



## US to lose role as top manufacturer

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China will gradually take over the role of the US as the world's largest manufacturer but will do this only by 2020, with the US's position in the global league table of manufacturers remaining surprisingly strong, according to an authoritative economic study.

Global Insight, a Washington-based economics consultancy, forecasts that the US will keep its share of global manufacturing output above 20 per cent at least until 2024 goes against the widespread feeling, at least in the US, that the country is losing ground rapidly.

"If you told most people in the US that the country was still the biggest manufacturer and is likely to remain so for some time, they would say you were lying," said Jim Womack, chairman of the US-based Lean Enterprise Institute, a research group. "There's a lot of negative feeling in the US [about manufacturing] and this leaves people thinking the country is doing worse than it really is."

According Global Insight's forecasts, the US share of global manufacturing output will fall to 22.2 per cent by 2020 from 25.5 per cent last year. By 2020, China's share would overtake that of the US for the first time. It will rise to 22.4 per cent, from 12.1 per cent in 2006.

As a result of rapid economic growth, China has quickly climbed the league table of global manufacturers.

In 1995, the country accounted for just 4.6 per cent of world output of manufactured goods, compared to 24 per cent in that year for the US.

In 2006, Japan was the second biggest manufacturer in the world with a share of 13.9 per cent. However, this share is likely to fall steeply by 2024 at which point Japan's share will be just 8.6 per cent, the study says.

Western Europe, like the US, will maintain a fairly high share of total output, according to the projections.

Its share of the global total – which was 31.2 per cent in 1995 and 26.1 per cent last year – is expected to fall to 19 per cent in 2024, a drop that is less dramatic than might be expected.

Prem Premakumar, senior economist at Global Insight, said that manufacturing growth in China was likely to slow in the coming years as the economy matured.

Also, manufacturers in the historically high-cost regions such as the US and western Europe were likely to become more competitive, either by adopting new manufacturing ideas and coming up with innovative products, or by being more aggressive on wage costs.

Auggie Tantillo, director of the American Manufacturing Trade Action Coalition, an industry group, said most people in the US would find the Global Insight data surprising, on account of concerns triggered by job losses in manufacturing in the US and the country's rising trade deficit – mainly linked to a deficit on manufactured goods.

"I am not sure the figures truly measure the degree to which manufacturing output from China has been growing – and how cheap much of the production from China really is," says Mr Tantillo.

He said the growth in the US's trade deficit – which reached \$764bn (£387bn; €568bn) last year, of which \$233bn was the deficit with China – was a "cause for significant concern" because it showed US-based manufacturers were unable to meet domestic demand by such a large amount.

On the other hand, Anand Sharma, chief executive of TBM Consulting, a US manufacturing consultant, said the Global Insight data reflected the progress many US companies had made in many "niche" fields of manufacturing such as specialist machinery and components – as opposed to commodities such as textiles.

"People tend to focus on the factories closing at one end of town and forget to look at the expansion plans elsewhere," he said.

An example of a US manufacturer that has been quietly expanding in recent years – while maintaining most of its production in the US – is Sealy, a North Carolina based company which is the world's biggest maker of mattresses. In recent years it increased its sales steadily to about \$1.6bn a year, while keeping its US workforce fairly constant at 4,200.

Jim Hirshorn, vice-president for finance and research and development at Sealy, said the company continued to find it economic to have 20 of its 21 global plants in the US because labour costs were a relatively small part of production costs, while a stream of innovative products kept the company competitive.