

# **What's Next for US Manufacturing from a Consumer Perspective**

**National Association for Business Economics**

**MRT Teleconference**

**December 8, 2006**

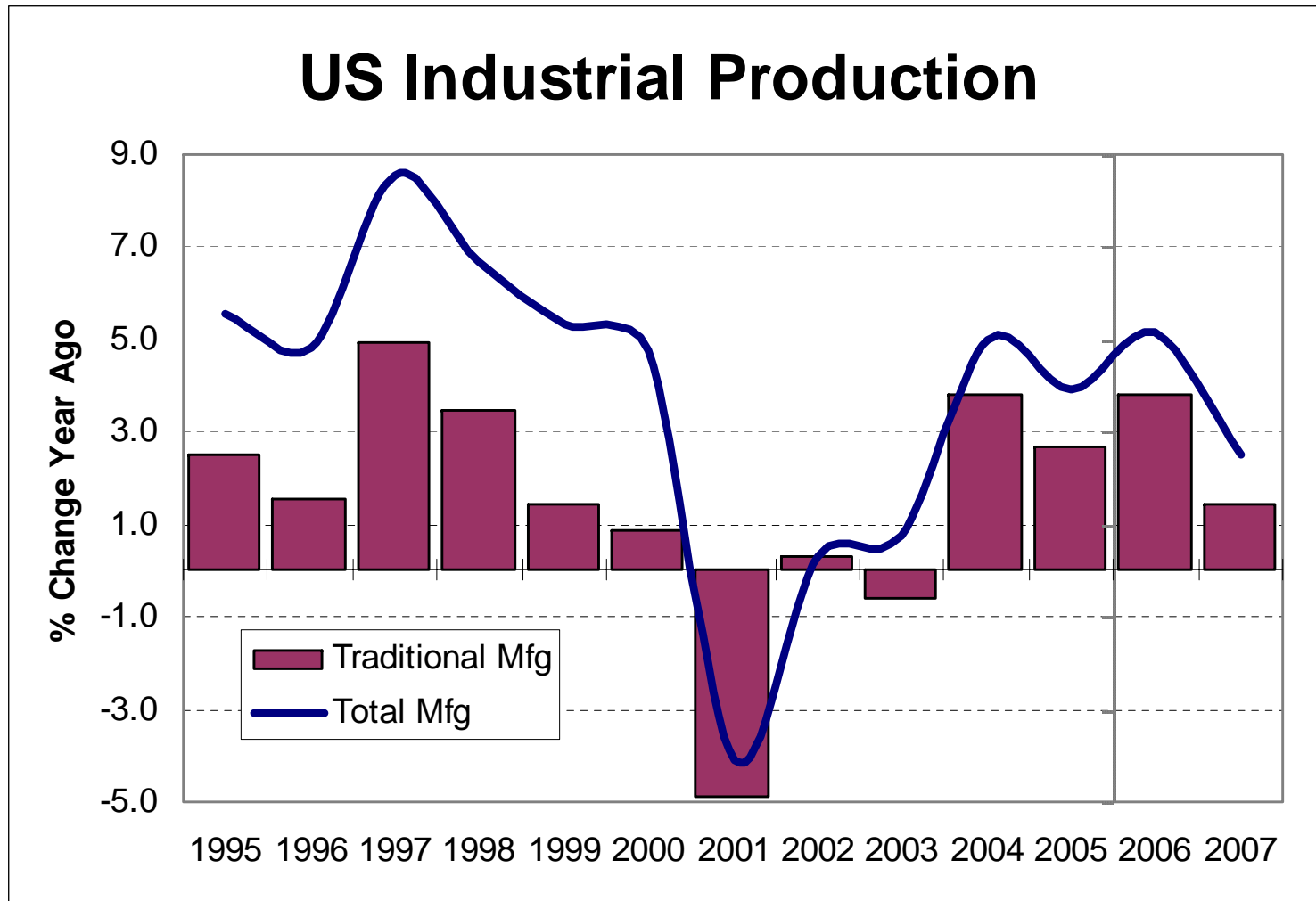
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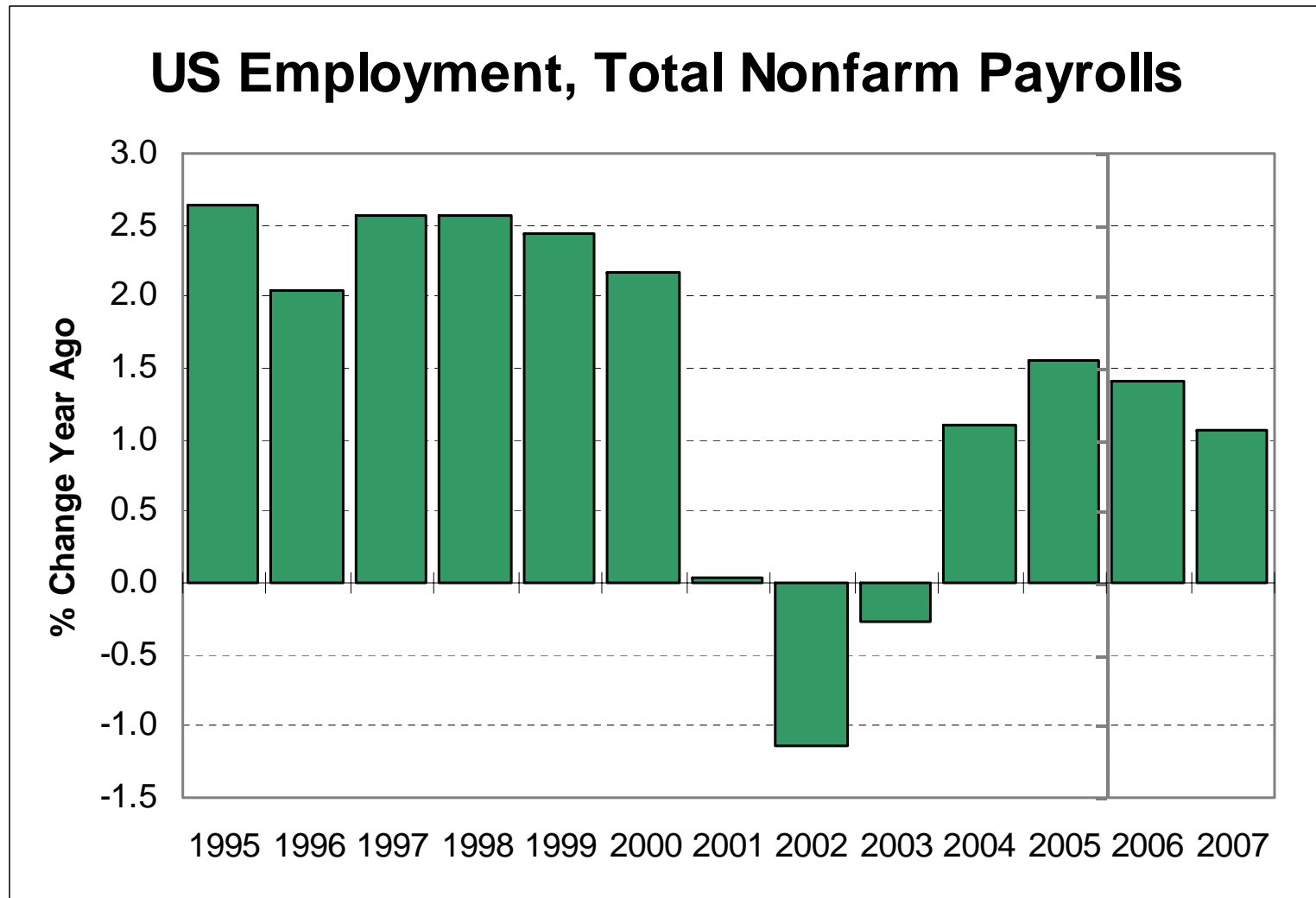
## ***Global Insight's November forecast...***

- ◆ **GDP growth estimated at 3.3% this year should slow to 2.4% in 2007.**
- ◆ **Interest rates to remain flat. Prime rate close to 8.0% this year. 7.9% in 2007.**
- ◆ **CPI 3.6% this year...only 2.0% in 2007.**
- ◆ **PPI 5.1% this year...3.6% in 2007.**
- ◆ **Trade weighted \$ to decline 5%-10% in 2007.**
- ◆ **Consumer spending growth to slow from 3.6% in 2006 to 2.9% next year.**

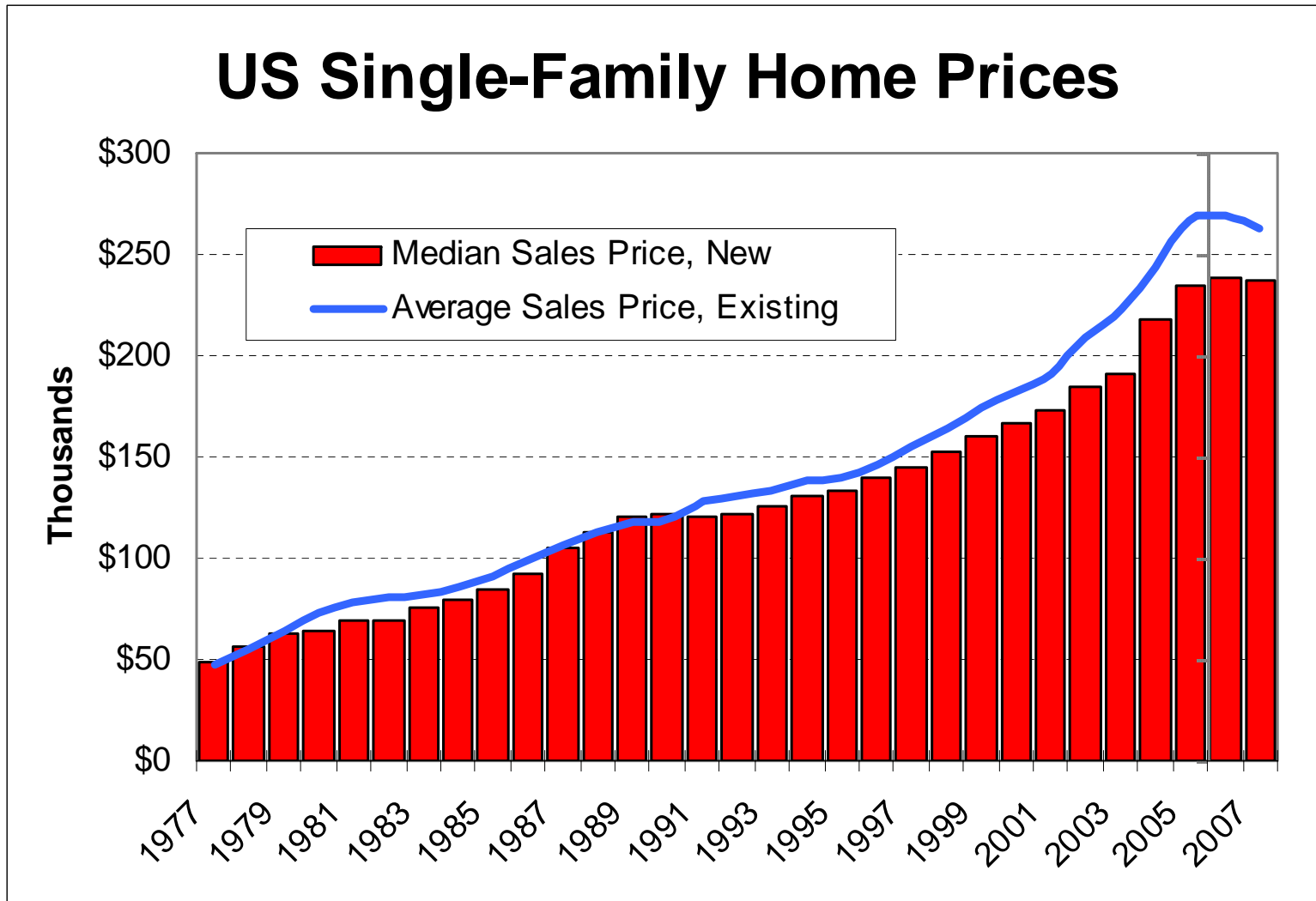
***After three strong years, we look for US manufacturing to downshift.***



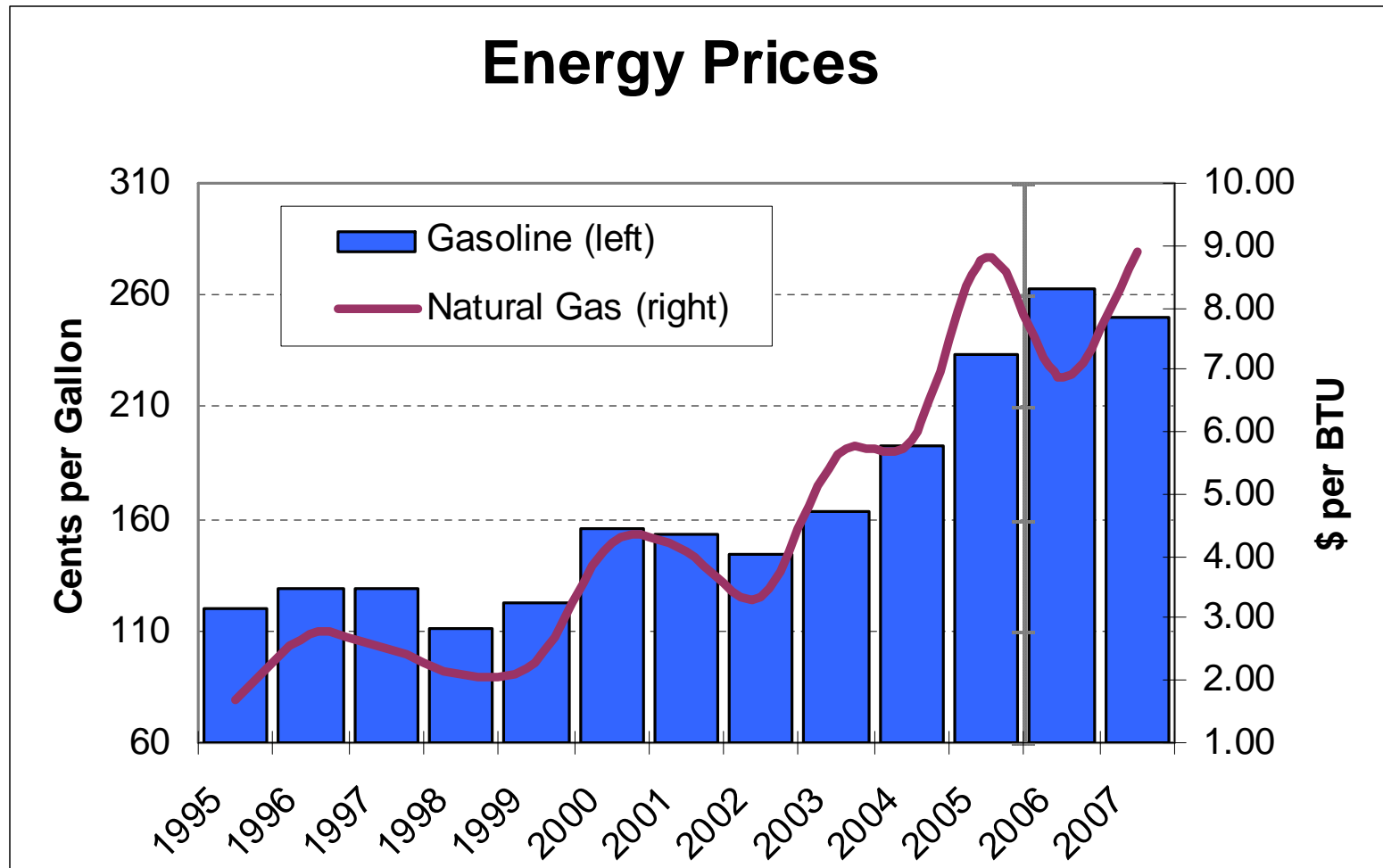
*Even though employment has grown, its rate is half of what was seen in the late 1990's... and it's slowing.*



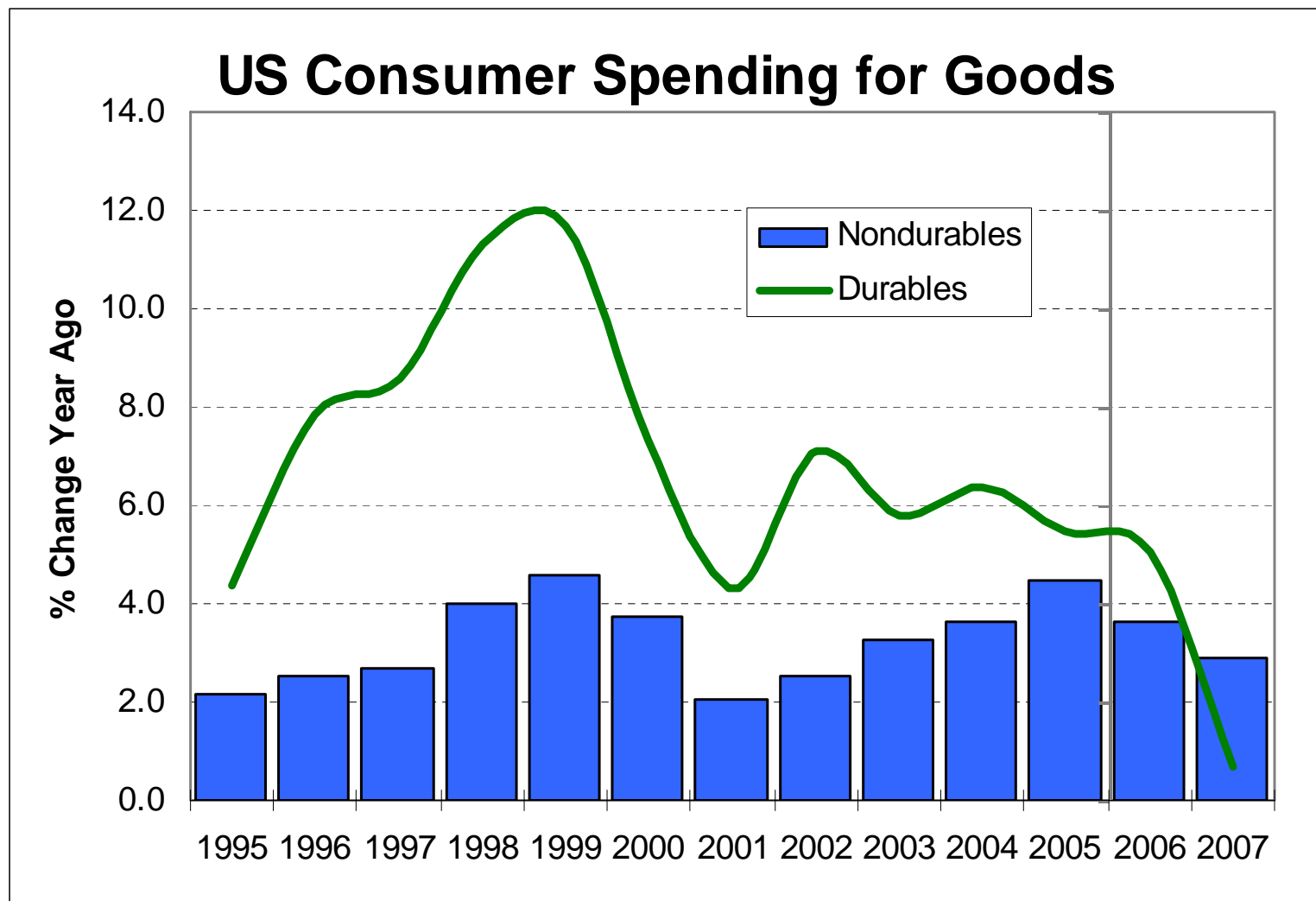
**Homes have been a source of cash for many consumers, especially “big-ticket” items. The piggy bank is emptying.**



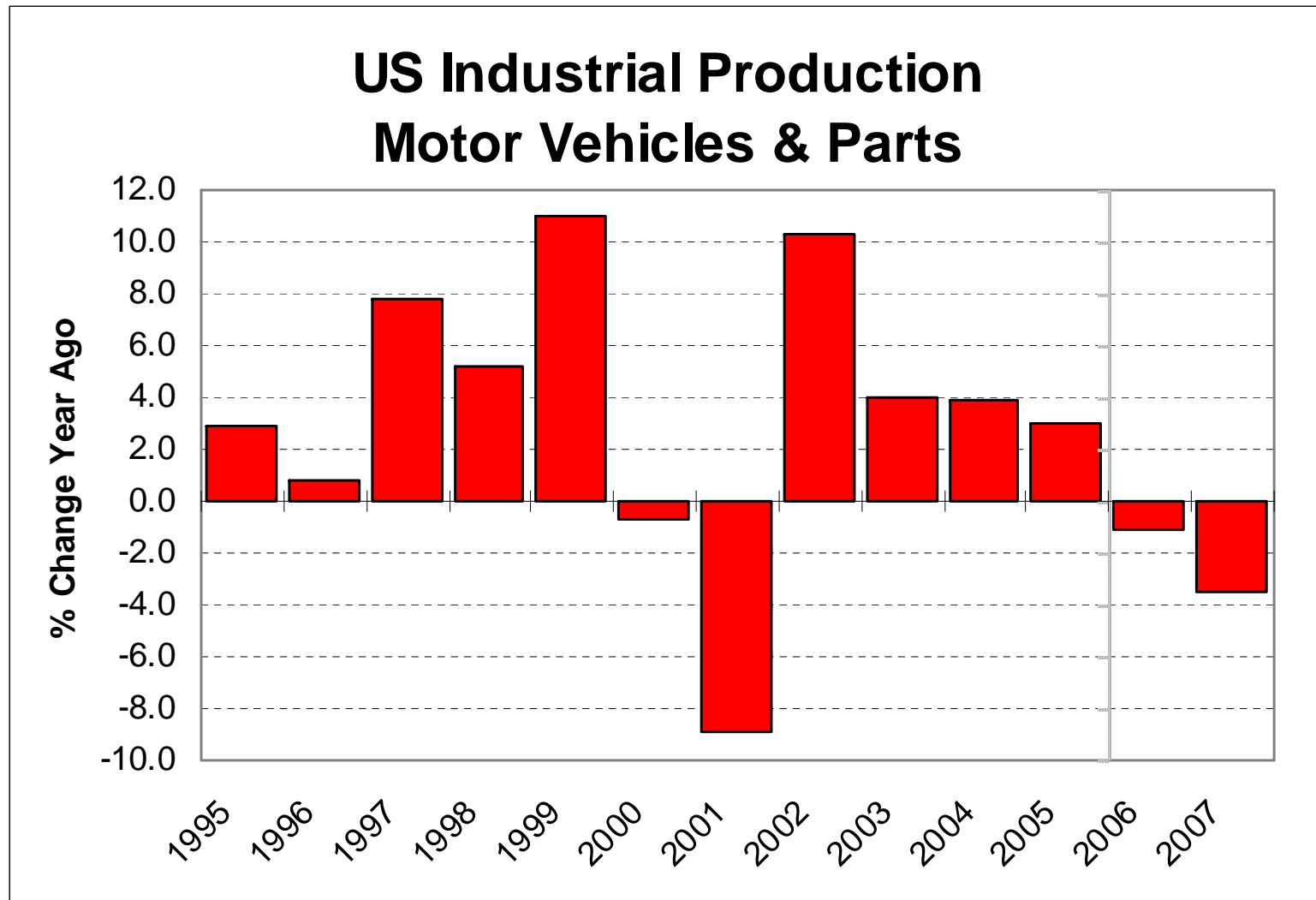
***Energy prices have forced consumers to also shift budgets. Next year gasoline prices should ease, but natural gas will rise.***



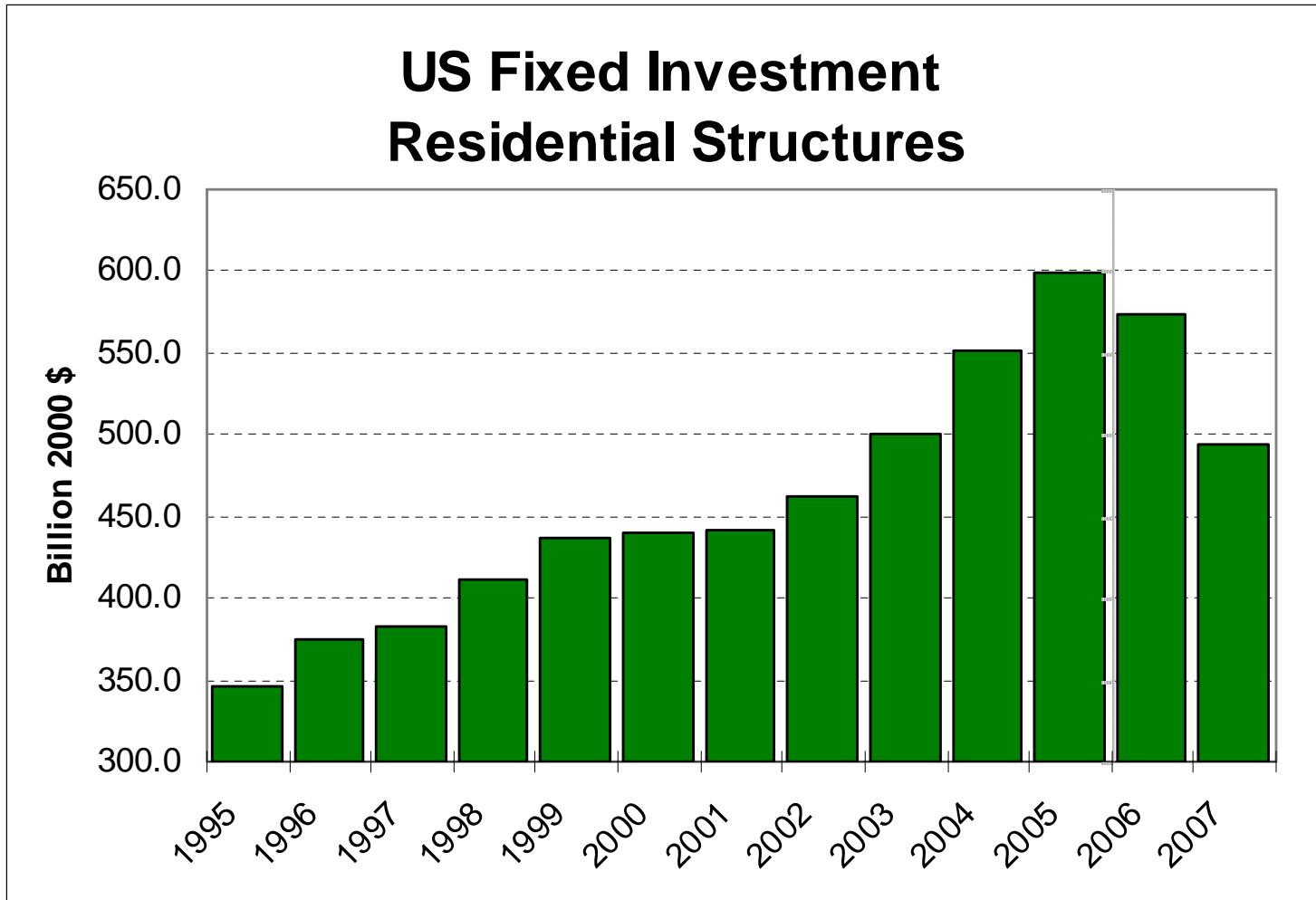
***Consumer spending has been the foundation of the US economy. It is also a supporter of manufacturing. A spending slowdown next year will limit growth in a number of industries.***



***The primary victim of a spending down shift is the US light vehicle industry. Next year will be tough for auto manufacturers.***

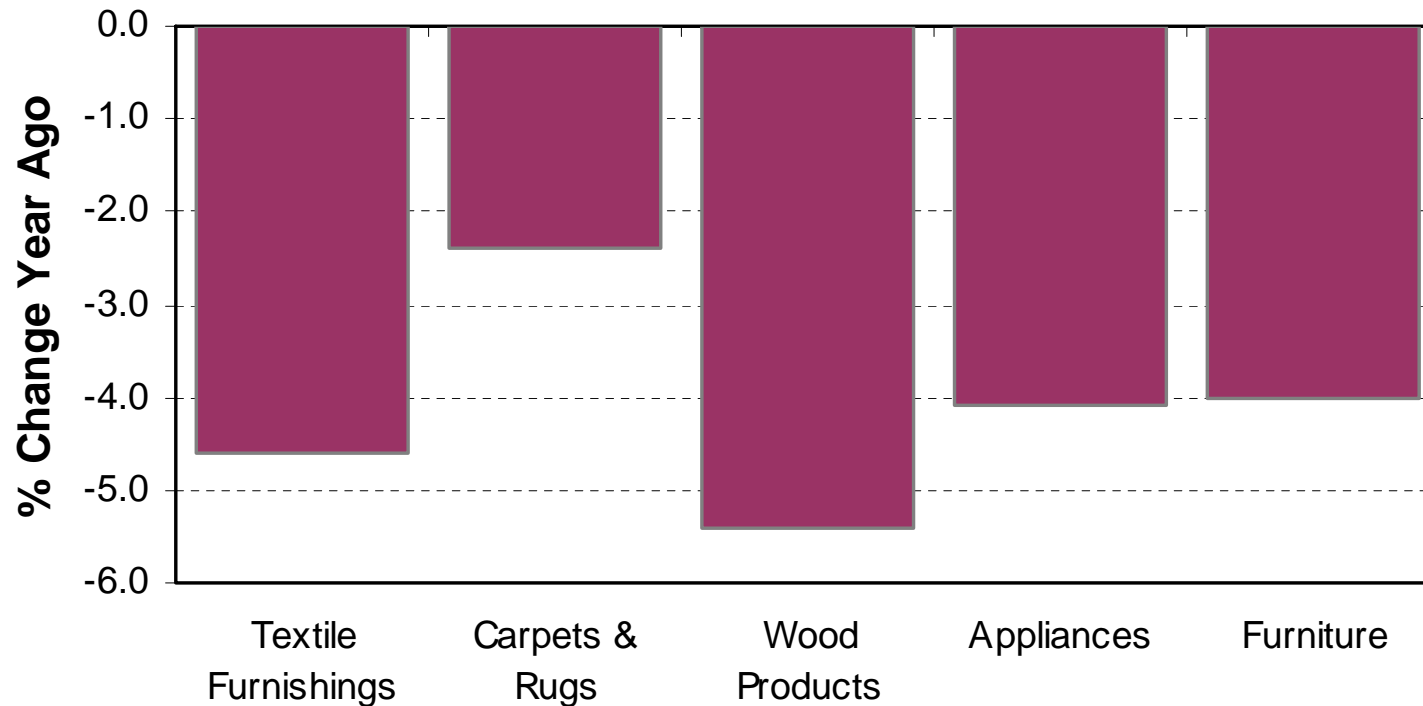


***Housing has been a huge supporter of both the building materials and consumer products industries. This will not be the case next year.***



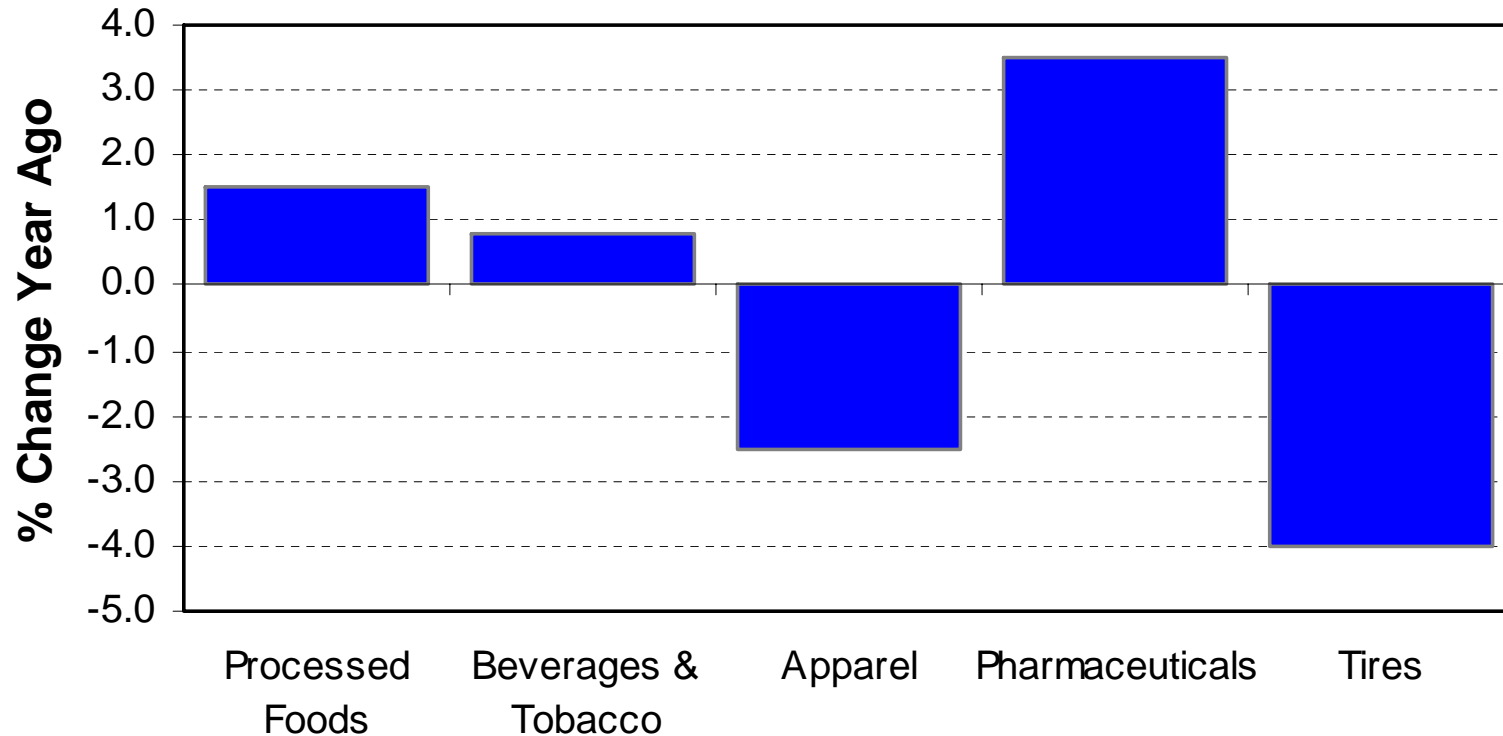
***Most “big-ticket” housing related sectors will decline in 2007. Layoffs are already being planned or are underway.***

## US Industrial Production Housing-Oriented Industries for 2007



***Next year's growth for other consumer related industries will be weak.***

### US Industrial Production Other Consumer Product Industries for 2007



***From an industrial production perspective next year will be slower for all of North America.***

