News Release

Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198   Phone (816) 881-2683

News Release
Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198
Phone (816) 881-2683
Fax (816) 881-2569

FOR RELEASE Thursday, January 26, 2006
EMBARGOED FOR 11:00 A.M. EST

EMBARGOED FOR 11:00 A.M. EST

Manufacturing activity in the Tenth Federal Reserve District continued to accelerate in January, and expectations for future factory activity remained solid. Most price indexes in the survey eased slightly but were still high by historical standards.

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 2006. 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

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District continued to accelerate in January, and expectations for future factory activity remained solid. Most price indexes in the survey eased slightly but were still high by historical standards.

The net percentage of firms reporting month-over-month increases in production in January increased to 21, up from a revised 14 in December and 8 in November (Tables 1 & 2, Chart). Most durable-goods-producing plants continued to report growth in production, and the share of nondurable-goods-producing plants reporting expanded production was higher than in recent months. The year-over-year production index also increased in January, rising from 26 to 48, while the six-month-ahead production index was largely unchanged from solid readings in recent months. 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.

Most other month-over-month indexes of factory activity in January either improved or remained largely unchanged from past readings. The shipments index rose from 5 to 16, the new orders index increased from 13 to 19, and the employment index doubled from 7 to 14. Indexes for backlog, supplier delivery time, and inventories were similar to readings in December. On the other hand, the index for workweek fell somewhat after rising in December.
Most other year-over-year indexes also held steady or improved in January. The shipments and new orders indexes posted solid gains, while other indexes—including employment and capital spending—remained similar to solid readings from recent months.

Plant managers remained optimistic about future factory activity. While, like production, the future shipments and capital spending indexes were largely unchanged from solid readings in previous months, the future indexes for new orders and employment jumped considerably. The future new orders index increased from 26 to 45, while the future employment index more than doubled, rising from 15 to 31.

Most price indexes in the survey fell slightly but were still quite high. The month-over-month raw materials price index continued to trend downward from a recent peak of 56 last September, falling to 36 in January. The month-over-month finished goods price index, by contrast, was largely unchanged from readings in recent months, edging up from 18 to 19. The year-over-year price indexes each posted sizable declines, and the six-month-ahead price indexes also fell slightly. All price indexes remained high by historical standards, however, especially indexes for prices of finished goods.

Table1

Summary of Tenth District Manufacturing Conditions, January 2006

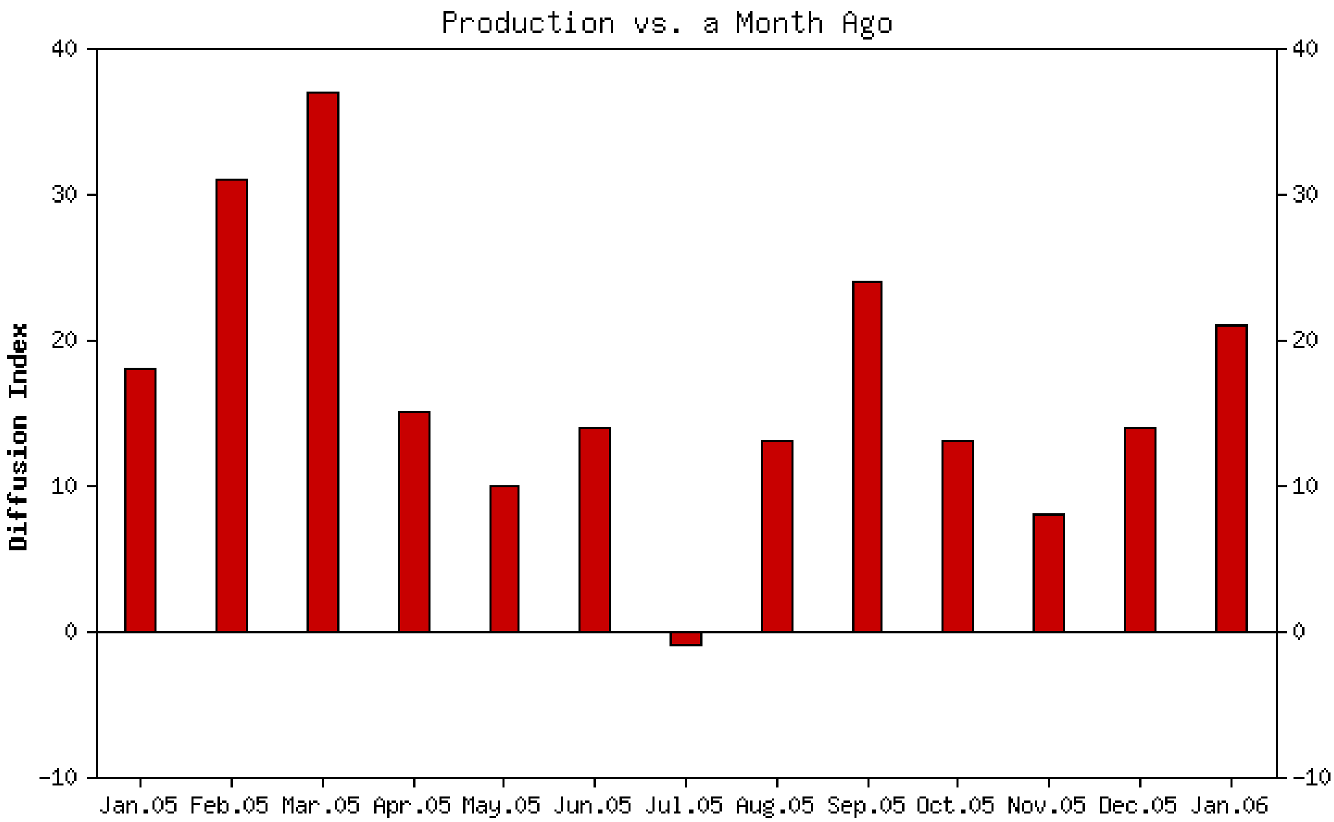
Plant Level Indicators	January vs. December (percent)[1]					January vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	37	46	16	20	21	59	28	11	48	53	27	18	35	29
Volume of shipments	35	42	22	12	16	58	25	15	43	52	30	16	36	28
Volume of new orders	38	42	19	18	19	65	22	11	54	57	29	12	45	45
Backlog of orders	27	51	18	9	9	40	47	10	29	37	47	13	23	22
Number of employees	27	55	16	11	14	45	29	22	22	41	45	12	28	31
Average employee workweek	18	67	13	5	6	28	62	8	20	23	61	14	9	6
Prices received for finished product	28	63	7	21	19	59	27	12	47	46	44	9	37	38
Prices paid for raw materials	43	49	6	37	36	77	14	8	69	61	32	5	56	58
Capital expenditures						44	41	12	31	36	49	12	23	26
New orders for exports	14	73	4	10	10	21	63	8	13	18	68	6	12	8
Supplier delivery time	10	85	4	6	7	22	72	4	18	13	81	4	9	12
Inventories:														
Materials	32	48	18	14	13	35	41	23	11	21	55	21	0	5
Finished goods	29	53	14	15	17	35	43	18	16	20	57	18	2	4

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

Table2

Historical Manufacturing Survey Indexes

	Jan'05	Feb'05	Mar'05	Apr'05	May'05	Jun'05	Jul'05	Aug'05	Sep'05	Oct'05	Nov'05	Dec'05	Jan'06
Versus a Month Ago (seasonally adjusted)													
Production	18	31	37	15	10	14	-1	13	24	13	8	14	21
Volume of shipments	15	25	23	14	19	20	6	12	13	12	1	5	16
Volume of new orders	23	25	28	22	19	20	9	9	18	16	13	13	19
Backlog of orders	9	9	9	10	6	3	-2	6	14	16	10	12	9
Number of employees	-1	18	11	10	4	9	15	3	3	11	9	7	14
Average employee workweek	3	7	9	1	11	13	9	6	9	8	2	15	6
Prices received for finished product	15	18	17	18	9	9	9	11	19	17	16	18	19
Prices paid for raw materials	45	49	47	37	29	23	24	38	56	51	45	45	36
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	1	8	7	3	2	5	4	7	6	6	10	5	10
Supplier delivery time	14	11	10	8	12	9	8	9	13	11	11	8	7
Inventories: Materials	3	8	10	16	1	8	7	7	2	1	6	16	13
Inventories: Finished goods	8	8	6	10	-8	-2	4	7	0	2	7	13	17
Versus a Year Ago (not seasonally adjusted)													
Production	37	43	44	31	34	38	42	33	55	36	38	26	48
Volume of shipments	46	42	34	23	39	50	46	33	49	38	40	26	43
Volume of new orders	45	45	42	30	45	43	44	33	49	41	40	32	54
Backlog of orders	33	30	26	28	29	23	26	27	29	25	32	31	29
Number of employees	17	14	17	20	20	23	21	18	21	20	19	20	22
Average employee workweek	28	15	11	12	10	23	23	26	17	20	16	21	20
Prices received for finished product	55	53	51	59	45	48	48	48	55	50	45	58	47
Prices paid for raw materials	81	82	85	79	69	70	71	70	82	83	70	85	69
Capital expenditures	20	25	29	29	20	27	20	33	15	31	29	33	31
New orders for exports	10	17	15	14	5	7	13	14	12	16	14	16	13
Supplier delivery time	24	22	25	23	27	17	15	25	25	19	15	14	18
Inventories: Materials	25	15	23	32	17	16	23	31	21	15	22	19	11
Inventories: Finished goods	25	17	17	25	12	9	19	24	19	10	14	15	16
Expected in Six Months (seasonally adjusted)													
Production	40	47	36	39	35	34	36	25	32	23	29	33	29
Volume of shipments	37	52	30	38	34	33	37	30	31	25	31	31	28
Volume of new orders	40	40	40	37	32	31	29	25	21	24	29	26	45
Backlog of orders	23	17	18	20	17	0	13	15	7	10	10	9	22
Number of employees	19	19	13	12	18	17	20	16	14	19	1	15	31
Average employee workweek	17	10	4	7	9	4	8	6	0	3	0	3	6
Prices received for finished product	38	38	37	34	30	28	27	31	37	34	37	44	38
Prices paid for raw materials	61	61	64	54	49	47	36	54	65	69	58	63	58
Capital expenditures	26	25	31	24	20	21	20	26	17	21	21	30	26
New orders for exports	18	20	6	13	12	9	11	9	9	11	7	14	8
Supplier delivery time	11	7	8	10	5	9	-2	5	9	10	8	10	12
Inventories: Materials	10	3	4	5	3	4	0	4	3	3	9	3	5
Inventories: Finished goods	7	1	2	-1	0	-1	-3	2	4	4	4	4	4



Federal Reserve Bank of Kansas City
Manufacturing Survey Home Page