



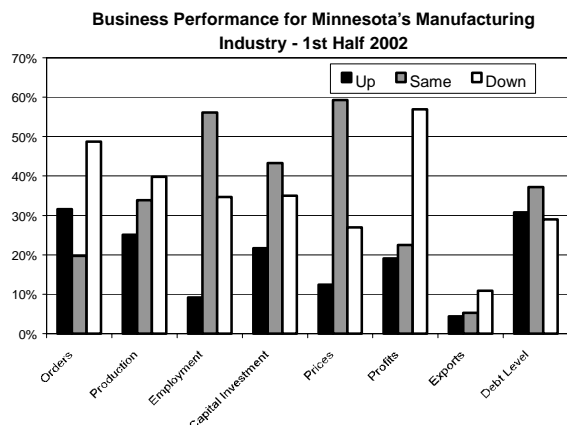
Minnesota Manufacturers Expect Stability for Late 2002

Manufacturers show some signs of optimism and a return to stability for late 2002 even as slow business activity has hampered the industry. A random sample survey of Minnesota manufacturers conducted in August and September by the Minnesota Department of Trade and Economic Development (DTED) and the Federal Reserve Bank of Minneapolis found that about 80 percent or more of manufacturers believe their number of orders and production levels will increase or remain the same in late 2002. This is a larger percentage than that seen in the January 2002 survey, although some differences could be attributed to sampling error. But overall, businesses expect most indicators to remain unchanged.

Manufacturers also anticipate that the state's economic indicators will remain unchanged, although corporate profits are forecasted to decrease.

The Manufacturing Industry in Early 2002

Manufacturers performance, while not robust, has improved slightly. A larger number of manufacturers reported that their numbers of

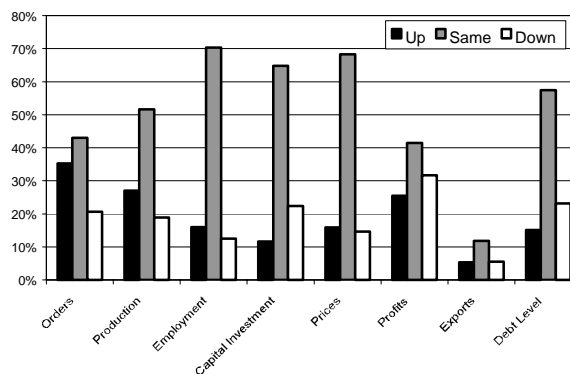


orders, investment in plant/equipment and profits had increased than that seen in the January 2002 survey. However, the largest percentage of businesses still reported that their number of orders, production level and profits were down compared to the end of 2001. Employment levels and prices were unchanged for most businesses.

Outlook on the Manufacturing Industry

Minnesota's manufacturers are optimistic that orders and production levels will increase or remain the same (78% and 79% respectively).

Outlook on Business Indicators for Minnesota's Manufacturing Industry - 2nd Half 2002



This is a slightly larger percentage than was reported in the January 2002 survey (74% and 77% respectively). Additionally, fewer businesses expect employment levels and investment in plant/equipment to be down than in January.

Overall, businesses reported that they expect most indicators to remain unchanged, suggesting that they don't expect business to decline over the next six months.

In particular, employment is anticipated to remain the same by 70% of businesses

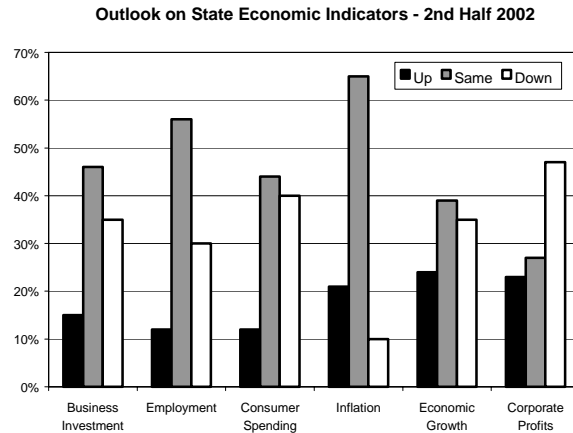
suggesting that employment cuts are not imminent.

Outlook on the State Economy

Manufacturers are less optimistic concerning the outlook for the state economy. While more reported that they expect the state's economic indicators to remain the same rather than go up or down, there was an increase in the percent that expected the state's economic performance to go down compared to the January 2002 survey.

There was greater pessimism about consumer spending, economic growth, and corporate profits. A large number, 47 percent, responded that they feel corporate profits will decrease over the next six months. However

they were less pessimistic about their own profits over this time period, with a smaller, 32 percent, reporting that they expected their business location's profits to decrease.



Minnesota Summer 2002 Manufacturing Business Conditions Survey Results

	Results for Businesses				Weighted by Company Size*			
	Up	Same	Down	n/a	Up	Same	Down	n/a
Compared to the second half of 2001, in the first half of 2002 your location's:								
Number of orders	32%	20%	49%	0%	40%	19%	42%	0%
Product/service production level	25%	34%	40%	1%	38%	25%	37%	0%
Employment level	9%	56%	35%	0%	17%	38%	46%	0%
Investment in plant/equipment	22%	43%	35%	0%	23%	42%	35%	0%
Prices	12%	59%	27%	1%	16%	54%	29%	0%
Profits	19%	23%	57%	1%	34%	18%	47%	2%
Exports	4%	5%	11%	79%	12%	16%	20%	52%
Debt level	31%	37%	29%	3%	23%	38%	36%	4%
Compared to the first half of 2002, during the next six months you expect your location's:								
Number of orders	35%	43%	21%	1%	42%	38%	20%	0%
Product/service production level	27%	52%	19%	3%	36%	46%	18%	1%
Employment level	16%	70%	13%	1%	24%	57%	19%	0%
Investment in plant/equipment	12%	65%	22%	1%	17%	56%	27%	0%
Prices	16%	68%	15%	1%	14%	61%	25%	0%
Profits	26%	42%	32%	1%	30%	38%	30%	2%
Exports	5%	12%	6%	77%	16%	24%	11%	49%
Debt level	15%	57%	23%	4%	11%	58%	26%	5%
What is your outlook on the following state economic indicators during the next six months:								
Business investment	15%	46%	35%	4%	13%	55%	31%	2%
Employment	12%	56%	30%	3%	13%	56%	29%	1%
Consumer spending	12%	44%	40%	4%	10%	53%	35%	2%
Inflation	21%	65%	10%	4%	19%	67%	11%	2%
Economic growth	24%	39%	35%	3%	20%	54%	25%	1%
Corporate profits	23%	27%	47%	3%	25%	35%	39%	1%

Notes: Based on responses from 219 Minnesota businesses with manufacturing on site. The sampling error is plus or minus 6.5 percentage points. Percentages may not add to 100% due to rounding. *Responses were weighted to reflect the number of employees at the respondent's site.