



# News Release

## Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

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**Kansas City, Missouri 64198**  
**Phone (816) 881-2683**  
**Fax (816) 881-2569**

FOR RELEASE Monday, August 9, 2004  
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District continued to grow solidly in July, while plant managers' expectations for future factory activity remained high.

A summary of the July 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 July 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

Manufacturing activity in the Tenth Federal Reserve District continued to grow solidly in July. The year-over-year production index eased slightly from June's record level but was still very high by historical standards, and the future production index also remained elevated. Meanwhile, the year-over-year finished goods price index rose to a new high and the raw materials prices index matched its previous high. The future price indexes also edged higher but were down from April peaks. Nearly all month-over-month indexes were positive, 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 from a record high of 51 in June to 46 in July (Tables 1 & 2). The slight easing in the index was due to a moderate slowdown in year-over-year growth at nondurable-goods producing plants, as production growth among durable goods producers was similar to June's strong reading. Although sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was above year-ago levels throughout the district.

Most other year-over-year indexes of factory activity also remained very high in July. Indeed, the shipments, backlog, and supplier delivery time indexes all rose to new highs, and the new orders index also improved modestly. On the other hand, the employment and capital spending indexes both fell somewhat after edging higher in June. The raw materials inventories index was positive for the sixth survey in a row, while the finished goods inventory index edged back below zero.

The year-over-year price indexes both rose to record levels in July after easing slightly in May and June. The raw materials price index matched its previous high of 82 reached in April. The finished goods price index rose to a record 42, surpassing its previous peak, in April, of 37. It appears the turnaround in the price indexes was due to a rebound in steel prices, as steel-using firms accounted for virtually all of the increase in both indexes in July.

Plant managers' expectations for future factory activity remained quite high. The six-month-ahead production index fell from 48 in June to 40 in July but was up from a reading of 36 in May. Similarly, the future new orders index fell from 47 to 36 but was also still higher than in May. The future employment index was little changed. The future capital spending index dropped from 23 to 18, likely due to the ending of accelerated depreciation incentives in December. The future price indexes both turned back upward, again due largely to changes in expectations at steel-using firms, but were still below their April peaks.

**Table1**

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

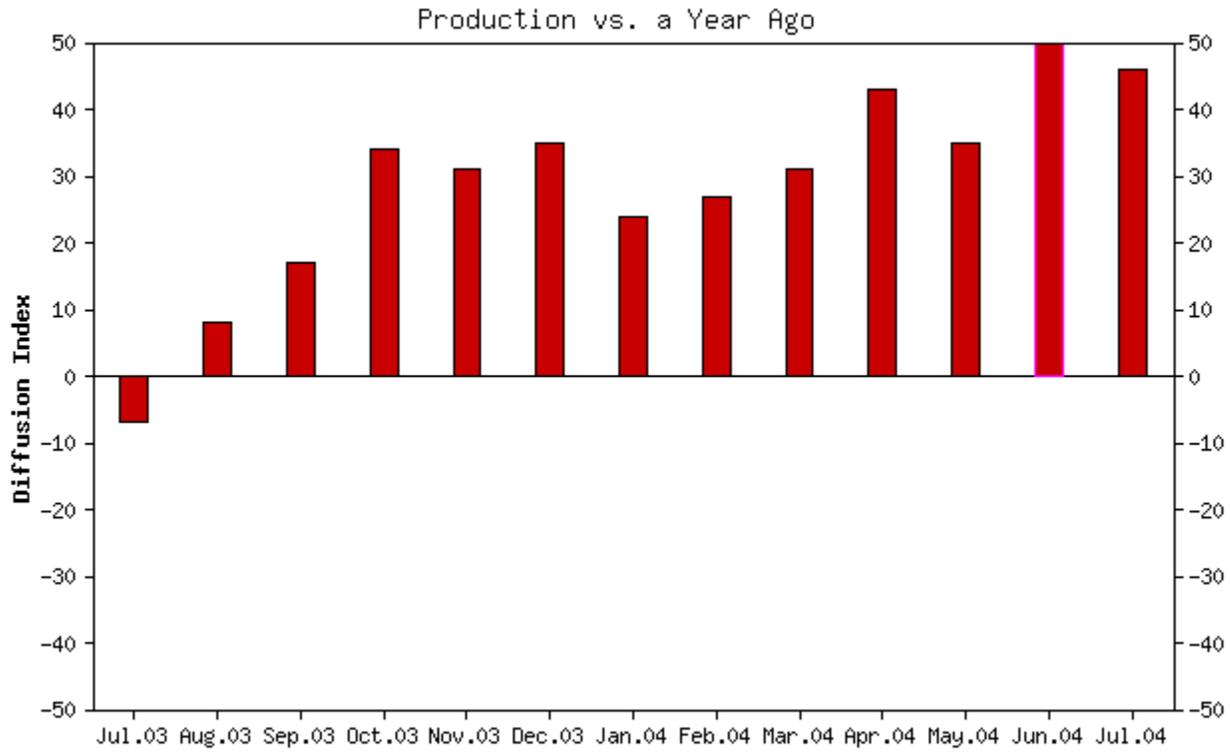
	July vs. June (percent, not seasonally adjusted)				July vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
<b>Plant Level Indicators</b>												
Production	42	35	22	20	61	19	15	46	53	28	13	40
Volume of shipments	40	31	26	14	63	17	14	49	51	28	15	36
Volume of new orders	40	35	19	21	62	20	11	51	50	28	14	36
Backlog of orders	32	44	19	13	46	38	9	37	35	38	19	16
Number of employees	30	46	19	11	40	29	25	15	32	44	17	15
Average employee workweek	32	52	11	21	40	45	10	30	32	47	14	18
Prices received for finished product	20	71	4	16	53	29	11	42	40	44	9	31
Prices paid for raw materials	52	39	5	47	85	7	3	82	64	27	3	61
Capital expenditures					34	44	17	17	28	54	10	18
New orders for exports	12	67	11	1	18	59	13	5	14	65	9	5
Supplier delivery time	22	65	6	16	39	46	9	30	21	61	10	11
<b>Inventories:</b>												
Materials	21	54	20	1	32	36	26	6	20	51	22	-2
Finished goods	21	57	17	4	25	40	28	-3	19	53	19	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 July survey included 88 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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

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



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