



News Release

Federal Reserve Bank of Kansas City

Kansas City, Missouri 64198

Phone (816) 881-2683

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Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198
Phone (816) 881-2683
Fax (816) 881-2569

FOR RELEASE Monday, June 9, 2003
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Manufacturing activity in the Tenth Federal Reserve District eased somewhat in May. Expectations for future activity, however, remained quite high and firms expect output prices to rebound somewhat in coming months

A summary of the May survey is attached to this press release.

For more information about the monthly manufacturing survey, contact Chad Wilkerson, Economic Research Department, (816) 881-2869. The May 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 eased somewhat in May after improving in April. Production, shipments, and new orders fell back below year-ago levels and output prices edged further down. Expectations for future activity remained quite high, however, and firms expect output prices to rebound somewhat in coming months. Production versus a month ago rose slightly, but the monthly data are not seasonally adjusted, so caution must be taken in basing analyses on month-to-month comparisons. Monthly production rose considerably last May, so the slight increase this May could have been due to seasonal factors. 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 fell to -10 in May after rising to zero in April (Tables 1 & 2). Production remained around year-ago levels at durable goods-producing plants in the district in May but weakened further 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 was around year-ago levels in all district states but Missouri, where activity continued to lag the previous year.

Like the production index, several other year-over-year indexes of factory activity weakened somewhat in May. The shipments index dropped back below zero, although this index has been quite volatile in recent months. The new orders index also fell slightly below zero, its first negative reading in five months. The index for backlog of orders became slightly more negative, as did the employment and capital expenditures indexes. The indexes for inventories of both raw materials and finished goods became more negative as well. In a positive sign, the index for export orders rebounded to zero after falling in April.

The gap between the year-over-year price indexes widened slightly in May after narrowing in April, as firms continued to have difficulties passing cost increases through to customers. The raw materials price index edged up after easing the two previous months. Meanwhile, the finished goods price index fell slightly after reaching its highest level in over a year in April.

Expectations for future factory activity remained quite high in May. The future production, shipments, and new orders indexes were all in the mid-30s, similar to their readings in recent months. The future capital spending index was not as strong but was unchanged from April, when it reached its highest level since 2000. The future employment index edged higher, but was lower than during the first quarter of the year. Expectations for future exports rose moderately, as recent changes in exchange rates may have improved the sales outlook for some manufacturers. The index for future raw materials prices edged higher but the index for finished goods prices also became more positive, as a slightly larger 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, May 2003

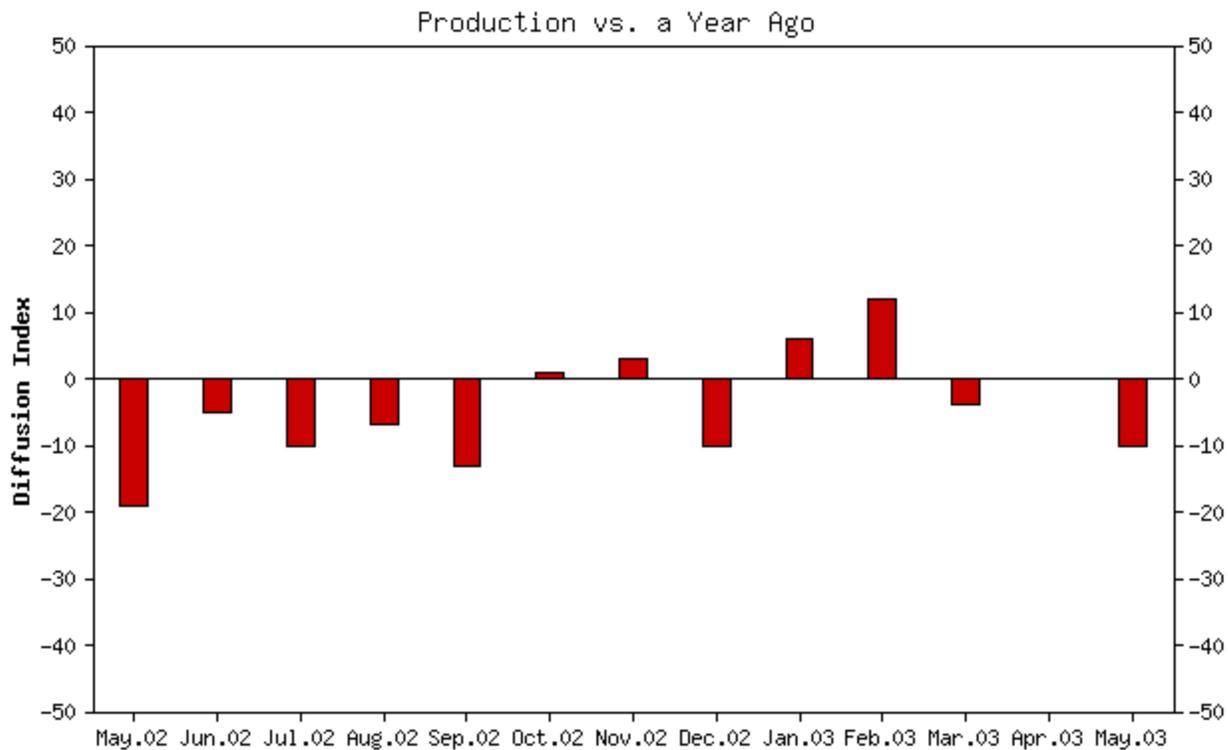
	May vs. April (percent, not seasonally adjusted)				May vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index [*]	Increase	No Change	Decrease	Index [*]	Increase	No Change	Decrease	Index [*]
Plant Level Indicators												
Production	32	36	31	1	32	25	42	-10	52	32	15	37
Volume of shipments	37	31	31	6	32	25	42	-10	50	35	15	35
Volume of new orders	35	33	28	7	35	25	37	-2	48	36	12	36
Backlog of orders	26	45	26	0	25	35	38	-13	36	48	13	23
Number of employees	17	63	18	-1	15	36	48	-33	26	56	17	9
Average employee workweek	12	70	16	-4	18	48	31	-13	30	60	10	20
Prices received for finished product	5	82	12	-7	23	46	30	-7	22	66	11	11
Prices paid for raw materials	18	70	11	7	45	41	13	32	32	58	7	25
Capital expenditures					27	41	31	-4	31	50	18	13
New orders for exports	15	61	13	2	16	56	16	0	16	65	7	9
Supplier delivery time	8	81	8	0	10	77	11	-1	15	81	3	12
Inventories:												
Materials	11	51	36	-25	17	37	43	-26	16	52	28	-12
Finished goods	25	48	25	0	23	41	32	-9	15	57	26	-11

^{*} 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 May survey included 80 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	May'02	Jun'02	Jul'02	Aug'02	Sep'02	Oct'02	Nov'02	Dec'02	Jan'03	Feb'03	Mar'03	Apr'03	May'03
Versus a Month Ago (not seasonally adjusted)													
Production	19	6	8	13	3	13	-2	-20	14	8	11	15	1
Volume of shipments	29	9	6	7	13	5	1	-12	11	1	19	19	6
Volume of new orders	22	8	4	14	4	13	2	-16	11	16	21	16	7
Backlog of orders	-3	-15	-4	-1	-14	-3	-4	-26	-8	-1	2	-2	0
Number of employees	0	8	-3	-5	-5	-9	-10	-18	-11	-5	-17	-10	-1
Average employee workweek	3	0	0	-1	4	4	-3	-19	4	12	1	-1	-4
Prices received for finished product	-8	-11	-6	-9	-5	-12	-10	-9	0	-2	-9	-7	-7
Prices paid for raw materials	19	17	22	17	16	9	9	11	12	21	20	9	7
Capital expenditures	n/a												
New orders for exports	3	-4	1	-7	-4	1	-5	-3	1	-6	5	-8	2
Supplier delivery time	5	6	2	6	3	-1	-3	2	2	-3	3	1	0
Inventories: Materials	4	-13	-1	11	-13	-12	0	-17	-1	-10	6	-7	-25
Inventories: Finished goods	9	-10	8	4	-2	-2	-1	-18	-8	-4	3	-8	0
Versus a Year Ago													
Production	-19	-5	-10	-7	-13	1	3	-10	6	12	-4	0	-10
Volume of shipments	-11	-13	-7	-9	-9	0	9	-12	5	11	-6	9	-10
Volume of new orders	1	-13	-6	-3	-13	6	9	-6	4	24	4	7	-2
Backlog of orders	-22	-24	-22	-17	-13	-8	-5	-13	0	11	-6	-7	-13
Number of employees	-46	-28	-27	-30	-31	-29	-13	-37	-27	-32	-21	-29	-33
Average employee workweek	-20	-18	-13	-15	-10	-6	-5	-15	-2	1	-7	-20	-13
Prices received for finished product	-7	-13	-8	-6	-8	-22	-12	-8	-11	-3	-7	-2	-7
Prices paid for raw materials	11	26	32	33	31	36	27	33	23	39	30	28	32
Capital expenditures	-28	-21	-7	-7	-24	-12	0	-9	-15	-15	-8	-1	-4
New orders for exports	-3	-6	-6	-4	-9	1	0	-1	2	-3	-1	-11	0
Supplier delivery time	3	8	5	3	1	-1	-4	0	-4	-11	-4	-2	-1
Inventories: Materials	-18	-26	-28	-7	-7	9	-4	-13	-15	-16	-1	-6	-26
Inventories: Finished goods	2	-18	-13	-5	1	9	-2	-1	0	-10	-1	-4	-9
Expected in Six Months (not seasonally adjusted)													
Production	15	20	24	25	25	34	35	32	38	33	33	36	37
Volume of shipments	35	24	28	24	20	35	39	31	44	32	40	38	35
Volume of new orders	38	27	36	27	19	36	34	30	35	38	37	36	36
Backlog of orders	32	13	7	11	6	10	19	15	16	22	16	19	23
Number of employees	8	4	4	12	3	11	15	8	14	17	15	5	9
Average employee workweek	11	5	-1	4	1	8	12	8	20	10	13	7	20
Prices received for finished product	12	0	4	4	-7	-12	3	-5	4	11	-3	7	11
Prices paid for raw materials	30	27	34	36	20	15	19	25	24	25	20	22	25
Capital expenditures	12	12	8	8	-3	4	8	1	2	9	3	13	13
New orders for exports	12	8	9	5	-2	4	-1	-4	10	5	4	-2	9
Supplier delivery time	8	9	10	10	5	-4	-2	-2	-1	9	6	7	12
Inventories: Materials	0	-1	-6	-3	-8	-3	-11	-16	-14	-9	-6	0	-12
Inventories: Finished goods	11	-2	4	7	-8	0	-14	-16	-5	-9	-4	5	-11



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