



News Release

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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District strengthened in December and expectations for future production remained strong.

A summary of the December 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 December 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 strengthened in December. The year-over-year indexes for production, shipments, new orders, and employment were at or near all-time highs, and expectations for future production were as strong as in recent months. The year-over-year and future price indexes were largely unchanged and still near record highs. The month-over-month indexes in the survey were mixed in December. However, the monthly data are not seasonally adjusted, so caution must be taken in basing analyses on month-to-month comparisons. For example, the month-over-month production index's lowest reading in each year since 2001 has been reached or matched in December.

The net percentage of firms reporting year-over-year production increases rose to 50 in December, up from 44 in November and just slightly below the all-time high of 51 reached in June 2004 (Tables 1 & 2). The moderate improvement came primarily at durable-goods-producing plants, as the production index for nondurable-goods-producing plants was up only slightly from November. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production remained well above year-ago levels in all district states.

Similar to the production indexes, many other year-over-year indexes of factory activity rose to or near all-time highs in December. The new orders index matched its record high of 52 from August 2004, and the shipments index rose from 47 to 53, only slightly below its August peak. The employment index edged up from 28 to 30, its highest reading since 1995, and the workweek index rose somewhat after easing in each of the previous five months. The new orders for exports index rose to 12, the highest level since early 2000. The capital spending index eased slightly but remained similar to readings in recent months.

The year-over-year price indexes were virtually unchanged from November. The raw materials price index edged up from 74 to 76, down only slightly from the all-time high of 82 reached in April and July 2004. The finished goods price index remained flat at 40, just slightly below the record high of 42 posted in July. The continued gap between the two price indexes suggests some firms still continue to have difficulties passing cost increases through to customers.

Plant managers' expectations for future factory activity remain high. The six-month-ahead production index was 41, similar to its strong readings in each of the past five months. The future shipments and new orders indexes also remained above 40. The future employment and capital spending indexes edged down but remained around 20—relatively high levels by historical standards. The future price indexes also eased slightly but remained similar to readings in recent months. Finally, the gap between the two future price indexes, after closing somewhat in November, remained virtually unchanged in December, suggesting little expected change in pricing power in the months ahead.

Table1**Summary of Tenth District Manufacturing Conditions, December 2004**

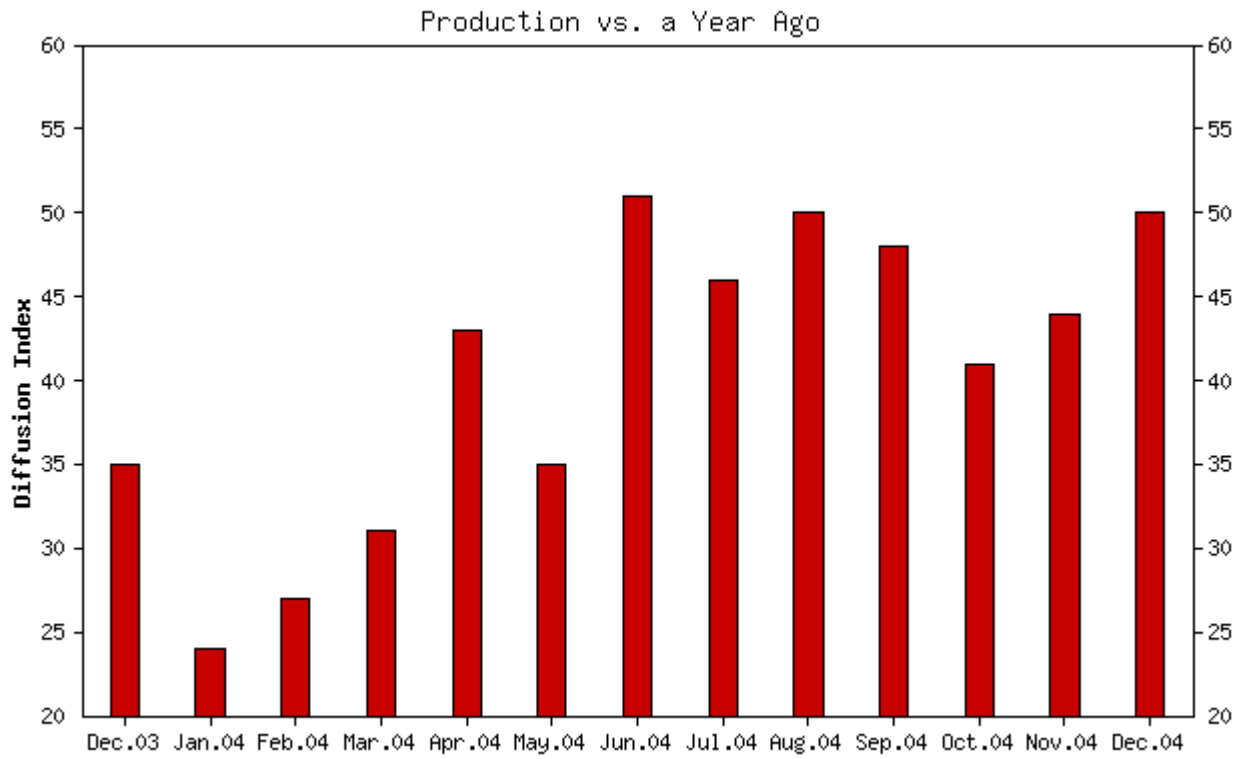
	December vs. November (percent, not seasonally adjusted)				December vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	No Increase	No Change	No Decrease	Index *	No Increase	No Change	No Decrease	Index *	No Increase	No Change	No Decrease	Index *
Plant Level Indicators												
Production	33	34	31	2	64	20	14	50	53	33	12	41
Volume of shipments	32	32	33	-1	67	17	14	53	55	29	14	41
Volume of new orders	25	47	26	-1	64	21	12	52	52	37	9	43
Backlog of orders	20	49	27	-7	43	36	14	29	38	48	10	28
Number of employees	16	71	11	5	49	31	19	30	33	52	12	21
Average employee workweek	15	60	20	-5	31	58	8	23	25	61	10	15
Prices received for finished product	17	76	5	12	52	32	12	40	43	46	9	34
Prices paid for raw materials	41	51	6	35	80	14	4	76	64	27	8	56
Capital expenditures					32	49	14	18	33	49	13	20
New orders for exports	9	80	3	6	20	63	8	12	18	67	6	12
Supplier delivery time	14	77	4	10	25	63	7	18	14	74	9	5
Inventories:												
Materials	21	50	26	-5	32	43	22	10	25	47	26	-1
Finished goods	21	49	23	-2	35	41	20	15	19	50	27	-8

* 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 December survey included 110 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Dec'03	Jan'04	Feb'04	Mar'04	Apr'04	May'04	Jun'04	Jul'04	Aug'04	Sep'04	Oct'04	Nov'04	Dec'04
Versus a Month Ago (not seasonally adjusted)													
Production	1	17	14	27	28	23	26	20	15	20	20	6	2
Volume of shipments	17	12	19	37	36	14	25	14	25	23	3	4	-1
Volume of new orders	19	21	5	29	34	20	23	21	15	19	18	8	-1
Backlog of orders	1	7	2	10	28	22	4	13	-6	7	3	-3	-7
Number of employees	12	9	7	15	14	18	16	11	12	13	22	4	5
Average employee workweek	-4	9	6	11	17	15	16	21	17	6	12	5	-5
Prices received for finished product	3	9	5	17	28	22	9	16	14	16	15	9	12
Prices paid for raw materials	23	39	38	57	67	56	54	47	52	46	53	43	35
Capital expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New orders for exports	7	9	0	5	9	0	1	1	-6	0	3	5	6
Supplier delivery time	10	4	6	15	27	16	6	16	17	22	13	10	10
Inventories: Materials	-4	9	11	3	15	13	-2	1	13	11	12	5	-5
Inventories: Finished goods	-3	-6	3	-6	1	9	0	4	11	6	17	1	-2
Versus a Year Ago													
Production	35	24	27	31	43	35	51	46	50	48	41	44	50
Volume of shipments	29	27	32	34	45	39	46	49	55	51	42	47	53
Volume of new orders	45	30	38	29	52	45	47	51	52	50	42	44	52
Backlog of orders	28	22	25	21	31	33	28	37	27	31	23	30	29
Number of employees	3	-2	12	14	19	19	22	15	25	27	25	28	30
Average employee workweek	21	20	19	16	24	21	37	30	29	28	21	17	23
Prices received for finished product	2	8	11	19	37	34	34	42	37	38	41	40	40
Prices paid for raw materials	49	48	50	64	82	75	71	82	73	72	77	74	76
Capital expenditures	7	6	9	18	22	22	23	17	16	30	19	21	18
New orders for exports	5	8	7	10	9	3	2	5	8	7	6	8	12
Supplier delivery time	5	6	7	20	26	20	22	30	24	35	23	19	18
Inventories: Materials	9	-5	3	6	5	16	9	6	17	19	20	18	10
Inventories: Finished goods	12	-7	4	-5	-2	3	1	-3	9	13	12	16	15
Expected in Six Months (not seasonally adjusted)													
Production	49	33	43	40	46	36	48	40	39	39	39	38	41
Volume of shipments	45	39	42	45	53	35	44	36	40	38	35	43	41
Volume of new orders	45	38	39	36	46	28	47	36	39	38	37	44	43
Backlog of orders	25	25	23	25	26	17	29	16	9	17	20	26	28
Number of employees	17	12	13	19	28	18	16	15	30	23	26	23	21
Average employee workweek	19	9	10	7	12	5	13	18	14	8	8	6	15
Prices received for finished product	17	15	25	24	39	28	28	31	20	30	30	36	34
Prices paid for raw materials	35	42	48	55	65	57	49	61	55	54	59	59	56
Capital expenditures	16	16	23	22	34	25	23	18	19	25	25	24	20
New orders for exports	14	17	17	15	14	8	7	5	14	10	13	13	12
Supplier delivery time	2	3	5	14	11	13	1	11	14	14	16	8	5
Inventories: Materials	4	-9	-6	1	1	5	-6	-2	11	-5	4	-1	-1
Inventories: Finished goods	3	-12	-2	-10	-2	-2	2	0	9	4	0	1	-8



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