

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY GREW MODESTLY *Federal Reserve Bank of Kansas City Releases October Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the October Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity grew at a modest pace, and producers' optimism for future activity remained solid.

“Regional factory growth remained sluggish in October, weighed down by weak production in agriculture-related sectors, said Wilkerson. However, firms' capital spending plans remained solid.”

A summary of the October 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

Tenth District manufacturing activity grew at a modest pace in October, and producers' optimism for future activity remained solid. Firms continued to note difficulties in attracting and retaining certain key workers, particularly machinists and welders. Most price indexes were down slightly from the previous month.

The month-over-month composite index was 4 in October, down from 6 in September but slightly higher than 3 in August (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Producers of metal products and computer and electronic equipment reported the strongest growth, while contacts at food and machinery plants reported further declines in activity. Most other month-over-month indexes were also lower than last month. The production index fell from 12 to 3, and the shipments, new orders, and employment indexes also moved lower. The new orders for exports index decreased from -1 to -9, and the order backlog index posted its lowest level in over a year. The raw materials inventory index increased from 0 to 4, while the finished goods inventory index fell into negative territory.

Most year-over-year factory indexes moved slightly higher. The composite year-over-year index rose from 15 to 17, and the production, shipments, and new orders indexes also increased. The employment index edged up from 12 to 16, and the capital expenditures index reached a two-year high. In contrast, the order backlog index decreased from 12 to 6, and the new orders for exports index fell into negative territory. Both inventory indexes moved lower but remained positive.

Future factory indexes were mostly stable at solid levels. The future composite index was unchanged at 17, while the future production, shipments, and order backlog indexes eased somewhat. The future new orders index was unchanged at 26, while the future employment index rose from 13 to 16. The future capital expenditures index moved slightly higher from 20 to 21, and the future new orders for exports index rebounded from last month's decline. Both future inventories indexes increased after falling last month.

Most price indexes were down slightly from the previous month. The month-over-month raw materials price index edged down from 20 to 17, and the finished goods price index also moderated somewhat. The year-over-year raw materials price index inched lower from 45 to 44, while the finished goods price index was unchanged. The future raw materials price index eased from 39 to 38, and the future finished goods price index also decreased, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“Activity is very choppy. Customers are still expressing uncertainty about the market, government regulations, and other factors. This is keeping them from taking on any additional risk (perceived or real) to their balance sheets.”

“Sales are remaining up so far. They are not up very much, but they have been up for a longer time than in many years. We are hoping they stay higher and increase with time.”

“We can hire employees but we can’t get them to stay. Nobody wants to be here every work day and be on time. We hired 280 employees this year and headcount dropped by 60.”

“We continue to operate at full capacity and expect this condition to continue for at least the next twelve months.”

“Volume of new orders are up slightly but not significantly. We’re happy with anything we can get.”

Table 1
Summary of Tenth District Manufacturing Conditions, October 2014

Plant Level Indicators	October vs. September (percent)*					October vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index** [^]	Increase	No Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index** [^]
Composite Index				0	4				17				16	17
Production	28	40	31	-4	3	48	26	26	22	45	33	20	25	23
Volume of shipments	28	39	33	-5	0	47	28	25	22	46	35	18	28	28
Volume of new orders	29	35	35	-6	2	50	23	26	24	44	35	19	25	26
Backlog of orders	22	41	33	-11	-8	31	40	25	6	30	47	18	12	14
Number of employees	19	61	19	0	6	42	30	27	16	33	47	18	15	16
Average employee workweek	16	63	19	-4	-3	20	61	16	5	14	64	17	-4	-3
Prices received for finished product	10	80	9	1	0	48	38	14	34	31	57	9	22	20
Prices paid for raw materials	21	68	9	12	17	56	28	12	44	49	42	6	43	38
Capital expenditures						41	38	18	23	37	45	13	24	21
New orders for exports	5	69	15	-10	-9	11	62	16	-5	15	66	7	7	8
Supplier delivery time	9	80	5	5	4	18	72	7	11	14	75	6	7	7
Inventories:														
Materials	26	51	21	5	4	34	41	23	11	27	51	19	7	13
Finished goods	18	53	24	-6	-5	28	47	21	7	24	56	16	8	12

*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 October survey included 109 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

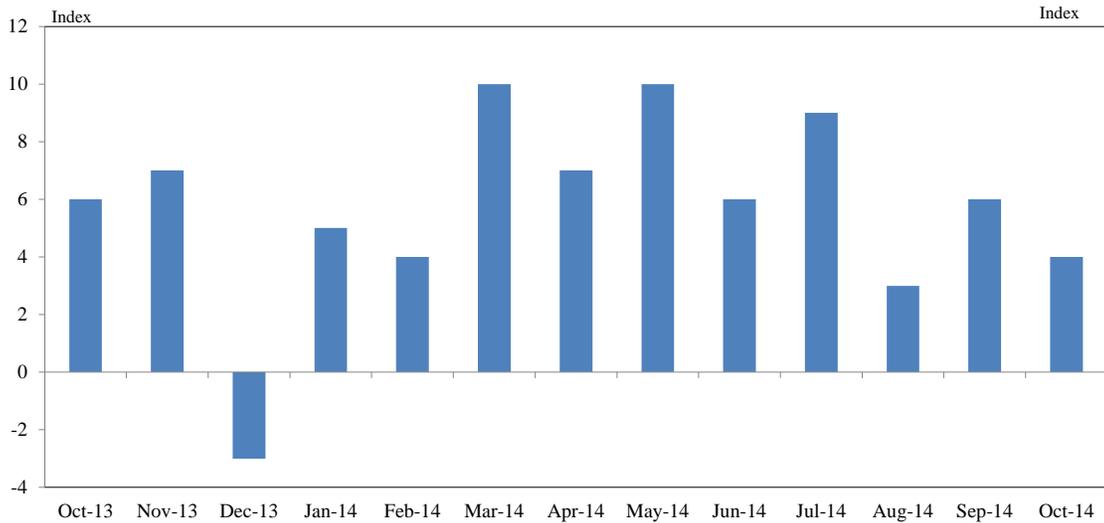


Table2
Historical Manufacturing Survey Indexes

	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14	Sept'14	Oct'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	6	6	-3	5	4	10	7	10	6	9	3	6	4
Production	11	9	-13	-8	3	22	12	14	2	11	4	12	3
Volume of shipments	11	3	-10	3	10	16	14	5	2	14	2	14	0
Volume of new orders	4	14	1	5	5	13	9	11	8	12	6	5	2
Backlog of orders	-2	12	-5	-1	-4	-1	4	0	9	-6	-5	-6	-8
Number of employees	-1	4	0	11	3	0	3	10	1	8	-4	7	6
Average employee workweek	1	3	-2	-6	1	3	6	14	7	-3	-1	2	-3
Prices received for finished product	8	7	2	8	7	10	2	14	2	7	6	2	0
Prices paid for raw materials	26	16	15	19	16	16	21	28	25	19	20	20	17
Capital expenditures	n/a	n/a											
New orders for exports	-1	-3	-6	4	-1	6	0	-3	-11	-6	-7	-1	-9
Supplier delivery time	4	-1	-2	9	0	5	11	5	10	5	4	8	4
Inventories: Materials	10	3	-1	6	10	8	-1	11	8	9	5	0	4
Inventories: Finished goods	9	-2	1	3	3	2	2	4	-4	-3	9	3	-5
Versus a Year Ago (not seasonally adjusted)													
Composite Index	7	9	3	8	8	12	14	15	15	13	13	15	17
Production	8	14	-4	8	10	15	22	28	23	24	8	14	22
Volume of shipments	8	17	-8	11	13	11	18	27	23	27	10	16	22
Volume of new orders	12	21	6	8	7	24	19	15	21	17	13	15	24
Backlog of orders	2	6	-3	-2	0	4	20	8	13	10	3	12	6
Number of employees	4	4	7	7	7	7	7	14	12	13	11	12	16
Average employee workweek	-7	4	2	-8	2	0	6	4	12	5	-4	-6	5
Prices received for finished product	32	32	27	36	36	39	33	37	30	37	35	34	34
Prices paid for raw materials	48	39	40	48	37	57	59	65	54	55	55	45	44
Capital expenditures	7	15	15	19	18	20	14	18	19	10	14	17	23
New orders for exports	-3	3	-3	3	-1	6	4	3	-2	-3	-5	0	-5
Supplier delivery time	8	5	1	8	4	5	11	11	13	11	15	12	11
Inventories: Materials	3	0	3	10	10	7	12	9	7	1	15	22	11
Inventories: Finished goods	9	-2	4	8	7	6	10	-1	7	0	13	8	7
Expected in Six Months (seasonally adjusted)													
Composite Index	8	12	15	26	11	11	21	13	12	15	17	17	17
Production	19	20	30	45	24	28	38	18	17	23	25	34	23
Volume of shipments	17	25	32	47	24	25	37	24	20	28	20	36	28
Volume of new orders	15	17	24	35	23	30	33	22	14	24	25	26	26
Backlog of orders	8	7	8	22	15	9	20	9	9	11	15	18	14
Number of employees	3	20	15	29	6	2	22	16	14	23	15	13	16
Average employee workweek	-3	9	8	9	-1	5	12	10	4	13	12	4	-3
Prices received for finished product	24	20	18	30	25	21	31	32	28	25	21	26	20
Prices paid for raw materials	41	32	27	47	35	38	46	53	49	46	43	39	38
Capital expenditures	16	16	12	26	24	9	21	19	23	25	16	20	21
New orders for exports	5	8	2	13	5	4	7	4	6	6	9	0	8
Supplier delivery time	3	3	5	10	2	2	11	10	10	6	12	11	7
Inventories: Materials	1	1	-1	9	-1	-8	1	1	2	-1	7	2	13
Inventories: Finished goods	-2	-2	-5	-1	6	-5	0	2	3	-2	8	6	12