

Supply Chain News: Weekly Manufacturing News Round Up

Goodyear Profits from "Advantaged Supply Chain;" Manufacturing Indicators Mixed; Hanesbrands Closing Legendary Factory in North Carolina; High Loonie Hurting Canadian Manufacturers

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Summary of key manufacturing news from the last week:

Goodyear's Supply Chain Initiatives Continue to Pay Off

Robert J. Keegan, CEO of Goodyear Tire & Rubber, cited the company's "advantaged" supply chain as contributing strongly to the company's strong Q3 financial results in a tough economy. Goodyear has been on a supply chain restructuring path for several years, targeted at both inventory and operating costs, and the results are hitting the bottom line.

The company said this week that "As part of its supply chain initiative, inventory levels are more than \$1 billion below the year-end 2008 level," strongly contributing to improved cash flow at the company.

In addition, Goodyear was bullish about the its new union contract, ratified by the Steelworkers in September. The new, four-year labor contract "enhances the competitiveness of North American Tire's USW-represented tire plants through improvements in productivity, wage and benefit savings and added flexibility," Goodyear said, adding that "These changes, combined with savings from pre-bargain agreements, are expected to provide cost savings of approximately \$555 million over the term of the agreements."

Hanesbrands Closing Legendary Winston-Salem Plant

Hanesbrands has formally announced plans for the final closure of a legendary hosiery plant near

the U.S. enjoyed one of the largest increases in manufacturing productivity among 17 countries last year despite also posting the biggest drop in employment, as companies got more output from fewer workers

Winston-Salem, North Carolina – though the catalyst is as much falling demand as it is the allure of lower costs offshore.

The Weeks plant makes sheer hosiery – a category that has seen rapidly slumping demand as fashion styles change. Consumers have been purchasing fewer sheer-hosiery products for more than 10 years, with sales off 14% in 2008 and down another 18% through June 30.

When the 850,000 square foot plant was constructed in 1960, it was the largest manufacturing facility that had ever been built in North Carolina.

Employment at the plant has been declining for years, down to about 500 at the time of the announcement. 4000 or more had worked at the plant in its hay day.

A local North Carolina newspaper eloquently said that "The countdown has begun on the shift of Hanesbrands Inc.'s Weeks plant from a massive symbol of local and global manufacturing might to a milestone entry in the history books."

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Hanesbrands was spun out of Sara Lee in 2006, and has closed a dozen US plants since it became an independent company.

Manufacturing Data Mixed

Led by a rebound in autos, metals and high tech, U.S. industrial production increased at an annual rate of 5.2% in the third quarter, the fastest growth in four years and the first quarterly increase since the recession began in late 2007, the Federal Reserve reported last week.

That is the good news. The less positive news is that growth slowed in September, according to the US Commerce Dept., and the ISM Manufacturing Index somewhat found the same thing. The ISM Index was positive for a second month in a row in September, at a reading of 52.6. Readings above 50 point to expansion in manufacturing, However, while in positive territory, that number was down from August.

"The manufacturing sector grew for the second consecutive month in September. While the rate of growth moderated slightly when compared to August, the recovery broadened as the number of industries reporting growth increased from 11 to 13," ISM says. "Both new orders and production are growing, but at a slower rate when compared to August. It appears the fundamentals for continuing recovery are still at work as inventories and sales are gaining balance."

Meanwhile, the U.S. enjoyed one of the largest increases in manufacturing productivity among 17 countries last year despite also posting the biggest drop in employment, as companies got more output from fewer workers. Both the U.S. and South Korea saw productivity rise 1.2% in 2008 over the previous year. They experienced the largest increases of the 17 countries included in the Labor Department's



international manufacturing-productivity report released last week.

Currency Killing Canada's Manufacturing, Financial Firm Says

Investment and banking firm CIBC said foreign exchange rates are "hollowing out" Canada's already-battered industrial economy and require intervention by the Bank of Canada.

Avery Shenfield, CIBC World Markets' chief economist, argued the soaring loonie (Canadian dollar) could force Canada's bruised manufacturers and exporters to leave the country.

The Canadian dollar has remained strong in valuation versus the US dollar in the recession, though dropping modestly of late.

"If businesses are making decisions today about where to locate, which plants to leave open, which to close, and they look at Canada as an expensive place to export from – because our workers are expensive in U.S. dollar terms – then we might lose facilities during this period of Canadian dollar overvaluation," Shenfield said this week.