



Year of the Dog: Vicious or Faithful Riemer Conference

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Analysis of the Forces Affecting Business

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ARMADA

Why We Love Meteorologists



ECONOMICS

The Science of explaining why the predictions of yesterday didn't come true today.

De-Motivational.com

We ARE a Big Country

US States Renamed for Countries with Similar GDPs, 2015



SOURCES: BUREAU OF ECONOMIC ANALYSIS AND INTERNATIONAL MONETARY FUND

Carpe Diem 

Steel Tariffs – What Do We Know

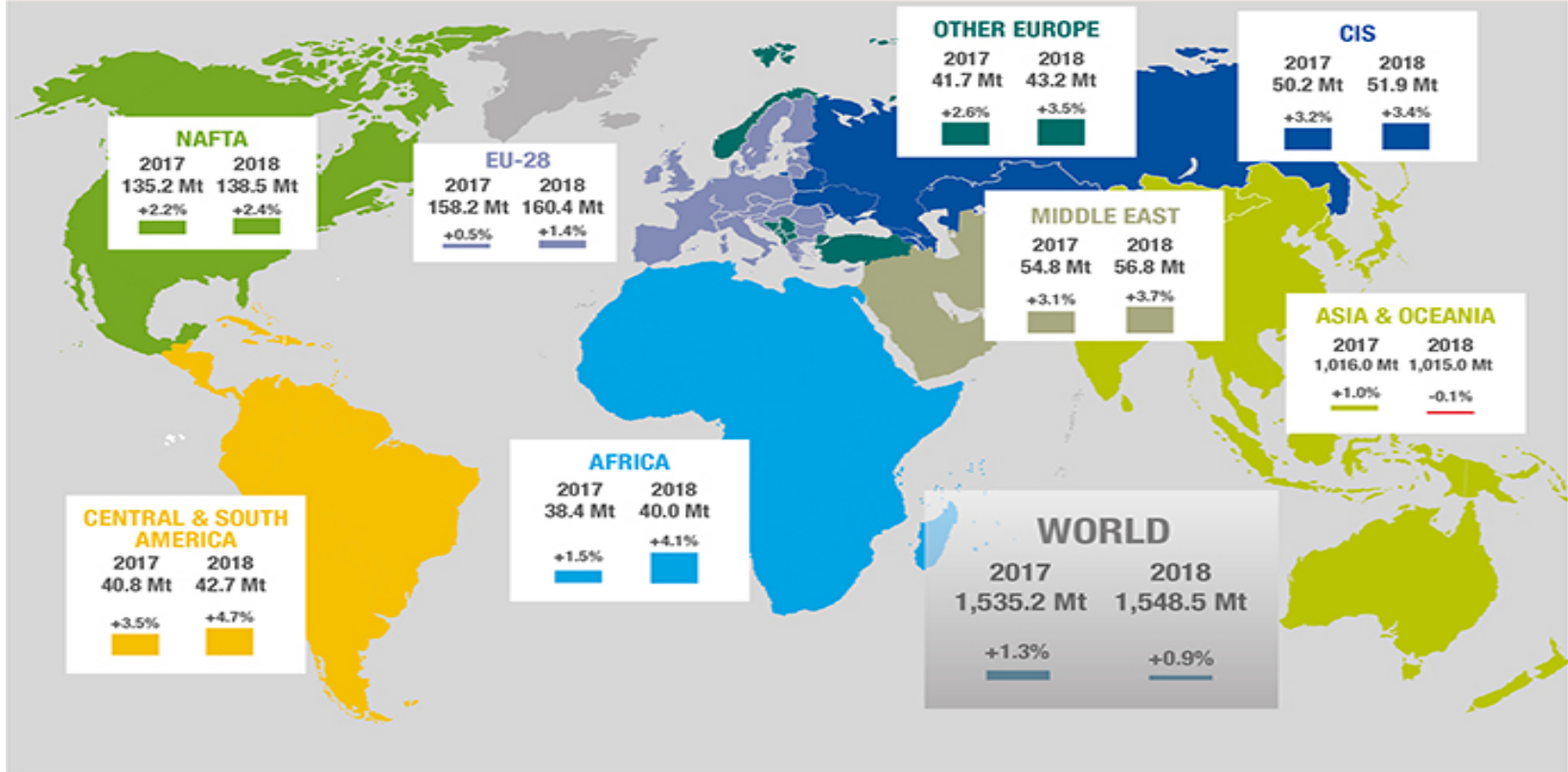
- **Up to 25% tariff on imported steel and 10% on imported aluminum – exemptions for Canada and Mexico, EU, South Korea, Brazil etc.**
- **China is the real target but they are currently a minor exporter (2%) – Canada is number one at 17%, Brazil at 15%**
- **Potential for trade war**
 - **EU threatens retaliation but that may violate WTO rules**
 - **Trump threatens to retaliate against the retaliation**
 - **Nafta negotiations are now connected**
 - **Ganging up on China will be looked on favorably**

- **Generally – wait and see. Europe has been most vociferous and asserts that trade war is imminent. They have detailed some retaliation targets already but WTO may not approve.**
- **Asian reaction has been muted – Japan seems to think it will get a break soon and so does South Korea.**
- **Most assume that this is really about China and they are trying to walk a tightrope between the two. The US is pushing others to impose restrictions on China in return for US approval**



STEEL DEMAND, FINISHED STEEL

Mt =million tonnes
y-o-y growth rate is expressed in %



China's Role in all This

- **Liu He tried to use diplomacy to head this off and failed. In part this was due to the fact Chinese leaders are not acting in a conciliatory manner**
- **Le Keqiang made big speech outlining China's plan**
 - **More support for manufacturers through subsidies**
 - **Aggressive expansion into high tech, robotics, aerospace and other modern sectors.**
 - **More support for regional efforts to preserve jobs.**
 - **Continued emphasis on exports to drive the economy**
 - **Assertion that China doesn't need the US as much as US needs China**

- **The ideas of Gary Cohn, Kevin Hassett and Steve Mnuchin. Harkens back to supply side ideas of Art Laffer.**
- **Tax cuts to boost the economy but timing has been questioned.**
- **Best case scenario – all that expansion creates demand as business hires and invests.**
- **Worst case scenario – overheating leads to inflation and then higher interest rates.**
- **Long term worry – deficits and debt.**

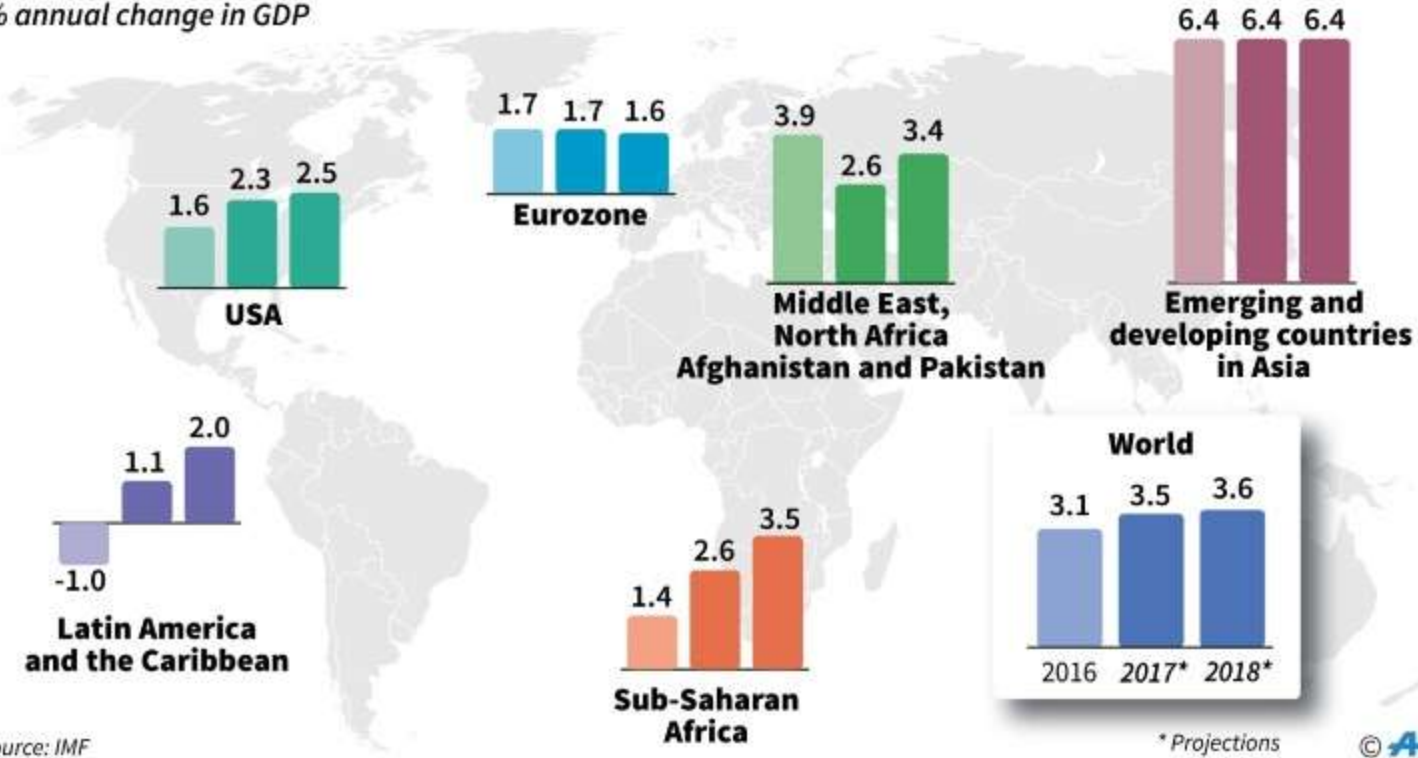
Global Reaction to this Plan

- **Europe doesn't like it one bit – Germany deeply opposed to debts and deficits and anything feeding inflation. France is similarly inclined**
- **Japan has been trying something a lot like this – called Abenomics. It can be argued that it has worked.**
- **Emerging markets worry about what debt does to investor mood. Concern that flows will recede.**
- **Nations that supply consumer goods are in a better mood and many think they will grow at the expense of China**

Growth but Slow

IMF growth outlook by region

% annual change in GDP



Source: IMF

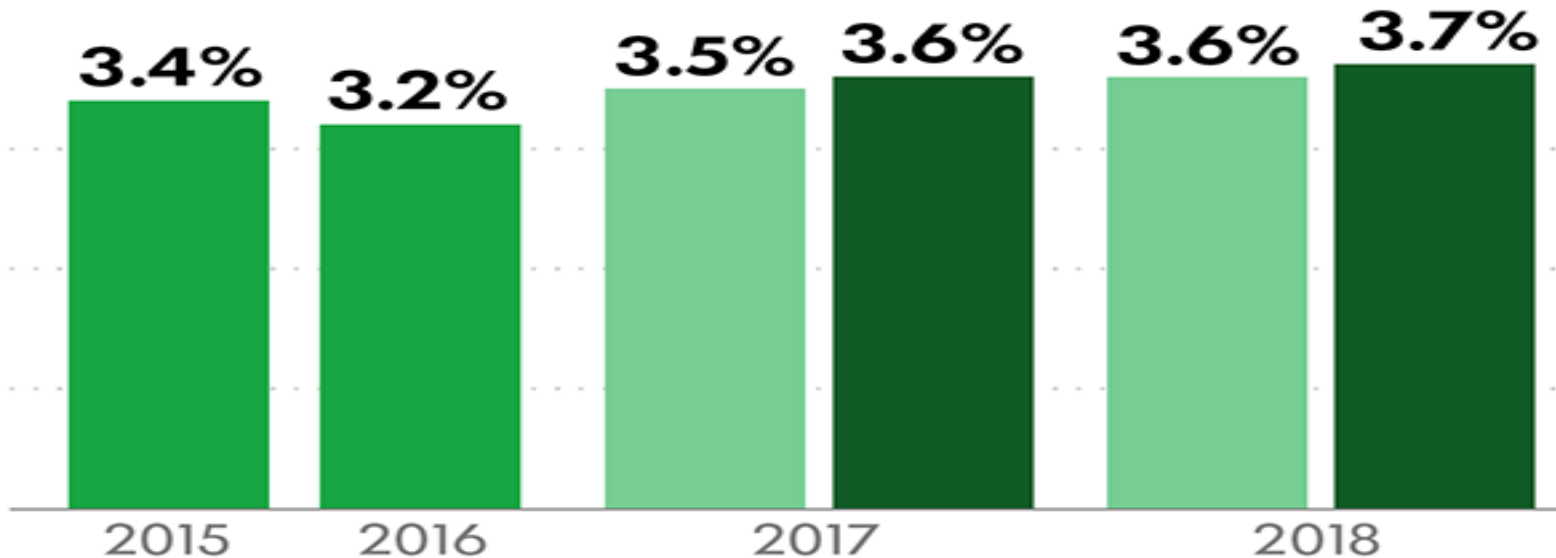


IMF (and others) More Upbeat

IMF HIKES GLOBAL GROWTH FORECAST

The International Monetary Fund sees global activity to gain further momentum.

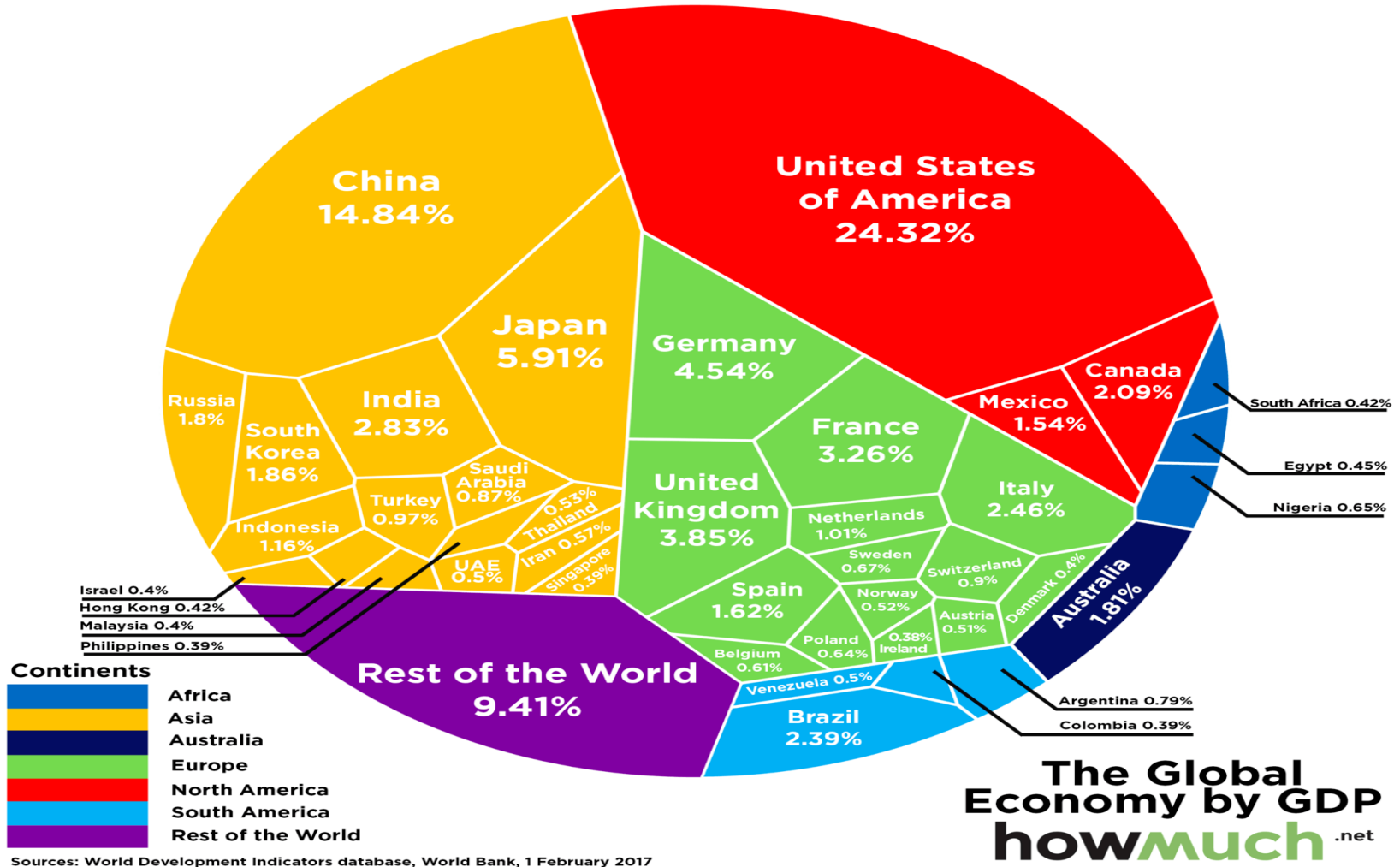
● Actual growth | Estimate in: ● July ● Oct.



SOURCE IMF World Economic Outlook, October 2017
George Petras, USA TODAY

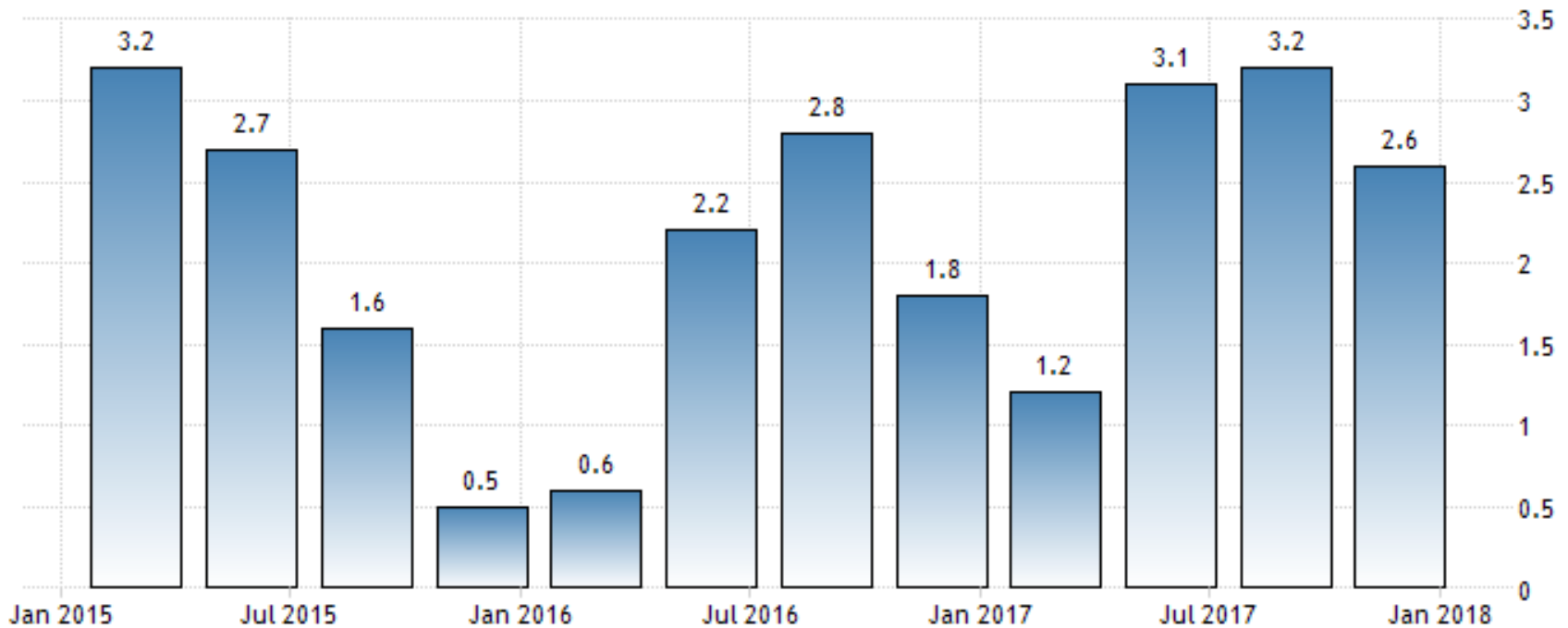


Global GDP Share



US Growth Rate

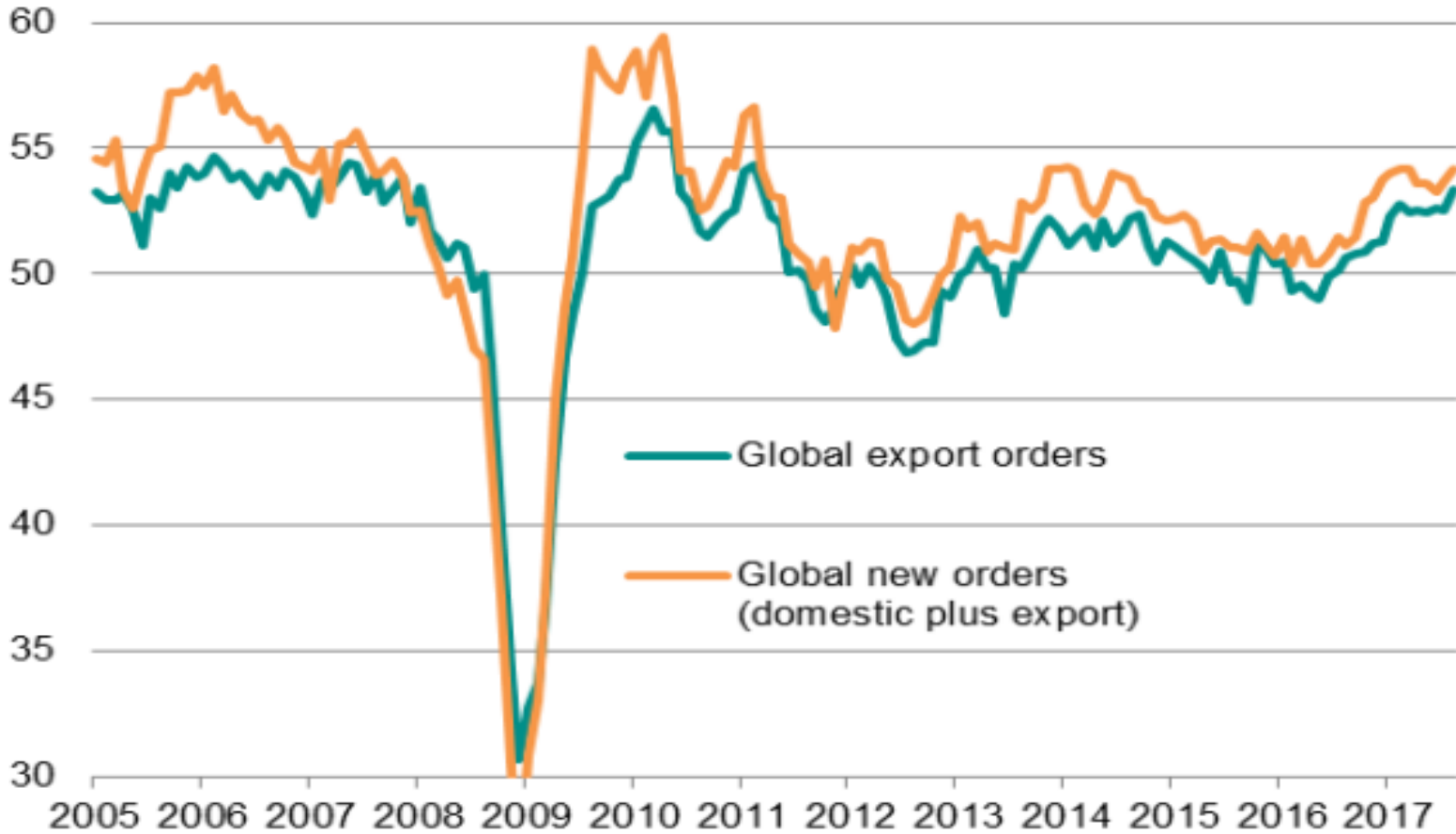
US GDP GROWTH RATE



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

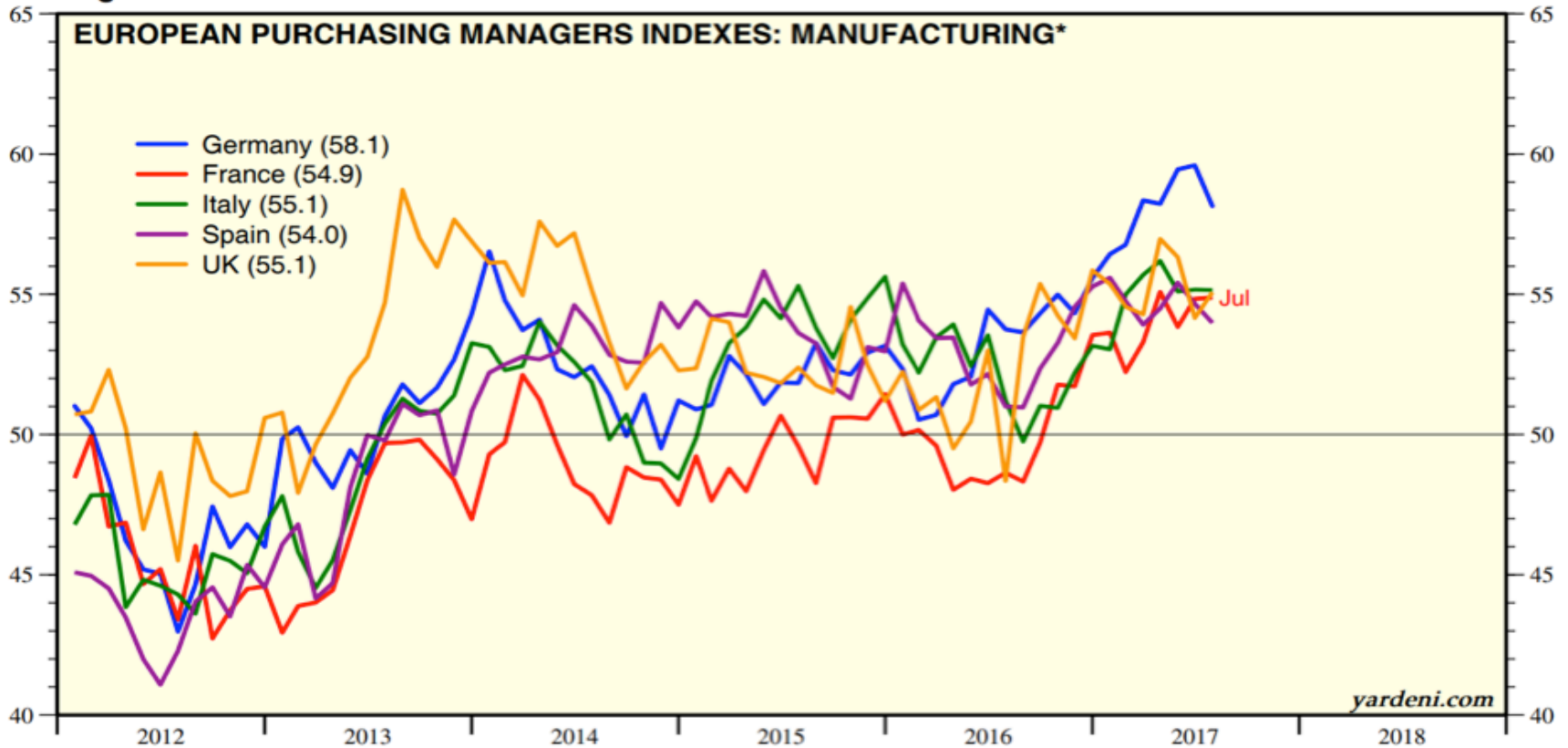
Global PMI

Global Manufacturing PMI New Orders Indices



Manufacturing & Nonmanufacturing PMIs

Figure 1.



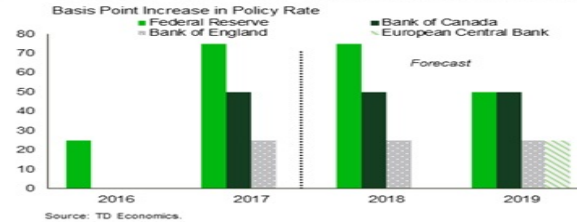
* An index above 50 indicates an increase in activity. An index below 50 indicates a decrease in activity.
Source: Haver Analytics.

2018 Global Economic Themes

1 NOMINAL WAGE GROWTH FIRING UP IN SOME G7 ECONOMIES



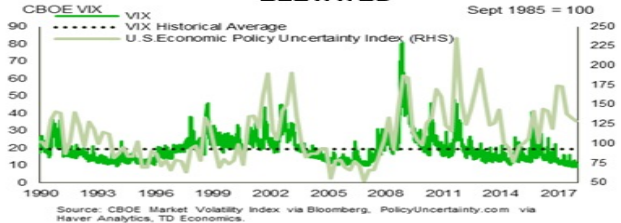
2 CENTRAL BANKS PUSHING OFF FROM EMERGENCY LEVELS OF POLICY RATES



3 ECONOMIC POLICY UNCERTAINTY REMAINS ELEVATED WORLDWIDE



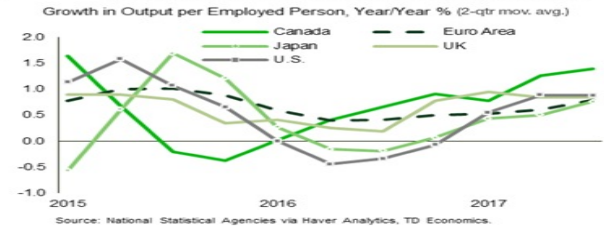
4 INVESTOR DEMAND FOR PROTECTION HAS DWINDLED EVEN AS UNCERTAINTY REMAINS ELEVATED



5 MOST HOUSHOLDS HAVE A TOUGH TIME RECOVERING FROM WEALTH SHOCKS

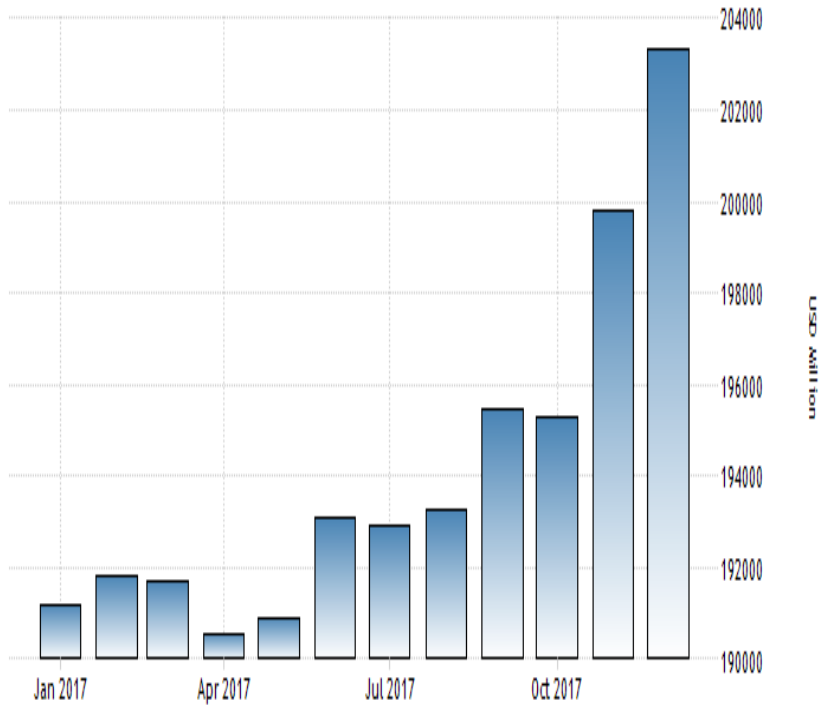


6 PRODUCTIVITY GROWTH SHOWING SIGNS OF FIRING UP AFTER A WEAK SPELL



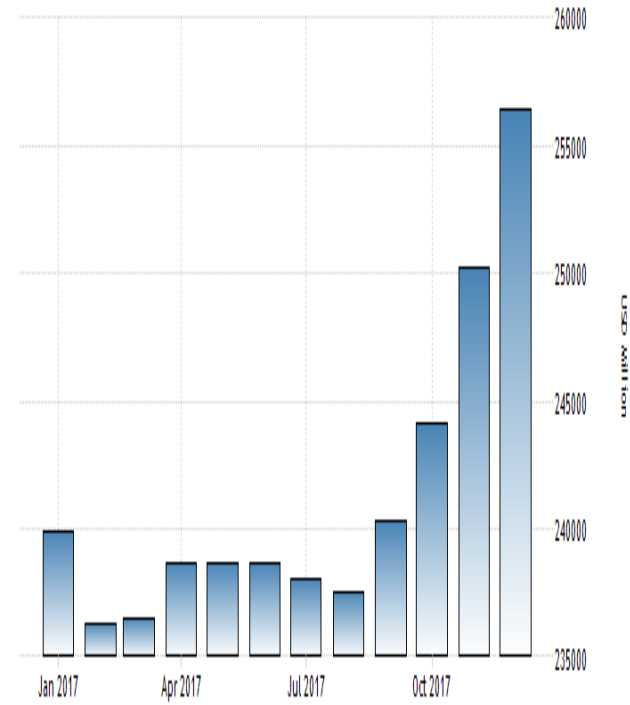
Exports and Imports

US EXPORTS



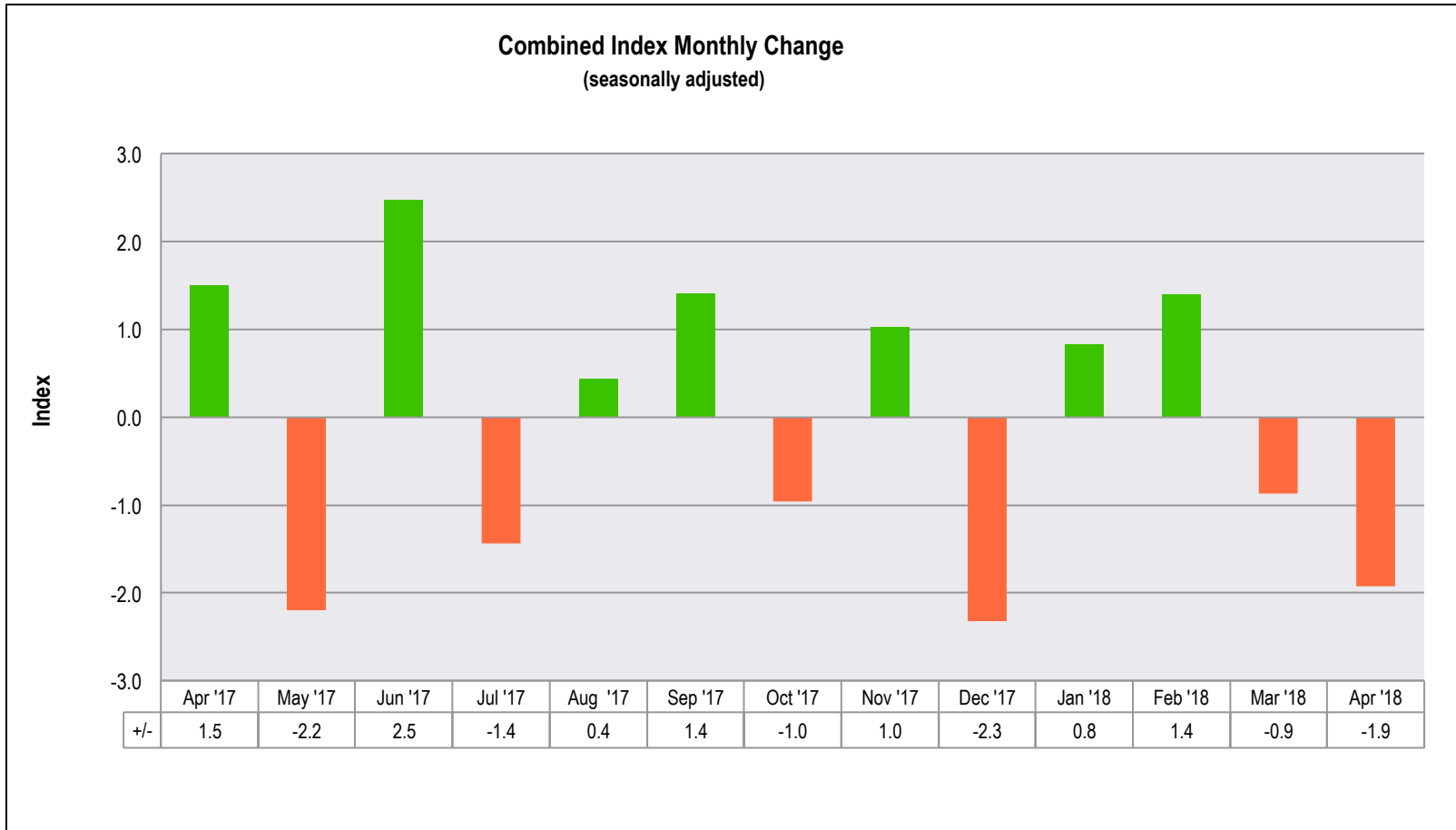
SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU

US IMPORTS

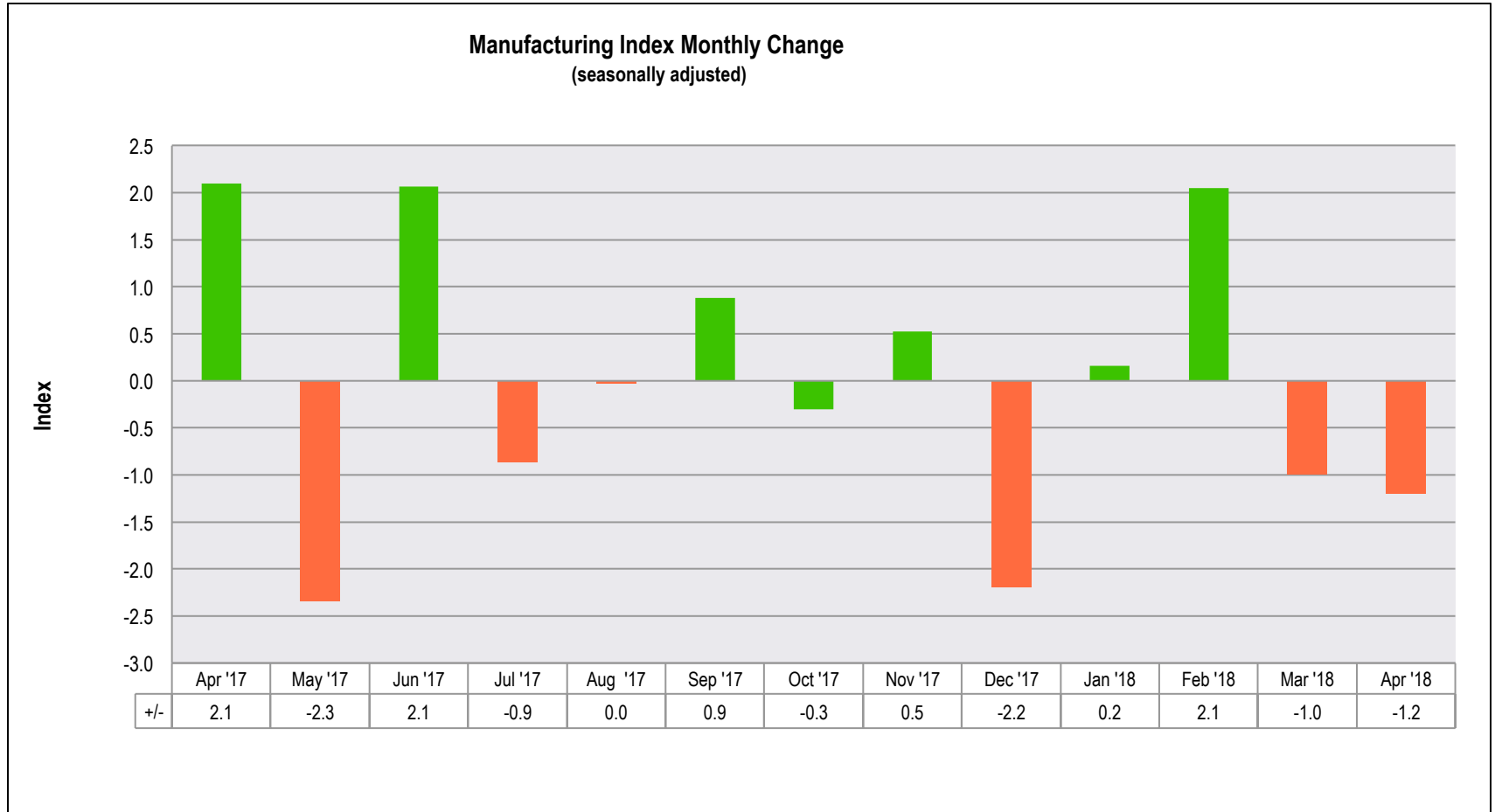


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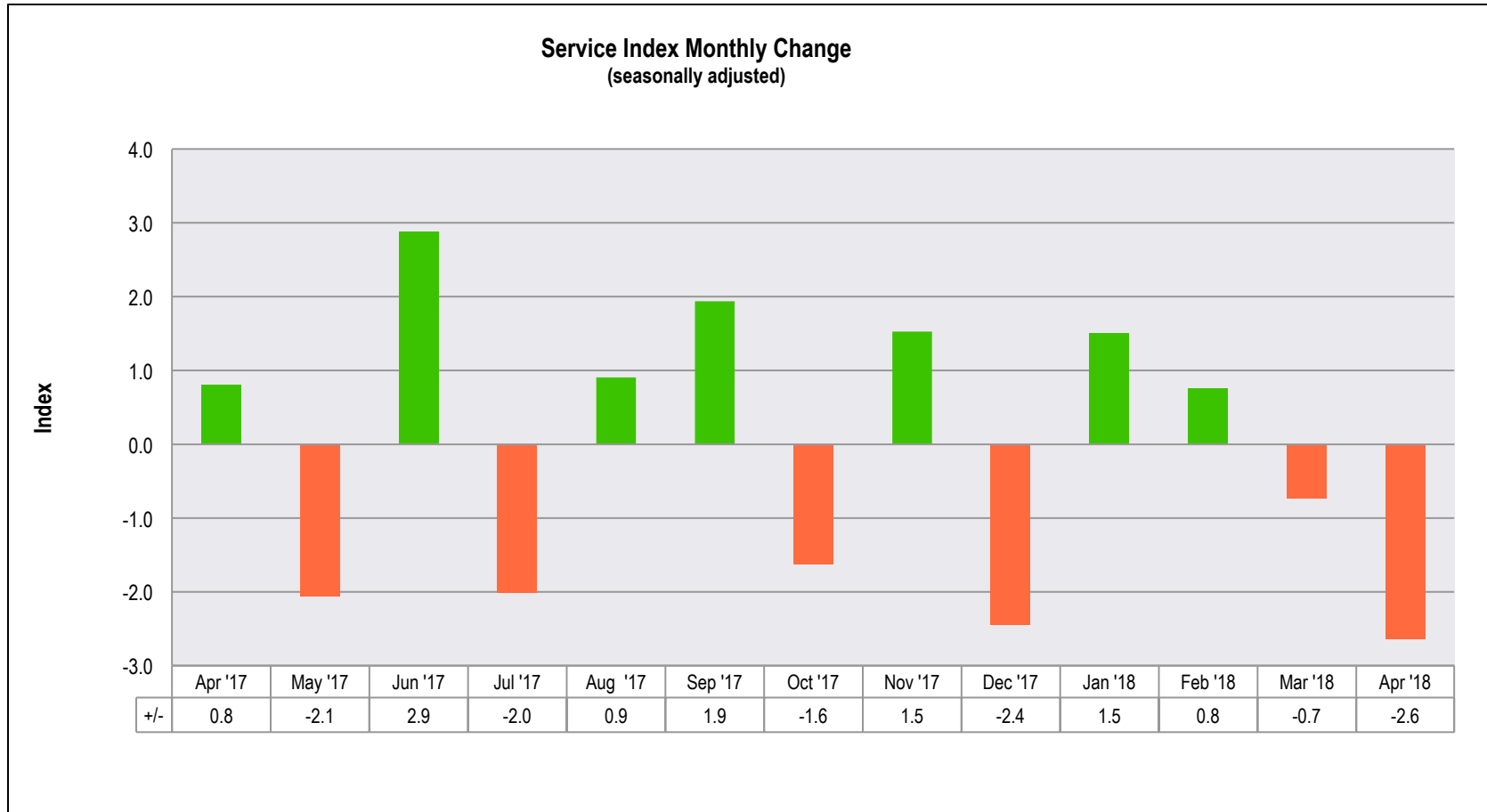
Overall CMI



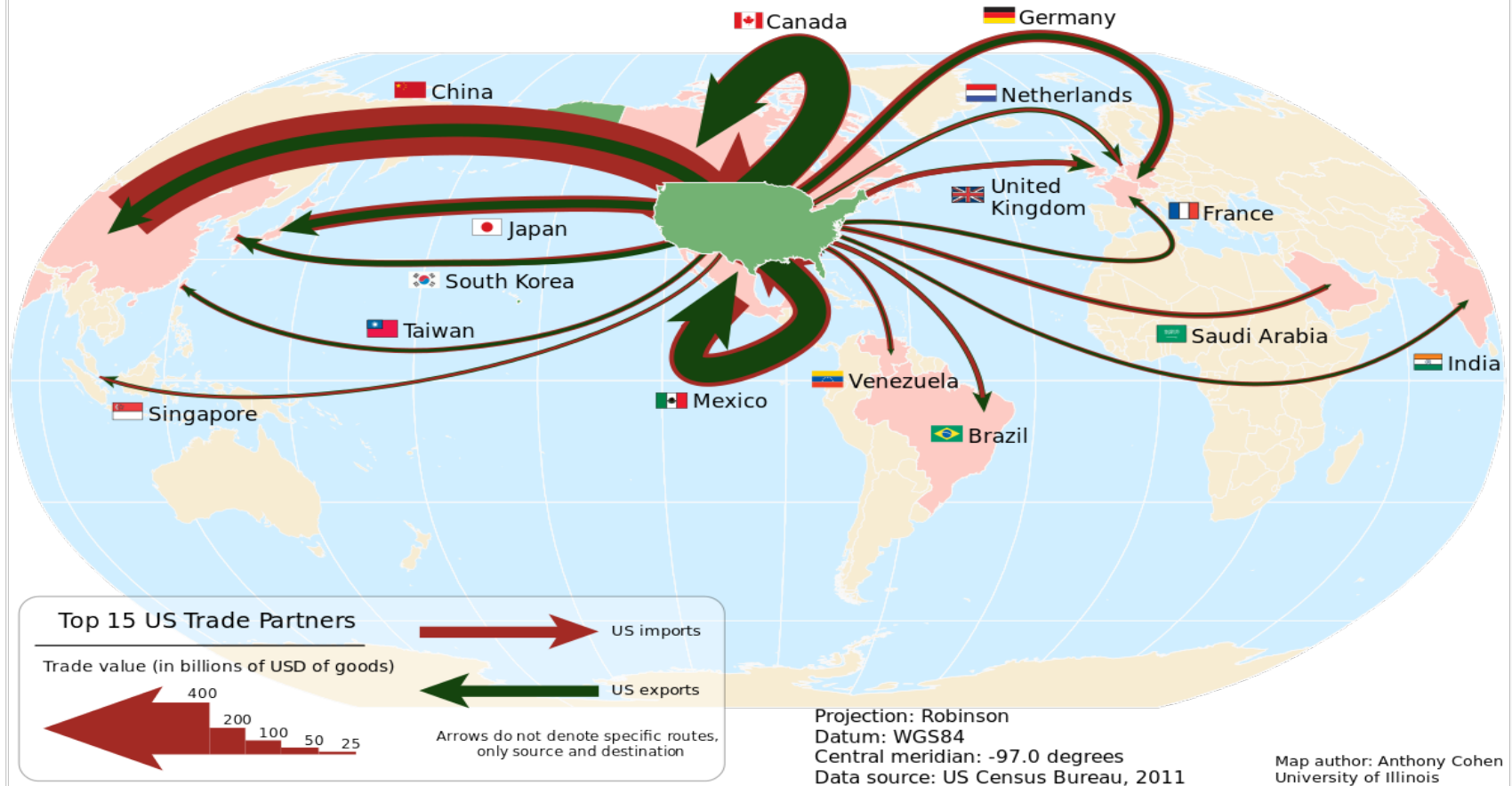
Manufacturing CMI



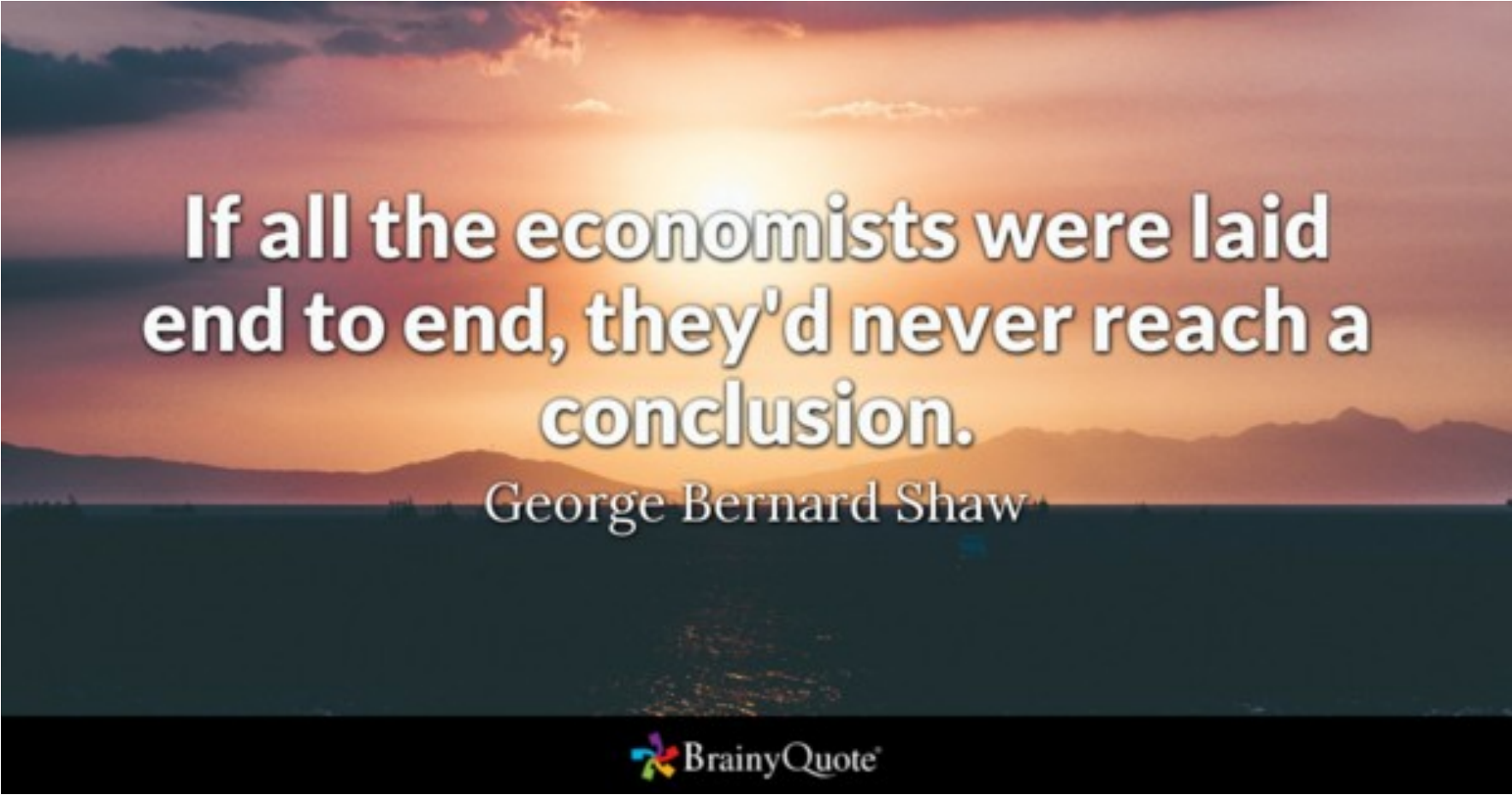
Services CMI



Who Buys and Who Sells

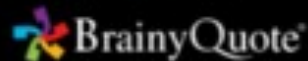


- **Politics – It's an election year and that makes everyone edgy. President's have relatively little control over economy but legislatures do.**
- **Geopolitics and Geoeconomics – Big elections taking place in Mexico and Italy. End of crisis in Germany? Chinese consolidation of power and influence.**
- **Innovation – How far does on-line go? Are brick and mortar doomed? What role for robotics? Will autonomous vehicles make a big entry this year? What industry is set for next big shake-up?**
- **Changing of the guard – Boomers giving way to millennials and what the heck happened to the Gen-Xers**



If all the economists were laid
end to end, they'd never reach a
conclusion.

George Bernard Shaw



For Those that Can't Get Enough of This



- chris.kuehl@armadaci.com
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