



News Release

Federal Reserve Bank of Kansas City

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Growth in Tenth District manufacturing activity eased somewhat in August, but firms' expectations for future activity rebounded considerably over last month. Most price indexes moderated slightly from very high levels, though most contacts still expected some future pass-through of prices.

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

Growth in Tenth District manufacturing activity eased somewhat in August, but firms' expectations for future activity rebounded considerably over last month. Most price indexes moderated slightly from very high levels, though most contacts still expected some future pass-through of prices.

The net percentage of firms reporting month-over-month increases in production in August was 6, down from 21 in July but up from -13 in June (Tables 1 & 2, Chart). Production decelerated at all types of plants, though the slowdown was more pronounced at non-durable-goods producing plants. The majority of other month-over-month indexes also fell in August but stayed out of negative territory. The shipments index dropped from 24 to 2 and the new orders, order backlog, and employment indexes eased as well. The supplier delivery time index remained unchanged, while the new orders for exports index fell from 16 to 2, its lowest level in eight months. The raw materials inventory index increased after a three month decline, but the finished goods inventory index decreased from 6 to -6.

The year-over-year indexes were somewhat mixed in August. The production index eased from 7 to 1, and the shipments index remained basically unchanged. The employment index fell further into negative territory, and the new orders for exports index also dropped from 22 to 10. The capital expenditures index fell slightly after three months of solid growth. On the other hand, the new orders index edged up from 0 to 5, and the order backlog and supplier delivery time indexes also increased. Both inventories indexes decreased after rising last month.

In contrast to monthly and year-over-year indexes, most future factory activity indexes increased after slowing last month. The future production index climbed from 14 to 30, its highest level in over a year. The future shipments and new order indexes also posted solid gains in August, and the future order backlog index rose from 0 to 13. Meanwhile, the future employment and new orders for exports indexes eased slightly, and the future capital expenditures index fell from 19 to 7. However, most contacts reported favorable access to credit and expected no changes in the near future. The future raw materials inventory index dropped from -2 to -5, while the future finished goods inventory index remained unchanged.

Most price indexes moderated for the second straight month, but levels still remain quite high. The month-over-month finished goods index decreased from 33 to 30, and the raw materials index also fell considerably from 68 to 53. The year-over-year finished goods index increased from 61 to 68, while the year-over-year raw materials index remained basically unchanged. The future raw materials index remained steady at 73, and the future finished goods price index eased a bit from last month's record-high level.

Table1

Summary of Tenth District Manufacturing Conditions, August 2008

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	28	51	18	9	6	37	24	36	1	40	40	17	23	30
Volume of shipments	27	50	20	7	2	37	27	32	4	40	36	18	22	25
Volume of new orders	35	36	27	7	9	40	23	34	5	43	36	19	23	28
Backlog of orders	24	44	27	-3	-4	25	40	30	-4	27	50	18	9	13
Number of employees	18	61	19	0	0	29	27	40	-10	31	41	24	7	5
Average employee workweek	20	64	11	9	5	20	50	26	-5	16	63	18	-1	0
Prices received for finished product	31	64	2	28	30	73	18	5	68	54	39	3	51	53
Prices paid for raw materials	59	37	2	57	53	91	2	1	90	77	18	3	74	73
Capital expenditures						33	38	22	10	22	58	14	7	7
New orders for exports	13	69	9	4	2	18	63	8	10	17	68	5	11	10
Supplier delivery time	13	76	5	8	8	23	62	11	12	12	81	5	6	6
Inventories:														
Materials	25	49	24	0	1	32	38	27	5	25	46	27	-1	-5
Finished goods	18	54	24	-6	-6	26	41	27	-1	18	50	27	-9	-10

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.

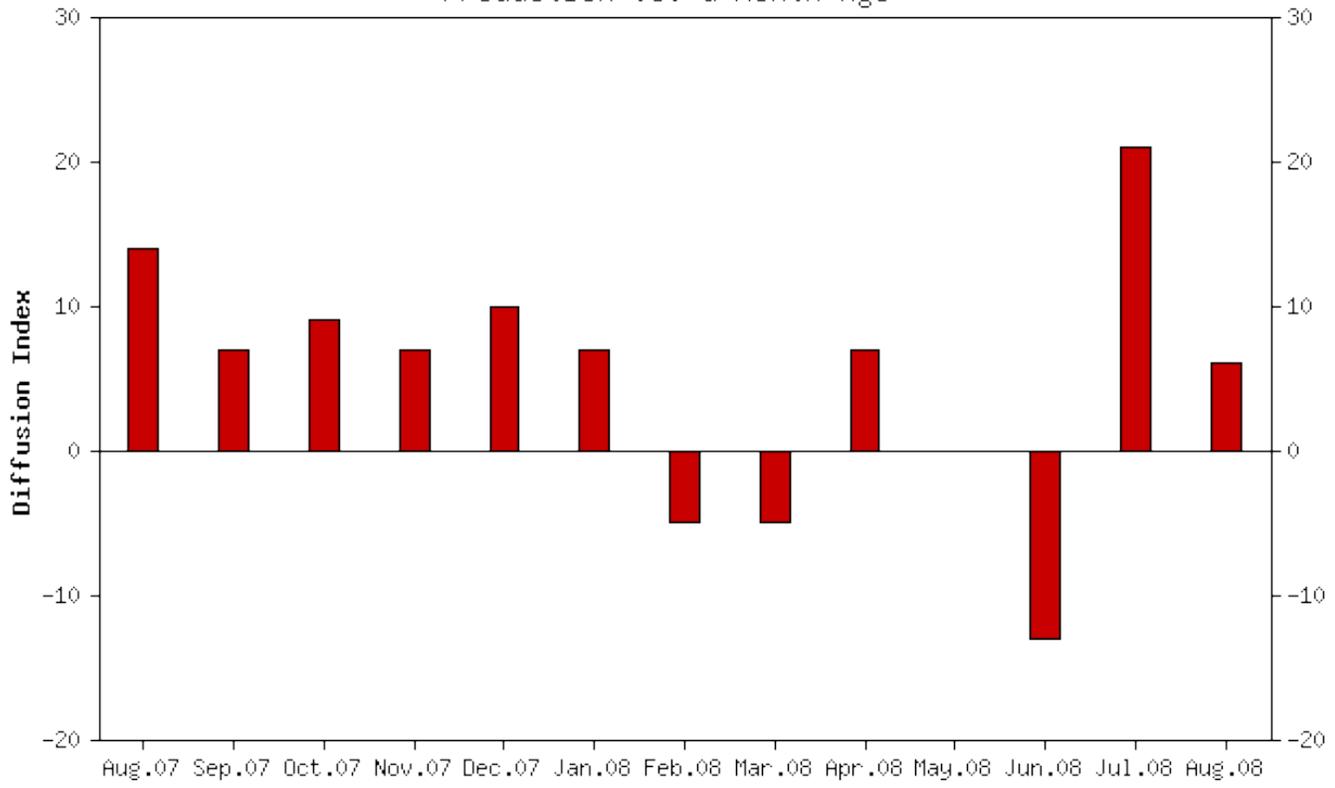
Note: The August survey included 122 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Aug'07	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08
Versus a Month Ago (seasonally adjusted)													
Production	14	7	9	7	10	7	-5	-5	7	0	-13	21	6
Volume of shipments	15	7	13	12	5	2	-5	-5	10	6	-14	24	2
Volume of new orders	20	5	0	12	8	15	6	-8	0	0	-3	19	9
Backlog of orders	4	1	-3	5	2	2	0	-5	-3	0	-12	0	-4
Number of employees	2	1	-1	-3	1	8	-5	-10	1	1	-9	4	0
Average employee workweek	3	1	-3	0	2	-3	-3	-5	4	-1	-2	7	5
Prices received for finished product	9	8	11	11	8	15	13	23	22	31	36	33	30
Prices paid for raw materials	21	29	35	43	32	47	58	64	63	70	70	68	53
Capital expenditures	n/a												
New orders for exports	5	4	3	4	2	8	4	13	7	17	8	16	2
Supplier delivery time	4	4	6	7	6	10	7	6	7	5	14	8	8
Inventories: Materials	-3	-2	-5	-5	-1	-4	-2	-3	4	2	-2	-4	1
Inventories: Finished goods	-3	-12	-6	-6	-3	3	7	6	12	0	-1	6	-6
Versus a Year Ago (not seasonally adjusted)													
Production	27	25	22	8	20	5	10	0	-5	-7	-10	7	1
Volume of shipments	22	27	23	18	22	11	13	0	0	-4	-10	5	4
Volume of new orders	25	24	19	18	8	18	13	-9	0	-5	-7	0	5
Backlog of orders	7	0	6	4	1	2	-3	-11	-8	-6	-8	-7	-4
Number of employees	10	14	4	8	9	10	8	5	0	-4	-6	-6	-10
Average employee workweek	0	4	5	-4	14	0	-3	-11	-11	-9	-11	-6	-5
Prices received for finished product	51	51	48	48	50	51	53	60	56	61	69	61	68
Prices paid for raw materials	62	67	71	75	70	75	84	84	87	95	88	91	90
Capital expenditures	16	11	16	18	18	12	15	14	10	11	11	17	10
New orders for exports	13	7	12	9	12	18	8	11	10	22	22	22	10
Supplier delivery time	9	10	12	7	6	5	10	11	21	10	19	11	12
Inventories: Materials	10	10	6	-1	2	0	4	0	7	3	-6	14	5
Inventories: Finished goods	8	7	0	-5	-3	0	10	6	5	0	-5	8	-1
Expected in Six Months (seasonally adjusted)													
Production	25	27	28	27	26	18	26	6	18	11	21	14	30
Volume of shipments	22	27	29	25	30	17	30	11	15	16	18	11	25
Volume of new orders	19	21	23	19	25	23	21	12	14	22	16	8	28
Backlog of orders	3	10	12	5	8	13	12	9	-1	2	6	0	13
Number of employees	13	12	10	11	20	18	11	10	11	6	3	9	5
Average employee workweek	1	3	7	-2	-1	0	0	-7	0	-3	-5	-1	0
Prices received for finished product	35	30	35	27	32	40	41	49	44	49	49	58	53
Prices paid for raw materials	55	53	51	58	62	61	73	74	82	82	84	73	73
Capital expenditures	16	17	15	19	17	9	19	11	10	14	16	19	7
New orders for exports	14	12	10	13	18	15	21	22	19	22	25	16	10
Supplier delivery time	7	3	8	6	3	4	8	10	10	10	8	2	6
Inventories: Materials	7	-11	-5	-3	4	-8	5	-6	-3	-2	4	-2	-5
Inventories: Finished goods	0	-15	-1	-2	0	-10	1	-1	2	-8	-4	-10	-10

Production vs. a Month Ago



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