

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY IMPROVED MODERATELY
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 growth in Tenth District manufacturing activity improved moderately, and producers' optimism continued to edge higher.

"Factory activity in our region grew slightly faster this month, in spite of the ongoing drought having a negative effect on producers of agricultural equipment" said Wilkerson. "Firms also expected production to accelerate in coming months."

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

Growth in Tenth District manufacturing activity improved moderately in August, and producers' optimism continued to edge higher. Price indexes were relatively stable, although the share of producers planning to raise prices increased further. Several respondents said the ongoing drought has negatively affected their business, mainly through higher input costs and slower sales for agricultural-related products.

The month-over-month composite index was 8 in August, up from 5 in July and 3 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 growth increased at most durable- and nondurable goods-producing plants, particularly for chemical, metal, and transportation products. Most other month-over-month indexes also increased in August. The production index climbed from 2 to 7, and the shipments, new orders, and order backlog indexes all moved back into positive territory. The new orders for export index inched higher but remained below zero, while the employment index dipped slightly from 6 to 2. Both inventory indexes increased for the second straight month.

Growth in year-over-year factory indexes was mixed. The composite year-over-year index edged down from 20 to 18, and the new orders index also decreased somewhat. The capital expenditures index fell for the first time in seven months, while the new orders for exports index was unchanged. The production index rose from 19 to 25, and the shipments, order backlog, and employment indexes also improved over last month. The raw materials inventory index dropped from 26 to 16, but the finished goods inventory index increased for the second straight month.

Most future factory indexes improved further after rebounding last month. The future composite index edged up from 13 to 16, and future production and shipments indexes increased notably after no change last month. The future order backlog index jumped from 3 to 14, while the employment index remained unchanged. In contrast, the future new orders index eased slightly from 22 to 21, and the future capital expenditures and new orders for exports indexes also fell modestly. The future finished goods inventory index rose from 5 to 10, and the raw materials inventory index moved into positive territory.

Price indexes were mixed, though most changes were minimal. The month-over-month finished goods price index posted no change, while the raw materials price index increased for the second straight month. The year-over-year finished goods index stayed flat at 35, but the raw materials index decreased slightly to its lowest level in nearly two years. The future raw materials price index eased slightly after a big increase last month, while the future finished goods price index continued to climb higher, indicating more firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, August 2012

	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				4	8				18				14	16
Production	27	46	27	0	7	54	17	29	25	43	37	19	24	31
Volume of shipments	30	45	25	6	12	52	17	30	22	43	38	18	25	30
Volume of new orders	29	44	27	2	11	46	24	30	16	38	40	20	18	21
Backlog of orders	25	48	26	-2	4	38	37	24	14	31	45	20	11	14
Number of employees	20	61	18	2	2	43	35	22	20	33	48	19	14	16
Average employee workweek	10	72	16	-7	-5	20	60	19	1	20	60	19	1	2
Prices received for finished product	12	75	12	0	0	49	36	14	35	38	51	8	30	32
Prices paid for raw materials	27	66	6	21	26	61	25	12	49	54	33	10	44	44
Capital expenditures						39	39	17	21	31	49	14	17	18
New orders for exports	7	70	13	-6	-6	19	55	17	2	14	65	11	3	3
Supplier delivery time	7	87	3	4	6	16	73	7	10	14	81	3	11	12
Inventories:														
Materials	31	48	17	14	16	39	37	23	16	26	48	23	3	2
Finished goods	25	56	16	9	13	37	40	18	19	24	55	17	7	10

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.

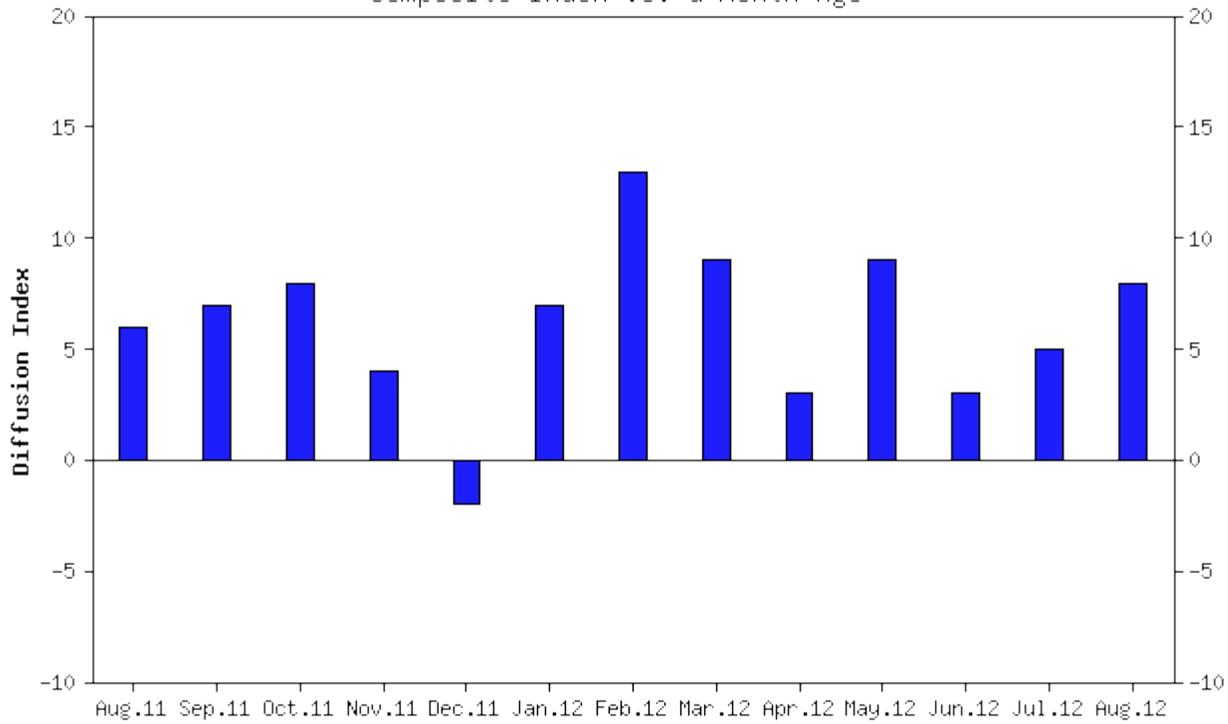
Note: The August survey included 122 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12
Versus a Month Ago (seasonally adjusted)													
Composite Index	6	7	8	4	-2	7	13	9	3	9	3	5	8
Production	1	5	6	2	-6	13	20	13	0	17	12	2	7
Volume of shipments	2	4	7	2	-7	13	8	17	3	16	12	-3	12
Volume of new orders	4	6	3	-3	-2	9	8	17	-8	10	-7	-4	11
Backlog of orders	-5	-5	-3	-7	-11	8	13	3	-5	-3	-18	-10	4
Number of employees	10	13	13	5	-5	9	11	12	12	8	3	6	2
Average employee workweek	-3	5	4	-4	-9	-0	-3	2	-10	-2	-4	-3	-5
Prices received for finished product	5	12	6	4	4	13	11	3	7	0	-4	0	0
Prices paid for raw materials	36	36	30	20	27	42	36	33	19	11	7	18	26
Capital expenditures	n/a												
New orders for exports	2	-1	0	-2	-1	10	-7	-0	1	3	-7	-13	-6
Supplier delivery time	6	0	10	8	8	8	10	4	4	10	4	6	6
Inventories: Materials	7	11	7	8	-7	-4	14	-0	5	1	5	13	16
Inventories: Finished goods	2	6	7	18	0	0	6	15	-3	2	-2	9	13
Versus a Year Ago (not seasonally adjusted)													
Composite Index	21	15	23	22	11	15	21	24	24	27	24	20	18
Production	19	19	27	23	19	16	28	31	30	38	32	19	25
Volume of shipments	19	22	31	21	18	13	30	37	35	35	35	18	22
Volume of new orders	22	18	31	21	10	17	28	33	28	32	32	23	16
Backlog of orders	5	6	5	8	0	13	24	20	20	32	20	10	14
Number of employees	23	18	27	22	16	11	17	23	31	28	25	18	20
Average employee workweek	10	21	13	7	11	2	6	4	10	7	7	2	1
Prices received for finished product	46	52	42	37	34	38	35	35	41	34	19	35	35
Prices paid for raw materials	77	78	82	70	64	67	57	71	74	66	60	50	49
Capital expenditures	13	16	18	23	17	8	12	15	18	21	21	23	21
New orders for exports	8	9	4	6	11	12	5	6	-2	9	4	2	2
Supplier delivery time	13	6	14	16	10	10	13	9	7	14	12	12	10
Inventories: Materials	26	16	18	27	0	19	19	22	25	23	17	26	16
Inventories: Finished goods	17	3	10	23	10	11	20	13	17	16	11	16	19
Expected in Six Months (seasonally adjusted)													
Composite Index	12	8	14	12	12	12	20	18	12	17	8	13	16
Production	19	15	24	22	15	28	35	31	26	40	22	22	31
Volume of shipments	21	18	24	20	25	23	37	31	22	40	20	20	30
Volume of new orders	20	16	23	20	25	18	34	34	23	29	12	22	21
Backlog of orders	3	3	2	10	4	9	24	13	8	11	-1	3	14
Number of employees	15	12	16	12	10	18	23	23	15	18	13	16	16
Average employee workweek	0	-8	-1	-3	2	1	3	7	-6	6	-2	-2	2
Prices received for finished product	23	28	27	25	19	28	32	28	16	22	12	25	32
Prices paid for raw materials	58	57	56	57	47	64	54	65	54	48	40	50	44
Capital expenditures	18	8	15	17	13	22	18	20	6	19	17	20	18
New orders for exports	8	2	9	5	8	15	10	8	5	10	4	6	3
Supplier delivery time	7	3	11	7	5	8	11	7	1	0	4	5	12
Inventories: Materials	-3	-5	-5	1	6	-10	-0	-5	-8	-0	-11	-1	2
Inventories: Finished goods	-2	-3	3	5	2	-10	4	6	-4	-3	-8	5	10

Composite Index vs. a Month Ago



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Manufacturing Survey Home Page](#)