

HEAVY INDUSTRIES

- ▶ **Manufacturing in the USA – Surprise driver for European automation and production technologies ?**



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Investment boom in production technologies in the USA

“The Sales Channel Development Company”

Manufacturing in the USA

Need to invest in robotics and automation

Recent years have seen German exports of automation and process technologies pick up in the USA. Also, German companies, automotive industries and their SME subcontractors have invested in the American markets based on the positive outlook of the domestic markets and export opportunities, particularly the booming market of Mexico.

The question is, if the American manufacturing market for European companies is just a one off sector specific opportunity or are there wider trends and opportunities? Perhaps in the aviation industries?

Traditionally American manufacturing companies have spent a huge effort into maximisation of existing production assets and labour productivity. At the same time, American companies have shunned spending on manufacturing related capital goods such as machinery, automation and outsourced “non-core” elements of their production.

On the other hand, German manufacturing philosophy has been slightly different. German manufacturers have invested gradually into new machinery, automation and importantly employer relations as well.

From American perspective German model is easily deemed as bureaucratic and too focused on technology at the expense of financial efficiency. However, at short to medium term the German model has been hugely successful in the USA. German labor union model “works council” will be also put partly in practise under new arrangement between manufacturer and UAW in Volkswagen factory in Chattanooga, Tennessee. Are Germans adding new dimension called “soft skills” to American manufacturing?



Source: Volkswagen

“German labor union model is good for productivity as well. Perhaps the traditional philosophy of maximizing the productivity on existing assets and seeking efficiencies through capital management has come to an end, at least in a certain ways.” says Juha Seppänen, CEO of Nordic Industries Development.

“Whereas most of Northern European manufacturers have improved their automation processes and technologies constantly, most US companies have sought to make more out of existing technology. This is highly cultural issue and seems to be changing slowly” he adds.

Manufacturing in the USA

Current investments in manufacturing technology and services are real, not just talk.

As the incremental improvements in the productivity are no longer yielding competitive results to American companies, there is a massive need to invest in new production technologies. This is not necessarily a problem for big corporations.

However, since there has been a long period of sluggish investment in production technologies in the US, the American automation and production machinery industries have fallen behind their Japanese and European counterparts. For this reason a great amount of new technology must be imported from abroad.

For example, the demand for industrial robotics is expected to grow 6% between 2014 and 2017 according to American Aerospace Industries Association.

The German machine vision association VDMA predicts that the year 2014 will be the best ever for companies providing solutions and technology.

Besides Middle East, the demand from US is strongest to a variety of machine vision technology providers.

In total, German investments in the USA account for the 10% of FDI in the USA. A huge figure providing that the USA is the largest recipient of foreign direct investments.

“Some of our clients have already benefited from this trend, but it is also a part of the whole value chain that is moving to USA”, says Mr. Seppänen.

The investments of Volkswagen and BMW to USA have drawn also SME companies. For example, German company PTF Pfuller set up distribution centers and local workshops to improve the supply and quality of subcontracting pool in the USA.

“This is a general trend” confirms Ms. Anne Cappel, Director of EACC (European American Chamber of Commerce) based in Cincinnati, Ohio.



Apart from process industries, also heavy industries are investing. “Lately, foreign companies providing technologies such as welding robotics, process automation and offshore engineering have fared well in the American market” says Mr. Juha Seppänen of Nordic Industries Development North America.

According to him, “the Gulf of Mexico oil boom fuelled by the privatization of Mexico’s Pemex and investments into research and development at the American side of the border are driving a boom in heavy engineering and related technology.

What's in it for us ?

The factors driving the growth in American manufacturing are both multiple and positive.

American companies have been reshoring their production from Far East, namely China, because of quality problems and eroding cost advantage in comparison.

We estimate that increase in private consumption, the shale boom throughout the North America, privatisation of Mexican oil industries and offshore oil and gas boom at the Mexican Gulf will drive demand for high end manufacturing processes and machinery in USA, Canada and even Mexico to record levels in the short term. This combined with the urgency to invest in new production technology will drive demand for European technology providers in the fields such as automation, precision technologies, machine vision and similar features essential for automated manufacturing. Needless to say, the current Dollar to Euro rate should not be bad for European manufacturers either.

Where is the opportunity for your company? What are the industry clusters, value chains and places to focus on in the US?

NORDIC INDUSTRIES DEVELOPMENT NORTH AMERICA HQ is located in Cincinnati, Ohio. Providing unrivalled market entry into Midwest to American manufacturing heartland.

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