



NEWS RELEASE

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Tenth District Manufacturing Growth Eased Slightly
Federal Reserve Bank of Kansas City Releases November Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the November 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 eased slightly, but expectations for future activity remained strong.

“Regional factory activity continued to grow but at a slower pace than in recent months,” said Wilkerson. “Many firms reported additional materials cost increases, and more contacts reported delivery time delays compared to a month ago and a year ago. Labor shortages remain a key inhibitor in meeting higher demand for goods.”

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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing growth eased slightly, but expectations for future activity remained strong (Chart 1, Tables 1 & 2). The monthly index of raw materials prices dipped from a survey record high in October, but remained high, and almost every firm continued to report higher input prices compared to a year ago. Finished goods price indexes rose from a month ago and were above year ago levels for most firms. Expectations for future prices eased somewhat, but most district manufacturing firms still expected materials and finished goods prices to increase over the next six months.

Factory Growth Eased Slightly

The month-over-month composite index was 24 in November, down from 31 in October, but higher than 22 in September (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 was driven by increased activity at durable goods plants, particularly machinery manufacturing, electrical equipment, transportation equipment, and furniture production. Month-over-month indexes remained mostly positive, but the pace of growth slowed compared to October. While production and employment were strong in November, supplier delivery time increased, and the volume of new orders decreased. Finished goods inventories also declined, but materials inventories inched up. Year-over-year factory indexes expanded at a steady rate, and the year-over-year composite index was 50 again in November. Compared to a year ago, supplier delivery time was much higher, and employment and capital expenditures increased slightly. The future composite index was 35 in November, similar to 34 in October, with higher production and shipments expected moving forward.

Special Questions

This month contacts were asked special questions about employment plans and labor market conditions. Around 63% of firms expected to increase employment over the next 12 months, and a third of firms expect to leave employment unchanged. 99% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving employment plans (Chart 2). Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff. 56% of firms reported they are already at or above their pre-pandemic employment levels from pre-March 2020 (Chart 3). Another third of firms expected to meet their pre-pandemic employment level by the end of 2022, while others expected employment to recover at a later time. Only 5% of firms did not expect to return to their pre-Coronavirus pandemic employment levels.

Selected Manufacturing Comments

“Costs are out of control. We can't price our way out of cost increases. As a result - profitability is down - significantly on a per unit basis. The operating environment we are in currently is not sustainable long-term.”

“Raw materials cost increases have hit us HARD. Soybean oil costs have doubled. Packaging is up 40%, etc. Forced to pass this on to the consumer.”

“Business has picked up in spurts. When customers have time, they shop for better pricing. Competition depends on price of course but necessity and availability take precedence.”

“Business is going to be down next year we believe due to high inflation. We sell capital goods and many times the end customer can just wait out their purchase until the price comes back down. The 100-employee vaccine mandate recently put forth by OSHA adds another layer of complexity and uncertainty to our business.”

“We are very concerned that we will lose staff due to the vaccine mandate. We have been told by approximately 25% of our staff that they will not get vaccinated or abide by the mask and weekly testing requirements.”

“Availability of sufficient labor to run our operations is the number one issue moving into 2022.”

“10% of our current staff are retiring.”

“The revolving door seems to have slowed since Labor Day. We are finally at full headcount, we lost about 10% of workforce after Labor Day, but were able to replace them, and have held steady for about 6 weeks now with no resignations. Our production levels however are still impacted by supplier delays and shortages.”

“Finding, attracting and retaining qualified employees continues to be our largest struggle at this time.”

“We have begun to stop interviewing for shop, machinist, and warehouse positions. People don't come to the interview or get hired by others who do not interview. We are lowering expectations. Developing training, internships, and apprenticeships to counter. The pool is very low, and candidates are not good.”

Table 1. Summary of Tenth District Manufacturing Conditions, November 2021

Plant Level Indicators	November vs. October (percent)*				November vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	No		Diff	SA	No		Diff	Index^	No		Diff	SA		
	Increase	Change			Decrease	Increase			Change	Decrease			Increase	Change
Composite Index				22	24				50				37	35
Production	31	49	20	11	17	66	18	16	49	59	27	13	46	43
Volume of shipments	24	55	21	3	2	65	16	19	46	57	30	13	44	40
Volume of new orders	27	43	30	-2	-4	70	16	13	57	57	26	18	39	38
Backlog of orders	31	46	23	8	10	66	24	10	56	39	36	26	13	10
Number of employees	35	54	11	24	27	58	25	16	42	50	44	6	44	41
Average employee workweek	20	68	12	8	10	49	42	9	41	29	58	13	15	13
Prices received for finished product	52	47	1	51	50	89	9	2	87	67	23	10	57	55
Prices paid for raw materials	81	16	2	79	77	99	0	1	98	78	14	8	70	65
Capital expenditures						43	43	14	29	42	42	16	27	24
New orders for exports	11	85	3	8	7	24	69	7	17	17	78	5	13	10
Supplier delivery time	65	27	8	57	57	82	5	12	70	59	24	17	42	44
Inventories: Materials	38	46	17	21	21	52	24	23	29	38	36	26	12	7
Inventories: Finished goods	16	66	18	-2	-2	30	41	30	0	29	48	23	6	3

*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 November survey was open for a five-day period from November 10-15, 2021 and included 91 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

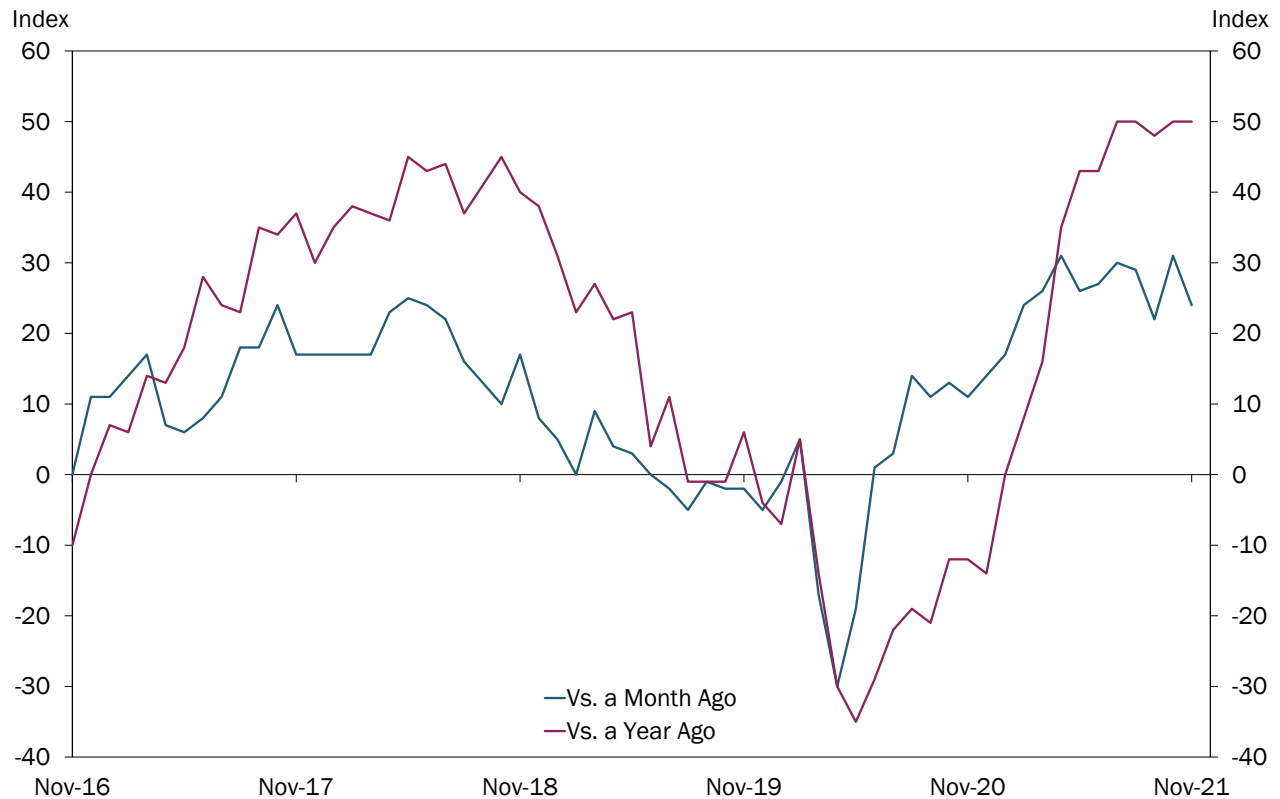


Chart 2. Special Question: What are the three most important factors behind your plans to increase employment? Please rank the factors in order from 1 (most important) to 3 (third most important)

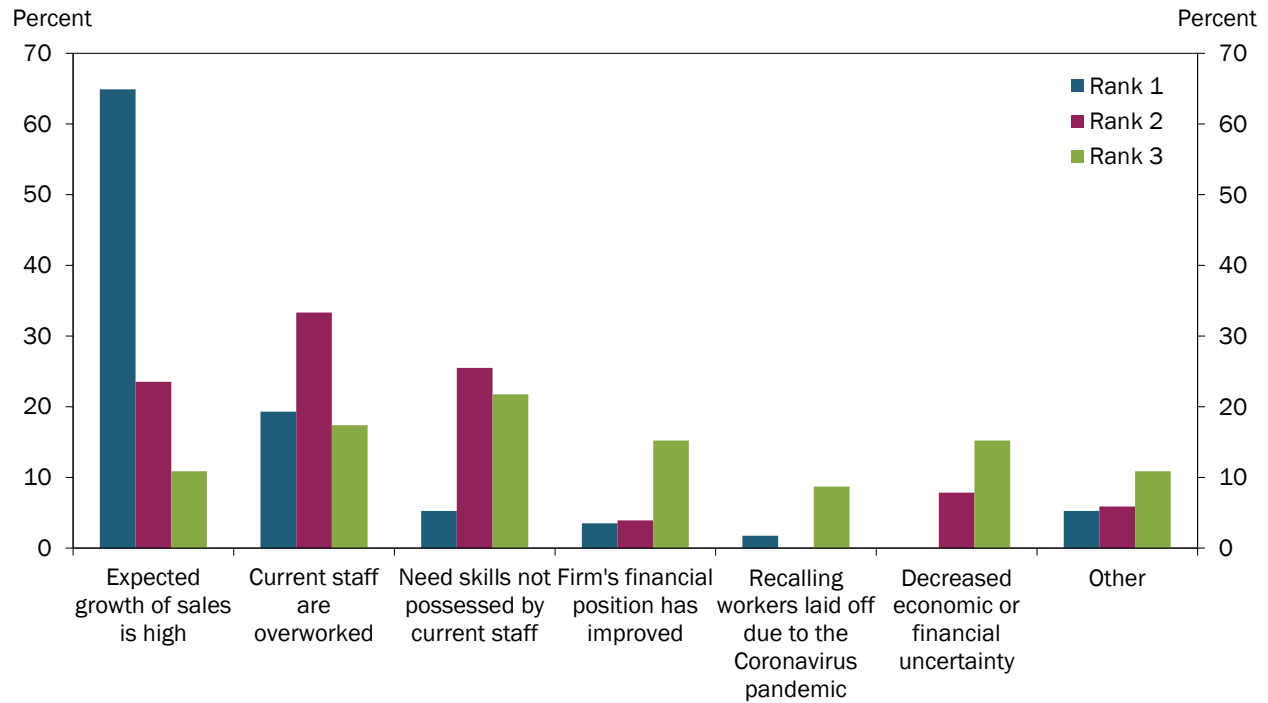


Chart 3. Special Question: When do you expect you will reach your pre-Coronavirus pandemic employment level (pre-March 2020 employment level)?

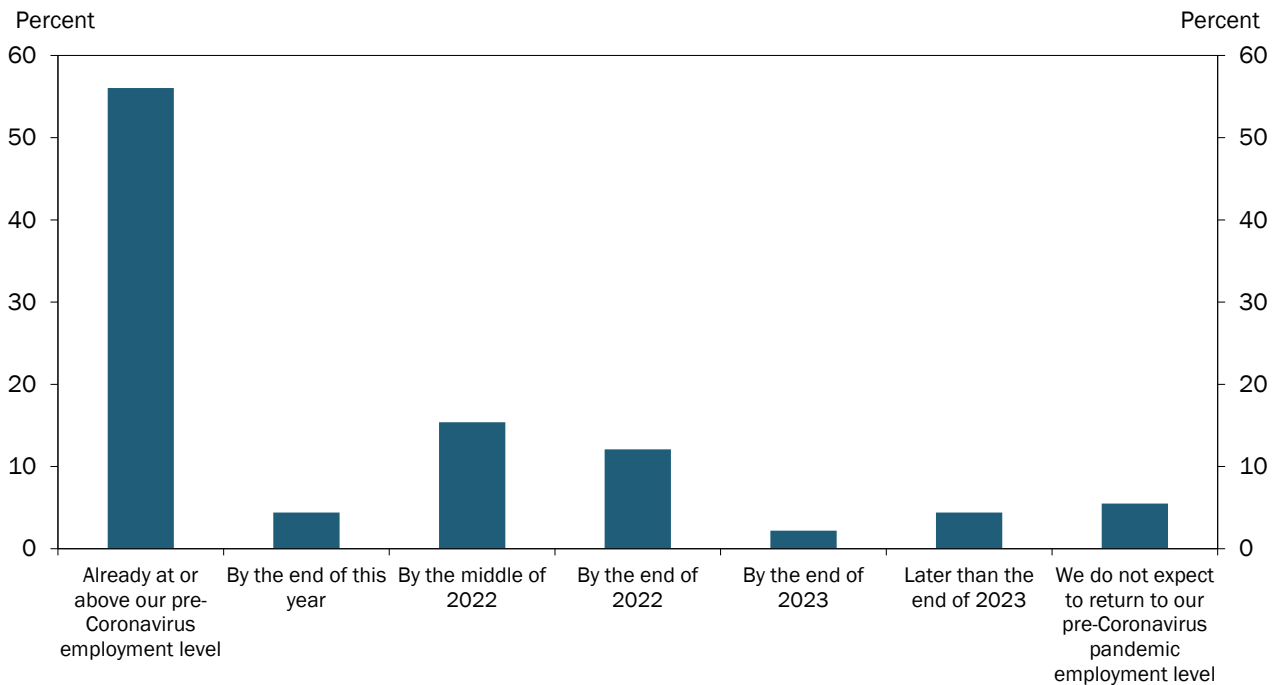


Table 2
Historical Manufacturing Survey Indexes

	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	11	14	17	24	26	31	26	27	30	29	22	31	24
Production	20	12	22	26	23	40	32	30	41	22	10	25	17
Volume of shipments	3	17	28	14	27	32	29	20	37	25	6	28	2
Volume of new orders	19	24	25	16	37	29	35	22	26	34	7	27	-4
Backlog of orders	4	14	14	27	32	35	25	29	53	30	30	23	10
Number of employees	1	7	13	21	17	29	20	26	27	28	21	34	27
Average employee workweek	8	11	12	13	21	27	20	21	31	15	9	15	10
Prices received for finished product	7	9	19	27	31	41	51	48	52	61	40	47	50
Prices paid for raw materials	32	53	65	68	66	73	86	79	78	80	80	87	77
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	6	10	9	1	9	5	6	16	7	3	5	7
Supplier delivery time	15	17	22	40	41	35	23	38	39	41	43	50	57
Inventories: Materials	-1	9	4	16	11	24	22	21	15	18	29	20	21
Inventories: Finished goods	-5	-14	-3	-5	-10	8	6	3	2	1	3	6	-2
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-12	-14	0	8	16	35	43	43	50	50	48	50	50
Production	-23	-31	-5	4	4	46	61	55	64	64	67	55	49
Volume of shipments	-24	-30	-8	7	-1	42	59	49	64	55	55	55	46
Volume of new orders	-18	-14	-3	16	21	47	61	47	66	57	57	64	57
Backlog of orders	-18	-5	-2	8	15	36	44	52	62	63	59	60	56
Number of employees	-24	-26	-16	-15	0	24	36	30	35	35	24	41	42
Average employee workweek	-14	-11	-4	-1	14	36	43	49	54	44	43	39	41
Prices received for finished product	21	24	32	40	48	64	73	77	80	79	83	89	87
Prices paid for raw materials	46	63	71	82	88	92	97	98	100	96	100	99	98
Capital expenditures	14	-3	-2	19	5	17	20	31	35	26	34	28	29
New orders for exports	-13	-13	0	-1	-5	9	21	21	19	17	16	20	17
Supplier delivery time	20	20	32	42	39	28	36	51	42	48	56	63	70
Inventories: Materials	-14	-20	-8	-6	14	29	20	34	44	44	36	28	29
Inventories: Finished goods	-13	-29	-28	-30	-18	7	6	13	16	14	14	6	0
Expected in Six Months (seasonally adjusted)													
Composite Index	20	17	24	34	35	34	33	37	33	36	35	34	35
Production	31	20	46	44	45	45	50	44	48	46	58	41	43
Volume of shipments	29	19	43	44	42	49	59	50	45	42	55	35	40
Volume of new orders	24	21	31	50	37	40	42	45	40	31	33	36	38
Backlog of orders	6	13	12	19	27	25	27	23	26	15	22	19	10
Number of employees	17	22	25	28	41	49	46	45	48	47	43	40	41
Average employee workweek	6	15	5	12	27	30	30	32	20	15	24	20	13
Prices received for finished product	30	25	38	40	48	43	60	56	64	55	58	63	55
Prices paid for raw materials	50	45	61	68	72	79	76	68	71	75	79	85	65
Capital expenditures	11	4	12	25	23	30	22	36	31	32	37	38	24
New orders for exports	4	8	10	13	5	10	17	16	19	7	8	12	10
Supplier delivery time	30	14	19	35	27	13	10	23	16	30	27	47	44
Inventories: Materials	-2	5	1	11	25	21	19	27	13	27	13	7	7
Inventories: Finished goods	0	5	-2	1	9	12	1	13	-1	-4	14	10	3