

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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FOR RELEASE Thursday, March 31, 2011  
EMBARGOED FOR 11:00 A.M. EST

Growth in Tenth District manufacturing activity accelerated rapidly in March, posting a record high for the second straight month. Expectations moderated slightly from last month, but still remained solid. Price indexes for raw materials reached historically high levels, and more firms indicated plans to pass cost increases on to customers.

A summary of the March survey is attached to this press release. Results from past surveys and release dates for future surveys can be found at: <http://www.kansascityfed.org/research/indicatorsdata/mfg/>. 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 accelerated rapidly in March, posting a record high for the second straight month. Expectations moderated slightly from last month, but still remained solid. Price indexes for raw materials reached historically high levels, and more firms indicated plans to pass cost increases on to customers.

The month-over-month composite index was 27 in March, up from 19 in February and 7 in January (Tables 1 & 2, Chart). This reading set a new all time survey high. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Growth in factory activity increased at both durable and non-durable goods producing plants. Most other month-over-month indicators also improved markedly in March. The production index jumped to 39, its highest level in survey history, and the shipments and order backlog indexes also increased to historically high levels. The employment index inched higher from 23 to 25, also a new survey record. The new orders for exports index eased slightly but still remained solid. Both inventory indexes rose after falling last month.

Growth in most year-over-year factory indexes increased from the previous survey. The composite year-over-year index moved higher from 21 to 30, and the shipments, order backlog, and employment indexes also increased. The capital expenditures index edged up for the second straight month, while the new orders index remained unchanged. The new orders for exports index eased from 22 to 12 after matching an all time survey high last month. Both inventory indexes increased considerably.

Future factory indexes eased somewhat after last month's jump in activity but remained solid. The future composite index edged down from 30 to 23, and the future production, shipments, new orders, and order backlog indexes also decreased. The future employment index eased from 27 to 19, and the future new orders for exports index also fell. In contrast, the future capital expenditures inched higher from 23 to 24, reaching its highest level since early 2007. The future finished goods inventory index increased from 5 to 11, while the future raw materials inventory index was relatively unchanged.

Price indexes increased further with some indexes reaching record highs. The month-over-month raw materials price index rose to an all-time survey high of 72, and the finished goods price index edged higher. The finished goods price index jumped from 30 to 48, and the year-over-year raw materials price index also increased. The future raw materials price index posted a record high, and the future finished goods price index moved higher to 40, indicating a considerable number of firms plan to pass recent cost increases through to customers.

Table1

## Summary of Tenth District Manufacturing Conditions, March 2011

	March vs. February (percent) <sup>1</sup>					March vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No Increase	Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	Increase	No Change	Decrease	Diff Index <sup>2</sup>	SA Index <sup>3</sup>
<b>Plant Level Indicators</b>														
<b>Composite Index</b>				27	27				30				21	23
<b>Production</b>	55	30	14	40	39	52	30	17	35	44	40	15	29	32
<b>Volume of shipments</b>	52	36	11	40	37	54	29	16	38	43	42	14	29	33
<b>Volume of new orders</b>	50	32	17	33	31	52	29	17	35	45	36	17	28	31
<b>Backlog of orders</b>	42	37	18	24	25	44	36	18	26	30	49	19	11	12
<b>Number of employees</b>	33	53	14	19	25	46	35	18	28	33	53	13	20	19
<b>Average employee workweek</b>	30	58	9	21	25	39	45	13	27	17	63	17	0	1
<b>Prices received for finished product</b>	27	65	5	21	21	58	32	9	48	45	50	4	41	40
<b>Prices paid for raw materials</b>	72	27	1	71	72	89	8	1	89	80	18	2	78	81
<b>Capital expenditures</b>						33	48	18	14	33	51	13	20	24
<b>New orders for exports</b>	16	65	7	9	9	19	62	7	12	18	65	4	14	17
<b>Supplier delivery time</b>	24	70	2	23	22	30	61	5	25	20	72	5	15	17
<b>Inventories:</b>														
<b>Materials</b>	36	48	15	21	20	42	37	17	26	30	52	17	14	15
<b>Finished goods</b>	20	59	15	5	5	32	51	13	19	23	58	14	10	11

<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.

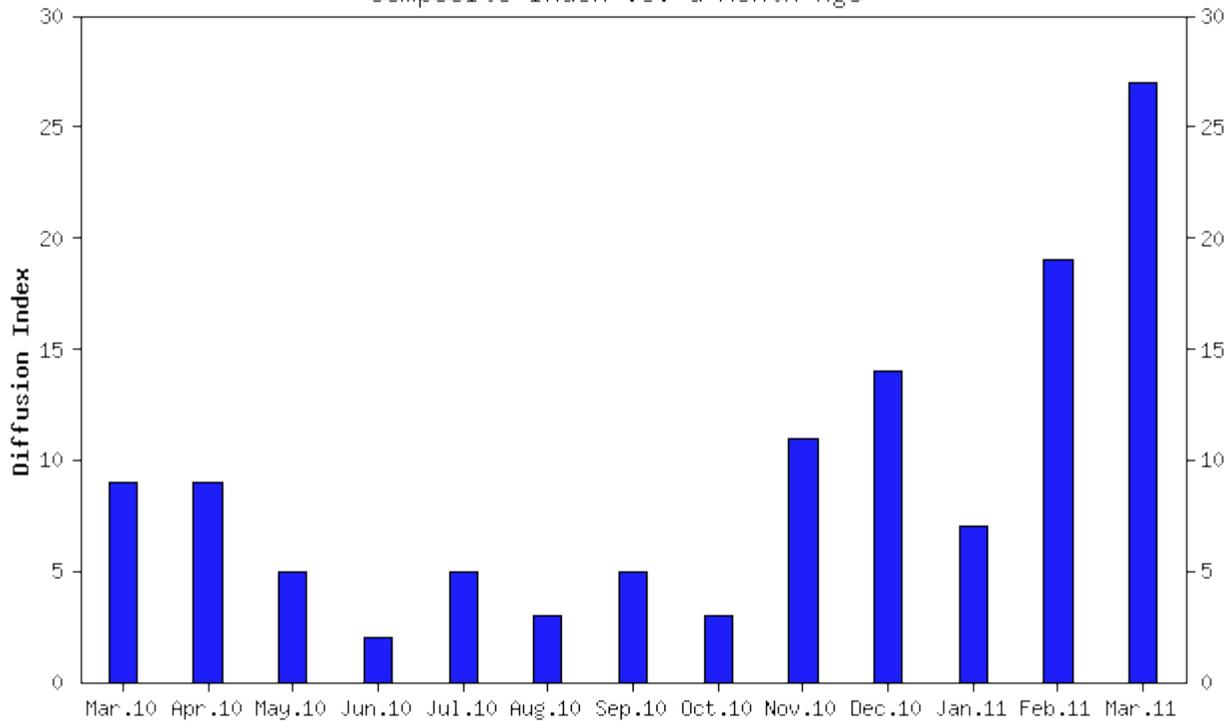
Note: The March survey included 132 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	Mar'10	Apr'10	May'10	Jun'10	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11
<b>Versus a Month Ago (seasonally adjusted)</b>													
Composite Index	9	9	5	2	5	3	5	3	11	14	7	19	27
Production	17	21	7	7	14	6	14	11	17	21	11	23	39
Volume of shipments	16	27	-4	4	11	0	13	8	11	20	5	13	37
Volume of new orders	12	14	0	2	9	-2	9	14	21	16	0	28	31
Backlog of orders	5	12	-3	-4	-2	-14	3	3	5	9	2	8	25
Number of employees	2	5	2	-0	5	-1	-2	-0	8	11	8	23	25
Average employee workweek	2	5	8	-1	2	-3	2	3	4	10	6	8	25
Prices received for finished product	4	4	-1	-12	-6	-3	-1	2	2	16	11	20	21
Prices paid for raw materials	40	51	37	17	20	18	25	26	34	55	70	66	72
Capital expenditures	n/a												
New orders for exports	4	5	0	3	1	0	10	-0	11	5	5	14	9
Supplier delivery time	10	10	15	6	1	4	5	3	12	7	11	15	22
Inventories: Materials	2	-7	2	-3	-1	6	-1	-11	-1	13	7	6	20
Inventories: Finished goods	-5	-9	5	1	1	2	4	-12	1	4	3	1	5
<b>Versus a Year Ago (not seasonally adjusted)</b>													
Composite Index	-9	2	4	-2	6	5	9	3	15	20	23	21	30
Production	-2	14	17	10	26	18	22	7	27	32	29	34	35
Volume of shipments	-5	16	13	7	25	19	26	13	29	33	28	29	38
Volume of new orders	-3	19	23	7	23	17	21	9	28	31	34	35	35
Backlog of orders	-14	-3	-1	-6	7	4	5	0	10	20	25	16	26
Number of employees	-32	-18	-18	-12	-11	-8	-2	-8	6	13	17	13	28
Average employee workweek	-10	-2	8	-4	6	10	6	-2	10	19	22	21	27
Prices received for finished product	8	7	9	9	8	8	11	18	15	23	24	30	48
Prices paid for raw materials	56	59	64	54	51	52	48	58	62	68	73	80	89
Capital expenditures	-9	-6	-6	-6	4	-10	-1	0	10	19	2	10	14
New orders for exports	3	7	8	7	14	13	12	7	19	10	13	22	12
Supplier delivery time	10	8	11	1	3	5	7	8	16	18	18	17	25
Inventories: Materials	-18	-12	-14	-14	-9	-5	-3	-3	-1	6	18	7	26
Inventories: Finished goods	-12	-10	-8	-4	-5	-8	-2	-7	0	6	12	5	19
<b>Expected in Six Months (seasonally adjusted)</b>													
Composite Index	18	17	15	10	11	8	13	13	12	21	20	30	23
Production	33	24	31	22	25	11	24	28	20	39	24	50	32
Volume of shipments	35	23	33	26	24	11	22	29	21	33	23	53	33
Volume of new orders	27	28	31	24	23	18	27	26	22	31	28	42	31
Backlog of orders	15	11	15	12	11	5	23	8	11	17	8	20	12
Number of employees	18	17	14	11	5	6	9	8	12	24	21	27	19
Average employee workweek	9	5	13	3	1	-1	6	2	1	12	5	8	1
Prices received for finished product	17	17	17	13	12	10	11	17	27	34	28	39	40
Prices paid for raw materials	55	59	47	41	34	34	41	46	63	76	71	76	81
Capital expenditures	5	9	5	-2	-2	-2	8	5	11	21	17	23	24
New orders for exports	7	12	10	7	7	8	12	13	13	16	11	25	17
Supplier delivery time	10	14	10	0	9	8	6	8	9	8	15	17	17
Inventories: Materials	3	2	-9	-9	-6	-4	-2	-4	-2	5	13	14	15
Inventories: Finished goods	-4	-0	-6	-8	-4	-1	-3	-16	-5	-2	2	5	11

Composite Index vs. a Month Ago



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