Tenth District Manufacturing Activity Increased Further in July

by:

July 22, 2021

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Factory Activity Increased Further

Tenth District manufacturing activity increased further, with solid expectations for future activity over the next six months (Chart 1, Tables 1 & 2). The index of prices paid for raw materials remained near record highs and the index of prices received for finished goods expanded again in July. Price indexes vs. a year ago posted record highs in July for the fourth straight month. In July, more district firms expected materials prices and finished goods prices to rise over the next six months.

The month-over-month composite index was 30 in July, up from 27 in June and 26 in May (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 increased activity at durable goods plants, especially primary and fabricated metals, computer and electronic products, transportation equipment, and furniture manufacturing. The month-over-month indexes for shipments, new orders, order backlog, and new orders for exports rose at a faster pace in July, and supplier delivery time increased. Inventories remained positive but eased slightly from last month. Year-over-year factory indexes continued to increase in July, and the year-over-year composite index expanded from 43 to 50. The future composite index edged down from the record high 37 in June to 33 in July, still indicating solid expectations over the next six months.

Special Questions

This month contacts were asked special questions about labor shortages, wage pressures, and supply chain disruptions. In July, 91% of firms reported workers were in short supply, more than any time previously asked in survey history (Chart 2). Wage pressures also surpassed survey records as 78% of firms reported having to raise wages more than normal to attract or keep workers. To attract new talent, 72% of manufacturers reported raising compensation, 60% reported hiring less qualified workers with more on the job training, and another 60% increased advertising for open positions (Chart 3). As labor shortages have persisted, 75% of firms have increased overtime to compensate, 47% have increased automation, and 36% reported up-skilling or re-skilling their existing labor force (Chart 4). Still, 30% of firms reported limiting production capacity due to labor shortages. 89% of firms in July reported challenges with supply chain disruptions and shortages. Of those with supply chain issues, 69% of firms indicated they were delaying projects or pushing back work as well as diversifying suppliers (Chart 5). Due to supply chain issues, 62% of firms responded by raising prices, 56% reported increasing inventories, and another 36% reported turning away business.

Selected Manufacturing Comments

“Focusing on implementing pay increases across all shops. Increasing prices to help offset the cost.”

“Don't forget about the 25% 301 tariffs. They still exist on top of inflation and price adjustments.”

“It would be helpful to reduce steel tariffs or work with steel producing oligopoly to reduce prices. We need more workers.”

“We can't get enough steel to meet demand of orders. Inflation is rampant across the board.”

“We're concerned about increasing freight rates and shortages of trucks, plus labor costs. Also, as a small business we're concerned about large companies reducing suppliers to focus on a few large-volume items, cutting down on specialty products.”

“Sales remain strong, seeing some supply chain problems, trying to motivate workforce.”

“A very challenging year. Lack of workers and supply chain issues have been major problems when business opportunities are increasing.”

“Business is exceptionally slow for us, some materials we need are very hard to find.”

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

“Labor shortage issues is not a new problem. Over the past two years, more time, attention and resources have been spent on hiring and retaining workers than any area of our business.”

“My biggest concern now is looking out 6-12 months. The steel companies are forcing us to say how much steel we are taking say in March 2022... we do not know how much steel we are going to need. We could see ourselves upside down on our inventory costs.”

“Entry level assembly workers are not readily available.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
