



FPA Flexible Packaging
Association

Connecting. Advancing. Leading.

Winds of Change

Alex Chausovsky
Director of Speaking Services

2018 Preliminary Forecast Results

If you heard ITR around two years ago...

	Duration	Accuracy
US GDP	24	99.9%
US Ind. Production	34	99.4%
Europe Ind. Production	24	99.2%
Canada Ind. Production	27	97.1%
China Ind. Production	30	99.9%
Retail Sales	28	99.6%
Housing (Single Family Units)	26	99.2%
Employment (private sector)	30	99.4%

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

Summary March 2019

Macroeconomic Slowdown for 2019

US

Global

Global Issues Impacting Businesses

Tariffs/Trade Uncertainty

Leading Indicator Signals are Mixed

Know which ones matter to you

How to track the leading indicators



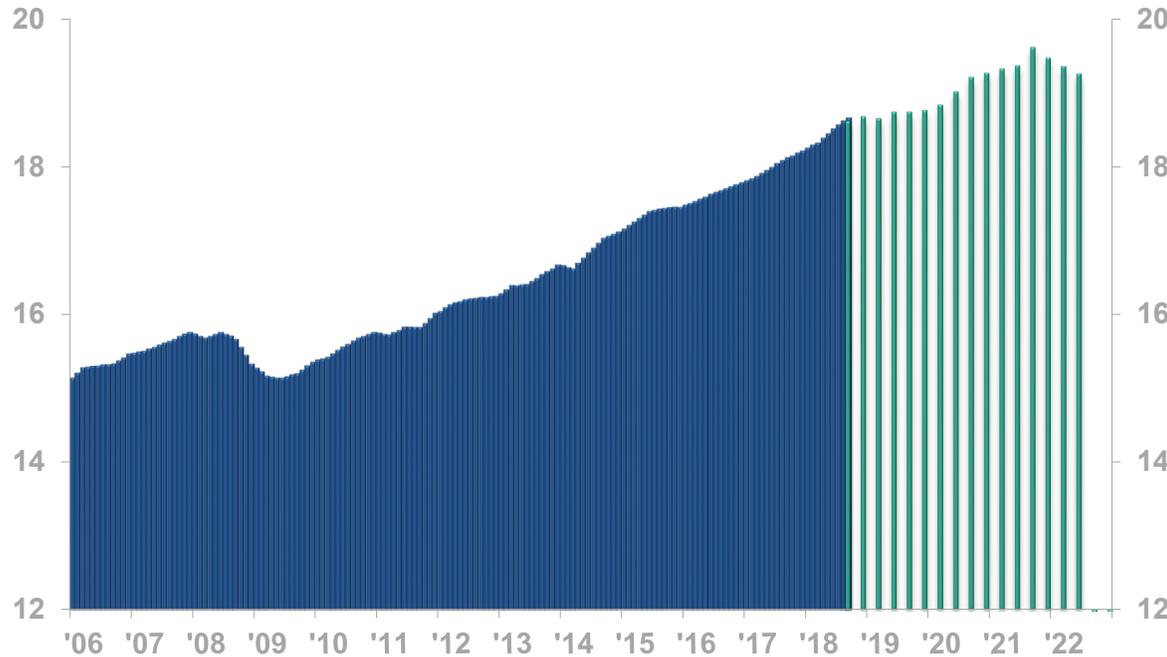


Macroeconomic Trends

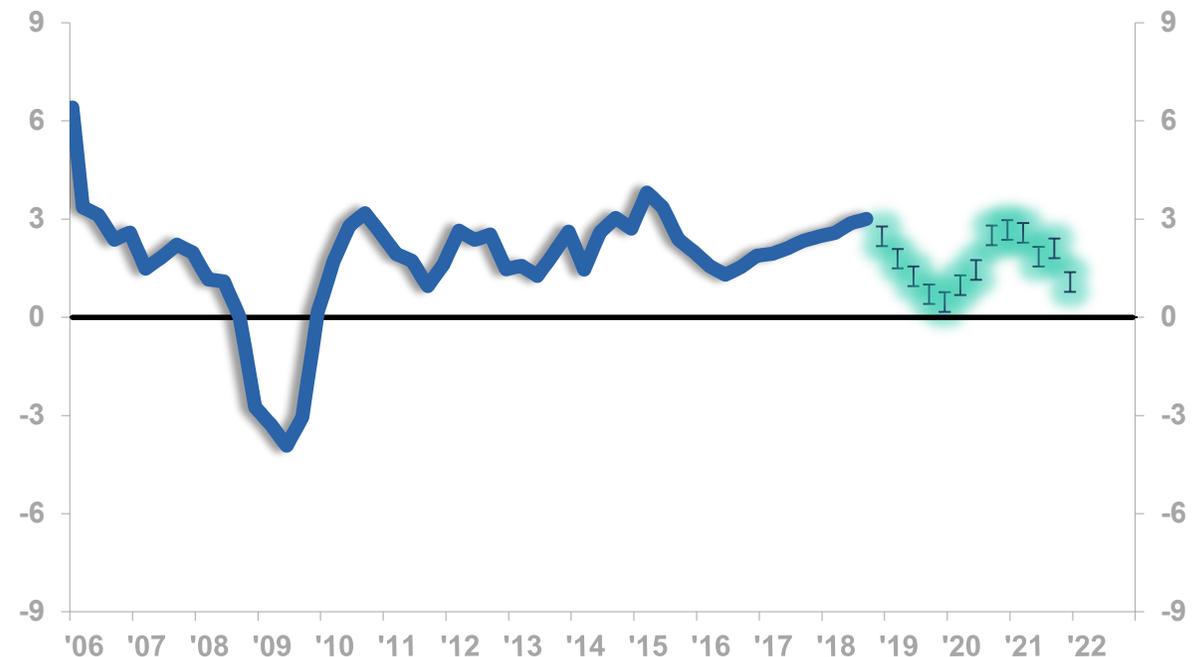
US Economy Stalls in 2019 and Into 2020

US Gross Domestic Product, SAAR, Chained 2012 \$

US Gross Domestic Product 3-Month Moving Average



Quarter-over-Quarter Growth Rate 3/12 Rate-of-Change

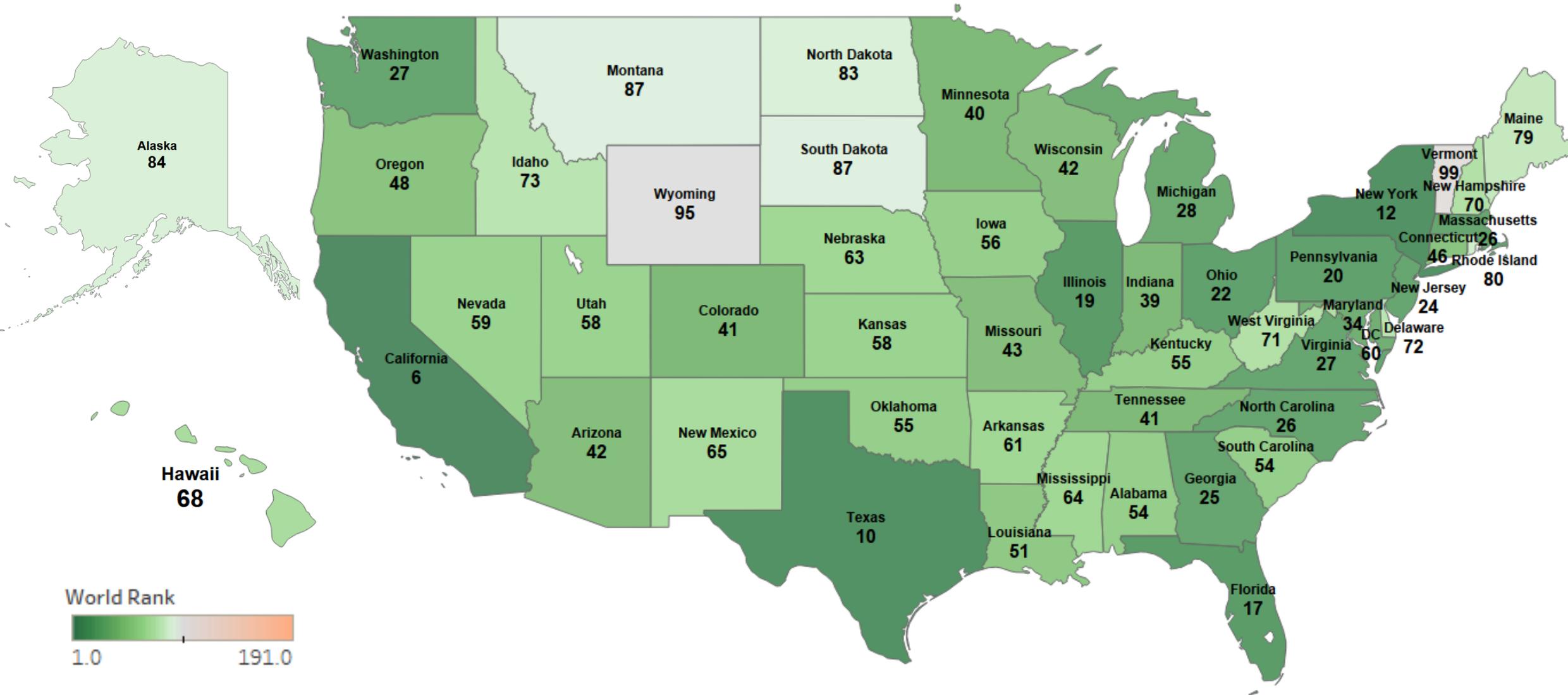


- **\$18.7 trillion**
- **Phase: B**
- **Quarter-over-Quarter: 3.0%**

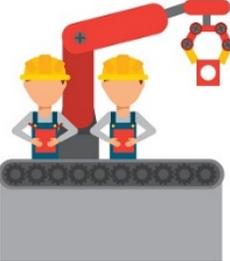
ITR 
Outlook

2019: 0.5%
2020: 2.7%
2021: 1.1%

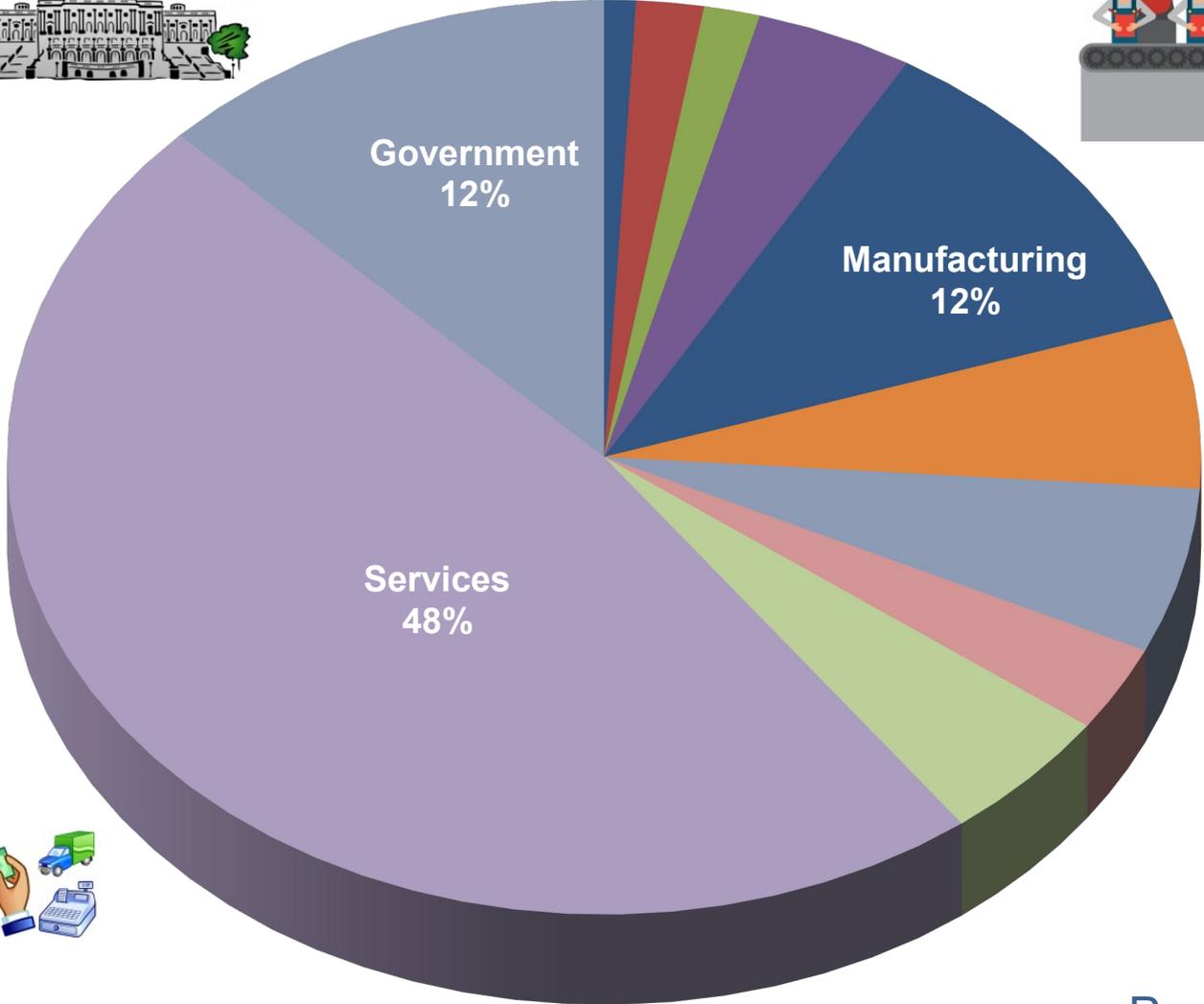
US States GDPs Ranked vs. World Country GDPs



US GDP by Value Add



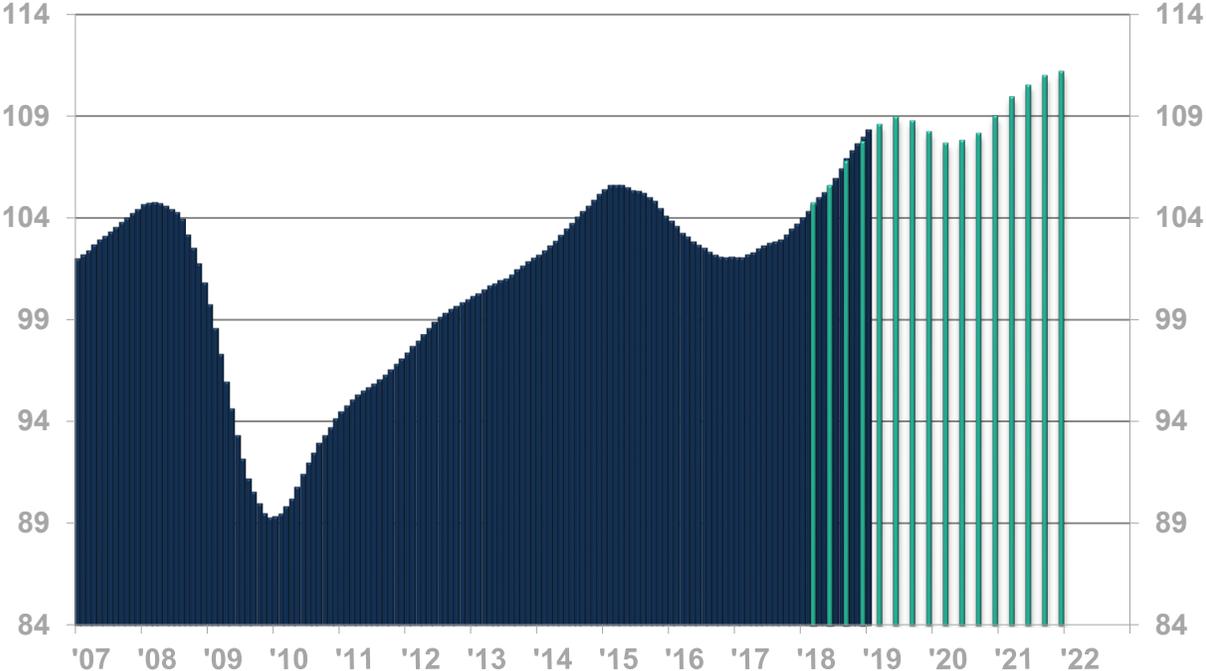
- Agriculture, forestry, fishing, and hunting
- Mining
- Utilities
- Construction
- Manufacturing
- Wholesale trade
- Retail trade
- Transportation and warehousing
- Information
- Services
- Government



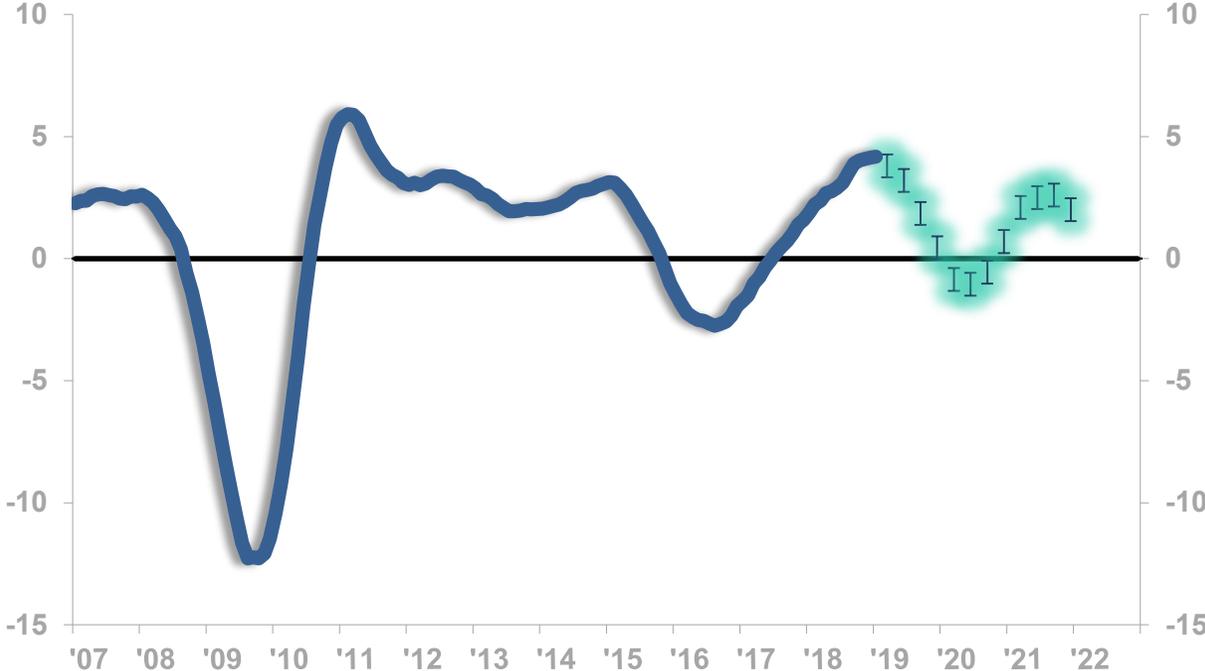
Slowing Growth for 2019

US Industrial Production Index

US Industrial Production Index 12-Month Moving Average



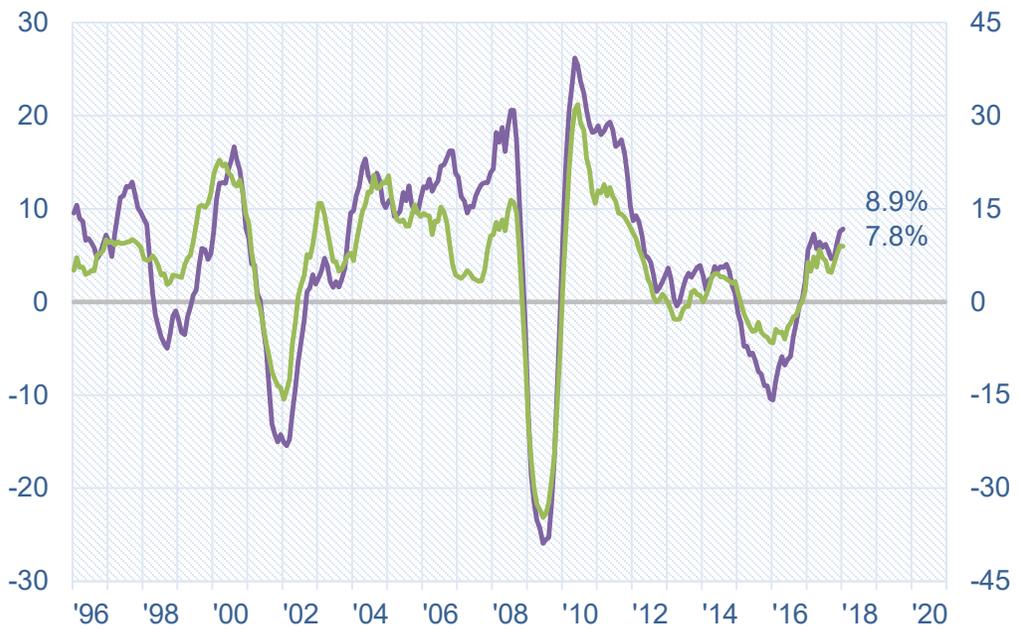
Year-over-Year Growth Rate 12/12 Rate-of-Change



- Annual Trend: 107.3
- Phase: B
- Year-over-Year: 4.0%

ITR Outlook

2019: 0.5%
2020: 0.7%
2021: 2.0%



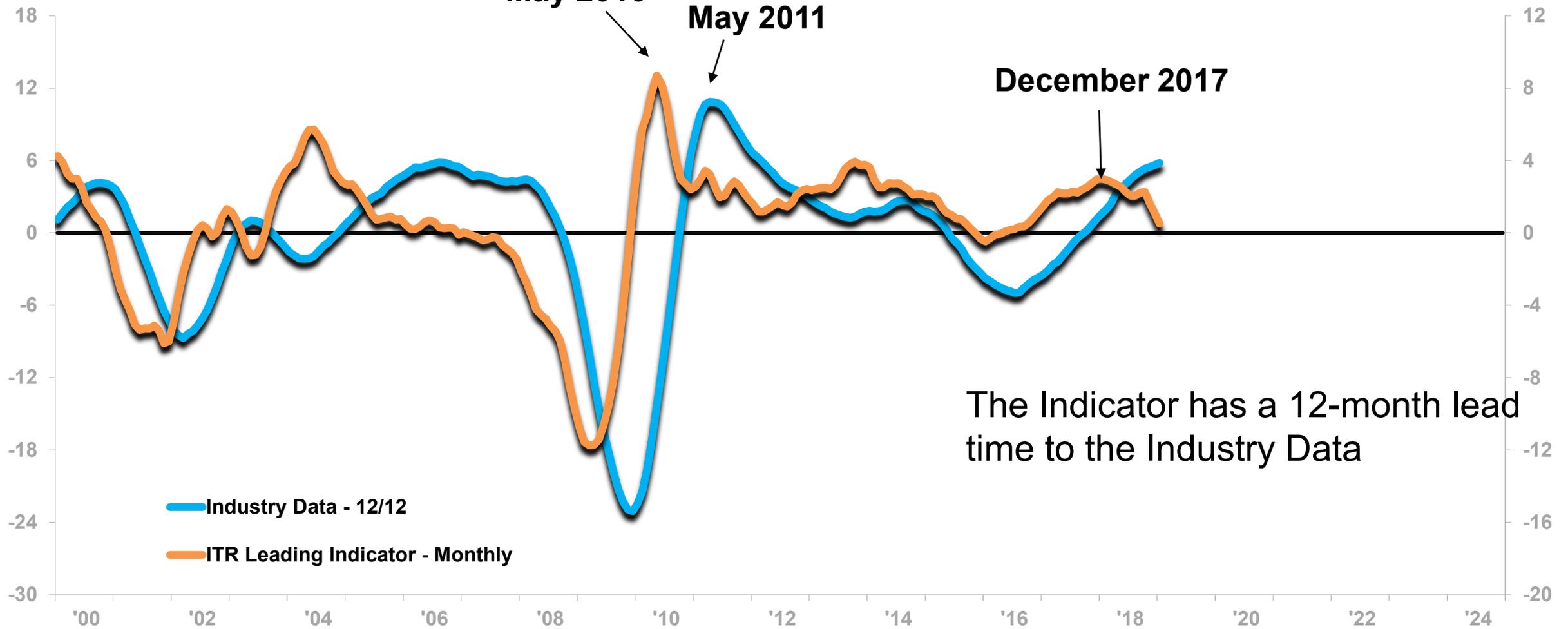
Leading Indicators

Tools for Seeing the Future

Leading Indicators

Industry Data

Leading Indicator



The Indicator has a 12-month lead time to the Industry Data

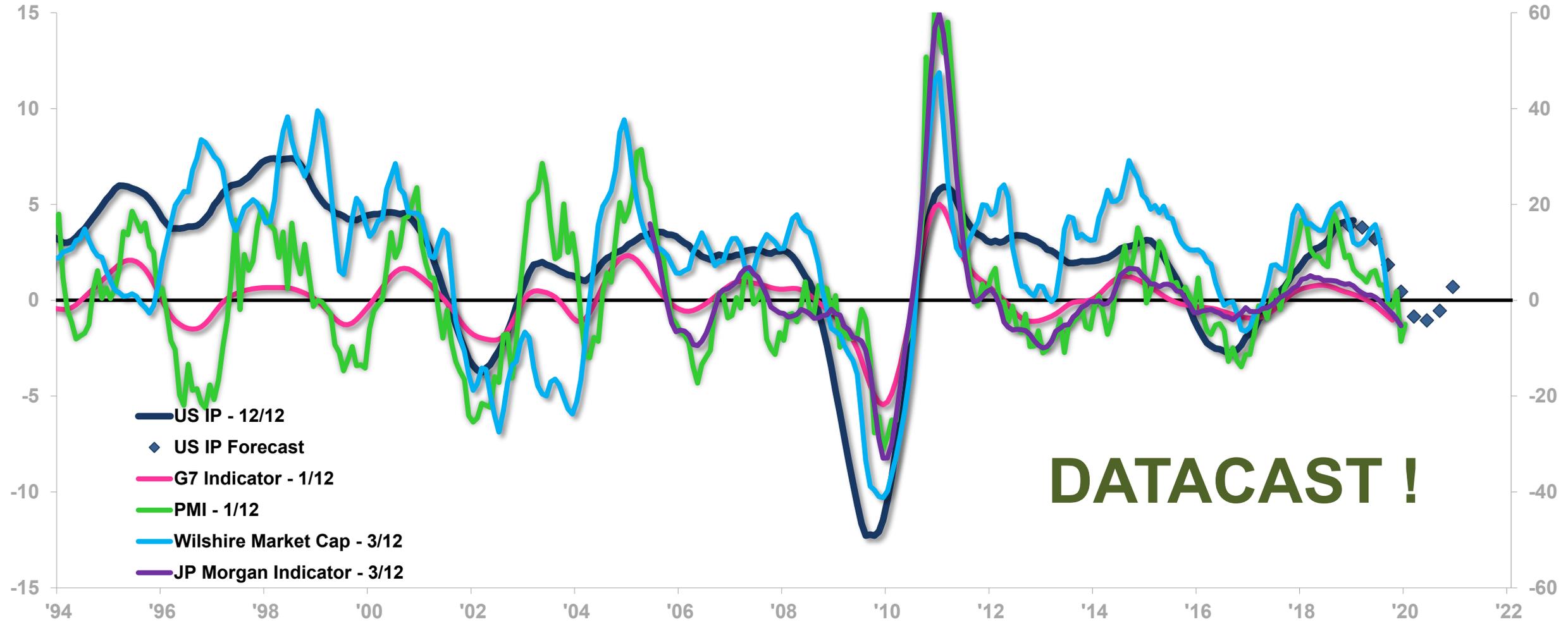
Industry Data - 12/12
ITR Leading Indicator - Monthly

Leading Indicator System as a Powerful Tool

US Industrial Production Index to Leading Indicators

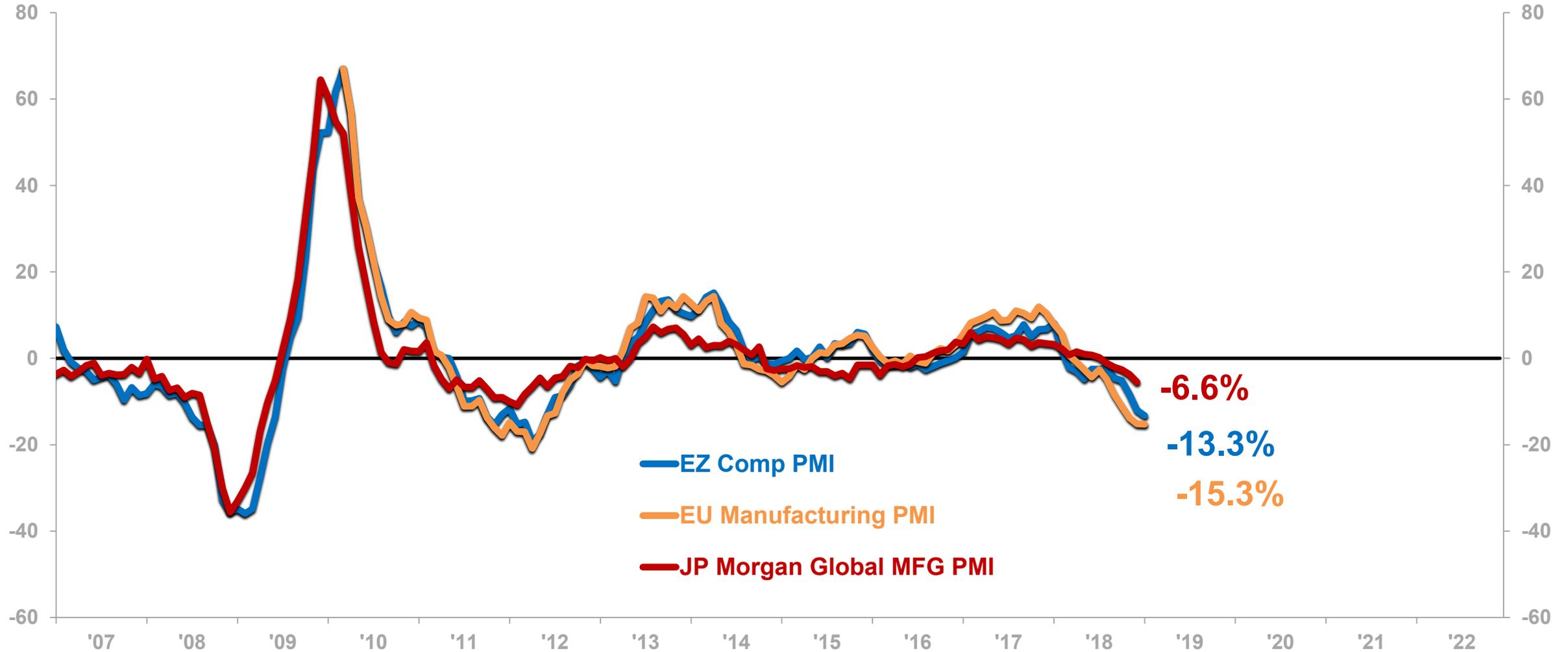
US IP, JP Morgan

PMI, Wilshire, G7



Leading Indicators Point to Global Economic Slowdown

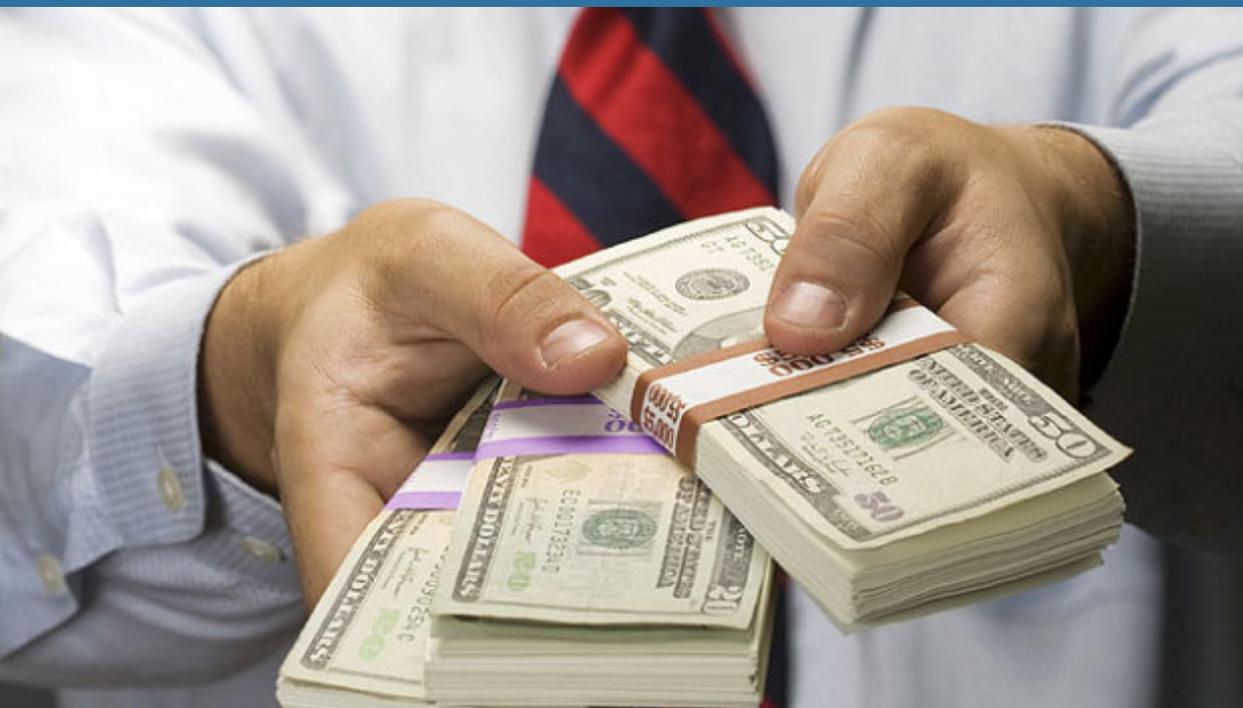
Global Leading Indicators





It is not enough to do your best; you must know what to do, and then do your best.

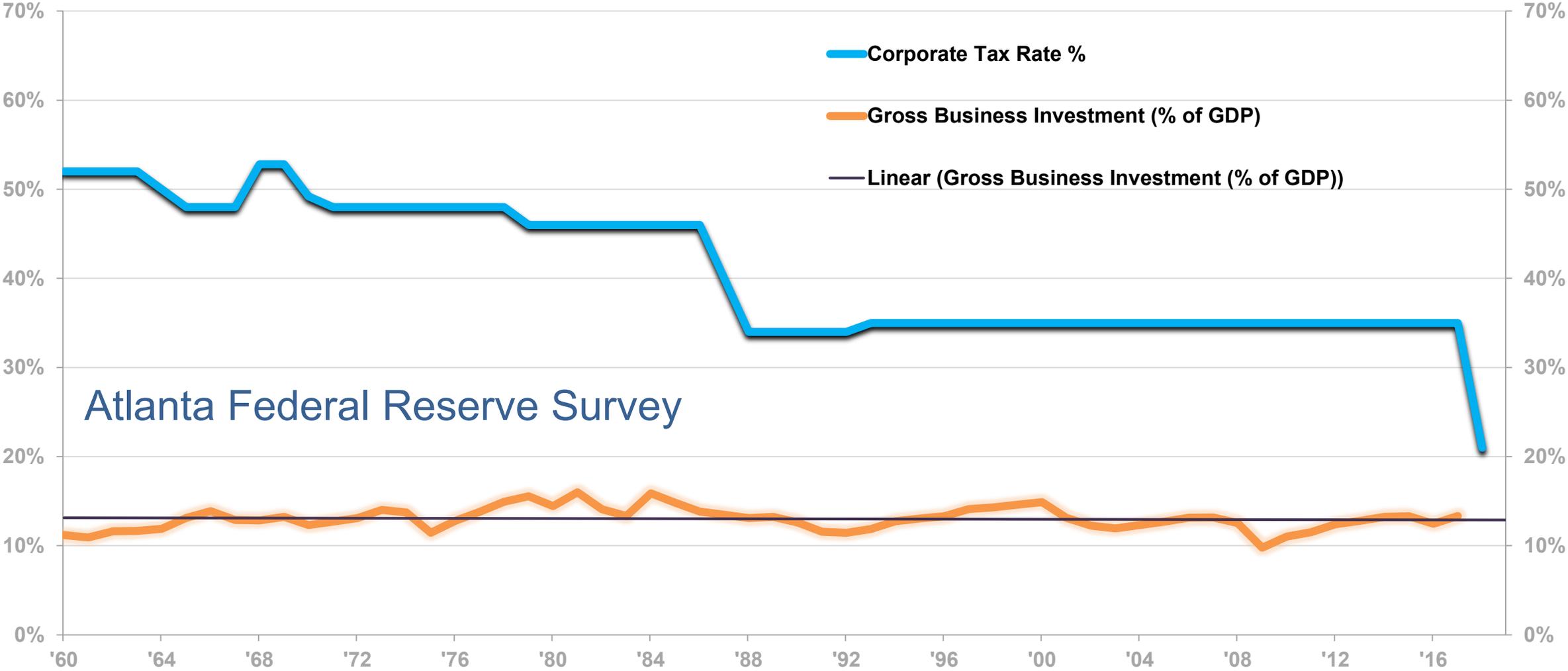
W. Edwards Deming



Impact of Tax Reform: Now and Then

Is Freed Up Money Going to Capex?

US Corporate Tax Rate and Gross Business Investment



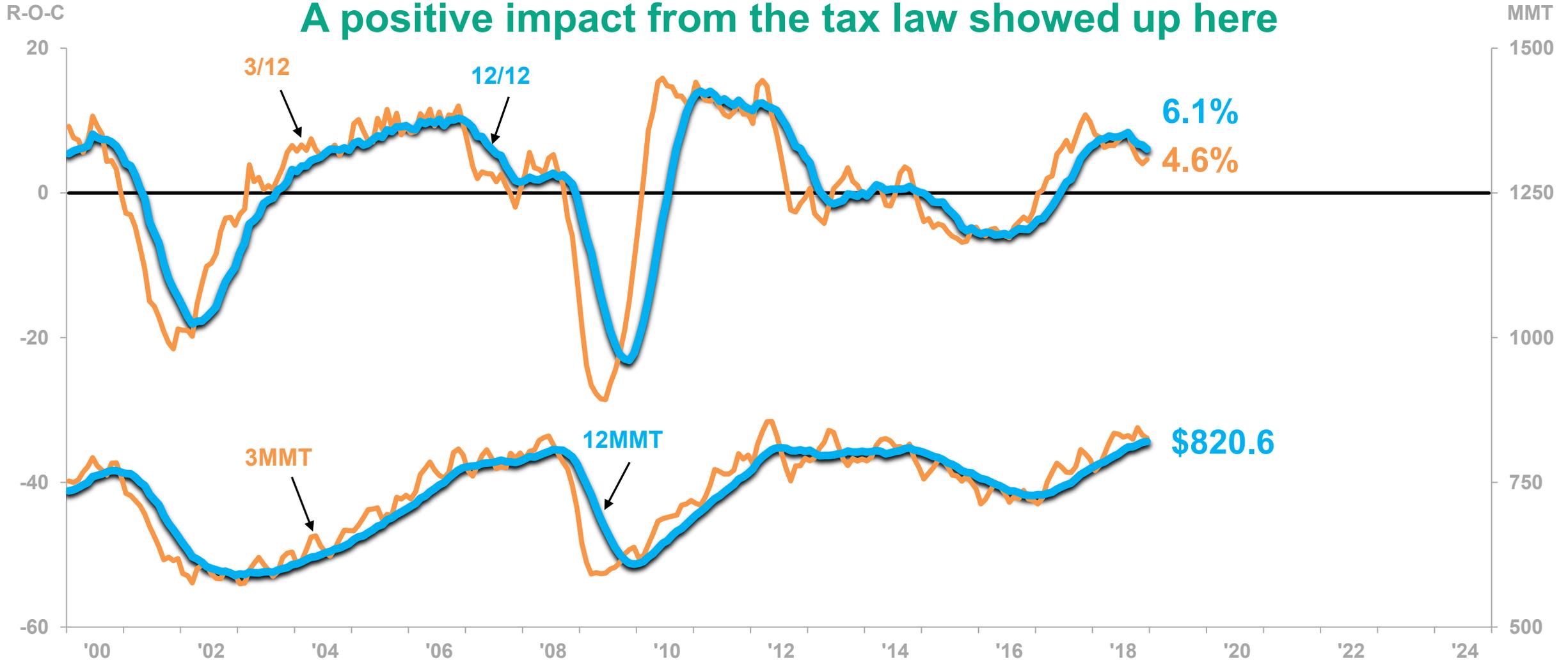
Atlanta Federal Reserve Survey



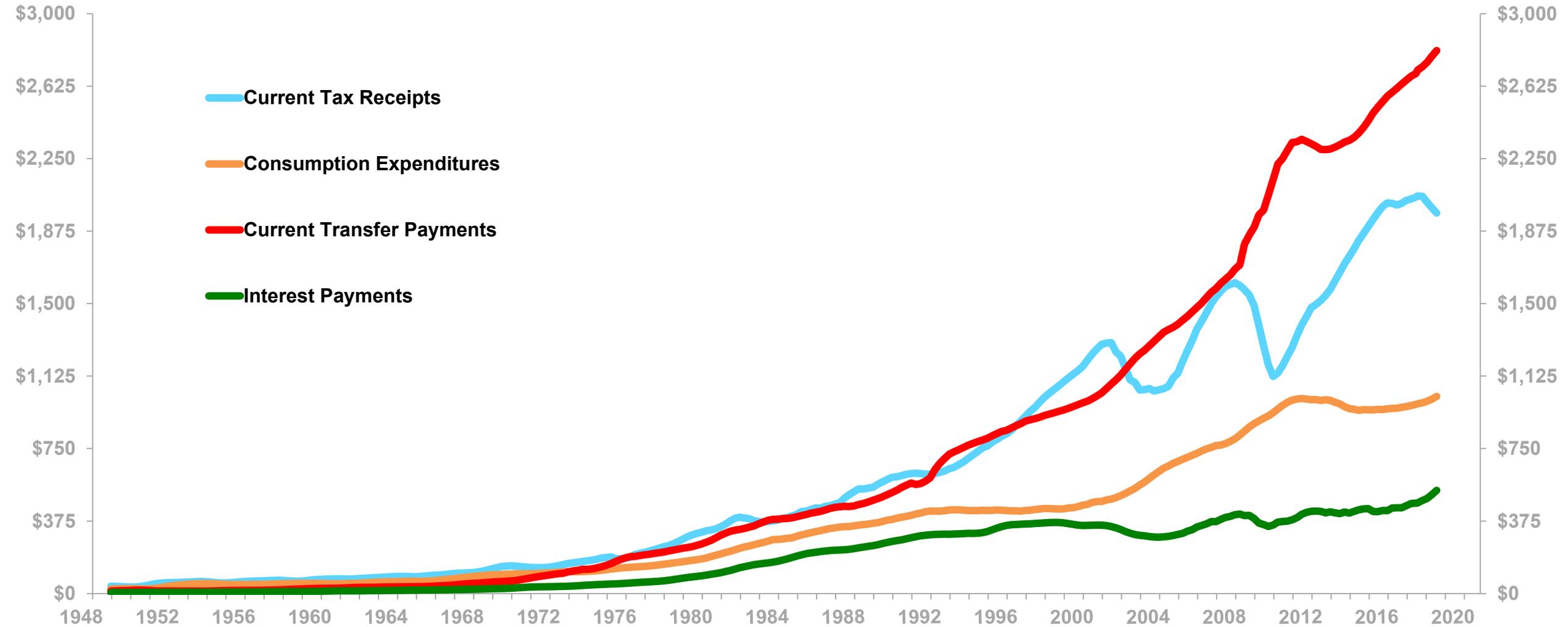
First in Forecasts Since 1948

Slowing Rate of Rise in CAPEX Trend

US Nondefense Capital Goods New Orders w/o Aircraft
A positive impact from the tax law showed up here



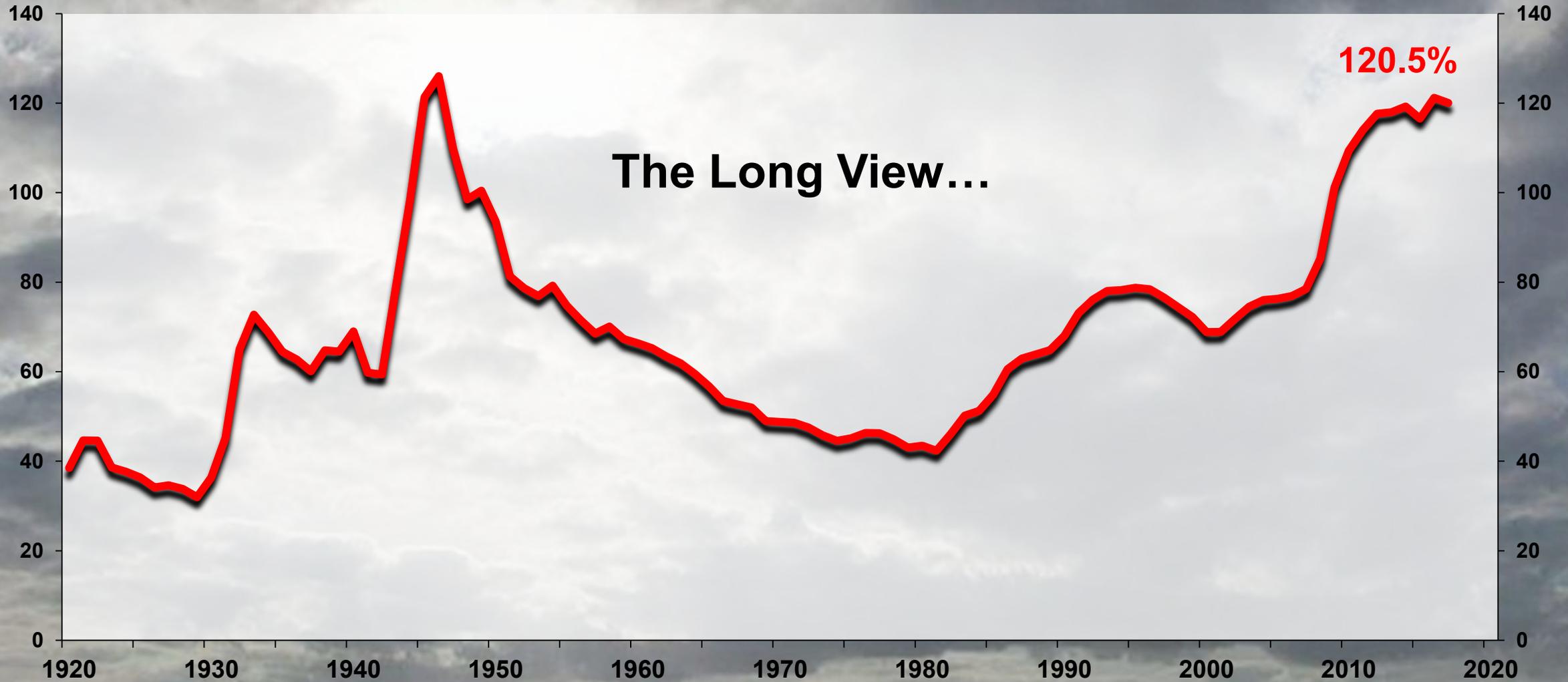
Issues Government Will and Won't Tackle



Billions of Dollars

Source: BEA 133

Total U.S. Public Debt



The Long View...

120.5%

(% of GDP)

Depression Drivers



1. Demographics

2. Health Care Costs

3. Entitlements

4. Inflation

5. US National Debt

What to Tell the Kids

1. **Live *below* their means**
2. **Learn a second language**
3. **Each household should have multiple or diverse income streams**
4. **Choose career(s) oriented toward the “opportunities”**
5. **Pay off as much debt as possible by 2030**
6. **Be ready to *buy* at the price cycle low in the depression**
7. **Be self-reliant**

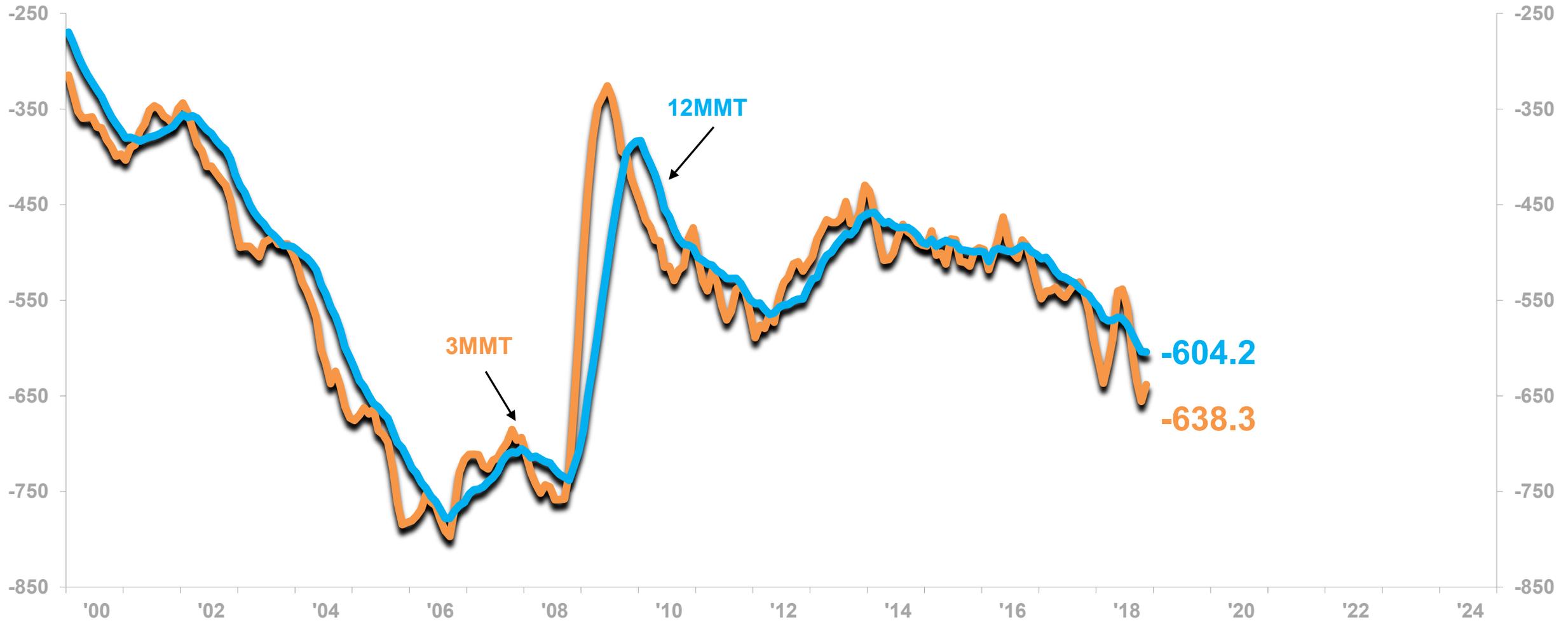




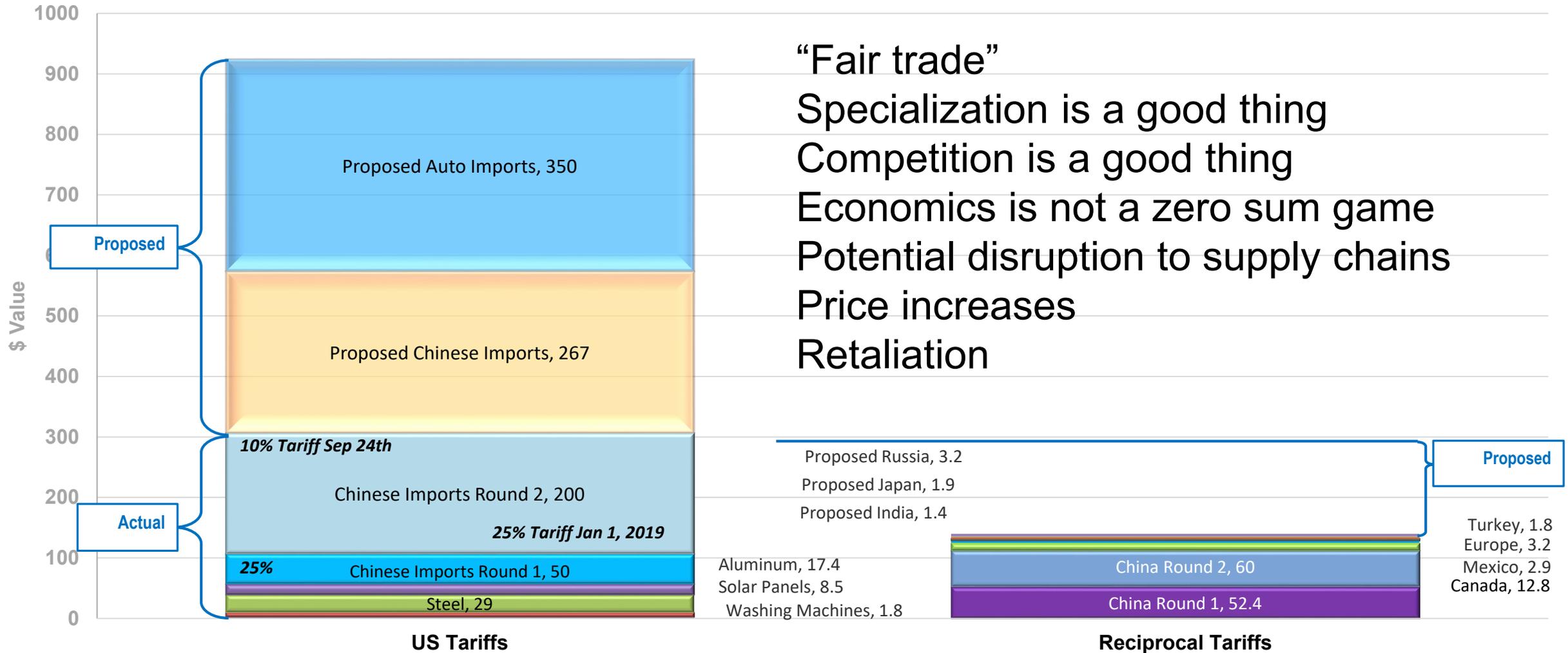
Tariffs & Trade

What is Driving the Protectionist Trade Policy?

US Trade Balance for Goods and Services



Tariffs: There Will Be Winners and Losers



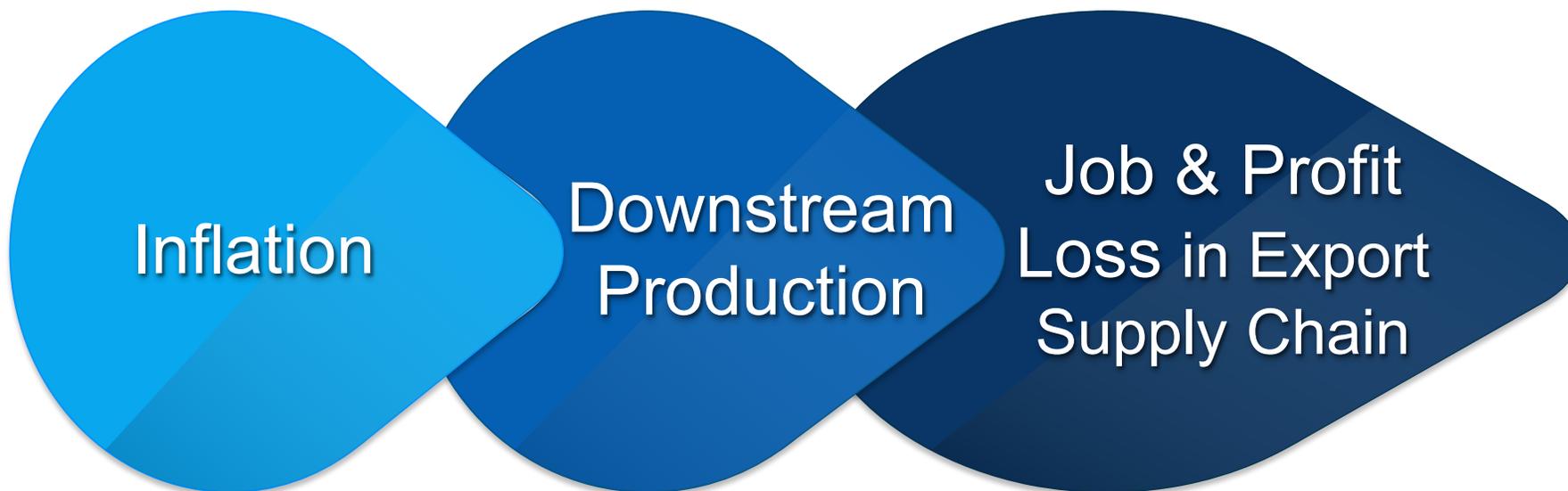
\$250 Billion of Goods Subject to Tariffs Aimed at China

The US is China's Biggest Customer

Exports from the US to China stand at **\$130.1bn**, or **0.7%** of US GDP.

Exports from China to the US are a **record high \$436.9bn**, or **3.8%** of China GDP.

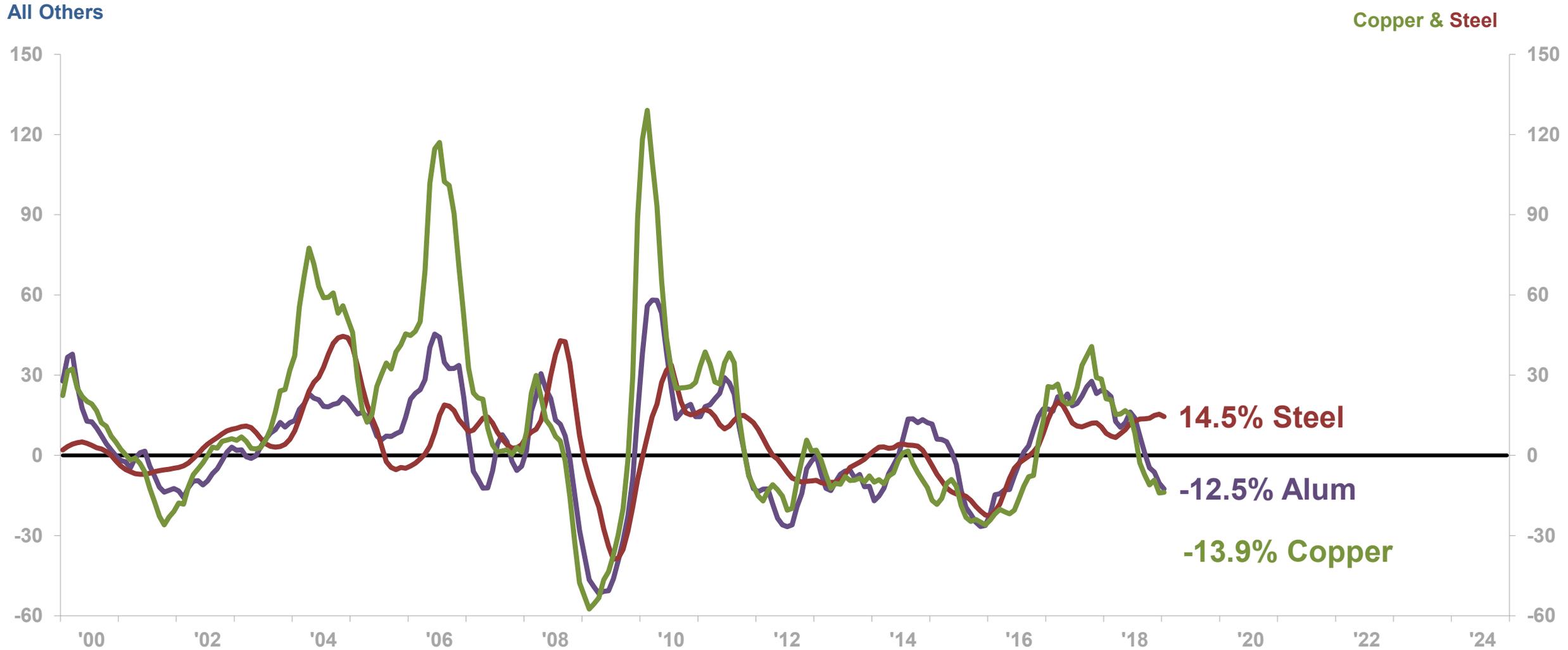
Slowing exports to the US will hurt their economy more than ours ***but it is not risk free.***



(to China)	
<u>Industry Exports</u>	<u>US \$ bn</u>
Aerospace	\$ 16.3
Soybeans	\$ 12.4
Motor Vehicles	\$ 10.0
Semiconductors	\$ 6.9
Oil & Gas	\$ 6.9
Waste & Scrap	\$ 5.6
Ctrl Instruments	\$ 5.6
Synthetic	
Rubbers	\$ 3.9
Pharmaceuticals	\$ 3.4
Ind'l Machines	\$ 3.3

Tariffed Versus Non-Tariffed Commodities

Commodity Prices



Brands That Have or Will Be Increasing Prices Due to Tariffs

CATERPILLAR

TOYOTA

WHIRLPOOL

COCA-COLA

WINNEBAGO

MILLER COORS

SAMUEL ADAMS

CAMPBELL SOUP

LG ELECTRONICS

GENERAL MOTORS

KLEENEX & HUGGIES

POLARIS INDUSTRIES

NEWELL BRANDS (*Crock-pot, Rubbermaid, Sharpie*)

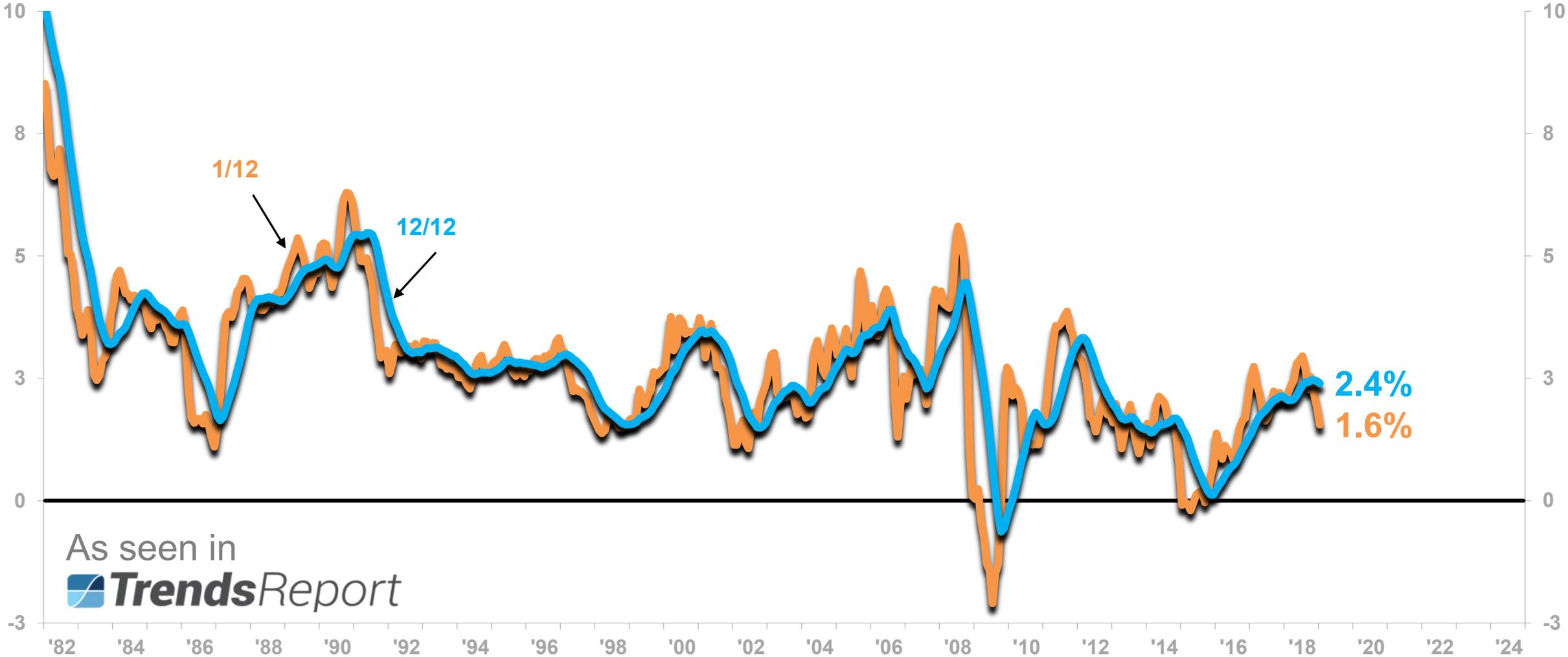
“I can't just go to the shareholders and say, 'You're just going to have to accept my profit's going to be \$40 million less. It doesn't work that way...’”

- Gavin Hattersley, CEO MillerCoors



Prices are in a Rising Trend but...

US Consumer Price Index

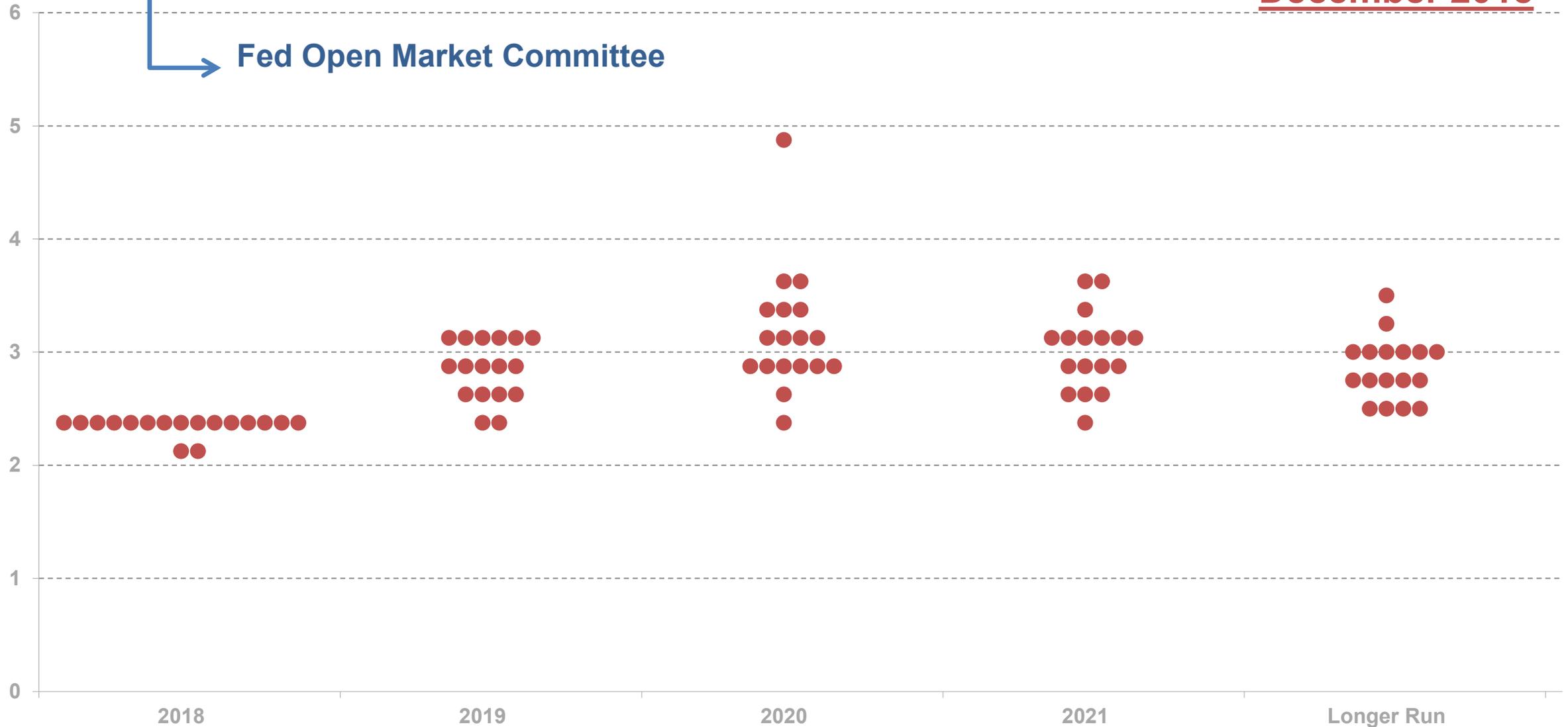


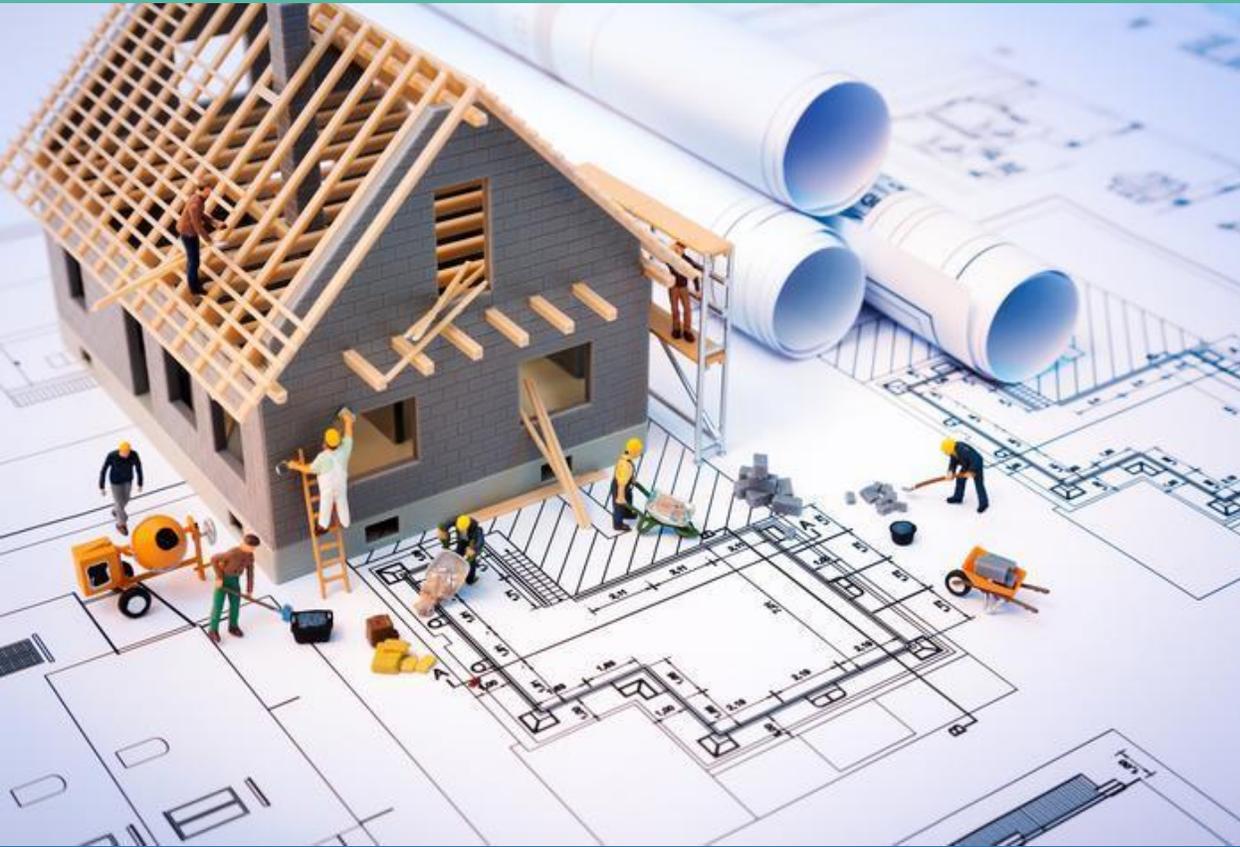
As seen in
TrendsReport

FOMC Member Interest Rate Projections

December 2018

Fed Open Market Committee

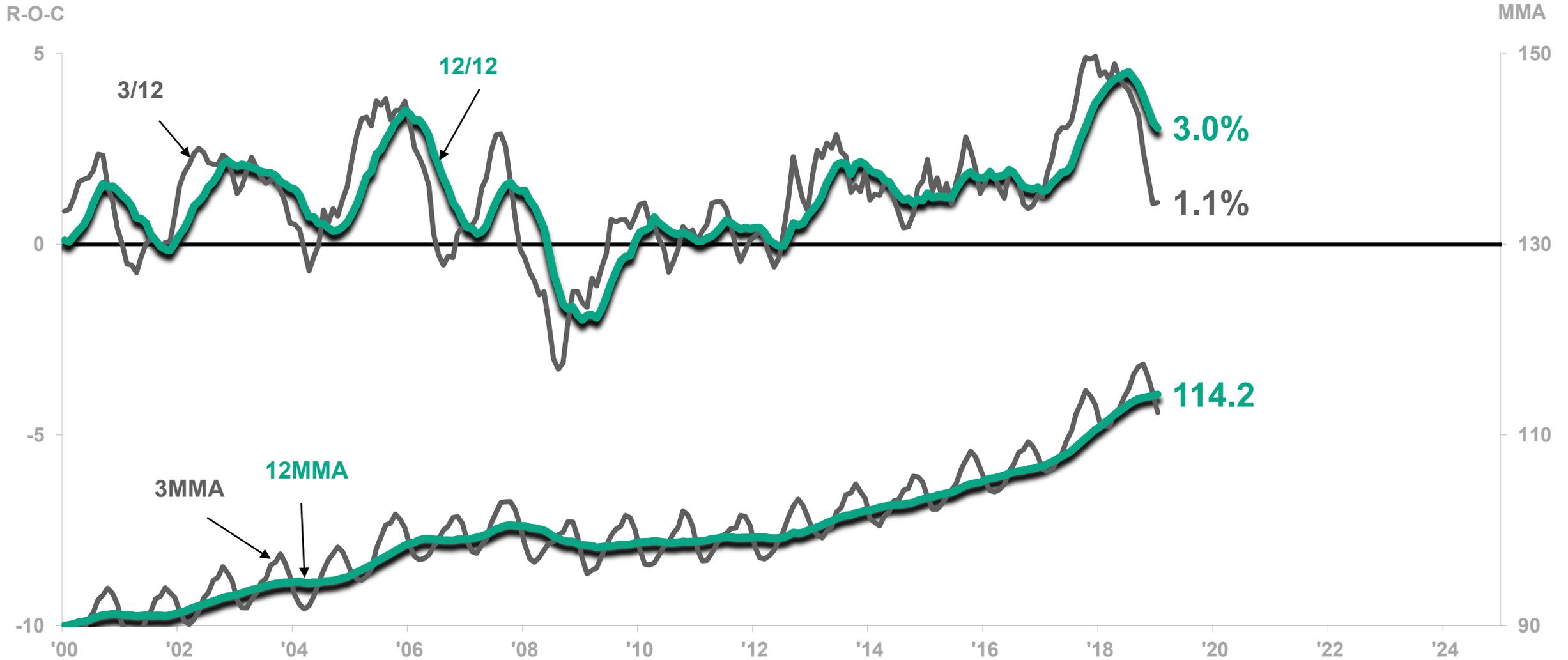




Industry Drivers

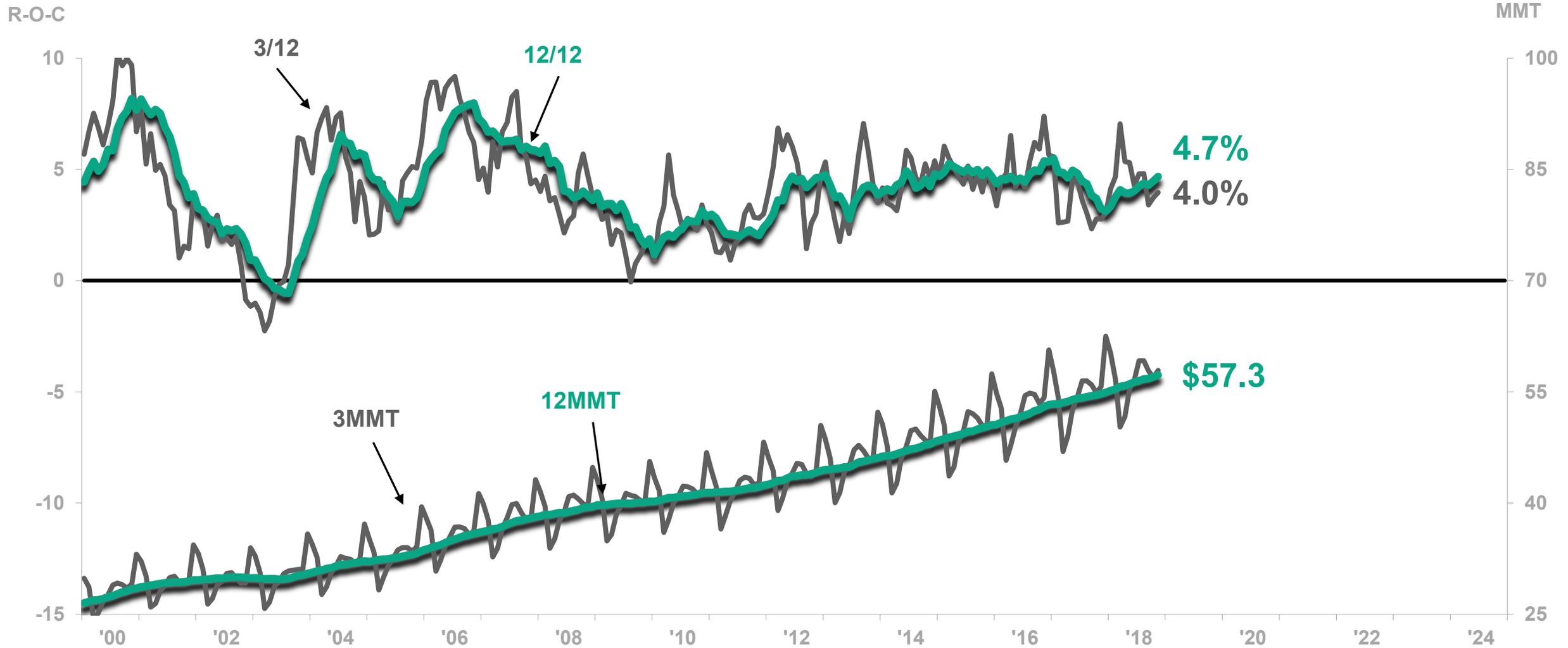
Food & Bev is Slowing Sharply...

US Food and Beverage Production Index



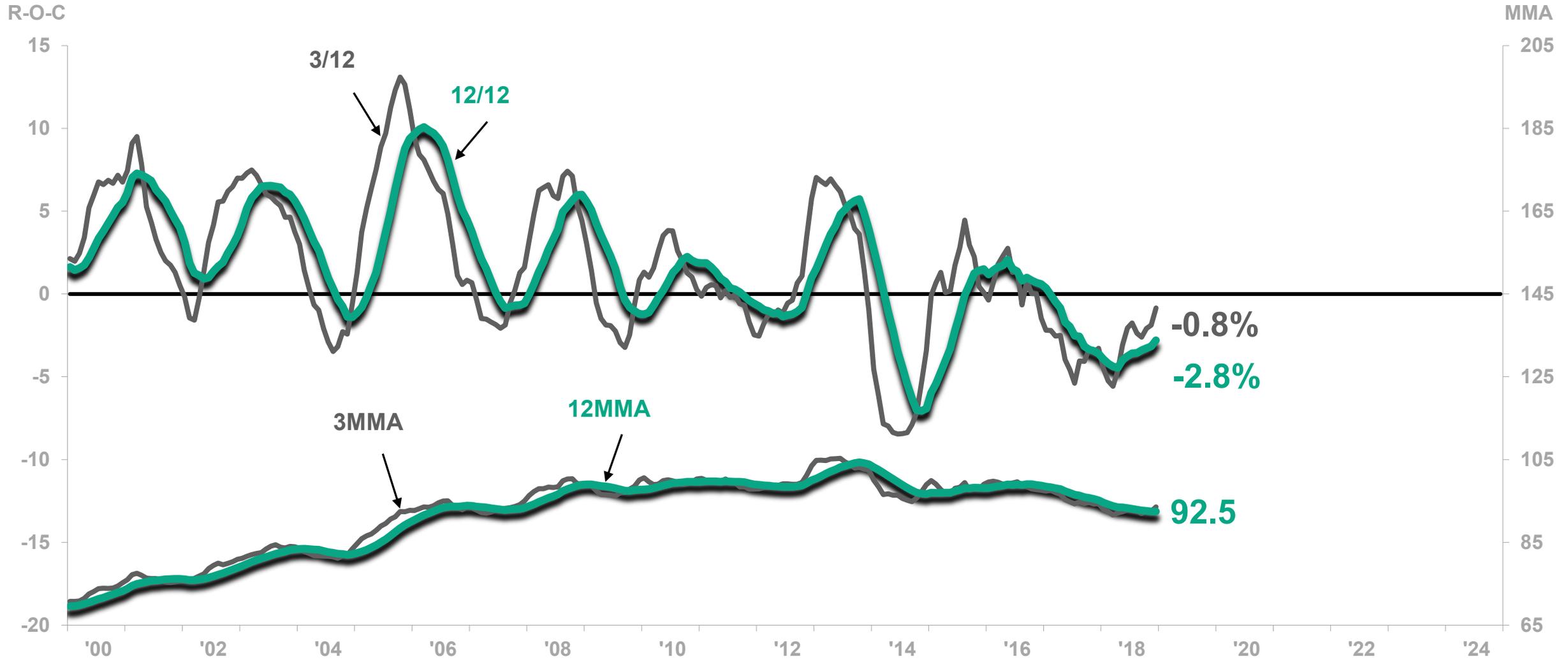
...but not Alcohol!

US Beer, Wine, and Alcoholic Beverage Stores Retail Sales



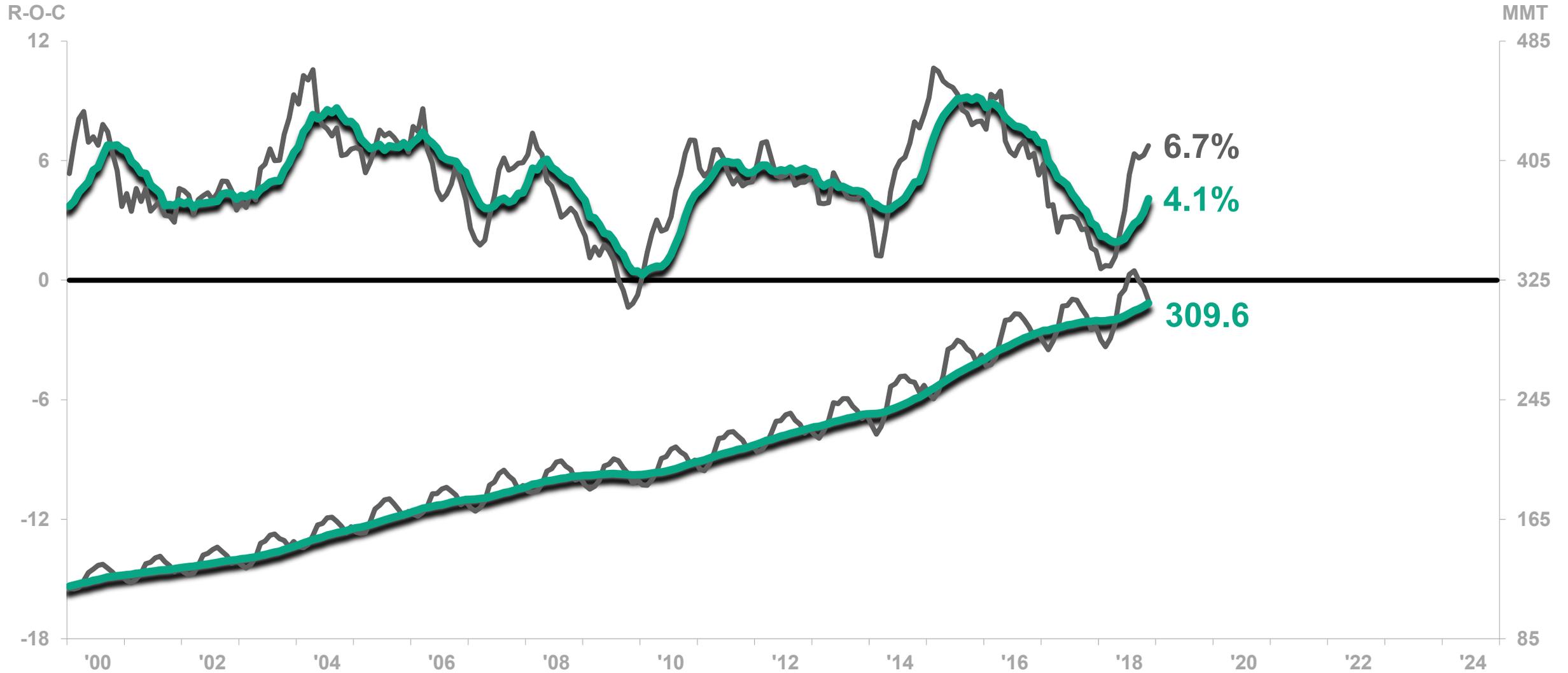
Medical Equipment Production is a Countercyclical Market

US Medical Equipment & Supplies Production Index



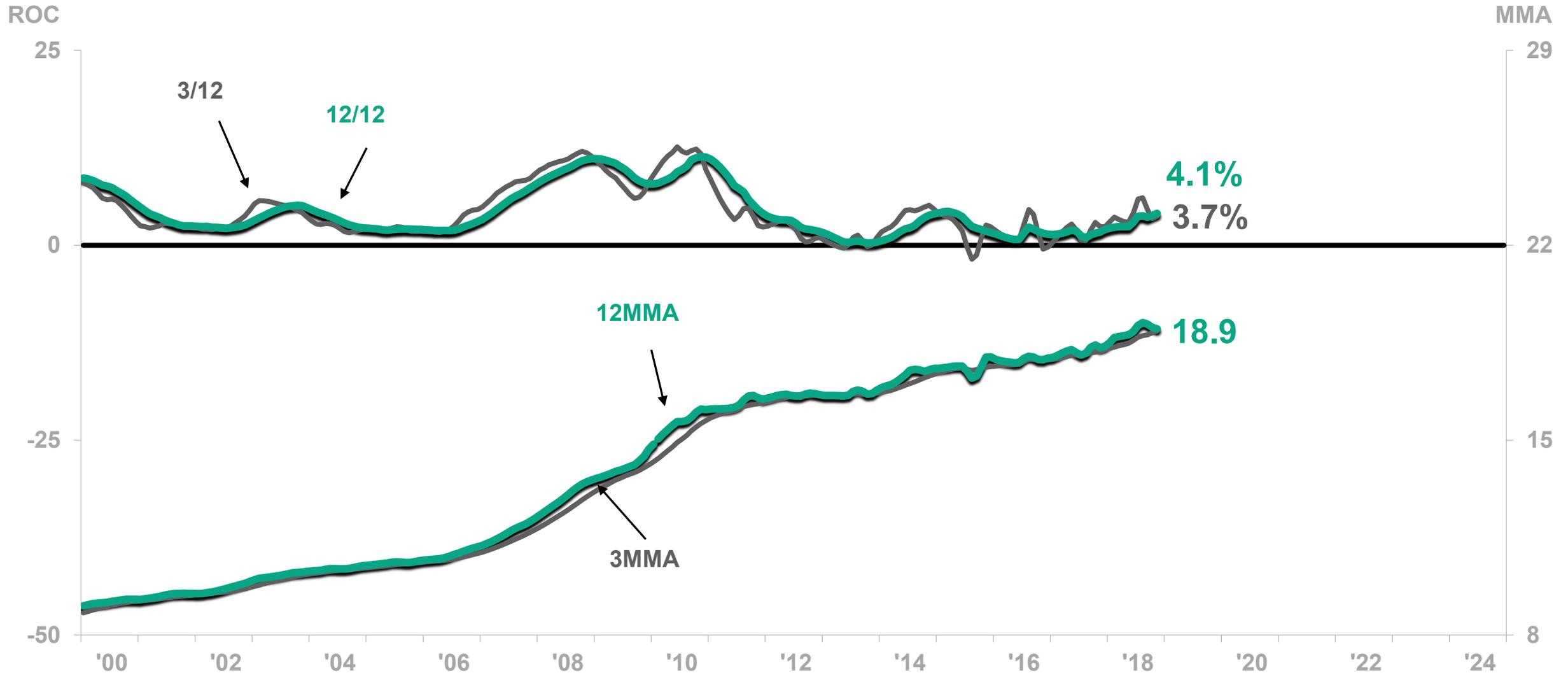
The Growth in Fast Food is Accelerating

US Limited Service Eating Places (fast food) Retail Sales



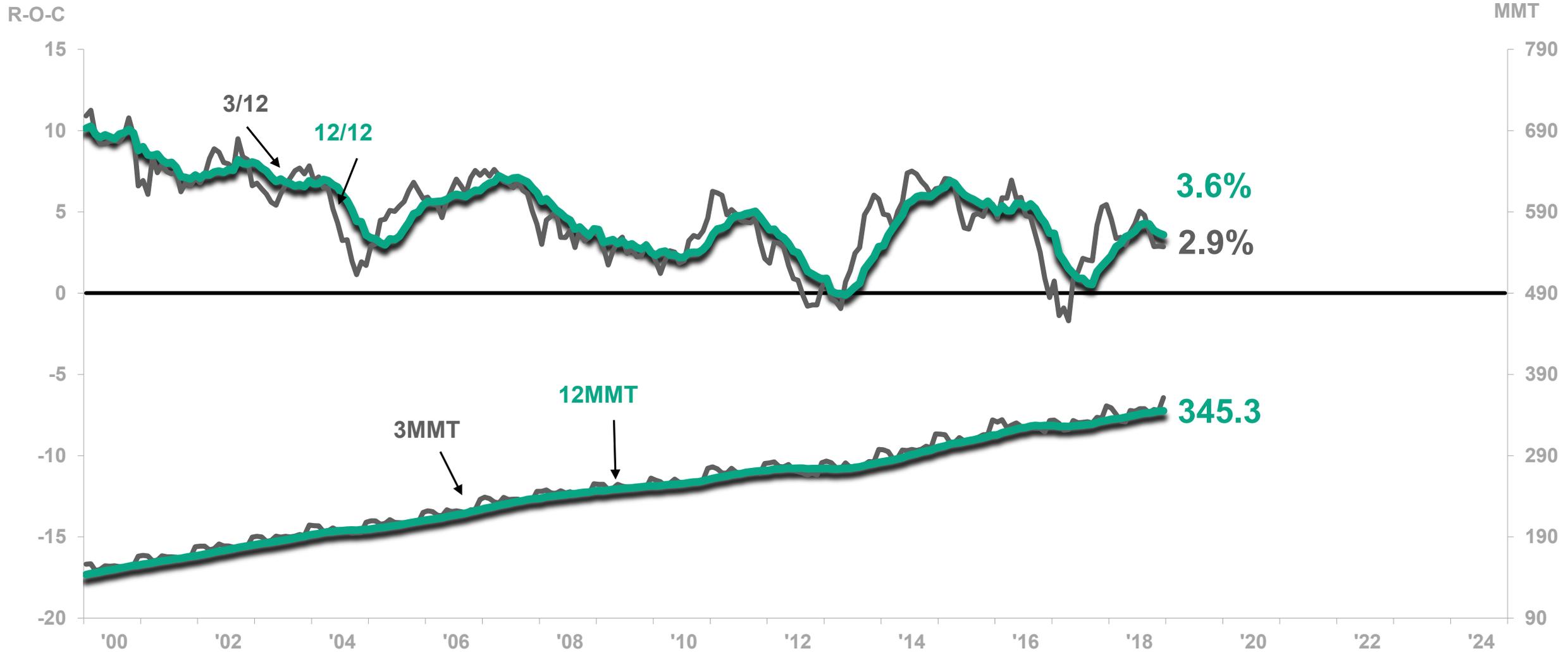
More Evidence of a “Healthy” Market

Personal Consumption Expenditures: Meals at Limited Service Eating Places



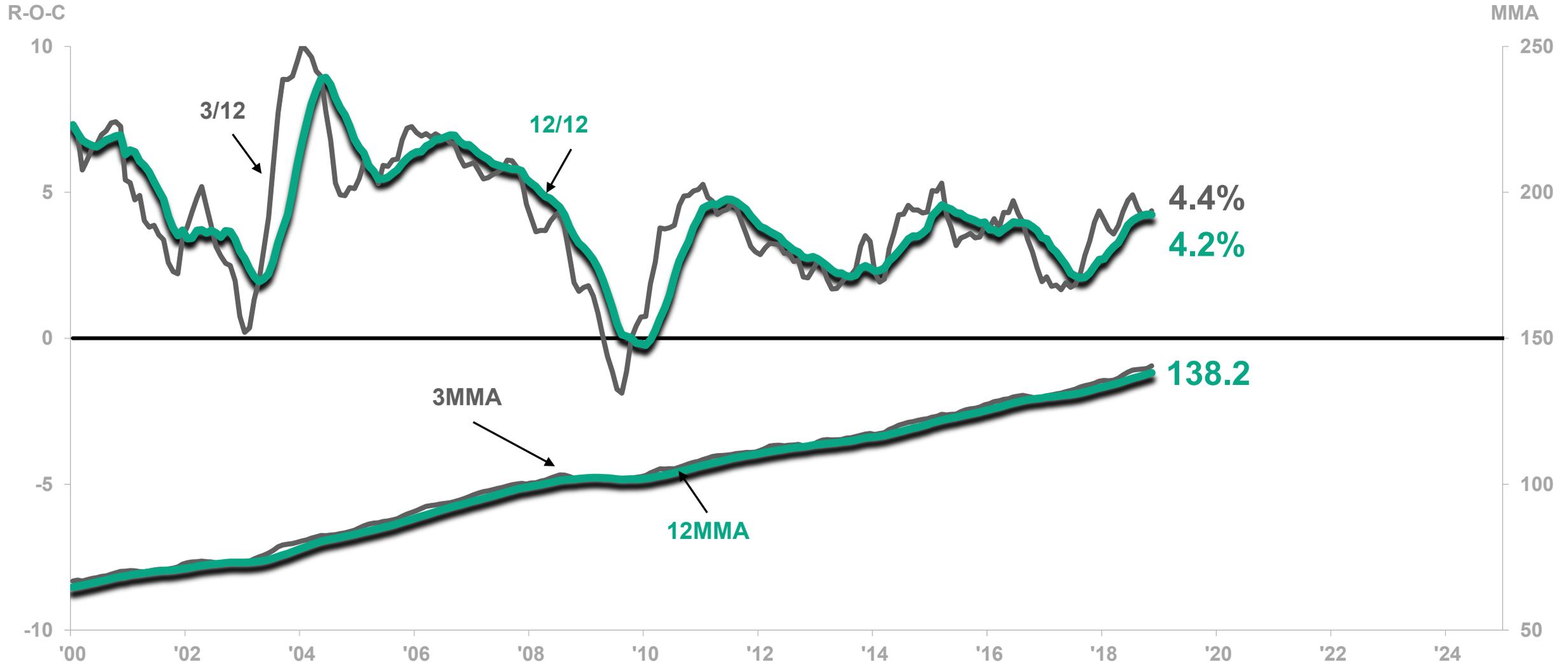
Personal Care Retail Sales have Transitioned to Slowing Growth

US Health & Personal Care Stores Retail Sales



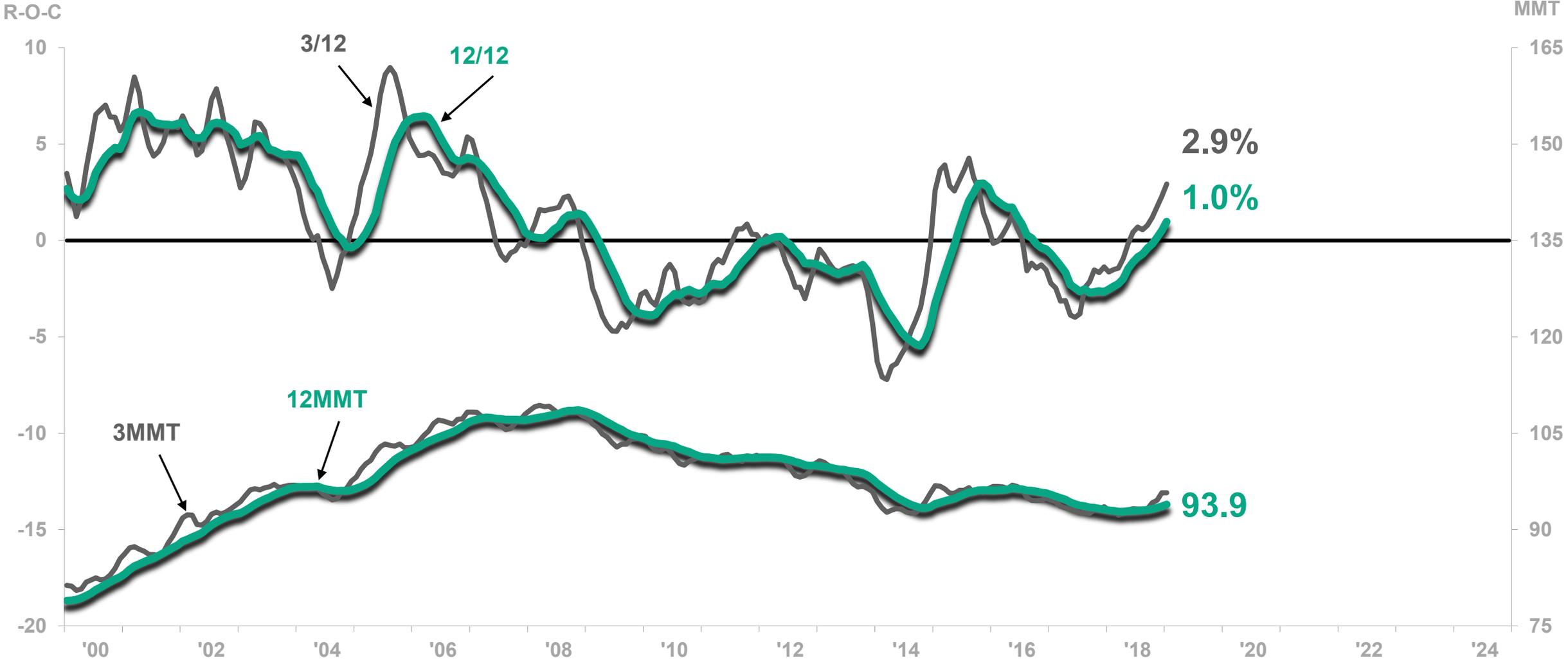
But Rise in Personal Consumption Expenditures Persists

US Personal Consumption Expenditures for Personal Care Products



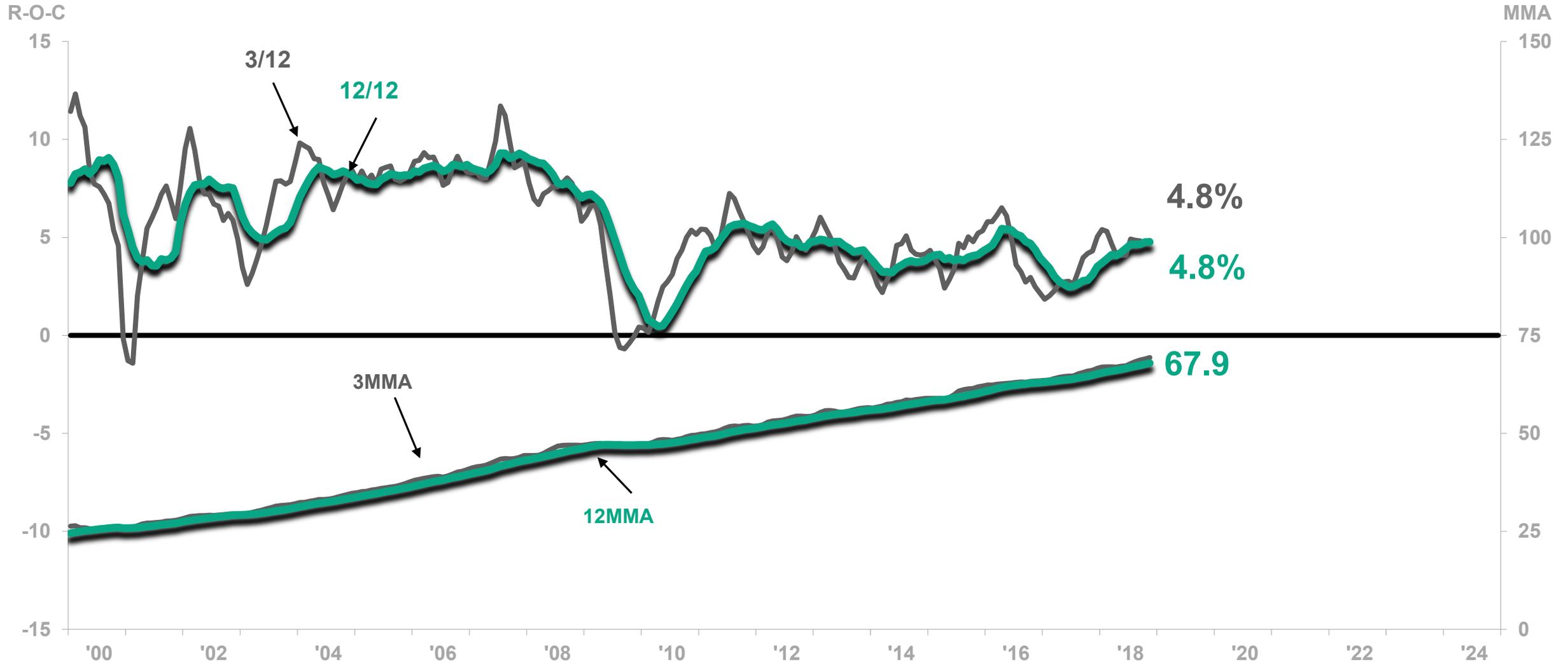
Acceleration in Pharma and Medical Device Growth

US Pharmaceuticals & Medical Devices Production Index



The Pet Sector Remains a Robust Growth Opportunity

US Pets and Related Products Expenditures

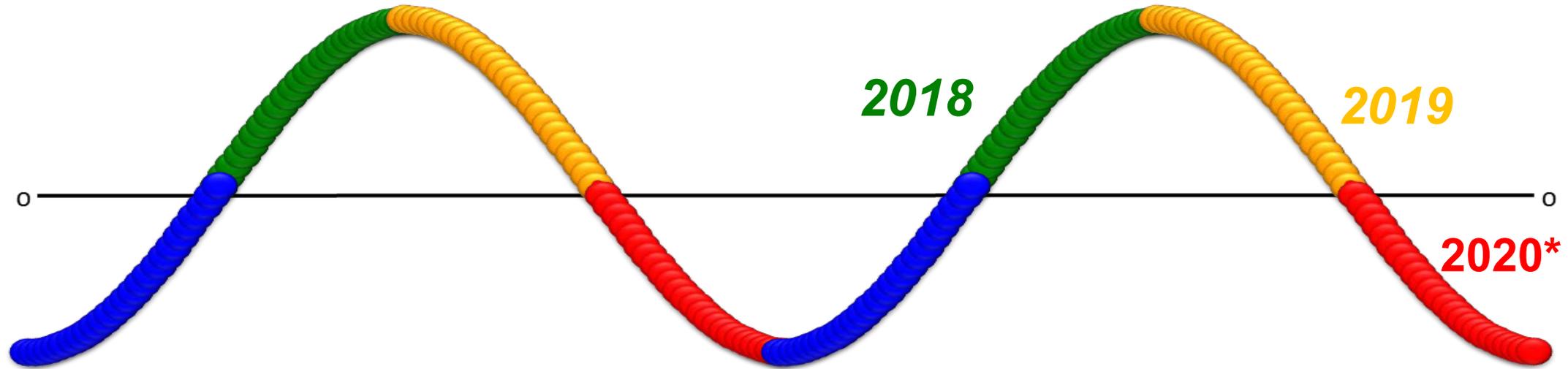


Billions of Dollars



Summary

Business Cycles



Phase A - Recovery

Annual Sales are **BELOW** Year-Ago Levels, but the Rate-of-Demand is **SLOWING**.

Phase B – Accelerating Growth (Best)

Annual Sales are **ABOVE** Year-Ago Levels, and are **GROWING** at a **RAPID** Pace.

Phase C – Slowing Growth (Caution)

Annual Sales are **ABOVE** Year-Ago Levels, BUT the Rate-of-Growth is **SLOWING**

Phase D - Recession

Annual Sales are **BELOW** Year-Ago Levels, and are **DECLINING** at a **RAPID** Pace.

Actionable Advice for Phase C

1. Focus on the segments of the business that are the most profitable in Phase C
2. Trumpet your Phase C competitive advantages and start developing your message for the next phase (B or D, depending on your industry)
3. Cash Management for proper allocation and Inventory Control if applicable
4. Ask yourself what you shouldn't be doing? (resource management and diversion to more profitable parts of the company)
5. Develop your rates-of-change so you will know when the trough is near
(Using the ITR Checking Points™)

Follow us



@ITROutlook
@achausovsky



90 Day Trial Offer

Receive monthly updates on the economy

Text **TR TRIAL** to **444999**
for a 90 day trial of our
Trends Report



ITR Economics Sales Team