



## Manufacturing Survey

# Tenth District Manufacturing Activity Remained Strong in June 2021

June 24, 2021

Tenth District manufacturing activity remained strong, and expectations for future activity increased to a survey record high.

---

### Factory Activity Remained Strong

Tenth District manufacturing activity remained strong, and expectations for future activity increased to a survey record high (Chart 1, Tables 1 & 2). The index of prices paid for raw materials and prices received for finished goods compared with a month ago remained very high. Price indexes vs. a year ago posted record highs again in June. 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 27 in June, similar to 26 in May, and slightly below 31 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 growth in district manufacturing activity continued to be driven by durable goods plants, in particular primary and fabricated metals, machinery, computer and electronic products, furniture, and transportation equipment manufacturing. The month-over-month indexes for order backlog and employees grew modestly, and supplier delivery time increased. On the other hand, month-over-month indexes for production and shipments slowed slightly from record levels a few months ago. Year-over-year factory indexes expanded steadily in June, and the year-over-year composite index remained at 43. The future composite index increased from 33 to 37 in June, a new survey record high, as new orders and supplier delivery time rose.

## Special Questions

This month contacts were asked special questions about capital spending. Around 47% of firms indicated capital spending plans for 2021 are higher than pre-COVID (2019) levels, with another 33% indicating 2021 capital spending levels are similar to 2019 (Chart 2). However, 19% of contacts reported capital spending plans for 2021 were lower than pre-COVID levels. Manufacturers reported that stronger demand and growth were primary factors supporting business investment and capital spending for the remainder of 2021. On the other hand, manufacturers also reported the lack of availability of parts and employees were primary factors restraining business investment and capital spending for the rest of 2021. Because of labor shortages, 41% of firms reported investing or plans to invest in labor-saving automation strategies at a faster pace than in the past (Chart 3). Another 17% of contacts planned to invest in labor-saving automation strategies similar to the past, and 8% were investing at a slower pace than in the past while 33% reported they have not invested in labor-saving technology.

## Selected Manufacturing Comments

“We are currently evaluating salaries, but preliminary analysis shows we will need to raise entry level salaries by \$3.00. If that is the case, it will impact many current team members as well and be very costly. We will need to pass this cost onto our customers.”

“It is very difficult to find entry level employees.”

“With the lack of willing and able entry level workers, we are choosing to invest more in equipment and automation, which over time, should lead to our company to have a lower number of workers with a higher level of skills.”

“We have had good response to our employment ads this month.”

“Steel costs are out of control. We are looking at overseas manufacturing to get away from the U.S. steel suppliers. Foreign steel has gone up but not near as much U.S. based steel.”

“The all-time high prices we currently see for hot rolled carbon steel are not sustainable.”

“Most decisions being made at the moment and for the future are based on supply chain disruptions.”

“Demand is up 57% year to date. Current fill rate is 36% or 63% of current demand. We began ramping up October 2020. We think we should be caught up by the middle of August.”

“Business activity has picked up and we are in need of upgrades to certain productive assets to maintain and increase capacity.”

“We are looking for ways to automate and reduce the need for employees.”

“Delayed 2020 capital projects until this year. Now we will have both 2020 projects and 2021 projects.”

“We are unable to hire people to operate new equipment.”

“No restraints (on capital spending) other than material availability.”

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[Historical Quarterly Data](#)

[About Manufacturing Survey](#)

---