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2018 Manufacturing Statistics and Results

MANUFACTURING, SCHNEIDER DOWNS
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IBISWorld and the Institute for Supply Management (ISM) provide industry trends and statistics periodically. Shown below are some key statistics for the manufacturing industry for 2018.

The Purchasing Managers Index (PMI) is the composite index for the manufacturing industry compiled by the ISM, and is based on five sub-categories: new orders, production, employment, supplier deliveries and inventories. The PMI index is utilized to help analyze the state of the economy and predict future growth or contraction. The ISM considers a PMI index over 50.0 to indicate that the manufacturing environment is expanding. See below for the PMI for each month in 2018:

Month	PMI	Month	PMI
January	59.1	July	58.1
February	60.8	August	61.3
March	59.3	September	59.8
April	57.3	October	57.7
May	58.7	November	59.3
June	60.2	December	54.1
Average for 12 months – 58.8			
High – 61.3			
Low – 54.1			

IBISWorld notes the following metrics for the industry in its “Manufacturing in the US June 2018” report:

Metric	2018 Value	Annual Change
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Revenue	\$6.2 trillion	5.4%
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Sector Value Added (SVA)*	\$1.4 trillion	4.5%
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Employment	12m employees	3.4%
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Exports	\$1.2 trillion	9%
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Imports	\$2.1 trillion	1.5%
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*Market value of goods and services produced by the sector less the cost of goods and services in production. This can also be described as the sector's contribution to GDP.

The results in the above tables show that the manufacturing industry was expanding throughout 2018. Consumer spending held strong during 2018, as is shown in the increase in gross domestic product (GDP). [The Bureau of Economic Analysis estimates that GDP increased at a rate of 2.6% in Q4 of 2018.](#) Furthermore, the 2018 tax reform decreased the federal tax rate for corporations from 34% to 21%. This tax savings left corporations with additional funds to either invest into the company or improve their bottom line income.

Looking forward to 2019, growth may slow due to labor market limitations, rising interest rates and tariffs. In the December 5, 2018 edition of the Beige Book, a Summary of Commentary on Current Economic Conditions produced by the Federal Reserve District, many of the districts noted that manufacturers had employees who simply quit without notice. This means that as the manufacturing industry tries to keep up with its expansion, it will have to find ways to better retain employees. This will likely come in the form of increased wages and employee benefits. Additionally, recently enacted tariffs on imported goods have caused an increase in costs for American manufacturing companies that use parts made abroad. They will either have to find an American-made alternative or pay the higher costs to import materials. Both the increase in wages and increased costs of production inputs will have an effect on either the bottom line or selling price of the goods as companies decide whether or not to pass along the increased costs. Both of these outcomes could cause a contraction in the industry. The final item noted as a threat to the industry is rising interest rates. Demand for big-ticket manufactured items such as cars tends to go down as interest rates rise. Therefore, manufacturers of both the big-ticket items and the inputs of these items could see decreased sales.

For further information from the Federal Reserve Bank, please use the following link:

<https://www.federalreserve.gov/monetarypolicy/beigebook201812.htm>

For further information on the ISM Report on Business, please use the following link:

<https://www.instituteforsupplymanagement.org/about/MediaRoom/newsreleasedetail.cfm?ItemNumber=31098&SS0=1>

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