

M E E T   N G  
S   R E E T

# ENTERPRISE MINNESOTA'S 2020 STATE OF MANUFACTURING®



KEY FINDINGS FROM A MARCH 2 – 23, 2020  
SURVEY OF 400 MINNESOTA MANUFACTURING EXECUTIVES

# WE WOULD LIKE TO THANK OUR PLATINUM SPONSORS



# METHODOLOGY

On behalf of Enterprise Minnesota, Meeting Street Insights is pleased to present the key findings from the 12<sup>th</sup> annual survey of manufacturing executives in Minnesota.

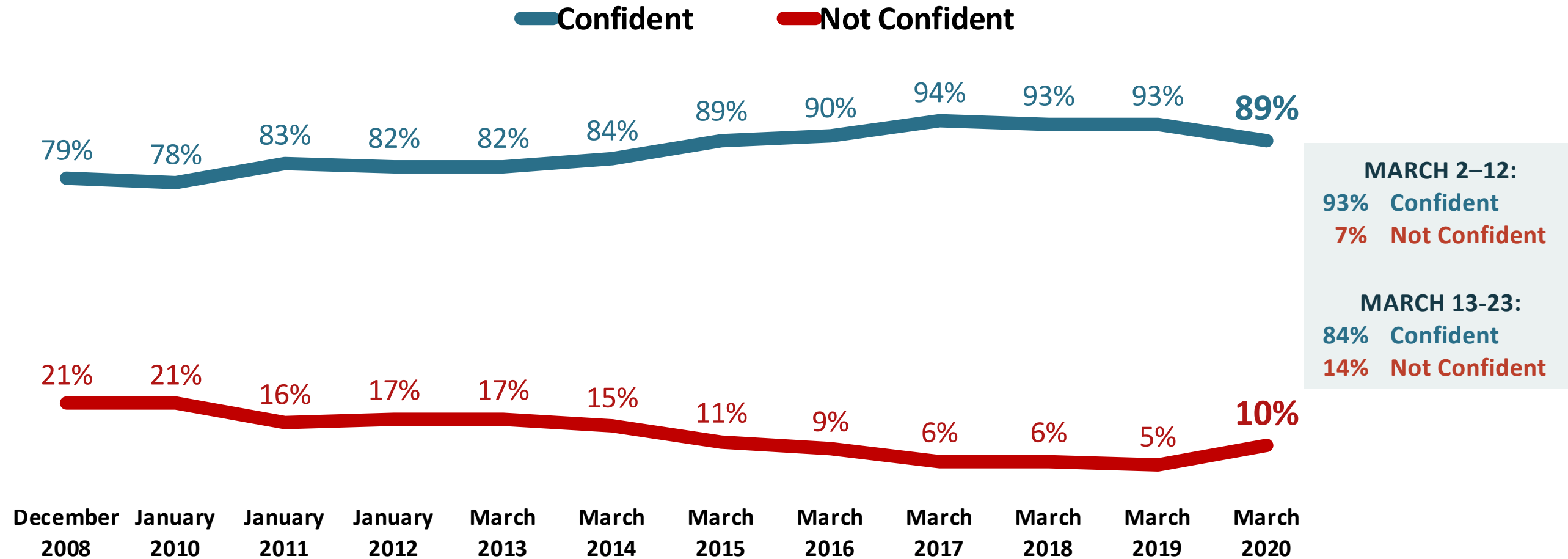
**The survey was conducted March 2-23, 2020, among 400 manufacturing executives; it has a margin of error of  $\pm 4.9\%$ . Respondent titles included owners, CEOs, CFOs, COOs, presidents, vice presidents, and managing officers.**

In our analysis of this study, we specifically looked at interviews conducted before and after President Trump's National Emergency Declaration (COVID-19) on March 13<sup>th</sup>. Fully 58% (N=234) of our interviews were completed between March 2 – 12 and 42% (N=166) were completed March 13-23.

Rob Autry is the founder of Meeting Street Insights, a public opinion research firm based in Charleston, SC.

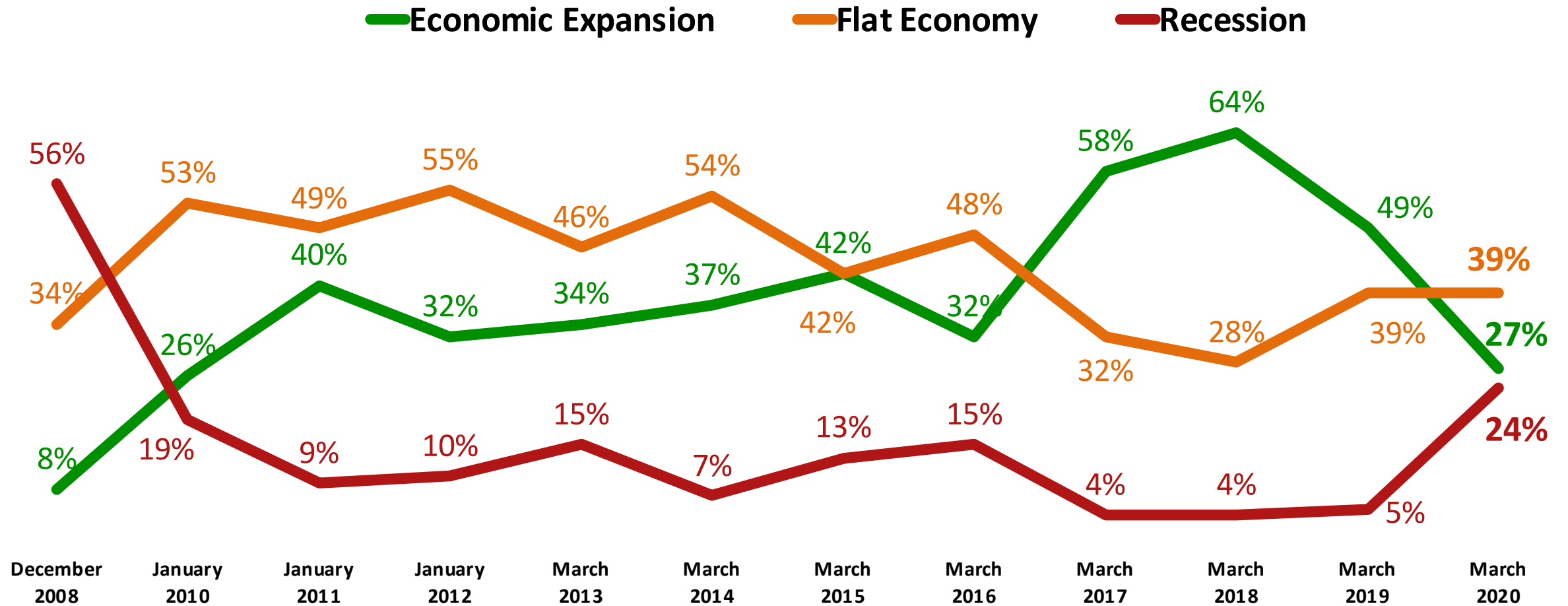
# Financial confidence has dipped a little since last year.

“From a financial perspective, how do you feel right now about the future for your company?”



# Recessionary fears among manufacturers are clearly up from a year ago.

“Thinking about the upcoming year, in 2020, do you anticipate economic expansion, a flat economy, or a recession?”



And, this is especially the case after the President declared a national emergency due to the coronavirus outbreak on March 13<sup>th</sup>.

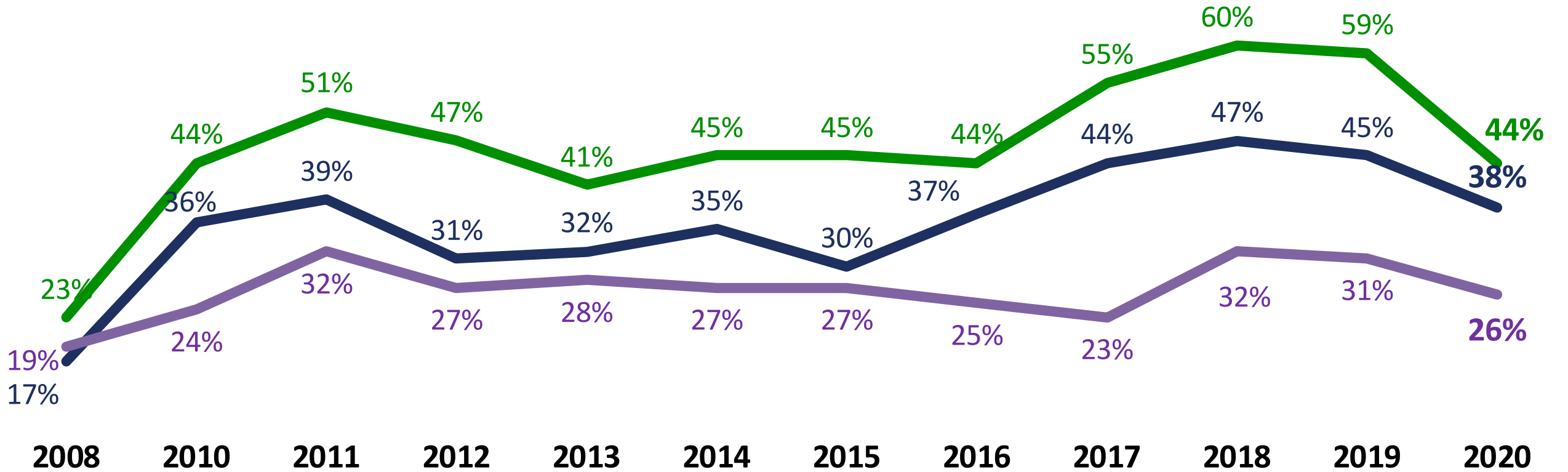
“Thinking about the upcoming year, in 2020, do you anticipate economic expansion, a flat economy, or a recession?”

	March 2 - 12	March 13 - 23	<u>Change</u>
2020 Will Be A Year Of <b>Economic Expansion</b>	39% →	<b>11%</b>	<b>-28 pts</b>
<b>A Flat Economy</b>	43%	34%	
<b>A Recession</b>	9% →	<b>46%</b>	<b>+37 pts</b>

# We also see a significant dip in key 2020 manufacturing business metrics.

Percent of Manufacturers Expecting Increases in 2020 For...

**Gross Revenue**      **Profitability**      **Capital Expenditures**



**We see dramatic drop-offs in expected increases from March 13<sup>th</sup> on. The data from the last two weeks of March would rank as the second worst point in our project’s history (a tad better than December 2008).**

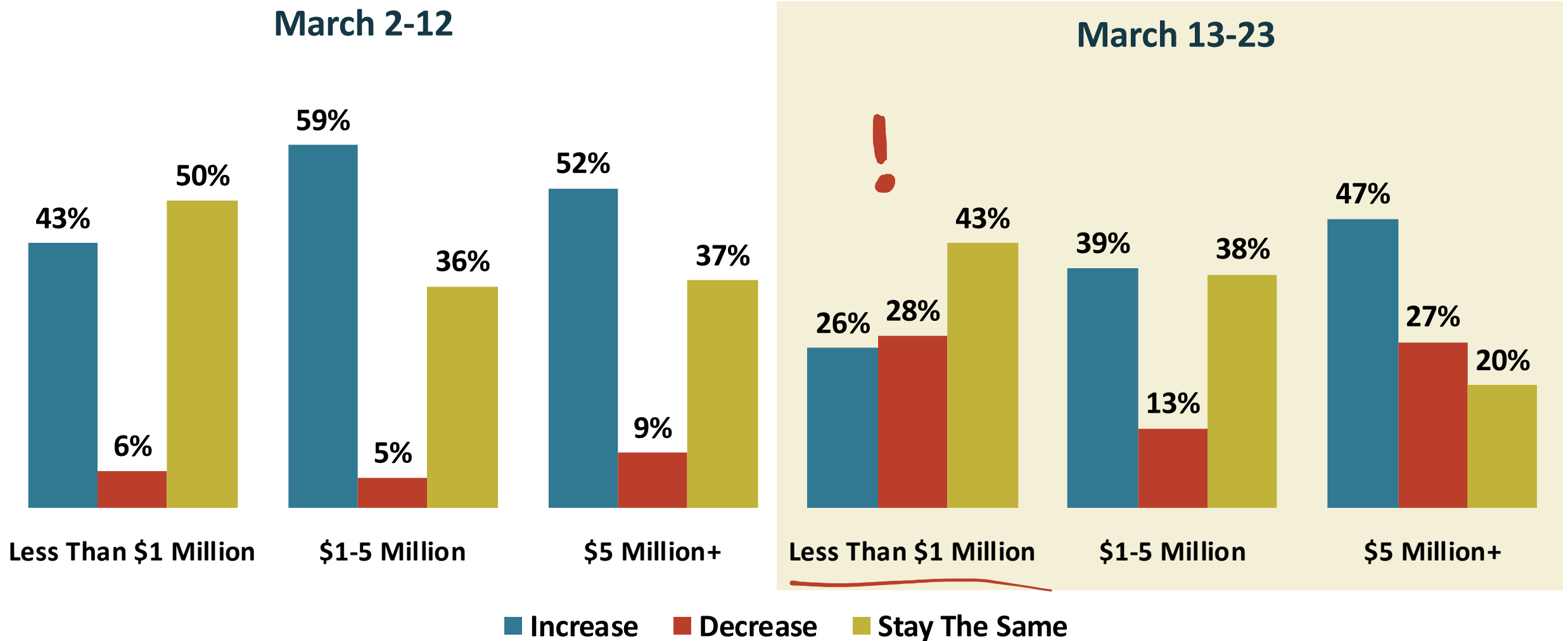
“And, as you look to 2020, do you project your company’s gross revenue/profitability/capital expenditures to increase or decrease compared to 2019, or will it probably stay the same?”

	March 2 - 12	March 13 - 23	Change	Lowest Point Dec 2008
Increase in Gross Revenue	49%	→ 36%	-13	23%
Decrease in Gross Revenue	6%	→ 23%	+17	32%
Increase in Profitability	45%	→ 29%	-16	17%
Decrease in Profitability	8%	→ 19%	+11	34%
Increase in Capital Expenditures	26%	24%	-2	19%
Decrease in Capital Expenditures	14%	→ 26%	+12	37%



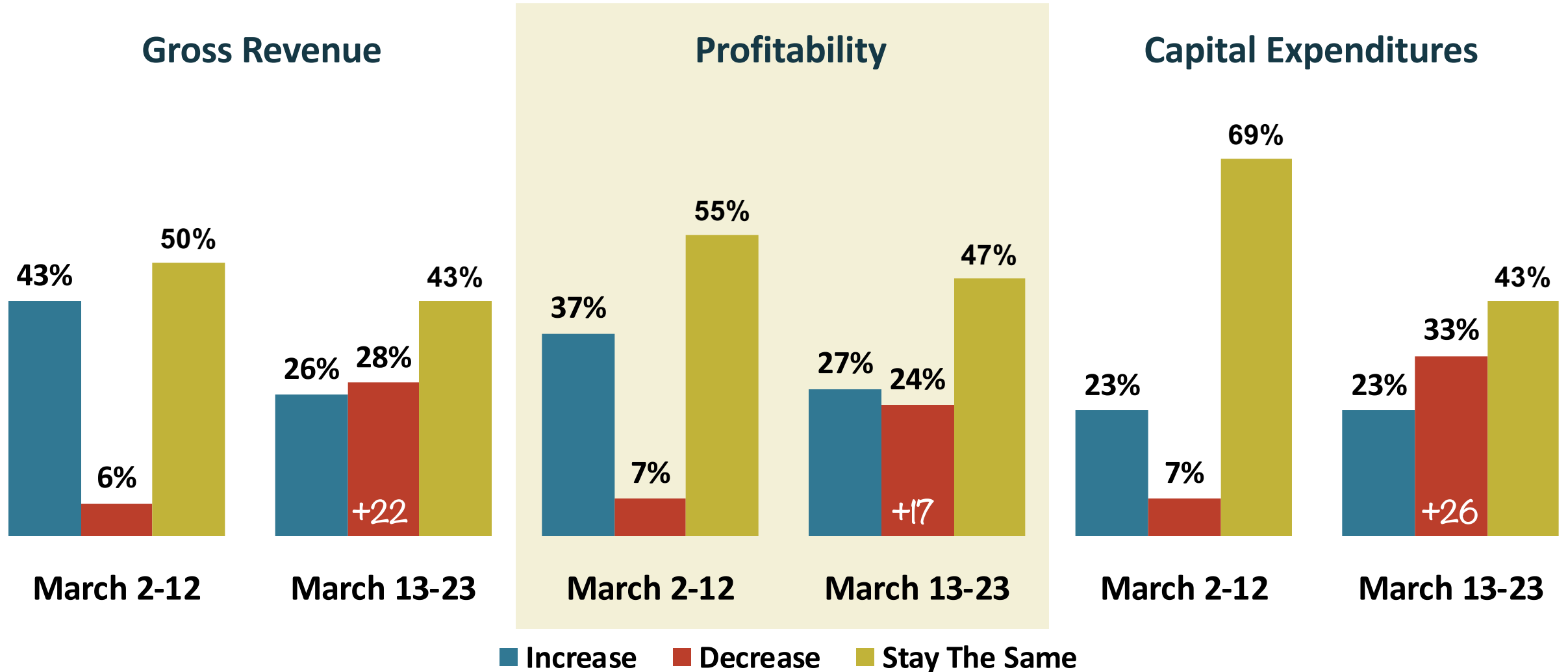
# Smaller revenue manufacturers are the ones expecting to take a more drastic hit on their 2020 gross revenue projections.

Gross Revenue Projections by Interview Date



# In fact, we see a consistent downward shift in key 2020 business projections for smaller revenue companies in the latter half of March.

2020 Projections Among Small Revenue Manufacturers (Before & After March 12/13)



## Health care costs continue to be the most pressing concern, but there has been a significant rise in economic and global uncertainty.

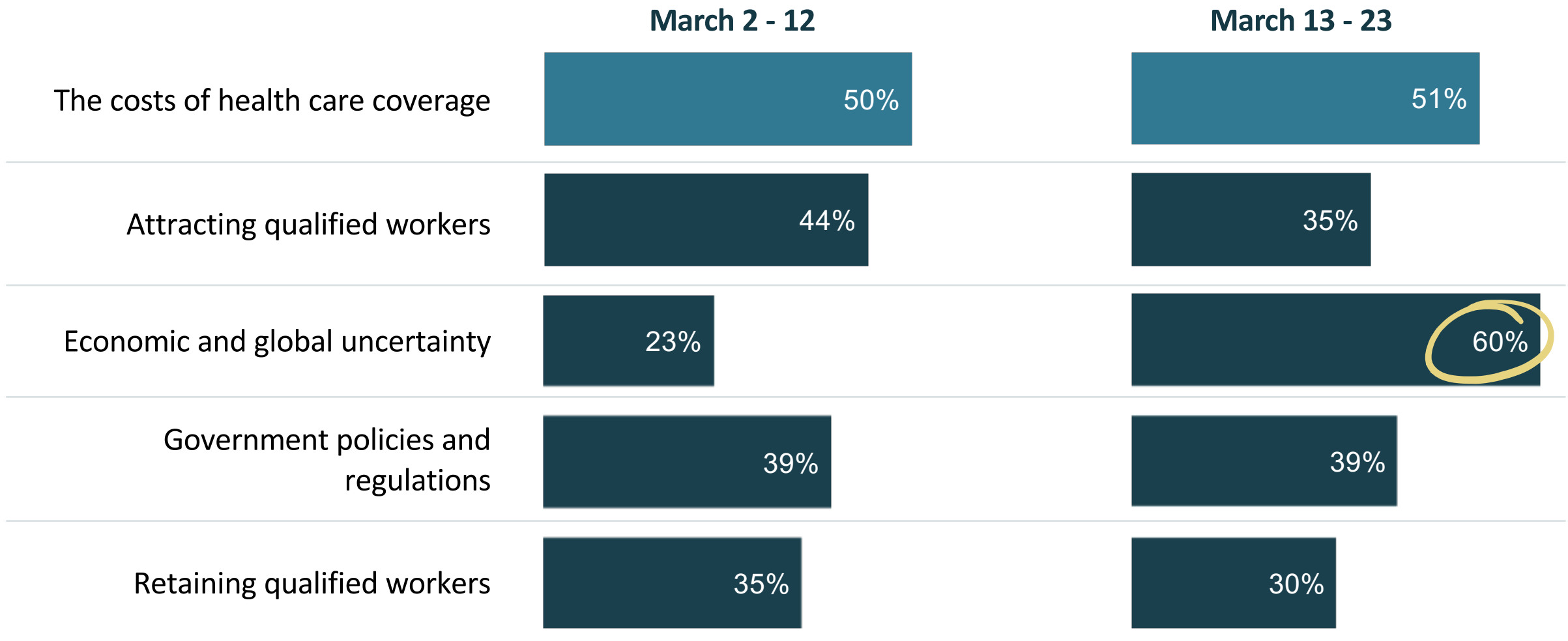
Concerns Ranked by % Concern (8-10)

Change Since 2019

Concern	% Concern	Change Since 2019
The costs of health care coverage	50%	-8
Attracting qualified workers	40%	-6
Economic and global uncertainty	40%	+24
Government policies and regulations	39%	-1
Retaining qualified workers	33%	-4
Cyber security	24%	n/a
Costs of employee salaries and benefits	23%	-6
Developing future leaders	23%	0
Competition from foreign sources	14%	+1
Getting your products to market	11%	+1

# While health care costs stayed about the same, qualified worker concerns dipped as economic and global uncertainty concerns soared.

Top Five Concerns (% 8-10) by Interview Date



# There has been an uptick in worries about the business climate.

“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?”

	2014	2015	2016	2017	2018	2019	2020
Attracting and retaining a qualified workforce	21%	29%	26%	34%	49%	48%	<b>40%</b>
Unfavorable business climate	48%	43%	40%	38%	18%	19%	<b>33%</b>
Cost of health care insurance	31%	41%	34%	36%	36%	30%	<b>31%</b>
Increasing costs of energy and materials for your products	29%	20%	15%	18%	34%	28%	<b>24%</b>
Lack of clear direction forward	n/a	n/a	n/a	n/a	n/a	n/a	<b>8%</b>
<i>Coronavirus (Volunteered)</i>	n/a	n/a	n/a	n/a	n/a	n/a	<b>2%</b>
Regulations	n/a	n/a	n/a	n/a	n/a	3%	<b>2%</b>
Foreign competition	n/a	n/a	n/a	n/a	n/a	1%	<b>2%</b>

+14

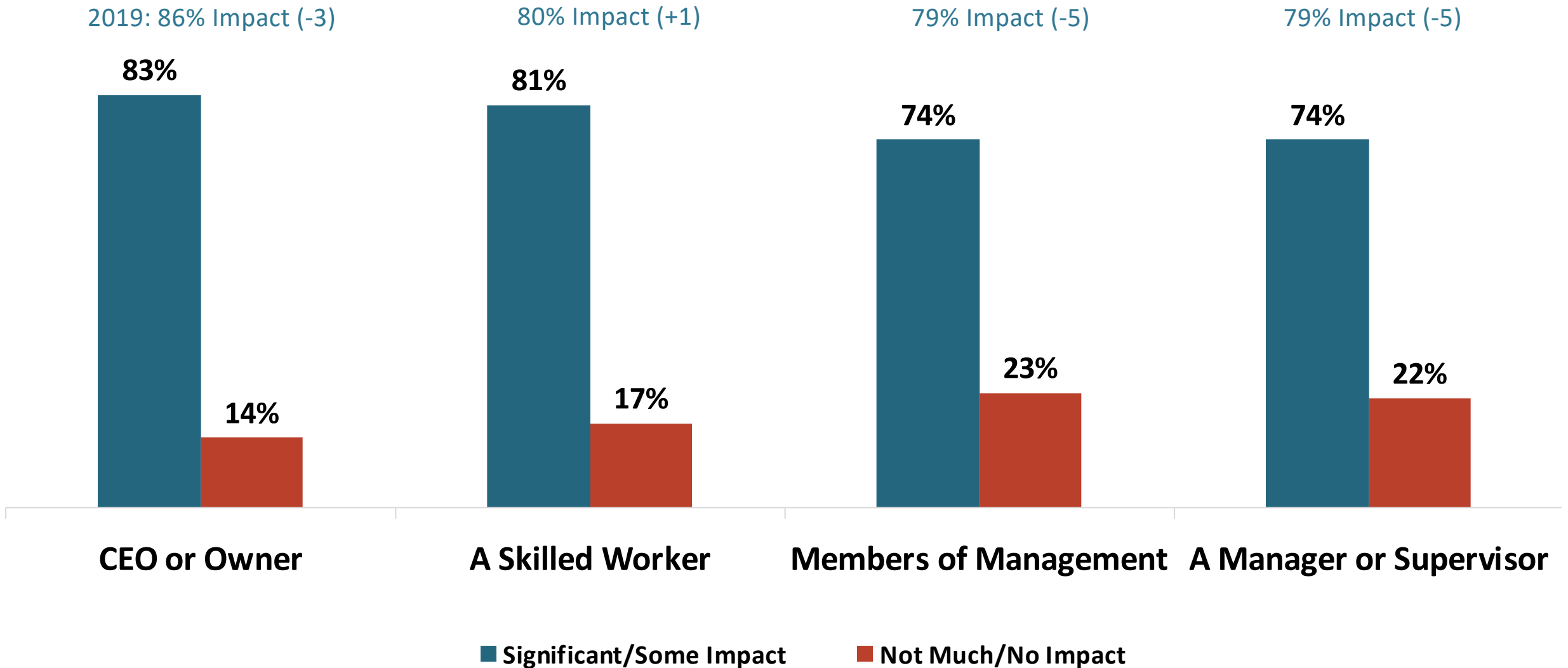
## There are noticeably different challenges by company size.

“What would you say are the one or two biggest challenges your company is facing that might negatively impact future growth?” (Yellow Highlights Top Two Challenges)

	Overall	Less Than \$1 Million Revenue	\$1-\$5 Million Revenue	Over \$5 Million Revenue	50 or Fewer Employees	Over 50 Employees
Attracting and retaining a qualified workforce	40%	30%	<b>49%</b>	<b>53%</b>	<b>36%</b>	<b>55%</b>
Unfavorable business climate	33%	29%	25%	<b>44%</b>	29%	<b>47%</b>
Cost of health care insurance	31%	<b>32%</b>	<b>41%</b>	22%	<b>35%</b>	17%
Increasing costs of energy and materials for your products	24%	<b>33%</b>	21%	9%	29%	6%
Lack of clear direction forward	8%	9%	7%	7%	8%	6%
<i>Coronavirus (Volunteered)</i>	2%	1%	2%	0%	1%	5%
Regulations	2%	1%	0%	6%	1%	5%
Foreign competition	2%	3%	1%	1%	2%	0%

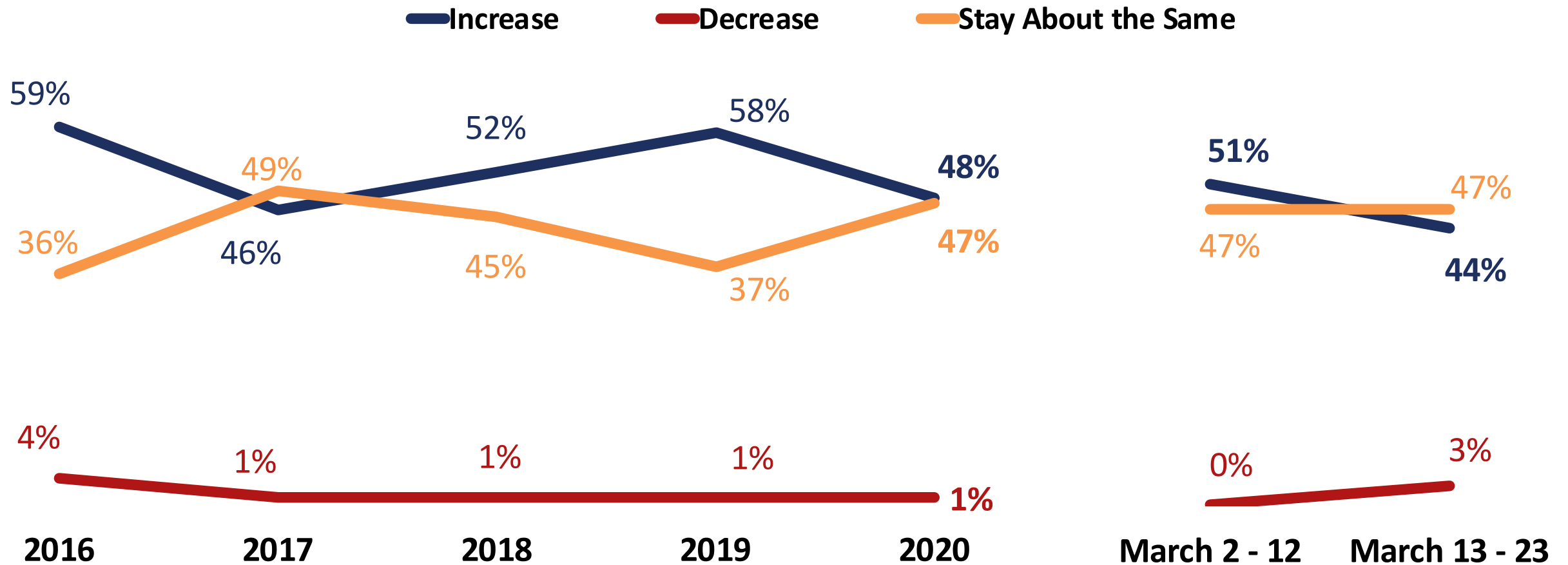
# Departures across the spectrum would be impactful to most manufacturers.

“What impact, if any, would the departure of \_\_\_ have on your company?”



## Even before March 12, we were seeing a dip in wage increases.

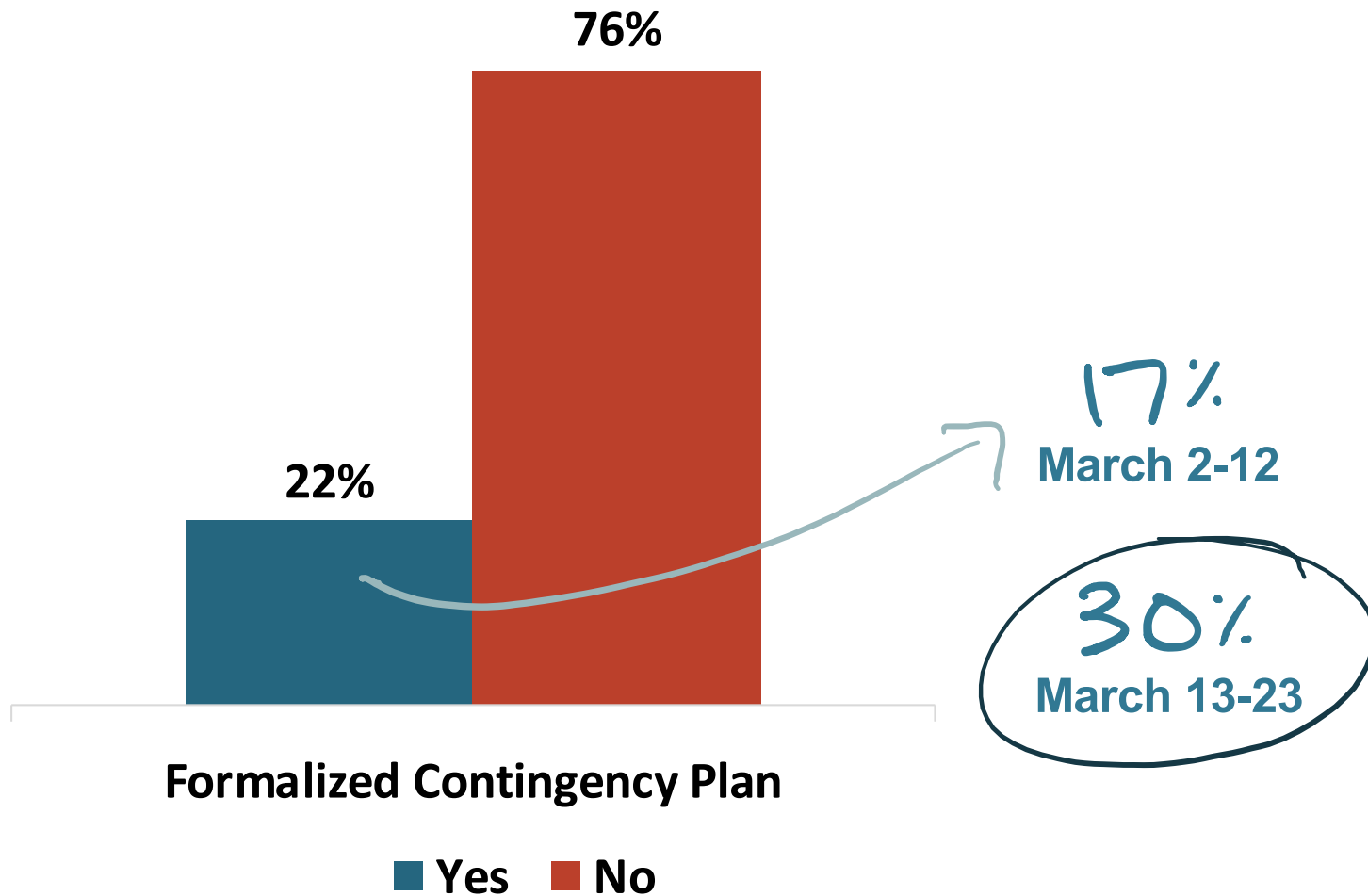
“Have or will wages for your employees increase for 2020, or will they decrease or stay about the same?”





# A little more than one in five manufacturers have a formalized contingency plan for pandemic outbreaks.

“Does your company have a formalized contingency plan in the event of a pandemic outbreak?”



	Yes	No
<b>Twin Cities Companies</b>	<b>28%</b>	72%
Greater Minnesota Companies	16%	81%
Less than \$1 million in revenue	14%	85%
\$1-5 million in revenue	19%	80%
<b>Over \$5 million in revenue</b>	<b>43%</b>	54%
50 or fewer employees	16%	83%
<b>Over 50 employees</b>	<b>50%</b>	47%

# THE BOTTOM LINE

**While Minnesota’s manufacturers share broad long-term confidence about the future prospects of their companies, a unique version of the State of Manufacturing® (SOM) survey reveals that they are strapping in for a tumultuous COVID-19-related economic ride.** Key takeaways include:

1

Nearly half (46%) of post-COVID interviewees now expect the country to slip into a recession, while only nine percent thought so before President Trump’s national emergency declaration.

2

Those manufacturers we spoke with post-COVID are noticeably more likely to say that they see decreases in gross revenue and profitability projections than those we spoke with pre-COVID. And, one-in-four manufacturers say they will invest less in capital expenditures this year – up 12 points from what we saw in the pre-COVID data.

3

Smaller manufacturers tell us they expect to take a big hit because of the outbreak, much more so than other manufacturers.

# THANK YOU PLATINUM SPONSORS

