News Release
Federal Reserve Bank of Kansas City
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Tenth District manufacturing activity rebounded slightly in July after last month's sharp slowdown, and contacts continued to remain largely optimistic about the months ahead. Price indexes in the survey were mixed, with a slight acceleration in raw materials prices but smaller increases in finished goods prices.

A summary of the July 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 rebounded slightly in July after last month's sharp slowdown, and contacts continued to remain largely optimistic about the months ahead. Price indexes in the survey were mixed, with a slight acceleration in raw materials prices but smaller increases in finished goods prices.

The net percentage of firms reporting month-over-month increases in production in July was 10, up from -2 in June but down from 20 in May (Tables 1 & 2, Chart). Production increased at both durable- and non-durable-goods-producing plants following declines last month among producers of food, machinery, and transportation equipment especially. Other month-over-month indexes were mixed in July. The shipments index rebounded from -1 to 13 after recording a five-year low in June, and the export orders index rose slightly. In contrast, the new orders index declined for the third straight month to its lowest level in almost five years. The order backlog index fell from 13 to -1, and the employment and supplier delivery time indexes edged down as well. Both inventory indexes decreased after a two-month rise.

The year-over-year production index fell to 16, its lowest level in four years. The majority of year-over-year indexes declined notably this month but remained positive. The shipments index edged down slightly, and the new orders index fell from 29 to 15, a four-year low. The employment index remained relatively stable at 16, while the order backlog and employee workweek indexes posted their lowest levels in a couple of years. On the other hand, the capital expenditures index was unchanged and the export orders index increased after a two-month lull. The finished goods inventory index dropped from 16 to 6, and the raw materials inventory index also fell slightly.

Future factory activity indexes were generally positive and remained at solid levels. The future production index was similar to the past two months, at 27, and the future shipments index edged up for the second straight month, from 27 to 32. The future new orders, order backlog, and employment indexes were all relatively unchanged at positive levels. The future export orders index climbed from 6 to 19, reaching its highest level in over two years. On the other hand, the capital expenditures index declined slightly from 22 to 18 and the supplier delivery time index also fell. The raw materials inventory index increased for the third straight month and the finished goods inventory index rose as well.

Price indexes in the survey moved in opposite directions, with raw materials price indexes edging higher and finished goods price indexes falling slightly. Rising food input prices accounted for most of the increase in materials prices. The month-over-month raw materials price index climbed from 39 to 47, while the finished goods price index edged down. The year-over-year finished goods price index remained relatively unchanged, and the raw materials price index rose only slightly. The future raw materials price index jumped from 57 to 67 after declining last month, while the future finished goods price index eased for the second month in a row.

Table1

Summary of Tenth District Manufacturing Conditions, July 2007

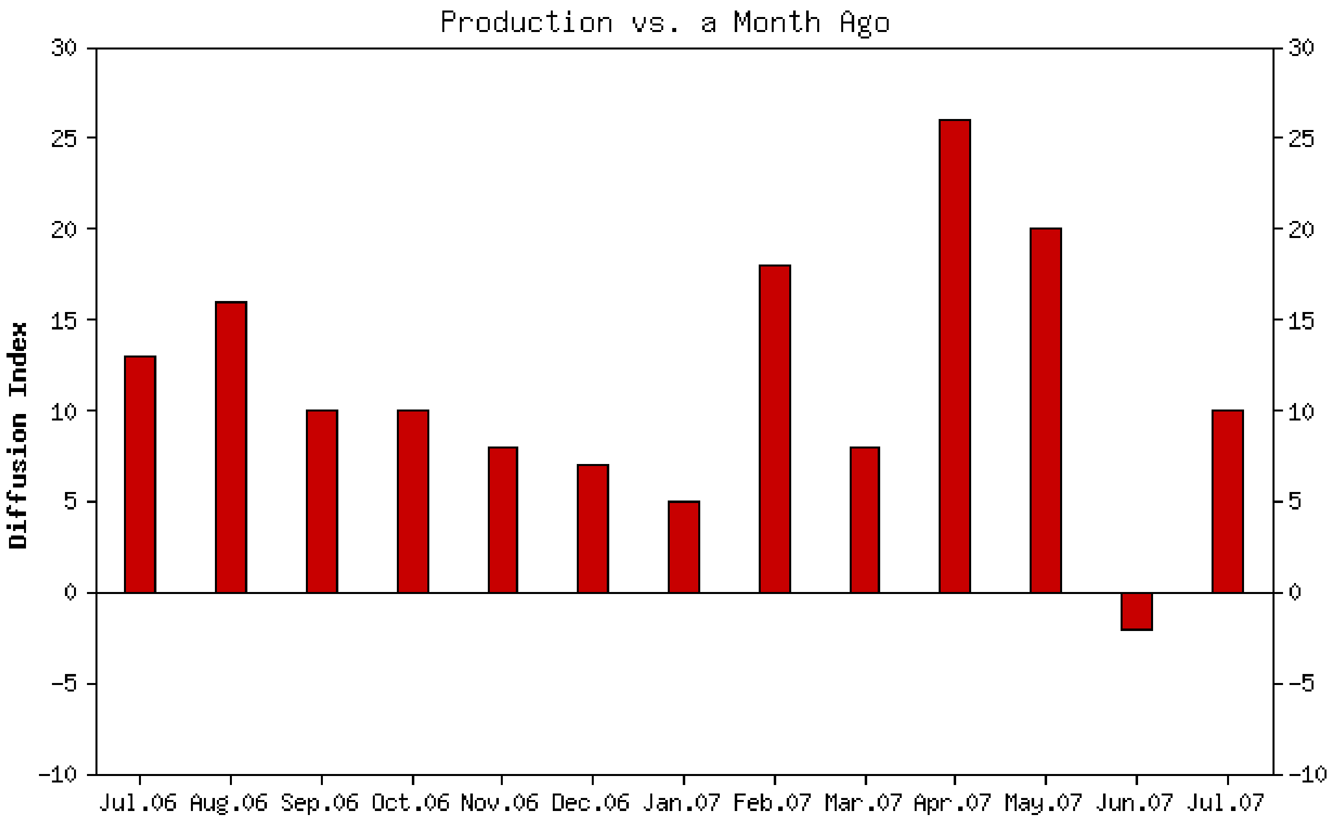
Plant Level Indicators	July vs. June (percent)[1]					July vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	27	51	18	8	10	44	25	27	16	45	36	16	29	27
Volume of shipments	31	41	26	4	13	46	22	29	16	44	38	15	29	32
Volume of new orders	28	39	28	0	1	43	23	28	15	39	38	19	19	21
Backlog of orders	24	50	23	0	-1	29	41	26	2	29	48	19	9	11
Number of employees	21	57	20	0	1	46	29	23	22	33	49	16	16	17
Average employee workweek	16	68	15	0	-1	20	58	18	1	17	68	12	5	4
Prices received for finished product	16	77	4	12	13	62	26	9	52	42	50	6	35	38
Prices paid for raw materials	45	51	2	42	47	83	10	4	79	68	28	0	67	67
Capital expenditures						33	49	16	16	29	55	12	16	18
New orders for exports	11	72	6	4	5	22	57	9	13	25	56	7	17	19
Supplier delivery time	9	84	3	5	5	16	74	7	9	12	80	4	7	5
Inventories:														
Materials	31	47	21	9	11	39	38	21	17	28	52	16	11	12
Finished goods	18	58	19	0	0	29	45	22	6	21	60	16	5	7

[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 July survey included 106 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07	Feb'07	Mar'07	Apr'07	May'07	Jun'07	Jul'07
Versus a Month Ago (seasonally adjusted)													
Production	13	16	10	10	8	7	5	18	8	26	20	-2	10
Volume of shipments	9	15	6	10	10	8	16	20	0	25	18	-1	13
Volume of new orders	8	20	14	12	2	13	9	20	11	23	18	7	1
Backlog of orders	7	3	10	-5	-13	-4	-4	9	1	10	0	13	-1
Number of employees	10	-1	13	8	16	15	8	13	2	11	14	9	1
Average employee workweek	3	6	3	5	4	4	-4	7	-6	3	12	-6	-1
Prices received for finished product	20	17	15	12	10	7	11	15	3	6	17	17	13
Prices paid for raw materials	49	45	38	27	27	30	35	37	38	36	43	39	47
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	4	4	2	4	0	9	-1	7	-2	6	2	1	5
Supplier delivery time	16	8	0	7	2	1	3	11	7	5	1	6	5
Inventories: Materials	9	8	14	8	9	4	8	13	9	3	7	12	11
Inventories: Finished goods	3	1	6	-1	-3	-3	-7	-7	7	-1	2	7	0
Versus a Year Ago (not seasonally adjusted)													
Production	35	33	33	35	35	25	19	31	20	28	33	23	16
Volume of shipments	37	32	37	34	38	34	23	32	12	33	32	17	16
Volume of new orders	34	34	33	39	28	35	26	36	18	33	27	29	15
Backlog of orders	27	22	22	19	15	19	7	23	4	16	8	17	2
Number of employees	27	17	14	25	29	27	25	35	20	27	23	23	22
Average employee workweek	20	10	2	14	13	9	10	13	4	14	7	6	1
Prices received for finished product	58	52	66	65	57	56	57	52	47	60	66	53	52
Prices paid for raw materials	82	74	79	80	76	67	71	67	82	81	83	76	79
Capital expenditures	20	23	21	20	22	28	13	17	24	27	20	16	16
New orders for exports	16	16	7	15	11	16	11	12	3	13	6	3	13
Supplier delivery time	26	14	11	11	9	4	8	9	7	5	6	14	9
Inventories: Materials	17	21	22	14	22	23	31	27	16	4	31	25	17
Inventories: Finished goods	4	15	14	10	0	7	11	25	27	0	15	16	6
Expected in Six Months (seasonally adjusted)													
Production	35	28	26	23	18	29	25	25	41	41	30	25	27
Volume of shipments	44	30	30	23	24	31	20	21	44	42	25	27	32
Volume of new orders	34	23	26	14	20	21	21	23	36	40	19	22	21
Backlog of orders	22	13	9	4	6	14	8	13	16	19	11	12	11
Number of employees	29	12	13	6	7	19	18	25	27	22	13	18	17
Average employee workweek	4	9	1	0	4	2	9	12	17	13	2	9	4
Prices received for finished product	36	24	31	33	27	17	32	36	33	33	44	41	38
Prices paid for raw materials	61	57	49	48	46	31	50	52	66	54	70	57	67
Capital expenditures	22	22	24	23	16	24	20	30	23	22	18	22	18
New orders for exports	13	10	10	8	15	15	10	4	2	7	14	6	19
Supplier delivery time	10	8	2	4	9	11	11	8	4	2	8	14	5
Inventories: Materials	8	2	2	-1	-2	2	-4	-5	1	-15	2	3	12
Inventories: Finished goods	3	-2	3	-2	-11	1	-2	-5	10	-5	6	1	7



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