



ARMADA

Now Reality Sets In: Economic Scenarios for 2025

Dr. Chris Kuehl
Managing Director



How Bad (or Good) is the Economy Now Anyway

- **Classic Response from an Economist – “It All Depends”**
 - “K” recovery – more on this later
 - Objective data is solid – growth at 2.8% in Q3 – estimate of 2.5% for Q4
 - Unemployment rate at 4.1% - 7 million unemployed
 - Inflation rate down to 2.3%
 - Globally – no developed nation in recession but some are close
- **Why Are People so Angry and Upset Over the Economy**
 - Inflation rate is down but prices have not fallen from those peaks and that only happens two ways – an outright recession or intense competitive pressure
 - Maybe they are really not all that upset over the economy – dominant issues in this last campaign were social. Immigration, transgender rights, abortion etc.
 - Technology is making people uneasy – lots of talk about AI and robotics eliminating jobs
 - Geopolitical concerns – Ukraine, Gaza, Taiwan/China, Russia, North Korea

Current Economic Themes

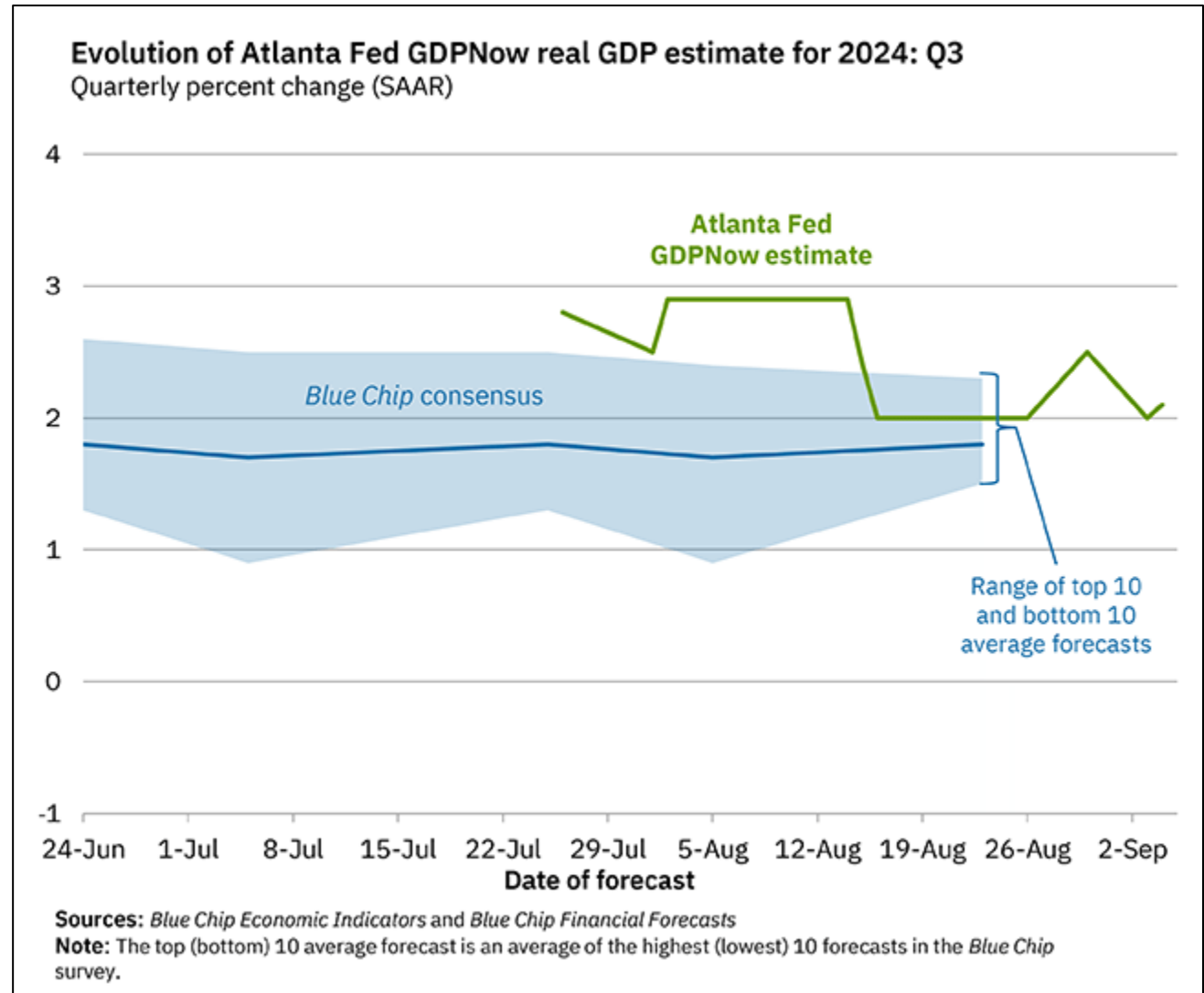
- **Immigration – Focus on workplace raids, border control, emphasis on both legal and illegal immigration. Likely to make labor shortage far worse in select sectors (agriculture and construction as well as food service)**
- **Tariffs – proposed 20% tax on all goods coming to US and 60% on Chinese imports. Tariffs only work if there is a US alternative. Most of the imports do not compete directly with a US producer. Burden will fall on consumer and that triggers inflation. Watch for exemptions**
- **Manufacturing support – will there be more support for reshoring? Business indicates it needs trained labor, proper infrastructure, regulatory relief, innovation support.**
- **Regulatory reform in general – shift away from issues such as reducing fossil fuel production and expanded worker protection. More emphasis on streamlining development and eliminating barriers.**
- **Technology – determining the role of robotics, AI and tech in general. Coupled with interest in national security**

What Happened to the “Polycrisis”

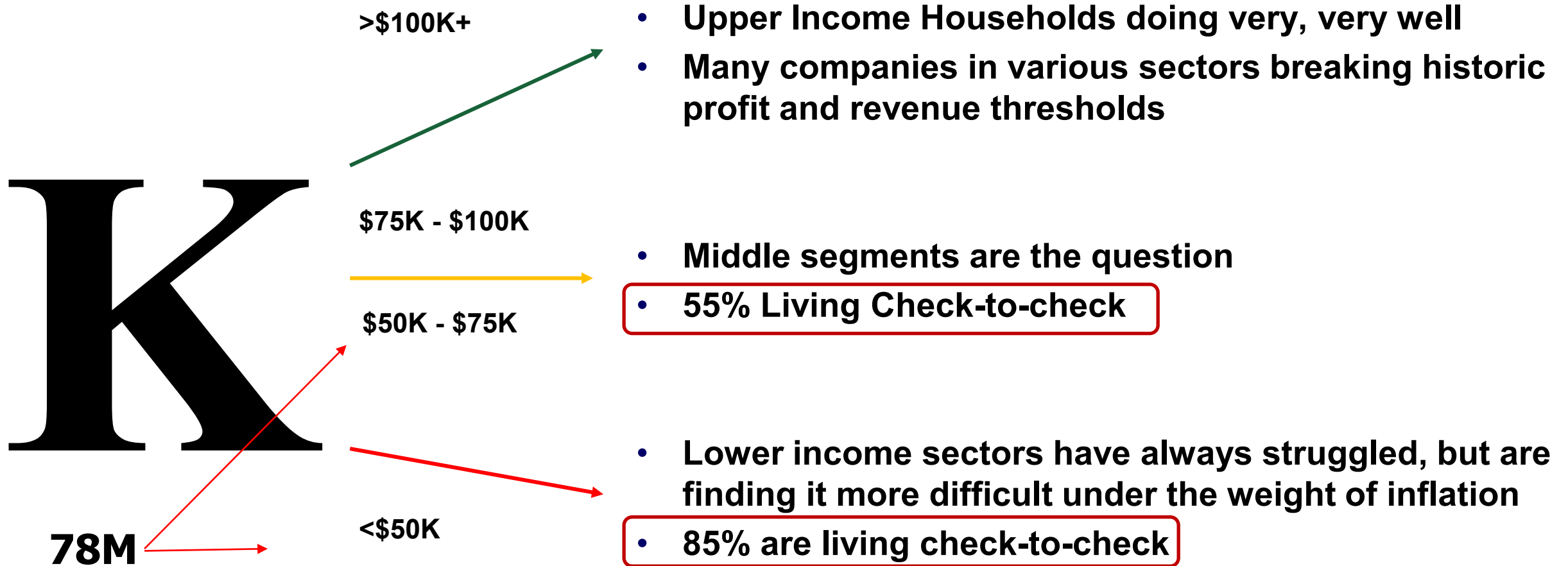
- **Stagflation – Supposed to be repeat of the 1970s – very low growth combined with very high inflation. We got the inflation but we also got high levels of growth. In fact it was the growth that triggered the inflation**
- **Oil Crisis – Russian sanctions were supposed to lead to \$200 a barrel oil. The current WTI is \$70 and Brent is \$73. Russia sells more oil now than before the sanctions. More worry about a glut these days.**
- **Crop prices – Supposed to be a crisis as Ukraine and Russia would not produce – both are setting export records again this year.**
- **Global recession – Nobody in western world has fallen below zero. Weaker in Europe but still no recession. Even developing world has managed to avoid deterioration.**
- **Did central banks manage to maneuver fast enough after all?**
- **Was this all media and political hysteria?**

Q4 In-Line with Estimates

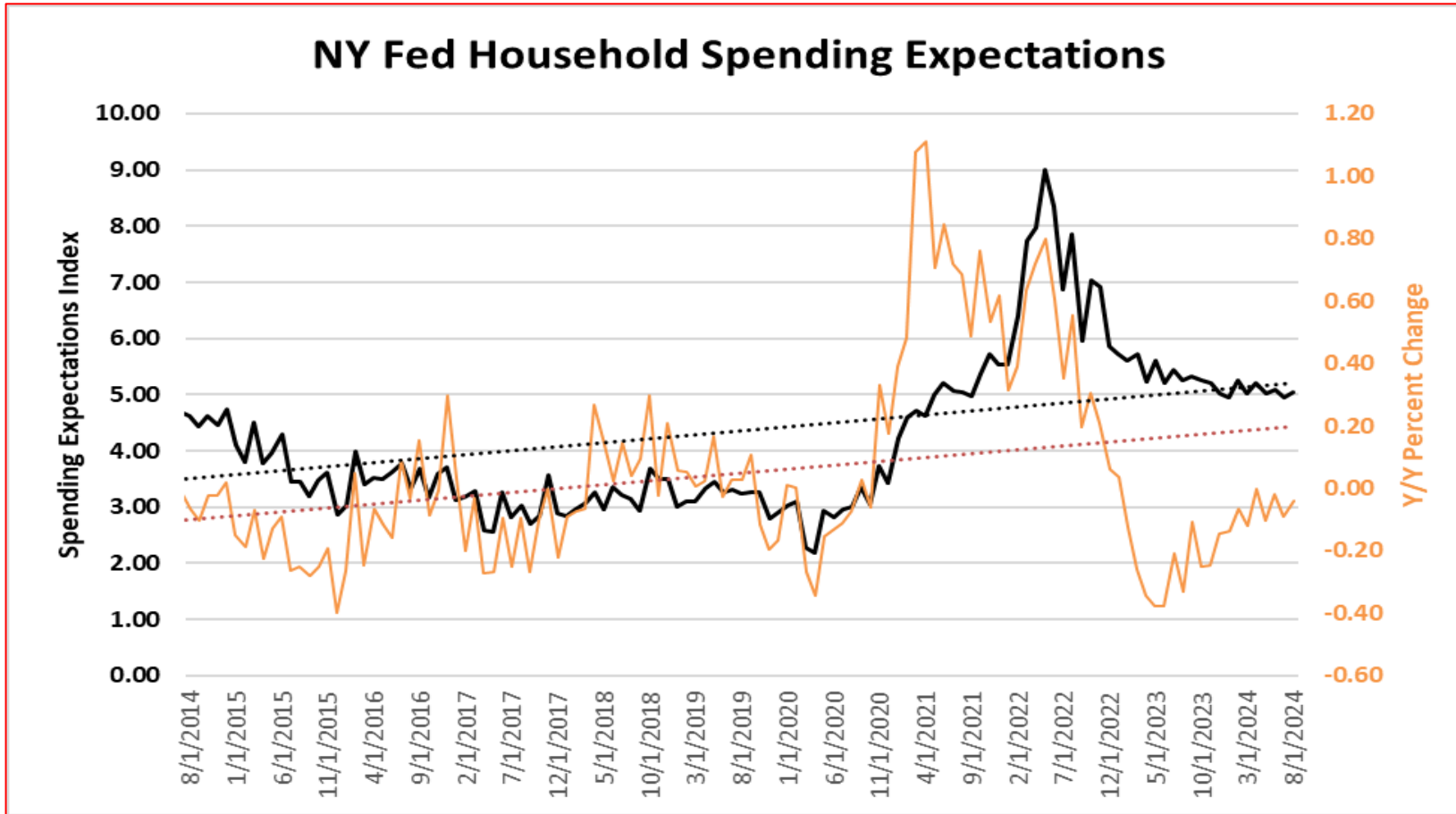
- Blue Chip Economists are expecting 2.3% growth for Q4, which is in-line with prior expectations. Atlanta Fed estimates show it trending higher and it hit 2.8%.
- The economy is still being driven by:
 - Consumer spending
 - Government spending
 - Business and Private Investment



The Rare, K Shaped Recovery



Despite All of That: Consumer Spending Expectations Remain Historically High

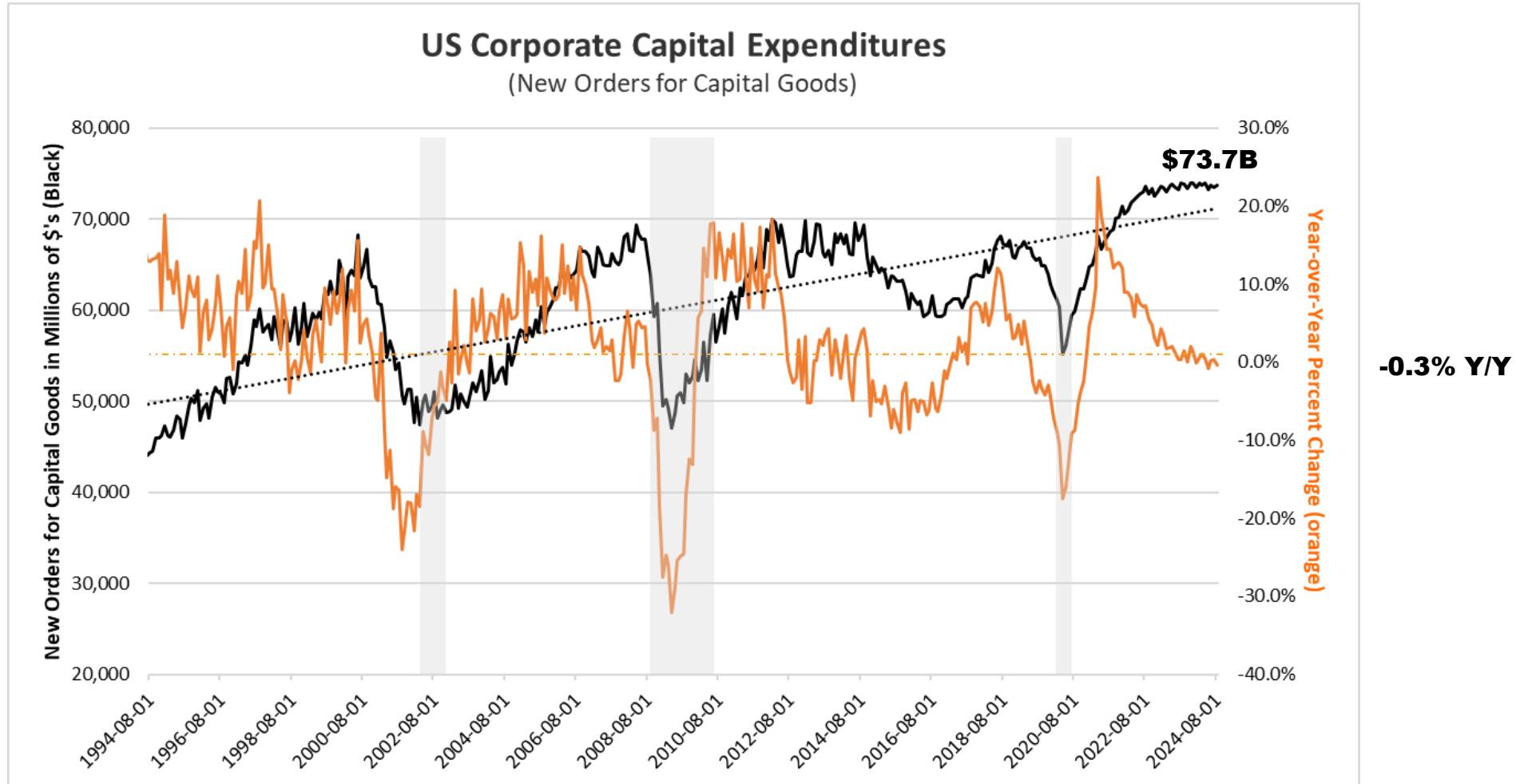


1. Historically, spending expectations remain high.
2. This could be a good sign for the peak retail season and help complete sell-through.
3. Again, some of this might be the 'K' shaped recovery in which some households are doing very well, but others are really struggling under the weight of inflation.

K

Growth: Corporate Investment Remains Steady

- Small business surveys show investment has started to decline, and is now showing in this view of the national data yet



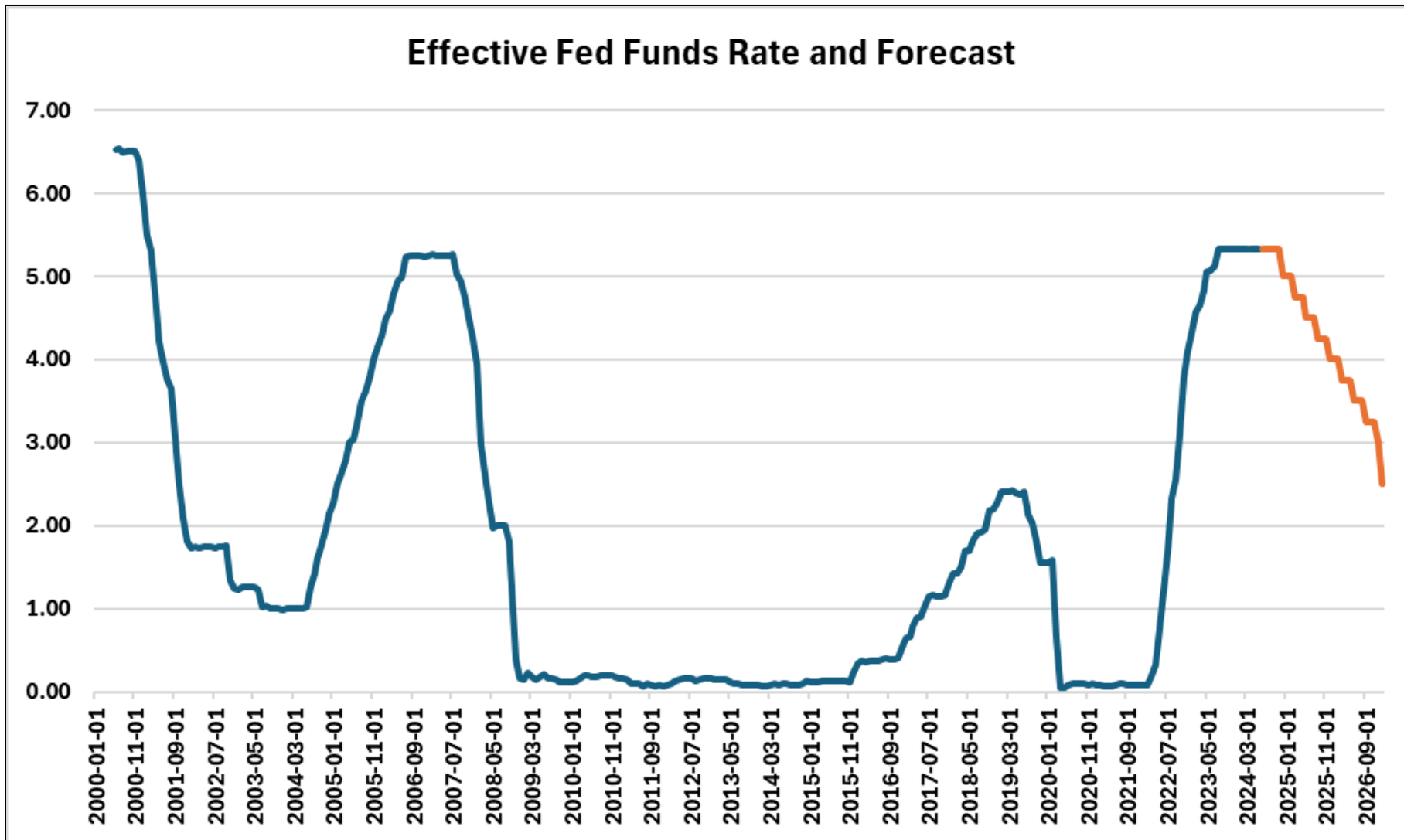
Global Manufacturing Slowing

- Preliminary data shows 18 countries had manufacturing sectors in contraction in September (a few had not yet reported at the time of the report)
- 19 out of 30 countries surveyed fell M/M.
- **General Themes:**
 - New orders were sluggish in September
 - Input prices were still high
 - Pushback on selling prices (customers not accepting hikes)
 - Hiring has stalled, some countries seeing reductions in headcount
 - And yet, most manufacturers remain optimistic about the future
- **Services sectors typically account for 50-60% of most developed country's GDP, and almost every country was still experiencing expansion in services spending**
 - This seems to be a global phenomenon that services and experiential spending continues to grow while product spending remains sluggish

Country PMI	Manufacturing					Services			
	Trade with US (in billions)	Current Month	Latest Month PMI	Prior Month PMI	M/M Change	Current Month	Latest Month PMI	Prior Month PMI	M/M Change
US		Sep	47.3	47.9	-0.6	Sep	55.2	55.7	-0.5
Global PMI	\$ 4,700	Sep	48.8	49.6	-0.8	Sep	52.9	53.8	-0.9
Canada	\$ 665	Sep	50.4	49.5	0.9	Sep	46.4	47.8	-1.4
Mexico	\$ 661	Sep	47.3	48.5	-1.2				
China	\$ 655	Sep	49.3	50.4	-1.1	Sep	50.3	51.6	-1.3
Eurozone PMI	\$ 632	Sep	45.0	45.8	-0.8	Sep	51.4	52.9	-1.5
ASEAN	\$ 369	Sep	50.5	51.1	-0.6				
Japan	\$ 210	Sep	49.7	49.8	-0.1	Sep	53.1	53.7	-0.6
Germany	\$ 201	Sep	40.6	42.4	-1.8	Sep	50.6	51.2	-0.6
South Korea	\$ 161	Sep	48.3	51.9	-3.6				
UK	\$ 118	Sep	51.5	52.5	-1.0	Sep	52.4	53.7	-1.3
Taiwan	\$ 114	Sep	50.8	51.5	-0.7				
India	\$ 113	Sep	56.5	57.5	-1.0	Sep	58.9	60.9	-2.0
Vietnam	\$ 113	Sep	47.3	52.4	-5.1				
Netherlands	\$ 88	Sep	48.2	47.7	0.5				
Ireland	\$ 88	Sep	49.4	50.4	-1.0	Sep	55.7	53.8	1.9
Switzerland	\$ 87	Sep	49.9	49.0	0.9				
Italy	\$ 83	Sep	48.3	49.4	-1.1	Sep	50.5	51.4	-0.9
France	\$ 80	Sep	44.6	43.9	0.7	Sep	49.6	55.0	-5.4
Brazil	\$ 78	Sep	53.2	50.4	2.8	Sep	55.8	54.2	1.6
Singapore	\$ 65	Sep	56.6	57.6	-1.0				
Thailand	\$ 60	Sep	50.4	52.0	-1.6				
Australia	\$ 39	Sep	46.7	48.5	-1.8	Sep	50.5	52.5	-2.0
Indonesia	\$ 37	Sep	49.2	48.9	0.3				
Russia	\$ 36	Sep	49.5	52.1	-2.6	Sep	50.5	52.3	-1.8
Spain	\$ 35	Sep	53.0	50.5	2.5	Sep	57.0	54.6	2.4
Hong Kong	\$ 34	Aug	49.4	49.5	-0.1				
Philippines	\$ 23	Sep	53.7	51.2	2.5				
Poland	\$ 11	Sep	48.6	47.8	0.8				
Greece	\$ 3	Sep	50.3	52.9	-2.6				

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

Historical Perspective: Fed Funds Rate Forecast – Long Term 2.75%



Regional Growth HotSpots

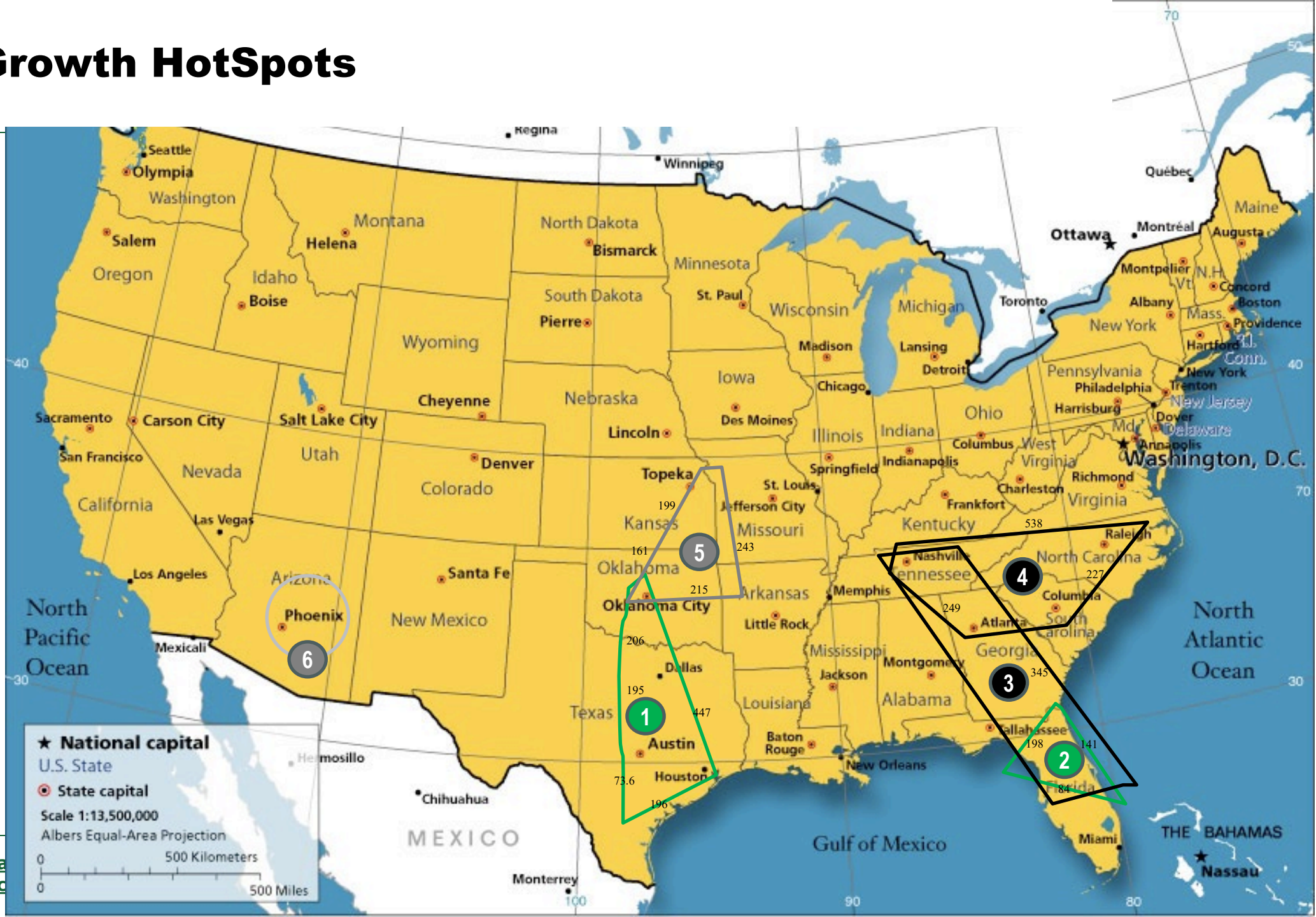
Potential Regional Blocks
and cumulative PIQ
Construction Potential
Scores.

1. 6,764.9
2. 2,318.9
3. 4,094.7
4. 3,996.9
5. 1,260.3

Single MSA Pockets:

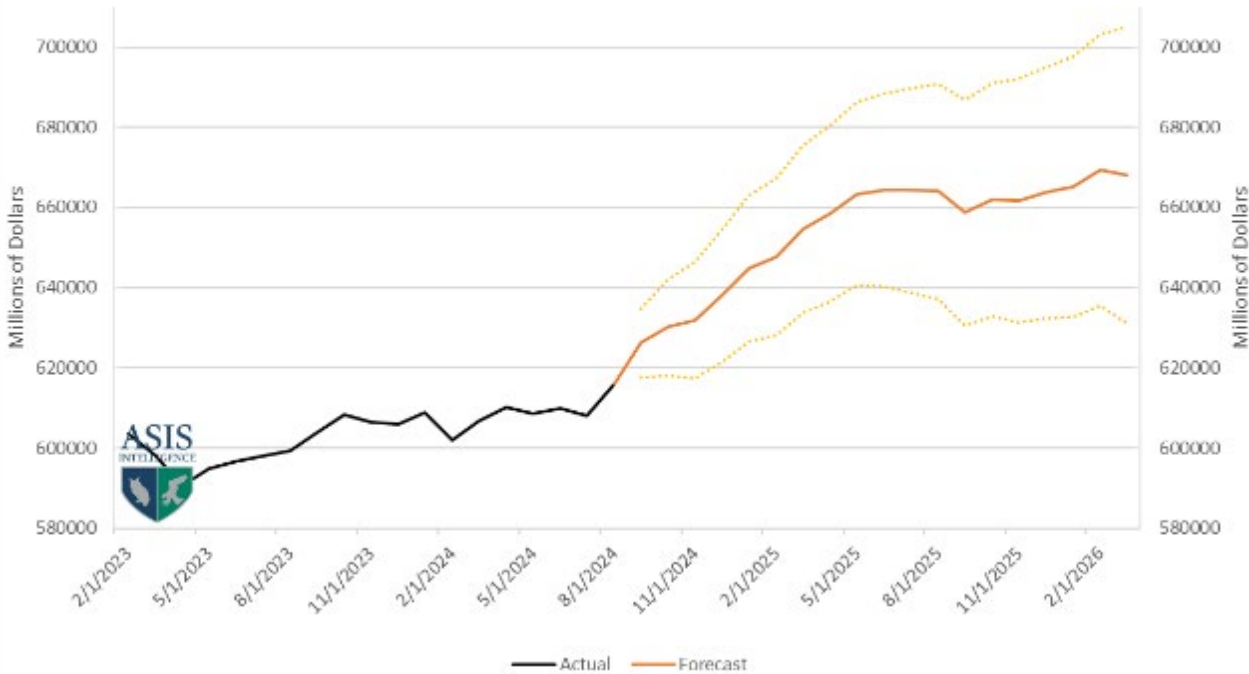
6. Phoenix: 1,780.6

Note: Mileage between major MSA's within each corridor listed on the map. Longer distances within a corridor may have affected the rankings (highest score didn't always show up on top).

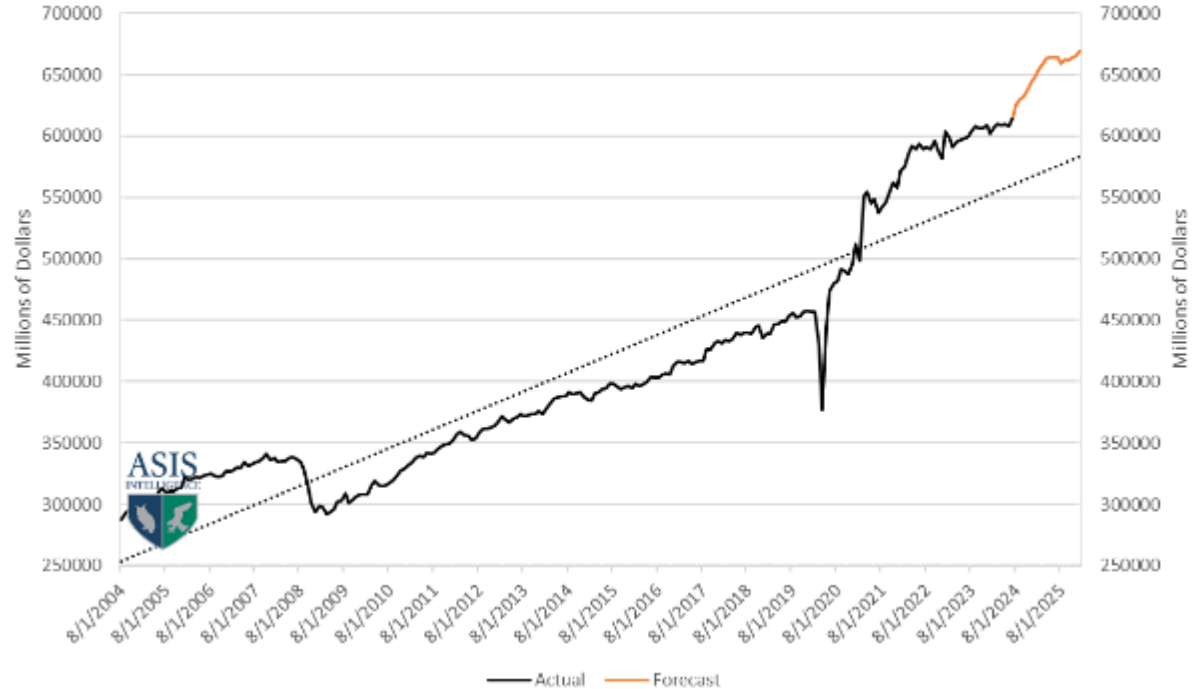


Retail Forecast

Advance Retail Sales: Retail Trade (RSXFS)
Forecast as of 09/18/2024



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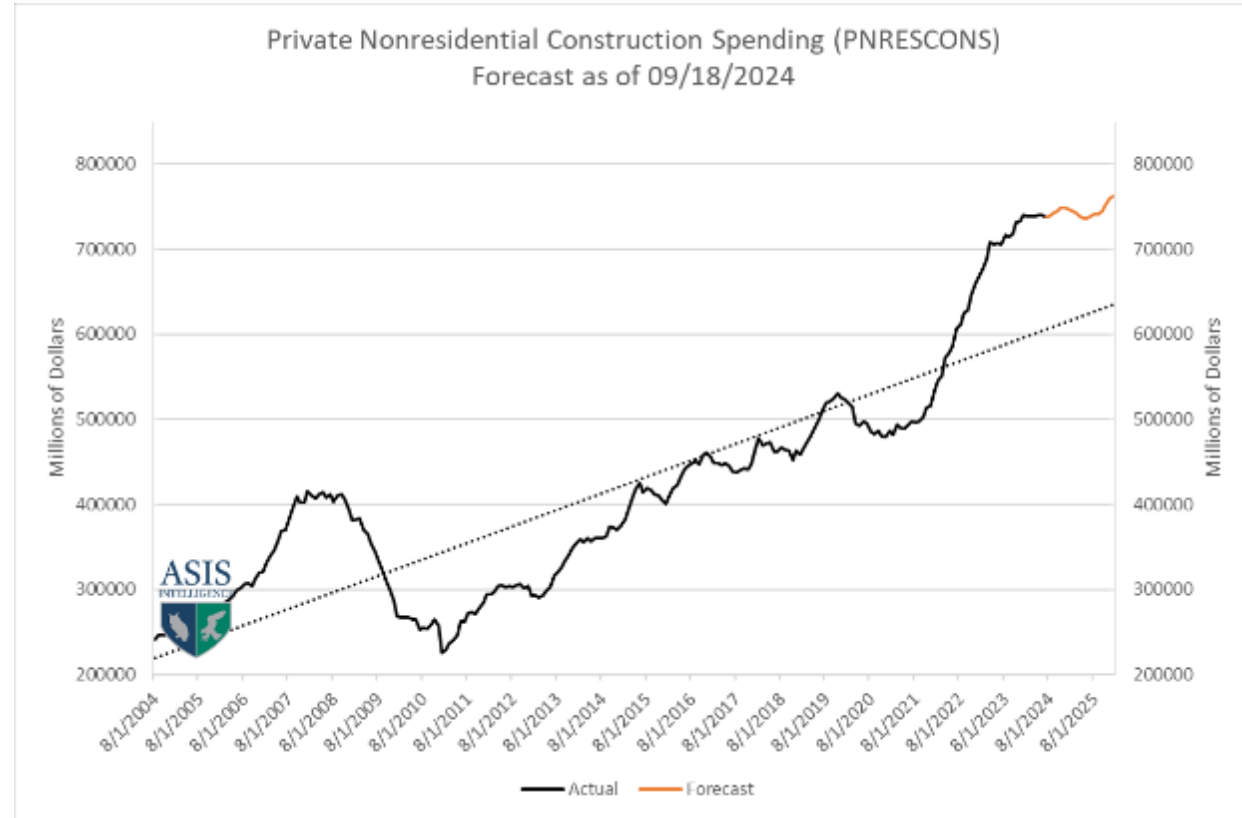
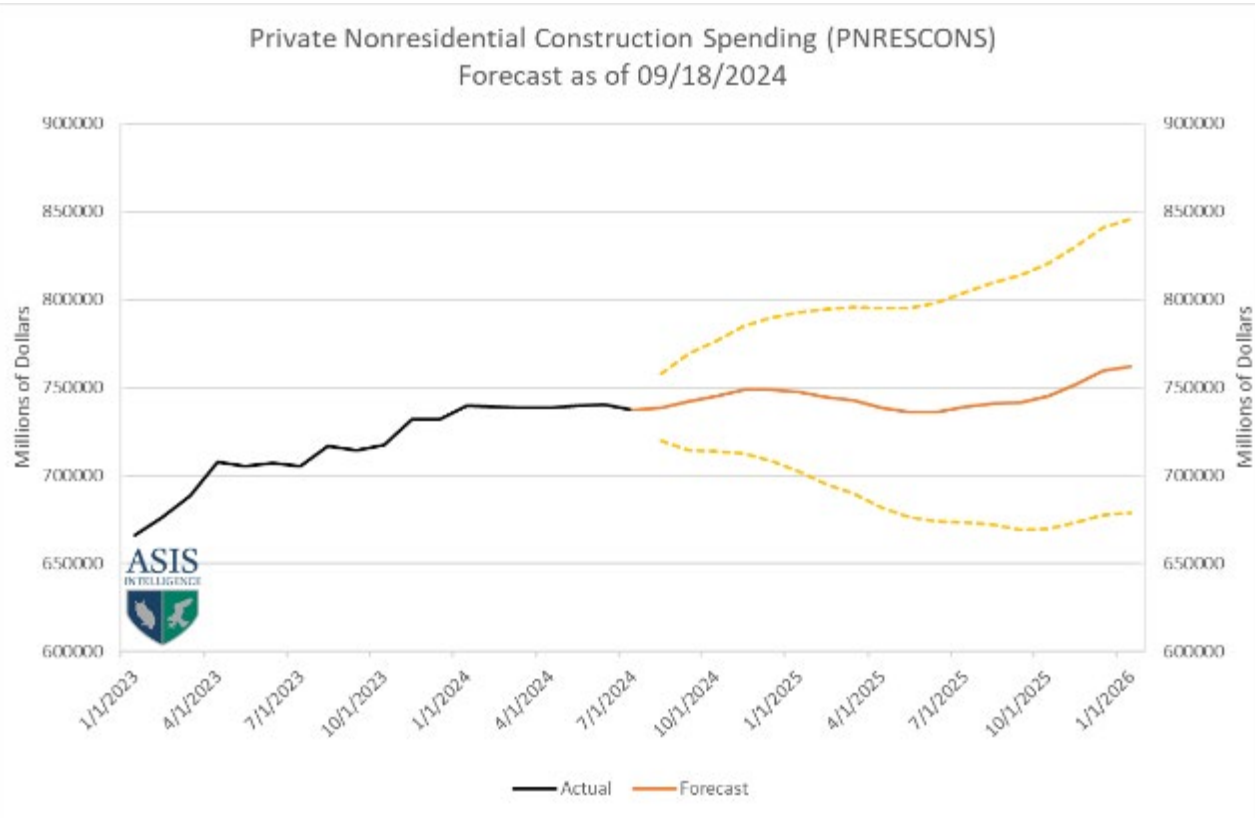
- The Retail Sales model shows growth of 5.9% for 2024 and growing 2.3% in Q4
- Q1 2025 growth of 2.1%, Q2 2025 0.9%, and Q3 2025 -0.4% based on current data
- The “cone” shows a broad configuration with high volatility – the model is showing generally a growth bias

- The Retail Sales model shows growth above long-term trend levels through 2025 if this forecast holds, breaking new record levels of total sales on a nominal basis (flat when inflation adjusted)
- Economic weakness in the coming quarters may adjust these factors downward, but Fed interest rate trimming could boost it

	3-month	6-month
Advanced Retail Sales RSXFS	99.8%	97.5%

Nonresidential Construction

- Note: Historically Double-Edged Sword for Trucking, boosts demand but pulls CDL drivers (less so in residential than in nonresidential)

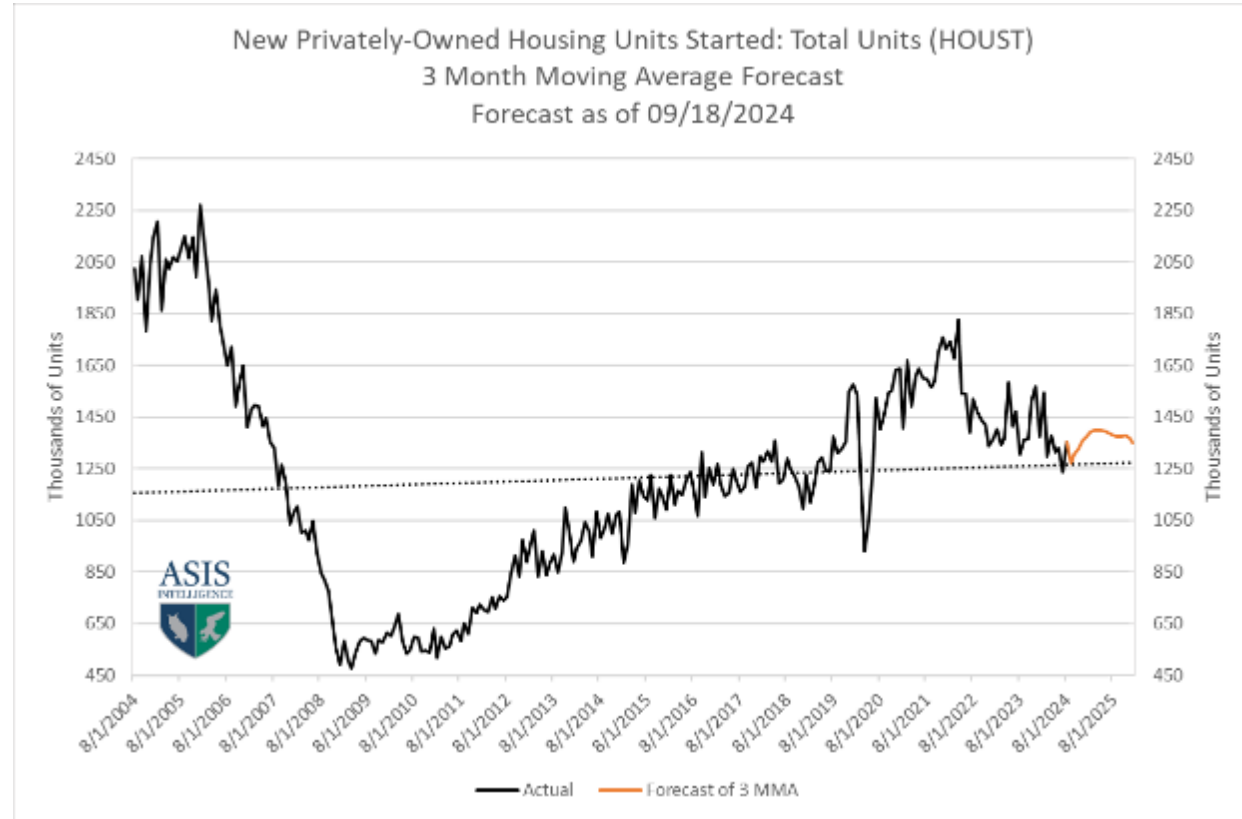
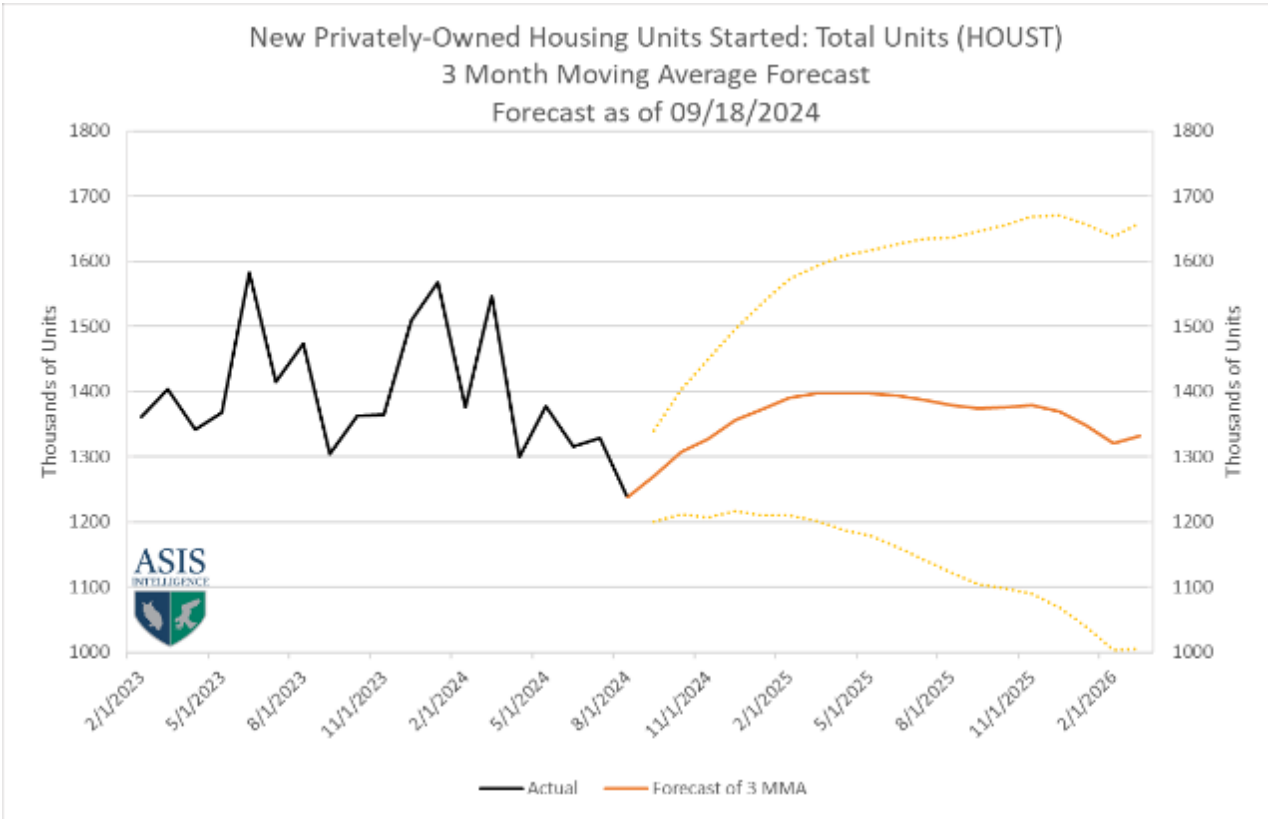


- The Nonresidential construction model shows growth of 2.3% for 2024 and growing 1.0% in Q4
- Q1 2025 -0.9%, Q2 2025 -0.9%, and Q3 2025 0.7% based on current data
- The “cone” shows a broad configuration with high volatility – the model is showing a flat to decelerating bias

- Nonresidential construction model shows growth above long-term trend levels through 2025 if this forecast holds, but it remains flat
- Economic weakness in the coming quarters may adjust these factors downward, but Fed interest rate trimming could boost it

	3-month	6-month
Private Nonresidential Construction PNRESCONS	98.7%	98.0%

Residential Construction



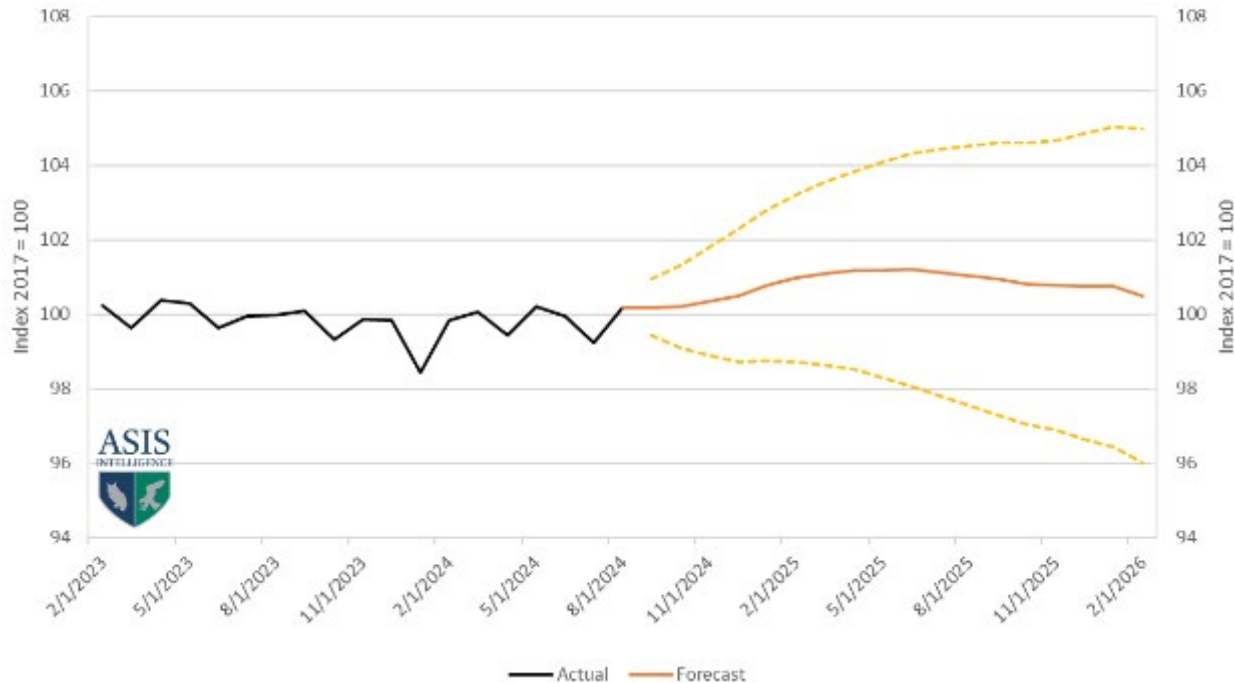
- The Residential Construction model shows contraction of 13.5% for 2024 but growing 6.8% in Q4
- Q1 2025 growth of 3.0%, Q2 2025 -0.2%, and Q3 2025 -1.4% based on current data
- The “cone” shows a broad configuration with high volatility – the model is showing a flat to decelerating bias

- The Residential Construction model shows growth above long-term trend levels through 2025 if this forecast holds, but it remains flat
- Economic weakness in the coming quarters may adjust these factors downward, but Fed interest rate trimming could boost it

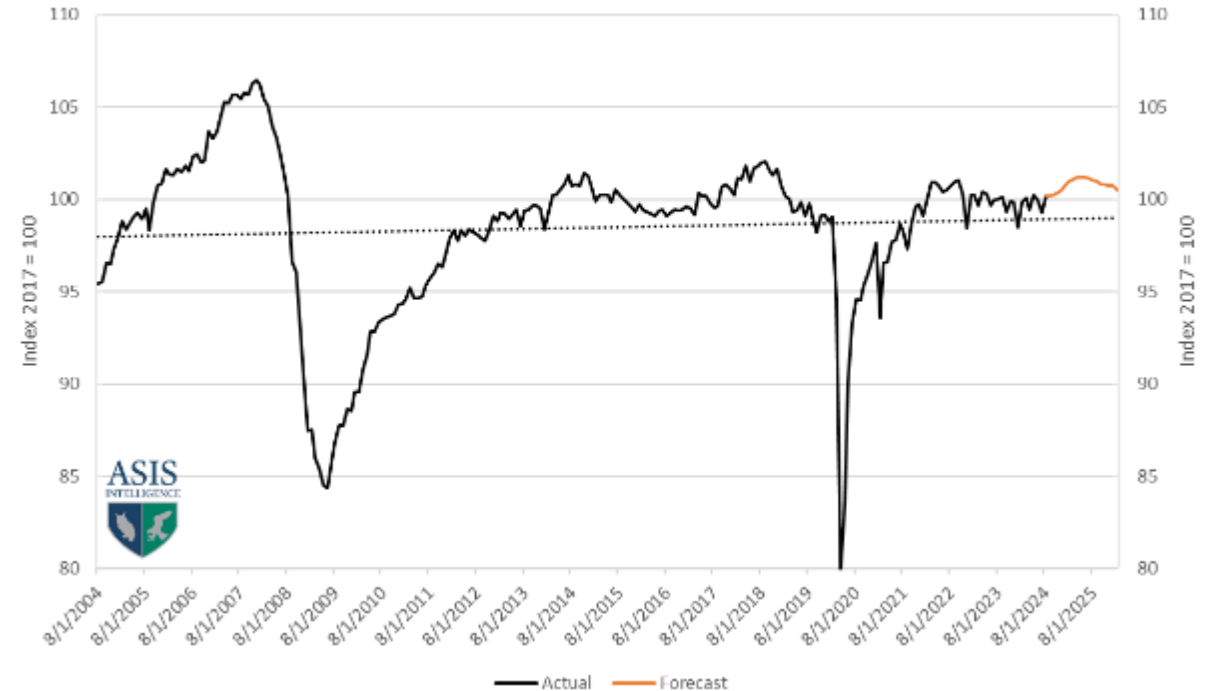
	3-month	6-month
New Privately-Owned Housing Units Started: Total Units HOUST	90.5%	N/A

Industrial Production in Manufacturing

Industrial Production: Manufacturing (IPMAN)
Forecast as of 09/18/2024



Industrial Production: Manufacturing (IPMAN)
Forecast as of 09/18/2024



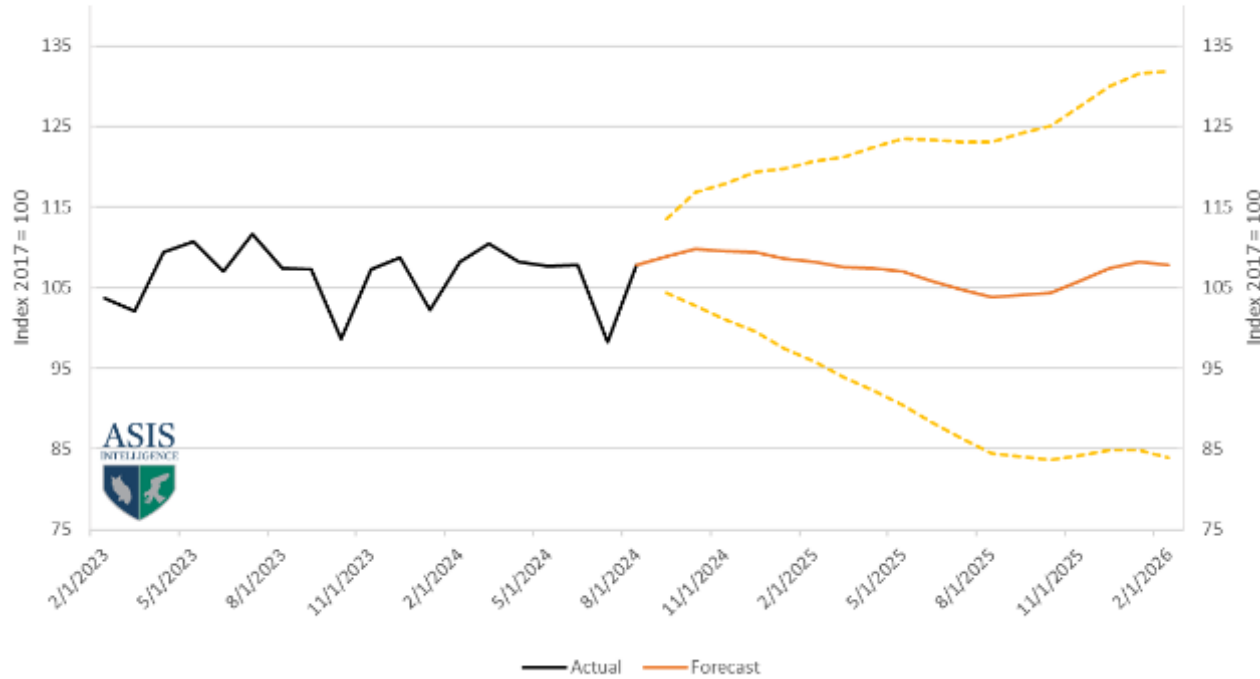
- The IPMAN model shows growth of just 0.7% for 2024 and growing 0.3% in Q4
- Q1 2025 growth of 0.6%, Q2 2025 0.1%, and Q3 2025 -3% based on current data
- The “cone” shows a broad configuration with high volatility – the model is showing a flat to decelerating bias

- IPMAN shows growth above long-term trend levels through 2025 if this forecast holds, but it remains flat
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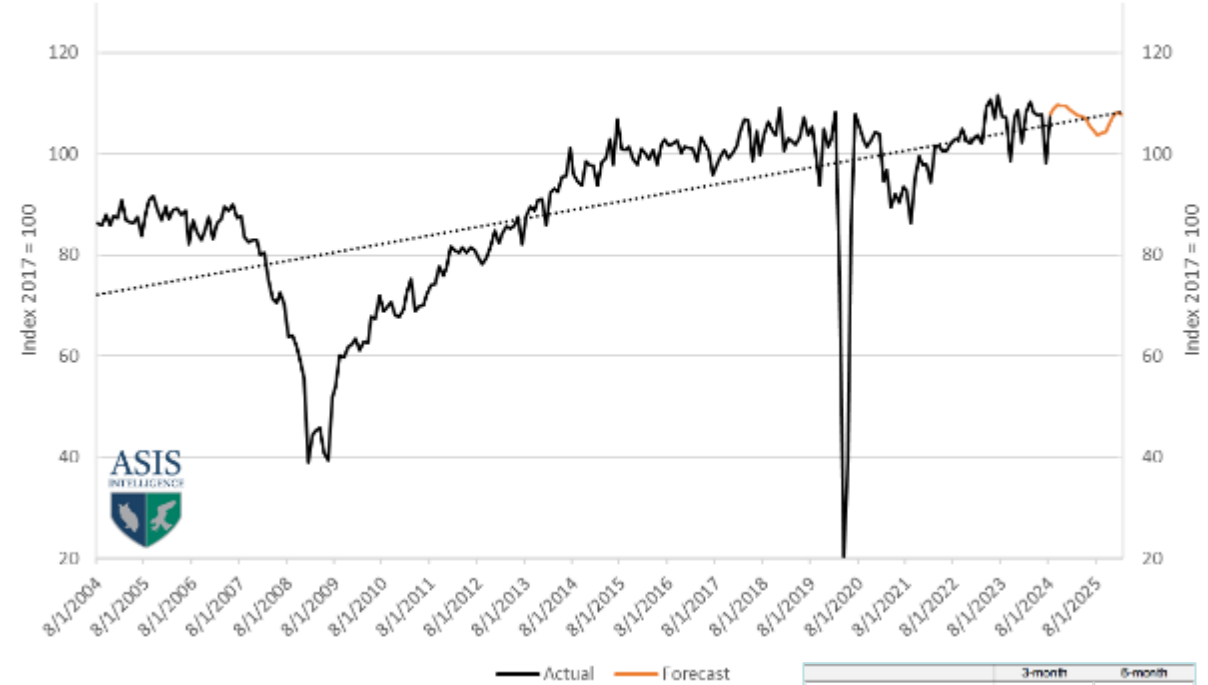
	3-month	6-month
Industrial Production: Manufacturing IPMAN	99.9%	98.2%

Automotive Production Forecast

Industrial Production: Motor Vehicles and Parts (IPG3361T3S)
Forecast as of 09/18/2024



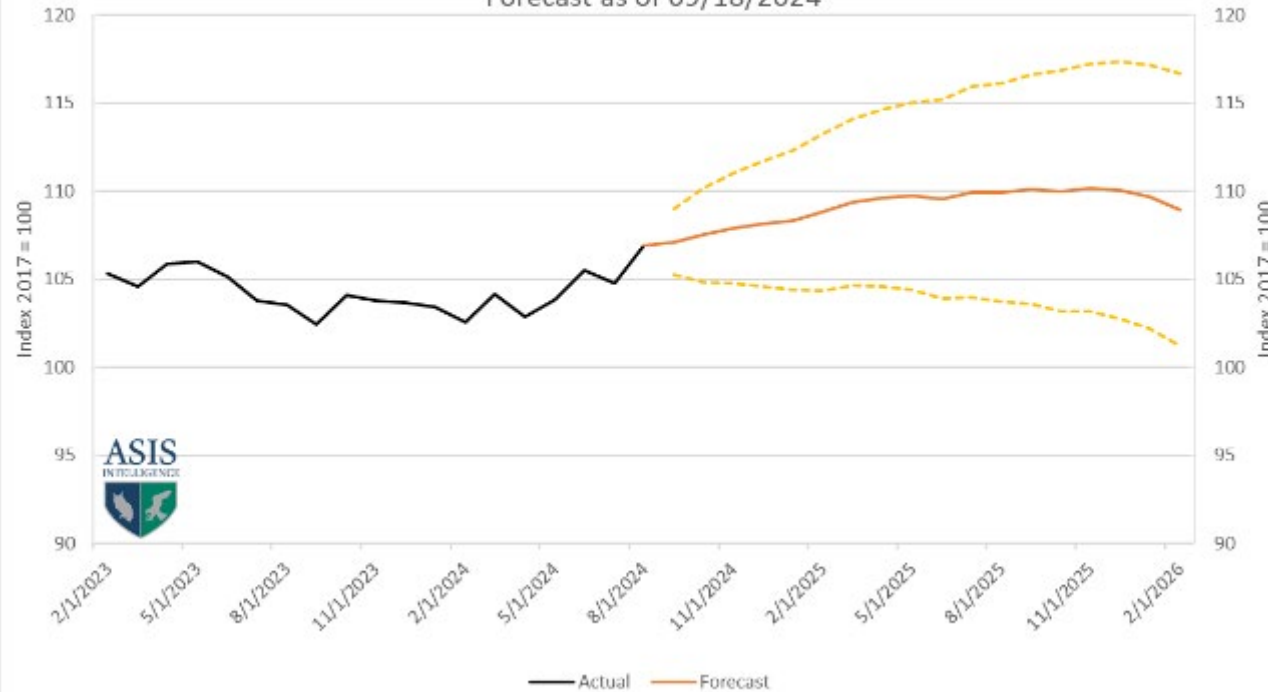
Industrial Production: Motor Vehicles and Parts (IPG3361T3S)
Forecast as of 09/18/2024



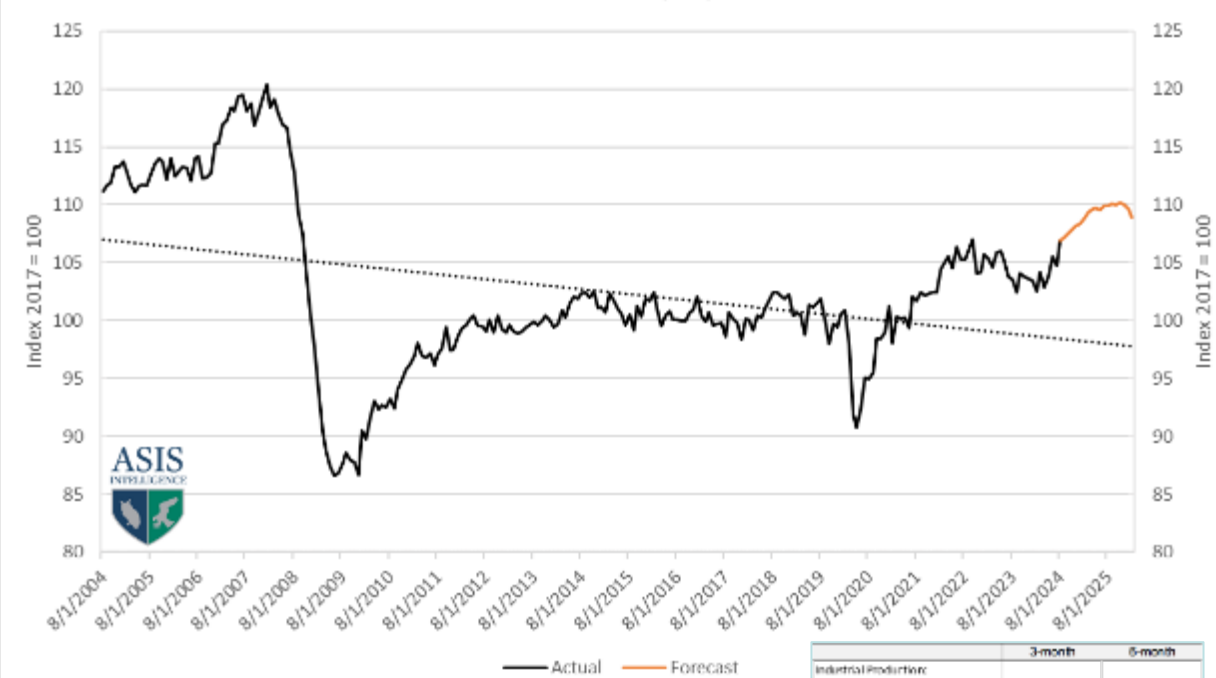
	3-month	6-month
Industrial Production		
Manufacturing (IPMAN)	99.7%	98.8%
Aerospace and miscellaneous transportation equipment (IPG3364125)	99.08%	98.2%
Computer and electronic product (IPG3365)	97.7%	97.4%
Electrical equipment, appliance, and component (IPG3366)	98.0%	98.0%
Fabricated metal product (IPG3325)	98.2%	98.3%
Machinery (IPG3335)	99.6%	98.1%
Motor vehicles and parts (IPG3361T3S)	97.3%	84.0%
Primary metal (IPG3315)	98.1%	95.9%

Electrical Equipment and Appliance Forecast

Industrial Production: Electrical Equipment, Appliance, and Component (IPG335S)
Forecast as of 09/18/2024



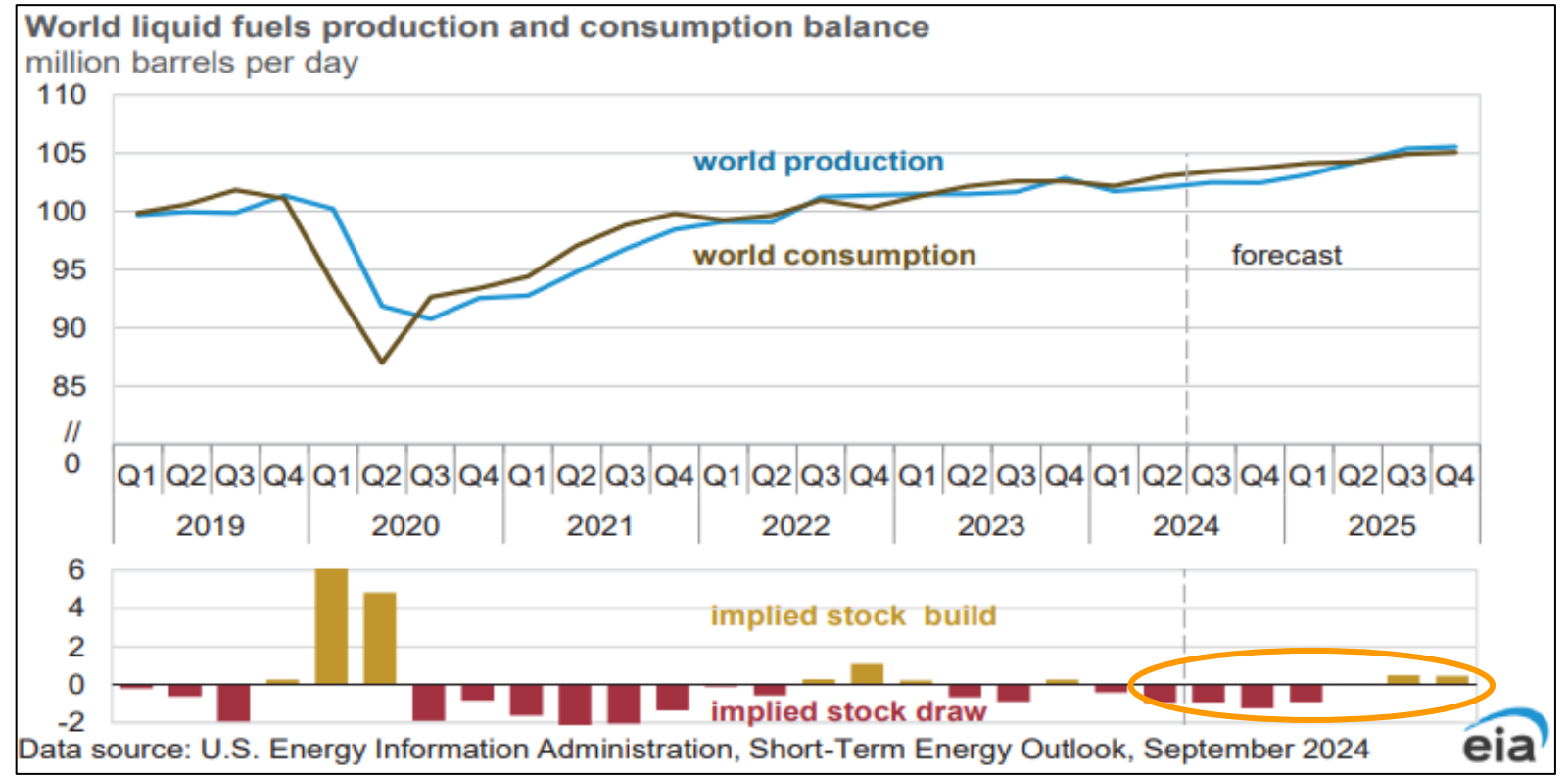
Industrial Production: Electrical Equipment, Appliance, and Component (IPG335S)
Forecast as of 09/18/2024



	3-month	6-month
Industrial Production		
Manufacturing IPMAN	99.7%	98.8%
Aerospace and miscellaneous transportation equipment IPG3364125	99.08%	98.2%
Computer and electronic product IPG3365	97.7%	97.4%
Electrical equipment, appliance, and component IPG335S	98.0%	98.0%
Fabricated metal product IPG3325	98.2%	98.3%
Machinery IPG3335	99.6%	98.1%
Motor vehicles and parts IPG336135	97.3%	94.0%
Primary metal IPG3315	98.1%	95.9%

Oil and Gasoline – Now an Implied Draw through Q1 2025

- The new forecast shows a net draw on inventories through Q1 of 2025 before returning to a neutral position.
- The EIA has adjusted its forecast for oil downward (prior to events in the Middle East and hurricane activity in the Atlantic)
- Gasoline and diesel prices are also remaining stable and relatively unchanged



Crude forecast:

• 2021	\$68.21
• 2022	\$94.91
• 2023	\$77.58
• 2024	\$78.80
• 2025	\$79.63

Diesel forecast:

• 2021	\$3.29
• 2022	\$5.02
• 2023	\$4.22
• 2024	\$3.78
• 2025	\$3.73

Gasoline forecast:

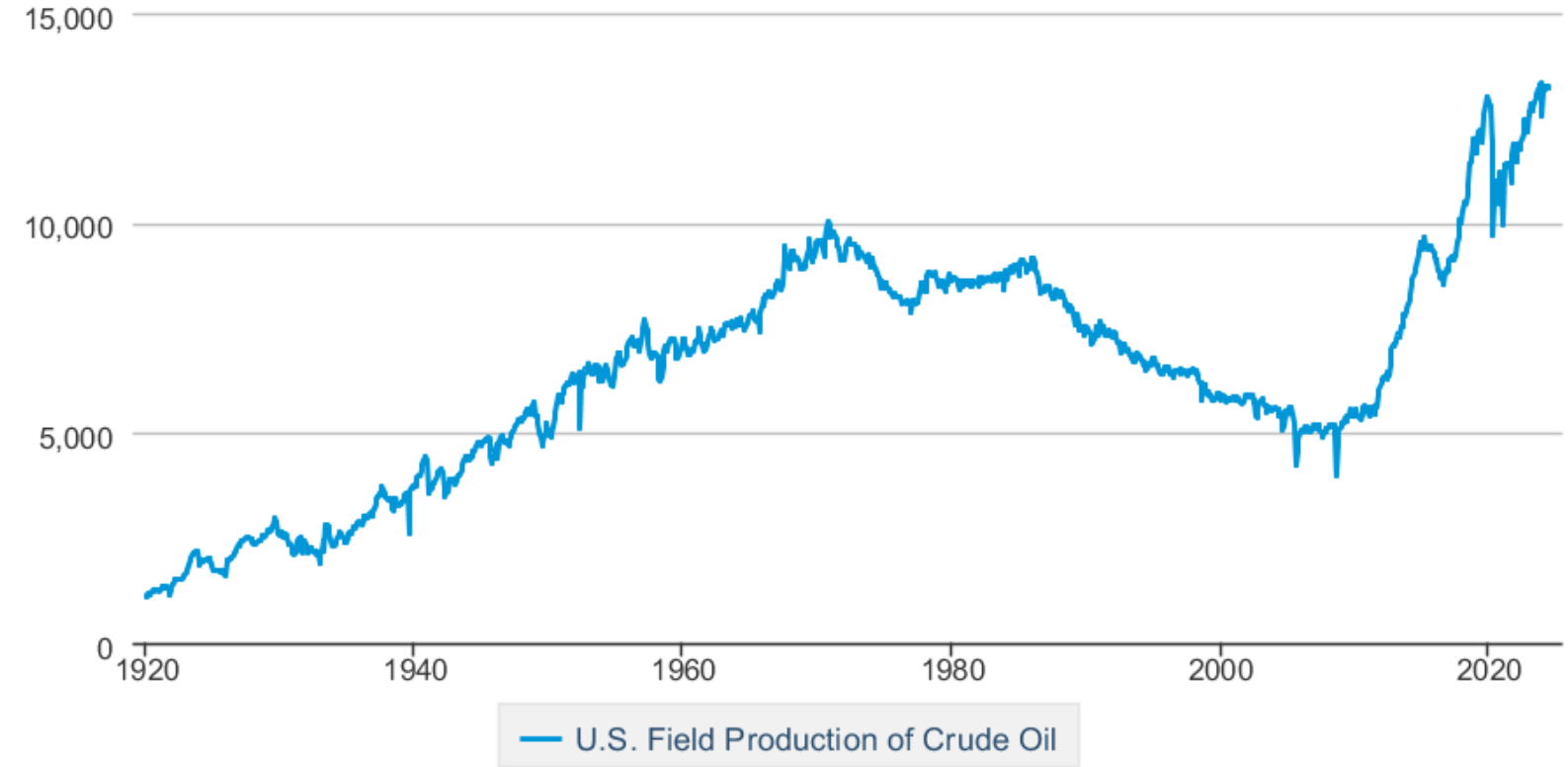
• 2021	\$3.02
• 2022	\$3.97
• 2023	\$3.52
• 2024	\$3.33
• 2025	\$3.29

US Production Touching New All-Time Highs at 13.31M BPD

- Prior record was 13M BPD in Nov of 2019. The EIA believes production could hit 13.7M by 2026.
- Significant shut-in capacity is ready and could be tapped at any time. Again, oil prices remaining in the \$70-\$80 per barrel range is optimum for producers.
- SPR inventories still at 1980's lows. Officials state that it can only be refilled at a specific rate because of limitations on storage facilities.

U.S. Field Production of Crude Oil

Thousand Barrels per Day



 Data source: U.S. Energy Information Administration

Weekly U.S. Ending Stocks of Crude Oil in SPR



 Data source: U.S. Energy Information Administration

Questions?

- I am just as long winded in an e-mail as I am live.
- Feel free to contact me at chris.kuehl@armadaci.com
- You can call me at (816) 304-3017



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 The BLUF (Bottom Line Up Front)
 Models Still Generally Optimistic for Rest of 2024
 US Retail Forecast
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 Intelligence estimate for business executives.
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Chris.kuehl@armadaci.com
Kprather@armadaci.com

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