

Minnesota Manufacturers Anticipate Improvement in 2002

After experiencing a difficult economic slowdown in 2001, the state’s manufacturers appear cautiously optimistic about the first half of 2002. A random sample survey of Minnesota manufacturers conducted in February and March by the Minnesota Department of Trade and Economic Development (DTED) found that almost three quarters of manufacturers believe their number of orders and production levels will increase or remain the same in early 2002. They also anticipate that other industry indicators will stabilize over the time period.

Manufacturers are also mildly optimistic about the economic outlook for the state in the first half of 2002. Over three quarters indicate that economic growth will remain the same or increase and most manufacturers expect that all other indicators will remain unchanged.

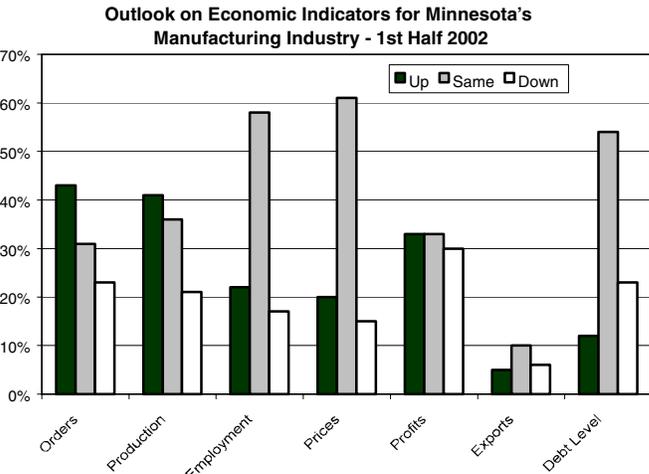
Outlook on the Manufacturing Industry

Minnesota’s manufacturers are particularly optimistic that orders and production levels will not only stabilize but increase in the first half of 2002. Orders are projected to increase by 43 percent of respondents, and 41 percent project strengthening production levels.

Other business indicators such as employment levels are expected to remain the same by 58 percent of manufacturers, suggesting there will be fewer employment cuts in early 2002. Additionally, prices and debt levels are expected to remain unchanged by 61 percent and 54 percent of manufacturers respectively.

Responses also suggest some challenges may lie ahead. While most manufacturers (54 percent) feel that capital investment will stabilize, a subset of 27 percent expect a decline. Meanwhile, responses concerning profits and exports were mixed.

The survey also measured the setbacks seen in late 2001. It found that orders, production levels and profits were down for most manufacturers in the second half of 2001.



And while the majority reported that employment and prices had remained the same as that seen in early 2001, a large percentage did see decreases. Large and medium sized manufacturers in particular noted declines in employment that were not seen by smaller businesses.

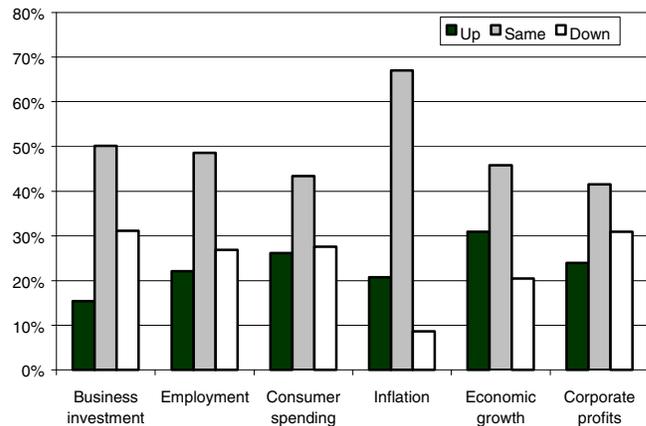
Outlook on the State Economy

The cautious optimism of manufacturers is also reflected in their views on the state

economy. Almost a third (31 percent) of manufacturers feel that economic growth is gaining strength and is likely to increase. Additionally, inflation is expected to stabilize by 67 percent of manufacturers and business investment, employment and consumer spending are expected to remain unchanged by 50 percent, 49 percent and 43 percent of respondents respectively.

However forecasts for business investment appear to mitigate some of the optimism. While 50 percent expect investment to remain unchanged, almost a third (31 percent) anticipate a decline in early 2002, a result similar to that seen concerning capital investment in the manufacturing sector.

Outlook on State Economic Indicators - 1st Half of 2002



Minnesota Winter 2002 Manufacturing Business Conditions Survey Results

	Results for Businesses				Weighted by Company Size*			
	Up	Same	Down	n/a	Up	Same	Down	n/a
Compared to the first half of 2001, in the second half your location's:								
Number of orders	24%	24%	53%	0%	24%	15%	61%	0%
Product/service production level	22%	31%	46%	1%	24%	23%	53%	0%
Employment level	6%	54%	40%	0%	11%	36%	54%	0%
Investment in plant/equipment	14%	47%	39%	0%	16%	42%	41%	0%
Prices	11%	62%	27%	0%	11%	56%	32%	1%
Profits	13%	25%	61%	1%	18%	18%	63%	1%
Exports (leave blank if not applicable)	3%	9%	9%	79%	7%	16%	15%	63%
Debt level	27%	53%	18%	2%	21%	55%	19%	5%
Compared to the second half of 2001, during the next six months you expect your location's:								
Number of orders	43%	31%	23%	2%	45%	32%	21%	1%
Product/service production level	41%	36%	21%	2%	40%	40%	20%	1%
Employment level	22%	58%	17%	3%	21%	57%	21%	1%
Investment in plant/equipment	16%	54%	27%	3%	20%	57%	22%	1%
Prices	20%	61%	15%	3%	16%	64%	18%	2%
Profits	33%	33%	30%	4%	36%	31%	31%	3%
Exports (leave blank if not applicable)	5%	10%	6%	79%	12%	19%	7%	63%
Debt level	12%	54%	23%	10%	14%	61%	17%	8%
What is your outlook on the following state economic indicators during the next six months:								
Business investment	15%	50%	31%	3%	18%	48%	33%	1%
Employment	22%	49%	27%	2%	19%	48%	33%	1%
Consumer spending	26%	43%	28%	3%	21%	55%	21%	3%
Inflation	21%	67%	9%	4%	14%	73%	11%	3%
Economic growth	31%	46%	21%	3%	33%	48%	16%	2%
Corporate profits	24%	42%	31%	4%	29%	36%	33%	2%

Notes: Based on responses from 256 Minnesota businesses with manufacturing on site. The sampling error is plus or minus 6 percentage points. Percentages may not add to 100% due to rounding. *Responses were weighted to reflect the number of employees at the respondent's site.