

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

FOR RELEASE Thursday, October 27, 2011
EMBARGOED FOR 11:00 A.M. EST

CONTACT: Pamela Gutel
405-270-8617
Pamela.Gutel@kc.frb.org

GROWTH IN MANUFACTURING ACTIVITY EDGED HIGHER Federal Reserve Bank of Kansas City Releases October Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the October 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 activity edged higher in October, and expectations for future activity rebounded after easing somewhat the past few months.

“Factory activity in our region strengthened slightly in October, and firms now expect a modest acceleration heading forward despite some concerns about negative impacts on business from financial turmoil in Europe,” said Wilkerson. “Producer price increases eased slightly in October, but a sizable share of firms continues to anticipate higher input and selling prices in coming months.

A summary of the October 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.

###

Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity edged higher in October. Expectations for future activity rebounded after easing somewhat the past few months. Price indexes were mixed, with a slight drop in indexes for monthly materials and selling prices but continued expectations of moderately increasing prices heading forward.

The month-over-month composite index was 8 in October, up from 6 in September and 3 in August (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Contrary to recent months, the increase was mainly concentrated in nondurable goods plants, particularly for food and chemicals, while durable goods producers reported a slight slowing in activity. Most other month-over-month indexes also improved modestly in October. The production index rose from 3 to 6, and the shipments, order backlog, and new orders for exports indexes also edged up. In contrast, the new orders index fell slightly from 5 to 3, while the employment index remained unchanged. The raw materials inventory index eased from 11 to 9, but the raw materials inventory index inched higher.

Most year-over-year factory indexes improved in October. The composite year-over-year index rebounded from 15 to 23, and the production, shipments, and new orders indexes also increased. The employment index rose from 18 to 27, and the capital expenditures index continued to climb higher. In contrast, the order backlog index slowed somewhat, and the new orders for exports index also moderated slightly. Both inventory indexes increased modestly.

The majority of future factory indexes rebounded solidly after easing somewhat last month. The future composite index increased from 6 to 13, and the future production, shipments, and new orders indexes also improved. The future employment index jumped from 9 to 16, and the capital expenditures index also rose considerably after posting its lowest level of the year. The future new orders for exports index edged higher from 1 to 9, while the future order backlog index was unchanged. The future raw materials inventory index moved into positive territory, while the future finished goods inventory index was stable.

Price indexes were mixed in October. The month-over-month raw materials price index eased from 30 to 24, and the finished goods price index also fell. The year-over-year finished goods price index decreased from 52 to 42, while the raw materials price index inched higher. The future raw materials and finished goods price indexes were both unchanged, with the finished goods price index at 25, indicating some firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, October 2011

	October vs. September (percent) ¹					October vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	No 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				5	8				23				14	13
Production	29	42	29	0	6	52	23	25	27	47	34	18	29	24
Volume of shipments	30	41	29	2	7	55	22	24	31	49	32	19	29	25
Volume of new orders	29	42	29	-1	3	55	20	24	31	45	36	19	25	24
Backlog of orders	25	43	30	-5	-4	32	40	27	5	25	52	22	3	0
Number of employees	26	58	16	10	12	50	27	23	27	34	50	17	17	16
Average employee workweek	18	65	16	3	5	34	45	21	13	18	61	18	-1	-2
Prices received for finished product	10	83	7	3	3	54	34	12	42	35	56	8	27	25
Prices paid for raw materials	35	51	12	24	24	86	10	4	82	65	26	8	56	54
Capital expenditures						39	38	22	18	34	47	18	16	13
New orders for exports	8	71	8	0	0	14	64	10	4	15	65	6	9	9
Supplier delivery time	11	85	3	8	9	20	71	6	14	14	81	3	11	10
Inventories:														
Materials	27	52	21	6	9	43	32	25	18	20	50	29	-9	-8
Finished goods	24	55	19	4	9	33	42	23	10	24	55	20	3	2

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.

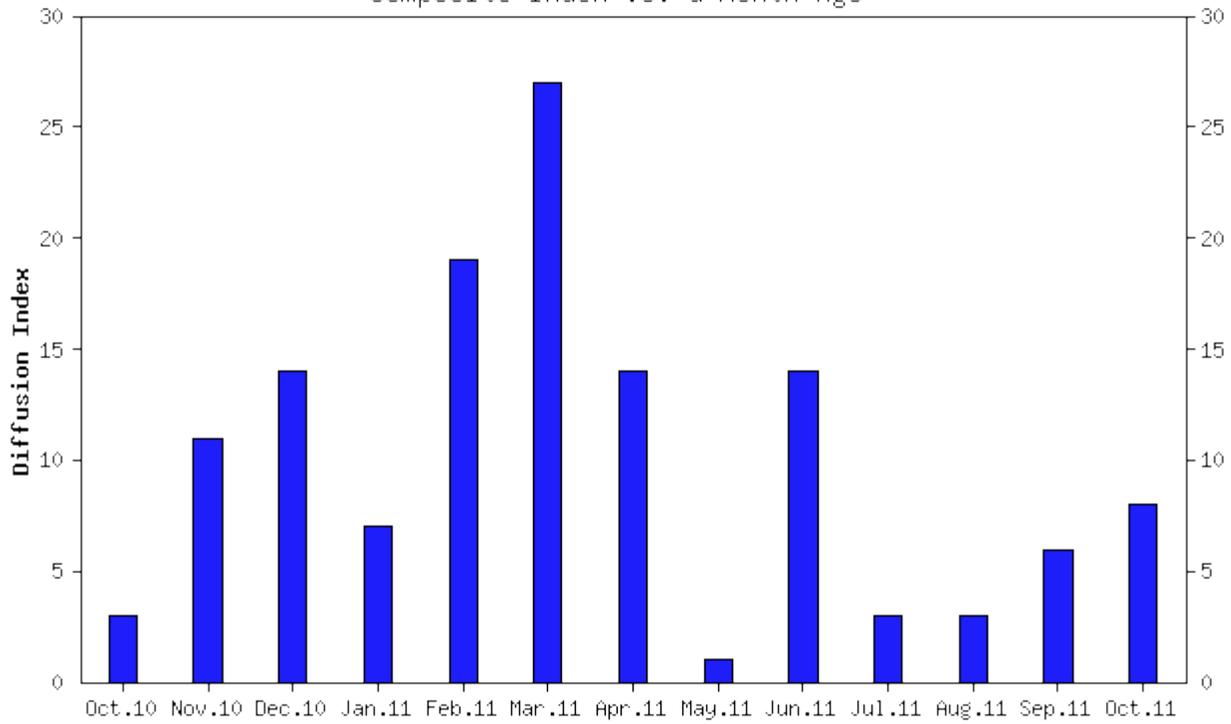
Note: The October survey included 119 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11
Versus a Month Ago (seasonally adjusted)													
Composite Index	3	11	14	7	19	27	14	1	14	3	3	6	8
Production	11	17	21	11	23	39	17	-2	22	2	-2	3	6
Volume of shipments	8	11	20	5	13	37	21	-8	25	-0	-2	3	7
Volume of new orders	14	21	16	0	28	31	11	-15	10	-5	1	5	3
Backlog of orders	3	5	9	2	8	25	9	-19	10	-19	-10	-6	-4
Number of employees	-0	8	11	8	23	25	17	9	17	4	8	12	12
Average employee workweek	3	4	10	6	8	25	1	-3	9	-2	-5	6	5
Prices received for finished product	2	2	16	11	20	21	28	14	10	14	4	11	3
Prices paid for raw materials	26	34	55	70	66	72	70	54	36	39	28	30	24
Capital expenditures	n/a												
New orders for exports	-0	11	5	5	14	9	5	6	8	-8	1	-2	0
Supplier delivery time	3	12	7	11	15	22	18	10	7	9	4	-1	9
Inventories: Materials	-11	-1	13	7	6	20	7	1	16	7	6	11	9
Inventories: Finished goods	-12	1	4	3	1	5	5	8	8	3	2	6	9
Versus a Year Ago (not seasonally adjusted)													
Composite Index	3	15	20	23	21	30	31	30	31	24	21	15	23
Production	7	27	32	29	34	35	43	41	40	28	19	19	27
Volume of shipments	13	29	33	28	29	38	41	39	42	32	19	22	31
Volume of new orders	9	28	31	34	35	35	40	37	39	30	22	18	31
Backlog of orders	0	10	20	25	16	26	28	25	23	17	5	6	5
Number of employees	-8	6	13	17	13	28	25	25	29	24	23	18	27
Average employee workweek	-2	10	19	22	21	27	26	30	29	20	10	21	13
Prices received for finished product	18	15	23	24	30	48	46	45	45	50	46	52	42
Prices paid for raw materials	58	62	68	73	80	89	89	87	85	84	77	78	82
Capital expenditures	0	10	19	2	10	14	4	14	13	8	13	16	18
New orders for exports	7	19	10	13	22	12	14	13	8	7	8	9	4
Supplier delivery time	8	16	18	18	17	25	23	21	19	20	13	6	14
Inventories: Materials	-3	-1	6	18	7	26	22	25	28	20	26	16	18
Inventories: Finished goods	-7	0	6	12	5	19	14	17	12	4	17	3	10
Expected in Six Months (seasonally adjusted)													
Composite Index	13	12	21	20	30	23	20	13	15	14	9	6	13
Production	28	20	39	24	50	32	30	29	25	21	12	12	24
Volume of shipments	29	21	33	23	53	33	37	26	23	27	17	15	25
Volume of new orders	26	22	31	28	42	31	32	16	20	20	20	14	24
Backlog of orders	8	11	17	8	20	12	14	12	6	9	-1	0	0
Number of employees	8	12	24	21	27	19	21	20	16	17	12	9	16
Average employee workweek	2	1	12	5	8	1	10	-1	5	-1	-1	-10	-2
Prices received for finished product	17	27	34	28	39	40	42	30	34	25	20	25	25
Prices paid for raw materials	46	63	76	71	76	81	73	58	55	60	53	54	54
Capital expenditures	5	11	21	17	23	24	20	18	10	16	18	5	13
New orders for exports	13	13	16	11	25	17	12	17	16	8	6	1	9
Supplier delivery time	8	9	8	15	17	17	13	1	9	9	5	2	10
Inventories: Materials	-4	-2	5	13	14	15	3	1	3	4	-6	-8	-8
Inventories: Finished goods	-16	-5	-2	2	5	11	2	5	4	-4	-6	-5	2

Composite Index vs. a Month Ago



[Federal Reserve Bank of Kansas City](#)
[Manufacturing Survey Home Page](#)