

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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MANUFACTURING SECTOR CONTINUES TO EXPAND MODESTLY Federal Reserve Bank of Kansas City Releases August Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the August Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity continued to expand modestly, and producers remained generally positive about future months.

“Factory activity in our region continues to be buoyed by strong growth among agriculture and energy-related manufacturers,” said Wilkerson. “New orders accelerated at these firms in August even as some other firms experienced softness. But hiring and capital spending plans remain fairly solid across broader categories of producers.”

Wilkerson said price indexes eased from the previous month, but firms on net still planned to raise selling prices heading forward.

A summary of the August survey is attached. Results from past surveys and release dates for future surveys can be found at www.kansascityfed.org/research/indicatorsdata/mfg.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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Survey of Tenth District Manufacturing

Tenth District manufacturing activity continued to expand modestly in August. Producers were slightly less optimistic about future months, but were still positive overall. Price indexes eased from the previous month, but firms on net still planned to raise selling prices heading forward.

The month-over-month composite index was 3 in August, unchanged from 3 in July and down from 14 in June (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Manufacturing activity slowed in nondurable goods factories, while growth in factory activity increased in durable goods producing plants, particularly for machinery, fabricated metal, and electronic equipment products. Other month-over-month indexes were mixed in August. The production index fell from 2 to -2, and the shipments index also moved into negative territory. However, the new orders index rebounded after dropping last month, and the employment and new orders for export indexes also rose. Both inventory indexes fell for the second straight month.

Most year-over-year factory indexes eased slightly, but remained at solid levels. The composite year-over-year index edged down from 24 to 21, and the production, new orders, shipments, and order backlog indexes also fell. The employment index edged lower from 24 to 23, but still remained at a fairly solid level. In contrast, the capital expenditures index increased from 8 to 13, and the new orders for exports index also moved up slightly. Both inventory indexes rose after falling in July.

Future factory indexes moderated somewhat in August, but producers still remained fairly optimistic about activity later this year. The future composite index eased from 14 to 9, and the future production and shipments indexes also fell. The future order backlog index moved into negative territory for the first time in two years, and the employment index decreased from 17 to 12. However, the future new orders index was unchanged, and the future capital expenditures index edged higher from 16 to 18. The future raw materials inventory index dropped from 4 to -6, and the future finished goods inventory index fell further.

Price indexes continued their downward trend, after stabilizing somewhat last month. The month-over-month raw materials price index decreased from 39 to 28, and the finished goods price index also fell. The year-over-year finished goods price index moved lower, and the raw materials price index eased from 84 to 77. The future raw materials price index edged down from 60 to 53, and the future finished goods price index posted its lowest level in nearly a year, indicating slightly fewer firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, August 2011

	August vs. July (percent) ¹					August vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	Change	Decrease	Diff Index ²	SA Index ³	Increase	No Change	Decrease	Diff Index ²	Increase	No Change	Decrease	Diff Index ²	SA Index ³
Plant Level Indicators														
Composite Index				2	3				21				9	9
Production	23	50	27	-5	-2	46	27	27	19	37	35	25	12	12
Volume of shipments	25	48	27	-2	-2	46	26	27	19	39	37	23	16	17
Volume of new orders	26	42	31	-5	1	45	28	23	22	40	34	23	18	20
Backlog of orders	23	42	33	-10	-10	31	38	27	5	22	51	22	0	-1
Number of employees	23	65	12	10	8	45	33	22	23	29	50	16	13	12
Average employee workweek	15	67	18	-3	-5	26	56	16	10	18	62	18	0	-1
Prices received for finished product	15	73	10	5	4	59	26	13	46	32	56	11	21	20
Prices paid for raw materials	36	56	5	31	28	81	14	3	77	63	31	4	59	53
Capital expenditures						32	48	19	13	31	53	14	17	18
New orders for exports	11	69	8	3	1	17	65	9	8	16	67	8	8	6
Supplier delivery time	8	87	3	5	4	19	70	6	13	10	82	5	6	5
Inventories:														
Materials	26	54	20	6	6	46	34	20	26	21	55	23	-2	-6
Finished goods	17	61	19	-2	2	35	43	18	17	17	56	23	-6	-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.

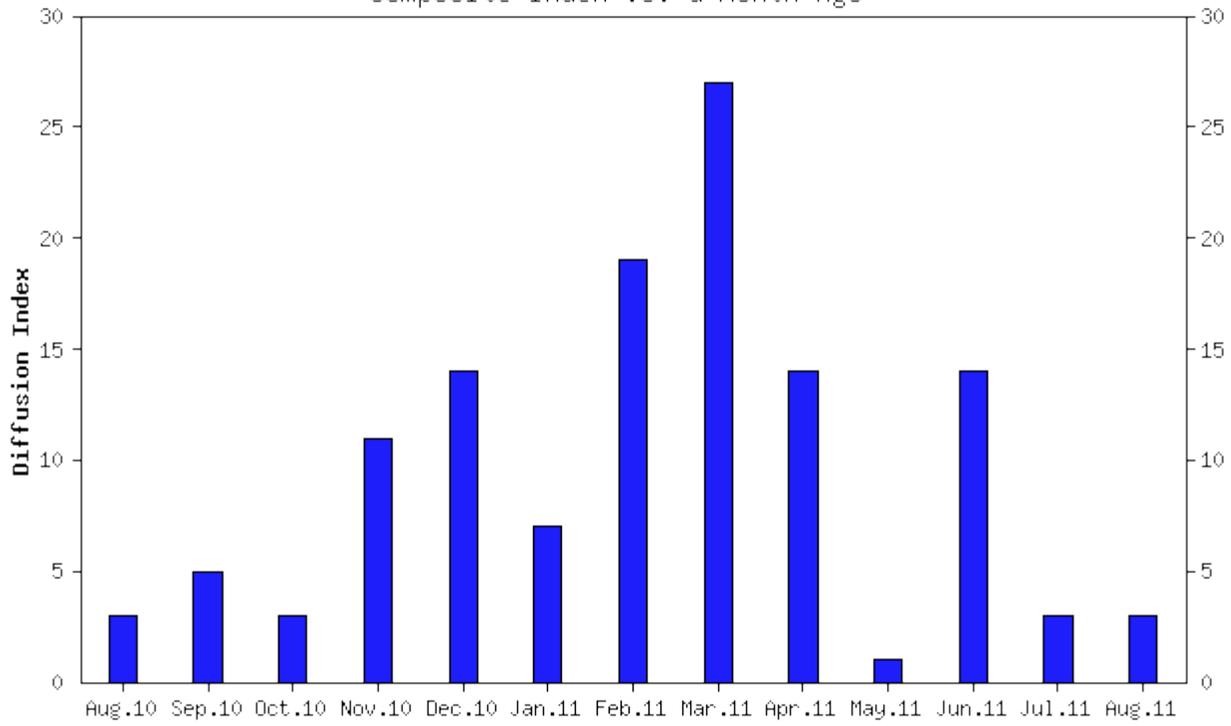
Note: The August survey included 124 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11
Versus a Month Ago (seasonally adjusted)													
Composite Index	3	5	3	11	14	7	19	27	14	1	14	3	3
Production	6	14	11	17	21	11	23	39	17	-2	22	2	-2
Volume of shipments	0	13	8	11	20	5	13	37	21	-8	25	-0	-2
Volume of new orders	-2	9	14	21	16	0	28	31	11	-15	10	-5	1
Backlog of orders	-14	3	3	5	9	2	8	25	9	-19	10	-19	-10
Number of employees	-1	-2	-0	8	11	8	23	25	17	9	17	4	8
Average employee workweek	-3	2	3	4	10	6	8	25	1	-3	9	-2	-5
Prices received for finished product	-3	-1	2	2	16	11	20	21	28	14	10	14	4
Prices paid for raw materials	18	25	26	34	55	70	66	72	70	54	36	39	28
Capital expenditures	n/a												
New orders for exports	0	10	-0	11	5	5	14	9	5	6	8	-8	1
Supplier delivery time	4	5	3	12	7	11	15	22	18	10	7	9	4
Inventories: Materials	6	-1	-11	-1	13	7	6	20	7	1	16	7	6
Inventories: Finished goods	2	4	-12	1	4	3	1	5	5	8	8	3	2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	5	9	3	15	20	23	21	30	31	30	31	24	21
Production	18	22	7	27	32	29	34	35	43	41	40	28	19
Volume of shipments	19	26	13	29	33	28	29	38	41	39	42	32	19
Volume of new orders	17	21	9	28	31	34	35	35	40	37	39	30	22
Backlog of orders	4	5	0	10	20	25	16	26	28	25	23	17	5
Number of employees	-8	-2	-8	6	13	17	13	28	25	25	29	24	23
Average employee workweek	10	6	-2	10	19	22	21	27	26	30	29	20	10
Prices received for finished product	8	11	18	15	23	24	30	48	46	45	45	50	46
Prices paid for raw materials	52	48	58	62	68	73	80	89	89	87	85	84	77
Capital expenditures	-10	-1	0	10	19	2	10	14	4	14	13	8	13
New orders for exports	13	12	7	19	10	13	22	12	14	13	8	7	8
Supplier delivery time	5	7	8	16	18	18	17	25	23	21	19	20	13
Inventories: Materials	-5	-3	-3	-1	6	18	7	26	22	25	28	20	26
Inventories: Finished goods	-8	-2	-7	0	6	12	5	19	14	17	12	4	17
Expected in Six Months (seasonally adjusted)													
Composite Index	8	13	13	12	21	20	30	23	20	13	15	14	9
Production	11	24	28	20	39	24	50	32	30	29	25	21	12
Volume of shipments	11	22	29	21	33	23	53	33	37	26	23	27	17
Volume of new orders	18	27	26	22	31	28	42	31	32	16	20	20	20
Backlog of orders	5	23	8	11	17	8	20	12	14	12	6	9	-1
Number of employees	6	9	8	12	24	21	27	19	21	20	16	17	12
Average employee workweek	-1	6	2	1	12	5	8	1	10	-1	5	-1	-1
Prices received for finished product	10	11	17	27	34	28	39	40	42	30	34	25	20
Prices paid for raw materials	34	41	46	63	76	71	76	81	73	58	55	60	53
Capital expenditures	-2	8	5	11	21	17	23	24	20	18	10	16	18
New orders for exports	8	12	13	13	16	11	25	17	12	17	16	8	6
Supplier delivery time	8	6	8	9	8	15	17	17	13	1	9	9	5
Inventories: Materials	-4	-2	-4	-2	5	13	14	15	3	1	3	4	-6
Inventories: Finished goods	-1	-3	-16	-5	-2	2	5	11	2	5	4	-4	-6

Composite Index vs. a Month Ago



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