

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING SURVEY IMPROVED MODERATELY *Federal Reserve Bank of Kansas City Releases October Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the October Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing activity improved moderately, while producers' expectations for future activity eased somewhat but remained at solid levels.

“Although many firms in our District noted negative effects from the government shutdown in October, we were encouraged to see slightly faster growth in regional manufacturing than in September” said Wilkerson.

A summary of the October 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

Growth in Tenth District manufacturing activity improved moderately in October, while producers' expectations for future activity eased somewhat but remained at solid levels. Several producers noted negative business impacts from the government shutdown, particularly related to delays in government inspections and approval processes, lack of data availability, and overall customer uncertainty. Price indexes were mixed, with a general increase in materials prices and little overall change in selling prices.

The month-over-month composite index was 6 in October, up from 2 in September but down from 8 in August (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 increased further at durable goods plants, while production of nondurable goods products fell, particularly for chemicals and plastics. Other month-over-month indexes posted mixed results. The production index jumped from 4 to 14, and the shipments and new orders for exports indexes also increased. In contrast, the order backlog index was unchanged, and the new orders and employment indexes eased for the second straight month. The raw materials inventory index rose from 0 to 12, and the finished goods inventory index also moved higher.

The majority of year-over-year factory indexes fell in October. The composite year-over-year index edged down from 10 to 7, and the production, shipments, new orders, and order backlog indexes also decreased. The employment index fell after recording its highest level of the year in September, and the capital expenditures index eased from 16 to 7. Both inventory indexes decreased but remained positive.

Most future factory indexes eased somewhat after rising markedly last month. The future composite index fell from 18 to 8, and the future production, shipments, and new orders indexes also decreased. The future employment index moved from 14 to 3, its lowest level since January, while the future capital expenditures index was unchanged. The future raw materials inventory index was basically unchanged, while the future finished goods inventory index declined into negative territory.

Price indexes were mixed, although raw materials prices increased across all time periods. The month-over-month finished goods price index edged up from 4 to 10, and the raw materials price index also rose. The year-over-year raw materials price index increased from 38 to 48, while the finished goods price index moderated slightly. The future raw materials price index moved higher from 36 to 45, while the future finished goods price index eased somewhat, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“General labor is still very hard to find. Help wanted signs are up everywhere around us. Starting wage ranges anywhere from \$9.50 to \$12.50 an hour and still no applicants.”

“Orders for compressor packages to transport natural gas continues at a record pace. A significant number of packages are destined for the shale formations in Pennsylvania and Ohio.”

“As an agricultural equipment manufacturer, we reduced our production schedule this week and are looking for ways to reduce hours, inventory, and capital expenditures.”

“We are not able to get labeling information as all the websites are down. Any labels in process are on hold.”

“The USDA Market Information that is the basis for supplier prices to us was not available. A small portion of our sales go to military base grocery stores, which have halted.”

“We are receiving more notices of impending price increases. Previously most increases have been pass-through of commodities and transportation costs. Recently, prices are increasing due to increased labor costs and taking advantage of increased demand. ”

“We have experienced military shipment approval delays, stoppage of aircraft registration, and the inability to communicate with the government for critical timing of shipments.”

“We are struggling to find help and we are losing employees to the oil and gas businesses due to their ability to pay significantly higher wages.”

“The government shutdown has affected our business both in terms of direct production on government contracts as well as ancillary services/support provided by the government needed for international business. These services include issuance of visas for foreign customers and processing of legalization documents required on letter of credit draws.”

Table 1
Summary of Tenth District Manufacturing Conditions, October 2013

Plant Level Indicators	October vs. September (percent)*					October 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				2	6				7				7	8
Production	28	47	23	5	14	40	24	33	8	43	32	22	21	19
Volume of shipments	31	43	24	7	14	40	24	33	8	42	29	25	17	15
Volume of new orders	28	39	32	-4	3	43	23	32	12	38	37	24	13	14
Backlog of orders	22	47	27	-5	-2	32	35	30	2	27	49	21	6	8
Number of employees	13	63	21	-8	-2	34	34	30	4	23	53	21	2	3
Average employee workweek	16	66	16	0	2	20	50	27	-7	15	63	19	-4	-3
Prices received for finished product	12	82	4	9	10	42	42	11	32	30	61	5	25	24
Prices paid for raw materials	25	70	4	21	26	60	27	12	48	49	45	4	45	45
Capital expenditures						29	45	22	7	36	42	17	18	17
New orders for exports	9	72	11	-2	0	10	68	12	-3	13	67	9	5	5
Supplier delivery time	7	88	3	4	5	14	75	7	8	9	84	5	4	4
Inventories:														
Materials	30	48	19	11	12	32	37	29	3	21	51	26	-5	2
Finished goods	26	53	17	9	10	31	41	22	9	17	55	23	-6	-3

*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 October survey included 104 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

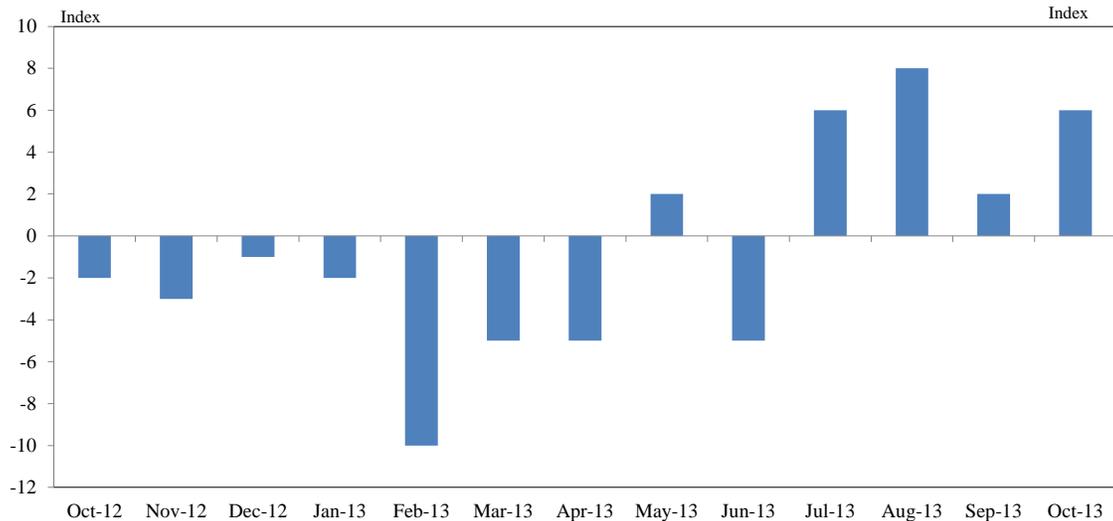


Table2
Historical Manufacturing Survey Indexes

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