



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Thursday, February 28, 2008
EMBARGOED FOR 11:00 A.M. EST

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Tenth District manufacturing activity was somewhat weak in February, but firms' expectations for future factory activity were stronger than in January and generally positive. Price pressures increased, with a considerable jump in raw materials price indexes, particularly among producers in the food and metal industries.

A summary of the February 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 was somewhat weak in February, but firms' expectations for future factory activity were stronger than in January and generally positive. Price pressures increased, with a considerable jump in raw materials price indexes, particularly among producers in the food and metal industries.

The net percentage of firms reporting month-over-month increases in production in February was -5, down from 7 in January and 10 in December (Tables 1 & 2, Chart). Production decelerated mostly among non-durable goods producers, particularly at food and chemical plants. The majority of other month-over-month indexes weakened. The shipments index decreased to a two-year low of -5, and the new orders, backlog, and supplier delivery time indexes also fell. The employment index dropped from 8 to -5, and the average employee workweek continued to shorten. Both inventory indexes edged up after several months of decline. Several firms blamed slowing business demand and tightened credit conditions for the weaker activity in February.

The year-over-year indexes showed mixed results. The production index rebounded from 5 in January to 10 in February. The shipments index improved from 11 to 13, and the capital expenditures and supplier delivery time indexes also increased after falling last month. In contrast, the new order index softened from 18 to 13, and the order backlog index declined to its lowest level in over four years. The new export orders index dropped from 18 to 8, while the employment index eased only slightly. Both inventory indexes increased from the previous survey.

After falling last month, most future factory activity indexes rebounded to levels posted in the second half of 2007. The future production index increased from 18 to 26, and the future shipments index climbed from 17 to 30. The capital expenditure index strengthened after reaching its lowest level in a year, and the new export orders index rose from 15 to 21, a three-year high. The future new order and employment indexes eased slightly for the second straight month, but still remained at generally solid levels. Both future inventory indexes increased into positive territory this month.

Most price indexes climbed higher in February, including sizeable jumps in raw materials price indexes. The month-over-month raw materials price index increased from 47 to 58, a four-year high, while the finished goods price index softened slightly. The year-over-year finished goods price index edged up, and the raw materials price index rose to its highest level in over two years. The future finished goods price index ticked up only slightly, while the future raw materials price index surged from 61 to 73, an all-time survey high. The largest increases in raw materials prices were reported by food and metal manufacturers.

Table1

Summary of Tenth District Manufacturing Conditions, February 2008

Plant Level Indicators	February vs. January (percent) ¹					February vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index ²	Index ³	Increase	Change	Decrease	Index ²	Increase	Change	Decrease	Index ²	Index ³
Production	26	43	29	-2	-5	40	26	30	10	47	33	15	32	26
Volume of shipments	26	42	29	-2	-5	41	25	28	13	45	33	17	28	30
Volume of new orders	34	39	25	8	6	40	29	26	13	45	29	20	24	21
Backlog of orders	27	44	24	2	0	25	38	29	-3	34	40	20	14	12
Number of employees	17	61	20	-3	-5	35	34	26	8	31	48	17	14	11
Average employee workweek	14	67	17	-2	-3	19	55	22	-3	20	56	18	2	0
Prices received for finished product	21	70	7	14	13	61	27	8	53	47	44	4	42	41
Prices paid for raw materials	53	45	0	52	58	87	6	2	84	68	24	1	66	73
Capital expenditures						36	40	20	15	33	47	16	17	19
New orders for exports	11	70	8	2	4	20	58	11	8	23	60	4	19	21
Supplier delivery time	7	84	3	3	7	19	68	8	10	9	80	4	4	8
Inventories:														
Materials	20	60	19	1	-2	29	43	24	4	21	56	19	2	5
Finished goods	24	57	12	12	7	29	48	19	10	21	52	20	0	1

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.

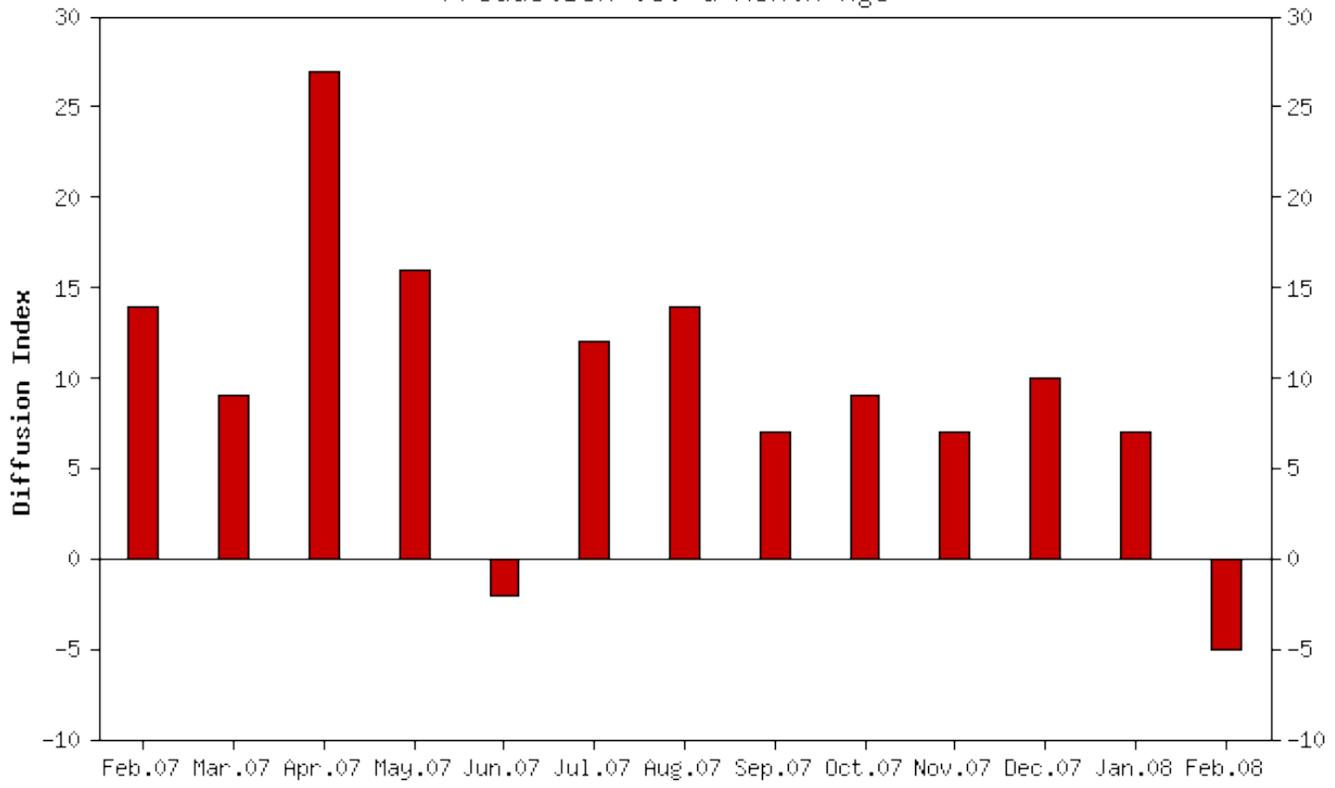
Note: The February survey included 105 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Feb'07	Mar'07	Apr'07	May'07	Jun'07	Jul'07	Aug'07	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08
Versus a Month Ago (seasonally adjusted)													
Production	14	9	27	16	-2	12	14	7	9	7	10	7	-5
Volume of shipments	15	5	26	15	-2	14	15	7	13	12	5	2	-5
Volume of new orders	17	11	20	16	8	8	20	5	0	12	8	15	6
Backlog of orders	8	2	8	0	9	0	4	1	-3	5	2	2	0
Number of employees	11	2	10	13	9	2	2	1	-1	-3	1	8	-5
Average employee workweek	4	-5	2	12	-4	0	3	1	-3	0	2	-3	-3
Prices received for finished product	15	4	8	16	14	12	9	8	11	11	8	15	13
Prices paid for raw materials	38	41	36	41	37	43	21	29	35	43	32	47	58
Capital expenditures	n/a												
New orders for exports	6	-2	5	2	2	5	5	4	3	4	2	8	4
Supplier delivery time	11	7	5	2	6	5	4	4	6	7	6	10	7
Inventories: Materials	11	8	3	5	9	11	-3	-2	-5	-5	-1	-4	-2
Inventories: Finished goods	-6	6	-1	1	2	0	-3	-12	-6	-6	-3	3	7
Versus a Year Ago (not seasonally adjusted)													
Production	31	20	28	33	23	16	27	25	22	8	20	5	10
Volume of shipments	32	12	33	32	17	16	22	27	23	18	22	11	13
Volume of new orders	36	18	33	27	29	15	25	24	19	18	8	18	13
Backlog of orders	23	4	16	8	17	2	7	0	6	4	1	2	-3
Number of employees	35	20	27	23	23	22	10	14	4	8	9	10	8
Average employee workweek	13	4	14	7	6	1	0	4	5	-4	14	0	-3
Prices received for finished product	52	47	60	66	53	52	51	51	48	48	50	51	53
Prices paid for raw materials	67	82	81	83	76	79	62	67	71	75	70	75	84
Capital expenditures	17	24	27	20	16	16	16	11	16	18	18	12	15
New orders for exports	12	3	13	6	3	13	13	7	12	9	12	18	8
Supplier delivery time	9	7	5	6	14	9	9	10	12	7	6	5	10
Inventories: Materials	27	16	4	31	25	17	10	10	6	-1	2	0	4
Inventories: Finished goods	25	27	0	15	16	6	8	7	0	-5	-3	0	10
Expected in Six Months (seasonally adjusted)													
Production	27	37	39	29	29	27	25	27	28	27	26	18	26
Volume of shipments	28	42	39	26	28	28	22	27	29	25	30	17	30
Volume of new orders	23	33	40	20	22	21	19	21	23	19	25	23	21
Backlog of orders	12	15	17	11	11	11	3	10	12	5	8	13	12
Number of employees	21	24	20	13	17	17	13	12	10	11	20	18	11
Average employee workweek	11	15	12	3	8	5	1	3	7	-2	-1	0	0
Prices received for finished product	34	34	34	42	39	37	35	30	35	27	32	40	41
Prices paid for raw materials	53	64	55	67	56	63	55	53	51	58	62	61	73
Capital expenditures	29	23	22	20	22	19	16	17	15	19	17	9	19
New orders for exports	7	5	8	14	7	18	14	12	10	13	18	15	21
Supplier delivery time	8	5	4	8	11	6	7	3	8	6	3	4	8
Inventories: Materials	-4	1	-14	2	2	11	7	-11	-5	-3	4	-8	5
Inventories: Finished goods	-3	10	-4	4	1	5	0	-15	-1	-2	0	-10	1

Production vs. a Month Ago



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