

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING SURVEY FELL AT A SLOWER RATE *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 Tenth District manufacturing activity fell at a slower rate, but producers were considerably more optimistic about future months.

“Factory activity rebounded somewhat in March, although overall levels still remain sluggish. Contacts continued to cite uncertainty about healthcare costs and the overall economy as reasons for lower growth,” said Wilkerson. “However, the outlook for future activity was notably more positive than in previous months.”

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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity fell at a slower rate in March, but producers were considerably more optimistic about future months. A little over half of all firms indicated a short supply of workers, but the majority said wage pressures were generally contained. Most price indexes decreased somewhat after several months of little change.

The month-over-month composite index was -5 in March, up from -10 in February but down from -2 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. The slight improvement in activity was largely concentrated in nondurable goods-producing plants, particularly food and chemicals. Most other month-over-month indexes also rose, but remained below zero. The production index increased from -11 to -1, and the shipments and new order indexes recorded levels of 0, the highest value in seven months. In contrast, the employment index posted its lowest level since July 2009, and the new orders for exports index also fell. The raw materials inventory index increased from -8 to -2, and the finished goods inventory index also edged higher.

Year-over-year factory indexes were mixed, with generally few changes overall. The composite year-over-year index improved from -4 to -1, and the new orders and order backlog indexes also increased but remained negative. The capital expenditures index rose for the second straight month and the new orders for exports index inched higher. The production and shipments indexes were generally unchanged, while the employment index eased slightly. Both inventory indexes rose after falling last month.

Most future factory indexes improved considerably in March. The future composite index jumped from 4 to 14, and the future production, shipments, new orders, and order backlog indexes also increased. The future employment index rose from 2 to 12, its highest level in six months. In addition, the future capital expenditures index edged up for the second straight month, and the future new orders for exports index posted a 15-month high. Both future inventory indexes increased but remained in negative territory.

Most price indexes moderated slightly from the previous month. The month-over-month raw materials price index decreased from 25 to 19, and the finished goods price index fell into negative territory. The year-over-year raw materials index inched lower, while the finished goods index moved slightly higher. The future raw materials price index dropped from 51 to 38, and the future finished goods price index eased somewhat, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“Until the final rules of our cost for healthcare are known, we are not hiring. The increased cost of unemployment benefits has also kept us from hiring.”

“Our customers continue to buy “as required”. They are not stocking anything.”

“The continued uncertainty resulting from macro-economic conditions and a lack of faith in the existing administration’s ability to recognize and appropriately respond to such conditions (deficit, federal spending, sequestration, etc.), has us continuing an exceptionally cautious path for investment and growth potential.”

“I see no potential increase in normal business until the economy improves.”

“Our customers are preparing for the increased healthcare costs and higher petroleum costs. We have received notices preparing for large increases in raw material costs, and we have purchased more materials recently as a result. We have had an unusually good volume of business this winter but we are leery about the activity this summer.”

“Technically skilled workers are seeing significantly greater pay raises than lower skilled (10 percent versus 2 percent).”

“The energy field in our area seems to have taken a lot of employees at higher wages.”

“Orders for new gas compressor packages continue to be strong and have been this way for many years. No downturn is in sight even with depressed commodity prices.”

Table 1
Summary of Tenth District Manufacturing Conditions, March 2013

Plant Level Indicators	March vs. February (percent)*					March vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{**}	Increase	No Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{**}
Composite Index				0	-5				-1				16	14
Production	35	37	28	7	-1	35	21	42	-8	42	42	14	27	26
Volume of shipments	38	34	27	10	0	37	19	42	-5	43	37	16	27	26
Volume of new orders	37	38	25	11	0	33	27	39	-6	46	36	15	31	30
Backlog of orders	17	56	25	-8	-16	20	46	31	-11	32	47	15	17	16
Number of employees	14	59	26	-12	-15	38	32	29	8	30	53	14	16	12
Average employee workweek	13	66	20	-7	-8	25	47	26	-1	22	63	12	9	9
Prices received for finished product	9	84	7	3	-1	45	43	9	36	34	56	7	27	22
Prices paid for raw materials	33	63	3	30	19	66	25	7	59	53	37	7	46	38
Capital expenditures						37	43	18	19	30	55	9	21	21
New orders for exports	8	70	12	-5	-7	12	63	15	-3	16	65	6	10	11
Supplier delivery time	3	90	7	-4	-5	13	75	7	7	8	84	4	5	3
Inventories:														
Materials	20	58	21	-1	-2	26	39	32	-6	21	56	19	2	-2
Finished goods	18	62	18	0	0	26	45	25	2	17	58	19	-2	-6

*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 March survey included 106 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

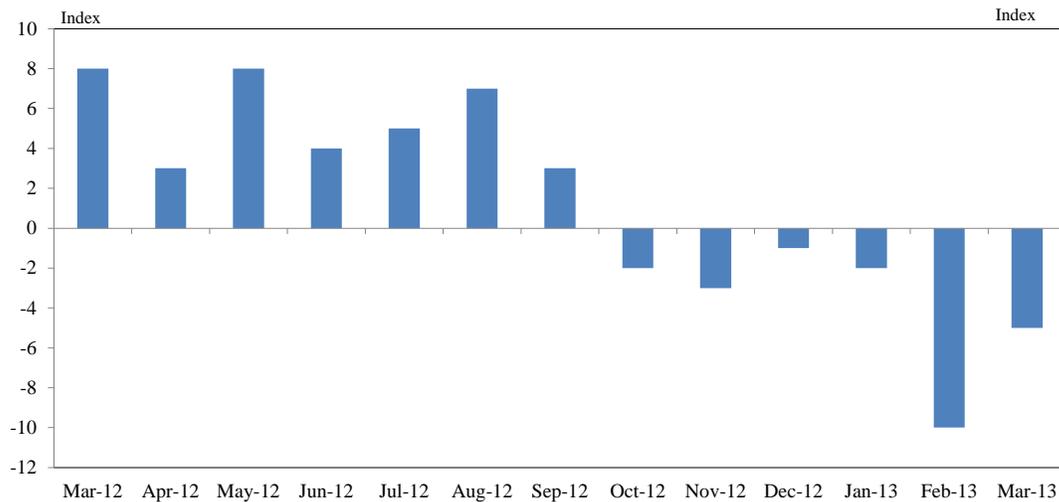


Table2
Historical Manufacturing Survey Indexes

	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	8	3	8	4	5	7	3	-2	-3	-1	-2	-10	-5
Production	11	0	14	11	3	7	-1	-3	-2	-5	-3	-11	-1
Volume of shipments	13	5	13	10	0	10	-4	-3	-1	-4	-3	-12	0
Volume of new orders	12	-8	8	-6	-2	10	-1	-8	-10	-5	-2	-25	0
Backlog of orders	0	-7	-4	-11	-8	0	-7	-13	-20	-16	-6	-18	-16
Number of employees	10	11	7	4	5	3	2	-3	2	-1	-8	2	-15
Average employee workweek	-1	-8	-3	-5	-4	-5	-11	-10	-5	-7	-8	-14	-8
Prices received for finished product	3	5	1	-1	1	2	4	7	3	7	7	5	-1
Prices paid for raw materials	30	20	13	18	19	26	28	26	24	33	23	25	19
Capital expenditures	n/a												
New orders for exports	-1	-1	2	-6	-11	-6	-4	-5	-6	-2	-8	-1	-7
Supplier delivery time	5	5	9	5	6	6	7	3	-1	3	4	-6	-5
Inventories: Materials	1	5	4	5	10	11	6	2	-5	1	-4	-8	-2
Inventories: Finished goods	15	0	3	0	7	11	3	3	6	0	-10	-6	0
Versus a Year Ago (not seasonally adjusted)													
Composite Index	24	24	27	24	20	18	11	11	9	7	1	-4	-1
Production	31	30	38	32	19	25	12	17	4	-3	-9	-7	-8
Volume of shipments	37	35	35	35	18	22	16	22	11	5	-4	-5	-5
Volume of new orders	33	28	32	32	23	16	6	10	4	2	-7	-14	-6
Backlog of orders	20	20	32	20	10	14	-4	1	-7	-7	-12	-15	-11
Number of employees	23	31	28	25	18	20	17	12	22	13	14	12	8
Average employee workweek	4	10	7	7	2	1	5	-2	-8	-8	-11	-17	-1
Prices received for finished product	35	41	34	19	35	35	35	30	28	35	31	29	36
Prices paid for raw materials	71	74	66	60	50	49	60	60	58	56	50	60	59
Capital expenditures	15	18	21	21	23	21	17	18	19	20	-3	8	19
New orders for exports	6	-2	9	4	2	2	-4	-2	-5	-4	-11	-4	-3
Supplier delivery time	9	7	14	12	12	10	7	10	7	9	-1	0	7
Inventories: Materials	22	25	23	17	26	16	11	5	8	14	6	-9	-6
Inventories: Finished goods	13	17	16	11	16	19	12	10	11	17	0	-3	2
Expected in Six Months (seasonally adjusted)													
Composite Index	17	12	16	8	13	16	16	6	5	7	7	4	14
Production	29	26	37	23	23	29	28	13	13	16	15	12	26
Volume of shipments	29	23	39	21	21	28	29	14	14	14	14	14	26
Volume of new orders	32	23	27	11	22	21	24	11	12	13	19	15	30
Backlog of orders	12	8	10	0	4	12	20	0	5	3	2	5	16
Number of employees	21	15	16	13	15	15	16	6	3	1	3	2	12
Average employee workweek	5	-4	4	-1	-1	1	2	-2	-5	-5	3	-3	9
Prices received for finished product	26	18	23	12	25	33	27	23	19	29	26	26	22
Prices paid for raw materials	61	55	47	41	48	45	50	56	42	63	47	51	38
Capital expenditures	19	6	19	17	19	17	13	16	9	7	3	18	21
New orders for exports	7	6	8	4	6	4	3	1	0	-2	0	1	11
Supplier delivery time	6	2	1	4	5	12	6	1	-3	5	-1	1	3
Inventories: Materials	-4	-6	-1	-11	-1	2	7	-4	1	-3	-3	-9	-2
Inventories: Finished goods	5	-2	-2	-5	5	7	5	-6	0	-2	-2	-13	-6