



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 27, 2006
EMBARGOED FOR 11:00 A.M. EST

EMBARGOED FOR 11:00 A.M. EST

Growth in manufacturing activity in the Tenth Federal Reserve District eased in July, following solid expansion in June. However, expectations for future factory activity rebounded strongly following a sizable decline last month. The price indexes in the survey all fell slightly but remained high by historical standards.

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

Growth in manufacturing activity in the Tenth Federal Reserve District eased in July, following solid expansion in June. However, expectations for future factory activity rebounded strongly following a sizable decline last month. The price indexes in the survey all fell slightly but remained high by historical standards.

The net percentage of firms reporting month-over-month increases in production in July was 11, down from 23 in June and 34 in May (Tables 1 & 2, Chart). The somewhat slower growth was broad-based, as production decelerated at both durable- and nondurable-goods-producing plants. The year-over-year production index decreased slightly for the second straight month as well, falling from 47 to 35. The future production index rebounded from a sizable drop in June, rising from 23 to 37. Although sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest that production remained well above year-ago levels in all district states.

The majority of other month-over-month indexes of factory activity were down from last month. The shipments index fell considerably for the second straight month, dropping from 20 to 7. The new orders index had a sharp drop this month, falling from 22 to 8, and the order backlog and employment indexes also declined. Inventory indexes experienced a sharp decrease after recording a five-year high in June. On the other hand, the new orders for exports and supplier delivery time indexes were largely unchanged from last month.

Most other year-over-year indexes decreased or remained relatively unchanged in July, although district factory activity overall remains much stronger than a year ago. The shipments index fell slightly from 42 to 37, and the new orders index decreased from 40 to 34. The capital expenditures index eased slightly for the second straight month after recording an all-time high in May. In addition, both inventory indexes fell after posting their highest levels in over a year.

Plant managers' expectations for future factory activity showed considerable improvement from June, with most indexes increasing or remaining unchanged. The future shipments index was up from 18 to 45 and the new orders index also jumped from 10 to 35, following a month in which both indexes posted their lowest readings in over four years. In addition, future backlog, employment, and employee workweek indexes all recorded solid gains. The future capital expenditures index rebounded strongly after posting a three-year low and three straight months of decline.

The price indexes in the survey each decreased slightly from June readings but remained high by historical standards. The month-over-month raw materials price index fell from 57 to 48, with the finished goods price index also easing slightly. The year-over-year price indexes both edged down slightly. The future raw materials price index fell from 71 to 61 after reaching an all-time high in June, while the future finished goods price index eased from 37 to 35.

Table1

Summary of Tenth District Manufacturing Conditions, July 2006

Plant Level Indicators	July vs. June (percent) ¹					July vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	No Change	Decrease	Diff Index ²	SA Index ³	No Increase	No Change	Decrease	Diff Index ²	No Increase	No Change	Decrease	Diff Index ²	SA Index ³
Production	33	42	22	11	11	54	26	18	35	52	31	15	37	37
Volume of shipments	33	33	31	1	7	56	21	19	37	55	26	15	40	45
Volume of new orders	33	39	25	7	8	54	24	19	34	50	30	17	32	35
Backlog of orders	29	49	19	10	8	44	37	16	27	37	43	16	20	23
Number of employees	25	58	15	9	8	47	30	20	27	43	38	15	28	32
Average employee workweek	18	68	12	6	2	29	59	8	20	21	60	16	4	6
Prices received for finished product	23	72	4	19	21	65	27	7	58	39	54	6	33	35
Prices paid for raw materials	49	45	4	44	48	87	5	4	82	66	28	4	62	61
Capital expenditures						33	50	13	20	29	60	8	20	22
New orders for exports	10	76	6	4	4	21	66	5	16	16	70	5	11	13
Supplier delivery time	20	75	4	16	18	32	61	5	26	16	77	4	12	11
Inventories:														
Materials	21	63	14	7	9	35	46	17	17	25	57	17	7	10
Finished goods	17	64	16	1	3	25	51	20	4	23	53	20	2	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.

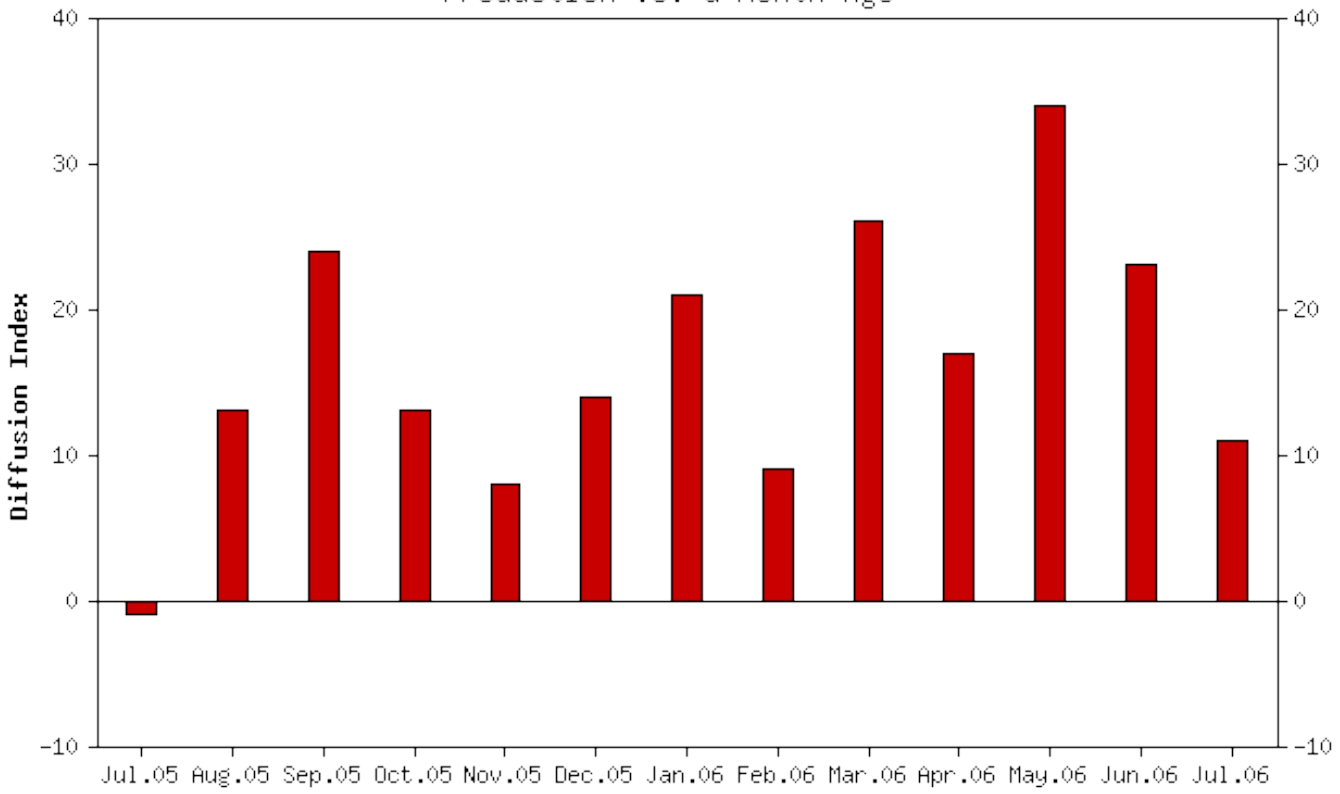
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The July survey included 124 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

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

Production vs. a Month Ago



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