

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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MANUFACTURING SECTOR SHOWS REBOUND AFTER LAST MONTH'S SLOWDOWN 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 rebounded solidly in June after a brief slowdown last month, and producers remained generally optimistic about future activity.

“Factories in the region basically resumed their solid pace of growth from earlier in the year, following some disruptions in May,” said Wilkerson. “Also, hiring plans remain fairly solid for the second half of the year.”

Wilkerson said raw materials price indexes fell for the second straight month, but more producers plan to raise selling prices in the months ahead.

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 rebounded solidly in June after a brief slowdown last month, and producers remained generally optimistic about future activity. Raw materials price indexes fell for the second straight month, but more producers plan to raise selling prices in the months ahead.

The month-over-month composite index was 14 in June, up from 1 in May and equal to 14 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. Growth in factory activity increased at both durable and non-durable goods producing plants. Most other month-over-month indicators also improved in June. The production index jumped from -2 to 22, and the shipments, new orders, and order backlog indexes also posted solid gains. The employment index increased from 9 to 17, and the new orders for exports index also edged higher. The raw materials inventory index climbed from 1 to 16, while the finished goods inventory index was unchanged.

The year-over-year factory indexes were very similar to recent months, and solidly positive. The composite year-over-year index edged up from 30 to 31, and the new orders and shipments indexes also improved slightly. The employment index increased from 25 to 29, reaching its highest level since early 2007. The production index eased from 41 to 40, and the capital expenditures and new orders for exports indexes were also largely unchanged. The finished goods inventory index fell from 17 to 12, while the raw materials inventory index inched higher.

Future factory indexes were mostly positive, as producers remained fairly optimistic about activity in the months ahead. The future composite index increased from 13 to 15, and the future new orders index also improved. The future production index eased somewhat, and the future shipments, order backlog, and employment indexes also slowed marginally. The future capital expenditures index fell from 18 to 10, and the future new orders for exports index was basically unchanged. The future raw materials inventory index rose modestly from 1 to 3, but the future finished goods inventory index eased slightly.

Price indexes were mixed for finished goods, but raw materials indexes fell further indicating slower price appreciation. The month-over-month raw materials price index dropped from 54 to 36, and the finished goods price index also edged lower. The year-over-year raw materials price index eased from 87 to 85, while the finished goods price index remained unchanged. The future raw materials price index fell from 58 to 55, while the future finished goods price index increased somewhat, indicating slightly more firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, June 2011

	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				18	14				31				16	15
Production	44	39	16	28	22	60	19	19	40	44	37	18	26	25
Volume of shipments	43	39	15	28	25	60	20	18	42	44	34	19	24	23
Volume of new orders	37	36	24	13	10	55	24	17	39	39	41	17	22	20
Backlog of orders	30	43	22	8	10	43	33	20	23	27	49	20	7	6
Number of employees	33	56	9	24	17	50	27	21	29	30	52	16	14	16
Average employee workweek	21	66	11	10	9	40	46	12	29	18	65	15	3	5
Prices received for finished product	21	70	5	16	10	53	35	8	45	40	50	5	35	34
Prices paid for raw materials	49	45	3	45	36	87	10	2	85	66	25	5	61	55
Capital expenditures						34	42	21	13	24	59	14	10	10
New orders for exports	18	58	8	10	8	19	56	11	8	20	62	5	15	16
Supplier delivery time	13	76	5	8	7	28	60	8	19	16	72	6	10	9
Inventories:														
Materials	34	47	17	17	16	45	37	17	28	23	58	17	6	3
Finished goods	24	54	16	8	8	29	45	18	12	18	60	15	3	4

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.

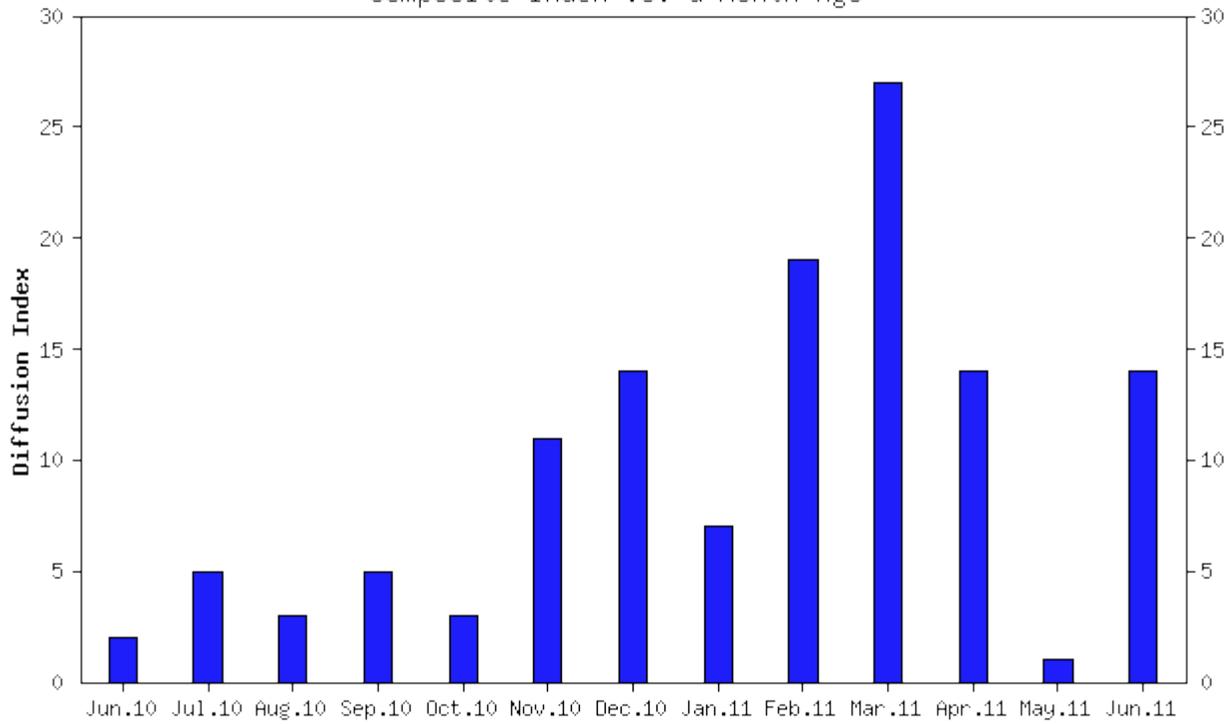
Note: The June survey included 119 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jun'10	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11
Versus a Month Ago (seasonally adjusted)													
Composite Index	2	5	3	5	3	11	14	7	19	27	14	1	14
Production	7	14	6	14	11	17	21	11	23	39	17	-2	22
Volume of shipments	4	11	0	13	8	11	20	5	13	37	21	-8	25
Volume of new orders	2	9	-2	9	14	21	16	0	28	31	11	-15	10
Backlog of orders	-4	-2	-14	3	3	5	9	2	8	25	9	-19	10
Number of employees	-0	5	-1	-2	-0	8	11	8	23	25	17	9	17
Average employee workweek	-1	2	-3	2	3	4	10	6	8	25	1	-3	9
Prices received for finished product	-12	-6	-3	-1	2	2	16	11	20	21	28	14	10
Prices paid for raw materials	17	20	18	25	26	34	55	70	66	72	70	54	36
Capital expenditures	n/a												
New orders for exports	3	1	0	10	-0	11	5	5	14	9	5	6	8
Supplier delivery time	6	1	4	5	3	12	7	11	15	22	18	10	7
Inventories: Materials	-3	-1	6	-1	-11	-1	13	7	6	20	7	1	16
Inventories: Finished goods	1	1	2	4	-12	1	4	3	1	5	5	8	8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-2	6	5	9	3	15	20	23	21	30	31	30	31
Production	10	26	18	22	7	27	32	29	34	35	43	41	40
Volume of shipments	7	25	19	26	13	29	33	28	29	38	41	39	42
Volume of new orders	7	23	17	21	9	28	31	34	35	35	40	37	39
Backlog of orders	-6	7	4	5	0	10	20	25	16	26	28	25	23
Number of employees	-12	-11	-8	-2	-8	6	13	17	13	28	25	25	29
Average employee workweek	-4	6	10	6	-2	10	19	22	21	27	26	30	29
Prices received for finished product	9	8	8	11	18	15	23	24	30	48	46	45	45
Prices paid for raw materials	54	51	52	48	58	62	68	73	80	89	89	87	85
Capital expenditures	-6	4	-10	-1	0	10	19	2	10	14	4	14	13
New orders for exports	7	14	13	12	7	19	10	13	22	12	14	13	8
Supplier delivery time	1	3	5	7	8	16	18	18	17	25	23	21	19
Inventories: Materials	-14	-9	-5	-3	-3	-1	6	18	7	26	22	25	28
Inventories: Finished goods	-4	-5	-8	-2	-7	0	6	12	5	19	14	17	12
Expected in Six Months (seasonally adjusted)													
Composite Index	10	11	8	13	13	12	21	20	30	23	20	13	15
Production	22	25	11	24	28	20	39	24	50	32	30	29	25
Volume of shipments	26	24	11	22	29	21	33	23	53	33	37	26	23
Volume of new orders	24	23	18	27	26	22	31	28	42	31	32	16	20
Backlog of orders	12	11	5	23	8	11	17	8	20	12	14	12	6
Number of employees	11	5	6	9	8	12	24	21	27	19	21	20	16
Average employee workweek	3	1	-1	6	2	1	12	5	8	1	10	-1	5
Prices received for finished product	13	12	10	11	17	27	34	28	39	40	42	30	34
Prices paid for raw materials	41	34	34	41	46	63	76	71	76	81	73	58	55
Capital expenditures	-2	-2	-2	8	5	11	21	17	23	24	20	18	10
New orders for exports	7	7	8	12	13	13	16	11	25	17	12	17	16
Supplier delivery time	0	9	8	6	8	9	8	15	17	17	13	1	9
Inventories: Materials	-9	-6	-4	-2	-4	-2	5	13	14	15	3	1	3
Inventories: Finished goods	-8	-4	-1	-3	-16	-5	-2	2	5	11	2	5	4

Composite Index vs. a Month Ago



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