



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 14, 2004
EMBARGOED FOR 11:00 A.M. EST

FOR RELEASE MONDAY, JUNE 14
EMBARGOED FOR 11 A.M. ET

Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District continued expanding strongly in May. Plant managers generally remained optimistic about future factory activity, although some easing in expectations from previous months suggests some managers anticipate the recent rapid growth in manufacturing activity will cool to a more moderate pace.

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, and (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.kc.frb.org>

Survey of Tenth District Manufacturers

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District continued to expand strongly in May. Year-over-year indexes for production, shipments, and new orders were down slightly from April highs but still quite elevated by historical standards. Year-over-year indexes for employment and capital spending also remained solid. Firms' expectations for future factory activity fell somewhat from very high levels in April, but the six-month-ahead indexes still indicate most firms anticipate solid improvement heading forward. Nearly all of the month-over-month indexes increased in May, 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 monthly 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 was 35 in May, down only moderately from a near-record reading of 43 in April (Tables 1 & 2). The slightly easing in the production index in May appears to have been due to some slowdown in growth at durable goods manufacturers, as output at nondurable-goods-producing plants was up considerably from a year ago.

Most other year-over-year indexes of factory activity were similar to their strong readings in April. The shipments and new orders indexes both eased slightly from record highs, while the employment and capital spending indexes were unchanged. The index for backlog of orders rose slightly, and the inventory indexes—for both raw materials and finished goods—also increased, with the index for raw materials inventories jumping to its first double-digit reading since mid-1998.

Price indexes for both raw materials and finished goods edged down from record levels in April but remained very high by historical standards. The year-over-year raw materials price index fell from 82 to 75, while the finished goods price index eased from 37 to 34. The continued gap between the two indexes suggests a number of manufacturers continue to have difficulties raising output prices in the face of rising material costs.

Plant managers generally remained optimistic about future factory activity in May, despite some easing in expectations from previous months. The future production index dropped from 46 in April to 36 in May but remained similar to the solid readings posted last summer. The future employment and capital spending indexes fell by amounts similar to the production index, while the future shipments and new orders indexes each declined by a more sizable 18 points. The easing in expectations suggests some managers anticipate the recent rapid growth in manufacturing activity will cool to a more moderate pace in the months ahead. The future price indexes also eased somewhat from record highs in April. Even so, nearly two-thirds of plant managers anticipate further increases in raw materials prices over the next six months and over one-third predict increases in finished goods prices.

Table 1

Summary of Tenth District Manufacturing Conditions, May 2004

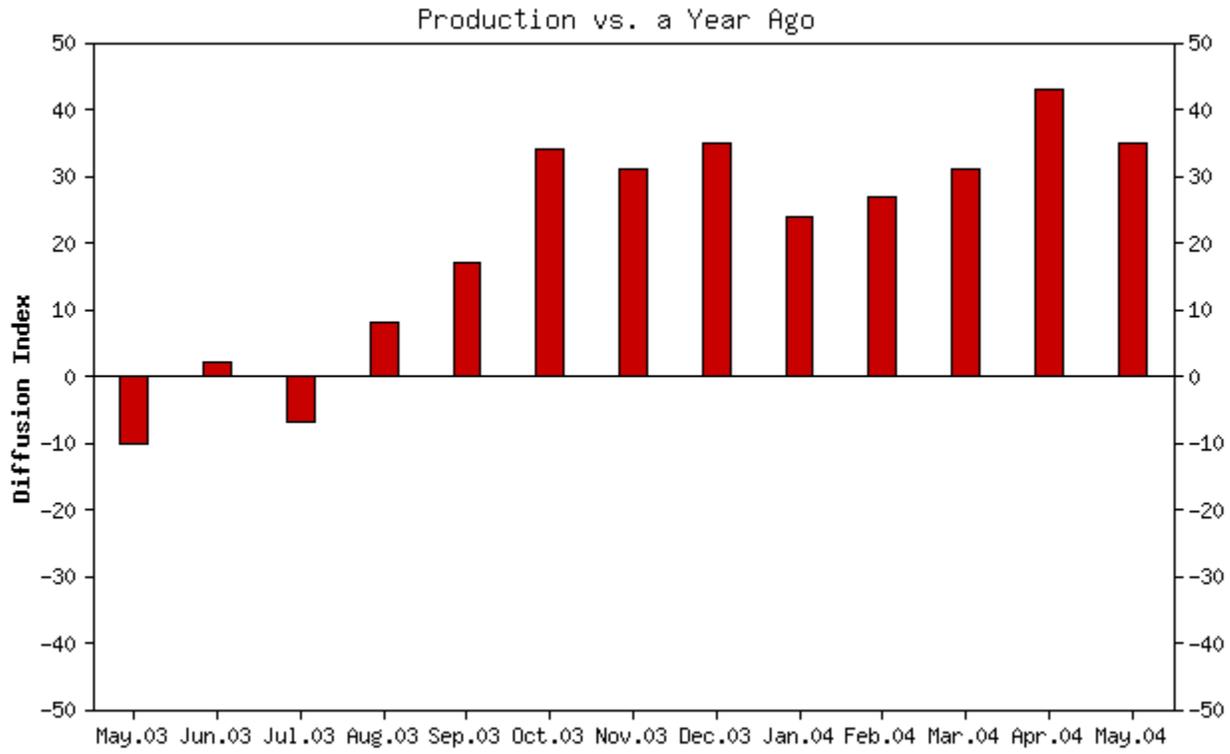
	May vs. April (percent, not seasonally adjusted)				May vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	46	28	23	23	57	19	22	35	52	31	16	36
Volume of shipments	42	30	28	14	59	19	20	39	52	30	17	35
Volume of new orders	42	34	22	20	61	20	16	45	48	30	20	28
Backlog of orders	39	42	17	22	48	32	15	33	38	39	21	17
Number of employees	31	55	13	18	46	27	27	19	34	50	16	18
Average employee workweek	27	60	12	15	36	48	15	21	21	62	16	5
Prices received for finished product	27	66	5	22	48	38	14	34	35	57	7	28
Prices paid for raw materials	59	37	3	56	78	17	3	75	63	31	6	57
Capital expenditures					32	56	10	22	32	57	7	25
New orders for exports	9	74	9	0	16	63	13	3	15	70	7	8
Supplier delivery time	24	67	8	16	31	57	11	20	20	73	7	13
Inventories:												
Materials	30	53	17	13	36	43	20	16	25	53	20	5
Finished goods	28	52	19	9	28	44	25	3	23	49	25	-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 100 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

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



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