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# Manufacturing



# RULES!

### Total Deals - Manufacturing vs. Services - SB&D 100 1991-2009

Year	Mfg.	Services	*Total Deals
2009	228	140	368
2008	291	138	429
2007	301	209	510
2006	257	225	482
2005	219	370	589
2004	292	297	585
2003	189	277	466
2002	164	245	409
2001	165	282	447
2000	209	312	521
1999	194	346	540
1998	228	344	572
1997	229	407	636
1996	212	361	573
1995	310	243	553
1994	281	189	470
1993	303	182	485
1992	274	162	436
1991	244	183	427

Source: SB&D. \*Total Announced Deals 1991-2009 with 200 jobs and/or \$30 million in investment or more.

### Total Deals - Manufacturing vs. Services - SB&D 100 1991-2010

Year	Mfg.	Services	*Total Deals
2010	335	259	594
2009	228	140	368
2008	291	138	429
2007	301	209	510
2006	257	225	482
2005	219	370	589
2004	292	297	585
2003	189	277	466
2002	164	245	409
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Source: SB&D. \*Total Announced Deals 1991-2010 with 200 jobs and/or \$30 million in investments or more.

### Total Deals - Manufacturing vs. Services - SB&D 100 1991-2011

Year	Mfg.	Services	*Total Deals
2011	350	189	539
2010	335	259	594
2009	228	140	368
2008	291	138	429
2007	301	209	510
2006	257	225	482
2005	219	370	589
2004	292	297	585
2003	189	277	466
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Source: SB&D. \*Total Announced Deals 1991-2011 with 200 jobs and/or \$30 million in investments or more.

### Total Deals - Manufacturing vs. Services - SB&D 100 1991-2012

Year	Mfg.	Services	*Total Deals
2012	363	160	523
2011	350	189	539
2010	335	259	594
2009	228	140	368
2008	291	138	429
2007	301	209	510
2006	257	225	482
2005	219	370	589
2004	292	297	585
2003	189	277	466
2002	164	245	409
2001	165	282	447
2000	209	312	521
1999	194	346	540
1998	228	344	572
1997	229	407	636
1996	212	361	573
1995	310	243	553
1994	281	189	470
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1992	274	162	436
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Source: SB&D. \*Total Announced Deals 1991-2012 with 200 jobs and/or \$30 million in investments or more.

### Total Deals - Manufacturing vs. Services - SB&D 100 1991-2013

Year	Mfg.	Services	*Total Deals
2013	410	185	597
2012	363	160	523
2011	350	189	539
2010	335	259	594
2009	228	140	368
2008	291	138	429
2007	301	209	510
2006	257	225	482
2005	219	370	589
2004	292	297	585
2003	189	277	466
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Source: SB&D. \*Total Announced Deals 1991-2012 with 200 jobs and/or \$30 million in investments or more.

**"A manufacturing beachhead  
is being formed in the  
American South and in  
Mexico."**

-- Michael C. Randle, editor of Southern Business  
& Development on CNBC in 2008

**"South poised for wave of plants, editor says."**

-- Headline of an article in  
The Birmingham News in 2009.

**"If you think manufacturing is dead in the South, you really need to think again. If anything, it is just getting started."**

-- Michael C. Randle on CNN in 2009

Finally, I was asked, “Mike, why is the South seeing such an increase in manufacturing activity?”

“Well, after a recession, the South historically has seen a significant increase in activity as a result of companies seeking lower cost locations to operate from in the U.S.”

Manufacturing project bumps in the American South one full year after recessions since 1991.

1993: 29 manufacturing projects of \$30 million invested and/or 200 jobs  
2003: 22 manufacturing projects of \$30 million invested and/or 200 jobs  
2010: 107 manufacturing projects of \$30 million invested and/or 200 jobs

## **The Chinese advantage is shrinking fast**

"China's overwhelming manufacturing cost advantage over the U.S. is shrinking fast. Within five years, a Boston Consulting Group analysis concludes, rising Chinese wages, higher U.S. productivity, a weaker dollar, and other factors will virtually close the cost gap between the U.S. and China for many goods consumed in North America."

-- The New York Times, August 9, 2011

## **When all costs are taken into account**

"When all costs are taken into account, certain U.S. states in the South, such as South Carolina, Alabama and Tennessee, will turn out to be among the least expensive production sites in the industrialized world. As a result, we expect companies to begin building more capacity in the U.S. to supply North America. The early evidence of such a shift is mounting."

-- Boston Consulting Group, August 2011

**"Mike, the Bridgestone project was approved for Asia, so your theory may be right."**

-- Mark Williams, President of Strategic Development Group

**"Randle, we are working 29 manufacturing projects right now and if I told you this five years ago, you would have laughed me out of the room; about half of them are furniture manufacturers."**

-- David Rumbarger, CEO of Tupelo's Community Development Foundation





**So, how big is this?**

**"Between 2001 and 2010, the United States lost 2.8 million jobs to China, with 1.9 million of those jobs in the manufacturing sector."**

-- The Economic Policy Institute, July 2011

**"Of those 1.9 million lost manufacturing jobs, we estimate that 1,038,000 came from Southern states."**

-- Mike Randle, Southern Business & Development, July 2011

**"The American South has experienced four great manufacturing waves in the last 70 years. Those were all manufacturing sectors during and shortly after World War II, the textiles and apparel wave in the 1960s and '70s, and a more sustainable wave from the mid-1980s to today and that, of course, is the automotive sector. Lastly, there is this re-shoring wave. This, in my mind, is a game changer. It is an all-in situation, I believe, for states and communities in the South because like WWII, it involves all sectors."**

**-- Mike Randle, Southern Business & Development, October 2011**

**"Rising Chinese labor costs are changing the economics of global manufacturing and could contribute to the creation of 3 million jobs in the U.S. by 2020, according to a study being released by the Boston Consulting Group."**

**-- CNBC, October 2011**

## Mexico to be a big winner

"Mexico has the potential to be a big winner when it comes to supplying North America. It has the enormous advantage of bordering the U.S., which means that goods can reach much of the country in a day or two, as opposed to at least 21 days by ship from China. Goods imported from Mexico can also enter duty-free, thanks to the North American Free Trade Agreement. In addition, by 2015, wages in Mexico will be significantly lower than in China. In 2000, Mexican factory workers earned more than four times as much as Chinese workers. Mexico's gains will be limited to low-end products while high-end products will choose to locate in low-cost U.S. states."

-- Boston Consulting Group, August 2011

## Reshoring: After chasing ghosts for 20 years, Chinese investment is finally surfacing in the South.

\* First Chinese manufacturing project in the U.S was in the South. It was a \$40 million Haier deal in Camden, S.C. to manufacture appliances.

\* Since 2001, China has averaged less than \$600 million a year in capital investments in the American South, or about twice the amount spent by Southern states traveling to the country in the recruitment of Chinese-based projects over the past 25 years.

\* Over the last five years, Chinese companies have averaged about \$1.9 billion a year in capital investments on manufacturing projects in the U.S.

The largest foreign direct investment inflows in the U.S. by country in the manufacturing sector in 2013 were from:

1. The Netherlands: \$29.9 billion
2. France: \$21.6 billion
3. United Kingdom: \$20.5 billion
4. Japan: \$19.1 billion
5. Canada: \$16.5 billion
10. China: \$3.3 billion

Source: U.S. Bureau of Economic Analysis

In the first quarter of 2014, Chinese investment in the U.S. topped \$6 billion and the South's share of that was \$4.3 billion. In the first six months of 2014, these two Chinese projects landed in the American South:

\* Shandong Tranlin Paper, a China-based pulp and paper company, is investing \$2 billion to establish its first U.S. manufacturing plant in the U.S. in the Richmond, Va., MSA in Chesterfield County. The deal will create 2,000 jobs.

\* China's first major investment in Louisiana was announced this summer. Yuhuang Chemical is building a \$1.85 billion methanol facility on the Mississippi River in St. James Parish.

### Top five foreign direct investment inflows by country 2009-2013

1. China: \$347 billion
2. United States: \$236 billion
3. Brazil: \$81 billion
4. Hong Kong: \$77 billion
5. Russia: \$71 billion

#### Other countries of note:

- Canada: \$68 billion
- Singapore: \$64 billion
- Ireland: \$49 billion
- Australia: \$49 billion
- United Kingdom: \$48 billion
- Spain: \$45 billion
- Mexico: \$38 billion
- Germany: \$33 billion
- India: \$28 billion
- Saudi Arabia: \$9 billion
- France: \$7 billion

### Ten reasons why manufacturing is booming in the South

1. Fracking frenzy (the shale gas boom), has reduced U.S. natural gas prices by two-thirds since 2008.
2. The U.S. is at the forefront of technology advances in manufacturing, particularly in data analytics, advanced automation, simulation, modeling, robotics and digitization on the factory floor. U.S.-designed software and other IT innovations as they apply to manufacturing are transforming the process and essentially have just begun to take shape. Therefore, according to Mark Muro of Brookings in a recent Wall Street Journal article, "The game is now being played on American terms."
3. Don't expect this manufacturing renaissance to be a major job-generating factor, but it will be a factor.
4. Offshoring to Asia for the manufacture of goods for U.S. consumption is not over, but according to the Reshoring Initiative the U.S. is now gaining as many manufacturing jobs from overseas as it is losing.
5. Almost 60 percent of executives surveyed by the Boston Consulting Group of companies with sales of \$1 billion or more that operate plants in Asia for U.S. consumption are either engaged in the reshoring process or are considering it.

6. U.S. manufacturing values and worker productivity are growing rapidly. Manufacturing in the U.S. is currently valued at \$2.1 trillion, or larger than the entire GDP of India. Since the end of the recession, manufacturing production has increased by 30 percent, doubling the growth rate of the economy as a whole.
7. The U.S. is the No. 1 foreign direct investment nation in the world, with almost \$1 trillion invested by foreign companies. The American South has captured more than 40 percent of that total each year over the past 10 years.
8. "Physically close to customers" is a growing trend. The shorter supply chains companies prefer now have companies looking to reshore primarily to three areas: the Midwest, the South and Mexico. Mexico is now the No. 1 competitor for manufacturing projects in the South.
9. The South is seeing some gains in labor force skill sets to keep up with manufacturers' demand for talented workers, but it's still not enough to fill the 600,000 manufacturing positions that are available now.
10. Commercial aircraft fleets are expected to double by 2025 and surging demand for automobiles will help those two sectors in the South, particularly in exports.

## Selected manufacturing projects announced in the American South

<p><b>Lake Charles, La.</b> Sasol. \$21 billion (that's with a "B"). 1,200 jobs. December 2012</p>
<p><b>Aiken, S.C.</b> Bridgestone. \$1.2 billion. 850 jobs. September 2011</p>
<p><b>Sumter, S.C.</b> Continental Tire. \$500 million. 1,700 jobs. October 2011</p>
<p><b>Ascension Parish, La.</b> Methanex. \$1.2 billion, 600 jobs. April 2013</p>
<p><b>Westpoint, Miss.</b> Yokohama Tire. \$300 Million. 500 jobs. April 2013</p>
<p><b>Tupelo, Miss.</b> Toyota. \$1.3 billion. 1,500 jobs. March 2007</p>
<p><b>Meriwether County, Ga.</b> Mando. \$80 million. 660 jobs. December 2012</p>
<p><b>Melbourne, Fla.</b> Northrop Grumman. N/A. 900 jobs. March 2013</p>
<p><b>Austin, Texas</b> Samsung. \$4 billion. 400 jobs. October 2012</p>
<p><b>St. James Parish, La.</b> Nucor. \$750 million. 500 jobs. September 2010</p>

## Selected manufacturing projects announced in the American South

<b>Tishomingo County, Miss.</b> Comfort Revolution. \$43 million. 200 jobs. September 2012
<b>Athens, Ga.</b> Caterpillar. \$200 million. 1,400 jobs. February 2012
<b>Mobile, Ala.</b> Airbus. \$600 million. 1,000 jobs. July 2012
<b>Palm Beach County, Fla.</b> Pratt & Whitney. \$63 million. 230 jobs. December 2012
<b>Vance, Ala.</b> Mercedes-Benz. \$2 billion. 1,000 jobs. July 2011
<b>Lexington, Ky.</b> Big Ass Fans. \$10 million. 300 jobs. May 2012
<b>Keysville, Va.</b> Genesis Products. \$12 million. 270 jobs. March 2011
<b>Osceola, Ark.</b> Big River Steel. \$1 billion. 525 jobs. January 2013
<b>Manatee County, Fla.</b> Air Products. \$30 million. 250 jobs. July 2012
<b>Louisville, Ky.</b> GE. \$800 million. 800 jobs. September 2011

## Discussion?

### 1. The Incentives Debate?

