



Manufacturing Survey

Tenth District Manufacturing Activity Continued to Expand at Strong Pace in May 2021

by:

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Factory Activity Continued to Expand at a Strong Pace

Tenth District manufacturing activity continued to expand at a strong pace, and expectations for future activity remained solid (Chart 1, Tables 1 & 2). The index of prices paid for raw materials compared to a month ago posted a new survey record high for the second straight month, and prices received for finished goods also surpassed historical levels. Price indexes vs. a year ago also posted record highs, with 98% of firms reporting higher materials prices compared to a year ago. Moving forward, district firms expected materials prices and finished goods prices to continue to increase over the next six months.

The month-over-month composite index was 26 in May, modestly lower than 31 in April, but even with the composite index of 26 from March (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 higher by increased activity at durable goods plants, especially for primary and fabricated metals, machinery, furniture, and transportation equipment manufacturing. The month-over-month index for new orders expanded at a faster pace in May. Other month-over-month indexes remained highly positive, indicating expansion, but slowed slightly from record levels in April. Inventories for materials and finished goods also remained positive. Year-over-year factory indexes rose further in May, and the year-over-year composite index climbed from 35 to 43. The future composite index remained solid at 33, similar to previous months but with an increase in expectations for production, shipments, and new orders.

Chart 1. Manufacturing Composite Indexes

Special Questions

This month contacts were asked special questions about the impacts of rising material prices and lack of availability/delivery time in addition to questions about firms' expectations for wages. Around 84% of firms indicated rising material prices and delivery time delays have negatively affected their firm (Chart 2). When asked how long firms expected rising materials prices and lack of availability/delivery time to persist, 27% reported 3-6 months, 52% reported 6-12 months, and 17% indicated more than a year. Less than 5% of firms anticipated these issues would be resolved within the next 3 months. Regarding wages for the remainder of 2021, 10% of firms indicated they expected to raise wages up to 2%, over a third of firms expected to raise wages 2-4%, and 20% of firms expected to raise wages 4-6% (Chart 3). Around 13% of firms expected wage increases of 6% or more, and 10% of firms planned to hold wages steady. Over 84% of firms indicated hiring plans have been restrained because they "cannot find workers with required skills."

Selected Manufacturing Comments

"Pricing of raw materials is up more than 20% with no sign of slowing."

"Material and part supply shortages are our current impediment to increasing revenue. If materials and parts were available, we are still over 200 people short to fulfill our back orders. Workforce is and will be manufacturing's largest hurdle to growth in the U.S."

"We are feverishly working to pass on increased prices to reflect rising material prices. Inflation is going to be a big factor this year and beyond."

"We are having a really difficult time hiring and keeping quality staff at any wage rate. Everywhere you see help wanted signs, the jobs are getting unfilled, exacerbating price increases and shortages."

"It is more difficult to find people, so we are having to hire at higher wages."

"We are having to raise starting wages to attract new workers, which causes us to raise the wages of our entire workforce."

"The number of applicants has deteriorated through conventional sourcing."

"We are getting daily price increases from vendors everywhere from 4% to 30%."

"We are turning away a large number of orders due to material availability."

“Significant cost increases in every commodity and service we utilize. Increased lead times and prices of electronic parts and circuit boards has crippled several of our product lines.”

“The steel industry has suffered from 3x cost increase and lack of supply over the last 9 months. Our financial condition and strategic relationships have allowed us to be affected less than others in our industry.”

“We do not believe the supply chain conditions are going away any time soon. Problems are going to persist into 2022.”

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