

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY EDGED HIGHER *Federal Reserve Bank of Kansas City Releases July Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the July 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 edged higher, and producers' optimism for future activity increased.

"Factories in our region reported slightly faster growth in July," said Wilkerson. "In addition, future hiring and capital spending plans were the highest in six months."

A summary of the July 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 edged higher in July, and producers' optimism for future activity increased. Several firms continued to note difficulties with retaining certain types of workers, particularly machinists and welders. Price indexes were mixed, with most recording little change from the previous month.

The month-over-month composite index was 9 in July, up from 6 in June but slightly lower than 10 in May (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 growth in manufacturing activity occurred mostly at durable goods-producing plants, particularly machinery products, while nondurable goods-producers reported fairly flat activity. Most other month-over-month indexes also increased. The production index climbed from 2 to 11, and the shipments, new orders, and employment indexes also rose considerably. In contrast, the order backlog index fell into negative territory for the first time in four months. Both inventory indexes were basically unchanged.

Year-over-year factory indexes were mixed. The composite year-over-year index moderated somewhat from 15 to 13, and the new orders and order backlog indexes also edged lower. The capital expenditures index fell from 19 to 10, its lowest level in nine months, and the new orders for exports index slipped from -2 to -3. In contrast, the production, shipments, and employment indexes moved slightly higher. The finished goods inventory index decreased from 7 to 0, and the raw materials inventory index also eased.

Future factory indexes increased slightly from last month. The future composite index edged up from 12 to 15, and the future production, shipments, new orders, and order backlog indexes also rose. The future employment index jumped from 14 to 23, its highest level in six months, and the future employee workweek index reached nearly a five-year high. The future capital expenditures index grew for the second straight month, while the future new orders for exports index remained unchanged. Both future inventories indexes fell into negative territory.

Price indexes were mixed after easing last month. The month-over-month raw materials price index edged down from 25 to 19, while the finished goods price index moved slightly higher. The year-over-year finished goods price index rose from 30 to 37, but the raw materials price index was basically unchanged. The future raw materials price index eased from 49 to 46, and the future finished goods price index also edged lower, indicating fewer firms plan to pass recent cost increases through to customers.

## **SELECTED COMMENTS**

“Competition for qualified professionals is intense. We are challenged to find high quality experienced professionals, particularly truck drivers.”

“We are having trouble filling shop jobs on the off shifts.”

“Cattle numbers in the feed yards are beginning to decrease rather rapidly. Recent rains in the central and southern plains may encourage the first increase in retained heifers in 10 years in this area. Looking forward to 2015, volume is expected to be down sharply.”

“The strength of the oil and gas industries have impacted us in both increasing our cost of doing business (labor costs) and the availability of labor (much tighter). Additionally, the increase in energy cost is impacting us with 10 percent increases.”

“Very strong month in sales. Customers are already purchasing for fall and winter.”

“We added yet another product line in order to bolster sales and cash flow. The local economy is still lagging.”

“Demand continues at a brisk pace with so signs of let up in sight. We are adding manufacturing capacity as swiftly as we can to support demand.”

“Our sales are slowly increasing. We would like to see better increases, but are thankful for anything.”

“We are experiencing a summer slump.”

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

Plant Level Indicators	July vs. June (percent)*					July vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index <sup>^</sup>	Index <sup>**^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Index <sup>**^</sup>
Composite Index				9	9				13				14	15
Production	33	44	22	12	11	45	32	22	24	41	35	20	20	23
Volume of shipments	38	38	24	14	14	47	32	20	27	43	38	19	24	28
Volume of new orders	34	38	27	8	12	42	31	25	17	40	42	16	24	24
Backlog of orders	22	46	29	-8	-6	31	44	22	10	29	48	18	11	11
Number of employees	18	73	9	10	8	35	42	23	13	34	53	13	22	23
Average employee workweek	16	67	17	-1	-3	22	62	16	5	22	68	11	11	13
Prices received for finished product	9	86	4	4	7	47	41	11	37	28	63	6	22	25
Prices paid for raw materials	20	73	4	16	19	66	20	11	55	48	39	8	41	46
Capital expenditures						31	44	22	10	35	47	12	24	25
New orders for exports	5	77	9	-3	-6	14	63	17	-3	15	71	8	8	6
Supplier delivery time	10	82	5	4	5	17	74	6	11	9	83	3	5	6
Inventories:														
Materials	26	58	15	11	9	25	48	24	1	19	59	19	0	-1
Finished goods	18	56	22	-3	-3	22	53	22	0	17	58	19	-2	-2

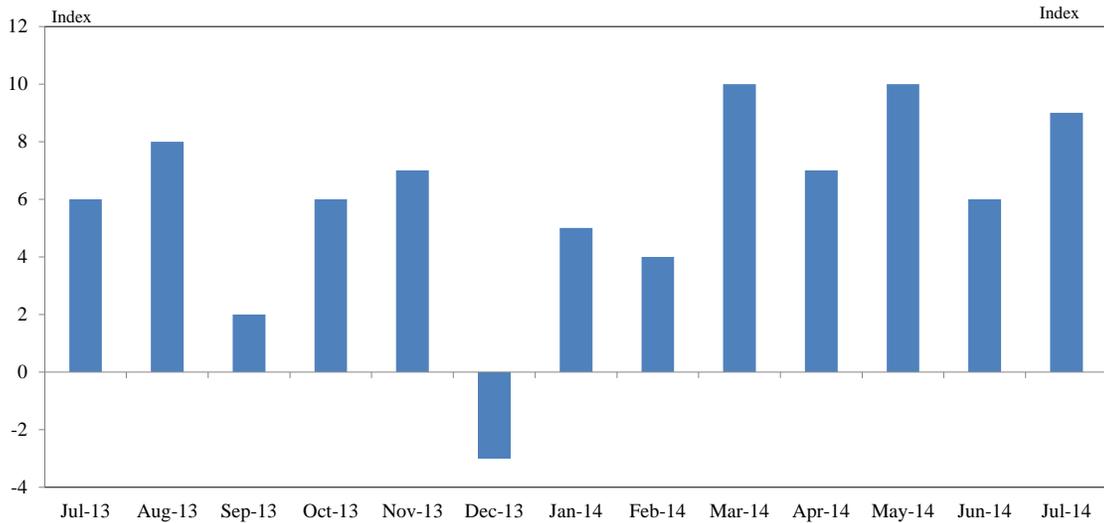
\*Percentage may not add to 100 due to rounding

<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 July survey included 93 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**

	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	6	2	6	6	-3	5	4	10	7	10	6	9
Production	19	16	4	11	9	-13	-8	3	22	12	14	2	11
Volume of shipments	16	12	6	11	3	-10	3	10	16	14	5	2	14
Volume of new orders	5	10	7	4	14	1	5	5	13	9	11	8	12
Backlog of orders	-7	-2	-2	-2	12	-5	-1	-4	-1	4	0	9	-6
Number of employees	-1	2	0	-1	4	0	11	3	0	3	10	1	8
Average employee workweek	-5	7	-4	1	3	-2	-6	1	3	6	14	7	-3
Prices received for finished product	1	5	4	8	7	2	8	7	10	2	14	2	7
Prices paid for raw materials	17	21	15	26	16	15	19	16	16	21	28	25	19
Capital expenditures	n/a												
New orders for exports	0	2	-6	-1	-3	-6	4	-1	6	0	-3	-11	-6
Supplier delivery time	0	0	0	4	-1	-2	9	0	5	11	5	10	5
Inventories: Materials	2	0	-1	10	3	-1	6	10	8	-1	11	8	9
Inventories: Finished goods	0	2	1	9	-2	1	3	3	2	2	4	-4	-3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	2	11	10	7	9	3	8	8	12	14	15	15	13
Production	7	10	15	8	14	-4	8	10	15	22	28	23	24
Volume of shipments	9	13	19	8	17	-8	11	13	11	18	27	23	27
Volume of new orders	-3	18	16	12	21	6	8	7	24	19	15	21	17
Backlog of orders	-21	-1	5	2	6	-3	-2	0	4	20	8	13	10
Number of employees	5	14	5	4	4	7	7	7	7	7	14	12	13
Average employee workweek	0	6	2	-7	4	2	-8	2	0	6	4	12	5
Prices received for finished product	40	39	40	32	32	27	36	36	39	33	37	30	37
Prices paid for raw materials	42	46	38	48	39	40	48	37	57	59	65	54	55
Capital expenditures	11	15	16	7	15	15	19	18	20	14	18	19	10
New orders for exports	-1	3	-5	-3	3	-3	3	-1	6	4	3	-2	-3
Supplier delivery time	3	5	5	8	5	1	8	4	5	11	11	13	11
Inventories: Materials	-2	9	7	3	0	3	10	10	7	12	9	7	1
Inventories: Finished goods	4	13	13	9	-2	4	8	7	6	10	-1	7	0
Expected in Six Months (seasonally adjusted)													
Composite Index	7	8	16	8	12	15	26	11	11	21	13	12	15
Production	17	16	32	19	20	30	45	24	28	38	18	17	23
Volume of shipments	14	15	28	17	25	32	47	24	25	37	24	20	28
Volume of new orders	19	11	19	15	17	24	35	23	30	33	22	14	24
Backlog of orders	0	6	11	8	7	8	22	15	9	20	9	9	11
Number of employees	7	9	11	3	20	15	29	6	2	22	16	14	23
Average employee workweek	2	1	3	-3	9	8	9	-1	5	12	10	4	13
Prices received for finished product	24	26	25	24	20	18	30	25	21	31	32	28	25
Prices paid for raw materials	39	46	37	41	32	27	47	35	38	46	53	49	46
Capital expenditures	12	13	16	16	16	12	26	24	9	21	19	23	25
New orders for exports	-2	8	7	5	8	2	13	5	4	7	4	6	6
Supplier delivery time	6	6	16	3	3	5	10	2	2	11	10	10	6
Inventories: Materials	-12	-1	1	1	1	-1	9	-1	-8	1	1	2	-1
Inventories: Finished goods	-10	1	2	-2	-2	-5	-1	6	-5	0	2	3	-2