GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY SLOWED
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, and expectations eased as producers grew more uncertain.

"Factories in our region reported slower growth, easing price pressures, and rising uncertainty in June," said Wilkerson. "Many firms noted concerns about economic conditions in Europe, but only a few had experienced sizeable direct negative impacts to date, and Tenth District factories as a whole still expect moderate growth heading forward."

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.

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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Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity slowed in June, and expectations eased as producers grew more uncertain. Many respondents reported concerns about economic conditions in Europe, though only a few noted sizeable direct negative impacts. Price indexes fell, but most remained above zero, indicating continued increases but at a slower rate.

The month-over-month composite index was 3 in June, down from 9 in May and equal to 3 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 growth decreased in most durable and nondurable goods-producing plants, with the exception of food and aircraft production, which increased somewhat. Most other month-over-month indexes also fell in June. The production index eased from 17 to 12, and the new orders index fell back into negative territory after rising slightly last month. Order backlogs continued to ease. The employment index moved lower but remained positive, while the new orders for exports index decreased. The raw materials inventory index rose from 1 to 5, while the finished goods inventory index declined.

The majority of year-over-year factory indexes posted levels similar to last month. The composite year-over-year index eased from 27 to 24, while the new orders and shipments indexes were unchanged. The production index slipped from 38 to 32, and the employment index also edged slightly lower. The capital expenditures index was steady at a fairly solid level, while both inventory indexes decreased somewhat.

Future factory indexes fell after rising solidly last month, but generally remained moderately positive. The future composite index dropped from 17 to 8, and the future production, shipments, and employment indexes also decreased considerably. The future new orders and order backlog indexes posted their lowest levels since May of 2009, but more firms expected increases in orders than decreases. The future capital spending index moved slightly lower from 19 to 17, and the future new orders for exports index also fell marginally. The future raw materials inventory index declined from 0 to -11, and the future finished goods inventory index eased slightly.

Price indexes moderated for the second straight month, including an actual decline in monthly selling prices. The month-over-month finished goods price index dropped from 0 to -4, its lowest level since mid-2010, and the raw materials price index also decreased. The year-over-year raw materials price index edged lower, and the finished goods price index posted an 18-month low. The future raw materials price index fell from 48 to 40, and the future finished goods price index eased after rising last month, indicating fewer firms plan to pass recent cost increases through to customers.
### Table 1

**Summary of Tenth District Manufacturing Conditions, June 2012**

<table>
<thead>
<tr>
<th>Plant Level Indicators</th>
<th>June vs. May (percent)¹</th>
<th>June vs. Year Ago (percent)¹</th>
<th>Expected in Six Months (percent)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Change</td>
<td>Decrease</td>
</tr>
<tr>
<td>Composite Index</td>
<td></td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Production</td>
<td>36</td>
<td>44</td>
<td>19</td>
</tr>
<tr>
<td>Volume of shipments</td>
<td>39</td>
<td>39</td>
<td>22</td>
</tr>
<tr>
<td>Volume of new orders</td>
<td>29</td>
<td>38</td>
<td>33</td>
</tr>
<tr>
<td>Backlog of orders</td>
<td>19</td>
<td>47</td>
<td>31</td>
</tr>
<tr>
<td>Number of employees</td>
<td>21</td>
<td>68</td>
<td>11</td>
</tr>
<tr>
<td>Average employee workweek</td>
<td>16</td>
<td>66</td>
<td>17</td>
</tr>
<tr>
<td>Prices received for finished product</td>
<td>9</td>
<td>81</td>
<td>10</td>
</tr>
<tr>
<td>Prices paid for raw materials</td>
<td>24</td>
<td>67</td>
<td>8</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New orders for exports</td>
<td>9</td>
<td>66</td>
<td>13</td>
</tr>
<tr>
<td>Supplier delivery time</td>
<td>7</td>
<td>87</td>
<td>4</td>
</tr>
<tr>
<td>Inventories:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>24</td>
<td>58</td>
<td>17</td>
</tr>
<tr>
<td>Finished goods</td>
<td>16</td>
<td>63</td>
<td>17</td>
</tr>
</tbody>
</table>

¹ Percentage may not add to 100 due to rounding.

² Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

³ 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 108 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.
Table 2

<table>
<thead>
<tr>
<th>Historical Manufacturing Survey Indexes</th>
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<tr>
<td>-------</td>
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<tr>
<td><strong>Versus a Month Ago</strong> (seasonally adjusted)</td>
</tr>
<tr>
<td>Composite Index</td>
</tr>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Volume of shipments</td>
</tr>
<tr>
<td>Volume of new orders</td>
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<td>Number of employees</td>
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<tr>
<td>New orders for exports</td>
</tr>
<tr>
<td>Supplier delivery time</td>
</tr>
<tr>
<td>Inventories: Materials</td>
</tr>
<tr>
<td>Inventories: Finished goods</td>
</tr>
<tr>
<td><strong>Versus a Year Ago</strong> (not seasonally adjusted)</td>
</tr>
<tr>
<td>Composite Index</td>
</tr>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Volume of shipments</td>
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<td>Inventories: Materials</td>
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<tr>
<td>Inventories: Finished goods</td>
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<tr>
<td><strong>Expected in Six Months</strong> (seasonally adjusted)</td>
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<td>Composite Index</td>
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