

# Purolator Manufacturing Activity Index

By John Costanzo, President Purolator International

2013 was a watershed year for manufacturing on Long Island. The departure of Northrup Grumman left many saying manufacturing was dead for this region, and that Long Island had to focus on becoming a services center.

What many don't realize is that manufacturing and services go hand in hand. Today, manufacturing is not only about assembly jobs on the line. Manufacturing supports and creates services jobs, including product design, engineering, supply chain, production managers, delivery, sales, and marketing. Despite the landscape changing, the manufacturers that remain on Long Island continue to produce and innovate, create jobs, and generate the need for technology, supplies and support that helps fuel the local economy.

As the President of Purolator International, a shipping and logistics services provider, I talk to manufacturers across the country on a regular basis. I believe in the value America's manufacturers bring to the economy. It's an industry standard, originated with the National Association of Manufacturing, that every dollar spent on manufacturing returns \$1.40 back into the economy; and many believe that is under-estimating.

With that in mind, I set out to research the industry on Long Island and create a quarterly index that we as a region can use as an overall indicator of economic health. In March, Purolator International launched the Long Island Supply Chain Index – a survey independently conducted by Stony Brook University and launched at the Long Island Association. The survey reached 200 manufacturing executives, and asked them for a six month forecast of their business (results are indicative through May 2016). Did they anticipate an increase in orders, production, and have they hired?

Overall, the inaugural Purolator International Long Island Supply Chain Index found manufacturers anticipated growth.

- Nearly one-half expect GREATER DEMAND over the next six months.
- More than one-third expect INCREASED PRODUCTION over the next six months.
- Half of all manufacturing companies HAVE HIRED NEW EMPLOYEES in the past year.

The respondents offered a number of reasons when asked why they expect new orders to increase, including: the emergence of new customers or markets (32%), a general improvement in business conditions (21%), changing seasonal demand (18%), an expansion in their production capabilities (11%).

For the most part, manufacturing executives did not expect to see a dramatic change in inventory levels. 68% expected levels to stay the



same, 14% expected an increase, and 15% expected a decrease. Our data also found that 68% of companies expect to maintain the same level of air shipments. The consistent use of ground versus air shipments and consistent inventory levels suggest a stable economy, as companies typically use more air service when the economy slows down rather than build their inventories.

Another interesting perspective is when we cross reference the data with production levels. Among executives of companies in which production levels are expected to increase, almost 60% believe their inventory levels would remain constant, suggesting they expected to increase both production and sales. Another 12% of companies expecting increased production believed their inventory would actually decline over the same time period, suggesting greater demand than supply.

In evaluating this data and determining what it means for Long Island, I encourage every business to consider their own forecast and trends. And to compare Long Island trends to what's happening on the national level. Ultimately, the national trends may be able to reveal where opportunities lie for Long Island to continue to build its manufacturing businesses.

Overall when I look at the results and see a combined 94% increase or steady expectation for new orders, and a 91% combined increased expectation on increased or steady production, I believe the Index suggests that the Long Island supply chain, driven by the manufacturing sector, has been in good shape. Hopefully that momentum will continue over the coming months.

The next Purolator International Long Island Supply Chain Index is scheduled for June, and will shed more light on where the industry stands for the rest of the spring and summer. It will be interesting to benchmark data from six months ago to see how forecasts and projections are changing. It is my hope that Long Islanders come to seek this data every quarter, and view it as a true benchmark on 13 where we're headed.