



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Continued to Expand at Strong Pace**  
*Federal Reserve Bank of Kansas City Releases May Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the May 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 continued to expand at a strong pace, and expectations for future activity remained solid.

“Regional factory activity increased again in May with strong expectations for future activity,” said Wilkerson. “Supply chain delays and rising materials prices have negatively impacted over 84% of firms. A majority of firms also reported plans to increase wages in 2021, partially in response to difficulties attracting qualified job applicants.”

Historical data, results from past surveys and release dates for future surveys can be found at <https://kansascityfed.org/surveys/manufacturing-survey/>.

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](http://www.kansascityfed.org).

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## **TENTH DISTRICT MANUFACTURING SUMMARY**

Tenth District manufacturing activity continued to expand at a strong pace, and expectations for future activity remained solid (Chart 1, Tables 1 & 2). The index of prices paid for raw materials compared to a month ago posted a new survey record high for the second straight month, and prices received for finished goods also surpassed historical levels. Price indexes vs. a year ago also posted record highs, with 98% of firms reporting higher materials prices compared to a year ago. Moving forward, district firms expected materials prices and finished goods prices to continue to increase over the next six months.

### **Factory Activity Continued to Expand at a Strong Pace**

The month-over-month composite index was 26 in May, modestly lower than 31 in April, but even with the composite index of 26 from March (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The growth in district manufacturing activity was driven higher by increased activity at durable goods plants, especially for primary and fabricated metals, machinery, furniture, and transportation equipment manufacturing. The month-over-month index for new orders expanded at a faster pace in May. Other month-over-month indexes remained highly positive, indicating expansion, but slowed slightly from record levels in April. Inventories for materials and finished goods also remained positive. Year-over-year factory indexes rose further in May, and the year-over-year composite index climbed from 35 to 43. The future composite index remained solid at 33, similar to previous months but with an increase in expectations for production, shipments, and new orders.

### **Special Questions**

This month contacts were asked special questions about the impacts of rising material prices and lack of availability/delivery time in addition to questions about firms' expectations for wages. Around 84% of firms indicated rising material prices and delivery time delays have negatively affected their firm (Chart 2). When asked how long firms expected rising materials prices and lack of availability/delivery time to persist, 27% reported 3-6 months, 52% reported 6-12 months, and 17% indicated more than a year. Less than 5% of firms anticipated these issues would be resolved within the next 3 months. Regarding wages for the remainder of 2021, 10% of firms indicated they expected to raise wages up to 2%, over a third of firms expected to raise wages 2-4%, and 20% of firms expected to raise wages 4-6% (Chart 3). Around 13% of firms expected wage increases of 6% or more, and 10% of firms planned to hold wages steady. Over 84% of firms indicated hiring plans have been restrained because they "cannot find workers with required skills."

## **Selected Manufacturing Comments**

“Pricing of raw materials is up more than 20% with no sign of slowing.”

“Material and part supply shortages are our current impediment to increasing revenue. If materials and parts were available, we are still over 200 people short to fulfill our back orders. Workforce is and will be manufacturing's largest hurdle to growth in the U.S.”

“We are feverishly working to pass on increased prices to reflect rising material prices. Inflation is going to be a big factor this year and beyond.”

“We are having a really difficult time hiring and keeping quality staff at any wage rate. Everywhere you see help wanted signs, the jobs are going unfilled, exacerbating price increases and shortages.”

“It is more difficult to find people, so we are having to hire at higher wages.”

“We are having to raise starting wages to attract new workers, which causes us to raise the wages of our entire workforce.”

“The number of applicants has deteriorated through conventional sourcing.”

“We are getting daily price increases from vendors everywhere from 4% to 30%.”

“We are turning away a large number of orders due to material availability.”

“Significant cost increases in every commodity and service we utilize. Increased lead times and prices of electronic parts and circuit boards has crippled several of our product lines.”

“The steel industry has suffered from 3x cost increase and lack of supply over the last 9 months. Our financial condition and strategic relationships have allowed us to be affected less than others in our industry.”

“We do not believe the supply chain conditions are going away any time soon. Problems are going to persist into 2022.”

**Table 1. Summary of Tenth District Manufacturing Conditions, May 2021**

Plant Level Indicators	May vs. April (percent)*				May vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>
Composite Index				30	26				43				32	33
Production	52	35	13	38	32	74	12	13	61	62	25	13	48	50
Volume of shipments	47	39	13	34	29	73	12	14	59	64	27	9	55	59
Volume of new orders	52	37	11	40	35	73	14	12	61	49	36	15	35	42
Backlog of orders	46	39	15	31	25	58	29	13	44	39	42	19	20	27
Number of employees	31	58	10	21	20	52	31	17	36	48	47	4	44	46
Average employee workweek	28	66	6	22	20	52	39	9	43	37	53	10	27	30
Prices received for finished product	53	44	2	51	51	81	11	8	73	68	24	8	60	60
Prices paid for raw materials	90	8	2	88	86	98	1	1	97	83	10	7	77	76
Capital expenditures						34	53	13	20	31	60	9	22	22
New orders for exports	14	79	7	7	5	29	62	8	21	24	71	6	18	17
Supplier delivery time	46	35	19	27	23	61	15	25	36	38	38	24	13	10
Inventories: Materials	41	42	17	24	22	48	24	28	20	39	40	21	18	19
Inventories: Finished goods	30	50	20	9	6	36	34	30	6	29	43	28	1	1

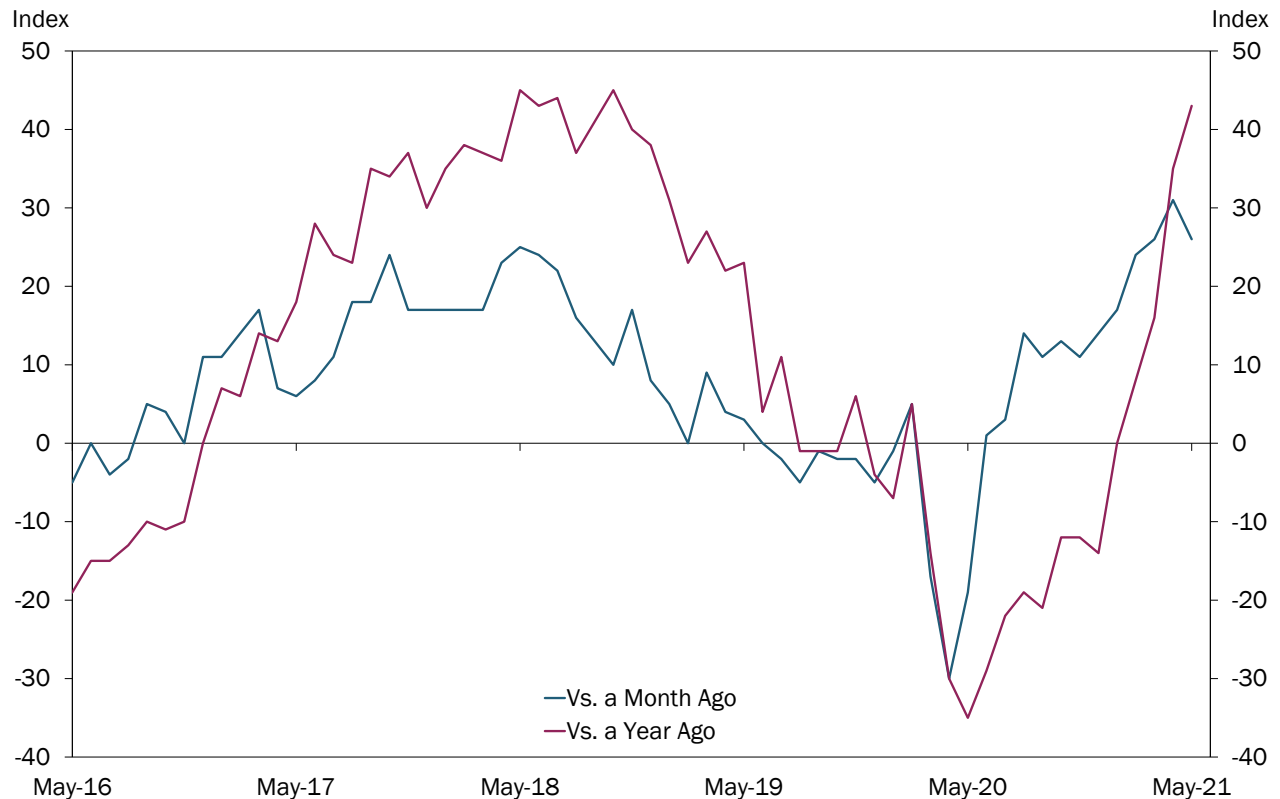
\*Percentage may not add to 100 due to rounding.

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

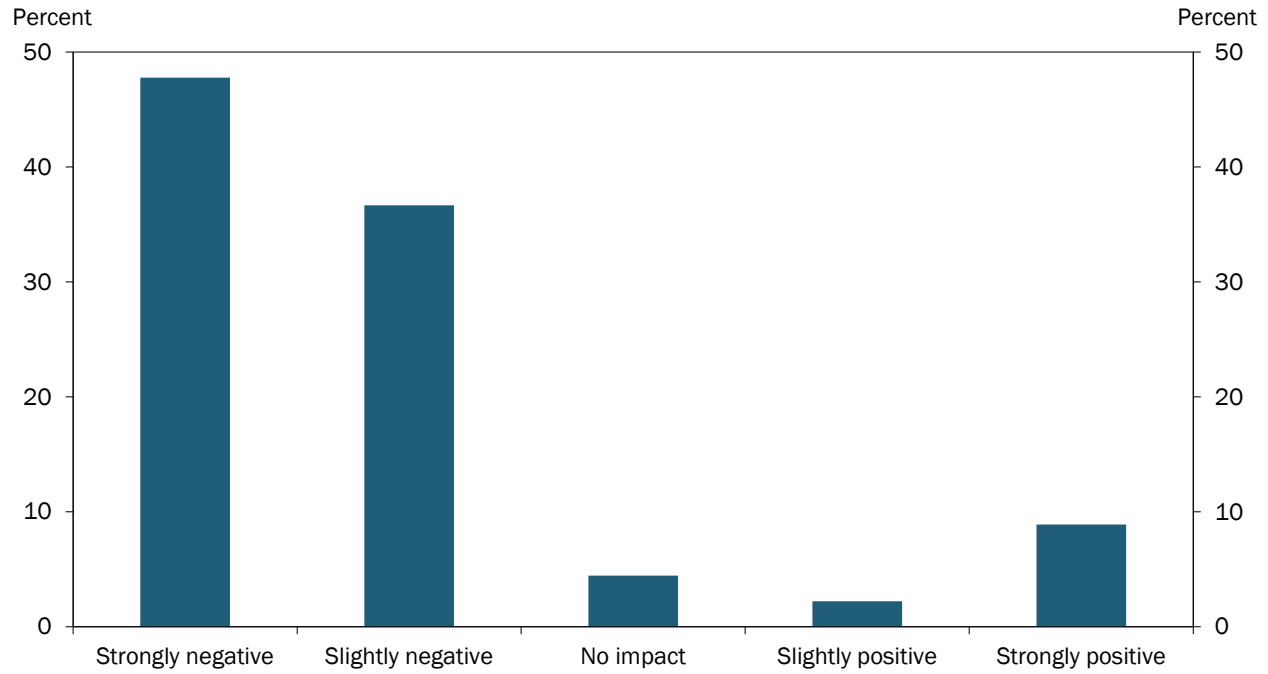
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The May survey was open for a five-day period from May 19-24, 2021 and included 90 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

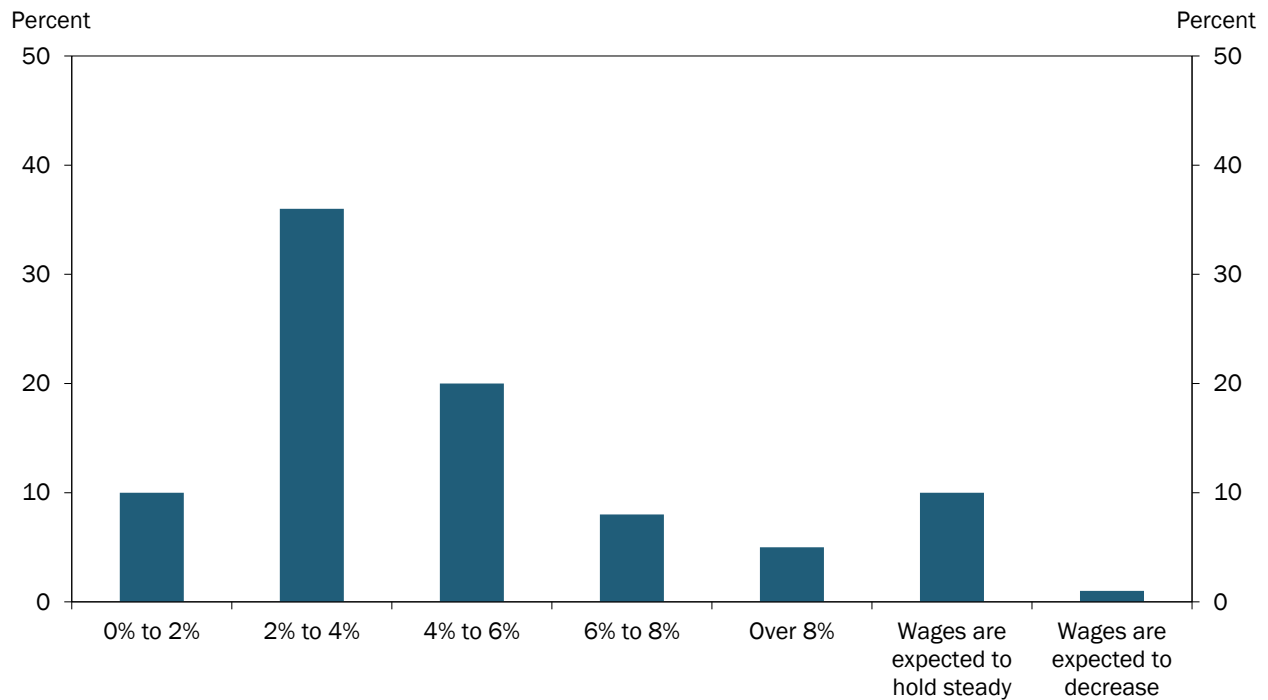
**Chart 1. Manufacturing Composite Indexes**



**Chart 2. Special Question: Has your firm been affected by rising material prices and lack of availability/delivery time?**



**Chart 3. Special Question: What percentage wage gains does your firm expect for the remainder of 2021?**



**Table 2**  
**Historical Manufacturing Survey Indexes**

	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	-19	1	3	14	11	13	11	14	17	24	26	31	26
Production	-25	2	7	23	18	23	20	12	22	26	23	40	32
Volume of shipments	-22	8	11	19	9	22	3	17	28	14	27	32	29
Volume of new orders	-25	7	9	26	23	26	19	24	25	16	37	29	35
Backlog of orders	-32	-24	2	3	13	2	4	14	14	27	32	35	25
Number of employees	-13	-6	3	9	7	9	1	7	13	21	17	29	20
Average employee workweek	-20	0	6	4	-1	7	8	11	12	13	21	27	20
Prices received for finished product	-9	7	6	4	12	4	7	9	19	27	31	41	51
Prices paid for raw materials	-6	1	3	17	24	34	32	53	65	68	66	73	86
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	-25	-8	-10	1	-4	1	-10	6	10	9	1	9	5
Supplier delivery time	-8	8	3	8	13	7	15	17	22	40	41	35	23
Inventories: Materials	-24	-4	-8	5	-6	1	-1	9	4	16	11	24	22
Inventories: Finished goods	-11	-5	-14	-8	-3	-6	-5	-14	-3	-5	-10	8	6
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	-35	-29	-22	-19	-21	-12	-12	-14	0	8	16	35	43
Production	-58	-48	-36	-34	-31	-23	-23	-31	-5	4	4	46	61
Volume of shipments	-60	-47	-39	-28	-29	-24	-24	-30	-8	7	-1	42	59
Volume of new orders	-55	-53	-33	-25	-30	-9	-18	-14	-3	16	21	47	61
Backlog of orders	-46	-47	-27	-26	-23	-15	-18	-5	-2	8	15	36	44
Number of employees	-31	-31	-23	-27	-30	-21	-24	-26	-16	-15	0	24	36
Average employee workweek	-43	-37	-20	-22	-23	-9	-14	-11	-4	-1	14	36	43
Prices received for finished product	-2	4	6	6	12	18	21	24	32	40	48	64	73
Prices paid for raw materials	4	0	6	6	21	24	46	63	71	82	88	92	97
Capital expenditures	-34	-23	-17	-11	-4	3	14	-3	-2	19	5	17	20
New orders for exports	-28	-27	-26	-8	-16	-9	-13	-13	0	-1	-5	9	21
Supplier delivery time	-6	7	5	2	9	13	20	20	32	42	39	28	36
Inventories: Materials	-23	-21	-21	-11	-24	-20	-14	-20	-8	-6	14	29	20
Inventories: Finished goods	-22	-13	-23	-23	-20	-16	-13	-29	-28	-30	-18	7	6
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	-2	9	14	19	18	21	20	17	24	34	35	34	33
Production	-2	14	25	20	25	31	31	20	46	44	45	45	50
Volume of shipments	-1	12	21	19	27	26	29	19	43	44	42	49	59
Volume of new orders	7	16	20	21	23	24	24	21	31	50	37	40	42
Backlog of orders	-5	-5	5	3	13	9	6	13	12	19	27	25	27
Number of employees	-4	8	11	26	19	22	17	22	25	28	41	49	46
Average employee workweek	-3	6	10	4	11	12	6	15	5	12	27	30	30
Prices received for finished product	-5	13	13	16	34	26	30	25	38	40	48	43	60
Prices paid for raw materials	17	17	17	31	33	55	50	45	61	68	72	79	76
Capital expenditures	-19	-3	-5	4	3	13	11	4	12	25	23	30	22
New orders for exports	-7	-10	-10	-1	6	5	4	8	10	13	5	10	17
Supplier delivery time	-7	8	9	7	13	16	30	14	19	35	27	13	10
Inventories: Materials	-3	-1	5	21	11	12	-2	5	1	11	25	21	19
Inventories: Finished goods	-3	1	5	1	7	7	0	5	-2	1	9	12	1