

## US Manufacturing: Dying ... Or Still Going Strong?

Reading the oft-repeated claims from some quarters, it would be easy to get the impression that US manufacturing is dying—and that China is the culprit.

The numbers, however, tell a different story.

- **US manufacturing output in fact is growing.**

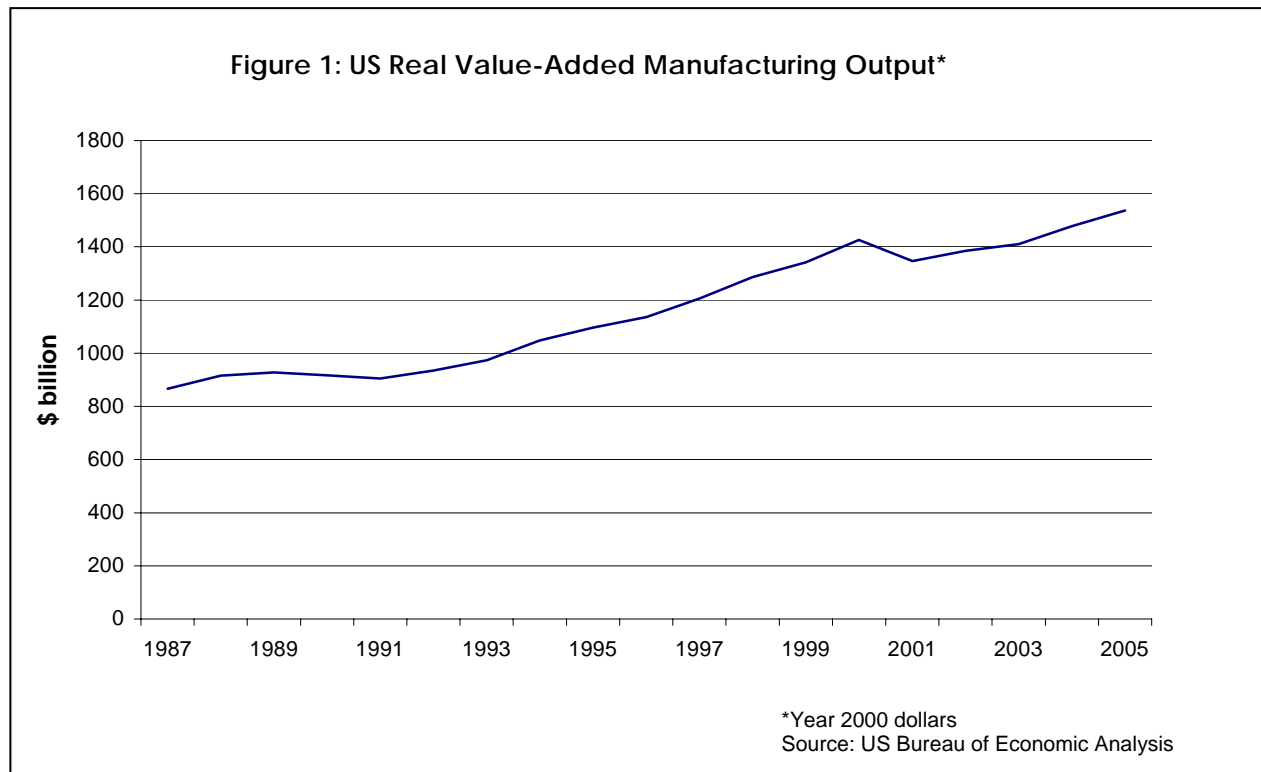
Real value-added manufacturing output in the United States has risen every year since 1987, except for brief declines during the 1990–91 and 2000–01 recessions (see Figure 1 below).

- **The United States is still the world's largest manufacturer.**

The US share of global manufacturing is just over 22 percent—the same as it was in 1995 (it has been hovering around 20 percent since 1982). Japan's

share has dropped during the past decade, while China is now the world's third-largest manufacturer—growing fast, but still far behind the United States—at 8 percent (see Table, next page).

Most analysts who argue that US manufacturing is in decline are really referring to the long-term decline in manufacturing *employment*. Some blame trade with China for the decline in US manufacturing employment. The numbers, however, show that US employment in manufacturing was already falling long before China became a factor (see Figure 2, next page). Productivity growth was and remains by far the most important explanation. The continuing structural economic shift from manufacturing to service industries in the United States, as in all developed nations, further reduces the share of manufacturing in total employment. It now



**Table: Share of Global Manufacturing Output**

	1995	2005*
United States	22.3%	22.4%
Japan	21.1%	17.8%
China	4.2%	8.0%

\*Note = Estimate

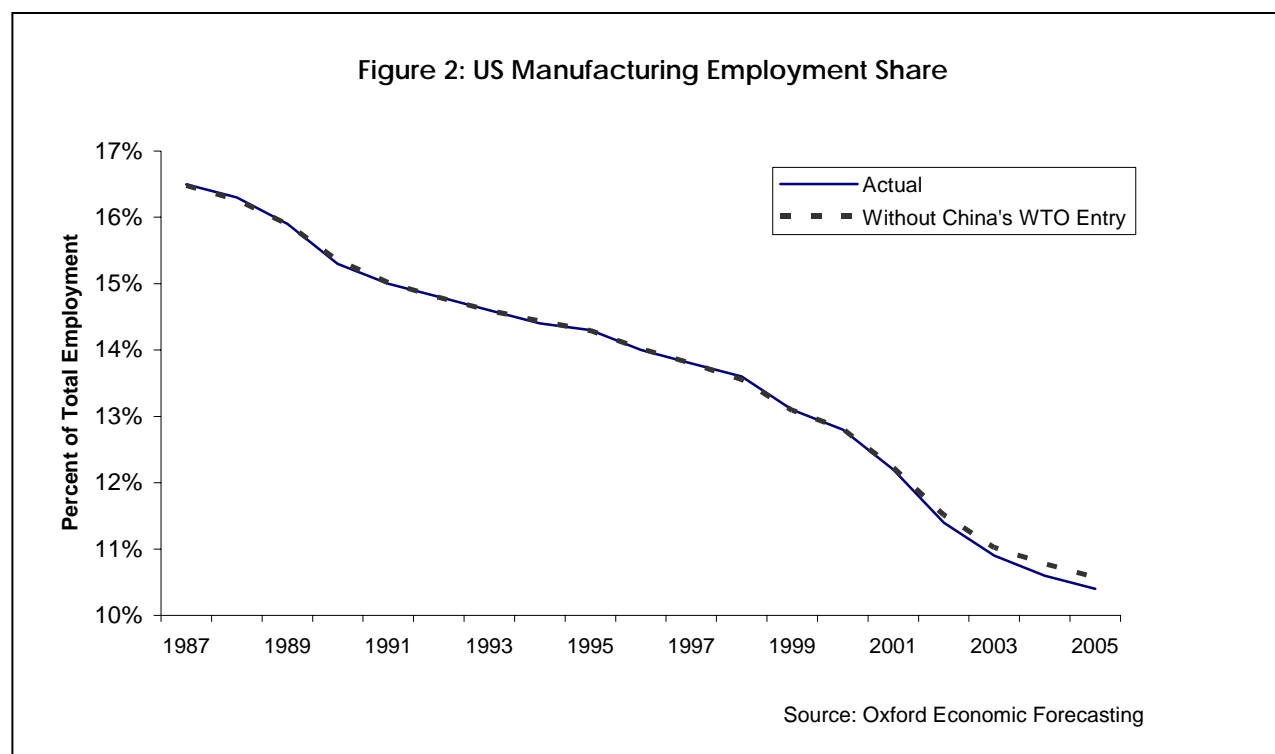
Source: United Nations Industrial Development Organization

accounts for just 11 percent of US employment, compared to 16.5 percent in 1987.

The expansion of US trade and investment with China has affected this trend marginally and only in the past few years. Oxford Economics estimates that over 10 years (2001–10) 500,000 manufacturing jobs will be lost in the United States as a result of China trade. By comparison, the normal job turnover rate—old jobs being replaced by new ones—in the United States is roughly 4 million in a typical *month*.

Major challenges undoubtedly exist for some manufacturing sectors, especially those that compete directly with imports from China or other low-cost sources. Foreign competition, as well as high energy and healthcare costs, mean that these manufacturers must find ways to improve competitiveness or shift to new fields. Those that have made the shift have tended to phase out low-skill manufacturing jobs while creating high-skill ones, according to economists at the New York Fed. Although the United States is not a planned economy and never will be, policymakers should be finding ways to assist this transition for businesses and workers.

China’s share of global manufacturing will no doubt continue to grow in the years ahead. Strengthening US competitiveness and the skills of our workforce is the best way to meet this challenge—just as we have done throughout our economic history.



**Further Reading**

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- Uchitelle, Louis. “If You Can Make it Here.” *The New York Times*. September 4, 2005.