



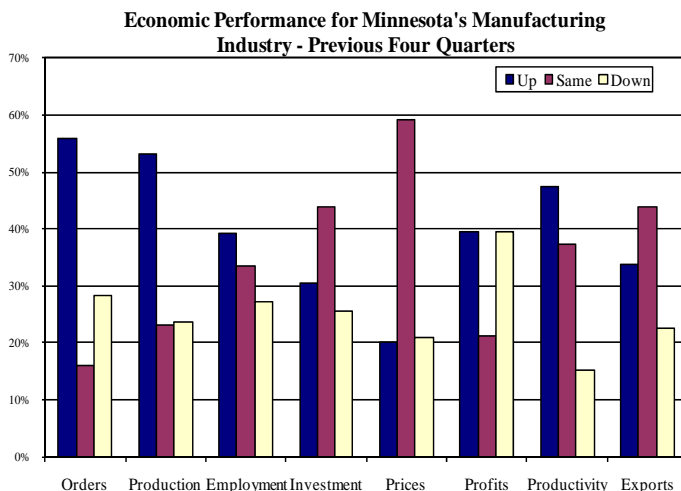
Manufacturing Industry Expects Growth for 2011

Minnesota’s manufacturers expect growth in 2011 and performed better than expected in 2010. Their responses indicate growth at levels not seen since 2007 and bode well for the coming year. The uncertainty that has clouded the past two years is likely dissipating.

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 over half of Minnesota’s manufacturers expect growth in orders and production level in 2011, and over a third plan to increase employment.

The Manufacturing Industry in 2010

Minnesota manufacturers experienced a much better 2010 compared to 2009. Over half saw growth in orders and production levels and over a third hired new employees. However, early 2010 employment data for the industry indicates a conservative 2.5 percent increase. Hiring was likely in small numbers. As one respondent noted, “even though our business is up, it is still very down from 2008”.

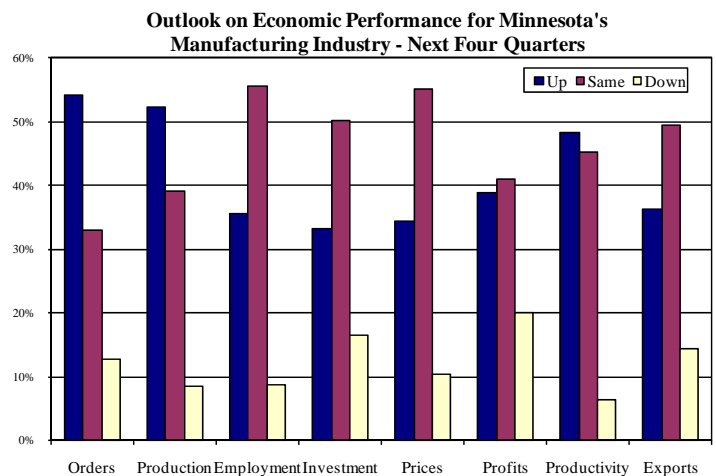


Profit levels were mixed for manufacturers - a healthy 39 percent experienced increased profits as productivity grew, but an equal 39 percent indicated declines.

About 31 percent of manufacturers increased investment in their plant and equipment. They are likely respondents among the 76 percent not subject to credit constraints. Access to bank credit deteriorated for about 23 percent of Minnesota manufacturers in 2010, only slightly less than those that reported deteriorated access a year ago. This may have impacted the 26 percent that indicated decreased investment in 2010.

Outlook on the Manufacturing Industry

Minnesota manufacturers expect growth over the next year similar to 2010 levels, or better. Over half foresee growth in orders and production levels, and the diffusion indices for these indicators exceed 70, far above the 50 needed to indicate expansion.



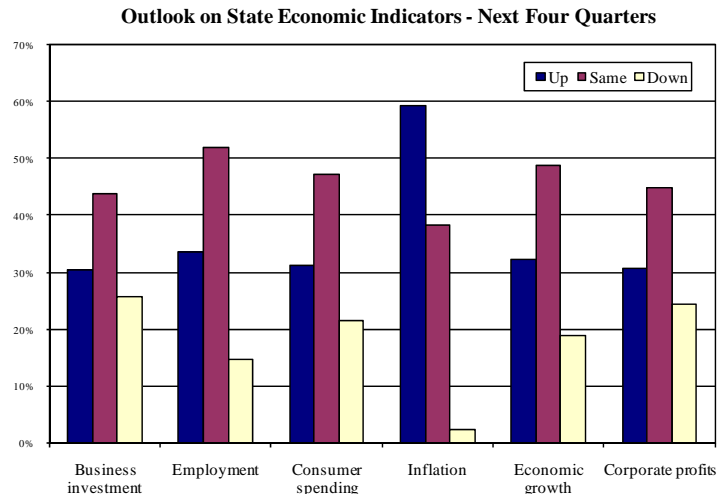
About 36 percent will increase employment, just slightly more than the past year, and another 56 percent will keep employment at current levels.

Productivity is expected to continue growing, as will profits. About a third will increase investment in plant and equipment but half will

make do with what they have for the time being and stay at current levels. Small signs of uncertainty remain, as one respondent cautioned that “much of the recent rebound is due to inventory replenishment, not sustainable growth”.

Outlook on the State Economy

Manufacturers in Minnesota are also optimistic concerning growth in the state economy over the next year. The diffusion indices are all above 50 for future business investment, employment, corporate profits and consumer spending, suggesting they are all expected to expand.



Minnesota 2010 Manufacturing Business Conditions Survey Results

Compared to 2009, in 2010 your location's:	Up	Same	Down	Diffusion Index* 2010	Diffusion Index* 2009	
	Number of orders	56%	16%	28%	64	20
Product/service production level	53%	23%	24%	65	21	
Employment level	39%	34%	27%	56	24	
Investment in plant/equipment	31%	44%	26%	52	28	
Prices	20%	59%	21%	50	37	
Profits	39%	21%	39%	50	19	
Productivity	47%	37%	15%	66	39	
Exports	34%	44%	22%	56	42	
	Decrease	0%	1-2%	3-5%	6-9%	≥10%
Wages per worker	7%	38%	27%	26%	0%	1%
Benefits per worker	12%	46%	10%	20%	8%	3%
Compared to 2010, during 2011 you expect your location's:	Up	Same	Down	Diffusion Index* 2010	Diffusion Index* 2009	
Number of orders	54%	33%	13%	71	55	
Product/service production level	52%	39%	8%	72	55	
Employment level	36%	56%	9%	63	47	
Investment in plant/equipment	33%	50%	16%	58	41	
Prices	34%	55%	10%	62	49	
Profits	39%	41%	20%	59	48	
Productivity	48%	45%	6%	71	55	
Exports	36%	49%	14%	61	60	
	Decrease	0%	1-2%	3-5%	6-9%	≥10%
Wages per worker	3%	25%	41%	28%	2%	1%
Benefits per worker	4%	43%	18%	22%	6%	6%
What is your outlook on the following state economic indicators during the next year:	Up	Same	Down	Diffusion Index* 2010	Diffusion Index* 2009	
Business investment	30%	44%	26%	52	38	
Employment	34%	52%	15%	60	41	
Consumer spending	31%	47%	22%	55	42	
Inflation	59%	38%	2%	78	71	
Economic growth	32%	49%	19%	57	47	
Corporate profits	31%	45%	24%	53	42	
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
	6%	17%	56%	2%	7%	11%
In what areas, if any, has the change in access to bank credit affected your firm's future plans? (check all that apply)	Hiring	Capital Expenditures	Expansion	Inventory Levels		
	63%	90%	64%	73%		

*A diffusion index greater than 50 indicates expansion, less than 50 indicates contraction.
 Notes: Based on responses from 254 Minnesota manufacturing businesses, for a response rate of 25.4 percent. The sampling error is plus or minus 6.09 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 2010.

However, manufacturers are significantly more optimistic than they are about their own outlook.