$ Buy Now $

Uh, oh. Oil is marching toward $150 a barrel. In May, unemployment made its largest monthly jump in 22 years. The stock market is increasingly volatile. The dollar keeps falling. For many in the United States, economic bad news abounds.

So what should gear manufacturers do? I say go shopping! Buy machine tools. Invest in your company's technology.

What do you mean, it doesn't sound like a great time to go shopping? For a couple of reasons, it's exactly the right time.

Despite the gloomy economic outlook, much of American manufacturing is thriving—especially old-world industries like mining, steel making and even agriculture. Also, thanks to the weakened dollar, companies that export manufactured goods are finding increased demand, especially those that serve the exploding markets in India and China. Caterpillar, for example, has posted record profits four years in a row, and 2008 looks like it will be another good year.

If your company is benefiting from this manufacturing boom, it's probably because you've already made machinery investments.

But even those of you whose outlook is more challenging—those whose fortunes are tied more closely to the American automobile industry, for example—should consider making machinery investments today instead of waiting for better economic times.

No matter how the economy is affecting your company today, there may never be a better time to invest in capital equipment, thanks to Uncle Sam and the Economic Stimulus Act of 2008. While most of us are familiar with the personal income tax rebates authorized by the act, the business incentives may be even more important, especially for manufacturing companies.

For example, the act provides for a 50 percent bonus depreciation on new capital expenditures—including machine tools—purchased and put into service in 2008. That's 50 percent in addition to the 14 percent already allowed by law.

The 2008 act also increases the amount that small businesses can write off for new and used equipment purchases. The expensable amount almost doubled from $128,000 to $250,000 for qualifying equipment purchases up to $800,000—the price at which the allowable expenses begin to phase out. The phase out amount increased from $510,000.

The incentives for capital investments seem to be working. According to the latest figures from the AMT/AMTDA's Machine Tool Consumption Report, machine tool purchases are up almost 20 percent compared with last year. In March, monthly machine tool consumption spiked above $500 million for the first time since 1998.

Ordinarily at this time of year, I'm urging you to make plans to go to IMTS so you can see the latest technology and learn how to improve your company's productivity and capabilities—and I will continue to do so.

Those of you whose business is good probably already know the value of continually investing in the latest technology. It's probably what's been keeping you busy. But if you're suffering now because the industries you serve are suffering, making those investments may provide you with the technology to expand your offering, to branch out to other industries and protect yourself from this type of situation in the future.

But you can't afford to wait until IMTS if you want to take advantage of the incentives our government is currently providing. By September, there will be a mad rush, with everybody trying to make last-minute machine tool purchases at the same time. Your competitors will be throwing money at the machine tool suppliers, begging to get their orders to the front of the line and delivered before the end of the year.

Even if you're not in a position to make decisions about machine tool purchases, you're probably in a position to make recommendations, or you're the one who might benefit most from improved technology. So if you've been asking for new equipment—or if you've been waiting for approval on a requisition already submitted—the current incentives give you an excuse to go knock on the boss's door.

If you are the decision-maker, you need to call your suppliers now and see what they can do for you. Consult your accountant to see how much you could save by buying now instead of in 2009. You'll probably find that you can't afford to wait. These incentives are a gift that could save your company tens or hundreds of thousands of dollars in taxes.

You're in the manufacturing business. Your competitive edge, the quality of your products—your livelihood—depend on continual investment in technology. Why not make that investment when it's most advantageous?

Michael Goldstein,
Publisher & Editor-in-Chief