



Manufacturing Survey

Growth in Tenth District Manufacturing Activity Slowed Considerably

by:

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Overall, activity slowed considerably from the past few months. However, expectations are still positive and price indexes reached their lowest level in over a year.

Factory Activity Pace of Growth Slowed Considerably

Tenth District manufacturing activity growth slowed considerably in August but remained slightly positive. Expectations for future activity eased somewhat but were still solid overall (Chart 1, Tables 1 & 2). Monthly survey price indexes fell to their lowest levels in over a year. Both price indexes saw a significant easing in growth from a month and year ago. Expectations for future raw materials prices decreased further, while finished goods prices were expected to rise modestly.

The month-over-month composite index was 3 in August, down from 13 in July and 12 in June (Tables 1 & 2). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. In August, the slower pace in factory growth was driven by decreased activity in wood products, machinery, computer products, and transportation equipment manufacturing. Month-over-month indexes were mostly negative in August. The new orders index declined to its lowest level since May 2020, and indexes for production, shipments, order backlog, and inventory materials declined moderately. On the other hand, the employment index remained moderately positive, and the finished goods inventory index increased slightly. Year-over-year factory indexes decreased, with a composite index of 36. Production, shipments, and new orders indexes declined moderately compared to a year ago. The future composite index was 10 in August, a moderate decline from 26 in July. Nearly all future indexes decreased from the previous month, with order backlog and inventory indexes falling into negative territory.

Special Questions

This month contacts were asked special questions on wages and hiring decisions. In August, 80% of firms reported adjusting employees' compensation due to inflation during the year, mainly through wage increases but also through added benefits and more flexible hours (Chart 2). About 34% of firms reported no plans to change employees' wages for the rest of the year (Chart 3). Of the firms that reported an increase, about 43% of firms reported a 1-5% increase, 21% reported a 5-10% increase, and 2.2% reported an increase of 10% or more (Chart 3).

Selected Manufacturing Comments

"Still a very sketchy environment. Costs are still up - through the roof - despite some easing on commodities and fuel. Still have not passed along even close to enough from a price increase perspective - so profits way down on a % basis. And I think we are getting to the point where consumers are starting to tighten their wallets."

"It is difficult to predict wage inflation will not continue even with the Fed increasing rates. A recession that impacts our industry and eliminates jobs will have to occur before we see wage inflation to stop."

"Given all the reshoring of supply chains and coming infrastructure projects, workers will be in very short supply, which will contribute to inflation and limit growth in the long term."

"The raising of interest rates is working to help control inflation."

"It is a sad state of affairs in the market for workers. Our pay levels are very competitive with the market and we offer good benefits. People want a job but once they get one they quit working."

"Public inflation statistics lag what is being felt by plant floor workers, since gas and food are having higher than average inflation."

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