News Release

Federal Reserve Bank of Kansas City

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Growth in Tenth District manufacturing activity eased further in January, but expectations for future factory activity generally remained solid. All price indexes in the survey increased moderately after trending down in recent months.

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 2007. 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 further in January, but expectations for future factory activity generally remained solid. All price indexes in the survey increased moderately after trending down in recent months.

The net percentage of firms reporting month-over-month increases in production in January was 5, down from 7 in December and 8 in November (Tables 1 & 2, Chart). Production decelerated slightly at both durable- and nondurable-goods-producing plants. The year-over-year production index also decreased from 25 to 19, a three-year low, and the future production index eased slightly after a rebound last month. Although sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest that production remained well above year-ago levels in all district states.

Like production, the majority of other month-over-month indexes edged down. The new orders index declined from 13 to 9 and the employment index also slowed somewhat. The new orders for exports index fell to -1, a two-year low. On the other hand, the shipments index rebounded from 8 to 16, its highest level since June, and the supplier delivery time index increased after a two-month decline. The materials inventory index increased, while the finished goods inventory index declined to its lowest level in over a year.

Most other year-over-year indexes decreased from last month. The shipments index declined for the second straight month from 34 to 23, and the new orders for exports index also fell slightly. The new order and order backlog indexes dropped to their lowest levels in almost three years and the capital expenditures index declined from 28 to 13, a two-year low. On the other hand, the supplier delivery time index rebounded after falling for two months, and the employment index edged down only slightly and still remains high by historical standards. Both inventory indexes increased somewhat over last month.

Other indexes for future factory activity edged down or remained relatively unchanged. The future shipments and order backlog indexes both decreased after a rebound last month. In addition, the capital expenditures index eased from 24 to 20 and the new orders for exports index fell somewhat. In contrast, the new order, employment, and supplier delivery time indexes remained largely unchanged. The finished goods inventory index edged down further and the materials inventory index recorded its lowest level in over two years.

The price indexes in the survey all increased from last month, but still remain lower than previous levels over the past few years. The month-over-month raw materials price index rose from 30 to 35, and the finished goods index edged up after reaching a two-year low in December. The year-over-year price indexes both increased slightly. The future finished goods price index jumped from 17 to 32, and the raw materials price index climbed from 31 to 50 after six straight months of decline. Some of the increase in price indexes was driven by rising food prices.

Table1

Summary of Tenth District Manufacturing Conditions, January 2007

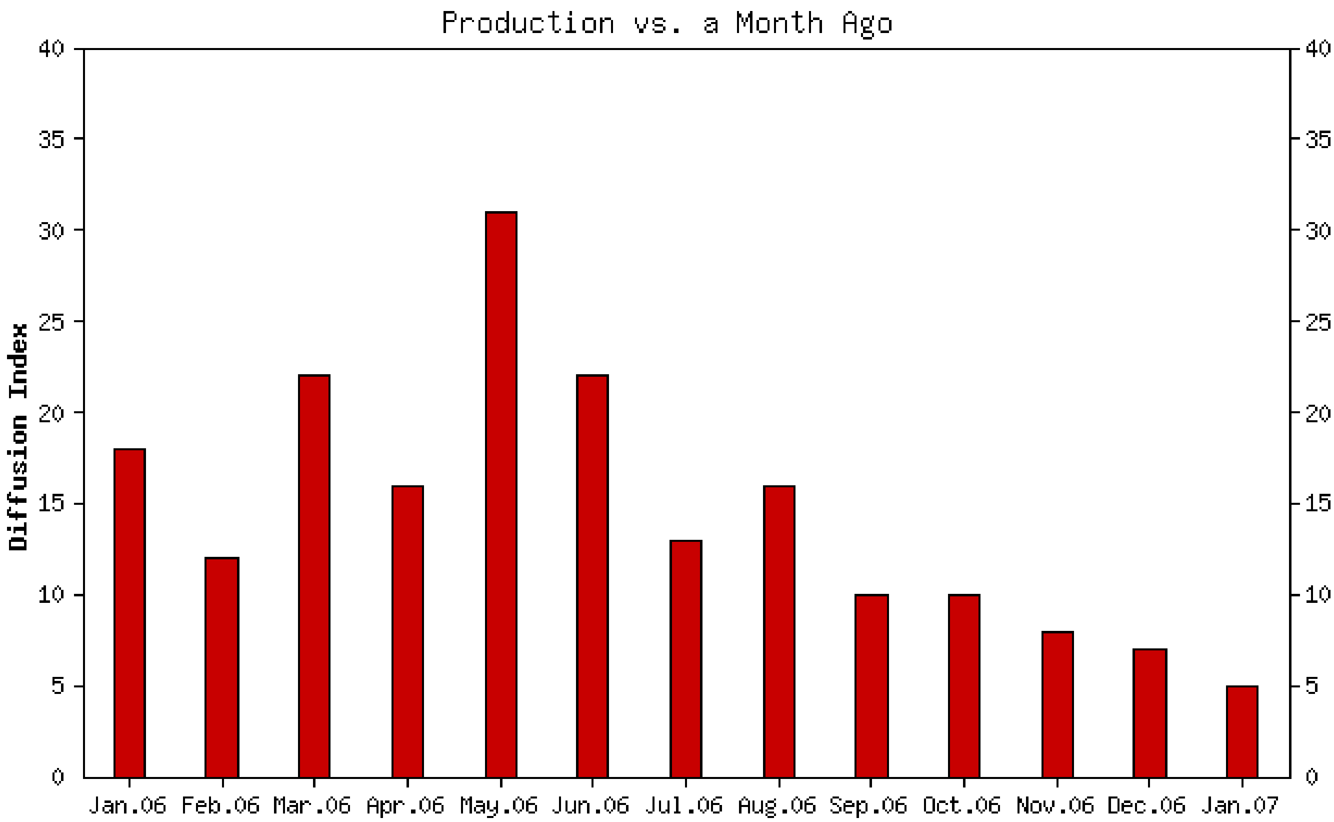
Plant Level Indicators	January vs. December (percent)[1]					January vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	33	40	26	6	5	49	20	30	19	45	33	20	25	25
Volume of shipments	40	31	27	13	16	50	21	26	23	44	35	20	24	20
Volume of new orders	33	40	24	8	9	49	25	22	26	42	33	22	19	21
Backlog of orders	27	38	31	-3	-4	34	35	26	7	31	44	20	11	8
Number of employees	23	56	18	5	8	47	28	21	25	32	48	17	15	18
Average employee workweek	14	62	22	-8	-4	26	57	16	10	25	59	14	11	9
Prices received for finished product	19	73	6	12	11	64	25	7	57	37	54	5	31	32
Prices paid for raw materials	37	57	5	31	35	79	11	7	71	53	38	5	47	50
Capital expenditures						34	41	20	13	33	48	13	19	20
New orders for exports	10	70	9	0	-1	22	57	11	11	22	60	8	14	10
Supplier delivery time	4	88	2	1	3	16	73	7	8	15	77	5	9	11
Inventories:														
Materials	29	48	20	8	8	43	42	12	31	22	40	32	-9	-4
Finished goods	21	46	27	-5	-7	32	40	20	11	21	46	25	-3	-2

[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 105 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jan'06	Feb'06	Mar'06	Apr'06	May'06	Jun'06	Jul'06	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07
Versus a Month Ago (seasonally adjusted)													
Production	18	12	22	16	31	22	13	16	10	10	8	7	5
Volume of shipments	15	0	9	8	27	19	9	15	6	10	10	8	16
Volume of new orders	18	12	19	23	27	20	8	20	14	12	2	13	9
Backlog of orders	8	11	3	8	8	10	7	3	10	-5	-13	-4	-4
Number of employees	13	13	14	17	15	20	10	-1	13	8	16	15	8
Average employee workweek	8	3	8	12	10	6	3	6	3	5	4	4	-4
Prices received for finished product	20	16	14	17	17	24	20	17	15	12	10	7	11
Prices paid for raw materials	40	38	35	48	53	54	49	45	38	27	27	30	35
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	6	6	7	5	4	4	2	4	0	9	-1
Supplier delivery time	7	8	10	14	12	15	16	8	0	7	2	1	3
Inventories: Materials	13	14	11	12	14	18	9	8	14	8	9	4	8
Inventories: Finished goods	14	14	11	10	5	16	3	1	6	-1	-3	-3	-7
Versus a Year Ago (not seasonally adjusted)													
Production	48	37	39	39	54	47	35	33	33	35	35	25	19
Volume of shipments	43	31	33	33	43	42	37	32	37	34	38	34	23
Volume of new orders	54	30	35	43	46	40	34	34	33	39	28	35	26
Backlog of orders	29	16	24	28	24	29	27	22	22	19	15	19	7
Number of employees	22	24	24	24	25	28	27	17	14	25	29	27	25
Average employee workweek	20	13	19	15	17	14	20	10	2	14	13	9	10
Prices received for finished product	47	52	54	58	57	60	58	52	66	65	57	56	57
Prices paid for raw materials	69	70	78	83	80	83	82	74	79	80	76	67	71
Capital expenditures	31	22	30	25	35	25	20	23	21	20	22	28	13
New orders for exports	13	9	17	16	14	14	16	16	7	15	11	16	11
Supplier delivery time	18	10	13	16	15	29	26	14	11	11	9	4	8
Inventories: Materials	11	27	24	24	27	35	17	21	22	14	22	23	31
Inventories: Finished goods	16	22	19	14	21	25	4	15	14	10	0	7	11
Expected in Six Months (seasonally adjusted)													
Production	34	41	42	36	34	24	35	28	26	23	18	29	25
Volume of shipments	31	44	34	31	36	17	44	30	30	23	24	31	20
Volume of new orders	46	38	30	31	40	9	34	23	26	14	20	21	21
Backlog of orders	20	16	9	14	16	0	22	13	9	4	6	14	8
Number of employees	32	16	23	23	19	18	29	12	13	6	7	19	18
Average employee workweek	6	16	7	3	5	0	4	9	1	0	4	2	9
Prices received for finished product	37	33	35	34	35	38	36	24	31	33	27	17	32
Prices paid for raw materials	58	58	58	66	64	69	61	57	49	48	46	31	50
Capital expenditures	24	18	19	16	11	10	22	22	24	23	16	24	20
New orders for exports	8	9	12	12	11	11	13	10	10	8	15	15	10
Supplier delivery time	11	5	8	3	0	19	10	8	2	4	9	11	11
Inventories: Materials	5	15	3	3	5	10	8	2	2	-1	-2	2	-4
Inventories: Finished goods	2	10	3	2	5	6	3	-2	3	-2	-11	1	-2



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