



News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity continued at a solid pace in December, and producers were increasingly optimistic about future activity. Price indexes in the survey rose further, with a marked increase in raw materials prices.

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 continued at a solid pace in December, and producers were increasingly optimistic about future activity. Price indexes in the survey rose further, with a marked increase in raw materials prices.

The net percentage of firms reporting month-over-month increases in production in December was 21, unchanged from 21 in November and up from 10 in October (Tables 1 & 2, Chart). Specific industry activity was mixed, with the majority of durable firms reporting an increase in production while some nondurable firms noted a slight downturn. Most other month-over-month indicators improved somewhat from the previous month. The shipments and order backlog indexes climbed higher, and the new order index was basically flat. The employment index increased to its highest level in three years, while the new orders for exports index edged down from 11 to 7. The raw materials inventory index moved into positive territory, and the finished goods inventory index also inched higher.

Growth in year-over-year factory activity increased in December. The production index improved from 27 to 32, and the shipments, new orders, and order backlog indexes also edged up. The employment index rose for the second straight month to its highest level in nearly 3 years, and the capital expenditures index increased from 9 to 19. Both inventory indexes rose further from last month, after nearly two years of negative readings.

Future factory indexes improved considerably from the previous month. The future production index jumped from 23 to 41, and the future shipments, new orders, and order backlog indexes also rose. The future employment index increased from 13 to 27, and the future new orders for export index also edged higher. The future capital expenditures index improved from 12 to 22, a three-year high. The raw materials inventory index moved into positive territory for the first time since April, and the finished goods inventory index also increased from -5 to 0.

Price indexes continued to rise. The month-over-month finished goods price increased from 3 to 18, and the raw materials price index jumped from 35 to 54. The year-over-year finished goods price index climbed higher, and the raw materials price index edged up slightly from 62 to 67. The future raw materials price index recorded its highest level since mid-2008, and the future finished goods price index also increased, as slightly more firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, December 2010

	December vs. November (percent) ¹					December vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	No Change	Decrease	Diff Index ²	SA Index ³	Increase	No Change	Decrease	Diff Index ²	Increase	No Change	Decrease	Diff Index ²	SA Index ³
Plant Level Indicators														
Production	38	33	27	11	21	55	21	23	32	56	27	15	40	41
Volume of shipments	37	31	28	8	20	57	15	24	33	54	23	19	35	33
Volume of new orders	34	38	25	9	24	52	24	21	31	47	33	17	29	28
Backlog of orders	26	46	24	2	12	41	34	21	20	37	41	18	18	16
Number of employees	23	59	15	7	14	40	31	27	12	41	42	15	25	27
Average employee workweek	24	57	16	7	12	38	39	20	18	31	47	20	11	11
Prices received for finished product	18	72	8	10	18	40	37	17	23	44	44	10	34	35
Prices paid for raw materials	44	50	2	41	54	75	14	7	67	72	22	2	69	73
Capital expenditures						36	44	16	19	35	48	12	22	22
New orders for exports	9	71	6	2	7	17	62	7	10	21	61	3	17	16
Supplier delivery time	9	84	2	6	7	23	65	5	17	12	83	1	10	10
Inventories:														
Materials	23	58	16	6	11	33	36	27	5	25	50	23	2	7
Finished goods	22	54	18	3	5	30	41	24	6	19	53	21	-1	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.

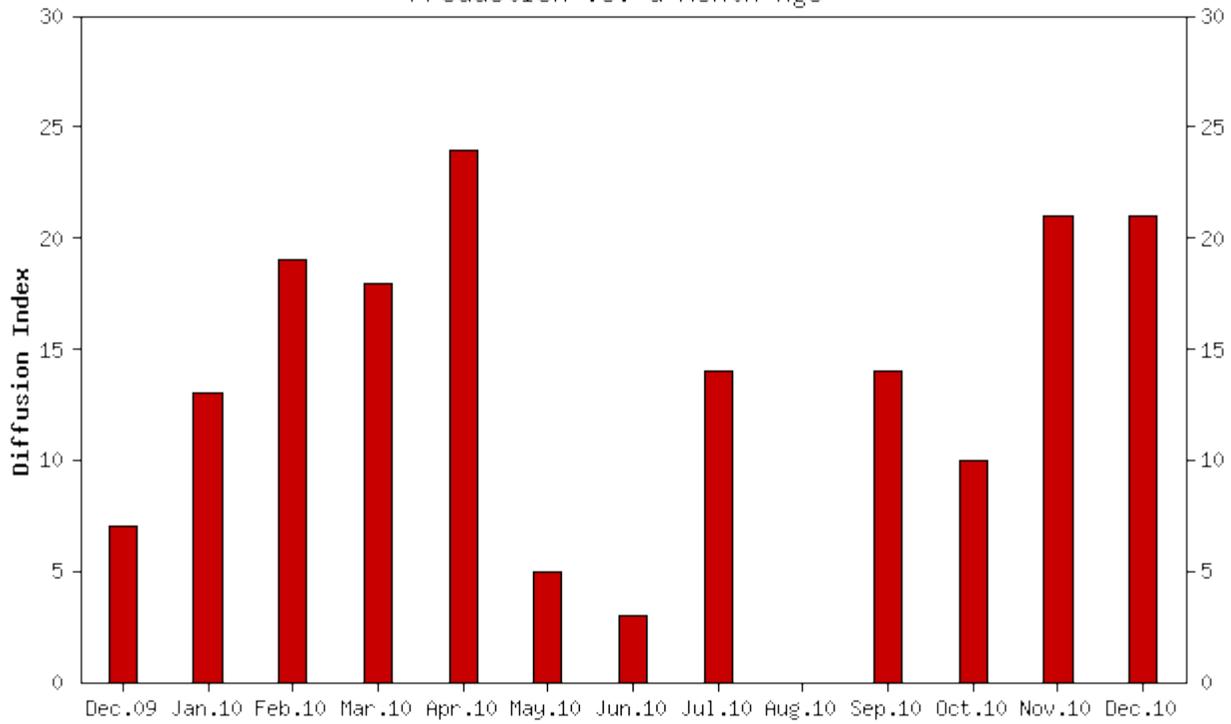
Note: The December survey included 108 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Dec'09	Jan'10	Feb'10	Mar'10	Apr'10	May'10	Jun'10	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10
Versus a Month Ago (seasonally adjusted)													
Production	7	13	19	18	24	5	3	14	0	14	10	21	21
Volume of shipments	3	9	14	17	27	-3	1	12	-6	15	6	12	20
Volume of new orders	0	9	11	12	15	-2	0	9	-13	9	16	25	24
Backlog of orders	-4	0	-5	7	11	-3	-9	-2	-16	4	4	8	12
Number of employees	-1	2	-4	3	5	1	-1	5	-2	-2	-1	10	14
Average employee workweek	0	4	-3	1	6	9	-2	1	-6	2	2	5	12
Prices received for finished product	-1	0	0	5	5	-1	-14	-9	-4	-1	2	3	18
Prices paid for raw materials	22	42	45	42	53	37	14	14	14	25	25	35	54
Capital expenditures	n/a												
New orders for exports	5	6	0	4	5	0	3	0	-1	10	0	11	7
Supplier delivery time	8	8	12	11	10	15	5	0	3	4	1	11	7
Inventories: Materials	-12	-7	-1	3	-7	6	-4	-1	6	-1	-10	0	11
Inventories: Finished goods	-1	0	0	-7	-9	6	1	0	2	5	-13	2	5
Versus a Year Ago (not seasonally adjusted)													
Production	-30	-10	-9	-1	14	16	9	25	18	22	7	27	32
Volume of shipments	-31	-10	-11	-5	15	13	6	25	18	25	12	29	33
Volume of new orders	-25	-11	-8	-3	19	23	6	23	16	20	8	28	31
Backlog of orders	-32	-14	-19	-13	-3	0	-5	6	3	4	0	10	20
Number of employees	-48	-39	-29	-31	-18	-18	-12	-10	-8	-2	-8	6	12
Average employee workweek	-32	-20	-11	-10	-1	8	-4	5	9	6	-1	10	18
Prices received for finished product	-10	-1	-4	7	7	9	9	7	7	11	18	15	23
Prices paid for raw materials	6	25	38	55	58	63	53	50	51	48	58	62	67
Capital expenditures	-31	-14	-15	-8	-5	-5	-5	4	-9	0	0	9	19
New orders for exports	0	6	7	2	7	8	7	14	12	12	7	19	10
Supplier delivery time	0	-1	2	10	8	10	0	3	4	7	7	16	17
Inventories: Materials	-35	-18	-20	-17	-12	-14	-14	-9	-5	-3	-3	0	5
Inventories: Finished goods	-12	-14	-14	-11	-9	-8	-4	-5	-8	-2	-7	0	6
Expected in Six Months (seasonally adjusted)													
Production	17	35	24	33	22	32	21	23	10	23	29	23	41
Volume of shipments	15	35	32	36	21	33	24	22	9	19	29	23	33
Volume of new orders	17	25	25	27	28	31	23	23	16	28	26	20	28
Backlog of orders	7	12	5	16	9	16	12	11	4	23	7	11	16
Number of employees	2	9	18	20	18	14	9	1	2	7	7	13	27
Average employee workweek	8	7	13	10	4	13	2	0	-2	6	1	0	11
Prices received for finished product	8	12	15	19	17	17	11	9	7	10	18	27	35
Prices paid for raw materials	31	60	59	55	61	45	40	26	30	40	47	61	73
Capital expenditures	0	14	3	5	11	5	-4	-3	-4	8	4	12	22
New orders for exports	11	13	12	5	11	7	5	5	7	12	14	15	16
Supplier delivery time	10	6	6	9	15	9	0	8	6	3	9	10	10
Inventories: Materials	-2	3	6	4	3	-10	-10	-8	-6	-2	-5	-1	7
Inventories: Finished goods	2	2	1	-4	0	-6	-11	-4	0	-3	-16	-5	0

Production vs. a Month Ago



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