News Release

Federal Reserve Bank of Kansas City

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Manufacturing activity in the Tenth Federal Reserve District expanded at a somewhat slower pace in February than in recent months. However, expectations for future production and shipments were the highest in a year. While the price indexes in the survey remained high by historical standards, expectations for future finished goods prices continued to moderate.

A summary of the February 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

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District expanded at a somewhat slower pace in February than in recent months. However, expectations for future production and shipments were the highest in a year. While the price indexes in the survey remained high by historical standards, expectations for future finished goods prices continued to moderate.

The net percentage of firms reporting month-over-month increases in production in February was 9, down from 21 in January and 14 in December (Tables 1 & 2, Chart). Expansion among both durable-goods- and nondurable-goods-producing plants slowed during the month. The year-over-year production index also declined somewhat in February but, at 37, remained relatively strong by historical standards. Although sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest that production continued to be well above year-ago levels in all district states.

Most other month-over-month indexes of factory activity either declined or remained largely unchanged from January readings. The shipments index dropped from 16 to -4, and the new orders index fell from 19 to 10. On the other hand, indexes for employment, supplier delivery time, and inventories were similar to last month’s readings.

Like production, several other year-over-year indexes also fell somewhat in February. The shipments and new orders indexes dropped after rising in January, and the capital spending index eased after posting near-record readings in recent months. On the other hand, the employment index continued to edge higher, and the inventory indexes both rose considerably.

Plant managers’ expectations for future factory activity improved. The future production and shipments indexes both jumped about 20 points to post their highest readings in a year. The future workweek and inventory indexes also rose sharply. On the other hand, the future employment and capital spending indexes both fell somewhat following strong readings in recent months.

The price indexes in the survey posted little change from last month, with the exception of the future finished goods price index, which declined moderately. The month-over-month raw materials price index was edged up to 38, while the month-over-month finished goods price index edged down to 17. The year-over-year price indexes both rose slightly but were lower than their December peaks. The future raw materials price index edged down for the second straight month, and the future finished goods price index posted a larger decline, falling from 38 to 29. Despite the easing, the future finished goods price index remained similar to readings last summer.

Table1

Summary of Tenth District Manufacturing Conditions, February 2006

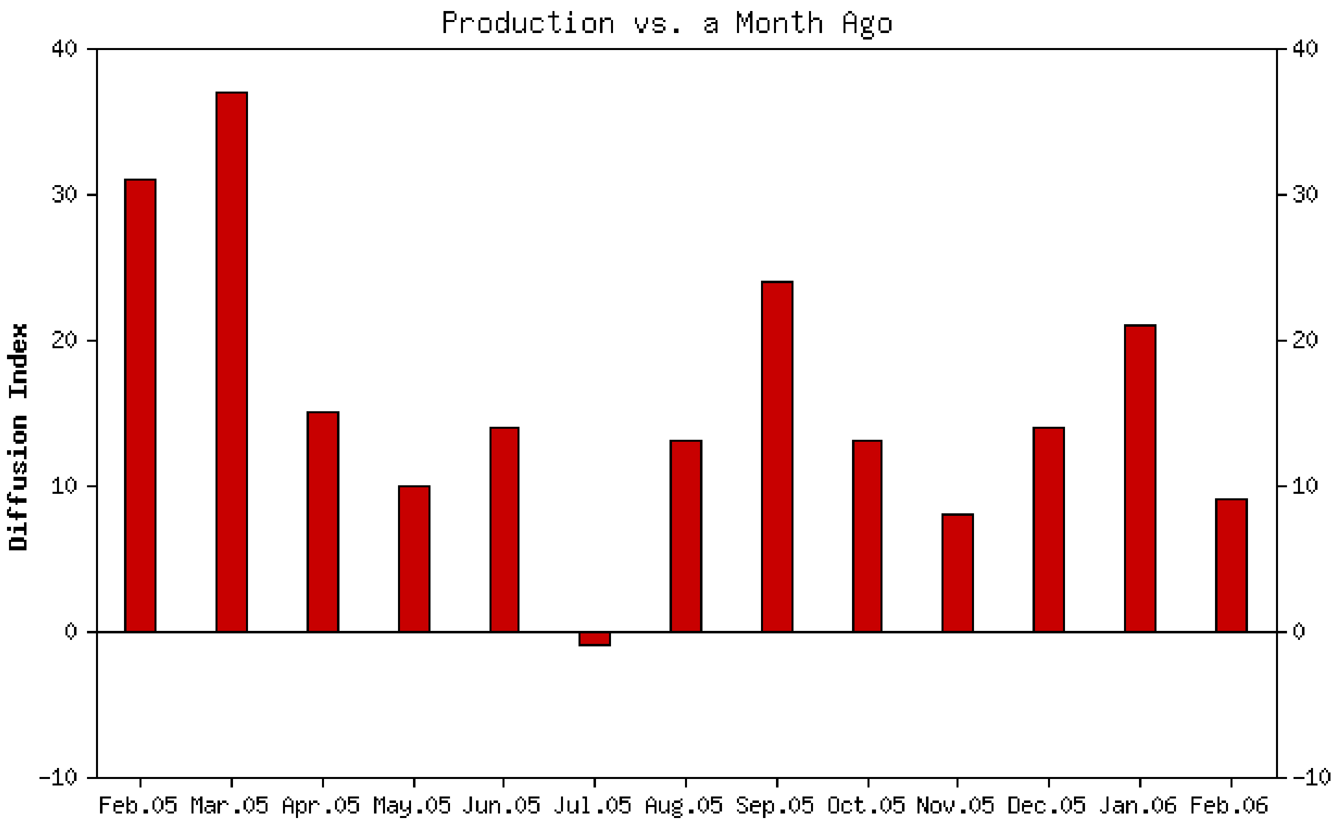
Plant Level Indicators	February vs. January (percent)[1]					February vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	35	36	25	10	9	53	28	15	37	61	24	12	48	47
Volume of shipments	30	32	34	-4	-4	50	27	18	31	64	17	14	49	51
Volume of new orders	36	34	25	11	10	49	28	18	30	54	26	13	41	41
Backlog of orders	29	48	16	12	13	33	43	16	16	33	46	15	17	17
Number of employees	24	61	11	12	15	45	31	21	24	30	52	13	16	14
Average employee workweek	17	63	16	1	1	27	55	13	13	29	56	11	17	17
Prices received for finished product	25	65	7	17	17	64	22	11	52	42	46	9	32	29
Prices paid for raw materials	40	51	4	35	38	76	14	6	70	61	29	6	54	55
Capital expenditures						37	42	15	22	26	60	9	16	17
New orders for exports	7	76	5	2	4	16	65	7	9	14	71	3	11	9
Supplier delivery time	9	83	4	5	8	17	70	7	10	5	89	3	2	4
Inventories:														
Materials	29	54	13	15	14	40	43	12	27	31	48	16	14	16
Finished goods	31	52	11	20	17	34	47	12	22	28	49	16	11	12

[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 February survey included 95 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

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



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