

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY SLOWED Federal Reserve Bank of Kansas City Releases June Manufacturing Survey

KANSAS CITY, Mo. /The Federal Reserve Bank of Kansas City released the June 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 slowed, and expectations eased as producers grew more uncertain.

"Factories in our region reported slower growth, easing price pressures, and rising uncertainty in June," said Wilkerson. "Many firms noted concerns about economic conditions in Europe, but only a few had experienced sizeable direct negative impacts to date, and Tenth District factories as a whole still expect moderate growth heading forward."

A summary of the June 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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Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity slowed in June, and expectations eased as producers grew more uncertain. Many respondents reported concerns about economic conditions in Europe, though only a few noted sizeable direct negative impacts. Price indexes fell, but most remained above zero, indicating continued increases but at a slower rate.

The month-over-month composite index was 3 in June, down from 9 in May and equal to 3 in April (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 growth decreased in most durable and nondurable goods-producing plants, with the exception of food and aircraft production, which increased somewhat. Most other month-over-month indexes also fell in June. The production index eased from 17 to 12, and the new orders index fell back into negative territory after rising slightly last month. Order backlogs continued to ease. The employment index moved lower but remained positive, while the new orders for exports index decreased. The raw materials inventory index rose from 1 to 5, while the finished goods inventory index declined.

The majority of year-over-year factory indexes posted levels similar to last month. The composite year-over-year index eased from 27 to 24, while the new orders and shipments indexes were unchanged. The production index slipped from 38 to 32, and the employment index also edged slightly lower. The capital expenditures index was steady at a fairly solid level, while both inventory indexes decreased somewhat.

Future factory indexes fell after rising solidly last month, but generally remained moderately positive. The future composite index dropped from 17 to 8, and the future production, shipments, and employment indexes also decreased considerably. The future new orders and order backlog indexes posted their lowest levels since May of 2009, but more firms expected increases in orders than decreases. The future capital spending index moved slightly lower from 19 to 17, and the future new orders for exports index also fell marginally. The future raw materials inventory index declined from 0 to -11, and the future finished goods inventory index eased slightly.

Price indexes moderated for the second straight month, including an actual decline in monthly selling prices. The month-over-month finished goods price index dropped from 0 to -4, its lowest level since mid-2010, and the raw materials price index also decreased. The year-over-year raw materials price index edged lower, and the finished goods price index posted an 18-month low. The future raw materials price index fell from 48 to 40, and the future finished goods price index eased after rising last month, indicating fewer firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, June 2012

	June vs. May (percent) ¹					June vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	No Change	Decrease	Diff Index ²	SA Index ³	Increase	No Change	Decrease	Diff Index ²	Increase	No Change	Decrease	Diff Index ²	SA Index ³
Plant Level Indicators														
Composite Index				7	3				24				8	8
Production	36	44	19	17	12	56	19	24	32	43	35	21	21	22
Volume of shipments	39	39	22	17	12	59	17	24	35	41	36	21	19	20
Volume of new orders	29	38	33	-5	-7	55	22	22	32	37	36	24	13	12
Backlog of orders	19	47	31	-13	-18	42	34	21	20	23	49	23	0	-1
Number of employees	21	68	11	10	3	46	32	21	25	28	53	18	10	13
Average employee workweek	16	66	17	-1	-4	25	54	18	7	17	59	19	-2	-2
Prices received for finished product	9	81	10	-1	-4	36	46	18	19	28	56	15	13	12
Prices paid for raw materials	24	67	8	16	7	71	18	11	60	49	42	9	40	40
Capital expenditures						43	34	21	21	30	53	17	13	17
New orders for exports	9	66	13	-4	-7	16	61	12	4	15	64	11	4	4
Supplier delivery time	7	87	4	4	4	19	72	6	12	8	85	4	5	4
Inventories:														
Materials	24	58	17	7	5	37	42	20	17	19	51	29	-9	-11
Finished goods	16	63	17	-1	-2	29	48	18	11	16	56	23	-7	-8

¹Percentage may not add to 100 due to rounding.

²Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

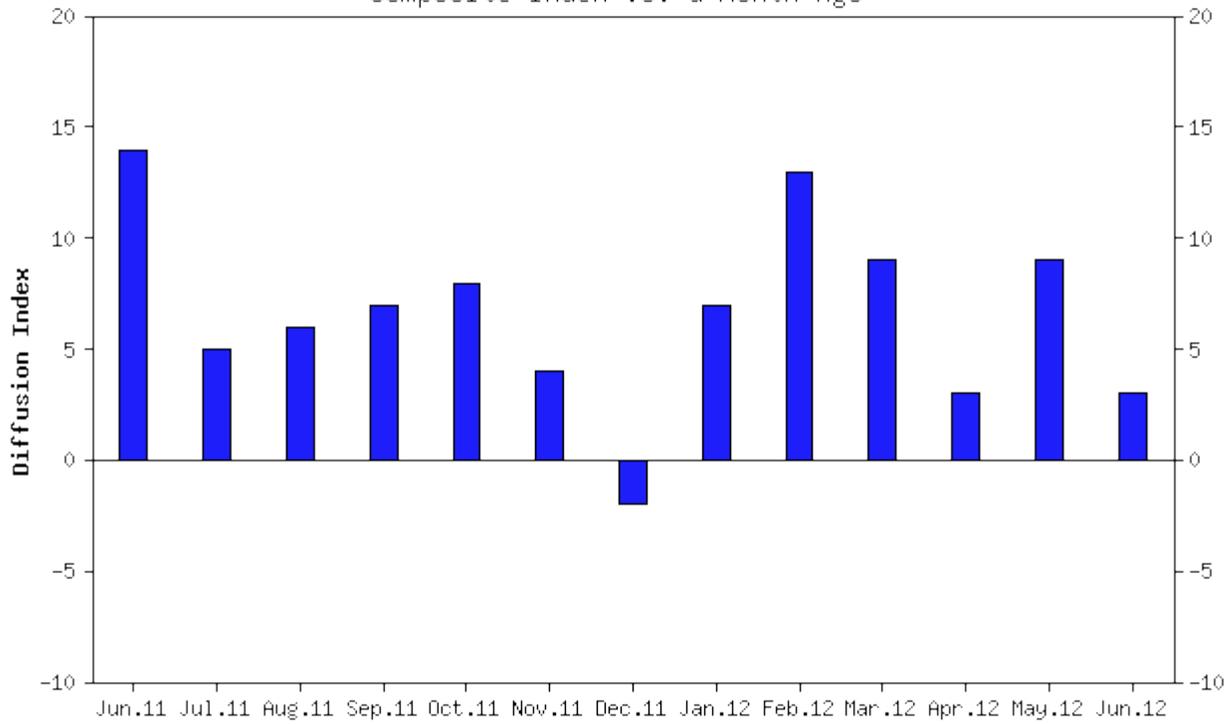
Note: The June survey included 108 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12
Versus a Month Ago (seasonally adjusted)													
Composite Index	14	5	6	7	8	4	-2	7	13	9	3	9	3
Production	23	4	1	5	6	2	-6	13	20	13	0	17	12
Volume of shipments	23	2	2	4	7	2	-7	13	8	17	3	16	12
Volume of new orders	10	-2	4	6	3	-3	-2	9	8	17	-8	10	-7
Backlog of orders	4	-15	-5	-5	-3	-7	-11	8	13	3	-5	-3	-18
Number of employees	16	6	10	13	13	5	-5	9	11	12	12	8	3
Average employee workweek	7	0	-3	5	4	-4	-9	-0	-3	2	-10	-2	-4
Prices received for finished product	12	15	5	12	6	4	4	13	11	3	7	0	-4
Prices paid for raw materials	36	43	36	36	30	20	27	42	36	33	19	11	7
Capital expenditures	n/a												
New orders for exports	7	-6	2	-1	0	-2	-1	10	-7	-0	1	3	-7
Supplier delivery time	8	10	6	0	10	8	8	8	10	4	4	10	4
Inventories: Materials	15	7	7	11	7	8	-7	-4	14	-0	5	1	5
Inventories: Finished goods	7	4	2	6	7	18	0	0	6	15	-3	2	-2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	31	24	21	15	23	22	11	15	21	24	24	27	24
Production	40	28	19	19	27	23	19	16	28	31	30	38	32
Volume of shipments	42	32	19	22	31	21	18	13	30	37	35	35	35
Volume of new orders	39	30	22	18	31	21	10	17	28	33	28	32	32
Backlog of orders	23	17	5	6	5	8	0	13	24	20	20	32	20
Number of employees	29	24	23	18	27	22	16	11	17	23	31	28	25
Average employee workweek	29	20	10	21	13	7	11	2	6	4	10	7	7
Prices received for finished product	45	50	46	52	42	37	34	38	35	35	41	34	19
Prices paid for raw materials	85	84	77	78	82	70	64	67	57	71	74	66	60
Capital expenditures	13	8	13	16	18	23	17	8	12	15	18	21	21
New orders for exports	8	7	8	9	4	6	11	12	5	6	-2	9	4
Supplier delivery time	19	20	13	6	14	16	10	10	13	9	7	14	12
Inventories: Materials	28	20	26	16	18	27	0	19	19	22	25	23	17
Inventories: Finished goods	12	4	17	3	10	23	10	11	20	13	17	16	11
Expected in Six Months (seasonally adjusted)													
Composite Index	15	15	12	8	14	12	12	12	20	18	12	17	8
Production	26	23	19	15	24	22	15	28	35	31	26	40	22
Volume of shipments	24	27	21	18	24	20	25	23	37	31	22	40	20
Volume of new orders	20	21	20	16	23	20	25	18	34	34	23	29	12
Backlog of orders	6	9	3	3	2	10	4	9	24	13	8	11	-1
Number of employees	17	18	15	12	16	12	10	18	23	23	15	18	13
Average employee workweek	4	-0	0	-8	-1	-3	2	1	3	7	-6	6	-2
Prices received for finished product	34	27	23	28	27	25	19	28	32	28	16	22	12
Prices paid for raw materials	60	63	58	57	56	57	47	64	54	65	54	48	40
Capital expenditures	13	18	18	8	15	17	13	22	18	20	6	19	17
New orders for exports	15	9	8	2	9	5	8	15	10	8	5	10	4
Supplier delivery time	10	9	7	3	11	7	5	8	11	7	1	0	4
Inventories: Materials	3	4	-3	-5	-5	1	6	-10	-0	-5	-8	-0	-11
Inventories: Finished goods	2	-2	-2	-3	3	5	2	-10	4	6	-4	-3	-8

Composite Index vs. a Month Ago



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Manufacturing Survey Home Page](#)