

# Gear Industry Barometers



A good sailor can predict when the weather is about to change. He uses simple tools to measure variables like air pressure, temperature and wind speed. Although those indicators can't perfectly forecast the weather, the sailor can get a good idea of what's going to happen by applying his experience, judgment and even his gut feelings.

While I'm not a sailor, I've been looking at signs of change, too. But the weather I'm watching is economic, not meteorological. We've been in a manufacturing recession for about 18 months; from June 2000 through November 2001, manufacturing production fell by 6.8%, the biggest drop-off since the 1981-82 recession. Given the current atmosphere, I'm sure most of you are also watching for signs of change.

While I've never been comfortable making predictions, I've made some observations that I think are telling about what may lie ahead. Some of the barometers I've been watching have been changing recently, and this may mean improved conditions for the gear industry are coming soon.

None of what I'm about to tell you is very scientific; just as the sailor's barometer is no Doppler radar, my gear industry barometers offer only hints about what's going to happen. Nevertheless, I'm hopeful enough about the signs to tell you what I've been seeing.

Recently, there's been plenty of news that the manufacturing sector is starting to turn around. For example, the Institute for Supply Management (formerly known as the National Association of Purchasing Managers) publishes an index that tracks economic expansion or contraction based on a survey of purchasing professionals. An ISM Index below 50 indicates contraction, while a measurement above 50 indicates expansion. In January, the index of manufacturing activity measured 49.9, up from 48.1 in December. Even though January was the 18th consecutive month of contraction, we're getting close. It's likely that by

the time this issue goes to press, the index will be telling us that manufacturing is growing again or at least stopped shrinking.

Every day, I talk to gear manufacturers. Lately, more and more have been indicating that activity is beginning to pick up. Whereas most everything was dead quiet in the last quarter of 2001, now I'm hearing that there seems to be more activity, more quoting on work. Even if those quotes don't translate into jobs, the increased activity—when before there was none—is an indication that something is happening out there. Other manufacturers are telling me that their orders are beginning to pick up, and some are very busy.

I've also heard there's more activity in the machine tool field. Again, in most cases, that activity is increased quoting, but in some cases, it's actual sales. At the end of last year, almost nobody was buying machine tools. Now, at least, there seems to be interest in investing in equipment again.

Finally, changes in activity on our own websites, *powertransmission.com*<sup>TM</sup> and *The Gear Industry Home Page*<sup>TM</sup>, also indicate that business may be improving.

Activity on *powertransmission.com*<sup>TM</sup> has picked up considerably over the last several months, both in the amount of traffic and in the number of requests for quotes that are sent to our advertisers. Over the past three months, we've averaged about 25,000 user sessions per month, after having leveled off at about 18,000 for most of 2001. More people than ever before are coming online and requesting information from and viewing the pages of manufacturers of gears, gear drives, motors, bearings and other power transmission components offered on that site.

*The Gear Industry Home Page*<sup>TM</sup> has also started showing signs of increased activity, especially in the quality and quantity of sales leads delivered to the advertisers there. People are requesting information about gear manufacturing

equipment again. Page requests for *The Gear Industry Home Page*<sup>TM</sup> jumped to 96,000 in January, from an average of about 75,000 per month in October, November and December.

It would be easy to make predictions if all I had to do was tell you that we're going to have an economic recovery in the gear industry. We are. The hard part is telling you exactly when.

Nevertheless, there's no denying that we're beginning to see positive changes. Those signs may not reveal for sure that the storm is ending, but they bear watching. My experience, judgment and gut feeling point toward the change coming sooner rather than later.

What all this means is that I'm expecting the weather to improve. Although I'm not yet ready to venture out to sea, I've seen enough to know that I should start loading the cargo.



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**P.S. For more information about our websites, such as how their activity is measured or how to advertise, please send an e-mail to [people@geartechnology.com](mailto:people@geartechnology.com) or [ptsales@powertransmission.com](mailto:ptsales@powertransmission.com)**