

Economic Outlook

Presentation to the Birmingham Bloomfield Chamber of
Commerce

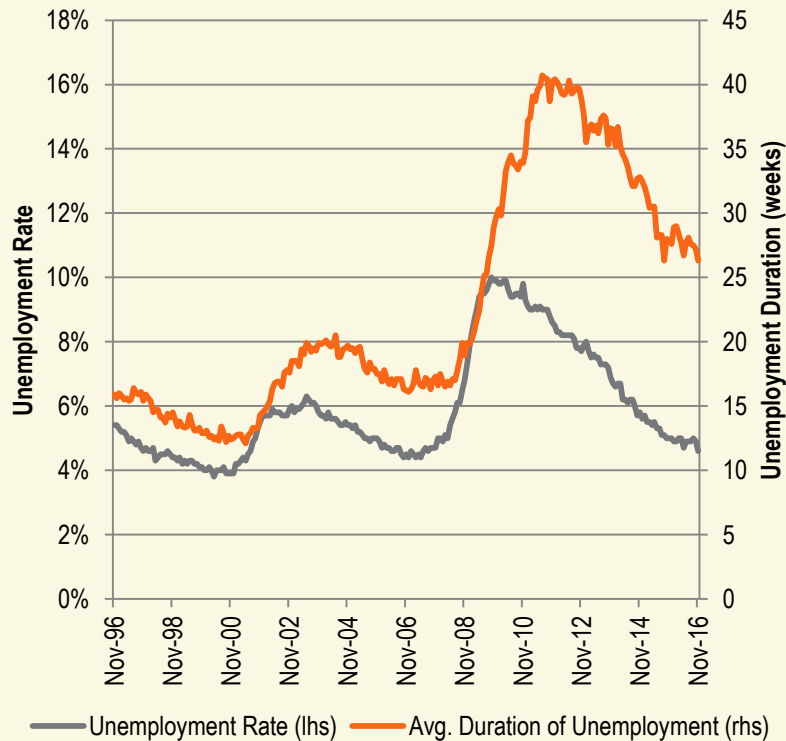
Dan Haines

Investment Strategist

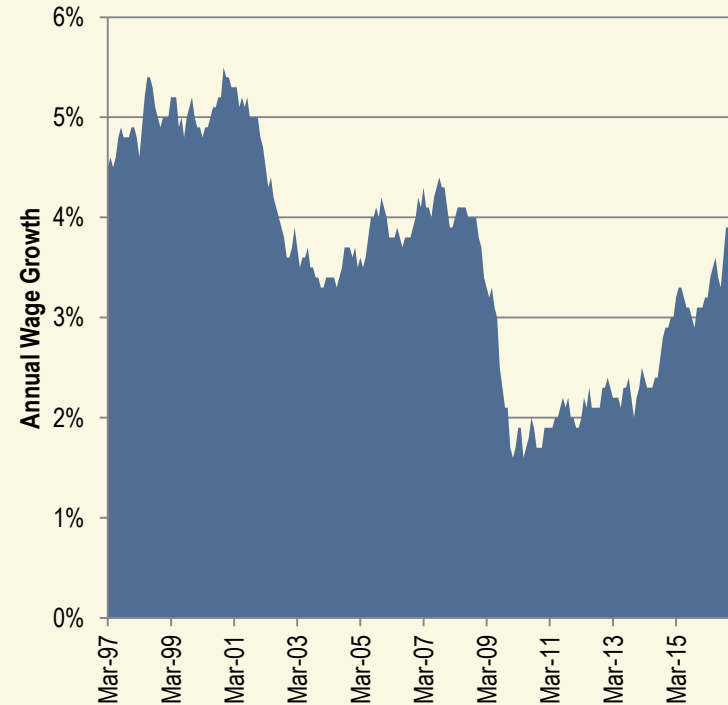
January 12, 2017

U.S. Labor Market

Low Unemployment Rate Masks Uneven Recovery



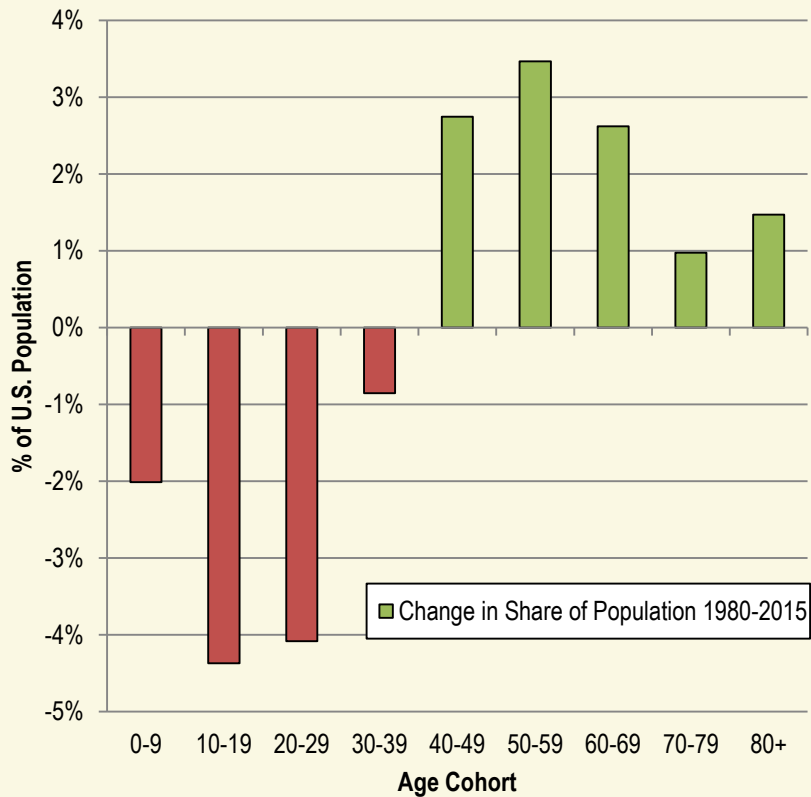
Wage Growth Has Been Slow to Recover



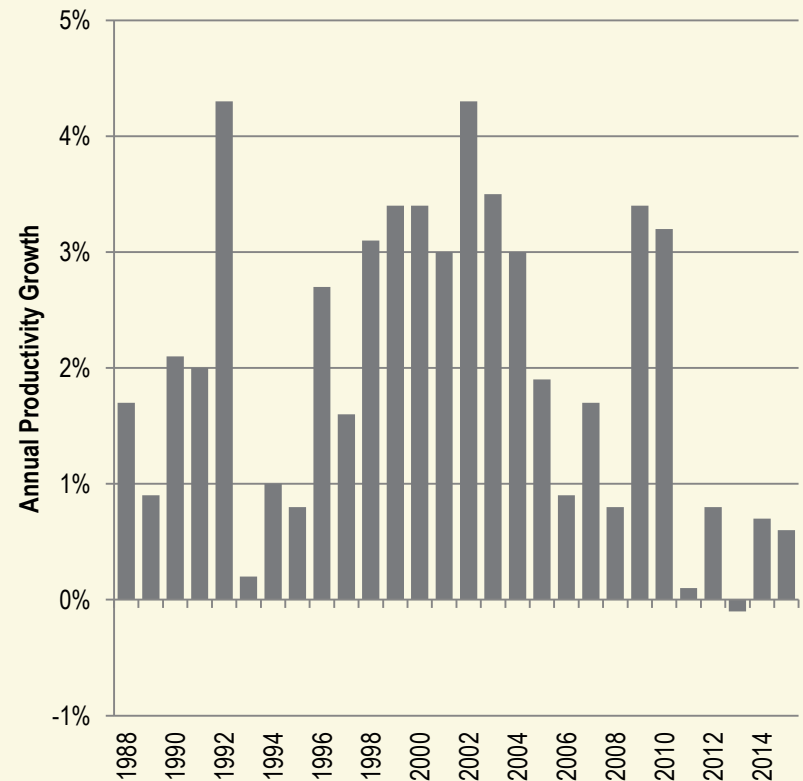
Source: BLS, Federal Reserve Bank of Atlanta

U.S. Labor Market

The U.S. Population is Becoming Older



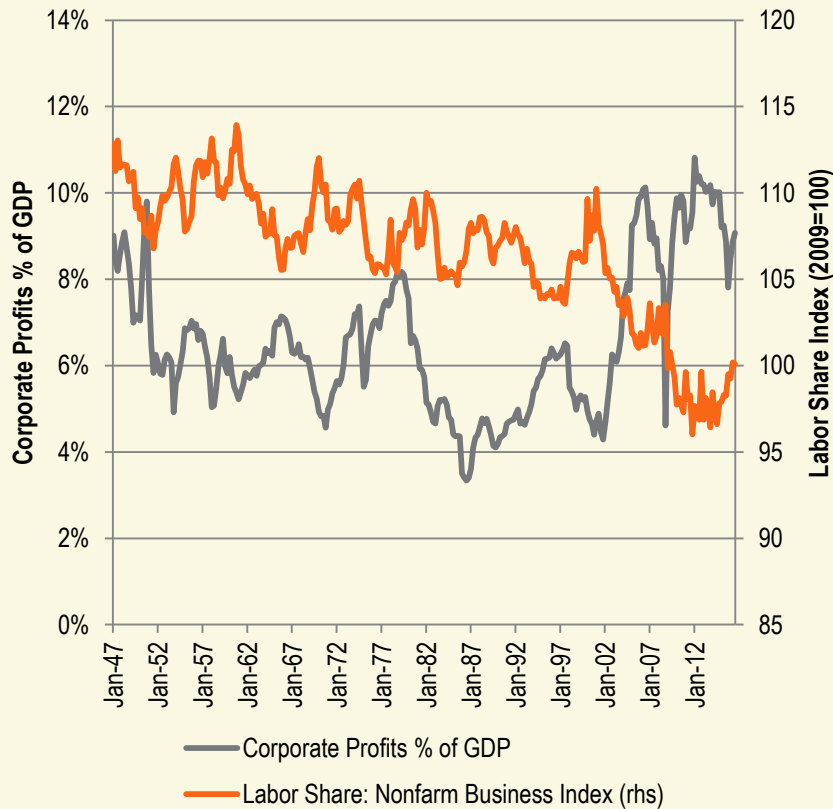
Productivity Growth Has Slowed



Source: U.S. Census Bureau, FRED, BLS

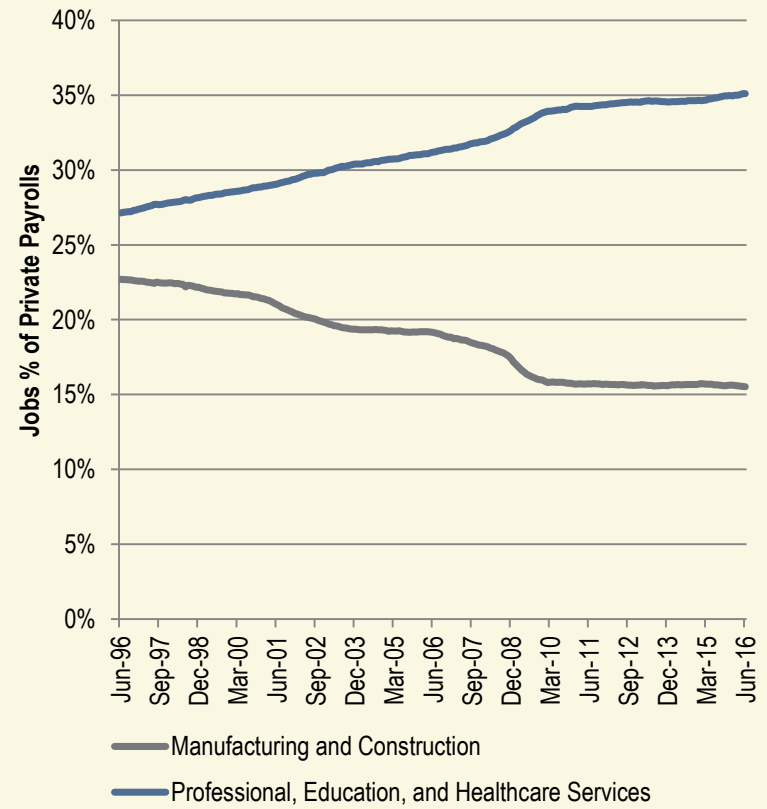
U.S. Labor Market

Labor Share of Output Has Fallen While Corporate Profitability Has Risen



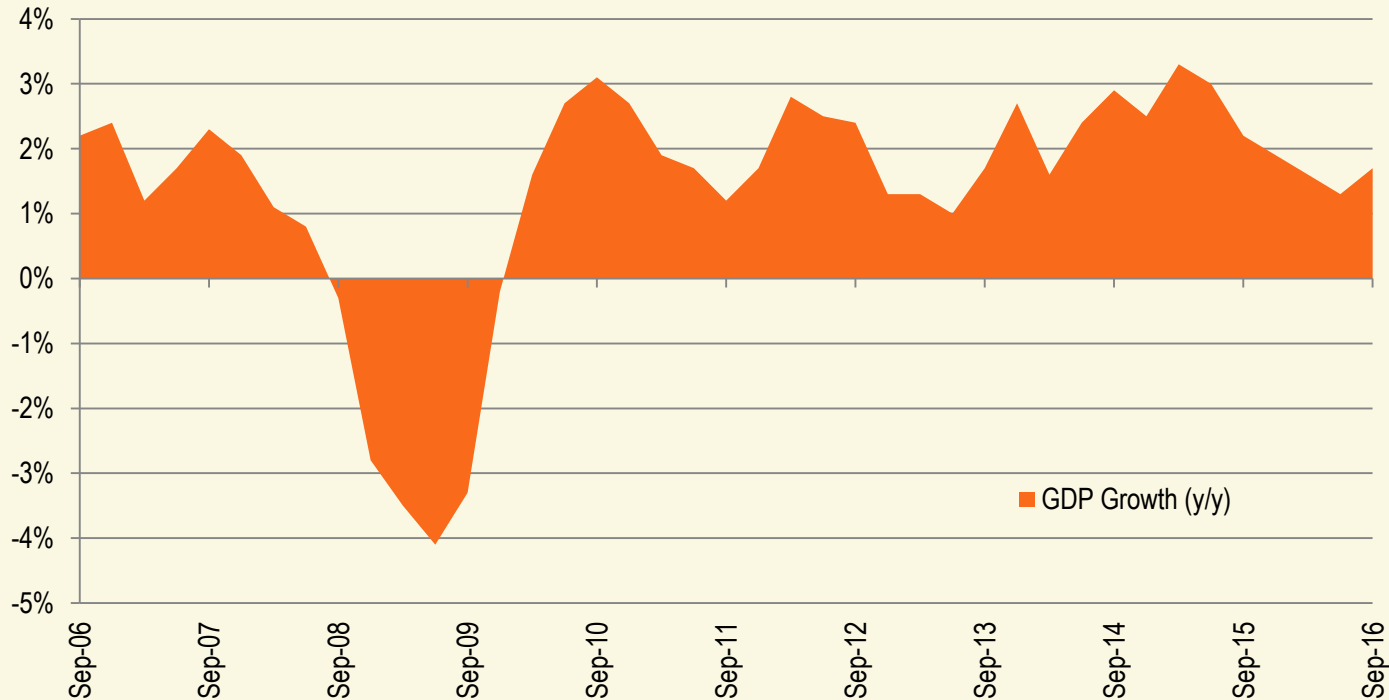
Source: FRED, BLS

Losing Manufacturing Jobs Skills Mismatch



GDP

Economy Has Been Slow to Recover From Financial Crisis

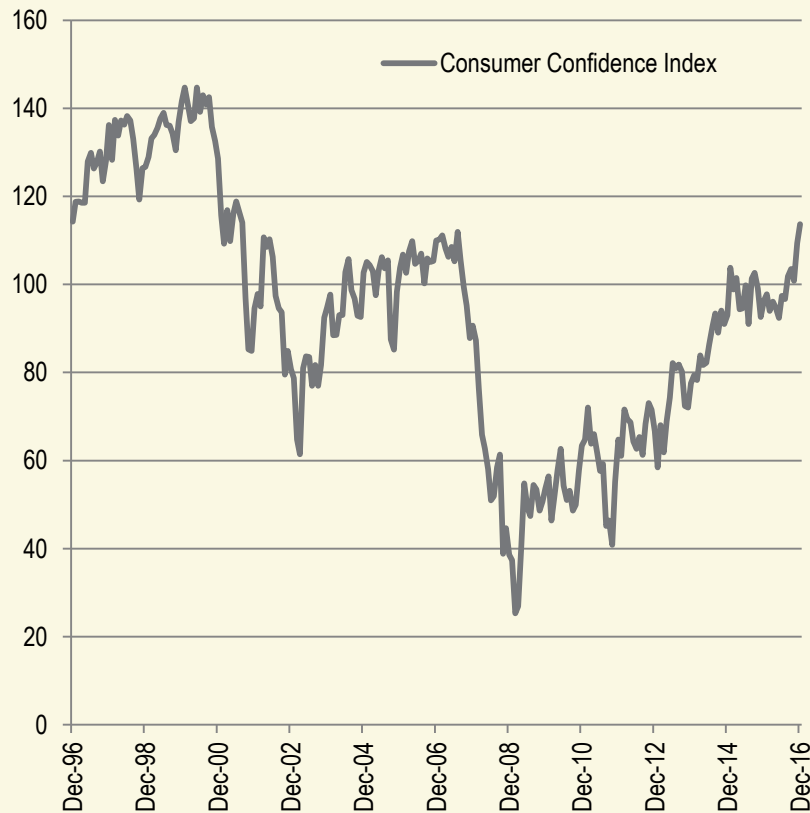


	2011	2012	2013	2014	2015	2016E	2017E
Real GDP (y/y)	1.6%	2.2%	1.7%	2.4%	2.6%	1.6%	2.2%
Consumer Spending	2.3%	1.5%	1.5%	2.9%	3.2%	2.6%	2.5%
Government Spending	-3.0%	-1.9%	-2.9%	-0.9%	1.8%	0.8%	0.9%
Private Investment	5.2%	10.6%	6.1%	4.5%	5.0%	-0.7%	3.1%

Source: Bloomberg

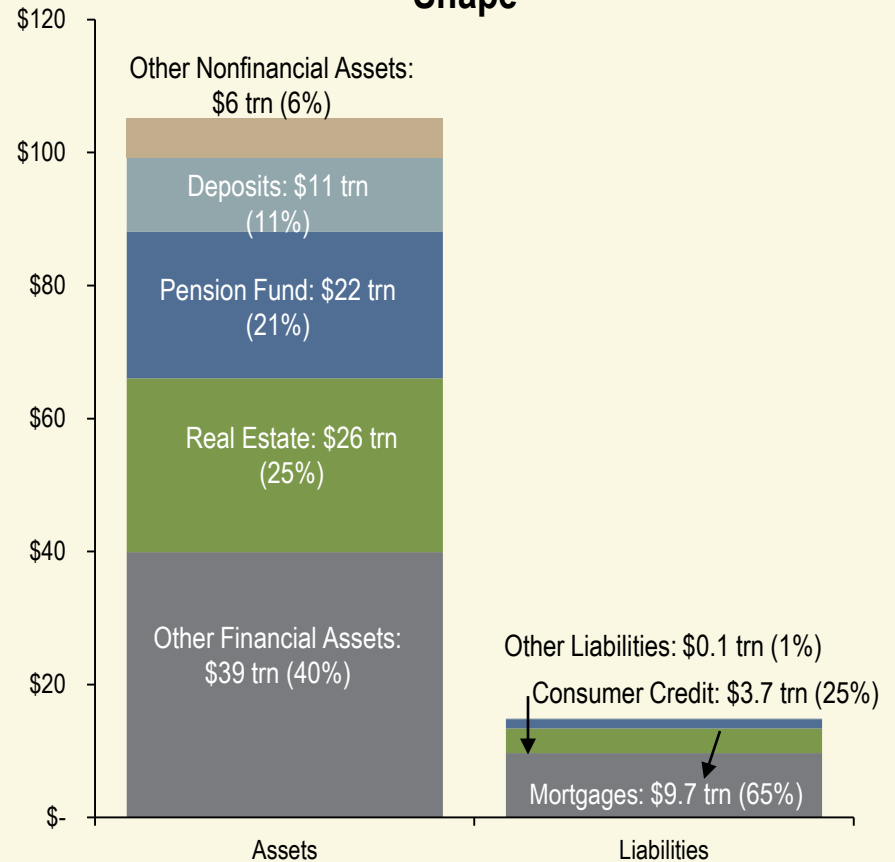
Consumer

Consumer Confidence Rises Further Post-Election



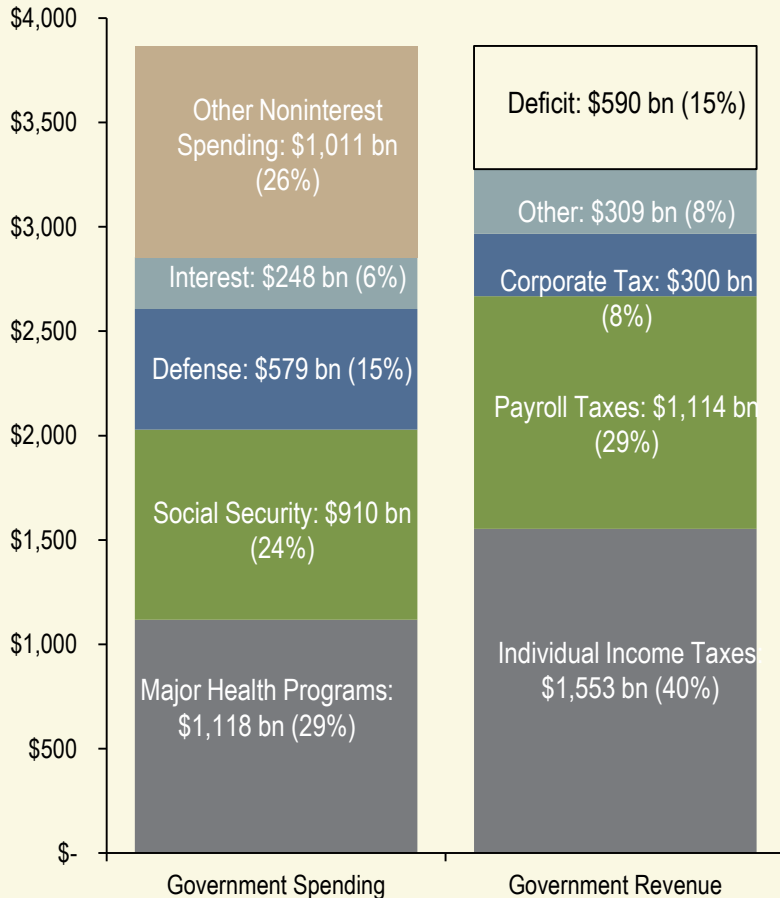
Source: Conference Board, Federal Reserve

Consumer Balance Sheets are in Good Shape



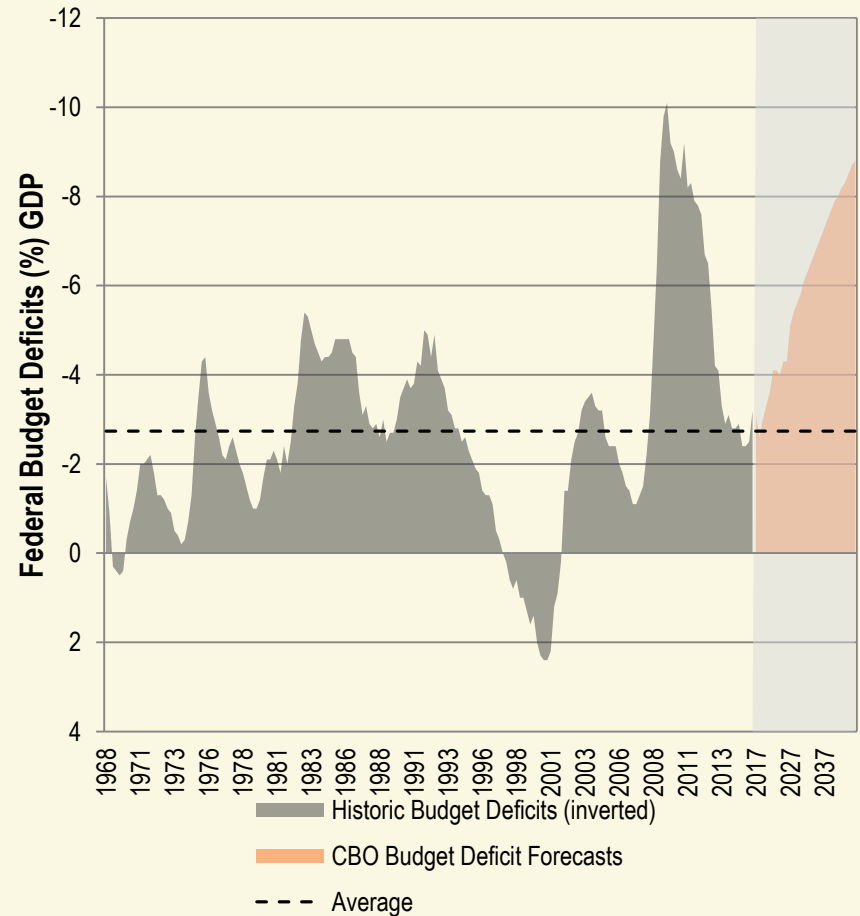
U.S. Fiscal Policy

2016 Federal Budget



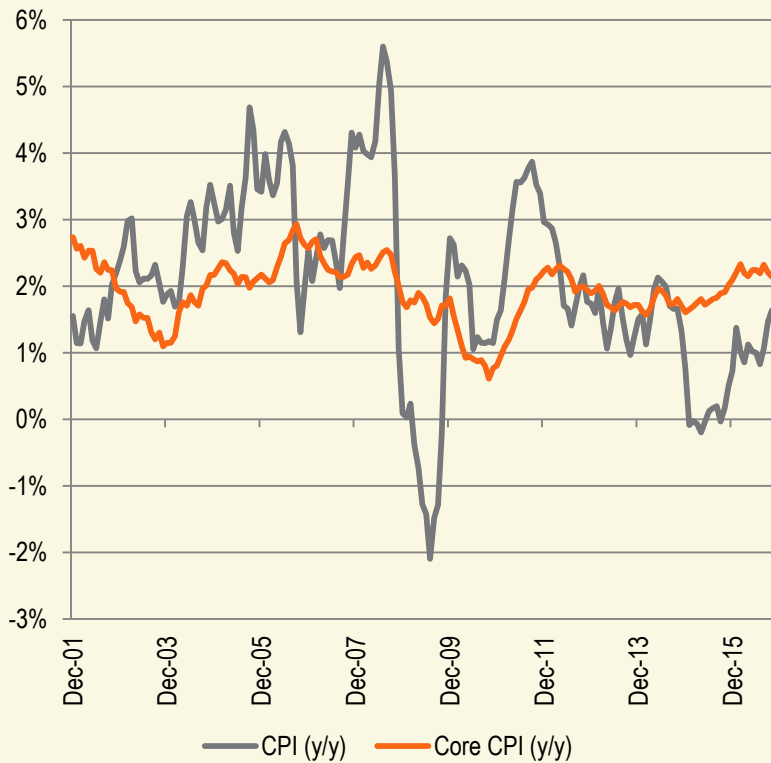
Source: Congressional Budget Office

U.S. Federal Budget Deficits (% GDP) Historical and Projected

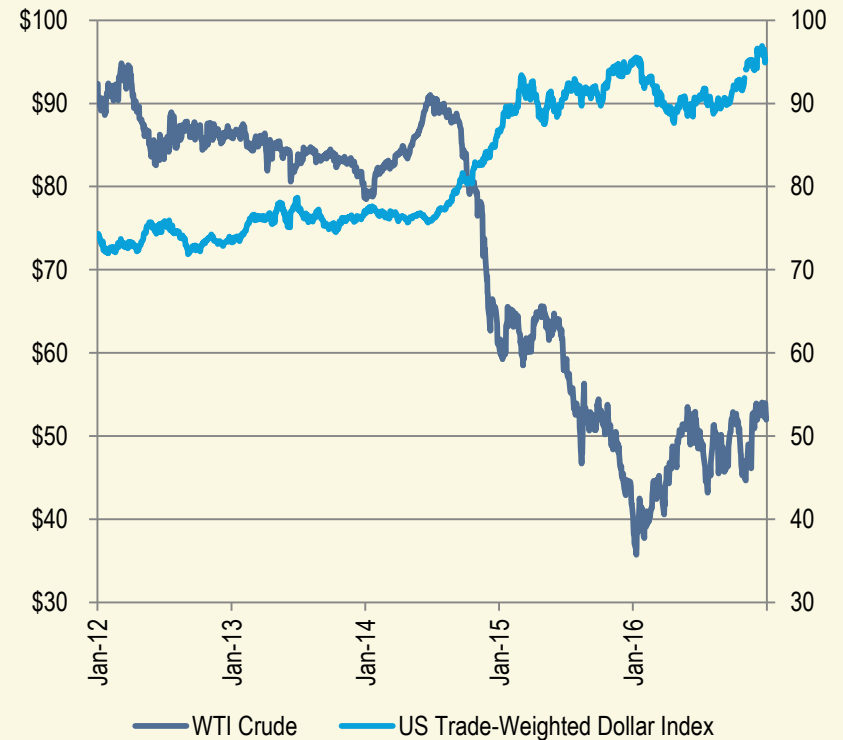


Inflation

Headline Inflation Trending Towards 2%

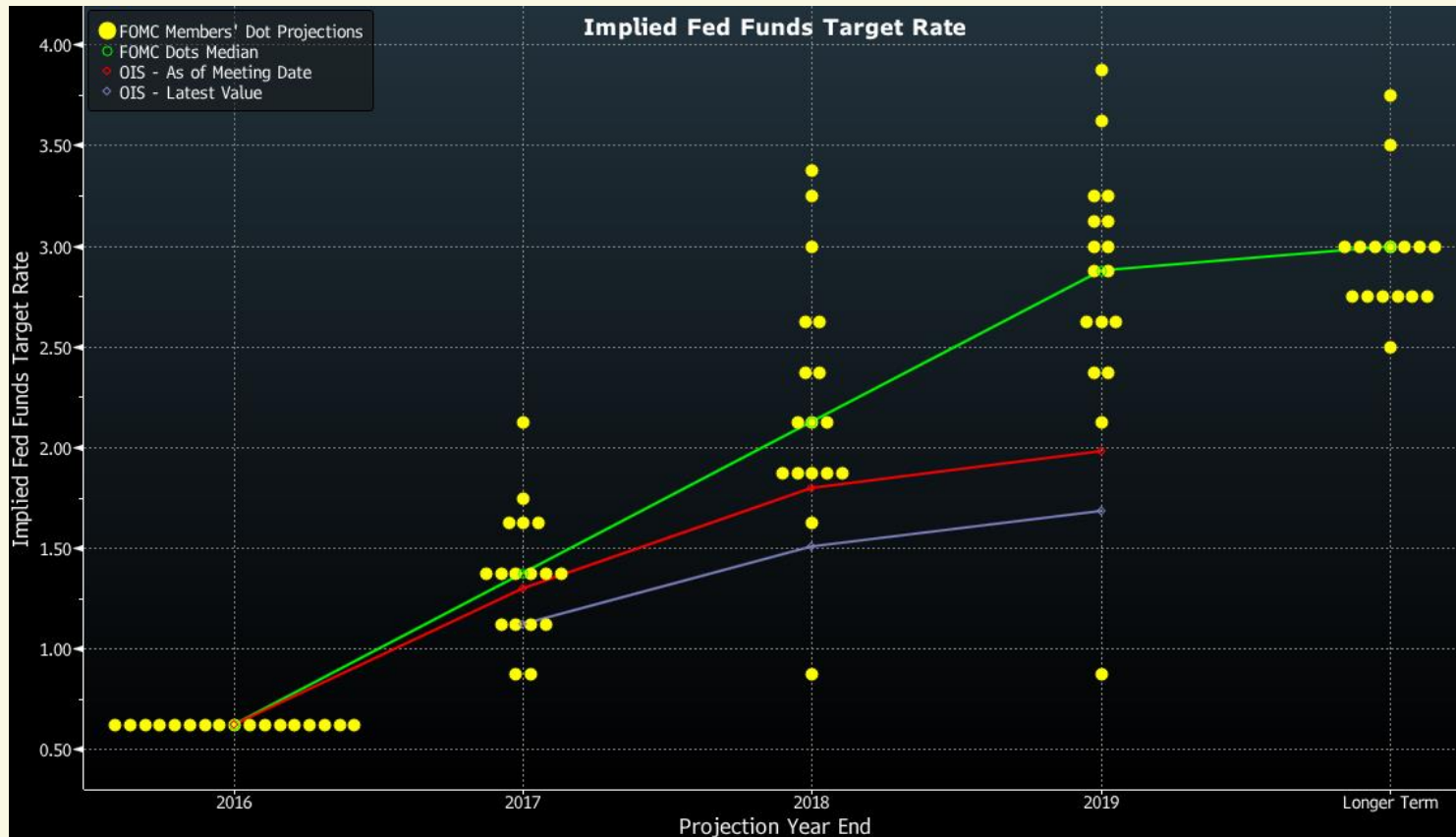


Oil Has Stabilized While The Dollar Has Rallied Post-Election



Source: Bloomberg

FOMC Expecting 3 Rate Hikes in 2017



Source: Bloomberg

President-Elect Trump's Policies

- **Trade**
 - Protectionist
 - Withdraw from TPP
 - Renegotiate NAFTA
 - Tough on China, Mexico
 - Tariffs for offshored jobs
- **Taxes**
 - Reduce top income rate to 33%
 - Reduce corporate rate to 15%
 - Eliminate AMT
 - Eliminate net investment income tax
 - Eliminate federal estate, gift, and generation-skipping transfer taxes
- **Healthcare**
 - Repeal elements of the Affordable Care Act
- **Deregulation**
 - Overtime rules
 - Environment Protection Agency ethanol rules
 - Dodd-Frank
- **Infrastructure**
 - Create infrastructure bank, encourage private financing with tax credits. \$1tn over 10 years.
- **Immigration**
 - Deport illegal immigrants, reduced H-1B visas

2017 Outlook

Key Themes:

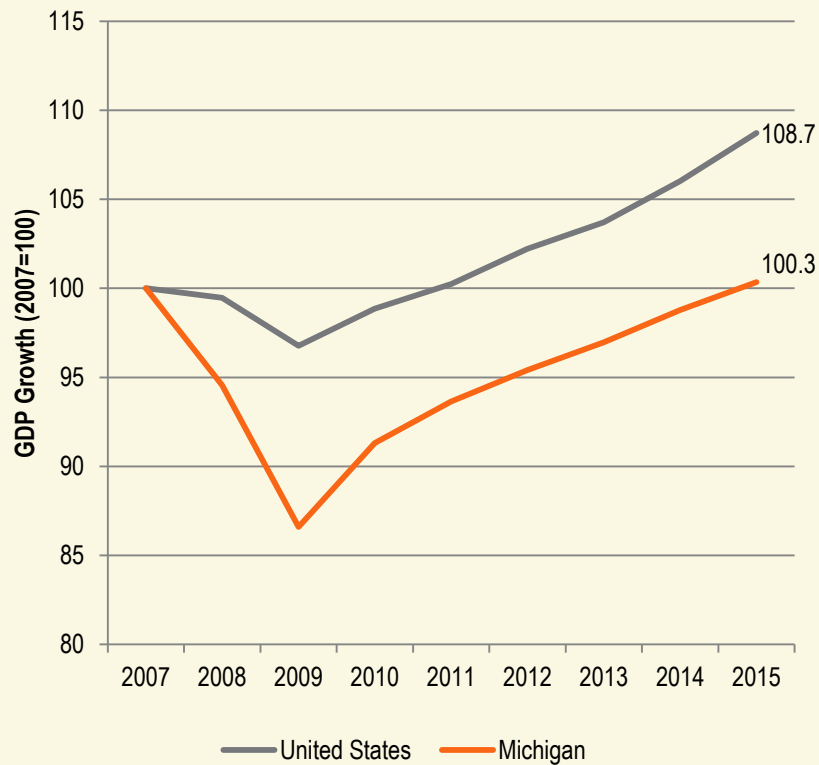
- **President Trump's First 100 Days**
January 20 – April 29
- **U.S. Trade Policy**
Populist sentiment
- **U.S. Central Bank Policy**
3 Rate hikes projected
- **Length of Economic Expansion**
7.5 Years since Great Recession

Key Questions:

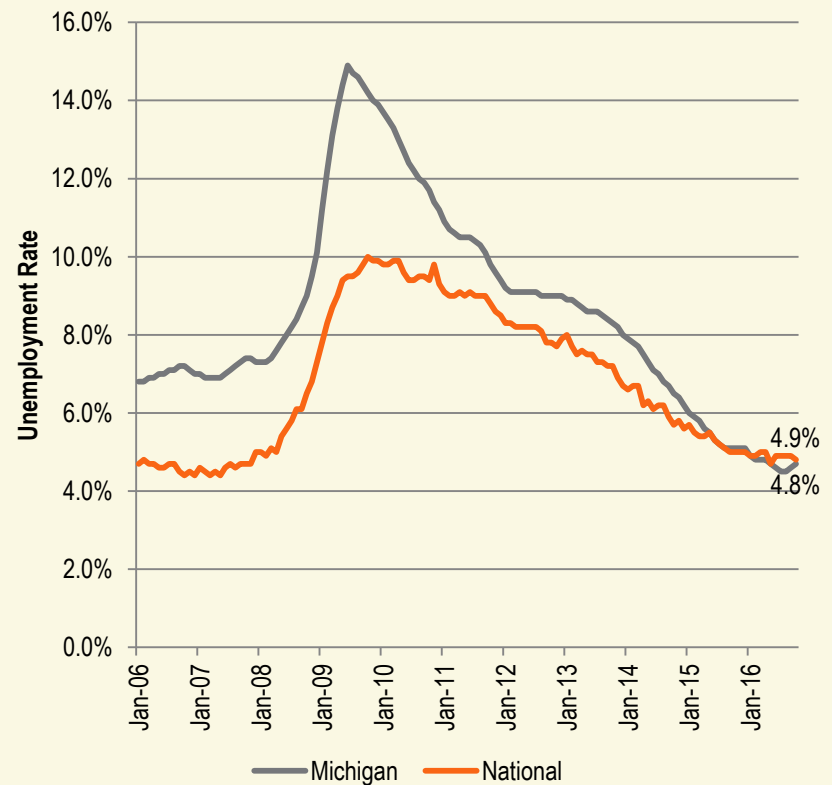
- Will fiscal stimulus policies be approved through Congress?
- How will changes impact international equities, currencies, wages?
- Will inflation emerge in 2017?
- Will recession risks materialize in 2017?

Michigan Economy

State GDP Back to Pre-Crisis Levels



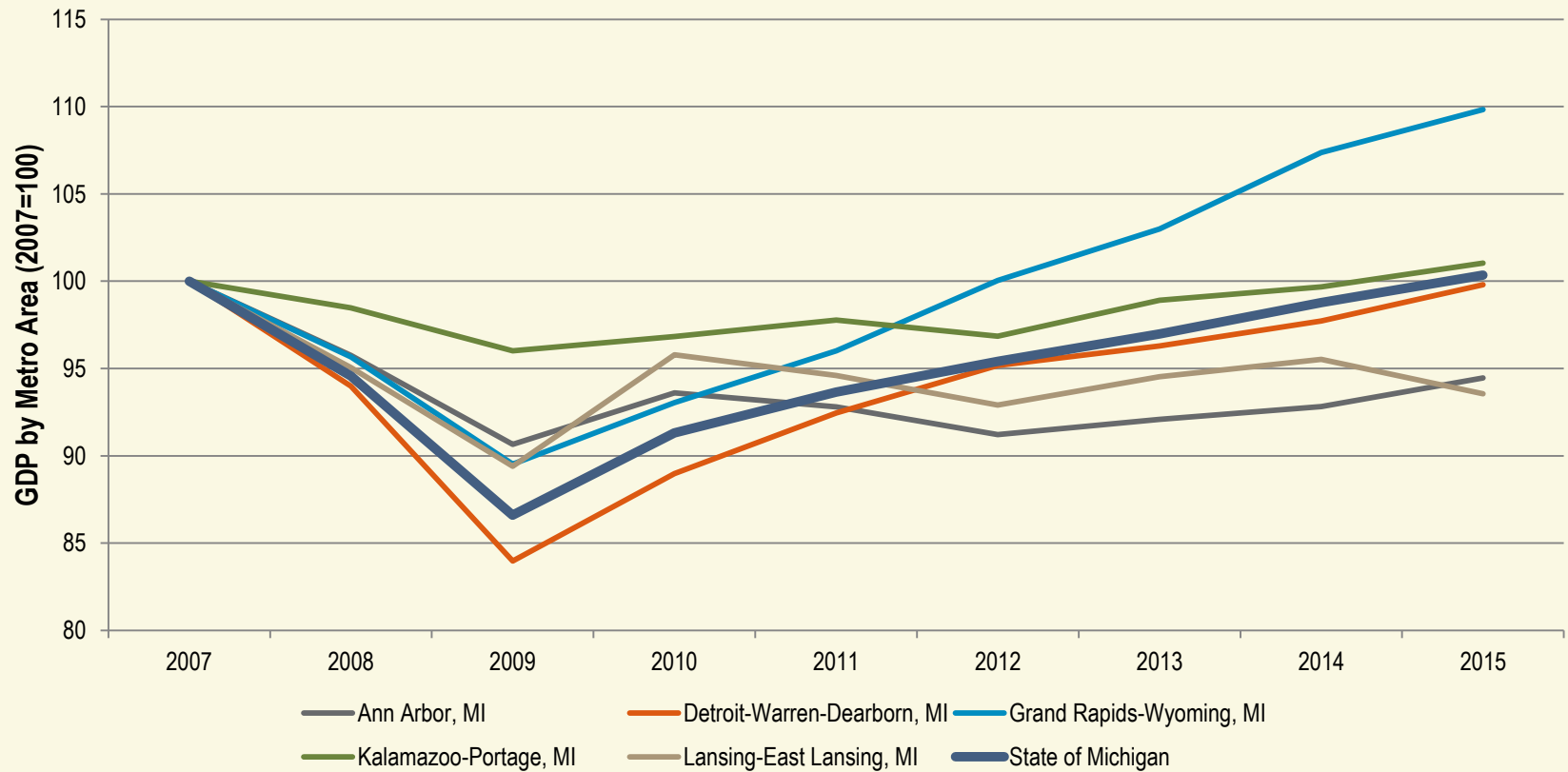
State Unemployment Rate Now Below National Levels



Source: BEA, BLS, Bloomberg

Michigan Economy

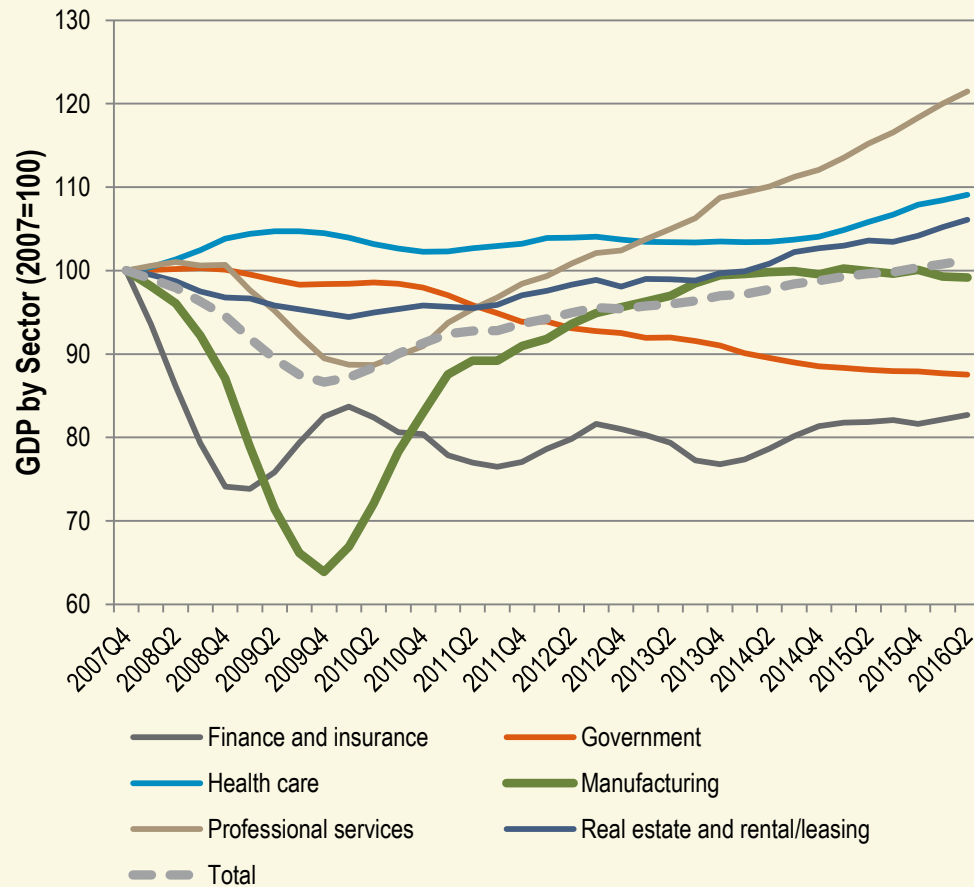
Uneven Recovery Across the State



Source: BEA

Michigan Economy

Manufacturing Has Rebounded Strongly



Source: BEA

Michigan GDP by Sector

	GDP (\$bil)	% of Total
Manufacturing	\$ 368	19.3%
Real estate and rental/leasing	\$ 224	11.8%
Government	\$ 201	10.6%
Health care	\$ 157	8.2%
Professional services	\$ 150	7.9%
Wholesale trade	\$ 124	6.5%
Retail trade	\$ 124	6.5%
Finance and insurance	\$ 102	5.3%
Construction	\$ 76	4.0%
Other	\$ 382	20.0%

Q2 2016 LTM

Disclaimer

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