



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Continued at a Strong Pace**  
*Federal Reserve Bank of Kansas City Releases August Manufacturing Survey*

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

“Regional factory activity growth remained positive in August,” said Wilkerson. “Manufacturing finished goods prices rose at a record pace. Firms reported solid expectations for future production overall, but 20% of firms reported a recent decrease in activity due to the recent surge in COVID-19 cases.”

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 at a strong pace, and expectations for future activity remained solid (Chart 1, Tables 1 & 2). The monthly index of prices paid for raw materials continued to increase for a majority of firms in August and the index of prices received for finished goods rose to a new survey high. Price indexes vs. a year ago expanded near record levels. Moving forward, district manufacturing firms expected materials prices and finished goods prices to continue to rise over the next six months.

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

The month-over-month composite index was 29 in August, similar to 30 in July, and up slightly from 27 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Durable goods plants continued to drive the growth in district manufacturing activity, in particular primary metals, computer and electronic products, and transportation equipment while nondurable goods manufacturing remained steady. Month-over-month indexes remained positive, indicating expansion. The month-over-month indexes for new orders increased at a higher rate in August and there was an uptick for the supplier delivery time index. Materials inventories grew slightly, while finished goods inventories were largely unchanged. Year-over-year factory indexes expanded at an even pace in August with a year-over-year composite index of 50. The future composite index grew from 33 to 36 in August, near recent record high expectations.

### **Special Questions**

This month contacts were asked special questions about employment and the effects of the recent surge in COVID cases. Since May, almost 60% of firms reported a decrease in the flow of applicants per job, while 14% reported an increase in the flow of applicants for each job opening (Chart 2). 57% of manufacturers indicated that the rate of workers quitting has not changed at their firm, but 35% reported it has increased in the past few months (Chart 3). Of those quitting, most workers leaving firms reported leaving for another job and/or reported leaving for better pay (Chart 4). Over a quarter of firms reported retirement as a common reason given by workers for quitting. Other firms reported they didn't know why workers left or that some workers no longer liked the manufacturing work environment. Most firms indicated that the recent surge in COVID cases had no change on their business activity (Chart 5). However, 20% of firms reported that the recent COVID surge had decreased activity, and 35% of firms expected the recent COVID surge to decrease business activity over the next six months.

## Selected Manufacturing Comments

“Definite increase in activity. Cautiously optimistic.”

“Our industry has grown due to Covid. Those who can afford to fly charter are now doing so rather than flying commercial. Many new owners are buying a fractional share or a whole aircraft to avoid flying commercial.”

“Cannot get enough steel to fulfill orders.”

“We are still having significant issues with the supply chain. If we had parts, we would increase our output.”

“U.S. port capacity and port to plant delivery equipment infrastructure capacity continue to cause huge part delivery problems.”

“If this latest surge continues suppliers will slow due to worker safety as happened last year.”

“Parts availability and chassis availability are limiting business much more than Covid at this point. A much bigger concern but recognizing that could change with widespread outbreaks.”

“We did not relax our covid accommodations - we maintained social distancing, masks in common areas, aisles, meeting rooms and anywhere social distancing could not be overcome.”

“Other than a return to mask wearing in the office areas (we never stopped wearing masks in production areas) the Delta variant has not had a big impact on what we do or how we operate.”

“Currently we are seeing an increase in activity. What is holding us back from growth is delays or lack of availability of raw materials and labor.”

“There [has been] some apprehension regarding increased cases & potential shortages of products, so demand for our products has been strong.”

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

Plant Level Indicators	August vs. July (percent)*				August 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				25	29				50				34	36
Production	30	55	15	15	22	78	9	14	64	55	34	11	44	46
Volume of shipments	37	46	17	20	25	71	13	16	55	49	39	12	38	42
Volume of new orders	42	40	18	24	34	71	15	14	57	46	36	18	29	31
Backlog of orders	45	37	18	27	30	72	18	10	63	35	41	24	11	15
Number of employees	37	51	12	25	28	54	26	20	35	47	47	5	42	47
Average employee workweek	25	68	8	17	15	51	41	7	44	28	59	13	15	15
Prices received for finished product	59	41	0	59	61	84	11	5	79	60	34	5	55	55
Prices paid for raw materials	77	22	1	76	80	97	2	1	96	80	13	7	72	75
Capital expenditures						40	46	14	26	36	53	11	26	32
New orders for exports	13	79	8	5	7	26	65	9	17	14	77	9	5	7
Supplier delivery time	51	38	11	40	41	67	15	18	48	47	38	15	32	30
Inventories: Materials	37	47	16	21	18	60	24	16	44	40	43	16	24	27
Inventories: Finished goods	24	52	24	0	1	41	32	27	14	23	52	25	-2	-4

\*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.

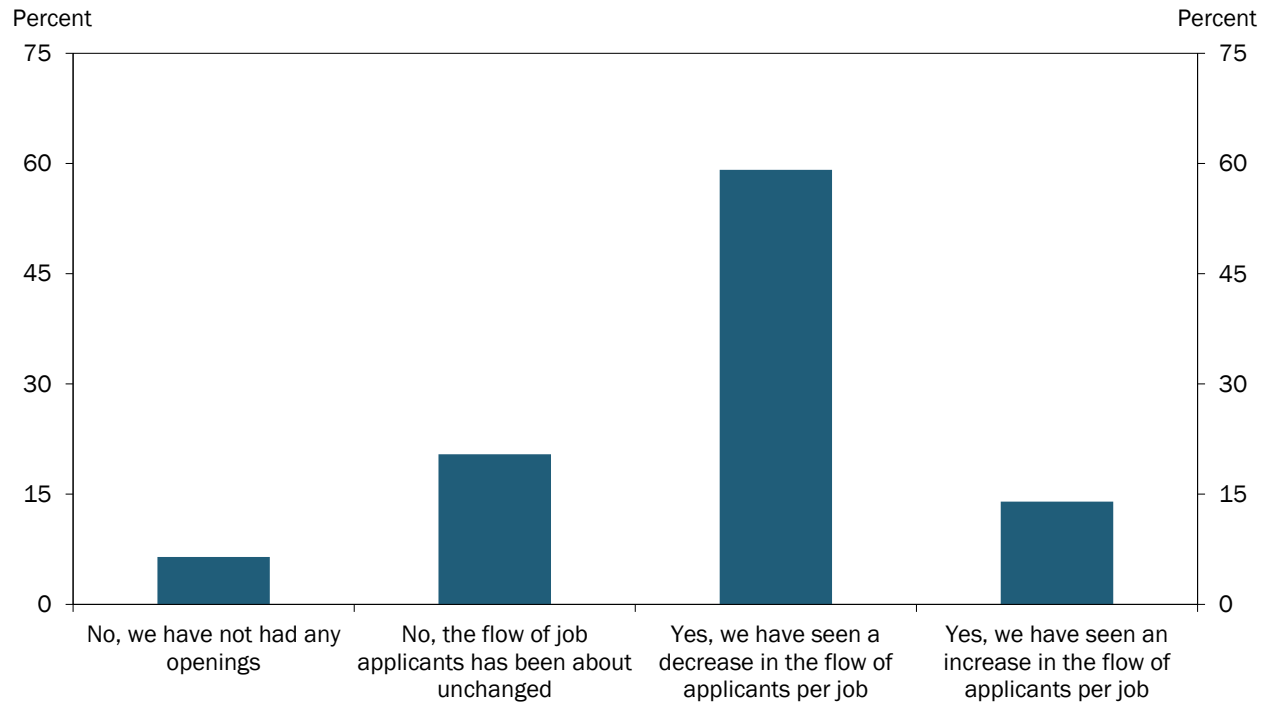
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The August survey was open for a five-day period from August 18-23, 2021 and included 94 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

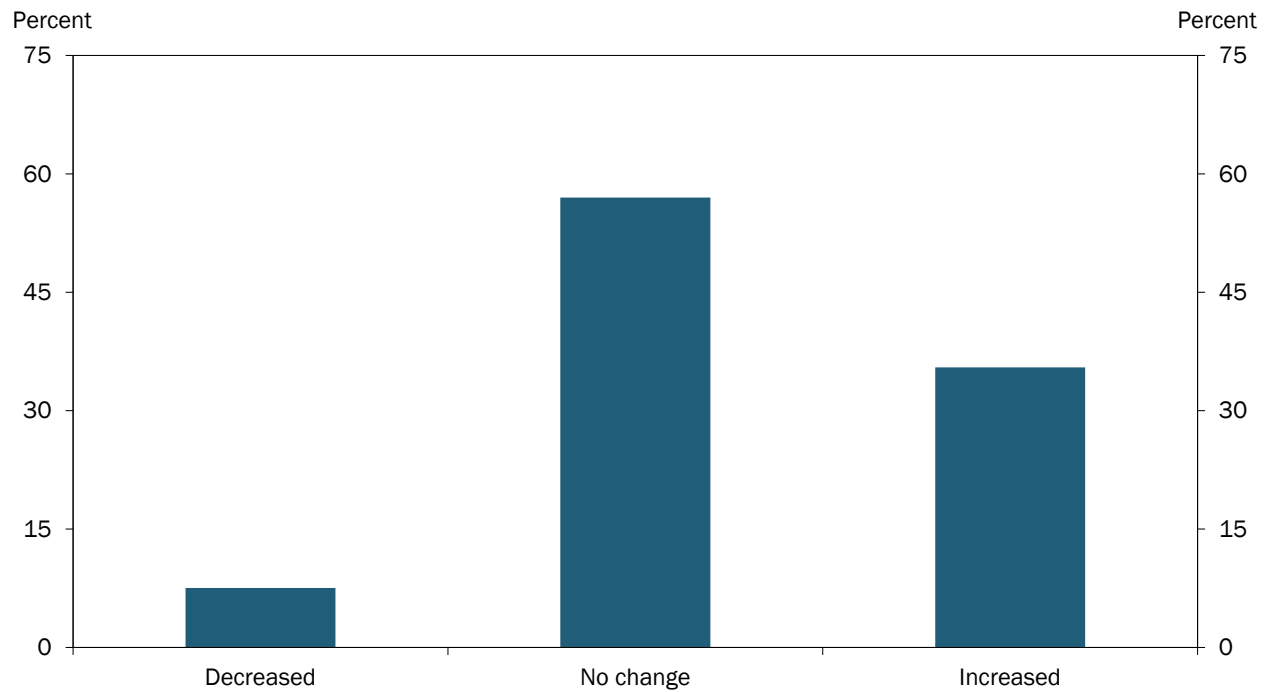
**Chart 1. Manufacturing Composite Indexes**



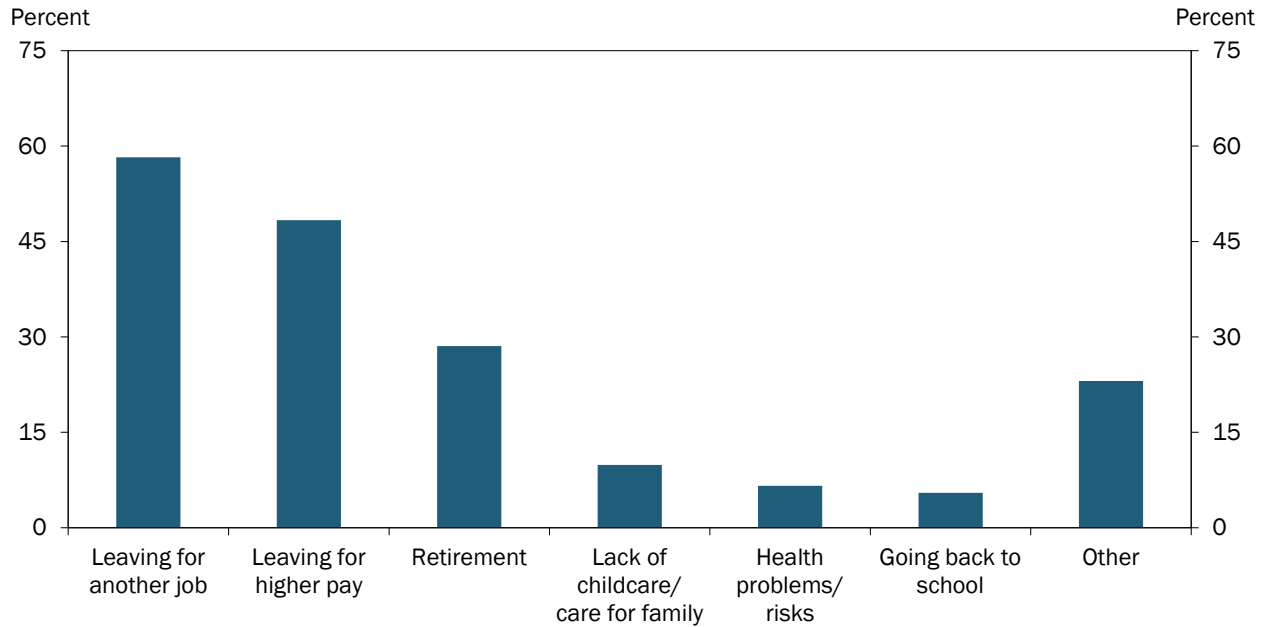
**Chart 2. Special Question: Have you seen any change since May in the flow of job applicants per job opening at your firm?**



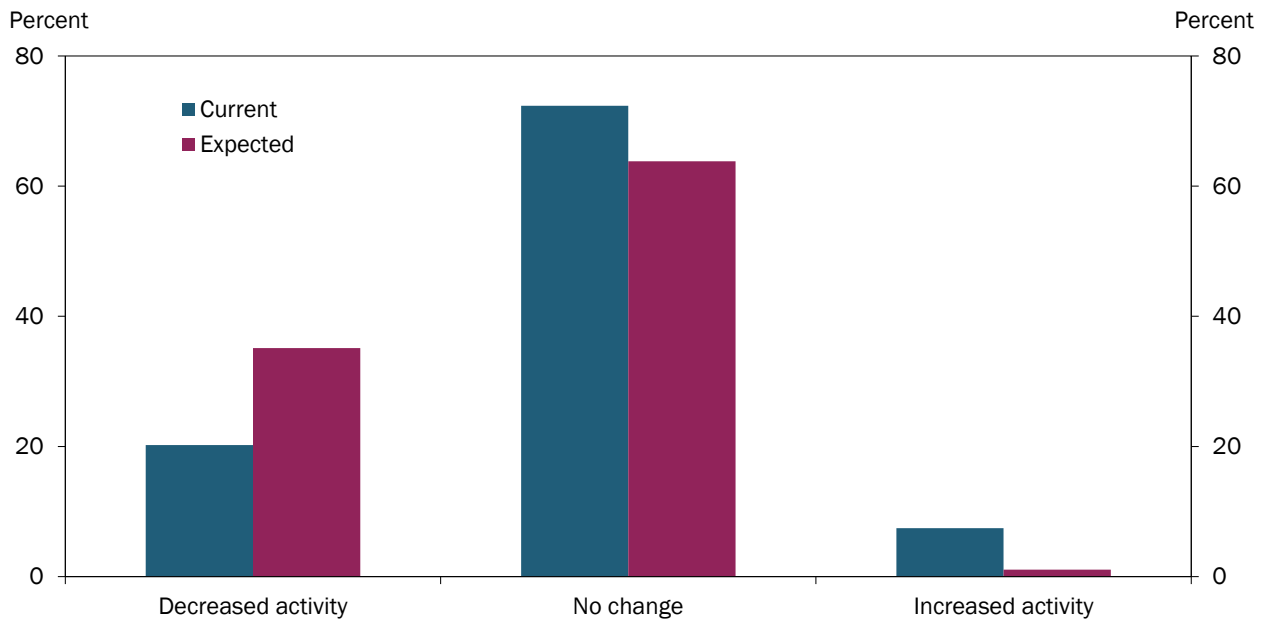
**Chart 3. Special Question: In the past few months, how has the rate of workers quitting changed for your firm?**



**Chart 4. Special Question: What are the most common reasons given by workers for quitting? (check all that apply)**



**Chart 5. Special Question: How has the recent surge in COVID cases affected your firm's business activity and how do you expect it will affect your business activity over the next six months?**



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

	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	14	11	13	11	14	17	24	26	31	26	27	30	29
Production	23	18	23	20	12	22	26	23	40	32	30	41	22
Volume of shipments	19	9	22	3	17	28	14	27	32	29	20	37	25
Volume of new orders	26	23	26	19	24	25	16	37	29	35	22	26	34
Backlog of orders	3	13	2	4	14	14	27	32	35	25	29	53	30
Number of employees	9	7	9	1	7	13	21	17	29	20	26	27	28
Average employee workweek	4	-1	7	8	11	12	13	21	27	20	21	31	15
Prices received for finished product	4	12	4	7	9	19	27	31	41	51	48	52	61
Prices paid for raw materials	17	24	34	32	53	65	68	66	73	86	79	78	80
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	1	-4	1	-10	6	10	9	1	9	5	6	16	7
Supplier delivery time	8	13	7	15	17	22	40	41	35	23	38	39	41
Inventories: Materials	5	-6	1	-1	9	4	16	11	24	22	21	15	18
Inventories: Finished goods	-8	-3	-6	-5	-14	-3	-5	-10	8	6	3	2	1
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-19	-21	-12	-12	-14	0	8	16	35	43	43	50	50
Production	-34	-31	-23	-23	-31	-5	4	4	46	61	55	64	64
Volume of shipments	-28	-29	-24	-24	-30	-8	7	-1	42	59	49	64	55
Volume of new orders	-25	-30	-9	-18	-14	-3	16	21	47	61	47	66	57
Backlog of orders	-26	-23	-15	-18	-5	-2	8	15	36	44	52	62	63
Number of employees	-27	-30	-21	-24	-26	-16	-15	0	24	36	30	35	35
Average employee workweek	-22	-23	-9	-14	-11	-4	-1	14	36	43	49	54	44
Prices received for finished product	6	12	18	21	24	32	40	48	64	73	77	80	79
Prices paid for raw materials	6	21	24	46	63	71	82	88	92	97	98	100	96
Capital expenditures	-11	-4	3	14	-3	-2	19	5	17	20	31	35	26
New orders for exports	-8	-16	-9	-13	-13	0	-1	-5	9	21	21	19	17
Supplier delivery time	2	9	13	20	20	32	42	39	28	36	51	42	48
Inventories: Materials	-11	-24	-20	-14	-20	-8	-6	14	29	20	34	44	44
Inventories: Finished goods	-23	-20	-16	-13	-29	-28	-30	-18	7	6	13	16	14
Expected in Six Months (seasonally adjusted)													
Composite Index	19	18	21	20	17	24	34	35	34	33	37	33	36
Production	20	25	31	31	20	46	44	45	45	50	44	48	46
Volume of shipments	19	27	26	29	19	43	44	42	49	59	50	45	42
Volume of new orders	21	23	24	24	21	31	50	37	40	42	45	40	31
Backlog of orders	3	13	9	6	13	12	19	27	25	27	23	26	15
Number of employees	26	19	22	17	22	25	28	41	49	46	45	48	47
Average employee workweek	4	11	12	6	15	5	12	27	30	30	32	20	15
Prices received for finished product	16	34	26	30	25	38	40	48	43	60	56	64	55
Prices paid for raw materials	31	33	55	50	45	61	68	72	79	76	68	71	75
Capital expenditures	4	3	13	11	4	12	25	23	30	22	36	31	32
New orders for exports	-1	6	5	4	8	10	13	5	10	17	16	19	7
Supplier delivery time	7	13	16	30	14	19	35	27	13	10	23	16	30
Inventories: Materials	21	11	12	-2	5	1	11	25	21	19	27	13	27
Inventories: Finished goods	1	7	7	0	5	-2	1	9	12	1	13	-1	-4