



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Thursday, September 25, 2008
EMBARGOED FOR 11:00 A.M. EST

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Tenth District manufacturing activity declined moderately in September, and firms' expectations about future factory activity dropped noticeably. Most price indexes in the survey fell sharply, following more modest decreases in the previous two months. Still, considerably more firms continued to plan finished goods price increases heading forward than planned price decreases.

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

Tenth District manufacturing activity declined moderately in September, and firms' expectations about future factory activity dropped noticeably. Most price indexes in the survey fell sharply, following more modest decreases in the previous two months. Still, considerably more firms continued to plan finished goods price increases heading forward than planned price decreases.

The net percentage of firms reporting month-over-month increases in production in September was -9, down from 6 in August and 21 in July (Tables 1 & 2, Chart). Production declined at non-durable-goods producing plants, but remained relatively stable at durable-goods producing plants. Nearly all other month-over-month indexes also declined in September, with most slipping into negative territory. The shipments index dropped from 2 to -8, and the new orders and order backlog index posted their lowest levels in over 6 years. The employment, employee workweek, and supplier delivery time indexes also decreased from the previous month. In contrast, the new export orders index edged up slightly after falling considerably last month. The raw materials inventory index decreased, but the finished goods inventory index increased from -6 to 0.

Most year-over-year factory indexes also fell in September. The production index edged down from 1 to -1, and the shipments, new orders, and order backlog indexes also dropped. The new orders for exports index slipped from 10 to 8, and the supplier delivery time index also decreased. On the other hand, while still negative, the employment index increased from -10 to -7, and the capital expenditures index remained unchanged. Both inventories indexes increased after falling last month.

Nearly all future factory activity indexes dropped substantially in September. The future production index fell from 30 to 3, its lowest level since 2001. In addition, the future shipments and new orders indexes also posted seven-year lows, and the future order backlog, employment, and supplier delivery time indexes also decreased. The future new orders for exports index fell for the third straight month. Meanwhile, the future capital expenditures index increased from 7 to 12 after slipping last month. The future raw materials inventory index declined further from -5 to -7, while the future finished goods inventory index edged up slightly but was still in negative territory.

Most price indexes fell considerably following more moderate decreases in the previous two months. The month-over-month finished goods index decreased from 30 to 20, and the raw materials index dropped from 53 to 38. The year-over-year finished goods price index edged down slightly, and the raw materials index also eased from 90 to 86. The future raw materials index decreased from 73 to 51, and the future finished goods index posted a sharp decline from 53 to 24.

Table1

Summary of Tenth District Manufacturing Conditions, September 2008

Plant Level Indicators	September vs. August (percent) ¹					September vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index ²	Index ³	Increase	Change	Decrease	Index ²	Increase	Change	Decrease	Index ²	Index ³
Production	21	42	34	-12	-9	38	20	39	-1	35	28	33	2	3
Volume of shipments	23	42	32	-8	-8	36	20	39	-3	34	28	34	0	-1
Volume of new orders	24	32	39	-15	-14	34	20	40	-5	34	29	32	1	4
Backlog of orders	21	36	37	-15	-15	26	33	34	-8	26	37	31	-5	0
Number of employees	16	56	25	-8	-7	32	26	39	-7	27	40	30	-2	0
Average employee workweek	11	67	18	-7	-7	18	47	32	-13	19	50	28	-8	-3
Prices received for finished product	26	65	4	21	20	72	16	8	64	37	47	12	25	24
Prices paid for raw materials	47	42	8	38	38	91	2	4	86	63	21	13	50	51
Capital expenditures						34	37	24	10	31	48	17	14	12
New orders for exports	12	65	8	3	4	17	58	9	8	14	64	8	5	7
Supplier delivery time	9	82	4	5	3	15	69	10	4	10	73	9	0	1
Inventories:														
Materials	21	50	26	-4	-3	36	32	27	8	20	50	27	-7	-7
Finished goods	21	49	24	-3	0	28	39	28	0	21	48	26	-4	-6

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.

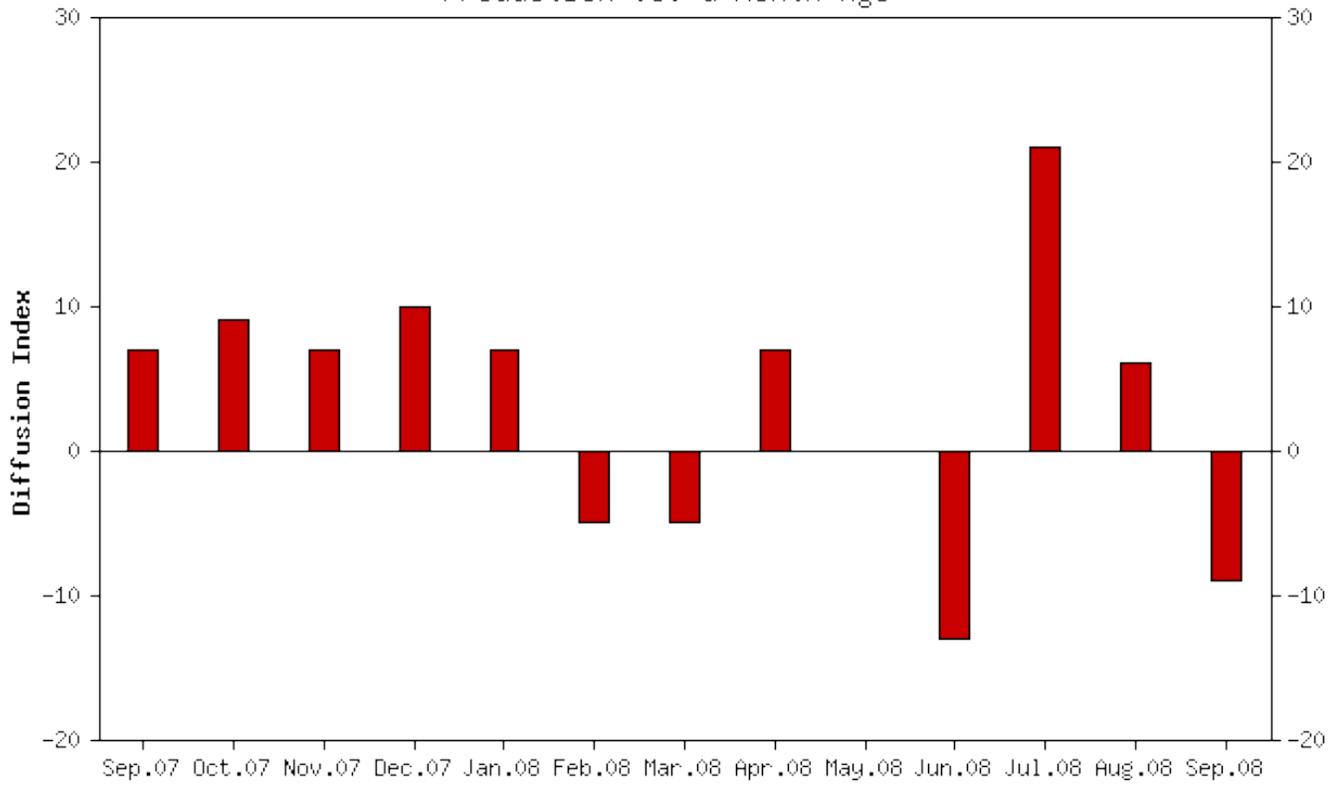
Note: The September survey included 123 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08	Sep'08
Versus a Month Ago (seasonally adjusted)													
Production	7	9	7	10	7	-5	-5	7	0	-13	21	6	-9
Volume of shipments	7	13	12	5	2	-5	-5	10	6	-14	24	2	-8
Volume of new orders	5	0	12	8	15	6	-8	0	0	-3	19	9	-14
Backlog of orders	1	-3	5	2	2	0	-5	-3	0	-12	0	-4	-15
Number of employees	1	-1	-3	1	8	-5	-10	1	1	-9	4	0	-7
Average employee workweek	1	-3	0	2	-3	-3	-5	4	-1	-2	7	5	-7
Prices received for finished product	8	11	11	8	15	13	23	22	31	36	33	30	20
Prices paid for raw materials	29	35	43	32	47	58	64	63	70	70	68	53	38
Capital expenditures	n/a												
New orders for exports	4	3	4	2	8	4	13	7	17	8	16	2	4
Supplier delivery time	4	6	7	6	10	7	6	7	5	14	8	8	3
Inventories: Materials	-2	-5	-5	-1	-4	-2	-3	4	2	-2	-4	1	-3
Inventories: Finished goods	-12	-6	-6	-3	3	7	6	12	0	-1	6	-6	0
Versus a Year Ago (not seasonally adjusted)													
Production	25	22	8	20	5	10	0	-5	-7	-10	7	1	-1
Volume of shipments	27	23	18	22	11	13	0	0	-4	-10	5	4	-3
Volume of new orders	24	19	18	8	18	13	-9	0	-5	-7	0	5	-5
Backlog of orders	0	6	4	1	2	-3	-11	-8	-6	-8	-7	-4	-8
Number of employees	14	4	8	9	10	8	5	0	-4	-6	-6	-10	-7
Average employee workweek	4	5	-4	14	0	-3	-11	-11	-9	-11	-6	-5	-13
Prices received for finished product	51	48	48	50	51	53	60	56	61	69	61	68	64
Prices paid for raw materials	67	71	75	70	75	84	84	87	95	88	91	90	86
Capital expenditures	11	16	18	18	12	15	14	10	11	11	17	10	10
New orders for exports	7	12	9	12	18	8	11	10	22	22	22	10	8
Supplier delivery time	10	12	7	6	5	10	11	21	10	19	11	12	4
Inventories: Materials	10	6	-1	2	0	4	0	7	3	-6	14	5	8
Inventories: Finished goods	7	0	-5	-3	0	10	6	5	0	-5	8	-1	0
Expected in Six Months (seasonally adjusted)													
Production	27	28	27	26	18	26	6	18	11	21	14	30	3
Volume of shipments	27	29	25	30	17	30	11	15	16	18	11	25	-1
Volume of new orders	21	23	19	25	23	21	12	14	22	16	8	28	4
Backlog of orders	10	12	5	8	13	12	9	-1	2	6	0	13	0
Number of employees	12	10	11	20	18	11	10	11	6	3	9	5	0
Average employee workweek	3	7	-2	-1	0	0	-7	0	-3	-5	-1	0	-3
Prices received for finished product	30	35	27	32	40	41	49	44	49	49	58	53	24
Prices paid for raw materials	53	51	58	62	61	73	74	82	82	84	73	73	51
Capital expenditures	17	15	19	17	9	19	11	10	14	16	19	7	12
New orders for exports	12	10	13	18	15	21	22	19	22	25	16	10	7
Supplier delivery time	3	8	6	3	4	8	10	10	10	8	2	6	1
Inventories: Materials	-11	-5	-3	4	-8	5	-6	-3	-2	4	-2	-5	-7
Inventories: Finished goods	-15	-1	-2	0	-10	1	-1	2	-8	-4	-10	-10	-6

Production vs. a Month Ago



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