Manufacturing Survey

Tenth District Manufacturing Activity Grew at a Record Pace

by:

March 24, 2022

Regional factory activity increased at a record pace in March. However, due to increasing input costs and supply chain disruptions, nearly a quarter of firms noted a significant decrease in profit margins since the beginning of the year, and another 44% reported a slight decrease in profit margins.

Factory Activity Grew at a Record Pace

Tenth District manufacturing activity reported record high growth and expectations for future activity remained solid (Chart 1, Tables 1 & 2). The monthly index of raw materials prices increased modestly in March and inched down compared to a year ago. Finished goods price indexes saw slight growth from a month ago and were above year-ago levels for most firms. Expectations for future raw materials and finished goods prices increased further.

The month-over-month composite index was 37 in March, the highest on record. It is up from 29 in February and 24 in January (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Increased activity was driven by growth in printing and paper, plastics, electrical equipment, furniture and related product manufacturing, and especially transportation equipment. On the other hand, the pace of growth for food and machinery manufacturing declined. Month-over-month indexes remained positive in March, indicating expansion. Indexes for production, shipments, new orders, backlog of orders, and supplier delivery time increased at a faster rate in March. However, the pace of growth for number of employees and new orders for exports moved down. Materials and finished goods inventories expanded upward modestly. Year-over-year factory indexes continued to increase and broke a record high, with a composite index of 57. Production, shipments, and employment indexes increased further from a year ago while growth in materials inventories eased slightly. The future composite index was 41 in March, a slight increase from 38 in February. More firms expected increases in production, shipments, new orders, finished products, and supplier delivery times.

Special Questions

This month contacts were asked special questions on profit margins, changing prices, and the impact of the Russia/Ukraine conflict on their business. In March, 47% of firms reported increasing prices much more often compared to last year, and 32% raised prices somewhat more often (Chart 2). However, 44% of firms reported a slight decrease and 23% reported a significant decrease in profit margins since the beginning of the year (Chart 3). Firms reported that the majority of impacts from the Russia/Ukraine conflict centered around supply chain disruptions and higher input costs.

Selected Manufacturing Comments

“[Profit] margins were very slim in January. A little better now, but still not where they need to be for sustainability."

“Sales price increases lag purchased goods by 3 to 9 months, due to the nature of the sales bid-award-issue process.”

“The employee problems everyone is facing have only gotten worse, this has and will continue to be our biggest hurdle for our company and so many others.

“Overall, it feels like demand for our products is plateauing. After months of almost unprecedented demand increases, orders seem to be leveling off - not decreasing, just leveling off. Hopefully we can have a "soft-landing" from these crazy times and not a sharp drop off a cliff…”

“Lumber prices have gone back up after trending down last summer. Truckload freight haulers are in scarce supply and escalating in cost. Entry level laborers are still difficult to attract. Customers are relenting and granting price increases. Their alternative is to not get the needed packaging items, to enable them to ship their products.”

“We expect continue increases in raw materials pricing. Particularly related to freight and oil inputs (i.e., plastic packaging). We will be forced to increase pricing accordingly.”

“We’ve passed on cost increases to our customers and continue to do so. We’re starting to see some customers now motivated to see alternatives, but we have no choice.”

“Effect on us [from the Russia/Ukraine conflict] is energy and freight price increases, freight delays. We have to pass on longer lead times and price increases.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
