

Midsize Manufacturers Optimistic, Says Survey

Prime Advantage

Buying group survey indicates optimism is strong as revenues are projected to increase and a record number of manufacturing firms are hiring

CHICAGO - Prime Advantage, a leading buying consortium for midsized manufacturers, announced the findings of its twelfth semi-annual Group Outlook Survey, revealing financial projections and top concerns of its member companies for the rest of 2013. The results show continued optimism about revenues and employment despite concerns about federal regulations and fiscal policy uncertainties.

Summary of findings

- Ninety-seven percent of respondents reported they expect revenues to be better than or equal to the first half of 2013. Forty-two percent anticipate revenue growth will be higher in 2H 2013 than in 1H 2013.
- The level of capital expenditures is expected to increase at 1 out of 3 companies in the second half of 2013.
- Forty-seven percent of companies expect to hire in the next six months and fewer than 3 percent are planning layoffs.
- Concern about upward cost pressure on raw materials has declined sharply from previous periods, (63 percent of respondents expressed concern, down from 90 percent in February 2013).
- The majority of respondents (62 percent) believe fiscal policy uncertainties have had a negative impact on their business and the overall economy.

Strong revenues and stable capital spending for the rest of 2013

Forty-two percent of small and midsize manufacturers anticipate revenues will increase in the second half of 2013. A surge in customer demand (55 percent) and launch of new product lines (48 percent) were most often cited as the reasons for the expected increase.

Capital expenditures are holding strong for U.S. manufacturers, as 1-in-3 companies is planning an increase in capital expenditures in the next six months.

Strong hiring in manufacturing

A record number (47 percent) of small and midsize manufacturers expect to hire in the next six months. This result is the highest level seen in these second half surveys since the start of recession (up from 39 percent in 2012 and 36 percent in 2011). Meanwhile, less than 3 percent of respondents predict layoffs by year-end.

Top concerns: raw materials concern weakens, healthcare cost pressure aggravates

Procurement professionals continue to cite the cost of raw materials as their top area of focus, but to a lesser degree than seen in prior surveys. *Focusing on procurement processes was the second most frequently cited concern, followed by the cost of baseline materials for components, such as oil and gas.*

When asked about which areas of cost pressure respondents are most concerned about, raw materials once again received the most votes, but at the lowest level ever surveyed (63 percent, down from 90 percent in February 2013). Healthcare cost pressures remain a strong concern, as indicated by 61 percent of respondents (up from 57 percent in February 2013 and 58 percent a year ago).

Manufacturers feel pressure from fiscal policy uncertainties

The majority of small and midsized manufacturers (62 percent) felt that fiscal policy uncertainties were negatively impacting their business and the overall economy. Most respondents (58 percent) anticipate the negative impact to continue into the next 12 months.

Legislative and regulatory pressures may halt business growth

Survey respondents identified the top barriers to business growth over the next 12 months: legislative and regulatory pressures (47 percent); oil and energy pricing (39 percent) and lack of qualified workers (32 percent).

As the Conflict Minerals Rule, an SEC regulation that requires companies to disclose whether conflict minerals are used in their products, is about to come in effect in May 2014, 15 percent of respondents are already feeling the impact of this rule on their organization. Another 40 percent of respondents are not yet sure if their company will be affected.

“Our Members continue to experience healthy growth in their businesses, as is evident from their projections for the second half of the year,” said Louise O’Sullivan, founder, president and CEO of Prime Advantage. “We are focused on ensuring not only that Members have the best partners possible from a supply chain perspective, but also in providing tools to minimize supply chain risk and maximize innovation, collaboration, and best practices.

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Methodology: In August 2013, Prime Advantage surveyed 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 490 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 2013 2H Group Outlook Survey visit: www.primeadvantage.com/groupoutlook/ [1]. **Graphics of survey data available upon request.*

In the past 12 years, Prime Advantage has paid more than \$138,000,000 in rebates and discounts to its manufacturing industry Members.

About Prime Advantage

Founded in 1997, Prime Advantage is a buying consortium for manufacturers with more than 750 Members and more than 130 Endorsed Suppliers. For more information on Prime Advantage, visit the website at www.primeadvantage.com [2].

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