



Manufacturing Survey

Tenth District Manufacturing Growth Eased Slightly in November

by:

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Regional factory activity continued to grow but at a slower pace than in recent months. Many firms reported additional materials cost increases, and more contacts reported delivery time delays compared to a month ago and a year ago. Labor shortages remain a key inhibitor in meeting higher demand for goods.

Factory Growth Eased Slightly

Tenth District manufacturing growth eased slightly, but expectations for future activity remained strong (Chart 1, Tables 1 & 2). The monthly index of raw materials prices dipped from a survey record high in October, but remained high, and almost every firm continued to report higher input prices compared to a year ago. Finished goods price indexes rose from a month ago and were above year ago levels for most firms. Expectations for future prices eased somewhat, but most district manufacturing firms still expected materials and finished goods prices to increase over the next six months.

The month-over-month composite index was 24 in November, down from 31 in October, but higher than 22 in September (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth was driven by increased activity at durable goods plants, particularly machinery manufacturing, electrical equipment, transportation equipment, and furniture production. Month-over-month indexes remained mostly positive, but the pace of growth slowed compared to October. While production and employment were strong in November, supplier delivery time increased, and the volume of new orders decreased. Finished goods inventories also declined, but materials inventories inched up. Year-over-year factory indexes expanded at a steady rate, and the year-over-year composite index was 50 again in November. Compared to a year ago, supplier delivery time was much higher, and employment and capital expenditures increased slightly. The future composite index was 35 in November, similar to 34 in October, with higher production and shipments expected moving forward.

Special Questions

This month contacts were asked special questions about employment plans and labor market conditions. Around 63% of firms expected to increase employment over the next 12 months, and a third of firms expect to leave employment unchanged. 99% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving employment plans (Chart 2). Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff. 56% of firms reported they are already at or above their pre-pandemic employment levels from pre-March 2020 (Chart 3). Another third of firms expected to meet their pre-pandemic employment level by the end of 2022, while others expected employment to recover at a later time. Only 5% of firms did not expect to return to their pre-Coronavirus pandemic employment levels.

Selected Manufacturing Comments

“Costs are out of control. We can't price our way out of cost increases. As a result - profitability is down - significantly on a per unit basis. The operating environment we are in currently is not sustainable long-term.”

“Raw materials cost increases have hit us HARD. Soybean oil costs have doubled. Packaging is up 40%, etc. Forced to pass this on to the consumer.”

“Business has picked up in spurts. When customers have time, they shop for better pricing. Competition depends on price of course but necessity and availability take precedence.”

“Business is going to be down next year we believe due to high inflation. We sell capital goods and many times the end customer can just wait out their purchase until the price comes back down. The 100-employee vaccine mandate recently put forth by OSHA adds another layer of complexity and uncertainty to our business.”

“We are very concerned that we will lose staff due to the vaccine mandate. We have been told by approximately 25% of our staff that they will not get vaccinated or abide by the mask and weekly testing requirements.”

“Availability of sufficient labor to run our operations is the number one issue moving into 2022.”

“10% of our current staff are retiring.”

“The revolving door seems to have slowed since Labor Day. We are finally at full headcount, we lost about 10% of workforce after Labor Day, but were able to replace them, and have held steady for about 6 weeks now with no resignations. Our production levels however are still impacted by supplier delays and shortages.”

“Finding, attracting and retaining qualified employees continues to be our largest struggle at this time.”

“We have begun to stop interviewing for shop, machinist, and warehouse positions. People don't come to the interview or get hired by others who do not interview. We are lowering expectations. Developing training, internships, and apprenticeships to counter. The pool is very low, and candidates are not good.”

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