Glass Half-Full View of the Economy

The final business session of HMA’s 2016 National Conference and Expo was conducted by Dr. Chad Moutray, Chief Economist for the National Association of Manufacturers (NAM). Several times during his presentation, Dr. Moutray referred to himself as a “glass half-full” person. That positive approach helped ease the sting of his good news/bad news economic forecast.

A ‘snapshot’ look at Manufacturing
Moutray forecasts that the economic headwinds that challenged growth in 2015 - appreciation of the U.S. dollar, a staggering/stuttering global economy, the oil/energy pricing slump – will continue to blow in 2016. Manufacturing sectors in distress include energy, primary metals (steel and aluminum) and machinery. Sectors showing growth include auto sales, food, furniture and housing.

From NAM’s most recent Quarterly Outlook Survey of its members, Dr. Moutray reported that:

• 56.6 percent of the respondents were positive, but cautious, regarding their own company’s outlook.
• Manufacturing ‘anxiousness’ is dictating a ‘pulling back’ in terms of hiring and capital spending.
• Respondents cited their top business challenges to be healthcare/insurance costs, an unfavorable business climate (taxes/regulations), and Federal Reserve activity.

Bottom Line for Manufacturing
While this sector is nowhere near where “we’d like it to be,” it is still showing positive numbers, year over year, with positive future expectations.

Employment
In 2015, while employment in the manufacturing sector may have been soft, not so in other economic sectors! Auto and transportation sectors, food manufacturing and food service, construction and chemicals showed employment gains. The December 2015 job postings for manufacturers were at an all-time high. And according to Moutray, that is a sign that manufacturers are working to have a pipeline of employees ready for when conditions improve.

Looking Ahead
For 2016, Dr. Moutray forecasts that the economy will grow “roughly two percent.”
On the **challenges** side of his economic equation are several of the headwinds discussed previously – the stuttering **global economy**, especially the struggling economies of our key trading partners, Canada, Mexico, China, and Brazil, and the **U.S. dollar**. Adding to the economic drag is the trepidation being felt by cautious American consumers and anxious, small business owners/leaders, reluctant to lavishly spend.

On the **strengths** side of the equation, some bright spots! Expect continued **growth** in auto and transportation sales; slow but steady progress in the housing sector, (January 2016 showed an increase in housing permits, a measure of future activity.); an increase in manufacturing production; modest inflation.