

Significant or Hype? The Globalization of U.S. Manufacturers

Over the past couple of decades one of the major topics for U.S. manufacturers has been globalization. So, how much of that was hype, and to what extent has that really occurred? J.T. Gabrielsen Consulting, LLC set out to uncover the answer to that with the following questions:

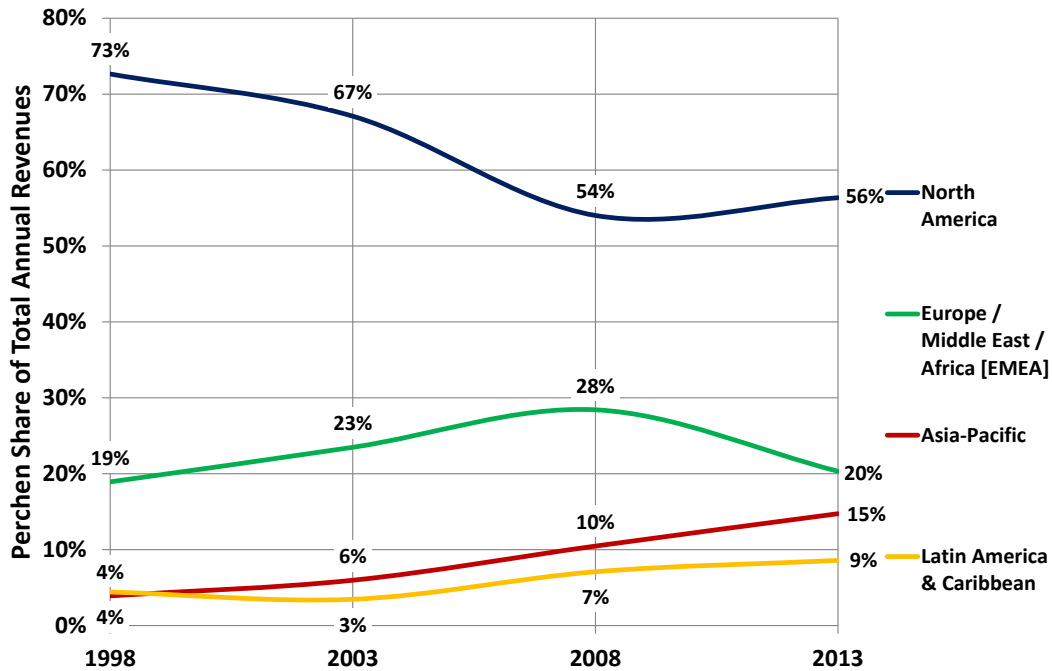
- How significant has the shift of U.S. Manufacturers revenues been from the beginning of this purported trend in the later 1990s up until present?
- If there has been a shift, which regions has the shift been toward, at what point in time, and where are they today?
- Assuming there has been a shift, have their revenues also grown in North America, or has as some purport, has the increase outside of North America come at the expense of North America?

The graph below shows that over the past 15 years there has been a very significant shift in the percentage share of total revenues for major U.S. Manufacturers¹ from North America to the three other major regions of the globe. The global share of U.S. Manufacturers revenues in North America declined by a quarter from 73% to 56%. Europe's share increased by half in the first 10-years, but had lost most of that share gain by 2013. This occurred through a combination of stagnant local growth, and the continued rapid increase in both Asia-Pacific, who quadrupled its share, and Latin America who more than doubled its share.

¹ The study examined the 10K SEC financial filings for 75 (Publically Traded) U.S. Manufacturing Companies, each of whom are in the top 5-10 companies in their manufacturing respective sectors. The focus sectors were Transportation Equipment [Light/Medium/Heavy], Machinery [Agricultural, Construction, Mining, General Industrial, etc.], Fabricated Metal Products, Primary Metals, and Diversified Durable Goods Companies [companies who include divisions that cover multiple of the aforementioned sectors and hence cannot be classified as only one of them]. The 75 companies represent the majority of the total revenues of those sectors. And those 4 sectors represent about half of all U.S. manufacturing revenues and about three-quarters of all Durable Goods manufacturing revenues.

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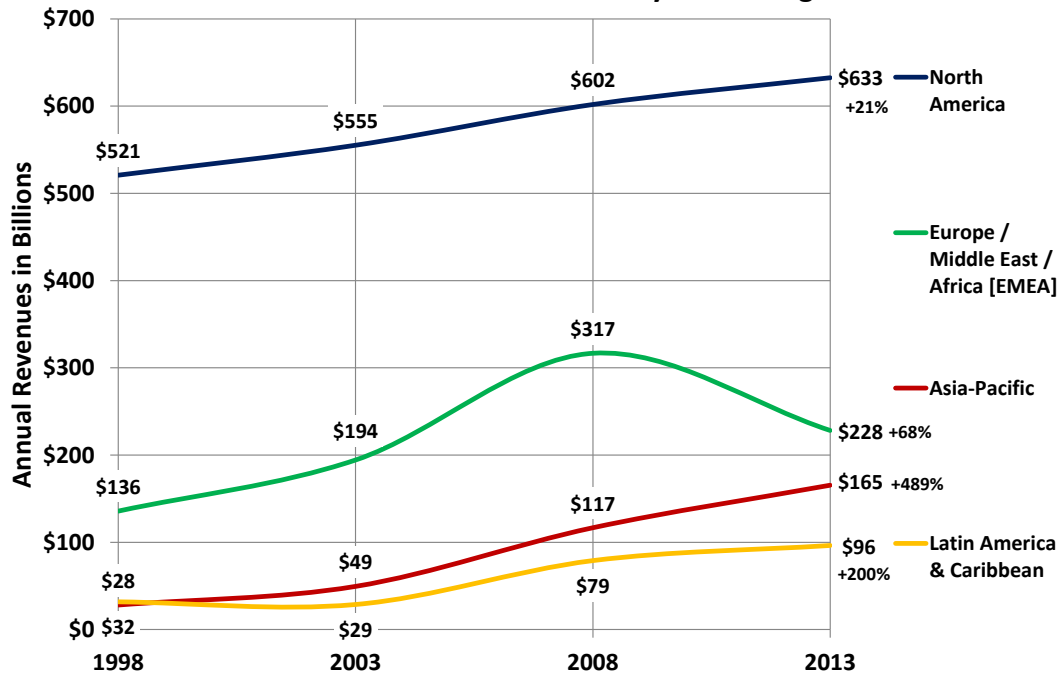
Percentage Share by Global Region



But despite North America's share decline from 73% to 56%, its total dollars of revenues [below] increased by \$112 Billion, a 21% increase over the 15-year period. Although Europe lost almost all of its global share gain, U.S. Manufacturers revenues in Europe by 2013 were still \$92 Billion higher than in 1998, a 68% gain. Asia-Pacific revenues increased \$137 Billion [+489%] and Latin American revenues increased by \$64 Billion, a 200% increase.

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In Billions of Dollars of Revenues by Global Region



Conclusions:

- The globalization of U.S. manufacturers has been very significant and far from hype.
- Despite the very significant shift in the share of total manufacturing revenues from North America to the other three regions, North American revenues have also increased meaningfully, laying waste to the false argument that their globalization has been at the expense of those here at home.

What are your thoughts? Were you surprised by the results? Did you think it would have been more? Less? And where do you think that it will go from here? Has it largely run its course or is there a lot more shift yet to come?

Reports with in depth detail focused on individual manufacturing sectors can be found at these links:

Diversified Durable Goods - <http://shop.jtgabrielsenconsulting.com/Global-Region-Rev-Mix-Shifts-of-US-DIVERSIFIED-DUR-GOODS-Mfgrs-50D0814-1.htm>

Transportation Equipment – Light Vehicles - <http://shop.jtgabrielsenconsulting.com/Global-Region-Rev-Mix-Trends-of-US-Trans-Equip-Mfgrs-LT-VEH-5020814-1.htm>

Transportation Equipment – Medium & Heavy Duty Vehicles -
<http://shop.jtgabrielsenconsulting.com/Global-Regional-Rev-Mix-Shifts-of-US-Trans-Equip-Mfgrs-MD-HD-5010814-1.htm>

Primary Metals - <http://shop.jtgabrielsenconsulting.com/Global-Regional-Rev-Mix-Shifts-of-US-PRIMARY-METAL-Mfgrs-5030814-1.htm>

Fabricated Metal Products - <http://shop.jtgabrielsenconsulting.com/Global-Regional-Revenue-Mix-Shifts-of-US-FAB-MET-PRODUCT-Mfgrs-5040814-1.htm>

Machinery [Ag, Construction, Industrial, etc.]
<http://shop.jtgabrielsenconsulting.com/Global-Regional-Revenue-Mix-Shifts-of-US-MACHINERY-Mfgrs-5050814-1.htm>

An overarching analysis of the relationship between globalization and the financial performance of individual manufacturing companies -
<http://shop.jtgabrielsenconsulting.com/Globalization-Does-it-Correlate-to-Indiv-Co-Growth-Profits-50A0814-1.htm>

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