

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## GROWTH IN MANUFACTURING ACTIVITY EDGED HIGHER Federal Reserve Bank of Kansas City Releases September Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the September Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing activity edged higher in September, and although expectations moderated slightly, producers on net still anticipated increased activity over the next six months.

“Factory activity in our region continues to grow modestly, and firms generally expect this trend to continue,” said Wilkerson. “Price indexes also edged higher this month after generally decelerating earlier in the summer.”

A summary of the September survey is attached. Results from past surveys and release dates for future surveys can be found at [www.kansascityfed.org/research/indicatorsdata/mfg](http://www.kansascityfed.org/research/indicatorsdata/mfg).

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at [www.kansascityfed.org](http://www.kansascityfed.org).

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# Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity edged higher in September. Expectations moderated slightly, but producers on net still anticipated increased activity over the next six months. Price indexes moved up modestly, with slightly more producers planning to raise selling prices.

The month-over-month composite index was 6 in September, up from 3 in August and 3 in July (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The increase was mainly concentrated in durable goods plants, particularly for aircraft and computer equipment, while nondurable goods producers reported a continued slowing in activity. Most other month-over-month indexes also improved modestly in September. The production index rose from -2 to 3, and the shipments, new orders, and order backlog indexes also edged up. The employment index increased for the second straight month, but the new orders for exports index fell slightly after rising last month. Both inventory indexes increased somewhat.

Year-over-year factory indexes were mixed, but remained at generally solid levels. The composite year-over-year index fell further from 21 to 15, while the production index remained unchanged. The shipments, order backlog, and new orders for exports indexes all rose slightly, and the capital expenditures index increased to its highest level in nearly a year. In contrast, the new orders index moved lower from 22 to 18, and the employment index also edged down. Both inventory indexes decreased after rising in August.

Most future factory indexes eased further in September, but producers on net still expected factory activity to rise heading forward. The future composite index edged down from 9 to 6, and the future shipments and new order indexes also fell but remained in positive territory. The future capital expenditures index dropped from 18 to 5, and the future employment index also eased. However, the future production index was unchanged, and the future order backlog index inched higher. The future finished goods inventory index rose slightly from -6 to -5, while the future raw materials inventory index fell further.

Price indexes increased slightly after generally easing in recent months. The month-over-month raw materials price index edged up from 28 to 30, and the finished goods price index also increased. The year-over-year finished goods and raw materials price indexes both moved higher. The future raw materials price index inched upward from 77 to 78, and the future finished goods price index increased after falling for two straight months, indicating slightly more firms plan to pass recent cost increases through to customers.

Table1

## Summary of Tenth District Manufacturing Conditions, September 2011

	September vs. August (percent) <sup>1</sup>					September vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No Increase	No Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>
<b>Plant Level Indicators</b>														
<b>Composite Index</b>				7	6				15				7	6
<b>Production</b>	32	42	26	6	3	47	24	28	19	38	34	25	13	12
<b>Volume of shipments</b>	34	40	27	7	3	48	23	27	22	41	30	26	15	15
<b>Volume of new orders</b>	35	33	31	4	5	45	26	27	18	37	37	22	16	14
<b>Backlog of orders</b>	25	45	29	-4	-6	33	36	27	6	22	48	23	-1	0
<b>Number of employees</b>	27	60	12	15	12	42	30	24	18	29	51	18	11	9
<b>Average employee workweek</b>	24	61	15	9	6	36	47	16	21	16	59	23	-8	-10
<b>Prices received for finished product</b>	19	77	4	15	11	60	28	9	52	33	57	8	25	25
<b>Prices paid for raw materials</b>	41	49	7	34	30	84	9	6	78	64	28	7	57	54
<b>Capital expenditures</b>						36	42	21	16	25	56	16	9	5
<b>New orders for exports</b>	9	71	9	1	-2	20	59	10	9	14	62	11	3	1
<b>Supplier delivery time</b>	9	79	9	1	-1	18	67	12	6	9	81	8	1	2
<b>Inventories:</b>														
<b>Materials</b>	31	47	21	10	11	39	36	23	16	22	47	28	-6	-8
<b>Finished goods</b>	23	56	18	5	6	27	46	23	3	22	47	26	-3	-5

<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.

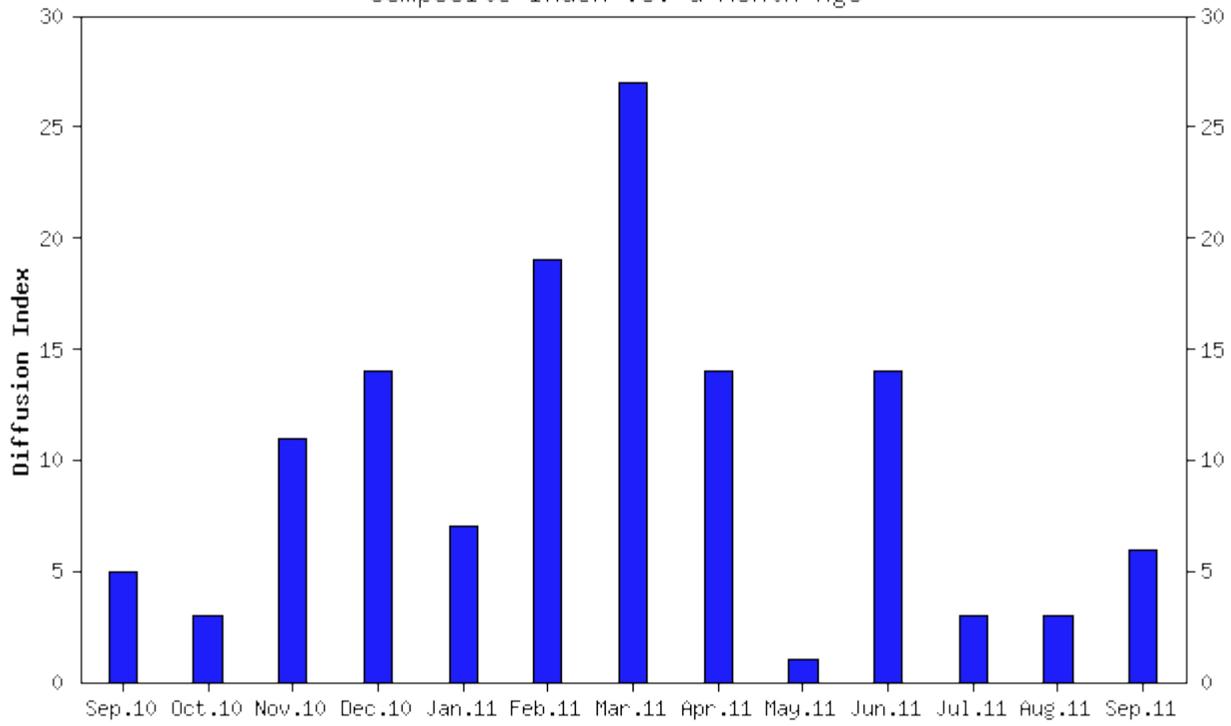
Note: The September survey included 116 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11
<b>Versus a Month Ago (seasonally adjusted)</b>													
Composite Index	5	3	11	14	7	19	27	14	1	14	3	3	6
Production	14	11	17	21	11	23	39	17	-2	22	2	-2	3
Volume of shipments	13	8	11	20	5	13	37	21	-8	25	-0	-2	3
Volume of new orders	9	14	21	16	0	28	31	11	-15	10	-5	1	5
Backlog of orders	3	3	5	9	2	8	25	9	-19	10	-19	-10	-6
Number of employees	-2	-0	8	11	8	23	25	17	9	17	4	8	12
Average employee workweek	2	3	4	10	6	8	25	1	-3	9	-2	-5	6
Prices received for finished product	-1	2	2	16	11	20	21	28	14	10	14	4	11
Prices paid for raw materials	25	26	34	55	70	66	72	70	54	36	39	28	30
Capital expenditures	n/a												
New orders for exports	10	-0	11	5	5	14	9	5	6	8	-8	1	-2
Supplier delivery time	5	3	12	7	11	15	22	18	10	7	9	4	-1
Inventories: Materials	-1	-11	-1	13	7	6	20	7	1	16	7	6	11
Inventories: Finished goods	4	-12	1	4	3	1	5	5	8	8	3	2	6
<b>Versus a Year Ago (not seasonally adjusted)</b>													
Composite Index	9	3	15	20	23	21	30	31	30	31	24	21	15
Production	22	7	27	32	29	34	35	43	41	40	28	19	19
Volume of shipments	26	13	29	33	28	29	38	41	39	42	32	19	22
Volume of new orders	21	9	28	31	34	35	35	40	37	39	30	22	18
Backlog of orders	5	0	10	20	25	16	26	28	25	23	17	5	6
Number of employees	-2	-8	6	13	17	13	28	25	25	29	24	23	18
Average employee workweek	6	-2	10	19	22	21	27	26	30	29	20	10	21
Prices received for finished product	11	18	15	23	24	30	48	46	45	45	50	46	52
Prices paid for raw materials	48	58	62	68	73	80	89	89	87	85	84	77	78
Capital expenditures	-1	0	10	19	2	10	14	4	14	13	8	13	16
New orders for exports	12	7	19	10	13	22	12	14	13	8	7	8	9
Supplier delivery time	7	8	16	18	18	17	25	23	21	19	20	13	6
Inventories: Materials	-3	-3	-1	6	18	7	26	22	25	28	20	26	16
Inventories: Finished goods	-2	-7	0	6	12	5	19	14	17	12	4	17	3
<b>Expected in Six Months (seasonally adjusted)</b>													
Composite Index	13	13	12	21	20	30	23	20	13	15	14	9	6
Production	24	28	20	39	24	50	32	30	29	25	21	12	12
Volume of shipments	22	29	21	33	23	53	33	37	26	23	27	17	15
Volume of new orders	27	26	22	31	28	42	31	32	16	20	20	20	14
Backlog of orders	23	8	11	17	8	20	12	14	12	6	9	-1	0
Number of employees	9	8	12	24	21	27	19	21	20	16	17	12	9
Average employee workweek	6	2	1	12	5	8	1	10	-1	5	-1	-1	-10
Prices received for finished product	11	17	27	34	28	39	40	42	30	34	25	20	25
Prices paid for raw materials	41	46	63	76	71	76	81	73	58	55	60	53	54
Capital expenditures	8	5	11	21	17	23	24	20	18	10	16	18	5
New orders for exports	12	13	13	16	11	25	17	12	17	16	8	6	1
Supplier delivery time	6	8	9	8	15	17	17	13	1	9	9	5	2
Inventories: Materials	-2	-4	-2	5	13	14	15	3	1	3	4	-6	-8
Inventories: Finished goods	-3	-16	-5	-2	2	5	11	2	5	4	-4	-6	-5

Composite Index vs. a Month Ago



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