

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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## GROWTH IN MANUFACTURING ACTIVITY EASED SLIGHTLY Federal Reserve Bank of Kansas City Releases November Manufacturing Survey

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

“Factory activity in the region grew slightly slower in November than in the previous two months, and price pressures eased a bit,” said Wilkerson. “But capital spending plans were generally solid, and many firms planned to add workers in coming months as well.”

A summary of the November survey is attached. Results from past surveys and release dates for future surveys can be found at [www.kansascityfed.org/research/indicatorsdata/mfg](http://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](http://www.kansascityfed.org).

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# Survey of Tenth District Manufacturing

Growth in Tenth District manufacturing activity eased slightly in November, but expectations for future months remained relatively solid. Price indexes were mixed, with deceleration in monthly prices but continued expectations for moderate price increases in the months ahead.

The month-over-month composite index was 4 in November, down from 8 in October and 6 in September (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 nondurable goods factories, while growth increased in durable goods producing plants, particularly for aerospace and fabricated metal products. Most other month-over-month indexes also eased somewhat in November. The production and shipments indexes decreased to 0, and the new orders and order backlog indexes were negative. The employment index dropped to its lowest level of the year but remained slightly positive, and the new orders for exports index moderated slightly. Raw materials inventories continued to grow moderately, while the finished goods inventory index moved sharply higher.

Most year-over-year factory indexes slowed modestly in November. The composite year-over-year index remained largely unchanged at 22. The production, shipments, and new orders indexes all edged down, and the employment index decreased slightly from 27 to 22. In contrast, the order backlog index moved higher, and the capital expenditures index posted its highest level since early 2007. Both inventory indexes also increased.

Future factory indexes were mostly stable, and still at relatively solid levels. The future composite index eased from 13 to 12, and the future production, shipments, and new orders indexes also moved slightly lower. The future employment index moderated somewhat, and the future new orders for exports index fell from 9 to 4. In contrast, the future order backlog index jumped from 0 to 10, and the future capital expenditures index improved further. The future raw materials inventory index increased from -8 to 0, and the future finished goods inventory index also rose.

Price indexes were somewhat mixed this month, with some moderation in monthly price growth but modest price increases expected in coming months. The month-over-month raw materials price index dropped from 24 to 12, and the finished goods price index also eased slightly. The year-over-year finished goods price index moved lower, while the raw materials price index decreased from 82 to 70. The future raw materials price index edged up somewhat, and the future finished goods price index inched higher from 25 to 26, indicating a sizeable number of firms plan to pass recent cost increases through to customers.

Table 1

## Summary of Tenth District Manufacturing Conditions, November 2011

	November vs. October (percent) <sup>1</sup>					November vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No Increase	No 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>				2	4				22				13	12
<b>Production</b>	26	43	30	-3	0	49	24	25	23	46	31	21	25	22
<b>Volume of shipments</b>	28	40	31	-3	0	50	20	29	21	47	28	23	23	19
<b>Volume of new orders</b>	26	40	32	-6	-4	46	25	25	21	43	33	22	21	20
<b>Backlog of orders</b>	21	48	30	-10	-9	36	34	28	8	30	46	22	9	10
<b>Number of employees</b>	20	61	18	2	2	47	26	25	22	30	50	18	12	11
<b>Average employee workweek</b>	10	70	18	-9	-5	26	51	19	7	14	63	20	-6	-5
<b>Prices received for finished product</b>	9	80	10	-1	1	49	37	12	37	35	55	8	27	26
<b>Prices paid for raw materials</b>	23	63	10	13	12	76	16	6	70	62	32	3	58	58
<b>Capital expenditures</b>						38	43	16	23	33	51	13	20	17
<b>New orders for exports</b>	5	70	10	-4	-2	16	59	10	6	12	64	7	5	4
<b>Supplier delivery time</b>	13	81	2	11	12	23	66	8	16	12	80	3	9	6
<b>Inventories:</b>														
<b>Materials</b>	28	49	20	8	8	43	37	16	27	21	53	22	-1	-0
<b>Finished goods</b>	30	51	14	16	17	37	42	14	23	23	55	18	4	6

<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.

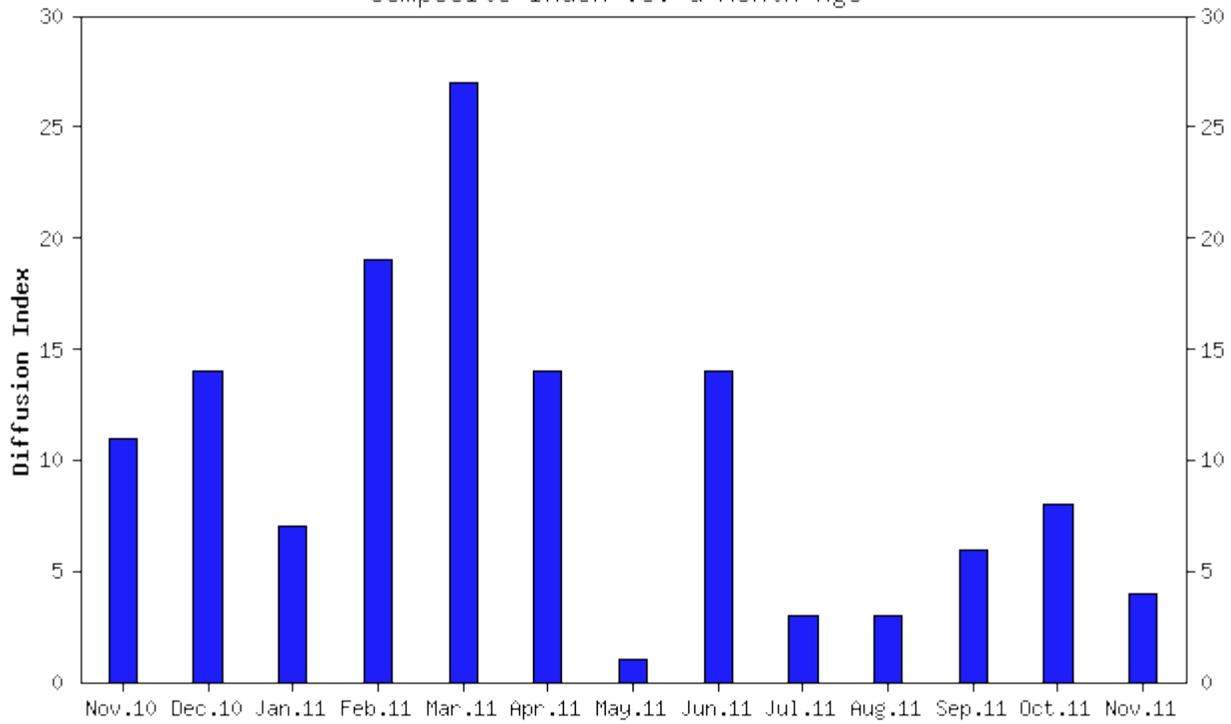
Note: The November survey included 115 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11
<b>Versus a Month Ago (seasonally adjusted)</b>													
Composite Index	11	14	7	19	27	14	1	14	3	3	6	8	4
Production	17	21	11	23	39	17	-2	22	2	-2	3	6	0
Volume of shipments	11	20	5	13	37	21	-8	25	-0	-2	3	7	0
Volume of new orders	21	16	0	28	31	11	-15	10	-5	1	5	3	-4
Backlog of orders	5	9	2	8	25	9	-19	10	-19	-10	-6	-4	-9
Number of employees	8	11	8	23	25	17	9	17	4	8	12	12	2
Average employee workweek	4	10	6	8	25	1	-3	9	-2	-5	6	5	-5
Prices received for finished product	2	16	11	20	21	28	14	10	14	4	11	3	1
Prices paid for raw materials	34	55	70	66	72	70	54	36	39	28	30	24	12
Capital expenditures	n/a												
New orders for exports	11	5	5	14	9	5	6	8	-8	1	-2	0	-2
Supplier delivery time	12	7	11	15	22	18	10	7	9	4	-1	9	12
Inventories: Materials	-1	13	7	6	20	7	1	16	7	6	11	9	8
Inventories: Finished goods	1	4	3	1	5	5	8	8	3	2	6	9	17
<b>Versus a Year Ago (not seasonally adjusted)</b>													
Composite Index	15	20	23	21	30	31	30	31	24	21	15	23	22
Production	27	32	29	34	35	43	41	40	28	19	19	27	23
Volume of shipments	29	33	28	29	38	41	39	42	32	19	22	31	21
Volume of new orders	28	31	34	35	35	40	37	39	30	22	18	31	21
Backlog of orders	10	20	25	16	26	28	25	23	17	5	6	5	8
Number of employees	6	13	17	13	28	25	25	29	24	23	18	27	22
Average employee workweek	10	19	22	21	27	26	30	29	20	10	21	13	7
Prices received for finished product	15	23	24	30	48	46	45	45	50	46	52	42	37
Prices paid for raw materials	62	68	73	80	89	89	87	85	84	77	78	82	70
Capital expenditures	10	19	2	10	14	4	14	13	8	13	16	18	23
New orders for exports	19	10	13	22	12	14	13	8	7	8	9	4	6
Supplier delivery time	16	18	18	17	25	23	21	19	20	13	6	14	16
Inventories: Materials	-1	6	18	7	26	22	25	28	20	26	16	18	27
Inventories: Finished goods	0	6	12	5	19	14	17	12	4	17	3	10	23
<b>Expected in Six Months (seasonally adjusted)</b>													
Composite Index	12	21	20	30	23	20	13	15	14	9	6	13	12
Production	20	39	24	50	32	30	29	25	21	12	12	24	22
Volume of shipments	21	33	23	53	33	37	26	23	27	17	15	25	19
Volume of new orders	22	31	28	42	31	32	16	20	20	20	14	24	20
Backlog of orders	11	17	8	20	12	14	12	6	9	-1	0	0	10
Number of employees	12	24	21	27	19	21	20	16	17	12	9	16	11
Average employee workweek	1	12	5	8	1	10	-1	5	-1	-1	-10	-2	-5
Prices received for finished product	27	34	28	39	40	42	30	34	25	20	25	25	26
Prices paid for raw materials	63	76	71	76	81	73	58	55	60	53	54	54	58
Capital expenditures	11	21	17	23	24	20	18	10	16	18	5	13	17
New orders for exports	13	16	11	25	17	12	17	16	8	6	1	9	4
Supplier delivery time	9	8	15	17	17	13	1	9	9	5	2	10	6
Inventories: Materials	-2	5	13	14	15	3	1	3	4	-6	-8	-8	-0
Inventories: Finished goods	-5	-2	2	5	11	2	5	4	-4	-6	-5	2	6

Composite Index vs. a Month Ago



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