News Release
THE FEDERAL RESERVE BANK of KANSAS CITY
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Growth in Tenth District manufacturing activity matched an all-time survey high in February, and firms expected strong activity in the months ahead. Prices for raw materials continued to rise, and more firms were raising finished goods prices.

A summary of the February survey is attached to this press release. Results from past surveys and release dates for future surveys can be found at: http://www.kc.frb.org/mfgsurv/mfgmain.htm. 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 matched an all-time survey high in February, and firms expected strong activity in the months ahead. Prices for raw materials continued to rise, and more firms were raising finished goods prices.

The month-over-month composite index was 19 in February, up from 7 in January and 14 in December (Tables 1 & 2, Chart). This reading matched all-time survey highs reached several times from late 2003 to early 2005. 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 strongly at both durable and non-durable goods producing plants. Most other month-over-month indicators also improved markedly in February. The production index rose to 23, its highest level since early 2006, and the shipments, new orders, and order backlog indexes also increased. The employment index jumped from 8 to 23, a ten-year high, and the new orders for exports index also edged higher. Both inventory indexes fell slightly this month, but were still in positive territory.

Growth in year-over-year factory indexes generally increased from the previous survey. The composite year-over-year index eased slightly from 23 to 21, while the new orders, shipments, and order backlog indexes inched higher. The capital expenditures index rebounded after falling last month, and the new orders for exports index continued its upward climb. In contrast, the employment index inched slightly lower after recording a four-year high last month, and the order backlog index also eased somewhat. Both inventory indexes edged down.

Future factory indexes rose considerably in February. The future composite index climbed from 20 to 30, and the future production, shipments, new orders, and order backlog indexes also increased considerably. The future employment index recorded its highest level since mid-2006, and the future new orders for exports index jumped from 11 to 25. The future capital expenditures index rose from 17 to 23, a four-year high. The future finished goods inventory index increased from 2 to 5, while the future raw materials inventory index was relatively unchanged.

Price indexes generally increased, or remained elevated from last month’s record high. The month-over-month raw materials price index eased a bit, while the finished goods price index had a marked increase. The year-over-year raw materials price index increased from 73 to 80, and the finished goods price index also rose. The future raw materials price index edged higher, and the future finished goods price index jumped from 28 to 39, indicating a higher number of firms plan to pass recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, February 2011

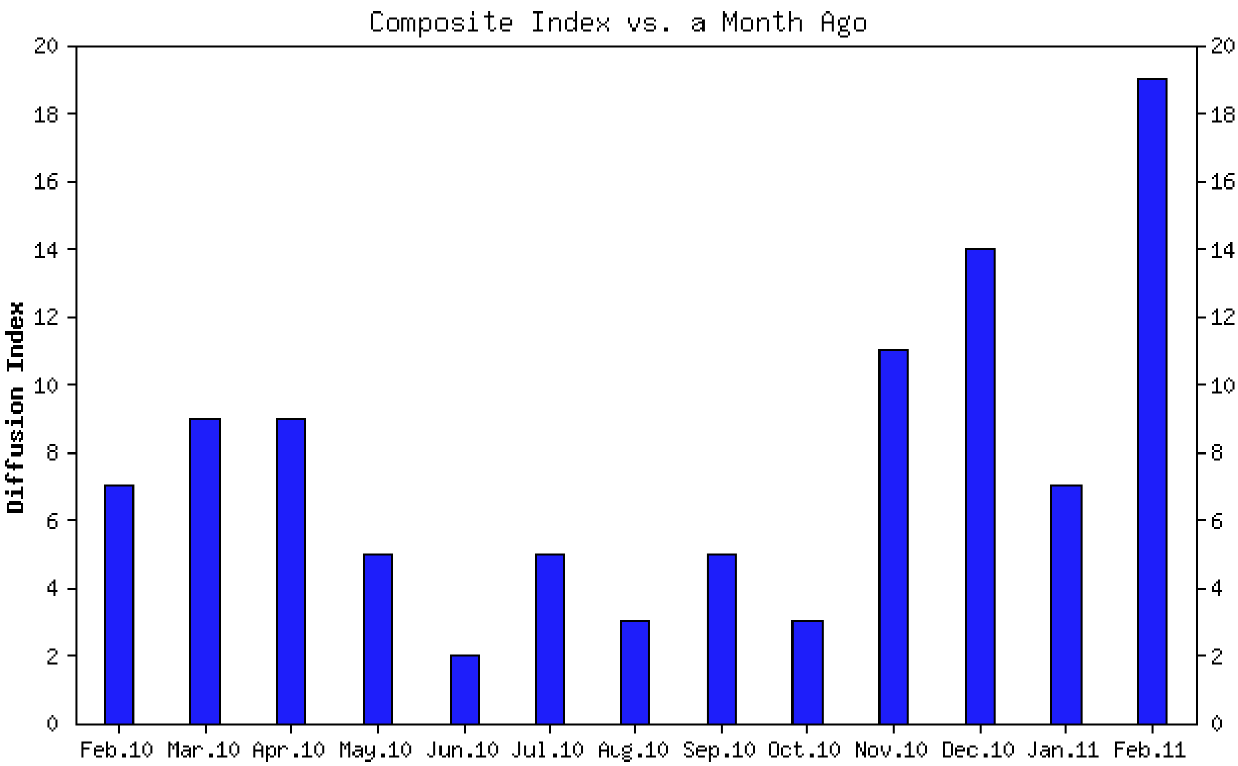
Plant Level Indicators	February vs. January (percent)[1]					February vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Composite Index				17	19				21				27	30
Production	37	46	17	20	23	55	23	21	34	56	30	12	43	50
Volume of shipments	33	43	23	10	13	51	24	23	29	60	28	11	49	53
Volume of new orders	42	42	16	26	28	54	25	19	35	51	36	11	40	42
Backlog of orders	28	50	21	7	8	40	33	24	16	36	45	17	18	20
Number of employees	25	63	10	15	23	41	30	28	13	35	54	10	24	27
Average employee workweek	15	72	11	3	8	33	54	12	21	21	65	13	8	8
Prices received for finished product	25	64	9	17	20	43	43	12	30	41	51	5	36	39
Prices paid for raw materials	61	38	1	60	66	83	13	3	80	74	23	2	72	76
Capital expenditures						30	45	21	10	32	54	11	21	23
New orders for exports	15	72	3	11	14	26	59	4	22	25	61	3	22	25
Supplier delivery time	17	78	3	14	15	28	60	10	17	21	70	6	15	17
Inventories:														
Materials	27	55	18	9	6	37	32	30	7	32	50	17	15	14
Finished goods	18	63	13	5	1	30	43	24	5	21	59	15	6	5

[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 February survey included 115 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

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



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