Margins are decreasing. We don't know how our competitors keep lowering prices, as this is not good for the long haul.”

“Our international business remains flat to 2015, which was down 30% from 2014. We don't expect to see international sales increase significantly in 2016.”

“We are finding longer lead times than normal from our suppliers. Everyone seems to be shipping on a Just-In-Time basis. Any equipment we need seems to take twice as long since no one is keeping inventory on hand, it is made to order. I would expect this is only going to get worse as everyone controls inventory cost.”

Table 1
Summary of Tenth District Manufacturing Conditions, February 2016

Plant Level Indicators	February vs. January (percent)*					February vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff	SA	Increase	Change	Decrease	Diff	Increase	No Change	Decrease	Diff	SA
				Index^	Index**^				Index^				Index**^	
Composite Index				-11	-12				-20				4	4
Production	24	43	31	-7	-8	31	18	49	-18	39	37	22	17	16
Volume of shipments	20	48	31	-11	-11	31	16	52	-21	42	34	21	21	20
Volume of new orders	18	51	30	-12	-15	23	21	53	-30	38	37	22	16	15
Backlog of orders	17	49	33	-17	-17	19	30	49	-30	22	48	26	-3	-6
Number of employees	6	69	24	-19	-20	22	28	48	-26	26	47	24	1	3
Average employee workweek	9	67	24	-16	-14	19	41	38	-19	19	61	18	1	1
Prices received for finished product	6	76	19	-13	-17	27	34	37	-10	21	56	21	0	-2
Prices paid for raw materials	11	69	19	-8	-11	24	29	44	-20	23	54	20	3	6
Capital expenditures						26	34	36	-10	18	56	23	-6	-9
New orders for exports	7	74	12	-6	-6	8	63	21	-13	10	68	13	-3	-1
Supplier delivery time	7	83	9	-2	0	8	76	13	-6	3	87	6	-2	-2
Inventories: Materials	12	59	28	-16	-16	22	36	40	-18	23	40	33	-10	-10
Inventories: Finished goods	12	60	24	-12	-14	17	39	40	-23	16	43	34	-19	-21

*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 February survey included 90 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

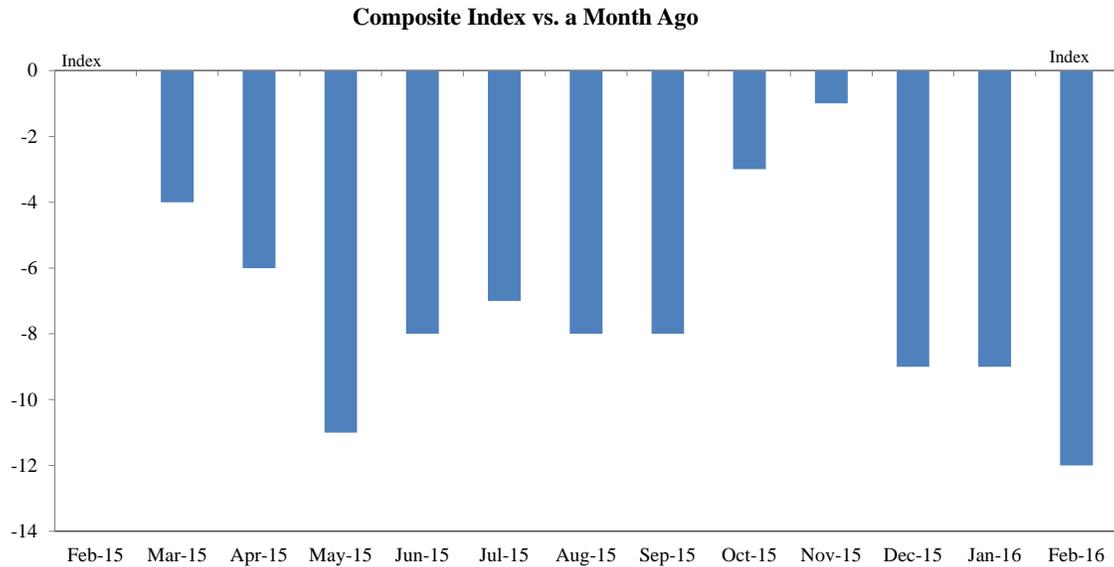


Table2
Historical Manufacturing Survey Indexes

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