



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Remained Strong**  
*Federal Reserve Bank of Kansas City Releases June Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the June 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 remained strong, and expectations for future activity increased to a survey record high.

“Regional factory activity rose again in June and expectations for future activity were the highest in survey history,” said Wilkerson. “While the majority of firms continue to face increasing materials prices and labor shortages, many firms have also increased selling prices and capital expenditures for 2021.”

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 remained strong, and expectations for future activity increased to a survey record high (Chart 1, Tables 1 & 2). The index of prices paid for raw materials and prices received for finished goods compared with a month ago remained very high. Price indexes vs. a year ago posted record highs again in June. Moving forward, district firms expected materials prices and finished goods prices to continue to increase over the next six months.

### **Factory Activity Remained Strong**

The month-over-month composite index was 27 in June, similar to 26 in May, and slightly below 31 in April (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 continued to be driven by durable goods plants, in particular primary and fabricated metals, machinery, computer and electronic products, furniture, and transportation equipment manufacturing. The month-over-month indexes for order backlog and employees grew modestly, and supplier delivery time increased. On the other hand, month-over-month indexes for production and shipments slowed slightly from record levels a few months ago. Year-over-year factory indexes expanded steadily in June, and the year-over-year composite index remained at 43. The future composite index increased from 33 to 37 in June, a new survey record high, as new orders and supplier delivery time rose.

### **Special Questions**

This month contacts were asked special questions about capital spending. Around 47% of firms indicated capital spending plans for 2021 are higher than pre-COVID (2019) levels, with another 33% indicating 2021 capital spending levels are similar to 2019 (Chart 2). However, 19% of contacts reported capital spending plans for 2021 were lower than pre-COVID levels. Manufacturers reported that stronger demand and growth were primary factors supporting business investment and capital spending for the remainder of 2021. On the other hand, manufacturers also reported the lack of availability of parts and employees were primary factors restraining business investment and capital spending for the rest of 2021. Because of labor shortages, 41% of firms reported investing or plans to invest in labor-saving automation strategies at a faster pace than in the past (Chart 3). Another 17% of contacts planned to invest in labor-saving automation strategies similar to the past, and 8% were investing at a slower pace than in the past while 33% reported they have not invested in labor-saving technology.

## **Selected Manufacturing Comments**

“We are currently evaluating salaries, but preliminary analysis shows we will need to raise entry level salaries by \$3.00. If that is the case, it will impact many current team members as well and be very costly. We will need to pass this cost onto our customers.”

“It is very difficult to find entry level employees.”

“With the lack of willing and able entry level workers, we are choosing to invest more in equipment and automation, which over time, should lead to our company to have a lower number of workers with a higher level of skills.”

“We have had good response to our employment ads this month.”

“Steel costs are out of control. We are looking at overseas manufacturing to get away from the U.S. steel suppliers. Foreign steel has gone up but not near as much U.S. based steel.”

“The all-time high prices we currently see for hot rolled carbon steel are not sustainable.”

“Most decisions being made at the moment and for the future are based on supply chain disruptions.”

“Demand is up 57% year to date. Current fill rate is 36% or 63% of current demand. We began ramping up October 2020. We think we should be caught up by the middle of August.

“Business activity has picked up and we are in need of upgrades to certain productive assets to maintain and increase capacity.”

“We are looking for ways to automate and reduce the need for employees.”

“Delayed 2020 capital projects until this year. Now we will have both 2020 projects and 2021 projects.”

“We are unable to hire people to operate new equipment.”

“No restraints (on capital spending) other than material availability.”

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

Plant Level Indicators	June vs. May (percent)*				June 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	27				43				34	37
Production	46	43	11	34	30	71	13	16	55	56	31	13	44	44
Volume of shipments	40	45	15	25	20	68	14	18	49	60	28	13	47	50
Volume of new orders	40	43	17	23	22	64	18	17	47	55	31	14	41	45
Backlog of orders	45	40	15	30	29	67	18	15	52	41	40	18	23	23
Number of employees	39	54	7	32	26	51	29	21	30	48	46	6	43	45
Average employee workweek	33	57	9	24	21	61	28	11	49	39	49	11	28	32
Prices received for finished product	48	49	3	44	48	82	14	5	77	60	33	7	53	56
Prices paid for raw materials	79	21	0	79	79	98	2	0	98	75	20	6	69	68
Capital expenditures						41	48	10	31	41	51	8	33	36
New orders for exports	18	71	11	7	6	29	62	9	21	23	70	7	16	16
Supplier delivery time	53	32	15	38	38	70	10	20	51	45	31	24	21	23
Inventories: Materials	38	48	14	24	21	56	22	22	34	39	46	15	24	27
Inventories: Finished goods	29	49	23	6	3	43	27	30	13	30	50	20	10	13

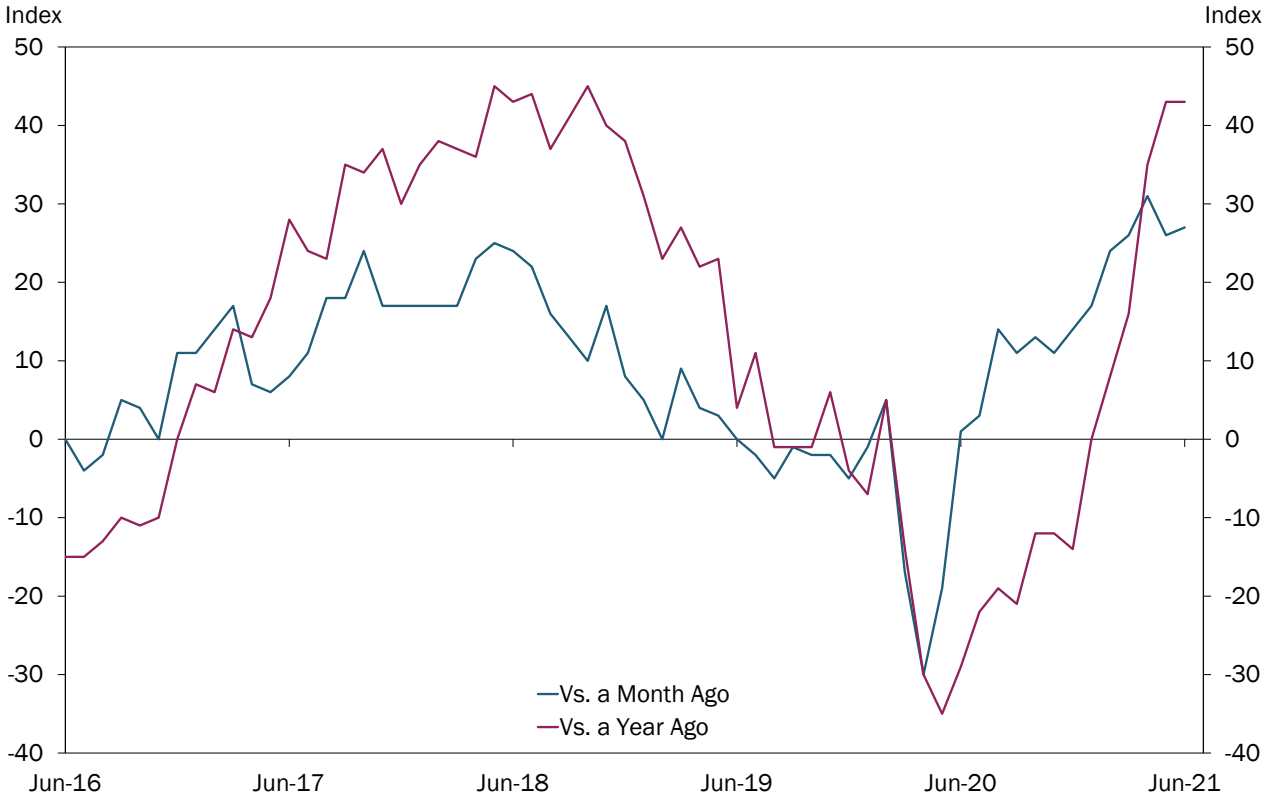
\*Percentage may not add to 100 due to rounding.

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

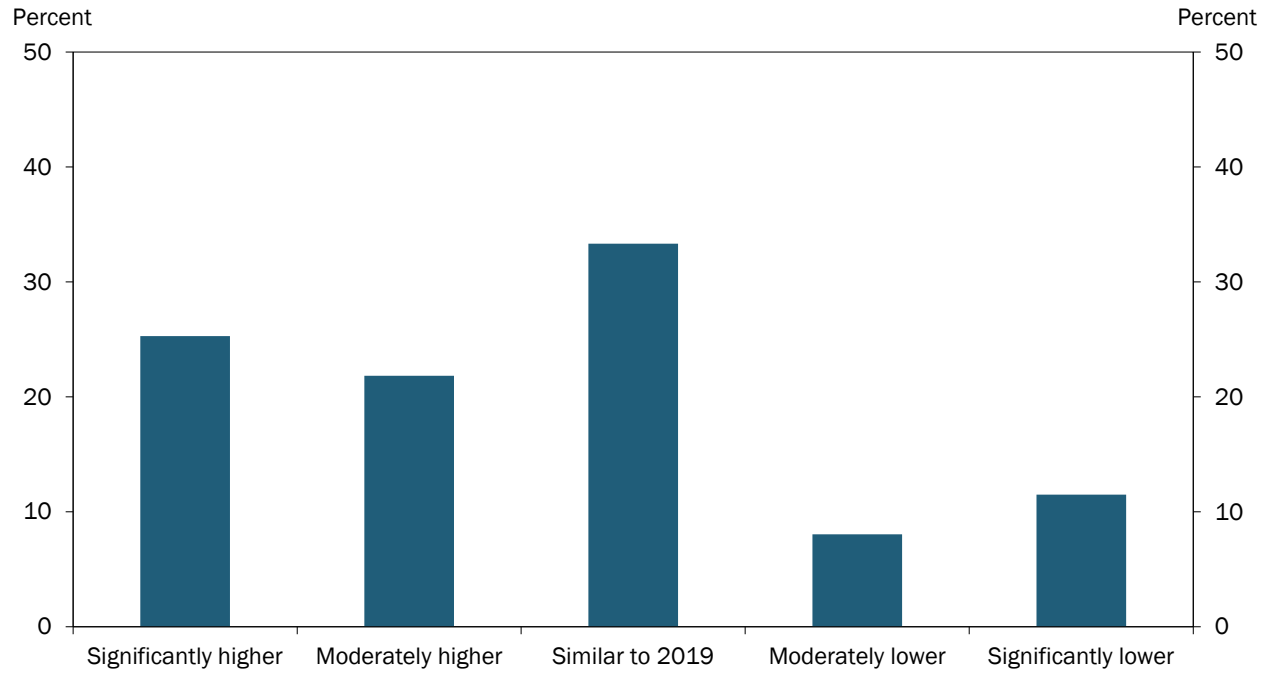
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The June survey was open for a five-day period from June 16-21, 2021 and included 87 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

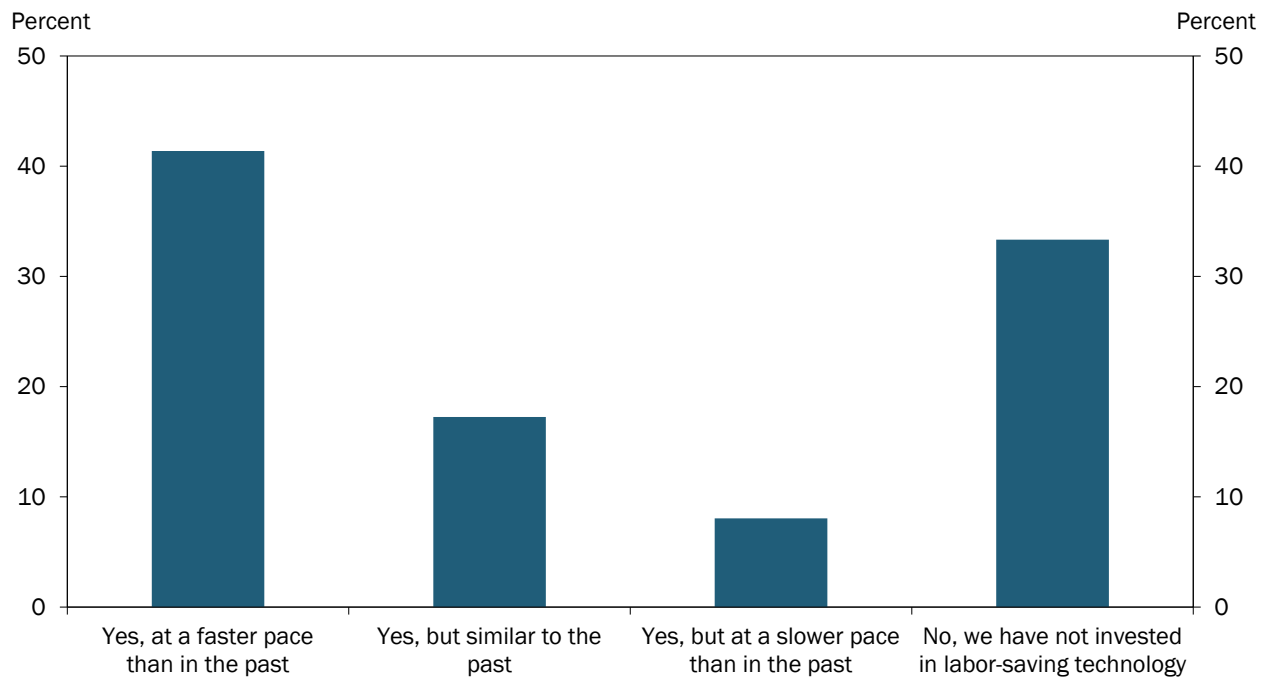
**Chart 1. Manufacturing Composite Indexes**



**Chart 2. Special Question: How do your firm's 2021 capital expenditure plans compare to pre-COVID levels (2019)?**



**Chart 3. Special Question: Because of labor shortages, has your firm invested or plan to invest in labor-saving automation strategies?**



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

	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	1	3	14	11	13	11	14	17	24	26	31	26	27
Production	2	7	23	18	23	20	12	22	26	23	40	32	30
Volume of shipments	8	11	19	9	22	3	17	28	14	27	32	29	20
Volume of new orders	7	9	26	23	26	19	24	25	16	37	29	35	22
Backlog of orders	-24	2	3	13	2	4	14	14	27	32	35	25	29
Number of employees	-6	3	9	7	9	1	7	13	21	17	29	20	26
Average employee workweek	0	6	4	-1	7	8	11	12	13	21	27	20	21
Prices received for finished product	7	6	4	12	4	7	9	19	27	31	41	51	48
Prices paid for raw materials	1	3	17	24	34	32	53	65	68	66	73	86	79
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	-8	-10	1	-4	1	-10	6	10	9	1	9	5	6
Supplier delivery time	8	3	8	13	7	15	17	22	40	41	35	23	38
Inventories: Materials	-4	-8	5	-6	1	-1	9	4	16	11	24	22	21
Inventories: Finished goods	-5	-14	-8	-3	-6	-5	-14	-3	-5	-10	8	6	3
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	-29	-22	-19	-21	-12	-12	-14	0	8	16	35	43	43
Production	-48	-36	-34	-31	-23	-23	-31	-5	4	4	46	61	55
Volume of shipments	-47	-39	-28	-29	-24	-24	-30	-8	7	-1	42	59	49
Volume of new orders	-53	-33	-25	-30	-9	-18	-14	-3	16	21	47	61	47
Backlog of orders	-47	-27	-26	-23	-15	-18	-5	-2	8	15	36	44	52
Number of employees	-31	-23	-27	-30	-21	-24	-26	-16	-15	0	24	36	30
Average employee workweek	-37	-20	-22	-23	-9	-14	-11	-4	-1	14	36	43	49
Prices received for finished product	4	6	6	12	18	21	24	32	40	48	64	73	77
Prices paid for raw materials	0	6	6	21	24	46	63	71	82	88	92	97	98
Capital expenditures	-23	-17	-11	-4	3	14	-3	-2	19	5	17	20	31
New orders for exports	-27	-26	-8	-16	-9	-13	-13	0	-1	-5	9	21	21
Supplier delivery time	7	5	2	9	13	20	20	32	42	39	28	36	51
Inventories: Materials	-21	-21	-11	-24	-20	-14	-20	-8	-6	14	29	20	34
Inventories: Finished goods	-13	-23	-23	-20	-16	-13	-29	-28	-30	-18	7	6	13
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	9	14	19	18	21	20	17	24	34	35	34	33	37
Production	14	25	20	25	31	31	20	46	44	45	45	50	44
Volume of shipments	12	21	19	27	26	29	19	43	44	42	49	59	50
Volume of new orders	16	20	21	23	24	24	21	31	50	37	40	42	45
Backlog of orders	-5	5	3	13	9	6	13	12	19	27	25	27	23
Number of employees	8	11	26	19	22	17	22	25	28	41	49	46	45
Average employee workweek	6	10	4	11	12	6	15	5	12	27	30	30	32
Prices received for finished product	13	13	16	34	26	30	25	38	40	48	43	60	56
Prices paid for raw materials	17	17	31	33	55	50	45	61	68	72	79	76	68
Capital expenditures	-3	-5	4	3	13	11	4	12	25	23	30	22	36
New orders for exports	-10	-10	-1	6	5	4	8	10	13	5	10	17	16
Supplier delivery time	8	9	7	13	16	30	14	19	35	27	13	10	23
Inventories: Materials	-1	5	21	11	12	-2	5	1	11	25	21	19	27
Inventories: Finished goods	1	5	1	7	7	0	5	-2	1	9	12	1	13