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**CONTACT:** Julie King, Vice President

**TEL:** 216.588.1438

**EMAIL:** [jking@wire-net.org](mailto:jking@wire-net.org)

***Northeast Ohio Manufacturers Report a Strong 2<sup>nd</sup> Quarter  
and Optimism about the Year Ahead***

**Cleveland, Ohio, Wednesday, September 3, 2014** –WIRE-Net's 3rd quarter 2014 manufacturing outlook survey shows that many regional manufacturers are having a good year, and are optimistic about the next one as well.

Recent national data show that gross domestic product grew in the 2<sup>nd</sup> quarter of the year at an adjusted annual rate of 4.2%, with spending in new buildings and machinery major components of this growth. WIRE-Net's survey of manufacturing related companies echoes this data, revealing that 64% believe the shipments compared to last year will strengthen, or at least stay the same (25%). The profit outlook is also optimistic, with 50% projecting improved profitability for the coming year and 31% projecting similar profit levels as last year.

The workforce report was positive with 45% of firms responding added jobs in the last 6 months, and 43% project adding more through the end of 2014.

The survey reveals some trouble spots as well. The top three constraints to growth are:

- Materials prices (61%)
- talent challenges (62%)
- Costs of the Affordable Care Act (55%)

In addition, nearly half of firms flag electricity prices as a major constraint (47%)

Top factors encouraging growth, include a cluster of issues clocked in at between 29%-32% include re/near shoring, the health of the US economy and stronger consumer confidence. Survey respondent Tom Schumann, General Manager at Kitzel & Sons in Cleveland, said, "Our experience mirrors that of many of the survey respondents. We have seen a significant pickup in activity starting in the second quarter of this year. New orders and quote requests are strong and our customers are optimistic about future business conditions. One trend that we see gaining traction is our customers bringing work back from overseas manufacturers, especially China."

The top two strategies NE Ohio manufacturers are using to improve profits are:

- Price increases (70%)
- Improving efficiency (88%)

More penetration of current markets was cited as the chief growth strategy by 78% of respondents, but only 18% report tackling new export markets as a top strategy, reflecting the challenges small firms face in exporting.

Firms are looking inward to deal with talent issues, with 74% undertaking internal training. Just 26% are collaborating with educational institutions and only 11% are using apprenticeships.

A significant number of the 89 firms who responded are small companies.

- Average number of employees was 43
- 66% had sales under \$10 million
- 18% with sales between \$11-\$75 million
- 4% with sales of \$75 million or more

Reflecting WIRE-Net's diverse membership, the firms surveyed work in a broad number of industries including

- Automotive (12%)
- Machinery (7%)
- Chemicals, construction and steel (each at 5%)
- Miscellaneous manufacturing (35%)

"Companies are rightly concerned about issues over which they have relatively little control and which create risk for their success," said John Colm, WIRE-Net's president and executive director. "Materials pricing, cost of the Affordable Care Act, electricity prices are tough for a single company to affect." WIRE-Net member City Plating is focused on the automotive market. CEO Randy Solganik said, "As long as automotive stays strong, City Plating will track that market. After the recession, companies became extremely lean, so operating efficiencies are harder to come by. As material and electricity costs increase, we will have to consider whether our industry will accept price increases as a way to recoup those costs."

Colm noted that respondents are taking on tried and true strategies to grow, by penetrating markets they already know well, and undertaking new product development. "When it comes to training issues, WIRE-Net is concerned that very few firms are developing apprenticeships as a tool to promote career pathways, talent development and long term employment within firms," Colm said.

"The small-firm segment of our economy is critical to job creation," Colm added. "The challenges they face in securing stable raw materials and electricity prices and identifying talent can hamstring their ability to produce at competitive prices."

**WIRE-Net** is a membership based, non-profit economic development organization that provides services to manufacturing leaders to strengthen their businesses, create healthy communities and fuel economic growth. WIRE-Net's 360 members employ 21,000 people in and around greater Cleveland. For information, visit [www.wire-net.org](http://www.wire-net.org).

Two survey respondents are willing to speak with reporters about their perspective on the 2014 economic outlook. For information, contact Julie King at the number above.

Tom Schumann, General Manager  
Kitzel & Sons, Inc.  
216.267.6850  
[tschumann@kitzel.com](mailto:tschumann@kitzel.com)

Randy Solganik, CEO  
City Plating  
216.267-8158  
[randy@cityplate.com](mailto:randy@cityplate.com)