



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, July 14, 2003
EMBARGOED FOR 11:00 A.M. EST

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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District firmed somewhat in June. Expectations for future activity, meanwhile, eased somewhat but were still high and capital spending plans edged up further.

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 firmed somewhat in June after easing in May. Production, shipments, and new orders rose back above year-ago levels, reversing most of the previous month's declines. Expectations for future activity eased somewhat but were still high, while capital spending plans edged up further. Production versus a month ago also rose moderately, 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 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 2 in June after falling below zero in May (Tables 1 & 2). Production moved a little above year-ago levels at durable goods-producing plants in the district and rose closer to year-ago levels at nondurable goods-producing factories. Although sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production remained around year-ago levels in most district states. The main exceptions were Missouri, where activity continued to lag the previous year, and Nebraska, where production was substantially higher than a year earlier.

Like the production index, most other year-over-year indexes of factory activity improved in June. The shipments index moved back into positive territory, reversing much of the previous month's decline. The new orders index also moved above zero, returning to approximately the same level as in April. Several other year-over-year indexes remained negative but strengthened somewhat in June, including those for backlog of orders, employment, and inventories. In a departure from the overall pattern, the year-over-year capital spending index weakened in June following modest improvement during the spring. The index for new export orders also fell back below zero, offsetting some of the improvement in May.

The gap between the year-over-year price indexes narrowed slightly in June but remained relatively wide, as firms continued to have difficulties passing cost increases through to customers. The finished goods price index became slightly less negative in June, while the raw materials price index was virtually unchanged at well above zero.

Expectations for future factory activity eased somewhat in June but were still high. The future production and shipments indexes slipped to around 30, while the new orders index stayed in the mid-30s. The future employment index and the future export orders index both fell slightly but remained modestly positive. Meanwhile, the future capital spending index edged up to the mid-teens, the highest level since 2000. The index for future raw materials prices rose slightly and the index for future finished goods prices turned downward, suggesting that a somewhat smaller percentage of firms expect to be able to pass cost increases through to customers in coming months.

Table 1

Summary of Tenth District Manufacturing Conditions, June 2003

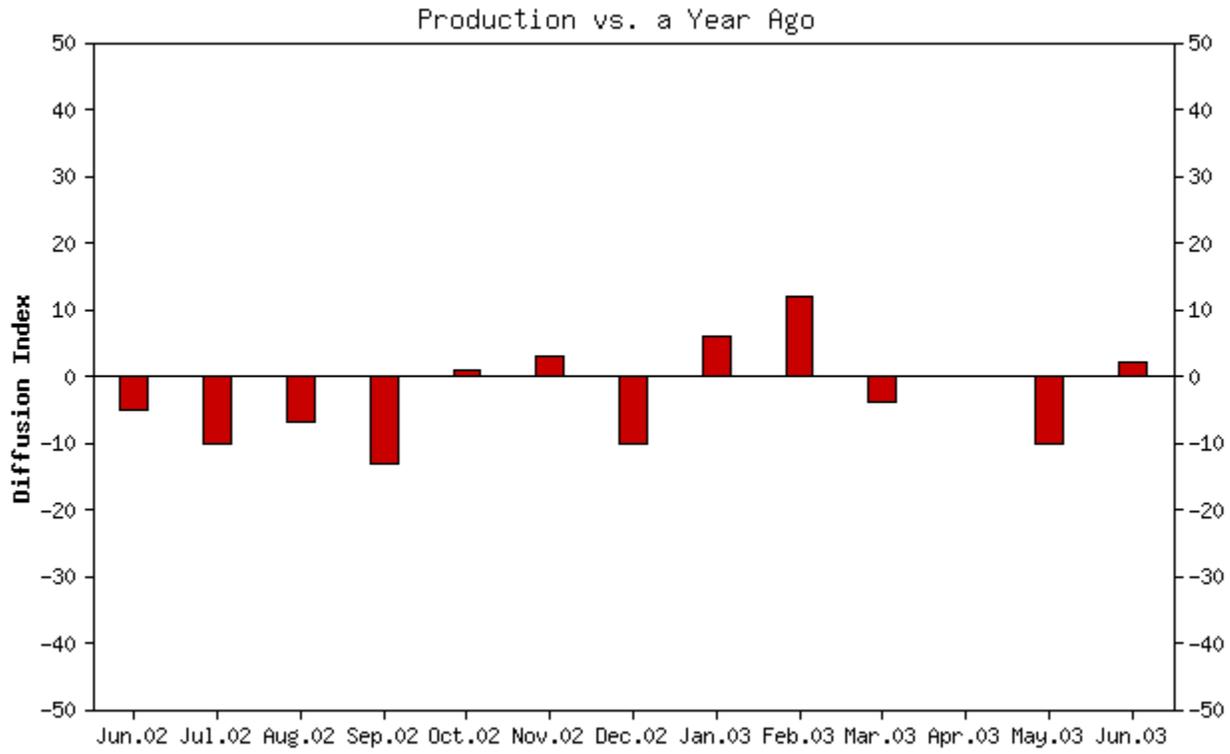
	June vs. May (percent, not seasonally adjusted)				June vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	41	31	26	15	42	16	40	2	54	21	22	32
Volume of shipments	41	36	19	22	40	17	39	1	51	20	23	28
Volume of new orders	36	40	21	15	42	19	36	6	52	26	16	36
Backlog of orders	27	43	28	-1	28	32	38	-10	39	40	16	23
Number of employees	17	62	19	-2	22	24	52	-30	25	54	18	7
Average employee workweek	17	61	19	-2	18	50	29	-11	24	57	16	8
Prices received for finished product	7	82	10	-3	26	43	30	-4	21	60	16	5
Prices paid for raw materials	17	74	5	12	42	45	11	31	34	56	7	27
Capital expenditures					20	46	32	-12	31	50	15	16
New orders for exports	13	66	9	4	14	57	19	-5	16	64	10	6
Supplier delivery time	4	84	6	-2	7	77	12	-5	6	83	9	-3
Inventories:												
Materials	17	46	35	-18	24	33	41	-17	19	45	33	-14
Finished goods	21	46	31	-10	26	40	31	-5	19	49	28	-9

* 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 106 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

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



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