

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

FOR RELEASE Thursday, November 29, 2012  
EMBARGOED FOR 10:00 A.M. CENTRAL TIME

EMBARGOED FOR 10 A.M. CENTRAL TIME

CONTACT: Pamela Gutel  
405-270-8617  
Pamela.Gutel@kc.frb.org

## TENTH DISTRICT MANUFACTURING ACTIVITY EASED FURTHER Federal Reserve Bank of Kansas City Releases November Manufacturing Survey

KANSAS CITY, Mo. - The Federal Reserve Bank of Kansas City released the November 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 eased further in November, while producers' expectations were unchanged from last month at modestly positive levels.

"We saw a decline in regional factory activity for the second straight month, and firms have put hiring plans on hold for the next six months" said Wilkerson. "However, overall production and capital spending are expected to rise moderately in coming months."

A summary of the November 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).

###

# Survey of Tenth District Manufacturing

Tenth District manufacturing activity eased further in November, while producers' expectations were unchanged from last month at modestly positive levels. Several contacts noted uncertainties about the upcoming fiscal cliff, and a few producers cited delayed deliveries and reduced orders from the East Coast as a result of the Hurricane Sandy. Price indexes moderated slightly.

The month-over-month composite index was -6 in November, down from -4 in October and 2 in September (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. This marked the first time the composite index has been negative for two straight months since mid-2009. Manufacturing slowed at durable goods-producing plants, while nondurable factories reported a slight uptick in activity, particularly for food and plastics products. Other month-over-month indexes were mixed in November. The production index was unchanged at -6, while the new orders and order backlog indexes declined for the third straight month to their lowest levels in three years. In contrast, the employment index increased from -6 to 0, and the shipments and new orders for exports indexes were less negative. The raw materials inventory index decreased further from 2 to -7, while the finished goods inventory index rose from 3 to 9.

Most year-over-year factory indexes decreased slightly from last month but remained positive. The composite year-over-year index eased from 11 to 9, and the production, shipments, new orders, and order backlog indexes also fell. On the other hand, the employment index rose from 12 to 22, and the capital expenditures index edged slightly higher. Both inventory indexes increased somewhat.

Most future factory indexes were unchanged in November, and remained modestly positive. The future composite index was stable at 3, and the future production, shipments, and new orders indexes also recorded little or no change. On the other hand, the employment index dropped somewhat, the future capital expenditures index fell after increasing last month, and the future new orders for exports index eased slightly. The future raw materials inventory index rose from -5 to 2, and the future finished goods inventory index also increased.

Price indexes moderated, after minimal change last month. The month-over-month finished goods price index eased from 8 to 3, and the raw materials price index also decreased modestly. The year-over-year raw materials index inched lower, and the finished goods index also edged down. The future raw materials price index dropped from 53 to 41, and the future finished goods price index decreased, indicating fewer firms plan to pass recent cost increases through to customers.

Table1

## Summary of Tenth District Manufacturing Conditions, November 2012

|                                             | November vs. October<br>(percent) <sup>1</sup> |              |          |                            |                          | November vs. Year Ago<br>(percent) <sup>1</sup> |              |          |                            | Expected in Six Months<br>(percent) <sup>1</sup> |              |          |                            |                          |
|---------------------------------------------|------------------------------------------------|--------------|----------|----------------------------|--------------------------|-------------------------------------------------|--------------|----------|----------------------------|--------------------------------------------------|--------------|----------|----------------------------|--------------------------|
|                                             | No<br>Increase                                 | No<br>Change | Decrease | Diff<br>Index <sup>2</sup> | SA<br>Index <sup>3</sup> | Increase                                        | No<br>Change | Decrease | Diff<br>Index <sup>2</sup> | Increase                                         | No<br>Change | Decrease | Diff<br>Index <sup>2</sup> | SA<br>Index <sup>3</sup> |
| <b>Plant Level Indicators</b>               |                                                |              |          |                            |                          |                                                 |              |          |                            |                                                  |              |          |                            |                          |
| <b>Composite Index</b>                      |                                                |              |          | -7                         | -6                       |                                                 |              |          | 9                          |                                                  |              |          | 4                          | 3                        |
| <b>Production</b>                           | 20                                             | 50           | 30       | -11                        | -6                       | 38                                              | 28           | 34       | 4                          | 39                                               | 34           | 27       | 12                         | 9                        |
| <b>Volume of shipments</b>                  | 22                                             | 46           | 30       | -8                         | -3                       | 44                                              | 22           | 33       | 11                         | 41                                               | 30           | 27       | 14                         | 10                       |
| <b>Volume of new orders</b>                 | 21                                             | 39           | 38       | -17                        | -14                      | 39                                              | 25           | 36       | 4                          | 38                                               | 30           | 29       | 10                         | 9                        |
| <b>Backlog of orders</b>                    | 13                                             | 45           | 40       | -27                        | -25                      | 23                                              | 44           | 30       | -7                         | 28                                               | 45           | 24       | 4                          | 4                        |
| <b>Number of employees</b>                  | 14                                             | 69           | 17       | -3                         | 0                        | 42                                              | 37           | 20       | 22                         | 20                                               | 60           | 20       | 0                          | -0                       |
| <b>Average employee workweek</b>            | 8                                              | 73           | 18       | -10                        | -6                       | 16                                              | 58           | 24       | -8                         | 9                                                | 69           | 20       | -11                        | -8                       |
| <b>Prices received for finished product</b> | 8                                              | 82           | 10       | -2                         | 3                        | 43                                              | 41           | 15       | 28                         | 31                                               | 58           | 10       | 21                         | 19                       |
| <b>Prices paid for raw materials</b>        | 26                                             | 62           | 10       | 16                         | 23                       | 67                                              | 23           | 9        | 58                         | 50                                               | 42           | 6        | 44                         | 41                       |
| <b>Capital expenditures</b>                 |                                                |              |          |                            |                          | 38                                              | 39           | 20       | 19                         | 30                                               | 47           | 19       | 12                         | 8                        |
| <b>New orders for exports</b>               | 6                                              | 71           | 14       | -8                         | -6                       | 14                                              | 58           | 20       | -5                         | 11                                               | 67           | 12       | -2                         | -2                       |
| <b>Supplier delivery time</b>               | 4                                              | 91           | 4        | 1                          | -2                       | 17                                              | 71           | 10       | 7                          | 5                                                | 83           | 8        | -3                         | -5                       |
| <b>Inventories:</b>                         |                                                |              |          |                            |                          |                                                 |              |          |                            |                                                  |              |          |                            |                          |
| <b>Materials</b>                            | 20                                             | 53           | 27       | -7                         | -7                       | 38                                              | 33           | 29       | 8                          | 20                                               | 58           | 20       | 0                          | 2                        |
| <b>Finished goods</b>                       | 23                                             | 58           | 17       | 6                          | 9                        | 35                                              | 39           | 24       | 11                         | 19                                               | 60           | 20       | -1                         | -0                       |

<sup>1</sup>Percentage may not add to 100 due to rounding.

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

<sup>3</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

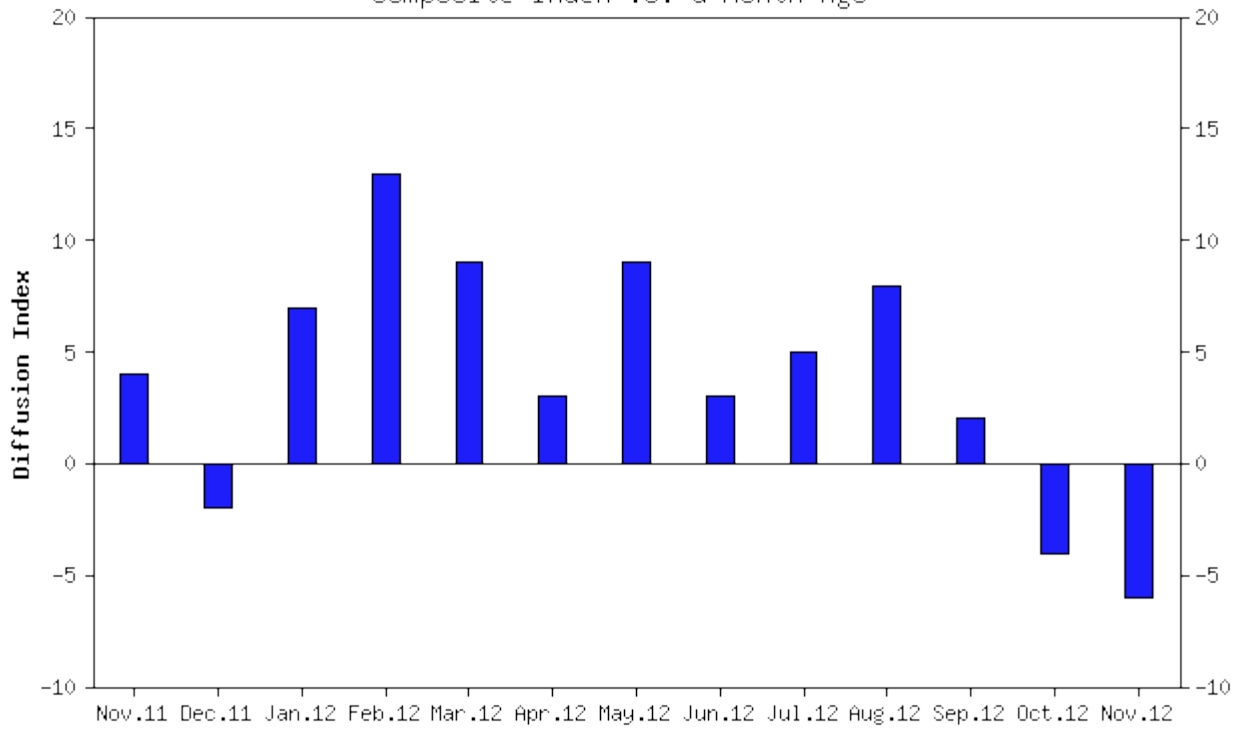
Note: The November survey included 112 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

|                                                         | Nov'11 | Dec'11 | Jan'12 | Feb'12 | Mar'12 | Apr'12 | May'12 | Jun'12 | Jul'12 | Aug'12 | Sep'12 | Oct'12 | Nov'12 |
|---------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Versus a Month Ago<br/>(seasonally adjusted)</b>     |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Composite Index                                         | 4      | -2     | 7      | 13     | 9      | 3      | 9      | 3      | 5      | 8      | 2      | -4     | -6     |
| Production                                              | 2      | -6     | 13     | 20     | 13     | 0      | 17     | 12     | 2      | 7      | -4     | -6     | -6     |
| Volume of shipments                                     | 2      | -7     | 13     | 8      | 17     | 3      | 16     | 12     | -3     | 12     | -8     | -6     | -3     |
| Volume of new orders                                    | -3     | -2     | 9      | 8      | 17     | -8     | 10     | -7     | -4     | 11     | -2     | -11    | -14    |
| Backlog of orders                                       | -7     | -11    | 8      | 13     | 3      | -5     | -3     | -18    | -10    | 4      | -7     | -15    | -25    |
| Number of employees                                     | 5      | -5     | 9      | 11     | 12     | 12     | 8      | 3      | 6      | 2      | 1      | -6     | 0      |
| Average employee workweek                               | -4     | -9     | -0     | -3     | 2      | -10    | -2     | -4     | -3     | -5     | -13    | -11    | -6     |
| Prices received for finished product                    | 4      | 4      | 13     | 11     | 3      | 7      | 0      | -4     | 0      | 0      | 5      | 8      | 3      |
| Prices paid for raw materials                           | 20     | 27     | 42     | 36     | 33     | 19     | 11     | 7      | 18     | 26     | 30     | 27     | 23     |
| Capital expenditures                                    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    |
| New orders for exports                                  | -2     | -1     | 10     | -7     | -0     | 1      | 3      | -7     | -13    | -6     | -4     | -7     | -6     |
| Supplier delivery time                                  | 8      | 8      | 8      | 10     | 4      | 4      | 10     | 4      | 6      | 6      | 8      | 3      | -2     |
| Inventories: Materials                                  | 8      | -7     | -4     | 14     | -0     | 5      | 1      | 5      | 13     | 16     | 7      | 2      | -7     |
| Inventories: Finished goods                             | 18     | 0      | 0      | 6      | 15     | -3     | 2      | -2     | 9      | 13     | 3      | 3      | 9      |
| <b>Versus a Year Ago<br/>(not seasonally adjusted)</b>  |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Composite Index                                         | 22     | 11     | 15     | 21     | 24     | 24     | 27     | 24     | 20     | 18     | 11     | 11     | 9      |
| Production                                              | 23     | 19     | 16     | 28     | 31     | 30     | 38     | 32     | 19     | 25     | 12     | 17     | 4      |
| Volume of shipments                                     | 21     | 18     | 13     | 30     | 37     | 35     | 35     | 35     | 18     | 22     | 16     | 22     | 11     |
| Volume of new orders                                    | 21     | 10     | 17     | 28     | 33     | 28     | 32     | 32     | 23     | 16     | 6      | 10     | 4      |
| Backlog of orders                                       | 8      | 0      | 13     | 24     | 20     | 20     | 32     | 20     | 10     | 14     | -4     | 1      | -7     |
| Number of employees                                     | 22     | 16     | 11     | 17     | 23     | 31     | 28     | 25     | 18     | 20     | 17     | 12     | 22     |
| Average employee workweek                               | 7      | 11     | 2      | 6      | 4      | 10     | 7      | 7      | 2      | 1      | 5      | -2     | -8     |
| Prices received for finished product                    | 37     | 34     | 38     | 35     | 35     | 41     | 34     | 19     | 35     | 35     | 35     | 30     | 28     |
| Prices paid for raw materials                           | 70     | 64     | 67     | 57     | 71     | 74     | 66     | 60     | 50     | 49     | 60     | 60     | 58     |
| Capital expenditures                                    | 23     | 17     | 8      | 12     | 15     | 18     | 21     | 21     | 23     | 21     | 17     | 18     | 19     |
| New orders for exports                                  | 6      | 11     | 12     | 5      | 6      | -2     | 9      | 4      | 2      | 2      | -4     | -2     | -5     |
| Supplier delivery time                                  | 16     | 10     | 10     | 13     | 9      | 7      | 14     | 12     | 12     | 10     | 7      | 10     | 7      |
| Inventories: Materials                                  | 27     | 0      | 19     | 19     | 22     | 25     | 23     | 17     | 26     | 16     | 11     | 5      | 8      |
| Inventories: Finished goods                             | 23     | 10     | 11     | 20     | 13     | 17     | 16     | 11     | 16     | 19     | 12     | 10     | 11     |
| <b>Expected in Six Months<br/>(seasonally adjusted)</b> |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Composite Index                                         | 12     | 12     | 12     | 20     | 18     | 12     | 17     | 8      | 13     | 16     | 16     | 3      | 3      |
| Production                                              | 22     | 15     | 28     | 35     | 31     | 26     | 40     | 22     | 22     | 31     | 29     | 9      | 9      |
| Volume of shipments                                     | 20     | 25     | 23     | 37     | 31     | 22     | 40     | 20     | 20     | 30     | 31     | 10     | 10     |
| Volume of new orders                                    | 20     | 25     | 18     | 34     | 34     | 23     | 29     | 12     | 22     | 21     | 24     | 8      | 9      |
| Backlog of orders                                       | 10     | 4      | 9      | 24     | 13     | 8      | 11     | -1     | 3      | 14     | 20     | -2     | 4      |
| Number of employees                                     | 12     | 10     | 18     | 23     | 23     | 15     | 18     | 13     | 16     | 16     | 16     | 4      | -0     |
| Average employee workweek                               | -3     | 2      | 1      | 3      | 7      | -6     | 6      | -2     | -2     | 2      | 4      | -3     | -8     |
| Prices received for finished product                    | 25     | 19     | 28     | 32     | 28     | 16     | 22     | 12     | 25     | 32     | 29     | 23     | 19     |
| Prices paid for raw materials                           | 57     | 47     | 64     | 54     | 65     | 54     | 48     | 40     | 50     | 44     | 49     | 53     | 41     |
| Capital expenditures                                    | 17     | 13     | 22     | 18     | 20     | 6      | 19     | 17     | 20     | 18     | 11     | 16     | 8      |
| New orders for exports                                  | 5      | 8      | 15     | 10     | 8      | 5      | 10     | 4      | 6      | 3      | 3      | -1     | -2     |
| Supplier delivery time                                  | 7      | 5      | 8      | 11     | 7      | 1      | 0      | 4      | 5      | 12     | 5      | 1      | -5     |
| Inventories: Materials                                  | 1      | 6      | -10    | -0     | -5     | -8     | -0     | -11    | -1     | 2      | 9      | -5     | 2      |
| Inventories: Finished goods                             | 5      | 2      | -10    | 4      | 6      | -4     | -3     | -8     | 5      | 10     | 6      | -8     | -0     |

Composite Index vs. a Month Ago



[Federal Reserve Bank of Kansas City  
Manufacturing Survey Home Page](#)