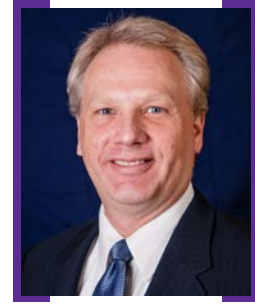


Manufacturing Economy 2019: A Summary



By most measures, and according to most observers, the manufacturing economy continues to hum along. U.S. manufacturing has been in growth mode for several years, although the rate of growth has slowed, and most are predicting that it will continue to slow throughout 2019.

- The February report of the Institute for Supply Management put the PMI (purchasing managers index) at 54.2%, indicating expansion in the manufacturing economy for the 30th consecutive month (compared with 118 consecutive months of expansion for the overall economy). However, this was the lowest PMI reading over the last 12 months. (www.instituteforsupplymanagement.org)
- The Power Transmission Distributors Association's announced that its PTDA Business Index (modeled after the ISM's PMI) registered 57.9 at the end of 2018. This was a downward shift from the third quarter reading of 63.1. The association is also predicting growth in 2019, but at a slower pace (www.ptda.org).
- NEMA's Electroindustry Business Conditions Index (which also follows a similar model to ISM's PMI) has seen a significant uptick in recent months, with the January 2019 result at 53.3 and the February 2019 result at 55.9, after several sub-50 readings at the end of 2018 (www.nema.org).
- The U.S. Federal Reserve reports that industrial production decreased 0.6 percent in January. Manufacturing production (excluding mining and utilities) decreased 0.9 percent in January. Mostly, this was due to a decrease in automotive production (www.federalreserve.gov).

Meanwhile, we're all still trying to figure out the long-term effects of the ongoing trade war. Tariffs on steel and aluminum are helping some, but hurting others. Last year, Ford CEO James Hackett claimed the tariffs would cost the automaker \$1 billion in profits, and Harley-Davidson announced it was moving some production to Thailand to offset increased costs related to the trade war. Retaliatory tariffs are making life difficult for U.S. farmers and food producers.

This is all complicated by the fact that we still face an extreme skilled labor shortage. Most of you could probably expand your business if you had the people in place to take advantage of the opportunities in front of you. But those people are hard to come by.

Everyone knows that the economy runs in cycles. Eventually, the current economic expansion is going to end. A contraction is coming. The only question is when.

So a lot of companies are taking a very cautious, wait-and-see approach. They're holding off on investments, hedging their bets in case the downturn comes sooner than expected.

I watch, read and listen to a lot of prognosticators. Most think 2019 is going to remain okay for the manufacturing economy. There will still be growth, but it's going to continue slowing down, especially in the second half of the year. Nobody knows when the expansion will end. I certainly don't.

But what I do know is that it's never a good idea to hold off on investments that can improve your business. Every issue we bring you examples of how power transmission components are becoming smarter, more efficient and more capable. If you have the opportunity to upgrade your equipment, take advantage of Industry 4.0 and give your employees the chance to transform your business, you shouldn't wait around for someone to tell you the time is right. Nor should you hesitate to train your employees, hire people with new skills or find ways to bring more talent into your organization.

The future isn't going to wait for you. The time is now.