



Tenth District Manufacturing Activity Grew Solidly in March 2021

by: Chad Wilkerson

March 25, 2021

Tenth District manufacturing activity grew solidly compared to a month ago and a year ago with positive expectations for future activity.

Factory Activity Grew Solidly

The month-over-month composite index was 26 in March, higher than 24 in February and 17 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. The growth in district manufacturing activity was driven more by durable goods plants for primary metals, machinery, transportation equipment, furniture, and miscellaneous manufacturing. Month-over-month indexes for shipments, new orders, and order backlog expanded at a faster pace in March and supplier delivery time was very high as well. Growth in production and employment remained positive, but slightly slower than in recent months. Materials inventories were positive while finished goods inventories dipped further from a month ago. Year-over-year factory indexes rose in March, and business conditions are now comparable to levels at the start of the pandemic last year. The year-over-year composite index increased from 8 to 16, but new orders for exports and finished goods inventories continued to lag year-ago levels. The future composite index expanded slightly from 34 to 35 with an uptick in employment expectations.

Special Questions

This month contacts were asked special questions about materials price increases and the impact of the vaccination rollout on business conditions. While 8% of firms said they can fully pass price increases through to customers, 49% of firms recorded that they could pass through a majority of price increases (Chart 2). Another 32% of firms reported the ability to pass through only a minority of price increases through to the customer, and 11% percent were unable to pass through price increases at all. Regarding the pandemic, 42% of firms said the current pace of vaccinations and trajectory of the pandemic had not changed their business plans. On the other hand, a quarter of firms said the state of COVID-19 cases and vaccinations caused them to relax COVID cautionary measures in the workplace and increase business travel (Chart 3). 21% of firms also reported an increase in demand for products and 17% were hiring more workers as a result. Another 12% of contacts indicated they are considering bringing employees back to the office sooner than expected due to the drop in COVID-19 cases and vaccination progress and 9% of firms already brought employees back.

Selected Manufacturing Comments

“We continue to see record orders. We had to buy from outside U.S. for the first time in 20 years. Prices of steel are also a problem, but we have been able to pass much of that on.”

“We are seeing significant changes in commodity costs. We have announced a price increase intended to address these cost increases for later this year. This will be our second price increase in 2021. We believe that inflationary pressures are building and will continue to do so as the year progresses.”

“The rising costs of raw materials, namely steels, aluminum, bronze, as well as, corrugated packaging and labor is happening quicker than we can react, forcing us to eat the additional costs.”

“Global logistics and lower manufacturing capacity limitations due to COVID are preventing our business from meeting customer demand and lowering sales/profits.”

“We will not increase on-site staff or business travel until more people get vaccinated. We’re expecting to see that by late summer.”

“The pace of vaccinations and the weather issues in Texas have tempered our ability to push forward with growth in our business. Plastics and other petrochemical derived raw materials are experiencing some drastic shortages and significant price increases.”

“Production was hurt in February due to the extreme weather in parts of the country. Trucks were not moving, we could not get materials when they were needed, and could not get finished materials shipped to our customers. It has improved but still remains a problem.”

“We are always looking for production employees. We can’t find enough.”

“Having a very difficult time getting applicants (even bad ones) for open positions. The extra Federal unemployment payments are keeping people home and out of the work force.”

“The individual stimulus payments are the equivalent of nearly 80 hours of work for a majority of our hourly positions so we have an increased number of call-ins and no shows. The extension of unemployment benefits has made it difficult to hire unemployed individuals.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[Historical Quarterly Data](#)

[About Manufacturing Survey](#)

Author



Chad Wilkerson

Senior Vice President and Oklahoma City Branch Executive

Chad Wilkerson serves as Oklahoma City Branch Executive and Senior Vice President of Community Development for the Federal Reserve Bank of Kansas City. Wilkerson has been with the Federal Reserve since 1998, starting in Kansas City's research department. Appointed in 2006 as Oklahoma City Branch Executive, Wilkerson is the Bank's lead officer and regional economist in Oklahoma. He recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing the Kansas City Fed president, a member of the Federal Open Market Committee, on economic trends in the state. His team conducts research and surveys on key regional issues such as energy, manufacturing and migration. Wilkerson was appointed Senior Vice President in 2022, and supports a Community Development team located across the Kansas City Fed's seven-state region. This group works to understand and address issues affecting the ability of underserved communities and small businesses to access credit. Community development focus areas include financial resiliency, affordable housing, community investments, workforce development, rural development and digital inclusion. Wilkerson holds a master's degree in public policy from the University of Chicago, as well as a master's degree from Southwestern Seminary and bachelor's degree from William Jewell College. He serves on the boards of the Economic Club of Oklahoma, the United Way of Central Oklahoma and City Rescue Mission. He lives in Edmond, Oklahoma, with his wife and children.