

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY REMAINED MODEST
Federal Reserve Bank of Kansas City Releases July Manufacturing Survey

KANSAS CITY, Mo. The Federal Reserve Bank of Kansas City released the July 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 remained modest, and producers were slightly more optimistic than a month ago.

We saw continued sluggish growth from factories in our region in July said Wilkerson. New orders fell for the third time in four months, as exports dropped, and food prices are expected to rise. But firms continued to add to their workforces and anticipate increased capital spending heading forward.

A summary of the July 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 remained modest in July, and producers were slightly more optimistic than a month ago. Most price indexes increased after falling somewhat last month and more firms plan to pass these increases along. Several respondents commented on rising materials prices, particularly for agricultural commodities affected by recent weather conditions.

The month-over-month composite index was 5 in July, up from 3 in June but down from 9 in May (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 increased at most nondurable goods-producing plants, while growth was flat to slightly negative for durable goods production. Other month-over-month indexes were mixed in July. The production index fell further from 12 to 2, and the shipments index dipped into negative territory. The new orders for export index dropped from -7 to -13, almost matching the all-time low of -14 in early 2009. However, the new orders index edged up from -7 to -4, and the employment and order backlog indexes also improved over last month. Both inventory indexes rose considerably.

The majority of year-over-year factory indexes eased somewhat. The composite year-over-year index edged down from 24 to 20, and the shipments, new orders, and order backlog indexes also fell. The employment index dropped for the third straight month but remained positive, and the new orders for exports index decreased marginally. In contrast, the capital expenditures index increased from 21 to 23, and both inventory indexes also rose.

Future factory indexes rebounded slightly after falling last month. The future composite index climbed from 8 to 13, and future new orders and order backlog indexes also rose after decreasing in June. The future employment index edged higher from 13 to 16, while the future production, shipments, and employee workweek indexes were unchanged. The future capital expenditures index increased from 17 to 20, and the future new orders for exports index improved slightly. The future raw materials inventory index rose from -11 to -1, and the future finished goods inventory index moved into positive territory.

Most price indexes climbed higher after moderating the past few months. The month-over-month finished goods price index moved out of negative territory, and the raw materials price index increased from 7 to 18. While the year-over-year raw materials price index continued to fall, the finished goods price index rose from 19 to 35. The future raw materials price index increased from 40 to 50, and the future finished goods price index jumped from 12 to 25, indicating more firms plan to pass recent cost increases through to customers. Several contacts indicated that rising prices of agricultural commodities were likely to translate into higher selling prices.

Table1

Summary of Tenth District Manufacturing Conditions, July 2012

	July vs. June (percent) ¹					July vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	No Change	Decrease	Diff Index ²	SA Index ³	Increase	No Change	Decrease	Diff Index ²	Increase	No Change	Decrease	Diff Index ²	SA Index ³
Plant Level Indicators														
Composite Index				4	5				20				12	13
Production	26	51	23	2	2	46	28	27	19	41	40	19	21	22
Volume of shipments	30	37	33	-3	-3	47	23	29	18	42	35	22	19	20
Volume of new orders	28	38	34	-6	-4	49	26	26	23	46	30	24	21	22
Backlog of orders	22	44	31	-8	-10	35	38	24	10	31	39	27	4	3
Number of employees	18	71	10	8	6	43	33	24	18	30	53	16	13	16
Average employee workweek	13	72	14	-1	-3	26	51	23	2	16	64	19	-3	-2
Prices received for finished product	11	77	11	0	0	48	38	13	35	31	59	9	21	25
Prices paid for raw materials	26	66	7	18	18	64	20	14	50	55	35	9	46	50
Capital expenditures						38	46	14	23	34	49	15	18	20
New orders for exports	6	66	16	-10	-13	15	61	13	2	15	66	8	7	6
Supplier delivery time	9	83	4	5	6	17	77	5	12	7	87	4	3	5
Inventories:														
Materials	29	51	19	9	13	46	34	20	26	21	57	21	0	-1
Finished goods	20	60	14	6	9	37	40	20	16	24	51	20	4	5

¹Percentage may not add to 100 due to rounding.

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

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

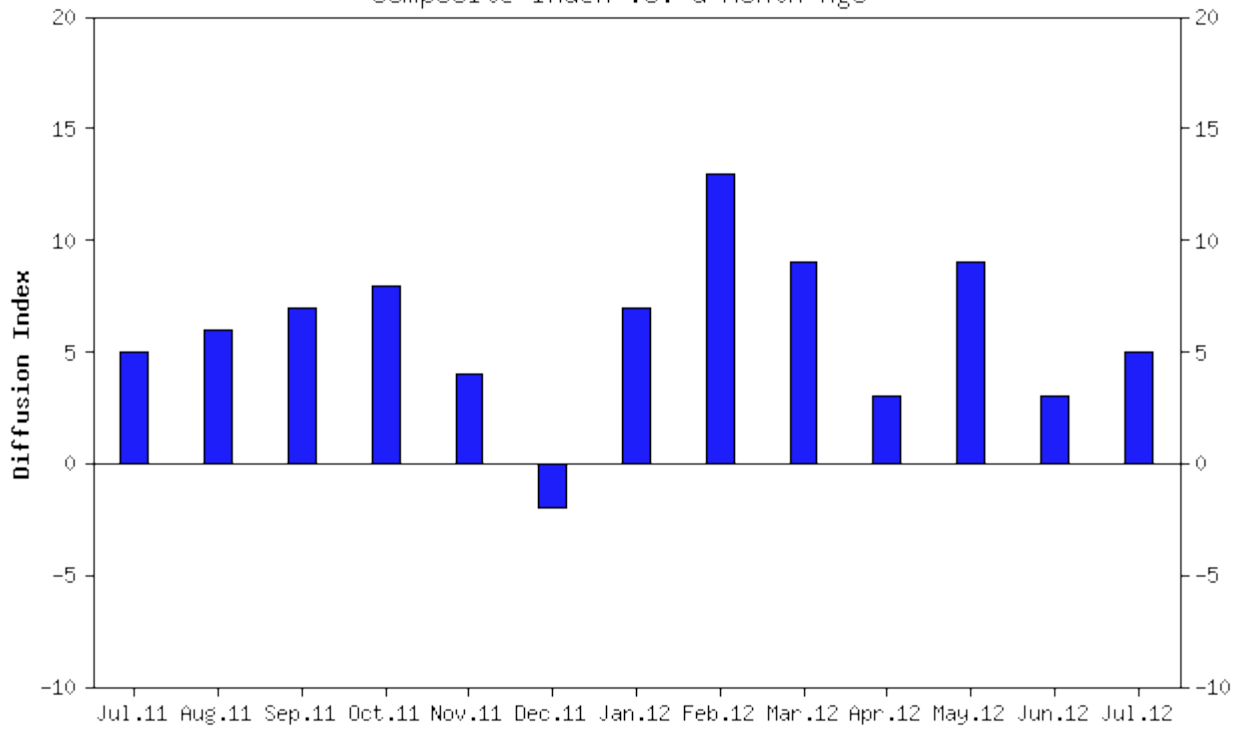
Note: The July survey included 98 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	6	7	8	4	-2	7	13	9	3	9	3	5
Production	4	1	5	6	2	-6	13	20	13	0	17	12	2
Volume of shipments	2	2	4	7	2	-7	13	8	17	3	16	12	-3
Volume of new orders	-2	4	6	3	-3	-2	9	8	17	-8	10	-7	-4
Backlog of orders	-15	-5	-5	-3	-7	-11	8	13	3	-5	-3	-18	-10
Number of employees	6	10	13	13	5	-5	9	11	12	12	8	3	6
Average employee workweek	0	-3	5	4	-4	-9	-0	-3	2	-10	-2	-4	-3
Prices received for finished product	15	5	12	6	4	4	13	11	3	7	0	-4	0
Prices paid for raw materials	43	36	36	30	20	27	42	36	33	19	11	7	18
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	-1	0	-2	-1	10	-7	-0	1	3	-7	-13
Supplier delivery time	10	6	0	10	8	8	8	10	4	4	10	4	6
Inventories: Materials	7	7	11	7	8	-7	-4	14	-0	5	1	5	13
Inventories: Finished goods	4	2	6	7	18	0	0	6	15	-3	2	-2	9
Versus a Year Ago (not seasonally adjusted)													
Composite Index	24	21	15	23	22	11	15	21	24	24	27	24	20
Production	28	19	19	27	23	19	16	28	31	30	38	32	19
Volume of shipments	32	19	22	31	21	18	13	30	37	35	35	35	18
Volume of new orders	30	22	18	31	21	10	17	28	33	28	32	32	23
Backlog of orders	17	5	6	5	8	0	13	24	20	20	32	20	10
Number of employees	24	23	18	27	22	16	11	17	23	31	28	25	18
Average employee workweek	20	10	21	13	7	11	2	6	4	10	7	7	2
Prices received for finished product	50	46	52	42	37	34	38	35	35	41	34	19	35
Prices paid for raw materials	84	77	78	82	70	64	67	57	71	74	66	60	50
Capital expenditures	8	13	16	18	23	17	8	12	15	18	21	21	23
New orders for exports	7	8	9	4	6	11	12	5	6	-2	9	4	2
Supplier delivery time	20	13	6	14	16	10	10	13	9	7	14	12	12
Inventories: Materials	20	26	16	18	27	0	19	19	22	25	23	17	26
Inventories: Finished goods	4	17	3	10	23	10	11	20	13	17	16	11	16
Expected in Six Months (seasonally adjusted)													
Composite Index	15	12	8	14	12	12	12	20	18	12	17	8	13
Production	23	19	15	24	22	15	28	35	31	26	40	22	22
Volume of shipments	27	21	18	24	20	25	23	37	31	22	40	20	20
Volume of new orders	21	20	16	23	20	25	18	34	34	23	29	12	22
Backlog of orders	9	3	3	2	10	4	9	24	13	8	11	-1	3
Number of employees	18	15	12	16	12	10	18	23	23	15	18	13	16
Average employee workweek	-0	0	-8	-1	-3	2	1	3	7	-6	6	-2	-2
Prices received for finished product	27	23	28	27	25	19	28	32	28	16	22	12	25
Prices paid for raw materials	63	58	57	56	57	47	64	54	65	54	48	40	50
Capital expenditures	18	18	8	15	17	13	22	18	20	6	19	17	20
New orders for exports	9	8	2	9	5	8	15	10	8	5	10	4	6
Supplier delivery time	9	7	3	11	7	5	8	11	7	1	0	4	5
Inventories: Materials	4	-3	-5	-5	1	6	-10	-0	-5	-8	-0	-11	-1
Inventories: Finished goods	-2	-2	-3	3	5	2	-10	4	6	-4	-3	-8	5

Composite Index vs. a Month Ago



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Manufacturing Survey Home Page](#)