



# News Release

## Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

**News Release**  
**Federal Reserve Bank of Kansas City**  
**Kansas City, Missouri 64198**  
**Phone (816) 881-2683**  
**Fax (816) 881-2569**

FOR RELEASE Wednesday, July 27, 2005  
EMBARGOED FOR 11:00 A.M. EST

Growth in manufacturing activity in the Tenth Federal Reserve District was very modest in July, but activity remained much stronger than a year ago, and expectations for future activity were the highest in several months. Manufacturing price pressures edged up in July but remained lower than in 2004.

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

In order to provide more timely information on factory activity in the Tenth District, the Federal Reserve Bank of Kansas City's manufacturing survey results are now released at the end of the same month the survey references. In addition, enough data now exist for the month-vs.-month and expected-in-six-months indexes in the survey to be seasonally adjusted. Also, some of the historical year-vs.-year indexes are slightly different than previously reported due to a change in the rounding procedure.

Results from past surveys and release dates for future surveys can be found at: <http://www.kc.frb.org/mfgsurv/mfgmain.htm>. Also available at this site are articles from the Bank's Economic Review containing background information on the Tenth District manufacturing survey and analysis of its information value. For further information about the survey, contact Chad Wilkerson, Economic Research Department, (816) 881-2869.

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

Growth in manufacturing activity in the Tenth Federal Reserve District was very modest in July, but activity remained much stronger than a year ago, and expectations for future activity were the highest in several months. Manufacturing price pressures edged up in July but remained lower than in 2004. The July survey incorporates seasonally-adjusted numbers for the first time, so this report will focus more on month-to-month changes in factory activity than did past reports.

The net percentage of firms reporting month-over-month increases in production in July was 1, down moderately from 11 in June and 7 in May, and the lowest reading in over two years (Tables 1 & 2, Chart). More positively, the year-over-year production index edged up from 38 to 42, similar to the generally strong readings on that index from early 2004 to early 2005. While sample sizes make it difficult to draw firm conclusions about individual states, the data available suggest production rose solidly in Kansas, fell in western Missouri, and was largely unchanged in other district states in July. Production in all district states remained well above year-ago levels.

Several other month-over-month indexes of factory activity were also lower in July than in June. The shipments index dropped from 18 to 7, the new orders index fell from 17 to 10, and the workweek index edged down from 14 to 11. On the other hand, the employment index rose from 7 to 17, a reading that has been surpassed only once since the 2001 recession. The index for inventories of finished goods also rose moderately, posting a reading of 5 in July following negative readings in May and June.

Like production, most other year-over-year indexes of factory activity remained quite strong. The shipments and new orders indexes were in the mid-40s, down only slightly from all-time highs in the low 50s in 2004, and the employment and capital spending indexes were around 20, solid readings by historical standards. The inventory indexes—for both raw materials and finished goods—were also around 20, higher than in the past two months.

The month-over-month price indexes both rose slightly in July after easing in recent months. The raw materials price index increased from 18 to 27, the highest reading since April but still considerably lower than readings throughout 2004. The finished goods price index edged up from 5 to 10 but also remained lower than readings from mid-2004 through spring 2005. The year-over-year price indexes were virtually unchanged from June and still very high by historical standards.

Plant managers' expectations for future factory activity were stronger than in recent months. The future production index rose from 33 to 40, the highest since February, and the future shipments and orders indexes posted even larger gains from June to July. The future employment index rose from 17 to 24, the highest reading since last fall and especially encouraging given the sizable increase in the month-over-month employment index in July. The future capital spending index also edged up in July, though it was slightly lower than readings in late 2004 and early 2005. The gap between the future price indexes narrowed slightly. The future raw materials price index edged down from 37 to 36, while the future finished goods price index rose from 23 to 27. Both future price indexes remained below their late 2004 peaks, but the future finished goods price index remains quite high by historical standards, suggesting some price pressures could persist at the wholesale level for the remainder of the year.

Table1

## Summary of Tenth District Manufacturing Conditions, July 2005

	July vs. June (percent) <sup>1</sup>					July vs. Year Ago (percent) <sup>1</sup>				Expected in Six Months (percent) <sup>1</sup>				
	No Increase	Change	Decrease	Diff	SA	No Increase	Change	Decrease	Diff	No Increase	Change	Decrease	Diff	SA
				Index <sup>2</sup>	Index <sup>3</sup>				Index <sup>2</sup>				Index <sup>2</sup>	Index <sup>2</sup>
<b>Plant Level Indicators</b>														
Production	23	48	26	-2	1	60	21	17	42	45	43	10	35	40
Volume of shipments	28	44	27	1	7	63	18	16	46	45	39	13	32	44
Volume of new orders	28	52	19	8	10	59	25	14	44	37	51	11	26	36
Backlog of orders	22	48	23	-1	-2	42	37	16	26	22	60	12	10	15
Number of employees	23	68	7	16	17	43	34	21	21	32	52	15	16	24
Average employee workweek	23	63	11	12	11	33	55	9	23	21	62	15	6	11
Prices received for finished product	15	77	7	8	10	60	28	11	48	33	57	8	24	27
Prices paid for raw materials	29	59	8	20	27	79	12	7	71	45	43	9	36	36
Capital expenditures						36	44	15	20	35	46	15	19	21
New orders for exports	10	73	6	4	4	18	66	5	13	15	70	6	9	13
Supplier delivery time	9	87	2	7	9	21	70	6	15	4	89	6	-2	-2
<b>Inventories:</b>														
Materials	22	59	16	6	8	43	36	19	23	20	54	23	-3	-1
Finished goods	20	58	17	3	5	37	42	17	19	14	64	18	-4	-5

<sup>1</sup>Percentage may not add to 100 due to rounding.

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

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

Note: The July survey included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

## Table2

### Historical Manufacturing Survey Indexes

	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04	Dec'04	Jan'05	Feb'05	Mar'05	Apr'05	May'05	Jun'05	Jul'05
<b>Versus a Month Ago (seasonally adjusted)</b>														
Production	19	22	15	20	15	15	20	16	28	35	13	7	11	1

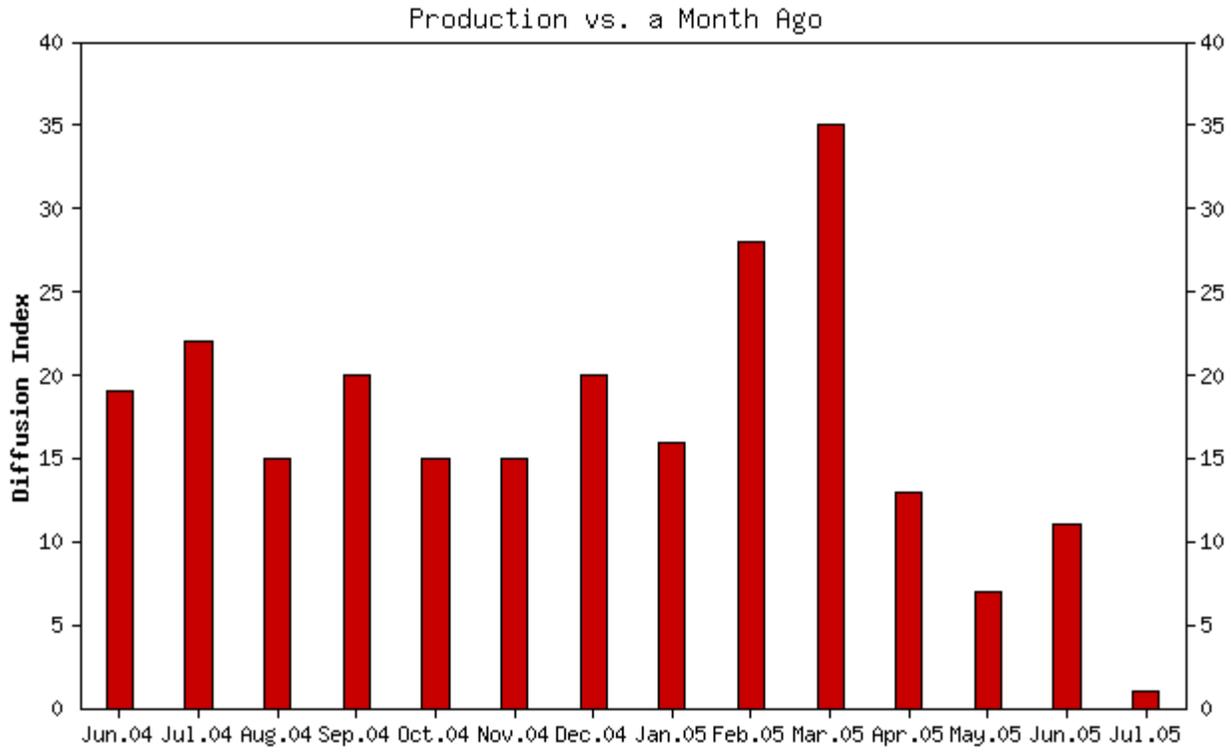
Volume of shipments	17	21	26	18	8	14	9	15	25	22	13	18	18	7
Volume of new orders	20	24	16	19	17	16	18	20	22	26	20	15	17	10
Backlog of orders	8	12	-9	12	4	0	0	7	7	8	9	5	1	-2
Number of employees	10	11	11	11	24	7	9	-1	17	10	9	3	7	17
Average employee workweek	15	20	12	4	11	7	5	1	6	7	0	9	14	11
Prices received for finished product	9	18	16	17	18	13	13	16	16	16	16	7	5	10
Prices paid for raw materials	52	52	55	50	58	47	40	44	42	41	32	23	18	27
Capital expenditures	n/a													
New orders for exports	0	1	-3	2	3	6	5	-1	7	6	3	1	4	4
Supplier delivery time	4	17	18	22	15	12	10	12	10	8	7	10	7	9
Inventories: Materials	4	3	11	11	9	4	3	2	7	9	15	0	7	8
Inventories: Finished goods	5	7	10	7	13	0	4	8	8	5	10	-9	-3	5

**Versus a Year Ago  
(not seasonally adjusted)**

Production	51	45	50	47	40	44	50	37	43	44	31	34	38	42
Volume of shipments	45	48	54	50	41	47	52	46	42	34	23	39	50	46
Volume of new orders	46	51	51	50	41	43	51	45	45	42	30	45	43	44
Backlog of orders	28	37	27	31	23	29	29	33	30	26	28	29	23	26
Number of employees	22	15	24	27	25	28	30	17	14	17	20	20	23	21
Average employee workweek	37	30	29	28	21	17	23	28	15	11	12	10	23	23
Prices received for finished product	34	42	37	37	41	39	39	55	53	51	59	45	48	48
Prices paid for raw materials	71	81	72	71	76	73	75	81	82	85	79	69	70	71
Capital expenditures	22	17	16	30	19	21	18	20	25	29	29	20	27	20
New orders for exports	2	4	7	7	6	7	11	10	17	15	14	5	7	13
Supplier delivery time	22	30	24	35	22	19	18	24	22	25	23	27	17	15
Inventories: Materials	8	6	16	18	19	17	10	25	15	23	32	17	16	23
Inventories: Finished goods	1	-3	9	12	12	15	15	25	17	17	25	12	9	19

**Expected in Six Months  
(seasonally adjusted)**

Production	50	44	45	45	40	38	38	40	43	31	35	31	33	40
Volume of shipments	46	46	47	45	36	40	39	37	46	26	34	30	30	44
Volume of new orders	43	45	44	43	36	43	42	40	38	38	34	28	24	36
Backlog of orders	26	20	16	22	21	26	25	21	15	16	18	15	-4	15
Number of employees	20	23	24	26	26	20	21	17	17	11	10	16	17	24
Average employee workweek	13	23	15	10	9	8	11	16	9	3	6	7	3	11
Prices received for finished product	26	34	23	36	36	36	36	36	36	32	30	25	23	27
Prices paid for raw materials	46	60	59	62	67	61	59	60	57	57	47	42	37	36
Capital expenditures	18	19	21	27	27	25	24	25	23	28	21	17	19	21
New orders for exports	7	8	13	13	14	15	14	19	18	5	11	11	7	13
Supplier delivery time	1	11	13	13	16	9	8	10	6	7	9	3	6	-2
Inventories: Materials	-4	0	9	-5	1	1	0	8	2	3	4	1	3	-1
Inventories: Finished goods	3	-1	3	5	-1	3	-3	4	1	2	-1	-1	-1	-5



[Federal Reserve Bank of Kansas City  
Manufacturing Survey Home Page](http://www.frb.org/manufacturing)