



News Release

Federal Reserve Bank of Kansas City

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Overall Tenth District manufacturing activity was sluggish in May, though export activity was strong and firms' expectations for future factory activity remained generally positive. Price pressures intensified, with continued increases in raw materials prices and a notable uptick in finished goods prices.

A summary of the May 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

Overall Tenth District manufacturing activity was sluggish in May, though export activity was strong and firms' expectations for future factory activity remained generally positive. Price pressures intensified, with continued increases in raw materials prices and a notable uptick in finished goods prices.

The net percentage of firms reporting month-over-month increases in production in May was 0, down from 7 in April, but up from -5 in March (Tables 1 & 2, Chart). Production eased at both durable and non-durable-goods producing plants. The majority of other month-over-month indexes also decreased or remained unchanged relative to April levels. The shipments index eased slightly from 10 to 6, and the average employee workweek and supplier delivery time indexes also fell. The new orders and employment indexes both remained unchanged from last month, while the order backlog index edged up slightly. The new export orders index jumped from 7 to 17, a seven-year high, with several firms citing high overseas demand and increased domestic investment by foreign firms. Both inventory indexes fell after rebounding last month.

The year-over-year indexes were mixed in May. The production index fell for the third straight month from -5 to -7. The shipments index decreased to a five-year low, and the new orders and employment indexes also declined. In contrast, the capital spending index remained positive and the new export orders index jumped to an all-time survey high. The raw materials inventory index continued to be above zero, while the finished goods inventory index decreased for the third straight month.

After rebounding last month, most future factory activity indexes moderated or remained largely unchanged. The future production index eased from 18 to 11, and the future employment index dropped somewhat from 11 to 6. The future shipments and order backlog indexes remained relatively unchanged, while the future new order index rose from 14 to 22. The future new export orders index also edged up. The future capital expenditures index increased from 10 to 14, with several firms citing strong expected sales growth and high capacity utilization as reasons for investing in new plant and equipment. The future finished goods inventory index fell from 2 to -8, while the future raw materials inventory index was largely unchanged.

Price indexes climbed higher in May. The month-over-month raw materials index rose from 63 to 70, and the finished goods index jumped from 22 to 31, a survey high. The year-over-year raw materials index reached an all-time high of 95, and the year-over-year finished goods index edged up from 56 to 61. The future price indexes both recorded historically high levels, with the finished goods index rising from 44 to 49 and the raw materials index unchanged at 82. Several firms commented on the continued escalation of raw materials prices, particularly steel and fuel.

Table1

Summary of Tenth District Manufacturing Conditions, May 2008

Plant Level Indicators	May vs. April (percent) ¹					May vs. Year Ago (percent) ¹				Expected in Six Months (percent) ¹				
	No		Diff	SA	Index ²	Index ³	No		Diff	Index ²	No		Diff	SA
	Increase	Change	Decrease	Increase			Change	Decrease	Increase		Change	Decrease	Increase	Change
Production	36	33	29	6	0	37	17	45	-7	37	34	27	9	11
Volume of shipments	41	28	29	11	6	37	19	42	-4	38	35	25	13	16
Volume of new orders	36	29	30	5	0	34	23	40	-5	44	30	23	21	22
Backlog of orders	28	44	25	3	0	28	33	35	-6	27	47	23	4	2
Number of employees	22	60	17	4	1	30	31	35	-4	28	47	23	5	6
Average employee workweek	18	64	16	1	-1	20	50	29	-9	18	63	18	0	-3
Prices received for finished product	33	62	2	30	31	68	24	6	61	54	39	4	50	49
Prices paid for raw materials	72	26	0	72	70	96	0	0	95	84	12	0	83	82
Capital expenditures						32	43	21	11	28	49	20	8	14
New orders for exports	18	69	1	16	17	26	57	4	22	26	59	3	23	22
Supplier delivery time	12	78	5	6	5	20	69	9	10	14	79	3	10	10
Inventories:														
Materials	23	58	17	5	2	27	45	24	3	22	52	24	-1	-2
Finished goods	18	59	16	1	0	20	54	21	0	14	58	22	-7	-8

¹Percentage may not add to 100 due to rounding.

²Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

³Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

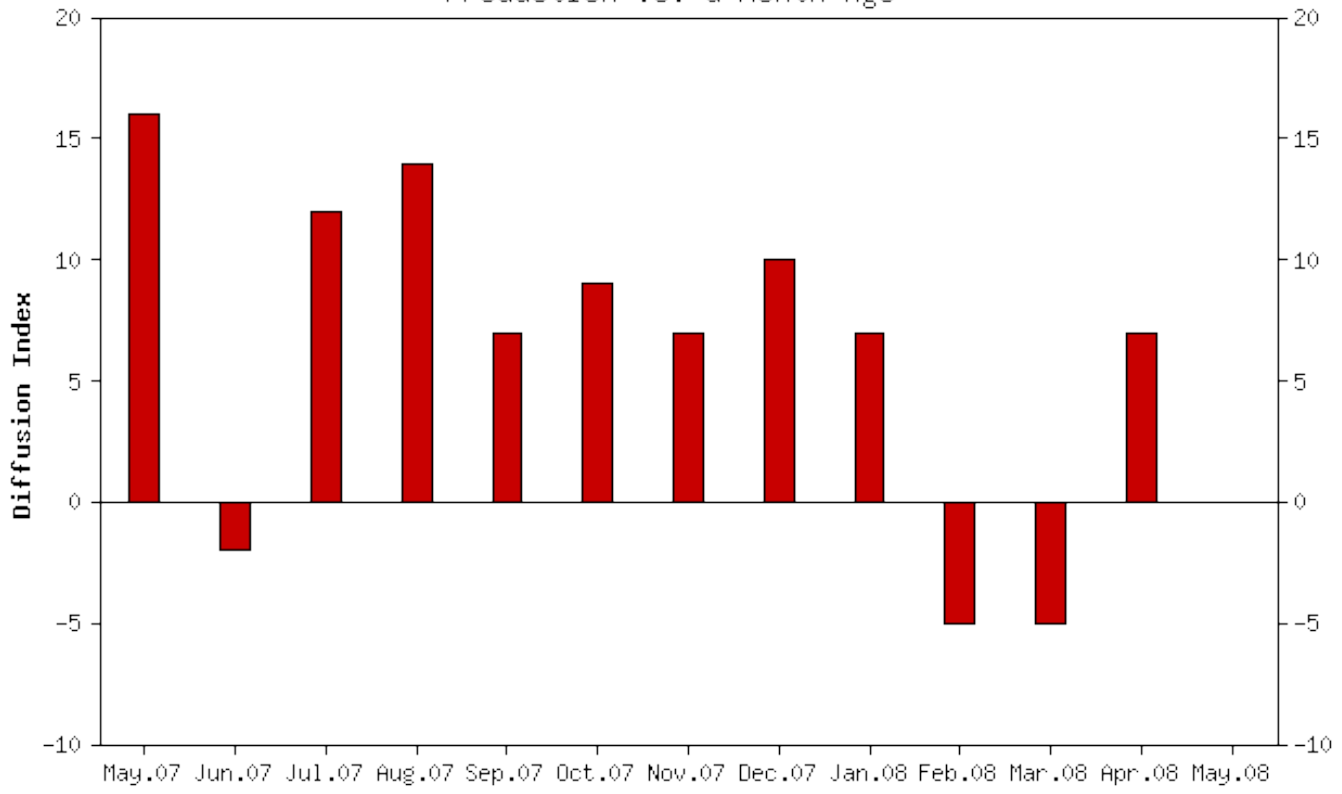
Note: The May survey included 104 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	May'07	Jun'07	Jul'07	Aug'07	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08
Versus a Month Ago (seasonally adjusted)													
Production	16	-2	12	14	7	9	7	10	7	-5	-5	7	0
Volume of shipments	15	-2	14	15	7	13	12	5	2	-5	-5	10	6
Volume of new orders	16	8	8	20	5	0	12	8	15	6	-8	0	0
Backlog of orders	0	9	0	4	1	-3	5	2	2	0	-5	-3	0
Number of employees	13	9	2	2	1	-1	-3	1	8	-5	-10	1	1
Average employee workweek	12	-4	0	3	1	-3	0	2	-3	-3	-5	4	-1
Prices received for finished product	16	14	12	9	8	11	11	8	15	13	23	22	31
Prices paid for raw materials	41	37	43	21	29	35	43	32	47	58	64	63	70
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	2	2	5	5	4	3	4	2	8	4	13	7	17
Supplier delivery time	2	6	5	4	4	6	7	6	10	7	6	7	5
Inventories: Materials	5	9	11	-3	-2	-5	-5	-1	-4	-2	-3	4	2
Inventories: Finished goods	1	2	0	-3	-12	-6	-6	-3	3	7	6	12	0
Versus a Year Ago (not seasonally adjusted)													
Production	33	23	16	27	25	22	8	20	5	10	0	-5	-7
Volume of shipments	32	17	16	22	27	23	18	22	11	13	0	0	-4
Volume of new orders	27	29	15	25	24	19	18	8	18	13	-9	0	-5
Backlog of orders	8	17	2	7	0	6	4	1	2	-3	-11	-8	-6
Number of employees	23	23	22	10	14	4	8	9	10	8	5	0	-4
Average employee workweek	7	6	1	0	4	5	-4	14	0	-3	-11	-11	-9
Prices received for finished product	66	53	52	51	51	48	48	50	51	53	60	56	61
Prices paid for raw materials	83	76	79	62	67	71	75	70	75	84	84	87	95
Capital expenditures	20	16	16	16	11	16	18	18	12	15	14	10	11
New orders for exports	6	3	13	13	7	12	9	12	18	8	11	10	22
Supplier delivery time	6	14	9	9	10	12	7	6	5	10	11	21	10
Inventories: Materials	31	25	17	10	10	6	-1	2	0	4	0	7	3
Inventories: Finished goods	15	16	6	8	7	0	-5	-3	0	10	6	5	0
Expected in Six Months (seasonally adjusted)													
Production	29	29	27	25	27	28	27	26	18	26	6	18	11
Volume of shipments	26	28	28	22	27	29	25	30	17	30	11	15	16
Volume of new orders	20	22	21	19	21	23	19	25	23	21	12	14	22
Backlog of orders	11	11	11	3	10	12	5	8	13	12	9	-1	2
Number of employees	13	17	17	13	12	10	11	20	18	11	10	11	6
Average employee workweek	3	8	5	1	3	7	-2	-1	0	0	-7	0	-3
Prices received for finished product	42	39	37	35	30	35	27	32	40	41	49	44	49
Prices paid for raw materials	67	56	63	55	53	51	58	62	61	73	74	82	82
Capital expenditures	20	22	19	16	17	15	19	17	9	19	11	10	14
New orders for exports	14	7	18	14	12	10	13	18	15	21	22	19	22
Supplier delivery time	8	11	6	7	3	8	6	3	4	8	10	10	10
Inventories: Materials	2	2	11	7	-11	-5	-3	4	-8	5	-6	-3	-2
Inventories: Finished goods	4	1	5	0	-15	-1	-2	0	-10	1	-1	2	-8

Production vs. a Month Ago



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