



Minnesota Manufacturers Optimistic about Late 2003

Despite persistently lackluster activity in the manufacturing industry, businesses are more encouraged about the next six months than they have been over the past two years. A random sample survey of Minnesota manufacturers conducted in August and early September by the Minnesota Department of Employment and Economic Development (DEED) and the Federal Reserve Bank of Minneapolis found that 84 percent of manufacturers believe their number of orders and production levels will increase or remain the same in late 2003, a response six to nine percentage points higher than that reported in the Winter 2003 survey.

The diffusion index for employment over the next six months increased to 52, slightly tipping the category into growth status and suggesting more stability for Minnesota's manufacturing employees through the remainder of the year. A diffusion index greater than 50 suggests expansion.

The Manufacturing Industry in Early 2003

While industry expectations of an increase in orders and profits did not fully materialize in early 2003, small improvements were noted over the previous six months. Minnesota manufacturers reported even greater

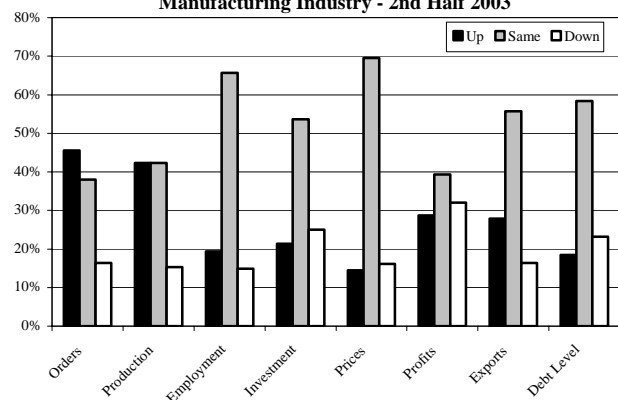
increases in production levels and exports than had been predicted in late 2002. The growth in exports is consistent with increases seen in DEED's Quarterly Export Statistics report of September 2003. However, orders, employment levels and investment remained relatively constant.

Overall, the diffusion index for most categories remained below 50 suggesting that weaknesses seen in late 2002 continued into early 2003, although their severity had lessened.

Outlook on the Manufacturing Industry

Minnesota manufacturers are optimistic about late 2003. Over 46 percent feel their number of

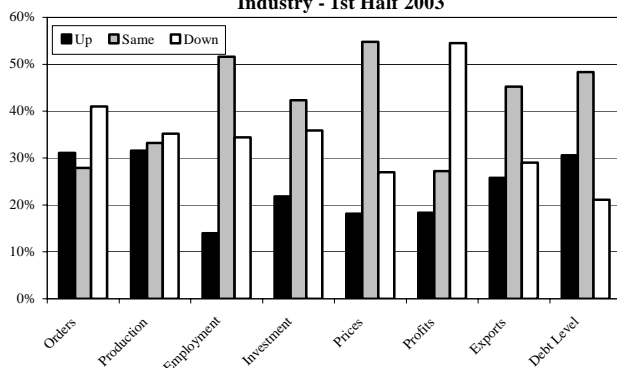
Outlook on Economic Indicators for Minnesota's Manufacturing Industry - 2nd Half 2003



orders will increase and 42 percent expect higher production levels - the most encouraging response since the survey began in the summer of 2001.

Similarly, there is a slight increase in the percentage of manufacturers expecting an increase in employment levels. While the majority of respondents note that employment will not change in late 2003, the diffusion index for employment increased to 52 and suggests potential growth.

Economic Performance for Minnesota's Manufacturing Industry - 1st Half 2003



The results of the survey are consistent with Creighton University's August Business Conditions Index for Minnesota, which found solid improvements in orders, while the overall index rose to its highest level since September 2000.

The Institute of Supply Management's *Report on Business* also noted strength in orders and production levels for the U.S. manufacturing industry and surmised that a recovery for the second half of the year was on track.

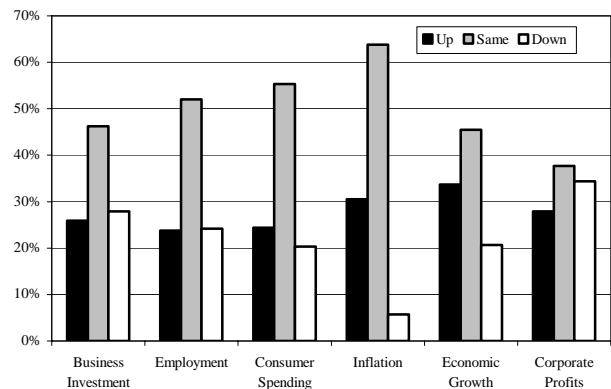
Outlook on the State Economy

Manufacturers in the state are encouraged by what they see in the overall state economy. Approximately 80 percent predict growth or stability in the economy over the next six months. The percentage of businesses reporting that they expect investment, employment, consumer spending and profits to increase also grew

compared to the survey conducted six months ago.

In particular, predictions of growth or stability in consumer spending increased from 56 percent in the previous survey to 79 percent. Meanwhile, employment in the state is expected to stabilize, with less than one quarter responding that they feel employment will decrease over the next six months.

Outlook on State Economic Indicators - 2nd Half 2003



Minnesota Summer 2003 Manufacturing Business Conditions Survey Results

Compared to the second half of 2002, in the first half of 2003 your location's:	Up	Same	Down	Diffusion Index*
	Number of orders	31%	28%	41%
Product/service production level	32%	33%	35%	48
Employment level	14%	52%	34%	40
Investment in plant/equipment	22%	42%	36%	43
Prices	18%	55%	27%	46
Profits	18%	27%	55%	32
Exports	26%	45%	29%	48
Debt level	31%	48%	21%	55
Compared to the first half of 2003, during the next six months you expect your location's:	Up	Same	Down	Diffusion Index*
Number of orders	46%	38%	16%	65
Product/service production level	42%	42%	15%	64
Employment level	19%	66%	15%	52
Investment in plant/equipment	21%	54%	25%	48
Prices	15%	70%	16%	49
Profits	29%	39%	32%	48
Exports	28%	56%	16%	56
Debt level	19%	58%	23%	48
What is your outlook on the following state economic indicators during the next six months:	Up	Same	Down	Diffusion Index*
Business investment	26%	46%	28%	49
Employment	24%	52%	24%	50
Consumer spending	24%	55%	20%	52
Inflation	31%	64%	6%	62
Economic growth	34%	46%	21%	57
Corporate profits	28%	38%	34%	47

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.

Notes: Based on responses from 252 Minnesota businesses with manufacturing on site, for a response rate of 25 percent. The sampling error is plus or minus 6.1 percentage points at the 95 percent confidence level. Percentages may not add to 100% due to rounding.