



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Monday, September 13, 2004
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District continued expanding in August. Plant managers' expectations for future activity also remained strong while future hiring plans improved.

A summary of the August 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 August 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 Manufacturing

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District continued to expand in August. The year-over-year production index was near a record high, and expectations for future factory activity remained very strong. In addition, future hiring plans improved. The year-over-year price indexes, though still high by historical standards, eased slightly, and expectations for future price increases also moderated somewhat. Most month-over-month indexes continued to rise, but the monthly data are not seasonally adjusted, so caution must be taken in basing analyses on month-to-month comparisons.

The net percentage of firms reporting year-over-year increases in production rose from 46 in July to 50 in August, only slightly below June's record high of 51 (Tables 1 & 2). The slight increase in August was due to a modest improvement at nondurable-goods-producing firms. Durable goods production also remained well above year-ago levels. Although sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was above year-ago levels throughout the district.

Most other year-over-year indexes of factory activity improved or remained at high levels in August. The shipments index rose to a new survey high, the new orders index matched its previous high, and the employment index increased moderately after easing for the first time in six months in July. Both of the inventory indexes rose markedly. Indeed, the index for inventories of raw materials rose to its highest level in six years, and the index for inventories of finished goods was solidly positive after dipping below zero in July. The capital expenditures index was virtually unchanged, while the indexes for backlog of orders and supplier delivery times both fell somewhat after rising to record levels in July.

The year-over-year price indexes both fell somewhat in August after rising to new highs in July. The raw materials price index fell from 82 to 73 but was still higher than in June. Similarly, the finished goods price index eased from 42 to 37 but remained higher than June's reading.

Plant managers' expectations for future factory activity remained very strong. The six-month-ahead production index edged down to 39 from 40 in July, but the future indexes for shipments, new orders, and capital spending all rose slightly. In a further sign of confidence on the part of manufacturers, the future employment index jumped from 15 to 30. The future price indexes both fell after rising somewhat in July. The future raw materials price index edged down slightly but remained very high at 55. Meanwhile, the future finished goods price index dropped to 20, the lowest reading since January.

Table1

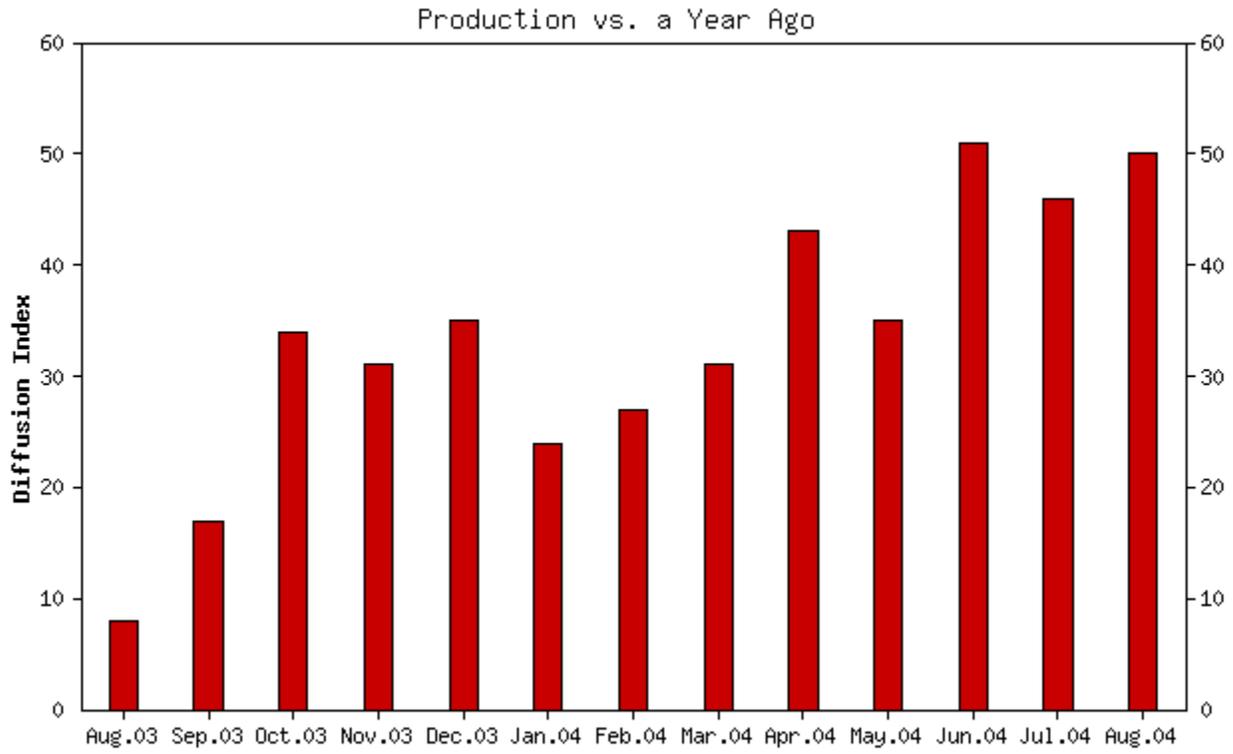
Summary of Tenth District Manufacturing Conditions, August 2004

	August vs. July (percent, not seasonally adjusted)				August 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	40	31	25	15	66	13	16	50	55	25	16	39
Volume of shipments	48	26	23	25	70	12	15	55	55	27	15	40
Volume of new orders	39	33	24	15	66	16	14	52	54	27	15	39
Backlog of orders	23	42	29	-6	42	35	15	27	30	41	21	9
Number of employees	29	51	17	12	47	28	22	25	44	39	14	30
Average employee workweek	28	57	11	17	37	51	8	29	27	55	13	14
Prices received for finished product	20	69	6	14	51	30	14	37	32	51	12	20
Prices paid for raw materials	57	35	5	52	79	10	6	73	63	25	8	55
Capital expenditures					34	44	18	16	31	52	12	19
New orders for exports	4	70	10	-6	15	65	7	8	17	66	3	14
Supplier delivery time	21	69	4	17	31	56	7	24	20	69	6	14
Inventories:												
Materials	32	45	19	13	39	36	22	17	30	47	19	11
Finished goods	25	55	14	11	29	46	20	9	27	51	18	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 August survey included 133 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Aug'03	Sep'03	Oct'03	Nov'03	Dec'03	Jan'04	Feb'04	Mar'04	Apr'04	May'04	Jun'04	Jul'04	Aug'04
Versus a Month Ago (not seasonally adjusted)													
Production	20	31	28	6	1	17	14	27	28	23	26	20	15
Volume of shipments	16	30	21	-1	17	12	19	37	36	14	25	14	25
Volume of new orders	22	31	29	14	19	21	5	29	34	20	23	21	15
Backlog of orders	17	2	5	8	1	7	2	10	28	22	4	13	-6
Number of employees	9	11	4	8	12	9	7	15	14	18	16	11	12
Average employee workweek	18	25	5	8	-4	9	6	11	17	15	16	21	17
Prices received for finished product	-4	-1	-5	-2	3	9	5	17	28	22	9	16	14
Prices paid for raw materials	18	16	17	27	23	39	38	57	67	56	54	47	52
Capital expenditures	n/a												
New orders for exports	7	2	5	-1	7	9	0	5	9	0	1	1	-6
Supplier delivery time	-1	5	4	8	10	4	6	15	27	16	6	16	17
Inventories: Materials	-14	-4	5	4	-4	9	11	3	15	13	-2	1	13
Inventories: Finished goods	-11	-8	1	2	-3	-6	3	-6	1	9	0	4	11
Versus a Year Ago													
Production	8	17	34	31	35	24	27	31	43	35	51	46	50
Volume of shipments	11	20	36	29	29	27	32	34	45	39	46	49	55
Volume of new orders	22	31	40	41	45	30	38	29	52	45	47	51	52
Backlog of orders	3	12	10	21	28	22	25	21	31	33	28	37	27
Number of employees	-8	-13	-8	0	3	-2	12	14	19	19	22	15	25
Average employee workweek	9	17	17	18	21	20	19	16	24	21	37	30	29
Prices received for finished product	1	-1	-1	4	2	8	11	19	37	34	34	42	37
Prices paid for raw materials	37	30	39	40	49	48	50	64	82	75	71	82	73
Capital expenditures	0	12	3	14	7	6	9	18	22	22	23	17	16
New orders for exports	11	0	5	3	5	8	7	10	9	3	2	5	8
Supplier delivery time	-4	3	-4	8	5	6	7	20	26	20	22	30	24
Inventories: Materials	-11	-7	-5	-8	9	-5	3	6	5	16	9	6	17
Inventories: Finished goods	-12	-5	-7	-4	12	-7	4	-5	-2	3	1	-3	9
Expected in Six Months (not seasonally adjusted)													
Production	37	36	55	45	49	33	43	40	46	36	48	40	39
Volume of shipments	38	38	49	50	45	39	42	45	53	35	44	36	40
Volume of new orders	40	40	50	45	45	38	39	36	46	28	47	36	39
Backlog of orders	18	22	26	12	25	25	23	25	26	17	29	16	9
Number of employees	23	13	15	24	17	12	13	19	28	18	16	15	30
Average employee workweek	11	13	15	8	19	9	10	7	12	5	13	18	14
Prices received for finished product	10	10	9	14	17	15	25	24	39	28	28	31	20
Prices paid for raw materials	32	29	27	40	35	42	48	55	65	57	49	61	55
Capital expenditures	15	15	16	19	16	16	23	22	34	25	23	18	19
New orders for exports	14	13	11	10	14	17	17	15	14	8	7	5	14
Supplier delivery time	2	8	1	6	2	3	5	14	11	13	1	11	14
Inventories: Materials	0	4	4	-1	4	-9	-6	1	1	5	-6	-2	11
Inventories: Finished goods	3	-6	6	3	3	-12	-2	-10	-2	-2	2	0	9



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