

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

FOR RELEASE Thursday, December 29, 2011
EMBARGOED FOR 11:00 A.M. EST

CONTACT: Pamela Gutel
405-270-8617
Pamela.Gutel@kc.frb.org

TENTH DISTRICT MANUFACTURING ACTIVITY EASED SLIGHTLY Federal Reserve Bank of Kansas City Releases December Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the December Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity eased slightly, but expectations for future months improved somewhat.

“We saw a slight moderation in factory activity in our region in December,” said Wilkerson. “But plant managers continue to expect solid growth in the months ahead and are planning to increase employment and capital spending accordingly.”

A summary of the December survey is attached. Results from past surveys and release dates for future surveys can be found at www.kansascityfed.org/research/indicatorsdata/mfg.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

###

Survey of Tenth District Manufacturing

Tenth District manufacturing activity eased slightly in December, but expectations for future months improved somewhat. Price indexes were mixed, with a rise in monthly prices but fewer increases expected in the months ahead.

The month-over-month composite index was -4 in December, down from 4 in November and 8 in October, and the first negative reading since December 2009 (Tables 1 & 2, Chart). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Manufacturing activity slowed in both durable and nondurable goods-producing plants, particularly for food and fabricated metal products. Most other month-over-month indexes also fell somewhat in December. The production and shipments indexes moved into negative territory, and the new orders and order backlog indexes fell further. The employment index dropped to its lowest level since mid-2009, and the new orders for exports index edged down. Both inventory indexes decreased considerably.

Growth in year-over-year factory indexes slowed in December. The composite year-over-year index dropped from 22 to 11, its lowest level in over a year. The production, shipments, and new orders indexes all inched lower, and the employment index decreased for the second straight month. The capital expenditures index fell from 23 to 17, but the new orders for exports index continued to increase. The finished goods inventory index dropped from 23 to 10, and the raw materials inventory index slowed to 0.

Most future factory indexes improved from the previous month, and remained at relatively solid levels. The future composite index inched higher from 12 to 14, while the future production index was unchanged. The future shipments, new orders, and employment indexes all rose moderately, and the new orders for exports index climbed from 4 to 9. The future capital expenditures index remained stable at 17, while the future order backlog index slowed slightly. The future raw materials inventory index increased from 0 to 5, but the future finished goods inventory index edged lower.

Price indexes were somewhat mixed this month, with increases in monthly price growth but some moderation expected in coming months. The month-over-month raw materials price index climbed higher from 12 to 28, and the finished goods price index also edged up slightly. The year-over-year finished goods price index slowed somewhat, and the raw materials price index decreased from 70 to 64. The future raw materials price index eased from 58 to 55, and the future finished goods price index moved lower, indicating slightly fewer firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, December 2011

	December vs. November (percent) ¹					December vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No Increase	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														
Composite Index				-9	-4				11				15	14
Production	18	47	35	-18	-8	47	25	28	19	47	28	24	24	22
Volume of shipments	19	45	36	-18	-7	47	24	29	18	51	26	22	29	27
Volume of new orders	21	46	33	-13	-6	42	25	32	10	49	25	24	25	27
Backlog of orders	12	55	31	-20	-14	28	41	28	0	28	45	22	7	6
Number of employees	17	57	26	-10	-6	43	29	27	16	33	48	18	16	14
Average employee workweek	12	64	24	-12	-9	29	50	19	11	25	55	19	6	6
Prices received for finished product	7	84	7	0	6	46	41	12	34	32	56	10	23	21
Prices paid for raw materials	25	65	10	16	28	72	21	8	64	57	33	9	48	55
Capital expenditures						35	45	19	17	36	44	18	19	17
New orders for exports	8	66	13	-5	-3	21	59	10	11	22	57	11	11	9
Supplier delivery time	10	84	3	7	7	19	73	9	10	11	80	5	6	3
Inventories:														
Materials	15	57	28	-14	-8	27	45	27	0	22	58	19	3	5
Finished goods	18	57	18	0	-0	29	44	20	10	23	48	20	3	2

¹ Percentage may not add to 100 due to rounding.

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

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

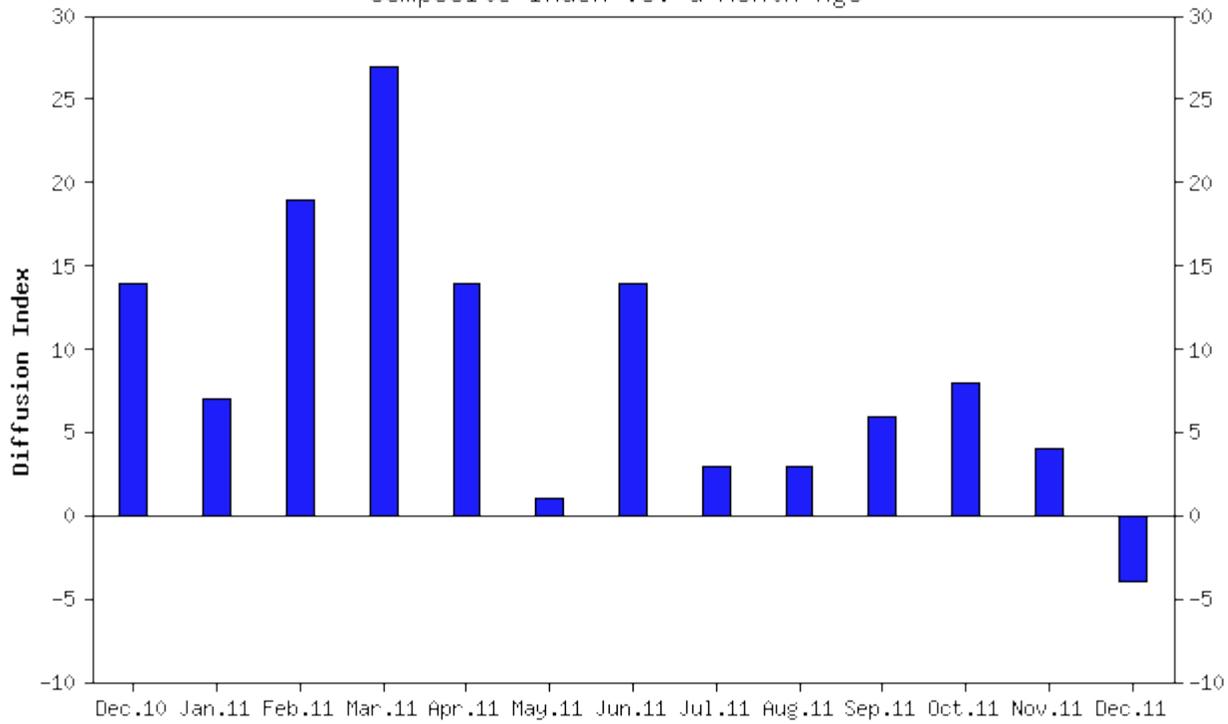
Note: The December survey included 102 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11
Versus a Month Ago (seasonally adjusted)													
Composite Index	14	7	19	27	14	1	14	3	3	6	8	4	-4
Production	21	11	23	39	17	-2	22	2	-2	3	6	0	-8
Volume of shipments	20	5	13	37	21	-8	25	-0	-2	3	7	0	-7
Volume of new orders	16	0	28	31	11	-15	10	-5	1	5	3	-4	-6
Backlog of orders	9	2	8	25	9	-19	10	-19	-10	-6	-4	-9	-14
Number of employees	11	8	23	25	17	9	17	4	8	12	12	2	-6
Average employee workweek	10	6	8	25	1	-3	9	-2	-5	6	5	-5	-9
Prices received for finished product	16	11	20	21	28	14	10	14	4	11	3	1	6
Prices paid for raw materials	55	70	66	72	70	54	36	39	28	30	24	12	28
Capital expenditures	n/a												
New orders for exports	5	5	14	9	5	6	8	-8	1	-2	0	-2	-3
Supplier delivery time	7	11	15	22	18	10	7	9	4	-1	9	12	7
Inventories: Materials	13	7	6	20	7	1	16	7	6	11	9	8	-8
Inventories: Finished goods	4	3	1	5	5	8	8	3	2	6	9	17	-0
Versus a Year Ago (not seasonally adjusted)													
Composite Index	20	23	21	30	31	30	31	24	21	15	23	22	11
Production	32	29	34	35	43	41	40	28	19	19	27	23	19
Volume of shipments	33	28	29	38	41	39	42	32	19	22	31	21	18
Volume of new orders	31	34	35	35	40	37	39	30	22	18	31	21	10
Backlog of orders	20	25	16	26	28	25	23	17	5	6	5	8	0
Number of employees	13	17	13	28	25	25	29	24	23	18	27	22	16
Average employee workweek	19	22	21	27	26	30	29	20	10	21	13	7	11
Prices received for finished product	23	24	30	48	46	45	45	50	46	52	42	37	34
Prices paid for raw materials	68	73	80	89	89	87	85	84	77	78	82	70	64
Capital expenditures	19	2	10	14	4	14	13	8	13	16	18	23	17
New orders for exports	10	13	22	12	14	13	8	7	8	9	4	6	11
Supplier delivery time	18	18	17	25	23	21	19	20	13	6	14	16	10
Inventories: Materials	6	18	7	26	22	25	28	20	26	16	18	27	0
Inventories: Finished goods	6	12	5	19	14	17	12	4	17	3	10	23	10
Expected in Six Months (seasonally adjusted)													
Composite Index	21	20	30	23	20	13	15	14	9	6	13	12	14
Production	39	24	50	32	30	29	25	21	12	12	24	22	22
Volume of shipments	33	23	53	33	37	26	23	27	17	15	25	19	27
Volume of new orders	31	28	42	31	32	16	20	20	20	14	24	20	27
Backlog of orders	17	8	20	12	14	12	6	9	-1	0	0	10	6
Number of employees	24	21	27	19	21	20	16	17	12	9	16	11	14
Average employee workweek	12	5	8	1	10	-1	5	-1	-1	-10	-2	-5	6
Prices received for finished product	34	28	39	40	42	30	34	25	20	25	25	26	21
Prices paid for raw materials	76	71	76	81	73	58	55	60	53	54	54	58	55
Capital expenditures	21	17	23	24	20	18	10	16	18	5	13	17	17
New orders for exports	16	11	25	17	12	17	16	8	6	1	9	4	9
Supplier delivery time	8	15	17	17	13	1	9	9	5	2	10	6	3
Inventories: Materials	5	13	14	15	3	1	3	4	-6	-8	-8	-0	5
Inventories: Finished goods	-2	2	5	11	2	5	4	-4	-6	-5	2	6	2

Composite Index vs. a Month Ago



[Federal Reserve Bank of Kansas City](#)
[Manufacturing Survey Home Page](#)