



News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity continued to strengthen in February. Production increased further, and producers' expectations for future activity, including for hiring, were positive overall. Raw materials price indexes remained elevated, but finished goods prices were generally unchanged, although a rising share of firms plan to raise finished good prices in the future.

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 continued to strengthen in February. Production increased further, and producers' expectations for future activity, including for hiring, were positive overall. Raw materials price indexes remained elevated, but finished goods prices were generally unchanged, although a rising share of firms plan to raise finished good prices in the future.

The net percentage of firms reporting month-over-month increases in production in February was 19, up from 13 in January and 7 in December (Tables 1& 2, Chart). Production growth increased at durable goods plants, but slowed slightly among non-durable goods producers, particularly for food, printing, and plastics and rubber producers. The other month-over-month indicators were mixed in February. The shipments and new orders indexes each climbed, but the order backlog index fell slightly. The employment index slipped back into negative territory after being positive in January. Also, the new orders for exports index fell from 6 in January to 0 in February. The raw materials inventory index continued to increase, reaching an 18 month high, while the finished goods inventory index remained 0.

Year-over-year factory indexes continued to show improvement in February, but most remained negative. The production index improved slightly to -9 from -10 in January, and the new orders index also improved, but the shipments and order backlog indexes fell in February. The employment index rose to -29, the highest level since November of 2008. The capital expenditures index dropped one point to -15, and the new orders for exports index rose one point to 7. The raw materials index edged down slightly, and the finished goods index was flat.

The future factory activity indexes remained positive in February, though some eased slightly. The future production index fell to 24 from 35, and the shipments and backlog indexes also dropped. However, the new orders index stayed at 25 in February, and the future employment index jumped to 18, its highest reading since January 2008. The capital expenditures index eased but stayed in positive territory from the third consecutive month. The new orders for exports index ticked down one point to 12 in February. The future raw materials inventory index rose to 6, and the future finished goods inventory dropped one point to 1.

The raw materials price indexes increased in February, but the finished goods price indexes generally showed little change. The month-over-month raw materials index continued to rise in February and the year-over-year raw materials prices index jumped from 25 to 38. But finished goods prices remained little changed from a month ago and year ago. The future raw materials price index stayed close to its January reading, dropping only one point to 59, while the future finished goods price index rose for the fifth consecutive month, indicating that firms increasingly plan to pass cost increases through in the coming months.

Table1

Summary of Tenth District Manufacturing Conditions, February 2010

Plant Level Indicators	February vs. January (percent) ¹					February vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	Index ²	Index ³	No		Diff	Index ²	No		Diff	SA
	Increase	Change	Decrease	Index ²			Increase	Change	Decrease		Index ²	Increase	Change	Decrease
Production	38	36	23	15	19	32	24	42	-9	45	34	19	26	24
Volume of shipments	36	35	25	11	14	30	24	42	-11	49	28	20	28	32
Volume of new orders	33	39	23	10	11	33	22	42	-8	42	34	18	24	25
Backlog of orders	21	50	26	-4	-5	22	34	41	-19	26	49	20	5	5
Number of employees	11	65	20	-9	-4	19	29	48	-29	29	53	13	15	18
Average employee workweek	14	62	19	-5	-3	19	46	30	-11	24	58	13	11	13
Prices received for finished product	7	80	10	-3	0	23	46	28	-4	23	61	11	12	15
Prices paid for raw materials	37	59	0	36	45	55	26	17	38	52	42	3	49	59
Capital expenditures						19	44	34	-15	21	56	19	2	3
New orders for exports	8	69	8	0	0	20	54	13	7	15	64	7	8	12
Supplier delivery time	11	82	2	9	12	12	73	10	2	8	83	3	4	6
Inventories:														
Materials	22	55	20	1	-1	18	41	38	-20	21	58	17	3	6
Finished goods	21	55	16	4	0	19	41	34	-14	18	59	18	0	1

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.

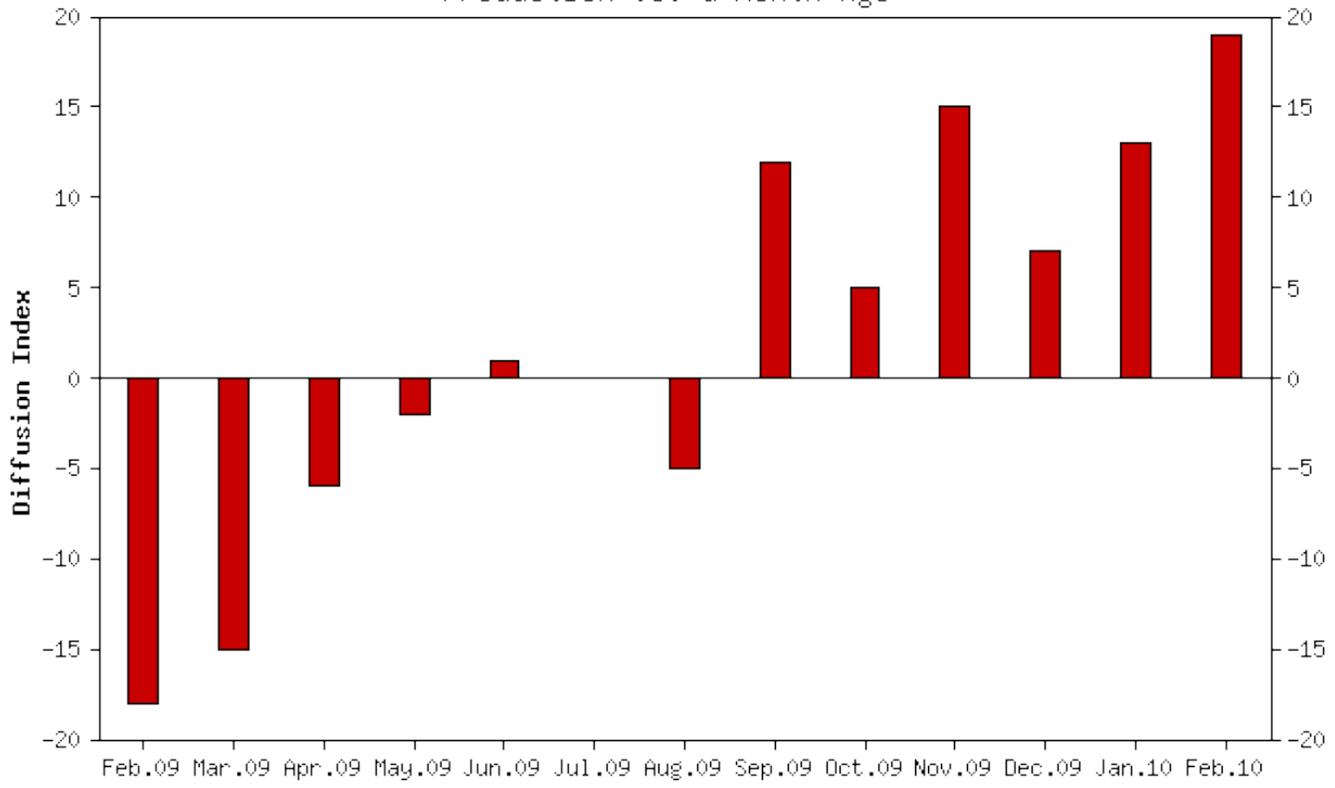
³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The February survey included 126 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Feb'09	Mar'09	Apr'09	May'09	Jun'09	Jul'09	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10
Versus a Month Ago (seasonally adjusted)													
Production	-18	-15	-6	-2	1	0	-5	12	5	15	7	13	19
Volume of shipments	-15	-11	-5	-1	4	4	-13	8	0	8	3	9	14
Volume of new orders	-21	-11	-7	2	8	6	-8	7	7	10	0	9	11
Backlog of orders	-30	-29	-26	-18	-1	-11	-17	-10	-1	0	-4	0	-5
Number of employees	-34	-33	-22	-15	-14	-15	-10	-3	-4	0	-1	2	-4
Average employee workweek	-23	-21	-15	-14	2	-13	-9	8	-3	4	0	4	-3
Prices received for finished product	-14	-14	-17	-17	-14	-16	-12	-6	-6	1	-1	0	0
Prices paid for raw materials	-22	-23	-23	-17	-9	-7	0	9	12	21	22	42	45
Capital expenditures	n/a												
New orders for exports	-11	-12	-11	-7	-2	0	0	2	3	2	5	6	0
Supplier delivery time	-3	-4	-4	-6	-3	-4	0	3	3	11	8	8	12
Inventories: Materials	-23	-27	-25	-19	-22	-23	-20	-15	-4	-6	-12	-7	-1
Inventories: Finished goods	-19	-17	-15	-11	-12	-14	-10	-7	2	-6	-1	0	0
Versus a Year Ago (not seasonally adjusted)													
Production	-62	-62	-62	-52	-44	-50	-60	-46	-40	-31	-30	-10	-9
Volume of shipments	-60	-63	-60	-53	-45	-50	-57	-43	-40	-28	-31	-10	-11
Volume of new orders	-61	-68	-53	-47	-49	-48	-57	-43	-37	-16	-25	-11	-8
Backlog of orders	-53	-62	-56	-53	-47	-50	-52	-48	-44	-24	-32	-14	-19
Number of employees	-53	-64	-60	-65	-54	-57	-66	-56	-47	-49	-48	-39	-29
Average employee workweek	-50	-55	-49	-54	-44	-41	-50	-40	-33	-28	-32	-20	-11
Prices received for finished product	8	1	-8	-8	-11	-24	-27	-14	-14	-12	-10	-1	-4
Prices paid for raw materials	-4	-12	-16	-25	-20	-27	-17	-9	-5	-12	6	25	38
Capital expenditures	-33	-45	-42	-48	-28	-24	-23	-24	-25	-26	-31	-14	-15
New orders for exports	-24	-25	-22	-26	-17	-14	-16	-7	-6	-8	0	6	7
Supplier delivery time	-10	-14	-13	-19	-17	-13	-8	1	-2	-3	0	-1	2
Inventories: Materials	-32	-44	-34	-38	-38	-43	-37	-37	-37	-34	-35	-18	-20
Inventories: Finished goods	-25	-25	-20	-20	-23	-23	-25	-17	-14	-24	-12	-14	-14
Expected in Six Months (seasonally adjusted)													
Production	-24	-5	0	3	11	9	19	17	24	32	17	35	24
Volume of shipments	-16	-6	0	0	8	6	12	12	18	31	15	35	32
Volume of new orders	-13	-5	5	2	15	14	19	17	26	23	17	25	25
Backlog of orders	-18	-16	-9	-9	0	6	7	0	13	16	7	12	5
Number of employees	-31	-32	-19	-13	0	-11	-7	1	4	8	2	9	18
Average employee workweek	-22	-14	-10	-11	3	-4	0	5	5	16	8	7	13
Prices received for finished product	-9	-6	-7	-13	4	-10	-3	1	0	5	8	12	15
Prices paid for raw materials	0	-3	-6	-2	13	1	23	20	28	32	31	60	59
Capital expenditures	-30	-21	-15	-11	-13	-12	-2	-8	-5	-1	0	14	3
New orders for exports	-6	-2	-3	-3	2	6	6	7	10	9	11	13	12
Supplier delivery time	-5	-9	-5	-5	-7	-7	-2	4	-1	6	10	6	6
Inventories: Materials	-34	-27	-25	-24	-18	-18	-13	-12	-6	-3	-2	3	6
Inventories: Finished goods	-35	-22	-19	-20	-9	-12	-15	-11	-7	-5	2	2	1

Production vs. a Month Ago



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