



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Manufacturing Activity Continued to Grow Strongly**  
*Federal Reserve Bank of Kansas City Releases January Manufacturing Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the January 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 to grow strongly, and expectations also increased further.

“Regional factory activity expanded at a faster pace in January,” said Wilkerson. “However, over half of firms indicated that 10% or more of their workers were out at some point in January due to COVID. Expectations for future activity remained strong, despite firms reporting difficulties from COVID, labor shortages, and continued supply chain issues.”

A summary of the January survey is attached. The January survey incorporates new seasonal adjustment factors using Census X-13 ARIMA-SEATS, so historical indexes differ slightly from previously released numbers. The new seasonal factors will be used throughout 2022. 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 to grow strongly, and expectations also increased further (Chart 1, Tables 1 & 2). The monthly index of raw materials prices continued to decline slightly from a month ago, although nearly all firms continued to report higher input prices compared to a year ago. Finished goods price indexes rose from a month ago and continued to increase steadily from a year ago. Expectations for future raw materials prices increased, and firms expected finished goods prices to expand at a faster rate over the next six months.

### Factory Activity Continued to Grow Strongly

The month-over-month composite index was 24 in January, up slightly from 22 in November and December (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 more by activity at durable goods plants in January, especially primary metals, machinery, electrical, furniture, and transportation equipment manufacturing. Month-over-month indexes were positive in January, indicating expansion. Indexes for production, employment, and order backlog rose at a faster pace, while the growth in supplier delivery time continued to ease slightly. New orders for exports also inched up. Year-over-year factory indexes continued to expand at a steady rate, with a composite index of 50 for the fourth month in a row. Inventories increased modestly compared to a year ago, along with employment and order backlog. The future composite index was 37 in January, up from 26 in December, as all future indexes increased. More firms expected increases in production, shipments, order backlog, new orders for export, employment, and capital expenditures.

### Special Questions

This month contacts were asked special questions about the recent COVID surge and how it has impacted their business so far in 2022. In January, 38% of firms reported a strong negative effect on business activity from this variant of COVID, and another 46% of firms reported a slight negative effect (Chart 2). More businesses reported negative impacts from this wave than when asked in December 2020 during a previous wave. Around 52% of firms reported that 10% or more of their workforce missed work in January due to COVID (Chart 3). Many firms commented on higher absenteeism with this strain with more workers testing positive and quarantining. Of the firms facing labor shortages, 69% of firms reported adding overtime for current staff and 65% of firms reported delaying orders in response to staffing issues (Chart 4). Moving forward, over a third of firms expected decreased business activity over the next six months due to the surge in COVID, while 57% of firms reported no change, and 9% expected increased activity (Chart 5). Expectations were marginally better from this strain compared to when this question was last asked in August 2021.

## **Selected Manufacturing Comments**

“We have had an increase of team members out with COVID or quarantined. About 60 company-wide, which is 2-3 times the number we had the previous 6 months.”

“Very hard to keep production up with increased COVID activity.”

“COVID isolations and quarantines lead to construction delays for labor shortages, and increased supplier lead times for the same reason.”

“We have escaped any mass infections due to workplace layouts, masks, temp checks, and numerous other changes. Any impact has been short term and then we have caught up within the next month.”

“Most out due to exposure and have to gain negative tests prior to returning to work.”

“Labor is a major problem. Very difficult to hire for entry level positions in manufacturing. Few desire to work full time and prefer only 2-3 days per week.”

“We have recently implemented a pay progression plan that outlines how employees can earn \$0.25-0.50/hr by increasing their skillsets. The time element for each skillset test is 90 days.”

“Labor and the supply chain are the major problems. Lead-times have doubled in some cases, so if it is supposed to take 3 weeks it is taking 6 weeks.”

“The business we are in has been growing during the pandemic and at the same time between supply chain issues, employees out with COVID and the difficulty finding qualified employees it has been a very difficult process to keep our customers satisfied.”

“Purchasing, costs, supply chain are still massive issues... have basically started raising prices on select items to almost extreme levels to intentionally limit or eliminate demand.”

“We are making capital expenditures to bring in more automated equipment. This will help us to manufacture equipment with less people and also provide us flexibility in our manufacturing operations.”

**Table 1. Summary of Tenth District Manufacturing Conditions, January 2022**

Plant Level Indicators	January vs. December (percent)*					January vs. Year Ago (percent)*					Expected in Six Months (percent)*				
				Diff	SA				Diff					Diff	SA
	Increase	Change	Decrease	Index <sup>^</sup>	Index <sup>^^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Increase	Change	Decrease	Index <sup>^</sup>	Index <sup>^^</sup>	
Composite Index				21	24				50				37	37	
Production	35	45	20	15	20	64	20	15	49	59	31	10	50	44	
Volume of shipments	31	40	29	2	5	58	23	19	38	60	31	9	51	45	
Volume of new orders	39	36	25	14	14	64	22	13	51	46	39	15	31	30	
Backlog of orders	42	42	17	25	27	64	24	12	53	40	50	11	29	33	
Number of employees	27	61	12	16	24	56	30	14	41	60	36	4	56	57	
Average employee workweek	18	66	16	3	8	42	49	9	34	31	64	5	26	30	
Prices received for finished product	51	45	4	47	49	88	11	1	88	74	20	6	68	67	
Prices paid for raw materials	72	23	6	66	64	98	1	1	97	79	14	7	73	73	
Capital expenditures						43	41	17	26	42	45	13	30	28	
New orders for exports	14	82	4	10	6	22	69	9	13	20	75	5	15	17	
Supplier delivery time	50	38	12	38	38	76	11	14	62	52	31	17	35	37	
Inventories: Materials	36	49	15	22	27	62	24	14	49	35	42	23	13	16	
Inventories: Finished goods	25	57	18	8	8	38	40	22	17	27	52	21	7	10	

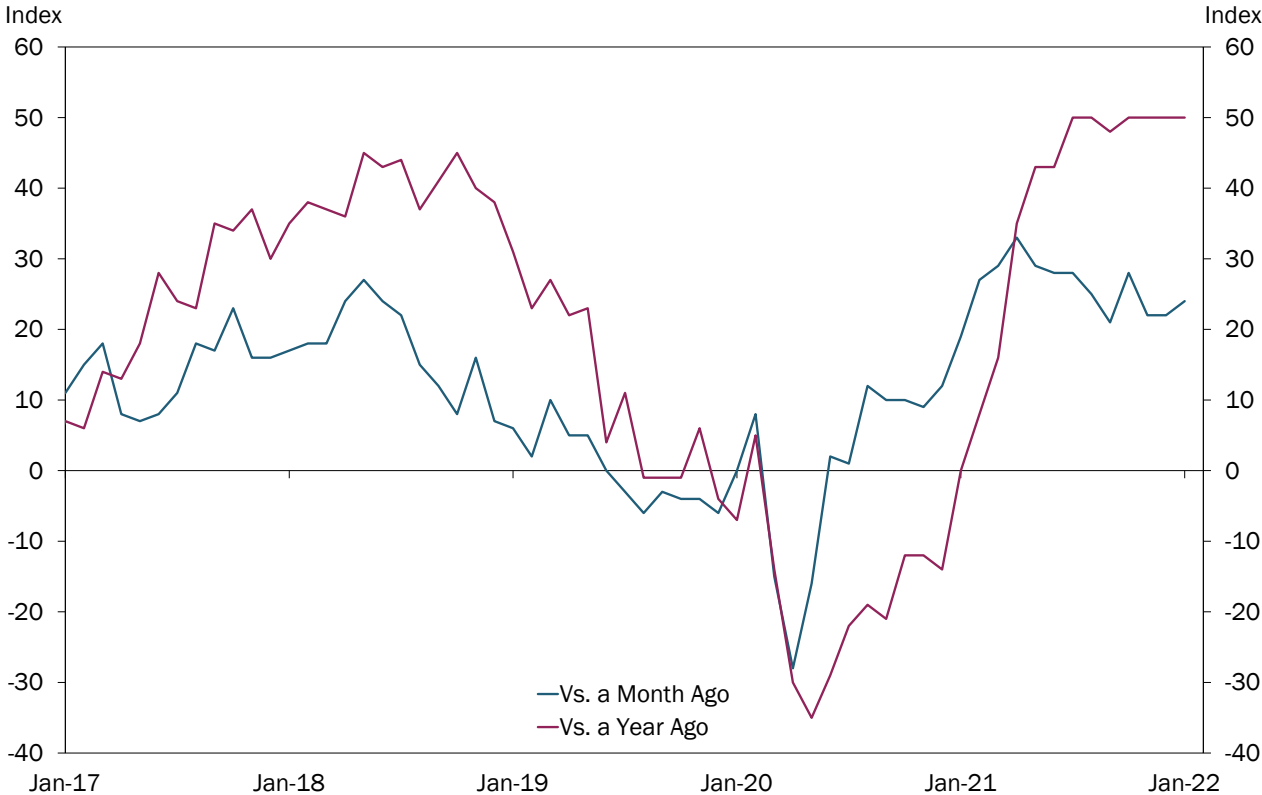
\*Percentage may not add to 100 due to rounding.

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

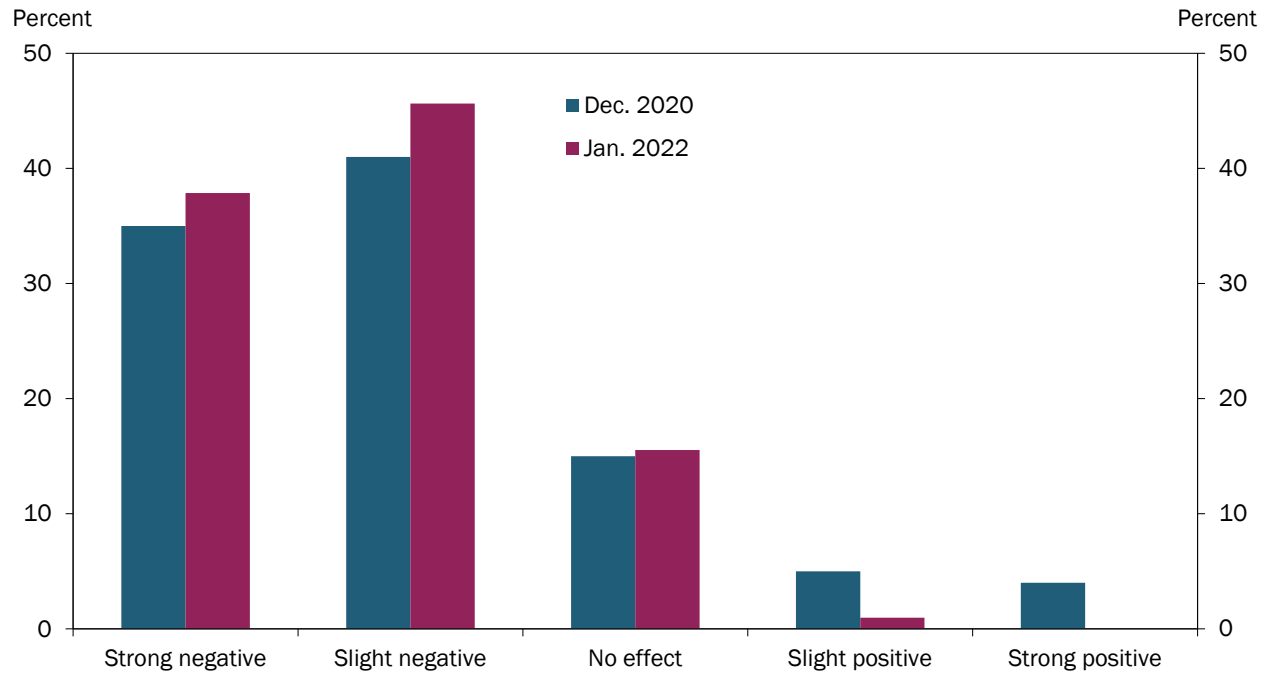
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The January survey was open for a five-day period from January 19-24, 2022 and included 104 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

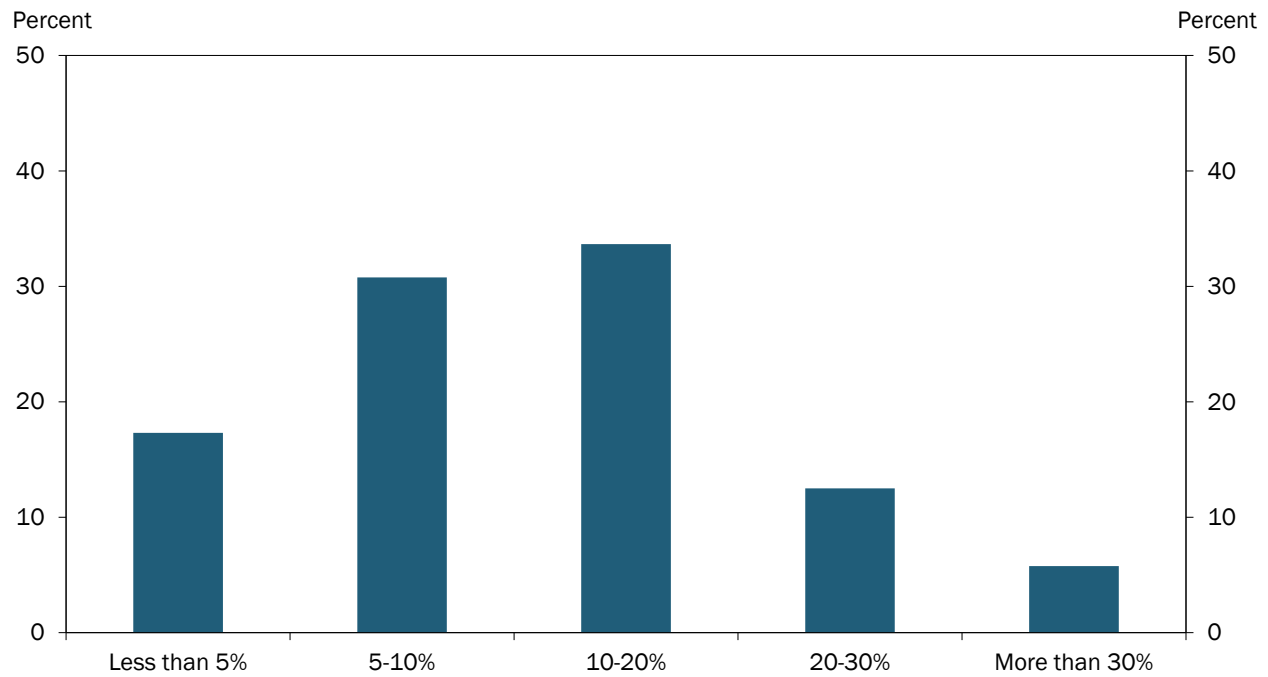
**Chart 1. Manufacturing Composite Indexes**



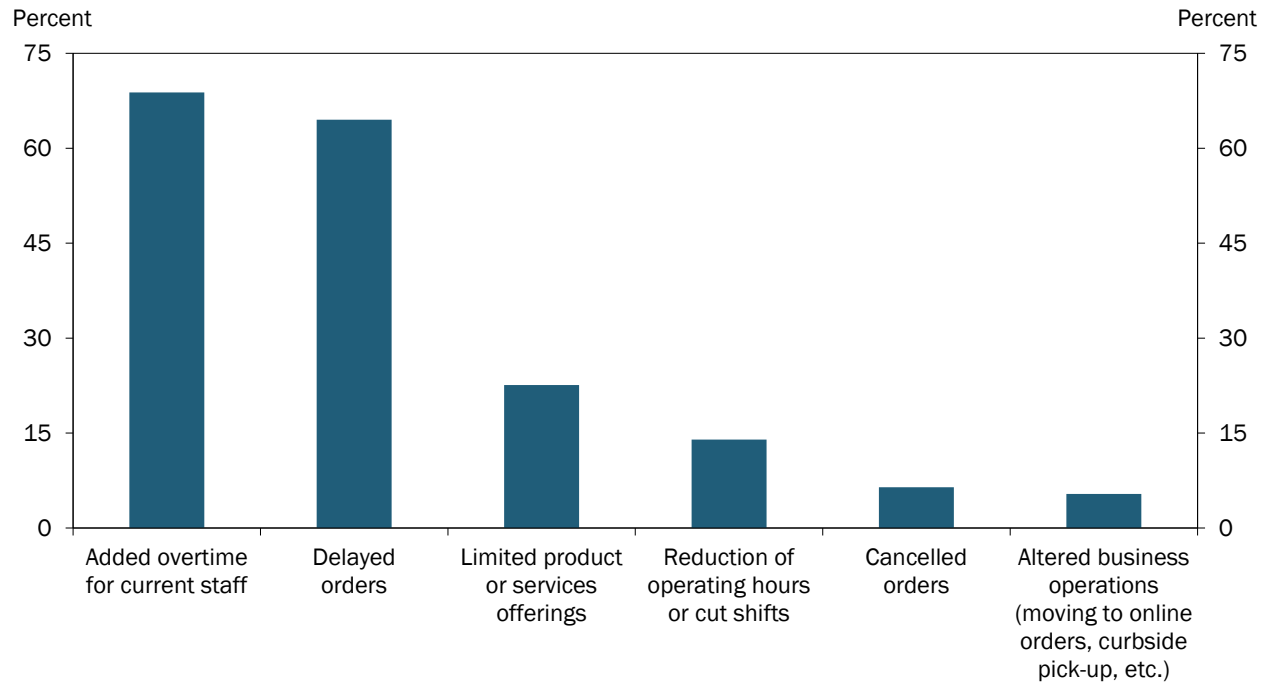
**Chart 2. Special Question: How is the recent wave of COVID cases affecting your firm's business?**



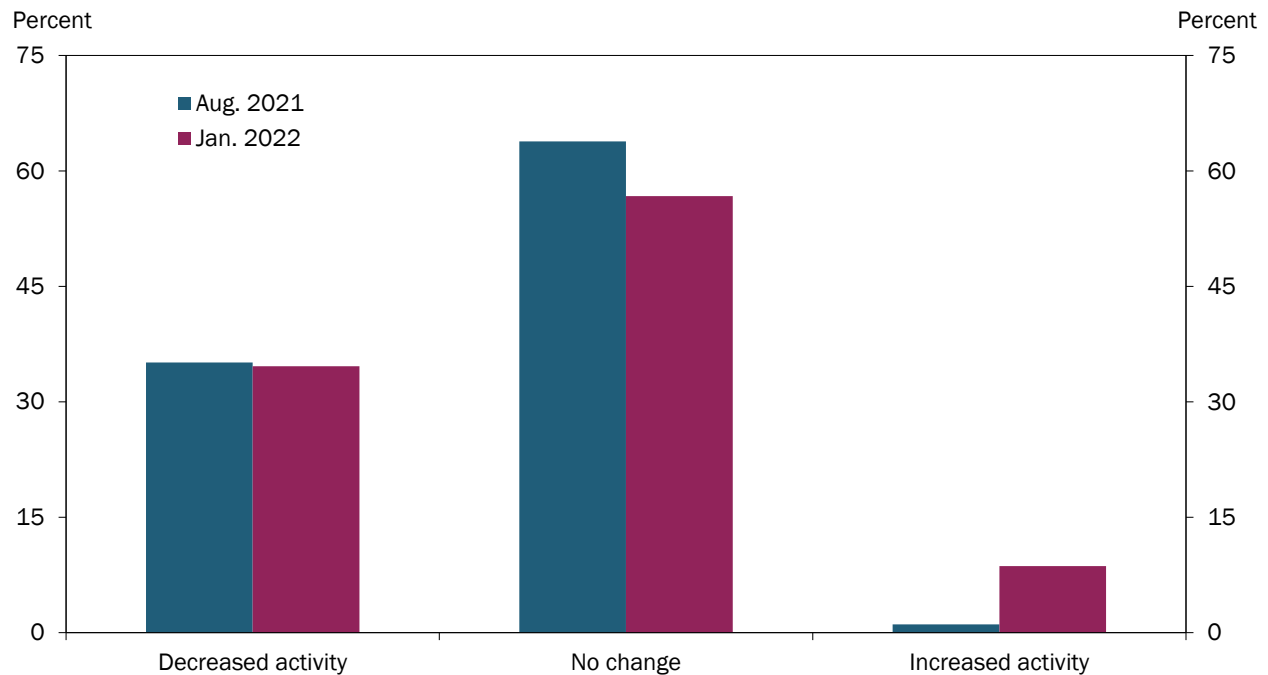
**Chart 3. Special Question: What percentage of your work force has missed work in the month of January due to COVID?**



**Chart 4. Special Question: If your company is facing labor shortages or staffing issues (COVID-related or otherwise), which of the following strategies has your business implemented as a result? (check all that apply)**



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



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

	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	19	27	29	33	29	28	28	25	21	28	22	22	24
Production	23	29	28	41	37	31	35	18	10	19	14	11	20
Volume of shipments	26	20	31	34	33	24	29	19	9	21	7	13	5
Volume of new orders	24	25	44	34	38	23	22	24	4	20	-2	22	14
Backlog of orders	19	29	37	38	31	31	46	26	23	21	10	9	27
Number of employees	16	23	21	30	23	27	25	24	20	32	23	18	24
Average employee workweek	13	17	23	27	24	21	23	14	11	13	9	8	8
Prices received for finished product	21	29	37	45	50	45	49	57	37	45	50	46	49
Prices paid for raw materials	62	65	74	79	88	82	80	80	78	81	77	67	64
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	9	5	9	7	9	15	6	4	4	4	1	6
Supplier delivery time	23	40	38	35	27	39	41	42	41	49	55	44	38
Inventories: Materials	8	17	14	25	22	20	17	18	29	17	20	17	27
Inventories: Finished goods	-3	-4	-4	9	5	2	4	1	1	4	-2	4	8
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	0	8	16	35	43	43	50	50	48	50	50	50	50
Production	-5	4	4	46	61	55	64	64	67	55	49	54	49
Volume of shipments	-8	7	-1	42	59	49	64	55	55	55	46	49	38
Volume of new orders	-3	16	21	47	61	47	66	57	57	64	57	60	51
Backlog of orders	-2	8	15	36	44	52	62	63	59	60	56	48	53
Number of employees	-16	-15	0	24	36	30	35	35	24	41	42	38	41
Average employee workweek	-4	-1	14	36	43	49	54	44	43	39	41	32	34
Prices received for finished product	32	40	48	64	73	77	80	79	83	89	87	88	88
Prices paid for raw materials	71	82	88	92	97	98	100	96	100	99	98	98	97
Capital expenditures	-2	19	5	17	20	31	35	26	34	28	29	43	26
New orders for exports	0	-1	-5	9	21	21	19	17	16	20	17	14	13
Supplier delivery time	32	42	39	28	36	51	42	48	56	63	70	66	62
Inventories: Materials	-8	-6	14	29	20	34	44	44	36	28	29	34	49
Inventories: Finished goods	-28	-30	-18	7	6	13	16	14	14	6	0	12	17
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	25	34	37	38	37	36	33	33	33	32	31	26	37
Production	40	47	50	52	55	46	46	45	54	39	37	33	44
Volume of shipments	37	48	48	55	59	49	43	40	50	36	35	34	45
Volume of new orders	33	41	40	46	43	43	39	31	32	34	36	22	30
Backlog of orders	15	20	27	26	27	24	24	15	20	16	11	11	33
Number of employees	27	34	44	51	48	45	46	42	39	37	41	34	57
Average employee workweek	11	17	26	30	29	28	19	16	21	17	14	13	30
Prices received for finished product	35	42	51	49	60	55	62	54	55	58	53	52	67
Prices paid for raw materials	58	69	77	84	79	74	75	74	76	72	60	65	73
Capital expenditures	12	28	28	34	28	35	32	29	34	32	20	21	28
New orders for exports	11	12	7	12	17	17	20	6	7	10	9	1	17
Supplier delivery time	18	34	27	17	18	25	20	30	27	42	32	31	37
Inventories: Materials	6	13	25	22	21	24	13	17	12	8	9	11	16
Inventories: Finished goods	2	1	9	13	4	10	1	-2	10	6	3	1	10