

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

FOR RELEASE Thursday, June 27, 2013  
EMBARGOED FOR 10 A.M. CENTRAL TIME  
CONTACT: Pamela Campbell  
405-270-8617  
[Pam.Campbell@kc.frb.org](mailto:Pam.Campbell@kc.frb.org)

## TENTH DISTRICT MANUFACTURING SURVEY FELL MODESTLY

*Federal Reserve Bank of Kansas City Releases June Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the June 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 modestly, although producers' expectations for future activity continued to increase.

"We were a bit discouraged to see factory activity decline in June after it expanded slightly in May," said Wilkerson. "But quite a few contacts lost production or had shipments delayed due to regional storms and flooding, so the downturn appears like it may be temporary."

A summary of the June 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).

###

## TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity fell modestly after last month's rebound, although producers' expectations for future activity continued to increase. Some firms commented on production delays due to power outages, flooding, and shipment interruptions from recent regional storms. Most price indexes posted minimal changes in June.

The month-over-month composite index was -5 in June, down from 2 in May but equal to -5 in April and 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. Production fell at both durable and non-durable goods-producing plants, with food and machinery manufacturing particularly weak. Other month-over-month indexes showed mixed results. The production index dropped from 5 to -17, its lowest level since March 2009, and the shipments and new orders indexes also fell markedly. The order backlog and employment indexes increased somewhat but still remain slightly below zero. Both inventory indexes edged higher after falling in May.

The majority of year-over-year factory indexes improved over last month. The composite year-over-year index increased from 0 to 3, and the production, shipments, and new orders indexes also rose. The order backlog index edged up from -15 to -10, and the employment index posted a positive reading for the first time in two months. The new orders for exports index increased from -7 to -1, and the capital expenditures index improved for the second straight month. The raw materials inventory index inched higher from -7 to -6, and the finished goods inventory index also recorded a slight gain.

Most future factory indexes increased further in June. The future composite index edged higher from 11 to 12, and the future production, shipments, and new orders indexes also improved. The future order backlog index climbed from 9 to 14, and the future new orders for exports index posted its highest level in two years. In contrast, the future employment index was relatively unchanged, and the future capital expenditures index moderated somewhat. The raw materials inventory index fell from 1 to -2, while the finished goods inventory index increased slightly.

Most price indexes recorded minimal changes from the previous month. The month-over-month raw materials price index rose from -3 to 3, and the finished goods price index increased marginally. The year-over-year raw materials price index was unchanged, while the finished goods price index posted a slight gain. The future raw materials price index inched higher from 43 to 46, but the future finished goods price index eased somewhat, indicating fewer firms plan to pass recent cost increases through to customers.

## **SELECTED COMMENTS**

“We are automating production and minimizing hiring due to increased costs related to employment.”

“The financial impact of increased health care costs on our employees will cause significant stress and will put pressure on our company to absorb more of the costs, which would need to be passed on to customers.”

“Several of our licensees had their businesses damaged or destroyed by recent storms.”

“Power outages have reduced production output and created increased costs.”

“Violent electrical storms created production outages resulting in delayed or lost sales of approximately five production days.”

“A wet spring has slowed construction in the midwest.”

“A tornado hit our Oklahoma City plant, causing roof damage.”

“Business continues to be slow. No improvement in sight.”

“The Fed is pushing on the gas and the ACA and Dodd-Frank are pushing on the brakes. ACA is tremendously detrimental to medium-sized companies.”

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

Plant Level Indicators	June vs. May (percent)*					June vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index <sup>^</sup>	Index* <sup>^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Index* <sup>^</sup>
Composite Index				-2	-5				3				11	12
Production	21	47	32	-11	-17	43	20	36	7	42	35	20	22	24
Volume of shipments	24	43	33	-10	-16	41	22	35	6	42	38	18	24	26
Volume of new orders	22	46	31	-10	-10	40	24	35	5	42	42	14	28	26
Backlog of orders	22	50	28	-6	-4	24	41	33	-10	30	50	16	14	14
Number of employees	17	70	12	5	-1	33	36	29	5	21	59	16	5	7
Average employee workweek	10	70	18	-9	-13	19	58	22	-3	12	71	12	0	1
Prices received for finished product	9	83	7	2	3	44	40	14	30	30	60	8	22	21
Prices paid for raw materials	22	66	10	11	14	63	23	13	50	50	40	7	44	46
Capital expenditures						38	39	22	16	28	53	16	11	16
New orders for exports	6	76	9	-3	-5	16	58	17	-1	21	61	8	13	13
Supplier delivery time	4	92	3	1	2	15	75	10	6	9	85	5	4	4
Inventories:														
Materials	26	51	20	6	4	25	43	30	-6	22	51	23	-1	-2
Finished goods	24	52	18	6	6	25	46	26	-1	20	55	19	1	3

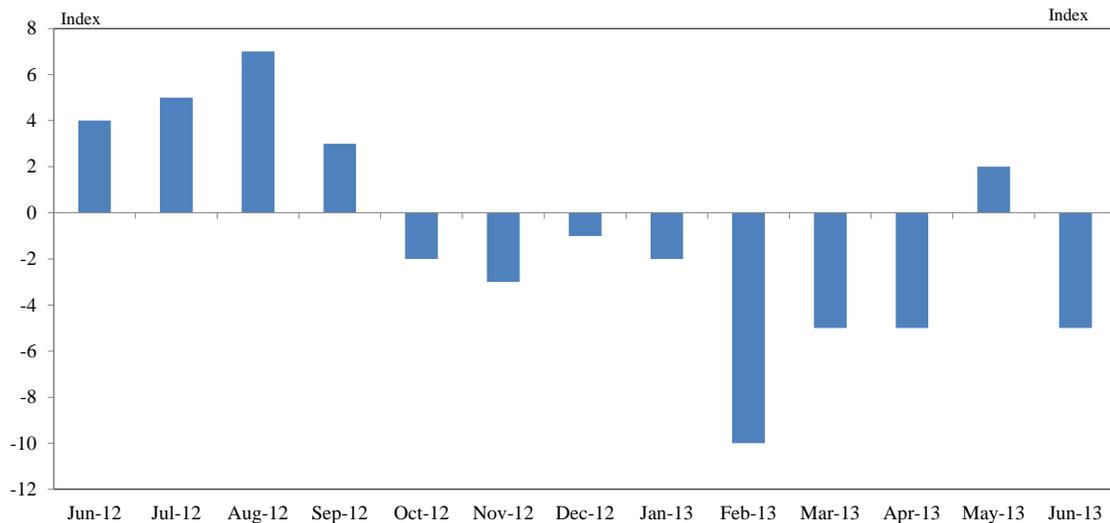
\*Percentage may not add to 100 due to rounding

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

\*<sup>^</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 June survey included 105 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**

	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	4	5	7	3	-2	-3	-1	-2	-10	-5	-5	2	-5
Production	11	3	7	-1	-3	-2	-5	-3	-11	-1	1	5	-17
Volume of shipments	10	0	10	-4	-3	-1	-4	-3	-12	0	7	8	-16
Volume of new orders	-6	-2	10	-1	-8	-10	-5	-2	-25	0	0	6	-10
Backlog of orders	-11	-8	0	-7	-13	-20	-16	-6	-18	-16	-8	-8	-4
Number of employees	4	5	3	2	-3	2	-1	-8	2	-15	-3	-7	-1
Average employee workweek	-5	-4	-5	-11	-10	-5	-7	-8	-14	-8	-7	-8	-13
Prices received for finished product	-1	1	2	4	7	3	7	7	5	-1	-1	-3	3
Prices paid for raw materials	18	19	26	28	26	24	33	23	25	19	7	9	14
Capital expenditures	n/a												
New orders for exports	-6	-11	-6	-4	-5	-6	-2	-8	-1	-7	-8	-6	-5
Supplier delivery time	5	6	6	7	3	-1	3	4	-6	-5	-4	5	2
Inventories: Materials	5	10	11	6	2	-5	1	-4	-8	-2	-17	0	4
Inventories: Finished goods	0	7	11	3	3	6	0	-10	-6	0	-4	-2	6
Versus a Year Ago (not seasonally adjusted)													
Composite Index	24	20	18	11	11	9	7	1	-4	-1	-6	0	3
Production	32	19	25	12	17	4	-3	-9	-7	-8	-14	0	7
Volume of shipments	35	18	22	16	22	11	5	-4	-5	-5	-10	5	6
Volume of new orders	32	23	16	6	10	4	2	-7	-14	-6	-9	-2	5
Backlog of orders	20	10	14	-4	1	-7	-7	-12	-15	-11	-16	-15	-10
Number of employees	25	18	20	17	12	22	13	14	12	8	-3	-3	5
Average employee workweek	7	2	1	5	-2	-8	-8	-11	-17	-1	-9	-13	-3
Prices received for finished product	19	35	35	35	30	28	35	31	29	36	28	26	30
Prices paid for raw materials	60	50	49	60	60	58	56	50	60	59	55	50	50
Capital expenditures	21	23	21	17	18	19	20	-3	8	19	7	11	16
New orders for exports	4	2	2	-4	-2	-5	-4	-11	-4	-3	-12	-7	-1
Supplier delivery time	12	12	10	7	10	7	9	-1	0	7	4	12	6
Inventories: Materials	17	26	16	11	5	8	14	6	-9	-6	-11	-7	-6
Inventories: Finished goods	11	16	19	12	10	11	17	0	-3	2	-10	-2	-1
Expected in Six Months (seasonally adjusted)													
Composite Index	8	13	16	16	6	5	7	7	4	14	4	11	12
Production	23	23	29	28	13	13	16	15	12	26	8	16	24
Volume of shipments	21	21	28	29	14	14	14	14	14	26	10	21	26
Volume of new orders	11	22	21	24	11	12	13	19	15	30	9	18	26
Backlog of orders	0	4	12	20	0	5	3	2	5	16	3	9	14
Number of employees	13	15	15	16	6	3	1	3	2	12	8	8	7
Average employee workweek	-1	-1	1	2	-2	-5	-5	3	-3	9	-7	1	1
Prices received for finished product	12	25	33	27	23	19	29	26	26	22	24	23	21
Prices paid for raw materials	41	48	45	50	56	42	63	47	51	38	38	43	46
Capital expenditures	17	19	17	13	16	9	7	3	18	21	11	19	16
New orders for exports	4	6	4	3	1	0	-2	0	1	11	5	3	13
Supplier delivery time	4	5	12	6	1	-3	5	-1	1	3	0	13	4
Inventories: Materials	-11	-1	2	7	-4	1	-3	-3	-9	-2	-7	1	-2
Inventories: Finished goods	-5	5	7	5	-6	0	-2	-2	-13	-6	-10	0	3