



# News Release

## Federal Reserve Bank of Kansas City

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FOR RELEASE Monday, December 13, 2004  
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District continued at a solid pace in November and expectations for future activity remained strong. Price pressures also persisted, as the cost of raw materials continued to rise and more firms expected to pass those cost increases through to customers.

A summary of the November 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 November 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

The manufacturing expansion in the Tenth Federal Reserve District continued at a solid pace in November, and expectations for future factory activity remained strong. The year-over-year indexes for production, shipments, and new orders rose slightly after easing in October, and the employment index edged up to a nine-year high. Price pressures also persisted, as the year-over-year indexes for both raw materials prices and finished goods prices remained near historical highs, and more firms than in recent surveys expect to be able to pass cost increases through to customers. Most month-over-month indexes increased in November, 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 rose to 44 in November after falling to 41 in October (Tables 1 & 2). The slight improvement came at nondurable-goods-producing plants, as the year-over-year production index for durable-goods-producing plants fell slightly for the second month in a row. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production remained well above year-ago levels in all district states.

Similar to the production indexes, many other year-over-year indexes of factory activity rebounded after easing somewhat in October. The shipments index rose from 42 to 47 and the new orders index edged up from 42 to 44. The employment index rose from 25 to 28, the highest reading of that index since 1995. The capital spending, backlog, and export indexes also edged higher. By contrast, the workweek index and supplier delivery time indexes both eased slightly. The inventory indexes were mixed. The raw materials inventory index eased slightly, while the index for inventories of finished goods rose modestly.

The year-over-year price indexes remained very similar to their high readings of the previous three months. The raw materials price index, at 74, was within 3 points of its readings in August, September, and October and down only moderately from its record of 82 reached in both April and July of this year. Likewise, the finished goods price index, at 40, was within three percentage points of its readings from the past three months, as well as its record high of 42 set in July.

Plant managers continued to be quite optimistic about future factory activity. The six-month-ahead production index, at 38, was high by historical standards and virtually unchanged from its readings of the previous four months. Moreover, the future new orders index increased moderately, to 44, its highest reading since June. The future employment index also remained above 20 for the fourth month in a row, and the future capital spending index was very similar to its solid readings of recent months. The future price indexes suggested a possible increase in pricing power heading forward, as the gap between the raw materials price index and the finished goods price index narrowed somewhat. The future raw materials price index was unchanged at 59, while the future finished goods price index rose from 30 to 36, the second-highest reading on record.

Table 1

## Summary of Tenth District Manufacturing Conditions, November 2004

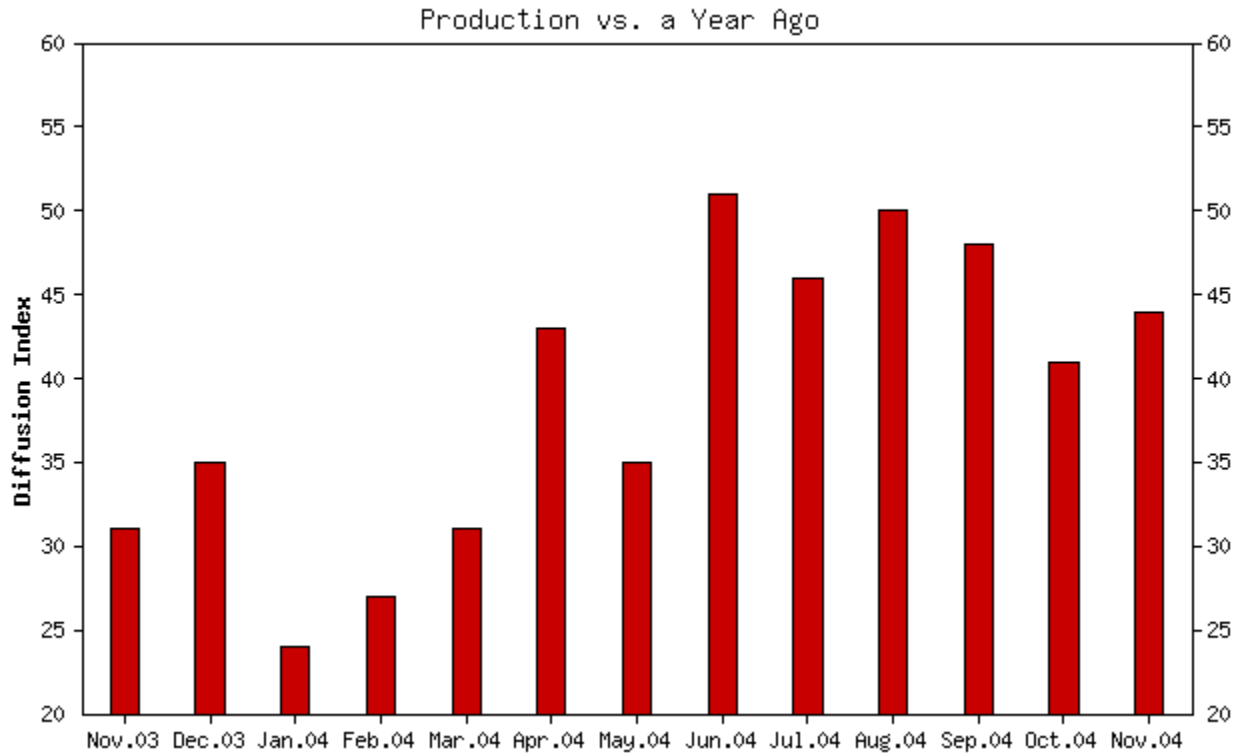
	November vs. October (percent, not seasonally adjusted)				November vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
<b>Plant Level Indicators</b>												
Production	32	40	26	6	61	19	17	44	53	28	15	38
Volume of shipments	32	39	28	4	60	24	13	47	57	26	14	43
Volume of new orders	32	42	24	8	56	27	12	44	56	27	12	44
Backlog of orders	19	52	22	-3	43	39	13	30	39	41	13	26
Number of employees	18	65	14	4	48	29	20	28	39	41	16	23
Average employee workweek	19	63	14	5	30	53	13	17	21	60	15	6
Prices received for finished product	15	76	6	9	50	33	10	40	43	45	7	36
Prices paid for raw materials	45	50	2	43	78	16	4	74	65	26	6	59
Capital expenditures					33	48	12	21	34	49	10	24
New orders for exports	9	74	4	5	16	63	8	8	17	66	4	13
Supplier delivery time	13	78	3	10	27	60	8	19	13	76	5	8
<b>Inventories:</b>												
Materials	20	64	15	5	39	38	21	18	23	50	24	-1
Finished goods	17	62	16	1	33	45	17	16	21	53	20	1

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

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

	Nov'03	Dec'03	Jan'04	Feb'04	Mar'04	Apr'04	May'04	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04
<b>Versus a Month Ago (not seasonally adjusted)</b>													
Production	6	1	17	14	27	28	23	26	20	15	20	20	6
Volume of shipments	-1	17	12	19	37	36	14	25	14	25	23	3	4
Volume of new orders	14	19	21	5	29	34	20	23	21	15	19	18	8
Backlog of orders	8	1	7	2	10	28	22	4	13	-6	7	3	-3
Number of employees	8	12	9	7	15	14	18	16	11	12	13	22	4
Average employee workweek	8	-4	9	6	11	17	15	16	21	17	6	12	5
Prices received for finished product	-2	3	9	5	17	28	22	9	16	14	16	15	9
Prices paid for raw materials	27	23	39	38	57	67	56	54	47	52	46	53	43
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	-1	7	9	0	5	9	0	1	1	-6	0	3	5
Supplier delivery time	8	10	4	6	15	27	16	6	16	17	22	13	10
Inventories: Materials	4	-4	9	11	3	15	13	-2	1	13	11	12	5
Inventories: Finished goods	2	-3	-6	3	-6	1	9	0	4	11	6	17	1
<b>Versus a Year Ago</b>													
Production	31	35	24	27	31	43	35	51	46	50	48	41	44
Volume of shipments	29	29	27	32	34	45	39	46	49	55	51	42	47
Volume of new orders	41	45	30	38	29	52	45	47	51	52	50	42	44
Backlog of orders	21	28	22	25	21	31	33	28	37	27	31	23	30
Number of employees	0	3	-2	12	14	19	19	22	15	25	27	25	28
Average employee workweek	18	21	20	19	16	24	21	37	30	29	28	21	17
Prices received for finished product	4	2	8	11	19	37	34	34	42	37	38	41	40
Prices paid for raw materials	40	49	48	50	64	82	75	71	82	73	72	77	74
Capital expenditures	14	7	6	9	18	22	22	23	17	16	30	19	21
New orders for exports	3	5	8	7	10	9	3	2	5	8	7	6	8
Supplier delivery time	8	5	6	7	20	26	20	22	30	24	35	23	19
Inventories: Materials	-8	9	-5	3	6	5	16	9	6	17	19	20	18
Inventories: Finished goods	-4	12	-7	4	-5	-2	3	1	-3	9	13	12	16
<b>Expected in Six Months (not seasonally adjusted)</b>													
Production	45	49	33	43	40	46	36	48	40	39	39	39	38
Volume of shipments	50	45	39	42	45	53	35	44	36	40	38	35	43
Volume of new orders	45	45	38	39	36	46	28	47	36	39	38	37	44
Backlog of orders	12	25	25	23	25	26	17	29	16	9	17	20	26
Number of employees	24	17	12	13	19	28	18	16	15	30	23	26	23
Average employee workweek	8	19	9	10	7	12	5	13	18	14	8	8	6
Prices received for finished product	14	17	15	25	24	39	28	28	31	20	30	30	36
Prices paid for raw materials	40	35	42	48	55	65	57	49	61	55	54	59	59
Capital expenditures	19	16	16	23	22	34	25	23	18	19	25	25	24
New orders for exports	10	14	17	17	15	14	8	7	5	14	10	13	13
Supplier delivery time	6	2	3	5	14	11	13	1	11	14	14	16	8
Inventories: Materials	-1	4	-9	-6	1	1	5	-6	-2	11	-5	4	-1
Inventories: Finished goods	3	3	-12	-2	-10	-2	-2	2	0	9	4	0	1



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