

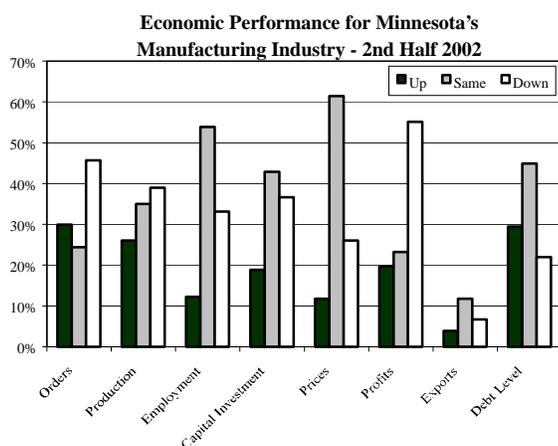


Minnesota Manufacturers View Early 2003 Cautiously

The manufacturing industry continues to struggle but it appears that 2003 will be slightly brighter and produce increased business activity. A random sample survey of Minnesota manufacturers conducted in January and February by the Minnesota Department of Trade and Economic Development (DTED) and the Federal Reserve Bank of Minneapolis found that 75 percent or more of manufacturers believe their number of orders and production levels will increase or remain the same in early 2003. Additionally, 81 percent of Minnesota manufacturers expect their employment levels to remain the same or increase, which compares favorably to the *Manufacturing Report on Business* done nationally by the Institute for Supply Management that found most manufacturers expect reduced employment.

The Manufacturing Industry in Late 2002

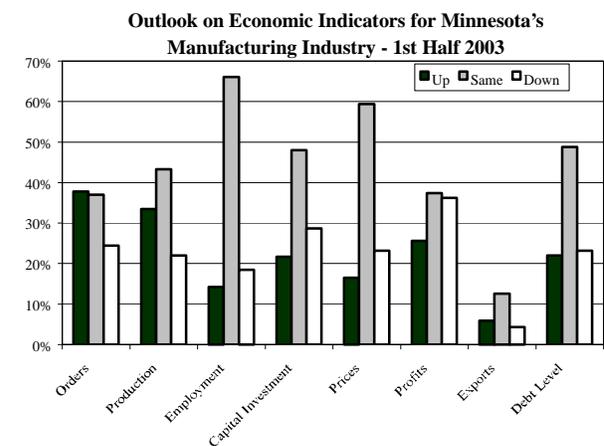
The second half of 2002 was mixed for Minnesota manufacturers. There was a small uptick in the percentage reporting an increase in employment levels compared to the summer 2002 survey. However, the performance of most manufacturers in the second half of the year was very similar to that seen in the first half.



Employment levels and prices were reported to be unchanged for most businesses, while the number of orders, profits and production levels were down compared to the previous six-month period.

Outlook on the Manufacturing Industry

Many Minnesota manufacturers are more optimistic about prospects for the



manufacturing industry than they were six months ago. A larger percentage expect their number of orders, production levels and investments will increase than that seen in the summer 2002 survey.

In addition, a diffusion index of 57 for number of orders and 56 for production level suggests future growth in the industry. A diffusion index greater than 50 suggests expansion. This is similar to the results of the Institute for Supply Management manufacturing survey, which concluded that orders and production levels would be growing.

However, that same survey suggested that national employment levels in manufacturing would be contracting. Minnesota manufacturers appear more confident with 81 percent reporting

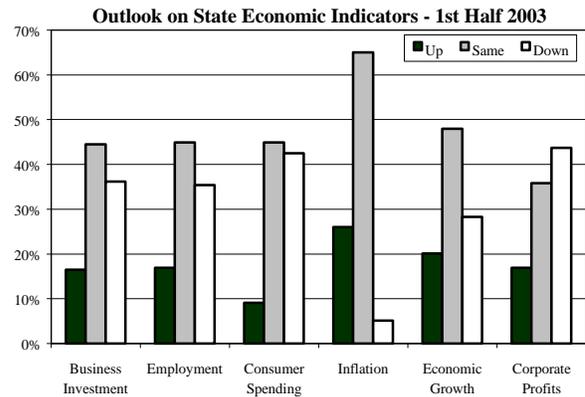
that employment would not decrease. Additionally, a majority of businesses anticipate prices and debt levels to remain unchanged, while expectations concerning profits appear mixed.

If orders and production level do increase, other business indicators like employment levels often improve in subsequent months.

Outlook on the State Economy

Minnesota manufacturers view the state economic outlook somewhat less favorably than their own. While manufacturing employment is expected to stabilize, there is a mixed response concerning overall state employment. Only 19 percent anticipate a decrease in manufacturing employment, while 36 percent expect a decrease

in overall employment. Similarly, corporate profits are not expected to perform as well as manufacturing firm profits. However, just as they did in the summer 2002 survey, most businesses expect the state's economic indicators to remain unchanged.



Minnesota Winter 2003 Manufacturing Business Conditions Survey Results

Compared to the first half of 2002, in the second half of 2002 your location's:	Up	Same	Down	Diffusion Index*
	Number of orders	30%	24%	46%
Product/service production level	26%	35%	39%	44
Employment level	12%	54%	33%	39
Investment in plant/equipment	19%	44%	37%	41
Prices	12%	62%	26%	43
Profits	20%	24%	56%	32
Exports**	18%	53%	30%	44
Debt level	31%	47%	23%	54
Compared to the second half of 2002, during the next six months you expect your location's:	Up	Same	Down	Diffusion Index*
Number of orders	38%	37%	25%	57
Product/service production level	34%	44%	22%	56
Employment level	14%	67%	19%	48
Investment in plant/equipment	22%	49%	29%	46
Prices	17%	60%	23%	47
Profits	26%	38%	37%	45
Exports**	26%	55%	19%	53
Debt level	23%	52%	25%	49
What is your outlook on the following state economic indicators during the next six months:	Up	Same	Down	Diffusion Index*
Business investment	17%	46%	37%	40
Employment	17%	46%	36%	40
Consumer spending	9%	47%	44%	33
Inflation	27%	68%	5%	61
Economic growth	21%	50%	29%	46
Corporate profits	18%	37%	45%	36

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction. **77% of respondents did not reply to this question. Notes: Based on responses from 254 Minnesota businesses with manufacturing on site. Survey was conducted in January and February 2003. The sampling error is plus or minus 6.1 percentage points. Percentages may not add to 100% due to rounding. This survey utilizes simple random sampling. Previous surveys utilized stratified random sampling, but little variability between strata was found. Comparability of results is minimally affected.