News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Thursday, June 29, 2006
EMBARGOED FOR 11:00 A.M. EST

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Manufacturing activity in the Tenth Federal Reserve District expanded solidly in June, following rapid growth in May. Expectations for future factory activity, however, were much less optimistic than in the recent past. The price indexes in the survey all increased and were at or near all-time highs.

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

Manufacturing activity in the Tenth Federal Reserve District expanded solidly in June, following rapid growth in May. Expectations for future factory activity, however, were much less optimistic than in the recent past. The price indexes in the survey all increased and were at or near all-time highs.

The net percentage of firms reporting month-over-month increases in production in June was 23, down from 34 in May but up from 17 in April (Tables 1 & 2, Chart). The somewhat slower growth was broad-based, as production decelerated at both durable- and nondurable-goods-producing plants. The year-over-year production index decreased slightly this month as well, falling from 54 to 47, but remained high by historical standards. The future production index fell more sharply, dropping from 36 to 23, the lowest reading in 2006. 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.

Other month-over-month indexes of factory activity were mixed compared with June but generally solid overall. The shipments index fell somewhat after posting its highest reading in two years, dropping from 30 to 20. In addition, the new orders index also declined from an all-time high in May, falling from 31 to 22. On the other hand, the employment index increased this month, recording its highest reading in nearly two years, and the backlog index also edged higher. Indexes for supplier delivery time and inventories were also higher than in May.

Most other year-over-year indexes decreased or remained relatively unchanged in June, although district factory activity overall remains much stronger than a year ago. The new orders index fell slightly from 46 to 40, while the shipments index remained unchanged. The capital expenditures index eased this month after reaching an all-time high in May. Both inventory indexes edged up slightly from last month, recording their highest levels in over a year.

Plant managers’ expectations for future factory activity decreased substantially, with most indexes falling or remaining unchanged compared with May. The future new orders index was down from 41 to 10 and the future shipments index also fell dramatically, with both recording their lowest readings in over four years. In addition, indexes for future order backlogs and average employee workweek were also down considerably from May. Future supplier delivery time increased substantially from 0 to 20, an all-time high.

The price indexes in the survey all increased in June, with each index either at or near its all-time high. The month-over-month finished goods price index rose from 15 to 25 and, while the raw materials index rose only slightly, both indexes posted their highest readings in approximately two years. The year-over-year price indexes also both rose slightly. The future raw materials price index recorded an all-time high, increasing from 65 to 71, while the future finished goods price index edged up from 34 to 37.

Table1

Summary of Tenth District Manufacturing Conditions, June 2006

	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]
Plant Level Indicators														
Production	41	42	13	28	23	61	23	13	47	41	36	19	22	23
Volume of shipments	41	41	14	27	20	60	20	17	42	38	34	24	14	18
Volume of new orders	40	39	16	24	22	58	20	17	40	33	38	25	7	10
Backlog of orders	29	44	21	7	12	47	29	18	29	22	47	25	-2	-1
Number of employees	33	53	9	24	21	45	33	17	28	36	40	20	16	20
Average employee workweek	19	68	9	9	8	26	58	11	14	13	68	15	-1	0
Prices received for finished product	25	68	2	22	25	67	19	7	60	40	49	5	34	37
Prices paid for raw materials	59	34	3	55	57	86	7	2	83	69	23	4	65	71
Capital expenditures						35	48	10	25	25	54	15	9	7
New orders for exports	11	73	6	4	5	23	60	8	14	17	66	8	8	10
Supplier delivery time	19	75	1	17	18	34	55	5	29	18	77	0	17	20
Inventories:														
Materials	26	60	10	15	21	45	41	9	35	27	50	18	8	12
Finished goods	25	56	12	12	17	38	41	13	25	27	47	20	6	7

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

Table2
Historical Manufacturing Survey Indexes

	Jun'05	Jul'05	Aug'05	Sep'05	Oct'05	Nov'05	Dec'05	Jan'06	Feb'06	Mar'06	Apr'06	May'06	Jun'06
Versus a Month Ago (seasonally adjusted)													
Production	14	-1	13	24	13	8	14	21	9	26	17	34	23

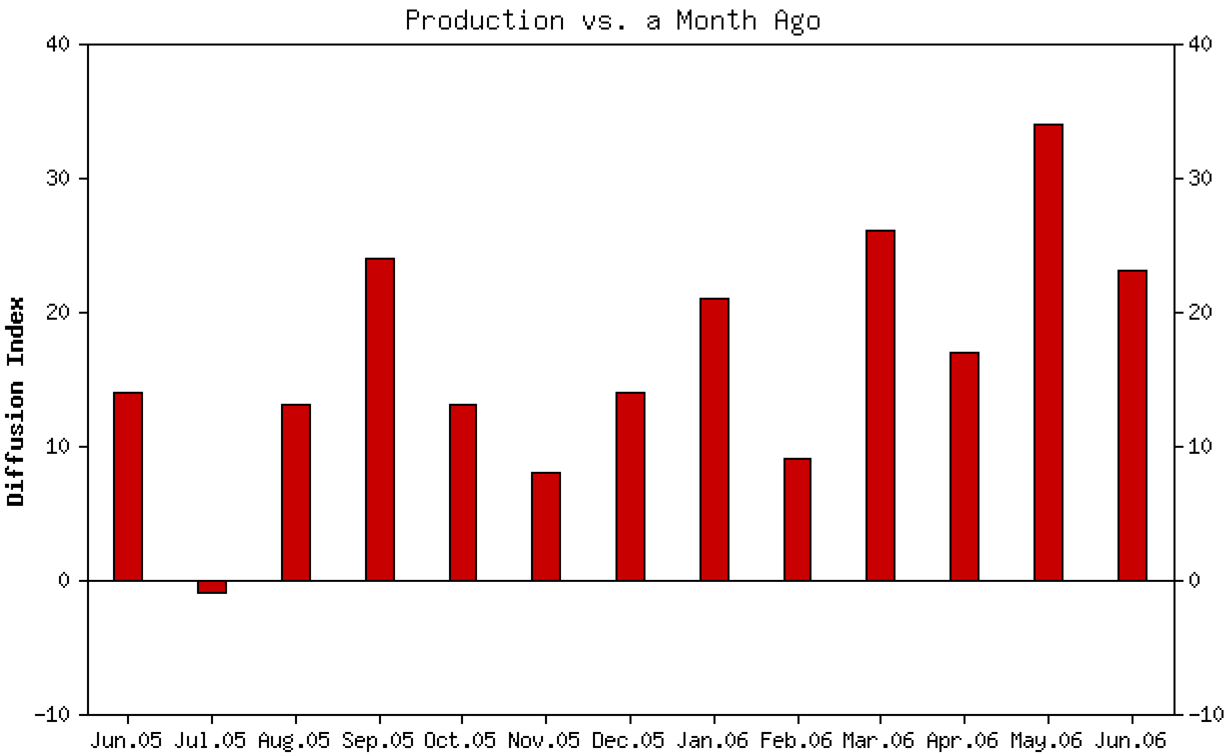
Volume of shipments	20	6	12	13	12	1	5	16	-4	12	9	30	20
Volume of new orders	20	9	9	18	16	13	13	19	10	21	25	31	22
Backlog of orders	3	-2	6	14	16	10	12	9	13	2	9	9	12
Number of employees	9	15	3	3	11	9	7	14	15	16	18	14	21
Average employee workweek	13	9	6	9	8	2	15	6	1	8	15	12	8
Prices received for finished product	9	9	11	19	17	16	18	19	17	13	18	15	25
Prices paid for raw materials	23	24	38	56	51	45	45	36	38	35	47	54	57
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	7	6	6	10	5	10	4	6	5	8	5
Supplier delivery time	9	8	9	13	11	11	8	7	8	9	14	13	18
Inventories: Materials	8	7	7	2	1	6	16	13	14	11	10	17	21
Inventories: Finished goods	-2	4	7	0	2	7	13	17	17	14	10	4	17

Versus a Year Ago (not seasonally adjusted)

Production	38	42	33	55	36	38	26	48	37	39	39	54	47
Volume of shipments	50	46	33	49	38	40	26	43	31	33	33	43	42
Volume of new orders	43	44	33	49	41	40	32	54	30	35	43	46	40
Backlog of orders	23	26	27	29	25	32	31	29	16	24	28	24	29
Number of employees	23	21	18	21	20	19	20	22	24	24	24	25	28
Average employee workweek	23	23	26	17	20	16	21	20	13	19	15	17	14
Prices received for finished product	48	48	48	55	50	45	58	47	52	54	58	57	60
Prices paid for raw materials	70	71	70	82	83	70	85	69	70	78	83	80	83
Capital expenditures	27	20	33	15	31	29	33	31	22	30	25	35	25
New orders for exports	7	13	14	12	16	14	16	13	9	17	16	14	14
Supplier delivery time	17	15	25	25	19	15	14	18	10	13	16	15	29
Inventories: Materials	16	23	31	21	15	22	19	11	27	24	24	27	35
Inventories: Finished goods	9	19	24	19	10	14	15	16	22	19	14	21	25

Expected in Six Months (seasonally adjusted)

Production	34	36	25	32	23	29	33	29	47	46	37	36	23
Volume of shipments	33	37	30	31	25	31	31	28	51	31	30	35	18
Volume of new orders	31	29	25	21	24	29	26	45	41	30	32	41	10
Backlog of orders	0	13	15	7	10	10	9	22	17	8	15	16	-1
Number of employees	17	20	16	14	19	1	15	31	14	23	23	19	20
Average employee workweek	4	8	6	0	3	0	3	6	17	7	3	7	0
Prices received for finished product	28	27	31	37	34	37	44	38	29	36	33	34	37
Prices paid for raw materials	47	36	54	65	69	58	63	58	55	59	67	65	71
Capital expenditures	21	20	26	17	21	21	30	26	17	20	14	8	7
New orders for exports	9	11	9	9	11	7	14	8	9	12	12	10	10
Supplier delivery time	9	-2	5	9	10	8	10	12	4	8	2	0	20
Inventories: Materials	4	0	4	3	3	9	3	5	16	3	2	5	12
Inventories: Finished goods	-1	-3	2	4	4	4	4	4	12	2	2	6	7



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