



# NEWS RELEASE

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**Tenth District Manufacturing Activity Grew at a Record Pace**  
*Federal Reserve Bank of Kansas City Releases March Manufacturing Survey*

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

“Regional factory activity increased at a record pace in March,” said Wilkerson. “However, due to increasing input costs and supply chain disruptions, nearly a quarter of firms noted a significant decrease in profit margins since the beginning of the year, and another 44% reported a slight decrease in profit margins.”

A summary of the survey is attached. 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 reported record high growth and expectations for future activity remained solid (Chart 1, Tables 1 & 2). The monthly index of raw materials prices increased modestly in March and inched down compared to a year ago. Finished goods price indexes saw slight growth from a month ago and were above year-ago levels for most firms. Expectations for future raw materials and finished goods prices increased further.

### **Factory Activity Grew at a Record Pace**

The month-over-month composite index was 37 in March, the highest on record. It is up from 29 in February and 24 in January (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Increased activity was driven by growth in printing and paper, plastics, electrical equipment, furniture and related product manufacturing, and especially transportation equipment. On the other hand, the pace of growth for food and machinery manufacturing declined. Month-over-month indexes remained positive in March, indicating expansion. Indexes for production, shipments, new orders, backlog of orders, and supplier delivery time increased at a faster rate in March. However, the pace of growth for number of employees and new orders for exports moved down. Materials and finished goods inventories expanded upward modestly. Year-over-year factory indexes continued to increase and broke a record high, with a composite index of 57. Production, shipments, and employment indexes increased further from a year ago while growth in materials inventories eased slightly. The future composite index was 41 in March, a slight increase from 38 in February. More firms expected increases in production, shipments, new orders, finished products, and supplier delivery times.

### **Special Questions**

This month contacts were asked special questions on profit margins, changing prices, and the impact of the Russia/Ukraine conflict on their business. In March, 47% of firms reported increasing prices much more often compared to last year, and 32% raised prices somewhat more often (Chart 2). However, 44% of firms reported a slight decrease and 23% reported a significant decrease in profit margins since the beginning of the year (Chart 3). Firms reported that the majority of impacts from the Russia/Ukraine conflict centered around supply chain disruptions and higher input costs.

## Selected Manufacturing Comments

“[Profit] margins were very slim in January. A little better now, but still not where they need to be for sustainability.”

“Sales price increases lag purchased goods by 3 to 9 months, due to the nature of the sales bid-award-issue process.”

“The employee problems everyone is facing have only gotten worse, this has and will continue to be our biggest hurdle for our company and so many others.

“Overall, it feels like demand for our products is plateauing. After months of almost unprecedented demand increases, orders seem to be leveling off - not decreasing, just leveling off. Hopefully we can have a "soft-landing" from these crazy times and not a sharp drop off a cliff...”

“Lumber prices have gone back up after trending down last summer. Truckload freight haulers are in scarce supply and escalating in cost. Entry level laborers are still difficult to attract. Customers are relenting and granting price increases. Their alternative is to not get the needed packaging items, to enable them to ship their products.”

“We expect continue increases in raw materials pricing. Particularly related to freight and oil inputs (i.e., plastic packaging). We will be forced to increase pricing accordingly.”

“We’ve passed on cost increases to our customers and continue to do so. We’re starting to see some customers now motivated to see alternatives, but we have no choice.”

“Effect on us [from the Russia/Ukraine conflict] is energy and freight price increases, freight delays. We have to pass on longer lead times and price increases.”

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

Plant Level Indicators	March vs. February (percent)*				March 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				38	37				57				40	41
Production	53	41	6	48	46	70	23	7	63	62	33	6	56	61
Volume of shipments	54	39	7	47	46	64	26	10	53	63	28	9	53	57
Volume of new orders	46	45	9	37	33	67	23	9	58	52	35	13	40	40
Backlog of orders	46	36	18	28	29	67	26	7	60	42	42	16	26	22
Number of employees	30	56	14	16	18	55	29	16	38	56	35	9	47	46
Average employee workweek	22	71	7	15	14	38	51	10	28	31	64	5	27	25
Prices received for finished product	51	46	3	47	51	87	13	0	87	77	18	5	72	75
Prices paid for raw materials	80	15	5	76	81	98	2	0	98	85	10	5	80	84
Capital expenditures						34	49	17	16	35	55	10	24	29
New orders for exports	11	84	6	5	8	26	65	9	16	25	68	7	18	20
Supplier delivery time	61	33	6	55	55	80	10	9	71	59	32	9	49	48
Inventories: Materials	48	38	14	34	32	66	23	10	56	31	48	21	10	11
Inventories: Finished goods	31	59	11	20	19	44	41	15	28	28	55	16	12	12

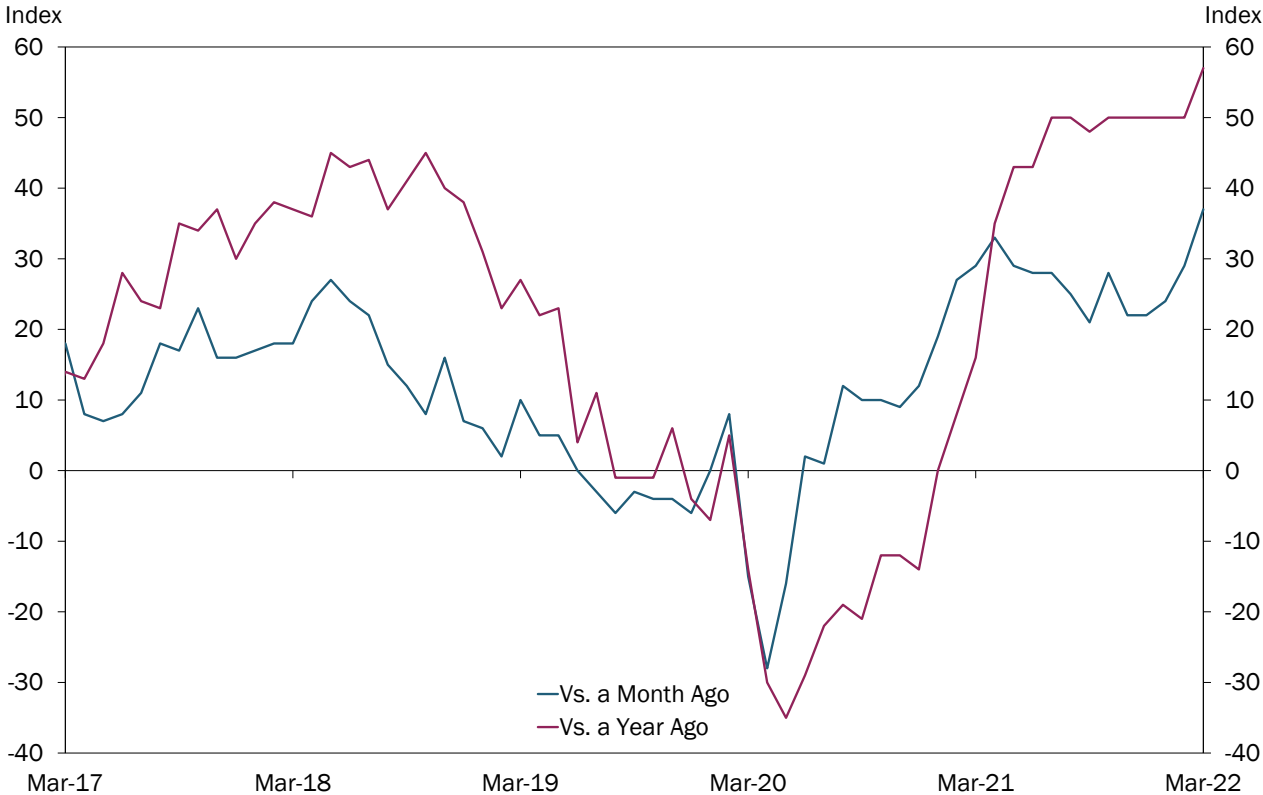
\*Percentage may not add to 100 due to rounding.

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

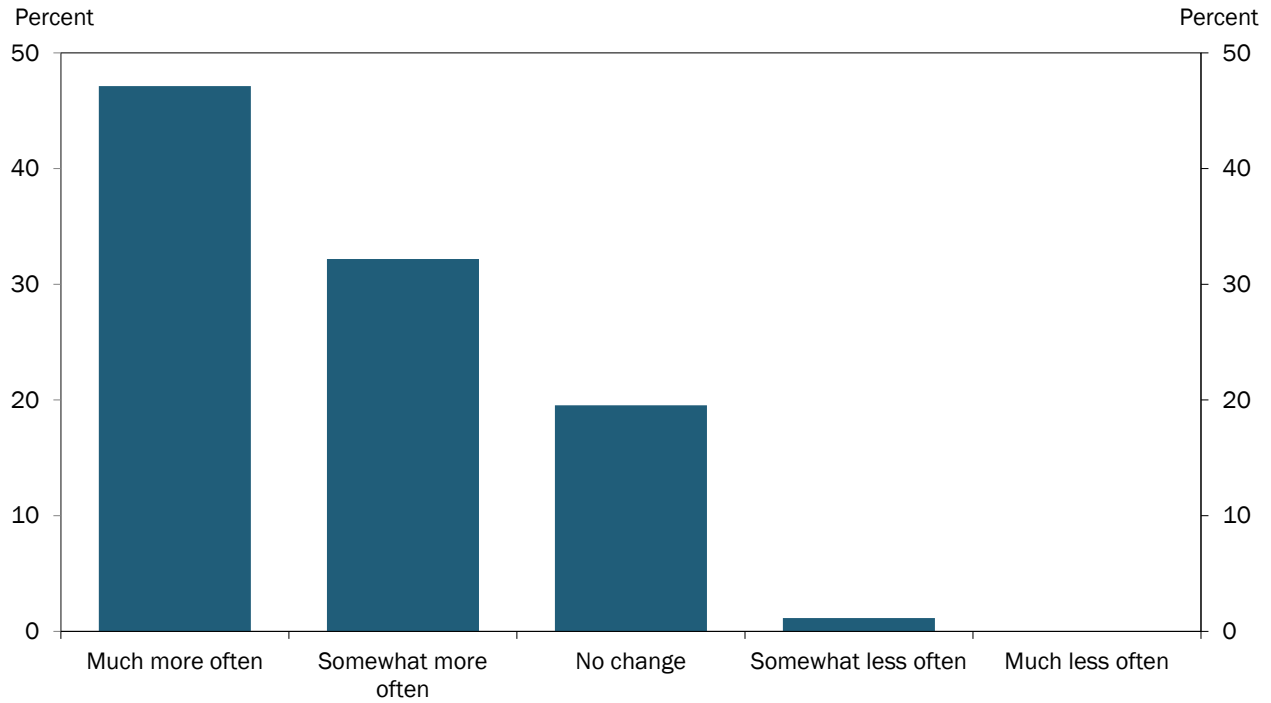
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The March survey was open for a five-day period from March 16-21, 2022 and included 87 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

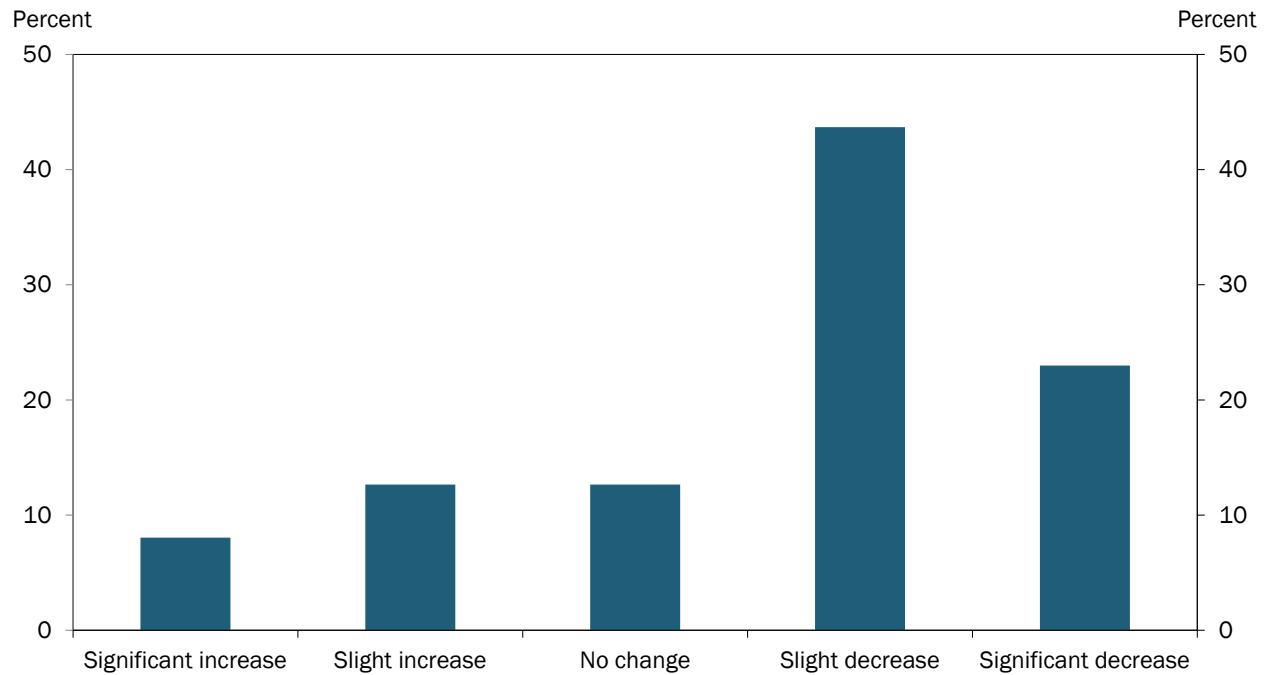
**Chart 1. Manufacturing Composite Indexes**



**Chart 2. Special Question: How much more or less frequently is your firm changing prices compared to last year?**



**Chart 3. Special Question: Given current price pressures, how have profit margins changed for your firm since the beginning of the year?**



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

	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	29	33	29	28	28	25	21	28	22	22	24	29	37
Production	28	41	37	31	35	18	10	19	14	11	20	31	46
Volume of shipments	31	34	33	24	29	19	9	21	7	13	5	24	46
Volume of new orders	44	34	38	23	22	24	4	20	-2	22	14	32	33
Backlog of orders	37	38	31	31	46	26	23	21	10	9	27	22	29
Number of employees	21	30	23	27	25	24	20	32	23	18	24	26	18
Average employee workweek	23	27	24	21	23	14	11	13	9	8	8	24	14
Prices received for finished product	37	45	50	45	49	57	37	45	50	46	49	47	51
Prices paid for raw materials	74	79	88	82	80	80	78	81	77	67	64	64	81
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	5	9	7	9	15	6	4	4	4	1	6	10	8
Supplier delivery time	38	35	27	39	41	42	41	49	55	44	38	36	55
Inventories: Materials	14	25	22	20	17	18	29	17	20	17	27	19	32
Inventories: Finished goods	-4	9	5	2	4	1	1	4	-2	4	8	7	19
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	16	35	43	43	50	50	48	50	50	50	50	50	57
Production	4	46	61	55	64	64	67	55	49	54	49	52	63
Volume of shipments	-1	42	59	49	64	55	55	55	46	49	38	55	53
Volume of new orders	21	47	61	47	66	57	57	64	57	60	51	47	58
Backlog of orders	15	36	44	52	62	63	59	60	56	48	53	54	60
Number of employees	0	24	36	30	35	35	24	41	42	38	41	51	38
Average employee workweek	14	36	43	49	54	44	43	39	41	32	34	32	28
Prices received for finished product	48	64	73	77	80	79	83	89	87	88	88	86	87
Prices paid for raw materials	88	92	97	98	100	96	100	99	98	98	97	99	98
Capital expenditures	5	17	20	31	35	26	34	28	29	43	26	29	16
New orders for exports	-5	9	21	21	19	17	16	20	17	14	13	10	16
Supplier delivery time	39	28	36	51	42	48	56	63	70	66	62	63	71
Inventories: Materials	14	29	20	34	44	44	36	28	29	34	49	38	56
Inventories: Finished goods	-18	7	6	13	16	14	14	6	0	12	17	18	28
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	37	38	37	36	33	33	33	32	31	26	37	38	41
Production	50	52	55	46	46	45	54	39	37	33	44	57	61
Volume of shipments	48	55	59	49	43	40	50	36	35	34	45	55	57
Volume of new orders	40	46	43	43	39	31	32	34	36	22	30	36	40
Backlog of orders	27	26	27	24	24	15	20	16	11	11	33	29	22
Number of employees	44	51	48	45	46	42	39	37	41	34	57	52	46
Average employee workweek	26	30	29	28	19	16	21	17	14	13	30	26	25
Prices received for finished product	51	49	60	55	62	54	55	58	53	52	67	70	75
Prices paid for raw materials	77	84	79	74	75	74	76	72	60	65	73	85	84
Capital expenditures	28	34	28	35	32	29	34	32	20	21	28	35	29
New orders for exports	7	12	17	17	20	6	7	10	9	1	17	14	20
Supplier delivery time	27	17	18	25	20	30	27	42	32	31	37	30	48
Inventories: Materials	25	22	21	24	13	17	12	8	9	11	16	14	11
Inventories: Finished goods	9	13	4	10	1	-2	10	6	3	1	10	19	12