

MANUFACTURING INDUSTRY

Industry Overview

The Manufacturing sector in United States consists of more than 300,000 companies and accounts to an annual sales of more than \$4 trillion. Each company concentrates on a particular product even though some companies are involved with various products. The major manufacturers include Ford, GE, Boeing, GM, HP, Merck, DuPont, Cisco, Proctor & Gamble and many more.

SIC CODES:

2000, 2100, 2200, 2300, 2400,
2500, 2600, 2700, 2800, 2900

NAICS CODES:

31, 32, 33



Products, Operations & Technology

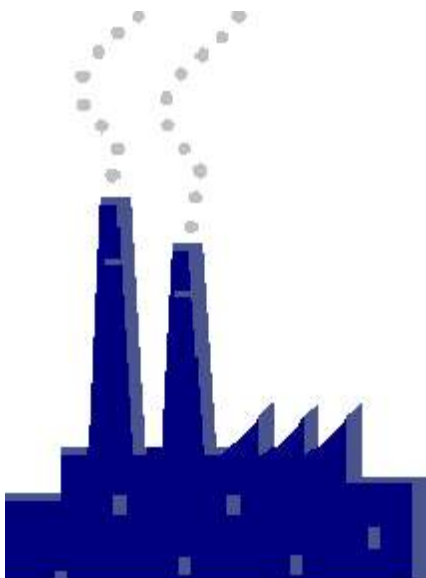
The industry produces major products like computers, electronics, machinery, chemicals, transportation equipment, food and other products made of metal, plastic and paper. The net output of the manufacturing industry accounts to about 16% of the US gross domestic products. Each company working in the manufacturing sector specializes on a particular product or technology. A company producing steel won't be producing other steel products. The advent of high-end technology has completely revolutionized the manufacturing sector and the way the industries work.

Regional and International Issues

The Manufacturing industry is concentrated mainly in the states of Texas, Michigan, New York, California, Ohio, Indiana and Illinois. This is mainly because of the easy access to the raw materials in these regions. United States imports more manufactured goods than it exports as a result of low labor costs in other countries. The major countries from which US imports goods are China, Japan, Canada and Mexico. Canada and Mexico also acts as the largest markets for US exports.

Recent Developments

- Oil prices reduced drastically
- Industrial production decreases
- Outlook for US exports unchanged



Business Challenges

1. Dependent on consumer spending- Production depends entirely on consumer spending and retail sales. The manufacturing industry saw a drop of 7% to 30% due to recession.
2. Large R&D, Capital Investment required- Companies have to make large investments on technology and production equipments to improve the efficiency. US companies spend \$315 billion annually on capital investments and R&D.
3. Competition from low-cost imports- Low-cost imports from China and Mexico have increased steadily and makes it tough for the US manufacturers. The low labor costs in those countries make it easier for them to offer products at lower costs.

4. Changing energy and raw material costs- Volatile energy and other raw material costs makes it difficult to maintain stability.
5. Extensive Regulations- The Government comes up with major regulations to prevent employee abuse, pollution etc. This, in turn increases the burden on the manufacturers.
6. Dependence on major clients- Most of the manufacturing companies are dependent on a few major clients. So the destinies of the companies are directly related with those of the major clients.

Industry Trends

More Technology and Automation

Computers and modern machinery have increased the productivity in the recent years. generally, the industries related with the Manufacturing sector has prospered in the recent years because of the influx of technology.

Leasing and Outsourcing

Many companies have started outsourcing small jobs to third-party to reduce costs and complication. This has increased the efficiency and allowed them to make better use of their existing assets.

Better Training Required

As the technology gets more and more advanced and complicated, it calls for more advanced and comprehensive training programs.

Globalization

Globalization has meant that imports and exports have enhanced exponentially and the producers have to compete in a global market.

Partnerships

The nature and amount of resources and technology required in many industries led to many strategic partnerships with similar outfits. This has led to many mergers also.

New Opportunities

Exports

Some of the biggest US exports come in the shape of electronic parts, computers, aircraft, telecommunication equipments and other high-tech products. Technology is the way to go in the industry.

Improved Logistics

Consumers want more value for money. They look for better solutions from the products they use. Manufacturers must keep this in mind while planning their new products.

Development of Internet

Internet has taken over as the major business to business communication medium. Companies offer their products and services online so that the clients can order them with a mouse-click. All the companies must make sure that they integrate internet applications into their business.

Saving Energy

With energy costs rising and pollution building up, industries must look to find new ways of production to save energy and reduce pollution. A part of the budget must be left aside for this.

WEB LINKS AND ACRONYMS

AFL-CIO

Labor issues.

<http://www.aflcio.org>

Economic Statistics Briefing Room

Latest economic indicators.

<http://www.whitehouse.gov/fsbr/production.html>

Institute for Supply Management

Former National Association of Purchasing Management. Indexes of manufacturers purchasing activity, price activity. Benchmark data for select industries.

<http://www.ism.ws/>

Manufacturing & Technology News

News archive.

<http://www.manufacturingnews.com>

Manufacturing.Net

News, news archive. Stock prices. Good discussion of issues in Automation & Control, Design, Mfg. Processes, Plant Operations, and Supply Chain.

<http://www.manufacturing.net>

National Association of Manufacturers

Policy issues.

<http://www.nam.org>

The Conference Board

Economic information, news, and events.

<http://www.conferenceboard.org>

GLOSSARY OF ACRONYMS

- CB** - Census Bureau
- DOL** - Department of Labor
- DPI** - Disposable personal income
- ISM** - Institute for Supply Management
- IT** - Information technology
- NAM** - National Association of Manufacturers
- NAFTA** - North American Free Trade Agreement
- PCE** - Personal consumption expenditures
- WTO** - World Trade Organization