

# The Gap Between... Customer-Ready (Mature Market vs. Embryonic/Growth Market)

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With manufacturing having played a pivotal role in the economic recovery, it's no surprise that several manufacturing industries are among the strongest growing over the last 12 months, based on current estimates.

Machinery equipment wholesalers (NAICS 4238), machine shops (NAICS 3327), architectural and structural metals manufacturing (NAICS 3323) and industrial machinery manufacturing (NAICS 3332) are among the top ten fastest growers.

"It's possible that those are tied together as businesses have started to use some of their cash to invest in needed equipment and upgrades," said Sageworks analyst Brad Schaefer. "All of those took really big hits in 2009 because companies weren't investing in a lot of equipment."

Other industries showing up in the top ten fastest-growing industries over the last 12 months are related to petroleum and other forms of energy. Schaefer noted that the oil boom in the Northwest Plains, increased shallow water drilling in the Gulf of Mexico and other operations are providing new opportunities for companies to expand their drilling



Petroleum is among the fastest growing industries.

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## Fastest growing industries (Privately held companies only)

NAICS code - Industry	Sales Growth (Last 12 mo.)
2131 - Support Activities for Mining	32%
4247 - Petroleum and Petroleum Products Merchant Wholesalers	27%
3332 - Industrial Machinery Manufacturing	25%
1121 - Cattle Ranching and Farming	24%
3323 - Architectural and Structural Metals Manufacturing	23%
3335 - Metalworking Machinery Manufacturing	21%
3327 - Machine Shops; Turned Product; And Screw, Nut, Bolt Manufacturing	19%
5613 - Employment Services	18%
4471 - Gasoline Stations	18%
5415 - Computer Systems Design and Related Services	18%
4238 - Machinery, Equipment, and Supplies Merchant Wholesalers	17%



Heavy Machinery (Photo credit: Tim Patterson)

operations.

Support activities for mining (NAICS code 2131), which includes drilling and making geological observations at prospective mineral, oil and gas sites, grew about 32 percent over the last 12 months. Meanwhile, the high price of oil this year has contributed to 27 percent growth among wholesalers of petroleum and petroleum products (NAICS 4247) and 18 percent growth among gasoline stations (NAICS 4471).

Of course, just because an industry has been growing strong for the past 12 months, there's no guarantee that growth will necessarily continue, Schaefer noted. But looking at some of the drivers of recent growth may yield clues on potential future growth.

Schaefer noted that increasing reliance of U.S. companies on computers could have contributed to the nearly 18 percent

growth experienced by computer systems design and related services (NAICS 5415) over the last 12 months. This industry has also had steady growth in previous years.

"It's been steady since 2010," Schaefer said. "Even in 2009, when almost all industries had sales declines, computer systems design grew about 4 percent, which usually signifies a stable industry."

Five out of the 11 privately held industries depicted range in 12-month growths of between 21 percent and 32 percent are industries that naturally spin off a high demand for coatings and paints.

1. Mining 32%
2. Petrochemicals 27%
3. Industrial Machinery 25%
4. Architectural & Structural 23%
5. Metal Working Machinery 21%

Since this exceptional growth in volume

of these units took place and, provided no catastrophic economic winds blow through the global economy, these industries are the "sweet spots" for ancillary growth going forward and, will drive up the need for coatings and paints in the process.

These industries, while technically may be considered "old" and customer-ready, they are not mature while on the other end of the life-cycle spectrum, and simply because they are growing at exceptional rates (steep growth curve), their respective coatings and paints needs are certainly not embryonic.

Among the several other spaces, these are just another very attractive set of market spaces within which to play. **CW**

*Reference: In 2013, check out these fast-growing industries, Sageworks*