



Manufacturing Industry Is Optimistic for 2012

Most of Minnesota’s manufacturers expect conditions in 2012 to improve or be the same as in 2011. With less than 10 percent of manufacturers expecting production and employment to decrease in 2012, manufacturers appear to be optimistic about the coming year.

A random sample survey of Minnesota manufacturers conducted in November by the Minnesota Department of Employment and Economic Development (DEED) and the Federal Reserve Bank of Minneapolis reports that around half of Minnesota’s manufacturers expect growth in orders and production level in 2012, and slightly less than one-third plan to increase employment.

The Manufacturing Industry in 2011

Many Minnesota manufacturers experienced a better 2011 than 2010. At least half saw growth in orders and production levels and slightly more than one-third hired new employees.

However, employment data in manufacturing for the first half of 2011 indicates a conservative 2.9 percent increase. One respondent noted, “We had to make a lot of cuts, costs have gone up, and we have had a very hard time.”

Profit levels were mixed for manufacturers – although 30 percent experienced increased profits, 40 percent indicated declines. Increased productivity and increased exports for around half of manufacturers point to an upbeat outlook for profit levels.

Slightly more than one-third of manufacturers increased investment in their plant and equipment, while one-quarter reported decreased investment in 2011, similar results to those in 2010. Manufacturers who increased their investments were likely among the 62 percent facing recent improved access to credit. Access to bank credit deteriorated recently for about 10 percent of Minnesota manufacturers, less than half the percentage (23 percent) of a year ago.

Outlook on the Manufacturing Industry

Minnesota manufacturers expect growth over the next year to be similar to 2011 levels, or better.

Around half foresee growth in orders and production levels; the diffusion indices for these indicators are 70 to 71, exceeding the 50 threshold that indicates expansion. While 30 percent anticipate increasing employment, more (62 percent) intend to maintain current levels.

Outlook on Economic Performance for Minnesota’s Manufacturing Industry -- 2011, Compared to 2010



Outlook on Economic Performance for Minnesota’s Manufacturing Industry -- 2012, Compared to 2011

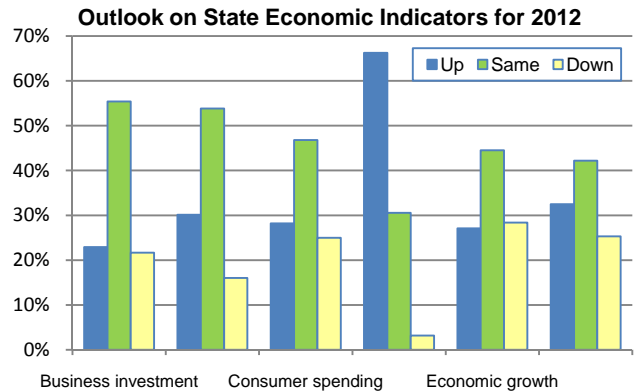


Continued productivity growth is expected by almost one-half of manufacturers. While 41 percent expect profits to rise, 42 percent expect them to be flat. One respondent cautioned, "Prices are very competitive and it's tough to break even on projects." About one-third will increase investment in plant and equipment but about one-half will maintain current levels.

Outlook on the State Economy

Manufacturers in Minnesota are also somewhat optimistic about growth in the state economy over the next year. State diffusion indices in 2012 are above 50 for business investment, employment, economic growth, corporate profits and consumer

spending, suggesting they are all expected to expand. However, manufacturers' optimism is slightly more subdued for the state economy than for their own business.



2011 Minnesota Manufacturing Business Conditions Survey Results

Compared to 2010, in 2011 your location's:	Up	Same	Down	Diffusion Index*, 2011	Diffusion Index*, 2010	
	Number of orders	56%	19%	26%	65	64
Product/service production level	50%	31%	19%	66	65	
Employment level	35%	46%	19%	58	56	
Investment in plant/equipment	34%	41%	25%	54	52	
Prices	36%	49%	14%	61	50	
Profits	30%	31%	40%	45	50	
Productivity	47%	41%	12%	68	66	
Exports	50%	39%	11%	70	56	
	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	3%	37%	30%	25%	2%	3%
Benefits per worker	9%	45%	16%	20%	5%	4%
Compared to 2011, during 2012 you expect your location's:	Up	Same	Down	Diffusion Index*, 2011	Diffusion Index*, 2010	
Number of orders	53%	35%	11%	71	71	
Product/service production level	48%	43%	9%	70	72	
Employment level	30%	62%	8%	61	63	
Investment in plant/equipment	34%	48%	18%	58	58	
Prices	40%	53%	7%	67	62	
Profits	41%	42%	17%	62	59	
Productivity	47%	46%	7%	70	71	
Exports	44%	47%	9%	68	61	
	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	2%	30%	39%	28%	0%	1%
Benefits per worker	5%	46%	28%	13%	6%	2%
What is your outlook on the following state economic indicators during the next year?	Up	Same	Down	Diffusion Index*, 2011	Diffusion Index*, 2010	
Business investment	23%	55%	22%	51	52	
Employment	30%	54%	16%	57	60	
Consumer spending	28%	47%	25%	52	55	
Inflation	66%	31%	3%	82	78	
Economic growth	27%	45%	28%	49	57	
Corporate profits	32%	42%	25%	54	53	
Has your company's access to bank credit deteriorated over the past three months?	Yes, a lot	Yes, some	No change	Improved some	Improved a lot	Not applicable
	6%	4%	12%	56%	6%	15%
In what areas, if any, has the change in access to bank credit affected your firm's future plans? Check all that apply.	Hiring	Capital Expenditures	Expansion	Inventory Levels		
	18%	40%	28%	21%		

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.
 Notes: Based on responses from 191 Minnesota manufacturing businesses, for a response rate of 19.1 percent. The sampling error is plus or minus 7.04 percentage points at the 95 percent confidence level. Percentages may not add to 100 percent due to rounding.
 Prepared by Analysis and Evaluation, Minnesota Department of Employment and Economic Development, December 2011.