

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## MANUFACTURING SECTOR SLOWS AFTER SOLID REBOUND IN JUNE Federal Reserve Bank of Kansas City Releases June Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the July Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing slowed in July after a solid rebound in June, but producers remain generally upbeat about future activity.

“Factory activity in our region grew at a slower pace in July after rebounding solidly in June,” said Wilkerson. “Several firms blamed the slowdown on customers being cautious until the national debt ceiling debate is resolved. However, expectations for orders, hiring and capital spending, later in the year, generally remained as solid as in recent months.”

Wilkerson said raw materials price indexes edged up slightly in July, but fewer producers said they plan to raise selling prices in the months ahead.

A summary of the July survey is attached. Results from past surveys and release dates for future surveys can be found at [www.kansascityfed.org/research/indicatorsdata/mfg](http://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](http://www.kansascityfed.org).

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# Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing slowed in July after a solid rebound in June. However, producers remain generally upbeat about future activity. Price indexes were little changed from the previous month, though plans to raise selling prices eased somewhat.

The month-over-month composite index was 3 in July, down from 14 in June but up from 1 in May (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth in factory activity increased at both durable and non-durable goods producing plants in July. Most month-over-month indexes fell in July. The production index plunged from 25 to 0, and the shipments, new orders, and order backlog indexes also decreased. The employment index dropped from 17 to 4, and the new orders for exports index posted a negative reading for the first time since mid-2009. Both inventory indexes fell after gaining last month.

The year-over-year factory indexes eased slightly, but remained at solid levels. The composite year-over-year index edged down from 31 to 24, and the production, new orders, shipments, and order backlog indexes also fell. The employment index moved slightly lower after reaching a six-year high last month. The capital expenditures index eased from 13 to 8, while the new orders for exports index was basically unchanged. Both inventory indexes fell for the second straight month.

Future factory indexes were little changed from last month, as producers remained fairly optimistic about activity later this year. The future composite index was basically unchanged at 14, and the future new orders index also remained the same. The future production index eased slightly from 25 to 21, while the future shipments index increased. The future employment index was largely unchanged at 17, and the future capital expenditures index rose after falling last month. The future finished goods inventory index moved into negative territory, while the future raw materials index was stable.

Prices were somewhat mixed, but most indexes posted similar readings to the previous month. The month-over-month raw materials price index edged higher from 36 to 39, and the finished goods price index also increased slightly. The year-over-year finished goods price index rose from 45 to 50, while the finished goods price index was basically unchanged. The future raw materials price index moved up from 55 to 60, while the future finished goods price index fell, indicating slightly fewer firms plan to pass recent cost increases through to customers.

Table1

## Summary of Tenth District Manufacturing Conditions, July 2011

	July vs. June (percent) <sup>1</sup>					July vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	Increase	No Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>
<b>Plant Level Indicators</b>														
<b>Composite Index</b>				4	3				24				14	14
<b>Production</b>	28	47	24	4	2	52	24	24	28	44	35	21	23	21
<b>Volume of shipments</b>	28	46	26	2	-0	54	23	23	32	47	33	20	27	27
<b>Volume of new orders</b>	29	37	33	-4	-5	50	28	20	30	42	35	22	20	20
<b>Backlog of orders</b>	20	48	32	-12	-19	36	44	19	17	29	50	19	11	9
<b>Number of employees</b>	24	61	15	8	4	46	31	22	24	35	46	19	16	17
<b>Average employee workweek</b>	17	68	15	2	-2	37	47	16	20	20	59	21	-1	-1
<b>Prices received for finished product</b>	23	69	7	15	14	59	30	9	50	33	57	9	24	25
<b>Prices paid for raw materials</b>	49	47	4	45	39	87	9	3	84	63	33	2	60	60
<b>Capital expenditures</b>						28	49	20	8	29	57	13	16	16
<b>New orders for exports</b>	7	75	10	-3	-8	19	60	11	7	18	64	7	11	8
<b>Supplier delivery time</b>	14	79	5	9	9	26	63	7	20	14	75	7	7	9
<b>Inventories:</b>														
<b>Materials</b>	25	53	22	3	7	41	37	21	20	25	53	20	5	4
<b>Finished goods</b>	19	63	17	2	3	27	47	23	4	19	57	22	-3	-4

<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.

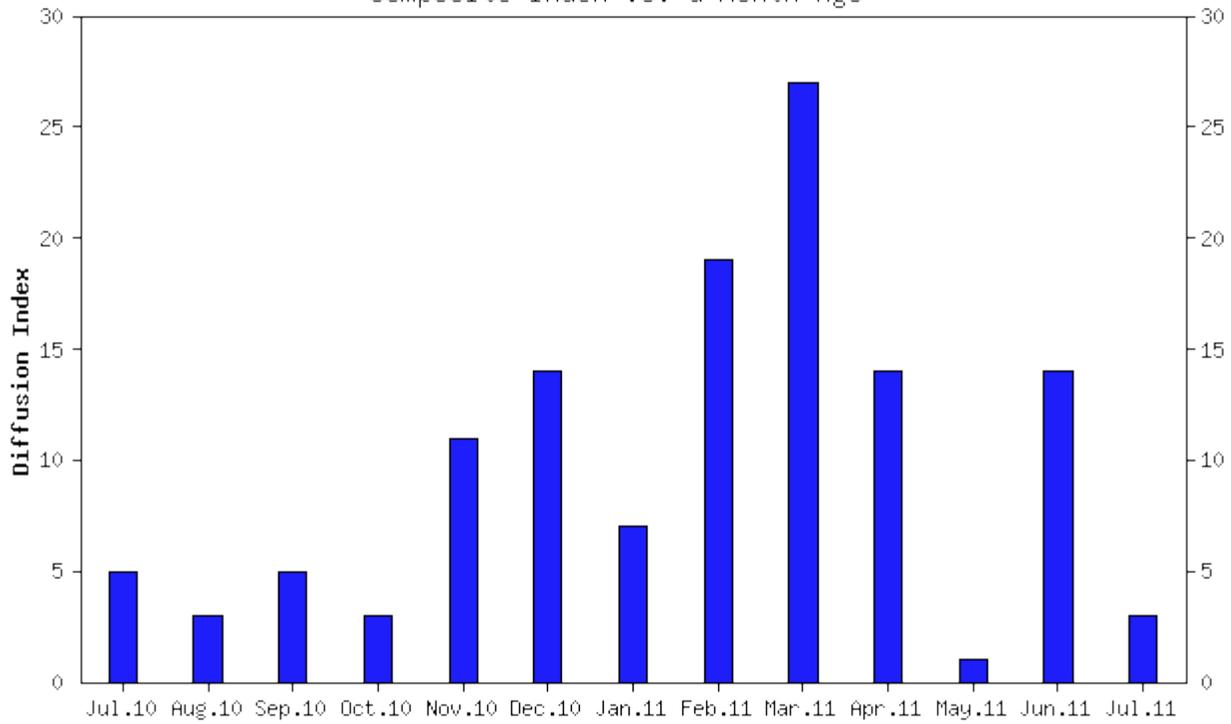
Note: The July survey included 123 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11
<b>Versus a Month Ago (seasonally adjusted)</b>													
Composite Index	5	3	5	3	11	14	7	19	27	14	1	14	3
Production	14	6	14	11	17	21	11	23	39	17	-2	22	2
Volume of shipments	11	0	13	8	11	20	5	13	37	21	-8	25	-0
Volume of new orders	9	-2	9	14	21	16	0	28	31	11	-15	10	-5
Backlog of orders	-2	-14	3	3	5	9	2	8	25	9	-19	10	-19
Number of employees	5	-1	-2	-0	8	11	8	23	25	17	9	17	4
Average employee workweek	2	-3	2	3	4	10	6	8	25	1	-3	9	-2
Prices received for finished product	-6	-3	-1	2	2	16	11	20	21	28	14	10	14
Prices paid for raw materials	20	18	25	26	34	55	70	66	72	70	54	36	39
Capital expenditures	n/a												
New orders for exports	1	0	10	-0	11	5	5	14	9	5	6	8	-8
Supplier delivery time	1	4	5	3	12	7	11	15	22	18	10	7	9
Inventories: Materials	-1	6	-1	-11	-1	13	7	6	20	7	1	16	7
Inventories: Finished goods	1	2	4	-12	1	4	3	1	5	5	8	8	3
<b>Versus a Year Ago (not seasonally adjusted)</b>													
Composite Index	6	5	9	3	15	20	23	21	30	31	30	31	24
Production	26	18	22	7	27	32	29	34	35	43	41	40	28
Volume of shipments	25	19	26	13	29	33	28	29	38	41	39	42	32
Volume of new orders	23	17	21	9	28	31	34	35	35	40	37	39	30
Backlog of orders	7	4	5	0	10	20	25	16	26	28	25	23	17
Number of employees	-11	-8	-2	-8	6	13	17	13	28	25	25	29	24
Average employee workweek	6	10	6	-2	10	19	22	21	27	26	30	29	20
Prices received for finished product	8	8	11	18	15	23	24	30	48	46	45	45	50
Prices paid for raw materials	51	52	48	58	62	68	73	80	89	89	87	85	84
Capital expenditures	4	-10	-1	0	10	19	2	10	14	4	14	13	8
New orders for exports	14	13	12	7	19	10	13	22	12	14	13	8	7
Supplier delivery time	3	5	7	8	16	18	18	17	25	23	21	19	20
Inventories: Materials	-9	-5	-3	-3	-1	6	18	7	26	22	25	28	20
Inventories: Finished goods	-5	-8	-2	-7	0	6	12	5	19	14	17	12	4
<b>Expected in Six Months (seasonally adjusted)</b>													
Composite Index	11	8	13	13	12	21	20	30	23	20	13	15	14
Production	25	11	24	28	20	39	24	50	32	30	29	25	21
Volume of shipments	24	11	22	29	21	33	23	53	33	37	26	23	27
Volume of new orders	23	18	27	26	22	31	28	42	31	32	16	20	20
Backlog of orders	11	5	23	8	11	17	8	20	12	14	12	6	9
Number of employees	5	6	9	8	12	24	21	27	19	21	20	16	17
Average employee workweek	1	-1	6	2	1	12	5	8	1	10	-1	5	-1
Prices received for finished product	12	10	11	17	27	34	28	39	40	42	30	34	25
Prices paid for raw materials	34	34	41	46	63	76	71	76	81	73	58	55	60
Capital expenditures	-2	-2	8	5	11	21	17	23	24	20	18	10	16
New orders for exports	7	8	12	13	13	16	11	25	17	12	17	16	8
Supplier delivery time	9	8	6	8	9	8	15	17	17	13	1	9	9
Inventories: Materials	-6	-4	-2	-4	-2	5	13	14	15	3	1	3	4
Inventories: Finished goods	-4	-1	-3	-16	-5	-2	2	5	11	2	5	4	-4

Composite Index vs. a Month Ago



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