



News Release

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FOR RELEASE Monday, May 10, 2004
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District expanded strongly in April. Plant managers' optimism about future factory activity also remained high.

A summary of the April 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 April 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 Manufacturers

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District expanded strongly in April. The year-over-year production index rose markedly, and the shipments and new orders indexes rose to their highest levels in the 10-year history of the survey. The employment and capital spending indexes also continued to improve. The year-over-year raw materials price index reached a new high, as did the finished goods price index, as more firms than in previous surveys were able to pass cost increases through to customers. All of the month-over-month indexes of factory activity increased in April, but the monthly data are not seasonally adjusted, so caution must be taken in basing analyses on month-to-month comparisons. Until several years of data are available for seasonal adjustment, this report will focus primarily on changes in activity versus a year ago.

The net percentage of firms reporting year-over-year increases in production rose to 43 in April, up markedly from 31 in March, and the first reading in the 40s since early 1998 (Tables 1 & 2). The improvement in the production index in April was due to increased activity among durable goods manufacturers, although output at nondurable-goods-producing plants was above year-ago levels as well. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available also suggest that production was at or above year-ago levels throughout the district.

Like the production index, most other year-over-year indexes of factory activity increased in April, and some were at record highs. The new orders index rose past 50 for the first time ever, and the shipments, backlog, workweek, and supplier delivery time indexes were also at survey highs. In addition, the employment and capital spending indexes both continued to rise. The inventory index for raw materials was slightly positive, and the finished goods inventory index was slightly negative. Both inventory indexes have remained close to zero for the last several months, suggesting that the long reduction in stock levels that began in early 2001 may have come to an end.

Price indexes for both raw materials and finished goods rose considerably in April. The year-over-year raw materials price index jumped from 64 to a survey high of 82, with only one firm reporting lower materials prices than a year ago. Likewise, the year-over-year finished goods price index surged from 19 to 37, also a survey high, as a higher percentage of firms than in previous surveys were able to pass cost increases through to customers.

Plant managers' expectations for future factory activity remained very high. The future production and new orders indexes both rose to 46 after edging down in March. These readings are only moderately lower than the survey highs reached in the fourth quarter of 2003. With strong factory activity expected to continue, firms plan more hiring and investment than in previous surveys. The future employment index rose from 19 to 28, and the future capital spending index increased from 22 to 34. Concerns about material prices persisted, as the future raw materials price index rose from 55 to 65. Even so, a number of firms anticipate some easing in input price pressures heading forward. The future finished goods price index rose from 24 to 39, suggesting firms anticipate some improvement in pricing power heading forward. However, several firms also noted that future increases in output prices will likely be of smaller magnitude than recent price increases, due to a leveling off or decline in some materials prices.

Table 1

Summary of Tenth District Manufacturing Conditions, April 2004

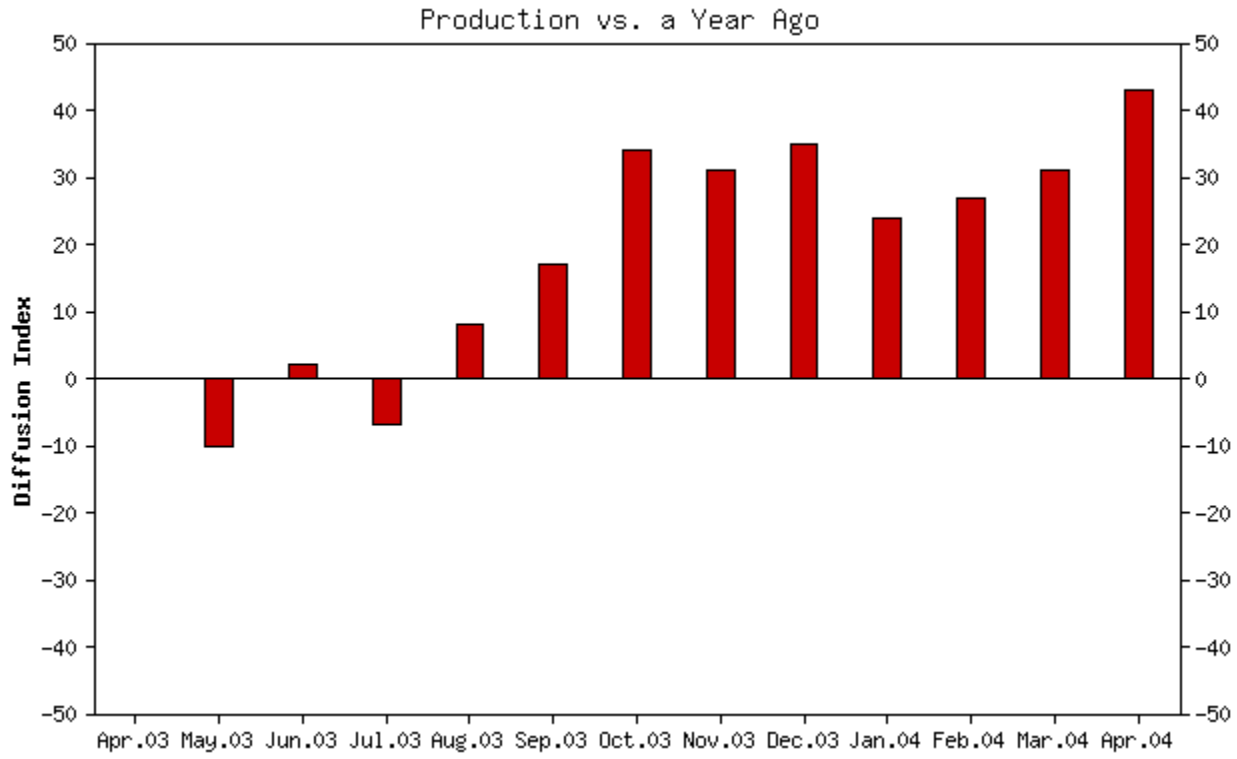
	April vs. March (percent, not seasonally adjusted)				April vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	45	35	17	28	60	20	17	43	56	31	10	46
Volume of shipments	52	28	16	36	59	22	14	45	59	31	6	53
Volume of new orders	51	31	17	34	65	21	13	52	53	38	7	46
Backlog of orders	41	44	13	28	40	45	9	31	36	51	10	26
Number of employees	28	57	14	14	42	33	23	19	39	48	11	28
Average employee workweek	30	56	13	17	39	45	15	24	29	53	17	12
Prices received for finished product	31	65	3	28	51	34	14	37	44	50	5	39
Prices paid for raw materials	69	27	2	67	83	15	1	82	70	23	5	65
Capital expenditures					31	57	9	22	36	57	2	34
New orders for exports	18	67	9	9	20	63	11	9	20	68	6	14
Supplier delivery time	29	67	2	27	32	58	6	26	21	66	10	11
Inventories:												
Materials	30	53	15	15	32	40	27	5	22	54	21	1
Finished goods	21	54	20	1	26	44	28	-2	20	54	22	-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 April survey included 92 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

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



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