



# *Views From The Heartland*

*Investment Perspective of Buena Vista Investment Management*

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## The Renaissance of American Manufacturing

“Made in the USA” is making a comeback and creating investment opportunities

The Wall Street Journal recently ran a special section entitled “A Revolution in the Making”. In it were a number of articles that described how digital technology was revolutionizing American manufacturing. In April of this year, Time magazine ran an edition with the cover story that was entitled “Made in the USA”. The story detailed the resurgence in US manufacturing. Time described how Ashley Furniture was building a new \$80 million plant in North Carolina, how Apple would build the new Mac computer line in the US, how Airbus was going to manufacture JetBlue’s planes in Alabama and Dow Chemical Company’s plan to spend \$4 billion on new manufacturing facilities in Texas.

From an intermediate-term investment perspective, the developments described above should not be underestimated. Manufacturing is vital to the long-term health of the US economy and, in turn, the US equity markets. Officially, manufacturing employment is only about 9% of total employment, but that number dramatically underestimates the importance of manufacturing. As detailed in the Time magazine article, manufacturing represents 67% of private sector R&D spending and 30% of the USA’s productivity growth. Every \$1.00 spent in manufacturing activity returns \$1.48 to the economy.

According to the Department of Commerce and the U.S. International Trade Commission, manufacturing accounts for 80% of our exports and 90% of our patents. Manufacturing also is considered to be a jobs multiplier, with every new manufacturing job creating an additional 4.6 jobs to support it. According to Paul Jacobs, CEO of tech giant Qualcomm, high tech manufacturing is even more important as each new job creates an additional 16 jobs.

For a nation that is clamoring for jobs, the news in the manufacturing area has been a bright spot. Since 2009 manufacturing growth in the US has outpaced that of other advanced economies with the addition of over 500,000 new jobs. This marks the first time in a decade that the number of manufacturing jobs has gone up and not down according to Time. And the news is going to get even better! According to a survey by the National Association of Manufacturers, 48% of large manufacturers are planning to return some production to the U.S. from offshore.

When discussing manufacturing in 2013, it is important to remember that these factories are not the factories that many of us remember; dirty, noisy and run by low-skilled workers. The factories being built today are high tech marvels requiring unique skills to run and maintain. Today’s factory workers require specialized skills to operate and maintain complex processing equipment. Nearly one in 10 factory workers have some graduate or professional degree and more than 50% have some college education.

For example, after construction is complete on the four Dow Chemical plants mentioned above, there will be 600 new permanent jobs created. All of the jobs will pay in excess of \$75,000 and 100% of these new jobs will require a two year technical degree.

(OVER)

# The Renaissance of American Manufacturing (continued)

## “Made in the USA” is making a comeback

To be sure, there are many reasons behind this resurgence in US manufacturing. In our opinion, the genesis of this rebound in manufacturing begins with cheap and plentiful natural gas. The massive changes that have occurred in the energy industry due to fracking technology have created an abundant, safe and inexpensive source of fuel. This has given manufacturing CEO's the financial incentive and confidence to build new cost effective plants or invest in new high tech equipment.

The comeback in manufacturing is being driven by digital technology, which is transforming manufacturing in ways that were hard to imagine 10 years ago. Access to cloud computing, use of low cost, high speed microprocessors and advances in software and telecommunications are revolutionizing the way we manufacture. When you mix a reliable, reasonably priced energy source with world class technology you have the seeds for a manufacturing renaissance. But this all comes together because the US has a large, educated workforce, which has proven to be flexible and willing to adapt and change.

GE CEO Jeff Immelt said recently that the US is probably the most competitive it's been, on a global basis, in the last 30 years. A remarkable turnaround considering that it was not that long ago that some said our costs were too high to be competitive. Some even speculated that we were destined to be a nation of “hamburger flippers”.

Being cost competitive in manufacturing is imperative in a global economy. However, manufacturing in the next decade will also require innovation and creativity; two intangibles that are at the heart of the American brand of capitalism. Take for example 3-D printing (sterolithography), an industry that did not exist 10 years ago. It was created in California by Charles Hull and is now a new and innovative way to manufacture everything from car parts to knee replacement parts. Some experts are predicting that world-wide sales of 3-D printers and services will be over \$10 billion in the next 10 years. This dramatic change in the way we manufacture products is now creating a whole host of new investment opportunities and American companies are leading the way.

As investors, we are “bullish” on America. Although we have long discussed the virtues of investing in a global portfolio, we are becoming more convinced that the changes occurring in American industry, specifically manufacturing, technology and energy, could very well lead to a period of outperformance by American stocks. It is our position that American innovation, ingenuity and flexibility are going to have a profound and lasting impact on the global economy of the next 10 years.

## **BUENA VISTA INVESTMENT MANAGEMENT LLC**

### **LONG-TERM MARKET INDICATORS**

Buena Vista Conservative Buy/Sell Discipline:	Bullish (turned positive 1-2012)
Leuthold Major Trend Index	Neutral (turned neutral in 6-2013)
InvesTech Negative Leadership Composite:	Negative (turned negative 6-2013)
S&P 500 Stock Index:	1,569 (12.56% thru 6-28-13)
Dow Jones Total Market Index	16,771 (13.02% thru 6-28-13)

Important Disclosure – The performance numbers contained on this page are provided for informational purposes only. Returns may vary depending on personal objectives and timing of invested dollars. The performance numbers contained on this page are net of Buena Vista management fees and are based on investments held in a composite of accounts with like investment strategy. Contact Buena Vista Investment Management LLC for more specific information concerning performance and market data. Do not rely on this information to make investments.