

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Thursday, February 27, 2014
EMBARGOED FOR 10 A.M. CENTRAL TIME
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GROWTH IN TENTH DISTRICT MANUFACTURING WAS SLIGHTLY POSITIVE *Federal Reserve Bank of Kansas City Releases February Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the February 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 was slightly positive, and although producers' expectations moderated somewhat they remained at solid levels overall.

“The story in February was similar to January. Regional factory activity was held back somewhat by unusually harsh weather, but still managed to grow modestly.”

A summary of the February 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 was slightly positive in February, and although producers' expectations moderated somewhat they remained at solid levels overall. Several contacts continued to cite delays and slowdowns caused by severe winter weather issues. Price indexes were mostly stable or slightly lower.

The month-over-month composite index was 4 in February, similar to the reading of 5 in January and up from -3 in December (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 declined at non-durable goods-producing plants, particularly food and beverage, while production of durable goods products increased slightly. Other month-over-month indexes were mixed. The production index jumped from -8 to 3, and the shipments index also climbed higher. The order backlog and employment indexes decreased slightly, while the new orders index was unchanged. The raw materials inventory index increased for the second straight month, while the finished goods inventory index remained flat.

Most year-over-year factory indexes were relatively unchanged from last month. The composite year-over-year index remained stable at 8, while the production, shipments, and order backlog indexes inched higher. The new orders, employment, and capital expenditures indexes were mostly unchanged. The new orders for exports index fell back into negative territory, while both inventory indexes posted levels similar to last month.

Future factory indexes eased slightly from the historical highs reached in January but remained solid overall. The future composite index decreased from 26 to 11, and the future production, shipments, and new orders indexes also fell. The future employment index dropped from 29 to 6, and the future order backlog index edged lower. The future capital expenditures index eased from 26 to 24, and the future new orders for exports index moderated slightly. The future raw materials inventory index moved into negative territory, while the future finished good inventory index posted a positive number for the first time in five months.

Price indexes were mostly down or relatively stable in February. The month-over-month raw materials price index edged down from 19 to 16, while the finished goods price index was relatively unchanged. The year-over-year raw materials index fell slightly, while the finished goods price index was flat. The future raw materials price index decreased from 47 to 35, and the future finished goods price index also eased somewhat, indicating fewer firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“The weather is causing shipping delays. Customers claim the snow in their yards prevents them from taking delivery.”

“Very little capacity left to sell in 2014. Not a good situation for loyal customers wanting to buy more. Our basic business strategy was to fill the cupboard when opportunity knocked and we are there.”

“The market has not stabilized, so no major capital investments are being considered at this time.”

“We are beginning to see significant increases in the price for raw materials and delivery times continue to get stretched. Not all the increases in delivery times are due to weather.”

“We are finally seeing some improvement in business. We are hopeful it is going to stay up.”

“The cold and snow are having a very large negative effect.”

“It is much harder and more time consuming to finance capital expenditures.”

“We perceive market volatility as a set-up for poorer growth or drops in our economy. To this extent, we have concerns about making capital investments and will make purchasing decisions much more ‘on-time’ instead of forecasting spending out further.”

“While we are hoping for an improvement in business conditions, we continue to be troubled by over burdening regulations and the cost thereof, high taxes, and instability in the economy that is buoyed by artificially low interest rates.”

“Our sales continue to be flat to slightly down year over year. We must continue to find new customers or increase sales to existing ones in order to stay even. We are having moderate success at this.”

Table 1
Summary of Tenth District Manufacturing Conditions, February 2014

Plant Level Indicators	February vs. January (percent)*					February 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				5	4				8				13	11
Production	32	40	28	4	3	37	32	28	10	46	31	20	26	24
Volume of shipments	33	39	26	7	10	40	30	28	13	49	28	21	28	24
Volume of new orders	35	39	24	11	5	34	36	27	7	45	31	21	23	23
Backlog of orders	24	48	27	-2	-4	29	38	29	0	36	40	20	16	15
Number of employees	16	70	13	3	3	34	35	27	7	27	53	17	10	6
Average employee workweek	14	69	16	-2	1	16	66	14	2	15	65	14	1	-1
Prices received for finished product	13	85	2	11	7	45	45	9	36	35	55	7	28	25
Prices paid for raw materials	27	69	2	24	16	48	38	11	37	44	43	11	33	35
Capital expenditures						34	47	16	18	35	50	11	24	24
New orders for exports	11	71	10	1	-1	12	66	13	-1	10	76	5	4	5
Supplier delivery time	6	85	6	0	0	14	74	10	4	7	85	4	3	2
Inventories:														
Materials	24	59	17	7	10	30	48	20	10	22	55	20	2	-1
Finished goods	20	60	17	3	3	24	55	17	7	21	60	15	6	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 February survey included 94 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

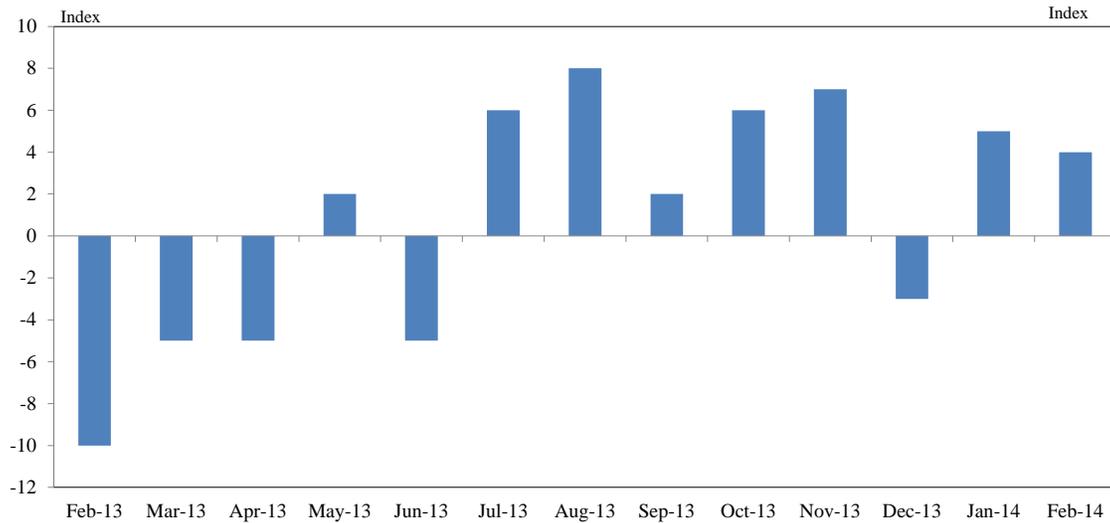


Table2
Historical Manufacturing Survey Indexes

	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	-8	-4	-3	2	-5	5	6	2	6	6	-3	5	4
Production	-7	0	4	4	-19	19	16	4	11	9	-13	-8	3
Volume of shipments	-9	1	6	7	-17	16	12	6	11	3	-10	3	10
Volume of new orders	-23	-1	1	5	-7	5	10	7	4	14	1	5	5
Backlog of orders	-14	-13	-6	-7	-4	-7	-2	-2	-2	12	-5	-1	-4
Number of employees	2	-14	-3	-5	-1	-1	2	0	-1	4	0	11	3
Average employee workweek	-12	-8	-6	-7	-12	-5	7	-4	1	3	-2	-6	1
Prices received for finished product	4	1	1	-1	3	1	5	4	8	7	2	8	7
Prices paid for raw materials	22	17	14	14	16	17	21	15	26	16	15	19	16
Capital expenditures	n/a												
New orders for exports	-2	-6	-7	-6	-4	0	2	-6	-1	-3	-6	4	-1
Supplier delivery time	-4	-3	-3	5	1	0	0	0	4	-1	-2	9	0
Inventories: Materials	-5	-2	-16	0	2	2	0	-1	10	3	-1	6	10
Inventories: Finished goods	-4	0	-2	-1	3	0	2	1	9	-2	1	3	3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-4	-1	-6	0	3	2	11	10	7	9	3	8	8
Production	-7	-8	-14	0	7	7	10	15	8	14	-4	8	10
Volume of shipments	-5	-5	-10	5	6	9	13	19	8	17	-8	11	13
Volume of new orders	-14	-6	-9	-2	5	-3	18	16	12	21	6	8	7
Backlog of orders	-15	-11	-16	-15	-10	-21	-1	5	2	6	-3	-2	0
Number of employees	12	8	-3	-3	5	5	14	5	4	4	7	7	7
Average employee workweek	-17	-1	-9	-13	-3	0	6	2	-7	4	2	-8	2
Prices received for finished product	29	36	28	26	30	40	39	40	32	32	27	36	36
Prices paid for raw materials	60	59	55	50	50	42	46	38	48	39	40	48	37
Capital expenditures	8	19	7	11	16	11	15	16	7	15	15	19	18
New orders for exports	-4	-3	-12	-7	-1	-1	3	-5	-3	3	-3	3	-1
Supplier delivery time	0	7	4	12	6	3	5	5	8	5	1	8	4
Inventories: Materials	-9	-6	-11	-7	-6	-2	9	7	3	0	3	10	10
Inventories: Finished goods	-3	2	-10	-2	-1	4	13	13	9	-2	4	8	7
Expected in Six Months (seasonally adjusted)													
Composite Index	5	14	5	12	11	7	8	16	8	12	15	26	11
Production	14	26	11	17	22	17	16	32	19	20	30	45	24
Volume of shipments	14	25	13	20	24	14	15	28	17	25	32	47	24
Volume of new orders	15	29	9	19	24	19	11	19	15	17	24	35	23
Backlog of orders	6	15	4	9	13	0	6	11	8	7	8	22	15
Number of employees	3	11	8	9	7	7	9	11	3	20	15	29	6
Average employee workweek	-2	9	-4	1	1	2	1	3	-3	9	8	9	-1
Prices received for finished product	24	23	27	24	23	24	26	25	24	20	18	30	25
Prices paid for raw materials	51	43	41	46	47	39	46	37	41	32	27	47	35
Capital expenditures	18	19	13	18	15	12	13	16	16	16	12	26	24
New orders for exports	2	12	5	4	13	-2	8	7	5	8	2	13	5
Supplier delivery time	2	3	2	13	4	6	6	16	3	3	5	10	2
Inventories: Materials	-7	-1	-5	0	-2	-12	-1	1	1	1	-1	9	-1
Inventories: Finished goods	-10	-5	-7	-1	0	-10	1	2	-2	-2	-5	-1	6