



News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity expanded moderately in August, and although producers' expectations for future growth eased slightly, most indexes remained at solid levels. Price indexes in the survey moderated, with both raw materials and finished goods prices posting lower readings than the previous month.

A summary of the August 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 Tim Todd, Public Affairs Department, (816) 881-2308.

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

Survey of Tenth District Manufacturing

Tenth District manufacturing activity expanded moderately in August, and although producers' expectations for future growth eased slightly, most indexes remained at solid levels. Price indexes in the survey moderated, with both raw materials and finished goods prices posting lower readings than the previous month.

The net percentage of firms reporting month-over-month increases in production in August was 15, up from 10 in July and -2 in June (Tables 1 & 2, Chart). Production increased at durable-goods-producing plants, particularly among producers of metals, machinery, and equipment. The majority of other month-over-month indexes also posted solid gains. The shipments index edged up slightly, and the new orders index jumped from 1 to 20. The order backlog index increased into positive territory, and the employment, export orders, and supplier delivery time indexes all remained largely unchanged. Both inventory indexes dropped, with the raw materials inventory index at its lowest level in four years.

The year-over-year production index increased to 27 after falling the two previous months. Other year-over-year indexes were mixed in August. The shipments, new orders, and order backlog indexes all rebounded after falling last month. On the other hand, both employment indexes fell to their lowest levels in over three years. The capital expenditures index was unchanged at 16, and the export orders and supplier delivery time indexes also remained constant. Inventory indexes were varied, with the raw materials index down somewhat and the finished goods index up slightly.

Expectations for future factory activity edged down in August, but still remained at solid levels. The future production index eased slightly from 27 to 23, and the future shipments, new orders, and order backlog indexes also decreased. The future employment index fell from 17 to 11, and the export orders index declined from a two-year high in July. The future capital expenditures index edged down a bit, but most producers reported little impact on future plans from recent financial market volatility. Both inventory indexes dropped after rising last month.

All price indexes in the survey eased in August, after last month's mixed results. The month-over-month finished goods price index declined from 13 to 9, and the raw materials price index plunged from 47 to 21, its lowest level in two years. Smaller increases in food and metals prices led the easing. The year-over-year raw materials price index decreased from 79 to 62, while the finished goods index edged down slightly. The future finished goods price index dropped for the third straight month, and the future raw materials price index fell from 67 to 54.

Table1

Summary of Tenth District Manufacturing Conditions, August 2007

Plant Level Indicators	August vs. July (percent) ¹					August 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	36	45	18	17	15	48	29	20	27	40	36	21	18	23
Volume of shipments	37	44	18	19	16	45	28	23	22	37	40	18	18	21
Volume of new orders	35	45	17	18	20	47	27	22	25	35	41	19	15	18
Backlog of orders	22	55	16	6	5	29	42	22	7	22	48	23	0	1
Number of employees	18	63	17	0	1	36	35	26	10	32	49	17	15	11
Average employee workweek	21	60	14	7	4	21	53	20	0	18	58	18	0	0
Prices received for finished product	14	78	6	8	9	60	28	9	51	39	52	5	34	35
Prices paid for raw materials	34	56	9	25	21	72	13	10	62	60	33	4	55	54
Capital expenditures						34	47	18	16	31	52	15	16	15
New orders for exports	13	71	6	7	6	19	63	6	13	18	68	2	16	15
Supplier delivery time	9	81	5	4	4	18	71	9	9	10	84	2	8	7
Inventories:														
Materials	19	56	23	-3	-5	33	43	22	10	31	46	20	10	8
Finished goods	19	54	22	-2	-3	28	45	20	8	25	49	22	2	0

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.

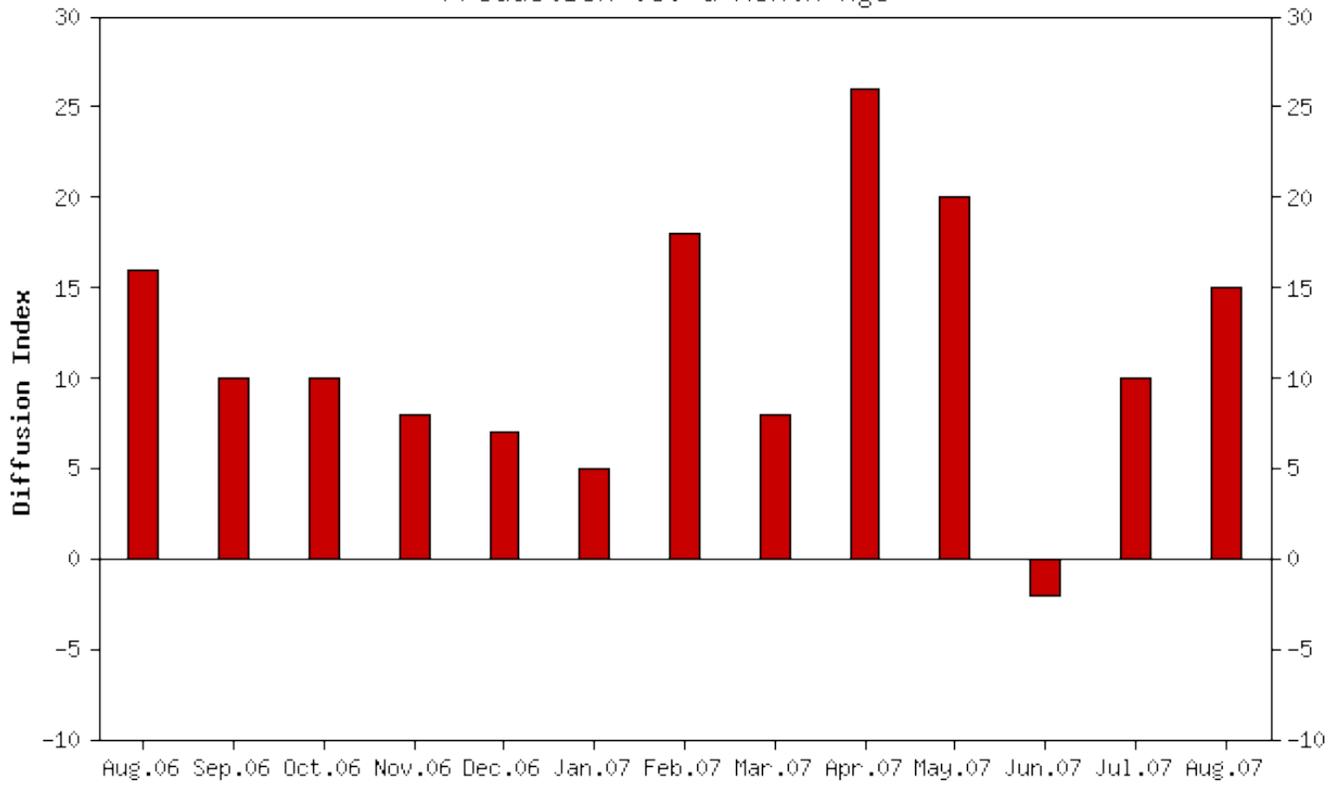
Note: The August survey included 111 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07	Feb'07	Mar'07	Apr'07	May'07	Jun'07	Jul'07	Aug'07
Versus a Month Ago (seasonally adjusted)													
Production	16	10	10	8	7	5	18	8	26	20	-2	10	15
Volume of shipments	15	6	10	10	8	16	20	0	25	18	-1	13	16
Volume of new orders	20	14	12	2	13	9	20	11	23	18	7	1	20
Backlog of orders	3	10	-5	-13	-4	-4	9	1	10	0	13	-1	5
Number of employees	-1	13	8	16	15	8	13	2	11	14	9	1	1
Average employee workweek	6	3	5	4	4	-4	7	-6	3	12	-6	-1	4
Prices received for finished product	17	15	12	10	7	11	15	3	6	17	17	13	9
Prices paid for raw materials	45	38	27	27	30	35	37	38	36	43	39	47	21
Capital expenditures	n/a												
New orders for exports	4	2	4	0	9	-1	7	-2	6	2	1	5	6
Supplier delivery time	8	0	7	2	1	3	11	7	5	1	6	5	4
Inventories: Materials	8	14	8	9	4	8	13	9	3	7	12	11	-5
Inventories: Finished goods	1	6	-1	-3	-3	-7	-7	7	-1	2	7	0	-3
Versus a Year Ago (not seasonally adjusted)													
Production	33	33	35	35	25	19	31	20	28	33	23	16	27
Volume of shipments	32	37	34	38	34	23	32	12	33	32	17	16	22
Volume of new orders	34	33	39	28	35	26	36	18	33	27	29	15	25
Backlog of orders	22	22	19	15	19	7	23	4	16	8	17	2	7
Number of employees	17	14	25	29	27	25	35	20	27	23	23	22	10
Average employee workweek	10	2	14	13	9	10	13	4	14	7	6	1	0
Prices received for finished product	52	66	65	57	56	57	52	47	60	66	53	52	51
Prices paid for raw materials	74	79	80	76	67	71	67	82	81	83	76	79	62
Capital expenditures	23	21	20	22	28	13	17	24	27	20	16	16	16
New orders for exports	16	7	15	11	16	11	12	3	13	6	3	13	13
Supplier delivery time	14	11	11	9	4	8	9	7	5	6	14	9	9
Inventories: Materials	21	22	14	22	23	31	27	16	4	31	25	17	10
Inventories: Finished goods	15	14	10	0	7	11	25	27	0	15	16	6	8
Expected in Six Months (seasonally adjusted)													
Production	28	26	23	18	29	25	25	41	41	30	25	27	23
Volume of shipments	30	30	23	24	31	20	21	44	42	25	27	32	21
Volume of new orders	23	26	14	20	21	21	23	36	40	19	22	21	18
Backlog of orders	13	9	4	6	14	8	13	16	19	11	12	11	1
Number of employees	12	13	6	7	19	18	25	27	22	13	18	17	11
Average employee workweek	9	1	0	4	2	9	12	17	13	2	9	4	0
Prices received for finished product	24	31	33	27	17	32	36	33	33	44	41	38	35
Prices paid for raw materials	57	49	48	46	31	50	52	66	54	70	57	67	54
Capital expenditures	22	24	23	16	24	20	30	23	22	18	22	18	15
New orders for exports	10	10	8	15	15	10	4	2	7	14	6	19	15
Supplier delivery time	8	2	4	9	11	11	8	4	2	8	14	5	7
Inventories: Materials	2	2	-1	-2	2	-4	-5	1	-15	2	3	12	8
Inventories: Finished goods	-2	3	-2	-11	1	-2	-5	10	-5	6	1	7	0

Production vs. a Month Ago



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