



ARMADA

Dark Clouds Behind the Silver Lining – 2019 Economy NACM – Webinar

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ARMADA

Analysis of the Forces Affecting Business

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March 18, 2018

Two Sides – Always Two Sides



SUCCESS

SOME PEOPLE DREAM OF SUCCESS,
WHILE OTHER PEOPLE LIVE TO CRUSH THOSE DREAMS.

www.despair.com

We ARE a Big Country

US States Renamed for Countries with Similar GDPs, 2015



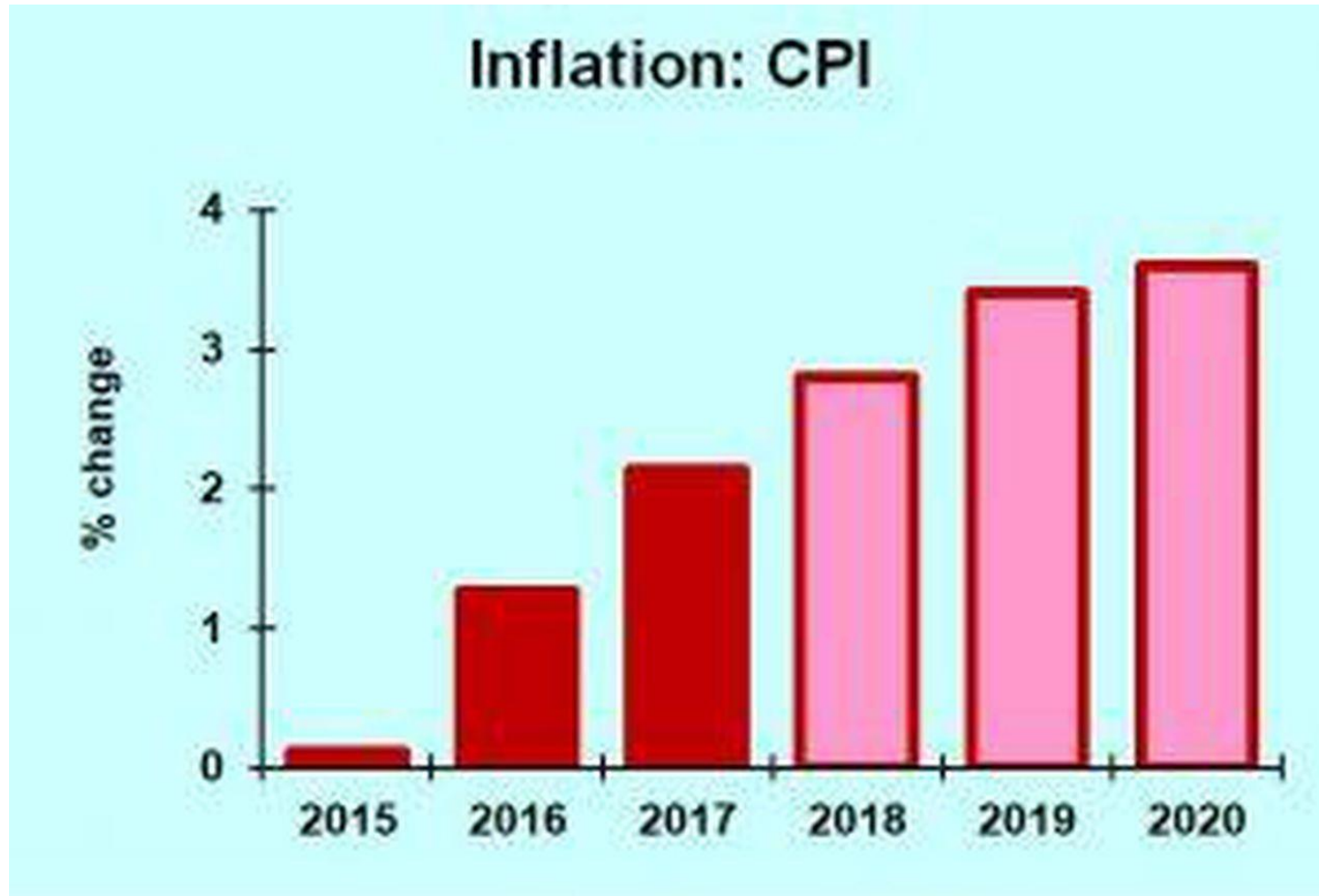
SOURCES: BUREAU OF ECONOMIC ANALYSIS AND INTERNATIONAL MONETARY FUND

Carpe Diem **AEI**

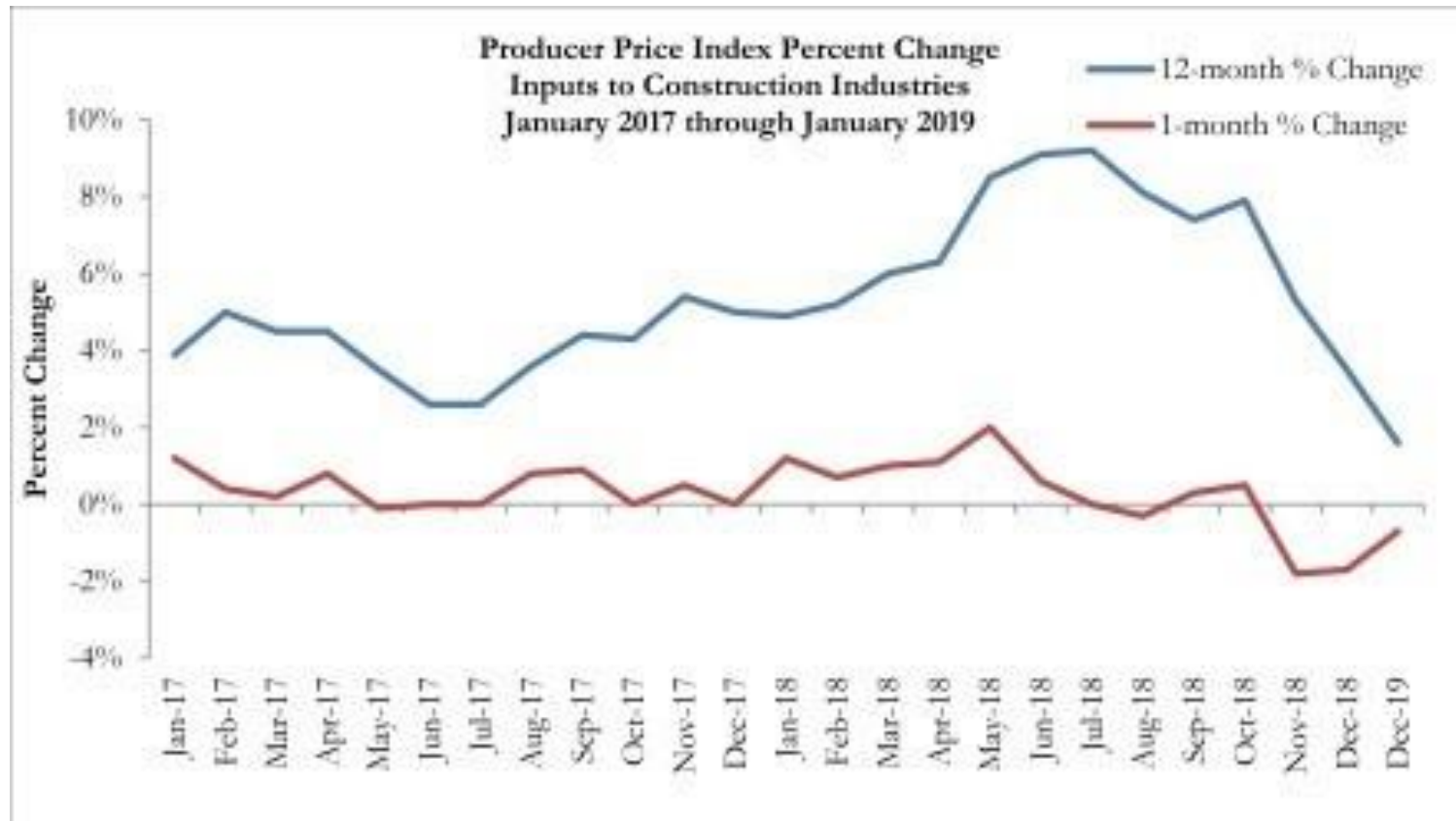
Why Economists Are Worried

- **WSJ Panel anticipates a weaker year – maybe Q1 as low as 1.3%. Rest of the year struggling to get to 2.0%**
 - **Trade wars and tariff threats – more worry about Europe and North America than China**
 - **Inflation threats – just starting to show up in wage data**
 - **Labor constraints**
 - **Slow housing sector – new homes down this month**
 - **Deficits and debt and lack of any desire to control either one**
 - **Investment fatigue and retrenchment**

Projections



Big Falls in Input Costs – Especially Energy



Source: U.S. Bureau of Labor Statistics

Higher Commodity Prices

Tighter times

Brent crude oil price, \$ per barrel



World liquid fuels, production and consumption balance
m barrels/day

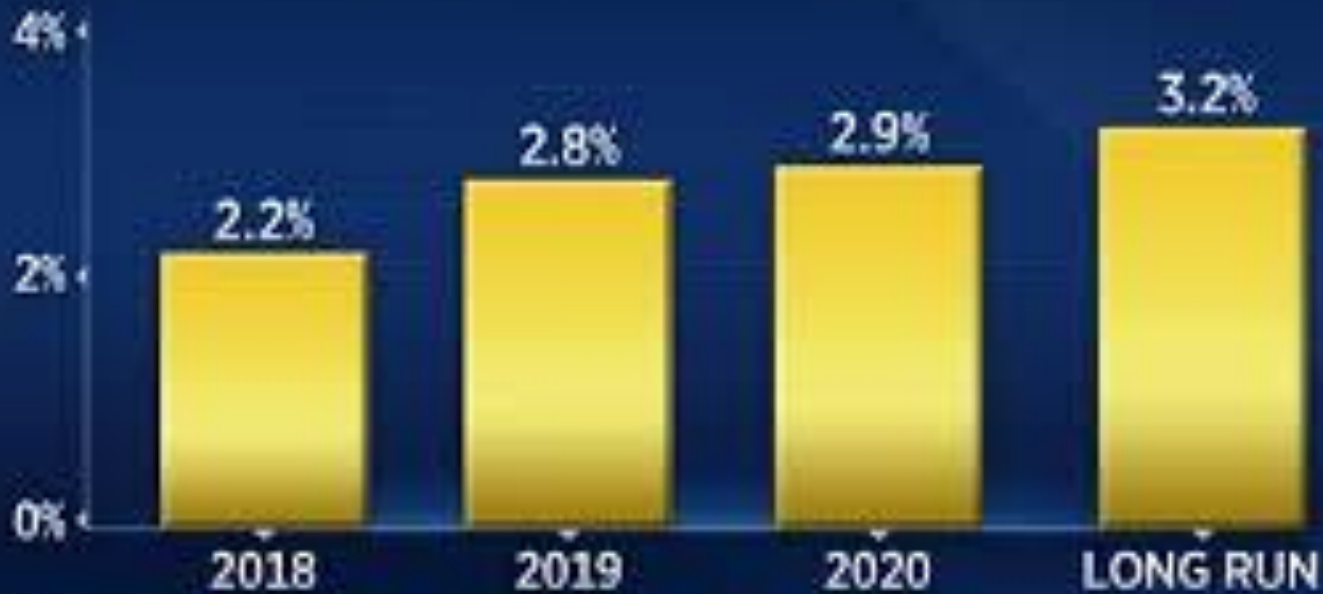


Sources: Thomson Reuters; US Energy Information Administration

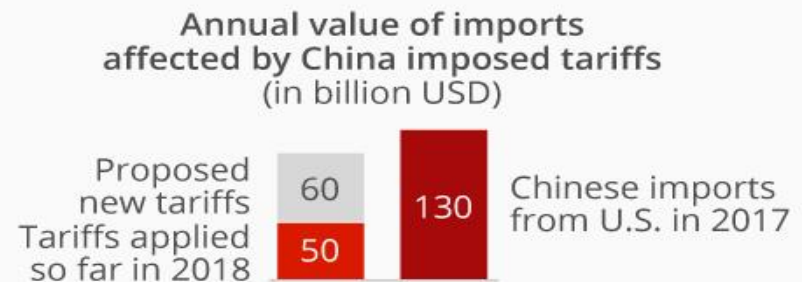
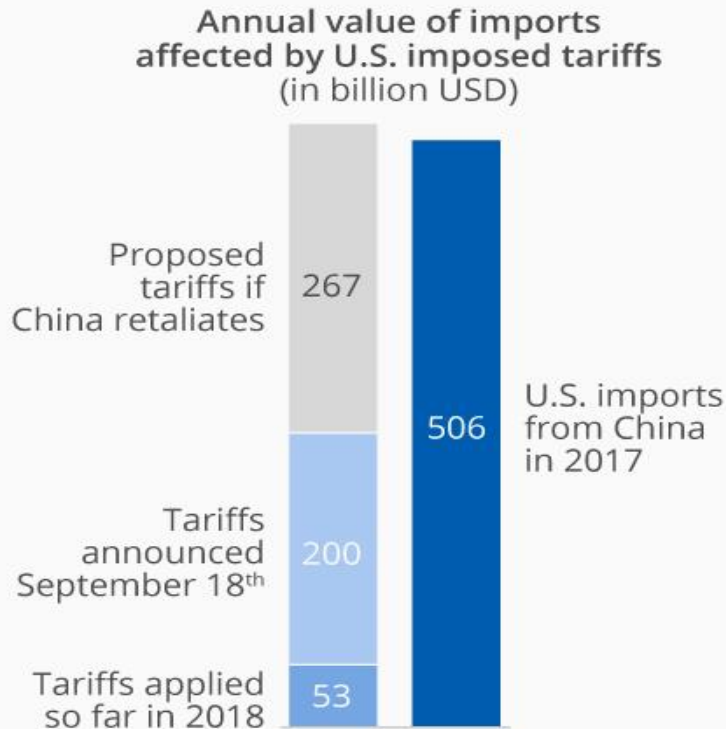
The Economist

Small Hikes

FED FUNDS RATE FORECAST JAN. SURVEY



U.S. – China Trade Tariffs Are Reaching Their Limit

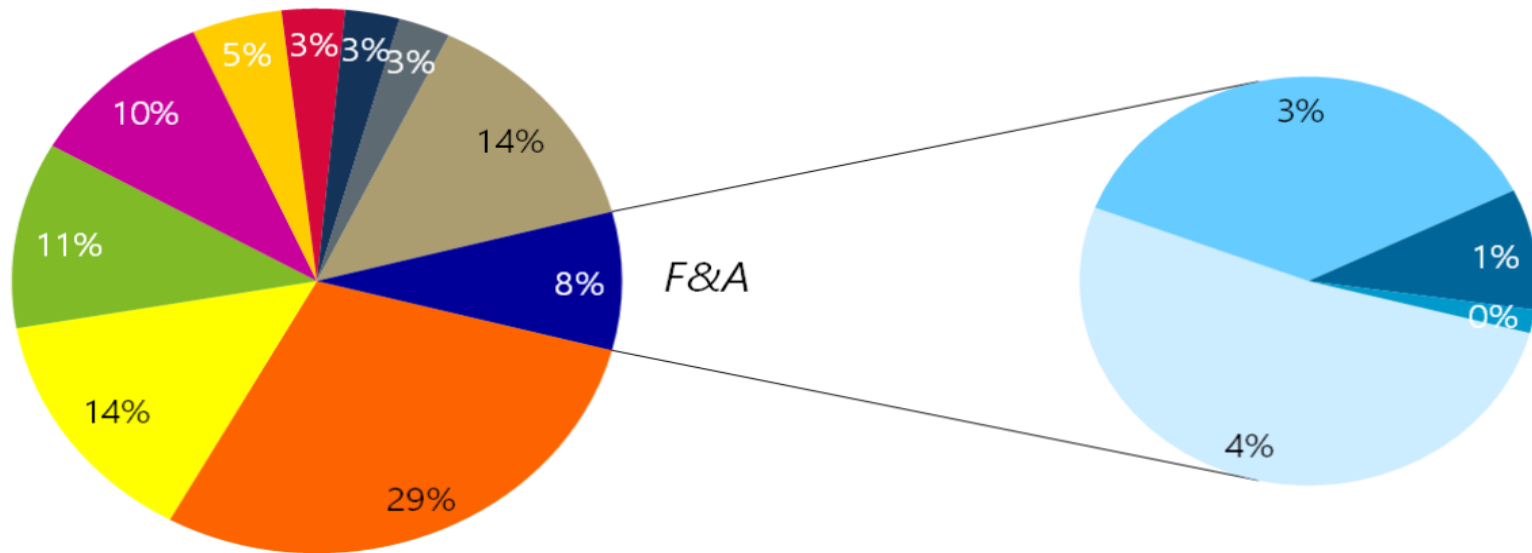


@StatistaCharts Source: US Census Bureau/BBC

statista

US – Mexico Trade

Mexico export to the US (2016): USD 323bn



- Other machines
- Computers/telephones
- Oil
- Vegetables
- Animal hides
- Cars and trucks
- (Medical) instruments
- Plastics and rubbers
- Food
- Other vehicles/parts
- Steel
- Other
- Animal products

- **Nafta is Dead – Long Live Nafta**
 - **Replaced by USMCA – try singing to the tune of YMCA**
 - **Now has to be approved and ratified by US Congress, Mexican Congress and Canadian Parliament**
- **Three Sticking Points**
 - **Auto sector – more US domestic content, higher wages demanded in Mexico, more assembly in US**
 - **Dairy Business – reduced Canadian subsidies to dairy and easing of restrictions on imported product from US**
 - **Dispute resolution – arbitrary threats from any against any member rejected – has to go to independent arbitration panel. This may have an impact on steel and aluminum tariffs**

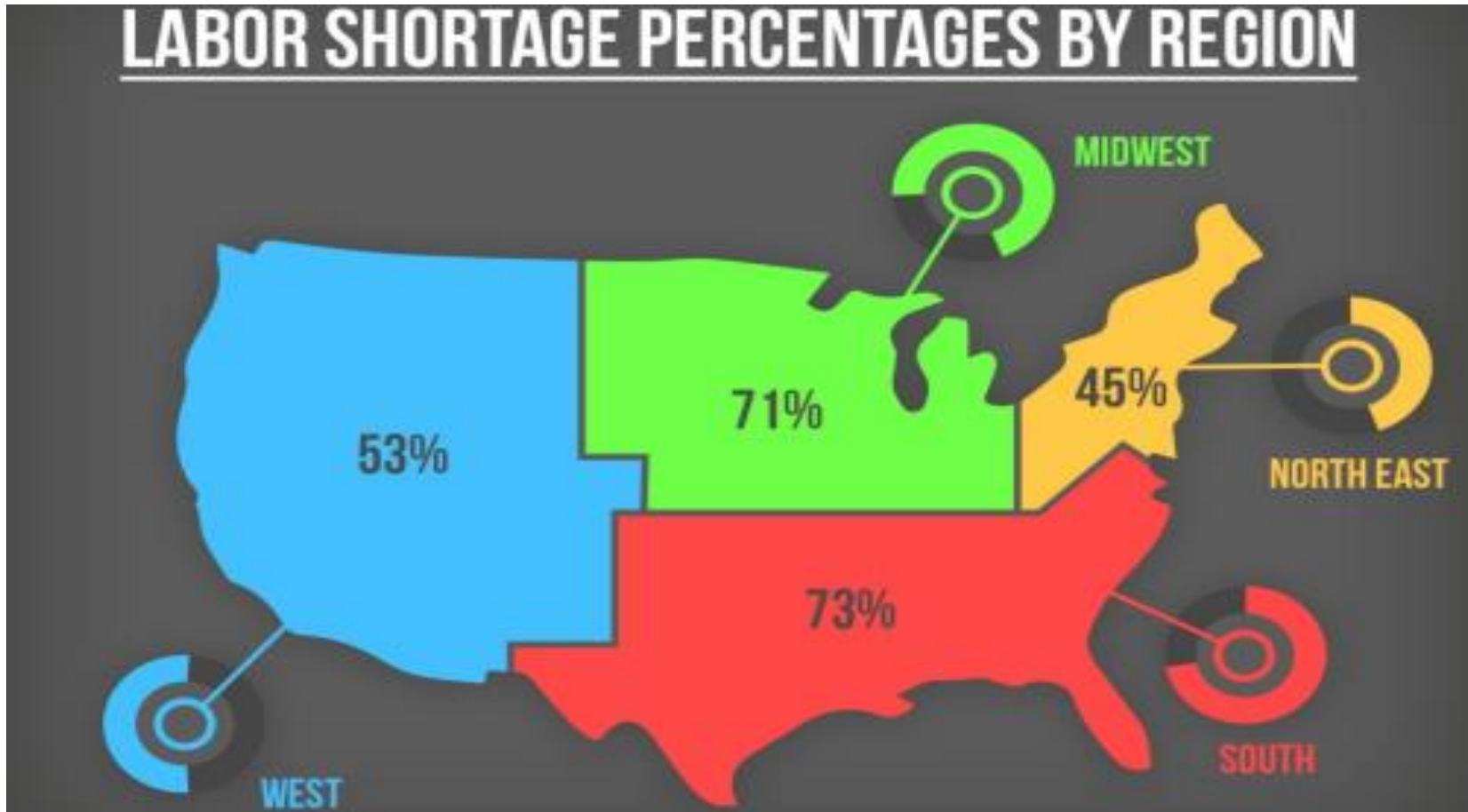
Who Really Matters

Biggest export trading partner



SOURCE: US Census Bureau

BUSINESS INSIDER



Manufacturing Facts

9th
largest economy in the world contributing
\$2.18 trillion
to the U.S. economy in 2016.

 **3,749** firms have more than 500 employees.

 **248,152** firms have less than 500 employees.

Out of those 248,152 firms, **186,114** have less than 20 employees.

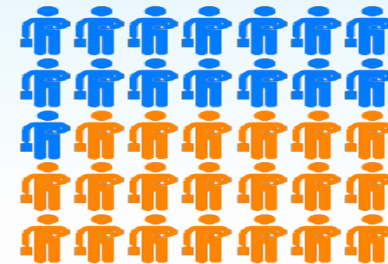


80%

of manufacturers reported a moderate or serious shortage for qualified applicants.

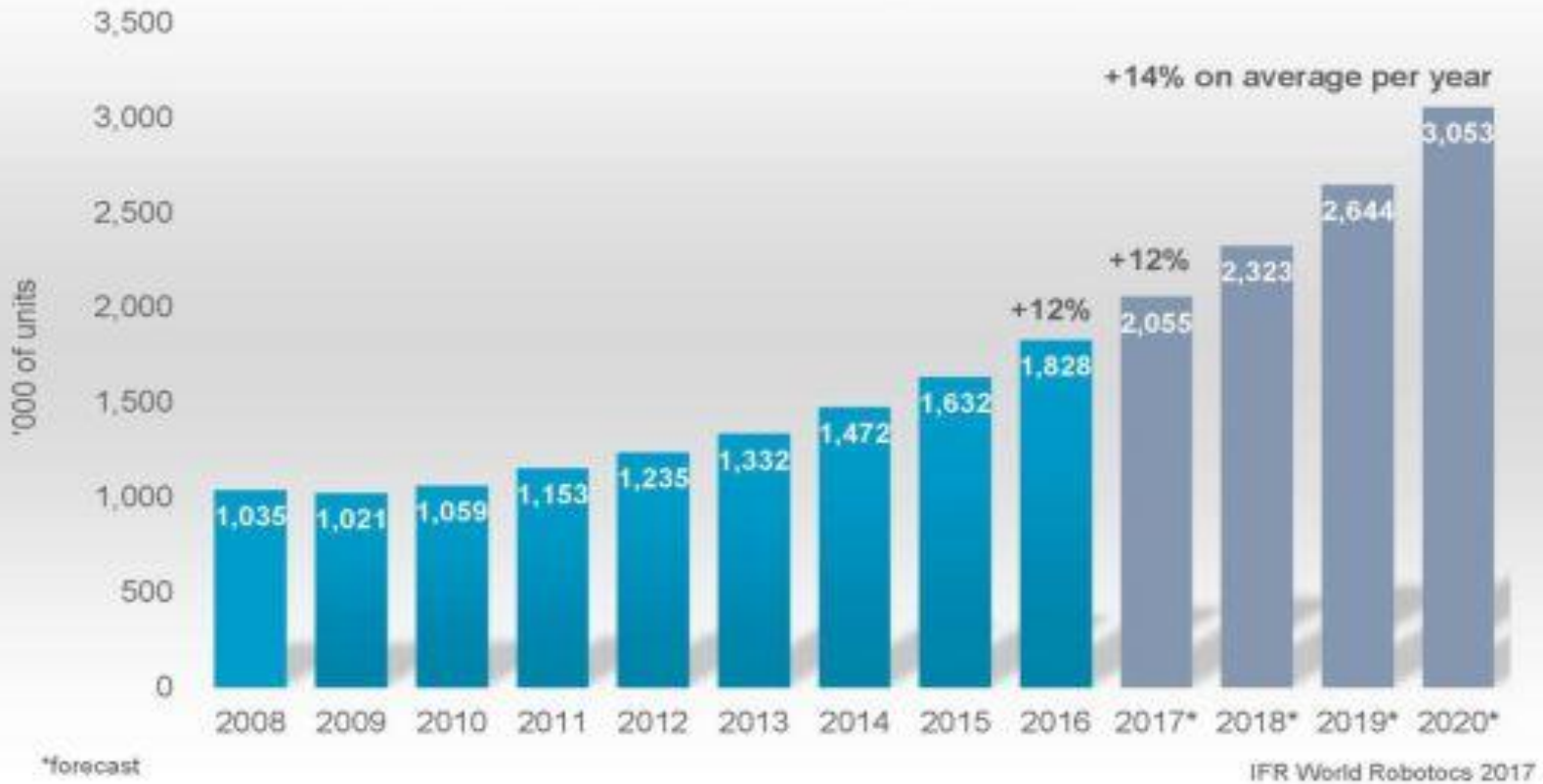


With **3.5 million** manufacturing jobs needed to be filled, **2 million** are expected to stay unfilled due to a skills gap.



Source: National Association of Manufacturers

Estimated worldwide operational stock of industrial robots 2015-2016 and forecast for 2017*-2020*



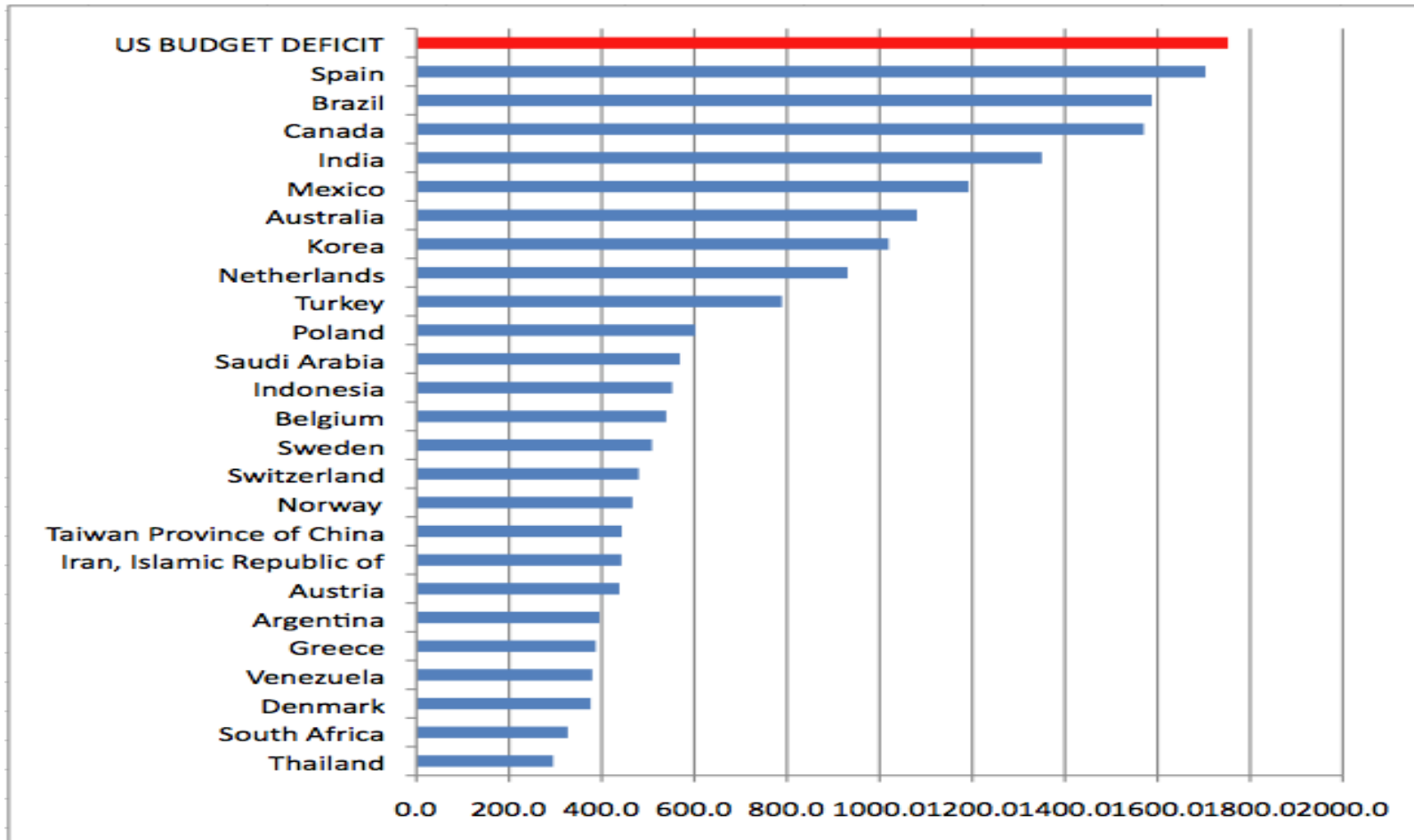
Will Rogers – I Could Not Resist



**I don't make jokes.
I just watch the government
and report the facts.**

Will Rogers
1879 - 1935

Not in Good Company



Consumer Confidence – Conference Board



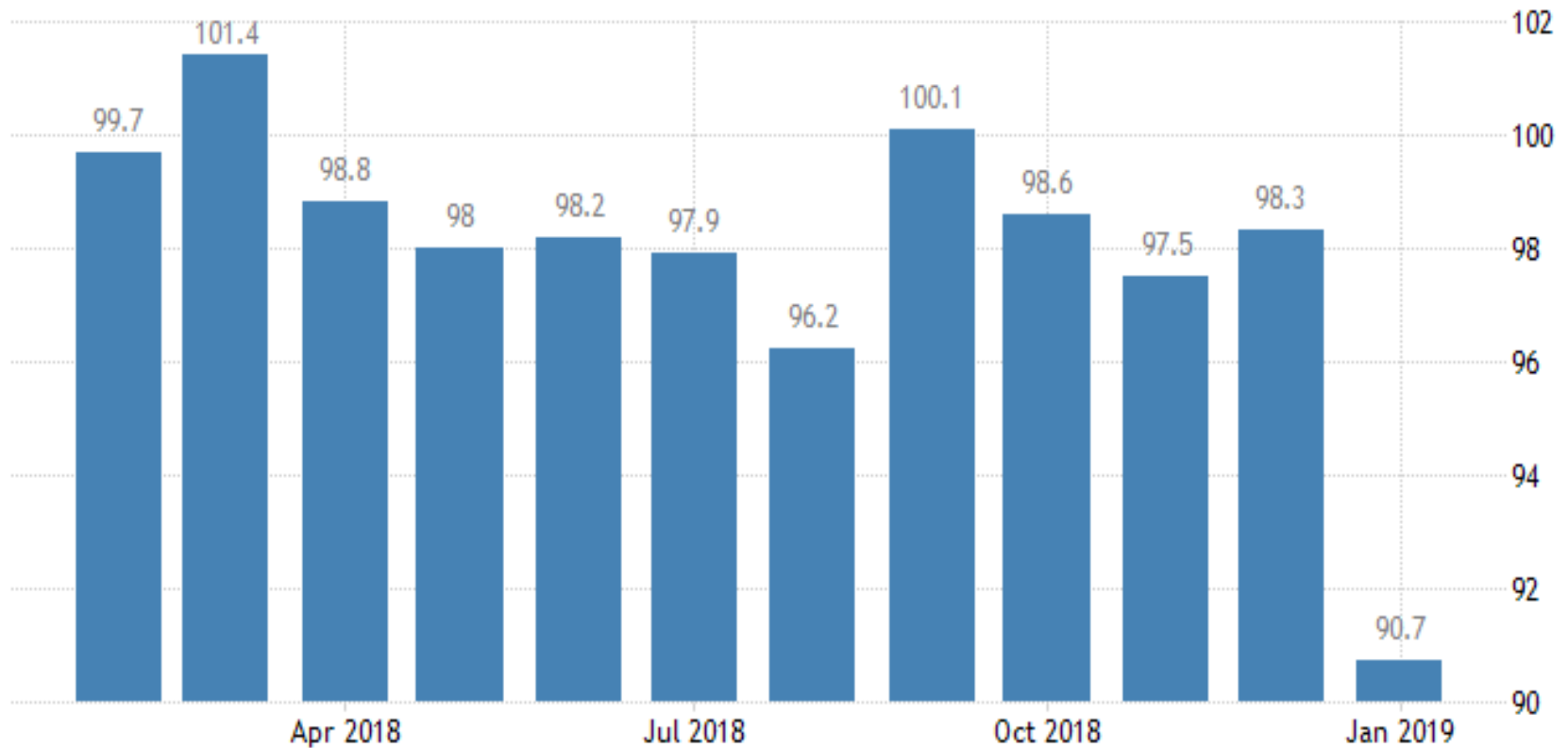
Confidence falls for first time in five months

Consumer Confidence in November drops to 135.7 from 18-year high of 137.9.



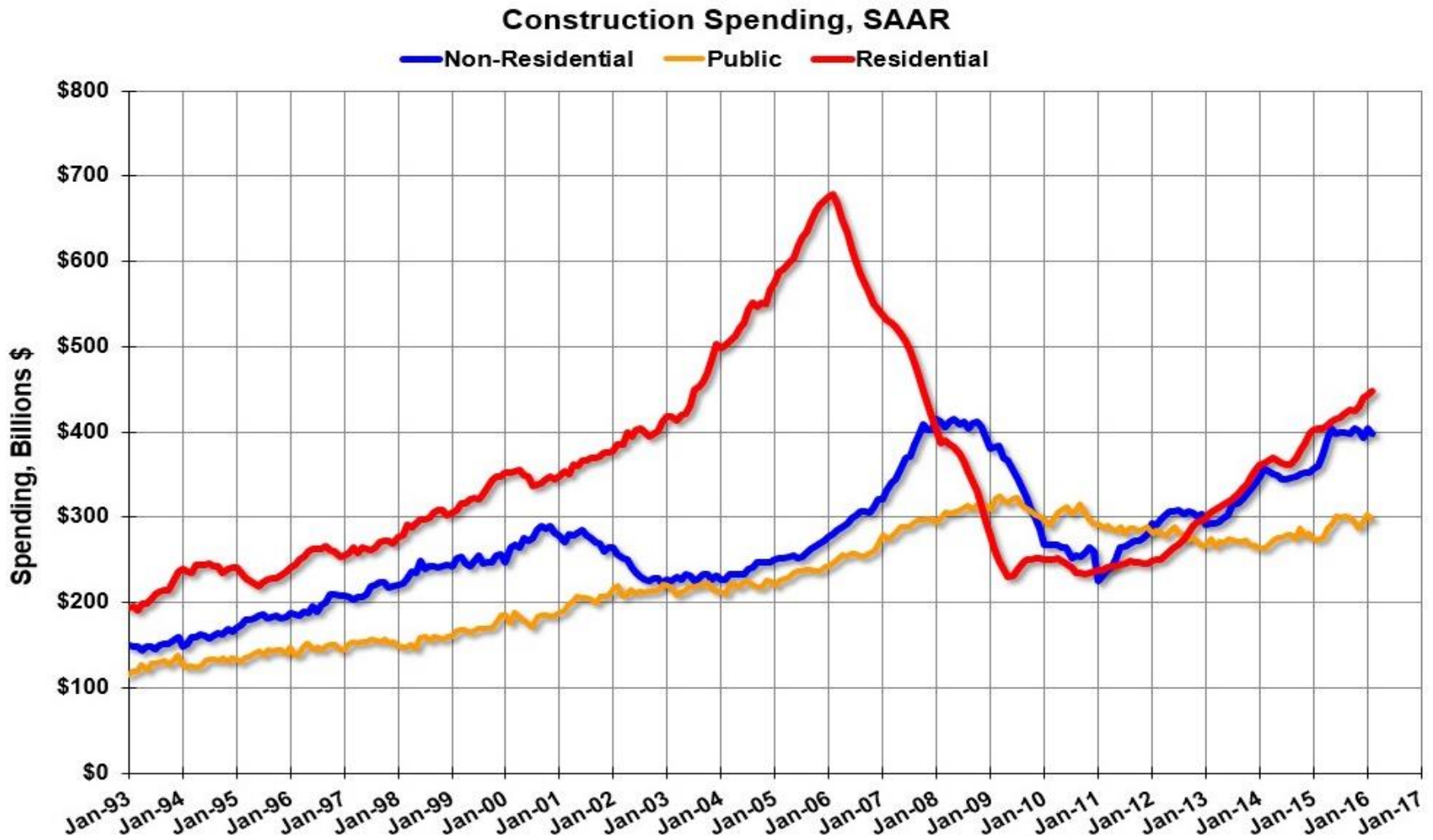
Source: The Conference Board

Consumer Confidence – Univ. of Michigan



SOURCE: TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN

Stronger Trends



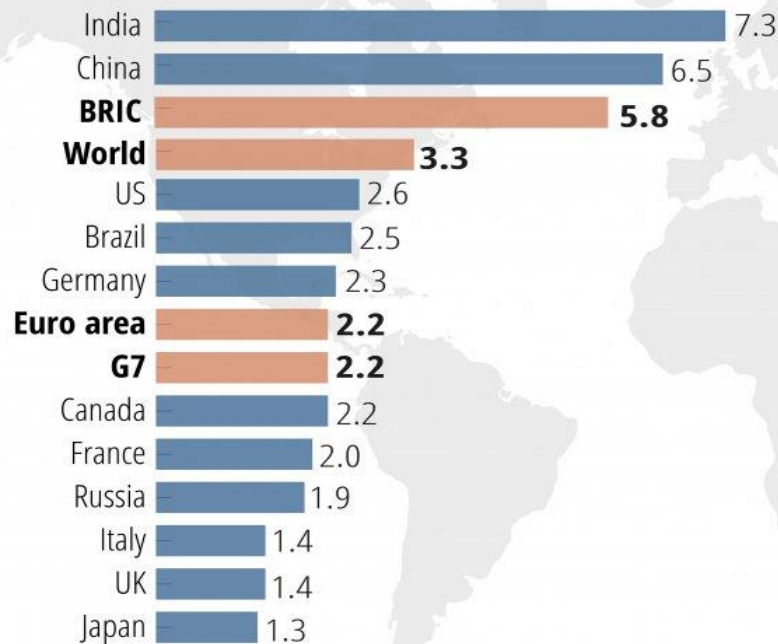
- **Brexit – Will the UK survive this and what will it look like? Implications for the US**
- **New leadership in Latin America – Andres Manuel Lopez Obrador in Mexico, Jair Bolsonaro in Brazil. Do we have a Chavez or Lula in AMLO? Is this the return of the junta in Brazil? End of Maduro as Guaido challenges?**
- **Twilight for Germany’s Merkel? Who replaces her as far as Europe is concerned? Rise of populist right throughout Europe.**
- **India makes move on Chinese market share as tariffs and trade wars alter the playing field**
- **Cutting loose from the US – allies question loyalty. Trade pacts unite Asia/Pacific, Japan with Europe**

GLOBAL ECONOMIC OUTLOOK

Analysts are upbeat on global economy thanks to strong fundamentals

2018 GDP Growth Forecasts

Annual Variation in %

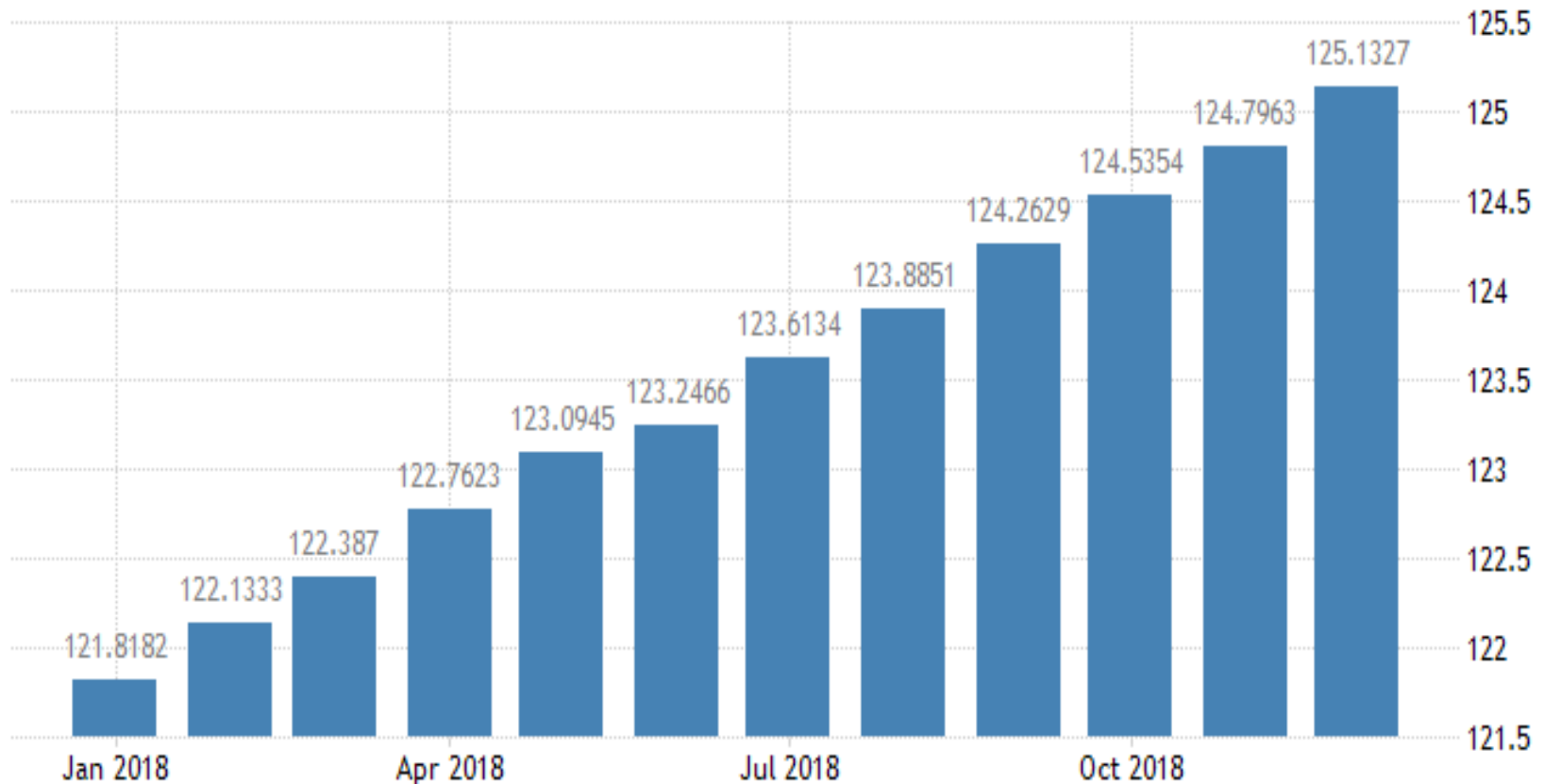


- Global growth is expected to remain strong this year, and risks to the economic forecast for 2018 are skewed to the upside.
- Loose monetary conditions are supporting consumer confidence and capital expenditure.
- Solid global economic dynamics are tightening job markets, which is reverberating positively in household spending.

FOCUSECONOMICS

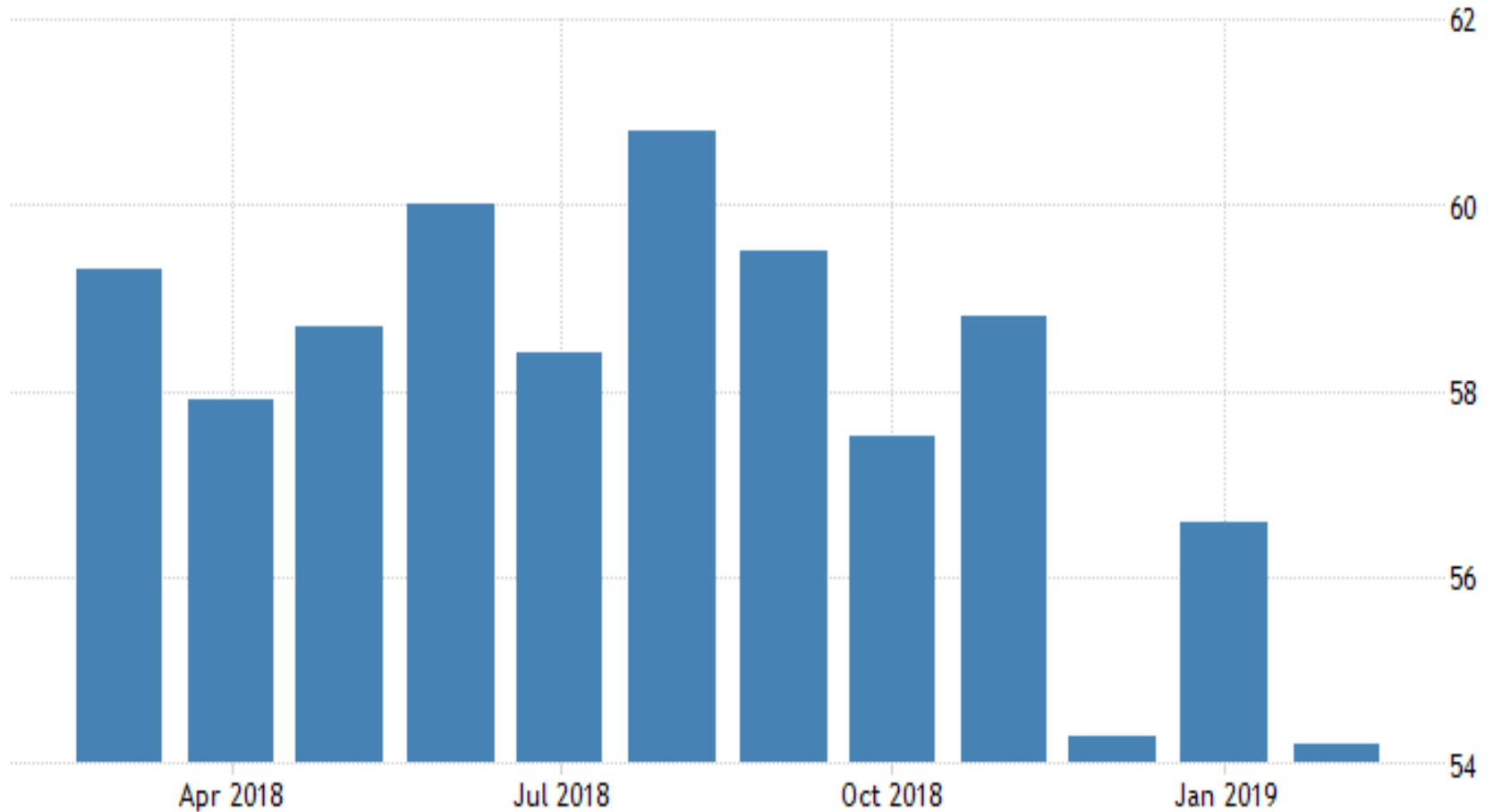
FocusEconomics Consensus Forecast Major Economies - February 2018 edition

Economic Indicators Strong



SOURCE: TRADINGECONOMICS.COM | FEDERAL RESERVE BANK OF PHILADELPHIA

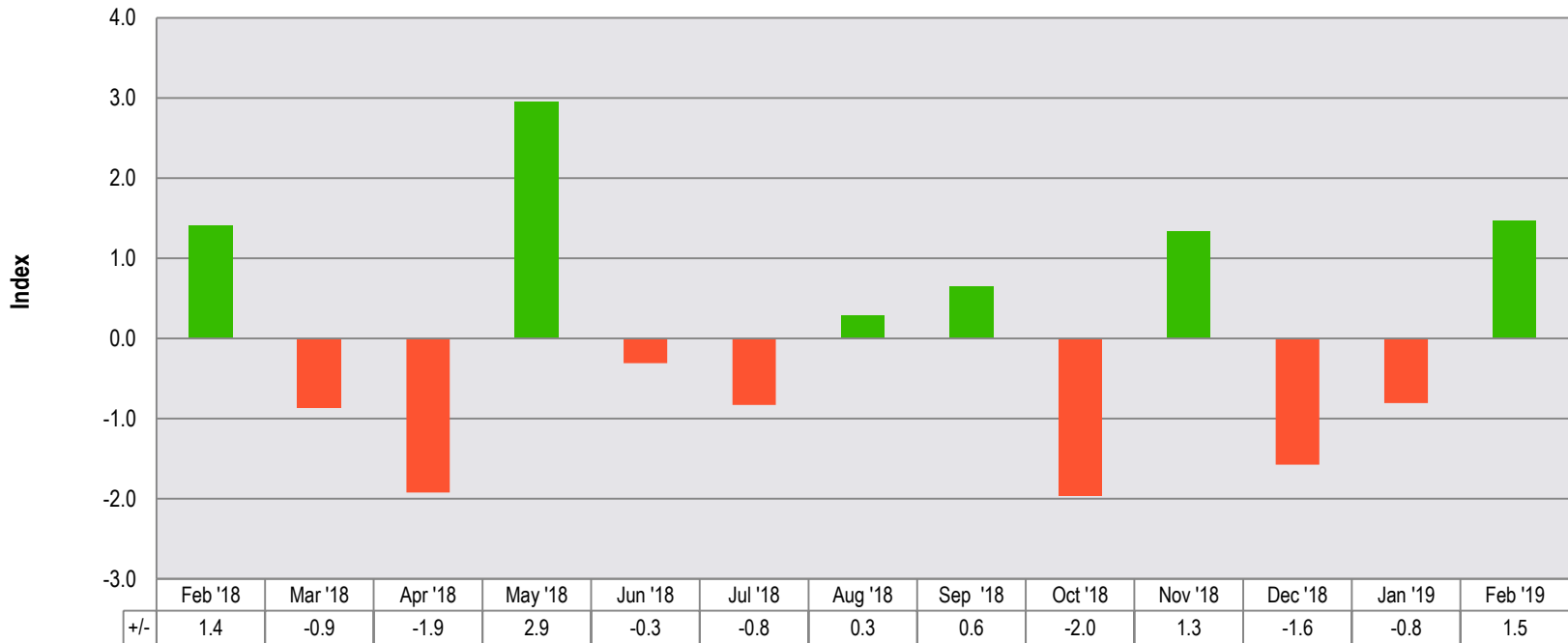
US PMI Numbers



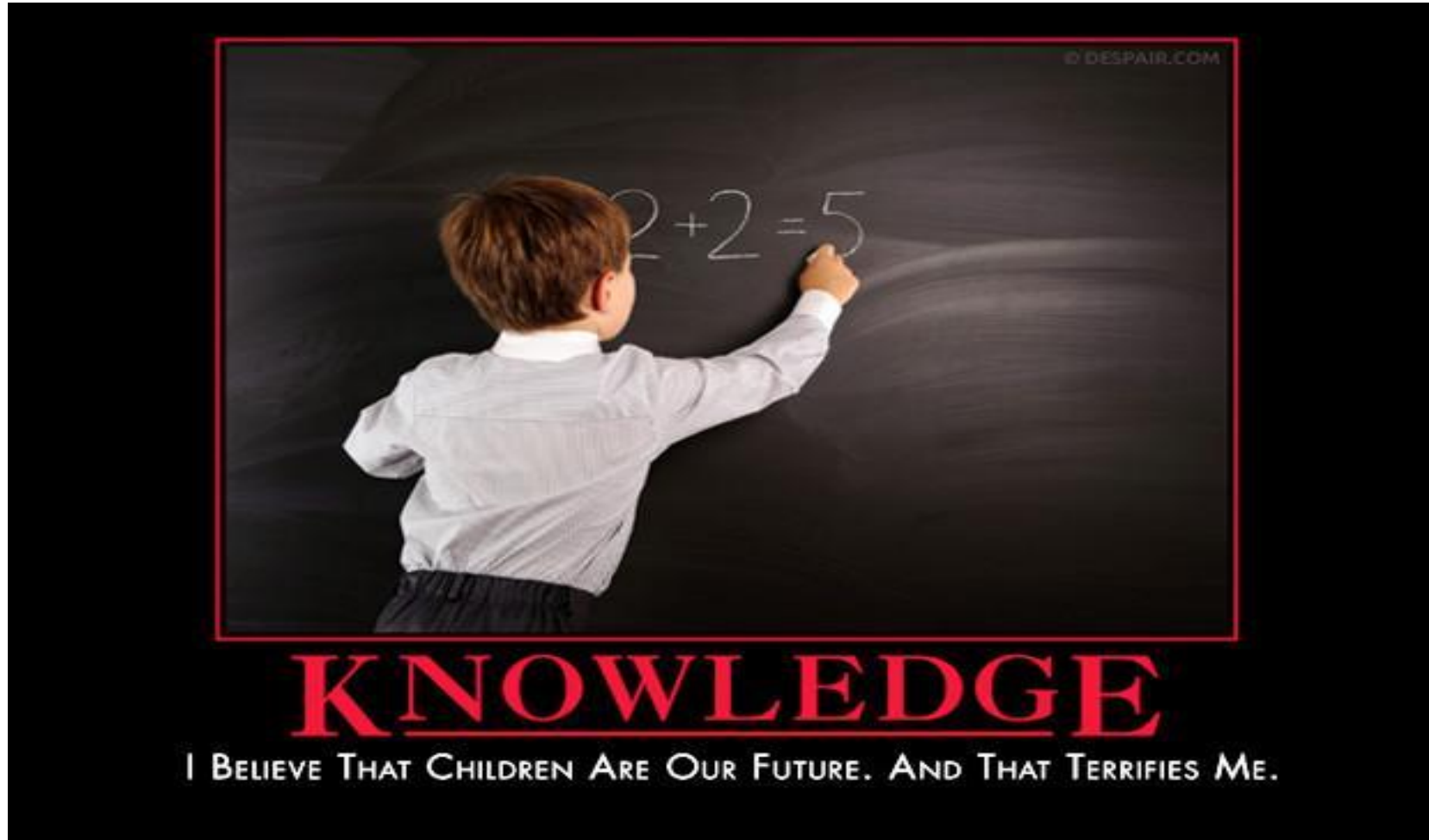
Overall CMI



Combined Index Monthly Change
(seasonally adjusted)



We Are So Doomed!



For Those that Can't Get Enough of This



- chris.kuehl@armadaci.com
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