



NEWS RELEASE

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Growth in Tenth District Manufacturing Activity Eased Slightly
Federal Reserve Bank of Kansas City Releases April Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the April Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District manufacturing activity eased slightly, and expectations for future activity remained solid.

“The pace of regional factory growth eased somewhat but remained strong,” said Wilkerson. “Firms continued to report issues with higher input prices, increased supply chain disruptions, and labor shortages. However, firms were optimistic about future activity and reported little impact from higher interest rates.”

A summary of the survey is attached. Historical data, results from past surveys, and release dates for future surveys can be found at <https://kansascityfed.org/surveys/manufacturing-survey/>.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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TENTH DISTRICT MANUFACTURING SUMMARY

Growth in Tenth District manufacturing activity eased slightly, and expectations for future activity remained solid (Chart 1, Tables 1 & 2). The monthly index of raw materials prices inched upward in April and increased slightly compared to a year ago. Finished goods price indexes increased somewhat from a month ago but remained moderately higher than last year. Expectations for future raw materials and finished goods prices decreased further.

Factory Activity Pace of Growth Eased Slightly

The month-over-month composite index was 25 in April, down from 37 in March and 29 in February (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 computer and electronic products, primary metals, and furniture manufacturing. On the other hand, the pace of growth for transportation equipment, electrical equipment, appliances, and food manufacturing declined. Month-over-month indexes remained positive, but the pace of growth eased somewhat compared to March. Indexes for production, shipments, new orders, backlog of orders, supplier delivery time, and finished goods inventories all decreased but remained positive. However, the employment index increased somewhat. Year-over-year index growth eased slightly, with a composite index of 54 in April. Shipments, capital expenditures, and employment indexes increased further from a year ago while supplier delivery time, order backlog, and finished goods inventory indexes eased slightly. The future composite index was 34 in April, a slight decrease from 41 in March. Indexes for future production, shipments, new orders, and employment all inched lower, while the future capital expenditures index was unchanged.

Special Questions

This month contacts were asked special questions on the change in number of job openings since the beginning of the year and the impact of COVID-induced lockdowns in China. In April, 48% of firms reported a slight increase in the number of job openings compared to the beginning of the year, and 19% reported a significant increase (Chart 2). As a result of the COVID-induced lockdown in China, 70% of firms reported higher supply chain disruptions and 57% reported higher input prices. A significant share of firms reported no change in demand, capital spending, hiring, and inventories (Chart 3). However, 17% of firms reported facing lower inventories due to the COVID-induced lockdown in China.

Selected Manufacturing Comments

“Impacts of inflation on costs for materials is HUGE and getting worse - not getting better. Supply of materials still tough. Lead times still very long.”

“Increased production and new product development require more staffing. Low unemployment makes the jobs hard to fill.”

“Uptick in business and employees retiring or leaving for other opportunities.”

“We are seeing a lot of job hopping and a labor shortage.”

“Greater customer demand and turnover in personnel.”

“White collar positions getting filled. Struggling to find blue collar people.”

“Order volume is up. We have approximately 15% of our needed workforce not filled. We are having to work a lot of [overtime] to keep up. We are experiencing high turnover.”

“Need to [find] employees to keep up with increased demand. Continue to raise wages in an attempt to get associates with limited success; 16% increase in wages year-over-year.”

“We are trying to ramp up [production].”

“It is extremely frustrating to have a record backlog and be unable to execute due to supply chain issues.”

“Product for our production process is becoming increasingly difficult to obtain. Being quoted ten to eleven weeks delivery with that being a guess at best.”

“Most of our product is sold internationally. Clients in China, Europe, and South America are worried about Ukraine war, Covid lockdowns in China, inflation and now higher dollar valuation.”

Table 1. Summary of Tenth District Manufacturing Conditions, April 2022

Plant Level Indicators	April vs. March (percent)*					April vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}
Composite Index				27	25				54					29	34
Production	46	43	11	36	28	74	14	11	63	53	53	34	13	39	49
Volume of shipments	45	42	12	33	27	75	14	10	65	56	56	31	13	42	51
Volume of new orders	38	40	23	15	10	69	14	16	53	47	47	32	21	27	31
Backlog of orders	33	45	22	11	9	65	22	13	52	34	43	23	11	11	11
Number of employees	31	56	13	19	19	60	29	11	48	45	47	7	38	41	41
Average employee workweek	17	77	6	10	10	35	53	12	23	25	67	8	16	19	19
Prices received for finished product	56	43	1	55	57	93	6	1	92	74	21	5	69	74	74
Prices paid for raw materials	84	14	2	81	83	98	2	0	98	80	13	6	74	79	79
Capital expenditures						44	39	16	28	36	53	11	25	29	29
New orders for exports	10	84	6	3	4	23	67	11	12	15	77	8	8	10	10
Supplier delivery time	51	38	11	39	42	73	10	16	57	43	41	15	28	29	29
Inventories: Materials	42	41	16	26	26	66	20	14	52	38	36	26	12	17	17
Inventories: Finished goods	24	56	20	4	5	41	40	20	21	28	50	22	6	10	10

*Percentage may not add to 100 due to rounding.

[^]Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

^{^^}Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The April survey was open for a five-day period from April 20-25, 2022 and included 97 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Indexes

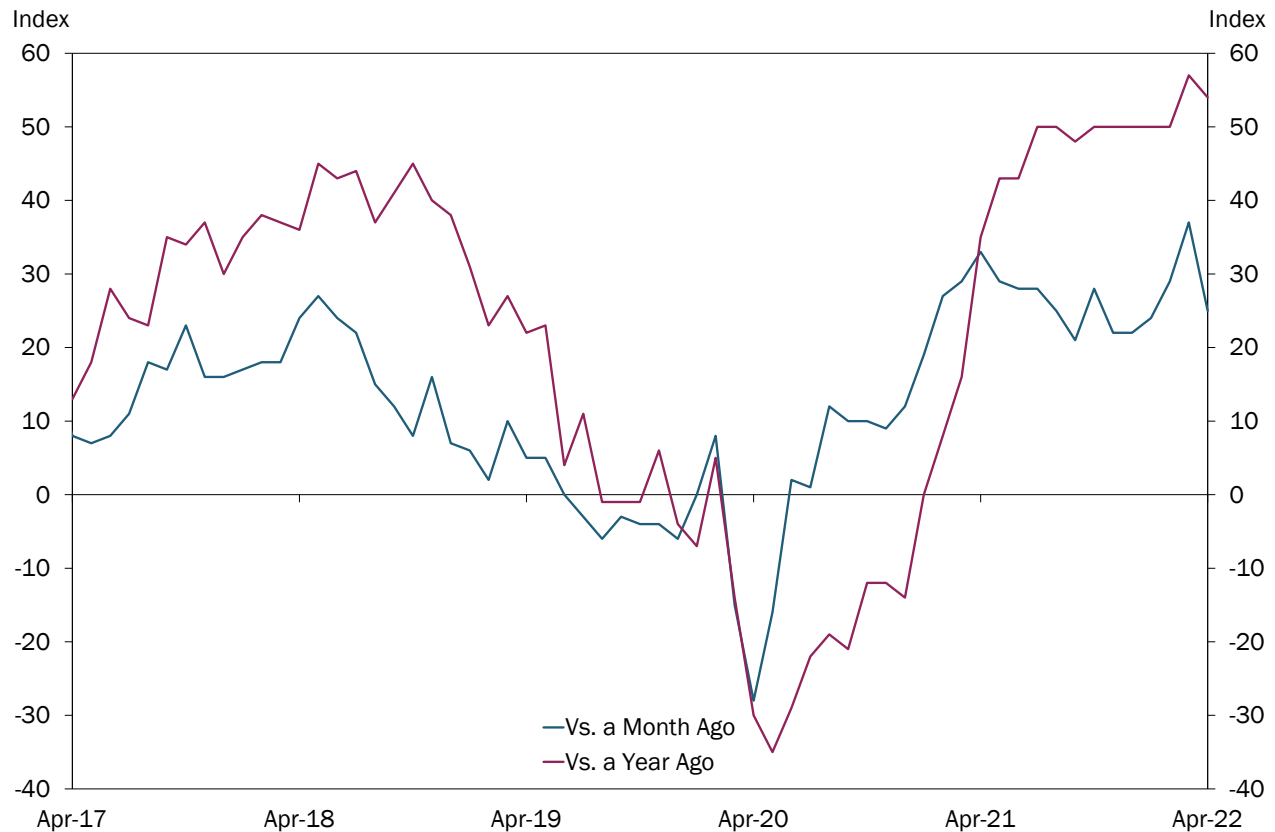


Chart 2. Special Question: How have the number of job openings changed for your firm since the beginning of the year?

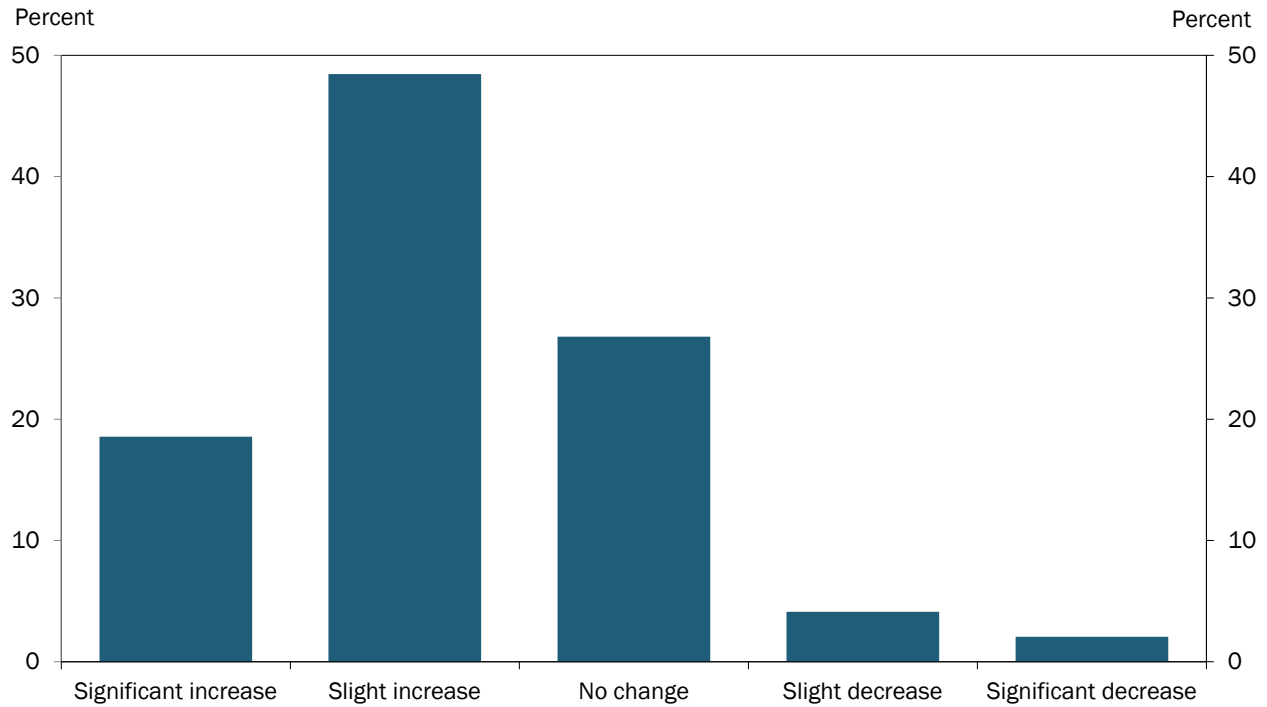


Chart 3. How would COVID-induced lockdowns in China affect the following for your business?

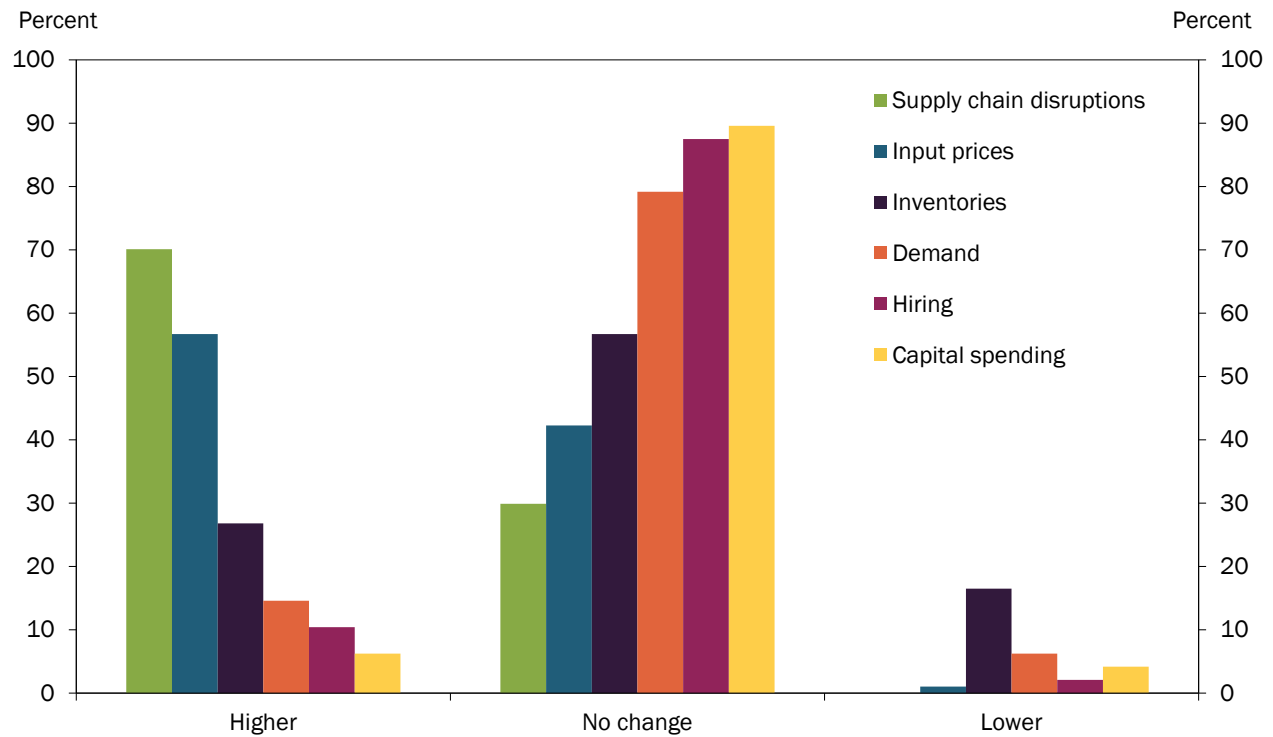


Table 2
Historical Manufacturing Survey Indexes

	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	33	29	28	28	25	21	28	22	22	24	29	37	25
Production	41	37	31	35	18	10	19	14	11	20	31	46	28
Volume of shipments	34	33	24	29	19	9	21	7	13	5	24	46	27
Volume of new orders	34	38	23	22	24	4	20	-2	22	14	32	33	10
Backlog of orders	38	31	31	46	26	23	21	10	9	27	22	29	9
Number of employees	30	23	27	25	24	20	32	23	18	24	26	18	19
Average employee workweek	27	24	21	23	14	11	13	9	8	8	24	14	10
Prices received for finished product	45	50	45	49	57	37	45	50	46	49	47	51	57
Prices paid for raw materials	79	88	82	80	80	78	81	77	67	64	64	81	83
Capital expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
New orders for exports	9	7	9	15	6	4	4	4	1	6	10	8	4
Supplier delivery time	35	27	39	41	42	41	49	55	44	38	36	55	42
Inventories: Materials	25	22	20	17	18	29	17	20	17	27	19	32	26
Inventories: Finished goods	9	5	2	4	1	1	4	-2	4	8	7	19	5
Versus a Year Ago (not seasonally adjusted)													
Composite Index	35	43	43	50	50	48	50	50	50	50	50	57	54
Production	46	61	55	64	64	67	55	49	54	49	52	63	63
Volume of shipments	42	59	49	64	55	55	55	46	49	38	55	53	65
Volume of new orders	47	61	47	66	57	57	64	57	60	51	47	58	53
Backlog of orders	36	44	52	62	63	59	60	56	48	53	54	60	52
Number of employees	24	36	30	35	35	24	41	42	38	41	51	38	48
Average employee workweek	36	43	49	54	44	43	39	41	32	34	32	28	23
Prices received for finished product	64	73	77	80	79	83	89	87	88	88	86	87	92
Prices paid for raw materials	92	97	98	100	96	100	99	98	98	97	99	98	98
Capital expenditures	17	20	31	35	26	34	28	29	43	26	29	16	28
New orders for exports	9	21	21	19	17	16	20	17	14	13	10	16	12
Supplier delivery time	28	36	51	42	48	56	63	70	66	62	63	71	57
Inventories: Materials	29	20	34	44	44	36	28	29	34	49	38	56	52
Inventories: Finished goods	7	6	13	16	14	14	6	0	12	17	18	28	21
Expected in Six Months (seasonally adjusted)													
Composite Index	38	37	36	33	33	33	32	31	26	37	38	41	34
Production	52	55	46	46	45	54	39	37	33	44	57	61	49
Volume of shipments	55	59	49	43	40	50	36	35	34	45	55	57	51
Volume of new orders	46	43	43	39	31	32	34	36	22	30	36	40	31
Backlog of orders	26	27	24	24	15	20	16	11	11	33	29	22	11
Number of employees	51	48	45	46	42	39	37	41	34	57	52	46	41
Average employee workweek	30	29	28	19	16	21	17	14	13	30	26	25	19
Prices received for finished product	49	60	55	62	54	55	58	53	52	67	70	75	74
Prices paid for raw materials	84	79	74	75	74	76	72	60	65	73	85	84	79
Capital expenditures	34	28	35	32	29	34	32	20	21	28	35	29	29
New orders for exports	12	17	17	20	6	7	10	9	1	17	14	20	10
Supplier delivery time	17	18	25	20	30	27	42	32	31	37	30	48	29
Inventories: Materials	22	21	24	13	17	12	8	9	11	16	14	11	17
Inventories: Finished goods	13	4	10	1	-2	10	6	3	1	10	19	12	10