



Machining

Report: Manufacturing Confidence at All-Time High

Julie Sullivan | Jul 20, 2017

What You Need to Know

Ninety-three percent of manufacturers are positive about the outlook of their company, and 60 percent believe the country is headed in the right direction.

Changes in the market and the most recent election spurred the positivity.

Despite the optimism, manufacturers should note that not all aspects to the industry are flourishing at high rates.

A closely watched quarterly survey shows super-positive sentiment for manufacturing while a key monthly report highlights peaks and valleys in cutting-tool activity—though year-over-year industry tool growth is up 3.5 percent overall.

An impressive 93 percent of manufacturers are overwhelmingly positive about the outlook of their company, according to a recent study from the *National Association of Manufacturers*. Nearly 60 percent of those manufacturers also believe the country in general is on the right track.

In NAM's 20-year history of conducting the study, these numbers are the highest they have ever been. This time last year, only 57 percent of respondents had a positive outlook for the success of their company. By December, nearly 80 percent were optimistic about the nature of their work and growth.

There's no doubt that manufacturers are smiling when it comes to the job, export/import and growth prospects for their individual companies. However, just because times feel good, doesn't necessarily mean they are good. In fact, myriad storylines are brewing beneath the surface that both explain why positivity is spiking, and why it's not necessarily time to pop Champagne bottles just yet.

What Caused the Spike in Positivity?

There's little question that the positive sentiment in manufacturing occurred rapidly. While it's hard to draw a definitive correlation between circumstances and sentiment, there are a few probable reasons.

"Even with some easing from where we were earlier in the year, manufacturers continue to be upbeat

... and that positive sentiment can be attributed to a few things,” explains Chad Moutray, NAM’s chief economist. “The global economy is improving. Additionally, there is a belief that, with the new administration in Washington, tax reform and improved program policies will contribute to growth.”

As the report states, manufacturers believe President Donald Trump and his administration will bring much-needed regulatory relief to their businesses. What’s more, the president plans tax code changes and infrastructure packages.

However, a considerable number of survey respondents (more than one-third) express that they aren’t exactly sure if the country is headed in the right direction (in general, not just in manufacturing). As past NAM surveys have shown, the months following a U.S. election are usually filled with considerable doubt and turmoil, as change can spur discomfort.

Given the new U.S. executive leadership, firms are less cautious about hiring and capital spending, as CEOs and business leaders are predicting growth in their employment and capital investments:

- Forty-six percent of respondents say they will increase their hiring this year, while 42 percent plan to spend more on capital investments.
- Nearly 38 percent of respondents say they will make no changes to their hiring practices, while 39 percent expect their capital investments to remain unchanged.
- Almost 5 percent of respondents say they will hire less in 2017, while 11.7 percent plan to invest less.

“Despite last year being particularly weak for hiring growth, this year, folks are pretty optimistic,” says Moutray. “We are seeing stronger employment data, and whereas last year we saw a decline in capital spending, this year, we’re seeing much improved data on that front.”

Naturally, the months immediately after elections are full of both excitement and slight discomfort. As Moutray and the survey suggest, these numbers will start to level out.

“Once the excitement from this recent election dies down, in order to sustain positive sentiment, we will have to see action,” he says. “But in the meantime, there’s naturally going to be a leveling out on the sentiment in these currently ‘rosy’ surveys.”

“The global economy is improving. Additionally, there is a belief that, with the new administration in Washington, tax reform and improved program policies will contribute to growth.”

Chad Moutray

Chief economist, National Association of Manufacturers

A Decline in Cutting-Tool Consumption

While the NAM quarterly survey is undeniably positive about manufacturing, a monthly *report* (dubbed “The Cutting Tool Market Report” aka CTMR) from the U.S. Cutting Tool Institute and AMT – the Association for Manufacturing Technology, sings a slightly different tune.

According to April’s CTMR, machine shops and other domestic manufacturers consumed 16 percent less than they did in March, and 3 percent less than in April 2016—the first overall decline in consumption since November. The purchase of these tools is often seen as an indicator of U.S. manufacturing health and activity.

Despite the dramatic drop-off, when it comes to the overall picture, consumption isn’t doing so terribly. The report notes that April had four fewer working days than March and that from January through April, consumption totaled \$716.11 million, up 3.5 percent year over year.

"We have seen the cutting-tool market recuperate and gain strength since IMTS 2016 [International Manufacturing Technology Show in September], with the exception of one or two months," Chris Kaiser, CEO of Big Kaiser, said in the *CTMR report*. "If the activity in oil and gas, mining, construction, and agricultural industries continues to improve, I think we could see a continued year-over-year increase in cutting tool consumption."

So, it's not entirely a perfect picture for manufacturers, but positivity is in the air.

"The only concern is whether this trend is sustainable, or will our politicians somehow spoil the party?" Kaiser said.

How do you feel about the state of manufacturing? Tell us your thoughts!

www.mscdirect.com/betterMRO

Copyright ©2024 MSC Industrial Supply Co.