

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

FOR RELEASE Thursday, March 29, 2012
EMBARGOED FOR 11:00 A.M. EST

CONTACT: Pamela Gutel
405-270-8617
Pamela.Gutel@kc.frb.org

GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY MODERATED SLIGHTLY BUT REMAINED SOLID OVERALL
Federal Reserve Bank of Kansas City Releases March Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the March 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, but remained generally solid overall, with a continued positive outlook for future months.

“Factory activity in our region grew solidly in March but the pace slowed slightly from February, which firms blamed on rising gasoline prices” said Wilkerson. “Expectations for future manufacturing activity also were slightly lower than last month but still higher than in late 2011 and indicative of continued solid growth.”

A summary of the March 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.

###

Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity moderated slightly but remained generally solid overall, with a continued positive outlook for future months. Some producers said strong regional oil and gas activity, increased agricultural-related demand, and some pickup in construction activity has resulted in increased production, while others said high gas prices and lingering uncertainty were a slight drag on growth. Price indexes were mixed, with some increases in materials prices, although slightly fewer firms indicated plans to raise prices in the future.

The month-over-month composite index was 9 in March, down from 13 in February but up from 7 in January (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 eased in both durable and nondurable goods-producing plants, with the exception of computer and electronic equipment products. Other month-over-month indexes were mixed in March but remained mostly solid. The production index dropped from 20 to 13, and the order backlog index also fell after rising last month. In contrast, the shipments and new order indexes both increased from 8 to 17, and employment index also edged higher. The raw materials inventory index decreased from 14 to 0, while the finished goods inventory index rose for the second straight month.

Year-over-year factory indexes increased further in March. The composite year-over-year index edged up from 21 to 24, and the production, shipments, and new orders indexes also climbed higher. Both the employment and capital expenditures indexes increased for the second straight month, and the new orders for exports index inched up from 5 to 6. In contrast, the order backlog index decreased moderately from 24 to 20. The finished goods inventory index fell from 20 to 13, but the raw materials inventory index improved slightly.

The majority of future factory indexes were stable or eased somewhat, but generally were higher than in late 2011. The future composite index edged down from 20 to 18, and the future production, shipments, and order backlog indexes also fell slightly. The future new orders and employment indexes were unchanged at solid levels, and the future capital expenditures index moved higher from 18 to 20. The future finished goods inventory index rose marginally, while the future raw materials inventory index dropped into negative territory.

Price indexes were mixed. The month-over-month raw materials price index edged lower from 36 to 33, and the finished goods price index also fell. The year-over-year raw materials price index climbed from 57 to 71, while the finished goods price index was unchanged. The future raw materials price index rose from 54 to 65. However, the future finished goods price index eased slightly, indicating fewer firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, March 2012

	March vs. February (percent) ¹					March 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				12	9				24				19	18
Production	34	50	16	18	13	55	20	24	31	49	32	19	30	31
Volume of shipments	37	48	14	23	17	58	19	21	37	50	30	19	30	31
Volume of new orders	38	46	15	23	17	52	27	19	33	46	40	13	33	34
Backlog of orders	27	48	21	6	3	38	40	18	20	31	49	18	13	13
Number of employees	21	68	10	12	12	46	30	23	23	39	45	14	25	23
Average employee workweek	13	73	13	0	2	25	54	20	4	21	61	15	6	7
Prices received for finished product	12	81	5	7	3	47	39	12	35	35	58	4	31	28
Prices paid for raw materials	43	52	3	41	33	77	15	6	71	71	25	3	68	65
Capital expenditures						35	38	20	15	32	48	13	19	20
New orders for exports	9	72	8	1	-0	20	55	14	6	15	65	9	6	8
Supplier delivery time	9	86	3	6	4	17	73	8	9	12	81	4	8	7
Inventories:														
Materials	20	61	18	3	-0	42	35	20	22	22	53	23	-1	-5
Finished goods	25	60	11	14	15	33	43	19	13	22	58	14	8	6

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.

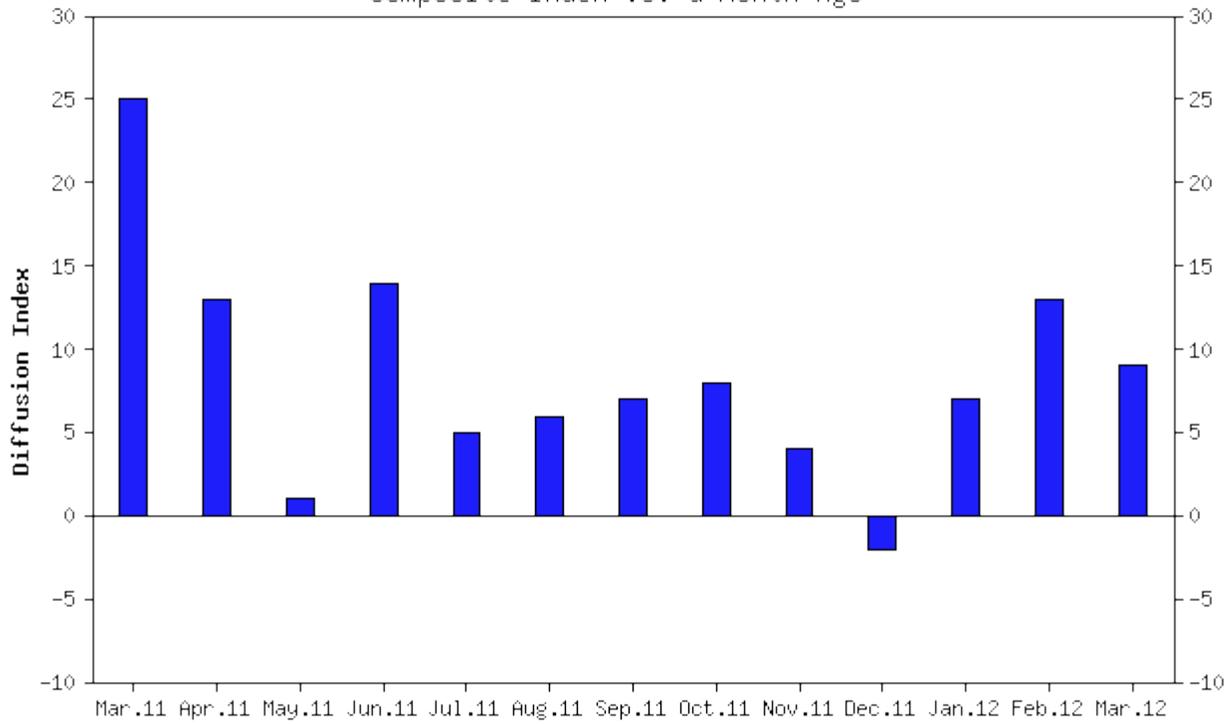
Note: The March survey included 113 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12	Mar'12
Versus a Month Ago (seasonally adjusted)													
Composite Index	25	13	1	14	5	6	7	8	4	-2	7	13	9
Production	36	15	-2	23	4	1	5	6	2	-6	13	20	13
Volume of shipments	35	16	-4	23	2	2	4	7	2	-7	13	8	17
Volume of new orders	27	10	-14	10	-2	4	6	3	-3	-2	9	8	17
Backlog of orders	22	4	-19	4	-15	-5	-5	-3	-7	-11	8	13	3
Number of employees	21	15	10	16	6	10	13	13	5	-5	9	11	12
Average employee workweek	23	2	-1	7	0	-3	5	4	-4	-9	-0	-3	2
Prices received for finished product	18	26	14	12	15	5	12	6	4	4	13	11	3
Prices paid for raw materials	64	63	51	36	43	36	36	30	20	27	42	36	33
Capital expenditures	n/a												
New orders for exports	8	5	5	7	-6	2	-1	0	-2	-1	10	-7	-0
Supplier delivery time	21	16	11	8	10	6	0	10	8	8	8	10	4
Inventories: Materials	19	9	2	15	7	7	11	7	8	-7	-4	14	-0
Inventories: Finished goods	5	5	7	7	4	2	6	7	18	0	0	6	15
Versus a Year Ago (not seasonally adjusted)													
Composite Index	30	31	30	31	24	21	15	23	22	11	15	21	24
Production	35	43	41	40	28	19	19	27	23	19	16	28	31
Volume of shipments	38	41	39	42	32	19	22	31	21	18	13	30	37
Volume of new orders	35	40	37	39	30	22	18	31	21	10	17	28	33
Backlog of orders	26	28	25	23	17	5	6	5	8	0	13	24	20
Number of employees	28	25	25	29	24	23	18	27	22	16	11	17	23
Average employee workweek	27	26	30	29	20	10	21	13	7	11	2	6	4
Prices received for finished product	48	46	45	45	50	46	52	42	37	34	38	35	35
Prices paid for raw materials	89	89	87	85	84	77	78	82	70	64	67	57	71
Capital expenditures	14	4	14	13	8	13	16	18	23	17	8	12	15
New orders for exports	12	14	13	8	7	8	9	4	6	11	12	5	6
Supplier delivery time	25	23	21	19	20	13	6	14	16	10	10	13	9
Inventories: Materials	26	22	25	28	20	26	16	18	27	0	19	19	22
Inventories: Finished goods	19	14	17	12	4	17	3	10	23	10	11	20	13
Expected in Six Months (seasonally adjusted)													
Composite Index	20	19	13	15	15	12	8	14	12	12	12	20	18
Production	29	30	28	26	23	19	15	24	22	15	28	35	31
Volume of shipments	30	34	25	24	27	21	18	24	20	25	23	37	31
Volume of new orders	29	30	16	20	21	20	16	23	20	25	18	34	34
Backlog of orders	11	13	12	6	9	3	3	2	10	4	9	24	13
Number of employees	18	20	20	17	18	15	12	16	12	10	18	23	23
Average employee workweek	1	8	0	4	-0	0	-8	-1	-3	2	1	3	7
Prices received for finished product	38	39	30	34	27	23	28	27	25	19	28	32	28
Prices paid for raw materials	75	70	60	60	63	58	57	56	57	47	64	54	65
Capital expenditures	22	19	18	13	18	18	8	15	17	13	22	18	20
New orders for exports	16	11	16	15	9	8	2	9	5	8	15	10	8
Supplier delivery time	15	12	1	10	9	7	3	11	7	5	8	11	7
Inventories: Materials	11	2	2	3	4	-3	-5	-5	1	6	-10	-0	-5
Inventories: Finished goods	8	2	4	2	-2	-2	-3	3	5	2	-10	4	6

Composite Index vs. a Month Ago



[Federal Reserve Bank of Kansas City](#)
[Manufacturing Survey Home Page](#)