News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity grew at a much slower rate in May than in previous months, but producers were more optimistic about future activity. Price indexes were mixed, with some slowing in the rate of materials price increases and a flattening of finished goods prices. However, a number of firms continued plans to raise finished goods prices in coming months.

A summary of the May 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

Tenth District manufacturing activity grew at a much slower rate in May than in previous months, but producers were more optimistic about future activity. Price indexes were mixed, with some slowing in the rate of materials price increases and a flattening of finished goods prices. However, a number of firms continued plans to raise finished goods prices in coming months.

The net percentage of firms reporting month-over-month increases in production in May was 5, down from 24 in April and 18 in March (Tables 1 & 2, Chart). Production growth slowed at both durable and nondurable-goods-producing plants. Most other month-over-month indicators also edged down from April levels. The shipments, new orders, and order backlog indexes all moved into negative territory, and the employment index eased after reaching a two-year high last month. The new orders for exports index dropped from 5 to 0, while the supplier delivery time index climbed higher. Both inventory indexes increased into positive territory.

Despite slower month-to-month growth, year-over-year factory indexes showed further improvement in May, with several indexes reaching pre-recession levels. The production index edged up from 14 to 16, and the new orders, order backlog, and new orders for exports indexes also rose to their highest levels since 2007. In contrast, the shipments index decreased modestly from 15 to 13, and the employment and capital expenditure indexes remained unchanged. The raw materials inventory index moderated slightly, while the finished goods inventory index inched higher.

Future factory activity indexes rebounded after falling slightly last month. The future production index jumped from 22 to 32, and the future shipments, new orders, and order backlog indexes also increased. Meanwhile, the future employment index eased from 18 to 14, and the future capital expenditures and new orders for exports indexes also fell somewhat. Both future inventory indexes fell to their lowest level in over six months.

Price indexes were mixed in May. The month-over-month raw materials price index decreased from 53 to 37, and the finished goods price index fell into negative territory. The year-over-year raw materials price edged up from 58 to 63, and the finished goods price index also inched higher. The future raw materials price index eased from 61 to 45, while the future finished goods price index was unchanged at 17, as a moderate number of firms continue to plan on passing recent cost increases through to customers.

Table1

Summary of Tenth District Manufacturing Conditions, May 2010

Plant Level Indicators	May vs. April (percent)[1] Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	May vs. Year Ago (percent)[1] Increase	No Change	Decrease	Diff Index[2]	Expected in Six Months (percent)[1] Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	33	47	19	13	5	47	21	30	16	48	31	19	29	32
Volume of shipments	30	43	25	4	-3	43	24	30	13	50	28	19	31	33
Volume of new orders	30	45	23	6	-2	47	26	24	23	47	35	14	32	31
Backlog of orders	21	56	19	1	-3	31	32	32	0	32	47	15	16	16
Number of employees	23	61	14	8	1	23	33	42	-18	30	52	17	13	14
Average employee workweek	24	62	11	13	9	31	45	23	8	29	53	16	13	13
Prices received for finished product	14	71	13	0	-1	31	46	22	9	29	60	9	19	17
Prices paid for raw materials	49	42	5	43	37	74	12	10	63	60	27	9	50	45
Capital expenditures						25	40	31	-5	23	54	19	4	5
New orders for exports	8	71	8	0	0	18	60	9	8	19	59	9	9	7
Supplier delivery time	17	77	3	14	15	21	63	10	10	15	78	4	11	9
Inventories:														
Materials	28	52	18	9	6	23	38	37	-14	19	48	29	-9	-10
Finished goods	23	57	14	8	6	20	46	28	-8	19	48	28	-8	-6

[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.

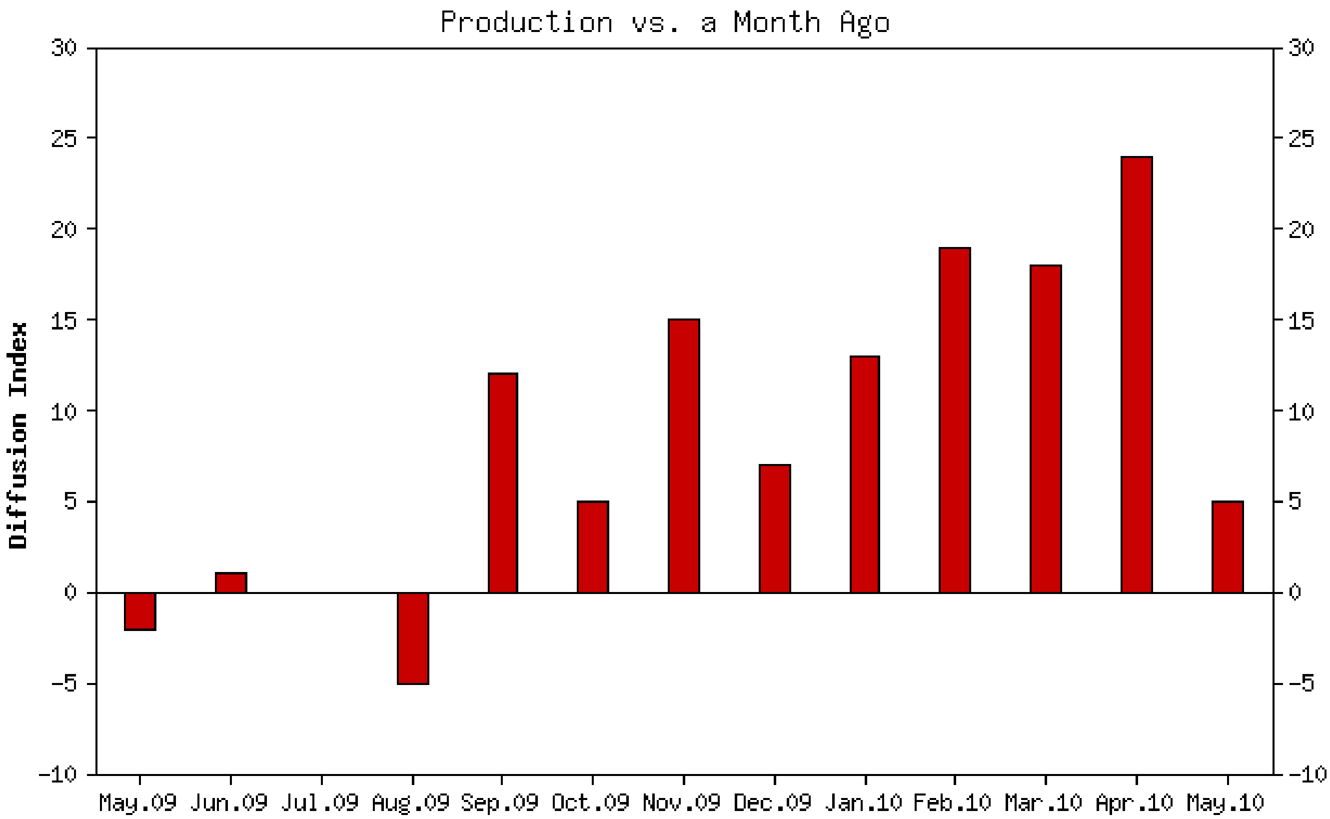
[3]Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The May survey included 121 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	May'09	Jun'09	Jul'09	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10	Mar'10	Apr'10	May'10
Versus a Month Ago (seasonally adjusted)													
Production	-2	1	0	-5	12	5	15	7	13	19	18	24	5
Volume of shipments	-1	4	4	-13	8	0	8	3	9	14	17	27	-3
Volume of new orders	2	8	6	-8	7	7	10	0	9	11	12	15	-2
Backlog of orders	-18	-1	-11	-17	-10	-1	0	-4	0	-5	7	11	-3
Number of employees	-15	-14	-15	-10	-3	-4	0	-1	2	-4	3	5	1
Average employee workweek	-14	2	-13	-9	8	-3	4	0	4	-3	1	6	9
Prices received for finished product	-17	-14	-16	-12	-6	-6	1	-1	0	0	5	5	-1
Prices paid for raw materials	-17	-9	-7	0	9	12	21	22	42	45	42	53	37
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	-7	-2	0	0	2	3	2	5	6	0	4	5	0
Supplier delivery time	-6	-3	-4	0	3	3	11	8	8	12	11	10	15
Inventories: Materials	-19	-22	-23	-20	-15	-4	-6	-12	-7	-1	3	-7	6
Inventories: Finished goods	-11	-12	-14	-10	-7	2	-6	-1	0	0	-7	-9	6
Versus a Year Ago (not seasonally adjusted)													
Production	-52	-44	-50	-60	-46	-40	-31	-30	-10	-9	-1	14	16
Volume of shipments	-53	-45	-50	-57	-43	-40	-28	-31	-10	-11	-5	15	13
Volume of new orders	-47	-49	-48	-57	-43	-37	-16	-25	-11	-8	-3	19	23
Backlog of orders	-53	-47	-50	-52	-48	-44	-24	-32	-14	-19	-13	-3	0
Number of employees	-65	-54	-57	-66	-56	-47	-49	-48	-39	-29	-31	-18	-18
Average employee workweek	-54	-44	-41	-50	-40	-33	-28	-32	-20	-11	-10	-1	8
Prices received for finished product	-8	-11	-24	-27	-14	-14	-12	-10	-1	-4	7	7	9
Prices paid for raw materials	-25	-20	-27	-17	-9	-5	-12	6	25	38	55	58	63
Capital expenditures	-48	-28	-24	-23	-24	-25	-26	-31	-14	-15	-8	-5	-5
New orders for exports	-26	-17	-14	-16	-7	-6	-8	0	6	7	2	7	8
Supplier delivery time	-19	-17	-13	-8	1	-2	-3	0	-1	2	10	8	10
Inventories: Materials	-38	-38	-43	-37	-37	-37	-34	-35	-18	-20	-17	-12	-14
Inventories: Finished goods	-20	-23	-23	-25	-17	-14	-24	-12	-14	-14	-11	-9	-8
Expected in Six Months (seasonally adjusted)													
Production	3	11	9	19	17	24	32	17	35	24	33	22	32
Volume of shipments	0	8	6	12	12	18	31	15	35	32	36	21	33
Volume of new orders	2	15	14	19	17	26	23	17	25	25	27	28	31
Backlog of orders	-9	0	6	7	0	13	16	7	12	5	16	9	16
Number of employees	-13	0	-11	-7	1	4	8	2	9	18	20	18	14
Average employee workweek	-11	3	-4	0	5	5	16	8	7	13	10	4	13
Prices received for finished product	-13	4	-10	-3	1	0	5	8	12	15	19	17	17
Prices paid for raw materials	-2	13	1	23	20	28	32	31	60	59	55	61	45
Capital expenditures	-11	-13	-12	-2	-8	-5	-1	0	14	3	5	11	5
New orders for exports	-3	2	6	6	7	10	9	11	13	12	5	11	7
Supplier delivery time	-5	-7	-7	-2	4	-1	6	10	6	6	9	15	9
Inventories: Materials	-24	-18	-18	-13	-12	-6	-3	-2	3	6	4	3	-10
Inventories: Finished goods	-20	-9	-12	-15	-11	-7	-5	2	2	1	-4	0	-6



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