



Manufacturing Survey

Tenth District Manufacturing Activity Continued to Grow Strongly in January

by:

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Regional factory activity expanded at a faster pace in January. However, over half of firms indicated that 10% or more of their workers were out at some point in January due to COVID. Expectations for future activity remained strong, despite firms reporting difficulties from COVID, labor shortages, and continued supply chain issues.

Factory Activity Continued to Grow Strongly

Tenth District manufacturing activity continued to grow strongly, and expectations also increased further (Chart 1, Tables 1 & 2). The monthly index of raw materials prices continued to decline slightly from a month ago, although nearly all firms continued to report higher input prices compared to a year ago. Finished goods price indexes rose from a month ago and continued to increase steadily from a year ago. Expectations for future raw materials prices increased, and firms expected finished goods prices to expand at a faster rate over the next six months.

The month-over-month composite index was 24 in January, up slightly from 22 in November and December (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 more by activity at durable goods plants in January, especially primary metals, machinery, electrical, furniture, and transportation equipment manufacturing. Month-over-month indexes were positive in January, indicating expansion. Indexes for production, employment, and order backlog rose at a faster pace, while the growth in supplier delivery time continued to ease slightly. New orders for exports also inched up. Year-over-year factory indexes continued to expand at a steady rate, with a composite index of 50 for the fourth month in a row. Inventories increased modestly compared to a year ago, along with employment and order backlog. The future composite index was 37 in January, up from 26 in December, as all future indexes increased. More firms expected increases in production, shipments, order backlog, new orders for export, employment, and capital expenditures.

Special Questions

This month contacts were asked special questions about the recent COVID surge and how it has impacted their business so far in 2022. In January, 38% of firms reported a strong negative effect on business activity from this variant of COVID, and another 46% of firms reported a slight negative effect (Chart 2). More businesses reported negative impacts from this wave than when asked in December 2020 during a previous wave. Around 52% of firms reported that 10% or more of their workforce missed work in January due to COVID (Chart 3). Many firms commented on higher absenteeism with this strain with more workers testing positive and quarantining. Of the firms facing labor shortages, 69% of firms reported adding overtime for current staff and 65% of firms reported delaying orders in response to staffing issues (Chart 4). Moving forward, over a third of firms expected decreased business activity over the next six months due to the surge in COVID, while 57% of firms reported no change, and 9% expected increased activity (Chart 5). Expectations were marginally better from this strain compared to when this question was last asked in August 2021.

Selected Manufacturing Comments

“We have had an increase of team members out with COVID or quarantined. About 60 company-wide, which is 2-3 times the number we had the previous 6 months.”

“Very hard to keep production up with increased COVID activity.”

“COVID isolations and quarantines lead to construction delays for labor shortages, and increased supplier lead times for the same reason.”

“We have escaped any mass infections due to workplace layouts, masks, temp checks, and numerous other changes. Any impact has been short term and then we have caught up within the next month.”

“Most out due to exposure and have to gain negative tests prior to returning to work.”

“Labor is a major problem. Very difficult to hire for entry level positions in manufacturing. Few desire to work full time and prefer only 2-3 days per week.”

“We have recently implemented a pay progression plan that outlines how employees can earn \$0.25-0.50/hr by increasing their skillsets. The time element for each skillset test is 90 days.”

“Labor and the supply chain are the major problems. Lead-times have doubled in some cases, so if it is supposed to take 3 weeks it is taking 6 weeks.”

“The business we are in has been growing during the pandemic and at the same time between supply chain issues, employees out with COVID and the difficulty finding qualified employees it has been a very difficult process to keep our customers satisfied.”

“Purchasing, costs, supply chain are still massive issues... have basically started raising prices on select items to almost extreme levels to intentionally limit or eliminate demand.”

“We are making capital expenditures to bring in more automated equipment. This will help us to manufacture equipment with less people and also provide us flexibility in our manufacturing operations.”

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