

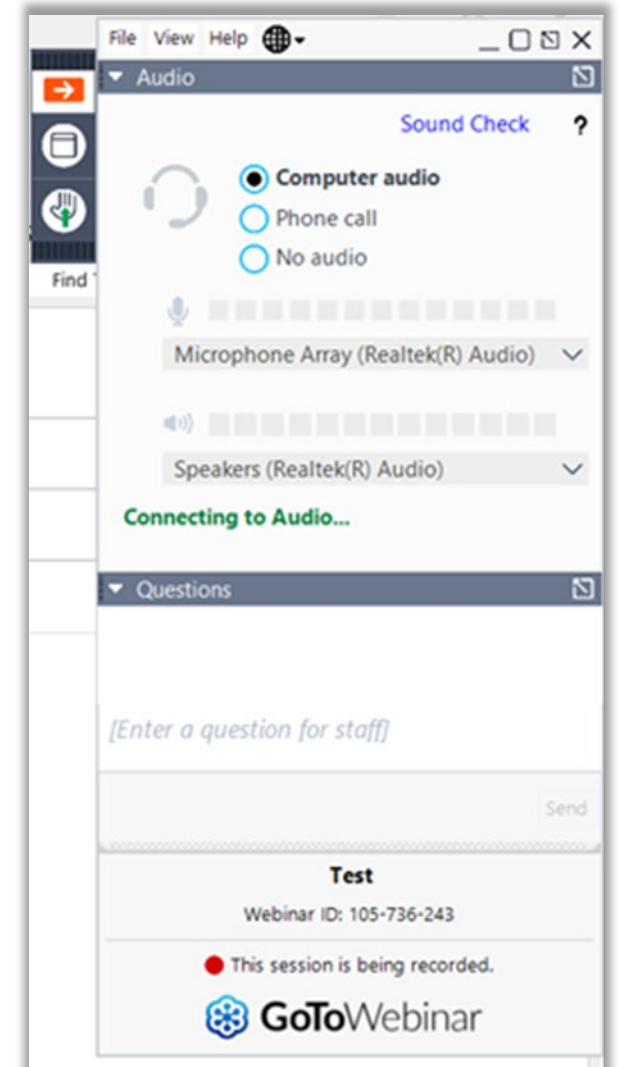
Q1'24 ECONOMIC IMPACTS ON KANSAS MANUFACTURING WEBINAR



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

“ **The core competencies of KMS are incredibly valuable whether you think you need them or not. We knew we needed the help of KMS, but we did not know how much we didn't know!** ”



Greg Summers, President, Leander, LLC





Dr. Chris Kuehl



**Managing Partner,
Armada Corporate Intelligence**



ARMADA

Global Economic Review KMS Webinar

Chris Kuehl, Managing Director

THE ONLY FUNCTION
OF ECONOMIC
FORECASTING IS TO
MAKE ASTROLOGY
LOOK RESPECTABLE.



John Kenneth Galbraith
Canadian-American Economist

QUOTEHD.COM

1908 - 2006

Key Issues for 2024

- **Interest rates – when does the Fed cut, how many times and how does this change economic expectations? Likely in third quarter but fourth 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.**

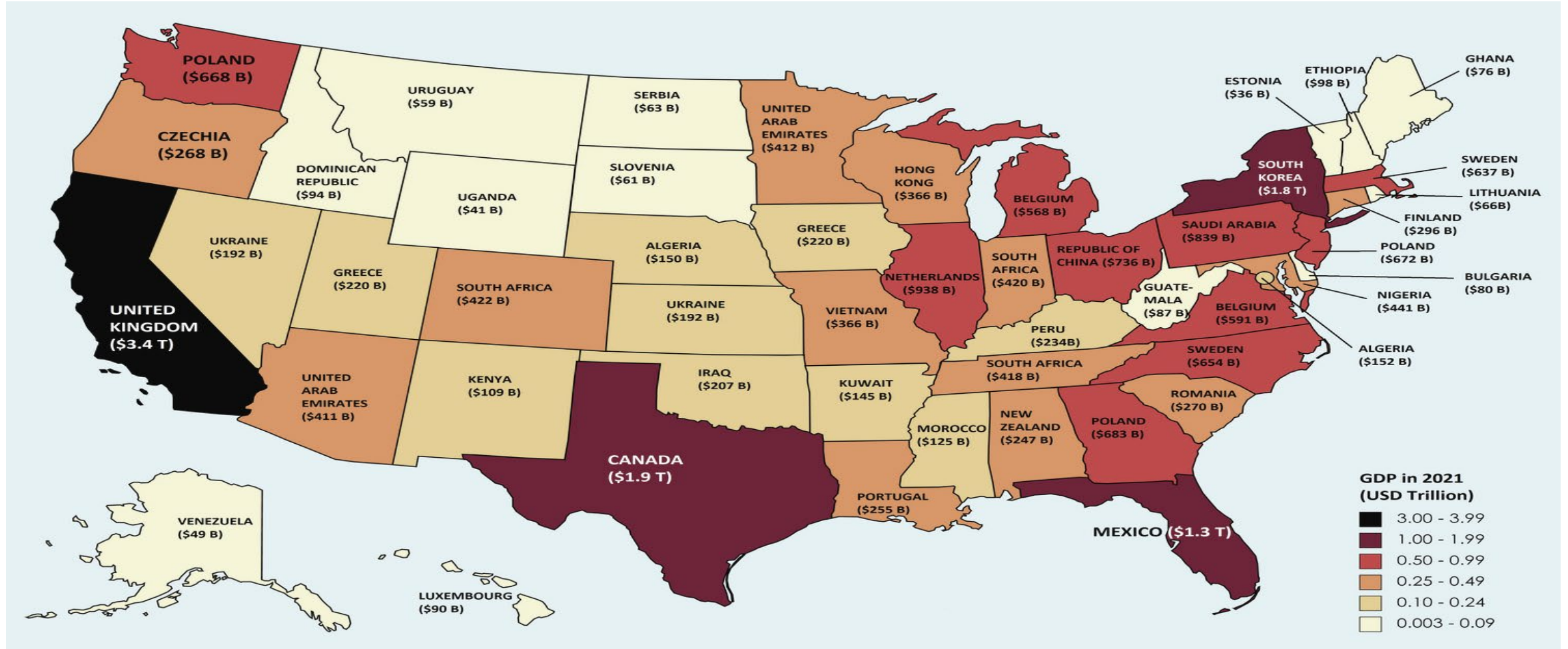
Key Global Issues

- **China's economic challenges and the expected reactions**
 - Collapse of both property market and stock market
 - Trade tensions and proposed shift to developing world
 - Deflation
- **Europe and recession threat**
 - Recent improvements in Eurozone PMI
 - Germany struggling but military investment may provide boost
 - Populism in Eastern Europe and elsewhere
- **Latin America**
 - History making in Mexico
 - Brazil's usual struggles
 - Experiments in Argentina
 - Shift to the left in Colombia – joining Bolivia, Chile, Venezuela

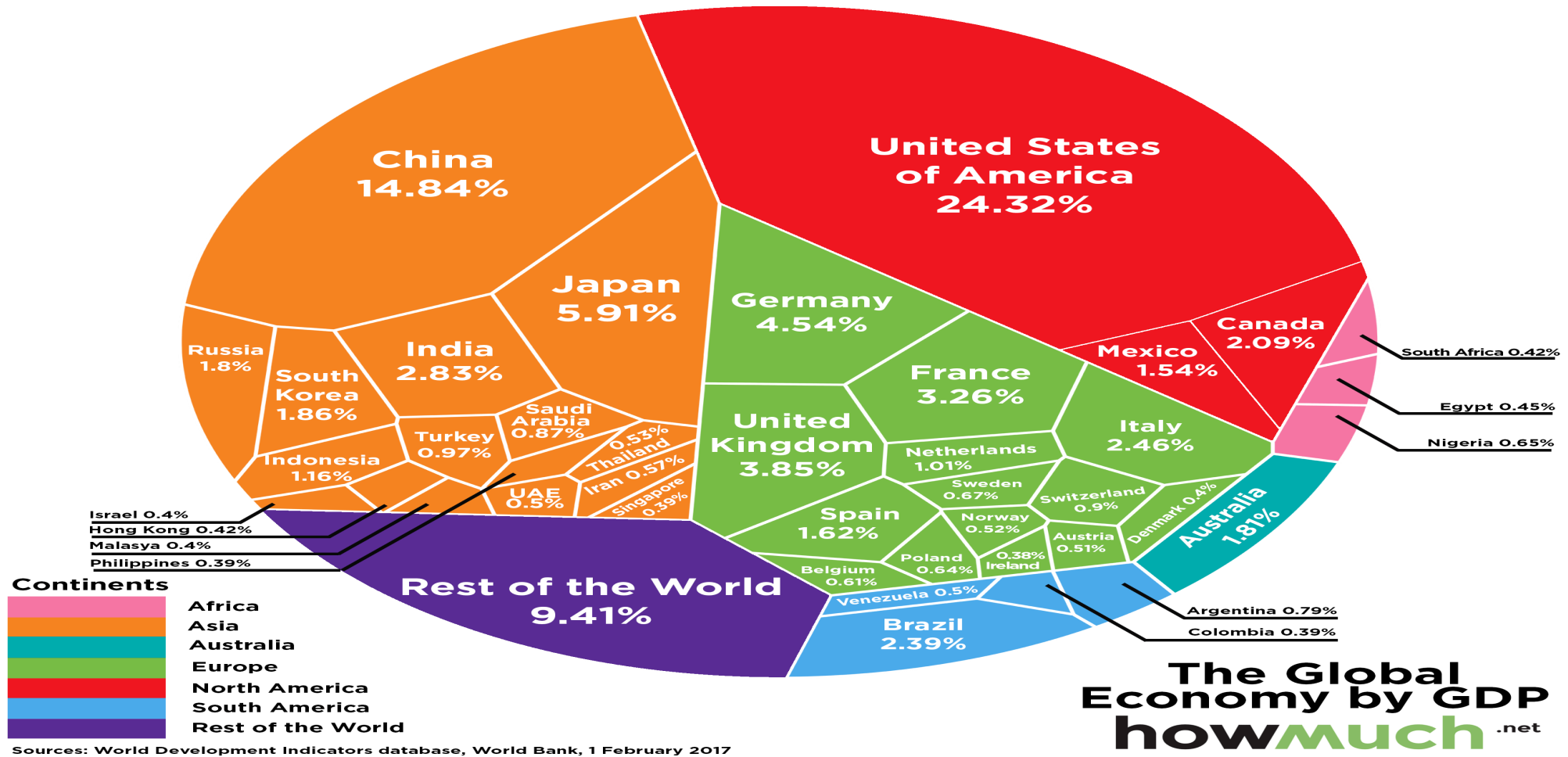
Global Hot Spots – Potential “Black Swans”

- **Russia/Ukraine – War of attrition and US/Europe losing interest in supporting Ukraine**
 - Most likely outcome is a divided Ukraine and ongoing low-level warfare
- **China and Taiwan – Threat of actual invasion has diminished**
 - Shift towards economic pressure – blockade
 - Diplomatic isolation – Taiwan no longer trusts the US will support them
- **Red Sea, Hamas, Middle East in General – Iran has become the “enabler” with support for Hamas, Hezbollah, Houthi**
 - Conflicts between Shiite and Sunni terrorists
 - Concern from nations such as Saudi Arabia and the Gulf Oil states
- **Insurgent Armies in Africa – Several coups in West Africa backed by the Wagner Group – new leader is Anton Yelizarov. Indications they are back in Ukraine war and may have African mercenaries with them**

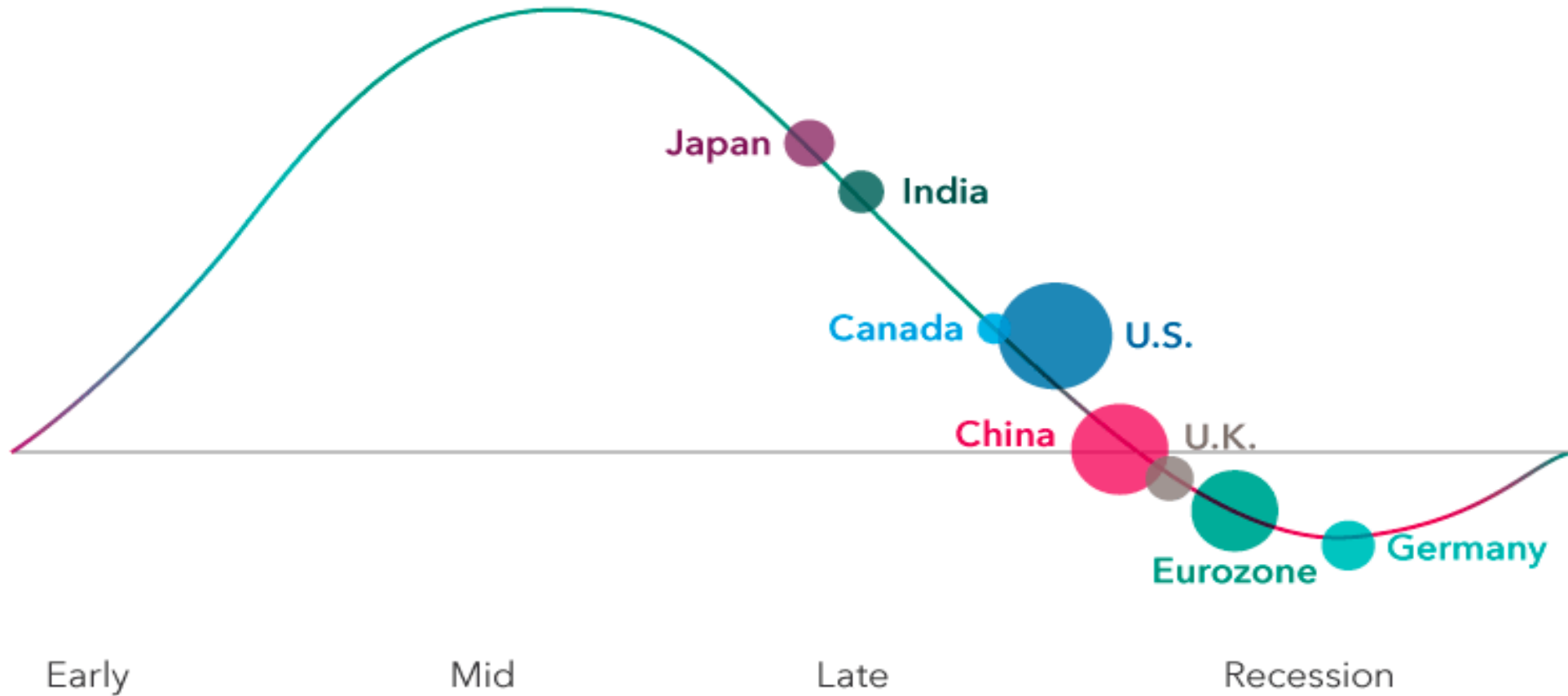
States Compared to National GDP



Big Dog and Getting Bigger

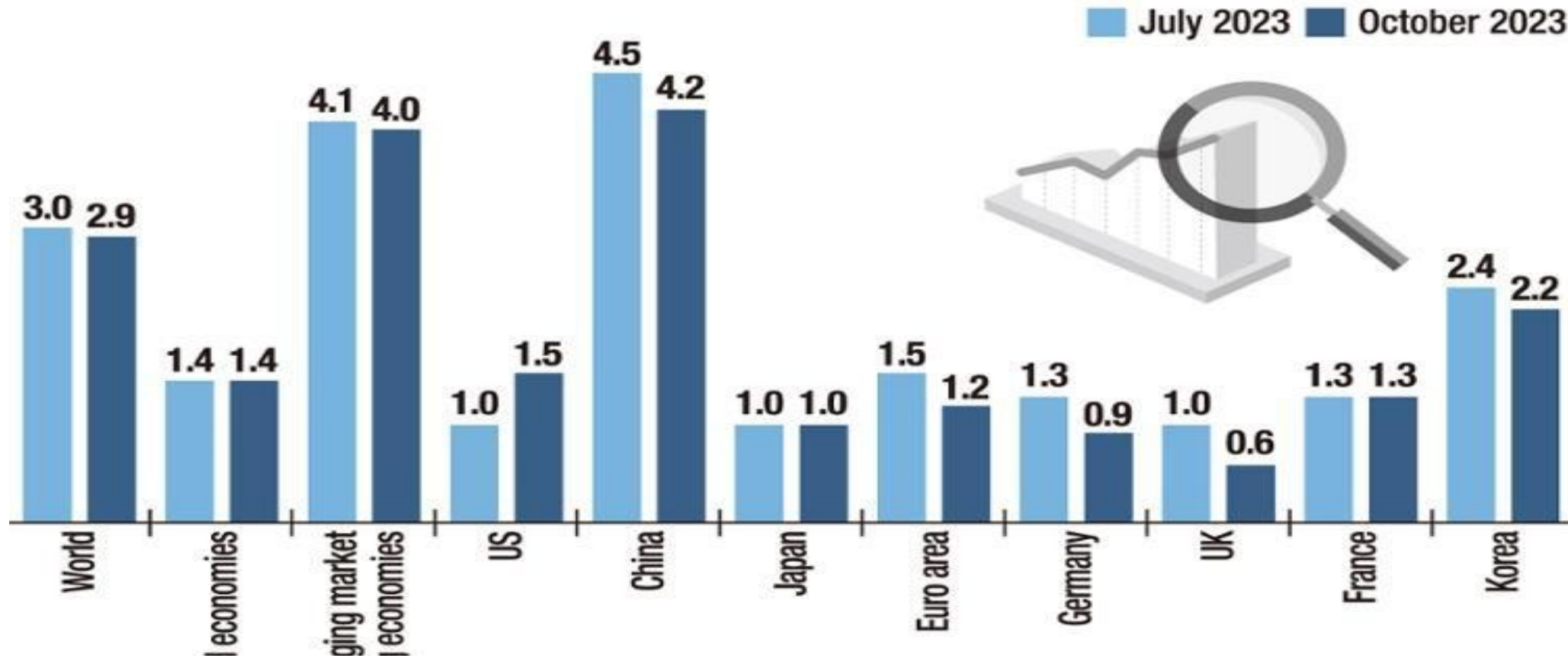


Growth Expectations in 2024



IMF's 2024 world economic outlook

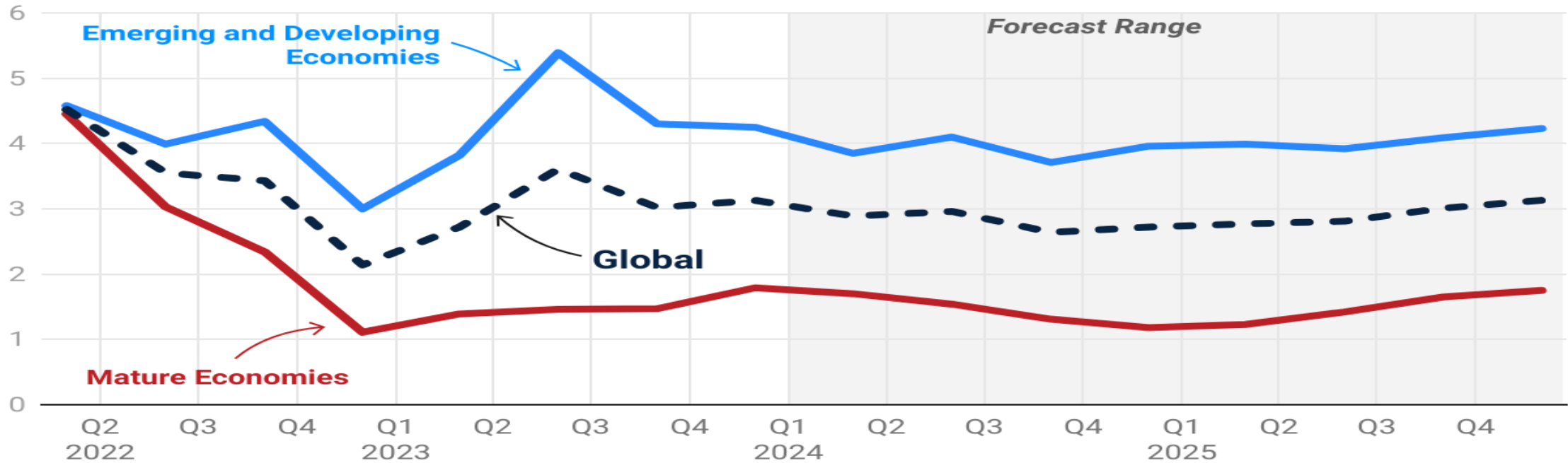
(Unit: %)



Conference Board Predictions

Global Real GDP Growth

(yr/yr % change) updated 6 February 2024

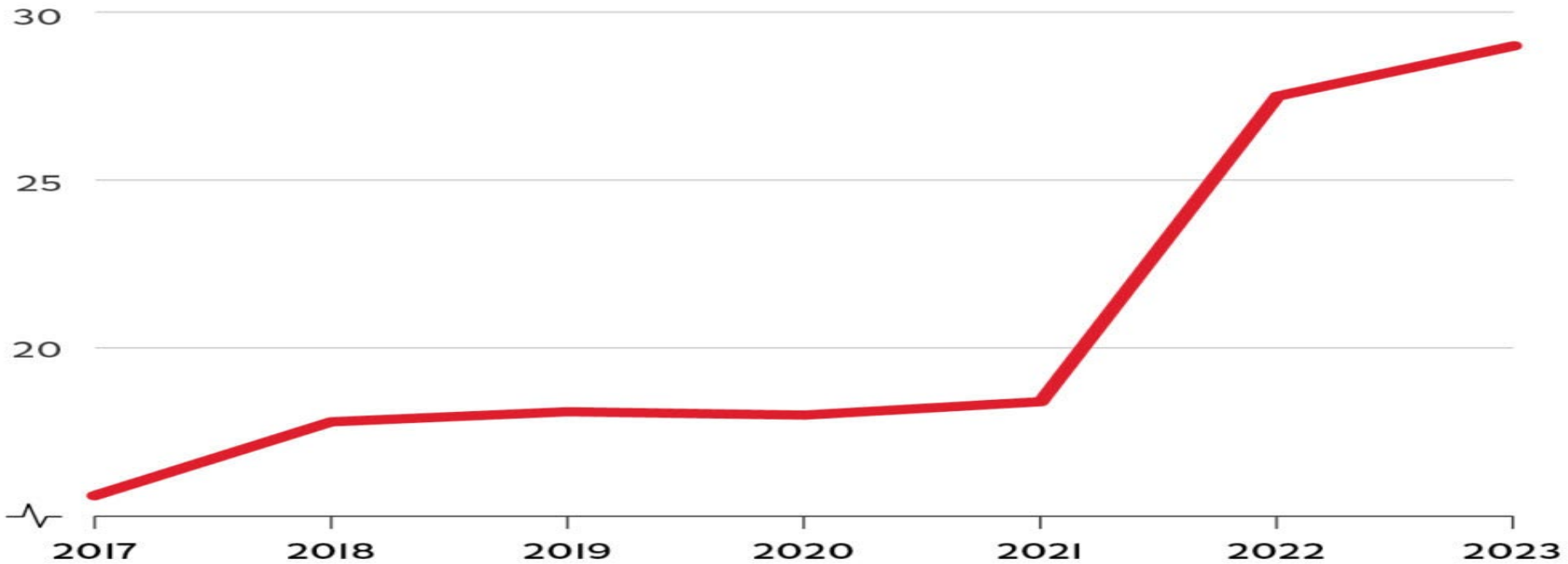


Note: Regions are aggregated based on nominal GDP in international dollars (PPP converted). Data from 2023Q4 are forecasts from The Conference Board

Source: The Conference Board Global Forecast Update (February 2024). • Created with Datawrapper

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.

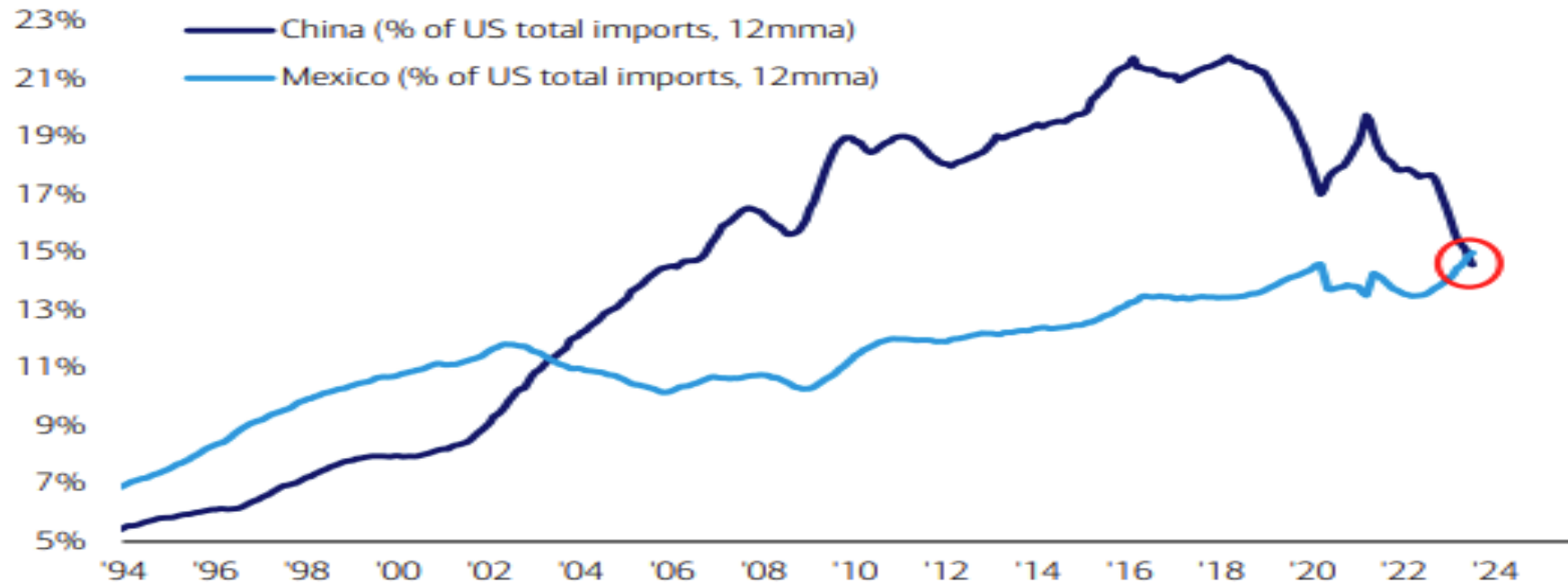
SOURCE: SECRETARÍA DE ECONOMÍA DE MÉXICO (AUGUST 2023)



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)

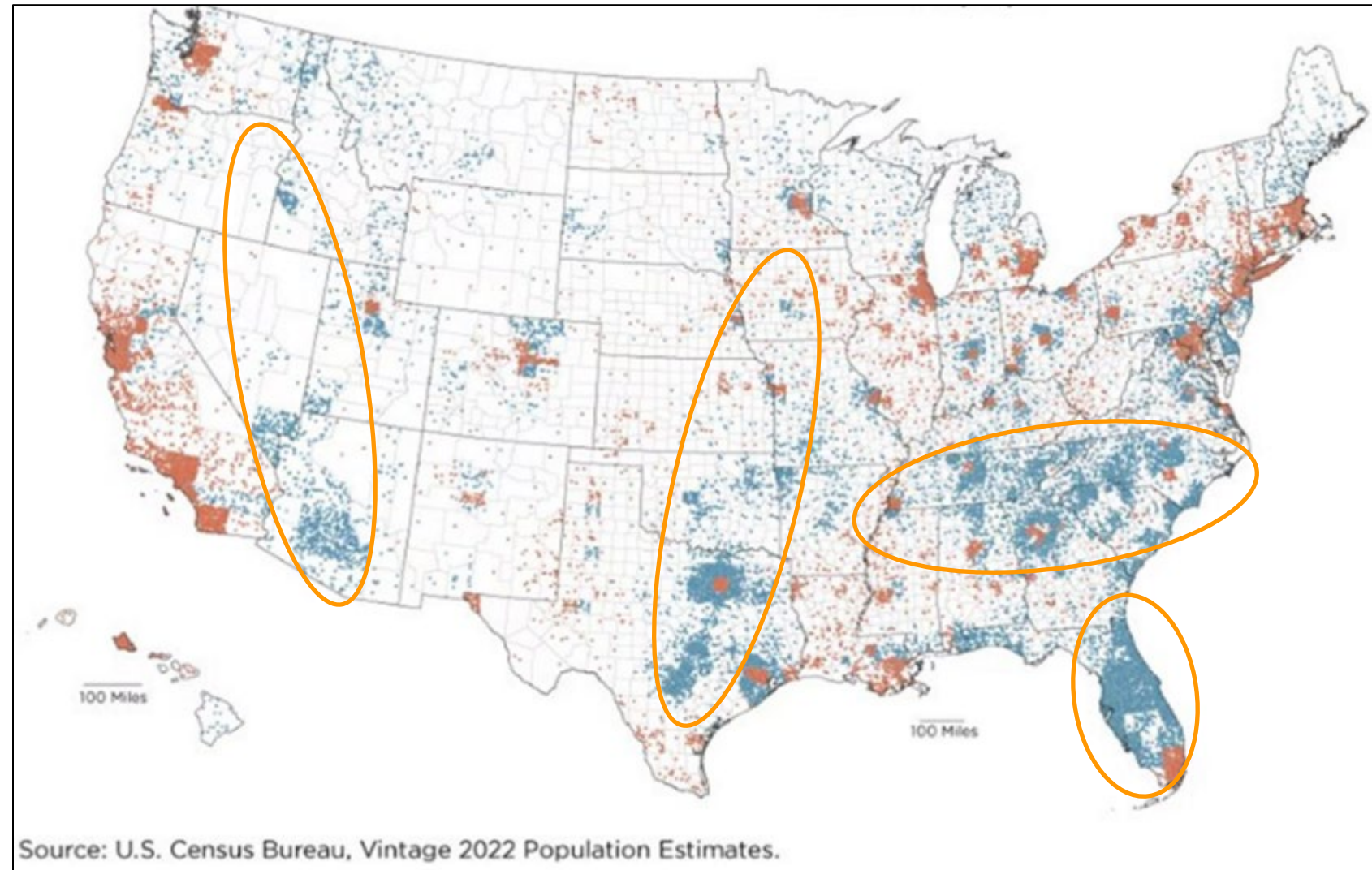


Source: BofA Global Investment Strategy, Bloomberg

Mexico Makes History – Xochitl Galvez or Claudia Scheinbaum

Where is it? Population Changes 2021 – 2022

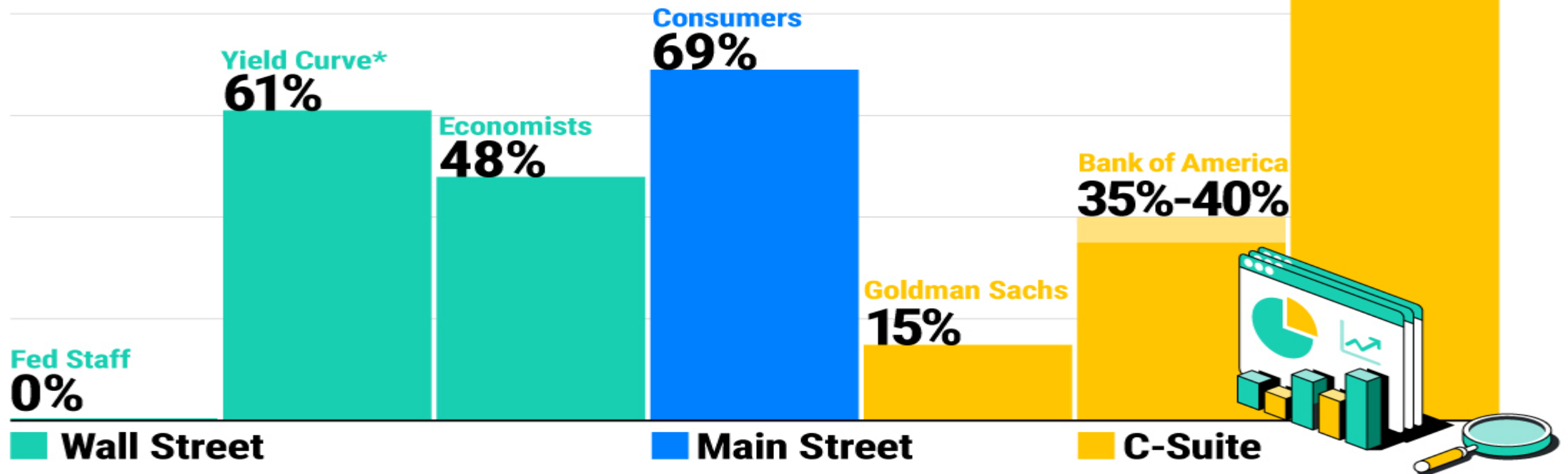
- Note the flight even out of popular (but dense) population centers like downtown Dallas and Miami, but flight to suburbs in those regions are among the fastest growth rates in the country.
- Corridors seem to be continuing to get population influxes...
 - I35 corridor
 - Tennessee Valley Region +Atlanta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



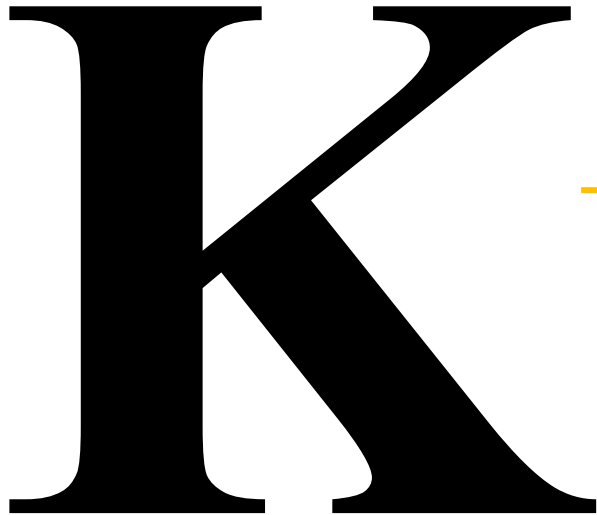
Not Much Consensus on US

2024 PROJECTIONS

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



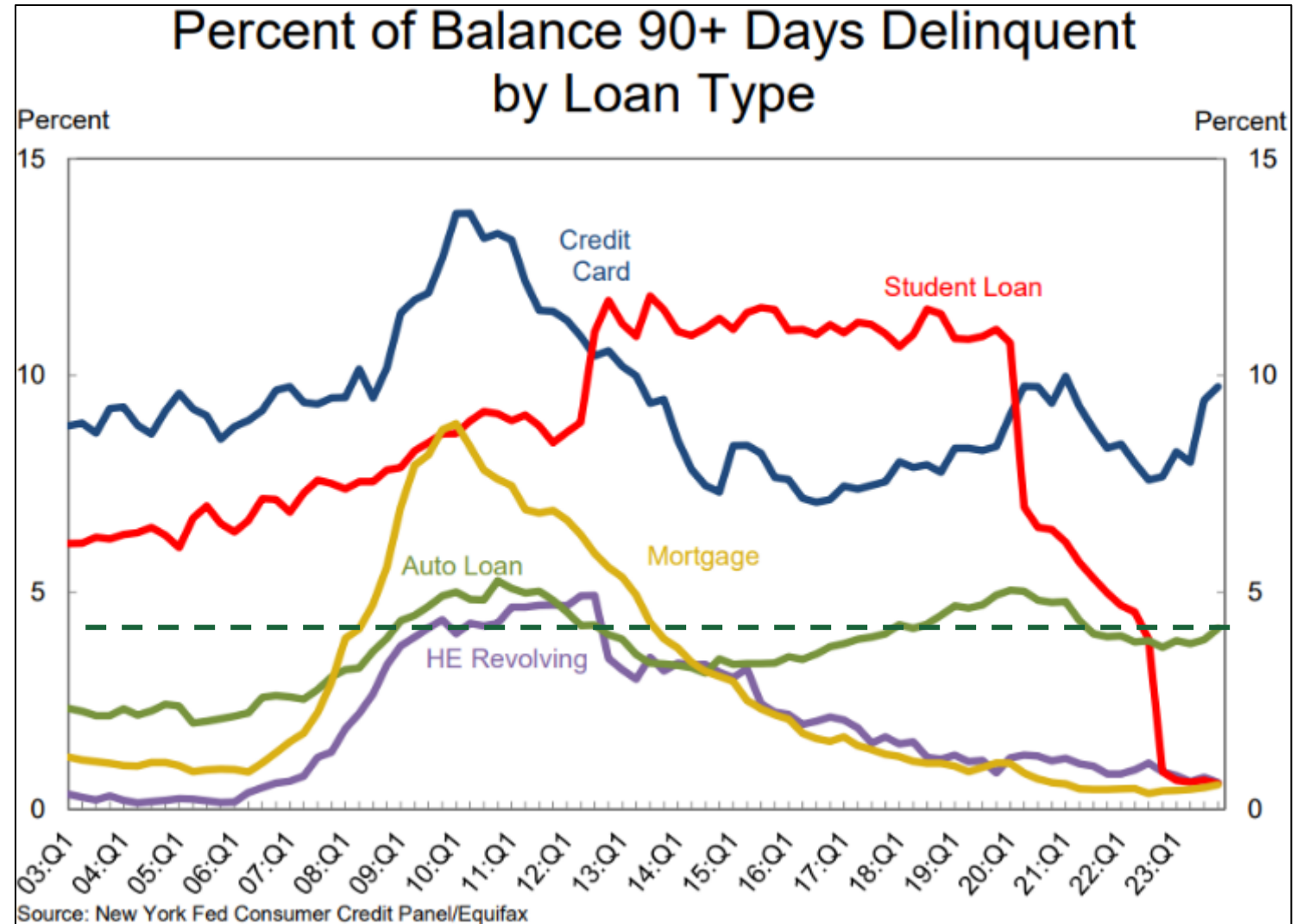
Here is the Problem: The K Shaped Recovery



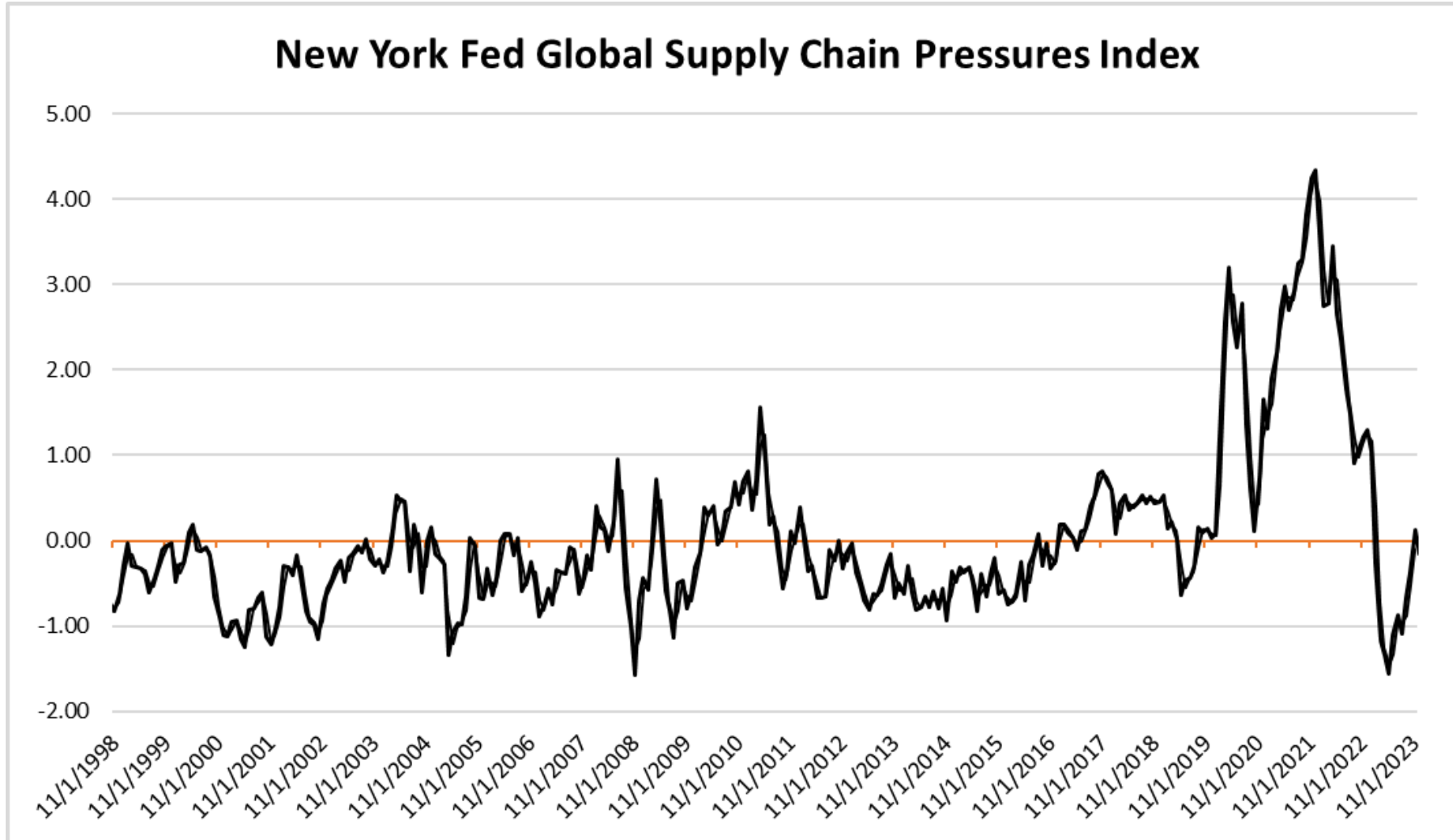
- Upper Income Households doing very, very well
- Many companies in various sectors breaking historic profit and revenue thresholds
- Middle segments are the question
- 55% Living Check-to-check
- Lower income sectors have always struggled, but are finding it more difficult under the weight of inflation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



Global Supply Chain Pressures Index Snaps in Dec/Jan



Headwind BLUF: Global Manufacturing Highlights

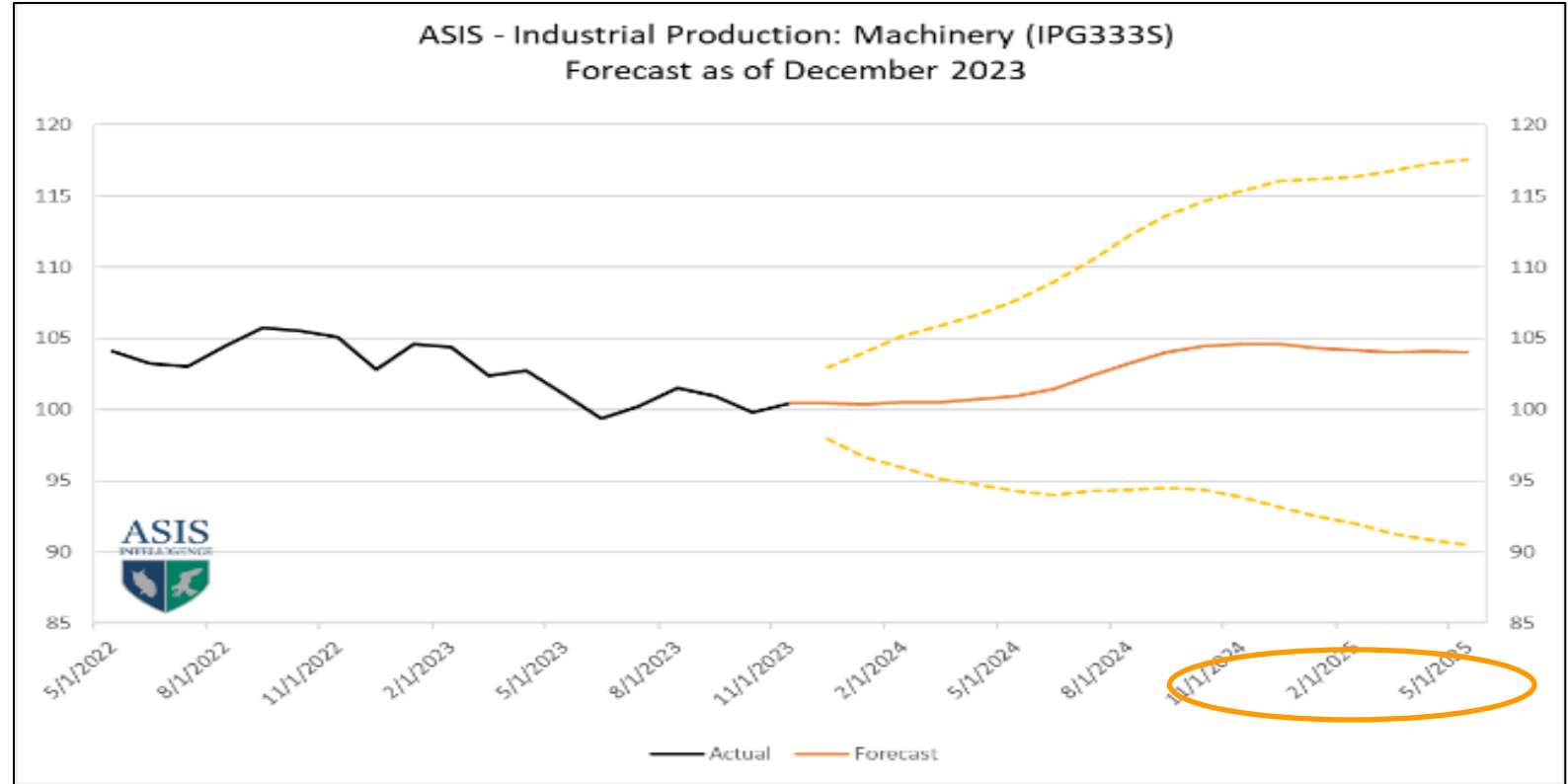
- 15 countries had manufacturing sectors in contraction in Jan
- Europe still in recession.
- Asia is reeling from lack of demand in NA and Europe
- India is booming – because of shifting sourcing patterns
- Canada in contraction, US and Mexico expanding for now
- Raw material demand and the impact of 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	Jan	50.0	49.0	1.0	Jan	52.3	51.6	0.7
Eurozone PMI	Jan	46.6	44.4	2.2	Jan	48.4	48.8	-0.4
US	Jan	50.3	47.9	2.4	Jan	52.5	51.4	1.1
China	Jan	50.8	50.8	0.0	Jan	52.7	52.9	-0.2
Canada	Jan	48.3	45.4	2.9	Jan	45.8	44.6	1.2
Mexico	Jan	50.2	52.0	-1.8				
Japan	Jan	48.0	47.9	0.1	Jan	53.1	51.5	1.6
Germany	Jan	45.5	43.3	2.2	Jan	47.7	49.3	-1.6
South Korea	Jan	51.2	49.9	1.3				
UK	Jan	47.0	46.2	0.8	Jan	54.3	53.4	0.9
France	Jan	43.1	42.1	1.0	Jan	45.4	45.7	-0.3
India	Jan	56.5	54.9	1.6	Jan	61.8	59.0	2.8
Italy	Jan	48.5	45.3	3.2	Jan	51.2	49.8	1.4
Taiwan	Jan	48.8	47.1	1.7				
Brazil	Jan	52.8	48.4	4.4	Jan	53.1	50.5	2.6
Spain	Jan	49.2	46.2	3.0	Jan	52.1	51.5	0.6
Russia	Jan	52.4	54.6	-2.2	Jan	55.8	56.2	-0.4
Netherlands	Jan	48.9	44.8	4.1				
Ireland	Jan	49.5	48.9	0.6	Dec	53.2	54.2	-1.0
Greece	Jan	54.7	51.3	3.4				
Poland	Jan	47.1	47.4	-0.3				
ASEAN	Jan	50.3	49.7	0.6				
Vietnam	Jan	50.3	48.9	1.4				
Philippines	Jan	50.9	51.5	-0.6				
Australia	Jan	50.1	47.6	2.5	Jan	49.1	47.1	2.0
Switzerland	Jan	43.1	43.0	0.1				
Hong Kong	Jan	49.9	51.3	-1.4				
Singapore	Jan	50.7	50.5	0.2				
Indonesia	Jan	52.9	52.2	0.7				
Thailand	Jan	46.7	45.1	1.6				

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

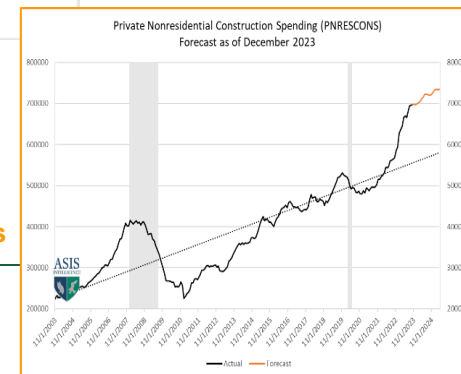
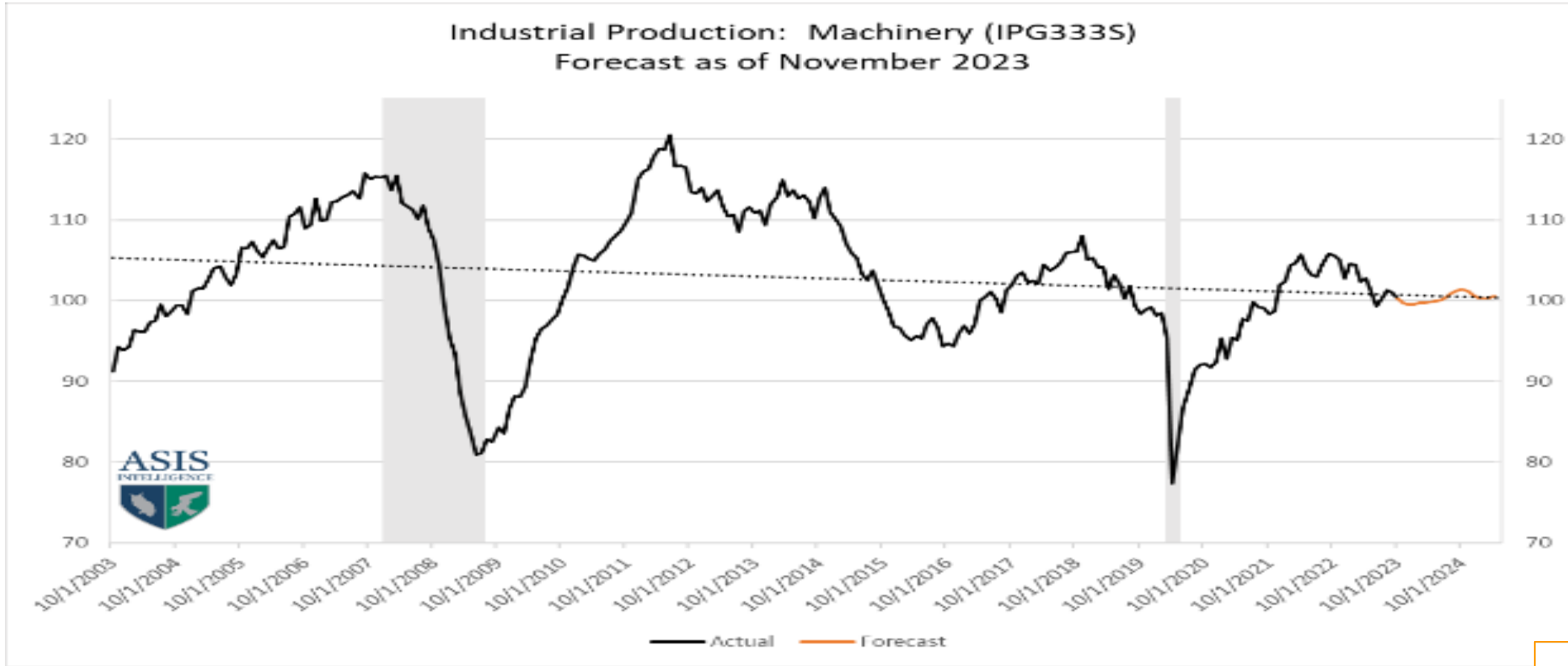
Diesel forecast:	
• 2021	\$3.29
• 2022	\$5.02
• 2023	\$4.22
• 2024	\$3.95

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

Source: EIA; Baker Hughes; Conoco-Philips

Machinery Production Forecast from The Watch

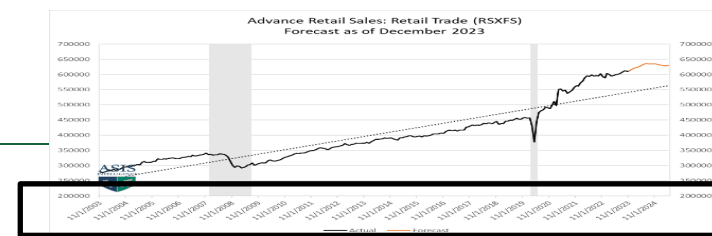
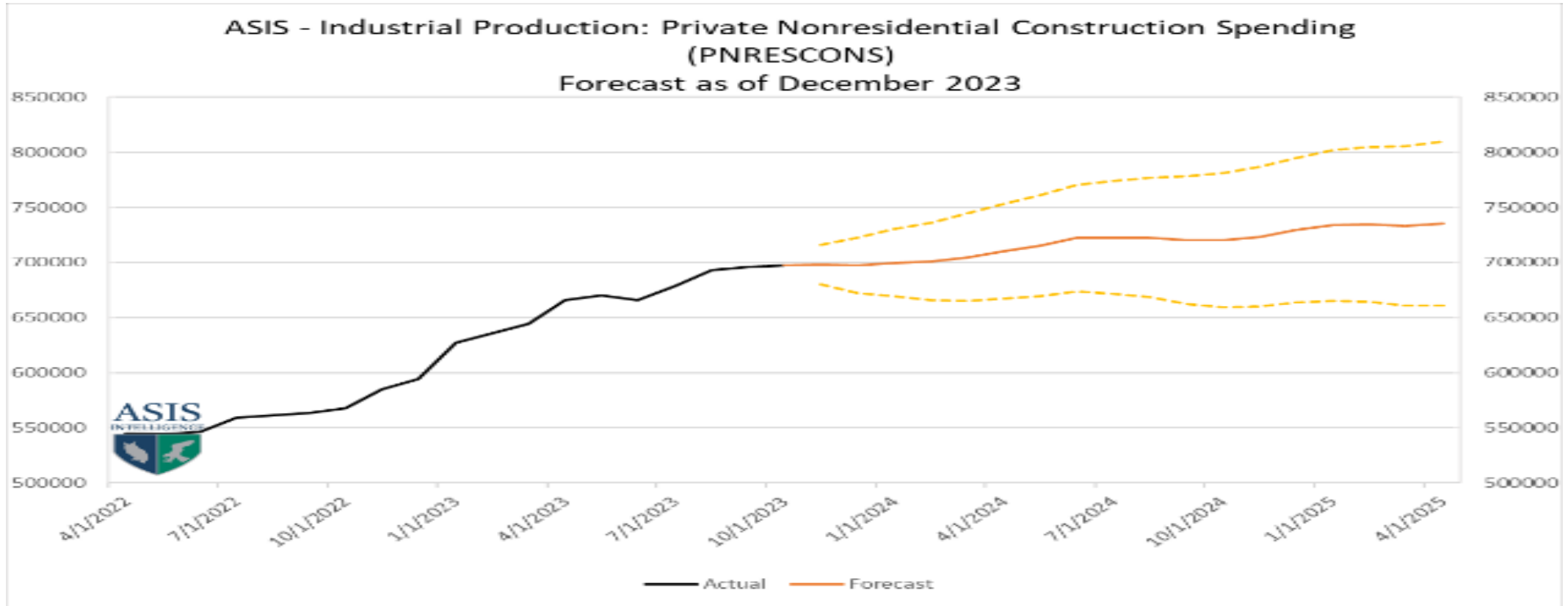
	1-Month	3-Month	6-Month
Industrial Production: Manufacturing	95.115%	98.581%	
Aerospace and Miscellaneous Transportative Equipment	99.551%	97.337%	97.971%
Computer and Electronic Product	99.367%	96.797%	97.002%
Electrical Equipment, Appliance, and Component	98.383%	95.496%	98.879%
Fabricated Metal Product	99.072%	95.419%	99.370%
Machinery	99.333%	95.656%	99.244%
Motor Vehicles and Parts	91.747%	91.676%	91.515%
Primary Metal	99.554%	94.351%	99.335%
Average	99.393%	97.312%	97.967%



Accuracy Rates

Growth Forecast: Nonresidential Construction Forecast from The Watch

	1-yr	3-yr	5-yr
Industrial Production: Manufacturing	95.11%	96.11%	98.58%
Aerospace and Miscellaneous Transportative Equipment	99.55%	97.33%	97.97%
Computer and Electronic Product	99.86%	96.79%	97.00%
Electrical Equipment, Appliance, and Component	98.38%	95.49%	98.87%
Fabricated Metal Product	99.07%	95.41%	99.37%
Machinery	99.33%	95.69%	99.24%
Motor Vehicles and Parts	91.74%	91.64%	91.51%
Primary Metal	99.55%	94.35%	99.33%
Average	98.99%	97.31%	97.96%

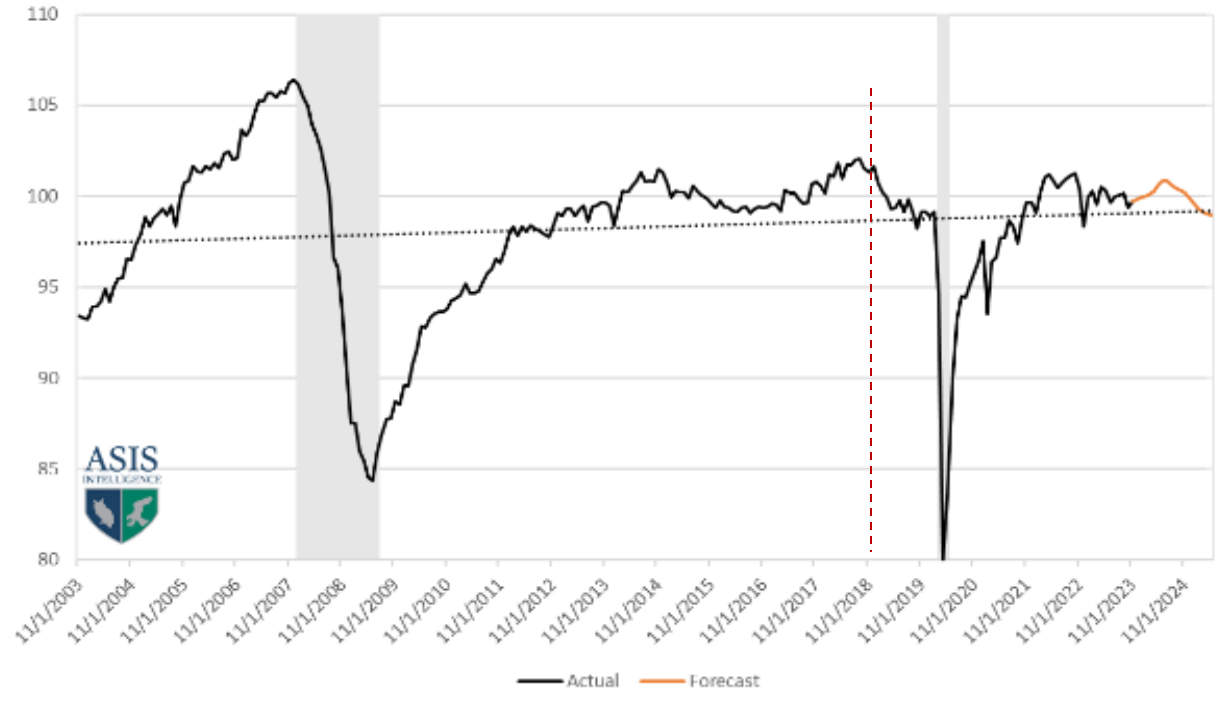


Forecast Growth: Retail Spending (Consumer Spending)

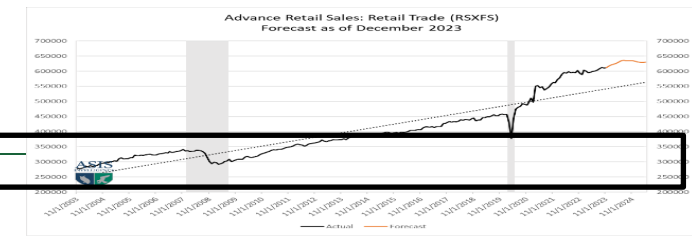
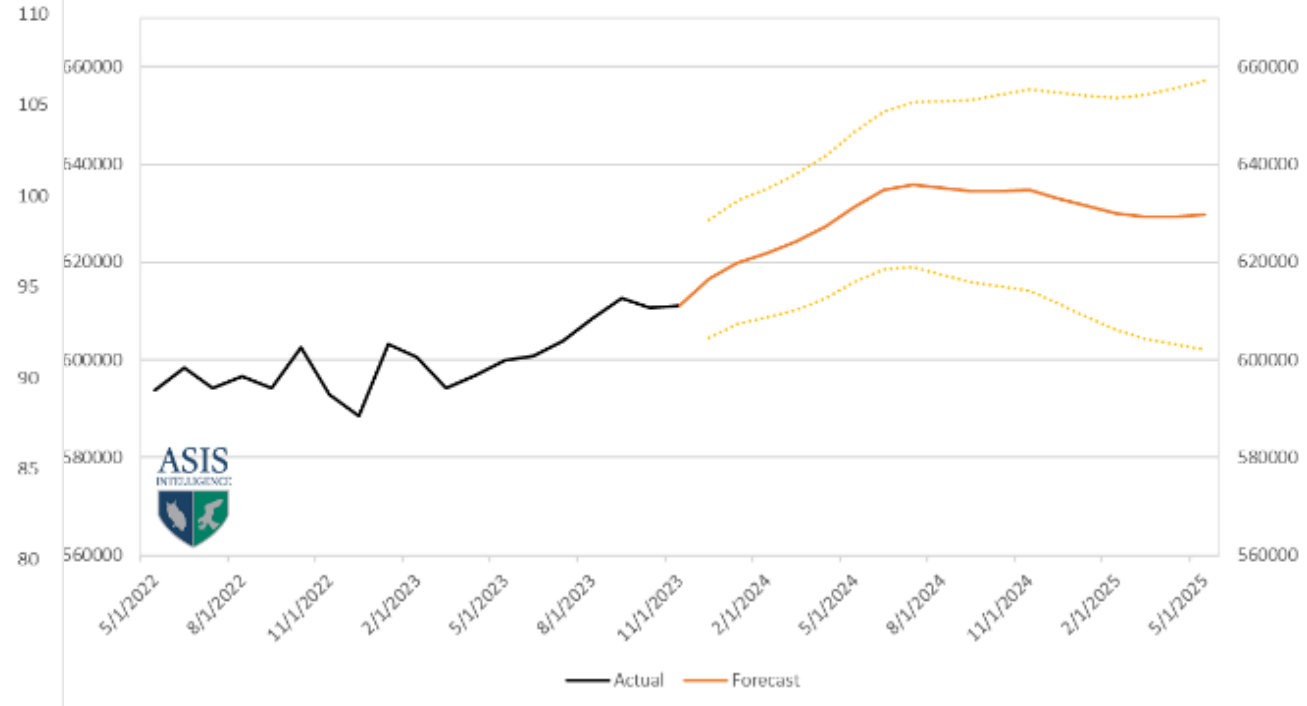
Forecast from The Watch

	1-Year	3-Month	6-Month
Industrial Production: Manufacturing (IPMAN)	95.11%	96.11%	98.84%
Aerospace and Miscellaneous Transportation Equipment	99.55%	97.33%	97.97%
Computer and Electronic Product	99.80%	98.79%	97.00%
Electrical Equipment, Appliance, and Component	98.38%	95.48%	98.87%
Fabricated Metal Product	99.07%	95.40%	99.37%
Machinery	99.33%	95.68%	99.24%
Motor Vehicles and Parts	91.74%	91.64%	91.51%
Primary Metal	99.55%	94.35%	99.33%
Average	98.89%	97.32%	97.96%

Industrial Production: Manufacturing (IPMAN)
Forecast as of December 2023



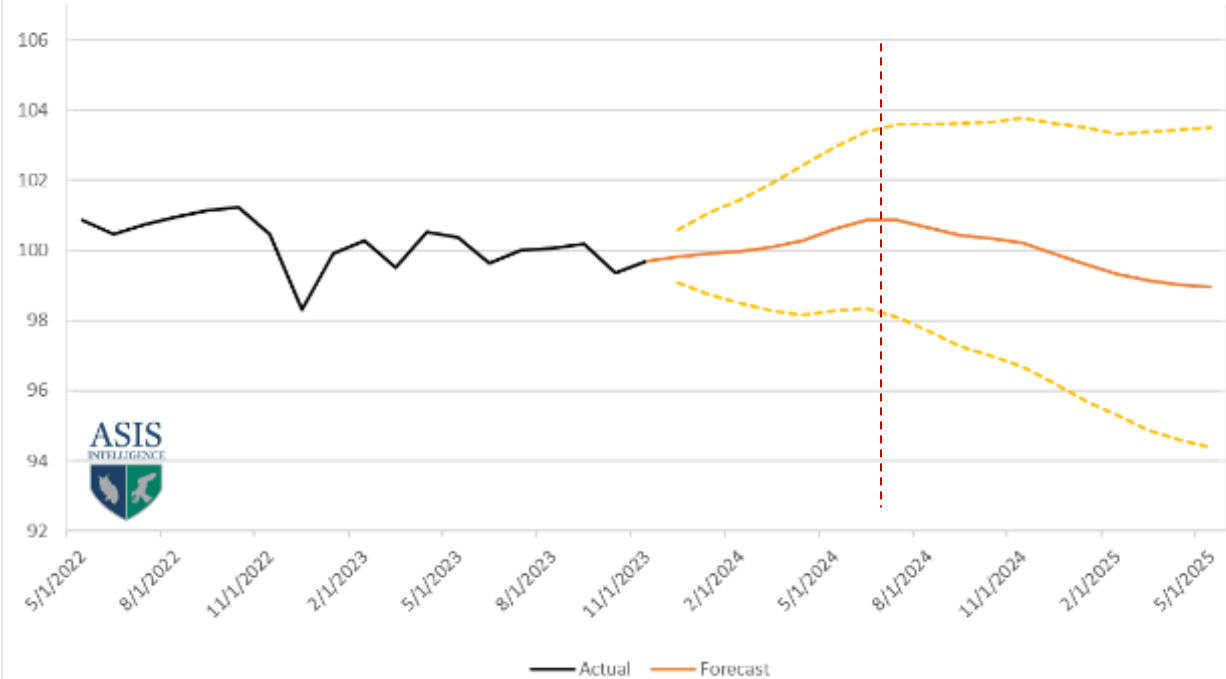
Advance Retail Sales: Retail Trade (RSXFS)
Forecast as of December 2023



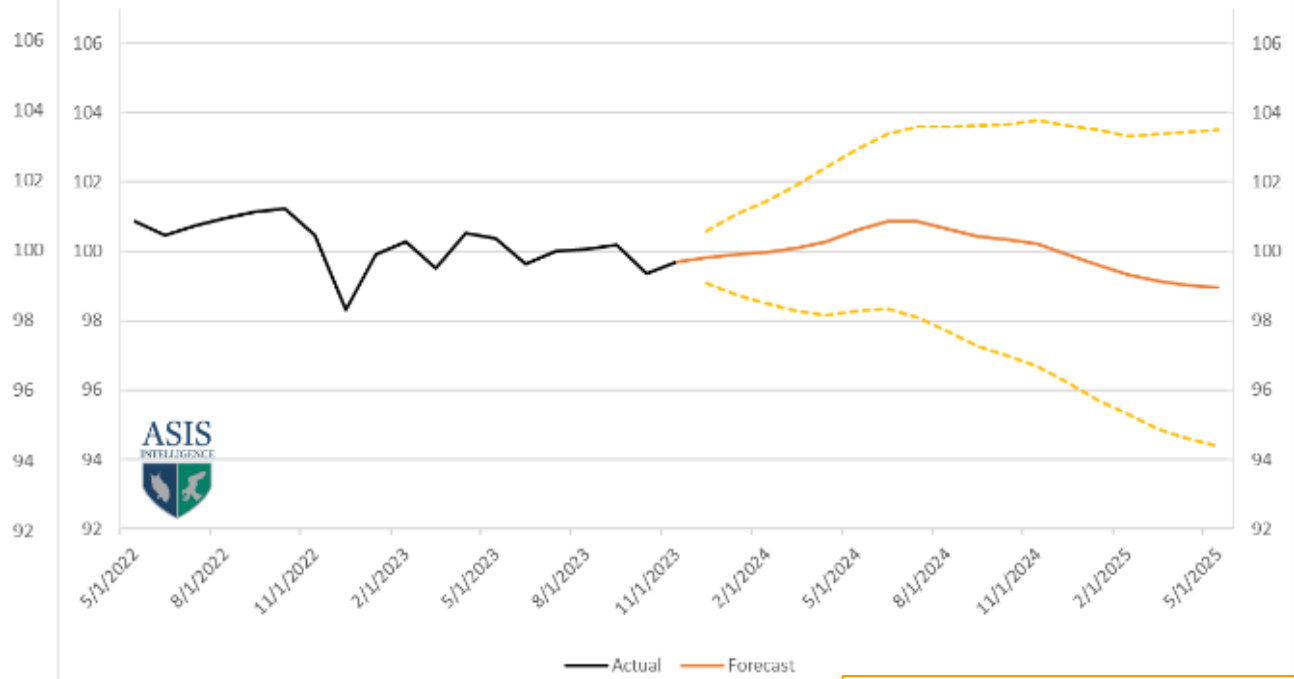
Broad Manufacturing Forecast from The Watch

	1-6mo	3-12mo	6-18mo
Industrial Production: Manufacturing (IPMAN)	95.115%	98.581%	98.581%
Aerospace and Miscellaneous Transportation Equipment	99.551%	97.317%	97.971%
Computer and Electronic Product	99.367%	96.797%	97.007%
Electrical Equipment, Appliance, and Component	98.383%	95.486%	98.879%
Fabricated Metal Product	99.072%	95.419%	99.370%
Machinery	99.333%	95.656%	99.244%
Motor Vehicles and Parts	91.747%	91.676%	91.519%
Primary Metal	99.554%	94.351%	99.335%
Average	99.393%	97.312%	97.967%

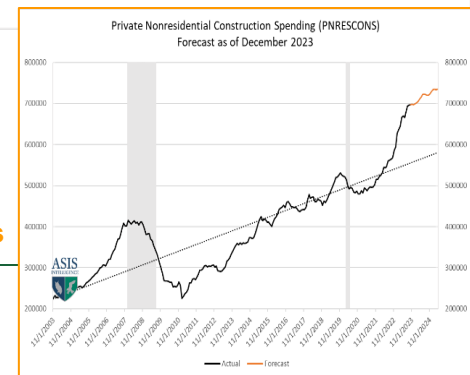
ASIS - Industrial Production: Manufacturing (IPMAN)
Forecast as of December 2023



ASIS - Industrial Production: Manufacturing (IPMAN)
Forecast as of December 2023



Accuracy Rates



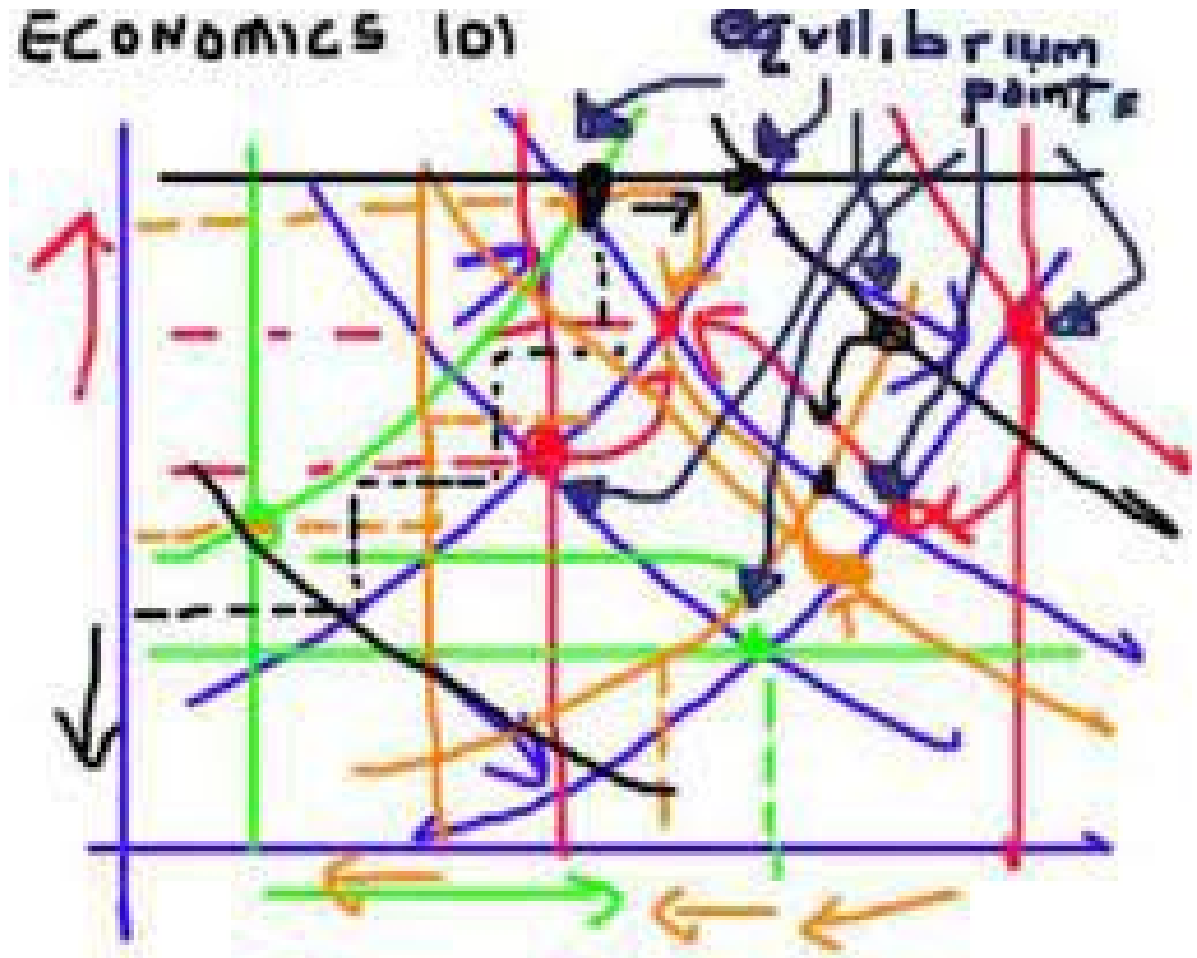
For More Enlightenment

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.
- A link to a 5-question survey about this event will also be in the email.
- The next webinar is *Preparing for an OSHA Audit* on March 14th
- Thanks for joining us today!

