



Minnesota Manufacturers Expect Growth in 2015

Most of Minnesota’s manufacturers expect conditions in 2015 to improve or be the same as in 2014. With less than 10 percent of manufacturers expecting production and employment to decrease in 2015, manufacturers appear to be optimistic about the coming year

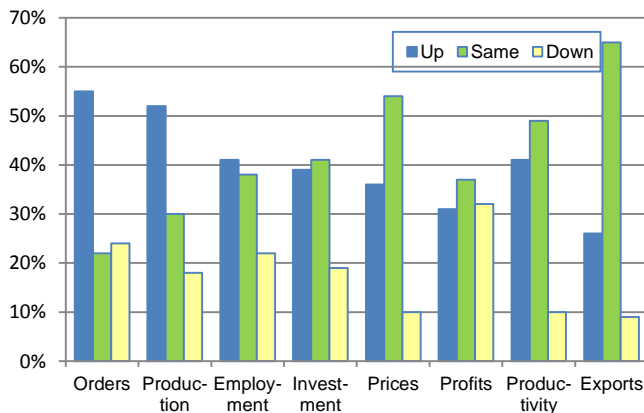
A random sample survey of Minnesota manufacturers conducted in November by the Minnesota Department of Employment and Economic Development (DEED) and the Federal Reserve Bank of Minneapolis reports that at least 52 percent of manufacturers anticipate growing numbers of orders and production levels.

The Manufacturing Industry in 2014

Minnesota manufacturers experienced mostly improved or unchanged conditions in 2014, compared to 2013.

Over 50 percent of manufacturers indicated growth in number of orders and production levels, while more than 40 percent reported increase in employment levels and productivity. Nearly 55 percent experienced unchanged prices.

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

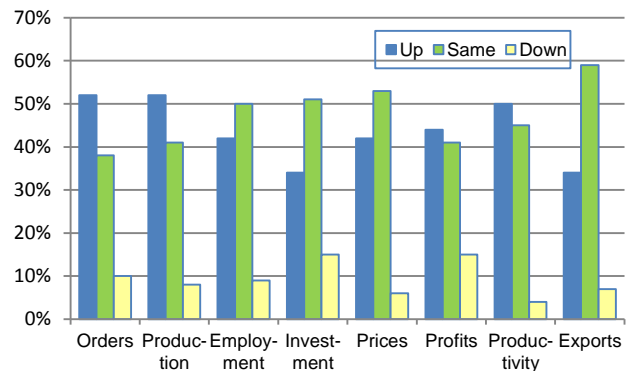


Outlook on the Manufacturing Industry

Manufacturers expect improved or unchanged conditions for the coming year. Only four percent

anticipate lower productivity, while merely eight percent predict a decrease in production levels.

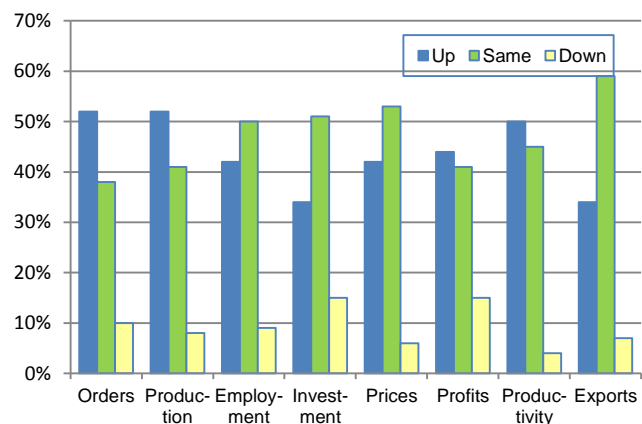
Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2015, Compared to 2014



Outlook on the State Economy

Manufacturers are also optimistic about the outlook for the state’s economy. The diffusion indices for business investments, employment, consumer spending, economic growth and corporate profits are not only over the threshold of 50 suggesting expansion, but are also higher than they were the year before, indicating continuing confidence in the state’s economy. Nonetheless, half of manufacturers expect increased inflation.

Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2015, Compared to 2014



A new question inquired about the effect of oil exploration in North Dakota on Minnesota manufacturing businesses during the last two years. Results revealed minimal impacts. Sixteen percent of Minnesota manufacturers indicated they experienced increased sales, while

only six and five percent experienced increased employment levels and capital expenditures, respectively. Only one percent stated that they had a new location or expansion of an existing facility in North Dakota.

Minnesota 2014 Manufacturing Business Conditions Survey Results

Compared to 2013, in 2014 your location's:	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Diffusion Index*, 2014</u>	<u>Diffusion Index*, 2013</u>	
Number of orders	55%	22%	24%	65	56	
Product/service production level	52%	30%	18%	67	60	
Employment level	41%	38%	22%	60	57	
Investment in plant/equipment	39%	41%	19%	60	59	
Prices	36%	54%	10%	63	58	
Profits	31%	37%	32%	50	45	
Productivity	41%	49%	10%	66	65	
Exports	26%	65%	9%	58	53	
	<u>Decrease</u>	<u>0%</u>	<u>1-2%</u>	<u>3-5%</u>	<u>6-9%</u>	<u>>10%</u>
Wages per worker	1%	17%	39%	38%	3%	2%
Benefits per worker	6%	33%	22%	24%	10%	5%
Compared to 2014, during 2015 you expect your location's:	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Diffusion Index*, 2014</u>	<u>Diffusion Index*, 2013</u>	
Number of orders	52%	38%	10%	71	68	
Product/service production level	52%	41%	8%	72	69	
Employment level	42%	50%	9%	67	60	
Investment in plant/equipment	34%	51%	15%	59	57	
Prices	42%	53%	6%	68	63	
Profits	44%	41%	15%	64	59	
Productivity	50%	45%	4%	73	68	
Exports	34%	59%	7%	63	61	
	<u>Decrease</u>	<u>0%</u>	<u>1-2%</u>	<u>3-5%</u>	<u>6-9%</u>	<u>>10%</u>
Wages per worker	1%	16%	43%	39%	1%	0%
Benefits per worker	5%	33%	27%	24%	6%	5%
What is your outlook on the following state economic indicators during the next year?	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Diffusion Index*, 2014</u>	<u>Diffusion Index*, 2013</u>	
Business investment	32%	50%	17%	58	53	
Employment	41%	50%	10%	66	57	
Consumer spending	32%	55%	13%	59	48	
Inflation	50%	47%	3%	73	77	
Economic growth	36%	47%	16%	60	54	
Corporate profits	32%	47%	21%	55	49	
Has increased oil exploration in ND affected your business in the last two years?	<u>No</u>	<u>Up</u>	<u>Down</u>			
Sales	83%	16%	0%			
Employment Level	90%	6%	4%			
Capital Expenditure	94%	5%	1%			
	<u>No</u>	<u>Yes</u>	<u>Considering</u>			
New location in ND	97%	1%	2%			
Expansion of a ND location	97%	1%	1%			

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.

Notes: Based on responses from 267 Minnesota manufacturing businesses, for a response rate of 26.7 percent. The sampling error is plus or minus 5.9 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 2014.