

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

FOR RELEASE Thursday, March 27, 2014
EMBARGOED FOR 10 A.M. CENTRAL TIME
CONTACT: Pam Campbell
405-270-8617
Pam.Campbell@kc.frb.org

GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY INCREASED *Federal Reserve Bank of Kansas City Releases March Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the March 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 increased, and producers' expectations were mostly stable at solid levels.

"We saw acceleration in regional factory activity in March, to the fastest pace in over two years", said Wilkerson. "However, several respondents noted the stronger growth was in part making up for weather-related softness in previous months."

A summary of the March 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.

###

TENTH DISTRICT MANUFACTURING SUMMARY

Growth in Tenth District manufacturing activity increased in March, and producers' expectations were mostly stable at solid levels. Some contacts attributed improved activity to better weather conditions. Many firms cited difficulties finding qualified workers with some additional pressure on wages. Most price indexes were stable or slightly higher.

The month-over-month composite index was 10 in March, up from 4 in February and 5 in January (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 increased at both durable and non-durable goods-producing plants, particularly for plastic and machinery products. Other month-over-month indexes also improved. The production index jumped from 3 to 22, its highest level in 3 years, and the shipments and new orders indexes also climbed higher. The order backlog index edged up from -4 to -1, and the new orders for exports index also increased slightly. The employment index moderated from 3 to 0, and both inventory indexes eased somewhat.

Most year-over-year factory indexes improved slightly over last month. The composite year-over-year index rose from 8 to 12, and the production, new orders, and order backlog indexes also increased. The capital expenditures index inched higher from 18 to 20, its highest level in over a year, and the new orders for exports index also moved into positive territory. The employment index remained unchanged at 7, while the shipments index eased from 13 to 11. Both inventory indexes edged slightly lower.

Future factory indexes were generally little changed and solid overall. The future composite index was stable at 11, while the future production, shipments, and new orders indexes edged higher. The future order backlog and employment indexes moderated slightly, and the future new orders for exports index also eased somewhat. The future capital expenditures index dropped from 24 to 9, its lowest level in over a year. The future finished goods inventory index moved into negative territory, and the future raw materials inventory index fell from -1 to -8.

Most price indexes increased slightly in March. The month-over-month finished goods price index edged up from 7 to 10, while the raw materials price index was unchanged. The year-over-year raw materials index jumped from 37 to 57, and the finished goods price index rose modestly. The future raw materials price index inched higher from 35 to 38, while the future finished goods price index moderated somewhat, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“Orders for finished products are robust. Ice and snow have severely limited our ability to deliver our large order backlog. Raw material prices have been announced to increase significantly so we purchased ahead. We are not building inventory with higher priced materials yet.”

“We are seeing softness in several sectors where inventory reductions should be finished, indicating continued softness in new orders. We believe this is due to uncertainty in the economy, excessive government regulation and geo-political unrest.”

“We have actually seen an increase in activity due to new product offerings.”

“We are quoting projects and are seeing decent activity, but customers are slow to sign contracts for spring projects. I think warmer weather will improve attitudes and hopefully drive future sales.”

“Still very little domestic work and we have seen a drop in international work. Most of our international work has been in Asia and we are noticing increased Asian competition, pricing pressures, and less opportunities.”

“Our business has actually picked up in recent weeks. Part of the increase may be seasonal, but day to day business is also up moderately.”

“We have been expecting an increase in shipments to the oil industry, but it has not materialized yet.”

“We are seeing an extreme upward movement in raw material meat protein costs.”

“Weather has been a key issue the past few months, resulting in many transportation problems for us.”

“We are in construction materials, which have been negatively impacted by the harsh winter weather.”

“We have seen an increase in business from within the United States. Foreign orders are still not picking up, and our foreign contacts tell us they are still not coming out of their recession.”

Table 1
Summary of Tenth District Manufacturing Conditions, March 2014

Plant Level Indicators	March vs. February (percent)*					March 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				14	10				12				14	11
Production	39	48	11	28	22	41	31	26	15	47	33	18	29	28
Volume of shipments	40	43	15	25	16	39	31	28	11	46	33	19	27	25
Volume of new orders	39	46	14	25	13	46	31	22	24	46	37	14	32	30
Backlog of orders	27	48	23	4	-1	26	51	22	4	24	62	13	11	9
Number of employees	18	66	16	2	0	34	38	27	7	26	55	19	7	2
Average employee workweek	14	77	9	5	3	17	66	17	0	15	75	9	6	5
Prices received for finished product	17	78	5	12	10	51	38	11	39	32	59	8	24	21
Prices paid for raw materials	32	64	3	29	16	63	29	6	57	44	49	4	40	38
Capital expenditures						33	54	13	20	26	59	15	11	9
New orders for exports	14	71	7	7	6	15	69	9	6	11	73	8	3	4
Supplier delivery time	9	85	5	4	5	11	82	6	5	8	87	4	4	2
Inventories:														
Materials	26	56	18	8	8	28	49	21	7	20	55	25	-5	-8
Finished goods	20	58	18	2	2	25	51	19	6	17	59	19	-2	-5

*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 March survey included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

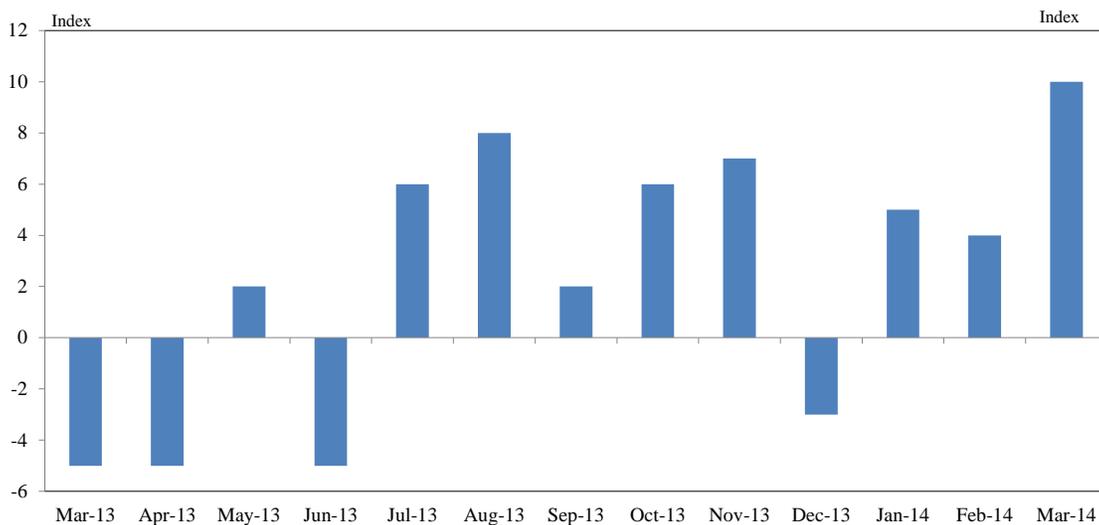


Table2
Historical Manufacturing Survey Indexes

	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	-4	-3	2	-5	5	6	2	6	6	-3	5	4	10
Production	0	4	4	-19	19	16	4	11	9	-13	-8	3	22
Volume of shipments	1	6	7	-17	16	12	6	11	3	-10	3	10	16
Volume of new orders	-1	1	5	-7	5	10	7	4	14	1	5	5	13
Backlog of orders	-13	-6	-7	-4	-7	-2	-2	-2	12	-5	-1	-4	-1
Number of employees	-14	-3	-5	-1	-1	2	0	-1	4	0	11	3	0
Average employee workweek	-8	-6	-7	-12	-5	7	-4	1	3	-2	-6	1	3
Prices received for finished product	1	1	-1	3	1	5	4	8	7	2	8	7	10
Prices paid for raw materials	17	14	14	16	17	21	15	26	16	15	19	16	16
Capital expenditures	n/a												
New orders for exports	-6	-7	-6	-4	0	2	-6	-1	-3	-6	4	-1	6
Supplier delivery time	-3	-3	5	1	0	0	0	4	-1	-2	9	0	5
Inventories: Materials	-2	-16	0	2	2	0	-1	10	3	-1	6	10	8
Inventories: Finished goods	0	-2	-1	3	0	2	1	9	-2	1	3	3	2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-1	-6	0	3	2	11	10	7	9	3	8	8	12
Production	-8	-14	0	7	7	10	15	8	14	-4	8	10	15
Volume of shipments	-5	-10	5	6	9	13	19	8	17	-8	11	13	11
Volume of new orders	-6	-9	-2	5	-3	18	16	12	21	6	8	7	24
Backlog of orders	-11	-16	-15	-10	-21	-1	5	2	6	-3	-2	0	4
Number of employees	8	-3	-3	5	5	14	5	4	4	7	7	7	7
Average employee workweek	-1	-9	-13	-3	0	6	2	-7	4	2	-8	2	0
Prices received for finished product	36	28	26	30	40	39	40	32	32	27	36	36	39
Prices paid for raw materials	59	55	50	50	42	46	38	48	39	40	48	37	57
Capital expenditures	19	7	11	16	11	15	16	7	15	15	19	18	20
New orders for exports	-3	-12	-7	-1	-1	3	-5	-3	3	-3	3	-1	6
Supplier delivery time	7	4	12	6	3	5	5	8	5	1	8	4	5
Inventories: Materials	-6	-11	-7	-6	-2	9	7	3	0	3	10	10	7
Inventories: Finished goods	2	-10	-2	-1	4	13	13	9	-2	4	8	7	6
Expected in Six Months (seasonally adjusted)													
Composite Index	14	5	12	11	7	8	16	8	12	15	26	11	11
Production	26	11	17	22	17	16	32	19	20	30	45	24	28
Volume of shipments	25	13	20	24	14	15	28	17	25	32	47	24	25
Volume of new orders	29	9	19	24	19	11	19	15	17	24	35	23	30
Backlog of orders	15	4	9	13	0	6	11	8	7	8	22	15	9
Number of employees	11	8	9	7	7	9	11	3	20	15	29	6	2
Average employee workweek	9	-4	1	1	2	1	3	-3	9	8	9	-1	5
Prices received for finished product	23	27	24	23	24	26	25	24	20	18	30	25	21
Prices paid for raw materials	43	41	46	47	39	46	37	41	32	27	47	35	38
Capital expenditures	19	13	18	15	12	13	16	16	16	12	26	24	9
New orders for exports	12	5	4	13	-2	8	7	5	8	2	13	5	4
Supplier delivery time	3	2	13	4	6	6	16	3	3	5	10	2	2
Inventories: Materials	-1	-5	0	-2	-12	-1	1	1	1	-1	9	-1	-8
Inventories: Finished goods	-5	-7	-1	0	-10	1	2	-2	-2	-5	-1	6	-5