

Decline in US Manufacturing Output Versus China Vastly Overstated, says NAM

Strongly Disputes Last Week's Estimate that China Will Out-Manufacture the US in 2009; US Currently has 25% Global Market Share, NAM's Engler Says

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Does the perception of American manufacturing differ from reality?

As we reported last week, research firm Global Insight recently updated its numbers, and predicted that in 2009 the US would lose its position as the world's top manufacturer for the first time in more than 100 years, moving forward the 2013 date the firm had predicted just last spring as the year for that switch. (See [For First Time in More than 100 Years, US Set to Lose Place as Largest Manufacturer in the World.](#))

But the US-based National Association of Manufacturers says those numbers are all wrong.

"I and members of the National Association of Manufacturers strongly disagree with this prediction," says **John Engler**, president of NAM.

Engler says the Global Insight numbers are inconsistent with data from the World Bank and other sources. Better adjusting for prices seems to be a key factor, which Engler says better reflects the true quantity of output.

Based on that data, Engler says "The US remains by far the world's largest manufacturer, producing nearly one-fourth of the world's industrial output. Based on the highly respected World Bank database, our analysis also shows that we will produce twice as much this year as the fourth placed economy, China." The European Union and Japan rank second and third in this analysis.

He adds that even in current measures of manufacturing denominated in dollars (which inflate China's position because of the rising yuan and other fac-

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tors), China will produce only about 60% as much as the US in 2008.

Engler further says that even if China continues its rapid economic growth of about 10% per year, it will take until 2020 at the earliest for China to catch the US.

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He added that the only possible way for China to catch the US in 2009 would be a huge economic collapse in the US, well beyond anything like the current slowdown.

The actual position of US manufacturing is in far better shape than the perceptions of many, Engler added.

"Not only is the US the world's largest manufacturer, but US manufacturing output in 2007 set an all-time record," Engler said. "While there are

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more than 3 million fewer manufacturing jobs than in 2000, our productivity has grown so rapidly that today 75 workers produce what it took 100 workers to produce then."

But, Engler does say action is needed to keep US manufacturing strong and to keep the US in front for many years. He added that "For the US to stay ahead of China and maintain world leadership, we must reduce corporate tax rates, which are the highest in the world, develop more of our domestic resources to ensure an affordable supply of energy, provide more generous incentives for research and development, train a new generation of skilled workers and move aggressively to expand exports with more free trade agreements – just as China is now doing. We also need to tackle the foreign barriers to trade that Congress has declined to remove as it holds up trade agreements with markets such as Colombia, Panama and South Korea."



As of press time, Global Insight had not commented on the rebuttal from NAM on its data.