



Moderate Optimism in Manufacturing Industries for 2013

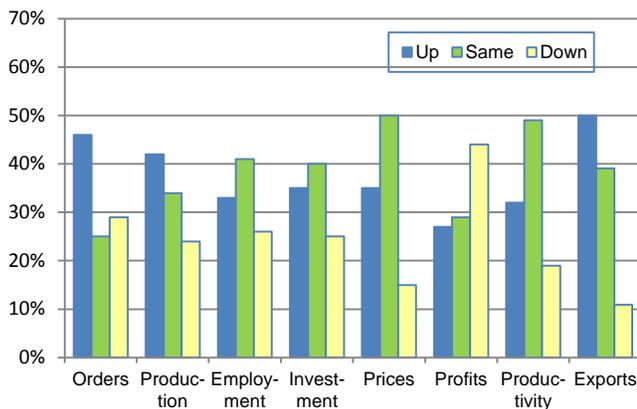
Minnesota manufacturers appear to be moderately optimistic about the coming year, with 85 percent of manufacturers expecting production and employment levels to increase or be the same as in 2012.

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 found that 44 percent of Minnesota's manufacturers expect orders to increase in 2013. About one-quarter anticipate an increase in employment.

The Manufacturing Industry in 2012

Most Minnesota manufacturers experienced improved or unchanged conditions in 2012, compared with 2011. Half of respondents indicated unchanged prices, while 46 percent reported an increase in the number of orders. Nearly half of participants with foreign operations reported unchanged exports, and 47 percent reported the same production levels. However, 44 percent of all respondents indicated a decrease in profits.

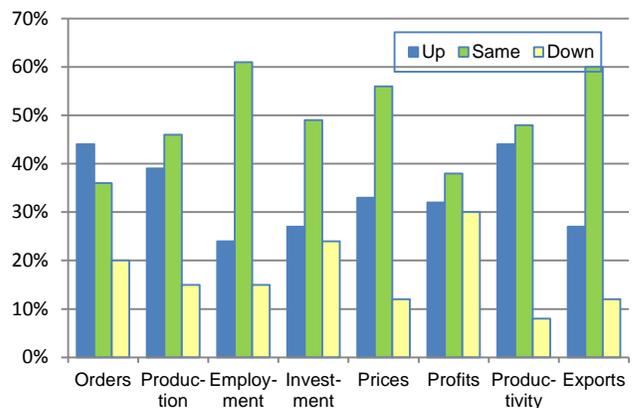
Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2012, Compared to 2011



Outlook on the Manufacturing Industry

Manufacturers are moderately optimistic about 2013. Nearly 40 percent of participants indicated they expect higher production levels, while 44 percent anticipate higher productivity and number of orders. Respondents are less optimistic about employment. About one-quarter anticipate an increase, while 61 percent expect unchanged levels.

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



Outlook on the State Economy

While manufacturers are moderately optimistic about their own industry, they are not as optimistic about the outlook for the state economy over the next year. Most state diffusion indices in 2012 are below 50, suggesting contraction. Sixty percent of respondents believe inflation will increase, while 44 percent expect corporate profits will decline. However, about half of participating manufacturers anticipate employment and economic growth to remain unchanged.

A new question asked participants about plans in 2013 to invest in automation to offset difficulties finding skilled labor. Twenty-two percent replied they will make such investment.

Reshoring Operations

Given the increasing interest in bringing manufacturing operations back to the U.S. from overseas, a newly introduced question inquired about three types of “reshoring” activities in the last year. Results show a modest involvement, with responses ranging between 3 and 6 percent

of participants indicating they were engaged in reshoring. The survey also inquired about plans in the next one to two years. Answers indicate a minor but increasing interest. Nearly 10 percent of participants replied that they plan to engage in these activities, suggesting that although the interest is small, it might slowly grow in the next couple of years.

2012 Minnesota Manufacturing Business Conditions Survey Results

Compared to 2011, in 2012 your location's:	Up	Same	Down	Diffusion		
				Index*, 2012	Index*, 2011	
Number of orders	46%	25%	29%	59	65	
Product/service production level	42%	34%	24%	59	66	
Employment level	33%	41%	26%	53	58	
Investment in plant/equipment	35%	40%	25%	55	54	
Prices	35%	50%	15%	60	61	
Profits	27%	29%	44%	41	45	
Productivity	41%	47%	12%	57	68	
Exports	32%	49%	19%	70	70	
	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	3%	25%	35%	35%	1%	2%
Benefits per worker	6%	49%	17%	19%	5%	4%
Compared to 2012, during 2013 you expect your location's:	Up	Same	Down	Diffusion		
				Index*, 2012	Index*, 2011	
Number of orders	44%	36%	20%	62	71	
Product/service production level	39%	46%	15%	62	70	
Employment level	24%	61%	15%	54	61	
Investment in plant/equipment	27%	49%	24%	52	58	
Prices	33%	56%	12%	61	67	
Profits	32%	38%	30%	51	62	
Productivity	44%	48%	8%	68	70	
Exports	27%	60%	12%	58	68	
	Decrease	0%	1-2%	3-5%	6-9%	>10%
Wages per worker	1%	22%	47%	27%	0%	1%
Benefits per worker	6%	41%	30%	15%	4%	5%
What is your outlook on the following state economic indicators during the next year?	Up	Same	Down	Diffusion		
				Index*, 2012	Index*, 2011	
Business investment	15%	51%	34%	41	51	
Employment	20%	50%	30%	45	57	
Consumer spending	23%	44%	33%	45	52	
Inflation	60%	38%	2%	79	82	
Economic growth	17%	49%	34%	42	49	
Corporate profits	17%	39%	44%	36	54	
In 2013, does your company plan to invest in automation due to difficulties finding skilled labor?	Yes	No	No Applicable			
	22%	66%	12%			
Has your company engaged in “reshoring” in the last year? (Check all that apply)						
Yes, we added production in the U.S. that was previously located in another country:				3%		
Yes, we made purchases from U.S. suppliers that previously came from foreign sources:				5%		
Yes, we have received new production contracts for work previously done by foreign sources:				6%		
No, we have not changed our production or purchasing:				86%		
Does your company plan to engage in any of the above “reshoring” activities in the next 1-2 years?	Yes	No	Not Applicable			
	9%	59%	32%			

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

Notes: Based on responses from 255 Minnesota manufacturing businesses, for a response rate of 25.5 percent. The sampling error is plus or minus 6.05 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 2012.