



News Release

Federal Reserve Bank of Kansas City

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Growth in manufacturing activity in the Tenth Federal Reserve District slowed in September, but activity was still well above year-ago levels and plant managers remained optimistic about future growth. Materials price pressures eased somewhat, but finished goods price increases were expected to persist.

A summary of the September 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 manufacturing activity in the Tenth Federal Reserve District slowed in September, but activity was still well above year-ago levels and plant managers remained optimistic about future growth. Materials price pressures eased somewhat, but finished goods price increases were expected to persist.

The net percentage of firms reporting month-over-month increases in production in September was 6, down from 17 in August and the lowest reading in over a year (Tables 1 & 2, Chart). The slower growth was due to weaker growth among nondurable-goods producing plants, as a similar share of durable goods producers as in recent months reported production increases. The year-over-year production index was unchanged at 33. The future production index was also largely unchanged, edging down from 27 to 25. Although sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest that production was flat to down slightly in Colorado, western Missouri, Oklahoma, and Wyoming but still well above year-ago levels in all district states.

Other month-over-month indexes of factory activity were somewhat mixed compared with August. Like the production index, the shipments and new orders indexes were both down moderately but still positive. On the other hand, the backlog and employment indexes both rebounded after dropping in August. The inventory indexes also rose after edging down a month ago.

Like production, most other year-over-year indexes were virtually unchanged from August readings. The shipments and new orders indexes remained in the mid-30s; the employment, capital spending, and materials inventories indexes were in the low 20s; and the backlog and finished goods inventory indexes were in the mid-teens.

Plant managers' expectations for future factory activity were largely unchanged from August and still generally quite positive. The future shipments index remained at 31, while the future new orders, employment, and capital spending indexes each edged up. On the other hand, the future supplier delivery time index fell for the third straight month.

The price indexes in the survey showed some moderation in materials price pressures but expectations of persistent finished goods price increases. The month-over-month raw materials price index dropped 10 points, while the month-over-month finished goods price index was largely unchanged. The year-over-year price indexes both rose, especially the finished goods price index, which reached an all-time high of 66. The forward-looking price indexes moved in opposite directions, with the gap between the two narrowing considerably. The future raw materials price index dropped from 58 to 45, the third straight monthly decline, while the future finished goods price index rose from 23 to 32, a similar level as earlier in the summer.

Table1

Summary of Tenth District Manufacturing Conditions, September 2006

Plant Level Indicators	September vs. August (percent) ¹					September vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA	
	Increase	Change	Decrease	Index ²		Index ³	Increase	Change		Decrease	Index ²	Increase	Change	Decrease
Production	33	43	21	11	6	55	20	22	33	46	31	20	26	25
Volume of shipments	35	37	25	10	5	59	17	21	37	49	28	20	29	31
Volume of new orders	33	45	17	16	13	52	25	18	33	40	36	17	23	26
Backlog of orders	27	53	15	11	10	37	40	15	22	25	48	20	4	9
Number of employees	28	55	14	13	12	41	27	27	14	32	46	18	13	14
Average employee workweek	20	63	15	4	1	24	50	21	2	17	59	21	-3	0
Prices received for finished product	23	70	4	18	16	72	19	5	66	37	55	4	33	32
Prices paid for raw materials	45	46	6	38	38	82	12	2	79	54	37	5	48	45
Capital expenditures						37	42	16	21	36	48	10	26	25
New orders for exports	9	70	8	0	2	17	61	9	7	14	67	5	8	9
Supplier delivery time	7	83	5	1	0	19	67	7	11	10	77	6	3	0
Inventories:														
Materials	29	54	14	14	14	34	47	12	22	24	52	20	3	1
Finished goods	20	60	15	4	6	27	55	12	14	23	52	18	4	3

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.

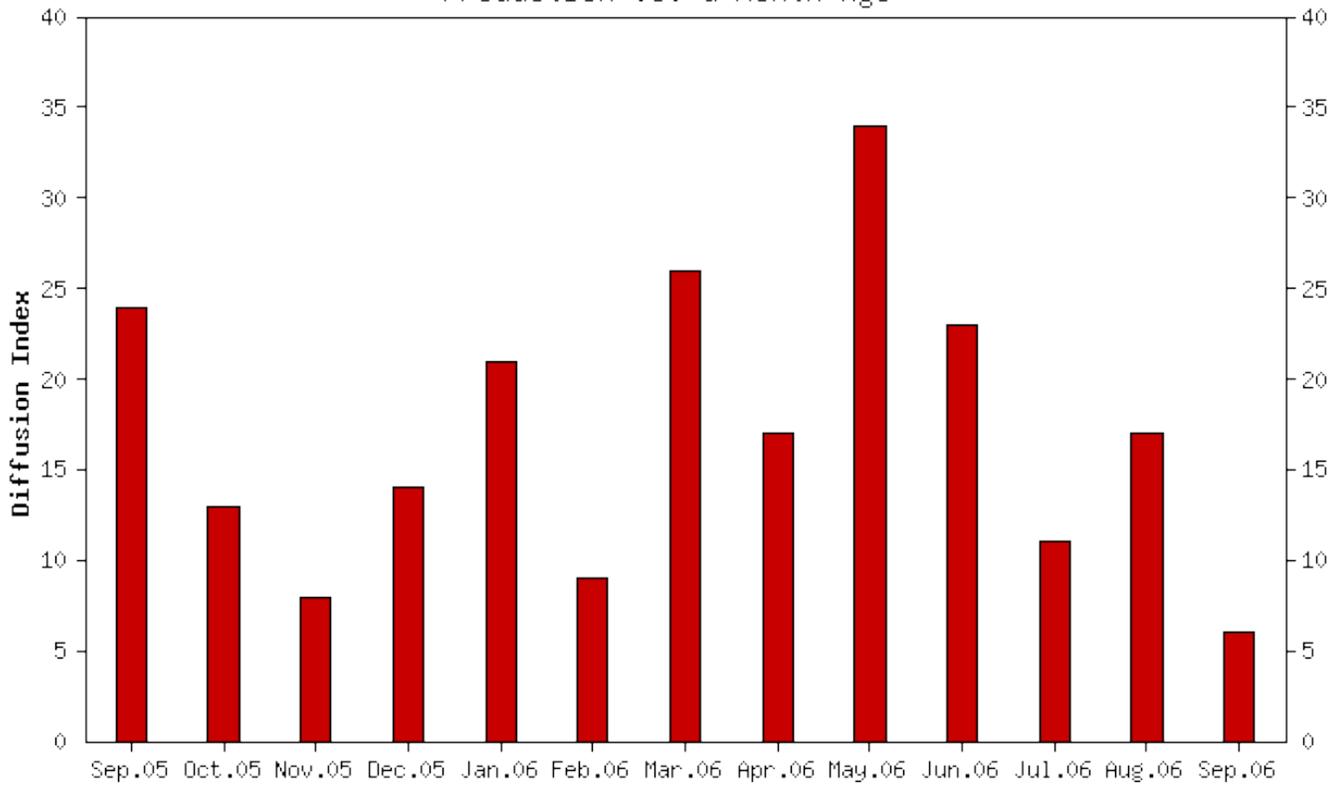
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The September survey included 103 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Sep'05	Oct'05	Nov'05	Dec'05	Jan'06	Feb'06	Mar'06	Apr'06	May'06	Jun'06	Jul'06	Aug'06	Sep'06
Versus a Month Ago (seasonally adjusted)													
Production	24	13	8	14	21	9	26	17	34	23	11	17	6
Volume of shipments	13	12	1	5	16	-4	12	9	30	20	7	16	5
Volume of new orders	18	16	13	13	19	10	21	25	31	22	8	21	13
Backlog of orders	14	16	10	12	9	13	2	9	9	12	8	3	10
Number of employees	3	11	9	7	14	15	16	18	14	21	8	-2	12
Average employee workweek	9	8	2	15	6	1	8	15	12	8	2	6	1
Prices received for finished product	19	17	16	18	19	17	13	18	15	25	21	17	16
Prices paid for raw materials	56	51	45	45	36	38	35	47	54	57	48	48	38
Capital expenditures	n/a												
New orders for exports	6	6	10	5	10	4	6	5	8	5	4	4	2
Supplier delivery time	13	11	11	8	7	8	9	14	13	18	18	9	0
Inventories: Materials	2	1	6	16	13	14	11	10	17	21	9	7	14
Inventories: Finished goods	0	2	7	13	17	17	14	10	4	17	3	0	6
Versus a Year Ago (not seasonally adjusted)													
Production	55	36	38	26	48	37	39	39	54	47	35	33	33
Volume of shipments	49	38	40	26	43	31	33	33	43	42	37	32	37
Volume of new orders	49	41	40	32	54	30	35	43	46	40	34	34	33
Backlog of orders	29	25	32	31	29	16	24	28	24	29	27	22	22
Number of employees	21	20	19	20	22	24	24	24	25	28	27	17	14
Average employee workweek	17	20	16	21	20	13	19	15	17	14	20	10	2
Prices received for finished product	55	50	45	58	47	52	54	58	57	60	58	52	66
Prices paid for raw materials	82	83	70	85	69	70	78	83	80	83	82	74	79
Capital expenditures	15	31	29	33	31	22	30	25	35	25	20	23	21
New orders for exports	12	16	14	16	13	9	17	16	14	14	16	16	7
Supplier delivery time	25	19	15	14	18	10	13	16	15	29	26	14	11
Inventories: Materials	21	15	22	19	11	27	24	24	27	35	17	21	22
Inventories: Finished goods	19	10	14	15	16	22	19	14	21	25	4	15	14
Expected in Six Months (seasonally adjusted)													
Production	32	23	29	33	29	47	46	37	36	23	37	27	25
Volume of shipments	31	25	31	31	28	51	31	30	35	18	45	31	31
Volume of new orders	21	24	29	26	45	41	30	32	41	10	35	22	26
Backlog of orders	7	10	10	9	22	17	8	15	16	-1	23	14	9
Number of employees	14	19	1	15	31	14	23	23	19	20	32	11	14
Average employee workweek	0	3	0	3	6	17	7	3	7	0	6	11	0
Prices received for finished product	37	34	37	44	38	29	36	33	34	37	35	23	32
Prices paid for raw materials	65	69	58	63	58	55	59	67	65	71	61	58	45
Capital expenditures	17	21	21	30	26	17	20	14	8	7	22	21	25
New orders for exports	9	11	7	14	8	9	12	12	10	10	13	9	9
Supplier delivery time	9	10	8	10	12	4	8	2	0	20	11	8	0
Inventories: Materials	3	3	9	3	5	16	3	2	5	12	10	2	1
Inventories: Finished goods	4	4	4	4	4	12	2	2	6	7	3	-4	3

Production vs. a Month Ago



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