

The background of the entire image is a blue-tinted photograph of an industrial manufacturing environment. It features several robotic arms in motion, with bright orange sparks flying from their tools, suggesting a welding or grinding process. The overall scene is dynamic and focused on automation and precision manufacturing.

WE ARE **KMS**

2021 ECONOMIC PREDICTIONS FOR MANUFACTURERS WEBINAR



Trusted Advisors for Growth

[www.weare**KMS**.com](http://www.weareKMS.com)

WEBINAR HOUSEKEEPING

- Everyone attending the webinar is muted. To ask a question, type your question in the Q/A text box on your GoToWebinar panel.
- We will ask as many questions as we can at the end of the presentation.
- This webinar is being recorded. The link to the recording will be included in a follow-up email being distributed tomorrow.
- Please check our website www.wearekms.com frequently for new webinars and events. (or register to receive our quarterly KMS newsletter)

WE ARE **KMS**

KMS exists to help small to mid-size manufacturers in Kansas grow.

From trusted advisor to vocal advocate for manufacturing in Kansas, we are working to help you be successful by providing value proven solutions to increase your competitiveness in the domestic and global markets.

2019 IMPACT



\$92.6 Million

Increased Investments



\$8.3 Million

Cost Savings



3,541

Jobs Created



\$181.8 Million

Increased and Retained Sales

Armada



Dr. Chris Kuehl
Managing Director of Armada
Corporate Intelligence and one of
the co-founders of the company



ARMADA

2021 Economy – Five Positives and Five Negatives

Kansas Manufacturing Solutions January 21, 2021

**Chris Kuehl
Managing Director – Armada CI**



ARMADA

Analysis of the Forces Affecting Business

Chris.Kuehl@armadaci.com

January 21, 2021

ME AND MY COWORKERS LOGGING INTO MEETINGS



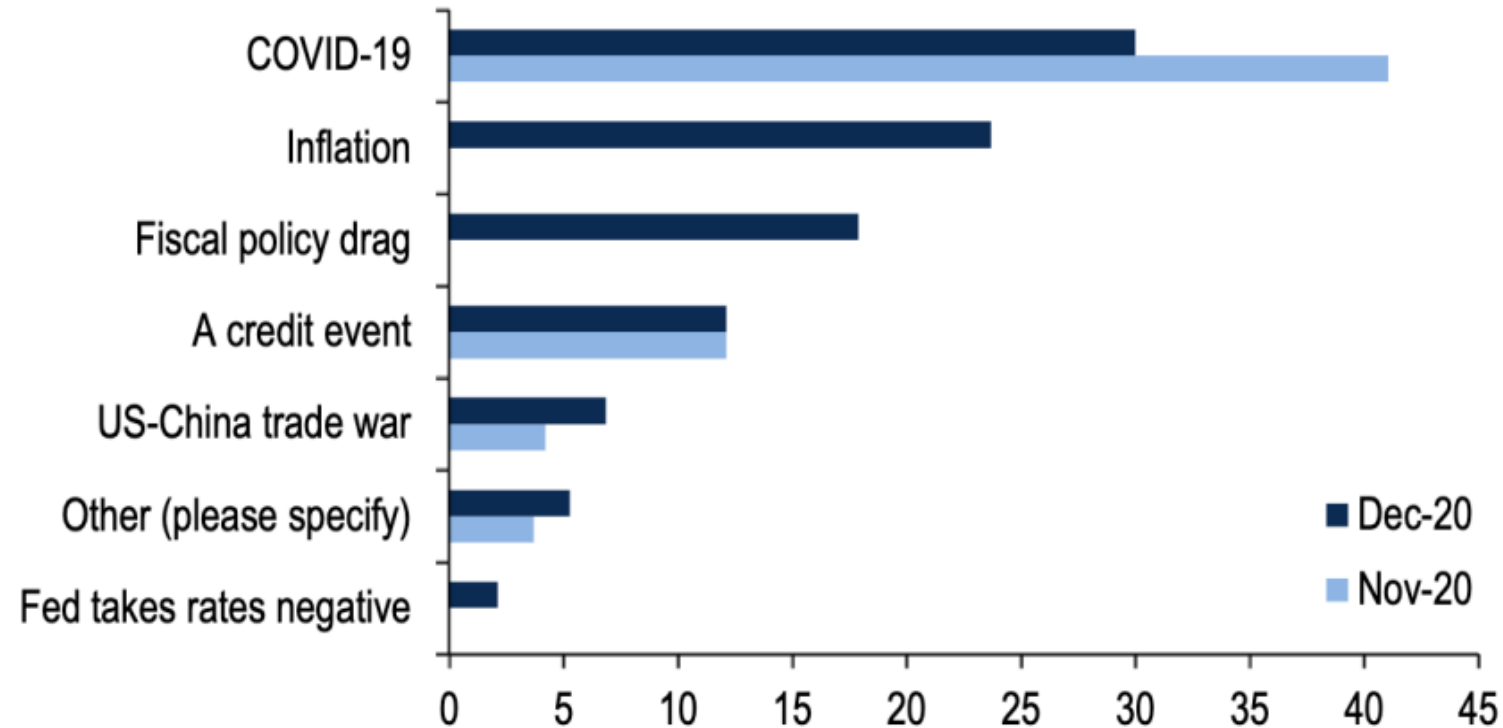
Five Positive Changes to Anticipate

- **Vaccine Rollout – Expectation is that most of vulnerable population will receive vaccine by March. Herd immunity status by mid-summer.**
- **Lockdowns will begin to lift by second quarter. Job numbers will improve. Potential for “great divergence” which will be good for service sector.**
- **Trade relations will improve with key partners in Europe as well as with Japan and Canada. China will still be on the outs.**
- **Permanent changes in work patterns and consumption will benefit some but not all. Working at home, online shopping etc.**
- **Political shifts could benefit some sectors but could damage others. Emphasis on “green”, stability in medical sector, emphasis on infrastructure.**

Five Negative Changes to Anticipate

- **Retreat from pandemic protocols will be slow and setbacks are expected. Mutations, bureaucratic barriers, slow popular acceptance**
- **Business and investment community will be cautious as they wait to see what a Democratic government looks like.**
- **Confrontations with China will accelerate and will affect trade patterns.**
- **Consumers will have to decide to engage in old habits again and there is no certainty as to when this will be.**
- **Political divisions will linger and will complicate policy development on a number of issues – economic stimulus, immigration, cultural conflicts**

Exhibit 28: What do you consider the biggest "tail risk"?

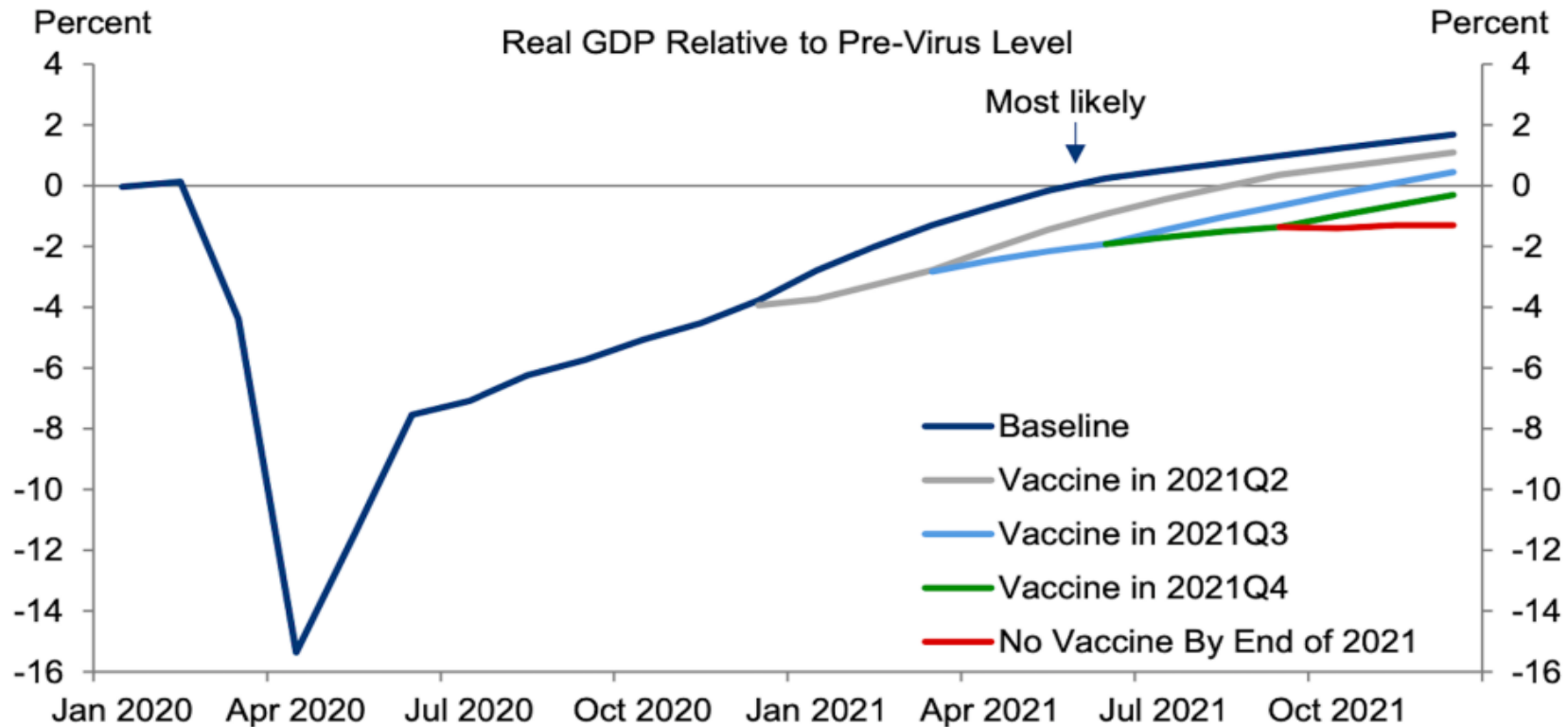


Source: BofA Global Fund Manager Survey

Best Estimates Thus Far

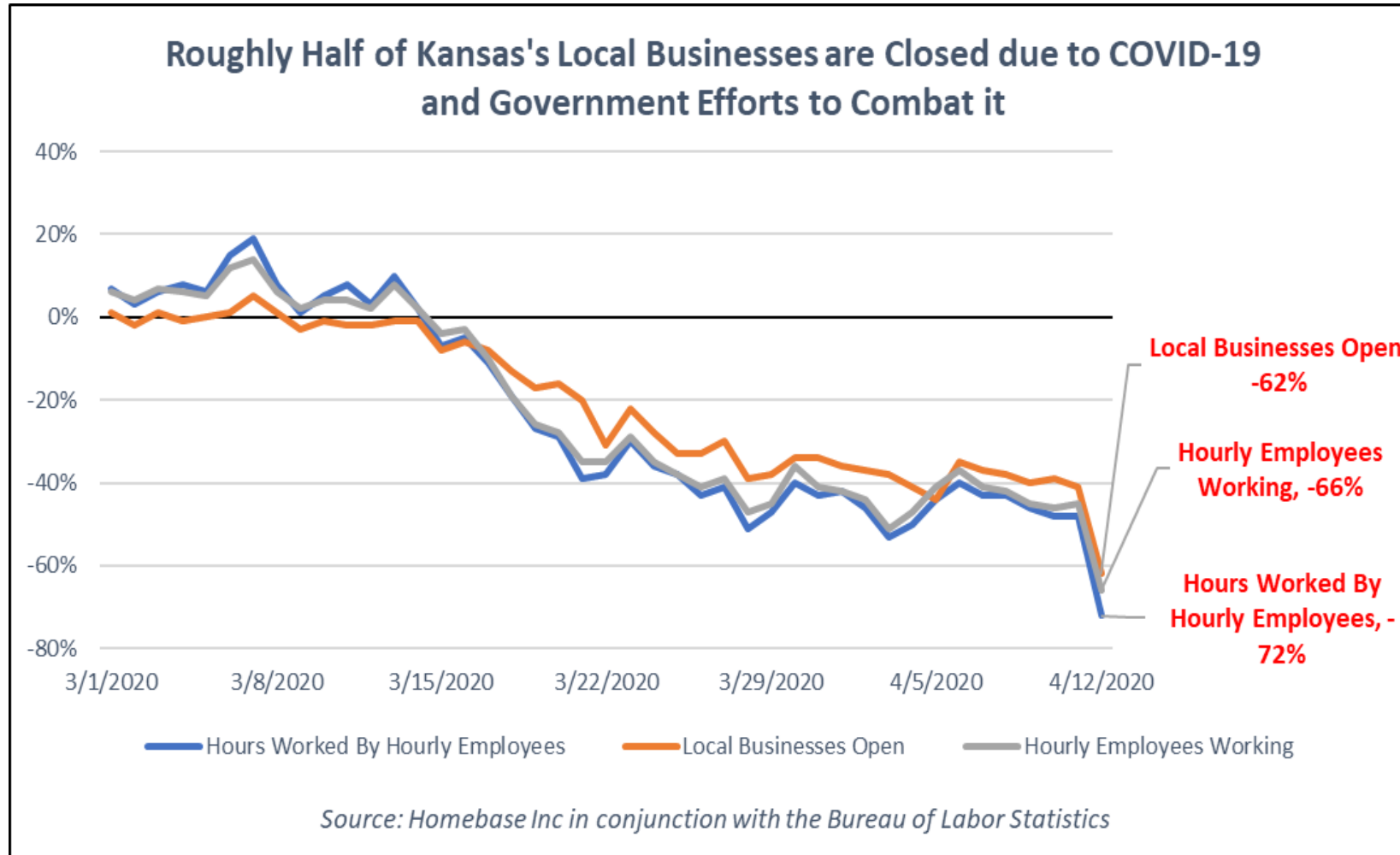


Exhibit 1: We Now Expect Vaccine Approval in Late 2020 and a Boost to Growth in the First Half of 2021



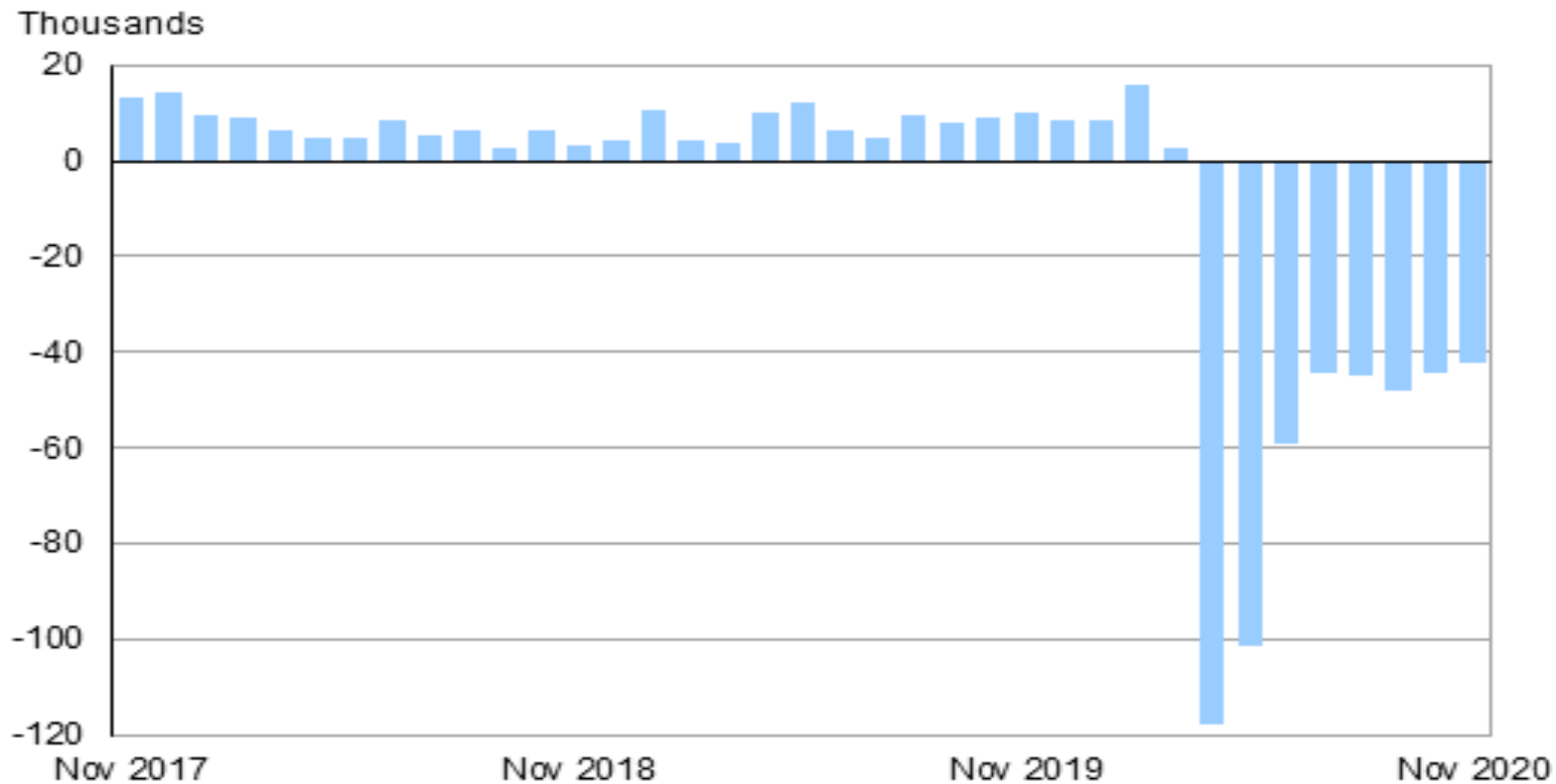
Source: Goldman Sachs Global Investment Research

Big Initial Blow from Pandemic



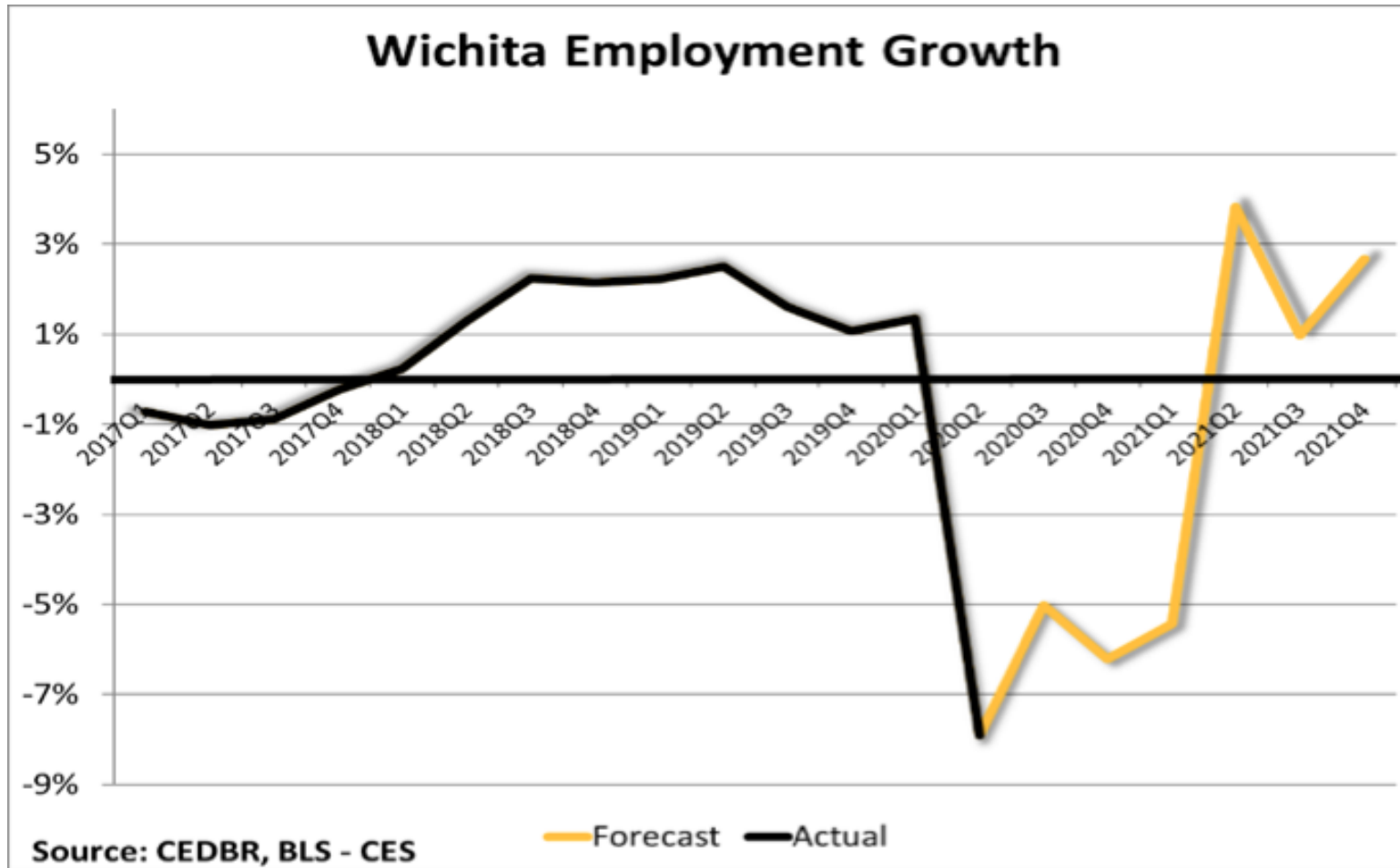
Employment Recovery Stalled

Chart 1. Over-the-year net change for total nonfarm employment in the Kansas City metropolitan area, November 2017–November 2020



Source: U.S. Bureau of Labor Statistics.

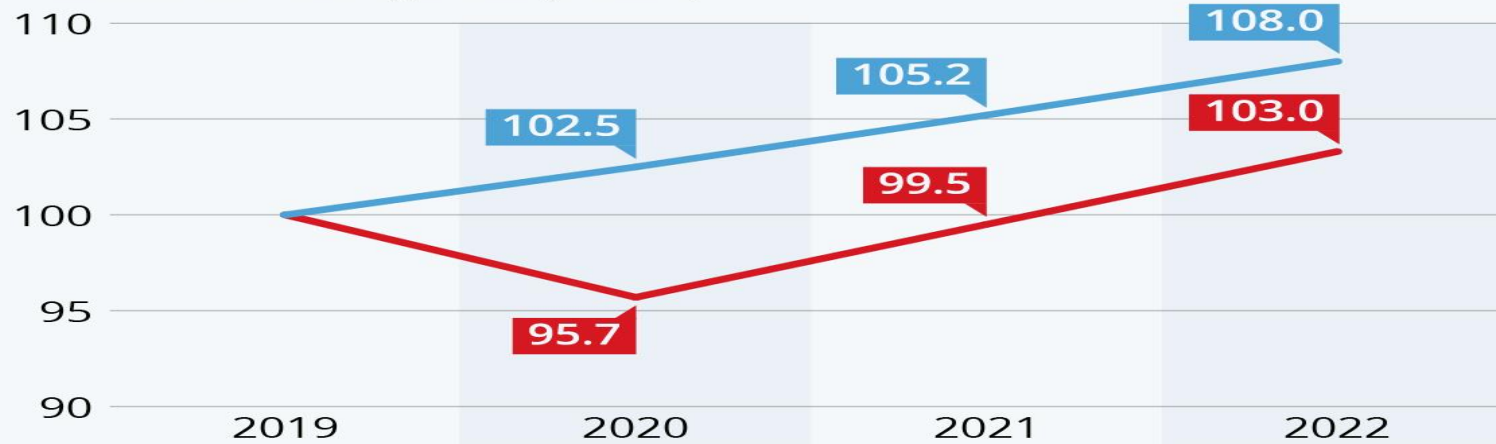
Recovery?



World Economy to Trail Pre-Pandemic Trajectory for Years

Estimated global economic output (indexed to 2019, i.e. pre-pandemic levels)*

- Pre-pandemic forecast (January 2020)
- Latest forecast (January 2021)



* real GDP at 2010 prices
Source: World Bank

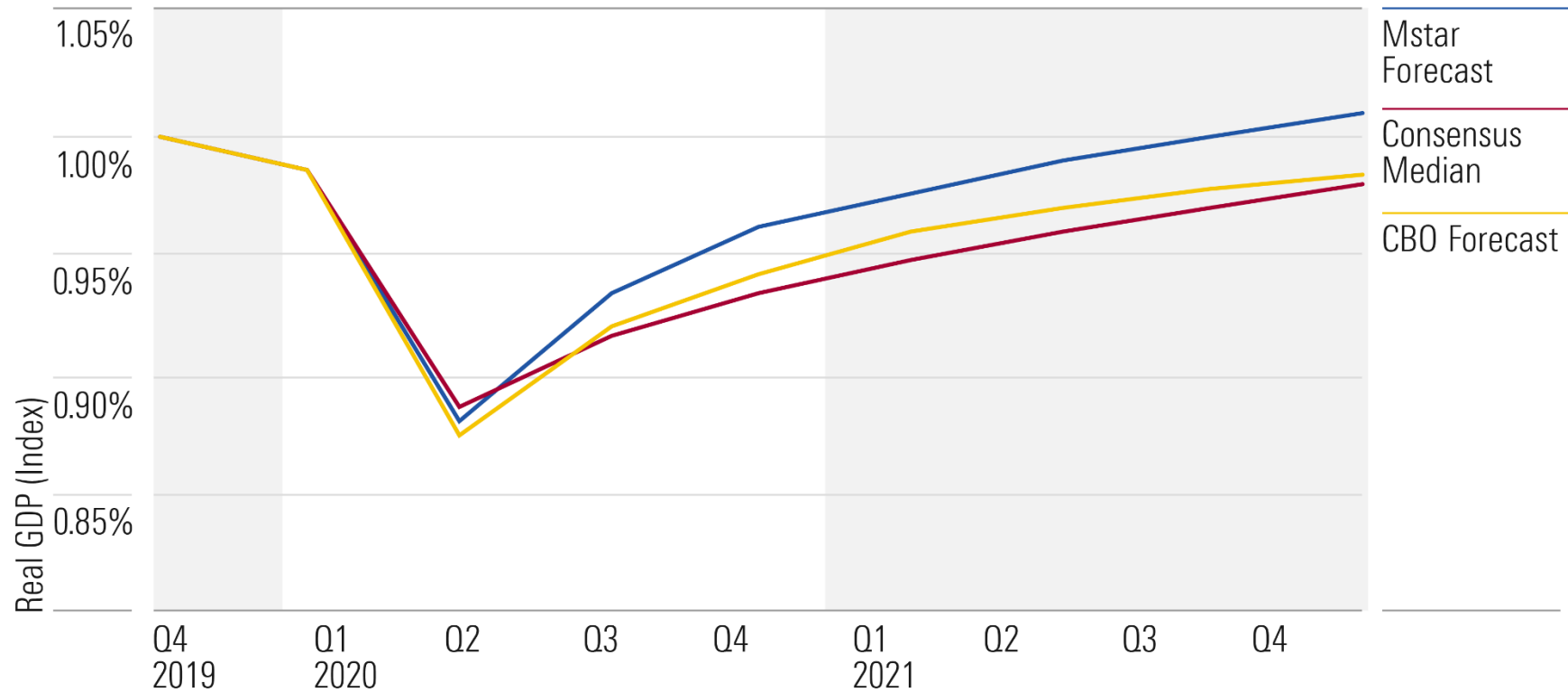


statista

Investors More Upbeat



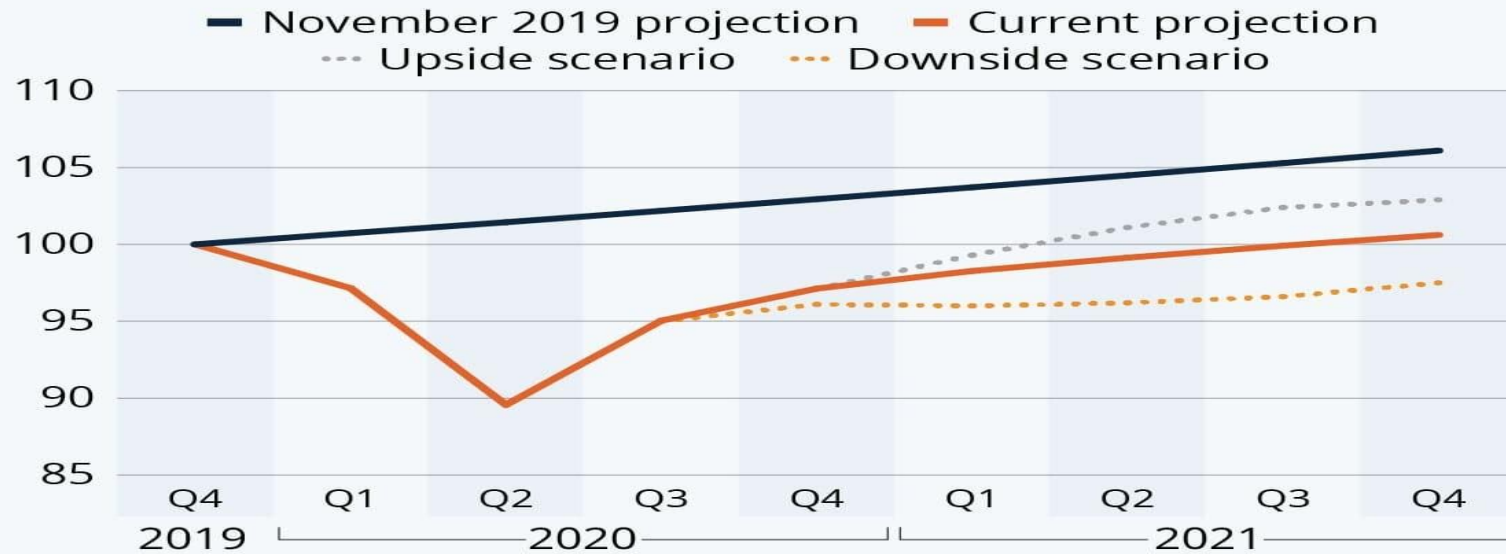
Our Optimism Compared With Consensus Centers on the Pace of Recovery



Source: U.S. Bureau of Economic Analysis, U.S. Congressional Budget Office, Wall Street Journal, International Monetary Fund, Morningstar.

OECD Sees Global GDP Return to Pre-Pandemic Level in 2021

Global GDP projections made in November 2019 and September 2020, Index: Q4 2019=100

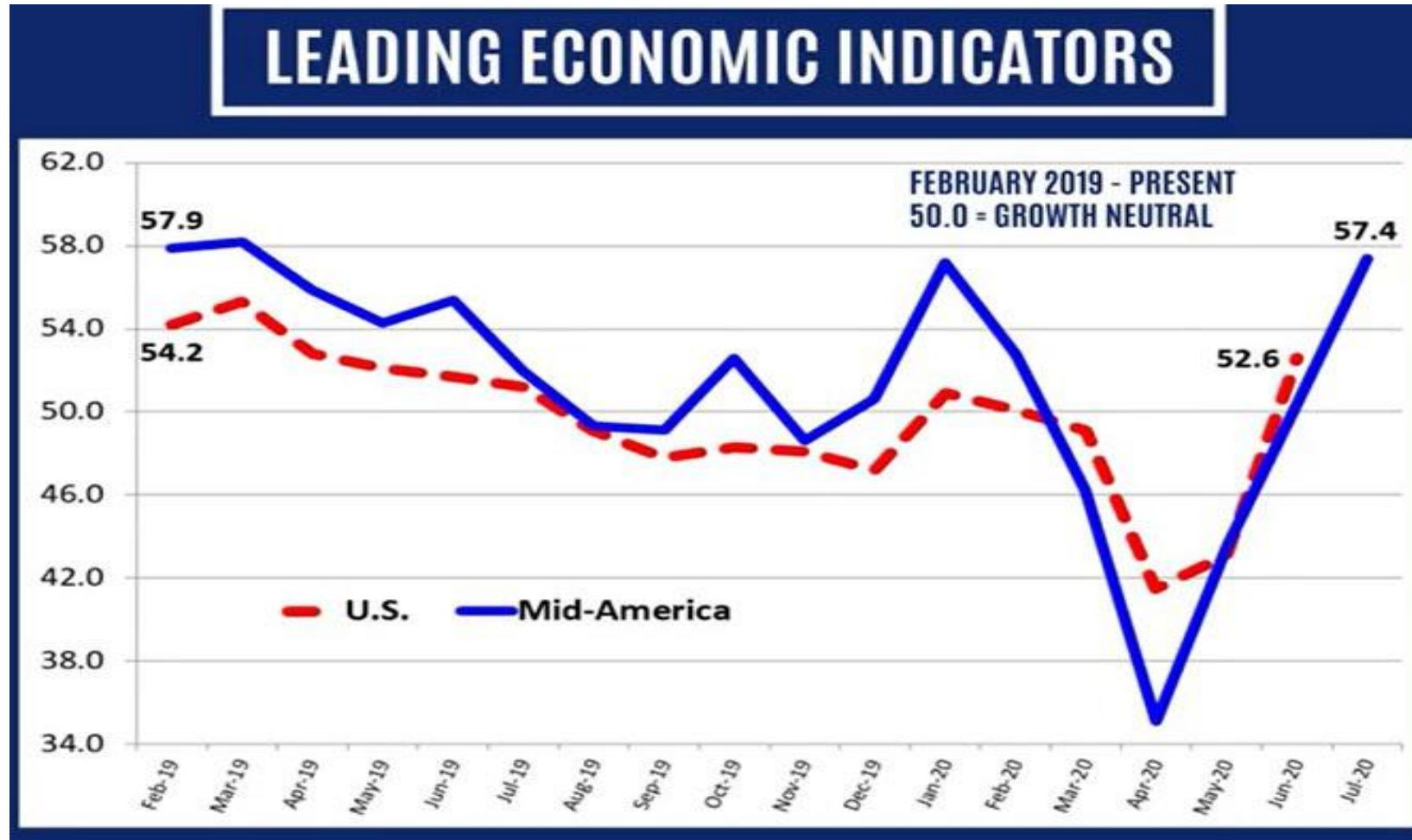


Source: OECD

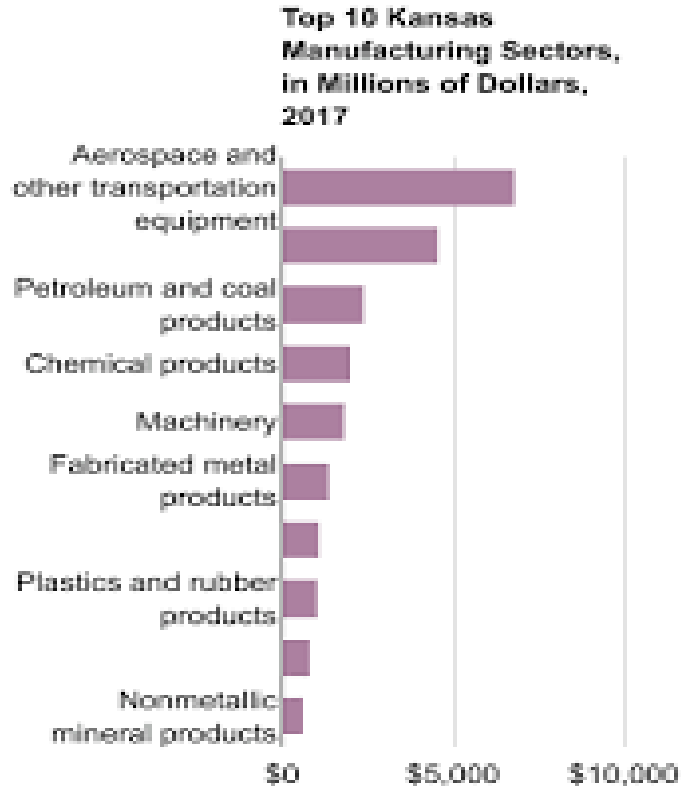


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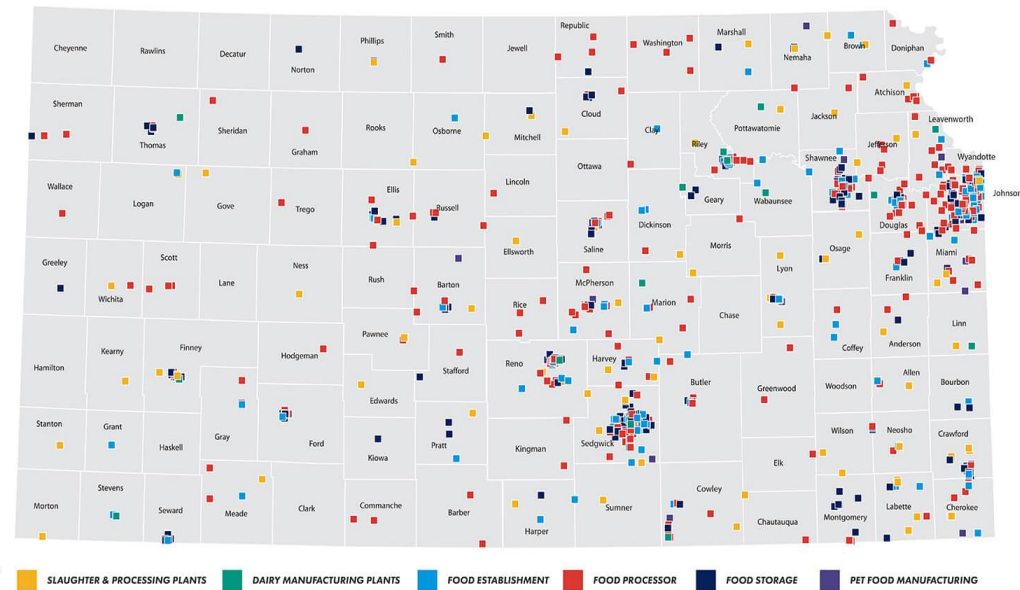
Further to Fall but Bouncing Back



What are the Major Sectors?

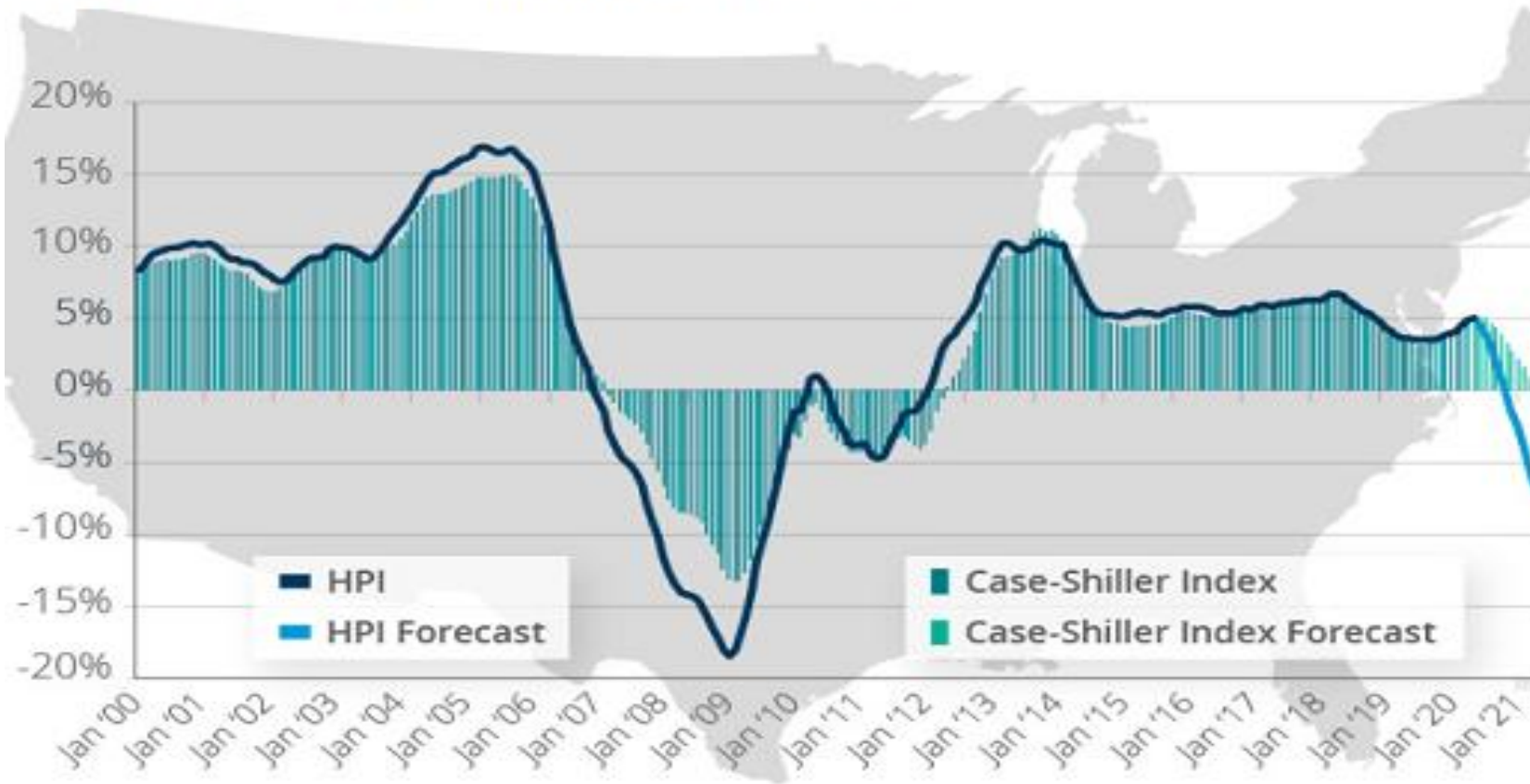



Kansas KDA LICENSED FACILITIES
Department of Agriculture

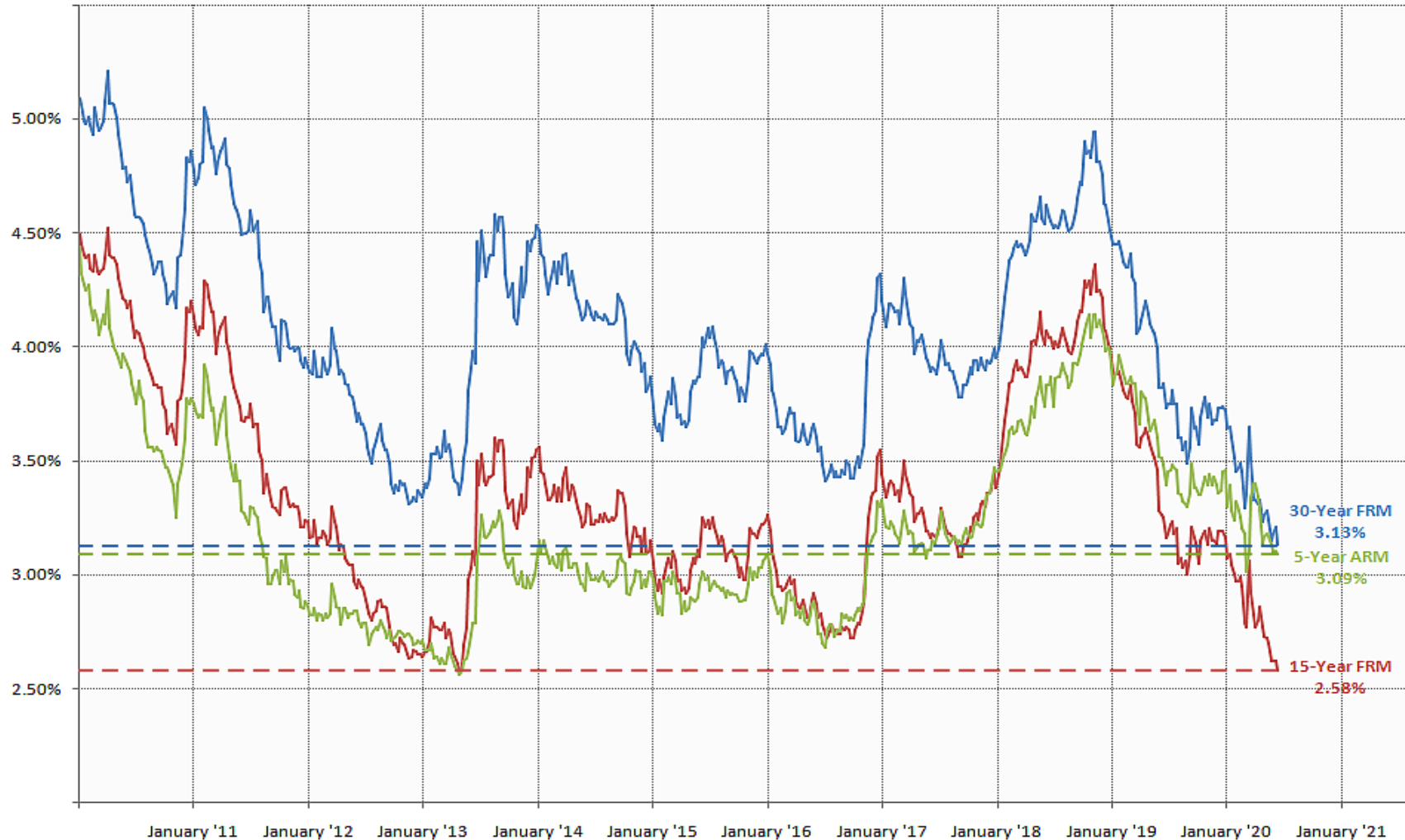


House Prices Due to Fall?

HPI & Case-Shiller Trends



Mortgage Rates Still Expected to be Low

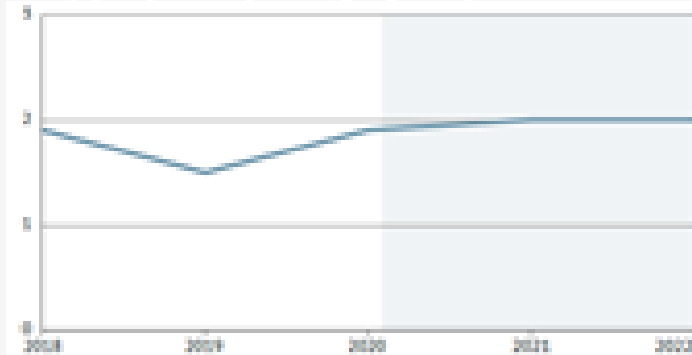


Flat Expectations for Inflation

Personal Consumption Expenditure (PCE) and Consumer Price Index (CPI) Inflation

FOMC US Inflation Forecast

Median projection for the PCE inflation rate, Q1 to Q4 % change



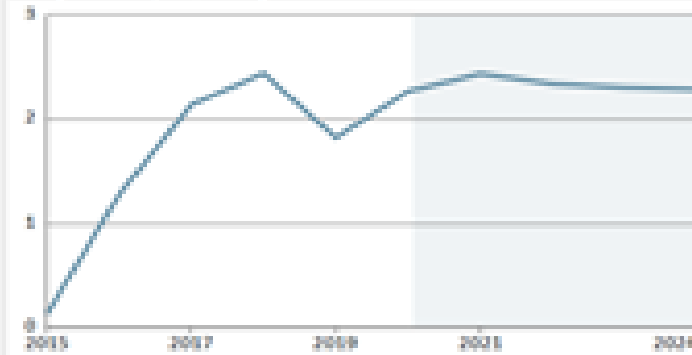
Year	2018	2019	2020	2021	2022
%	1.9	1.5	1.9	2.0	2.0

Source: U.S. Prices

European Commission US Inflation Forecast

IMF US Inflation Forecast

Average consumer prices, % change



Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
%	0.1	1.5	2.1	2.4	1.8	2.3	2.4	2.3	2.3	2.3

Source: IMF, World Economic Outlook (WEO), October 2019

OECD US Inflation Forecast

Wage Inflation Unlikely But.....

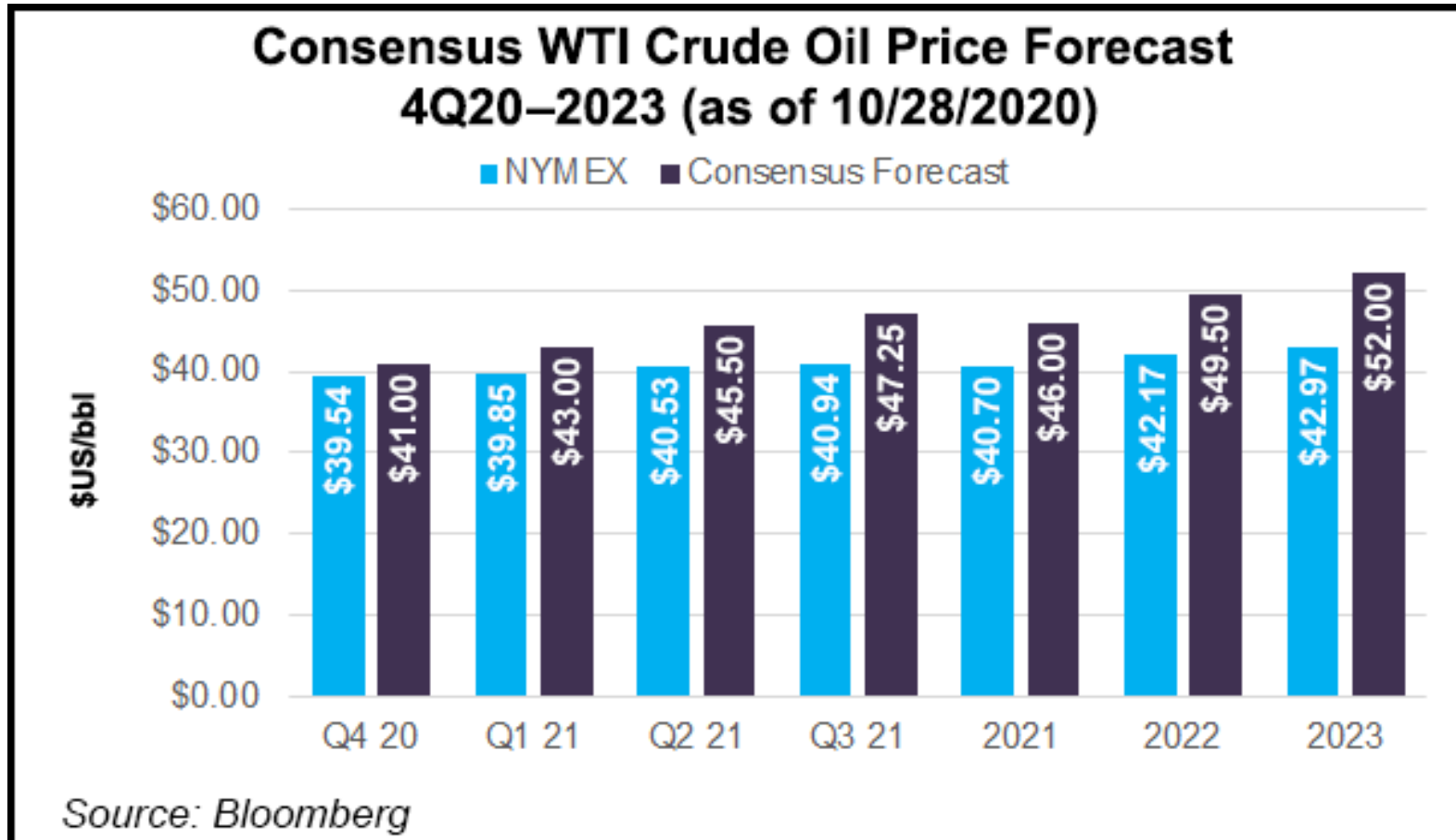
Labor Market Slack

Elevated jobless rate holding down compensation costs, seen limiting inflation



Source: Bureau of Labor Statistics

Not Much Change Expected

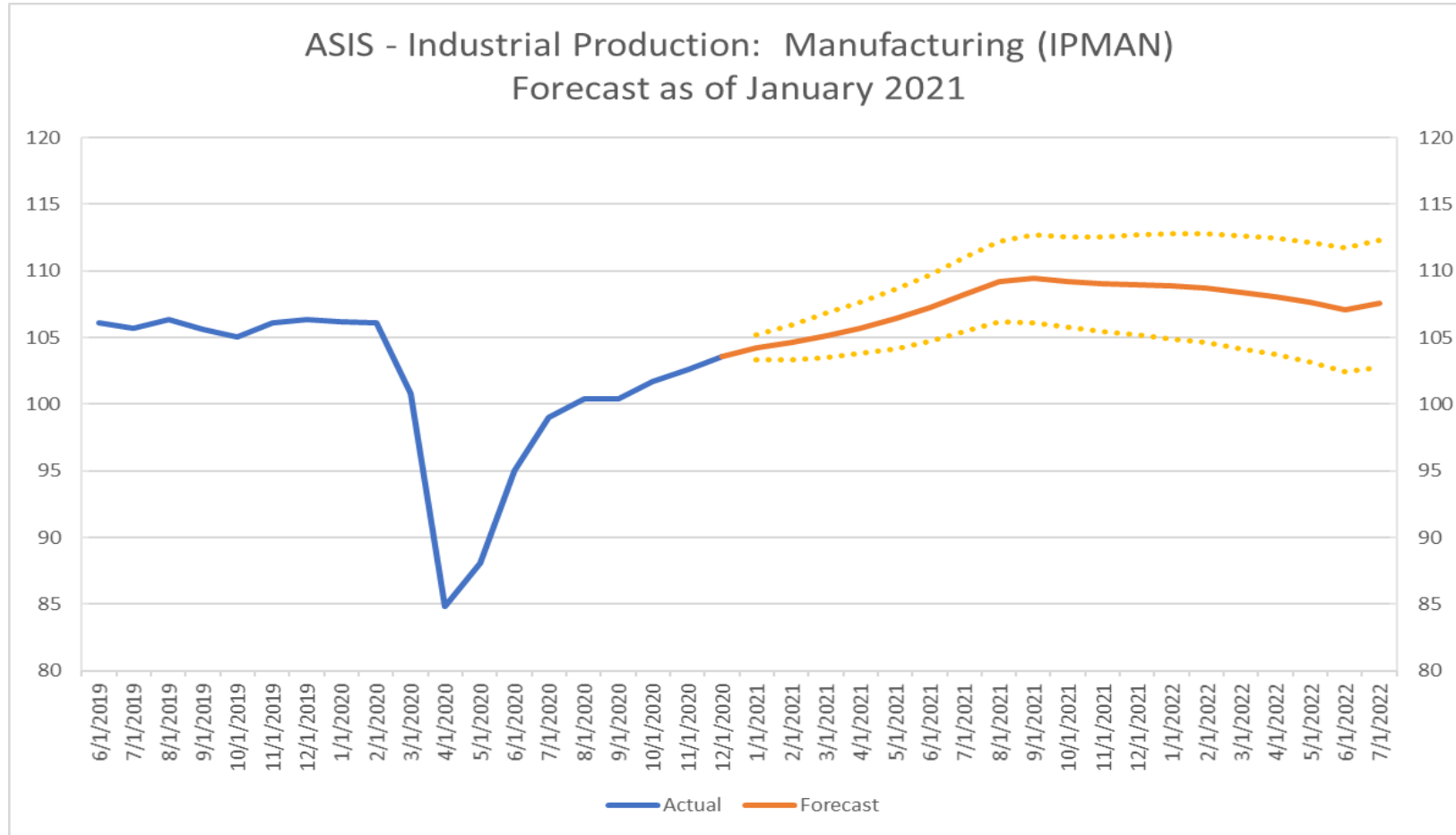


ASIS Summary

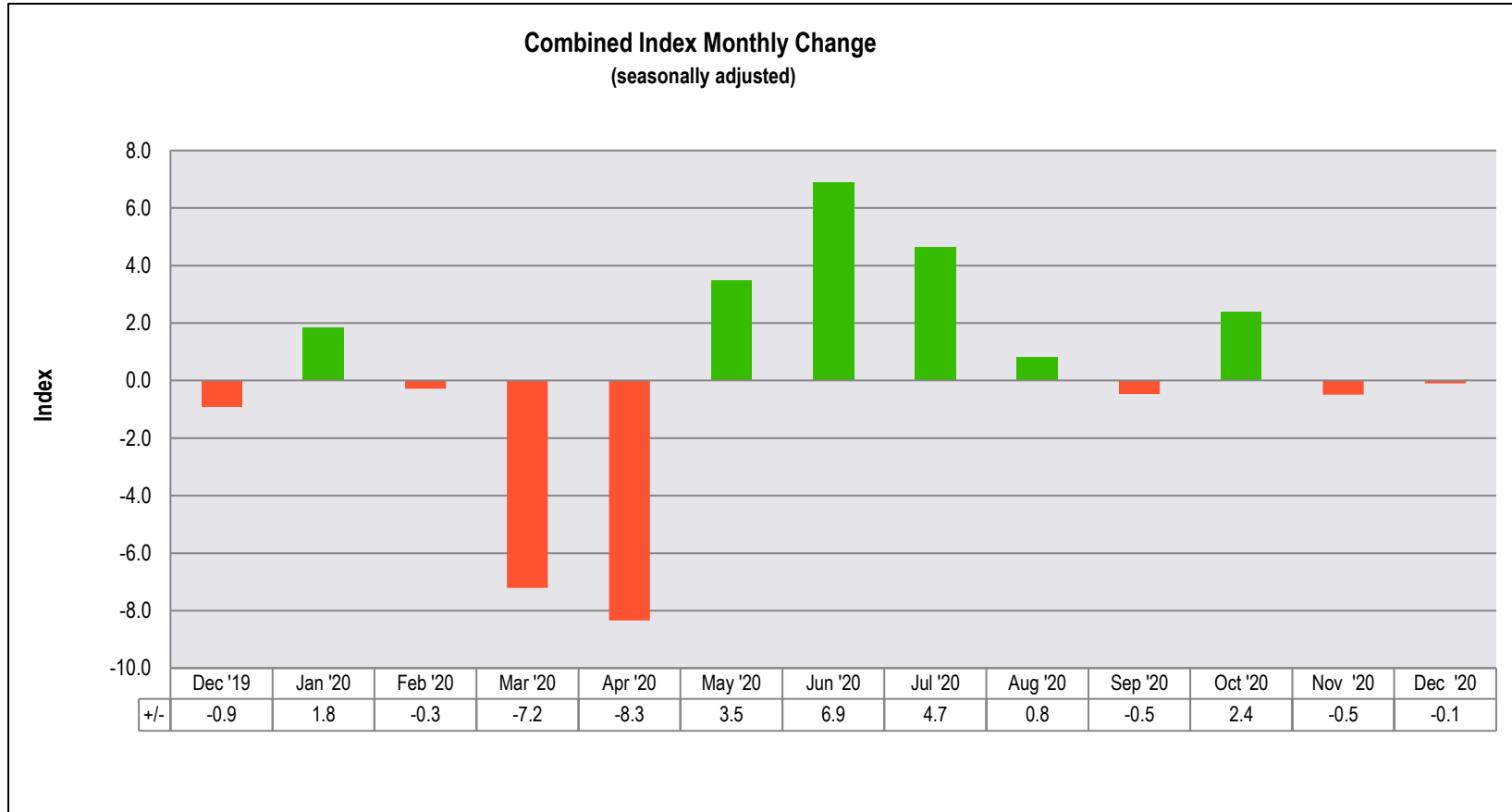


	2019					2020					2021					2022	
	Q1	Q2	Q3	Q4	Y/Y	Q1	Q2	Q3	Q4	Y/Y	Q1	Q2	Q3	Q4	Y/Y	Q1	Q2
Industrial Production: Manufacturing	-1.11%	-0.19%	-0.42%	0.67%	-1.06%	-5.22%	-5.76%	5.67%	3.16%	-2.63%	1.55%	1.95%	2.05%	-0.42%	5.22%	-0.52%	-1.22%
Aerospace and miscellaneous transportation equipment IPG3364T9S	0.87%	-3.08%	1.22%	1.34%	0.29%	-16.60%	-12.98%	17.55%	7.53%	-8.27%	1.53%	-0.79%	2.10%	1.73%	4.63%	-0.78%	-1.12%
Computer and electronic product IPG334S	1.90%	1.29%	1.77%	1.10%	6.19%	0.75%	-1.14%	-0.06%	0.60%	0.14%	1.19%	1.71%	1.34%	0.80%	5.14%	0.83%	0.71%
Electrical equipment, appliance, and component IPG335S	-1.58%	1.14%	-0.81%	-0.45%	-1.71%	-3.00%	-7.22%	3.41%	5.65%	-1.68%	-1.82%	1.70%	0.33%	2.74%	2.92%	1.03%	0.57%
Fabricated metal product IPG332S	-0.07%	-0.81%	-0.13%	-0.72%	-1.72%	-2.80%	-7.34%	3.53%	1.47%	-5.38%	2.27%	3.52%	3.26%	0.41%	9.77%	0.74%	0.20%
Machinery IPG333S	-0.83%	-1.65%	-1.63%	1.74%	-2.39%	-5.42%	-9.79%	9.91%	2.59%	-3.80%	8.14%	1.30%	2.10%	0.48%	12.38%	0.65%	-0.99%
Motor Vehicles and Parts IPG3361T3S	-6.91%	3.39%	-6.16%	0.69%	-9.05%	-25.21%	10.39%	22.41%	2.55%	3.64%	2.74%	1.88%	-0.95%	0.89%	4.60%	3.33%	0.90%
Primary Metal IPG331S	-3.25%	-3.37%	2.39%	1.66%	-2.69%	-7.88%	-21.19%	17.12%	8.60%	-7.66%	1.43%	2.20%	9.02%	-0.44%	12.52%	-2.72%	1.07%

Reaching for New Highs



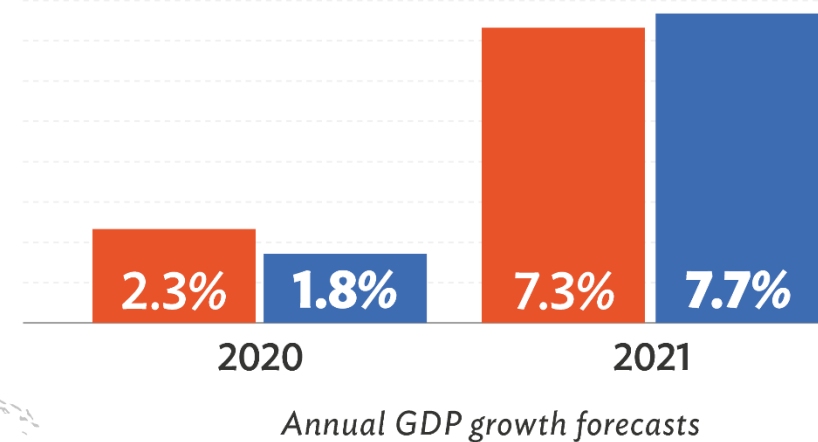
Credit Managers' Index



GDP Growth Forecast Update



People's Republic of China

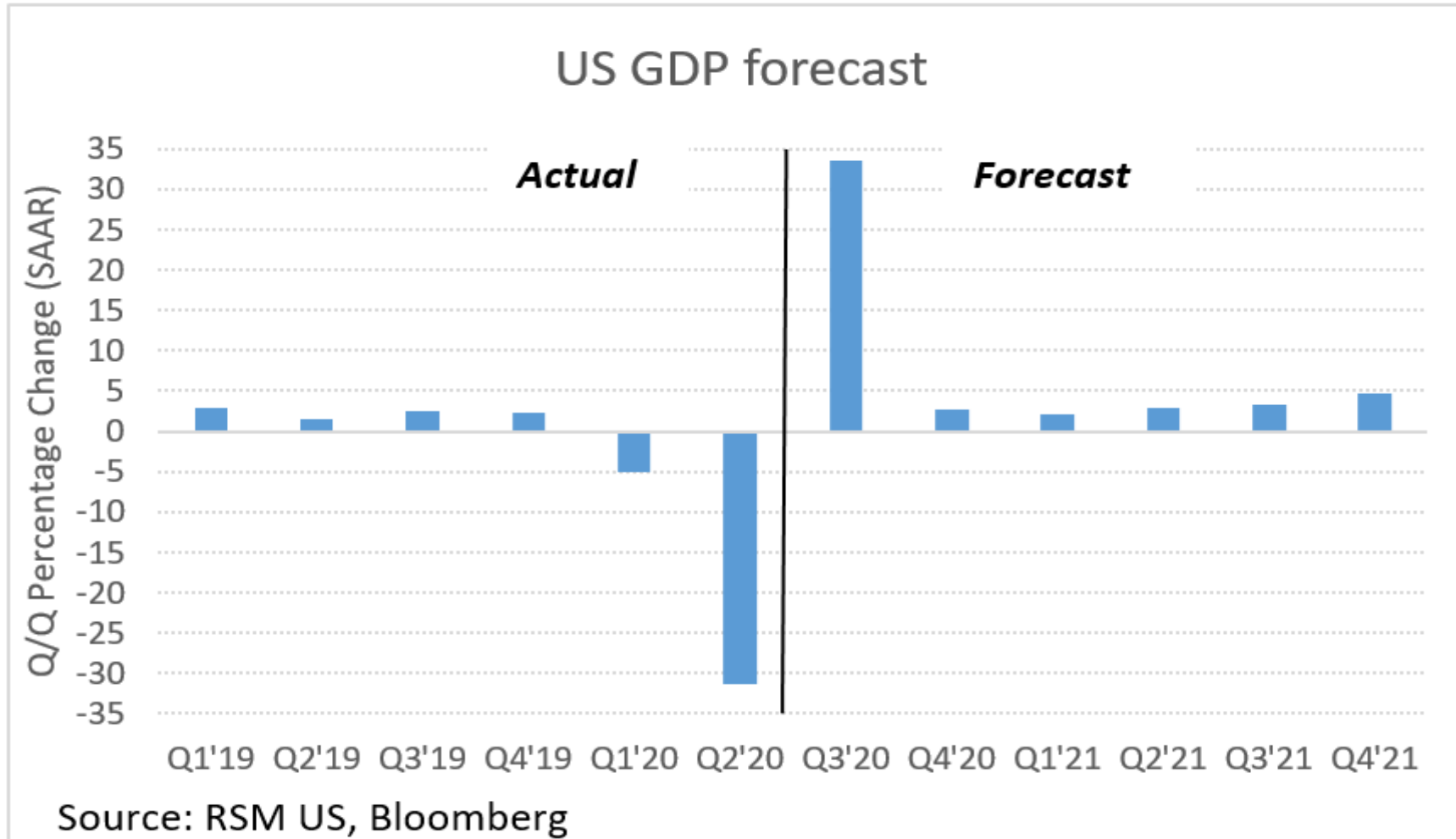


Find out more in ADB's Asian Development Outlook 2020 Update.
www.adb.org/adou2020

ADO 2020 forecast

ADO 2020 Update forecast

So – What to Expect?



In Case This Was Not Enough

When you're trying to look normal on Zoom.



**We are nothing if not verbose!
Long winded in print as well as in
a webinar. Please feel free to
check out the various publications
so your inbox will not get lonely.**

**Armada Strategic Intelligence
System – monthly and detailed on
issues that matter to
manufacturers and their suppliers
- \$145 a month**

**Black Owl Report – a three times
a week bulletin that equips the
executive - \$7 a month.**

**Business Intelligence Brief – high
level look at the economy three
times a week and FREE**

FINISHING UP

- This webinar has been recorded. A link to the webinar replay and the presentation deck will be included in a follow-up email to you tomorrow.
- A link will also be included to a short survey. The survey will provide you the ability to let us know what information you want to hear from Chris during the next webinar.
- The next webinar is scheduled for April 22 from 10am-11am
- If you have not signed up for Armada's BOR, please send an email to KMS@weareKMS.com indicating your interest.