

Quarterly U.S. Industrial Outlook: Growth Rebounding

Manufacturers Alliance for Productivity and Innovation

Arlington, VA - A rising tide of positive factors bodes well for a rebound in the manufacturing sector, according to the quarterly Manufacturers Alliance for Productivity and Innovation U.S. Industrial Outlook, a report that analyzes 27 major industries.

Manufacturing industrial production increased at a 1.0 percent annual rate during the third quarter of 2013, but production has rapidly accelerated in the fourth quarter. Inflation-adjusted GDP increased at a 3.6 percent annual rate in the third quarter.

MAPI forecasts that manufacturing production will increase 3.1 percent in 2014, a slight deceleration from the 3.2 percent forecast in the September 2013 report. A solid pickup is likely in 2015, with growth anticipated to be 4.1 percent, unchanged from the previous report.

The December analysis offers a five-year horizon and forecasts that manufacturing production will average 3.2 percent from 2016 to 2018. Manufacturing should outperform GDP growth, which MAPI estimates will be 2.6 percent in 2014 and 3.2 percent in 2015.

“Consumer-driven manufacturing growth will be relatively stable and supported by surprisingly robust employment growth,” said MAPI Chief Economist Daniel J. Meckstroth, Ph.D., author of the analysis. “Business investment-driven manufacturing is responsible for the acceleration in production growth. Companies are well positioned for making new investments in structures and equipment. Firms have low debt, are profitable, and have relatively high utilization rates.

“What has been lacking is more certainty about the future,” Meckstroth added. “With the Eurozone coming out of recession, export activity should pick up and provide a boost to business sentiment. Hopefully, U.S. politicians have learned a lesson and will avoid flirting with disaster again. More certainty will promote investment activity.”

The report offers economic forecasts for 23 of the 27 industries. MAPI anticipates that 22 industries will show gains in 2014; public construction will remain flat. Growth leaders include housing starts with a 25 percent increase, electric lighting equipment with 8 percent, and aerospace products and parts with 7 percent.

The outlook improves even more in 2015, with growth likely in all 23 industries, led by housing starts at 29 percent, followed by electric lighting equipment and aerospace products and parts, each at 12 percent.

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According to the report, non-high-tech manufacturing production (which accounts for 95 percent of the total) is anticipated to increase 3.0 percent in 2014 and 4.0 percent in 2015. High-tech industrial production (computers and electronic products) is projected to expand by 6.8 percent in 2014 and 8.4 percent in 2015.

Eighteen of the 27 industries MAPI monitors are expected to have inflation-adjusted new orders or production at or above the level of 2012 (five more than reported last quarter), while 6 will decline and 3 will remain flat.

Housing starts should show 17 percent growth for 2013 as a whole, while motor vehicles and parts and household appliances will likely grow 7 percent.

Meckstroth reported that 10 industries are in the accelerating growth (recovery) phase of the business cycle; 11 are in the decelerating growth (expansion) phase; 1 (metalworking machinery) is in the accelerating decline (either early recession or mid-recession) phase; and 5 are in the decelerating decline (late recession or very mild recession) phase.

MAPI Forecast for Manufacturing Production (Annual percent change)

	2013	2014	2015	2016-18
Manufacturing	2.1	3.1	4.1	3.2
Computer & Electronic Products	4.4	6.8	8.4	8.9
Non-High-Tech Manufacturing	2.0	3.0	4.0	3.0

Source(s): MAPI

The Manufacturers Alliance for Productivity and Innovation (MAPI), founded in 1933, contributes to the competitiveness of U.S. manufacturing by providing economic research, professional development, and an independent, expert source of manufacturing information - <http://www.mapi.net> [1]

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