



News Release

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FOR RELEASE Monday, April 12, 2004
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by the Tenth Federal Reserve District expanded further in March. Expectations for future factory activity also remained very strong.

A summary of the March 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 March 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.kansascityfed.org>.

Survey of Tenth District Manufacturers

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District expanded further in March. The year-over-year production and employment indexes edged higher, and the capital expenditures index rose solidly. While the year-over-year new orders index fell moderately, expectations for future factory activity also remained very strong. Also, the raw materials price index continued to rise, and more firms than in recent surveys were able to pass some of their recent cost increases through to finished goods prices. The month-over-month production index rose considerably in March, 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 31 in March, up modestly from 27 in February and 24 in January (Tables 1 & 2). Production improved at both durable- and nondurable-goods-producing plants in March, with both types of plants experiencing solid year-over-year gains. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available also suggest that production was above year-ago levels in all district states.

Like the production index, most other important year-over-year indexes of factory activity improved in March. The employment index edged up to 14 after posting its first double-digit reading in nearly six years in February, and the capital expenditures index doubled from 9 to 18. The indexes for shipments and export orders also rose slightly. In addition, the supplier delivery time index jumped to 20, its highest level in the nine-year history of the survey, as rising global demand for manufactured goods and short supply of some materials combined to cause delays. On the negative side, the new orders index slipped from 38 to 29 to post its lowest reading since last August. Prior to last August, however, the last time the new orders index was higher than 29 was in early 1998. The inventory indexes were mixed. The raw materials inventories index rose slightly, while the finished goods inventory index turned negative again to continue its up-and-down pattern of the past five months.

Price indexes for both raw materials and finished goods rose in March. After steadying somewhat in January and February, the year-over-year raw materials price index jumped from 50 to 64 in March, the highest reading since early 1995. The finished goods price index also increased moderately, rising from 11 in February to 19 in March, as more firms than in previous surveys were able to pass some of their recent cost increases through to customers.

Despite a moderate dip in the year-over-year new orders index, expectations for future factory activity in the district remained quite strong in March. The future production and new orders indexes each edged down slightly—to 40 and 36, respectively—but remained high by historical standards. The future capital spending index was basically unchanged at 22, while the future employment index rose from 13 to 19. Concerns about material prices and availability persisted, as the future raw materials price index rose from 48 to 55 and the future supplier delivery time index increased from 5 to 14. The future finished goods price index was virtually unchanged at 24. The relatively high value of this index suggests a sizable number of firms expect to be able to pass some, although by no means all, of their recent cost increases through to customers.

Table 1

Summary of Tenth District Manufacturing Conditions, March 2004

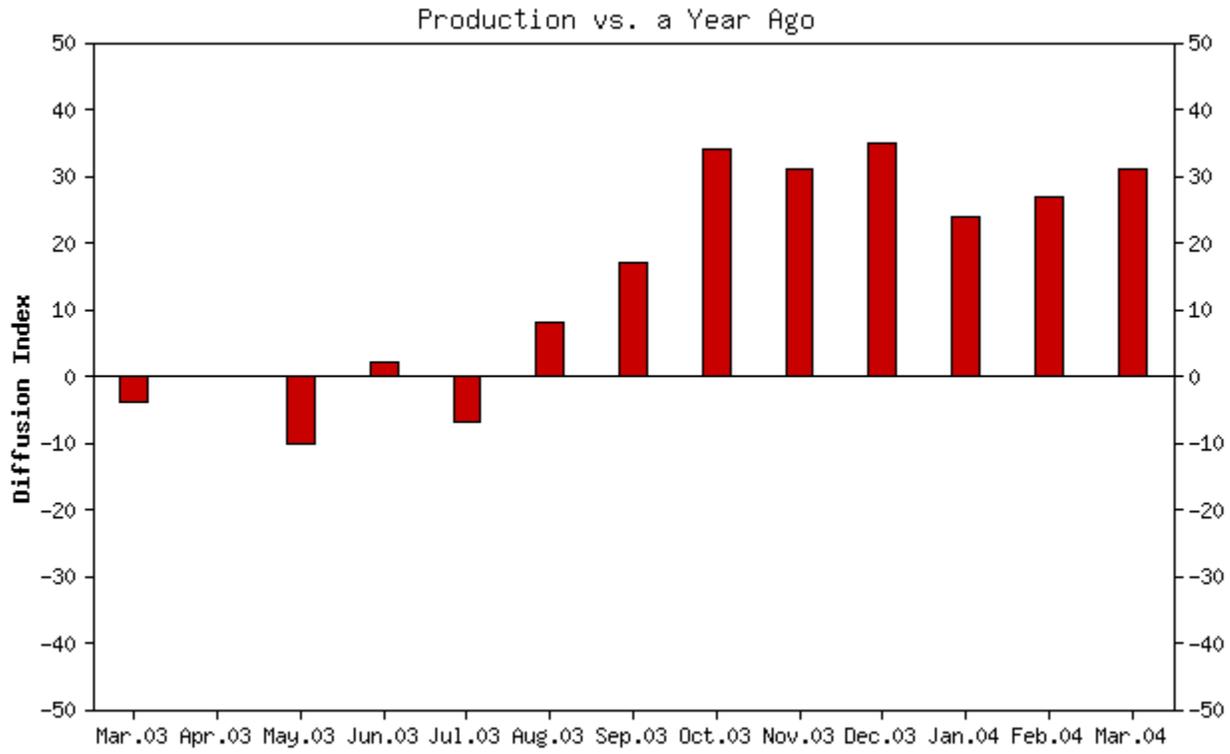
	March vs. February (percent, not seasonally adjusted)				March vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	46	33	19	27	55	19	24	31	58	22	18	40
Volume of shipments	52	31	15	37	57	18	23	34	61	21	16	45
Volume of new orders	49	28	20	29	54	18	25	29	54	25	18	36
Backlog of orders	33	41	23	10	40	38	19	21	43	36	18	25
Number of employees	31	51	16	15	39	34	25	14	36	45	17	19
Average employee workweek	27	54	16	11	32	48	16	16	26	53	19	7
Prices received for finished product	21	73	4	17	35	47	16	19	36	49	12	24
Prices paid for raw materials	59	36	2	57	70	22	6	64	63	26	8	55
Capital expenditures					30	55	12	18	32	56	10	22
New orders for exports	14	69	9	5	19	62	9	10	22	63	7	15
Supplier delivery time	20	71	5	15	26	64	6	20	20	70	6	14
Inventories:												
Materials	23	54	20	3	30	44	24	6	23	52	22	1
Finished goods	19	52	25	-6	21	48	26	-5	14	55	24	-10

* 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 March survey included 99 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Mar'03	Apr'03	May'03	Jun'03	Jul'03	Aug'03	Sep'03	Oct'03	Nov'03	Dec'03	Jan'04	Feb'04	Mar'04
Versus a Month Ago (not seasonally adjusted)													
Production	11	15	1	15	8	20	31	28	6	1	17	14	27
Volume of shipments	19	19	6	22	7	16	30	21	-1	17	12	19	37
Volume of new orders	21	16	7	15	24	22	31	29	14	19	21	5	29
Backlog of orders	2	-2	0	-1	5	17	2	5	8	1	7	2	10
Number of employees	-17	-10	-1	-2	3	9	11	4	8	12	9	7	15
Average employee workweek	1	-1	-4	-2	4	18	25	5	8	-4	9	6	11
Prices received for finished product	-9	-7	-7	-3	-5	-4	-1	-5	-2	3	9	5	17
Prices paid for raw materials	20	9	7	12	8	18	16	17	27	23	39	38	57
Capital expenditures	n/a												
New orders for exports	5	-8	2	4	6	7	2	5	-1	7	9	0	5
Supplier delivery time	3	1	0	-2	0	-1	5	4	8	10	4	6	15
Inventories: Materials	6	-7	-25	-18	-6	-14	-4	5	4	-4	9	11	3
Inventories: Finished goods	3	-8	0	-10	-12	-11	-8	1	2	-3	-6	3	-6
Versus a Year Ago													
Production	-4	0	-10	2	-7	8	17	34	31	35	24	27	31
Volume of shipments	-6	9	-10	1	6	11	20	36	29	29	27	32	34
Volume of new orders	4	7	-2	6	16	22	31	40	41	45	30	38	29
Backlog of orders	-6	-7	-13	-10	-3	3	12	10	21	28	22	25	21
Number of employees	-21	-29	-33	-30	-17	-8	-13	-8	0	3	-2	12	14
Average employee workweek	-7	-20	-13	-11	-1	9	17	17	18	21	20	19	16
Prices received for finished product	-7	-2	-7	-4	-5	1	-1	-1	4	2	8	11	19
Prices paid for raw materials	30	28	32	31	31	37	30	39	40	49	48	50	64
Capital expenditures	-8	-1	-4	-12	-3	0	12	3	14	7	6	9	18
New orders for exports	-1	-11	0	-5	-5	11	0	5	3	5	8	7	10
Supplier delivery time	-4	-2	-1	-5	-3	-4	3	-4	8	5	6	7	20
Inventories: Materials	-1	-6	-26	-17	-14	-11	-7	-5	-8	9	-5	3	6
Inventories: Finished goods	-1	-4	-9	-5	-5	-12	-5	-7	-4	12	-7	4	-5
Expected in Six Months (not seasonally adjusted)													
Production	33	36	37	32	35	37	36	55	45	49	33	43	40
Volume of shipments	40	38	35	28	28	38	38	49	50	45	39	42	45
Volume of new orders	37	36	36	36	21	40	40	50	45	45	38	39	36
Backlog of orders	16	19	23	23	24	18	22	26	12	25	25	23	25
Number of employees	15	5	9	7	5	23	13	15	24	17	12	13	19
Average employee workweek	13	7	20	8	8	11	13	15	8	19	9	10	7
Prices received for finished product	-3	7	11	5	3	10	10	9	14	17	15	25	24
Prices paid for raw materials	20	22	25	27	17	32	29	27	40	35	42	48	55
Capital expenditures	3	13	13	16	12	15	15	16	19	16	16	23	22
New orders for exports	4	-2	9	6	5	14	13	11	10	14	17	17	15
Supplier delivery time	6	7	12	-3	5	2	8	1	6	2	3	5	14
Inventories: Materials	-6	0	-12	-14	-8	0	4	4	-1	4	-9	-6	1
Inventories: Finished goods	-4	5	-11	-9	0	3	-6	6	3	3	-12	-2	-10



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