

# Hardwood Manufacturers Association

## *A Bend in the Road*



Dr. Alan Beaulieu  
President

# Preliminary 2017 Forecast Results

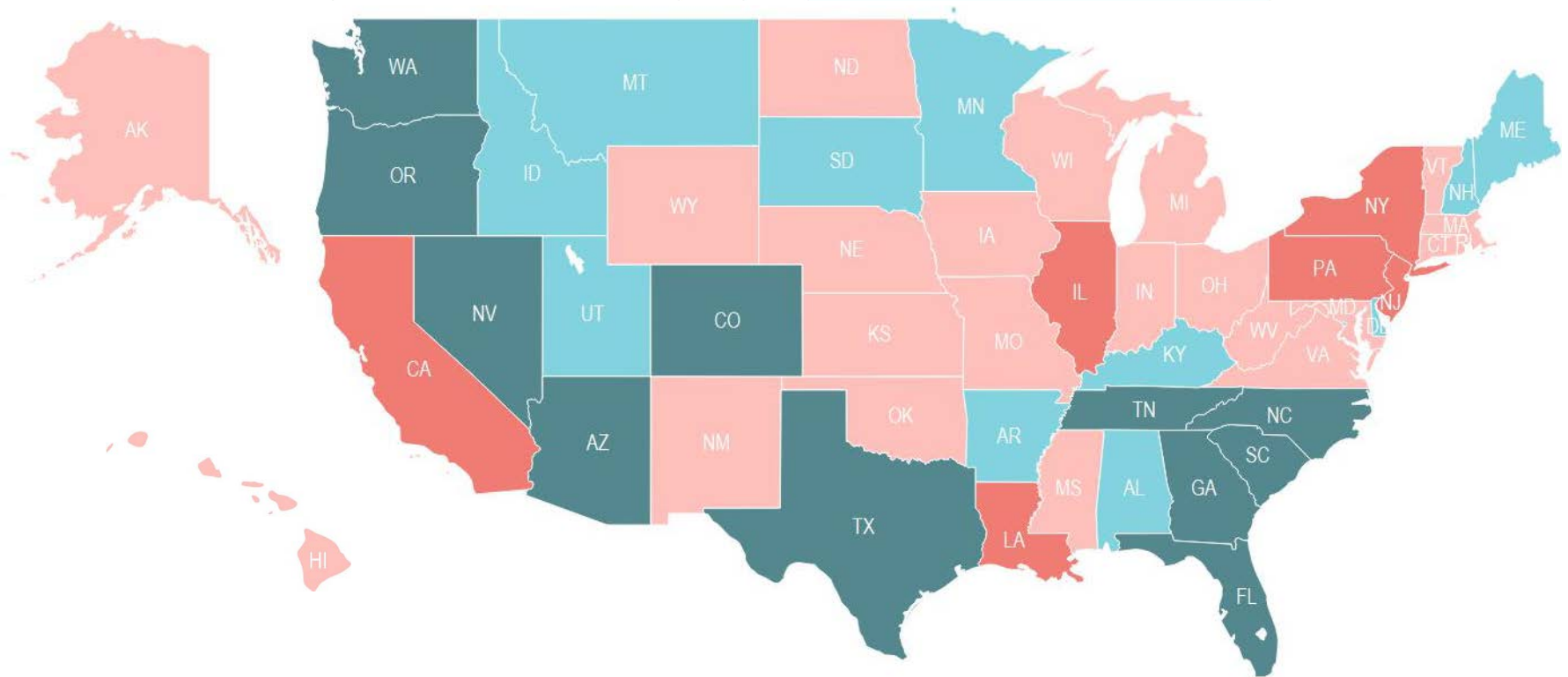
## If you heard ITR around two years ago...

	Duration	Accuracy
US GDP (Dec)	24	99.7%
US Ind. Prod. (Dec)	24	96.8%
Europe Ind. Prod. (data through Nov)	27	99.4%
Canada Ind. Prod. (data through Nov)	24	95.9%
China Ind. Prod. (Dec)	30	97.8%
Retail Sales (Dec)	25	98.0%
Housing (Dec)	27	97.2%
Employment (Dec)	23	99.6%

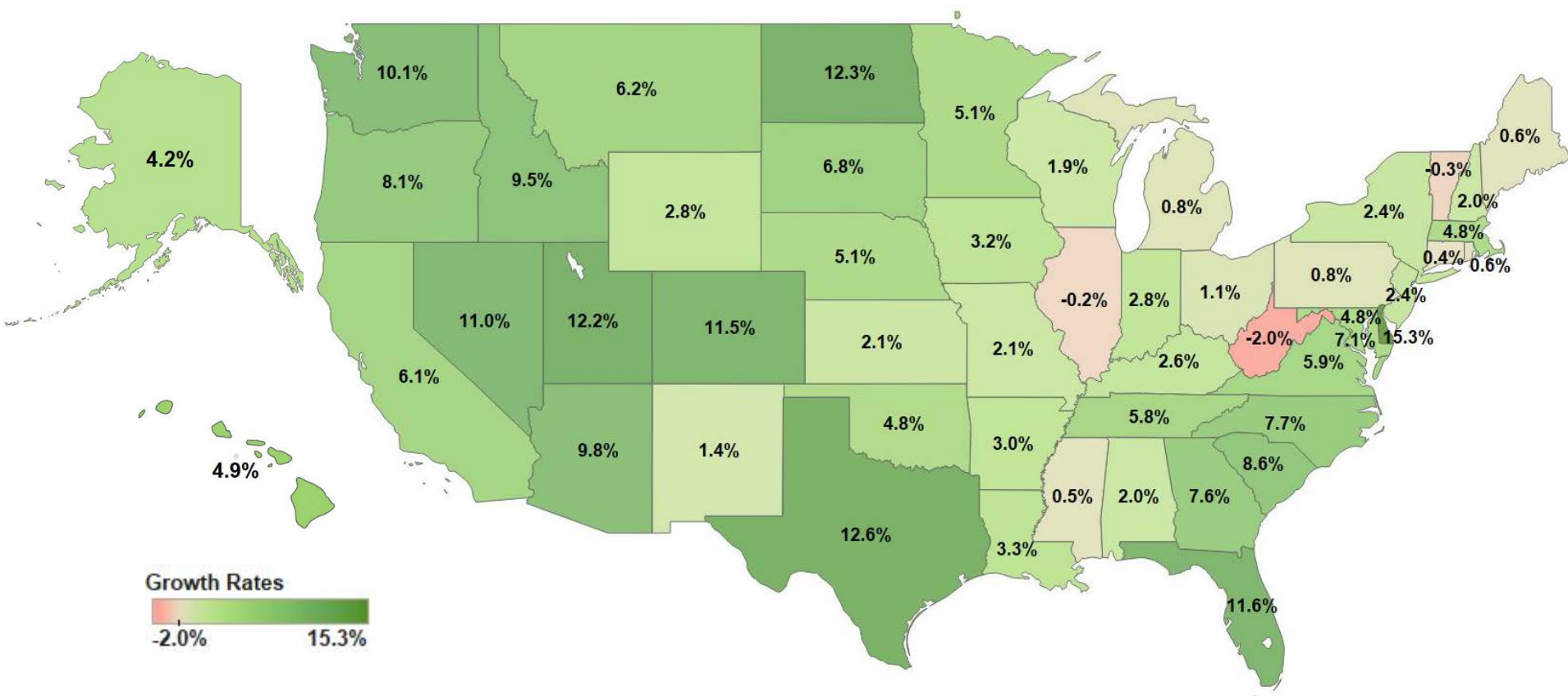
***ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.***



# Net Migration Between States, July 2016-July 2017



# State Population Growth Rates



Growth Rates

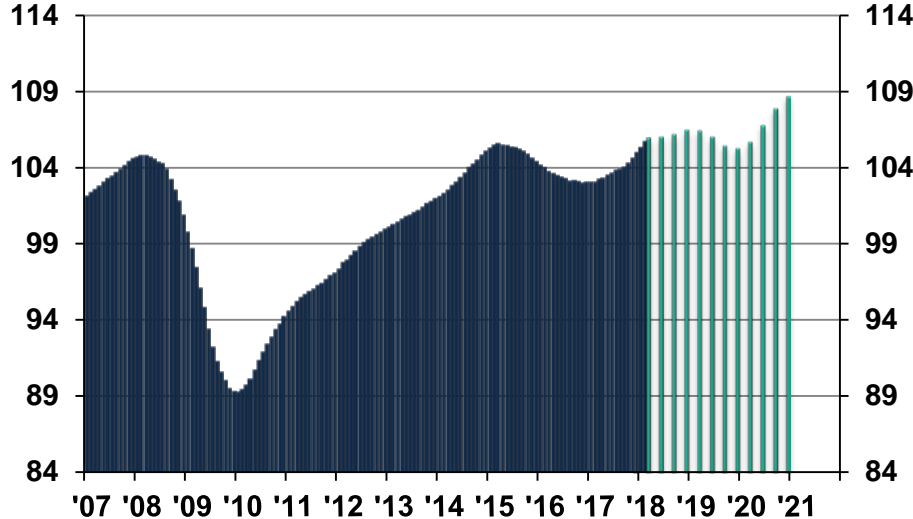


Percent Change from Population Estimates 2010 to 2017

Source: Census Bureau

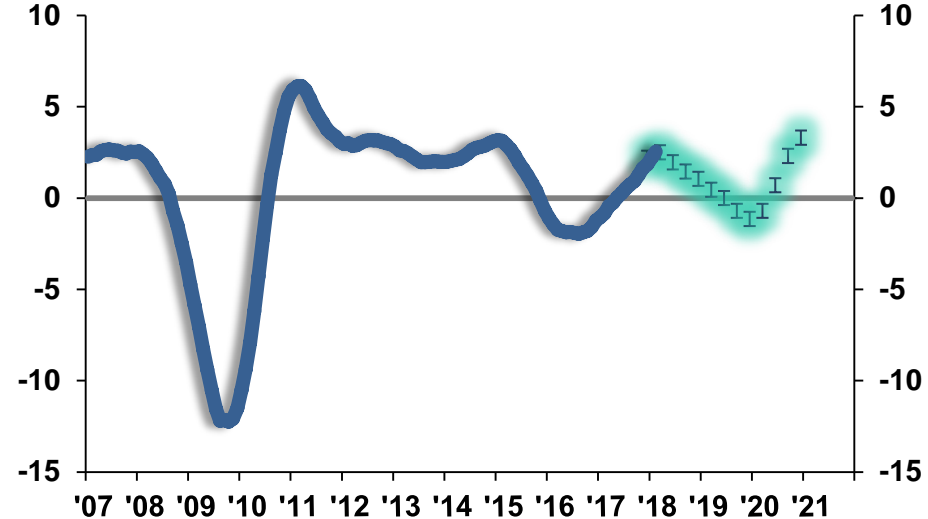
# US Industrial Production Index

US Industrial Production Index  
12-Month Moving Average



- Annual Trend: 105.7
- Phase: B
- Year-over-Year: 2.5%

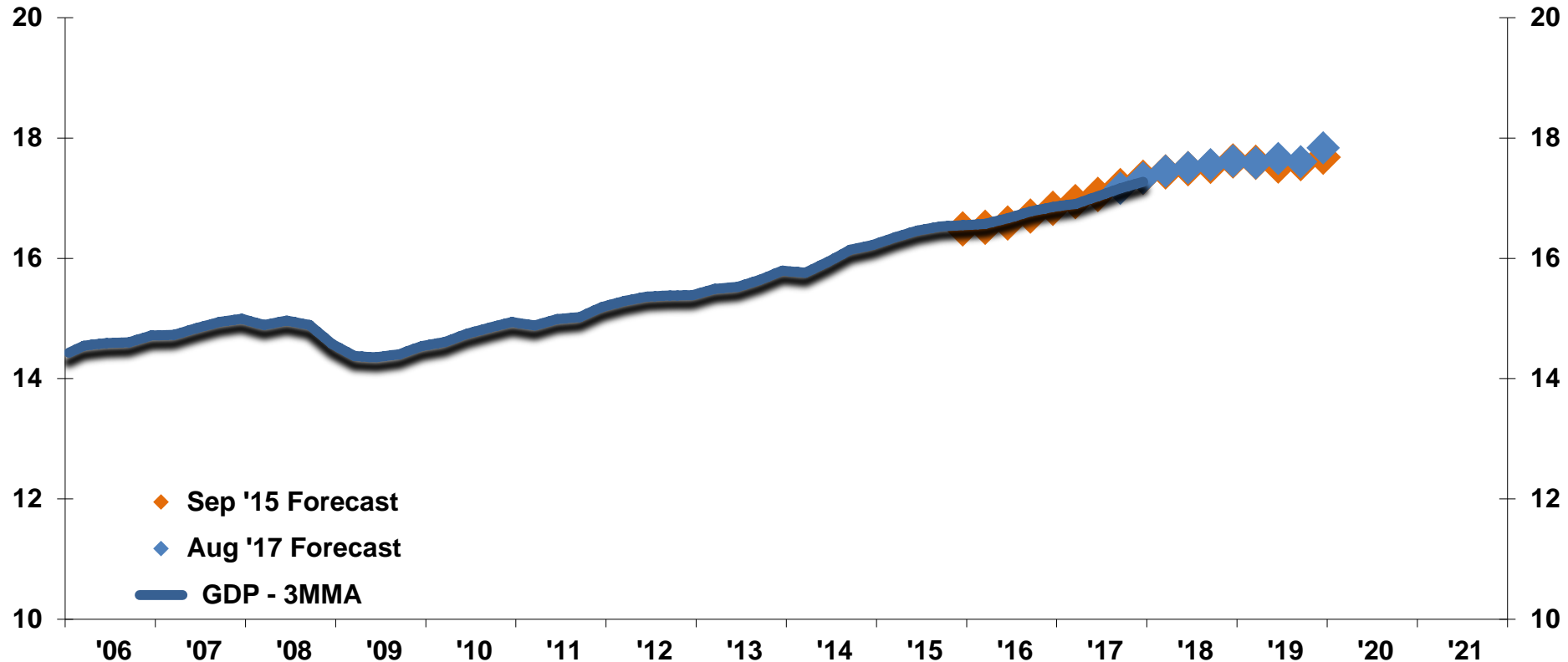
Year-over-Year Growth Rate  
12/12 Rate-of-Change



ITR   
Outlook

2018: 1.1%  
2019: -1.2%  
2020: 3.3%

# US Real Gross Domestic Product



# INDUSTRY ANALYSIS



# Data Preparation

**DATACAST !**

	Raw	3MMT	3/12	12MMT	12/12
Apr-16	1.4				
May-16	1.5				
Jun-16	1.5	4.4			
Jul-16	1.4	4.4			
Aug-16	1.5	4.4			
Sep-16	1.3	4.2			
Oct-16	1.3	4.1			
Nov-16	1.6	4.2			
Dec-16	1.6	4.5			
Jan-17	1.5	4.7			
Feb-17	1.7	4.8			
Mar-17	1.6	4.8		18.0	
Apr-17	1.7	5.0		18.2	
May-17	1.7	5.0		18.4	
Jun-17	1.7	5.1	15.9%	18.6	
Jul-17	1.6	5.0	13.6%	18.8	
Aug-17	1.7	5.0	13.6%	19.0	26.7%
Sep-17	1.5	4.8	14.3%	19.2	25.5%
Oct-17	1.5	4.7	14.6%	19.4	25.2%
Nov-17	1.9	4.9	16.7%	19.7	22.4%
Dec-17	1.7	5.1	13.3%	19.8	20.0%
Jan-18	1.7	5.3	12.8%	20.0	18.3%
Feb-18	1.9	5.3	10.4%	20.2	15.4%
Mar-18	1.7	5.3	10.4%	20.3	12.7%

## 3/12 Rate-of-Change

$$= \frac{\text{March 2017 3MMT}}{\text{March 2016 3MMT}} \times 100 - 100$$

$$= \frac{5.3}{4.8} \times 100 - 100 = 10.4\%$$

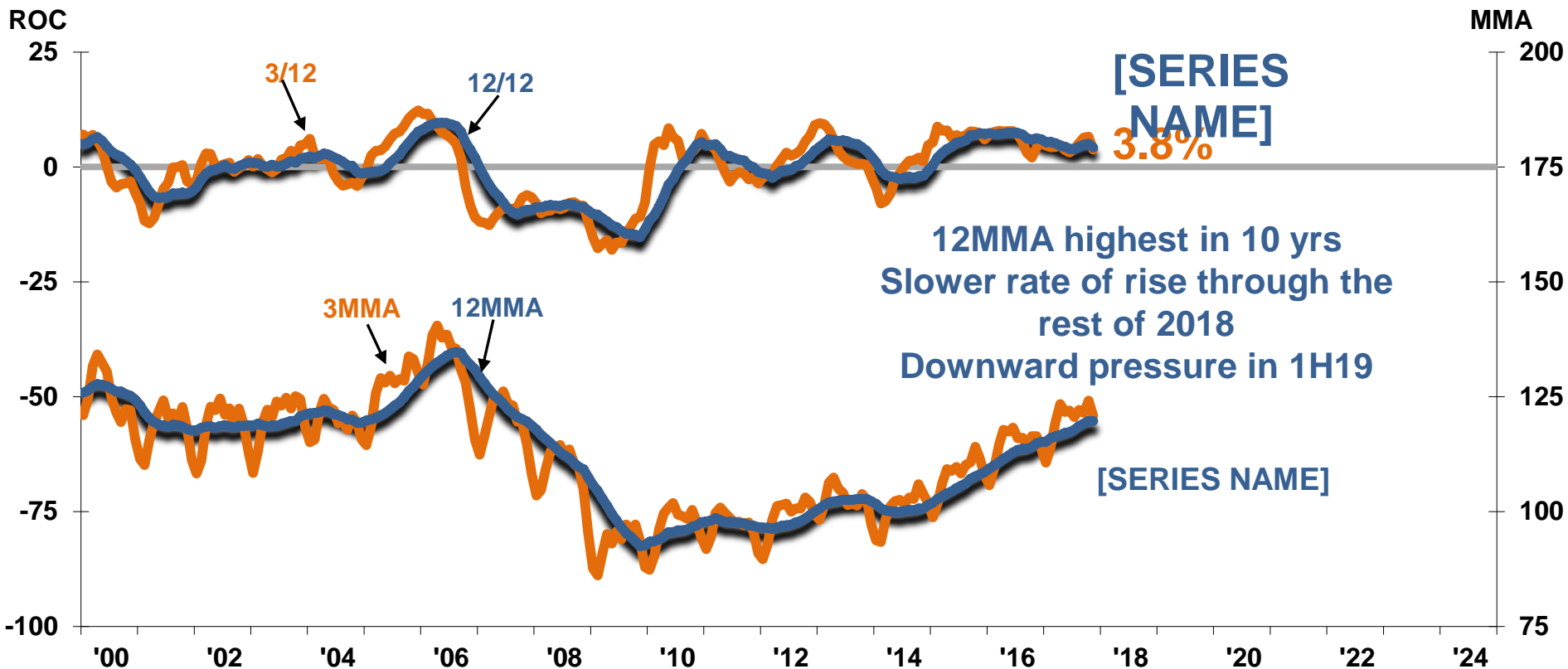
## 12/12 Rate-of-Change

$$= \frac{\text{March 2017 12MMT}}{\text{March 2016 12MMT}} \times 100 - 100$$

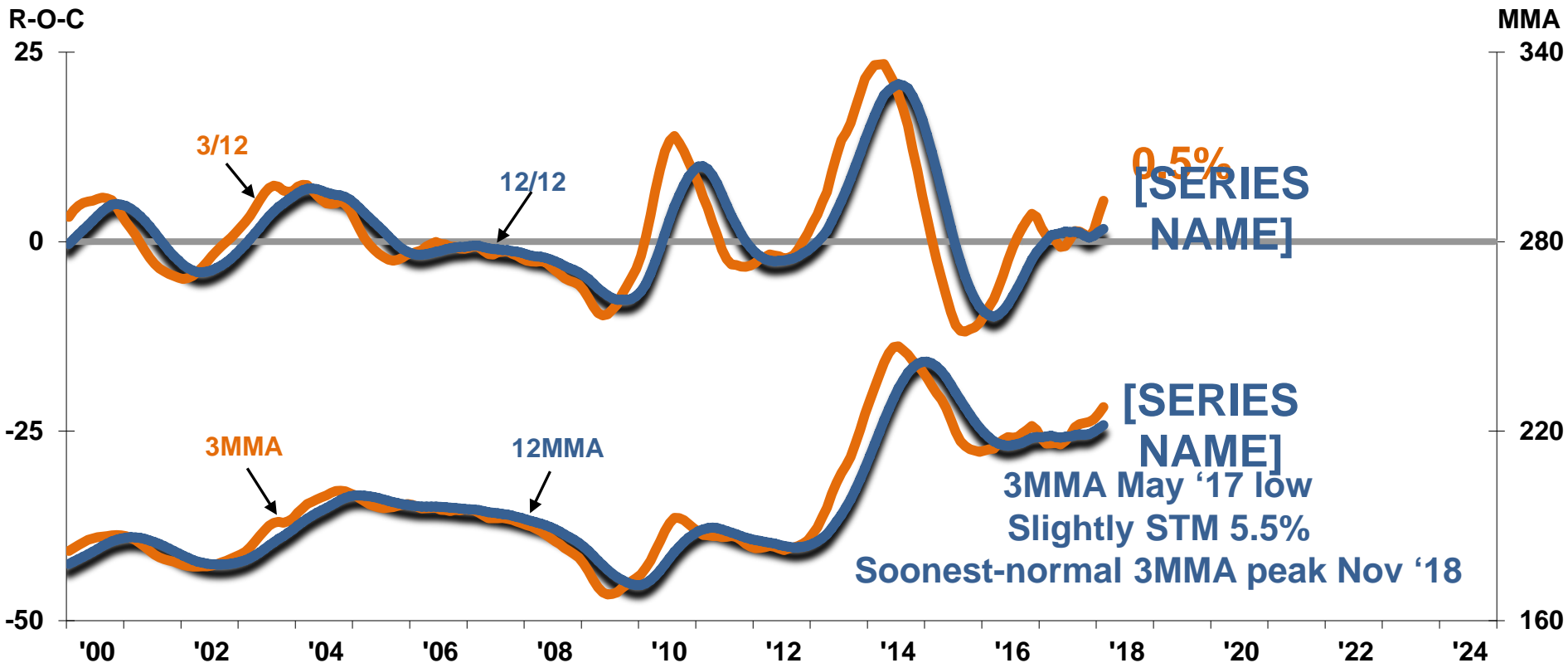
$$= \frac{20.3}{18.0} \times 100 - 100 = 12.7\%$$



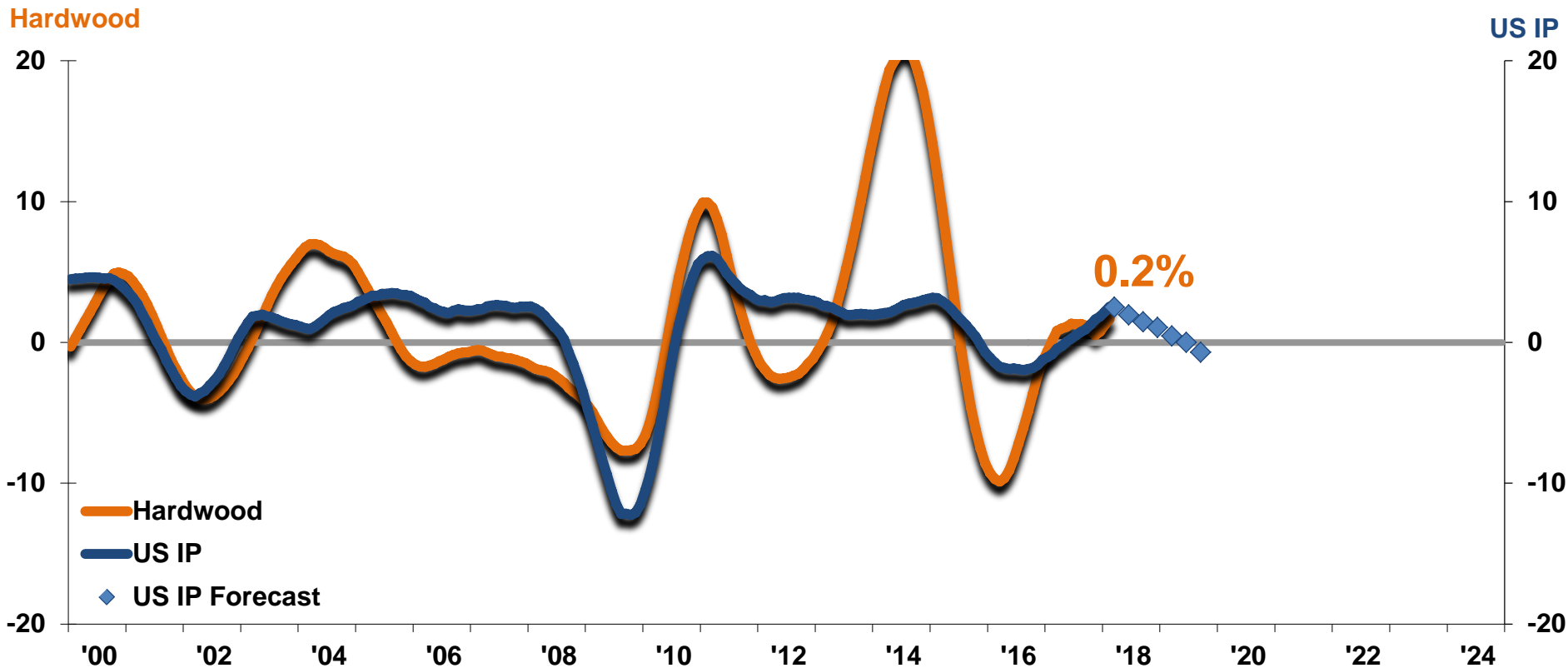
# US Sawmills & Wood Preservation Production Index



# US Hardwood Lumber Producer Price Index



# US Hardwood Lumber Producer Price Index to US Total Industrial Production Index



# Ongoing Concerns

**China**

**NAFTA, Mexico, and International Trade**

**North Korea**

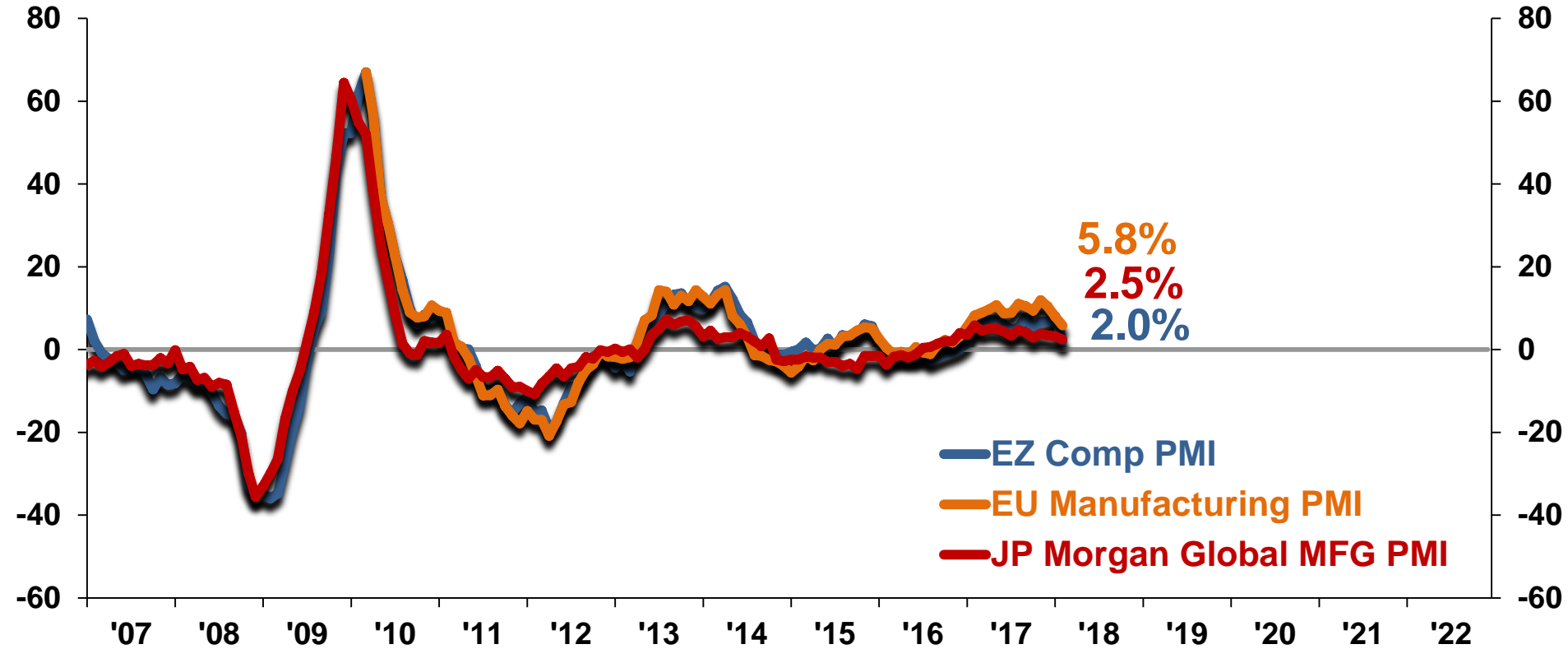
**Global Leading Indicators are weakening**

**US Debt**

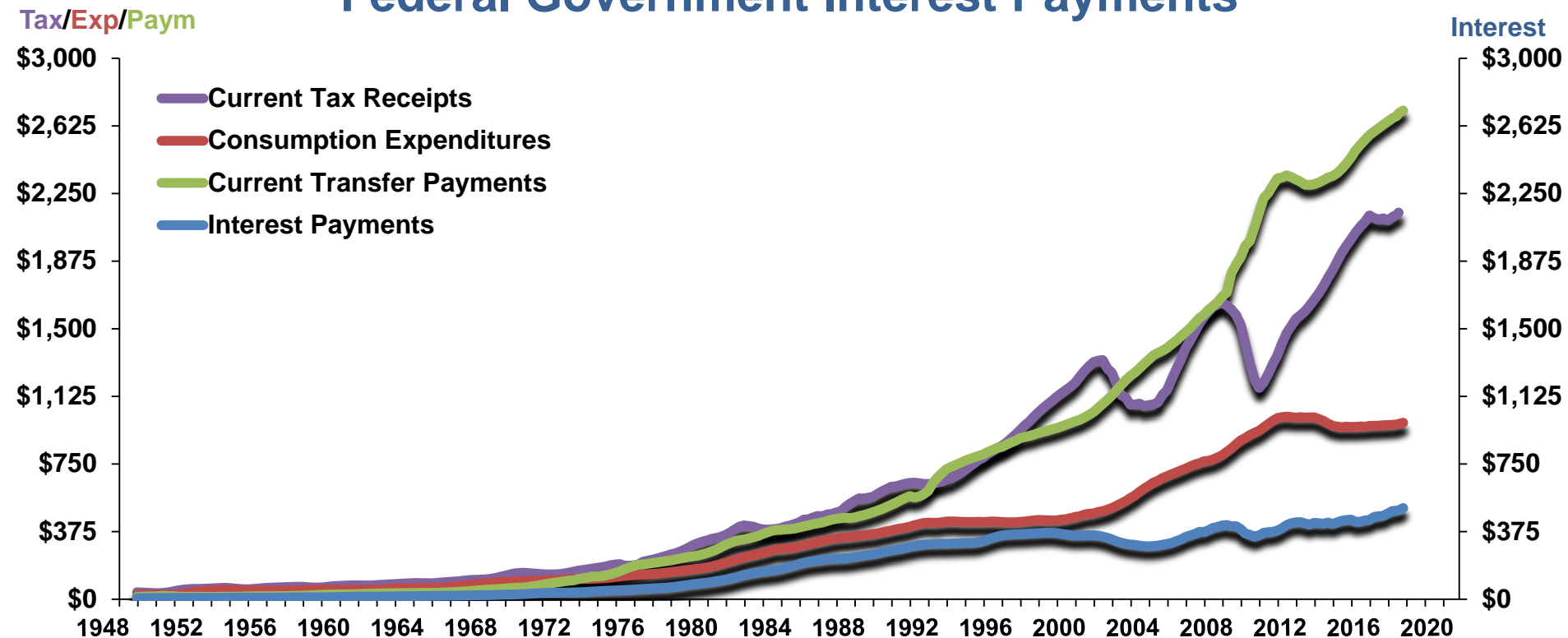
**Health Care No real change in sight re: budget crisis**



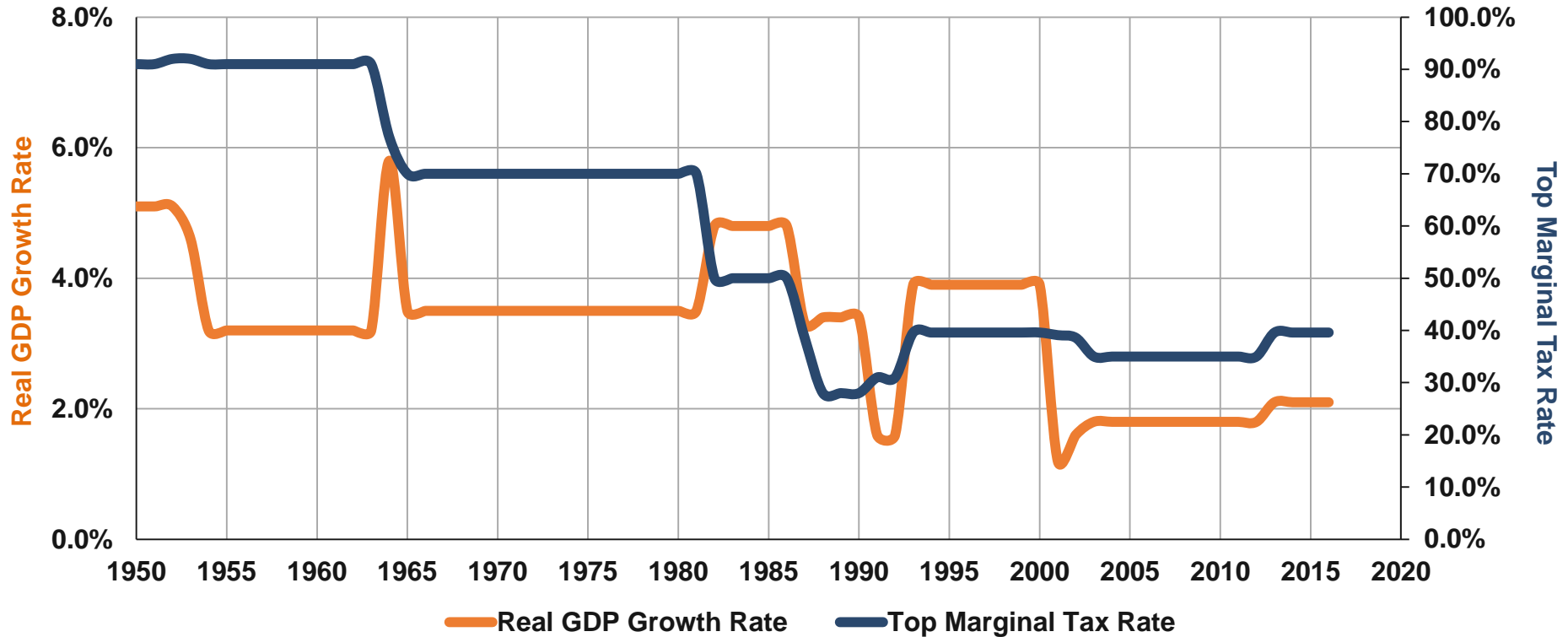
# Global Leading Indicators



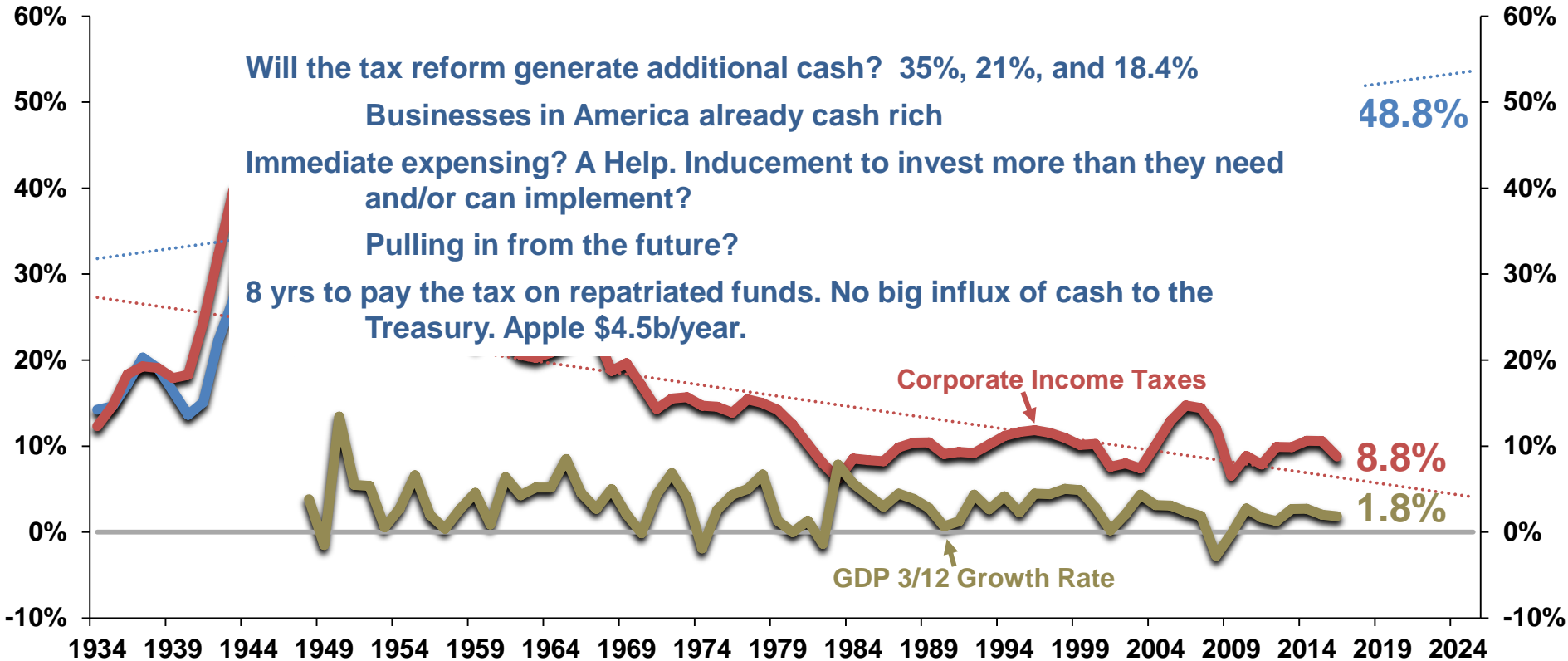
# US Federal Government Current Tax Receipts to Consumption Expenditures to Current Transfer Payments to Federal Government Interest Payments



# US Tax Rates and Real GDP Growth



# Percent of Total US Tax Receipts by Source to Real Gross Domestic Product





# ATLANTA FED IS WATCHING...



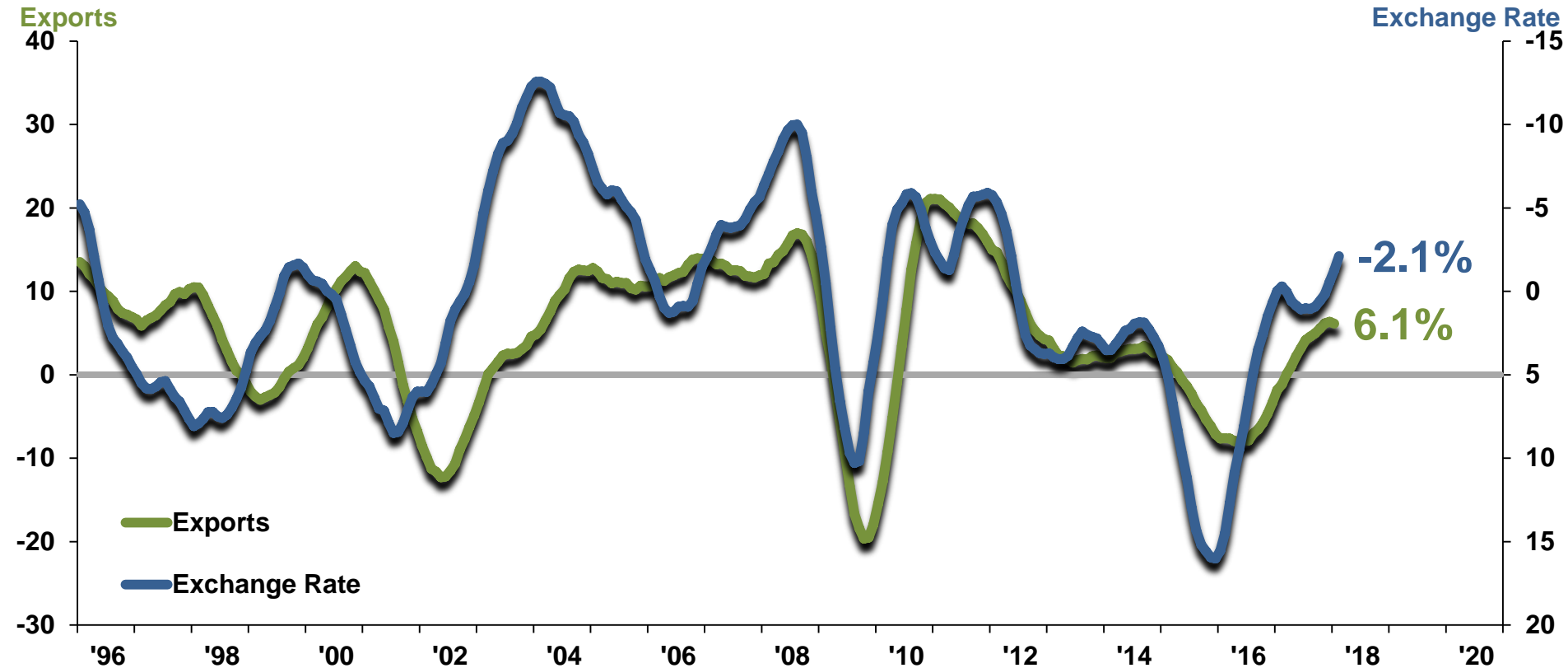
*On business investment, roughly two-thirds of respondents to our national survey...indicated that the reform wouldn't affect their capital expenditures at all. Just **15 percent** said they would increase their capital spending by **10 percent** or more, and those responses came mostly from smaller firms.*

*~ Raphael Bostic  
Atlanta Federal Reserve Chair  
Rotary Club of Atlanta  
January 8, 2018*

# US/Global Recovery – Good Days Ahead

- Consumers are in great shape
- Interest Rates remain favorable
- Employment rising, as are wages
- Banks are lending
- Retail Sales at a record high level
- Abundance of energy
- Exports are 6.2% ahead of last year and rising

# US Trade in Goods with World: Exports to Trade Weighted Exchange Rate Index



# US Total Manufacturing Production Index

NAFTA –

Tariffs: Steel 25% Aluminum 10%, Russia, Japan, Taiwan, India, China

Remain globally competitive?

shift production to downstream products?

Trade War? \$60B in tariffs on China

Aluminum:

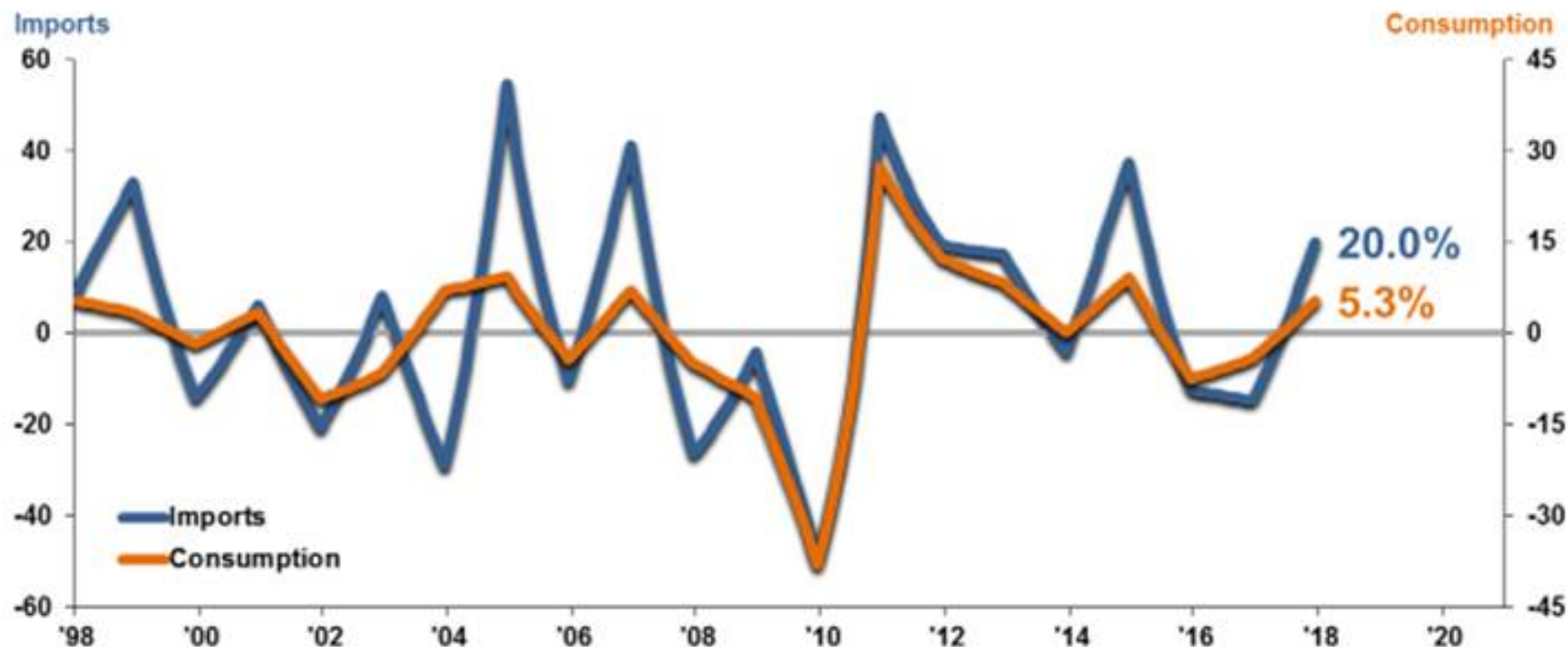
US - 4.2% A 6.7% B 12MMA up off May '17 62-yr low

China 0.2% C - 8.1% D 12MMA down 3.3% off July '17 record high

The national security angle seems to have been a means to accomplish the desired end since the Secretary of Defense and the Secretary of State both disagreed with that assessment. The probable reasoning for going this route is because there is a provision at the WTO that makes it VERY difficult for them to rule against something because of the national security claim. The WTO really has no option except to not stand in the way if other countries chose to retaliate). March *ITR Trends Report*

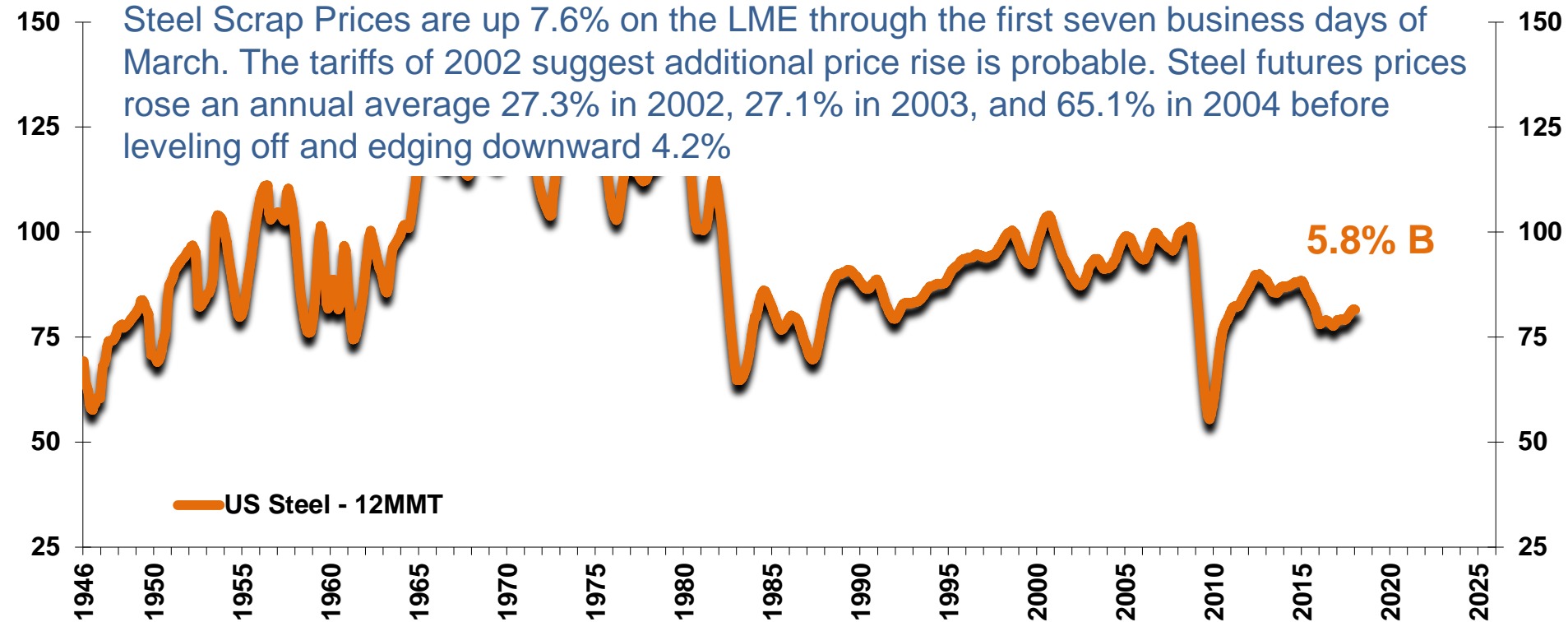


## US Imports of Steel (volume) to US Steel Consumption



# US Raw Steel Production

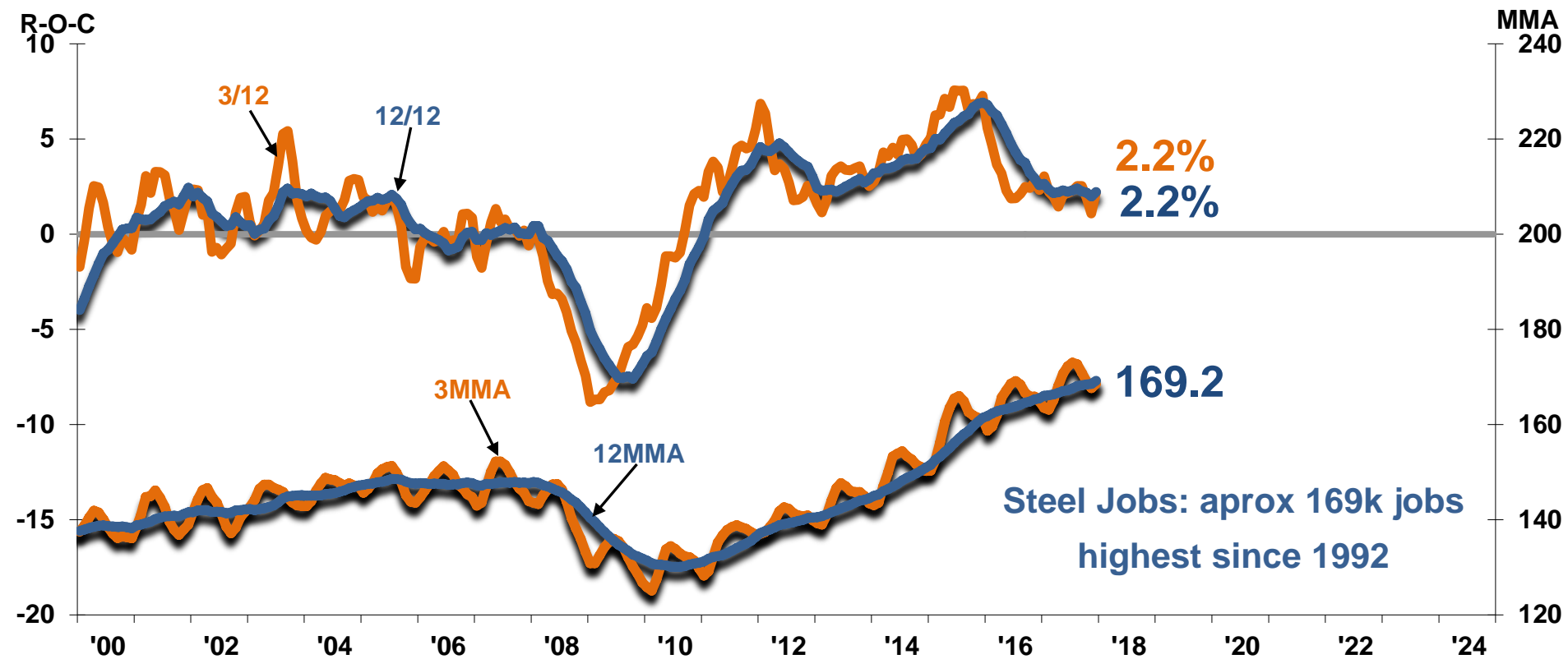
Steel Scrap Prices are up 7.6% on the LME through the first seven business days of March. The tariffs of 2002 suggest additional price rise is probable. Steel futures prices rose an annual average 27.3% in 2002, 27.1% in 2003, and 65.1% in 2004 before leveling off and edging downward 4.2%



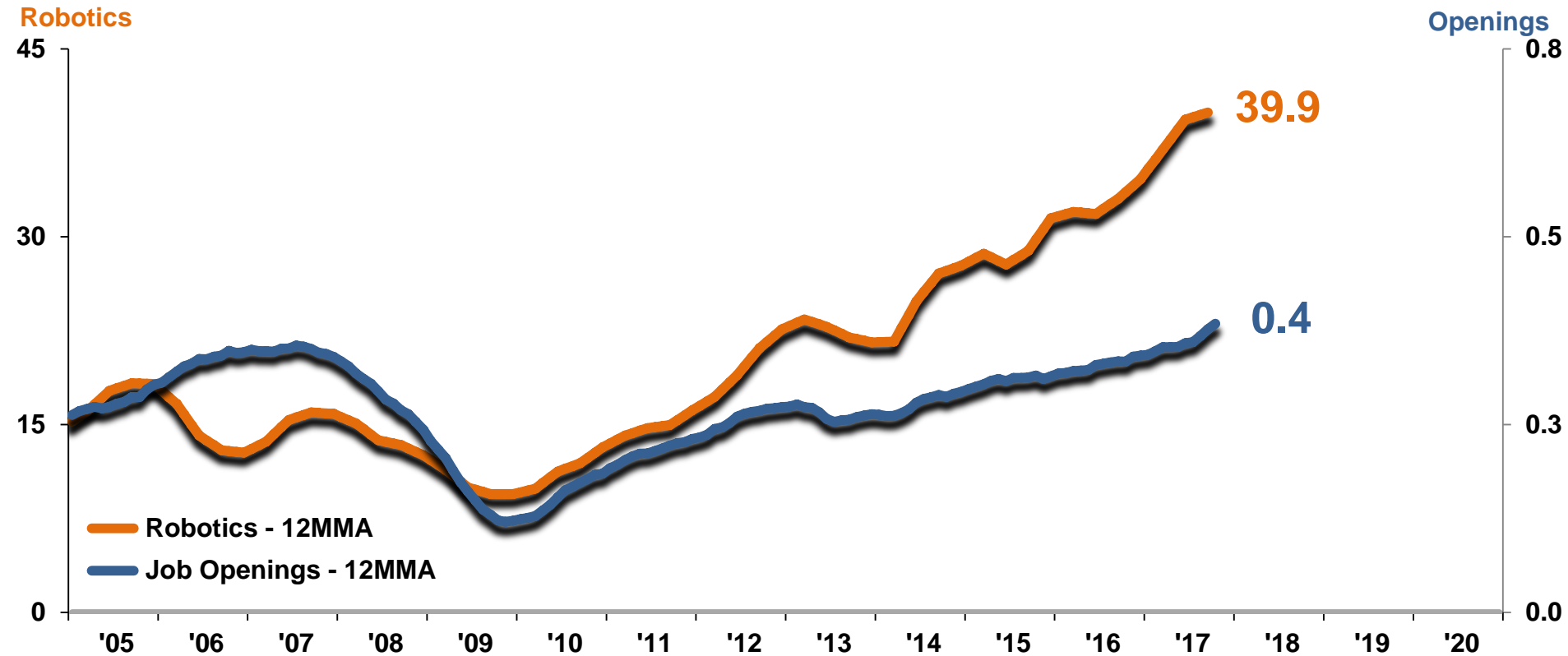
US Steel - 12MMT

5.8% B

# US Steel Mill Employment



# North America Robotics New Orders (units) to US Total Manufacturing Job Openings





# Ease of Doing Business

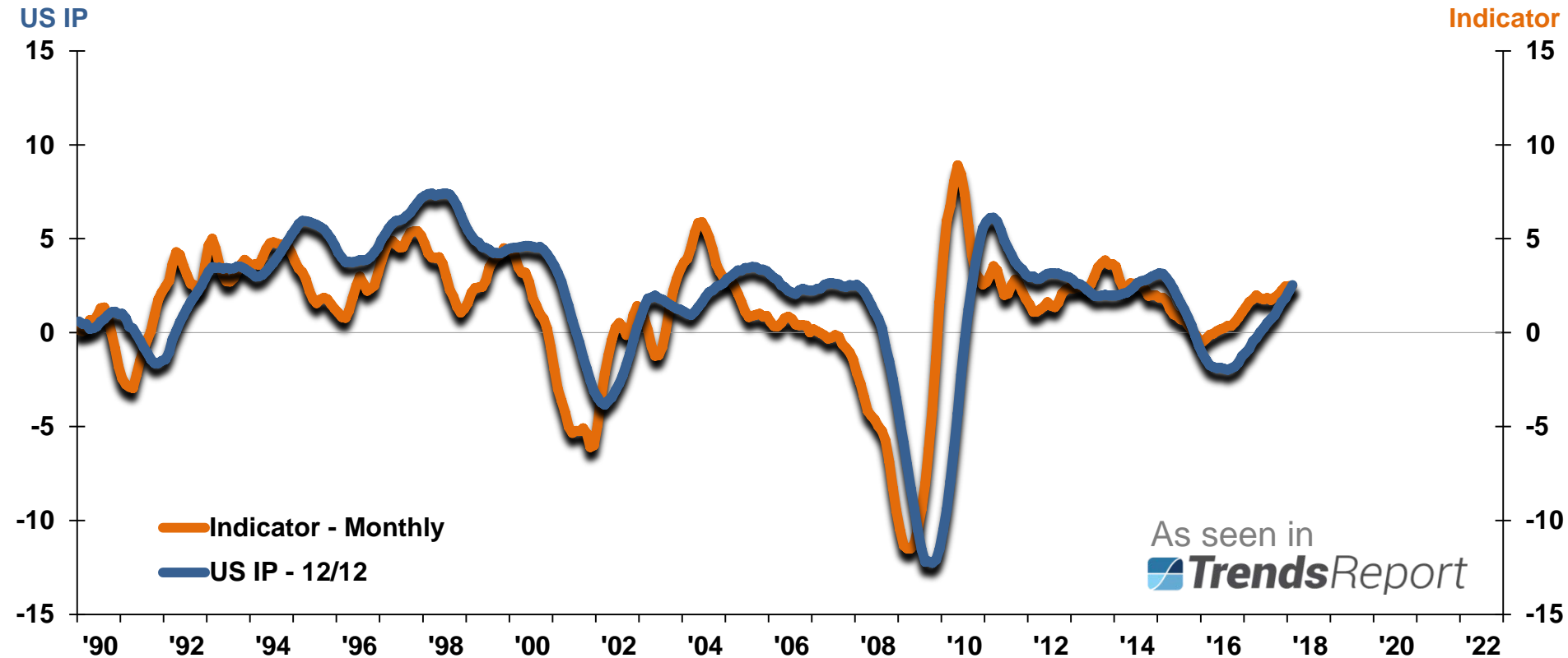


<b>NZ</b>	<b>1</b>
<b>Singapore</b>	<b>2</b>
<b>Denmark</b>	<b>3</b>
<b>Korea</b>	<b>4</b>
<b>Hong Kong</b>	<b>5</b>
<b>US</b>	<b>6</b>
<b>UK</b>	<b>8</b>
<b>Germany</b>	<b>21</b>
<b>Japan</b>	<b>35</b>
<b>Russia</b>	<b>36</b>
<b>China</b>	<b>75</b>
<b>India</b>	<b>100</b>
<b>Brazil</b>	<b>125</b>

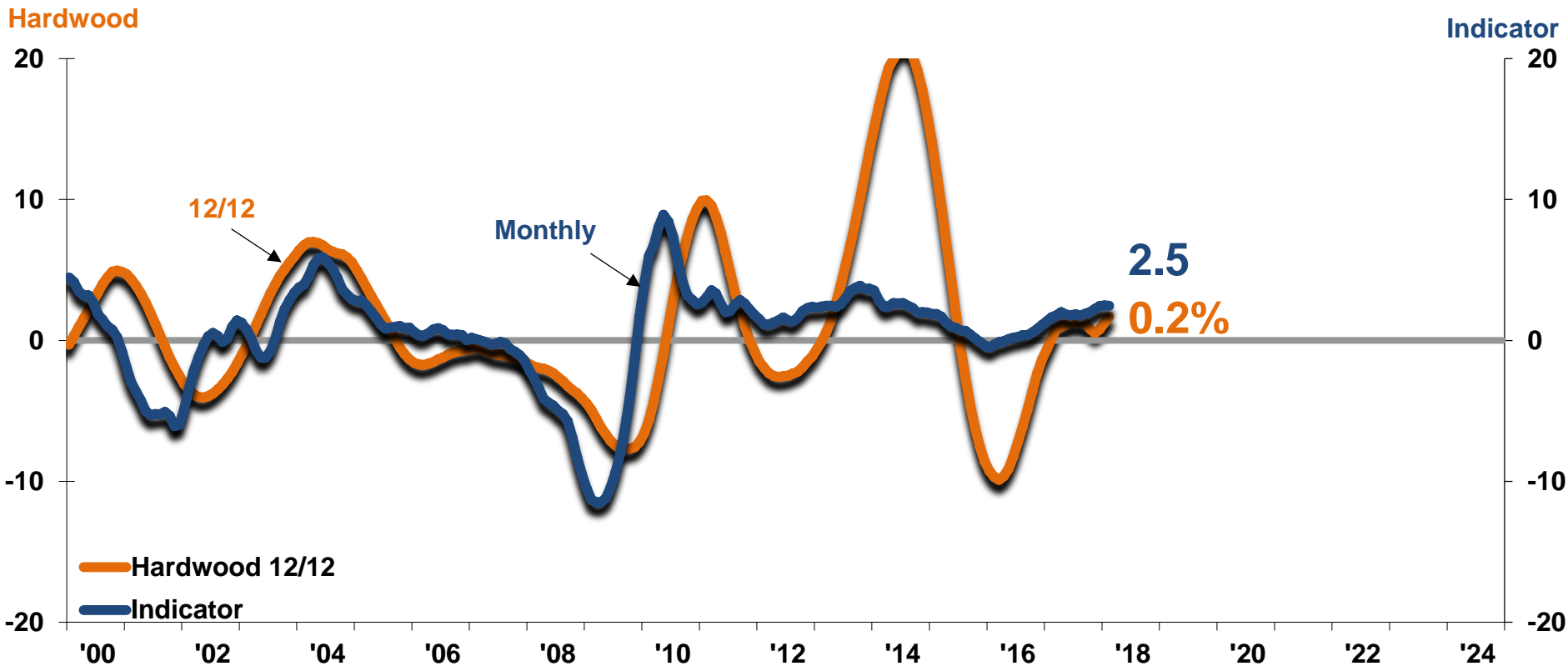
# **LEADING INDICATORS**

# US Industrial Production to ITR Leading Indicator™

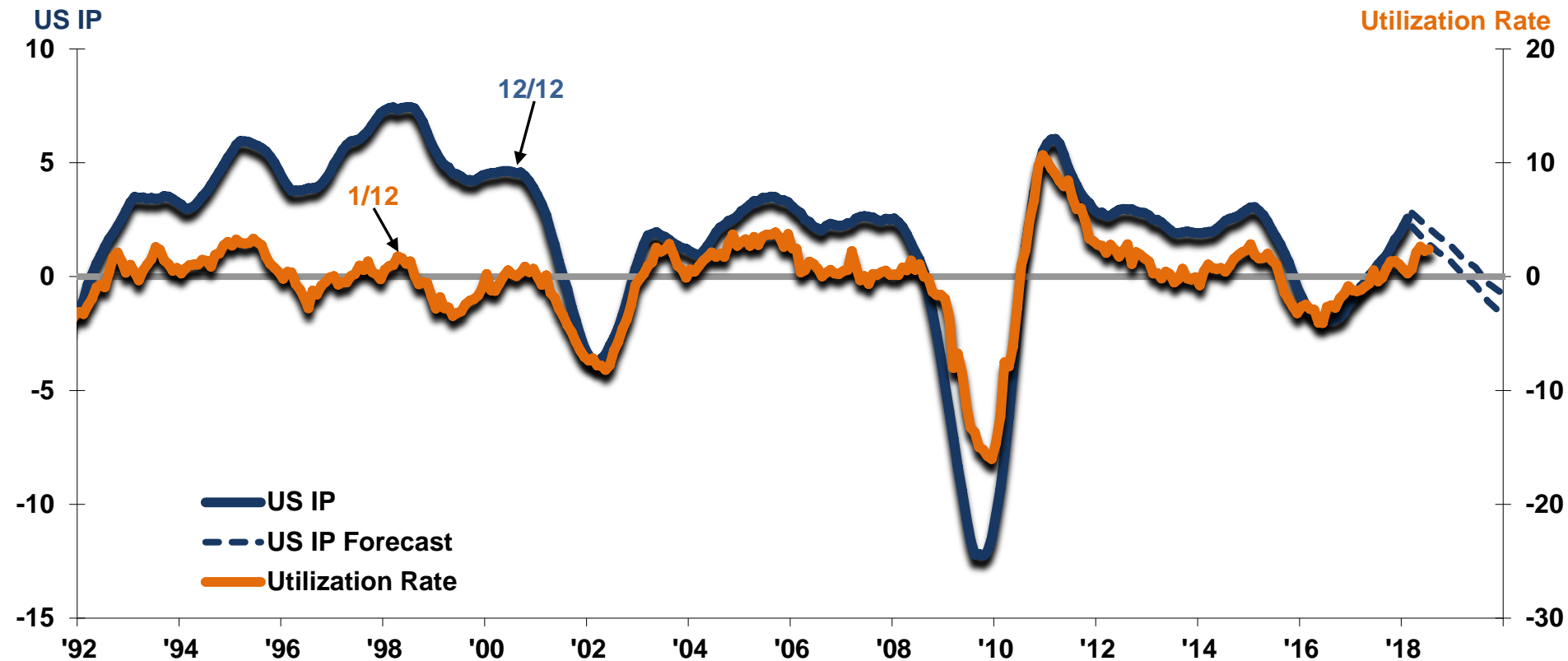
Reported in *ITR Trends Report – ITR Advisor*



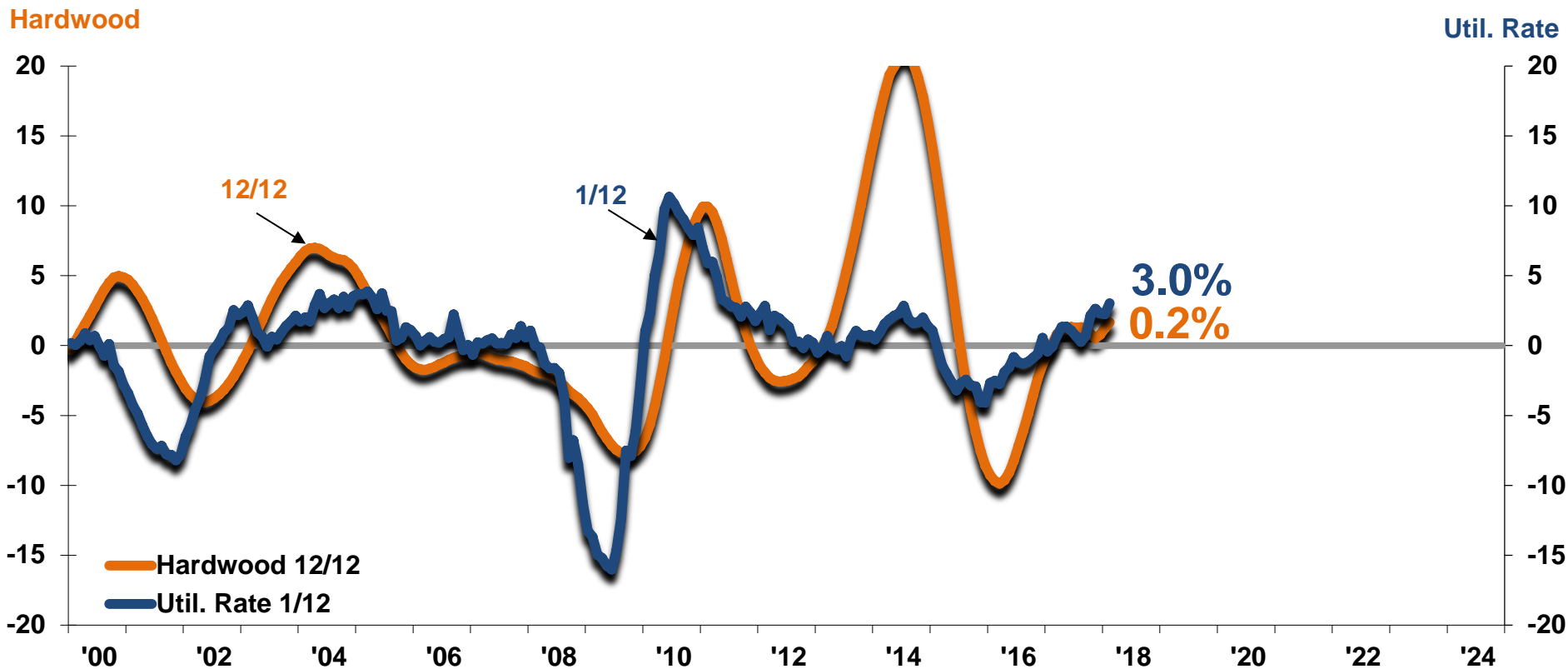
# US Hardwood Lumber Producer Price Index to ITR Leading Indicator



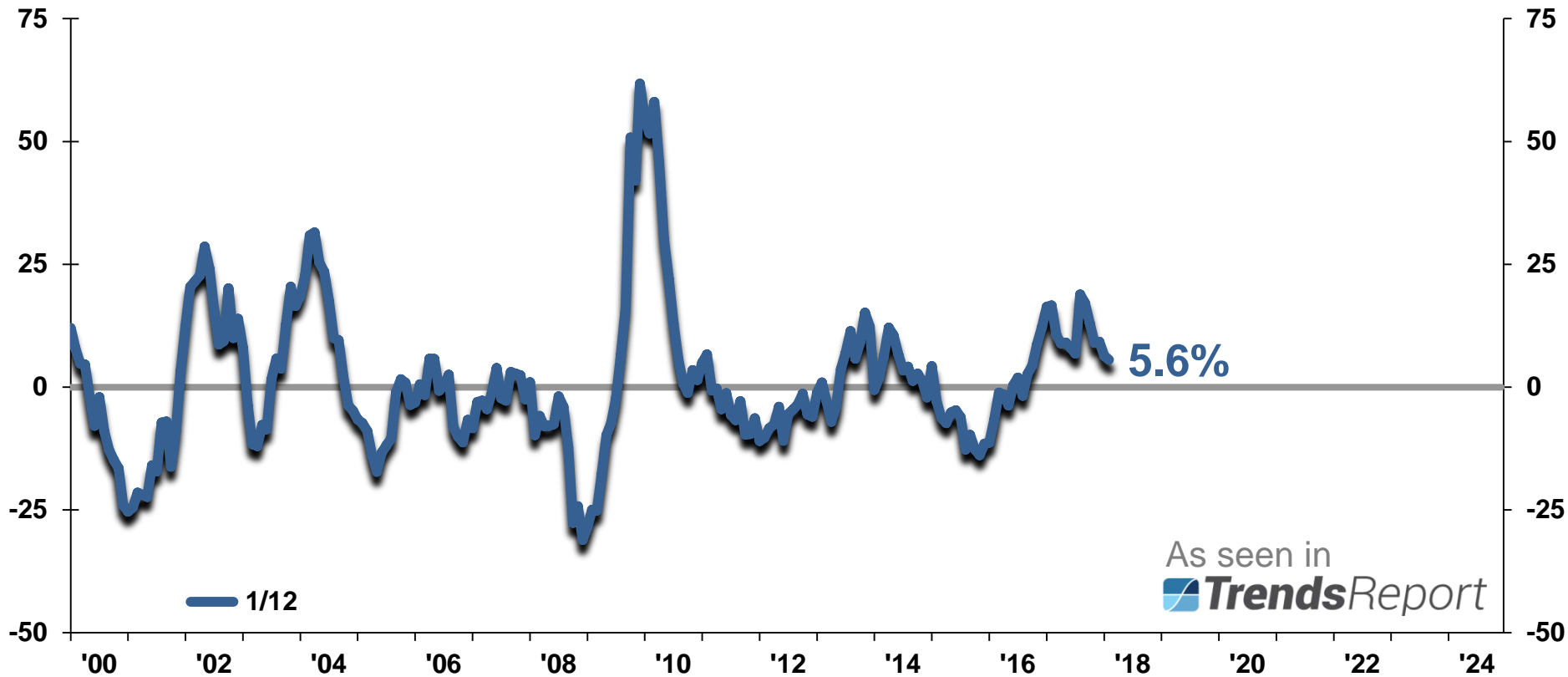
# US Industrial Production to US Total Industry Capacity Utilization Rate



# US Hardwood Lumber Producer Price Index to US Total Industry Utilization Rate

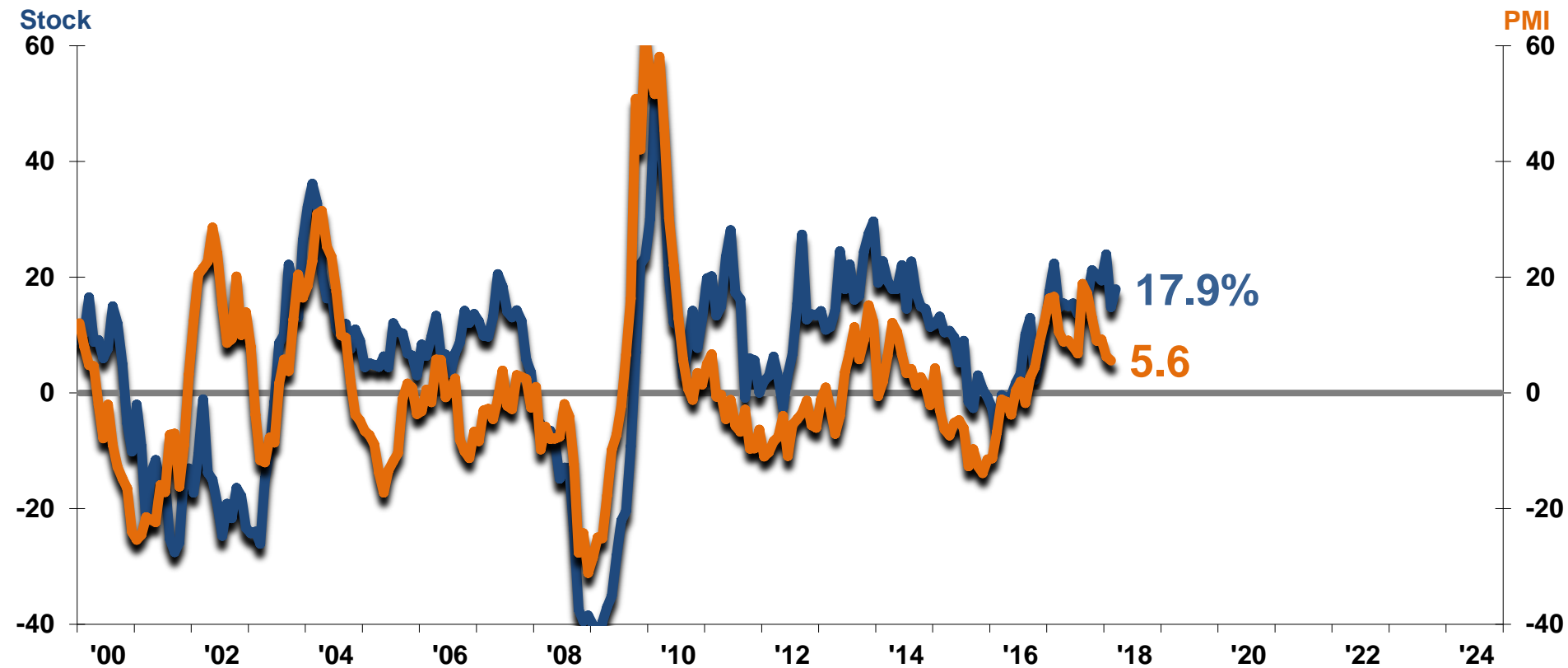


# US Purchasing Managers Index



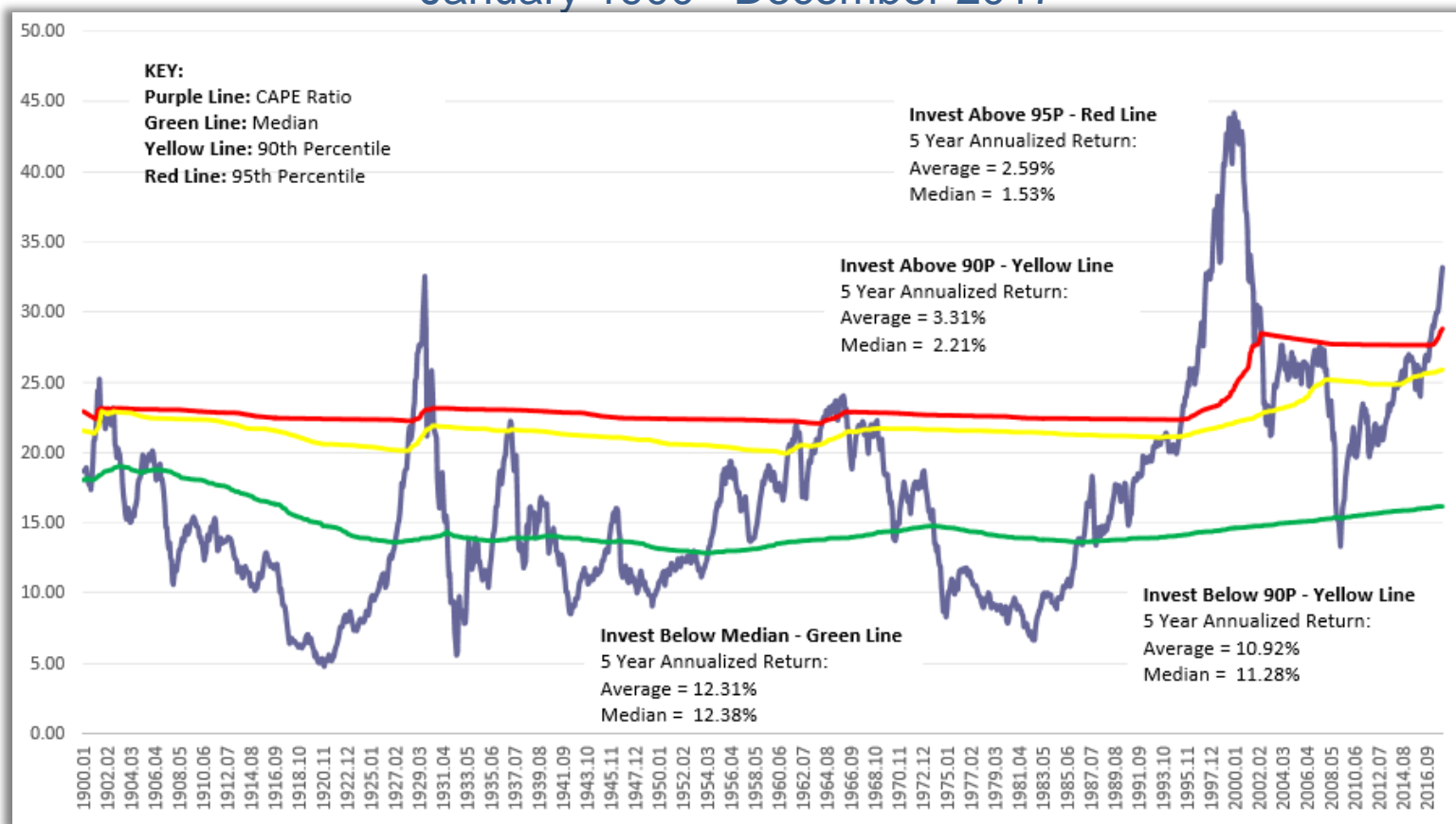


# US Stock Prices Index to US Purchasing Managers Index



# Cyclically Adjusted Price Earnings (CAPE) Ratio

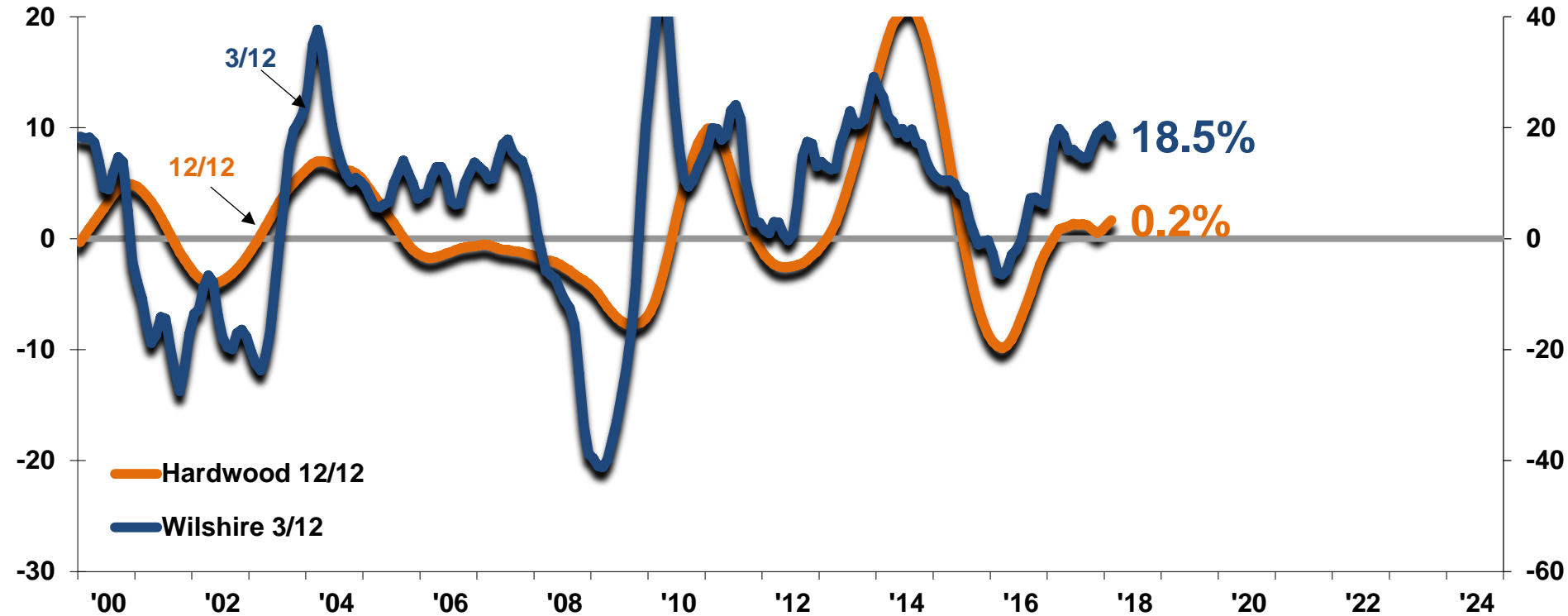
## January 1900 – December 2017



# US Hardwood Lumber Producer Price Index to Wilshire Total Market Cap

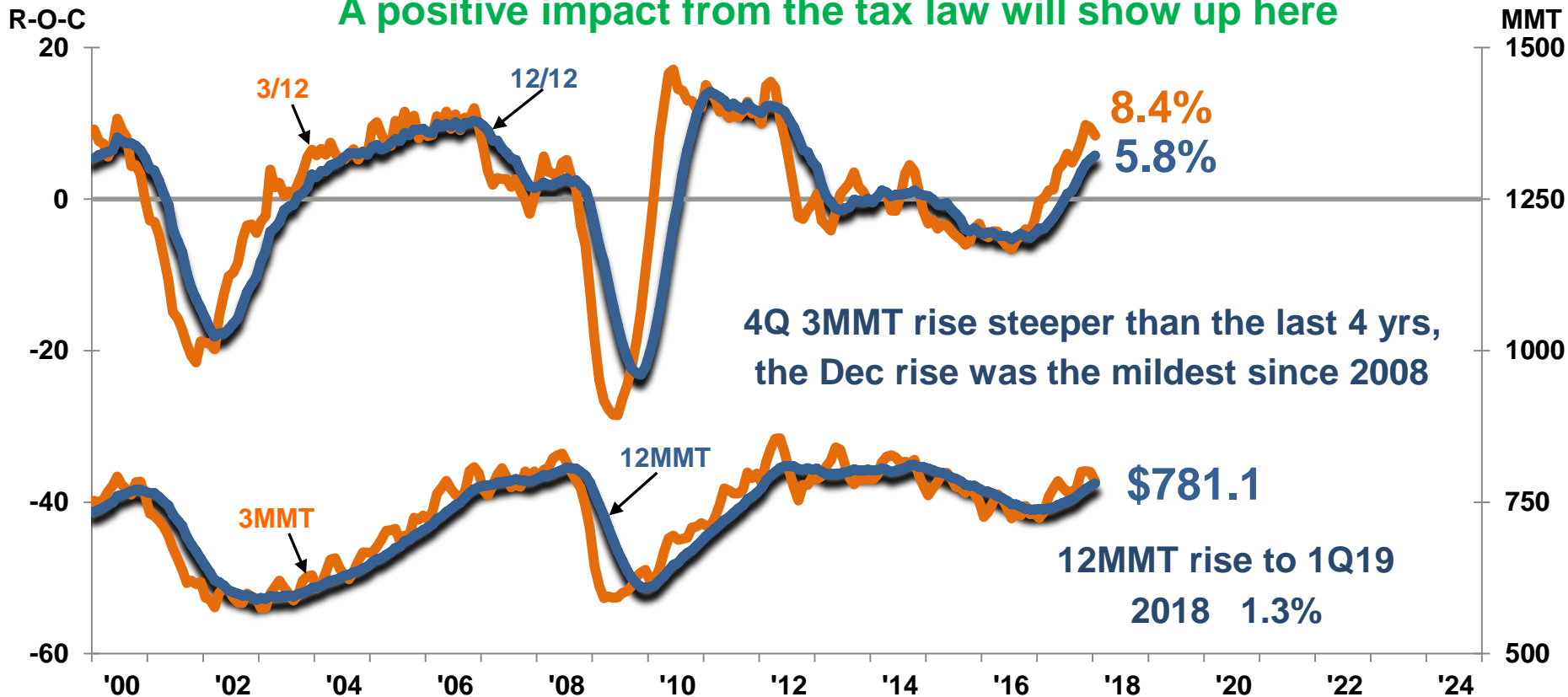
Sawmills

Wilshire

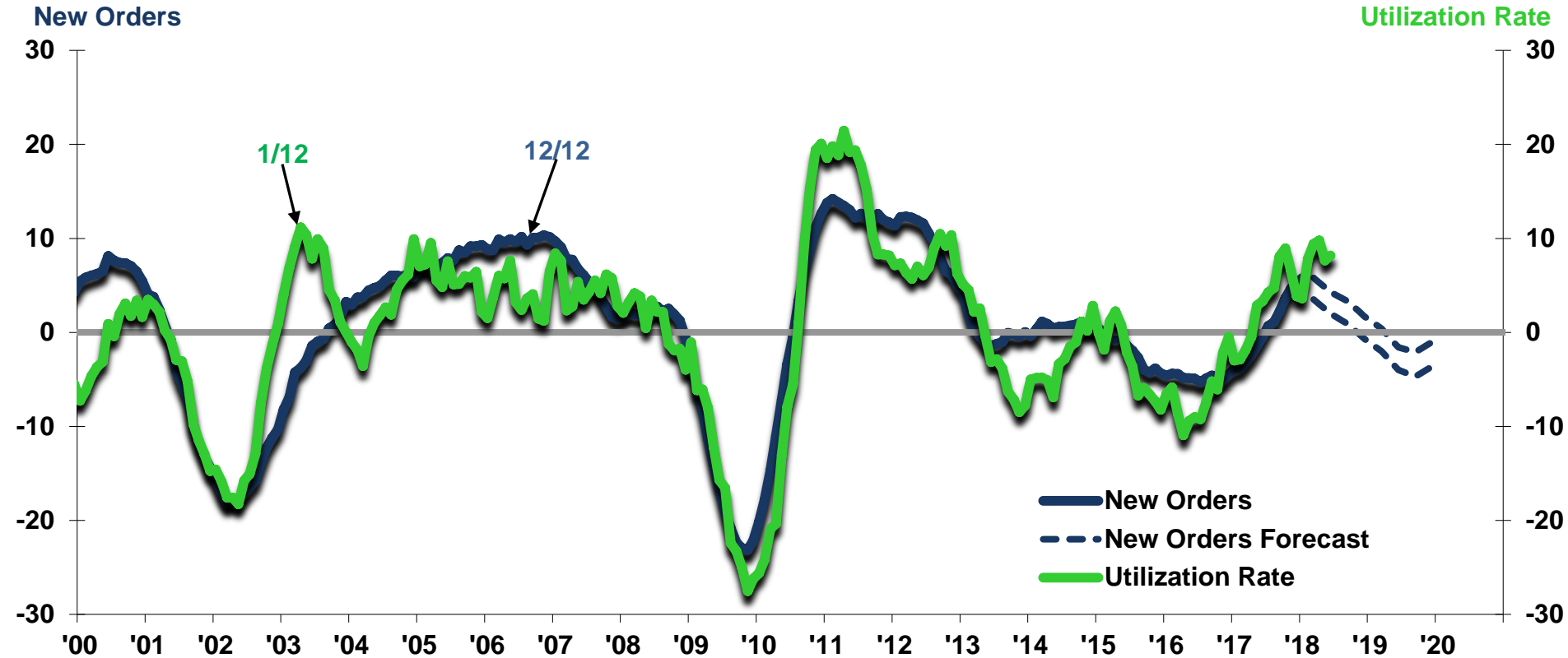


# US Nondefense Capital Goods New Orders w/o Aircraft

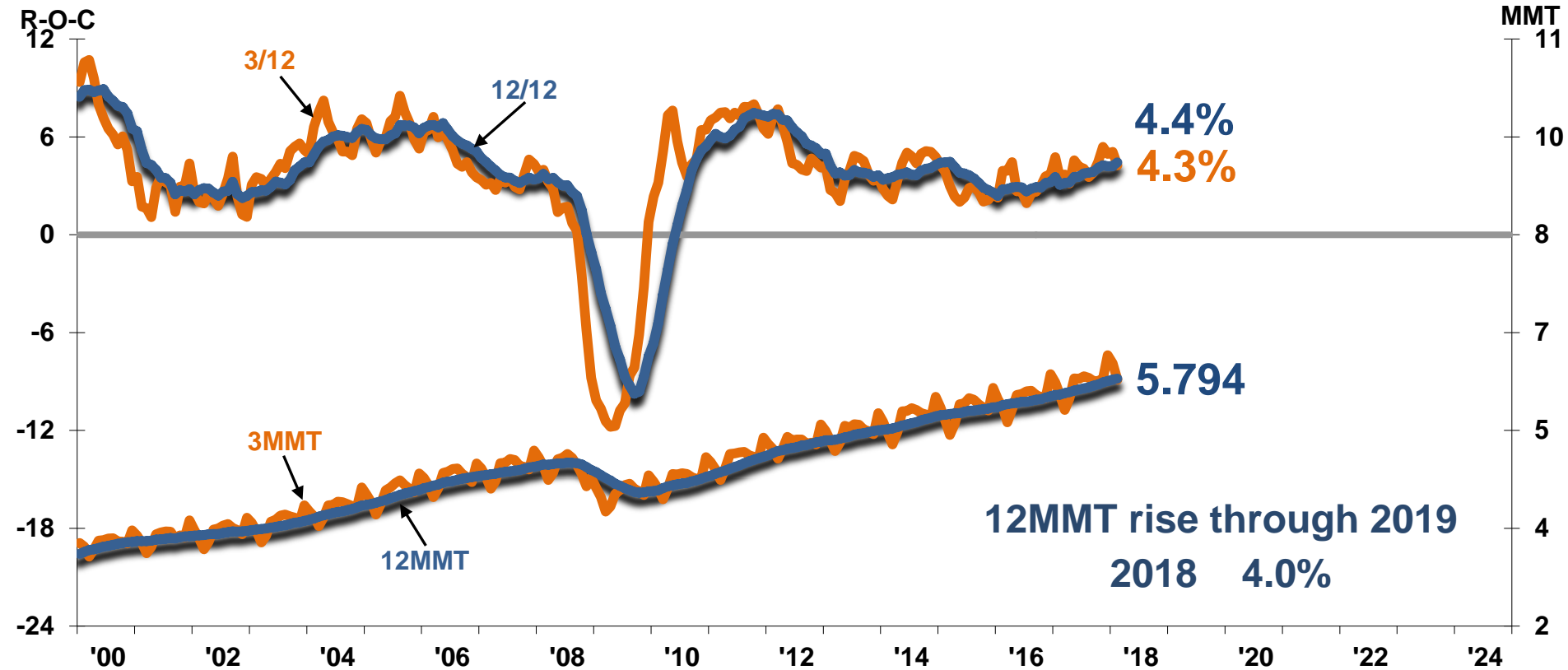
A positive impact from the tax law will show up here



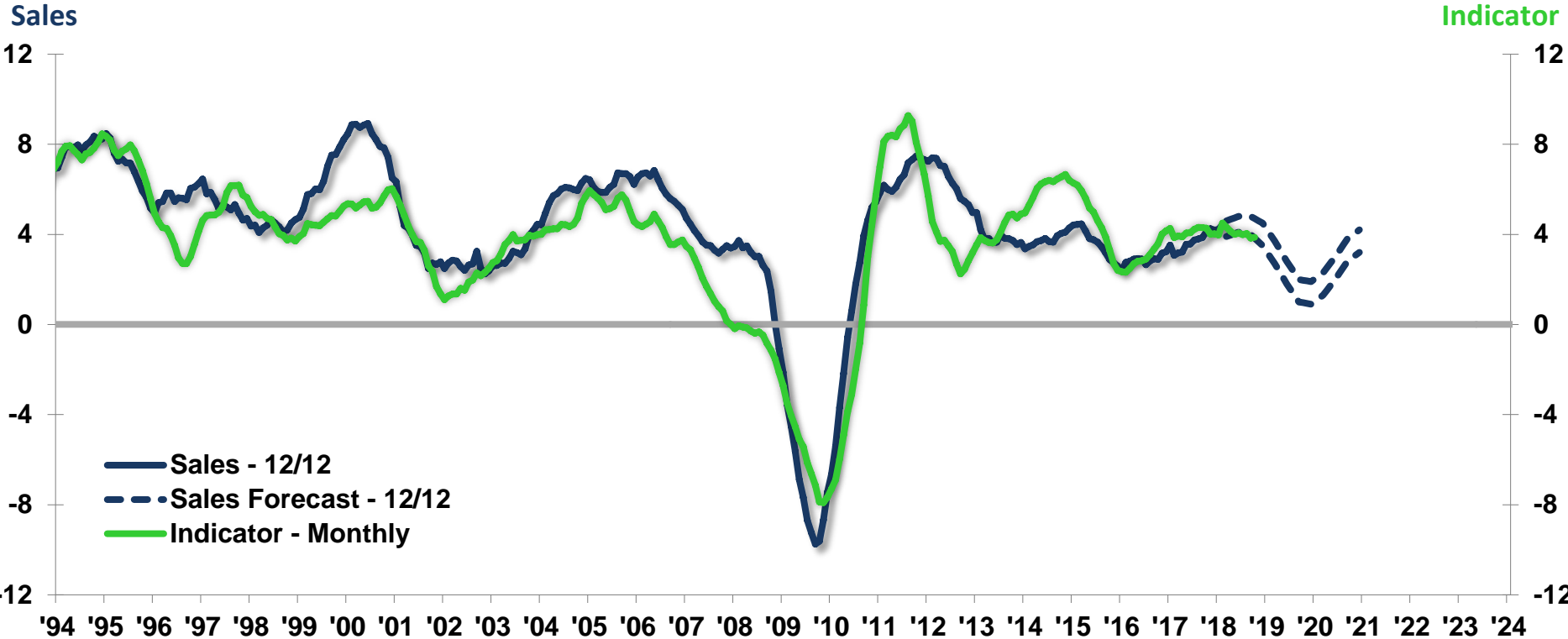
# US Nondefense Capital Goods New Orders (excl. Aircraft) to US Machinery Manufacturing Capacity Utilization



# US Total Retail Sales

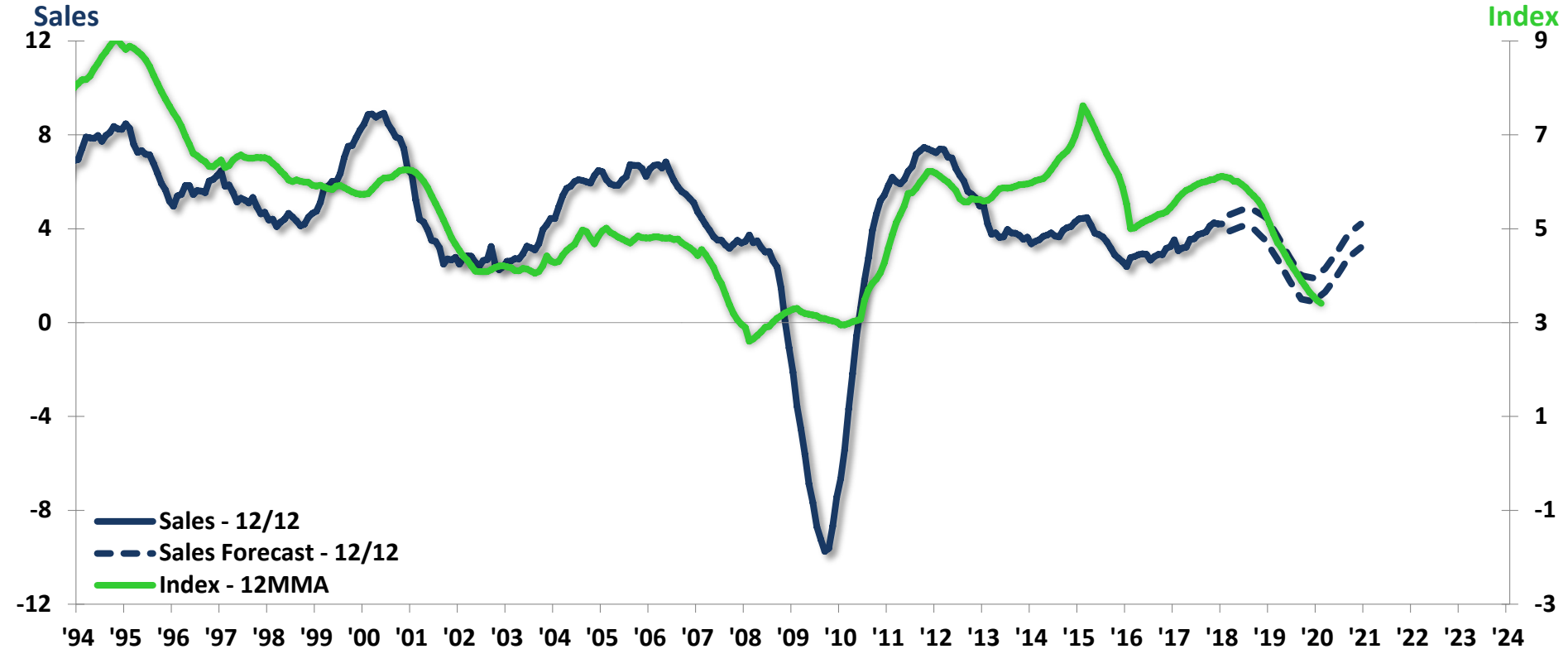


# US Total Retail Sales to ITR US Retail Sales Leading Indicator



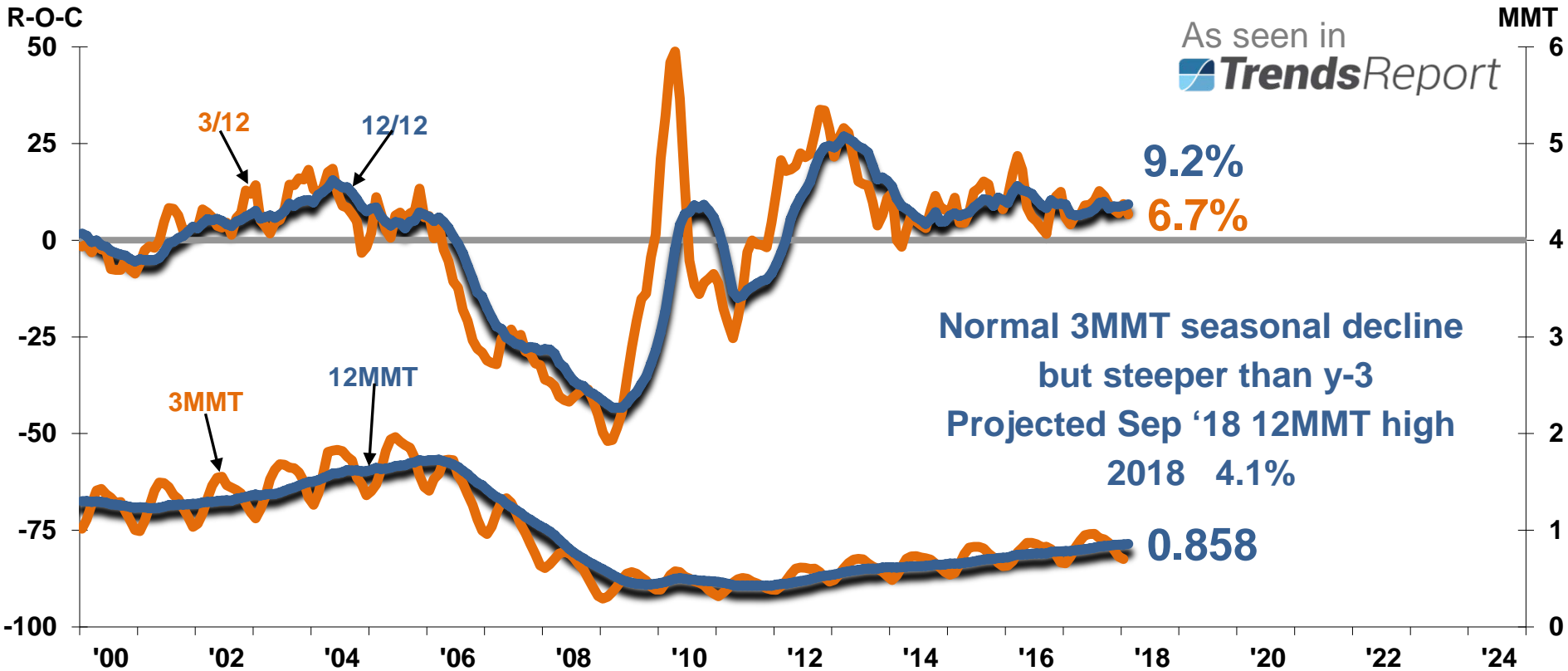


# US Total Retail Sales to US Personal Savings as a Percentage of Disposable Income

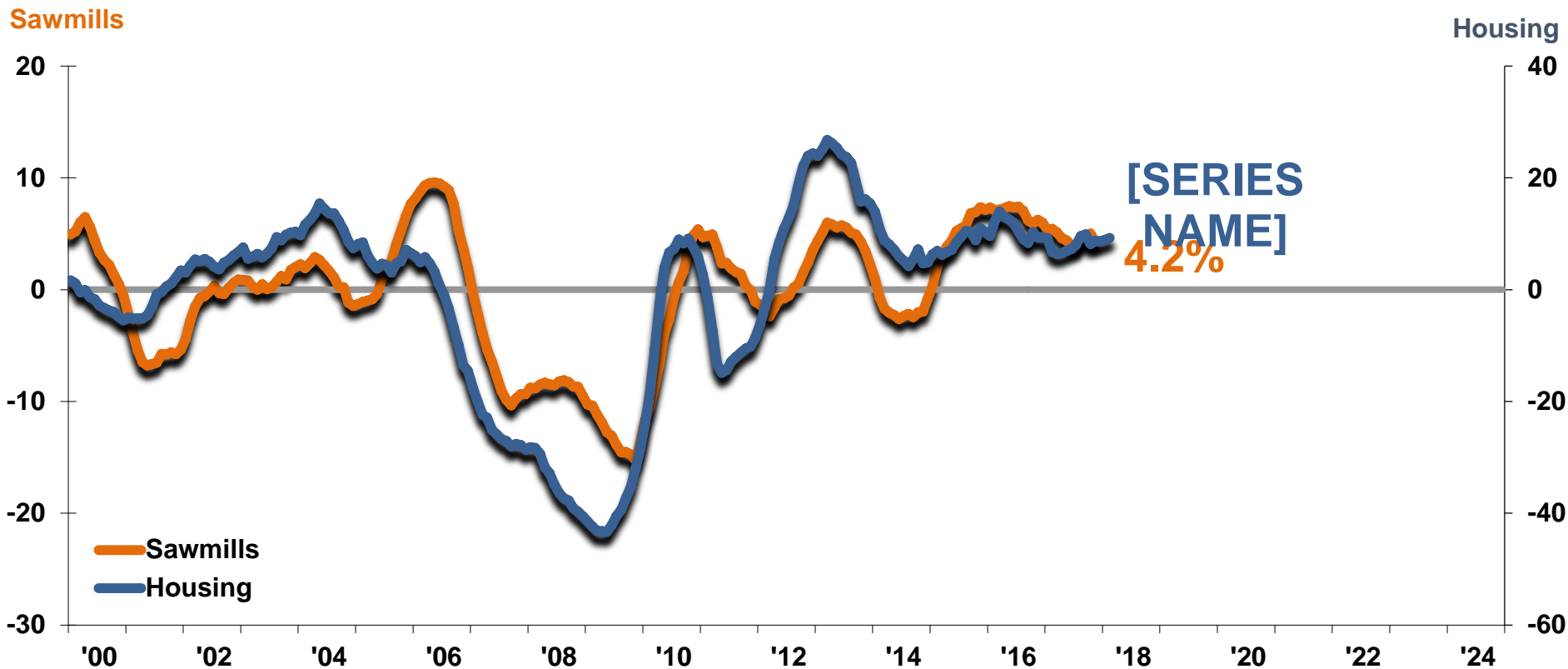


# US Single Unit Housing Series

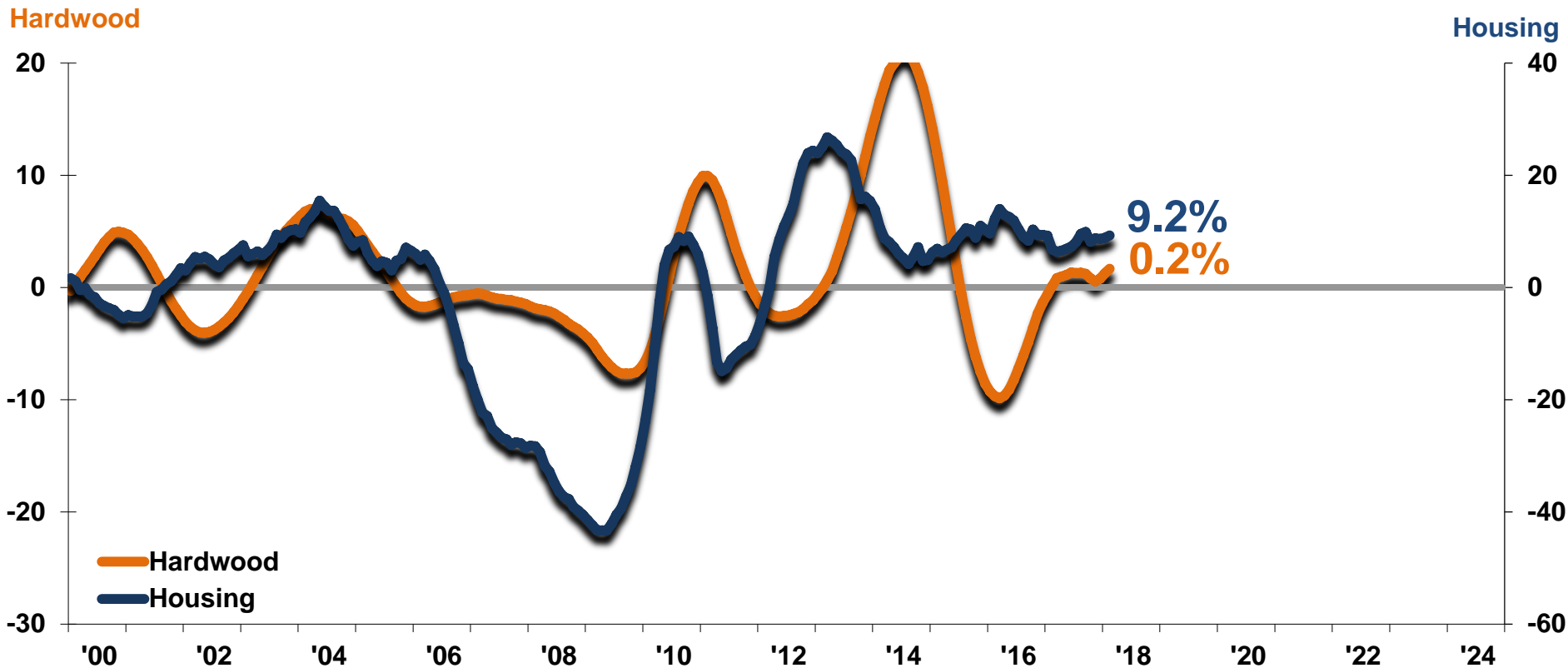
As seen in  
**TrendsReport**



# US Sawmills & Wood Preservation Production Index to US Single-Unit Housing Starts



# US Hardwood Lumber Producer Price Index to US Single-Unit Housing Starts



# US Single-Family Housing Construction Starts

	12/12	Phase	Annual Trend (bils)	Direction
Northeast	4.2%	B	\$62.3	Up
South	6.6%	C	\$129.4	Down
Midwest	7.2%	C	\$454.3	Up
West	15.7%	B	\$207.7	Up



# US Multi-Family Housing Construction Starts

	12/12	Phase	Annual Trend (bils)	Direction
Northeast	-9.8%	A	11.2%	49.5
South	-26.1%	D	-48.0%	47.3
Midwest	-14.2%	D	1.6%	144.6
West	4.5%	B	14.0%	115.2



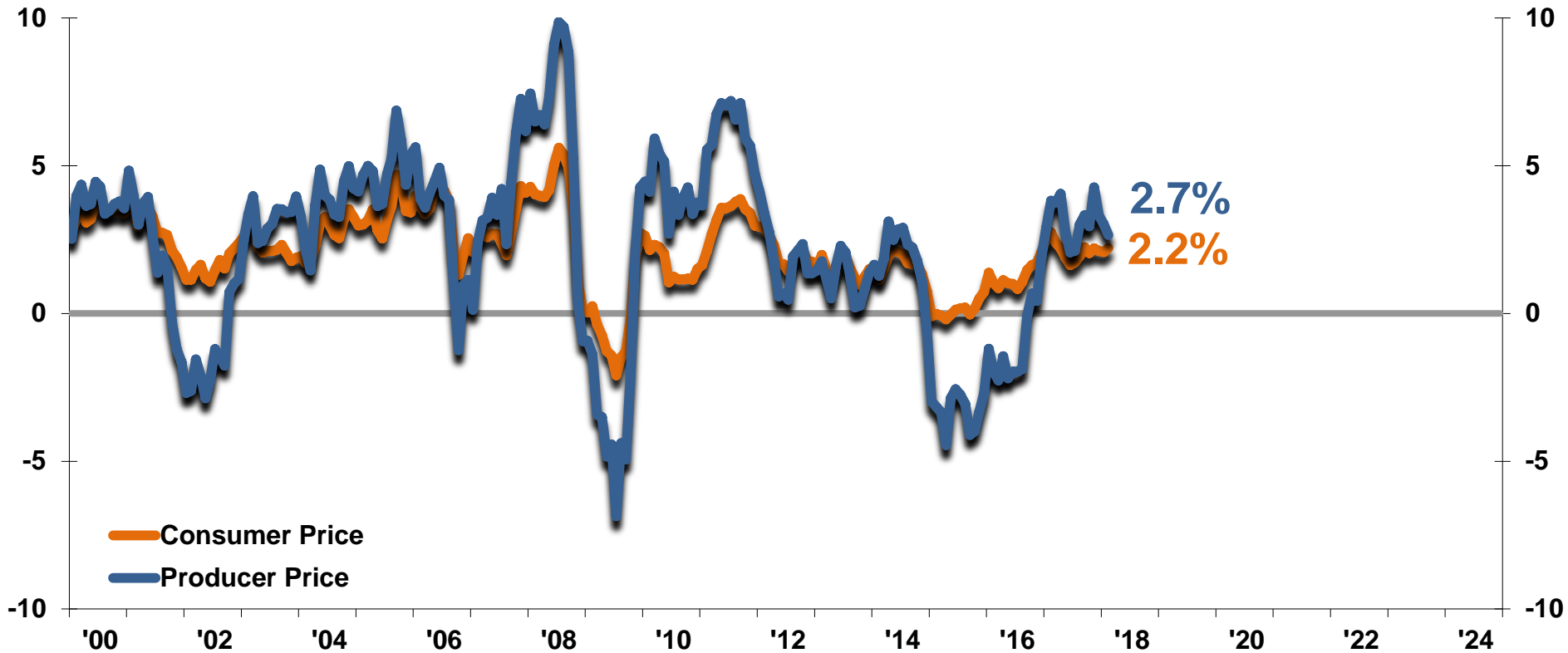
**I Can't Adult Today.**

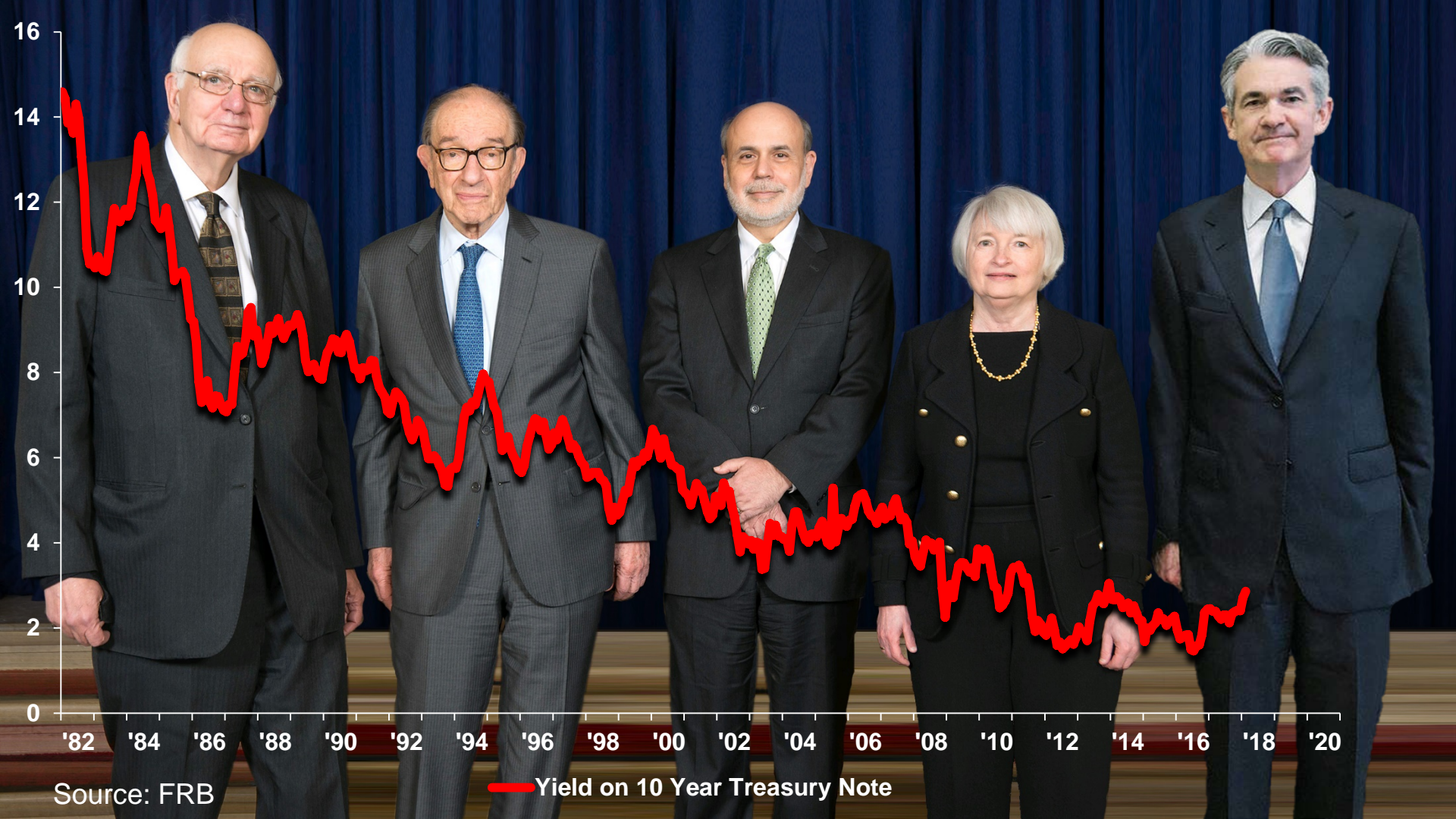


**Please Don't Make Me Adult.**



# US Consumer Price Index to US Producer Price Index

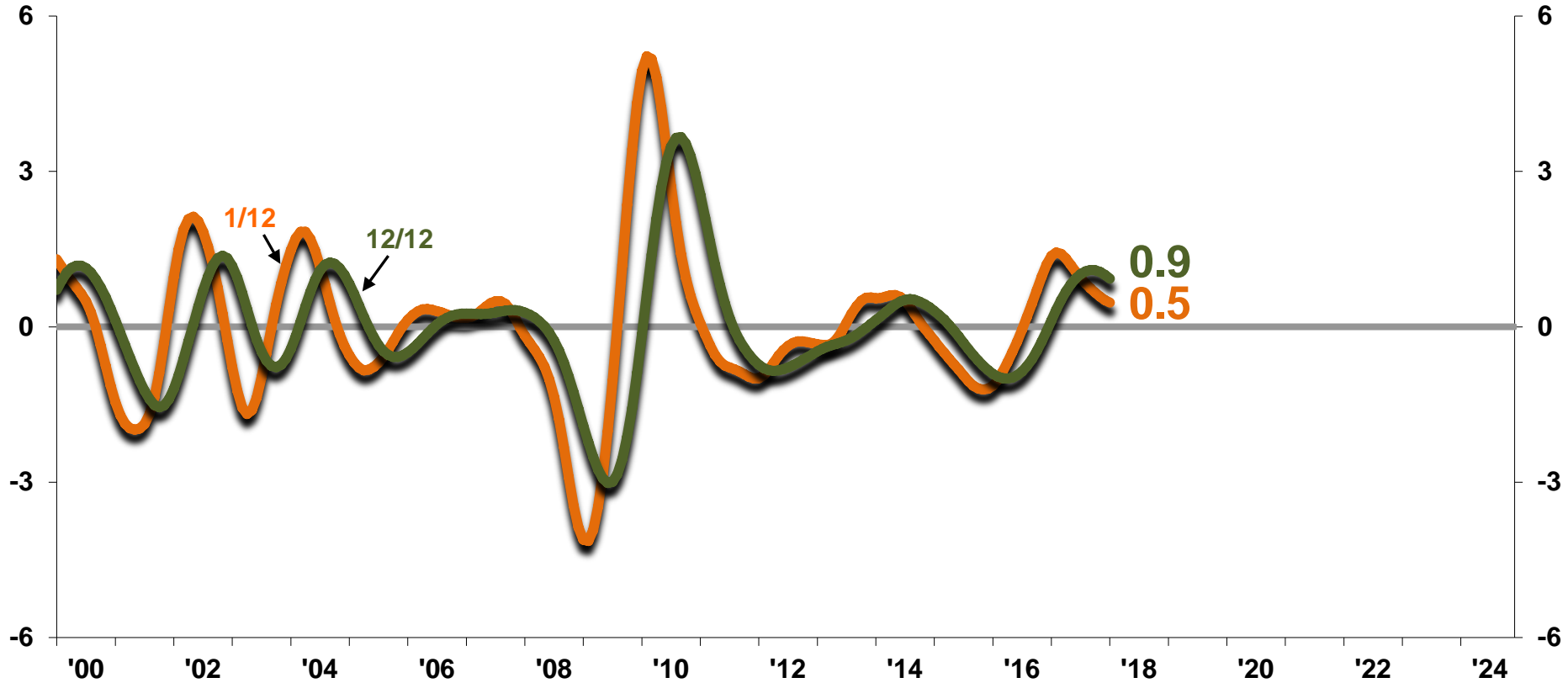




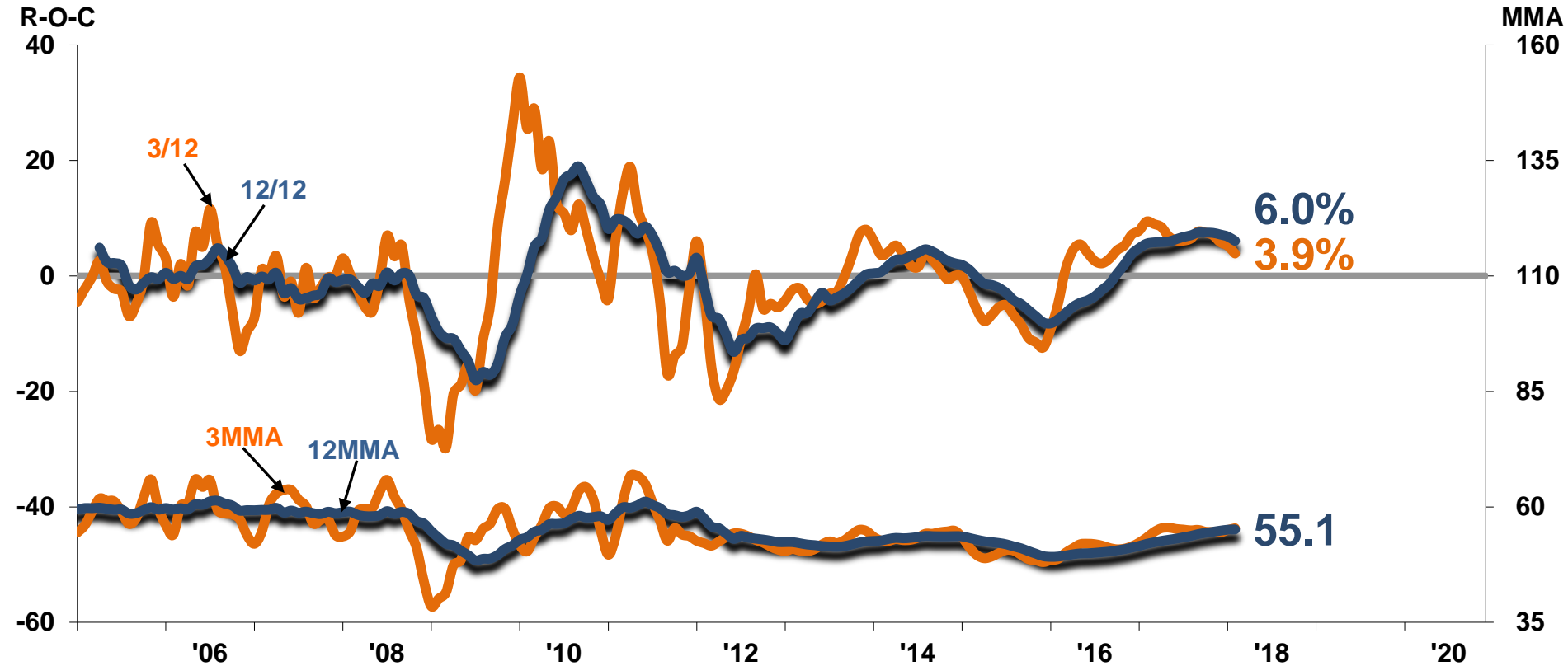


**OUR NEIGHBOR**

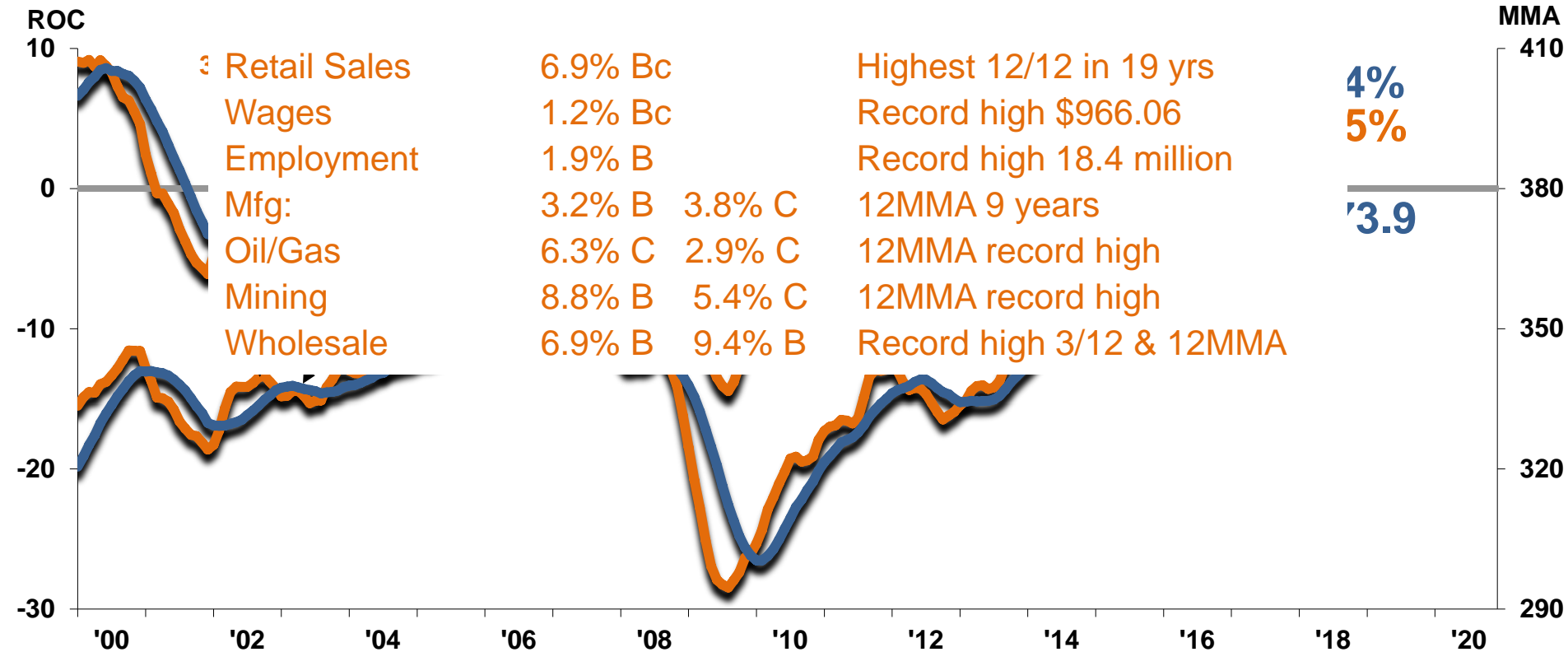
# Canadian Leading Indicator



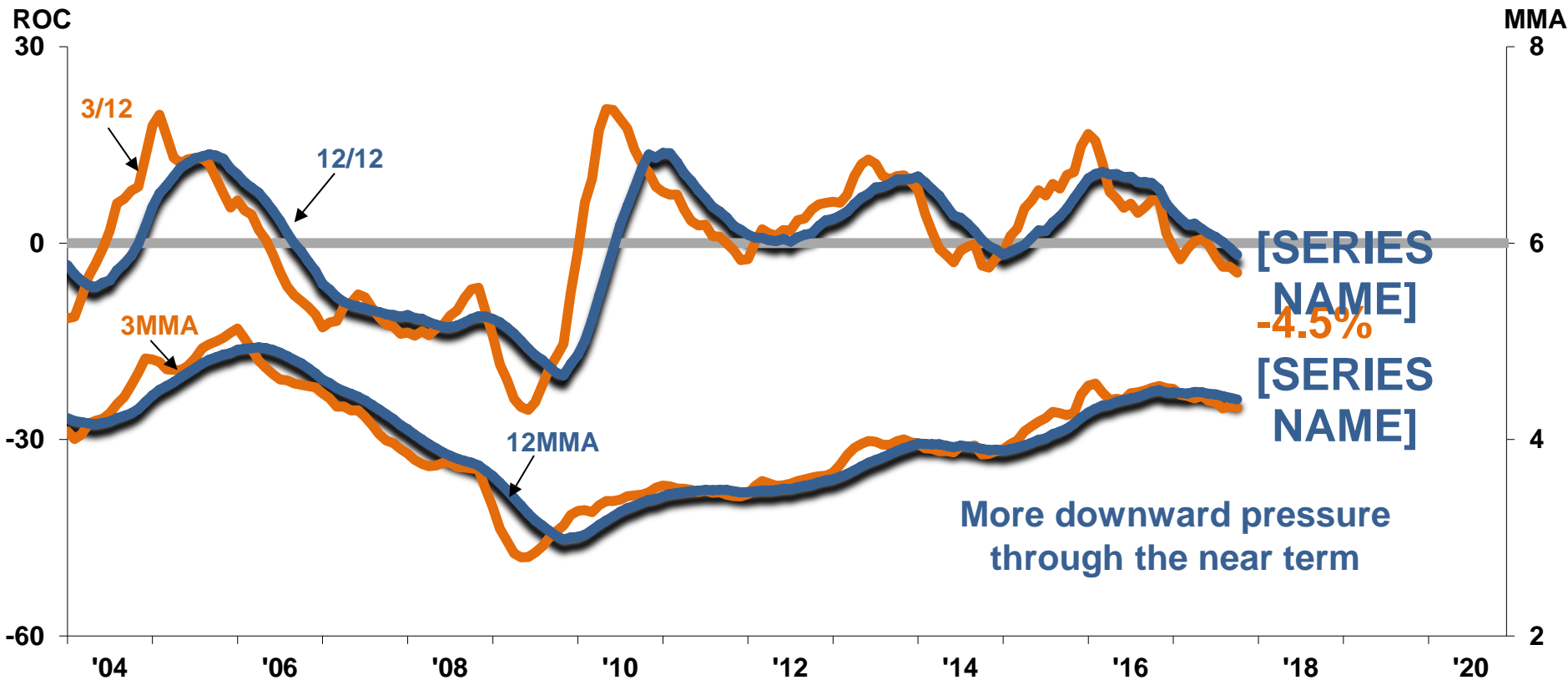
# Canada Purchasing Managers Index



# Canada Industrial Production



# Canada Sawmills and Wood Preservation





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**HMA – ALAN IS COOL!**

