



Economist William Strauss to Look at 2012 Economy at Annual Meeting

Just how will the economy expand in 2012? William A. Strauss will shed some light on that question and others with his presentation “2012 Economic Outlook.” He will be one of the featured speakers at the PMPA’s 78th Annual Meeting, October 21-25, at the Barton Creek Resort & Spa in Austin, Tex.

Mr. Strauss is the senior economist and economic advisor in the economic research department at the Federal Reserve Bank of Chicago, which he joined in 1982. His chief responsibilities include analyzing the current performance of the Midwest’s economy and the manufacturing sector. His analyses are then used in determining monetary policy.

The economist will be taking a look at how the economic expansion is progressing. “I will be looking at sectors that are doing well and others that are more of a challenge, such as the housing sector,” he says.

“My specialty is following the manufacturing sector, that is one of the key industries in the Midwest. In the Federal Reserve System, there are 12 regional reserve banks around the country. Each is tasked with keeping track of the important industries in its region and how their respective economies are doing.

“What makes the Midwest district unique compared with other districts is the large manufacturing sector,” continues Mr. Strauss. “Even though manufacturing employment and manufacturing’s

share of GDP have been going down, manufacturing is still what the Midwest economy is all about.”

Mr. Strauss feels that manufacturing has been leading the country during this recovery/expansion. “I believe the U.S. markets that will grow are those that continue to show strong productivity,” he explains. “The markets that will be challenged are those that have relatively low productivity. That’s Economics 101. It’s the concept of comparative advantage or doing what you do best.”

The economist points out that the companies that have historically done well in the U.S. are those in the durable goods industries. “They tend to utilize machinery to a higher degree,” he says. “And, they’re able to take advantage of productivity that comes out of the greater capital intensity.”

With regard to the most recent economic downturn, Mr. Strauss believes the two industries hit the hardest were automotive and primary metals. “Oftentimes, like a tennis ball, the industry that falls the hardest bounces back the strongest,” he emphasizes. “That is absolutely true in this case. The automotive industry has been leading the recovery, followed by primary metals such as steel and aluminum.

“When you look within the United States, the only industry that is showing a bit of a challenge for growth has been the housing sector,” says Mr. Strauss. “But that sector has become a relatively small part of the UNITED STATES



economy over the last several years. I don’t think there were many people expecting any great gains there following the housing bubble.”

Mr. Strauss feels that most of the other parts of the economy continue to show signs of recovery. “The manufacturing sector, the job front and even the financial sector continue to heal over time,” he adds. “That’s going to bode well with regard to growth as we go forward.

“When you look at some of the projections out there right now, most forecasters see relatively moderate growth this year and next,” he continues. “That’s even with the fiscal authorities at both the Federal and state levels pulling back. It suggests that the private sector will continue to show better performance going into next year.

“We have seen the dollar come down quite a bit,” states Mr. Strauss. “But, as I tell my economics classes, any time the dollar goes up, that’s good...and bad. It’s a matter of what side of

(Continued on page 6)



(Continued from page 5)

the equation you're on. A weak dollar will make it more expensive to travel around the world or import a product. However, it also makes it much more easier to export because domestic goods become less expensive to foreign consumers.

"A falling currency is how the trade deficit corrects itself," he continues. "When a country runs a large trade deficit, its currency tends to lose value. This has helped the U.S. trade deficit decline over the last several years. Even though the U.S. trade deficit has been cut in half, it is still very large from a historical perspective.

"When you talk about work coming back to the United States or decisions being made about opening future factories, the U.S. is in a globally competitive environment that involves more than just the value of the dollar.

"Ten years ago, wages were so low in China, everybody was rushing over there to get a bargain," says Mr. Strauss. "Since then, some drastic changes have occurred. Wage rates in China have risen dramatically and oil prices have gone up substantially. Ten years ago, oil was selling at about 20 dollars a barrel. Now it's five times that. That makes logistics costs much more expensive."

Mr. Strauss points out some other recent changes. "There's also the frailty of some of the global

supply chains. Look at what happened to suppliers in Japan and their customers when that country was hit by the earthquake and tsunami back in March."

The economist sees signs that manufacturing is coming back to the United States. "Volkswagen was one of the first foreign names that came to the U.S. to produce its vehicles. The company ended up closing its Pennsylvania plant in 1988. But in May of this year, Volkswagen opened a new \$1 billion greenfield production facility in Chattanooga.

"The Italian automaker Fiat has invested quite a bit in Chrysler," he continues. "The company announced a \$1.6 billion investment for plants in Illinois and Michigan. It all suggests that foreign companies, as well as domestic ones, are looking at the U.S. as a much better place to be making these investments."

Mr. Strauss sums up by saying, "I think globalization has gone too far. I believe it's swinging back to where it's more of a story of localization or getting closer to your customer."

For more of Mr. Strauss' insights into the rebirth of manufacturing during these turbulent economic times, don't miss his presentation at the PMPA 2011 Annual Meeting, October 21-25. To register for the meeting or for more details, visit the PMPA website: pmpa.org.

VISIT OUR BLOG >>

PMPA SPEAKING OF
PRECISION.COM

Below is the calendar of upcoming conferences and events scheduled for the 2011-2012 program year. For the latest district/chapter meeting information, please view the Calendar of Events at pmpa.org/calendar/. If you have questions about PMPA conferences or regional meetings, please contact Rob Kiener, Director of Government Affairs & Communications: 440-526-0300 or rkiener@pmpa.org.

PMPA Annual Meeting

October 21-25, 2011
Barton Creek Resort & Spa
Austin, Texas

PMPA Management Update Conference

February 23-26, 2012
The Hyatt Regency La Jolla
San Diego, Calif.

PMPA National Technical Conference

April 21-24, 2012
The Westin North Shore
Wheeling, Illinois



6700 West Snowville Rd. • Brecksville, Ohio 44141

Phone: 440-526-0300 • Fax: 440-526-5803

Website: pmpa.org

© 2011 P M P A