



News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity growth eased slightly in November, and expectations for future factory activity remained lower than during the summer. Most price indexes in the survey edged down, though a sizeable share of firms continued to experience and expect rising prices.

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

Tenth District manufacturing activity growth eased slightly in November, and expectations for future factory activity remained lower than during the summer. Most price indexes in the survey edged down, though a sizeable share of firms continued to experience and expect rising prices.

The net percentage of firms reporting month-over-month increases in production in November was 6, down from 9 in October but equal to 6 in September (Tables 1 & 2, Chart). The decline in November was broad-based, as production decelerated at both durable- and nondurable-goods-producing plants. The year-over-year production index remained at 35 this month after rising slightly from 33 two months ago. The future production index experienced a moderate decline this month, falling from 20 to 15, a five-year low. 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.

The majority of other month-over-month indexes also experienced a slight decline. The shipments index eased from 11 to 10 and there was a reduction in new orders, with the index falling from 11 to -1. The order backlog index fell for the second straight month to its lowest level in four years and the order export and supplier delivery time indexes decreased as well. In contrast, the employment index increased from 5 to 17 while inventory indexes remained relatively stable from last month.

Most other year-over-year indexes decreased or remained largely unchanged in November. The new orders index and order backlog index recorded their lowest levels in over three years but were still well above zero. The supplier delivery time index was at a two-year low, and the order export index declined from 15 to 11. On the other hand, the capital expenditures index edged up after falling slightly for two straight months, and the shipments index rose from 34 to 38. The materials inventory index increased from 14 to 22, while the finished goods index fell to a two-year low.

Most other indexes for future factory activity rebounded slightly in November. The future shipments index edged up from 20 to 24, and the future new orders index rose from 10 to 22 after recording a five-year low last month. In addition, future backlog, employment, and order export indexes all increased slightly after falling in the previous month. In contrast, the future capital spending index declined from 25 to 16, and both inventory indexes reached their lowest levels in over two years.

The price indexes in the survey all edged down or remained relatively unchanged. The month-over-month finished goods price index decreased, while the raw materials price index increased only slightly from 25 to 27. The year-over-year price indexes both fell but still remain high by historical standards. The future finished goods price index eased from 34 to 28 and the future raw materials price index declined from 52 to 43, after rising slightly last month.

Table1

Summary of Tenth District Manufacturing Conditions, November 2006

Plant Level Indicators	November vs. October (percent) ¹					November 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	28	40	30	-2	6	58	16	23	35	42	33	23	18	15
Volume of shipments	28	37	31	-2	10	60	15	22	38	49	29	19	29	24
Volume of new orders	24	41	32	-8	-1	51	25	22	28	43	37	17	26	22
Backlog of orders	18	42	37	-18	-15	39	34	23	15	30	42	23	7	5
Number of employees	29	55	14	14	17	51	27	21	29	27	56	16	10	7
Average employee workweek	17	64	17	0	3	29	51	16	13	18	63	17	0	3
Prices received for finished product	12	82	3	8	10	64	27	7	57	35	59	3	31	28
Prices paid for raw materials	35	57	5	29	27	81	13	4	76	58	31	9	49	43
Capital expenditures						41	39	18	22	34	47	15	18	16
New orders for exports	11	71	10	0	0	23	57	12	11	19	68	5	14	15
Supplier delivery time	5	86	3	1	1	19	68	10	9	14	81	3	10	10
Inventories:														
Materials	28	49	20	8	7	42	36	19	22	19	57	22	-2	-4
Finished goods	21	48	27	-5	-7	27	42	28	0	13	60	24	-11	-12

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.

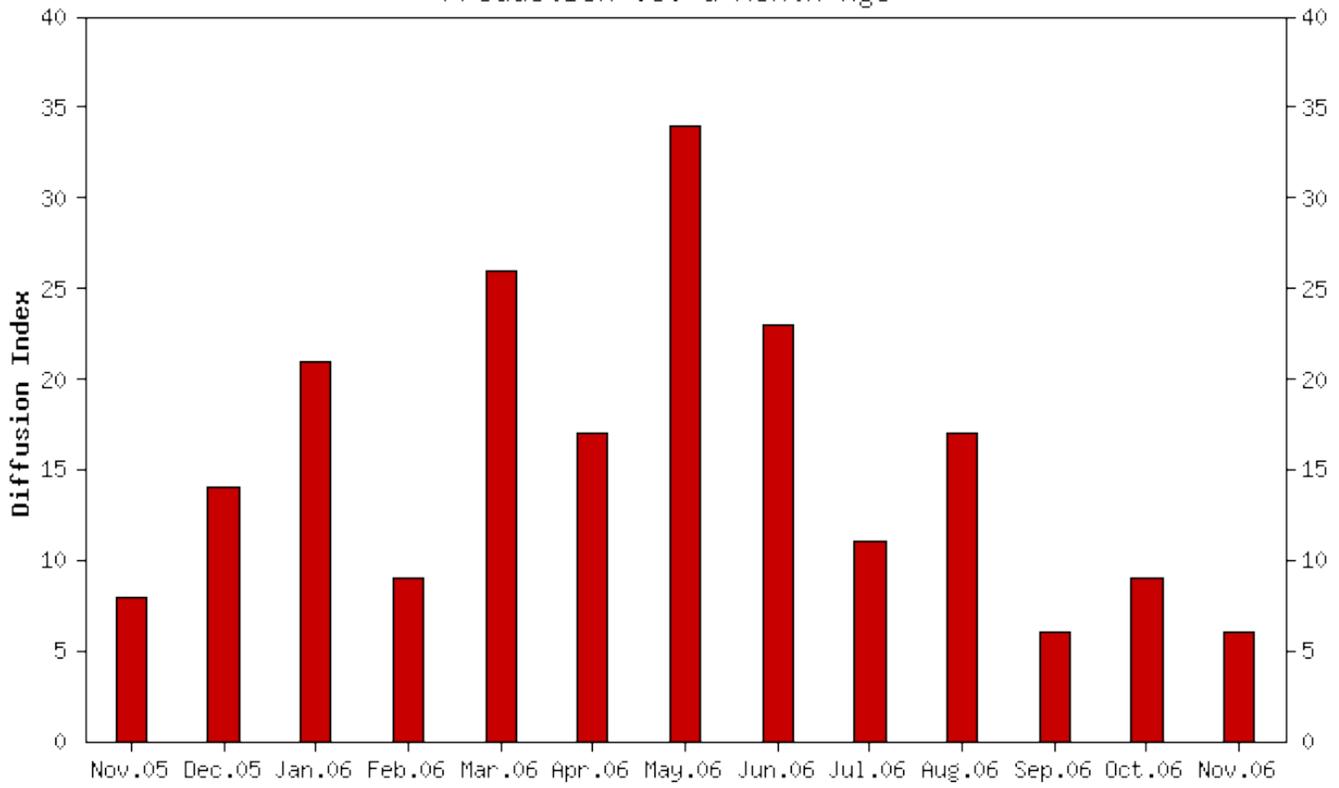
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The November survey included 107 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Nov'05	Dec'05	Jan'06	Feb'06	Mar'06	Apr'06	May'06	Jun'06	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06
Versus a Month Ago (seasonally adjusted)													
Production	8	14	21	9	26	17	34	23	11	17	6	9	6
Volume of shipments	1	5	16	-4	12	9	30	20	7	16	5	11	10
Volume of new orders	13	13	19	10	21	25	31	22	8	21	13	11	-1
Backlog of orders	10	12	9	13	2	9	9	12	8	3	10	-8	-15
Number of employees	9	7	14	15	16	18	14	21	8	-2	12	5	17
Average employee workweek	2	15	6	1	8	15	12	8	2	6	1	5	3
Prices received for finished product	16	18	19	17	13	18	15	25	21	17	16	12	10
Prices paid for raw materials	45	45	36	38	35	47	54	57	48	48	38	25	27
Capital expenditures	n/a												
New orders for exports	10	5	10	4	6	5	8	5	4	4	2	4	0
Supplier delivery time	11	8	7	8	9	14	13	18	18	9	0	8	1
Inventories: Materials	6	16	13	14	11	10	17	21	9	7	14	6	7
Inventories: Finished goods	7	13	17	17	14	10	4	17	3	0	6	-5	-7
Versus a Year Ago (not seasonally adjusted)													
Production	38	26	48	37	39	39	54	47	35	33	33	35	35
Volume of shipments	40	26	43	31	33	33	43	42	37	32	37	34	38
Volume of new orders	40	32	54	30	35	43	46	40	34	34	33	39	28
Backlog of orders	32	31	29	16	24	28	24	29	27	22	22	19	15
Number of employees	19	20	22	24	24	24	25	28	27	17	14	25	29
Average employee workweek	16	21	20	13	19	15	17	14	20	10	2	14	13
Prices received for finished product	45	58	47	52	54	58	57	60	58	52	66	65	57
Prices paid for raw materials	70	85	69	70	78	83	80	83	82	74	79	80	76
Capital expenditures	29	33	31	22	30	25	35	25	20	23	21	20	22
New orders for exports	14	16	13	9	17	16	14	14	16	16	7	15	11
Supplier delivery time	15	14	18	10	13	16	15	29	26	14	11	11	9
Inventories: Materials	22	19	11	27	24	24	27	35	17	21	22	14	22
Inventories: Finished goods	14	15	16	22	19	14	21	25	4	15	14	10	0
Expected in Six Months (seasonally adjusted)													
Production	29	33	29	47	46	37	36	23	37	27	25	20	15
Volume of shipments	31	31	28	51	31	30	35	18	45	31	31	20	24
Volume of new orders	29	26	45	41	30	32	41	10	35	22	26	10	22
Backlog of orders	10	9	22	17	8	15	16	-1	23	14	9	3	5
Number of employees	1	15	31	14	23	23	19	20	32	11	14	6	7
Average employee workweek	0	3	6	17	7	3	7	0	6	11	0	-2	3
Prices received for finished product	37	44	38	29	36	33	34	37	35	23	32	34	28
Prices paid for raw materials	58	63	58	55	59	67	65	71	61	58	45	52	43
Capital expenditures	21	30	26	17	20	14	8	7	22	21	25	25	16
New orders for exports	7	14	8	9	12	12	10	10	13	9	9	8	15
Supplier delivery time	8	10	12	4	8	2	0	20	11	8	0	4	10
Inventories: Materials	9	3	5	16	3	2	5	12	10	2	1	-2	-4
Inventories: Finished goods	4	4	4	12	2	2	6	7	3	-4	3	-3	-12

Production vs. a Month Ago



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