

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING SURVEY FELL MODESTLY *Federal Reserve Bank of Kansas City Releases April Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the April 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 fell by a similar modest amount as last month, and producers' expectations moderated but remained positive overall.

"We saw another small decline in regional factory activity this month," said Wilkerson. "Some firms see signs of a pickup in activity later this year driven by pent up demand and new product offerings, but others have become more pessimistic recently as anticipated demand has failed to materialize."

A summary of the April 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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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity continued to fall modestly, at a pace similar to last month, and producers' expectations moderated while still remaining positive overall. Of the firms that reported optimism on future activity, several cited new product opportunities and pent up demand as key reasons for a more positive outlook. However, other firms noted their outlook has deteriorated since the beginning of the year. Most price indexes decreased somewhat or were relatively unchanged from the previous month.

The month-over-month composite index was -5 in April, equal to -5 in March but up from -10 in February (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Durable goods-producing plants reported a smaller decline in activity, but production at nondurable-goods plants fell after increasing last month, particularly for food and plastics products. Most other month-over-month indexes improved somewhat. The production index edged higher from -1 to 1, and the shipments index also increased, with both indexes moving into positive territory for the first time in 8 months. The employment index rebounded from -15 to -3, and the order backlog index also rose. The new orders and new orders for exports indexes were basically unchanged. Both inventory indexes fell further into negative territory after increasing last month.

The majority of year-over-year factory indexes declined. The composite year-over-year index fell from -1 to -6, and the production, shipments, new orders, and order backlog indexes also decreased. The capital expenditures index moderated but remained positive, and the employment index fell into negative territory for the first time since October 2010. The new orders for exports index declined from -3 to -12, its lowest level in nearly four years. The raw materials inventory index edged down from -6 to -11, and the finished goods inventory index fell back into negative territory.

Most future factory indexes decreased after improving last month, but still remained positive. The future composite index fell from 14 to 4, and the future production and shipments indexes declined to four-year lows. The future new orders index dropped from 30 to 9, and the future order backlog and capital expenditures indexes also decreased. The future employment index moderated from 12 to 8 after increasing last month. The raw materials inventory index fell from -2 to -7, and the finished goods inventory index also eased somewhat.

Most price indexes moderated slightly or were unchanged from the previous month. The month-over-month raw materials price index declined from 19 to 7, while the finished goods price index was unchanged at -1. The year-over-year raw materials and finished goods price indexes eased slightly. The future raw materials price index remained stable at 38, while the future finished goods price index inched higher, indicating more firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“Our expectations for future increases have cooled considerably in the last few months. New business opportunities are not coming forth as previously expected. Retailers are making changes in supply as expected, probably driven by more aggressive pricing tactics by incumbent suppliers.”

“Europe looks bad and getting worse. U.S. economic activity seems to be slowing. We are retrenching.”

“Business activity has slowed down and commodity prices are weak, but demand is fairly stable. However, supply is abundant and new orders are soft.”

“We are focused on new product innovation and are gaining additional customers from competitors with more aggressive selling and marketing activities.”

“We’re starting to see the end of the natural gas boom. We expect a downturn in coming months.”

“Capital goods orders have slowed considerably. European orders have not kicked in as in past years, and American business has dried up. Small manufacturers continue to be squeezed.”

“Strengthening construction spending is spurring more demand for heavy building materials. We are forecasting continued growth in construction spending in 2013 and improving demand for our products.”

“We keep hearing from customers that a lot of activity is ‘in the works’. It seems people believe it is going to get better and there is going to be additional work out there. However, this bubble of work keeps getting pushed out.”

“We have seen more innovation in product development. In most cases we’ve seen customers beginning to consider expansion of product lines, etc. This hasn’t been the case in recent months.”

“We have diversified our products and opened new opportunities. The ability to expand our capabilities is the biggest contributor to the positive expectations.”

Table 1
Summary of Tenth District Manufacturing Conditions, April 2013

Plant Level Indicators	April vs. March (percent)*					April vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{*^}	Increase	Change	Decrease	Diff Index [^]	Increase	Change	Decrease	Diff Index [^]	SA Index ^{*^}
Composite Index				2	-5				-6				5	4
Production	32	49	19	14	1	32	22	46	-14	35	38	26	9	8
Volume of shipments	35	47	18	18	7	34	21	44	-10	35	40	24	12	10
Volume of new orders	33	42	23	11	0	31	27	40	-9	35	41	22	14	9
Backlog of orders	24	53	22	2	-8	20	42	35	-16	26	52	21	6	3
Number of employees	19	66	15	4	-3	28	39	31	-3	26	57	16	11	8
Average employee workweek	14	71	16	-2	-7	17	58	25	-9	13	69	19	-6	-7
Prices received for finished product	10	83	5	5	-1	46	35	18	28	36	50	11	25	24
Prices paid for raw materials	24	67	9	15	7	63	27	8	55	51	38	9	42	38
Capital expenditures						30	44	24	7	28	54	16	13	11
New orders for exports	6	75	13	-7	-8	7	66	19	-12	12	73	9	3	5
Supplier delivery time	2	92	4	-2	-4	12	75	8	4	5	87	4	1	0
Inventories:														
Materials	17	50	33	-17	-17	25	37	36	-11	22	49	29	-8	-7
Finished goods	16	62	20	-4	-4	21	45	30	-10	15	58	25	-10	-10

*Percentage may not add to 100 due to rounding

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

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

Note: The April survey included 102 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

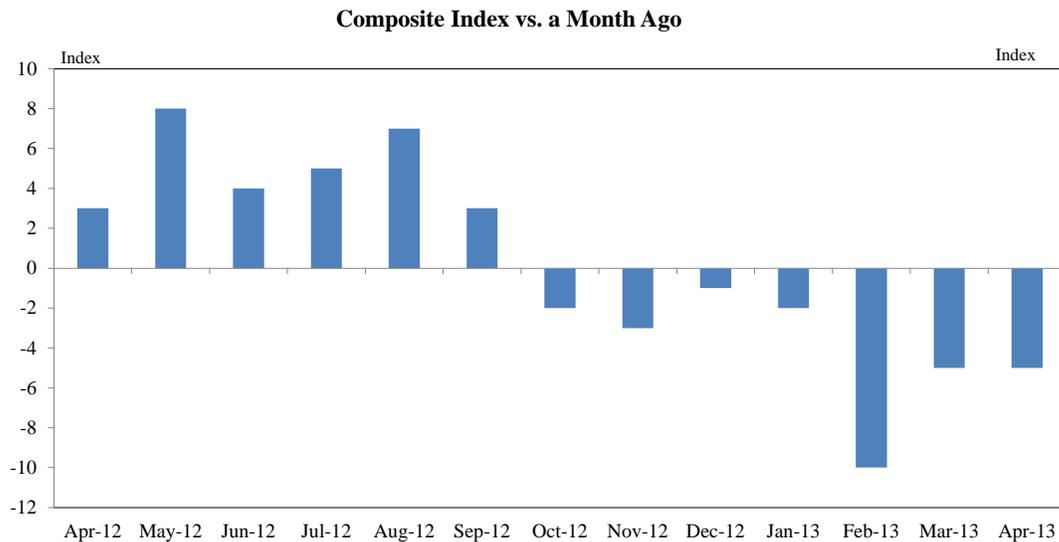


Table2
Historical Manufacturing Survey Indexes

	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	3	8	4	5	7	3	-2	-3	-1	-2	-10	-5	-5
Production	0	14	11	3	7	-1	-3	-2	-5	-3	-11	-1	1
Volume of shipments	5	13	10	0	10	-4	-3	-1	-4	-3	-12	0	7
Volume of new orders	-8	8	-6	-2	10	-1	-8	-10	-5	-2	-25	0	0
Backlog of orders	-7	-4	-11	-8	0	-7	-13	-20	-16	-6	-18	-16	-8
Number of employees	11	7	4	5	3	2	-3	2	-1	-8	2	-15	-3
Average employee workweek	-8	-3	-5	-4	-5	-11	-10	-5	-7	-8	-14	-8	-7
Prices received for finished product	5	1	-1	1	2	4	7	3	7	7	5	-1	-1
Prices paid for raw materials	20	13	18	19	26	28	26	24	33	23	25	19	7
Capital expenditures	n/a												
New orders for exports	-1	2	-6	-11	-6	-4	-5	-6	-2	-8	-1	-7	-8
Supplier delivery time	5	9	5	6	6	7	3	-1	3	4	-6	-5	-4
Inventories: Materials	5	4	5	10	11	6	2	-5	1	-4	-8	-2	-17
Inventories: Finished goods	0	3	0	7	11	3	3	6	0	-10	-6	0	-4
Versus a Year Ago (not seasonally adjusted)													
Composite Index	24	27	24	20	18	11	11	9	7	1	-4	-1	-6
Production	30	38	32	19	25	12	17	4	-3	-9	-7	-8	-14
Volume of shipments	35	35	35	18	22	16	22	11	5	-4	-5	-5	-10
Volume of new orders	28	32	32	23	16	6	10	4	2	-7	-14	-6	-9
Backlog of orders	20	32	20	10	14	-4	1	-7	-7	-12	-15	-11	-16
Number of employees	31	28	25	18	20	17	12	22	13	14	12	8	-3
Average employee workweek	10	7	7	2	1	5	-2	-8	-8	-11	-17	-1	-9
Prices received for finished product	41	34	19	35	35	35	30	28	35	31	29	36	28
Prices paid for raw materials	74	66	60	50	49	60	60	58	56	50	60	59	55
Capital expenditures	18	21	21	23	21	17	18	19	20	-3	8	19	7
New orders for exports	-2	9	4	2	2	-4	-2	-5	-4	-11	-4	-3	-12
Supplier delivery time	7	14	12	12	10	7	10	7	9	-1	0	7	4
Inventories: Materials	25	23	17	26	16	11	5	8	14	6	-9	-6	-11
Inventories: Finished goods	17	16	11	16	19	12	10	11	17	0	-3	2	-10
Expected in Six Months (seasonally adjusted)													
Composite Index	12	16	8	13	16	16	6	5	7	7	4	14	4
Production	26	37	23	23	29	28	13	13	16	15	12	26	8
Volume of shipments	23	39	21	21	28	29	14	14	14	14	14	26	10
Volume of new orders	23	27	11	22	21	24	11	12	13	19	15	30	9
Backlog of orders	8	10	0	4	12	20	0	5	3	2	5	16	3
Number of employees	15	16	13	15	15	16	6	3	1	3	2	12	8
Average employee workweek	-4	4	-1	-1	1	2	-2	-5	-5	3	-3	9	-7
Prices received for finished product	18	23	12	25	33	27	23	19	29	26	26	22	24
Prices paid for raw materials	55	47	41	48	45	50	56	42	63	47	51	38	38
Capital expenditures	6	19	17	19	17	13	16	9	7	3	18	21	11
New orders for exports	6	8	4	6	4	3	1	0	-2	0	1	11	5
Supplier delivery time	2	1	4	5	12	6	1	-3	5	-1	1	3	0
Inventories: Materials	-6	-1	-11	-1	2	7	-4	1	-3	-3	-9	-2	-7
Inventories: Finished goods	-2	-2	-5	5	7	5	-6	0	-2	-2	-13	-6	-10