

# Thousands of High-Paying Jobs.



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## U.S. Manufacturers Continue to Suffer From Impact of Asian Economic Crisis

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WASHINGTON -- Although many other sectors of the economy are thriving, U.S. manufacturers continue to suffer from the effects of the Asian crisis.

A new survey conducted by the National Association of Purchasing Management paints a bleak picture of manufacturing, which represents about 20% of the total output of goods and services of the U.S. economy.

"Asia is having an impact ... on our customer base, and the domestic industrial slowdown is certainly very real," said Peter Browning, chief executive of Sonic Product Co., a Hartsville, S.C., packaging concern. The company's sales still are growing, he said, but at a slower pace.



The NAPM's index, based on its survey of about 400 purchasing managers, fell to 46.8 last month from 48.3 in October. A reading below 50 indicates the manufacturing sector is shrinking.

The index has been below 50 for six months, following 22 straight months of manufacturing expansion.

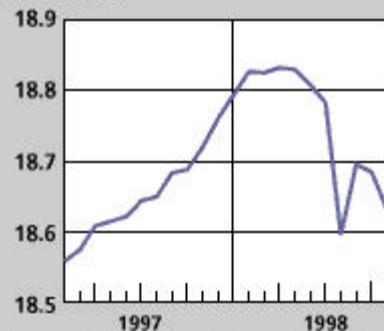
### Employment Declines

The closely watched purchasing managers' report is the latest of a series of indications that lights are flickering in U.S. factories. Manufacturing employment in October declined for the sixth month in a row, the Labor Department says; data for November is to be released Friday. About 193,000 factory jobs have been lost since the beginning of the year.

## HARD TIMES ON FACTORY FLOOR

### Factory Payrolls Shrink

Manufacturing payrolls,  
In millions



Sources: National Association of Purchasing Management, Bureau of Labor Statistics, Federal Reserve Board

The Federal Reserve's measure of industrial production grew at a weak 0.18% in the third quarter. Exports of U.S. goods in the first nine months of 1998 were down 1% from the same period of 1997, after growing 10% the year before.

"We've lost momentum from our trading partners," said Norbert J. Ore, chairman of the NAPM's survey committee. "We've created capacity to ship overseas, but there is no demand overseas."

For the 11th consecutive month, the NAPM survey found weakening in exports. "In the short term," he added, "we see there isn't a lot of strength going forward for the next two months."

Manufacturing weakness hasn't yet spread to the rest of the economy. The Conference Board said Tuesday its index of leading indicators,

designed to predict the economy's direction, rose 0.1% in October. "Following two months of generally flat numbers for the leading indicators, we are seeing some signs of economic growth being rekindled," said Michael Boldin director of business-cycle research for the New York-based research firm.

Separately, the Commerce Department said construction spending rose a modest 0.3% in October to \$665.8 billion from \$663.9 billion in the year-earlier period. Adjusted for inflation, spending was unchanged. Construction of office buildings was up a strong 5.2% after inflation in October, a reflection of the continued strength of the service sector.

## Rays of Hope

Some analysts spotted a few rays of hope in the gloomy purchasing managers' report. Manufacturers reduced inventories at a faster rate last month than in October, the NAPM said, which could portend an upturn in production ahead. Export orders, though down for the 11th month in a row, fell at a slower rate in November than previously.

"The situation in Asia appears to be bottoming out," said Diane Swonk, deputy chief economist of Bank One Corp. in Chicago. "As that happens, the drag on the economy won't be as great. It will stem the bloodletting" for many manufacturers.

A few producers see some improvement. National Starch & Chemical Co., a unit of London-based **Imperial Chemical Industries PLC**, said its sales in Asia are up considerably. **General Semiconductor Corp.**, a Melville, N.Y., maker of power supplies and transistors, said sales to Southeast Asia were surprisingly strong in the third quarter, and early indications show November sales also were above expectations. The company, along with the rest of the semiconductor industry, has been hit by excess capacity. "We're all very, very cautious," a spokeswoman said, noting that the Asian downturn caught the industry by surprise.

## Steelmakers Hard Hit

But those companies are the exceptions. Among U.S. manufacturers, steel and farm-equipment producers have been hardest hit. U.S. steel producers have been roiled by a surge in imported steel that has hammered profit margins. Farm-equipment makers have been hit by a double-whammy: a downturn in both foreign and domestic demand.

Developing nations that had planned to invest in new equipment have been unable to obtain financing -- resulting in a slew of cancellations. **Case Corp.**, a Racine, Wis., maker of farm and construction equipment, had planned to complete the sale of some 400 combines -- giant, \$200,000 machines that are used in harvesting grain -- to the former Soviet Union this year. But with the collapse of the Russian economy, the company has been forced to move those machines to other markets and search for alternative buyers. About half the 400 combines have been sold so far.

The picture isn't much better at home. U.S. farmers have all but stopped buying new tractors as grain prices plummet and pinch farm income. **Deere & Co.**, saying demand for its farm machines has suffered "abrupt and serious erosion," saw farm equipment sales plunge 18% in the third quarter. Case's sales fell 12%. Nearly all farm-equipment makers -- from Deere to **Agco Corp.** to **Caterpillar Inc.** -- have laid off workers in recent months.

Other capital goods makers are also feeling the pain. Two years ago, Harnischfeger Industries Inc., a Milwaukee-based maker of mining and papermaking equipment, agreed to sell \$600 million of papermaking equipment to **Asia Pulp & Paper Company Ltd.** as part of that company's broad expansion plan.

But as the Asian fiscal crisis swelled, the Asian papermaking giant has paid for only two of those machines. The other two units -- costing more than \$100 million a piece and each longer than a football field -- sit at Harnischfeger's manufacturing plants waiting for delivery. Harnischfeger is negotiating with Asia Pulp & Paper over a possible payment schedule.

"They were planning on buying more machines after these four," said a Harnischfeger spokesman. "But at this point, that plan isn't proceeding." The lost sales, he adds, "aren't just these machines, but everything else behind it."

The industrial slowdown has put pressure on manufacturers to control costs and prompted some to announce layoffs, including such big-name companies as **Monsanto Co.** and Deere. Big mergers, such as this week's marriage of **Exxon Corp.** and **Mobil Corp.**, are likely to lead to further job losses.

Citing the Asian economic crisis, **Boeing Corp.** plans to cut production rates for some of its commercial-airplane programs. In addition, the company said it plans to eliminate 48,000 jobs by the end of the year 2000 -- 38,000 of them by the end of next year. The airplane maker, which had 238,000 employees in June, also said the figures include the 28,000 jobs that it previously announced it was going to cut by the end of 1999.

Soft demand is continuing to put downward pressure on prices. The purchasing managers' survey found that 35% of those contacted reported buying less for supplies, and only 2% were paying more. In particular, prices of aluminum, caustic soda, cooper, corrugated cartons, plastics, resins and steel fell in November, as they have been for months. In fact, the only input that went up in price in November was natural gas, the survey found.

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