



# News Release

## Federal Reserve Bank of Kansas City

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Tenth District manufacturing output expanded modestly in October, and producers remained largely positive about future activity. However, orders and employment indexes were sluggish, and firms continued to trim inventories. Most price indexes in the survey edged up slightly.

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 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 output expanded modestly in October, and producers remained largely positive about future activity. However, orders and employment indexes were sluggish, and firms continued to trim inventories. Most price indexes in the survey edged up slightly.

The net percentage of firms reporting month-over-month increases in production in October was 7, up from 4 in September but down from 15 in August (Tables 1 & 2, Chart). Solid production increases among durable goods producers offset a weakening among producers of food, chemical, and other nondurable goods. The majority of other month-over-month indexes were mixed. The shipments index climbed from 4 to 13 after a considerable decline last month, and the supplier delivery time index also remained positive. On the other hand, the employment index edged down to a 4-year low, and the new order index was negative for the first time in 5 years. The order backlog and export orders indexes also fell slightly. Firms continued to trim inventories. The raw materials inventory index declined from -4 to -8, and the finished goods inventory index also remained negative.

The year-over-year production index edged down from 25 to 22. Other year-over-year indexes were varied in October, but still remained at generally solid levels. The new orders, supplier delivery time, and export orders indexes all rose slightly, and the capital spending index rebounded from a 3-year low last month. In contrast, the shipments and new orders indexes declined slightly, and the employment index fell from 14 to 4, its lowest level in over 3 years. Both inventory indexes continued to decline.

The future production index increased slightly from 26 to 29. Most other future factory activity indexes were also largely positive. The future shipments, new orders, and order backlog indexes edged up for the second straight month, and the future supplier delivery time index rebounded after a drop in the previous survey. The future capital expenditures index fell somewhat from 17 to 14, and the future employment index decreased for the fourth straight month. Both future inventory indexes remained in negative territory, but less so than last month.

Most price indexes recorded slight increases in October, after mixed results in September. The month-over-month finished goods price index rose from 6 to 11, and the raw materials price index edged up for the second straight month. The finished goods increase was largely due to food producers, who saw some leveling off in recent input costs but raised the prices charged to their customers. The year-over-year raw materials price index climbed from 67 to 71, while the finished goods price index eased a bit. The future raw materials price index remained relatively unchanged, but the future finished goods price index jumped higher after several months of decline.

Table1

## Summary of Tenth District Manufacturing Conditions, October 2007

Plant Level Indicators	October vs. September (percent) <sup>1</sup>					October vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>
Production	34	40	25	9	7	50	21	27	22	46	32	20	26	29
Volume of shipments	38	34	25	13	13	50	20	26	23	47	31	20	27	30
Volume of new orders	30	33	33	-2	-2	46	23	26	19	43	31	21	21	24
Backlog of orders	22	44	30	-7	-6	29	44	23	6	29	48	19	10	12
Number of employees	18	58	22	-4	-2	34	32	30	4	33	40	24	9	7
Average employee workweek	15	62	19	-3	-4	22	58	17	5	20	61	15	5	7
Prices received for finished product	18	74	6	11	11	57	33	8	48	40	53	4	36	37
Prices paid for raw materials	44	50	4	40	35	79	11	7	71	62	32	4	58	51
Capital expenditures						33	48	16	16	30	56	12	18	14
New orders for exports	11	73	7	3	2	20	64	8	12	14	75	3	11	10
Supplier delivery time	8	86	1	6	6	17	76	5	12	11	86	0	10	8
Inventories:														
Materials	15	58	25	-9	-8	32	41	25	6	20	51	26	-6	-7
Finished goods	15	56	24	-8	-8	22	51	21	0	21	52	22	0	-1

<sup>1</sup>Percentage may not add to 100 due to rounding.

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

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

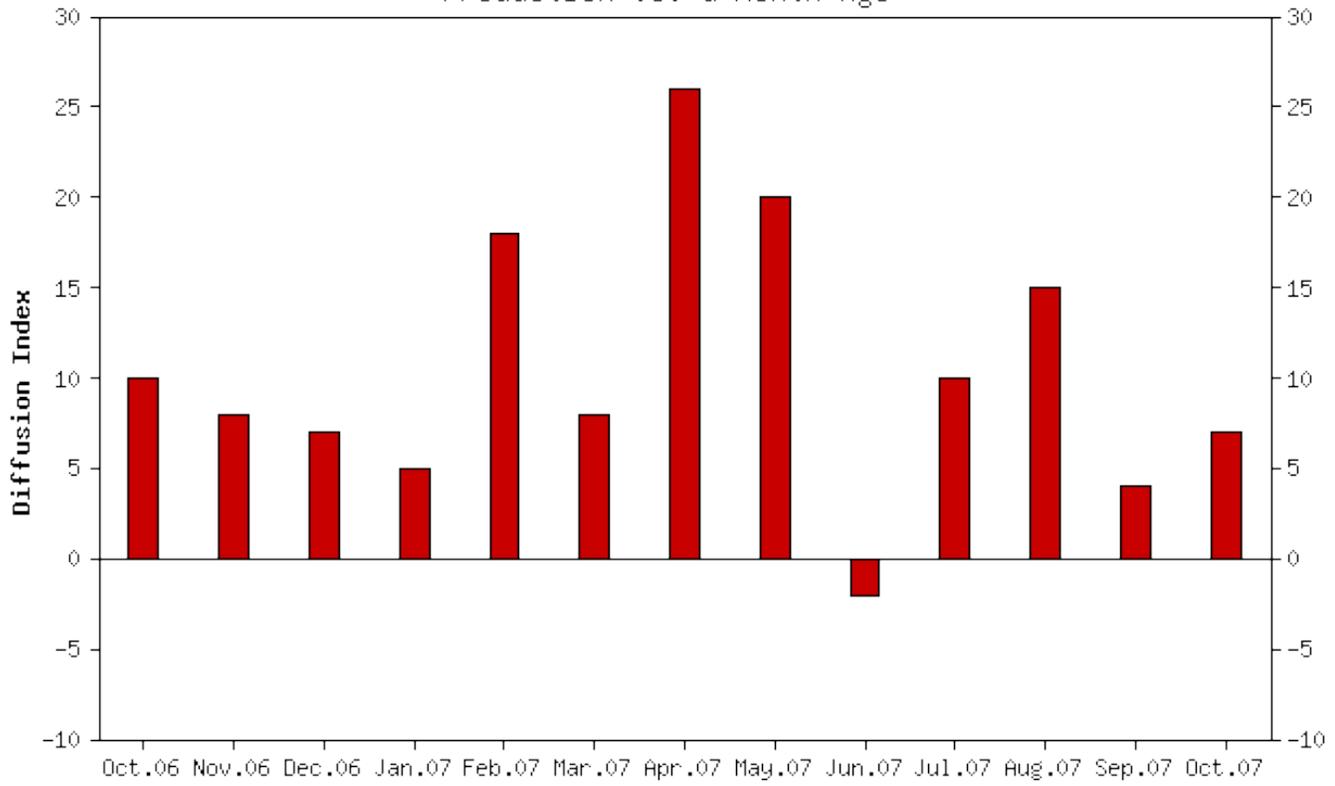
Note: The October survey included 115 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

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

Production vs. a Month Ago



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