



ARMADA

Now What? The US and the World Economy in 2019 Riemer Annual Meeting

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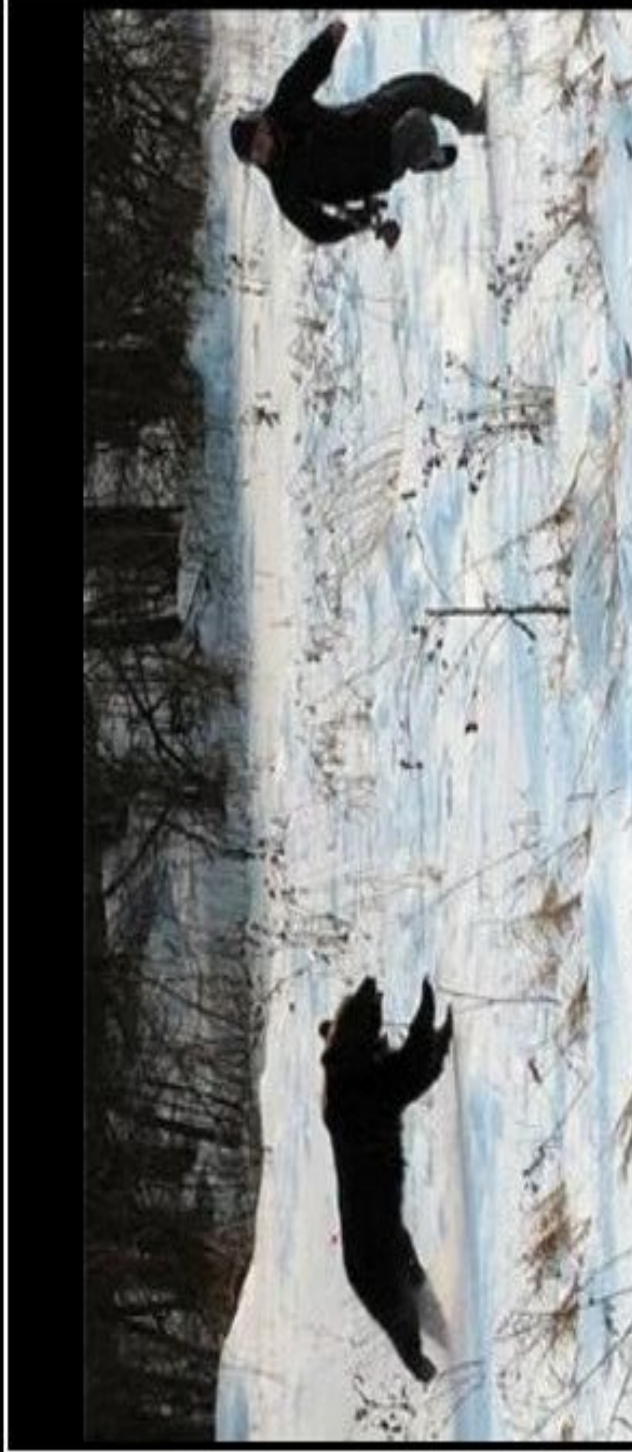
ARMADA

Analysis of the Forces Affecting Business

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May 16, 2019

Well Said

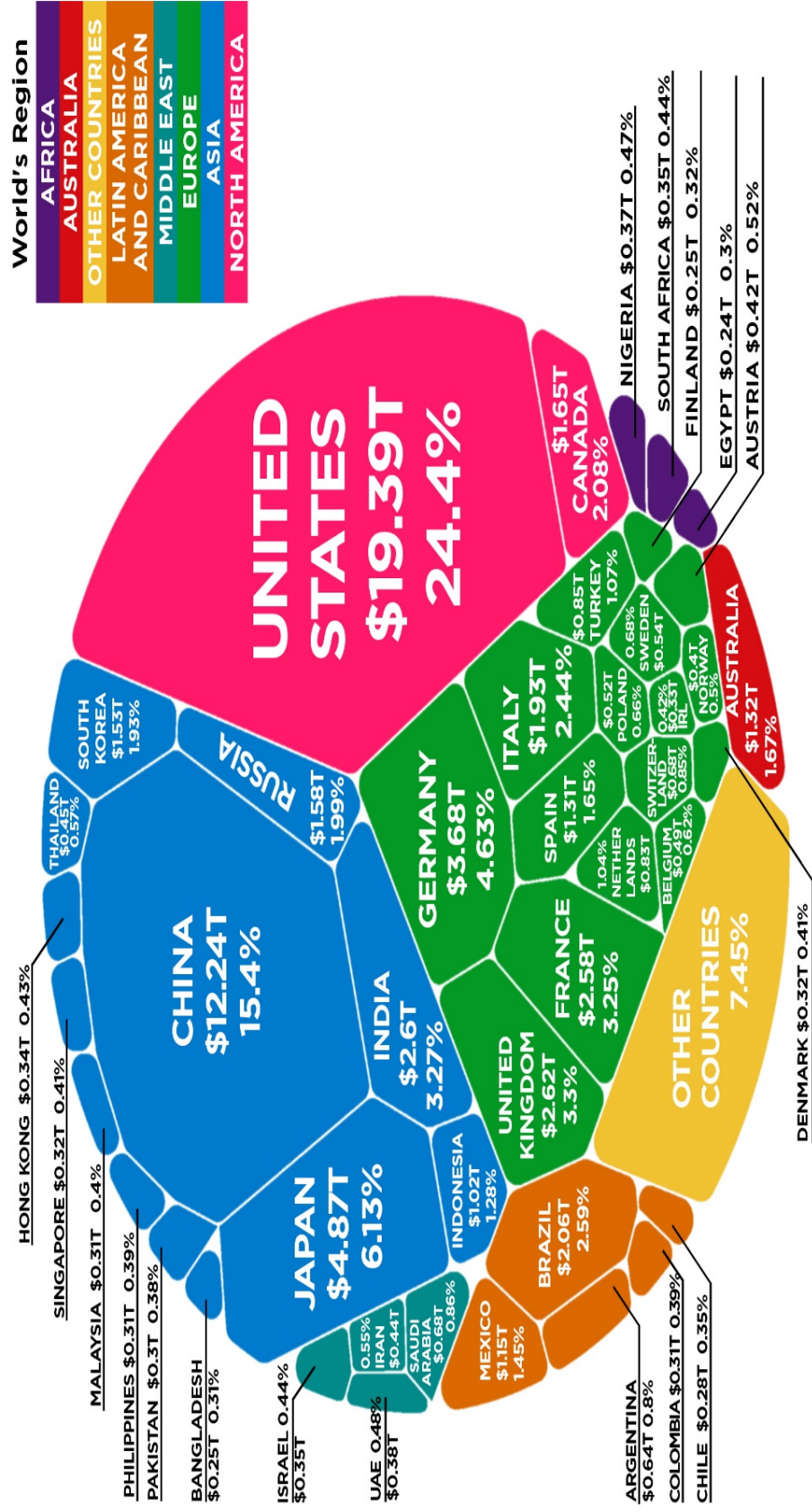


COMPETITION

You don't have to be the fastest.
You just can't be the slowest.

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We ARE a Big Country



World's Region

- AFRICA
- AUSTRALIA
- OTHER COUNTRIES
- LATIN AMERICA AND CARIBBEAN
- MIDDLE EAST
- EUROPE
- ASIA
- NORTH AMERICA

howmuch.net

Article and Sources:
<https://howmuch.net/articles/the-world-economy-2017>
<http://databank.worldbank.org/data/download/GDP.pdf>

Major Global Issues

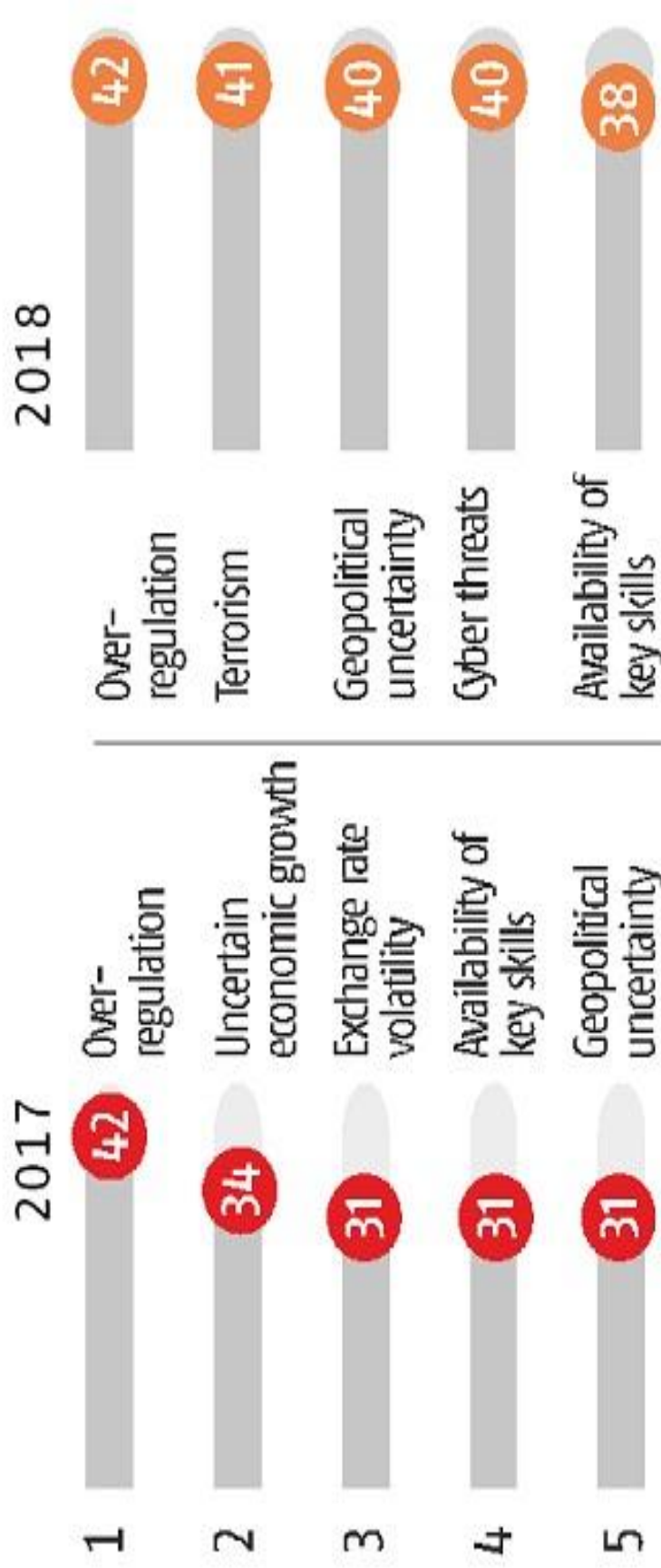
- **Brexit – Will the UK survive this and what will it look like? Implications for the US**
- **New leadership in Latin America – Andres Manuel Lopez Obrador in Mexico, do we have a Chavez or Lula in AMLO? Who is Jair Bolsonaro and why is he called the Tropical Trump? How long for Maduro?**
- **Twilight for Germany’s Merkel? Who replaces her as far as Europe is concerned? Rise of populist right throughout Europe.**
- **Saudi Arabia under a global cloud. Will Turkey or Iran take advantage?**
- **India makes move on Chinese market share as tariffs and trade wars alter the playing field**

Global Threats



THREATS TO ECONOMIC GROWTH

Terrorism and cyber threats moved up; uncertain economic growth and exchange rate volatility moved down Figures in (%)



Source: PwC, 21st Annual Global CEO Survey

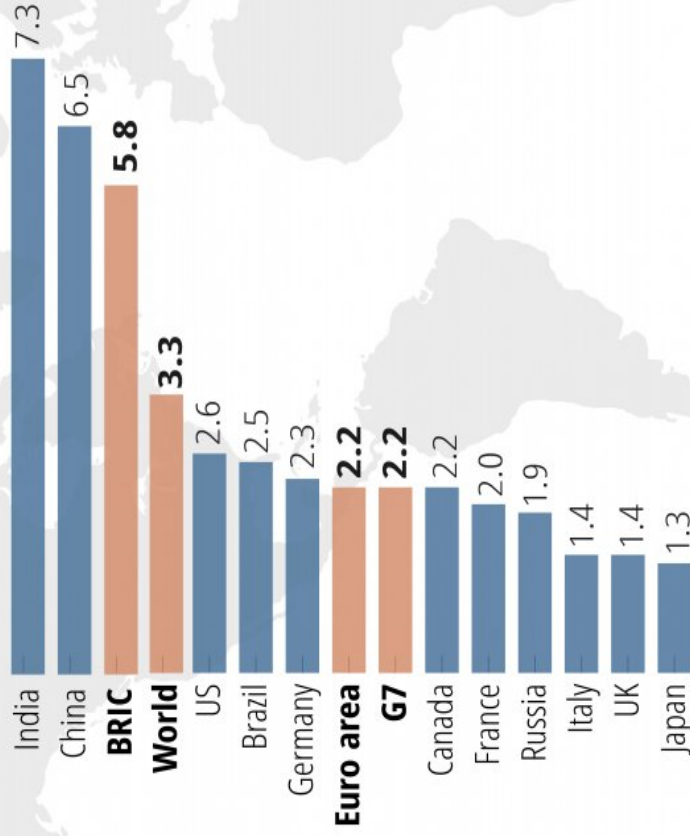
Growth Up Slightly

GLOBAL ECONOMIC OUTLOOK

Analysts are upbeat on global economy thanks to strong fundamentals

2018 GDP Growth Forecasts

Annual Variation in %



■ Global growth is expected to remain strong this year, and risks to the economic forecast for 2018 are skewed to the upside.

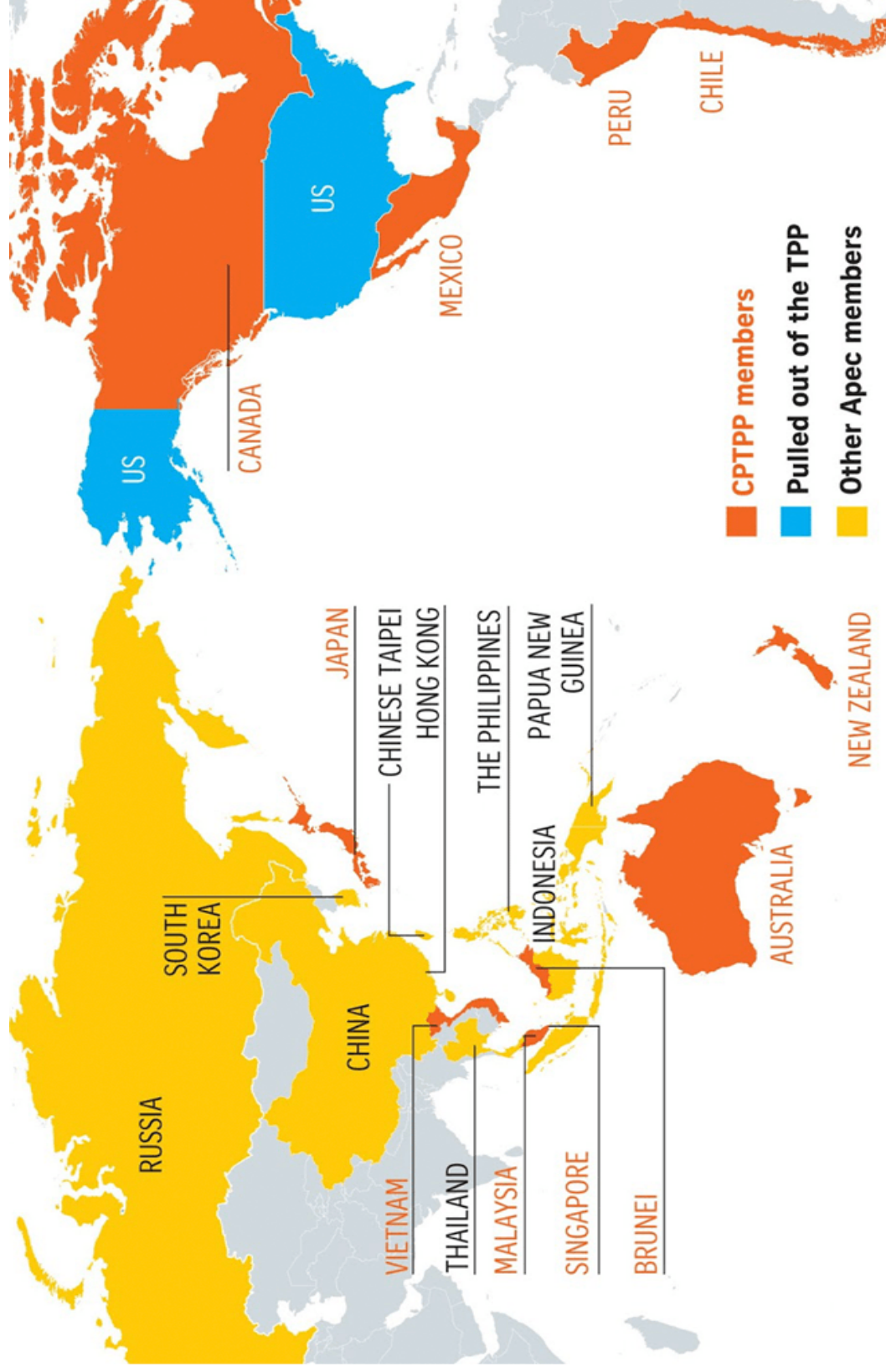
■ Loose monetary conditions are supporting consumer confidence and capital expenditure.

■ Solid global economic dynamics are tightening job markets, which is reverberating positively in household spending.

FOCUS ECONOMICS

FocusEconomics Consensus Forecast Major Economies - February 2018 edition

New Alliances



Tariff Politics



- **Issue Number One – In most every respect the US and China are enemies and have been for many years. Connected by mutual dependence.**
- **Issue Number Two – Bashing China is popular with Trump’s base and bashing the US is popular in China.**
- **Considerations**
 - **China is the more directly vulnerable of the two as there are no real substitutes for the US consumer while the US can (and will) find alternative sources.**
 - **US impact will be indirect as countries that sell to China are the ones that buy from the US and will be slowed if China slows.**
 - **Tariffs do not work at all if they are temporary. Companies**

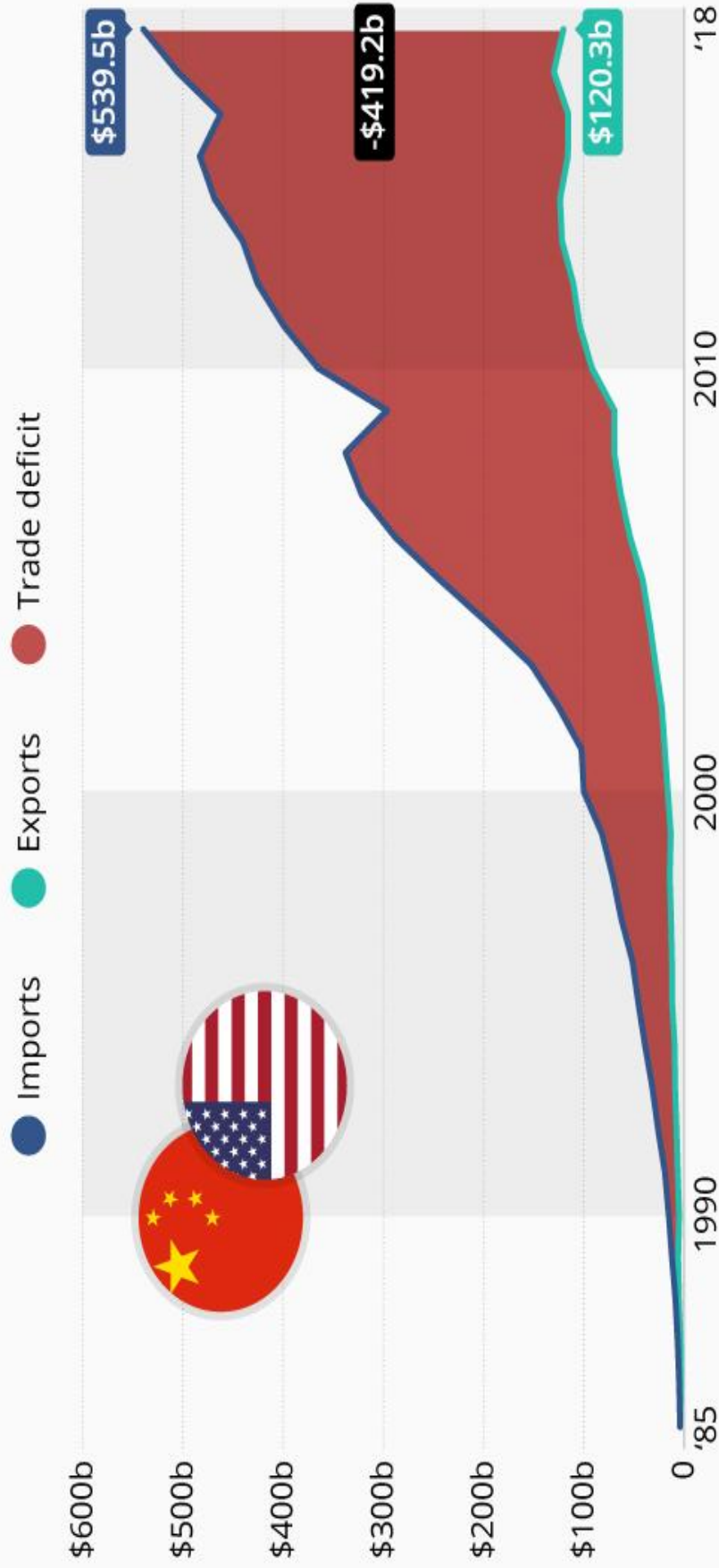
will not invest in becoming a new supplier if they think the

It is a Relatively New Problem



A Long-Term View On U.S. Trade With China

U.S. trade in goods with China since 1985



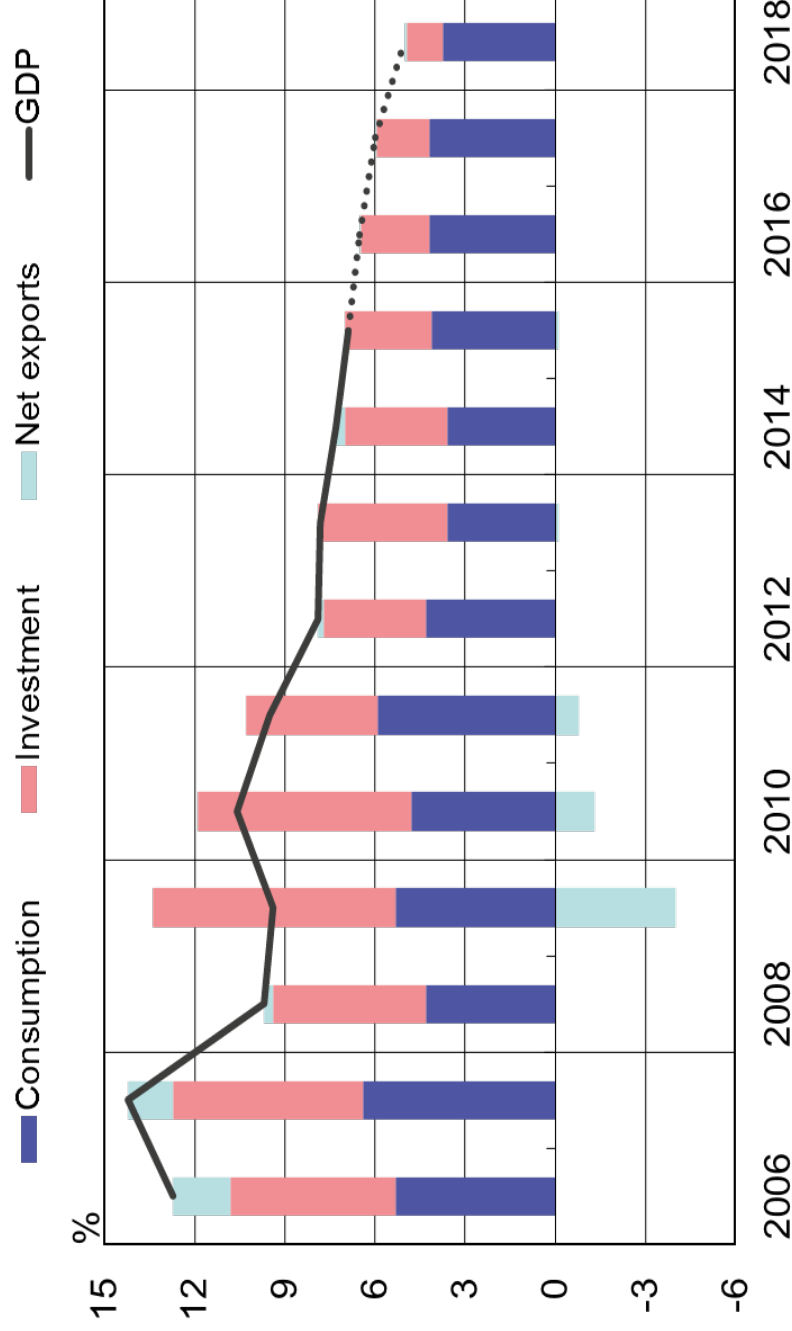
Source: U.S. Census Bureau



The Statistics Portal
www.statista.com

Root of China's Vulnerability

Chinese GDP growth and its components



Sources: Central Bureau of Statistics of China, CEIC and BOFIT.

28 September 2016
bofbulletin.fi

21180@kesä_2016_kontribuutiot

Birth of the USMCA

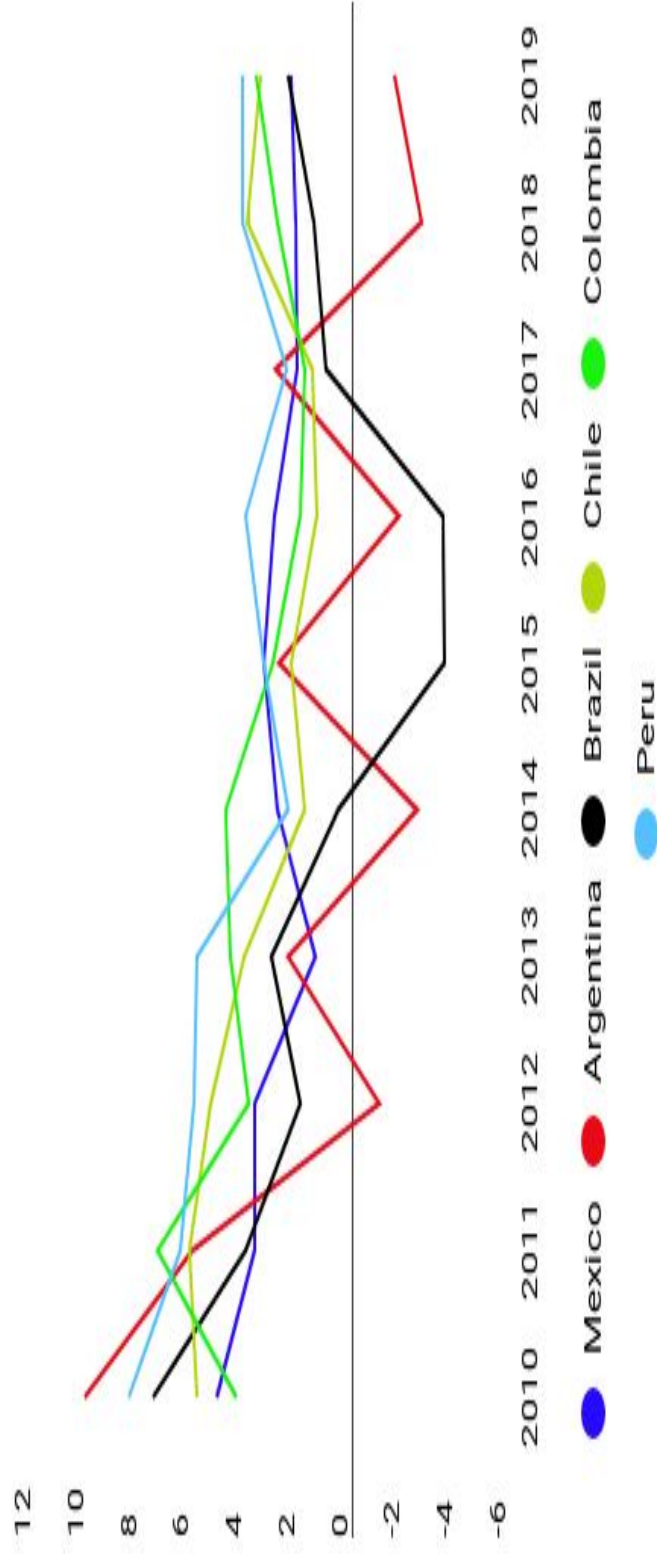


- **Nafta is Dead – Long Live Nafta**
 - **Replaced by USMCA – try singing to the tune of YMCA**
 - **Now has to be approved and ratified by US Congress, Mexican Congress and Canadian Parliament**
- **Three Sticking Points**
 - **Auto sector – more US domestic content, higher wages demanded in Mexico, more assembly in US**
 - **Dairy Business – reduced Canadian subsidies to dairy and easing of restrictions on imported product from US**
 - **Dispute resolution – arbitrary threats from any against any member rejected – has to go to independent arbitration panel. This may have an impact on steel and aluminum tariffs**

Mexican Economy Compared



Mexico's economy is resilient
The economy is expected to grow by 2.1 percent in 2018, and 2.3 percent in 2019.
(GDP constant prices, year-on-year percent change)



Source: IMF staff calculations.

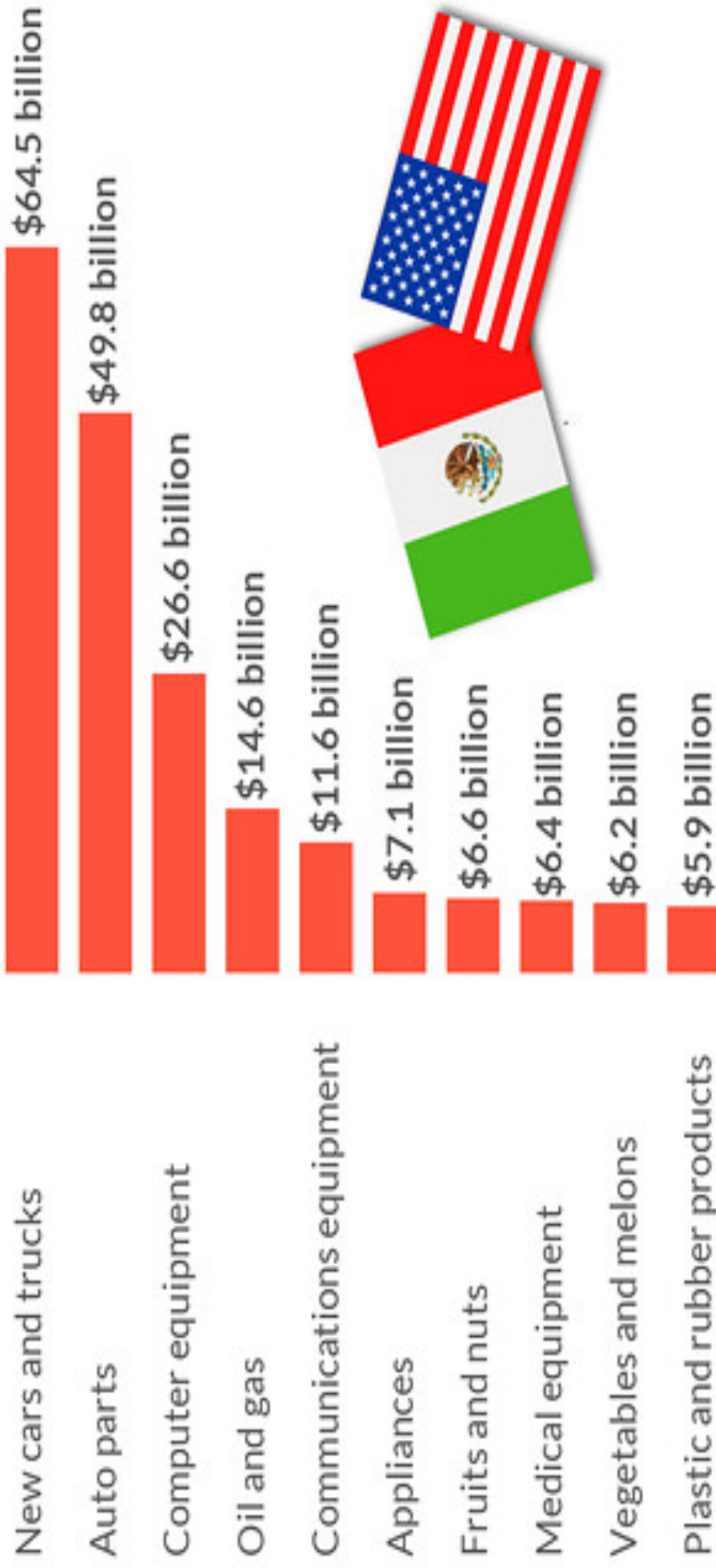


Joined at the Hip



U.S. and Mexican economies inseparable

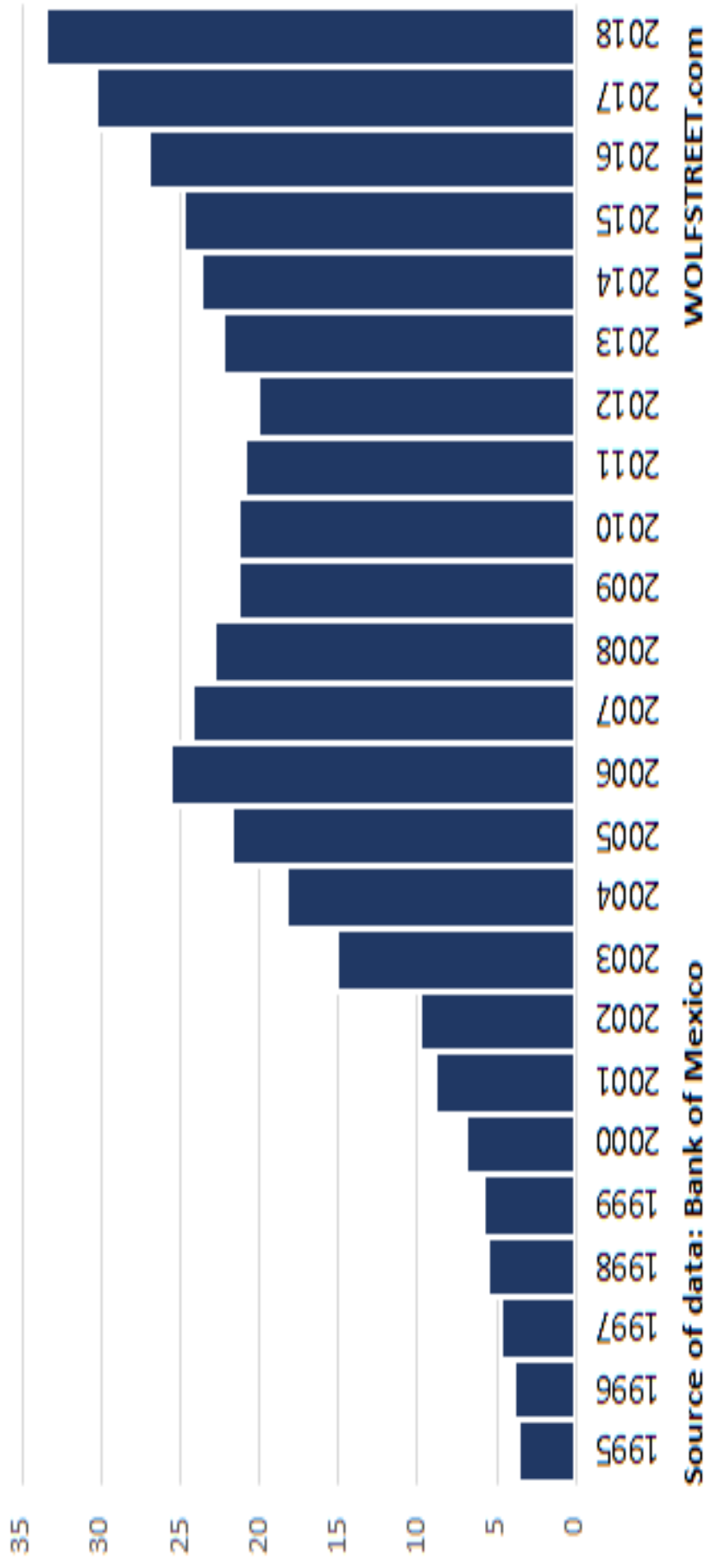
U.S. imports from Mexico totaled \$347 billion in 2018. Here are the top trade items:



Source: U.S. Census, Commerce Department

Remittance Income

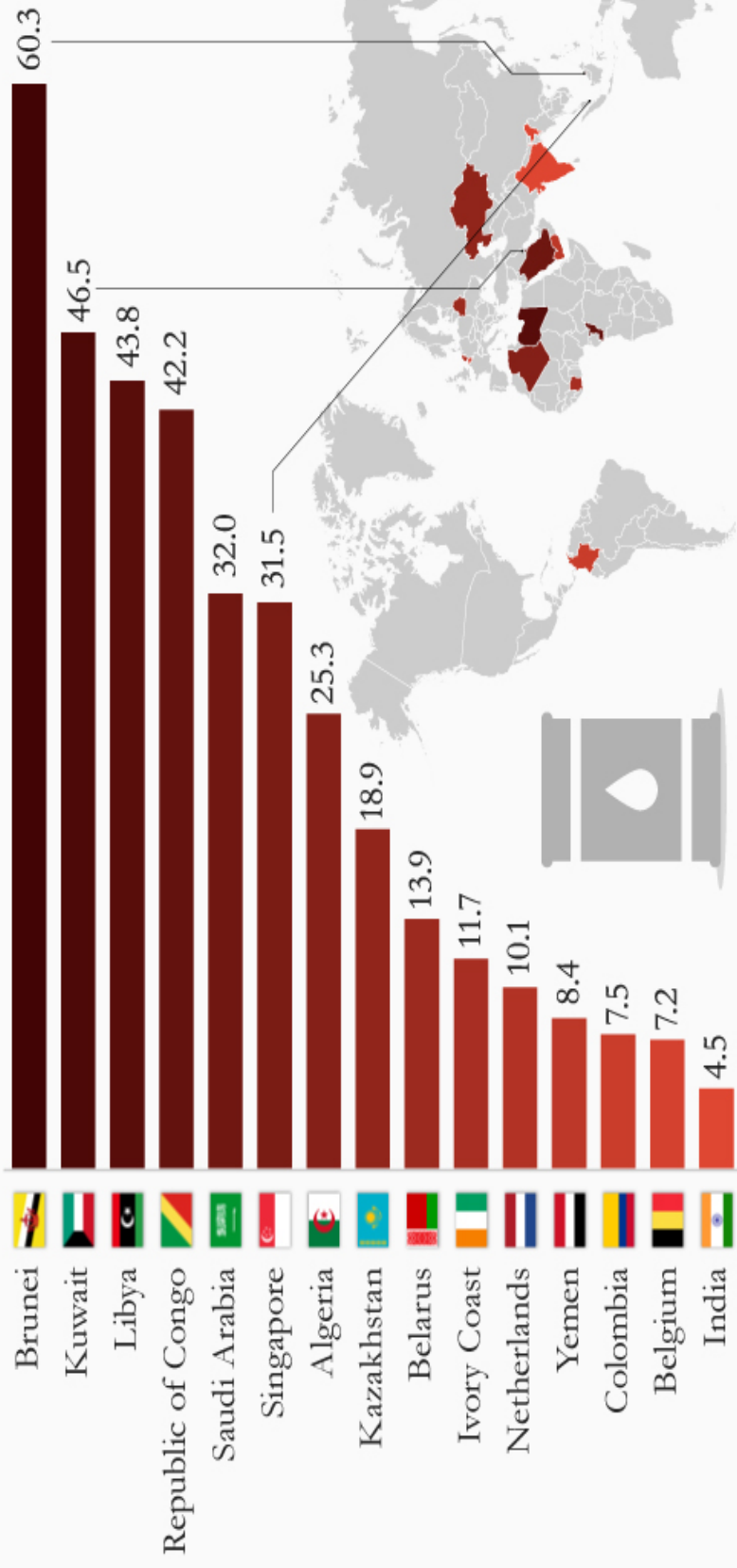
Remittances to Mexico fr the US & Other Countries
In \$ billions



Dependence

The economies most dependent on oil

Estimated oil exports as a % of GDP in 2018



@StatistaCharts

Source: Bloomberg



INDEPENDENT

statista

Who Buys the Oil?

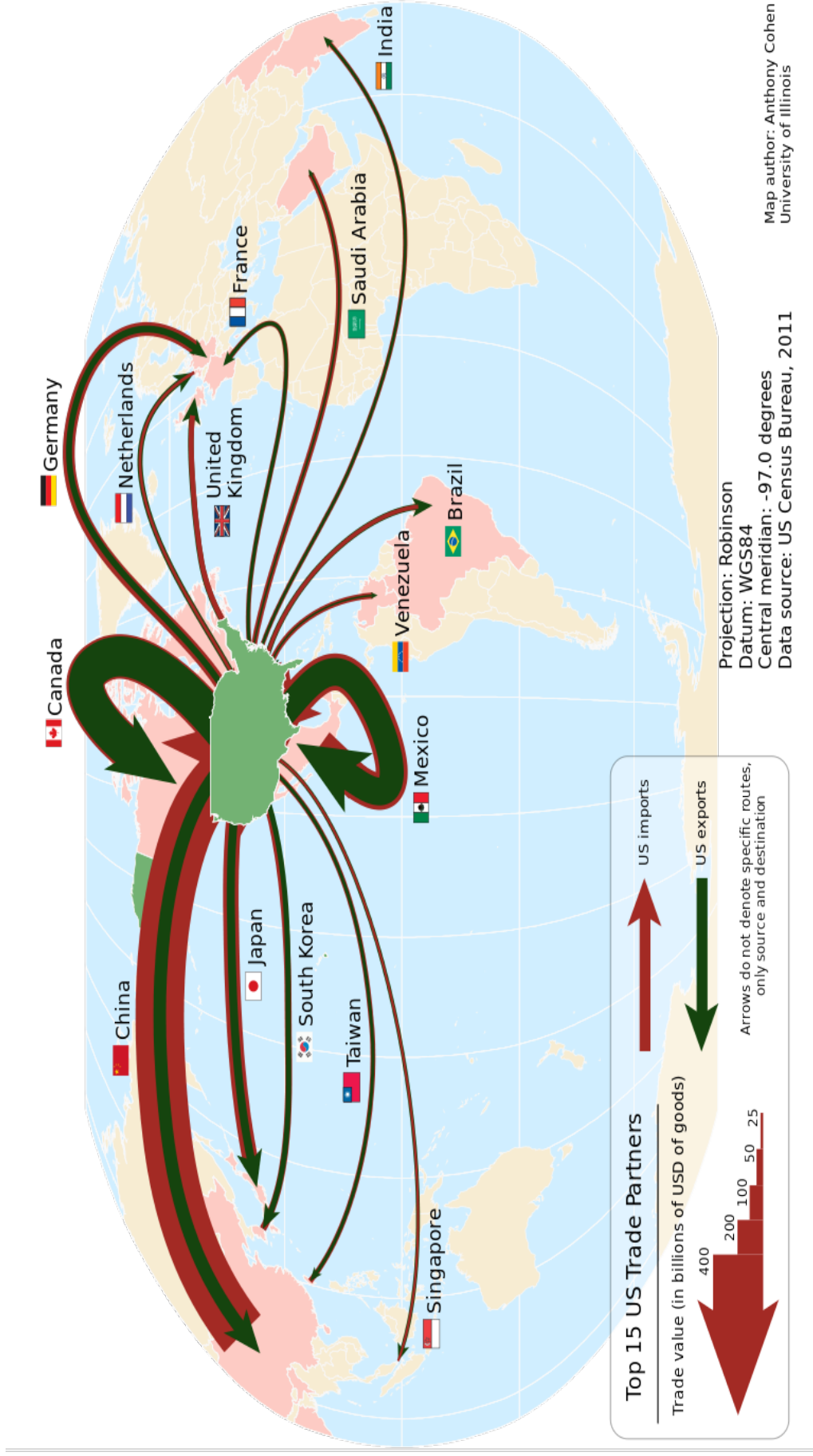


TOP 5 IMPORTERS OF WORLD

MILLION OF BARRELS PER DAY



Who Buys From the US and Who Sells



Steel Tariffs

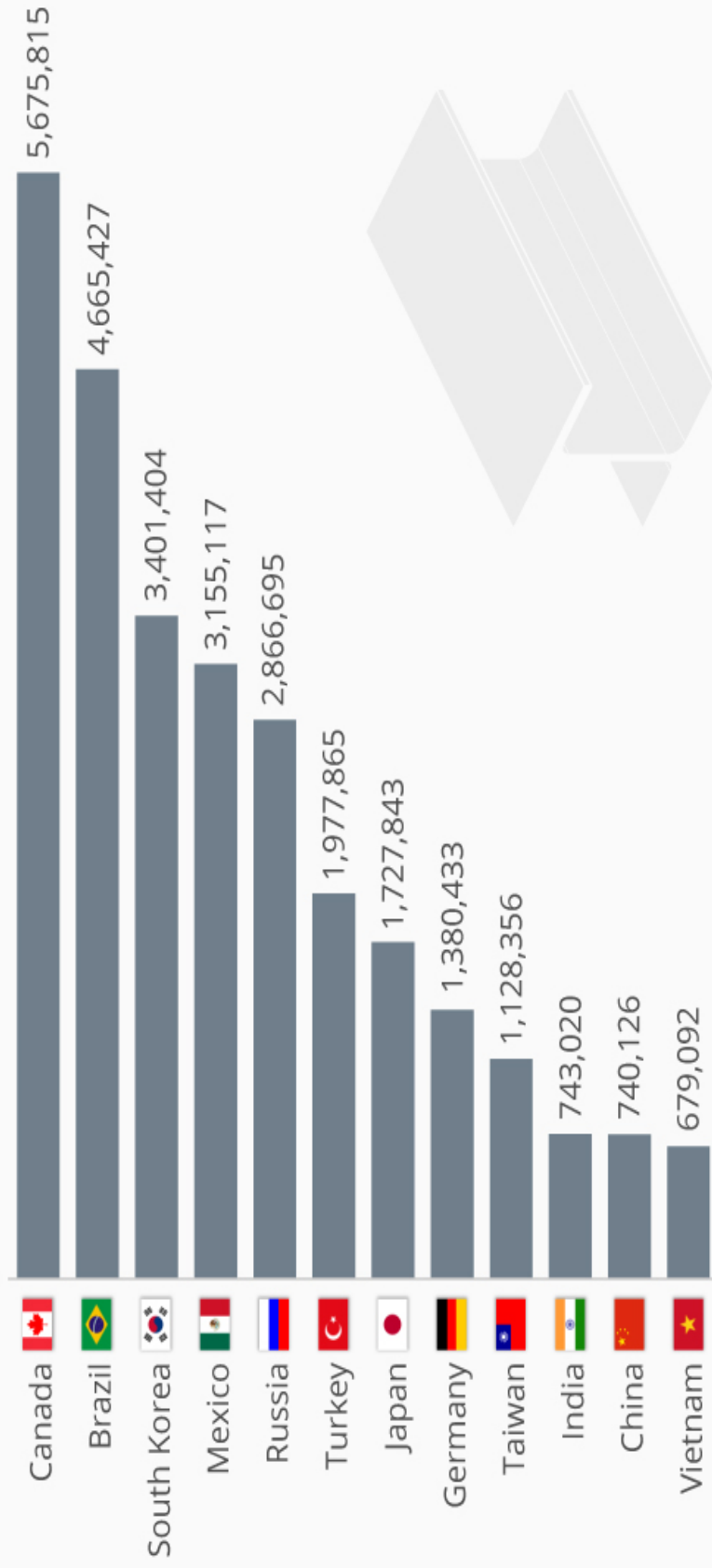
- **Decades of neglect in the steel industry**
- **Original tariff system included everybody – then almost everybody was exempted. Then they were not. Today Brazil, Argentina and South Korea have exemptions. Canada and Mexico likely are next and so is Europe**
- **Steel makers – once bit, twice shy**
- **Manufacturers feeling pinch already unless they could use the 232 exemptions**
- **China is not a factor as far as exporting to US. They sell aggressively to everybody else and that pushes other nations to sell aggressively to the US**

Where Does it Come From?



Where the U.S. Gets its Steel

Countries from which the U.S. imported the most steel mill products in 2017 (in metric tons)



@StatistaCharts

Source: U.S. Department of Commerce, Enforcement & Compliance

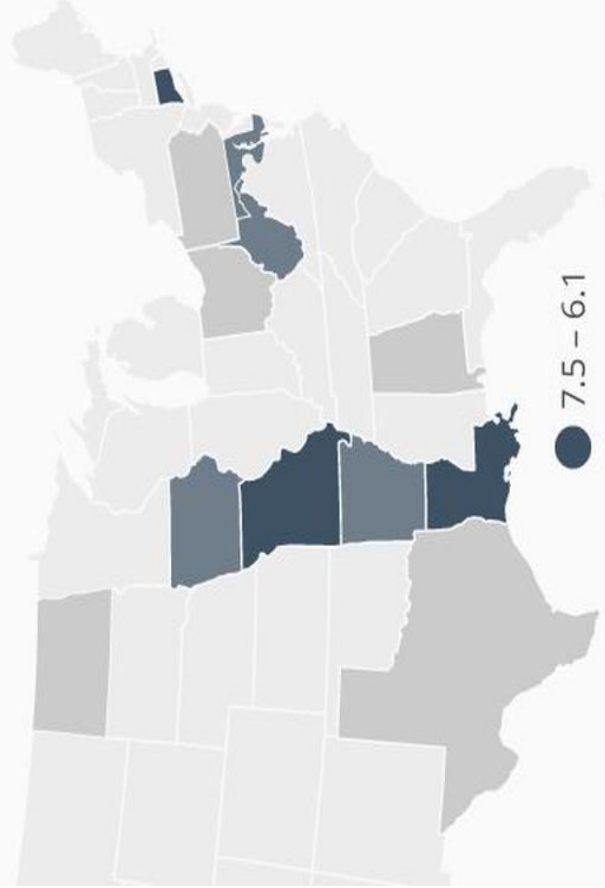
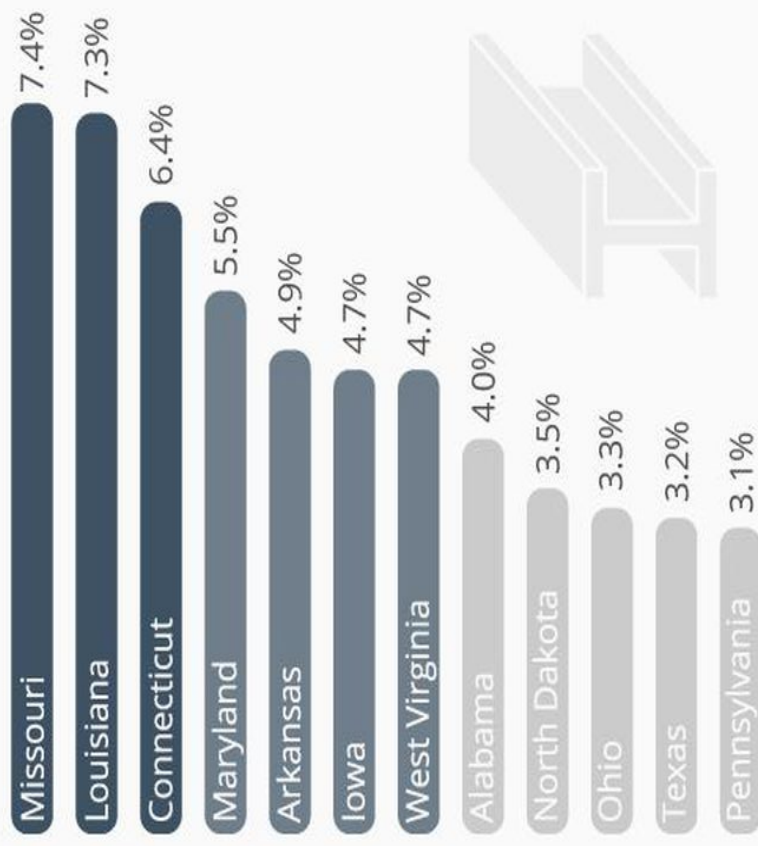


Manufacturing States



The U.S. States Most Reliant On Steel Imports

Percentage share of steel and aluminum in state total imports in 2017



@StatistaCharts

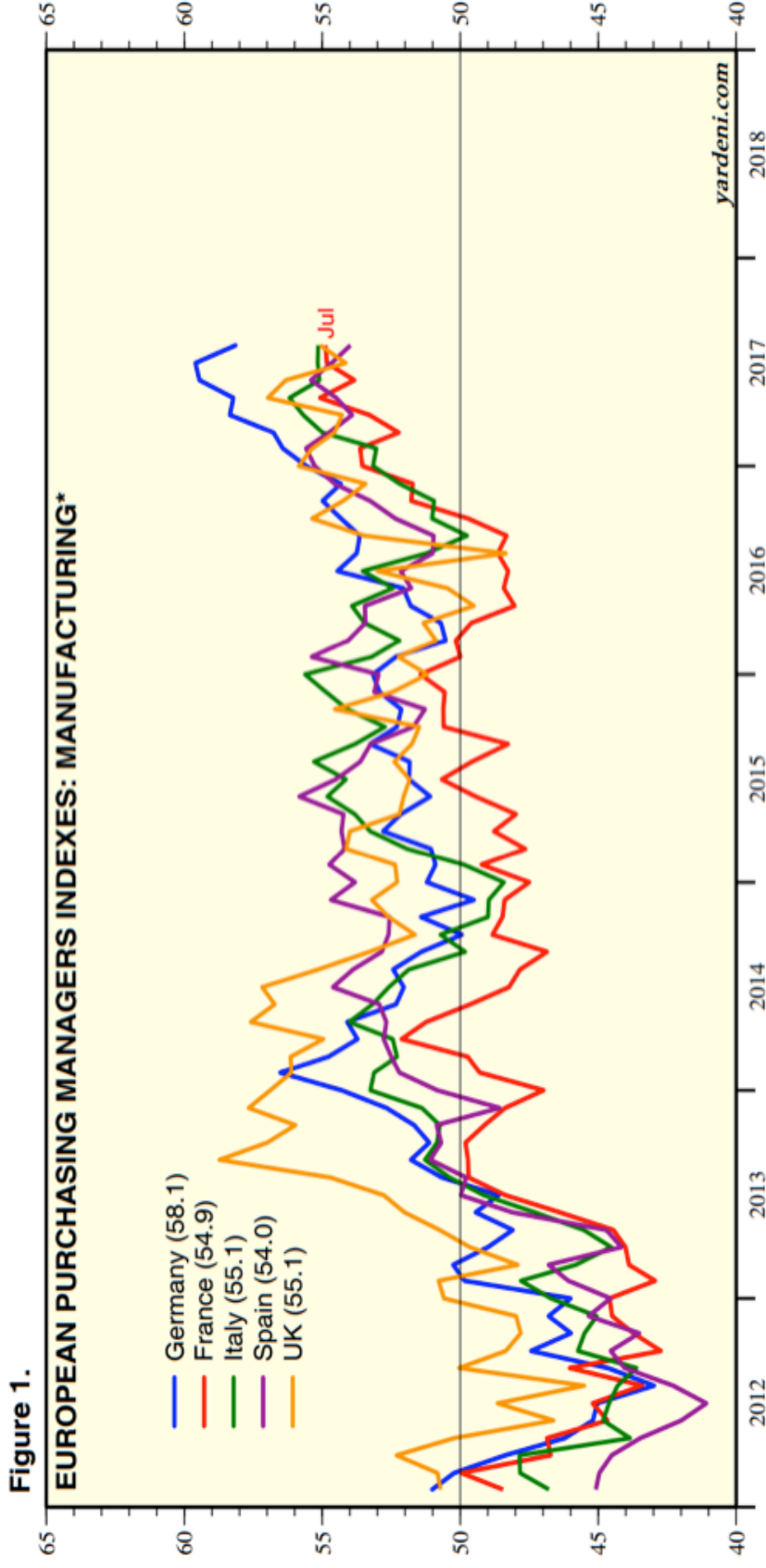
Source: Brookings analysis of Census Bureau data



European PMI



Manufacturing & Nonmanufacturing PMIs



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

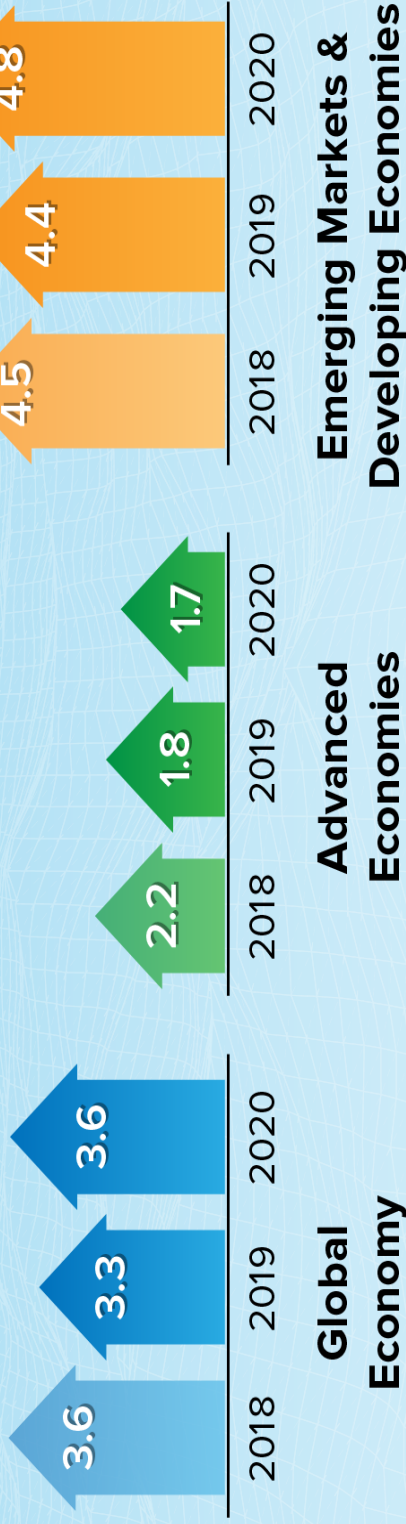
Global Growth



WORLD ECONOMIC OUTLOOK • APRIL 9, 2019

GROWTH PROJECTIONS

Global Growth Is Set to Moderate in the Near Term,
Then Pick Up Modestly



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As US Goes – So Goes the World



NORTH AMERICA SLOWS DOWN

Trade tensions are still one of biggest threats to the global economy



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* Growth of real GDP as predicted in
World Economic Situation and Prospects 2019



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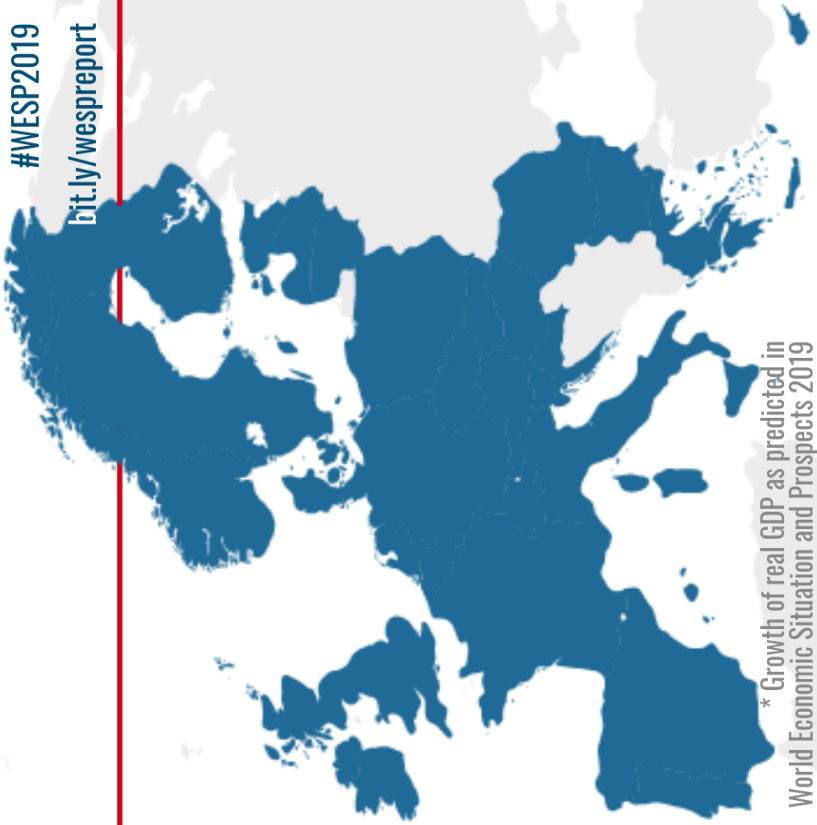
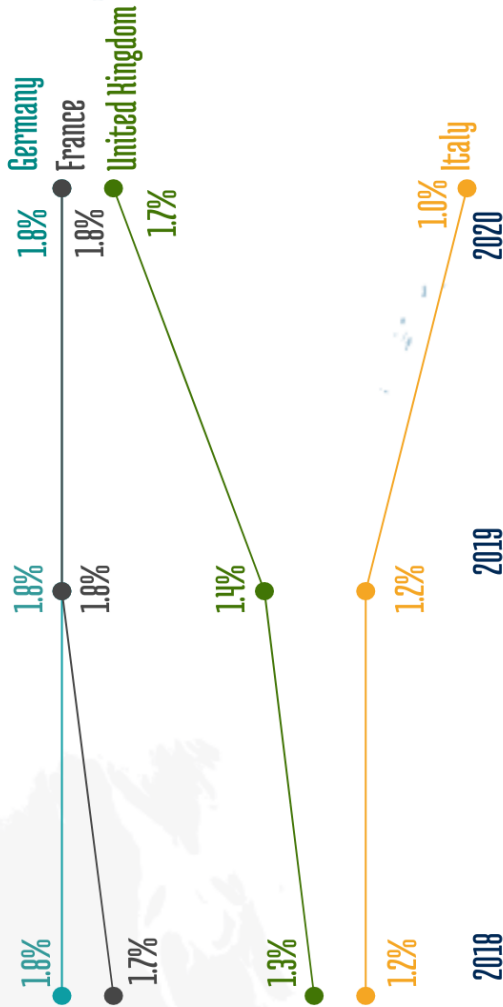
World Economic
Situation
and
Prospects
2019

European Unease



EU GROWTH FACES DOWNSIDE RISKS

EU growth is still solid but Brexit and a Chinese slowdown pose risks



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* Growth of real GDP as predicted in World Economic Situation and Prospects 2019



World Economic Situation and Prospects 2019

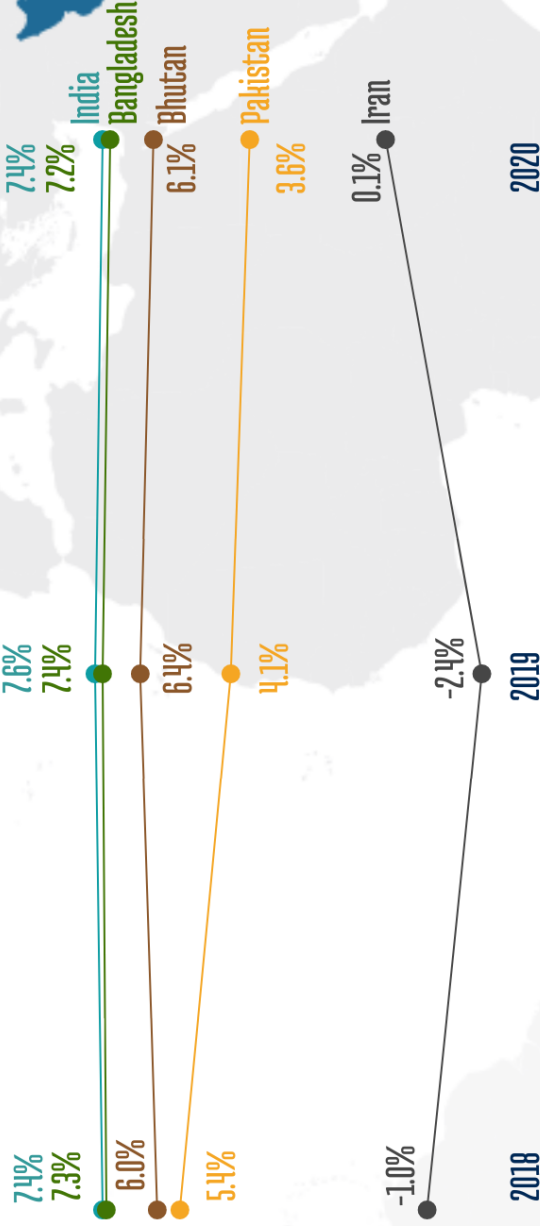
South Asia Varies a Great Deal



SOUTH ASIA'S OUTLOOK FAVOURABLE

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...but trends are highly divergent across countries



* Growth of real GDP as predicted in World Economic Situation and Prospects 2019



World Economic Situation and Prospects 2019

Trade is the Key



EAST ASIA'S GROWTH TO MODERATE

Trade tensions may weigh heavily on the region's exports



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* Growth of real GDP as predicted in World Economic Situation and Prospects 2019



World Economic Situation and Prospects 2019

Transition Still



POSITIVE TRENDS FOR ECONOMIES IN TRANSITION

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A slight slowdown in 2019 but further growth expected in 2020 2.6%



* Growth of real GDP as predicted in World Economic Situation and Prospects 2019



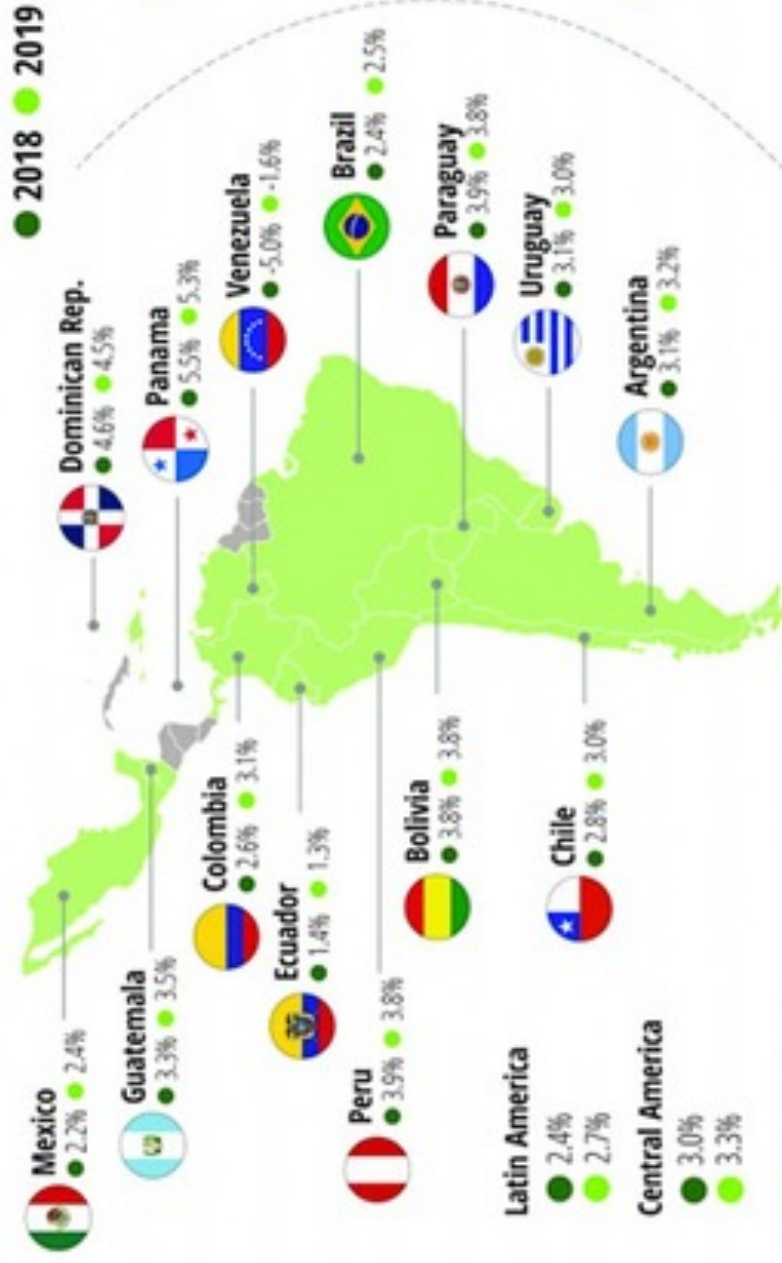
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World Economic
Situation
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2019

Latin American Divergence

LATIN AMERICA 2018 & 2019 GROWTH FORECASTS

Analysts expect GDP to rise in many countries in the coming years, but ongoing uncertainty surrounding elections continues to weigh on their projections.



- The economic recovery in **Latin America** will be gradual, and the 2018 outlook is clouded by uncertainty related to the upcoming elections in various countries.
- Growth prospects for **Central America & the Caribbean** remain depressed due to fiscal imbalances and acute political noise.

- **Panama** and the **Dominican Republic** will be the fastest growing economies in 2018. **Venezuela** will continue to suffer with growth projected at -0.5%.

www.focus-economics.com

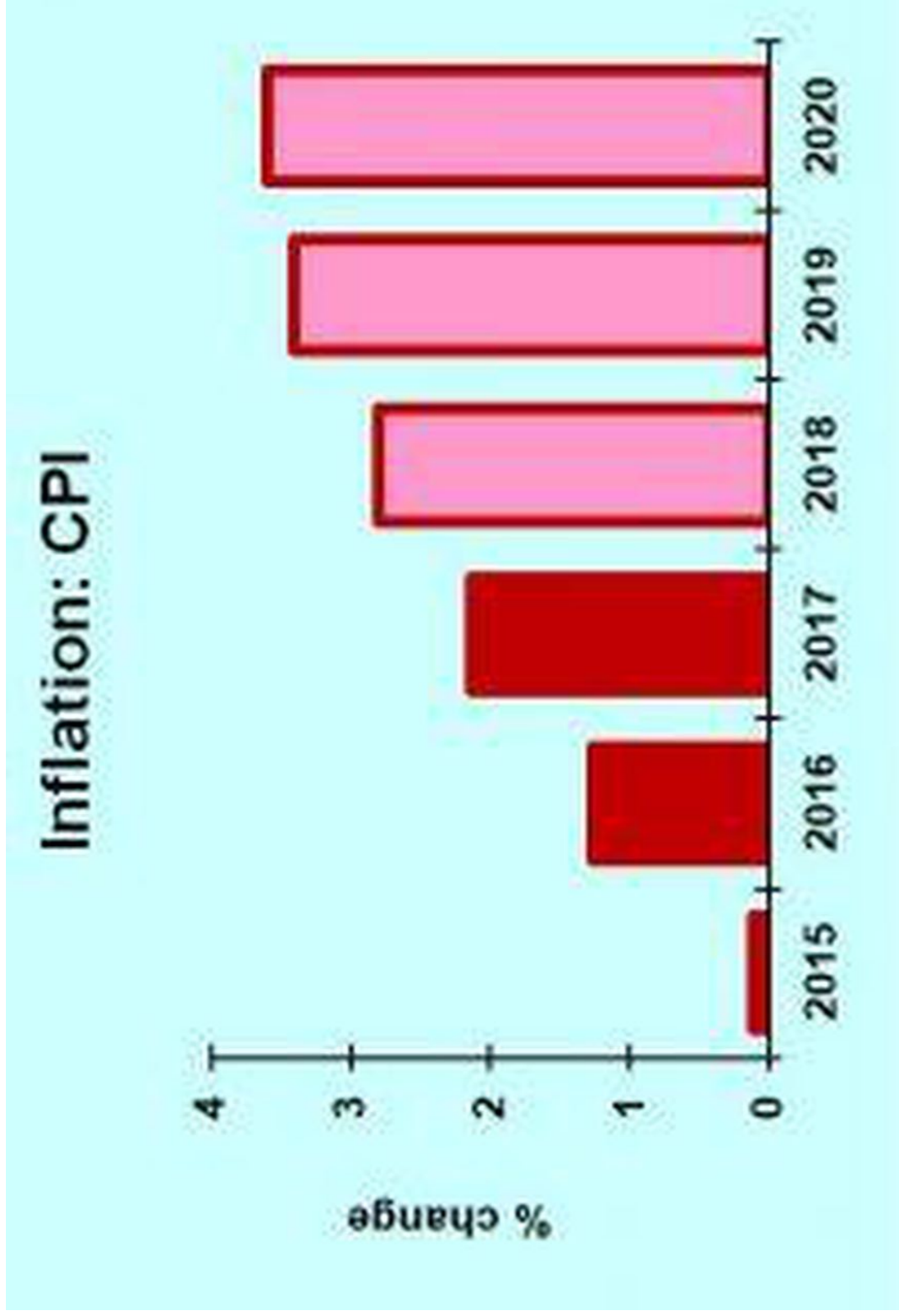
FocusEconomics Consensus Forecast Latin America, December 2017

FOCUSECONOMICS

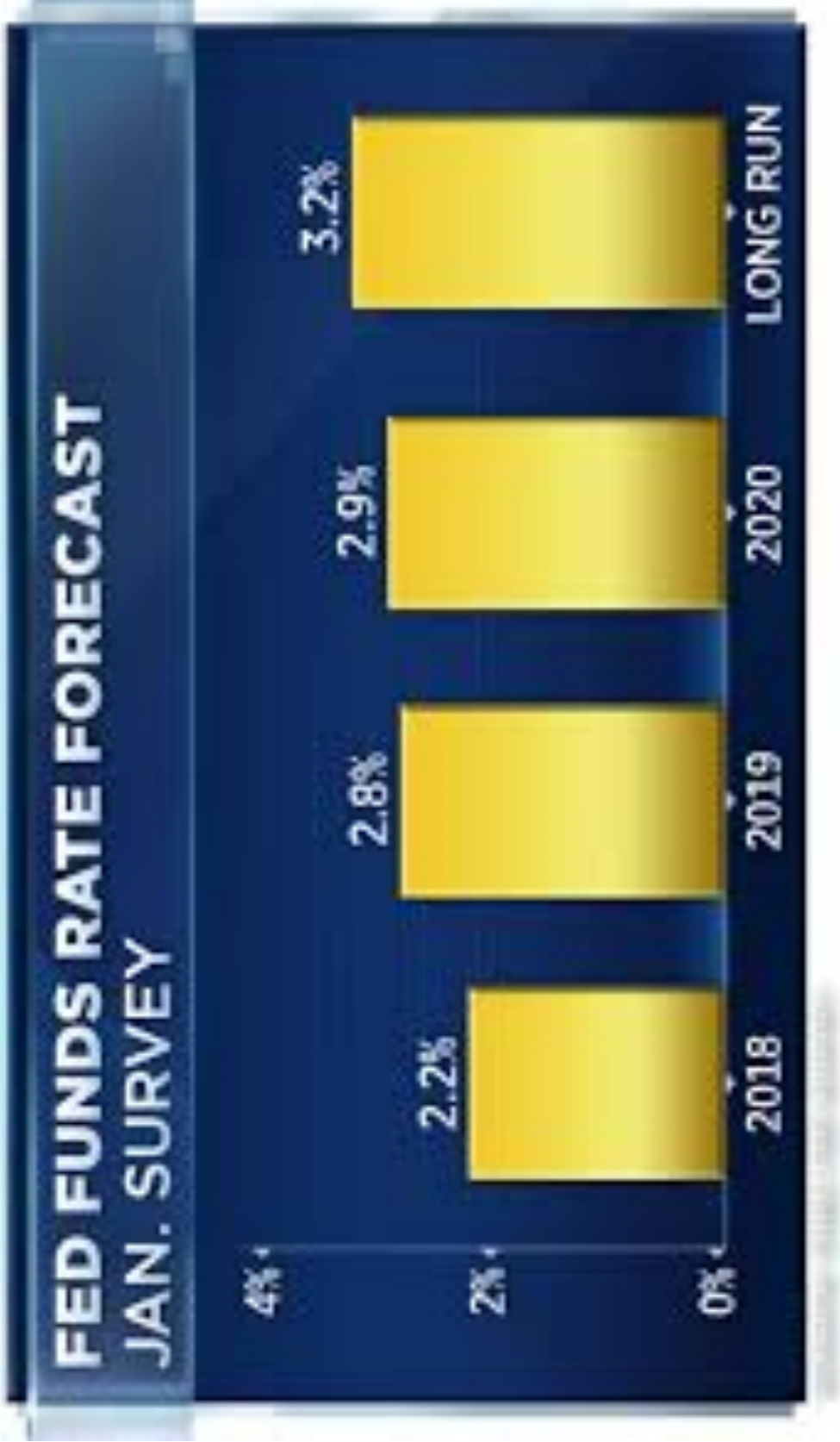
Five Issues to Worry About

- **Return of Inflation and Likely Fed Reaction**
 - **Commodities and Labor**
 - **Importance of FOMC personalities**
- **Trade War Impact**
 - **China – tariffs, structural reform and global growth**
 - **Drift away from Europe**
- **Labor Shortage**
 - **Hiring and productivity**
- **Political Stalemate**
 - **Shutdown impact**
 - **Neglecting big issues – coming off “sugar rush”**
- **Consumer Confidence and Retail Shifts**
 - **On-line vs. brick and mortar**

Projections



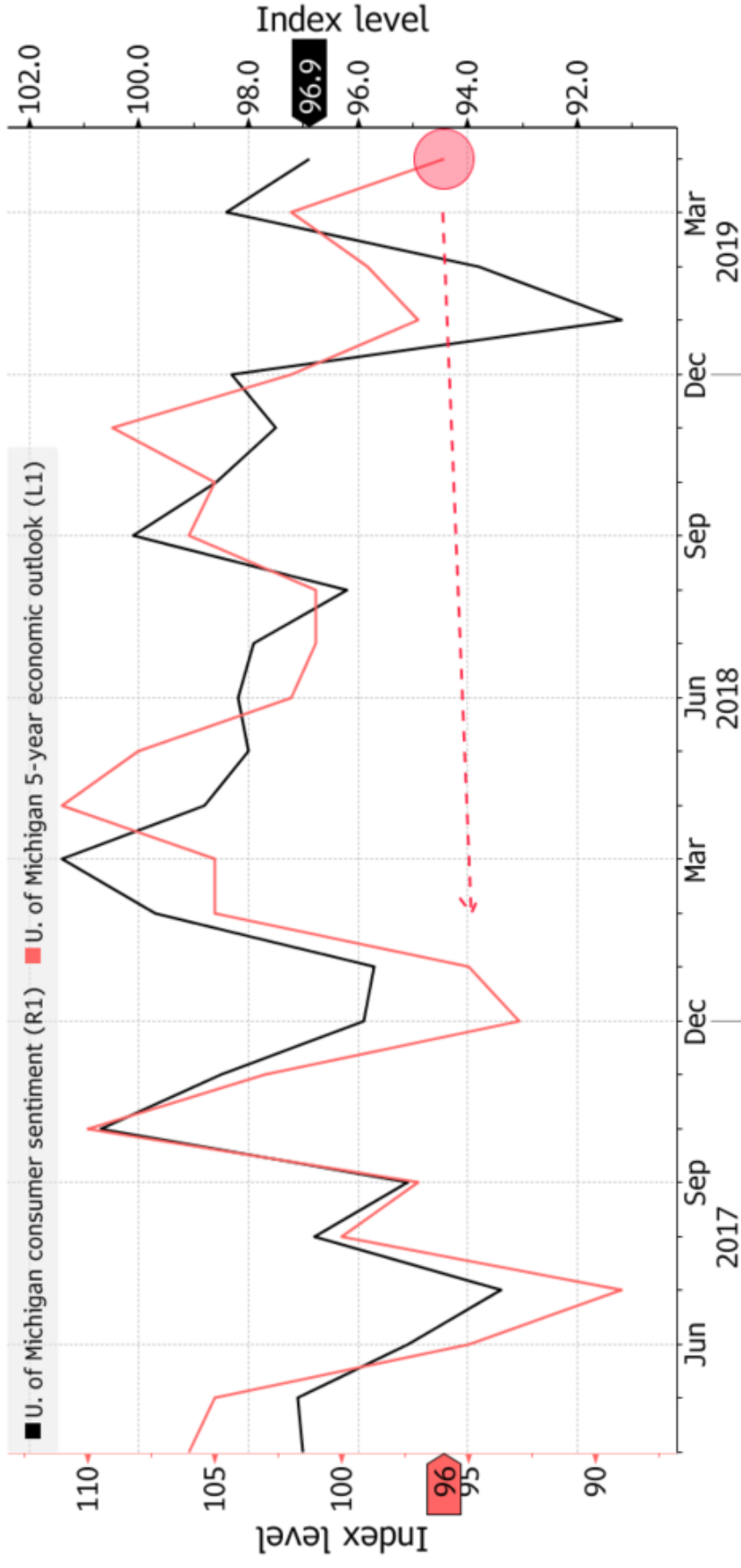
Small Hikes



Future Looks a Little Dimmer



Fading Outlook Views of the U.S. economy five years out hit lowest level since January 2018



Source: University of Michigan

People Needed – Now!!!



Manufacturing Facts

9th largest economy in the world contributing **\$2.18 trillion** to the U.S. economy in 2016.



3,749 firms have more than 500 employees.



248,152 firms have less than 500 employees.



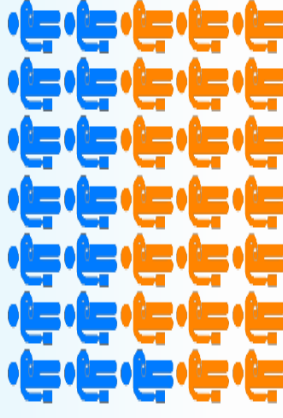
Out of those 248,152 firms, **186,114** have less than 20 employees.

80%

of manufacturers reported a moderate or serious shortage for qualified applicants.

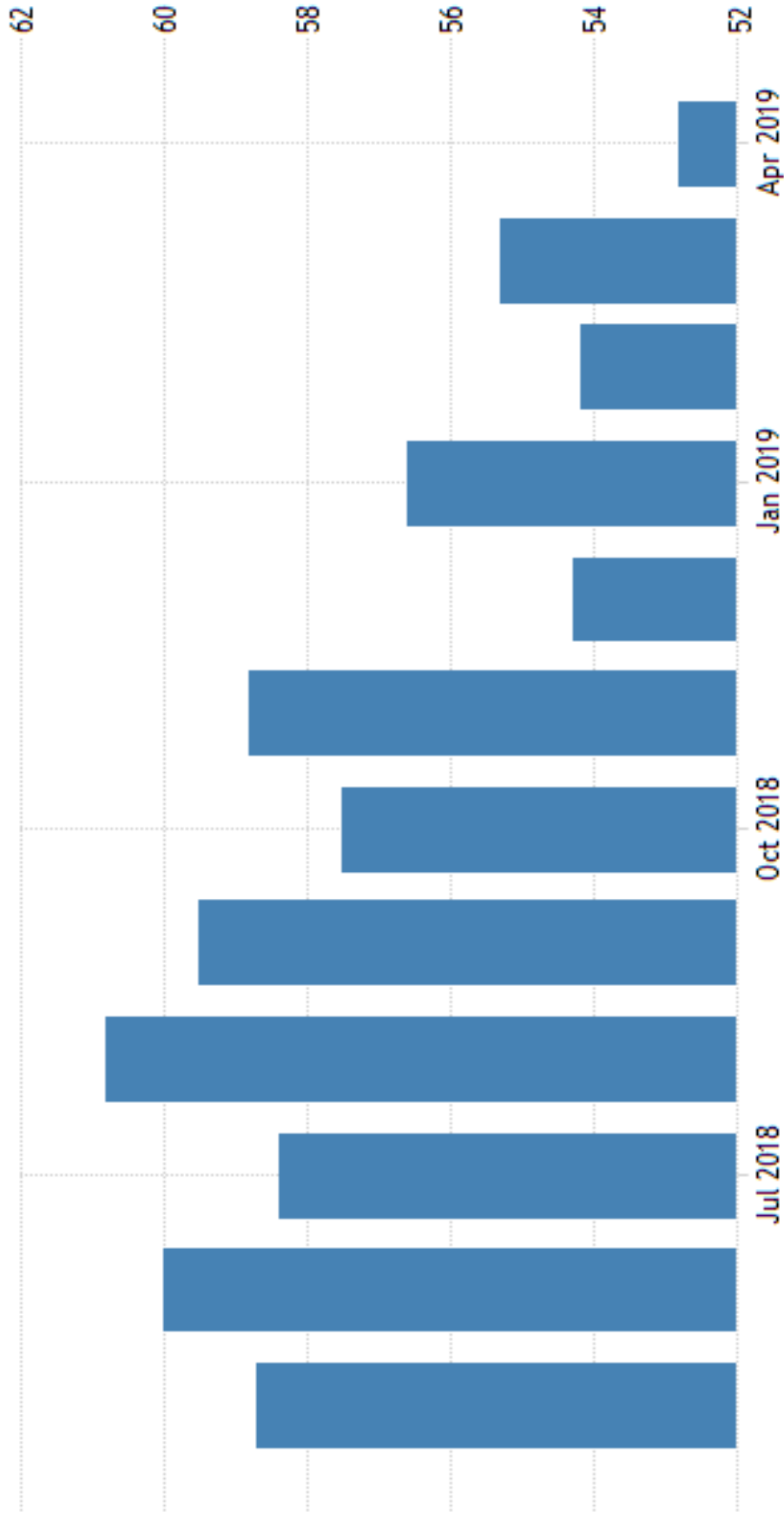


With **3.5 million** manufacturing jobs needed to be filled, **2 million** are expected to stay unfilled due to a skills gap.



Source: National Association of Manufacturers

PMI Declines



Overall CMI




Manufacturing CMI



Service CMI



So True!



SUCCESS
SOME PEOPLE DREAM OF SUCCESS,
WHILE OTHER PEOPLE LIVE TO CRUSH THOSE DREAMS.

www.despair.com

NEW and EXCITING



- **Announcing a new publication from Armada – cleverly called the Armada Risk Report.**
- **Now is your big chance to get involved in our beta test.**
 - **We will be sending you several issues of the ARR over the summer with varying content and plans of organization.**
 - **You agree to give us feedback on occasion – what you find useful and what not so much? What do you want that isn't here?**
 - **When we feel we have something ready for prime time you will be offered a subscription at a substantial discount but there is no obligation whatsoever. We just want honest opinion and your ideas**

For Those that Can't Get Enough of This



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- **We are “economists for rent”. We just love to help with strategic planning by pointing out all the potential pitfalls and**