

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING SURVEY REBOUNDED MODERATELY *Federal Reserve Bank of Kansas City Releases January Manufacturing Survey*

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the January 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 rebounded moderately in January, and factories' production expectations continued to climb higher.

"We were encouraged to see overall regional factory activity grow in January after dropping last month, said Wilkerson. Production fell slightly in January, which many firms again attributed to weather-related delays, but orders rose and optimism about the future increased."

The January survey incorporates new seasonal adjustment factors, so historical indexes differ slightly from previously-released numbers. The new seasonal factors will be used throughout 2014. 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 rebounded moderately in January, and factories' production expectations continued to climb higher. Many contacts blamed winter weather issues for the slowdown in December, citing lost production days, delays in supply shipments, and lower customer demand. Production also declined slightly in January, for similar reasons, but was expected to rise strongly heading forward. Price indexes rose in January, particularly expectations for raw materials prices.

The month-over-month composite index was 5 in January, up from -3 December and similar to the reading of 6 in November (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 increased at both durable and nondurable goods-producing plants, with the exception of food, beverage, and aerospace products. Most other month-over-month indexes also rose in January. The production index edged higher from -13 to -8, and the shipments, new orders, and order backlog indexes all rebounded from last month. The employment index jumped from 0 to 11—its highest level since October 2011—and the new orders for exports index moved into positive territory for the first time in five months. The raw materials inventory index increased from -1 to 6, and the finished goods inventory index also inched higher.

Most year-over-year factory indexes increased after falling last month. The composite year-over-year index rose from 3 to 8, and the production, shipments, and new orders indexes also improved moderately. The capital spending index posted its highest level since March, and the new orders for exports index edged up from -3 to 3. The employment and order backlog indexes were relatively unchanged. Both inventory indexes increased for the second straight month.

Future factory indexes rose solidly in January with many reaching multi-year highs in part due to firms anticipating strong bounce-back from weather-related delays. The future composite index climbed from 15 to 26, and the future production and shipments indexes posted their highest level in nearly ten years. The future order backlog index increased from 24 to 35—a three year high—and the future employment index rose from 8 to 22, its highest level since February 2012. The future capital expenditure index jumped from 12 to 26, a seven-year high. The future raw materials inventory index increased from -1 to 9, and the future finished good inventory index also edged higher.

Price indexes increased somewhat from the previous month. The month-over-month raw materials price index edged up from 15 to 19, and the finished goods price index also rose. The year-over-year raw materials index moved up from 40 to 48, and the finished goods price index also increased. The future raw materials price index jumped from 27 to 47, primarily for users of metals, and the future finished goods price index climbed higher, indicating more firms plan to pass recent cost increases through to customers.

SELECTED COMMENTS

“Even though production slowed down versus previous month, primarily due to holidays, production for our firm is strong at this time.”

“Our growth in international business, which is now 23% of our overall business, has enabled us to grow in spite of limited U.S. market growth.”

“Even though January has picked up a little from December, business seems to be more sluggish as compared to this time last year.”

“Sales have been on a downward trend but activity seems to be increasing slightly.”

“Incoming customer orders have trended downward since October. That is consistent with seasonal trends, but we are also seeing weakness in project planning and quotations going forward.”

“Weather and year-end slowdowns were a factor in how the year ended. We are cautiously optimistic that 2014 will bring improvement, or at least a situation where customers complete their inventory reductions and must purchase what they are consuming.”

“We have had to raise our starting wage at the first of the year to get a more qualified candidate. We are still struggling for good help.”

“We were able to keep up with demand without overtime.”

“Orders for gas compressor packages is strong and we expect it to continue throughout the year.”

“We believe the uncertainty about the health care law and the lack of a clear direction about taxes and economic policy is causing businesses to hold back.”

Table 1
Summary of Tenth District Manufacturing Conditions, January 2014

Plant Level Indicators	January vs. December (percent)*					January vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index** [^]	Increase	Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index** [^]
Composite Index				3	5				8				22	26
Production	27	37	34	-7	-8	36	34	28	8	53	32	13	39	45
Volume of shipments	33	35	31	2	3	37	36	26	11	53	33	13	39	47
Volume of new orders	37	32	27	10	5	37	30	29	8	43	39	13	30	35
Backlog of orders	28	43	26	2	-1	29	36	31	-2	31	52	13	18	22
Number of employees	22	61	16	5	11	34	38	27	7	36	53	10	26	29
Average employee workweek	13	63	23	-9	-6	13	62	22	-8	19	69	10	8	9
Prices received for finished product	13	79	5	8	8	43	48	7	36	32	60	7	25	30
Prices paid for raw materials	28	64	7	21	19	58	31	9	48	54	37	7	46	47
Capital expenditures						34	48	15	19	35	48	13	22	26
New orders for exports	13	63	11	2	4	16	56	13	3	19	62	6	12	13
Supplier delivery time	9	87	2	7	9	11	82	3	8	10	84	2	8	10
Inventories:														
Materials	24	51	23	1	6	31	45	21	10	27	51	20	7	9
Finished goods	22	55	21	1	3	28	48	20	8	22	52	21	1	-1

*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 January survey included 97 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Composite Index vs. a Month Ago

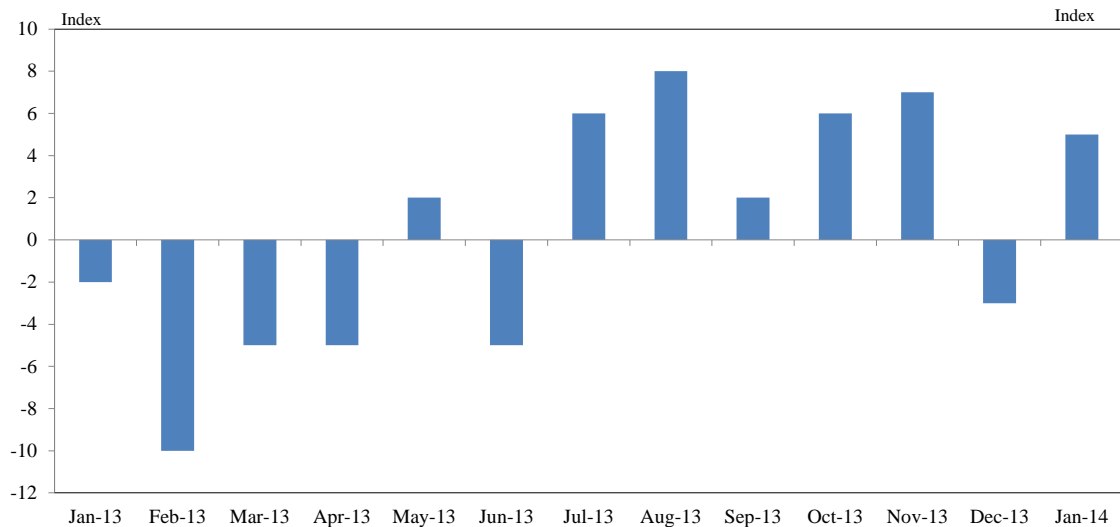


Table2
Historical Manufacturing Survey Indexes

	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14
Versus a Month Ago (seasonally adjusted)													
Composite Index	-1	-8	-4	-3	2	-5	5	6	2	6	6	-3	5
Production	-1	-7	0	4	4	-19	19	16	4	11	9	-13	-8
Volume of shipments	0	-9	1	6	7	-17	16	12	6	11	3	-10	3
Volume of new orders	-1	-23	-1	1	5	-7	5	10	7	4	14	1	5
Backlog of orders	-10	-14	-13	-6	-7	-4	-7	-2	-2	-2	12	-5	-1
Number of employees	-6	2	-14	-3	-5	-1	-1	2	0	-1	4	0	11
Average employee workweek	-9	-12	-8	-6	-7	-12	-5	7	-4	1	3	-2	-6
Prices received for finished product	6	4	1	1	-1	3	1	5	4	8	7	2	8
Prices paid for raw materials	22	22	17	14	14	16	17	21	15	26	16	15	19
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	-6	-2	-6	-7	-6	-4	0	2	-6	-1	-3	-6	4
Supplier delivery time	3	-4	-3	-3	5	1	0	0	0	4	-1	-2	9
Inventories: Materials	-2	-5	-2	-16	0	2	2	0	-1	10	3	-1	6
Inventories: Finished goods	-7	-4	0	-2	-1	3	0	2	1	9	-2	1	3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	1	-4	-1	-6	0	3	2	11	10	7	9	3	8
Production	-9	-7	-8	-14	0	7	7	10	15	8	14	-4	8
Volume of shipments	-4	-5	-5	-10	5	6	9	13	19	8	17	-8	11
Volume of new orders	-7	-14	-6	-9	-2	5	-3	18	16	12	21	6	8
Backlog of orders	-12	-15	-11	-16	-15	-10	-21	-1	5	2	6	-3	-2
Number of employees	14	12	8	-3	-3	5	5	14	5	4	4	7	7
Average employee workweek	-11	-17	-1	-9	-13	-3	0	6	2	-7	4	2	-8
Prices received for finished product	31	29	36	28	26	30	40	39	40	32	32	27	36
Prices paid for raw materials	50	60	59	55	50	50	42	46	38	48	39	40	48
Capital expenditures	-3	8	19	7	11	16	11	15	16	7	15	15	19
New orders for exports	-11	-4	-3	-12	-7	-1	-1	3	-5	-3	3	-3	3
Supplier delivery time	-1	0	7	4	12	6	3	5	5	8	5	1	8
Inventories: Materials	6	-9	-6	-11	-7	-6	-2	9	7	3	0	3	10
Inventories: Finished goods	0	-3	2	-10	-2	-1	4	13	13	9	-2	4	8
Expected in Six Months (seasonally adjusted)													
Composite Index	7	5	14	5	12	11	7	8	16	8	12	15	26
Production	16	14	26	11	17	22	17	16	32	19	20	30	45
Volume of shipments	16	14	25	13	20	24	14	15	28	17	25	32	47
Volume of new orders	19	15	29	9	19	24	19	11	19	15	17	24	35
Backlog of orders	4	6	15	4	9	13	0	6	11	8	7	8	22
Number of employees	5	3	11	8	9	7	7	9	11	3	20	15	29
Average employee workweek	3	-2	9	-4	1	1	2	1	3	-3	9	8	9
Prices received for finished product	26	24	23	27	24	23	24	26	25	24	20	18	30
Prices paid for raw materials	46	51	43	41	46	47	39	46	37	41	32	27	47
Capital expenditures	4	18	19	13	18	15	12	13	16	16	16	12	26
New orders for exports	2	2	12	5	4	13	-2	8	7	5	8	2	13
Supplier delivery time	0	2	3	2	13	4	6	6	16	3	3	5	10
Inventories: Materials	-2	-7	-1	-5	0	-2	-12	-1	1	1	1	-1	9
Inventories: Finished goods	-2	-10	-5	-7	-1	0	-10	1	2	-2	-2	-5	-1