



# Manufacturing Outlook:

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## The age of uncertainty



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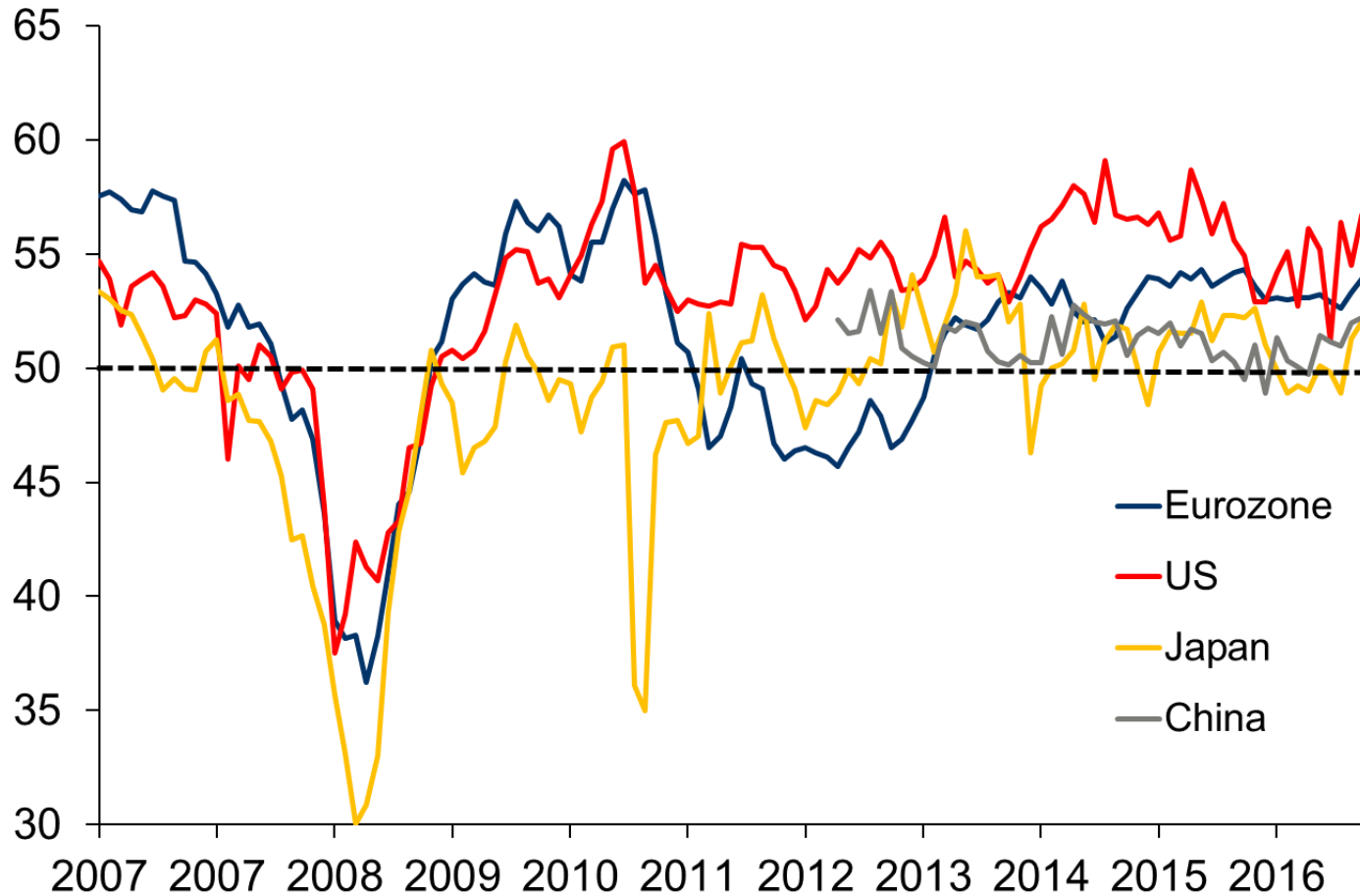
Twitter: @GregDaco

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# Strong leading global growth indicators...

## World: Composite PMIs

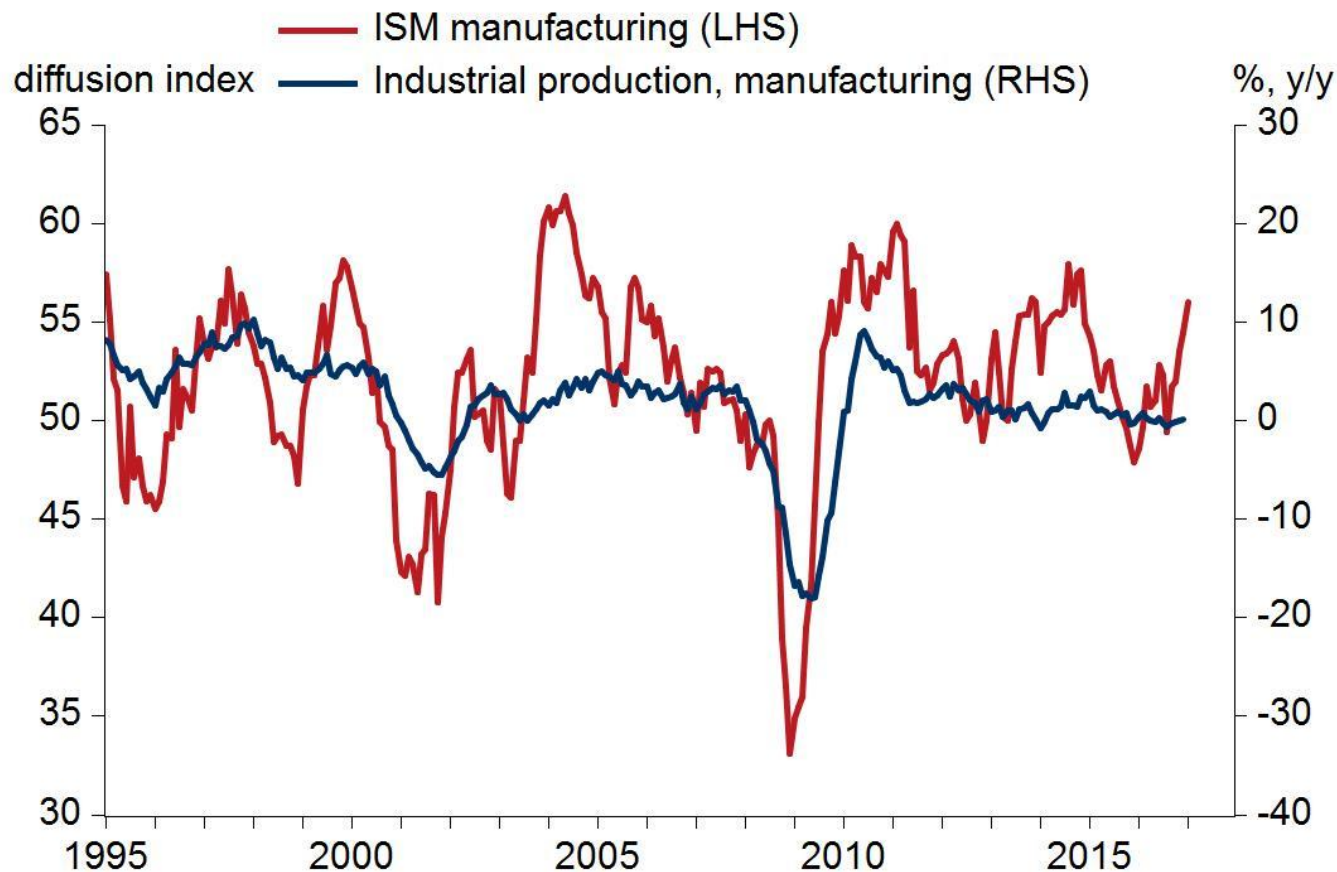
Index



Source : Oxford Economics/Markit

# ...running ahead of “real” manufacturing data

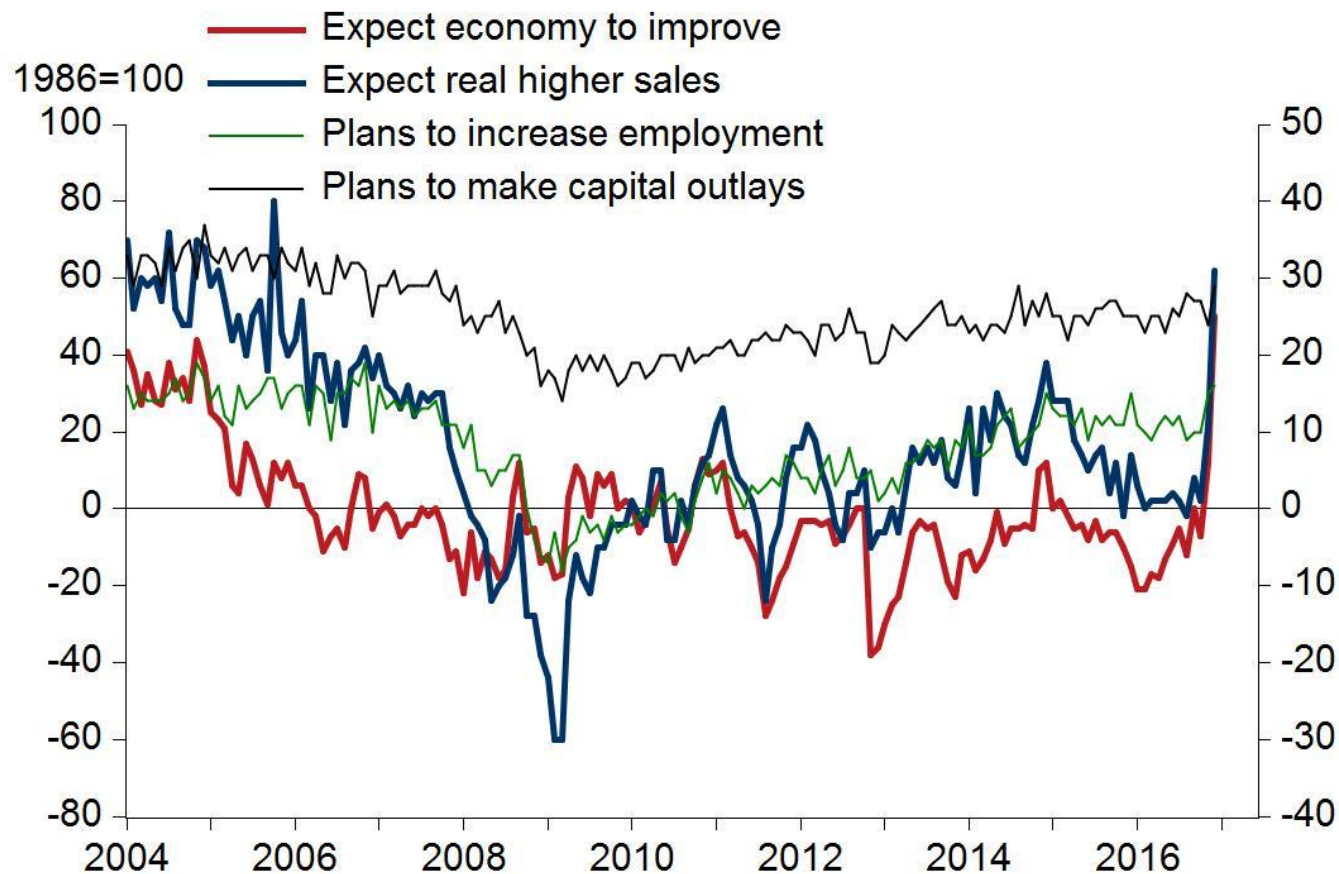
## US: ISM manufacturing versus manufacturing activity



Source: Oxford Economics/Haver Analytics

# Confidence running ahead of “plans” to spend

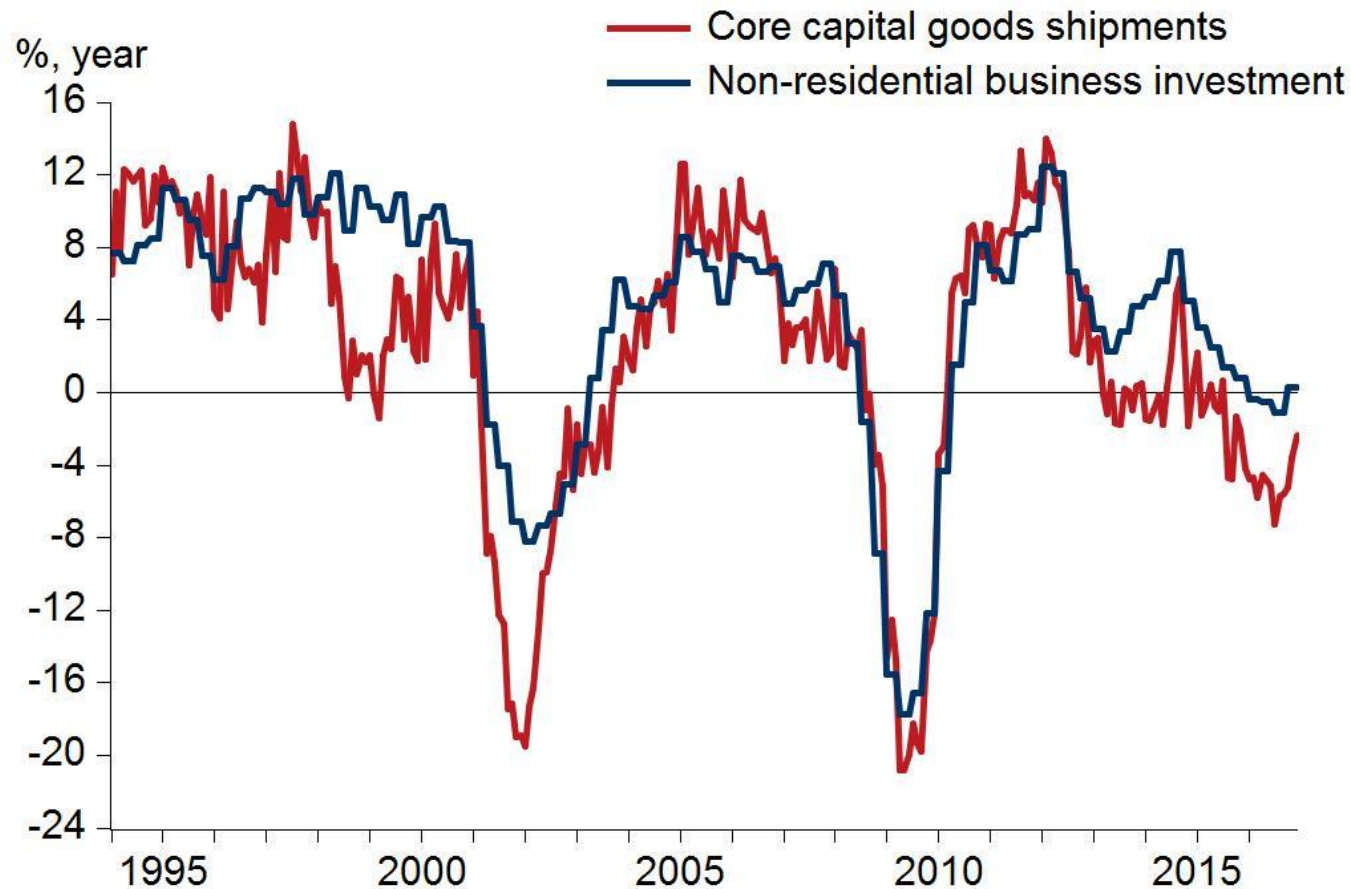
## US: NFIB Small Business Optimism Index



Source: Oxford Economics/Haver Analytics

# Overall, business investment remains weak...

## US: Durable goods and investment

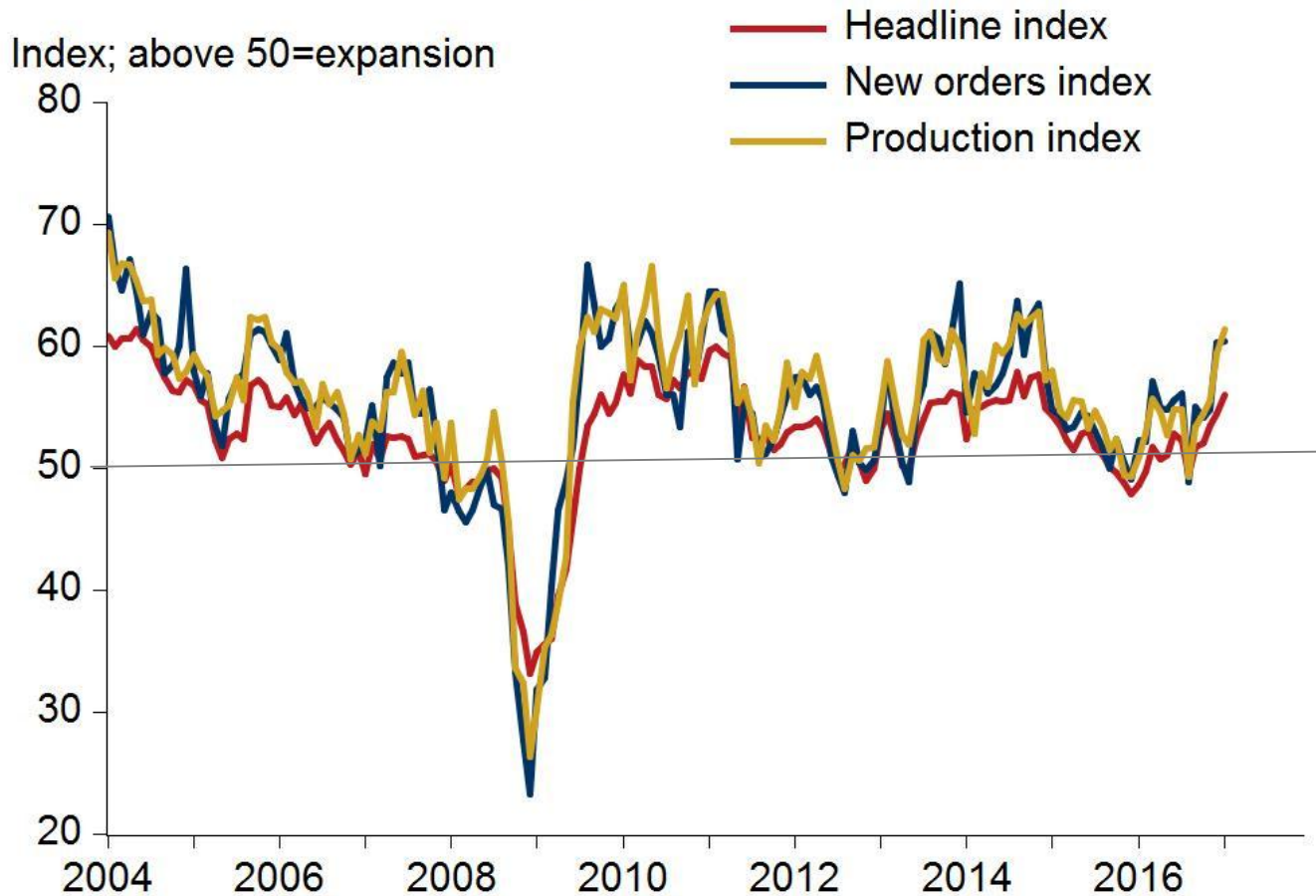


Source: Oxford Economics/Haver Analytics



# ...but manufacturing activity bottoming out

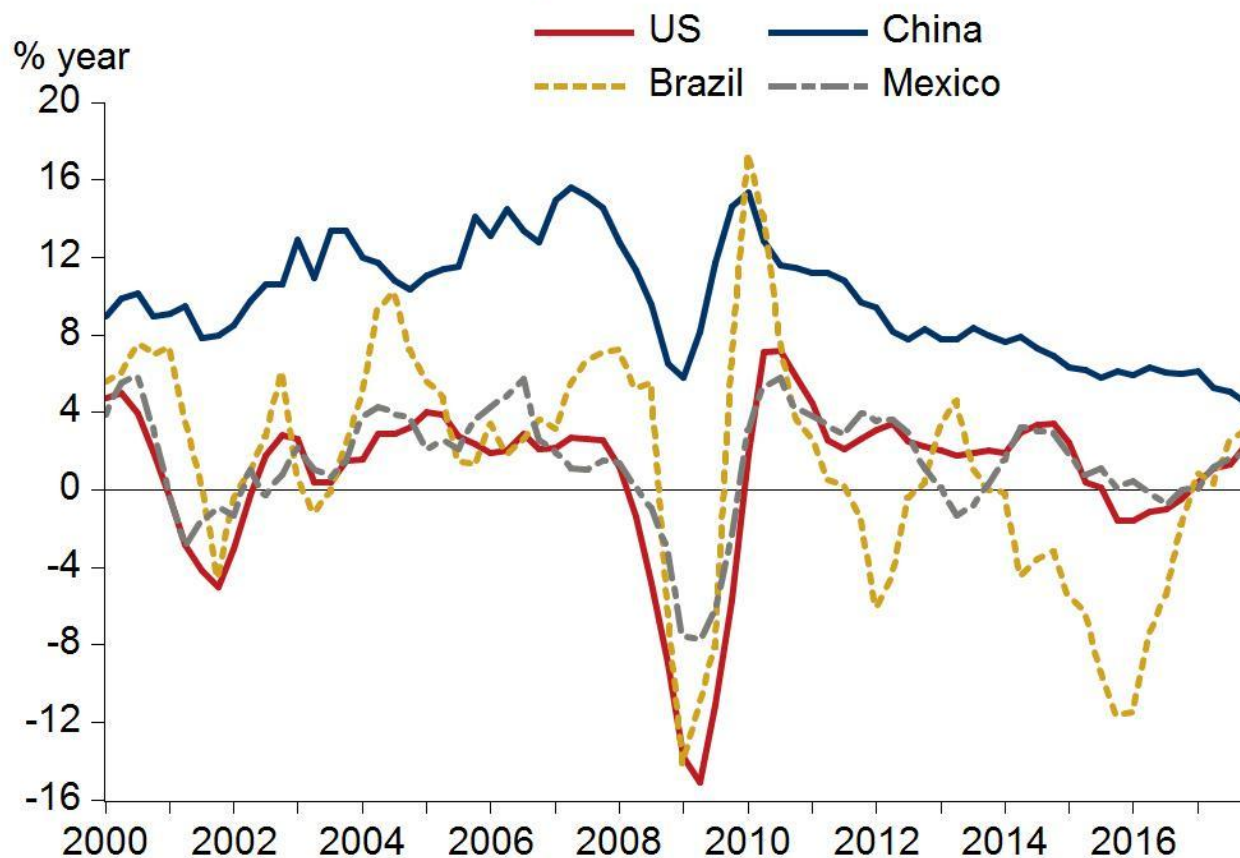
## US: ISM Manufacturing



Source: Oxford Economics/Haver Analytics

# ...and industrial production firming globally

## US: Industrial output growth



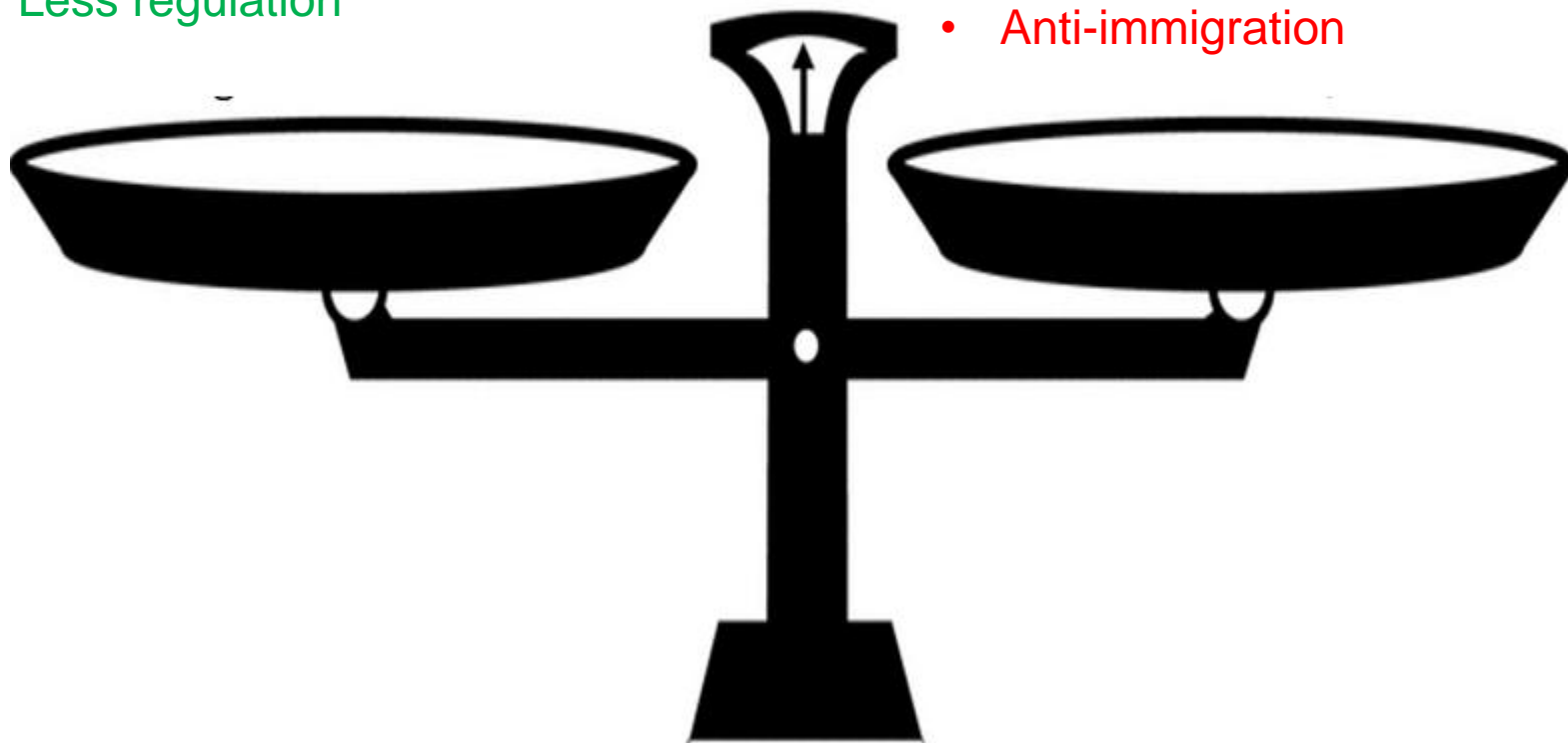
Source: Oxford Economics/Haver Analytics

# Beware of rip current when riding the Trump wave

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- Tax cuts
- More infrastructure spending
- Less regulation

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

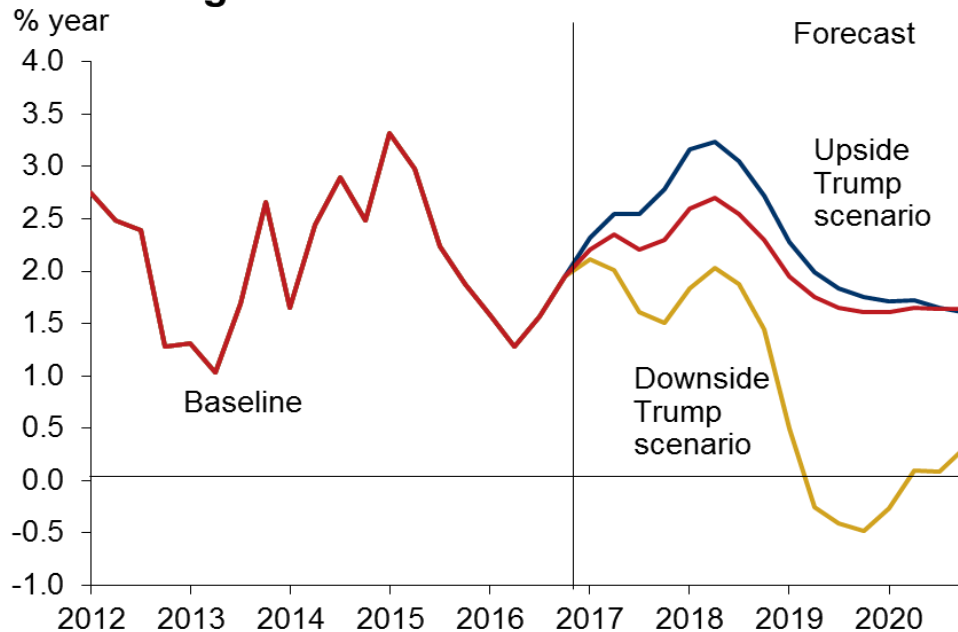


Elevated risk of a “trial and error” presidency



# Important ramifications for the US economy...

## US: GDP growth

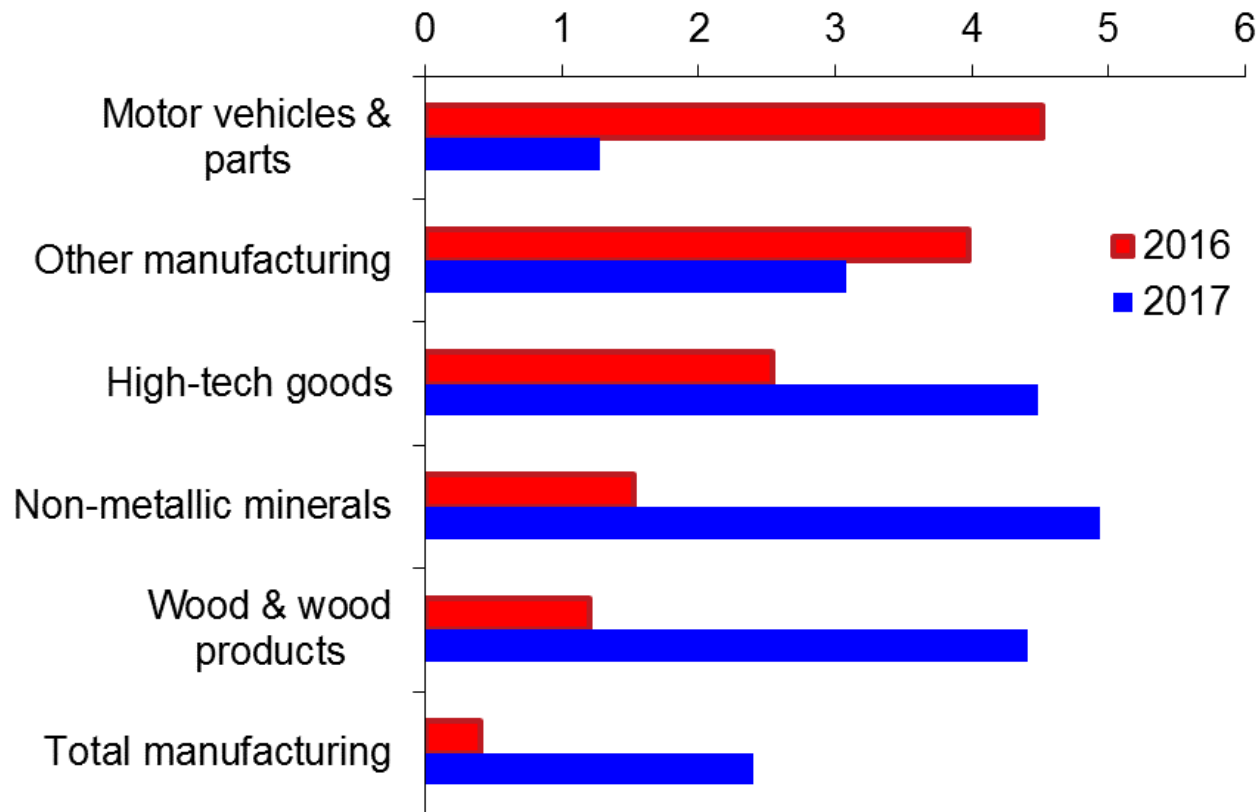


Source : Oxford Economics

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

# Construction, autos and energy are key drivers ...

## US manufacturing: What's hot % year

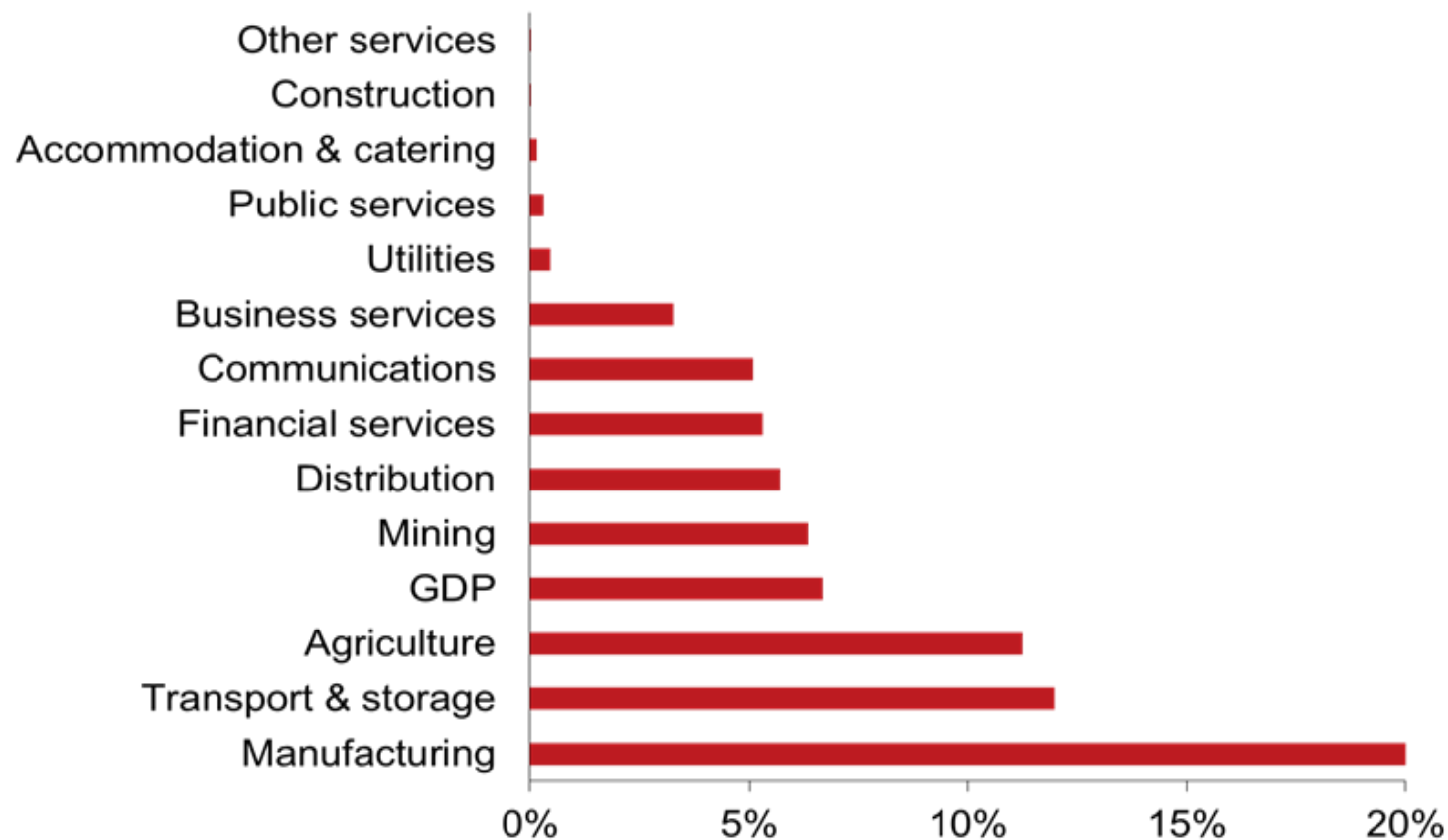


Source : Oxford Economics/Haver Analytics

# Given the importance of the trade channel for manufacturing

## US Industry: Trade intensity in 2014

Total trade as a share of gross output

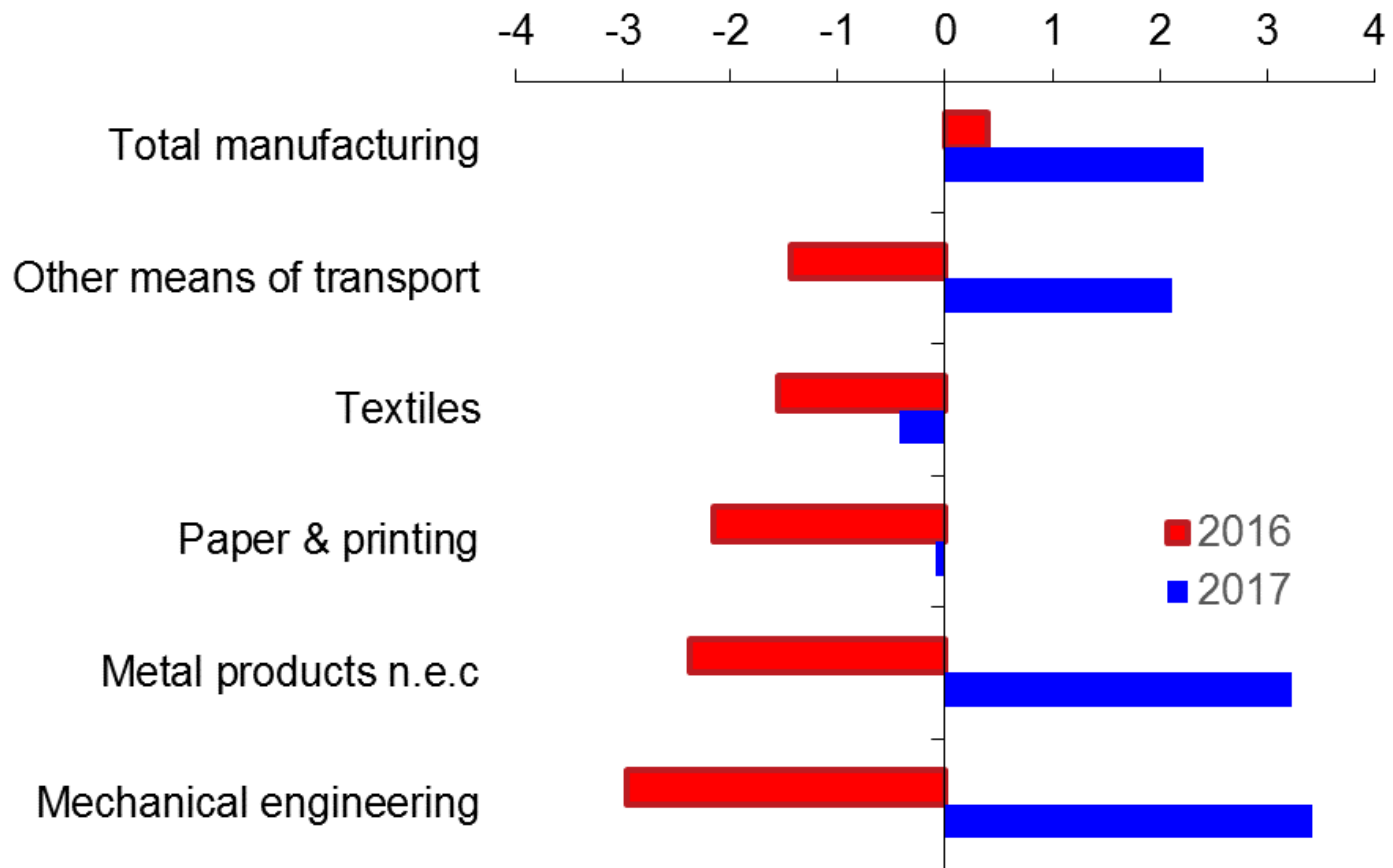


Source: Oxford Economics/Haver Analytics

# ...internationally exposed sectors are more constrained

## US manufacturing: What's not

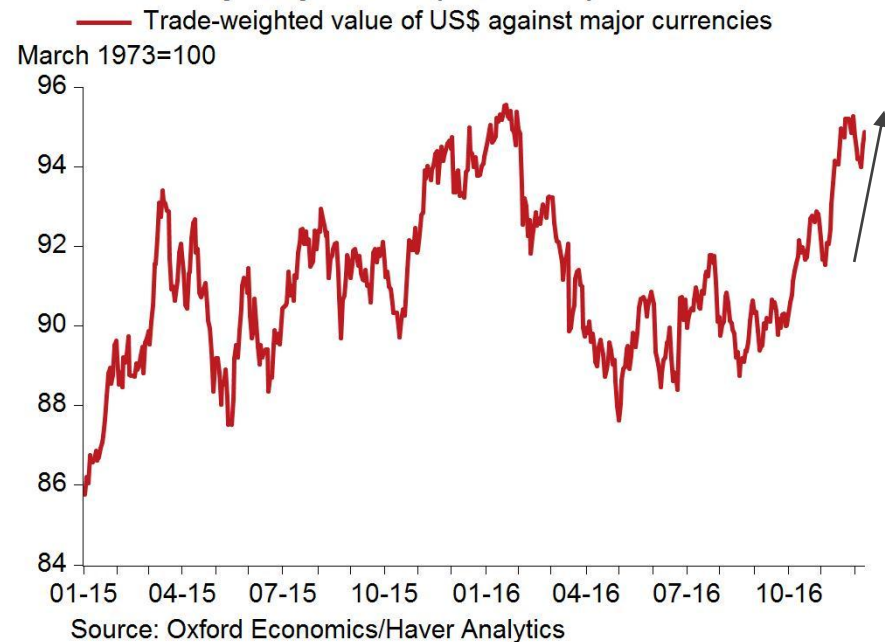
% year



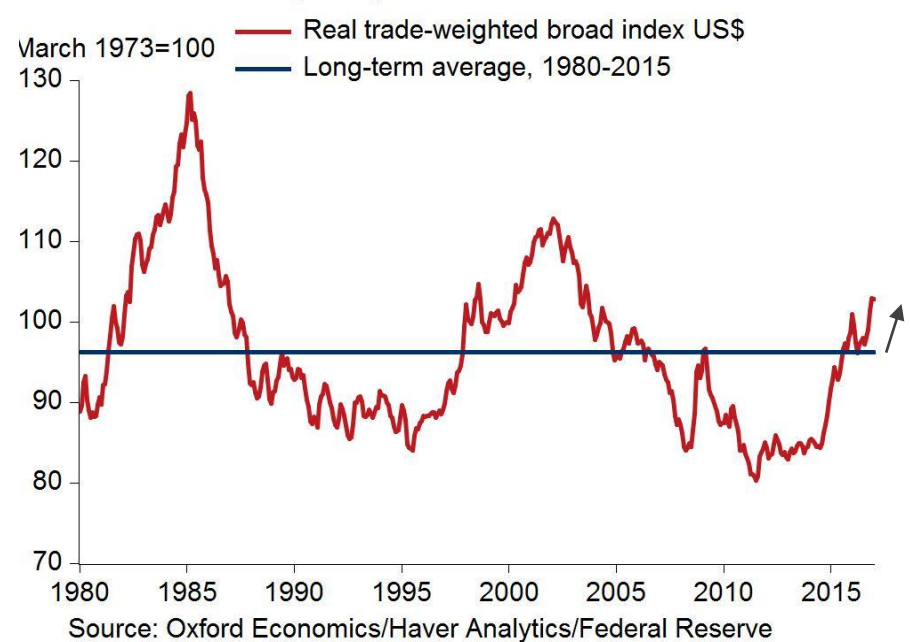
Source : Oxford Economics/Haver Analytics

# Strong US dollar & global growth are key risks

## US dollar in perspective (FRB G.5)



## The US dollar in perspective

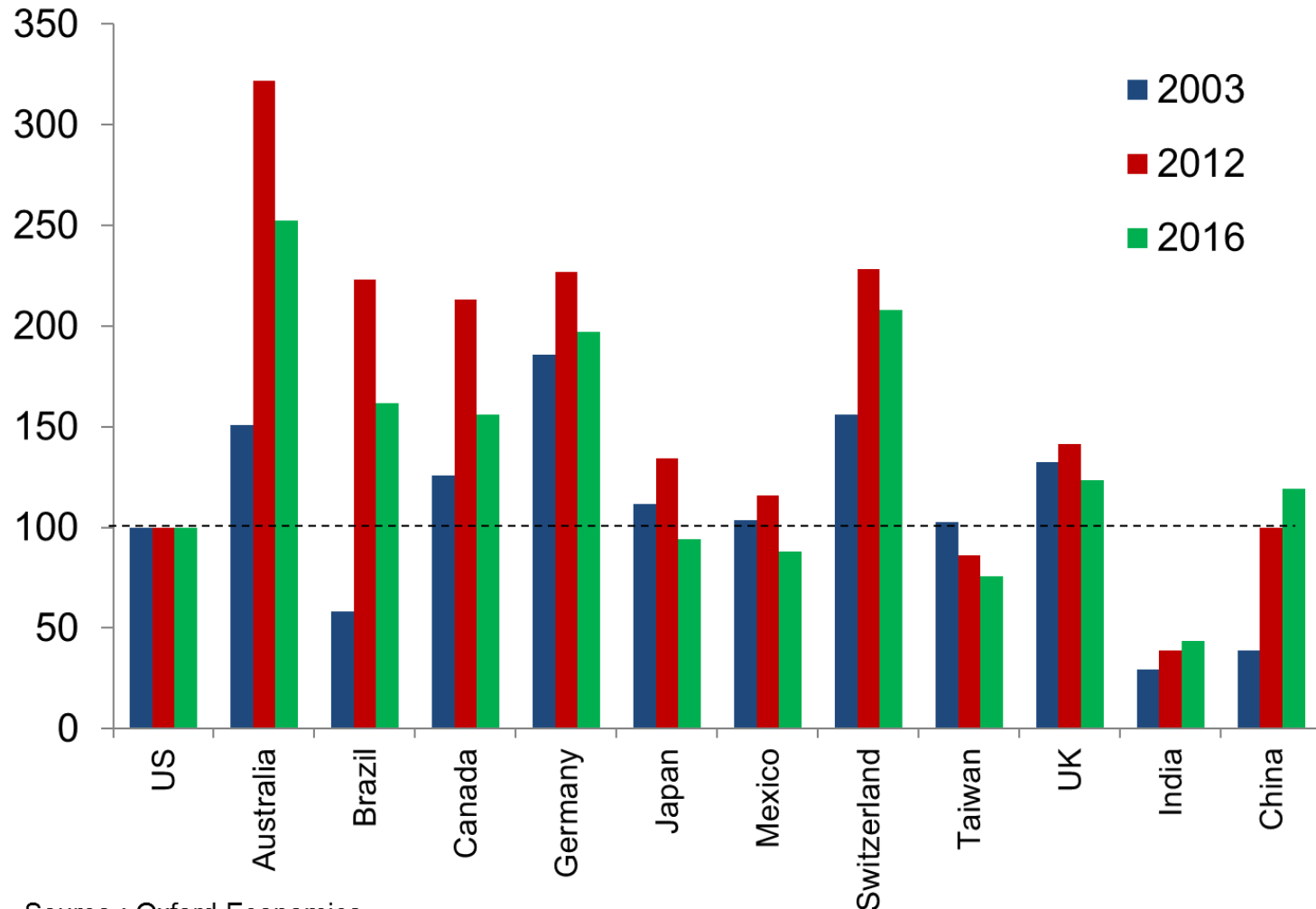




# US manufacturing competitive despite stronger \$

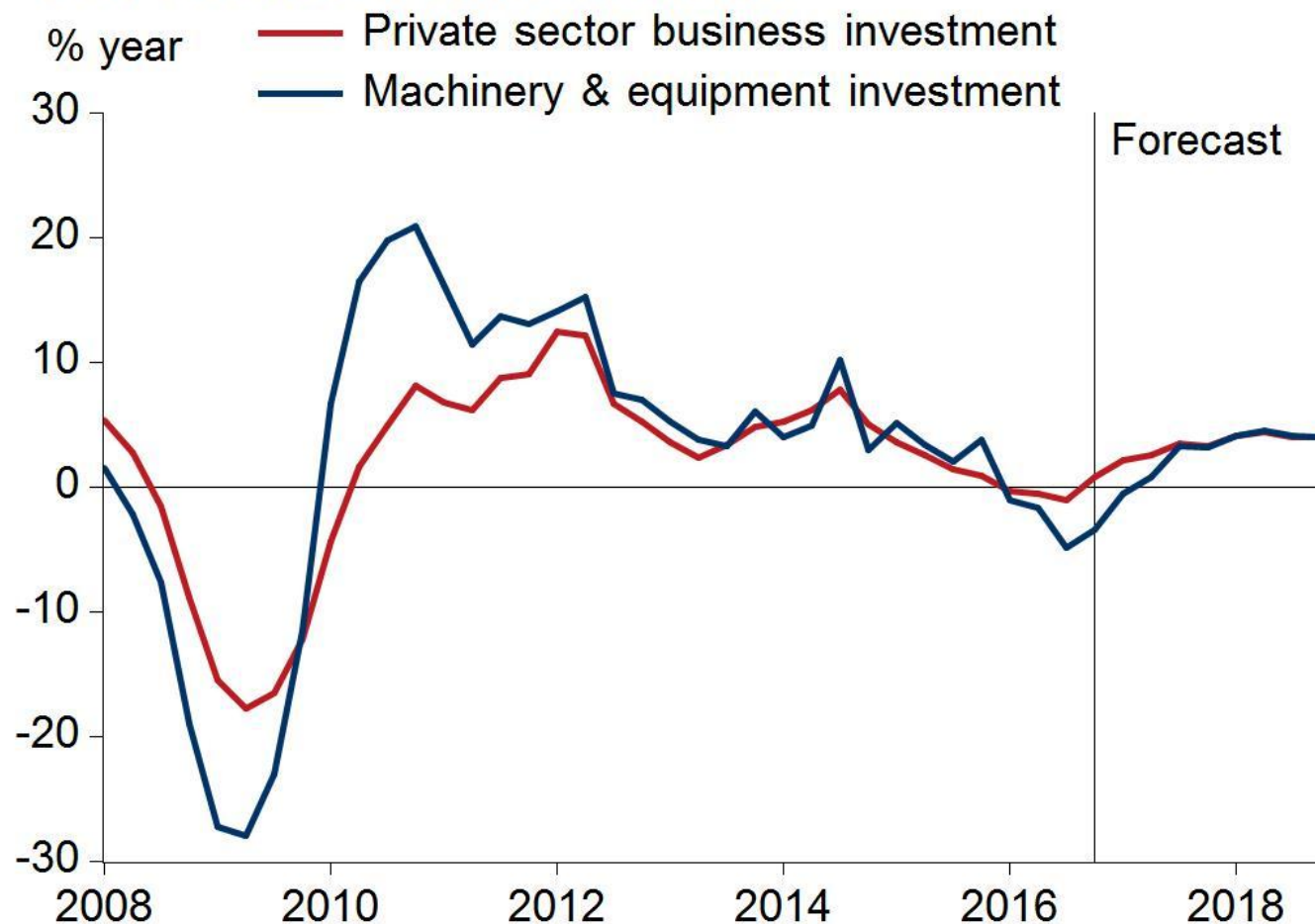
## Unit labor cost compared with the US

Manufacturing unit labor cost, US=100



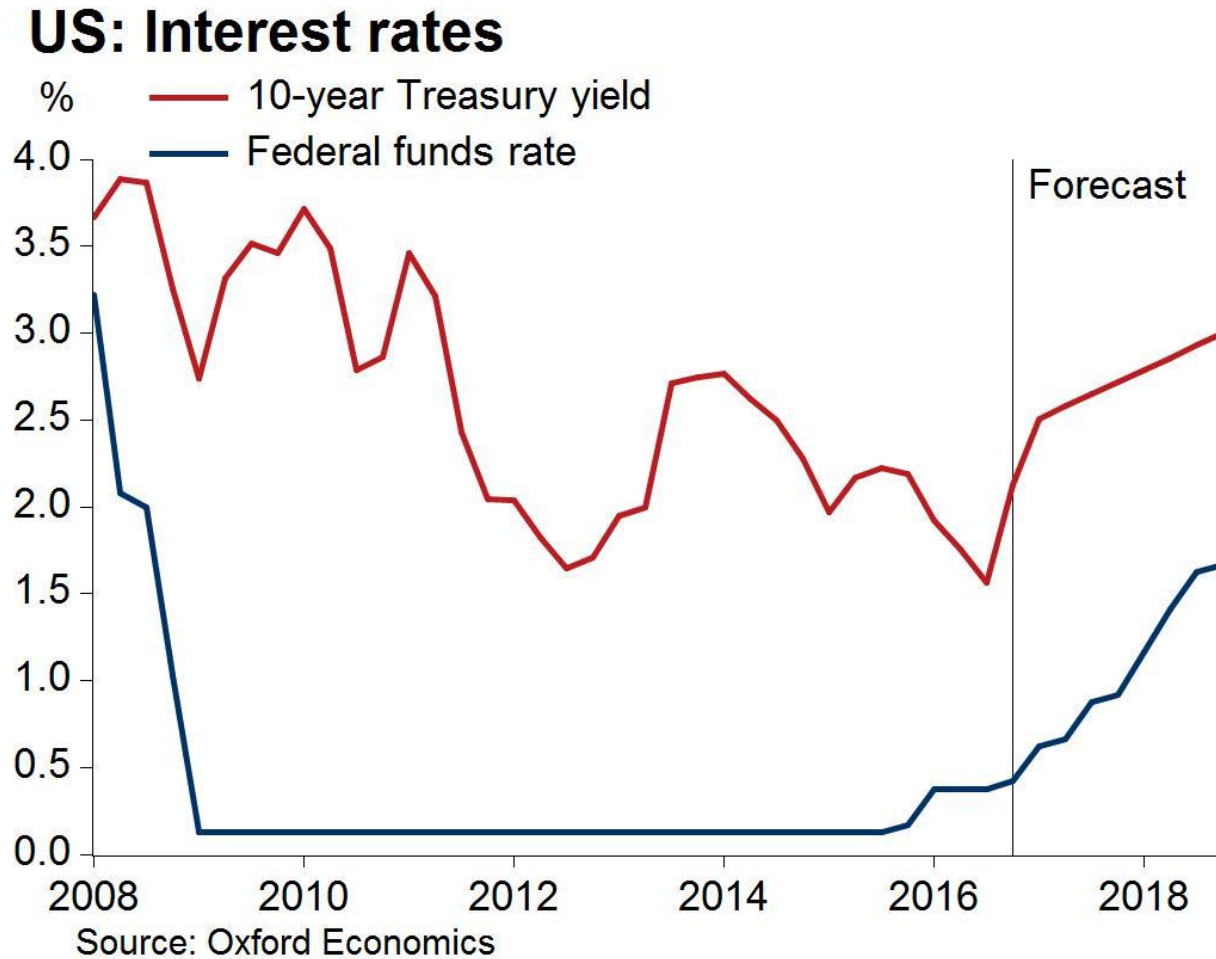
# We expect modest momentum going forward...

## US: Business investment



Source: Oxford Economics

# Cautious Fed with two rate hikes in 2017



**Thank you !**

**Questions ?**

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