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**CAN MANUFACTURING LEAD
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CAN MANUFACTURING LEAD THE ECONOMIC RECOVERY?

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After months of economic turmoil during what has been a chaotic and challenging year, many are wondering when the economy will move into a recovery phase and who will lead the way. Or are there already signs of recovery in some industries? As Wisconsin celebrates October with Manufacturing Month, we take a closer look at the manufacturing industry and a few early signs of optimism among Waukesha County manufacturers.

As the number one contributor to Wisconsin's economy, manufacturers in the state employ nearly one in five workers. The stats in Waukesha County mirror those statewide – manufacturing accounts for roughly 20 percent of the jobs in Waukesha County.

An August statewide survey conducted by Wisconsin Manufacturing Extension Partnership (WMEP) found that 48 percent of manufacturers are predicting an increased customer demand for their products in the next six months. While 30 percent were unsure of customer predictions, only 16 percent were predicting a decrease in demand in the next six months.

Not surprisingly, the survey found that 94 percent of manufacturers have increased cleaning and disinfecting practices and 85 percent have placed restrictions on non-essential visitors. Those numbers are probably similar across all industries, as businesses have made sweeping changes to everything from guest policies to shop floor layout to daily temperature screenings. The

good news is that these practices seem to be working – 55 percent of manufacturers reported no active cases of COVID-19 and 40.5 percent reported that while active cases had been reported, there was little to no impact on the business. Only 2.5 percent reported that active COVID cases had contributed to a partial shutdown for a period of time, and fewer than two percent reported that active cases had forced a shutdown of all operations. Those are encouraging numbers as employers recognize it may be nearly impossible to prevent COVID cases from happening, but minimizing the impact to employees and production is key.

Locally, there are signs that manufacturing in Waukesha County

is gaining momentum as we enter the fourth quarter of the year.

Eaton announced in September that it will invest \$24 million to expand its 2300 Badger Drive facility by 233,000 square feet. Eaton said it is redesigning its Power Systems footprint in southeast Wisconsin to increase production of regulators and transformers, improve production efficiencies and reduce costs.

“This project is a long-term investment in the community that will enable Eaton Power Systems Division to increase volume and better meet the growing needs of customers in the utility markets,” said Jackie Pride, communications manager for Eaton Power Systems Division.

The result will be more than 700 employees at the company’s Badger Drive location in Waukesha. Construction on the expansion is planned for this fall and anticipated to be complete by fall of 2021.

Some manufacturers are even expanding because of the pandemic. In the early days of the pandemic,

it became clear that a complicated global supply chain for medical, pharmaceutical, safety and other critical supplies hindered early access to those supplies. Many American manufacturing companies innovated swiftly to ramp up production of hand sanitizer, face masks and coverings, industrial cleaners, critical medical equipment and more as those items became nearly impossible to find through the traditional global channels.

THE PANDEMIC HAS TRIGGERED A MANUFACTURING RENAISSANCE IN THE UNITED STATES.

In June, Sussex IM, a leader in custom injection molding and advanced automation, announced the addition of an ISO Class 8 clean room to be completed later this year. The \$2 million investment reflects the company’s ongoing commitment to support the ever-growing medical market complementing its ISO 13485 certification, achieved in 2018.

As Sussex IM CEO Keith Everson says, “the pandemic has triggered a manufacturing renaissance in the United States.”

Sussex IM has set its sights on preparing for life after the pandemic. The 43-year-old company is anticipating a future shortage in clean room capacity as more medical production comes back to the U.S. The plans are part of a multi-year, phased approach to continue adding flexibility and increased capacity to serve the medical market, so that Sussex IM can adapt to the likelihood of OEMs quickly increasing reshoring efforts in the coming months.

“We see issues in the complicated global supply chain that have created a demand for more medical molding clean room capacity. This is the first step of many we are taking to solve these problems,” Everson said.

In addition to the clean room, Sussex IM is expanding its Advanced Manufacturing Facility with a 71,000-square-foot addition, scheduled to be completed in February 2021. The clean room and Advanced Manufacturing Facility



Rendering of the IOS Class 8 clean room at Sussex IM's facility in Sussex.

expansion will both contribute to an increased employee count.

While not every manufacturer is experiencing growth at the same pace as Sussex IM, trends suggest that momentum may be moving in the right direction. WMEP's August survey was the third in a series and tracking the change in responses from April to August shows some improvement. In April, only six percent of manufacturers said their business was "up greatly" from their normal state of business that time of year. By August, that number had risen to 13 percent. While 37 percent of manufacturers said their business was "down greatly" for the normal time of year back in April, the number dropped to 31 percent in May and 22 percent in August.

Similar trends appeared when WMEP asked about backlogs, which are critical in manufacturing. In April, only 16 percent of manufacturers said their backlogs had increased, but by August the number increased to 36 percent.

"However, despite signs that business conditions are improving, it's important to understand that some

manufacturers continue to struggle as a result of difficult economic conditions," said George Bureau, vice president of consulting at WMEP. When looking at general business outlook, WMEP reports that 69 percent of manufacturers in August characterized the business outlook for their organization as "somewhat positive" or "very positive." That number is up from 52 percent in May and 41 percent in April. Conversely – the number of companies characterizing their business outlook as "somewhat or very negative" has dropped from April through August.

One Waukesha County company with in growth mode is The Marek Group – a turnkey marketing execution company – which was just awarded several enterprise contracts. One in particular, a contract with the Tel Aviv-based software company Mixtiles, has produced the opportunity for a mass hire of both full-time and seasonal positions to begin work in November 2020, as the company has announced the opening of 200+ positions in Wisconsin.

Beginning in October, Mixtiles will rely on The Marek Group as a primary

manufacturer and distributor of Mixtile products in North America, resulting in The Marek Group's immediate need for 20 full-time employees and as many as 200 seasonal employees in the fourth quarter.

Breaking ground for the new Macromatic Industrial Controls facility in Waukesha. (July 2020)



Fuzzy Marek, CEO of The Marek Group, said he's proud to see that business innovation efforts over the past decade are yielding the growth results they projected. "For our organization to have realized such growth during a global pandemic where our industry has seen revenue decreases of up to 40 percent is a testament to our amazing team and the transformative services they bring to our clients every day. To be in a position to continue investing in our company allows us to evolve and drive greater value for our clients in the years to come."

The Marek Group is also an example of a local manufacturer who rapidly ramped up production of COVID-19 related personal protective equipment (PPE) following critical shortages around the country. The Marek Group pivoted manufacturing to produce



Aerial rendering of the new Eaton facility located on Badger Drive in Waukesha.