

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY REBOUNDED Federal Reserve Bank of Kansas City Releases May Manufacturing Survey

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 growth in Tenth District manufacturing rebounded, and producers were more optimistic than in previous months.

After softening a bit in April, factory activity accelerated in May back to rates of growth similar to what we saw earlier in the year said Wilkerson. Price pressures also generally eased.

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](http://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](http://www.kansascityfed.org).

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# Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity rebounded in May, and producers were more optimistic than in previous months. The majority of producers reported stable or increasing capital spending plans in the next six to twelve months, with very few anticipating a decrease. Most price indexes moderated, although more producers than in April plan to raise selling prices in future months.

The month-over-month composite index was 9 in May, up from 3 in April and equal to 9 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. Manufacturing growth increased in most durable and nondurable goods-producing plants, with the exception of metal products which were largely unchanged. Most other month-over-month indexes also rose in May. The production index jumped from 0 to 17, and the shipments, new orders, and order backlog indexes also improved markedly. In contrast, the employment index eased slightly from 12 to 8. The raw materials inventory index decreased from 5 to 1, while the finished goods inventory index moved into positive territory.

The majority of year-over-year factory indexes edged higher in May. The composite year-over-year index rose from 24 to 27, and the production and new orders indexes also increased. The order backlog index posted its highest level in nearly 7 years, and the capital expenditures index edged up from 18 to 21. However, the employment index fell slightly from 31 to 28 and both inventory indexes decreased somewhat.

Future factory indexes rose solidly after two months of slight moderation. The future composite index increased from 12 to 17, and the future new orders and order backlog indexes also improved. The future production and shipments indexes posted their highest levels since early 2011, and the future employment index inched higher from 15 to 18. The future capital spending index jumped from 6 to 19, and the future new orders for exports index increased after 3 months of declines. The future raw materials inventory index climbed from -8 to 0, and the future finished goods inventory index also rose.

Most price indexes fell marginally, with the exception of future finished goods prices. The month-over-month finished goods price index decreased to its lowest level in nearly three years, and the raw materials price index dropped from 19 to 11, also a three-year low. The year-over-year raw materials price index decreased from 74 to 66, and the finished goods price index also edged lower. The future raw materials price index eased from 54 to 48, while the future finished goods price index increased, indicating more firms plan to pass recent cost increases through to customers.

Table1

## Summary of Tenth District Manufacturing Conditions, May 2012

	May vs. April (percent) <sup>1</sup>					May vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No Increase	Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>
<b>Plant Level Indicators</b>														
<b>Composite Index</b>				13	9				27				18	17
<b>Production</b>	38	45	16	22	17	59	18	21	38	57	25	16	40	40
<b>Volume of shipments</b>	41	36	21	20	16	57	18	22	35	57	22	17	39	40
<b>Volume of new orders</b>	37	40	23	13	10	55	21	23	32	48	33	18	30	29
<b>Backlog of orders</b>	28	44	27	1	-3	47	36	15	32	35	40	22	12	11
<b>Number of employees</b>	26	61	13	13	8	52	23	24	28	37	43	18	18	18
<b>Average employee workweek</b>	17	66	15	2	-2	28	50	21	7	21	62	16	5	6
<b>Prices received for finished product</b>	12	76	11	2	0	43	44	10	34	32	58	9	23	22
<b>Prices paid for raw materials</b>	31	57	11	20	11	74	17	8	66	55	37	8	47	48
<b>Capital expenditures</b>						37	43	15	21	32	54	12	19	19
<b>New orders for exports</b>	11	73	8	3	3	19	60	11	9	21	58	11	11	10
<b>Supplier delivery time</b>	12	87	2	10	10	22	67	8	14	9	81	7	2	0
<b>Inventories:</b>														
<b>Materials</b>	26	56	18	8	1	45	31	22	23	21	54	24	-3	-0
<b>Finished goods</b>	23	58	16	7	2	37	38	20	16	18	55	23	-5	-3

<sup>1</sup>Percentage may not add to 100 due to rounding.

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

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

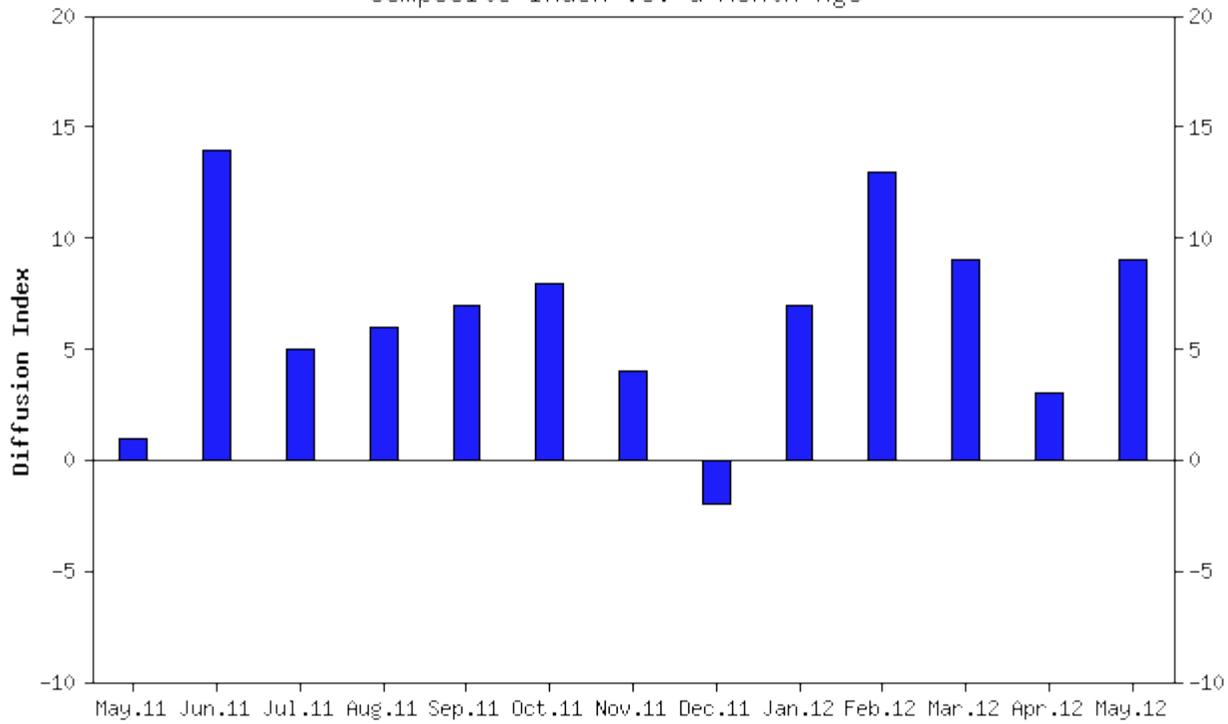
Note: The May survey included 104 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12	Mar'12	Apr'12	May'12
<b>Versus a Month Ago (seasonally adjusted)</b>													
Composite Index	1	14	5	6	7	8	4	-2	7	13	9	3	9
Production	-2	23	4	1	5	6	2	-6	13	20	13	0	17
Volume of shipments	-4	23	2	2	4	7	2	-7	13	8	17	3	16
Volume of new orders	-14	10	-2	4	6	3	-3	-2	9	8	17	-8	10
Backlog of orders	-19	4	-15	-5	-5	-3	-7	-11	8	13	3	-5	-3
Number of employees	10	16	6	10	13	13	5	-5	9	11	12	12	8
Average employee workweek	-1	7	0	-3	5	4	-4	-9	-0	-3	2	-10	-2
Prices received for finished product	14	12	15	5	12	6	4	4	13	11	3	7	0
Prices paid for raw materials	51	36	43	36	36	30	20	27	42	36	33	19	11
Capital expenditures	n/a												
New orders for exports	5	7	-6	2	-1	0	-2	-1	10	-7	-0	1	3
Supplier delivery time	11	8	10	6	0	10	8	8	8	10	4	4	10
Inventories: Materials	2	15	7	7	11	7	8	-7	-4	14	-0	5	1
Inventories: Finished goods	7	7	4	2	6	7	18	0	0	6	15	-3	2
<b>Versus a Year Ago (not seasonally adjusted)</b>													
Composite Index	30	31	24	21	15	23	22	11	15	21	24	24	27
Production	41	40	28	19	19	27	23	19	16	28	31	30	38
Volume of shipments	39	42	32	19	22	31	21	18	13	30	37	35	35
Volume of new orders	37	39	30	22	18	31	21	10	17	28	33	28	32
Backlog of orders	25	23	17	5	6	5	8	0	13	24	20	20	32
Number of employees	25	29	24	23	18	27	22	16	11	17	23	31	28
Average employee workweek	30	29	20	10	21	13	7	11	2	6	4	10	7
Prices received for finished product	45	45	50	46	52	42	37	34	38	35	35	41	34
Prices paid for raw materials	87	85	84	77	78	82	70	64	67	57	71	74	66
Capital expenditures	14	13	8	13	16	18	23	17	8	12	15	18	21
New orders for exports	13	8	7	8	9	4	6	11	12	5	6	-2	9
Supplier delivery time	21	19	20	13	6	14	16	10	10	13	9	7	14
Inventories: Materials	25	28	20	26	16	18	27	0	19	19	22	25	23
Inventories: Finished goods	17	12	4	17	3	10	23	10	11	20	13	17	16
<b>Expected in Six Months (seasonally adjusted)</b>													
Composite Index	13	15	15	12	8	14	12	12	12	20	18	12	17
Production	28	26	23	19	15	24	22	15	28	35	31	26	40
Volume of shipments	25	24	27	21	18	24	20	25	23	37	31	22	40
Volume of new orders	16	20	21	20	16	23	20	25	18	34	34	23	29
Backlog of orders	12	6	9	3	3	2	10	4	9	24	13	8	11
Number of employees	20	17	18	15	12	16	12	10	18	23	23	15	18
Average employee workweek	0	4	-0	0	-8	-1	-3	2	1	3	7	-6	6
Prices received for finished product	30	34	27	23	28	27	25	19	28	32	28	16	22
Prices paid for raw materials	60	60	63	58	57	56	57	47	64	54	65	54	48
Capital expenditures	18	13	18	18	8	15	17	13	22	18	20	6	19
New orders for exports	16	15	9	8	2	9	5	8	15	10	8	5	10
Supplier delivery time	1	10	9	7	3	11	7	5	8	11	7	1	0
Inventories: Materials	2	3	4	-3	-5	-5	1	6	-10	-0	-5	-8	-0
Inventories: Finished goods	4	2	-2	-2	-3	3	5	2	-10	4	6	-4	-3

Composite Index vs. a Month Ago



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