

Q2'24 ECONOMIC IMPACTS ON KANSAS MANUFACTURING WEBINAR



KANSAS
MANUFACTURING
SOLUTIONS

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)



Kansas Manufacturing Solutions

As an experienced consultant dedicated to the Kansas manufacturing industry, Kansas Manufacturing Solutions provides a suite of problem-solving services so manufacturers can compete and grow in the domestic and global marketplace

Problems We Solve



People



Processes



Operations



Kansas Manufacturing Solutions

KMS's results are directly tied to our clients' results, validated and published by an independent third party

“**This has been a business saving experience for a 23-year-old company. I have the confidence to take this company to the next level and maximize the potential.**”



Kari Wagner, CEO, Mid Star Lab





Dr. Chris Kuehl



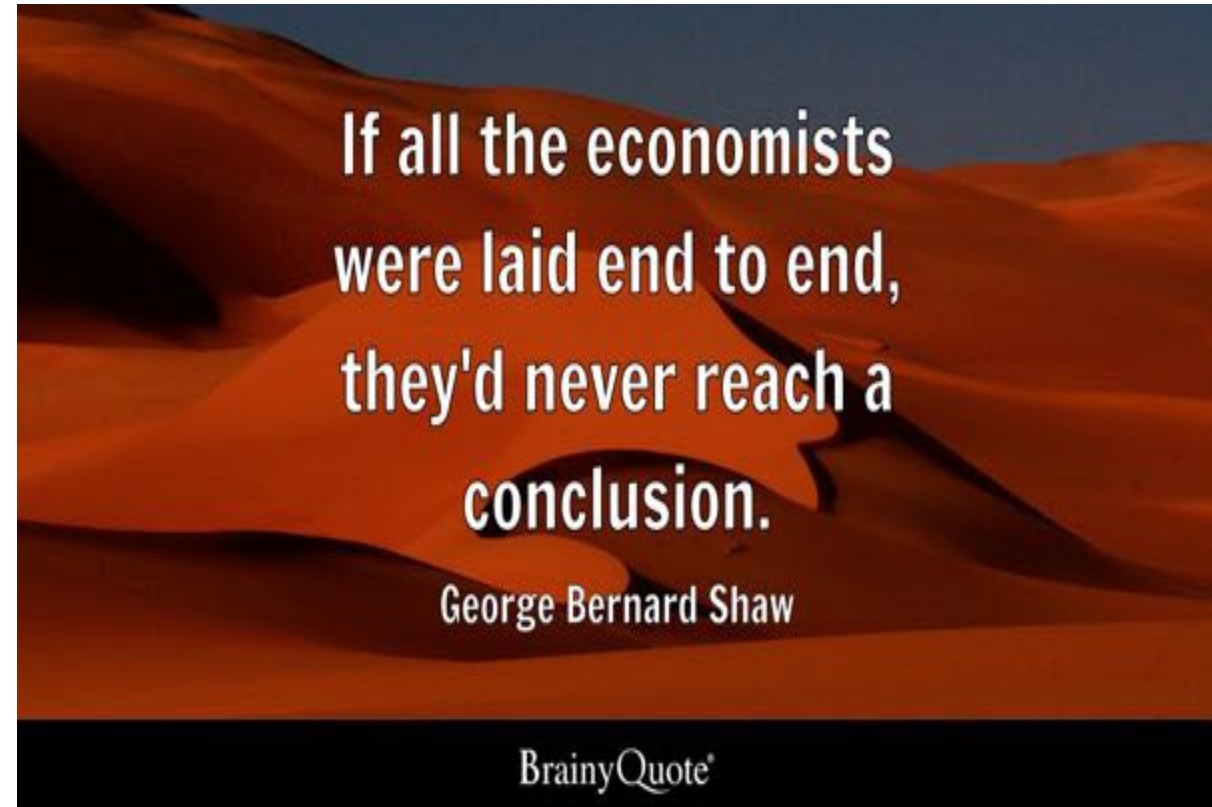
***Managing Partner,
Armada Corporate Intelligence***



ARMADA

Global Economic Review 2024 KMS

Chris Kuehl, Managing Director



Some Recent Developments

- **Chinese deflation may lead to dumping more export product on the global market. Slows down the process of re-shoring. China chronically overproduces. “Survival of the Fittest”**
- **Expectation of more labor demands and disputes in the months to come. More attempts to unionize in sectors where labor shortage has been acute. Also occurring internationally – major strikes likely in France as the Olympics get closer.**
- **Wider war in Middle East – some signs of calm in the oil markets as there is less chance of an all-out war. Real threat comes from restricted flow of oil because of route closures.**
- **Oil world shifting – record production in Russia, record exports by Iran, renewed oil sanctions on Venezuela. Investors coming back to oil and gas as enthusiasm for alternatives starts to fade**

Key Issues for 2024

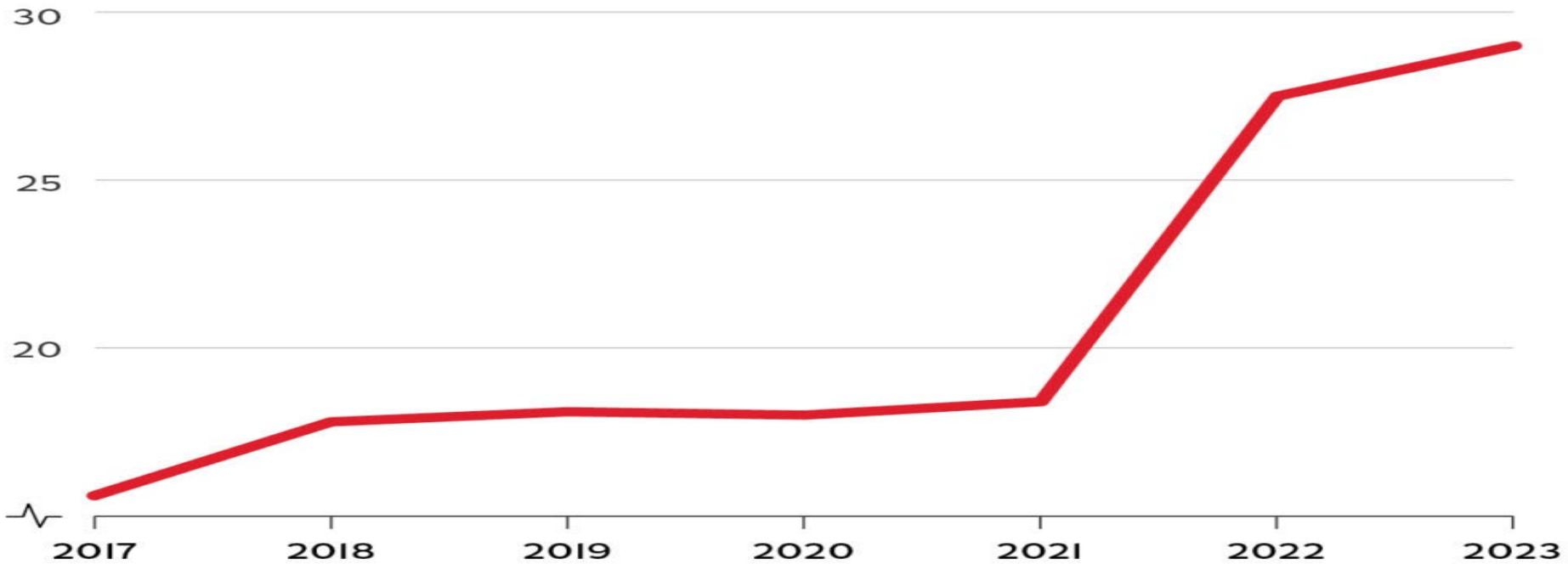
- **Interest rates – when does the Fed cut, how many times and how does this change economic expectations? Was likely in third quarter but now 2025 is a possibility. Maybe down to 4.75 (from 5.5). Depends on inflation and unemployment numbers**
- **Worker shortage and wage inflation – prime driver for the increase in inflation has been wage hikes – some evidence of the wage-price spiral. Worker shortage has been acute for years and no real relief in sight.**
- **Election and politics – Presidents do not affect economy much (bully pulpit). Monetary policy likely to remain stable. If Congress goes Republican there will be priority shifts – away from alternative energy to traditional infrastructure. No progress expected on debt or deficit.**
- **Trade relations – shift underway from a consumer centric trade policy to one that favors domestic producers. More barriers to imports will mean higher prices for consumers but more opportunity for domestic production.**

I Case You Have Been Sleeping at Night

- **The great wealth transfer – Boomers have a lot to work with. 1,000 billionaires over the age of 70 sitting on \$5.4 trillion. Generally speaking, Boomers control 72% of the US wealth collectively.**
- **More billionaires created with inherited wealth in 2023 than through any sort of entrepreneurial activity.**
- **Governments have noted this and would just love to get more taxation in place. Inheritance taxes are very popular with governments but very unpopular with people who resent having their money taxed at least twice (once when earned and again when handed down)**
- **Economic impact – If Boomers see that their money is going to be taxed when passed on they are more likely to spend it instead of losing it to taxation. That surge of cash will trigger a massive increase in inflation and that will trigger a major increase in interest rates as central banks try to restrain it**

FDI in Mexico soars

FOREIGN DIRECT INVESTMENT (BILLIONS USD), FIRST SEMESTER



NOTE: 2022 FDI INCLUDES \$6.8 BILLION FROM RESTRUCTURING OF AEROMÉXICO AND MERGER OF TELEVISIÓN AND UNIVISIÓN. 2023 FIGURES ARE PRELIMINARY.

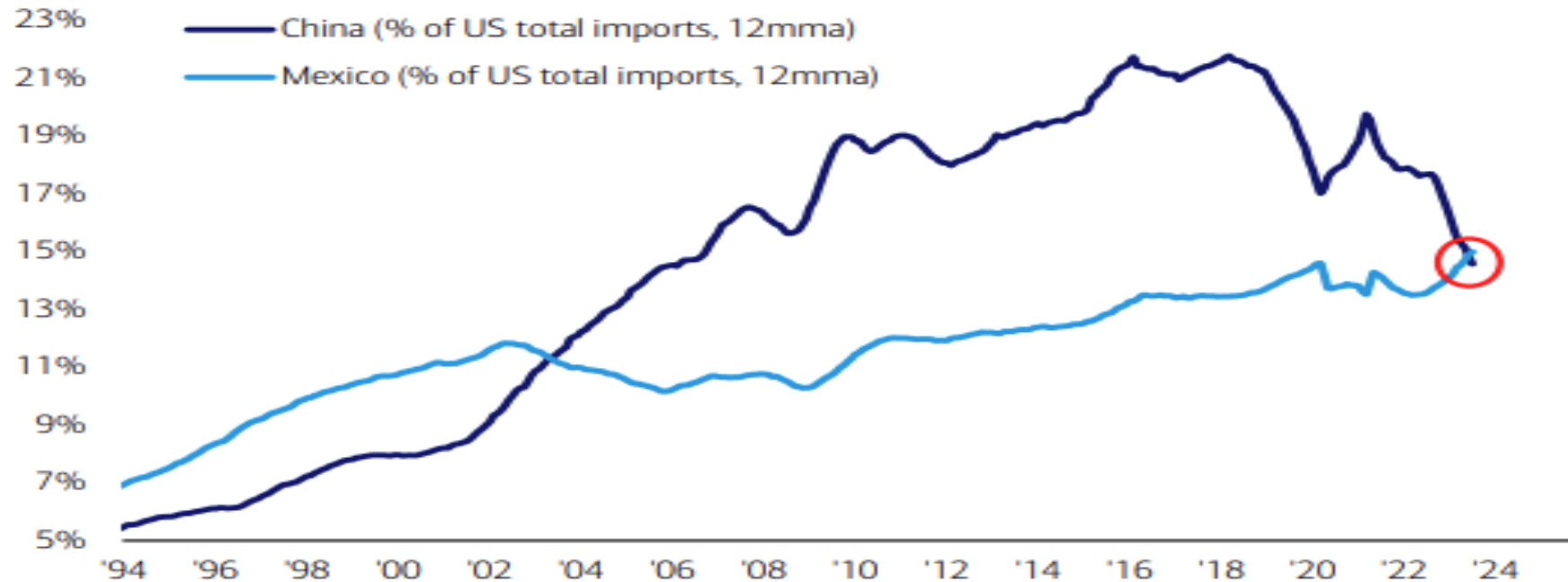
SOURCE: SECRETARÍA DE ECONOMÍA DE MÉXICO (AUGUST 2023)



Mexican Growth at China's Expense

Chart 4: US importing more from Mexico than China for first time since 2003

China and Mexico as % of US imports (12-month moving average)

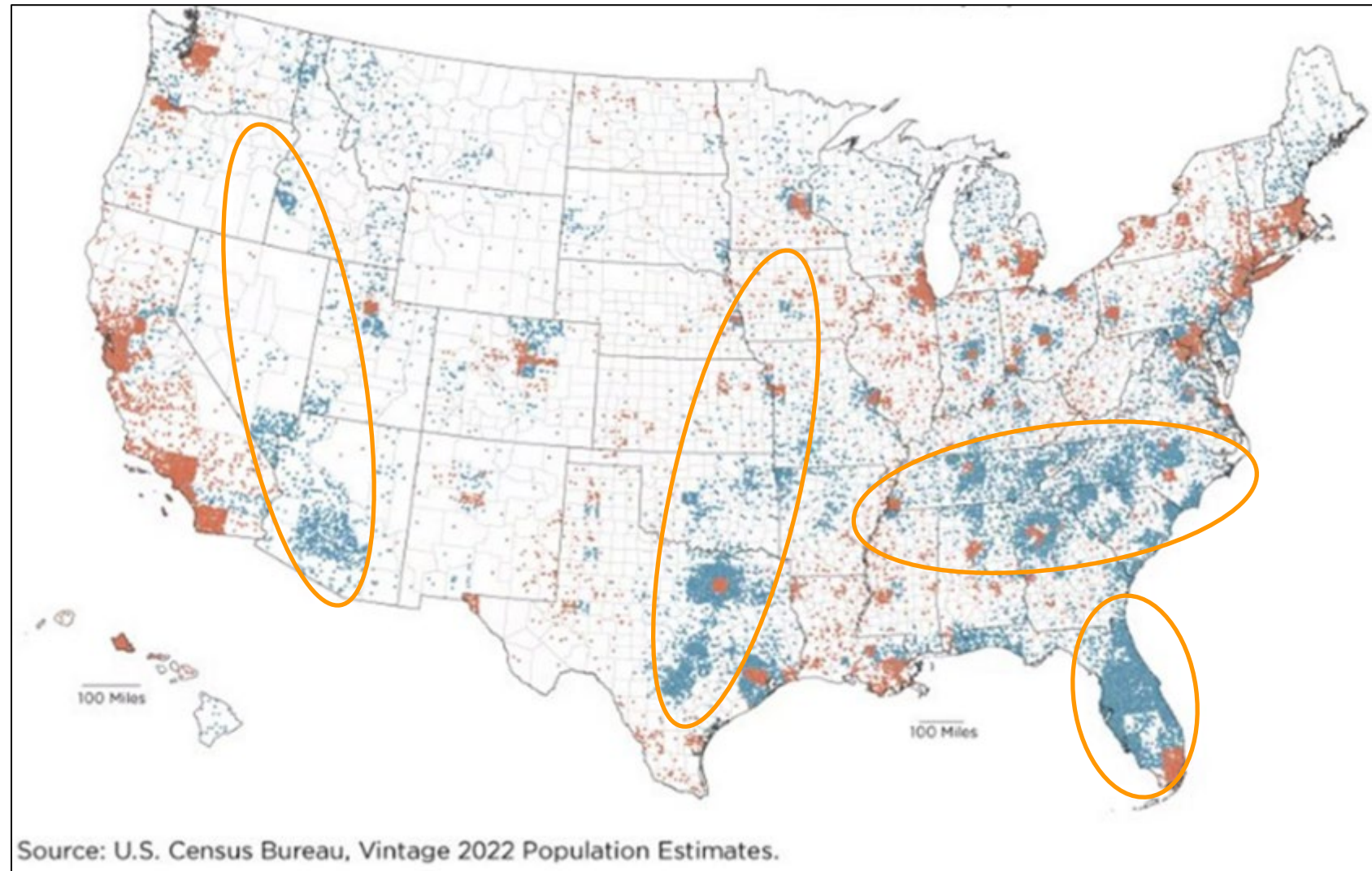


Source: BofA Global Investment Strategy, Bloomberg

Mexico Makes History – Xochitl Galvez or Claudia Scheinbaum

Where is it? Population Changes 2021 – 2022

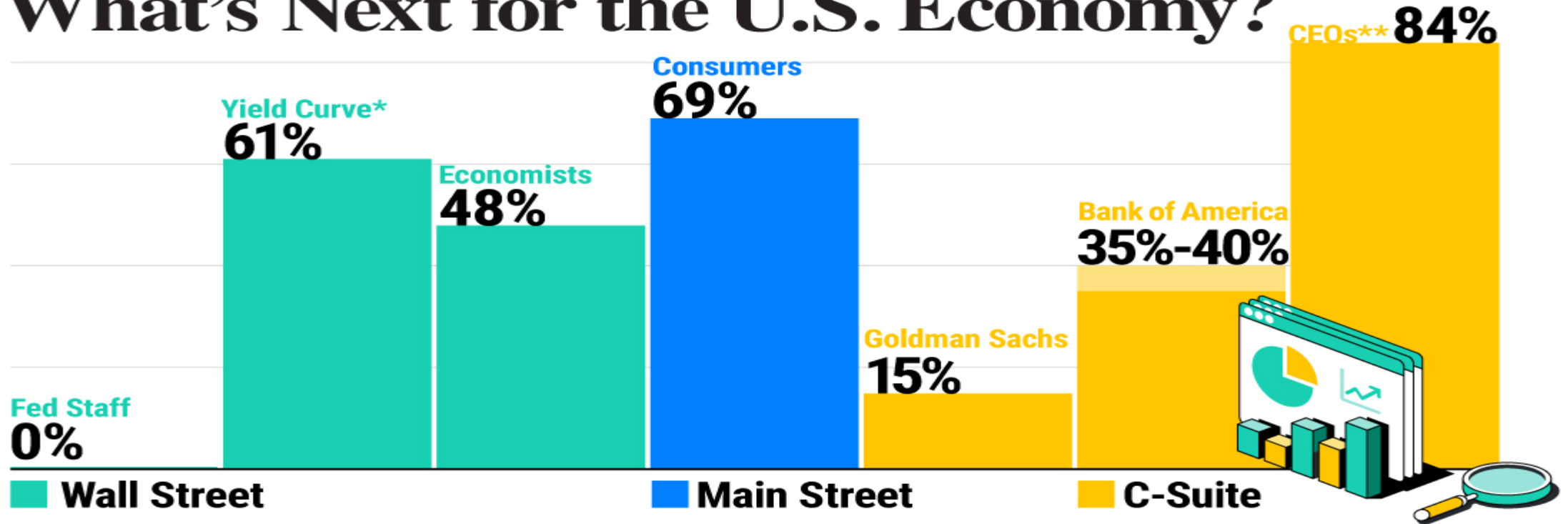
- Note the flight even out of popular (but dense) population centers like downtown Dallas and Miami, but flight to suburbs in those regions are among the fastest growth rates in the country.
- Corridors seem to be continuing to get population influxes...
 - I35 corridor
 - Tennessee Valley Region +Atlanta
 - And Florida



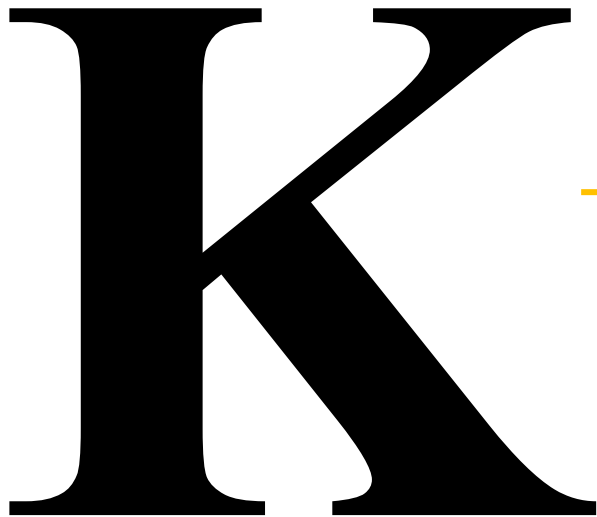
Not Much Consensus on US

2024 PROJECTIONS

What's Next for the U.S. Economy?



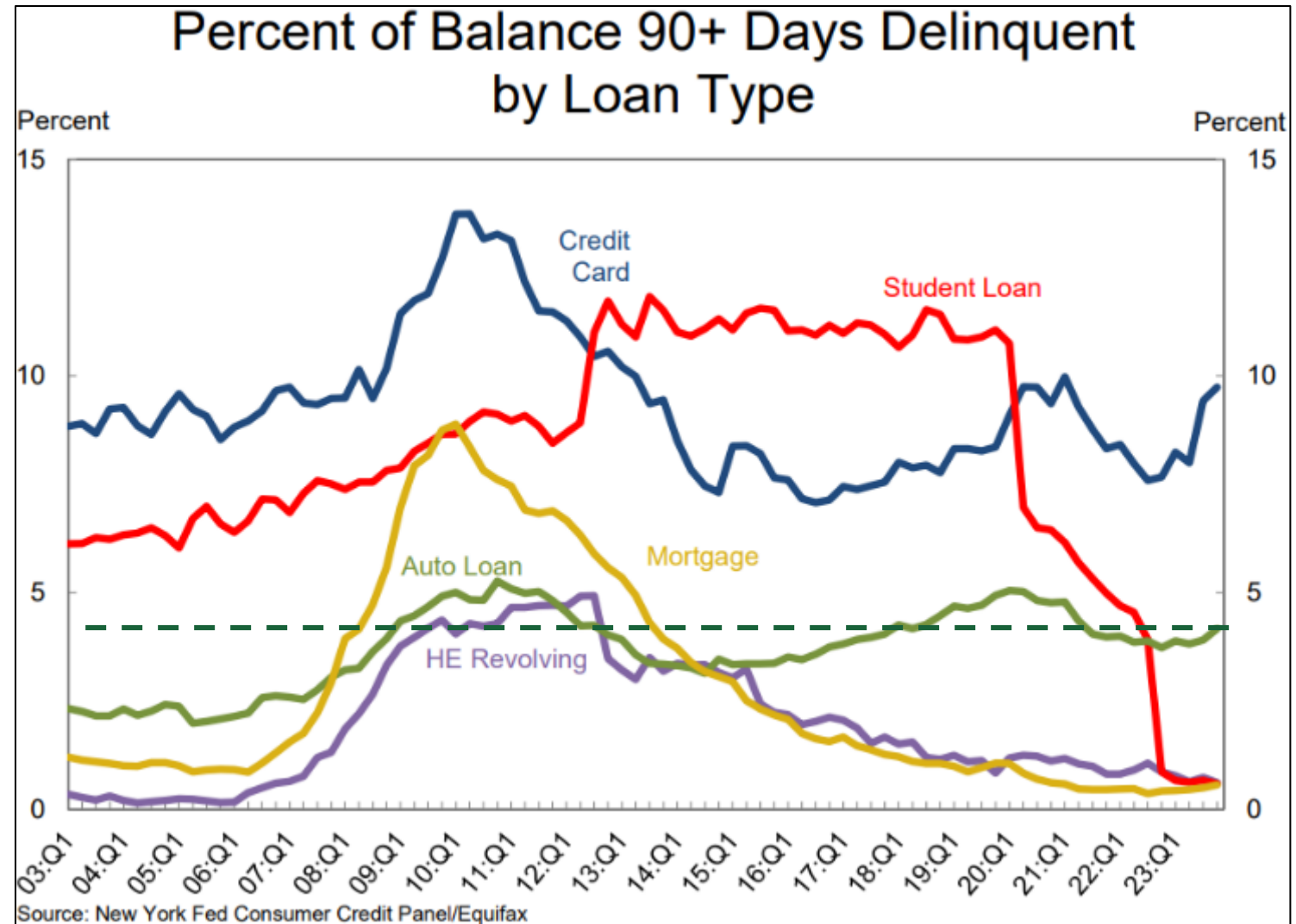
Here is the Problem: The K Shaped Recovery



- Upper Income Households doing very, very well
- Many companies in various sectors breaking historic profit and revenue thresholds
- Middle segments are the question
- 55% Living Check-to-check
- Lower income sectors have always struggled, but are finding it more difficult under the weight of inflation
- 85% are living check-to-check

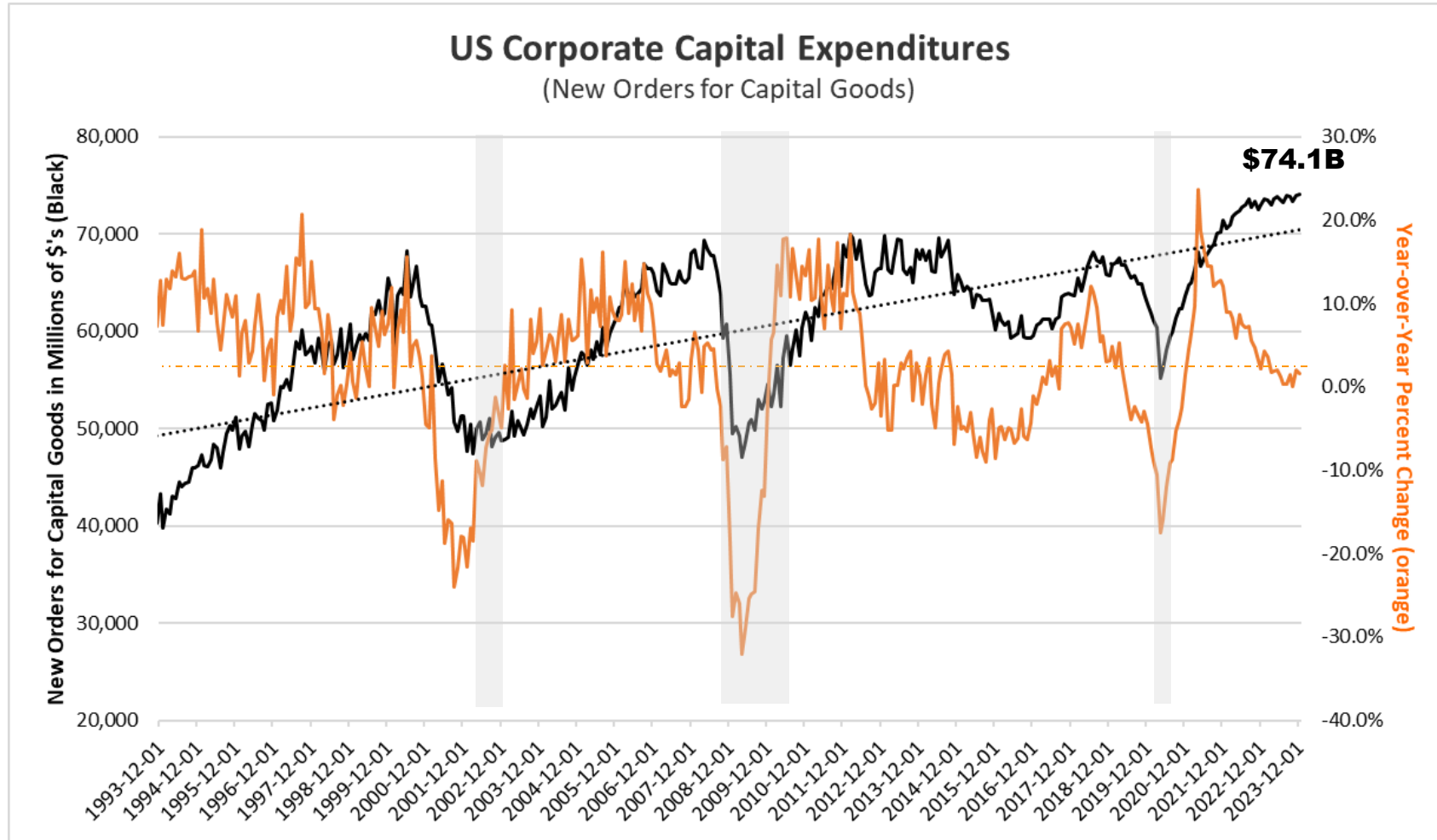
Fed Eyeing Loan Delinquency. Rates are Rising, But...

- Autos not alarming
- Mortgage and Home Equity loans in-line
- Credit card delinquency starting to create concerns (but it is the easiest to get under control)
- Student loan payment moratorium just now starting to give us visibility into real delinquency



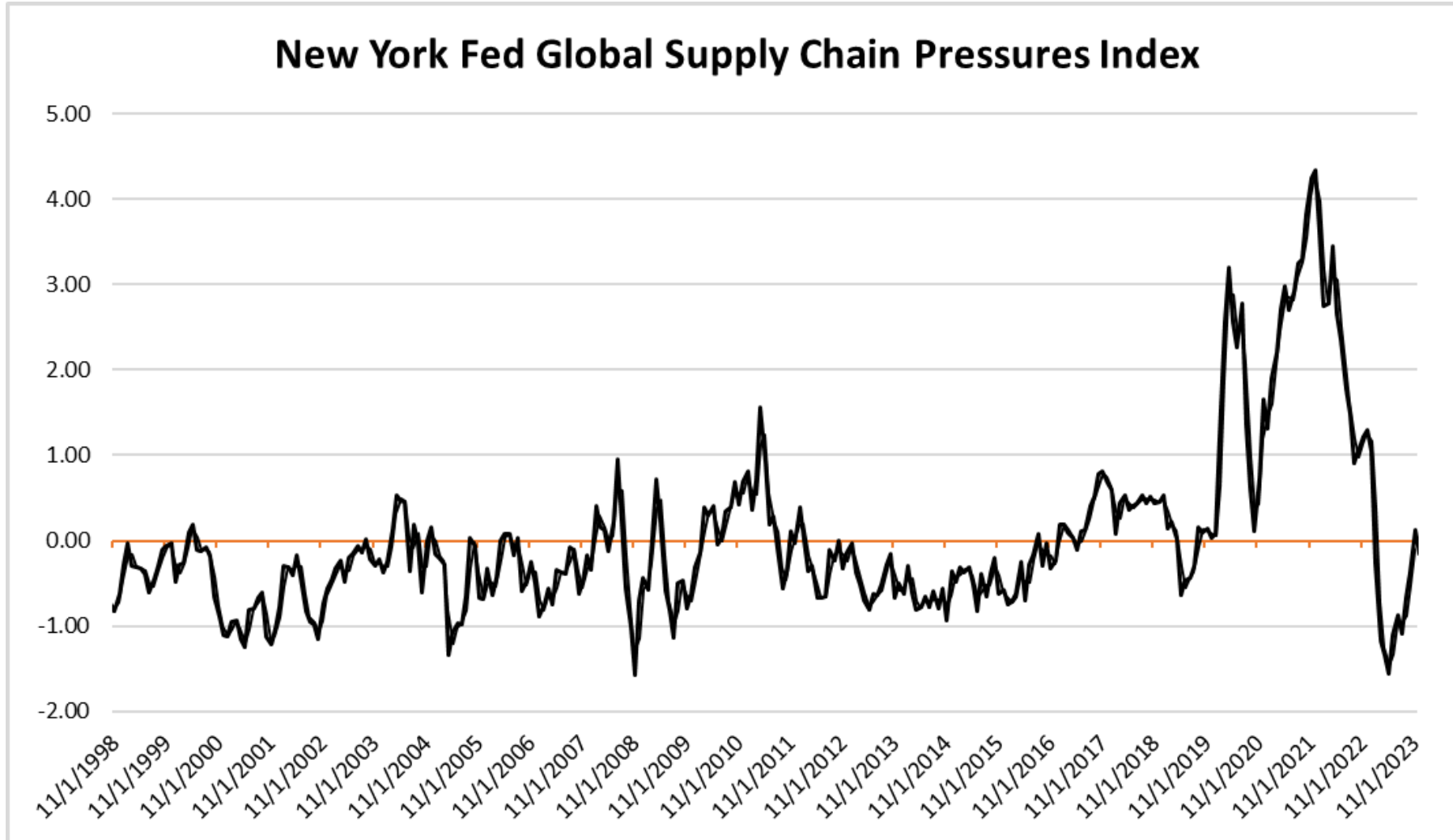
Growth: Corporate Investment Remains Steady

- Small business surveys show investment has started to decline, but still not showing in this view of the national data yet



Source: Federal Reserve

Global Supply Chain Pressures Index Snaps in Dec/Jan



Headwind BLUF: Global Manufacturing Highlights



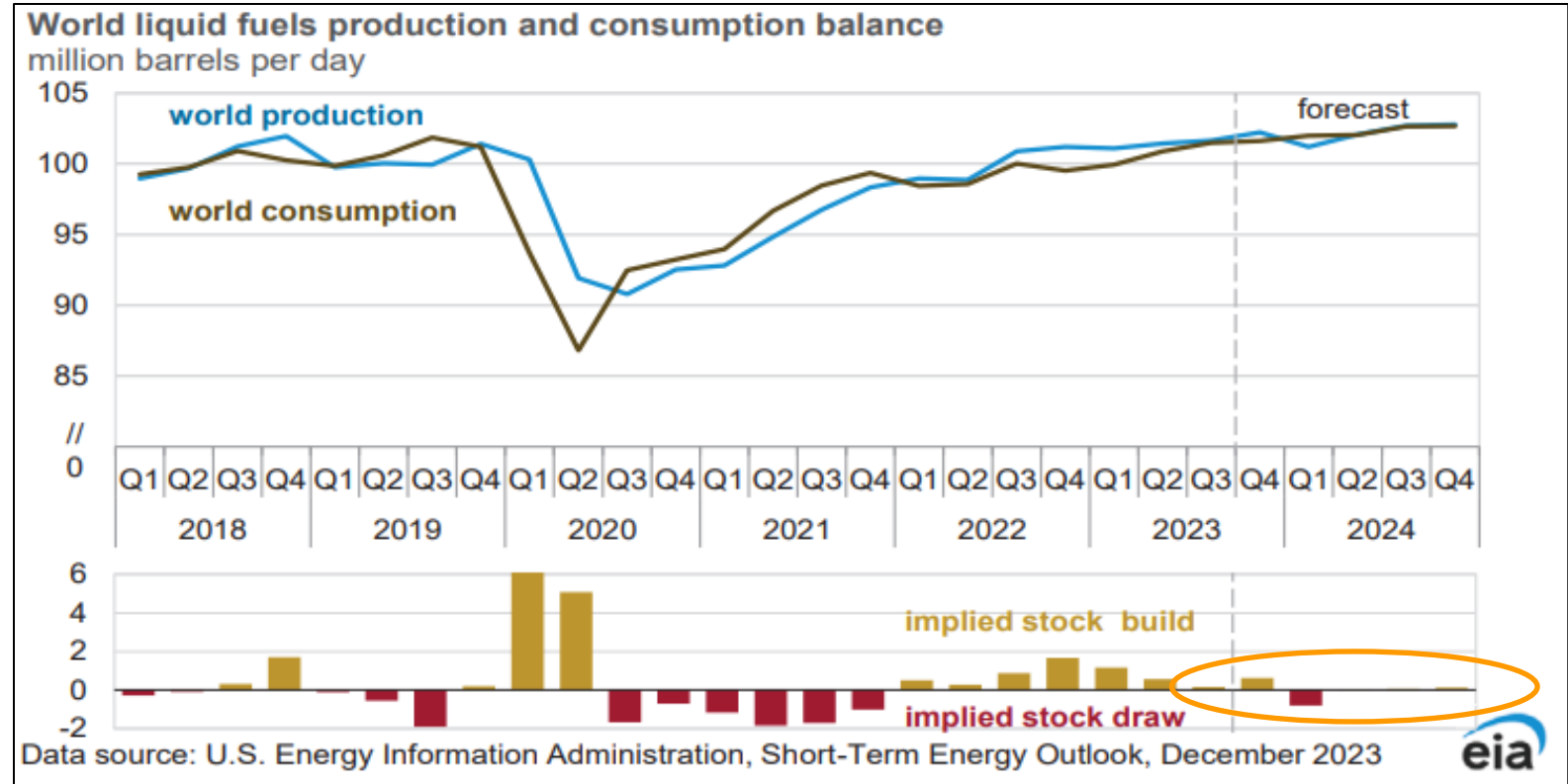
- 12 countries had manufacturing sectors in contraction in Feb
- Europe still in recession.
- Asia is reeling from lack of demand in NA and Europe
- India is booming – because of shifting sourcing patterns
- Canada in contraction, US and Mexico expanding for now
- Raw material demand and the impact of the Red Sea are big questions.

| Country | Current Month | Manufacturing | | | Services | | | |
|--------------|---------------|------------------|-----------------|------------|---------------|------------------|-----------------|------------|
| | | Latest Month PMI | Prior Month PMI | M/M Change | Current Month | Latest Month PMI | Prior Month PMI | M/M Change |
| Global PMI | Feb | 50.3 | 50.0 | 0.3 | Jan | 52.3 | 51.6 | 0.7 |
| Eurozone PMI | Feb | 46.5 | 46.6 | -0.1 | Jan | 48.4 | 48.8 | -0.4 |
| US | Feb | 52.2 | 50.7 | 1.5 | Jan | 52.5 | 51.4 | 1.1 |
| China | Feb | 50.9 | 50.8 | 0.1 | Jan | 52.7 | 52.9 | -0.2 |
| Canada | Feb | 49.7 | 48.3 | 1.4 | Jan | 45.8 | 44.6 | 1.2 |
| Mexico | Feb | 52.3 | 50.2 | 2.1 | | | | |
| Japan | Feb | 47.2 | 48.0 | -0.8 | Jan | 53.1 | 51.5 | 1.6 |
| Germany | Feb | 42.5 | 45.5 | -3.0 | Jan | 47.7 | 49.3 | -1.6 |
| South Korea | Feb | 50.7 | 51.2 | -0.5 | | | | |
| UK | Feb | 47.5 | 47.0 | 0.5 | Jan | 54.3 | 53.4 | 0.9 |
| France | Feb | 47.1 | 43.1 | 4.0 | Jan | 45.4 | 45.7 | -0.3 |
| India | Feb | 56.9 | 56.5 | 0.4 | Jan | 61.8 | 59.0 | 2.8 |
| Italy | Feb | 48.7 | 48.5 | 0.2 | Jan | 51.2 | 49.8 | 1.4 |
| Taiwan | Feb | 48.6 | 48.8 | -0.2 | | | | |
| Brazil | Feb | 54.1 | 52.8 | 1.3 | Jan | 53.1 | 50.5 | 2.6 |
| Spain | Feb | 51.5 | 49.2 | 2.3 | Jan | 52.1 | 51.5 | 0.6 |
| Russia | Feb | 54.7 | 52.4 | 2.3 | Jan | 55.8 | 56.2 | -0.4 |
| Netherlands | Feb | 49.3 | 48.9 | 0.4 | | | | |
| Ireland | Feb | 52.2 | 49.5 | 2.7 | Jan | 50.5 | 53.2 | -2.7 |
| Greece | Feb | 55.7 | 54.7 | 1.0 | | | | |
| Poland | Feb | 47.9 | 47.1 | 0.8 | | | | |
| ASEAN | Feb | 50.4 | 50.3 | 0.1 | | | | |
| Vietnam | Feb | 50.4 | 50.3 | 0.1 | | | | |
| Philippines | Feb | 51.0 | 50.9 | 0.1 | | | | |
| Australia | Feb | 47.8 | 50.1 | -2.3 | Jan | 49.1 | 47.1 | 2.0 |
| Switzerland | Feb | 44.0 | 43.1 | 0.9 | | | | |
| Hong Kong | Jan | 49.9 | 51.3 | -1.4 | | | | |
| Singapore | Feb | 50.6 | 50.7 | -0.1 | | | | |
| Indonesia | Feb | 52.7 | 52.9 | -0.2 | | | | |
| Thailand | Feb | 45.3 | 46.7 | -1.4 | | | | |

Sources: S&P Global, Caixin, JP Morgan, Jibun Bank, Nevi, BME, CIPS

Oil and Gasoline – Fairly Balanced for 2024

- Fairly balanced outlook through 2024
 - Anecdotal evidence suggests that many new wells have been built and are ready for production – but are shut-in and waiting on demand to resurface before starting production.
- The US may have officially hit a “dynamic production” zone in which production can quickly keep pace with demand. That could lead to oil prices hovering in the \$70 range in perpetuity.



| Crude forecast: | |
|-----------------|---------|
| • 2021 | \$68.21 |
| • 2022 | \$94.91 |
| • 2023 | \$77.63 |
| • 2024 | \$78.07 |

| Diesel forecast: | |
|------------------|--------|
| • 2021 | \$3.29 |
| • 2022 | \$5.02 |
| • 2023 | \$4.22 |
| • 2024 | \$3.95 |

| Gasoline forecast: | |
|--------------------|--------|
| • 2021 | \$3.02 |
| • 2022 | \$3.97 |
| • 2023 | \$3.53 |
| • 2024 | \$3.36 |

Source: EIA; Baker Hughes; Conoco-Philips

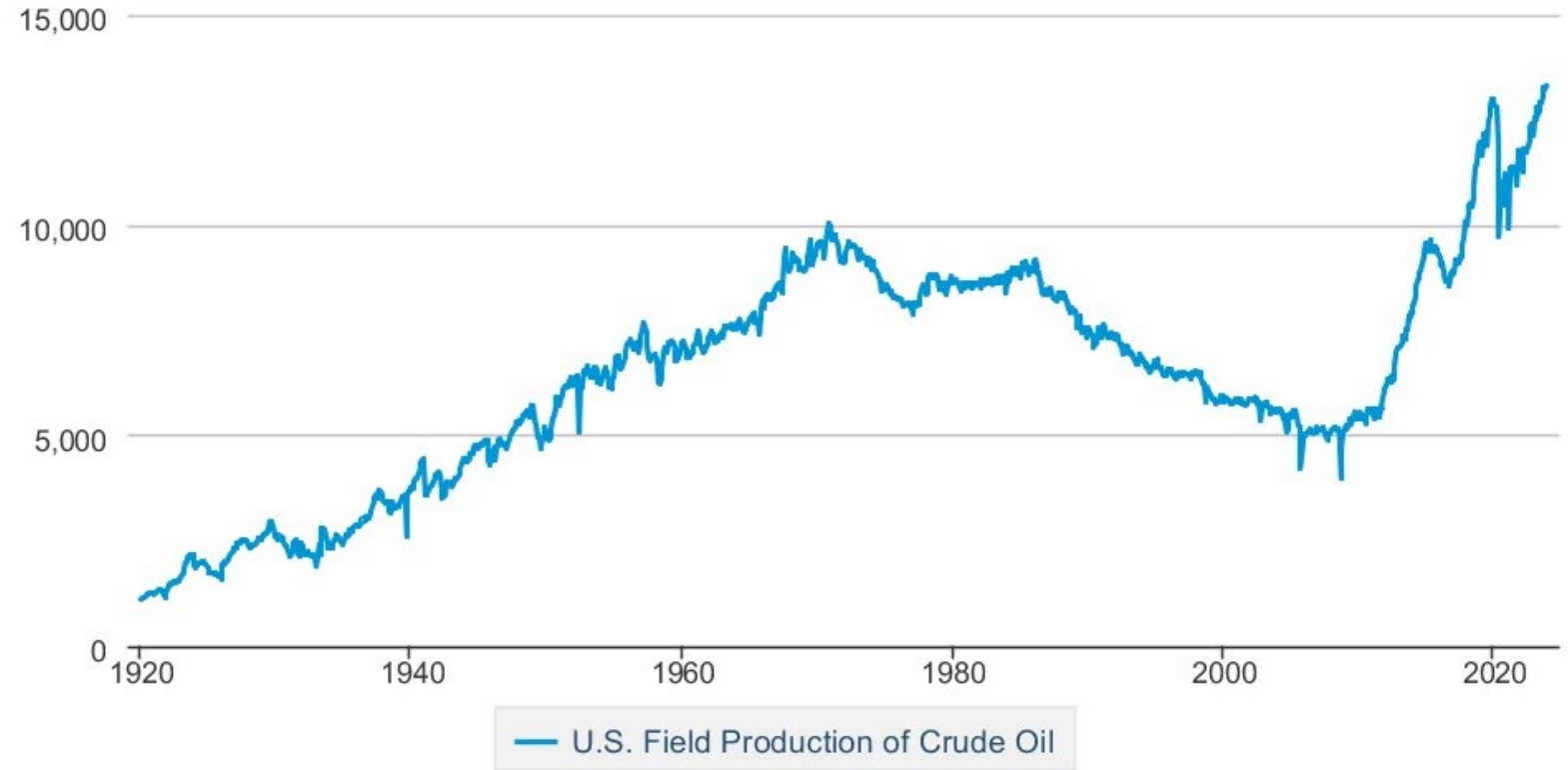
US Production Touching New All-Time Highs at 13.31M BPD



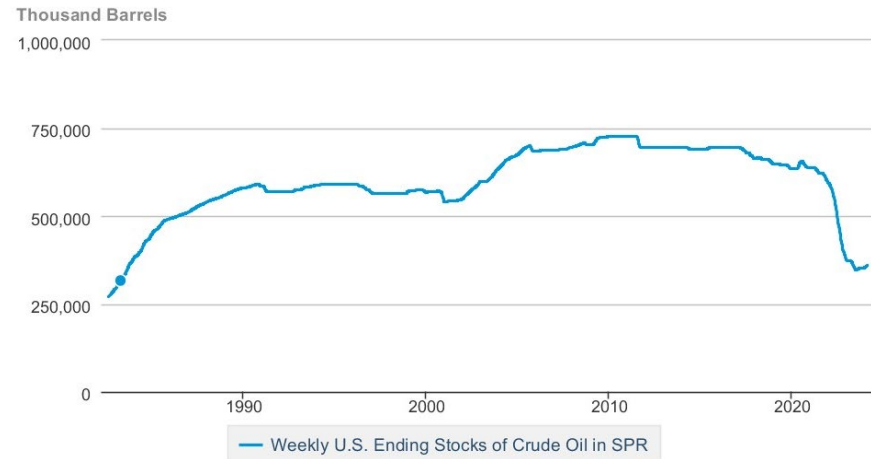
- Prior record was 13M BPD in Nov of 2019.
- Significant shut-in capacity is ready and could be tapped at any time. Again, oil prices remaining in the \$70-\$80 per barrel range is optimum for producers.
- SPR inventories still at 1980's lows. Officials state that it can only be refilled at a specific rate because of limitations on storage facilities.

U.S. Field Production of Crude Oil

Thousand Barrels per Day



Weekly U.S. Ending Stocks of Crude Oil in SPR



eia Data source: U.S. Energy Information Administration

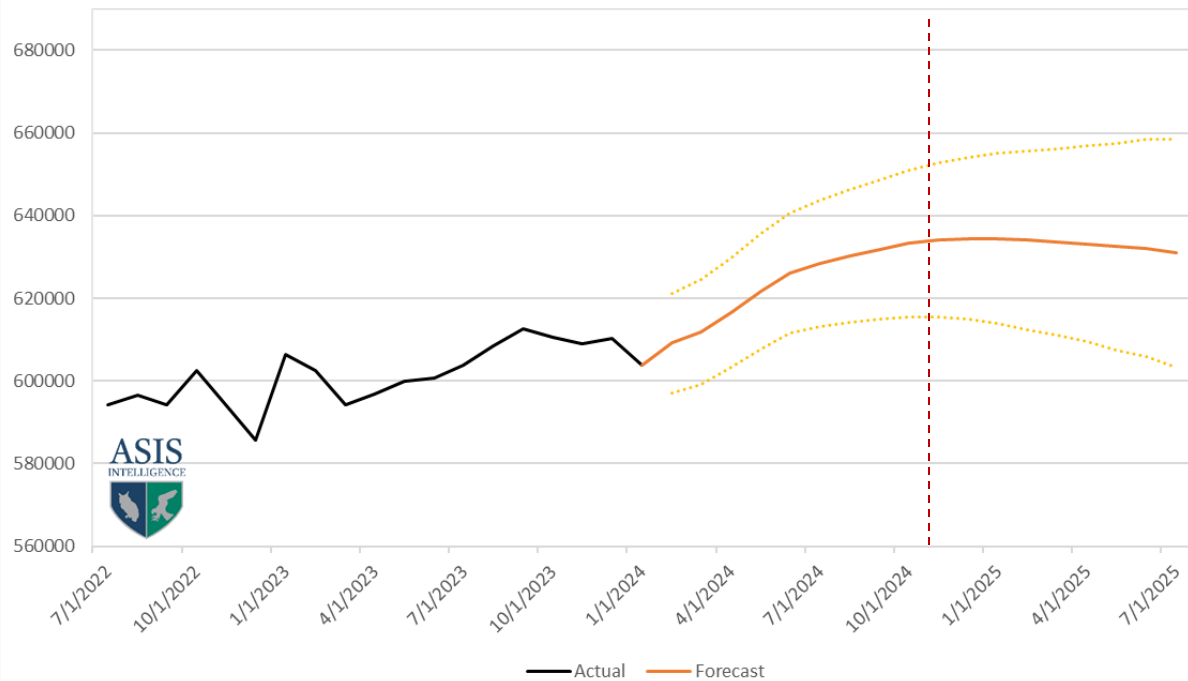
eia Data source: U.S. Energy Information Administration

Forecast Growth: Retail Spending (Consumer Spending)

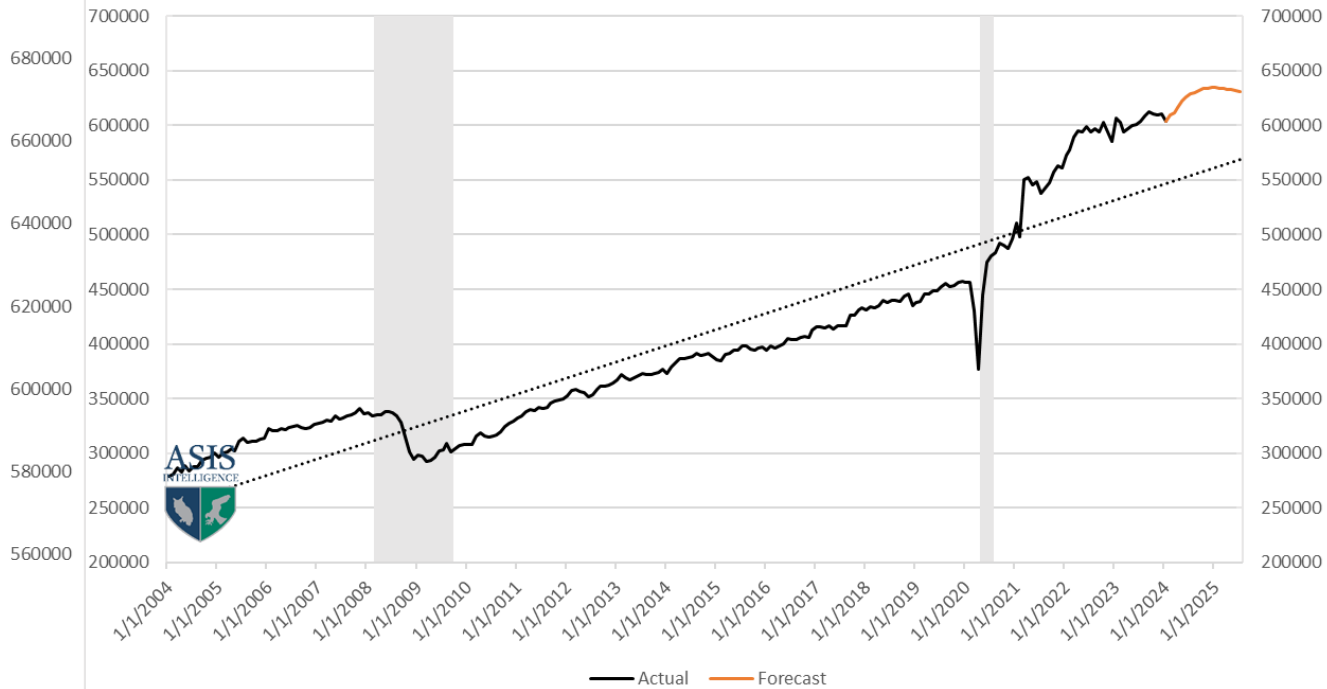
Forecast from The Watch



Advance Retail Sales: Retail Trade (RSXFS)
Forecast as of 03/13/2024



Advance Retail Sales: Retail Trade (RSXFS)
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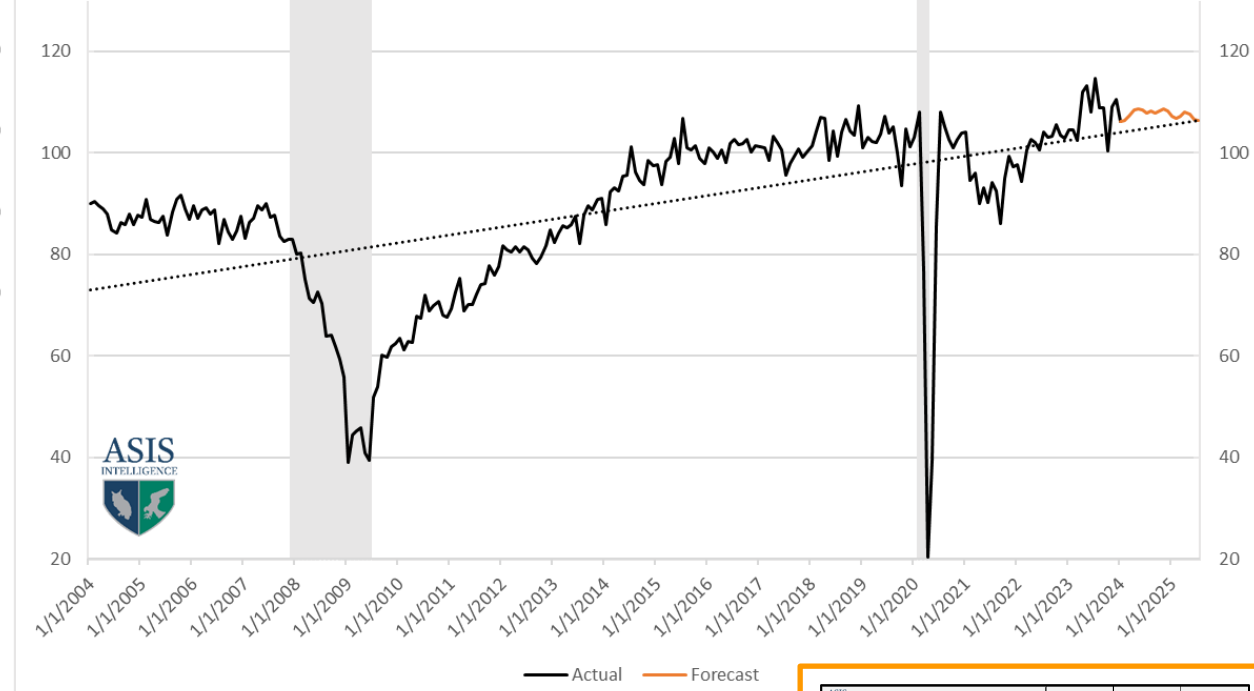
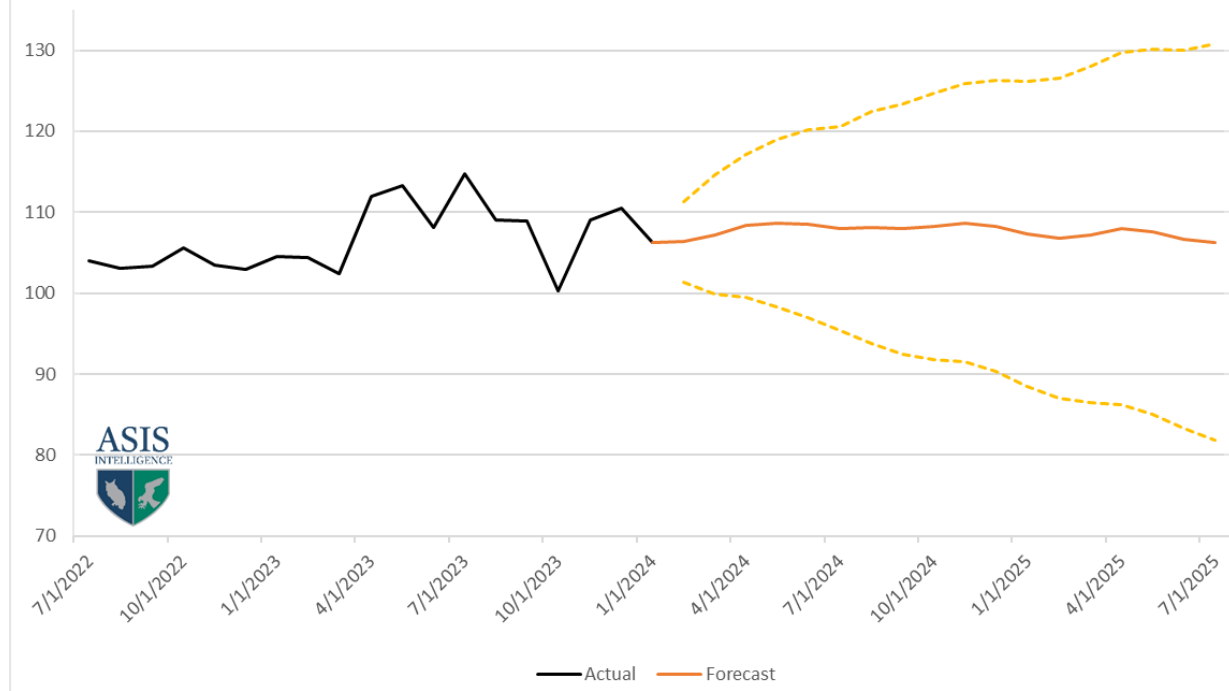
| | 1 mo | 3 mo |
|--------------------|---------------|---------------|
| TRUCK D11 | 94.72% | 93.70% |
| RAILFRTCARLOADSD11 | 98.88% | 99.75% |
| RSXFS | 98.68% | 97.89% |
| PNRESCONS | 94.40% | 93.99% |

Automotive Production Forecast from The Watch



Industrial Production: Motor Vehicles and Parts (IPG3361T3S)
Forecast as of 03/13/2024

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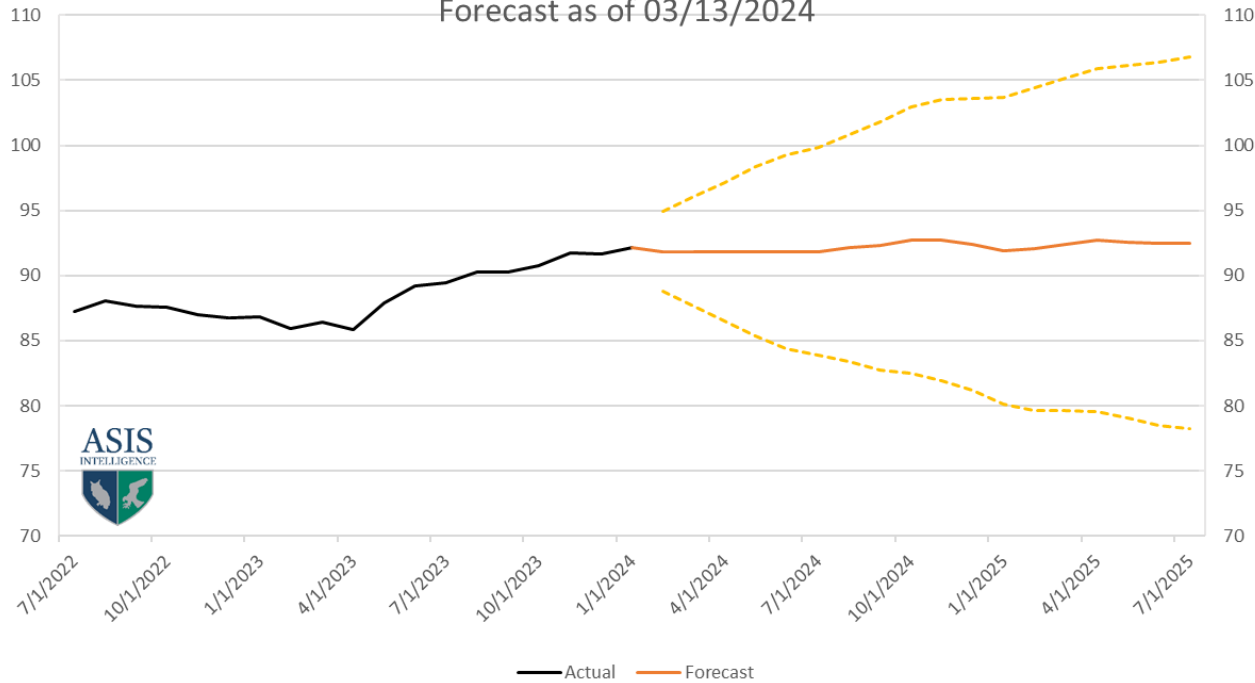


| | 1-month | 3-month | 6-month |
|--|---------|---------|---------|
| Industrial Production: Manufacturing | 99.806% | 97.303% | 99.332% |
| Aerospace and Miscellaneous Transportation Equipment | 99.197% | 99.548% | 99.771% |
| Computer and Electronic Product | 99.305% | 97.993% | 98.874% |
| Electrical Equipment, Appliance, and Component | 98.540% | 98.215% | 92.380% |
| Fabricated Metal Product | 98.485% | 94.130% | 96.570% |
| Machinery | 98.462% | 98.859% | 98.339% |
| Motor Vehicles and Parts | 96.998% | 91.727% | 99.618% |
| Primary Metal | 98.570% | 93.495% | 99.415% |
| Average | 98.670% | 96.409% | 98.037% |

Aerospace Production Forecast from The Watch



Industrial Production: Aerospace and Miscellaneous Transportation Equipment (IPG3364T9S)
Forecast as of 03/13/2024



Industrial Production: Aerospace and Miscellaneous Transportation Equipment (IPG3364T9S)
Forecast as of 03/13/2024

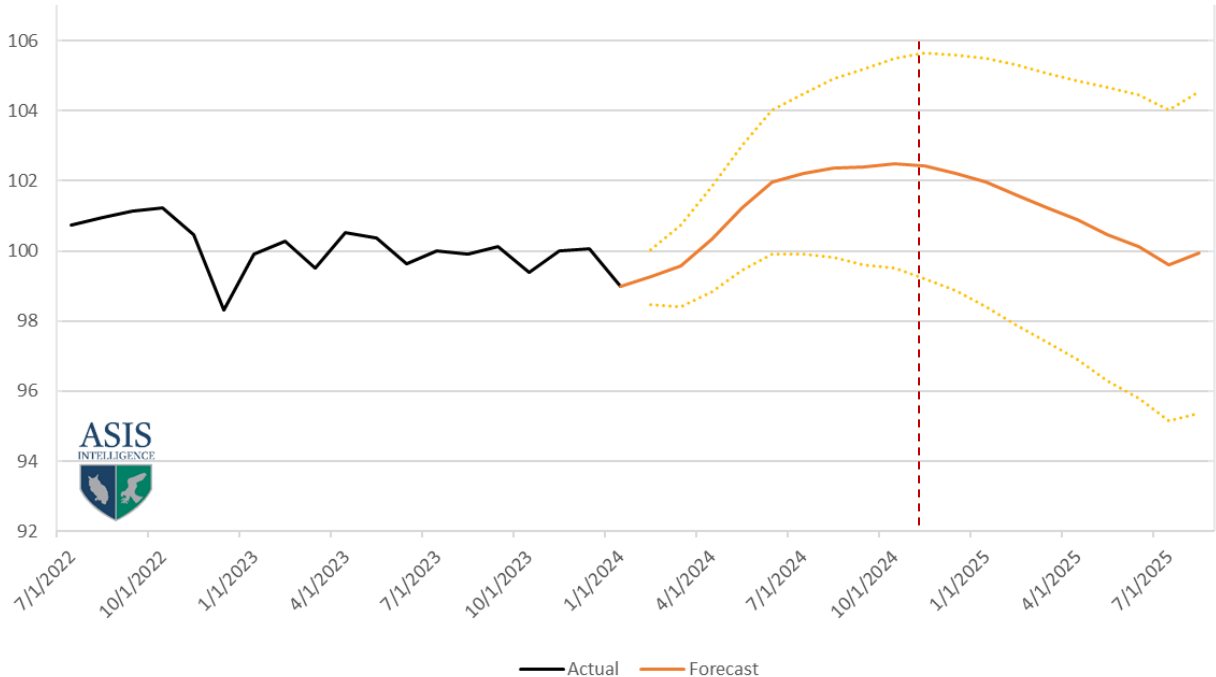


| ASIS | 1-month | 3-month | 6-month |
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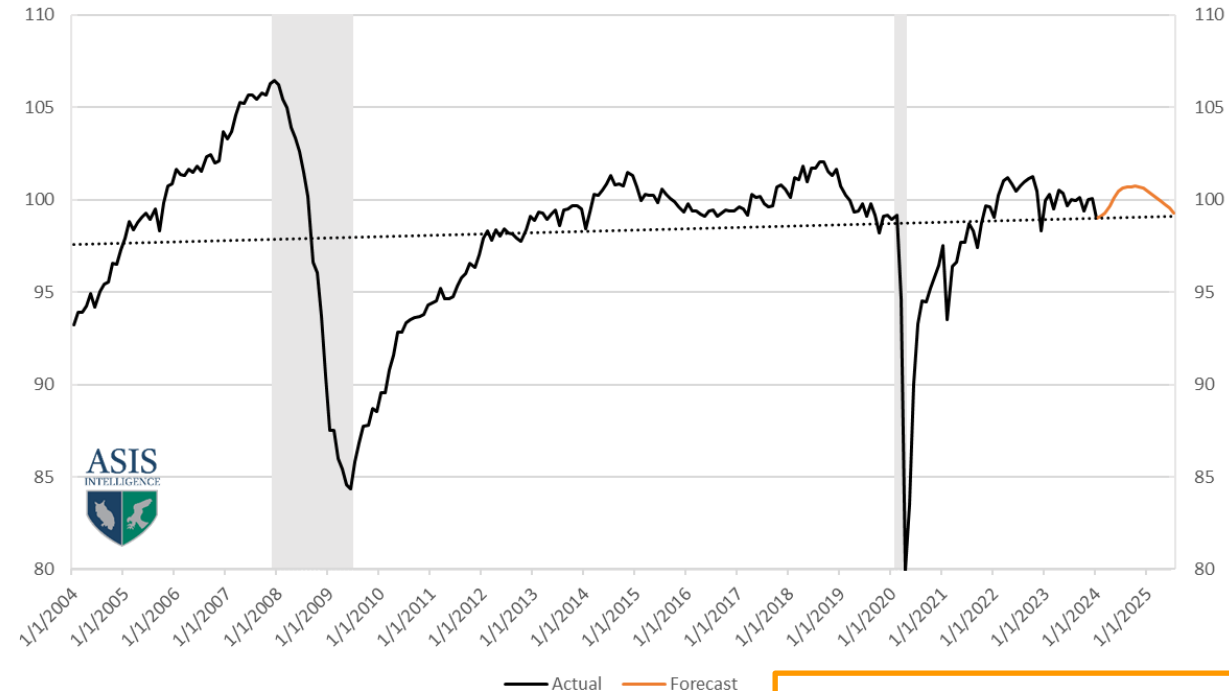
Broad Manufacturing Forecast from The Watch



Industrial Production: Manufacturing (IPMAN)
Forecast as of 03/13/2024



Industrial Production: Manufacturing (IPMAN)
Forecast as of 03/13/2024

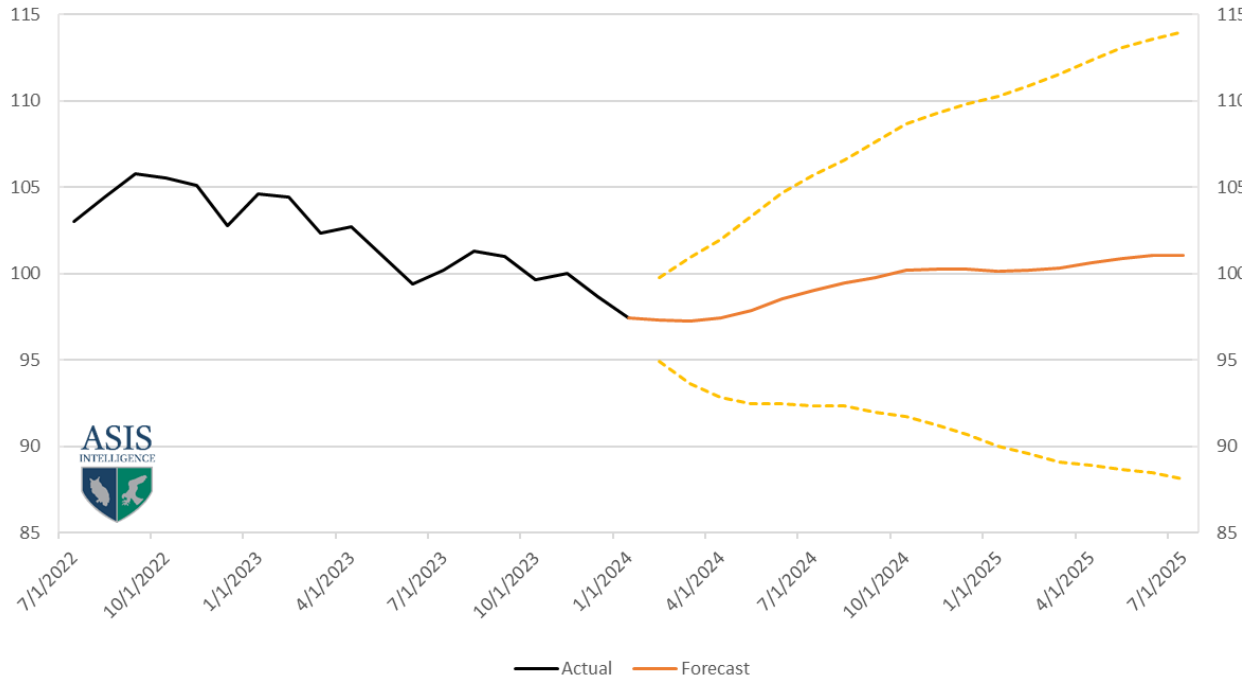


| ASIS INTELLIGENCE | 1-month | 3-month | 6-month |
|--|---------|---------|---------|
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Machinery Production Forecast from The Watch



Industrial Production: Machinery (IPG333S)
Forecast as of 03/13/2024



Industrial Production: Machinery (IPG333S)
Forecast as of 03/13/2024

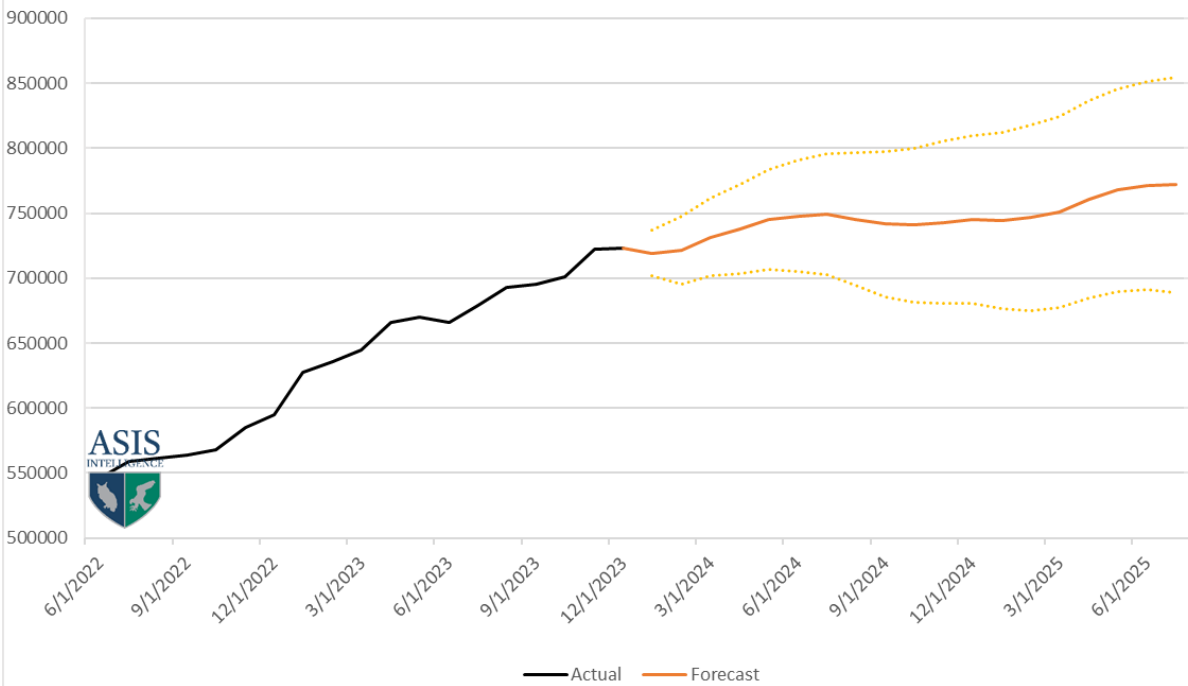


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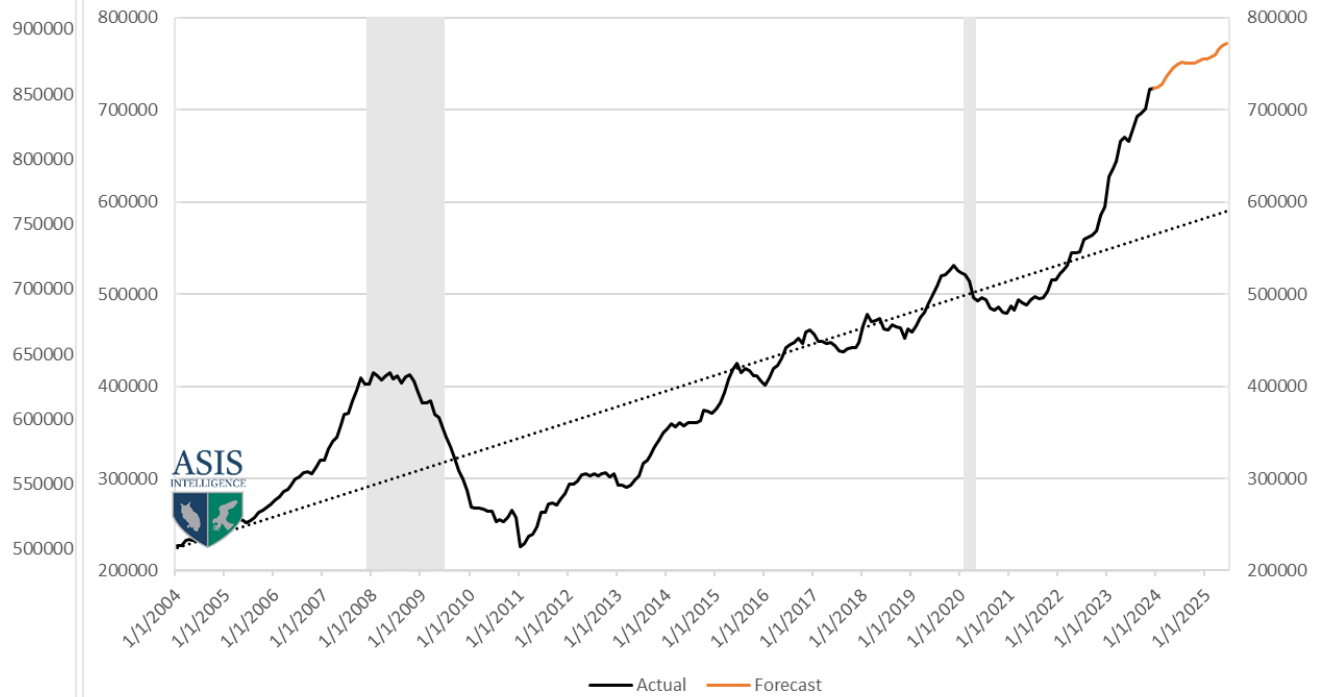
Growth Forecast: Nonresidential Construction Forecast from The Watch



Private Nonresidential Construction Spending (PNRESCONS)
Forecast as of 03/13/2024



Private Nonresidential Construction Spending (PNRESCONS)
Forecast as of 03/13/2024

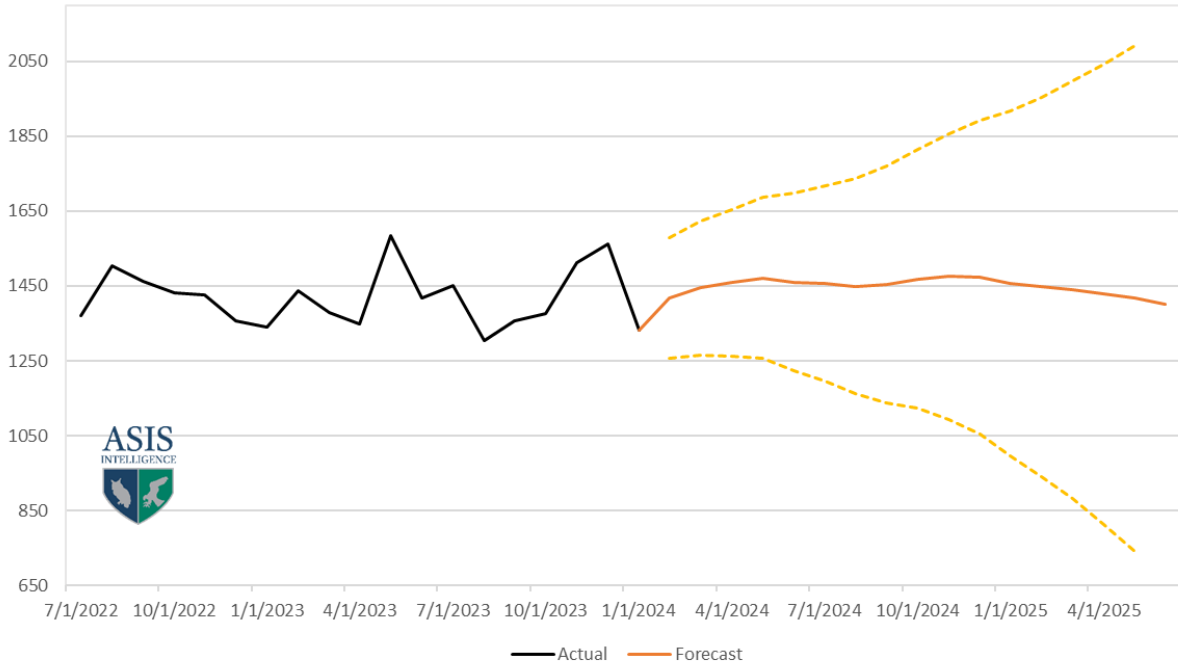


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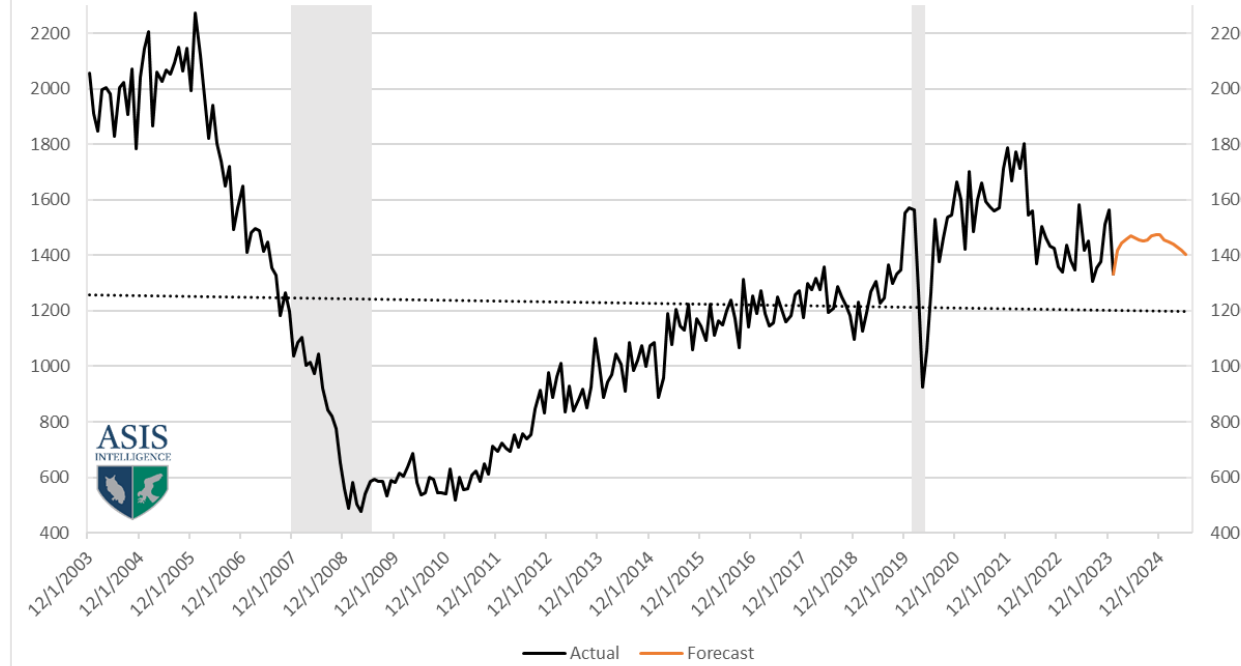
Growth Forecast: Residential Construction Forecast from The Watch



New Privately-Owned Housing Units Started: Total Units (HOUST)
Forecast as of 03/13/2024

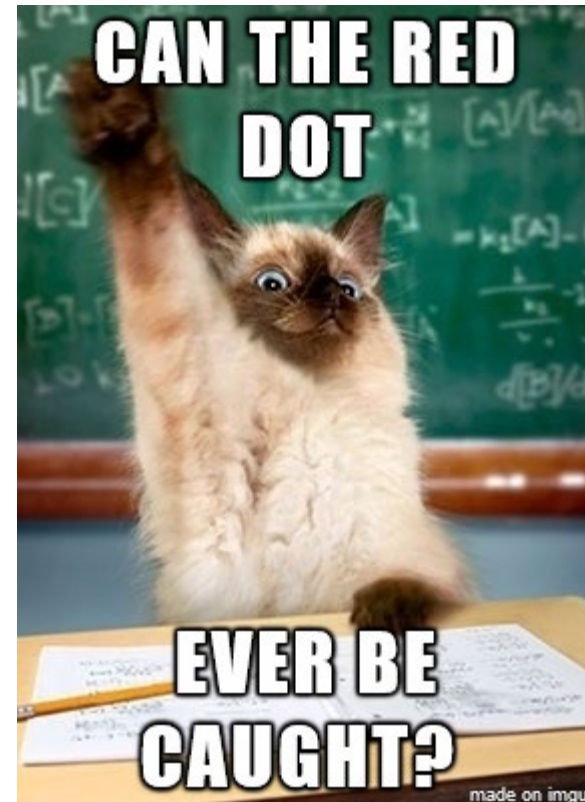


New Privately-Owned Housing Units Started: Total Units (HOUST)
Forecast as of 03/13/2024



Takeaways and Summary – Any Questions?

- It is not all gloom and doom – even though we are not called the dismal science for nothing!
- **Big issues have been consistent**
 - Interest rate policy
 - Status of inflation
 - Worker shortage
 - And they are all related!
- **What Will be the Next “Black Swan”**
 - Geopolitics – Ukraine, Taiwan, Middle East?
 - Unexpected impact of AI and technology in general



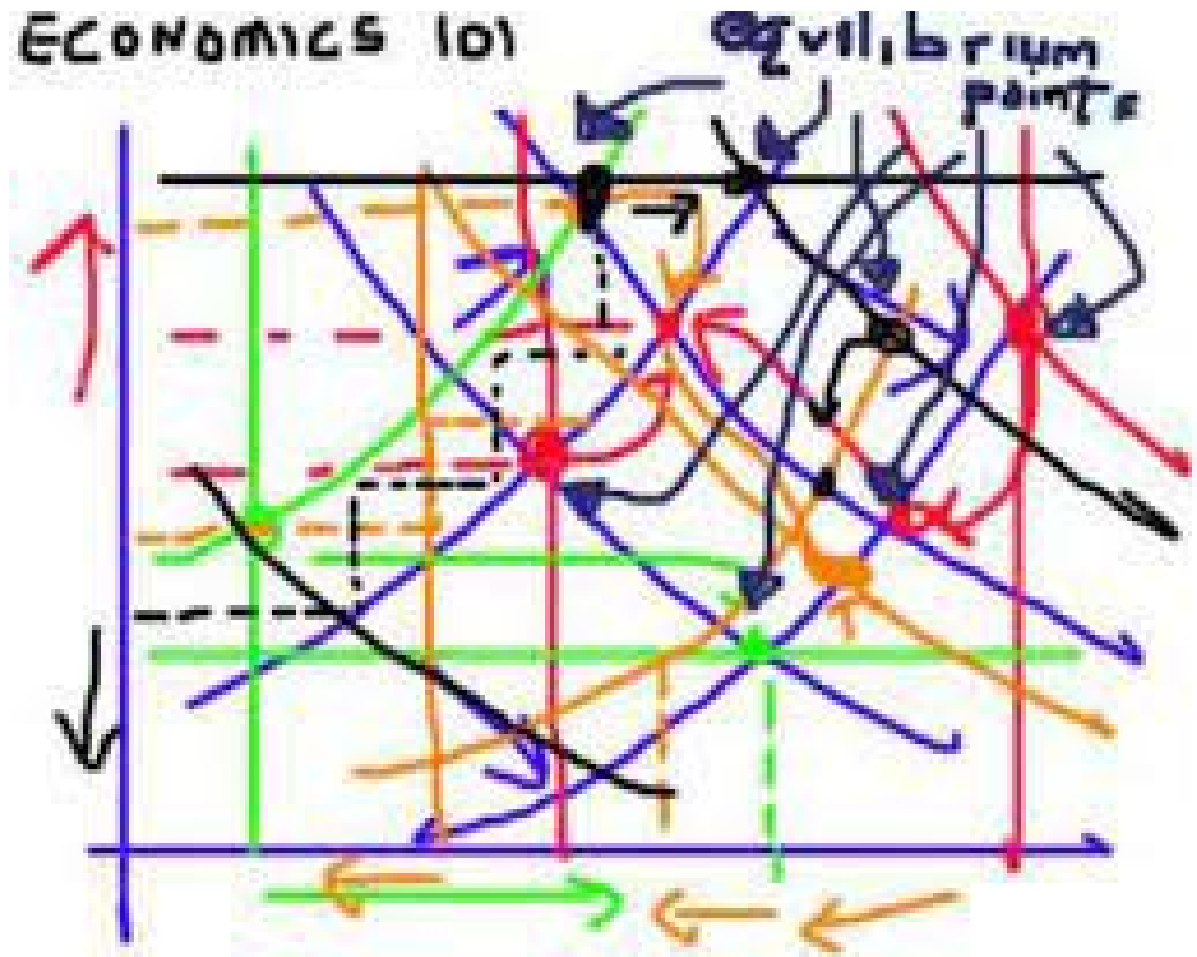
For More Enlightenment

Chris.kuehl@armadaci.com

Bonus Offer for Attendees –
Aren't You Excited? Proof that I am
as long-winded in print as in public!

Flagship – Three times a week
(MWF). \$7 per month but free trial
for a month

The Watch – \$44 monthly but free
trial for TWO months



Wrap 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.
- KMS has partnered with SolutionBrokers.US to offer a transformative virtual masterclass designed to elevate your sales and marketing strategies.
 - Two virtual events are being offered.
 - One on May 15th and the other on May 16th!
 - Register today! Select your date at www.wearekms.com/events
- In 6 months, you may be asked to provide feedback about the value of today's event.

