



ARMADA

**Global
Economic
Review – 2024
PMA
Leadership
Conference**

Chris Kuehl, Managing Director

**THE ONLY FUNCTION
OF ECONOMIC
FORECASTING IS TO
MAKE ASTROLOGY
LOOK RESPECTABLE.**



John Kenneth Galbraith
Canadian-American Economist

QUOTEHD.COM

1908 - 2006

Key Issues for 2024

- **Interest rates – when does the Fed cut, how many times and how does this change economic expectations? Likely in third quarter but fourth is a possibility. Maybe down to 4.75 (from 5.5). Depends on inflation and unemployment numbers**
- **Worker shortage and wage inflation – prime driver for the increase in inflation has been wage hikes – some evidence of the wage-price spiral. Worker shortage has been acute for years and no real relief in sight.**
- **Election and politics – Presidents do not affect economy much (bully pulpit). Monetary policy likely to remain stable. If Congress goes Republican there will be priority shifts – away from alternative energy to traditional infrastructure. No progress expected on debt or deficit.**
- **Trade relations – shift underway from a consumer centric trade policy to one that favors domestic producers. More barriers to imports will mean higher prices for consumers but more opportunity for domestic production.**

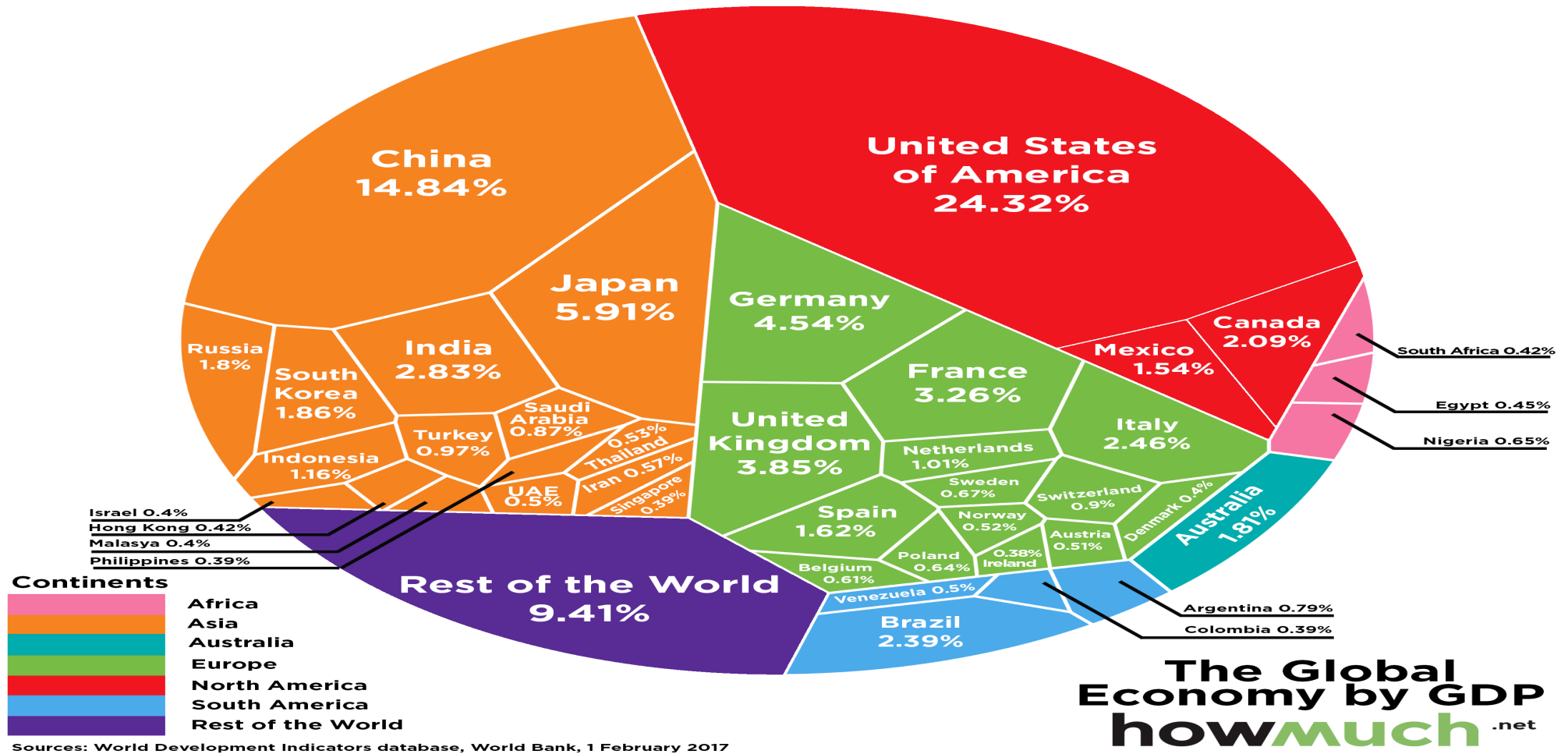
Key Global Issues

- **China's economic challenges and the expected reactions**
 - Collapse of both property market and stock market
 - Trade tensions and proposed shift to developing world
 - Deflation
- **Europe and recession threat**
 - Recent improvements in Eurozone PMI
 - Germany struggling but military investment may provide boost
 - Populism in Eastern Europe and elsewhere
- **Latin America**
 - History making in Mexico
 - Brazil's usual struggles
 - Experiments in Argentina
 - Shift to the left in Colombia – joining Bolivia, Chile, Venezuela

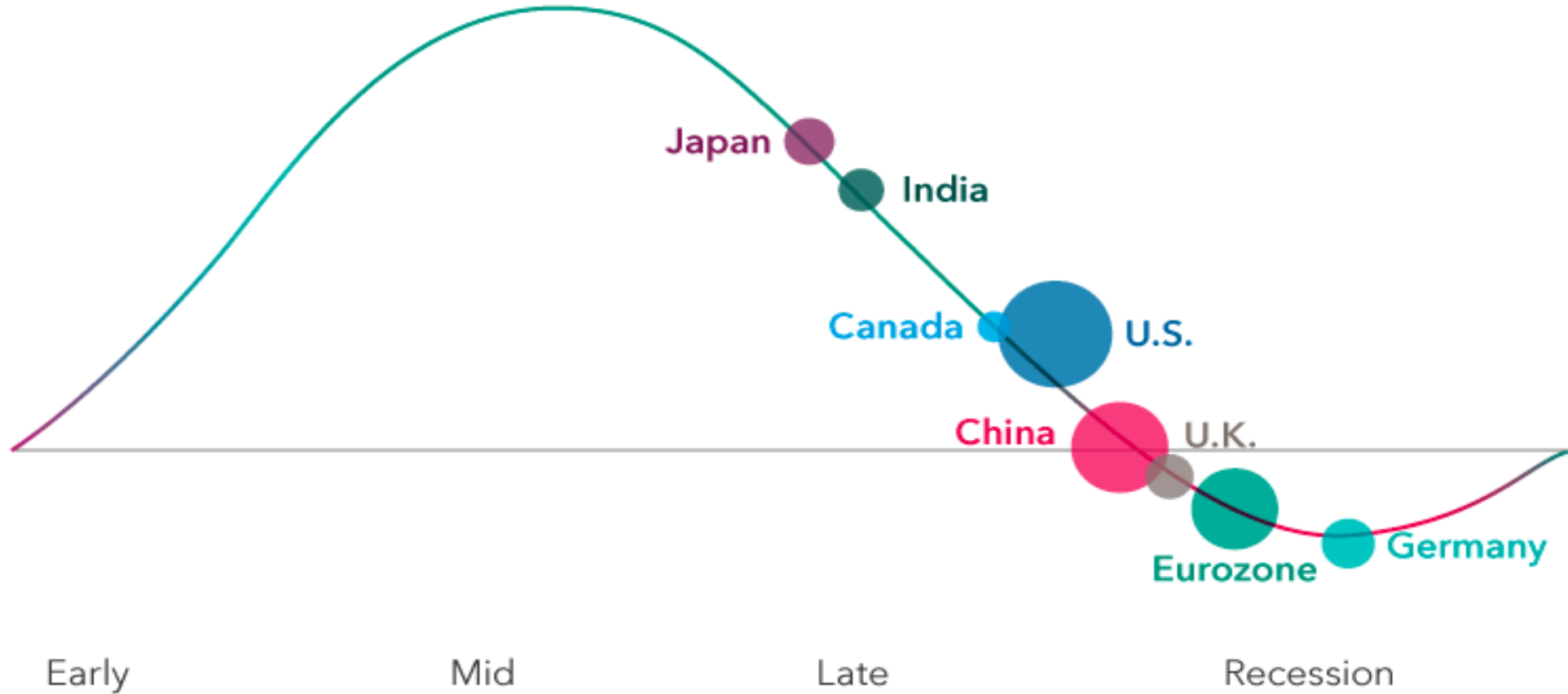
Global Hot Spots – Potential “Black Swans”

- **Russia/Ukraine – War of attrition and US/Europe losing interest in supporting Ukraine**
 - Most likely outcome is a divided Ukraine and ongoing low-level warfare
- **China and Taiwan – Threat of actual invasion has diminished**
 - Shift towards economic pressure – blockade
 - Diplomatic isolation – Taiwan no longer trusts the US will support them
- **Red Sea, Hamas, Middle East in General – Iran has become the “enabler” with support for Hamas, Hezbollah, Houthi**
 - Conflicts between Shiite and Sunni terrorists
 - Concern from nations such as Saudi Arabia and the Gulf Oil states
- **Insurgent Armies in Africa – Several coups in West Africa backed by the Wagner Group – new leader is Anton Yelizarov. Indications they are back in Ukraine war and may have African mercenaries with them**

Big Dog and Getting Bigger



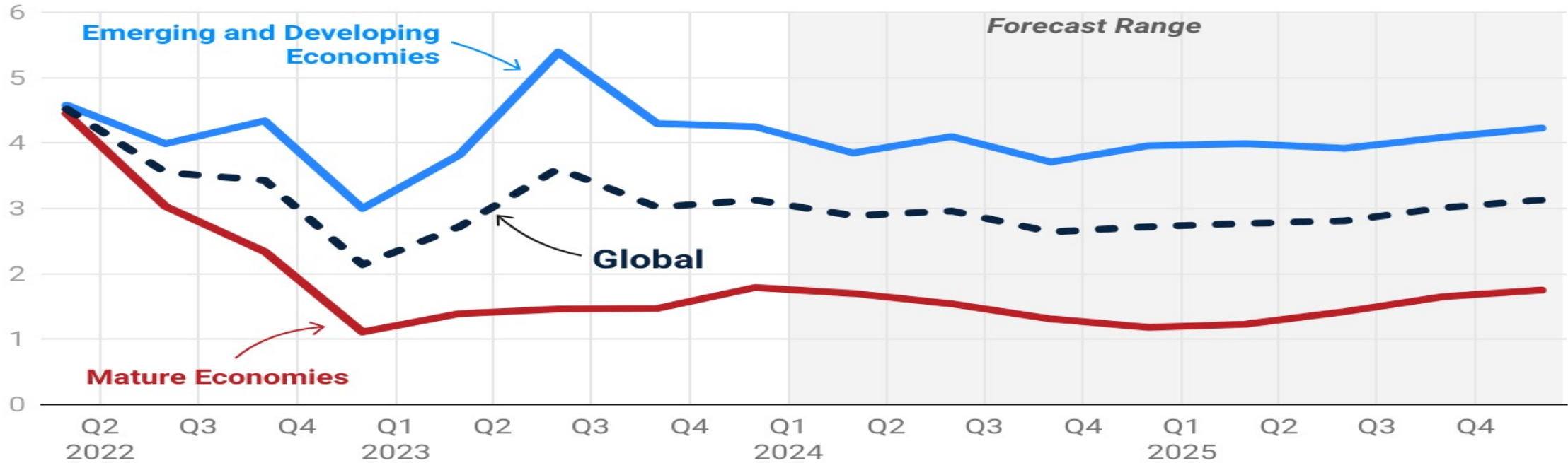
Growth Expectations in 2024



Conference Board Predictions

Global Real GDP Growth

(yr/yr % change) updated 6 February 2024

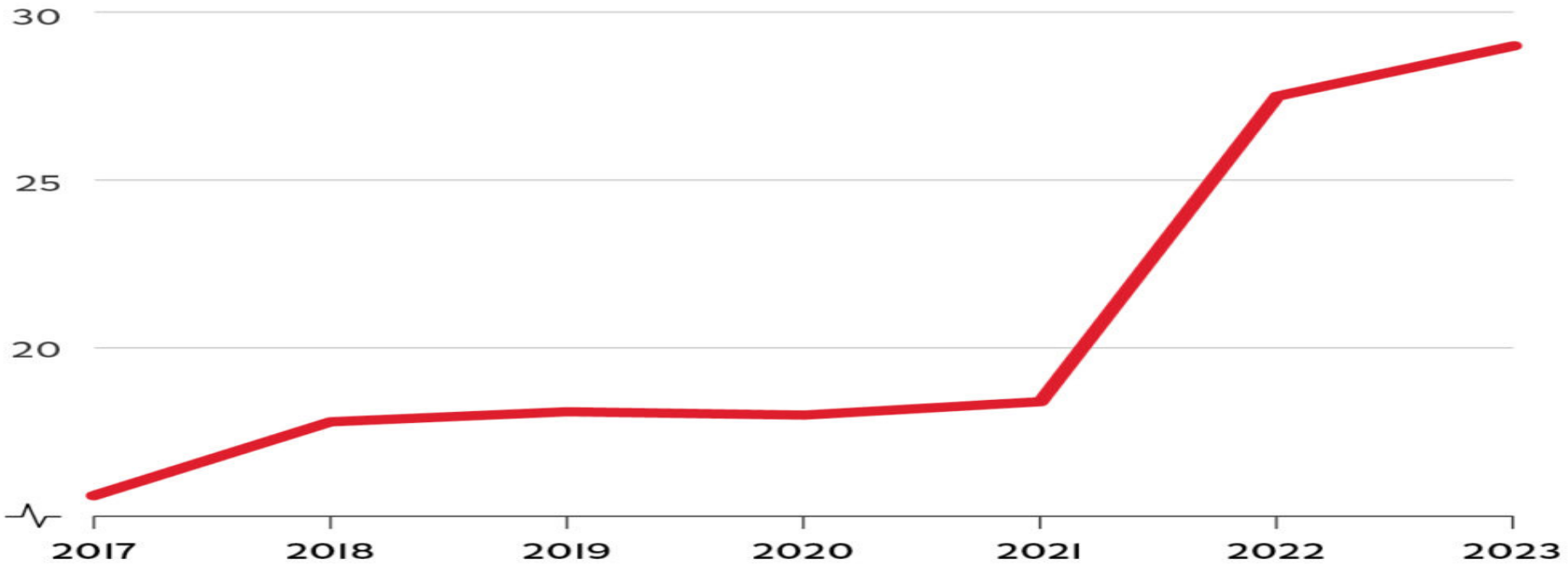


Note: Regions are aggregated based on nominal GDP in international dollars (PPP converted). Data from 2023Q4 are forecasts from The Conference Board

Source: The Conference Board Global Forecast Update (February 2024). • Created with Datawrapper

FDI in Mexico soars

FOREIGN DIRECT INVESTMENT (BILLIONS USD), FIRST SEMESTER



NOTE: 2022 FDI INCLUDES \$6.8 BILLION FROM RESTRUCTURING OF AEROMÉXICO AND MERGER OF TELEVISIÓN AND UNIVISIÓN. 2023 FIGURES ARE PRELIMINARY.

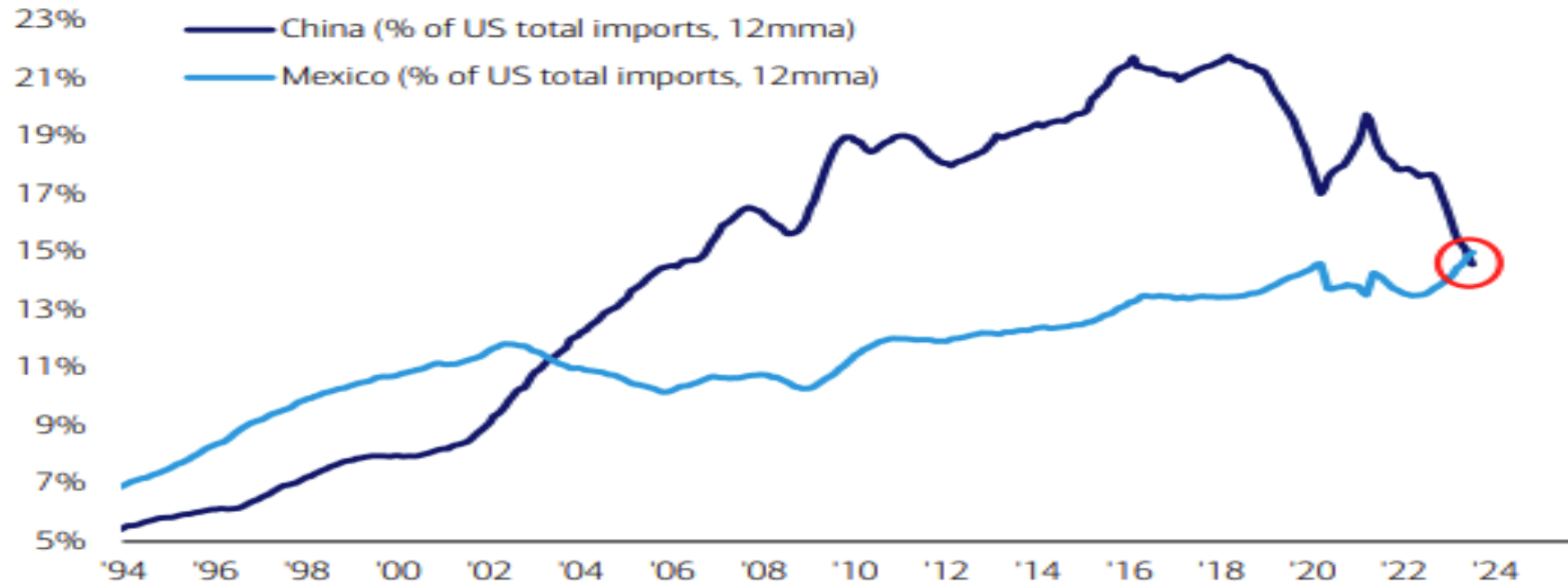
SOURCE: SECRETARÍA DE ECONOMÍA DE MÉXICO (AUGUST 2023)



Mexican Growth at China's Expense

Chart 4: US importing more from Mexico than China for first time since 2003

China and Mexico as % of US imports (12-month moving average)



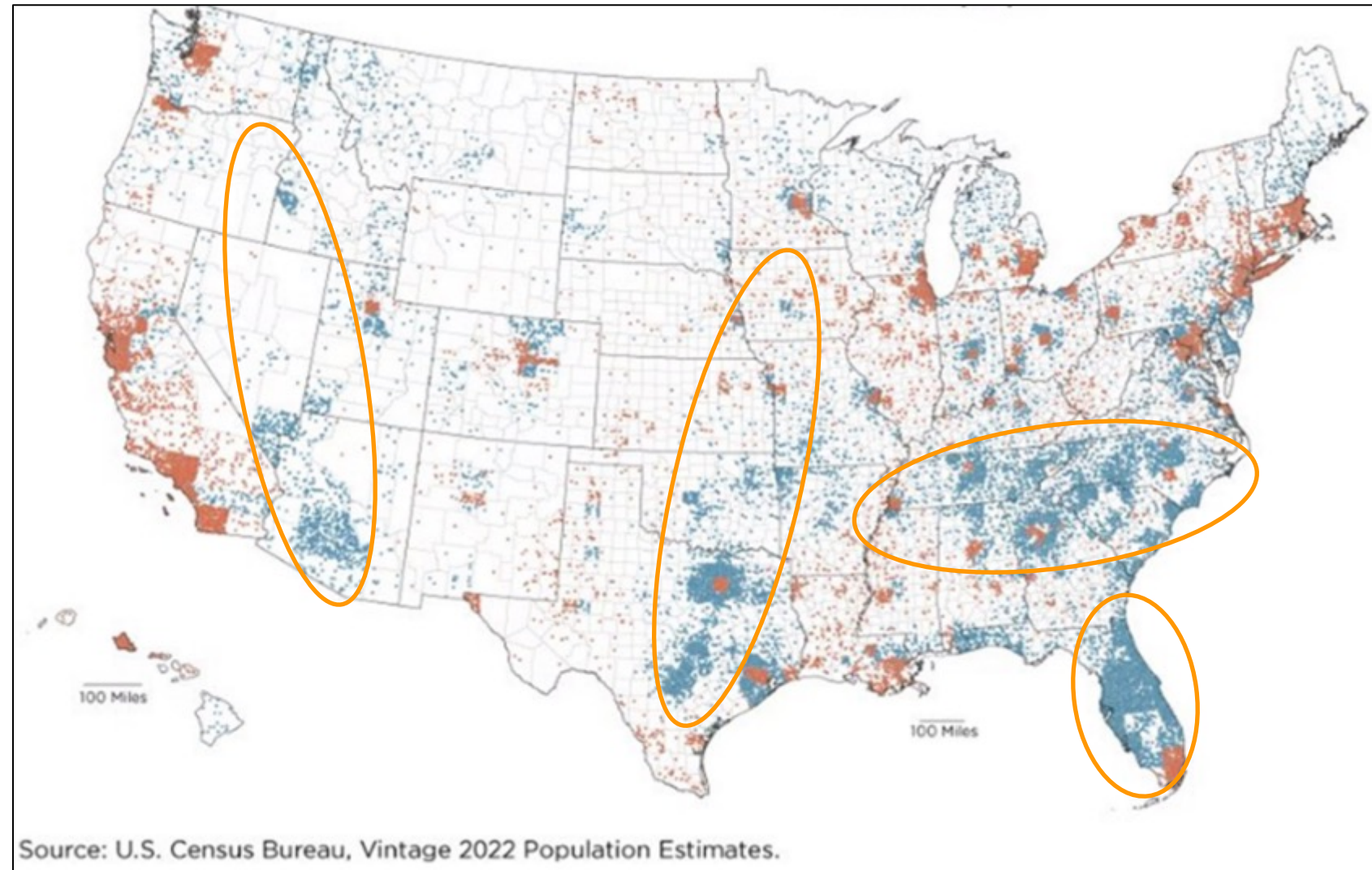
Source: BofA Global Investment Strategy, Bloomberg

Mexico Makes History – Xochitl Galvez or Claudia Scheinbaum



Where is it? Population Changes 2021 – 2022

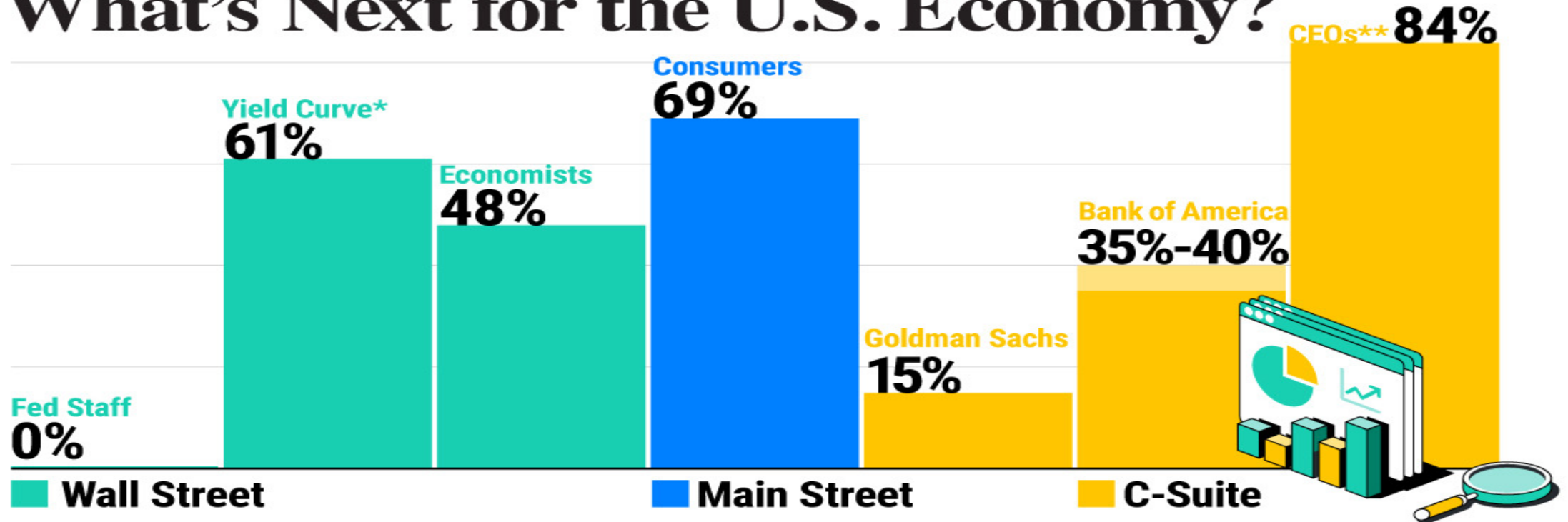
- Note the flight even out of popular (but dense) population centers like downtown Dallas and Miami, but flight to suburbs in those regions are among the fastest growth rates in the country.
- Corridors seem to be continuing to get population influxes...
 - I35 corridor
 - Tennessee Valley Region +Atlanta
 - And Florida



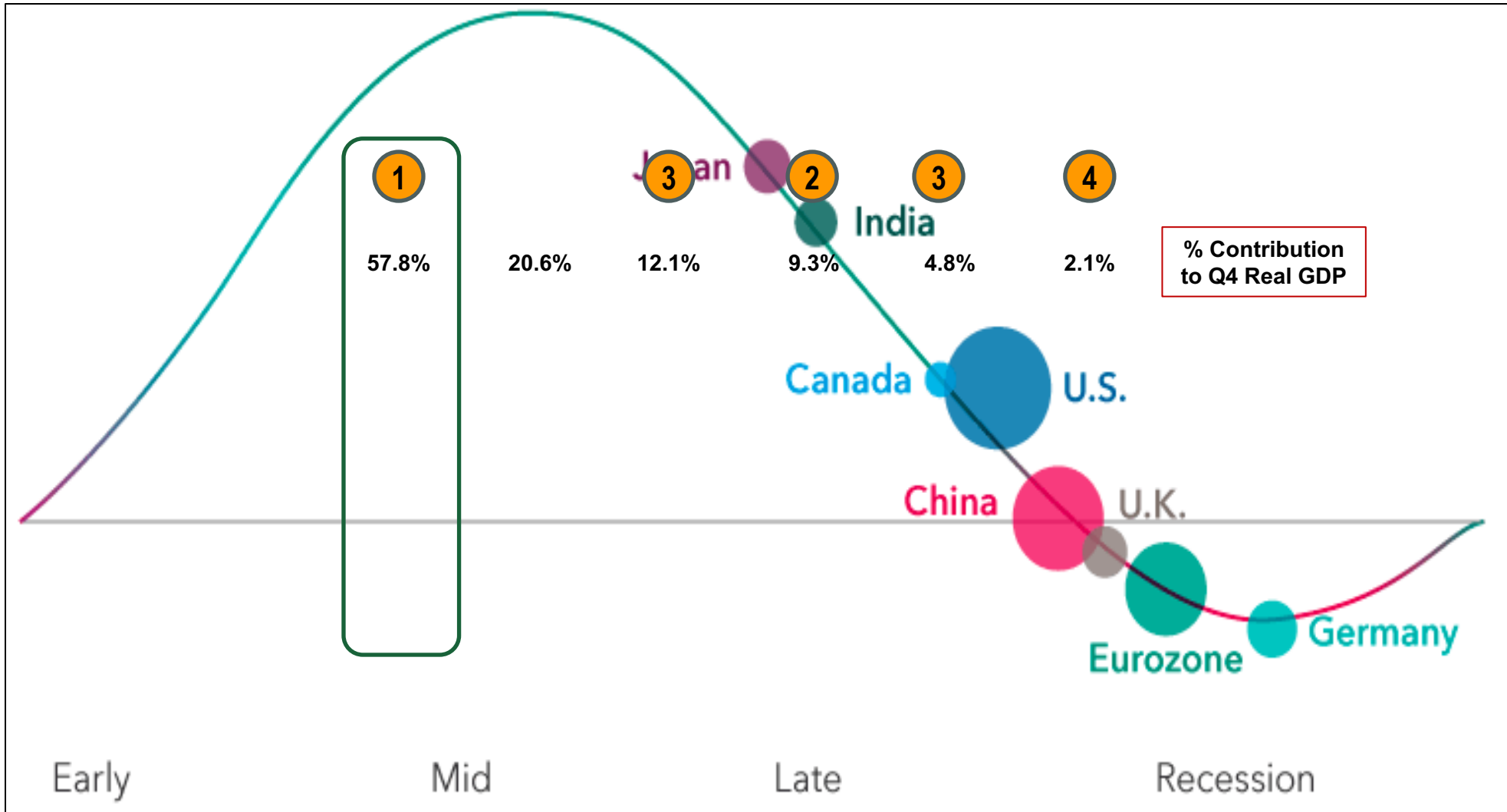
Not Much Consensus on US

2024 PROJECTIONS

What's Next for the U.S. Economy?



Contributions to Q4 Real GDP

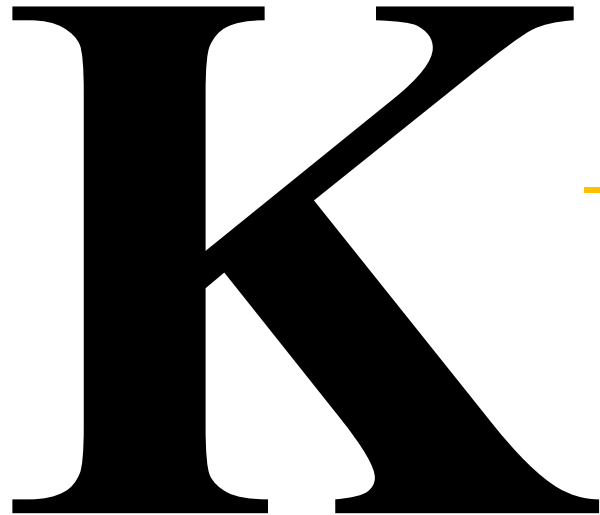


Simply: Major Economic Drivers Throughout 2023:

1. Consumer spending
2. Nonresidential construction
3. Government spending
4. Inventory building

** Consumer spending was 68% of gross GDP (not inflation adjusted)

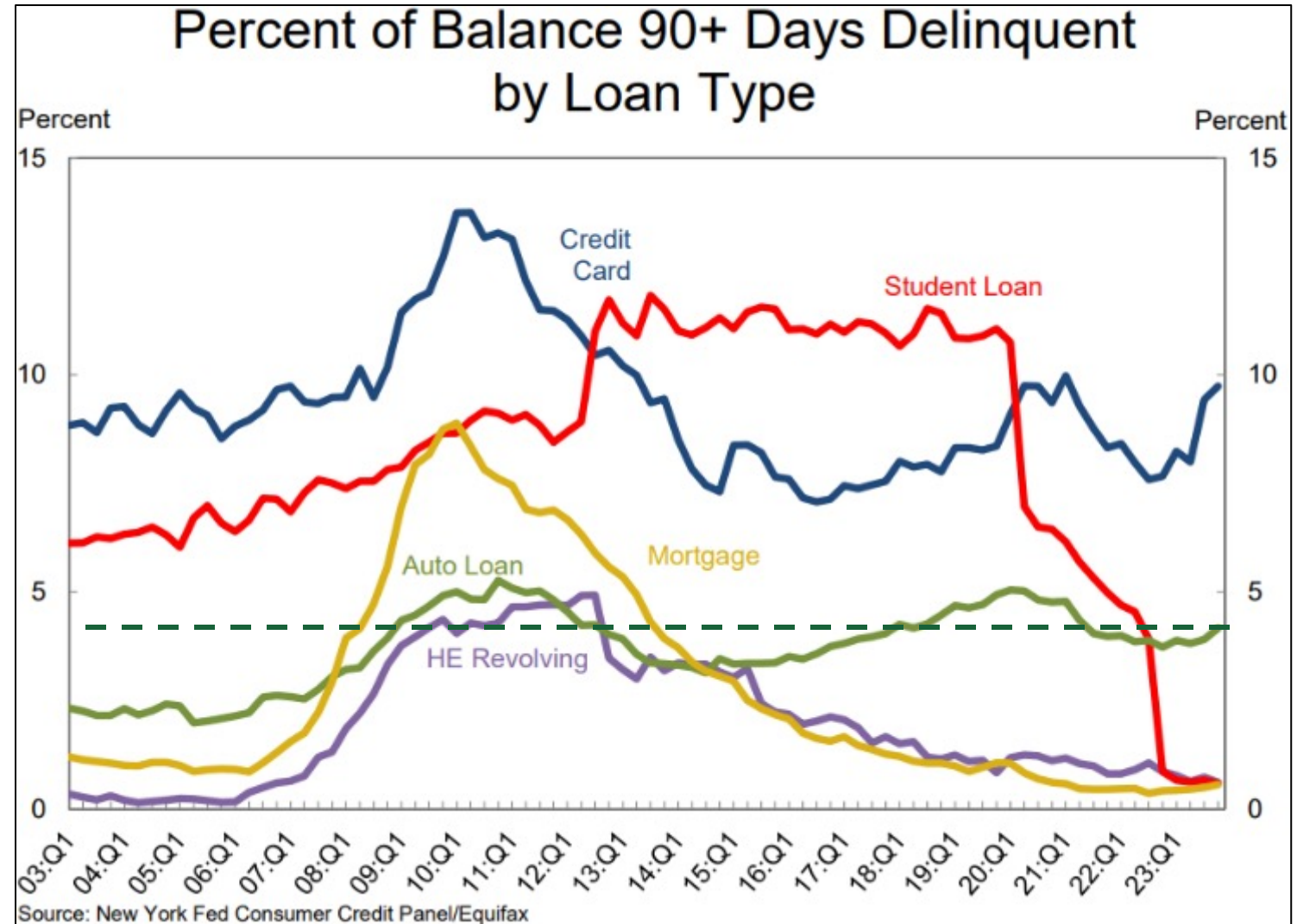
Here is the Problem: The K Shaped Recovery



- Upper Income Households doing very, very well
- Many companies in various sectors breaking historic profit and revenue thresholds
- Middle segments are the question
 - 55% Living Check-to-check
- Lower income sectors have always struggled, but are finding it more difficult under the weight of inflation
 - 85% are living check-to-check

Fed Eyeing Loan Delinquency. Rates are Rising, But...

- Autos not alarming
- Mortgage and Home Equity loans in-line
- Credit card delinquency starting to create concerns (but it is the easiest to get under control)
- Student loan payment moratorium just now starting to give us visibility into real delinquency

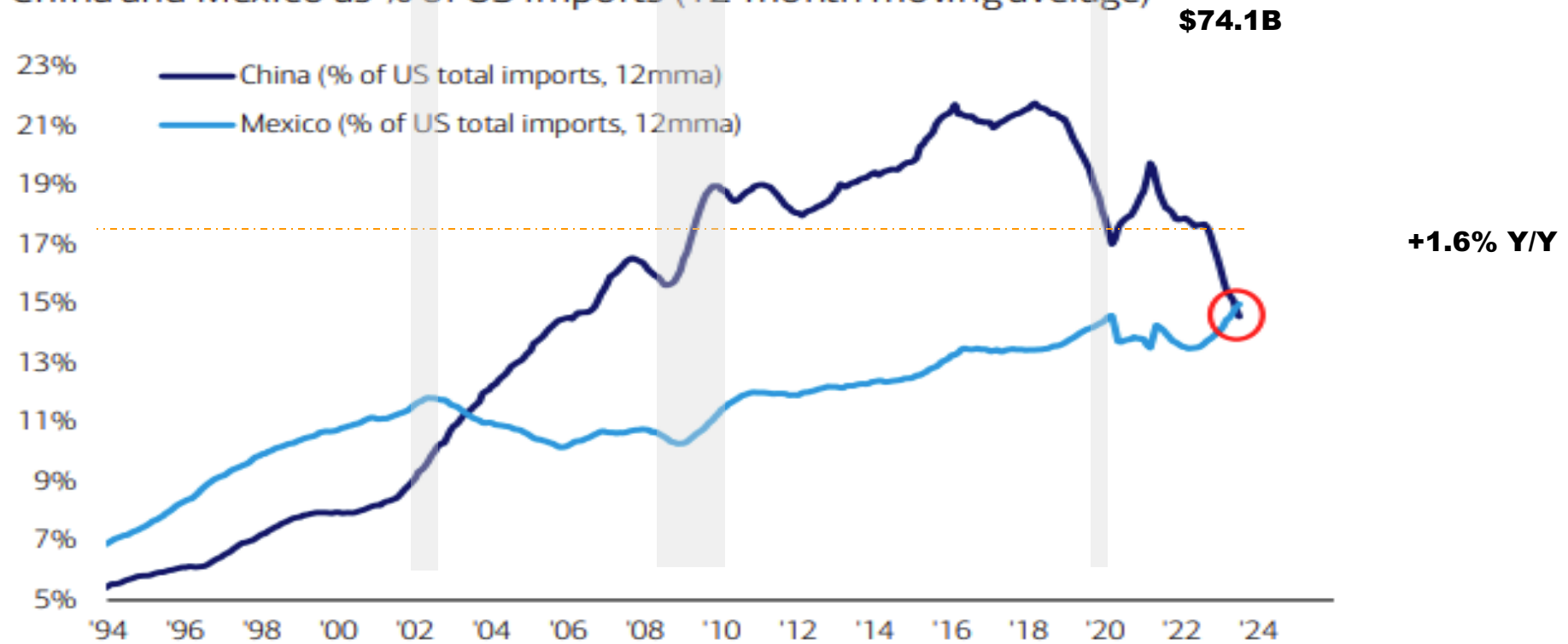


Growth: Corporate Investment Remains Steady

- Small business surveys show investment has started to decline, but still not showing in this view of the national data yet

Chart 4: US importing more from Mexico than China for first time since 2003

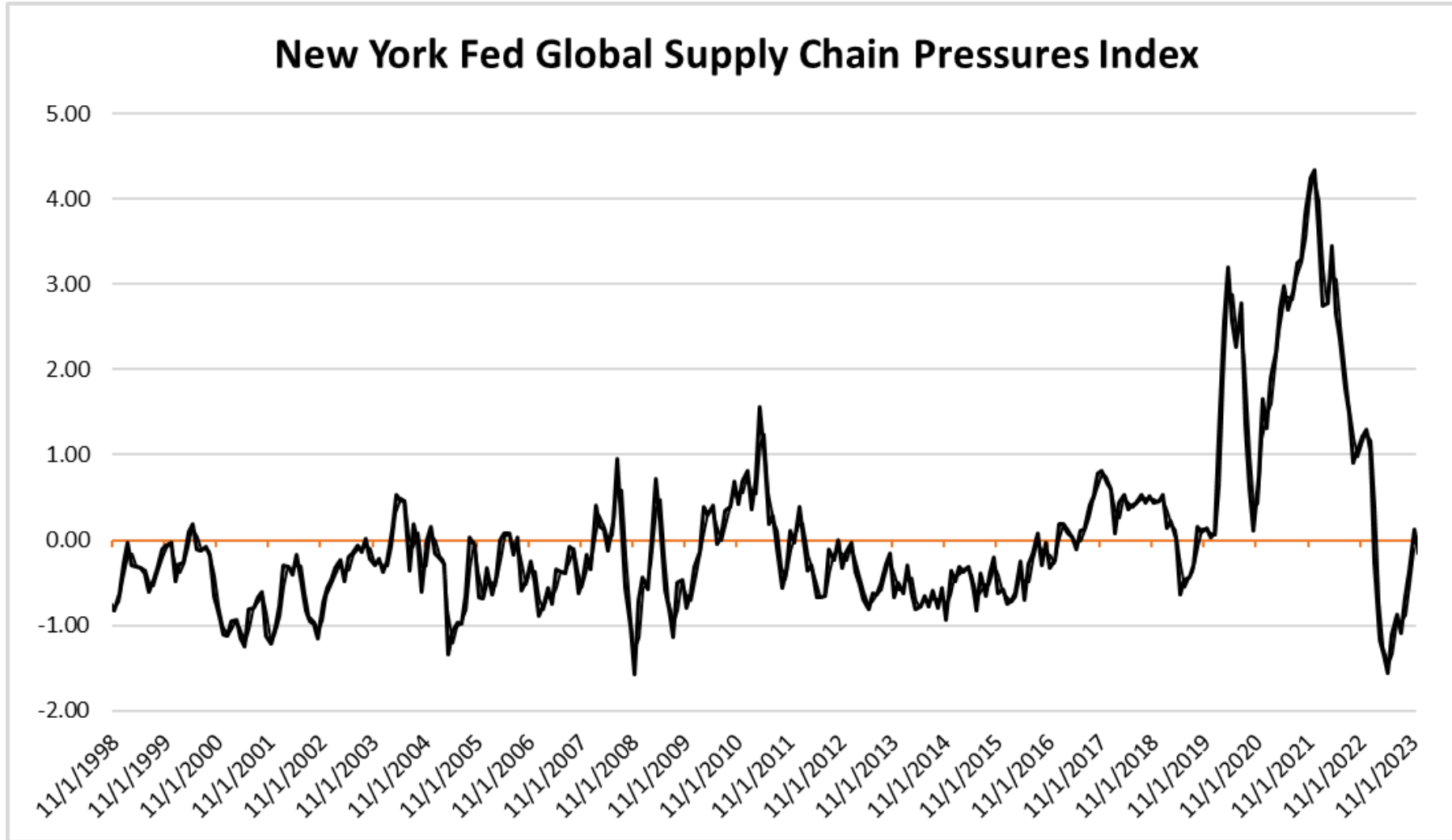
China and Mexico as % of US imports (12-month moving average)



Source: BofA Global Investment Strategy, Bloomberg

Source: Federal Reserve

Global Supply Chain Pressures Index Snaps in Dec/Jan



Headwind BLUF: Global Manufacturing Highlights



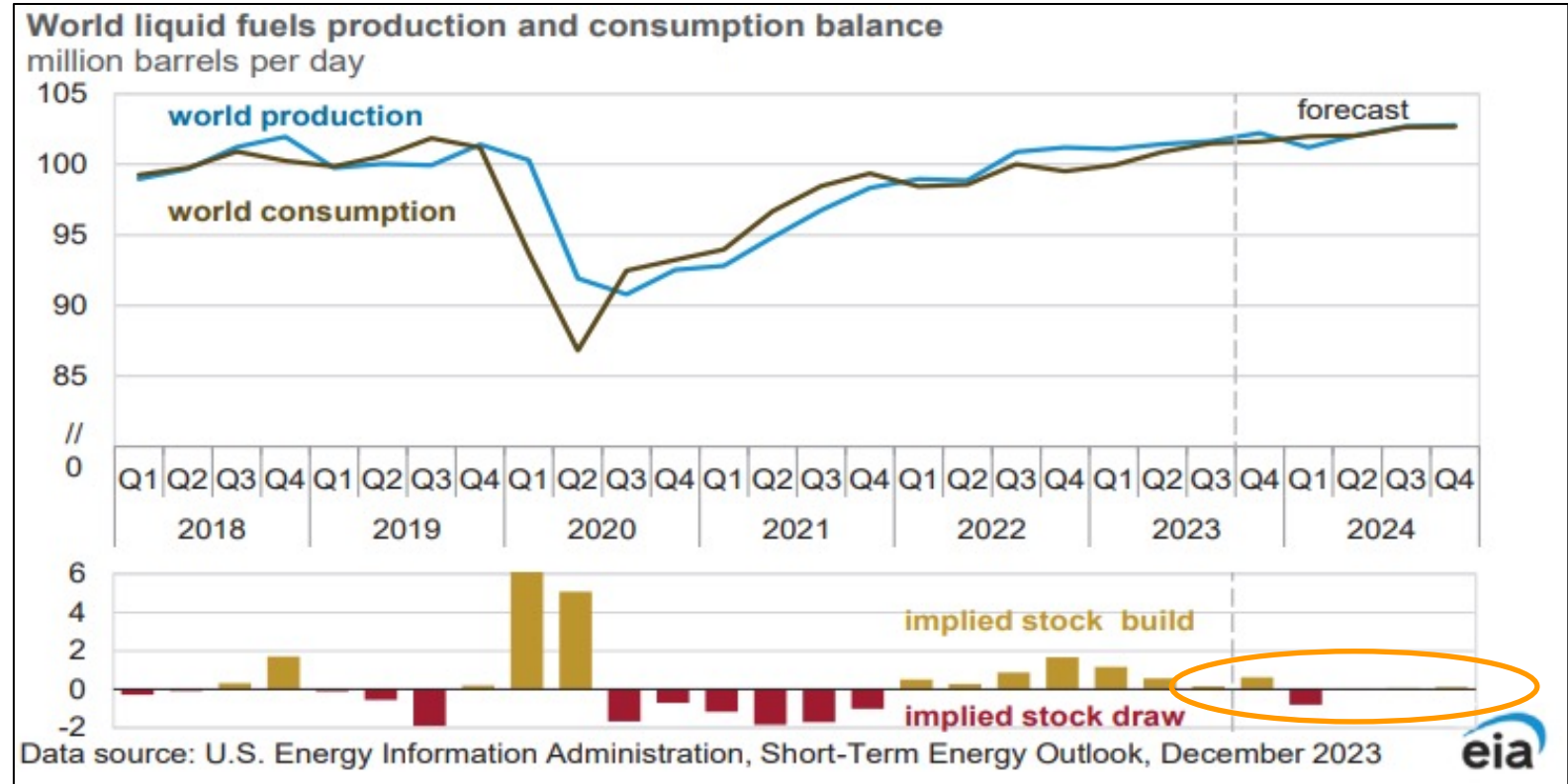
- 12 countries had manufacturing sectors in contraction in Feb
- Europe still in recession.
- Asia is reeling from lack of demand in NA and Europe
- India is booming – because of shifting sourcing patterns
- Canada in contraction, US and Mexico expanding for now
- Raw material demand and the impact of the Red Sea are big questions.

| Country | Current Month | Manufacturing | | | Current Month | Services | | |
|--------------|---------------|------------------|-----------------|------------|---------------|------------------|-----------------|------------|
| | | Latest Month PMI | Prior Month PMI | M/M Change | | Latest Month PMI | Prior Month PMI | M/M Change |
| Global PMI | Feb | 50.3 | 50.0 | 0.3 | Jan | 52.3 | 51.6 | 0.7 |
| Eurozone PMI | Feb | 46.5 | 46.6 | -0.1 | Jan | 48.4 | 48.8 | -0.4 |
| US | Feb | 52.2 | 50.7 | 1.5 | Jan | 52.5 | 51.4 | 1.1 |
| China | Feb | 50.9 | 50.8 | 0.1 | Jan | 52.7 | 52.9 | -0.2 |
| Canada | Feb | 49.7 | 48.3 | 1.4 | Jan | 45.8 | 44.6 | 1.2 |
| Mexico | Feb | 52.3 | 50.2 | 2.1 | | | | |
| Japan | Feb | 47.2 | 48.0 | -0.8 | Jan | 53.1 | 51.5 | 1.6 |
| Germany | Feb | 42.5 | 45.5 | -3.0 | Jan | 47.7 | 49.3 | -1.6 |
| South Korea | Feb | 50.7 | 51.2 | -0.5 | | | | |
| UK | Feb | 47.5 | 47.0 | 0.5 | Jan | 54.3 | 53.4 | 0.9 |
| France | Feb | 47.1 | 43.1 | 4.0 | Jan | 45.4 | 45.7 | -0.3 |
| India | Feb | 56.9 | 56.5 | 0.4 | Jan | 61.8 | 59.0 | 2.8 |
| Italy | Feb | 48.7 | 48.5 | 0.2 | Jan | 51.2 | 49.8 | 1.4 |
| Taiwan | Feb | 48.6 | 48.8 | -0.2 | | | | |
| Brazil | Feb | 54.1 | 52.8 | 1.3 | Jan | 53.1 | 50.5 | 2.6 |
| Spain | Feb | 51.5 | 49.2 | 2.3 | Jan | 52.1 | 51.5 | 0.6 |
| Russia | Feb | 54.7 | 52.4 | 2.3 | Jan | 55.8 | 56.2 | -0.4 |
| Netherlands | Feb | 49.3 | 48.9 | 0.4 | | | | |
| Ireland | Feb | 52.2 | 49.5 | 2.7 | Jan | 50.5 | 53.2 | -2.7 |
| Greece | Feb | 55.7 | 54.7 | 1.0 | | | | |
| Poland | Feb | 47.9 | 47.1 | 0.8 | | | | |
| ASEAN | Feb | 50.4 | 50.3 | 0.1 | | | | |
| Vietnam | Feb | 50.4 | 50.3 | 0.1 | | | | |
| Philippines | Feb | 51.0 | 50.9 | 0.1 | | | | |
| Australia | Feb | 47.8 | 50.1 | -2.3 | Jan | 49.1 | 47.1 | 2.0 |
| Switzerland | Feb | 44.0 | 43.1 | 0.9 | | | | |
| Hong Kong | Jan | 49.9 | 51.3 | -1.4 | | | | |
| Singapore | Feb | 50.6 | 50.7 | -0.1 | | | | |
| Indonesia | Feb | 52.7 | 52.9 | -0.2 | | | | |
| Thailand | Feb | 45.3 | 46.7 | -1.4 | | | | |

Sources: S&P Global, Caixin, JP Morgan, Jibun Bank, Nevi, BME, CIPS

Oil and Gasoline – Fairly Balanced for 2024

- Fairly balanced outlook through 2024
 - Anecdotal evidence suggests that many new wells have been built and are ready for production – but are shut-in and waiting on demand to resurface before starting production.
- The US may have officially hit a “dynamic production” zone in which production can quickly keep pace with demand. That could lead to oil prices hovering in the \$70 range in perpetuity.



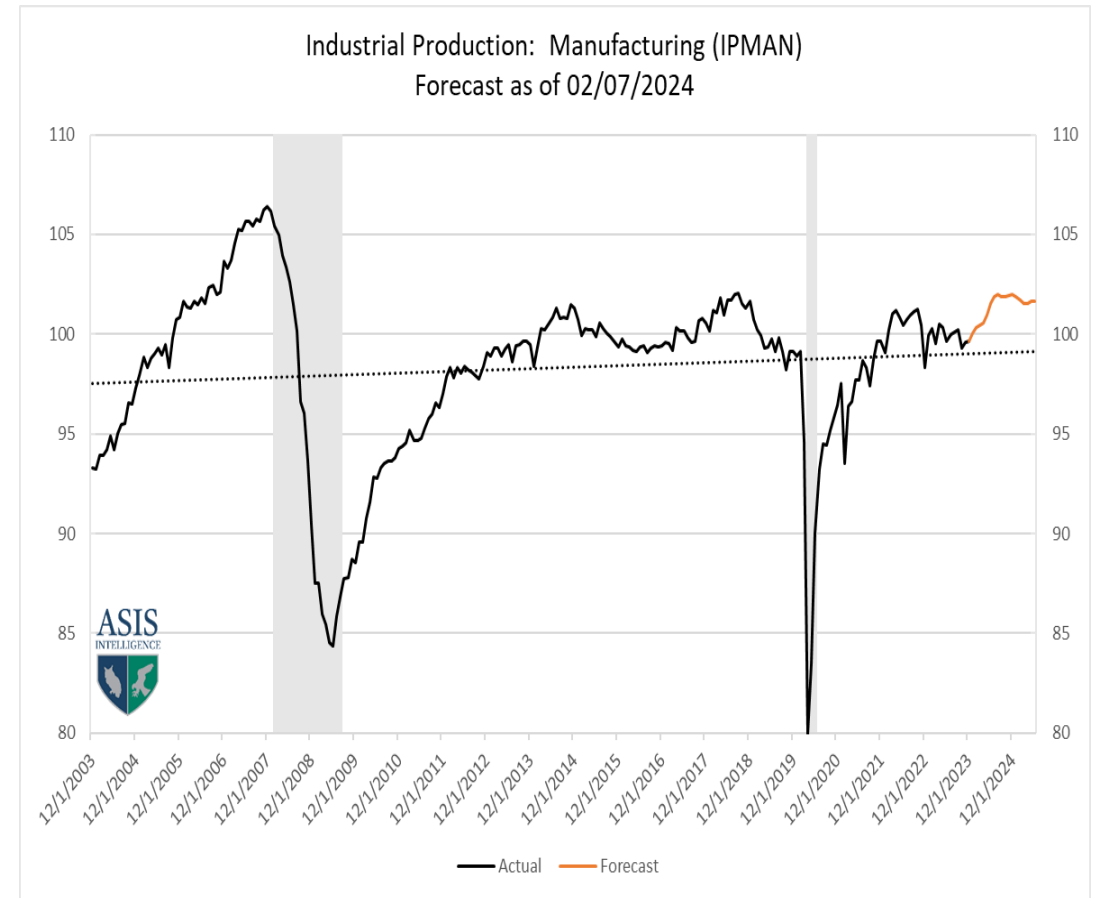
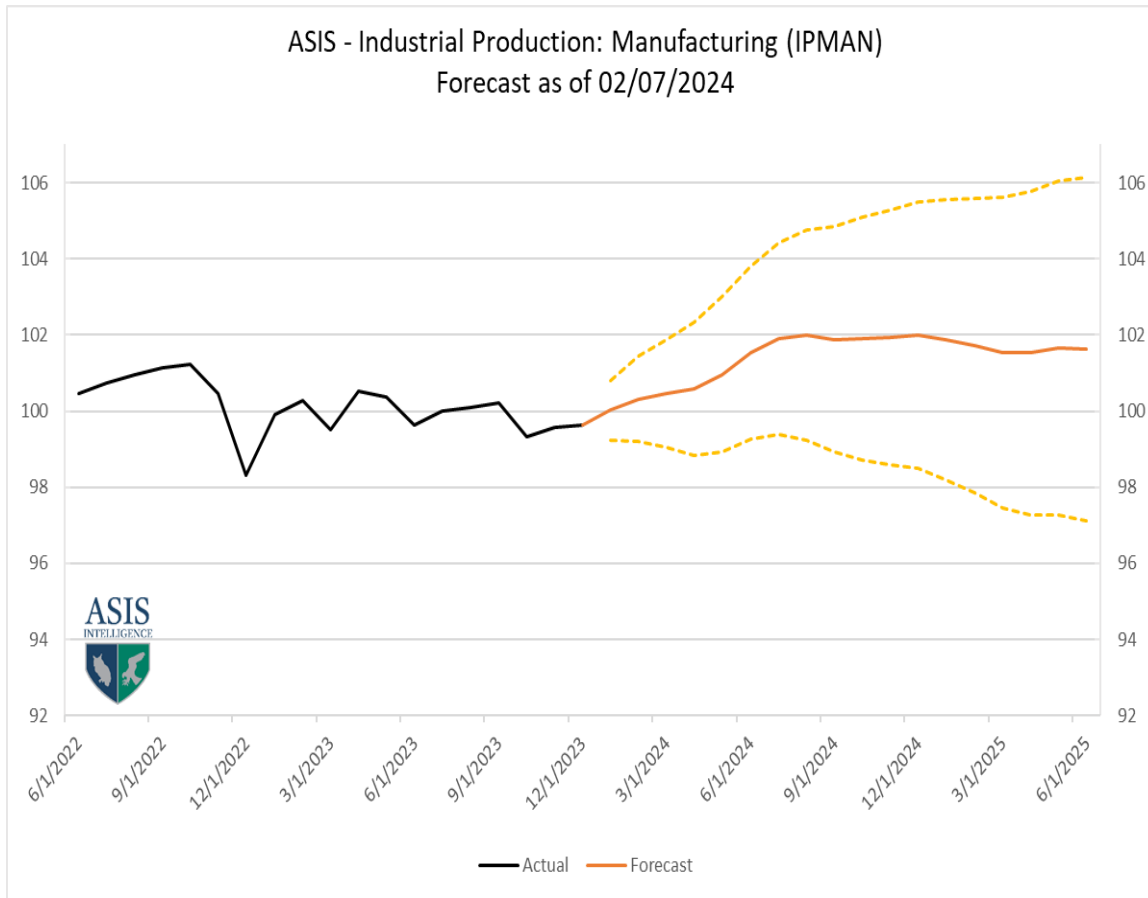
| Crude forecast: | |
|-----------------|---------|
| • 2021 | \$68.21 |
| • 2022 | \$94.91 |
| • 2023 | \$77.63 |
| • 2024 | \$78.07 |

| Diesel forecast: | |
|------------------|--------|
| • 2021 | \$3.29 |
| • 2022 | \$5.02 |
| • 2023 | \$4.22 |
| • 2024 | \$3.95 |

| Gasoline forecast: | |
|--------------------|--------|
| • 2021 | \$3.02 |
| • 2022 | \$3.97 |
| • 2023 | \$3.53 |
| • 2024 | \$3.36 |

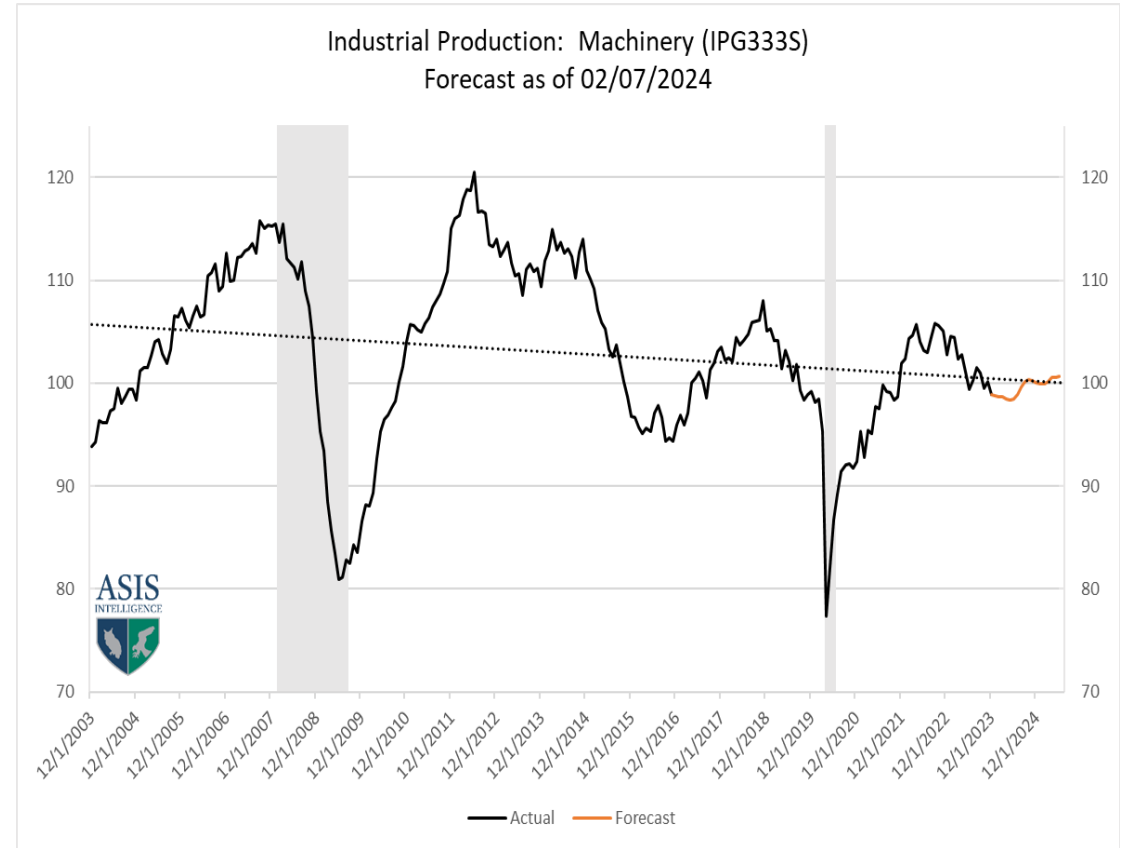
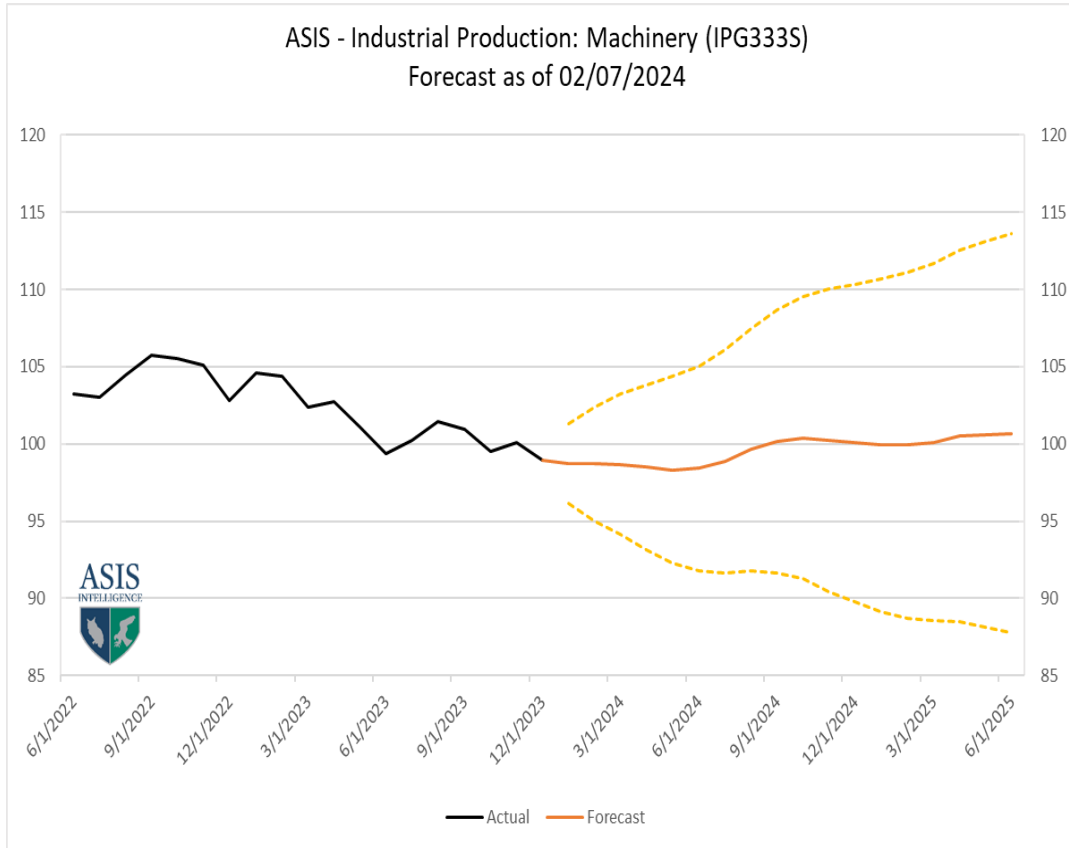
Source: EIA; Baker Hughes; Conoco-Philips

Industrial Production Forecast from The Watch



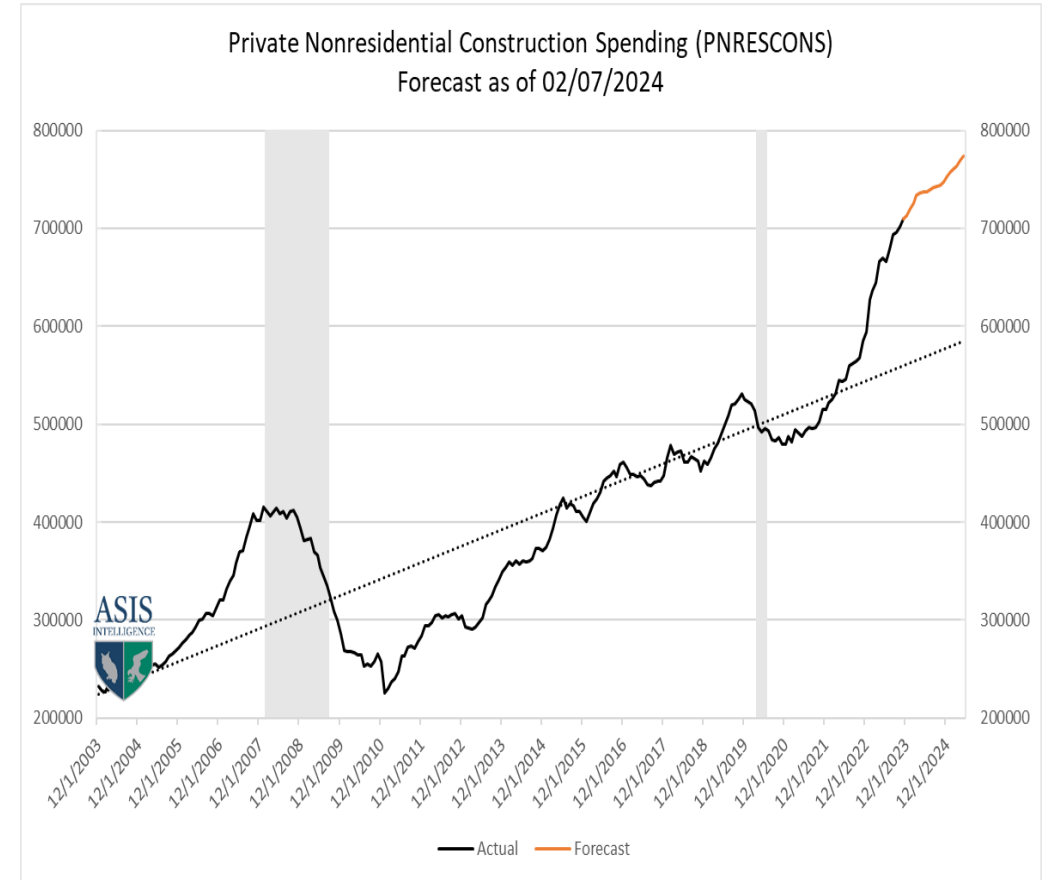
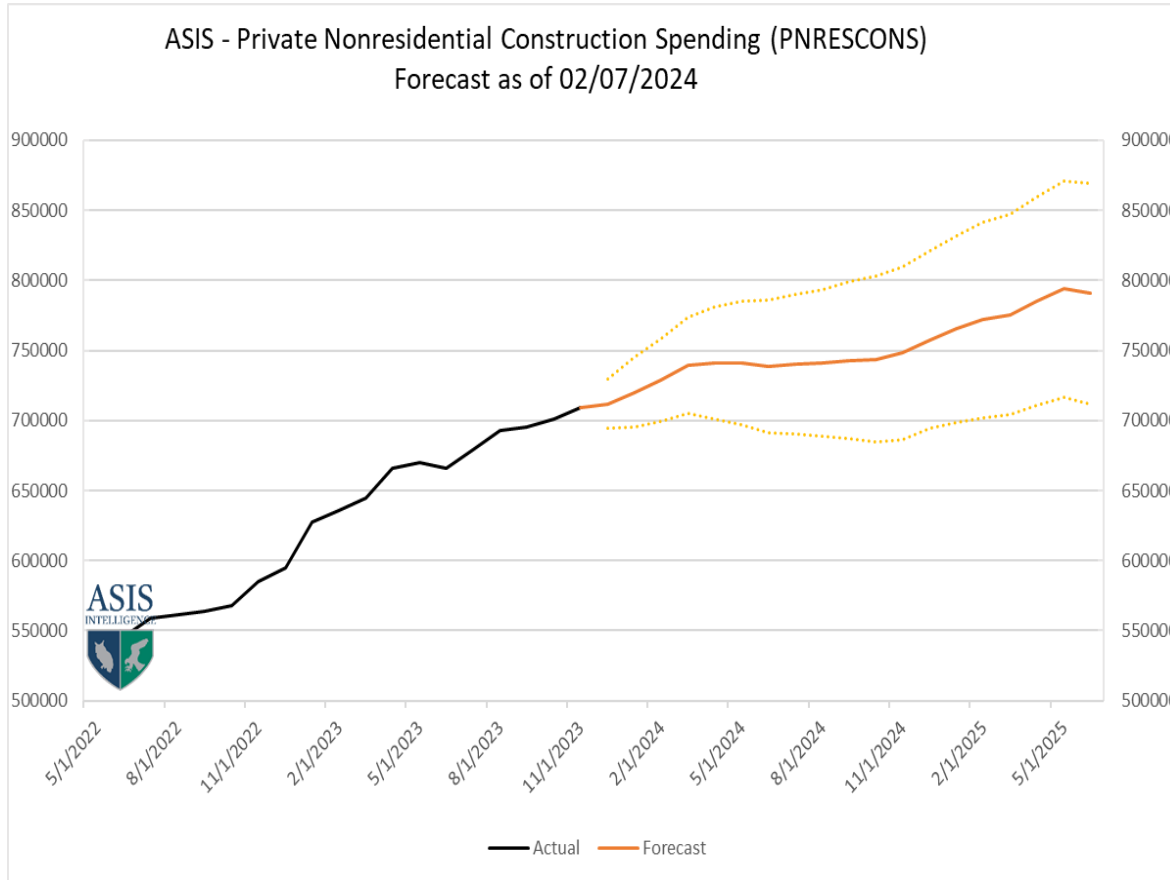
Accuracy Rates

Machinery Forecast from the Watch



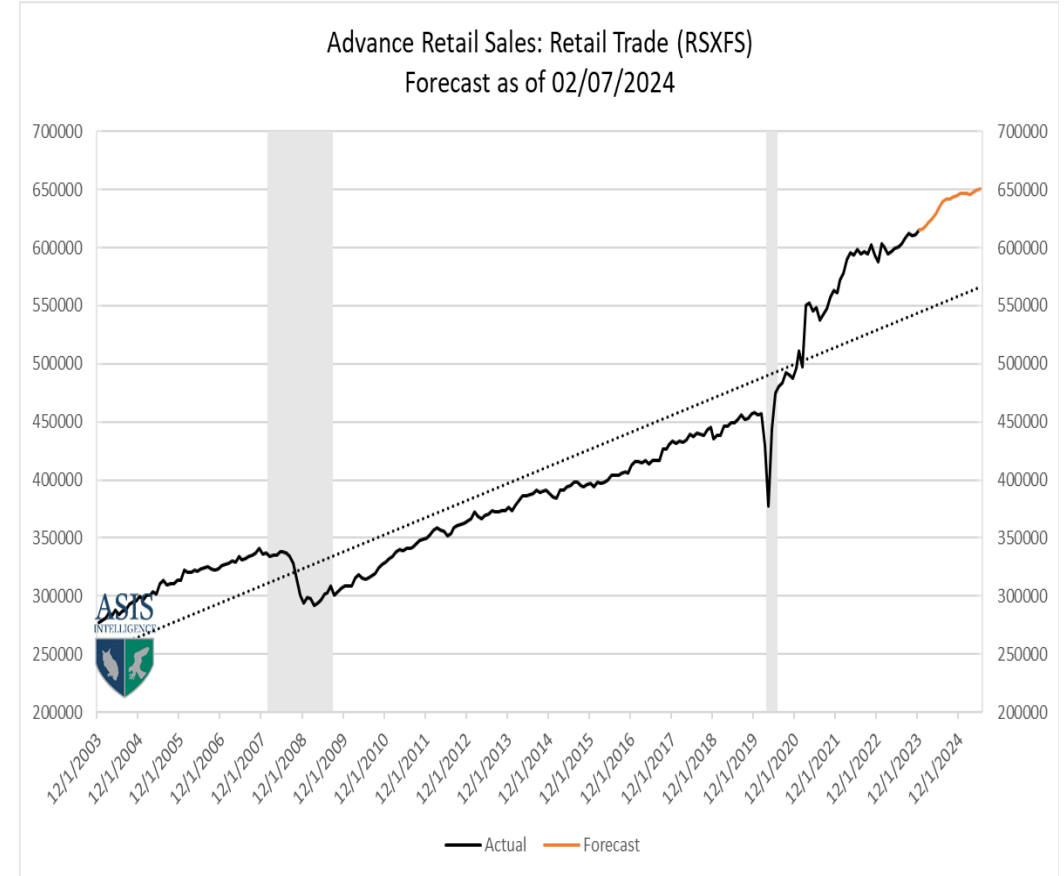
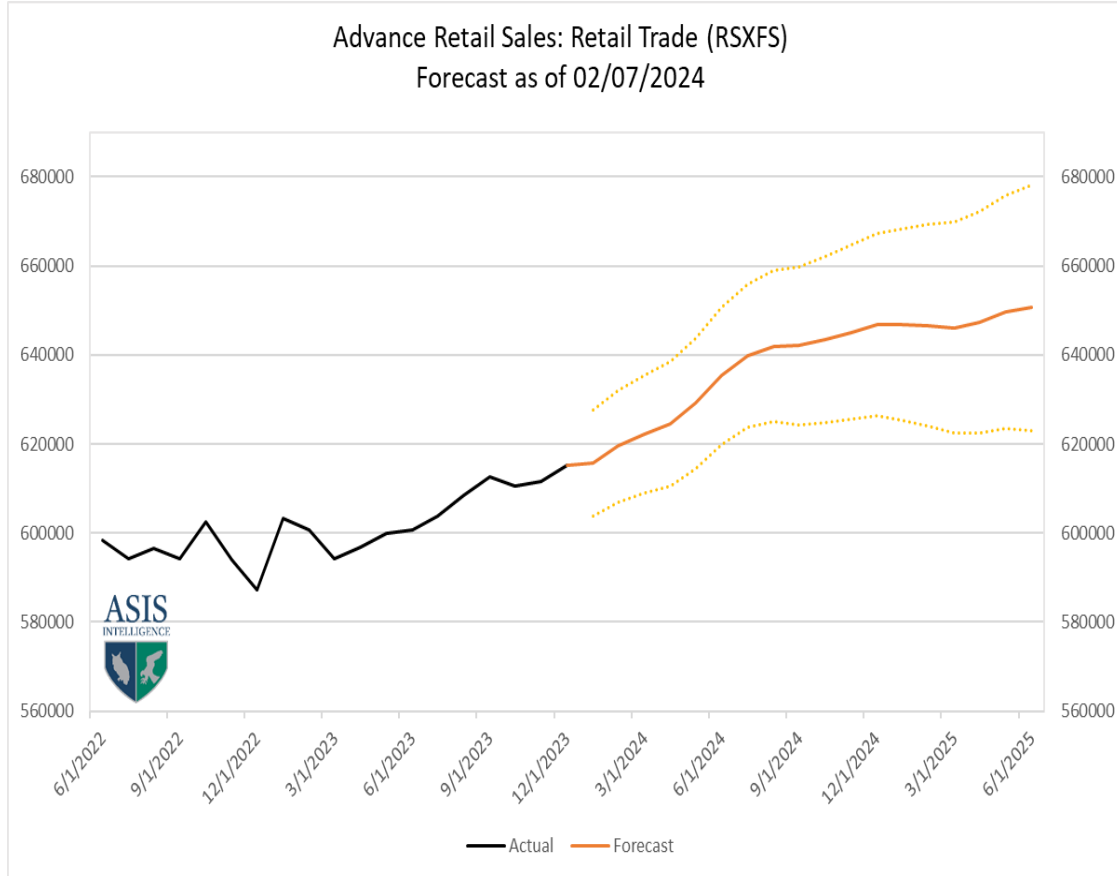
Growth Forecast: Nonresidential Construction Forecast from The Watch

| | 1-6mo | 3-6mo | 6-12mo |
|--|--------|--------|--------|
| Industrial Production: Nonresidential | 95.11% | 98.84% | 98.84% |
| Aerospace and Miscellaneous Transport: Equipment | 99.25% | 97.33% | 97.97% |
| Computer and Electronic Product | 99.86% | 98.59% | 97.00% |
| Electrical Equipment, Appliance, and Component | 98.38% | 95.49% | 98.87% |
| Fabricated Metal Product | 99.07% | 95.40% | 99.37% |
| Machinery | 99.33% | 95.69% | 99.24% |
| Motor Vehicles and Parts | 91.34% | 91.60% | 91.51% |
| Primary Metal | 99.55% | 94.35% | 99.33% |
| Average | 98.99% | 97.34% | 97.96% |

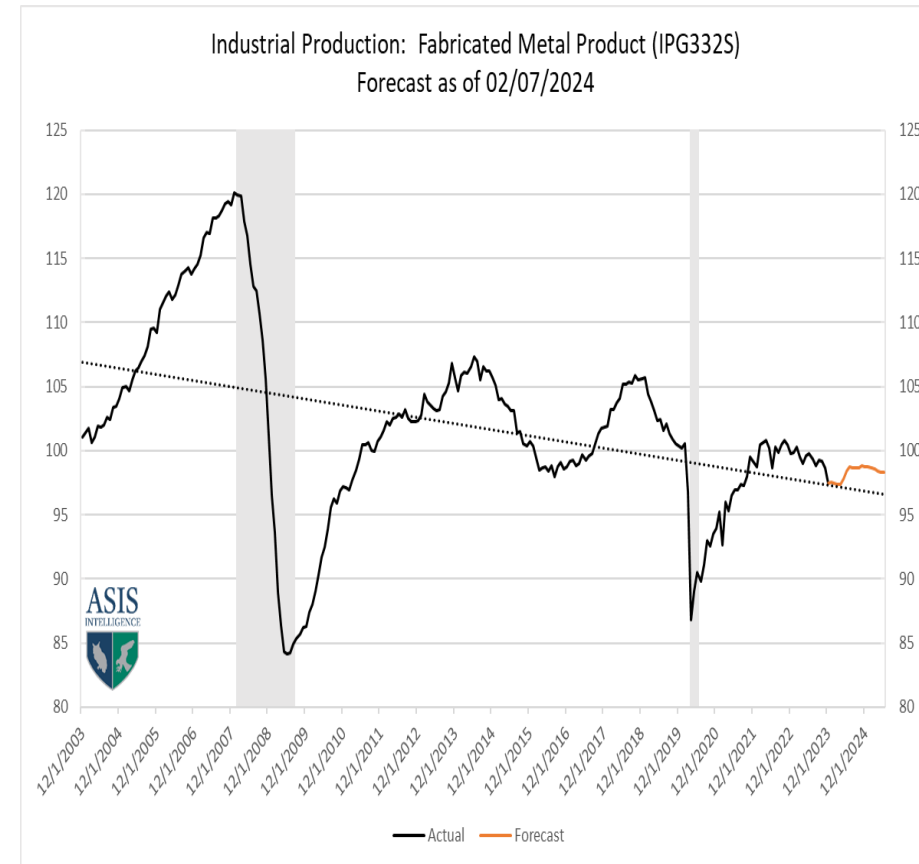
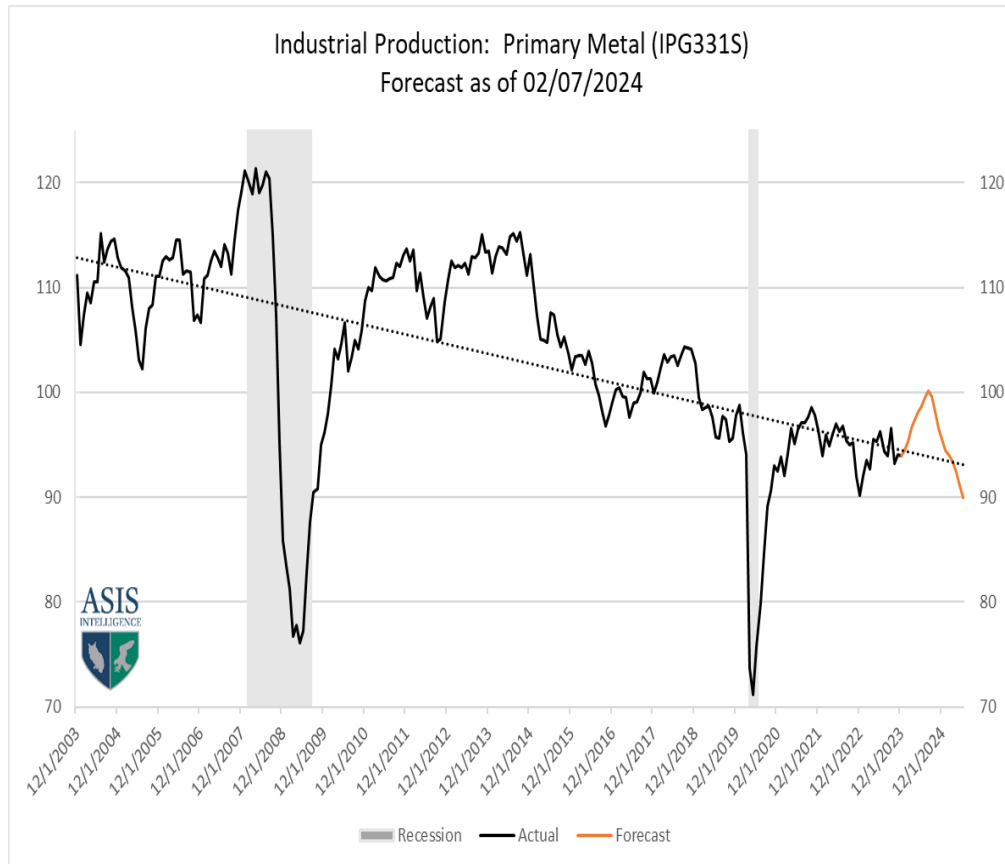


Forecast Growth: Retail Spending (Consumer Spending)

Forecast from The Watch



Primary and Fabricated Metals – The Watch Forecast



For More Enlightenment

Chris.kuehl@armadaci.com

Bonus Offer for Attendees –
Aren't You Excited? Proof that I am
as long-winded in print as in public!

Flagship – Three times a week
(MWF). \$7 per month but free trial
for a month
The Watch – \$44 monthly but free
trial for TWO months

