News Release
Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198 Phone (816) 881-2683

News Release
Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198
Phone (816) 881-2683
Fax (816) 881-2569

FOR RELEASE Thursday, October 30, 2008
EMBARGOED FOR 11:00 A.M. EST

EMBARGOED FOR 11:00 A.M. EST

Tenth District manufacturing activity declined sharply in October, and firms' expectations about future factory activity weakened further. Price indexes in the survey also fell considerably, though more firms continued to plan price increases heading forward than planned price decreases.

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 declined sharply in October, and firms' expectations about future factory activity weakened further. Price indexes in the survey also fell considerably, though more firms continued to plan price increases heading forward than planned price decreases.

The net percentage of firms reporting month-over-month increases in production in October was -23, down from -9 in September and 6 in August (Tables 1 & 2, Chart). Production declined sharply at durable-goods producing plants, but remained relatively stable at non-durable-goods producing plants, particularly for food and chemical products. All other month-over-month indexes also declined in October. Like the production index, the new orders and order backlog indexes also recorded their lowest levels in the survey's fourteen-year history. The shipments index also decreased from -8 to -20, and the employment index eased slightly. The new orders for exports index also fell into negative territory, following several years of steady growth. Both inventory indexes declined from the previous month.

All year-over-year factory indexes posted steep declines in October compared with their September readings. The production index plummeted from -1 to -22 and the shipments and new orders indexes also declined, with all three recording their lowest levels since early 2002. The employment index decreased from -7 to -22 and the order backlog index posted its lowest level in survey history. The capital expenditures index remained the lone positive index but also edged down from 10 to 6. Both inventory indexes dipped into negative territory, with a few firms citing a reduction due to credit constraints.

Nearly all future factory activity indexes weakened further in October, with several falling into negative territory for the first time in a number of years. The future production index eased from 3 to -3, and the shipments and new orders index also slowed to their lowest levels since 2001. The future employment index reached a seven-year low, while the future order backlog index remained unchanged. The future capital expenditures index contracted from 12 to -3, with the majority of contacts reporting future spending plans as decreased or unchanged. The future raw materials inventory index declined from -7 to -14 and the future finished goods inventory index also eased.

Most price indexes fell considerably for the second straight month. The month-over-month finished goods index dropped from 20 to 2, and the raw materials index decreased from 38 to -2, with both at their lowest levels in over 5 years. The year-over-year finished goods price index edged down slightly, and the raw materials index moderated from 86 to 72. The future raw materials index posted a sharp decline from 51 to 17, and the future finished goods index continued to edge downward but remained well above zero, suggesting some continued pass-through of past price increases in the months ahead.

Table1

Summary of Tenth District Manufacturing Conditions, October 2008

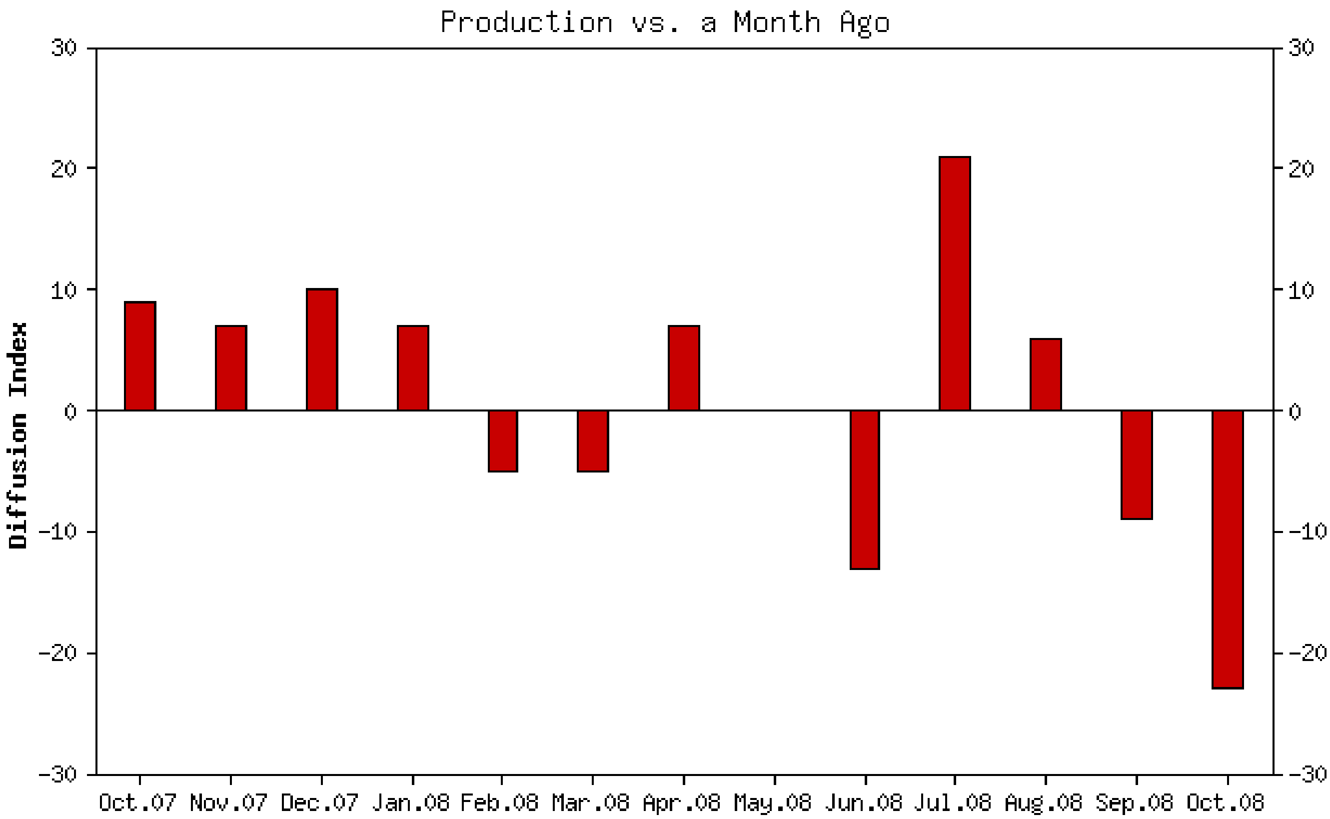
Plant Level Indicators	October vs. September (percent)[1]					October vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	18	40	41	-23	-23	29	18	51	-22	32	27	38	-5	-3
Volume of shipments	25	27	45	-20	-20	33	15	48	-14	32	28	36	-3	-2
Volume of new orders	23	24	49	-25	-23	31	13	53	-22	27	33	36	-8	-6
Backlog of orders	17	31	45	-28	-24	20	28	46	-26	27	37	30	-3	0
Number of employees	14	54	30	-15	-12	23	29	45	-22	23	40	34	-10	-8
Average employee workweek	9	59	31	-21	-20	11	50	36	-24	15	56	26	-10	-8
Prices received for finished product	11	77	9	2	2	66	26	5	60	36	47	15	20	18
Prices paid for raw materials	23	54	22	1	-2	81	7	9	72	45	30	22	23	17
Capital expenditures						31	43	24	6	20	57	21	0	-3
New orders for exports	10	63	16	-5	-6	15	55	18	-3	11	62	16	-4	-5
Supplier delivery time	4	86	6	-1	-2	13	72	13	0	6	81	10	-4	-5
Inventories:														
Materials	18	50	31	-12	-7	34	28	36	-1	16	52	31	-14	-14
Finished goods	16	51	28	-12	-9	25	38	31	-6	18	51	27	-9	-9

[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 122 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08	Sep'08	Oct'08
Versus a Month Ago (seasonally adjusted)													
Production	9	7	10	7	-5	-5	7	0	-13	21	6	-9	-23
Volume of shipments	13	12	5	2	-5	-5	10	6	-14	24	2	-8	-20
Volume of new orders	0	12	8	15	6	-8	0	0	-3	19	9	-14	-23
Backlog of orders	-3	5	2	2	0	-5	-3	0	-12	0	-4	-15	-24
Number of employees	-1	-3	1	8	-5	-10	1	1	-9	4	0	-7	-12
Average employee workweek	-3	0	2	-3	-3	-5	4	-1	-2	7	5	-7	-20
Prices received for finished product	11	11	8	15	13	23	22	31	36	33	30	20	2
Prices paid for raw materials	35	43	32	47	58	64	63	70	70	68	53	38	-2
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	4	2	8	4	13	7	17	8	16	2	4	-6
Supplier delivery time	6	7	6	10	7	6	7	5	14	8	8	3	-2
Inventories: Materials	-5	-5	-1	-4	-2	-3	4	2	-2	-4	1	-3	-7
Inventories: Finished goods	-6	-6	-3	3	7	6	12	0	-1	6	-6	0	-9
Versus a Year Ago (not seasonally adjusted)													
Production	22	8	20	5	10	0	-5	-7	-10	7	1	-1	-22
Volume of shipments	23	18	22	11	13	0	0	-4	-10	5	4	-3	-14
Volume of new orders	19	18	8	18	13	-9	0	-5	-7	0	5	-5	-22
Backlog of orders	6	4	1	2	-3	-11	-8	-6	-8	-7	-4	-8	-26
Number of employees	4	8	9	10	8	5	0	-4	-6	-6	-10	-7	-22
Average employee workweek	5	-4	14	0	-3	-11	-11	-9	-11	-6	-5	-13	-24
Prices received for finished product	48	48	50	51	53	60	56	61	69	61	68	64	60
Prices paid for raw materials	71	75	70	75	84	84	87	95	88	91	90	86	72
Capital expenditures	16	18	18	12	15	14	10	11	11	17	10	10	6
New orders for exports	12	9	12	18	8	11	10	22	22	22	10	8	-3
Supplier delivery time	12	7	6	5	10	11	21	10	19	11	12	4	0
Inventories: Materials	6	-1	2	0	4	0	7	3	-6	14	5	8	-1
Inventories: Finished goods	0	-5	-3	0	10	6	5	0	-5	8	-1	0	-6
Expected in Six Months (seasonally adjusted)													
Production	28	27	26	18	26	6	18	11	21	14	30	3	-3
Volume of shipments	29	25	30	17	30	11	15	16	18	11	25	-1	-2
Volume of new orders	23	19	25	23	21	12	14	22	16	8	28	4	-6
Backlog of orders	12	5	8	13	12	9	-1	2	6	0	13	0	0
Number of employees	10	11	20	18	11	10	11	6	3	9	5	0	-8
Average employee workweek	7	-2	-1	0	0	-7	0	-3	-5	-1	0	-3	-8
Prices received for finished product	35	27	32	40	41	49	44	49	49	58	53	24	18
Prices paid for raw materials	51	58	62	61	73	74	82	82	84	73	73	51	17
Capital expenditures	15	19	17	9	19	11	10	14	16	19	7	12	-3
New orders for exports	10	13	18	15	21	22	19	22	25	16	10	7	-5
Supplier delivery time	8	6	3	4	8	10	10	10	8	2	6	1	-5
Inventories: Materials	-5	-3	4	-8	5	-6	-3	-2	4	-2	-5	-7	-14
Inventories: Finished goods	-1	-2	0	-10	1	-1	2	-8	-4	-10	-10	-6	-9



Federal Reserve Bank of Kansas City
Manufacturing Survey Home Page