

ChapmanBlack Insights

Industrial Industry Insights



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The Global Manufacturing Industry

Despite last years promising industrial recovery, with a moderate growth in production and employment, the manufacturing sector entered 2012 with maintained industry decline.

Reported falls in the volumes of new orders, production and output, statistics within the Q1 and the Q2 indicated a lateral contraction across the width of the industry with some moderate but promising growth seen at the start of the Q3.

The PMI index increased to 49.2 which rose for the second consecutive month from the end of Q2 in September to the Q3, the highest reading during the current five month period of contraction¹, which remaining well below the neutral 50.0 index reflected persistent rates of contraction albeit at a slower rate than previous months; and thus is indicative of gains to industry even though and at a decreasing rate. This was with the exception of Western European manufacturers who averaged a fall in the PMI index indicative of an increasing rate of contraction within their market.

This can be accredited to 2009's hit to industry resulting from the European and US debt crisis of 2008, which hiked up uncertainty, market volatility and the persistence of inflationary price spikes in both products and raw materials compounding on the decline seen in production in advanced markets.

Pacific Asia suffered the shock of the Fukushima tsunami in Japan in 2011 from which their manufacturing was still in recovery from in 2012, and economic activity cooling in China establishing a sense of malaise and some stagnation within the Pacific Asian markets.

Emerging markets have been proving to be industry up and comers, with growth signalled for Brazil, India, Taiwan and Indonesia. However therein laid the problem of potential market uncertainty as the growth of many an emerging market is tied to the 'rich world' and thus are susceptible to rich world problems.

¹ JPMorgan Global Manufacturing PMI™ – a composite index produced by JPMorgan and Markit in association with ISM and IFPSM **published on 2nd November 2012 source Q4 outlook projections**