



News Release

Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

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Phone (816) 881-2683
Fax (816) 881-2569

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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District grew solidly in March although plant managers' expectations for future activity were somewhat lower than in recent months.

A summary of the March survey is attached to this press release.

The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.

For more information about the monthly manufacturing survey, contact Chad Wilkerson, Economic Research Department, (816) 881-2869. The March manufacturing survey, as well as background information and results from past surveys, can be found on the Federal Reserve Bank of Kansas City's web site, <http://www.kansascityfed.org>.

Survey of Tenth District Manufacturing

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District grew solidly in March. The year-over-year production index edged higher, and employment and capital spending continued to increase. Price pressures persisted, as the year-over-year and future price indexes remained at or near record highs. All of the month-over-month indexes in the survey rose for the second month in a row, but the monthly data are not seasonally adjusted, so caution must be taken in basing analyses on month-to-month comparisons.

The net percentage of firms reporting year-over-year increases in production edged up to 44 in March from readings of 43 in February and 37 in January (Tables 1 & 2). In March, a slight improvement in the production index among durable-goods-producing plants offset a slight easing among nondurable-goods-producing plants, though production remained well above year-ago levels for both categories of firms. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was well above year-ago levels in all district states.

Other year-over-year indexes of factory activity generally remained solid. The capital spending index continued to edge higher, rising from 26 to 30, and the employment index rose from 15 to 18. On the other hand, the shipments and new orders indexes fell somewhat from readings in recent months, as did the index for average employee workweek. The inventory indexes were both relatively high by historical standards. The index for materials inventories rose nearly back to its ten-year-high of 25 set in January, while the finished goods inventory index was unchanged at 17.

The year-over-year price indexes diverged only slightly from February's high levels. The raw materials price index edged up for the fourth straight month, from 83 to 86, to post another record high. The finished goods price index edged down for the second straight month from the record high posted in January, falling from 54 to 51. The slight widening in the gap between the two indexes followed some narrowing earlier in the year and suggests some firms may have encountered difficulties raising prices. However, even though the finished goods price index has eased the last two months, the reading in March was still the third-highest on record.

Plant managers' expectations for future factory activity in March were somewhat lower than in recent months. The six-month-ahead production index fell from 48 to 33, its lowest reading since January 2004, and the future shipments and employment indexes also fell to their lowest levels in over a year. More positively, the future new orders index was virtually unchanged from the solid readings of the previous four months. In addition, the future capital spending index increased for the third straight month, rising to its highest level since April 2004. The future price indexes showed a similar pattern as the year-over-year price indexes. The future raw materials price index edged up for the third straight month, rising from 61 to 63. The future finished goods price index fell from a record 42 in February to 35 in March, a similar reading as in the three months prior to February. The slight widening in the gap between the two future price indexes suggests more firms than a month ago anticipate difficulties in passing cost increases through to customers. Still, the future finished goods price index remains very high by historical standards, indicating that a sizable number of firms plan to continue raising prices.

Table1

Summary of Tenth District Manufacturing Conditions, March 2005

	March vs. February (percent, not seasonally adjusted)				March vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	54	34	10	44	63	16	19	44	47	36	14	33
Volume of shipments	51	35	11	40	56	20	22	34	48	34	15	33
Volume of new orders	50	35	12	38	61	18	19	42	55	30	13	42
Backlog of orders	33	43	20	13	44	33	18	26	33	47	14	19
Number of employees	25	62	11	14	40	34	22	18	32	48	18	14
Average employee workweek	23	61	13	10	27	55	16	11	22	58	18	4
Prices received for finished product	21	77	0	21	60	28	9	51	42	47	7	35
Prices paid for raw materials	54	41	1	53	86	9	0	86	68	21	5	63
Capital expenditures					42	42	12	30	41	45	11	30
New orders for exports	14	71	4	10	22	62	6	16	12	72	5	7
Supplier delivery time	14	81	2	12	30	63	4	26	14	79	5	9
Inventories:												
Materials	26	57	15	11	43	36	19	24	27	51	20	7
Finished goods	25	52	18	7	38	35	21	17	26	48	21	5

* The diffusion index is calculated by subtracting the percentage of total respondents reporting decreases in a given indicator from the percentage of those reporting increases. Index values greater than zero generally suggest expansion, while values less than zero indicate contraction. When index values are closer to 100, the increases among respondents are more widespread. When index values are closer to -100, decreases are more widespread.

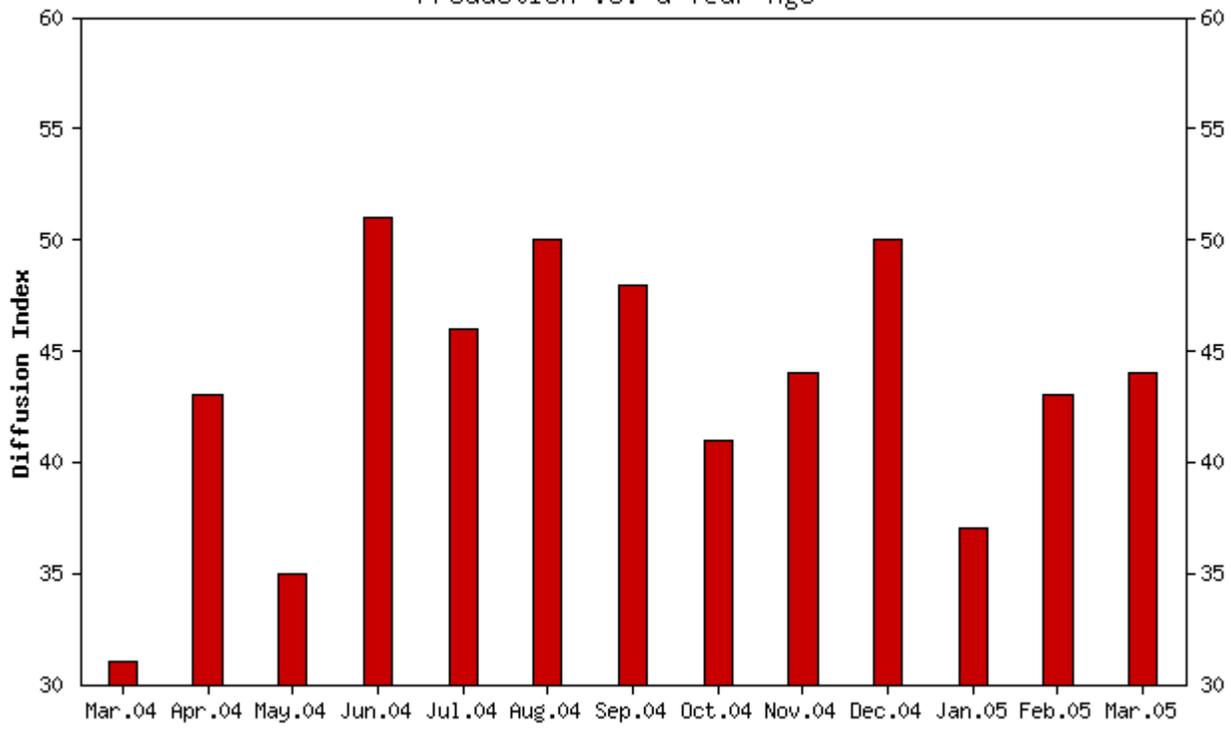
Note: The March survey included 109 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

	Mar'04	Apr'04	May'04	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04	Dec'04	Jan'05	Feb'05	Mar'05
Versus a Month Ago (not seasonally adjusted)													
Production	27	28	23	26	20	15	20	20	6	2	18	32	44
Volume of shipments	37	36	14	25	14	25	23	3	4	-1	11	25	40
Volume of new orders	29	34	20	23	21	15	19	18	8	-1	22	26	38
Backlog of orders	10	28	22	4	13	-6	7	3	-3	-7	9	8	13
Number of employees	15	14	18	16	11	12	13	22	4	5	-4	15	14
Average employee workweek	11	17	15	16	21	17	6	12	5	-5	2	8	10
Prices received for finished product	17	28	22	9	16	14	16	15	9	12	18	20	21
Prices paid for raw materials	57	67	56	54	47	52	46	53	43	35	46	49	53
Capital expenditures	n/a												
New orders for exports	5	9	0	1	1	-6	0	3	5	6	1	6	10
Supplier delivery time	15	27	16	6	16	17	22	13	10	10	14	9	12
Inventories: Materials	3	15	13	-2	1	13	11	12	5	-5	5	8	11
Inventories: Finished goods	-6	1	9	0	4	11	6	17	1	-2	7	11	7
Versus a Year Ago													
Production	31	43	35	51	46	50	48	41	44	50	37	43	44
Volume of shipments	34	45	39	46	49	55	51	42	47	53	47	42	34
Volume of new orders	29	52	45	47	51	52	50	42	44	52	45	45	42
Backlog of orders	21	31	33	28	37	27	31	23	30	29	34	31	26
Number of employees	14	19	19	22	15	25	27	25	28	30	18	15	18
Average employee workweek	16	24	21	37	30	29	28	21	17	23	29	15	11
Prices received for finished product	19	37	34	34	42	37	38	41	40	40	55	54	51
Prices paid for raw materials	64	82	75	71	82	73	72	77	74	76	81	83	86
Capital expenditures	18	22	22	23	17	16	30	19	21	18	20	26	30
New orders for exports	10	9	3	2	5	8	7	6	8	12	11	18	16
Supplier delivery time	20	26	20	22	30	24	35	23	19	18	24	22	26
Inventories: Materials	6	5	16	9	6	17	19	20	18	10	25	15	24
Inventories: Finished goods	-5	-2	3	1	-3	9	13	12	16	15	25	17	17
Expected in Six Months (not seasonally adjusted)													
Production	40	46	36	48	40	39	39	39	38	41	46	48	33
Volume of shipments	45	53	35	44	36	40	38	35	43	41	44	50	33
Volume of new orders	36	46	28	47	36	39	38	37	44	43	41	41	42
Backlog of orders	25	26	17	29	16	9	17	20	26	28	24	18	19
Number of employees	19	28	18	16	15	30	23	26	23	21	16	23	14
Average employee workweek	7	12	5	13	18	14	8	8	6	15	21	10	4
Prices received for finished product	24	39	28	28	31	20	30	30	36	34	36	42	35
Prices paid for raw materials	55	65	57	49	61	55	54	59	59	56	60	61	63
Capital expenditures	22	34	25	23	18	19	25	25	24	20	23	24	30
New orders for exports	15	14	8	7	5	14	10	13	13	12	23	22	7
Supplier delivery time	14	11	13	1	11	14	14	16	8	5	9	6	9
Inventories: Materials	1	1	5	-6	-2	11	-5	4	-1	-1	5	1	7
Inventories: Finished goods	-10	-2	-2	2	0	9	4	0	1	-8	5	1	5

Production vs. a Year Ago



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