



Don't Panic

The world economy is in turmoil. A year ago, the Dow Jones industrial average was more than 14,000. As I write this, after eight straight days of massive losses and a week of wild up-and-down swings, the average sits at about 8,900. Just watching the stock market's fluctuations—let alone thinking about what it means for your own personal investments—is enough to make your stomach churn.

On top of all that, we're three weeks away from the U.S. presidential election.

With all this uncertainty in the air, it was a heck of a time for us to send out our annual "State of the Gear Industry" survey. With pundits proclaiming gloom and doom, and headlines frightening everyone from Wall Street to Main Street and around the world, we were apprehensive about what kind of results our survey would reveal.

But as it turns out, the gear industry seems to be still going strong and is expected to continue to do so. We sent the survey October 8–9, in the middle of one of the worst weeks in U.S. stock market history (the Standard and Poor's index fell farther than in any week during the last 75 years). You'd think that the overall economy would have had a greater effect on our results. You'd think that watching their retirement accounts dwindle by the hour would have left people depressed about everything. But the mood among many respondents was still fairly positive, and their responses indicate expectations of continued growth for the gear industry in 2009. Eighty-five percent of our respondents reported that they're optimistic about

their companies' abilities to compete over the next five years. Last year, when the stock market was soaring, that number was 88 percent.

More than half of respondents (56 percent) expect their company's sales volume to be higher next year than in 2008. Similarly, 57 percent expect production volume to be more next year. Sure, those numbers are down from last year, when 75 percent expected a sales volume increase and 79 percent expected a production volume increase. But with more than half the industry expecting revenue and production growth, the outlook is still positive.

In fact, the overall economy wasn't even the gear industry's No. 1 concern. According to our results, gear manufacturers are more concerned about the price and availability of steel. They're also worried about the cost of energy and their ability to find skilled labor.

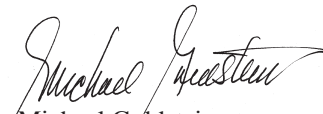
Don't get me wrong—they're worried about the economy, too. A number of respondents recognized that an economy in recession will eventually affect more parts of the industry. In some cases, we know, the economic crisis is already having a big effect on manufacturers. For example, I've heard some cases of gear industry projects stalling due to the lack of available credit. The work is there, but companies are having a harder time today getting the financing they need to buy machine tools than they did a year ago.

Sitting here in mid-October, there's no telling which way the market is going to go. There's no way to be sure whether the government's various

economic bailout packages will have the desired result, or if they work, how long we have to wait.

But as my longtime friend Iain Exeter, whom I call my Scottish rugby player/philosopher, is fond of telling me, you shouldn't worry about things over which you have no control; the people who do control those things don't ask your opinion anyway. Just go to work every day and figure out how to produce more gears, at a better quality and lower cost. That, you can control. When the economic crisis is over, you'll be well rewarded for your efforts.

We took the gear industry's pulse at what was arguably the worst possible moment. The fact that a wide range of respondents are still optimistic shows that at least the gear industry is still going strong and expects to keep doing so.


Michael Goldstein,
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P.S. Thank you to all who participated in our survey. If you'd like to make any comments or suggestions about the survey itself or the results, please e-mail publisher@geartechnology.com. We'd love to hear from you.