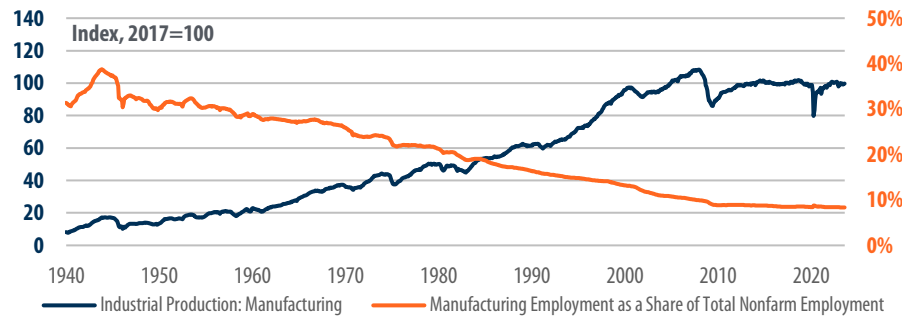


In this week's edition of Three on Thursday, we'll delve into the topic of manufacturing in the United States. You might have heard the common political refrain that "the US doesn't manufacture anything anymore." However, the reality is quite different. While the pace of manufacturing in the US has slowed somewhat in recent years, it is important to note that it is not far from its all-time high. Despite certain challenges, the manufacturing sector in the US remains resilient and robust. Here are three charts for some more context.

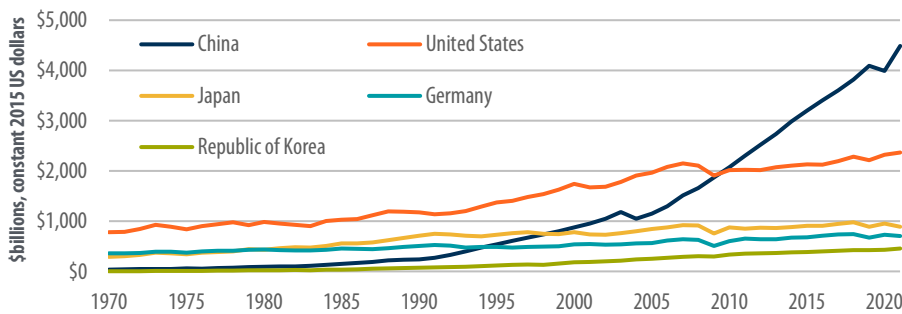
Manufacturing vs. Jobs



Source: BLS, Federal Reserve Board, First Trust Advisors. Monthly data from 1/1940 - 8/2023.

One of the most significant misconceptions contributing to the belief that manufacturing is dying in the United States revolves around manufacturing jobs. In the early 1940s, manufacturing jobs constituted nearly 39% of all jobs in the country. However, over the past 80 years, the share of manufacturing jobs has steadily declined to just a little over 8% of the total job market. Interestingly, while manufacturing jobs have decreased, manufacturing production has increased sixfold over the same period. This remarkable increase in manufacturing productivity tells the real story.

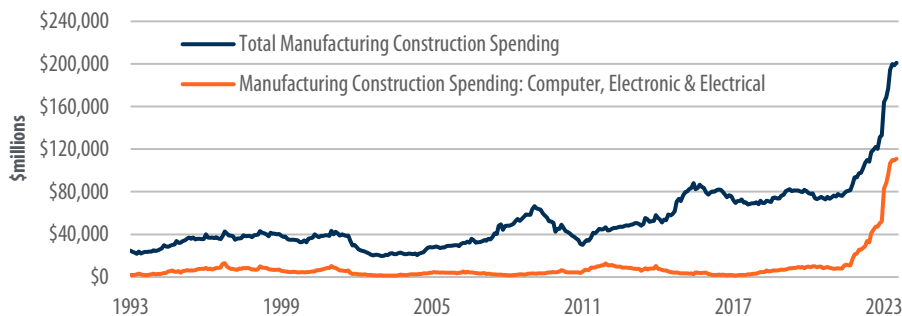
Manufacturing Output in the Top Five Countries



Source: United Nations, First Trust Advisors. Annual data from 1970 - 2021. Data pre 2004 for China includes Mining, Manufacturing, and Utilities.

When people think about manufacturing, China often comes to mind. It's true that China holds the title of the world's largest manufacturer, overtaking the United States as the leading manufacturing nation back in 2010. However, the U.S. remains the second-largest manufacturer globally, and the third-largest, Japan, lags far behind, producing only 38% of what the U.S. does and has lost ground relative to the US in the past few decades.

Manufacturing Construction Spending Boom



Source: Census Bureau, First Trust Advisors. Monthly data from 1/1993 - 8/2023.

In the United States, manufacturing construction spending has doubled since late 2021, largely due to initiatives like the CHIPS Act and government programs offering direct funding and tax incentives. Most of this growth is in the computer, electronic, and electrical manufacturing sector, particularly semiconductor plants. As of July 2023, this sector represented 55% of manufacturing spending, compared to an average of 12% from 1993 to 2021. Concerns arise about sustainability and the potential neglect of other manufacturing areas in need of investment due to the focus on politically favored subsidized sectors.

This report was prepared by First Trust Advisors L.P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.