

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY SLOWED SLIGHTLY *Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the August 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 slowed slightly, but producers' expectations for future activity remained solid.

"Growth eased a bit from last month's pace," Wilkerson said. "Still, August represented the eighth straight month of expansion in the region, and plant managers remained generally optimistic."

A summary of the August 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

Growth in Tenth District manufacturing activity slowed slightly in August, but producers' expectations for future activity remained solid. Price indexes indicated little change from the previous month, but expectations for future growth were slightly lower.

The month-over-month composite index was 3 in August, down from 9 in July and 6 in June (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 overall slowing in manufacturing activity occurred at nondurable goods producers, while durable goods production increased somewhat. Most month-over-month indexes fell compared to July's readings. The production index fell from 11 to 4, and the shipments and new orders indexes also declined but remained above zero. The employment index was -4, the first negative result in 10 months, while the order backlog index remained relatively steady at -5. The inventory indexes were mixed, with materials slightly lower and finished goods considerably higher than in July.

Year-over-year factory indexes were mostly lower. The composite year-over-year index was unchanged at 13, while production index dropped from 24 to 8, its lowest level in seven months. The shipments, new orders, and order backlog indexes also fell. In contrast, the capital expenditures index rose from 10 to 14, after falling last month. The raw materials and finished good inventory indexes both increased considerably over last month.

Future factory indexes were mixed in August. The future composite index edged up from 15 to 17, and the future production, new orders, and order backlog indexes also rose. The future new orders for exports index increased to its highest level in seven months, while the future shipments index decreased from 28 to 20. The future employment index fell moderately, from 23 to 15, and the future capital expenditures index also declined. Both future inventories indexes increased moderately after being in negative territory last month.

Price indexes were once again mixed this month. The month-over-month raw materials price moved up slightly, while the finished goods price index was somewhat lower. The year-over-year finished goods price index eased from 37 to 35, but the raw materials price index remained unchanged. The future raw materials price index continued to edge lower from 46 to 43, and the future finished goods price index also decreased, indicating fewer firms plan to pass cost increases through to customers.

## **SELECTED COMMENTS**

“We are seeing a small increase in sales, foreign sales are still down.”

“It is difficult to find good people for our shop on the off shifts.”

“Relative to materials prices, there are some (steel) categories that are rising and some declining. Overall, the net result is relative stability at the present time.”

“Customer fed cattle inventories continue to weaken. Over the past four month, shipped volume has retracted 11%. At this point, we are anxiously looking for a bottom in the market.”

“Our evaluation of capital projects places a premium on the opportunity for headcount reduction. Much of the reason for that philosophy relates to the increasing cost and risk that employees present as a result of government and regulatory expansion.”

“We are experiencing a very slow period. Customers seem very reluctant. No one seems to find any reason to be optimistic. If this continues after school starts, we will have to cut back on employees. We hate to consider a lay off.”

“ACA has increased our costs per employee by requiring additional provisions previously not offered by our plan or wanted by our employees. We have been forced to modify our plan by the ACA increasing costs of employment and making the company more reluctant to hire additional headcount. It also makes the coverage more expensive for our employees as they pay 20% of the plan costs.”

**Table 1**  
**Summary of Tenth District Manufacturing Conditions, August 2014**

Plant Level Indicators	August vs. July (percent)*					August 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				4	3				13				15	17
Production	25	54	22	3	4	42	24	34	8	40	39	19	22	25
Volume of shipments	27	49	24	3	2	43	24	33	10	41	33	24	18	20
Volume of new orders	26	53	21	5	6	42	28	29	13	38	43	16	22	25
Backlog of orders	19	56	22	-3	-5	31	38	28	3	28	53	14	13	15
Number of employees	16	64	20	-3	-4	39	33	28	11	32	48	18	14	15
Average employee workweek	14	68	16	-2	-1	21	54	25	-4	26	57	14	11	12
Prices received for finished product	11	80	7	4	6	47	39	12	35	26	64	7	19	21
Prices paid for raw materials	25	67	7	18	20	62	30	7	55	46	44	5	41	43
Capital expenditures						36	40	22	14	32	47	16	15	16
New orders for exports	7	71	12	-5	-7	13	58	19	-5	18	63	8	9	9
Supplier delivery time	6	86	3	3	4	20	72	4	15	13	78	2	11	12
Inventories:														
Materials	22	65	12	9	5	34	46	19	15	25	57	16	8	7
Finished goods	21	62	11	9	9	28	54	14	13	25	55	13	11	8

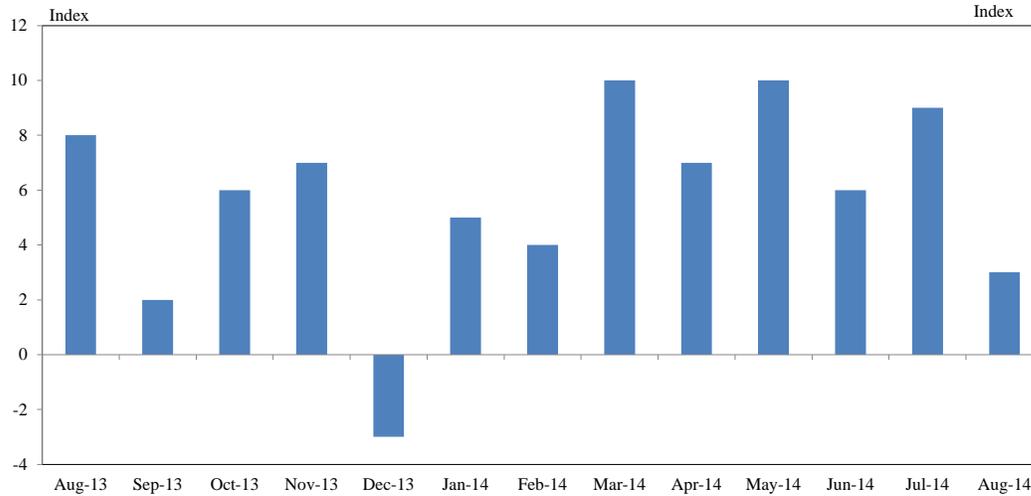
\*Percentage may not add to 100 due to rounding

^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 August survey included 97 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**

	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	6	2	6	6	-3	5	4	10	7	10	6	9	3
Production	16	4	11	9	-13	-8	3	22	12	14	2	11	4
Volume of shipments	12	6	11	3	-10	3	10	16	14	5	2	14	2
Volume of new orders	10	7	4	14	1	5	5	13	9	11	8	12	6
Backlog of orders	-2	-2	-2	12	-5	-1	-4	-1	4	0	9	-6	-5
Number of employees	2	0	-1	4	0	11	3	0	3	10	1	8	-4
Average employee workweek	7	-4	1	3	-2	-6	1	3	6	14	7	-3	-1
Prices received for finished product	5	4	8	7	2	8	7	10	2	14	2	7	6
Prices paid for raw materials	21	15	26	16	15	19	16	16	21	28	25	19	20
Capital expenditures	n/a												
New orders for exports	2	-6	-1	-3	-6	4	-1	6	0	-3	-11	-6	-7
Supplier delivery time	0	0	4	-1	-2	9	0	5	11	5	10	5	4
Inventories: Materials	0	-1	10	3	-1	6	10	8	-1	11	8	9	5
Inventories: Finished goods	2	1	9	-2	1	3	3	2	2	4	-4	-3	9
Versus a Year Ago (not seasonally adjusted)													
Composite Index	11	10	7	9	3	8	8	12	14	15	15	13	13
Production	10	15	8	14	-4	8	10	15	22	28	23	24	8
Volume of shipments	13	19	8	17	-8	11	13	11	18	27	23	27	10
Volume of new orders	18	16	12	21	6	8	7	24	19	15	21	17	13
Backlog of orders	-1	5	2	6	-3	-2	0	4	20	8	13	10	3
Number of employees	14	5	4	4	7	7	7	7	7	14	12	13	11
Average employee workweek	6	2	-7	4	2	-8	2	0	6	4	12	5	-4
Prices received for finished product	39	40	32	32	27	36	36	39	33	37	30	37	35
Prices paid for raw materials	46	38	48	39	40	48	37	57	59	65	54	55	55
Capital expenditures	15	16	7	15	15	19	18	20	14	18	19	10	14
New orders for exports	3	-5	-3	3	-3	3	-1	6	4	3	-2	-3	-5
Supplier delivery time	5	5	8	5	1	8	4	5	11	11	13	11	15
Inventories: Materials	9	7	3	0	3	10	10	7	12	9	7	1	15
Inventories: Finished goods	13	13	9	-2	4	8	7	6	10	-1	7	0	13
Expected in Six Months (seasonally adjusted)													
Composite Index	8	16	8	12	15	26	11	11	21	13	12	15	17
Production	16	32	19	20	30	45	24	28	38	18	17	23	25
Volume of shipments	15	28	17	25	32	47	24	25	37	24	20	28	20
Volume of new orders	11	19	15	17	24	35	23	30	33	22	14	24	25
Backlog of orders	6	11	8	7	8	22	15	9	20	9	9	11	15
Number of employees	9	11	3	20	15	29	6	2	22	16	14	23	15
Average employee workweek	1	3	-3	9	8	9	-1	5	12	10	4	13	12
Prices received for finished product	26	25	24	20	18	30	25	21	31	32	28	25	21
Prices paid for raw materials	46	37	41	32	27	47	35	38	46	53	49	46	43
Capital expenditures	13	16	16	16	12	26	24	9	21	19	23	25	16
New orders for exports	8	7	5	8	2	13	5	4	7	4	6	6	9
Supplier delivery time	6	16	3	3	5	10	2	2	11	10	10	6	12
Inventories: Materials	-1	1	1	1	-1	9	-1	-8	1	1	2	-1	7
Inventories: Finished goods	1	2	-2	-2	-5	-1	6	-5	0	2	3	-2	8