



News Release

Federal Reserve Bank of Kansas City

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Manufacturing activity in the Tenth Federal Reserve District expanded solidly in October, and expectations for future factory activity remained firm. Price indexes in the survey were still very high after rising to record or near-record levels in September.

A summary of the October survey is attached to this press release. Results from past surveys and release dates for future surveys can be found at: <http://www.kc.frb.org/mfgsurv/mfgmain.htm>. For further information about the survey, contact Chad Wilkerson, Economic Research Department, (816) 881-2869.

The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Survey of Tenth District Manufacturing

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District expanded solidly in October, and expectations for future factory activity remained firm. Price indexes in the survey were still very high after rising to record or near-record levels in September.

The net percentage of firms reporting month-over-month increases in production in October was 13, down from 30 in September but similar to a reading of 15 in August and indicative of continued solid expansion (Tables 1 & 2, Chart). The year-over-year production index also fell somewhat, from a record 55 to 36, but remained similar to readings in the spring and summer. Production growth in October was somewhat slower than in September among both durable- and nondurable-goods-producing plants but still positive in both cases. Although sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest that production fell somewhat in western Missouri from September to October but remained well above year-ago levels in all district states.

Most other month-over-month indexes of factory activity also reflected continued solid expansion in the district manufacturing sector. The shipments index rose slightly, from 15 to 17, and the employment index moved back into double digits following lower readings in August and September. While the new orders and supplier delivery time indexes eased slightly, both remained solidly positive. Other month-over-month indexes were largely unchanged from September levels.

Most other year-over-year indexes remained high. The shipments and new orders indexes fell somewhat but were still around 40. The employment and workweek indexes remained around 20. The capital spending index recovered after falling in September, rising from 15 to a near-record 31.

Plant managers' expectations for future factory activity were somewhat lower than earlier in the year but still solid. The future production index fell from 38 to 25, its lowest reading since mid-2002. The future shipments index also fell somewhat, while the future new orders index rose slightly. More positively, the future employment index increased from 16 to 22, only its second reading above 20 this year. In addition, the future capital spending index rebounded somewhat in October after easing in September, rising from 19 to 24.

The price indexes in the survey were all largely unchanged after rising to very high levels in September. The month-over-month raw materials price index edged up from 61 to 62 to set a new record, while the month-over-month finished goods price index edged down from 22 to 20. The year-over-year raw materials price index also edged up, from 82 to 83, while the year-over-year finished goods price index edged down from 55 to 50. The six-month-ahead raw materials price index edged up as well, from 75 to a new-record 78, while the future finished goods price index eased from a record 43 to a reading of 38.

Table1

Summary of Tenth District Manufacturing Conditions, October 2005

Plant Level Indicators	October vs. September (percent) ¹					October vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	No		Diff	No		Diff	SA			
	Increase	Change	Decrease	Index ²	Index ³	Increase	Change	Decrease	Index ²	Increase	Change	Decrease	Index ²	Index ³
Production	37	41	20	16	13	55	24	18	36	42	36	18	23	25
Volume of shipments	35	40	23	11	17	55	26	16	38	45	33	19	25	27
Volume of new orders	40	36	21	18	18	58	22	16	41	45	32	18	26	26
Backlog of orders	33	45	16	16	18	42	35	16	25	26	49	16	9	11
Number of employees	27	56	15	11	14	42	34	21	20	37	44	15	21	22
Average employee workweek	21	65	10	10	10	31	55	10	20	19	62	16	2	4
Prices received for finished product	21	73	4	16	20	58	32	7	50	38	53	6	31	38
Prices paid for raw materials	60	33	3	56	62	85	9	1	83	74	20	2	71	78
Capital expenditures						44	39	12	31	36	47	13	22	24
New orders for exports	12	72	4	7	8	21	62	4	16	16	66	4	11	13
Supplier delivery time	17	72	6	10	12	27	57	7	19	19	67	7	11	13
Inventories:														
Materials	22	57	19	2	0	35	42	19	15	27	49	21	5	3
Finished goods	23	56	17	5	1	28	50	17	10	26	50	19	6	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.

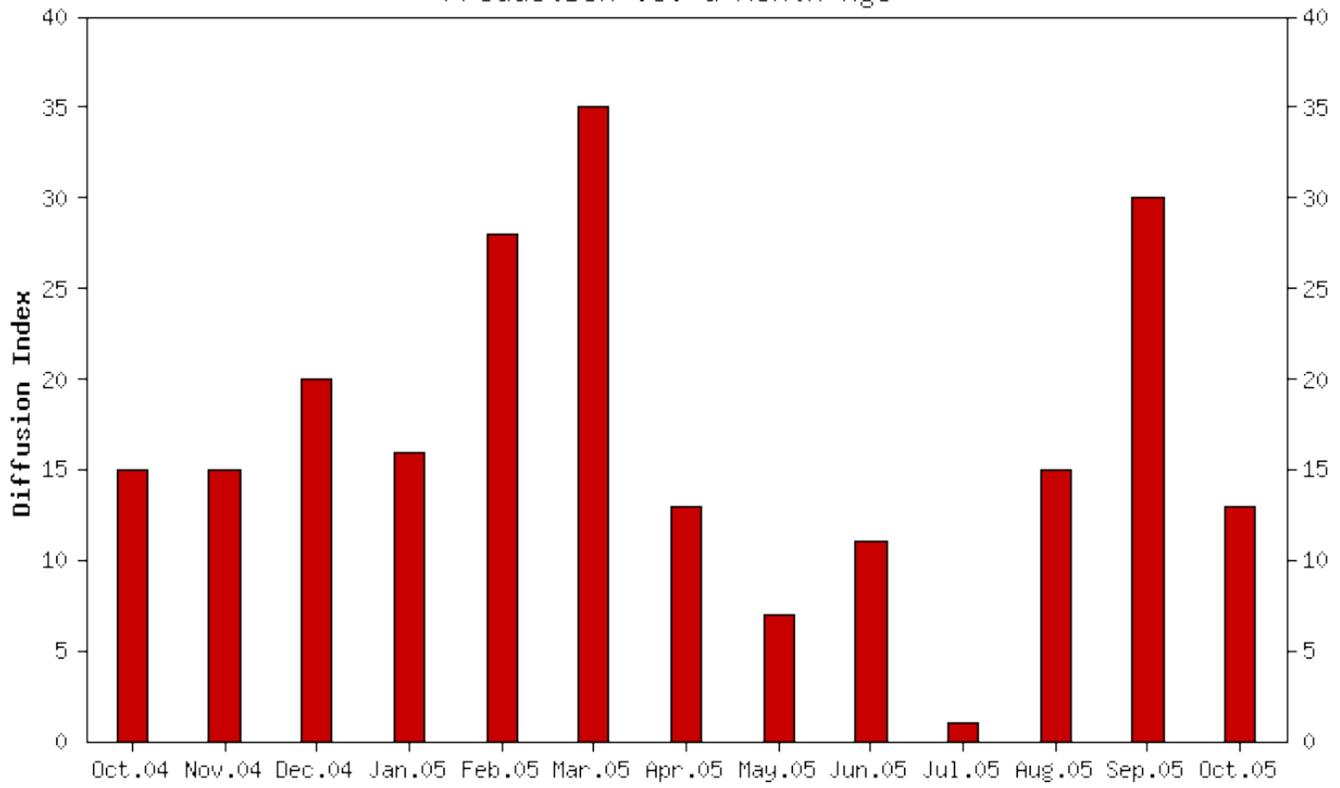
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The October survey included 101 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Oct'04	Nov'04	Dec'04	Jan'05	Feb'05	Mar'05	Apr'05	May'05	Jun'05	Jul'05	Aug'05	Sep'05	Oct'05
Versus a Month Ago (seasonally adjusted)													
Production	15	15	20	16	28	35	13	7	11	1	15	30	13
Volume of shipments	8	14	9	15	25	22	13	18	18	7	15	15	17
Volume of new orders	17	16	18	20	22	26	20	15	17	10	9	21	18
Backlog of orders	4	0	0	7	7	8	9	5	1	-2	4	19	18
Number of employees	24	7	9	-1	17	10	9	3	7	17	3	3	14
Average employee workweek	11	7	5	1	6	7	0	9	14	11	6	12	10
Prices received for finished product	18	13	13	16	16	16	16	7	5	10	13	22	20
Prices paid for raw materials	58	47	40	44	42	41	32	23	18	27	42	61	62
Capital expenditures	n/a												
New orders for exports	3	6	5	-1	7	6	3	1	4	4	10	8	8
Supplier delivery time	15	12	10	12	10	8	7	10	7	9	10	17	12
Inventories: Materials	9	4	3	2	7	9	15	0	7	8	11	2	0
Inventories: Finished goods	13	0	4	8	8	5	10	-9	-3	5	8	0	1
Versus a Year Ago (not seasonally adjusted)													
Production	40	44	50	37	43	44	31	34	38	42	33	55	36
Volume of shipments	41	47	52	46	42	34	23	39	50	46	33	49	38
Volume of new orders	41	43	51	45	45	42	30	45	43	44	33	49	41
Backlog of orders	23	29	29	33	30	26	28	29	23	26	27	29	25
Number of employees	25	28	30	17	14	17	20	20	23	21	18	21	20
Average employee workweek	21	17	23	28	15	11	12	10	23	23	26	17	20
Prices received for finished product	41	39	39	55	53	51	59	45	48	48	48	55	50
Prices paid for raw materials	76	73	75	81	82	85	79	69	70	71	70	82	83
Capital expenditures	19	21	18	20	25	29	29	20	27	20	33	15	31
New orders for exports	6	7	11	10	17	15	14	5	7	13	14	12	16
Supplier delivery time	22	19	18	24	22	25	23	27	17	15	25	25	19
Inventories: Materials	19	17	10	25	15	23	32	17	16	23	31	21	15
Inventories: Finished goods	12	15	15	25	17	17	25	12	9	19	24	19	10
Expected in Six Months (seasonally adjusted)													
Production	40	38	38	40	43	31	35	31	33	40	28	38	25
Volume of shipments	36	40	39	37	46	26	34	30	30	44	33	36	27
Volume of new orders	36	43	42	40	38	38	34	28	24	36	28	23	26
Backlog of orders	21	26	25	21	15	16	18	15	-4	15	18	8	11
Number of employees	26	20	21	17	17	11	10	16	17	24	16	16	22
Average employee workweek	9	8	11	16	9	3	6	7	3	11	7	-2	4
Prices received for finished product	36	36	36	36	36	32	30	25	23	27	35	43	38
Prices paid for raw materials	67	61	59	60	57	57	47	42	37	36	60	75	78
Capital expenditures	27	25	24	25	23	28	21	17	19	21	30	19	24
New orders for exports	14	15	14	19	18	5	11	11	7	13	10	11	13
Supplier delivery time	16	9	8	10	6	7	9	3	6	-2	5	10	13
Inventories: Materials	1	1	0	8	2	3	4	1	3	-1	5	5	3
Inventories: Finished goods	-1	3	-3	4	1	2	-1	-1	-1	-5	2	6	5

Production vs. a Month Ago



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