

Manufacturing Biweekly Update

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www.trade.gov/mas/ian/mbu

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| U.S. MANUFACTURING TRENDS | CURRENT PERIOD | YEAR-TO-DATE |
|---------------------------|----------------|--------------|
| Wage Rates | ↑ | ↑ |
| Profits | ↑ | ↑ |
| Employment | ↑ | ↑ |
| Production | ↑ | ↑ |
| Capacity Utilization | ↑ | ↑ |
| Productivity | ↓ | ↑ |
| Exports | ↑ | ↑ |
| Goods Shipments | ↓ | ↑ |

Biweekly Note

Alabama's sweet manufacturing boom

As manufacturing picks up across the United States, Alabama has become an unexpected beneficiary. The state -- best known for agriculture and textiles production -- is enjoying the best pickup in industrial manufacturing in five years as U.S. and foreign companies flock there. The credit goes to the state's low taxes, top-grade trade schools, a statute that curbs union power, and other incentives spurring many manufacturers to move to or expand in the state, experts said. "2011 is the best year we've had in terms of manufacturing jobs and activity since 2007," said Greg Canfield, Alabama's secretary of commerce. Companies that are set to open new plants in the state include German conglomerate ThyssenKrupp and a Chinese manufacturing giant, Golden Dragon Precise Copper of China. Meanwhile Hyundai, Honda (HMC), Boeing (BA, Fortune 500) and truck manufacturer Navistar (NAV, Fortune 500) are expanding there.

(CNN Money |April 11, 2012)

<http://money.cnn.com/2012/04/11/smallbusiness/manufacturing-alabama/>

U.S. manufacturing strength stands in stark contrast to rest of world

Demand from U.S. consumers is keeping American factories humming—and also is helping offset softer demand affecting factories in other parts of the world. The U.S. manufacturing sector picked up steam in March, the Institute for Supply Management said Monday, as a broad cross-section of industries reported rising production and strong orders for coming months. The ISM's purchasing managers' index rose last month to 53.4 from 52.4 in February; readings above the 50.0 level indicate growth rather than contraction. The report's new orders index, an indicator of activity in coming months, ticked down slightly in March to 54.5 from 54.9 the previous month. The ISM report, which marked the 32nd consecutive month of growth for the manufacturing sector, echoed other recent reports that have shown rising confidence and increased spending among American consumers. The strength of the U.S. stands in stark contrast to weakness in much of the rest of the world, especially Europe. Manufacturing activity in the 17-country euro zone hit a three-month low in March, research firm Markit Economics said Monday. The pain seems to be spreading from long-troubled economies such as Greece and Spain to perennial powerhouses such as Germany, which saw its manufacturing sector contract slightly in March.

(WSJ| April 2, 2012)

<http://online.wsj.com/article/SB10001424052702303816504577319481356297296.html>

U.S. Manufacturing Key Facts

Manufacturing Wage Rates

✓ UPDATED

- In March 2012, average hourly earnings in manufacturing were \$19.06 (preliminary), up 0.16 percent from previous month, and up 0.85 percent from March 2011's \$18.90.

(BLS/DOL Employment data from "The Employment Situation, USDL 12-0614," released April 6, 2012; next release is May 4, 2012)

<http://www.bls.gov/news.release/pdf/empsit.pdf>

Manufacturing Wage Rates (Quarterly, Yearly)

- In the fourth-quarter of 2011, hourly compensation from previous quarter, annual rate (revised) was up 1.9 percent in total manufacturing, up 0.6 percent in durable manufacturing and up 3.8 percent in nondurable manufacturing.
- In the fourth-quarter of 2011, hourly compensation of all manufacturing workers increased 1.7 percent, compared to a 1.2 percent increase during the fourth-quarter of 2010. Real hourly compensation in the total manufacturing sector decreased -1.6 percent in the fourth-quarter of 2011, compared with no change in the fourth-quarter of 2010.

(BLS/DOL Productivity data from "Productivity and Costs, Fourth Quarter 2011, Revised" USDL 12-0401, released March 7, 2012; next release is May 3, 2012)

<http://www.bls.gov/news.release/pdf/prod2.pdf>

Manufacturing Profits

- In the fourth quarter of 2011, manufacturing profits increased 4.10 percent, or \$11.0 billion, to \$279.2 billion from \$268.2 billion in the first quarter. Compared with fourth quarter profits of 2010, manufacturing profits were up \$91.5 billion in the fourth quarter of 2011.
- Fourth quarter 2011 profits for all non-financial industries (manufacturing being a subcategory) increased \$30.1 billion from the third quarter of 2011 to \$998.0 billion.

(BEA/DOC GDP data from "Gross Domestic Product, BEA 12-11," released March 29, 2012; next release is April 27, 2012)

http://www.bea.gov/newsreleases/national/gdp/2012/pdf/gdp4q11_3rd.pdf

Manufacturing Employment

✓ UPDATED

- In March 2012, manufacturing employment went up, with an increase of 37,000 jobs.
- In March, durable goods manufacturing gained 26,000 jobs with increases in transportation equipment (+13,000), machinery (+6,500), fabricated metal products (+4,900), computer and electronic products (+2,200), electrical equipment and appliances (+1,200), and primary metals (+800). However, job loss occurred in wood products (-900), nonmetallic mineral products (-600), and furniture and related products (-300). There was no change of employment in miscellaneous manufacturing.
- In March, nondurable goods manufacturing gained 11,000 jobs with increases in food manufacturing (+4,000), paper and paper products (+3,400), plastics and rubber products (+3,400), chemicals (+2,900), beverages and tobacco products (+1,000), and apparel (+300). However, job losses occurred in printing and related support activities (-2,800), leather and allied products (-500), petroleum and coal products (-400), textile mills (-100), and textile product mills (-100).

- The manufacturing employment of 11.9 million workers represents 9.0 percent of total non-farm employment.

(BLS/DOL Employment data from “The Employment Situation, USDL 12-0614,” released April 6, 2012; next release is May 4, 2012)

<http://www.bls.gov/news.release/pdf/empsit.pdf>

Manufacturing Production

- In February 2012, manufacturing production was up 0.3 percent from previous month and was 5.1 percent above its year-earlier level.
- Production of durable goods was up 0.4 percent from the previous month. The durable industries that registered increases in output included fabricated metal products (1.8 percent), electrical equip., appliances, and components (1.6 percent), aerospace and miscellaneous transportation equipment (1.6 percent) nonmetallic mineral products (1.2 percent), furniture and related products (0.4 percent), miscellaneous (0.4 percent), computer and electronic products (0.2 percent), and wood products (0.1 percent). The durable industries that registered decreases in output included primary metals (-1.2 percent), motor vehicles and parts (-1.1 percent), and machinery (-0.3 percent).
- Production of nondurable goods was up -0.1 percent from the previous month. The nondurable manufacturing industries that registered increases in output included petroleum and coal products (1.4 percent), plastics and rubber products (1.3 percent), paper (0.7 percent), textile and product mills (0.4 percent), and food, beverage and tobacco products (0.3 percent). The nondurable industries that registered decreases in output included chemicals (-0.8 percent), and apparel and leather (-0.7 percent). There was no change of production in printing and support.
- Other manufacturing industries (non-NAICS) was down (-0.3 percent).

(Federal Reserve Statistical data from “Industrial Production and Capacity Utilization, G17 (419),” released March 16, 2012; next release is April 17, 2012)

<http://www.federalreserve.gov/releases/g17/Current/g17.pdf>

Manufacturing Capacity Utilization

- In February 2012, manufacturing industries (NAICS based) operated at 77.9 percent of capacity, 0.2 percent above the revised capacity utilization level from previous month, and 0.8 percentage points below their 1972-2011 average of 78.7 percent.
- In February 2012, durable manufacturing, capacity utilization operated at 77.6 percent capacity, up 0.2 points from previous month. Increased capacity utilization was registered in fabricated metal products (1.6 points), electrical equip., appliances, and components (1.4), aerospace and miscellaneous transportation equipment (1.2 points), nonmetallic mineral products (0.9 points), furniture and related products (0.4 points), wood products (0.2 points), and miscellaneous (0.1 points). Decreased capacity utilization was registered in motor vehicles and parts (-0.8 points), primary metals (-0.8 points), computer and electronic products (-0.4 points), and machinery (-0.3 points).
- In February 2012, non-durable manufacturing, capacity utilization operated 78.3 percent capacity, up 0.1 percent from the previous month. Increased capacity utilization was registered in petroleum and coal products (1.1 points), plastics and rubber products (0.9 points), paper (0.7 points), textile and product mills (0.4 points), printing and support (0.1

points), and food, beverage, and tobacco products (0.1 points). Decreased capacity utilization was registered in chemicals (-0.8 points), and apparel and leather (-0.4 points).

- The index for other manufacturing industries (non-NAICS) was down (-0.1 points).

(Federal Reserve Statistical data from “Industrial Production and Capacity Utilization, G17 (419),” released March 16, 2012; next release is April 17, 2012)

<http://www.federalreserve.gov/releases/g17/Current/g17.pdf>

Manufacturing Productivity

- Manufacturing sector productivity was down (-0.1 percent) in the fourth-quarter of 2011, as output increased (4.8 percent) and hours increased (4.9 percent). Productivity was up (0.8 percent) in the durable goods industries and up (0.5 percent) in the nondurable goods industries. Unit labor costs in manufacturing increased (2.0 percent) in the fourth-quarter of 2011, and there was no change over the last four quarters.
- In durable goods industries, productivity was up (0.8 percent) from previous quarter, as output increased (8.5 percent), while hours worked increased (7.6 percent).
- In nondurable goods industries, productivity was up (0.5 percent) from previous quarter, as output increased (1.2 percent), and hours worked increased (0.7 percent).

(BLS/DOL Productivity data from “Productivity and Costs, Fourth-Quarter 2011, Revised,” USDL 12-0401, released March 7, 2012; next release is May 3, 2012)

<http://www.bls.gov/news.release/pdf/prod2.pdf>

Manufacturing Trade

✓ UPDATED

- Manufactured goods exports in February 2012 were 5.09 percent higher than the previous month. Imports were 4.48 percent lower.
- In 2012, U.S. manufactured goods exports accounted for 86.2 percent of all U.S. exports of goods, compared with 83.9 percent a year ago.
- The 2012 trade deficit in manufactured goods of \$68.6 billion was \$1.3 billion more when compared with \$67.3 billion a year ago.

(USA Trade Online, U.S. Census Bureau, released April 12, 2012; Next release is May 10, 2012)

<http://www.usatradeonline.gov/>

Manufactured Goods Shipments

✓ UPDATED

- Shipments of manufactured durable goods in February, down following two consecutive monthly increases, decreased \$0.7 billion or 0.4 percent to \$206.7 billion, unchanged from the previously published decrease. This followed a 0.1 percent January increase.
- In February, shipments increased in machinery (2.3 percent), computers and electronic products (+1.0 percent), primary metals (+0.6 percent), and miscellaneous durable goods (+0.2 percent). However, shipments decreased in wood products (-5.0 percent), transportation equipment (-2.5 percent), furniture and related products (-1.9 percent), electrical equipment, appliances, and components (-1.2 percent), fabricated metal products (-0.4 percent), and nonmetallic mineral products (-0.2 percent).

(Census Bureau/DOC data from “Report on Manufacturers’ Shipments, Inventories and Orders (M3-2(12)-2, CB12-52),” April 3, 2012; next release is May 2, 2012)

<http://www.census.gov/manufacturing/m3/>

Manufactured Goods Prices ✓ UPDATED

- In March 2012, the Producer Price Index (PPI) for finished goods, except foods and energy, increased by 0.3 percent compared to previous month.
- The index for finished energy goods was down (-1.0 percent) from previous month.
- A seasonally adjusted decrease in price from February to March was registered in no. 2 diesel fuel (-6.3 percent), gasoline price (-2.0 percent), home heating oil and distillates (-1.2 percent), and residential electric power (-0.3 percent). An increase in price was registered in liquefied petroleum gas (+6.8 percent), and residential gas (+0.7 percent).

(BLS/DOL data from "Producer Price Indexes, USDL 12-0665," released April 12, 2012; next release is May 11, 2012)

<http://www.bls.gov/news.release/pdf/ppi.pdf>

Institute for Supply Management's (ISM) Index ✓ UPDATED

- Economic activity in the manufacturing sector expanded in March for the 32nd consecutive month, and the overall economy grew for the 34th consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report On Business®.
- Manufacturing continued its growth in March as the PMI registered 53.4 percent, an increase of 1 percentage point when compared to February's reading of 52.4 percent. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.
- The percentage-point changes in the components of the PMI in March were Production, +3.0 points increase to 58.3; Employment, +2.9 points increase to 56.1; Inventories, +0.5 points increase to 50.0; New Orders -0.4 points decrease to 54.5; Supplier Deliveries, -1.0 points decrease to 48.0.

U.S. Industries Reporting Growth in March 2012

- Apparel, Leather & Allied Products
- Nonmetallic Mineral Products
- Primary Metals
- Petroleum & Coal Products
- Paper Products
- Machinery
- Miscellaneous Manufacturing
- Wood Products
- Furniture & Related Products
- Transportation Equipment
- Plastics & Rubber Products
- Food, Beverage & Tobacco Products
- Printing & Related Support Activities
- Fabricated Metal Products
- Electrical Equipment, Appliances & Components

(Institute for Supply Management, data released April 2, 2012; next release is May 1, 2012)

<http://www.ism.ws/ISMReport/MfgROB.cfm?navItemNumber=12942>

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Also available on the Web at:
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