

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the June 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 somewhat, while producers' expectations for future factory activity showed little change and remained at solid levels.

“We saw some moderation in factory growth in June and many contacts mentioned difficulties finding qualified workers,” said Wilkerson. “However, many respondents noted solid expectations for future months.”

A summary of the June 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 somewhat in June, while producers' expectations for future factory activity showed little change and remained at solid levels. Firms noted some difficulty finding skilled workers, especially for welders, engineers, and machinists. Most price indexes decreased moderately after increasing for several months.

The month-over-month composite index was 6 in June, down from 10 in May and 7 in April (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Manufacturing activity fell slightly at most non-durable goods-producing plants, while production increased for the majority of durable products, except for machinery which slowed considerably. Most other month-over-month indexes were mixed. The production index dropped from 14 to 2, and the new orders, employment, and new orders for exports indexes also declined. In contrast, the order backlog index rose from 0 to 9, its highest level in seven months. The raw materials inventory index eased from 11 to 8, and the finished goods inventory index also edged down.

Year-over-year factory indexes were mixed. The composite year-over-year index was unchanged, while the production, shipments, and employment indexes edged lower. The new orders for exports index moved into negative territory, while the new orders, order backlog, and capital expenditures indexes recorded positive gains. The finished goods inventory index rose from -1 to 7, but the raw materials inventory index fell slightly.

Future factory indexes recorded little change from the previous month. The future composite index moved from 13 to 12, and the future production, shipments, and employment indexes also inched lower. The future new orders index posted its lowest level in ten months, while future order backlog index was unchanged. In contrast, the future capital expenditures and new orders for exports indexes edged higher. Both future inventories indexes were basically unchanged.

All price indexes eased after increasing for two straight months. The month-over-month raw materials price index edged down from 28 to 25, and the finished goods price index dropped from 14 to 2. The year-over-year raw materials index decreased from 65 to 54, and the finished goods price index also fell. The future raw materials price index eased from 53 to 49, while the future finished goods price index also edged lower, indicating fewer firms plan to pass recent cost increases through to customers.

## **SELECTED COMMENTS**

“It is not so much a question of short supply of workers, but rather a question of workers who are reliable and possess a strong work ethic.”

“There was some improvement in the past few months. That seems to have slowed down. We think the spike was due to the end of the terrible winter weather.”

“We are meeting our projections, but there seems to be lack of confidence and very little enthusiasm from our customers.”

“Storm damage in our area is driving stronger sales.”

“There is a very limited available workforce in our small community.”

“Business continues at a record pace. We are adding significant additional capacity to be responsive to our customers’ needs.”

“Compensation levels have been increased within all grades to compete with other employers. Production employees received 4-5.5% average wage increases this past year compared to 3% for all other areas of the company.”

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

Plant Level Indicators	June vs. May (percent)*					June vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff	Index <sup>^</sup>	Index* <sup>^</sup>	No		Diff	Index <sup>^</sup>	No		Diff	Index <sup>^</sup>	Index* <sup>^</sup>
	Increase	Change				Decrease	Increase			Change	Decrease			
Composite Index				9	6			15				12	12	
Production	34	41	24	10	2	50	21	27	23	39	36	22	17	17
Volume of shipments	37	36	27	11	2	50	21	27	23	39	38	20	19	20
Volume of new orders	32	41	27	5	8	44	32	22	21	35	45	18	17	14
Backlog of orders	26	53	18	7	9	35	38	22	13	27	52	16	11	9
Number of employees	23	60	17	6	1	35	39	23	12	28	54	16	12	14
Average employee workweek	22	66	12	11	7	28	53	16	12	19	62	16	3	4
Prices received for finished product	7	84	7	0	2	43	41	13	30	35	52	9	27	28
Prices paid for raw materials	22	71	2	20	25	60	29	5	54	48	40	3	45	49
Capital expenditures						35	46	16	19	33	49	14	19	23
New orders for exports	6	68	16	-10	-11	14	60	16	-2	16	64	10	6	6
Supplier delivery time	13	80	3	10	10	17	76	4	13	15	78	4	11	10
Inventories:														
Materials	28	55	16	12	8	32	43	24	7	22	56	19	3	2
Finished goods	18	57	19	-1	-4	26	50	18	7	19	60	15	4	3

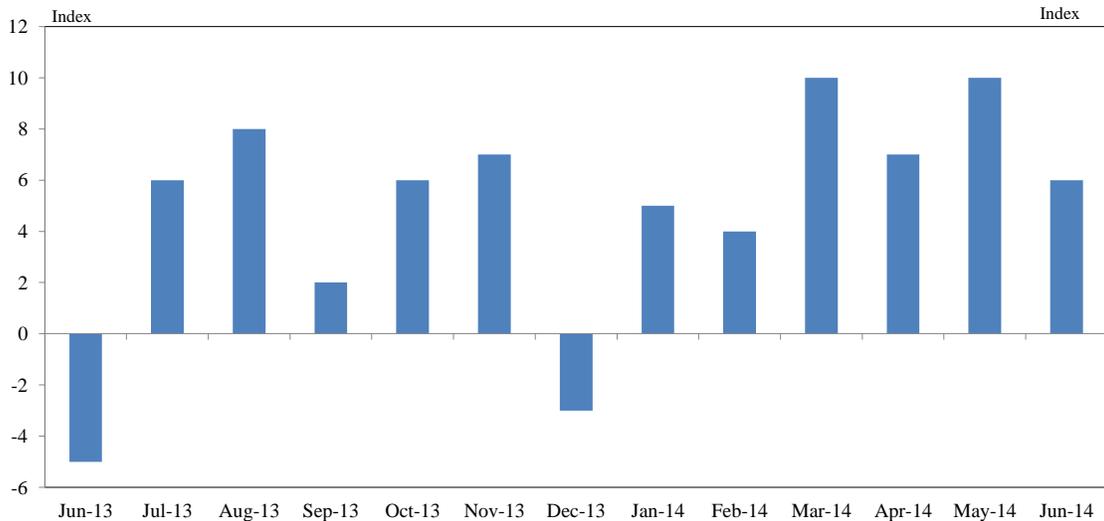
\*Percentage may not add to 100 due to rounding

<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 June survey included 94 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**

	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	-5	5	6	2	6	6	-3	5	4	10	7	10	6
Production	-19	19	16	4	11	9	-13	-8	3	22	12	14	2
Volume of shipments	-17	16	12	6	11	3	-10	3	10	16	14	5	2
Volume of new orders	-7	5	10	7	4	14	1	5	5	13	9	11	8
Backlog of orders	-4	-7	-2	-2	-2	12	-5	-1	-4	-1	4	0	9
Number of employees	-1	-1	2	0	-1	4	0	11	3	0	3	10	1
Average employee workweek	-12	-5	7	-4	1	3	-2	-6	1	3	6	14	7
Prices received for finished product	3	1	5	4	8	7	2	8	7	10	2	14	2
Prices paid for raw materials	16	17	21	15	26	16	15	19	16	16	21	28	25
Capital expenditures	n/a												
New orders for exports	-4	0	2	-6	-1	-3	-6	4	-1	6	0	-3	-11
Supplier delivery time	1	0	0	0	4	-1	-2	9	0	5	11	5	10
Inventories: Materials	2	2	0	-1	10	3	-1	6	10	8	-1	11	8
Inventories: Finished goods	3	0	2	1	9	-2	1	3	3	2	2	4	-4
Versus a Year Ago (not seasonally adjusted)													
Composite Index	3	2	11	10	7	9	3	8	8	12	14	15	15
Production	7	7	10	15	8	14	-4	8	10	15	22	28	23
Volume of shipments	6	9	13	19	8	17	-8	11	13	11	18	27	23
Volume of new orders	5	-3	18	16	12	21	6	8	7	24	19	15	21
Backlog of orders	-10	-21	-1	5	2	6	-3	-2	0	4	20	8	13
Number of employees	5	5	14	5	4	4	7	7	7	7	7	14	12
Average employee workweek	-3	0	6	2	-7	4	2	-8	2	0	6	4	12
Prices received for finished product	30	40	39	40	32	32	27	36	36	39	33	37	30
Prices paid for raw materials	50	42	46	38	48	39	40	48	37	57	59	65	54
Capital expenditures	16	11	15	16	7	15	15	19	18	20	14	18	19
New orders for exports	-1	-1	3	-5	-3	3	-3	3	-1	6	4	3	-2
Supplier delivery time	6	3	5	5	8	5	1	8	4	5	11	11	13
Inventories: Materials	-6	-2	9	7	3	0	3	10	10	7	12	9	7
Inventories: Finished goods	-1	4	13	13	9	-2	4	8	7	6	10	-1	7
Expected in Six Months (seasonally adjusted)													
Composite Index	11	7	8	16	8	12	15	26	11	11	21	13	12
Production	22	17	16	32	19	20	30	45	24	28	38	18	17
Volume of shipments	24	14	15	28	17	25	32	47	24	25	37	24	20
Volume of new orders	24	19	11	19	15	17	24	35	23	30	33	22	14
Backlog of orders	13	0	6	11	8	7	8	22	15	9	20	9	9
Number of employees	7	7	9	11	3	20	15	29	6	2	22	16	14
Average employee workweek	1	2	1	3	-3	9	8	9	-1	5	12	10	4
Prices received for finished product	23	24	26	25	24	20	18	30	25	21	31	32	28
Prices paid for raw materials	47	39	46	37	41	32	27	47	35	38	46	53	49
Capital expenditures	15	12	13	16	16	16	12	26	24	9	21	19	23
New orders for exports	13	-2	8	7	5	8	2	13	5	4	7	4	6
Supplier delivery time	4	6	6	16	3	3	5	10	2	2	11	10	10
Inventories: Materials	-2	-12	-1	1	1	1	-1	9	-1	-8	1	1	2
Inventories: Finished goods	0	-10	1	2	-2	-2	-5	-1	6	-5	0	2	3