

# ***WhatTheyThink?***

## ***Economics & Research Center*** Monthly Review and Outlook

Dr. Joe Webb, ERC Director

March 15, 2017 edition

**This webinar is available thanks to the support of our Premium Members.**



# Webinar details

- SEND US YOUR QUESTIONS DURING THE WEBINAR
  - Question Control is in the lower left corner
  - We may answer during the presentation
  - There is a Q&A at the end
  - Unused questions will be answered in an upcoming column or the next webinar
- Video and audio archive will be uploaded later today along with PDF of slides

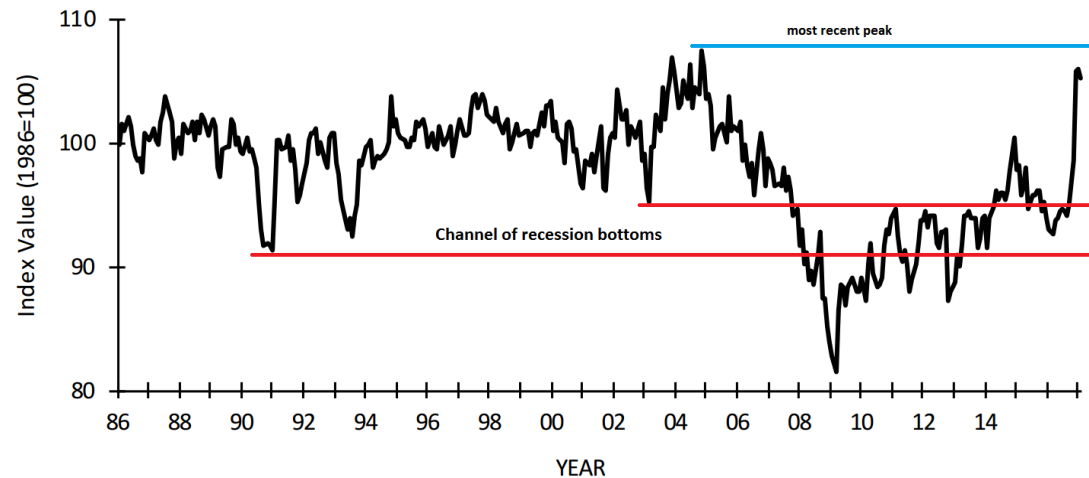
# Today's Agenda



- Economic update
- Printing shipments: are content creation markets sending warning signs?
- *Third Wave* topic: Capital in the most thoughtful way
- Q&A

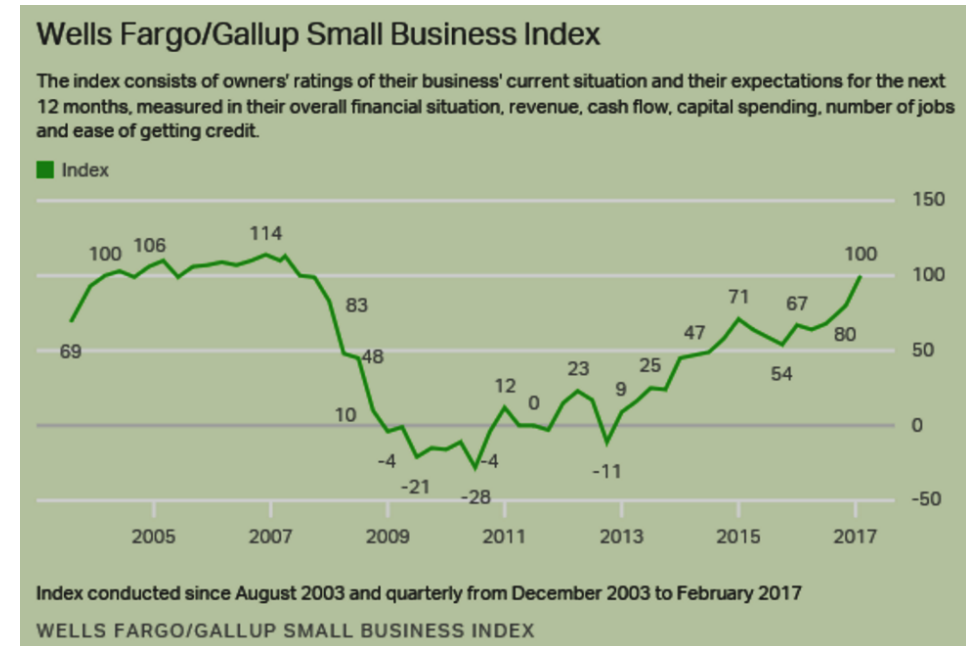
# Small business remain enthusiastic about upcoming economic prospects

NFIB Small Business Index tiny retreat from 105.9 to 105.3, still very bullish



<http://www.nfib.com/assets/SBET-February-2016.pdf>

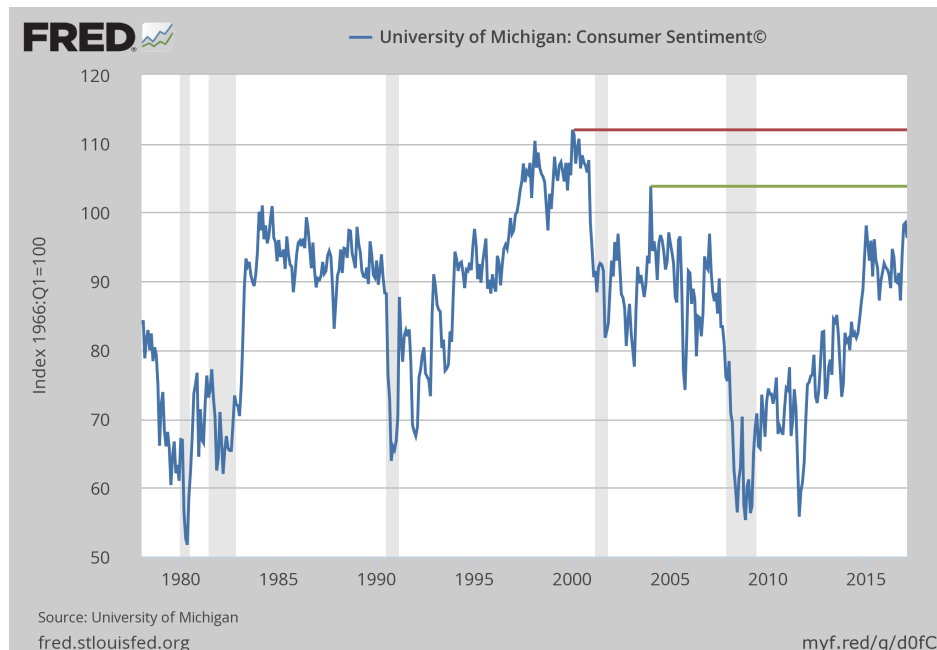
Wells Fargo/Gallup Small Business Index highest since 2007



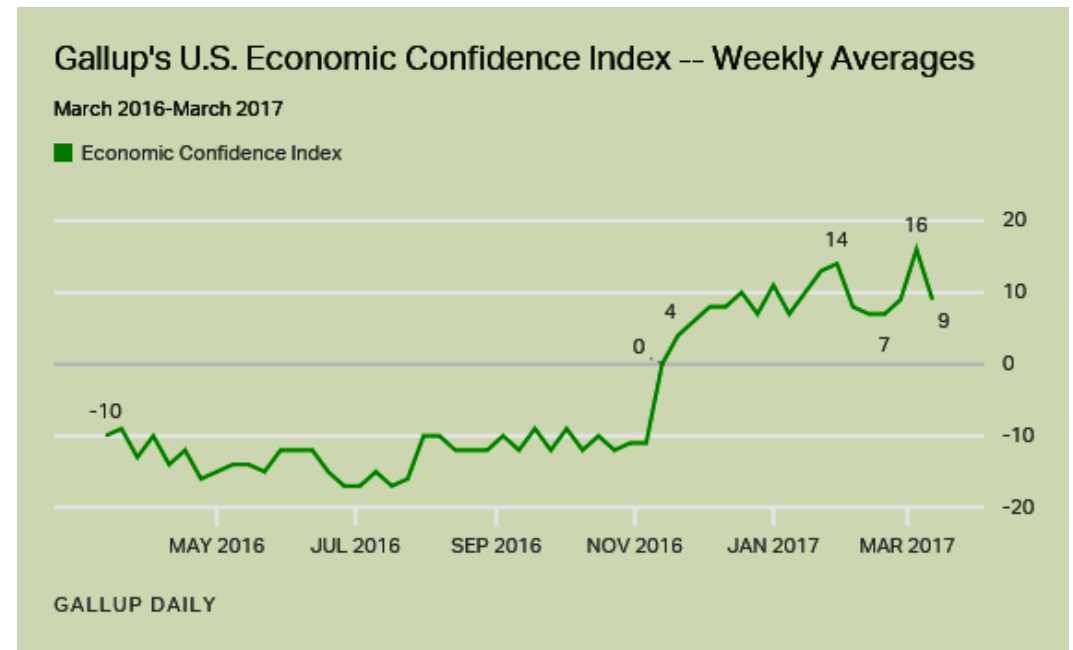


# Consumer confidence still rising but realities may set in

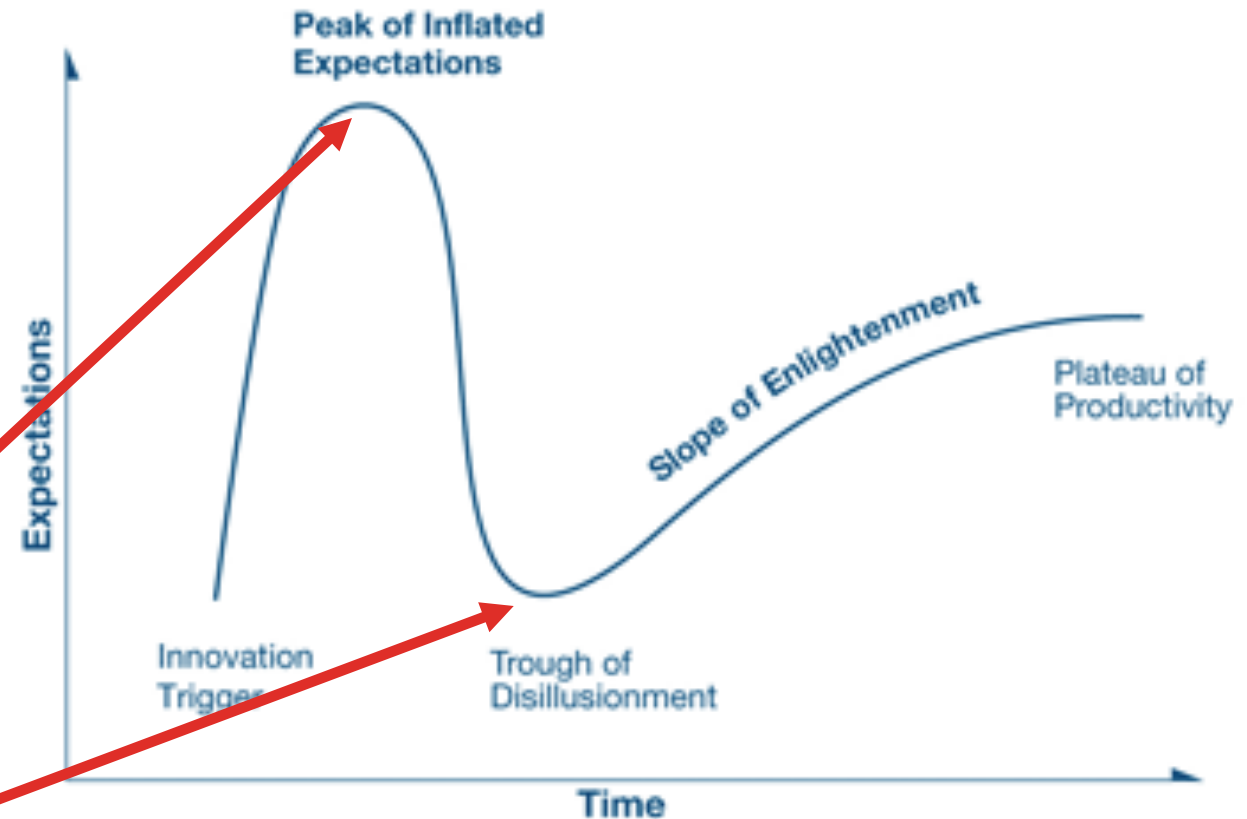
## University of Michigan Consumer Sentiment



## Gallup Economic Confidence: reality check in process?



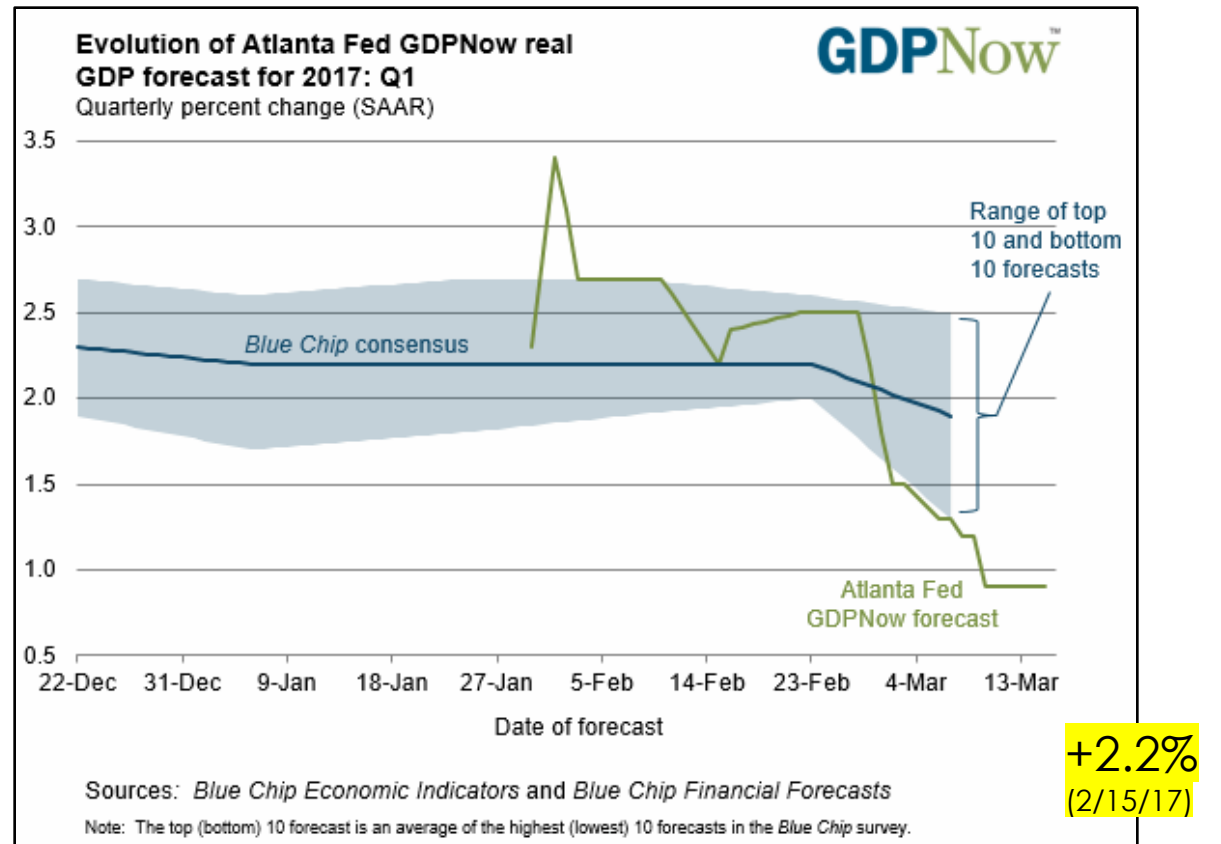
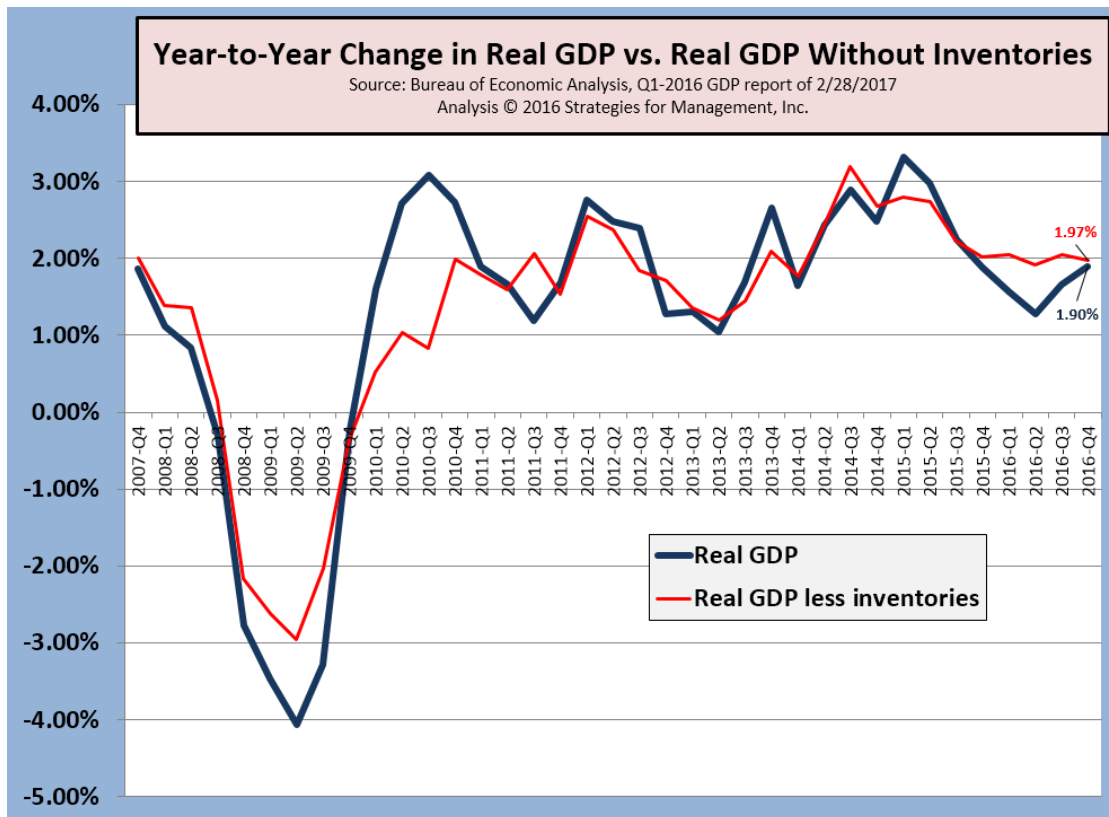
Will the  
confidence  
surveys follow  
the *Gartner  
Hype Cycle*?



**Are we here?**

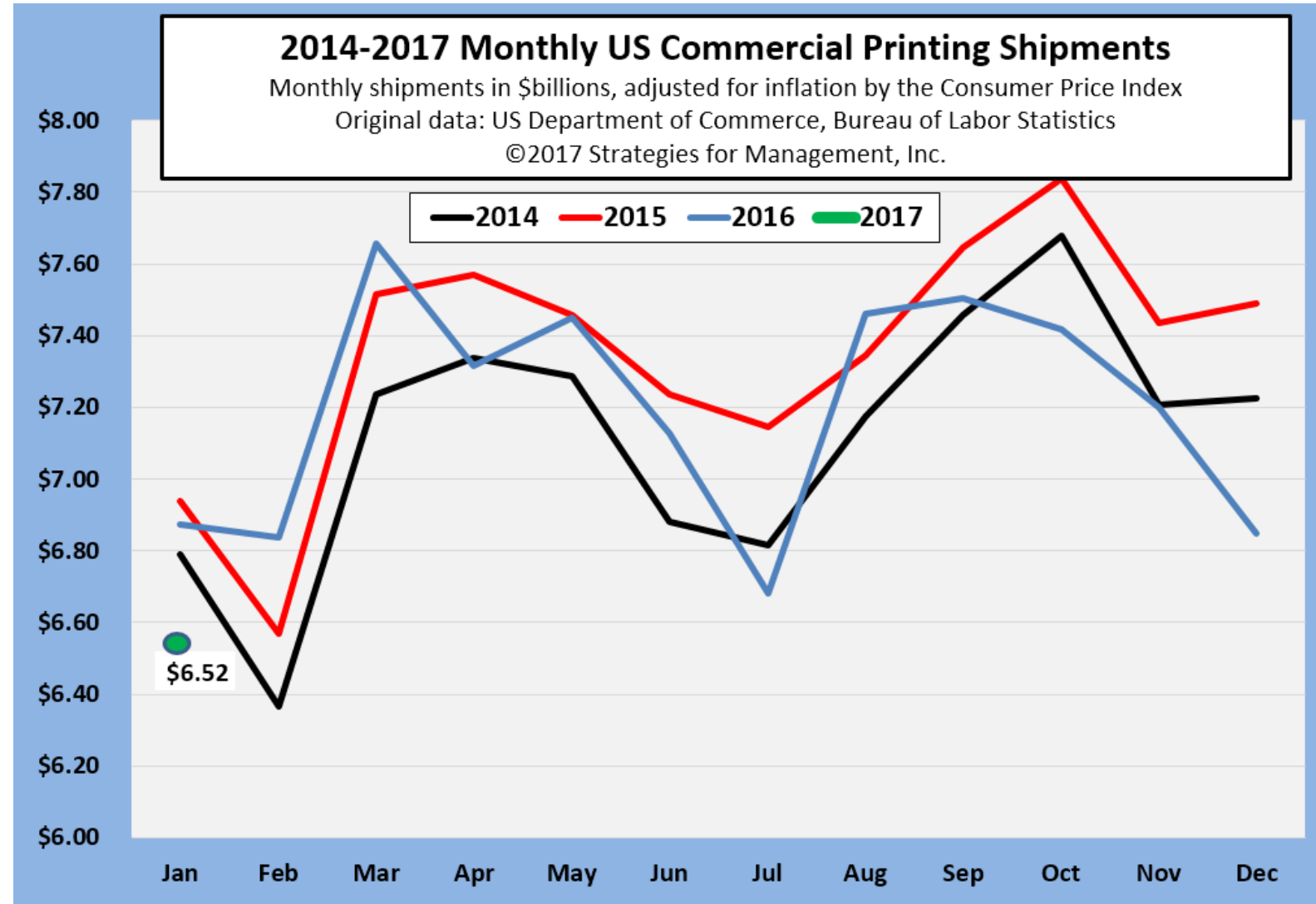
**Are we headed here?**

# Revised GDP 4Q-2016, still a stagnant 2%; Atlanta Fed GDPNow Q1-2017 at +0.9%

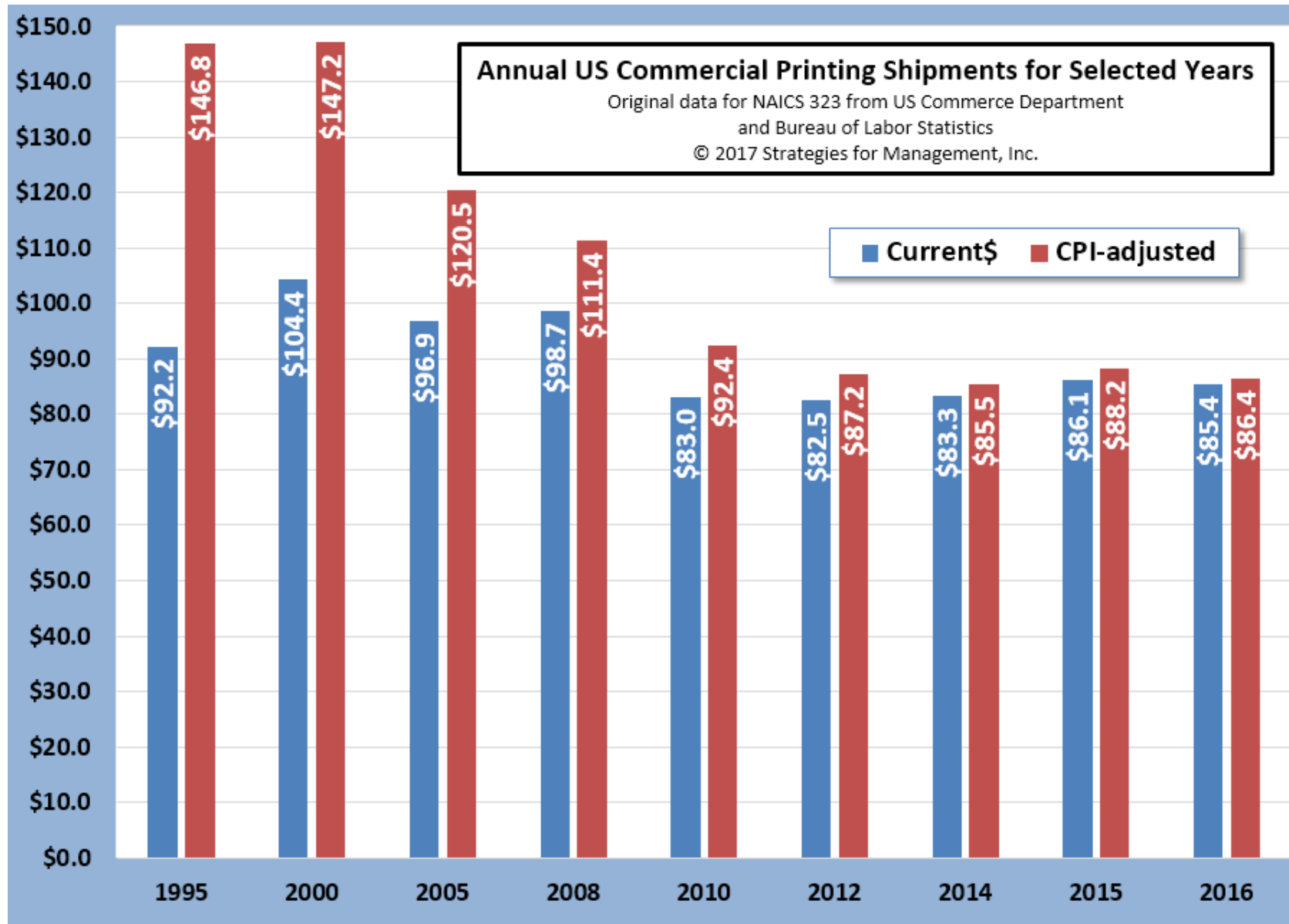


Lowest January  
US commercial  
printing shipments  
since 1992  
(when this data series began)

Comparison to prior year quarter	
2015-Q2	3.5%
2015-Q3	3.2%
2015-Q4	3.0%
2016-Q1	1.6%
2016-Q2	-1.7%
2016-Q3	-2.2%
2016-Q4	-5.6%

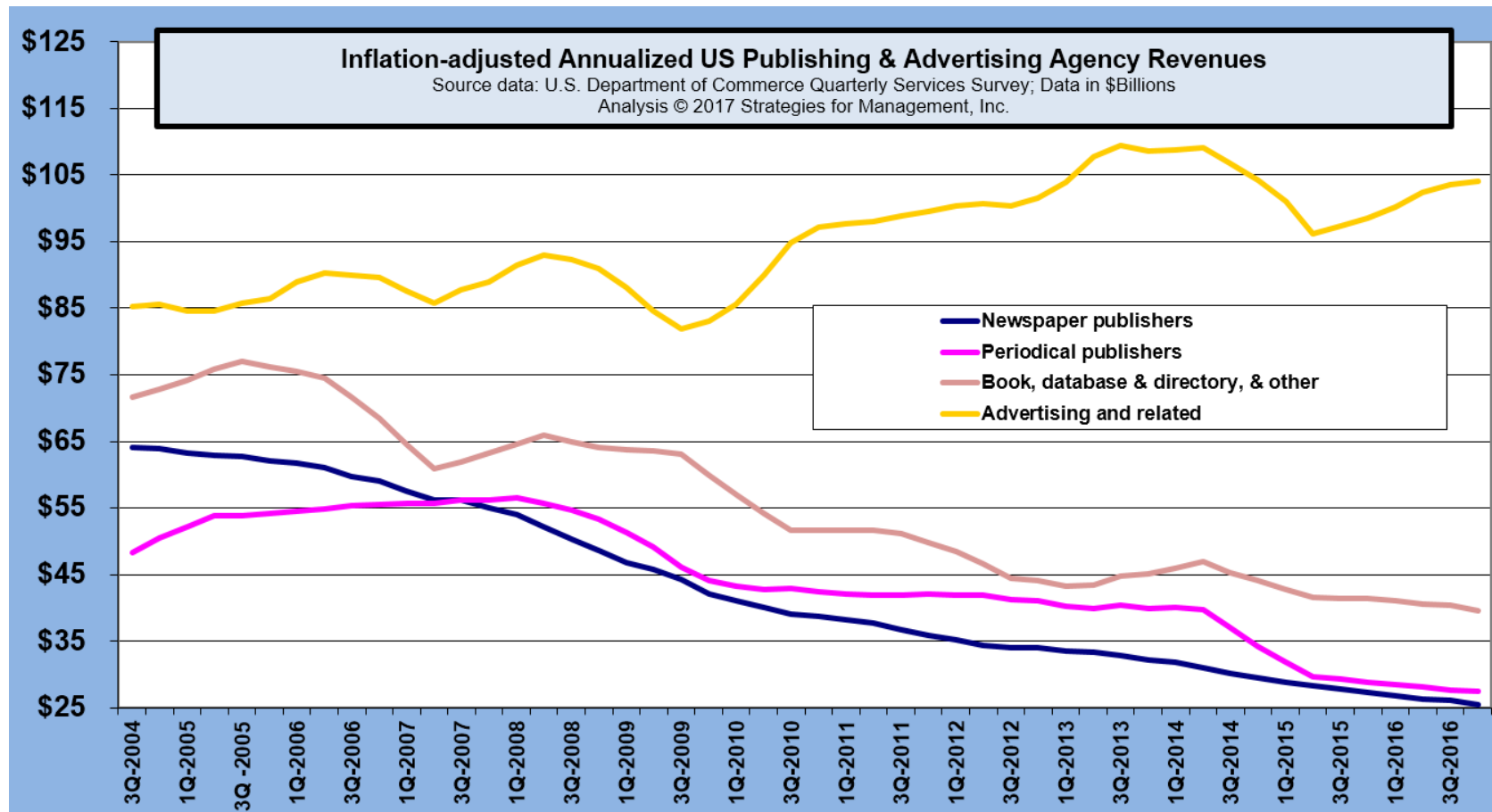


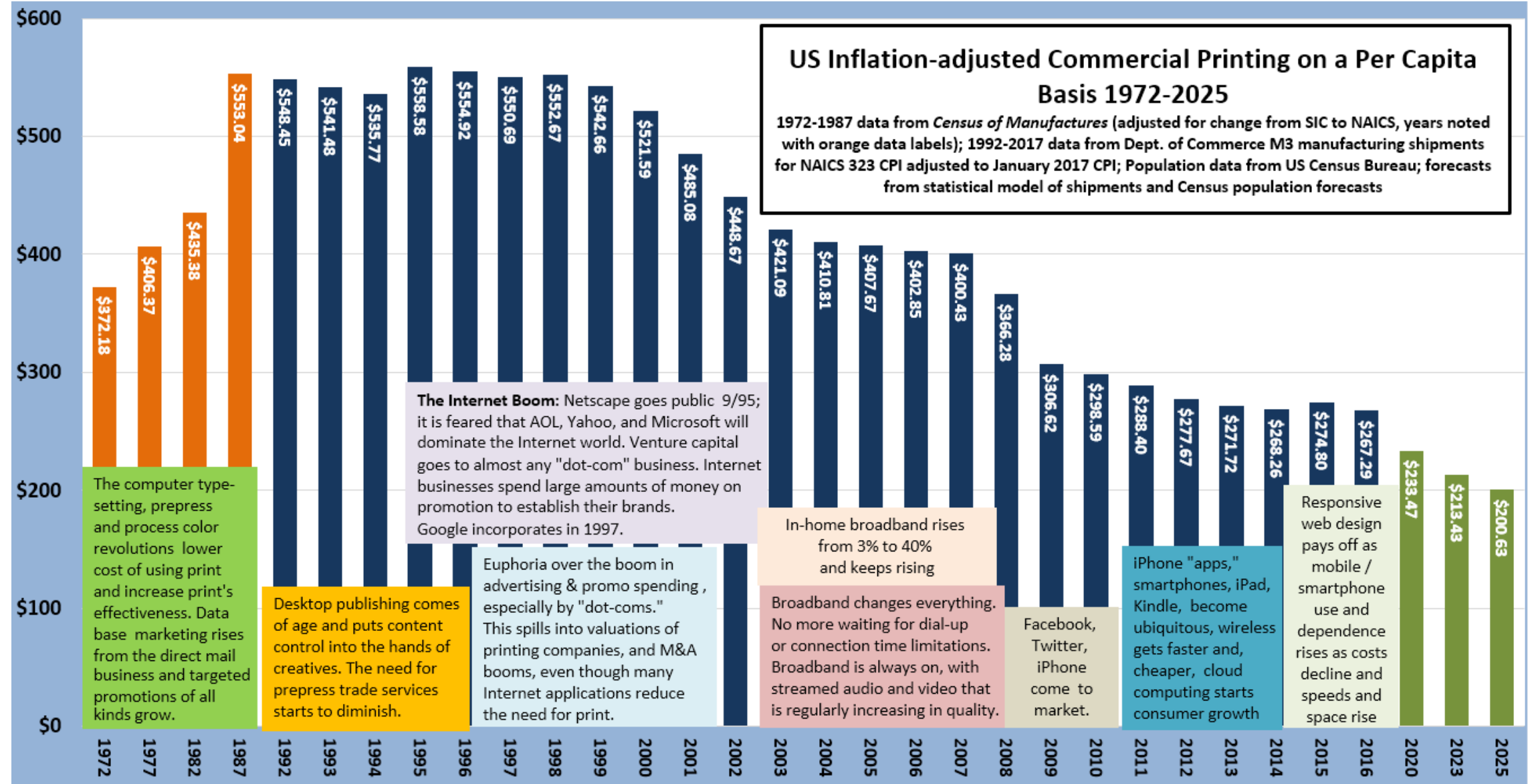




Updated  
with  
Dec 2016  
revision

# Ad agency revenues flattening, publishing markets decline persists





# Third Wave: UPDATE

- 1998: Consumer Internet takes hold, starting the end of the “good old days” of mainstream US commercial printing
- 2008: Social media explodes, Apple Appstore, broadband >50% of homes
- 2018: Mobile gets Smart, the looming “Internet of Every Last Little Thing,” and the quest for immediate information relevance and actionability





# Third Wave Ponderables

- **Market immersion**
  - Time as currency
  - Objectives are products
  - Connectivity and imaging
  - Opportunistic logistics
  - Pre-active not proactive
  - Sales is dead
- **Capital in the most thoughtful way**
  - Finance as a weapon
  - Processes
  - Relationships
  - Durable shortsightedness
  - Risk seeking & thoughtful acceptance
  - Wisdom
- **Technology is art as opportunity**
  - Equipment diversity, specialty focus
  - Process is a tool not a business
  - Flexibility, geography, and time
- **Humans as capital resources**
  - New workforce (again)
  - Mobile management
  - Adaptability as a search for meaning
  - Entrepreneurial incubation
- **A new ownership magnet**
  - Cross-ownership functions
  - Cross-functional ownership
  - New definition of “family” business
  - Long-term immediacy

# The updated outlook

- **Media reallocation real and aggressive: caution and proactivity required**
  - 2017 begins with weakness; March shipments will be key indicator
  - Offline media and specialty strategies become more critical every day
    - “Mainstream” printing in serious trouble: focus on specialties that are display, event, or big data, or digital media -driven
  - Prices offered for ongoing printing businesses are likely headed down, hard
    - Consolidation of similar businesses may divert capital that can be used for better purposes: think twice or three times
- **Beware the “communications buyers are uninformed” trap**
  - Become immersed in communications technologies and decisions
  - “Content marketing” is more sophisticated and improving
    - Businesses are own publishers; small media publishers purchased by advertisers for access to subscriber (prospect) base, content archive, editorial control
  - Analytics are ingrained in all decisions; short-term proactivity
  - GET YOUNGER in sales and business development
  - Alliances with agencies and media creators becoming key, spreading to local markets; get involved with broadcasters and others

# The updated outlook (2)

- **As forecast, the noise from the Beltway is rock concert loud, but encores are over and what's happening backstage is about to take precedence**
  - Stay focused on clients – tech changes more important than economic ones
    - Tech gets out ahead of economic problems with new cost-saving alternatives
  - Congress turtle-like; momentum loss noticeable by mid-year unless actions taken now
  - 2018 Congressional elections already affecting priorities: Democrats in Trump states and Republicans considered obstructionists will be critical races (if not entertaining ones)
- **Economy has been in 2% direction and seems may be decreasing until tax law passes**
  - Strong part of economy: non-store retail +12% real terms y/y; while other retail sales less motor vehicle sales +1.9% in real terms
  - Optimism and confidence surge likely to erode over next months
  - Chance of recession is still higher than normal and risk may be rising
    - Slowdown may spur Congress to act on infrastructure and taxes sooner
  - Stagflation risk may be rising more than inflation risk
  - Regulatory relief can be fought by bureaucracy through foot-dragging, enforcement
    - Trump exec order re: departmental reviews closest thing to the Grace Commission so far

# The updated outlook (3)

- **Fed will have more room to raise rates slowly**
  - Latest CPI (+2.7% y/y), PPI (+2.2%) and payroll employment (+273k) has Fed ready for rate rise in March. “Gurus” say twice or thrice more in 2017.
  - Then Fed will pause, not be as aggressive as they say (What’s new? Nothing!)
  - Cannot slowly unwind QE inflated balance sheet and return to normal monetary policies until economy improves; if recession begins get ready for QE4
- **Trade agreement “discussions” moving to back burner**
  - Key issues remain the internal taxation of imported goods
    - VAT countries vs. corporate tax/sales tax countries
    - Regulatory limitations on foreign investment
    - Country-by-country agreements will be favored
  - Banking subsidies – US Import-Export Bank authorized to September 2019 – look for closure to become contentious topic



# Resources

- **Mondays with Dr. Joe**

- Economy Sending Conflicting Messages? Or Is It?
  - <http://whattheythink.com/articles/84426-economy-sending-conflicting-messages-or-it/>

- **Articles**

- Janus Funds ex-PIMCO Bill Gross commentary "Show Me the Money" uses the old Will Rogers line "I'm not so much concerned about the return on my money but the return of my money" to explain why he worries that growth expectations are overdone, and credit problems are rampant worldwide
  - <https://www.janus.com/insights/bill-gross-investment-outlook>
- Investor John Hussman "Blue Skies," who saw 2000 & 2008 crashes, says stocks overvalued in a worrisome way
  - "Extremes in consumer confidence, coupled with extremes in investor sentiment, valuation, and price extension, have regularly marked important market peaks and troughs."
  - <https://www.hussmanfunds.com/wmc/wmc170313.htm>
- *Commentary Magazine* "Our Miserable 21<sup>st</sup> Century" explains how the economy has changed since 2000.
  - <https://www.commentarymagazine.com/articles/our-miserable-21st-century/>
  - Important demographic note: in 2020, 51% of the workforce will be millennials: that cohort has never worked during an economic boom. Since 2000, GDP has grown +1.8%/yr. The last 6 years of the Clinton Administration was +4.1%/yr.
- "Will Repealing Obamacare Kill People?" The data are surprising, and not what's in the press
  - <https://www.manhattan-institute.org/html/will-repealing-obamacare-kill-people-10044.html>

- **Data Sources**

- Record shares of Americans now own smartphones, have home broadband
  - <http://www.pewresearch.org/fact-tank/2017/01/12/evolution-of-technology/>
- Pew Internet Survey broadband facts
  - <http://www.pewinternet.org/fact-sheet/internet-broadband/>

# Use the WhatTheyThink Monthly Commercial Printing Shipments data

- A special resource for WhatTheyThink members in their understanding, forecasting, and planning related to the North American commercial printing markets
- US data
  - Based on the manufacturing shipments data for NAICS 323 as released by the US Department of Commerce
  - Presented in current dollars and also in inflation-adjusted format using the Consumer Price Index as published by the Bureau of Labor Statistics
- Canada data
  - Based on Statistics Canada, presented in current and inflation-adjusted Canada dollars
  - Additional calculations include current and inflation-adjusted data in US dollars

Visit <http://whattheythink.com/data/>

# Q&A

Send us your  
questions!



# Upcoming ERC Webinars

- Planned 2017 dates, all Wednesdays at 2pm ET US
  - April 19
  - May 17
- Watch [WhatTheyThink.com](http://WhatTheyThink.com) for details
- These webinars are available thanks to the support of our Premium Members
  - If you're not a Premium Member, please consider joining today so we can continue to bring timely and relevant information to the industry



**Thanks for joining us!**

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