



News Release

Federal Reserve Bank of Kansas City

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Manufacturing activity in the Tenth Federal Reserve District showed some small signs of improvement in November but largely remained mired in a slump, according to a survey of plant managers in the region. Inventories fell further, price pressures remained in check, and production, shipments, and capital expenditures were not quite as weak as in October. Expectations for future production also improved somewhat. On the negative side, however, most indicators of current activity were still well below year-ago levels and expectations for future orders and capital spending edged down.

A summary of the November survey is attached to this press release. The manufacturing survey, which since October 1994 has been performed quarterly via mail, takes a snapshot of factory activity in the region by asking respondents about a variety of manufacturing indicators. Starting with the July 2001 release, information about the Tenth District's manufacturing sector is available monthly.

For more information about the monthly manufacturing survey, contact Chad Wilkerson, Economic Research Department, (816) 881-2869. The November manufacturing survey, as well as background information and results from past surveys, can be found on the Federal Reserve Bank of Kansas City's web site, <http://www.kc.frb.org>.

Survey of Tenth District Manufacturers

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District showed some small signs of improvement in November but largely remained mired in a slump, according to a survey of plant managers in the region. Inventories fell further, price pressures remained in check, and production, shipments, and capital expenditures were not quite as weak as in October. Expectations for future production also improved somewhat. On the negative side, however, most indicators of current activity were still well below year-ago levels and expectations for future orders and capital spending edged down. The Federal Reserve Bank of Kansas City's Survey of Manufacturers takes a snapshot of factory activity each month by asking respondents about a variety of manufacturing indicators. This is the fifth release since the Bank's quarterly survey was replaced with a monthly survey in order to provide more timely information on the regional manufacturing sector.

Factory production remained below year-ago levels in November, but somewhat less so than in September and October (Tables 1 & 2). It has now been more than twelve months since the net percentage of survey firms reporting a year-over-year increase in production was positive. Plants producing nondurable goods, such as food and clothing products, continued to report much better conditions in November than those producing durable goods, such as appliances and machinery. However, both types of producers experienced improvements in their year-over-year production indexes for the month.

While sample sizes make it more difficult to draw firm conclusions about individual states, it appears from the data available that most district states experienced small improvements in production activity in November. Only Kansas witnessed a reduction in its year-over-year production index. Colorado continues to have the most negative index among district states, which is not particularly surprising given the large number of recent manufacturing layoff announcements in that state. The index for western Missouri also remains well below zero and has not been positive since early 2000. Meanwhile, Nebraska's index rose to zero and Oklahoma's index became even more positive in November.

Similar to the district's production index, year-over-year indexes for volume of shipments and capital expenditures were not quite as negative in November as in October, signifying a small improvement in overall factory activity. On the other hand, the overall new orders index did not change from October and the index for new export orders declined. Moreover, indexes for number of employees and average employee workweek continued to fall, with each index reaching survey lows in November as more layoff announcements came to fruition.

Firms made further progress in bringing down their inventory levels in November, and price pressures remained in check. Year-over-year indexes for inventories of both raw materials and finished products reached survey lows, offering further evidence that plants might not be stuck with as much excess stock as in past slowdowns. Supplier delivery times also continued to decline in the weakened demand environment of the past several months. Year-over-year price indexes for both raw materials and finished products were basically flat.

Expectations for future factory activity in the region were somewhat mixed in November. The net percentage of firms expecting increases in production over the next six months improved after reaching survey lows in September and October. In addition, more firms were expecting increases in shipments than in any survey since July and the forward-looking index for number of employees became slightly less negative. On the downside, however, expectations for new orders and capital expenditures edged lower in November, suggesting that plant managers were not yet ready to declare that the year-long slump in manufacturing is near an end. A larger percentage of plants than in previous surveys also expect upticks in prices for both raw materials and finished goods.

Table 1

Summary of Tenth District Manufacturing Conditions, November 2001

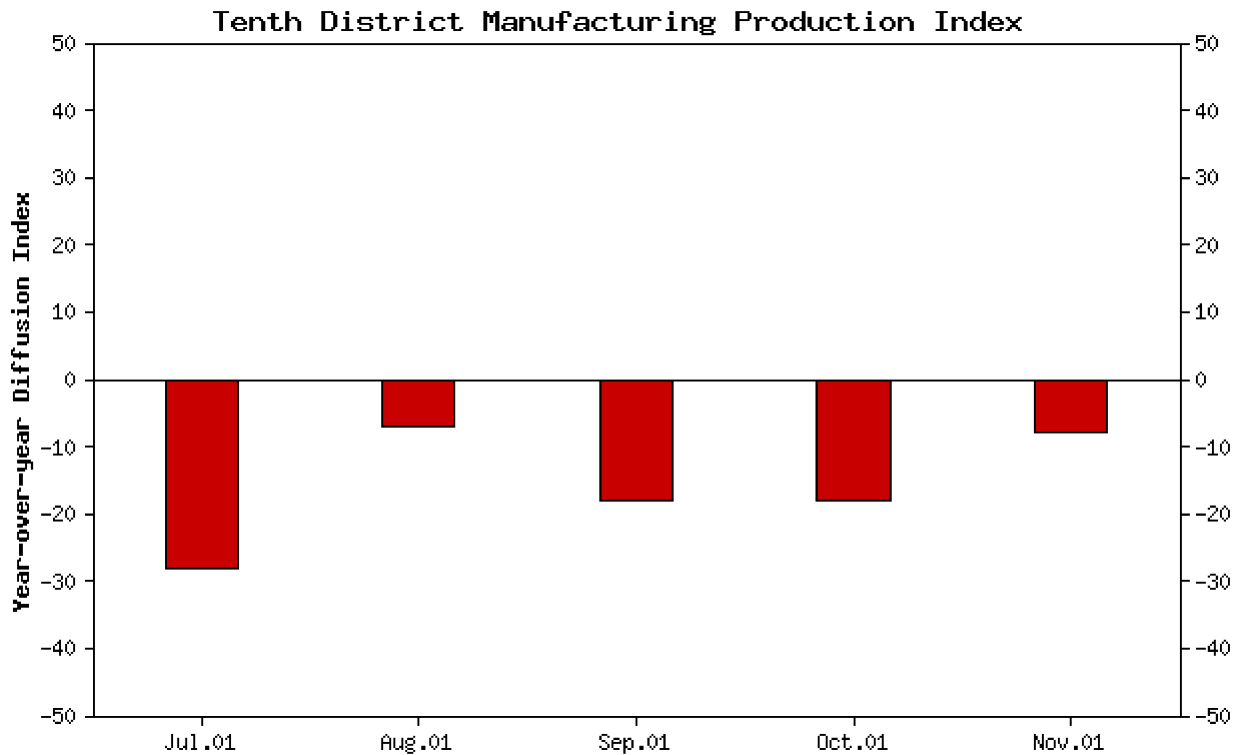
	November vs. October (Percent)				November vs. Year Ago (Percent)				Expected in Six Months (Percent)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	17	50	32	-15	30	30	38	-8	37	38	24	13
Volume of shipments	17	46	36	-19	29	28	41	-12	37	36	24	13
Volume of new orders	16	41	41	-25	21	33	42	-21	36	34	28	8
Backlog of orders	17	41	40	-23	22	38	36	-14	20	49	29	-9
Number of employees	8	64	28	-20	14	30	52	-38	17	58	24	-7
Average employee workweek	8	64	26	-18	9	50	38	-29	13	62	22	-9
Prices received for finished product	8	76	16	-8	28	41	30	-2	29	53	16	13
Prices paid for raw materials	9	77	12	-3	30	37	30	0	28	57	14	14
Capital expenditures					17	37	42	-25	9	54	32	-23
New orders for exports	8	68	13	-5	10	62	18	-8	12	66	13	-1
Supplier delivery time	4	90	4	0	2	76	18	-16	5	82	9	-4
Inventories:												
Materials	13	58	26	-13	17	29	50	-33	5	58	34	-29
Finished goods	18	46	33	-15	21	29	48	-27	12	52	34	-22

* The diffusion index is calculated by subtracting the percentage of total respondents reporting decreases in a given indicator from the percentage of those reporting increases. Index values greater than zero generally suggest expansion, while values less than zero indicate contraction. When index values are closer to 100, the increases among respondents are more widespread. When index values are closer to -100, decreases are more widespread.

Note: The November survey included 75 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Jul'01	Aug'01	Sep'01	Oct'01	Nov'01
Previous Month					
Production	-21	22	0	6	-15
Volume of shipments	-28	15	5	-1	-19
Volume of new orders	-24	10	-12	-9	-25
Backlog of orders	-20	-2	-26	-20	-23
Number of employees	-18	-1	-17	-20	-20
Average employee workweek	-12	4	-7	-12	-18
Prices received for finished product	-7	0	-9	-12	-8
Prices paid for raw materials	3	-3	-1	3	-3
Capital expenditures	0	0	0	0	0
New orders for exports	8	6	-1	-5	-5
Supplier delivery time	1	-3	-8	-9	0
Inventories: Materials	-24	-10	-12	-6	-13
Inventories: Finished goods	-21	-5	-7	-6	-15
Previous Year					
Production	-28	-7	-18	-18	-8
Volume of shipments	-28	-1	-11	-16	-12
Volume of new orders	-28	-12	-13	-21	-21
Backlog of orders	-22	-7	-16	-19	-14
Number of employees	-32	-25	-32	-34	-38
Average employee workweek	-32	-5	-25	-27	-29
Prices received for finished product	-5	13	3	-7	-2
Prices paid for raw materials	16	9	12	15	0
Capital expenditures	-11	-22	-25	-31	-25
New orders for exports	1	-2	0	1	-8
Supplier delivery time	1	-2	-1	-6	-16
Inventories: Materials	-30	-15	-14	-11	-33
Inventories: Finished goods	-20	-12	0	-15	-27
Six Months Ahead					
Production	12	13	6	4	13
Volume of shipments	15	8	4	4	13
Volume of new orders	13	15	11	11	8
Backlog of orders	-3	3	-15	-2	-9
Number of employees	-15	7	-13	-14	-7
Average employee workweek	-9	6	-6	-6	-9
Prices received for finished product	10	10	4	2	13
Prices paid for raw materials	22	6	11	5	14
Capital expenditures	0	-16	-19	-18	-23
New orders for exports	12	7	-3	3	-1
Supplier delivery time	-5	-3	-2	4	-4
Inventories: Materials	-28	-16	-20	-27	-29
Inventories: Finished goods	-24	-11	-24	-29	-22



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Manufacturing Survey Home Page](http://www.frbkc.org/manufacturing/survey/home)