News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity growth fell in March after last month's strong rebound. However, expectations for future factory activity showed solid gains. Price indexes in the survey were mixed, with an overall increase in raw materials price pressures, but a decline in finished goods price pressures, particularly versus last month.

A summary of the March 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 growth fell in March after last month’s strong rebound. However, expectations for future factory activity showed solid gains. Price indexes in the survey were mixed, with an overall increase in raw materials price pressures, but a decline in finished goods price pressures, particularly versus last month.

The net percentage of firms reporting month-over-month increases in production in March was 8, down from 18 in February, but up from 5 in January (Tables 1 & 2, Chart). Production decelerated at most durable-goods-producing plants in March, but especially among producers of machinery and high-tech equipment, which had posted strong gains in February. The overall year-over-year production index also decreased from 31 to 20, but the future production index jumped from 25 to 41 after remaining unchanged last month.

The majority of other month-over-month indexes also decreased in March. The shipments index dropped sharply from 20 to 0, its lowest level in over a year, and the new orders, order backlog, and employment indexes also fell markedly. The new orders for exports index decreased from 7 to -2, a two-year low, and the average employee workweek index declined to its lowest level in over four years. The raw materials inventory index fell from 13 to 9, but the finished goods inventory index climbed to 7 after contracting for five straight months.

Most other year-over-year indexes declined from the previous month. The shipments, new orders, and order backlog indexes all recorded their lowest levels in over three years, and the employment index also dropped considerably from 35 to 20. The supplier delivery time index decreased and the new orders for exports index fell from 12 to 3, a two-year low. On the other hand, the capital expenditures index increased for the second straight month, from 17 to 24. The raw materials inventory index decreased, but the finished goods inventory index rose to 27, an all-time high.

In contrast, most other indexes of future factory activity increased. The future shipments index more than doubled, from 21 to 44, and the future new orders, order backlog, and employment indexes also recorded solid gains. On the other hand, the future capital expenditures index edged down from 30 to 23, and the future new orders for exports index reached a four-year low. Both future inventory indexes increased, with the finished goods index at its highest level in over a year.

Price indexes in the survey were varied, with raw materials and finished goods prices moving in opposite directions. The month-over-month raw materials price index rose only slightly from 37 to 38, while the finished goods price index dropped from 15 to 3, a two-year low. The future raw materials price index increased from 52 to 66, and the finished goods price index edged down from 36 to 33. The year-over-year raw materials price index also jumped from 67 to 82, while the finished goods price index decreased slightly.

Table1

Summary of Tenth District Manufacturing Conditions, March 2007

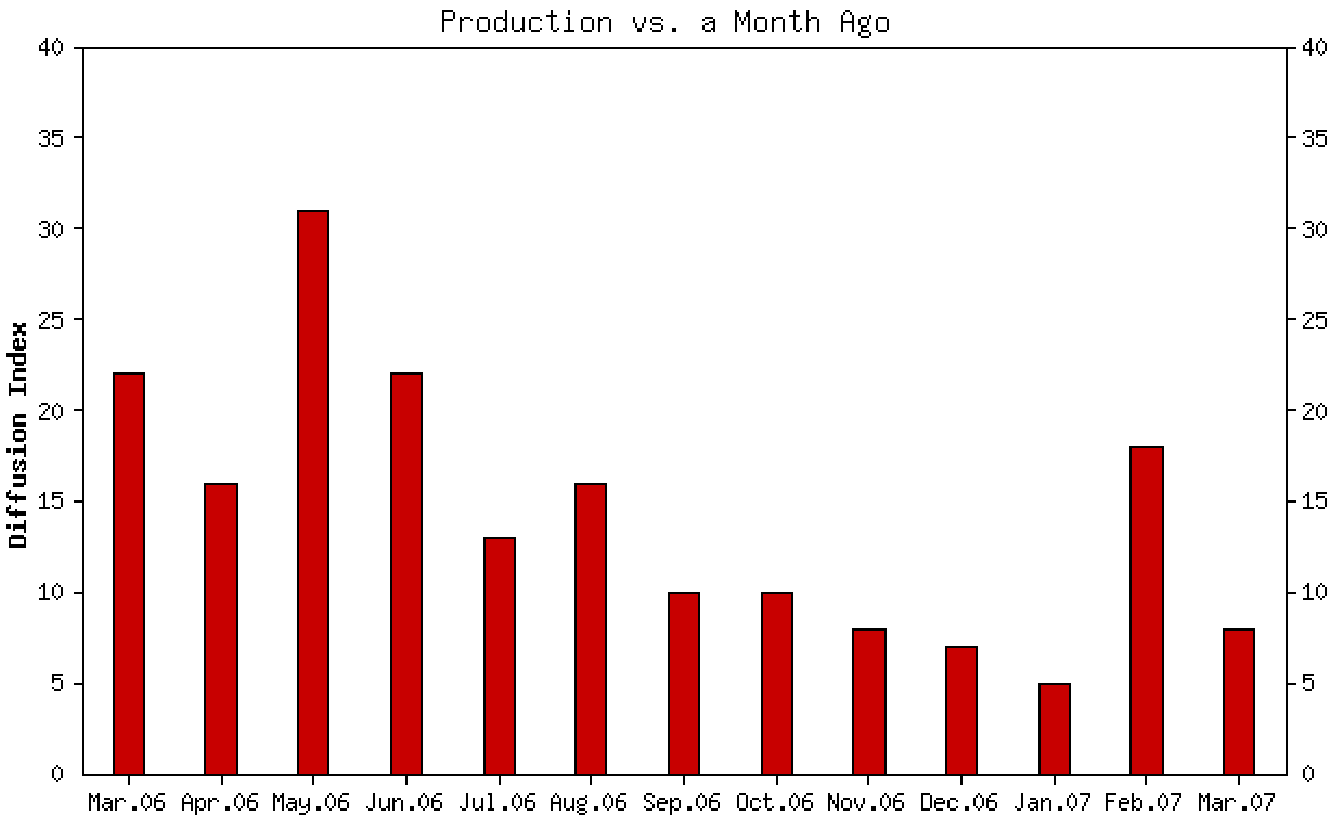
	March vs. February (percent)[1]					March vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	33	50	15	17	8	48	23	27	20	53	33	12	40	41
Volume of shipments	33	48	16	16	0	42	26	29	12	53	33	11	41	44
Volume of new orders	36	46	15	20	11	46	24	27	18	51	32	14	36	36
Backlog of orders	23	51	20	2	1	33	34	28	4	32	47	16	15	16
Number of employees	19	66	13	5	2	44	31	23	20	40	45	13	26	27
Average employee workweek	15	60	21	-5	-6	25	51	20	4	27	58	10	16	17
Prices received for finished product	12	79	7	4	3	56	32	8	47	37	55	5	31	33
Prices paid for raw materials	42	55	0	41	38	88	5	5	82	68	28	2	65	66
Capital expenditures						40	39	15	24	34	48	11	22	23
New orders for exports	8	74	8	0	-2	15	65	11	3	12	71	8	3	2
Supplier delivery time	10	85	2	7	7	16	73	8	7	11	81	6	4	4
Inventories:														
Materials	24	59	14	9	9	35	44	18	16	24	52	20	3	1
Finished goods	23	57	13	9	7	41	40	13	27	27	52	15	11	10

[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 March survey included 101 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Mar'06	Apr'06	May'06	Jun'06	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07	Feb'07	Mar'07
Versus a Month Ago (seasonally adjusted)													
Production	22	16	31	22	13	16	10	10	8	7	5	18	8
Volume of shipments	9	8	27	19	9	15	6	10	10	8	16	20	0
Volume of new orders	19	23	27	20	8	20	14	12	2	13	9	20	11
Backlog of orders	3	8	8	10	7	3	10	-5	-13	-4	-4	9	1
Number of employees	14	17	15	20	10	-1	13	8	16	15	8	13	2
Average employee workweek	8	12	10	6	3	6	3	5	4	4	-4	7	-6
Prices received for finished product	14	17	17	24	20	17	15	12	10	7	11	15	3
Prices paid for raw materials	35	48	53	54	49	45	38	27	27	30	35	37	38
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	6	6	7	5	4	4	2	4	0	9	-1	7	-2
Supplier delivery time	10	14	12	15	16	8	0	7	2	1	3	11	7
Inventories: Materials	11	12	14	18	9	8	14	8	9	4	8	13	9
Inventories: Finished goods	11	10	5	16	3	1	6	-1	-3	-3	-7	-7	7
Versus a Year Ago (not seasonally adjusted)													
Production	39	39	54	47	35	33	33	35	35	25	19	31	20
Volume of shipments	33	33	43	42	37	32	37	34	38	34	23	32	12
Volume of new orders	35	43	46	40	34	34	33	39	28	35	26	36	18
Backlog of orders	24	28	24	29	27	22	22	19	15	19	7	23	4
Number of employees	24	24	25	28	27	17	14	25	29	27	25	35	20
Average employee workweek	19	15	17	14	20	10	2	14	13	9	10	13	4
Prices received for finished product	54	58	57	60	58	52	66	65	57	56	57	52	47
Prices paid for raw materials	78	83	80	83	82	74	79	80	76	67	71	67	82
Capital expenditures	30	25	35	25	20	23	21	20	22	28	13	17	24
New orders for exports	17	16	14	14	16	16	7	15	11	16	11	12	3
Supplier delivery time	13	16	15	29	26	14	11	11	9	4	8	9	7
Inventories: Materials	24	24	27	35	17	21	22	14	22	23	31	27	16
Inventories: Finished goods	19	14	21	25	4	15	14	10	0	7	11	25	27
Expected in Six Months (seasonally adjusted)													
Production	42	36	34	24	35	28	26	23	18	29	25	25	41
Volume of shipments	34	31	36	17	44	30	30	23	24	31	20	21	44
Volume of new orders	30	31	40	9	34	23	26	14	20	21	21	23	36
Backlog of orders	9	14	16	0	22	13	9	4	6	14	8	13	16
Number of employees	23	23	19	18	29	12	13	6	7	19	18	25	27
Average employee workweek	7	3	5	0	4	9	1	0	4	2	9	12	17
Prices received for finished product	35	34	35	38	36	24	31	33	27	17	32	36	33
Prices paid for raw materials	58	66	64	69	61	57	49	48	46	31	50	52	66
Capital expenditures	19	16	11	10	22	22	24	23	16	24	20	30	23
New orders for exports	12	12	11	11	13	10	10	8	15	15	10	4	2
Supplier delivery time	8	3	0	19	10	8	2	4	9	11	11	8	4
Inventories: Materials	3	3	5	10	8	2	2	-1	-2	2	-4	-5	1
Inventories: Finished goods	3	2	5	6	3	-2	3	-2	-11	1	-2	-5	10



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