Manufacturing Survey

Tenth District Manufacturing Activity Expanded Further in April 2021

by:

April 22, 2021

Tenth District manufacturing activity expanded further with the highest monthly composite reading in survey history, and expectations for future activity increased considerably.

Factory Activity Expanded Further

Tenth District manufacturing activity expanded further with the highest monthly composite reading in survey history, and expectations for future activity increased considerably (Chart 1, Tables 1 & 2). The index of prices paid for raw materials compared to a month ago also reached the highest level in survey history. In addition, finished goods prices expanded more from a month ago and a year ago. Materials price expectations for district firms over the next six months continued to rise, and many firms also expect higher finished goods prices.

The month-over-month composite index was 31 in April, an increase from 26 in March and 24 in February. (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 continued to be driven by higher activity levels at durable goods plants, especially for primary and fabricated metals, and transportation equipment manufacturing. Month-over-month indexes for production and employment reached record high levels in April. Shipments, employee workweek, order backlog, and new orders for exports expanded at a faster pace in April. New orders and supplier delivery time indexes remained very positive. Materials inventories rose significantly and finished goods inventories jumped back into positive territory for the first time since February 2020. Year-over-year factory indexes increased considerably in April, now comparable to the depths of the pandemic shutdown last year. The year-over-year composite index surged from 16 to 35, with all positive indexes indicating growth from this time last year. The future composite index was very high at 34, similar to previous months but with an uptick in expectations for new orders and employment.

Special Questions

This month contacts were asked special questions about how business indicators compare to pre-pandemic levels and about the greatest risks to their firm for the coming year. Around 70% of firms indicated selling prices are higher compared to pre-pandemic levels, mostly due to increasing materials prices (Chart 2). Half of firms reported higher new orders compared to before the pandemic while 36% reported fewer new orders. The distribution of firms reporting higher or lower employment levels was relatively even and varied by industry. For the biggest risks affecting business plans over the next year, 60% of firms indicated the lack of qualified workers and supply chain issues are two of the biggest risks (Chart 3). Additionally, 28% of firms recorded the inability to pass through price increases as a primary risk, and 23% of firms noted the low demand for products/services as a risk to business plans over the next year.

Selected Manufacturing Comments

"It is very difficult to handle the increased business with supply chain issues across all materials and finding anyone who wants to work. The federal government has incentivized people to stay home and not be productive."

"Stimulus and increased unemployment money are wrecking the labor pool. Lower level employees are quitting to make just as much not working."

"Unemployed workers have no incentive to return to work given the COVID bonus payments."

"Entry level pay will need to be increased. This will create pressure on all other positions."

"We believe the shortage of workers is not an impact from the 2nd stimulus as much as a systematic problem of the gig economy and simply not enough workers for unskilled and critical skill positions. We are focused on retention."

"We are facing significant supply chain problems due to COVID-19 issues, tariff issues, and the weather problems in Texas earlier his year."

"Steel market needs to become stable. Steel producers recording record profits, while downstream suffers margin erosion."

"Largest raw material provider is refusing to deliver previously accepted purchased orders at accepted prices - demanding 18% price increase to fill previously accepted orders of flat rolled USA stainless steel."

"We could greatly grow our business if it were not for steel and labor issues. We could get more orders and employ more people. Supply chains are a mess and we cannot get people to apply. We pay upwards of $20 or more per hour with full benefits."

“Liquidity is the BIGGEST issue. Ramp up of production is stressing cash more than usual since we depleted cash during the downturn more than what would have been typical.”

“The labor shortage is driving up the price of most proteins in food manufacturing.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
