# News Release

Federal Reserve Bank of Kansas City

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**News Release**
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Tenth District manufacturing activity continued to expand moderately in October, and producers were increasingly optimistic about future activity. Price indexes in the survey edged up slightly for the second straight month.

A summary of the October 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 continued to expand moderately in October, and producers were increasingly optimistic about future activity. Price indexes in the survey edged up slightly for the second straight month.

The net percentage of firms reporting month-over-month increases in production in October was 10, down from 14 in September but up from 0 in August (Tables 1 & 2, Chart). The slight decrease in production occurred among both durable and nondurable goods producing plants, with the exception of food and machinery producers, which reported a slight increase in activity. The majority of other month-over-month indicators also moderated or remained stable. The shipments, new orders for exports, and supplier delivery time indexes fell, while the order backlog index was unchanged. In contrast, the new orders index jumped from 9 to 16, its highest level since early 2007, and the employment index also edged higher. Both inventory indexes decreased markedly from the previous survey.

Year-over-year factory indexes decreased somewhat in October but generally remained positive. The production index fell from 22 to 7, and the shipments, new orders, and order backlog indexes also declined. The employment index slipped further into negative territory, while the capital expenditures index remained unchanged. The raw materials inventory index was stable at -3, while the finished goods inventory index fell after increasing last month.

Most future factory activity indexes increased for the second straight month. The future production index rose from 23 to 29, and the future shipments and supplier delivery time indexes also improved. The future new orders for exports index reached its highest level since mid-2008, while the future capital expenditures index eased somewhat but remained in positive territory. The future new orders and employment indexes were basically unchanged, while the future order backlog index dropped from 23 to 7. Both inventory indexes fell further into negative territory.

Most price indexes edged higher for the second straight month. The month-over-month finished goods price moved up only slightly, back into positive territory, and the raw materials price index remained unchanged. The year-over-year finished goods price index increased from 11 to 18, and the raw materials price index also climbed higher. The future raw materials price index rose from 40 to 47, and the future finished goods price index also increased, as slightly more firms plan to pass recent cost increases through to customers.

Table1

## Summary of Tenth District Manufacturing Conditions, October 2010

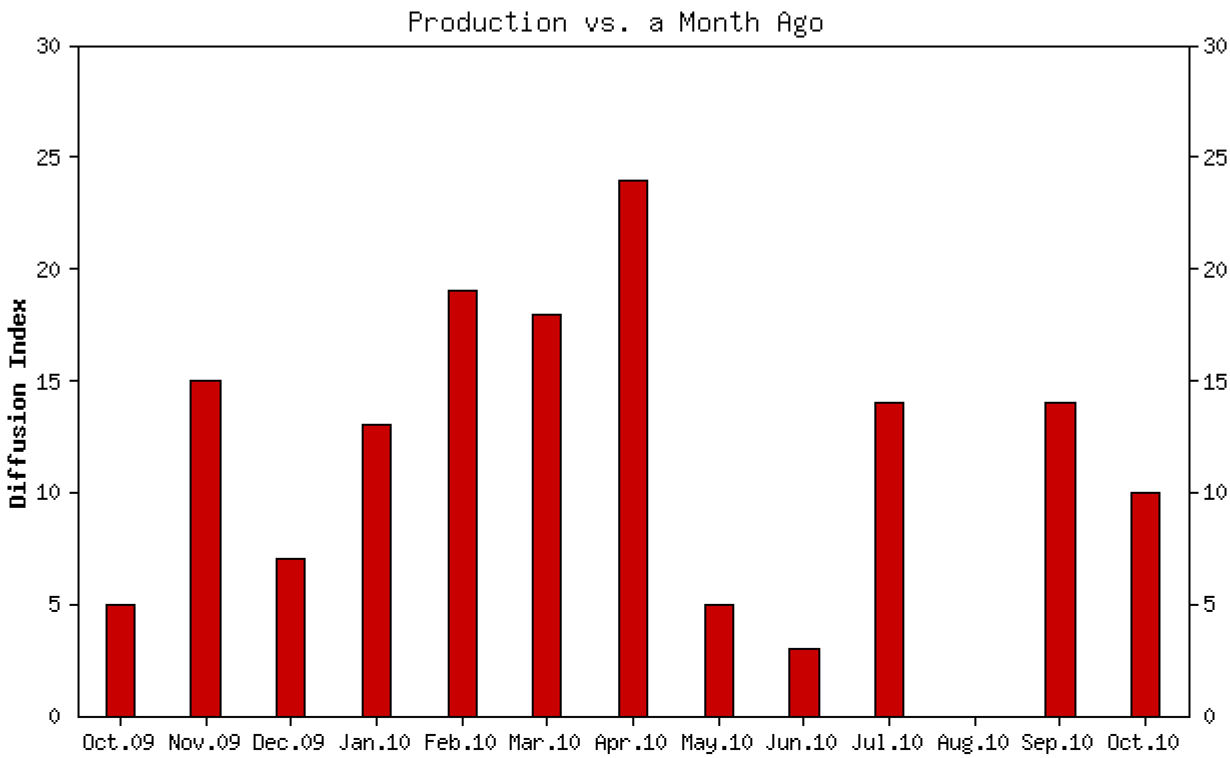
| Plant Level Indicators | October vs. September (percent)[1] | | | | | October vs. Year Ago (percent)[1] | | | | Expected in Six Months (percent)[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Increase | No Change | Decrease | Diff Index[2] | SA Index[3] | Increase | No Change | Decrease | Diff Index[2] | Increase | No Change | Decrease | Diff Index[2] | SA Index[3] |
| Production | 30 | 42 | 24 | 5 | 10 | 42 | 19 | 35 | 7 | 49 | 29 | 17 | 32 | 29 |
| Volume of shipments | 31 | 38 | 28 | 2 | 6 | 45 | 19 | 32 | 12 | 50 | 30 | 16 | 33 | 29 |
| Volume of new orders | 36 | 34 | 26 | 10 | 16 | 40 | 21 | 32 | 8 | 45 | 32 | 18 | 27 | 26 |
| Backlog of orders | 24 | 47 | 24 | 0 | 4 | 29 | 34 | 29 | 0 | 30 | 44 | 20 | 10 | 7 |
| Number of employees | 19 | 59 | 20 | -1 | -1 | 28 | 32 | 36 | -8 | 29 | 48 | 20 | 8 | 7 |
| Average employee workweek | 16 | 64 | 16 | 0 | 2 | 24 | 46 | 26 | -1 | 20 | 58 | 17 | 3 | 1 |
| Prices received for finished product | 8 | 83 | 7 | 1 | 2 | 36 | 42 | 18 | 18 | 32 | 53 | 12 | 19 | 18 |
| Prices paid for raw materials | 29 | 65 | 4 | 25 | 25 | 64 | 27 | 6 | 58 | 54 | 37 | 6 | 48 | 47 |
| Capital expenditures | | | | | | 27 | 42 | 27 | 0 | 28 | 49 | 20 | 8 | 4 |
| New orders for exports | 8 | 69 | 8 | 0 | 0 | 16 | 60 | 9 | 7 | 19 | 60 | 6 | 12 | 14 |
| Supplier delivery time | 6 | 84 | 4 | 1 | 1 | 17 | 66 | 9 | 7 | 14 | 74 | 5 | 8 | 9 |
| Inventories: | | | | | | | | | | | | | | |
| Materials | 17 | 50 | 31 | -13 | -10 | 28 | 35 | 32 | -3 | 20 | 51 | 26 | -5 | -5 |
| Finished goods | 14 | 51 | 31 | -16 | -13 | 20 | 43 | 28 | -7 | 11 | 56 | 26 | -15 | -16 |

[1] Percentage may not add to 100 due to rounding.
[2] Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.
[3] Seasonally 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 125 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Table2**

**Historical Manufacturing Survey Indexes**

| | Oct'09 | Nov'09 | Dec'09 | Jan'10 | Feb'10 | Mar'10 | Apr'10 | May'10 | Jun'10 | Jul'10 | Aug'10 | Sep'10 | Oct'10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Versus a Month Ago (seasonally adjusted)** | | | | | | | | | | | | | |
| **Production** | 5 | 15 | 7 | 13 | 19 | 18 | 24 | 5 | 3 | 14 | 0 | 14 | 10 |
| **Volume of shipments** | 0 | 8 | 3 | 9 | 14 | 17 | 27 | -3 | 1 | 12 | -6 | 15 | 6 |
| **Volume of new orders** | 7 | 10 | 0 | 9 | 11 | 12 | 15 | -2 | 0 | 9 | -13 | 9 | 16 |
| **Backlog of orders** | -1 | 0 | -4 | 0 | -5 | 7 | 11 | -3 | -9 | -2 | -16 | 4 | 4 |
| **Number of employees** | -4 | 0 | -1 | 2 | -4 | 3 | 5 | 1 | -1 | 5 | -2 | -2 | -1 |
| **Average employee workweek** | -3 | 4 | 0 | 4 | -3 | 1 | 6 | 9 | -2 | 1 | -6 | 2 | 2 |
| **Prices received for finished product** | -6 | 1 | -1 | 0 | 0 | 5 | 5 | -1 | -14 | -9 | -4 | -1 | 2 |
| **Prices paid for raw materials** | 12 | 21 | 22 | 42 | 45 | 42 | 53 | 37 | 14 | 14 | 14 | 25 | 25 |
| **Capital expenditures** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **New orders for exports** | 3 | 2 | 5 | 6 | 0 | 4 | 5 | 0 | 3 | 0 | -1 | 10 | 0 |
| **Supplier delivery time** | 3 | 11 | 8 | 8 | 12 | 11 | 10 | 15 | 5 | 0 | 3 | 4 | 1 |
| **Inventories: Materials** | -4 | -6 | -12 | -7 | -1 | 3 | -7 | 6 | -4 | -1 | 6 | -1 | -10 |
| **Inventories: Finished goods** | 2 | -6 | -1 | 0 | 0 | -7 | -9 | 6 | 1 | 0 | 2 | 5 | -13 |
| **Versus a Year Ago (not seasonally adjusted)** | | | | | | | | | | | | | |
| **Production** | -40 | -31 | -30 | -10 | -9 | -1 | 14 | 16 | 9 | 25 | 18 | 22 | 7 |
| **Volume of shipments** | -40 | -28 | -31 | -10 | -11 | -5 | 15 | 13 | 6 | 25 | 18 | 25 | 12 |
| **Volume of new orders** | -37 | -16 | -25 | -11 | -8 | -3 | 19 | 23 | 6 | 23 | 16 | 20 | 8 |
| **Backlog of orders** | -44 | -24 | -32 | -14 | -19 | -13 | -3 | 0 | -5 | 6 | 3 | 4 | 0 |
| **Number of employees** | -47 | -49 | -48 | -39 | -29 | -31 | -18 | -18 | -12 | -10 | -8 | -2 | -8 |
| **Average employee workweek** | -33 | -28 | -32 | -20 | -11 | -10 | -1 | 8 | -4 | 5 | 9 | 6 | -1 |
| **Prices received for finished product** | -14 | -12 | -10 | -1 | -4 | 7 | 7 | 9 | 9 | 7 | 7 | 11 | 18 |
| **Prices paid for raw materials** | -5 | -12 | 6 | 25 | 38 | 55 | 58 | 63 | 53 | 50 | 51 | 48 | 58 |
| **Capital expenditures** | -25 | -26 | -31 | -14 | -15 | -8 | -5 | -5 | -5 | 4 | -9 | 0 | 0 |
| **New orders for exports** | -6 | -8 | 0 | 6 | 7 | 2 | 7 | 8 | 7 | 14 | 12 | 12 | 7 |
| **Supplier delivery time** | -2 | -3 | 0 | -1 | 2 | 10 | 8 | 10 | 0 | 3 | 4 | 7 | 7 |
| **Inventories: Materials** | -37 | -34 | -35 | -18 | -20 | -17 | -12 | -14 | -14 | -9 | -5 | -3 | -3 |
| **Inventories: Finished goods** | -14 | -24 | -12 | -14 | -14 | -11 | -9 | -8 | -4 | -5 | -8 | -2 | -7 |
| **Expected in Six Months (seasonally adjusted)** | | | | | | | | | | | | | |
| **Production** | 24 | 32 | 17 | 35 | 24 | 33 | 22 | 32 | 21 | 23 | 10 | 23 | 29 |
| **Volume of shipments** | 18 | 31 | 15 | 35 | 32 | 36 | 21 | 33 | 24 | 22 | 9 | 19 | 29 |
| **Volume of new orders** | 26 | 23 | 17 | 25 | 25 | 27 | 28 | 31 | 23 | 23 | 16 | 28 | 26 |
| **Backlog of orders** | 13 | 16 | 7 | 12 | 5 | 16 | 9 | 16 | 12 | 11 | 4 | 23 | 7 |
| **Number of employees** | 4 | 8 | 2 | 9 | 18 | 20 | 18 | 14 | 9 | 1 | 2 | 7 | 7 |
| **Average employee workweek** | 5 | 16 | 8 | 7 | 13 | 10 | 4 | 13 | 2 | 0 | -2 | 6 | 1 |
| **Prices received for finished product** | 0 | 5 | 8 | 12 | 15 | 19 | 17 | 17 | 11 | 9 | 7 | 10 | 18 |
| **Prices paid for raw materials** | 28 | 32 | 31 | 60 | 59 | 55 | 61 | 45 | 40 | 26 | 30 | 40 | 47 |
| **Capital expenditures** | -5 | -1 | 0 | 14 | 3 | 5 | 11 | 5 | -4 | -3 | -4 | 8 | 4 |
| **New orders for exports** | 10 | 9 | 11 | 13 | 12 | 5 | 11 | 7 | 5 | 5 | 7 | 12 | 14 |
| **Supplier delivery time** | -1 | 6 | 10 | 6 | 6 | 9 | 15 | 9 | 0 | 8 | 6 | 3 | 9 |
| **Inventories: Materials** | -6 | -3 | -2 | 3 | 6 | 4 | 3 | -10 | -10 | -8 | -6 | -2 | -5 |
| **Inventories: Finished goods** | -7 | -5 | 2 | 2 | 1 | -4 | 0 | -6 | -11 | -4 | 0 | -3 | -16 |

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