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Weathering a Manufacturing Recession?

As credit dries up and the financial crisis intensifies, entire industries are now reaching out in hopes of receiving emergency bailout funds to help them stay afloat. Hardly any industries are impervious to the worsening recession. Manufacturing in particular has already taken a hit in countries like the United States, the United Kingdom and China – and things are likely to get worse before they get better.

With widespread job losses and tightening credit, consumers are purchasing less across the board. Coupled with rising energy costs and commodity prices, manufacturing companies large and small are feeling the pinch and fighting to remain competitive. In the United States 793,000 manufacturing jobs were shed in 2008 alone, with other countries posting similarly alarming numbers. Even China's vast manufacturing sector contracted at a record pace and slashed jobs for the 5h consecutive month in December. In cases like China where the manufacturing sector makes up a large percentage of the country's entire economy, there is a lot of work to be done.

New orders, production, employment, supplier deliveries, manufacturer and customer inventories, prices, order backlog, new exports, and imports are among the key variables that track the health of the manufacturing sector. In the past few months, purchasing managers from around the world have reported declines in most if not all of these indicators.

Despite the doom and gloom presented by economic figures, the recession does provide important opportunities for manufacturing companies to emerge from the downturn stronger and more profitable than before. Manufacturing companies that are too quick to give into kneejerk assessments run the risk of cutting production capacity, workforce, and marketing efforts unnecessarily. Downsizing may be considered "playing it safe" in uncertain times, but when the economy inevitably recovers many companies will find themselves in a weak position that could have been avoided.

The most successful manufacturing companies weather economic storms by staying committed to long-term growth. Concentrating on the big picture means enduring discomfort during difficult times and resisting the urge to focus solely short-term safety. Manufacturers who plan for the future after the downturn create advantages at a time when competitors are staying stagnant. Good business sense obviously applies to all decisions made during a period of poor economic growth, but the lesson to be learned is that playing it too safe can be just as bad as being too risky.

The natural ebb and flow of the economic cycle predicts an eventual rebound for all industries, including manufacturing. When the credit crisis begins to dissolve companies can start hiring new employees. As jobs proliferate, consumer confidence rebounds in proportion. When consumers are happy and spending once more, manufacturing companies can return to business as usual. The manufacturing companies that understand this natural process from the very start are the ones best suited for success when the economic pendulum inevitably swings.

Sources

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