



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Tuesday, December 30, 2008
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Tenth District manufacturing activity weakened further in December, and firms' expectations for future activity remained pessimistic. Price indexes in the survey also fell for the second straight month.

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 weakened further in December, and firms' expectations for future activity remained pessimistic. Price indexes in the survey also fell for the second straight month.

The net percentage of firms reporting month-over-month increases in production in December was -21, up from -31 in November and -23 in October (Tables 1 & 2, Chart). Among both durable and nondurable goods producers, production fell at fewer plants than in November. The month-over-month factory indexes generally posted further declines from November's weak numbers. The shipments index rose to -17 in December from -38 in November. Similarly, the new orders index increased to -30 from -39. However, both the employment and new orders for exports indexes recorded their lowest levels, -33 and -17 respectively, in the survey's fourteen-year history. The raw materials inventory index fell in December to -18, another all-time low. The finished good inventory index also fell to -3 from 1.

Nearly all year-over-year indexes were down in December. The production index decreased to -40, an all time survey low. The shipments, new orders, and order backlog indexes all remained extremely weak. The employment index fell to -38 in December, and the capital expenditures index remained in negative territory for the second consecutive month. The new orders for export index fell to -12, another all time survey low. Both the raw materials and finished goods inventory indexes weakened in December.

The December future factory activity indexes remained extremely weak. The future production index rose slightly to -18 from -24. The future shipment, new orders, and order backlogs indexes also all remained negative. The future employment index ticked up to -24 from -27, while the new orders for export index slipped to -9 in December from -5 in November. The future capital expenditures index dropped from -21 to -25. Both inventory indexes fell in December, with the raw materials index recording the all time low.

Survey price indexes mostly fell for the second straight month. The month-over-month finished goods index edged down from -5 to -11, and the raw materials index also decreased, posting the lowest reading in the survey's history. The year-over-year finished goods price index stabilized at 37, and the raw materials index fell sharply to 20, the lowest reading since May of 2002. Both the future finished goods and raw materials indexes rose slightly to 2 and -10, respectively.

Table1

Summary of Tenth District Manufacturing Conditions, December 2008

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	17	32	49	-32	-21	19	19	59	-40	28	24	44	-16	-18
Volume of shipments	19	29	49	-30	-17	22	21	52	-30	28	22	45	-17	-20
Volume of new orders	13	30	53	-39	-30	14	21	59	-44	27	24	41	-13	-15
Backlog of orders	11	36	48	-37	-29	13	32	48	-34	19	39	34	-15	-20
Number of employees	7	47	43	-35	-33	18	21	57	-38	17	36	41	-24	-24
Average employee workweek	7	57	34	-26	-23	10	46	41	-31	13	51	32	-19	-20
Prices received for finished product	4	76	17	-13	-11	54	26	16	37	27	44	24	3	2
Prices paid for raw materials	10	47	39	-28	-28	52	10	32	20	26	32	35	-9	-10
Capital expenditures						25	35	34	-8	16	44	35	-19	-25
New orders for exports	4	61	21	-17	-17	11	52	24	-12	12	56	18	-6	-9
Supplier delivery time	3	80	13	-9	-7	13	67	16	-3	6	72	15	-8	-10
Inventories:														
Materials	15	42	39	-24	-18	28	27	40	-11	13	38	43	-30	-31
Finished goods	21	46	29	-7	-3	29	35	32	-3	14	43	37	-22	-20

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.

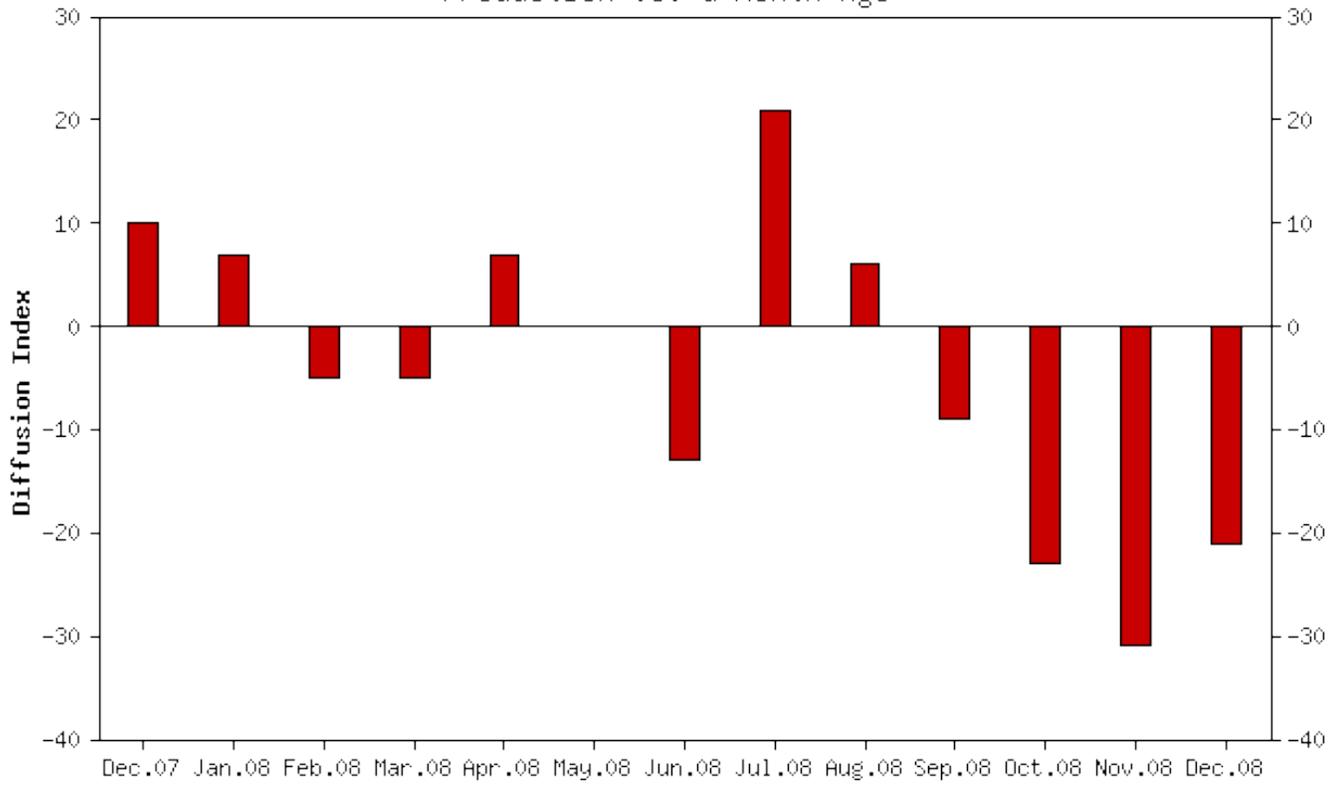
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The December survey included 129 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08	Sep'08	Oct'08	Nov'08	Dec'08
Versus a Month Ago (seasonally adjusted)													
Production	10	7	-5	-5	7	0	-13	21	6	-9	-23	-31	-21
Volume of shipments	5	2	-5	-5	10	6	-14	24	2	-8	-20	-38	-17
Volume of new orders	8	15	6	-8	0	0	-3	19	9	-14	-23	-39	-30
Backlog of orders	2	2	0	-5	-3	0	-12	0	-4	-15	-24	-38	-29
Number of employees	1	8	-5	-10	1	1	-9	4	0	-7	-12	-21	-33
Average employee workweek	2	-3	-3	-5	4	-1	-2	7	5	-7	-20	-25	-23
Prices received for finished product	8	15	13	23	22	31	36	33	30	20	2	-5	-11
Prices paid for raw materials	32	47	58	64	63	70	70	68	53	38	-2	-19	-28
Capital expenditures	n/a												
New orders for exports	2	8	4	13	7	17	8	16	2	4	-6	-14	-17
Supplier delivery time	6	10	7	6	7	5	14	8	8	3	-2	-8	-7
Inventories: Materials	-1	-4	-2	-3	4	2	-2	-4	1	-3	-7	-11	-18
Inventories: Finished goods	-3	3	7	6	12	0	-1	6	-6	0	-9	1	-3
Versus a Year Ago (not seasonally adjusted)													
Production	20	5	10	0	-5	-7	-10	7	1	-1	-22	-35	-40
Volume of shipments	22	11	13	0	0	-4	-10	5	4	-3	-14	-31	-30
Volume of new orders	8	18	13	-9	0	-5	-7	0	5	-5	-22	-45	-44
Backlog of orders	1	2	-3	-11	-8	-6	-8	-7	-4	-8	-26	-40	-34
Number of employees	9	10	8	5	0	-4	-6	-6	-10	-7	-22	-29	-38
Average employee workweek	14	0	-3	-11	-11	-9	-11	-6	-5	-13	-24	-36	-31
Prices received for finished product	50	51	53	60	56	61	69	61	68	64	60	37	37
Prices paid for raw materials	70	75	84	84	87	95	88	91	90	86	72	39	20
Capital expenditures	18	12	15	14	10	11	11	17	10	10	6	-10	-8
New orders for exports	12	18	8	11	10	22	22	22	10	8	-3	-8	-12
Supplier delivery time	6	5	10	11	21	10	19	11	12	4	0	-10	-3
Inventories: Materials	2	0	4	0	7	3	-6	14	5	8	-1	-5	-11
Inventories: Finished goods	-3	0	10	6	5	0	-5	8	-1	0	-6	0	-3
Expected in Six Months (seasonally adjusted)													
Production	26	18	26	6	18	11	21	14	30	3	-3	-24	-18
Volume of shipments	30	17	30	11	15	16	18	11	25	-1	-2	-22	-20
Volume of new orders	25	23	21	12	14	22	16	8	28	4	-6	-20	-15
Backlog of orders	8	13	12	9	-1	2	6	0	13	0	0	-21	-20
Number of employees	20	18	11	10	11	6	3	9	5	0	-8	-27	-24
Average employee workweek	-1	0	0	-7	0	-3	-5	-1	0	-3	-8	-11	-20
Prices received for finished product	32	40	41	49	44	49	49	58	53	24	18	0	2
Prices paid for raw materials	62	61	73	74	82	82	84	73	73	51	17	-12	-10
Capital expenditures	17	9	19	11	10	14	16	19	7	12	-3	-21	-25
New orders for exports	18	15	21	22	19	22	25	16	10	7	-5	-5	-9
Supplier delivery time	3	4	8	10	10	10	8	2	6	1	-5	-7	-10
Inventories: Materials	4	-8	5	-6	-3	-2	4	-2	-5	-7	-14	-19	-31
Inventories: Finished goods	0	-10	1	-1	2	-8	-4	-10	-10	-6	-9	-15	-20

Production vs. a Month Ago



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