Recent trends: One-third of jobs lost last decade, followed by a modest rebound

US manufacturing employment

Million

SOURCE: McKinsey Global Institute analysis
Job patterns similar by industry, but intensity—and causes—vary

US manufacturing employment by industry group

Index: 100 = January 1995

Regionally processed goods (food, metals, plastics)
Heavy industrial goods (machinery, cars, equipment)
All manufacturing
Resource-intensive goods
Tradable technology goods (consumer electronics)
Labor-intensive tradables (clothing, footwear)

SOURCE: McKinsey Global Institute analysis
Output growth collapsed during the two recessions of the 2000s
US manufacturing value added and productivity growth
5-year moving average of annual growth, 1980–2010

SOURCE: McKinsey Global Institute analysis
Trade deficit has widened in advanced industries, highlighting supply chain gaps

Net US exports in knowledge-intensive manufacturing

$ billion, real (2005)

Overall trade balance as a share of GDP

SOURCE: McKinsey Global Institute analysis
Manufacturing is core to a nation’s competitiveness

Share of manufacturing in select economic indicators

<table>
<thead>
<tr>
<th></th>
<th>Global sample</th>
<th>Emerging markets</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added</td>
<td>16%</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>Employment</td>
<td>14%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>Productivity growth</td>
<td>37%</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Exports</td>
<td>70%</td>
<td>73%</td>
<td>61%</td>
</tr>
<tr>
<td>Private sector R&amp;D</td>
<td>77%</td>
<td>78%</td>
<td>67%</td>
</tr>
</tbody>
</table>
Some priorities for US manufacturing

Productivity
Faster and broad-based productivity growth, especially among smaller firms with less exposure to export and investment growth

Services
Rising share of service activities that make up growing value share in the manufacturing value chain, both pre- and post-production

Digitization
Greater digital investments along the value chain to promote efficiency and broaden participation in productivity and exports

Addressing dislocation
Place-based strategies to reinvest in manufacturing communities, mitigate trade dislocation, older workers, declining mobility

SOURCE: McKinsey Global Institute analysis
Thank you

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