

WE ARE KMS

**Q221 ECONOMIC PREDICTIONS FOR
MANUFACTURERS WEBINAR**



Trusted Advisors for Growth

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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 grow manufacturing in Kansas.

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.

2020 IMPACT



\$200 Million
Increased Investments



\$5.5 Million
Cost Savings



2,172
Jobs Created



\$187.1 Million
Increased and Retained Sales

Armada



ARMADA



Dr. Chris Kuehl
Managing Director of Armada
Corporate Intelligence



ARMADA

2021 Economy: What Does a Pandemic Recovery Look Like in Kansas?

KMS

April 29, 2021

Chris Kuehl

Managing Director – Armada CI



ARMADA

Analysis of the Forces Affecting Business

Chris.Kuehl@armadaci.com

April 29, 2021

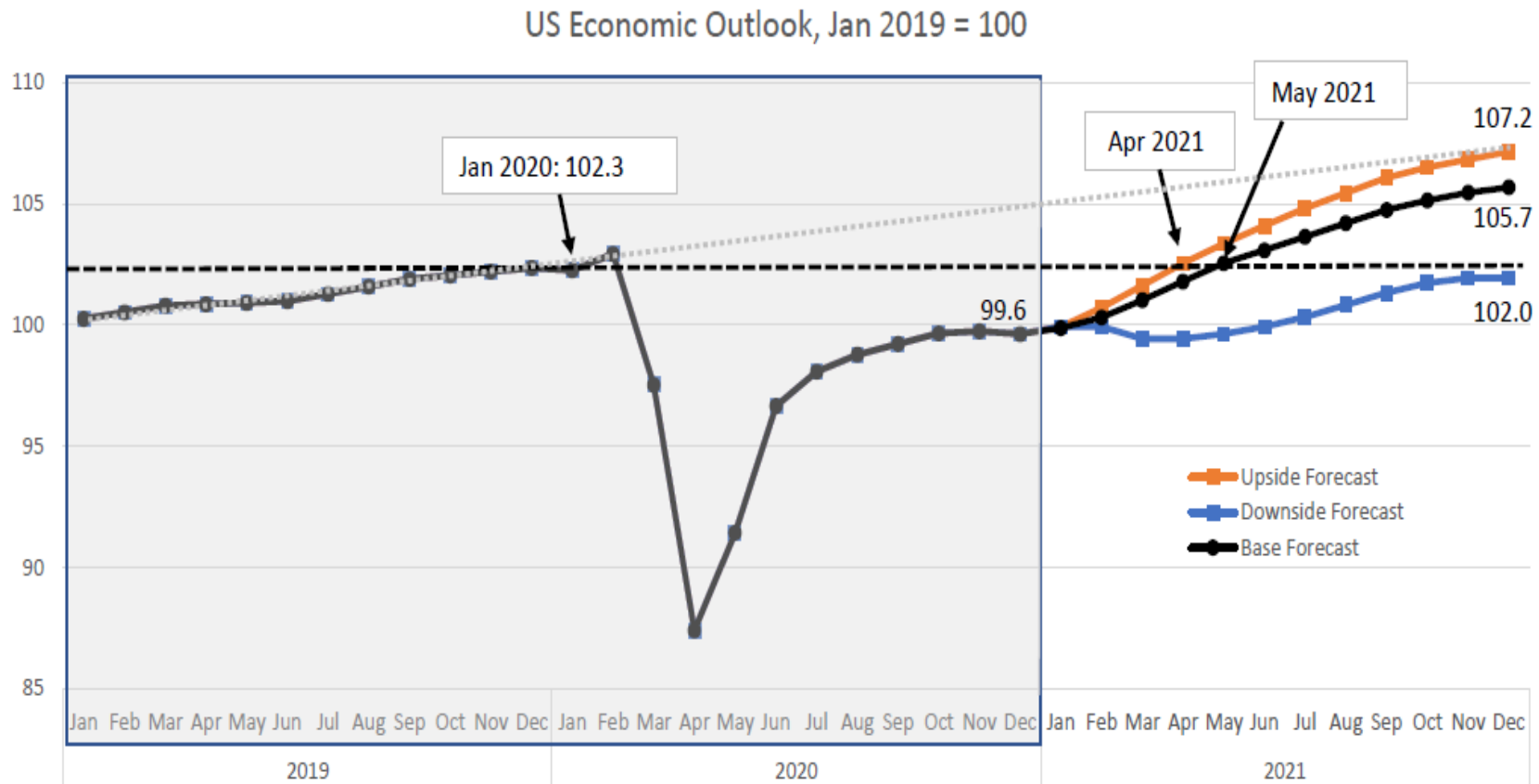
Truer Words Were Never Spoke



The Five Economic Issues to Watch

- **Inflation – No movement in terms of core rate thus far but “real” rate is up. When would the Fed elect to act and what would that look like?**
- **Consumer Behavior – Demand is way up but how long does this last? Is this a burst followed by slower growth or is it sustainable?**
- **Business “Normal” – How long before business can claim to have resumed normal patterns? Work situations, supply chains?**
- **Global Economy – Vaccinations are up in US and in much of Asia – not so much Europe and the less developed world. What is the impact?**
- **Market Reaction – What is the financial and investment community thinking?**

Anticipating US Recovery

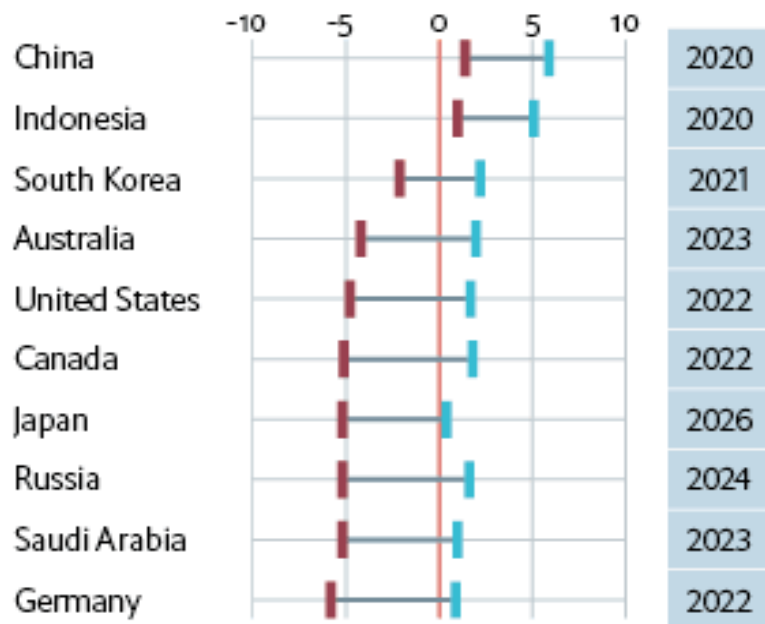


Global Recovery Rates

Asian economies will recover the fastest from the Covid 19-induced crisis

Forecast real GDP growth in 2020, % change
G20 countries

■ Pre-coronavirus forecast ■ June 10th forecast



Source: The Economist Intelligence Unit.



* Pre-coronavirus forecast includes the UK.

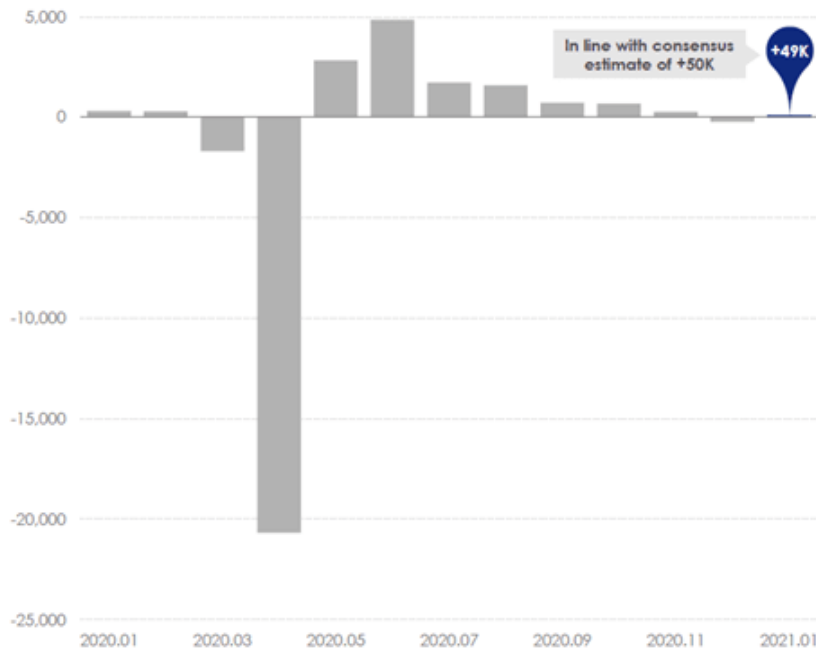
Labor Market Adjusting

KEYBRIDGE

Labor markets remain challenging. Although employment continues to recover, the pace of improvement has slowed, and no sector has made up for last spring's job losses.

Job Growth

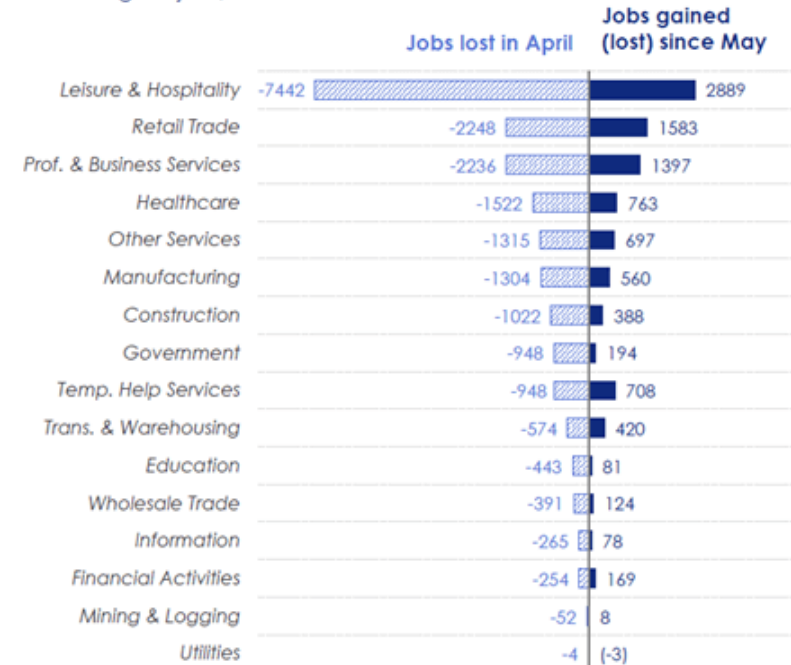
Monthly change in nonfarm payroll employment, thousands



Source: U.S. Bureau of Labor Statistics.

Change in Employment by Major Industrial Sector

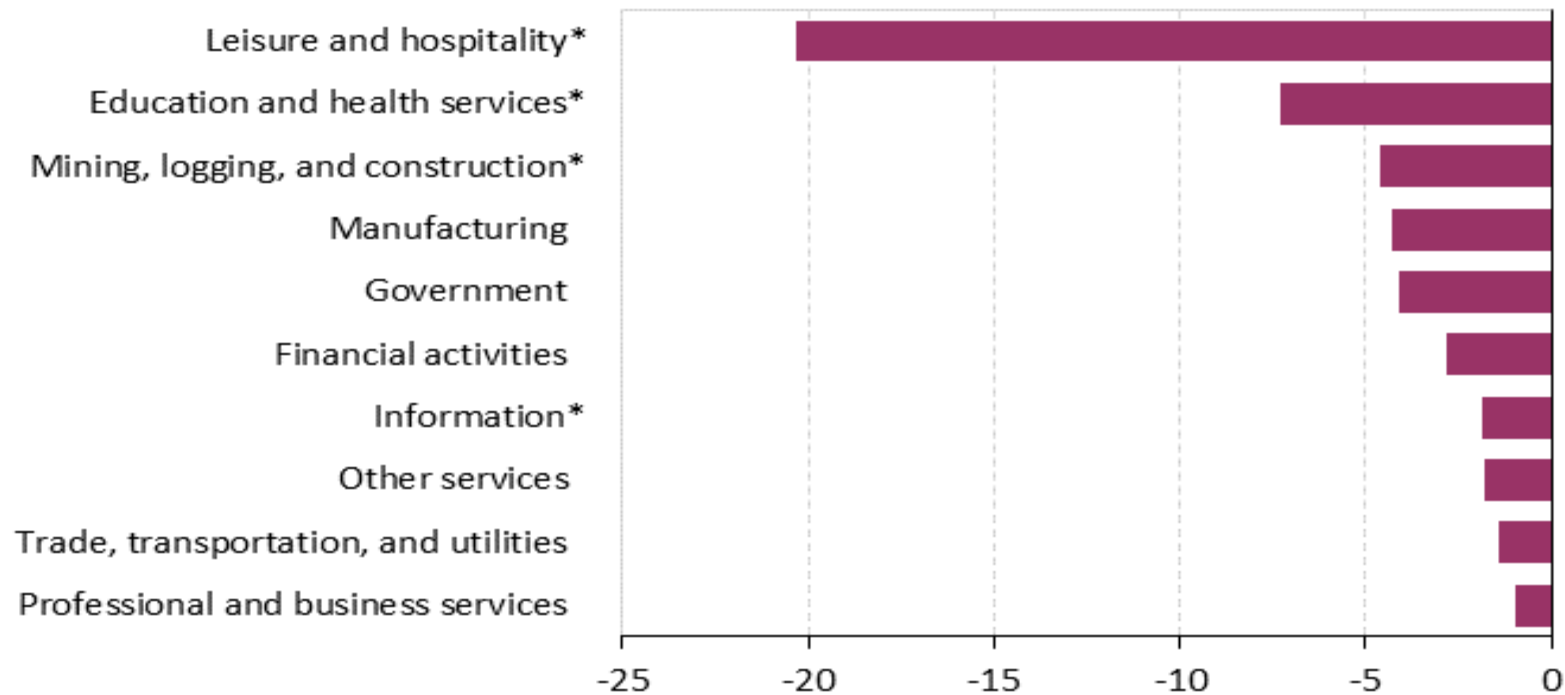
Net change in jobs, thousands



More Openings Appearing



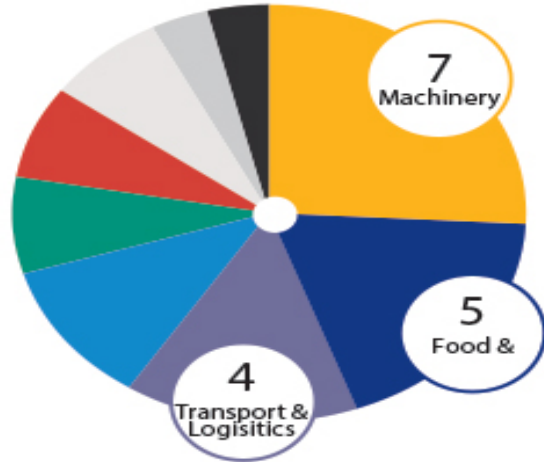
Chart 2. Over-the-year net change for industry supersector employment in the Kansas City metropolitan area, February 2021 (in thousands)



Note: An asterisk indicates statistical significance at the 90-percent confidence level.
Source: U.S. Bureau of Labor Statistics.

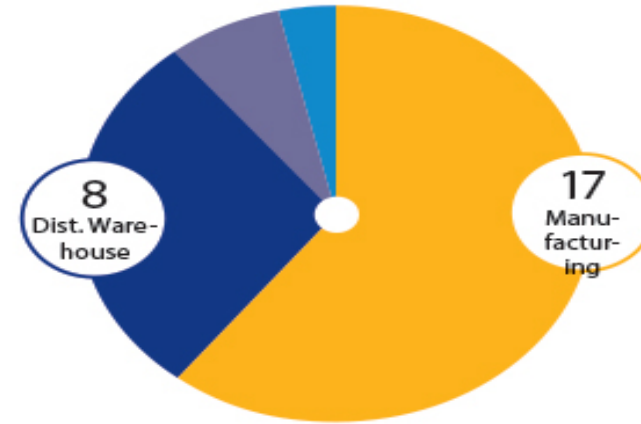
Manufacturing Rules Projects

Projects by Sector



Sector	Projects
Machinery, Equip. & Const.	7
Food & Beverage	5
Transportation & Logistics	4
Metals	3
Life Sciences	2
Business & Financial Services	2
Wood Products	2
Consumer Products	1
Textiles	1

Projects by Type



Type	Projects
Manufacturing	17
Distribution Warehouse	8
Office	2
Research and Development	1

Source Conway Analytics

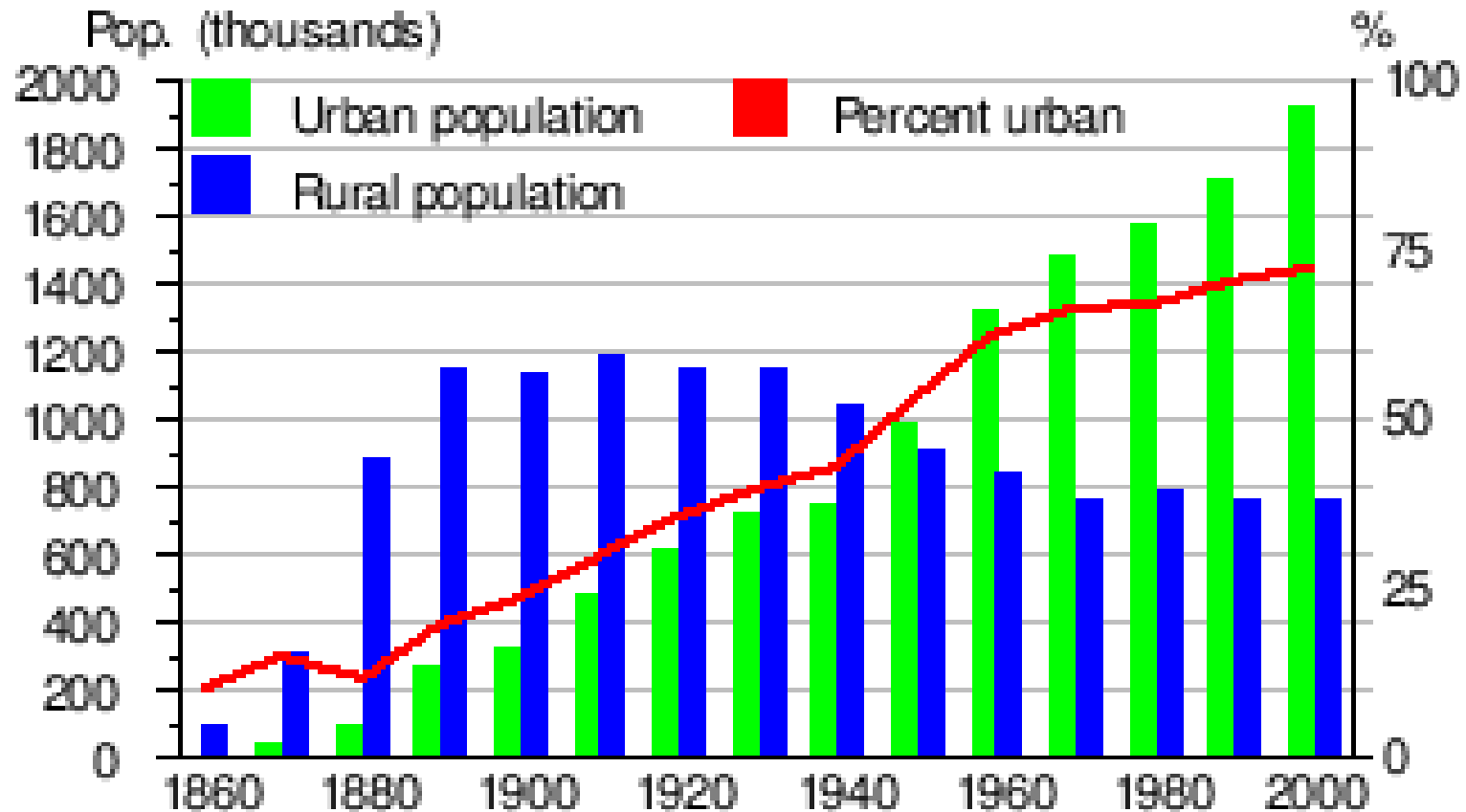
Source: Kansas Department of Commerce

Top Projects of 2020 by Capital Investment

Companies	City	Sector	Category	Type	Investment US\$M	Jobs
Urban Outfitters, Inc.	Kansas City	Textiles	New	Distribution/Warehouse	403	2,719
Schwan's Company	Salina	Food & Beverage	Expansion	Manufacturing	300	225
Merck	DeSoto	Life Sciences	Expansion	Manufacturing	110	10
Pretzels, Inc.	Lawrence	Food & Beverage	New	Manufacturing	88	281
Amazon.com, Inc.	Kansas City	Transport & Logistics	New	Distribution/Warehouse	75	700
Amazon.com, Inc.	Park City	Transport & Logistics	New	Distribution/Warehouse	75	700
Old Dominion Freight Line	Bonner Springs	Transport & Logistics	Expansion	Distribution/Warehouse	53	30
Great Plains Manufacturing, Inc.	Salina	Machinery, Equip. & Const.	New	Manufacturing	43	130
Thermo Fisher Scientific, Inc.	Lenexa	Life Sciences	Expansion	Manufacturing	40	300
Amazon.com, Inc.	Shawnee	Transport & Logistics	New	Distribution/Warehouse	30	200
Amazon.com, Inc.	Wichita	Transport & Logistics	New	Distribution/Warehouse	30	100
Nor-Am Cold Storage, Inc.	Dodge City	Transport & Logistics	New	Distribution/Warehouse	30	90
Peerless Products, Inc.	Iola	Metals	Expansion	Manufacturing	10.3	100
Tuthill Corporation	Lenexa	Machinery, Equip. & Const.	New	Manufacturing	5.3	68
Hostess Holdings LP	Edgerton	Transport & Logistics	New	Distribution/Warehouse	1	150

Source: Kansas Department of Commerce

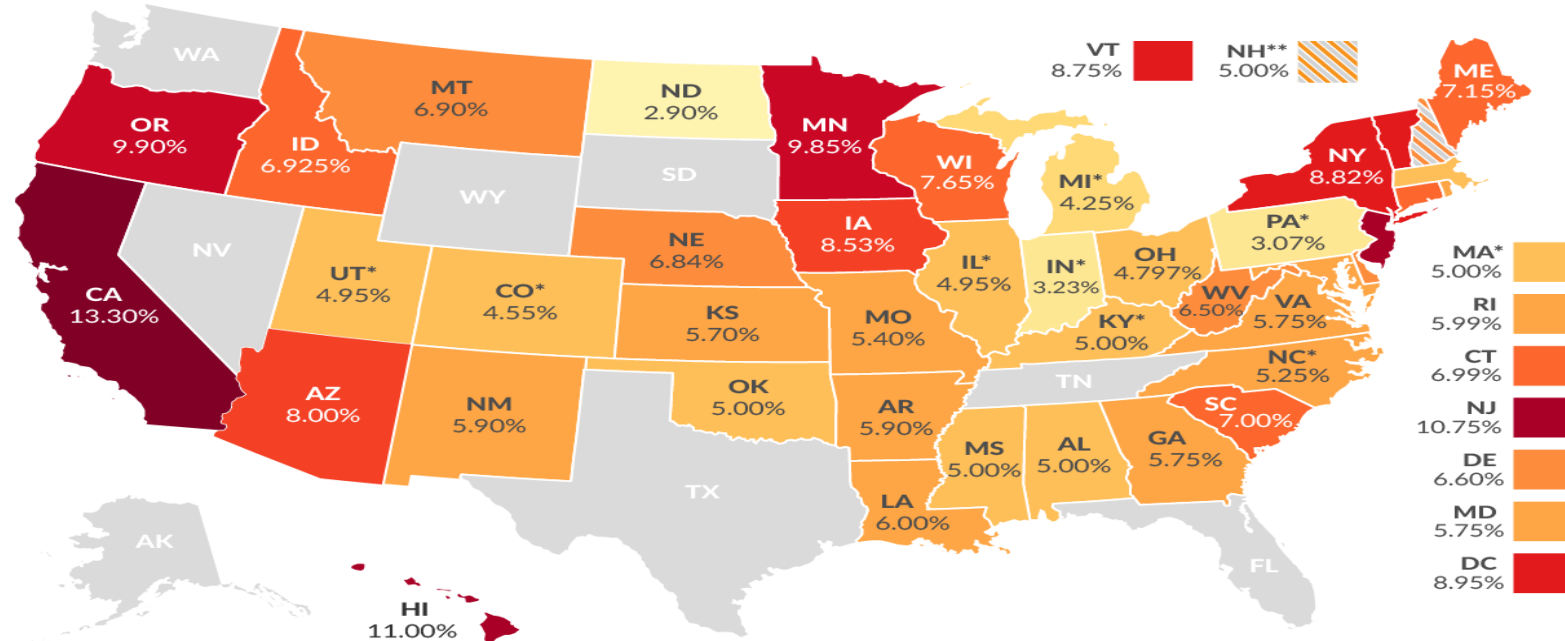
Continued Population Shift



In the Middle Nationally at 5.7%

How High Are Individual Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2021



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.

Top State Marginal Individual Income Tax Rates



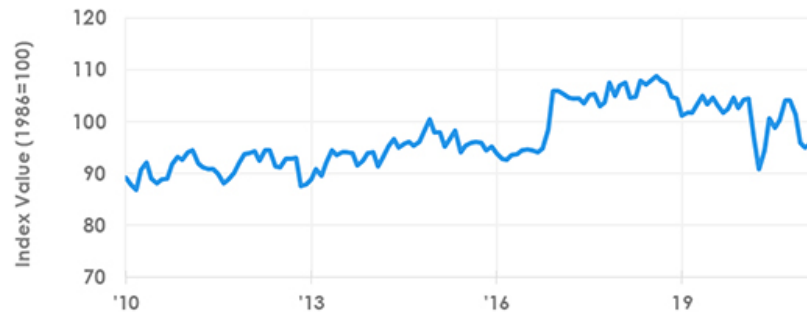
What Do We KNOW About “New Normal”?

- **Work habits starting to return to old patterns but there will be a significant number of people who will continue to work remotely part of the time. Efficiency and recruitment issues will dominate now.**
- **Consumers are rushing back to old patterns – putting their money where their mouth was. Routine shopping will stay on line but retailers who emphasize service and entertainment will thrive.**
- **Education will abandon “virtual” as soon as practicable. Learning has suffered and people want to get back to work.**
- **Entertainment and travel are back to high priority status. Airlines, hotels and theme parks are already seeing it.**

Small Business Attitude

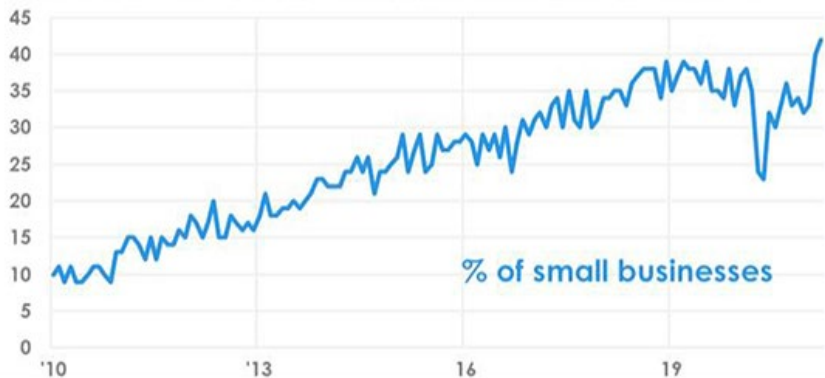
Small Business Optimism Index at 98.2

Based on 10 survey indicators, seasonally adjusted, Jan. '10 – Mar. '21



Can small businesses hire enough workers?

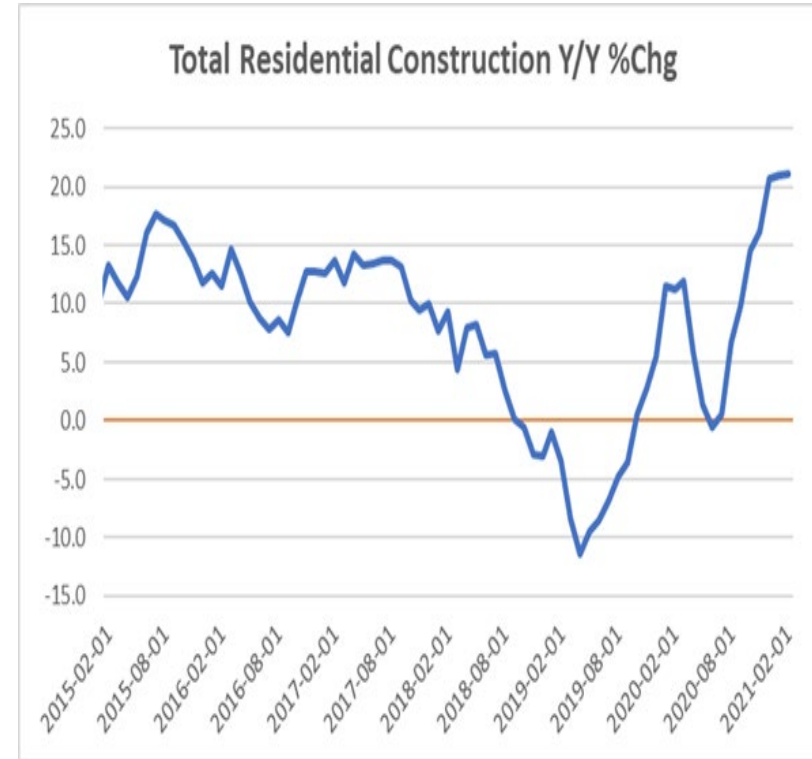
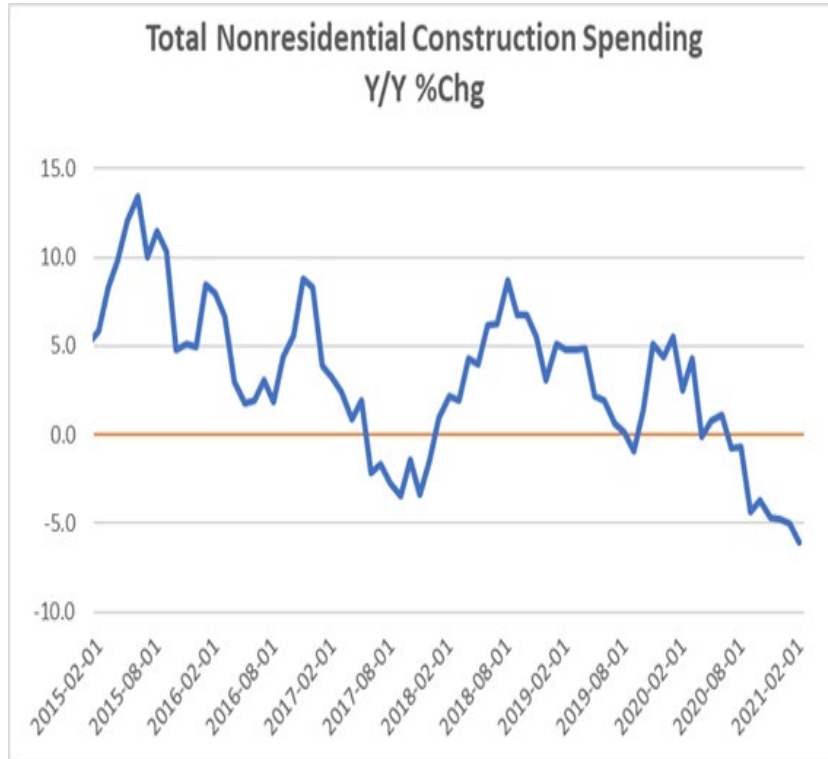
Percentage with at least 1 unfilled opening, Jan. '10 – Mar. '21



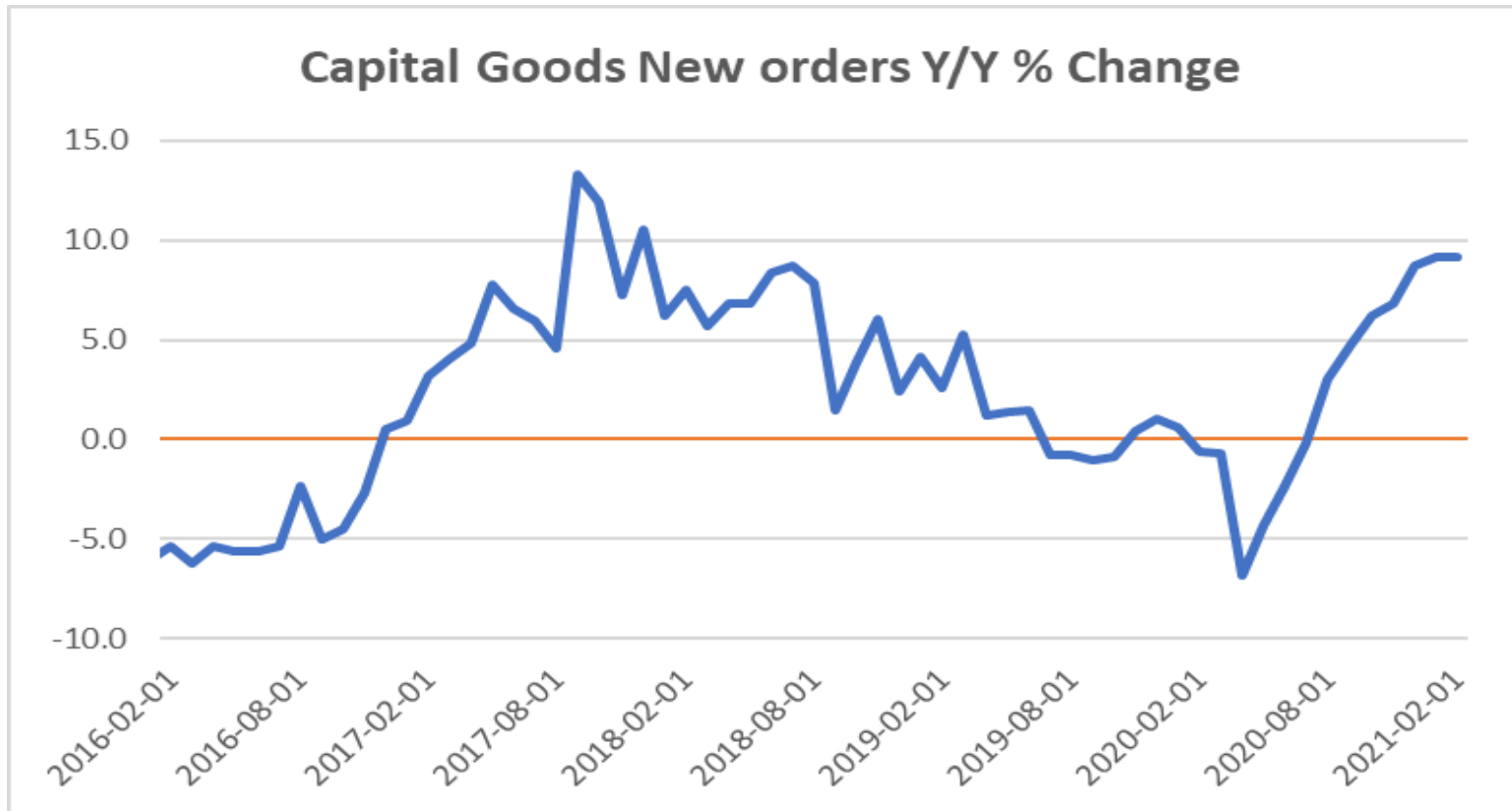
Small Business Optimism

Index Component	Net %	Change From Feb.
Plans to Increase Employment	22%	▲ 4
Plans to Make Capital Outlays	20%	▼ -3
Plans to Increase Inventories	4%	▲ 2
Expect Economy to Improve	-8%	▲ 11
Expect Real Sales Higher	0%	▲ 8
Current Inventory	3%	▼ -2
Current Job Openings	42%	▲ 2
Expected Credit Conditions	-3%	▼ 3
Now a Good Time to Expand	11%	▲ 5
Earnings Trends	-15%	▼ -4

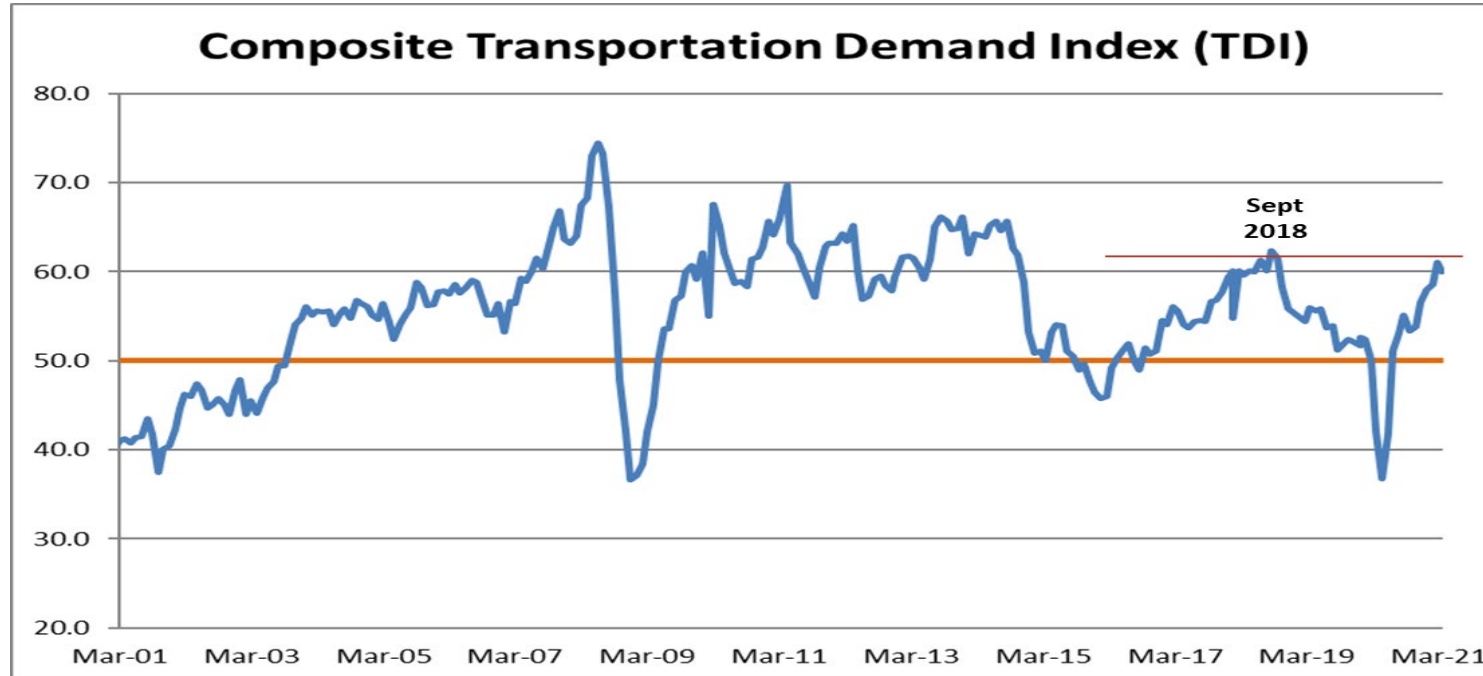
Construction Outlook



Big Boost in Capital Goods



Transportation Demand Index



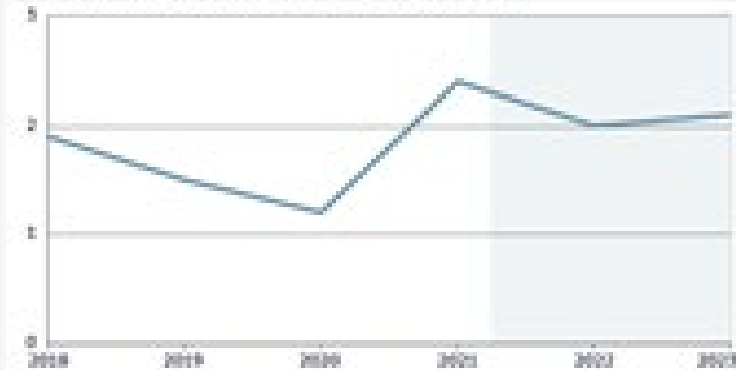
	21-Mar	21-Feb	Y/Y Change %	M/M Change %
Composite	60.0	58.5	42.7%	-1.6%
Rail	58.4	56.7	41.5%	-0.7%
Trucking	59.9	58.4	43.2%	-1.9%
Air	69.2	68.3	33.3%	-0.6%
Maritime	67.5	66.8	37.4%	-0.2%

Subdued Inflation Forecast

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

FOMC US Inflation Forecast

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



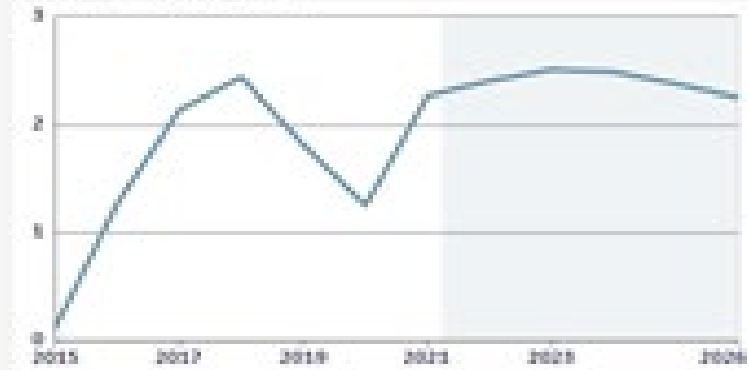
Year	2018	2019	2020	2021	2022	2023
%	1.9	1.5	1.3	2.4	2.0	2.1

Source: U.S. Prices

European Commission US Inflation Forecast

IMF US Inflation Forecast

Average consumer prices, % change

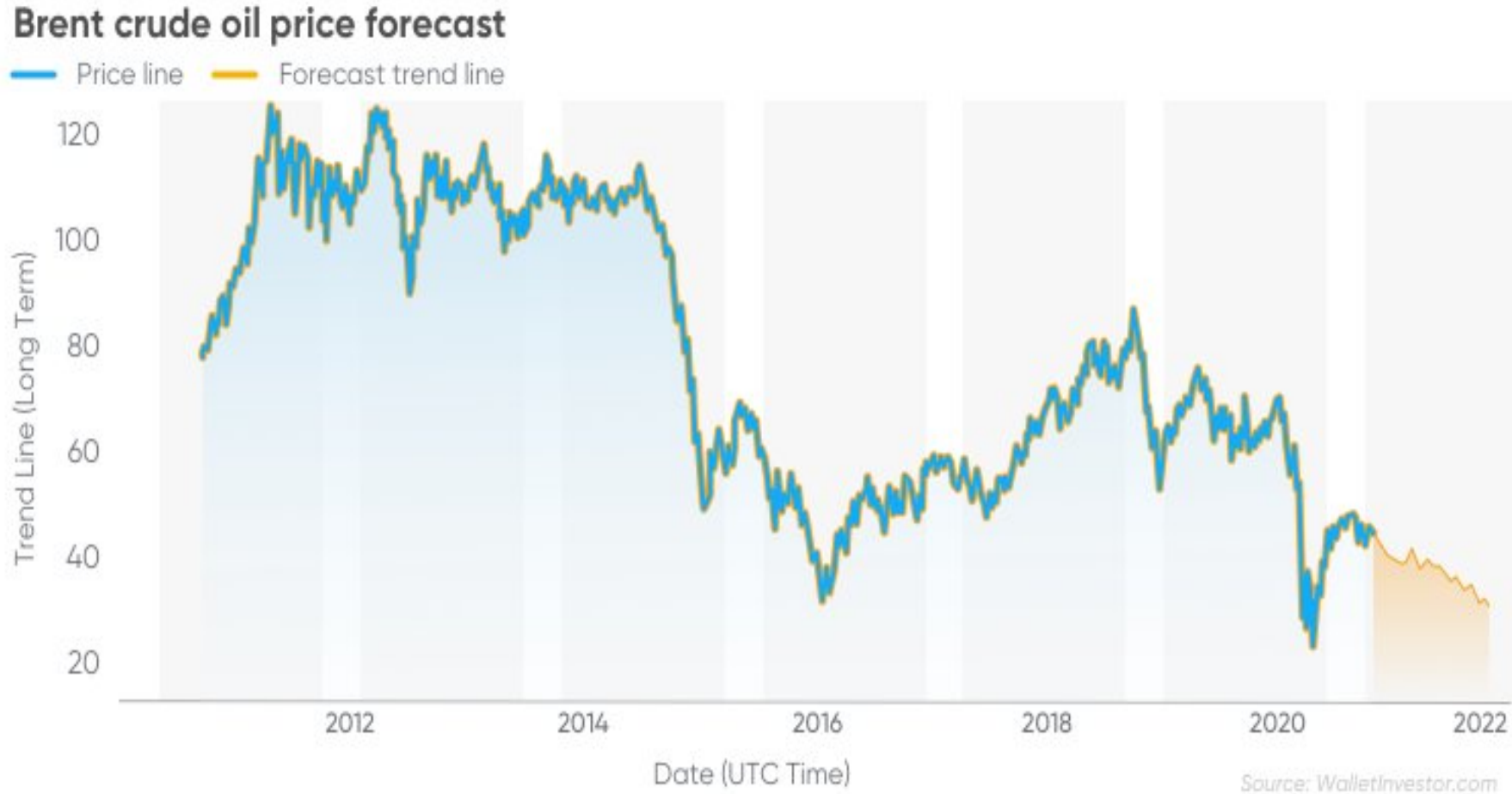


Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
%	2.4	1.8	1.3	2.5	2.4	2.5	2.5	2.4	

Source: IMF, World Economic Outlook (WEO) Database, April 2021

OECD US Inflation Forecast

Oil's Long Term Trend is Still Down

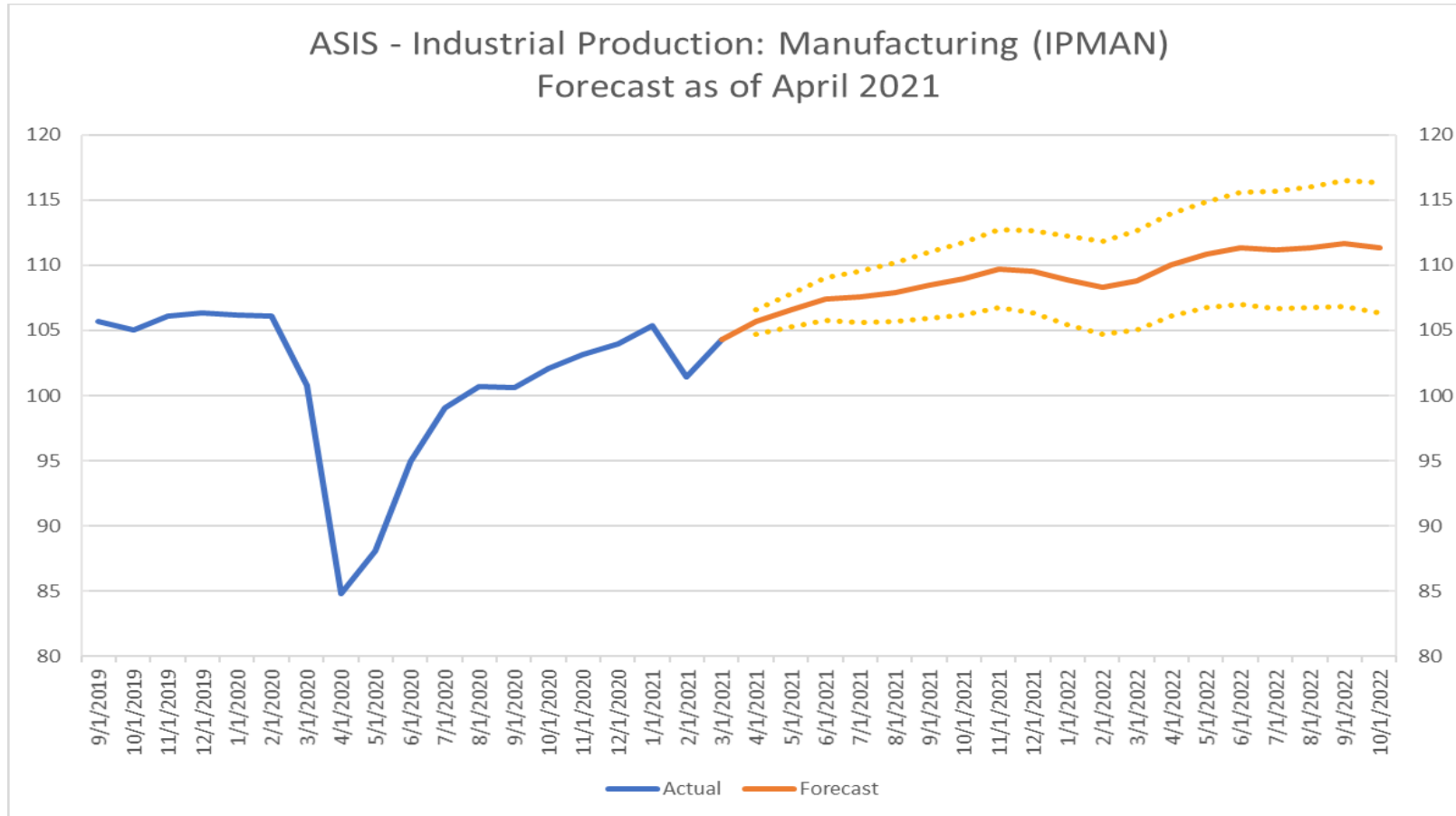


Looking Pretty Green

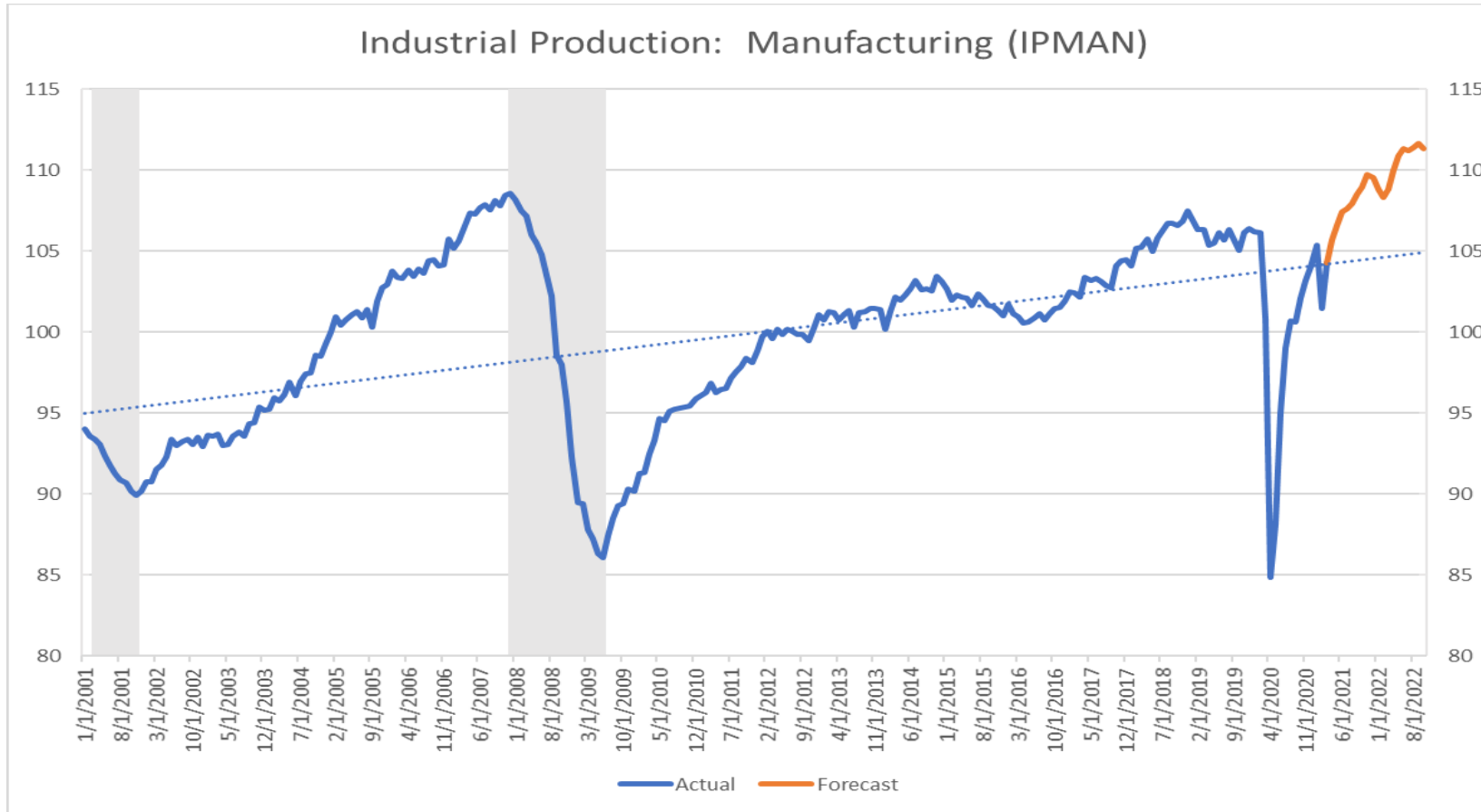


	2019					2020					2021					2022		
	Q1	Q2	Q3	Q4	Y/Y	Q1	Q2	Q3	Q4	Y/Y	Q1	Q2	Q3	Q4	Y/Y	Q1	Q2	Q3
Industrial Production: Manufacturing	-1.11%	-0.19%	-0.42%	0.67%	-1.06%	-5.22%	-5.76%	5.94%	3.34%	-2.22%	0.25%	2.99%	1.04%	0.94%	5.30%	-0.62%	2.27%	0.32%
Aerospace and miscellaneous transportation equipment IPG3364T9S	0.87%	-3.08%	1.22%	1.34%	0.29%	-16.60%	-12.98%	17.70%	1.85%	-13.00%	8.47%	0.56%	2.59%	-0.20%	11.68%	1.27%	-1.50%	9.58%
Computer and electronic product IPG334S	1.90%	1.29%	1.77%	1.10%	6.19%	0.75%	-1.14%	0.54%	1.12%	1.27%	1.29%	3.15%	0.72%	-0.25%	4.98%	0.20%	0.34%	0.46%
Electrical equipment, appliance, and component IPG335S	-1.58%	1.14%	-0.81%	-0.45%	-1.71%	-3.00%	-7.22%	2.92%	4.09%	-3.59%	1.47%	8.92%	-0.06%	-1.36%	8.95%	-0.52%	1.25%	0.44%
Fabricated metal product IPG332S	-0.07%	-0.81%	-0.13%	-0.72%	-1.72%	-2.80%	-7.34%	3.82%	1.06%	-5.50%	3.66%	2.27%	1.05%	-2.66%	4.28%	-3.08%	-0.02%	2.20%
Machinery IPG333S	-0.83%	-1.65%	-1.63%	1.74%	-2.39%	-5.42%	-9.79%	9.91%	3.02%	-3.40%	3.32%	3.38%	1.38%	-1.19%	7.00%	-0.72%	-1.20%	-0.22%
Motor Vehicles and Parts IPG3361T3S	-6.91%	3.39%	-6.16%	0.69%	-9.05%	-25.21%	10.39%	22.77%	2.48%	3.87%	-6.58%	12.32%	-3.27%	-2.45%	-0.99%	0.95%	-2.21%	4.24%
Primary Metal IPG331S	-3.25%	-3.37%	2.39%	1.66%	-2.69%	-7.88%	-21.19%	17.15%	5.88%	-9.95%	2.42%	-3.12%	-7.98%	-7.57%	-15.60%	-2.14%	4.87%	0.00%

Solid but Some Fade by 2022



Historical Perspective



Global PMI Numbers

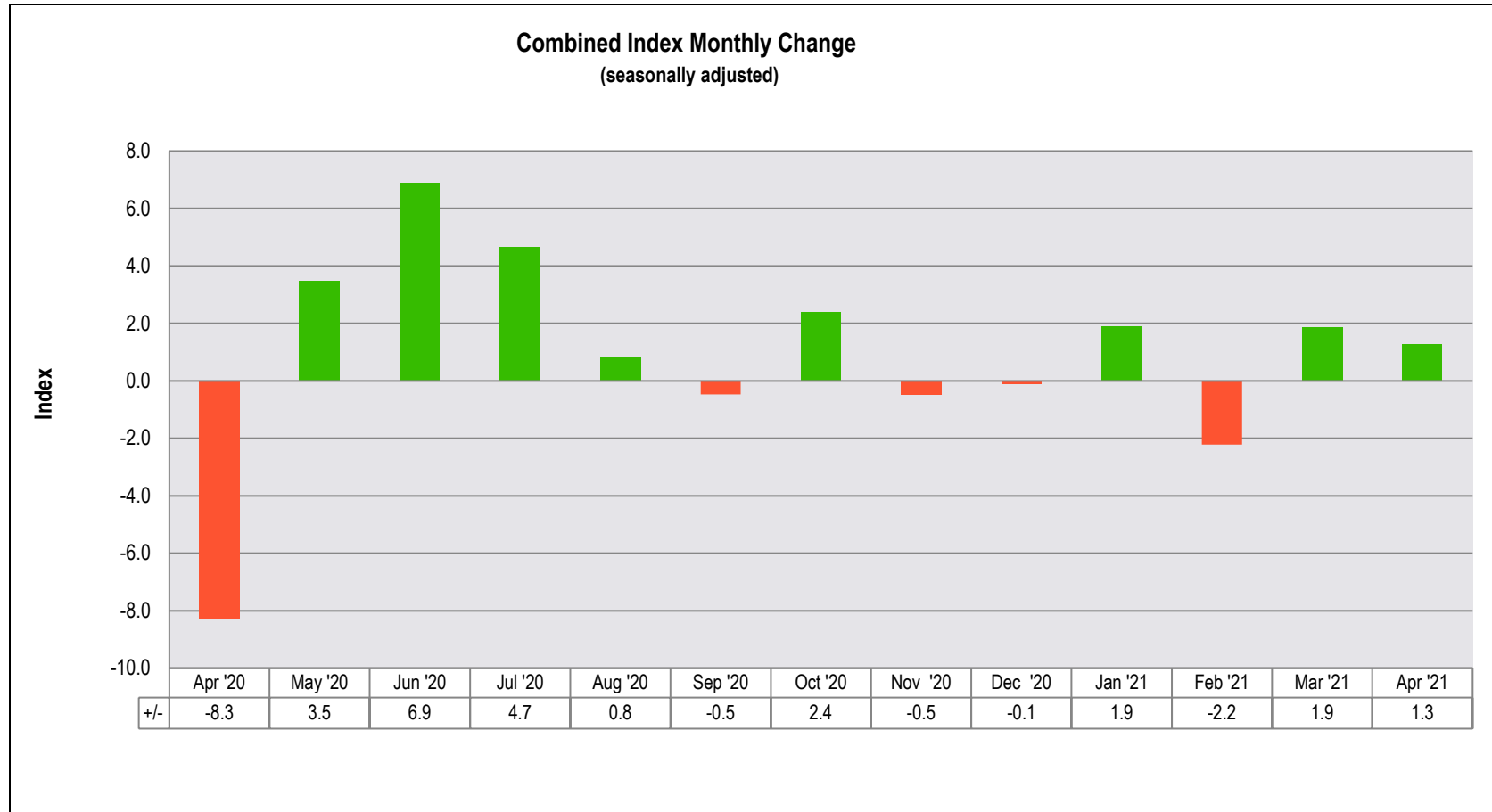
Country	Current Month	Latest Month Manuf. PMI	Prior Month Manuf. PMI	M/M Change	Current Month	Latest Month Services PMI	Prior Month Services PMI	M/M Change
Global PMI	Mar	55.0	53.9	1.1	Mar	52.8	51.8	1.0
Eurozone PMI	Mar	62.5	57.9	4.6	Mar	48.8	45.7	3.1
US	Mar	59.1	58.6	0.5	Mar	60.4	59.8	0.6
China	Mar	50.6	50.9	-0.3	Mar	54.3	51.5	2.8
Canada	Mar	58.5	54.8	3.7				
Mexico	Mar	45.6	44.2	1.4				
Japan	Mar	52.7	51.4	1.3	Mar	48.3	46.3	2.0
Germany	Mar	66.6	60.7	5.9	Mar	50.8	46.2	4.6
South Korea	Mar	55.3	55.3	0.0				
UK	Mar	58.9	55.1	3.8	Mar	56.8	49.5	7.3
France	Mar	59.3	56.1	3.2	Mar	47.8	45.6	2.2
India	Mar	55.4	57.5	-2.1	Mar	55.4	57.5	-2.1
Italy	Mar	59.8	56.9	2.9	Mar	48.6	48.8	-0.2
Taiwan	Mar	60.8	60.4	0.4				
Brazil	Mar	52.8	58.4	-5.6	Mar	44.1	47.1	-3.0
Spain	Mar	56.9	52.9	4.0	Mar	48.1	43.1	5.0
Russia	Mar	51.1	51.5	-0.4	Mar	55.8	52.2	3.6
Netherlands	Mar	64.7	59.6	5.1				
Ireland	Mar	57.1	52.0	5.1	Mar	54.6	41.2	13.4
Greece	Mar	51.8	49.4	2.4				
Poland	Mar	54.3	53.4	0.9				
ASEAN	Mar	50.8	49.7	1.1				
Vietnam	Mar	53.6	51.6	2.0				
Australia	Mar	56.8	56.9	-0.1				
Switzerland	Mar	66.3	61.3	5.0				
Hong Kong	Feb	50.0	47.8	2.2				
Singapore	Mar	53.5	54.9	-1.4				

Service Sector Rebound



Source: ISM, U.S. Global Investors

Credit Managers' Index



GDP to Debt Ratio – NOT Good

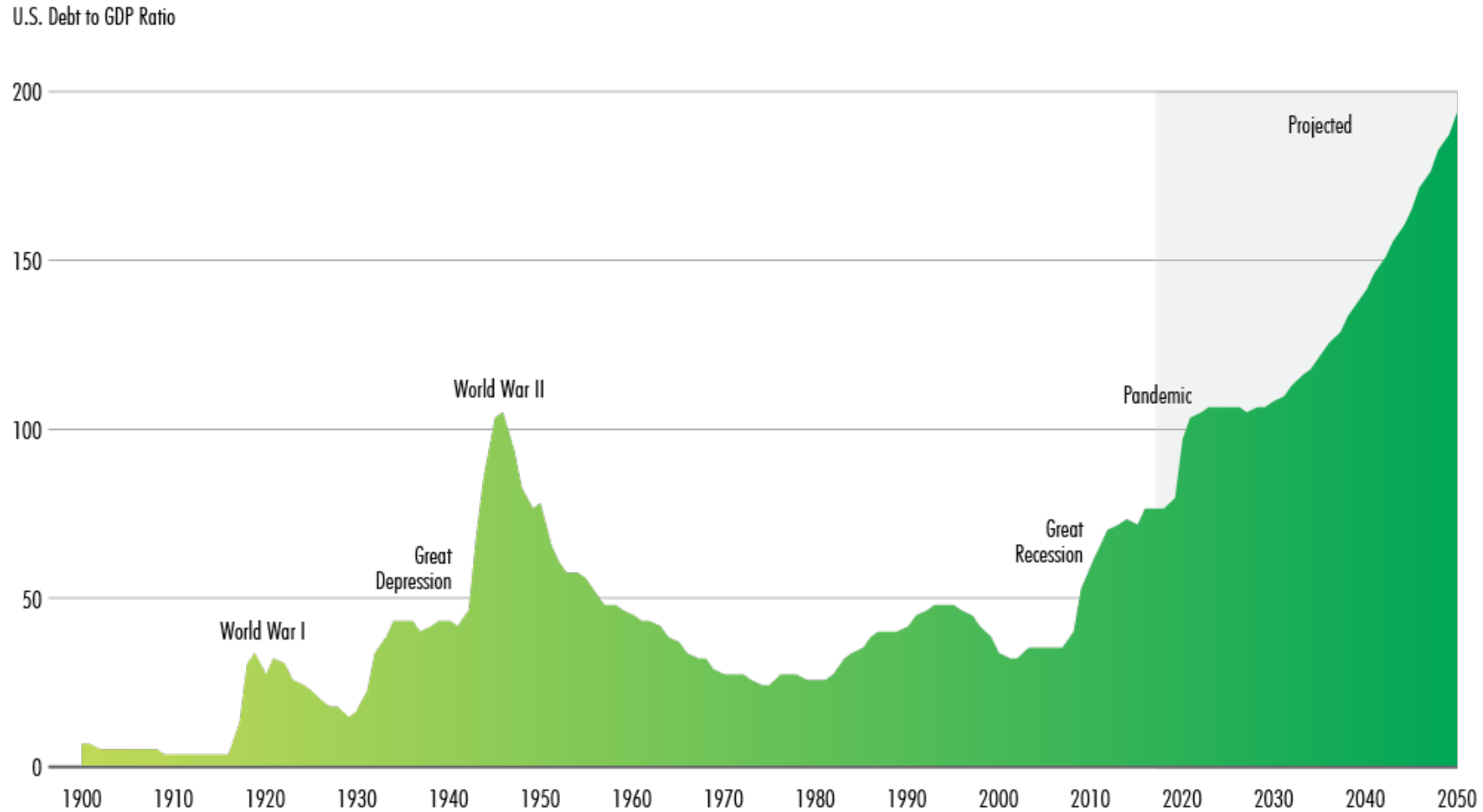
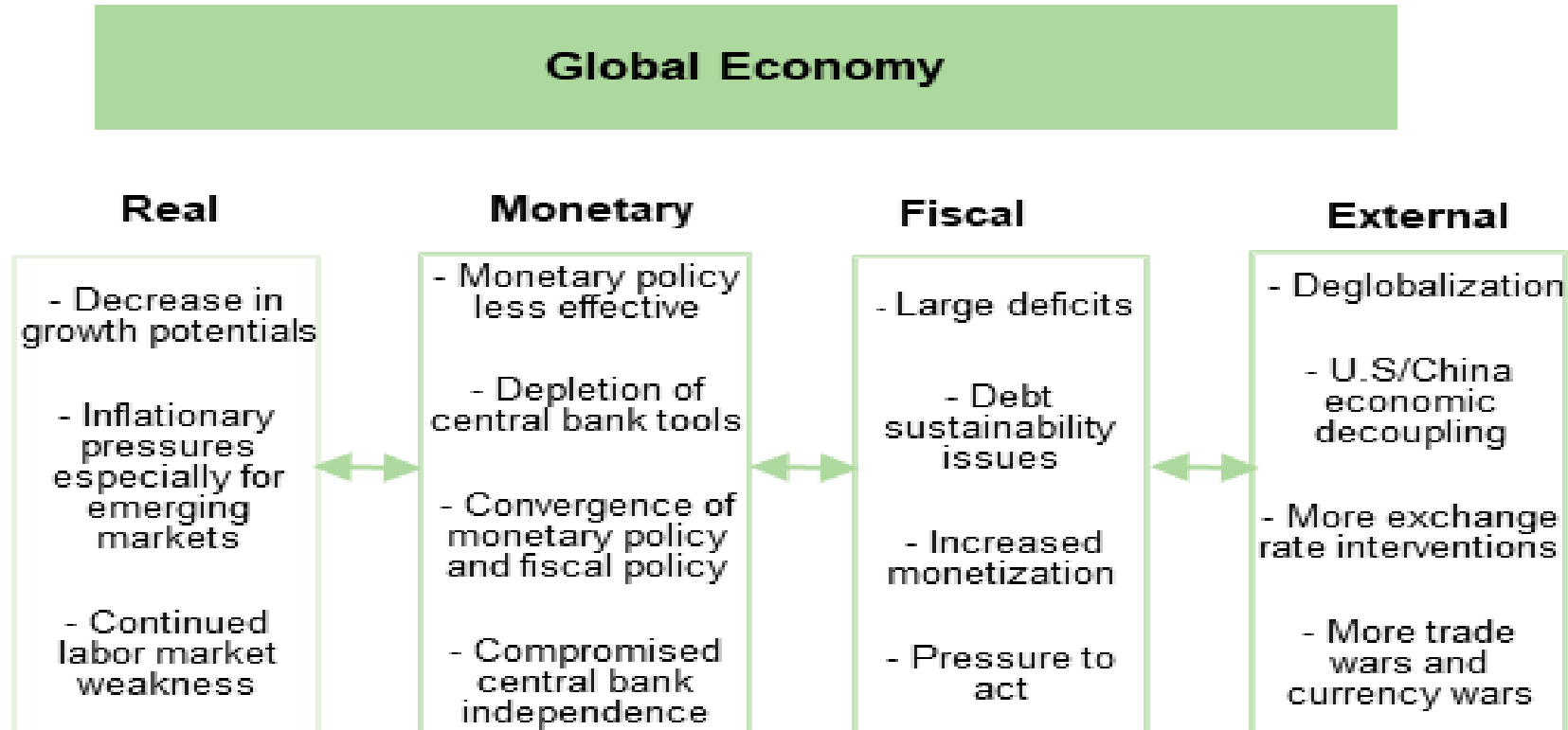


Chart 2: The Global Economy will Change Across the Board



Source: TD Economics

In Case This Was Not Enough



**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.
- The next webinar will be scheduled to take place in August.
- If you have not signed up for Armada's Black Owl Report, please send an email to KMS@weareKMS.com indicating your interest, as KMS is providing complimentary subscriptions through 2021.