News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity slowed markedly in June, but producers remained generally optimistic about future factory activity. Most price indexes in the survey declined, with input price pressures easing and limited pass-through.

A summary of the June 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 slowed markedly in June, but producers remained generally optimistic about future factory activity. Most price indexes in the survey declined, with input price pressures easing and limited pass-through.

The net percentage of firms reporting month-over-month increases in production in June was -2, down from 20 in May and 26 in April (Tables 1 & 2, Chart). Production decelerated at both durable- and non-durable-goods-producing plants. The year-over-year production index also edged down, while the future production index fell only slightly from 30 to 25.

The majority of other month-over-month indexes also decreased in May. The shipments index contracted from 18 to -1, its lowest level in over 5 years, and the new orders and employment indexes also eased. In contrast, the new orders for exports index held steady, and the order backlog index increased from 0 to 13. Both inventory indexes rose for the second straight month, which may have contributed to the decline in production.

Most other year-over-year indexes declined slightly in June, but still remained relatively solid. The shipments index dropped from 32 to 17, and the supplier delivery time and new orders for exports indexes also experienced a slight decrease. The capital expenditures index edged down for the second straight month, while the employment index held steady at 23. The new orders and order backlog indexes both posted solid gains after falling last month. The raw materials inventory index declined from 31 to 25, and the finished goods inventory index remained relatively unchanged.

Other future factory activity indexes were generally positive after some minor declines last month. The shipments index crept up from 25 to 27, and the new orders, order backlog, and employment indexes all posted slight gains. The capital expenditures index rebounded after three straight months of decline, while the future export orders index fell somewhat from 14 to 6. The raw materials inventory index remained relatively unchanged, while the finished goods inventory index fell from 6 to 1.

Price indexes in the survey generally moderated in June, after recording slight gains last month. The month-over-month raw materials price index edged down from 43 to 39, while the finished goods price index was unchanged. The year-over-year finished goods price index declined after reaching its highest level in survey history last month, and the raw materials price index decreased from 83 to 76. The future raw materials price index fell moderately this month after reaching historically high levels in May, while the future finished goods price index eased only slightly, suggesting some firms may be planning to pass past cost increases through to customers in the months ahead.

Table1

Summary of Tenth District Manufacturing Conditions, June 2007

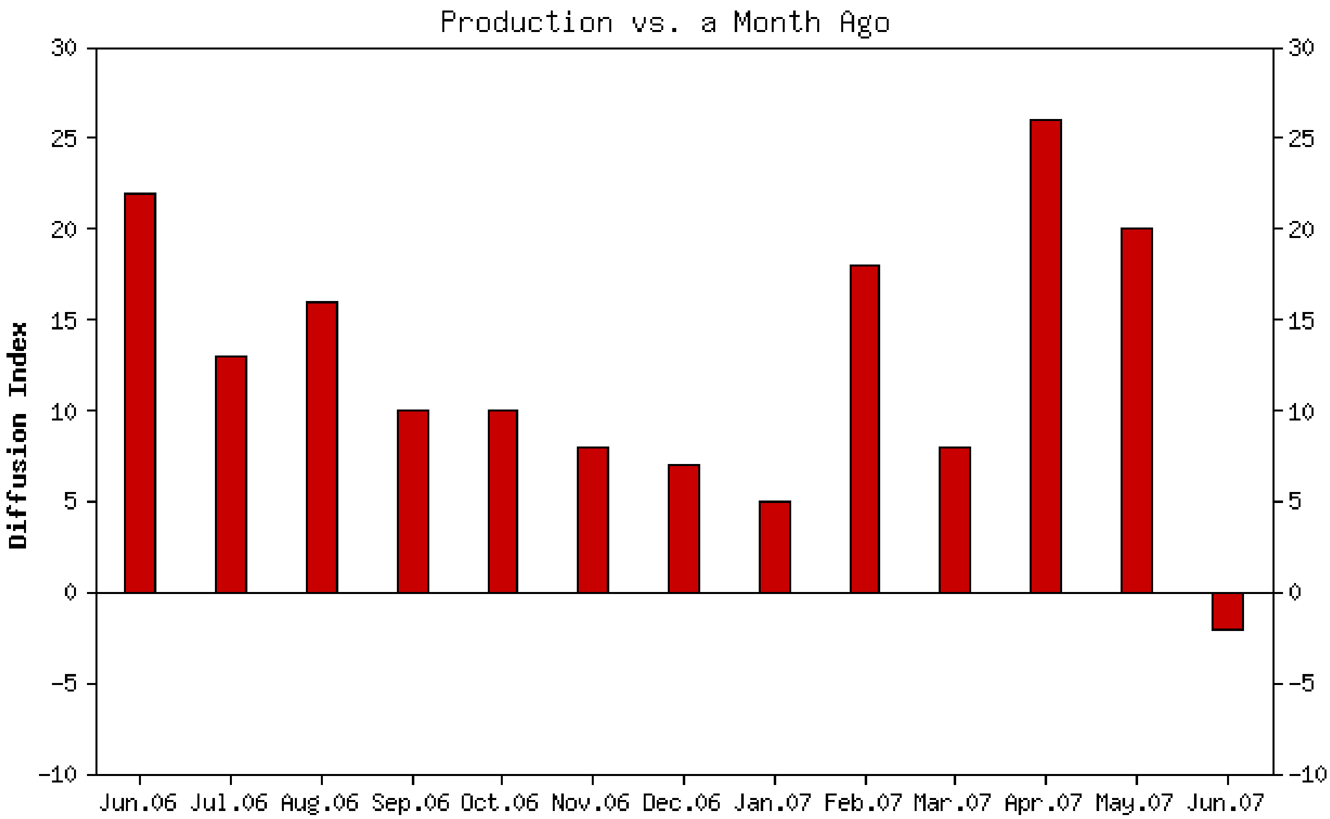
Plant Level Indicators	June vs. May (percent)[1]					June vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	27	49	23	3	-2	50	23	26	23	42	39	17	24	25
Volume of shipments	31	44	24	6	-1	44	28	26	17	42	40	17	24	27
Volume of new orders	35	37	23	11	7	50	25	21	29	39	40	18	20	22
Backlog of orders	32	44	21	10	13	40	34	22	17	27	52	17	9	12
Number of employees	26	59	12	13	9	41	38	17	23	31	50	14	16	18
Average employee workweek	15	63	18	-2	-6	26	52	19	6	22	59	15	6	9
Prices received for finished product	19	75	4	14	17	60	31	6	53	45	47	6	38	41
Prices paid for raw materials	45	47	4	40	39	80	11	3	76	57	34	4	52	57
Capital expenditures						34	48	17	16	32	55	10	21	22
New orders for exports	7	75	6	0	1	13	66	9	3	10	73	6	3	6
Supplier delivery time	9	86	0	8	6	20	71	5	14	13	84	0	12	14
Inventories:														
Materials	25	58	14	10	12	41	42	15	25	26	48	24	1	3
Finished goods	21	56	18	2	7	33	47	16	16	23	51	21	1	1

[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 June survey included 102 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

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



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