



The US Economy – The Trump Effect

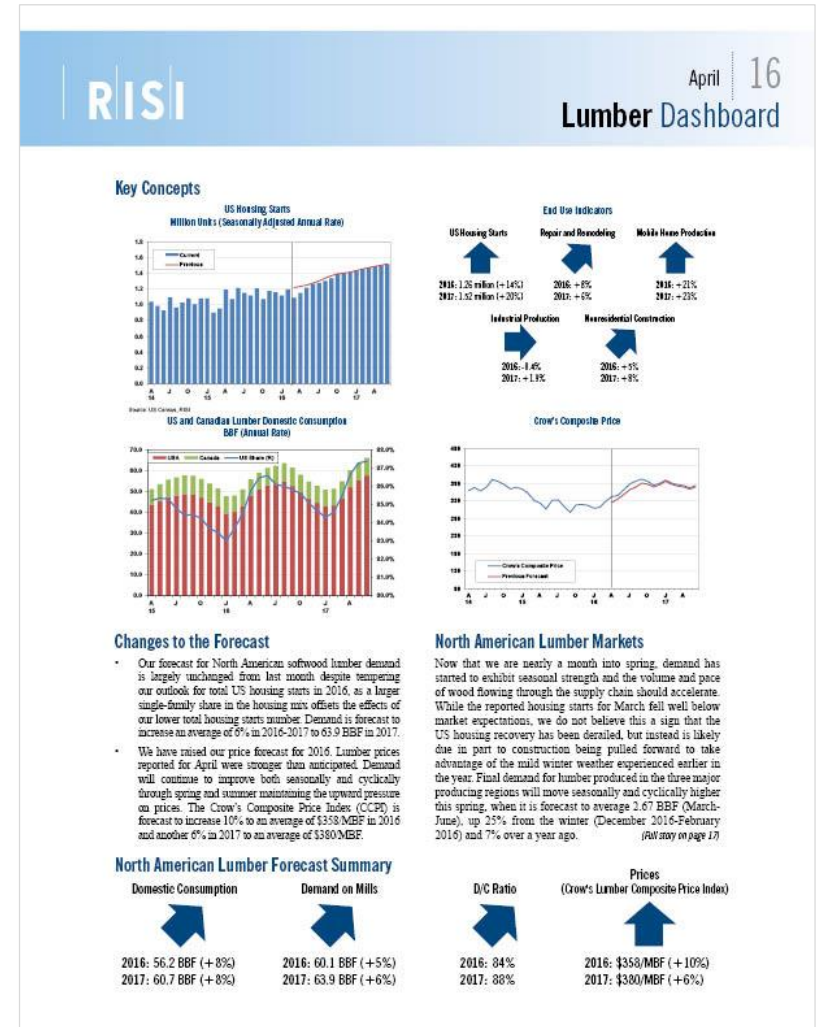
Farm Credit East
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Quick Bio

- Bachelor's Degree in Economics and Master's Degree in Economics and Finance
- More than 11 years covering the forest products industry as part of the RISI economic analysis team
- Co-Author of the *Lumber Commentary, North American Lumber 5-Year and 15-Year Forecasts*

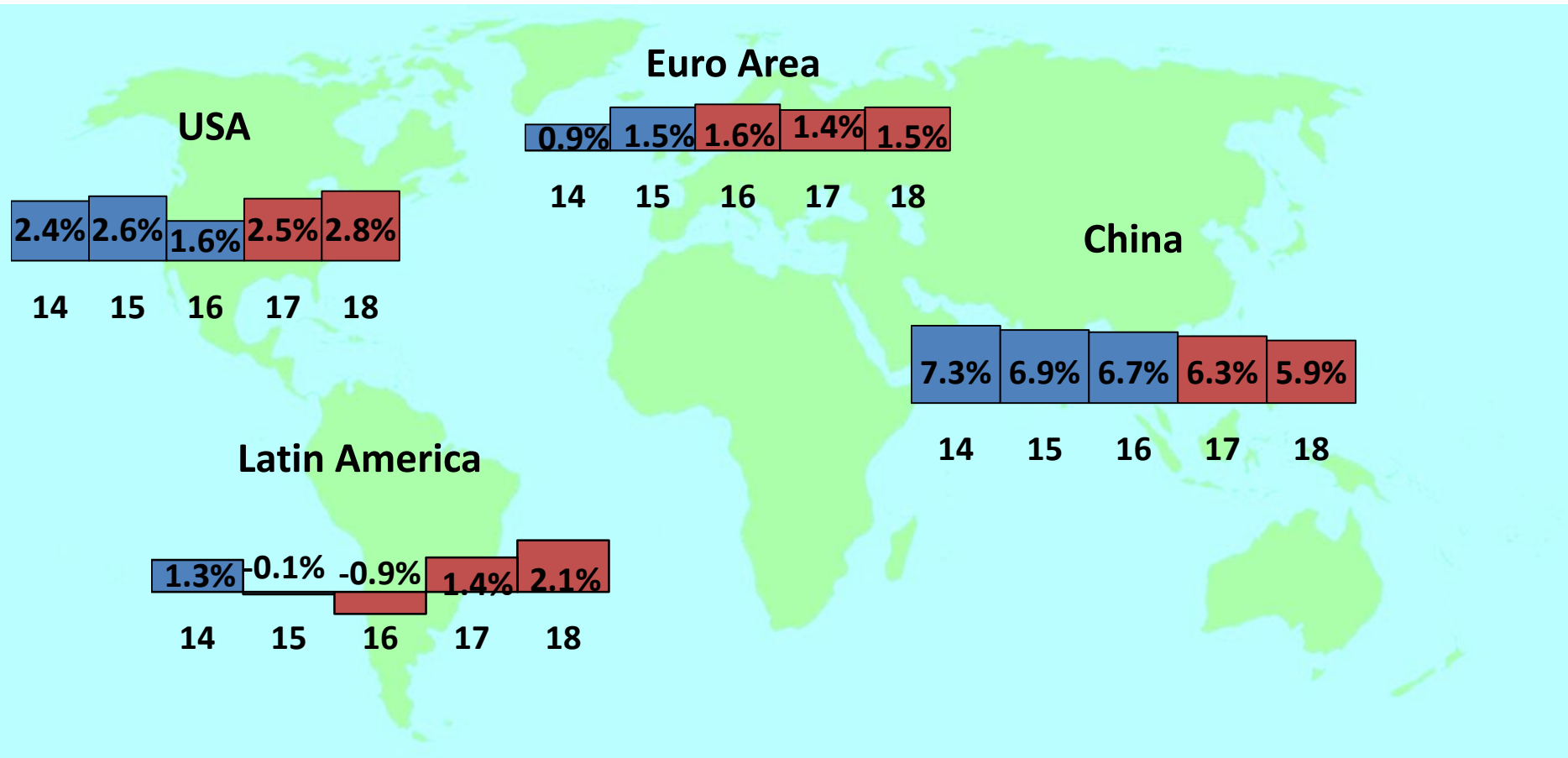


Agenda

1. Global Snapshot
2. The Trump Effect
3. US Economy – Steady Growth
4. Canadian Economy – Slow Growth
5. Wood Products Market Outlook

Global Economy Growing Moderately, with Heightened Risks

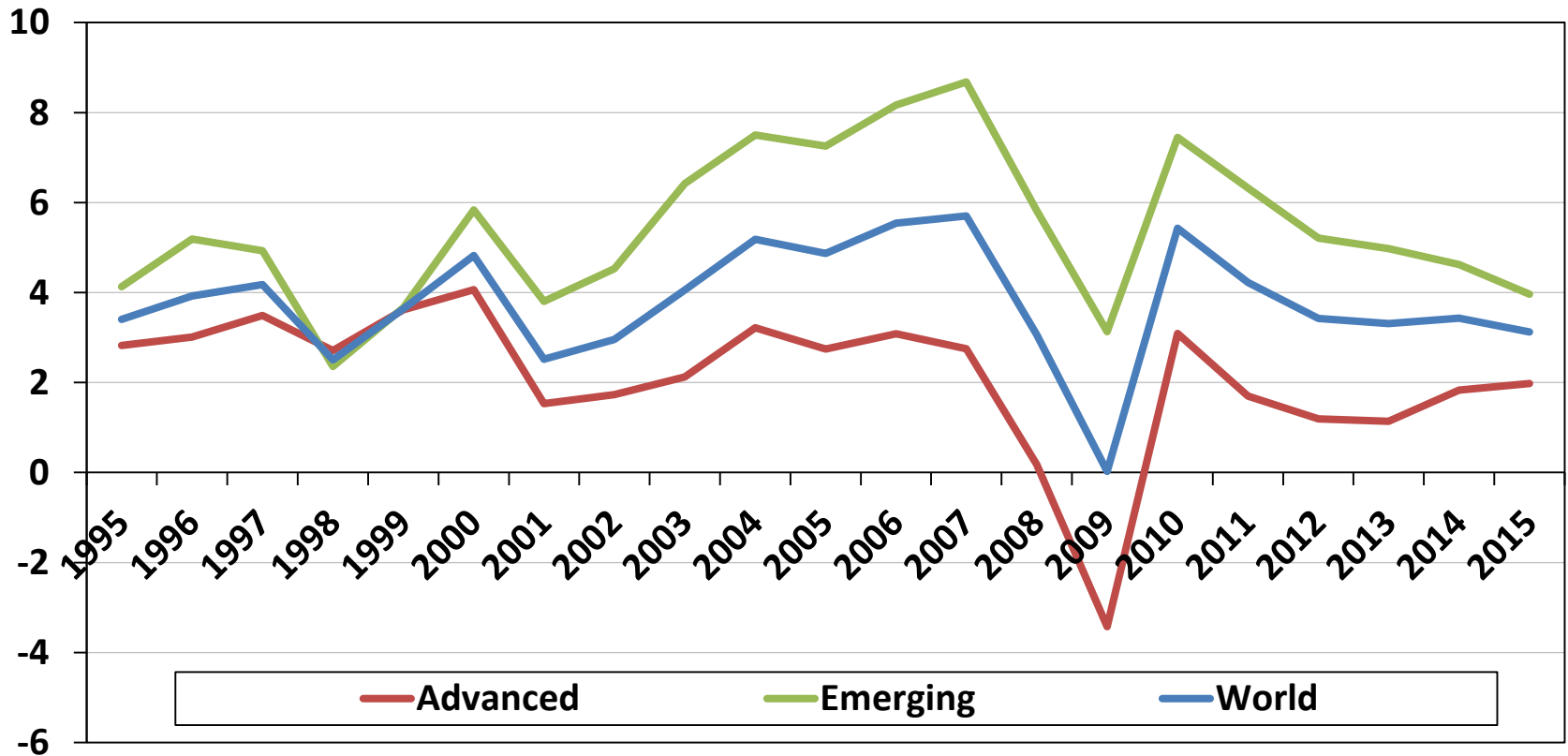
Annual Real GDP Growth



Source: IMF, RISI

Developed Economies Supporting Global Growth...

Global Real GDP* Growth

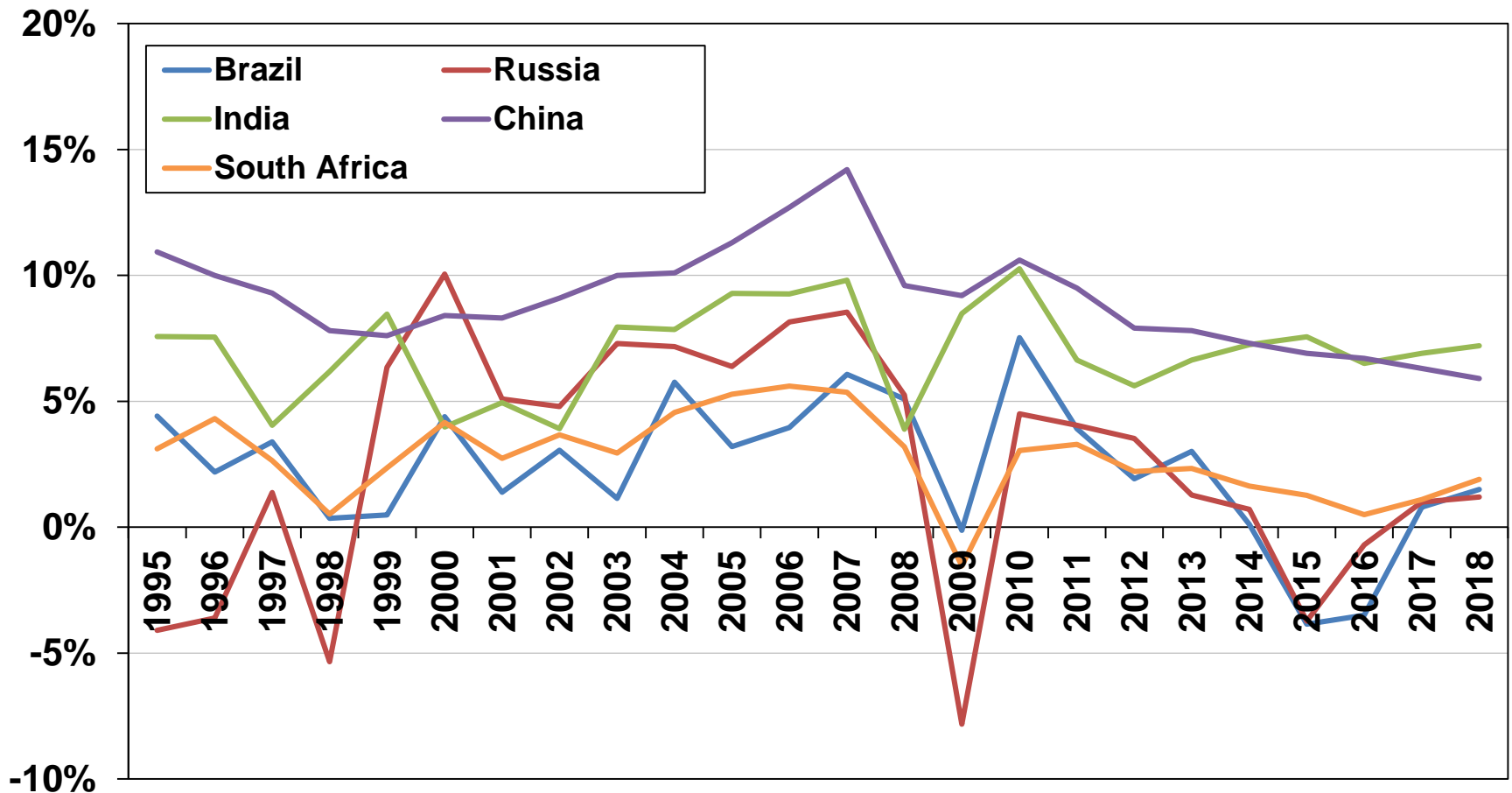


*Measured at purchasing power parity exchange rates

Source: IMF, RISI

...While Emerging Markets Have Slowed

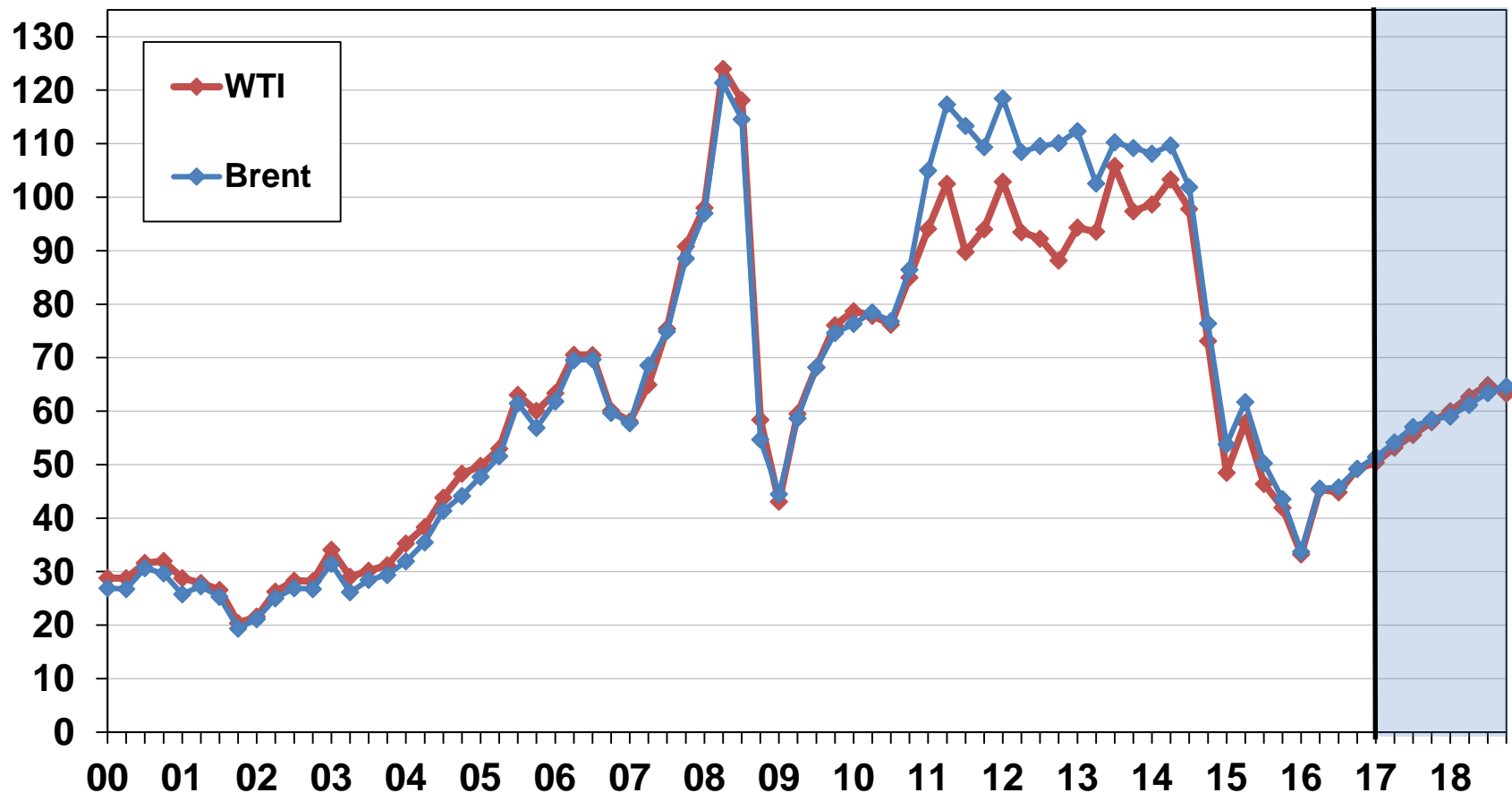
Annual Real GDP Growth



Source: IMF, RISI

Oil Prices Staying Low on Oversupply

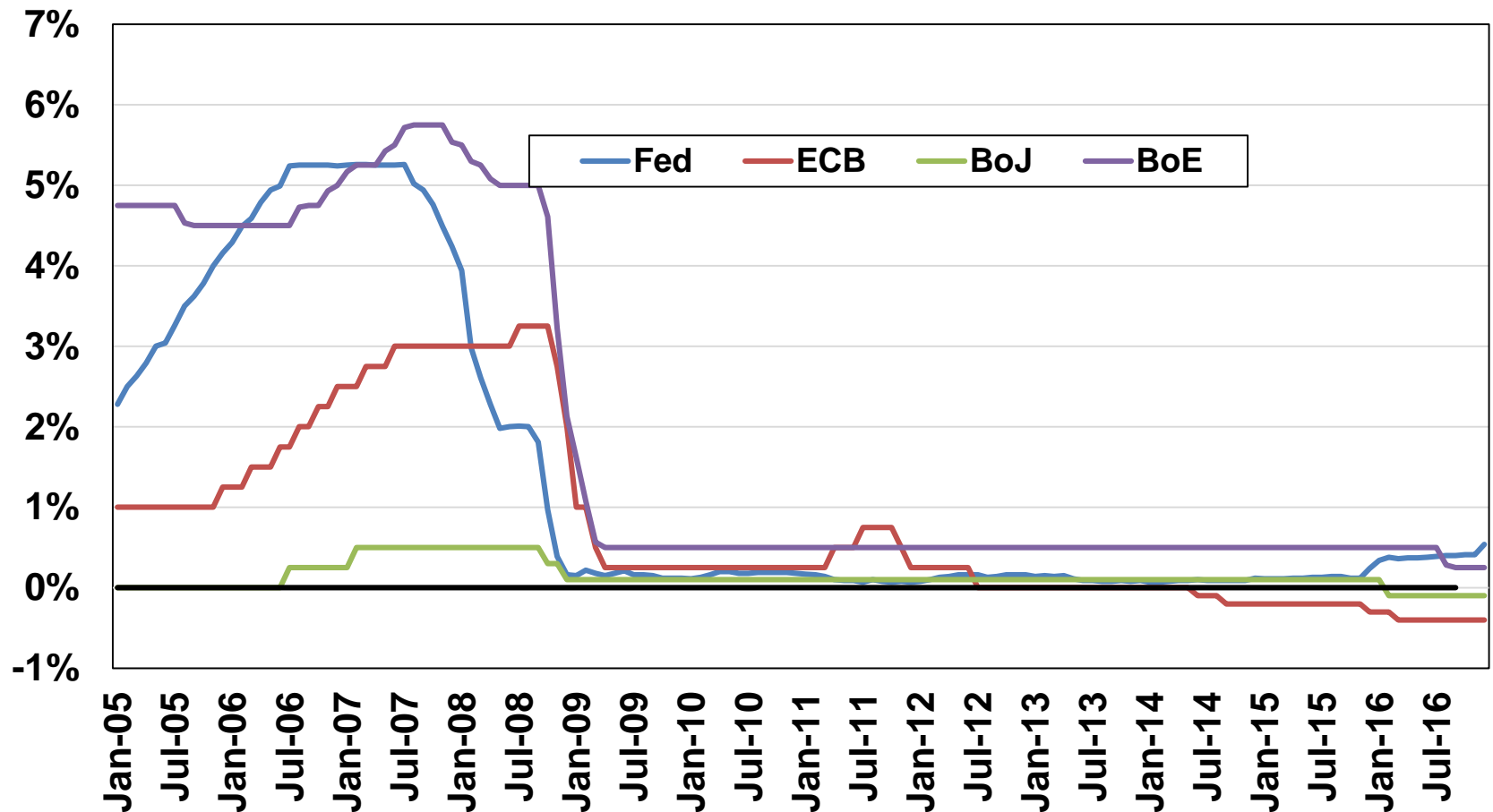
West Texas Intermediate, Brent North Sea Crude Oil, Price per Barrel



Source: Energy Information Administration, RISI

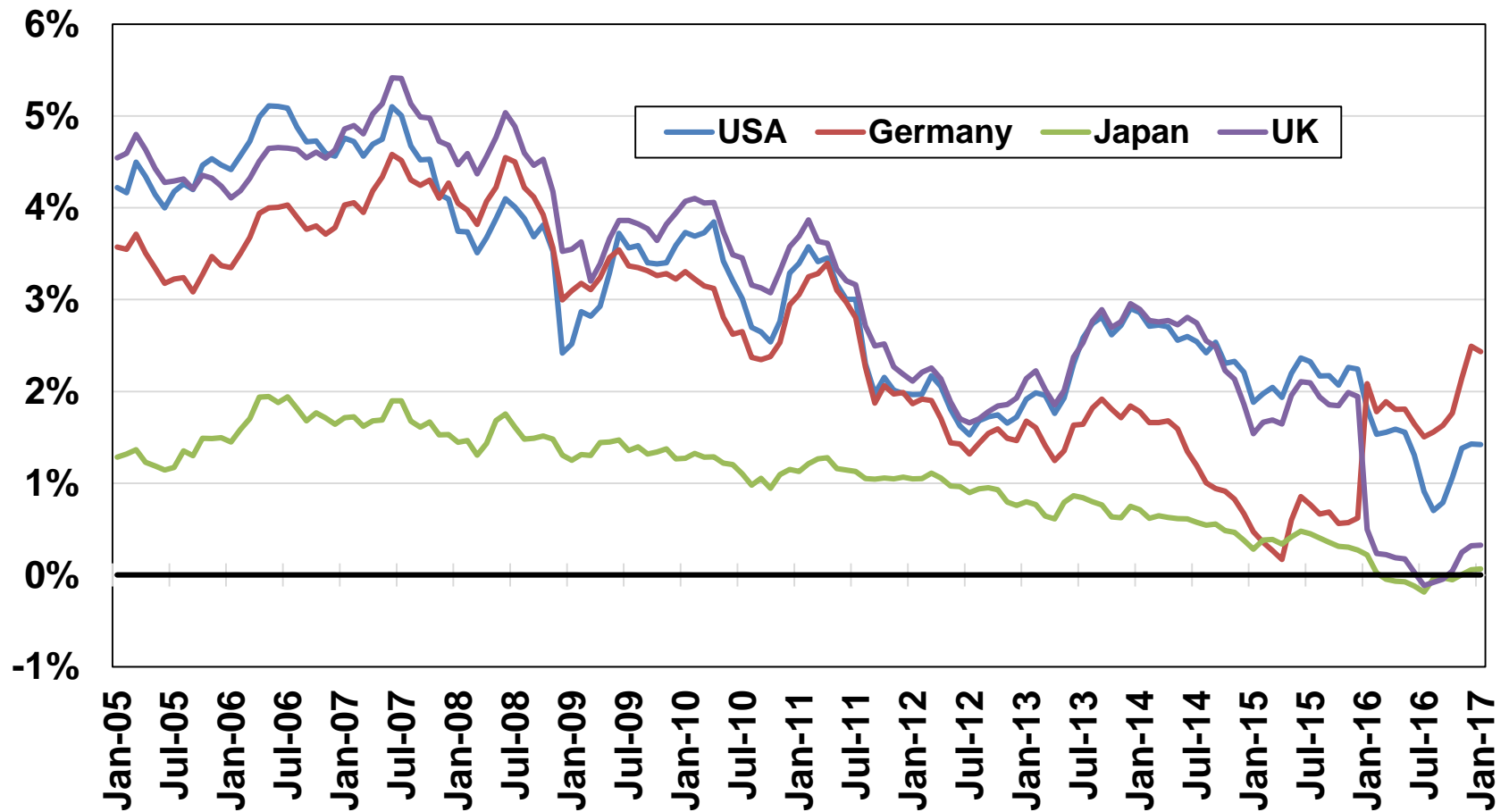
Policy Rates to Remain Low

Central Bank Policy Rates



10 Year Yields

10 Year Government Bond Yields



USA - The Trump Effect

- Meaningful change in direction of economic policy
 - Regulation
 - Taxation
 - Trade
- But still great deal of uncertainty
 - Cabinet picks
 - Actual policy vs. campaign promises

USA - The Trump Effect (cont.)

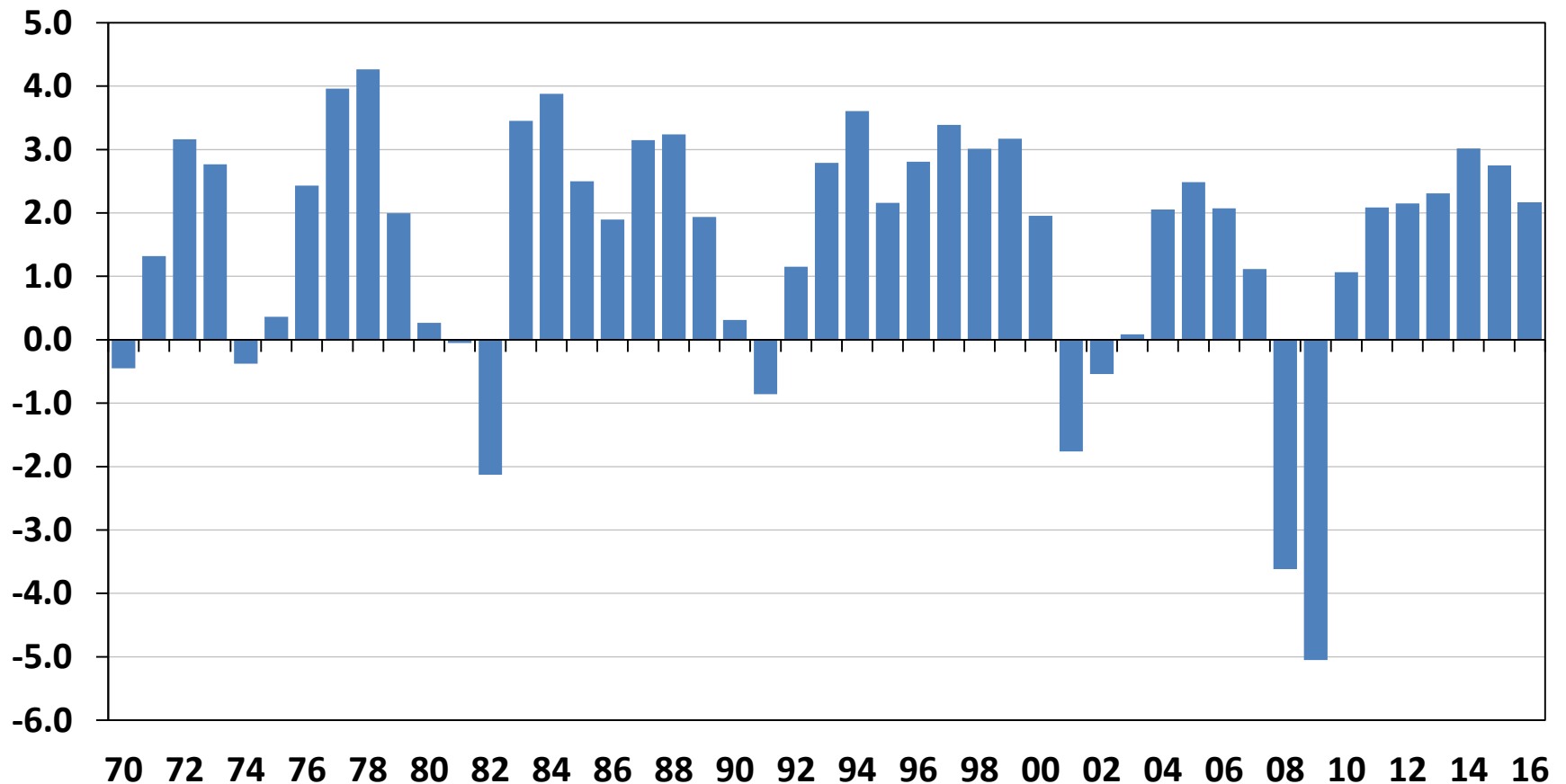
- In the medium-term, could be somewhat positive for US economy, but downside risks are higher
 - Lighter regulatory regime
 - Environmental regulations
 - Obamacare
 - Corporate tax reform
 - Repatriation of capital
 - More competitive globally
 - Increased investment
 - Fiscal stimulus
 - Increased infrastructure spending
 - Increased defense spending

USA - The Trump Effect (cont.)

- Downside risks
 - Trade war
 - Increase in debt
 - Proposed programs could increase US government debt by \$4-6 trillion
 - Strong dollar
 - Negative for emerging markets
 - \$3.5 Trillion corporate debt increase in past 8 years
 - Higher interest rates
 - Inflationary aspects of stimulus, tax reform
- Overall, baseline forecast is for slightly faster GDP growth, higher inflation, higher interest rates

Job Growth Remained Healthy in 2016

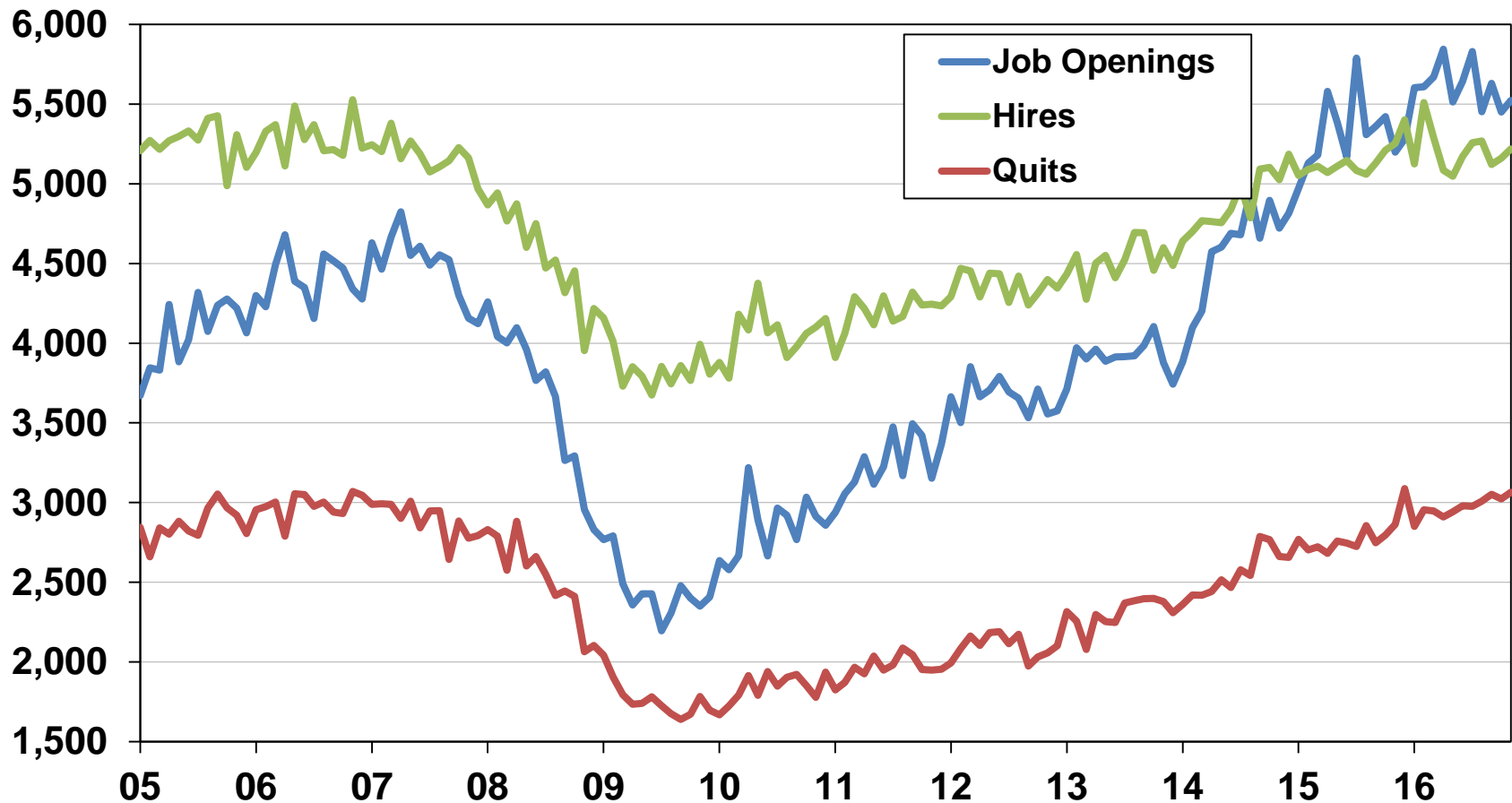
Change in US Total Payroll Employment, Millions



Source: Bureau of Labor Statistics

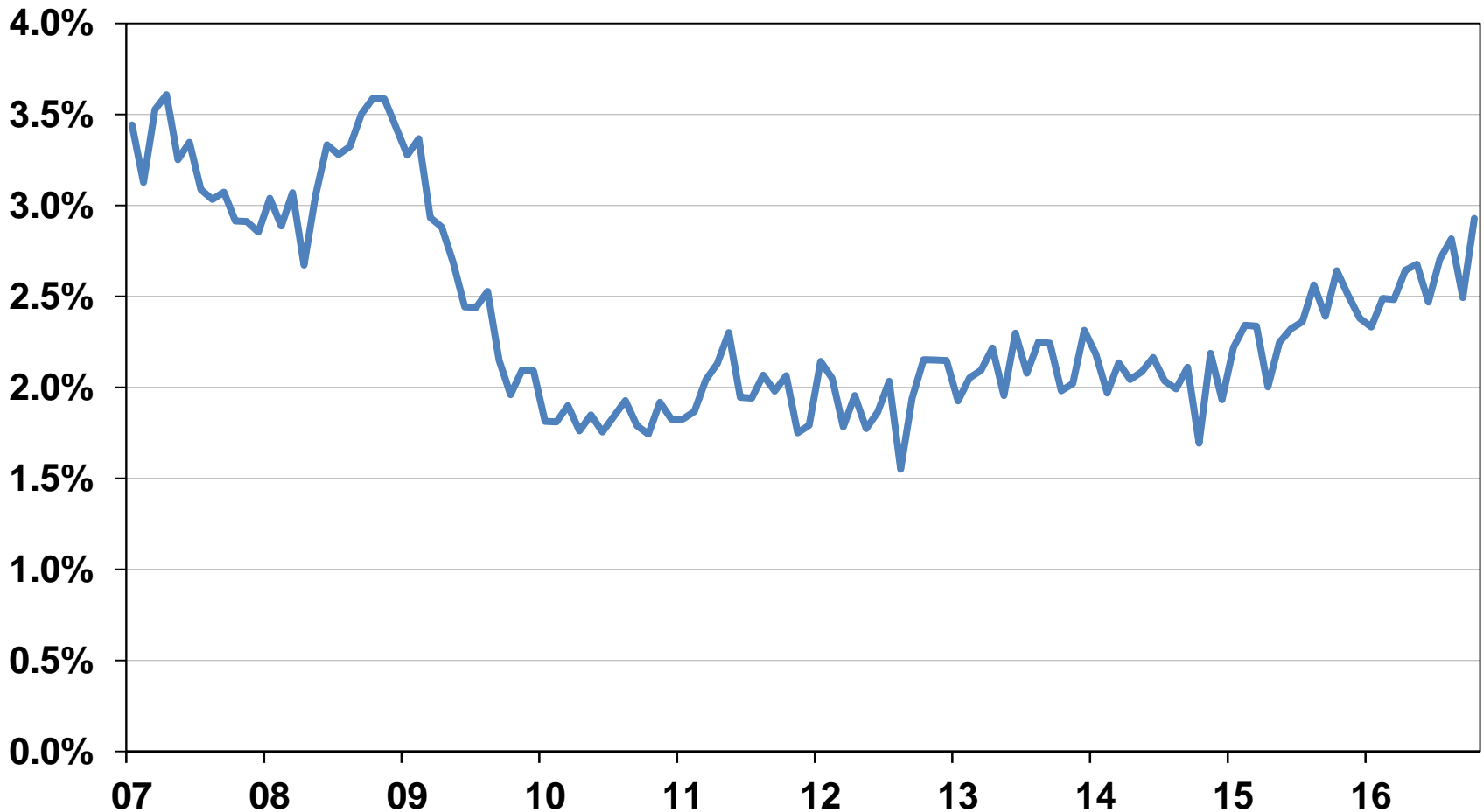
Quits Level Continues to Rise

Job Openings and Labor Turnover, Thousands



Wage Growth Highest Since Recession

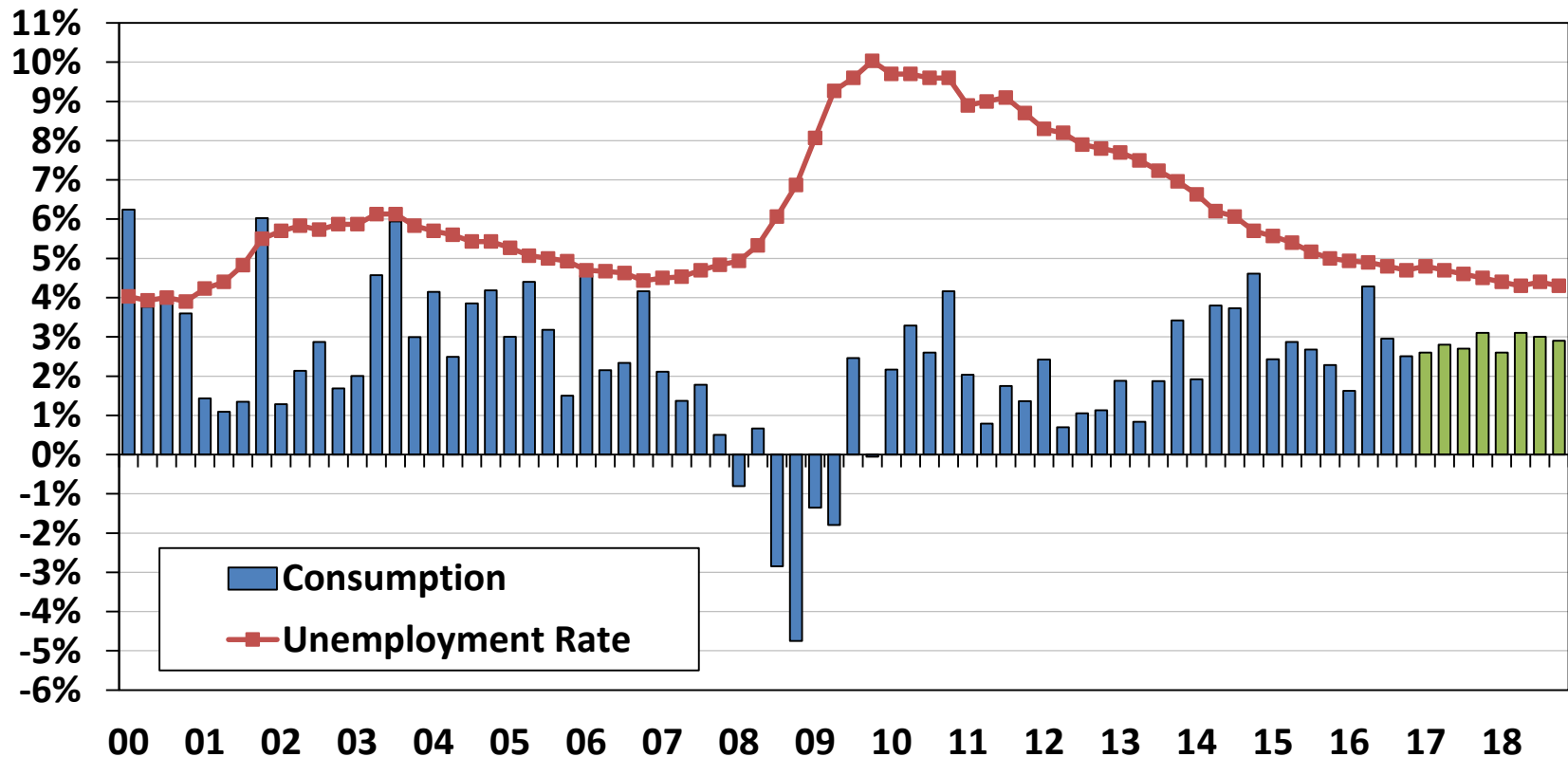
Average Hourly Earnings, All Employees, Year-over-Year Percent Change



Source: Bureau of Labor Statistics

Consumption Growth Driving US Economy

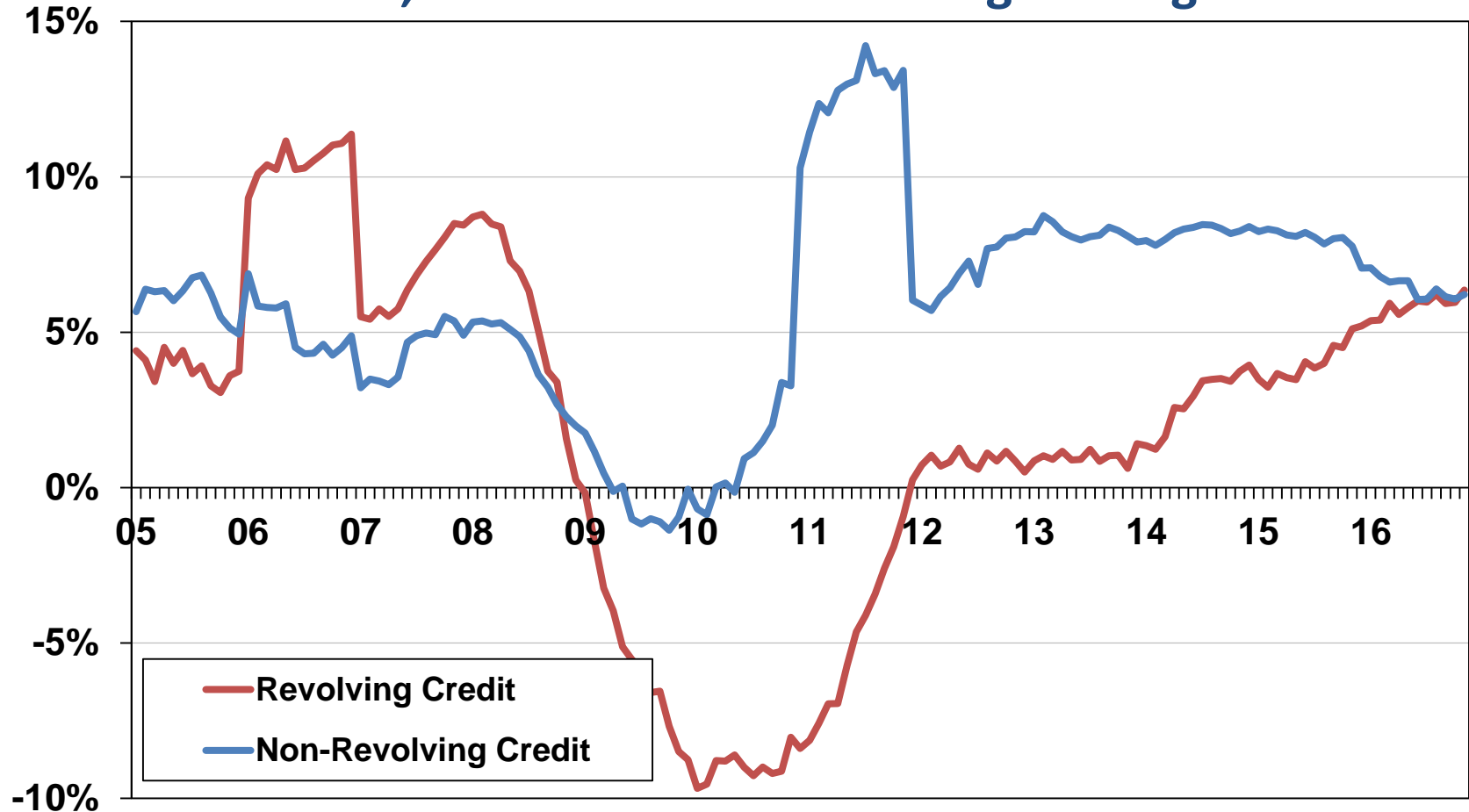
Real Consumption Expenditure, Annualized Percentage Change;
Unemployment Rate



Source: Bureau of Economic Analysis, RISI

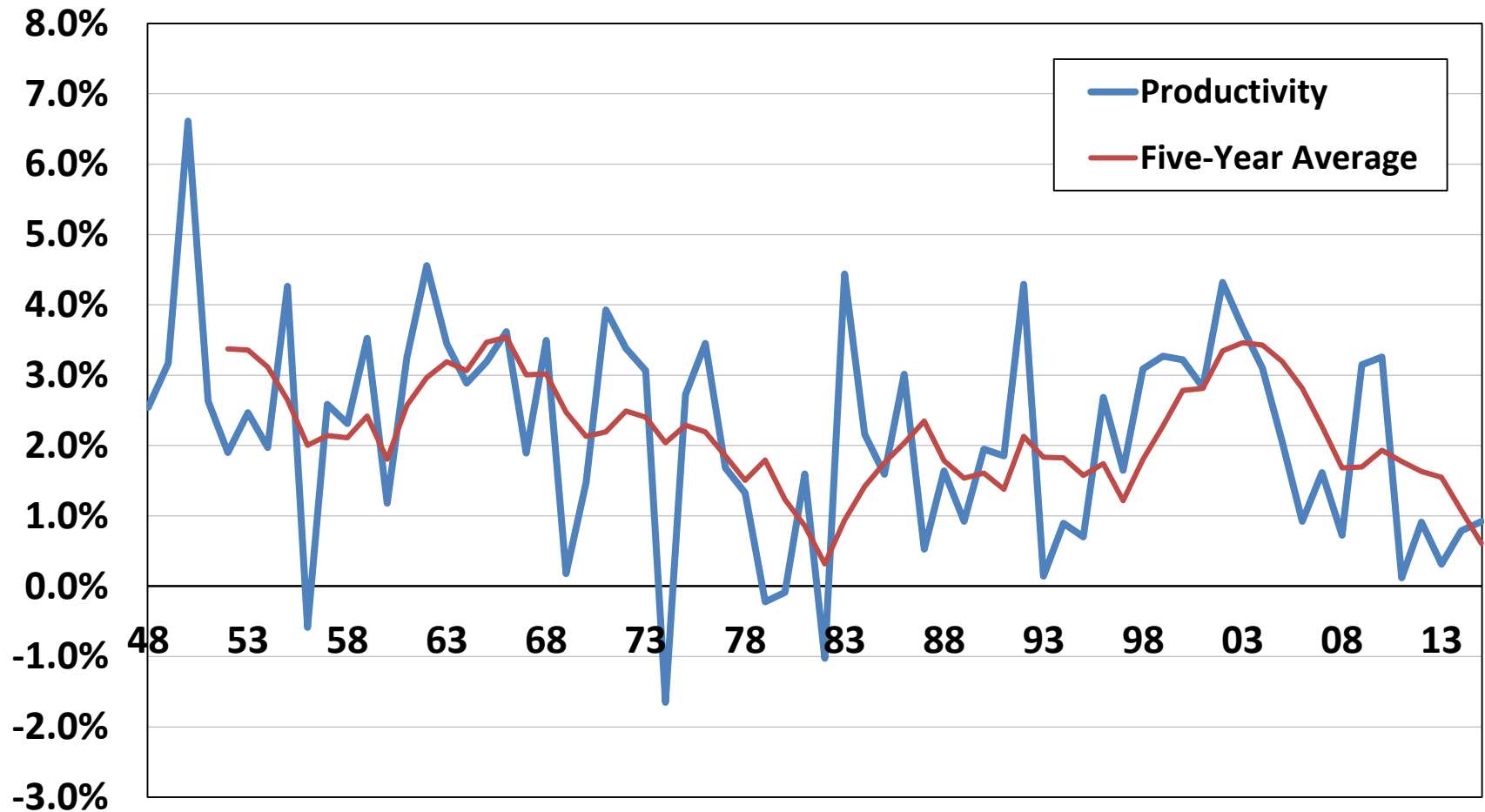
Revolving Credit Growth Continues to Show Increased Credit Card Usage

Consumer Credit, Year-over-Year Percentage Change

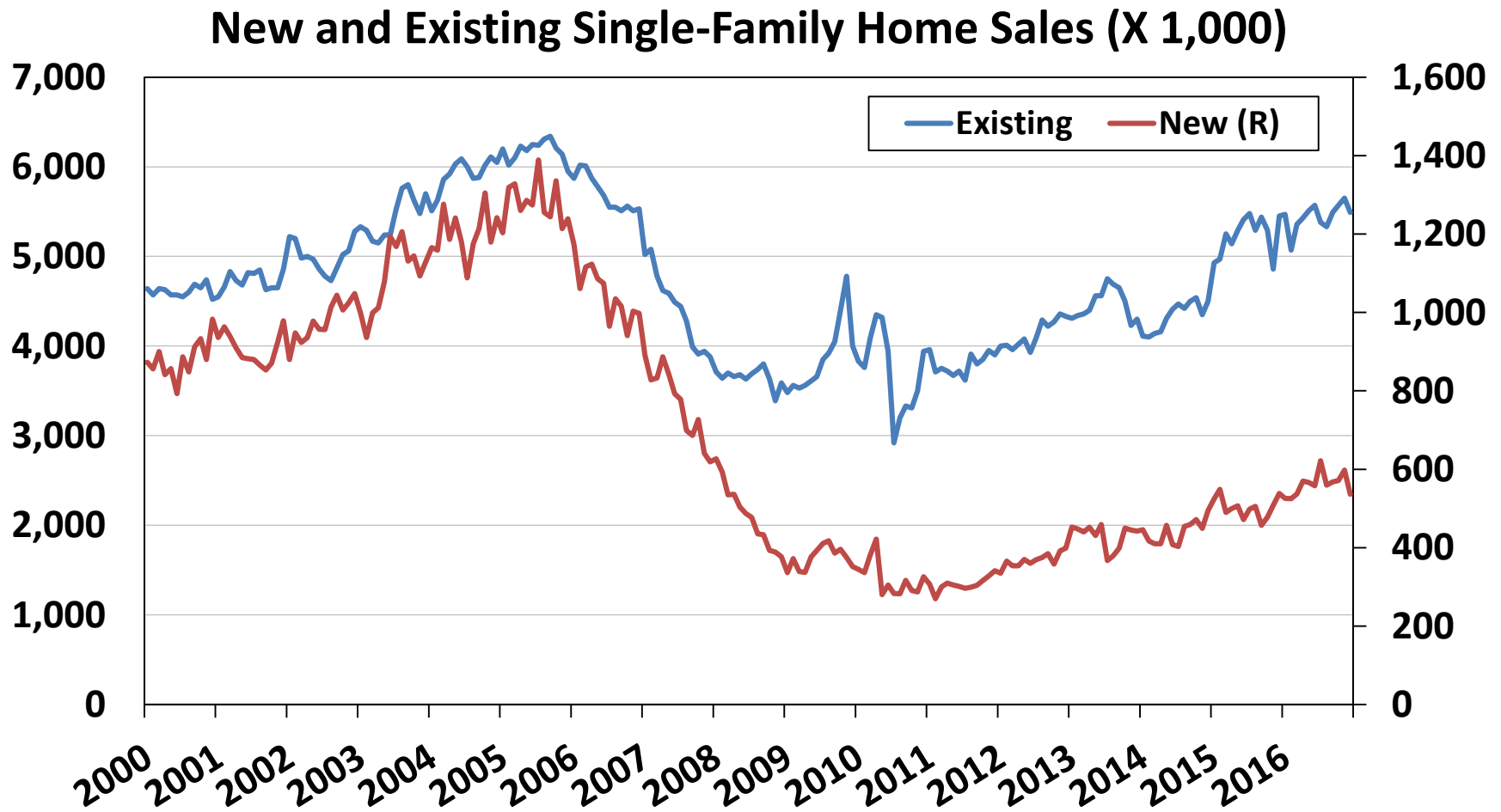


Productivity Growth Worryingly Low

Non-farm Real Output Per Hour, Year-over-Year Percent Change

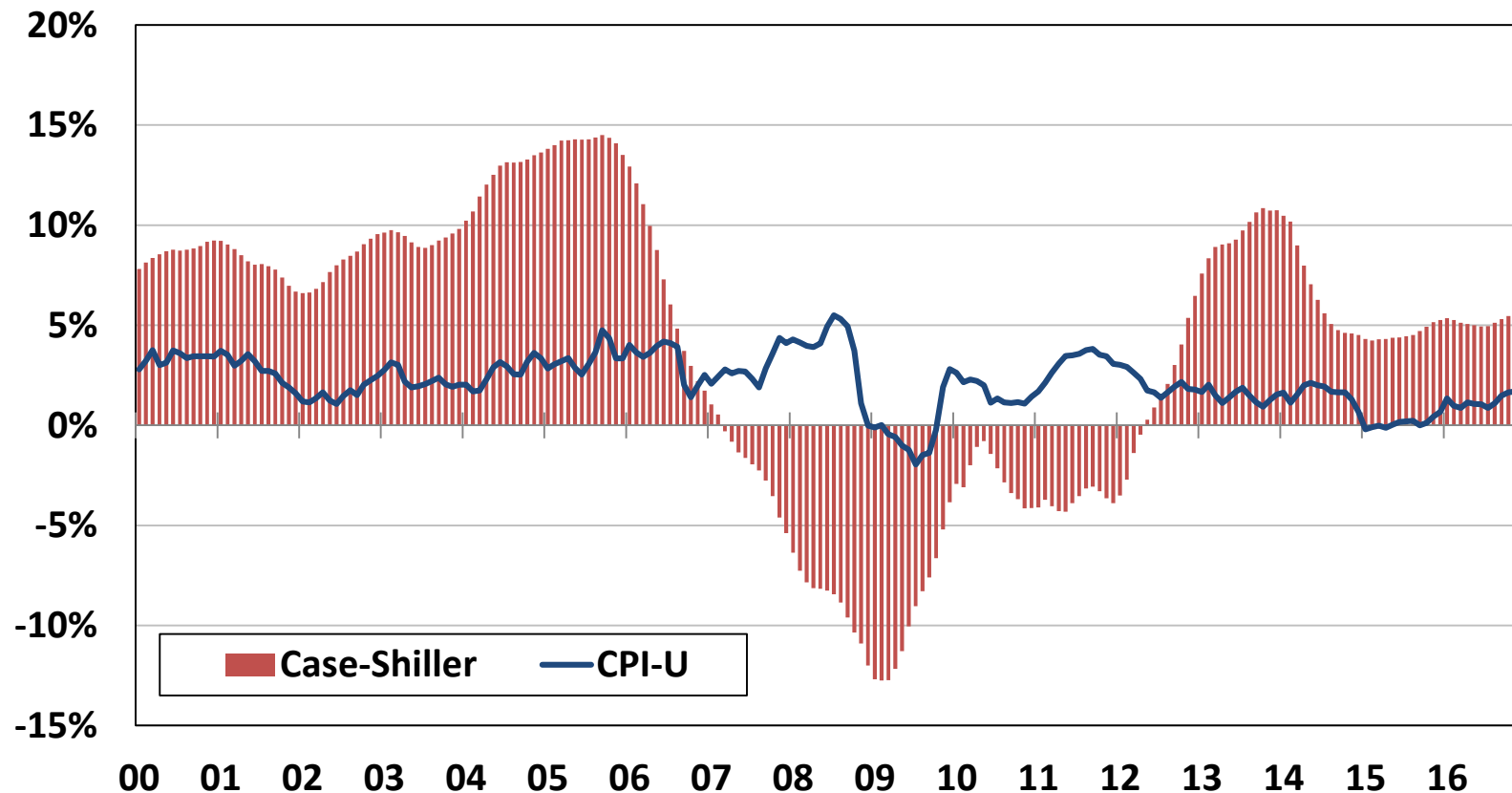


Limited Supply of Shelter Tempers Shelter Sales Gains



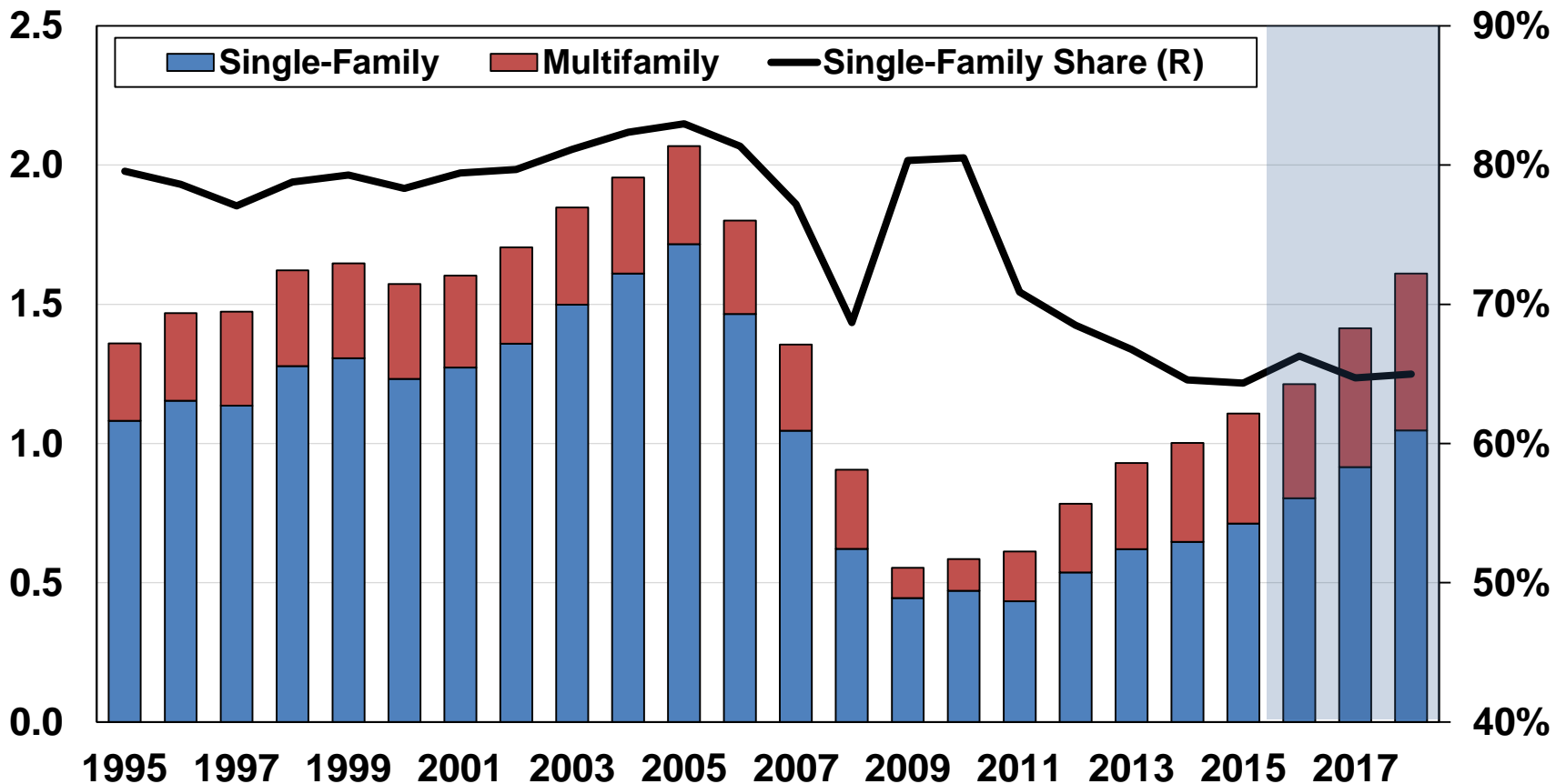
Escalation in Home Prices Running Well Above Overall Inflation and Wages

Case-Shiller US National Home Price Index and CPI

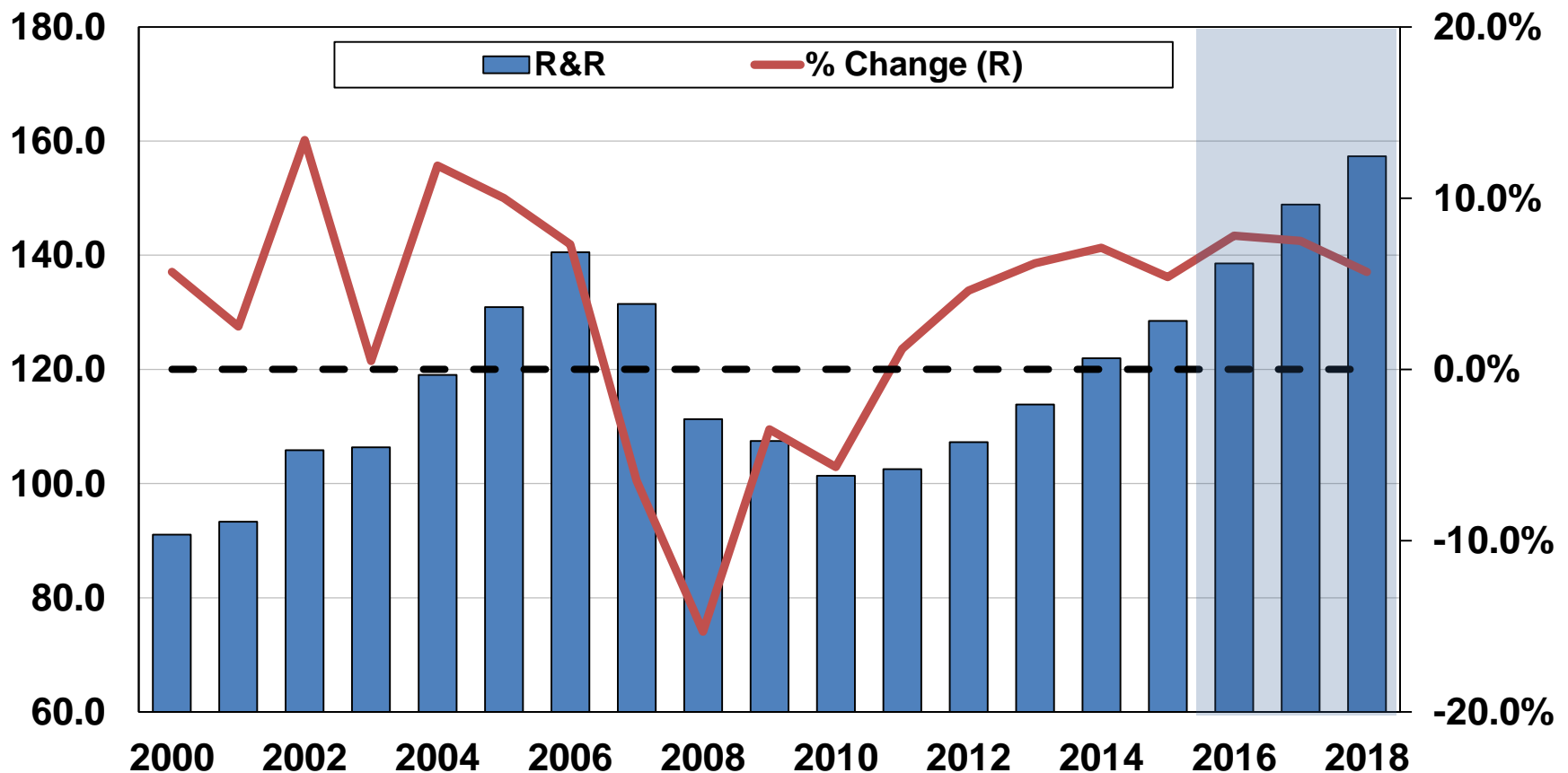


Demand Shifting to New Construction With the Multifamily Share Remaining Near Current Levels

US Housing Starts (Annual)

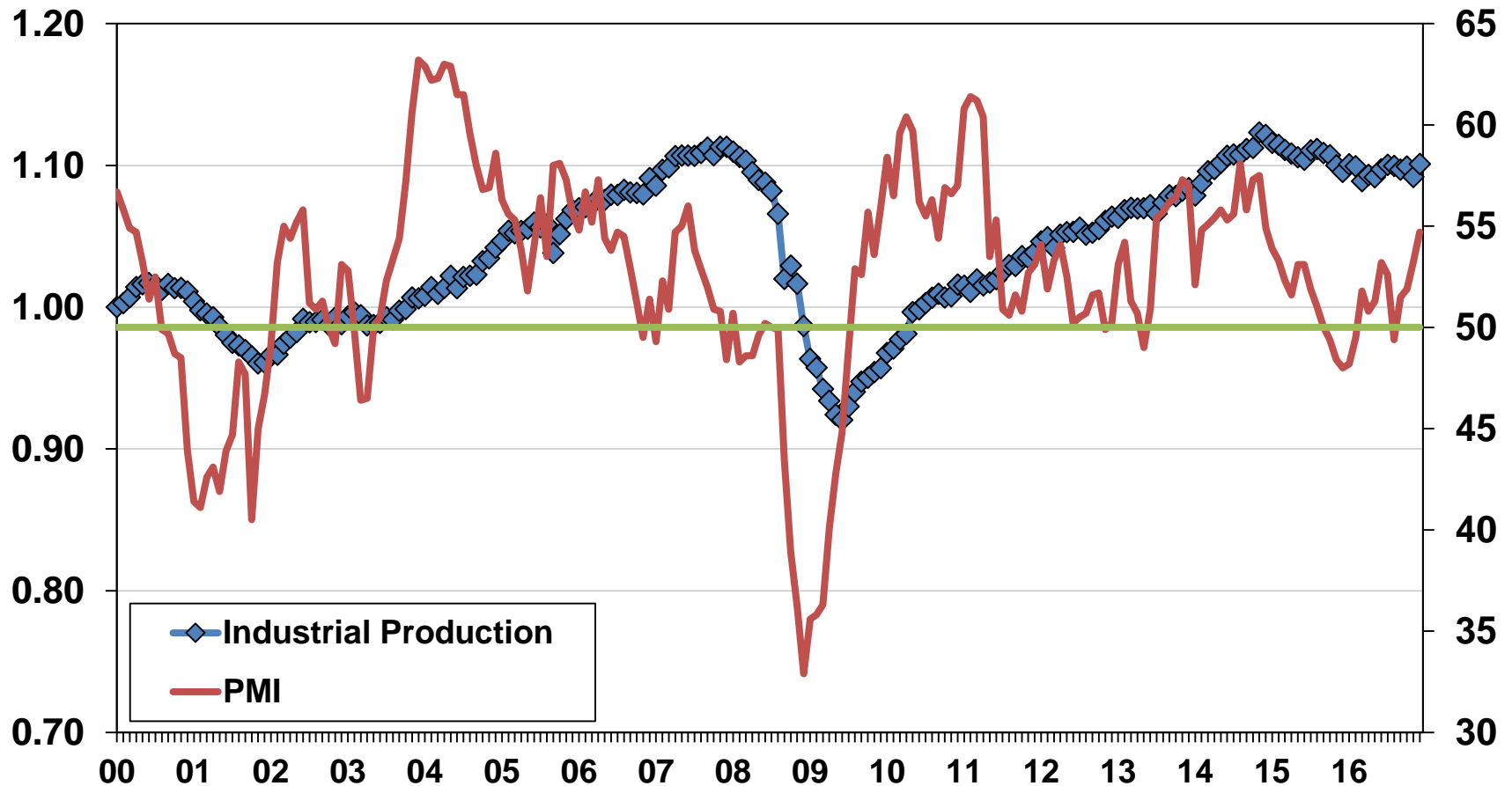


R&R Expenditures Trend Higher with a Larger Share of Alterations and Additions



Strong Dollar, Weak External Environment, Pressuring Manufacturing

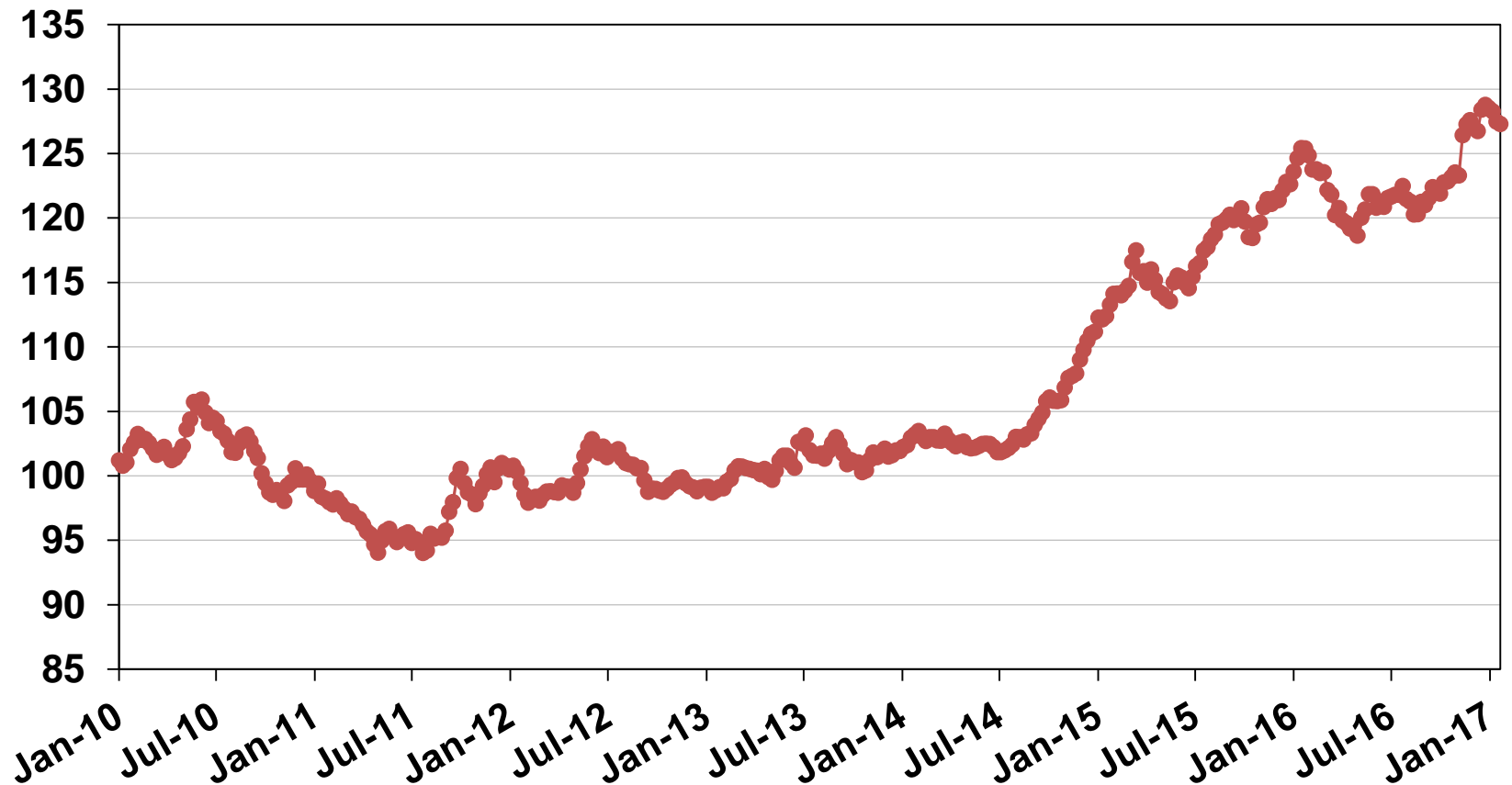
Index of Industrial Production, January 2000 = 1.00; PMI



Source: Federal Reserve, Institute for Supply Management

Dollar Strong on Decent Growth and Potential for Tighter Monetary Policy

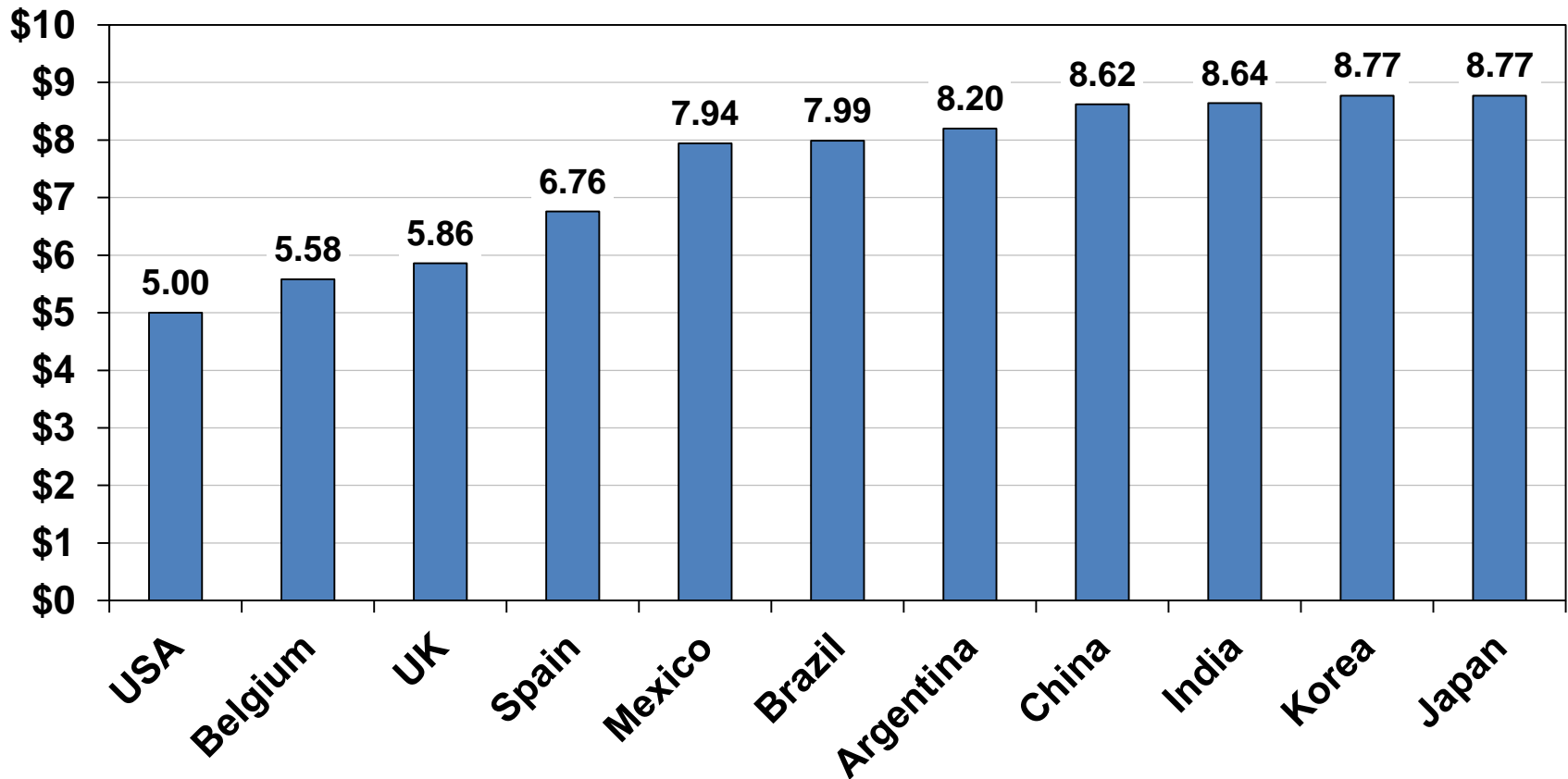
Trade Weighted US Dollar Index: Broad, March 1973 = 100



Source: Federal Reserve

Low Natural Gas Prices Helping US Manufacturers

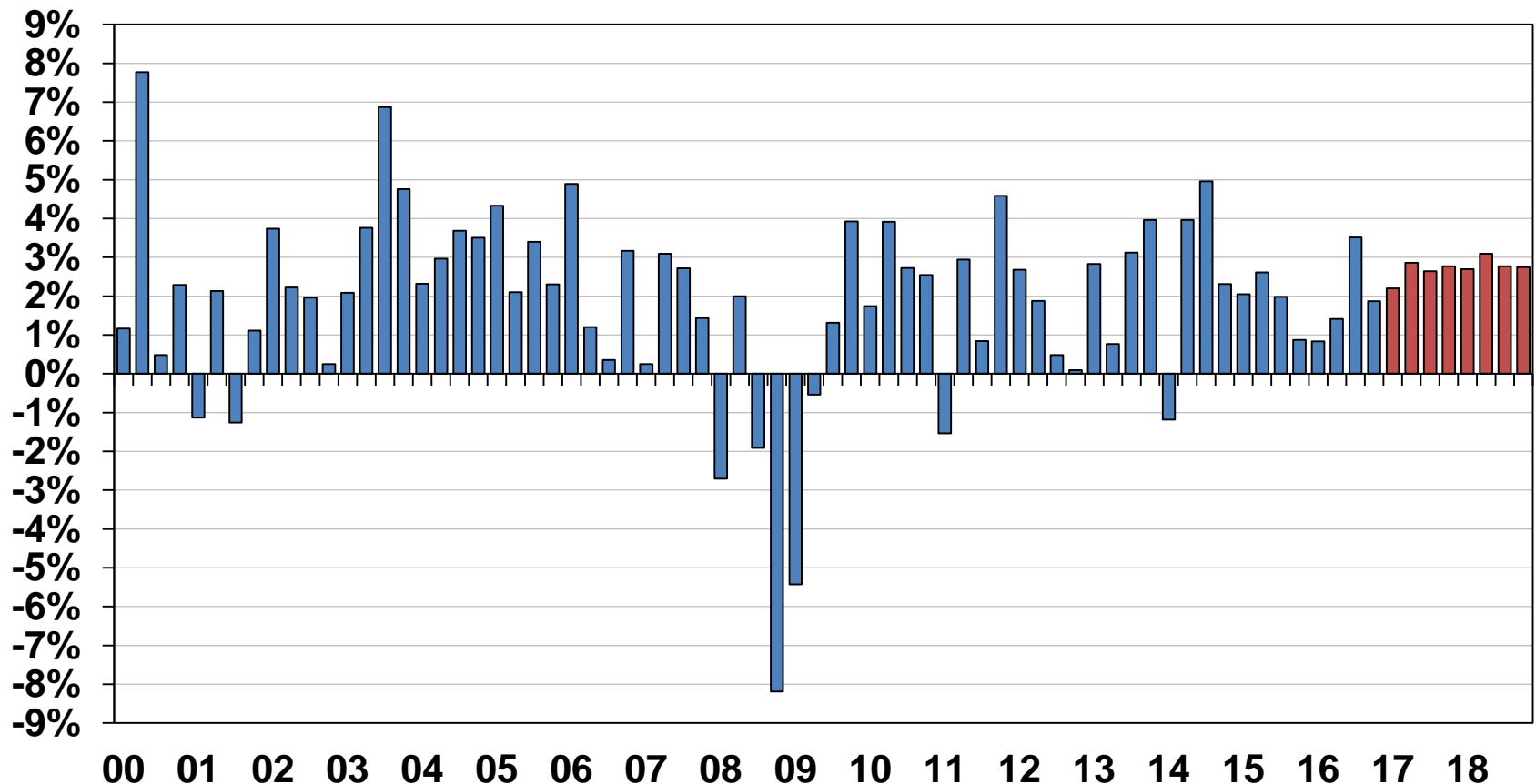
Landed Prices of LNG December 2016, Dollars per MMBtu



Source: Federal Energy Regulatory Commission

US Economy Improving

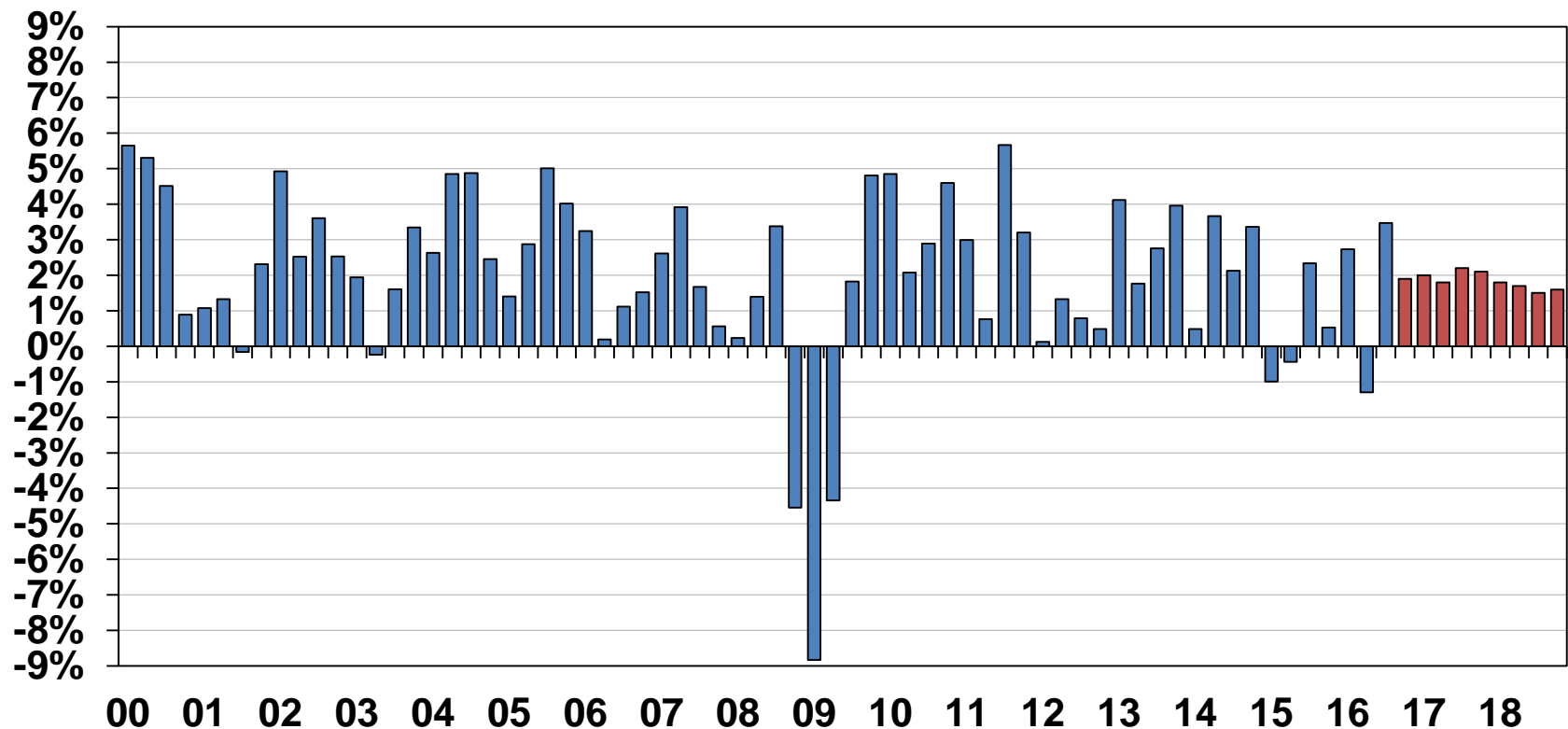
Real GDP Growth, Annualized Percent Change



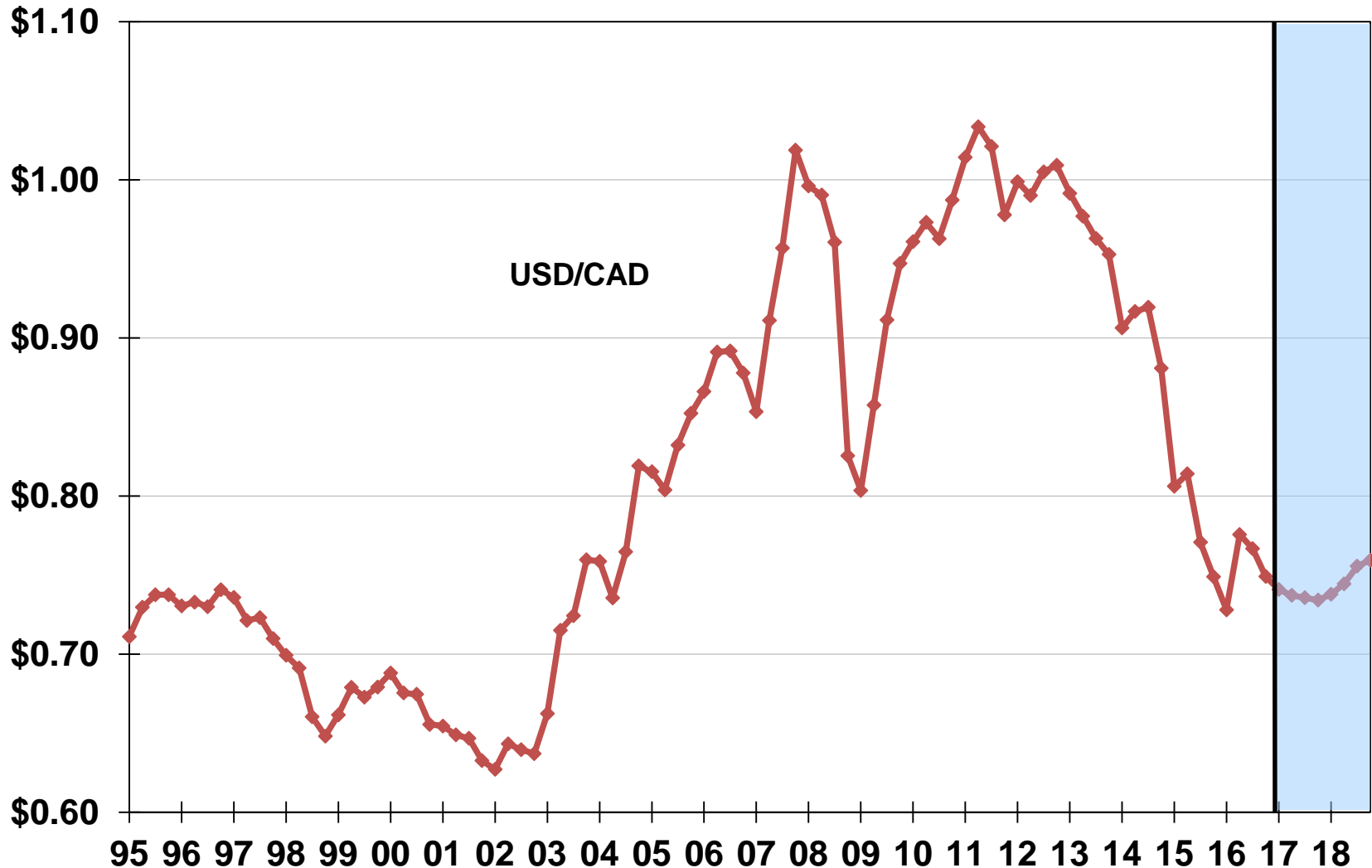
Source: Bureau of Economic Analysis, RISI

Canada Economy Growing, But Weakly

Real GDP Growth, Real Private Fixed Investment,
Annualized Percent Change

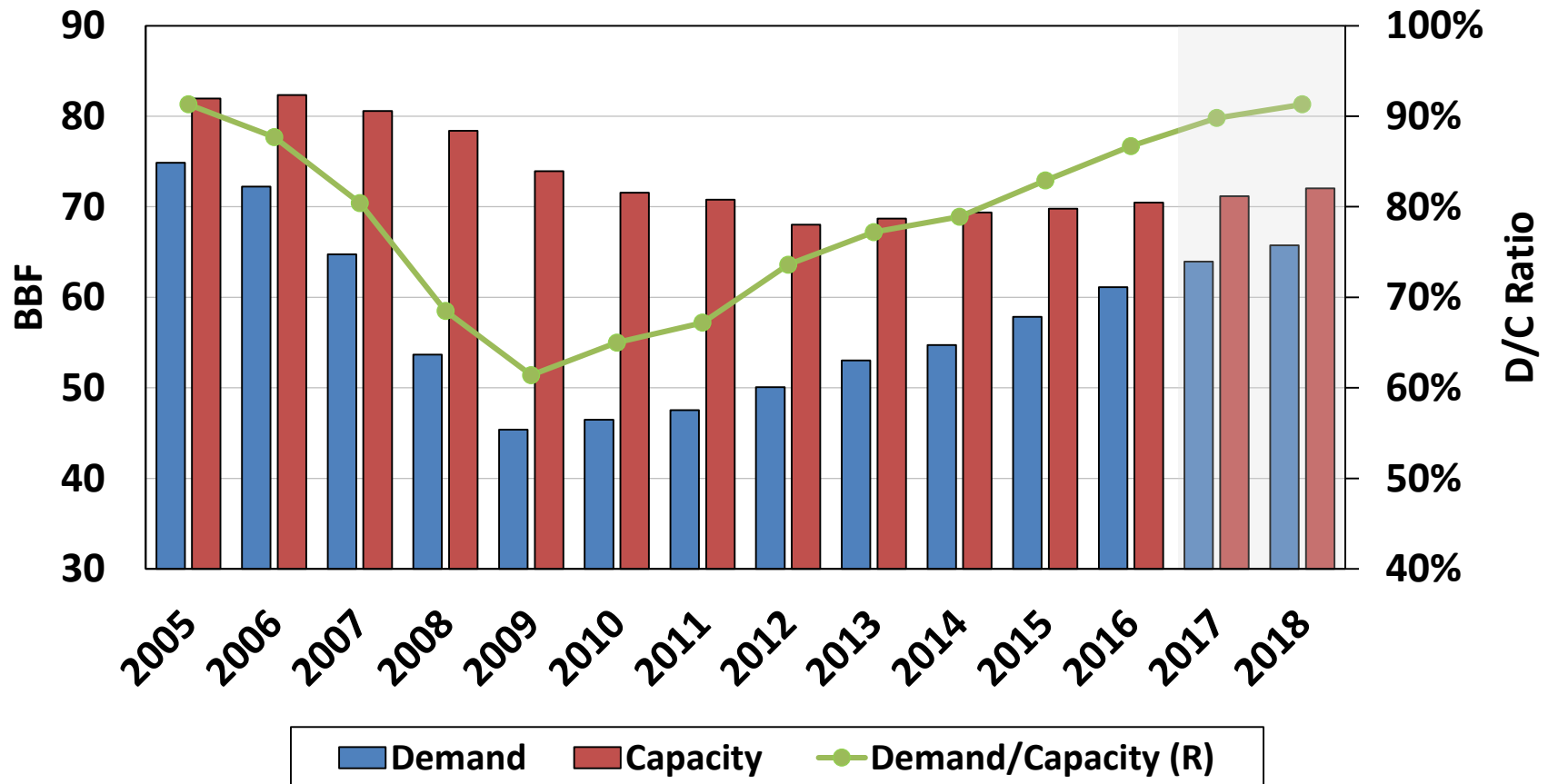


Canadian Dollar Remains Weak



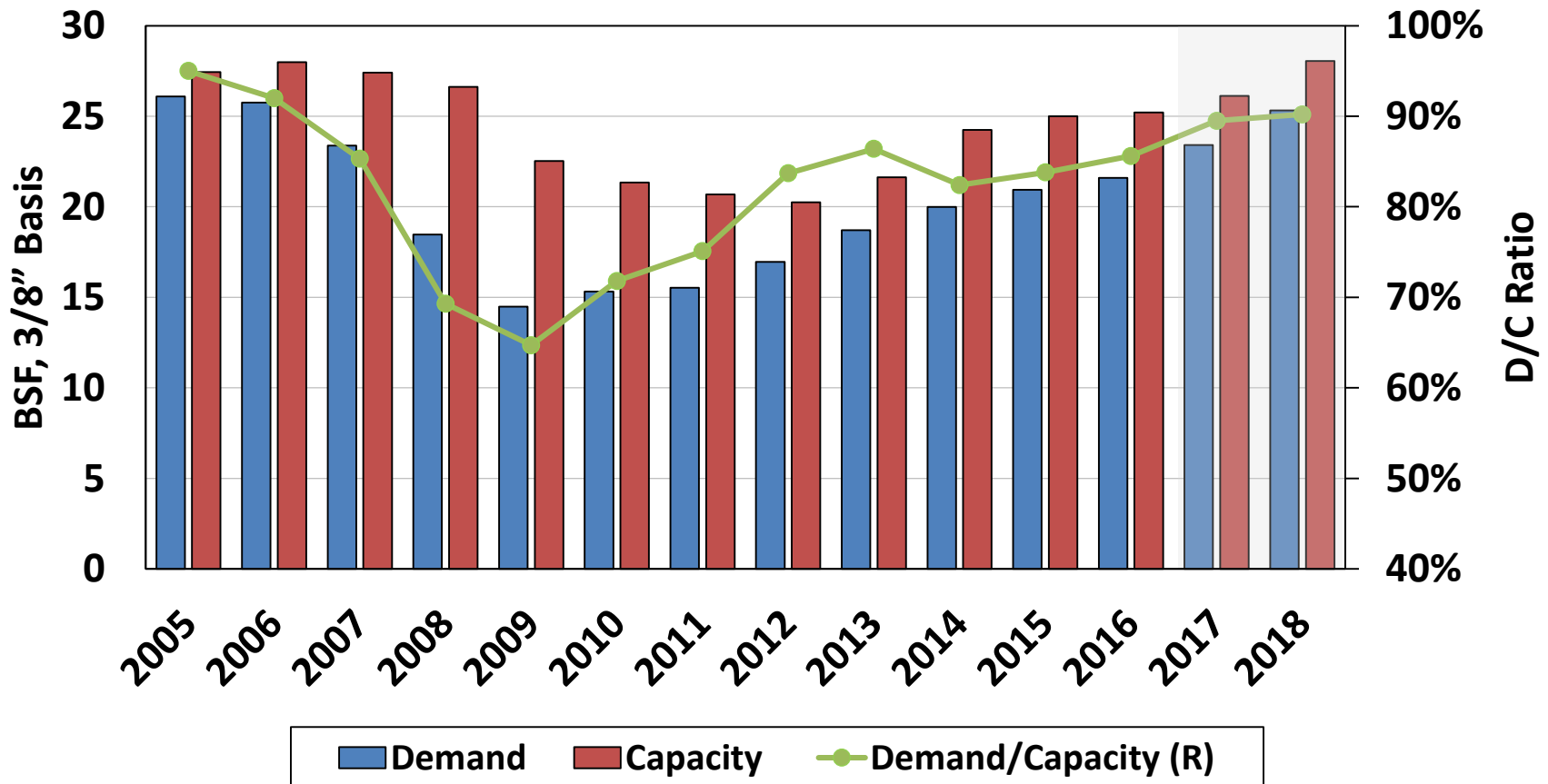
North American Softwood Lumber Market Tightens Significantly

Demand for North American Softwood Lumber



OSB Industry Continues to Tighten Despite List of Proposed Projects

Demand for North American OSB



North American Softwood Plywood: Lack of Investment Leads to Tighter Markets

