

News Release

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GROWTH IN TENTH DISTRICT MANUFACTURING ACTIVITY SLOWED SOMEWHAT Federal Reserve Bank of Kansas City Releases September Manufacturing Survey

KANSAS CITY, Mo. - The Federal Reserve Bank of Kansas City released the September 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 slowed somewhat, although producers' expectations for future activity remained relatively positive.

"Factories reported only minimal overall growth in our region in September, and both production and new orders fell slightly" said Wilkerson. "But firms anticipate growth to pick up later this year and on into next year."

A summary of the September 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 slowed somewhat in September, although producers' expectations for future activity remained relatively positive. Direct impacts from the economic situation in Europe remained minimal overall. However, a few respondents indicated business conditions have deteriorated further with European customers and suppliers. The majority of price indexes in the survey edged slightly higher.

The month-over-month composite index was 2 in September, down from 8 in August and 5 in July, and the lowest in nine months (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 decreased at most durable- and nondurable goods-producing plants, with the exception of metal and transportation products which posted a slight increase. Most other month-over-month indexes also fell in September. The production index dropped from 7 to -4, and the shipments, new orders, and order backlog indexes also moved into negative territory. The employment index eased from 2 to 1, while the new orders for export index inched higher but remained below zero. Both inventory indexes eased but were still in positive territory.

Most year-over-year factory indexes decreased from the previous month. The composite year-over-year index dropped from 18 to 11, and the production and shipments indexes also moved lower. The new order and order backlog indexes posted their lowest levels since mid-2010, and the employment index slipped from 20 to 17. The capital expenditures index decreased from 21 to 17, and the new orders for exports index fell into negative territory. The raw materials inventory index eased from 16 to 11, and the finished goods inventory index also decreased.

Despite the overall slowdown, most future factory indexes were little changed and remained at generally favorable levels. The future composite index was unchanged at 16, while the future shipments, new orders, and order backlog indexes increased slightly. The future employment index was stable at 16, while the future production index eased somewhat from 31 to 29. The future capital expenditures index fell for the second straight month, while the new orders for export index posted no change. The future raw materials inventory index rose from 2 to 9, but the finished goods inventory index decreased from 10 to 6.

The majority of price indexes increased slightly, though most changes were minimal. The month-over-month finished goods price index rose from 0 to 5, and the raw materials price index increased for the third straight month. The year-over-year finished goods index stayed flat at 35, but the raw materials index increased from 49 to 60. The future raw materials price index rose slightly, while the future finished goods price index edged lower, indicating fewer firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, September 2012

Plant Level Indicators	September vs. August (percent) ¹					September vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA	
	Increase	Change	Decrease	Index ²		Index ³	Change	Decrease		Index ²	Increase	Change	Decrease	Index ²
Composite Index				2	2				11				15	16
Production	24	49	27	-3	-4	45	23	32	12	44	39	17	26	29
Volume of shipments	23	48	28	-5	-8	46	20	31	16	45	35	18	27	31
Volume of new orders	26	42	31	-4	-2	39	26	33	6	40	41	17	23	24
Backlog of orders	22	48	29	-7	-7	29	37	33	-4	31	53	14	17	20
Number of employees	19	64	17	2	1	43	30	26	17	31	51	17	15	16
Average employee workweek	9	73	17	-8	-13	25	55	20	5	19	65	15	4	4
Prices received for finished product	16	75	9	7	5	47	40	12	35	34	58	7	26	29
Prices paid for raw materials	34	57	6	28	30	68	20	8	60	53	40	4	49	49
Capital expenditures						36	41	20	17	30	53	17	12	11
New orders for exports	8	72	12	-3	-4	14	57	18	-4	16	64	12	3	3
Supplier delivery time	10	86	2	8	8	15	73	8	7	8	83	6	2	5
Inventories:														
Materials	28	50	21	7	7	39	31	28	11	27	50	20	7	9
Finished goods	22	55	20	2	3	33	42	21	12	23	54	18	5	6

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.

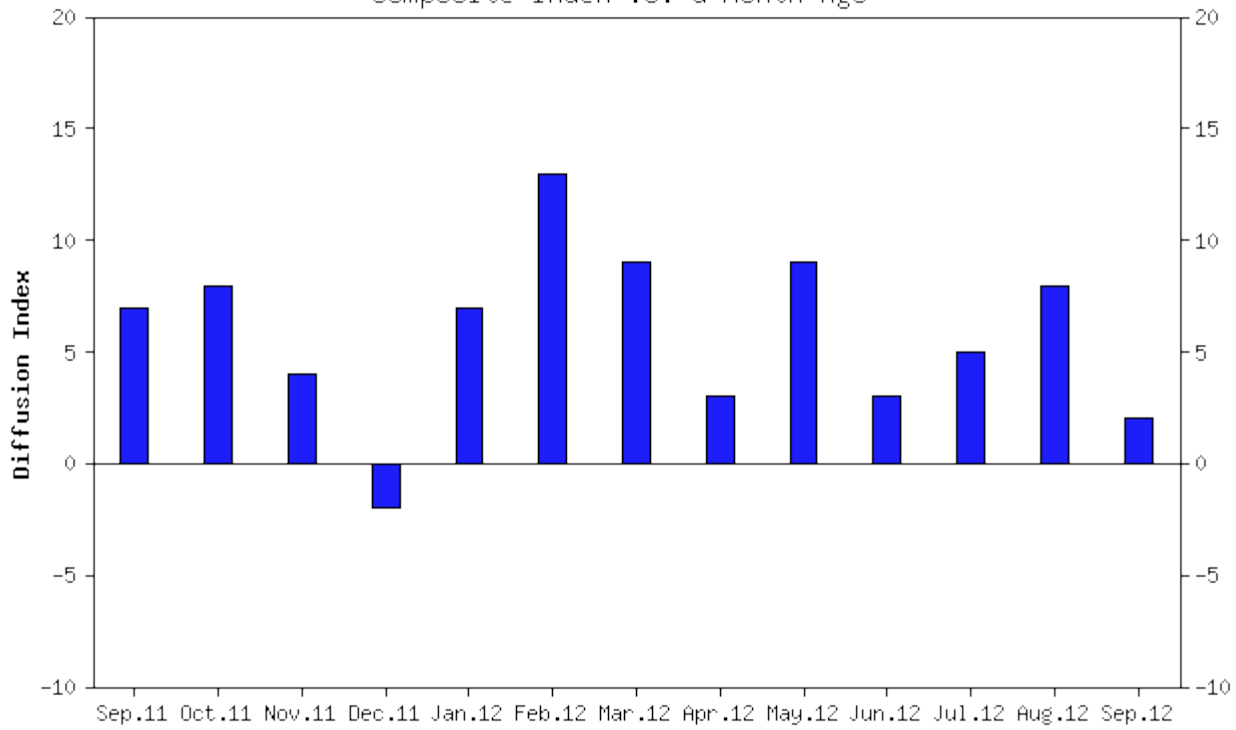
Note: The September survey included 121 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

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

Composite Index vs. a Month Ago



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