



# News Release

## Federal Reserve Bank of Kansas City

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FOR RELEASE Monday, May 12, 2003  
EMBARGOED FOR 11:00 A.M. EST

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Manufacturing activity in the Tenth Federal Reserve District improved slightly in April after slowing in March. Production rose back to year-ago levels and capital expenditures were not as weak as in recent months. Expectations for future factory activity also remained quite high. On the negative side, however, manufacturing employment continued to decline.

A summary of the April 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 April 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 improved slightly in April after slowing in March. Production rose back to year-ago levels and capital expenditures were not as weak as in recent months. Expectations for future factory activity also remained quite high. On the negative side, however, manufacturing employment continued to decline and expectations for future hiring were weaker than in previous surveys. Production versus a month ago rose for the fourth straight month, 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 zero in April after falling to -4 in March (Tables 1 & 2). A few firms reported their business had improved since the fighting ended in Iraq, but most firms reported the end of hostilities had yet to have any impact on factory activity. Production remained slightly above year-ago levels at durable goods-producing plants in the district but was still somewhat weaker than a year ago 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 at or above year-ago levels in all district states but Missouri.

Like production, several other year-over-year indexes of factory activity improved in April. The shipments index returned to positive territory, and the new orders index edged higher. The capital expenditures index also rose nearly to zero after slumping in recent months. On the other hand, the employment and average workweek indexes became more negative in April. Indeed, the workweek index posted its lowest reading in nearly a year. The indexes for inventories of both raw materials and finished goods also edged down in April, but remained only slightly negative.

The gap between the year-over-year price indexes narrowed slightly in April, although many firms continued to have difficulties passing cost increases through to customers. The raw materials price index edged down but remained close to its high readings from the past year. The finished goods price index was still slightly negative but edged up in April to reach its highest level since early 2002.

Expectations for future factory activity remained quite high in April. The future production, shipments, and new orders indexes were all in the mid- to high-30s, similar to their readings from the previous six months. Also, the future capital spending index reached its highest level since late 1999, although a large portion of firms still expect little change in expenditures over the next six months. On the negative side, the future employment index fell to 5 in April following readings in the mid-teens during the first quarter. Firms expect the gap between raw materials price increases and finished goods price increases to diminish somewhat further in coming months. The future finished goods price index rose back above zero after dropping in March, while the future raw materials index was similar to the previous four surveys.

Table 1

## Summary of Tenth District Manufacturing Conditions, April 2003

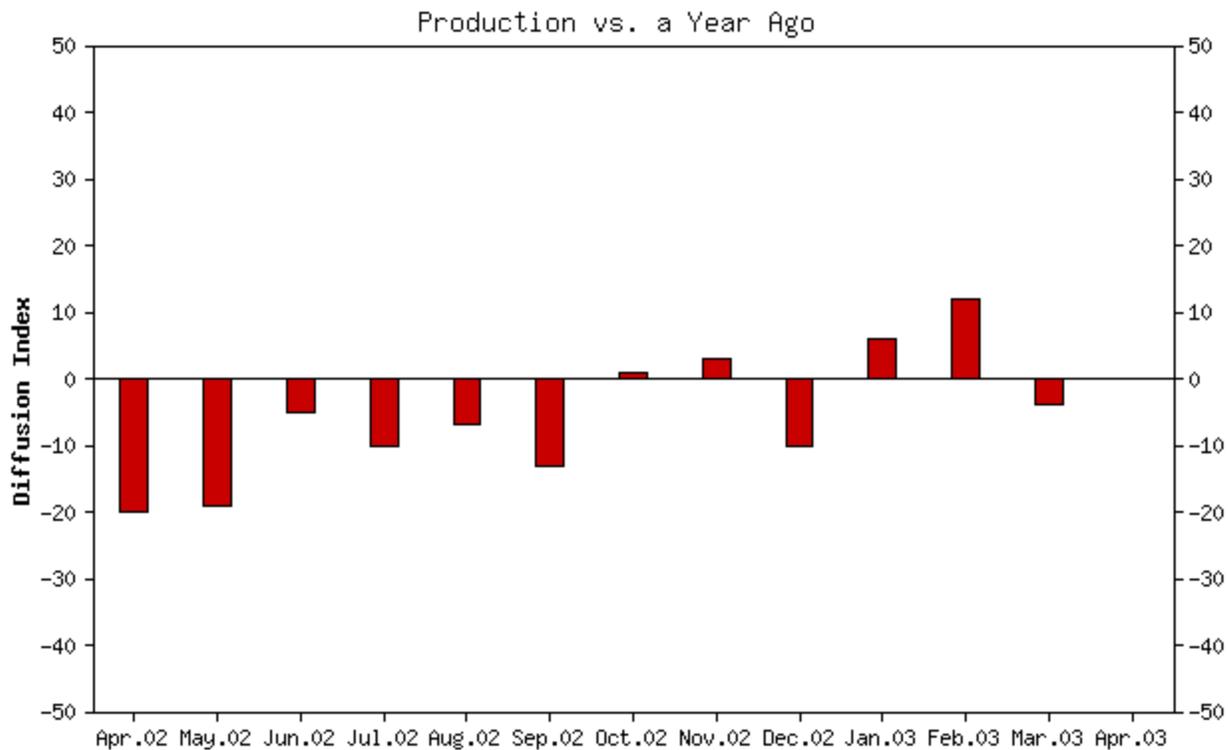
	April vs. March (percent, not seasonally adjusted)				April vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index <sup>*</sup>	Increase	No Change	Decrease	Index <sup>*</sup>	Increase	No Change	Decrease	Index <sup>*</sup>
<b>Plant Level Indicators</b>												
Production	36	40	21	15	36	25	36	0	48	36	12	36
Volume of shipments	36	43	17	19	41	23	32	9	51	31	13	38
Volume of new orders	40	32	24	16	39	25	32	7	50	32	14	36
Backlog of orders	23	48	25	-2	25	37	32	-7	34	46	15	19
Number of employees	15	57	25	-10	21	26	50	-29	30	42	25	5
Average employee workweek	19	58	20	-1	10	57	30	-20	24	57	17	7
Prices received for finished product	2	84	9	-7	23	47	25	-2	17	68	10	7
Prices paid for raw materials	15	75	6	9	43	37	15	28	26	65	4	22
Capital expenditures					25	43	26	-1	28	53	15	13
New orders for exports	6	73	14	-8	9	63	20	-11	10	70	12	-2
Supplier delivery time	3	92	2	1	6	82	8	-2	10	84	3	7
<b>Inventories:</b>												
Materials	18	54	25	-7	24	42	30	-6	24	48	24	0
Finished goods	18	51	26	-8	21	48	25	-4	20	58	15	5

<sup>\*</sup> 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 82 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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

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



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