



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Thursday, August 26, 2010
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Tenth District manufacturing activity slowed in August, and producers were somewhat less optimistic than in previous months. Price indexes in the survey were mostly unchanged.

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 slowed in August, and producers were somewhat less optimistic than in previous months. Price indexes in the survey were mostly unchanged.

The net percentage of firms reporting month-over-month increases in production in August was 0, down from 14 in July and 3 in June (Tables 1 & 2, Chart). The slowdown in production occurred among both durable and nondurable goods producing plants, with the exception of aircraft and electronic equipment producers, who reported some improvements. Other month-over-month indicators also fell. The shipments, new orders, and employment indexes dropped into negative territory, and the order backlog index slipped from -2 to -16. The new orders for exports index was essentially flat, while supplier delivery times increased modestly. The raw materials inventory index rose from -1 to 6, and the finished goods inventory index also inched higher.

Year-over-year factory indexes decreased after a strong rebound last month, but remained in positive territory. The production index fell from 25 to 18, and the shipments, new orders, and order backlog indexes also slowed. The capital expenditure index dropped from 4 to -9, and the new orders for exports index also eased somewhat. In contrast, the employment index edged higher from -10 to -8, its highest level since mid-2008. The raw materials inventory index rose from -9 to -5, but the finished goods inventory index decreased for the second straight month.

Future factory activity indexes mostly fell in August, but remained suggestive of modest future growth. The future production index dropped from 23 to 10, and the future shipments, new orders, and order backlog indexes also decreased. In contrast, the future capital expenditures index was largely unchanged, while the future new orders for exports index rose modestly. The future employment index also inched higher after four straight months of decreases. Both inventory indexes increased slightly.

Most price indexes showed little change from the previous survey. The month-over-month finished goods price index rose from -9 to -4, while the raw materials price index remained unchanged. Both year-over-year price indexes were generally stable as well. The future raw materials price index edged higher from 26 to 30, while the future finished goods price index slowed slightly from 9 to 7, as only a small number of firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, August 2010

	August vs. July (percent) ¹					August vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	Increase	No Change	Decrease	Diff Index ²	SA Index ³	Increase	No Change	Decrease	Diff Index ²	Increase	No Change	Decrease	Diff Index ²	SA Index ³
Plant Level Indicators														
Production	31	40	27	4	0	46	23	28	18	39	30	28	10	10
Volume of shipments	31	37	30	1	-6	48	21	29	18	37	31	28	9	9
Volume of new orders	28	35	35	-7	-13	47	20	31	16	37	36	22	15	16
Backlog of orders	19	44	32	-12	-16	32	34	28	3	31	37	26	5	4
Number of employees	18	62	16	1	-2	26	37	34	-8	28	47	21	6	2
Average employee workweek	15	67	16	0	-6	30	48	20	9	19	58	19	0	-2
Prices received for finished product	9	76	12	-2	-4	28	46	21	7	24	58	13	10	7
Prices paid for raw materials	27	65	6	21	14	61	27	9	51	45	46	5	40	30
Capital expenditures						25	38	34	-9	20	54	22	-2	-4
New orders for exports	9	74	6	2	-1	21	60	8	12	12	71	3	9	7
Supplier delivery time	10	82	5	5	3	18	66	13	4	12	78	4	8	6
Inventories:														
Materials	22	60	16	6	6	25	43	30	-5	21	53	20	0	-6
Finished goods	19	56	20	0	2	21	43	29	-8	18	55	18	0	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.

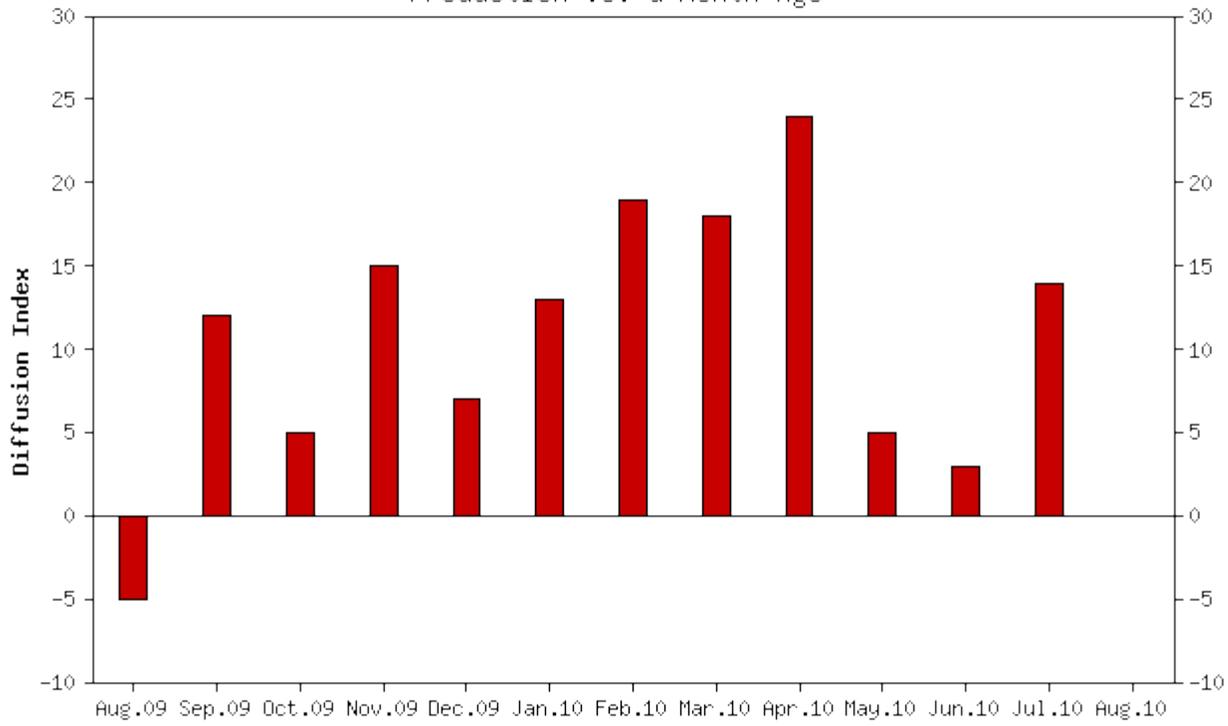
Note: The August survey included 132 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10	Mar'10	Apr'10	May'10	Jun'10	Jul'10	Aug'10
Versus a Month Ago (seasonally adjusted)													
Production	-5	12	5	15	7	13	19	18	24	5	3	14	0
Volume of shipments	-13	8	0	8	3	9	14	17	27	-3	1	12	-6
Volume of new orders	-8	7	7	10	0	9	11	12	15	-2	0	9	-13
Backlog of orders	-17	-10	-1	0	-4	0	-5	7	11	-3	-9	-2	-16
Number of employees	-10	-3	-4	0	-1	2	-4	3	5	1	-1	5	-2
Average employee workweek	-9	8	-3	4	0	4	-3	1	6	9	-2	1	-6
Prices received for finished product	-12	-6	-6	1	-1	0	0	5	5	-1	-14	-9	-4
Prices paid for raw materials	0	9	12	21	22	42	45	42	53	37	14	14	14
Capital expenditures	n/a												
New orders for exports	0	2	3	2	5	6	0	4	5	0	3	0	-1
Supplier delivery time	0	3	3	11	8	8	12	11	10	15	5	0	3
Inventories: Materials	-20	-15	-4	-6	-12	-7	-1	3	-7	6	-4	-1	6
Inventories: Finished goods	-10	-7	2	-6	-1	0	0	-7	-9	6	1	0	2
Versus a Year Ago (not seasonally adjusted)													
Production	-60	-46	-40	-31	-30	-10	-9	-1	14	16	9	25	18
Volume of shipments	-57	-43	-40	-28	-31	-10	-11	-5	15	13	6	25	18
Volume of new orders	-57	-43	-37	-16	-25	-11	-8	-3	19	23	6	23	16
Backlog of orders	-52	-48	-44	-24	-32	-14	-19	-13	-3	0	-5	6	3
Number of employees	-66	-56	-47	-49	-48	-39	-29	-31	-18	-18	-12	-10	-8
Average employee workweek	-50	-40	-33	-28	-32	-20	-11	-10	-1	8	-4	5	9
Prices received for finished product	-27	-14	-14	-12	-10	-1	-4	7	7	9	9	7	7
Prices paid for raw materials	-17	-9	-5	-12	6	25	38	55	58	63	53	50	51
Capital expenditures	-23	-24	-25	-26	-31	-14	-15	-8	-5	-5	-5	4	-9
New orders for exports	-16	-7	-6	-8	0	6	7	2	7	8	7	14	12
Supplier delivery time	-8	1	-2	-3	0	-1	2	10	8	10	0	3	4
Inventories: Materials	-37	-37	-37	-34	-35	-18	-20	-17	-12	-14	-14	-9	-5
Inventories: Finished goods	-25	-17	-14	-24	-12	-14	-14	-11	-9	-8	-4	-5	-8
Expected in Six Months (seasonally adjusted)													
Production	19	17	24	32	17	35	24	33	22	32	21	23	10
Volume of shipments	12	12	18	31	15	35	32	36	21	33	24	22	9
Volume of new orders	19	17	26	23	17	25	25	27	28	31	23	23	16
Backlog of orders	7	0	13	16	7	12	5	16	9	16	12	11	4
Number of employees	-7	1	4	8	2	9	18	20	18	14	9	1	2
Average employee workweek	0	5	5	16	8	7	13	10	4	13	2	0	-2
Prices received for finished product	-3	1	0	5	8	12	15	19	17	17	11	9	7
Prices paid for raw materials	23	20	28	32	31	60	59	55	61	45	40	26	30
Capital expenditures	-2	-8	-5	-1	0	14	3	5	11	5	-4	-3	-4
New orders for exports	6	7	10	9	11	13	12	5	11	7	5	5	7
Supplier delivery time	-2	4	-1	6	10	6	6	9	15	9	0	8	6
Inventories: Materials	-13	-12	-6	-3	-2	3	6	4	3	-10	-10	-8	-6
Inventories: Finished goods	-15	-11	-7	-5	2	2	1	-4	0	-6	-11	-4	0

Production vs. a Month Ago



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