



# News Release

## Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

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**Phone (816) 881-2683**  
**Fax (816) 881-2569**

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Growth in Tenth District manufacturing activity was modest in September, and many firms were trimming inventories. However, manufacturers remained relatively positive about future production and capital spending. Price indexes in the survey were mixed, with a minor increase in current raw materials prices, while both future price indexes continued to ease.

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 Tenth District manufacturing activity was modest in September, and many firms were trimming inventories. However, manufacturers remained relatively positive about future production and capital spending. Price indexes in the survey were mixed, with a minor increase in current raw materials prices, while both future price indexes continued to ease.

The net percentage of firms reporting month-over-month increases in production in September was 4, down from 15 in August and 10 in July (Tables 1 & 2, Chart). Production decelerated at both durable- and non-durable-goods producing plants. The majority of other month-over-month indexes were also lower than in August. The shipments and new order indexes dropped to 4 after two months of solid gains, and the order backlog and employment indexes fell to zero this month. The raw materials inventory index remained relatively unchanged, while the finished goods inventory index declined from -3 to -13, a six-year low.

The year-over-year production index eased slightly from 27 to 25. Other year-over-year indexes were mixed in September. The shipments index increased from 22 to 27, and the employment and employee workweek indexes edged up after posting their lowest levels in three years. On the other hand, the order backlog index recorded a three-year low, and the new orders and export orders indexes fell slightly. The capital expenditures index decreased from 16 to 11, its lowest reading in over 5 years, although survey respondents generally indicated healthy spending levels overall. Both inventory indexes remained relatively unchanged.

The future production index edged up from 23 to 26 after a slight decrease last month. The future shipments, new orders, and order backlog indexes all increased. In addition, the future capital expenditures index rose from 15 to 17 after two straight months of decline. On the other hand, the future employment index continued to ease, but remained positive. The future export orders and supplier delivery time indexes decreased slightly from the previous survey. Both future inventory indexes declined considerably, with the finished goods index recording its lowest level in over five years.

Price indexes were varied in September, after last month's overall easing. The month-over-month finished goods price index edged down for the third straight month, while the raw materials price index rose slightly from 21 to 28. The year-over-year raw materials price index increased from 62 to 67, and the finished goods index remained unchanged. Both future price indexes fell, with the future raw materials index easing from 54 to 52. The future finished goods index dropped for the fourth straight month, largely due to food producers reporting some expected stabilization in input costs.

Table1

## Summary of Tenth District Manufacturing Conditions, September 2007

Plant Level Indicators	September vs. August (percent) <sup>1</sup>					September vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>
Production	30	42	25	5	4	53	15	28	25	49	25	23	26	26
Volume of shipments	36	33	28	7	4	53	18	25	27	49	26	21	28	29
Volume of new orders	31	38	26	5	3	49	21	24	24	42	28	23	18	21
Backlog of orders	26	46	24	1	0	27	43	26	0	27	47	22	5	9
Number of employees	18	61	17	0	0	42	26	28	14	30	45	21	9	9
Average employee workweek	17	65	15	1	0	23	56	18	4	16	62	18	-1	3
Prices received for finished product	13	80	3	9	6	56	33	5	51	36	53	5	30	29
Prices paid for raw materials	38	52	8	29	28	76	12	8	67	58	33	6	52	52
Capital expenditures						29	49	17	11	30	53	11	19	17
New orders for exports	11	73	7	3	5	20	60	12	7	19	66	8	10	11
Supplier delivery time	8	86	1	7	5	18	72	7	10	7	86	3	3	2
<b>Inventories:</b>														
Materials	22	50	26	-4	-4	33	42	23	10	18	51	29	-10	-11
Finished goods	15	47	30	-15	-13	28	48	21	7	15	52	30	-14	-16

<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.

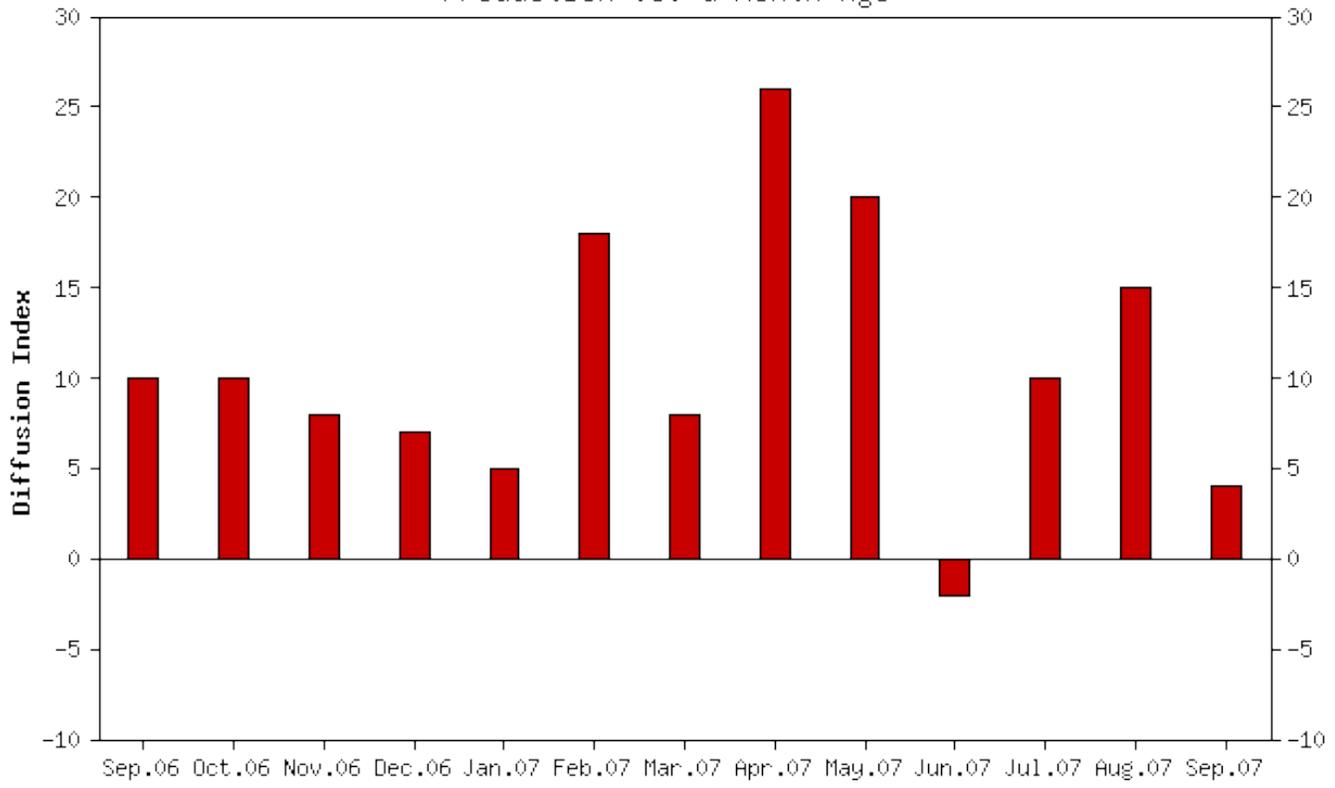
Note: The September survey included 113 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07	Feb'07	Mar'07	Apr'07	May'07	Jun'07	Jul'07	Aug'07	Sep'07
<b>Versus a Month Ago (seasonally adjusted)</b>													
Production	10	10	8	7	5	18	8	26	20	-2	10	15	4
Volume of shipments	6	10	10	8	16	20	0	25	18	-1	13	16	4
Volume of new orders	14	12	2	13	9	20	11	23	18	7	1	20	3
Backlog of orders	10	-5	-13	-4	-4	9	1	10	0	13	-1	5	0
Number of employees	13	8	16	15	8	13	2	11	14	9	1	1	0
Average employee workweek	3	5	4	4	-4	7	-6	3	12	-6	-1	4	0
Prices received for finished product	15	12	10	7	11	15	3	6	17	17	13	9	6
Prices paid for raw materials	38	27	27	30	35	37	38	36	43	39	47	21	28
Capital expenditures	n/a												
New orders for exports	2	4	0	9	-1	7	-2	6	2	1	5	6	5
Supplier delivery time	0	7	2	1	3	11	7	5	1	6	5	4	5
Inventories: Materials	14	8	9	4	8	13	9	3	7	12	11	-5	-4
Inventories: Finished goods	6	-1	-3	-3	-7	-7	7	-1	2	7	0	-3	-13
<b>Versus a Year Ago (not seasonally adjusted)</b>													
Production	33	35	35	25	19	31	20	28	33	23	16	27	25
Volume of shipments	37	34	38	34	23	32	12	33	32	17	16	22	27
Volume of new orders	33	39	28	35	26	36	18	33	27	29	15	25	24
Backlog of orders	22	19	15	19	7	23	4	16	8	17	2	7	0
Number of employees	14	25	29	27	25	35	20	27	23	23	22	10	14
Average employee workweek	2	14	13	9	10	13	4	14	7	6	1	0	4
Prices received for finished product	66	65	57	56	57	52	47	60	66	53	52	51	51
Prices paid for raw materials	79	80	76	67	71	67	82	81	83	76	79	62	67
Capital expenditures	21	20	22	28	13	17	24	27	20	16	16	16	11
New orders for exports	7	15	11	16	11	12	3	13	6	3	13	13	7
Supplier delivery time	11	11	9	4	8	9	7	5	6	14	9	9	10
Inventories: Materials	22	14	22	23	31	27	16	4	31	25	17	10	10
Inventories: Finished goods	14	10	0	7	11	25	27	0	15	16	6	8	7
<b>Expected in Six Months (seasonally adjusted)</b>													
Production	26	23	18	29	25	25	41	41	30	25	27	23	26
Volume of shipments	30	23	24	31	20	21	44	42	25	27	32	21	29
Volume of new orders	26	14	20	21	21	23	36	40	19	22	21	18	21
Backlog of orders	9	4	6	14	8	13	16	19	11	12	11	1	9
Number of employees	13	6	7	19	18	25	27	22	13	18	17	11	9
Average employee workweek	1	0	4	2	9	12	17	13	2	9	4	0	3
Prices received for finished product	31	33	27	17	32	36	33	33	44	41	38	35	29
Prices paid for raw materials	49	48	46	31	50	52	66	54	70	57	67	54	52
Capital expenditures	24	23	16	24	20	30	23	22	18	22	18	15	17
New orders for exports	10	8	15	15	10	4	2	7	14	6	19	15	11
Supplier delivery time	2	4	9	11	11	8	4	2	8	14	5	7	2
Inventories: Materials	2	-1	-2	2	-4	-5	1	-15	2	3	12	8	-11
Inventories: Finished goods	3	-2	-11	1	-2	-5	10	-5	6	1	7	0	-16

Production vs. a Month Ago



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