Manufacturing Survey

Tenth District Manufacturing Activity Growth Edged Higher

by:

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Regional factory activity continued to grow modestly in December. Materials price increases slowed slightly from a month ago, and most firms expected to raise wages in 2022.

Factory Growth Edged Higher

Tenth District manufacturing activity growth edged higher, but expectations for future activity moderated slightly (Chart 1, Tables 1 & 2). The monthly index of raw materials prices continued to ease slightly from a month ago, although most firms continued to report higher input prices compared to a year ago. Finished goods price indexes declined from a month ago but were also above year ago levels for most firms. Expectations for future raw materials prices rose, and a significant share of district manufacturing firms still expected finished goods prices to increase over the next six months.

The month-over-month composite index was 24 in December, the same as 24 in November, but down slightly from 31 in October (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 nondurable goods plants, especially for paper, chemicals, plastics, and transportation equipment manufacturing. Month-over-month indexes were positive in December, indicating expansion. The pace of growth increased for shipments, new orders, and inventories. On the other hand, supplier delivery time eased slightly. Year-over-year factory indexes continued to expand at a steady rate, and the year-over-year composite index was 50 for the third month in a row. Inventories rose compared to a year ago, along with production, and capital expenditures. The future composite index was 25 in December, down from 35 in November. Expectations remained positive across a number of indicators, but the pace of expected growth eased slightly from November to December.

Special Questions

This month contacts were asked special questions about risks for 2022 along with wage expectations and other labor costs. A significant share of firms reported lack of available labor, ongoing supply chain disruptions or shortages, and rising materials costs as key risks facing their business in 2022 (Chart 2). Additionally, a number of firms indicated that a resurgence of the virus would either slightly or significantly negatively impact their business. For 2022, nearly 70% of firms are planning to increase wages between 2% to 6%, and no firms expected wages to decrease (Chart 3). Additionally, over 85% of firms expected a more than 2% increase in other labor costs such as benefits, training, and time off.

Selected Manufacturing Comments

“We are a wholesale manufacturer of ready to eat foods. Segments of our business pivoted well to carry out and drive through service. Our dine in customers would be hurt badly by a [virus] resurgence.”

“Have seen a recent resurgence of COVID in our operation. It really hurts our productivity.”

“301 tariffs remain a risk in 2022… adding cost to the consumer with each purchase made.”

“We draw employees from 60 miles or more. When fuel prices go up, we start losing employees due to the fuel cost on the family budget. We were able to keep our health insurance premium increases to a minimum this year. However, we believe we will see a spike in medical costs coming up."

“We do not expect business to get significantly better in 2022. There are too many issues that cannot be solved in the immediate future.”

“We have some great opportunities in 2022 but we just need to make it to 2022. We have lost so much capital over the past 18-24 months that we just don't have the bandwidth for much more negative to happen.”

“Our supply chain is having major issues - steel and component prices are up significantly and shortages and delays are causing unpredictability in our production. It is difficult to get ahead of these issues from a pricing and delivery standpoint.”

“We are seeing processing materials and equipment prices raising 15 to 50%.”

“We are frankly not making much headway in growth or expansion due to price and delivery management.”

“Labor expenses will be a significant factor for the foreseeable future.”

"Applicants are trickling in. Not fast enough to satisfy current demand."

"It is very difficult to hire people in spite of raising wages dramatically. We are also paying hiring bonuses and stay bonuses in addition to raising the base wages."

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
