

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 September Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the September 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' expectations for future activity maintained their recent solid levels.

"We saw slightly faster growth this month after a sizable easing in August," Wilkerson said. "This is despite continued sluggish activity in our important food processing segment, driven in part by higher beef costs this year."

A summary of the September 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

Growth in Tenth District manufacturing activity edged higher in September, and producers' expectations for future activity maintained the solid level of the previous survey. Price indexes showed a mild decline from the previous month, and expectations for future price growth were mixed. Several firms continued to comment about difficulties finding qualified labor, resulting in some wage pressures.

The month-over-month composite index was 6 in September, slightly higher than 3 in August but lower than 9 in July (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 continued to occur primarily at durable goods-producing plants. Nondurable goods-producers experienced only a modest rise, with activity at some food processing plants continuing to decline in the face of higher beef prices. The production index increased from 4 to 12, and the shipment index also grew from a reading of 2 in August to 14. The employment index increased significantly from -4 in the last survey period to 7 in September. Most other month-over-month indexes eased compared to August's readings. The new orders and backlog of orders indexes both declined modestly. The inventory indexes also both experienced moderate declines, with materials now at -6 and finished goods at -1.

Year-over-year factory indexes were mostly higher this survey period. The composite year-over-year index rose to 15, as compared to the previous survey reading of 13. The production index was moderately higher at 14, while capital expenditures and backlog of orders were also moderately higher. The volume of shipments index increased from 10 to 16 and the materials inventory increased from 15 to 18. The volume of new orders and number of employees were also slightly higher. Conversely, supplier delivery time and finished goods inventories indexes were lower at 12 and 8, respectively.

Most of the future factory indexes were mildly lower compared to August, although the future composite index maintained its level of 17 due to strong expectations for production. The future production and future volume of shipments indexes were both at their highest levels in 5 months. The future volume of new orders and future backlog of orders also increased slightly. In contrast, the future new orders for export index fell to 0 from a previous level of 9. Both future inventories indexes declined with future materials inventory declining the most, from 7 to 2.

The majority of price indexes experienced a decline this month. The month-over-month raw materials price index was steady at 20, while the finished goods price index decreased from 6 to 2. The year-over-year finished goods price index eased slightly once again, but the raw materials price index dropped from 55 to 45. The future raw materials price index also declined, yet the future finished goods price index saw its first increase in four months.

SELECTED COMMENTS

“It is still very difficult to fill open positions for any type of worker from production to professional. I am seeing the same issue everywhere in our community.”

“Having a hard time finding employees again as we ramp up for the season. Employees are sticking to a higher starting wage making it difficult to stay in budget. Raw material prices keep going up.”

“Still having difficulty finding and retaining skilled machinists and grinders”

“Business is going smoothly but is lackluster.”

“Business is better than it has been since the recession started. It still looks like a very slow recovery for quite some time in the future.”

“Domestic energy production remains strong and easily offsets the current loss of new orders with Russian producers.”

“We are already getting 5-10% price increases for next year. I expect we will see multiple price increases in 2015.”

“I expect a modest rise in domestic business in the 1st to 2nd quarter of next year provided energy prices do not keep trending downward.”

Table 1
Summary of Tenth District Manufacturing Conditions, September 2014

Plant Level Indicators	September vs. August (percent)*					September 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				6	6				15				18	17
Production	34	40	25	8	12	45	24	31	14	54	27	18	35	34
Volume of shipments	33	45	22	11	14	44	26	27	16	54	29	15	39	36
Volume of new orders	31	41	27	4	5	42	28	27	15	44	38	17	26	26
Backlog of orders	21	53	25	-5	-6	35	40	23	12	29	57	12	17	18
Number of employees	19	69	12	7	7	35	40	24	12	30	53	15	15	13
Average employee workweek	18	66	15	4	2	15	62	22	-6	17	71	11	6	4
Prices received for finished product	12	79	7	5	2	44	44	10	34	35	54	8	26	26
Prices paid for raw materials	25	64	6	19	20	56	29	12	45	47	40	9	38	39
Capital expenditures						35	46	17	17	32	53	12	20	20
New orders for exports	10	72	11	-1	-1	15	59	15	0	10	71	9	1	0
Supplier delivery time	13	83	3	10	8	16	77	5	12	12	85	2	10	11
Inventories:														
Materials	22	56	20	2	0	39	41	17	22	23	56	17	5	2
Finished goods	20	57	17	3	3	27	47	19	8	22	56	14	8	6

*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 September survey included 110 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

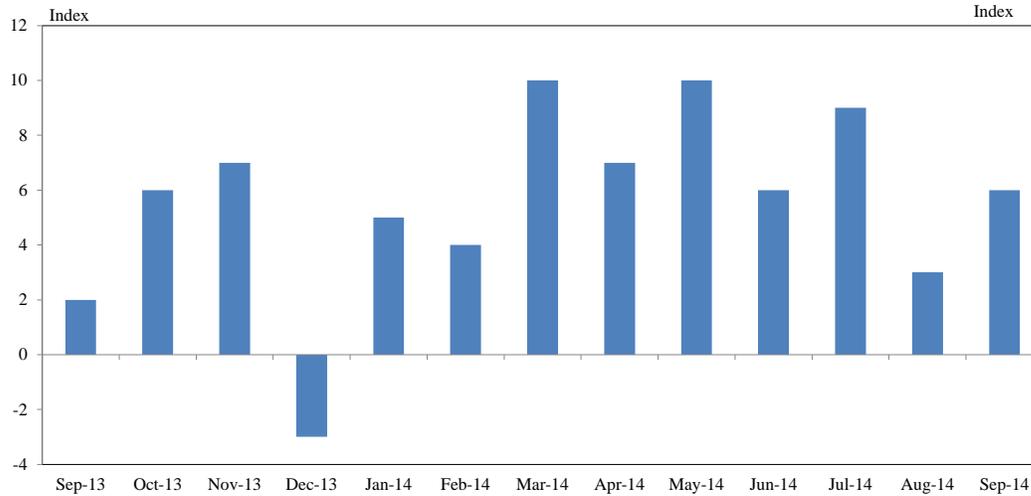


Table2
Historical Manufacturing Survey Indexes

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