HOT WIRE®

JANUARY 2016

News and Economic Outlook for the Wire and Cable Industry

| SPOTLIGHT |

The US Consumer is King

2016 WAS NOT A STRONG YEAR for many components of the US industrial economy. Average US Mining Production, down 9.8% since last year, was depressed by low oil prices that stemmed from a supply glut and slower growth in World Industrial Production. Average US Electric and Gas Utilities Production, currently down 1.8%, struggled due to unusually-warm El Niño weather and slower growth in US Manufacturing Production. This limited growth for many businesses related to the energy and utilities industries; however, consumer strength kept average US Manufacturing Production above year-ago levels, currently up 0.3% from last year. Consumer spending, which accounts for over two-thirds of US economic activity, also kept US Real GDP expanding. GDP is rising at a seasonally-adjusted annualized rate of 1.7%, despite the negative pressures from US Industrial Production and US Nondefense Capital Goods New Orders, a measure of business-to-business activity. Expect this consumer strength to persist throughout 2017, driven by a strong labor market and consumer savings.

US Total Retail Sales *(deflated)* is one way to analyze consumer strength. Retail Sales during the 12 months through November rose 2.0% compared to the previous year. Although the pace of growth in US Total Retail Sales is currently slowing, expect Retail Sales to accelerate from early 2017 into the first quarter of 2018. Consumers are experiencing high levels of US Private Sector Employment *(up 1.9% from the level one year ago)* and increasing US Real Disposable Personal Income *(up 2.8%)*. The rate of US Overall Wage Growth is at 3.9%, which outpaces inflation, up 1.6%. Inflation is currently slightly below the Federal Bank's target level of 2.0%. Low inflation, low interest rates, high levels of employment, and upward momentum in wages suggest increased consumer spending in 2017. In addition, annual US Personal Savings as a Percentage of Disposable Income rose from a December 2013 low to August 2016, thanks in part to a strong labor market and low inflation over the time period. The Savings Percentage leads US Retail Sales by two years, thus the previous period of upward momentum in the Savings Percentage bodes well for US Retail Sales in the coming years. All of this suggests that manufacturers and distributors should be prepared to capitalize on the accelerating growth trend in consumer spending in 2017 and into early 2018.

US E-Commerce Retail Sales are in an accelerating growth trend, up 15.6% year-over-year. In contrast, US Retail Sales at General Merchandise Stores are declining mildly, down 0.4% from the year-ago level. Consumer preferences are clearly shifting toward purchasing items online in lieu of trips to brick-and-mortar stores. Online stores are diversifying their inventory and can deliver goods around the world under short time constraints. This grants the consumer multiple options that will accommodate their purchasing needs beyond their geographic limitations. Flexibility in shipping and return

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IEWC GLOBAL SOLUTIONS

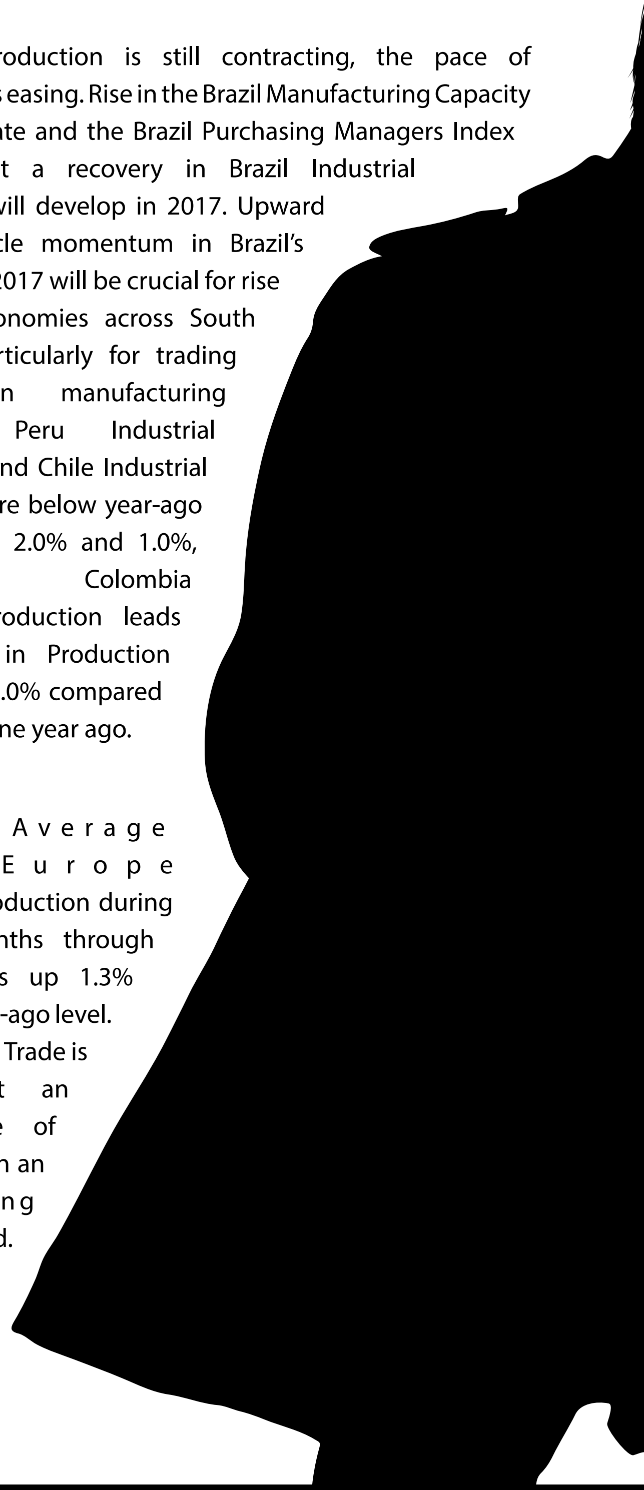
GLOBAL ECONOMIC OVERVIEW

NORTH AMERICA Looking into 2017, it is time for businesses to prepare for growth in all three North American economies. The OECD Leading Indicator rates-of-change for the US *(ten consecutive months of rise)* and Canada *(13 consecutive months of rise)* are signaling that 2017 will be a better year than 2016 for the US and Canadian macroeconomies. This is corroborated by the Purchasing Managers Index readings for the US and Canada, both of which denote expansion in manufacturing. US Industrial Production *(down 1.2% year-over-year)* and Canada Industrial Production *(down 1.3% year-over-year)* are recovering. Expect annual Industrial Production for both countries to rise imminently into late 2018. Be aware that interest rates and inflationary pressures, especially for wages and for raw materials, will rise in 2017. American and Canadian firms will need to ensure appropriate price escalators are put in place and costs are controlled via long-term contracts at today's relatively-low prices and interest rates in order to maximize profitability during the period of growth over the next two years.

The OECD Mexico Leading Indicator rate-of-change has declined for the most recent three months of data through November. However, a general rising trend into August and the positivity exhibited by Mexico's neighbors to the north in 2017 signal Mexico Industrial Production is also likely to expand in 2017 in spite of uncertainty related to the US election. Be mindful of the possible negative impact of tariffs put on items imported into the US from Mexico, but at the same time, be aware that Mexico is a good place to do business over the longer term given its proximity to the US and Canada, relatively-low wage rates, and higher rates of worker productivity than many other developing nations.

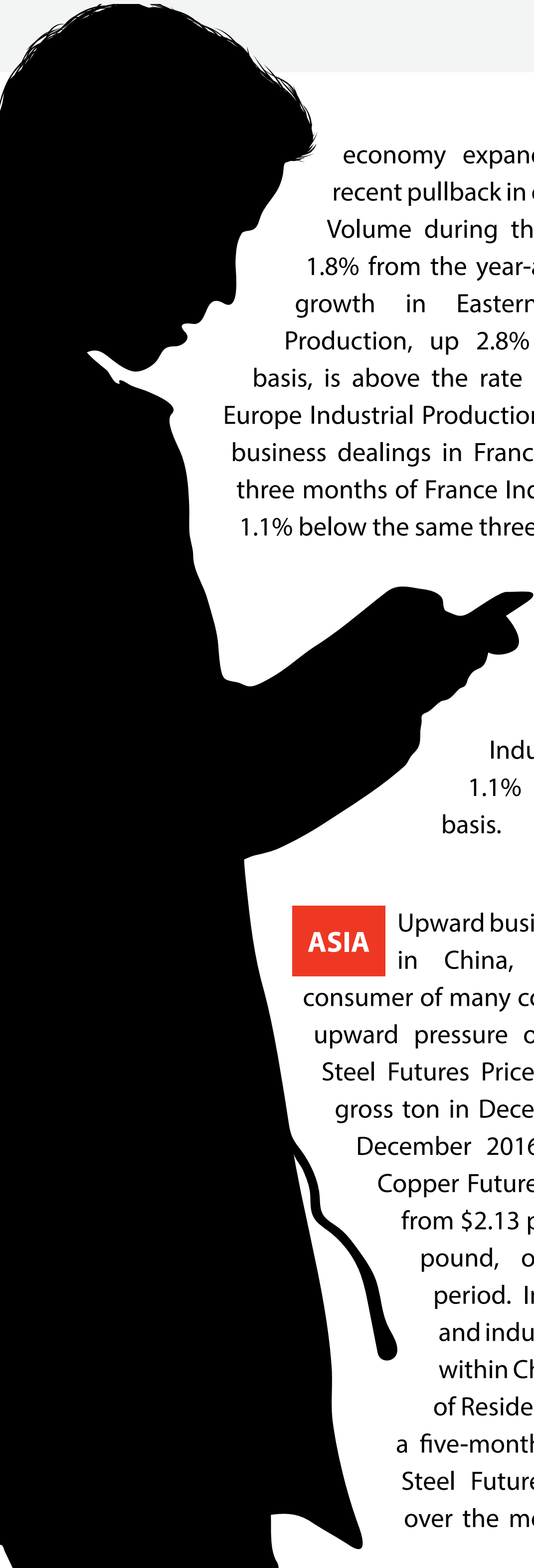
SOUTH AMERICA Brazil Manufacturing and Mining Industrial Production for the 12 months through October are down 8.4% year-over-year. Although Production is still contracting, the pace of contraction is easing. Rise in the Brazil Manufacturing Capacity Utilization Rate and the Brazil Purchasing Managers Index suggest that a recovery in Brazil Industrial Production will develop in 2017. Upward business cycle momentum in Brazil's economy in 2017 will be crucial for rise in other economies across South America, particularly for trading partners in manufacturing industries. Peru Industrial Production and Chile Industrial Production are below year-ago levels, down 2.0% and 1.0%, respectively. Colombia Industrial Production leads the region in Production growth, up 4.0% compared to the level one year ago.

EUROPE Average Europe Industrial Production during the 12 months through November is up 1.3% from the year-ago level. Europe Retail Trade is growing at an annual rate of 1.9% and is in an accelerating growth trend. Strong consumer behavior is keeping Europe's



BY THE NUMBERS (US)

Conference Board Consumer Confidence Index	December (2016) Unemployment	Retail Sales (Nov to Dec change)	Mfg.'s New Orders for Durable Goods (Oct to Nov)
113.7%	4.7%	+0.8%	-4.6%



economy expanding in spite of the recent pullback in exports. Europe Export Volume during the last 12 months fell 1.8% from the year-ago level. The pace of growth in Eastern Europe Industrial Production, up 2.8% on a year-over-year basis, is above the rate of growth in Western Europe Industrial Production, up 1.1%. Be wary of business dealings in France, as the most recent three months of France Industrial Production are 1.1% below the same three months one year ago. UK Industrial Production is growing at an annual rate of 1.0% while Germany Industrial Production is up 1.1% on a year-over-year basis.

ASIA

Upward business cycle momentum in China, the world's largest consumer of many commodities, is putting upward pressure on commodity prices. Steel Futures Prices rose from $140 per gross ton in December 2015 to $260 in December 2016, an 85.7% increase. Copper Futures Prices are up 17.5%, from $2.13 per pound to $2.50 per pound, over the same time period. Increased construction and industrial activity is evident within China. China Floor Space of Residential Buildings Started, a five-month leading indicator to Steel Futures Prices, is up 3.7% over the most recent 12 months. China Railway Freight Carried totaled 644.0 billion ton kilometers over September, October, and November, an 11.6% increase from the same three months one year ago. Rise in the China Leading Indicator rate-of-change suggests we are likely to see cyclical rise in China Industrial Production for at least the next three quarters. Southeast Asia Industrial Production, up 1.4% year-over-year, is likely benefitting from cyclical rise in China. Annual Japan Industrial Production rose for four consecutive months, although the trend remains 1.0% below the year-ago level. India Industrial Production, down 0.5% from the year-ago level, is declining. A shortage of bank notes is likely a contributing factor.

MIDDLE EAST / AFRICA

Average Middle East and North Africa Industrial Production during the most recent 12 months is up 2.3% from the level one year ago. Mild rise in Oil Prices are helping oil-dependent economies, such as Saudi Arabia (GDP down 8.8% from one year ago), recover. Egypt Industrial Production is in recession, down 10.5% from the year-ago level.

*Source - IEWC contracts the services of a third party consultant to provide current insights on the economy.

CURRENCY TRENDS

	Current Value of $1USD	Change Since 1/1/2017	Change Since 1/1/2016
Brazilian Real	3.23	-0.02	-0.73
Canadian Dollar	1.32	-0.02	-0.07
Chinese RMB	6.90	-0.04	0.39
Euro	0.94	-0.01	0.02
Mexican Peso	21.69	0.96	4.49
Pound Sterling	0.83	0.02	0.15

Current values as of 1/16/2017

Mfg.'s Shipments of Durable Goods (Oct to Nov)	Durable Goods Mfg.'s Inventories (Oct to Nov)	CPI Inflation (over prev. 12 months)	US Industrial Production Index (over prev. 12 months)	Purchasing Managers Index (December)
+0.1%	+0.1%	+0.2%	-0.6%	54.7%

SPOTLIGHT | The US Consumer is King

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policies also convince more shoppers to make purchases online. Expect US E-Commerce Retail Sales to expand at a pace similar to the current annual growth rate through late 2017. The rate of growth in US E-Commerce Retail Sales is expected to slow slightly in 2018, in line with slower growth trends in US Retail Sales *(deflated)* and US Real GDP as interest rates rise in 2018. However, no contraction is expected to occur in that segment of Retail Sales.

US Automobile Dealers Retail Sales rose 3.9% during the last 12 months. This suggests the trend toward new car purchases has faded slightly in favor of repairing existing vehicles. US Motor Vehicle Parts Production, which would include parts used to repair existing vehicles, is growing at an annual rate of 7.0% while US Motor Vehicle Production of new vehicles is up 2.2% year-over-year.

Increased consumer spending will support growth in US Total Industrial Production in 2017 and 2018. Businesses need to be ready to accommodate increased activity to prevent losing market share due to capacity and production limitations. Hiring, training, and retaining employees will be especially important in the upcoming business cycle as a tight labor market makes it difficult for firms to find and keep qualified employees. Last, think of how your business can capitalize on consumer shifts toward online purchases, eating and drinking out, and repairing used cars. Delivery vehicles, warehouse construction, and material handling equipment are needed to distribute goods purchased online. New construction or remodeling of restaurants and bars is needed to meet consumer demand. Focusing on used vehicle parts may be an effective strategy to combat the recent cyclical downturn in new car sales. By keeping abreast of the latest economic conditions and trends, you can position your business to maximize profitability during the period of accelerating growth in 2017 and in the period of slower growth expected in 2018.

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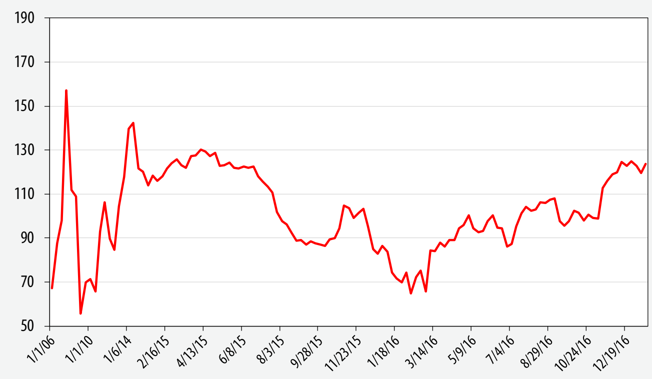
WIRE INDEX

The Wire Index leveled off a bit in December compared to November's jump but still increased by 3.2% since the beginning of December. It is now up 73% over the past 12 months. Once again, all tracked companies had stock price increases in December. Houston Wire & Cable led the way with a 20.7% increase while General Cable and Encore Wire had increases of less than 1%.

The Index tracks the weighted stock price of five publicly-traded wire and cable manufacturers and distributors based in the US and is benchmarked such that the average value during the second half of 2006 equals 100. With the purchase of Coleman Cable by Southwire, the Wire Index now has five publicly traded wire and cable manufacturers and distributors.



COPPER FUTURES

Comex Copper rates increased once again in December, this time by a more modest 1.9%. Comex copper prices are up 37.5% over the last 12 months and are already up 8% in the first two weeks of 2017.