2020 manufacturing industry outlook

Executive summary

The US manufacturing industry has seen a year of mixed results, as it continues to contend with a challenging global industry landscape, ongoing constraints from evolving trade and tariff uncertainties, and sustained difficulty attracting, training, and retaining talent. This past year saw the decade-long expansion in the US economy become the longest in history, but in recent months the US manufacturing sector has seen signs of contraction. Deloitte’s projections for GDP growth levels reflect recent trends, adjusting from 3.7 percent down to 2.7 percent for 2019, and 2 percent down to 1.3 percent for 2020. The industry is trying to regain its footing amidst the continued volatility in prices, policy decisions, and diminished productivity.

What has emerged as a key theme to take us forward into 2020 is the need for industrial companies to “get their houses in order.” As the potential for uncertainty may continue for the foreseeable future, industrial leaders need to increase resilience in their operations. Three levers to support this are building digital agility across areas like the supply chain, strengthening their ecosystems to tap digital capabilities, and leaning into corporate social responsibility.
What to expect in 2020:

**Portfolio optimization**
Manufacturers are reinforcing the core of their portfolios, favoring focus over differentiation.

**Digital muscle**
New digital initiatives hold promise for improving companies’ agility and scalability in the marketplace.

**Supply network ecosystem**
Manufacturers are increasing their flexibility in global supply networks by forging new business partnerships that add needed capabilities.

**Social responsibility**
Manufacturing leaders are finding ways to combine doing “good” with doing “well,” linking socially conscious initiatives with increased profitability.

How to prepare for 2020:

As the industry prepares for a year that could deliver muted growth, resilience becomes a watchword that manufacturers can apply across their business. A careful review of global supply networks could be a good starting point, combined with a digital mindset that identifies ways to gain efficiencies and mitigate risks through increased visibility and data-driven insight. As manufacturers find opportunities to strengthen their ecosystems, pursuing partnerships and joint ventures may be the chosen structure given the premium price in the market for digital capabilities.