



Manufacturing Industries Are Optimistic for 2014

Most Minnesota’s manufacturers expect conditions in 2014 to improve or remain unchanged. With 91 percent of manufacturers expecting production levels to increase or remain constant, manufacturers are 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 half of manufacturers expect increased number of orders while 43 percent anticipate productivity growth.

The Manufacturing Industry in 2013

Minnesota manufacturers experienced mostly improved or unchanged conditions in 2013, compared to 2012.

At least 40 percent of manufacturers experienced growth in number of orders, production, investment and productivity. More than 40 percent reported unchanged employment levels and 53 percent indicated the same price levels as in the previous year. Nonetheless, nearly 40 percent of respondents experienced a decrease in profits.

Economic Performance for Minnesota's Manufacturing Industry -- 2013, Compared to 2012

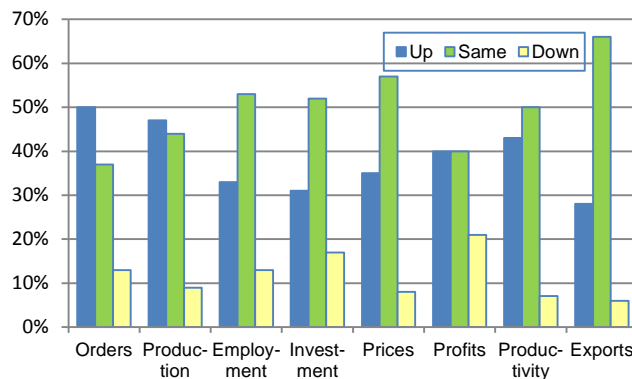


Outlook on the Manufacturing Industry

Manufacturers expect growing or unchanged conditions for the coming year. Close to 90 percent of manufacturers anticipate increased or unchanged number of orders. Production is also expected to have a good year with 91 percent of respondents anticipating growing or constant levels. Diffusion indices for these indicators are 68 and 69, surpassing the 50 threshold indicating expansion. Additionally, at least 50 percent of manufacturers expect unchanged employment, investment and productivity levels. Close to 60 percent anticipate unchanged prices.

Manufacturers with foreign operations expect exports to remain mostly unchanged.

Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2014, Compared to 2013



Outlook on the State Economy

Manufacturers are less clear about the outlook for the state’s economy for the following year than they are about their location. State diffusion indices are below 50 for consumer spending and corporate profits, but both of these indicators increased from last year’s survey. In addition, 54 percent of respondents believe inflation will increase. Nonetheless, more than half of participating manufacturers anticipate employment and economic growth to remain unchanged.

Two new questions inquired about manufacturer's experiences with the Affordable Care Act (ACA). Three-quarters of respondents stated that they have not shifted to more part-time workers in response to the program while one-quarter indicated that they have or will within the next two years. Several manufacturers that indicated they have not shifted to more part-time workers made the comment that they need more information to make a decision. One respondent

stated "Need more info to decide what will have to be done in the future."

When manufacturers were asked about changes in health care benefits as a result of ACA, more than half indicated they increased worker's portion of the cost while 15 percent stated they have been or will be considering dropping health care insurance for workers.

2013 Minnesota Manufacturing Business Conditions Survey Results

Compared to 2012, in 2013 your location's:	Up	Same	Down	Diffusion Index*, 2013	Diffusion Index*, 2012	
	Number of orders	42%	28%	30%	56	59
Product/service production level	41%	37%	22%	60	59	
Employment level	35%	42%	22%	57	53	
Investment in plant/equipment	41%	36%	23%	59	55	
Prices	31%	53%	16%	58	60	
Profits	30%	32%	39%	45	41	
Productivity	40%	50%	9%	65	64	
Exports	25%	55%	20%	53	57	
	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	3%	22%	35%	35%	5%	1%
Benefits per worker	10%	37%	20%	16%	12%	5%
Compared to 2013, during 2014 you expect your location's:	Up	Same	Down	Diffusion Index*, 2013	Diffusion Index*, 2012	
Number of orders	50%	37%	13%	68	62	
Product/service production level	47%	44%	9%	69	62	
Employment level	33%	53%	13%	60	54	
Investment in plant/equipment	31%	52%	17%	57	52	
Prices	35%	57%	8%	63	61	
Profits	40%	40%	21%	59	51	
Productivity	43%	50%	7%	68	68	
Exports	28%	66%	6%	61	58	
	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	3%	19%	38%	37%	2%	1%
Benefits per worker	9%	33%	21%	18%	7%	12%
What is your outlook on the following state economic indicators during the next year?	Up	Same	Down	Diffusion Index*, 2013	Diffusion Index*, 2012	
Business investment	30%	47%	23%	53	41	
Employment	31%	52%	17%	57	45	
Consumer spending	25%	47%	28%	48	45	
Inflation	54%	46%	0%	77	79	
Economic growth	28%	51%	20%	54	42	
Corporate profits	25%	47%	27%	49	36	
Has your company shifted to more part-time workers in response to the Affordable Care Act (ACA)?	<u>Yes, We Have Shifted To More Part-Time Workers</u>		<u>Yes, We Plan To Shift Within 2 Years</u>		<u>No</u>	
	13%		12%		75%	
What changes in health care benefits for employees have been/will be considered as a result of ACA?	<u>Increase Worker Portion of Cost</u>	<u>Decrease Worker Portion of Cost</u>	<u>Drop Health Care Insurance For Workers</u>	<u>Being Offering Health Care Insurance For Workers</u>	<u>Other</u>	
	55%	3%	15%	2%	25%	

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.
Notes: Based on responses from 251 Minnesota manufacturing businesses, for a response rate of 25.1 percent. The sampling error is plus or minus 6.12 percentage points at the 95 percent confidence level. Percentages may not add to 100 percent due to rounding.
Prepared by Economic Analysis Unit, Minnesota Department of Employment and Economic Development, December 2013.