

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING ACTIVITY ROSE JUST SLIGHTLY *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 rose just slightly from the previous month, but producers expected activity to pick up moderately in the months ahead.

“We saw a further slowing in growth this month, driven in part by weaker factory activity in our energy states”, said Wilkerson. “The raw materials prices index also fell for the first time in over five years.”

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](http://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](http://www.kansascityfed.org).

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## TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity expanded just slightly in February, but producers expected activity to pick up moderately in the months ahead. Most price indexes continued to decrease, with several reaching their lowest level since 2009.

The month-over-month composite index was 1 in February, down from 3 in January and 8 in 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 overall slower growth was mostly attributable to large declines in primary metals and computer and electronics production. Looking across District states, the weakest activity was in Colorado, Oklahoma, and New Mexico. In contrast, production activity in the fabricated metals and machinery industries both increased moderately. Other month-over-month indexes were mixed. The production and shipments indexes both moved back into positive territory. In contrast, the new orders index continued to decline, and the employment index decreased from 0 to -4. The finished goods inventory index eased from 8 to 3, and the raw materials inventory index also fell.

Year-over-year factory indexes were also somewhat mixed. The composite year-over-year index remained unchanged at 9, while the production, shipments, and order backlog indexes were higher than last month. The capital expenditures index edged up from 7 to 9, while both inventory indexes were basically unchanged. On the other hand, the new orders index inched lower from 5 to 3, and the employment index fell for the second straight month.

Future factory indexes eased slightly but remained at mostly solid levels. The future composite index moved down from 19 to 11, and the future production, shipments, and new orders index also decreased moderately. The future employment index dropped from 24 to 14, its lowest level in 5 months, and the future capital expenditures index edged down. The future finished goods inventory index fell from 18 to 7, and the future raw materials inventory index also decreased slightly.

Most price indexes continued to decrease in February. The month-over-month finished goods price index remained unchanged at -3, and the raw materials price index dropped from 8 to -6, its lowest level since May 2009. The year-over-year raw materials price index fell from 39 to 29, and the finished goods price index eased slightly. The future raw materials price index moderated from 31 to 25, and the future finished goods price index plummeted from 27 to 6, a five-year low.

## **SELECTED COMMENTS**

“Customers are optimistic about spring sales. Most customers are holding back deliveries until the snow has melted in the storage yards.”

“Supplier statistics are skewed at present due to the West Coast labor transit issue.”

“Low oil prices are continuing to put damper on demand for products related to energy. The slowdown in other world economies resulting in big surge of foreign imports being dumped in US.”

“International sales have been dropping over the past 6 months. Domestic sales remain sluggish.”

“Raised wages over the last two years, but do not feel the need to raise them this year.”

“We are finding it more difficult to find qualified welding, machining, and electrical technician applicants. Most of our schools no longer place any emphasis or offer shop/technical classes.”

“We are continuing to expand our manufacturing capability even though the oil and gas industry is currently focused on reducing their CAPEX plans for 2015.”

“Reduced crude oil prices are driving lower production volumes for some of our product lines.”

“Layoffs in the energy sector have provided us with a nice talent pool of prospective employees to choose from.”

“We are closely watching for the impact of low oil prices on product demand. Eventually, it is certain to have a negative impact.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, February 2015**

| Plant Level Indicators               | February vs. January<br>(percent)* |              |          |                            |                            | February vs. Year Ago<br>(percent)* |              |          |                            | Expected in Six Months<br>(percent)* |              |          |                            |                            |
|--------------------------------------|------------------------------------|--------------|----------|----------------------------|----------------------------|-------------------------------------|--------------|----------|----------------------------|--------------------------------------|--------------|----------|----------------------------|----------------------------|
|                                      | Increase                           | No<br>Change | Decrease | Diff<br>Index <sup>^</sup> | SA<br>Index <sup>**^</sup> | Increase                            | No<br>Change | Decrease | Diff<br>Index <sup>^</sup> | Increase                             | No<br>Change | Decrease | Diff<br>Index <sup>^</sup> | SA<br>Index <sup>**^</sup> |
|                                      |                                    |              |          |                            |                            |                                     |              |          |                            |                                      |              |          |                            |                            |
| Composite Index                      |                                    |              |          | 1                          | 1                          |                                     |              |          | 9                          |                                      |              |          | 10                         | 11                         |
| Production                           | 30                                 | 43           | 27       | 3                          | 5                          | 42                                  | 26           | 32       | 10                         | 46                                   | 31           | 22       | 24                         | 26                         |
| Volume of shipments                  | 34                                 | 35           | 31       | 3                          | 7                          | 40                                  | 23           | 35       | 5                          | 47                                   | 27           | 24       | 23                         | 23                         |
| Volume of new orders                 | 30                                 | 34           | 36       | -6                         | -10                        | 39                                  | 25           | 36       | 3                          | 39                                   | 36           | 23       | 16                         | 15                         |
| Backlog of orders                    | 22                                 | 39           | 38       | -16                        | -16                        | 31                                  | 34           | 33       | -2                         | 28                                   | 48           | 21       | 7                          | 5                          |
| Number of employees                  | 13                                 | 68           | 18       | -5                         | -4                         | 35                                  | 32           | 32       | 3                          | 29                                   | 51           | 17       | 12                         | 14                         |
| Average employee workweek            | 18                                 | 61           | 20       | -2                         | 1                          | 19                                  | 61           | 18       | 1                          | 23                                   | 55           | 19       | 4                          | 4                          |
| Prices received for finished product | 7                                  | 86           | 7        | 0                          | -3                         | 35                                  | 45           | 19       | 16                         | 22                                   | 64           | 13       | 9                          | 6                          |
| Prices paid for raw materials        | 16                                 | 66           | 16       | 0                          | -6                         | 49                                  | 29           | 20       | 29                         | 32                                   | 55           | 10       | 22                         | 25                         |
| Capital expenditures                 |                                    |              |          |                            |                            | 30                                  | 44           | 21       | 9                          | 31                                   | 50           | 15       | 16                         | 12                         |
| New orders for exports               | 4                                  | 69           | 15       | -11                        | -13                        | 13                                  | 56           | 22       | -9                         | 11                                   | 62           | 15       | -4                         | -2                         |
| Supplier delivery time               | 13                                 | 82           | 3        | 10                         | 12                         | 19                                  | 74           | 4        | 15                         | 10                                   | 81           | 4        | 6                          | 7                          |
| Inventories:                         |                                    |              |          |                            |                            |                                     |              |          |                            |                                      |              |          |                            |                            |
| Materials                            | 20                                 | 60           | 19       | 1                          | 3                          | 32                                  | 48           | 19       | 13                         | 18                                   | 53           | 25       | -7                         | -7                         |
| Finished goods                       | 21                                 | 57           | 18       | 3                          | 3                          | 32                                  | 47           | 15       | 17                         | 20                                   | 52           | 20       | 0                          | 0                          |

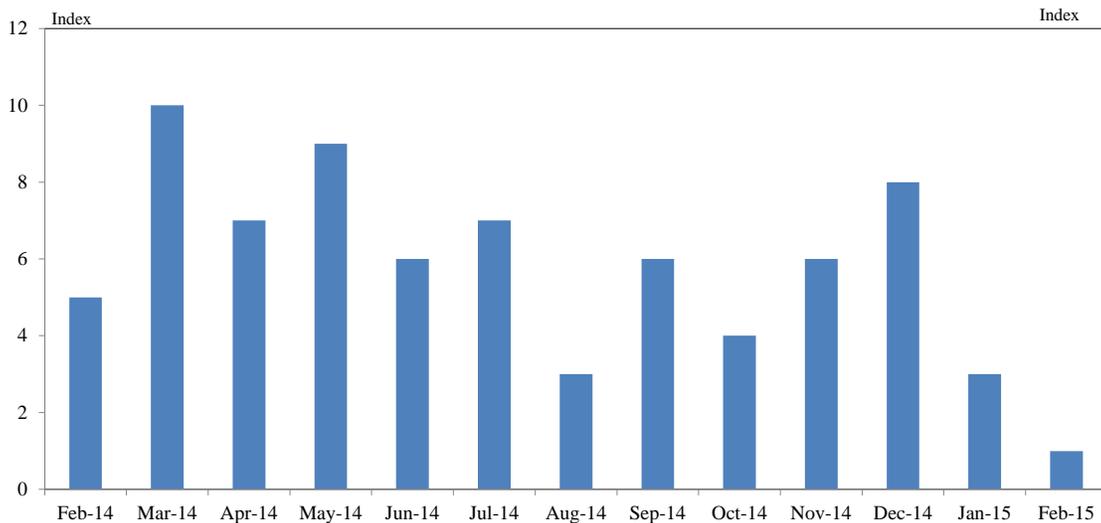
\*Percentage may not add to 100 due to rounding

<sup>^</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

<sup>\*\*^</sup>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 100 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**

|  | Feb'14 | Mar'14 | Apr'14 | May'14 | Jun'14 | Jul'14 | Aug'14 | Sept'14 | Oct'14 | Nov'14 | Dec'14 | Jan'15 | Feb'15 |
|--|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|--------|
| <b>Versus a Month Ago</b><br>(seasonally adjusted)     |        |        |        |        |        |        |        |         |        |        |        |        |        |
| Composite Index  | 5      | 10     | 7      | 9      | 6      | 7      | 3      | 6       | 4      | 6      | 8      | 3      | 1      |
| Production   | 5      | 20     | 12     | 12     | 4      | 8      | 4      | 11      | 3      | 9      | 7      | -2     | 5      |
| Volume of shipments                                    | 11     | 15     | 14     | 6      | 5      | 12     | 4      | 13      | 2      | 7      | 8      | -5     | 7      |
| Volume of new orders                                   | 6      | 12     | 9      | 10     | 10     | 10     | 5      | 5       | 3      | 0      | 14     | -8     | -10    |
| Backlog of orders                                      | -3     | 0      | 3      | 0      | 5      | -5     | -4     | -4      | -6     | 1      | 5      | -20    | -16    |
| Number of employees                                    | 4      | 4      | 3      | 8      | 2      | 7      | -4     | 7       | 6      | 8      | 8      | 0      | -4     |
| Average employee workweek                              | 1      | 3      | 5      | 12     | 6      | -3     | -1     | 3       | -2     | 1      | 2      | -10    | 1      |
| Prices received for finished product                   | 7      | 10     | 3      | 13     | 2      | 7      | 6      | 3       | 1      | 5      | 1      | -3     | -3     |
| Prices paid for raw materials                          | 18     | 18     | 21     | 25     | 23     | 19     | 19     | 19      | 15     | 12     | 7      | 8      | -6     |
| Capital expenditures                                   | n/a     | n/a    | n/a    | n/a    | n/a    | n/a    |
| New orders for exports                                 | -1     | 4      | 0      | -3     | -9     | -3     | -6     | -1      | -9     | 8      | 0      | -7     | -13    |
| Supplier delivery time                                 | 2      | 5      | 10     | 5      | 9      | 5      | 4      | 7       | 4      | 7      | 5      | 10     | 12     |
| Inventories: Materials                                 | 9      | 7      | 1      | 9      | 7      | 8      | 5      | 2       | 5      | 8      | 7      | 12     | 3      |
| Inventories: Finished goods                            | 3      | 2      | 2      | 3      | -1     | -2     | 7      | 2       | -4     | 4      | 6      | 8      | 3      |
| <b>Versus a Year Ago</b><br>(not seasonally adjusted)  |        |        |        |        |        |        |        |         |        |        |        |        |        |
| Composite Index  | 8      | 12     | 14     | 15     | 15     | 13     | 13     | 15      | 17     | 9      | 11     | 9      | 9      |
| Production   | 10     | 15     | 22     | 28     | 23     | 24     | 8      | 14      | 22     | 15     | 11     | -1     | 10     |
| Volume of shipments                                    | 13     | 11     | 18     | 27     | 23     | 27     | 10     | 16      | 22     | 9      | 19     | 4      | 5      |
| Volume of new orders                                   | 7      | 24     | 19     | 15     | 21     | 17     | 13     | 15      | 24     | 8      | 11     | 5      | 3      |
| Backlog of orders                                      | 0      | 4      | 20     | 8      | 13     | 10     | 3      | 12      | 6      | 10     | 5      | -6     | -2     |
| Number of employees                                    | 7      | 7      | 7      | 14     | 12     | 13     | 11     | 12      | 16     | 10     | 18     | 11     | 3      |
| Average employee workweek                              | 2      | 0      | 6      | 4      | 12     | 5      | -4     | -6      | 5      | 4      | 4      | -7     | 1      |
| Prices received for finished product                   | 36     | 39     | 33     | 37     | 30     | 37     | 35     | 34      | 34     | 35     | 34     | 19     | 16     |
| Prices paid for raw materials                          | 37     | 57     | 59     | 65     | 54     | 55     | 55     | 45      | 44     | 46     | 41     | 39     | 29     |
| Capital expenditures                                   | 18     | 20     | 14     | 18     | 19     | 10     | 14     | 17      | 23     | 18     | 12     | 7      | 9      |
| New orders for exports                                 | -1     | 6      | 4      | 3      | -2     | -3     | -5     | 0       | -5     | 5      | 9      | -8     | -9     |
| Supplier delivery time                                 | 4      | 5      | 11     | 11     | 13     | 11     | 15     | 12      | 11     | 6      | 4      | 16     | 15     |
| Inventories: Materials                                 | 10     | 7      | 12     | 9      | 7      | 1      | 15     | 22      | 11     | 5      | 11     | 13     | 13     |
| Inventories: Finished goods                            | 7      | 6      | 10     | -1     | 7      | 0      | 13     | 8       | 7      | 0      | 3      | 18     | 17     |
| <b>Expected in Six Months</b><br>(seasonally adjusted) |        |        |        |        |        |        |        |         |        |        |        |        |        |
| Composite Index  | 13     | 11     | 20     | 14     | 13     | 16     | 17     | 16      | 17     | 21     | 19     | 19     | 11     |
| Production   | 26     | 28     | 36     | 21     | 20     | 25     | 26     | 29      | 24     | 35     | 26     | 27     | 26     |
| Volume of shipments                                    | 27     | 27     | 35     | 26     | 23     | 28     | 22     | 32      | 27     | 29     | 33     | 35     | 23     |
| Volume of new orders                                   | 23     | 28     | 31     | 22     | 19     | 24     | 26     | 26      | 26     | 24     | 23     | 24     | 15     |
| Backlog of orders                                      | 14     | 11     | 19     | 10     | 11     | 12     | 15     | 15      | 14     | 18     | 17     | 3      | 5      |
| Number of employees                                    | 10     | 2      | 21     | 17     | 15     | 22     | 16     | 14      | 15     | 28     | 30     | 24     | 14     |
| Average employee workweek                              | 1      | 5      | 10     | 9      | 5      | 11     | 10     | 5       | 1      | 12     | 2      | 7      | 4      |
| Prices received for finished product                   | 25     | 23     | 30     | 31     | 27     | 25     | 21     | 25      | 21     | 24     | 28     | 27     | 6      |
| Prices paid for raw materials                          | 35     | 39     | 43     | 49     | 45     | 44     | 42     | 39      | 39     | 34     | 36     | 31     | 25     |
| Capital expenditures                                   | 21     | 10     | 21     | 19     | 22     | 23     | 17     | 20      | 21     | 16     | 25     | 16     | 12     |
| New orders for exports                                 | 6      | 5      | 7      | 6      | 7      | 6      | 8      | 0       | 8      | 8      | 8      | -2     | -2     |
| Supplier delivery time                                 | 4      | 4      | 11     | 10     | 10     | 6      | 11     | 10      | 7      | 7      | 9      | 12     | 7      |
| Inventories: Materials                                 | 1      | -7     | 2      | 1      | 3      | 1      | 6      | 3       | 10     | 11     | 9      | 7      | -7     |
| Inventories: Finished goods                            | 6      | -3     | 1      | 2      | 3      | 1      | 7      | 5       | 9      | 7      | 18     | 7      | 0      |