PwC: Manufacturing Hiring Plans Hit 5-Year High

PwC

U.S. Economy Remains Growth Driver; Moderate Revenue Growth Expected in 2013

NEW YORK — Optimism among U.S. industrial manufacturers [1] regarding the global economic outlook reached the highest level since the first quarter of 2012, according to the Q3 2013 Manufacturing Barometer [2], released today by PwC US [3]. In the third quarter of 2013, 40 percent of respondents expressed optimism regarding the world economy for the next 12 months, up from 31 percent in the prior quarter and 29 percent from the third quarter of 2012.

The primary growth driver remains the U.S. economy, with 60 percent expressing optimism about the domestic outlook. In addition, 78 percent believe the U.S. economy grew in the third quarter, up six points from the prior quarter and representing the highest level since 2006. The outlook for the U.S. continues to contrast with the international picture, where optimism regarding actual revenue contributions in the next 12 months remained low at 30 percent, down two points from the second quarter and off eight points from last year's third quarter.

"The divergence in viewpoints regarding the U.S. and world economic outlooks narrowed somewhat in the third quarter. Optimism regarding the global economy improved, but uncertainty remained prevalent, marked by persistently low expectations regarding the level of international revenue contributions going forward," said Bobby Bono [4], U.S. industrial manufacturing leader, PwC. "Despite the uptick in global economic sentiment, the U.S. remains the growth driver in the industrial manufacturing sector, with continued signs of healthy demand, pricing strength, new product investment and hiring. Overall top line growth expectations remain moderate and management teams are continuing to take a careful approach to capital allocation and cost management, while preserving liquidity."

Reflecting the healthy level of optimism pertaining to the domestic economy, 82 percent of U.S. industrial manufacturers surveyed expect positive revenue growth for their own companies in the next 12 months, with only two percent forecasting negative growth. The projected average revenue growth rate over the next 12 months remained moderate at 4.2 percent, down from 4.6 percent in the second quarter and last year's third quarter. Only seven percent forecast double-digit growth, while 75 percent expect single digit growth.

With regard to capital spending, 48 percent of industrial products manufacturers surveyed plan major new investments of capital during the next 12 months, up eight points from the prior quarter's 40 percent, and on par with a year ago (49 percent). The mean investment as a percentage of total sales was 6.5 percent, higher than the prior quarter's four percent, and representing the highest level in the past nine quarters.

Plans for operational spending also rose. Looking at the next 12 months, 78 percent of respondents plan to increase operational spending, up five points from the second quarter. Leading increased expenditures were new product or service introductions at 55 percent, up 10 points from the second quarter and representing the highest level in the past seven quarters. This was followed by research and development (R&D) (38 percent) and information technology (35 percent). Plans for new joint ventures and strategic alliances also rose, while spending forecasts for M&A [5] and overseas expansion remained low. In fact, the number of respondents indicating the potential to acquire another business was 17 percent, less than half the level of last year's third quarter.

"Management teams are continuing to focus on boosting organic growth, with an emphasis on new product launches and investment in R&D and technology," Bono continued. "This is indicative of the mixed global outlook and overall moderate revenue growth expectations. In an uncertain environment, industrial manufacturers are managing risk and concentrating on strengthening their products and services. They are doubling down on what they do best in a quest to expand market share."

The latest Barometer also showed that hiring plans are on the rise, with expectations reaching the highest level in five years and the second highest quarterly percentage in the past 10 years. The majority, 58 percent of U.S. industrial manufacturers surveyed, plan to add employees to their workforce over the next 12 months, up 16 points from second quarter 2013 estimates. Only three percent plan to reduce the number of full-time equivalent employees, and 39 percent will stay about the same. The most sought-after employees will be skilled labor (35 percent), professionals/technicians (35 percent), and production workers (30 percent).

Despite healthy hiring expectations, the survey identified headwinds in securing qualified workers. Three-fourths (77 percent) of respondents cited a need to fill certain skill gaps over the next 12-24 months, with only 23 percent claiming to have all the right skills needed at present. The biggest skill gaps were in middle management (70 percent) and skilled labor (67 percent). At the same time, half of U.S. industrial product organizations admitted to having open positions that they were unable to fill with skilled employees.

"In a limited job market, it is troublesome that three-fourths of panelists have reported a skill gap, with half of those companies acknowledging difficulty in filling these key positions," Bono commented.

Regarding potential growth barriers over the next 12 months, legislative/regulatory pressures were the most cited at 58 percent. Lack of demand was the second most cited barrier at 45 percent, but it was down from 67 percent a year ago when it was the chief barrier to growth. Competition from foreign markets was also high at 32 percent. Other potential barriers on the rise in the third quarter included lack of qualified workers (22 percent), capital constraints (20 percent) and oil/energy prices (28 percent).

About the Manufacturing Barometer

PwC's Manufacturing Barometer [2] is a quarterly survey based on interviews with 60 senior executives of large, multinational U.S. industrial manufacturing companies about their current business performance, the state of the economy and their expectations for growth over the next 12 months. This survey summarizes the results for Q3 2013 and was conducted from July 1, 2013 to September 30, 2013. To view the complete Manufacturing Barometer report, visit http://www.pwc.com/manufacturing-barometer [2]. For information about other Barometer surveys, including recent economic trend data and topical issues, visit http://www.barometersurveys.com [6].

About PwC's Industrial Products practice

PwC's Industrial Products [7] (IP) practice provides financial, operational, and strategic services to global organizations across the aerospace & defense [8] (A&D), business services [9], chemicals [10], engineering & construction [11] (E&C), forest, paper, & packaging [12] (FPP), industrial manufacturing [1], metals [13], and transportation & logistics [14] (T&L) industries. With more than 31,000 professionals located in over 150 countries, PwC's IP global professionals deliver a wide range of industry-focused tax, assurance, and advisory services to address critical business issues. For more information please visit: www.pwc.com/us/en/industrial-products [15]

About PwC US

PwC US helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms in 157 countries with more than 184,000 people. We're committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com/US [3]. Gain customized access to our insights by downloading our thought leadership app: PwC's 365™ Advancing business thinking every day [16]

Source URL (retrieved on *11/23/2014 - 2:18pm*):
http://www.impomag.com/news/2013/10/pwc-manufacturing-hiring-plans-hit-5-year-high

Links:
[1] http://www.pwc.com/us/en/industrial-products/industrial-manufacturing.jhtml
[2] http://www.pwc.com/manufacturing-barometer
[3] http://www.pwc.com/us/en/index.jhtml
[4] http://www.pwc.com/us/en/industrial-products/leadership/bobby-bono.jhtml
[5] http://www.pwc.com/us/deals
[6] http://www.barometersurveys.com
[7] http://www.pwc.com/us/en/industrial-products/index.jhtml

[8] http://www.pwc.com/us/en/industrial-products/aerospace-defense.jhtml
[9] http://www.pwc.com/us/en/industrial-products/issues.jhtml
[10] http://www.pwc.com/us/en/industrial-products/chemicals.jhtml
[11] http://www.pwc.com/us/en/industrial-products/engineering-construction.jhtml
[12] http://www.pwc.com/us/en/industrial-products/forest-paper-packaging.jhtml
[13] http://www.pwc.com/us/en/industrial-products/metals.jhtml
[14] http://www.pwc.com/us/en/industrial-products/transportation-logistics.jhtml
[15] http://www.pwc.com/us/en/industrial-products
[16] https://itunes.apple.com/us/app/pwcs-365/id689591286?ls=1&mt=8