



News Release

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Manufacturing conditions in the Kansas City Federal Reserve District continued to improve in April, according to a quarterly survey of manufacturers across the region. The survey takes a snapshot of manufacturing activity during the first month of each quarter by asking plant managers about a variety of manufacturing indicators.

According to William R. Keeton, senior economist and author of the survey, most measures of manufacturing showed a modest expansion during April. Inventories of raw materials and finished goods edged up at district factories. Prices of finished goods generally remained unchanged, while prices of raw materials increased modestly. Overall, manufacturing remained stronger than a year ago, and manufacturers were optimistic about the outlook for the next six months.

The April survey included 204 responses from manufacturing plants throughout the seven states of the Tenth District. Survey results will be published in the Second Quarter 1997 issue of the Bank's Regional Economic Digest.

A summary of the April survey is attached to this press release. A copy of the previous quarterly survey (February 1997) is also attached.

For more information about the manufacturing survey, contact Bill Keeton, Economic Research Department, (816) 881-2959.

The Second Quarter manufacturing survey, as well as background information and results from past surveys, can be found on the Federal Reserve Bank of Kansas City's home page on the Internet's World Wide Web, <http://www.kc.frb.org>.

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Survey of Tenth District Manufacturers

By William R. Keeton

Manufacturing activity in the Kansas City Federal Reserve District continued to improve in April, according to a quarterly survey of manufacturers across the district. The survey takes a snapshot of manufacturing the first month of each quarter by asking plant managers about a variety of manufacturing indicators (Table 1). By most measures, manufacturing showed a modest expansion during April. Inventories of raw materials and finished goods edged up at district factories. Prices received for finished goods generally remained unchanged, while prices of raw materials increased modestly. Overall, manufacturing remained stronger than a year ago, and manufacturers were optimistic about the outlook for the next six months.

Indicators of recent activity

Production grew modestly across the district in April, at a pace marginally faster than in January. The production index was 19 in April, up from 17 in January (Chart 1). Moreover, production remained moderately above year-ago levels.

Most other indicators of current manufacturing activity in the district also suggested expansion in April. Shipments and new orders continued to increase at a modest pace, while supplier delivery times remained stable and order backlogs declined slightly. Capital expenditures were up slightly from a year ago. As in the previous survey, export orders increased slightly over the previous month.

Inventories edged up in April. The indices for finished goods and raw materials were both slightly positive. Compared with a year ago, respondents held slightly larger inventories of both raw materials and finished goods.

Employment rose at district factories in April, showing slightly bigger gains than in January. The

average employee workweek was essentially unchanged. Plant work force levels and the average workweek were both up from a year ago.

Prices for raw materials increased modestly, at a pace slightly faster than in January. The index for materials prices was 16, up from 6 in January. As in the previous survey, prices for finished goods generally held steady. Prices for materials and finished goods were both somewhat higher than a year ago.

The outlook

District manufacturers are optimistic about the near-term outlook, though not quite as upbeat as in the last survey. Indexes of activity expected in the next six months continue to signal expansion. The index of future production was 39 in April, down from 47 in January. Respondents expect factory jobs and the average workweek to increase in coming months, but slightly less than in the last survey. Prices of finished goods and raw materials are expected to rise somewhat, but more respondents expect materials prices to increase than expect a rise in finished goods prices. Modest declines in inventories of raw materials and finished goods are anticipated, in contrast to January when almost no change in stocks was expected. District manufacturers remain upbeat about national business conditions, expressing about the same degree of optimism as in the last survey.

William R. Keeton is a senior economist at the Federal Reserve Bank of Kansas City. Information on the development of the manufacturing survey appeared in "Tenth District Survey of Manufacturers" by Tim R. Smith, which was published in the Fourth Quarter 1995 issue of the *Economic Review*.

Chart 1
Tenth District Manufacturing Production Index

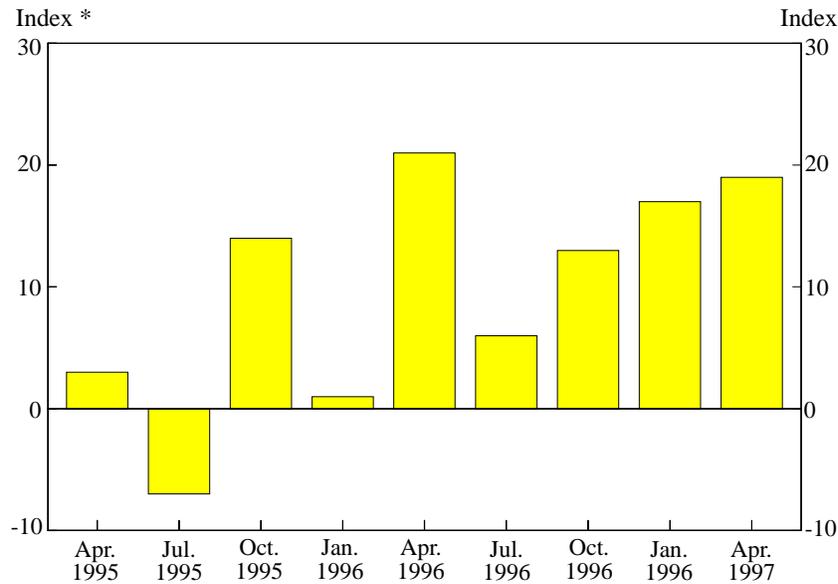


Table 1
Summary of Tenth District Manufacturing Conditions, April 1997

Plant level indicators	April vs. March (percent)				April vs. year ago (percent)				Expected in six months (percent)			
	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*
Production	41	47	22	19	55	19	26	29	50	38	11	39
Volume of shipments	45	37	25	20	55	18	26	29	53	34	12	41
Volume of new orders	40	30	27	13	47	24	29	18	51	36	11	40
Backlog of orders	23	33	29	-6	30	34	33	-3	29	52	16	13
Number of employees	31	46	17	14	44	28	27	17	31	56	13	18
Average employee workweek	21	52	19	2	25	55	21	4	20	65	14	6
Prices received for finished product	12	61	9	3	39	46	13	26	21	69	7	14
Prices paid for raw materials	22	77	6	16	50	29	20	30	35	57	6	29
Capital expenditures	—	—	—	—	34	37	27	7	38	44	17	21
New orders for exports	13	71	9	4	23	54	10	13	29	54	4	25
Supplier delivery time	6	65	4	2	9	83	7	2	9	86	4	5
Inventories:												
Materials	26	89	23	3	35	33	31	4	15	52	31	-16
Finished goods	26	50	20	6	35	38	25	10	16	55	25	-9
Industry activity, national level	35	47	17	18	47	27	25	22	41	47	10	31

* 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 April survey included 204 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

SURVEY OF TENTH DISTRICT MANUFACTURING JANUARY 1997

Chart 1
Tenth District Manufacturing Production Index

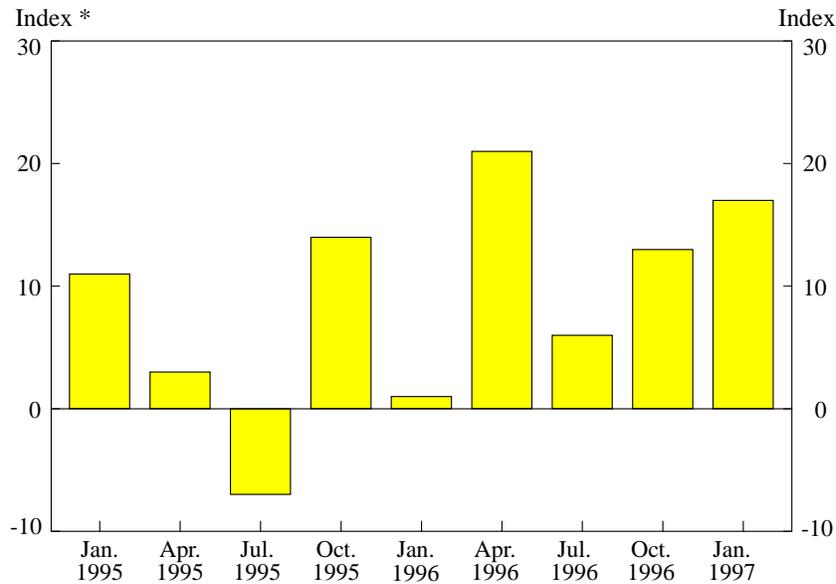


Table 1
Summary of Tenth District Manufacturing Conditions, January 1997

Plant level indicators	January vs. December (percent)				January vs. year ago (percent)				Expected in six months (percent)			
	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*	Increase	No change	Decrease	Index*
Production	41	35	24	17	52	24	23	29	59	27	12	47
Volume of shipments	44	26	30	14	51	21	27	24	62	25	12	50
Volume of new orders	40	36	23	17	50	21	26	24	57	30	10	47
Backlog of orders	22	54	21	1	29	38	29	0	33	51	11	22
Number of employees	26	57	16	10	44	25	29	15	38	51	8	30
Average employee workweek	21	64	14	7	22	62	15	7	24	68	7	17
Prices received for finished product	13	70	15	-2	44	36	18	26	32	55	11	21
Prices paid for raw materials	17	72	11	6	53	23	23	30	40	49	9	31
Capital expenditures	—	—	—	—	33	40	25	8	37	46	16	21
New orders for exports	16	61	8	8	26	49	12	14	32	51	2	30
Supplier delivery time	1	92	4	-3	5	84	7	-2	6	86	4	2
Inventories: Materials	20	57	22	-2	30	38	30	0	22	50	26	-4
Finished goods	26	53	18	8	30	43	24	6	25	49	23	2
Industry activity, national level	27	51	19	8	44	28	23	21	44	43	9	35

* 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 January survey included 199 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.