



News Release

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FOR RELEASE Monday, July 11, 2005
EMBARGOED FOR 11:00 A.M. EST

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Manufacturing activity in the Tenth Federal Reserve District expanded solidly in June. The year-over-year production index edged higher, and expectations for future factory activity remained relatively strong.

A summary of the June 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 June manufacturing survey, as well as background information and results from past surveys, can be found on the Federal Reserve Bank of Kansas City's Website, <http://www.kansascityfed.org>.

Survey of Tenth District Manufacturing

by Chad R. Wilkerson

Manufacturing activity in the Tenth Federal Reserve District expanded solidly in June. The year-over-year production index edged higher, and expectations for future factory activity remained relatively strong. The year-over-year price indexes also edged higher after falling in May, while the six-month-ahead price indexes continued to ease. Most month-over-month indexes in the survey rose in June, 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 to 39 in June, up from 35 in May and from 32 in April (Tables 1 & 2). A sizable net percentage of both durable- and nondurable-goods-producing plants reported year-over-year production growth. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was well above year-ago levels in all district states.

Most other year-over-year indexes of factory activity remained solid or rose slightly in June. The new orders index edged down from 46 to a still-high 44, while the shipments index rose from 39 to 50, its highest reading since last December. The employment and capital spending indexes also increased modestly, and the workweek index posted a more sizable gain. The inventory indexes were largely unchanged after falling fairly sharply in May.

The year-over-year price indexes remained high in June. The raw materials price index was virtually unchanged, edging up from 70 to 71. This index peaked at 86 in March. The finished goods price index also rose slightly in June, from 46 to 49. This level was below readings in the fifties during the first four months of the year but still quite high by historical standards.

Plant managers' expectations for future factory activity were generally unchanged in June after falling somewhat in May. The six-month-ahead production index edged up from 31 to 32. While still relatively high, the readings on the future production index in May and June were the lowest readings of the past two years. The future capital spending index also edged higher, from 22 to 24, and was about in the middle of its range over the past year. The future shipments, new orders, and employment indexes all fell slightly. Similar to the production index, the future shipments and new orders indexes posted their lowest readings of the last two years but were still well above zero, at 29 and 28, respectively. The future price indexes both continued to fall, suggesting that manufacturing price pressures could ease somewhat by the end of the year. The future raw materials price index dropped from 48 to 41 and was down considerably from a recent peak of 63 in March. Also, the future finished goods price index fell from 31 to 25, down from an all-time high of 42 in February. Still, both future price indexes remain elevated by historical standards, and many firms plan to continue raising prices in the months ahead.

Table 1

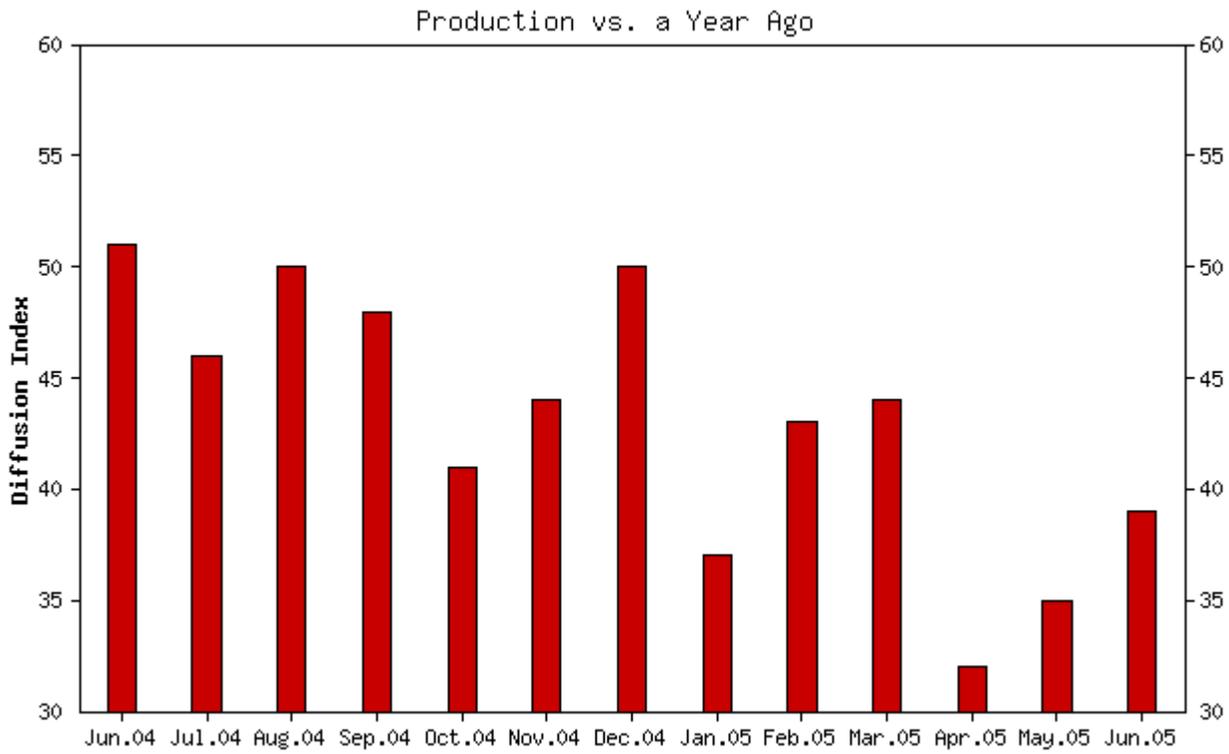
Summary of Tenth District Manufacturing Conditions, June 2005

	June vs. May (percent, not seasonally adjusted)				June vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	No Increase	No Change	Decrease	Index*	No Increase	No Change	Decrease	Index*	No Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	41	35	22	19	56	26	17	39	48	34	16	32
Volume of shipments	48	29	21	27	64	20	14	50	47	33	18	29
Volume of new orders	41	38	19	22	57	29	13	44	42	42	14	28
Backlog of orders	25	45	27	-2	41	38	17	24	18	57	20	-2
Number of employees	26	60	13	13	47	28	23	24	33	45	19	14
Average employee workweek	26	61	11	15	38	45	14	24	19	63	16	3
Prices received for finished product	14	76	8	6	58	31	9	49	37	50	12	25
Prices paid for raw materials	35	50	14	21	80	9	9	71	53	34	12	41
Capital expenditures					42	39	15	27	36	48	12	24
New orders for exports	8	73	3	5	16	60	9	7	13	67	6	7
Supplier delivery time	13	78	4	9	25	64	7	18	13	76	7	6
Inventories:												
Materials	25	51	22	3	37	40	20	17	23	52	22	1
Finished goods	18	51	27	-9	29	47	19	10	18	56	21	-3

* 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 June survey included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04	Dec'04	Jan'05	Feb'05	Mar'05	Apr'05	May'05	Jun'05
Versus a Month Ago (not seasonally adjusted)													
Production	26	20	15	20	20	6	2	18	32	44	20	9	19
Volume of shipments	25	14	25	23	3	4	-1	11	25	40	22	18	27
Volume of new orders	23	21	15	19	18	8	-1	22	26	38	29	18	22
Backlog of orders	4	13	-6	7	3	-3	-7	9	8	13	13	10	-2
Number of employees	16	11	12	13	22	4	5	-4	15	14	11	6	13
Average employee workweek	16	21	17	6	12	5	-5	2	8	10	1	11	15
Prices received for finished product	9	16	14	16	15	9	12	18	20	21	22	10	6
Prices paid for raw materials	54	47	52	46	53	43	35	46	49	53	38	27	21
Capital expenditures	n/a												
New orders for exports	1	1	-6	0	3	5	6	1	6	10	5	1	5
Supplier delivery time	6	16	17	22	13	10	10	14	9	12	8	14	9
Inventories: Materials	-2	1	13	11	12	5	-5	5	8	11	21	2	3
Inventories: Finished goods	0	4	11	6	17	1	-2	7	11	7	11	-4	-9
Versus a Year Ago													
Production	51	46	50	48	41	44	50	37	43	44	32	35	39
Volume of shipments	46	49	55	51	42	47	53	47	42	34	24	39	50
Volume of new orders	47	51	52	50	42	44	52	45	45	42	31	46	44
Backlog of orders	28	37	27	31	23	30	29	34	31	26	28	29	24
Number of employees	22	15	25	27	25	28	30	18	15	18	20	21	24
Average employee workweek	37	30	29	28	21	17	23	29	15	11	12	10	24
Prices received for finished product	34	42	37	38	41	40	40	55	54	51	59	46	49
Prices paid for raw materials	71	82	73	72	77	74	76	81	83	86	79	70	71
Capital expenditures	23	17	16	30	19	21	18	20	26	30	29	21	27
New orders for exports	2	5	8	7	6	8	12	11	18	16	14	6	7
Supplier delivery time	22	30	24	35	23	19	18	24	22	26	23	28	18
Inventories: Materials	9	6	17	19	20	18	10	25	15	24	33	17	17
Inventories: Finished goods	1	-3	9	13	12	16	15	25	17	17	25	13	10
Expected in Six Months (not seasonally adjusted)													
Production	48	40	39	39	39	38	41	46	48	33	41	31	32
Volume of shipments	44	36	40	38	35	43	41	44	50	33	42	32	29
Volume of new orders	47	36	39	38	37	44	43	41	41	42	40	31	28
Backlog of orders	29	16	9	17	20	26	28	24	18	19	22	19	-2
Number of employees	16	15	30	23	26	23	21	16	23	14	11	16	14
Average employee workweek	13	18	14	8	8	6	15	21	10	4	9	12	3
Prices received for finished product	28	31	20	30	30	36	34	36	42	35	39	31	25
Prices paid for raw materials	49	61	55	54	59	59	56	60	61	63	56	48	41
Capital expenditures	23	18	19	25	25	24	20	23	24	30	25	22	24
New orders for exports	7	5	14	10	13	13	12	23	22	7	12	15	7
Supplier delivery time	1	11	14	14	16	8	5	9	6	9	13	7	6
Inventories: Materials	-6	-2	11	-5	4	-1	-1	5	1	7	7	3	1
Inventories: Finished goods	2	0	9	4	0	1	-8	5	1	5	-2	-2	-3



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