

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING SURVEY MODERATED SOMEWHAT *Federal Reserve Bank of Kansas City Releases September Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the September 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 moderated somewhat but remained positive, and producers' expectations for future activity increased markedly.

“We saw slightly slower growth this month, but firms were much more optimistic about industry activity in early 2014” said Wilkerson. “Worker shortages remained a problem at many firms.”

A summary of the September 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 moderated somewhat in September but remained positive. Producers' expectations for future activity increased markedly, while several manufacturers commented on rising labor shortages and wage pressures. Price indexes decreased slightly or were largely unchanged.

The month-over-month composite index was 2 in September, down from 8 in August and 6 in July (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 decreased at both durable and non-durable goods-producing plants, with the exception of machinery and computer equipment factories which posted slight gains. Most other month-over-month indexes also fell. The production index plunged from 21 to 4, and the shipments, new orders, and order backlog indexes also decreased. The employment index eased after rising last month, and the new orders for exports index fell back into negative territory. The raw materials inventory index stayed flat at 0, while the finished goods inventory index decreased modestly.

Year-over-year factory indexes were mixed in September. The composite year-over-year index inched lower from 11 to 10, and the new orders, employment, and new orders for exports indexes also fell somewhat. In contrast, the production index rose from 10 to 15, and the shipments and order backlog indexes increased slightly. The capital expenditures index edged up from 15 to 16, matching its highest level in six months. The raw materials inventory index eased from 9 to 7, while the finished goods inventory index was unchanged.

Most future factory indexes improved considerably from the previous month. The future composite index jumped from 9 to 18, its highest level since March 2012, and the future production, shipments, and new orders indexes also reached 18-month highs. The future order backlog index climbed from 6 to 14, and the future employment index rose for the second straight month. The future capital expenditures index edged up from 13 to 17, while the future new orders for exports index eased slightly. The future raw materials inventory index increased from 0 to 3, while the future finished goods inventory index remained stable.

Most price indexes moderated slightly or were basically unchanged. The month-over-month finished goods price index edged lower from 5 to 4, and the raw materials price index also fell. The year-over-year raw materials price index decreased to its lowest level in over 3 years, while the finished goods price index was generally flat. The future raw materials price index fell from 45 to 36, and the future finished goods price index eased after rising the past few months, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“General labor is very difficult to find in order to fill our manufacturing positions. Educated workers are even harder to find.”

“Our starting wage has dropped because we are having to train people that come to us with no experience or skill.”

“We keep hearing the economy is getting better, but we have not seen an improvement.”

“Our automotive business has done well this year, however our other business including aerospace has been flat. We are seeing some upward price pressure on our raw materials.”

“The biggest issues we are facing are medical insurance, workers compensation insurance, and increased government regulation.”

“We are closing our facility and moving most of the product to our Mexico plant.”

“Demand for compressors to transfer natural gas continues to be strong.”

“Have difficulty in hiring engineers and accountants.”

“Our industry has lost labor force to the oil and gas industry, which is not really paying more hourly but is giving a lot more overtime.”

Table 1
Summary of Tenth District Manufacturing Conditions, September 2013

Plant Level Indicators	September vs. August (percent)*					September 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	2				10				17	18
Production	26	48	25	1	4	45	24	30	15	46	38	12	34	35
Volume of shipments	32	38	28	4	6	46	24	27	19	44	38	14	30	31
Volume of new orders	29	44	24	5	8	44	26	28	16	38	39	19	19	20
Backlog of orders	21	53	22	-1	-2	32	39	27	5	29	50	18	11	14
Number of employees	18	63	18	0	0	33	39	28	5	28	56	15	13	14
Average employee workweek	11	75	12	-2	-4	22	55	20	2	16	68	12	5	3
Prices received for finished product	12	81	5	7	4	49	38	9	40	30	62	5	25	26
Prices paid for raw materials	20	71	6	14	15	52	32	13	38	42	48	7	36	36
Capital expenditures						38	40	21	16	33	50	16	16	17
New orders for exports	5	77	11	-6	-6	12	64	16	-5	16	64	9	8	8
Supplier delivery time	6	89	4	2	1	12	80	8	5	15	82	1	14	17
Inventories:														
Materials	25	50	24	1	0	34	38	27	7	25	49	21	4	3
Finished goods	21	57	20	1	1	31	49	17	13	20	59	16	4	4

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

Composite Index vs. a Month Ago

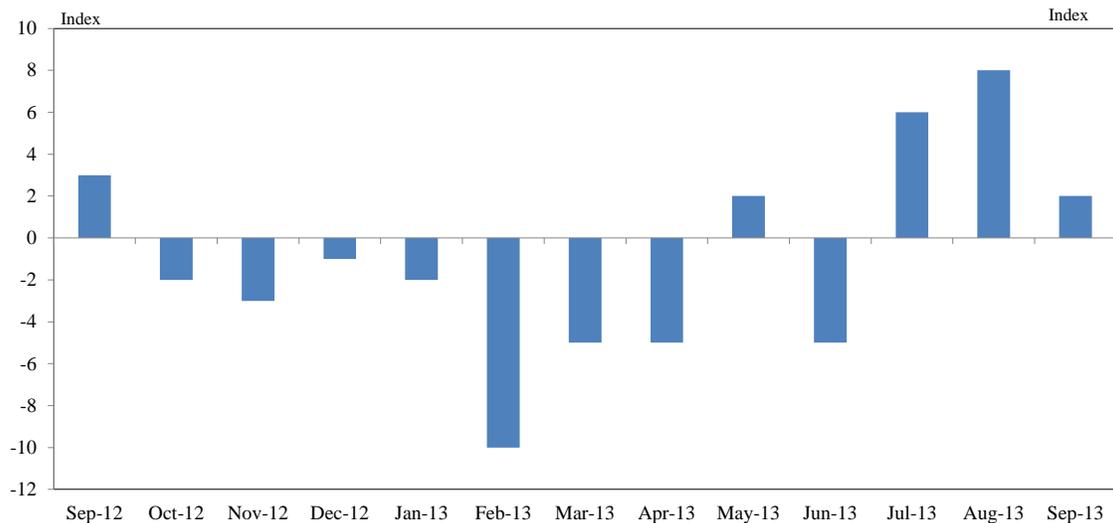


Table2
Historical Manufacturing Survey Indexes

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