

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING SURVEY IMPROVED FURTHER *Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the August 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 improved further, and producers' expectations also edged higher after easing last month.

“Although some District firms noted weakness in August associated with federal spending cuts and difficulties finding workers, we were encouraged to see another solid gain in our composite index and most of its components,” said Wilkerson.

A summary of the August 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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## TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity improved further in August, and producers' expectations also edged higher after easing last month. Price indexes rose modestly, with a continued increase in future finished goods prices.

The month-over-month composite index was 8 in August, up from 6 in July and -5 in June (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Production increased at both durable and non-durable goods-producing plants, particularly in plastic and metal products. Most other month-over-month indexes also improved. The production index remained solid at 21, and the new orders and order backlog indexes also rose moderately. The new orders for exports index edged higher from 2 to 4, and the employment index moved into positive territory for the first time in six months. The raw materials inventory index fell from 4 to 0, while the finished goods inventory index increased after falling last month.

Year-over-year factory indexes rebounded in August. The composite year-over-year index jumped from 2 to 11, and the production, shipments, and new orders indexes also increased. The employment index posted its highest level in seven months, and the capital expenditures index rose from 11 to 15. The new orders for exports index moved into positive territory for the first time this year, and both inventory indexes also edged up.

Most future factory indexes improved somewhat over the previous month. The future composite index inched higher from 7 to 9, and the future shipments, order backlog, and employment indexes also rose. The future new orders for exports index increased from -1 to 9, while the future production and capital expenditures indexes were basically unchanged. In contrast, the future new orders index fell for the second straight month. The raw materials inventory index jumped from -13 to 0, and the finished goods inventory index also posted positive gains.

Most price indexes increased modestly. The month-over-month finished goods price index rose from 0 to 5, and the raw materials price index also moved higher. The year-over-year raw materials price index edged up slightly, while the finished goods price index was basically unchanged. The future raw materials price index increased from 36 to 45, and the future finished goods price index rose for the second straight month, indicating more firms plan to pass recent cost increases through to customers.

## **SELECTED COMMENTS**

“We continue to see soft demand and uncertain outlook. Companies just do not want to commit to anything long-term.”

“Good employees are still hard to find.”

“More projects are being delayed by government-related entities.”

“We continue to be concerned about the cost impact of the changes in health insurance.”

“Our defense business is down significantly.”

“People are continuing to hold capital investments tighter to the vest. Companies have not shut down investments, but orders have been reduced significantly.”

“Sequestration is hitting us very hard. The heavy infrastructure market is way down due to lack of federal spending.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, August 2013**

Plant Level Indicators	August vs. July (percent)*					August vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^	SA Index**^	Increase	Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index**^
Composite Index				6	8				11				7	9
Production	33	49	18	15	21	40	30	30	10	37	36	25	12	17
Volume of shipments	35	40	24	12	15	43	26	30	13	37	37	25	12	15
Volume of new orders	35	36	26	8	15	43	29	25	18	33	40	25	8	11
Backlog of orders	25	48	25	-1	0	28	41	29	-1	25	50	21	5	6
Number of employees	21	59	18	3	4	40	32	26	14	23	60	15	8	9
Average employee workweek	19	68	13	6	8	23	60	16	6	14	73	13	1	1
Prices received for finished product	11	79	8	3	5	51	35	12	39	33	55	9	24	27
Prices paid for raw materials	23	71	5	17	22	55	35	9	46	50	40	6	44	45
Capital expenditures						35	44	20	15	27	55	15	13	13
New orders for exports	12	70	8	4	4	16	61	14	3	16	65	8	8	9
Supplier delivery time	5	88	5	-1	1	13	76	7	5	9	85	4	5	7
Inventories:														
Materials	24	55	20	4	0	35	38	26	9	24	52	23	1	0
Finished goods	21	58	19	2	4	33	45	20	13	21	59	17	4	4

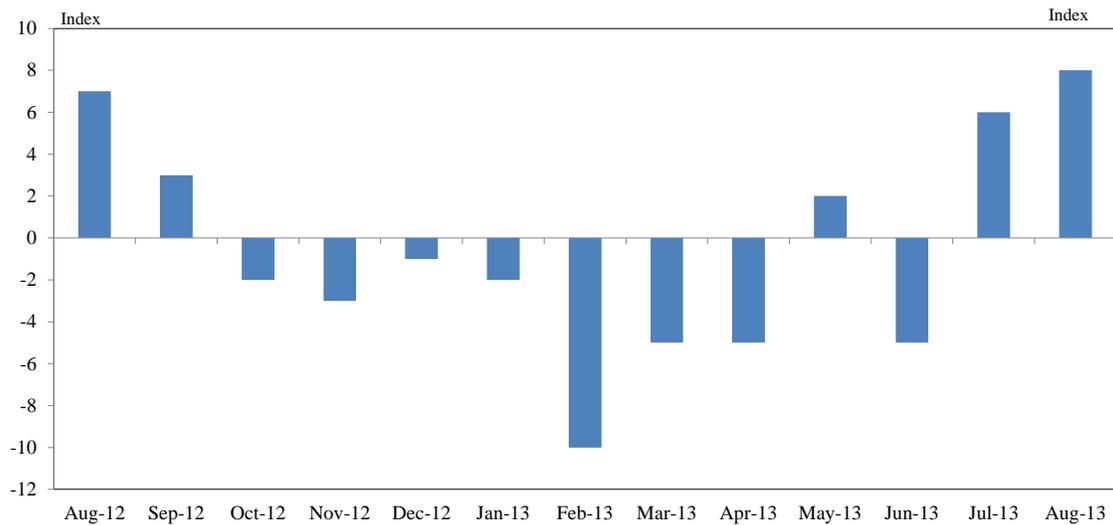
\*Percentage may not add to 100 due to rounding

^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 August survey included 110 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Composite Index vs. a Month Ago**



**Table2**  
**Historical Manufacturing Survey Indexes**

	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	7	3	-2	-3	-1	-2	-10	-5	-5	2	-5	6	8
Production	7	-1	-3	-2	-5	-3	-11	-1	1	5	-17	21	21
Volume of shipments	10	-4	-3	-1	-4	-3	-12	0	7	8	-16	19	15
Volume of new orders	10	-1	-8	-10	-5	-2	-25	0	0	6	-10	5	15
Backlog of orders	0	-7	-13	-20	-16	-6	-18	-16	-8	-8	-4	-7	0
Number of employees	3	2	-3	2	-1	-8	2	-15	-3	-7	-1	-2	4
Average employee workweek	-5	-11	-10	-5	-7	-8	-14	-8	-7	-8	-13	-6	8
Prices received for finished product	2	4	7	3	7	7	5	-1	-1	-3	3	0	5
Prices paid for raw materials	26	28	26	24	33	23	25	19	7	9	14	16	22
Capital expenditures	n/a												
New orders for exports	-6	-4	-5	-6	-2	-8	-1	-7	-8	-6	-5	2	4
Supplier delivery time	6	7	3	-1	3	4	-6	-5	-4	5	2	1	1
Inventories: Materials	11	6	2	-5	1	-4	-8	-2	-17	0	4	4	0
Inventories: Finished goods	11	3	3	6	0	-10	-6	0	-4	-2	6	1	4
Versus a Year Ago (not seasonally adjusted)													
Composite Index	18	11	11	9	7	1	-4	-1	-6	0	3	2	11
Production	25	12	17	4	-3	-9	-7	-8	-14	0	7	7	10
Volume of shipments	22	16	22	11	5	-4	-5	-5	-10	5	6	9	13
Volume of new orders	16	6	10	4	2	-7	-14	-6	-9	-2	5	-3	18
Backlog of orders	14	-4	1	-7	-7	-12	-15	-11	-16	-15	-10	-21	-1
Number of employees	20	17	12	22	13	14	12	8	-3	-3	5	5	14
Average employee workweek	1	5	-2	-8	-8	-11	-17	-1	-9	-13	-3	0	6
Prices received for finished product	35	35	30	28	35	31	29	36	28	26	30	40	39
Prices paid for raw materials	49	60	60	58	56	50	60	59	55	50	50	42	46
Capital expenditures	21	17	18	19	20	-3	8	19	7	11	16	11	15
New orders for exports	2	-4	-2	-5	-4	-11	-4	-3	-12	-7	-1	-1	3
Supplier delivery time	10	7	10	7	9	-1	0	7	4	12	6	3	5
Inventories: Materials	16	11	5	8	14	6	-9	-6	-11	-7	-6	-2	9
Inventories: Finished goods	19	12	10	11	17	0	-3	2	-10	-2	-1	4	13
Expected in Six Months (seasonally adjusted)													
Composite Index	16	16	6	5	7	7	4	14	4	11	12	7	9
Production	29	28	13	13	16	15	12	26	8	16	24	17	17
Volume of shipments	28	29	14	14	14	14	14	26	10	21	26	12	15
Volume of new orders	21	24	11	12	13	19	15	30	9	18	26	20	11
Backlog of orders	12	20	0	5	3	2	5	16	3	9	14	0	6
Number of employees	15	16	6	3	1	3	2	12	8	8	7	7	9
Average employee workweek	1	2	-2	-5	-5	3	-3	9	-7	1	1	2	1
Prices received for finished product	33	27	23	19	29	26	26	22	24	23	21	24	27
Prices paid for raw materials	45	50	56	42	63	47	51	38	38	43	46	36	45
Capital expenditures	17	13	16	9	7	3	18	21	11	19	16	12	13
New orders for exports	4	3	1	0	-2	0	1	11	5	3	13	-1	9
Supplier delivery time	12	6	1	-3	5	-1	1	3	0	13	4	7	7
Inventories: Materials	2	7	-4	1	-3	-3	-9	-2	-7	1	-2	-13	0
Inventories: Finished goods	7	5	-6	0	-2	-2	-13	-6	-10	0	3	-9	4