News Release

Federal Reserve Bank of Kansas City

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Tenth District manufacturing activity declined in June, although export activity continued at solid levels and firms' expectations for future factory activity remained generally positive. Price pressures intensified, with nearly all survey price indexes posting record high levels.

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

Tenth District manufacturing activity declined in June, although export activity continued at solid levels and firms' expectations for future factory activity remained generally positive. Price pressures intensified, with nearly all survey price indexes posting record high levels.

The net percentage of firms reporting month-over-month increases in production in June was -13, down from 0 in May and 7 in April (Tables 1 & 2, Chart). Production fell at both durable and non-durable-goods producing plants. The majority of other month-over-month indexes also decreased in June. The shipments index dropped to its lowest level since 2001, and the new orders index fell from 0 to -3. The employment and order backlog indexes both fell into negative territory this month. The new export orders index edged down from 17 to 8, but still remained relatively solid. Both inventory indexes fell slightly for the second straight month.

The year-over-year indexes posted sluggish results in June. The production index eased from -7 to -10 and the shipments index decreased from -4 to -10, both at their lowest levels in five years. The new orders, employment, and order backlog indexes all declined this month. In contrast, the capital expenditures index was unchanged and the new export orders index remained at an all-time survey high. The raw materials inventory index dropped from 3 to -6, and the finished goods inventory index also edged down.

Most future factory activity indexes remained positive, especially for areas that produce agriculture and energy equipment. The future production index climbed from 11 to 21, and the future shipments index rose from 16 to 18. The future order backlog and capital expenditures indexes also edged up in June. The future new export orders index increased from 22 to 25, an all-time survey high. In contrast, the future new orders and future employment indexes both fell slightly. Both inventory indexes improved over the previous month.

Price indexes rose even further in June, with several at continued all-time highs. The month-over-month finished goods index increased from 31 to 36, and the raw materials index was unchanged at 70, both at their highest levels in survey history. The year-over-year raw materials index moderated slightly from 95 to 88, but the year-over-year finished goods index continued to climb higher. The future price indexes both recorded historically high levels, with the finished goods index unchanged at 49 and the raw materials index increasing from 82 to 84. Firms continued to comment on the rapid rise in raw materials prices, particularly for commodities such as steel, oil, and natural gas.

Table1

Summary of Tenth District Manufacturing Conditions, June 2008

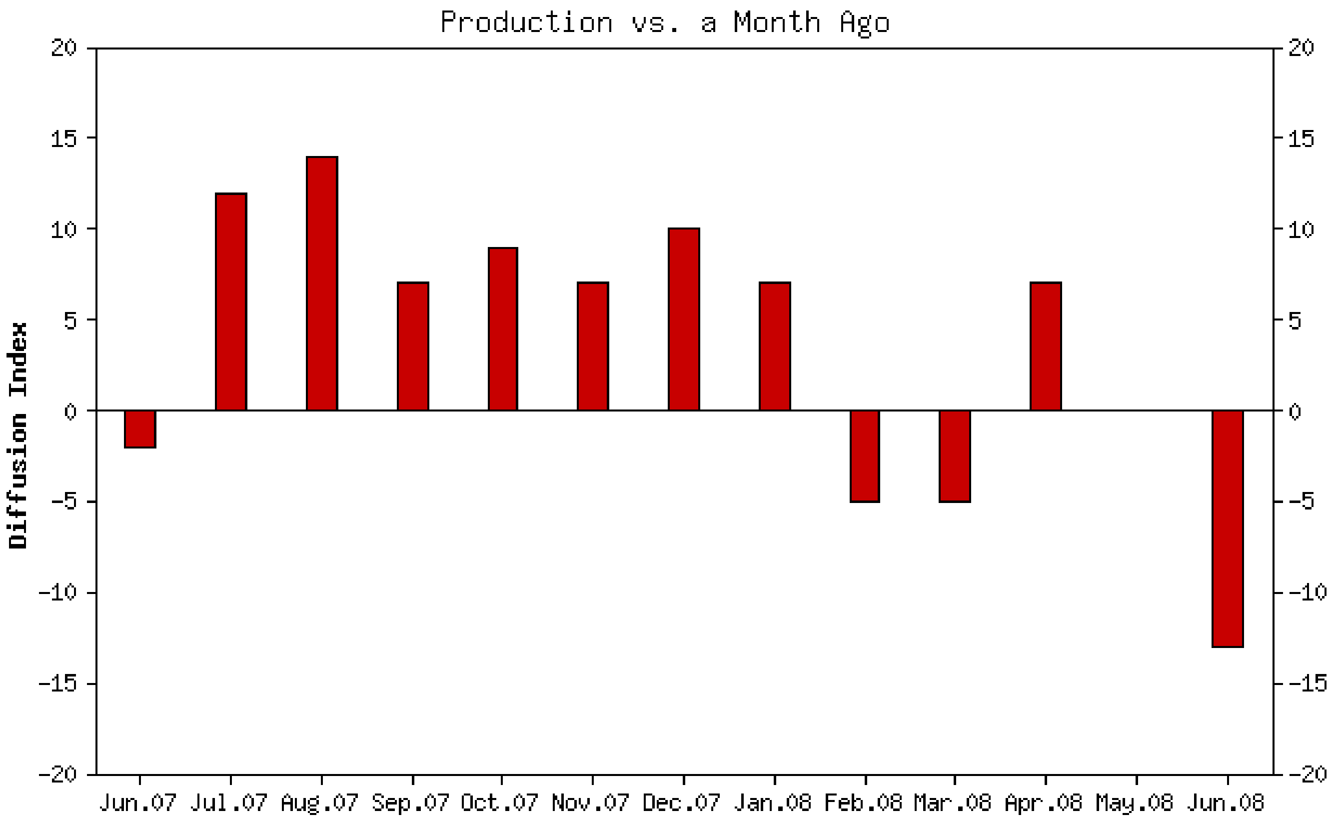
Plant Level Indicators	June vs. May (percent)[1]					June vs. Year Ago (percent)[1]				Expected in Six Months (percent)[1]				
	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]	Increase	No Change	Decrease	Diff Index[2]	Increase	No Change	Decrease	Diff Index[2]	SA Index[3]
Production	22	47	30	-7	-13	33	21	43	-10	39	37	22	16	21
Volume of shipments	25	43	30	-5	-14	32	21	43	-10	38	36	23	14	18
Volume of new orders	29	40	30	0	-3	34	21	41	-7	38	37	23	14	16
Backlog of orders	19	49	30	-10	-12	27	33	35	-8	27	46	22	4	6
Number of employees	14	65	20	-5	-9	28	34	34	-6	27	46	24	2	3
Average employee workweek	13	70	14	0	-2	15	55	27	-11	15	59	22	-7	-5
Prices received for finished product	40	54	3	37	36	73	19	4	69	54	36	6	48	49
Prices paid for raw materials	75	22	1	73	70	90	4	2	88	83	12	1	81	84
Capital expenditures						32	44	20	11	30	52	14	15	16
New orders for exports	13	70	6	7	8	27	56	4	22	24	61	2	21	25
Supplier delivery time	18	77	0	17	14	24	66	5	19	14	77	4	10	8
Inventories:														
Materials	20	60	20	0	-2	24	43	30	-6	23	56	19	4	4
Finished goods	17	61	17	0	-1	18	55	23	-5	16	60	20	-3	-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 June survey included 110 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Jun'07	Jul'07	Aug'07	Sep'07	Oct'07	Nov'07	Dec'07	Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08
Versus a Month Ago (seasonally adjusted)													
Production	-2	12	14	7	9	7	10	7	-5	-5	7	0	-13
Volume of shipments	-2	14	15	7	13	12	5	2	-5	-5	10	6	-14
Volume of new orders	8	8	20	5	0	12	8	15	6	-8	0	0	-3
Backlog of orders	9	0	4	1	-3	5	2	2	0	-5	-3	0	-12
Number of employees	9	2	2	1	-1	-3	1	8	-5	-10	1	1	-9
Average employee workweek	-4	0	3	1	-3	0	2	-3	-3	-5	4	-1	-2
Prices received for finished product	14	12	9	8	11	11	8	15	13	23	22	31	36
Prices paid for raw materials	37	43	21	29	35	43	32	47	58	64	63	70	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	5	5	4	3	4	2	8	4	13	7	17	8
Supplier delivery time	6	5	4	4	6	7	6	10	7	6	7	5	14
Inventories: Materials	9	11	-3	-2	-5	-5	-1	-4	-2	-3	4	2	-2
Inventories: Finished goods	2	0	-3	-12	-6	-6	-3	3	7	6	12	0	-1
Versus a Year Ago (not seasonally adjusted)													
Production	23	16	27	25	22	8	20	5	10	0	-5	-7	-10
Volume of shipments	17	16	22	27	23	18	22	11	13	0	0	-4	-10
Volume of new orders	29	15	25	24	19	18	8	18	13	-9	0	-5	-7
Backlog of orders	17	2	7	0	6	4	1	2	-3	-11	-8	-6	-8
Number of employees	23	22	10	14	4	8	9	10	8	5	0	-4	-6
Average employee workweek	6	1	0	4	5	-4	14	0	-3	-11	-11	-9	-11
Prices received for finished product	53	52	51	51	48	48	50	51	53	60	56	61	69
Prices paid for raw materials	76	79	62	67	71	75	70	75	84	84	87	95	88
Capital expenditures	16	16	16	11	16	18	18	12	15	14	10	11	11
New orders for exports	3	13	13	7	12	9	12	18	8	11	10	22	22
Supplier delivery time	14	9	9	10	12	7	6	5	10	11	21	10	19
Inventories: Materials	25	17	10	10	6	-1	2	0	4	0	7	3	-6
Inventories: Finished goods	16	6	8	7	0	-5	-3	0	10	6	5	0	-5
Expected in Six Months (seasonally adjusted)													
Production	29	27	25	27	28	27	26	18	26	6	18	11	21
Volume of shipments	28	28	22	27	29	25	30	17	30	11	15	16	18
Volume of new orders	22	21	19	21	23	19	25	23	21	12	14	22	16
Backlog of orders	11	11	3	10	12	5	8	13	12	9	-1	2	6
Number of employees	17	17	13	12	10	11	20	18	11	10	11	6	3
Average employee workweek	8	5	1	3	7	-2	-1	0	0	-7	0	-3	-5
Prices received for finished product	39	37	35	30	35	27	32	40	41	49	44	49	49
Prices paid for raw materials	56	63	55	53	51	58	62	61	73	74	82	82	84
Capital expenditures	22	19	16	17	15	19	17	9	19	11	10	14	16
New orders for exports	7	18	14	12	10	13	18	15	21	22	19	22	25
Supplier delivery time	11	6	7	3	8	6	3	4	8	10	10	10	8
Inventories: Materials	2	11	7	-11	-5	-3	4	-8	5	-6	-3	-2	4
Inventories: Finished goods	1	5	0	-15	-1	-2	0	-10	1	-1	2	-8	-4



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