



News Release

Federal Reserve Bank of Kansas City

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FOR RELEASE Monday, August 11, 2003
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Manufacturing activity in the Great Plains and Rocky Mountain region encompassed by Tenth Federal Reserve District continued to show signs of improvement in July. Although future production expectations remained high, they have yet to lead to increased hiring or spending plans.

A summary of the July 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 July 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 showed continued signs of improvement in July. Although production eased back below year-ago levels, most other factory indicators increased beyond the modest gains posted in June, particularly the year-over-year new orders index. In addition, expectations for future production remained quite high. Production versus a month ago also rose for the seventh 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 fell to -7 in July after rising above zero in June (Tables 1 & 2). Production was slightly below year-ago levels at both durable- and nondurable-goods-producing plants. While sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was also at or slightly below year-ago levels across the district.

Although the year-over-year production index fell back into negative territory in July, most other year-over-year indexes of factory activity improved, some of them considerably. For example, the new orders index rose from 6 to 16, its highest level in six months, and the employment index rose from -30 to -17, its highest level in nine months. Likewise, the year-over-year shipments, workweek, and capital expenditures indexes also rose by at least 5 points from June's readings. In addition, the inventory indexes—for both raw materials and finished goods—were largely unchanged in July and still in negative territory. Thus, factory activity could receive a boost in coming months from inventory rebuilding, in addition to stronger orders.

The gap between the year-over-year price indexes was stable in July, as each of the price indexes was almost identical to the previous month's readings. The raw materials price index stayed at 31, while the finished goods price index edged down to -5. The large gap between the two price indexes indicates that firms are still having difficulties passing cost increases through to customers.

Expectations for future factory activity remained quite high in July. The future production index edged up to 35 and the future shipments index was unchanged at 28. On the negative side, the future new orders index fell from 36 to 21. In addition, the continued high production expectations for the months ahead have yet to lead to increased hiring or spending plans. The future employment and capital spending indexes remained relatively modest, similar to readings from the previous three months. As for prices, firms continue to expect input prices to rise faster than output prices in coming months, but the gap is expected to narrow somewhat, as the future raw materials price fell from 27 to 17 in July while the future finished goods price index remained slightly positive.

Table 1

Summary of Tenth District Manufacturing Conditions, July 2003

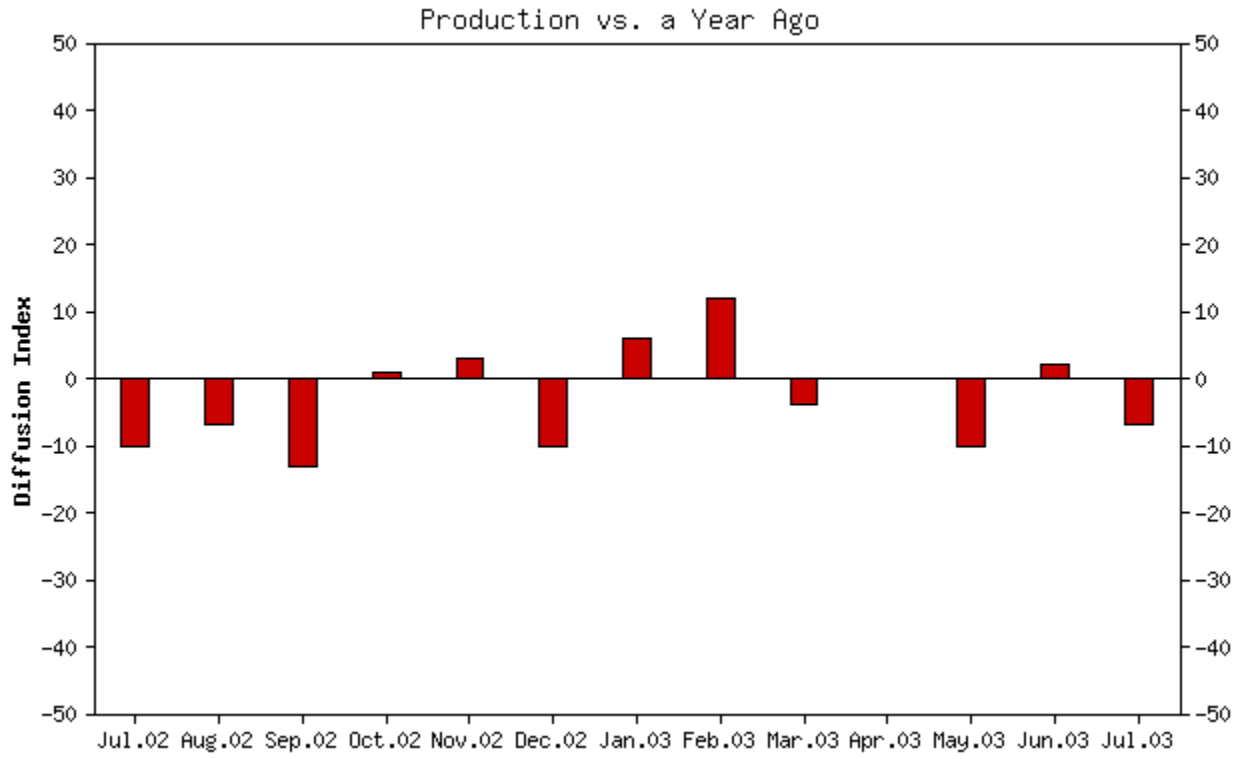
	July vs. June (percent, not seasonally adjusted)				July vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	32	41	24	8	31	28	38	-7	49	34	14	35
Volume of shipments	32	39	25	7	38	26	32	6	47	29	19	28
Volume of new orders	38	43	14	24	40	31	24	16	40	38	19	21
Backlog of orders	29	43	24	5	26	41	29	-3	39	41	15	24
Number of employees	18	64	15	3	25	30	42	-17	27	48	22	5
Average employee workweek	18	63	14	4	20	54	21	-1	21	62	13	8
Prices received for finished product	6	80	11	-5	22	48	27	-5	16	68	13	3
Prices paid for raw materials	15	75	7	8	42	44	11	31	24	65	7	17
Capital expenditures					24	43	27	-3	32	42	20	12
New orders for exports	12	68	6	6	10	62	15	-5	12	68	7	5
Supplier delivery time	5	83	5	0	6	79	9	-3	10	81	5	5
Inventories:												
Materials	21	48	27	-6	21	41	35	-14	20	49	28	-8
Finished goods	16	49	28	-12	23	44	28	-5	24	47	24	0

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

Table2
Historical Manufacturing Survey Indexes

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



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