

How Low Will US Manufacturing Go? A Consumer Perspective

National Association for Business Economics

MRT Teleconference

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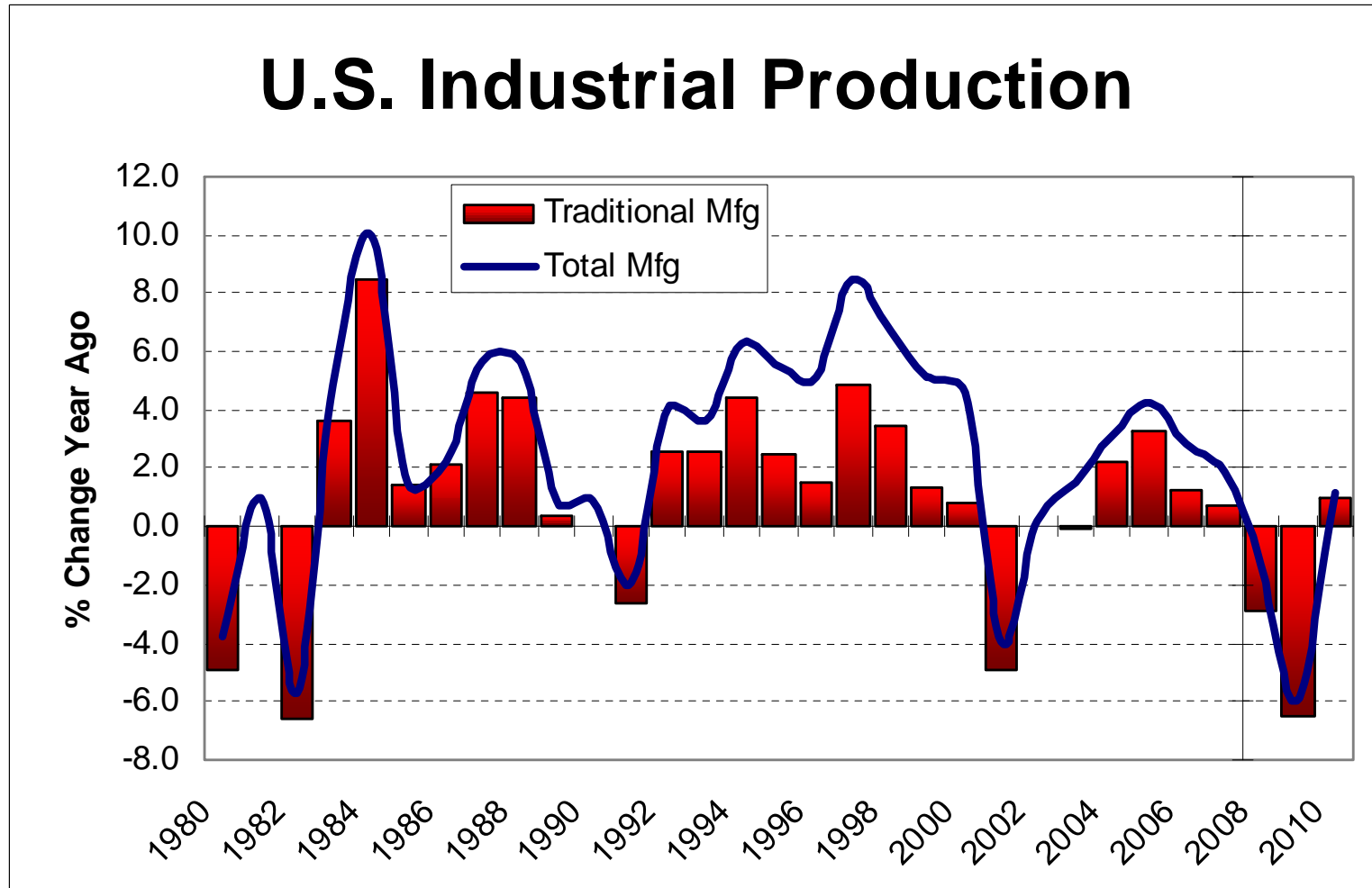


Global Insight's December forecast...

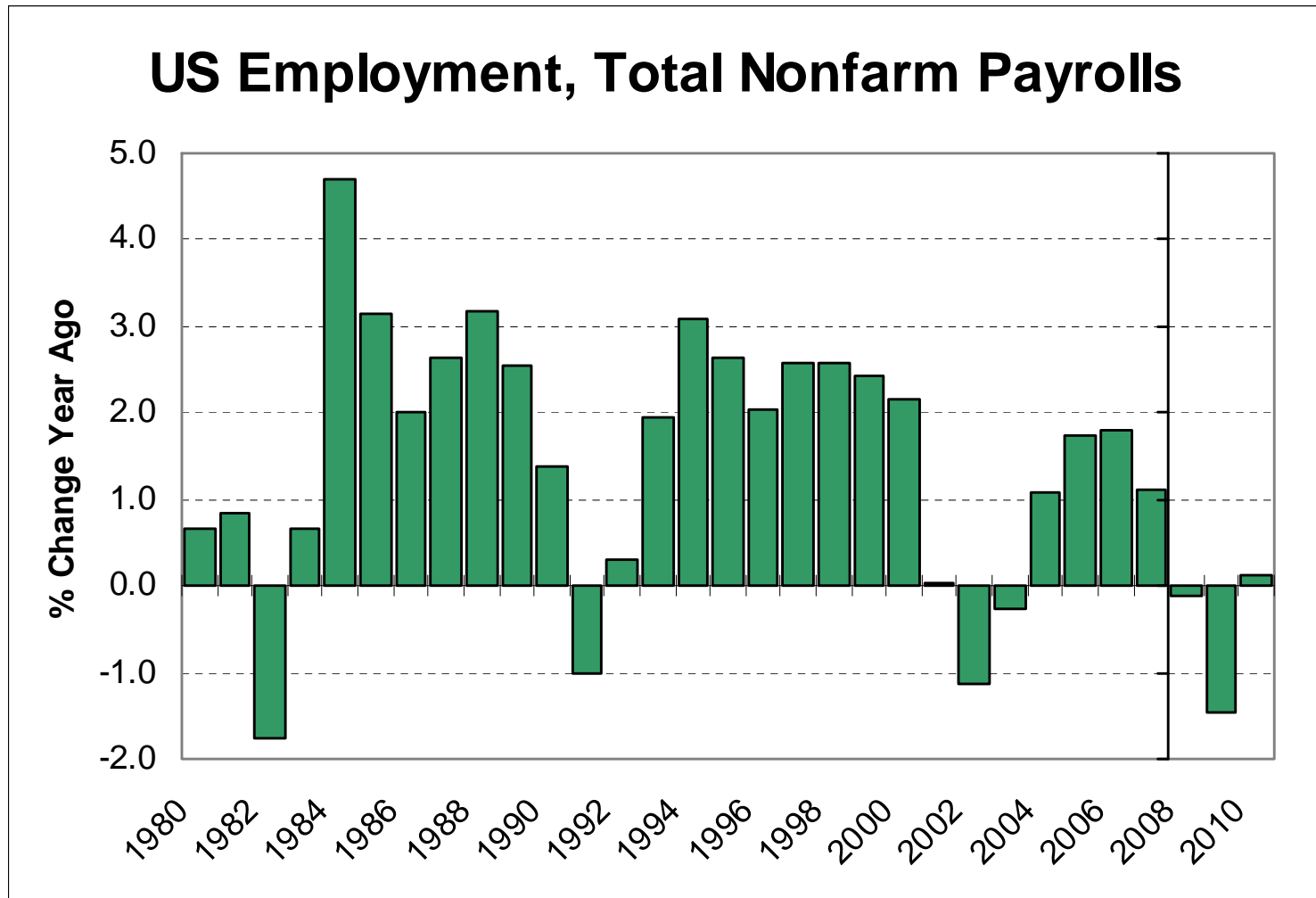
- GDP growth estimated at 1.2% this year, should decline by 1.6% in 2009 & only grow 1.7% in 2010.
- Interest rates to weaken. Fed Funds rate close to 2.0% this year, only 0.1% in 2009 & 1.2% & in 2010.
- CPI 3.9% this year, -1.5% in 2009, 2.4% in 2010.
- PPI 6.6% this year, -6.0% in 2008, 1.9% in 2010.
- Trade weighted \$ declines 4.4% in 2008, up 6.8% in 2009 & down 2.6% 2010.
- Consumer spending growth only 0.4% in 2008, -0.3% in 2009, 1.8% in 2010.
- Exports 8.0% in 2008, -2.0% in 2009, 0.5% in 2010.



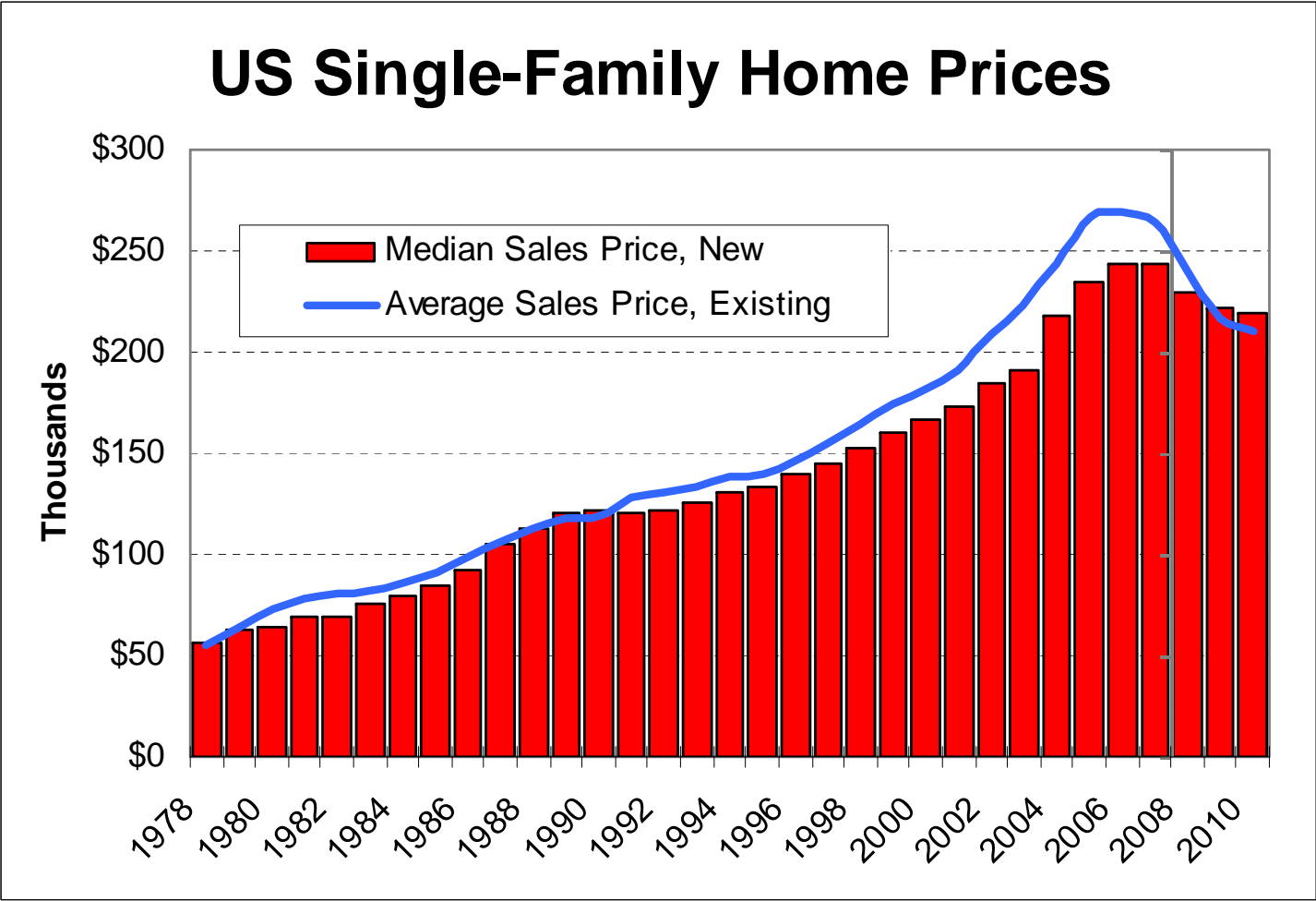
We need to go back at least three recessions to see a similar contraction in manufacturing.



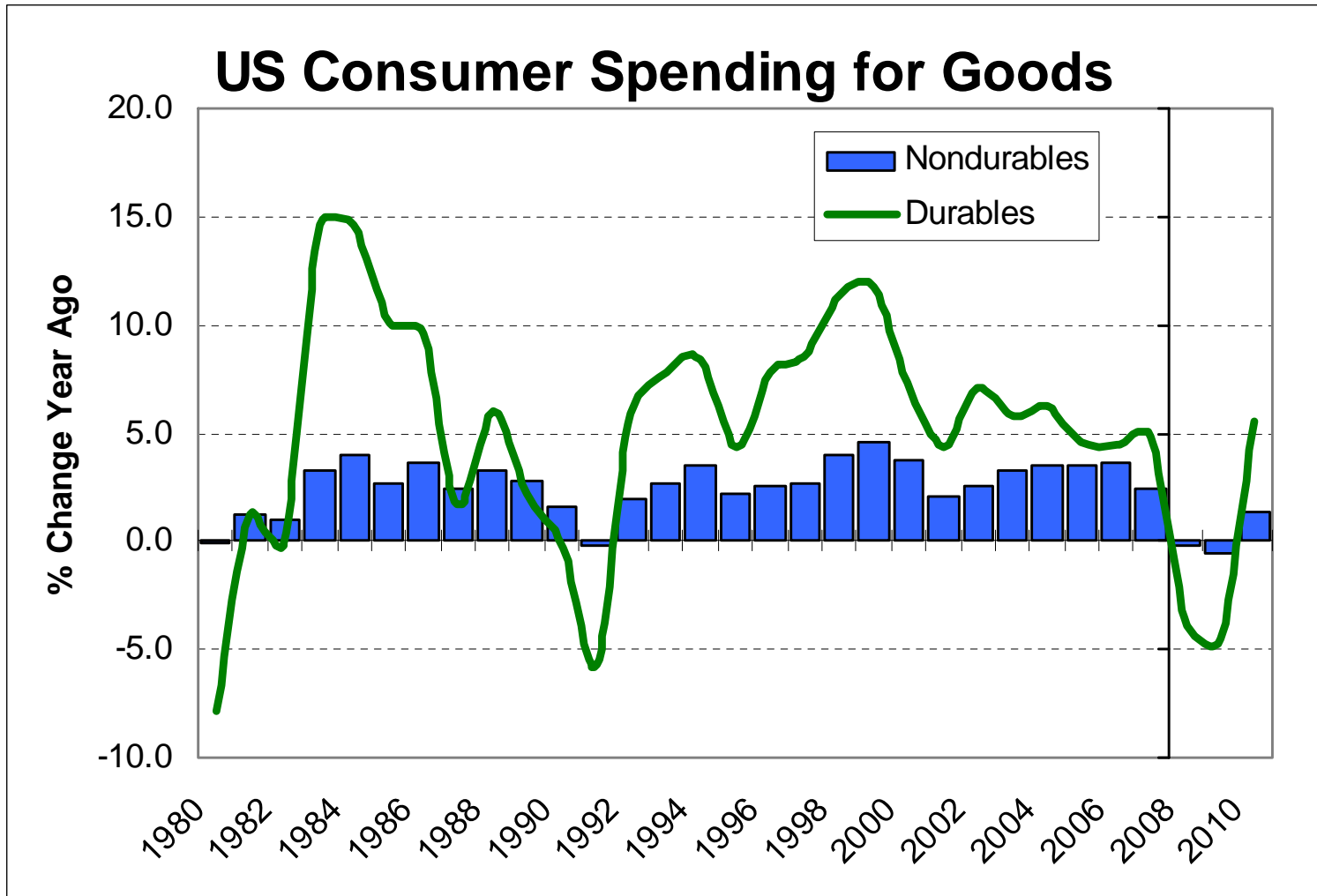
Employment will decline by 1.5% in 2009. Over 3.0 million jobs will be lost in 2008-09.



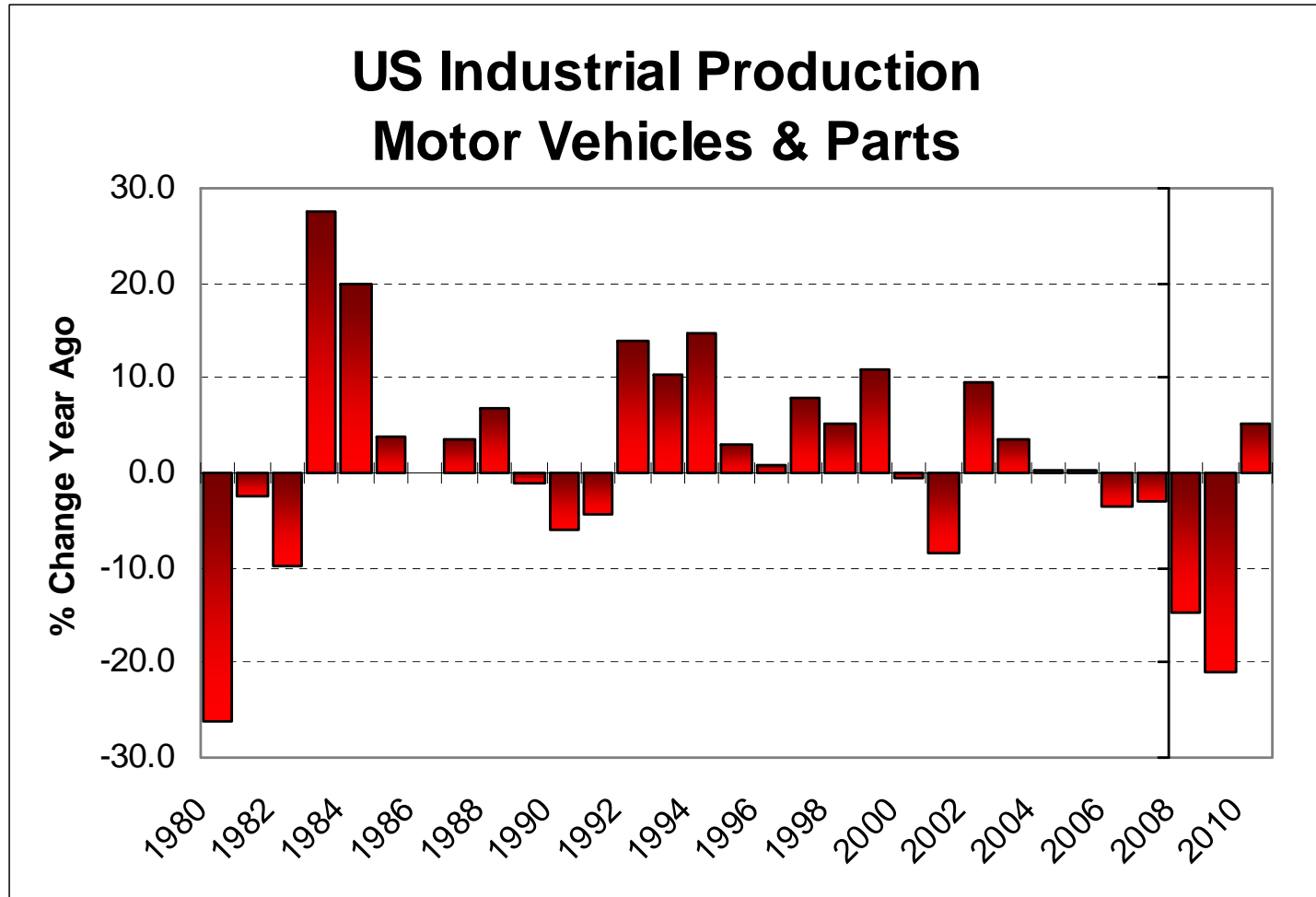
The end of the housing price bubble is having a tremendous impact on durable goods consumption.



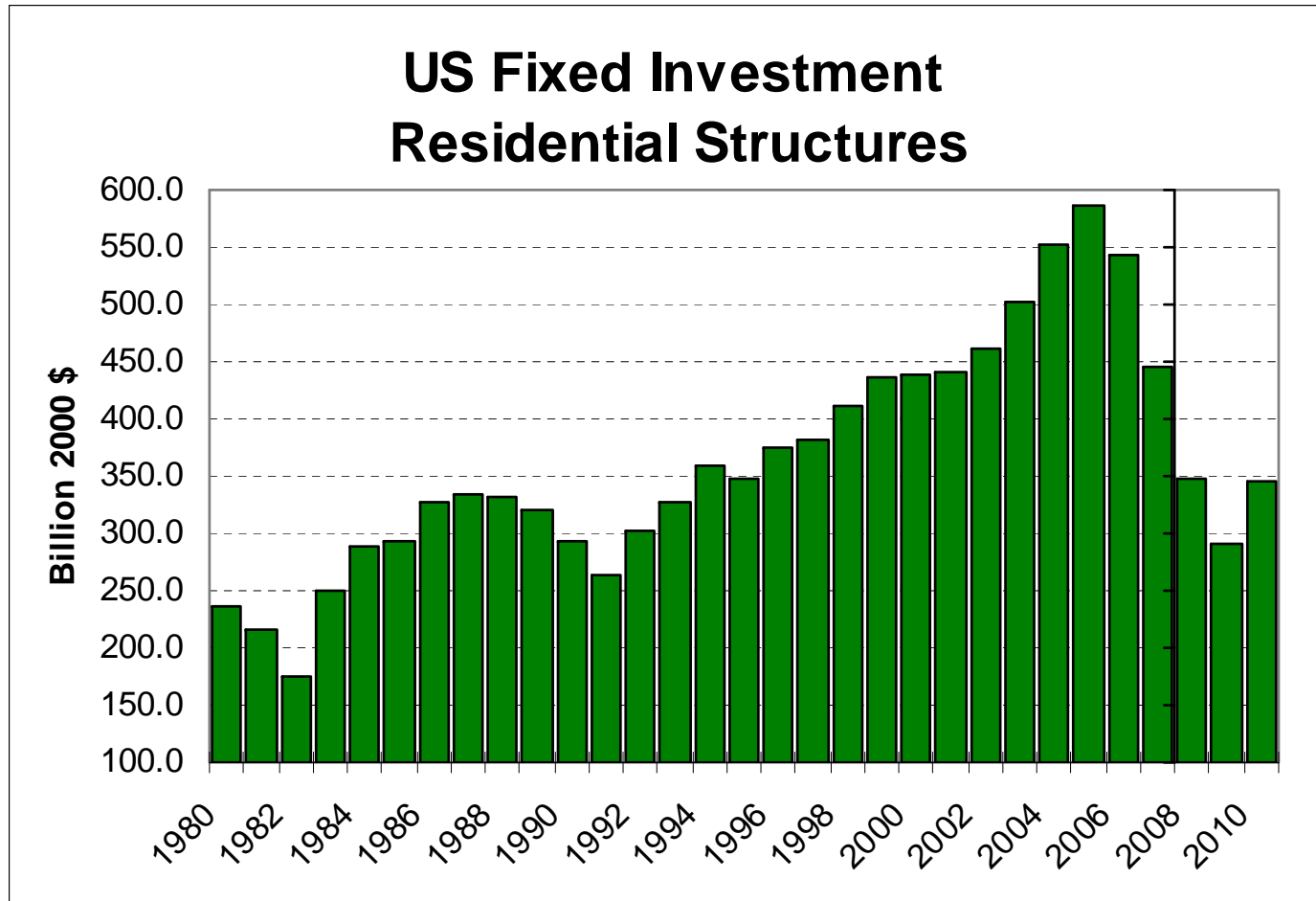
**Consumer spending should decline on par with 1991.
Big-ticket items will take the brunt of the decline.**



2009 will be the sixth consecutive bad year for auto manufacturers. The industry is, indeed, in peril.

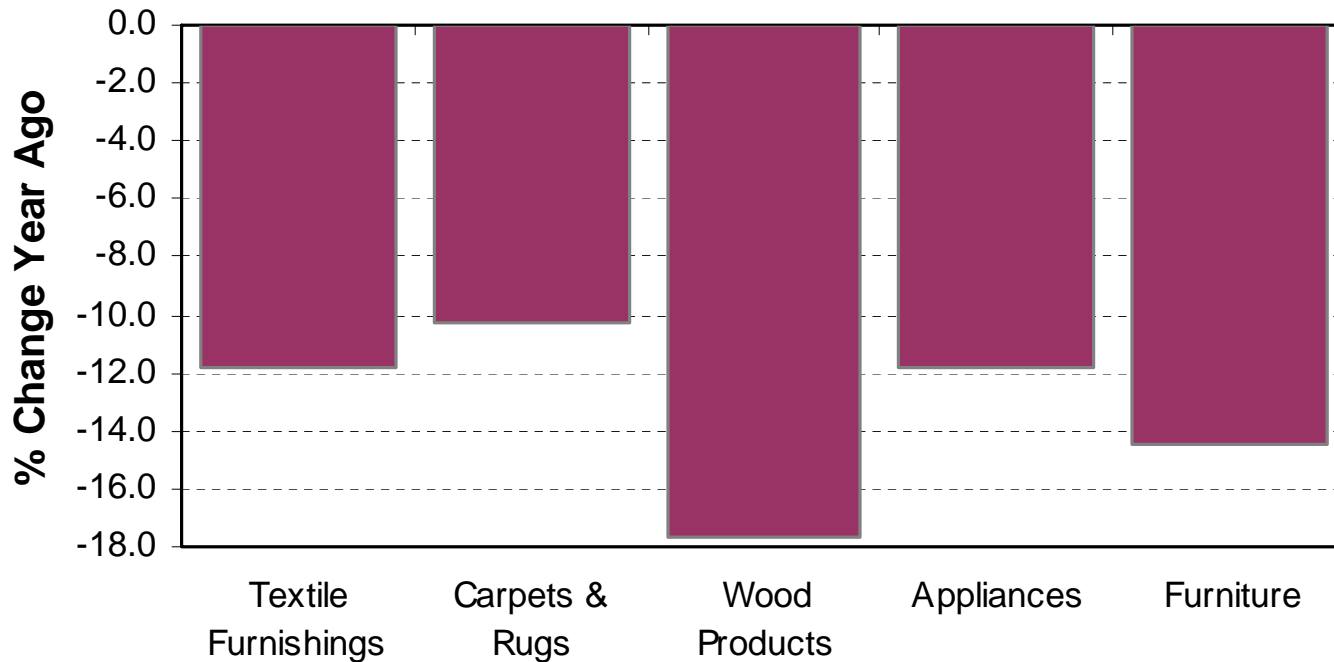


The housing sector in 2009 will be half of what it was in 2005. This will continue to devastate materials and consumer goods.



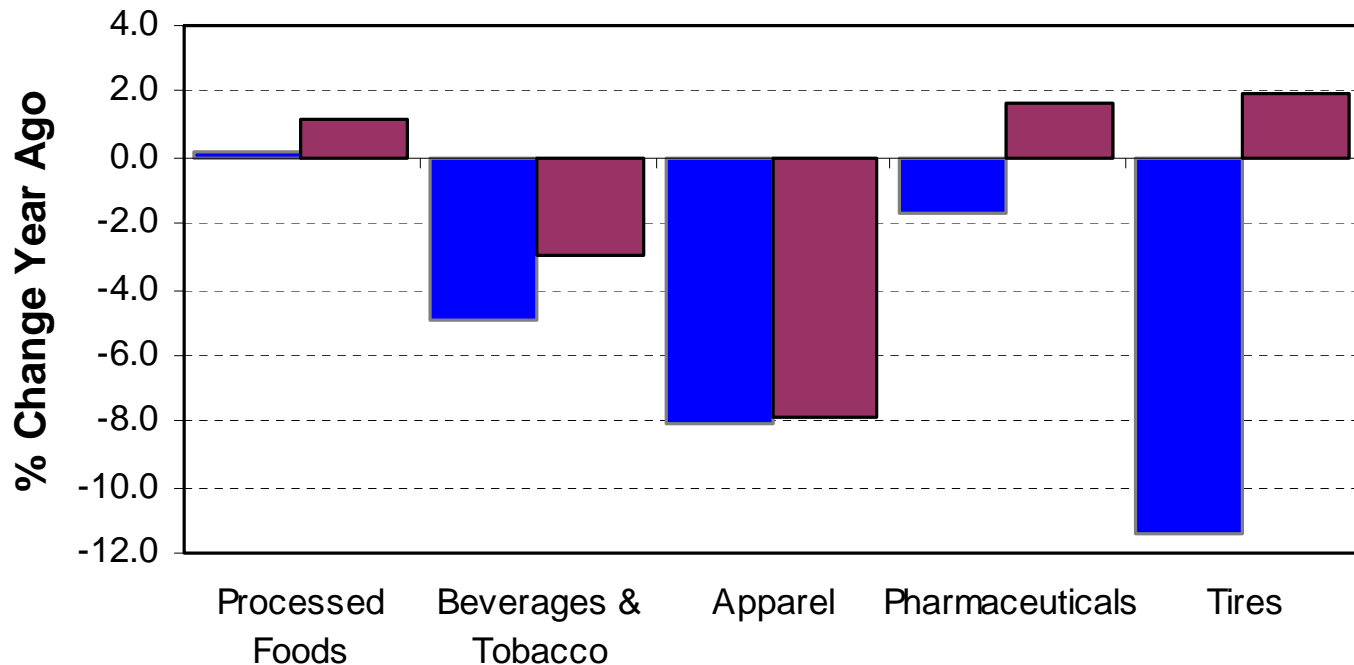
Almost three consecutive years of double digit declines. 2009 represents the worst.

US Industrial Production Housing-Oriented Industries for 2009

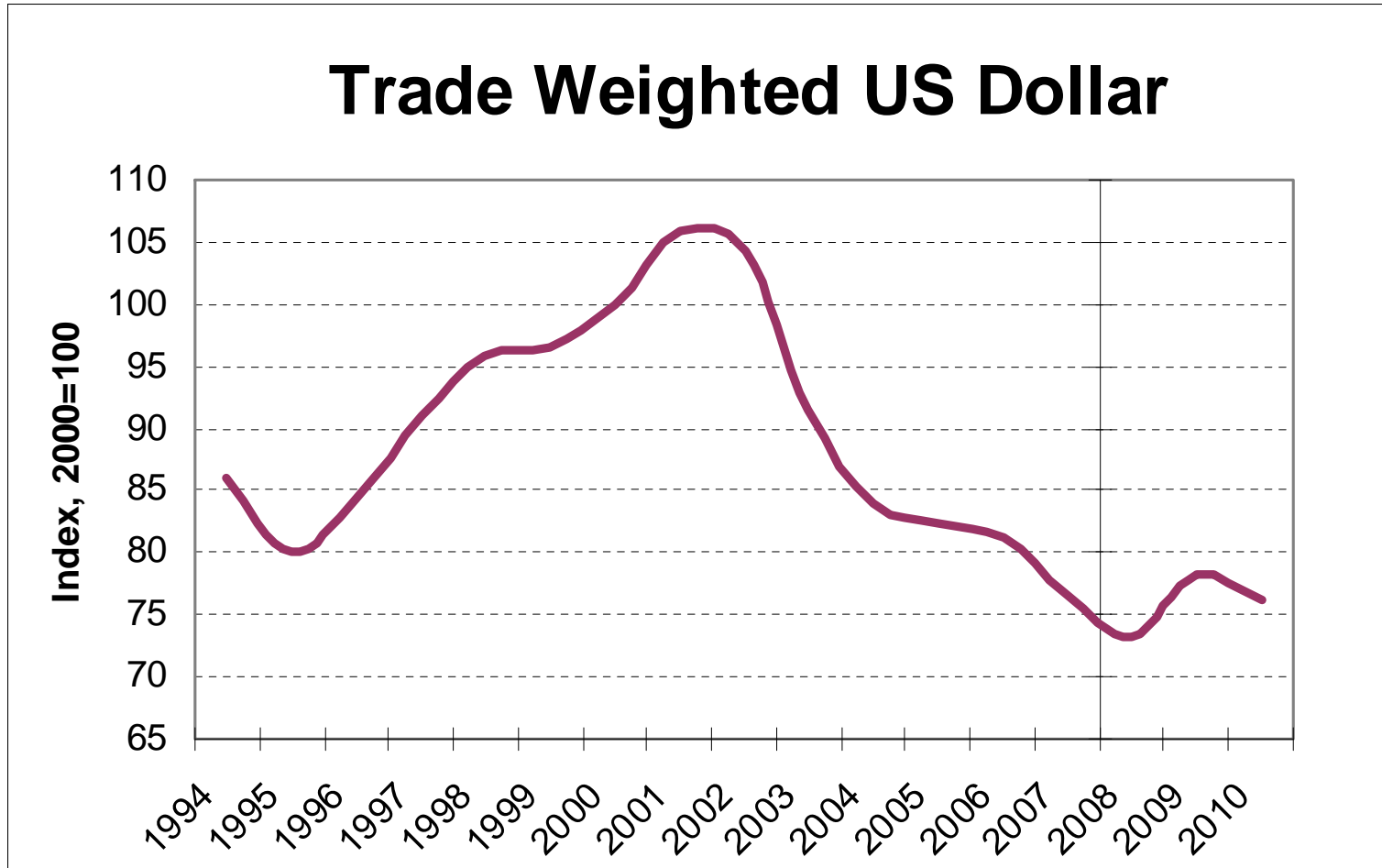


Other consumer related industries will experience growth or significant declines.

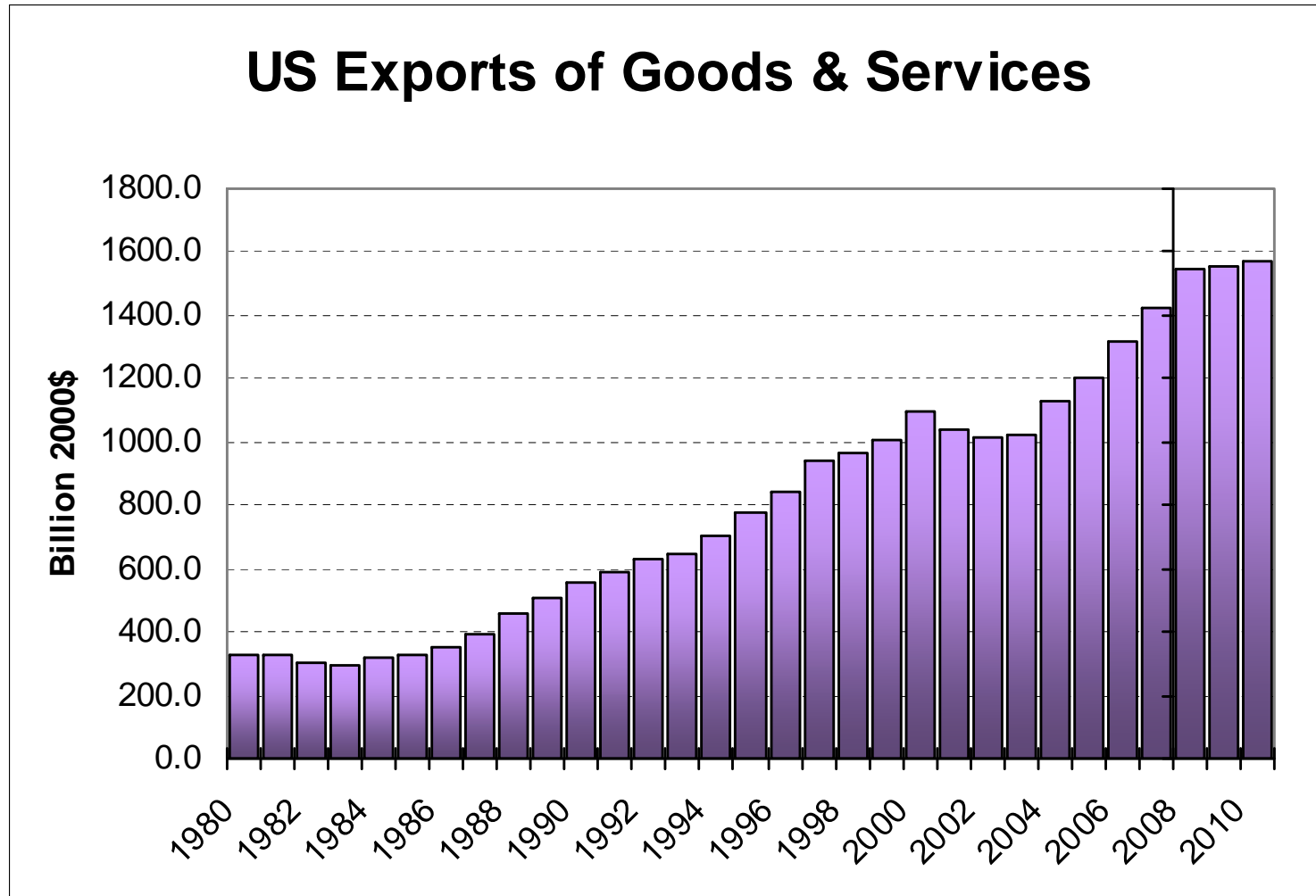
US Industrial Production Other Consumer Products for 2009 & 2010



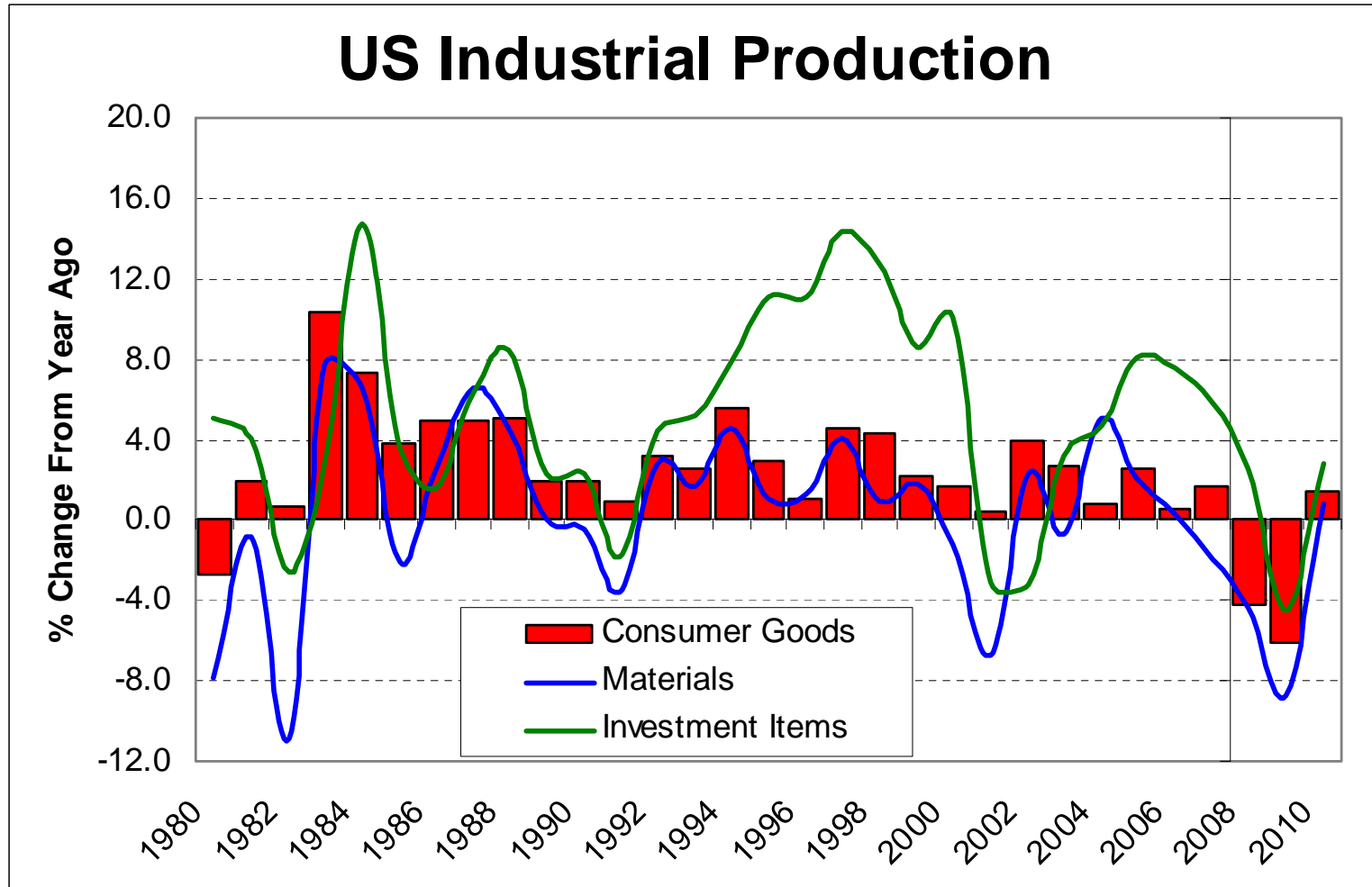
The weak US dollar has greatly helped exports.
However, there will be no help in 2009.



US exports were one of the few bright spots in the economy. A stronger US dollar & global recession will change that.



From an industrial production point of view next year will be the Perfect Storm where all three major sectors decline significantly.



Thank you

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