

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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

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

TENTH DISTRICT MANUFACTURING ACTIVITY REBOUNDED IN JANUARY Federal Reserve Bank of Kansas City Releases January Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the January 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 rebounded in January, and expectations remained at solid levels.

“Factory activity in our region resumed its moderate pace of growth in January, as orders rebounded from a dip in December,” said Wilkerson. “Plant managers also anticipate solid growth heading forward, despite some acceleration in input prices.”

The January survey incorporates new seasonal adjustment factors, so historical indexes differ slightly from previously-released numbers. The new seasonal factors will be used throughout 2012. 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 rebounded in January, and expectations remained at solid levels. Price indexes also increased, with a greater number of firms passing through materials price increases.

The month-over-month composite index was 7 in January, up from revised totals of -2 in December and 4 in November (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 particular strength in chemical, fabricated metal, and aircraft production. Most other month-over-month indexes also improved in January. The production and shipments indexes jumped to their highest levels since June, and the new orders index climbed from -2 to 8. The order backlog index was positive for the first time since last summer, and the employment index rebounded from -5 to 9. The new orders for exports index increased and the raw materials inventory index moved higher, while the finished goods inventory index was unchanged.

Growth in year-over-year factory indexes was mixed in January. The composite year-over-year index edged up from 11 to 15, and the new orders and order backlog indexes also improved. In contrast, the production, shipments, and employment indexes eased slightly. The capital expenditures index fell from 17 to 8, while the new orders for exports and supplier delivery time indexes were unchanged. Both inventory indexes edged higher.

Expectations for future factory activity remained solid, although the pace of growth slowed for some indexes. The future composite index was unchanged at 12 for the third straight month, while the future production index rose considerably. The future shipments and new orders indexes eased slightly, but the future order backlog and employment indexes increased after falling somewhat last month. The future capital expenditures index climbed from 13 to 22, matching the highest level over the last year – posted in March 2011. The future new orders for exports index edged up, while both inventory indexes fell into negative territory.

Price indexes all climbed higher this month. The month-over-month raw materials price index jumped from 27 to 42, and the finished goods price index also rose. The year-over-year finished goods price index inched higher, and the raw materials price index increased slightly. The future raw materials price index posted its highest level since early 2011, and the future finished goods price index rose from 19 to 28, indicating more firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, January 2012

	January vs. December (percent) ¹					January 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														
Composite Index				5	7				15				9	12
Production	34	41	23	11	13	45	23	29	16	43	34	21	23	28
Volume of shipments	35	39	26	9	13	45	21	32	13	41	35	23	19	23
Volume of new orders	36	37	25	11	9	45	23	28	17	37	38	23	14	18
Backlog of orders	27	46	25	2	8	36	38	23	13	23	56	17	5	9
Number of employees	20	62	17	3	9	41	26	30	11	33	46	20	14	18
Average employee workweek	14	67	20	-6	-0	24	51	23	2	16	66	17	-1	1
Prices received for finished product	18	75	7	11	13	48	41	10	38	32	58	10	22	28
Prices paid for raw materials	41	52	5	37	42	76	14	9	67	64	28	5	59	64
Capital expenditures						30	48	22	8	30	57	13	17	22
New orders for exports	14	68	5	8	10	19	61	7	12	17	67	4	14	15
Supplier delivery time	7	88	3	5	8	17	74	7	10	11	83	5	6	8
Inventories:														
Materials	21	54	25	-5	-4	41	36	22	19	19	50	30	-11	-10
Finished goods	23	55	20	3	0	32	41	22	11	16	54	25	-9	-10

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.

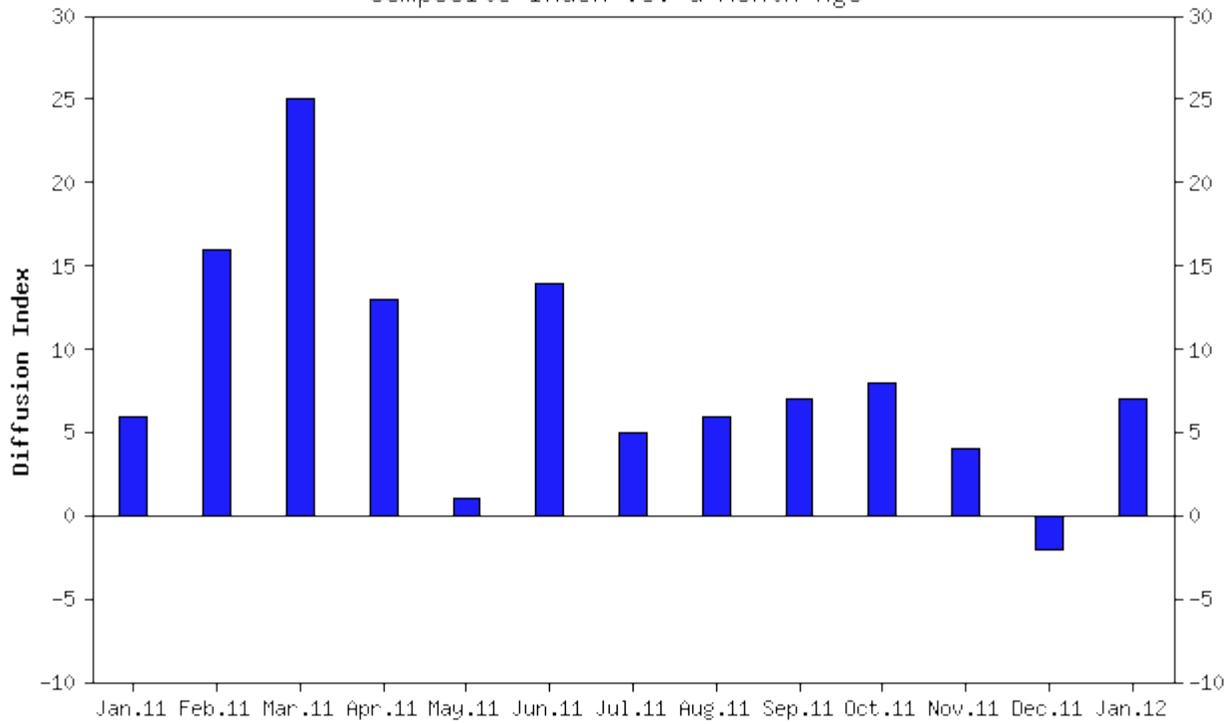
Note: The January survey included 111 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11	Jan'12
Versus a Month Ago (seasonally adjusted)													
Composite Index	6	16	25	13	1	14	5	6	7	8	4	-2	7
Production	9	19	36	15	-2	23	4	1	5	6	2	-6	13
Volume of shipments	4	11	35	16	-4	23	2	2	4	7	2	-7	13
Volume of new orders	-4	22	27	10	-14	10	-2	4	6	3	-3	-2	9
Backlog of orders	3	6	22	4	-19	4	-15	-5	-5	-3	-7	-11	8
Number of employees	7	19	21	15	10	16	6	10	13	13	5	-5	9
Average employee workweek	6	6	23	2	-1	7	0	-3	5	4	-4	-9	-0
Prices received for finished product	11	17	18	26	14	12	15	5	12	6	4	4	13
Prices paid for raw materials	65	59	64	63	51	36	43	36	36	30	20	27	42
Capital expenditures	n/a												
New orders for exports	4	11	8	5	5	7	-6	2	-1	0	-2	-1	10
Supplier delivery time	11	14	21	16	11	8	10	6	0	10	8	8	8
Inventories: Materials	7	6	19	9	2	15	7	7	11	7	8	-7	-4
Inventories: Finished goods	3	3	5	5	7	7	4	2	6	7	18	0	0
Versus a Year Ago (not seasonally adjusted)													
Composite Index	23	21	30	31	30	31	24	21	15	23	22	11	15
Production	29	34	35	43	41	40	28	19	19	27	23	19	16
Volume of shipments	28	29	38	41	39	42	32	19	22	31	21	18	13
Volume of new orders	34	35	35	40	37	39	30	22	18	31	21	10	17
Backlog of orders	25	16	26	28	25	23	17	5	6	5	8	0	13
Number of employees	17	13	28	25	25	29	24	23	18	27	22	16	11
Average employee workweek	22	21	27	26	30	29	20	10	21	13	7	11	2
Prices received for finished product	24	30	48	46	45	45	50	46	52	42	37	34	38
Prices paid for raw materials	73	80	89	89	87	85	84	77	78	82	70	64	67
Capital expenditures	2	10	14	4	14	13	8	13	16	18	23	17	8
New orders for exports	13	22	12	14	13	8	7	8	9	4	6	11	12
Supplier delivery time	18	17	25	23	21	19	20	13	6	14	16	10	10
Inventories: Materials	18	7	26	22	25	28	20	26	16	18	27	0	19
Inventories: Finished goods	12	5	19	14	17	12	4	17	3	10	23	10	11
Expected in Six Months (seasonally adjusted)													
Composite Index	20	27	20	19	13	15	15	12	8	14	12	12	12
Production	27	45	29	30	28	26	23	19	15	24	22	15	28
Volume of shipments	26	50	30	34	25	24	27	21	18	24	20	25	23
Volume of new orders	29	41	29	30	16	20	21	20	16	23	20	25	18
Backlog of orders	8	17	11	13	12	6	9	3	3	2	10	4	9
Number of employees	20	24	18	20	20	17	18	15	12	16	12	10	18
Average employee workweek	5	6	1	8	0	4	-0	0	-8	-1	-3	2	1
Prices received for finished product	30	37	38	39	30	34	27	23	28	27	25	19	28
Prices paid for raw materials	70	74	75	70	60	60	63	58	57	56	57	47	64
Capital expenditures	17	21	22	19	18	13	18	18	8	15	17	13	22
New orders for exports	13	24	16	11	16	15	9	8	2	9	5	8	15
Supplier delivery time	14	15	15	12	1	10	9	7	3	11	7	5	8
Inventories: Materials	9	11	11	2	2	3	4	-3	-5	-5	1	6	-10
Inventories: Finished goods	2	4	8	2	4	2	-2	-2	-3	3	5	2	-10

Composite Index vs. a Month Ago



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