



Manufacturing Outlook:

The age of uncertainty

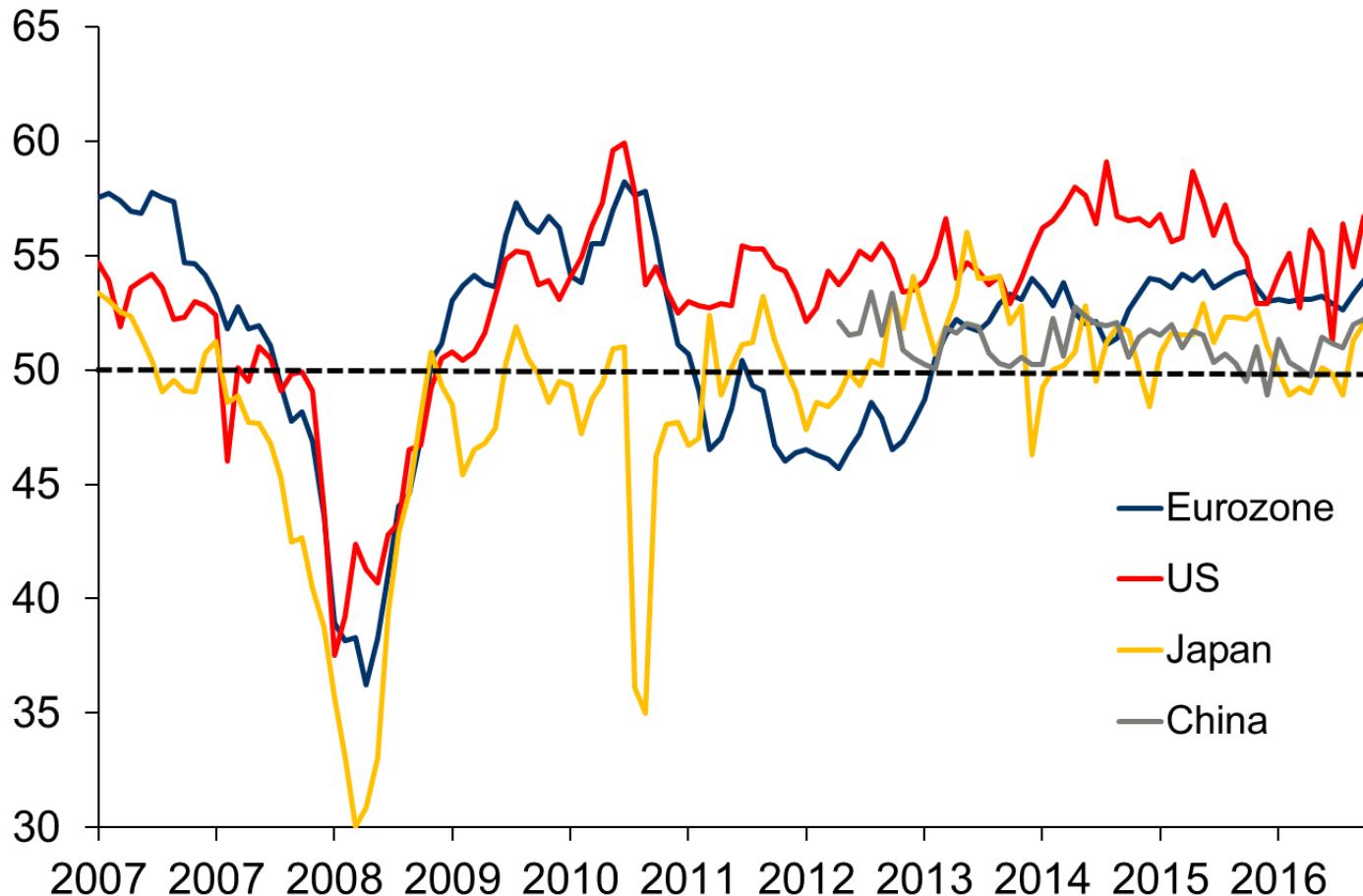
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Strong leading global growth indicators...

World: Composite PMIs

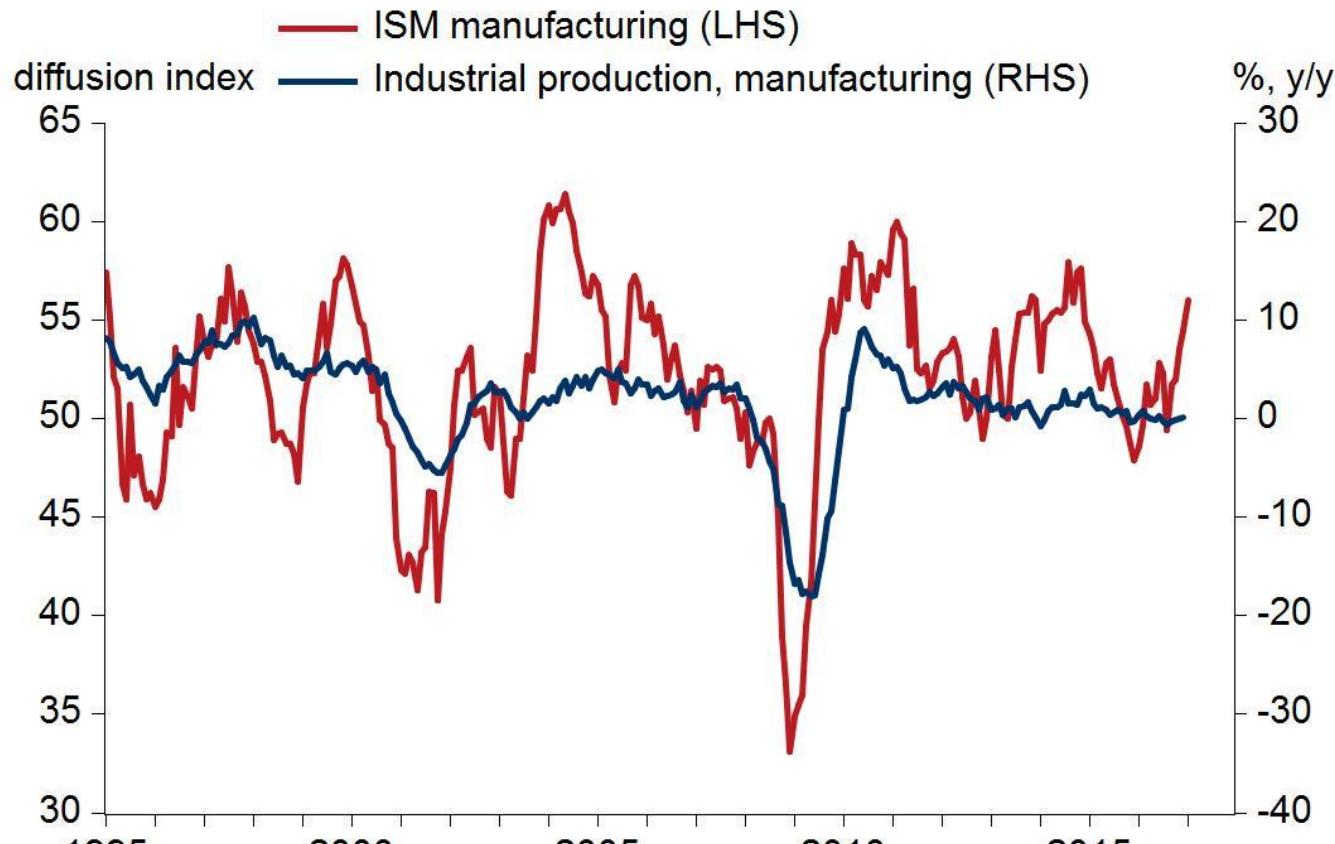
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Source : Oxford Economics/Markit

...running ahead of “real” manufacturing data

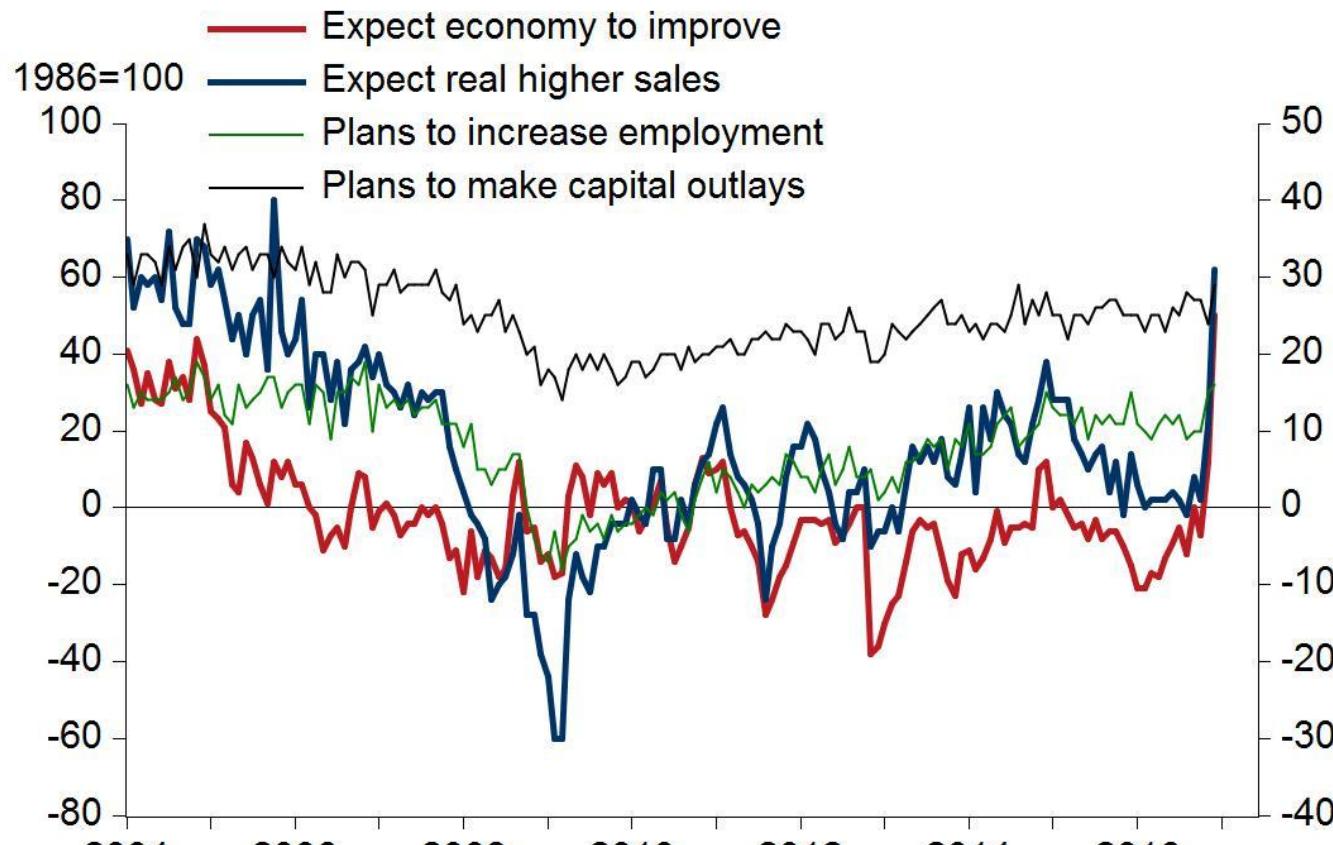
US: ISM manufacturing versus manufacturing activity



Source: Oxford Economics/Haver Analytics

Confidence running ahead of “plans” to spend

US: NFIB Small Business Optimism Index



Source: Oxford Economics/Haver Analytics

Overall, business investment remains weak...

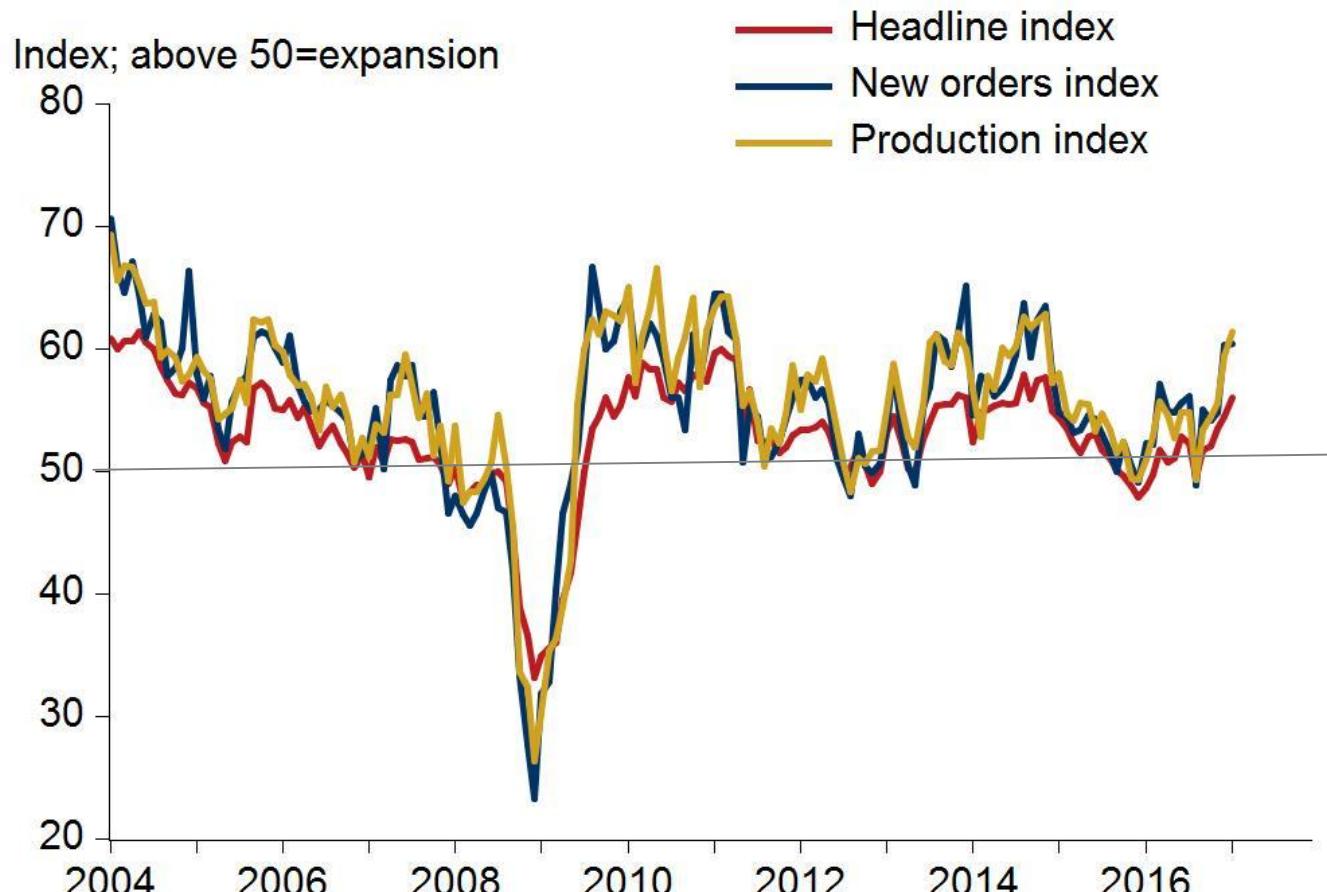
US: Durable goods and investment



Source: Oxford Economics/Haver Analytics

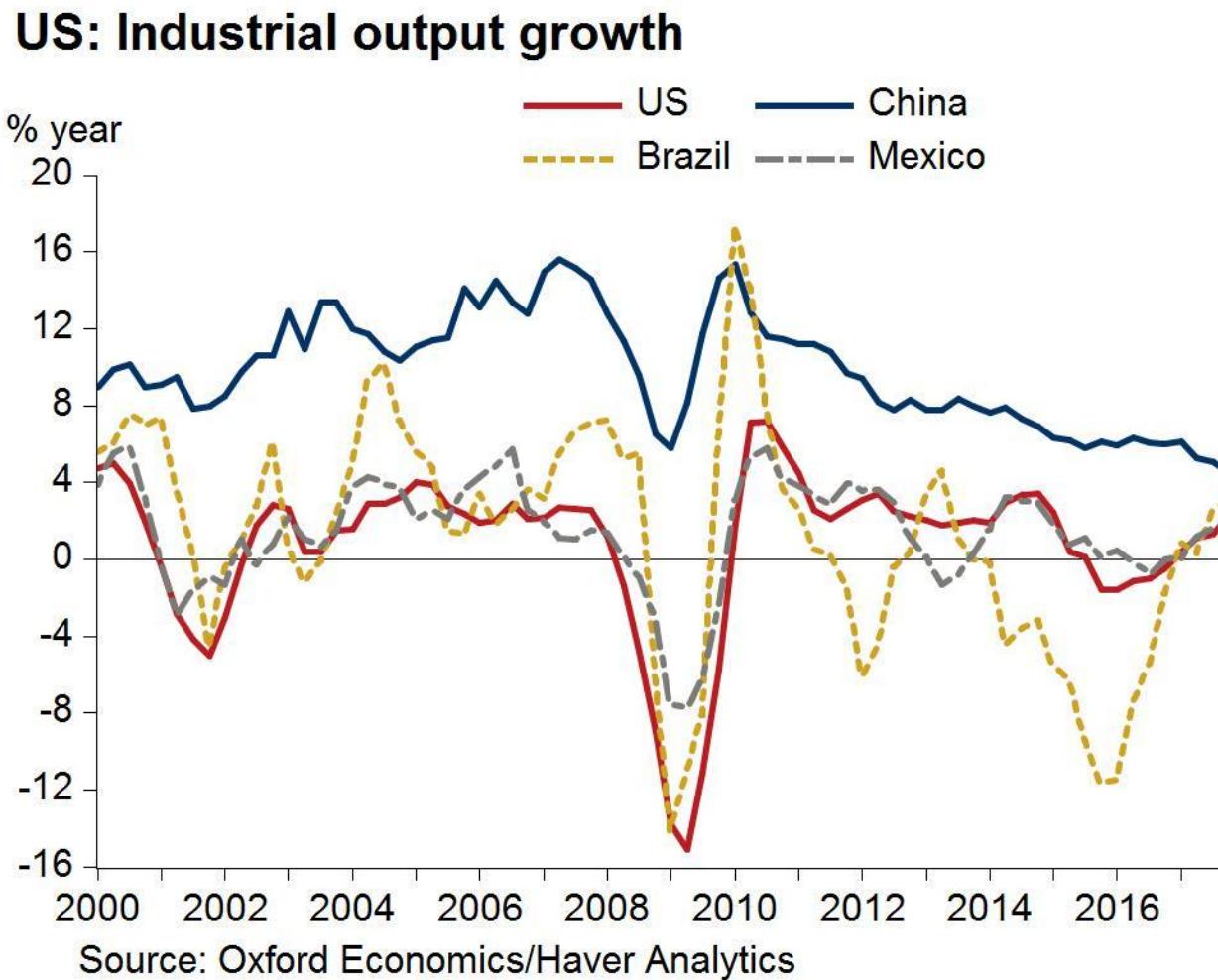
...but manufacturing activity bottoming out

US: ISM Manufacturing



Source: Oxford Economics/Haver Analytics

...and industrial production firming globally



Beware of rip current when riding the Trump wave

- Tax cuts
- More infrastructure spending
- Less regulation

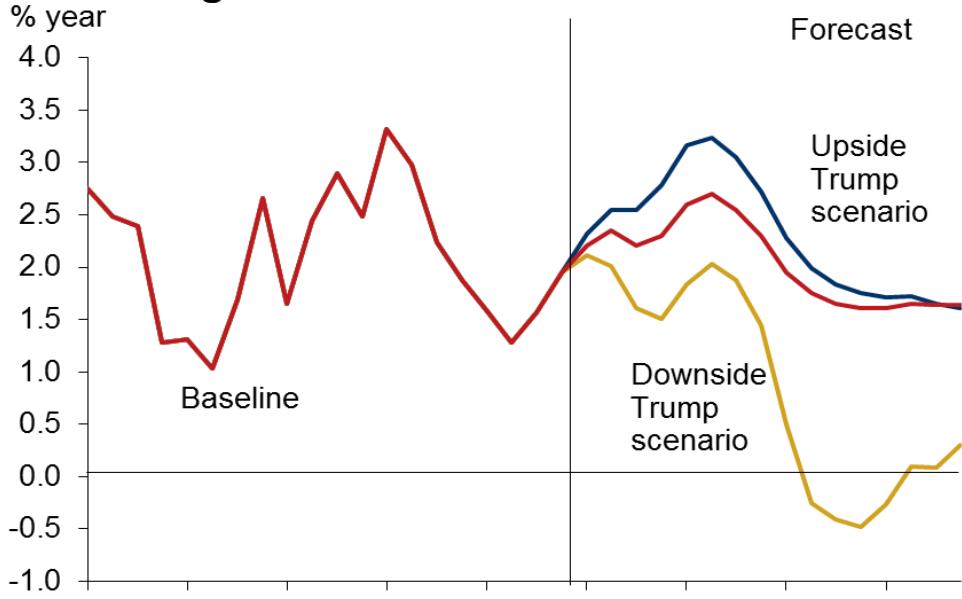
- Massive uncertainty
- Trade protectionism
- Fiscal orthodoxy (spending cuts)
- Anti-immigration



Elevated risk of a “trial and error” presidency

Important ramifications for the US economy...

US: GDP growth



Source : Oxford Economics

2017-2026	Baseline
Tax cuts	\$1 trillion (w/ some benefits to low income families)
Infrastructure	\$200 billion
Spending offsets	\$300 billion (back loaded)
Tax revenue offsets	+\$225 billion (foreign profits)
Uncertainty	Moderate
Trade	Threats to renegotiate agreements and implement tariffs & targeted restrictions
Regulation	Loosened modestly
Immigration (via labor force)	-600,000/year

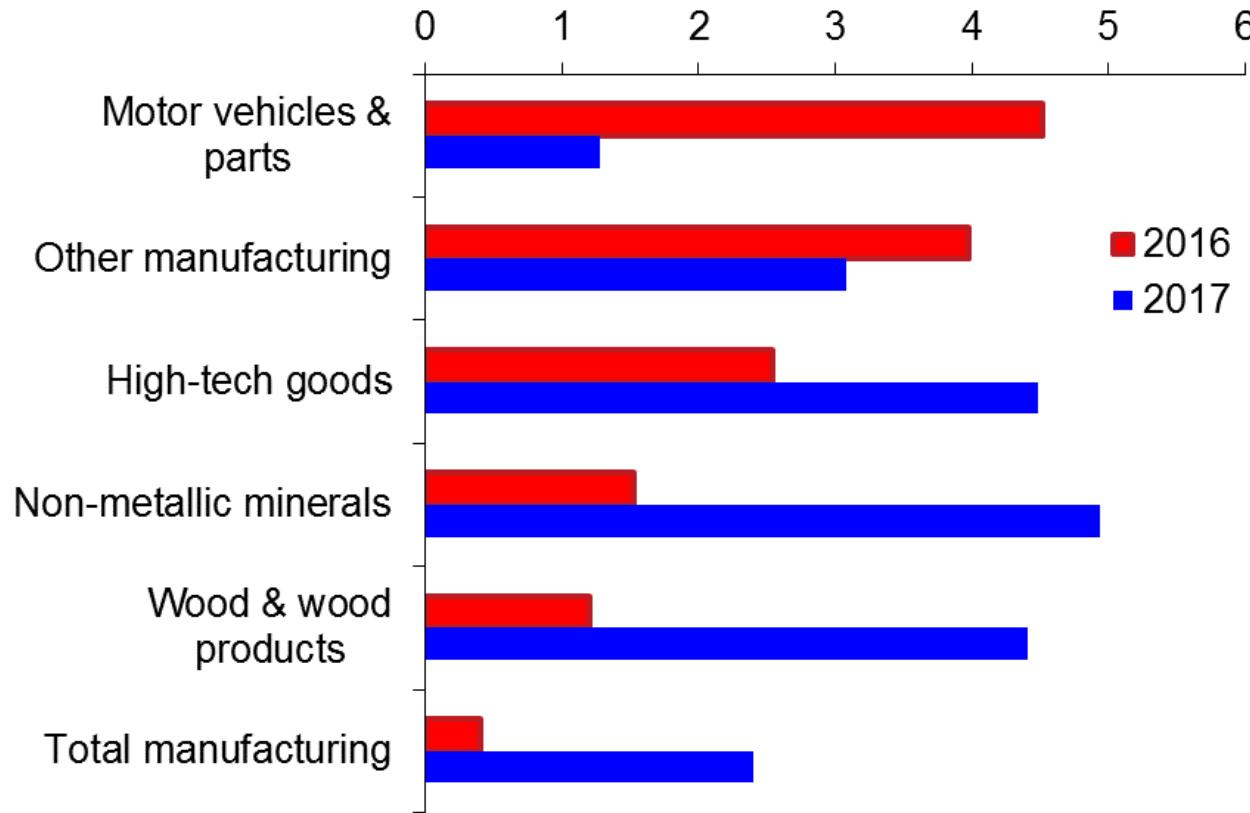


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Construction, autos and energy are key drivers ...

US manufacturing: What's hot

% year

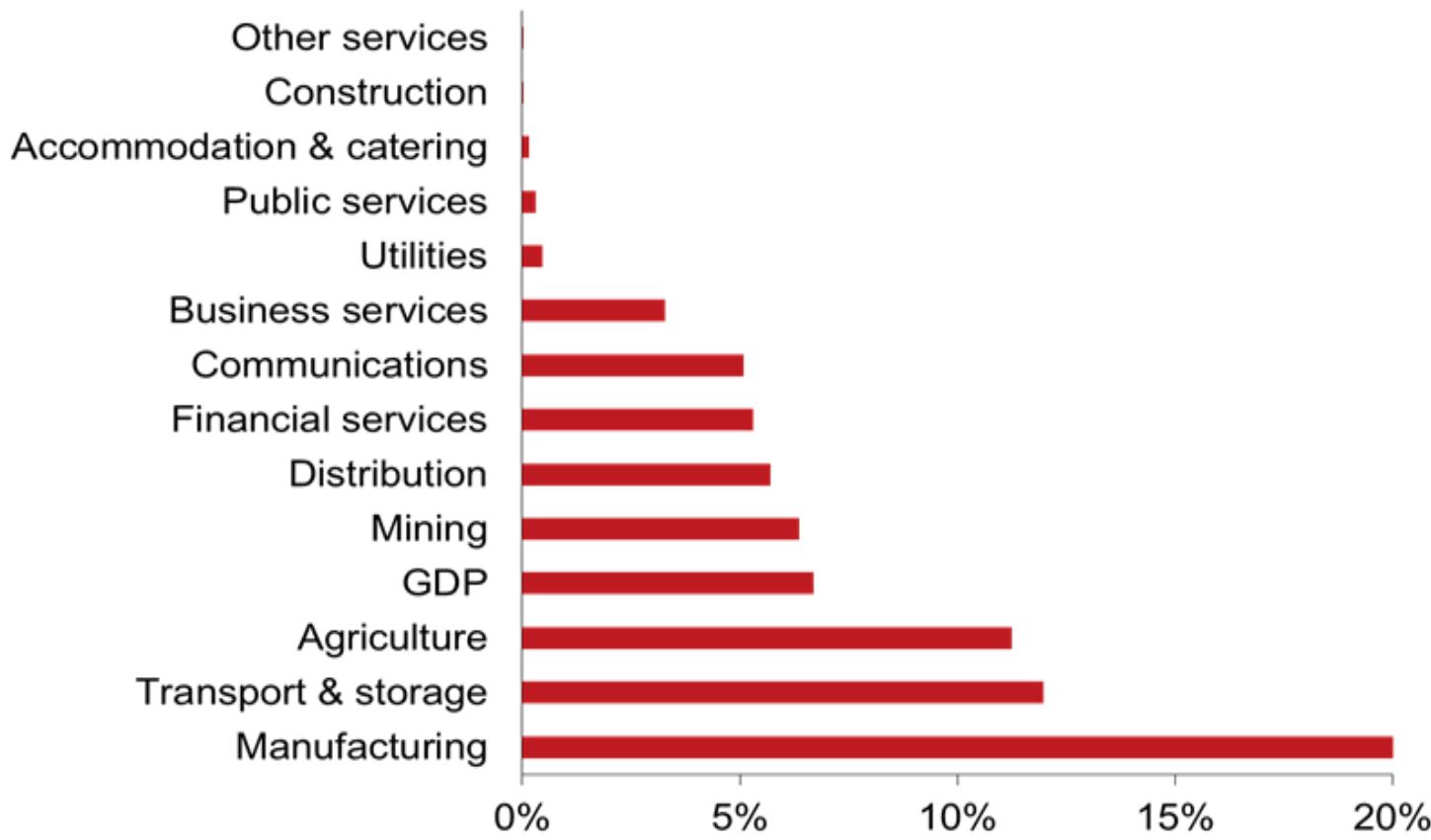


Source : Oxford Economics/Haver Analytics

Given the importance of the trade channel for manufacturing

US Industry: Trade intensity in 2014

Total trade as a share of gross output

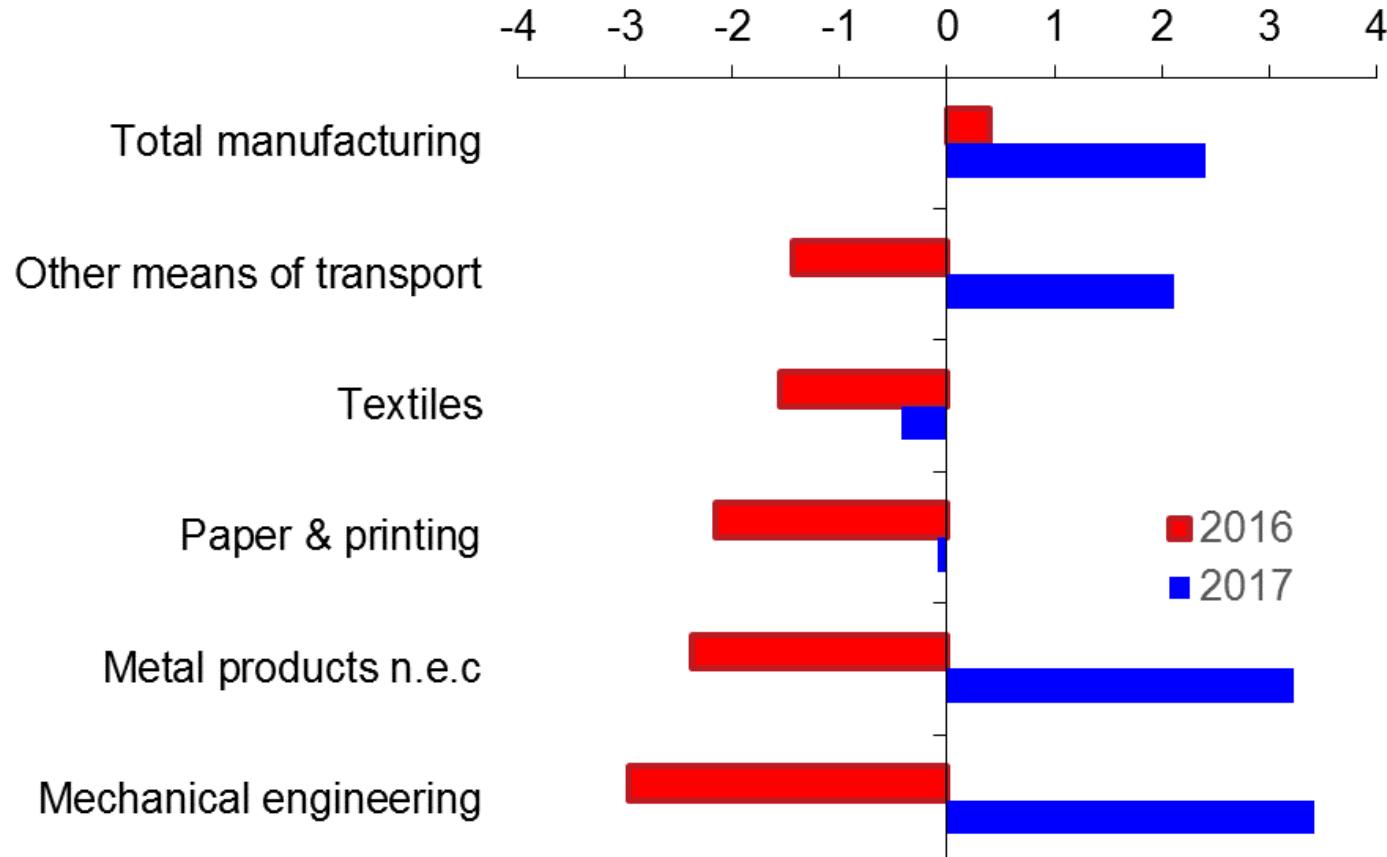


Source: Oxford Economics/Haver Analytics

...internationally exposed sectors are more constrained

US manufacturing: What's not

% year



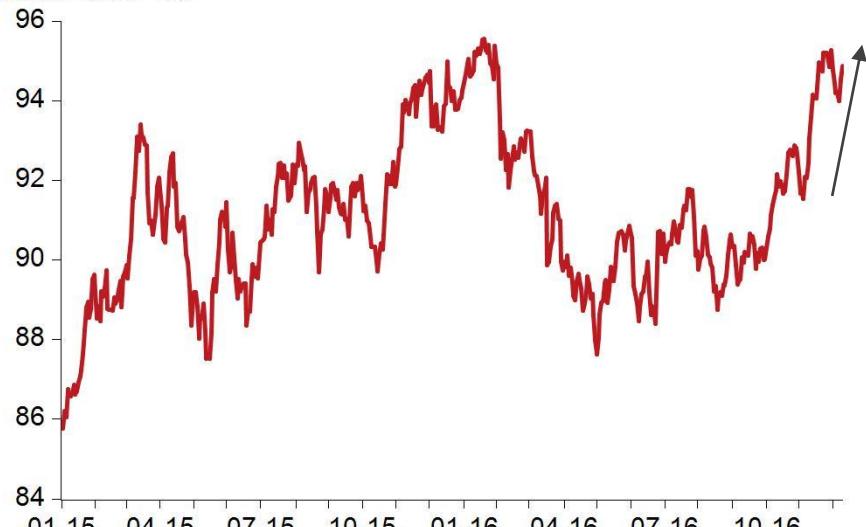
Source : Oxford Economics/Haver Analytics

Strong US dollar & global growth are key risks

US dollar in perspective (FRB G.5)

— Trade-weighted value of US\$ against major currencies

March 1973=100

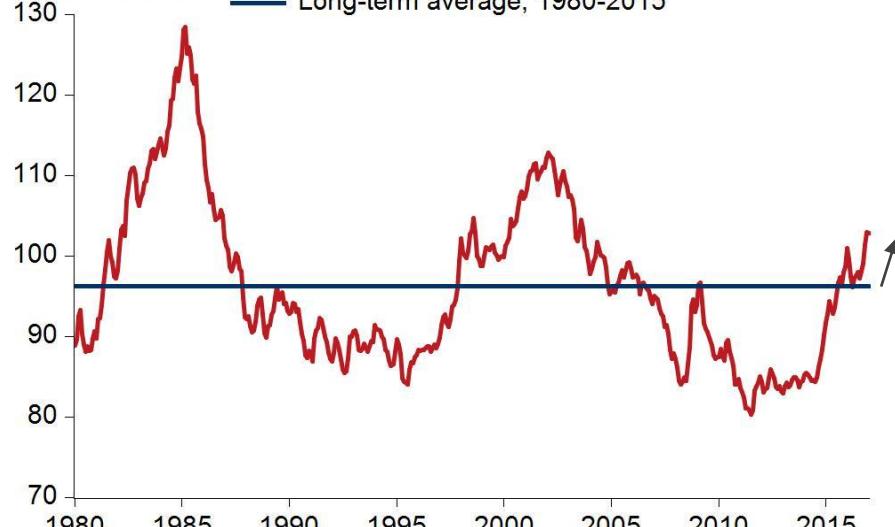


Source: Oxford Economics/Haver Analytics

The US dollar in perspective

March 1973=100

— Real trade-weighted broad index US\$
— Long-term average, 1980-2015



Source: Oxford Economics/Haver Analytics/Federal Reserve

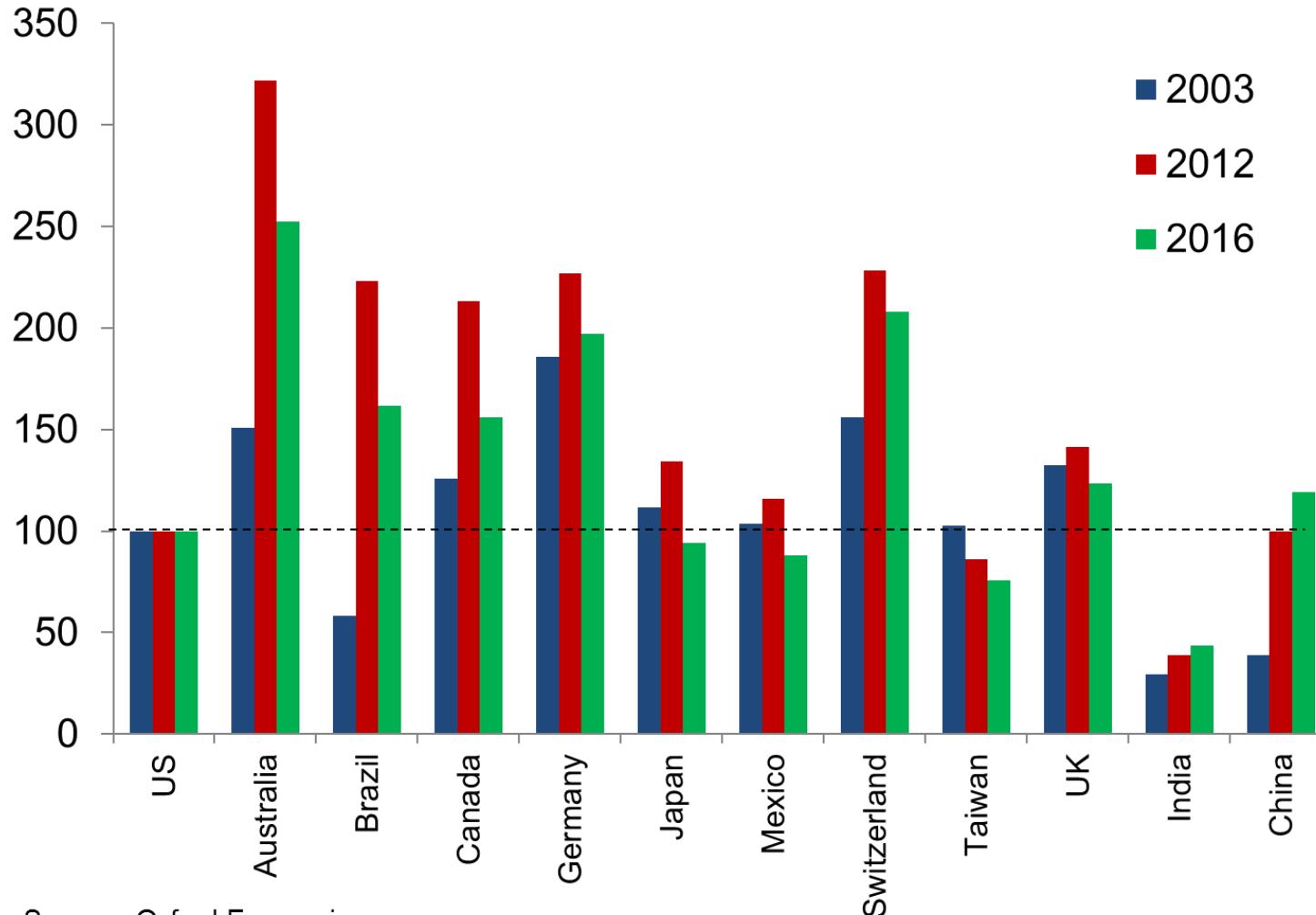


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US manufacturing competitive despite stronger \$

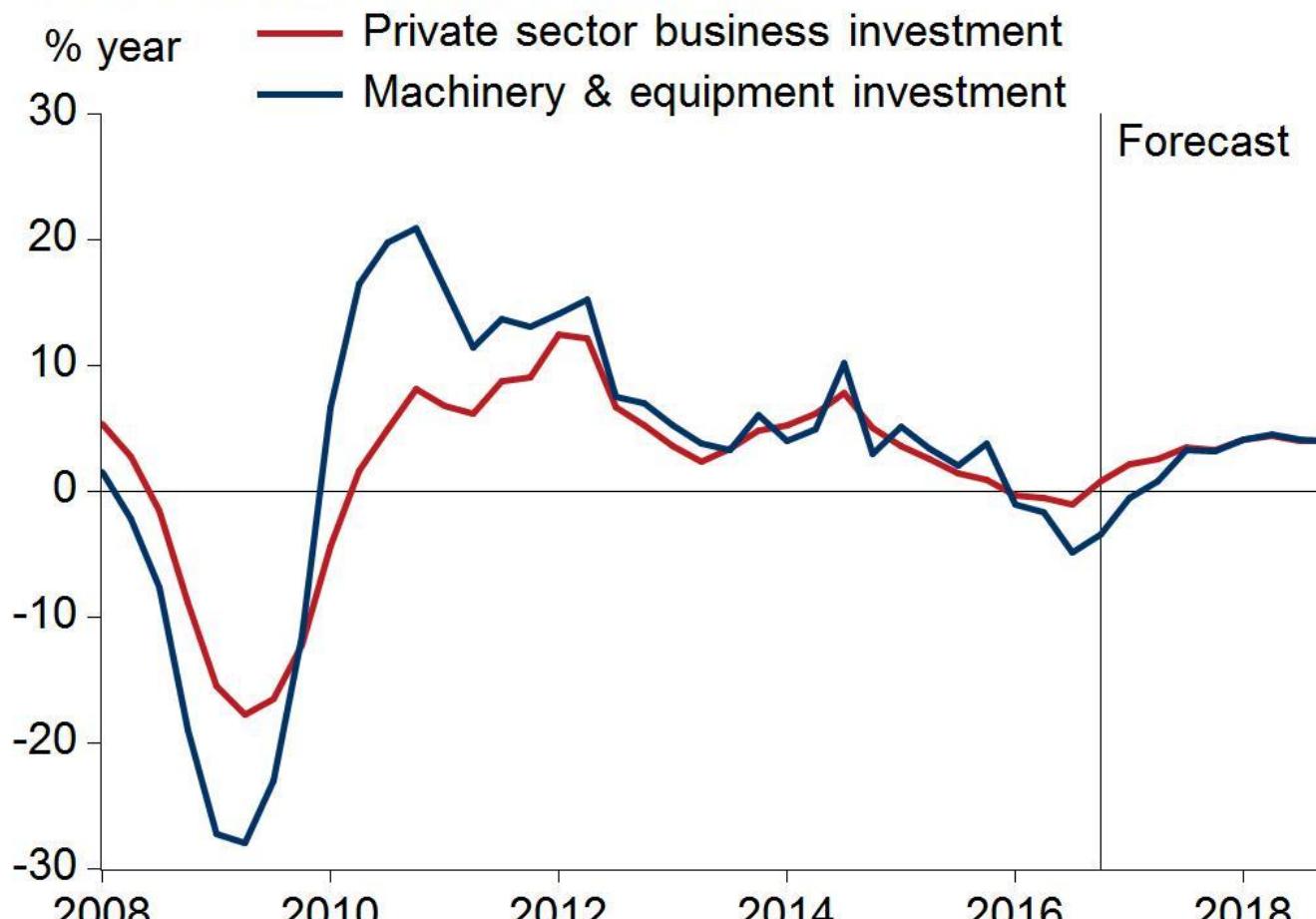
Unit labor cost compared with the US

Manufacturing unit labor cost, US=100



We expect modest momentum going forward...

US: Business investment

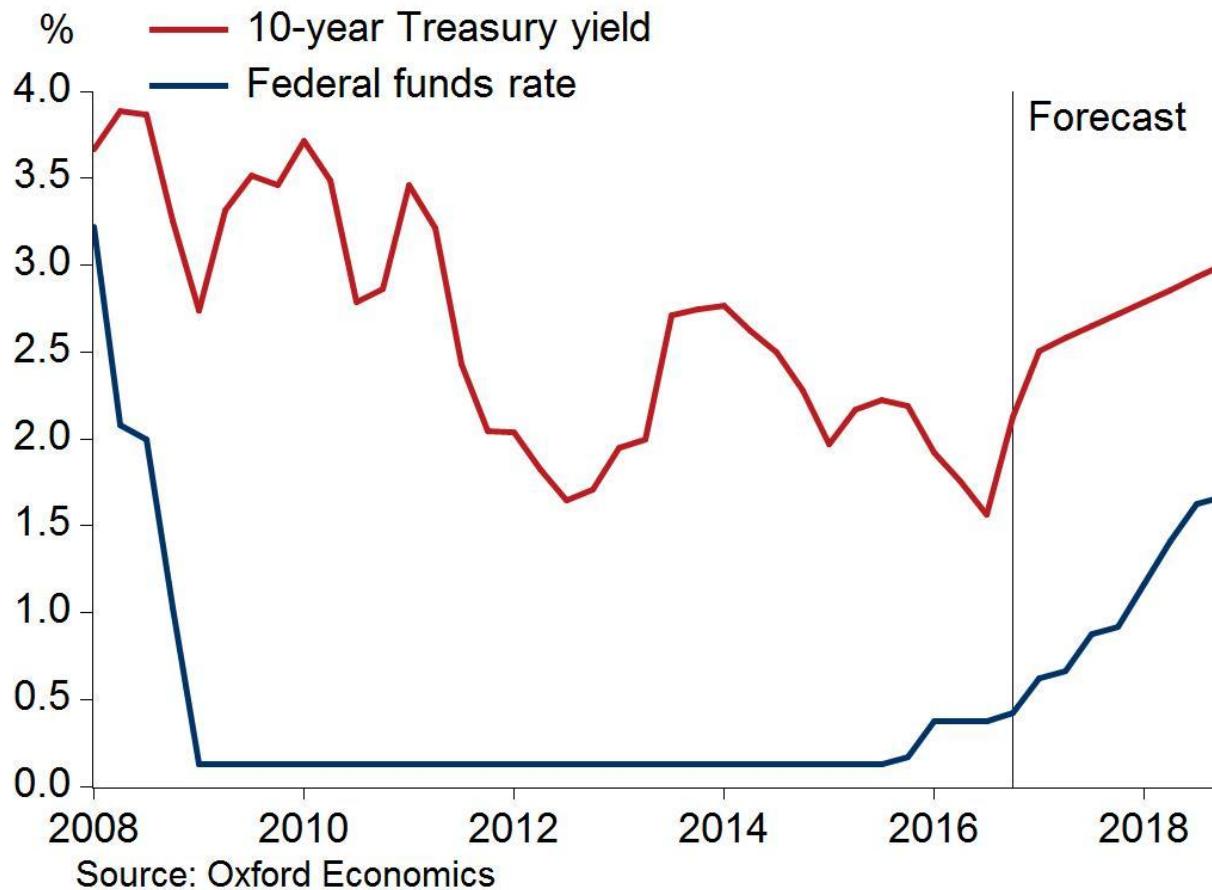


Source: Oxford Economics

ECONOMICS

Cautious Fed with two rate hikes in 2017

US: Interest rates



Thank you !

Questions ?

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