



News Release

Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

News Release
Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198
Phone (816) 881-2683
Fax (816) 881-2569

FOR RELEASE Thursday, December 28, 2006
EMBARGOED FOR 11:00 A.M. EST

EMBARGOED FOR 11:00 A.M. EST

Tenth District manufacturing activity growth continued to edge down in December, while expectations for future factory activity rebounded strongly from the previous month. Most price indexes in the survey declined, with many indexes recording their lowest levels in over a year.

A summary of the December 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 continued to edge down in December, while expectations for future factory activity rebounded strongly from the previous month. Most price indexes in the survey declined, with many indexes recording their lowest levels in over a year.

The net percentage of firms reporting month-over-month increases in production in December was 4, down from 6 in November and 9 in October (Tables 1 & 2, Chart). Production decelerated at both durable- and nondurable-goods-producing plants. The year-over-year production index also decreased from 35 to 25, a two-year low. On the other hand, the future production index rebounded from 15 to 27 after four straight months of decline. 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.

Results for other month-over-month indexes were mixed. The shipments index eased from 10 to 6, and the employment and supplier delivery time indexes also experienced similar declines. In contrast, the new orders index rebounded from -1 to 9 and the order backlog index increased after recording a four-year low. The new order export index also edged up after posting its lowest level in two years. The finished goods inventory index increased while the materials inventory index remained relatively stable.

Most other year-over-year indexes increased or remained largely unchanged. The new orders index and order backlog index edged up after recording their lowest levels in over three years. The new order export index rose from 11 to 16 and the capital expenditures index increased for the second straight month. On the other hand, the shipments and employment indexes decreased, and the supplier delivery time index declined to a three-year low. The materials inventory index remained relatively stable, while the finished goods index increased after falling for three straight months.

Most other indexes for future factory activity increased in December. The future shipments index edged up from 24 to 30, and future order backlog, employment, and new order export indexes all increased for the second straight month. In addition, the capital expenditures index rebounded from 16 to 29 and the supplier delivery time index also rose slightly. Both inventory indexes edged up after recording two-year lows, while the future new orders index declined slightly from 22 to 19.

The price indexes in the survey all decreased or remained relatively unchanged. The month-over-month finished goods price index declined to its lowest level in over a year, while the raw materials price index increased only slightly from 27 to 31. The year-over-year price indexes both fell, with the raw materials index recording a three-year low. The future finished goods price index eased from 28 to 21 and the future raw materials price index declined from 43 to 34, with both indexes reaching their lowest levels in over two years.

Table1

Summary of Tenth District Manufacturing Conditions, December 2006

Plant Level Indicators	December vs. November (percent) ¹					December 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	24	43	32	-7	4	50	23	24	25	49	30	18	30	27
Volume of shipments	30	30	37	-6	6	54	24	19	34	50	30	17	33	30
Volume of new orders	33	34	32	1	9	54	25	18	35	41	38	18	23	19
Backlog of orders	25	33	38	-12	-7	39	35	19	19	34	43	17	17	12
Number of employees	19	70	7	12	15	44	35	17	27	34	46	14	19	18
Average employee workweek	17	64	18	-1	8	23	61	13	9	22	61	16	6	0
Prices received for finished product	16	74	8	7	9	66	22	9	56	29	61	7	22	21
Prices paid for raw materials	34	56	7	27	31	77	11	9	67	44	43	9	34	34
Capital expenditures						38	49	9	28	34	56	7	27	29
New orders for exports	13	74	3	9	8	22	62	6	16	20	65	4	16	18
Supplier delivery time	7	83	7	0	0	18	67	13	4	13	83	2	11	12
Inventories:														
Materials	22	55	22	0	6	38	46	14	23	23	54	20	2	1
Finished goods	14	59	22	-7	-4	27	49	19	7	17	58	19	-2	0

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.

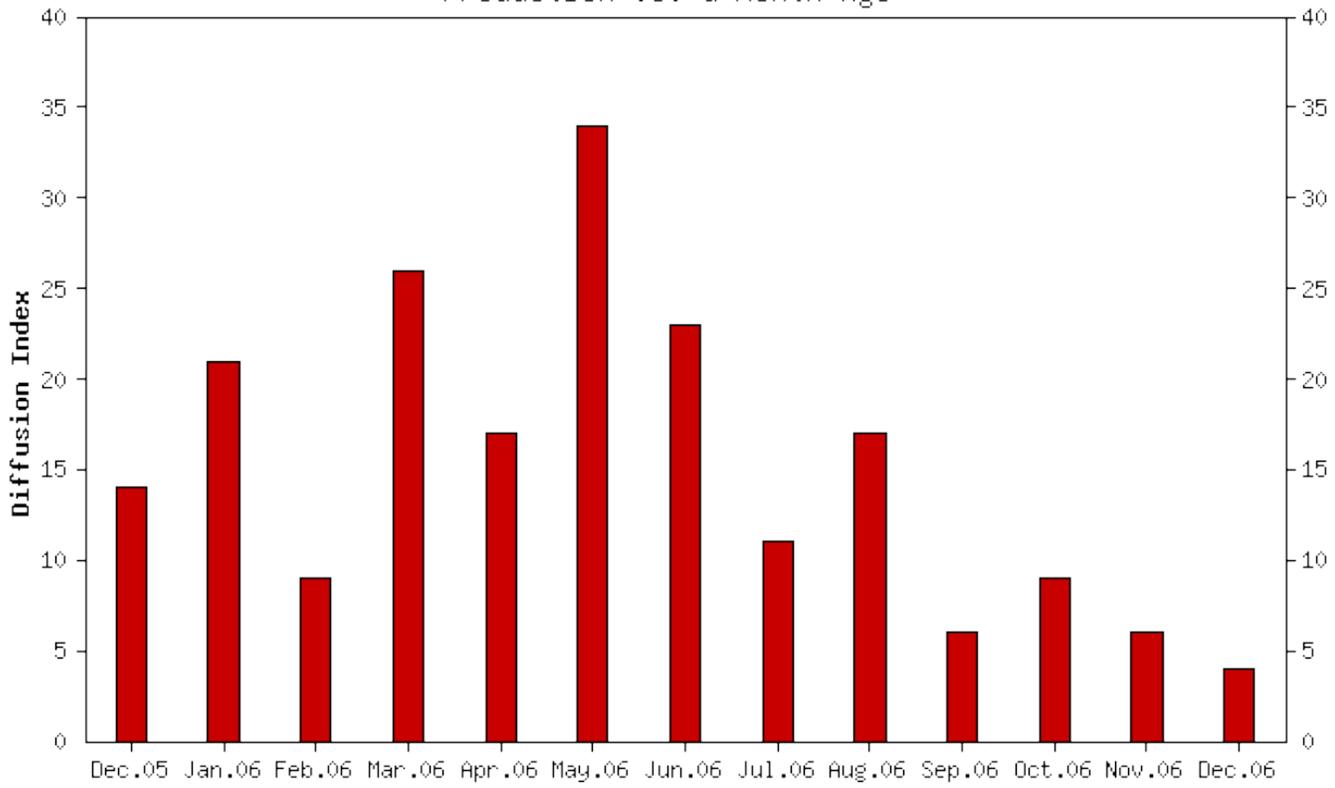
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The December survey included 81 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Dec'05	Jan'06	Feb'06	Mar'06	Apr'06	May'06	Jun'06	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06
Versus a Month Ago (seasonally adjusted)													
Production	14	21	9	26	17	34	23	11	17	6	9	6	4
Volume of shipments	5	16	-4	12	9	30	20	7	16	5	11	10	6
Volume of new orders	13	19	10	21	25	31	22	8	21	13	11	-1	9
Backlog of orders	12	9	13	2	9	9	12	8	3	10	-8	-15	-7
Number of employees	7	14	15	16	18	14	21	8	-2	12	5	17	15
Average employee workweek	15	6	1	8	15	12	8	2	6	1	5	3	8
Prices received for finished product	18	19	17	13	18	15	25	21	17	16	12	10	9
Prices paid for raw materials	45	36	38	35	47	54	57	48	48	38	25	27	31
Capital expenditures	n/a												
New orders for exports	5	10	4	6	5	8	5	4	4	2	4	0	8
Supplier delivery time	8	7	8	9	14	13	18	18	9	0	8	1	0
Inventories: Materials	16	13	14	11	10	17	21	9	7	14	6	7	6
Inventories: Finished goods	13	17	17	14	10	4	17	3	0	6	-5	-7	-4
Versus a Year Ago (not seasonally adjusted)													
Production	26	48	37	39	39	54	47	35	33	33	35	35	25
Volume of shipments	26	43	31	33	33	43	42	37	32	37	34	38	34
Volume of new orders	32	54	30	35	43	46	40	34	34	33	39	28	35
Backlog of orders	31	29	16	24	28	24	29	27	22	22	19	15	19
Number of employees	20	22	24	24	24	25	28	27	17	14	25	29	27
Average employee workweek	21	20	13	19	15	17	14	20	10	2	14	13	9
Prices received for finished product	58	47	52	54	58	57	60	58	52	66	65	57	56
Prices paid for raw materials	85	69	70	78	83	80	83	82	74	79	80	76	67
Capital expenditures	33	31	22	30	25	35	25	20	23	21	20	22	28
New orders for exports	16	13	9	17	16	14	14	16	16	7	15	11	16
Supplier delivery time	14	18	10	13	16	15	29	26	14	11	11	9	4
Inventories: Materials	19	11	27	24	24	27	35	17	21	22	14	22	23
Inventories: Finished goods	15	16	22	19	14	21	25	4	15	14	10	0	7
Expected in Six Months (seasonally adjusted)													
Production	33	29	47	46	37	36	23	37	27	25	20	15	27
Volume of shipments	31	28	51	31	30	35	18	45	31	31	20	24	30
Volume of new orders	26	45	41	30	32	41	10	35	22	26	10	22	19
Backlog of orders	9	22	17	8	15	16	-1	23	14	9	3	5	12
Number of employees	15	31	14	23	23	19	20	32	11	14	6	7	18
Average employee workweek	3	6	17	7	3	7	0	6	11	0	-2	3	0
Prices received for finished product	44	38	29	36	33	34	37	35	23	32	34	28	21
Prices paid for raw materials	63	58	55	59	67	65	71	61	58	45	52	43	34
Capital expenditures	30	26	17	20	14	8	7	22	21	25	25	16	29
New orders for exports	14	8	9	12	12	10	10	13	9	9	8	15	18
Supplier delivery time	10	12	4	8	2	0	20	11	8	0	4	10	12
Inventories: Materials	3	5	16	3	2	5	12	10	2	1	-2	-4	1
Inventories: Finished goods	4	4	12	2	2	6	7	3	-4	3	-3	-12	0

Production vs. a Month Ago



[Federal Reserve Bank of Kansas City](#)
[Manufacturing Survey Home Page](#)