



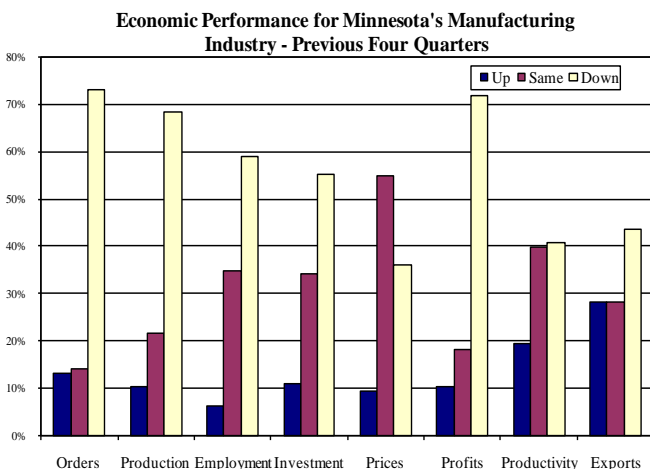
Minnesota Manufacturers Cautiously Optimistic for 2010; 2009 Performance Worse Than Expected

Minnesota’s manufacturers report their industry declined more than expected in 2009. The respondents paint a bleak picture with declines in orders, profits, and employment – and are uncertain about what 2010 holds.

A random sample survey of Minnesota manufacturers conducted in November by the Minnesota Department of Employment and Economic Development (DEED) and the Federal Reserve Bank of Minneapolis reports that almost three quarters of Minnesota’s manufacturers experienced declining orders and profits in 2009. The outlook for 2010 is uncertain but mixed with slight signs of optimism.

The Manufacturing Industry in 2009

The economic performance of Minnesota manufacturers was worse than anticipated in 2009. Declines in orders and profits impacted 73 and 72 percent of respondents respectively. A portion of those respondents did not foresee the declines - 41 and 45 percent had responded they expected declines when questioned by this survey last year.

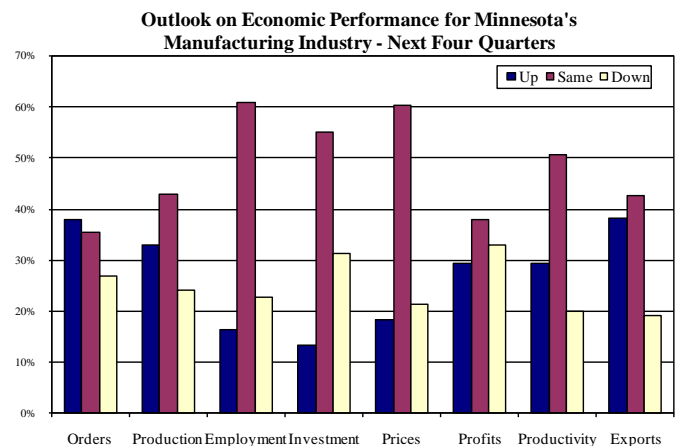


As a result, employment levels declined more than expected. About 59 percent report that they reduced employment in 2009, compared to the 33 percent that foresaw employment reductions last year.

Additionally, about 30 percent of Minnesota manufacturers indicated their access to bank credit had deteriorated in 2009 - an increase from the 18 percent that reported deteriorated access last year. That deterioration is likely to impact their capital expenditures, inventory levels, and expansion plans.

Outlook on the Manufacturing Industry

The past year has made Minnesota manufacturers guarded, and respondents are mixed in their views on the coming year. They lean slightly optimistic concerning orders, production levels



and productivity – all have diffusion indices above 50, suggesting expansion - but profits are uncertain and lean toward contraction. Employment is expected to be stable for 61

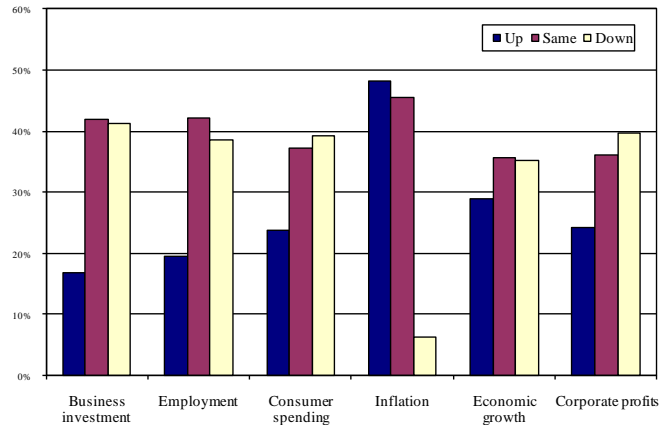
percent of respondents, with 23 percent expecting declines.

This cautious optimism may reflect the recent slight uptick in manufacturing activity across the nation reported by the Institute for Supply Management.

Outlook on the State Economy

Manufacturers in Minnesota are less confident concerning growth in the state economy over the next year – the diffusion indices are below 50, suggesting declines. However, they are less pessimistic than a year ago when diffusion indices were in the teens.

Outlook on State Economic Indicators - Next Four Quarters



Minnesota 2009 Manufacturing Business Conditions Survey Results

Compared to 2008, in 2009 your location's:				Diffusion	Diffusion		
	Up	Same	Down	Index* 2009	Index* 2008		
Number of orders	13%	14%	73%	20	42		
Product/service production level	10%	21%	68%	21	46		
Employment level	6%	35%	59%	24	45		
Investment in plant/equipment	11%	34%	55%	28	45		
Prices	9%	55%	36%	37	68		
Profits	10%	18%	72%	19	32		
Productivity	19%	40%	41%	39	52		
Exports	28%	28%	44%	42	59		
	Decrease	0%	1-2%	3-5%	6-9%	>10%	
Wages per worker	16%	51%	12%	12%	1%	9%	
Benefits per worker	16%	58%	7%	9%	2%	8%	
Compared to 2009, during 2010 you expect your location's:				Diffusion	Diffusion		
	Up	Same	Down	Index* 2009	Index* 2008		
Number of orders	38%	35%	27%	55	40		
Product/service production level	33%	43%	24%	55	41		
Employment level	16%	61%	23%	47	40		
Investment in plant/equipment	13%	55%	31%	41	36		
Prices	18%	60%	21%	49	59		
Profits	29%	38%	33%	48	38		
Productivity	29%	51%	20%	55	51		
Exports	38%	43%	19%	60	50		
	Decrease	0%	1-2%	3-5%	6-9%	>10%	
Wages per worker	5%	51%	22%	18%	1%	4%	
Benefits per worker	5%	67%	13%	9%	1%	5%	
What is your outlook on the following state economic indicators during the next year:				Diffusion	Diffusion		
	Up	Same	Down	Index* 2009	Index* 2008		
Business investment	17%	42%	41%	38	16		
Employment	19%	42%	38%	41	19		
Consumer spending	24%	37%	39%	42	11		
Inflation	48%	46%	6%	71	73		
Economic growth	29%	36%	35%	47	17		
Corporate profits	24%	36%	40%	42	14		
Has your company's access to bank credit deteriorated over the past three months?	Yes, a lot	Yes, some	No change	Improved, a lot	Improved, some	Not applicable	
	12%	18%	54%	1%	1%	14%	
In what areas, if any, has tighter credit affected your firm's future plans? (check all that apply)	Hiring	Capital Expenditures	Expansion	Inventory Levels			
	19%	32%	24%	25%			

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.

Notes: Based on responses from 209 Minnesota manufacturing businesses, for a response rate of 20.9 percent. The sampling error is plus or minus 6.7 percentage points at the 95 percent confidence level. Percentages may not add to 100 percent due to rounding.

Prepared by Analysis and Evaluation, Minnesota Department of Employment and Economic Development, December 2009.