



News Release

Federal Reserve Bank of Kansas City

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Growth in Tenth District manufacturing activity increased in November, and producers remained optimistic about future activity. Price indexes in the survey continued to edge higher, particularly for raw materials.

A summary of the November 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

Growth in Tenth District manufacturing activity increased in November, and producers remained optimistic about future activity. Price indexes in the survey continued to edge higher, particularly for raw materials.

The net percentage of firms reporting month-over-month increases in production in November was 21, up from 10 in October and 14 in September (Tables 1 & 2, Chart). The increase in production occurred among both durable and nondurable goods producing plants, with a sharp rise in machinery, high-tech, printing, and transportation equipment activity partly due to higher export orders. All other month-over-month indicators also improved from the previous month. The shipments, new orders, and order backlog indexes climbed higher, and the employment index reached its highest level since late 2007. The new orders for exports index rose from 0 to 11, and both inventory indexes moved into positive territory.

Year-over-year factory indexes also improved in November. The production index increased from 7 to 27, and the shipments, new orders, and order backlog indexes also edged higher. The employment index moved into positive territory for the first time since early 2008, and the capital expenditures index jumped from 0 to 9. Both inventory indexes rose to 0, after nearly two years of negative readings.

Future factory activity was somewhat mixed, but levels still remained solid for most indexes. The future production index eased from 29 to 23, and the future shipments and new order indexes also fell modestly. In contrast, the future employment index rose from 7 to 13, and the future capital expenditures index rebounded after falling last month. The future new orders for exports and supplier delivery time indexes remained basically unchanged. The raw materials inventory index increased from -5 to -1, and the finished goods inventory index also improved from -16 to -5.

Most price indexes continued to rise. The month-over-month finished goods price moved up only slightly from 2 to 3, and the raw materials price index increased from 25 to 35. The year-over-year finished goods price index dropped from 18 to 15, but the raw materials price index climbed higher for the second straight month. The future raw materials price index jumped from 47 to 61, 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, November 2010

| | November vs. October (percent) ¹ | | | | | November 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 | 33 | 45 | 20 | 12 | 21 | 50 | 27 | 22 | 27 | 45 | 30 | 22 | 23 | 23 |
| Volume of shipments | 30 | 43 | 24 | 6 | 12 | 50 | 27 | 20 | 29 | 45 | 32 | 20 | 25 | 23 |
| Volume of new orders | 41 | 34 | 23 | 18 | 25 | 51 | 23 | 23 | 28 | 45 | 33 | 21 | 23 | 20 |
| Backlog of orders | 28 | 46 | 23 | 4 | 8 | 33 | 38 | 23 | 10 | 25 | 54 | 16 | 8 | 11 |
| Number of employees | 20 | 66 | 12 | 7 | 10 | 34 | 37 | 28 | 6 | 31 | 50 | 18 | 12 | 13 |
| Average employee workweek | 17 | 64 | 17 | 0 | 5 | 32 | 45 | 21 | 10 | 18 | 62 | 19 | 0 | 0 |
| Prices received for finished product | 9 | 80 | 9 | 0 | 3 | 37 | 41 | 21 | 15 | 38 | 48 | 12 | 26 | 27 |
| Prices paid for raw materials | 37 | 57 | 4 | 33 | 35 | 69 | 22 | 7 | 62 | 65 | 31 | 3 | 62 | 61 |
| Capital expenditures | | | | | | 33 | 41 | 23 | 9 | 31 | 49 | 17 | 13 | 12 |
| New orders for exports | 16 | 66 | 7 | 8 | 11 | 27 | 54 | 8 | 19 | 19 | 65 | 4 | 14 | 15 |
| Supplier delivery time | 12 | 84 | 1 | 11 | 11 | 20 | 73 | 4 | 16 | 13 | 83 | 1 | 12 | 10 |
| Inventories: | | | | | | | | | | | | | | |
| Materials | 20 | 56 | 22 | -1 | 0 | 30 | 37 | 31 | 0 | 20 | 55 | 23 | -2 | -1 |
| Finished goods | 17 | 61 | 18 | 0 | 2 | 27 | 40 | 27 | 0 | 16 | 58 | 22 | -6 | -5 |

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.

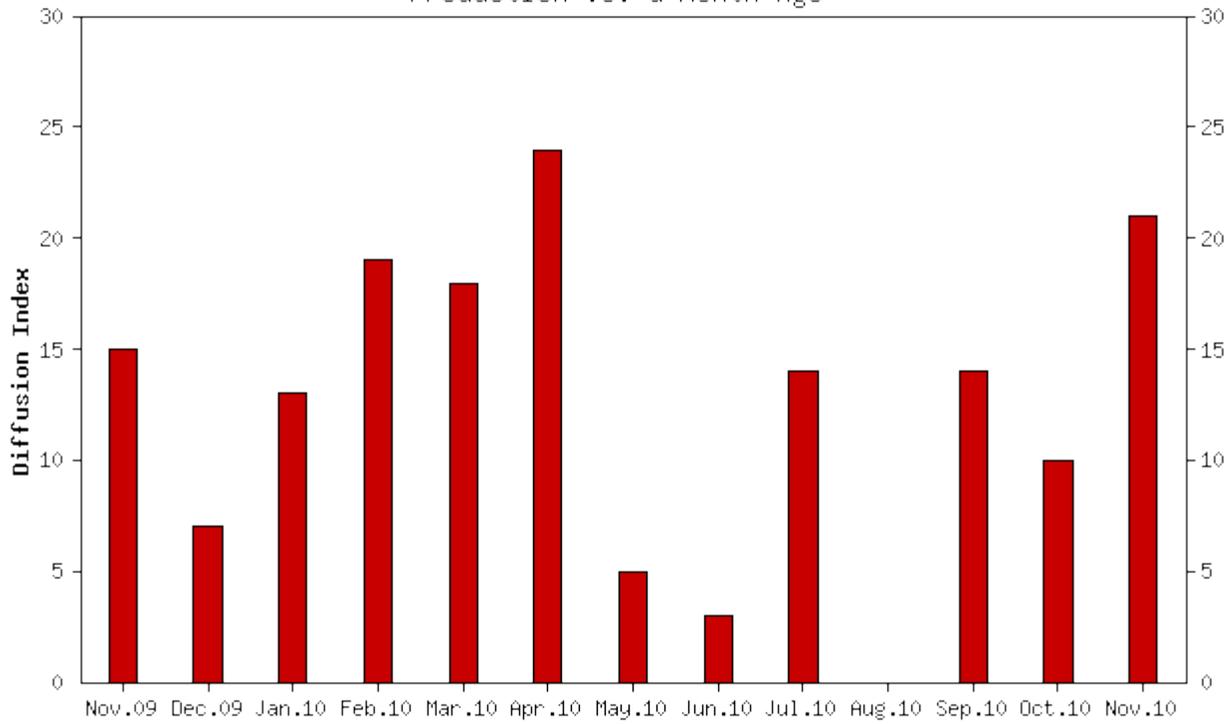
Note: The November survey included 124 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

| | Nov'09 | Dec'09 | Jan'10 | Feb'10 | Mar'10 | Apr'10 | May'10 | Jun'10 | Jul'10 | Aug'10 | Sep'10 | Oct'10 | Nov'10 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Versus a Month Ago (seasonally adjusted) | | | | | | | | | | | | | |
| Production | 15 | 7 | 13 | 19 | 18 | 24 | 5 | 3 | 14 | 0 | 14 | 10 | 21 |
| Volume of shipments | 8 | 3 | 9 | 14 | 17 | 27 | -3 | 1 | 12 | -6 | 15 | 6 | 12 |
| Volume of new orders | 10 | 0 | 9 | 11 | 12 | 15 | -2 | 0 | 9 | -13 | 9 | 16 | 25 |
| Backlog of orders | 0 | -4 | 0 | -5 | 7 | 11 | -3 | -9 | -2 | -16 | 4 | 4 | 8 |
| Number of employees | 0 | -1 | 2 | -4 | 3 | 5 | 1 | -1 | 5 | -2 | -2 | -1 | 10 |
| Average employee workweek | 4 | 0 | 4 | -3 | 1 | 6 | 9 | -2 | 1 | -6 | 2 | 2 | 5 |
| Prices received for finished product | 1 | -1 | 0 | 0 | 5 | 5 | -1 | -14 | -9 | -4 | -1 | 2 | 3 |
| Prices paid for raw materials | 21 | 22 | 42 | 45 | 42 | 53 | 37 | 14 | 14 | 14 | 25 | 25 | 35 |
| Capital expenditures | n/a |
| New orders for exports | 2 | 5 | 6 | 0 | 4 | 5 | 0 | 3 | 0 | -1 | 10 | 0 | 11 |
| Supplier delivery time | 11 | 8 | 8 | 12 | 11 | 10 | 15 | 5 | 0 | 3 | 4 | 1 | 11 |
| Inventories: Materials | -6 | -12 | -7 | -1 | 3 | -7 | 6 | -4 | -1 | 6 | -1 | -10 | 0 |
| Inventories: Finished goods | -6 | -1 | 0 | 0 | -7 | -9 | 6 | 1 | 0 | 2 | 5 | -13 | 2 |
| Versus a Year Ago (not seasonally adjusted) | | | | | | | | | | | | | |
| Production | -31 | -30 | -10 | -9 | -1 | 14 | 16 | 9 | 25 | 18 | 22 | 7 | 27 |
| Volume of shipments | -28 | -31 | -10 | -11 | -5 | 15 | 13 | 6 | 25 | 18 | 25 | 12 | 29 |
| Volume of new orders | -16 | -25 | -11 | -8 | -3 | 19 | 23 | 6 | 23 | 16 | 20 | 8 | 28 |
| Backlog of orders | -24 | -32 | -14 | -19 | -13 | -3 | 0 | -5 | 6 | 3 | 4 | 0 | 10 |
| Number of employees | -49 | -48 | -39 | -29 | -31 | -18 | -18 | -12 | -10 | -8 | -2 | -8 | 6 |
| Average employee workweek | -28 | -32 | -20 | -11 | -10 | -1 | 8 | -4 | 5 | 9 | 6 | -1 | 10 |
| Prices received for finished product | -12 | -10 | -1 | -4 | 7 | 7 | 9 | 9 | 7 | 7 | 11 | 18 | 15 |
| Prices paid for raw materials | -12 | 6 | 25 | 38 | 55 | 58 | 63 | 53 | 50 | 51 | 48 | 58 | 62 |
| Capital expenditures | -26 | -31 | -14 | -15 | -8 | -5 | -5 | -5 | 4 | -9 | 0 | 0 | 9 |
| New orders for exports | -8 | 0 | 6 | 7 | 2 | 7 | 8 | 7 | 14 | 12 | 12 | 7 | 19 |
| Supplier delivery time | -3 | 0 | -1 | 2 | 10 | 8 | 10 | 0 | 3 | 4 | 7 | 7 | 16 |
| Inventories: Materials | -34 | -35 | -18 | -20 | -17 | -12 | -14 | -14 | -9 | -5 | -3 | -3 | 0 |
| Inventories: Finished goods | -24 | -12 | -14 | -14 | -11 | -9 | -8 | -4 | -5 | -8 | -2 | -7 | 0 |
| Expected in Six Months (seasonally adjusted) | | | | | | | | | | | | | |
| Production | 32 | 17 | 35 | 24 | 33 | 22 | 32 | 21 | 23 | 10 | 23 | 29 | 23 |
| Volume of shipments | 31 | 15 | 35 | 32 | 36 | 21 | 33 | 24 | 22 | 9 | 19 | 29 | 23 |
| Volume of new orders | 23 | 17 | 25 | 25 | 27 | 28 | 31 | 23 | 23 | 16 | 28 | 26 | 20 |
| Backlog of orders | 16 | 7 | 12 | 5 | 16 | 9 | 16 | 12 | 11 | 4 | 23 | 7 | 11 |
| Number of employees | 8 | 2 | 9 | 18 | 20 | 18 | 14 | 9 | 1 | 2 | 7 | 7 | 13 |
| Average employee workweek | 16 | 8 | 7 | 13 | 10 | 4 | 13 | 2 | 0 | -2 | 6 | 1 | 0 |
| Prices received for finished product | 5 | 8 | 12 | 15 | 19 | 17 | 17 | 11 | 9 | 7 | 10 | 18 | 27 |
| Prices paid for raw materials | 32 | 31 | 60 | 59 | 55 | 61 | 45 | 40 | 26 | 30 | 40 | 47 | 61 |
| Capital expenditures | -1 | 0 | 14 | 3 | 5 | 11 | 5 | -4 | -3 | -4 | 8 | 4 | 12 |
| New orders for exports | 9 | 11 | 13 | 12 | 5 | 11 | 7 | 5 | 5 | 7 | 12 | 14 | 15 |
| Supplier delivery time | 6 | 10 | 6 | 6 | 9 | 15 | 9 | 0 | 8 | 6 | 3 | 9 | 10 |
| Inventories: Materials | -3 | -2 | 3 | 6 | 4 | 3 | -10 | -10 | -8 | -6 | -2 | -5 | -1 |
| Inventories: Finished goods | -5 | 2 | 2 | 1 | -4 | 0 | -6 | -11 | -4 | 0 | -3 | -16 | -5 |

Production vs. a Month Ago



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