Manufacturing Survey

Growth in Tenth District Manufacturing Activity Slowed Slightly

by:

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The pace of regional factory growth slowed slightly but remained strong. Firms continued to report negative impacts from higher inflation and supply shortages. Nearly 70% of all firms reported worse supply disruptions and shortages compared with 2021, with most expecting conditions to last another six months or longer.

Factory Activity Pace of Growth Slowed Slightly

Growth in Tenth District manufacturing activity slowed slightly but remained strong, and expectations for future activity also eased slightly from recent historical highs (Chart 1, Tables 1 & 2). Raw materials price indexes modestly declined from last month and remained similar to year-ago levels. Finished goods price indexes eased modestly from a month ago and compared with last year. Expectations for future raw materials and finished goods prices remained high, but not as much as recent historical highs.

The month-over-month composite index was 23 in May, down from 25 in April, and 37 in March (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 more activity at durable goods plants in May, especially transportation equipment, electrical equipment, and furniture related product manufacturing. Monthover- month indexes were positive in May, but the pace of growth eased slightly. Indexes for volume of new orders, employment, and order backlog rose at a faster pace, while the growth in supplier delivery time and volume of shipments decreased modestly. New orders for exports also inched up. Year-over-year factory indexes remained steady, with a composite index of 54 for the second month in a row. Supplier delivery time increased modestly compared to a year ago, along with finished goods and materials inventories. The future composite index was 31 in May, down from 34 in April. Indexes for future production, shipments, new orders, and capital spending moderated slightly, while firms expected increases in order backlog, new orders for export, and supplier delivery time.

Special Questions

This month contacts were asked special questions on rising materials prices, supply chain disruptions/shortages, and wage and price expectations. In May, 92% of firms reported being affected by rising materials prices and lack of availability/delivery times and 87% anticipated this to persist for at least 6 months or longer (Chart 2). Over 59% of firms expected wages and prices to rise slightly or significantly faster compared with a year ago. A significant share of firms reported the expectation for prices to rise at a similar rate (Chart 3). However, a small share of firms reported the expectation for wages and prices to rise slower than a year ago.

Selected Manufacturing Comments

“Inflation is killing us, everyone is raising prices, labor is higher.”

“We continue to struggle hiring people. In some cases, we have raised wages 20% in the past few years. This trend is very troubling.”

“Continue to see tight labor market. Need to attract employees from other companies.”

“It's a struggle to keep up with increased costs of materials and finding new ways to attract workers. The current labor pool is dismal at best. 50% fail to show up for the interview and another 30% fail the drug test.”

“Most challenging time in my 29 years in our business - energy costs, labor shortages, raw material price increases and raw material supply disruptions are an ongoing and endless source of problems to manage and trying to carry more inventory is tying up our cash. We see no indication of improvement for any of these issues at least through the next 6 months. Like everyone else we are trying to pass on price increases, but it is hard to keeping up with cost increases.”

“There is a very troubling loop of high inflation causing significant issues for people commuting to work. This is driving higher wages and once again, companies are forced to raise prices. At some point, the US will become uncompetitive globally and could slow demand.”

“Our non-raw material (steel) costs continue to increase. Production supplies and repair parts are increasing in price and increasingly difficult to obtain. It is causing us to increase our investment in such non-production inventories to compensate for lead-time and availability.”

“Supply chain problems and raw material price increases will continue for the next year fueling price increases on our finished products.”

“Not only is inflation hitting us on the raw materials, freight, and product pricing areas, we are seeing notable softness in the market which we believe is due to the general public shifting to austerity mode. Only buying what is essential and not eating out as much.”

Survey Data

Current Release

Historical Monthly Data

Historical Quarterly Data

About Manufacturing Survey
