



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Increased Further**  
*Federal Reserve Bank of Kansas City Releases July Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the July 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 increased further, with solid expectations for future activity over the next six months.

“Regional factory activity continued to expand in July and expectations remain positive,” said Wilkerson. “However, 89% of firms reported supply chain issues and 91% reported labor shortages. Many manufacturers have increased overtime for current workers and are raising starting wages to attract 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 increased further, with solid expectations for future activity over the next six months (Chart 1, Tables 1 & 2). The index of prices paid for raw materials remained near record highs and the index of prices received for finished goods expanded again in July. Price indexes vs. a year ago posted record highs in July for the fourth straight month. In July, more district firms expected materials prices and finished goods prices to rise over the next six months.

### **Factory Activity Increased Further**

The month-over-month composite index was 30 in July, up from 27 in June and 26 in May (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 increased activity at durable goods plants, especially primary and fabricated metals, computer and electronic products, transportation equipment, and furniture manufacturing. The month-over-month indexes for shipments, new orders, order backlog, and new orders for exports rose at a faster pace in July, and supplier delivery time increased. Inventories remained positive but eased slightly from last month. Year-over-year factory indexes continued to increase in July, and the year-over-year composite index expanded from 43 to 50. The future composite index edged down from the record high 37 in June to 33 in July, still indicating solid expectations over the next six months.

### **Special Questions**

This month contacts were asked special questions about labor shortages, wage pressures, and supply chain disruptions. In July, 91% of firms reported workers were in short supply, more than any time previously asked in survey history (Chart 2). Wage pressures also surpassed survey records as 78% of firms reported having to raise wages more than normal to attract or keep workers. To attract new talent, 72% of manufacturers reported raising compensation, 60% reported hiring less qualified workers with more on the job training, and another 60% increased advertising for open positions (Chart 3). As labor shortages have persisted, 75% of firms have increased overtime to compensate, 47% have increased automation, and 36% reported up-skilling or re-skilling their existing labor force (Chart 4). Still, 30% of firms reported limiting production capacity due to labor shortages. 89% of firms in July reported challenges with supply chain disruptions and shortages. Of those with supply chain issues, 69% of firms indicated they were delaying projects or pushing back work as well as diversifying suppliers (Chart 5). Due to supply chain issues, 62% of firms responded by raising prices, 56% reported increasing inventories, and another 36% reported turning away business.

## Selected Manufacturing Comments

“Focusing on implementing pay increases across all shops. Increasing prices to help offset the cost.”

“Don't forget about the 25% 301 tariffs. They still exist on top of inflation and price adjustments.”

“It would be helpful to reduce steel tariffs or work with steel producing oligopoly to reduce prices. We need more workers.”

“We can't get enough steel to meet demand of orders. Inflation is rampant across the board.”

“We're concerned about increasing freight rates and shortages of trucks, plus labor costs. Also, as a small business we're concerned about large companies reducing suppliers to focus on a few large-volume items, cutting down on specialty products.”

“Sales remain strong, seeing some supply chain problems, trying to motivate workforce.”

“A very challenging year. Lack of workers and supply chain issues have been major problems when business opportunities are increasing.”

“Business is exceptionally slow for us, some materials we need are very hard to find.”

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

“Labor shortage issues is not a new problem. Over the past two years, more time, attention and resources have been spent on hiring and retaining workers than any area of our business.”

“My biggest concern now is looking out 6-12 months. The steel companies are forcing us to say how much steel we are taking say in March 2022... we do not know how much steel we are going to need. We could see ourselves upside down on our inventory costs.”

“Entry level assembly workers are not readily available.”

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

Plant Level Indicators	July vs. June (percent)*				July 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				29	30				50				31	33
Production	42	52	7	35	41	76	11	12	64	53	41	6	48	48
Volume of shipments	42	47	11	30	37	76	11	13	64	51	40	9	42	45
Volume of new orders	40	43	17	24	26	74	18	8	66	50	39	11	39	40
Backlog of orders	53	42	6	47	53	70	22	8	62	42	40	18	24	26
Number of employees	37	54	9	28	27	52	31	17	35	52	39	9	43	48
Average employee workweek	31	65	3	28	31	60	35	6	54	31	57	13	18	20
Prices received for finished product	52	46	2	49	52	84	11	4	80	69	25	7	62	64
Prices paid for raw materials	82	16	2	80	78	100	0	0	100	79	13	8	71	71
Capital expenditures						48	38	13	35	42	46	12	29	31
New orders for exports	20	73	7	13	16	28	63	9	19	24	69	7	17	19
Supplier delivery time	55	33	12	43	39	64	13	22	42	40	37	22	18	16
Inventories: Materials	37	44	19	18	15	62	20	18	44	34	43	24	10	13
Inventories: Finished goods	23	58	19	5	2	42	33	26	16	26	48	27	-1	-1

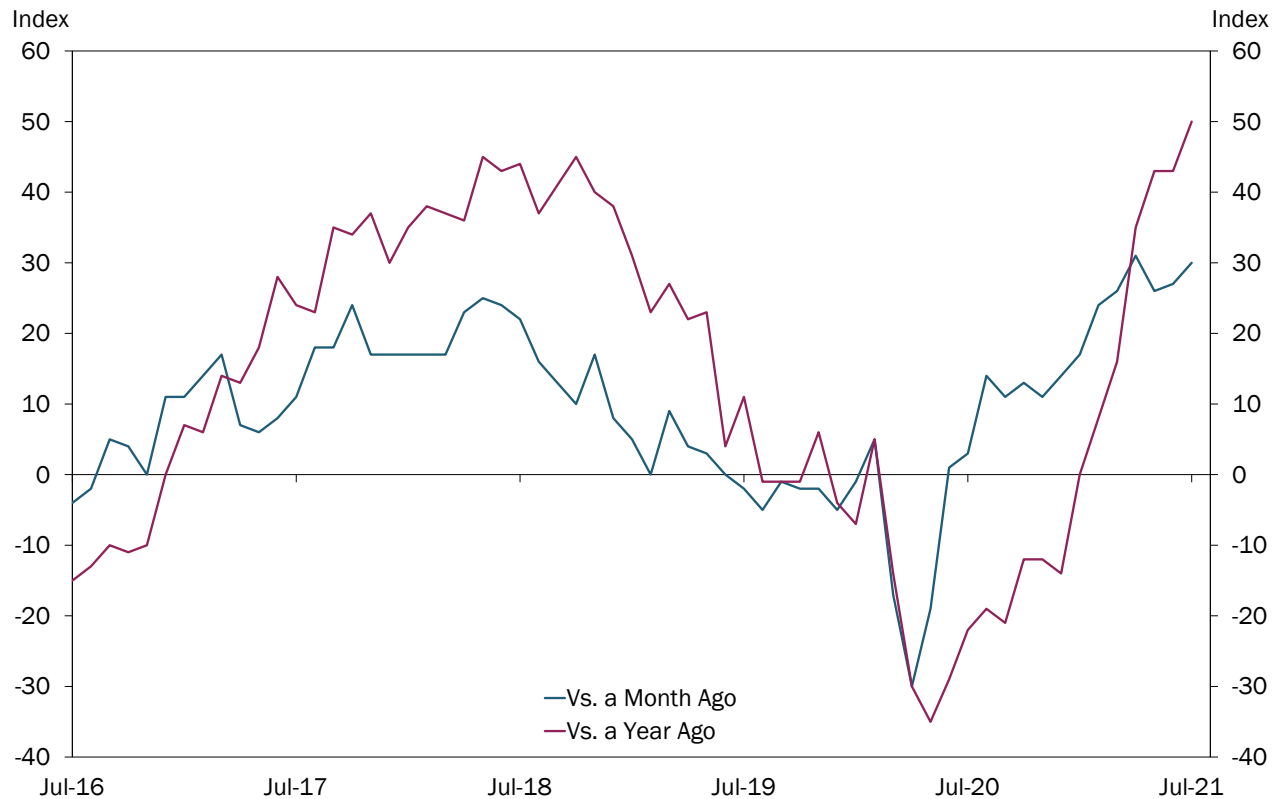
\*Percentage may not add to 100 due to rounding.

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

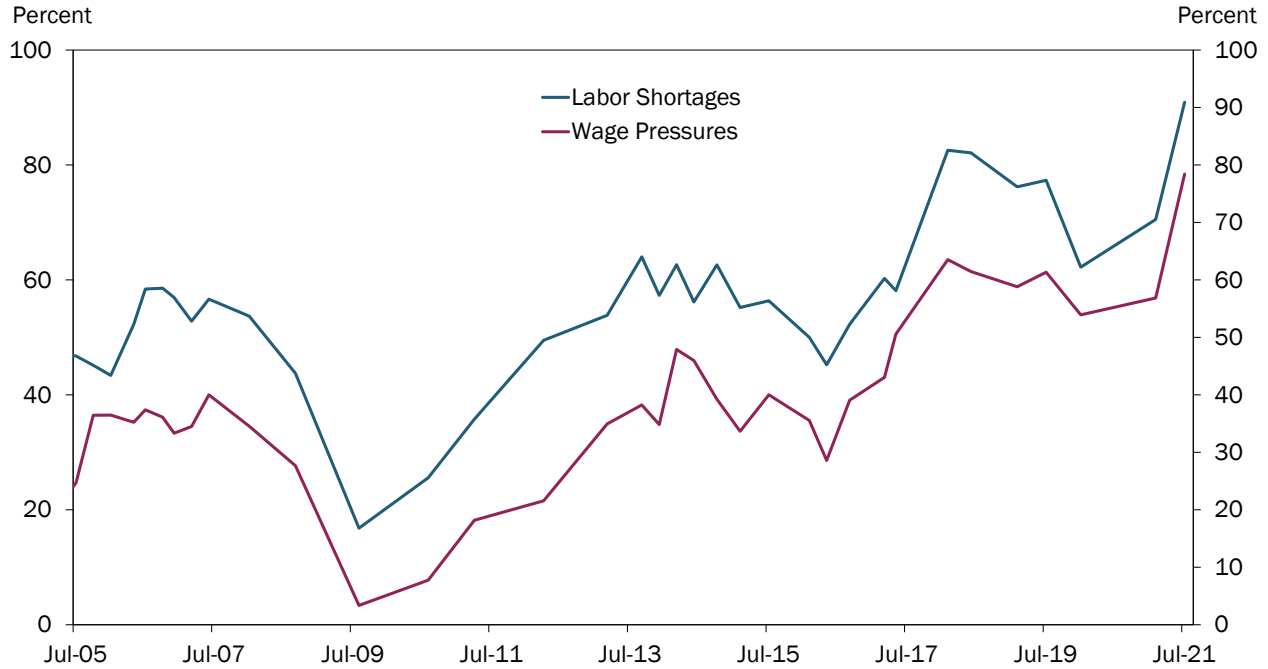
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The July survey was open for a five-day period from July 14-19, 2021 and included 89 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

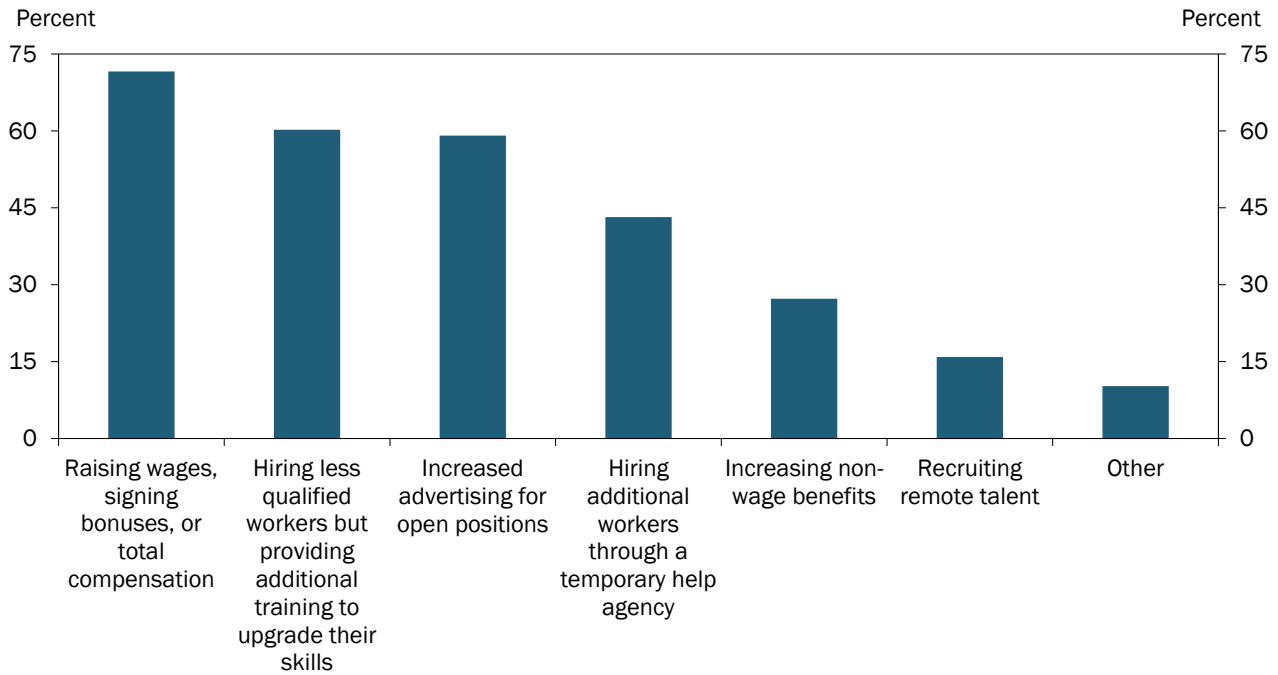
**Chart 1. Manufacturing Composite Indexes**



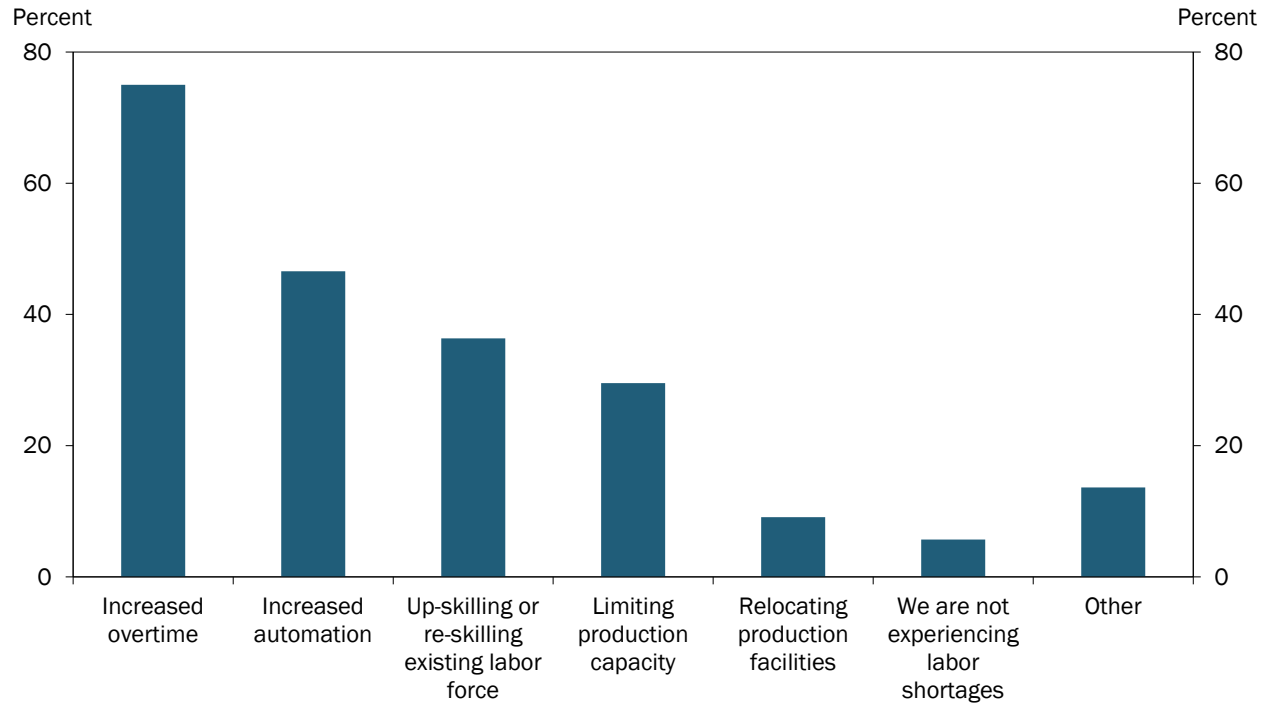
**Chart 2. Special Question: Are any types of workers in short supply and are you having to raise wages more than normal to attract or keep any types of workers?**



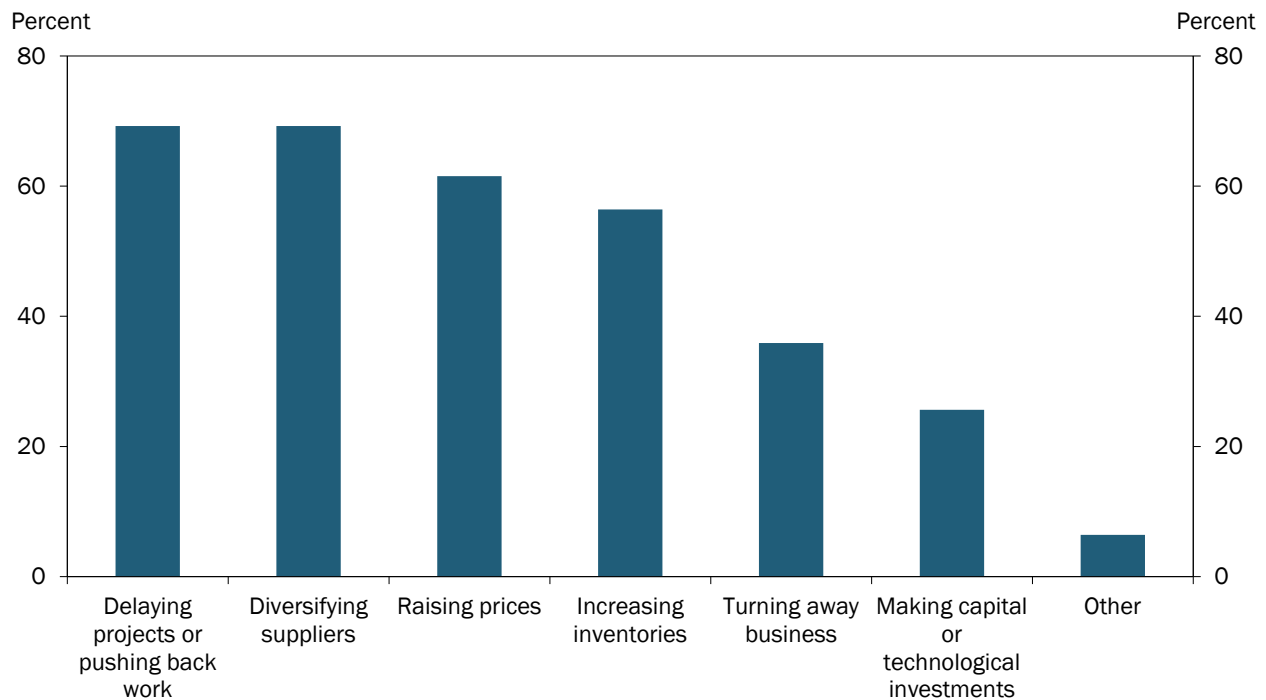
**Chart 3. Special Question: What new strategies are your firm implementing to attract key talent? (check all that apply)**



**Chart 4. Special Question: As labor shortages persist, what activities are your firm undertaking to circumvent labor shortages? (check all that apply)**



**Chart 5. Special Question: If your firm is facing supply chain disruptions and shortages, how is your firm managing those challenges? (check all that apply)**



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

	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	3	14	11	13	11	14	17	24	26	31	26	27	30
Production	7	23	18	23	20	12	22	26	23	40	32	30	41
Volume of shipments	11	19	9	22	3	17	28	14	27	32	29	20	37
Volume of new orders	9	26	23	26	19	24	25	16	37	29	35	22	26
Backlog of orders	2	3	13	2	4	14	14	27	32	35	25	29	53
Number of employees	3	9	7	9	1	7	13	21	17	29	20	26	27
Average employee workweek	6	4	-1	7	8	11	12	13	21	27	20	21	31
Prices received for finished product	6	4	12	4	7	9	19	27	31	41	51	48	52
Prices paid for raw materials	3	17	24	34	32	53	65	68	66	73	86	79	78
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	-10	1	-4	1	-10	6	10	9	1	9	5	6	16
Supplier delivery time	3	8	13	7	15	17	22	40	41	35	23	38	39
Inventories: Materials	-8	5	-6	1	-1	9	4	16	11	24	22	21	15
Inventories: Finished goods	-14	-8	-3	-6	-5	-14	-3	-5	-10	8	6	3	2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-22	-19	-21	-12	-12	-14	0	8	16	35	43	43	50
Production	-36	-34	-31	-23	-23	-31	-5	4	4	46	61	55	64
Volume of shipments	-39	-28	-29	-24	-24	-30	-8	7	-1	42	59	49	64
Volume of new orders	-33	-25	-30	-9	-18	-14	-3	16	21	47	61	47	66
Backlog of orders	-27	-26	-23	-15	-18	-5	-2	8	15	36	44	52	62
Number of employees	-23	-27	-30	-21	-24	-26	-16	-15	0	24	36	30	35
Average employee workweek	-20	-22	-23	-9	-14	-11	-4	-1	14	36	43	49	54
Prices received for finished product	6	6	12	18	21	24	32	40	48	64	73	77	80
Prices paid for raw materials	6	6	21	24	46	63	71	82	88	92	97	98	100
Capital expenditures	-17	-11	-4	3	14	-3	-2	19	5	17	20	31	35
New orders for exports	-26	-8	-16	-9	-13	-13	0	-1	-5	9	21	21	19
Supplier delivery time	5	2	9	13	20	20	32	42	39	28	36	51	42
Inventories: Materials	-21	-11	-24	-20	-14	-20	-8	-6	14	29	20	34	44
Inventories: Finished goods	-23	-23	-20	-16	-13	-29	-28	-30	-18	7	6	13	16
Expected in Six Months (seasonally adjusted)													
Composite Index	14	19	18	21	20	17	24	34	35	34	33	37	33
Production	25	20	25	31	31	20	46	44	45	45	50	44	48
Volume of shipments	21	19	27	26	29	19	43	44	42	49	59	50	45
Volume of new orders	20	21	23	24	24	21	31	50	37	40	42	45	40
Backlog of orders	5	3	13	9	6	13	12	19	27	25	27	23	26
Number of employees	11	26	19	22	17	22	25	28	41	49	46	45	48
Average employee workweek	10	4	11	12	6	15	5	12	27	30	30	32	20
Prices received for finished product	13	16	34	26	30	25	38	40	48	43	60	56	64
Prices paid for raw materials	17	31	33	55	50	45	61	68	72	79	76	68	71
Capital expenditures	-5	4	3	13	11	4	12	25	23	30	22	36	31
New orders for exports	-10	-1	6	5	4	8	10	13	5	10	17	16	19
Supplier delivery time	9	7	13	16	30	14	19	35	27	13	10	23	16
Inventories: Materials	5	21	11	12	-2	5	1	11	25	21	19	27	13
Inventories: Finished goods	5	1	7	7	0	5	-2	1	9	12	1	13	-1