



# 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, November 8, 2004  
EMBARGOED FOR 11:00 A.M. EST

FOR RELEASE MONDAY, NOVEMBER 8  
EMBARGOED FOR 11 A.M. EST

Manufacturing expansion in the Great Plains and Rocky Mountain region encompassed by the Tenth Federal Reserve District slowed somewhat in October. Expectations for future activity, however, remained strong, although firms indicated they expect price pressures to continue for the foreseeable future.

A summary of the October 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 October 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.kc.frb.org>

# Survey of Tenth District Manufacturing

by Chad R. Wilkerson

The manufacturing expansion in the Tenth Federal Reserve District slowed somewhat in October, but expectations for future factory activity remained strong. Though still high by historical standards, the year-over-year indexes for production, shipments, and new orders all fell to their lowest levels since the spring. Expectations for future factory activity, however, remained as strong as in recent months. The year-over-year price indexes both edged up to remain near historical highs, and firms generally expect continued price pressures heading forward. The month-over-month indexes were mixed compared with September, 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 fell to 41 in October, down from 48 in September and the lowest reading since May (Tables 1 & 2). Year-over-year production growth fell slightly at both durable- and nondurable-goods-producing plants. While sample sizes make it more difficult to draw firm conclusions about individual states, it appears the largest slowdowns in production growth occurred in Colorado and Nebraska. Production remained well above year-ago levels in all district states.

Similar to production, most other year-over-year indexes of factory activity experienced some falloff in October. The shipments index fell from 51 to 42, the lowest reading since May, and the new orders index fell from 50 to 42, the lowest reading since March. The employment index eased slightly but was identical to the August reading, and the capital spending index dropped but remained slightly higher than in August. The supplier delivery time index also fell after reaching an all-time high in September. The inventory indexes—for both raw materials and finished goods—were largely unchanged and remained as high as at any time in the past four years.

The year-over-year price indexes both edged up in October and were near July's record highs. The raw materials price index rose from 72 to 77, marking the seventh consecutive month of a reading above 70. The finished goods price index increased from 38 to 41, just barely below July's high of 42. Prices were up from a year ago for most heavy steel- and petroleum-using plants, but also for a majority of other types of plants as well.

Plant managers remained quite optimistic about future factory activity. The six-month-ahead production index was unchanged at 39 for the second month in a row, and the future shipments and new orders indexes were similar to readings in the mid- to high-30s of the previous three months. The future capital spending index was unchanged at 25, while the future employment index edged up from 23 to 26 but was down slightly from its August peak. The future raw materials price index rose slightly, while the future finished goods price index was unchanged after rising considerably in September, suggesting firms expect continued price pressures for the foreseeable future.

**Table1**

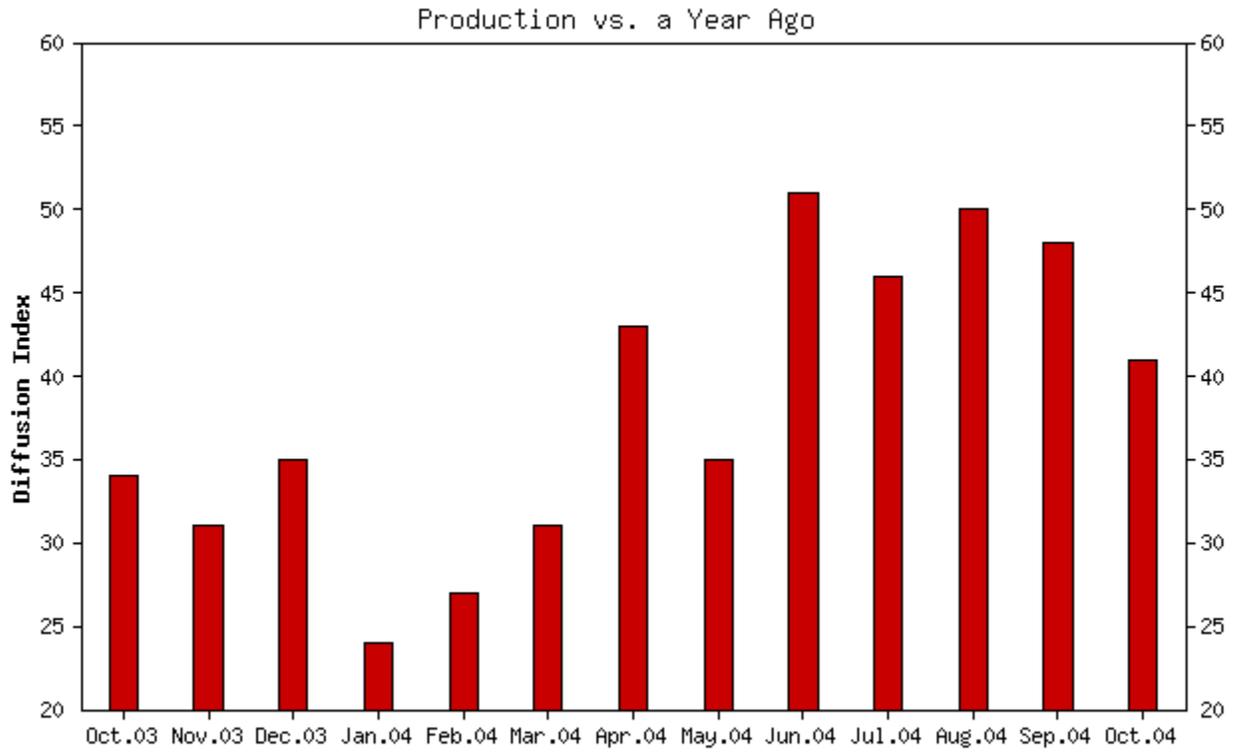
**Summary of Tenth District Manufacturing Conditions, October 2004**

	October vs. September (percent, not seasonally adjusted)				October 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>												
<b>Production</b>	38	40	18	20	59	17	18	41	56	21	17	39
<b>Volume of shipments</b>	32	33	29	3	60	15	18	42	53	22	18	35
<b>Volume of new orders</b>	40	34	22	18	59	18	17	42	56	21	19	37
<b>Backlog of orders</b>	24	49	21	3	36	43	13	23	35	42	15	20
<b>Number of employees</b>	26	66	4	22	45	29	20	25	39	43	13	26
<b>Average employee workweek</b>	23	61	11	12	34	48	13	21	22	58	14	8
<b>Prices received for finished product</b>	19	72	4	15	52	31	11	41	39	47	9	30
<b>Prices paid for raw materials</b>	56	35	3	53	81	7	4	77	63	26	4	59
<b>Capital expenditures</b>					32	49	13	19	35	47	10	25
<b>New orders for exports</b>	10	69	7	3	18	56	12	6	17	67	4	13
<b>Supplier delivery time</b>	17	72	4	13	29	57	6	23	20	69	4	16
<b>Inventories:</b>												
<b>Materials</b>	29	51	17	12	38	39	18	20	25	48	21	4
<b>Finished goods</b>	30	51	13	17	31	43	19	12	22	50	22	0

\* 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 October survey included 123 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

**Table2**  
**Historical Manufacturing Survey Indexes**

	Oct'03	Nov'03	Dec'03	Jan'04	Feb'04	Mar'04	Apr'04	May'04	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04
<b>Versus a Month Ago (not seasonally adjusted)</b>													
Production	28	6	1	17	14	27	28	23	26	20	15	20	20
Volume of shipments	21	-1	17	12	19	37	36	14	25	14	25	23	3
Volume of new orders	29	14	19	21	5	29	34	20	23	21	15	19	18
Backlog of orders	5	8	1	7	2	10	28	22	4	13	-6	7	3
Number of employees	4	8	12	9	7	15	14	18	16	11	12	13	22
Average employee workweek	5	8	-4	9	6	11	17	15	16	21	17	6	12
Prices received for finished product	-5	-2	3	9	5	17	28	22	9	16	14	16	15
Prices paid for raw materials	17	27	23	39	38	57	67	56	54	47	52	46	53
Capital expenditures	n/a												
New orders for exports	5	-1	7	9	0	5	9	0	1	1	-6	0	3
Supplier delivery time	4	8	10	4	6	15	27	16	6	16	17	22	13
Inventories: Materials	5	4	-4	9	11	3	15	13	-2	1	13	11	12
Inventories: Finished goods	1	2	-3	-6	3	-6	1	9	0	4	11	6	17
<b>Versus a Year Ago</b>													
Production	34	31	35	24	27	31	43	35	51	46	50	48	41
Volume of shipments	36	29	29	27	32	34	45	39	46	49	55	51	42
Volume of new orders	40	41	45	30	38	29	52	45	47	51	52	50	42
Backlog of orders	10	21	28	22	25	21	31	33	28	37	27	31	23
Number of employees	-8	0	3	-2	12	14	19	19	22	15	25	27	25
Average employee workweek	17	18	21	20	19	16	24	21	37	30	29	28	21
Prices received for finished product	-1	4	2	8	11	19	37	34	34	42	37	38	41
Prices paid for raw materials	39	40	49	48	50	64	82	75	71	82	73	72	77
Capital expenditures	3	14	7	6	9	18	22	22	23	17	16	30	19
New orders for exports	5	3	5	8	7	10	9	3	2	5	8	7	6
Supplier delivery time	-4	8	5	6	7	20	26	20	22	30	24	35	23
Inventories: Materials	-5	-8	9	-5	3	6	5	16	9	6	17	19	20
Inventories: Finished goods	-7	-4	12	-7	4	-5	-2	3	1	-3	9	13	12
<b>Expected in Six Months (not seasonally adjusted)</b>													
Production	55	45	49	33	43	40	46	36	48	40	39	39	39
Volume of shipments	49	50	45	39	42	45	53	35	44	36	40	38	35
Volume of new orders	50	45	45	38	39	36	46	28	47	36	39	38	37
Backlog of orders	26	12	25	25	23	25	26	17	29	16	9	17	20
Number of employees	15	24	17	12	13	19	28	18	16	15	30	23	26
Average employee workweek	15	8	19	9	10	7	12	5	13	18	14	8	8
Prices received for finished product	9	14	17	15	25	24	39	28	28	31	20	30	30
Prices paid for raw materials	27	40	35	42	48	55	65	57	49	61	55	54	59
Capital expenditures	16	19	16	16	23	22	34	25	23	18	19	25	25
New orders for exports	11	10	14	17	17	15	14	8	7	5	14	10	13
Supplier delivery time	1	6	2	3	5	14	11	13	1	11	14	14	16
Inventories: Materials	4	-1	4	-9	-6	1	1	5	-6	-2	11	-5	4
Inventories: Finished goods	6	3	3	-12	-2	-10	-2	-2	2	0	9	4	0



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