



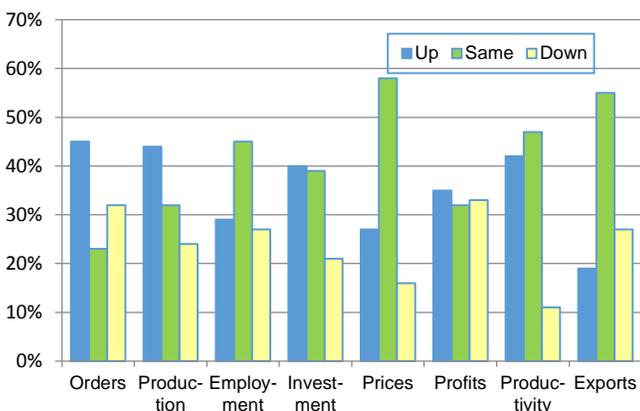
Minnesota Manufacturers Expect Stability in 2016

A random sample survey of Minnesota manufacturers conducted in November by the Minnesota Department of Employment and Economic Development and the Federal Reserve Bank in Minneapolis reports that most Minnesota manufacturers expect stable or improved conditions in 2016. More than 50 percent anticipate unchanged employment and productivity levels while nearly 50 percent expect unchanged investment in plant and equipment.

The Manufacturing Industry in 2015

Minnesota manufacturers reported mostly improved or unchanged conditions in 2015. Forty-five or more of respondents experienced unchanged employment and productivity levels. Nearly 60 percent reported unchanged prices. Around 45 percent of manufacturer reported increased number of orders and production levels. Respondents were almost equally divided between those who experienced increased investment (40 percent) and those who indicated unchanged levels (39 percent).

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



Outlook on the Manufacturing Industry

Generally, responses to this survey have been more cautious about the upcoming year than actual results for the current year. This year, manufacturers are generally more optimistic about 2016 outlook, with every diffusion index for 2016 outlook exceeding diffusion indices for 2015 actuals in the table on page 2. Manufacturers are most optimistic about productivity, with 52 percent expecting unchanged conditions and 43 percent anticipating increased levels. The diffusion index for this indicator is 69, the highest among all economic measures considered in the survey, surpassing the threshold of 50, indicating expansion. Manufacturers are also optimistic about number of orders with 45 percent of respondents expecting increased levels and 39 percent unchanged conditions. The diffusion index for this measure is 65.

Outlook on Economic Performance for Minnesota's Manufacturing Industry -- 2016, Compared to 2015



Outlook on the State Economy

While manufacturers are relatively optimistic about their own companies in 2016, they are slightly less optimistic about the state's economy overall. Many indicators show predominantly stable expectations.

Fifty-eight percent of respondents anticipate unchanged employment while 53 percent expect stable investment. Half of manufacturers expect constant economic growth and consumer spending. Nonetheless, the diffusion index for corporate profits is under 50, indicating contraction. Additionally, more than 50 percent expect increased inflation.

A new question inquired about the impact of recent changes in exchange rates on several business indicators. The large majority of manufacturers indicated no impact, particularly for employment levels (90 percent), capital expenditure (84 percent), and profitability (81 percent). However, nearly one-quarter of respondents indicated a decline in sales.

Minnesota 2015 Manufacturing Business Condition Survey Results¹

Business indicators in 2015, compared to 2014:	Up	Same	Down	Diffusion Index 2015⁽²⁾	Diffusion Index 2014⁽²⁾
Number of orders	45%	23%	32%	57	65
Product/service production level	44%	32%	24%	60	67
Employment level	29%	45%	27%	51	60
Investment in plant/equipment	40%	39%	21%	60	60
Prices	27%	58%	16%	56	63
Profits	35%	32%	33%	51	50
Productivity	42%	47%	11%	66	66
Exports	19%	55%	27%	46	58

Labor indicators in 2015, compared to 2014:	Decrease	0	1-2%	3-5%	6-9%	>10%
Wages per worker	1%	14%	33%	47%	3%	2%
Benefits per worker	2%	33%	22%	22%	13%	6%

Expected business indicators in 2016, compared to 2015:	Up	Same	Down	Diffusion Index 2015⁽²⁾	Diffusion Index 2014⁽²⁾
Number of orders	45%	39%	16%	65	71
Product/service production level	41%	46%	13%	64	72
Employment level	31%	55%	14%	59	67
Investment in plant/equipment	30%	49%	21%	55	59
Prices	31%	60%	9%	61	68
Profits	38%	42%	20%	59	64
Productivity	43%	52%	5%	69	73
Exports	27%	64%	8%	60	63

Expected labor indicators in 2016, compared to 2015:	Decrease	0	1-2%	3-5%	6-9%	>10%
Wages per worker	1%	13%	37%	44%	4%	1%
Benefits per worker	2%	35%	22%	26%	11%	4%

Expected outlook on the following state economic indicators during the next year:	Up	Same	Down	Diffusion Index 2015⁽²⁾	Diffusion Index 2014⁽²⁾
Business Inv.	25%	53%	21%	52	58
Employment	25%	58%	18%	54	66
Consumer spending	22%	50%	28%	47	59
Inflation	51%	48%	2%	75	73
Economic growth	25%	50%	25%	50	60
Corp. profits	24%	46%	30%	47	55

Effect of recent changes in exchange rates on business indicators:	No	Up	Down
Sales	73%	3%	24%
Employment Level	90%	3%	7%
Capital Expenditure	84%	7%	9%
Input Cost	70%	15%	14%
Output prices	70%	15%	14%
Profitability	81%	9%	10%

(1) Based on responses from 229 Minnesota manufacturing businesses, for a response rate of 22.9 percent. The sampling error is plus or minus 6.4 percent at a 95 percent confidence level. Percentages might not add to 100 percent due to rounding.

(2) A diffusion index great than 50 indicates expansion, less than 50 indicates contraction