

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY DECLINED

Federal Reserve Bank of Kansas City Releases March Manufacturing Survey

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the March 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 in March, and producers' expectations moderated somewhat but remained slightly positive.

"We saw our first monthly decline in regional factory activity in over a year", said Wilkerson. "Some firms blamed the West Coast port disruptions, while producers of oil and gas-related equipment blamed low oil prices."

A summary of the March 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 in March, and producers' expectations moderated somewhat but remained slightly positive. Most price indexes continued to decrease, with several reaching their lowest level since 2009. In a special question about the West Coast port disruptions, 32 percent of firms said it had affected them negatively.

The month-over-month composite index was -4 in March, down from 1 in February and 3 in January (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 declines in plastics, food, and chemical production and continued weakness in metals and machinery. Looking across District states, the largest decline was in Oklahoma, with moderate slowdowns in Kansas and Nebraska. Other month-over-month indexes decreased from the previous month. The production and shipments indexes fell after rising last month, and the new orders and order backlog indexes dropped to their lowest levels in over two years. In contrast, the employment and new orders for exports indexes inched higher but remained negative. The finished goods inventory index eased from 3 to -2, and the raw materials inventory index also moved into negative territory.

Year-over-year factory indexes also decreased. The composite year-over-year index declined from 9 to -2, and the production, shipments, new orders, and employment indexes also moved into negative territory. The capital expenditures index eased from 9 to 3, and the order backlog index decreased further. Both inventory indexes moderated somewhat.

Most future factory indexes eased slightly but remained positive. The future composite index moved down from 11 to 4, and the future production, shipments, and new orders index also decreased moderately. The future employment index dropped from 14 to 7, its lowest level in over a year, and the future capital expenditures index fell to a five-year low. In contrast, the future order backlog index was unchanged, and the future new orders for exports index edged slightly higher. The future finished goods inventory index fell from 0 to -9, and the future raw materials inventory index also decreased.

Most price indexes continued to decrease in March. The month-over-month finished goods price index eased from -3 to -6, and the raw materials price index dropped from -6 to -12. The year-over-year raw materials price index fell from 29 to 22, and the finished goods price index inched lower. The future raw materials price index eased slightly, while the future finished goods price index rose somewhat, from 6 to 12.

SELECTED COMMENTS

“We continue to produce to fill orders we have in house but invoicing is down because customers are delaying shipments due to the large amount of snow in their yards. All of the suppliers have sent notices of a raw material increase. If those are implemented our projections will come to a grinding halt.”

“The drop in oil prices is negatively impacting our business levels. We do not see the economy as being as strong as a portrayed in the national media reports.”

“Due to the port disruption, we are diverting as many containers to east coast ports as possible.”

“We are still hiring and operating at full capacity but the flow of new orders for delivery in 2016 has significantly slowed. Hopefully, this trend will improve as the oil & gas producers deal with their excess production issues.”

“The low price for oil is taking its toll on the demand and price for energy related products we offer. Momentum we experienced earlier this year has left and we are again cost cutting and becoming lean. Our capital expenditures are focused on removing labor content in our processes and products due to the high cost and risk added by regulation and administrative action.”

“With the strong dollar, we keep continuing to see flood of low prices imports thereby reducing our margins.”

“Because of the West Coast port disruption, parts are tied up in transit that are several weeks late. Production lines have been shut down for days at a time and we have had customers cancel orders. We will not regain that business when the raw materials come in and in fact have lost some customers.”

“Corn prices have increased and we have had a difficult time getting containers to get product out in a timely matter.”

“The increase in health premiums has been offset by other benefit cuts and labor cuts.”

Table 1
Summary of Tenth District Manufacturing Conditions, March 2015

Plant Level Indicators	March vs. February (percent)*					March vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA
		Change	Decrease	Index [^]	Index ^{*^}		Change	Decrease	Index [^]		Change	Decrease	Index [^]	Index ^{*^}
Composite Index				-1	-4				-2				7	4
Production	34	36	28	6	-2	30	30	40	-9	43	31	25	18	16
Volume of shipments	33	41	24	9	0	30	30	39	-8	44	31	23	21	20
Volume of new orders	27	36	34	-7	-20	30	32	36	-6	33	41	23	10	6
Backlog of orders	17	45	33	-17	-21	20	43	32	-12	26	51	21	5	5
Number of employees	11	73	16	-4	-2	27	44	29	-2	28	55	16	13	7
Average employee workweek	13	60	27	-15	-17	15	51	33	-19	21	60	19	2	1
Prices received for finished product	8	78	13	-4	-6	34	45	20	15	27	58	15	13	12
Prices paid for raw materials	16	67	18	-2	-12	49	24	27	22	35	51	11	24	24
Capital expenditures						26	50	23	3	25	50	22	3	2
New orders for exports	8	67	15	-6	-9	5	65	20	-15	11	68	10	1	4
Supplier delivery time	6	89	4	2	3	11	76	8	3	9	84	4	5	5
Inventories: Materials	22	55	22	0	-1	29	48	23	6	18	53	29	-11	-13
Inventories: Finished goods	20	56	22	-2	-2	28	51	19	9	15	56	24	-9	-9

*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 March survey included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

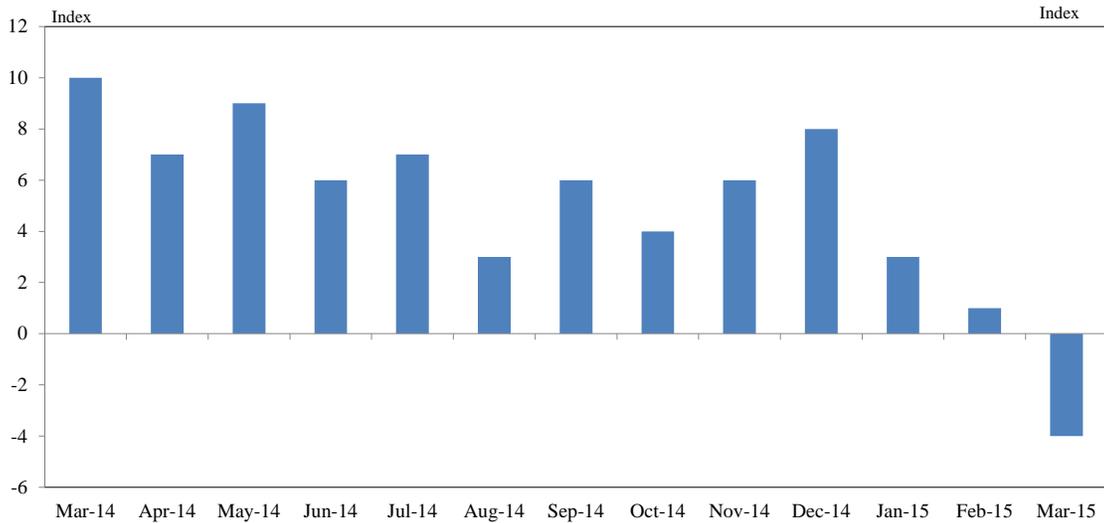


Table2
Historical Manufacturing Survey Indexes

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