



# News Release

## Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

**FOR RELEASE WEDNESDAY, NOVEMBER 19, 1997**

**EMBARGOED FOR 11:00 A.M. EST**

Manufacturing conditions in the Kansas City Federal Reserve District expanded at a healthy rate in October, according to a quarterly survey of manufacturers across the region. The survey takes a snapshot of manufacturing activity during the first month of each quarter by asking plant managers about a variety of manufacturing indicators.

According to Ricardo C. Gazel, economist and author of the survey, most measures of manufacturing showed moderate growth in October, at a higher rate than in July. Inventories of raw materials and finished goods edged up at district factories. Prices received for finished goods held steady, while prices of raw materials increased slightly. Overall, manufacturing remained stronger than a year ago, and manufacturers were optimistic about the outlook for the next six months.

The October survey included 165 responses from manufacturing plants throughout the seven states of the Tenth District. Survey results will be published in the Fourth Quarter 1997 issue of the Bank's Regional Economic Digest.

A summary of the October survey is attached to this press release. A copy of the previous quarterly survey (July 1997) is also attached.

For more information about the quarterly manufacturing survey, contact Ricardo Gazel, Economic Research Department, (816) 881-2221.

The Fourth Quarter manufacturing survey, as well as background information and results from past surveys, can be found on the Federal Reserve Bank of Kansas City's home page on the Internet's World Wide Web, <http://www.kc.frb.org>.

###

---

---

# Survey of Tenth District Manufacturers

By Ricardo C. Gazel

**M**anufacturing activity in the Kansas City Federal Reserve District expanded in October at a healthy rate, according to a quarterly survey of manufacturers across the district. The survey takes a snapshot of manufacturing the first month of each quarter by asking plant managers about a variety of manufacturing indicators (Table 1). By most measures, manufacturing showed moderate growth in October, at a higher rate than in July. Inventories of raw materials and finished goods edged up at district factories. Prices received for finished goods held steady, while prices of raw materials increased slightly. Overall, manufacturing remained stronger than a year ago, and manufacturers were optimistic about the outlook for the next six months.

## *Indicators of recent activity*

Production grew moderately across the district in October, at a higher rate than in July. The October production index was 29, up from 13 in July (Chart 1). Additionally, production remained moderately above year-ago levels.

Most other indicators of current manufacturing activity in the district also suggested expansion in October. Shipments and new orders both increased, recording the largest gains so far this year. Supplier delivery time and backlogs also edged up in October. Capital expenditures were up moderately from a year ago. New orders from exports increased slightly and were generally unchanged from July's level.

Inventories edged up in October, at a slightly faster pace than in July. The indexes for finished goods and raw materials were both slightly positive. Compared with a year ago, the indexes suggest that manufacturers held slightly larger inventories for finished goods and only marginally larger inventories for materials.

Employment at district factories expanded again in October, although at a lower rate than in July. The average employee workweek edged up, marginally above July's level. Plant work force levels and the average workweek were both up from a year ago.

Prices for raw materials increased modestly, at a slightly slower pace than in July. As in previous surveys, prices for finished goods generally held steady. Prices for finished goods and raw materials were both somewhat higher than a year ago.

## *The outlook*

District manufacturers are optimistic about the near-term outlook. Indexes of activity expected in the next six months continue to signal expansion, although at a more modest pace than in July. The index of future production was 30 in October, down from 44 in July. Respondents expect factory jobs and the average workweek to increase in coming months, but at a slightly slower pace than in the last survey. Prices of finished goods and raw materials are anticipated to rise modestly in the next six months. As in the previous survey, respondents expecting materials prices to increase outnumber those expecting a rise in finished goods prices. Respondents expect few changes in stocks of materials and finished goods. District manufacturers remain upbeat about national business conditions, expressing a degree of optimism only marginally less than in the last survey.

---

Ricardo C. Gazel is an economist at the Federal Reserve Bank of Kansas City. Information on the development of the manufacturing survey appeared in "Tenth District Survey of Manufacturers" by Tim R. Smith, which was published in the Fourth Quarter 1995 issue of the *Economic Review*.

Chart 1  
**Tenth District Manufacturing Production Index**

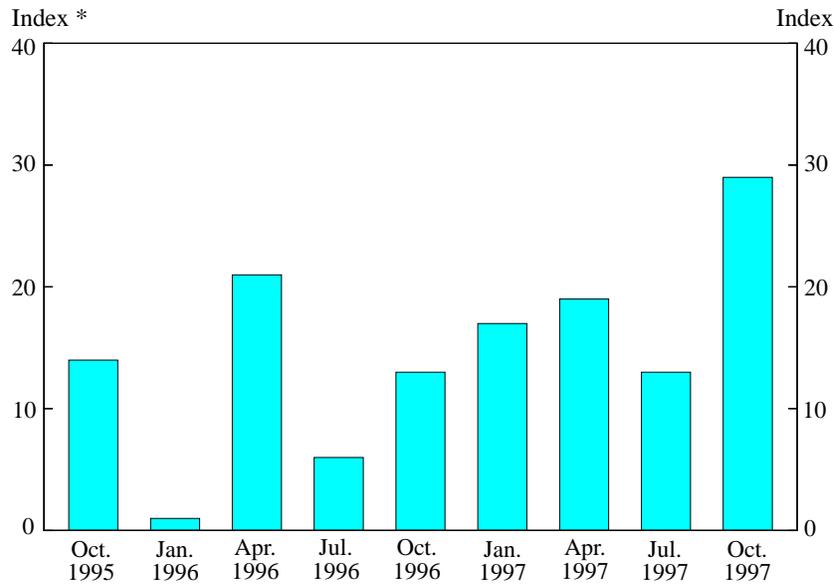


Table 1  
**Summary of Tenth District Manufacturing Conditions, October 1997**

Plant level indicators	October vs. September (percent)				October vs. year ago (percent)				Expected in six months (percent)			
	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*
Production	47	35	18	29	59	20	21	38	45	40	15	30
Volume of shipments	46	34	20	26	58	21	21	37	48	35	17	31
Volume of new orders	39	40	20	19	54	23	23	31	48	35	17	31
Backlog of orders	27	51	22	5	34	42	24	10	25	53	21	4
Number of employees	27	55	19	8	45	33	22	23	33	55	12	21
Average employee workweek	24	60	16	8	28	55	17	11	20	64	16	4
Prices received for finished product	10	83	7	3	37	51	12	25	29	63	8	21
Prices paid for raw materials	20	72	8	12	54	28	18	36	43	49	7	36
Capital expenditures	—	—	—	—	41	42	17	24	46	44	11	35
New orders for exports	17	75	8	9	29	58	13	16	35	59	6	29
Supplier delivery time	9	88	4	5	14	75	11	3	13	81	6	7
Inventories:												
Materials	28	50	21	7	33	37	30	3	23	51	26	-3
Finished goods	28	52	21	7	35	44	21	14	25	54	22	3
Industry activity, national level	36	53	12	24	57	23	20	37	41	43	16	25

\* The diffusion index is calculated by subtracting the percentage of total respondents reporting decreases in a given indicator from the percentage of those reporting increases. Index values greater than zero generally suggest expansion, while values less than zero indicate contraction. When index values are closer to 100, the increases among respondents are more widespread. When index values are closer to -100, decreases are more widespread.

Note: The October survey included 165 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

# SURVEY OF TENTH DISTRICT MANUFACTURING JULY 1997

Chart 1  
**Tenth District Manufacturing Production Index**

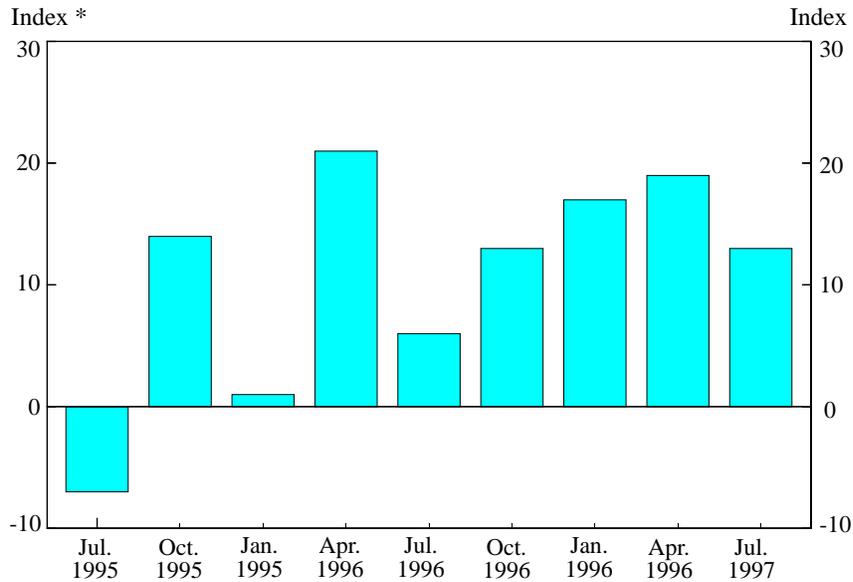


Table 1  
**Summary of Tenth District Manufacturing Conditions, July 1997**

Plant level indicators	July vs. June (percent)				July vs. year ago (percent)				Expected in six months (percent)			
	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*
Production	34	43	21	13	58	23	19	39	56	31	12	44
Volume of shipments	34	38	28	6	57	22	21	36	57	27	15	42
Volume of new orders	30	45	24	6	52	24	24	28	54	28	17	37
Backlog of orders	23	52	23	0	34	39	24	10	31	47	19	12
Number of employees	29	60	11	18	48	28	24	24	35	54	10	25
Average employee workweek	18	70	12	6	28	57	15	13	19	69	12	7
Prices received for finished product	7	83	9	-2	35	43	20	15	26	63	10	16
Prices paid for raw materials	20	73	5	15	49	33	16	33	36	56	7	29
Capital expenditures	—	—	—	—	38	34	25	13	40	45	13	27
New orders for exports	15	65	7	8	27	51	10	17	29	54	5	24
Supplier delivery time	9	85	5	4	12	80	6	6	10	84	5	5
Inventories:												
Materials	25	52	22	3	37	34	27	10	23	49	27	-4
Finished goods	28	45	25	3	35	36	27	8	26	48	24	2
Industry activity, national level	29	57	13	16	57	23	19	38	46	40	12	34

\* The diffusion index is calculated by subtracting the percentage of total respondents reporting decreases in a given indicator from the percentage of those reporting increases. Index values greater than zero generally suggest expansion, while values less than zero indicate contraction. When index values are closer to 100, the increases among respondents are more widespread. When index values are closer to -100, decreases are more widespread.

Note: The July survey included 198 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.