



Biggest Losers in the Downturn Lead Recovery

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A cliché, by definition, is "a saying, expression, idea, or element which has been overused to the point of losing its original meaning or effect." But the saying "life is not fair" (while often times true) may well be cliché for US manufacturing. The *Manufacturers Alliance/MAPI* released a report last Thursday that analyzes 27 major industries, saying "A recovery in the U.S. domestic manufacturing sector is under way that is stronger than the recovery in the general economy, largely due to industry taking the brunt of the decline in the downturn ..."

The report claims that "Manufacturing industrial production, measured on a quarter-to-quarter basis, grew at nearly a 6 percent annual rate in the fourth quarter of 2009 following healthy 8 percent growth in the third quarter. Production in non-high-tech manufacturing expanded at a 5 percent annual rate in the fourth quarter." And in today's *WSJ*, "according to Sageworks Inc., a research firm in Raleigh, N.C., that collects data on private companies, there are signs that some industries are faring better than others and may see improvements in earnings this year. Manufacturing, trucking and machine-related industries, which experienced sales declines of 20% to 30% in 2009, could make the greatest strides toward economic recovery..." The *WSJ* also quotes "NFIB's [National Association of Independent Business] chief economist Bill Dunkelberg [who says] "stimulus money to the private sector has gone to big construction for government contracts -- many of which have yet to break ground -- and hasn't flowed heavily through the supply chain to the smaller manufacturing firms." Dunkelberg concurs that "this recovery is led by manufacturing and business purchases of equipment." He is also quoted saying "This time, the consumer is not leading the way out."

These findings are encouraging in isolation but also indicate disparity between large and small manufacturing businesses. Lest we forget that fairness plays a negligible roll in economies, "nearly 6 million manufacturing jobs have disappeared since 1998, and manufacturing's share of GDP has fallen by a similar share in that time," according to Robert E. Scott, *Senior International Economist and Director of International Programs, Economic Policy Institute*. Manufacturing may well be leading the pack for now, but significant increases in U.S. employment and consumer spending will need to vie for the checkered flag.