



ARMADA

Finding the Dark Cloud Behind the Silver Lining in US Economy American Copper Council

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Analysis of the Forces Affecting Business

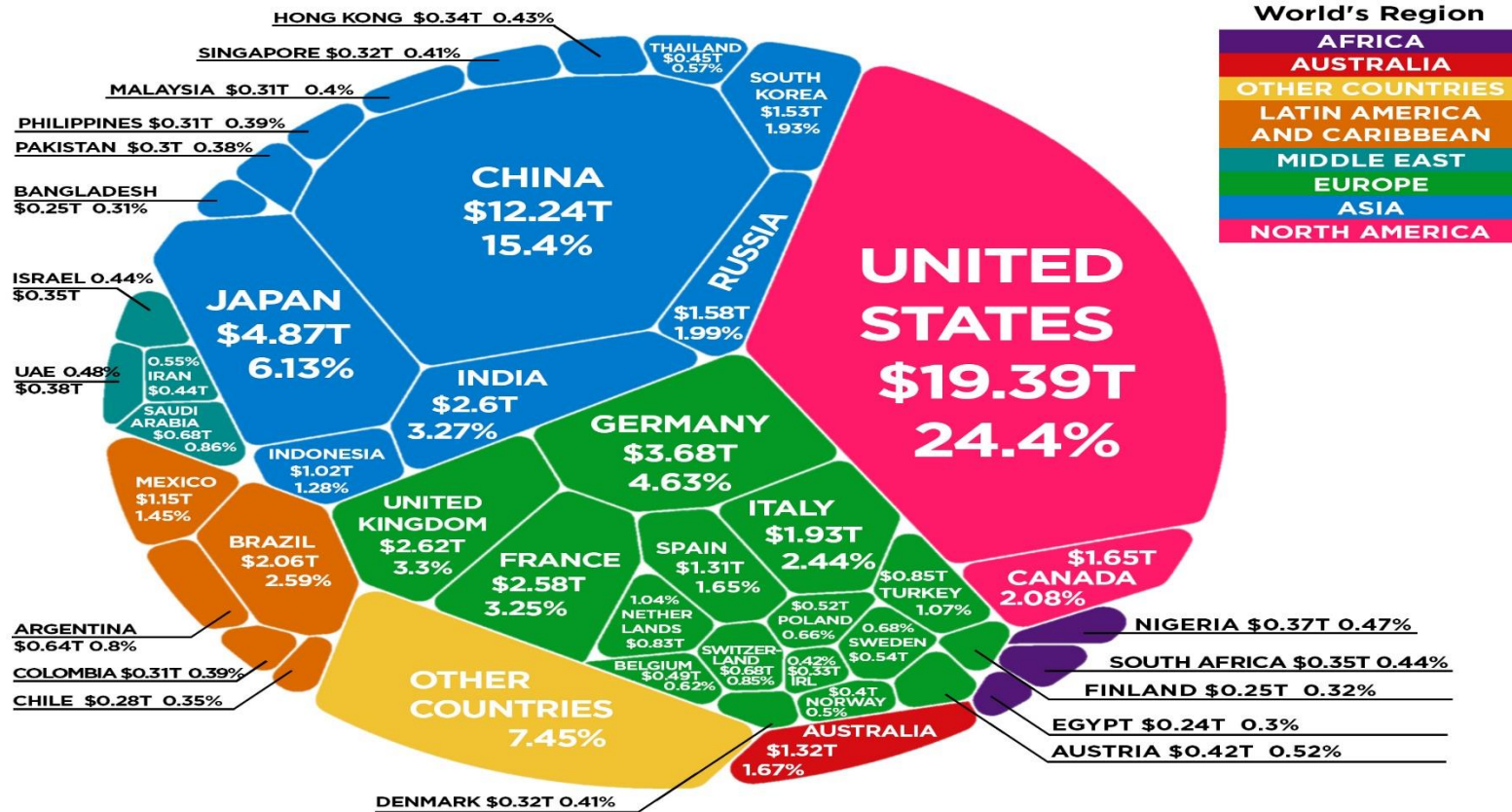
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May 22, 2019

We Told You So



We ARE a Big Country

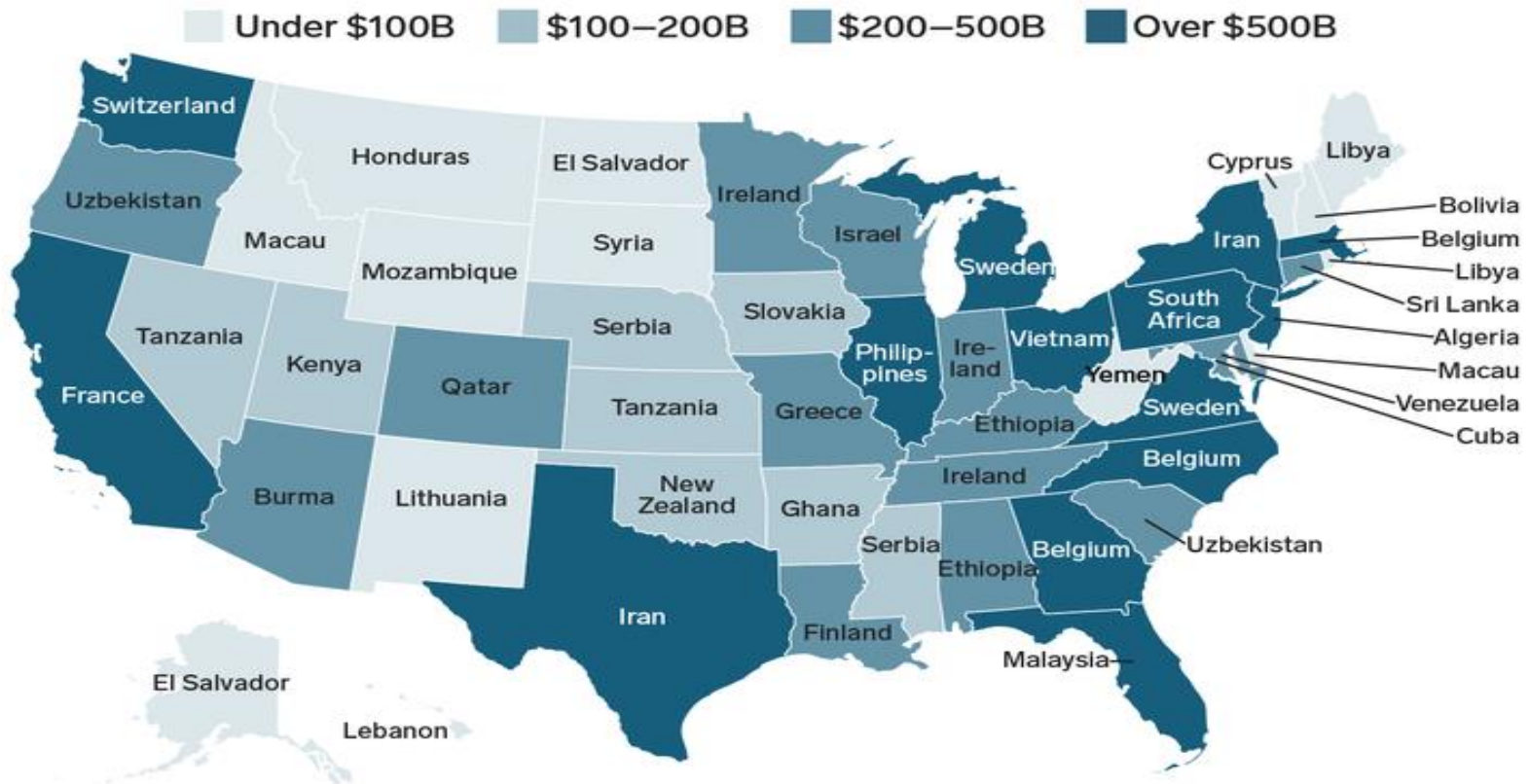


Article and Sources:
<https://howmuch.net/articles/the-world-economy-2017>
<http://databank.worldbank.org/data/download/GDP.pdf>

howmuch.net

States as Compared to Countries

States renamed with countries that have a similar GDP



Note: Map shows the country with the closest 2017 GDP to that of the state

Source: Bureau of Economic Analysis; CIA World Factbook

BUSINESS INSIDER

- **Issue Number One – In most every respect the US and China are enemies and have been for many years. Connected by mutual dependence.**
- **Issue Number Two – Bashing China is popular with Trump’s base and bashing the US is popular in China.**
- **Considerations**
 - **China is the more directly vulnerable of the two as there are no real substitutes for the US consumer while the US can (and will) find alternative sources.**
 - **US impact will be indirect as countries that sell to China are the ones that buy from the US and will be slowed if China slows.**
 - **Tariffs do not work at all if they are temporary. Companies will not invest in becoming a new supplier if they think the tariffs will be lifted later.**

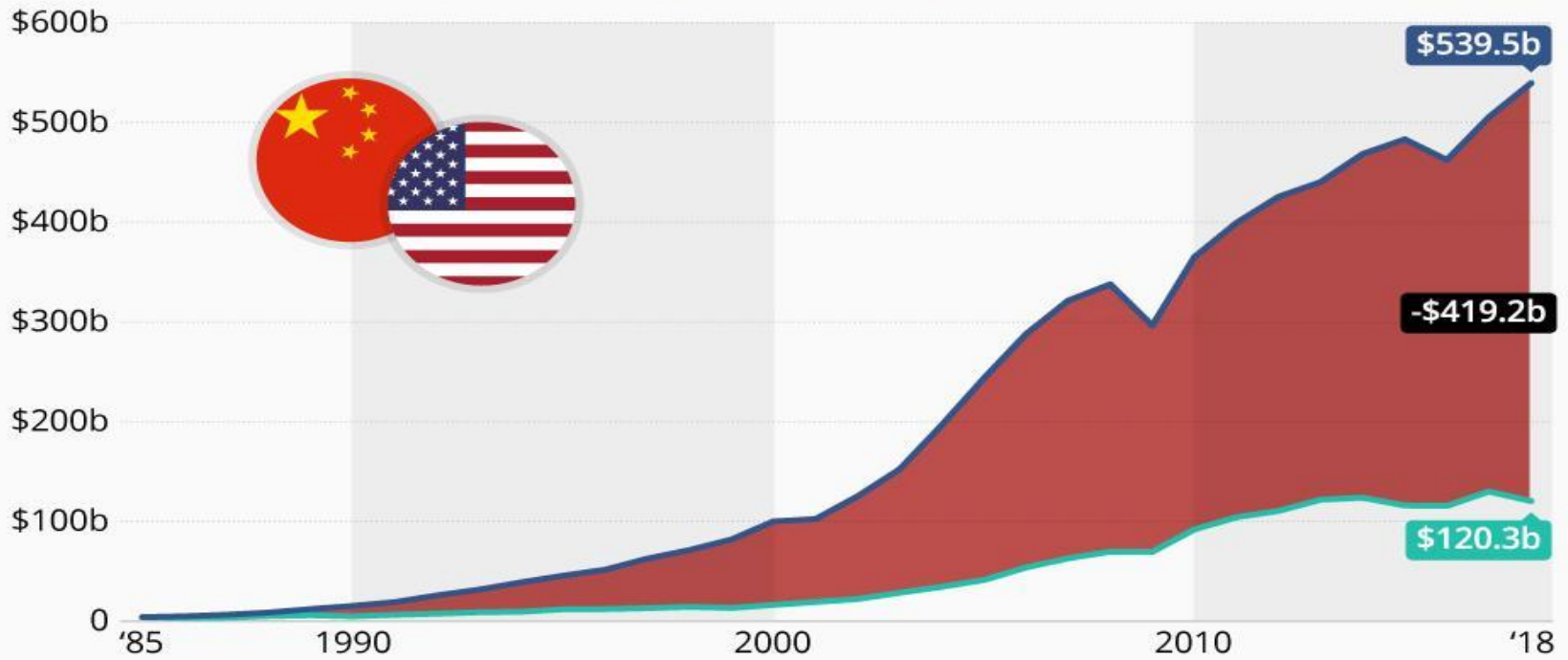
It is a Relatively New Problem



A Long-Term View On U.S. Trade With China

U.S. trade in goods with China since 1985

● Imports ● Exports ● Trade deficit

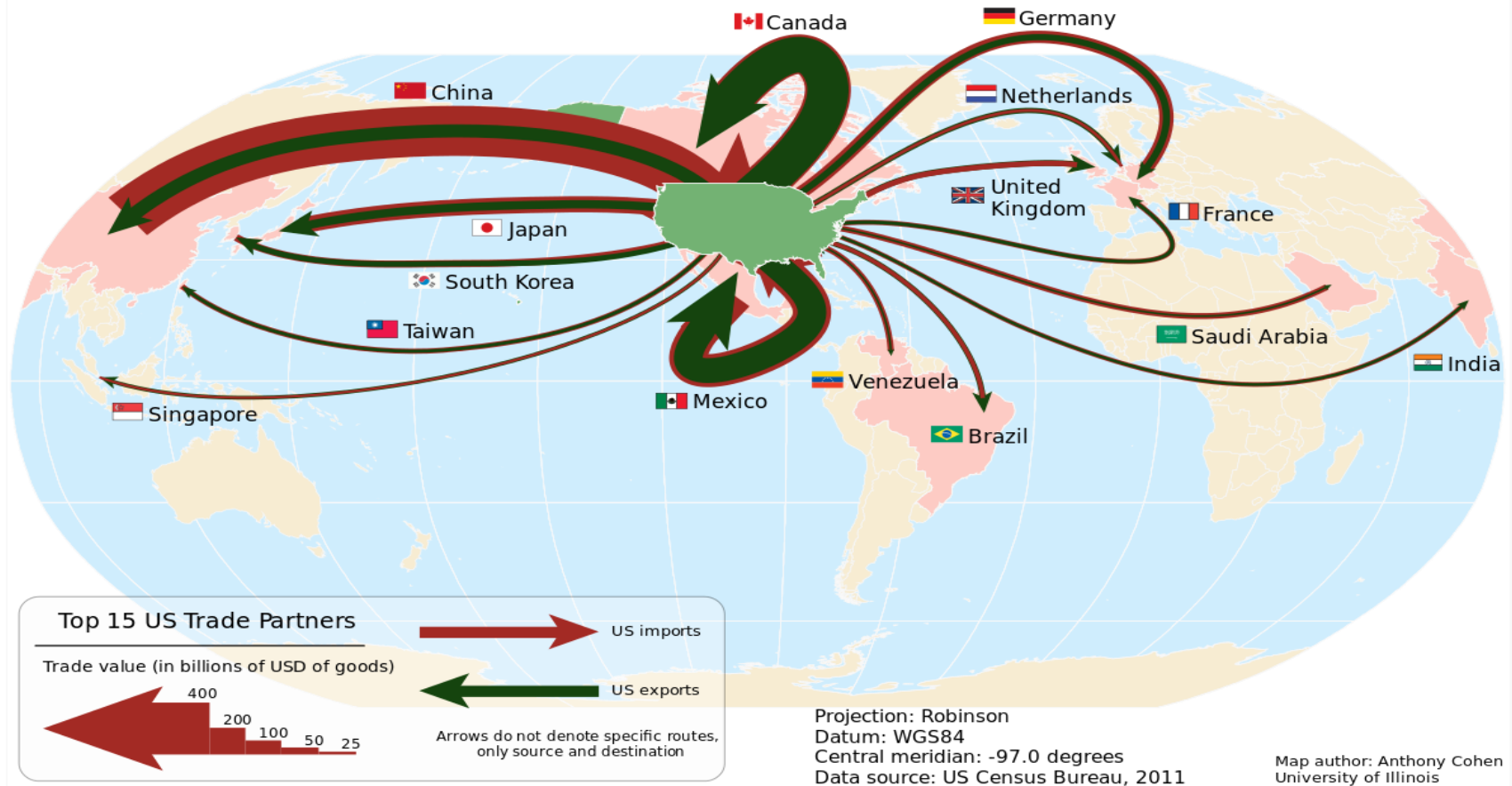


@StatistaCharts Source: U.S. Census Bureau

statista

The Statistics Portal
www.statista.com

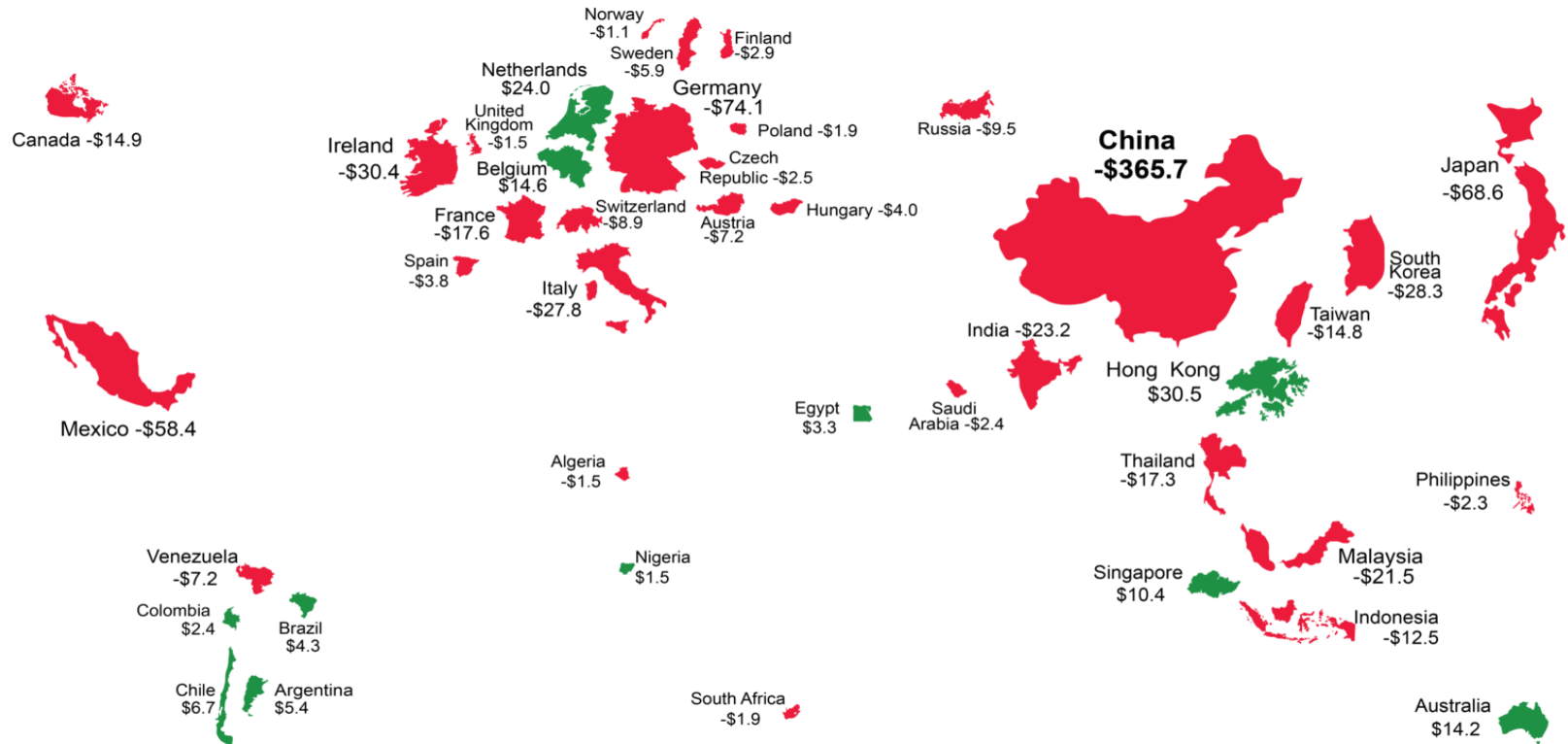
Who Buys From the US and Who Sells



Not Many Surplus Readings

World Map of U.S. Trade Balance

Trade in Goods (in billions of dollars)



How to read this graph:

Countries in red colour show where U.S. has a trade deficit.
 Countries in green colour show where U.S. has a trade surplus.
 The size of the countries represent a higher or lower trade deficit/surplus.
 e.g. U.S. has the highest trade deficit with China and the highest trade surplus with Hong Kong.

howmuch.net

Import Dependence

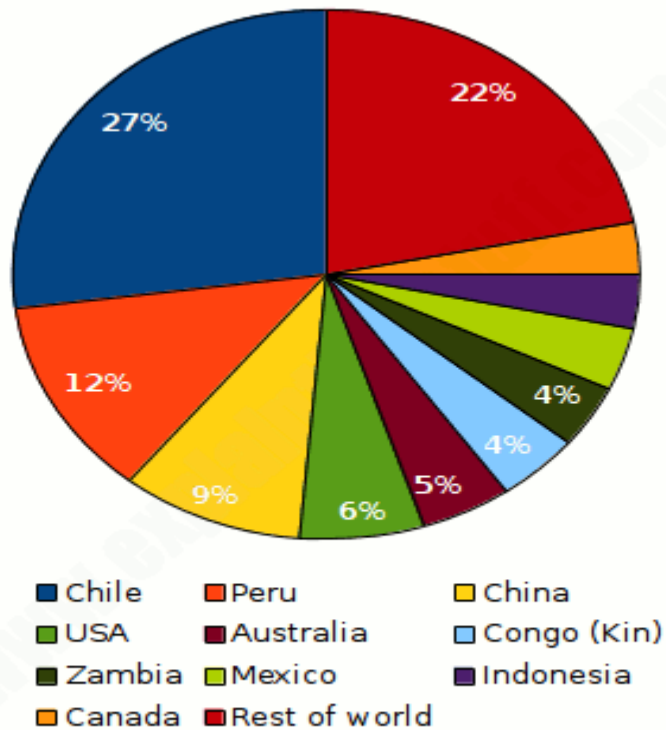
EACH STATE'S BIGGEST IMPORT TRADING PARTNER



SOURCE: US Census Bureau

BUSINESS INSIDER

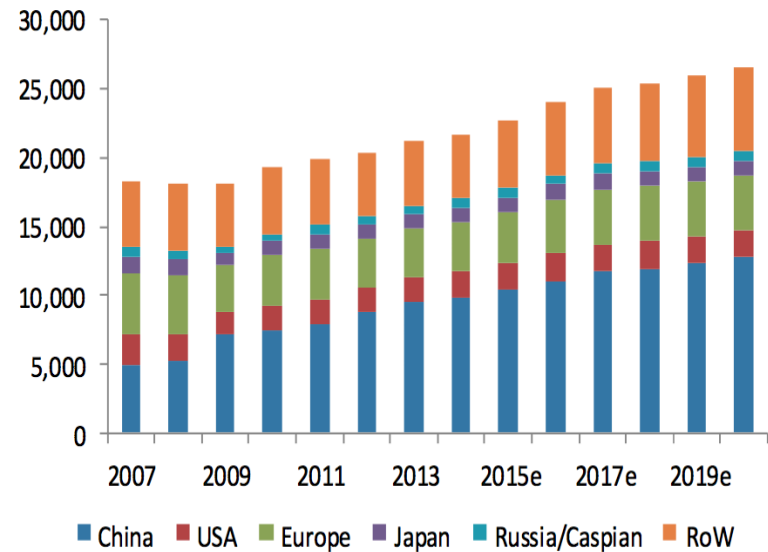
Supply and Demand for Copper



www.explainthatstuff.com

Copper Demand by Region

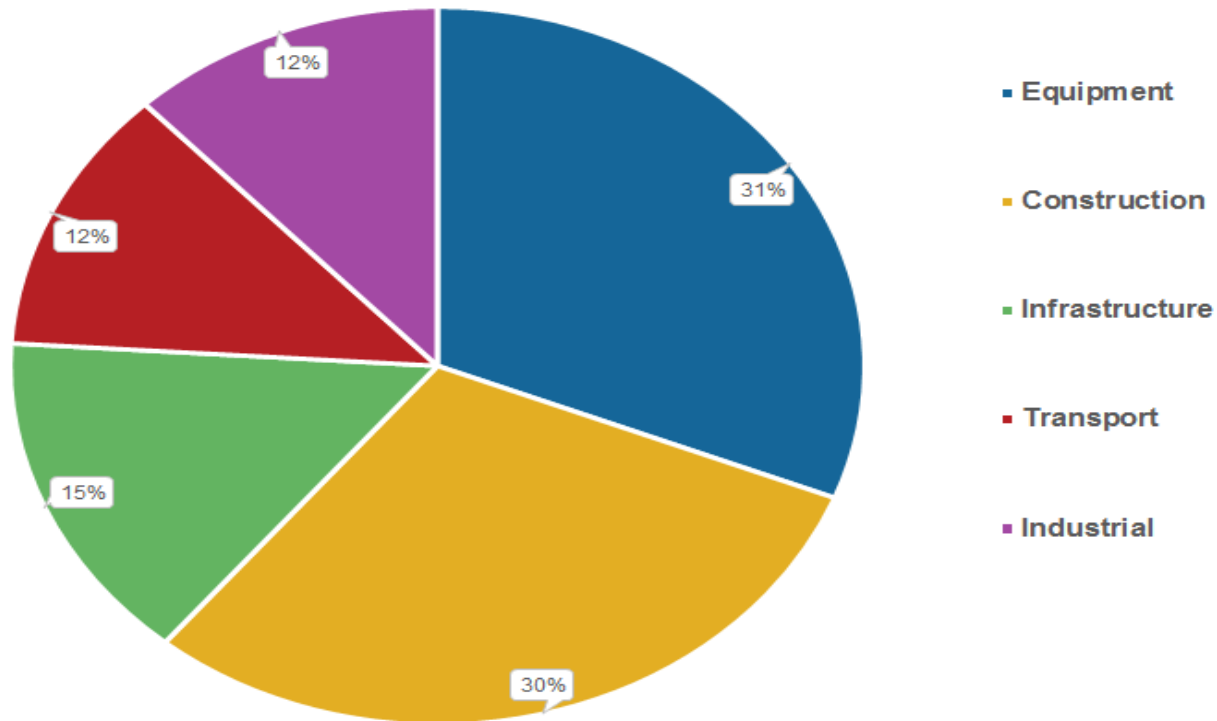
(Global refined demand, MT/year)



Source: WMBH, Morgan Stanley Commodity Research estimates

Copper Consumers

Major Consumers Of Copper

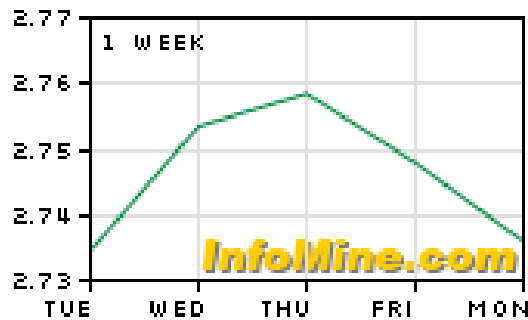


Market Realist 

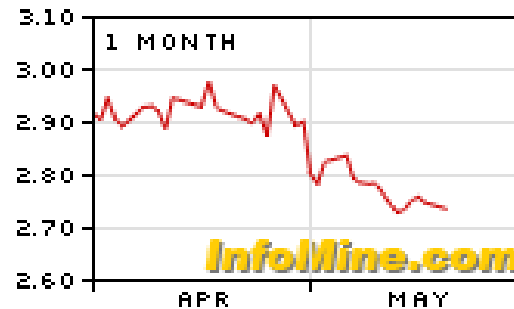
Source: ICS

Copper Prices

COPPER PRICE
2.74 USD/LB
20 MAY '19



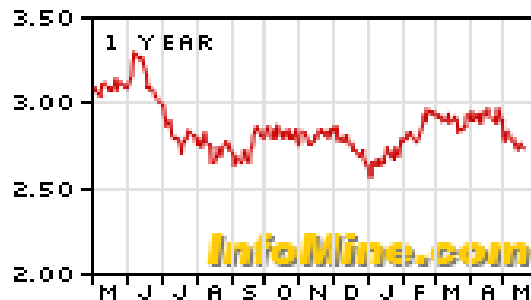
COPPER PRICE
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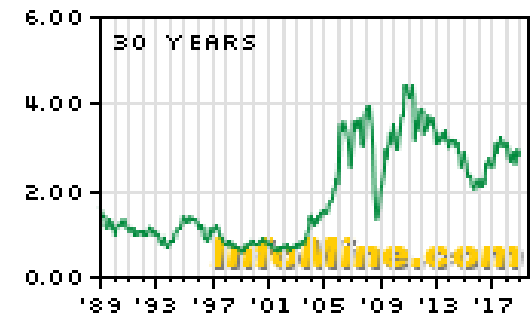
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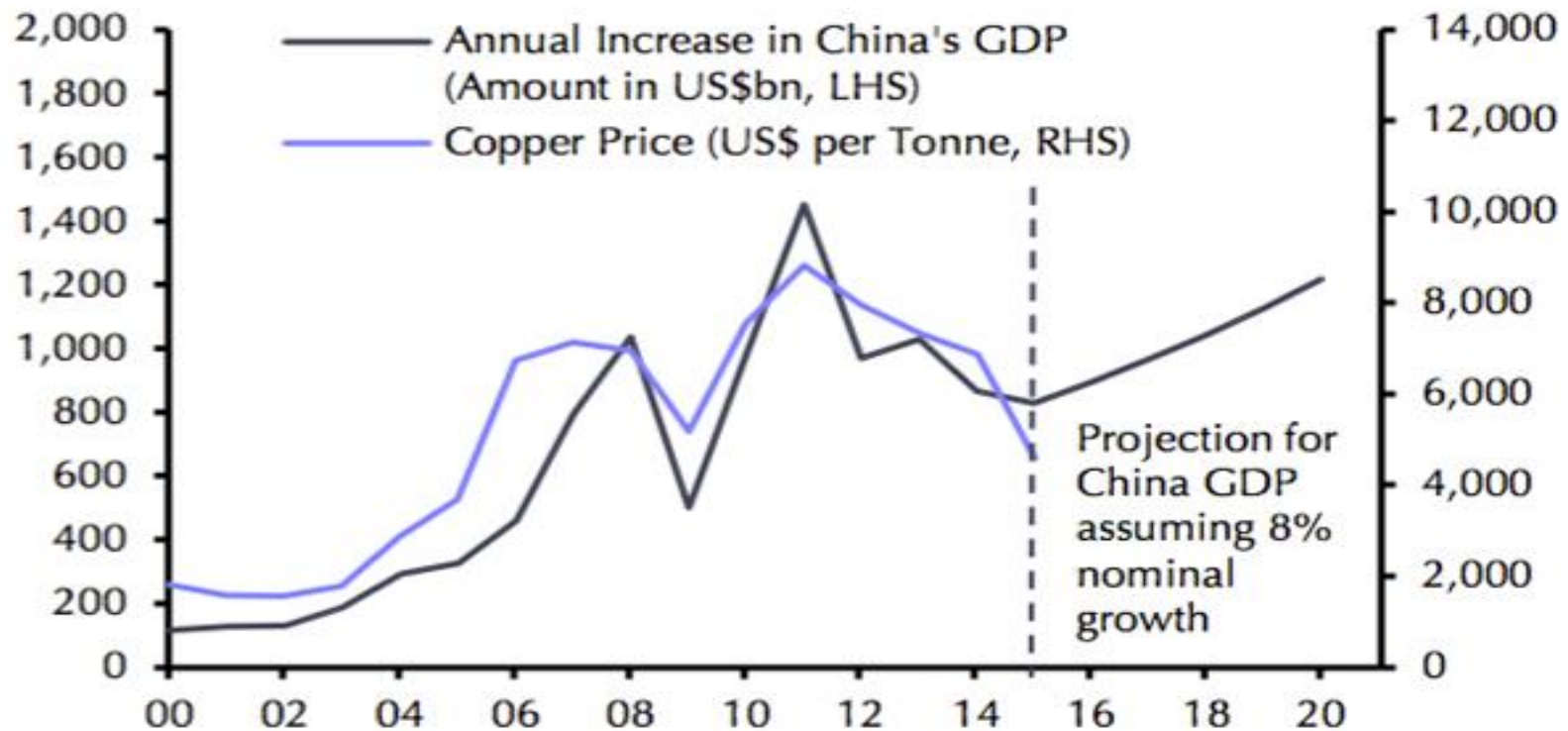
Slide Attributed to China Tensions



SOURCE: TRADINGECONOMICS.COM | OTC

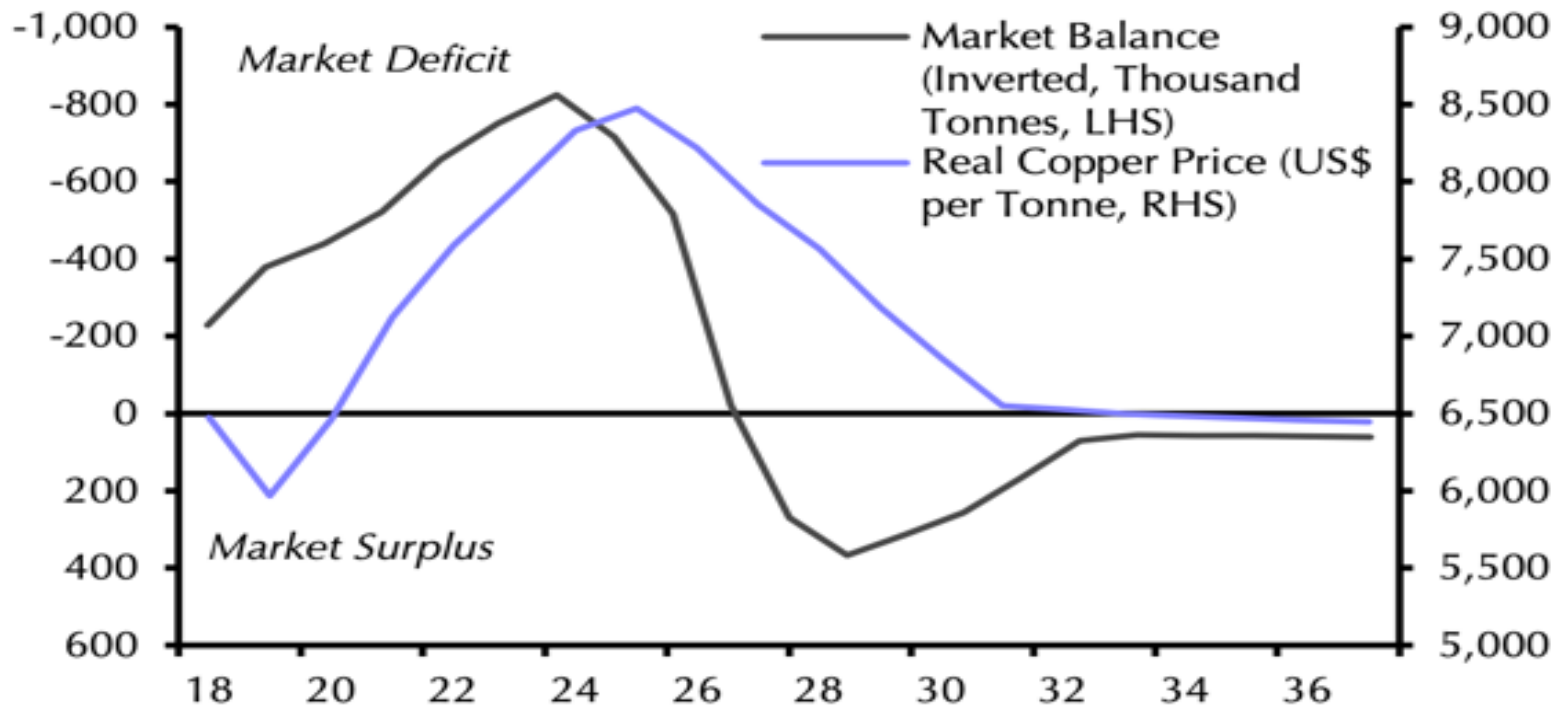
China and Copper Prices

CHINA GDP & COPPER PRICE



Big Rise and Big Fall Predicted

Chart 9: Copper Market Balance & Real Copper Price



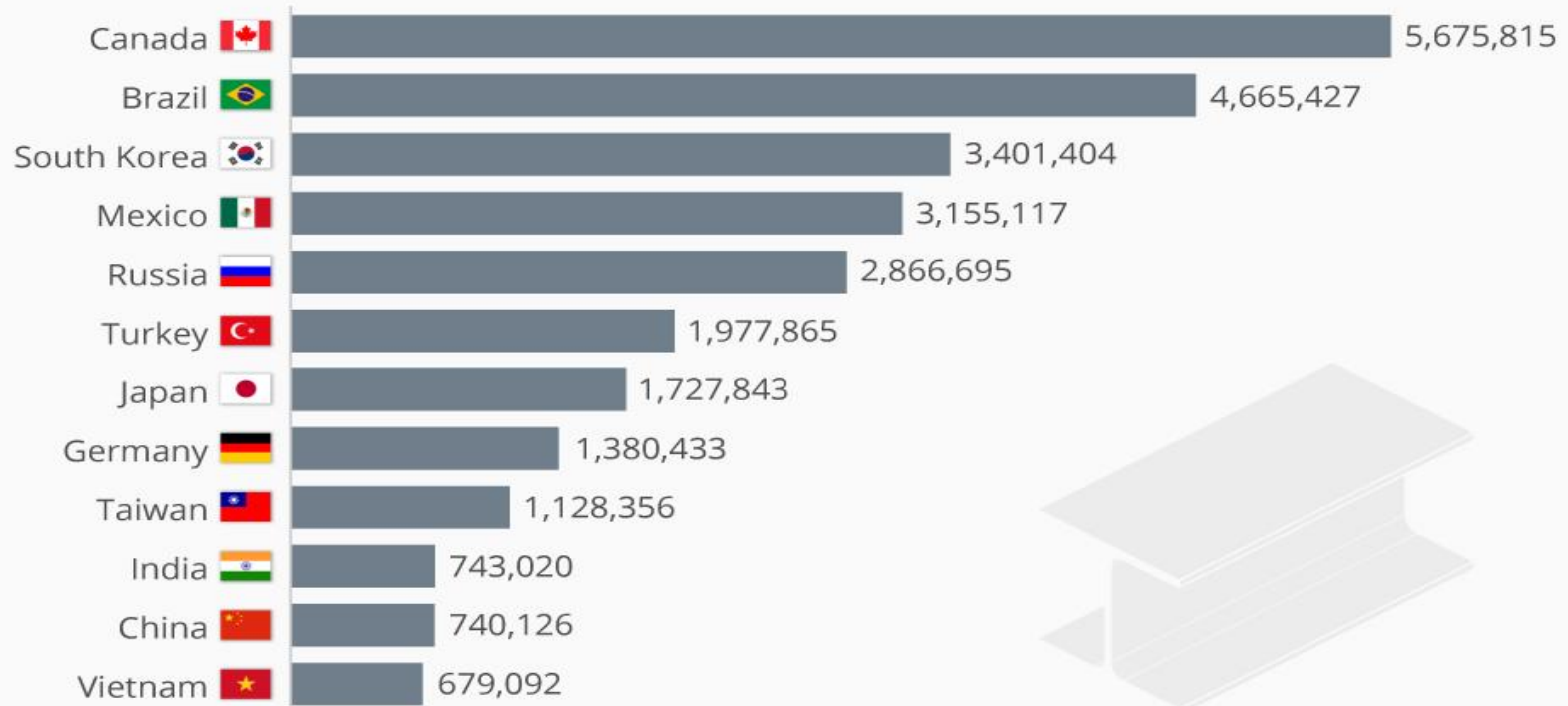
Sources: ICSG, Capital Economics

- **Decades of neglect in the steel industry**
- **Original tariff system included everybody – then almost everybody was exempted. Then they were not. Today Brazil, Argentina and South Korea have exemptions. Canada and Mexico likely are next and so is Europe**
- **Steel makers – once bit, twice shy**
- **Manufacturers feeling pinch already unless they could use the 232 exemptions**
- **China is not a factor as far as exporting to US. They sell aggressively to everybody else and that pushes other nations to sell aggressively to the US**

Where Does it Come From?

Where the U.S. Gets its Steel

Countries from which the U.S. imported the most steel mill products in 2017 (in metric tons)

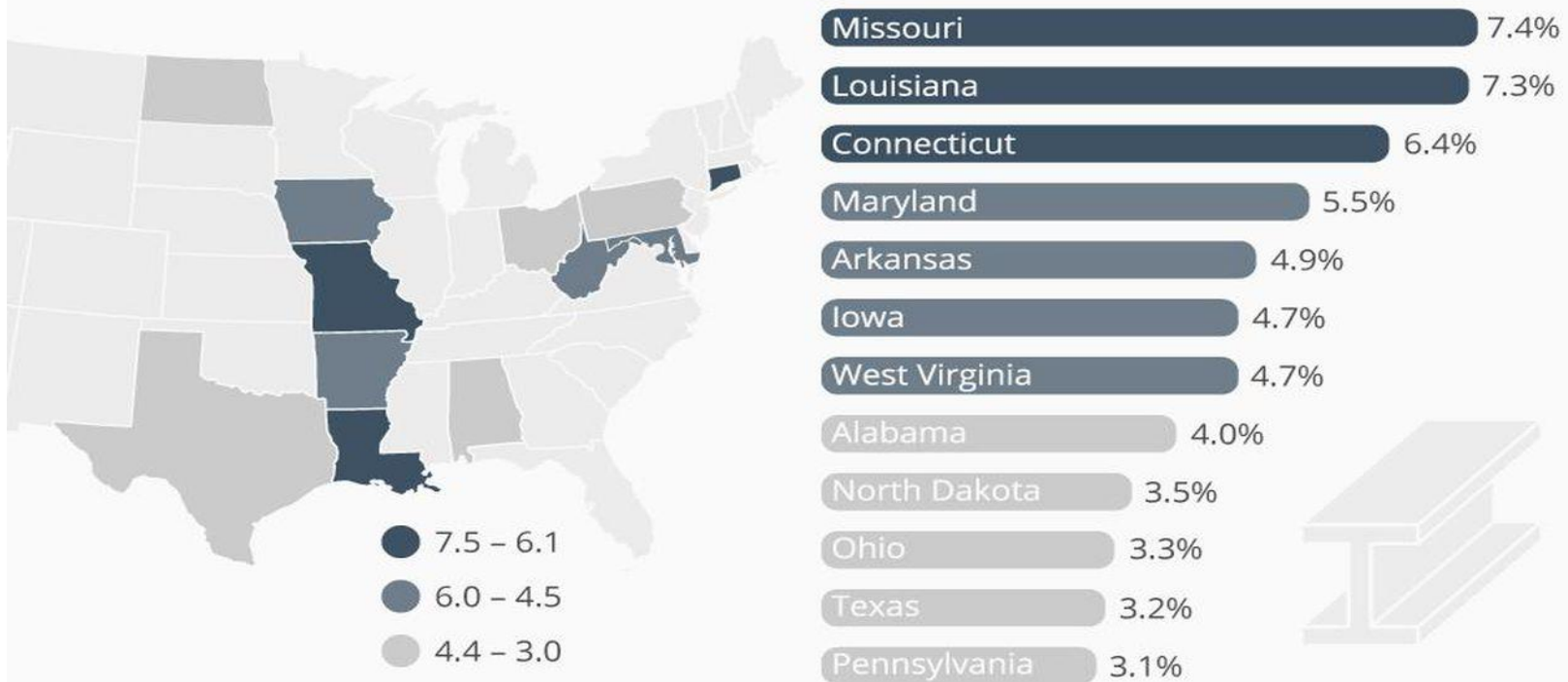


@StatistaCharts Source: U.S. Department of Commerce, Enforcement & Compliance

statista

The U.S. States Most Reliant On Steel Imports

Percentage share of steel and aluminum in state total imports in 2017




@StatistaCharts

Source: Brookings analysis of Census Bureau data

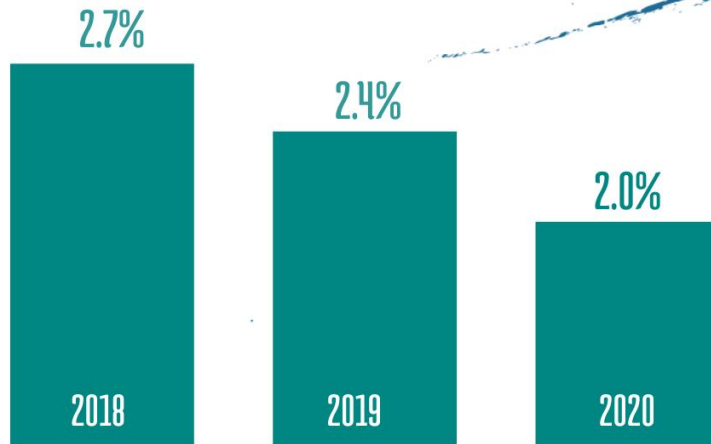
Forbes 

As US Goes – So Goes the World

NORTH AMERICA SLOWS DOWN

#WESP2019
bit.ly/wespreport

Trade tensions are still one of biggest threats to the global economy



* Growth of real GDP as predicted in World Economic Situation and Prospects 2019



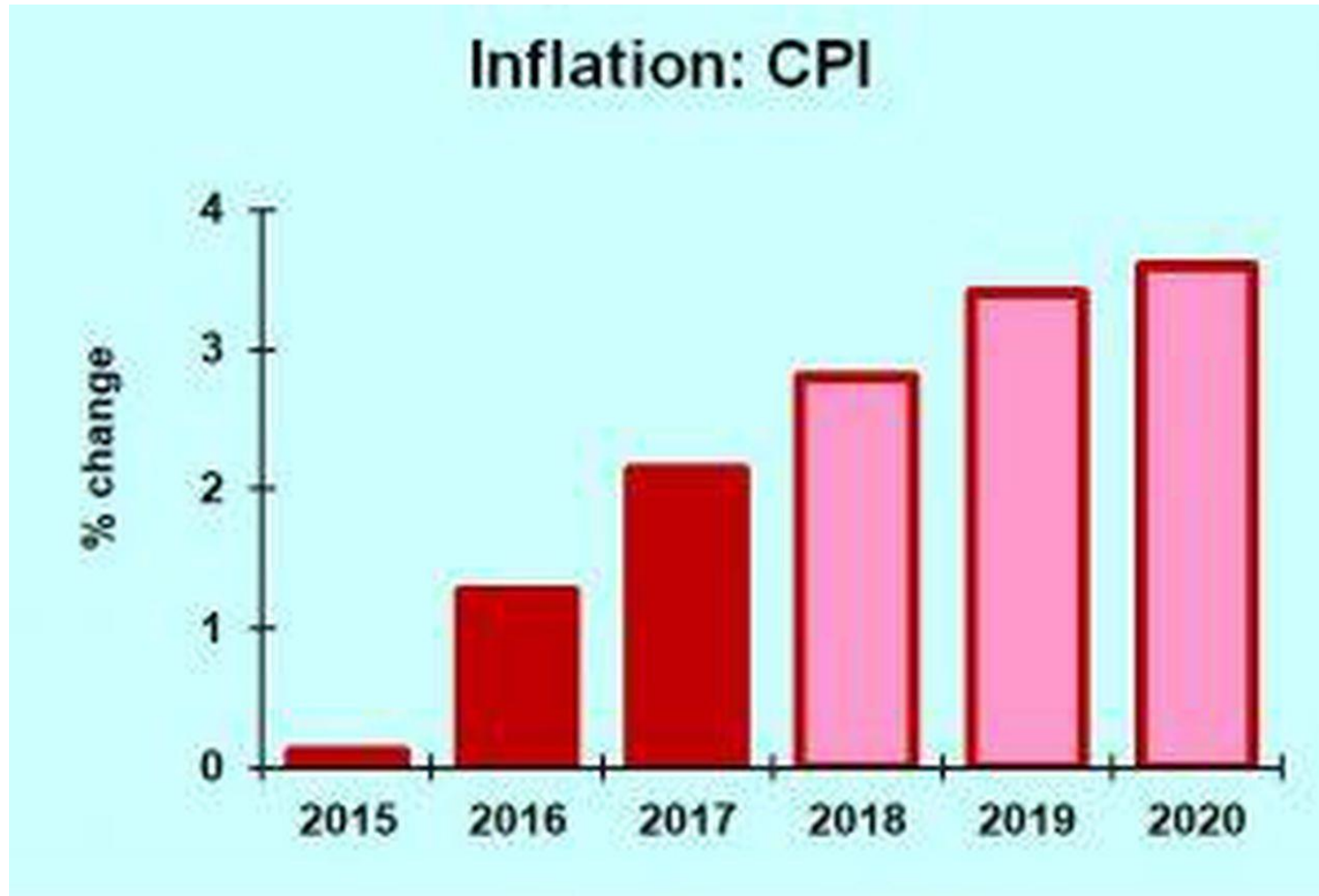
UNITED NATIONS
DEPARTMENT OF ECONOMIC
AND SOCIAL AFFAIRS

World Economic
Situation
and
Prospects 2019

Five Issues to Worry About

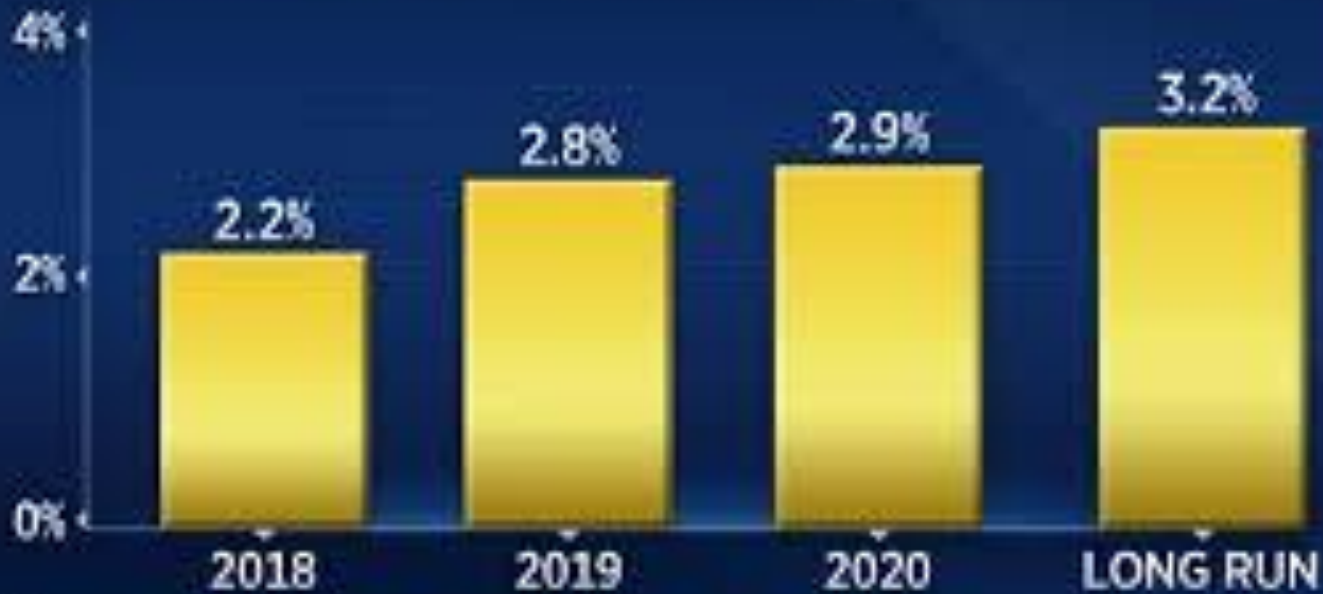
- **Return of Inflation and Likely Fed Reaction**
 - **Commodities and Labor**
 - **Importance of FOMC personalities**
- **Trade War Impact**
 - **China – tariffs, structural reform and global growth**
 - **Drift away from Europe**
- **Labor Shortage**
 - **Hiring and productivity**
- **Political Stalemate**
 - **Shutdown impact**
 - **Neglecting big issues – coming off “sugar rush”**
- **Consumer Confidence and Retail Shifts**
 - **On-line vs. brick and mortar**

Projections



Small Hikes

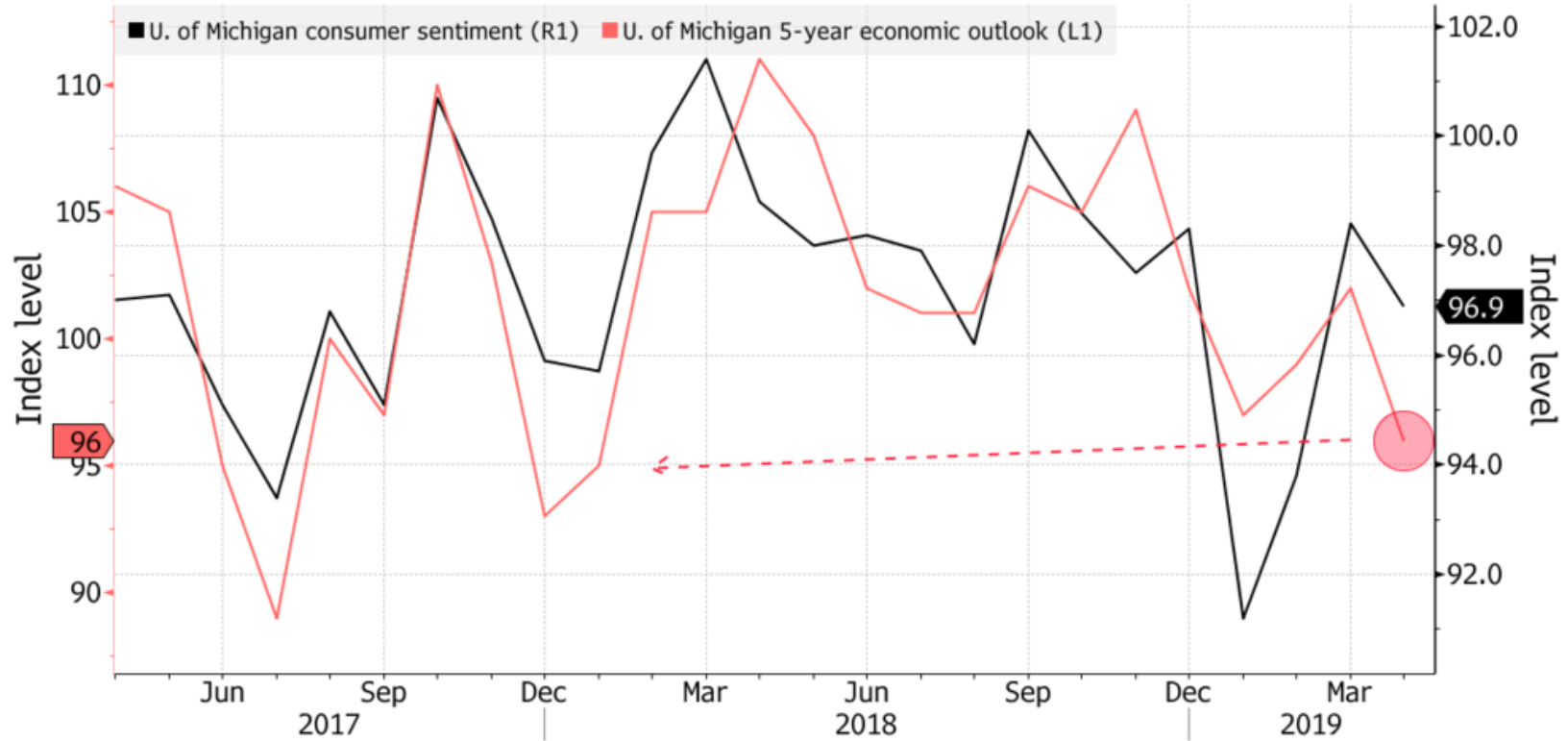
FED FUNDS RATE FORECAST JAN. SURVEY



Future Looks a Little Dimmer

Fading Outlook

Views of the U.S. economy five years out hit lowest level since January 2018



Source: University of Michigan

Manufacturing Facts

9th
largest economy in the world contributing
\$2.18 trillion
to the U.S. economy in 2016.

 **3,749** firms have more than 500 employees.

 **248,152** firms have less than 500 employees.

Out of those 248,152 firms, **186,114** have less than 20 employees.

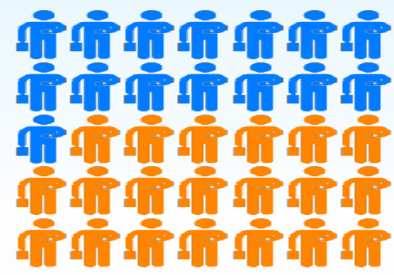


80%

of manufacturers reported a moderate or serious shortage for qualified applicants.

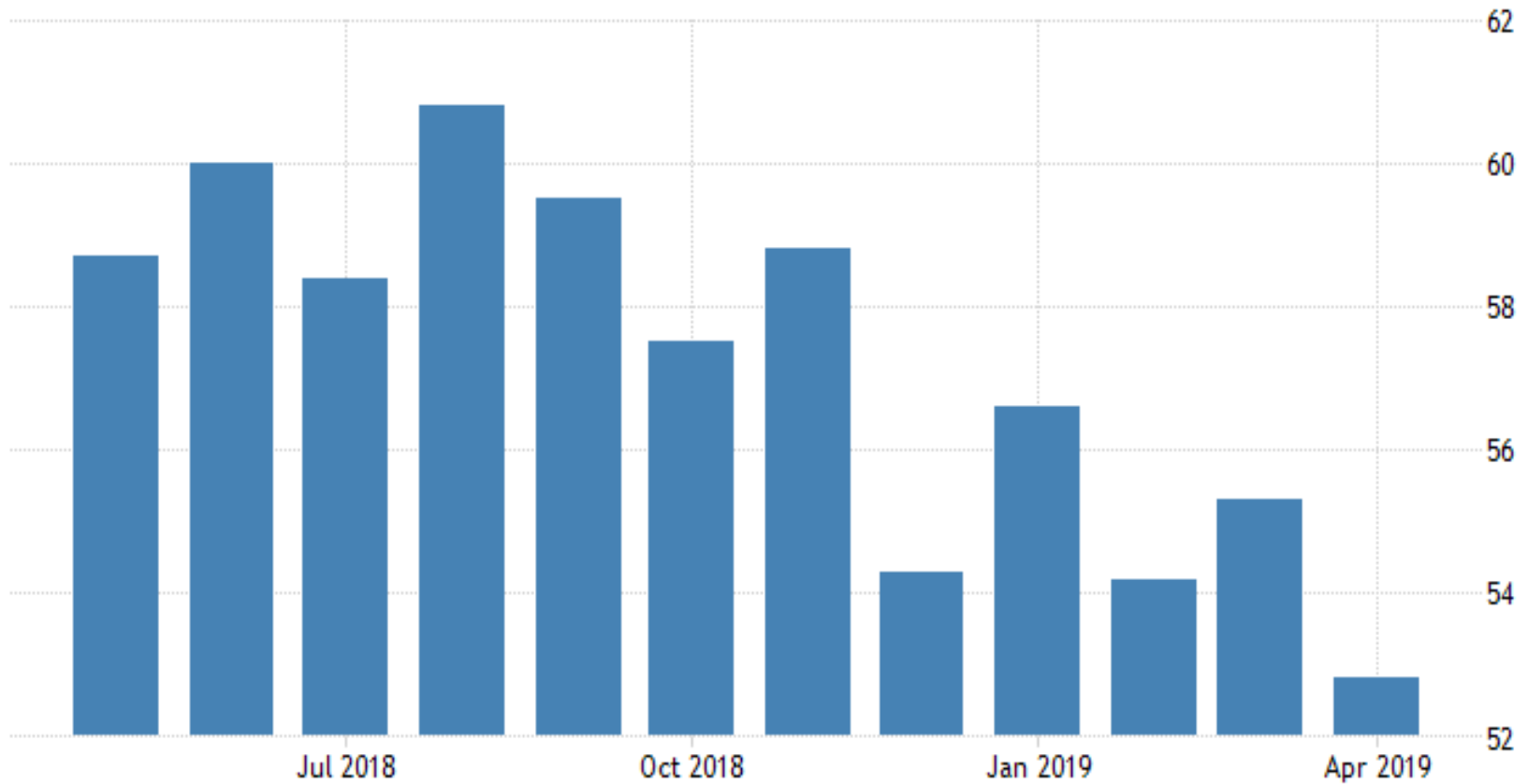


With **3.5 million** manufacturing jobs needed to be filled, **2 million** are expected to stay unfilled due to a skills gap.

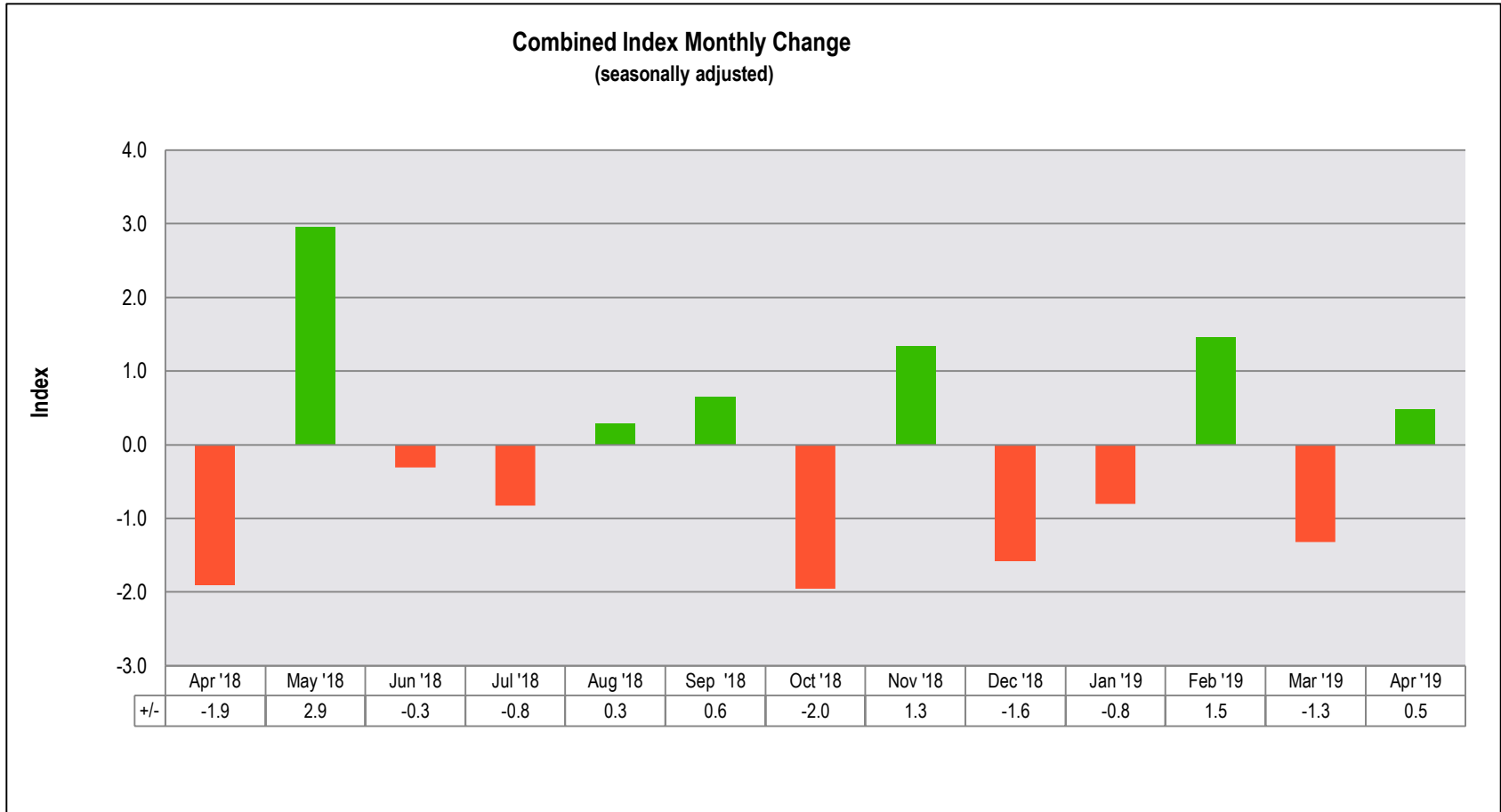


Source: National Association of Manufacturers

PMI Declines

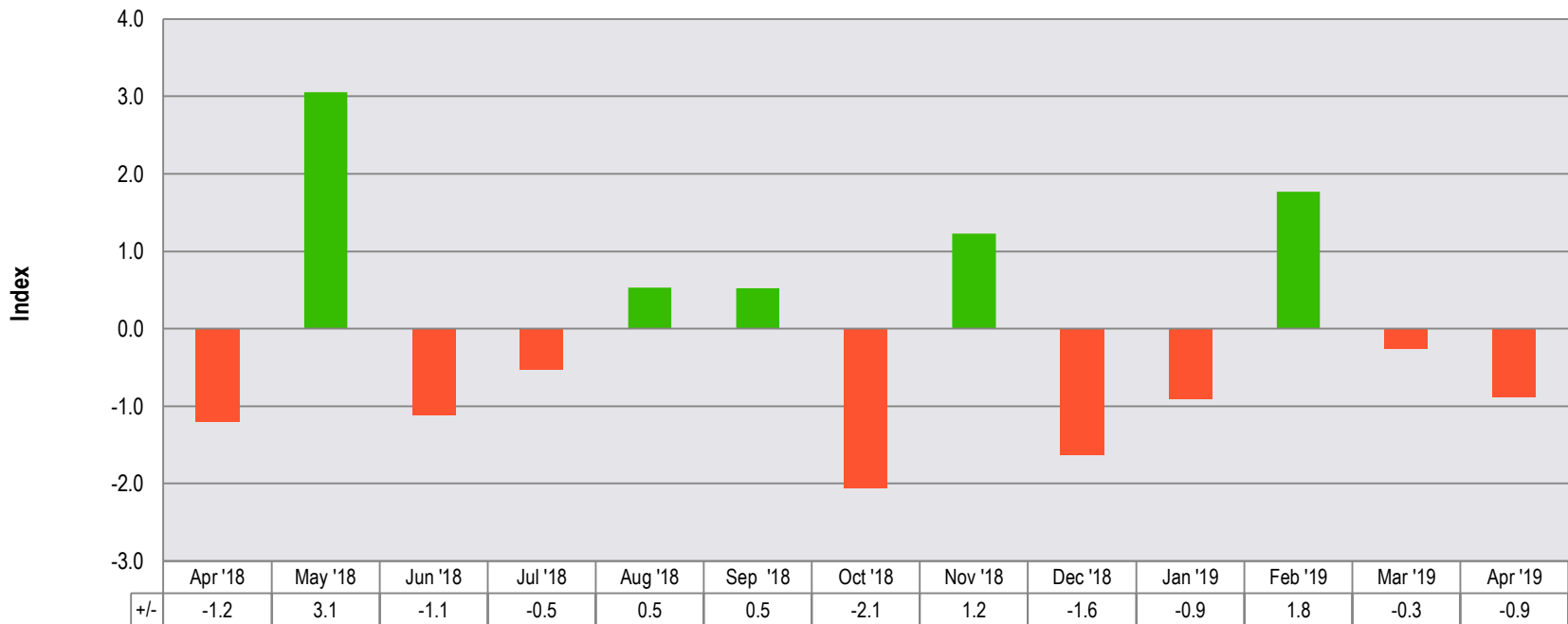


Overall CMI

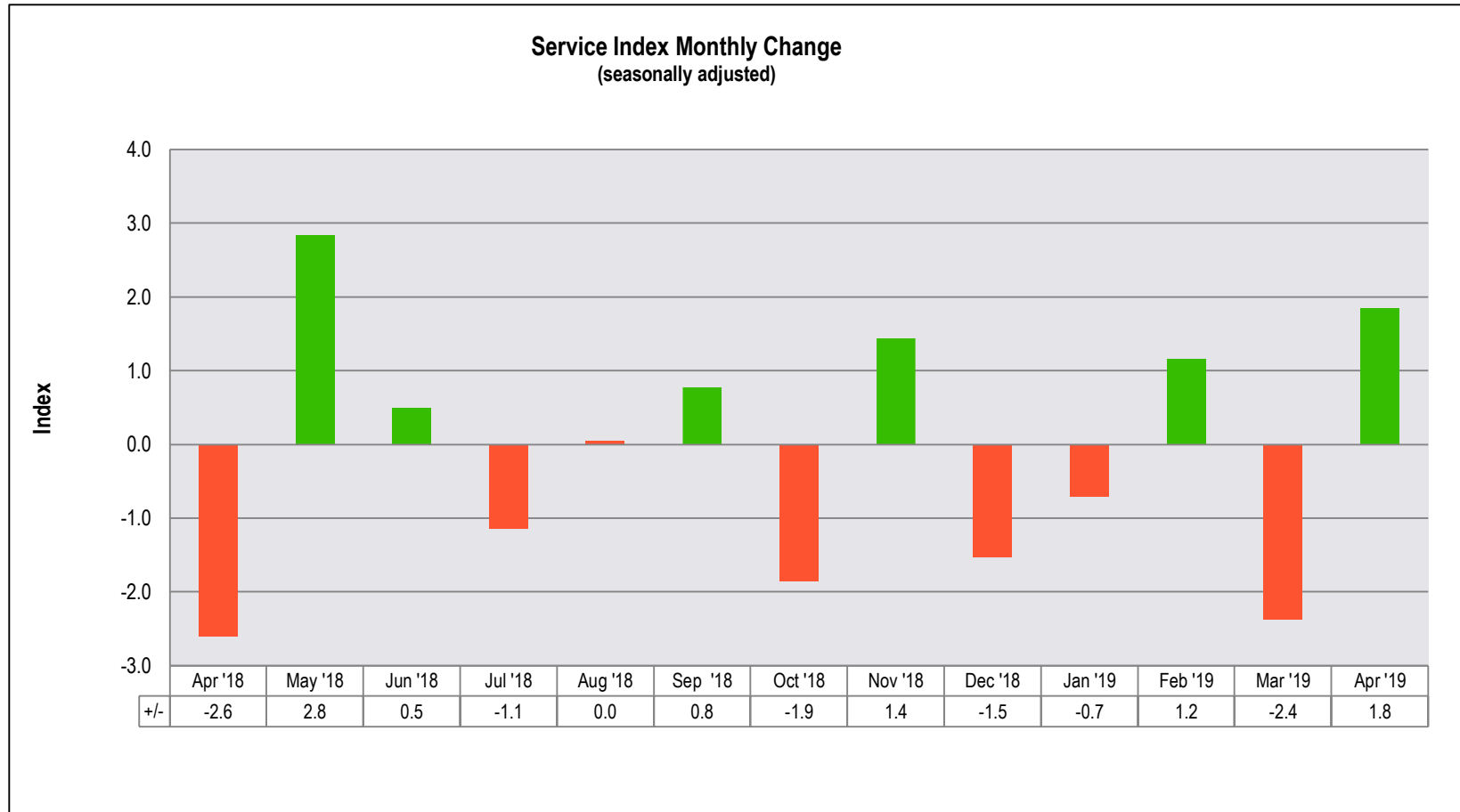


Manufacturing CMI

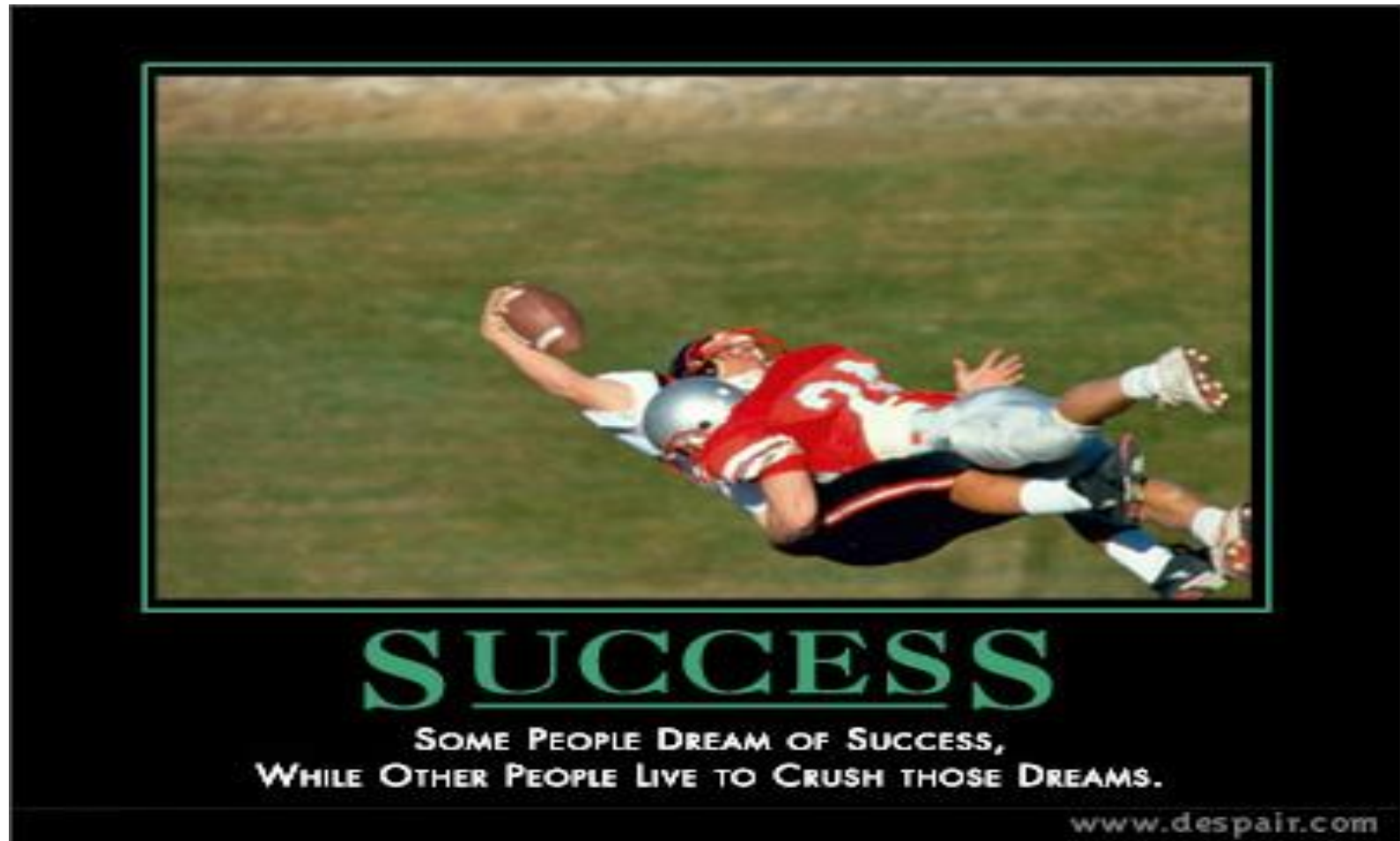
Manufacturing Index Monthly Change
(seasonally adjusted)



Service CMI



So True!



For Those that Can't Get Enough of This



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