



NEWS RELEASE

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Tenth District Manufacturing Activity Climbed Higher
Federal Reserve Bank of Kansas City Releases February Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the February Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity climbed higher in February compared to a month ago and a year ago, and expectations for future activity increased.

“Regional factories reported higher activity in February,” said Wilkerson. “Most businesses reported more production and shipments, despite some difficulties due to the extreme weather events recently. However, rising materials prices and shipping delays have negatively affected 85% of firms.”

Historical data, results from past surveys and release dates for future surveys can be found at www.kansascityfed.org/research/indicatorsdata/mfg.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity climbed higher in February compared to a month ago and a year ago, and expectations for future activity increased (Chart 1, Tables 1 & 2). Prices paid for raw materials continued to increase, reaching the second highest pace of growth in survey history. Prices for finished goods also grew more from a month ago and a year ago. District firms expected prices for both raw materials and finished goods to expand further over the next six months.

Factory Activity Climbed Higher

The month-over-month composite index was 24 in February, up from 17 in January and 14 in December (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Manufacturing activity growth was driven by durable goods plants, specifically by primary and fabricated metals, machinery, and transportation equipment. Month-over-month indexes for production and employment increased at a faster pace in February and supplier delivery time rose significantly. Shipments and new orders growth was positive in February, but slower than in recent months. Materials inventories expanded while finished goods inventories declined. Year-over-year factory indexes were positive in February in the first time since February 2020. However, employment continued to lag year-ago levels. The future composite index rose further to 34 up from 24 in January, with an uptick in capital spending plans.

Special Questions

This month contacts were asked special questions about worker shortages as well as materials prices and shipping delays. 71% of contacts indicated workers are in short supply overall. Half of firms recorded that a skills match is a key reason for the short supply of workers and 44% indicated the extra unemployment benefits are another reason (Chart 2). Over a third reported that the worker shortage is due to workers unwilling to return to work due to COVID, taking care of family, childcare issues, etc. Over a quarter of firms noted that the lack of childcare for their current workforce has resulted in excessive absenteeism and a reduction in productivity. Concerning costs and shipping, 85% of contacts said their business has been negatively affected by rising material prices and lack of availability/delivery time (Chart 3). Several firms indicated materials prices are rising faster than they are able to pass on to customers, negatively impacting profit margins. Additionally, recent weather events exacerbated delivery time delays.

Selected Manufacturing Comments

“We have not been able to ship water-based products/freezeables since February 5th. We have a lot to ship out, but it has been slow the last two weeks.”

“Last week’s weather in the southwest took us out of production for 4.5 days due to electricity/natural gas debacle.”

“Finished goods prices are up due to truck lines not running or limited running for the past two weeks. Weather related.”

“Raw materials prices are skyrocketing and supply seems limited.”

“We are seeing a significant increase in new orders. We are having a hard time ramping up staffing to meet the increase in business we are seeing.”

“Shortage of drivers and the higher cost of raw materials has the potential to curtail our rebound to 2019 sales levels.”

“Our biggest struggle is hiring unskilled workers and getting them to show up for more than just the first few days (starting wage = \$15.00/hour). Also, just after current/longtime employees received their second stimulus checks in January, no one was willing to work any overtime, although that seems to have passed now. Our HR/Accounting person is having to spend time on unemployment appeal hearings, where workers quit last year when the increased unemployment benefits began.”

“Low unemployment rate in our area plus lower workforce participation rate make it difficult to find workers.”

“Some workers are able to work from home. Absenteeism is higher for those who are not able to work remotely.”

“We are raising our prices to our customers as fast as we can, due to our raw material costs blowing up.”

“Our broadline food distributor customers are still down approximately 30%. Multi-unit restaurant chains are up, and retail grocery is stable. Some of our main restaurant customers have pivoted well to carry out.”

Table 1. Summary of Tenth District Manufacturing Conditions, February 2021

Plant Level Indicators	February vs. January (percent)*				February vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	Increase	Change	Decrease	Diff Index^	SA Index^^	Increase	Change	Decrease	Diff Index^	Increase	Change	Decrease	Diff Index^	SA Index^^
Composite Index				23	24				8				32	34
Production	43	35	22	22	26	41	23	36	4	58	24	18	40	44
Volume of shipments	39	36	25	14	14	44	20	36	7	60	23	17	43	44
Volume of new orders	41	36	23	18	16	48	20	32	16	60	27	13	47	50
Backlog of orders	49	32	19	30	27	40	29	31	8	41	36	23	18	19
Number of employees	33	56	10	23	21	31	23	46	-15	42	45	13	29	28
Average employee workweek	23	65	13	10	13	25	49	26	-1	33	52	16	17	12
Prices received for finished product	35	58	6	29	27	52	35	13	40	48	43	9	39	40
Prices paid for raw materials	69	31	0	69	68	86	9	4	82	74	19	7	67	68
Capital expenditures						40	40	21	19	42	45	14	28	25
New orders for exports	19	70	11	8	9	19	62	20	-1	21	70	9	12	13
Supplier delivery time	50	38	13	38	40	61	19	20	42	47	39	14	34	35
Inventories: Materials	35	44	21	15	16	32	29	39	-6	34	43	23	11	11
Inventories: Finished goods	23	48	29	-5	-5	19	32	49	-30	26	47	27	-1	1

*Percentage may not add to 100 due to rounding.

^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

^^Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The February survey was open for a five-day period from February 17-22, 2021 and included 96 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

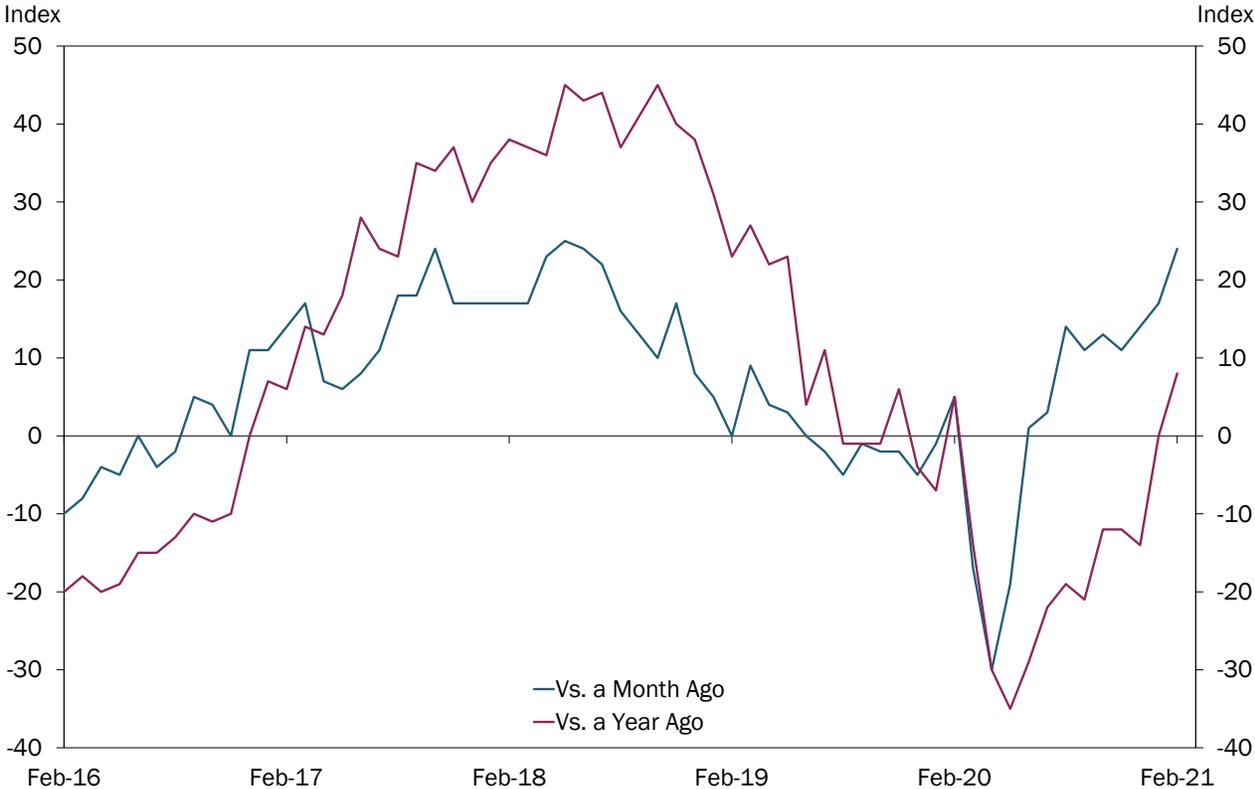


Chart 2. Special Question: If your firm is facing worker shortages, what are the key reasons for the short supply of workers? (check all that apply)

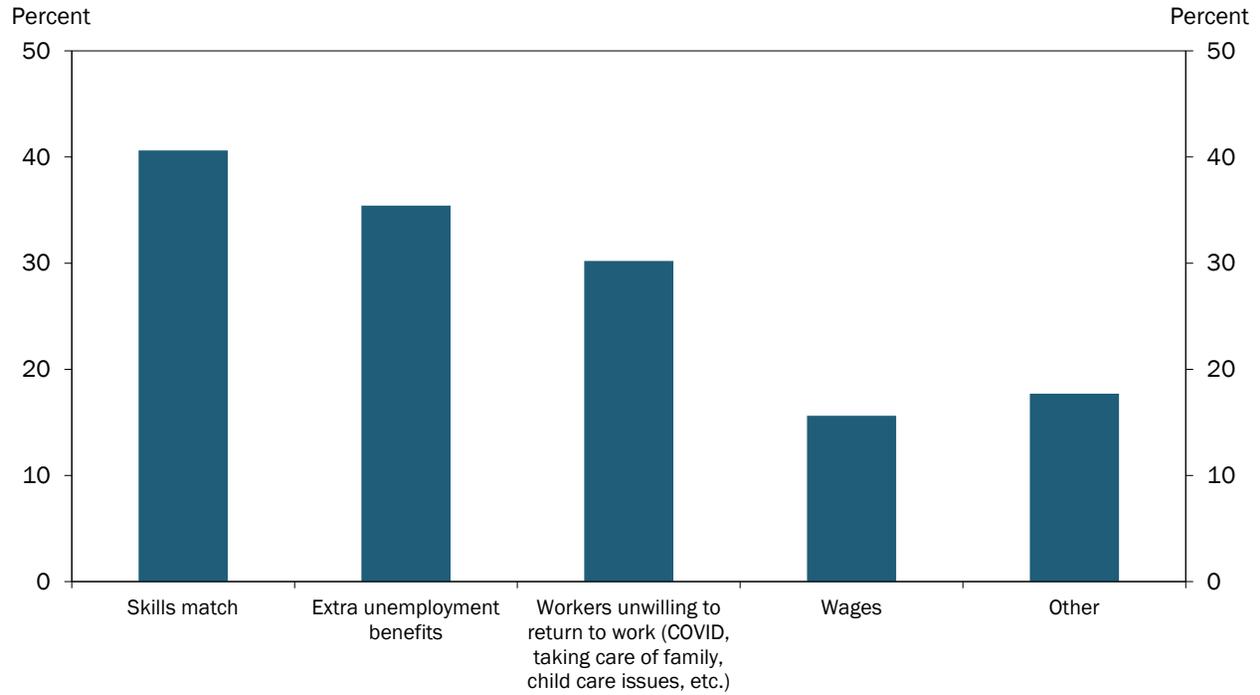


Chart 3. Special Question: Has your firm been affected by rising material prices and lack of availability/delivery time?

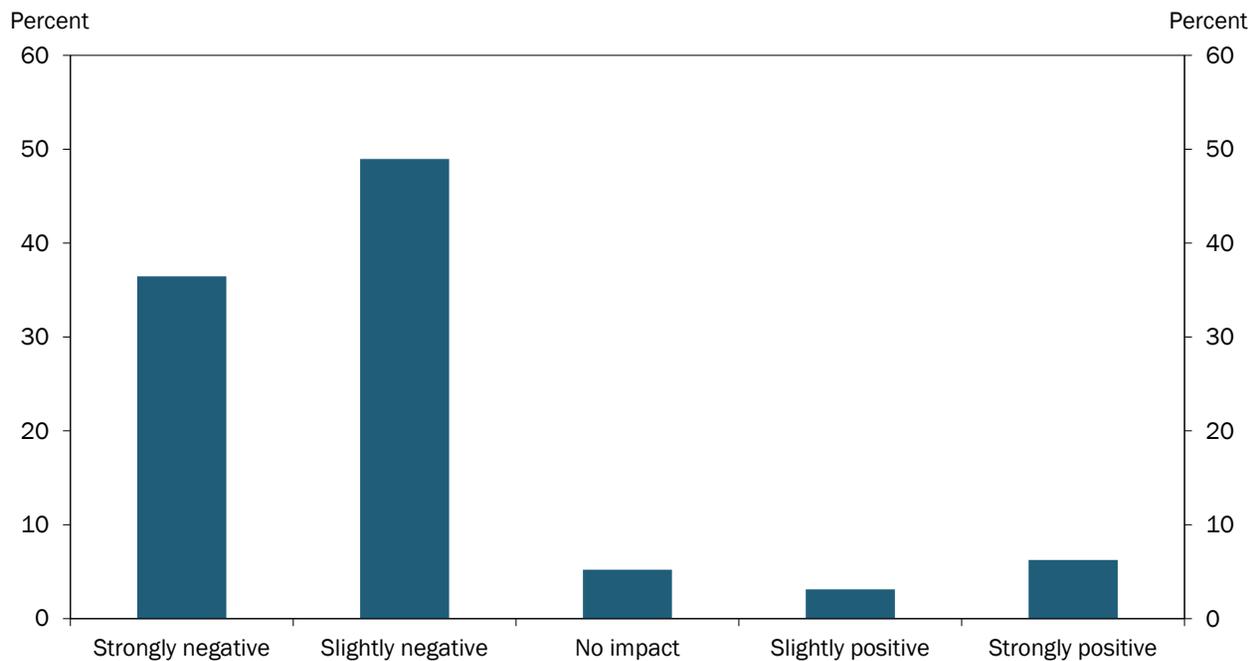


Table 2
Historical Manufacturing Survey Indexes

	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	-17	-30	-19	1	3	14	11	13	11	14	17	24
Production	8	-18	-62	-25	2	7	23	18	23	20	12	22	26
Volume of shipments	9	-23	-57	-22	8	11	19	9	22	3	17	28	14
Volume of new orders	8	-38	-64	-25	7	9	26	23	26	19	24	25	16
Backlog of orders	-16	-41	-54	-32	-24	2	3	13	2	4	14	14	27
Number of employees	-4	-32	-34	-13	-6	3	9	7	9	1	7	13	21
Average employee workweek	-2	-15	-51	-20	0	6	4	-1	7	8	11	12	13
Prices received for finished product	9	-6	-14	-9	7	6	4	12	4	7	9	19	27
Prices paid for raw materials	14	-13	-16	-6	1	3	17	24	34	32	53	65	68
Capital expenditures	n/a												
New orders for exports	5	-18	-29	-25	-8	-10	1	-4	1	-10	6	10	9
Supplier delivery time	11	13	26	-8	8	3	8	13	7	15	17	22	40
Inventories: Materials	2	-12	-14	-24	-4	-8	5	-6	1	-1	9	4	16
Inventories: Finished goods	7	-16	-16	-11	-5	-14	-8	-3	-6	-5	-14	-3	-5
Versus a Year Ago (not seasonally adjusted)													
Composite Index	5	-14	-30	-35	-29	-22	-19	-21	-12	-12	-14	0	8
Production	-5	-19	-63	-58	-48	-36	-34	-31	-23	-23	-31	-5	4
Volume of shipments	4	-25	-61	-60	-47	-39	-28	-29	-24	-24	-30	-8	7
Volume of new orders	6	-31	-54	-55	-53	-33	-25	-30	-9	-18	-14	-3	16
Backlog of orders	-16	-33	-49	-46	-47	-27	-26	-23	-15	-18	-5	-2	8
Number of employees	12	-14	-32	-31	-31	-23	-27	-30	-21	-24	-26	-16	-15
Average employee workweek	-6	-21	-50	-43	-37	-20	-22	-23	-9	-14	-11	-4	-1
Prices received for finished product	28	13	3	-2	4	6	6	12	18	21	24	32	40
Prices paid for raw materials	31	14	0	4	0	6	6	21	24	46	63	71	82
Capital expenditures	15	-15	-42	-34	-23	-17	-11	-4	3	14	-3	-2	19
New orders for exports	-3	-8	-27	-28	-27	-26	-8	-16	-9	-13	-13	0	-1
Supplier delivery time	11	5	16	-6	7	5	2	9	13	20	20	32	42
Inventories: Materials	0	-9	-15	-23	-21	-21	-11	-24	-20	-14	-20	-8	-6
Inventories: Finished goods	-1	-19	-15	-22	-13	-23	-23	-20	-16	-13	-29	-28	-30
Expected in Six Months (seasonally adjusted)													
Composite Index	16	-19	-6	-2	9	14	19	18	21	20	17	24	34
Production	21	-36	-8	-2	14	25	20	25	31	31	20	46	44
Volume of shipments	24	-37	-8	-1	12	21	19	27	26	29	19	43	44
Volume of new orders	21	-35	-8	7	16	20	21	23	24	24	21	31	50
Backlog of orders	-2	-38	-6	-5	-5	5	3	13	9	6	13	12	19
Number of employees	20	-19	-10	-4	8	11	26	19	22	17	22	25	28
Average employee workweek	8	-20	-3	-3	6	10	4	11	12	6	15	5	12
Prices received for finished product	28	-10	2	-5	13	13	16	34	26	30	25	38	40
Prices paid for raw materials	37	-8	4	17	17	17	31	33	55	50	45	61	68
Capital expenditures	7	-41	-30	-19	-3	-5	4	3	13	11	4	12	25
New orders for exports	6	-17	-9	-7	-10	-10	-1	6	5	4	8	10	13
Supplier delivery time	15	8	8	-7	8	9	7	13	16	30	14	19	35
Inventories: Materials	5	-11	-9	-3	-1	5	21	11	12	-2	5	1	11
Inventories: Finished goods	1	-28	-14	-3	1	5	1	7	7	0	5	-2	1