The State of Indiana Manufacturing and Long-Term Outlook

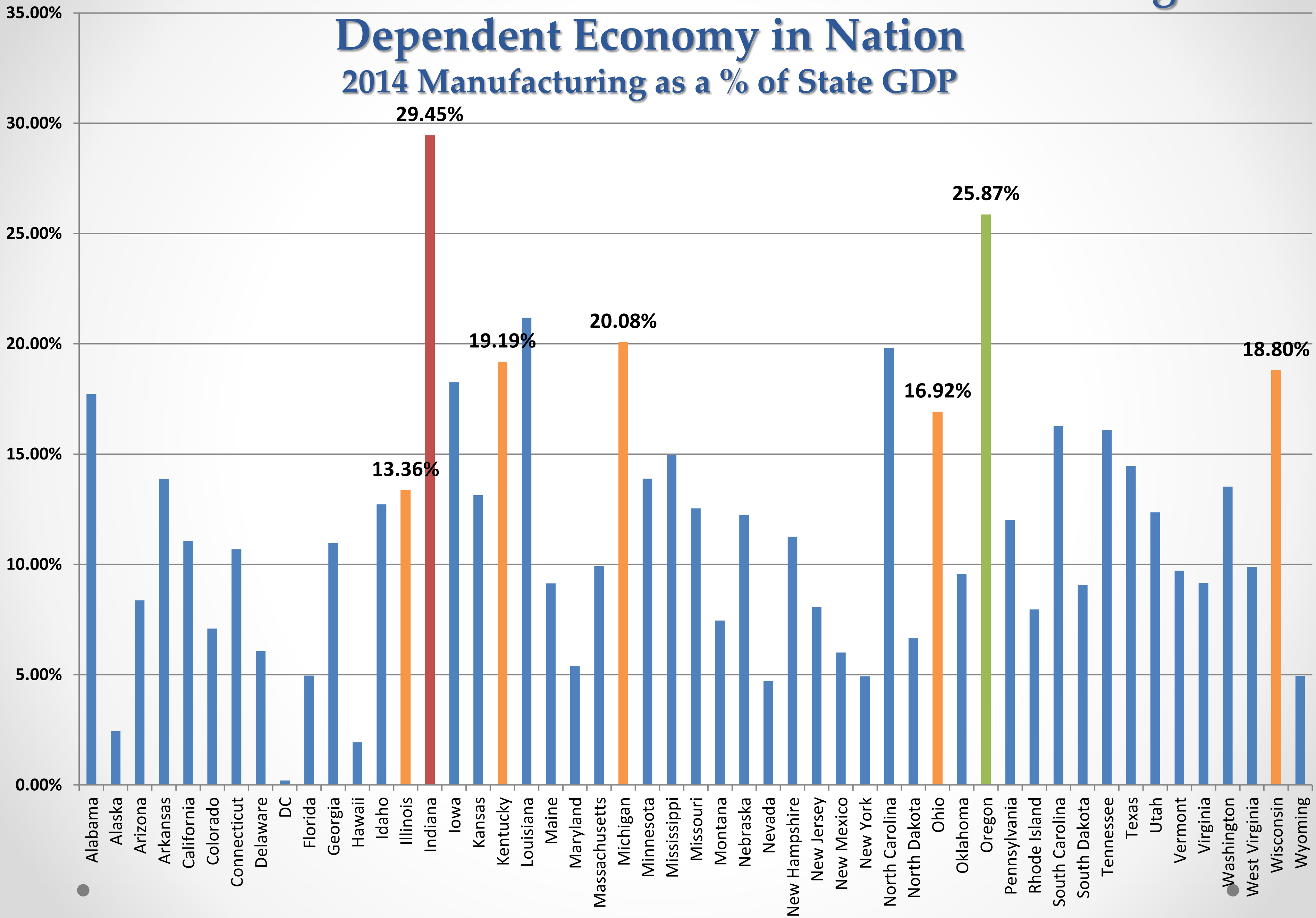
Indiana Manufacturers Association

May 12, 2016

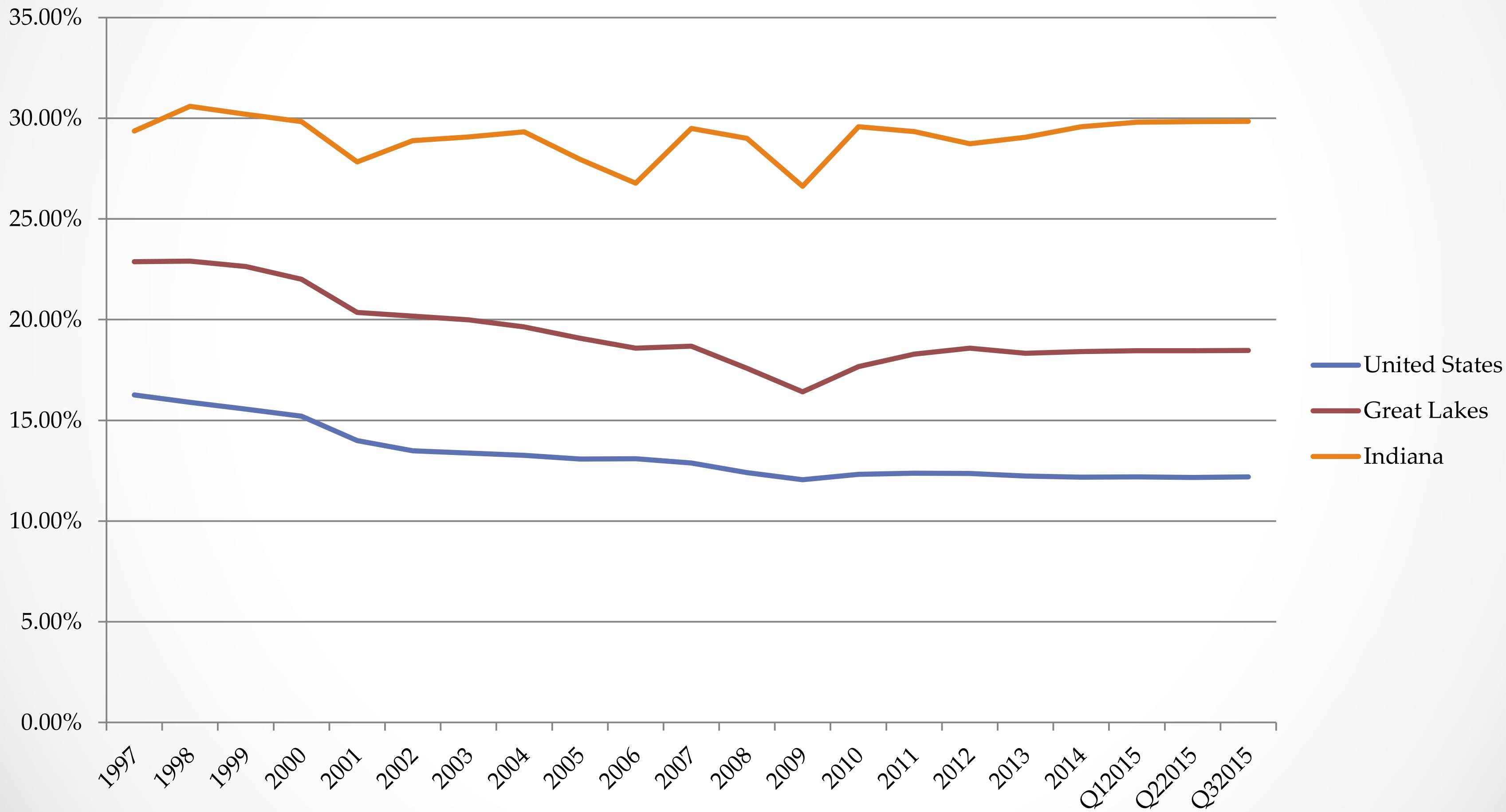
Indiana Overview

Indiana Continues to Have the Most Manufacturing Dependent Economy in Nation

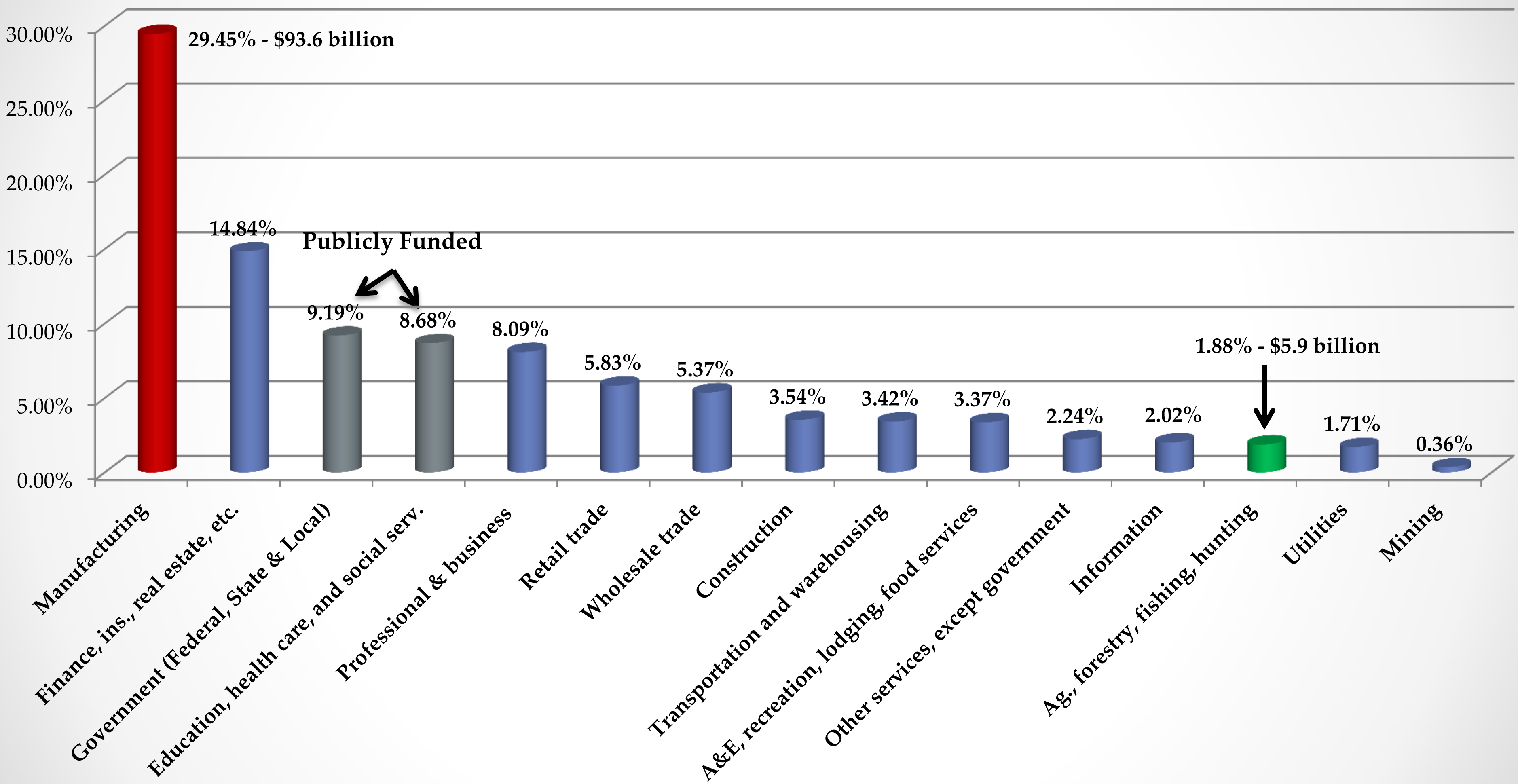
2014 Manufacturing as a % of State GDP



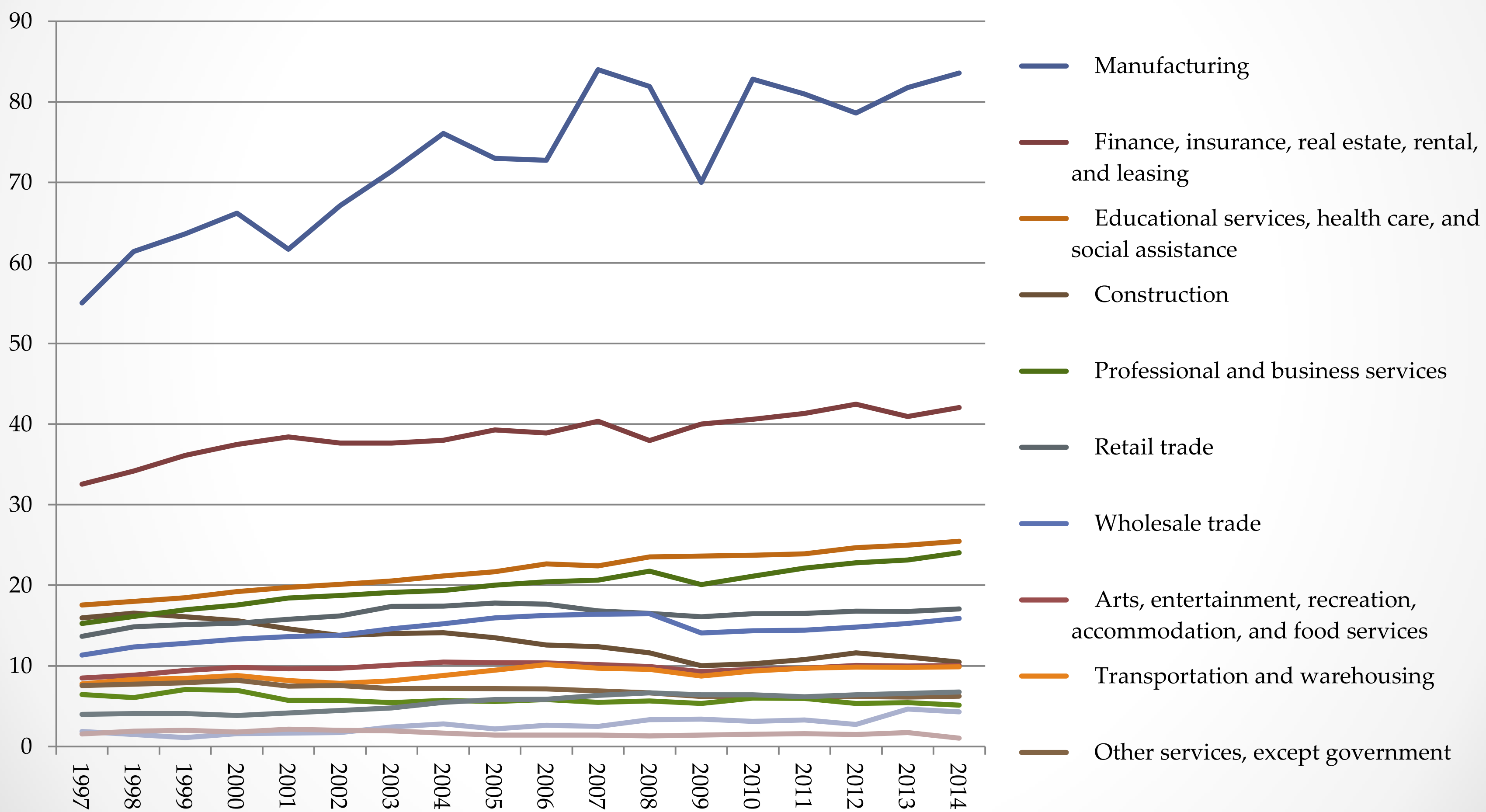
Indiana Compares Favorably to the U.S. and Great Lakes Region Over Time Based on % of GDP Attributed to Manufacturing



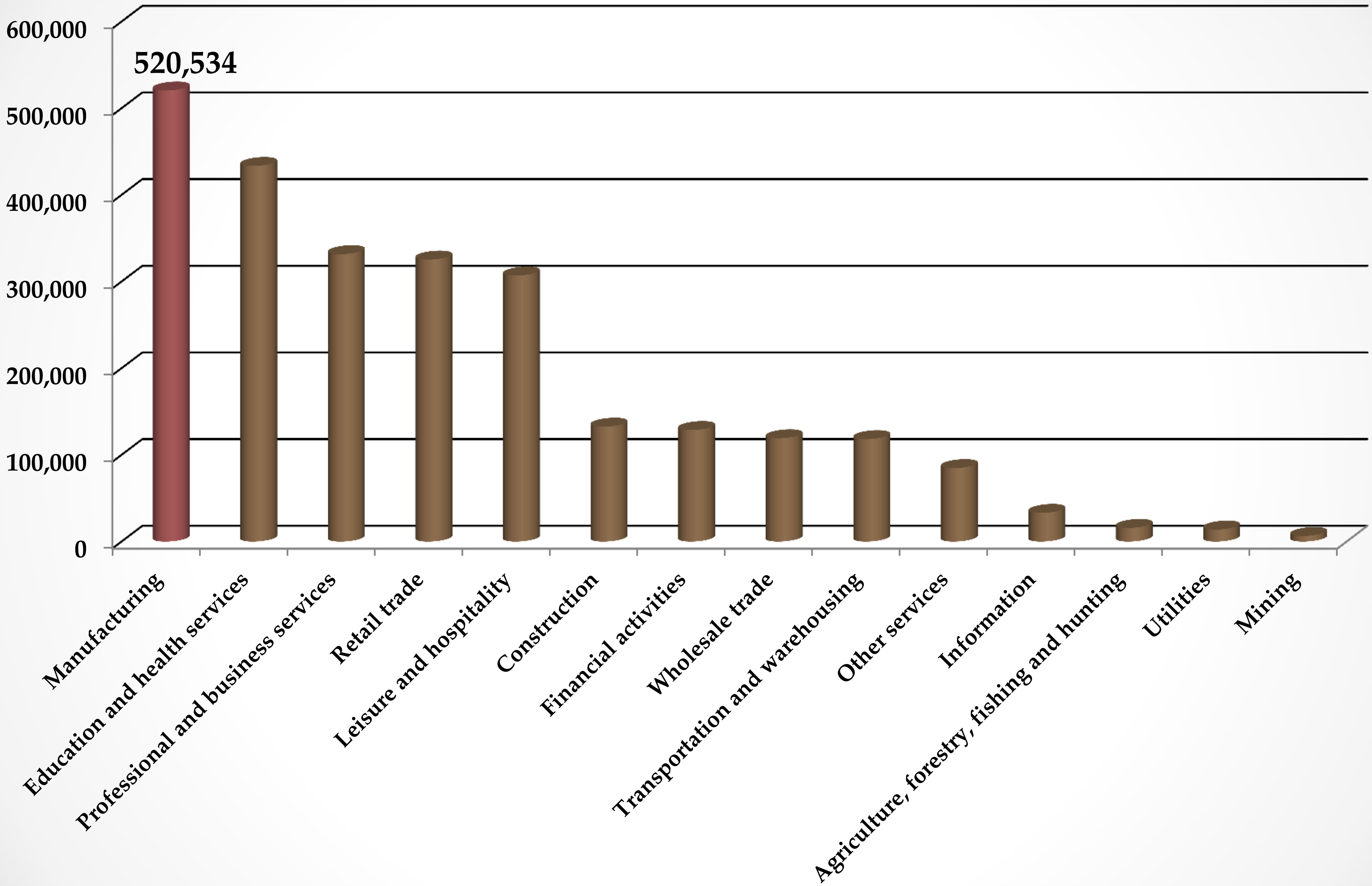
Indiana 2014 GDP Share by Industry



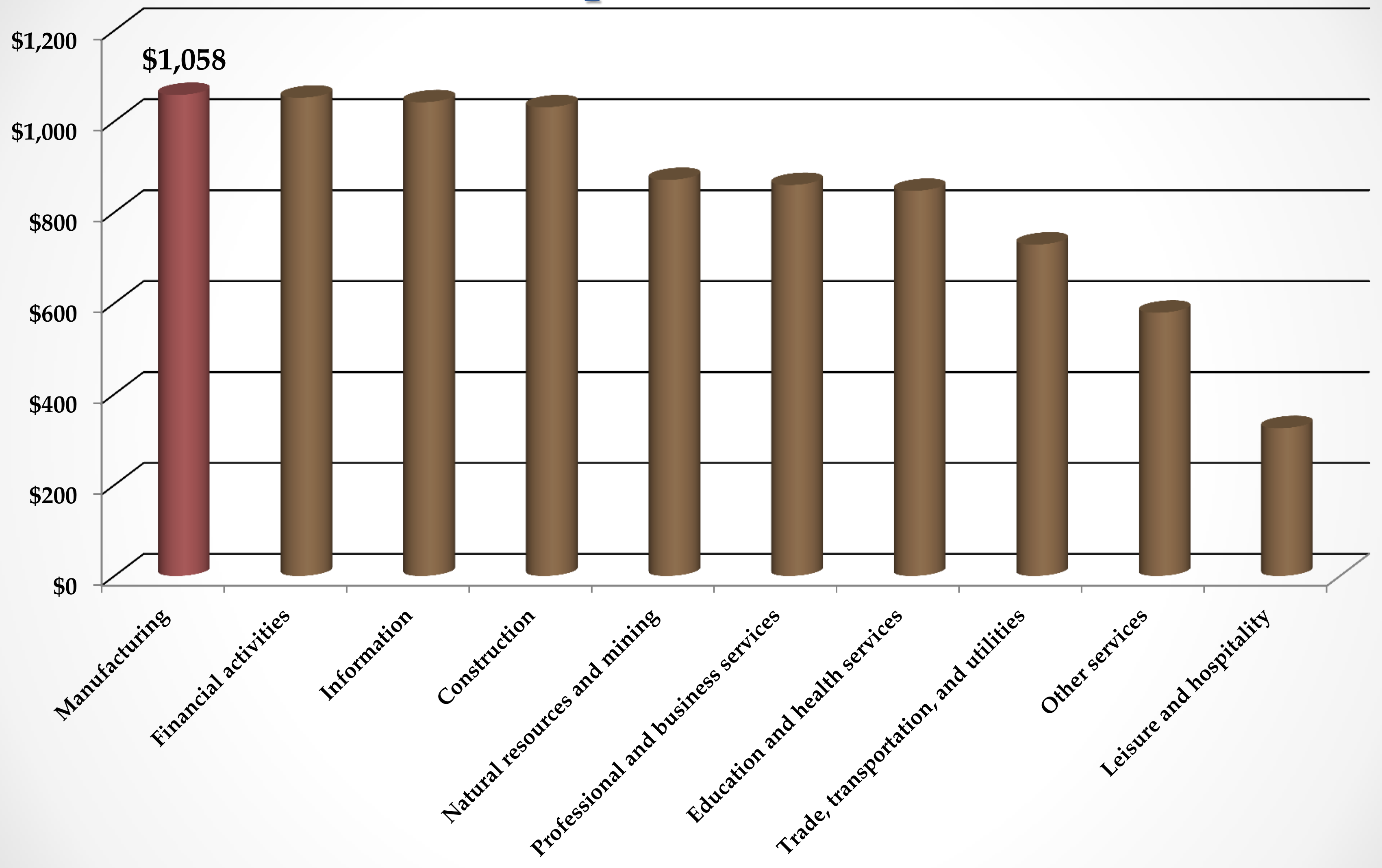
Indiana Manufacturing Compared to Other Sectors in Economic Output Over Time – 2009 Chained Dollars (in billions)



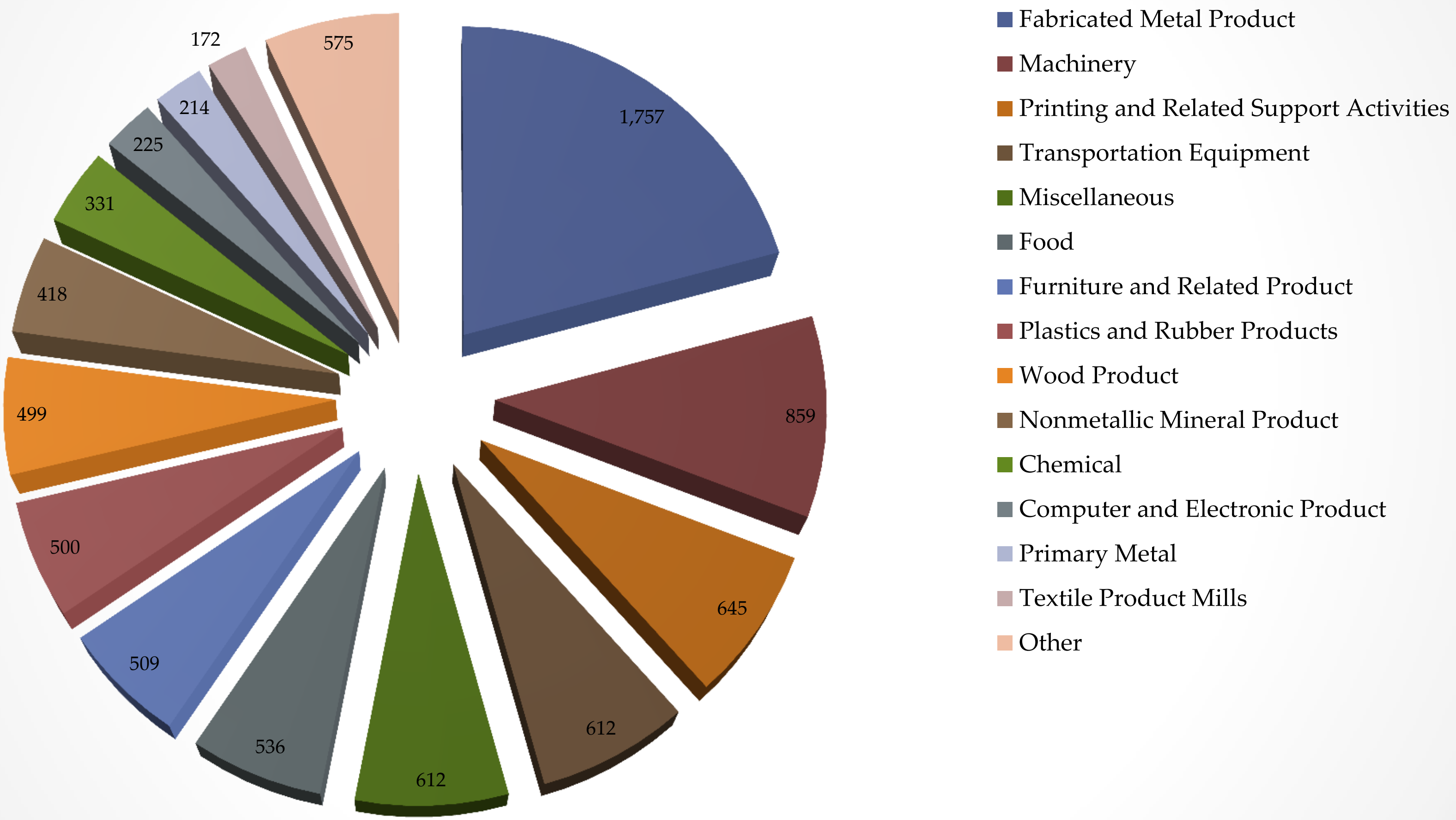
Indiana Employment by Private Sector Industry
September 2015



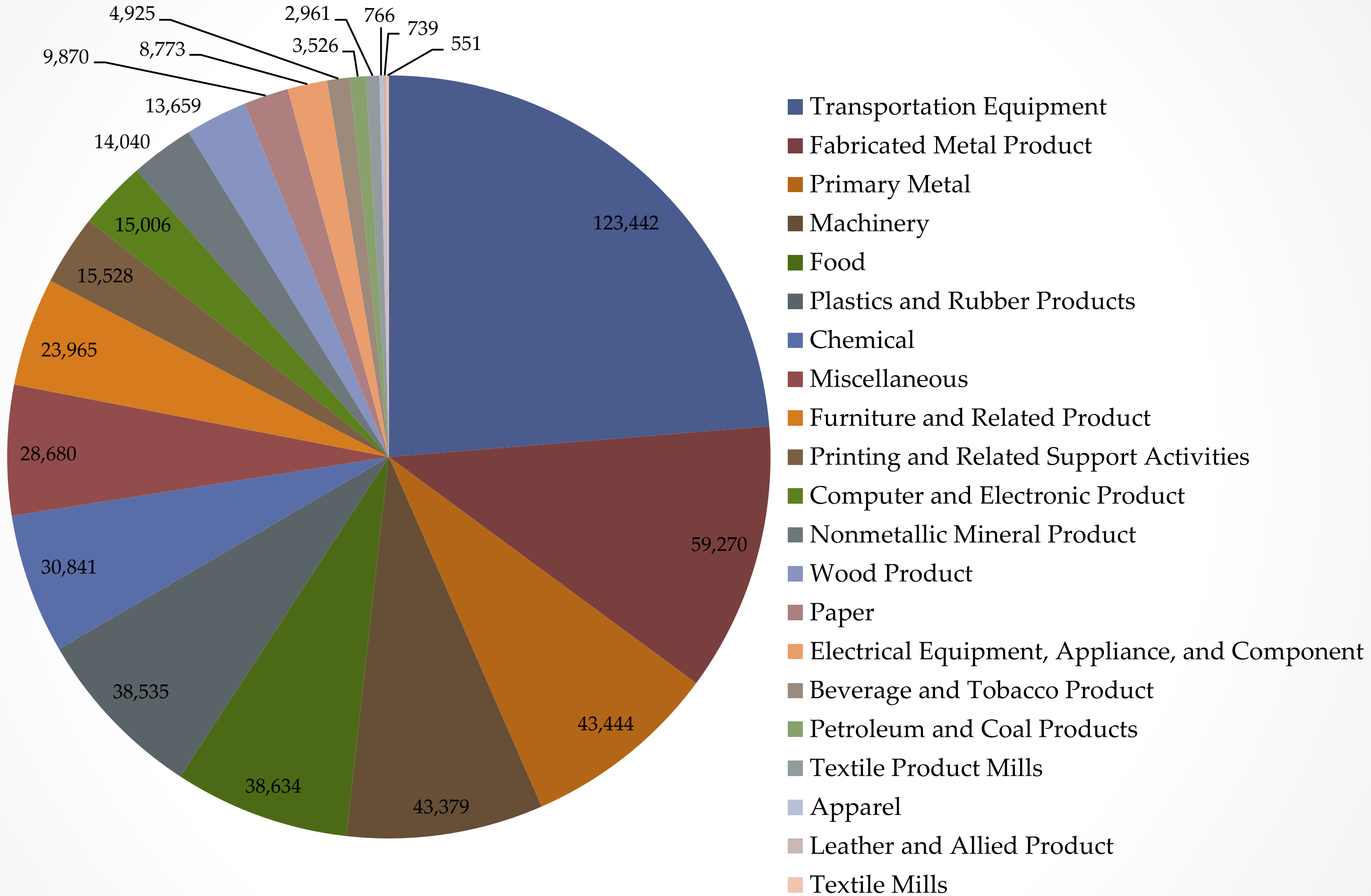
Average Indiana Weekly Wage by Sector
September 2015



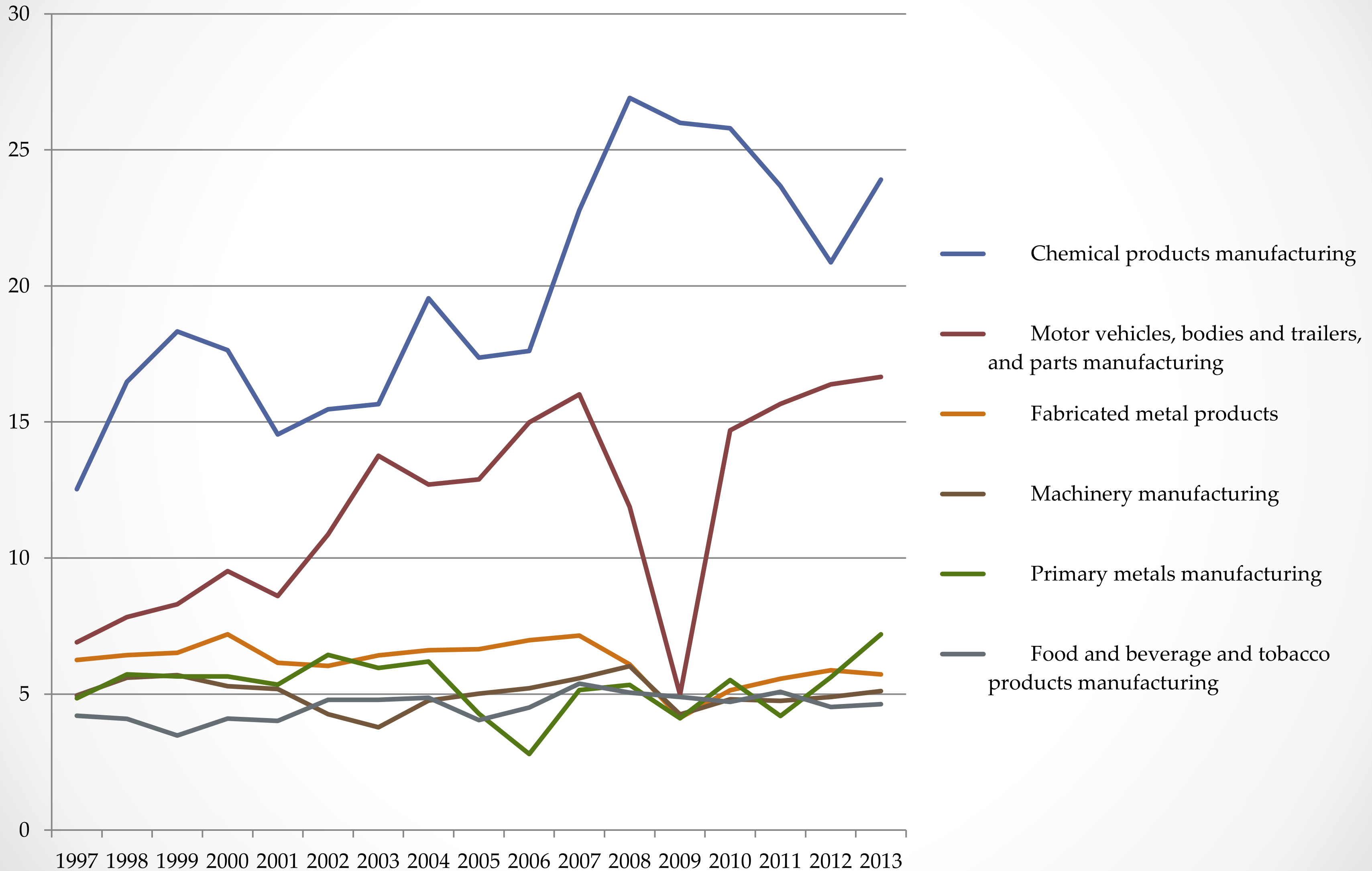
Indiana Manufacturing Establishment by Type 3rd Quarter 2015



Indiana Manufacturing Employment by Type 3rd Quarter 2015



Top Indiana Manufacturing Subsectors Economic Output Over Time in 2009 Chained Dollars (in billions)



Indiana Manufacturing Growth

As of January 2016, Indiana ranks 2nd in the nation in rate of growth since July 2009 (the low point of employment in Indiana).

State	Rate of Growth	Rank
Michigan	33.8%	1
Indiana	21.5%	2
Idaho	16.3%	3
Kentucky	16.0%	4
Oregon	15.0%	5
Colorado	14.5%	6
South Carolina	14.1%	7
South Dakota	13.4%	8
Ohio	13.3%	9
Montana	13.3%	10

As of January 2016, Indiana ranks 2nd in the nation in jobs added since July 2009 (the low point of employment in Indiana)

State	Jobs Added	Rank
Michigan	151,400	1
Indiana	92,000	2
Ohio	81,400	3
Wisconsin	46,000	4
Texas	41,100	5
Tennessee	36,400	6
Georgia	35,400	7
Kentucky	33,700	8
Florida	30,800	9
South Carolina	29,400	10

U.S. Overview

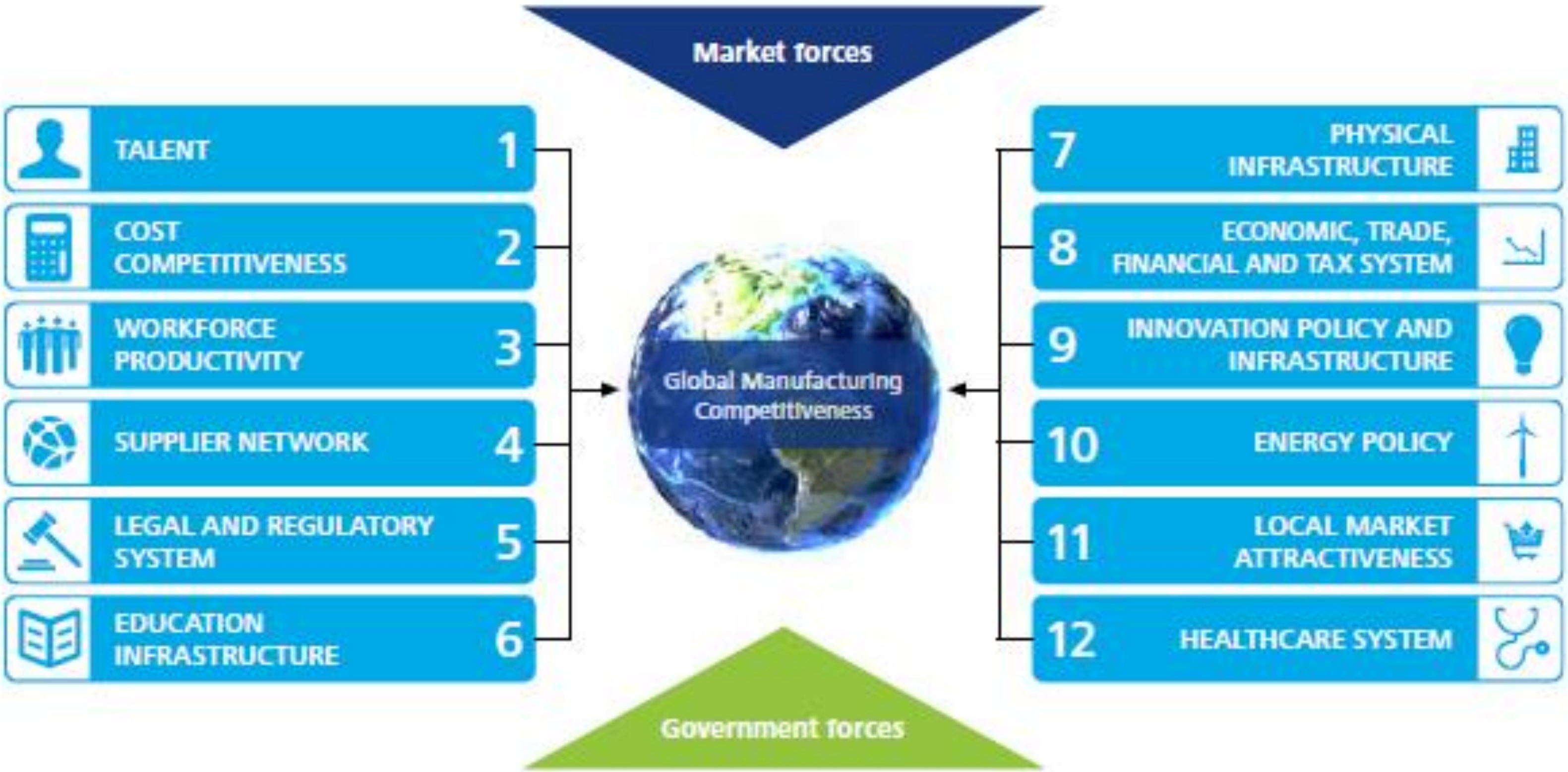
U.S. Continues to be Globally Competitive – 2016 Global CEO Survey

2016 (Current)		
Rank	Country	Index score (100=High) (10 = Low)
1	China	100.0
2	United States	99.5
3	Germany	93.9
4	Japan	80.4
5	South Korea	76.7
6	United Kingdom	75.8
7	Taiwan	72.9
8	Mexico	69.5
9	Canada	68.7
10	Singapore	68.4
11	India	67.2
12	Switzerland	63.6
13	Sweden	62.1
14	Thailand	60.4
15	Poland	59.1
16	Turkey	59.0
17	Malaysia	59.0
18	Vietnam	56.5
19	Indonesia	55.8
20	Netherlands	55.7
21	Australia	55.5
22	France	55.5
23	Czech Republic	55.3
24	Finland	52.5
25	Spain	50.6
26	Belgium	48.3
27	South Africa	48.1
28	Italy	46.5
29	Brazil	46.2
30	United Arab Emirates	45.4
31	Ireland	44.7
32	Russia	43.9
33	Romania	42.8
34	Saudi Arabia	39.2
35	Portugal	37.9
36	Colombia	35.7
37	Egypt	29.2
38	Nigeria	23.1
39	Argentina	22.9
40	Greece	10.0

2020 (Projected)			
Rank	2016 vs. 2020	Country	Index score (100=High) (10=Low)
1	(▲ +1)	United States	100.0
2	(▼ -1)	China	93.5
3	(⟷)	Germany	90.8
4	(⟷)	Japan	78.0
5	(▲ +6)	India	77.5
6	(▼ -1)	South Korea	77.0
7	(▲ +1)	Mexico	75.9
8	(▼ -2)	United Kingdom	73.8
9	(▼ -2)	Taiwan	72.1
10	(▼ -1)	Canada	68.1
11	(▼ -1)	Singapore	67.6
12	(▲ +6)	Vietnam	65.5
13	(▲ +4)	Malaysia	62.1
14	(⟷)	Thailand	62.0
15	(▲ +4)	Indonesia	61.9
16	(▼ -1)	Poland	61.9
17	(▼ -1)	Turkey	60.8
18	(▼ -5)	Sweden	59.7
19	(▼ -7)	Switzerland	59.1
20	(▲ +3)	Czech Republic	57.4
21	(▼ -1)	Netherlands	56.5
22	(▼ -1)	Australia	53.4
23	(▲ +6)	Brazil	52.9
24	(⟷)	Finland	49.7
25	(▲ +2)	South Africa	49.3
26	(▼ -4)	France	49.1
27	(▼ -2)	Spain	48.4
28	(▲ +5)	Romania	45.9
29	(▼ -3)	Belgium	45.8
30	(▼ -2)	Italy	45.0
31	(⟷)	Ireland	43.7
32	(⟷)	Russia	43.6
33	(▼ -3)	United Arab Emirates	42.6
34	(▲ +2)	Colombia	40.9
35	(⟷)	Portugal	40.1
36	(▼ -2)	Saudi Arabia	36.1
37	(⟷)	Egypt	28.3
38	(⟷)	Nigeria	25.4
39	(⟷)	Argentina	24.6
40	(⟷)	Greece	10.0

Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2016 Global Manufacturing Competitiveness Index

Drivers of Competitiveness – 2016 Global CEO Survey



Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2016 Global Manufacturing Competitiveness Index

U.S. Performs Well on Drivers of Competitiveness – 2016 Global CEO Survey

Selected country manufacturing competitiveness drivers	United States	Germany	Japan	South Korea	China	India
TALENT	89.5	97.4	88.7	64.9	55.5	51.5
INNOVATION POLICY AND INFRASTRUCTURE	98.7	93.9	87.8	65.4	47.1	32.8
COST COMPETITIVENESS	39.3	37.2	38.1	59.5	96.3	83.5
ENERGY POLICY	68.9	66.0	62.3	50.1	40.3	25.7
PHYSICAL INFRASTRUCTURE	90.8	100.0	89.9	69.2	55.7	10.0
LEGAL AND REGULATORY ENVIRONMENT	88.3	89.3	78.9	57.2	24.7	18.8

Most competitive — Least competitive

Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2016 Global Manufacturing Competitiveness Index

Constraints to Growth

Concerns

- Low labor force participation and low unemployment
- Education system misalignment with employer needs
- Burdensome regulatory structure and unfavorable government policies

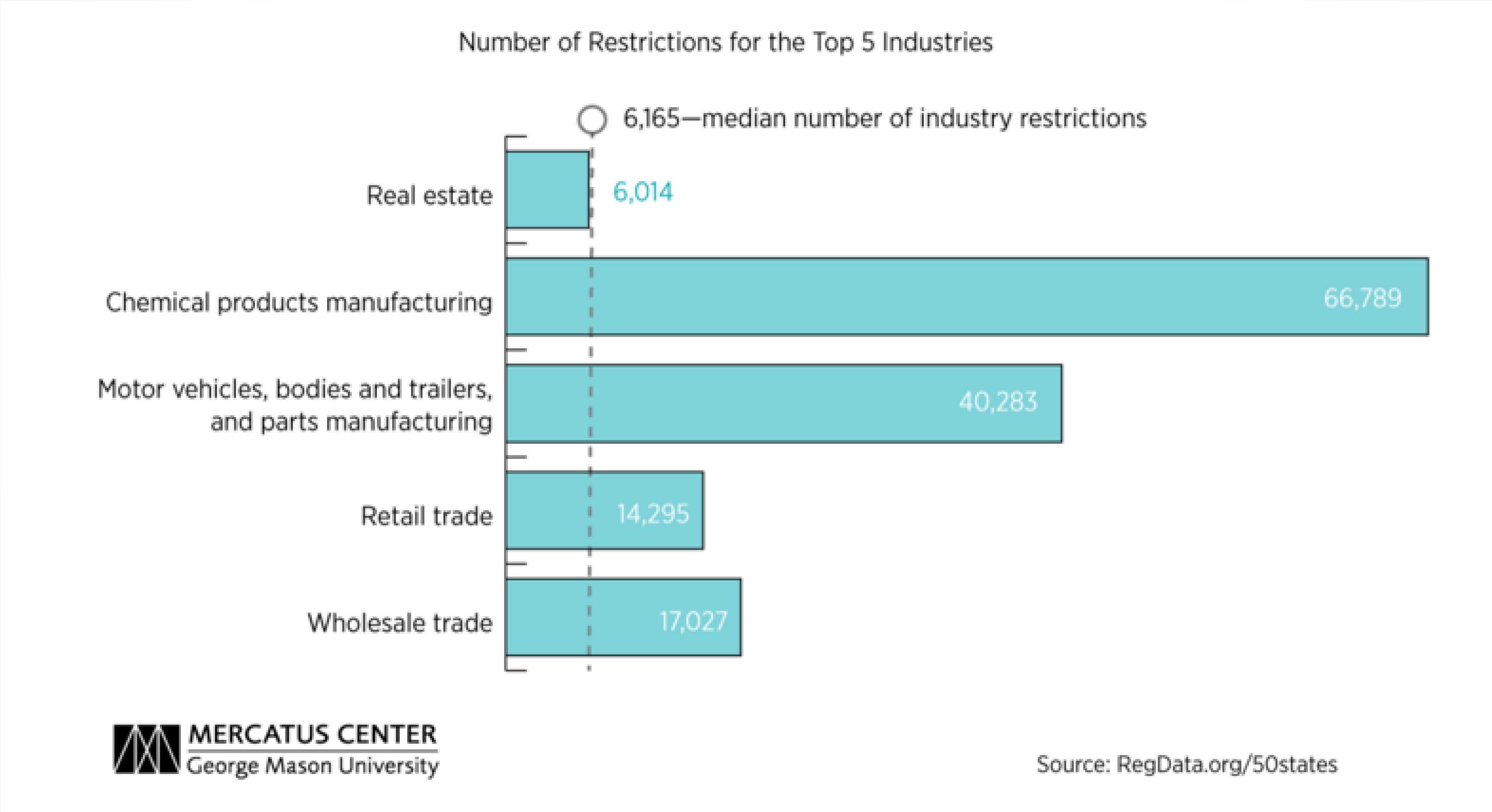
Burdensome Regulatory Structure

- Indiana is particularly sensitive to regulation, due to our concentration of chemical products manufacturing and automotive manufacturing
- Both subsectors have experienced a significant increase in the number of industry-relevant restrictions since 1997

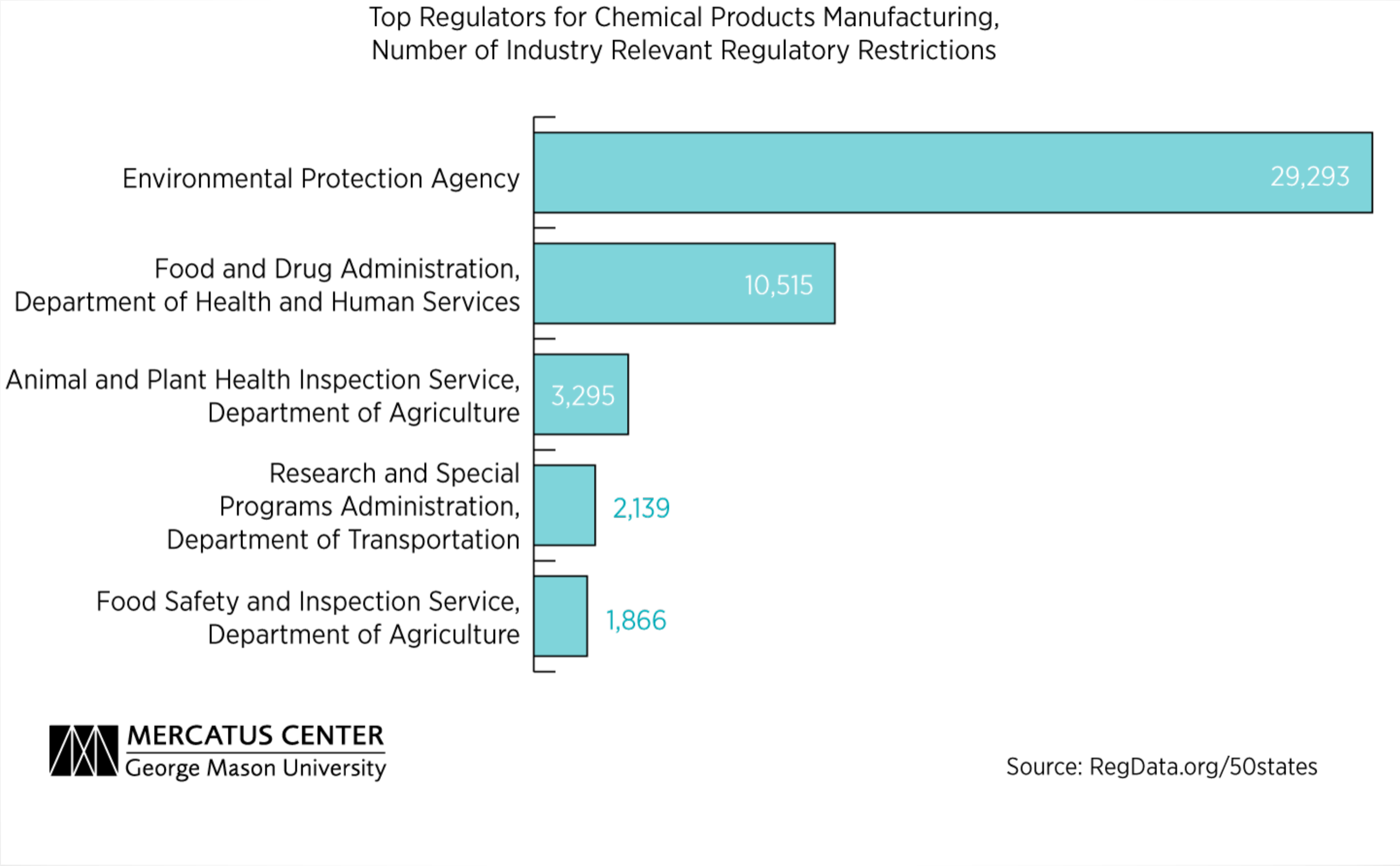
Burdensome Regulatory Structure

- In 2013, chemical products manufacturing was subject to nearly 17,000 more restrictions than in 1997
- In 2013, motor vehicles, bodies and trailers, and parts manufacturing was subject to 12,000 more restrictions than in 1997

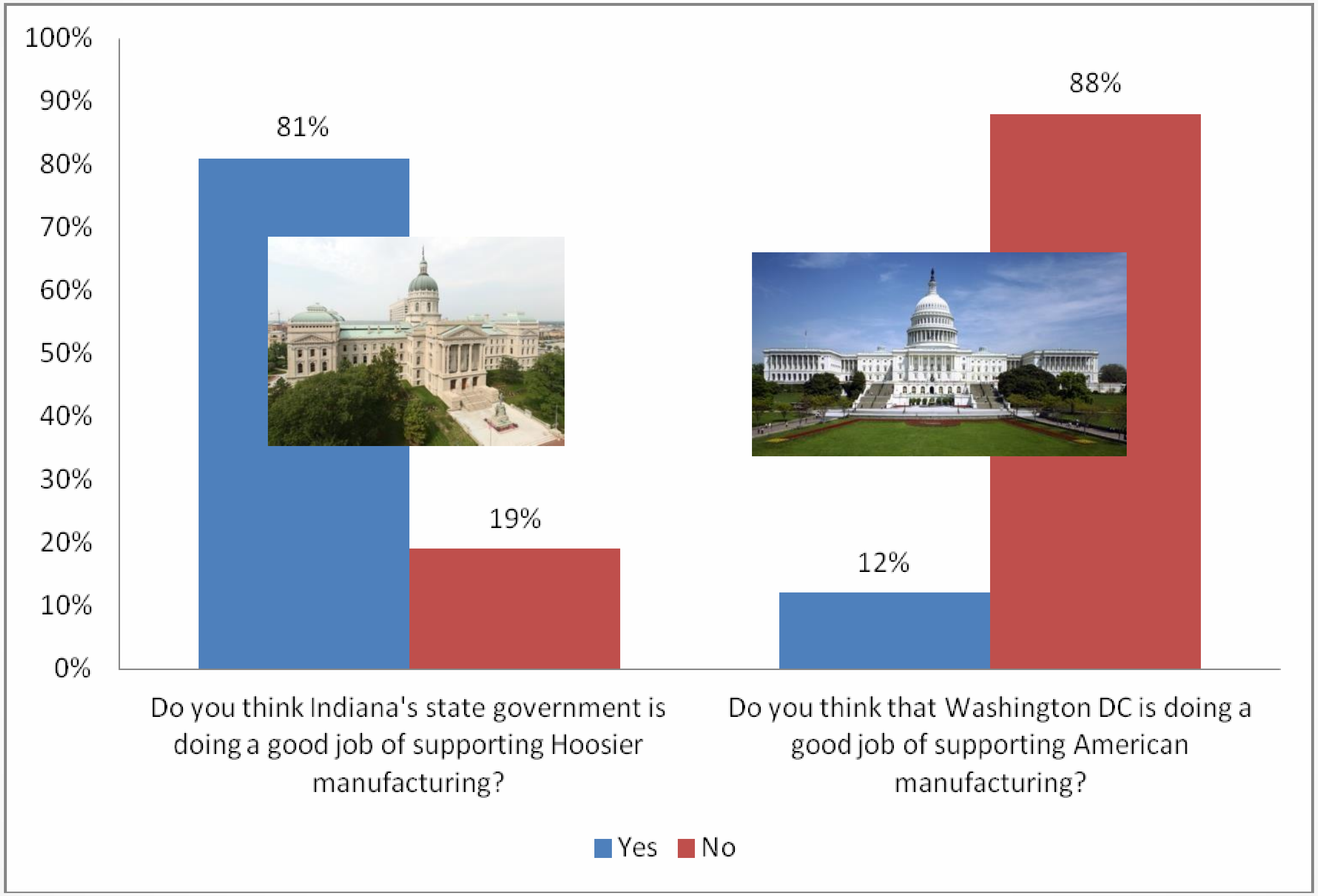
Burdensome Regulatory Structure



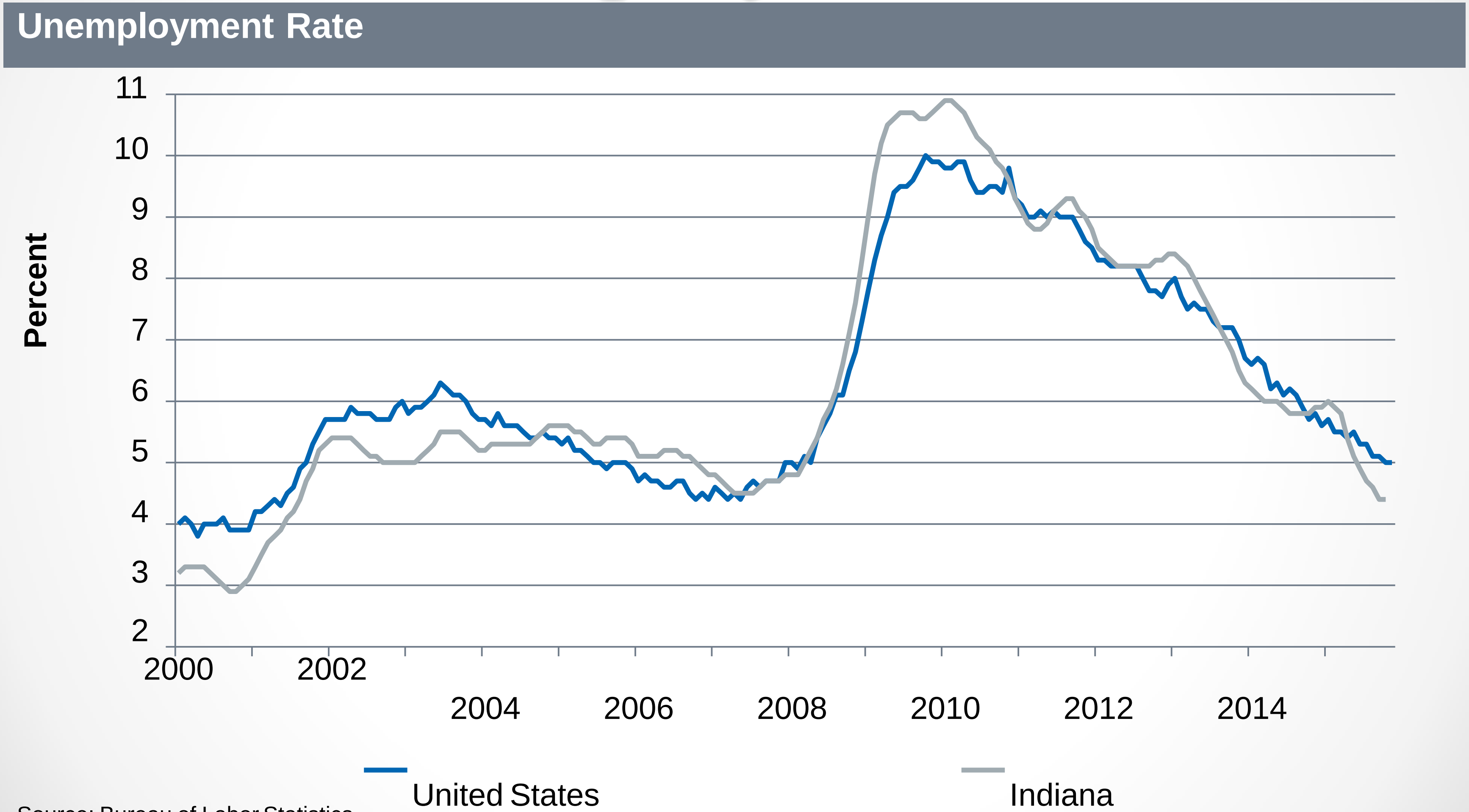
Burdensome Regulatory Structure



Federal Government Not Seen as Supportive of Industry

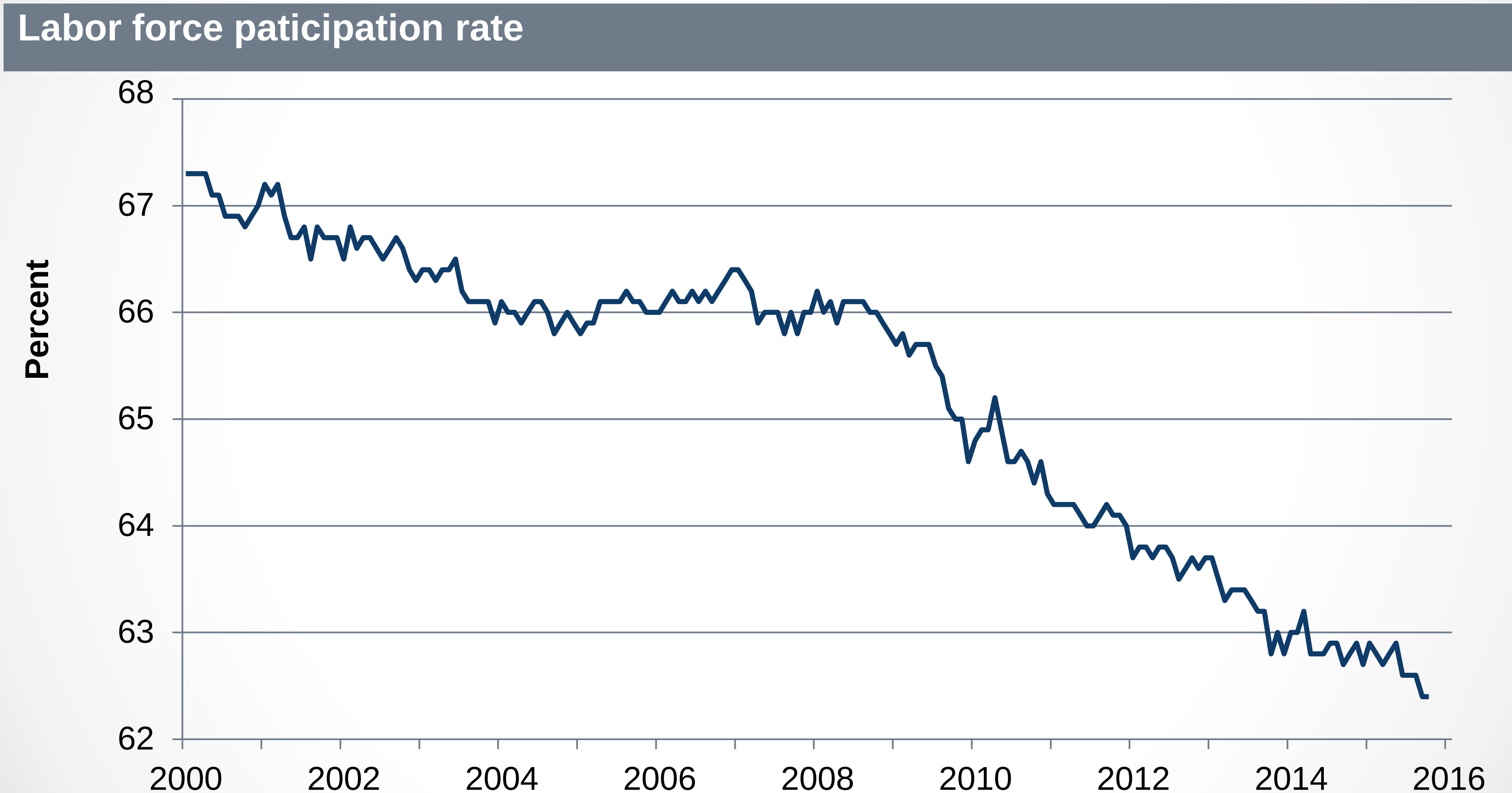


Indiana is Close to Full Employment



Source: Bureau of Labor Statistics

Labor Market Participation Rate is at 1978 levels



Source: Bureau of Labor Statistics

Talent and Workforce Perceptions

- A 2014 Manufacturing Institute/Deloitte Survey shows that the vast majority of Americans support manufacturing and want stronger policies to support manufacturing. HOWEVER…
  - Only 37% of respondents would encourage their children to pursue a career in manufacturing
  - Only 40% believe today's students are qualified for today's manufacturing jobs

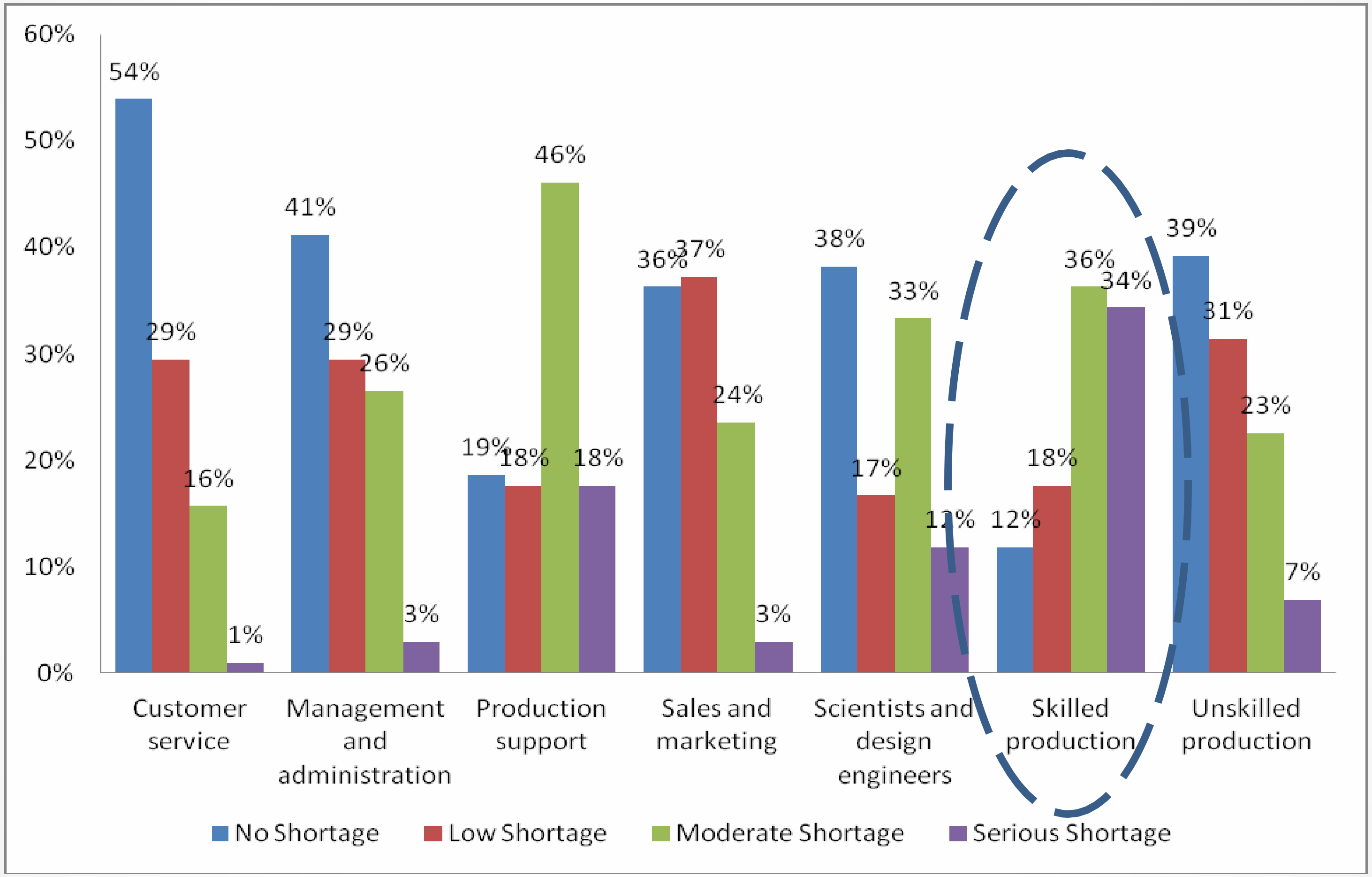
Talent and Workforce Perceptions

- There are some bright sides

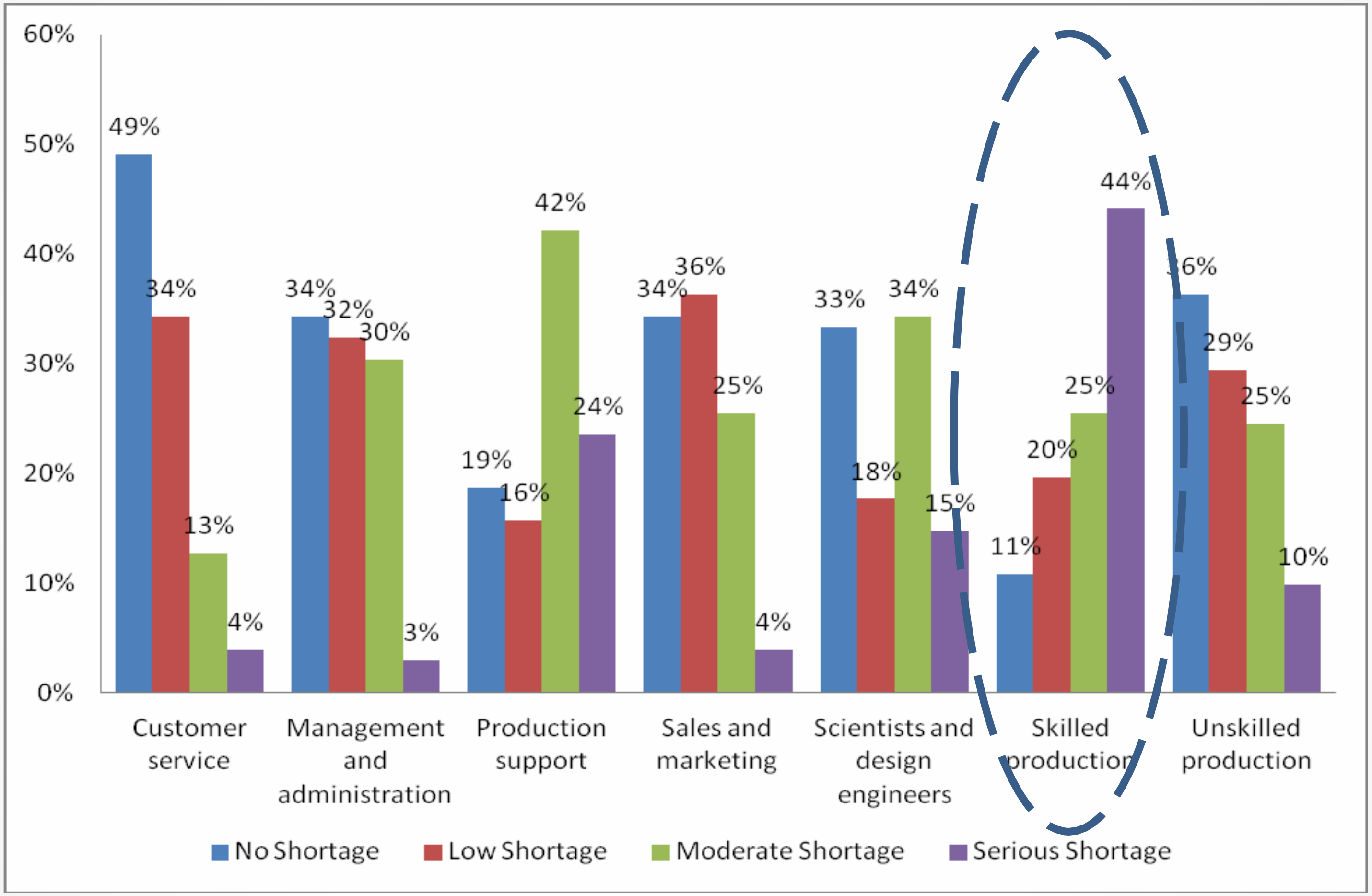
  - Those individuals with high industry familiarity view manufacturing more favorably than the overall population.

  - High interest in targeted manufacturing education pathways such as apprenticeship programs (72%) and certificate/degree programs (68%).

Availability of Workers (2015)



Availability of Workers (Next 3 to 5 Years)



2015 Indiana Manufacturing Survey

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