

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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TENTH DISTRICT MANUFACTURING ACTIVITY INCREASED FURTHER IN FEBRUARY Federal Reserve Bank of Kansas City Releases February Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the February 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 increased further in February, and expectations also climbed higher.

“Factories further ramped up activity in February and – despite a drop off in export orders – were more optimistic about future output and hiring than at any time in the past year,” said Wilkerson.

A summary of the February 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.

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Survey of Tenth District Manufacturing

Tenth District manufacturing activity increased further in February, and expectations also climbed higher. Price indexes generally moderated from the previous month, although slightly more firms indicated plans to increase prices in the future.

The month-over-month composite index was 13 in February, up from 7 in January and -2 in December, and the highest since last June (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 increased in both durable and nondurable goods-producing plants, with notable strength in machinery, fabricated metals, and aircraft production. Other month-over-month indexes were mixed in February but remained solid. The production and order backlog indexes moved higher, and the employment index edged up from 9 to 11. In contrast, the shipments and new order indexes fell slightly, and the new orders for exports index dropped from 10 to -7. Both inventory indexes increased.

Year-over-year factory indexes improved further in February. The composite year-over-year index edged up from 15 to 21, and the shipments, new orders and order backlog indexes also rose. Both the employment and capital expenditures indexes rebounded after falling last month, but the new orders for exports index fell from 12 to 5. The finished goods inventory index increased from 11 to 20, while the raw materials inventory index remained unchanged.

Most indexes for future factory activity strengthened from the previous month. The future composite index climbed from 12 to 20, and the future production, shipments, and new orders indexes also rose. The future order backlog index jumped from 9 to 24, and the future employment index posted its highest level in a year. In contrast, the future capital expenditures index eased from 22 to 18, and the future new orders for exports index also fell. Both future inventory indexes rebounded out of negative territory.

Price indexes generally eased slightly after marked increases last month. The month-over-month raw materials price index fell from 42 to 36, and the finished goods price index also edged lower. The year-over-year finished goods price index moved slightly downward, and the raw materials price index decreased from 67 to 57. The future raw materials price index fell from 64 to 54. However, the future finished goods price index inched higher, indicating more firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, February 2012

	February vs. January (percent) ¹					February 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				14	13				21				21	20
Production	40	41	18	22	20	52	24	24	28	50	31	18	32	35
Volume of shipments	35	38	27	8	8	55	18	25	30	54	26	19	35	37
Volume of new orders	32	49	19	13	8	51	25	23	28	49	33	17	32	34
Backlog of orders	30	52	17	14	13	43	36	19	24	41	42	16	26	24
Number of employees	20	67	13	7	11	42	33	25	17	38	48	14	24	23
Average employee workweek	10	73	16	-6	-3	26	53	20	6	21	61	17	5	3
Prices received for finished product	17	78	6	11	11	47	41	12	35	40	50	9	31	32
Prices paid for raw materials	40	54	3	38	36	67	21	10	57	60	32	7	52	54
Capital expenditures						34	43	22	12	33	47	16	17	18
New orders for exports	6	67	12	-6	-7	17	59	13	5	17	61	8	8	10
Supplier delivery time	12	83	1	11	10	21	67	8	13	17	74	6	11	11
Inventories:														
Materials	32	52	16	17	14	40	39	21	19	28	46	25	4	-0
Finished goods	25	56	17	8	6	34	49	14	20	21	59	16	6	4

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.

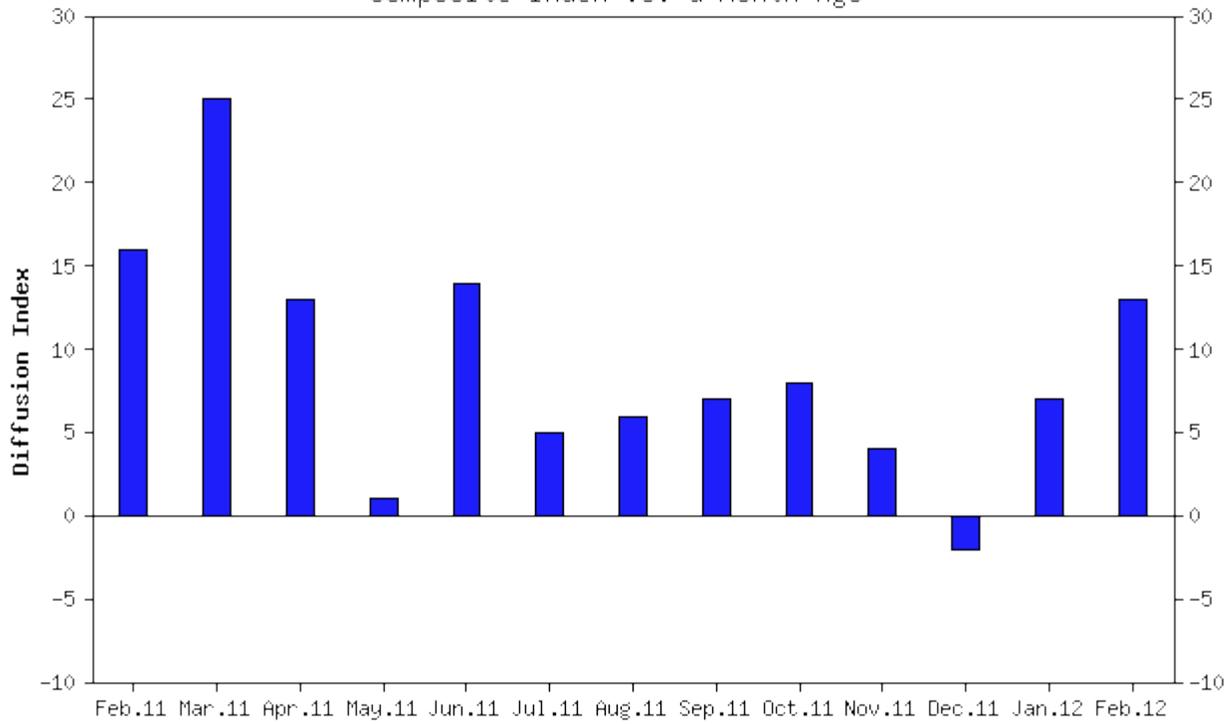
Note: The February survey included 109 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12	Feb'12
Versus a Month Ago (seasonally adjusted)													
Composite Index	16	25	13	1	14	5	6	7	8	4	-2	7	13
Production	19	36	15	-2	23	4	1	5	6	2	-6	13	20
Volume of shipments	11	35	16	-4	23	2	2	4	7	2	-7	13	8
Volume of new orders	22	27	10	-14	10	-2	4	6	3	-3	-2	9	8
Backlog of orders	6	22	4	-19	4	-15	-5	-5	-3	-7	-11	8	13
Number of employees	19	21	15	10	16	6	10	13	13	5	-5	9	11
Average employee workweek	6	23	2	-1	7	0	-3	5	4	-4	-9	-0	-3
Prices received for finished product	17	18	26	14	12	15	5	12	6	4	4	13	11
Prices paid for raw materials	59	64	63	51	36	43	36	36	30	20	27	42	36
Capital expenditures	n/a												
New orders for exports	11	8	5	5	7	-6	2	-1	0	-2	-1	10	-7
Supplier delivery time	14	21	16	11	8	10	6	0	10	8	8	8	10
Inventories: Materials	6	19	9	2	15	7	7	11	7	8	-7	-4	14
Inventories: Finished goods	3	5	5	7	7	4	2	6	7	18	0	0	6
Versus a Year Ago (not seasonally adjusted)													
Composite Index	21	30	31	30	31	24	21	15	23	22	11	15	21
Production	34	35	43	41	40	28	19	19	27	23	19	16	28
Volume of shipments	29	38	41	39	42	32	19	22	31	21	18	13	30
Volume of new orders	35	35	40	37	39	30	22	18	31	21	10	17	28
Backlog of orders	16	26	28	25	23	17	5	6	5	8	0	13	24
Number of employees	13	28	25	25	29	24	23	18	27	22	16	11	17
Average employee workweek	21	27	26	30	29	20	10	21	13	7	11	2	6
Prices received for finished product	30	48	46	45	45	50	46	52	42	37	34	38	35
Prices paid for raw materials	80	89	89	87	85	84	77	78	82	70	64	67	57
Capital expenditures	10	14	4	14	13	8	13	16	18	23	17	8	12
New orders for exports	22	12	14	13	8	7	8	9	4	6	11	12	5
Supplier delivery time	17	25	23	21	19	20	13	6	14	16	10	10	13
Inventories: Materials	7	26	22	25	28	20	26	16	18	27	0	19	19
Inventories: Finished goods	5	19	14	17	12	4	17	3	10	23	10	11	20
Expected in Six Months (seasonally adjusted)													
Composite Index	27	20	19	13	15	15	12	8	14	12	12	12	20
Production	45	29	30	28	26	23	19	15	24	22	15	28	35
Volume of shipments	50	30	34	25	24	27	21	18	24	20	25	23	37
Volume of new orders	41	29	30	16	20	21	20	16	23	20	25	18	34
Backlog of orders	17	11	13	12	6	9	3	3	2	10	4	9	24
Number of employees	24	18	20	20	17	18	15	12	16	12	10	18	23
Average employee workweek	6	1	8	0	4	-0	0	-8	-1	-3	2	1	3
Prices received for finished product	37	38	39	30	34	27	23	28	27	25	19	28	32
Prices paid for raw materials	74	75	70	60	60	63	58	57	56	57	47	64	54
Capital expenditures	21	22	19	18	13	18	18	8	15	17	13	22	18
New orders for exports	24	16	11	16	15	9	8	2	9	5	8	15	10
Supplier delivery time	15	15	12	1	10	9	7	3	11	7	5	8	11
Inventories: Materials	11	11	2	2	3	4	-3	-5	-5	1	6	-10	-0
Inventories: Finished goods	4	8	2	4	2	-2	-2	-3	3	5	2	-10	4

Composite Index vs. a Month Ago



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