News Release

Federal Reserve Bank of Kansas City

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Growth in Tenth District manufacturing activity eased slightly in May but remained solid, and expectations for future factory activity were not as strong as in the past two months. The price indexes in the survey climbed higher, largely as a result of increasing energy prices, particularly gasoline.

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

Growth in Tenth District manufacturing activity eased slightly in May but remained solid, and expectations for future factory activity were not as strong as in the past two months. The price indexes in the survey climbed higher, largely as a result of increasing energy prices, particularly gasoline.

The net percentage of firms reporting month-over-month increases in production in May was 20, down from 26 in April but up from 8 in March (Tables 1 & 2, Chart). Production decelerated slightly at both durable- and non-durable-goods-producing plants. The year-over-year production index climbed slightly higher, while the future production index declined from 41 to 30.

The majority of other month-over-month indexes decreased moderately in May. The shipments index dropped from 25 to 18 after a strong rebound last month, and the new orders, order backlog, and new orders for exports indexes also fell. In contrast, the employment index rose for the second straight month, and the employee workweek index increased from 3 to 12. Both inventory indexes edged higher after dropping last month.

Most other year-over-year indexes declined slightly after an increase last month, but remained relatively high by historical standards. The new orders index dropped from 33 to 27, and the shipments, order backlog, and employment indexes also decreased. The capital expenditures index edged down to 20 after increasing for three straight months, and the new orders for exports index fell from 13 to 6. On the other hand, both inventory indexes jumped higher, with the raw materials index rebounding from a three-year low.

Other future factory activity indexes generally eased but remained at strong levels. The shipments index decreased from 42 to 25, and the new orders, order backlog, and employment indexes also fell from previously high levels. The capital expenditures index dropped for the third straight month, while the new orders for exports and supplier delivery time indexes edged up slightly. The raw materials inventory index rebounded from -15 to 2, and the finished goods inventory index increased after a decline last month.

Price indexes in the survey increased in May after moderating somewhat last month, with many contacts attributing the rise to higher energy prices, particularly gasoline. The month-over-month raw materials index rose from 36 to 43, and the finished goods price index more than doubled from 6 to 17. The year-over-year finished goods price index matched its highest level in survey history, while the raw materials price index increased only slightly from 81 to 83. Both future price indexes jumped higher in May, reaching their highest levels since the survey began in 1994.

Table1

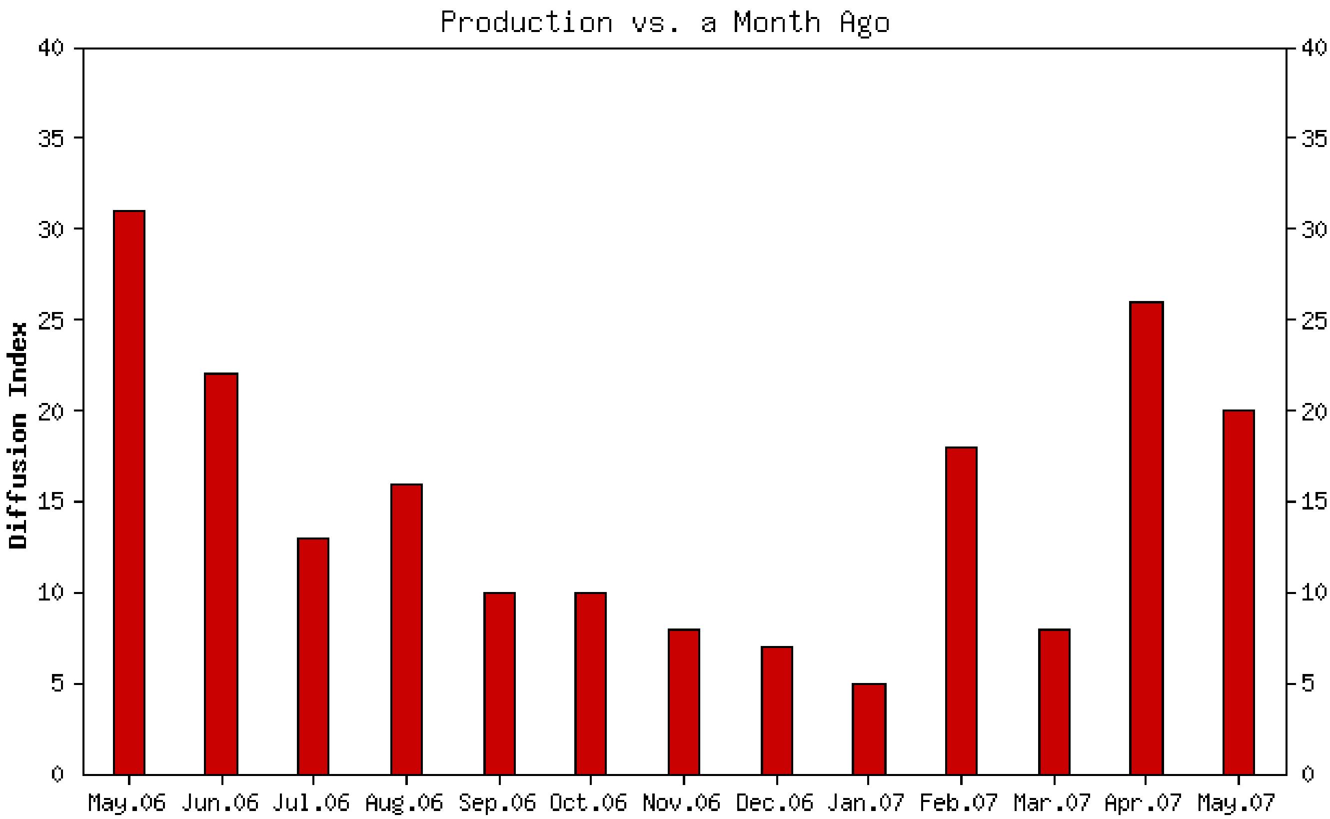
Summary of Tenth District Manufacturing Conditions, May 2007

Plant Level Indicators	May vs. April (percent)[1]					May 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	39	43	16	22	20	57	18	23	33	43	39	16	27	30
Volume of shipments	39	39	19	19	18	55	19	22	32	43	34	20	22	25
Volume of new orders	39	40	17	21	18	47	30	20	27	39	38	20	18	19
Backlog of orders	25	52	20	4	0	30	40	21	8	32	44	18	13	11
Number of employees	28	59	11	16	14	46	30	22	23	30	52	17	12	13
Average employee workweek	23	66	8	15	12	21	62	14	7	16	72	9	7	2
Prices received for finished product	20	73	5	15	17	70	25	4	66	45	51	3	42	44
Prices paid for raw materials	45	48	3	42	43	88	6	5	83	71	23	4	67	70
Capital expenditures						40	37	19	20	29	55	13	15	18
New orders for exports	7	78	6	1	2	16	65	10	6	17	71	3	14	14
Supplier delivery time	5	92	1	4	1	15	71	9	6	10	86	2	8	8
Inventories:														
Materials	25	58	15	9	7	45	38	14	31	27	47	23	3	2
Finished goods	22	54	18	4	2	32	46	16	15	23	52	18	5	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 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	May'06	Jun'06	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07	Feb'07	Mar'07	Apr'07	May'07
Versus a Month Ago (seasonally adjusted)													
Production	31	22	13	16	10	10	8	7	5	18	8	26	20
Volume of shipments	27	19	9	15	6	10	10	8	16	20	0	25	18
Volume of new orders	27	20	8	20	14	12	2	13	9	20	11	23	18
Backlog of orders	8	10	7	3	10	-5	-13	-4	-4	9	1	10	0
Number of employees	15	20	10	-1	13	8	16	15	8	13	2	11	14
Average employee workweek	10	6	3	6	3	5	4	4	-4	7	-6	3	12
Prices received for finished product	17	24	20	17	15	12	10	7	11	15	3	6	17
Prices paid for raw materials	53	54	49	45	38	27	27	30	35	37	38	36	43
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	5	4	4	2	4	0	9	-1	7	-2	6	2
Supplier delivery time	12	15	16	8	0	7	2	1	3	11	7	5	1
Inventories: Materials	14	18	9	8	14	8	9	4	8	13	9	3	7
Inventories: Finished goods	5	16	3	1	6	-1	-3	-3	-7	-7	7	-1	2
Versus a Year Ago (not seasonally adjusted)													
Production	54	47	35	33	33	35	35	25	19	31	20	28	33
Volume of shipments	43	42	37	32	37	34	38	34	23	32	12	33	32
Volume of new orders	46	40	34	34	33	39	28	35	26	36	18	33	27
Backlog of orders	24	29	27	22	22	19	15	19	7	23	4	16	8
Number of employees	25	28	27	17	14	25	29	27	25	35	20	27	23
Average employee workweek	17	14	20	10	2	14	13	9	10	13	4	14	7
Prices received for finished product	57	60	58	52	66	65	57	56	57	52	47	60	66
Prices paid for raw materials	80	83	82	74	79	80	76	67	71	67	82	81	83
Capital expenditures	35	25	20	23	21	20	22	28	13	17	24	27	20
New orders for exports	14	14	16	16	7	15	11	16	11	12	3	13	6
Supplier delivery time	15	29	26	14	11	11	9	4	8	9	7	5	6
Inventories: Materials	27	35	17	21	22	14	22	23	31	27	16	4	31
Inventories: Finished goods	21	25	4	15	14	10	0	7	11	25	27	0	15
Expected in Six Months (seasonally adjusted)													
Production	34	24	35	28	26	23	18	29	25	25	41	41	30
Volume of shipments	36	17	44	30	30	23	24	31	20	21	44	42	25
Volume of new orders	40	9	34	23	26	14	20	21	21	23	36	40	19
Backlog of orders	16	0	22	13	9	4	6	14	8	13	16	19	11
Number of employees	19	18	29	12	13	6	7	19	18	25	27	22	13
Average employee workweek	5	0	4	9	1	0	4	2	9	12	17	13	2
Prices received for finished product	35	38	36	24	31	33	27	17	32	36	33	33	44
Prices paid for raw materials	64	69	61	57	49	48	46	31	50	52	66	54	70
Capital expenditures	11	10	22	22	24	23	16	24	20	30	23	22	18
New orders for exports	11	11	13	10	10	8	15	15	10	4	2	7	14
Supplier delivery time	0	19	10	8	2	4	9	11	11	8	4	2	8
Inventories: Materials	5	10	8	2	2	-1	-2	2	-4	-5	1	-15	2
Inventories: Finished goods	5	6	3	-2	3	-2	-11	1	-2	-5	10	-5	6



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