

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING SURVEY ROSE MODERATELY *Federal Reserve Bank of Kansas City Releases July Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the July 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 moderately, although producers' expectations for future activity eased somewhat.

"We saw several positive things in this month's survey. Production and shipments rebounded after being disrupted by storms last month," said Wilkerson. "And while some firms remain hesitant to expand, overall capital spending and hiring plans remain positive."

A summary of the July 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 rose moderately from last month, although producers' expectations for future activity eased somewhat. Price indexes were mixed, with a reduction in future materials prices but a slight increase in future selling prices.

The month-over-month composite index was 6 in July, up from -5 in June and 2 in May (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Production increased at both durable and non-durable goods-producing plants, particularly in food, machinery, and aerospace products. Most other month-over-month indexes also improved. The production index increased from -17 to 21, its highest level since June 2011, and the shipments and new orders indexes also rose markedly. In contrast, the order backlog index edged lower from -4 to -7, and the employment index also eased slightly. The finished goods inventory index fell from 6 to 1, while the raw materials inventory index was unchanged.

The majority of year-over-year factory indexes were slightly lower or unchanged from the previous month. The composite year-over-year index eased from 3 to 2, and the new orders and order backlog indexes also decreased. The production, employment, and new orders for exports indexes remained stable, while the capital expenditures index edged down from 16 to 11 after increasing last month. On the other hand, the shipments index increased from 6 to 9, and both inventory indexes also moved higher.

Most future factory indexes moderated somewhat in July but still remained relatively solid. The future composite index eased from 12 to 7, and the future production, shipments, and new orders indexes also edged lower. The future order backlog index declined from 14 to 0, and the future capital expenditures index decreased for the second straight month. The future new orders for export index fell into negative territory, while the future employment index was unchanged. The raw materials inventory index declined from -2 to -13, and the finished goods inventory index also decreased.

Price indexes were mixed. The month-over-month finished goods price index moderated from 3 to 0, while the raw materials price index increased modestly. The year-over-year raw materials price index eased somewhat, while the finished goods price index moved higher from 30 to 40. The future raw materials price index fell from 46 to 36, but the future finished goods price index inched higher, indicating more firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“General economic concerns continue to create hesitation in hiring, spending, inventory, and capital expenditures.”

“We are having a difficult time hiring production line workers. Unemployment is low in our area.”

“We are reluctant to charge our customers interest for fear they will go to our competition and we will lose them.”

“Foreign competition is finding ways to get around duties on raw materials, which has caused an un-level playing field for manufacturers.”

“We have been able to utilize our working capital to fund our large expenditures and investments.”

“We are seeing a 2-3 month delay in available cash for capital projects that didn't exist previously.”

Table 1
Summary of Tenth District Manufacturing Conditions, July 2013

Plant Level Indicators	July vs. June (percent)*					July 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				5	6				2				7	7
Production	35	49	15	20	21	37	31	30	7	36	42	21	15	17
Volume of shipments	34	47	19	15	19	39	30	30	9	34	39	24	10	12
Volume of new orders	25	51	25	0	5	32	31	35	-3	38	41	20	19	20
Backlog of orders	19	54	27	-8	-7	18	42	38	-21	23	51	23	0	0
Number of employees	16	68	15	1	-2	35	34	30	5	28	48	23	5	7
Average employee workweek	12	68	15	-3	-6	21	56	21	0	15	65	15	0	2
Prices received for finished product	8	81	9	-1	0	49	38	9	40	29	58	8	21	24
Prices paid for raw materials	24	65	9	14	16	58	25	15	42	44	41	11	33	36
Capital expenditures						30	49	19	11	24	61	12	11	12
New orders for exports	9	73	7	2	2	13	64	14	-1	12	67	12	0	-1
Supplier delivery time	2	96	2	0	1	11	79	8	3	8	89	3	5	7
Inventories:														
Materials	24	56	21	3	4	27	43	29	-2	19	51	30	-11	-13
Finished goods	18	63	18	0	1	24	53	20	4	15	56	26	-10	-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 July survey included 97 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

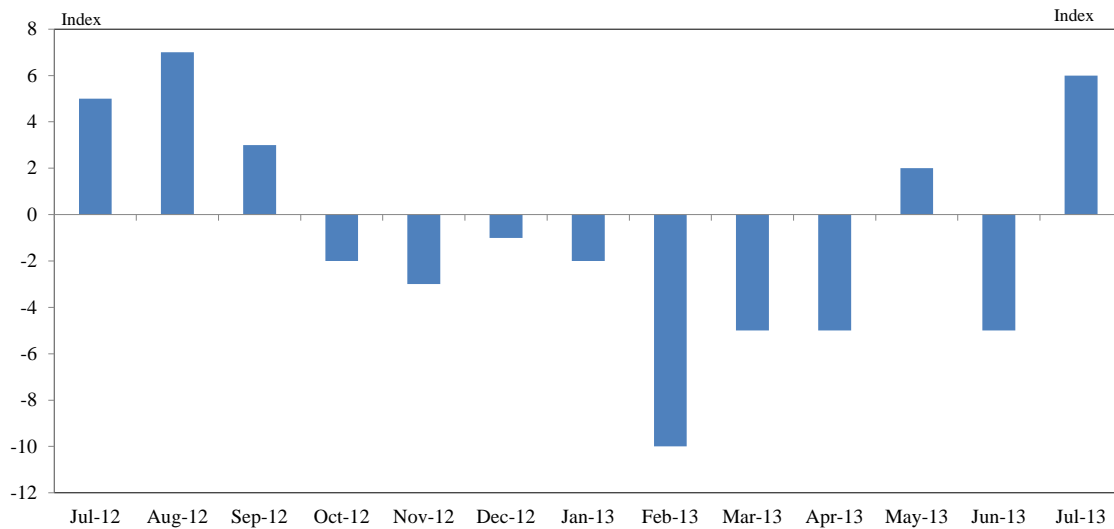


Table2
Historical Manufacturing Survey Indexes

	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	7	3	-2	-3	-1	-2	-10	-5	-5	2	-5	6
Production	3	7	-1	-3	-2	-5	-3	-11	-1	1	5	-17	21
Volume of shipments	0	10	-4	-3	-1	-4	-3	-12	0	7	8	-16	19
Volume of new orders	-2	10	-1	-8	-10	-5	-2	-25	0	0	6	-10	5
Backlog of orders	-8	0	-7	-13	-20	-16	-6	-18	-16	-8	-8	-4	-7
Number of employees	5	3	2	-3	2	-1	-8	2	-15	-3	-7	-1	-2
Average employee workweek	-4	-5	-11	-10	-5	-7	-8	-14	-8	-7	-8	-13	-6
Prices received for finished product	1	2	4	7	3	7	7	5	-1	-1	-3	3	0
Prices paid for raw materials	19	26	28	26	24	33	23	25	19	7	9	14	16
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	-11	-6	-4	-5	-6	-2	-8	-1	-7	-8	-6	-5	2
Supplier delivery time	6	6	7	3	-1	3	4	-6	-5	-4	5	2	1
Inventories: Materials	10	11	6	2	-5	1	-4	-8	-2	-17	0	4	4
Inventories: Finished goods	7	11	3	3	6	0	-10	-6	0	-4	-2	6	1
Versus a Year Ago (not seasonally adjusted)													
Composite Index	20	18	11	11	9	7	1	-4	-1	-6	0	3	2
Production	19	25	12	17	4	-3	-9	-7	-8	-14	0	7	7
Volume of shipments	18	22	16	22	11	5	-4	-5	-5	-10	5	6	9
Volume of new orders	23	16	6	10	4	2	-7	-14	-6	-9	-2	5	-3
Backlog of orders	10	14	-4	1	-7	-7	-12	-15	-11	-16	-15	-10	-21
Number of employees	18	20	17	12	22	13	14	12	8	-3	-3	5	5
Average employee workweek	2	1	5	-2	-8	-8	-11	-17	-1	-9	-13	-3	0
Prices received for finished product	35	35	35	30	28	35	31	29	36	28	26	30	40
Prices paid for raw materials	50	49	60	60	58	56	50	60	59	55	50	50	42
Capital expenditures	23	21	17	18	19	20	-3	8	19	7	11	16	11
New orders for exports	2	2	-4	-2	-5	-4	-11	-4	-3	-12	-7	-1	-1
Supplier delivery time	12	10	7	10	7	9	-1	0	7	4	12	6	3
Inventories: Materials	26	16	11	5	8	14	6	-9	-6	-11	-7	-6	-2
Inventories: Finished goods	16	19	12	10	11	17	0	-3	2	-10	-2	-1	4
Expected in Six Months (seasonally adjusted)													
Composite Index	13	16	16	6	5	7	7	4	14	4	11	12	7
Production	23	29	28	13	13	16	15	12	26	8	16	24	17
Volume of shipments	21	28	29	14	14	14	14	14	26	10	21	26	12
Volume of new orders	22	21	24	11	12	13	19	15	30	9	18	26	20
Backlog of orders	4	12	20	0	5	3	2	5	16	3	9	14	0
Number of employees	15	15	16	6	3	1	3	2	12	8	8	7	7
Average employee workweek	-1	1	2	-2	-5	-5	3	-3	9	-7	1	1	2
Prices received for finished product	25	33	27	23	19	29	26	26	22	24	23	21	24
Prices paid for raw materials	48	45	50	56	42	63	47	51	38	38	43	46	36
Capital expenditures	19	17	13	16	9	7	3	18	21	11	19	16	12
New orders for exports	6	4	3	1	0	-2	0	1	11	5	3	13	-1
Supplier delivery time	5	12	6	1	-3	5	-1	1	3	0	13	4	7
Inventories: Materials	-1	2	7	-4	1	-3	-3	-9	-2	-7	1	-2	-13
Inventories: Finished goods	5	7	5	-6	0	-2	-2	-13	-6	-10	0	3	-9