

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Thursday, April 23, 2015
EMBARGOED FOR 10 A.M. CENTRAL TIME
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TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED FURTHER *Federal Reserve Bank of Kansas City Releases April Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the April 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 in April, although producers' expectations improved slightly from last month.

“Regional factories had their worst month in quite some time, as exports continued to drop and conditions worsened among producers of oil and gas-related goods,” said Wilkerson. “However, a positive development was a decline in supplier delivery times, which had been rising due to West Coast port disruptions.”

A summary of the April 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 April, while producers' expectations improved slightly from last month. Most price indexes continued to decrease, particularly for future raw materials. In a special question about the impact of the stronger dollar, many firms said that although it has put downward pressure on input prices, international sales have weakened considerably.

The month-over-month composite index was -7 in April, down from -4 in March and 1 in February (Tables 1 & 2, Chart). The last time the composite index was lower was in May 2009. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The overall slower growth was mostly attributable to declining durable goods manufacturing, including a sharp decline in aircraft production and continued weakness in metals and machinery. Looking across District states, the most severe declines continued to be in energy-producing states such as Oklahoma and Wyoming. Most other month-over-month indexes also decreased from the previous month. The shipments index fell from 0 to -7, and the order backlog and employment indexes dropped to their lowest levels since 2009. In contrast, the production index remained unchanged at -2, and the new orders index rose slightly but still remained negative. The finished goods inventory index increased from -1 to 5, while the raw materials inventory index was basically unchanged.

Year-over-year factory indexes were mixed but remained negative overall. The composite year-over-year index inched lower from -2 to -3, and the employment index fell to its lowest level since July 2007. The production, shipments, and order backlog indexes all improved slightly but were still in negative territory. The new orders index was unchanged, while the capital expenditures index rose from 3 to 8. The finished goods inventory index decreased from 9 to 4, but the raw materials inventory index was unchanged.

Most future factory indexes increased slightly in April. The future composite index edged higher from 4 to 6, and the future production and order backlog indexes also rose modestly. The future new orders index jumped from 6 to 21, and the future capital expenditures index also improved. In contrast, the future employment index fell into negative territory for the first time since 2009, and the future new orders for exports indexes dropped from 4 to -6. The future finished goods inventory index moved higher from -9 to -2, while the future raw materials inventory index was basically unchanged.

Most price indexes continued to decrease in April. The month-over-month finished goods price index eased from -6 to -10, while the raw materials price index edged higher. The year-over-year raw materials price index fell from 22 to 7, and the finished goods price index inched lower. The future raw materials price index dropped from 24 to 9, its lowest level since May 2009, and the future finished goods price index also fell.

SELECTED COMMENTS

“We are experiencing more volatility on revenue monthly. One month may be much higher than previous month or year and then the next month may be much lower, etc.”

“The durable goods sector just isn't very good, impacted mightily by the price of oil. We are reducing headcount and spending where possible in an effort to withstand this phase of the economy for however long it lasts.”

“Competition for business is fierce especially with the low cost labor and better logistics from Mexico. We are finding more and more customers moving manufacturing operations to Mexico.”

“The manufacturers in the energy producing states are struggling to make adjustments given the speed at which oil prices dropped.”

“Raw material suppliers have announced large increases in price, however, they keep moving the effective dates back. These announced increases are not supported by actual cost increases. Their sales are down so we are not taking the announced increases seriously. If they do go into effect, our larger inventories will be a cushion.”

“West coast port disputes have us out of stock on key items. No information available on when we will receive products. We will look at reducing our employee count next month if we do not receive goods in April.”

“We import dry bulk cement from Asia and Europe so the strong dollar has given us more buying power. We also export the same type products to Canada where the strong dollar has hurt our margins and made it harder to compete.”

“The strong dollar is good in that it's driving down commodity prices, but bad because it is making us less competitive globally. We're making fewer products but making more money on them. It has been bad for our employees because we have less work (and fewer employees). Overall, it's a negative for us.”

“The stronger dollar is undoubtedly creating more opportunity for foreign manufacturers. The impact has only begun to be felt in our bookings.”

Table 1
Summary of Tenth District Manufacturing Conditions, April 2015

Plant Level Indicators	April vs. March (percent)*					April 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				-3	-7				-3				7	6
Production	37	33	31	6	-2	33	26	41	-8	38	40	22	16	17
Volume of shipments	35	33	32	3	-7	35	23	41	-6	39	37	23	16	16
Volume of new orders	29	36	34	-4	-12	32	31	38	-6	45	35	18	27	21
Backlog of orders	19	43	36	-17	-25	21	45	29	-8	29	56	14	16	13
Number of employees	18	52	31	-13	-18	29	33	38	-8	20	60	19	1	-2
Average employee workweek	17	60	23	-6	-10	15	52	32	-17	13	65	19	-6	-5
Prices received for finished product	7	78	15	-7	-10	36	39	24	12	18	69	11	7	8
Prices paid for raw materials	12	68	19	-7	-7	39	28	32	7	25	60	14	12	9
Capital expenditures						29	46	21	8	25	56	17	8	10
New orders for exports	6	68	18	-12	-12	9	59	23	-14	8	69	16	-7	-6
Supplier delivery time	3	87	7	-4	-6	9	80	8	1	11	83	3	7	8
Inventories: Materials	26	49	24	2	5	32	43	25	6	13	55	31	-18	-14
Inventories: Finished goods	21	49	24	-3	-1	22	53	18	4	15	58	21	-6	-2

*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 April survey included 95 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

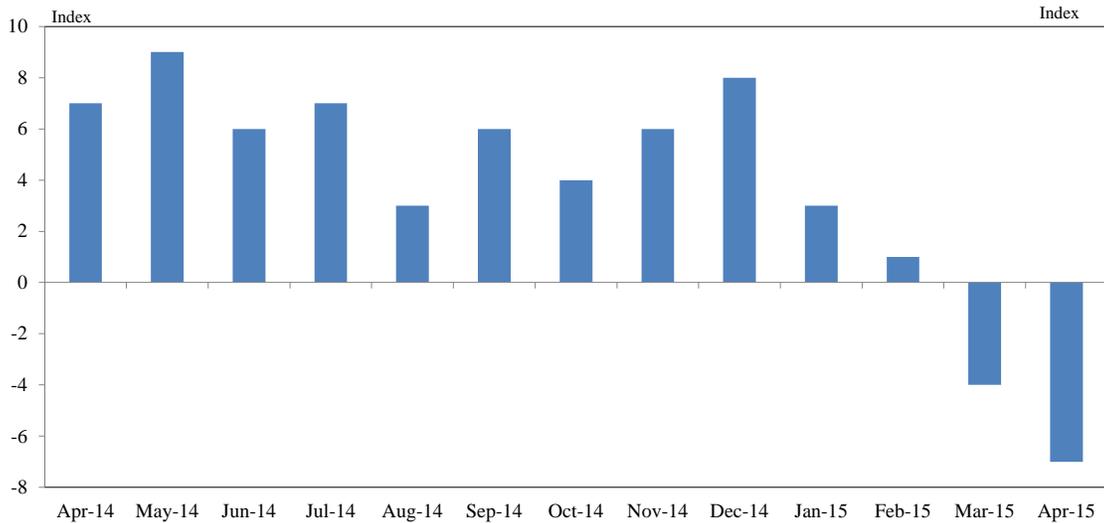


Table2
Historical Manufacturing Survey Indexes

	Apr'14	May'14	Jun'14	Jul'14	Aug'14	Sept'14	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15
Versus a Month Ago (seasonally adjusted)													
Composite Index	7	9	6	7	3	6	4	6	8	3	1	-4	-7
Production	12	12	4	8	4	11	3	9	7	-2	5	-2	-2
Volume of shipments	14	6	5	12	4	13	2	7	8	-5	7	0	-7
Volume of new orders	9	10	10	10	5	5	3	0	14	-8	-10	-20	-12
Backlog of orders	3	0	5	-5	-4	-4	-6	1	5	-20	-16	-21	-25
Number of employees	3	8	2	7	-4	7	6	8	8	0	-4	-2	-18
Average employee workweek	5	12	6	-3	-1	3	-2	1	2	-10	1	-17	-10
Prices received for finished product	3	13	2	7	6	3	1	5	1	-3	-3	-6	-10
Prices paid for raw materials	21	25	23	19	19	19	15	12	7	8	-6	-12	-7
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	0	-3	-9	-3	-6	-1	-9	8	0	-7	-13	-9	-12
Supplier delivery time	10	5	9	5	4	7	4	7	5	10	12	3	-6
Inventories: Materials	1	9	7	8	5	2	5	8	7	12	3	-1	5
Inventories: Finished goods	2	3	-1	-2	7	2	-4	4	6	8	3	-2	-1
Versus a Year Ago (not seasonally adjusted)													
Composite Index	14	15	15	13	13	15	17	9	11	9	9	-2	-3
Production	22	28	23	24	8	14	22	15	11	-1	10	-9	-8
Volume of shipments	18	27	23	27	10	16	22	9	19	4	5	-8	-6
Volume of new orders	19	15	21	17	13	15	24	8	11	5	3	-6	-6
Backlog of orders	20	8	13	10	3	12	6	10	5	-6	-2	-13	-8
Number of employees	7	14	12	13	11	12	16	10	18	11	3	-2	-8
Average employee workweek	6	4	12	5	-4	-6	5	4	4	-7	1	-19	-17
Prices received for finished product	33	37	30	37	35	34	34	35	34	19	16	15	12
Prices paid for raw materials	59	65	54	55	55	45	44	46	41	39	29	22	7
Capital expenditures	14	18	19	10	14	17	23	18	12	7	9	3	8
New orders for exports	4	3	-2	-3	-5	0	-5	5	9	-8	-9	-15	-14
Supplier delivery time	11	11	13	11	15	12	11	6	4	16	15	3	1
Inventories: Materials	12	9	7	1	15	22	11	5	11	13	13	6	6
Inventories: Finished goods	10	-1	7	0	13	8	7	0	3	18	17	9	4
Expected in Six Months (seasonally adjusted)													
Composite Index	20	14	13	16	17	16	17	21	19	19	11	4	6
Production	36	21	20	25	26	29	24	35	26	27	26	16	17
Volume of shipments	35	26	23	28	22	32	27	29	33	35	23	20	16
Volume of new orders	31	22	19	24	26	26	26	24	23	24	15	6	21
Backlog of orders	19	10	11	12	15	15	14	18	17	3	5	5	13
Number of employees	21	17	15	22	16	14	15	28	30	24	14	7	-2
Average employee workweek	10	9	5	11	10	5	1	12	2	7	4	1	-5
Prices received for finished product	30	31	27	25	21	25	21	24	28	27	6	12	8
Prices paid for raw materials	43	49	45	44	42	39	39	34	36	31	25	24	9
Capital expenditures	21	19	22	23	17	20	21	16	25	16	12	2	10
New orders for exports	7	6	7	6	8	0	8	8	8	-2	-2	4	-6
Supplier delivery time	11	10	10	6	11	10	7	7	9	12	7	5	8
Inventories: Materials	2	1	3	1	6	3	10	11	9	7	-7	-13	-14
Inventories: Finished goods	1	2	3	1	7	5	9	7	18	7	0	-9	-2