

By Bruce Buckley

Innovation, Better Cash Flow Create Optimism

Many manufacturers say they plan to move ahead with projects



HOT SPOT A recently completed auto assembly facility for Nissan in Mexico, which has plans to expand.

Many manufacturers are showing greater optimism in U.S. markets and are pushing ahead with new facilities, expansions and retooling projects.

Vince DiPofi, chief strategy officer at SSOE Group, sees growth in the manufacturing sector in emerging markets as well as domestically. “There’s definitely an upward trend in opportunities,” he adds.

In June, the National Association of Manufacturers reported that sales forecasts among manufacturers were the highest in two years, according to a

NAM-Industry Week survey. The survey also suggests that not all manufacturers are ready to forge ahead with projects. Manufacturers expect to increase capital spending on average by 2.3% over the next 12 months, which is higher than reported in the past two annual surveys. However, 41.5% expected to increase capital spending levels this year, while 39.1% said capital spending will remain the same.

Manufacturers also are making the most of their existing facilities. The Federal Reserve reported the capacity utilization rate for total industry increased

in May to 79.1%, 1% below the historical average since 1972.

David Haselton, director of global manufacturing solutions at CH2M Hill, says frustration with political battles in Washington, D.C., coupled with global uncertainty tied to Middle East conflicts, have made manufacturers wary when making business decisions. “It’s a very unstable time in history,” he says. The good news, Haselton says, is that companies have money to invest. Some are looking at new technologies, especially in the automotive sector. “We see a lot of innovation around the automotive industry that is propelling things in a very positive way for the next three to five years,” he says.

In 2012, Ford announced it was redesigning its F-150 pickup to feature a mostly aluminum body. Haselton says he sees other car companies looking to follow the same strategy. “To see other manufacturers say they want to go the same way is great for engineers and contractors in the manufacturing sector,” he says.

When manufacturers make big moves, suppliers follow and create additional opportunities. Last year, Alcoa broke ground on a \$275-million expansion of its Tennessee facility to meet growing demand for aluminum in cars. The company estimates that demand for aluminum in the automotive sector could double by 2025.

DiPofi sees widespread interest within the automotive industry to expand and retool facilities. SSOE designed a new 1.9-million-sq-ft automotive assembly facility for Nissan North America in Aguascalientes, Mexico. The recently completed plant was designed, constructed and placed in production within 22 months.

The project is the first of three project phases planned at the greenfield site. In June, Nissan announced it would partner with Daimler AG to invest \$1.4 billion in the next phase at the Aguascalientes facility. DiPofi did not say if SSOE is involved in the next phase; however, he said the company is bullish on the overall market in Mexico. The company opened an office in Mexico in January. “That’s a real hot spot for us,” he says. ■

TOP MANUFACTURING, TELECOM DESIGN PROJECTS REPORTED BY DODGE

RANK	CURRENT PHASE	PROJ. TOTAL (\$ MIL.)
1	NON-REACTOR NUCLEAR URANIUM PROCESSING FACIL., TENNESSEE	6,500.0
2	NUCOR STEEL LOUISIANA PLANT, LOUISIANA	2,650.0
3	FERTILIZER PLANT, INDIANA	2,000.0
4	NORTHERN PLAINS NITROGEN FERTILIZER PLANT	1,800.0

SOURCE: MCGRAW HILL CONSTRUCTION DODGE DATA