



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Thursday, January 31, 2008

EMBARGOED FOR 11:00 A.M. EST

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Growth in Tenth District manufacturing activity remained moderate in January, while firms' expectations for future factory output eased somewhat. Most price indexes in the survey increased over last month, with a large jump in raw materials prices for food, chemical, and machinery producers.

A summary of the January survey is attached to this press release. The January survey incorporates new seasonal adjustment factors, so historical indexes differ slightly from previously-released numbers. The new seasonal factors will be used throughout 2008. 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

Growth in Tenth District manufacturing activity remained moderate in January, while firms' expectations for future factory output eased somewhat. Most price indexes in the survey increased over last month, with a large jump in raw materials prices for food, chemical, and machinery producers.

The net percentage of firms reporting month-over-month increases in production in January was 7, down from 10 in December and equal to 7 in November (Tables 1 & 2, Chart). Production decelerated slightly among durable goods producers, particularly for metals, electronic equipment, and housing-related items such as furniture. The majority of other month-over-month indexes were mixed. The shipments index fell slightly from 5 to 2, while the new orders index posted a solid gain. The employment index increased for the second straight month, and the new export orders climbed from 2 to 8, its highest level in over a year. Inventory indexes varied, with the finished goods rebounding into positive territory for the first time in five months, while the raw materials index declined further.

The January year-over-year production index fell considerably, from 20 to 5, after a strong rebound last month. The shipments index decreased from 22 to 11, and the capital expenditures index also edged down after holding steady in the previous survey period. On the other hand, the new order index bounced back from a four-year low, and the order backlog, employment, and new export orders indexes also increased. The raw materials inventory index eased slightly, while the finished goods inventory index rose from -3 to 0.

The future production index decreased from 26 to 18, its lowest level in the past year. The majority of other future factory activity indexes also weakened in January. The future shipments index fell from 30 to 17, a six-year low, and the future new orders, employment, and new export orders indexes edged down as well. The future capital expenditures index dropped from 17 to 9, its lowest level in well over a year. In contrast, the future order backlog index increased from 8 to 13, and the future supplier delivery time index edged up slightly. Both future inventory indexes fell after a rebound last month, with the raw materials index declining from 4 to -8 and the finished goods index decreasing from 0 to -10.

Most price indexes increased in January. The month-over-month finished goods price index rose from 8 to 15, and the raw materials price index jumped from 32 to 47, the highest level in over a year. The year-over-year finished goods price index edged up slightly, and the raw materials price index increased from 70 to 75. The future finished goods price index climbed higher, from 32 to 40, while the future raw materials price index remained relatively unchanged.

Table1

Summary of Tenth District Manufacturing Conditions, January 2008

Plant Level Indicators	January vs. December (percent) ¹					January 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	30	44	24	6	7	40	22	35	5	37	39	20	17	18
Volume of shipments	30	40	28	1	2	43	23	31	11	37	39	19	18	17
Volume of new orders	31	47	18	13	15	43	27	25	18	40	37	18	21	23
Backlog of orders	27	43	26	0	2	29	39	26	2	30	48	16	13	13
Number of employees	22	60	16	6	8	37	33	26	10	33	46	18	15	18
Average employee workweek	15	59	23	-7	-3	24	48	25	0	21	60	16	5	0
Prices received for finished product	23	69	6	17	15	58	32	6	51	44	49	4	40	40
Prices paid for raw materials	46	49	2	43	47	78	15	3	75	60	34	2	57	61
Capital expenditures						34	39	22	12	27	49	18	8	9
New orders for exports	14	68	6	8	8	26	53	8	18	24	61	4	19	15
Supplier delivery time	9	83	2	6	10	14	71	9	5	9	81	5	4	4
Inventories:														
Materials	20	54	23	-2	-4	25	45	25	0	15	51	28	-12	-8
Finished goods	21	57	16	5	3	23	49	22	0	14	54	25	-11	-10

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.

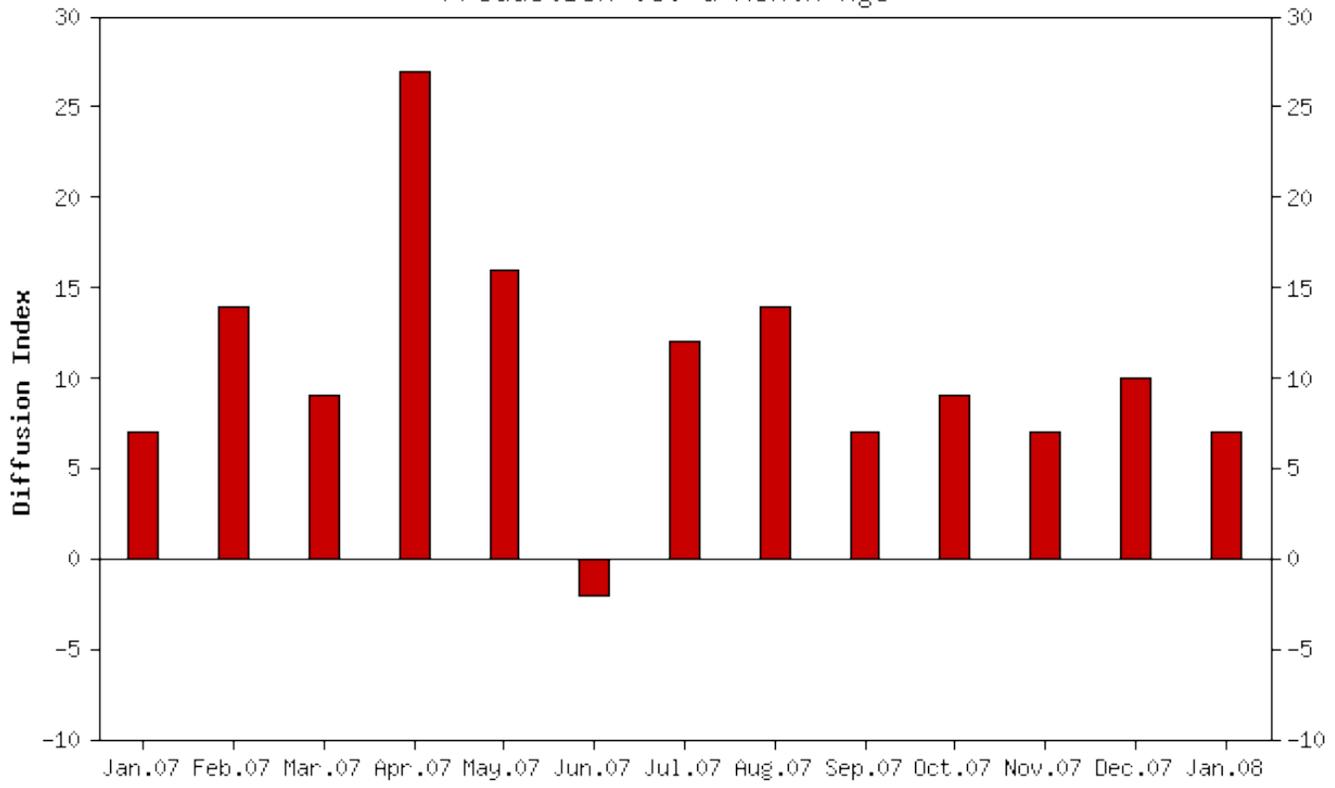
Note: The January survey included 116 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jan'07	Feb'07	Mar'07	Apr'07	May'07	Jun'07	Jul'07	Aug'07	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08
Versus a Month Ago (seasonally adjusted)													
Production	7	14	9	27	16	-2	12	14	7	9	7	10	7
Volume of shipments	15	15	5	26	15	-2	14	15	7	13	12	5	2
Volume of new orders	10	17	11	20	16	8	8	20	5	0	12	8	15
Backlog of orders	-2	8	2	8	0	9	0	4	1	-3	5	2	2
Number of employees	7	11	2	10	13	9	2	2	1	-1	-3	1	8
Average employee workweek	-4	4	-5	2	12	-4	0	3	1	-3	0	2	-3
Prices received for finished product	11	15	4	8	16	14	12	9	8	11	11	8	15
Prices paid for raw materials	34	38	41	36	41	37	43	21	29	35	43	32	47
Capital expenditures	n/a												
New orders for exports	0	6	-2	5	2	2	5	5	4	3	4	2	8
Supplier delivery time	4	11	7	5	2	6	5	4	4	6	7	6	10
Inventories: Materials	7	11	8	3	5	9	11	-3	-2	-5	-5	-1	-4
Inventories: Finished goods	-6	-6	6	-1	1	2	0	-3	-12	-6	-6	-3	3
Versus a Year Ago (not seasonally adjusted)													
Production	19	31	20	28	33	23	16	27	25	22	8	20	5
Volume of shipments	23	32	12	33	32	17	16	22	27	23	18	22	11
Volume of new orders	26	36	18	33	27	29	15	25	24	19	18	8	18
Backlog of orders	7	23	4	16	8	17	2	7	0	6	4	1	2
Number of employees	25	35	20	27	23	23	22	10	14	4	8	9	10
Average employee workweek	10	13	4	14	7	6	1	0	4	5	-4	14	0
Prices received for finished product	57	52	47	60	66	53	52	51	51	48	48	50	51
Prices paid for raw materials	71	67	82	81	83	76	79	62	67	71	75	70	75
Capital expenditures	13	17	24	27	20	16	16	16	11	16	18	18	12
New orders for exports	11	12	3	13	6	3	13	13	7	12	9	12	18
Supplier delivery time	8	9	7	5	6	14	9	9	10	12	7	6	5
Inventories: Materials	31	27	16	4	31	25	17	10	10	6	-1	2	0
Inventories: Finished goods	11	25	27	0	15	16	6	8	7	0	-5	-3	0
Expected in Six Months (seasonally adjusted)													
Production	25	27	37	39	29	29	27	25	27	28	27	26	18
Volume of shipments	23	28	42	39	26	28	28	22	27	29	25	30	17
Volume of new orders	22	23	33	40	20	22	21	19	21	23	19	25	23
Backlog of orders	10	12	15	17	11	11	11	3	10	12	5	8	13
Number of employees	18	21	24	20	13	17	17	13	12	10	11	20	18
Average employee workweek	7	11	15	12	3	8	5	1	3	7	-2	-1	0
Prices received for finished product	31	34	34	34	42	39	37	35	30	35	27	32	40
Prices paid for raw materials	51	53	64	55	67	56	63	55	53	51	58	62	61
Capital expenditures	20	29	23	22	20	22	19	16	17	15	19	17	9
New orders for exports	9	7	5	8	14	7	18	14	12	10	13	18	15
Supplier delivery time	10	8	5	4	8	11	6	7	3	8	6	3	4
Inventories: Materials	-4	-4	1	-14	2	2	11	7	-11	-5	-3	4	-8
Inventories: Finished goods	-2	-3	10	-4	4	1	5	0	-15	-1	-2	0	-10

Production vs. a Month Ago



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