



News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity growth rebounded strongly in February, and expectations for future factory hiring and capital spending rose as well. The majority of price indexes in the survey increased moderately for the second straight month, due largely to rising food prices.

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 growth rebounded strongly in February, and expectations for future factory hiring and capital spending rose as well. The majority of price indexes in the survey increased moderately for the second straight month, due largely to rising food prices.

The net percentage of firms reporting month-over-month increases in production in February was 18, up from 5 in January and 7 in December (Tables 1 & 2, Chart). Production accelerated at most types of factories, but especially among producers of machinery and high-tech equipment. The overall year-over-year production index also increased from 19 to 31, and the future production index remained steady after a slight decrease last month. 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.

Like production, the majority of other month-over-month indexes increased significantly. The new order index jumped from 9 to 20, and the shipments index also increased for the second straight month. Growth in the order backlog index expanded for the first time in four months, rising from -4 to 9. In addition, the employment, new orders for exports, and supplier delivery time indexes all recorded solid gains. The raw materials inventory index increased to its highest level in six months, while the finished goods inventory index remained unchanged.

Most other year-over-year indexes increased over last month. The shipments and new order indexes both rebounded strongly after reaching their lowest levels in over three years. The order backlog index climbed from 7 to 23, and the employment index reached its highest level since the survey began in 1995. The capital expenditures index edged up from 13 to 17, and the new orders for exports and supplier delivery time indexes remained relatively unchanged. The raw materials inventory index declined slightly, while the finished goods inventory index increased for the third straight month.

Other indexes for future factory activity increased or remained fairly stable. The future capital expenditures index reached its highest level in over two years, and the employment and order backlog indexes increased as well. The future shipments index edged up after a decline last month, and the new orders index rose from 21 to 23. On the other hand, the future supplier delivery time index edged down from 11 to 8, and the new orders for exports index fell for the second straight month. Both future inventory indexes decreased slightly.

Most price indexes in the survey edged up slightly but generally remain lower than peaks reached over the past few years. The month-over-month raw materials price index rose from 11 to 15, and the finished goods price index also increased marginally for the third straight month. The future raw materials and finished goods price indexes also recorded slight gains following strong increases in January. On the other hand, both year-over-year price indexes decreased moderately.

Table1

Summary of Tenth District Manufacturing Conditions, February 2007

Plant Level Indicators	February vs. January (percent) ¹					February vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	Increase	No		Diff	Increase	No		Diff	SA	
	Increase	Change	Decrease	Index ²		Index ³	Increase	Change		Decrease	Index ²	Increase	Change	Decrease
Production	39	38	22	17	18	54	22	23	31	51	29	18	33	25
Volume of shipments	44	29	25	18	20	55	21	23	32	49	28	22	26	21
Volume of new orders	37	42	18	19	20	55	23	19	36	46	30	20	25	23
Backlog of orders	29	48	19	10	9	43	32	20	23	35	39	21	14	13
Number of employees	25	60	13	12	13	51	31	16	35	35	53	10	25	25
Average employee workweek	19	64	14	4	7	29	53	16	13	27	56	14	13	12
Prices received for finished product	20	75	3	16	15	57	37	4	52	39	55	3	35	36
Prices paid for raw materials	38	55	4	33	37	75	16	7	67	55	35	8	47	52
Capital expenditures						32	50	15	17	34	55	6	27	30
New orders for exports	10	75	5	4	7	21	61	8	12	11	75	5	5	4
Supplier delivery time	9	88	1	7	11	19	69	9	9	8	84	3	4	8
Inventories:														
Materials	34	46	19	15	13	43	39	15	27	19	53	25	-6	-5
Finished goods	20	53	22	-1	-7	36	48	10	25	16	58	20	-3	-5

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.

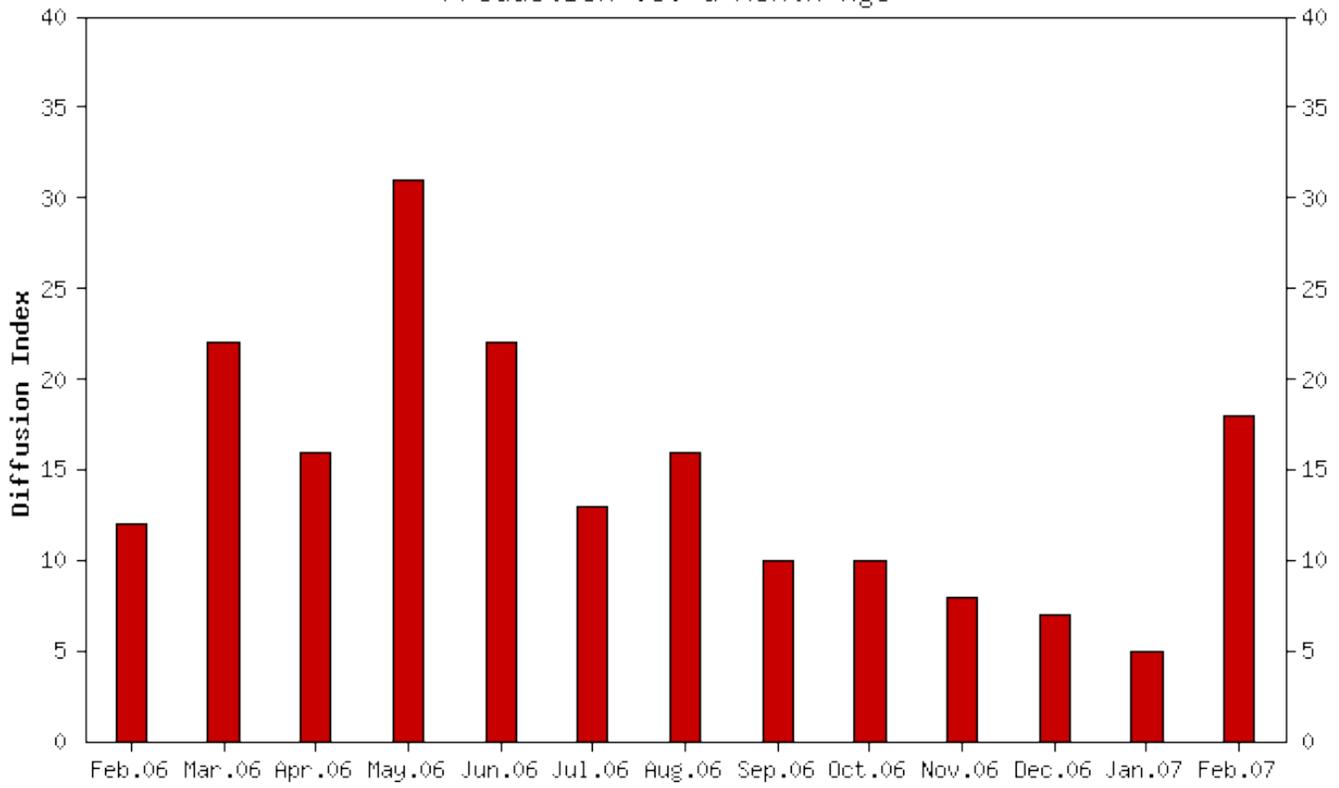
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The February survey included 104 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Feb'06	Mar'06	Apr'06	May'06	Jun'06	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07	Feb'07
Versus a Month Ago (seasonally adjusted)													
Production	12	22	16	31	22	13	16	10	10	8	7	5	18
Volume of shipments	0	9	8	27	19	9	15	6	10	10	8	16	20
Volume of new orders	12	19	23	27	20	8	20	14	12	2	13	9	20
Backlog of orders	11	3	8	8	10	7	3	10	-5	-13	-4	-4	9
Number of employees	13	14	17	15	20	10	-1	13	8	16	15	8	13
Average employee workweek	3	8	12	10	6	3	6	3	5	4	4	-4	7
Prices received for finished product	16	14	17	17	24	20	17	15	12	10	7	11	15
Prices paid for raw materials	38	35	48	53	54	49	45	38	27	27	30	35	37
Capital expenditures	n/a												
New orders for exports	4	6	6	7	5	4	4	2	4	0	9	-1	7
Supplier delivery time	8	10	14	12	15	16	8	0	7	2	1	3	11
Inventories: Materials	14	11	12	14	18	9	8	14	8	9	4	8	13
Inventories: Finished goods	14	11	10	5	16	3	1	6	-1	-3	-3	-7	-7
Versus a Year Ago (not seasonally adjusted)													
Production	37	39	39	54	47	35	33	33	35	35	25	19	31
Volume of shipments	31	33	33	43	42	37	32	37	34	38	34	23	32
Volume of new orders	30	35	43	46	40	34	34	33	39	28	35	26	36
Backlog of orders	16	24	28	24	29	27	22	22	19	15	19	7	23
Number of employees	24	24	24	25	28	27	17	14	25	29	27	25	35
Average employee workweek	13	19	15	17	14	20	10	2	14	13	9	10	13
Prices received for finished product	52	54	58	57	60	58	52	66	65	57	56	57	52
Prices paid for raw materials	70	78	83	80	83	82	74	79	80	76	67	71	67
Capital expenditures	22	30	25	35	25	20	23	21	20	22	28	13	17
New orders for exports	9	17	16	14	14	16	16	7	15	11	16	11	12
Supplier delivery time	10	13	16	15	29	26	14	11	11	9	4	8	9
Inventories: Materials	27	24	24	27	35	17	21	22	14	22	23	31	27
Inventories: Finished goods	22	19	14	21	25	4	15	14	10	0	7	11	25
Expected in Six Months (seasonally adjusted)													
Production	41	42	36	34	24	35	28	26	23	18	29	25	25
Volume of shipments	44	34	31	36	17	44	30	30	23	24	31	20	21
Volume of new orders	38	30	31	40	9	34	23	26	14	20	21	21	23
Backlog of orders	16	9	14	16	0	22	13	9	4	6	14	8	13
Number of employees	16	23	23	19	18	29	12	13	6	7	19	18	25
Average employee workweek	16	7	3	5	0	4	9	1	0	4	2	9	12
Prices received for finished product	33	35	34	35	38	36	24	31	33	27	17	32	36
Prices paid for raw materials	58	58	66	64	69	61	57	49	48	46	31	50	52
Capital expenditures	18	19	16	11	10	22	22	24	23	16	24	20	30
New orders for exports	9	12	12	11	11	13	10	10	8	15	15	10	4
Supplier delivery time	5	8	3	0	19	10	8	2	4	9	11	11	8
Inventories: Materials	15	3	3	5	10	8	2	2	-1	-2	2	-4	-5
Inventories: Finished goods	10	3	2	5	6	3	-2	3	-2	-11	1	-2	-5

Production vs. a Month Ago



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