



News Release

Federal Reserve Bank of Kansas City

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Manufacturing activity in the Tenth Federal Reserve District expanded moderately in August. Expectations for future factory activity eased somewhat after experiencing a sizeable rebound last month. Most price indexes in the survey edged down for the second straight month.

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

Manufacturing activity in the Tenth Federal Reserve District expanded moderately in August. Expectations for future factory activity eased somewhat after experiencing a sizeable rebound last month. Most price indexes in the survey edged down for the second straight month.

The net percentage of firms reporting month-over-month increases in production in August was 17, up from 11 in July but down from 23 in June (Tables 1 & 2, Chart). The improvement in August was broad-based, as production accelerated at both durable- and nondurable-goods-producing plants. The year-over-year production index edged down for the third straight month, falling from 35 to 33, but was still generally high by historical standards. The future production index also experienced a moderate decline, falling from 37 to 27. 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.

Other month-over-month indexes had mixed results. The shipments index rebounded after several months of decline, rising from 7 to 16. The new orders index also edged up from 8 to 21 after falling sharply the last two months. In contrast, the employment index fell from 8 to -2, its first negative reading in a year and a half. In addition, inventory indexes fell slightly for the second straight month after experiencing a five-year high in June, and the order backlog index declined as well.

The majority of other year-over-year indexes decreased or remained relatively unchanged in August, although district factory activity overall remains considerably stronger than a year ago. The shipments index dropped slightly from 37 to 32, and the new orders index remained unchanged from last month. The capital expenditures index edged up after falling for two straight months, and the employment index fell from 27 to 17, the lowest reading in a year. On the other hand, both inventory indexes rebounded following a sizeable decline in July.

Plant managers' expectations for future factory activity eased slightly in August, with most indexes falling after a sharp rebound last month. The future shipments index edged down from 45 to 31, and the future new orders index decreased from 35 to 22, although both indexes still remain strong by historical standards. In addition, future backlog, employment, and new orders indexes all fell slightly after increases in the previous month. The future capital expenditures index remained largely unchanged from July.

The price indexes in the survey all edged down or remained unchanged for the second straight month. The month-over-month raw materials price index was unchanged, while the finished goods price index moderated slightly from 21 to 17. The year-over-year price indexes both decreased, but still remain high by historical standards. The future raw materials price index eased from 61 to 58, while the future finished goods price index fell from 35 to 23, a two-year low.

Table1

Summary of Tenth District Manufacturing Conditions, August 2006

Plant Level Indicators	August vs. July (percent) ¹					August 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	36	44	18	18	17	55	21	21	33	42	35	19	23	27
Volume of shipments	40	37	21	19	16	54	21	22	32	46	34	18	28	31
Volume of new orders	40	34	22	18	21	53	25	19	34	38	41	18	20	22
Backlog of orders	28	45	23	4	3	38	43	15	22	28	51	18	10	14
Number of employees	23	48	25	-1	-2	42	31	24	17	35	45	18	17	11
Average employee workweek	23	61	14	9	6	23	61	13	10	23	62	12	10	11
Prices received for finished product	22	69	6	15	17	61	27	9	52	33	53	9	23	23
Prices paid for raw materials	53	39	4	49	48	80	10	6	74	67	22	9	58	58
Capital expenditures						39	43	15	23	34	52	12	22	21
New orders for exports	10	71	5	4	4	22	63	5	16	16	67	4	11	9
Supplier delivery time	12	80	3	9	9	23	61	9	14	12	80	4	8	8
Inventories:														
Materials	27	55	16	10	7	38	42	17	21	22	58	17	4	2
Finished goods	20	55	19	1	0	33	45	18	15	17	63	16	0	-4

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.

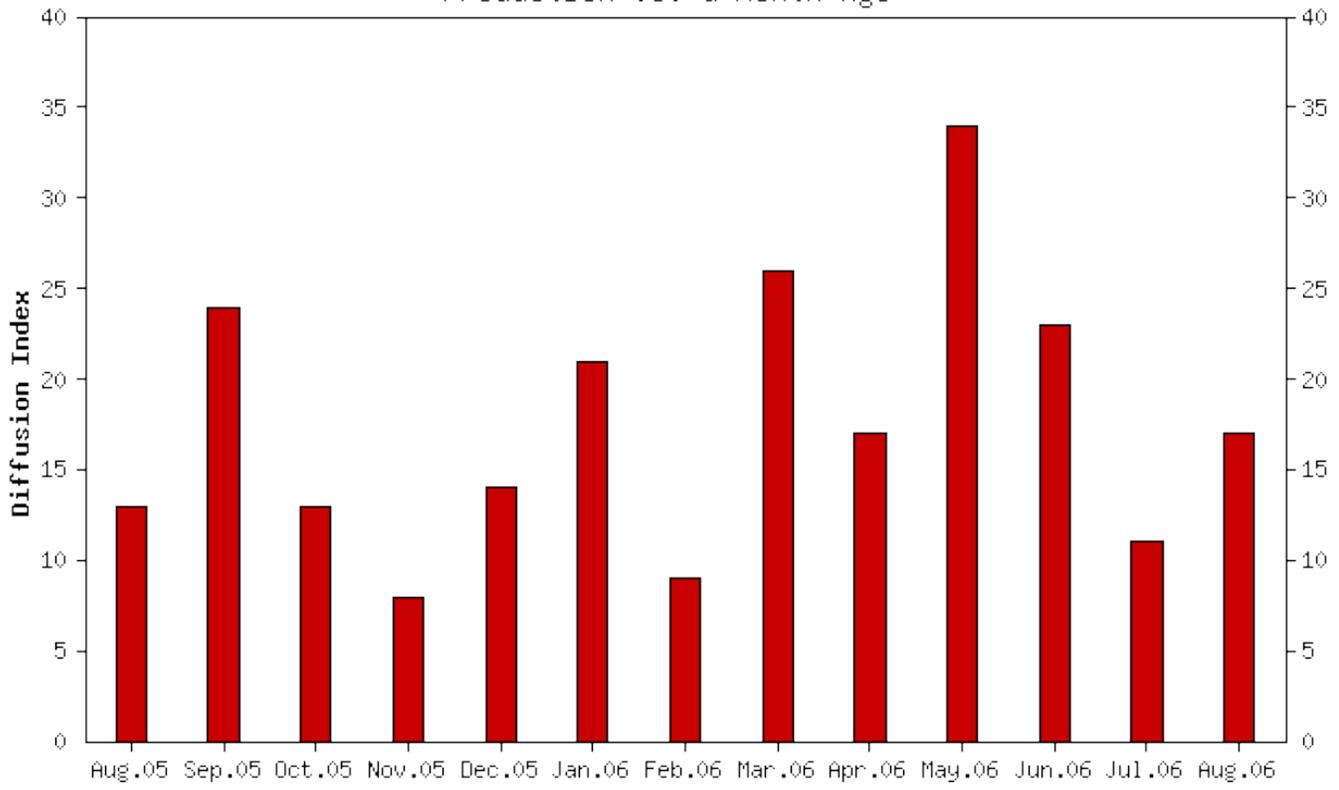
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The August survey included 121 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

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

Production vs. a Month Ago



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