

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY MODERATED SLIGHTLY *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 growth in Tenth District manufacturing activity moderated slightly after rising to a two-year high in March, but producers' expectations for future factory activity climbed higher.

“Regional factory expansion was not quite as strong in April as in March, when better weather provided a boost”, said Wilkerson. “But April’s numbers were otherwise the best in nearly two years, and firms were generally optimistic.”

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](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

Growth in Tenth District manufacturing activity moderated slightly in April after rising to a two-year high in March, but producers' expectations for future activity climbed higher. Most price indexes increased slightly, particularly for expected raw materials and selling prices.

The month-over-month composite index was 7 in April, down from 10 in March but up from 4 in February (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Manufacturing activity grew slower at most durable and non-durable goods-producing plants, with the exception of metal and chemical products. Other month-over-month indexes were mixed. The production index dropped from 22 to 12, and the shipments and new orders indexes also eased. In contrast, the order backlog index moved into positive territory for the first time in four months, and the employment index rebounded after falling last month. The raw materials inventory index decreased from 8 to -1, while the finished goods inventory index was unchanged.

Most year-over-year factory indexes improved slightly over last month. The composite year-over-year index edged up from 12 to 14, and the production, new orders, and order backlog indexes also increased. The employment index remained at the same level for the past four months, while the shipments index slipped from 24 to 19. The capital expenditures index fell from 20 to 14, its lowest level in six months, and the new orders for exports index also moderated slightly. Both inventory indexes moved higher after falling last month.

Future factory indexes increased further in April. The future composite index jumped from 11 to 21, and the future production, shipments, and new orders indexes also rose. The future order backlog index climbed from 9 to 20, and the future new orders for exports index also edged higher. The future employment and capital expenditures indexes rebounded strongly after reaching year-long lows in March. The future finished goods inventory index rose from 0 to 5, and the future raw materials inventory index moved into positive territory.

Most price indexes increased in April. The raw materials price index edged higher, but the month-over-month finished goods price index fell from 10 to 2. The year-over-year raw materials index inched up from 57 to 59, while the finished goods price index moderated somewhat. The future raw materials price index rose from 38 to 46, and the future finished goods price index also increased, indicating more firms plan to pass recent cost increases through to customers.

## **SELECTED COMMENTS**

“There are some headwinds against business development with our government customers. Also, price pressures being asserted by buying groups are impacting margins and at some point, we are not willing to give up current price levels as volume promises are not forthcoming.”

“Finding new customers has been tough lately because companies are cautious about bringing in new products or changing their existing manufacturer. We need top line sales to achieve our bottom line numbers, and it’s been tough.”

“We have many available jobs for truck drivers, some production supervisory personnel, and technical/electrical roles. We are challenged finding good people with the right skill sets.”

“We are planning for increased sales as some competitors have left the market.”

“Business seems to have slowed the second quarter. Customers are indicating that 2014 will still be a strong year, but if business grows we will have a problem with hiring quality machinists.”

“We are glad to finally see improvement in sales. If sales for export would follow, we would be in much better position to spend more on capital improvements.”

“Most of our capital programs are aimed at reducing labor content, elements made more critical each day due to burgeoning regulations.”

“Unemployment is low in our area and we struggle to find skilled labor. Our average labor rate is going up as we have to pay more to keep and attract quality employees.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, April 2014**

Plant Level Indicators	April vs. March (percent)*					April vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff	SA	Index <sup>^</sup>	No		Diff	Index <sup>^</sup>	No		Diff	SA	
	Increase	Change				Increase	Change			Increase	Change			
Composite Index				11	7			14				21	21	
Production	38	45	17	20	12	49	24	27	22	47	41	11	36	38
Volume of shipments	39	46	14	24	14	45	26	27	18	46	42	10	36	37
Volume of new orders	38	42	20	17	9	45	30	26	19	48	41	10	38	33
Backlog of orders	30	51	18	11	4	42	36	21	20	37	46	15	21	20
Number of employees	27	56	17	9	3	36	34	29	7	37	49	12	24	22
Average employee workweek	20	67	11	9	6	23	59	17	6	19	68	10	9	12
Prices received for finished product	11	81	5	6	2	45	42	12	33	35	58	5	30	31
Prices paid for raw materials	24	70	3	21	21	67	23	8	59	49	45	3	46	46
Capital expenditures						33	47	18	14	34	52	13	20	21
New orders for exports	11	69	11	0	0	16	61	12	4	14	66	9	5	7
Supplier delivery time	14	81	3	11	11	19	69	8	11	16	74	6	10	11
Inventories:														
Materials	23	51	24	-1	-1	34	44	21	12	22	52	24	-2	1
Finished goods	18	59	18	0	2	27	53	16	10	17	56	20	-3	0

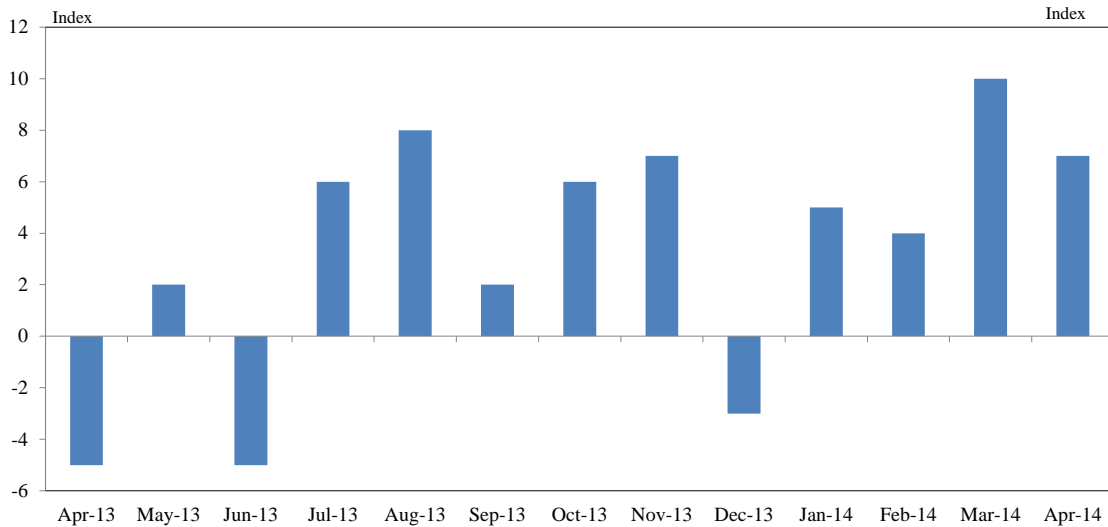
\*Percentage may not add to 100 due to rounding

<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 April survey included 98 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'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	-3	2	-5	5	6	2	6	6	-3	5	4	10	7
Production	4	4	-19	19	16	4	11	9	-13	-8	3	22	12
Volume of shipments	6	7	-17	16	12	6	11	3	-10	3	10	16	14
Volume of new orders	1	5	-7	5	10	7	4	14	1	5	5	13	9
Backlog of orders	-6	-7	-4	-7	-2	-2	-2	12	-5	-1	-4	-1	4
Number of employees	-3	-5	-1	-1	2	0	-1	4	0	11	3	0	3
Average employee workweek	-6	-7	-12	-5	7	-4	1	3	-2	-6	1	3	6
Prices received for finished product	1	-1	3	1	5	4	8	7	2	8	7	10	2
Prices paid for raw materials	14	14	16	17	21	15	26	16	15	19	16	16	21
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	-7	-6	-4	0	2	-6	-1	-3	-6	4	-1	6	0
Supplier delivery time	-3	5	1	0	0	0	4	-1	-2	9	0	5	11
Inventories: Materials	-16	0	2	2	0	-1	10	3	-1	6	10	8	-1
Inventories: Finished goods	-2	-1	3	0	2	1	9	-2	1	3	3	2	2
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	-6	0	3	2	11	10	7	9	3	8	8	12	14
Production	-14	0	7	7	10	15	8	14	-4	8	10	15	22
Volume of shipments	-10	5	6	9	13	19	8	17	-8	11	13	11	18
Volume of new orders	-9	-2	5	-3	18	16	12	21	6	8	7	24	19
Backlog of orders	-16	-15	-10	-21	-1	5	2	6	-3	-2	0	4	20
Number of employees	-3	-3	5	5	14	5	4	4	7	7	7	7	7
Average employee workweek	-9	-13	-3	0	6	2	-7	4	2	-8	2	0	6
Prices received for finished product	28	26	30	40	39	40	32	32	27	36	36	39	33
Prices paid for raw materials	55	50	50	42	46	38	48	39	40	48	37	57	59
Capital expenditures	7	11	16	11	15	16	7	15	15	19	18	20	14
New orders for exports	-12	-7	-1	-1	3	-5	-3	3	-3	3	-1	6	4
Supplier delivery time	4	12	6	3	5	5	8	5	1	8	4	5	11
Inventories: Materials	-11	-7	-6	-2	9	7	3	0	3	10	10	7	12
Inventories: Finished goods	-10	-2	-1	4	13	13	9	-2	4	8	7	6	10
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	5	12	11	7	8	16	8	12	15	26	11	11	21
Production	11	17	22	17	16	32	19	20	30	45	24	28	38
Volume of shipments	13	20	24	14	15	28	17	25	32	47	24	25	37
Volume of new orders	9	19	24	19	11	19	15	17	24	35	23	30	33
Backlog of orders	4	9	13	0	6	11	8	7	8	22	15	9	20
Number of employees	8	9	7	7	9	11	3	20	15	29	6	2	22
Average employee workweek	-4	1	1	2	1	3	-3	9	8	9	-1	5	12
Prices received for finished product	27	24	23	24	26	25	24	20	18	30	25	21	31
Prices paid for raw materials	41	46	47	39	46	37	41	32	27	47	35	38	46
Capital expenditures	13	18	15	12	13	16	16	16	12	26	24	9	21
New orders for exports	5	4	13	-2	8	7	5	8	2	13	5	4	7
Supplier delivery time	2	13	4	6	6	16	3	3	5	10	2	2	11
Inventories: Materials	-5	0	-2	-12	-1	1	1	1	-1	9	-1	-8	1
Inventories: Finished goods	-7	-1	0	-10	1	2	-2	-2	-5	-1	6	-5	0