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ECONOMY

Why Manufacturing Still Counts in the U.S. Economy

By **JAMES R. HAGERTY**

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The U.S. economy is dominated by service work but manufacturing matters because it includes many middle-class jobs. The Bureau of Labor Statistics estimates that employers in manufacturing, mining and construction pay an average of $36.37 an hour in wages and benefits, compared with $31.46 paid by stores, restaurants and other service companies.

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The U.S. lost more than six million manufacturing jobs between 1998 and early 2010, largely to low-cost countries. Since early 2010, the number of U.S. factory jobs has recovered nearly 7% to 12.2 million, compared with about 17.5 million in 1998.

Manufacturing creates demand for supplies and raw materials, as well as such services as delivery and machinery repair. Every $1 of sales by U.S. manufacturers yields $1.37 of output in other parts of the economy, according to Chad Moutray, chief economist at the National Association of Manufacturers. A dollar of retail sales adds 64 cents, he said.

Expanding U.S. manufacturing allows the country to export more and rely less on imports. The U.S. has run trade deficits every year since 1976.

The dollar's recent surge makes U.S.-made goods pricier in foreign countries and imports more attractive to American consumers. In the first 11 months of 2014, U.S. exports of manufactured goods edged up 0.9% from a year earlier while imports grew 4.8%.

Manufacturing also is a source of innovation. It accounted for 83% of research and development conducted by businesses in 2013, according to U.S. government data.

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