



# News Release

## Federal Reserve Bank of Kansas City

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FOR RELEASE Wednesday, November 30, 2005  
EMBARGOED FOR 11:00 A.M. EST

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Growth in manufacturing activity in the Tenth Federal Reserve District slowed somewhat in November, but activity remained well above year-ago levels and expectations for future factory activity improved slightly. The price indexes in the survey were still very high by historical standards despite some easing in the raw materials price indexes.

A summary of the November 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 Chad Wilkerson, Economic Research Department, (816) 881-2869.

The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

# Survey of Tenth District Manufacturing

by Chad R. Wilkerson

Growth in manufacturing activity in the Tenth Federal Reserve District slowed somewhat in November, but activity remained well above year-ago levels and expectations for future factory activity improved slightly. The price indexes in the survey were still very high by historical standards despite some easing in the raw materials price indexes.

The net percentage of firms reporting month-over-month increases in production in November was 7, down from 13 in October and 30 in September (Tables 1 & 2, Chart). The slowdown was due to a modest decline in production at nondurable-goods-producing plants, as production among durable goods producers accelerated slightly. The year-over-year production index edged up from 36 to 38 but was still down from a record 55 in September. Although sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest that production remained well above year-ago levels in all district states.

Like production, several other month-over-month indexes of factory activity were lower in November than October. The new orders index edged down from 18 to 14, and the backlog index fell from 18 to 10. The employment index eased from 14 to 10, and the workweek index declined from 10 to 0. The shipments index posted the largest decline, dropping from 17 to -1, its first negative reading since early 2002. Not all indexes fell, however. The export orders index edged up from 8 to 12, and the inventory indexes—for both materials and finished goods—rose slightly as well.

Most year-over-year indexes remained similar to readings in October. The shipments and new orders indexes were largely unchanged at 40. The employment index remained near 20, and the capital spending index was still around 30. The inventory indexes both rose somewhat, while the workweek index fell slightly.

Plant managers' expectations for future factory activity increased slightly from October, although planned hiring was down considerably. The future production index rose from 25 to 33, putting it roughly in the middle of its range from the past eight months. The future shipments and new orders indexes also rose somewhat, while the future capital spending index was unchanged at 24. The future employment index fell from 22 to 2, its lowest reading in over two years. Still, a number of firms reported difficulties finding enough qualified workers to meet demand for their products.

The price indexes in the survey remained very high by historical standards despite some easing in the raw materials price indexes. The month-over-month raw materials price index fell from a record 62 in October to 52 in November, while the month-over-month finished goods price index was largely unchanged at 19. The year-over-year raw materials price index also fell, from 83 to 70, while the year-over-year finished goods price index edged down from 50 to 45. The six-month-ahead raw materials price index dropped from 78 to 66, but the future finished goods price index edged up from 38 to 42, nearly matching its record-high of 43 set in September. The narrowing in the gap between the future raw materials price index and the future finished goods price index may suggest firms expect slightly more pricing power heading forward.

Table1

## Summary of Tenth District Manufacturing Conditions, November 2005

Plant Level Indicators	November vs. October (percent) <sup>1</sup>					November vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No		Diff	SA	No		Diff	No		Diff	SA			
	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>
Production	28	42	29	-1	7	55	27	17	38	49	34	16	33	33
Volume of shipments	24	39	36	-12	-1	59	19	19	40	52	29	16	36	33
Volume of new orders	32	41	25	7	14	59	20	19	40	49	33	16	33	32
Backlog of orders	29	46	21	8	10	46	35	14	32	29	49	17	12	12
Number of employees	24	58	17	7	10	45	27	26	19	28	47	23	5	2
Average employee workweek	18	61	19	-1	0	34	45	18	16	20	56	22	-2	0
Prices received for finished product	22	69	7	15	19	58	26	13	45	47	45	6	41	42
Prices paid for raw materials	55	37	7	48	52	78	12	8	70	69	23	6	63	66
Capital expenditures						45	38	16	29	38	46	15	23	24
New orders for exports	16	69	5	11	12	22	60	8	14	13	69	8	5	7
Supplier delivery time	15	79	3	12	13	21	70	6	15	14	78	6	8	10
Inventories:														
Materials	27	52	20	7	6	39	43	17	22	29	49	19	10	11
Finished goods	26	53	17	9	8	32	47	18	14	27	48	21	6	7

<sup>1</sup>Percentage may not add to 100 due to rounding.

<sup>2</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

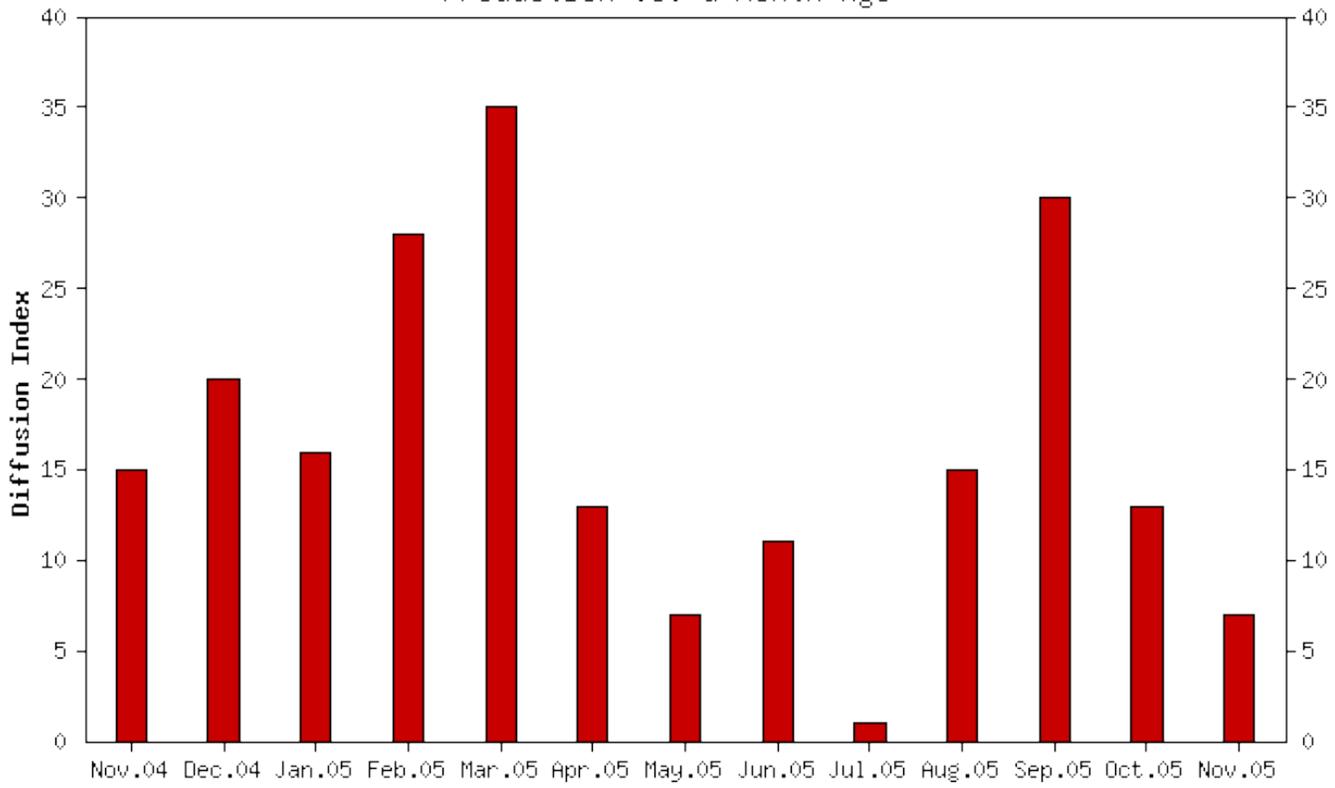
<sup>3</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The November survey included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Table2**  
**Historical Manufacturing Survey Indexes**

	Nov'04	Dec'04	Jan'05	Feb'05	Mar'05	Apr'05	May'05	Jun'05	Jul'05	Aug'05	Sep'05	Oct'05	Nov'05
<b>Versus a Month Ago</b> <b>(seasonally adjusted)</b>													
Production	15	20	16	28	35	13	7	11	1	15	30	13	7
Volume of shipments	14	9	15	25	22	13	18	18	7	15	15	17	-1
Volume of new orders	16	18	20	22	26	20	15	17	10	9	21	18	14
Backlog of orders	0	0	7	7	8	9	5	1	-2	4	19	18	10
Number of employees	7	9	-1	17	10	9	3	7	17	3	3	14	10
Average employee workweek	7	5	1	6	7	0	9	14	11	6	12	10	0
Prices received for finished product	13	13	16	16	16	16	7	5	10	13	22	20	19
Prices paid for raw materials	47	40	44	42	41	32	23	18	27	42	61	62	52
Capital expenditures	n/a												
New orders for exports	6	5	-1	7	6	3	1	4	4	10	8	8	12
Supplier delivery time	12	10	12	10	8	7	10	7	9	10	17	12	13
Inventories: Materials	4	3	2	7	9	15	0	7	8	11	2	0	6
Inventories: Finished goods	0	4	8	8	5	10	-9	-3	5	8	0	1	8
<b>Versus a Year Ago</b> <b>(not seasonally adjusted)</b>													
Production	44	50	37	43	44	31	34	38	42	33	55	36	38
Volume of shipments	47	52	46	42	34	23	39	50	46	33	49	38	40
Volume of new orders	43	51	45	45	42	30	45	43	44	33	49	41	40
Backlog of orders	29	29	33	30	26	28	29	23	26	27	29	25	32
Number of employees	28	30	17	14	17	20	20	23	21	18	21	20	19
Average employee workweek	17	23	28	15	11	12	10	23	23	26	17	20	16
Prices received for finished product	39	39	55	53	51	59	45	48	48	48	55	50	45
Prices paid for raw materials	73	75	81	82	85	79	69	70	71	70	82	83	70
Capital expenditures	21	18	20	25	29	29	20	27	20	33	15	31	29
New orders for exports	7	11	10	17	15	14	5	7	13	14	12	16	14
Supplier delivery time	19	18	24	22	25	23	27	17	15	25	25	19	15
Inventories: Materials	17	10	25	15	23	32	17	16	23	31	21	15	22
Inventories: Finished goods	15	15	25	17	17	25	12	9	19	24	19	10	14
<b>Expected in Six Months</b> <b>(seasonally adjusted)</b>													
Production	38	38	40	43	31	35	31	33	40	28	38	25	33
Volume of shipments	40	39	37	46	26	34	30	30	44	33	36	27	33
Volume of new orders	43	42	40	38	38	34	28	24	36	28	23	26	32
Backlog of orders	26	25	21	15	16	18	15	-4	15	18	8	11	12
Number of employees	20	21	17	17	11	10	16	17	24	16	16	22	2
Average employee workweek	8	11	16	9	3	6	7	3	11	7	-2	4	0
Prices received for finished product	36	36	36	36	32	30	25	23	27	35	43	38	42
Prices paid for raw materials	61	59	60	57	57	47	42	37	36	60	75	78	66
Capital expenditures	25	24	25	23	28	21	17	19	21	30	19	24	24
New orders for exports	15	14	19	18	5	11	11	7	13	10	11	13	7
Supplier delivery time	9	8	10	6	7	9	3	6	-2	5	10	13	10
Inventories: Materials	1	0	8	2	3	4	1	3	-1	5	5	3	11
Inventories: Finished goods	3	-3	4	1	2	-1	-1	-1	-5	2	6	5	7

Production vs. a Month Ago



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