Summertime... and the Statistics are Easy

Summer is finally here. Well, not technically. According to the calendar, it's still a couple of weeks away. But school's out, baseball's in full swing, and the weather has turned sunny and warm. With this change of seasons seems to have come a change in mood as well. Manufacturers are optimistic.

News reports say their optimism is broad-based and well-founded. Here's a sampling of some of the statistics we've heard recently:

According to the National Association of Manufacturers and the NAM/Industry Week Manufacturing Index, manufacturers' confidence improved in the first quarter of 2010 to the highest level in more than two years. Seventy percent of survey respondents had a positive business outlook.

AMT—The Association for Manufacturing Technology recently reported that first quarter industrial workholding shipments were up 10.7 percent over first quarter 2009. Even more impressive, the association reports that overall manufacturing technology consumption has risen 33.7 percent over the same time period.

NEMA tells us that first quarter shipments of industrial controls grew 11.7 percent compared with first quarter 2009. In addition, NEMA's Electroindustry Business Confidence Index held at 71.7 in April, repeating its level from March. That level reflects the industry's highest confidence since May 2004.

The Institute for Supply Management tells us that economic activity in the manufacturing sector expanded in April for the ninth consecutive month. The institute's Purchasing Managers Index (PMI) hit 60.4 in April, its highest level since June 2004.

According to the U.S. Federal Reserve's May 14 statistical release, U.S. industrial production rose 0.8 percent in April, after having risen 0.2 percent in March.

There's a lot of good news out there. But every silver lining apparently comes with a cloud. We have to keep in mind that just because we're recovering, it doesn't mean we're out of the woods yet. The statistics look good now, but that's because we're comparing our situation today with what it was a year ago, when the manufacturing economy was horrible.

Last week I talked with a major U.S. gear manufacturer. He told me, "Business is great." He mentioned that his new orders had picked up. As a result, he rehired all of the employees he'd been forced to lay off last year, and even added some on top of those. This particular gear manufacturer was extremely optimistic about the future of his business. For the first time in a while, he'd had a very good month, and he said it looked like he had more good months coming up.

I was very enthusiastic and excited for him, right up until he told me his company wasn't quite making money yet. He still had to make up for the deficits from the beginning of the year.

To put things in proper perspective, take a look at our nation's capacity utilization. According to the Federal Reserve, we were at 73.7 percent in April, up 0.6 percent over March, and up 4.5 percent over 2009. Sounds pretty good, right? But when you compare today's capacity utilization with the 80.6 average we maintained over the period from 1972-2009, you'll see that we still have a ways to go.

Like most summers, we'll likely see some storms this year. How severe, or how damaging, no one can tell. Despite the recent manufacturing growth, many of us are keeping an eye on the horizon, watching for the thunderheads that may develop out of the jittery stock market or the European debt crisis.

I don't know whether those storms will pass, or if they hit, how deeply they'll affect manufacturing or the gear industry. But the recent data is encouraging enough that I'm hopeful we'll return to the type of manufacturing activity—and profits—we've seen in the past.

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