



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Monday, November 10, 2003
EMBARGOED FOR 11:00 A.M. EST

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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by the Tenth Federal Reserve District continued to expand strongly in October, with the year-over-year production index reaching its highest level in over five years. Manufacturers also were optimistic about future activity, with expectations for future production at their highest level in the nine-year history of the survey.

A summary of the October 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 October 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 October. The year-over-year production index reached its highest level in over five years, and expectations for future production were at their highest level in the nine-year history of the survey. As in August and September, the month-over-month production index was also very high and, while the year-over-year employment index remained negative, the month-over-month employment index was modestly positive for the fourth month in a row. However, 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 34 in October, up from 17 in September and the highest reading since early 1998 (Tables 1 & 2). The rise in the production index was due largely to strong expansion at durable goods-producing firms, although activity at nondurable goods-producing plants rose somewhat as well. While 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 throughout the district, except in western Missouri, where activity remained similar to a year ago.

In addition to the production index, most other year-over-year indexes of factory activity were also very strong in October. The new orders index rose to its highest level since the very first time the Kansas City Fed survey was conducted, in October of 1994, and the backlog of orders remained close to its eight-year high reached in September. The shipments index also posted its highest reading since late 1997. In somewhat less positive signs, the capital spending index fell back to 3 after rising to 12 in September, and the employment index remained slightly negative, at -8. However, both of these indexes have been generally trending upward since the spring. The inventory indexes, for both raw materials and finished goods, showed little change from September, remaining slightly negative. These low inventory levels, in combination with the current high level of new orders, could result in even stronger production activity in coming months.

The gap between the year-over-year price indexes increased slightly in October, due to an increase in the raw materials price index from 30 to 39. The index for finished goods prices was unchanged from September, at -1, suggesting continued difficulty among firms in passing price increases through to customers.

Tenth District manufacturers were even more optimistic about future factory activity than in recent months. The future production index jumped from 36 to 55, tying the highest reading on record. Likewise, the future shipments and new orders indexes each rose from around 40 to around 50, close to survey highs. The future employment and capital spending indexes were little changed but remained moderately positive. The future price indexes also showed little change from the September survey. Firms generally expect raw materials prices to rise further, but they also continue to expect some ability to raise finished goods prices in coming months.

Table 1

Summary of Tenth District Manufacturing Conditions, October 2003

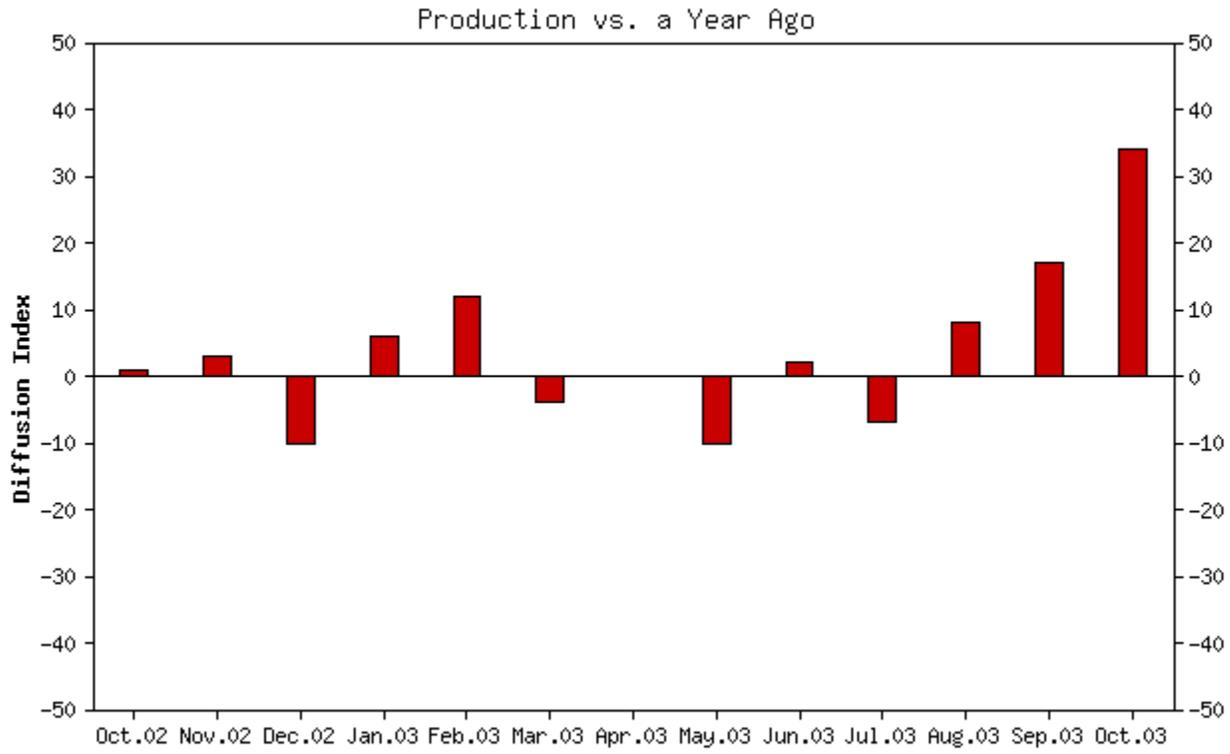
	October vs. September (percent, not seasonally adjusted)				October vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	44	37	16	28	54	24	20	34	66	21	11	55
Volume of shipments	43	33	22	21	55	24	19	36	62	24	13	49
Volume of new orders	44	37	15	29	57	22	17	40	60	28	10	50
Backlog of orders	24	54	19	5	35	36	25	10	40	43	14	26
Number of employees	21	60	17	4	30	30	38	-8	33	46	18	15
Average employee workweek	19	66	14	5	30	56	13	17	27	60	12	15
Prices received for finished product	12	70	17	-5	25	48	26	-1	25	57	16	9
Prices paid for raw materials	20	75	3	17	51	36	12	39	35	55	8	27
Capital expenditures					26	47	23	3	32	48	16	16
New orders for exports	11	74	6	5	14	67	9	5	17	66	6	11
Supplier delivery time	10	81	6	4	10	71	14	-4	13	73	12	1
Inventories:												
Materials	28	45	23	5	30	32	35	-5	25	52	21	4
Finished goods	26	44	25	1	27	32	34	-7	25	49	19	6

* 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 October survey included 107 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Oct'02	Nov'02	Dec'02	Jan'03	Feb'03	Mar'03	Apr'03	May'03	Jun'03	Jul'03	Aug'03	Sep'03	Oct'03
Versus a Month Ago (not seasonally adjusted)													
Production	13	-2	-20	14	8	11	15	1	15	8	20	31	28
Volume of shipments	5	1	-12	11	1	19	19	6	22	7	16	30	21
Volume of new orders	13	2	-16	11	16	21	16	7	15	24	22	31	29
Backlog of orders	-3	-4	-26	-8	-1	2	-2	0	-1	5	17	2	5
Number of employees	-9	-10	-18	-11	-5	-17	-10	-1	-2	3	9	11	4
Average employee workweek	4	-3	-19	4	12	1	-1	-4	-2	4	18	25	5
Prices received for finished product	-12	-10	-9	0	-2	-9	-7	-7	-3	-5	-4	-1	-5
Prices paid for raw materials	9	9	11	12	21	20	9	7	12	8	18	16	17
Capital expenditures	n/a												
New orders for exports	1	-5	-3	1	-6	5	-8	2	4	6	7	2	5
Supplier delivery time	-1	-3	2	2	-3	3	1	0	-2	0	-1	5	4
Inventories: Materials	-12	0	-17	-1	-10	6	-7	-25	-18	-6	-14	-4	5
Inventories: Finished goods	-2	-1	-18	-8	-4	3	-8	0	-10	-12	-11	-8	1
Versus a Year Ago													
Production	1	3	-10	6	12	-4	0	-10	2	-7	8	17	34
Volume of shipments	0	9	-12	5	11	-6	9	-10	1	6	11	20	36
Volume of new orders	6	9	-6	4	24	4	7	-2	6	16	22	31	40
Backlog of orders	-8	-5	-13	0	11	-6	-7	-13	-10	-3	3	12	10
Number of employees	-29	-13	-37	-27	-32	-21	-29	-33	-30	-17	-8	-13	-8
Average employee workweek	-6	-5	-15	-2	1	-7	-20	-13	-11	-1	9	17	17
Prices received for finished product	-22	-12	-8	-11	-3	-7	-2	-7	-4	-5	1	-1	-1
Prices paid for raw materials	36	27	33	23	39	30	28	32	31	31	37	30	39
Capital expenditures	-12	0	-9	-15	-15	-8	-1	-4	-12	-3	0	12	3
New orders for exports	1	0	-1	2	-3	-1	-11	0	-5	-5	11	0	5
Supplier delivery time	-1	-4	0	-4	-11	-4	-2	-1	-5	-3	-4	3	-4
Inventories: Materials	9	-4	-13	-15	-16	-1	-6	-26	-17	-14	-11	-7	-5
Inventories: Finished goods	9	-2	-1	0	-10	-1	-4	-9	-5	-5	-12	-5	-7
Expected in Six Months (not seasonally adjusted)													
Production	34	35	32	38	33	33	36	37	32	35	37	36	55
Volume of shipments	35	39	31	44	32	40	38	35	28	28	38	38	49
Volume of new orders	36	34	30	35	38	37	36	36	36	21	40	40	50
Backlog of orders	10	19	15	16	22	16	19	23	23	24	18	22	26
Number of employees	11	15	8	14	17	15	5	9	7	5	23	13	15
Average employee workweek	8	12	8	20	10	13	7	20	8	8	11	13	15
Prices received for finished product	-12	3	-5	4	11	-3	7	11	5	3	10	10	9
Prices paid for raw materials	15	19	25	24	25	20	22	25	27	17	32	29	27
Capital expenditures	4	8	1	2	9	3	13	13	16	12	15	15	16
New orders for exports	4	-1	-4	10	5	4	-2	9	6	5	14	13	11
Supplier delivery time	-4	-2	-2	-1	9	6	7	12	-3	5	2	8	1
Inventories: Materials	-3	-11	-16	-14	-9	-6	0	-12	-14	-8	0	4	4
Inventories: Finished goods	0	-14	-16	-5	-9	-4	5	-11	-9	0	3	-6	6



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