



News Release

Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

News Release
Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198
Phone (816) 881-2683
Fax (816) 881-2569

FOR RELEASE Thursday, July 31, 2008
EMBARGOED FOR 11:00 A.M. EST

EMBARGOED FOR 11:00 A.M. EST

Tenth District manufacturing activity rebounded considerably in July, although firms' expectations for future activity diminished slightly. Most price indexes remained near historically high levels, and plans for future pass-through of prices intensified.

A summary of the July 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 rebounded considerably in July, although firms' expectations for future activity diminished slightly. Most price indexes remained near historically high levels, and plans for future pass-through of prices intensified.

The net percentage of firms reporting month-over-month increases in production in July was 21, up from -13 in June and 0 in May (Tables 1 & 2, Chart). Production increased at both durable and non-durable-goods producing plants. The majority of other month-over-month indexes also rose in July. It should be noted that some monthly seasonal adjustment factors are rather large in June and July, but a rebound in activity was still evident. The shipments and new orders indexes both jumped considerably, and the order backlog index increased from -12 to 0. Both employment indexes moved into positive territory and the new export orders index doubled from 8 to 16. The raw materials inventory index continued to fall, but the finished goods index rose from -1 to 6.

The year-over-year indexes also posted solid gains in July. The production index jumped from -10 to 7, the first positive number in four months, and the shipments index also increased. The new orders, order backlog, and employee workweek indexes rebounded from the previous survey, while the employment and new export orders indexes remained unchanged. The capital expenditures index increased from 11 to 17, after three months of almost no growth. Both inventory indexes jumped substantially after falling for two straight months.

In contrast to monthly and year-over-year indexes, most future factory activity indexes fell slightly, indicating some caution on the part of manufacturers. The future production index eased from 21 to 14, and the shipments, new orders, and order backlog indexes also decreased, though they still remained positive. The future new orders for exports index moderated slightly from 25 to 16, but the future employment index increased from 3 to 9. The future capital expenditures index also rose from 16 to 19. Both inventory indexes fell back down after improving last month.

Most price indexes moderated slightly in July, but levels still remain near record highs. The month-over-month finished goods index decreased from 36 to 33, and the raw materials index also fell from 70 to 68. The year-over-year finished goods index dropped from 69 to 61, while the year-over-year raw materials index increased slightly. The future raw materials index eased from 84 to 73, but the future finished goods price index jumped from an already record high of 49 to a new high of 58, indicating enhanced plans for price pass-through in coming months.

Table1

Summary of Tenth District Manufacturing Conditions, July 2008

Plant Level Indicators	July vs. June (percent) ¹					July vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	Index ²	Index ³	No		Diff	Index ²	No		Diff	SA
	Increase	Change	Decrease	Increase			Change	Decrease	Increase		Change	Decrease	Increase	Change
Production	39	37	22	17	21	42	19	35	7	38	36	22	15	14
Volume of shipments	37	38	22	14	24	41	21	36	5	37	36	25	12	11
Volume of new orders	33	40	23	10	19	37	21	37	0	33	38	25	7	8
Backlog of orders	25	47	24	1	0	25	36	33	-7	24	44	26	-2	0
Number of employees	18	64	16	2	4	29	33	35	-6	30	46	21	9	9
Average employee workweek	22	63	14	7	7	15	60	22	-6	15	65	17	-1	-1
Prices received for finished product	37	57	3	33	33	70	18	8	61	60	33	3	56	58
Prices paid for raw materials	70	27	1	68	68	93	2	2	91	80	15	2	77	73
Capital expenditures						39	35	22	17	31	52	14	17	19
New orders for exports	17	71	1	15	16	26	58	4	22	19	66	3	16	16
Supplier delivery time	13	81	3	9	8	23	62	11	11	10	81	6	3	2
Inventories:														
Materials	19	54	25	-5	-4	37	39	22	14	22	49	25	-2	-2
Finished goods	22	57	17	5	6	27	48	18	8	14	56	25	-10	-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.

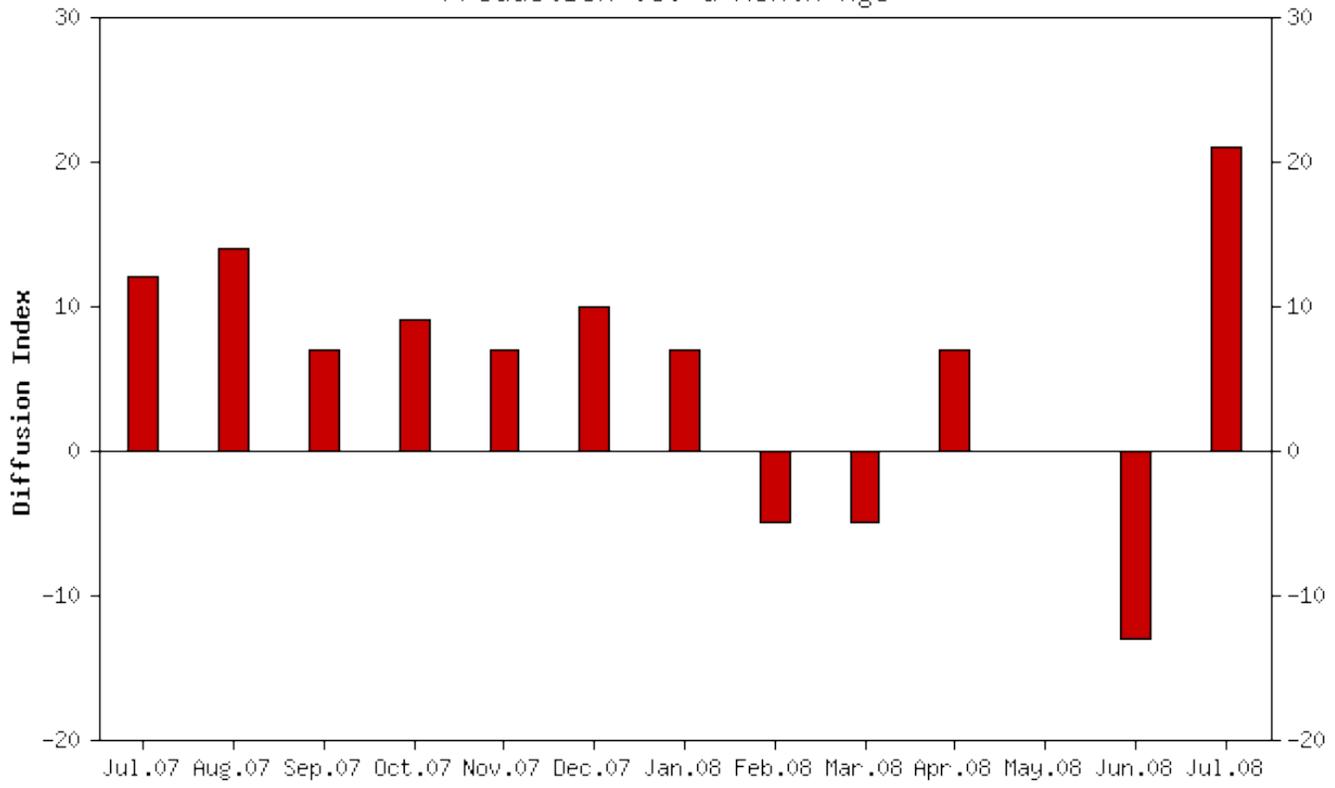
Note: The July survey included 127 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jul'07	Aug'07	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08
Versus a Month Ago (seasonally adjusted)													
Production	12	14	7	9	7	10	7	-5	-5	7	0	-13	21
Volume of shipments	14	15	7	13	12	5	2	-5	-5	10	6	-14	24
Volume of new orders	8	20	5	0	12	8	15	6	-8	0	0	-3	19
Backlog of orders	0	4	1	-3	5	2	2	0	-5	-3	0	-12	0
Number of employees	2	2	1	-1	-3	1	8	-5	-10	1	1	-9	4
Average employee workweek	0	3	1	-3	0	2	-3	-3	-5	4	-1	-2	7
Prices received for finished product	12	9	8	11	11	8	15	13	23	22	31	36	33
Prices paid for raw materials	43	21	29	35	43	32	47	58	64	63	70	70	68
Capital expenditures	n/a												
New orders for exports	5	5	4	3	4	2	8	4	13	7	17	8	16
Supplier delivery time	5	4	4	6	7	6	10	7	6	7	5	14	8
Inventories: Materials	11	-3	-2	-5	-5	-1	-4	-2	-3	4	2	-2	-4
Inventories: Finished goods	0	-3	-12	-6	-6	-3	3	7	6	12	0	-1	6
Versus a Year Ago (not seasonally adjusted)													
Production	16	27	25	22	8	20	5	10	0	-5	-7	-10	7
Volume of shipments	16	22	27	23	18	22	11	13	0	0	-4	-10	5
Volume of new orders	15	25	24	19	18	8	18	13	-9	0	-5	-7	0
Backlog of orders	2	7	0	6	4	1	2	-3	-11	-8	-6	-8	-7
Number of employees	22	10	14	4	8	9	10	8	5	0	-4	-6	-6
Average employee workweek	1	0	4	5	-4	14	0	-3	-11	-11	-9	-11	-6
Prices received for finished product	52	51	51	48	48	50	51	53	60	56	61	69	61
Prices paid for raw materials	79	62	67	71	75	70	75	84	84	87	95	88	91
Capital expenditures	16	16	11	16	18	18	12	15	14	10	11	11	17
New orders for exports	13	13	7	12	9	12	18	8	11	10	22	22	22
Supplier delivery time	9	9	10	12	7	6	5	10	11	21	10	19	11
Inventories: Materials	17	10	10	6	-1	2	0	4	0	7	3	-6	14
Inventories: Finished goods	6	8	7	0	-5	-3	0	10	6	5	0	-5	8
Expected in Six Months (seasonally adjusted)													
Production	27	25	27	28	27	26	18	26	6	18	11	21	14
Volume of shipments	28	22	27	29	25	30	17	30	11	15	16	18	11
Volume of new orders	21	19	21	23	19	25	23	21	12	14	22	16	8
Backlog of orders	11	3	10	12	5	8	13	12	9	-1	2	6	0
Number of employees	17	13	12	10	11	20	18	11	10	11	6	3	9
Average employee workweek	5	1	3	7	-2	-1	0	0	-7	0	-3	-5	-1
Prices received for finished product	37	35	30	35	27	32	40	41	49	44	49	49	58
Prices paid for raw materials	63	55	53	51	58	62	61	73	74	82	82	84	73
Capital expenditures	19	16	17	15	19	17	9	19	11	10	14	16	19
New orders for exports	18	14	12	10	13	18	15	21	22	19	22	25	16
Supplier delivery time	6	7	3	8	6	3	4	8	10	10	10	8	2
Inventories: Materials	11	7	-11	-5	-3	4	-8	5	-6	-3	-2	4	-2
Inventories: Finished goods	5	0	-15	-1	-2	0	-10	1	-1	2	-8	-4	-10

Production vs. a Month Ago



[Federal Reserve Bank of Kansas City](#)
[Manufacturing Survey Home Page](#)