Randy Stott, Managing Editor

Don't Believe the "R" Word

For several months, many economists have been using the "R" word when it comes to manufacturing. They say we've been in a global manufacturing recession since some time in the fourth quarter of last year.

There's no doubt that much of manufacturing has been in a funk. If your business relies heavily on Chinese manufacturing, you probably have some reason for concern. According to a Bloomberg report, China's manufacturing purchasing managers index (PMI) dropped to 49.4 in January — both a three-year low and a level below 50, which indicates contraction. And if your business is tied to energy — particularly oil and gas exploration and extraction — then you're probably even worse off, as the price of oil looks to remain low for some time, and investment in capital equipment has dried up. For more information on that, just read Brian Langenberg's *Global Industrial Outlook* column on page 52.

Oh, and if you're exporting from the USA, don't expect the dollar to suddenly weaken and help you out much, either.

Speaking of the USA, the Institute for Supply Management keeps track of manufacturing statistics. According to the ISM, economic activity in the manufacturing sector contracted for the fourth straight month in January, with the PMI at 48.2%.

NEMA's Electroindustry Business Conditions Index (EBCI) dropped to 44.4 in February from a January reading of 50, as more survey respondents reported that conditions had eroded, rather than improved. The EBCI has been at or above 50 only twice since September 2015.

According to the Motion Control & Motor Association, global shipments for motion control products declined by 3.9% to $2.9 billion in 2015, with the fourth quarter decreasing by 7.3%.

But lately, there have been a few positive signs.

For example, although the February ISM report indicated manufacturing contraction in January, the report also stated that numbers for new orders and production are growing. These are positive signs that, examined independently, sound an awful lot like growth.

The U.S. Commerce Department also released figures in February stating that orders for durable goods rose by 4.9% in January. Also, manufacturing output rose in January, and factory payrolls increased in January by the largest amount since August 2013.

So which numbers are we supposed to believe? I have nothing against economists, but if you put 10 of them in a room and asked them what color the sky is, you'd probably get 10 different answers, ranging from "cerulean" to "sky blue" to "it depends upon the weather."

I don't have the answers, either, but I can offer this observation: Many of the negative numbers, the indices that point toward gloom and doom, and the signals that say we're in a manufacturing recession are based on the opinions and perceptions of survey respondents. Everyone's cautious right now — and for a lot of good reasons. And that caution is exacerbated by the fact that we're in a presidential election year. Nobody wants to make big investments until they have a better idea what they're in for over the next four years.

But at some point, negative opinions and perceptions become a self-fulfilling prophecy. Caution leads to even greater caution, despite the evidence that not everything is as bad as it appears, and in fact, many manufacturing industries are doing just fine.

So my advice to you? Listen to the news if you want to, but expect that over the next several months, you'll continue to receive mixed signals from the economists. We're probably still going to have a bumpy ride for some time. But if you want to know what's really going on, pay close attention to what your customers and suppliers are telling you. They're the ones who are truly closest to you, and they'll have the most direct impact on your business over the coming years.

Randy Stott