

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## TENTH DISTRICT MANUFACTURING SURVEY CONTINUED TO GROW *Federal Reserve Bank of Kansas City Releases November Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the November 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 continued to grow, and producers' expectations for future activity improved moderately.

"Factory activity in our region continues to hum along at a moderate rate of growth" said Wilkerson. "The marked improvement in hiring plans was a nice development."

A summary of the November 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 continued to grow in November, and producers' expectations for future activity improved moderately. Respondents continued to comment about uncertainty holding back activity, although several firms reported an uptick in hiring plans for skilled positions. Most price indexes decreased, especially for raw materials, but remained well above zero.

The month-over-month composite index was 7 in November, up from 6 in October and 2 in September (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 production index fell slightly at nearly all types of durable goods plants, while production of nondurable goods products increased, particularly for chemicals and plastics. Most other month-over-month indexes improved over last month. The new orders index jumped from 3 to 15, and the order backlog and employment indexes reached their highest levels since early 2012. In contrast, the production index moderated from 14 to 11, and the shipments and new orders for exports indexes also slipped somewhat. The raw materials inventory index decreased from 12 to 4, and the finished goods inventory index fell into negative territory.

The majority of year-over-year factory indexes showed improvement in November. The composite year-over-year index edged up from 7 to 9, and the production, shipments, new orders, and order backlog indexes also increased. The capital expenditures index rose markedly from 7 to 15, while the employment index was unchanged. The raw materials inventory index eased from 3 to 0, and the finished goods inventory index also declined.

Most future factory indexes rebounded after falling somewhat last month. The future composite index rose from 8 to 12, and the future production, shipments, and new orders indexes also increased. The future employment index jumped from 3 to 20, its highest level since March 2012, and the future workweek index also rose sharply. The future order backlog and capital expenditures indexes were basically unchanged. Both future inventory indexes remained flat over last month.

Price indexes moderated in November, particularly for inputs. The month-over-month raw materials price index fell from 26 to 17, and the finished goods price index also edged lower. The year-over-year raw materials price index decreased from 48 to 39, while the finished goods price index was unchanged. The future raw materials price index dropped from 45 to 31, and the future finished goods price index eased for the third straight month, indicating fewer firms plan to pass recent cost increases through to customers.

## **SELECTED COMMENTS**

“We have been giving our employees a little overtime rather than hiring more employees.”

“We have seen several new projects finally get completed and closed this past month.”

“We are pleasantly surprised. New orders are up, however our distributors still do not want to increase inventory even as they are selling more due to future fiscal uncertainty.”

“We are striving, with some success, to hire more code welders, metal fabricators and assembly people to build large compressor packages to transfer natural gas.”

“We are continuing to see hesitation in significant capital equipment investment. This is largely attributed to the uncertainty in the marketplace.”

“It is very difficult to find people. We cannot get people to work even basic jobs, and it is even harder to find skilled positions.”

“This is normally a slow time for us, however it seems slower than usual. Dealers don’t want to buy something they haven’t got sold because they may have it carry over. Homeowners seem reluctant to purchase.”

“New regulations and laws are causing costs to increase, creating uncertainty and holding back the creation of jobs, particularly Dodd Frank and health care.”

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

Plant Level Indicators	November vs. October (percent)*					November vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>**^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>**^</sup>
Composite Index				2	7				9				11	12
Production	30	41	29	2	11	43	29	29	14	41	39	20	21	21
Volume of shipments	29	38	33	-5	3	44	30	27	17	44	39	17	27	27
Volume of new orders	31	43	25	7	15	46	29	25	21	34	45	20	14	16
Backlog of orders	27	50	21	6	14	31	42	26	6	27	51	20	7	7
Number of employees	18	65	17	1	6	36	31	32	4	28	60	11	16	20
Average employee workweek	17	66	17	0	5	23	57	19	4	20	65	14	6	11
Prices received for finished product	10	82	7	4	9	45	41	12	32	27	65	6	21	18
Prices paid for raw materials	20	69	10	10	17	55	27	16	39	45	44	10	34	31
Capital expenditures						36	42	21	15	33	50	15	18	16
New orders for exports	9	70	15	-7	-4	16	64	13	3	15	70	8	8	9
Supplier delivery time	4	90	5	-1	-2	13	78	9	5	8	84	5	3	2
Inventories:														
Materials	27	45	26	1	4	30	40	30	0	23	55	21	2	2
Finished goods	23	50	24	-1	-2	24	46	26	-2	18	56	21	-3	-3

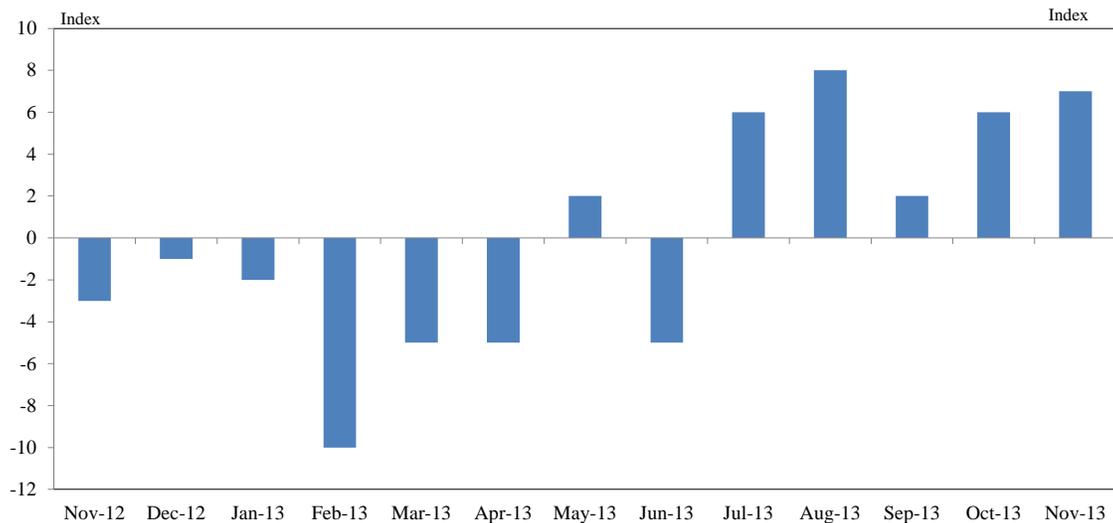
\*Percentage may not add to 100 due to rounding

<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 November 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**

	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13
Versus a Month Ago (seasonally adjusted)													
Composite Index	-3	-1	-2	-10	-5	-5	2	-5	6	8	2	6	7
Production	-2	-5	-3	-11	-1	1	5	-17	21	21	4	14	11
Volume of shipments	-1	-4	-3	-12	0	7	8	-16	19	15	6	14	3
Volume of new orders	-10	-5	-2	-25	0	0	6	-10	5	15	8	3	15
Backlog of orders	-20	-16	-6	-18	-16	-8	-8	-4	-7	0	-2	-2	14
Number of employees	2	-1	-8	2	-15	-3	-7	-1	-2	4	0	-2	6
Average employee workweek	-5	-7	-8	-14	-8	-7	-8	-13	-6	8	-4	2	5
Prices received for finished product	3	7	7	5	-1	-1	-3	3	0	5	4	10	9
Prices paid for raw materials	24	33	23	25	19	7	9	14	16	22	15	26	17
Capital expenditures	n/a												
New orders for exports	-6	-2	-8	-1	-7	-8	-6	-5	2	4	-6	0	-4
Supplier delivery time	-1	3	4	-6	-5	-4	5	2	1	1	1	5	-2
Inventories: Materials	-5	1	-4	-8	-2	-17	0	4	4	0	0	12	4
Inventories: Finished goods	6	0	-10	-6	0	-4	-2	6	1	4	1	10	-2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	9	7	1	-4	-1	-6	0	3	2	11	10	7	9
Production	4	-3	-9	-7	-8	-14	0	7	7	10	15	8	14
Volume of shipments	11	5	-4	-5	-5	-10	5	6	9	13	19	8	17
Volume of new orders	4	2	-7	-14	-6	-9	-2	5	-3	18	16	12	21
Backlog of orders	-7	-7	-12	-15	-11	-16	-15	-10	-21	-1	5	2	6
Number of employees	22	13	14	12	8	-3	-3	5	5	14	5	4	4
Average employee workweek	-8	-8	-11	-17	-1	-9	-13	-3	0	6	2	-7	4
Prices received for finished product	28	35	31	29	36	28	26	30	40	39	40	32	32
Prices paid for raw materials	58	56	50	60	59	55	50	50	42	46	38	48	39
Capital expenditures	19	20	-3	8	19	7	11	16	11	15	16	7	15
New orders for exports	-5	-4	-11	-4	-3	-12	-7	-1	-1	3	-5	-3	3
Supplier delivery time	7	9	-1	0	7	4	12	6	3	5	5	8	5
Inventories: Materials	8	14	6	-9	-6	-11	-7	-6	-2	9	7	3	0
Inventories: Finished goods	11	17	0	-3	2	-10	-2	-1	4	13	13	9	-2
Expected in Six Months (seasonally adjusted)													
Composite Index	5	7	7	4	14	4	11	12	7	9	18	8	12
Production	13	16	15	12	26	8	16	24	17	17	35	19	21
Volume of shipments	14	14	14	14	26	10	21	26	12	15	31	15	27
Volume of new orders	12	13	19	15	30	9	18	26	20	11	20	14	16
Backlog of orders	5	3	2	5	16	3	9	14	0	6	14	8	7
Number of employees	3	1	3	2	12	8	8	7	7	9	14	3	20
Average employee workweek	-5	-5	3	-3	9	-7	1	1	2	1	3	-3	11
Prices received for finished product	19	29	26	26	22	24	23	21	24	27	26	24	18
Prices paid for raw materials	42	63	47	51	38	38	43	46	36	45	36	45	31
Capital expenditures	9	7	3	18	21	11	19	16	12	13	17	17	16
New orders for exports	0	-2	0	1	11	5	3	13	-1	9	8	5	9
Supplier delivery time	-3	5	-1	1	3	0	13	4	7	7	17	4	2
Inventories: Materials	1	-3	-3	-9	-2	-7	1	-2	-13	0	3	2	2
Inventories: Finished goods	0	-2	-2	-13	-6	-10	0	3	-9	4	4	-3	-3