



News Release

Federal Reserve Bank of Kansas City

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Manufacturing activity in the Tenth Federal Reserve District accelerated in March, with the monthly production index posting its highest reading in a year. Expectations for future factory activity also remained strong. Slightly fewer firms raised their selling prices over the past month, but the share of firms planning to raise prices in future months increased somewhat.

A summary of the March 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

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District accelerated in March, with the monthly production index posting its highest reading in a year. Expectations for future factory activity also remained strong. Slightly fewer firms raised their selling prices over the past month, but the share of firms planning to raise prices in future months increased somewhat.

The net percentage of firms reporting month-over-month increases in production in March was 26, up from 9 in February and 21 in January (Tables 1 & 2, Chart). The improvement was broad-based, as production accelerated at both durable- and nondurable-goods-producing plants. The year-over-year production index remained relatively unchanged, rising from 37 to 39. The future production index remained high by historical standards, easing from 47 to 46. 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.

Most other month-over-month indexes of factory activity improved from February to March. The shipments index improved considerably, rising from -4 to 12, and the new orders index increased from 10 to 21, its highest reading since last April. The employment index rose slightly, recording its highest reading in a year. The index for workweek also increased, while the indexes for order backlog and inventories were slightly lower than a month ago. The export order and supplier delivery time indexes were similar to last month's readings.

Like production, most year-over-year indexes rose in March and, overall, district factory activity remains much stronger than a year ago. The shipments and new orders indexes increased slightly after a significant drop in February, and the capital spending index rebounded after falling the last two months. In addition, the inventory indexes remained similar to readings in previous months, and the export order index rose to 17, its highest level in over a year.

Plant managers' expectations for district factory indicators other than production generally declined, but remained high by historical standards. The future shipments index had a significant drop from 51 to 31 after a sharp increase in February, and the future new orders index was down from 41 to 30. The inventory indexes also declined back down to previous levels after a survey high in February. On the other hand, the future employment index rebounded to 23 after a drop in February.

The price indexes in the survey were mixed, but generally posted little change from last month, although the future finished goods price index increased moderately. The month-over-month finished goods price index fell for the second straight month, from 17 to 13, and the raw materials price index also fell from 38 to 35 after a slight increase in February. The year-over-year raw materials price index rose to a fairly high level of 78, while the year-over-year finished goods price index remained largely unchanged. The future raw materials price index posted a slight increase and the future finished goods price index rose 7 points to 36 after easing in the two previous months, suggesting an expectation on the part of some manufacturers of increased pricing power in the months ahead.

Table1

Summary of Tenth District Manufacturing Conditions, March 2006

Plant Level Indicators	March vs. February (percent) ¹					March 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	Increase	Change		Decrease	Index ²	Increase	Change	Decrease
Production	46	38	14	32	26	53	32	13	39	54	32	12	41	46
Volume of shipments	45	35	18	27	12	52	27	18	33	51	29	18	32	31
Volume of new orders	45	37	16	29	21	53	27	17	35	46	34	16	30	30
Backlog of orders	28	45	23	5	2	41	36	17	24	26	52	17	9	8
Number of employees	28	61	10	18	16	43	34	19	24	38	44	15	23	23
Average employee workweek	19	69	10	9	8	30	56	11	19	22	59	16	6	7
Prices received for finished product	23	68	8	15	13	63	26	9	54	41	48	8	33	36
Prices paid for raw materials	46	44	7	39	35	83	10	5	78	64	28	6	58	59
Capital expenditures						40	48	10	30	31	54	13	18	20
New orders for exports	12	77	3	9	6	21	64	4	17	18	67	5	13	12
Supplier delivery time	13	83	2	11	9	22	66	9	13	10	86	1	9	8
Inventories:														
Materials	27	53	16	11	11	36	50	12	24	23	57	17	6	3
Finished goods	29	52	15	14	14	32	47	13	19	24	52	19	5	2

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.

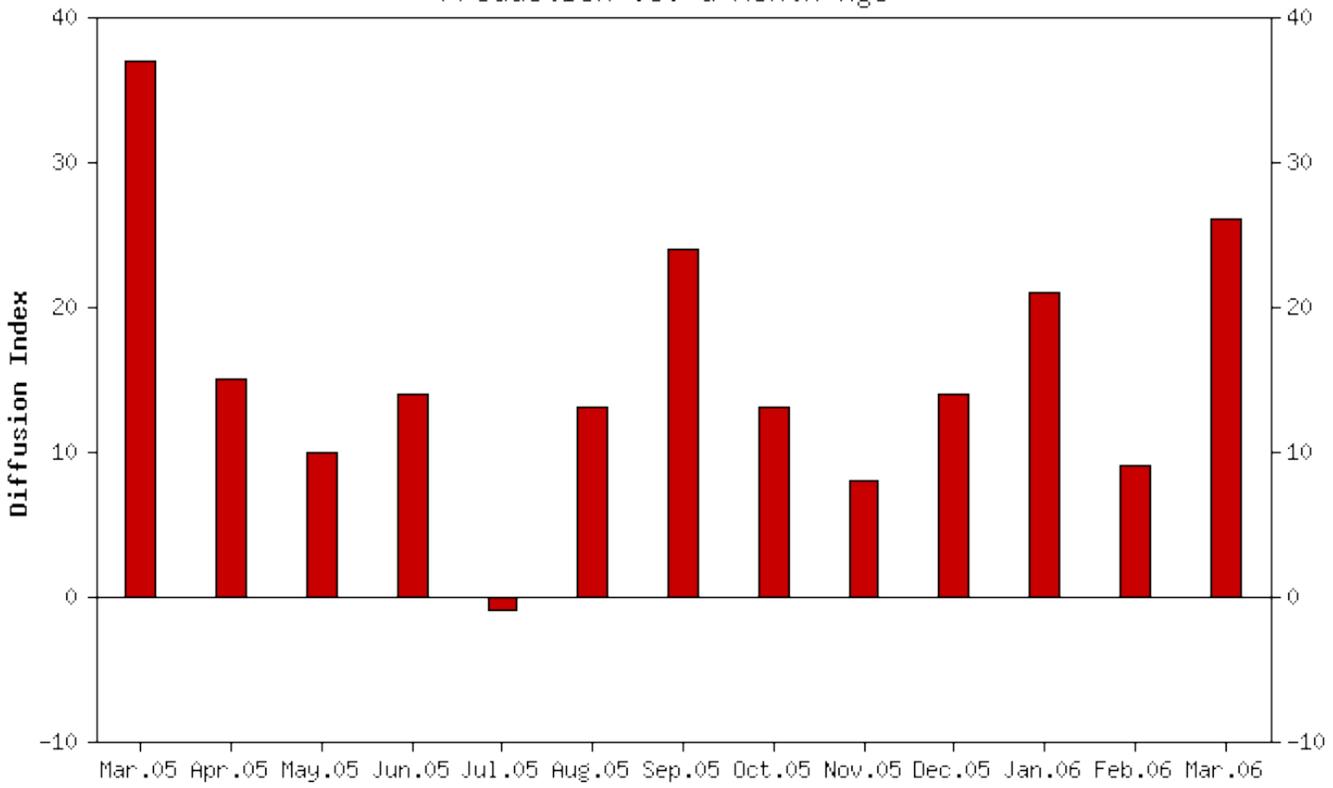
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The March survey included 98 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Mar'05	Apr'05	May'05	Jun'05	Jul'05	Aug'05	Sep'05	Oct'05	Nov'05	Dec'05	Jan'06	Feb'06	Mar'06
Versus a Month Ago (seasonally adjusted)													
Production	37	15	10	14	-1	13	24	13	8	14	21	9	26
Volume of shipments	23	14	19	20	6	12	13	12	1	5	16	-4	12
Volume of new orders	28	22	19	20	9	9	18	16	13	13	19	10	21
Backlog of orders	9	10	6	3	-2	6	14	16	10	12	9	13	2
Number of employees	11	10	4	9	15	3	3	11	9	7	14	15	16
Average employee workweek	9	1	11	13	9	6	9	8	2	15	6	1	8
Prices received for finished product	17	18	9	9	9	11	19	17	16	18	19	17	13
Prices paid for raw materials	47	37	29	23	24	38	56	51	45	45	36	38	35
Capital expenditures	n/a												
New orders for exports	7	3	2	5	4	7	6	6	10	5	10	4	6
Supplier delivery time	10	8	12	9	8	9	13	11	11	8	7	8	9
Inventories: Materials	10	16	1	8	7	7	2	1	6	16	13	14	11
Inventories: Finished goods	6	10	-8	-2	4	7	0	2	7	13	17	17	14
Versus a Year Ago (not seasonally adjusted)													
Production	44	31	34	38	42	33	55	36	38	26	48	37	39
Volume of shipments	34	23	39	50	46	33	49	38	40	26	43	31	33
Volume of new orders	42	30	45	43	44	33	49	41	40	32	54	30	35
Backlog of orders	26	28	29	23	26	27	29	25	32	31	29	16	24
Number of employees	17	20	20	23	21	18	21	20	19	20	22	24	24
Average employee workweek	11	12	10	23	23	26	17	20	16	21	20	13	19
Prices received for finished product	51	59	45	48	48	48	55	50	45	58	47	52	54
Prices paid for raw materials	85	79	69	70	71	70	82	83	70	85	69	70	78
Capital expenditures	29	29	20	27	20	33	15	31	29	33	31	22	30
New orders for exports	15	14	5	7	13	14	12	16	14	16	13	9	17
Supplier delivery time	25	23	27	17	15	25	25	19	15	14	18	10	13
Inventories: Materials	23	32	17	16	23	31	21	15	22	19	11	27	24
Inventories: Finished goods	17	25	12	9	19	24	19	10	14	15	16	22	19
Expected in Six Months (seasonally adjusted)													
Production	36	39	35	34	36	25	32	23	29	33	29	47	46
Volume of shipments	30	38	34	33	37	30	31	25	31	31	28	51	31
Volume of new orders	40	37	32	31	29	25	21	24	29	26	45	41	30
Backlog of orders	18	20	17	0	13	15	7	10	10	9	22	17	8
Number of employees	13	12	18	17	20	16	14	19	1	15	31	14	23
Average employee workweek	4	7	9	4	8	6	0	3	0	3	6	17	7
Prices received for finished product	37	34	30	28	27	31	37	34	37	44	38	29	36
Prices paid for raw materials	64	54	49	47	36	54	65	69	58	63	58	55	59
Capital expenditures	31	24	20	21	20	26	17	21	21	30	26	17	20
New orders for exports	6	13	12	9	11	9	9	11	7	14	8	9	12
Supplier delivery time	8	10	5	9	-2	5	9	10	8	10	12	4	8
Inventories: Materials	4	5	3	4	0	4	3	3	9	3	5	16	3
Inventories: Finished goods	2	-1	0	-1	-3	2	4	4	4	4	4	12	2

Production vs. a Month Ago



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