News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity weakened further in November, and firms' expectations for future activity declined considerably. Price indexes in the survey also fell markedly for the second straight month.

A summary of the November 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 weakened further in November, and firms' expectations for future activity declined considerably. Price indexes in the survey also fell markedly for the second straight month.

The net percentage of firms reporting month-over-month increases in production in November was -31, down from -23 in October and -9 in September (Tables 1 & 2, Chart). Production contracted at both durable and non-durable-goods producing plants. Nearly all other month-over-month indexes were down sharply in November. Similar to last month, the production, shipments, new orders and order backlog indexes recorded their lowest levels in the survey's fourteen-year history. The employment index also posted a record survey low, dropping from -12 to -21. After relatively positive growth earlier in the year, the new order for exports index decreased from -6 to -14, another all-time low. The raw materials inventories index fell further this month, while the finished goods inventory index rebounded from -9 to 1.

The year-over-year factory indexes generally posted further declines from October's weak numbers. The production index decreased from -22 to -35, and the shipments, new orders, and order backlog indexes weakened considerably. The employment index slowed from -22 to -29, an all-time survey low, and the capital expenditures index fell into negative territory for the first time in 5 years. The new orders for exports index dropped for the fourth straight month. The raw materials inventory index decreased from -1 to -5, while the finished goods inventory index edged slightly higher.

All future factory activity indexes fell in November, with many indexes recording their lowest levels in the survey's fourteen-year history. The future production index plunged from -3 to -24, and the future shipments, new orders, and order backlog indexes also declined markedly. The future employment index reached its lowest level since April 2001, while the future new orders for exports index remained unchanged after decreasing last month. The future capital expenditures index dropped from -3 to -21, with the majority of contacts reporting a decline in anticipated revenues for 2009. Both inventory indexes edged down further.

Survey price indexes also fell further from already low levels in October. The month-over-month finished goods index edged down from 2 to -5, and the raw materials index also decreased, posting a 10-year low. The year-over-year finished goods price index dropped from 60 to 37, and the raw materials index declined further. The future finished goods index plummeted from 18 to 0, suggesting limited pass-through plans in the months ahead, and the future raw materials index recorded an all-time survey low.

Table1

Summary of Tenth District Manufacturing Conditions, November 2008

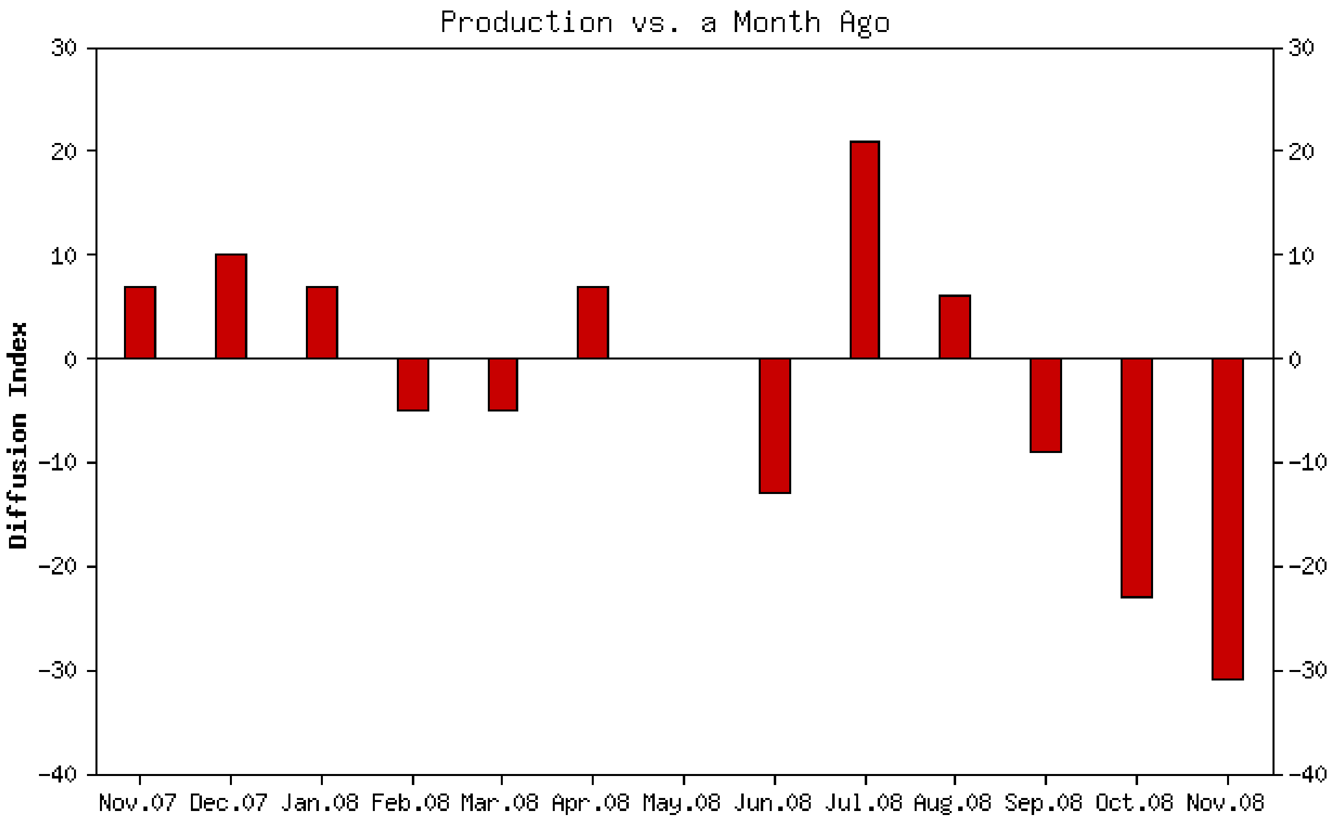
Plant Level Indicators	November vs. October (percent)[1]					November vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	11	33	54	-42	-31	21	20	56	-35	24	25	49	-24	-24
Volume of shipments	12	26	60	-48	-38	23	19	55	-31	29	21	46	-17	-22
Volume of new orders	16	19	62	-45	-39	15	20	61	-45	27	27	43	-15	-20
Backlog of orders	11	31	54	-42	-38	16	23	56	-40	17	36	40	-23	-21
Number of employees	11	52	35	-24	-21	22	25	51	-29	15	40	44	-29	-27
Average employee workweek	5	54	36	-30	-25	9	43	45	-36	14	52	30	-16	-11
Prices received for finished product	10	70	17	-6	-5	56	20	19	37	25	49	22	2	0
Prices paid for raw materials	13	54	32	-19	-19	62	13	23	39	29	30	39	-9	-12
Capital expenditures						23	40	34	-10	16	46	35	-18	-21
New orders for exports	9	57	22	-13	-14	14	53	22	-8	15	55	18	-3	-5
Supplier delivery time	4	81	13	-9	-8	8	70	19	-10	8	75	13	-5	-7
Inventories:														
Materials	16	51	31	-15	-11	29	35	35	-5	15	45	35	-20	-19
Finished goods	21	51	25	-3	1	29	38	30	0	20	39	35	-15	-15

[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 November survey included 120 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08	Sep'08	Oct'08	Nov'08
Versus a Month Ago (seasonally adjusted)													
Production	7	10	7	-5	-5	7	0	-13	21	6	-9	-23	-31
Volume of shipments	12	5	2	-5	-5	10	6	-14	24	2	-8	-20	-38
Volume of new orders	12	8	15	6	-8	0	0	-3	19	9	-14	-23	-39
Backlog of orders	5	2	2	0	-5	-3	0	-12	0	-4	-15	-24	-38
Number of employees	-3	1	8	-5	-10	1	1	-9	4	0	-7	-12	-21
Average employee workweek	0	2	-3	-3	-5	4	-1	-2	7	5	-7	-20	-25
Prices received for finished product	11	8	15	13	23	22	31	36	33	30	20	2	-5
Prices paid for raw materials	43	32	47	58	64	63	70	70	68	53	38	-2	-19
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	4	2	8	4	13	7	17	8	16	2	4	-6	-14
Supplier delivery time	7	6	10	7	6	7	5	14	8	8	3	-2	-8
Inventories: Materials	-5	-1	-4	-2	-3	4	2	-2	-4	1	-3	-7	-11
Inventories: Finished goods	-6	-3	3	7	6	12	0	-1	6	-6	0	-9	1
Versus a Year Ago (not seasonally adjusted)													
Production	8	20	5	10	0	-5	-7	-10	7	1	-1	-22	-35
Volume of shipments	18	22	11	13	0	0	-4	-10	5	4	-3	-14	-31
Volume of new orders	18	8	18	13	-9	0	-5	-7	0	5	-5	-22	-45
Backlog of orders	4	1	2	-3	-11	-8	-6	-8	-7	-4	-8	-26	-40
Number of employees	8	9	10	8	5	0	-4	-6	-6	-10	-7	-22	-29
Average employee workweek	-4	14	0	-3	-11	-11	-9	-11	-6	-5	-13	-24	-36
Prices received for finished product	48	50	51	53	60	56	61	69	61	68	64	60	37
Prices paid for raw materials	75	70	75	84	84	87	95	88	91	90	86	72	39
Capital expenditures	18	18	12	15	14	10	11	11	17	10	10	6	-10
New orders for exports	9	12	18	8	11	10	22	22	22	10	8	-3	-8
Supplier delivery time	7	6	5	10	11	21	10	19	11	12	4	0	-10
Inventories: Materials	-1	2	0	4	0	7	3	-6	14	5	8	-1	-5
Inventories: Finished goods	-5	-3	0	10	6	5	0	-5	8	-1	0	-6	0
Expected in Six Months (seasonally adjusted)													
Production	27	26	18	26	6	18	11	21	14	30	3	-3	-24
Volume of shipments	25	30	17	30	11	15	16	18	11	25	-1	-2	-22
Volume of new orders	19	25	23	21	12	14	22	16	8	28	4	-6	-20
Backlog of orders	5	8	13	12	9	-1	2	6	0	13	0	0	-21
Number of employees	11	20	18	11	10	11	6	3	9	5	0	-8	-27
Average employee workweek	-2	-1	0	0	-7	0	-3	-5	-1	0	-3	-8	-11
Prices received for finished product	27	32	40	41	49	44	49	49	58	53	24	18	0
Prices paid for raw materials	58	62	61	73	74	82	82	84	73	73	51	17	-12
Capital expenditures	19	17	9	19	11	10	14	16	19	7	12	-3	-21
New orders for exports	13	18	15	21	22	19	22	25	16	10	7	-5	-5
Supplier delivery time	6	3	4	8	10	10	10	8	2	6	1	-5	-7
Inventories: Materials	-3	4	-8	5	-6	-3	-2	4	-2	-5	-7	-14	-19
Inventories: Finished goods	-2	0	-10	1	-1	2	-8	-4	-10	-10	-6	-9	-15



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