STATE OF MANUFACTURING IN WASHINGTON
2^{ND} Year Overview

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Impact Washington

Assisting Washington companies to help them be globally competitive

- Bottom line improvements
- Top line growth
- Strategic development and implementation

Helping to build a strong 21st century manufacturing industry in Washington

Research Methodology

- On behalf of Impact Washington, Public Opinion Strategies conducted survey of 400 manufacturers in Washington
- Survey was conducted in August and has a margin of error of +4.84%.
- Respondent titles included owners, CEOs, CFOs, COOs, Presidents, VP and Managing Officers.

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Regional Breakdown

- Northwest
- Peninsula
- Central (Puget Sound)
- Southwest
- Southeast
- Northeast

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Peninsula Region

- 28 companies from the region were included in the survey (7 percent)

No Significant Changes in Mood

- 2 out of 3 executives (65%) believe the business climate for manufacturers in WA is on the wrong track
- Similar to last year's findings of 64%
- 77% of peninsula companies responded "wrong track" (vs 54% in 2010)

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Recessionary Fears Higher

- More executives believe the nation will see a recession in the next 12 months
- Last year 29% expressed recessionary fears*

*Wording of question this year changed to fears of a national recession vs. recession in Washington

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Once again, Executives Optimistic about Their Own Businesses

- 65% confident about the future of their own firms (down from 70% in 2010)
  - 60% in Peninsula region
- More believe their business will expand (24%) compared to those who will see a reduction (22%)

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Once again, Executives Optimistic about Their Own Businesses

- More companies expecting an increase in gross revenues (up 7% from 2010)
- More expect an increase in capital expenditures (up 10% from 2010)

Component Manufacturers vs. Finished Goods Manufacturers

- Component manufacturers more optimistic about growth than finished goods producers (44% vs 28%)
- Component manufacturers more likely to invest in capital expenditures
  - 34% predict increased investment, up from 15% in 2010

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Health Care Costs Remain a Major Concern

- Taxes and Regulations also remained high on the list of concerns
- One area that was more of a concern in 2011 was the "cost of goods" factor, up 8 points from 2010.

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Based on Last Year's Survey, we went more in depth on health care topic

- Offering up affordable health care is the most important factor in attracting and recruiting new employees
  - Twice as important as wages and salaries
- Nearly 6 out of 10 manufacturers offer their employees some type of health care coverage

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Concern Over New Federal Health Care Legislation

- Two-thirds expect their firm's health care costs will INCREASE as a result of the new legislation
- Only 3% expect their costs will DECREASE (23% expect no change)

Access to Capital Still a Concern

- 28% have experienced problems with access to capital in the past year
- A particular problem for:
  - Smaller revenue firms (30% for firms under a million in revenue)
  - Smaller employee size firms (30% for firms with less than 10 employees
  - Newer firms (32% for those who have been in operation less than 10 years)

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Exporting Data Unchanged

- The same percentage say they ship internationally as in 2010
- Canada remains the top destination for exported goods from Washington (up 2% in 2011)

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Workforces Have Remained Stable

- Over half say their workforces have stayed the same
- 20% have grown in the past year

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Manufacturers Remain Cautious

- Only 19% expect growth in their workforces over the next 12 months
- 69% say it will probably stay the same
- 12% forecast workforce declines
  - Peninsula region – 23% predict growth and 23% predict contraction, 53% predict it will stay the same

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Initiatives from 2010 Survey

- **CERB Export Grants** - $3 million awarded to 6 grantees to assist Washington firms with increasing exports in 2011 and 2012

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Initiatives from 2010 Survey

- Small Business Regulatory Streamlining Project
  - Gov. Gregoire issued an executive order charging state agencies to reduce the complexity of the regulatory process and tax system for small businesses
  - First step – Using Lean tools and methods to improve business interactions with regulatory agencies

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Small Business Regulatory Streamlining Project

- Goals
  - Reduce compliance frustrations for small businesses
  - Reduce costs for businesses and state agencies
- Pilot
  - Brought together representatives from manufacturing and restaurant industries to learn concerns/frustrations

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Small Business Regulatory Streamlining Project

- 35 actions identified for improvement opportunities
- State of project today
  - Actions plans developed
  - Implementation schedule created and has begun

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Conclusions

- Pessimism about the economy overall is high, but executives are still optimistic about their own firms
- The peninsula region is more pessimistic than in 2010 by a significant margin
- Component manufacturers have a brighter future outlook than finished goods producers

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Conclusions

- Health care, taxes and regulations are still the biggest concerns
- Exporting firms still have a brighter economic outlook, but the number of firms exporting has not increased significantly since 2010

State of Manufacturing in WA Summit

- January 10, 2012 – Bell Harbor Conference Center, Seattle
- Featuring full presentation of 2011 poll results, Congressman Jay Inslee and keynote by *Doug Woods* on Manufacturing Mandate national manufacturing strategy