

eastec®

Successfully Navigating in a Shifting Economy

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President



Official Media Partner



2018 Forecast Results

If you heard ITR around two years prior...

	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 May 2019

Macroeconomic Softness in 2019

US

Global

Segment Thinking Into 3 Time Periods

2019 - 2020

2021 - 2029

2030 - 2040

Global Issues Impacting Our Businesses

Tariffs

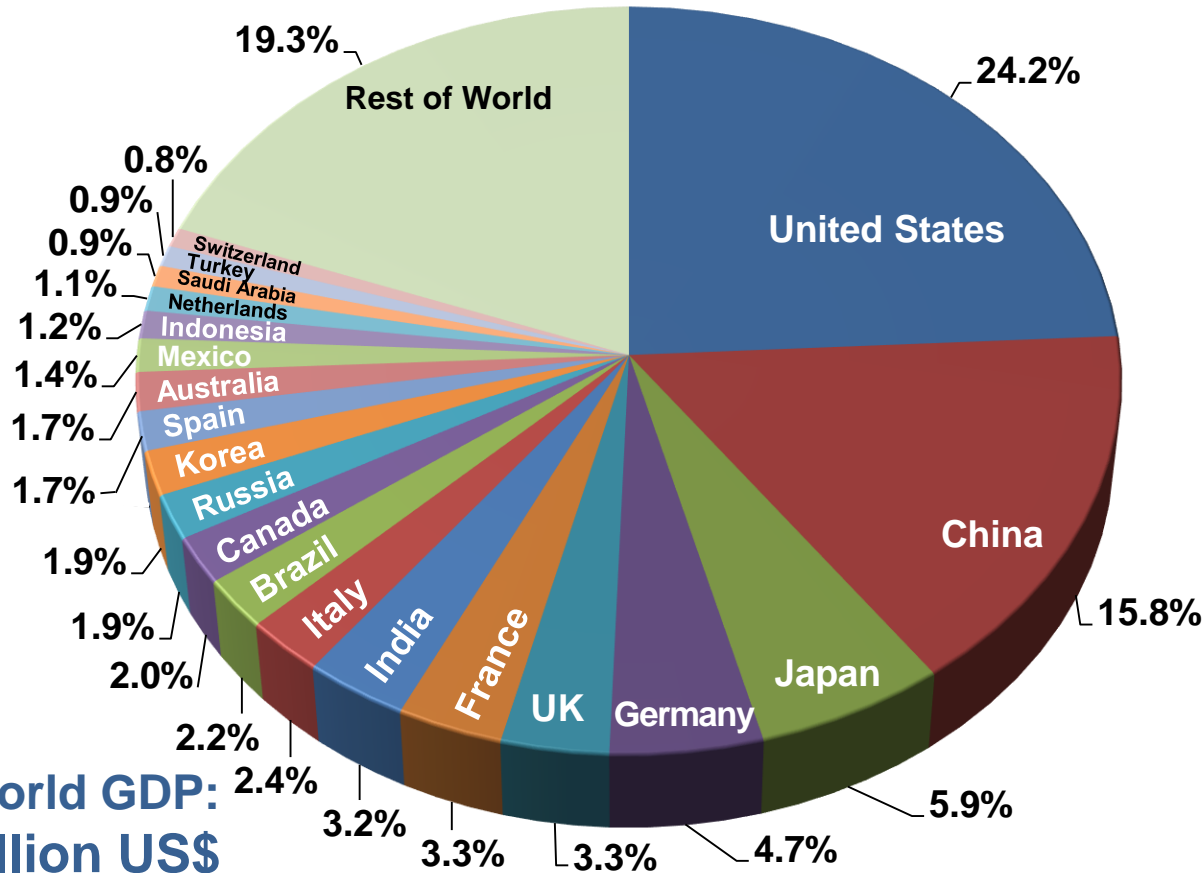
Leading Indicator Signals are Mixed

Know which ones matter to you

How to track the leading indicators



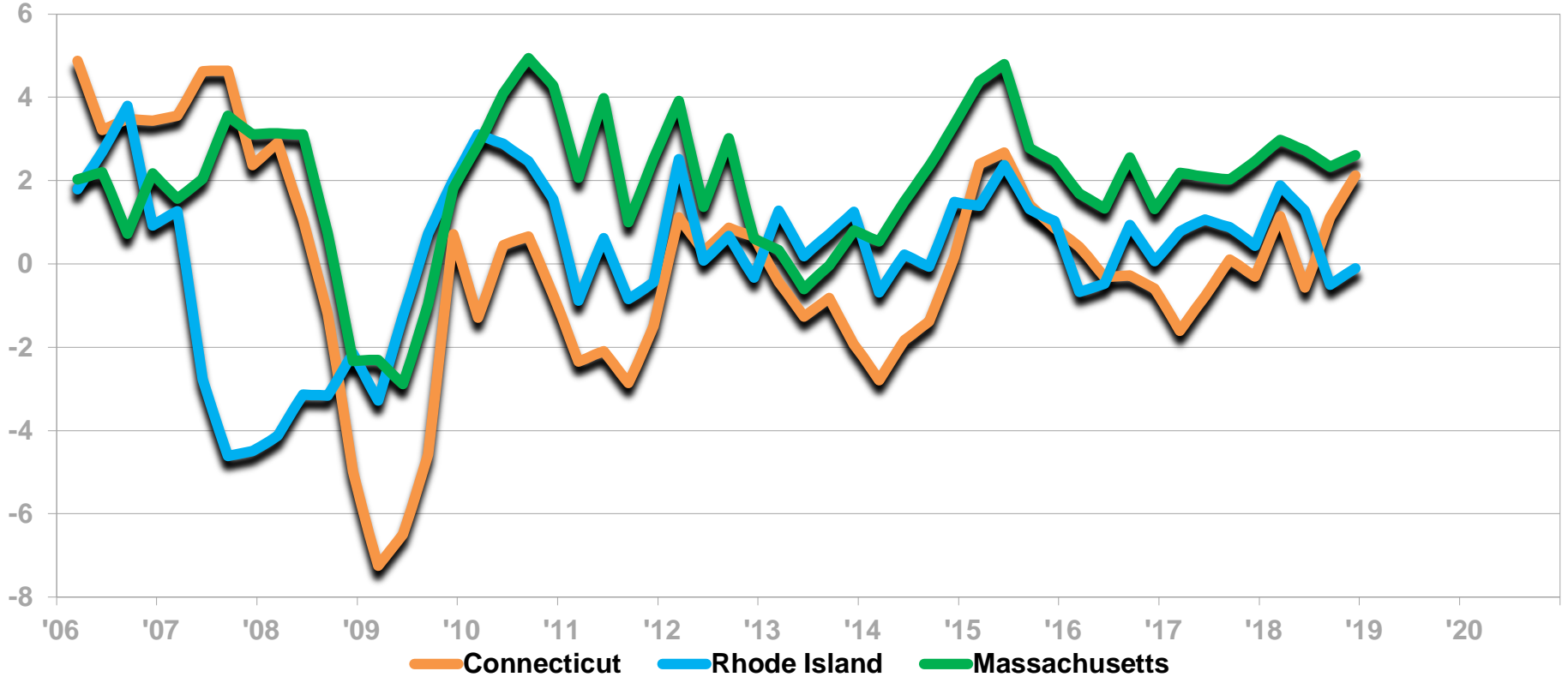
Percent of 2018 World GDP by Country



***Total 2018 World GDP:
\$84.74 Trillion US\$**

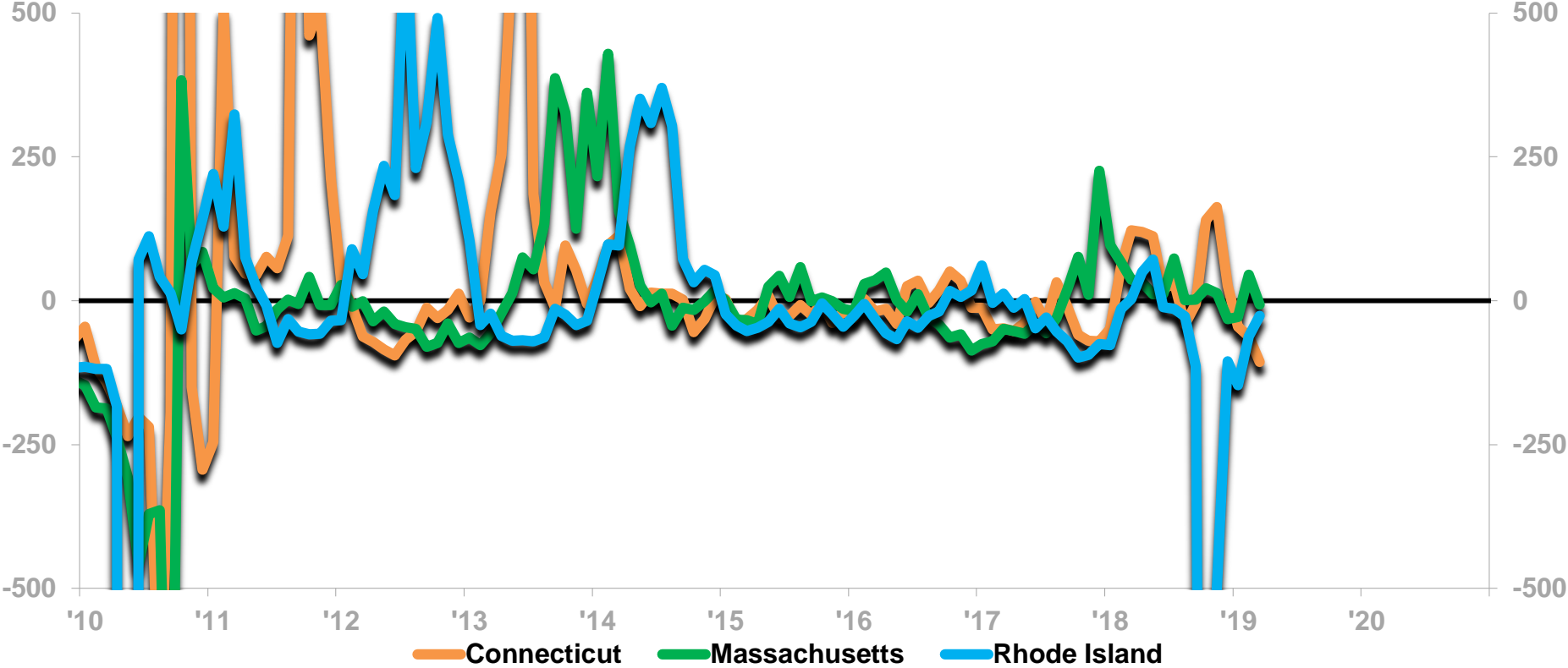
2018 was a Good Year for CT and MA

Connecticut to Rhode Island to Massachusetts GDP



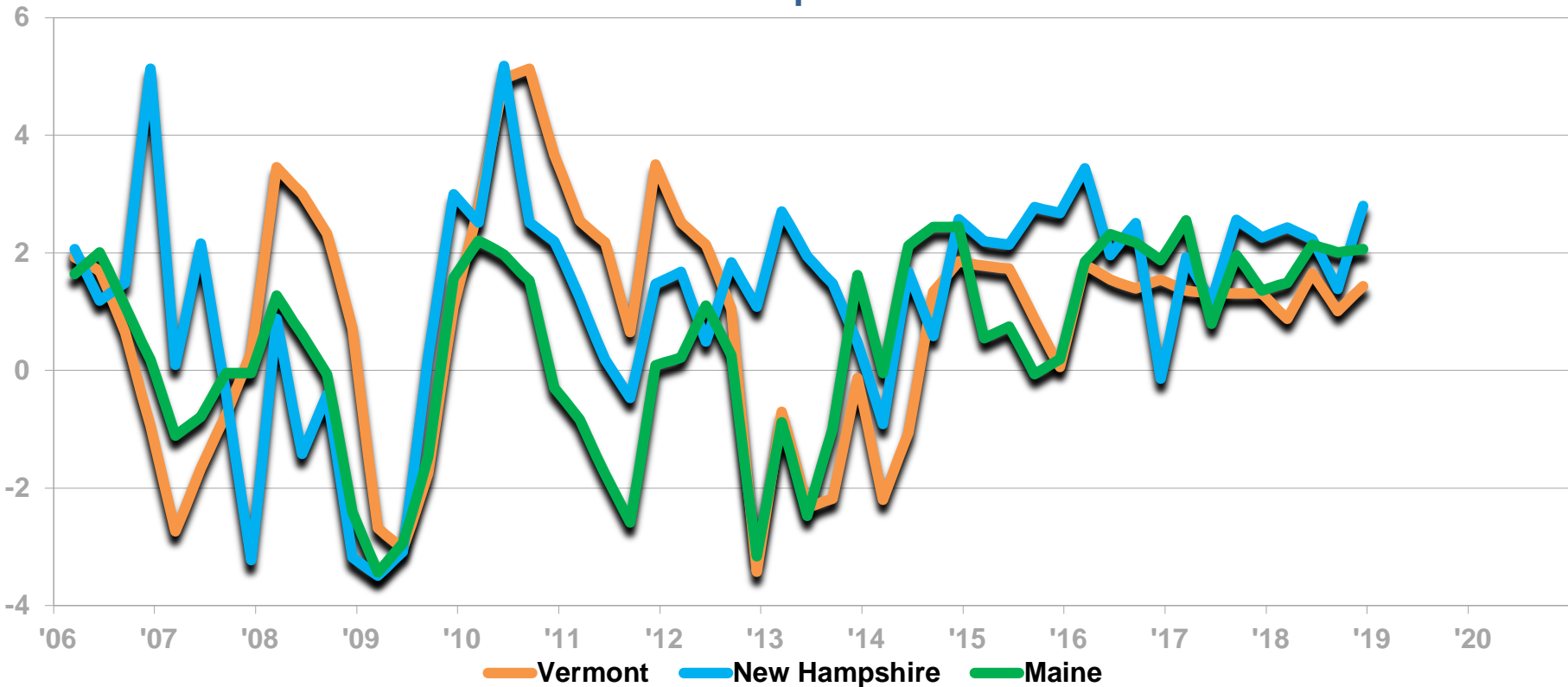
Decline Evident in CT and MA Leading Indicators

Connecticut to Rhode Island to Massachusetts LI



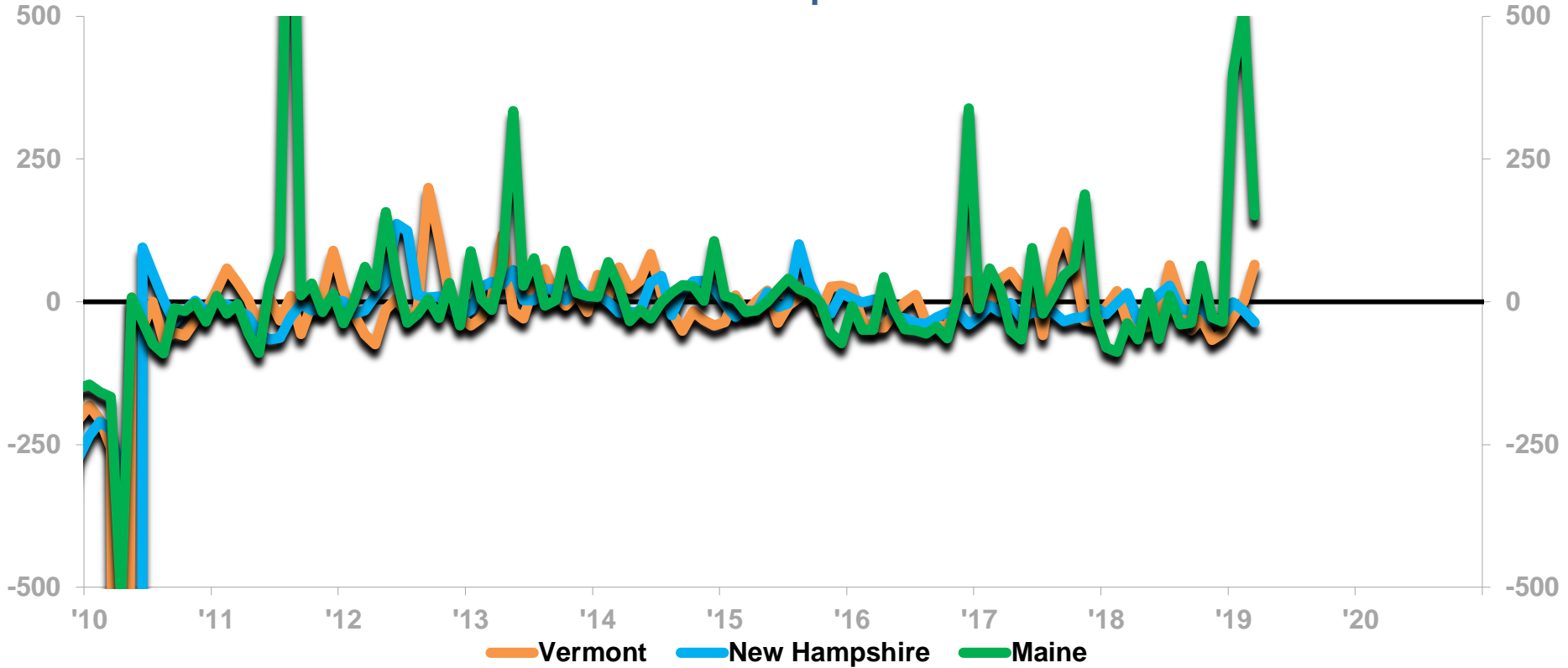
A Good 2018 for NH and ME

Vermont to New Hampshire to Maine GDP



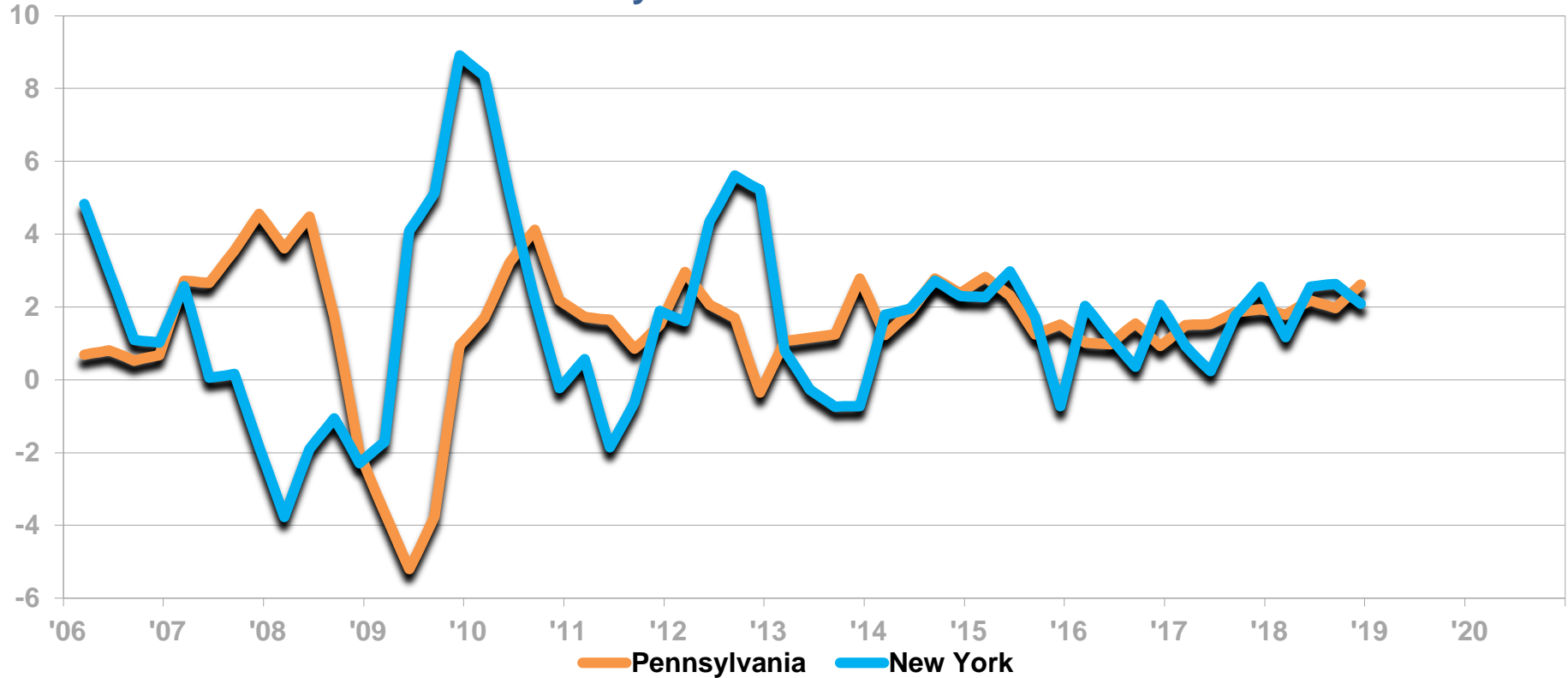
Decline Evident in the NH and ME Leading Indicators

Vermont to New Hampshire to Maine LI



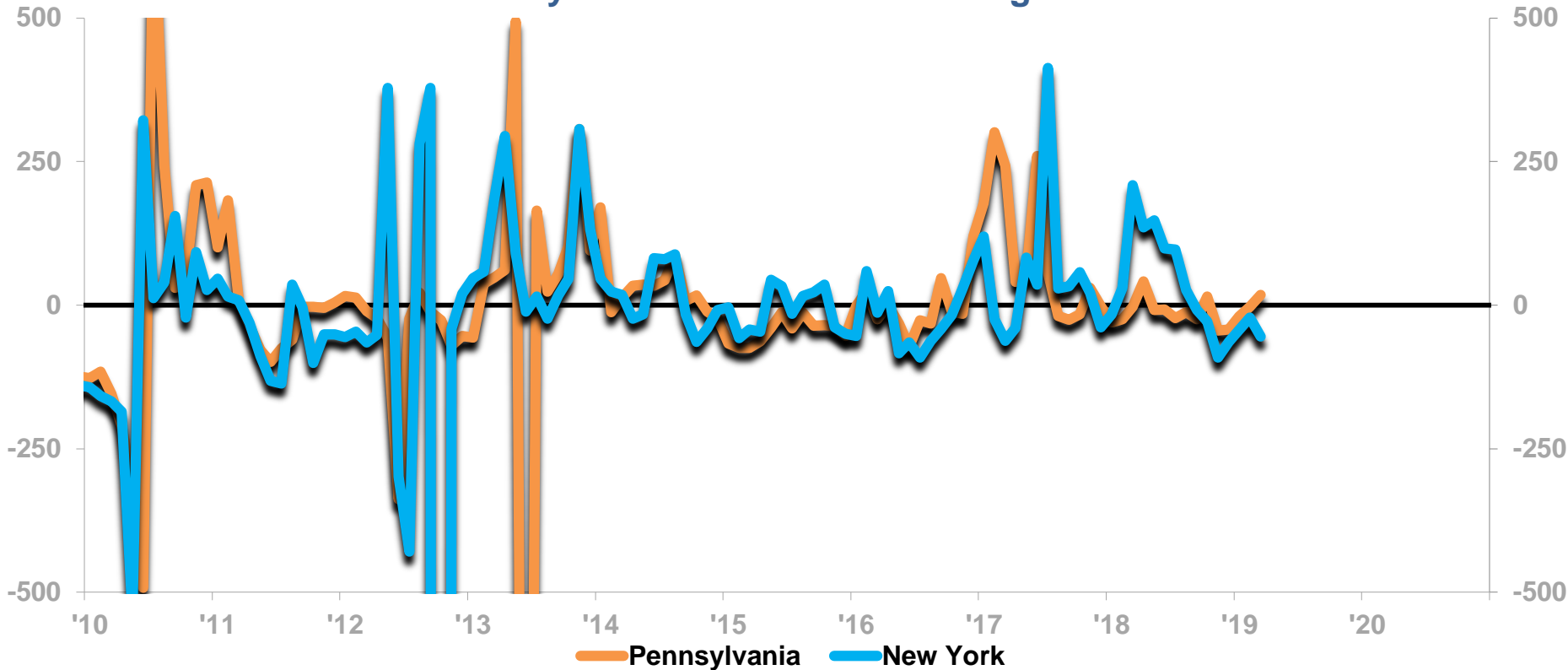
2018 Was a Good Year in Both States

Pennsylvania to New York GDP



A Bounce in the PA Leading Indicator

Pennsylvania to New York Leading Index



And the Winner is North Dakota!

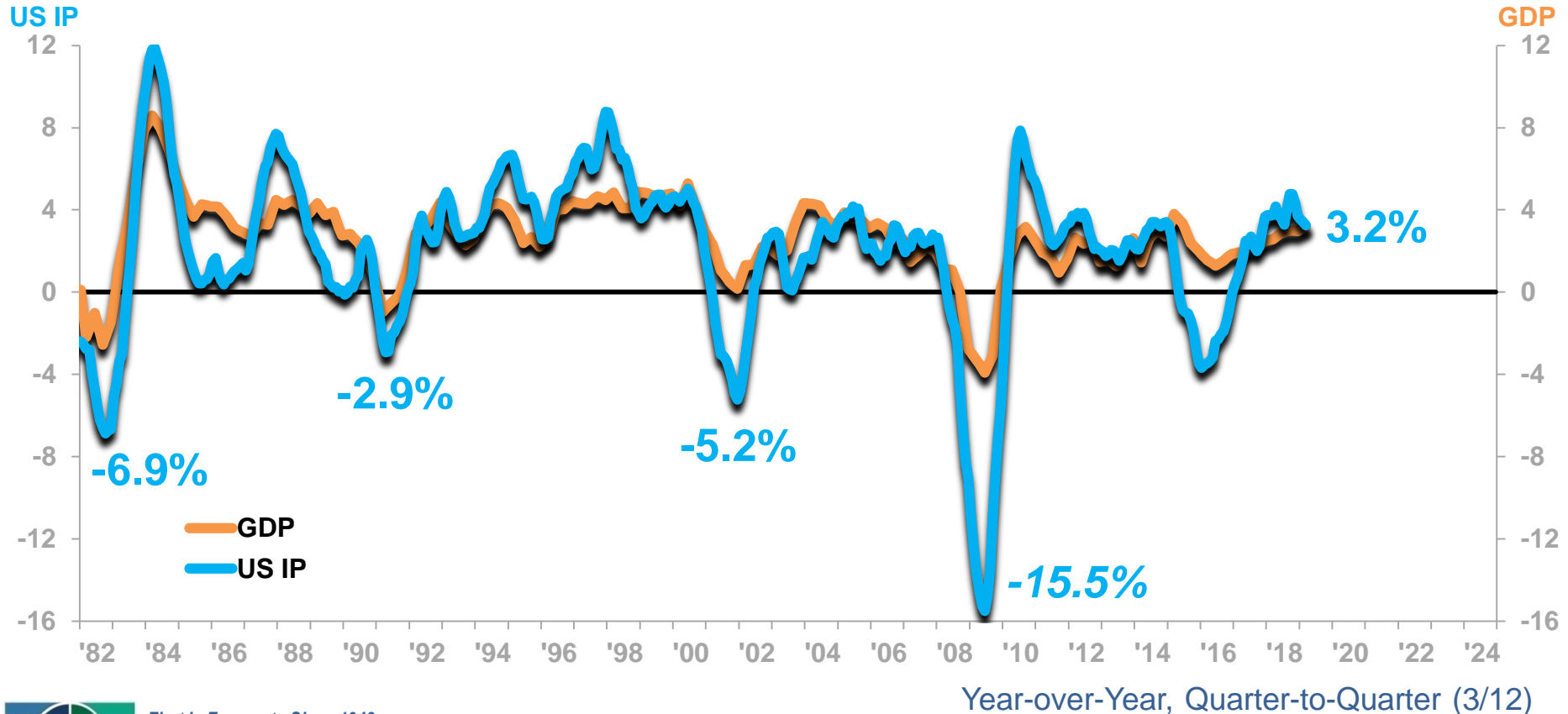
State Leading Index Phase

Indiana	A	Minnesota	D
Michigan	D	Missouri	D
Ohio	A	Nebraska	D
Illinois	D	North Dakota	B
Iowa	D	South Dakota	D
Kansas	D	Wisconsin	A



Manage the Business Cycles to Maximize Profits

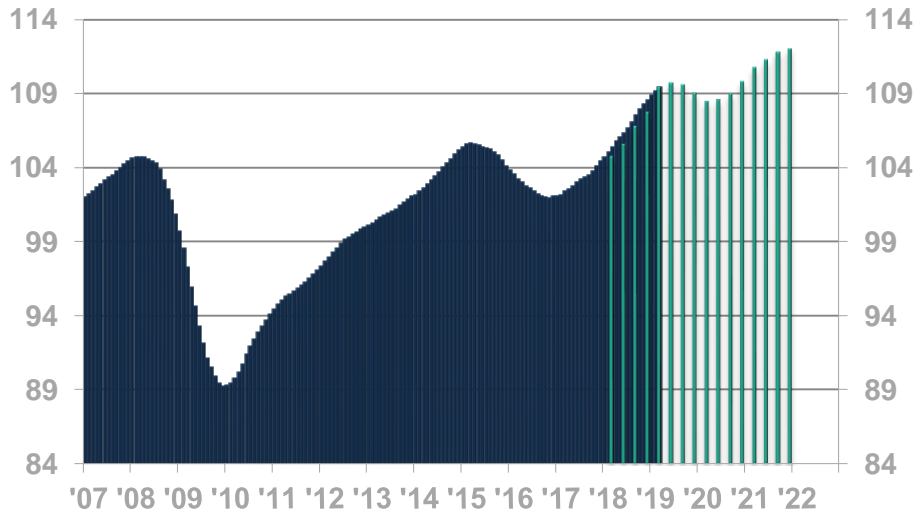
US Industrial Production to Gross Domestic Product



Slowing Growth for 2019

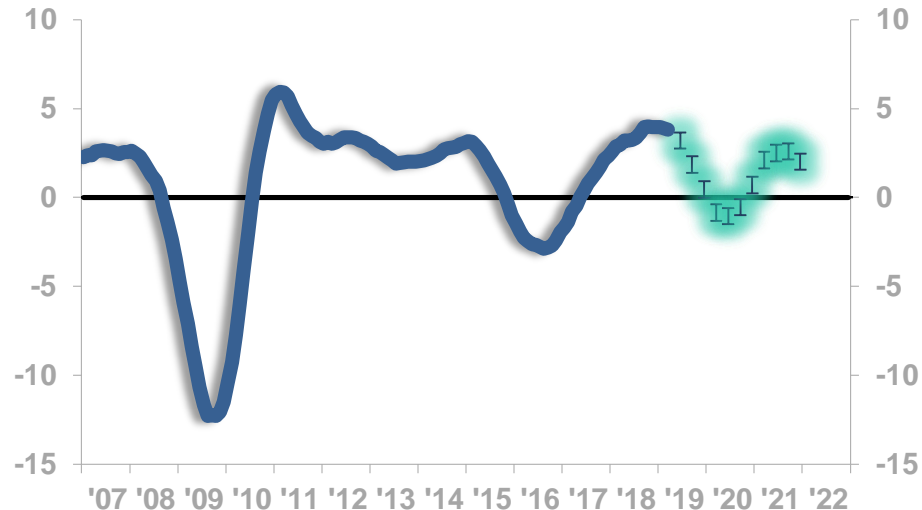
US Industrial Production Index

US Industrial Production Index 12-Month Moving Average



- Annual Trend: 109.4
- Phase: C
- Year-over-Year: 3.8%

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



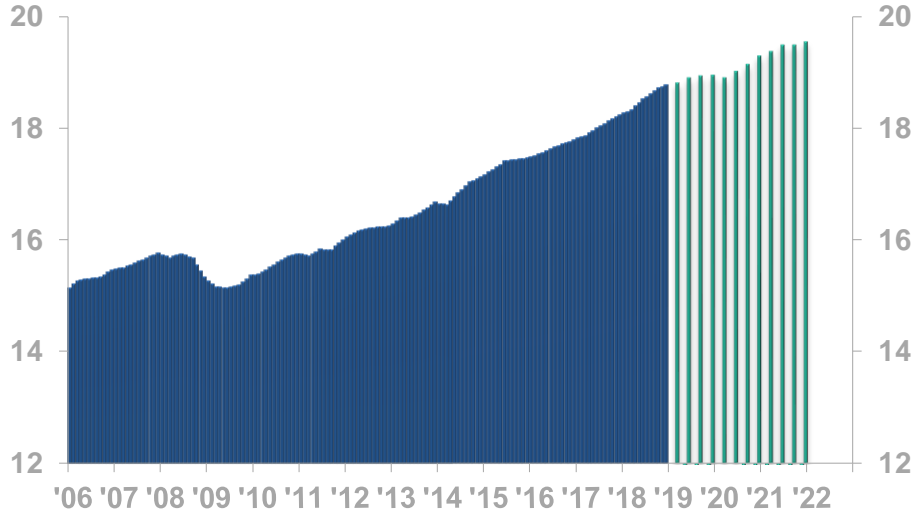
ITR 
Outlook

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

US Economy Stalls in 2019 and Into 2020

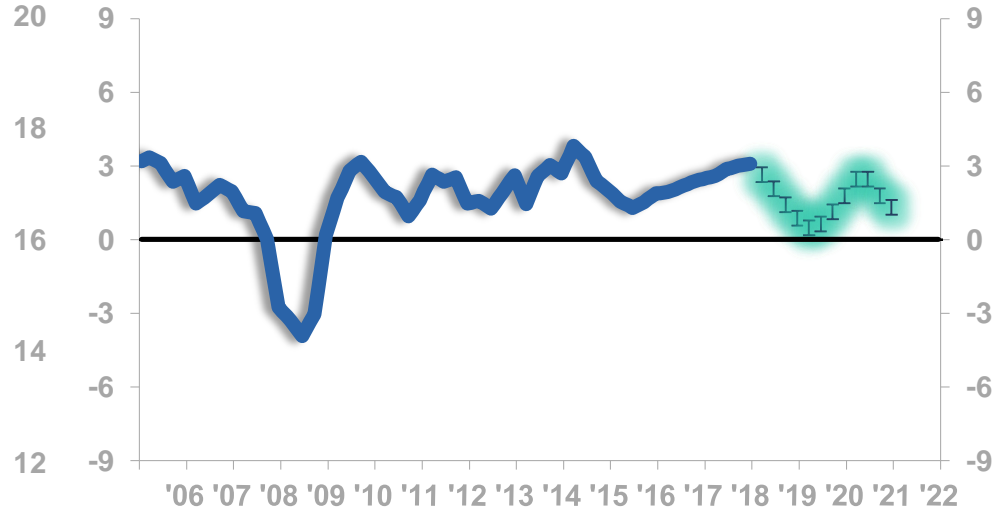
US Gross Domestic Product, SAAR, Chained 2012 \$

US Gross Domestic Product 3-Month Moving Average



- **\$18.8 trillion**
- **Phase: B**
- **Quarter-over-Quarter: 3.1%**

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



ITR 
Outlook

2019: 0.9%
2020: 1.8%
2021: 1.3%

A Powerful Management Tool

Rate-of-Change

	Raw	3MMT	3/12	12MMT	12/12
May-17	1.5				
Jun-17	1.5				
Jul-17	1.4	4.4			
Aug-17	1.5	4.4			
Sep-17	1.3	4.4			
Oct-17	1.3	4.2			
Nov-17	1.6	4.1			
Dec-17	1.6	4.2			
Jan-18	1.5	4.5			
Feb-18	1.7	4.7			
Mar-18	1.6	4.8			
Apr-18	1.7	4.8		18.0	
May-18	1.7	5.0		18.2	
Jun-18	1.7	5.0		18.4	
Jul-18	1.6	5.1	15.9%	18.6	
Aug-18	1.7	5.0	13.6%	18.8	
Sep-18	1.5	5.0	13.6%	19.0	26.7%
Oct-18	1.5	4.8	14.3%	19.2	25.5%
Nov-18	1.9	4.7	14.6%	19.4	25.2%
Dec-18	1.7	4.9	16.7%	19.7	22.4%
Jan-19	1.7	5.1	13.3%	19.8	20.0%
Feb-19	1.9	5.3	12.8%	20.0	18.3%
Mar-19	1.7	5.3	10.4%	20.2	15.4%
Apr-19	1.7	5.3	10.4%	20.3	12.7%

3/12 Rate-of-Change

$$= \frac{\text{April 2019 3MMT}}{\text{April 2018 3MMT}} \times 100 - 100$$

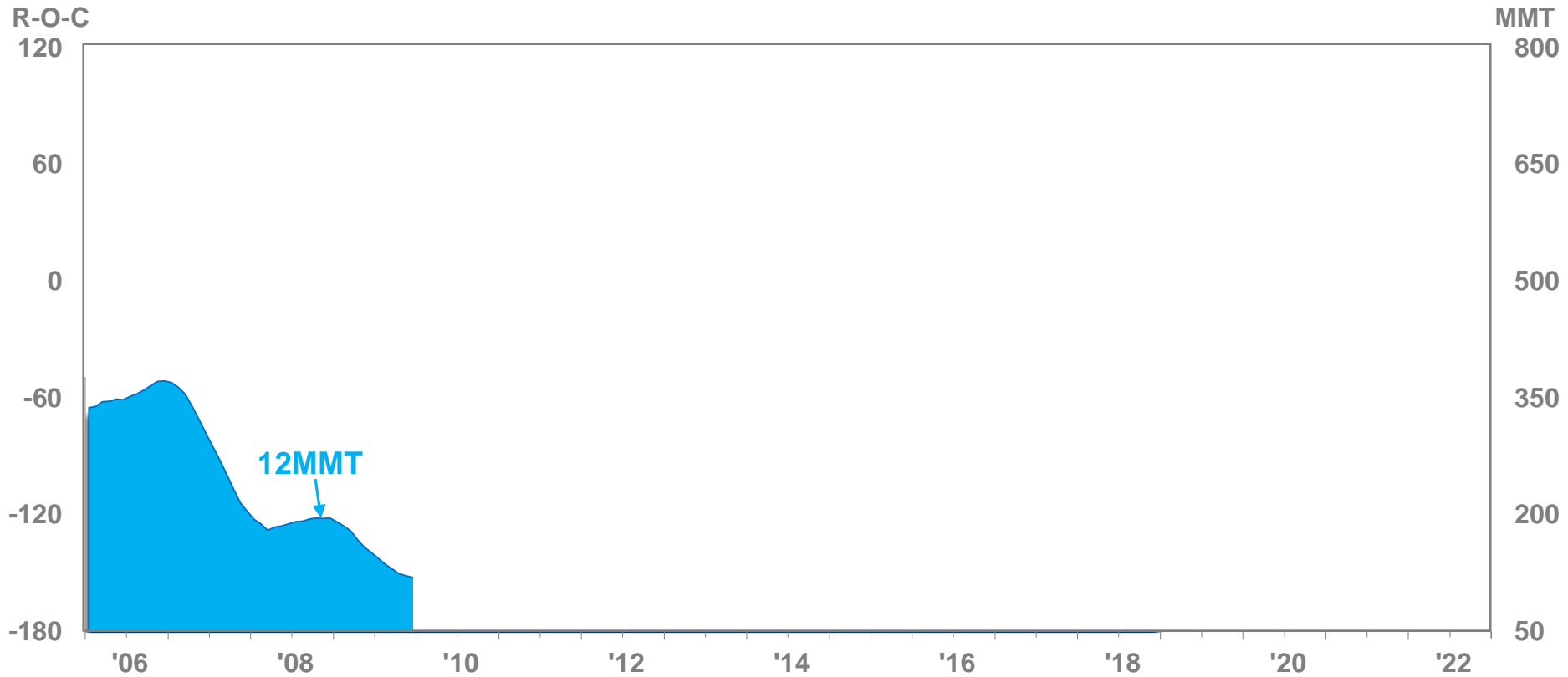
$$= \frac{5.3}{4.8} \times 100 - 100 = 10.4\%$$

12/12 Rate-of-Change

$$= \frac{\text{April 2019 12MMT}}{\text{April 2018 12MMT}} \times 100 - 100$$

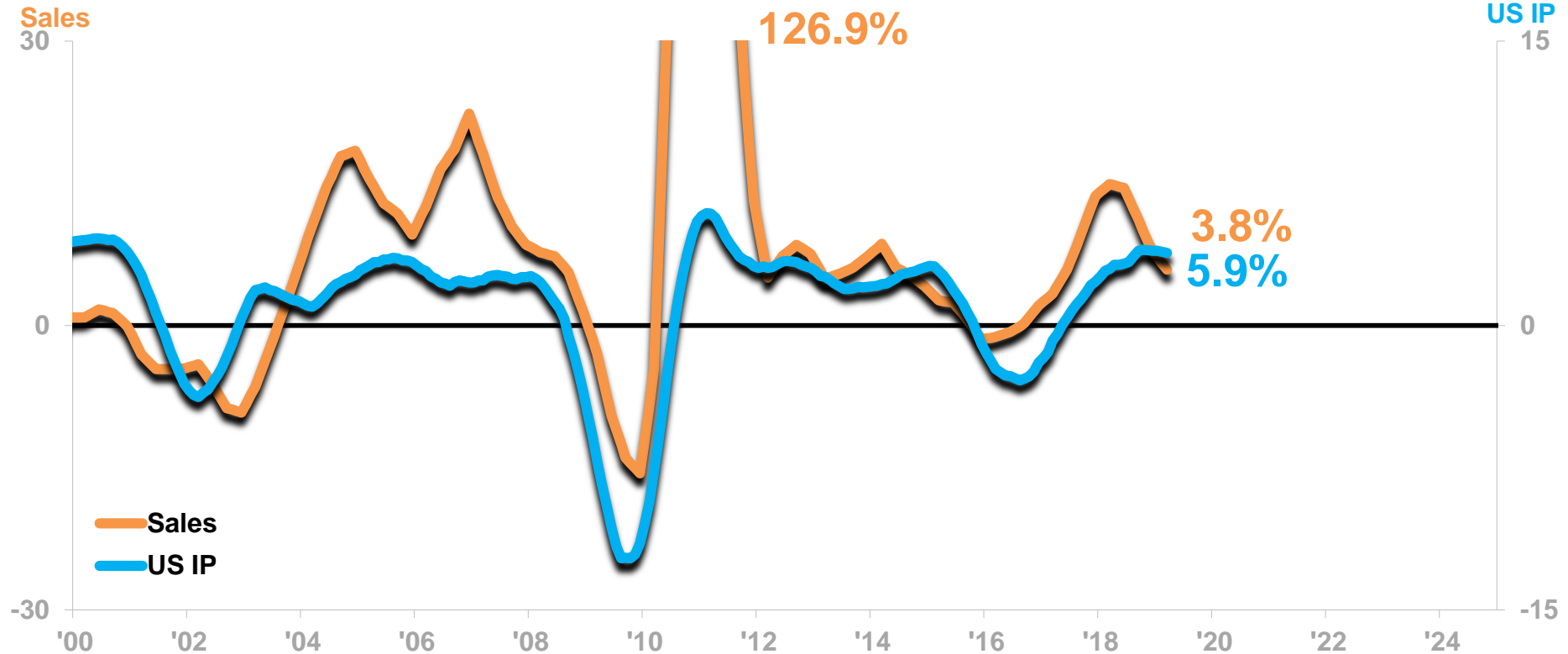
$$= \frac{20.3}{18.0} \times 100 - 100 = 12.7\%$$

Rate-of-Change – A Management Tool



The Macro Forecast Suggests Troubles for B&D

Stanley Black & Decker, Inc. Net Sales to US Industrial Production Index



Tariff

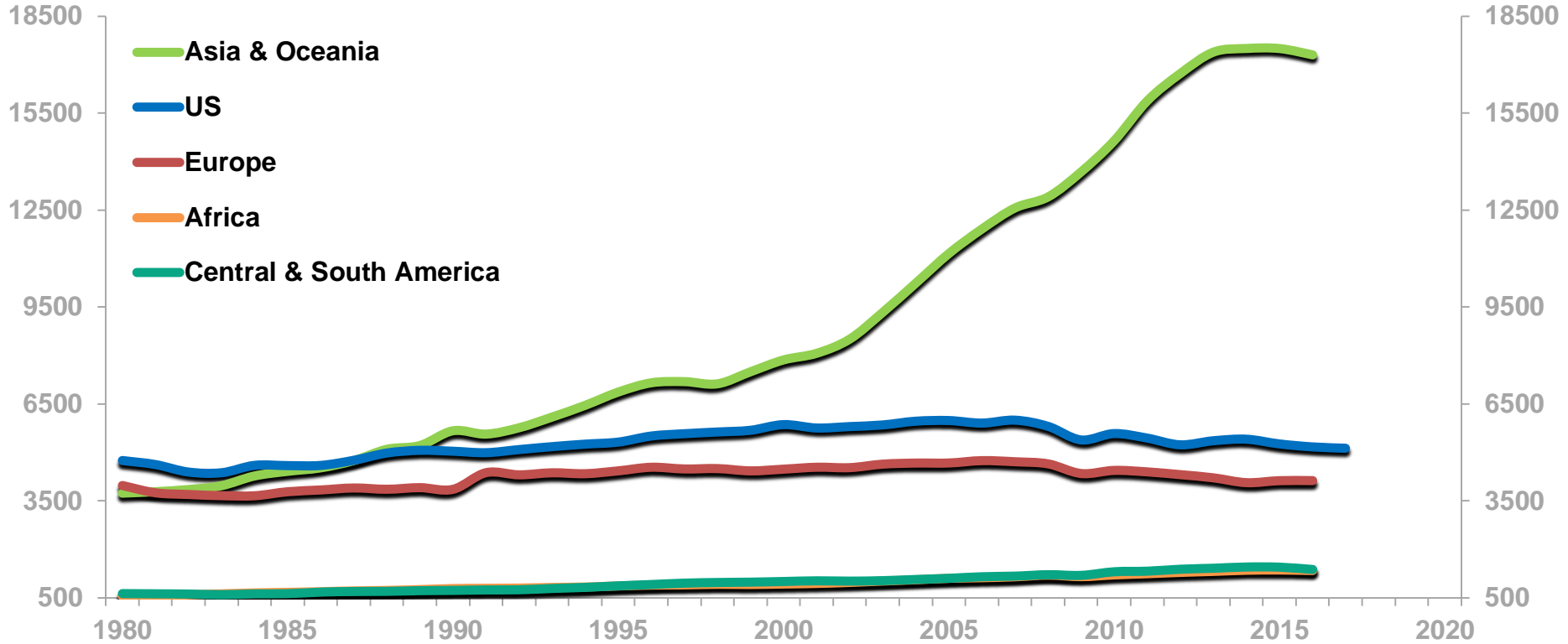


A tax or duty that a government charges on goods coming into or going out of their country

Tariffs and other fun things

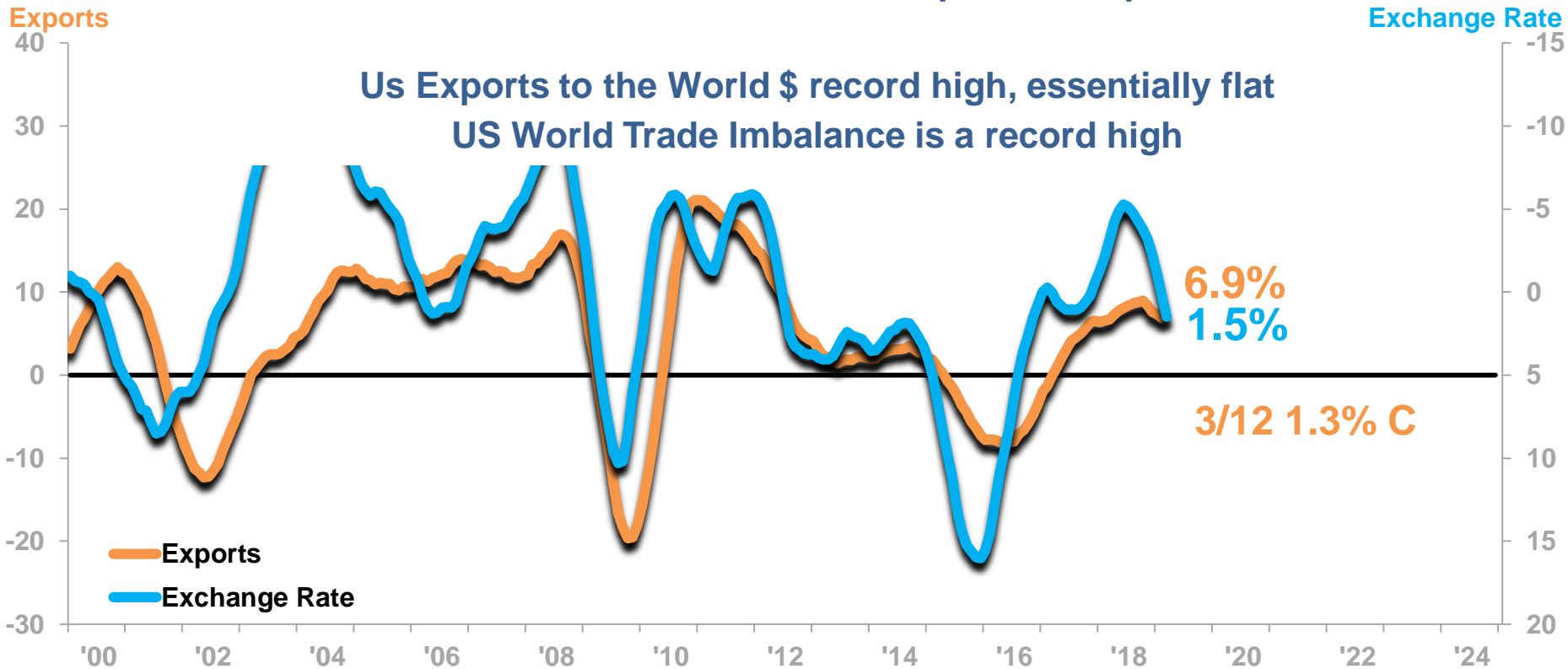
Things Are Getting Better

World Carbon Dioxide Emissions



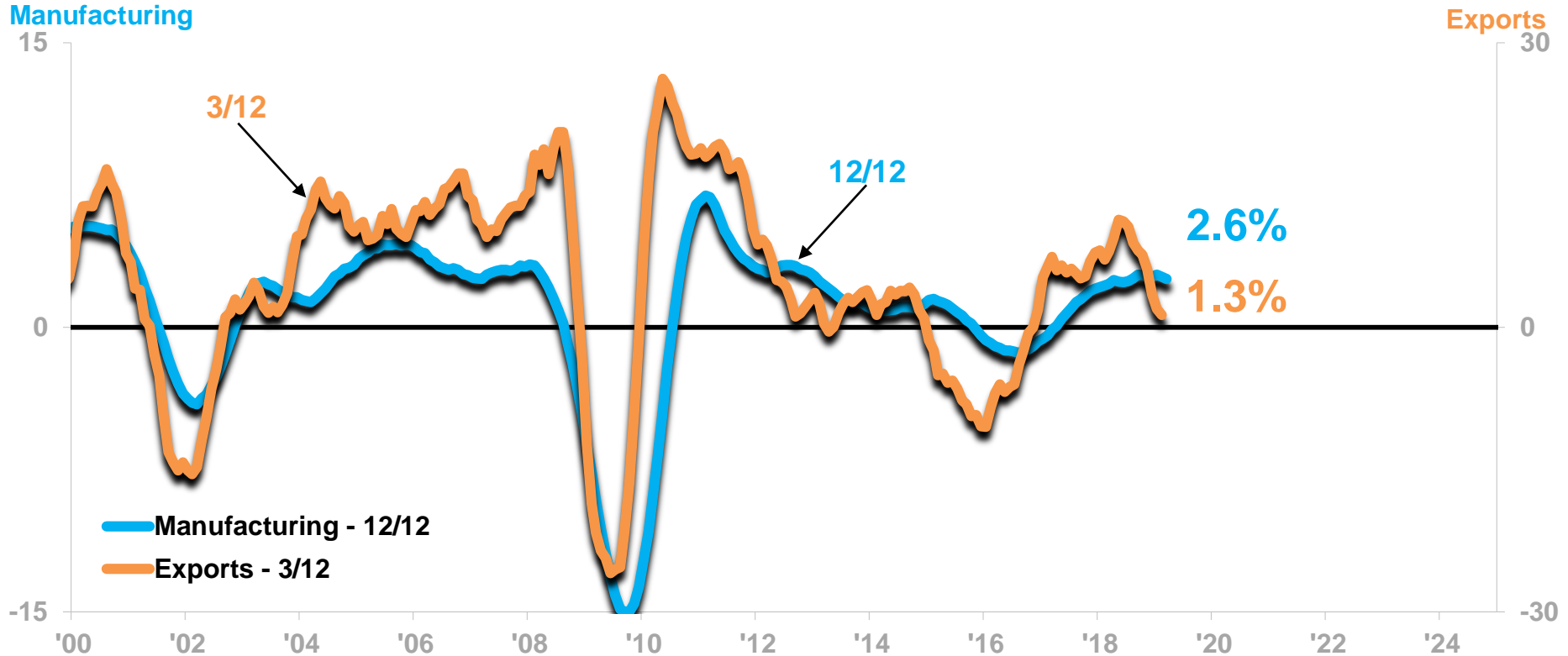
US Trade in Goods with World (Exports) are an important part of economic health

US Trade in Goods with World: Exports to Imports



Problems in Exports are a Problem for Manufacturing

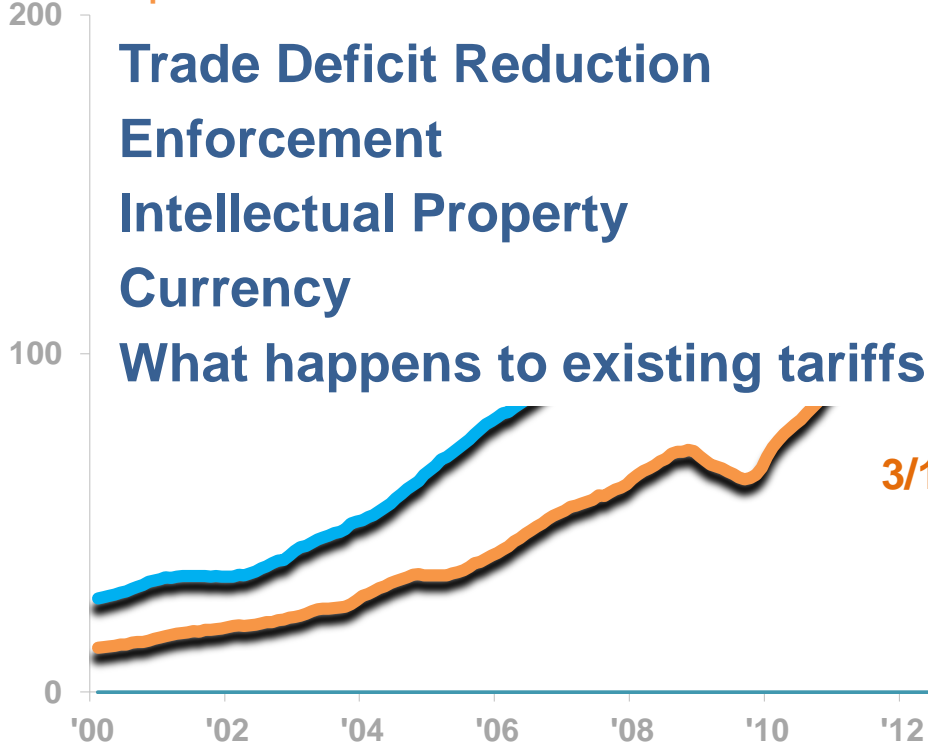
US Total Manufacturing Production Index to US Trade in Goods with World: Exports



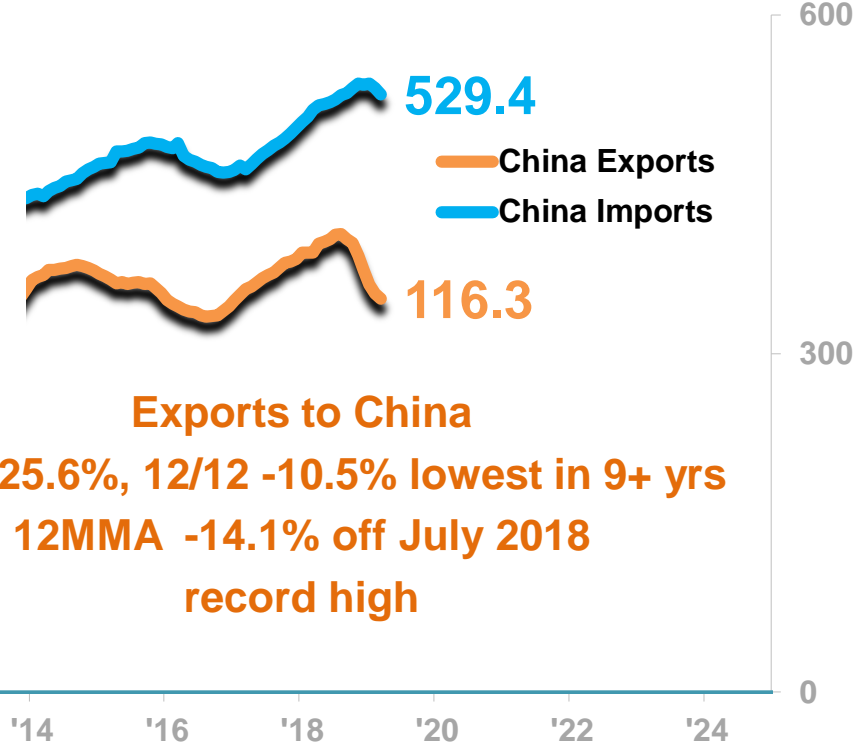
Widening Trade Imbalance with China

US Trade with China: Imports to Exports

China Exports

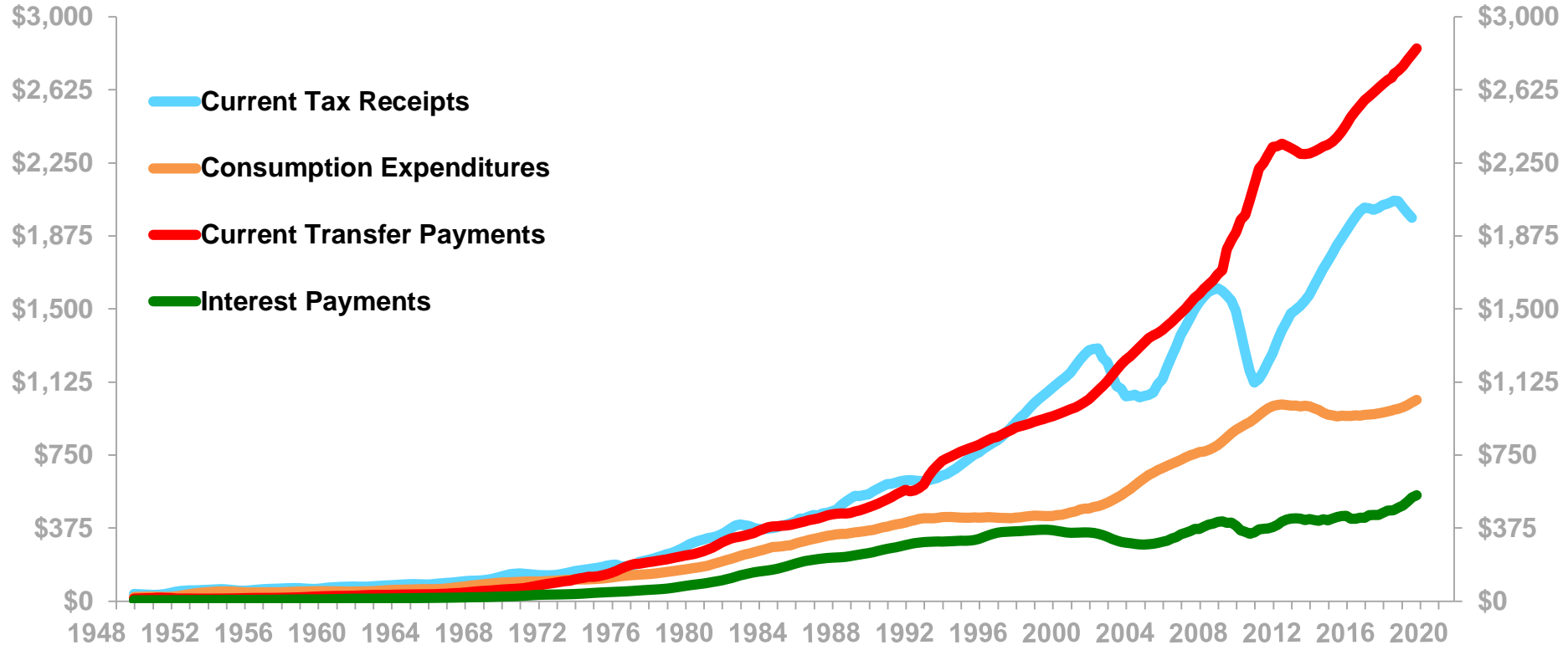


China Imports



Issues Government Will and Won't Tackle

US Federal Government Receipts and Payments



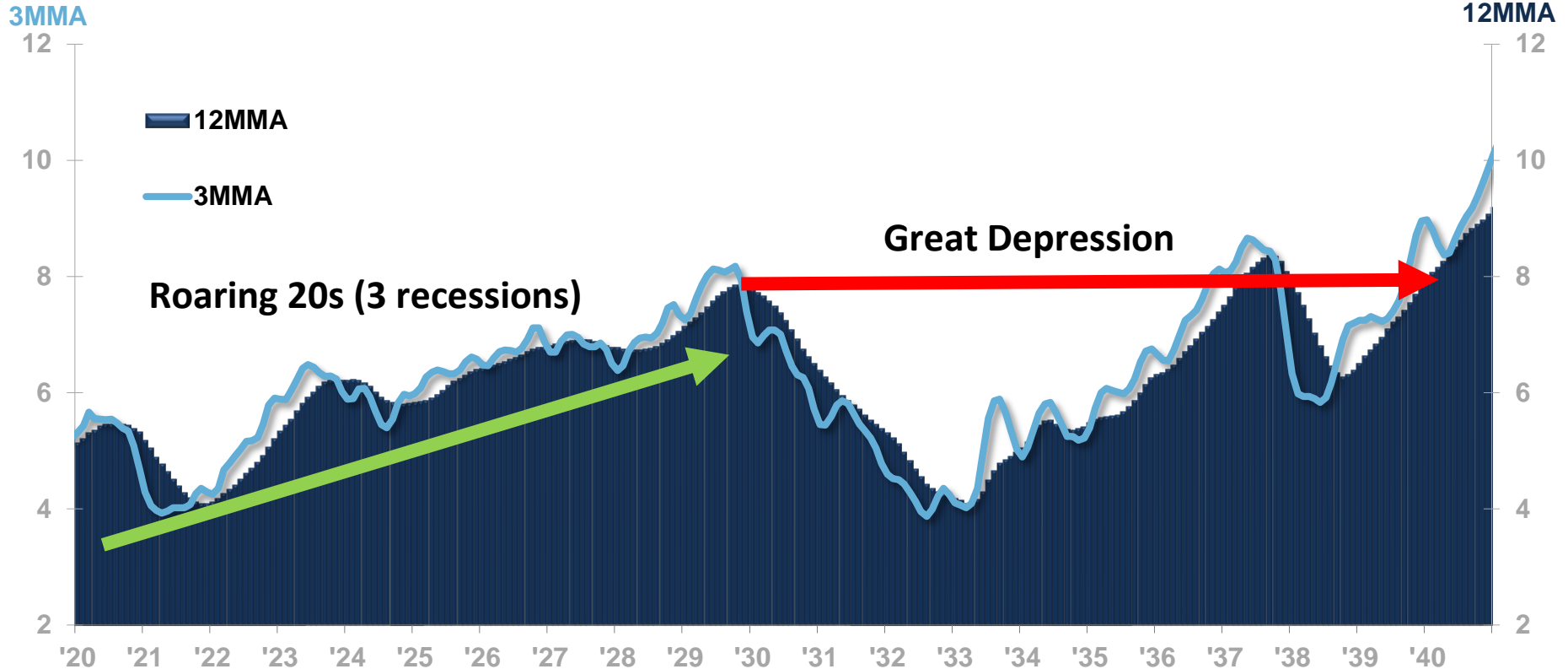
The Long View

Prosperity in the Age of Decline



A Model for the Future

US Industrial Production Index



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

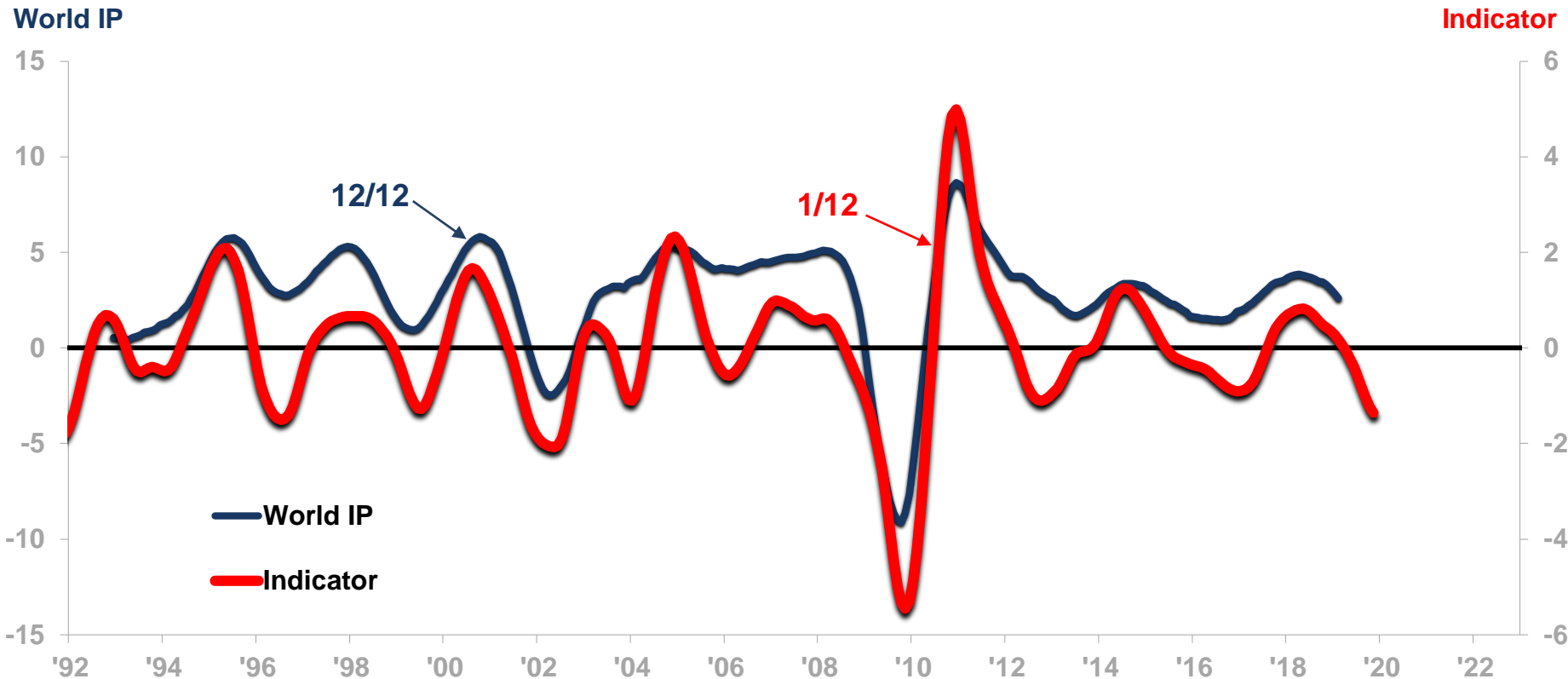




Global Partners

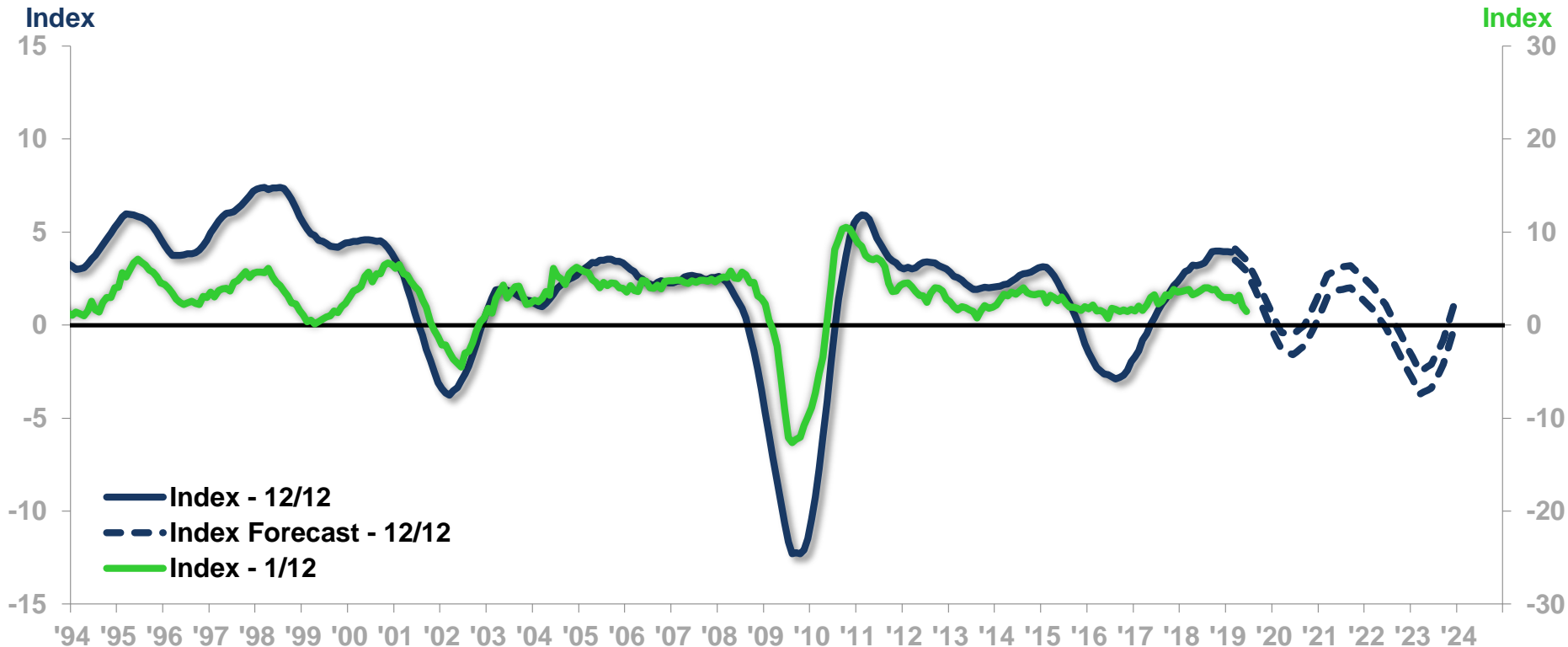
Trade Stress Becomes Acute on the Downside of the Cycle

World Industrial Production Index to G7 Leading Indicator



A Downward Signal from the World IP

US Industrial Production Index to World Industrial Production Index

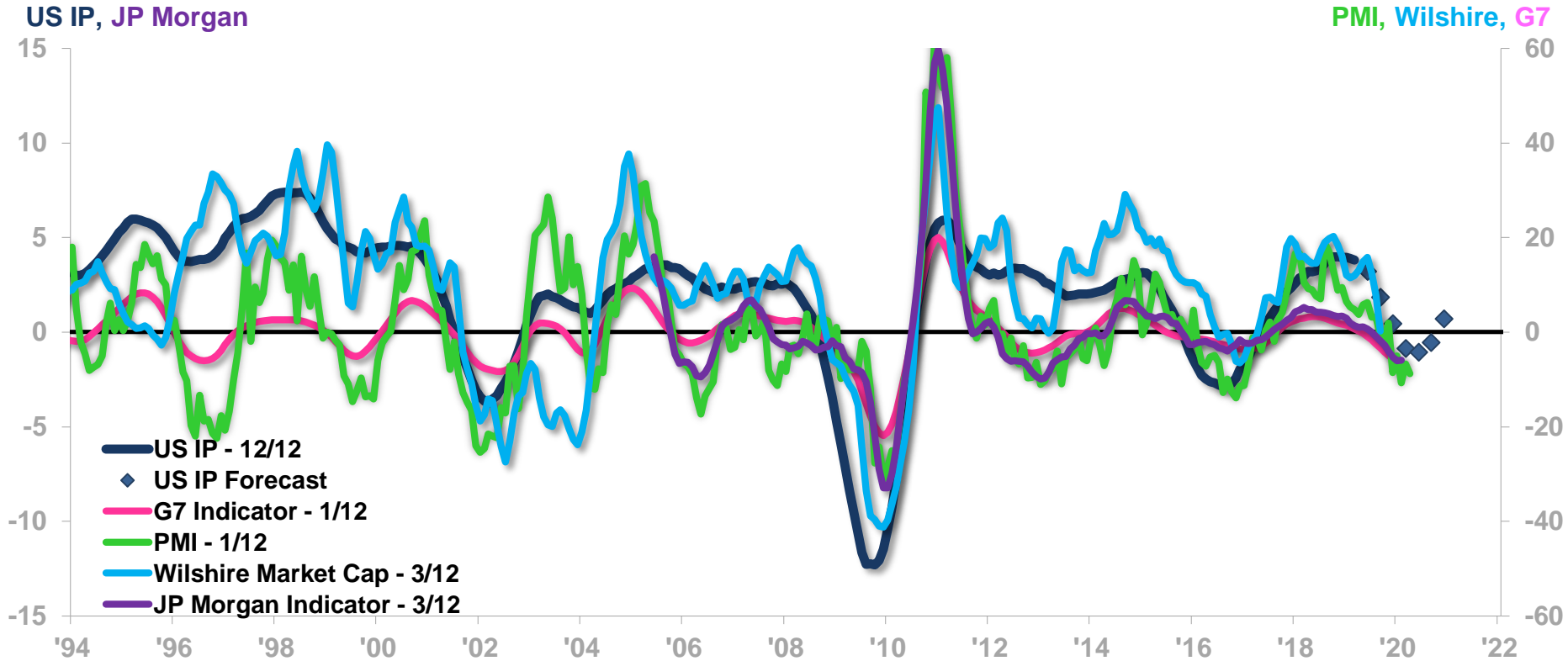




The US Economy

Leading Indicator System as a Powerful Tool

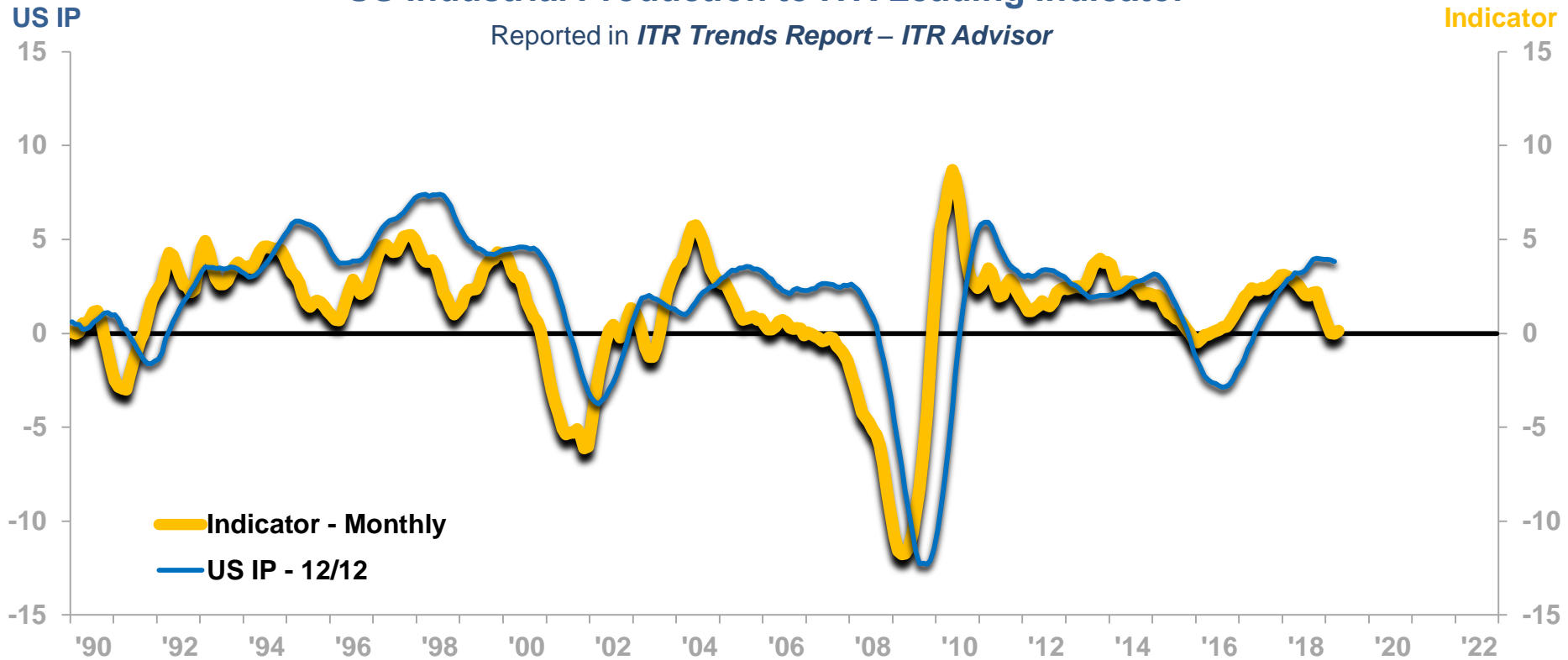
US Industrial Production Index to Leading Indicators



ITR's Leading Indicator™ Says Problems Ahead

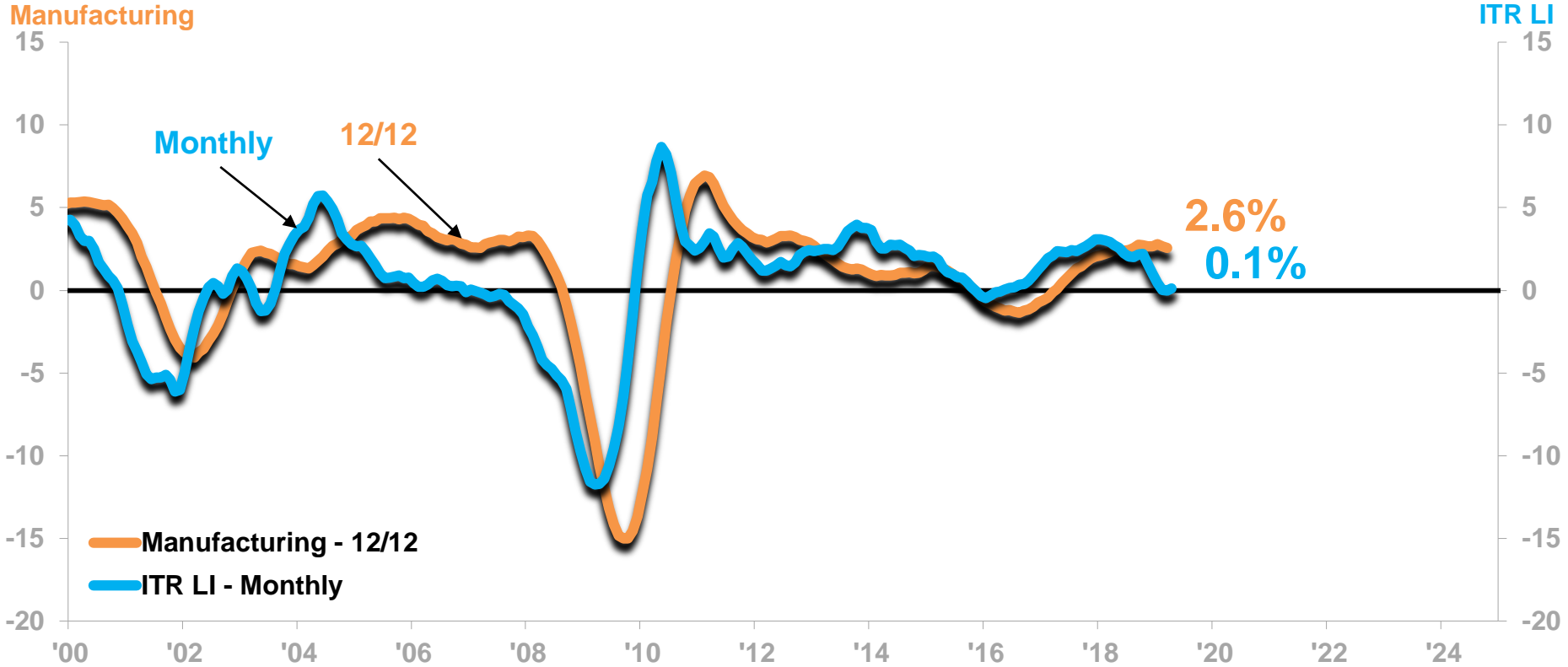
US Industrial Production to ITR Leading Indicator™

Reported in *ITR Trends Report – ITR Advisor*



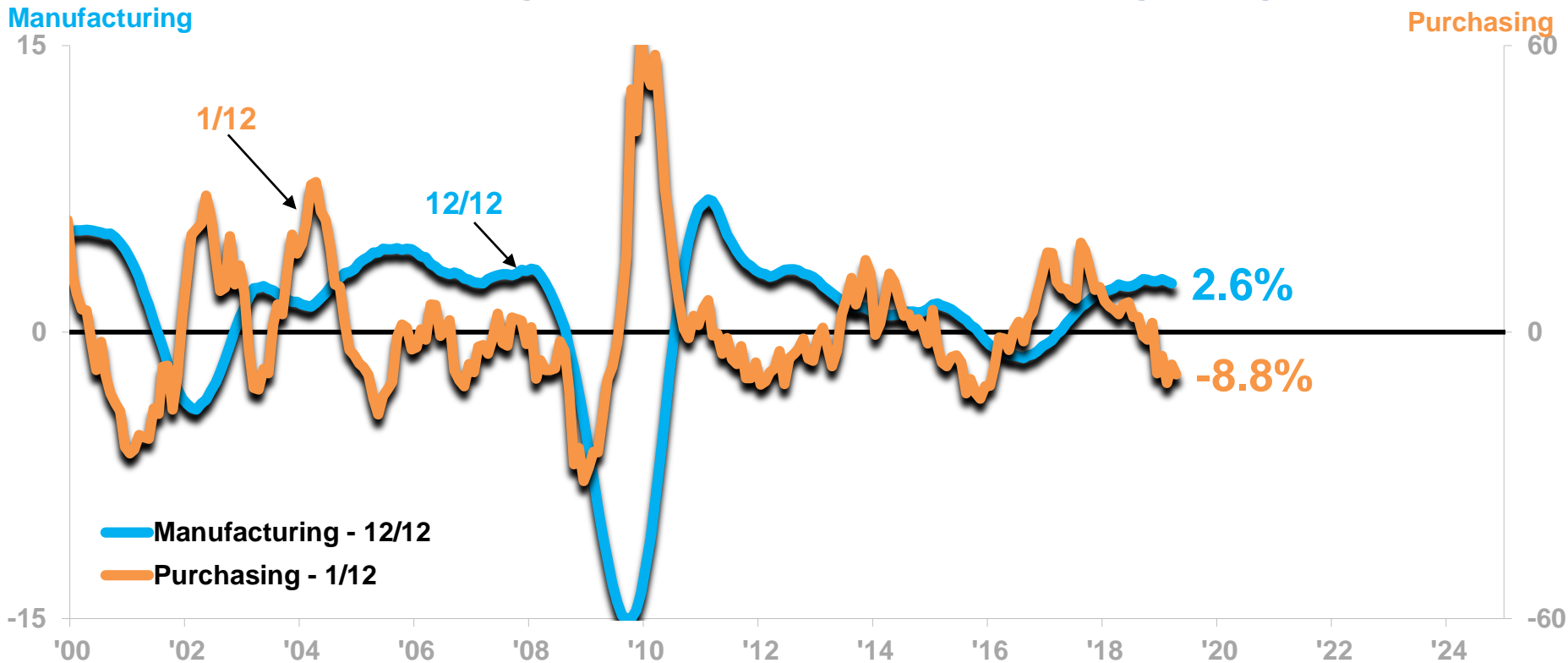
Downside Pressure Indicated for 2019

US Total Manufacturing Production Index to ITR Leading Indicator



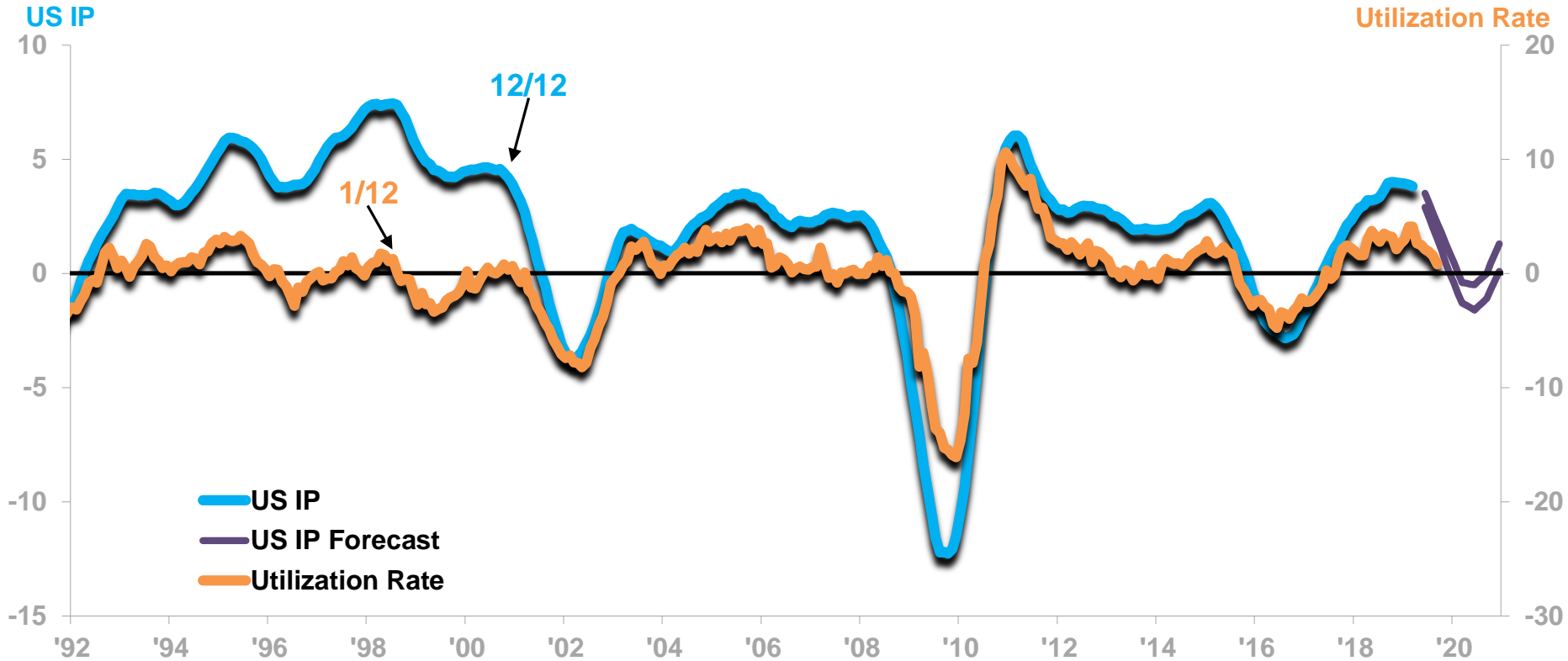
Downside Business Cycle Pressure Clearly Evident

US Total Manufacturing Production Index to US Purchasing Managers Index



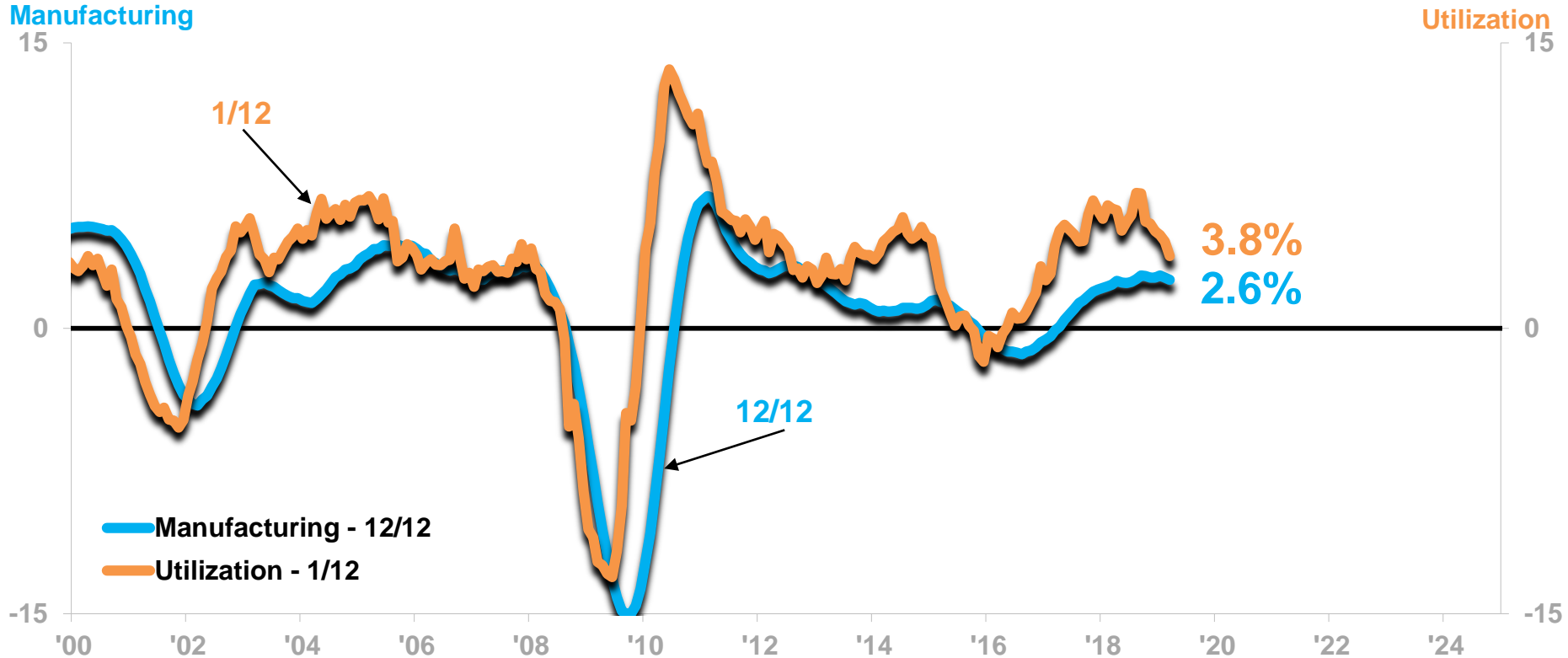
A Macro Economic Slowdown is Indicated

US Industrial Production to US Total Industry Capacity Utilization Rate



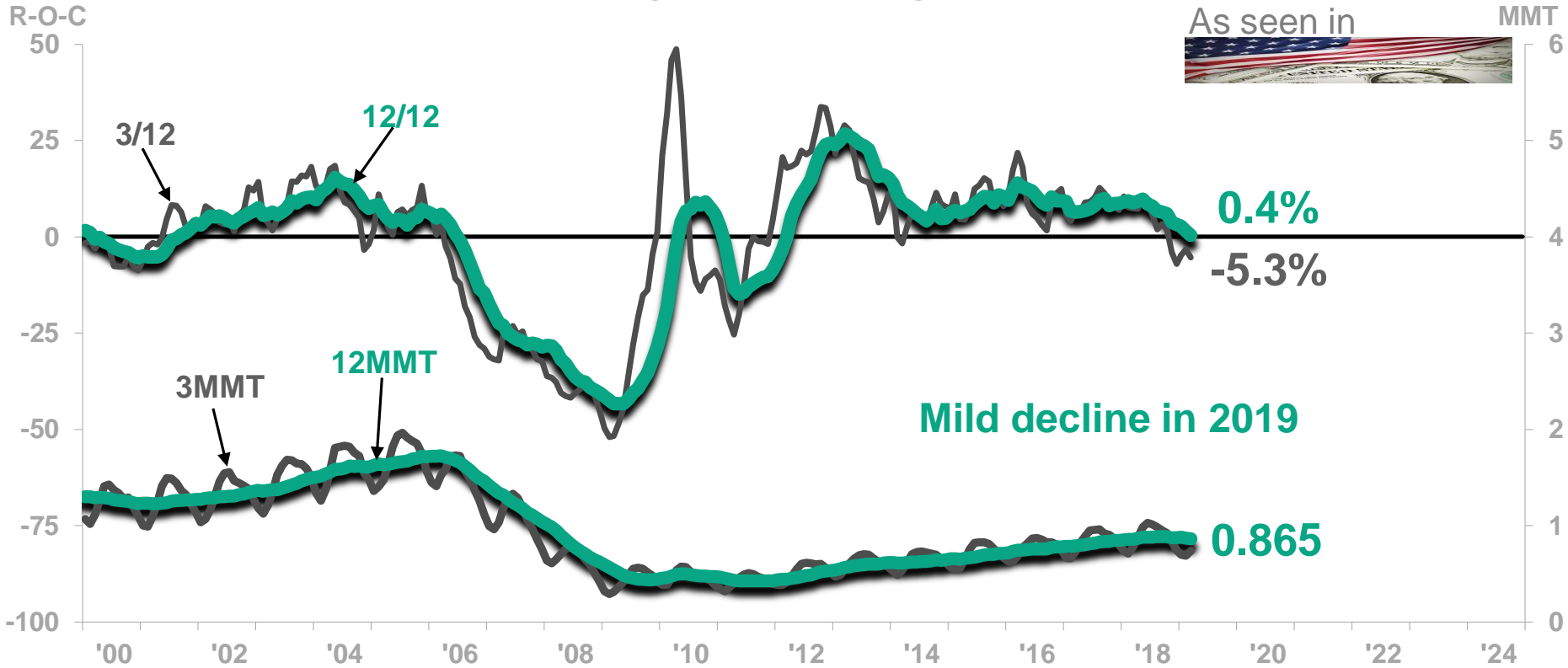
A Clear Indication of Downside Business Cycle Pressure

US Total Manufacturing Production Index to US Total Industry Capacity Utilization Rate



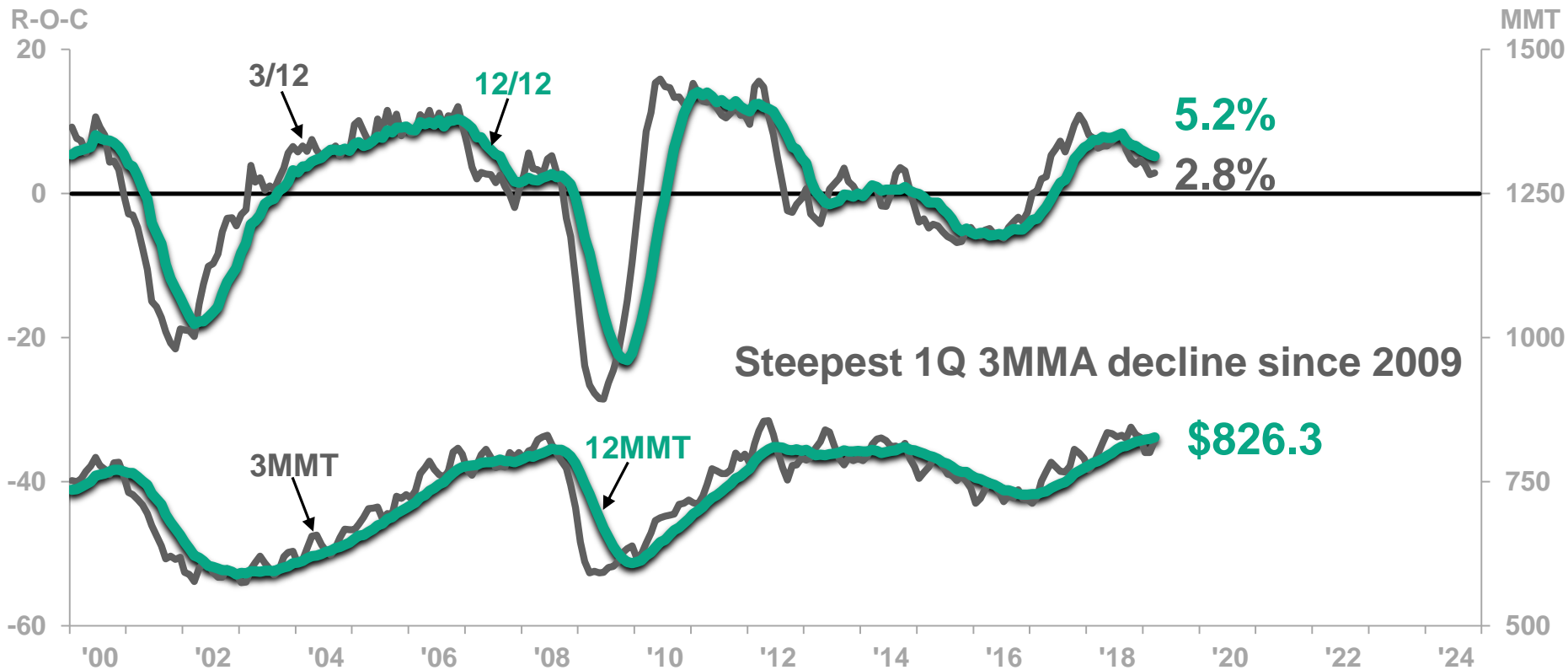
Further Decline Indicated

US Single Unit Housing Starts



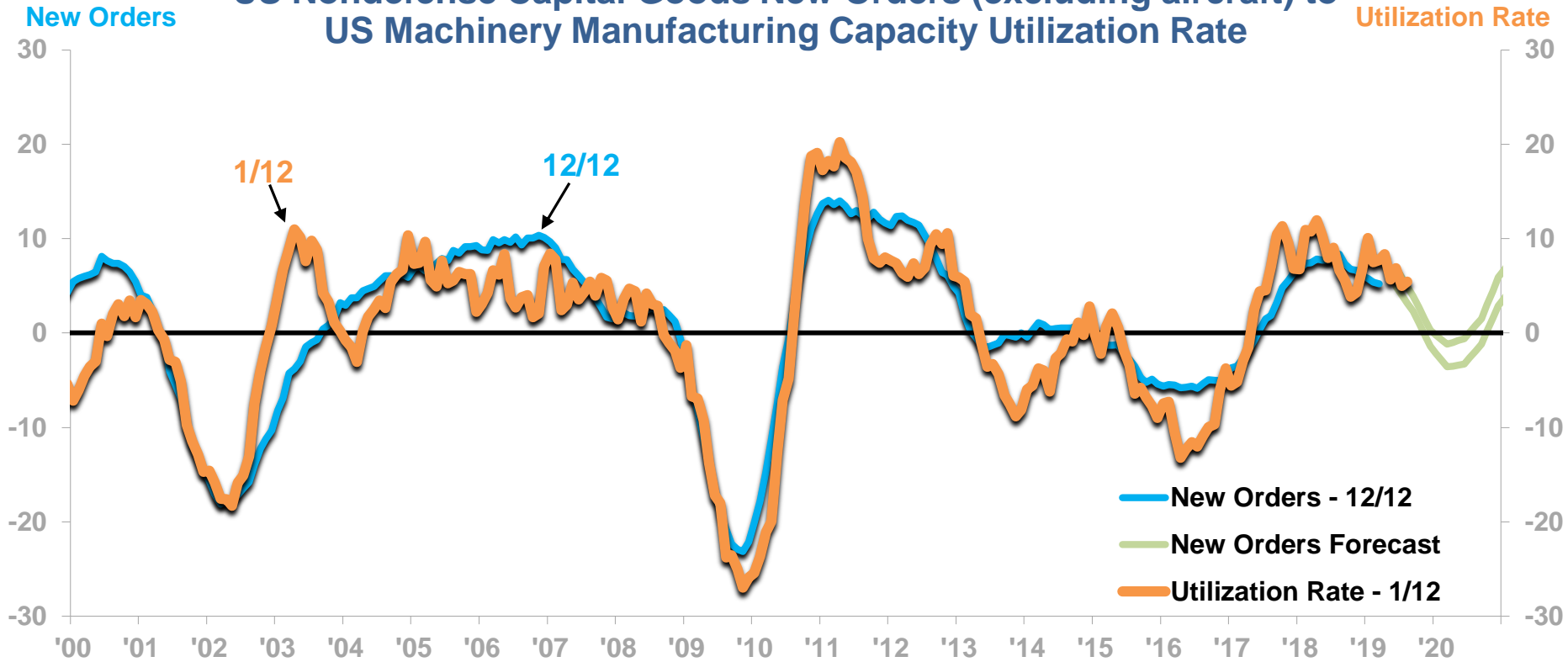
Decelerating CAPEX Trend

US Nondefense Capital Goods New Orders w/o Aircraft



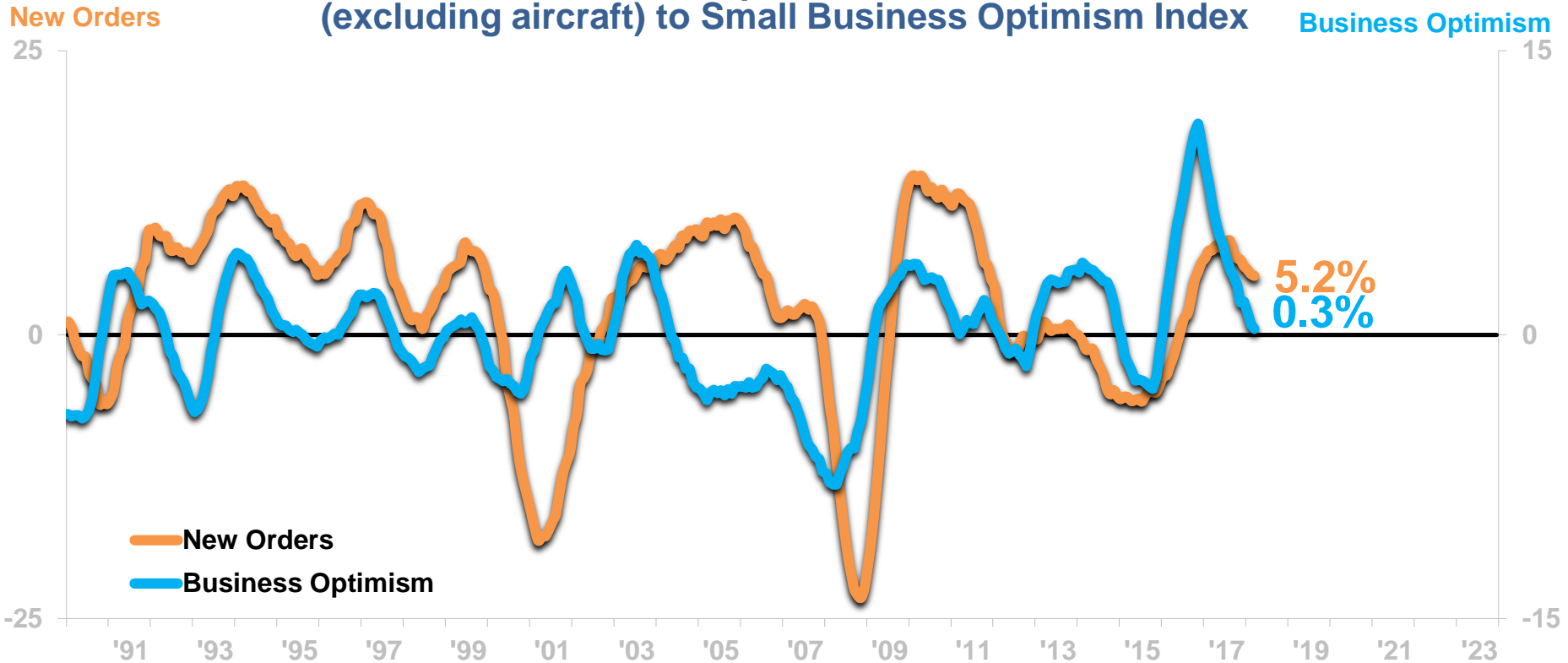
Slower CAPEX Spending in 2019

US Nondefense Capital Goods New Orders (excluding aircraft) to US Machinery Manufacturing Capacity Utilization Rate



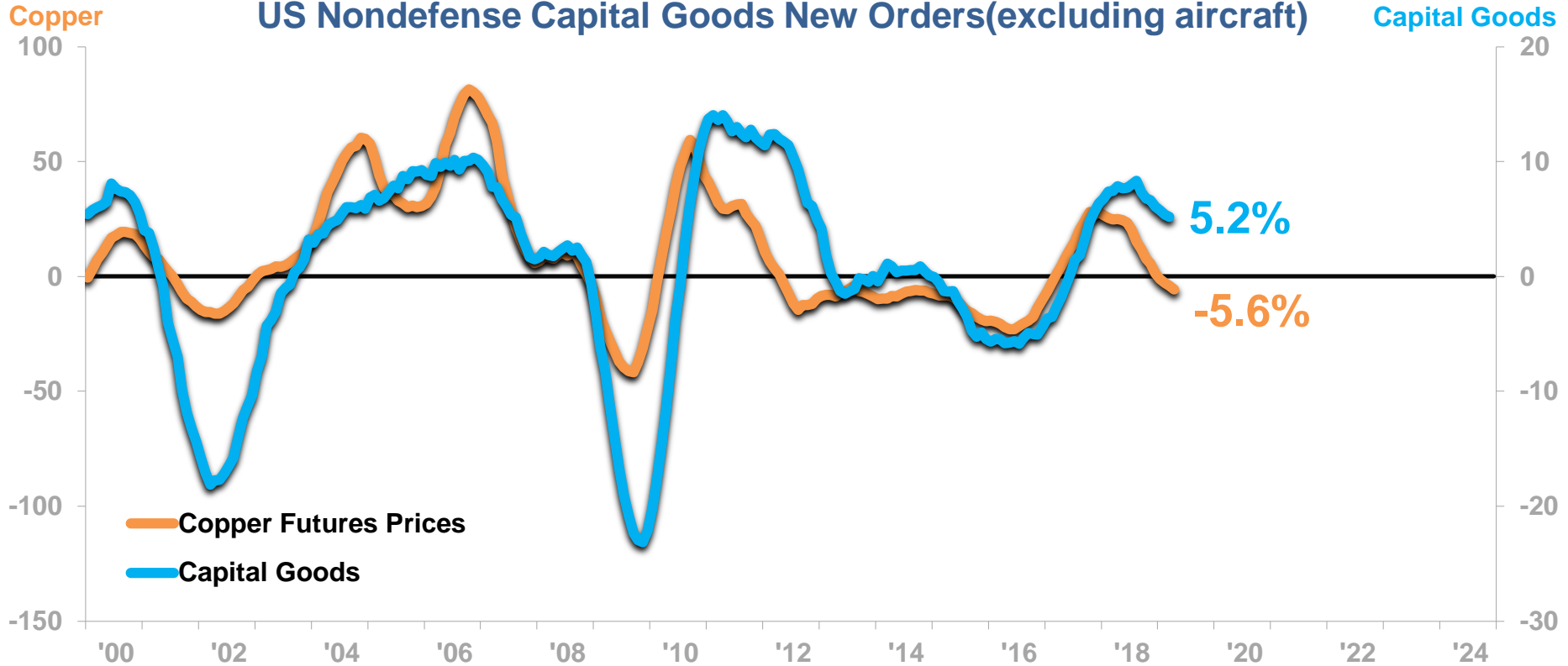
Optimism Index Portends a Softer 2019

US Nondefense Capital Goods New Orders
(excluding aircraft) to Small Business Optimism Index



Copper is Signaling a Slowdown in Spending This Year

US Copper Futures Prices to
US Nondefense Capital Goods New Orders(excluding aircraft)



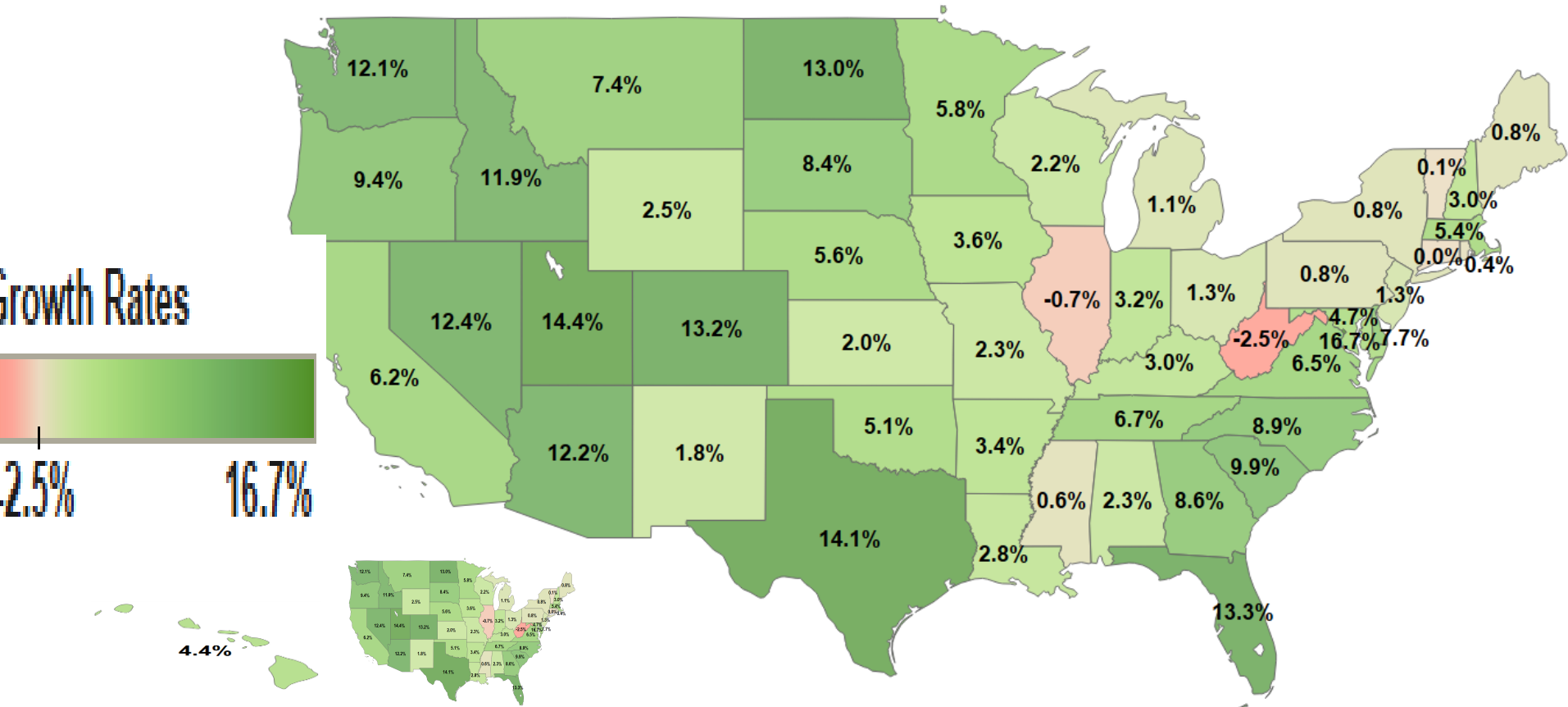


People

Net Migration Between States, July 2017-July 2018



State Population Growth Rates

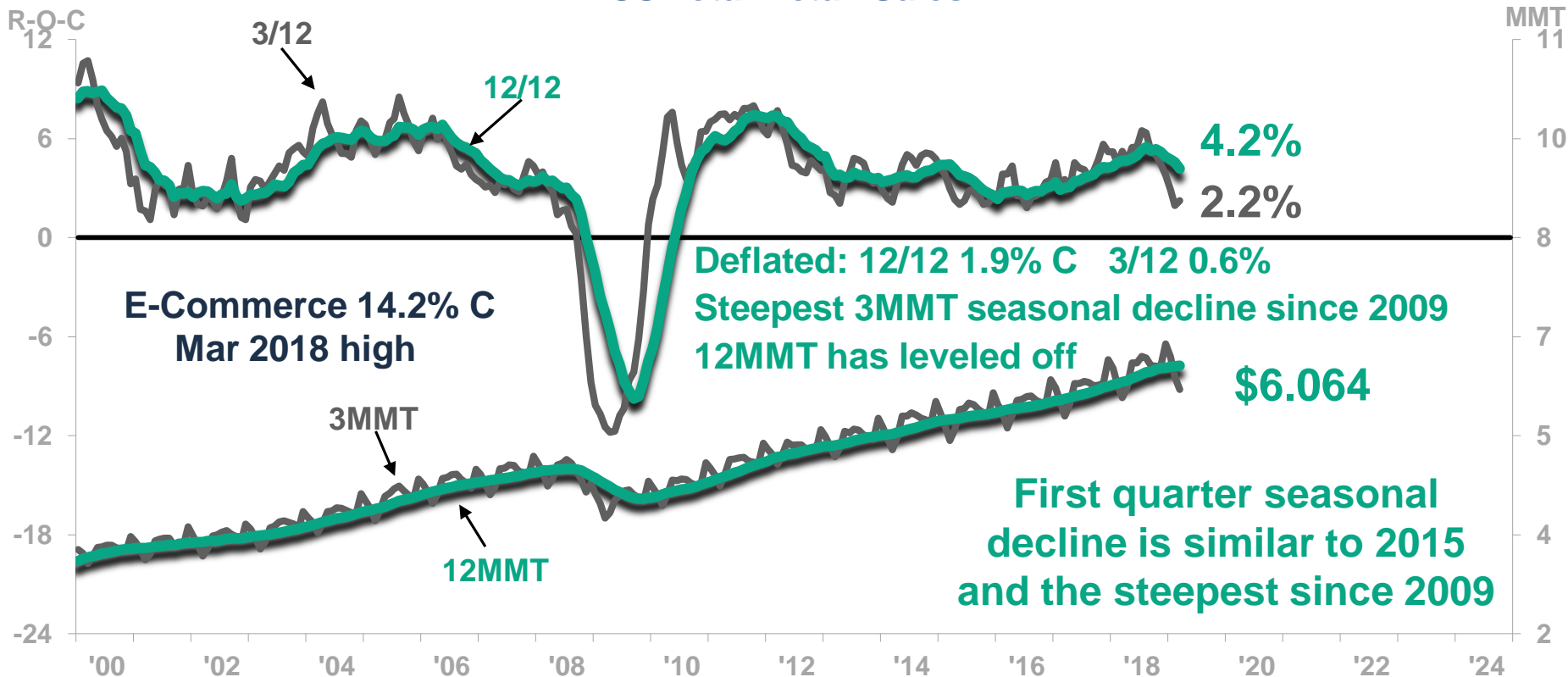


Percent Change from Population Estimates 2010 to 2018

Source: US Census Bureau

Retail Sales are Slowing in Rate of Rise

US Total Retail Sales

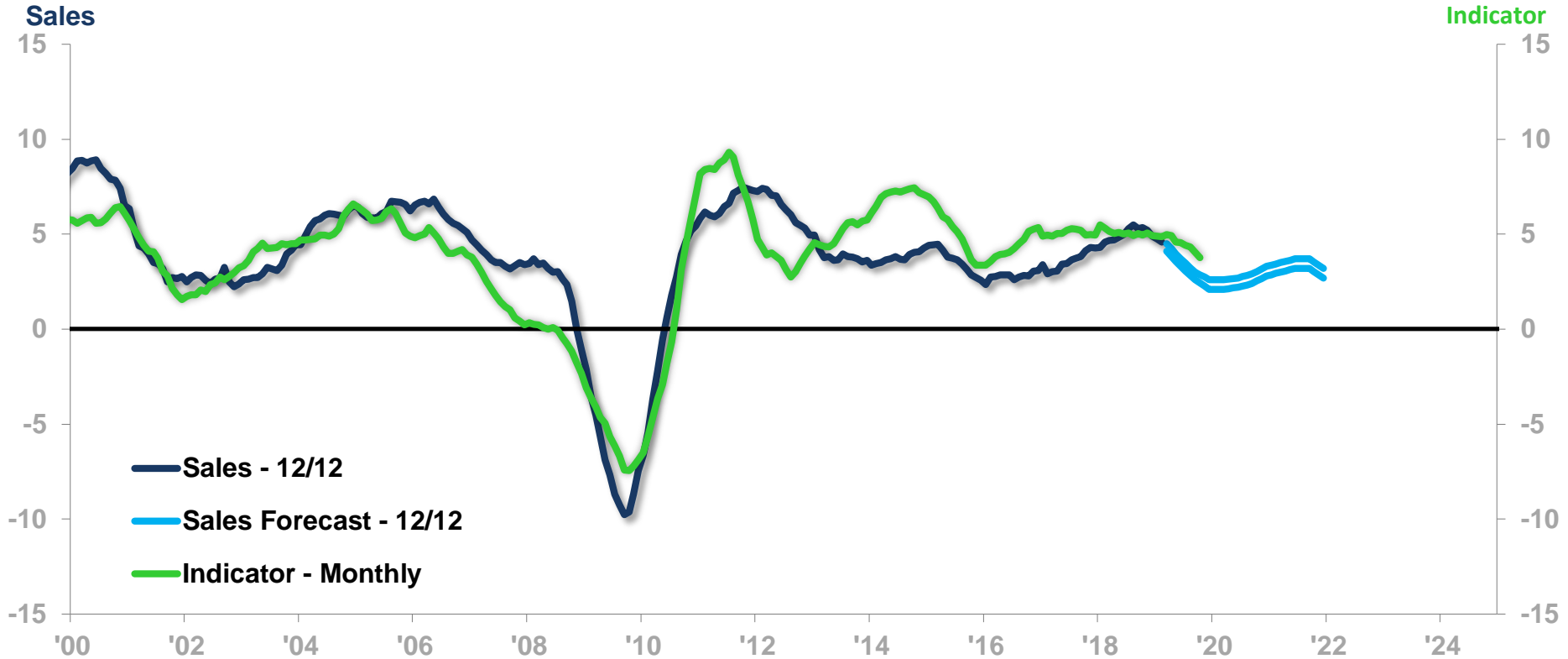


Trillions of Dollars

Source: US Census Bureau

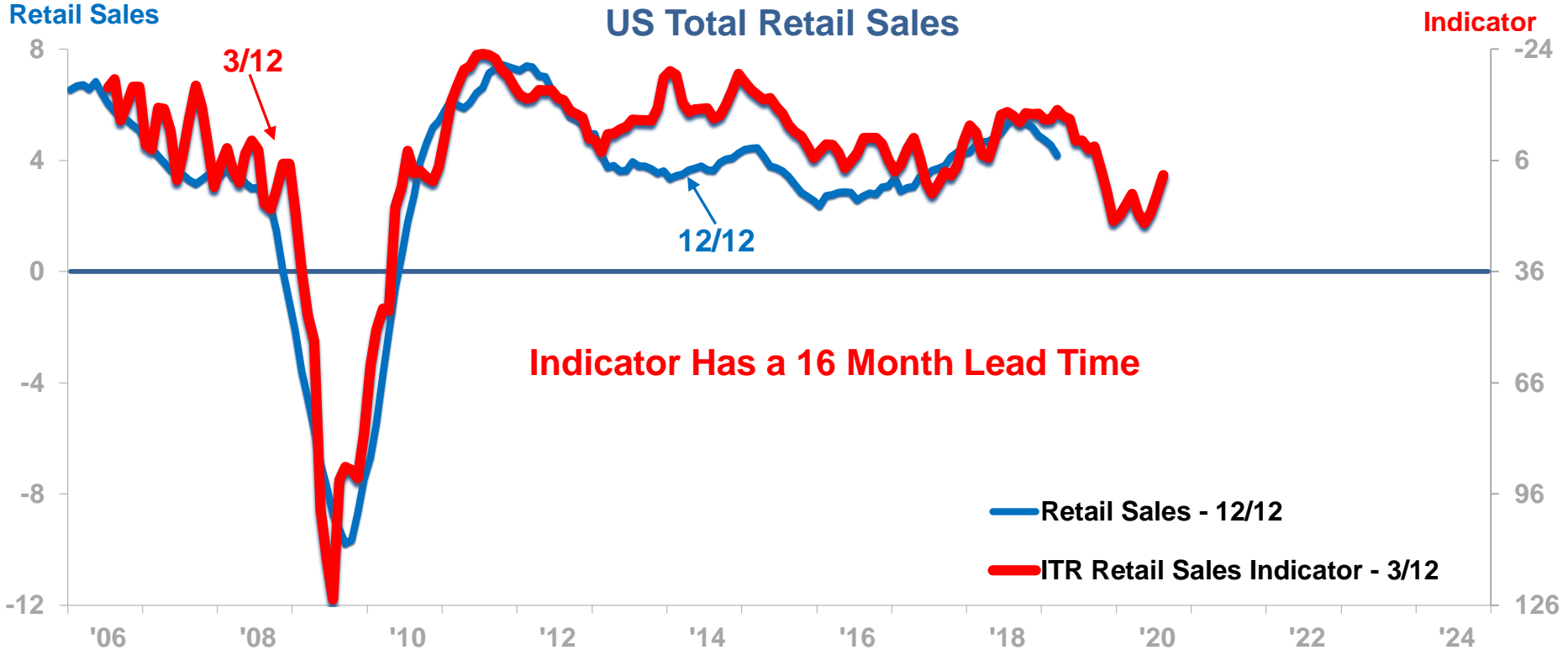
New ITR Leading Indicator Says Slowing Growth Ahead

US Total Retail Sales to ITR US Retail Sales Leading Indicator



More Retail Sales Troubles in 2019

ITR Retail Sales Leading Indicator™ to
US Total Retail Sales

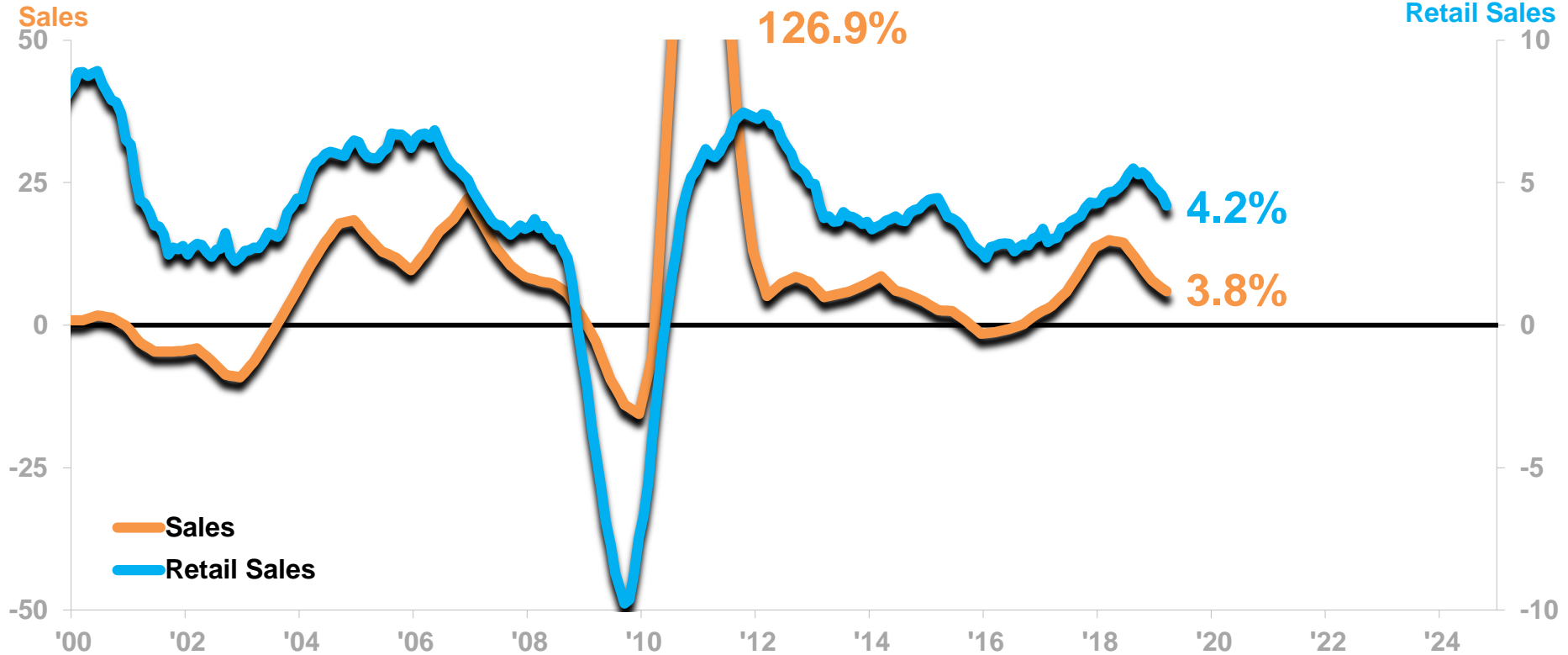


Indicator Has a 16 Month Lead Time

— Retail Sales - 12/12
— ITR Retail Sales Indicator - 3/12

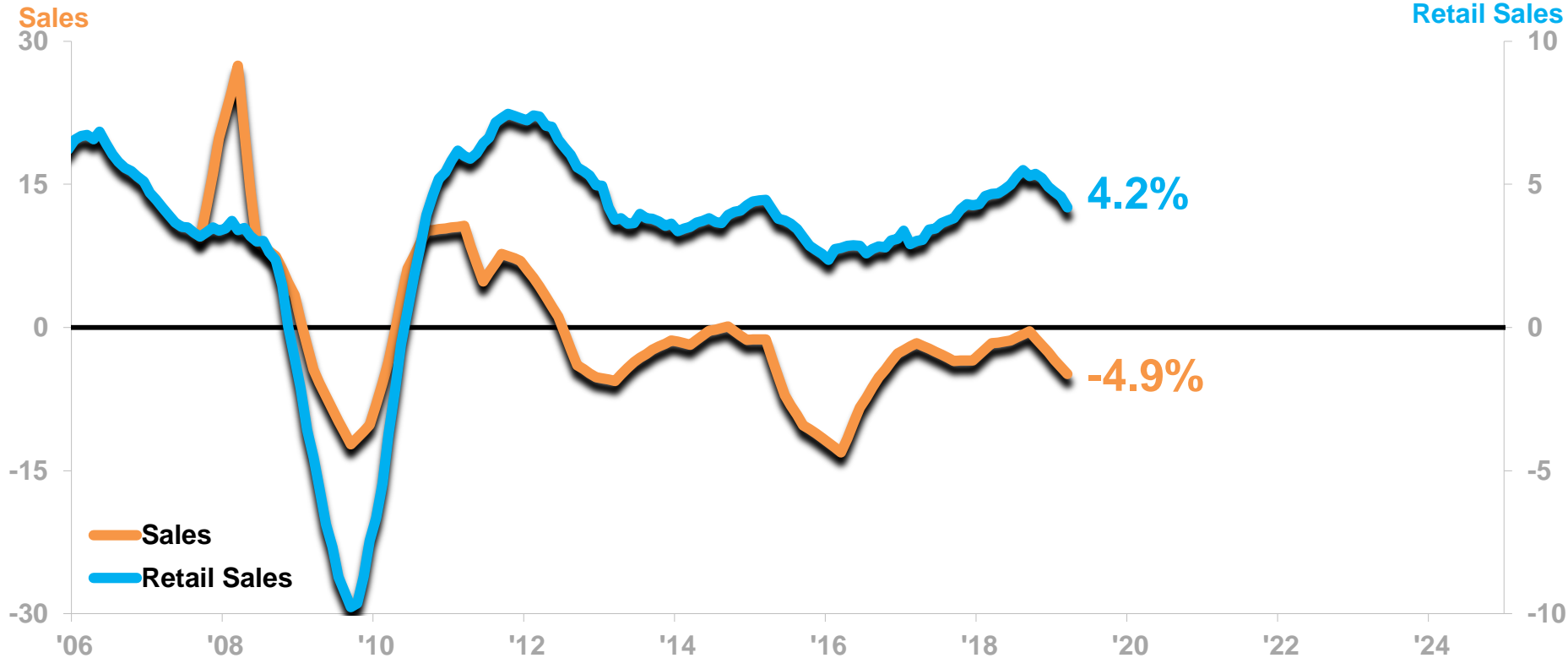
More Downside Pressure in 2019

Stanley Black & Decker, Inc. Net Sales to US Total Retail Sales



More Troubles Ahead in 2019 for P&G

The Proctor & Gamble Company Net Sales from Grooming Products to US Total Retail Sales

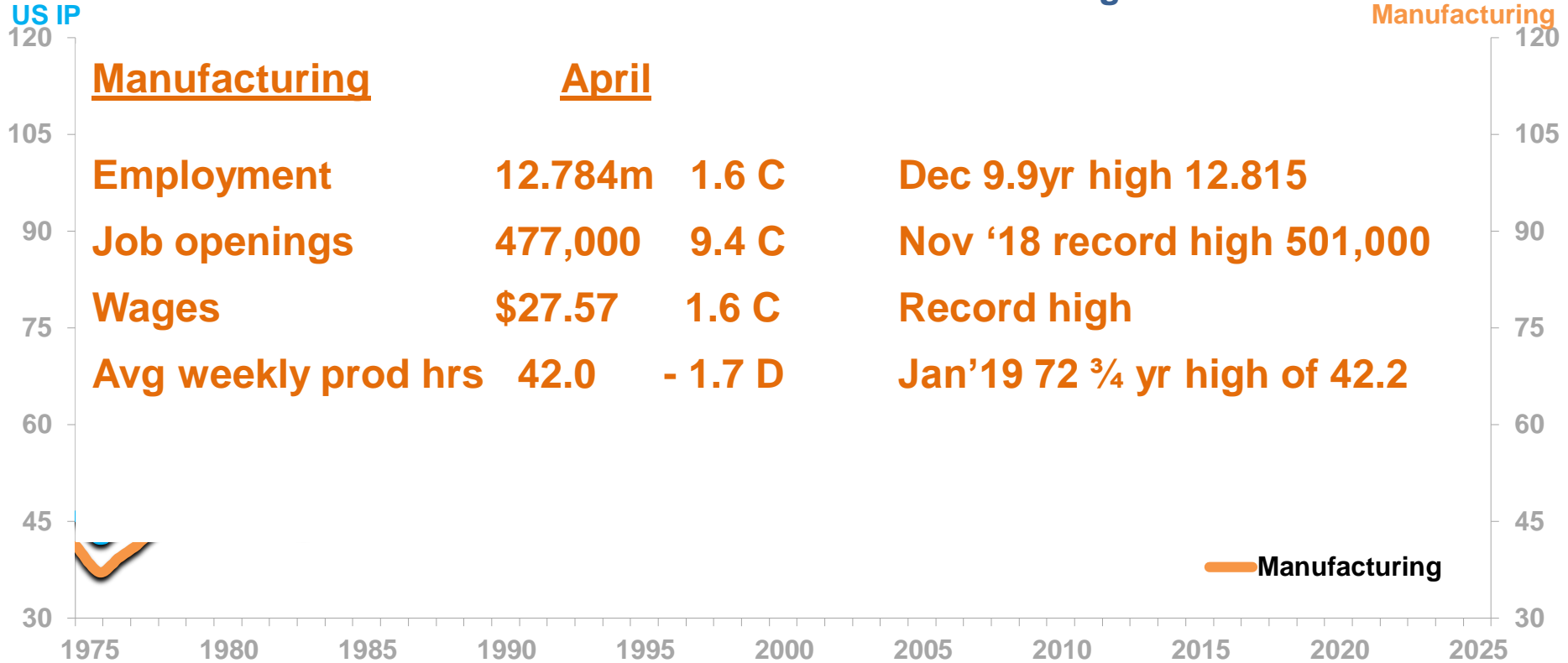




Some of Your Markets

Manufacturing: A Growing Part of America

US Industrial Production Index to US Total Manufacturing Production Index



Manufacturing

April

Employment 12.784m 1.6 C

Job openings 477,000 9.4 C

Wages \$27.57 1.6 C

Avg weekly prod hrs 42.0 - 1.7 D

Dec 9.9yr high 12.815

Nov '18 record high 501,000

Record high

Jan'19 72 ¾ yr high of 42.2

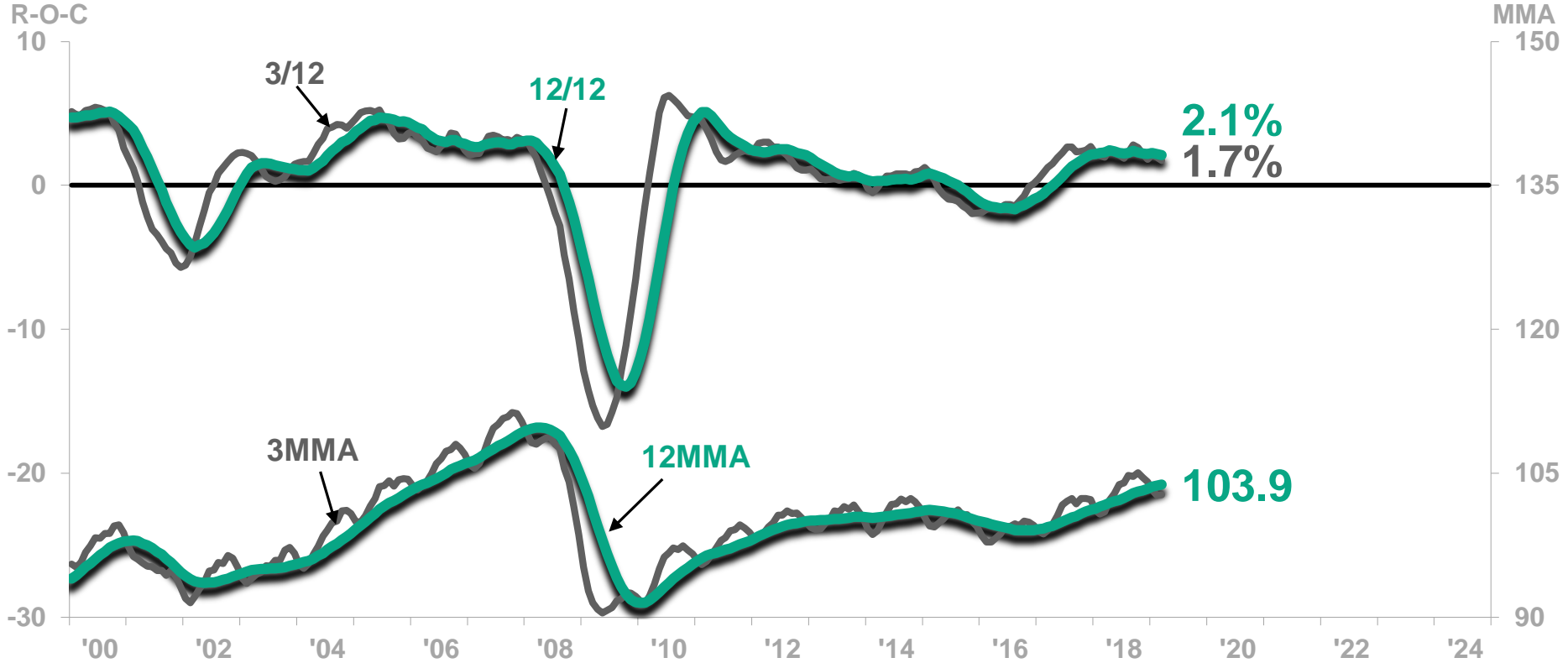
— Manufacturing

Annual Data Trends

Source: FRB

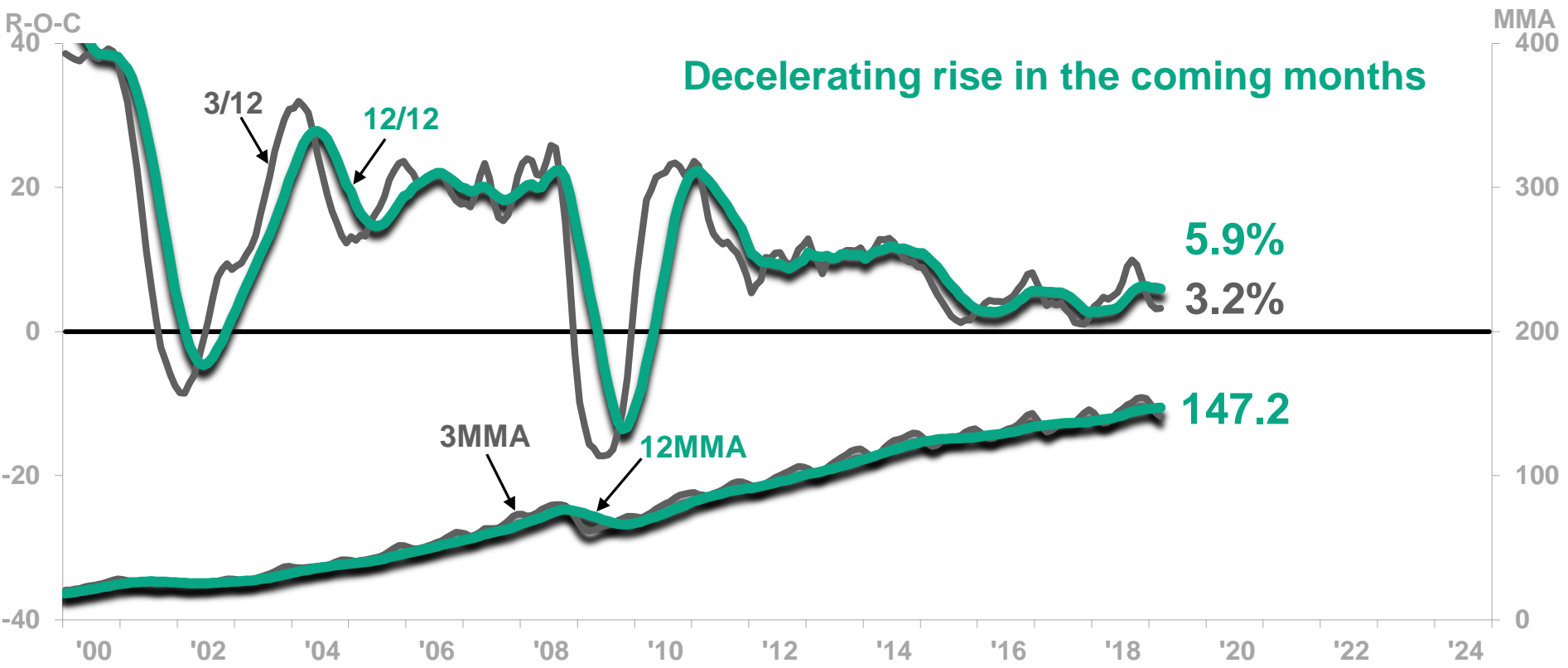
Decelerating for Now...

US Manufacturing Production Index (excluding motor vehicle production)



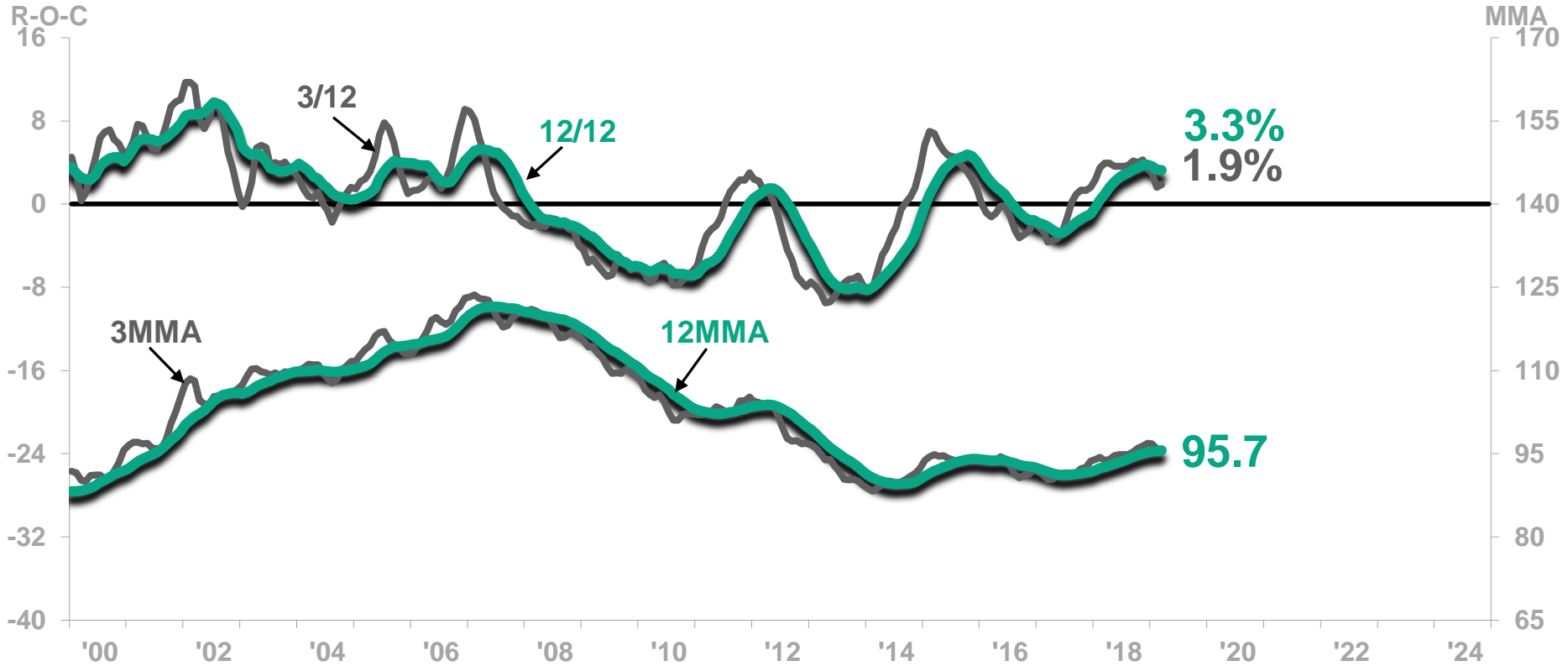
US High-Technology Industries Production Index

Computers, Communication Equipment, Semiconductors



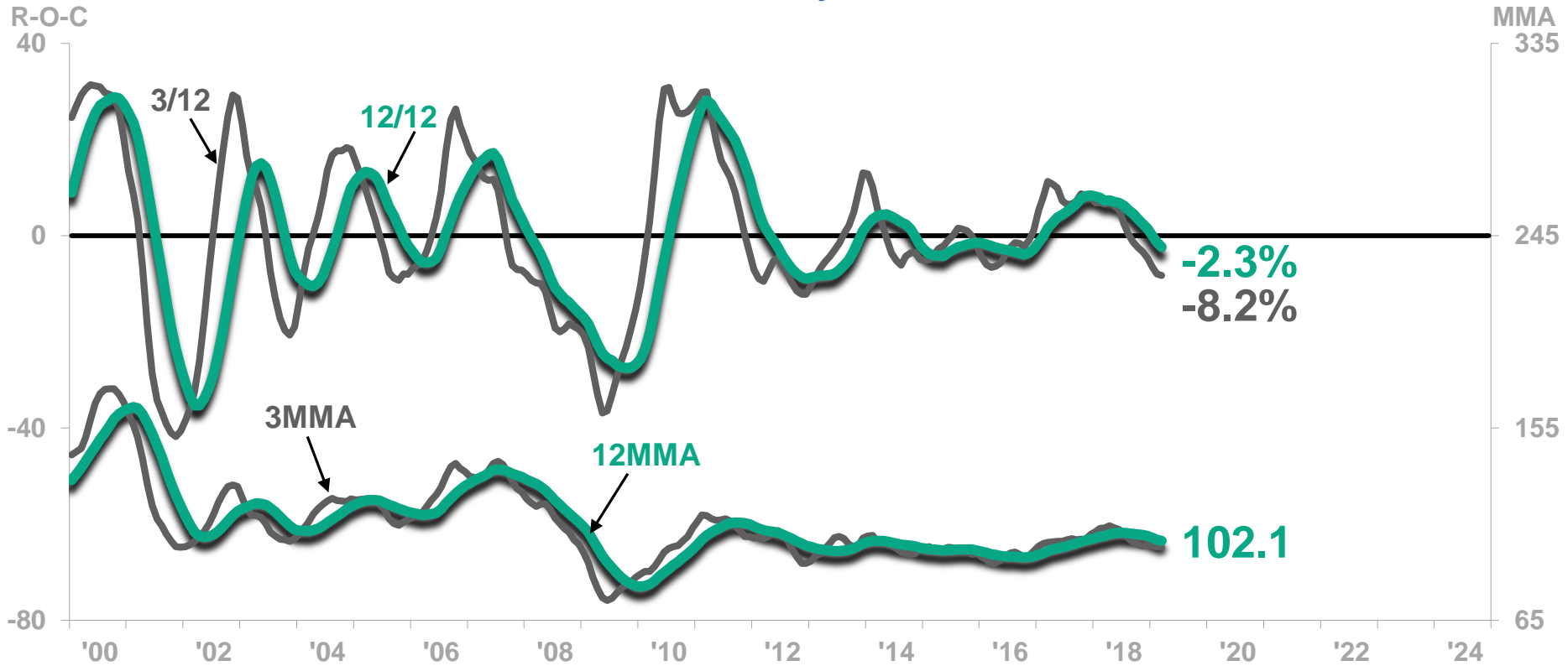
Decelerating Rise in 2019

US Pharmaceutical & Medicine Production Index



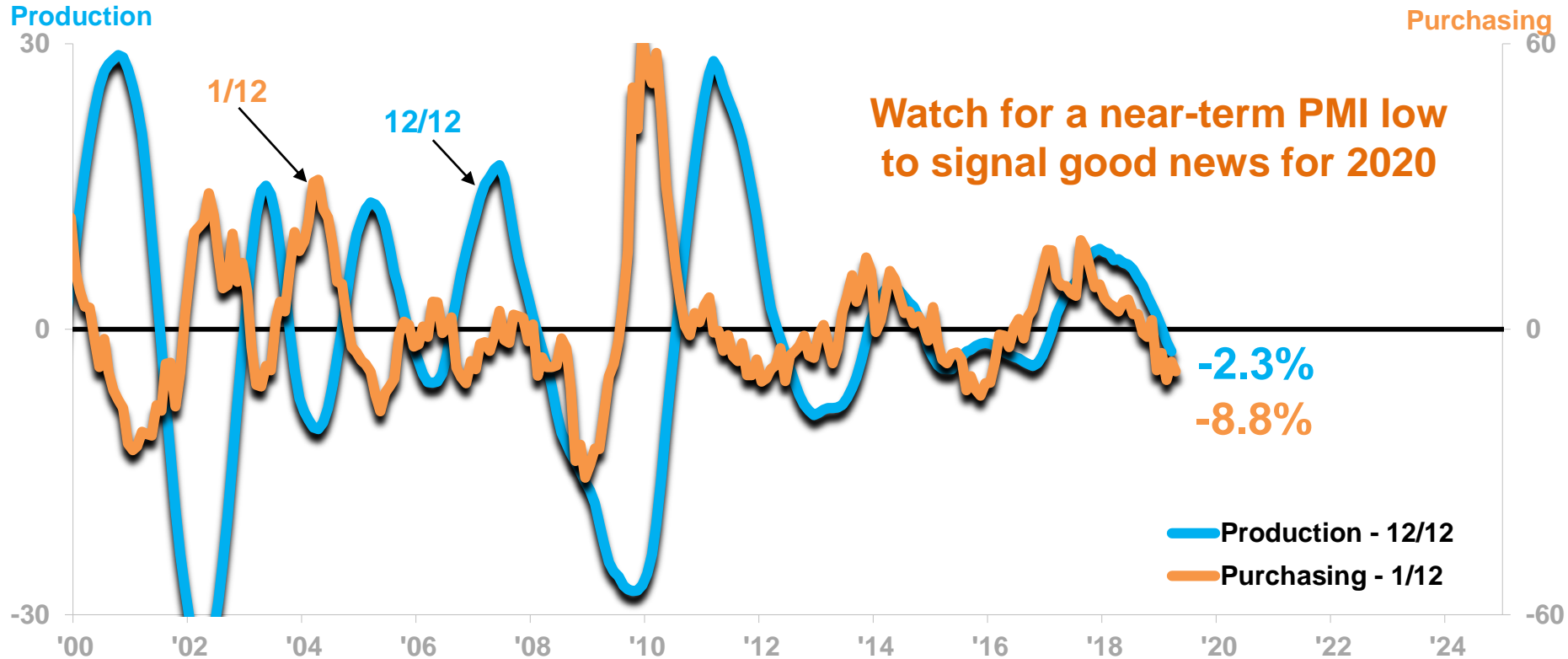
Expect Decline Through 2019

US Industrial Machinery Production Index



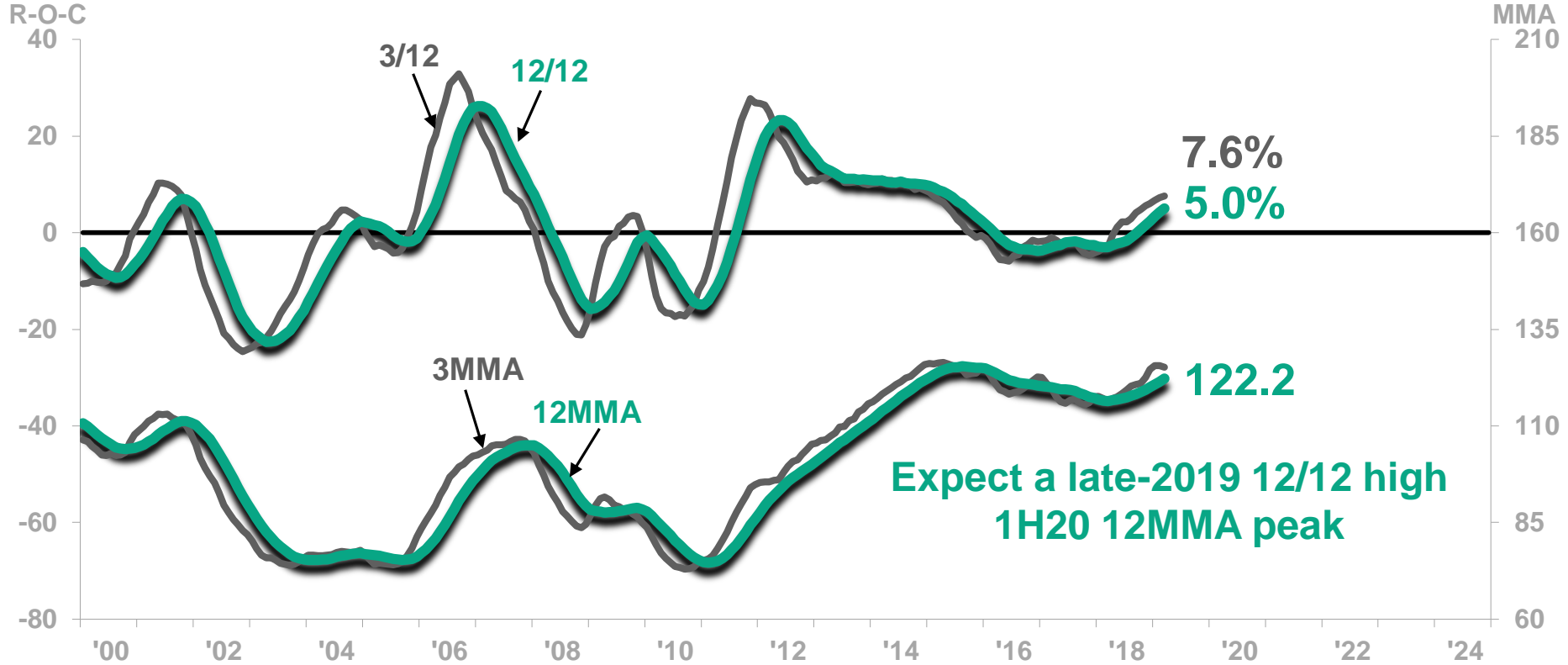
Downside Business Cycle Pressure in 2019

US Industrial Machinery Production Index to US Purchasing Managers Index



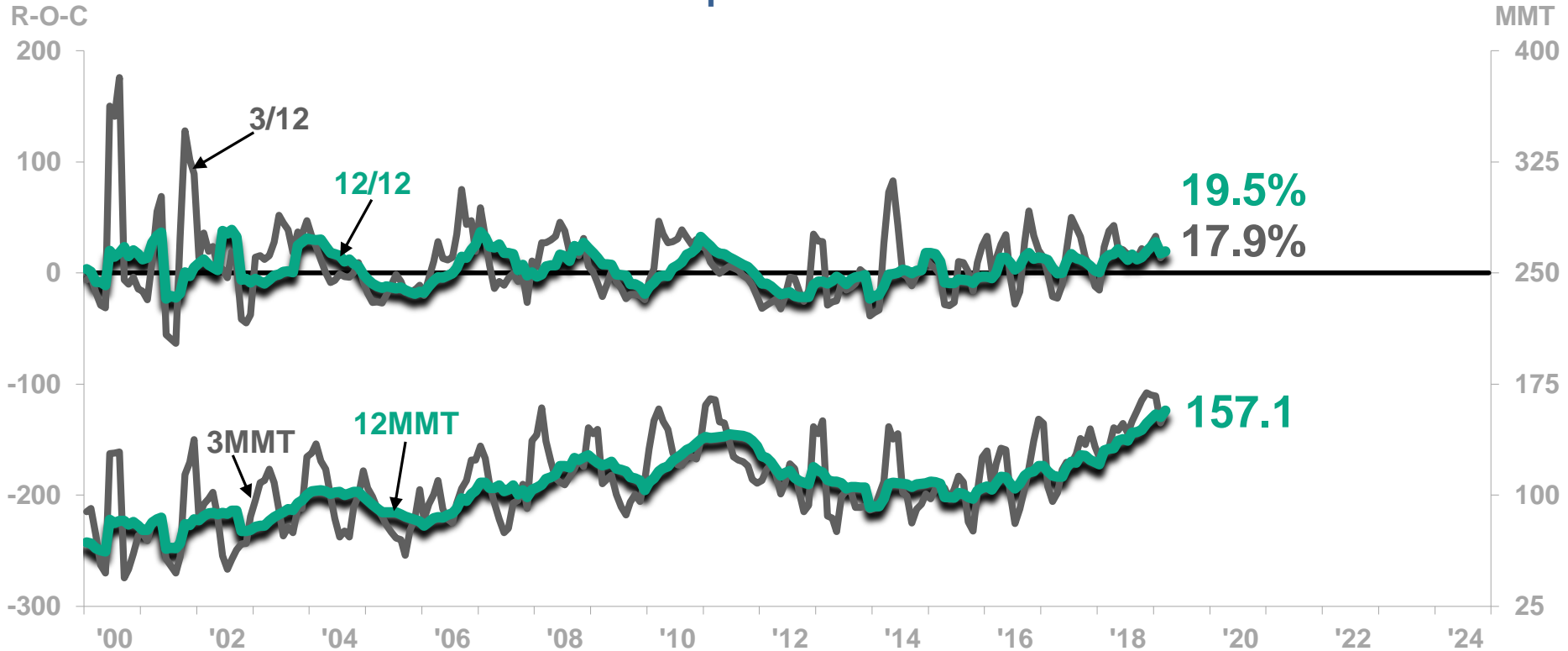
Expect Increased Opportunities in 2019

US Civilian Aircraft Equipment Production



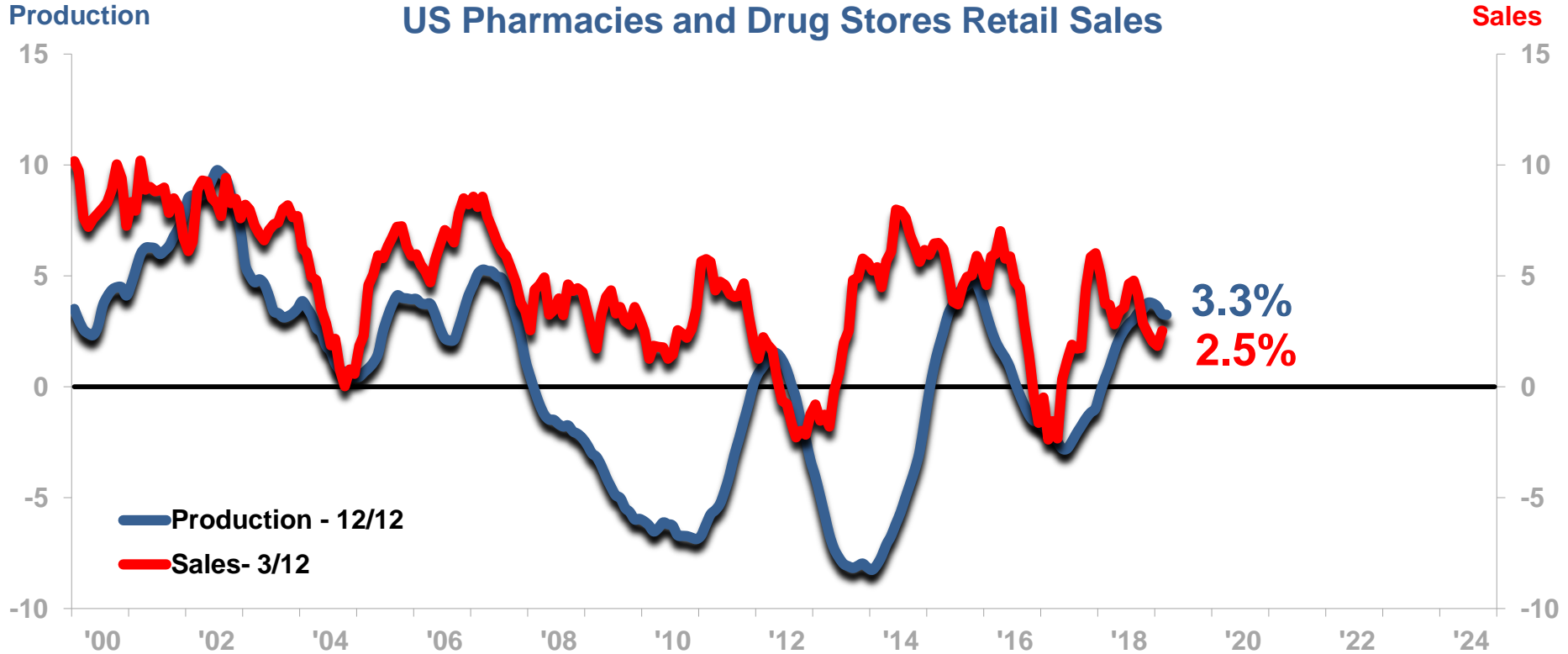
Expect Ongoing Rise in 2019

US Defense Capital Goods New Orders



Consumers are Slowing Down

US Pharmaceutical and Medicine Production Index to US Pharmacies and Drug Stores Retail Sales



US Firearms Production

	12/12	Phase	Annual Trend	Direction
Pistols	-18.9%	D	39.7 mn	Down
Revolvers	-15.2%	D	7.5 mn	Down
Rifles	-39.2%	D	26.7 mn	Down
Total Firearms	-25.7%	D	88.2 mn	Down
Exported Firearms	29.6%	B	4.9 mn	Up

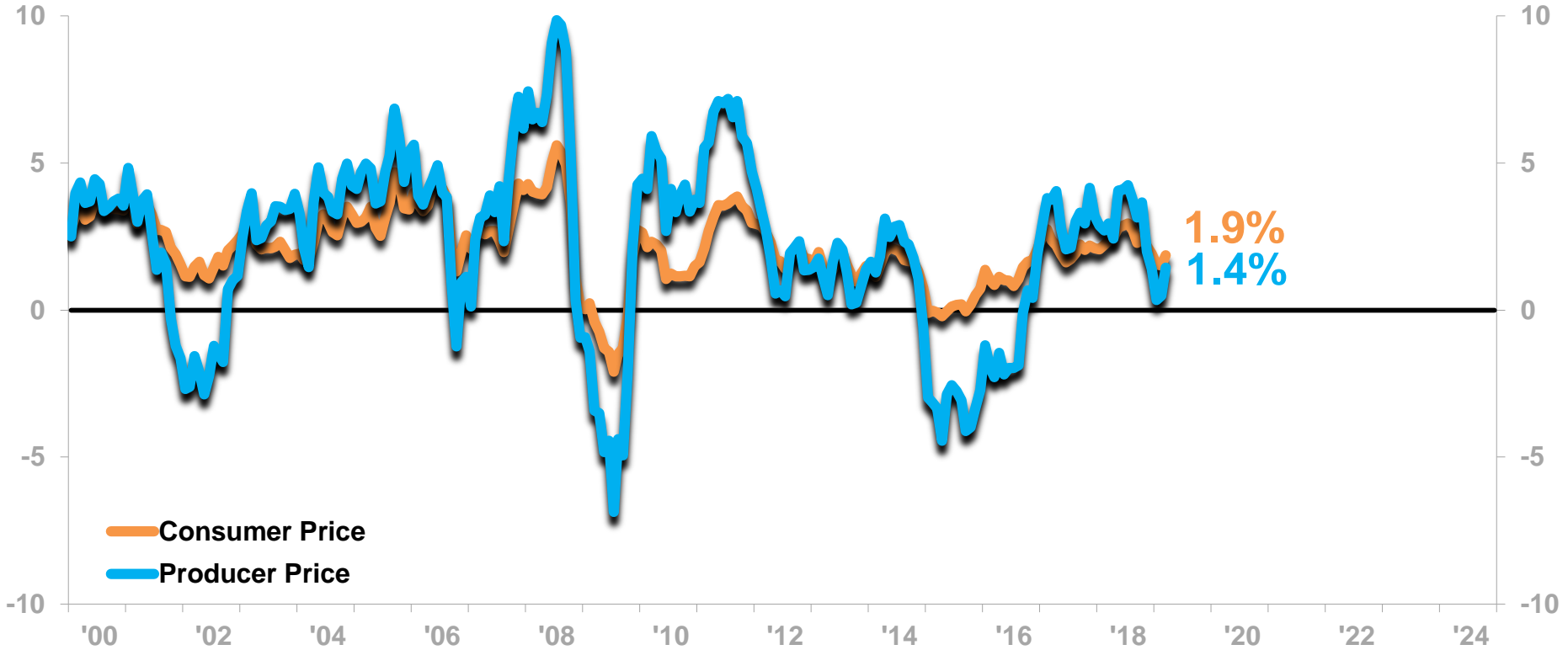




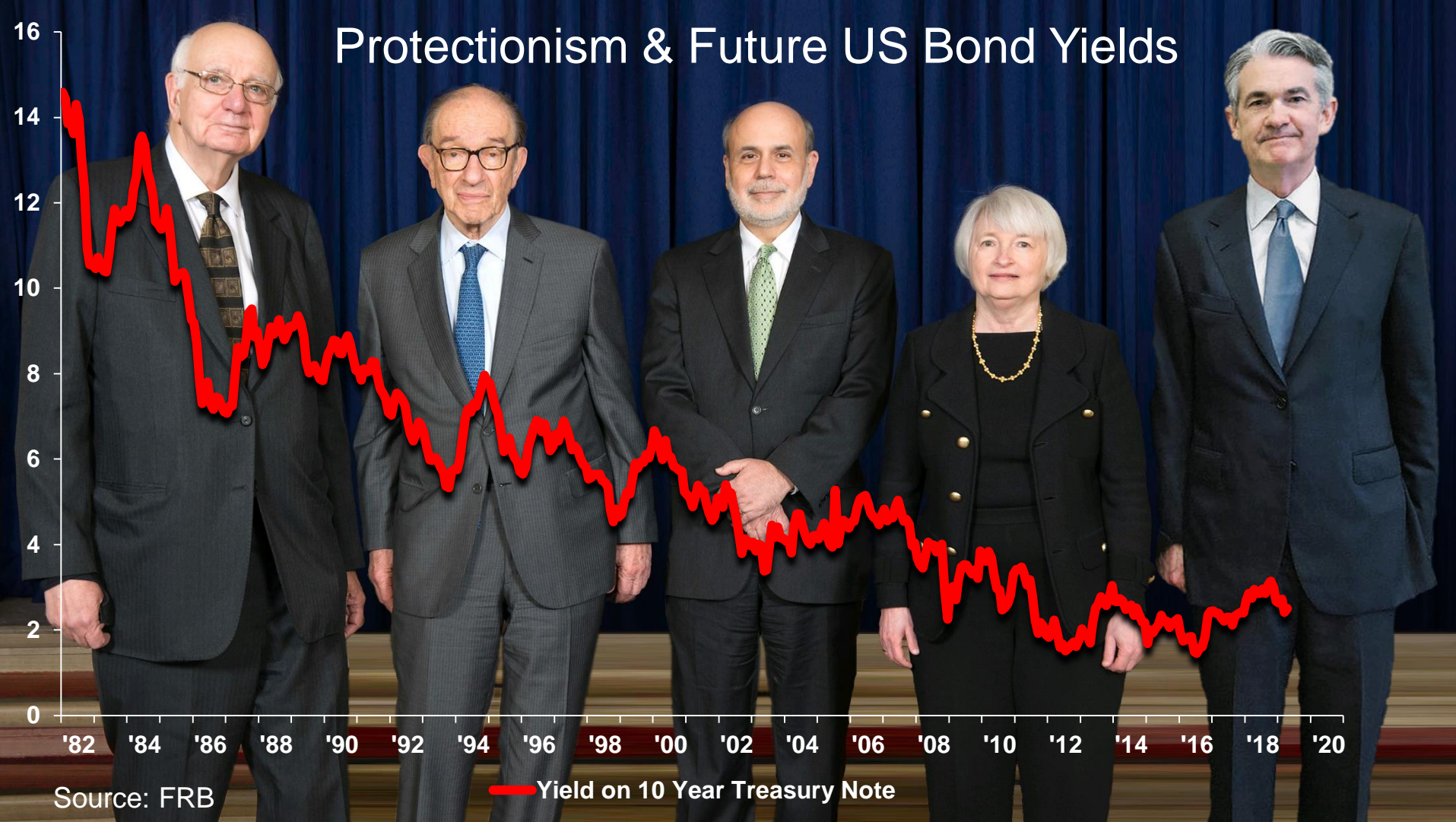
Prices

No Inflationary Threat in 2019

US Consumer Price Index to US Producer Price Index



Protectionism & Future US Bond Yields



The Road Ahead

It is important to know where you are relative to the general economic trend

2019 Decelerating growth through the rest of the year

2020 1H20 low point in the business cycle, growth in 2H20

2021 Growth

2022 Recession



5 Pieces of Actionable Advice for Phase C

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



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Any Questions?