

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

FOR RELEASE Thursday, May 23, 2013
EMBARGOED FOR 10 A.M. CENTRAL TIME
CONTACT: Pamela Campbell
405-270-8617
Pam.Campbell@kc.frb.org

TENTH DISTRICT MANUFACTURING SURVEY IMPROVED SOMEWHAT

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 Tenth District manufacturing activity improved somewhat, rising above zero for the first time in seven months, and producers' expectations for future activity also increased.

"It was good to finally see a positive number after seven months of modest declines, and for optimism about future activity to return after dropping last month," said Wilkerson. "Still, activity remains at only about year-ago levels and firms are having difficulty passing cost increases through."

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.

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 improved somewhat, rising above zero for the first time in seven months, and producers' expectations for future activity also increased. Most price indexes recorded little changes from the previous month.

The month-over-month composite index was 2 in May, up from -5 in both 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. The rise in production came from both durable and non-durable goods-producing plants, with the biggest increase coming from machinery and metals manufacturing. Other month-over-month indexes were mixed. The production index edged up from 1 to 5, and the shipments, new orders, and new orders for export indexes also rose. In contrast, the employment index fell from -3 to -7, while the order backlog index was unchanged. The raw materials inventory index rebounded from -17 to 0, and the finished goods inventory index moved slightly higher.

The majority of year-over-year factory indexes improved somewhat in May. The composite year-over-year index increased from -6 to 0, and the production, shipments, and new orders indexes also rose. The capital expenditures index rebounded from 7 to 11 after falling last month, while the order backlog and employment indexes were basically unchanged. The new orders for exports index climbed higher after reaching its lowest level in nearly four years last month. Both inventory indexes improved modestly.

Most future factory indexes rebounded after falling last month. The future composite index increased from 4 to 11, and the future production, shipments, and new order indexes improved markedly after posting four-year lows last month. The future order backlog index edged up, and the future capital expenditure index posted considerable gains. In contrast, the future employment index was unchanged, while the future new orders for exports indexes eased slightly. The raw materials inventory index rose from -7 to 1, and the finished goods inventory index also moved higher.

Most price indexes remained stable from the previous month. The month-over-month raw materials price index was unchanged at 7, while the finished goods price index edged down to its lowest level since July 2010. The year-over-year raw materials and finished goods price indexes moved slightly lower. The future raw materials price index inched higher from 38 to 41, while the future finished goods price index eased somewhat, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“We are attempting price increases, although the market does not support them. Fuel cost is of increasing concern to recovery.”

“We are working at leveraging available technologies to improve efficiencies to keep our expenses under control.”

“We are not managing any differently than in the past. We do not expect large price increases in the coming year as there is still a lot of unused capacity in the economy. We do eventually expect significant inflation as capacity utilization increases, but this looks to be a year or two away given current growth trends.”

“Reductions in force have taken place over the past several months to lower cost of production in response to increases in cost of raw materials and lower selling prices.”

“Trying to pass on material cost increases to customers with significant push-back from them. We are planning more low cost automation in production.”

“We are implementing further business excellence programs and further empowering the shop floor to increase our competitive edge.”

“Customers comment upon the uncertainty of future health care costs and federal taxes. Both issues are creating too much uncertainty for many companies to spend discretionary dollars.”

“We had a better month last month, but it was still very much lower than we should be this time of the year.”

“We have initiated price increases that will take effect July 1. We are finding alternative products to offer to our customers that will replace what they are using now.”

Table 1
Summary of Tenth District Manufacturing Conditions, May 2013

Plant Level Indicators	May vs. April (percent)*					May 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				6	2				0				13	11
Production	33	47	20	12	5	37	26	37	0	41	38	21	19	16
Volume of shipments	36	44	20	15	8	42	21	37	5	43	35	21	21	21
Volume of new orders	33	44	21	11	6	37	24	39	-2	40	41	18	21	18
Backlog of orders	22	51	26	-3	-8	20	43	36	-15	30	52	18	11	9
Number of employees	16	65	18	-2	-7	27	44	30	-3	24	60	14	10	8
Average employee workweek	12	71	16	-4	-8	15	56	29	-13	15	70	13	2	1
Prices received for finished product	4	89	6	-2	-3	39	47	13	26	32	58	9	22	23
Prices paid for raw materials	22	69	7	15	9	60	27	10	50	48	44	6	42	43
Capital expenditures						33	44	21	11	32	53	12	19	19
New orders for exports	10	64	15	-5	-6	12	60	19	-7	18	62	12	6	3
Supplier delivery time	8	88	2	6	5	15	81	3	12	14	84	1	13	13
Inventories:														
Materials	23	54	20	3	0	27	39	34	-7	22	52	23	-1	1
Finished goods	20	57	18	2	-2	28	41	30	-2	18	57	21	-3	0

*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 May survey included 98 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

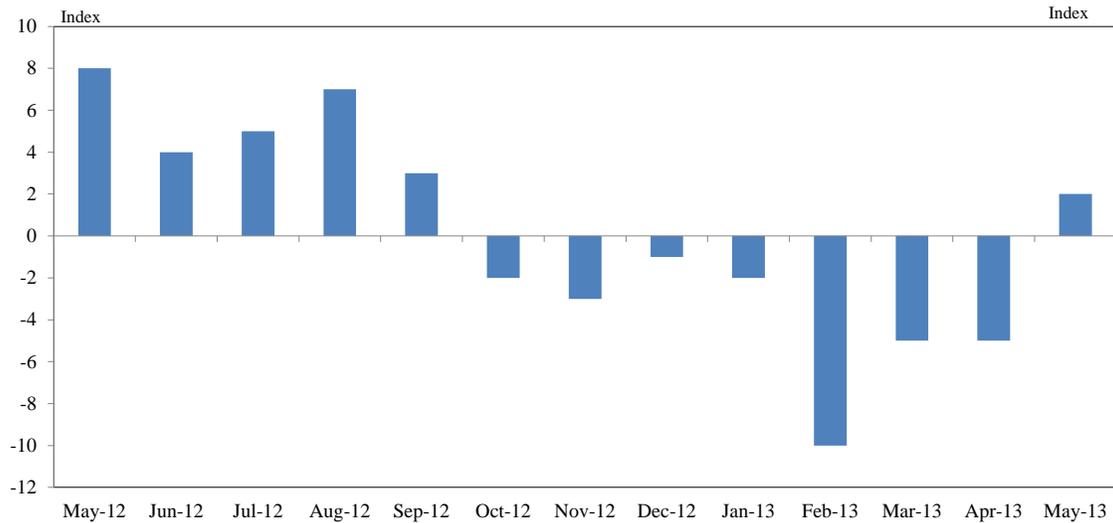


Table2
Historical Manufacturing Survey Indexes

	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	8	4	5	7	3	-2	-3	-1	-2	-10	-5	-5	2
Production	14	11	3	7	-1	-3	-2	-5	-3	-11	-1	1	5
Volume of shipments	13	10	0	10	-4	-3	-1	-4	-3	-12	0	7	8
Volume of new orders	8	-6	-2	10	-1	-8	-10	-5	-2	-25	0	0	6
Backlog of orders	-4	-11	-8	0	-7	-13	-20	-16	-6	-18	-16	-8	-8
Number of employees	7	4	5	3	2	-3	2	-1	-8	2	-15	-3	-7
Average employee workweek	-3	-5	-4	-5	-11	-10	-5	-7	-8	-14	-8	-7	-8
Prices received for finished product	1	-1	1	2	4	7	3	7	7	5	-1	-1	-3
Prices paid for raw materials	13	18	19	26	28	26	24	33	23	25	19	7	9
Capital expenditures	n/a												
New orders for exports	2	-6	-11	-6	-4	-5	-6	-2	-8	-1	-7	-8	-6
Supplier delivery time	9	5	6	6	7	3	-1	3	4	-6	-5	-4	5
Inventories: Materials	4	5	10	11	6	2	-5	1	-4	-8	-2	-17	0
Inventories: Finished goods	3	0	7	11	3	3	6	0	-10	-6	0	-4	-2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	27	24	20	18	11	11	9	7	1	-4	-1	-6	0
Production	38	32	19	25	12	17	4	-3	-9	-7	-8	-14	0
Volume of shipments	35	35	18	22	16	22	11	5	-4	-5	-5	-10	5
Volume of new orders	32	32	23	16	6	10	4	2	-7	-14	-6	-9	-2
Backlog of orders	32	20	10	14	-4	1	-7	-7	-12	-15	-11	-16	-15
Number of employees	28	25	18	20	17	12	22	13	14	12	8	-3	-3
Average employee workweek	7	7	2	1	5	-2	-8	-8	-11	-17	-1	-9	-13
Prices received for finished product	34	19	35	35	35	30	28	35	31	29	36	28	26
Prices paid for raw materials	66	60	50	49	60	60	58	56	50	60	59	55	50
Capital expenditures	21	21	23	21	17	18	19	20	-3	8	19	7	11
New orders for exports	9	4	2	2	-4	-2	-5	-4	-11	-4	-3	-12	-7
Supplier delivery time	14	12	12	10	7	10	7	9	-1	0	7	4	12
Inventories: Materials	23	17	26	16	11	5	8	14	6	-9	-6	-11	-7
Inventories: Finished goods	16	11	16	19	12	10	11	17	0	-3	2	-10	-2
Expected in Six Months (seasonally adjusted)													
Composite Index	16	8	13	16	16	6	5	7	7	4	14	4	11
Production	37	23	23	29	28	13	13	16	15	12	26	8	16
Volume of shipments	39	21	21	28	29	14	14	14	14	14	26	10	21
Volume of new orders	27	11	22	21	24	11	12	13	19	15	30	9	18
Backlog of orders	10	0	4	12	20	0	5	3	2	5	16	3	9
Number of employees	16	13	15	15	16	6	3	1	3	2	12	8	8
Average employee workweek	4	-1	-1	1	2	-2	-5	-5	3	-3	9	-7	1
Prices received for finished product	23	12	25	33	27	23	19	29	26	26	22	24	23
Prices paid for raw materials	47	41	48	45	50	56	42	63	47	51	38	38	43
Capital expenditures	19	17	19	17	13	16	9	7	3	18	21	11	19
New orders for exports	8	4	6	4	3	1	0	-2	0	1	11	5	3
Supplier delivery time	1	4	5	12	6	1	-3	5	-1	1	3	0	13
Inventories: Materials	-1	-11	-1	2	7	-4	1	-3	-3	-9	-2	-7	1
Inventories: Finished goods	-2	-5	5	7	5	-6	0	-2	-2	-13	-6	-10	0