News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Monday, July 12, 2004
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by the Tenth Federal Reserve District remained very strong in June. The year-over-year indexes for production and shipments reached new record highs, and expectations for future factory activity increased solidly.

A summary of the June 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 June 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 remained very strong in June. The year-over-year indexes for production and shipments reached new record highs, and expectations for future factory activity increased solidly. The year-over-year and future finished goods price indexes were unchanged after falling slightly in May from record highs in April, while the year-over-year and future raw materials price indexes both edged down for the second month in a row. Nearly all of the month-over-month indexes increased again in June, 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 jumped from 35 in May to 51 in June, the highest reading in the history of the survey (Tables 1 & 2). Activity at both durable- and nondurable-goods producing plants rose strongly and, although sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was well above year-ago levels in all district states.

Similar to the production index, most other year-over-year indexes of factory activity were very high in June. Indeed, the shipments and workweek indexes both rose to new survey highs. Moreover, the indexes for new orders, backlog, and supplier delivery time were down only slightly from the record highs reached in recent months. The employment and capital spending indexes remained well above zero, and the inventories of finished goods index was slightly positive for the second month in a row.

The year-over-year price indexes, although no longer at record levels, remained quite elevated by historical standards. The finished goods price index held steady at 34, down only slightly from the record high of 37 reached in April. The raw materials price index fell slightly for the second month in a row but still remained higher than before the April surge in prices.

Plant managers' expectations for factory activity six months down the road rose solidly in June after easing somewhat in May. The future production index rose from 36 to 48, and the future new orders index jumped from 28 to 47. Both indexes are down only slightly from the record highs reached in the fourth quarter of 2003. The future shipments, backlog, and workweek indexes also rose in June. On a less positive note, the future hiring and capital spending indexes both eased slightly after falling by a larger amount in May. Even so, both indexes remain well above zero. Readings for the six-month-ahead price indexes were similar to those of the year-over-year price indexes. The future finished goods price index was unchanged at 28 after peaking in April, while the future raw materials price index eased for the second month in a row.

Table1

Summary of Tenth District Manufacturing Conditions, June 2004

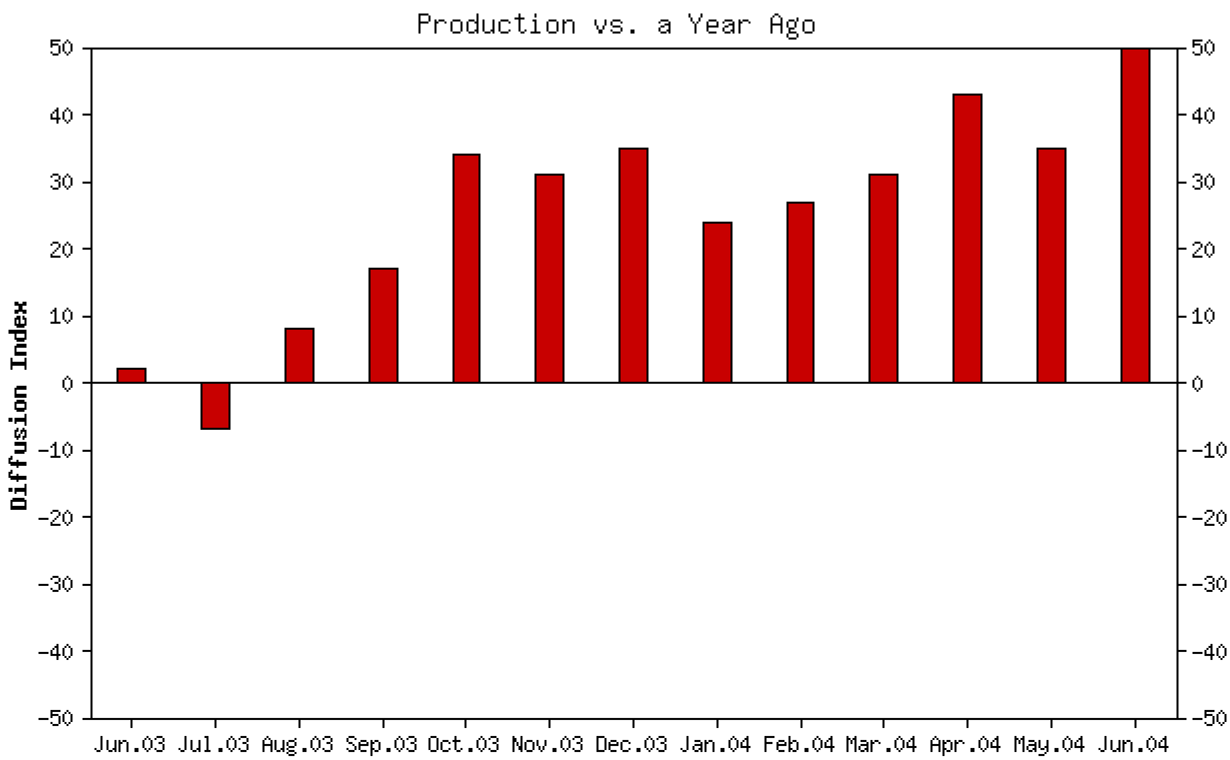
	June vs. May (percent, not seasonally adjusted)				June vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	43	36	17	26	65	15	14	51	55	32	7	48
Volume of shipments	43	37	18	25	59	23	13	46	55	30	11	44
Volume of new orders	46	27	23	23	60	24	13	47	54	36	7	47
Backlog of orders	29	39	25	4	45	31	17	28	41	40	12	29
Number of employees	28	57	12	16	44	30	22	22	28	56	12	16
Average employee workweek	26	59	10	16	46	40	9	37	23	61	10	13
Prices received for finished product	15	76	6	9	47	37	13	34	37	51	9	28
Prices paid for raw materials	55	39	1	54	74	18	3	71	53	36	4	49
Capital expenditures					35	50	12	23	28	63	5	23
New orders for exports	8	74	7	1	12	67	10	2	13	68	6	7
Supplier delivery time	17	69	11	6	31	56	9	22	11	73	10	1
Inventories:												
Materials	19	58	21	-2	36	35	27	9	19	52	25	-6
Finished goods	18	59	18	0	26	42	25	1	21	52	19	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 June survey included 94 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2

Historical Manufacturing Survey Indexes

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



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