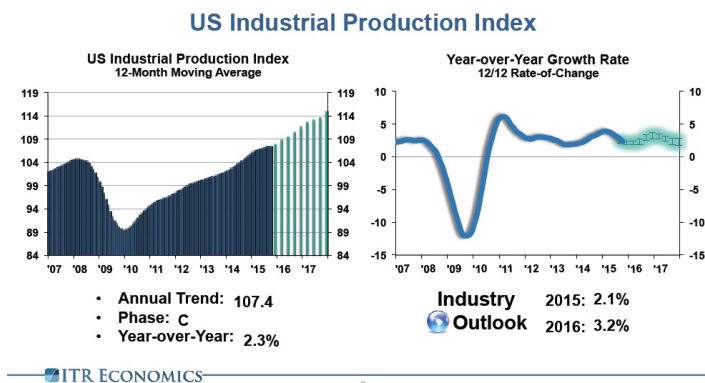


Review of MCAA Webinar on “The Economy 2016 and Beyond”

Following tradition, the final monthly webinar for 2015 sponsored by The Measurement, Control & Automation Association (MCAA) featured an overview of economic conditions by our economic partner, ITR Economics. This year Alex Chausovsky, Senior Analyst at ITR Economics made the presentation to over 100 MCAA members and guests.

Chausovsky noted that a recent study shows that the majority of the US population thinks that we are already in a recession or are headed toward one imminently. His message to the MCAA audience, therefore, was to provide evidence that the US economy is growing and it will continue to grow—at least for the next three years which is the period into which ITR feels comfortable with forecasting. Although there are significant headwinds—most coming from outside the US—the underlying strength of the US economy will carry us through the next several years without going into recession.

ITR prefers to follow the Industrial Production Index instead of the GDP as an indicator of economic trends since it is (a) monthly rather than quarterly, (b) it is more reflective of the state of the industrial economy without including government spending and the services sector, (c) has a lower history of revisions and (d) has less of a political component. Based on this Index, the US passed pre-recession levels in 2014 and will continue to expand the economy at least through 2017. We are experiencing a period of slow growth. At present we are 2.3% above year-ago level and expect to finish this year at 2.1% above 2014. In 2016, ITR forecasts that there will be accelerated growth—especially in the second half of the year—where we will reach growth of 3.2% on a year-over-year basis.



Right now and for the near future, the US economy will be fueled by the health of the consumer marketplace. Non-defense Capital Goods New Orders—a sector of greatest importance to MCAA members because it is the business-to-business sector—is in a recessionary condition at present—down 1.6%. Quarter-over-quarter measurements are down 5.6% which means that the yearly change will continue to decline and will actually contract by 3% by the end of the year. However, they anticipate recovery and then strong growth toward the end of next year on the order of 5-8%.

One factor affecting the Non-Defense Capital Goods sector results is which is down 10.7% at this point compared to 2014. However, the quarter-over-quarter change is UP which would indicate that we have hit the cyclical bottom and have a recovery and growth ahead mainly in the second half of 2016.

Chausovsky pointed to the following factors in the economy which pose ongoing concerns:

- Declining business-to-business activity
- Strong dollar impacting exports
- Instability from low oil prices
- Weak global demand weighing on commodities
- China’s debt, devaluation and doubtful growth prospects
- Recessions in South America (especially Brazil) and Russia
- Slower growth in Non-residential construction in 2016

However, he emphasized that these will not be sufficient to offset the consumer side of the US Economic equation where the US consumer is in good shape:

- Employment UP
- Wages UP
- Personal Income UP
- Savings UP
- Delinquency rates on loan and credit card debt DOWN
- Retail sales UP
- New household formation UP
- Housing Starts UP
- Housing affordability UP

Finally, ITR offers this advice for the MCAA audience:

- ✓ Budget for continued economic expansion led by consumer-driven industries
- ✓ Invest in customer market research to reduce price sensitivity
- ✓ Retain high levels for training and retention programs
- ✓ Make marketing and advertising efforts as effective as possible
- ✓ Hire sales people and leaders
- ✓ Lock in costs (commodities low) toward end of 2015)
- ✓ Expand credit offering for marketshare success or invest in M&A to strengthen position
- ✓ Plan for higher wages and energy costs in 2016

ITR will present its annual forecast at the Industry Forum which will be held in Nashville, TN April 17-19, 2016. Registration for that meeting “Visions of the Future” is underway where over 250 industry leaders are expected to gather at the two-day educational event.

Founded in 1948, ITR Economics is the oldest, privately-held, continuously operating economic research & consulting firm in the US. With a long-term 94.7% accuracy rating, ITR Economics has forecast major economic events, such as the 2008 recession, well in advance and provides reliable industry and company forecasts tailored to client’s needs. The company has been providing forecasts for MCAA and its member companies for more than a dozen years.

Chausovsky joined the ITR team earlier this year. He is an experienced market researcher and analyst with significant expertise in subjects that include macroeconomics, machinery production, electric motors and controls, mechanical and fluid power products and industrial energy efficiency. He holds a BBA in International Business from the University of Texas at Austin, an MBA from Texas State University and is fluent in both English and Russian.

MCAA is a national trade Association whose members design, manufacture and distribute instrumentation and systems used in industrial process control and factory automation around the world. MCAA helps the management teams of process control product and solution providers run and grow successful businesses by offering timely, unique and highly specialized resources acquired from shared management benchmarks and strategies where proprietary company information is secure.



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