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Growth in Tenth District Manufacturing Activity Slowed Further
Federal Reserve Bank of Kansas City Releases June Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the June Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing activity slowed further but remained positive and expectations for future activity also moderated slightly.

“The pace of regional factory growth slowed further but was still expansionary,” said Wilkerson. “Over 85 percent of firms reported delays in shipping and product availability as continued negative impacts on their business activity, with around half of firms not expecting any improvements in the next six months.”

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.

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TENTH DISTRICT MANUFACTURING SUMMARY

Growth in Tenth District manufacturing activity slowed further but remained positive. Expectations for future activity also moderated slightly but were still at solid levels overall (Chart 1, Tables 1 & 2). Raw materials price indexes eased slightly from last month and compared with last year. Finished goods price indexes increased slightly from a month ago but eased slightly compared with year ago levels. Expectations for future prices remained high, but slightly below previous levels.

Factory Activity Pace of Growth Slowed Further

The month-over-month composite index was 12 in June, down from 23 in May and 25 in April (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slower pace of factory growth was driven by decreased activity at durable goods plants in June, especially electrical equipment, transportation equipment, and furniture related product manufacturing. Month-over-month indexes eased in June, with some indexes moving into negative territory. Indexes for production, shipments, new orders, and order backlog declined, while inventory indexes increased slightly. Year-over-year factory indexes decreased modestly, with a composite index of 35. The supplier delivery time index eased compared to a year ago, along with the materials inventory and employment indexes. The future composite index was 10 in June, down from 31 in May. Indexes for future production, shipments, new orders, and capital spending continued to moderate but remained positive.

Special Questions

This month contacts were asked special questions on supply chain disruptions/shortages, the ability to pass through costs, and future expectations. In June, firms reported the top three supply chain disruptions affecting their business were delays in shipping, lack of availability, and warehousing and storage. About 60% of firms expected supply chain disruptions and shortages to remain unchanged or worsen in the next 6 months (Chart 2). Over 55% of firms reported their ability to pass through costs has increased slightly or significantly since the beginning of the year (Chart 3). However, 33% of firms expected no change in the next 6 months and 43% expected a slight or significant increase in pass through ability.

Selected Manufacturing Comments

“Expecting a big decrease in sales the last half of the year. Appears our customers over ordered and have excess supply in the near term.”

“Part shortages continue to reduce our production output. Input inventory is at an all-time high - we've got a lot invested in inventory, but all it takes is one missing part to stop vehicle production.”

“Lack of availability and shipping problems is most evident currently in manufacturing supplies and equipment replacement parts. Energy costs are increasing significantly, as is the cost of labor and benefits.”

“Interested to see the impact 75 basis point increase has on things. Energy/fuel issue has to be addressed. Very concerned about where we are going to be in six months across a number of fronts - hot summer, drought, potentially bad crops, electric grid, food shortages in parts of the world - all kinds of bad stuff potentially adding up.”

“Inflation may be 8-10% but manufacturing costs for material have jumped significantly more than this the past year.”

“Lots of pressure to maintain reasonable margins due to increased material costs and wage increases. Sales is passing on price increases to our customers to recoup those increased costs.”

Table 1. Summary of Tenth District Manufacturing Conditions, June 2022

| | June vs. May (percent)* | | | | | June vs. Year Ago (percent)* | | | | | Expected in Six Months (percent)* | | | | |
|--------------------------------------|----------------------------|--------------|----------|----------------------------|---------------------------|---------------------------------|--------------|----------|----------------------------|---------------------------|--------------------------------------|--------------|----------|----------------------------|---------------------------|
| | Increase | No Change | Decrease | Diff Index [^] | SA Index ^{^^} | Increase | No Change | Decrease | Diff Index [^] | SA Index ^{^^} | Increase | No Change | Decrease | Diff Index [^] | SA Index ^{^^} |
| Plant Level Indicators | | | | | | | | | | | | | | | |
| Composite Index | | | | 14 | 12 | | | | 35 | | | | | 8 | 10 |
| Production | 26 | 52 | 23 | 3 | -1 | 52 | 22 | 27 | 25 | 34 | 42 | 24 | 10 | 13 | |
| Volume of shipments | 25 | 48 | 27 | -2 | -3 | 55 | 20 | 26 | 29 | 37 | 37 | 26 | 11 | 13 | |
| Volume of new orders | 22 | 48 | 30 | -8 | -8 | 53 | 25 | 23 | 30 | 39 | 30 | 31 | 8 | 10 | |
| Backlog of orders | 26 | 43 | 31 | -5 | -4 | 45 | 30 | 25 | 20 | 30 | 37 | 33 | -3 | -3 | |
| Number of employees | 34 | 56 | 10 | 24 | 18 | 56 | 28 | 16 | 39 | 39 | 45 | 15 | 24 | 26 | |
| Average employee workweek | 19 | 74 | 7 | 11 | 9 | 33 | 56 | 11 | 22 | 19 | 69 | 12 | 6 | 7 | |
| Prices received for finished product | 55 | 41 | 4 | 51 | 51 | 90 | 7 | 3 | 87 | 72 | 21 | 7 | 65 | 67 | |
| Prices paid for raw materials | 75 | 18 | 7 | 68 | 71 | 95 | 3 | 2 | 93 | 72 | 17 | 11 | 60 | 66 | |
| Capital expenditures | | | | | | 38 | 44 | 18 | 21 | 28 | 57 | 15 | 12 | 14 | |
| New orders for exports | 9 | 85 | 7 | 2 | 4 | 20 | 71 | 10 | 10 | 18 | 74 | 8 | 11 | 12 | |
| Supplier delivery time | 39 | 45 | 15 | 24 | 25 | 65 | 14 | 21 | 44 | 35 | 35 | 30 | 5 | 9 | |
| Inventories: Materials | 42 | 42 | 15 | 27 | 23 | 60 | 19 | 22 | 38 | 27 | 38 | 35 | -8 | -8 | |
| Inventories: Finished goods | 31 | 50 | 19 | 13 | 9 | 41 | 38 | 22 | 19 | 25 | 45 | 29 | -4 | -4 | |

*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 June survey was open for a six-day period from June 15-21, 2022 and included 97 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 does your firm expect supply chain disruptions and shortages to change in the next 6 months?

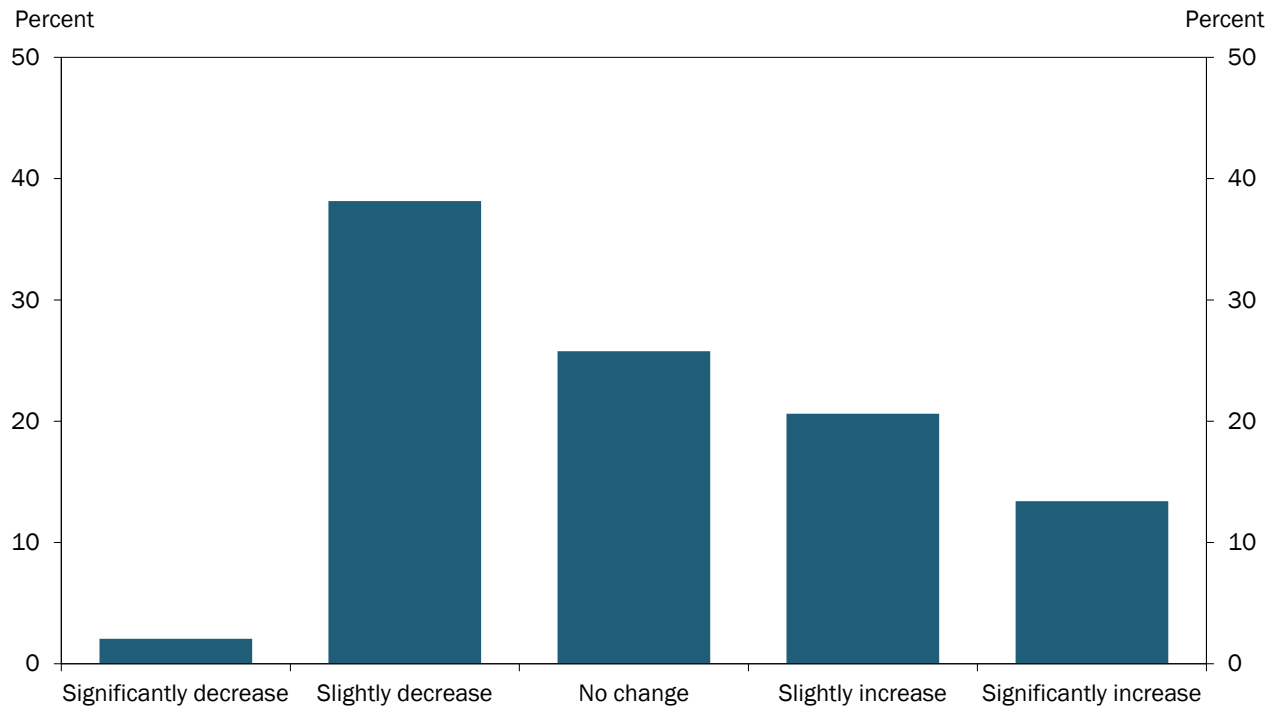


Chart 3. Special Question: How has your ability to pass through costs changed since the beginning of the year?

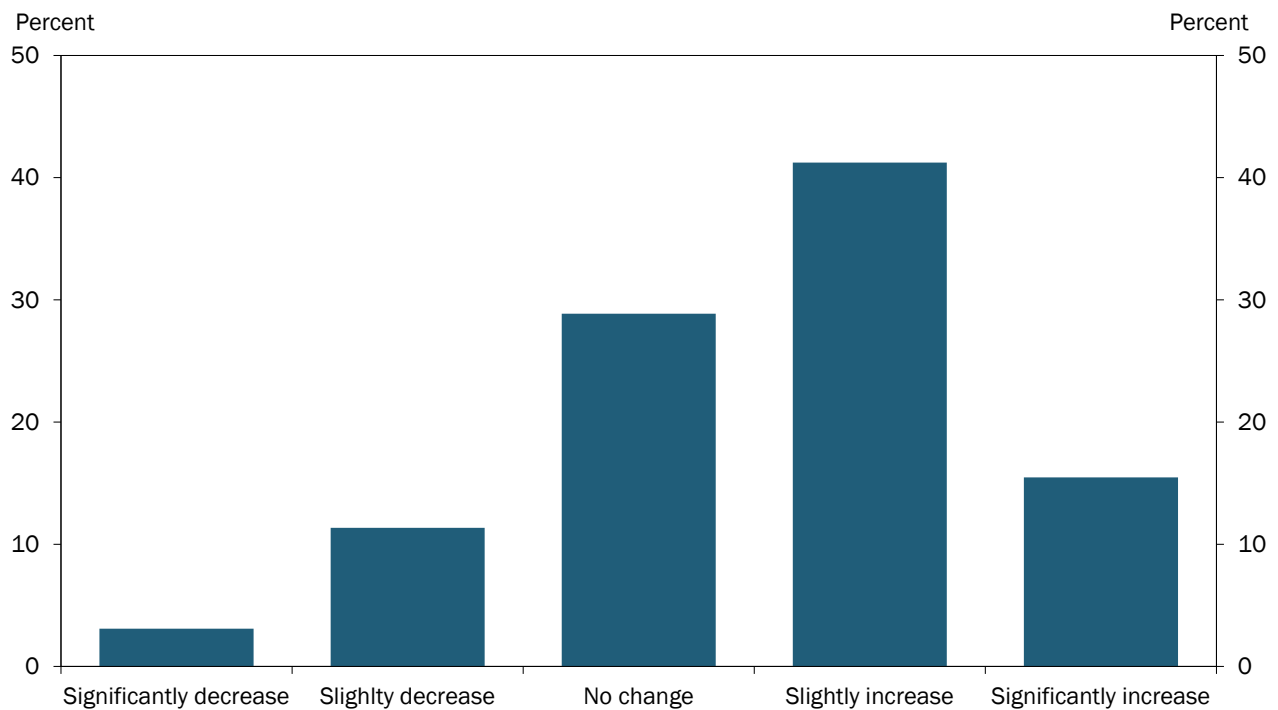


Table 2
Historical Manufacturing Survey Indexes

| | Jun'21 | Jul'21 | Aug'21 | Sep'21 | Oct'21 | Nov'21 | Dec'21 | Jan'22 | Feb'22 | Mar'22 | Apr'22 | May'22 | Jun'22 |
|--------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Versus a Month Ago (seasonally adjusted) | | | | | | | | | | | | | |
| Composite Index | 28 | 28 | 25 | 21 | 28 | 22 | 22 | 24 | 29 | 37 | 25 | 23 | 12 |
| Production | 31 | 35 | 18 | 10 | 19 | 14 | 11 | 20 | 31 | 46 | 28 | 19 | -1 |
| Volume of shipments | 24 | 29 | 19 | 9 | 21 | 7 | 13 | 5 | 24 | 46 | 27 | 17 | -3 |
| Volume of new orders | 23 | 22 | 24 | 4 | 20 | -2 | 22 | 14 | 32 | 33 | 10 | 15 | -8 |
| Backlog of orders | 31 | 46 | 26 | 23 | 21 | 10 | 9 | 27 | 22 | 29 | 9 | 20 | -4 |
| Number of employees | 27 | 25 | 24 | 20 | 32 | 23 | 18 | 24 | 26 | 18 | 19 | 34 | 18 |
| Average employee workweek | 21 | 23 | 14 | 11 | 13 | 9 | 8 | 8 | 24 | 14 | 10 | 13 | 9 |
| Prices received for finished product | 45 | 49 | 57 | 37 | 45 | 50 | 46 | 49 | 47 | 51 | 57 | 42 | 51 |
| Prices paid for raw materials | 82 | 80 | 80 | 78 | 81 | 77 | 67 | 64 | 64 | 81 | 83 | 72 | 71 |
| 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 | 9 | 15 | 6 | 4 | 4 | 4 | 1 | 6 | 10 | 8 | 4 | 8 | 4 |
| Supplier delivery time | 39 | 41 | 42 | 41 | 49 | 55 | 44 | 38 | 36 | 55 | 42 | 29 | 25 |
| Inventories: Materials | 20 | 17 | 18 | 29 | 17 | 20 | 17 | 27 | 19 | 32 | 26 | 19 | 23 |
| Inventories: Finished goods | 2 | 4 | 1 | 1 | 4 | -2 | 4 | 8 | 7 | 19 | 5 | 1 | 9 |
| Versus a Year Ago (not seasonally adjusted) | | | | | | | | | | | | | |
| Composite Index | 43 | 50 | 50 | 48 | 50 | 50 | 50 | 50 | 50 | 57 | 54 | 54 | 35 |
| Production | 55 | 64 | 64 | 67 | 55 | 49 | 54 | 49 | 52 | 63 | 63 | 52 | 25 |
| Volume of shipments | 49 | 64 | 55 | 55 | 55 | 46 | 49 | 38 | 55 | 53 | 65 | 51 | 29 |
| Volume of new orders | 47 | 66 | 57 | 57 | 64 | 57 | 60 | 51 | 47 | 58 | 53 | 53 | 30 |
| Backlog of orders | 52 | 62 | 63 | 59 | 60 | 56 | 48 | 53 | 54 | 60 | 52 | 44 | 20 |
| Number of employees | 30 | 35 | 35 | 24 | 41 | 42 | 38 | 41 | 51 | 38 | 48 | 44 | 39 |
| Average employee workweek | 49 | 54 | 44 | 43 | 39 | 41 | 32 | 34 | 32 | 28 | 23 | 19 | 22 |
| Prices received for finished product | 77 | 80 | 79 | 83 | 89 | 87 | 88 | 88 | 86 | 87 | 92 | 90 | 87 |
| Prices paid for raw materials | 98 | 100 | 96 | 100 | 99 | 98 | 98 | 97 | 99 | 98 | 98 | 95 | 93 |
| Capital expenditures | 31 | 35 | 26 | 34 | 28 | 29 | 43 | 26 | 29 | 16 | 28 | 30 | 21 |
| New orders for exports | 21 | 19 | 17 | 16 | 20 | 17 | 14 | 13 | 10 | 16 | 12 | 9 | 10 |
| Supplier delivery time | 51 | 42 | 48 | 56 | 63 | 70 | 66 | 62 | 63 | 71 | 57 | 67 | 44 |
| Inventories: Materials | 34 | 44 | 44 | 36 | 28 | 29 | 34 | 49 | 38 | 56 | 52 | 53 | 38 |
| Inventories: Finished goods | 13 | 16 | 14 | 14 | 6 | 0 | 12 | 17 | 18 | 28 | 21 | 28 | 19 |
| Expected in Six Months (seasonally adjusted) | | | | | | | | | | | | | |
| Composite Index | 36 | 33 | 33 | 33 | 32 | 31 | 26 | 37 | 38 | 41 | 34 | 31 | 10 |
| Production | 46 | 46 | 45 | 54 | 39 | 37 | 33 | 44 | 57 | 61 | 49 | 39 | 13 |
| Volume of shipments | 49 | 43 | 40 | 50 | 36 | 35 | 34 | 45 | 55 | 57 | 51 | 32 | 13 |
| Volume of new orders | 43 | 39 | 31 | 32 | 34 | 36 | 22 | 30 | 36 | 40 | 31 | 28 | 10 |
| Backlog of orders | 24 | 24 | 15 | 20 | 16 | 11 | 11 | 33 | 29 | 22 | 11 | 18 | -3 |
| Number of employees | 45 | 46 | 42 | 39 | 37 | 41 | 34 | 57 | 52 | 46 | 41 | 40 | 26 |
| Average employee workweek | 28 | 19 | 16 | 21 | 17 | 14 | 13 | 30 | 26 | 25 | 19 | 22 | 7 |
| Prices received for finished product | 55 | 62 | 54 | 55 | 58 | 53 | 52 | 67 | 70 | 75 | 74 | 68 | 67 |
| Prices paid for raw materials | 74 | 75 | 74 | 76 | 72 | 60 | 65 | 73 | 85 | 84 | 79 | 69 | 66 |
| Capital expenditures | 35 | 32 | 29 | 34 | 32 | 20 | 21 | 28 | 35 | 29 | 29 | 24 | 14 |
| New orders for exports | 17 | 20 | 6 | 7 | 10 | 9 | 1 | 17 | 14 | 20 | 10 | 13 | 12 |
| Supplier delivery time | 25 | 20 | 30 | 27 | 42 | 32 | 31 | 37 | 30 | 48 | 29 | 39 | 9 |
| Inventories: Materials | 24 | 13 | 17 | 12 | 8 | 9 | 11 | 16 | 14 | 11 | 17 | 8 | -8 |
| Inventories: Finished goods | 10 | 1 | -2 | 10 | 6 | 3 | 1 | 10 | 19 | 12 | 10 | 7 | -4 |