

# Manufacturers Providing Outsize Boost To Economy

Christopher S. Rugaber, AP Economics Writer

WASHINGTON (AP) — American factories are humming — and driving the economy forward.

Manufacturers have been hiring more consistently than other employers, for jobs with better-than-average pay. They just had their best month of growth in five years. And more factory output has raised demand in some other industries, such as shipping, leading to further hiring.

"The manufacturing sector is on a tear," said Paul Ashworth, an economist at Capital Economics.

It's an optimistic theme that serves President Barack Obama's political needs. On Wednesday, Obama traveled to Milwaukee to salute a company that brought jobs back to the United States. The president has promoted the nation's manufacturing base as an engine of growth and as evidence of a recovering economy.

No one thinks manufacturing will return to its 1950s peak. After all, the factory sector now makes up barely one-tenth of the economy.

But since the recession ended more than 2½ years ago, factories have been contributing disproportionately to the recovery in hiring and the overall economy.

A big reason, economists say, is that individuals and businesses are making major purchases they delayed during the Great Recession and its aftermath. Consumers are buying more cars and appliances. Companies are investing in industrial machinery and computers.

The release of that pent-up demand gives manufacturing a kick that isn't visible in some other corners of the economy. Manufacturing was hit particularly hard by the recession. Consumers postponed purchases of cars, refrigerators and flat-screen TVs, even as they continued to visit doctors, get haircuts and pay utility bills.

"Manufacturing has punched above its weight, but that's because it was punched in the stomach in the recession," Michael Montgomery, a senior economist at IHS Global Insight, said.

Factory output got off to a robust start this year, and it ended last year with the fastest growth in five years, the Federal Reserve said Wednesday.

Those were the best back-to-back monthly performances since summer 2009, when the recession ended, according to Jonathan Basile, an economist at Credit Suisse.

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Manufacturing is delivering an outsize benefit to the economy in key ways:

### — JOBS:

About 9 percent of the nation's jobs are in manufacturing. But last year, factories added 13 percent of new jobs. And in January, about one-fifth of the 243,000 net jobs the economy created were in manufacturing.

Factory growth has also helped to increase hiring in other industries such as shipping, warehousing, department store sales and auto sales. Railroad operators such as Union Pacific have stepped up hiring as their shipments of cars, machinery and other equipment have climbed.

The hiring has boosted struggling Midwestern states such as Ohio and Michigan, which will likely be battleground states in the presidential election.

George Mokrzan, an economist at Columbus, Ohio-based Huntington Bank, said those two states have added a greater percentage of jobs since the recession ended than the nation as a whole.

### — WAGES:

Average hourly pay for factory workers making durable goods, such as autos, was \$20.15 in January, according to the Labor Department. That's above the average of \$19.37 for the broad service sector, meaning that each new manufacturing job, on average, fuels more consumer spending than does the equivalent new service-sector jobs.

The service sector, which employs roughly 90 percent of the private-sector workforce, includes everything from restaurants and hotels and retailers to financial service firms and construction companies.

### — CONFIDENCE:

As Clint Eastwood's Super Bowl halftime ad for Chrysler ("Our second half is about to begin.") showed, Americans are thought to respond more emotionally to a rebound in manufacturing than in other sectors. The perception that American manufacturing is healthy again could boost confidence in the economy, some analysts say.

Jeffrey Bergstrand, a finance professor at Notre Dame University, calls it "factory nostalgia" but says that it is "economically legitimate."

"It reminds us of the period of the greatest growth we had in the U.S. economy," Bergstrand said. "It's also ... an association with the boom in the middle class, (when) they were all sharing in that economic boom."

Still, economists caution that expanding factories can do only so much to reduce

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unemployment. That's because factories have increasingly relied on automation and other advances to produce more goods with fewer people.

Many economists expect manufacturing to keep growing faster than the broader economy for the rest of the year. It's not clear how long that will continue.

"This is nothing more than the manufacturing sector recovering faster because it got hammered worse," Montgomery said.

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