# News Release

## Federal Reserve Bank of Kansas City

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**News Release**
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<u>EMBARGOED FOR 11:00 A.M. EST</u>

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Tenth District manufacturing activity declined further in January, and firms' expectations for future activity continued to be pessimistic. Price indexes in the survey also fell for the third straight month.

A summary of the January survey is attached to this press release. 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 2009. 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 declined further in January, and firms' expectations for future activity continued to be pessimistic. Price indexes in the survey also fell for the third straight month.

The net percentage of firms reporting month-over-month increases in production in January was -25, down from -18 in December, but up slightly from -30 in November (Tables 1 & 2, Chart). Production declined sharply at durable-goods producing plants, but was less negative at non-durable-goods producing plants, particularly among food and plastics manufacturers. Almost all other month-over-month indexes were also more negative in January than in December. The shipments index fell to -22 in January from -14 in December. The employment, employee workweek, and new orders for export indexes all posted the lowest recording in the history of the survey. Additionally, the raw materials and finished goods inventory indexes fell to -23 and -9, respectively.

The year-over-year factory indexes all decreased from December's weak numbers. The production, shipments, new orders, order backlog and average employee workweek indexes all recorded all time survey lows. Also, the employment index fell to -44 in January from -38. The capital expenditures index plunged to -25, the lowest recording since March 2002. The new orders for export index posted its fourth consecutive negative month, and the index of -19 was also a survey low. Both the raw materials and finished goods inventory indexes decreased in January to -22 and -14.

The future factory activity indexes were mixed in January, but all were in negative territory for the first time since April 2001. The future production index edged up to -10 from -14 in December. The future shipment, new order, and order backlogs indexes all remained negative, with the order backlog index posting an all time record low. The future employment index edged down to -26, the lowest reading since April 2001. The future capital expenditures index remained at -21 for the second consecutive month and has now been in negative territory since October. Similarly, the new orders for export index stayed in negative territory for the fourth consecutive month, falling from -7 to -11. Both future inventory indexes also remained negative in January.

All price indexes decreased in January. The month-over month finished goods index fell to -12 from -4, and the raw materials index fell to -26 from -12, both all time survey lows. The year-over-year finished goods price index moved down to 18 after steadying at 37 in December, and the raw materials index fell again to 9, the lowest reading since January 2002. Both the future finished goods and raw materials prices indexes fell into negative territory in January, as some firms now plan to lower prices in the months ahead.

Table1

## Summary of Tenth District Manufacturing Conditions, January 2009

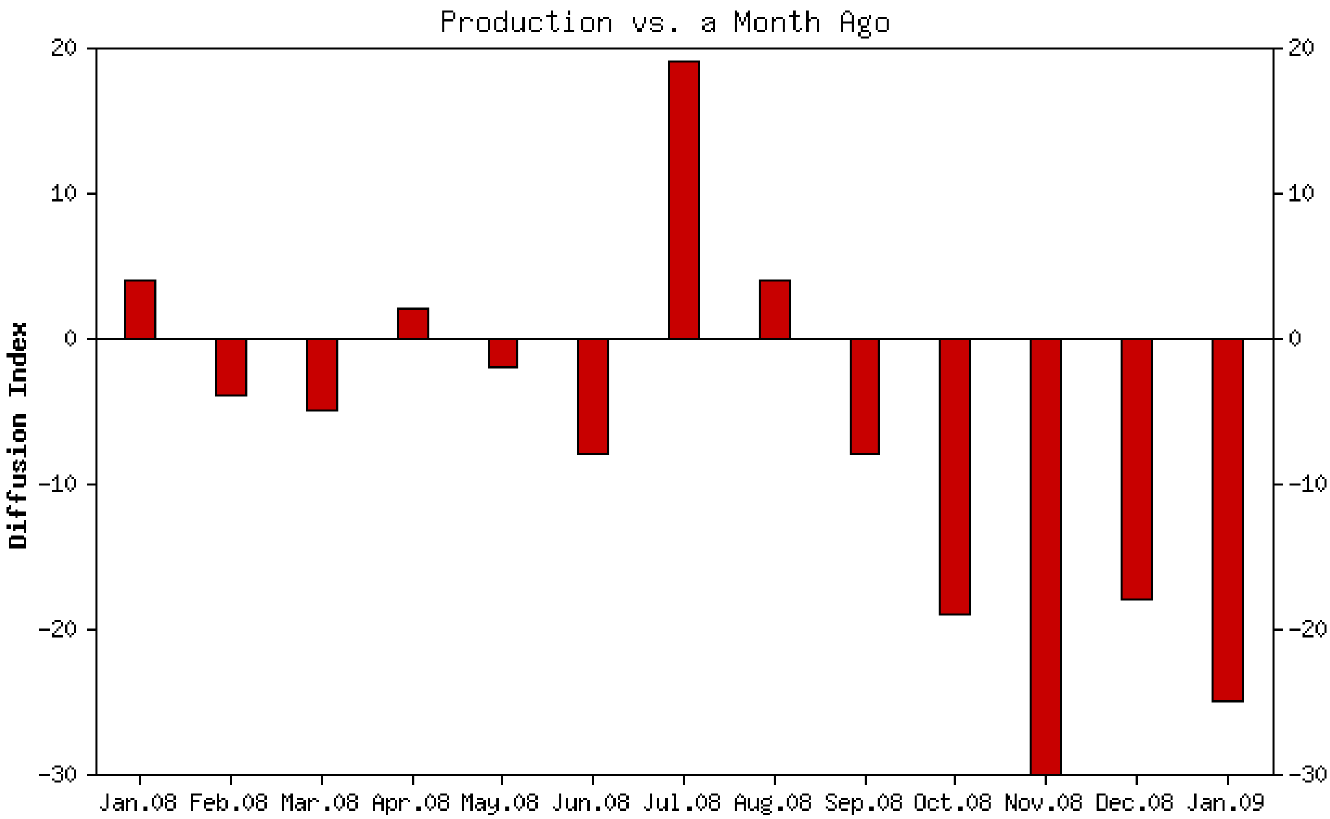
| Plant Level Indicators | January vs. December (percent)[1] | | | | | January vs. Year Ago (percent)[1] | | | | Expected in Six Months (percent)[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Increase | No Change | Decrease | Diff Index[2] | SA Index[3] | Increase | No Change | Decrease | Diff Index[2] | Increase | No Change | Decrease | Diff Index[2] | SA Index[3] |
| Production | 20 | 34 | 44 | -23 | -25 | 16 | 11 | 68 | -51 | 28 | 25 | 42 | -14 | -10 |
| Volume of shipments | 22 | 33 | 43 | -21 | -22 | 19 | 12 | 65 | -45 | 29 | 25 | 42 | -12 | -10 |
| Volume of new orders | 23 | 28 | 46 | -22 | -23 | 14 | 17 | 64 | -50 | 29 | 25 | 40 | -11 | -13 |
| Backlog of orders | 11 | 33 | 51 | -40 | -38 | 9 | 24 | 59 | -49 | 18 | 30 | 42 | -23 | -28 |
| Number of employees | 7 | 45 | 47 | -40 | -40 | 15 | 22 | 59 | -44 | 14 | 38 | 43 | -28 | -26 |
| Average employee workweek | 6 | 45 | 48 | -41 | -34 | 7 | 37 | 51 | -44 | 14 | 41 | 40 | -25 | -30 |
| Prices received for finished product | 7 | 70 | 21 | -13 | -12 | 40 | 33 | 22 | 18 | 17 | 51 | 27 | -10 | -7 |
| Prices paid for raw materials | 10 | 44 | 44 | -33 | -26 | 44 | 18 | 34 | 9 | 24 | 31 | 39 | -14 | -6 |
| Capital expenditures | | | | | | 18 | 37 | 43 | -25 | 11 | 47 | 37 | -25 | -21 |
| New orders for exports | 4 | 62 | 20 | -15 | -16 | 7 | 51 | 27 | -19 | 8 | 59 | 18 | -9 | -11 |
| Supplier delivery time | 4 | 79 | 13 | -8 | -6 | 9 | 67 | 19 | -10 | 3 | 77 | 13 | -9 | -9 |
| Inventories: | | | | | | | | | | | | | | |
| Materials | 14 | 48 | 36 | -22 | -23 | 21 | 33 | 44 | -22 | 10 | 41 | 44 | -34 | -26 |
| Finished goods | 19 | 50 | 27 | -7 | -9 | 22 | 38 | 37 | -14 | 17 | 42 | 36 | -18 | -13 |

[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 January survey included 127 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Table2**

**Historical Manufacturing Survey Indexes**

| | Jan'08 | Feb'08 | Mar'08 | Apr'08 | May'08 | Jun'08 | Jul'08 | Aug'08 | Sep'08 | Oct'08 | Nov'08 | Dec'08 | Jan'09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Versus a Month Ago (seasonally adjusted)** | | | | | | | | | | | | | |
| **Production** | 4 | -4 | -5 | 2 | -2 | -8 | 19 | 4 | -8 | -19 | -30 | -18 | -25 |
| **Volume of shipments** | 1 | -5 | -2 | 5 | 2 | -10 | 20 | 1 | -7 | -16 | -37 | -14 | -22 |
| **Volume of new orders** | 13 | 3 | -8 | -1 | -1 | -4 | 16 | 3 | -12 | -17 | -34 | -25 | -23 |
| **Backlog of orders** | 3 | -2 | -6 | -4 | -1 | -11 | -1 | -6 | -15 | -20 | -35 | -27 | -38 |
| **Number of employees** | 6 | -5 | -8 | 0 | 0 | -9 | 2 | 0 | -7 | -10 | -18 | -31 | -40 |
| **Average employee workweek** | 0 | -3 | -4 | 1 | -1 | -3 | 4 | 4 | -7 | -18 | -24 | -21 | -34 |
| **Prices received for finished product** | 17 | 14 | 22 | 22 | 28 | 31 | 28 | 27 | 20 | 5 | 0 | -4 | -12 |
| **Prices paid for raw materials** | 50 | 55 | 60 | 59 | 63 | 63 | 60 | 51 | 40 | 6 | -11 | -12 | -26 |
| **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 | 4 | 12 | 6 | 16 | 7 | 15 | 3 | 4 | -4 | -11 | -14 | -16 |
| **Supplier delivery time** | 9 | 6 | 6 | 7 | 5 | 13 | 7 | 7 | 3 | 0 | -6 | -4 | -6 |
| **Inventories: Materials** | -3 | -2 | -3 | 2 | 0 | -2 | -3 | 1 | -3 | -6 | -8 | -17 | -23 |
| **Inventories: Finished goods** | 3 | 6 | 5 | 10 | 0 | -1 | 4 | -4 | 0 | -7 | 1 | -1 | -9 |
| **Versus a Year Ago (not seasonally adjusted)** | | | | | | | | | | | | | |
| **Production** | 5 | 10 | 0 | -5 | -7 | -10 | 7 | 1 | -1 | -22 | -35 | -40 | -51 |
| **Volume of shipments** | 11 | 13 | 0 | 0 | -4 | -10 | 5 | 4 | -3 | -14 | -31 | -30 | -45 |
| **Volume of new orders** | 18 | 13 | -9 | 0 | -5 | -7 | 0 | 5 | -5 | -22 | -45 | -44 | -50 |
| **Backlog of orders** | 2 | -3 | -11 | -8 | -6 | -8 | -7 | -4 | -8 | -26 | -40 | -34 | -49 |
| **Number of employees** | 10 | 8 | 5 | 0 | -4 | -6 | -6 | -10 | -7 | -22 | -29 | -38 | -44 |
| **Average employee workweek** | 0 | -3 | -11 | -11 | -9 | -11 | -6 | -5 | -13 | -24 | -36 | -31 | -44 |
| **Prices received for finished product** | 51 | 53 | 60 | 56 | 61 | 69 | 61 | 68 | 64 | 60 | 37 | 37 | 18 |
| **Prices paid for raw materials** | 75 | 84 | 84 | 87 | 95 | 88 | 91 | 90 | 86 | 72 | 39 | 20 | 9 |
| **Capital expenditures** | 12 | 15 | 14 | 10 | 11 | 11 | 17 | 10 | 10 | 6 | -10 | -8 | -25 |
| **New orders for exports** | 18 | 8 | 11 | 10 | 22 | 22 | 22 | 10 | 8 | -3 | -8 | -12 | -19 |
| **Supplier delivery time** | 5 | 10 | 11 | 21 | 10 | 19 | 11 | 12 | 4 | 0 | -10 | -3 | -10 |
| **Inventories: Materials** | 0 | 4 | 0 | 7 | 3 | -6 | 14 | 5 | 8 | -1 | -5 | -11 | -22 |
| **Inventories: Finished goods** | 0 | 10 | 6 | 5 | 0 | -5 | 8 | -1 | 0 | -6 | 0 | -3 | -14 |
| **Expected in Six Months (seasonally adjusted)** | | | | | | | | | | | | | |
| **Production** | 19 | 24 | 5 | 17 | 11 | 17 | 12 | 29 | 3 | -1 | -21 | -14 | -10 |
| **Volume of shipments** | 19 | 20 | 12 | 15 | 15 | 16 | 11 | 26 | 0 | 0 | -18 | -20 | -10 |
| **Volume of new orders** | 20 | 20 | 14 | 14 | 18 | 14 | 9 | 28 | 5 | -3 | -17 | -13 | -13 |
| **Backlog of orders** | 9 | 10 | 8 | 0 | 3 | 4 | 0 | 13 | 0 | 0 | -20 | -16 | -28 |
| **Number of employees** | 17 | 10 | 8 | 9 | 6 | 3 | 7 | 5 | 0 | -5 | -23 | -23 | -26 |
| **Average employee workweek** | 0 | -1 | -6 | -1 | -2 | -5 | -2 | -3 | -4 | -6 | -9 | -17 | -30 |
| **Prices received for finished product** | 42 | 42 | 46 | 42 | 45 | 44 | 54 | 50 | 26 | 21 | 5 | 10 | -7 |
| **Prices paid for raw materials** | 65 | 71 | 71 | 76 | 75 | 76 | 68 | 72 | 51 | 27 | -4 | 0 | -6 |
| **Capital expenditures** | 12 | 15 | 10 | 10 | 12 | 13 | 16 | 6 | 13 | -1 | -18 | -21 | -21 |
| **New orders for exports** | 17 | 19 | 19 | 17 | 19 | 23 | 15 | 10 | 8 | -1 | -1 | -7 | -11 |
| **Supplier delivery time** | 4 | 7 | 8 | 9 | 8 | 6 | 2 | 5 | 2 | -3 | -4 | -5 | -9 |
| **Inventories: Materials** | -4 | 2 | -6 | -4 | -3 | 2 | -2 | -6 | -7 | -12 | -17 | -30 | -26 |
| **Inventories: Finished goods** | -6 | -1 | -2 | 0 | -9 | -5 | -10 | -9 | -6 | -8 | -12 | -20 | -13 |

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