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RIP: High-volume metal manufacturing in the U.S.

On the day that everyone was rejoicing about **the GDP growth in the third quarter of this year, I'm still thinking about an announcement** that Swedish appliance giant Electrolux made earlier this week. Somehow, that doesn't strike me as being great news, particularly for Iowa residents and those metal fabricators and other suppliers that supply those factories.

One thing is for sure, globalization hasn't slowed down with the economic slowdown. Actually, I'm kind of stunned that more migration is taking place. I thought most of the "offshoring" and "nearshoring" decisions had been made by the multinational OEMs. Anecdotal evidence suggested that many parts once made in Asia were coming back so that supply chain managers could maintain greater control. Apparently, that isn't so.

When you look at the overall numbers, however, you begin to understand that the economy of 2006 will be difficult to repeat in the months to come. Simply put, many extra dollars were floating around the U.S. economy thanks to easy-to-obtain credit and overleveraged mortgages. That money has been taken out of play with tightening credit markets, and that type of spending likely won't resurface until more people are working and overall consumer confidence improves. Of course, that doesn't bode well for certain metal-intensive industries.

Look at the appliance industry, where shipments for washers, dryers, dishwashers, refrigerators, freezers, ranges, and ovens are down 12 percent year-to-date (as of October) from 2008, according to the Association of Home Appliance Manufacturers. Needless to say, 2008 wasn't a great year; we're talking about 39.8 million units. That's significantly less than the 47 million shipped out in 2005.

Now consider the automotive industry, where total vehicle production numbers for North America have fallen off a cliff from the high-water mark of 17.6 million in 2000. DesRosiers Automotive Consultants Inc. suggests it will be until 2013 that North American vehicle production reaches 13 million, and the percentage of those vehicles made by Chrysler, GM, and Ford will much be smaller than it has ever been.

Traditional metal-consuming markets in the U.S. are shrinking at a pace that's hard to fathom. I think it might be time to have a wake for high-volume metal manufacturing in the U.S.

Manufacturing, and metal fabricating specifically, won't disappear totally. I understand that. But the metal fabricating business that existed 20 years, and maybe even 10 years, ago doesn't exist today. I've seen too many pressrooms that used to thrive with orders for hundreds of thousands of stamped parts sit empty today, like a house that has just lost an owner to death.

That's why we are hearing so much about metal fabricating companies pursuing new business in the energy and defense sectors. That appears to be work that can't be easily shifted to other parts of the world because of logistical and national security reasons. At least I hope that's the case.

Posted At : 10:12 AM. | Posted By : Dan Davis