



# NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY  
DENVER • OKLAHOMA CITY • OMAHA

**FOR IMMEDIATE RELEASE**

Oct. 28, 2021

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

**Tenth District Manufacturing Growth Edged Higher**  
*Federal Reserve Bank of Kansas City Releases October Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the October 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 growth edged higher, and expectations for future activity remained at solid levels.

“Regional factory activity rose further,” said Wilkerson. “Production and employment have continued to increase. However, more firms reported additional price increases and delivery time delays. Most contacts expected supply chain issues to be resolved within the next 6 to 12 months, but 36% of firms expected these issues to persist for more than 12 months.”

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).

###

## **TENTH DISTRICT MANUFACTURING SUMMARY**

Tenth District manufacturing growth edged higher, and expectations for future activity remained at solid levels (Chart 1, Tables 1 & 2). The monthly index of prices paid for raw materials posted a new survey record high in October, and 99% of firms continued to report higher input prices compared to a year ago. Finished goods price indexes also increased from a month ago and a year ago. Moving forward, more district manufacturing firms expected additional materials and finished goods price increases over the next six months.

### **Factory Growth Edged Higher**

The month-over-month composite index was 31 in October, up from 22 in September and 29 in August (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth in October was driven by increased activity at nondurable goods plants, in particular paper and printing production, chemical manufacturing, and plastics products, while durable goods manufacturing grew more moderately. Most month-over-month indexes increased in October. Firms continued to report higher supplier delivery times, setting another survey record high. Even so, production, shipments, new orders, and employment expanded more in October compared to the previous month. Order backlog declined slightly. The pace of growth for month-over-month materials inventories eased from 29 to 20 in October, while finished goods materials inventories inched up. Year-over-year factory indexes expanded, and the year-over-year composite index moved from 48 to 50. Compared to a year ago, production, new orders, and supplier delivery time increased. The future composite index was 34 in October, near 35 in September, with the highest recorded expectations for supplier delivery time.

### **Special Questions**

This month contacts were asked special questions about supply chain disruptions. 95% of firms in October reported facing challenges with supply chain disruptions and shortages, up from 89% in July 2021. Firms reported more instances of delaying projects and raising prices in October than in July, and around 70% of firms reported diversifying suppliers (Chart 2). A higher share of firms also reported increasing inventories, turning away business, and a third of firms reported making capital or technological investments in response to supply chain issues. Around 56% of firms expected rising materials prices and lack of availability/delivery times to persist for 6 to 12 months, while 36% of firms expected these issues to persist for more than 12 months (Chart 3). Only 8% of firms expected materials price increases and supply chain issues to be resolved within the next six months.

## **Selected Manufacturing Comments**

“There is no way to increase prices enough to off-set higher costs from transportation and labor shortages and material cost increases. We expect smaller [profit] margins, with perhaps lower sales volumes, to continue to hamper our long-term sustainability as a small family company.”

“COVID variants affect overseas suppliers at different times than the U.S., in many cases extending delivery disruptions. This ripple effect on product movement will take time to recover from.”

“We currently see both increasing demand and supply chain bottlenecks occurring. Meeting increased demand will make it exceedingly hard to clear the bottlenecks.”

“Lack of transportation resources is a serious issue that we do not see being resolved in the short run.”

“We expect 2022 to be a real challenge while the supply chain rebalances.”

“We are constantly searching for hard-to-find items, we are paying more for items along with freight. We are told material that was due this month may be December; delivery is still not guaranteed. Customers understand the situation because they are experiencing this everywhere.”

“U.S. logistics infrastructure including the ports, rail, and freight were in poor shape prior to the pandemic. COVID just highlights that some major reform/improvement is required. Product delivery problems are currently masking a much larger, long term problem of workforce shortage.”

“The whole freight system is unreliable. Of course, the biggest hurdle is getting sufficient employees to man our existing production systems. The demand for our goods is excellent; we just cannot produce at capacity to meet this demand.”

“We are re-engineering finished goods to eliminate the need for parts that are shorted.”

“We are unable to pass along the higher costs to our customers and still keep their business”

“We were hit with a fee from our energy provider due to costs related to the February 2021 storm, so we will pass that cost along in product price increases.”

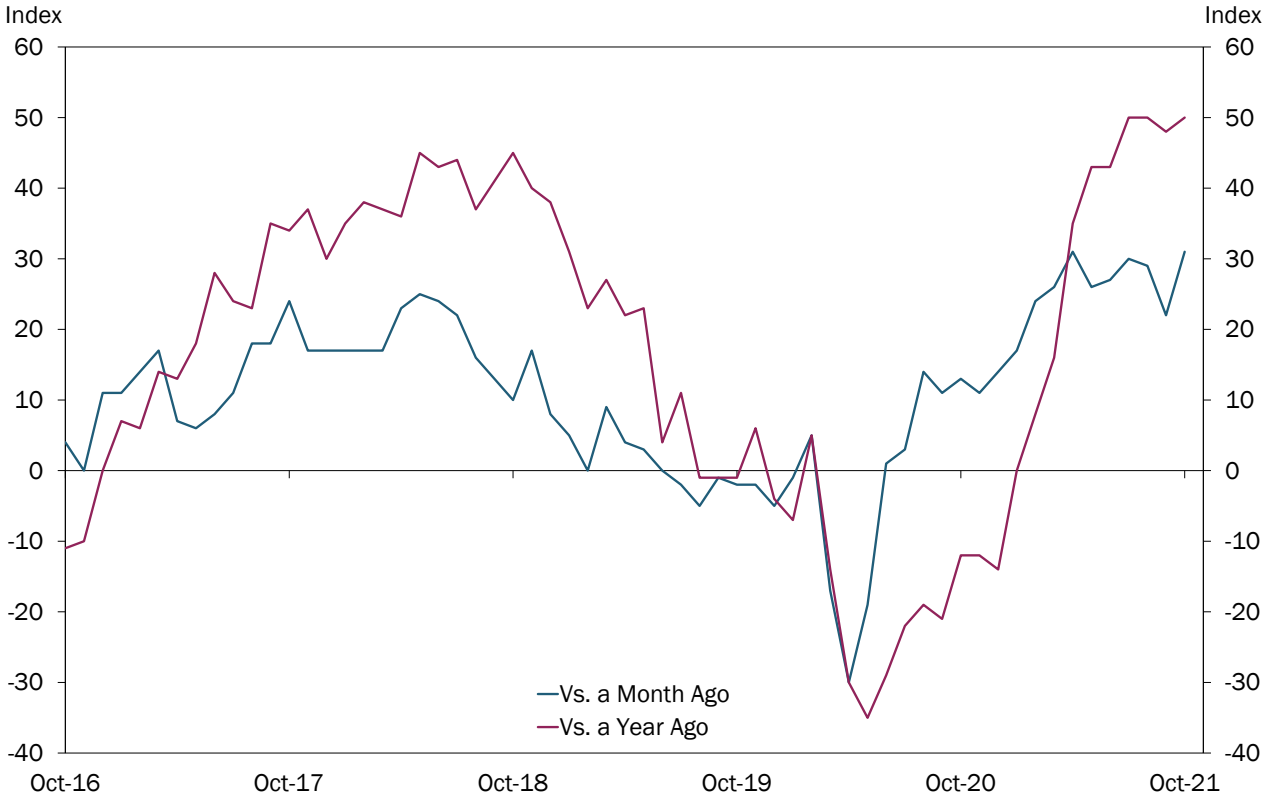
**Table 1. Summary of Tenth District Manufacturing Conditions, October 2021**

Plant Level Indicators	October vs. September (percent)*				October vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	No		Diff	SA	No		Diff	Index^	No		Diff	SA		
	Increase	Change			Increase	Change			Increase	Change				
Composite Index			31	31			50			35	34			
Production	42	42	15	27	25	72	11	17	55	59	28	14	45	41
Volume of shipments	43	43	14	29	28	72	11	17	55	54	31	15	39	35
Volume of new orders	43	40	17	26	27	76	13	12	64	54	31	15	39	36
Backlog of orders	38	47	15	23	23	70	19	11	60	44	33	23	22	19
Number of employees	40	55	5	35	34	61	20	19	41	51	39	10	41	40
Average employee workweek	24	68	7	17	15	46	48	6	39	30	57	13	17	20
Prices received for finished product	51	47	2	48	47	91	7	2	89	67	28	5	61	63
Prices paid for raw materials	82	16	1	81	87	99	1	0	99	83	13	4	79	85
Capital expenditures						43	41	15	28	44	48	8	35	38
New orders for exports	12	81	7	6	5	26	69	6	20	17	78	6	11	12
Supplier delivery time	60	29	10	50	50	79	5	16	63	57	27	16	41	47
Inventories: Materials	35	44	21	14	20	53	22	25	28	32	44	24	8	7
Inventories: Finished goods	19	64	17	2	6	33	40	27	6	26	57	17	9	10

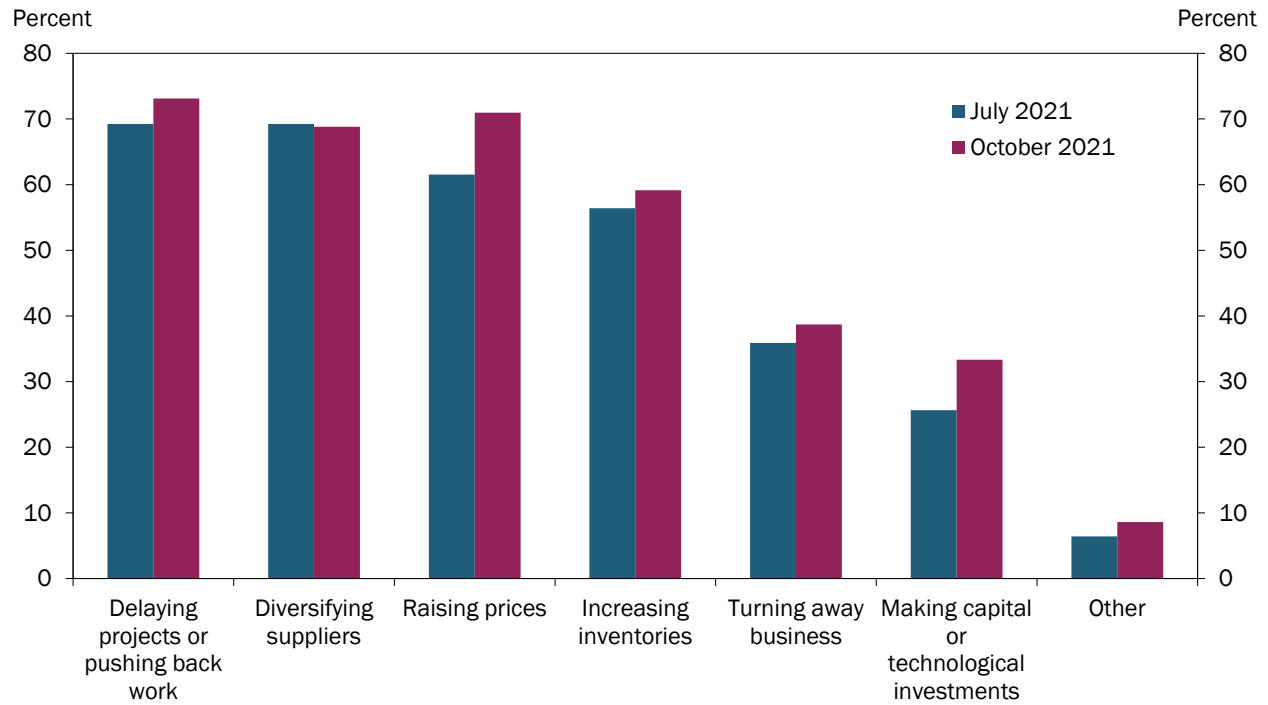
\*Percentage may not add to 100 due to rounding.  
 ^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.  
 ^^Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The October survey was open for a five-day period from October 20-25, 2021 and included 98 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

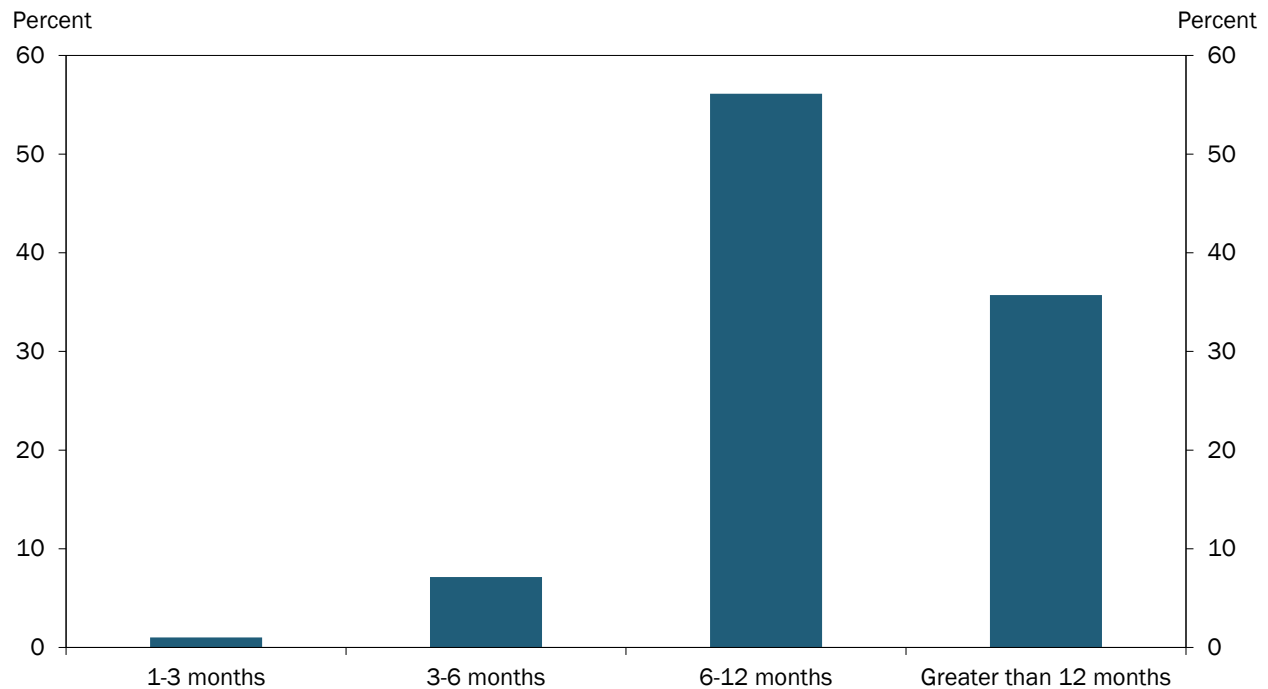
**Chart 1. Manufacturing Composite Indexes**



**Chart 2. Special Question: If your firm is facing supply chain disruptions and shortages, how is your firm managing those challenges? (check all that apply)**



**Chart 3. Special Question: If your firm has been affected by rising materials prices and lack of availability/delivery times, how long do you anticipate this to persist?**



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

	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	13	11	14	17	24	26	31	26	27	30	29	22	31
Production	23	20	12	22	26	23	40	32	30	41	22	10	25
Volume of shipments	22	3	17	28	14	27	32	29	20	37	25	6	28
Volume of new orders	26	19	24	25	16	37	29	35	22	26	34	7	27
Backlog of orders	2	4	14	14	27	32	35	25	29	53	30	30	23
Number of employees	9	1	7	13	21	17	29	20	26	27	28	21	34
Average employee workweek	7	8	11	12	13	21	27	20	21	31	15	9	15
Prices received for finished product	4	7	9	19	27	31	41	51	48	52	61	40	47
Prices paid for raw materials	34	32	53	65	68	66	73	86	79	78	80	80	87
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	-10	6	10	9	1	9	5	6	16	7	3	5
Supplier delivery time	7	15	17	22	40	41	35	23	38	39	41	43	50
Inventories: Materials	1	-1	9	4	16	11	24	22	21	15	18	29	20
Inventories: Finished goods	-6	-5	-14	-3	-5	-10	8	6	3	2	1	3	6
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	-12	-12	-14	0	8	16	35	43	43	50	50	48	50
Production	-23	-23	-31	-5	4	4	46	61	55	64	64	67	55
Volume of shipments	-24	-24	-30	-8	7	-1	42	59	49	64	55	55	55
Volume of new orders	-9	-18	-14	-3	16	21	47	61	47	66	57	57	64
Backlog of orders	-15	-18	-5	-2	8	15	36	44	52	62	63	59	60
Number of employees	-21	-24	-26	-16	-15	0	24	36	30	35	35	24	41
Average employee workweek	-9	-14	-11	-4	-1	14	36	43	49	54	44	43	39
Prices received for finished product	18	21	24	32	40	48	64	73	77	80	79	83	89
Prices paid for raw materials	24	46	63	71	82	88	92	97	98	100	96	100	99
Capital expenditures	3	14	-3	-2	19	5	17	20	31	35	26	34	28
New orders for exports	-9	-13	-13	0	-1	-5	9	21	21	19	17	16	20
Supplier delivery time	13	20	20	32	42	39	28	36	51	42	48	56	63
Inventories: Materials	-20	-14	-20	-8	-6	14	29	20	34	44	44	36	28
Inventories: Finished goods	-16	-13	-29	-28	-30	-18	7	6	13	16	14	14	6
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	21	20	17	24	34	35	34	33	37	33	36	35	34
Production	31	31	20	46	44	45	45	50	44	48	46	58	41
Volume of shipments	26	29	19	43	44	42	49	59	50	45	42	55	35
Volume of new orders	24	24	21	31	50	37	40	42	45	40	31	33	36
Backlog of orders	9	6	13	12	19	27	25	27	23	26	15	22	19
Number of employees	22	17	22	25	28	41	49	46	45	48	47	43	40
Average employee workweek	12	6	15	5	12	27	30	30	32	20	15	24	20
Prices received for finished product	26	30	25	38	40	48	43	60	56	64	55	58	63
Prices paid for raw materials	55	50	45	61	68	72	79	76	68	71	75	79	85
Capital expenditures	13	11	4	12	25	23	30	22	36	31	32	37	38
New orders for exports	5	4	8	10	13	5	10	17	16	19	7	8	12
Supplier delivery time	16	30	14	19	35	27	13	10	23	16	30	27	47
Inventories: Materials	12	-2	5	1	11	25	21	19	27	13	27	13	7
Inventories: Finished goods	7	0	5	-2	1	9	12	1	13	-1	-4	14	10