Manufacturing and Distribution
Industry Perspectives
Your monthly blog and industry news round-up

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Manufacturers Are Upbeat About 2017 Business Climate Under New Administration

Four straight months of manufacturing job growth through March this year and a decidedly more pro-business climate emerging in Washington have given many manufacturers good reason to consider 2017 off to a good start.

According to the National Association of Manufacturers’ (NAM) first economic outlook survey of manufacturers since Trump took office, more than 93 percent were feeling positive. This not only represents a high-water mark in the survey’s 20-year history, but it is also up from 56.6 percent a year earlier, said NAM, which represents some 14,000 U.S. manufacturers of all sizes.

We are keeping an eye on Washington’s actions that could have the most impact on manufactures and their investment plans and operations in the near future, including efforts to roll back regulations, reform taxes and renegotiate the North American Free Trade Agreement (NAFTA). We’re also watching how the proposed infrastructure improvements and healthcare overhaul are playing out. They, too, will have a significant bearing on manufacturing decisions.

Big ideas

As we detailed in our Flash Report on the Trump administration’s first 100 days, the focus on deregulation is of critical importance to manufacturers, 94 percent of whom believe that the regulatory burden has increased over the last five years. The new administration has reversed several of the Obama administration policies on environmental reviews related to energy, infrastructure and other projects. President Trump’s executive order for broad regulatory reform, for example, included a public comment period (now closed) on “misaligned regulatory actions” at the Environmental Protection Agency (EPA) that are believed to have impeded economic growth. Congress is also taking up legislation, supported by manufacturers and other organizations, which would require agencies to develop new regulations in the most cost-effective way possible for companies.
Certainly, the media’s attention on the controversies surrounding the administration, including the executive orders, may temper manufacturers’ enthusiasm moving forward. That’s particularly true if, as has been suggested by political observers, the controversies end up thwarting the chances of enacting tax reform and other administration agenda items this year. Geopolitical risks, from North Korea to European terrorist attacks, also could distract attention away from domestic policy making.

Nevertheless, manufacturing leaders to date largely remain optimistic that Washington is focused on their most important interests. Testifying on May 18 at a hearing on how tax reform could spur the economy and job creation, NAM Chairman David Farr told the U.S. House Committee on Ways and Means that “we have the best chance in more than 30 years to advance permanent pro-growth reforms” and to improve the country’s manufacturing competitiveness globally.

At Protiviti, I’ve heard similar sentiments from manufacturers, who say they could make investments to expand, beef up research and development, or accelerate hiring and salaries if tax reform were to include a lower corporate tax rate, favorable treatment of international earnings, and a strong capital-cost recovery system. In 2015, NAM reported that incorporating those and other beneficial tax policies would generate more than $3.3 trillion in new investment and 6.5 million jobs over a decade.

Questions still remain

While it’s clear that the proposed regulation and tax reforms will benefit manufacturers, the effect of a NAFTA remake remains a big question. A 90-day period in which Congress will consult the administration about its goals for an amended pact began in May, and talks with Canada and Mexico officials could begin by the middle of August. Many economists believe that NAFTA has generally benefited the U.S., and some corporations were concerned that a complete withdrawal from the pact would hurt business.

But similar to the recent narrow trade-deal with China, the president has softened his harsh rhetoric on NAFTA in favor of a more judicious approach. The U.S. has proposed a modernization of the agreements, with new provisions on digital trade, regulations, intellectual property rights and other elements. Additionally, automotive executives and labor alike are lobbying for stronger currency manipulation protections in a new deal. Unions are also pushing for updates to procurement and origin rules to better support U.S. workers.

With regard to infrastructure, manufacturing and distribution companies stand to benefit from proposed infrastructure improvements and construction, although as of now it is unclear how much will take place. President Trump’s first proposed budget calls for $200 billion in infrastructure spending, well below the $1 trillion he campaigned on. Some portions of healthcare reform could help companies, as well, particularly the elimination of a special tax on medical devices. But again, these issues continue to evolve and they merit a watchful eye.
Protiviti’s outlook – stay agile

The turmoil in Washington aside, the overall pro-growth tone coming from government has given companies at least some confidence about the industry sector’s outlook in the coming months. Manufacturers that begin planning today will be ready to strike and reap the rewards when policies are enacted. It is best to stay nimble, however, and prepare to address risks in an environment that has the potential for rapid, even tumultuous change.

Big Data Adoption in Manufacturing: Forging an Edge in a Challenging Environment

Some 200 years after the introduction of mechanical production, the emergence of big data analytics has ushered in Industry 4.0, the digitalization and integration of physical assets. For manufacturers that want to grow and remain relevant, there may not be a better time, as we discuss in Protiviti’s new white paper.

Big data analytics has the potential to affect every step of a manufacturing process, and management teams that utilize the strategy can become more proactive planners and better decision-makers. In turn, those improvements will drive efficiencies in operations and lead to greater profits and cost savings, among other benefits. While many organizations must first overcome challenges, such as disparate legacy systems, companies that successfully implement big data systems will position themselves for continued growth and the ability to adapt over time to any economic environment.
About Protiviti

Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independently owned Member Firms provide consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit to our clients through our network of more than 70 offices in over 20 countries.

We have served more than 60 percent of Fortune 1000® and 35 percent of Fortune Global 500® companies. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

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