

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FEDERAL RESERVE BANK OF KANSAS CITY RELEASES MAY MANUFACTURING SURVEY Survey Results are Flat Following Rapid Growth the Past Two Months

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the May 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 was largely unchanged in May, although new orders for exports continued to grow.

“Factory activity in our region was essentially flat in May following rapid growth in recent months,” said Wilkerson. “But, survey contacts remain generally optimistic about the future and reported plans to continue expanding their workforces.”

Wilkerson said price indexes eased in May with fewer firms planning to raise selling prices and some slowdown in price increases for materials.

A summary of the May 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

Tenth District manufacturing activity was largely unchanged in May, following rapid growth in recent months. Producers' expectations diminished slightly, but were still solid overall. Price indexes eased this month, with fewer firms raising selling prices and some slowdown in materials price increases.

The month-over-month composite index was 1 in May, down from 14 in April and 27 in March (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 eased at both durable and non-durable goods producing plants. Most other month-over-month indicators also fell in May, with some moving into negative territory. The production index decreased from 17 to -2, and the shipments, new orders, and order backlog indexes also declined for the second straight month. By contrast, the employment index eased but remained well above zero, and the new orders for exports index inched slightly higher. The raw materials inventory index fell further from 7 to 1, while the finished goods inventory index edged up.

Growth in most year-over-year factory indexes moderated from the previous survey. The composite year-over-year index eased slightly from 31 to 30, and the production, new orders, shipments, and order backlog indexes also fell modestly in May. The employment index was unchanged at 25, still at its second-highest level since early 2007. The capital expenditures index rebounded from 4 to 14, while the new orders for exports index edged down somewhat. Both inventory indexes increased after falling the previous month.

Future factory indexes eased marginally, but continued to show fairly solid readings. The future composite index decreased from 20 to 13, and the future production, shipments, new orders, and order backlog indexes also slowed. The future employment index eased somewhat, and the future capital expenditures index also moved slightly lower. In contrast, the future new orders for exports index rebounded from 12 to 17. The future raw materials inventory index decreased from 15 to 3, and the future finished goods index also slowed.

Price indexes fell in May, with a slight decrease in raw materials price indexes and some moderation in selling prices, but remained well above zero. The month-over-month raw materials price index plunged from 70 to 54, and the finished goods price index also edged lower. The year-over-year finished goods price index eased slightly, and the raw materials price index fell somewhat. The future raw materials price index dropped for the second straight month, and the future finished goods price index also decreased, indicating fewer firms plan to pass recent cost increases through to customers.

This month's survey included special questions about wage and benefit cost pressures. On expected wage increases per employee (excluding overtime and variable pay), about 20 percent of firms will have no increase in 2011 relative to 2010, while about 40 percent will have raises of less than 2.5 percent and 40 percent will have raises over 2.5 percent. On expected benefits per employee (employer contribution only), about 25 percent estimate the increase from 2010 to 2011 to exceed 5 percent, and another 30 percent expect increases in excess of 2.5 percent.

Table1

Summary of Tenth District Manufacturing Conditions, May 2011

	May vs. April (percent) ¹					May vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	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				6	1				30				14	13
Production	29	45	25	4	-2	58	24	17	41	43	39	16	27	29
Volume of shipments	30	41	29	1	-8	59	19	19	39	43	36	18	25	26
Volume of new orders	24	41	33	-10	-15	54	25	17	37	37	39	19	18	16
Backlog of orders	18	46	32	-14	-19	41	34	17	25	32	42	18	13	12
Number of employees	29	57	13	16	9	42	37	18	25	32	52	11	20	20
Average employee workweek	19	63	17	3	-3	39	48	10	30	18	61	18	-1	-1
Prices received for finished product	23	69	7	16	14	54	32	10	45	41	45	10	32	30
Prices paid for raw materials	65	29	4	61	54	89	7	2	87	64	30	4	61	58
Capital expenditures						33	45	19	14	30	55	12	18	18
New orders for exports	13	67	8	5	6	20	60	7	13	21	60	4	17	17
Supplier delivery time	17	73	7	10	10	27	63	6	21	11	75	9	3	1
Inventories:														
Materials	25	57	17	9	1	43	35	18	25	23	51	23	0	1
Finished goods	25	54	13	11	8	34	39	18	17	21	53	19	2	5

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.

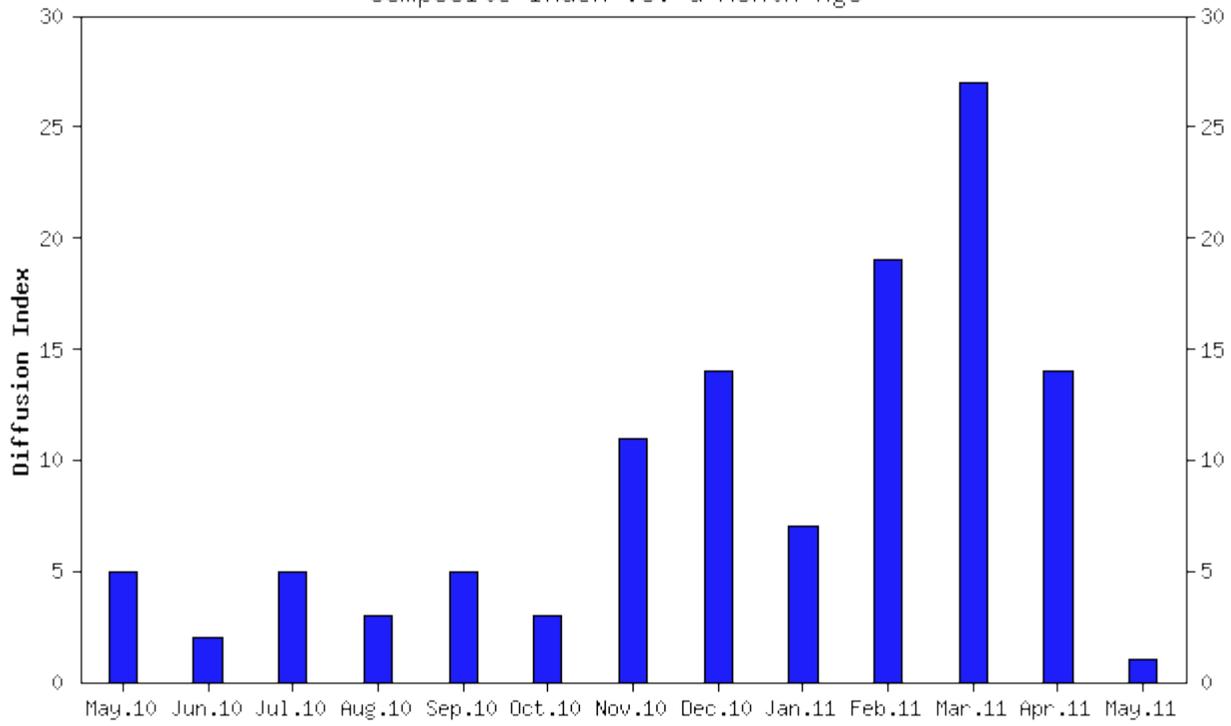
Note: The May survey included 114 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	May'10	Jun'10	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	2	5	3	5	3	11	14	7	19	27	14	1
Production	7	7	14	6	14	11	17	21	11	23	39	17	-2
Volume of shipments	-4	4	11	0	13	8	11	20	5	13	37	21	-8
Volume of new orders	0	2	9	-2	9	14	21	16	0	28	31	11	-15
Backlog of orders	-3	-4	-2	-14	3	3	5	9	2	8	25	9	-19
Number of employees	2	-0	5	-1	-2	-0	8	11	8	23	25	17	9
Average employee workweek	8	-1	2	-3	2	3	4	10	6	8	25	1	-3
Prices received for finished product	-1	-12	-6	-3	-1	2	2	16	11	20	21	28	14
Prices paid for raw materials	37	17	20	18	25	26	34	55	70	66	72	70	54
Capital expenditures	n/a												
New orders for exports	0	3	1	0	10	-0	11	5	5	14	9	5	6
Supplier delivery time	15	6	1	4	5	3	12	7	11	15	22	18	10
Inventories: Materials	2	-3	-1	6	-1	-11	-1	13	7	6	20	7	1
Inventories: Finished goods	5	1	1	2	4	-12	1	4	3	1	5	5	8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	4	-2	6	5	9	3	15	20	23	21	30	31	30
Production	17	10	26	18	22	7	27	32	29	34	35	43	41
Volume of shipments	13	7	25	19	26	13	29	33	28	29	38	41	39
Volume of new orders	23	7	23	17	21	9	28	31	34	35	35	40	37
Backlog of orders	-1	-6	7	4	5	0	10	20	25	16	26	28	25
Number of employees	-18	-12	-11	-8	-2	-8	6	13	17	13	28	25	25
Average employee workweek	8	-4	6	10	6	-2	10	19	22	21	27	26	30
Prices received for finished product	9	9	8	8	11	18	15	23	24	30	48	46	45
Prices paid for raw materials	64	54	51	52	48	58	62	68	73	80	89	89	87
Capital expenditures	-6	-6	4	-10	-1	0	10	19	2	10	14	4	14
New orders for exports	8	7	14	13	12	7	19	10	13	22	12	14	13
Supplier delivery time	11	1	3	5	7	8	16	18	18	17	25	23	21
Inventories: Materials	-14	-14	-9	-5	-3	-3	-1	6	18	7	26	22	25
Inventories: Finished goods	-8	-4	-5	-8	-2	-7	0	6	12	5	19	14	17
Expected in Six Months (seasonally adjusted)													
Composite Index	15	10	11	8	13	13	12	21	20	30	23	20	13
Production	31	22	25	11	24	28	20	39	24	50	32	30	29
Volume of shipments	33	26	24	11	22	29	21	33	23	53	33	37	26
Volume of new orders	31	24	23	18	27	26	22	31	28	42	31	32	16
Backlog of orders	15	12	11	5	23	8	11	17	8	20	12	14	12
Number of employees	14	11	5	6	9	8	12	24	21	27	19	21	20
Average employee workweek	13	3	1	-1	6	2	1	12	5	8	1	10	-1
Prices received for finished product	17	13	12	10	11	17	27	34	28	39	40	42	30
Prices paid for raw materials	47	41	34	34	41	46	63	76	71	76	81	73	58
Capital expenditures	5	-2	-2	-2	8	5	11	21	17	23	24	20	18
New orders for exports	10	7	7	8	12	13	13	16	11	25	17	12	17
Supplier delivery time	10	0	9	8	6	8	9	8	15	17	17	13	1
Inventories: Materials	-9	-9	-6	-4	-2	-4	-2	5	13	14	15	3	1
Inventories: Finished goods	-6	-8	-4	-1	-3	-16	-5	-2	2	5	11	2	5

Composite Index vs. a Month Ago



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