



# 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 Monday, June 13, 2005  
EMBARGOED FOR 11:00 A.M. EST

FOR RELEASE MONDAY, JUNE 13  
EMBARGOED FOR 11 A.M. ET

Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District remained above year-ago levels in May, but expectations for future activity were not as strong as in recent months.

A summary of the May 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 May 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 remained well above year-ago levels in May, but expectations for future factory activity were not as strong as in the recent past. The year-over-year production index edged up last month, and the year-over-year shipments and new orders indexes also rose. However, the six-month-ahead production index fell moderately, reaching its lowest level in over two years. Manufacturing price pressures eased slightly, but a sizeable number of plants still plan to raise output prices in the months ahead. Most month-over-month indexes in the survey rose in May, 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 35 in May from 32 in April (Tables 1 & 2). While still high by historical standards, these readings from the past two months were moderately lower than readings posted throughout most of the past year. Year-over-year production indexes remained at or above zero throughout the district and were highly positive for both durable- and nondurable-goods producing plants.

Other year-over-year indexes of factory activity were mixed but still generally solid in May. The shipments index rose considerably after falling in each of the past four months, and the new orders index also jumped after easing in March and April. The employment and workweek indexes were largely unchanged from the solid readings of the past two months. On the other hand, the capital spending index fell somewhat, and the inventory indexes dropped sharply after reaching ten-year highs in April. The index for new orders for exports also fell back into single digits for the first time since last fall.

The year-over-year price indexes remained high but were down somewhat from the previous month, indicating some easing in manufacturing price pressures. The raw materials price index fell from 79 to 70, the lowest reading since early 2004 but still very high by historical standards. The finished goods price index also fell moderately. After reaching an all-time high of 59 in April, the index fell to 46 in May, its lowest reading in five months. Like the raw materials price index, however, the finished goods price index was still quite high by historical standards.

Plant managers' optimism about future factory activity eased in May. The six-month-ahead production index dropped from 41 to 31, and the future shipments and new orders indexes also fell to the low 30s. The future employment index increased somewhat, rising from 11 to 16, but was down from readings in late 2004. The future capital spending index edged down for the second straight month, but was still relatively high by historical standards. The future price indexes both fell by 8 points, suggesting that firms expect a further modest easing in manufacturing price pressures. However, a net 31 percent of firms still expect to raise output prices over the next six months.

Table1

## Summary of Tenth District Manufacturing Conditions, May 2005

	May vs. April (percent, not seasonally adjusted)				May 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*
<b>Plant Level Indicators</b>												
Production	33	40	24	9	57	17	22	35	45	37	14	31
Volume of shipments	43	29	25	18	59	18	20	39	46	36	14	32
Volume of new orders	39	34	21	18	59	23	13	46	43	40	12	31
Backlog of orders	33	40	23	10	44	36	15	29	34	46	15	19
Number of employees	21	60	15	6	43	31	22	21	33	47	17	16
Average employee workweek	22	63	11	11	28	51	18	10	23	62	11	12
Prices received for finished product	13	80	3	10	54	32	8	46	38	50	7	31
Prices paid for raw materials	35	54	8	27	77	11	7	70	57	30	9	48
Capital expenditures					35	47	14	21	35	47	13	22
New orders for exports	8	75	7	1	16	63	10	6	20	64	5	15
Supplier delivery time	14	82	0	14	33	57	5	28	15	72	8	7
<b>Inventories:</b>												
Materials	22	54	20	2	37	40	20	17	25	49	22	3
Finished goods	17	55	21	-4	33	39	20	13	19	54	21	-2

\* 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.

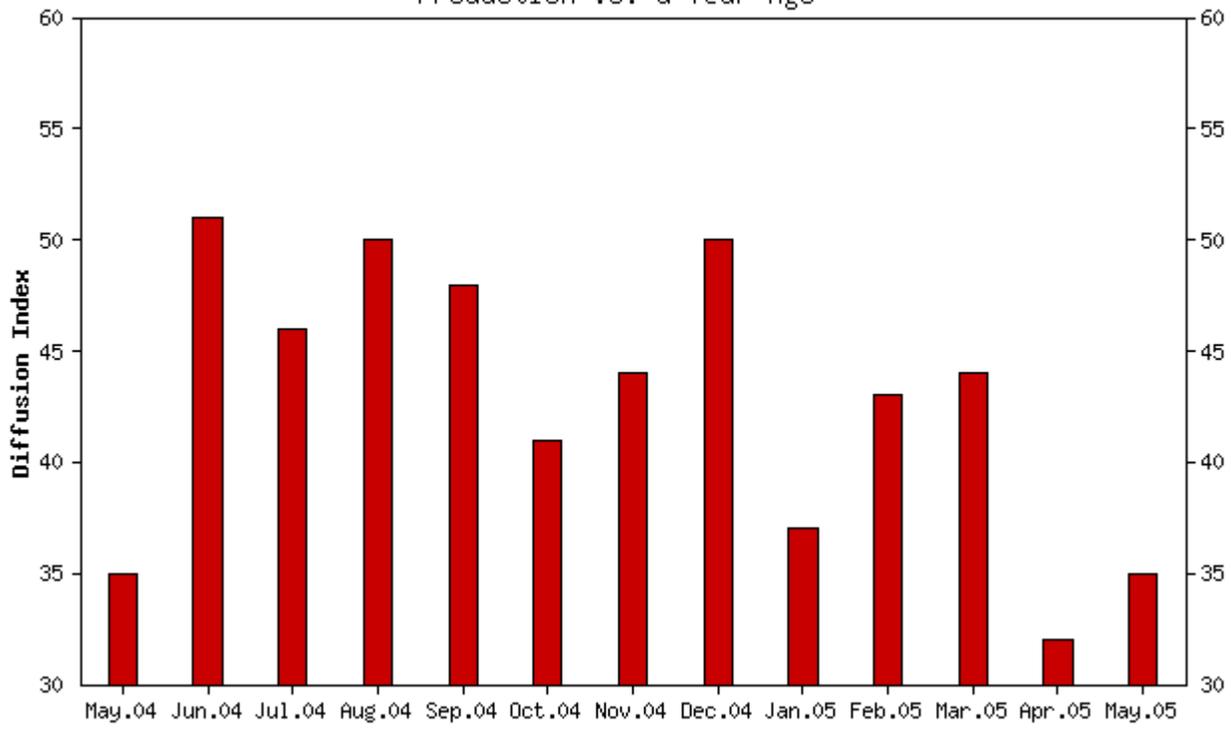
Note: The May survey included 105 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

## Historical Manufacturing Survey Indexes

	May'04	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04	Dec'04	Jan'05	Feb'05	Mar'05	Apr'05	May'05
<b>Versus a Month Ago (not seasonally adjusted)</b>													
Production	23	26	20	15	20	20	6	2	18	32	44	20	9
Volume of shipments	14	25	14	25	23	3	4	-1	11	25	40	22	18
Volume of new orders	20	23	21	15	19	18	8	-1	22	26	38	29	18
Backlog of orders	22	4	13	-6	7	3	-3	-7	9	8	13	13	10
Number of employees	18	16	11	12	13	22	4	5	-4	15	14	11	6
Average employee workweek	15	16	21	17	6	12	5	-5	2	8	10	1	11
Prices received for finished product	22	9	16	14	16	15	9	12	18	20	21	22	10
Prices paid for raw materials	56	54	47	52	46	53	43	35	46	49	53	38	27
Capital expenditures	n/a												
New orders for exports	0	1	1	-6	0	3	5	6	1	6	10	5	1
Supplier delivery time	16	6	16	17	22	13	10	10	14	9	12	8	14
Inventories: Materials	13	-2	1	13	11	12	5	-5	5	8	11	21	2
Inventories: Finished goods	9	0	4	11	6	17	1	-2	7	11	7	11	-4
<b>Versus a Year Ago</b>													
Production	35	51	46	50	48	41	44	50	37	43	44	32	35
Volume of shipments	39	46	49	55	51	42	47	53	47	42	34	24	39
Volume of new orders	45	47	51	52	50	42	44	52	45	45	42	31	46
Backlog of orders	33	28	37	27	31	23	30	29	34	31	26	28	29
Number of employees	19	22	15	25	27	25	28	30	18	15	18	20	21
Average employee workweek	21	37	30	29	28	21	17	23	29	15	11	12	10
Prices received for finished product	34	34	42	37	38	41	40	40	55	54	51	59	46
Prices paid for raw materials	75	71	82	73	72	77	74	76	81	83	86	79	70
Capital expenditures	22	23	17	16	30	19	21	18	20	26	30	29	21
New orders for exports	3	2	5	8	7	6	8	12	11	18	16	14	6
Supplier delivery time	20	22	30	24	35	23	19	18	24	22	26	23	28
Inventories: Materials	16	9	6	17	19	20	18	10	25	15	24	33	17
Inventories: Finished goods	3	1	-3	9	13	12	16	15	25	17	17	25	13
<b>Expected in Six Months (not seasonally adjusted)</b>													
Production	36	48	40	39	39	39	38	41	46	48	33	41	31
Volume of shipments	35	44	36	40	38	35	43	41	44	50	33	42	32
Volume of new orders	28	47	36	39	38	37	44	43	41	41	42	40	31
Backlog of orders	17	29	16	9	17	20	26	28	24	18	19	22	19
Number of employees	18	16	15	30	23	26	23	21	16	23	14	11	16
Average employee workweek	5	13	18	14	8	8	6	15	21	10	4	9	12
Prices received for finished product	28	28	31	20	30	30	36	34	36	42	35	39	31
Prices paid for raw materials	57	49	61	55	54	59	59	56	60	61	63	56	48
Capital expenditures	25	23	18	19	25	25	24	20	23	24	30	25	22
New orders for exports	8	7	5	14	10	13	13	12	23	22	7	12	15
Supplier delivery time	13	1	11	14	14	16	8	5	9	6	9	13	7
Inventories: Materials	5	-6	-2	11	-5	4	-1	-1	5	1	7	7	3
Inventories: Finished goods	-2	2	0	9	4	0	1	-8	5	1	5	-2	-2

Production vs. a Year Ago



[Federal Reserve Bank of Kansas City](#)  
[Manufacturing Survey Home Page](#)