

## **Small, Medium-Sized Manufacturers Project Strong Second Half 2012**

Prime Advantage

CHICAGO, September 7, 2012 - Prime Advantage, the leading buying consortium for midsized manufacturers, announced the findings of its tenth semi-annual Group Outlook Survey, revealing financial projections and top concerns of its member companies for the second half of 2012. The majority of surveyed manufacturers report healthy revenue projections, strong hiring, and capital spending plans. However, for a small portion of respondents these plans may see delays due to uncertainty about the results of the federal elections.

### **Study Highlights**

- Forty-eight percent of respondents expect to see their revenues increase from the first half of 2012.
- Overall increase in customer demand was named the primary reason for the revenue growth in 58 percent of responses.
- The cost pressures from raw materials continue to lessen.
- Midsized manufacturing companies expect to increase new hires at a greater rate in the second half of 2012, as compared to the same period in 2011.
- Healthcare costs have become the second highest cost pressure concern for manufacturers.

### **Strong Second Half Projected For Revenues And Capital Spending**

Companies are showing more optimism about revenues for the second half of 2012 as compared to several past periods: 48 percent of respondents expect their revenues to increase in the second half of 2012 as compared to 40 percent in 2H 2011, and 36 percent in 2H 2010. An overall increase in customer demand was named the primary reason for the revenue growth in 58 percent of cases, followed by the introduction of new product lines (32 percent).

Capital spending is also set to increase for one-third of polled companies in the 2H 2012, an upward trend from a year ago, when only one-quarter of respondents budgeted an increase in capital spending.

### **Employment**

Overall, 90 percent of polled companies plan to keep or increase the number of domestic employees, and 39 percent expect to fill open positions in 2012, which are higher rates when compared to the same period a year ago (35 percent). On average, more medium-sized manufacturing companies expect to hire in the second

half of 2012 (39 percent) as compared to the same period in 2011(36 percent).

### **Cost Pressures: Raw Materials Decline, Healthcare Rises**

When asked to indicate the top three cost pressures causing the most concern, respondents most frequently cited the cost of raw materials. However, for the past three surveys, manufacturers have expressed lessening concern about raw material costs, relative to other cost pressures, with only 76 percent of respondents including raw materials in their top three choices this time (down from 81 percent in the 1H '12 Group Outlook survey study and 96 percent in the 1H '11 study).

Yet over the past year, respondents have expressed more intense concern about cost pressure from healthcare benefits. The cost of medical care was voted the second greatest cost concern for manufacturers by nearly 60 percent of respondents. Only a year ago, concerns about healthcare costs were in fourth place.

### **Federal Elections**

Of those who hold an opinion about whether the uncertainty with federal elections will cause a delay to business processes, 29 percent and 33 percent are seeing delays in employment and capital spending, respectively. Similar to [AP-GfK \[1\]](#) polling, we asked respondents about the level of impact the outcome of the Presidential election could have on the economy and unemployment. A majority, 55 percent of respondents, and almost on par with a recent AP-GfK survey (48 percent), believed the impact on the economy would be felt greatly and 43 percent (40 percent in GfK) predicted an impact on unemployment.

“We are looking at a stronger 2012 year-end for midsize manufacturers than a year ago,” said Louise O’Sullivan, founder, president and CEO of Prime Advantage. “Today, while there are clearly mixed sentiments about the economy, more surveyed midsize manufacturers expect increases in revenues, capital investments, and hiring than a year ago - all great indicators of a continued recovery for the manufacturing economy.”

**Methodology:** In August 2012, Prime Advantage surveyed executives and purchasing professionals that represent durable goods manufacturing firms, with annual revenues ranging between \$10 million and \$4 billion, of which the majority ranges between \$20 million and \$500 million. The survey received a 16 percent response rate from 518 top professionals representing U.S.-based manufacturers in more than 25 different industries, including commercial foodservice, packaging, truck and trailer, material handling, food processing, and construction. Prime Advantage has polled its membership for their impressions of current economic conditions on a semi-annual basis since February 2008.

*To request a copy of the Prime Advantage 20122H Group Outlook Survey visit [www.primeadvantage.com/groupoutlook/](http://www.primeadvantage.com/groupoutlook/) [2]. \*Graphics of survey data available upon request.*

*Founded in 1997, Prime Advantage is a buying consortium for manufacturers with*

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*more than 750 Members and more than 125 Endorsed Suppliers. For more information on Prime Advantage, visit the website at [www.primeadvantage.com](http://www.primeadvantage.com) [3].*

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