



# News Release

## Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

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Kansas City, Missouri 64198

Phone (816) 881-2683

Fax (816) 881-2569

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Growth in Tenth District manufacturing activity strengthened in January, with production returning nearly back to year-ago levels. Producers' expectations for future factory activity also rebounded strongly after easing slightly in December. Price indexes moved higher, with twice as many firms reporting a rise in current and expected raw materials prices, but pass-through to finished goods prices remained limited.

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 2010. 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 strengthened in January, with production returning nearly back to year-ago levels. Producers' expectations for future factory activity also rebounded strongly after easing slightly in December. Price indexes moved higher, with twice as many firms reporting a rise in current and expected raw materials prices, but pass-through to finished goods prices remained limited.

The net percentage of firms reporting month-over-month increases in production in January was 13, up from 7 in December, but down slightly from 15 in November (Tables 1 & 2, Chart). Production growth increased at non-durable goods plants but slowed slightly among durable goods producers, particularly for computer and electronic products. Most other month-over-month indicators increased in January. The shipments, new orders, and order backlog indexes all climbed higher. The employment index edged up into positive territory for the first time in 18 months, and the new orders for exports index also rose slightly. The raw materials inventory index increased from -12 to -7, and the finished goods inventory index inched higher.

Year-over-year factory indexes showed considerable improvement in January, though were still generally in negative territory. The production index jumped from -30 to -10, and the shipments, new orders, and order backlog indexes also rose markedly. The employment index increased from -48 to -39, its highest level in a year. The capital expenditures index climbed higher from -31 to -14, and the new orders for exports index moved into positive territory. The raw materials inventory index increased, while the finished goods inventory index edged down slightly.

Most future factory activity indexes rebounded after falling somewhat last month. The future production index jumped from 17 to 35, its highest level since early 2007. The future shipments, new orders, and order backlog indexes also rose substantially. The future employment index climbed from 2 to 9, and the future new orders for exports index ticked up moderately. The future capital expenditures index increased from 0 to 14, an 18-month high. The future raw materials inventory index edged up, while the future finished goods inventory index remained unchanged.

Price indexes climbed higher in January, with a marked increase in raw materials prices. The month-over-month raw materials price index jumped from 22 to 42, and the finished goods price index edged up slightly. The year-over-year raw materials price index increased from 6 to 25, and the finished goods price index moved closer to positive territory. The future raw materials price index nearly doubled, and the future finished goods price index rose from 8 to 12, indicating a few more firms were planning to pass through cost increases in the months ahead.

Table1

## Summary of Tenth District Manufacturing Conditions, January 2010

Plant Level Indicators	January vs. December (percent) <sup>1</sup>					January vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No		Diff		SA	No		Diff		No		Diff		SA
	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Increase	Change	Decrease	Index <sup>2</sup>	Index <sup>3</sup>
Production	35	37	26	9	13	33	21	43	-10	50	26	22	28	35
Volume of shipments	34	34	29	4	9	32	22	43	-10	52	25	22	29	35
Volume of new orders	33	39	25	7	9	32	20	44	-11	46	27	24	21	25
Backlog of orders	21	49	27	-5	0	25	33	39	-14	35	37	25	10	12
Number of employees	14	67	18	-4	2	17	25	56	-39	28	47	21	6	9
Average employee workweek	16	62	19	-3	4	16	44	36	-20	25	52	19	6	7
Prices received for finished product	11	74	13	-1	0	32	33	33	-1	24	59	16	7	12
Prices paid for raw materials	31	65	2	28	42	50	25	24	25	54	35	8	46	60
Capital expenditures						22	37	36	-14	28	49	19	9	14
New orders for exports	9	74	5	3	6	17	59	10	6	17	66	4	12	13
Supplier delivery time	9	83	3	5	8	12	69	14	-1	8	84	4	3	6
<b>Inventories:</b>														
Materials	17	57	25	-7	-7	23	33	42	-18	21	53	25	-4	3
Finished goods	18	60	17	1	0	17	46	32	-14	18	59	18	0	2

<sup>1</sup>Percentage may not add to 100 due to rounding.

<sup>2</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

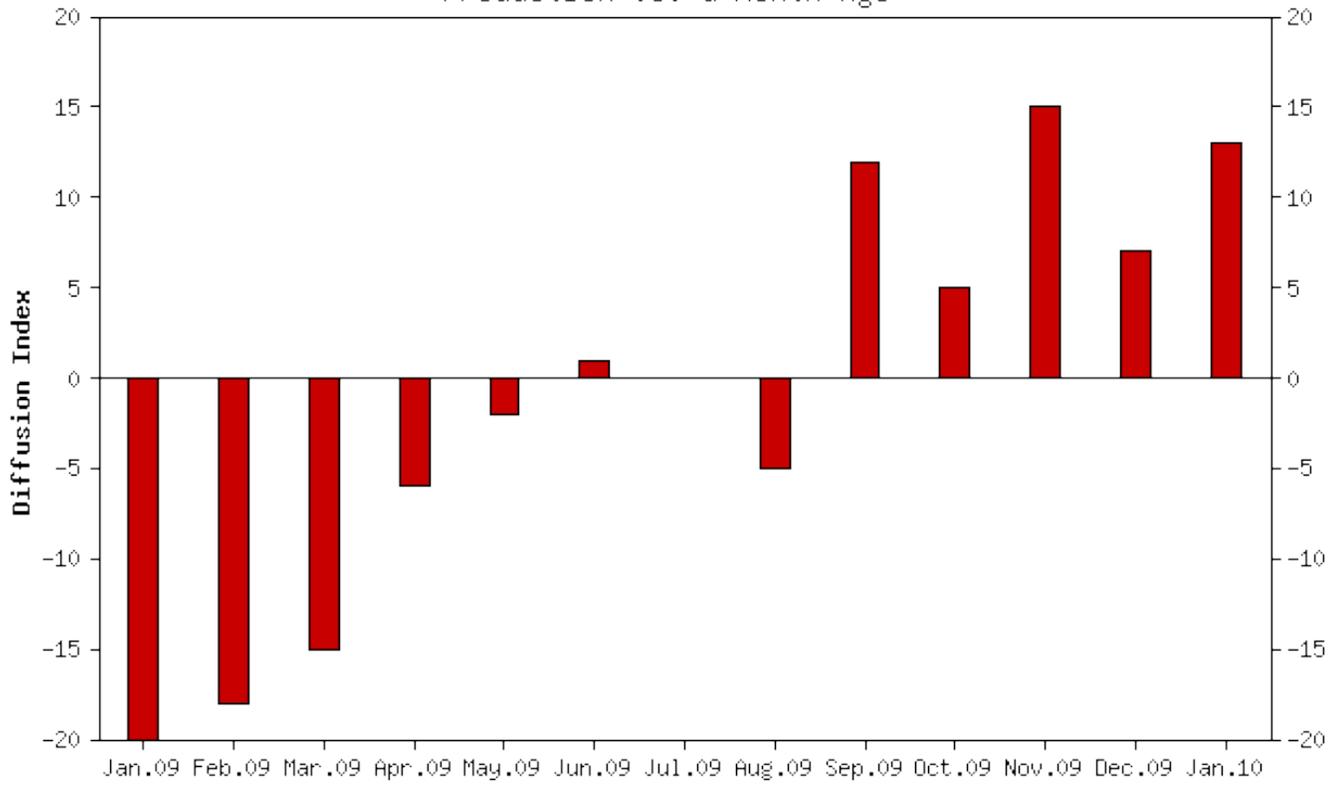
<sup>3</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The January survey included 128 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Table2**  
**Historical Manufacturing Survey Indexes**

	Jan'09	Feb'09	Mar'09	Apr'09	May'09	Jun'09	Jul'09	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10
<b>Versus a Month Ago</b> (seasonally adjusted)													
Production	-20	-18	-15	-6	-2	1	0	-5	12	5	15	7	13
Volume of shipments	-17	-15	-11	-5	-1	4	4	-13	8	0	8	3	9
Volume of new orders	-21	-21	-11	-7	2	8	6	-8	7	7	10	0	9
Backlog of orders	-36	-30	-29	-26	-18	-1	-11	-17	-10	-1	0	-4	0
Number of employees	-33	-34	-33	-22	-15	-14	-15	-10	-3	-4	0	-1	2
Average employee workweek	-34	-23	-21	-15	-14	2	-13	-9	8	-3	4	0	4
Prices received for finished product	-11	-14	-14	-17	-17	-14	-16	-12	-6	-6	1	-1	0
Prices paid for raw materials	-21	-22	-23	-23	-17	-9	-7	0	9	12	21	22	42
Capital expenditures	n/a												
New orders for exports	-13	-11	-12	-11	-7	-2	0	0	2	3	2	5	6
Supplier delivery time	-5	-3	-4	-4	-6	-3	-4	0	3	3	11	8	8
Inventories: Materials	-22	-23	-27	-25	-19	-22	-23	-20	-15	-4	-6	-12	-7
Inventories: Finished goods	-10	-19	-17	-15	-11	-12	-14	-10	-7	2	-6	-1	0
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Production	-51	-62	-62	-62	-52	-44	-50	-60	-46	-40	-31	-30	-10
Volume of shipments	-45	-60	-63	-60	-53	-45	-50	-57	-43	-40	-28	-31	-10
Volume of new orders	-50	-61	-68	-53	-47	-49	-48	-57	-43	-37	-16	-25	-11
Backlog of orders	-49	-53	-62	-56	-53	-47	-50	-52	-48	-44	-24	-32	-14
Number of employees	-44	-53	-64	-60	-65	-54	-57	-66	-56	-47	-49	-48	-39
Average employee workweek	-44	-50	-55	-49	-54	-44	-41	-50	-40	-33	-28	-32	-20
Prices received for finished product	18	8	1	-8	-8	-11	-24	-27	-14	-14	-12	-10	-1
Prices paid for raw materials	9	-4	-12	-16	-25	-20	-27	-17	-9	-5	-12	6	25
Capital expenditures	-25	-33	-45	-42	-48	-28	-24	-23	-24	-25	-26	-31	-14
New orders for exports	-19	-24	-25	-22	-26	-17	-14	-16	-7	-6	-8	0	6
Supplier delivery time	-10	-10	-14	-13	-19	-17	-13	-8	1	-2	-3	0	-1
Inventories: Materials	-22	-32	-44	-34	-38	-38	-43	-37	-37	-37	-34	-35	-18
Inventories: Finished goods	-14	-25	-25	-20	-20	-23	-23	-25	-17	-14	-24	-12	-14
<b>Expected in Six Months</b> (seasonally adjusted)													
Production	-7	-24	-5	0	3	11	9	19	17	24	32	17	35
Volume of shipments	-7	-16	-6	0	0	8	6	12	12	18	31	15	35
Volume of new orders	-8	-13	-5	5	2	15	14	19	17	26	23	17	25
Backlog of orders	-22	-18	-16	-9	-9	0	6	7	0	13	16	7	12
Number of employees	-25	-31	-32	-19	-13	0	-11	-7	1	4	8	2	9
Average employee workweek	-25	-22	-14	-10	-11	3	-4	0	5	5	16	8	7
Prices received for finished product	-6	-9	-6	-7	-13	4	-10	-3	1	0	5	8	12
Prices paid for raw materials	-1	0	-3	-6	-2	13	1	23	20	28	32	31	60
Capital expenditures	-20	-30	-21	-15	-11	-13	-12	-2	-8	-5	-1	0	14
New orders for exports	-9	-6	-2	-3	-3	2	6	6	7	10	9	11	13
Supplier delivery time	-7	-5	-9	-5	-5	-7	-7	-2	4	-1	6	10	6
Inventories: Materials	-26	-34	-27	-25	-24	-18	-18	-13	-12	-6	-3	-2	3
Inventories: Finished goods	-16	-35	-22	-19	-20	-9	-12	-15	-11	-7	-5	2	2

Production vs. a Month Ago



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