



# News Release

## Federal Reserve Bank of Kansas City

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Growth in Tenth District manufacturing output remained modest in November, but new orders picked up and producers' expectations for future activity were generally still solid. Price indexes were mixed, with mostly stable finished goods price indexes and slightly higher 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 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

Growth in Tenth District manufacturing output remained modest in November, but new orders picked up and producers' expectations for future activity were generally still solid. Price indexes were mixed, with mostly stable finished goods price indexes and slightly higher raw materials price indexes.

The net percentage of firms reporting month-over-month increases in production in November was 7, equal to October's reading and up slightly from 4 in September (Tables 1 & 2, Chart). Production decreased among durable-goods producers, particularly for furniture, electrical equipment, and appliance items. Manufacturers of non-durable-goods reported an increase in production, with a sizeable rebound in food products. The majority of other month-over-month indexes increased or remained largely unchanged. The new orders index jumped from -2 to 16, and the order backlog index also climbed back into positive territory this month. The shipments, new orders for exports, and supplier delivery time indexes all edged up slightly. On the other hand, the employment index continued to decline, reaching its lowest level in over four years. Inventory indexes remained largely unchanged from previous negative readings, with the raw materials index at -7 and the finished goods index at -8. Of the firms who indicated an inventory reduction, the most common reasons cited were lower sales than expected, improved efficiencies, and a desire for better cash flow.

The year-over-year production index fell from 22 to 8, a four-year low. Most other year-over-year indexes also decreased in November. The shipments index declined from 23 to 18, and the new orders, order backlog, and new orders for exports indexes all edged down slightly. In contrast, the employment index increased from 4 to 8, and the capital expenditures index rose for the second straight month. Both inventory indexes continued to decline, reaching their lowest levels in over three years.

The future production index moderated slightly from 29 to 27, but still remained solid. Other future factory activity indexes were mixed. The future order backlog index dropped from 12 to 2, and the future shipments, new orders, and supplier delivery time indexes also eased down. In contrast, the future employment index edged up slightly, and the future capital expenditures index increased from 14 to 19. The future raw materials inventory index rose from -7 to -4, while the future finished goods index declined somewhat.

Price indexes were varied in November, with finished goods prices generally stable and raw materials prices increasing moderately. The month-over-month finished goods price index remained unchanged at 11, while the raw materials price index edged up from 35 to 40. The year-over-year finished goods price index was steady, but the raw materials index rose slightly. The future finished goods price index dropped from 37 to 26, while the future raw materials price index increased after three straight months of decline.

Table1

## Summary of Tenth District Manufacturing Conditions, November 2007

| 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  | 38     | 31       | -3                 | 7                  | 43   | 20     | 34       | 8                  | 47  | 31     | 19       | 27                 | 27                 |
| Volume of shipments                  | 32  | 36     | 31       | 1                  | 14                 | 49   | 18     | 31       | 18                 | 50  | 30     | 18       | 31                 | 25                 |
| Volume of new orders                 | 34  | 34     | 29       | 5                  | 16                 | 46   | 22     | 28       | 18                 | 43  | 33     | 18       | 25                 | 19                 |
| Backlog of orders                    | 27  | 44     | 25       | 1                  | 7                  | 31   | 39     | 26       | 4                  | 28  | 44     | 24       | 4                  | 2                  |
| Number of employees                  | 15  | 61     | 22       | -6                 | -5                 | 36   | 33     | 27       | 8                  | 31  | 46     | 20       | 10                 | 8                  |
| Average employee workweek            | 14  | 64     | 20       | -6                 | -1                 | 16   | 62     | 20       | -4                 | 10  | 70     | 18       | -7                 | -4                 |
| Prices received for finished product | 18  | 72     | 8        | 9                  | 11                 | 59   | 26     | 11       | 48                 | 38  | 51     | 7        | 31                 | 26                 |
| Prices paid for raw materials        | 47  | 47     | 3        | 43                 | 40                 | 81   | 10     | 5        | 75                 | 62  | 31     | 2        | 60                 | 57                 |
| Capital expenditures                 |   |        |          |                    |                    | 34   | 45     | 16       | 18                 | 33  | 51     | 11       | 22                 | 19                 |
| New orders for exports               | 11  | 73     | 6        | 5                  | 4                  | 21   | 57     | 12       | 9                  | 20  | 64     | 5        | 15                 | 17                 |
| Supplier delivery time               | 9   | 87     | 2        | 6                  | 7                  | 16   | 71     | 8        | 7                  | 10  | 86     | 1        | 8                  | 7                  |
| <b>Inventories:</b>                  |   |        |          |                    |                    |  |        |          |                    |   |        |          |                    |                    |
| Materials                            | 18  | 53     | 27       | -8                 | -7                 | 26   | 43     | 28       | -1                 | 21  | 50     | 25       | -4                 | -4                 |
| Finished goods                       | 15  | 55     | 26       | -11                | -8                 | 20   | 50     | 25       | -5                 | 19  | 55     | 22       | -2                 | -2                 |

<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.

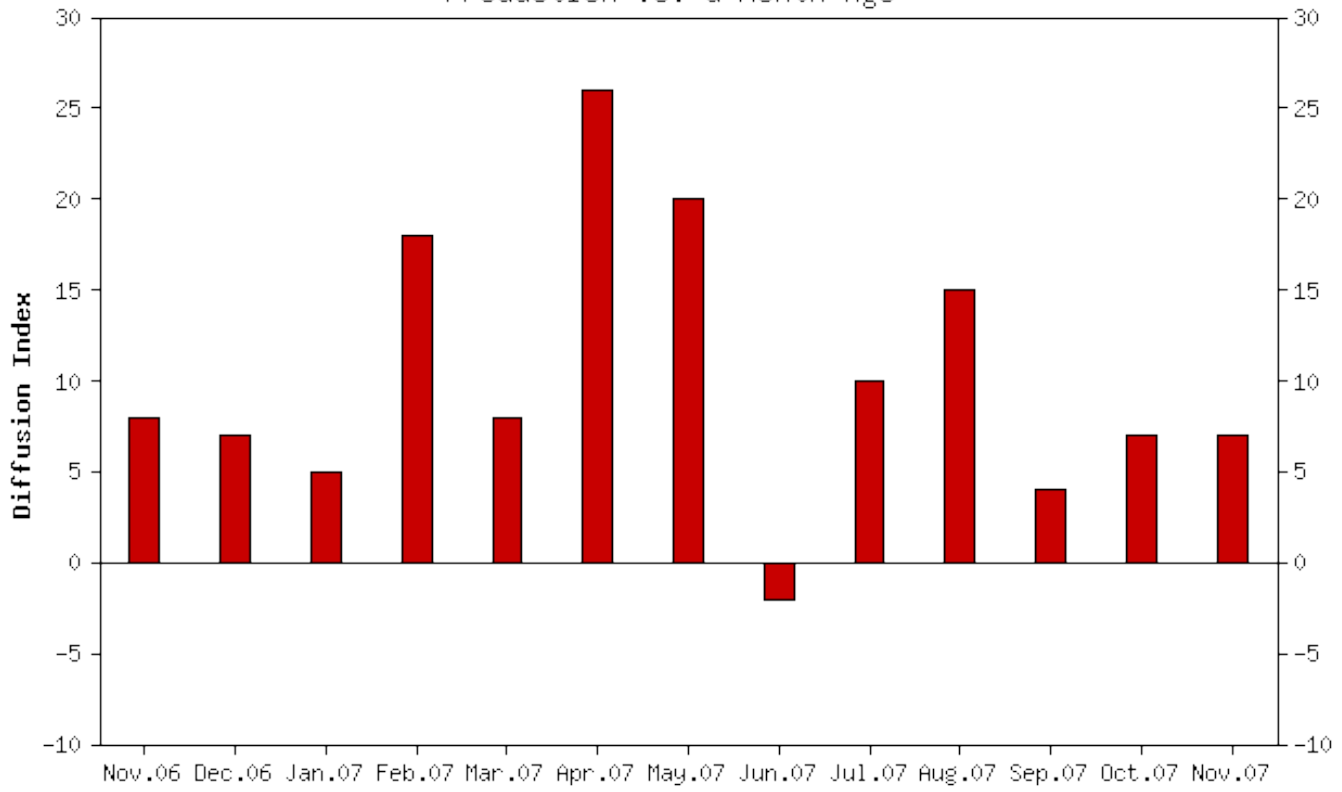
Note: The November survey included 116 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

|   | Nov'06 | Dec'06 | Jan'07 | Feb'07 | Mar'07 | Apr'07 | May'07 | Jun'07 | Jul'07 | Aug'07 | Sep'07 | Oct'07 | Nov'07 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Versus a Month Ago<br/>(seasonally adjusted)</b>     |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Production  | 8      | 7      | 5      | 18     | 8      | 26     | 20     | -2     | 10     | 15     | 4      | 7      | 7      |
| Volume of shipments                                     | 10     | 8      | 16     | 20     | 0      | 25     | 18     | -1     | 13     | 16     | 4      | 13     | 14     |
| Volume of new orders                                    | 2      | 13     | 9      | 20     | 11     | 23     | 18     | 7      | 1      | 20     | 3      | -2     | 16     |
| Backlog of orders                                       | -13    | -4     | -4     | 9      | 1      | 10     | 0      | 13     | -1     | 5      | 0      | -6     | 7      |
| Number of employees                                     | 16     | 15     | 8      | 13     | 2      | 11     | 14     | 9      | 1      | 1      | 0      | -2     | -5     |
| Average employee<br>workweek                            | 4      | 4      | -4     | 7      | -6     | 3      | 12     | -6     | -1     | 4      | 0      | -4     | -1     |
| Prices received for<br>finished product                 | 10     | 7      | 11     | 15     | 3      | 6      | 17     | 17     | 13     | 9      | 6      | 11     | 11     |
| Prices paid for raw<br>materials                        | 27     | 30     | 35     | 37     | 38     | 36     | 43     | 39     | 47     | 21     | 28     | 35     | 40     |
| 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                                  | 0      | 9      | -1     | 7      | -2     | 6      | 2      | 1      | 5      | 6      | 5      | 2      | 4      |
| Supplier delivery time                                  | 2      | 1      | 3      | 11     | 7      | 5      | 1      | 6      | 5      | 4      | 5      | 6      | 7      |
| Inventories: Materials                                  | 9      | 4      | 8      | 13     | 9      | 3      | 7      | 12     | 11     | -5     | -4     | -8     | -7     |
| Inventories: Finished<br>goods                          | -3     | -3     | -7     | -7     | 7      | -1     | 2      | 7      | 0      | -3     | -13    | -8     | -8     |
| <b>Versus a Year Ago<br/>(not seasonally adjusted)</b>  |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Production  | 35     | 25     | 19     | 31     | 20     | 28     | 33     | 23     | 16     | 27     | 25     | 22     | 8      |
| Volume of shipments                                     | 38     | 34     | 23     | 32     | 12     | 33     | 32     | 17     | 16     | 22     | 27     | 23     | 18     |
| Volume of new orders                                    | 28     | 35     | 26     | 36     | 18     | 33     | 27     | 29     | 15     | 25     | 24     | 19     | 18     |
| Backlog of orders                                       | 15     | 19     | 7      | 23     | 4      | 16     | 8      | 17     | 2      | 7      | 0      | 6      | 4      |
| Number of employees                                     | 29     | 27     | 25     | 35     | 20     | 27     | 23     | 23     | 22     | 10     | 14     | 4      | 8      |
| Average employee<br>workweek                            | 13     | 9      | 10     | 13     | 4      | 14     | 7      | 6      | 1      | 0      | 4      | 5      | -4     |
| Prices received for<br>finished product                 | 57     | 56     | 57     | 52     | 47     | 60     | 66     | 53     | 52     | 51     | 51     | 48     | 48     |
| Prices paid for raw<br>materials                        | 76     | 67     | 71     | 67     | 82     | 81     | 83     | 76     | 79     | 62     | 67     | 71     | 75     |
| Capital expenditures                                    | 22     | 28     | 13     | 17     | 24     | 27     | 20     | 16     | 16     | 16     | 11     | 16     | 18     |
| New orders for exports                                  | 11     | 16     | 11     | 12     | 3      | 13     | 6      | 3      | 13     | 13     | 7      | 12     | 9      |
| Supplier delivery time                                  | 9      | 4      | 8      | 9      | 7      | 5      | 6      | 14     | 9      | 9      | 10     | 12     | 7      |
| Inventories: Materials                                  | 22     | 23     | 31     | 27     | 16     | 4      | 31     | 25     | 17     | 10     | 10     | 6      | -1     |
| Inventories: Finished<br>goods                          | 0      | 7      | 11     | 25     | 27     | 0      | 15     | 16     | 6      | 8      | 7      | 0      | -5     |
| <b>Expected in Six Months<br/>(seasonally adjusted)</b> |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Production  | 18     | 29     | 25     | 25     | 41     | 41     | 30     | 25     | 27     | 23     | 26     | 29     | 27     |
| Volume of shipments                                     | 24     | 31     | 20     | 21     | 44     | 42     | 25     | 27     | 32     | 21     | 29     | 30     | 25     |
| Volume of new orders                                    | 20     | 21     | 21     | 23     | 36     | 40     | 19     | 22     | 21     | 18     | 21     | 24     | 19     |
| Backlog of orders                                       | 6      | 14     | 8      | 13     | 16     | 19     | 11     | 12     | 11     | 1      | 9      | 12     | 2      |
| Number of employees                                     | 7      | 19     | 18     | 25     | 27     | 22     | 13     | 18     | 17     | 11     | 9      | 7      | 8      |
| Average employee<br>workweek                            | 4      | 2      | 9      | 12     | 17     | 13     | 2      | 9      | 4      | 0      | 3      | 7      | -4     |
| Prices received for<br>finished product                 | 27     | 17     | 32     | 36     | 33     | 33     | 44     | 41     | 38     | 35     | 29     | 37     | 26     |
| Prices paid for raw<br>materials                        | 46     | 31     | 50     | 52     | 66     | 54     | 70     | 57     | 67     | 54     | 52     | 51     | 57     |
| Capital expenditures                                    | 16     | 24     | 20     | 30     | 23     | 22     | 18     | 22     | 18     | 15     | 17     | 14     | 19     |
| New orders for exports                                  | 15     | 15     | 10     | 4      | 2      | 7      | 14     | 6      | 19     | 15     | 11     | 10     | 17     |
| Supplier delivery time                                  | 9      | 11     | 11     | 8      | 4      | 2      | 8      | 14     | 5      | 7      | 2      | 8      | 7      |
| Inventories: Materials                                  | -2     | 2      | -4     | -5     | 1      | -15    | 2      | 3      | 12     | 8      | -11    | -7     | -4     |
| Inventories: Finished<br>goods                          | -11    | 1      | -2     | -5     | 10     | -5     | 6      | 1      | 7      | 0      | -16    | -1     | -2     |

Production vs. a Month Ago



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