

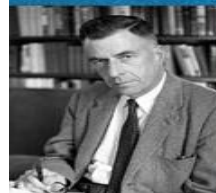


ARMADA

# **Global Economic Review – 2024 American Subcontractors New Orleans**

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

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- **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

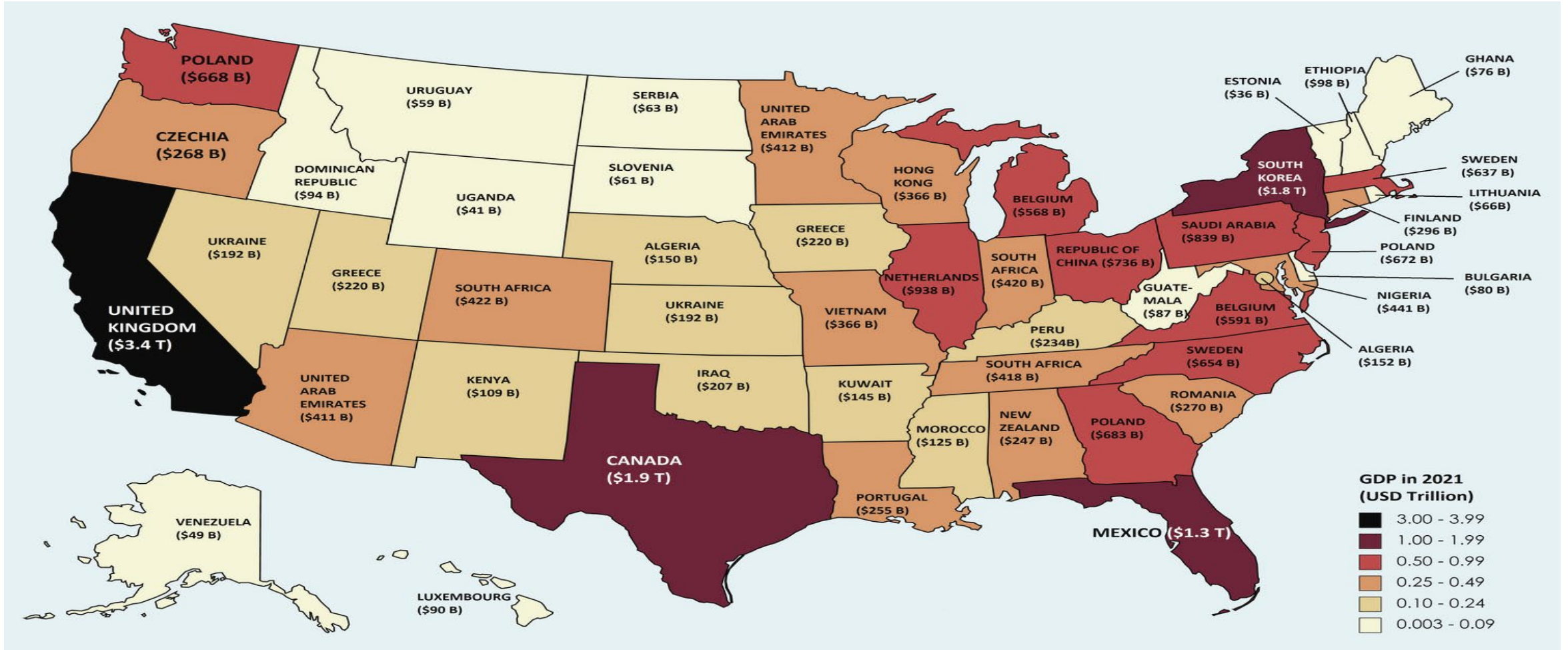
# Global Hot Spots – Potential “Black Swans”

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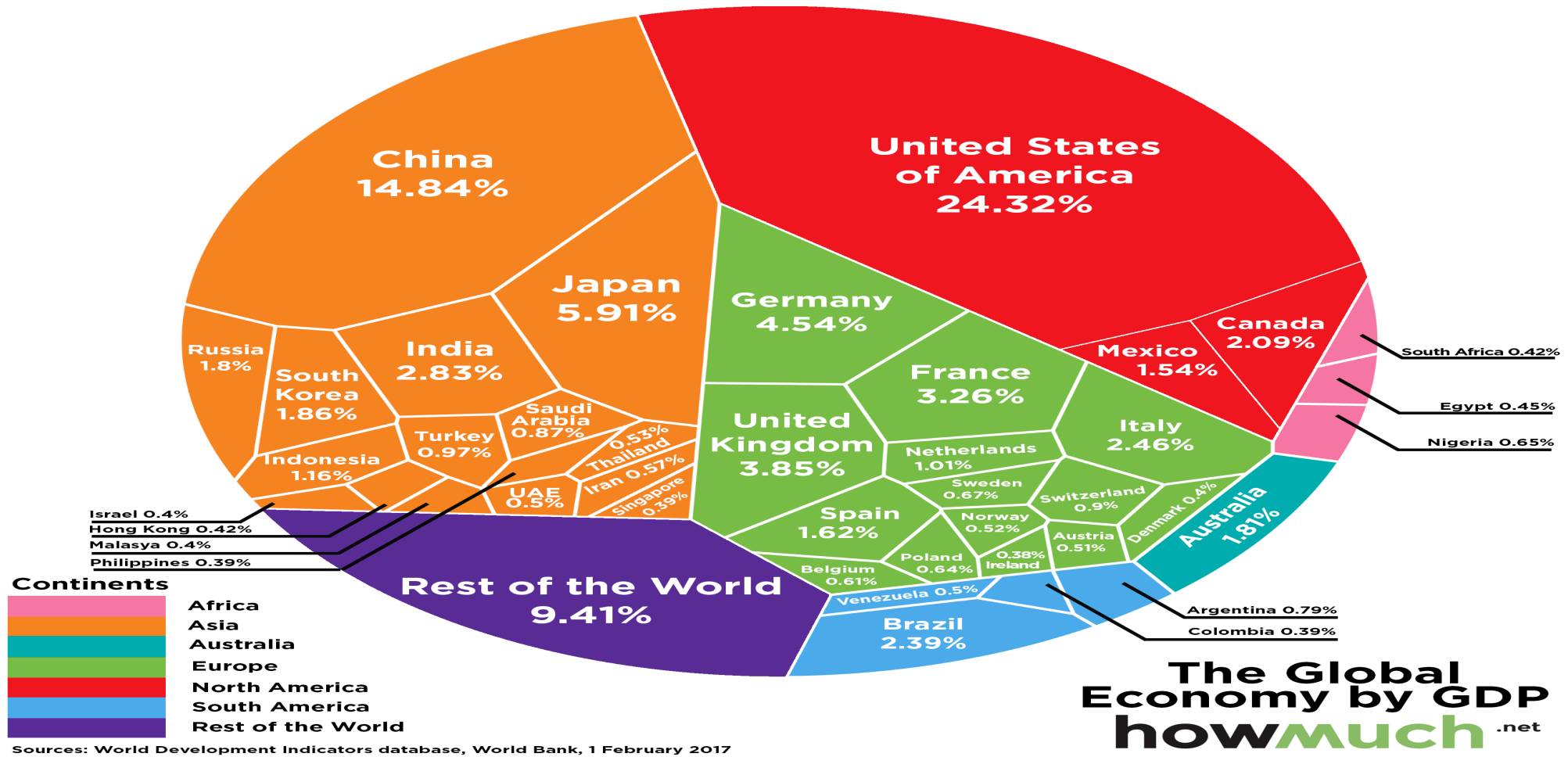
- **Russia/Ukraine – War of attrition and US/Europe losing interest in supporting Ukraine**
  - Most likely outcome is a divided Ukraine and ongoing low-level warfare
- **China and Taiwan – Threat of actual invasion has diminished**
  - Shift towards economic pressure – blockade
  - Diplomatic isolation – 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**



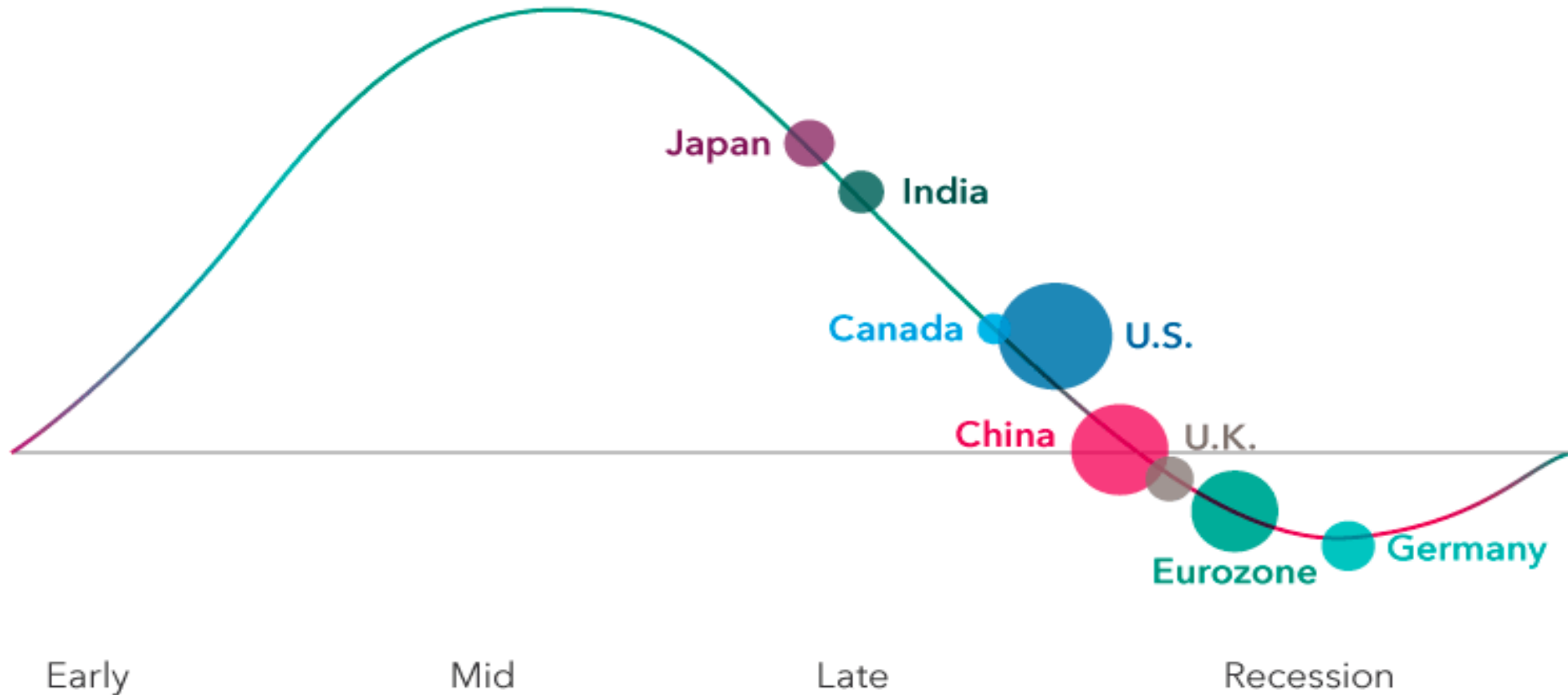
# States Compared to National GDP



# Big Dog and Getting Bigger



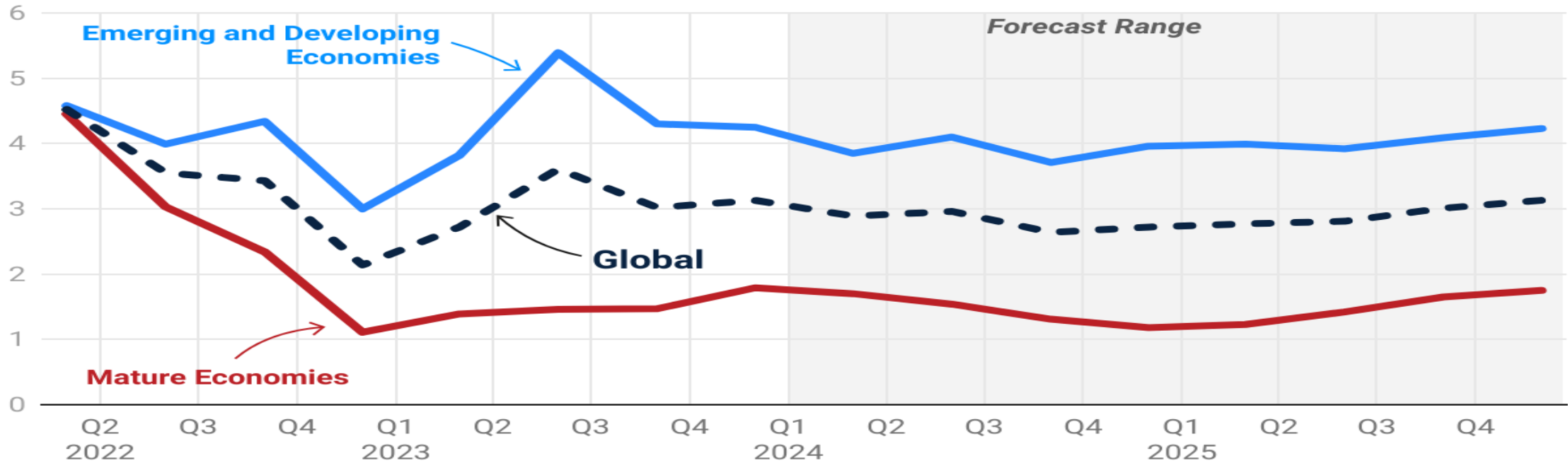
# Growth Expectations in 2024



# Conference Board Predictions

## Global Real GDP Growth

(yr/yr % change) updated 6 February 2024



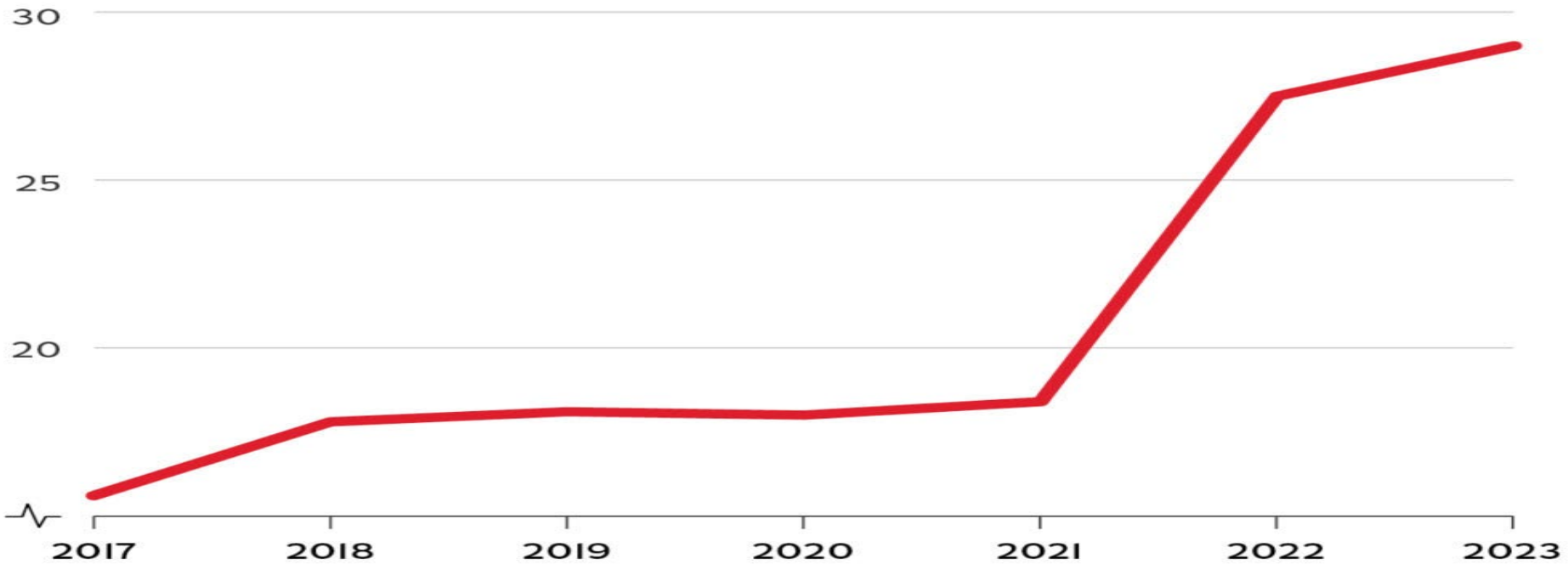
Note: Regions are aggregated based on nominal GDP in international dollars (PPP converted). Data from 2023Q4 are forecasts from The Conference Board

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.

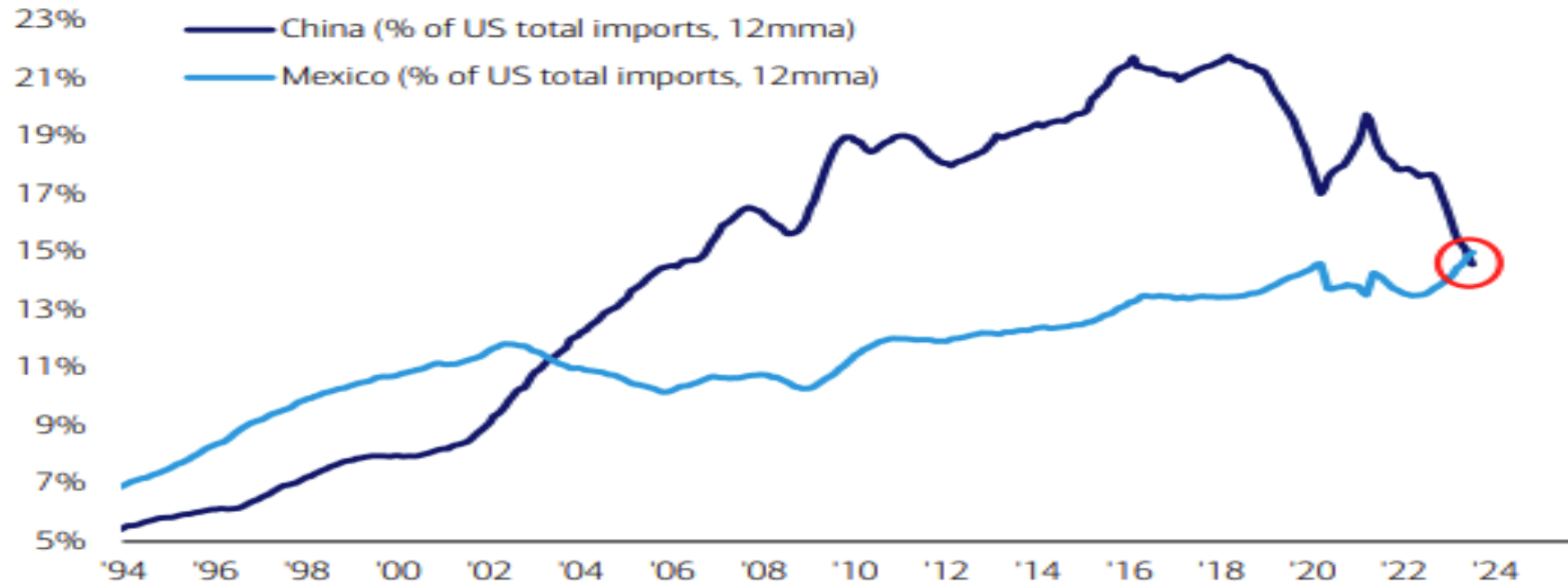
SOURCE: SECRETARÍA DE ECONOMÍA DE MÉXICO (AUGUST 2023)



# 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)



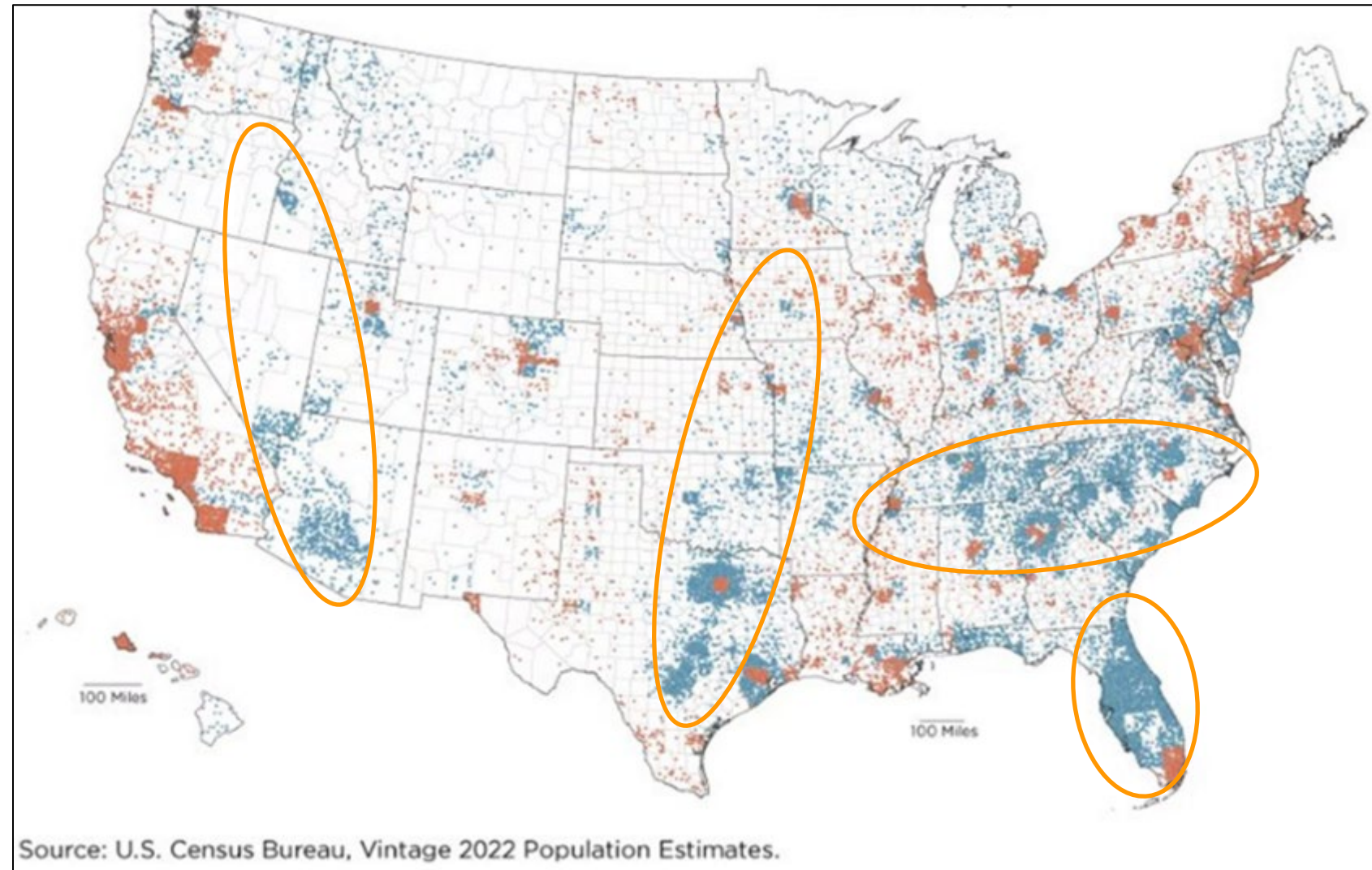
Source: BofA Global Investment Strategy, Bloomberg

# 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

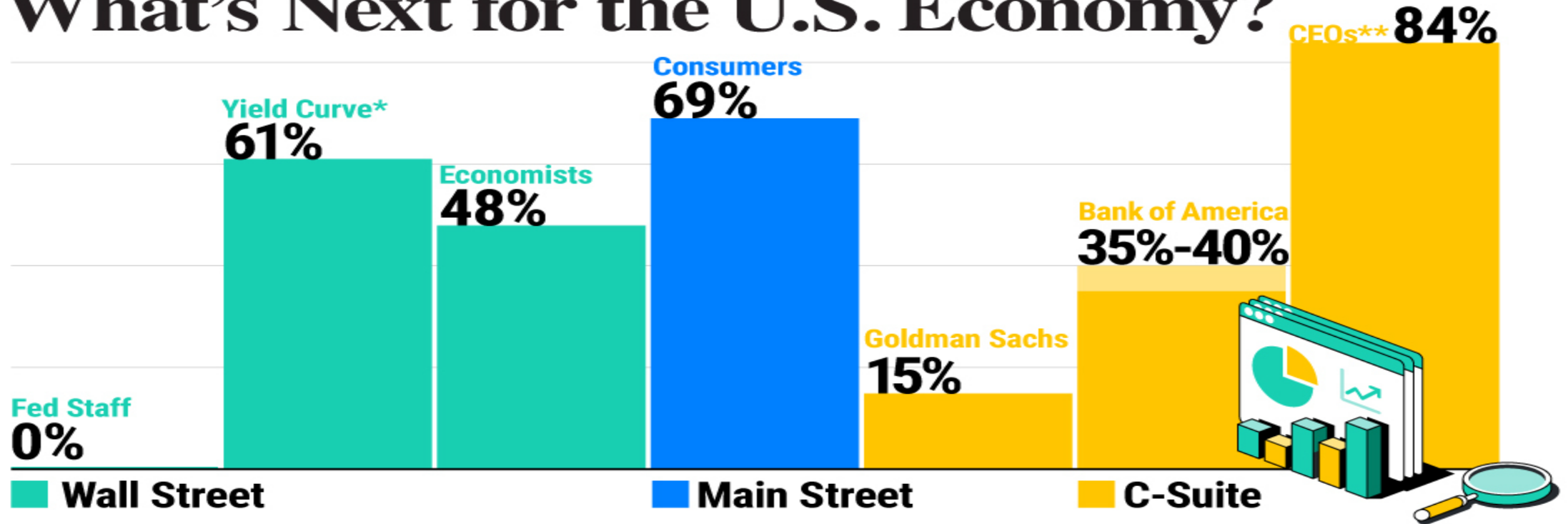




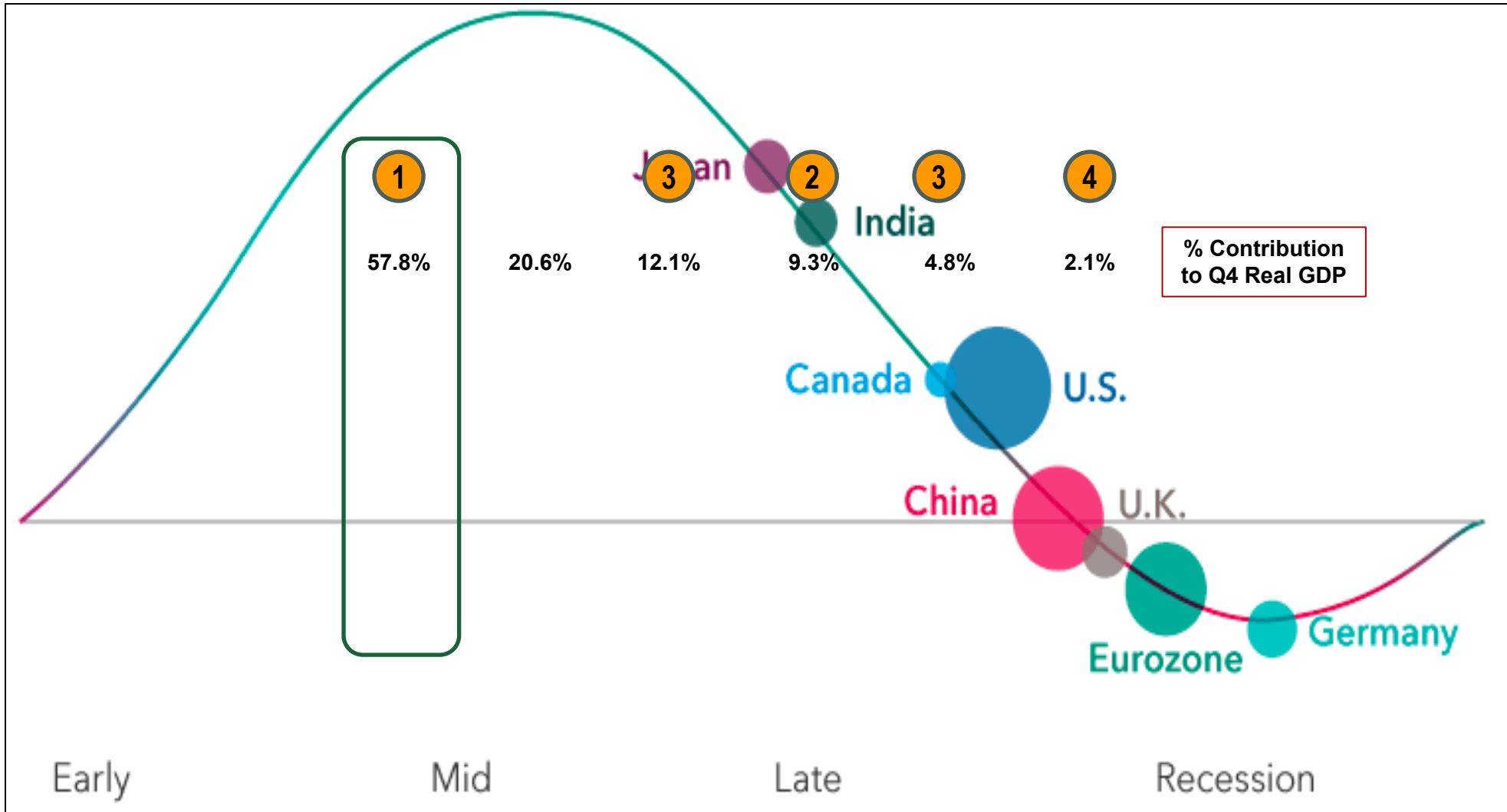
# Not Much Consensus on US

2024 PROJECTIONS

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



# Contributions to Q4 Real GDP



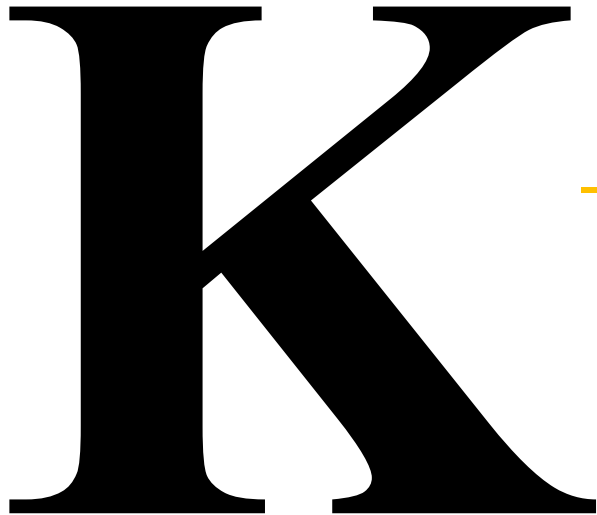
Simply: Major Economic Drivers Throughout 2023:

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

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



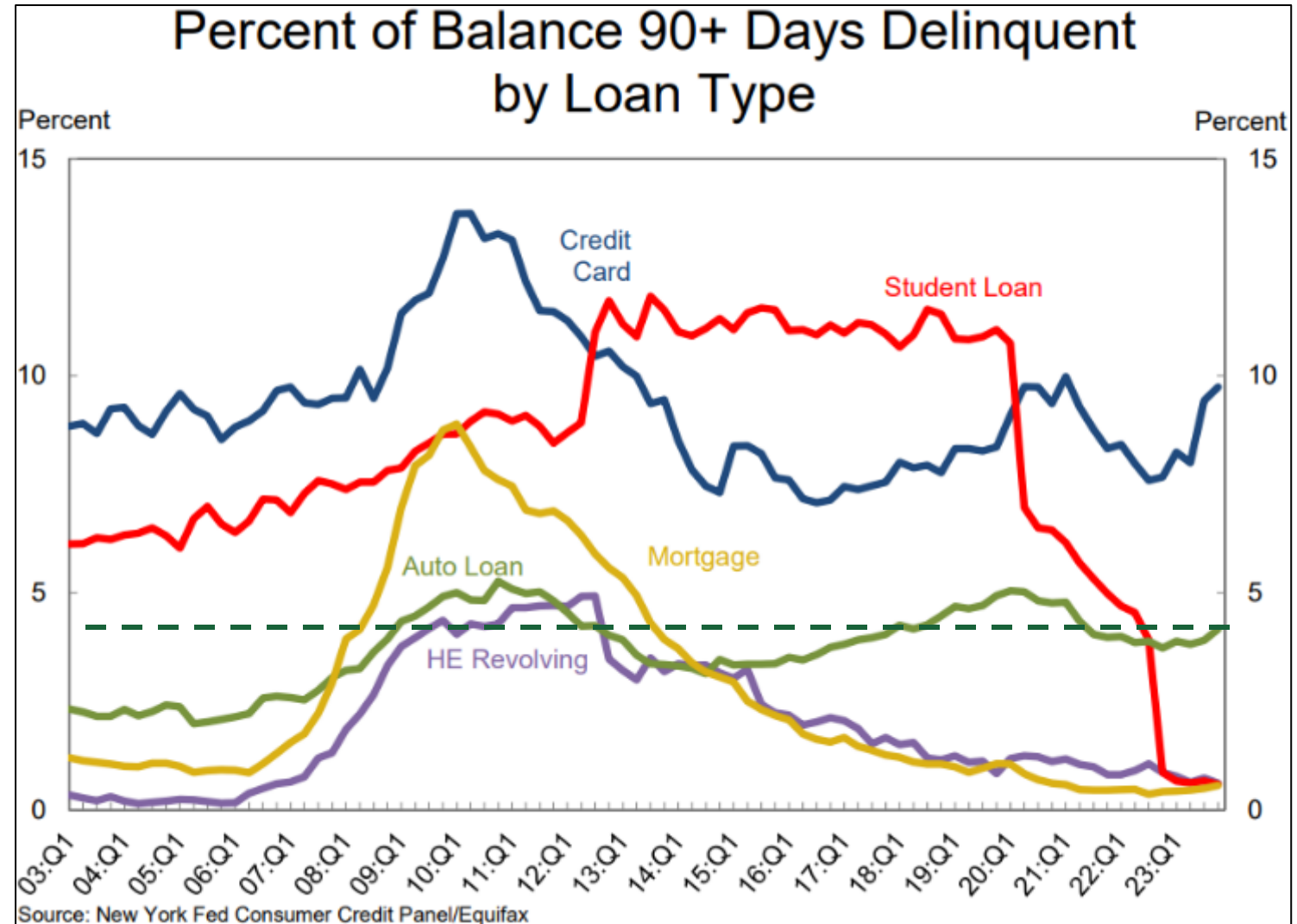
# Here is the Problem: The K Shaped Recovery



- 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

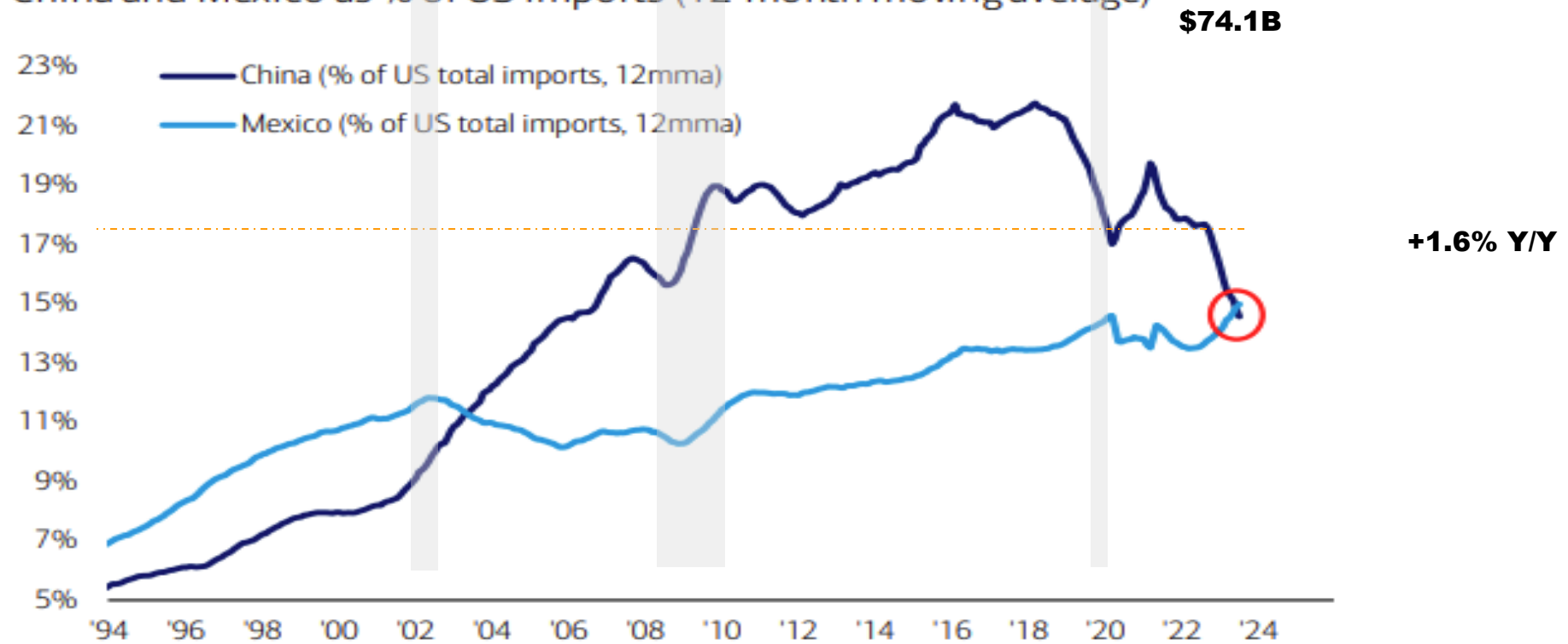


# Growth: Corporate Investment Remains Steady

- 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**

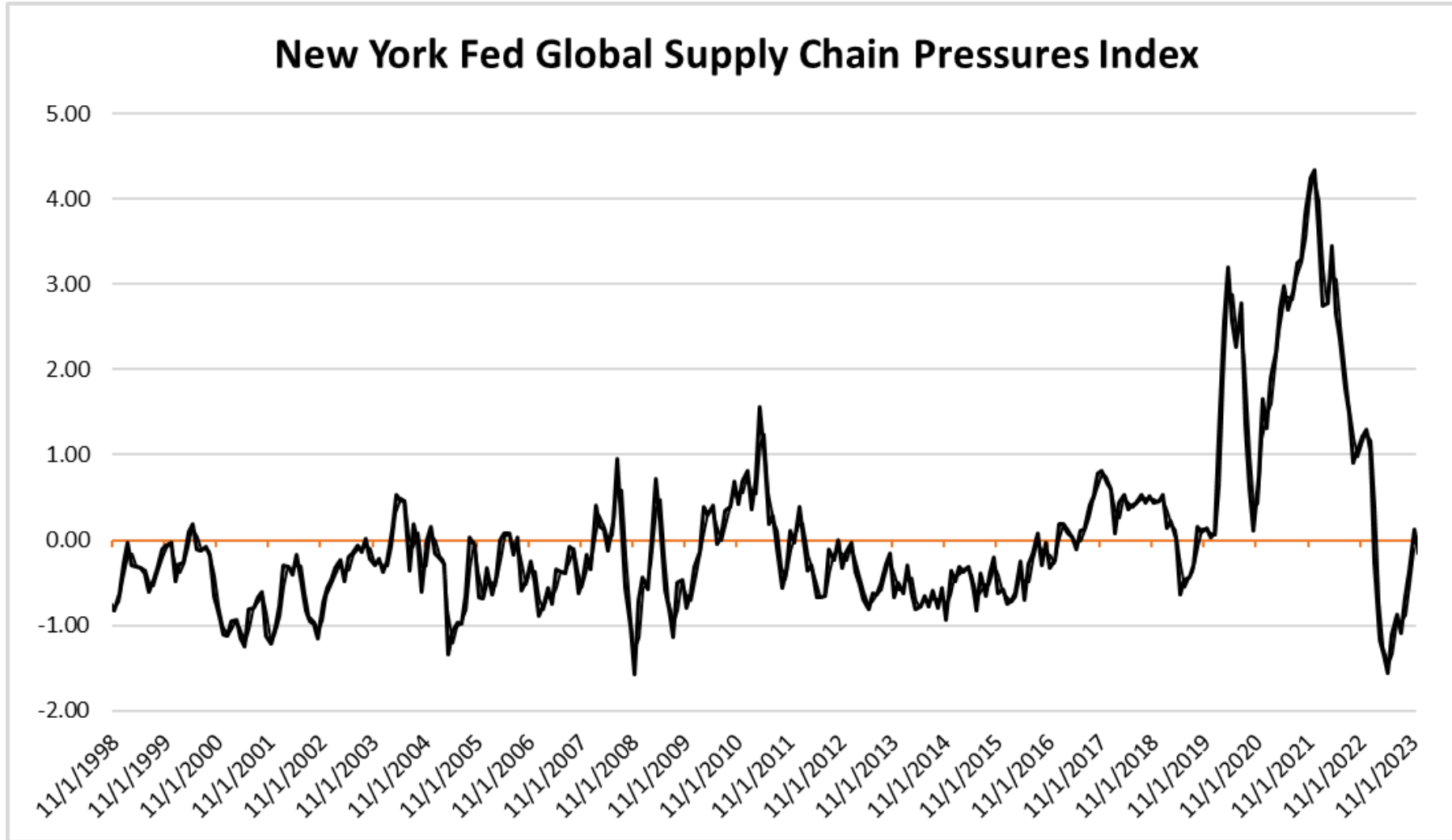
China and Mexico as % of US imports (12-month moving average)



Source: BofA Global Investment Strategy, Bloomberg

Source: Federal Reserve

# Global Supply Chain Pressures Index Snaps in Dec/Jan



# Headwind BLUF: Global Manufacturing Highlights



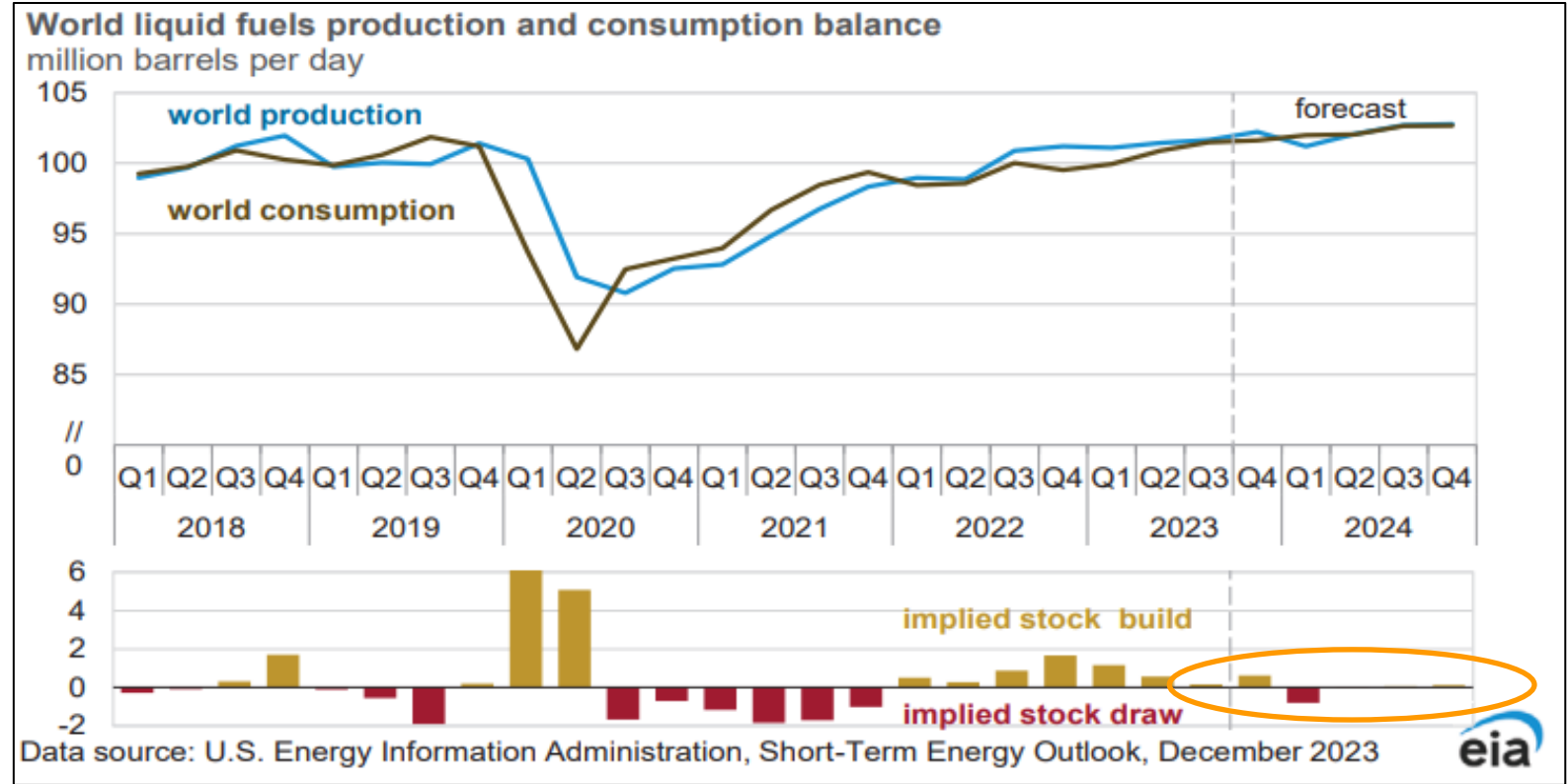
- 12 countries had manufacturing sectors in contraction in Feb
- Europe still in recession.
- Asia is reeling from lack of demand in NA and Europe
- India is booming – because of shifting sourcing patterns
- Canada in contraction, US and Mexico expanding for now
- Raw material demand and the impact of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

Country	Current Month	Manufacturing			M/M Change	Services		
		Latest Month PMI	Prior Month PMI	M/M Change		Current Month	Latest Month PMI	Prior Month PMI
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

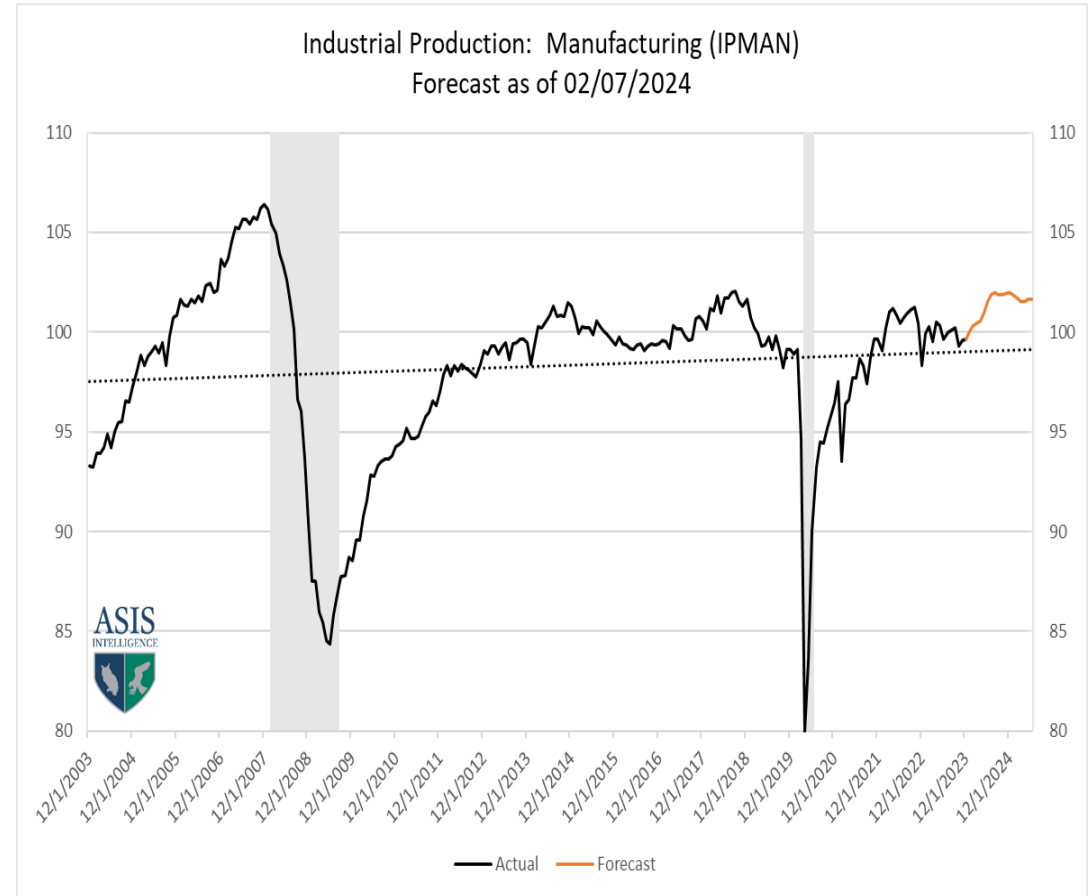
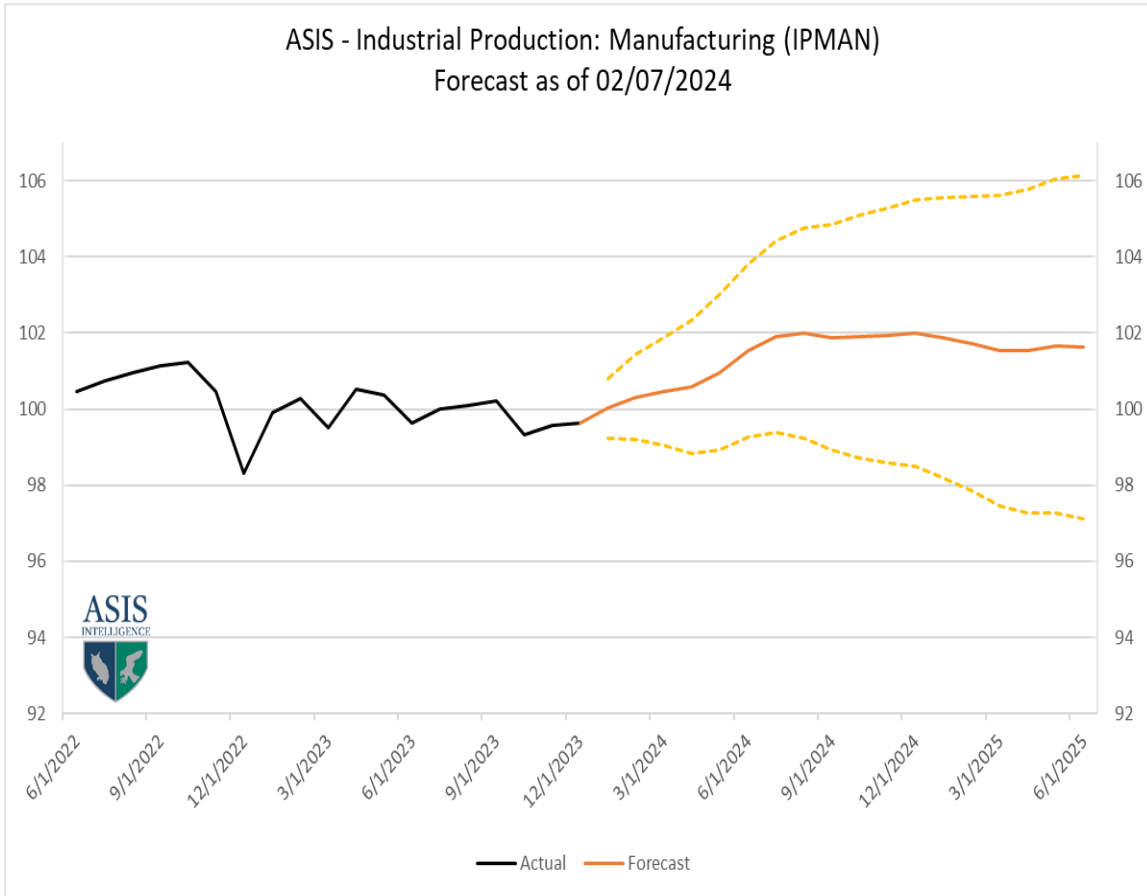
Diesel forecast:	
• 2021	\$3.29
• 2022	\$5.02
• 2023	\$4.22
• 2024	\$3.95

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

Source: EIA; Baker Hughes; Conoco-Philips

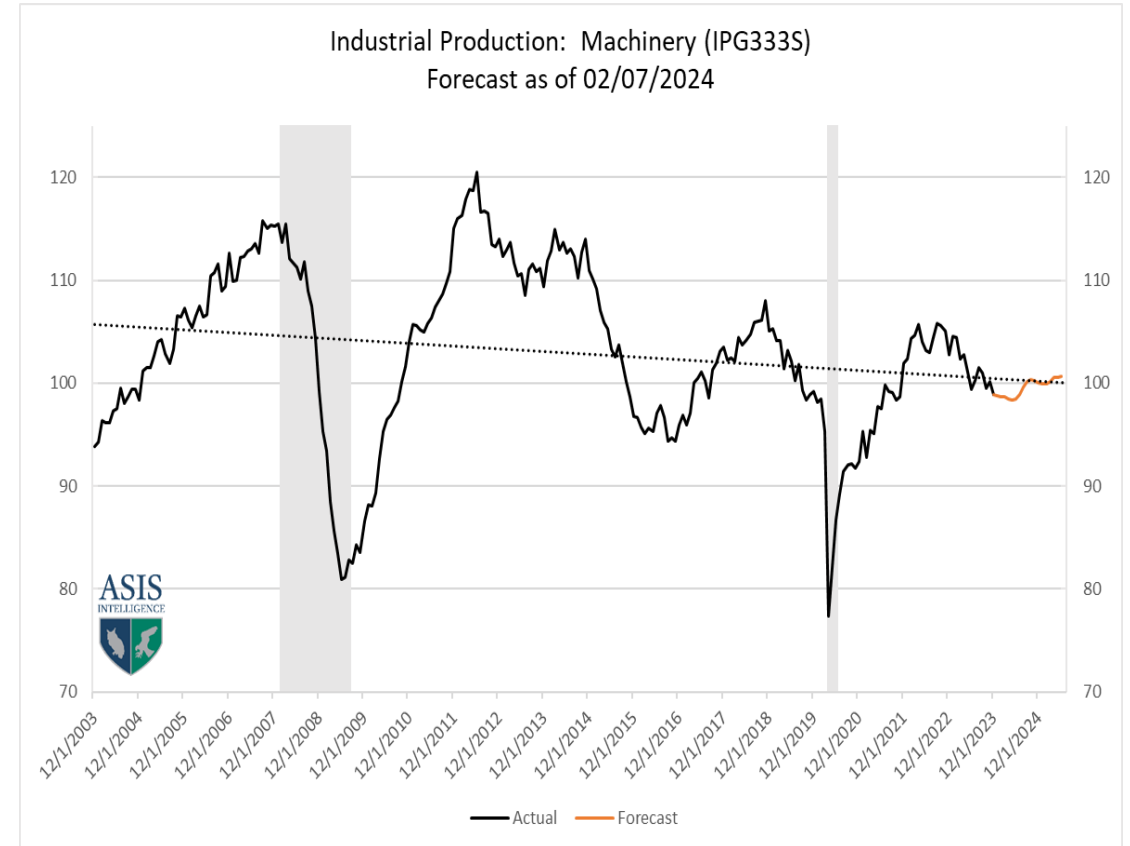
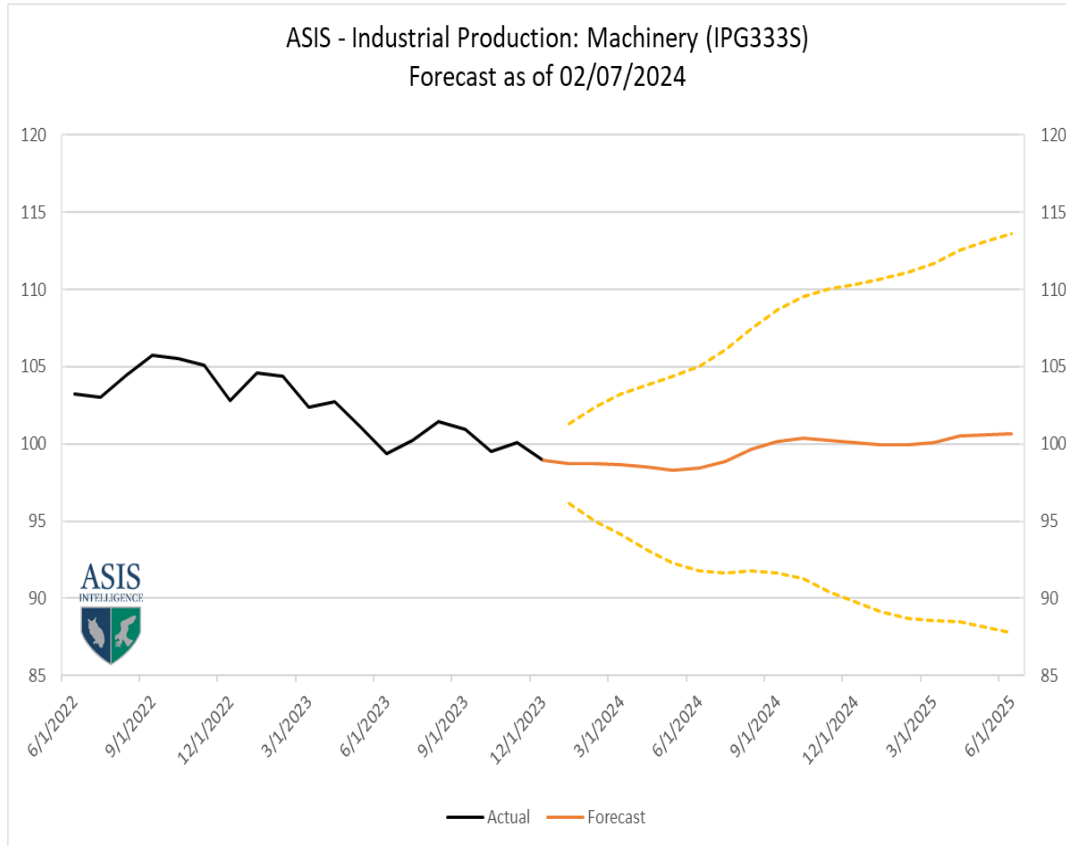


# Industrial Production Forecast from The Watch



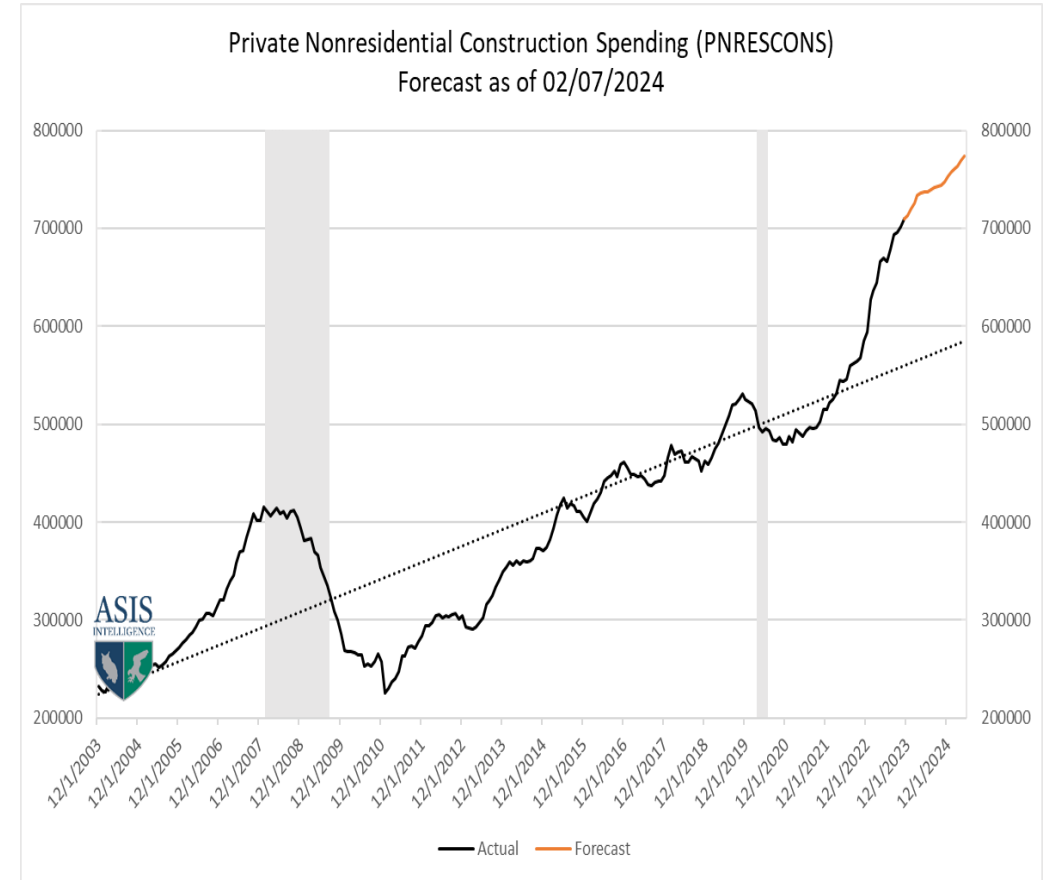
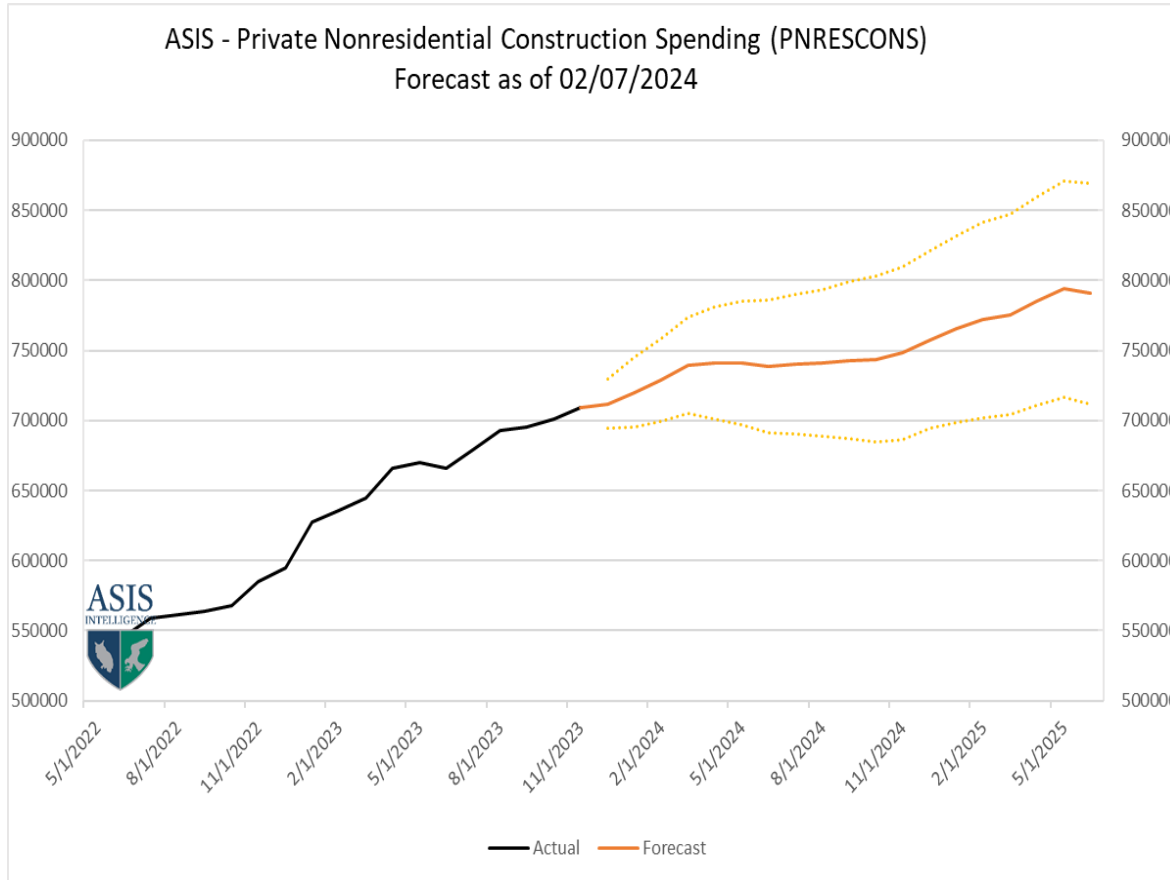
Accuracy Rates

# Machinery Forecast from the Watch



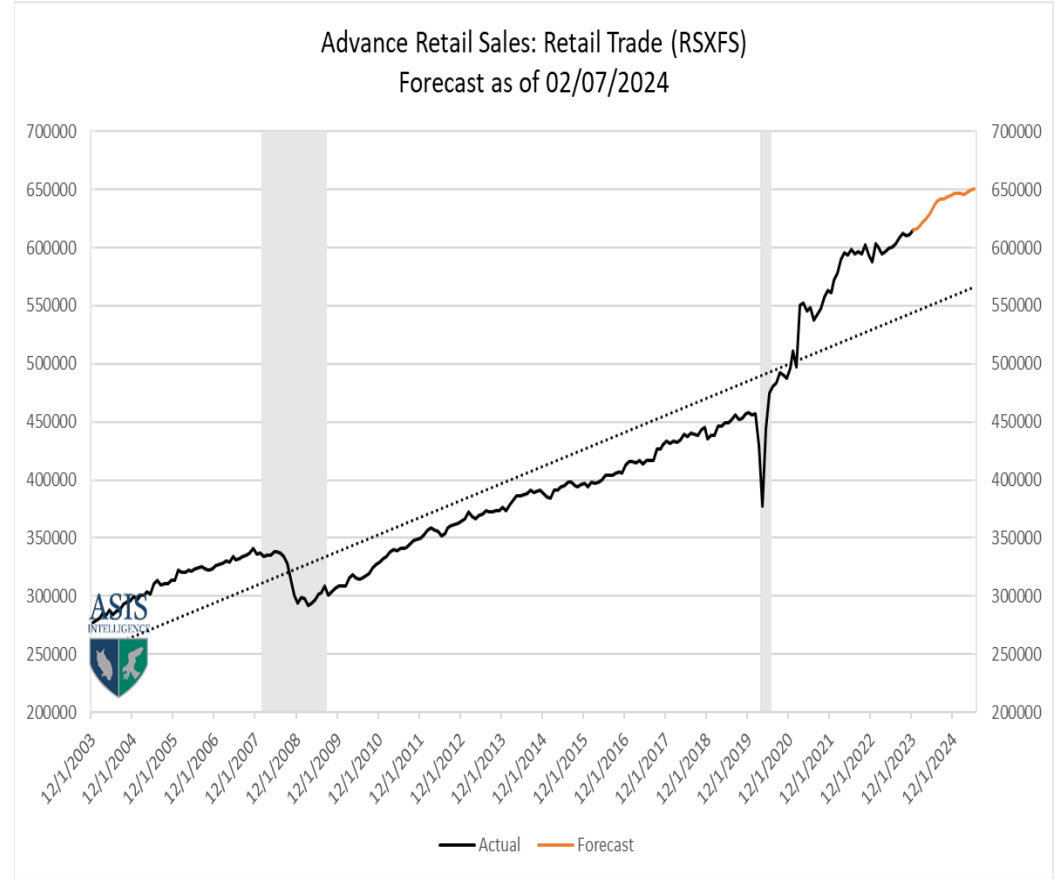
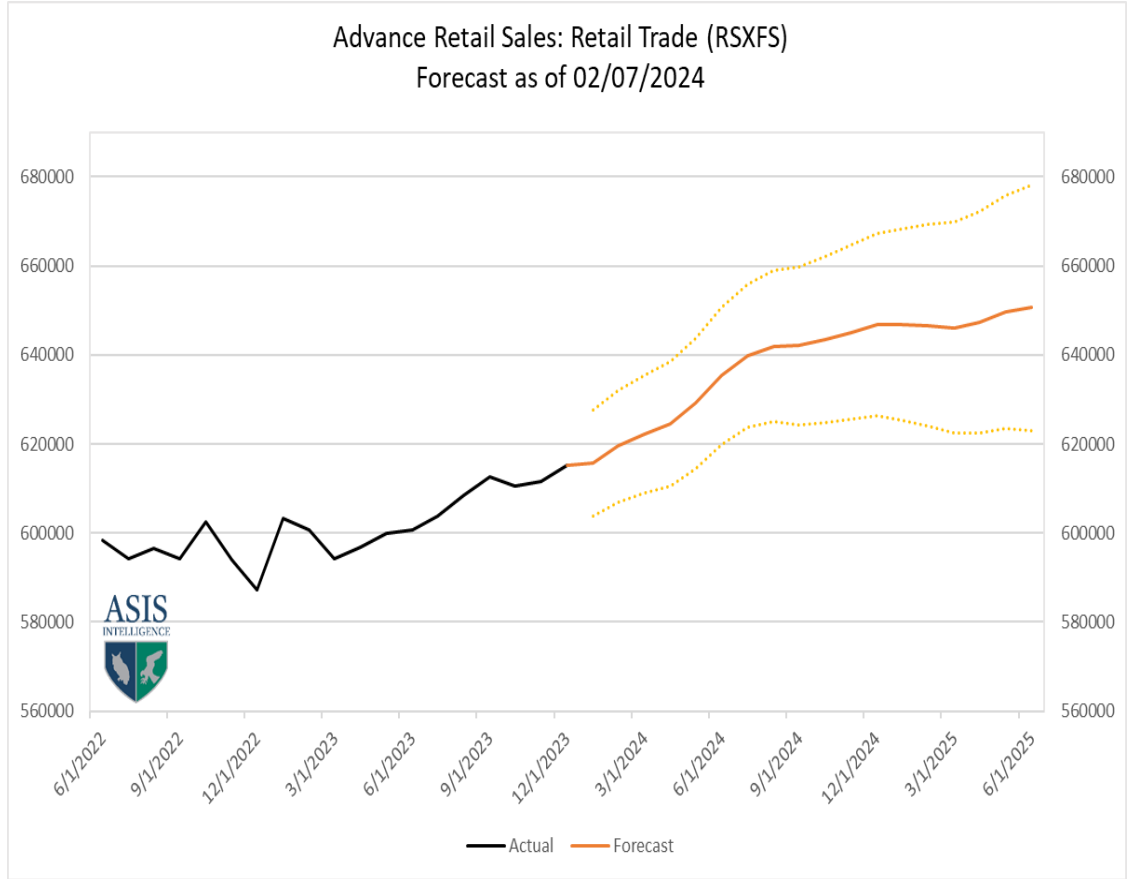
# Growth Forecast: Nonresidential Construction Forecast from The Watch

	1-yr	3-month	6-month
Industrial Production: Nonresidential Construction	95.11%	98.38%	98.38%
Aerospace and Miscellaneous Transportation Equipment	99.25%	97.33%	97.97%
Computer and Electronic Product	99.36%	96.79%	97.00%
Electrical Equipment, Appliance, and Component	98.38%	95.48%	98.87%
Fabricated Metal Product	99.07%	95.41%	99.37%
Machinery	99.23%	95.65%	99.24%
Motor Vehicles and Parts	91.74%	91.61%	91.51%
Primary Metal	99.55%	94.35%	99.33%
Average	98.99%	97.34%	97.96%

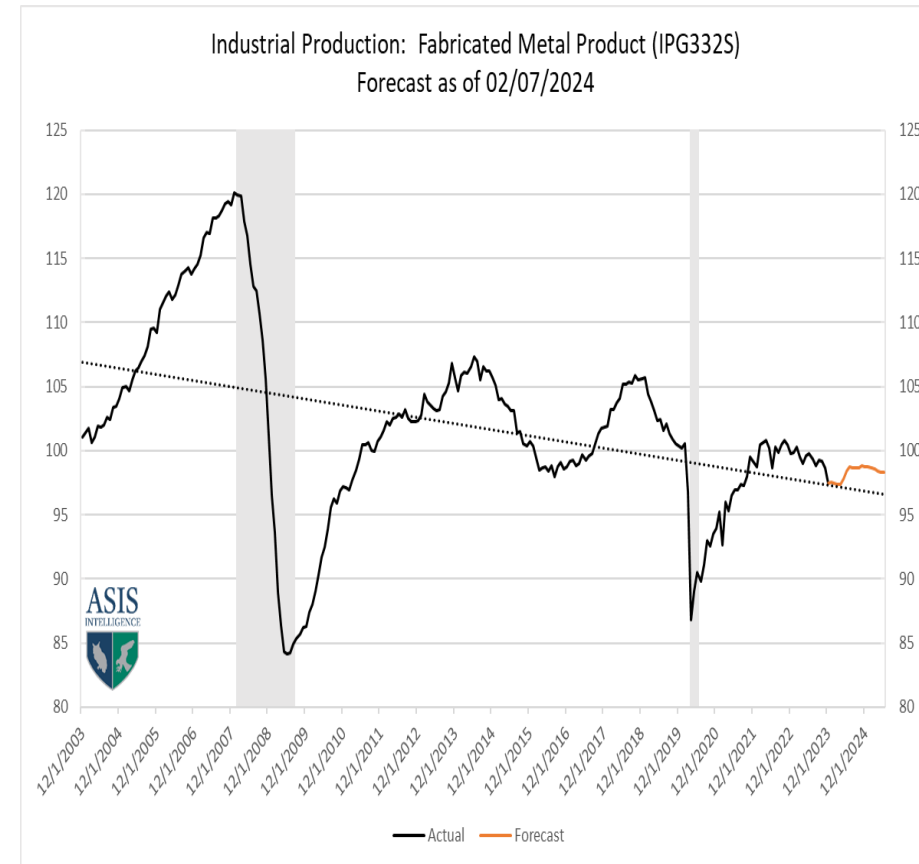
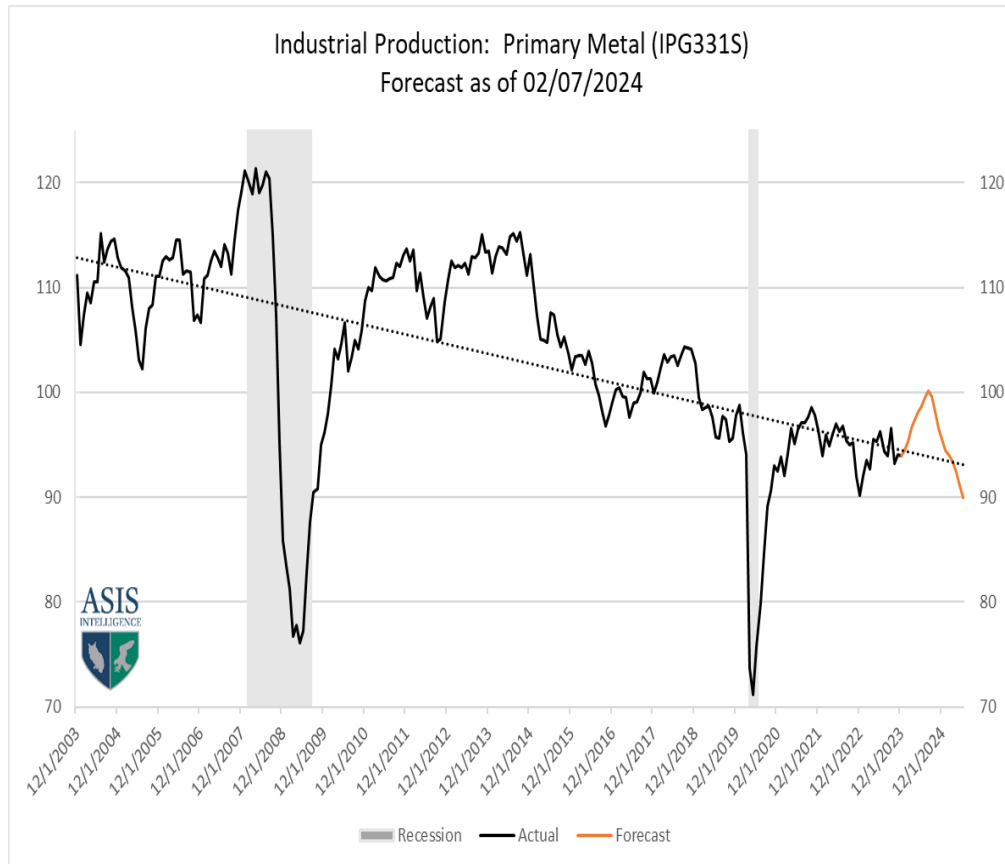


# Forecast Growth: Retail Spending (Consumer Spending)

## Forecast from The Watch



# Primary and Fabricated Metals – The Watch Forecast



# For More Enlightenment

[Chris.kuehl@armadaci.com](mailto:Chris.kuehl@armadaci.com)

**Bonus Offer for Attendees –**  
Aren't You Excited? Proof that I am  
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**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

