America's Booming Manufacturing Penny Stocks

By: Jim Nelson   Wednesday, August 11, 2010 12:55 PM

It's a common lament to say that U.S. manufacturing is in decline. It's received wisdom that the U.S. doesn't make anything anymore. In fact, I myself have repeated it.

I am here to correct the error of my ways and to dispel this common myth.

In truth, there is a lot of stuff made in the U.S., which is still a mighty giant in manufacturing.

The broom sweeping away the old cobwebs is research from a group called Turner Investment Partners. This is a firm out of Berwyn, Pa. It manages $18 billion. Turner put together the eye-opening report called, *U.S. Manufacturing: Still the One*.

"The U.S. remains the world's leading manufacturer, by far," the authors write. "Indeed, if the U.S. manufacturing industry were a national economy, it would be the eighth largest in the world, worth $1.6 trillion." All by itself, the U.S. is 22% of global manufacturing. As an exporter, it ranks third behind only China and Germany, with an 8% market share.

That is a pretty big blow to the idea that the U.S. doesn't make anything anymore. But how can this be? We all see the same headlines, such as the big failure of U.S. autoworkers. We see the "Made in China" label slapped on nearly everything. We know Japan makes all kinds of electronics that the U.S. no longer makes. We hear about companies moving plants overseas.

This is where things get more interesting.

Since 1983, manufacturing output in the U.S. has more than doubled. (This, in inflation-adjusted dollars, by the way, makes the feat all the more impressive.) But it did so with about 26% fewer workers. As a result, 50 years ago, about 28% of all workers got their paycheck from manufacturing. Today, only 8% of the work force does.

That work force, though, is very productive. It's doing a lot more with less. As Turner reports, "U.S. manufacturing workers… are the most productive — 50% more productive than workers in the 11 next-best nations."

So it's like the headlines about shark attacks that were common some summers ago. It made it seem as if shark attacks were more common than they were. The public failures of big manufacturers and the headline-grabbing job losses have obscured the real story.

The real story is that the services sector has grown much faster than manufacturing. So when you look at manufacturing's share of the U.S. economy, it has fallen from 28% in 1953 to only 12% today.

We may weep over the fact that the U.S. economy is so service driven, but that's not the same as saying that U.S. manufacturing is in decline. The U.S. is still the world's largest manufacturer.

The nature of that manufacturing base is also changing. One way is that the companies populating the forest now tend to be smaller. There are fewer giants. "According to the

Cato Institute, for every one U.S. manufacturing industry that's suffering a decline in revenue and profits, two U.S. industries — led by small companies — are growing"

The above are just some highlights from Turner's report. My main goal here is to leave you with a different perception of American manufacturers. They are not like dinosaurs on their way to extinction. In fact, some of them are great investments.

(**Ed. Note:** Fewer manufacturing giants means that there are ample opportunities for small-cap and penny stock investors to get in on. One example is **American Apparel (AMEX: APP)**, a clothing company that produces sweatshop-free apparel at their Los Angeles factory. Another is **Raven Industries (NASDAQ: RAVN)**, an industrial manufacturer with a hand in everything from flow control systems to GPS devices.)

Sincerely,
Chris Mayer
Penny Sleuth

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