



ARMADA

# **Year of the Rooster – Time to Wake Up? Economy in 2017**

## **Riemer Annual Conference**

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**Economic Analyst – FMA, NACM, Riemer**

# biting Can be a Virtue

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## AMBITION

THE JOURNEY OF A THOUSAND MILES SOMETIMES ENDS VERY, VERY BADLY.

# Reality Check

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## **Started in 2016 – Continues into 2017**

- Rates**
- Dollar**
- Inflation**

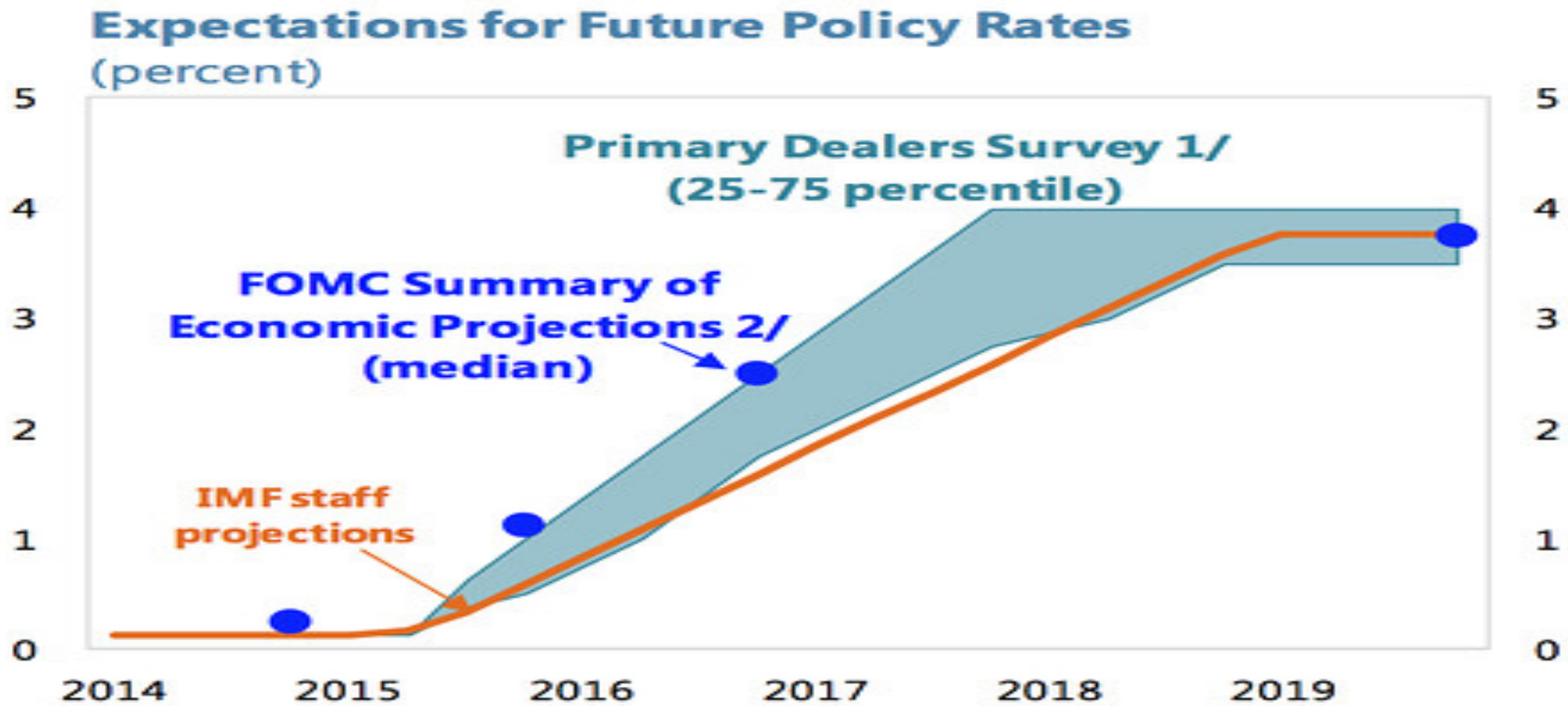
## **Presidential Limitations**

- Infrastructure – spending bills require 60 Senate votes**
- Tax reform – revenue neutral or not**
- Regulatory reform – most will require court challenges**
- Trade issues – takes two to tango and retaliation is a reality**

## **Role of Congress in Budget Setting**

# recasts for Rate Hikes

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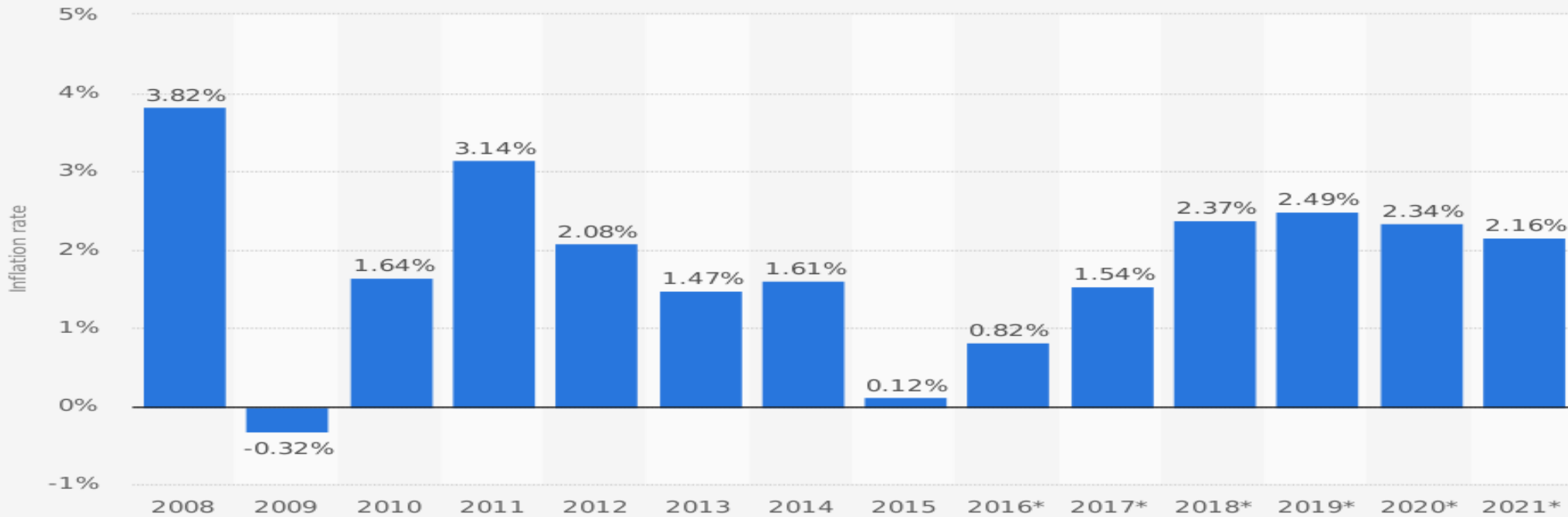


Sources: Federal Reserve Board, Federal Reserve Bank of New York; IMF staff estimates.

# Projected Inflation Rate

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**Projected annual inflation rate in the United States from 2008 to 2021\***



Source:  
IMF  
© Statista 2017

Additional Information:  
United States; 2008 to 2015

statista

# Dollar Rise

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**Exhibit 1: We expect the euro will fall by 10% during the next 12 months as of March 13, 2015**



# **likely Trump Winners**

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## **Energy Sector**

- Keystone pipeline will be built**
- Investment in nuclear power likely**
- More off-shore drilling**
- Climate change is no longer an issue – return to coal**

## **Some domestic manufacturing**

- Automotive**
- Aerospace**
- Import sensitive**

## **Infrastructure sector**

- Roads and bridges**
- New airports and seaports**
- Major question is how to pay for it**

# **Key Trump Losers**

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**Companies involved in either import or export – at least for a while.**

**Depends on the tariff battle**

**Health care sector – at least for a while**

**Agriculture – but not directly due to new policies**

**Immigrant dependent sectors**

- High tech, engineering and medical**
- Agriculture**
- Construction**
- Food service**



# Are BIG and that can be an Issue



# How is a Successful Economy Measured?

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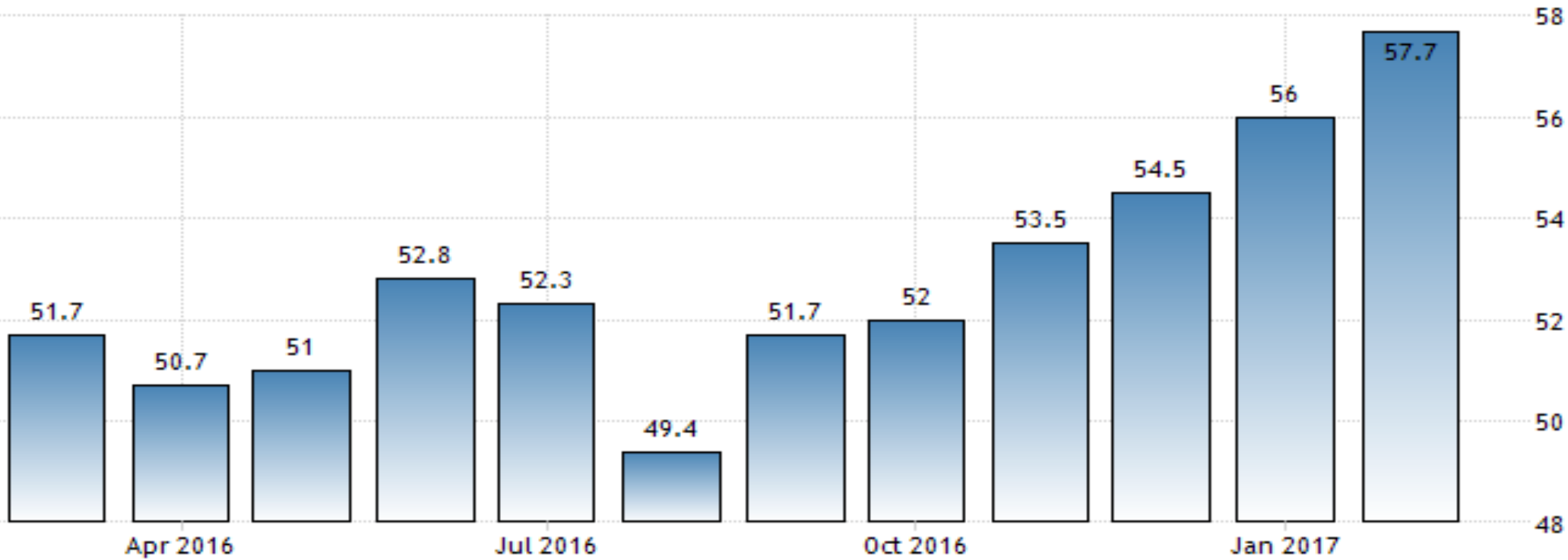
**There is no one answer to this – it depends on what is important to the individual. These are the markers most often used.**

- **GDP growth**
- **Jobless rate – plus all those job related statistics such as workforce participation,**
- **Inflation rate**
- **Industrial production, durable goods orders, capacity utilization and other sector measures**
- **PMI and CMI data**
- **Housing data – starts, existing home sales, cost of a house, rental rates**
- **Exports and imports**
- **Wage rates and growth – level of household wealth**

# ove 50 and Rising

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US ISM PURCHASING MANAGERS INDEX (PMI)

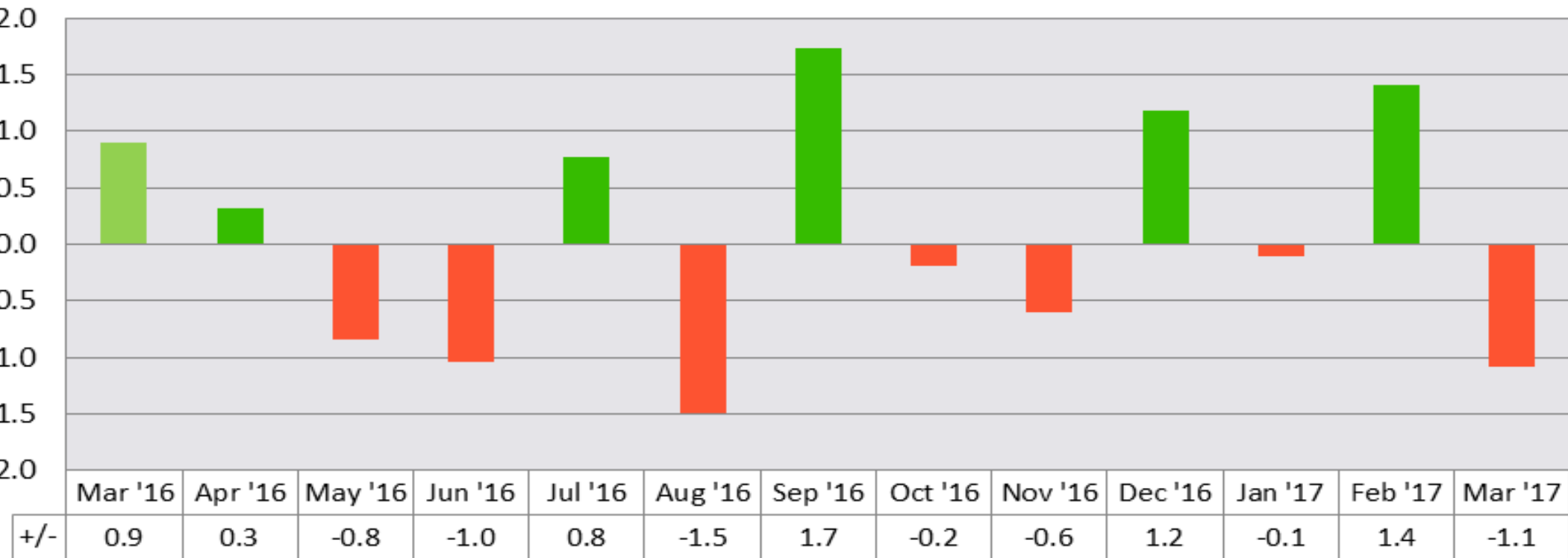


SOURCE: WWW.TRADINGECONOMICS.COM | INSTITUTE FOR SUPPLY MANAGEMENT

# II Trend

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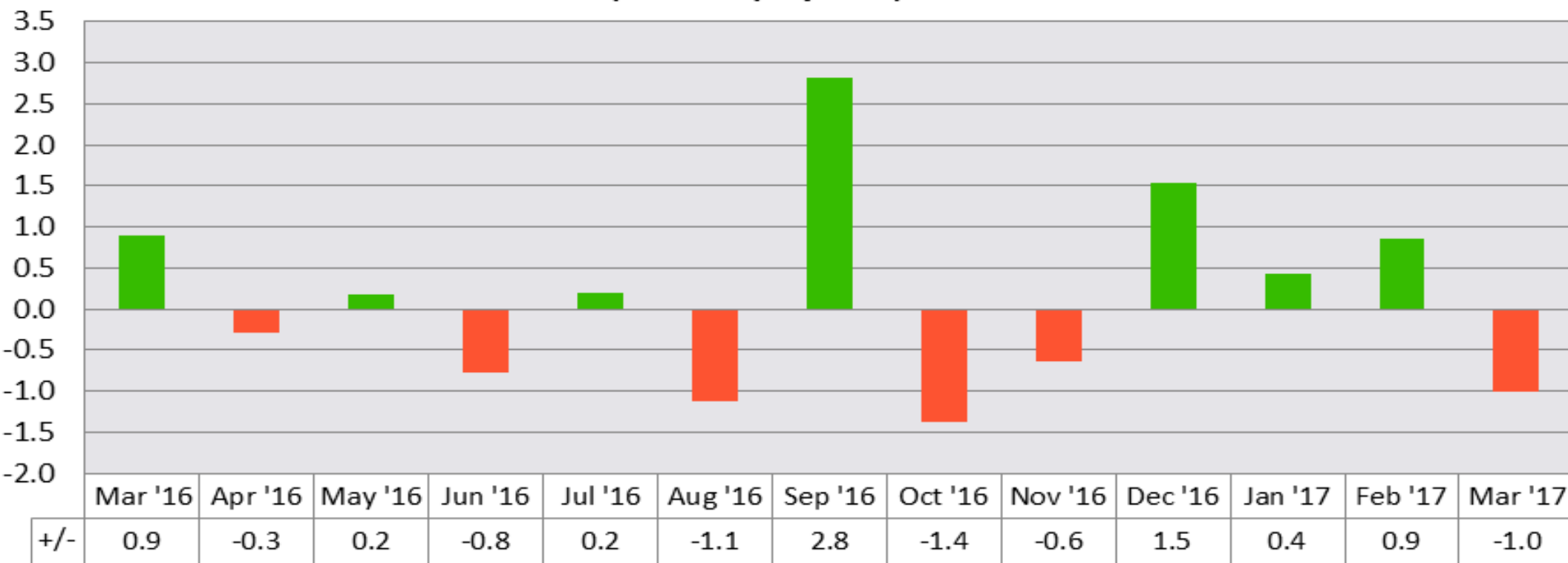
**Combined Index Monthly Change**  
(seasonally adjusted)



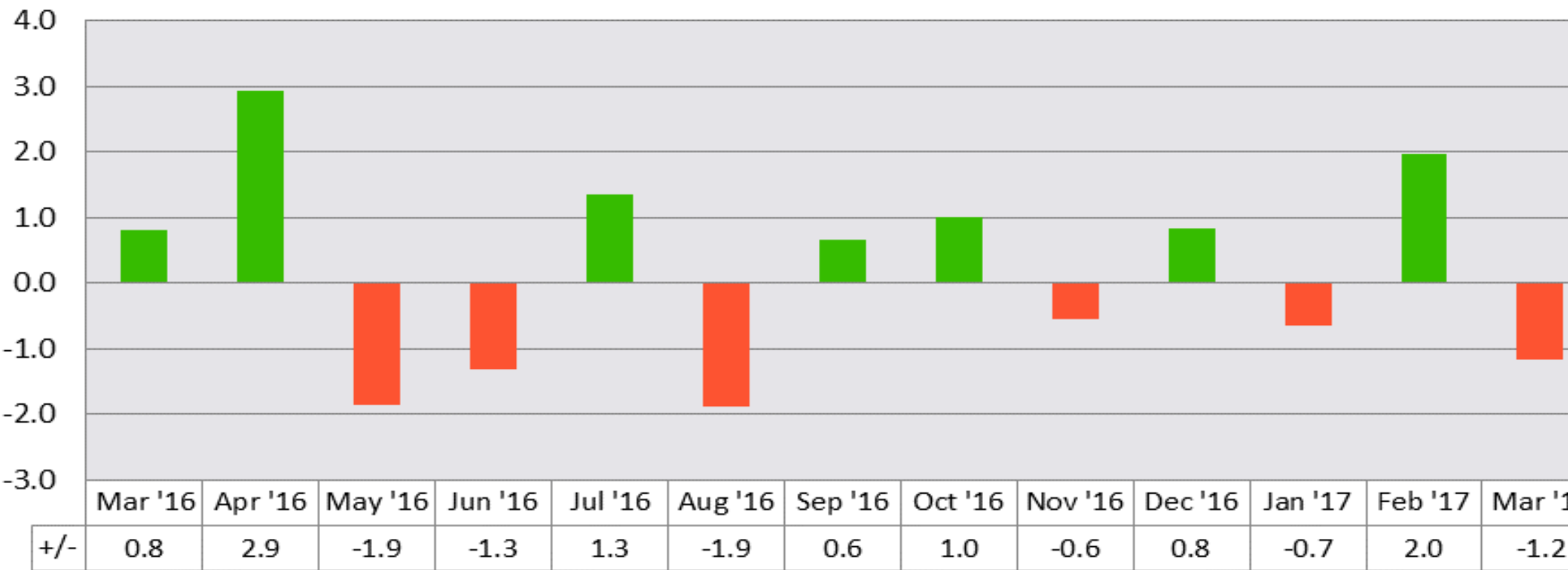
# st Manufacturing

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**Manufacturing Index Monthly Change**  
(seasonally adjusted)



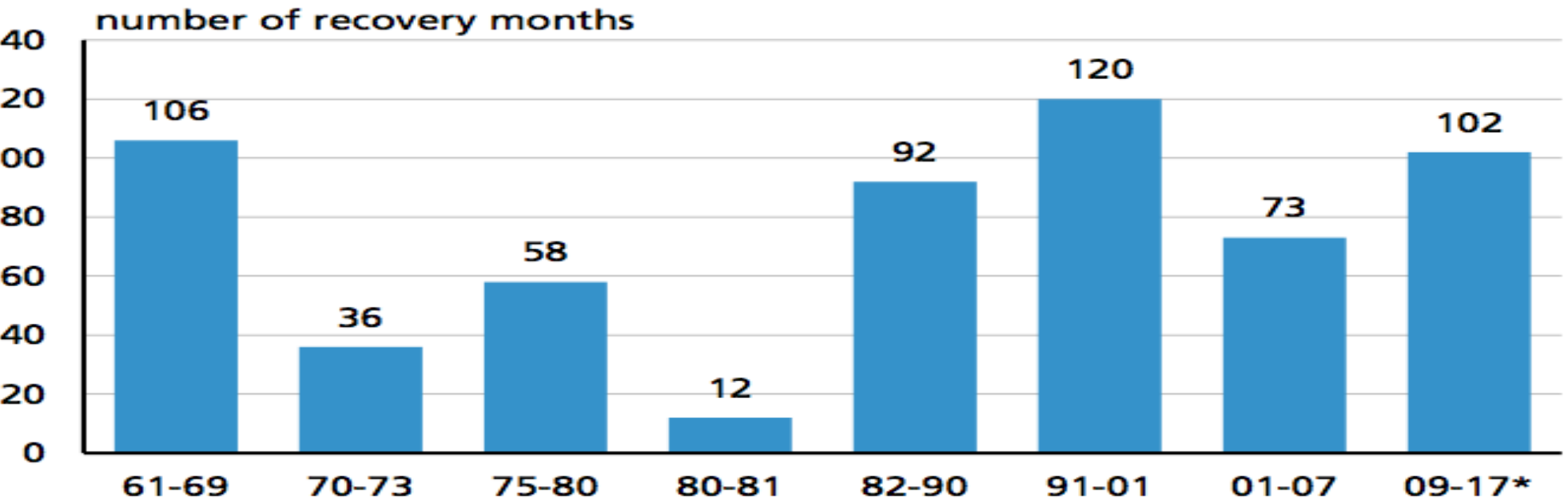
Service Index Monthly Change  
(seasonally adjusted)



# How Long Does This Last?

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Figure 1: The current recovery should be relatively long-lived.



Source: National Bureau of Economic Research; UBS

\* Estimate assumes recovery lasts through end of 2017

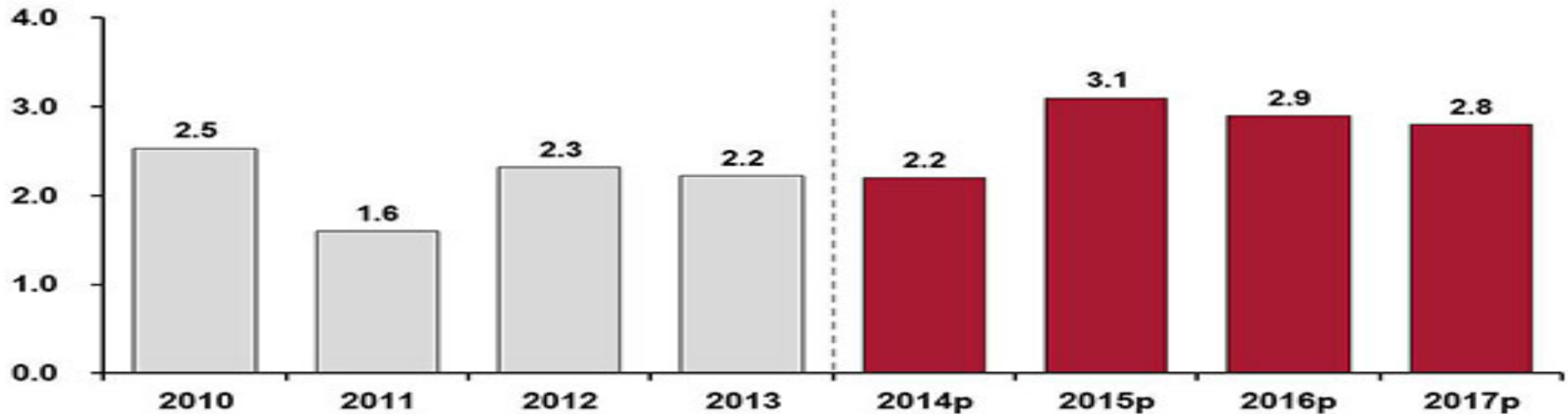
# Getting Better - Really

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CHART 2.5

## Strengthening U.S. Recovery

Real GDP Growth  
(Per Cent Change)



p = projection.

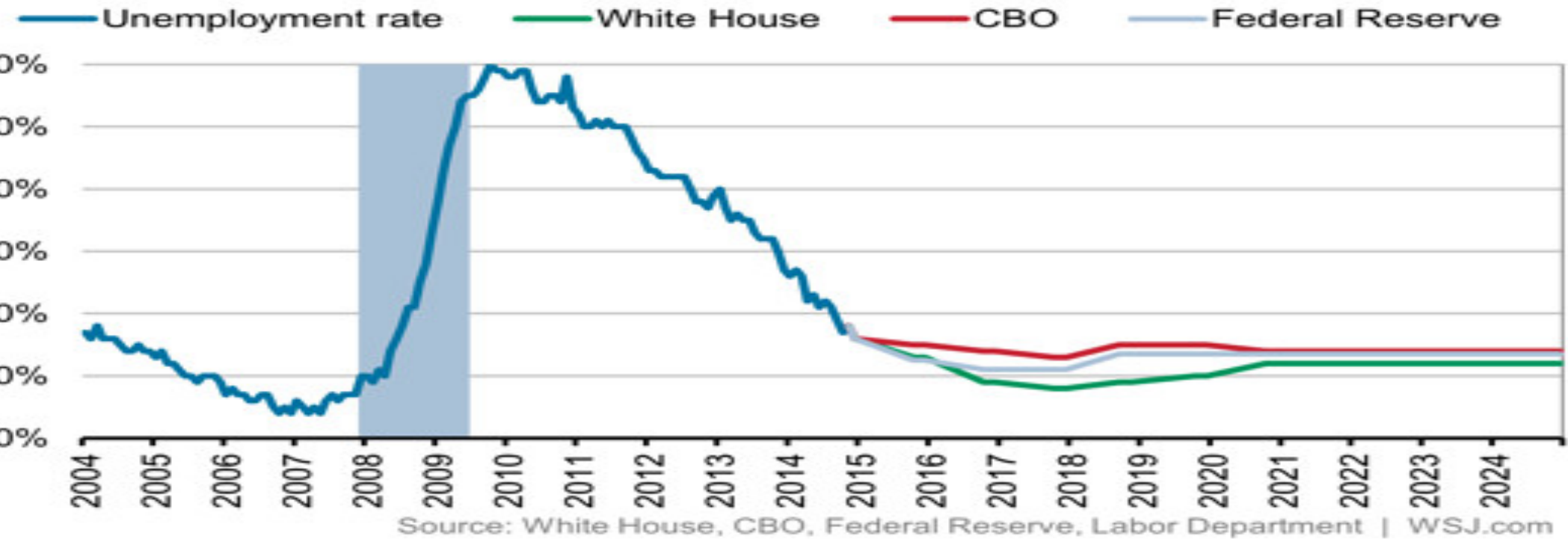
Sources: U.S. Bureau of Economic Analysis and *Blue Chip Economic Indicators* (October 2014).



# Jobless Numbers Expected to Stay Low

## Heading Lower

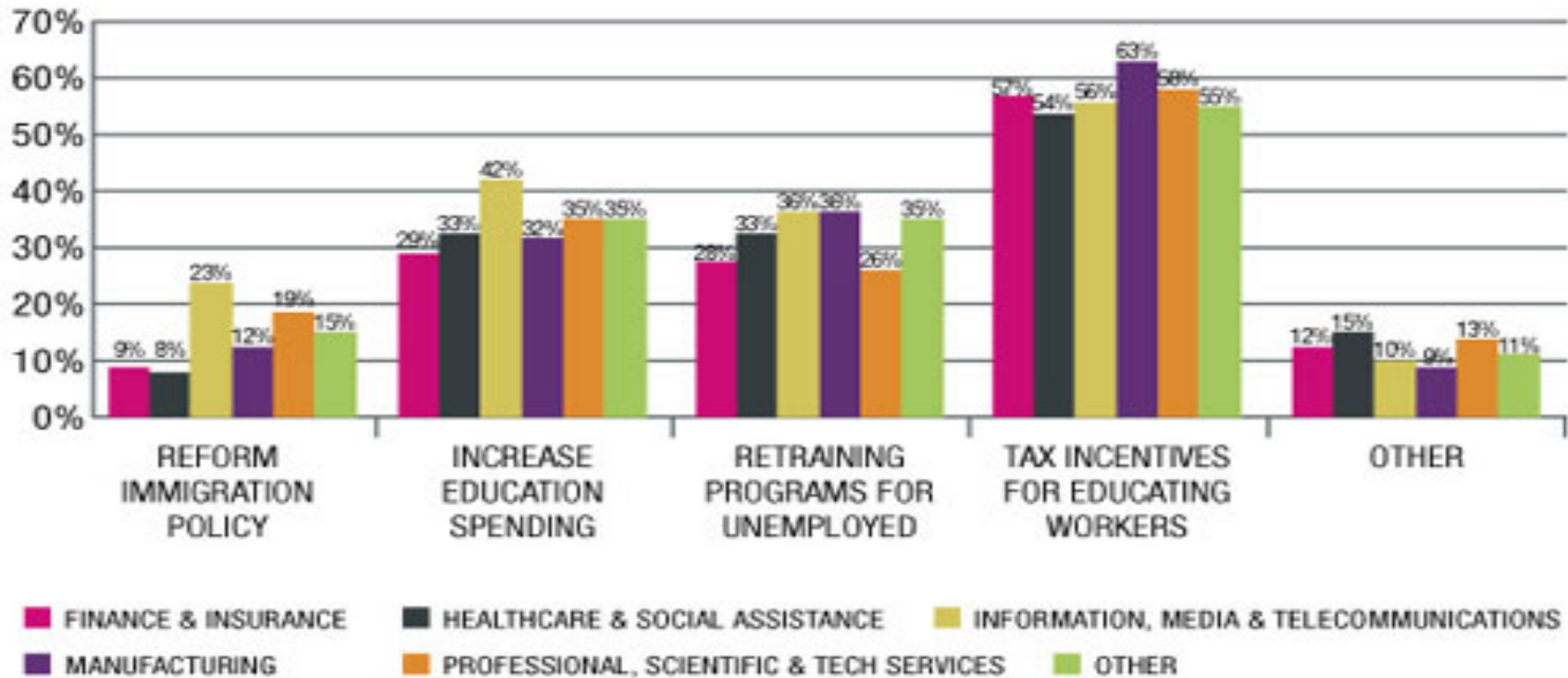
National unemployment rate and forecasts from the White House, Congressional Budget Office and Federal Reserve. The Fed reports a range of forecasts -- only the midpoint of that range is shown.



# Labor Force Solutions?

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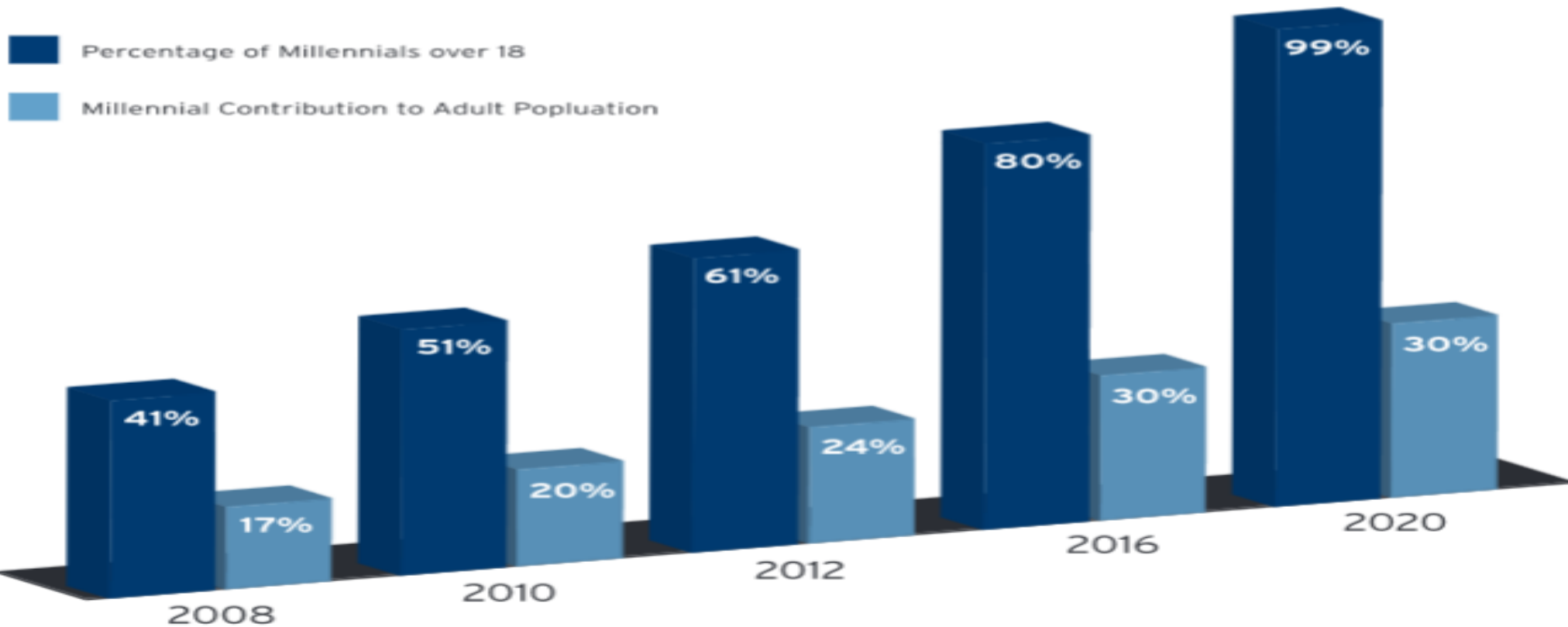
## HOW SHOULD THE GOVERNMENT ADDRESS THE SUPPLY OF QUALIFIED WORKERS?



# They Are Here and They Are Coming

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## MILLENNIALS WILL INCREASINGLY DOMINATE THE ADULT POPULATION OF AMERICA

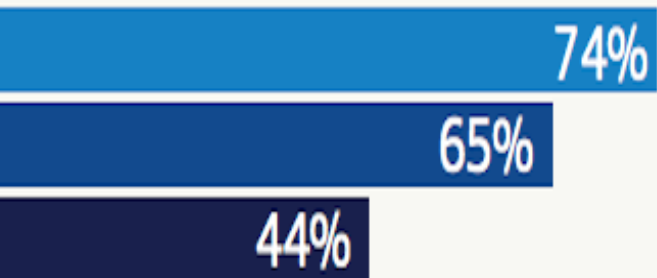


# More Confident in the Future

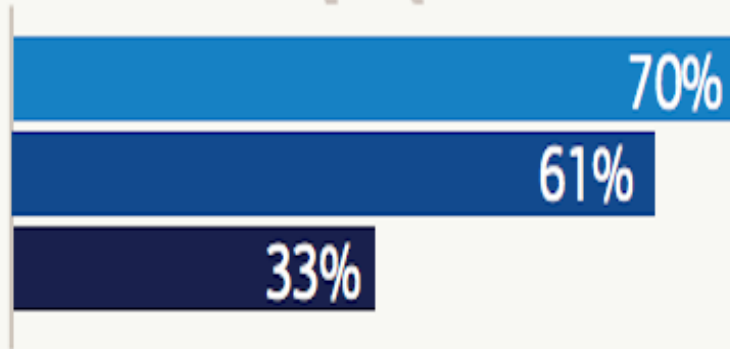
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## Millennials and Gen-Xers much more confident in the economy than baby boomers

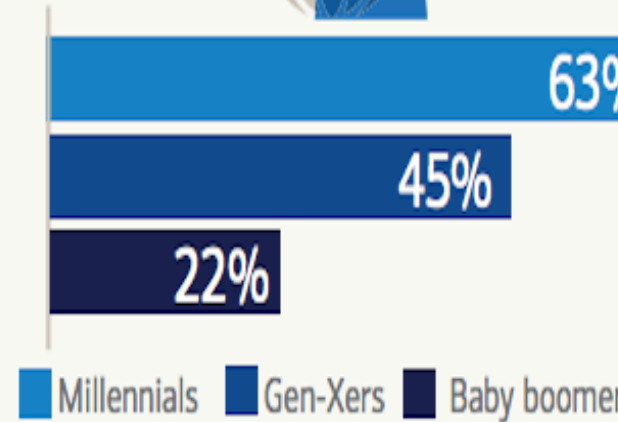
My local economy will improve over the next 12 months



The national economy will improve over the next 12 months



The global economy will improve over the next 12 months



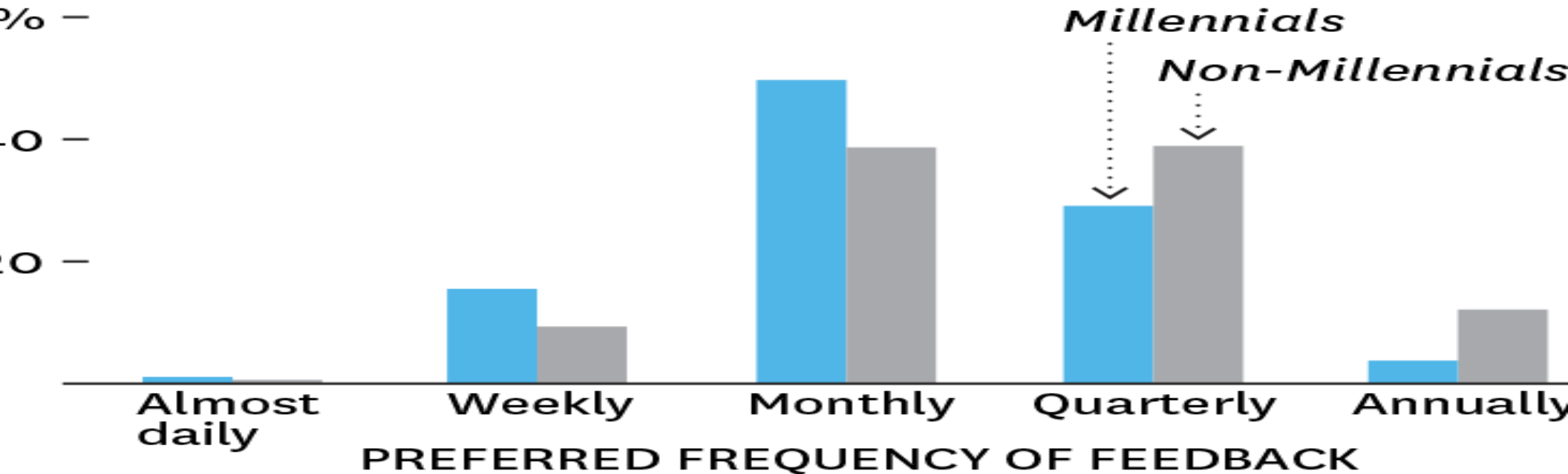
# Sire for Feedback

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## HOW OFTEN EMPLOYEES WANT FEEDBACK FROM MANAGERS

Most millennials prefer monthly.

PERCENTAGE OF RESPONDENTS



SOURCE SAP

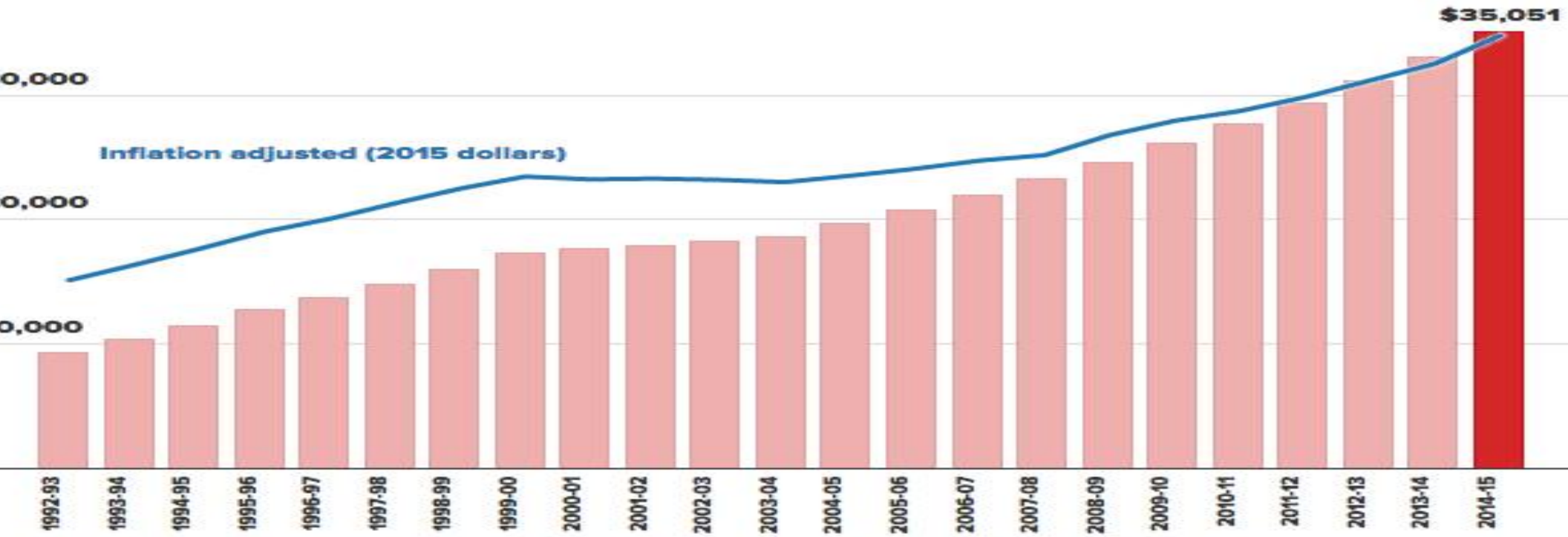
HBR.ORG

# ts of Debt

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## The class of 2015 is the most indebted ever

Average debt per borrower by graduating class. Debt includes federal and private education loans.



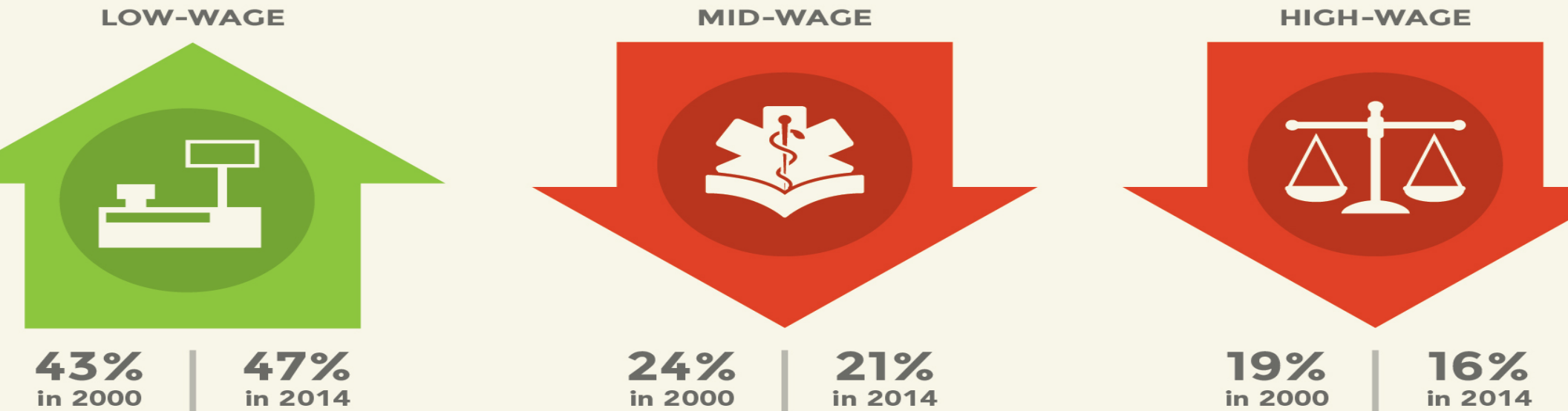
Source: Mark Kantrowitz, Edvisors.com



## Millennials More Likely to Work in Low-Wage Industries

Compared to the previous generation, a higher share of millennials work in low-wage industries and a lower share work in high-wage industries.

*\*Percentages based on 5 major sectors in each category*



NEW YORK CITY COMPTROLLER SCOTT M. STRINGER

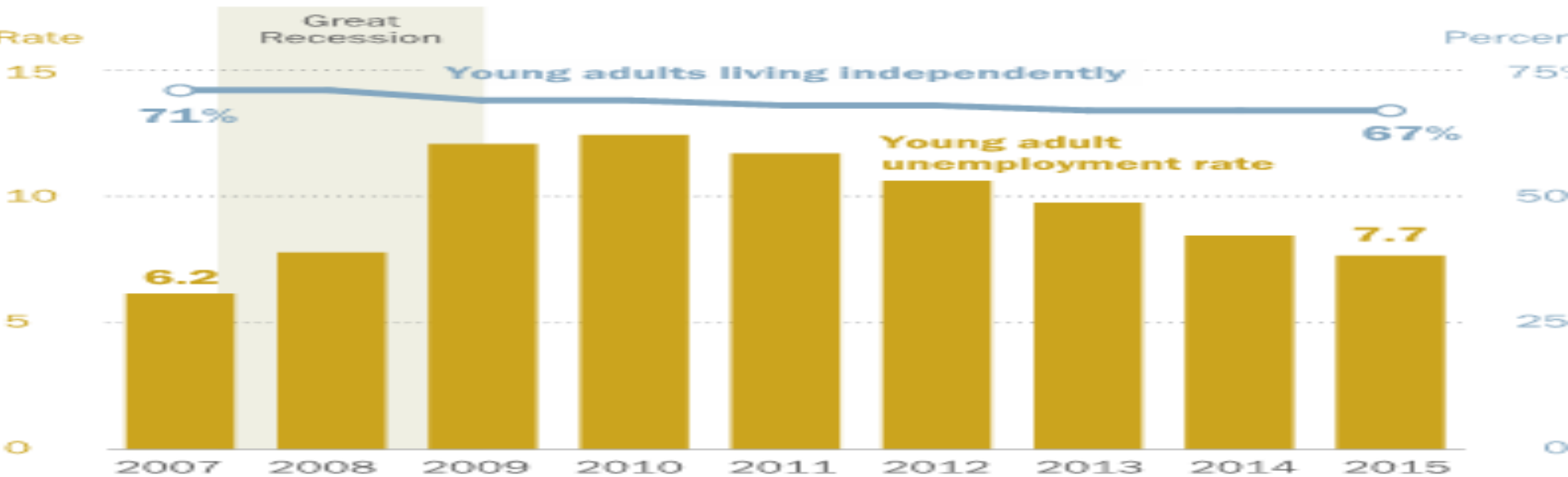
Source: "New York City's Millennials in Recession and Recovery".

 @SCOTTMSTR

# Not Ready to Leave the Nest

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## Labor Market Has Improved for Young Adults, Yet Living Independently of Family Has Declined



Note: Living independently means heading one's own household or living in a household headed by a spouse, unmarried partner or other non-relative. Young adults are 18- to 34-year-olds; excludes 18- to 24-year-old college students enrolled full time.

Source: Pew Research Center analysis of the Current Population Survey Merged Outgoing Rotation Group data files and 2015 basic monthly CPS files (Jan.-Apr.)

PEW RESEARCH CENTER



This two-hour meeting  
was almost as productive  
as a single, well-written  
email.



someecards

## **ends to Worry About**

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**Workforce participation – lowest levels since the 1970s. Right now the level is 62.8. The highest level was 67.30 and the lowest was 58.10.**

**Declines have been steady since the recession**

**Labor productivity – falling for the last three years and at levels not seen in the last decade**

**Protectionism – may be a short lived political phenomenon but both parties are pushing it. TPP and Nafta in trouble. US depends on exports for 14% of GDP**

**Japan is 14.7% dependent on exports. Most export heavy nation is Germany at 52%**

**Skill gap – too few people with the skills needed. Seven million available jobs and nine million without work. Acute in manufacturing, construction and transportation**

**Watch out for higher interest rates, inflation and the strengthening of the dollar**

# st Could Not Resist

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# DEMOTIVATION

SOMETIMES THE BEST SOLUTION TO MORALE PROBLEMS IS  
JUST TO FIRE ALL OF THE UNHAPPY PEOPLE.

# You KNOW you Want More!!!

**Contact Information – [chris.kuehl@armadaci.com](mailto:chris.kuehl@armadaci.com)**

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