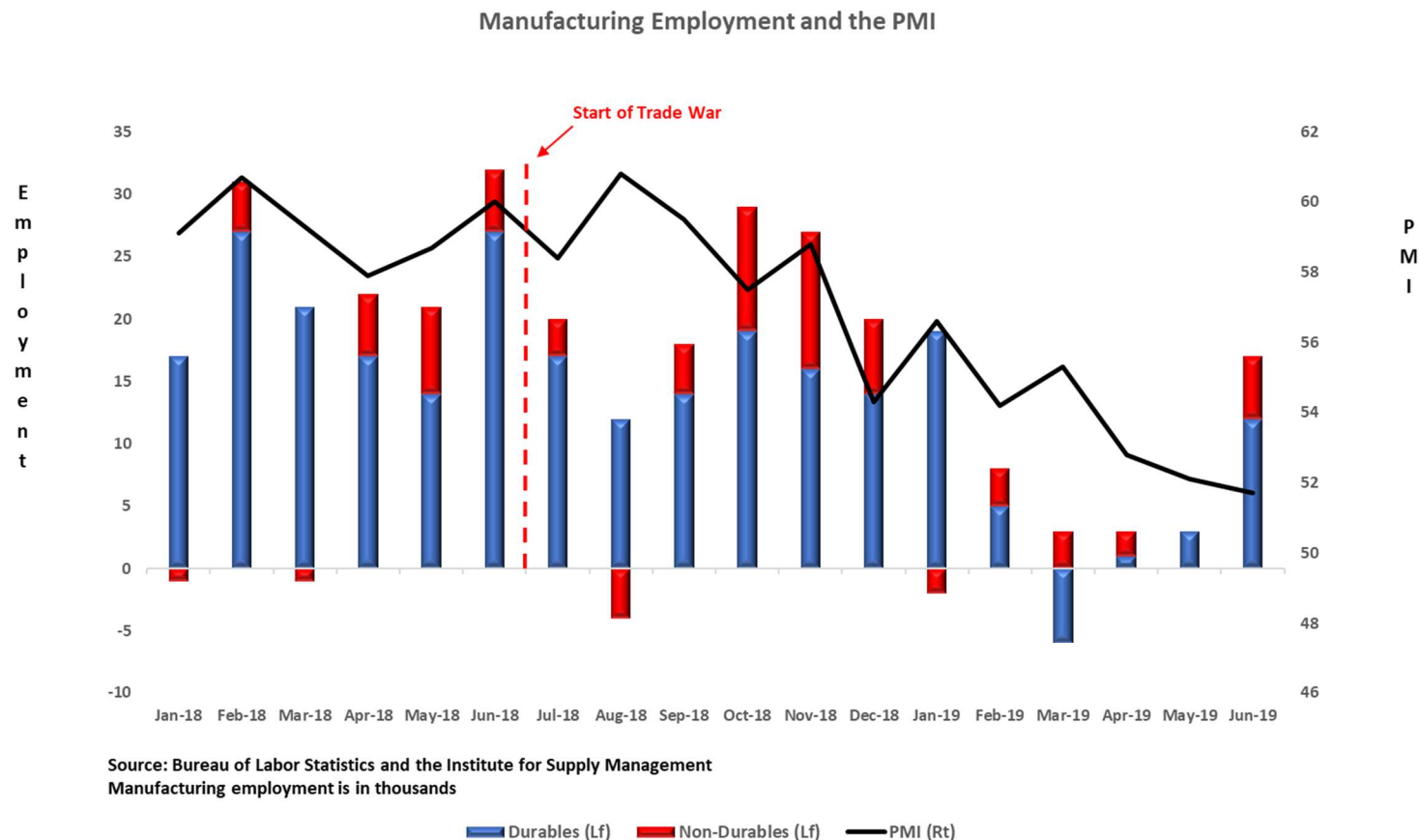


Though we are currently experiencing the longest recorded economic expansion, it is time to ask the question: “Should we be concerned about manufacturing?” It is possible that being in the later stage of the economic cycle, along with the trade war, are starting to negatively affect the US manufacturing sector. We examined a few metrics in six-months intervals to illustrate how the manufacturing sector has been progressing since January 2018.



Six months before the trade war (January 2018 to June 2018)

- **Manufacturing Employment:** The manufacturing sector averaged monthly job growth of 23,700 positions over the period. This is compared to job growth of 11,000 positions per month through the same period in 2017. Durables employment accounted for the lion's share at 20,500 jobs per month in the 2018 time period.
- **PMI:** The PMI was on solid ground in the January 2018 to June 2018 timeframe. The metric averaged 59.3 during this time period, peaking at 60.7 in February 2018. By comparison, the PMI averaged 56.3 a year earlier (January 2017 to June 2017), peaking at 57.6 during that period.
- **Industrial Production:** The industrial production index for manufacturing averaged 105.2 during the first six months of 2018. During this period, the index peaked at 105.9 in June 2018. This is compared to an average of 103.4 during the same period in 2017.

Six months following the trade war (July 2018 to December 2018)

- **Manufacturing Employment:** The sector averaged monthly employment growth of 20,300 positions over the period. This is compared to nearly identical job growth of 20,800 positions per month through the same period in 2017. Note that manufacturing employment growth slowed by 3,400 jobs per month compared to the six months before the trade war.
- **PMI:** The PMI lost positive traction in the second half of the July 2018 to December 2018 timeframe. The metric averaged 58.2 during this time period, peaking at 60.8 in August 2018. By comparison, the PMI averaged 58.8 during the same period a year earlier. Interestingly, after the August 2018 peak, the PMI trended downward to reach 54.3 in December 2018.
- **Industrial Production:** The industrial production index for manufacturing averaged 106.8 during the July to December 2018 timeframe. This is compared to 103.6 during the same period in 2017. During the July to December 2018 period, the index peaked at 107.5 in December 2018.

Most Recent Six Months (January 2019 to June 2019)

- **Manufacturing Employment:** The sector averaged monthly employment growth of 7,500 positions over the period. This is compared to job growth of 23,700 positions per month through the same period in 2018. Durables employment declined by 72.4% year-over-year during this period. Nondurables employment fell by 42.1% Y/Y.
- **PMI:** The PMI continued its downward trend in the January 2019 to June 2019 timeframe. The metric averaged 53.8 during this time period, peaking at 56.6 in January 2019. By comparison, the PMI averaged 59.3 during the same

period a year earlier. Moreover, the June 2019 PMI came in at 51.7. This is the lowest PMI since September 2016 and inches the sector closer to a contraction.

- **Industrial Production:** The industrial production index for manufacturing averaged 106.2 during the January to May 2019 timeframe (data for June 2019 is not yet available). This is compared to 105.2 during the same period in 2017. Though the 2019 YTD industrial production average is above the year-ago average, it should be noted that the metric has declined by 90 basis points from January 2019 to May 2019.

Though we do not feel that the manufacturing sector (or overall economy, for that matter) is currently experiencing a recession, we do believe that the manufacturing sector is in a tenuous position. We anticipate continued softening of the sector, with nondurables manufacturing employment struggling considerably. We expect the manufacturing sector to begin a sustained contraction in 2020. A resolution to the trade war would help give manufacturers more confidence in the outlook of the sector. However, a trade war resolution alone would likely not be enough to buoy the sector.

About Thompson Consulting and Analytics, LLC

Thompson Consulting and Analytics, LLC (TCA) is an economic consulting firm that operates with client success in mind. We are experienced at performing economic impact analysis, econometric forecasts, and economic research studies. In addition, we offer predictive analytics, site feasibility studies, white papers/industry analysis, and other economic consulting services. Our extensive background in regional economics and commercial real estate research has provided private and public sector clients with valuable results and actionable insights.