



News Release

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Manufacturing activity in the Tenth Federal Reserve District was stable in November. Optimism about future activity remained high, but the lack of significant improvement from the sluggish activity levels of a year ago suggests manufacturing conditions in the region remain relatively weak.

A summary of the November survey is attached to this press release.

For more information about the monthly manufacturing survey, contact Chad Wilkerson, Economic Research Department, (816) 881-2869. The November 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 was stable in November, as the year-over-year production index was slightly positive for the second month in a row. Optimism about future factory activity also remained quite high. However, the lack of significant improvement from last year's low levels of activity suggests that manufacturing conditions in the region remain relatively weak. The month-over-month production index was slightly negative in November following a quite positive reading in October. However, 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 was slightly positive for the second month in a row, rising from 1 in October to 3 in November (Tables 1 & 2). While the small year-over-year improvement may be a sign of some stabilization in the district's manufacturing sector, the lack of a significant rise from last fall's weak activity suggests that regional factory activity remains rather sluggish. Production at both durable and nondurable goods-producing plants was slightly higher than in November of last year. Although sample sizes make it more difficult to draw firm conclusions about individual states, the data available suggest that production was around year-ago levels in most district states.

Most other year-over-year indexes of factory activity improved in November. The indexes for volume of shipments and volume of new orders increased, and the index for capital expenditures rose to zero for the first time since early 2000. The employment index also improved considerably, but was still negative.

The year-over-year inventory indexes both fell slightly below zero in November. The index for inventories of finished goods was negative for the first time in three months, perhaps reflecting the fact that the shipments index increased more than the production index in November. The raw materials inventory index also declined after surging in October.

The gap between the year-over-year price indexes returned to summer levels after diverging considerably in October. The net percentage of firms reporting raw materials price increases from a year ago fell to 27, the lowest reading since June. Meanwhile, the year-over-year finished goods price index rose to -12 after dropping sharply in October. Although the gap between the two price indexes narrowed somewhat, the difference was still much higher than a year ago, suggesting firms continue to have difficulties passing cost increases through to customers.

Consistent with signs of a stabilizing manufacturing sector, firms' optimism about future factory activity remained quite high. The future production index edged up to 35 in November from 34 in October, following readings in the mid-20s during the third quarter. Expectations for future shipments and new orders were also similar to October's relatively high levels. In addition, firms appear a bit more optimistic about future hiring and spending than a month ago. Both the future employment index and the future capital expenditures index rose slightly in November. As for prices, raw materials prices are expected to continue to rise in the near term, although not as many firms anticipate increases as in recent months. Firms also now expect finished goods prices to edge up over the next six months, reversing their expectations in the previous two surveys.

Table 1

Summary of Tenth District Manufacturing Conditions, November 2002

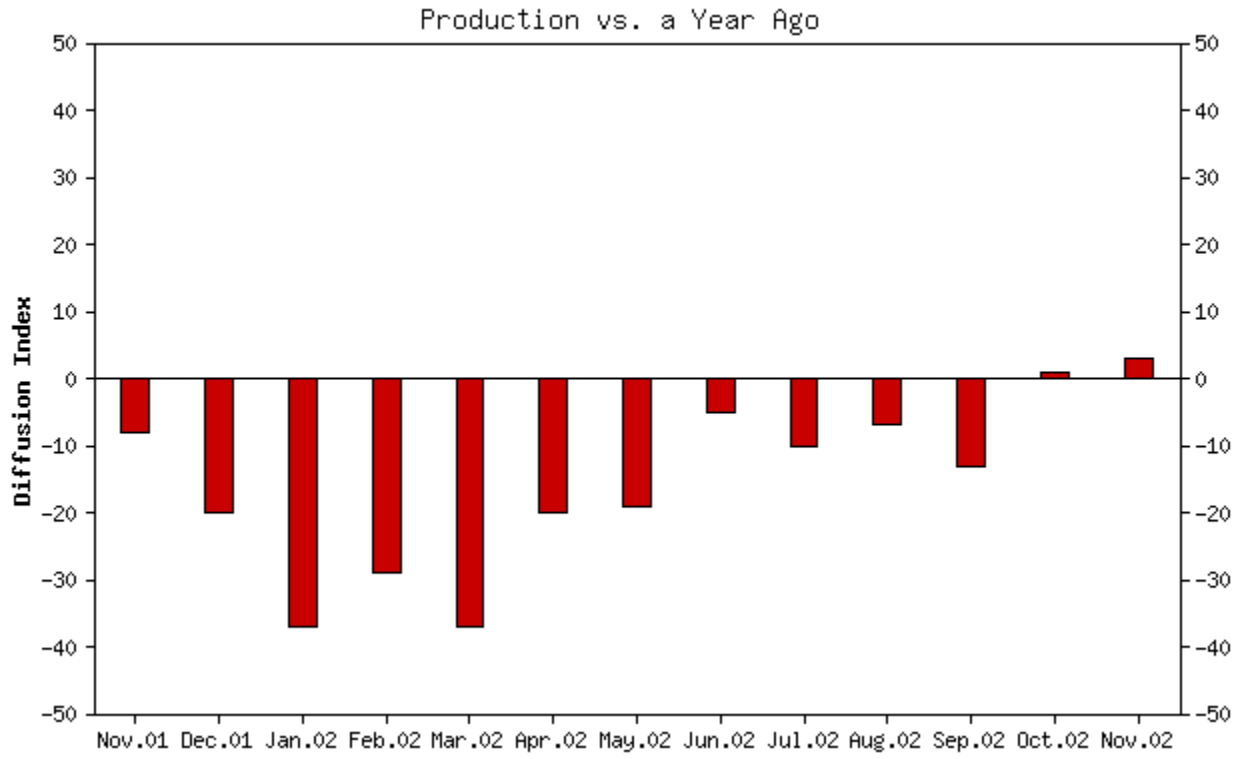
	November vs. October (percent, not seasonally adjusted)				November vs. Year Ago (percent)				Expected in Six Months (percent, not seasonally adjusted)			
	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*	Increase	No Change	Decrease	Index*
Plant Level Indicators												
Production	29	37	31	-2	39	24	36	3	52	28	17	35
Volume of shipments	32	35	31	1	41	25	32	9	57	24	18	39
Volume of new orders	37	26	35	2	40	26	31	9	51	29	17	34
Backlog of orders	27	39	31	-4	25	42	30	-5	37	42	18	19
Number of employees	15	59	25	-10	29	27	42	-13	30	53	15	15
Average employee workweek	17	60	20	-3	19	54	24	-5	27	57	15	12
Prices received for finished product	4	81	14	-10	19	48	31	-12	21	59	18	3
Prices paid for raw materials	15	78	6	9	45	36	18	27	31	56	12	19
Capital expenditures					27	42	27	0	27	50	19	8
New orders for exports	7	71	12	-5	13	65	13	0	15	60	16	-1
Supplier delivery time	3	87	6	-3	5	83	9	-4	6	83	8	-2
Inventories:												
Materials	24	50	24	0	27	38	31	-4	16	54	27	-11
Finished goods	26	43	27	-1	26	41	28	-2	20	43	34	-14

* 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 November survey included 91 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table2
Historical Manufacturing Survey Indexes

	Nov'01	Dec'01	Jan'02	Feb'02	Mar'02	Apr'02	May'02	Jun'02	Jul'02	Aug'02	Sep'02	Oct'02	Nov'02
Versus a Month Ago (not seasonally adjusted)													
Production	-15	-21	6	3	24	18	19	6	8	13	3	13	-2
Volume of shipments	-19	-14	-4	-7	33	13	29	9	6	7	13	5	1
Volume of new orders	-25	-25	11	-3	27	16	22	8	4	14	4	13	2
Backlog of orders	-23	-19	0	-8	4	-3	-3	-15	-4	-1	-14	-3	-4
Number of employees	-20	-22	-8	-9	2	1	0	8	-3	-5	-5	-9	-10
Average employee workweek	-18	-13	-3	7	6	-2	3	0	0	-1	4	4	-3
Prices received for finished product	-8	-5	-9	-8	0	-3	-8	-11	-6	-9	-5	-12	-10
Prices paid for raw materials	-3	2	1	8	17	21	19	17	22	17	16	9	9
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	-5	-12	-2	-6	8	6	3	-4	1	-7	-4	1	-5
Supplier delivery time	0	-1	3	5	10	4	5	6	2	6	3	-1	-3
Inventories: Materials	-13	-29	3	-19	-4	-11	4	-13	-1	11	-13	-12	0
Inventories: Finished goods	-15	-24	0	5	3	0	9	-10	8	4	-2	-2	-1
Versus a Year Ago													
Production	-8	-20	-37	-29	-37	-20	-19	-5	-10	-7	-13	1	3
Volume of shipments	-12	-6	-36	-27	-37	-19	-11	-13	-7	-9	-9	0	9
Volume of new orders	-21	-20	-30	-29	-36	-12	1	-13	-6	-3	-13	6	9
Backlog of orders	-14	-21	-27	-24	-23	-25	-22	-24	-22	-17	-13	-8	-5
Number of employees	-38	-41	-41	-46	-41	-37	-46	-28	-27	-30	-31	-29	-13
Average employee workweek	-29	-24	-20	-29	-22	-34	-20	-18	-13	-15	-10	-6	-5
Prices received for finished product	-2	5	2	6	-6	-5	-7	-13	-8	-6	-8	-22	-12
Prices paid for raw materials	0	0	-2	23	24	18	11	26	32	33	31	36	27
Capital expenditures	-25	-24	-21	-36	-39	-30	-28	-21	-7	-7	-24	-12	0
New orders for exports	-8	-8	-8	-12	-10	-7	-3	-6	-6	-4	-9	1	0
Supplier delivery time	-16	-1	-7	-2	6	4	3	8	5	3	1	-1	-4
Inventories: Materials	-33	-27	-33	-30	-27	-20	-18	-26	-28	-7	-7	9	-4
Inventories: Finished goods	-27	-27	-34	-17	-15	-13	2	-18	-13	-5	1	9	-2
Expected in Six Months (not seasonally adjusted)													
Production	13	22	33	32	42	36	15	20	24	25	25	34	35
Volume of shipments	13	29	41	34	45	37	35	24	28	24	20	35	39
Volume of new orders	8	19	28	37	44	36	38	27	36	27	19	36	34
Backlog of orders	-9	2	5	18	13	12	32	13	7	11	6	10	19
Number of employees	-7	-6	-5	15	19	21	8	4	4	12	3	11	15
Average employee workweek	-9	-1	4	3	18	18	11	5	-1	4	1	8	12
Prices received for finished product	13	13	0	6	12	18	12	0	4	4	-7	-12	3
Prices paid for raw materials	14	21	13	25	30	38	30	27	34	36	20	15	19
Capital expenditures	-23	-14	-9	-7	0	5	12	12	8	8	-3	4	8
New orders for exports	-1	0	1	3	13	6	12	8	9	5	-2	4	-1
Supplier delivery time	-4	3	3	5	4	11	8	9	10	10	5	-4	-2
Inventories: Materials	-29	-7	-16	-3	4	-2	0	-1	-6	-3	-8	-3	-11
Inventories: Finished goods	-22	-15	-21	3	7	0	11	-2	4	7	-8	0	-14



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