

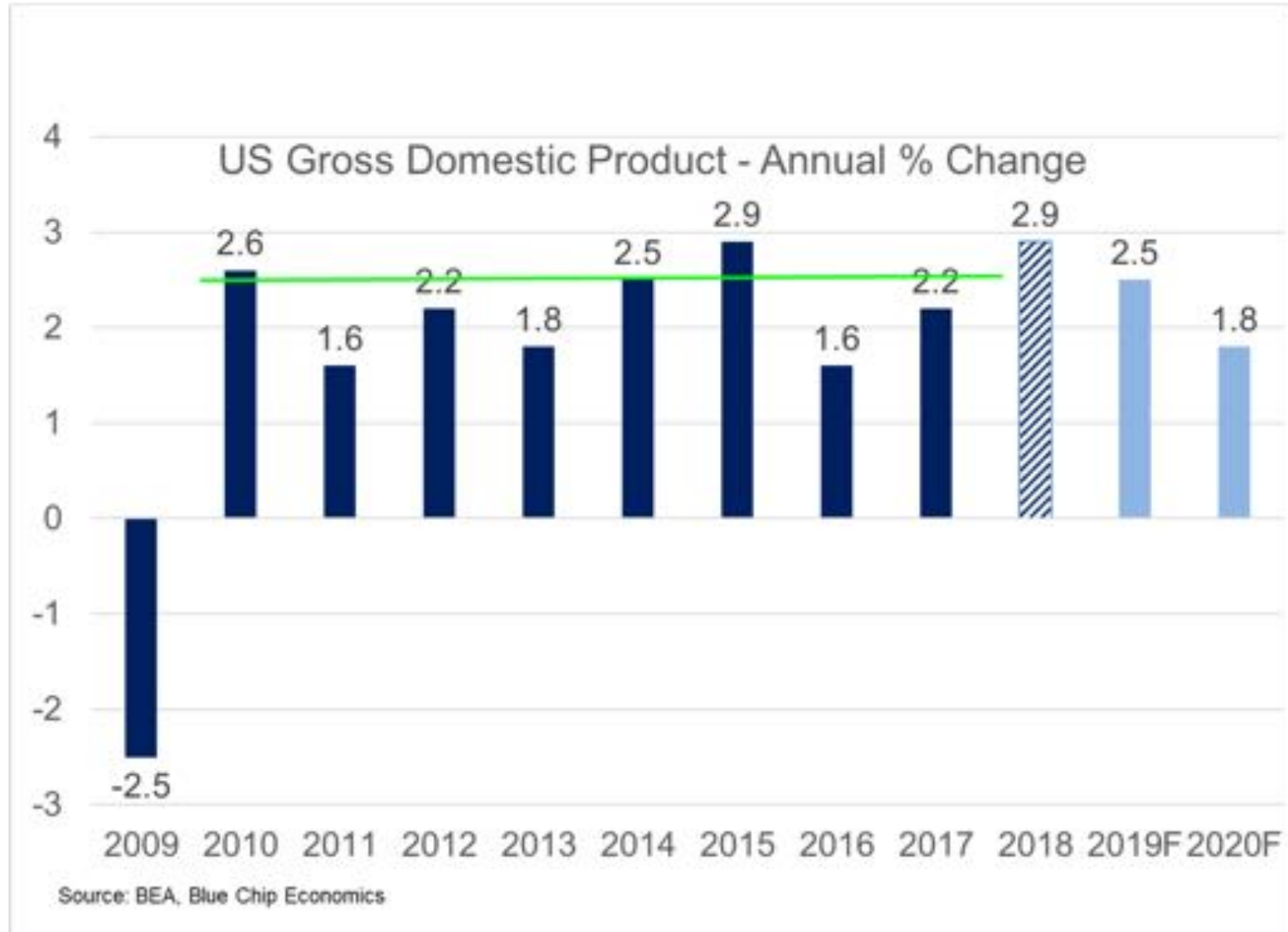


A Shifting Economy

Presentation for Flexible Pre-Press Platemakers Association

Dick Storat
Richard Storat & Associates, Inc.
March 25, 2019

1Q19 Consensus Forecast is falling fast, but 2Q rebound expected



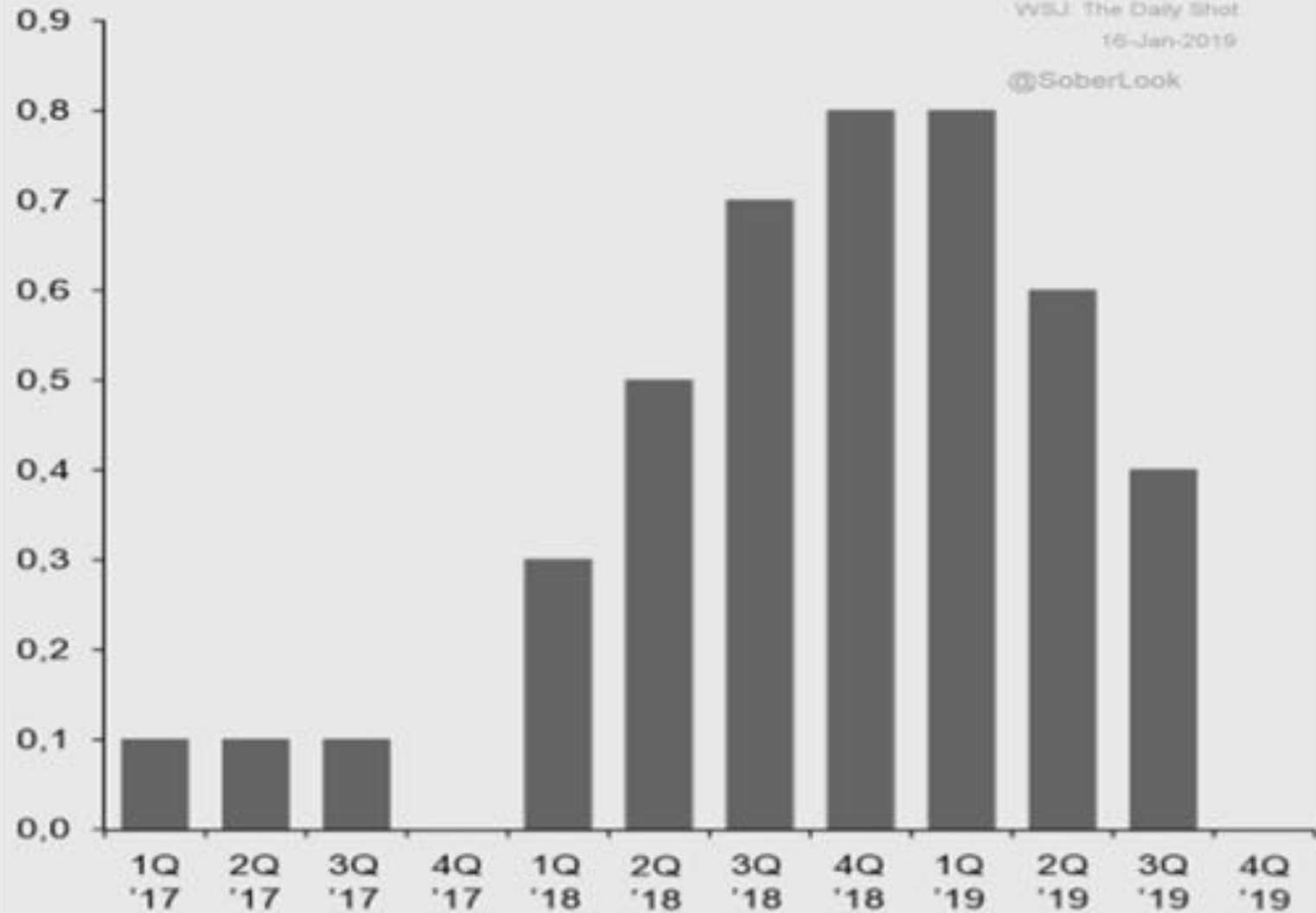
Contribution of fiscal spending to US real GDP growth

% points contribution to real GDP, quarter on quarter annualised

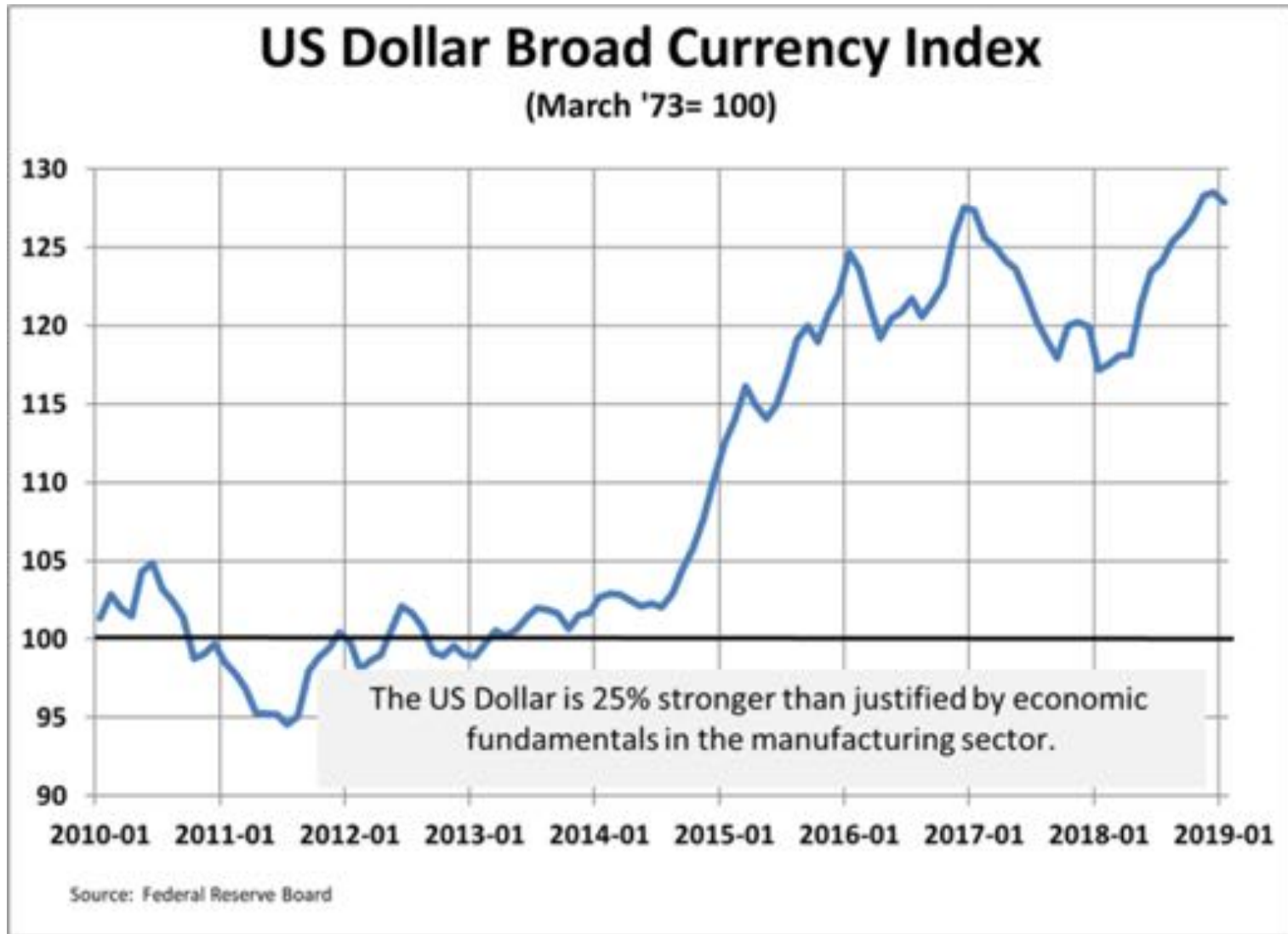
WSJ: The Daily Shot

16-Jan-2019

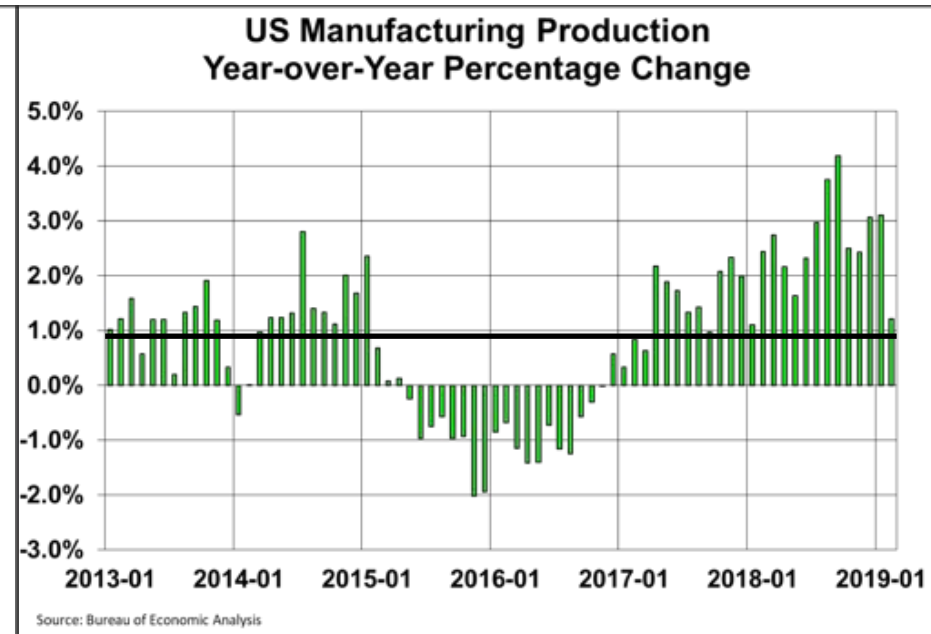
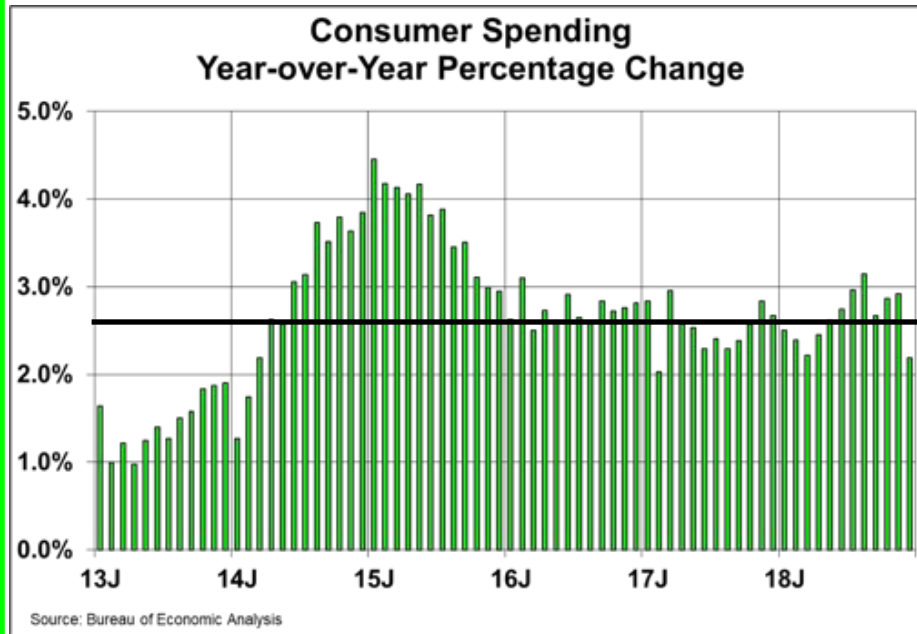
@SoberLook



Strong headwind for US Manufacturers

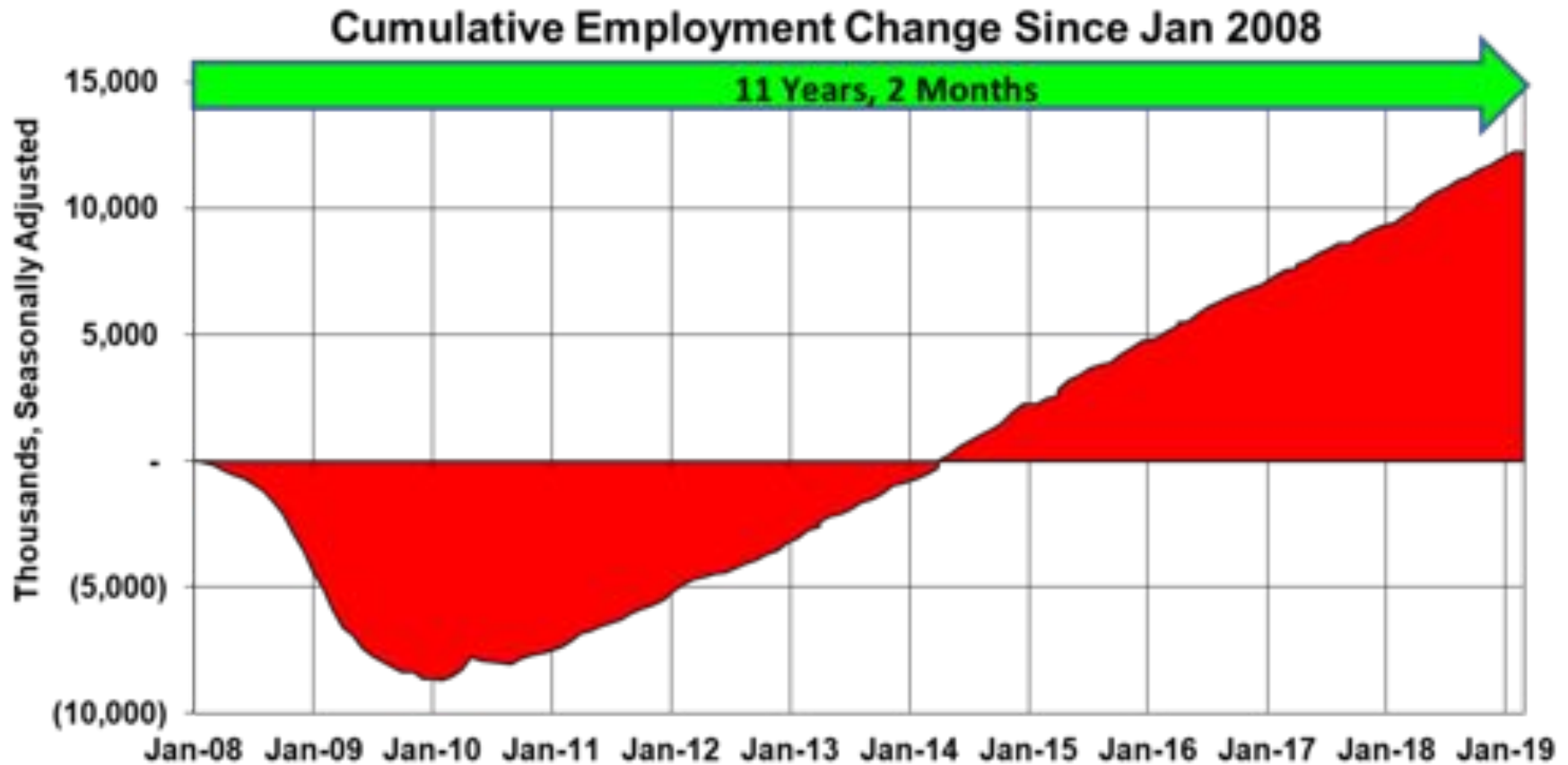


An Economy Tuned for Consumption



Six year Average Year-Year Growth
2.7% **0.9%**

221,000 average new jobs per month last year;
20,000 in February



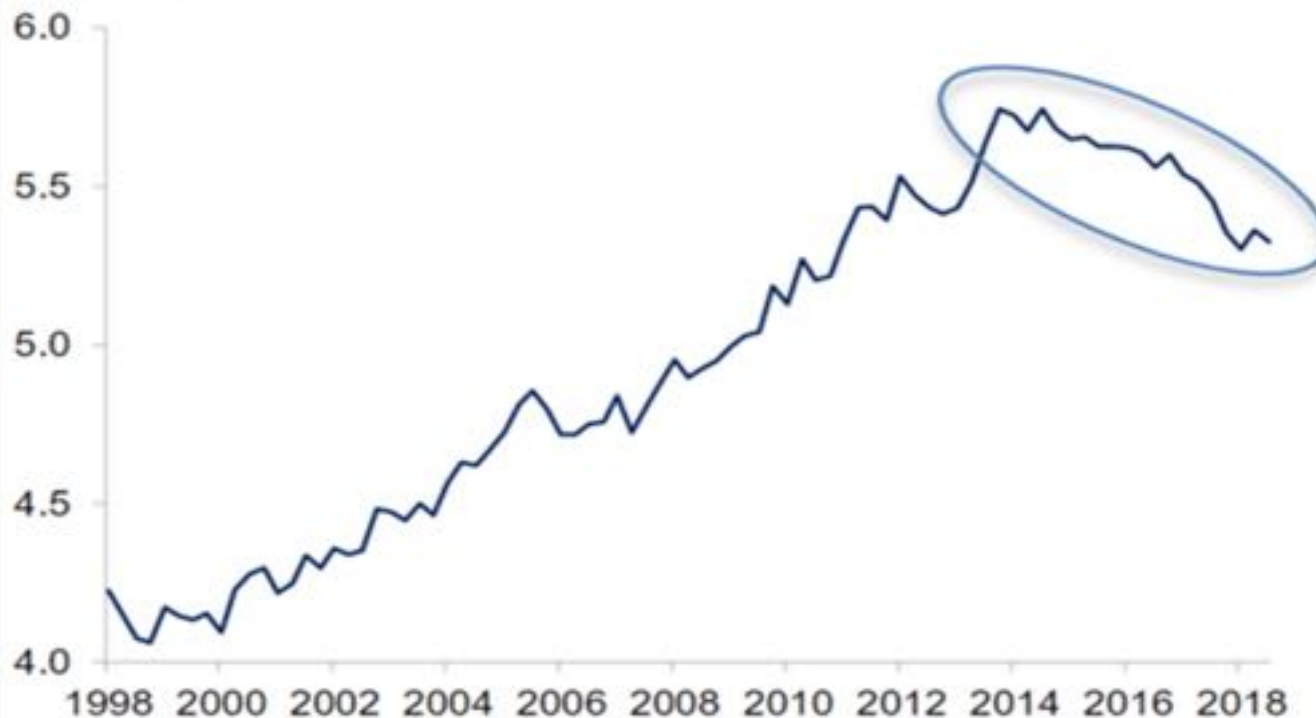
Source: BLS

After rising for almost two decades, the share of the working-age population out of the labor force because of a disability has declined from 5.7% in 2014 to 5.3% in 2018.

Posted on
WSJ: The Daily Shot
06-Dec-2018
@SoberLook

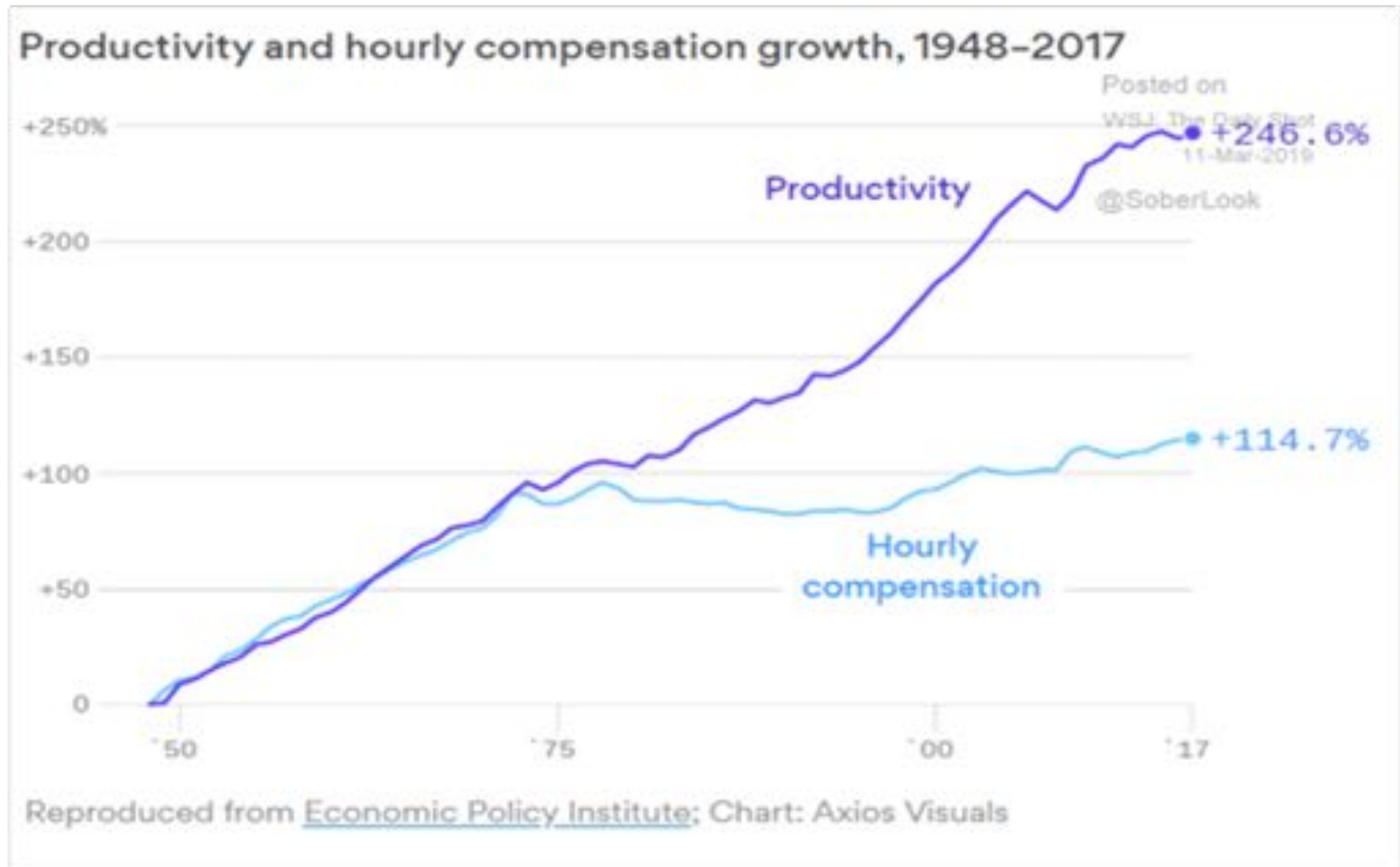
US: Not in the labor force because of disability

% of working-age population



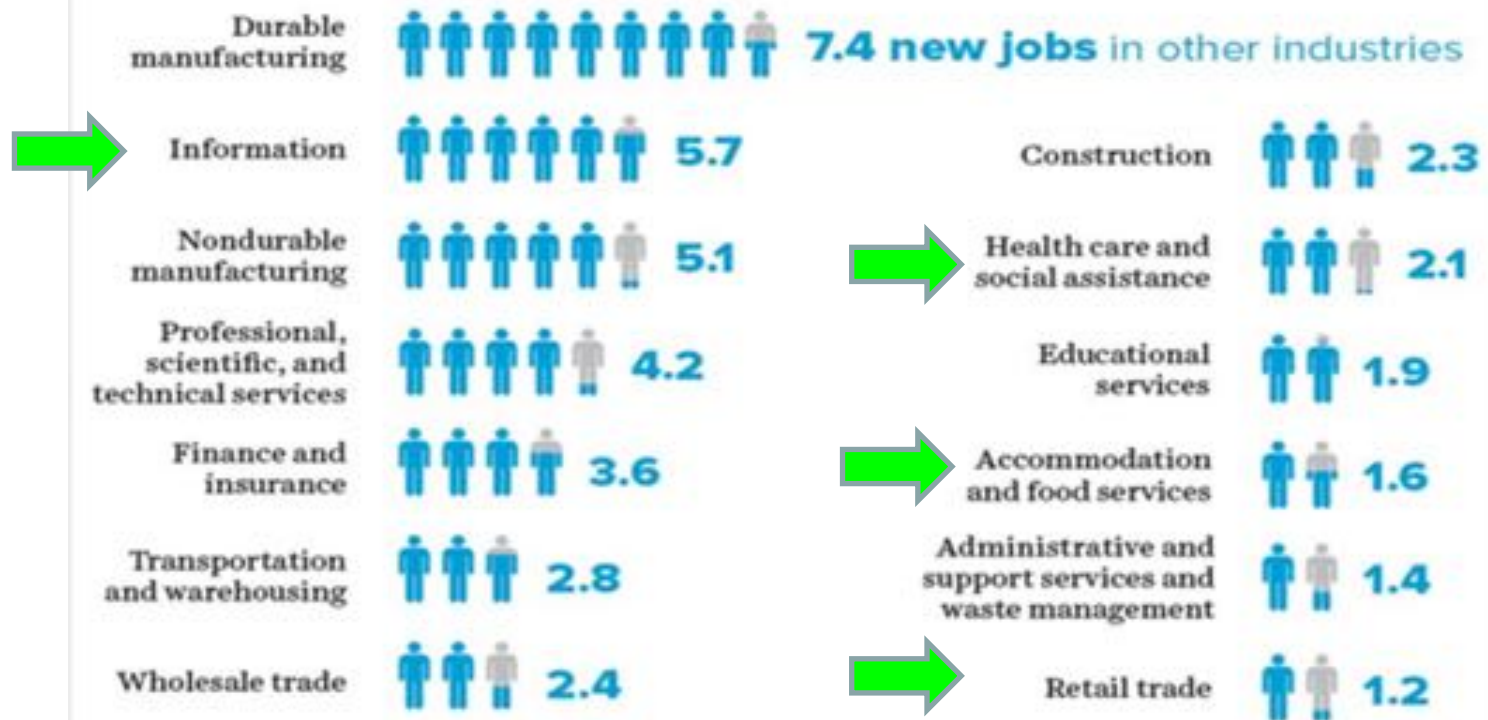
Source : Oxford Economics/Haver Analytics

Growth from new jobs or better productivity



How many new jobs do you get when you create a job in these major industries?

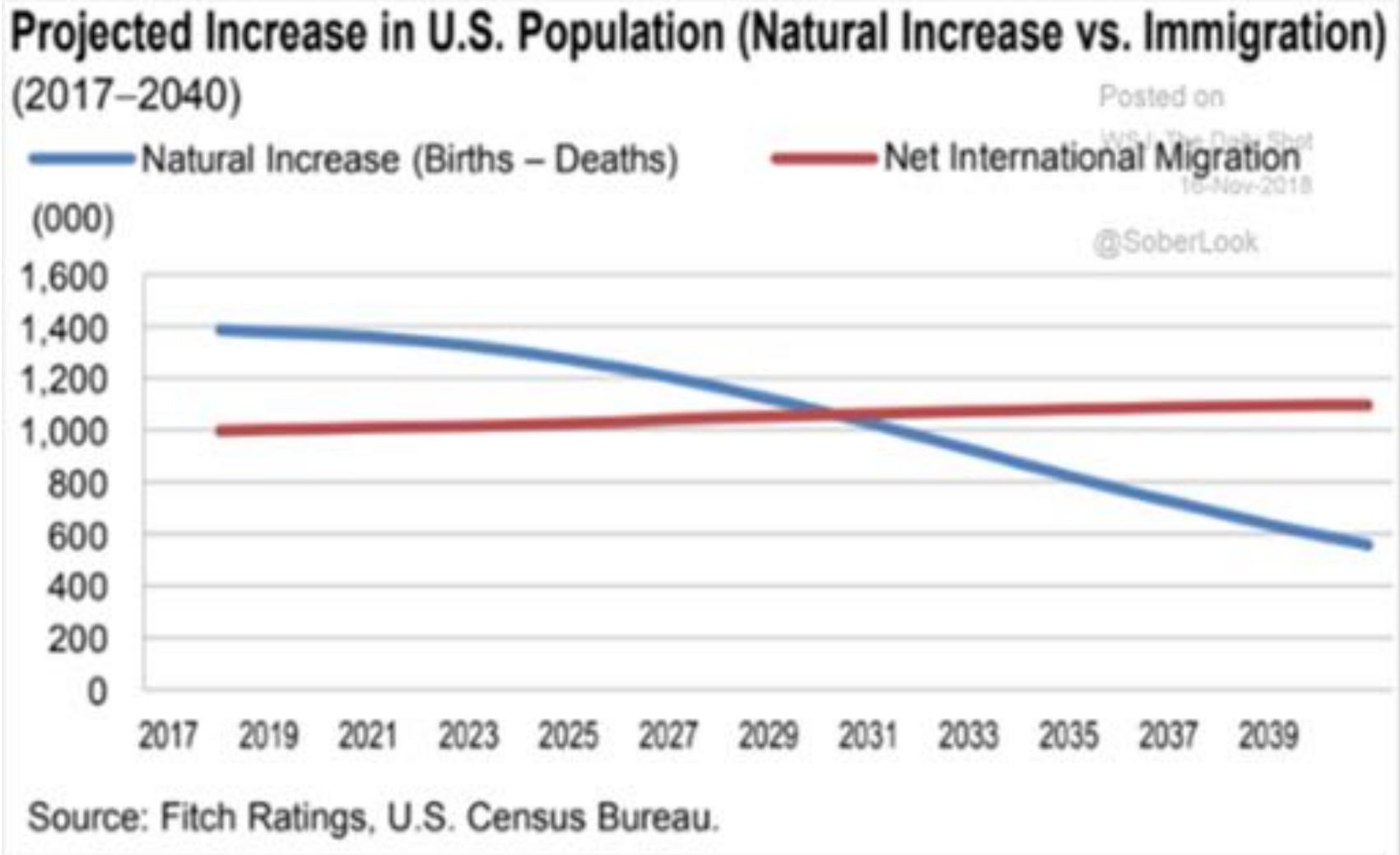
When you create a job, there's an employment multiplier effect beyond the job itself. Jobs spur demand for goods and services from suppliers, they generate tax revenue supporting public sector employment, and they stimulate economic activity when newly employed workers spend their paychecks. Here is the number of additional jobs you get when one job is created in each of these 13 major private-sector industry categories:



Source: Economic Policy Institute, 2019
go.epi.org/jobmultipliers

Economic
Policy
Institute

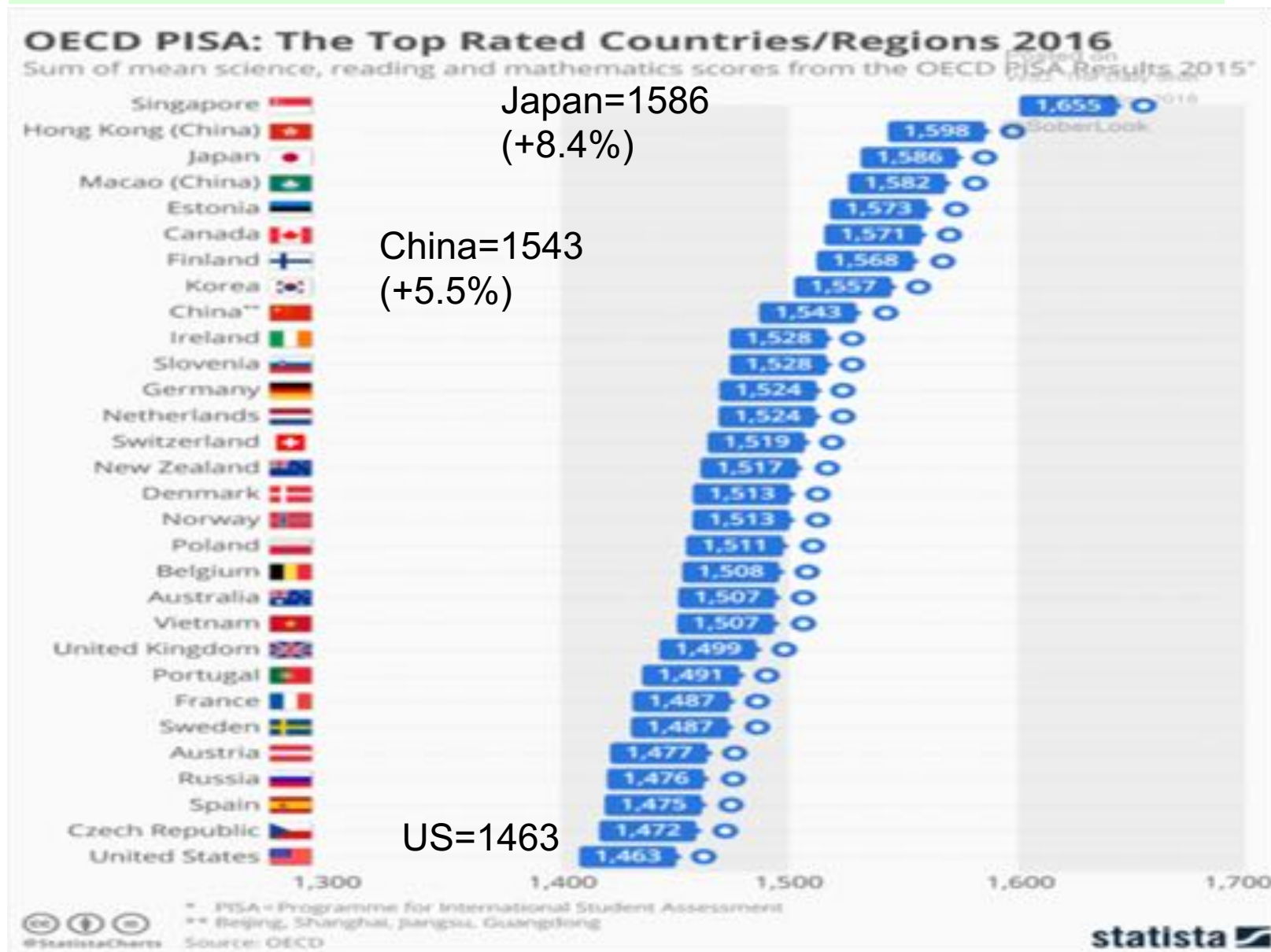
Immigrants will become the biggest source of U.S. population growth



Double-digit growth of disruptive e-tail will continue into next decade



Is the U.S. behind the global education curve?



Manufacturing is heading towards a slow patch

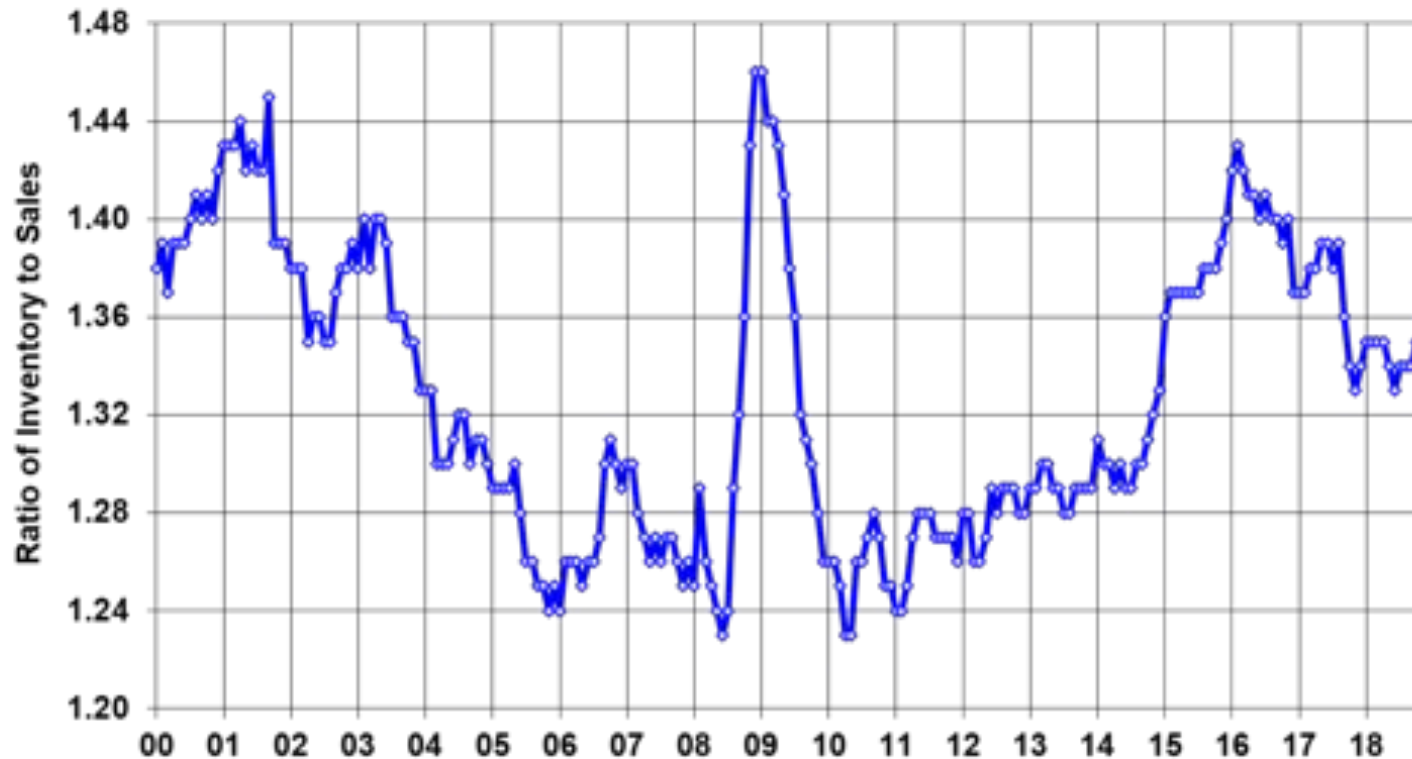


Global slowdown will weigh on U.S. economy



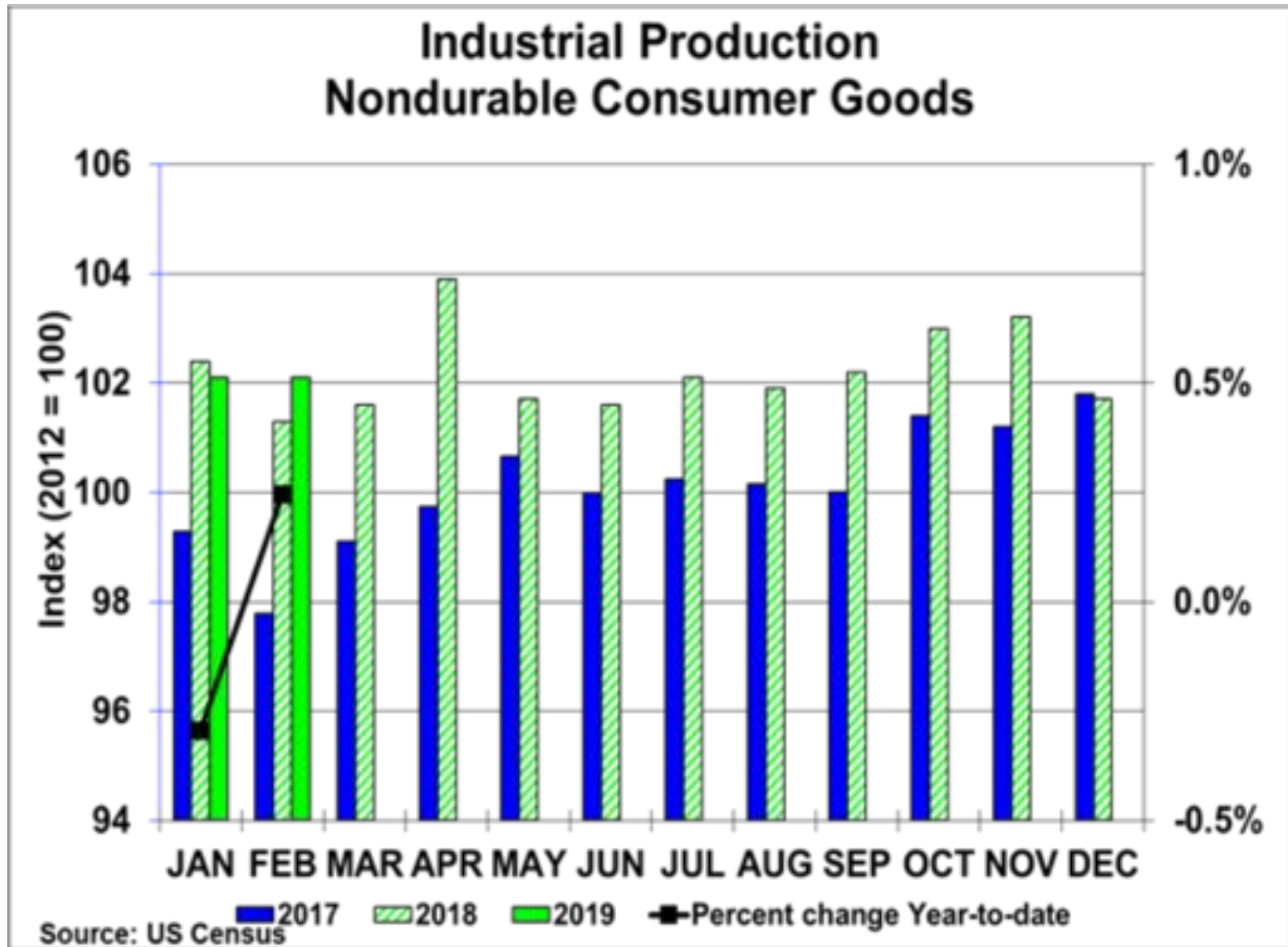
Wholesalers' & Retailers' Inventory/Sales Ratios are Climbing

Total Business Inventory/Sales Ratio

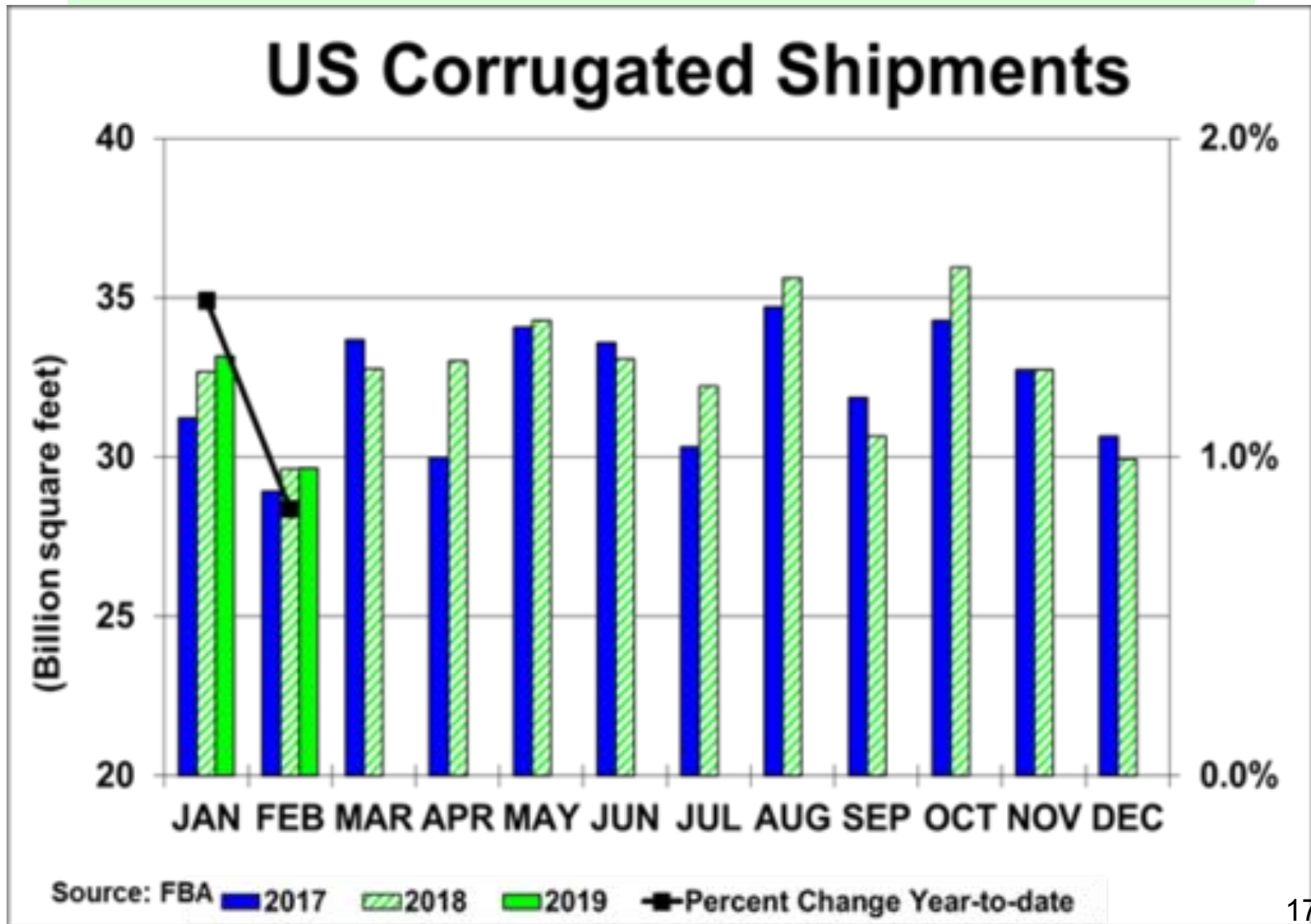


Source: US Census Bureau

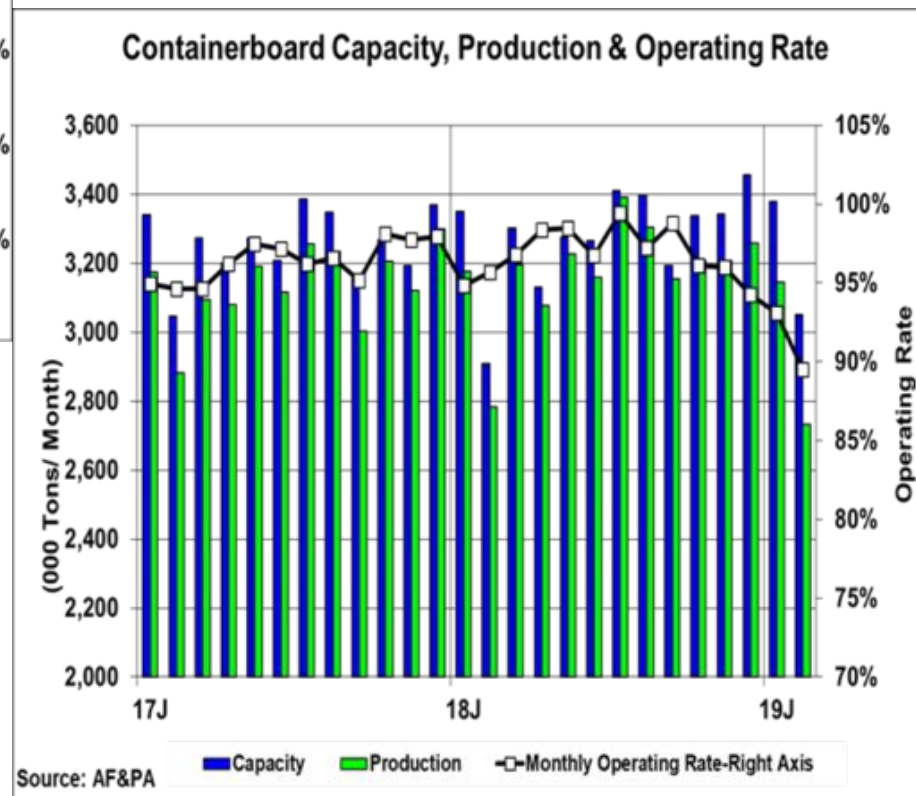
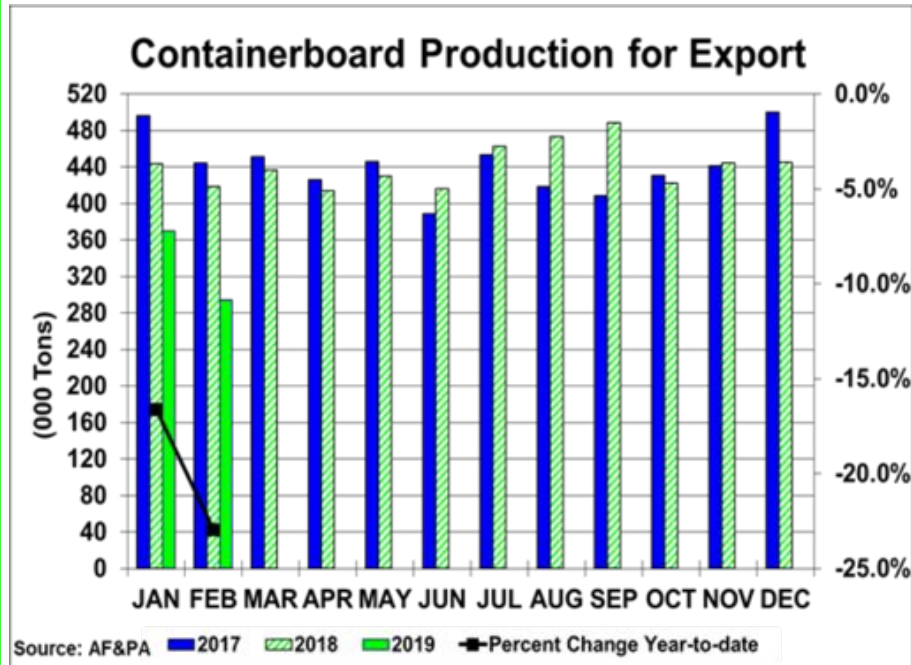
Corrugated boxes supply slow-growing markets



Box shipments are keeping pace with non-durable goods production growth

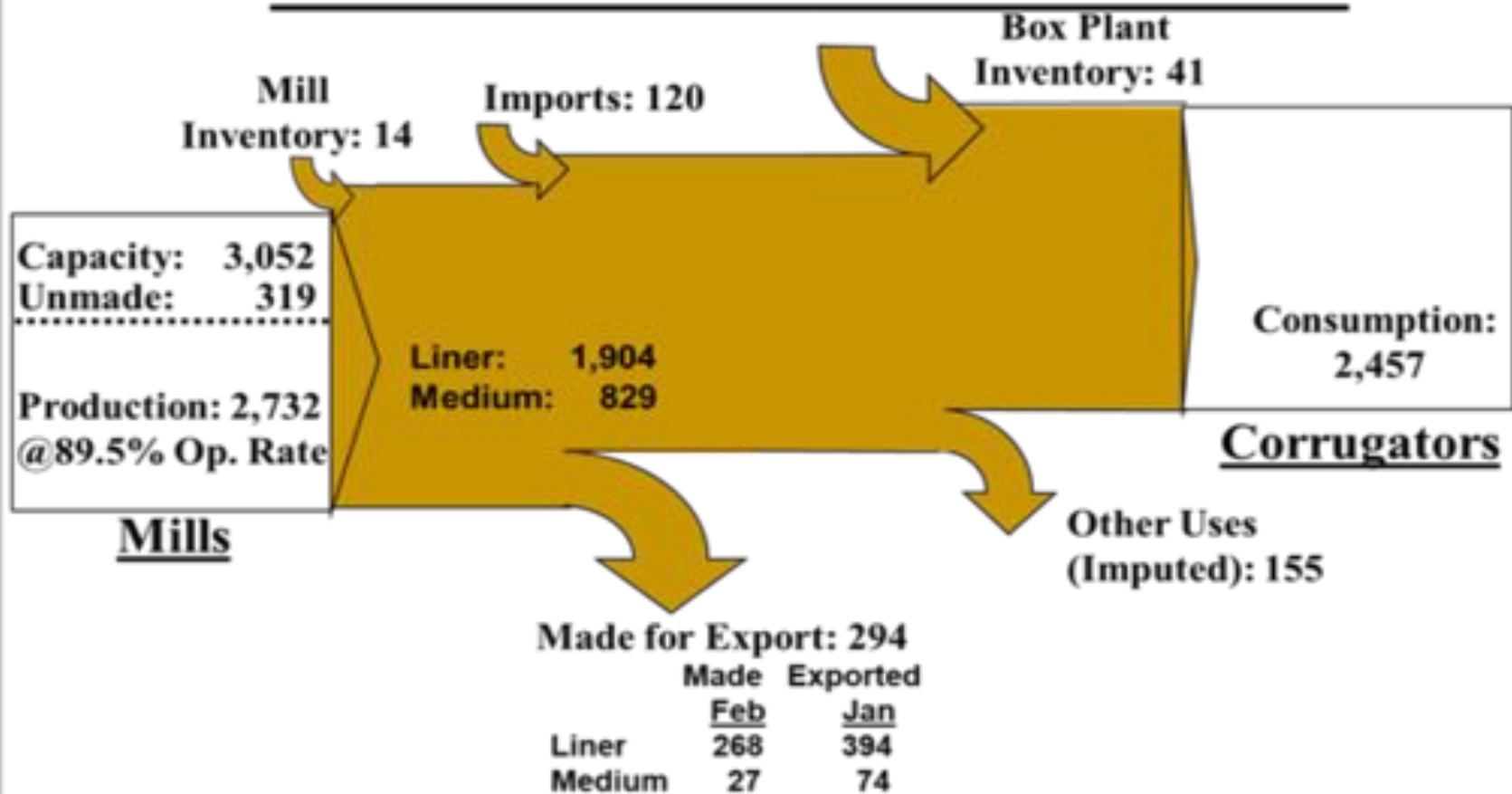


Containerboard exports fell off a cliff this year.



Inventory declines softened the export blow

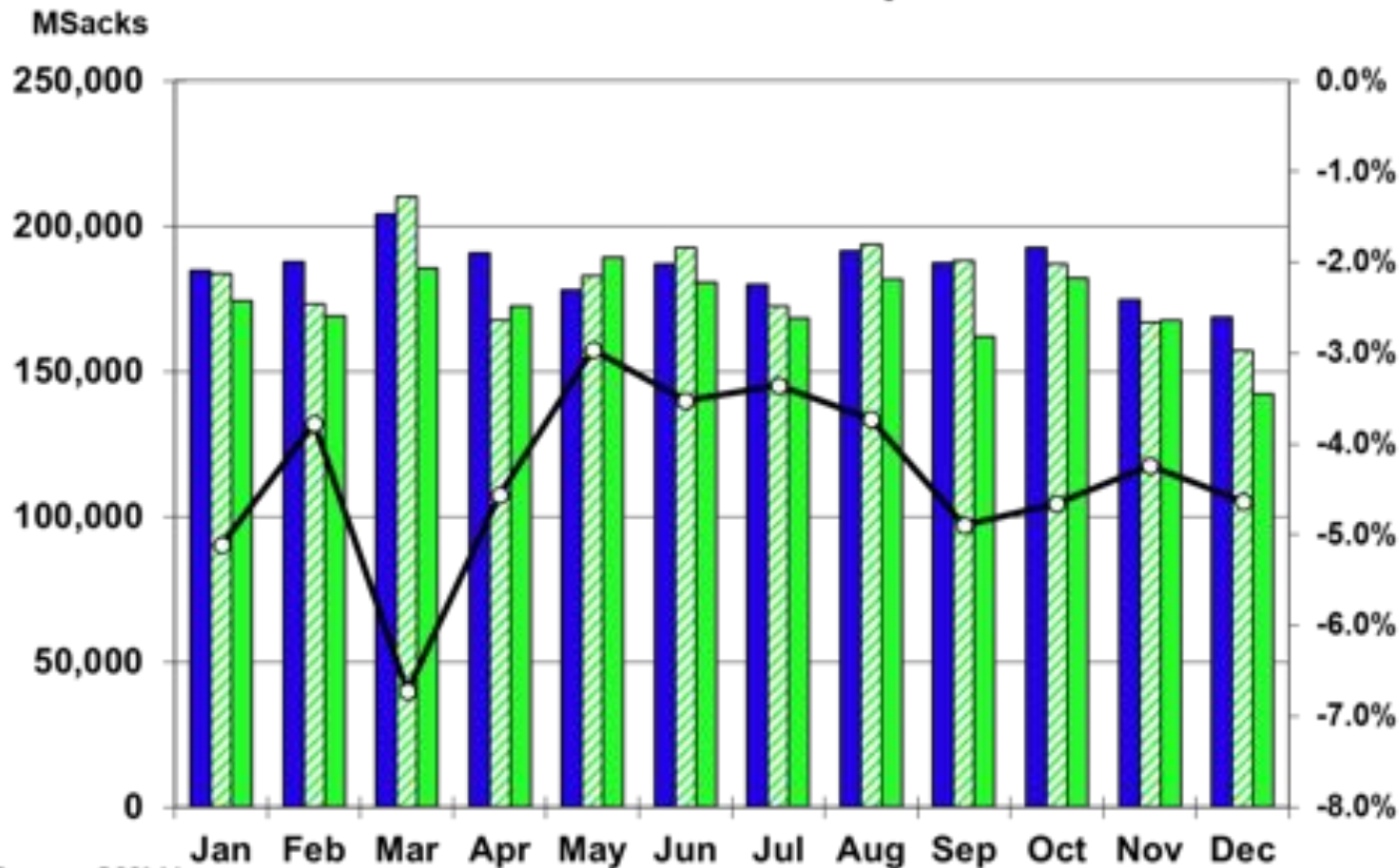
Containerboard Flows – February 2019 (000 Tons)



©2019 Richard Storat & Associates, Inc.

Shipments down by 3.4% through February. Last year market down 2.3%, imports up 4.8%, US shipments down 4.6%

US Multiwall Sack Shipments¹



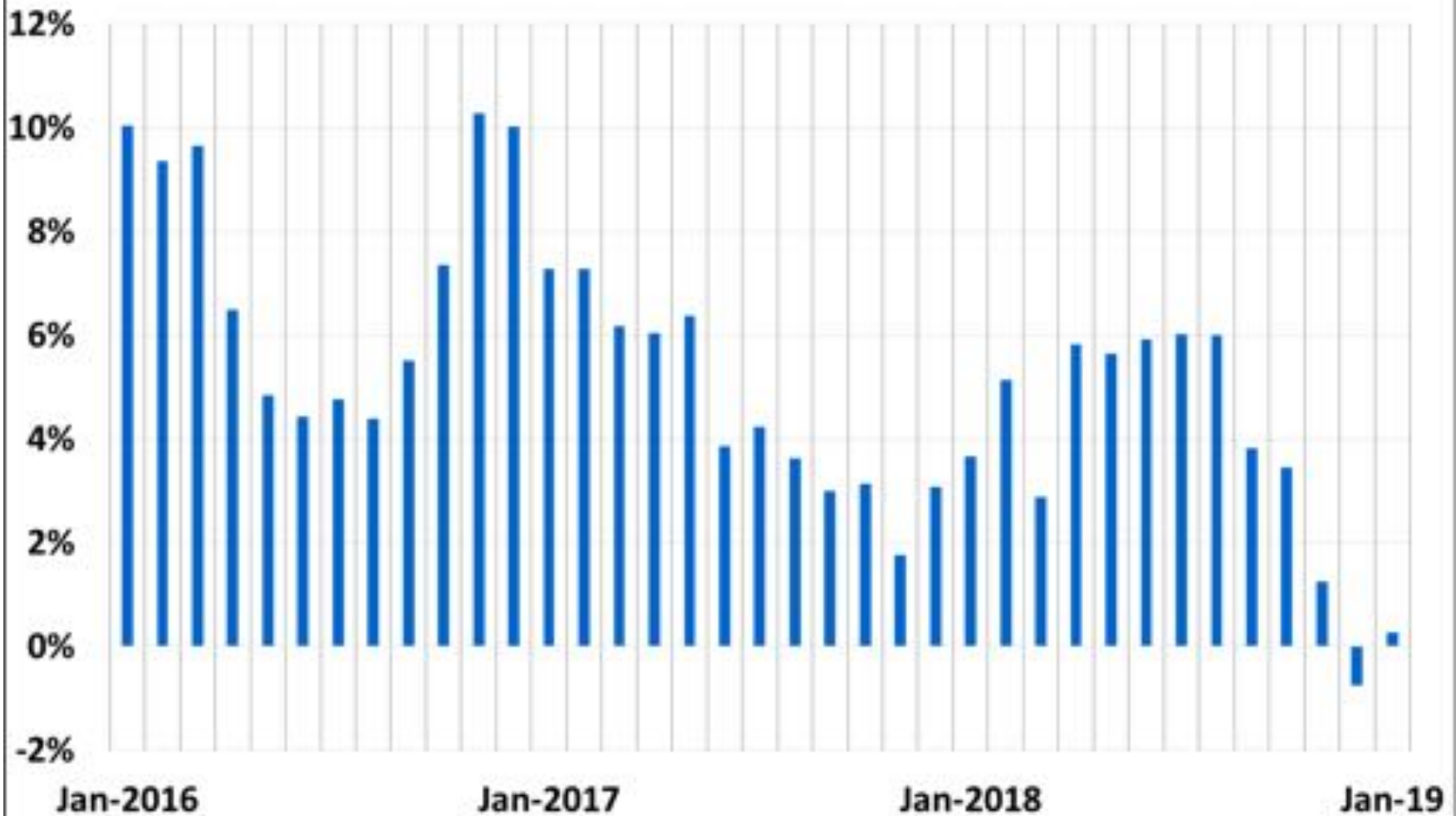
Source: PSSMA

¹ Excludes LWS Sacks ■ 2016 ▨ 2017 ■ 2018 —○— % Change Year-to-date (Right Axis)

\$16.8 billion trade balance decline shrinks corrugated-intensive domestic food production



Construction Spending % Change Year-over-Year



Source: US Census Bureau

Labor Shortages

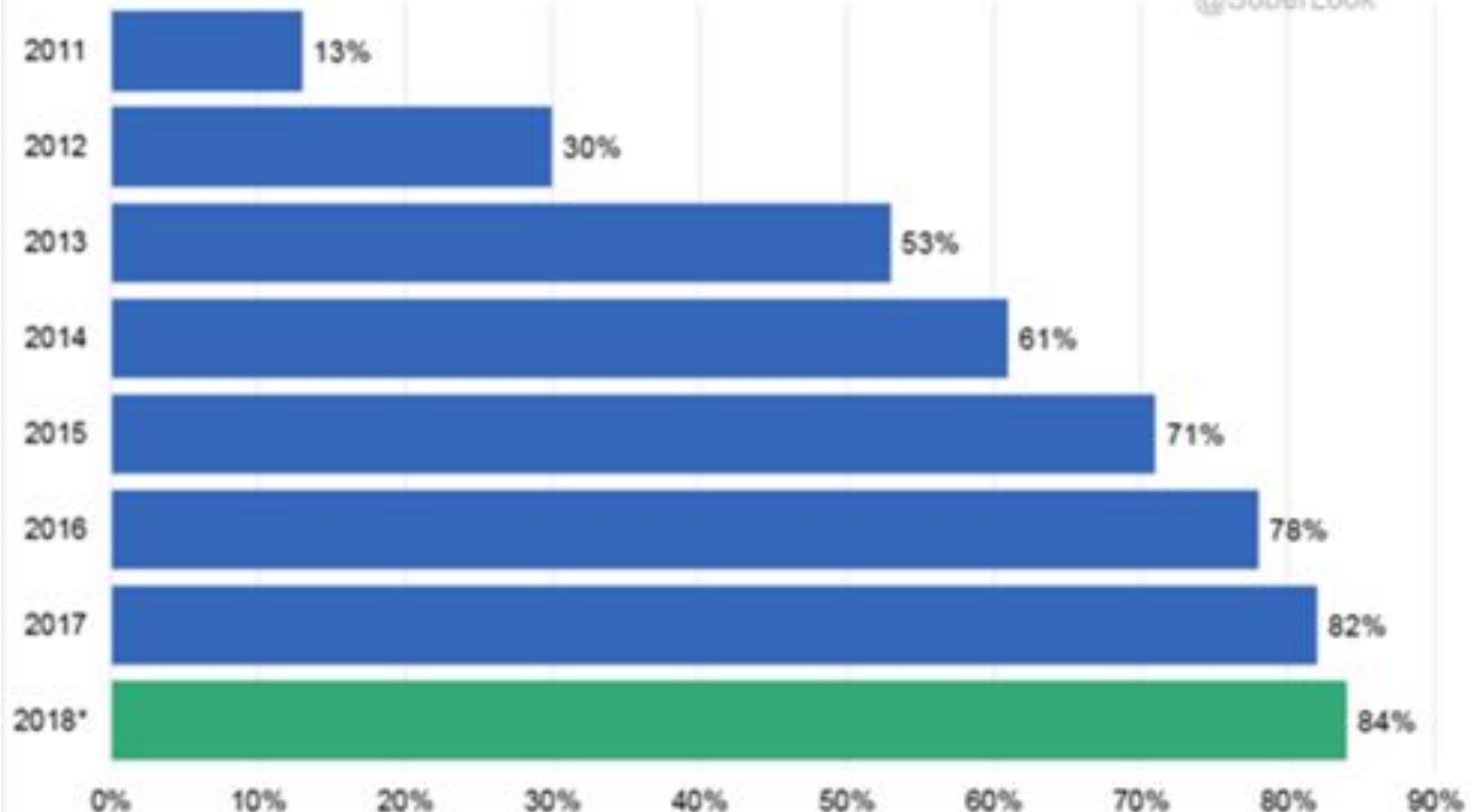
84% of builders report labor shortages versus 13% in 2011. Shortages drive up builder costs, lengthen building cycle times, and hamper construction activity.

WSJ: The Daily Shot

07-Jan-2019

Percentage of Builders Reporting Labor Shortages

@SoberLook



Source: NAHB (Data: 2017, updated quarterly) *Expected labor shortages

Pub: Dec-18

JOHN BURNS
REAL ESTATE CONSULTING

Prepared exclusively for JBREC: Rick Palacios

See Terms and Conditions of Use and Disclaimers
Distribution to non-clients is prohibited. © 2018

US: Immigration driving growth in labor force

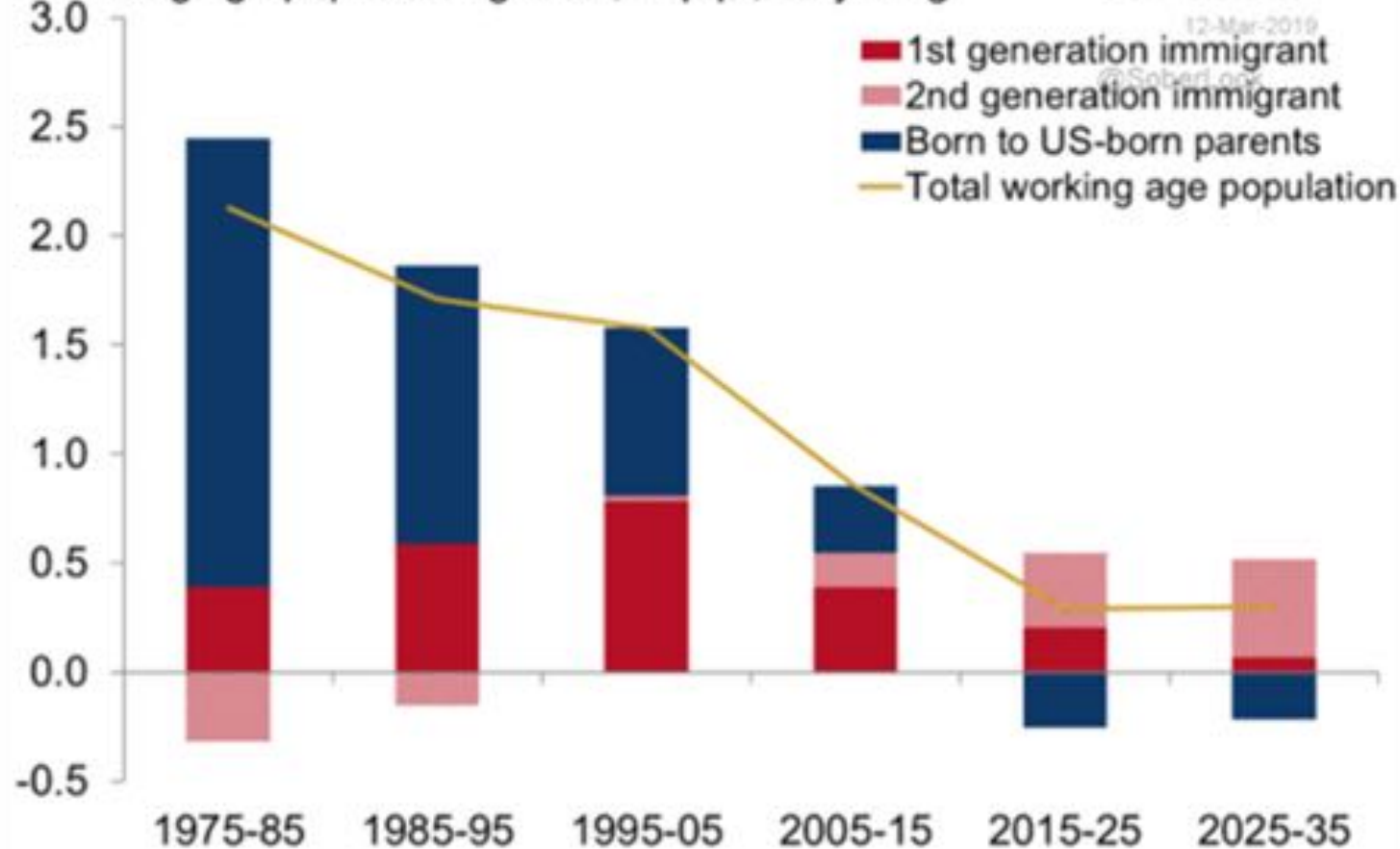
Working age population growth, in p.p., 10-yr avg

Posted on

WSJ: The Daily Shot

12-Mar-2019

@Sobard_ox

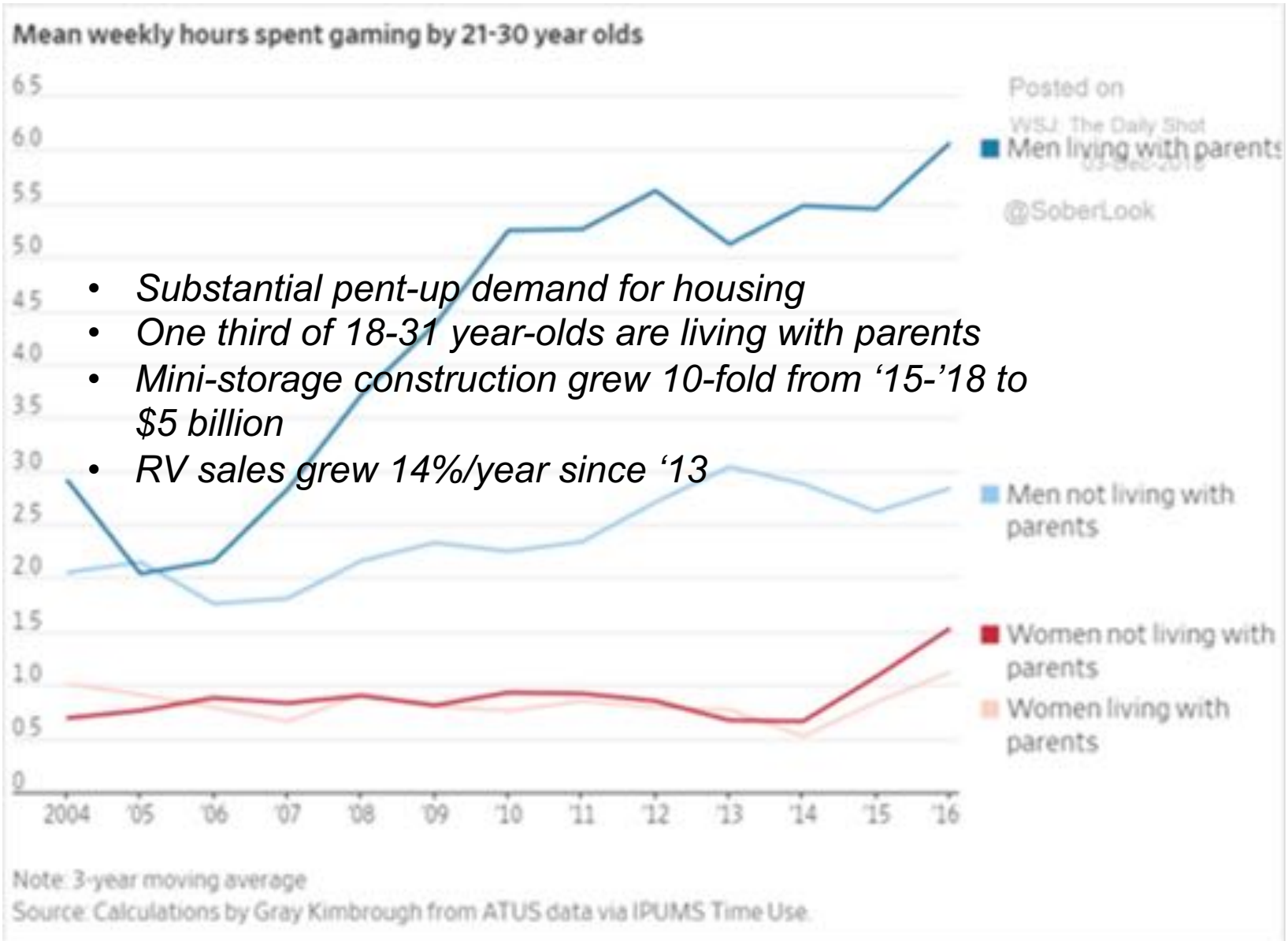


Source : Oxford Economics/Pew Research Center



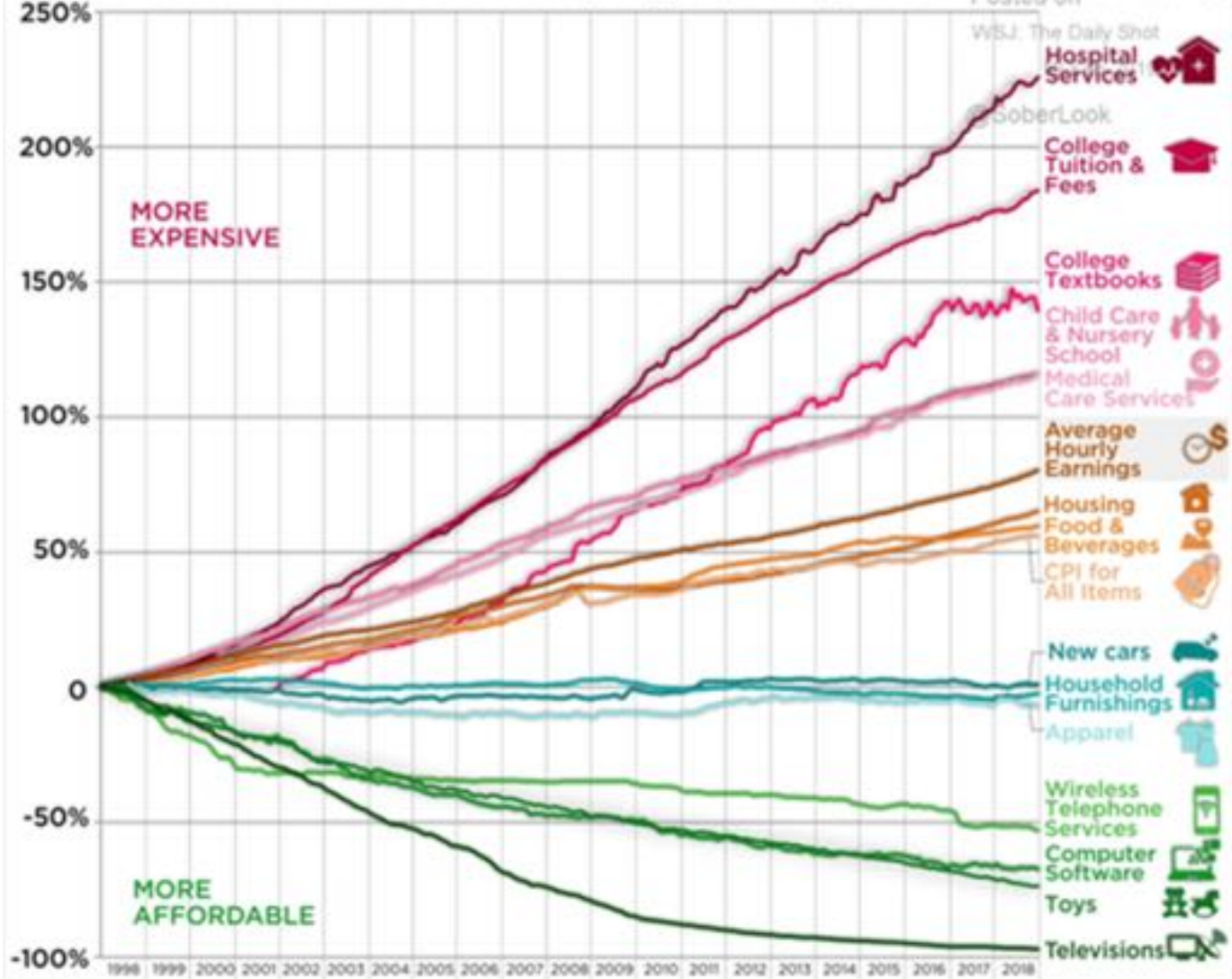
Remodeling is corrugated intensive and less constrained by labor shortages than new construction.





20 Years of Price Changes in The United States

Selected Consumer Goods & Services, Wages (January 1998 to December 2018)



Article & Sources:
<https://howmuch.net/articles/price-changes-in-usa-in-past-20-years>
 CPI and other price indices - Bureau of Labor Statistics - <https://data.bls.gov/POQWeb/tu>
 Average hourly earnings - Bureau of Labor Statistics - <https://data.bls.gov/timeseries/CE505000000000>

howmuch.net

Our Crumbling Infrastructure

➤ **Bridges**

- 9.1% of bridges are structurally deficient
- \$123 billion needed for backlog of bridge rehabs

➤ **Rail**

- 750,000 Northeast Corridor passenger trips daily
- 40% estimated 30 year growth of rail freight shipments

➤ **Roads**

- \$160 billion annual cost of fuel and time lost to congestion
- \$713 billion backlog of highway capital needs ex. Bridges

➤ **Drinking Water**

- 240,000 estimated water main breaks per year
- 6 billion gallons of treated water lost from leaking pipes

US government pays roughly \$1.5bn in interest payments every day

Interest paid on Treasury debt securities by the US Treasury

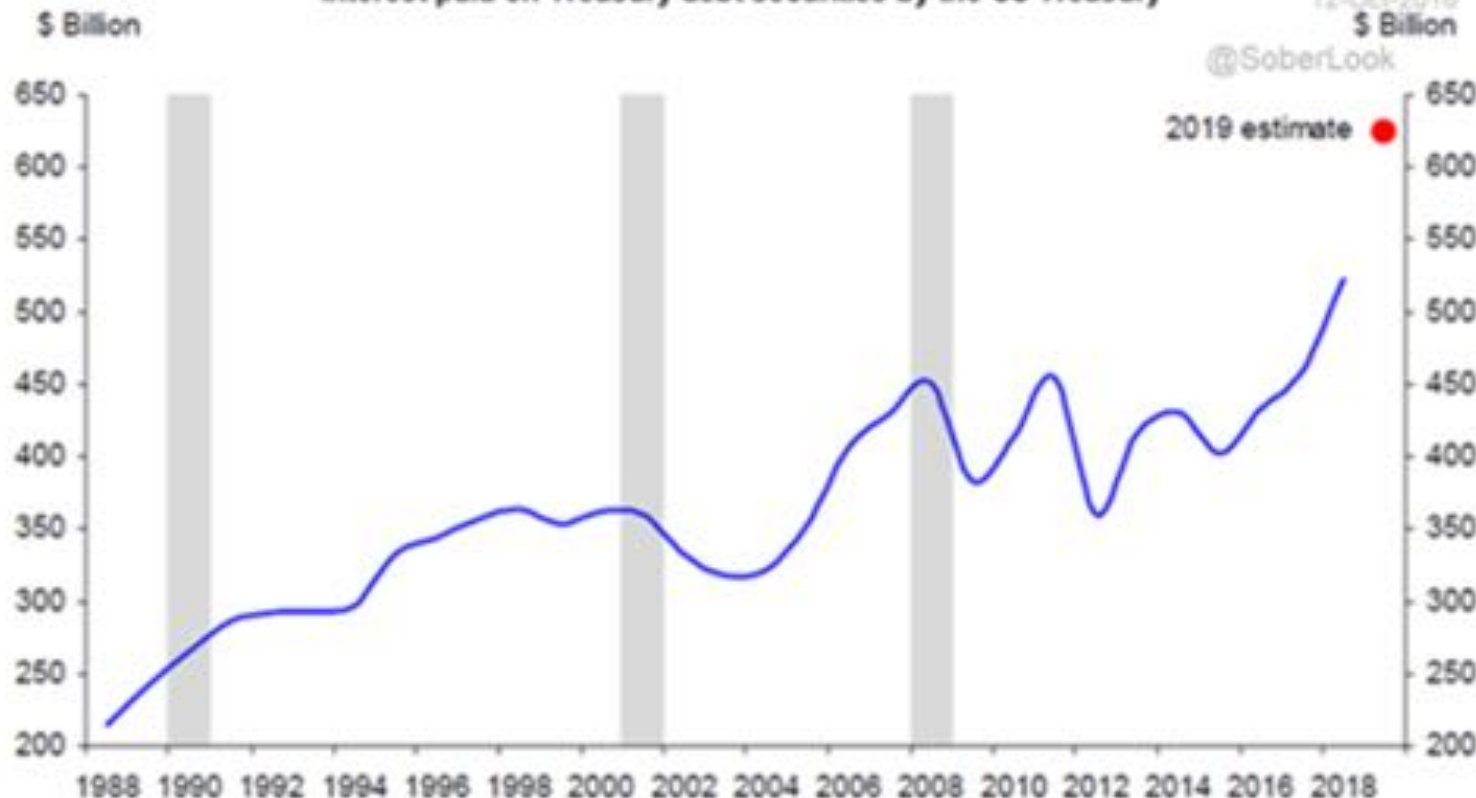
Posted on
WSJ: The Daily Brief

12-Oct-2018

\$ Billion

@SoberLook

2019 estimate



Note: The data is fiscal year, which runs from October 1 through September 30. For 2019 the average interest rate for total interest-bearing debt is estimated using CBO's latest long term 10-year nominal yield forecast for 2019. Total federal debt held by the public for FY 2019 is from CBO's latest Long-Term Budget Outlook report. We multiplied this number with the average interest rate, which gives the total interest payment estimate for 2019.

Source: US Treasury, Bloomberg Finance LP, DBI Global Research

Deutsche Bank Research

Torsten Slok, torsten.slok@db.com +1 212 250-2155

October 2018

25

Publicly Reported State-Sponsored Cyber Incidents

● Incidents with an official government response ● Incidents with no response

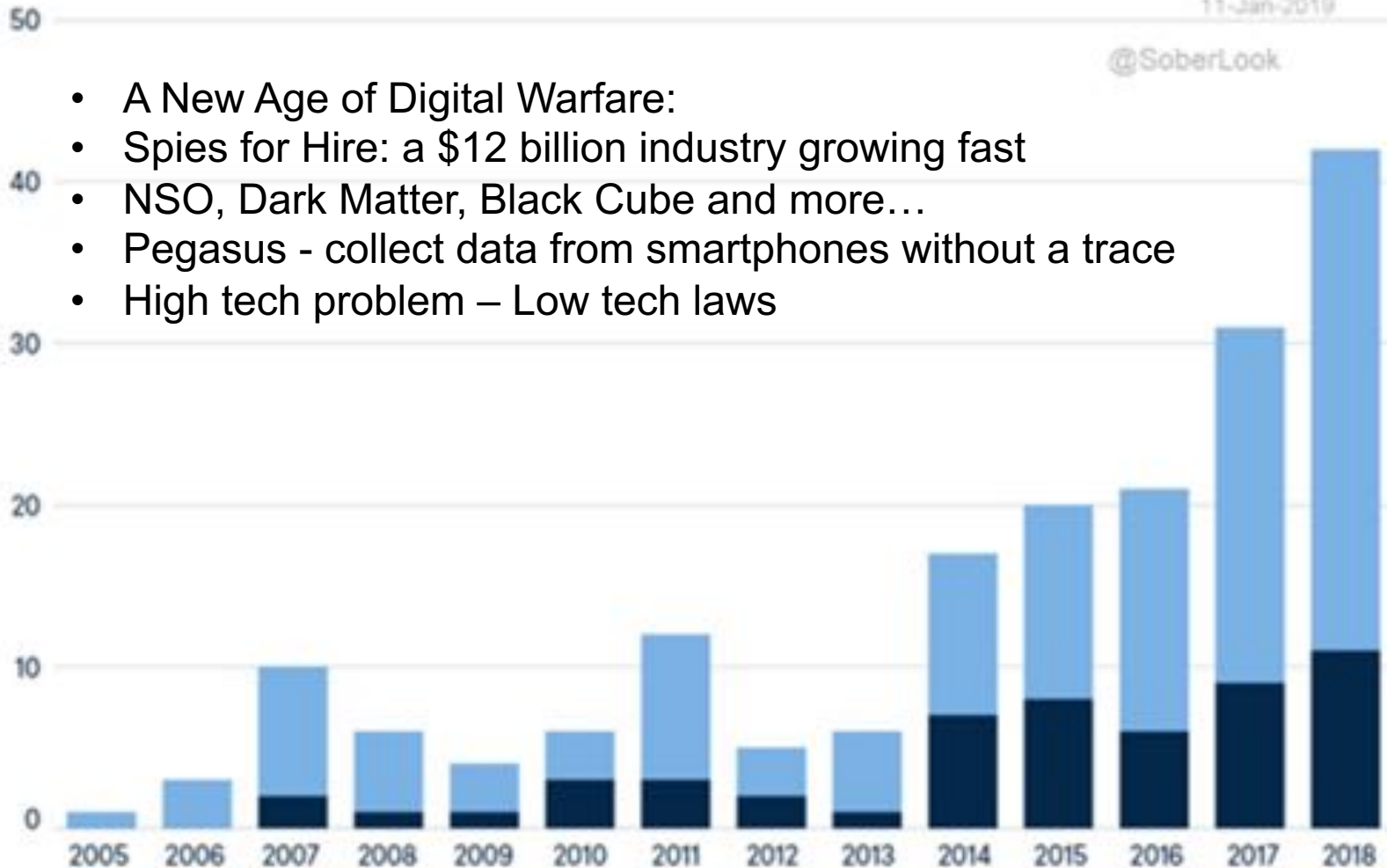
Posted on

WSJ: The Daily Shot

11-Jan-2019

@SoberLook

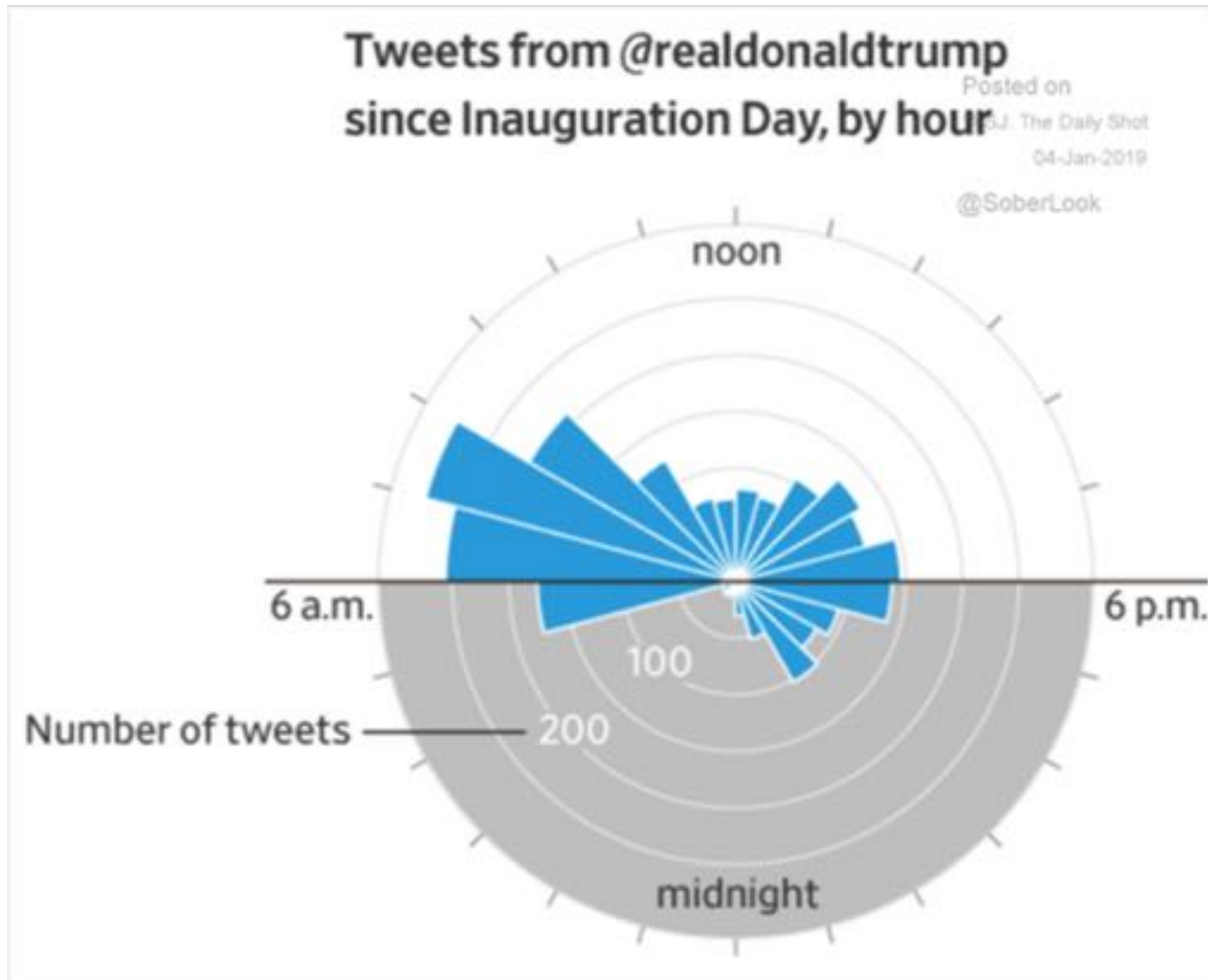
- A New Age of Digital Warfare:
- Spies for Hire: a \$12 billion industry growing fast
- NSO, Dark Matter, Black Cube and more...
- Pegasus - collect data from smartphones without a trace
- High tech problem – Low tech laws



Source: CFR Cyber Operations Tracker.

COUNCIL ON
FOREIGN
RELATIONS

2300 tweets during Trump's first year in office



THANKS FOR YOUR ATTENTION

Contact Information

 Richard Storat & Associates, Inc.
5050 Blue Church Road, Coopersburg, PA 18036

Dick Storat
President

Office: 610-282-6033 Cell phone: 847-867-1521
Fax: 610-282-1577 Email: storatre@aol.com