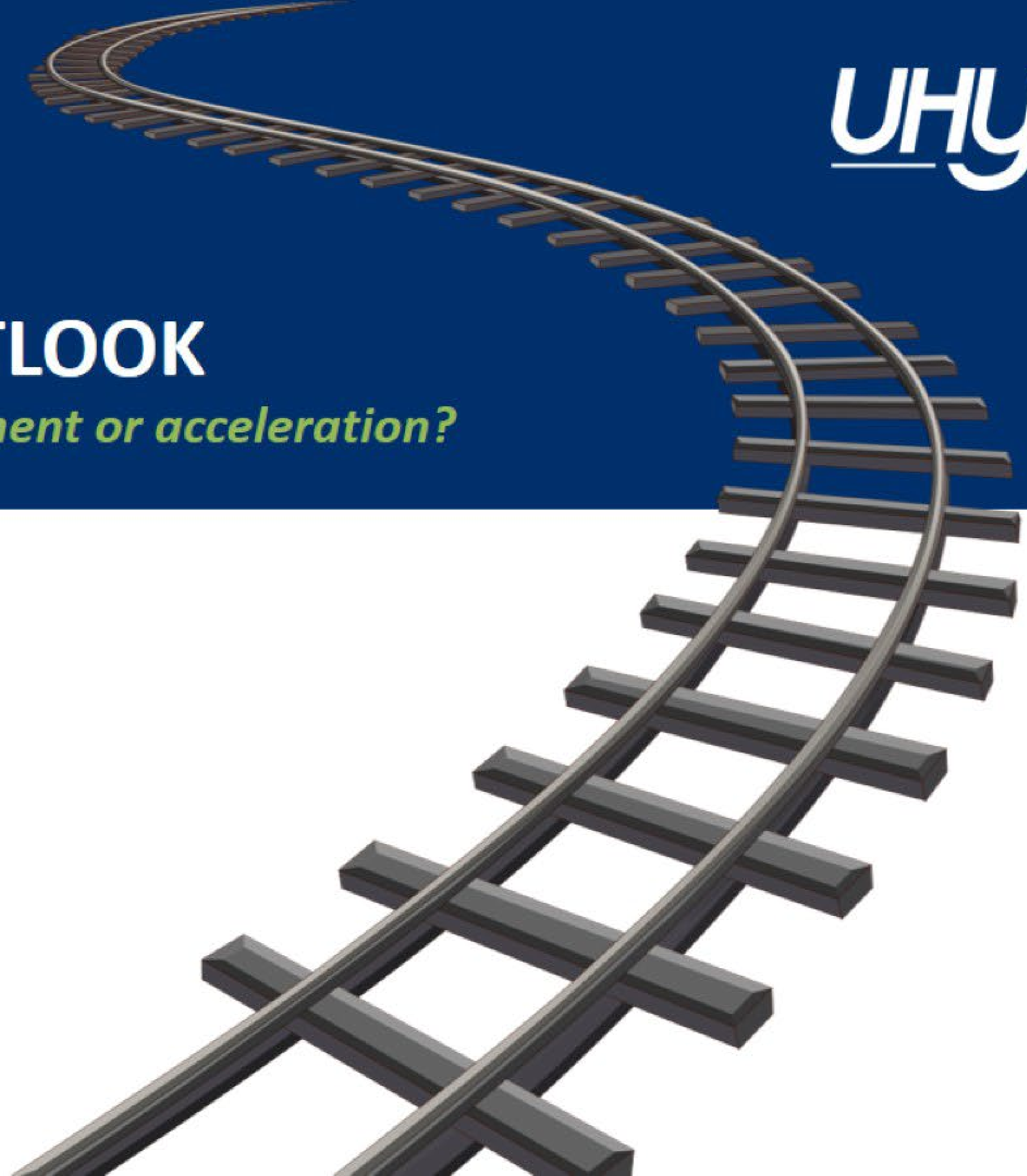
MANUFACTURING OUTLOOK

Is manufacturing on track for derailment or acceleration?



UHY

WELCOME!

Thomas Alongi CPA, CMA

National Manufacturing Practice Leader

UHY LLP

Follow the money: Opportunities for suppliers

Paul Truber

Managing director

UHY Advisors, MO Inc.

Attendee Checklist

✓ Questions

- Please note – Presenters will be around at the end of the seminar

✓ Keep a look out for a post-event email

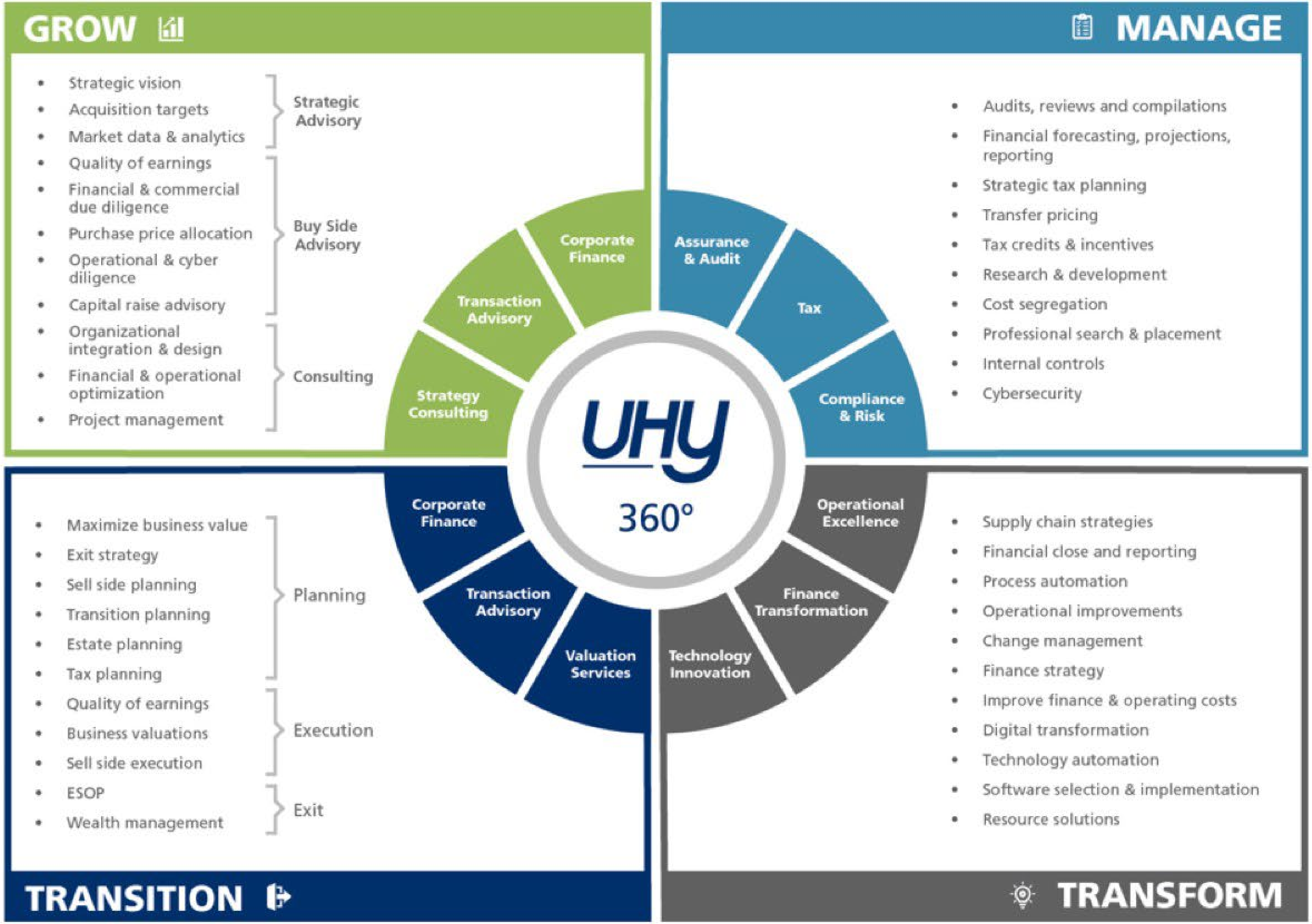
- Event recap
  - Download a copy of the presentation
  - Link to view the video
- Feedback survey

8:00	Registration, Breakfast, and Networking
8:30	Paul Truber, Managing Director, UHY Advisors MO, Inc.
8:45	Keith Prather, Managing Partner, Armada Corporate Intelligence
9:15	Charles Clevenger, Principal, UHY Consulting Thomas Alongi, Partner, UHY LLP
10:00	15 Minute Break
10:15	Harry Moser, President, Reshoring Initiative

Get to know UHY

- We leverage local knowledge along with global expertise.
- We are proven problem-solvers focused on middle market companies.
- A strong entrepreneurial mindset is the key to growth. We bring this mindset to every client experience.
- We have **50+** years of market experience, building long-term relationships

UHY


GROW
Strategic vision
Acquisition targets
Market data & analytics
Strategic Advisory
Quality of earnings
Financial & commercial due diligence
Purchase price allocation
Operational & cyber diligence
Capital raise advisory
Buy Side Advisory
Organizational integration & design
Financial & operational optimization
Project management
Consulting
Corporate Finance
Transaction Advisory
Strategy Consulting
MANAGE
Audits, reviews and compilations
Financial forecasting, projections, reporting
Strategic tax planning
Transfer pricing
Tax credits & incentives
Research & development
Cost segregation
Professional search & placement
Internal controls
Cybersecurity
Assurance & Audit
Tax
Compliance & Risk
UHY
360°
TRANSITION
Maximize business value
Exit strategy
Sell side planning
Transition planning
Estate planning
Tax planning
Planning
Quality of earnings
Business valuations
Sell side execution
Execution
ESOP
Wealth management
Exit
Corporate Finance
Transaction Advisory
Valuation Services
TRANSFORM
Supply chain strategies
Financial close and reporting
Process automation
Operational improvements
Change management
Finance strategy
Improve finance & operating costs
Digital transformation
Technology automation
Software selection & implementation
Resource solutions
Operational Excellence
Finance Transformation
Technology Innovation

Many Pressures on Manufacturing Industry

Follow the money: Opportunities for Suppliers UHY 2023 Middle Market Survey

Key focus areas for Businesses in 2023

1. 39.5% Organic Growth/New Business Models
2. 36% Profitability /Efficiency Improvement/Corporate Restructuring
3. 9% Digital transformation/Technology Integration
4. 8% Product/Geographical Expansion
5. 4.5% Sustainability/ESG
6. 3% M&A activity

Follow the money: Opportunities for Suppliers Government Incentives

- Inflation Reduction Act
  - Advance clean energy production
  - Increase domestic manufacturing capacity

$370B

- CHIPS Act
  - Increase domestic semiconductor manufacturing capacity
  - Accelerate R&D to advance commercialization of technology

$280B


Come in
WE'RE
OPEN

Economic outlook: Will manufacturing be spared from a downturn?

Keith Prather

Managing partner

Armada Corporate Intelligence

ARMADA

Economic Update

Prepared by: Armada Corporate Intelligence

Demand: Inflation-Adjusted Retail Spending Continued to Remain Stable and Near Historically High Rates Through July.

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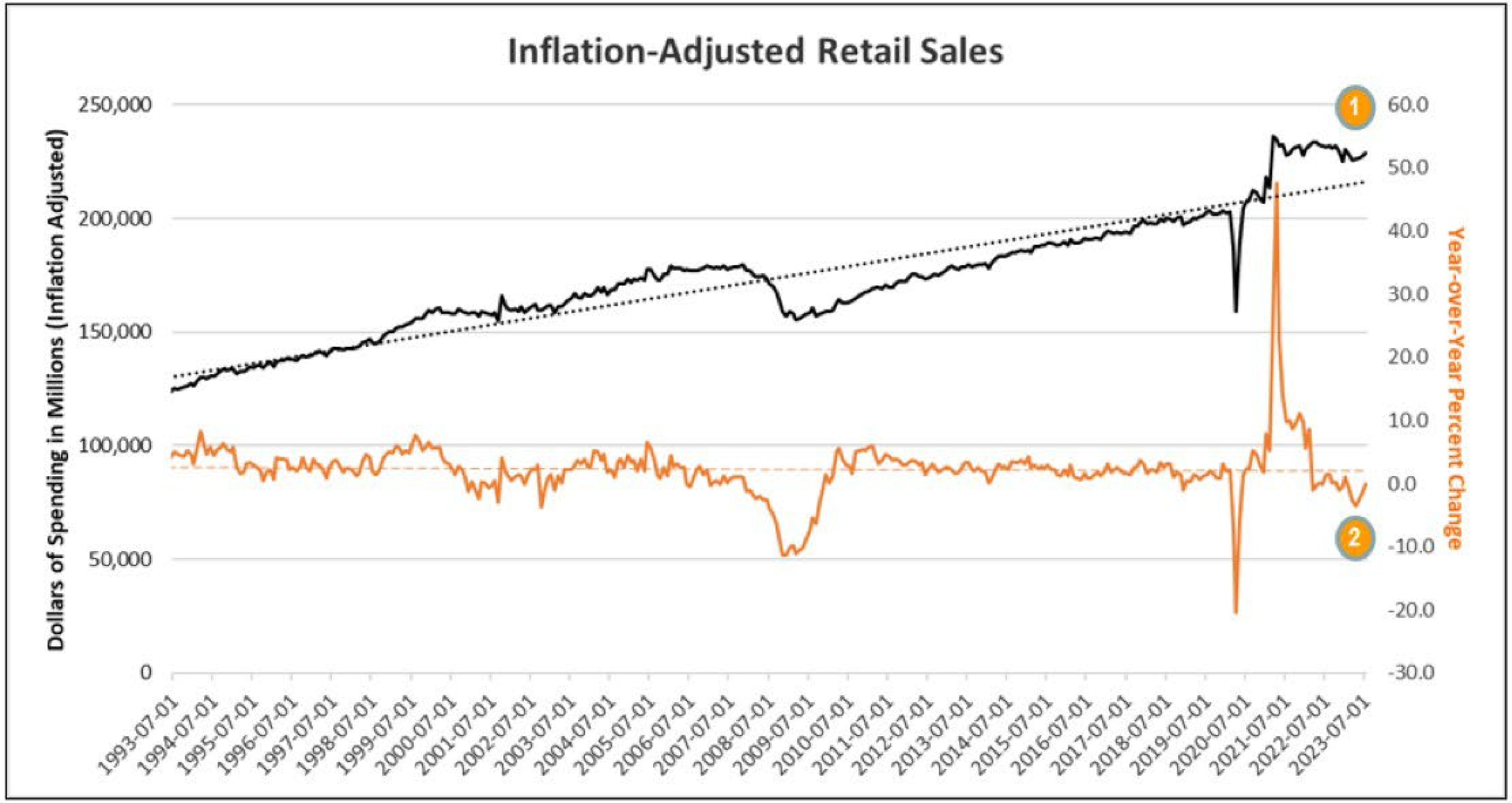
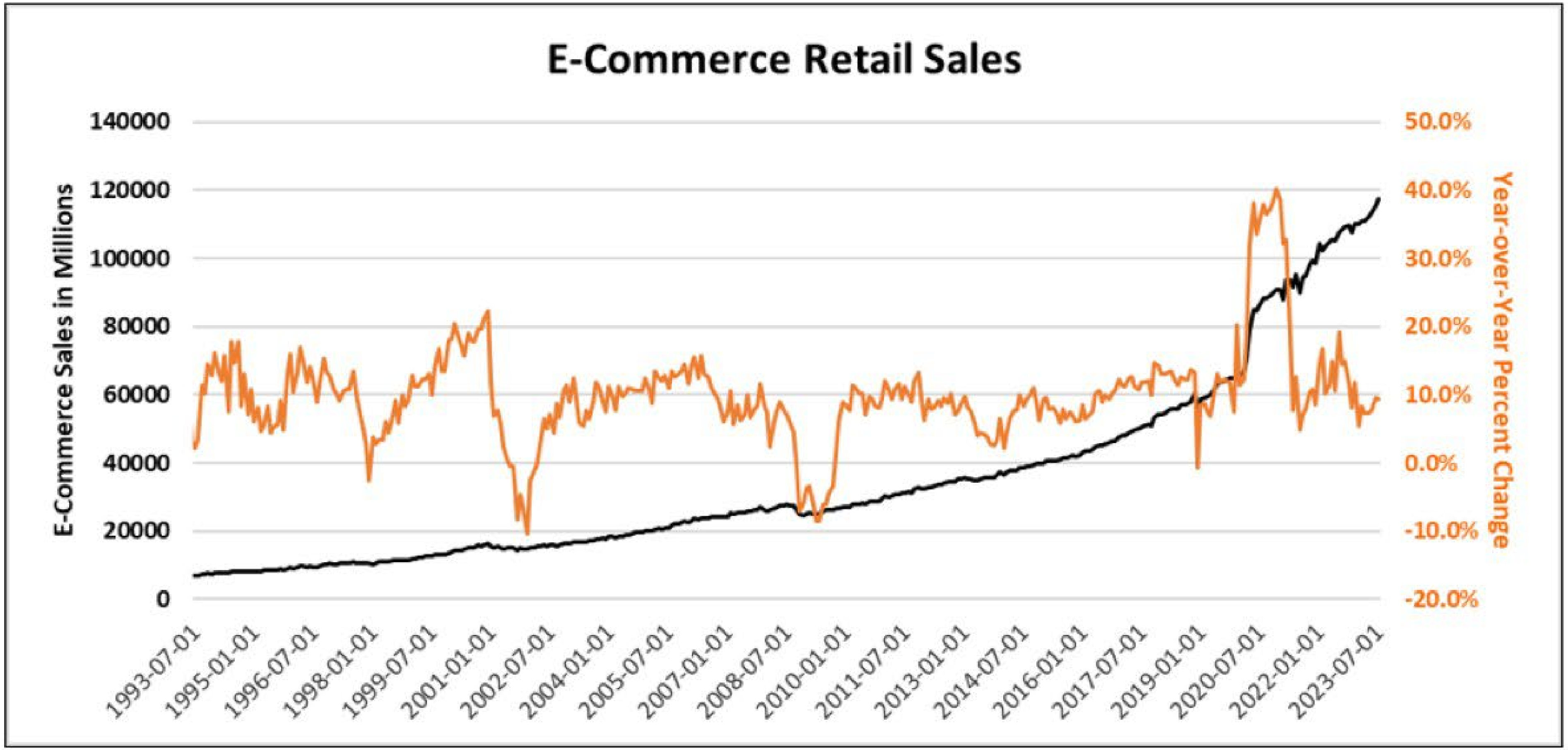
1. Inflation-adjusted retail sales continued to outpace the 30-year trend through July.
2. Some slight fatigue in consumer spending was beginning to show up in July and inflation-adjusted sales fell 0.1% Y/Y.



Demand: E-Commerce Surging Still

- **Up 10.3% Y/Y**
- **84.7% higher than pre-pandemic levels.**
- **But, Amazon Prime Days**
  - Hit record volumes
  - Discount rate was 14%, double last year's 7% rate
  - Items were pulled-forward Christmas items and some back-to-school



Finally…Something the Federal Reserve Has Been Waiting For – Reversing the Death Cross

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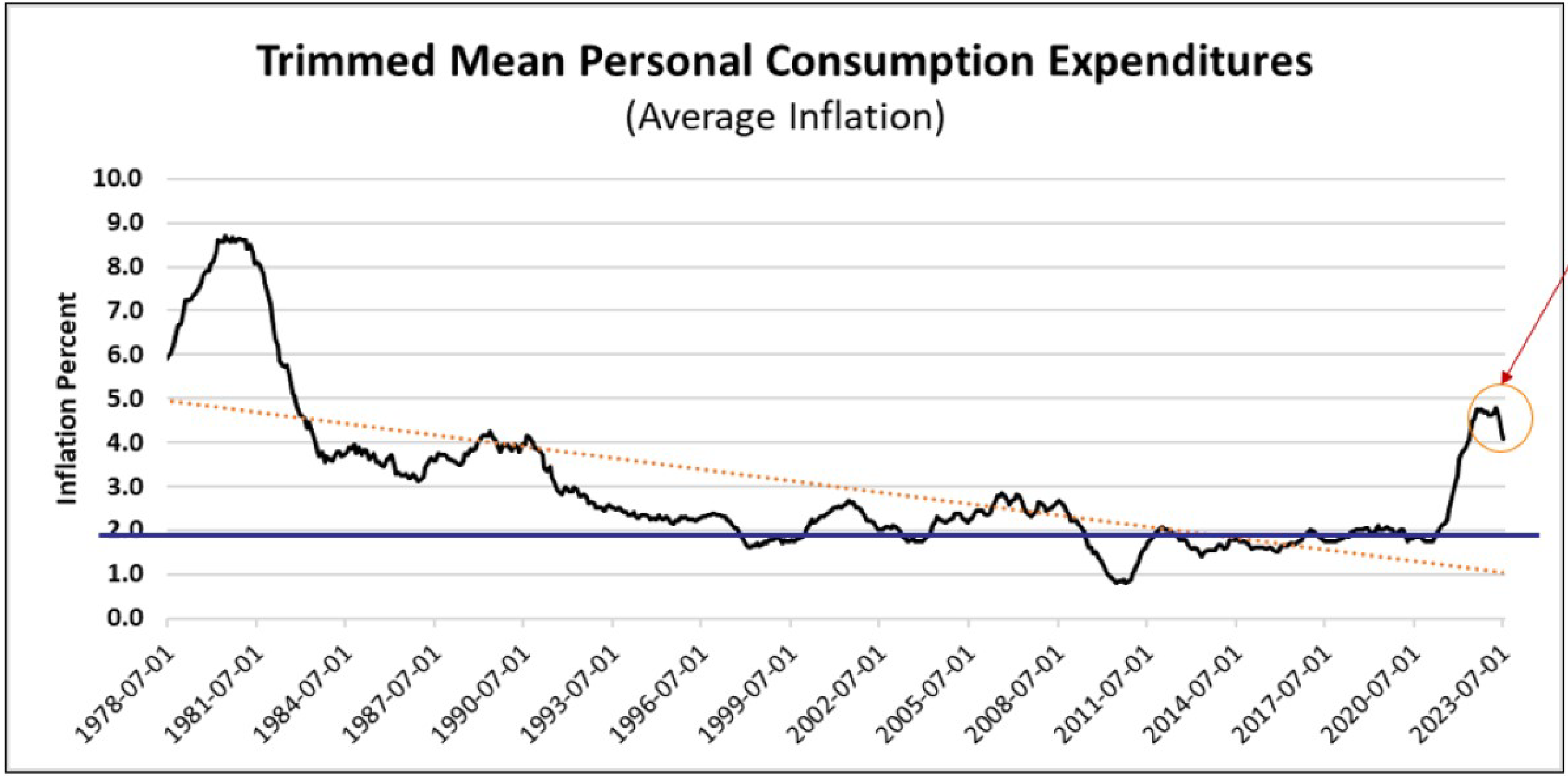
- 61% of the US is living check-to-check. With 78 million households falling further behind each month, the Fed must remain hawkish until this inversion reverses course.
- Some secular pockets of inflation have started to ease, but wage inflation is sticky, and is likely partly the cause for some of this inflationary pressure.
- Walmart has begun to drop starting wages to start wage disinflation.

Good and Bad: The Fed is Still Fighting Inflation, and One More Quarter Point Hike is Possible by the End of the Year.

ARMADA



- **4.10% July**
- 4.24% June
- 4.61% May
- 4.81% Apr
- 4.68% Mar
- 4.67% Feb
- 4.63% Jan
- 4.68% Dec
- 4.70% Nov
- 4.75% Oct
- 4.73% Sep
- 4.75% Aug

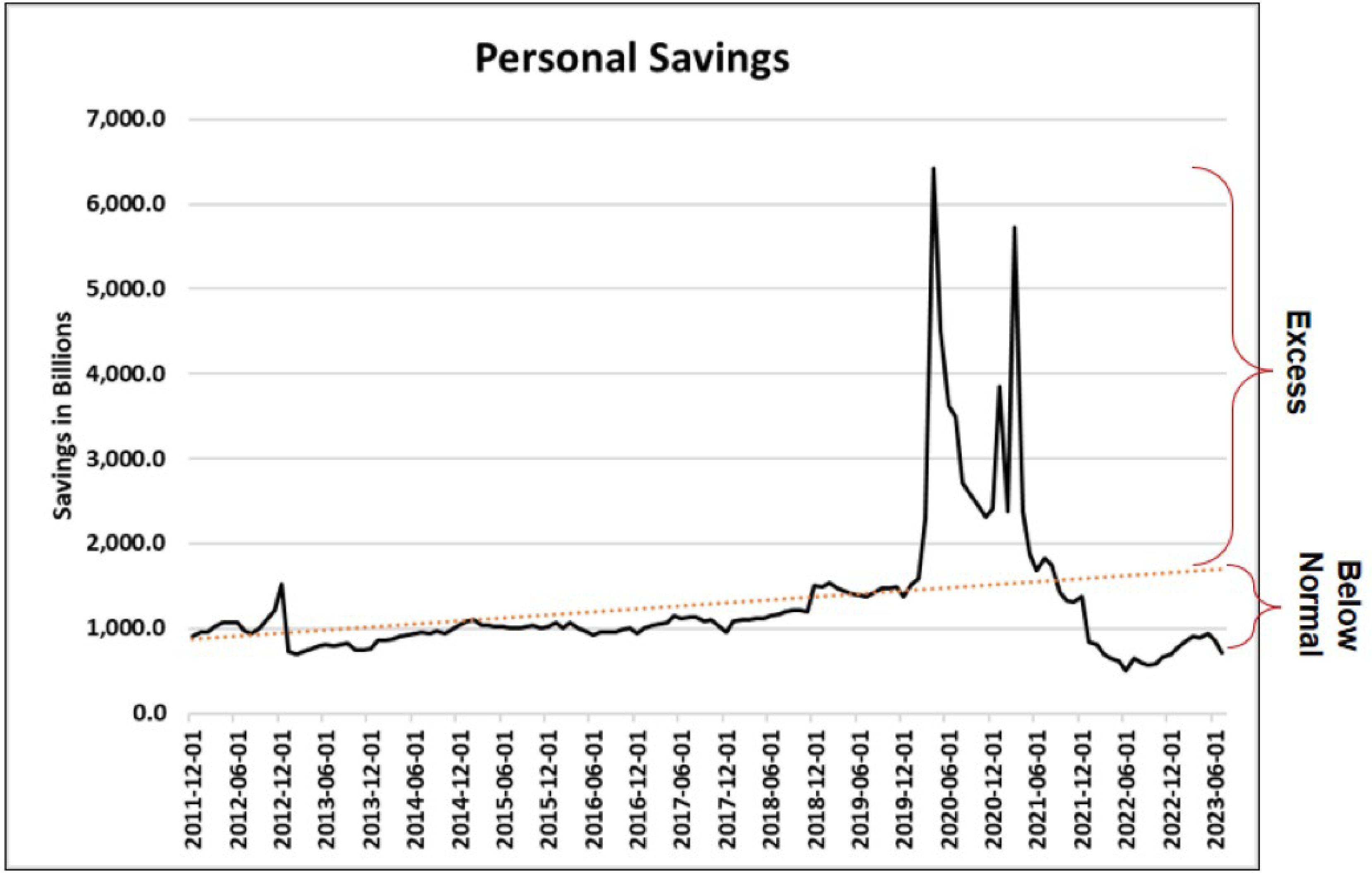
2% Target Rate
(20-year average 2.07%)

Note: The Trimmed Mean Personal Consumption Expenditures (TMPCE) averages more than 190 inflationary measures, stripping off the extreme highs and lows to give us a more accurate view of street level inflation.

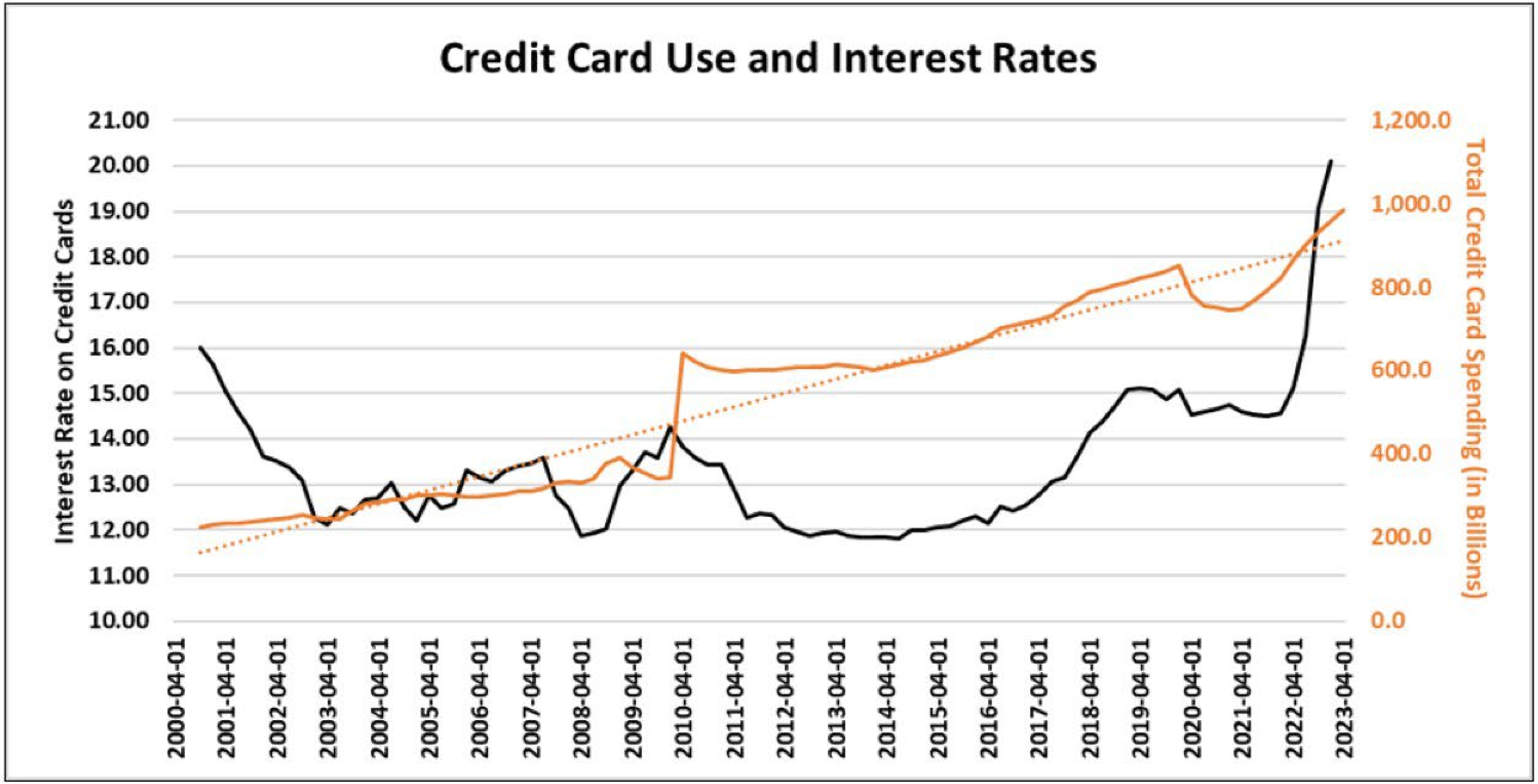
A Headwind: Personal Saving Excess Depleted

ARMADA

- Roughly $1.9 trillion below the long-term savings trendline
- Analysts believe that $2.1 trillion in excess has been spent
- Record credit card interest rates, and record credit card spending is a concern
- Ending of student loan payment moratorium in September/October could affect this as well



Another Headwind: Credit Card Use is Rising as Rates Hit All-Time Highs



Here is Why Demand is Sluggish

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1. **65.2% of the marketplace remains overstocked** through the end of June relative to 10-year average between Sep 2009 and Sep 2019.

2. **12.1% were reporting understocked conditions on a historical basis.**

3. **22.7% are effectively “balanced”.**

- Said another way, approximately 34.8% of the market is likely in a continuous reorder cycle, but the majority of the market is likely still conservatively ordering for the rest of 2023. Especially with the cost of capital rising for carrying additional inventory.

Inventory to Sales Ratio (ISR) Analysis

	Sector	June Sales (Millions)	9/12/09 - 09/12/19 10-YR Average	Jun-23	ISR Percent Above/Below Pre-pandemic
	Total Business		1.34	1.40	4.5%
1	Automotive		2.49	0.84	-66.3%
2	Retail		1.43	1.30	-9.1%
3	Merchant Wholesalers		1.29	1.41	9.3%
4	Manufacturing		1.35	1.49	10.4%
1	Drugs Wholesalers	86,070	1.09	1.01	-7.3%
2	Paper Wholesalers (ie. National Paper)	8,149	1.09	1.04	-4.6%
3	Computer Wholesale Distributors	25,366	0.79	0.76	-3.8%
4	Furniture, Appliance Stores (i.e NFM)	19,030	1.63	1.59	-2.5%
5	General Merchandise (ie. Walmart)	72,510	1.43	1.41	-1.4%
6	Department Stores (ie. Nordstrom's)	10,881	2.11	2.09	-0.9%
7	Chemical Wholesalers	13,710	1.17	1.16	-0.9%
8	Food and Beverage Stores	81,491	0.78	0.78	0.0%
9	Apparel Stores	25,695	2.39	2.39	0.0%
10	Furniture Wholesalers	10,515	1.71	1.77	**3.5%**
11	Building Material Stores (ie. Home Depot)	35,362	1.85	1.93	**4.3%**
12	Grocery Wholesalers	72,452	0.68	0.74	**8.8%**
13	Machinery Wholesalers (ie. John Deere, Vermeer)	51,050	2.60	2.86	**10.0%**
14	Lumber and Construction Material Wholesalers	17,976	1.49	1.66	**11.4%**
15	Commerical Equipment Wholesalers	50,016	1.09	1.22	**11.9%**
16	Durable Goods Wholesalers	303,613	1.59	1.86	**17.0%**
17	Hardware, Plumbing, Heating Wholesalers	19,150	2.05	2.49	**21.5%**
18	Household Appliances/Electronics Wholesalers	63,654	1.10	1.37	**24.5%**
19	Alcohol Wholesale Distributors	17,557	1.31	1.66	**26.7%**

1

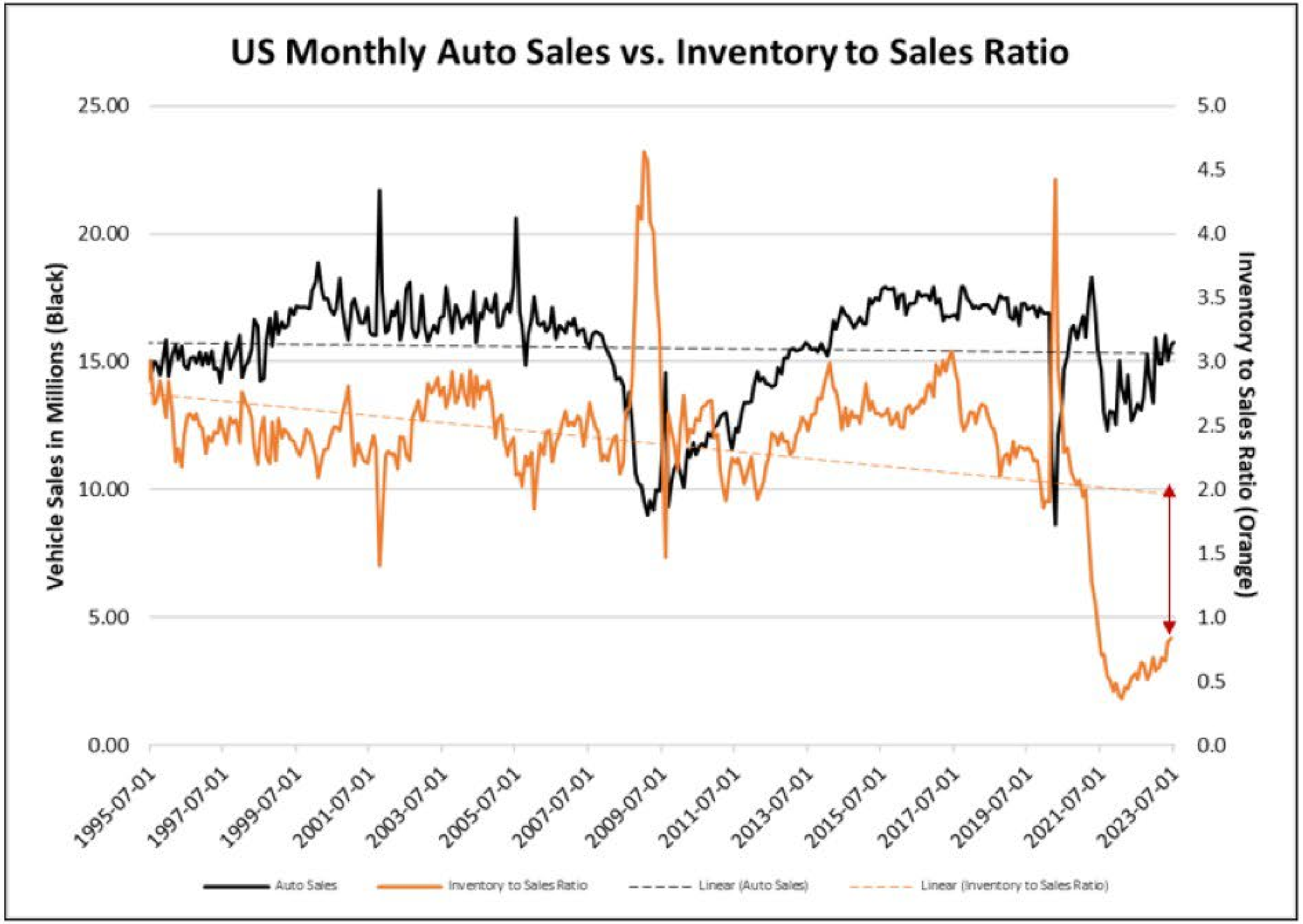
2

3

But Some are Still Cranking Out Products at Full Speed.
For Instance: Auto Inventories Still Too Low, Sales Stable for Now

ARMADA

- **Sales were trending at 15.7M through July.**
- **The average since 1976 was 14.8M;**
  - Over the past 20 years it was 15.3M
  - It was 16.1M over the past 10 years
- **For now, sales remain stable.**
- **Historically, less correlation between interest rates and sales – stronger correlations between discretionary income and auto sales.**



The Ripple:
Global Manufacturing Sluggish

- 19 countries had manufacturing sectors in contraction in Aug
- Europe still in recession.
- Asia is reeling from lack of demand in NA and Europe
- India is booming – because of shifting sourcing patterns
- Canada and the US in contraction, Mexico just barely hanging on.
- This could make some raw materials more plentiful, and help clear backlogs
- But from a global economy perspective, its not great news.

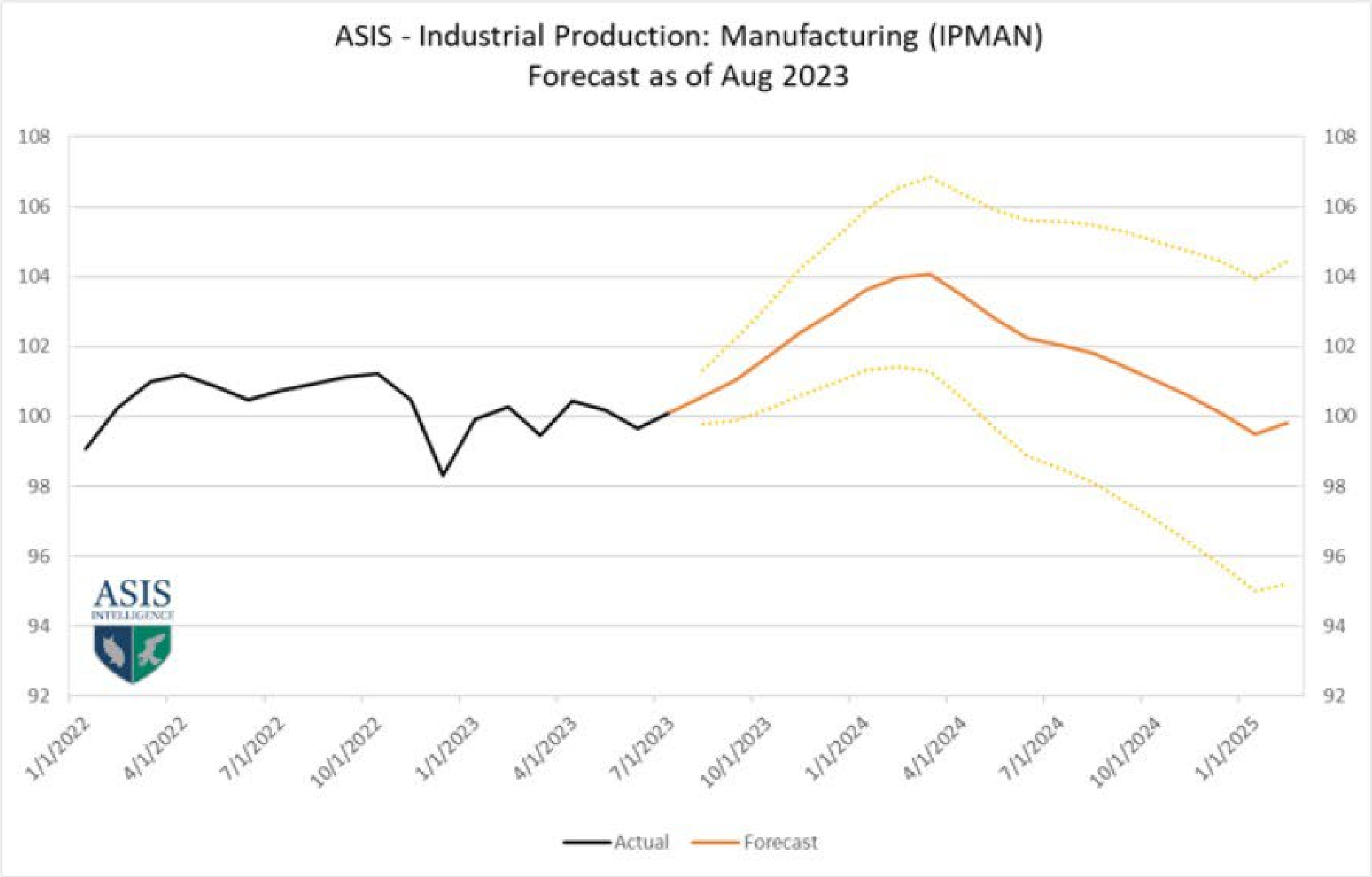
Country	Current Month	Latest Month Manuf. PMI	Prior Month Manuf. PMI	M/M Change	Current Month	Latest Month Services PMI	Prior Month Services PMI	M/M Change
Global PMI	Aug	49.0	48.6	0.4	Aug	51.1	52.7	-1.6
Eurozone PMI	Aug	43.5	42.7	0.8	Aug	47.9	50.9	-3.0
US	Aug	47.9	49.0	-1.1	Aug	50.5	52.3	-1.8
China	Aug	51.0	49.2	1.8	Aug	51.8	54.1	-2.3
Canada	Aug	48.0	49.6	-1.6				
Mexico	Aug	51.2	53.2	-2.0				
Japan	Aug	49.6	49.6	0.0	Aug	54.3	53.8	0.5
Germany	Aug	39.1	38.8	0.3	Aug	47.3	52.3	-5.0
South Korea	Aug	48.9	49.4	-0.5				
UK	Aug	43.0	45.3	-2.3	Aug	49.5	51.5	-2.0
France	Aug	46.0	45.1	0.9	Aug	46.0	47.1	-1.1
India	Aug	58.6	57.7	0.9	Aug	60.1	62.3	-2.2
Italy	Aug	45.4	44.5	0.9	Aug	49.8	51.5	-1.7
Taiwan	Aug	44.3	44.1	0.2				
Brazil	Aug	50.1	47.8	2.3	Aug	50.6	50.2	0.4
Spain	Aug	46.5	47.8	-1.3	Aug	49.3	52.8	-3.5
Russia	Aug	52.7	52.1	0.6	Aug	57.6	54.0	3.6
Netherlands	Aug	45.9	45.3	0.6				
Ireland	Aug	50.8	47.0	3.8	Aug	55.0	56.7	-1.7
Greece	Aug	52.9	53.5	-0.6				
Poland	Aug	43.1	43.5	-0.4				
ASEAN	Aug	51.0	50.8	0.2				
Vietnam	Aug	50.5	48.7	1.8				
Philippines	Aug	49.7	51.9	-2.2				
Australia	Aug	49.6	49.6	0.0	Aug	47.8	47.9	-0.1
Switzerland	Aug	39.9	38.5	1.4				
Hong Kong	Aug	49.8	49.4	0.4				
Singapore	Aug	49.9	49.8	0.1				

Sources: S&P Global, Caixin, JP Morgan, Jibun Bank, Nevi, BME, CIPS

Looking for a Turn: Armada Manufacturing Forecast

ARMADA

1. These models use 18-22 economic metrics to forecast output from each of the following sectors of durable manufacturing.
2. The following models show a forecast over the next 18 months, these models are updated monthly.



Accuracy:
- 3 months: 98.4%
- 6 months: 94.6%

Construction a Bright Spot

- Nonresidential construction spending still growing 18.1% Y/Y vs. residential which was down 10.3%
  - **Single family** **-15.2%**
  - **Multi-family** **24.6%**
- Remember: 1 single-family home creates demand for **7 full truckloads** of fixtures and internal components (not including the exterior or furniture).
- Manufacturing construction activity up 70.8% Y/Y on $201B in annualized spending. (Normal is $60B)
- Infrastructure spending beginning to build momentum. (Inflation Reduction Act – IRA)
- CHIPS act will also create some tailwinds in 2024

Table 1. **Value of Construction Put in Place in the United States, Seasonally Adjusted Annual**
(Millions of dollars. Details may not add to totals due to rounding.)

	Type of Construction	Jul 2023[p]	Jun 2023[r]	Jul 2022	Percent change Jul 2023 from - Jun 2023	Percent change Jul 2023 from - Jul 2022
	Total Construction	**1,972,608**	**1,958,945**	**1,869,262**	**0.7**	**5.5**
	Residential	**889,118**	**876,684**	**939,588**	**1.4**	**-5.4**
	New single family	389,862	379,119	459,836	2.8	-15.2
	New multifamily	133,378	133,080	107,018	0.2	24.6
	Nonresidential	**1,083,490**	**1,082,261**	**929,674**	**0.1**	**16.5**
	Manufacturing	201,511	199,258	117,961	1.1	70.8
	Lodging	23,009	23,150	19,337	-0.6	19.0
IRA	Sewage and waste disposal	39,865	40,379	33,696	-1.3	18.3
IRA	Conservation and development	10,994	11,460	9,520	-4.1	15.5
IRA	Highway and street	128,726	129,621	115,052	-0.7	11.9
	Health care	60,464	60,978	54,513	-0.8	10.9
	Educational	112,150	112,043	101,661	0.1	10.3
IRA	Water supply	27,270	27,131	24,799	0.5	10.0
	Office	98,675	98,043	90,059	0.6	9.6
	Transportation	63,103	63,742	58,220	-1.0	8.4
	Amusement and recreation	32,438	32,573	29,982	-0.4	8.2
	Public safety	13,241	13,215	12,269	0.2	7.9
IRA	Power	116,113	115,721	109,478	0.3	6.1
	Commercial	128,131	127,325	125,416	0.6	2.2
IRA	Communication	24,709	24,464	24,585	1.0	0.5
	Religious	3,090	3,159	3,126	-2.2	-1.2

Data Source: US Census Bureau

Our Forecast Shows Nonresidential to Remain Strong

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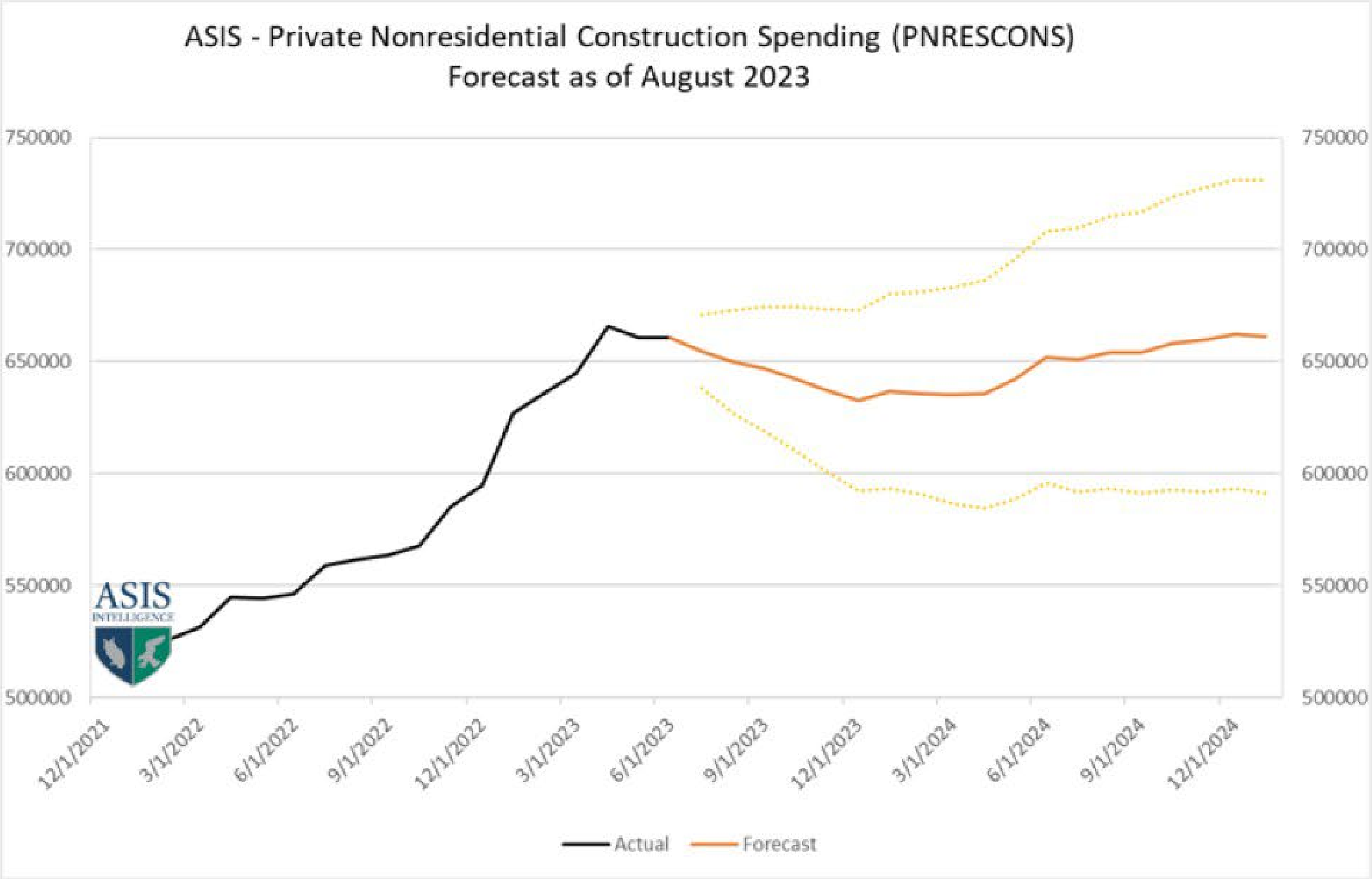
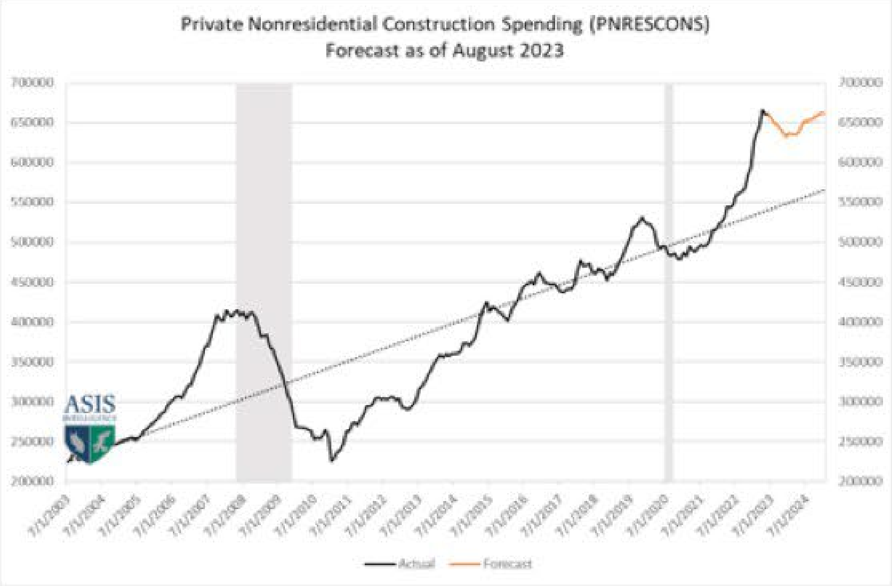
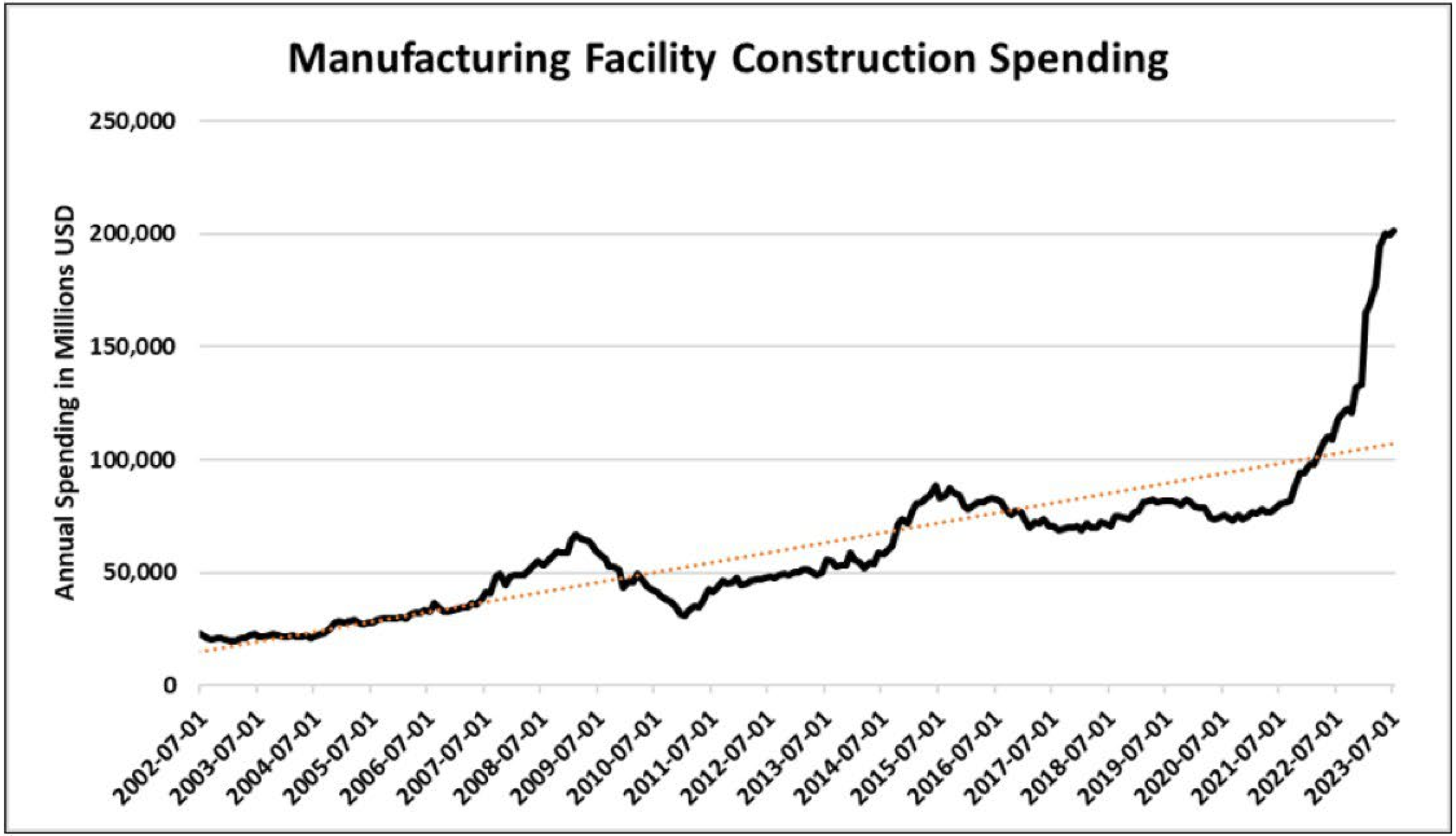




Reshoring…Will Continue and Work as a Positive Counter-Trend

ARMADA

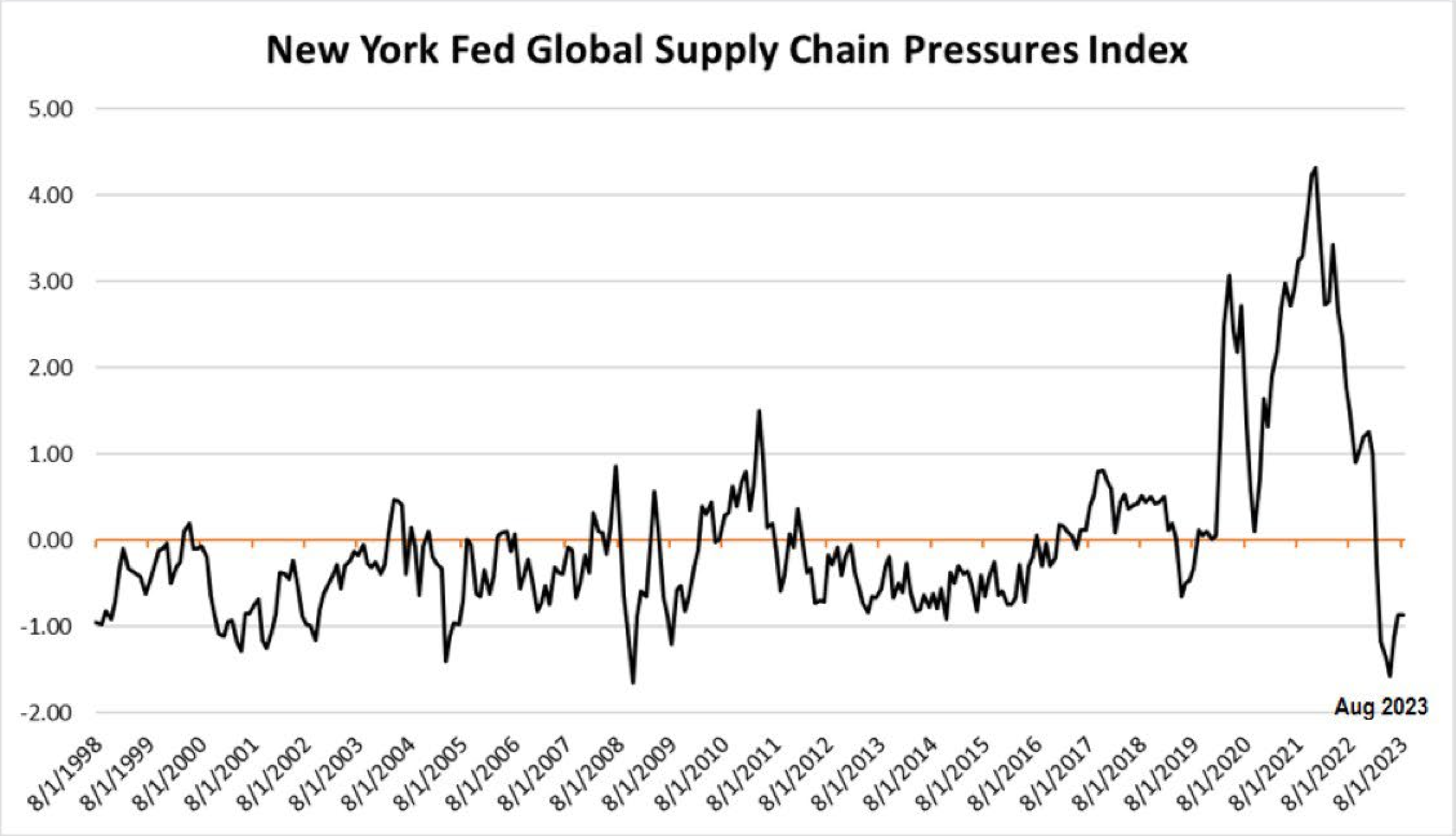
- Don't want to steal Harry's thunder here…anticipate his talk later! It's good news.



There Are Few Supply Chain Pressures Worldwide, Negotiate Rates and Get Your Costs Down

ARMADA

- Global supply chain pressures at all-time lows
- Shippers have more negotiating power for now.
- Index uses 18-20 global supply chain measures to create a volatility measure
- Covers global markets, not isolated to NA markets only



Higher Pressure

Low Pressure

What to Watch: The Canary in the Coal Mine: The Baltic Dry Index

- Up 3.67% in the past 30 days
- Down 2.23% Y/Y

- One of the oldest indexes in the world.
- Is a leading indicator for global commodity movement and manufacturing.

Source: Trading Economic; Baltic Exchange

Questions?

- Thank you for having me!

Free two-month trial to the manufacturing models:

www.asisintelligence.com

Driving cashflow and bottom-line performance

Charles Clevenger, Principal

UHY Consulting

Thomas Alongi, Partner

UHY LLP

15-Minute Break

Reshoring opportunities for suppliers' growth

Harry Moser
President
Reshoring Initiative

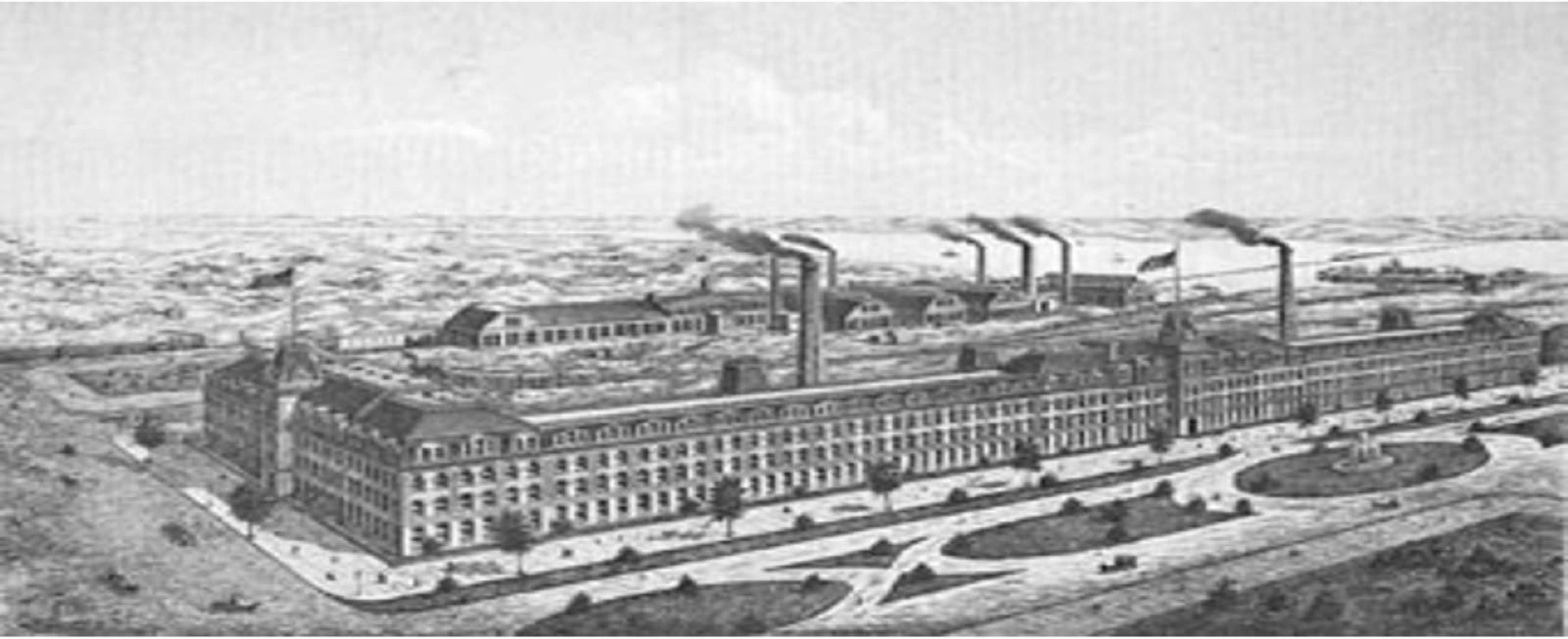
Bringing Manufacturing Back Home

Reshoring Opportunities for Suppliers' Growth

UHY

Harry Moser
Reshoring Initiative

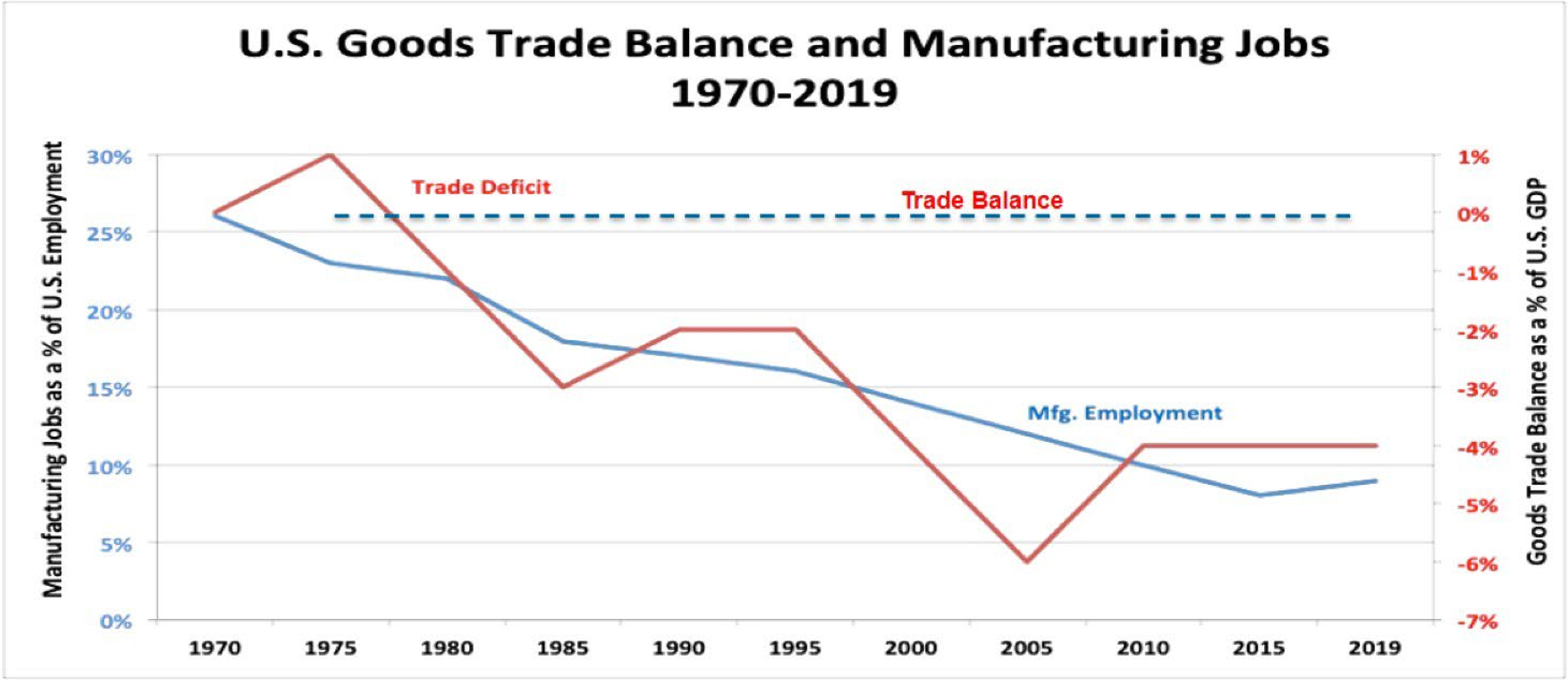
Singer Sewing Machine Co.



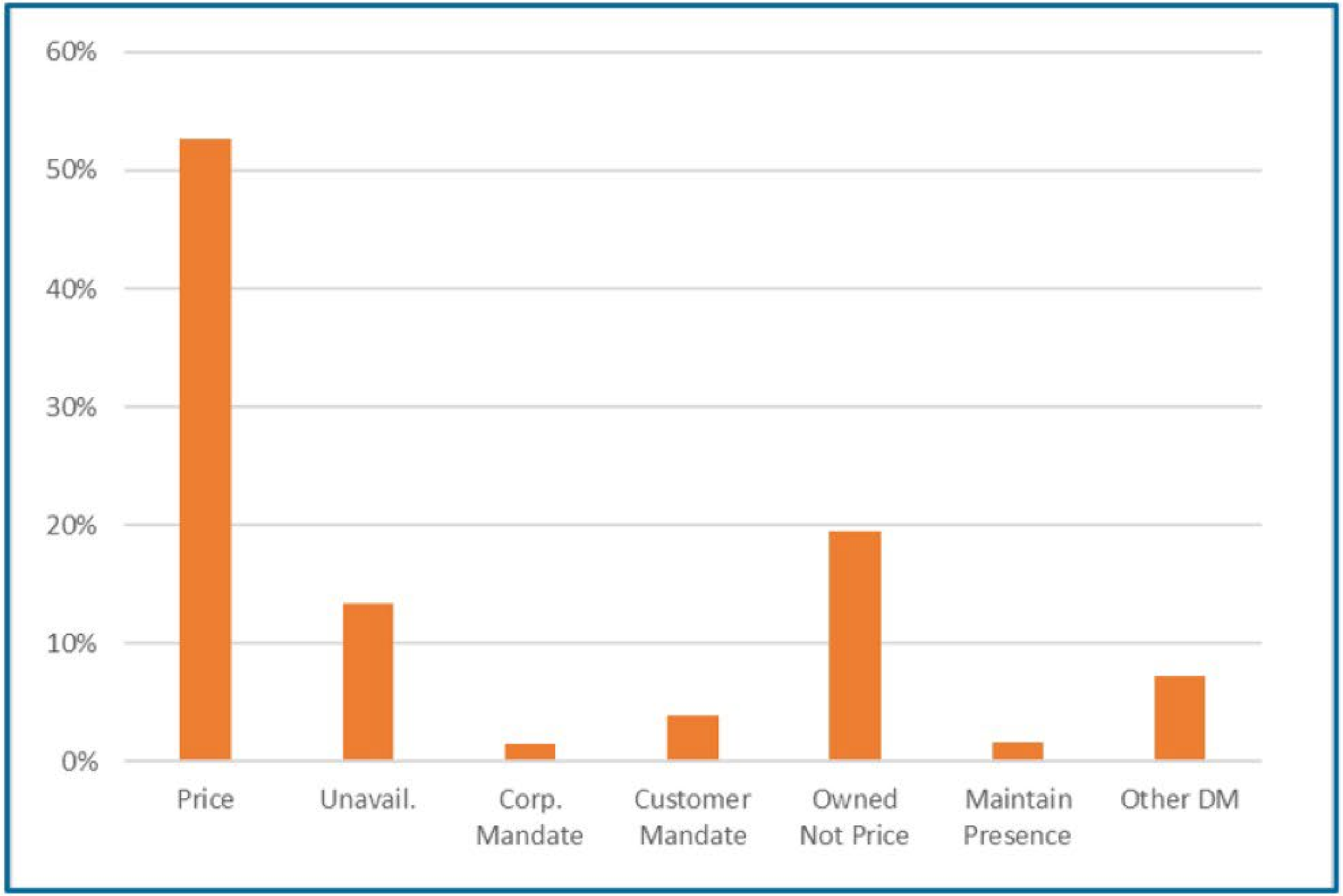
Courtesy: Historical Society Elizabeth, NJ Inc

Reshoring Initiative
Bringing Manufacturing Back Home

Trade Deficit Drove Jobs Down



Price Drives Offshoring

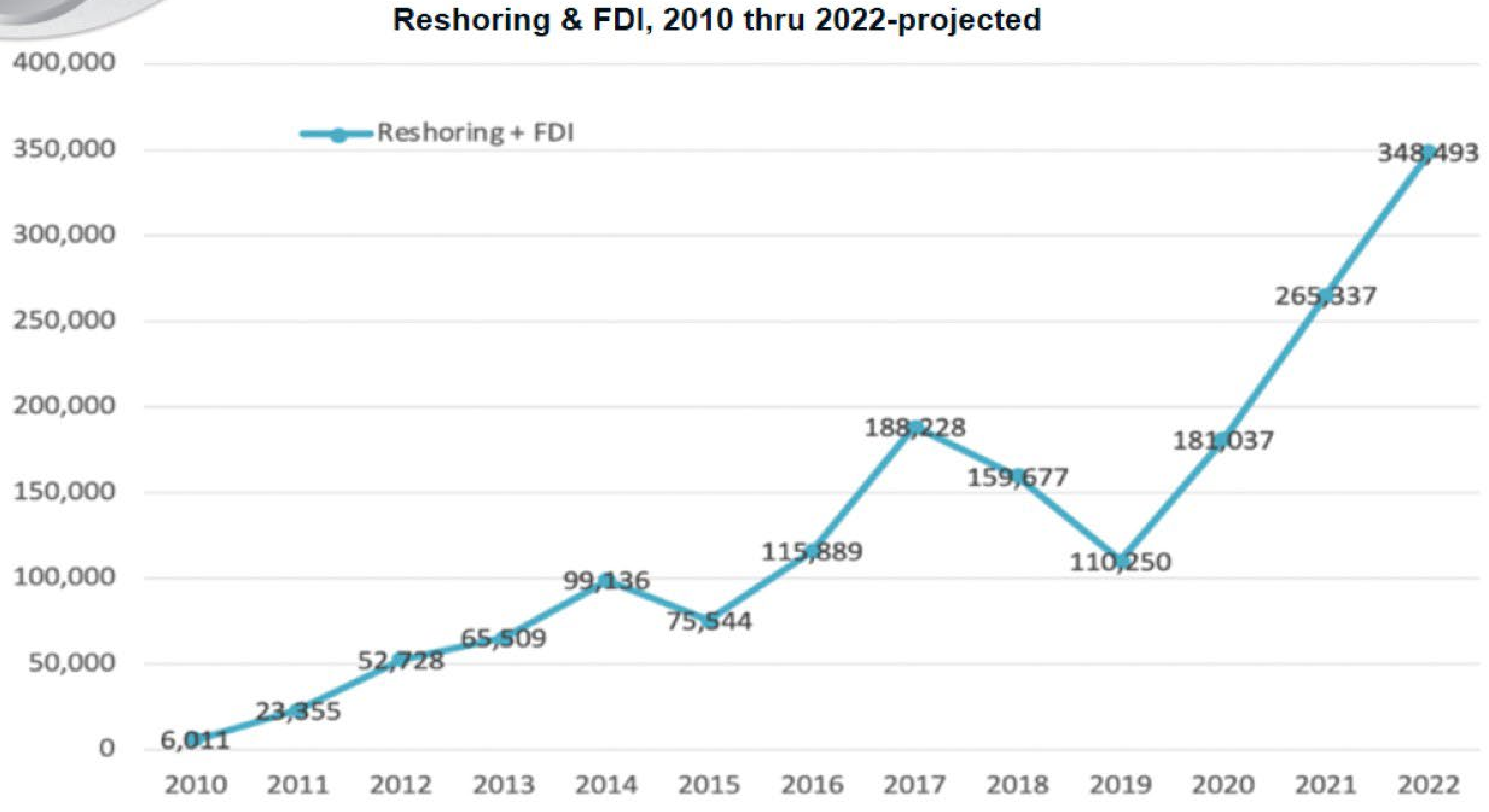


Competitiveness: China FOB Price % of US

Restoring Balance

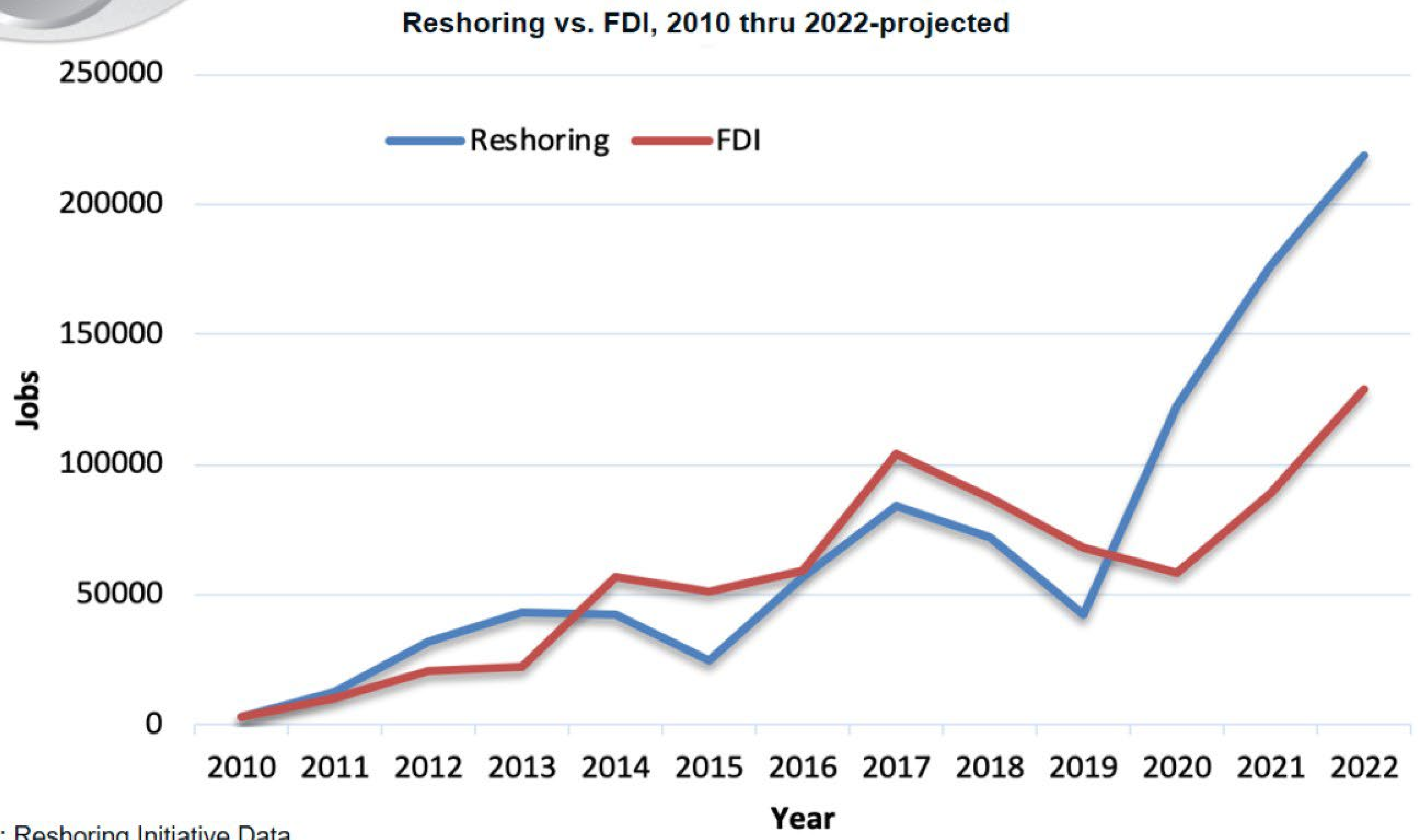
- **Reshoring/Onshoring:** U.S. companies bringing back manufacture of products that will be sold or assembled here.
- **FDI (Foreign Direct Investment):** Similar logic. Different owner.
- **Localization:** Producing near the consumer.
- **Nearshoring:** Mexico or Canada.

Reshoring + FDI Job Announcements per Year



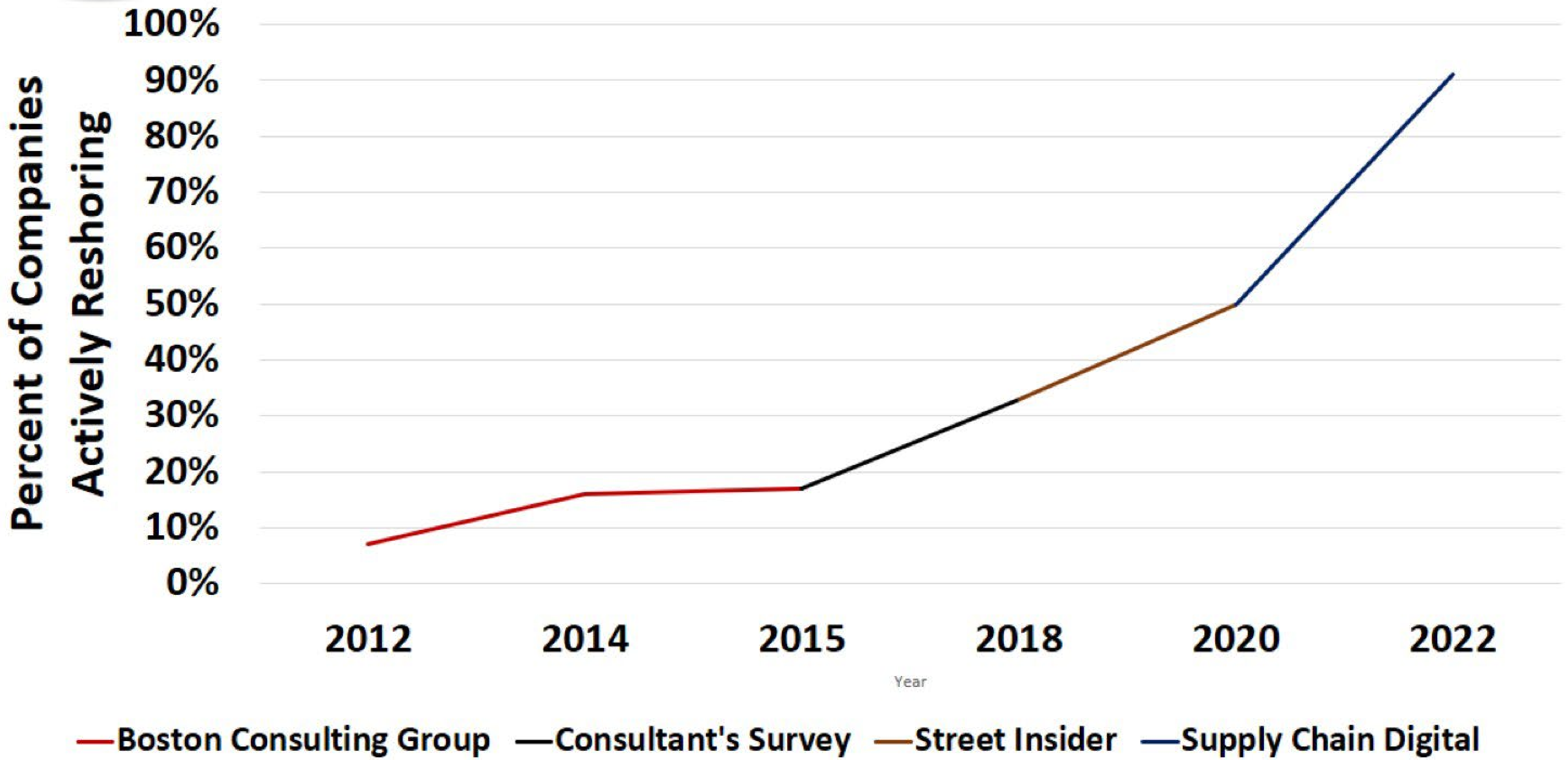
Source: Reshoring Initiative Reshoring Database

Job Announcements per Year



Source: Reshoring Initiative Data

Percent of Companies Actively Reshoring



Reshoring Initiative
Bringing Manufacturing Back Home

Reshoring & FDI by Industry 2010 to 2021

Rank	Industry	Jobs	Companies	% of Total Jobs
1	Transportation Equipment	368522	1285	27%
2	Computer & Electronic Products	184496	800	14%
3	Machinery	152659	893	11%
4	Medical Equipment & Supplies	139451	1191	10%
5	Furniture and Related Products	85416	685	6%
6	Primary Metal Products	78294	495	6%
7	Electrical Equipment, Appliances & Components	60434	611	4%
8	Apparel & Textiles	50797	826	4%
9	Chemicals	48326	587	4%
10	Plastic & Rubber Products	47766	184	4%

Exhibit 2a | **Reshoring + FDI by Industry, 2022 vs. 2019**

2022					2019
Rank	**Industry**	**Jobs**	**Companies**	**% of jobs**	**% of jobs**
1	Electrical Equipment, Appliances & Components	151,905	381	42%	4%
2	Computer & Electronic Products	93,445	375	26%	13%
3	Chemicals	28,350	303	8%	11%
4	Transportation Equipment	25,938	146	7%	34%
5	Medical Equipment & Supplies	14,468	105	4%	4%
6	Apparel & Textiles	10,674	138	3%	6%
7	Primary Metal Products	9,569	49	3%	3%
8	Machinery	5,971	88	2%	3%
9	Food & Beverage	4,408	44	1%	2%
10	Miscellaneous	3,715	10	1%	1%
11	Castings/Foundries	3,450	20	1%	1%
12	Fabricated Metal Products	2,984	33	1%	5%
13	Plastic & Rubber Products	2,913	36	1%	3%
14	Wood & Paper Products	2,815	21	1%	4%
15	Nonmetallic Mineral Products	2,276	26	1%	1%
16	Furniture and Related Products	1,880	30	1%	3%
17	Hobbies	148	15	0%	1%

Exhibit 2b| Essential Products Driving the Top Industries, Reshoring + FDI, 2022

Industry	Essential Products Included	% of total Jobs
Electrical Equipment, Appliances & Components	EV Batteries Charging Stations	42%
Computer & Electronic Products	Semiconductor Chips, Solar panels, Robotics	26%
Chemicals	Pharmaceuticals Hydrogen Fuel Chemicals for Batteries	8%

Reshoring Initiative
Bringing Manufacturing Back Home

Regional Distribution of Reshoring and FDI

Reshoring + FDI by U.S. Region, 2010-2022				
U.S. Region	Jobs	Companies	Average jobs/company	% of total jobs
South	859,811	4,718	182	54%
Midwest	342,576	2,325	147	22%
Northeast	202,268	1,774	114	13%
West	175,920	1,709	103	11%

Manufacturing: Once Again A Core Competence

- "**Globalization is in retreat** … **Governments and firms are examining connections to minimize exposure to possible causes of economic damage and social turmoil**" - *wrote UK-based Barclays economists Christian Keller and Akash Utsav, July 13 2022*

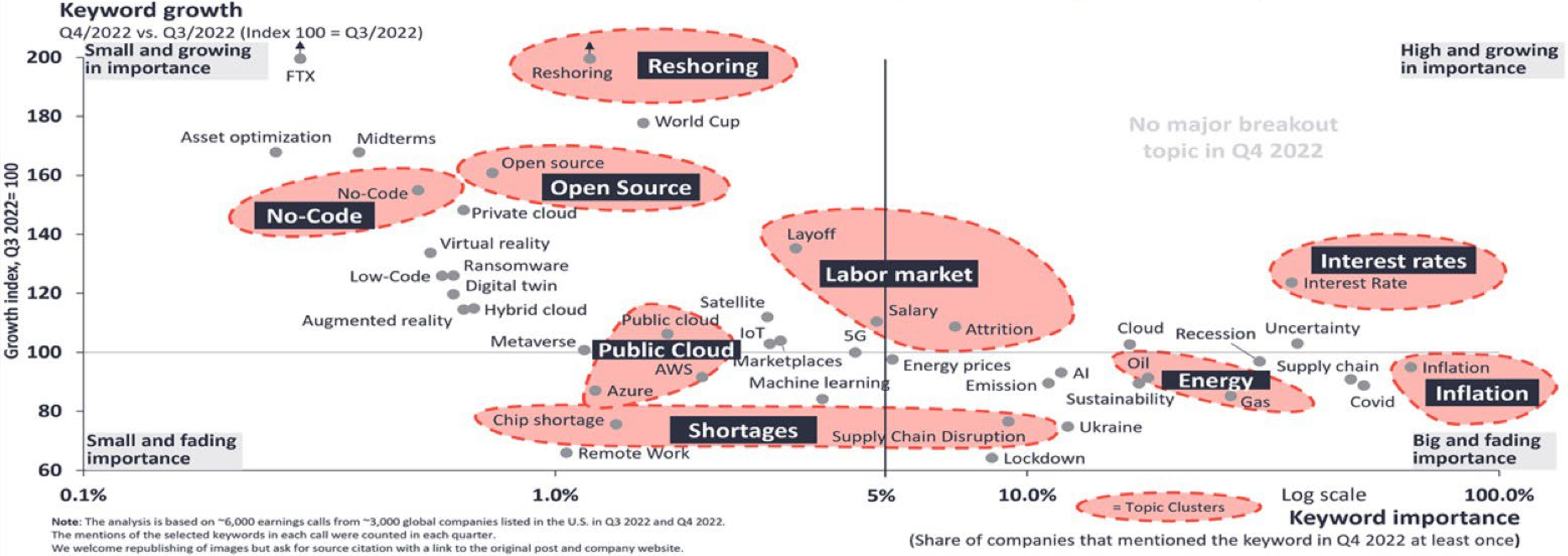
Source: Wall Street Journal, July 25, 2022, "Wall Street Expects Companies to Bring Workers, Supply Chains Home"
https://www.wsj.com/livecoverage/stock-market-news-today-25-7-22/card/wall-street-expects-companies-to-bring-workers-supply-chains-home-CMJllwW23vZhhdaNThlo

Reshoring Initiative
Bringing Manufacturing Back Home

IOT ANALYTICS

Your Global IoT Market Research Partner

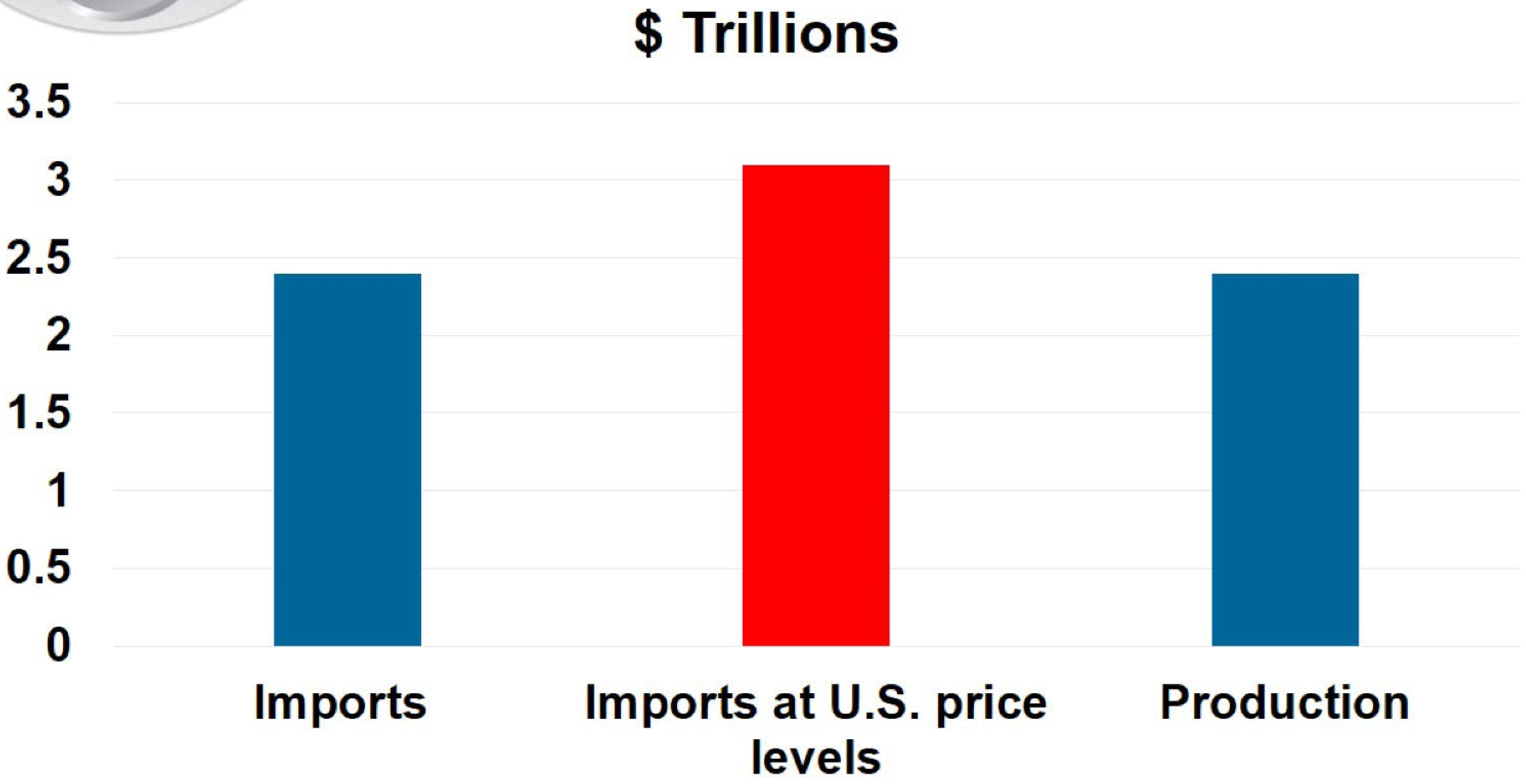
What CEOs talked about in Q4/2022 (vs. Q3/2022)



Note: The analysis is based on ~6,000 earnings calls from ~3,000 global companies listed in the U.S. in Q3 2022 and Q4 2022.
The mentions of the selected keywords in each call were counted in each quarter.
We welcome republishing of images but ask for source citation with a link to the original post and company website.

https://h9e3r9w2.rocketcdn.me/wp/wp-content/uploads/2023/01/What-CEOs-talked-about-Q4-2022-vs-Q3-2022.png

Replacing Imports is a Huge Opportunity



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2010 to 2020: Total Costs other than Price

Hard





Risks & Strategic




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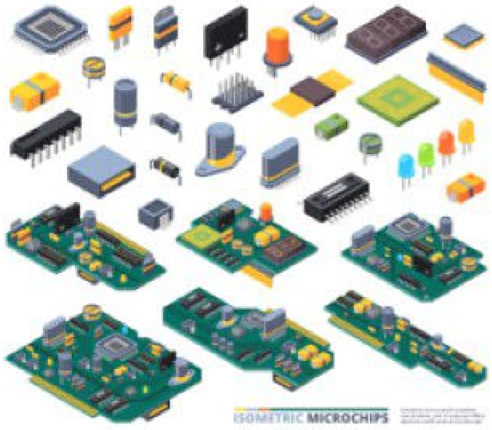
2021 & 2022: Dependencies



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Continuing Disruptions

Geopolitical Tensions With China Threaten Supply Chains

Commentary: Paul Bingham, director of transportation consulting in the economics and country risk division of S&P Global.

- **"What happened this year has amplified and emphasized that you'd be foolish to depend on a steady supply at a low cost from China, given what might happen geopolitically"**
- **"By diversifying supply chains you're buying insurance, which is really what it boils down to, so that your business can survive if there is ever an enormous disruption in the relationship with China."**

Source: Freight Waves and American Shipper, October 14, 2022, "Global trade at the crossroads: Risks from geopolitics, inflation loom", https://www.freightwaves.com/news/global-trade-at-crossroads-geopolitical-risks-loom-inflation-abounds

China Risk Premium Up Significantly

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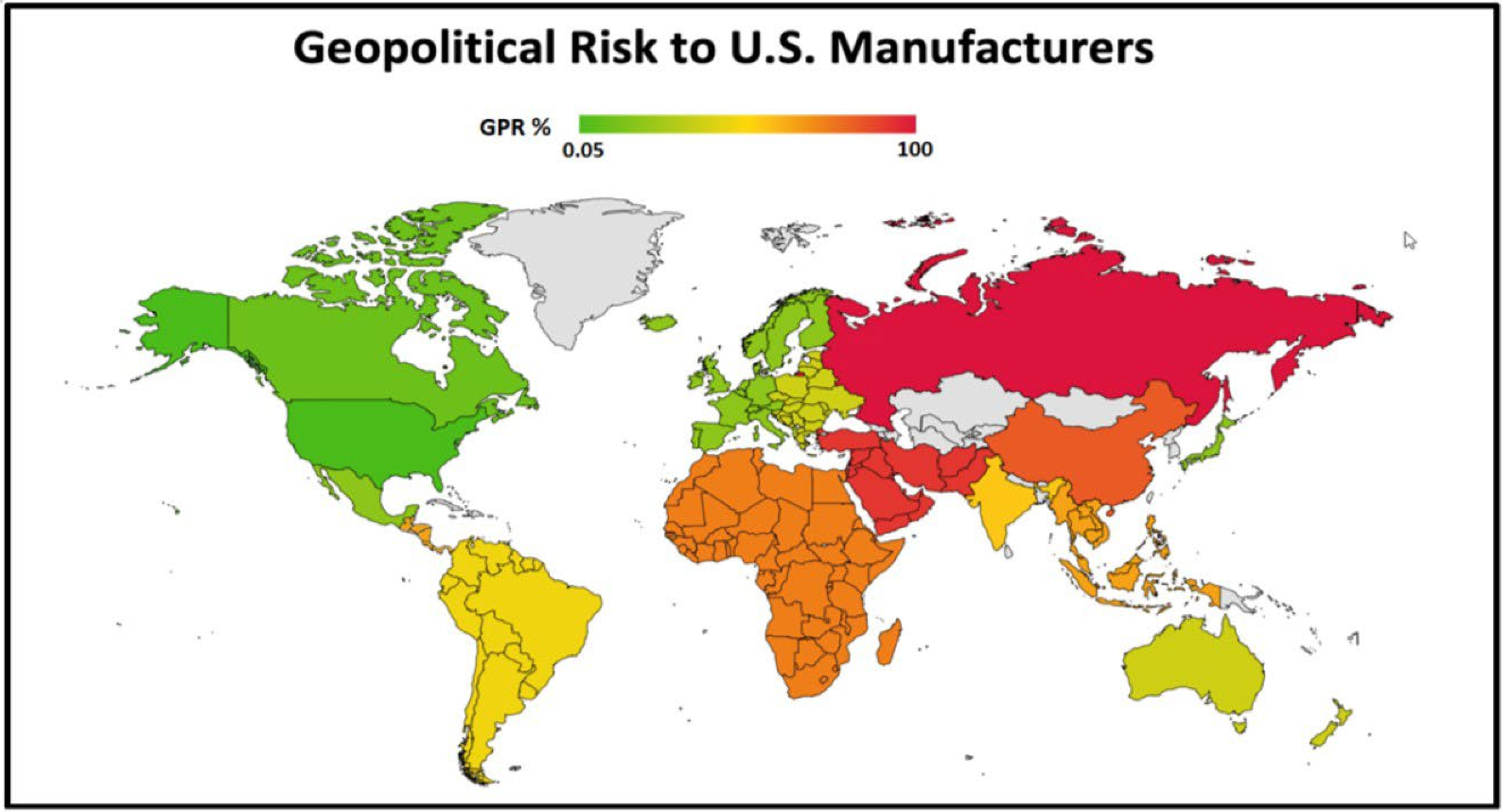
- "There's a lot of Western investment in Hong Kong — what happens if we end up in a similar disagreement or conflict, are those assets subject to immediate abandonment? These are questions everybody's going to ask, whether they talk about them a lot or not. I'm not saying we'll go to 100% investment in your own country. But boy, the risk premium has significantly gone up."

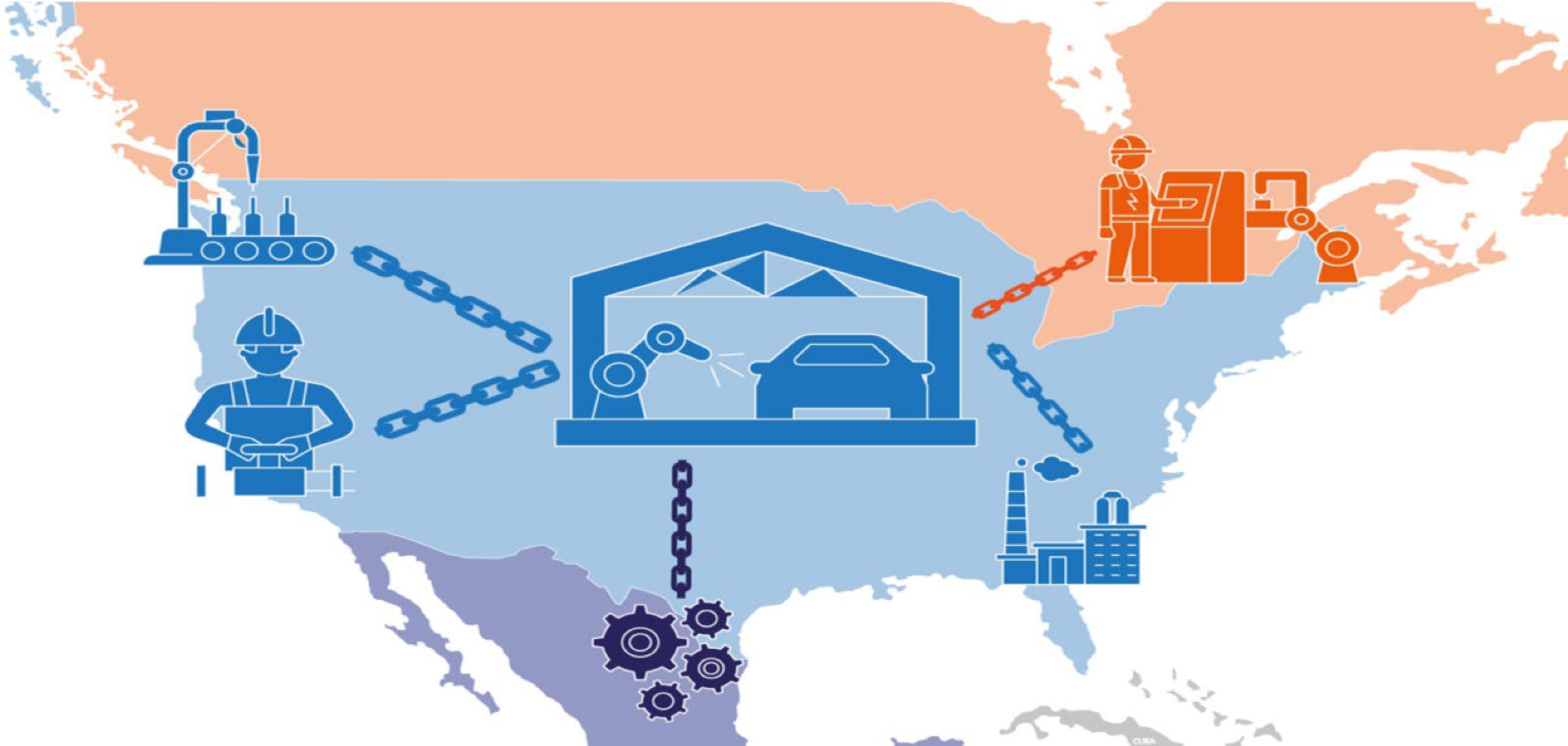
- Ken Moelis, Founder and CEO, Moelis & Co.

Source: Bloomberg, July 17, 2022, "A Goldman Legend, Crypto Star and Top Banker Warn of Next Big Risk"
https://www.bloomberg.com/news/features/2022-07-17/wall-street-titans-warn-of-3-big-risks-as-markets-flash-recession-warning?cmpid=BBD071822_OUS&utm_medium=email&utm_source=newsletter&utm_term=220718&utm_campaign=openamericas#xj4y7vzkg

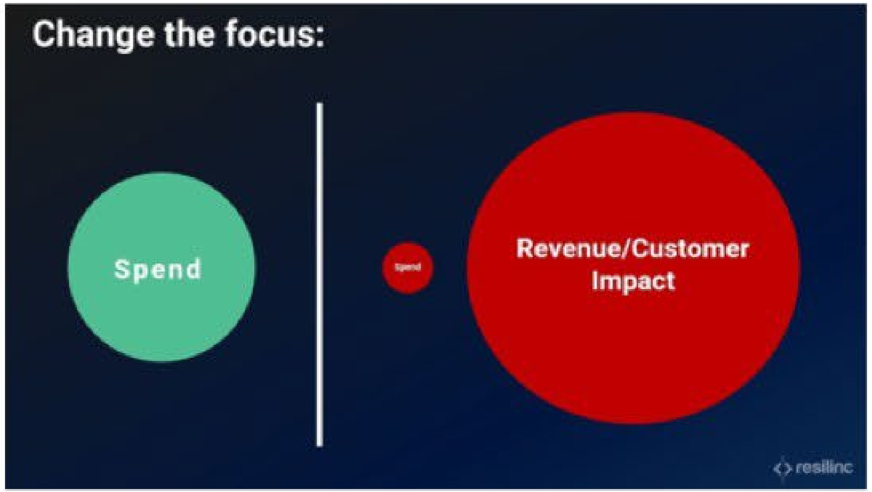


Source: Reshoring Initiative

JIT & Just in Case



Supply Chain Focus Reset:
From Cheapest Price To Revenue Impact



"Change in mindset, from focusing the most attention on suppliers with the largest spend to focusing on those supplying products with the greatest potential to cut into your company's topline. Revenue impact needs to be the new way to segment and define critical suppliers."

- **Revenue impact = the new way to define critical suppliers**
- **Shift focus from largest spend to revenue impact**
- **Protect continuity of supply = protecting profits**
- **Shift from cost savings bonus targets to revenue impact bonus targets**

Source: World Economic Forum, Oct. 18, 2022, "Resilient supply chains: Why every supplier counts" https://www.weforum.org/agenda/2022/10/supply-chain-resilience-manufacturing/

ESG is a Corporate Issue. Reshoring is a Solution

- Environmental:
  - Cleaner electricity generation
  - Much less transport and disposal
  - Fewer but higher value goods
  - Walk the whole gemba
- Social:
  - No forced labor
  - Restore hollowed-out middle-class
  - Local communities, workplace safety
- Governance:
  - Align stakeholder interests: community, employees, suppliers, shareholders
  - Minimal corruption

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Companies: "U.S. is too Expensive"
We Respond: Not if Companies Use TCO

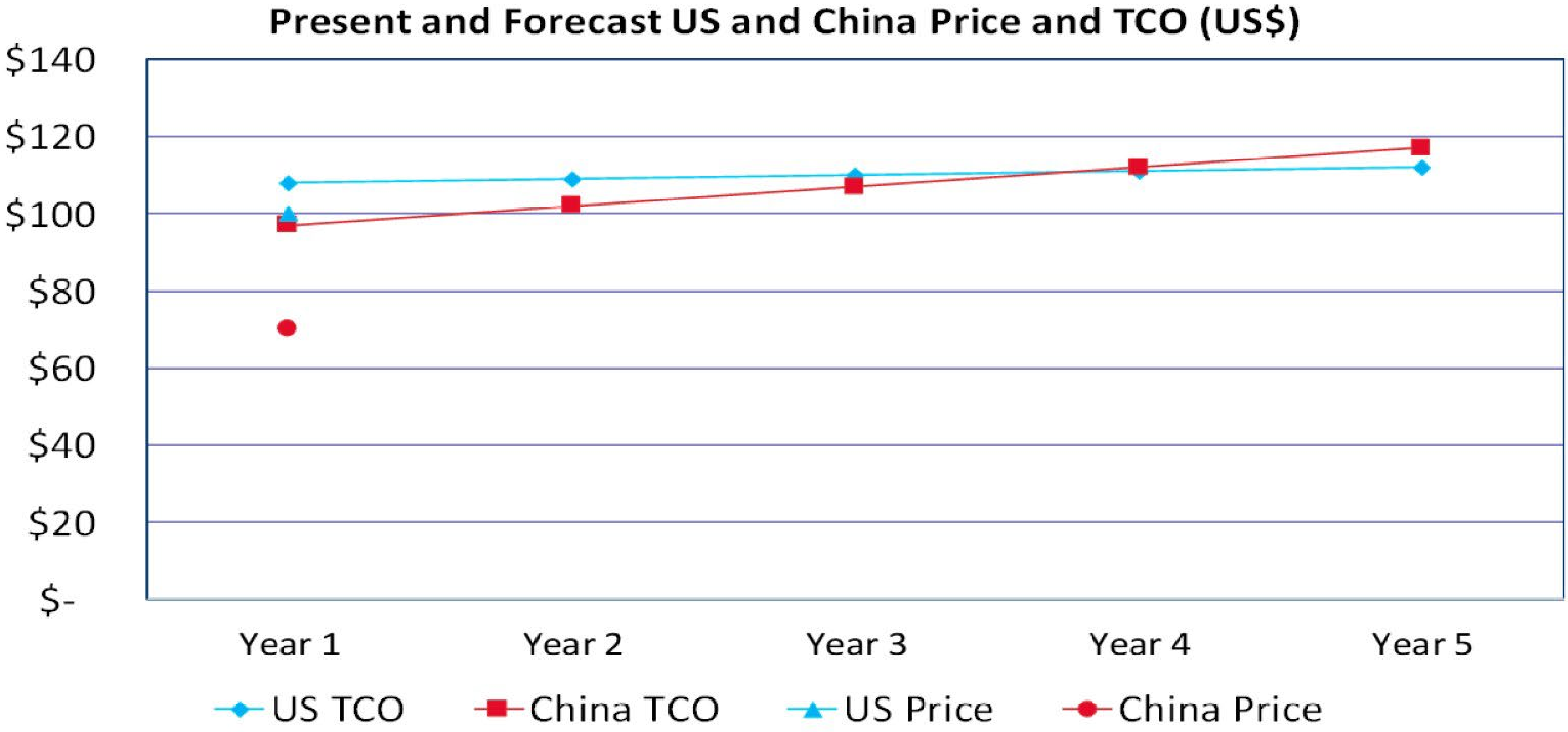
60% of manufacturers:

- **Apply "rudimentary" total cost models**
  - **Wage Arbitrage:** Wage cost comparison
  - **PPV (Purchase Price Variance):** vs. existing domestic source
  - **Landed Cost:** Assumes slow, cheap freight
- **Ignore 20% or more of the total cost of offshored products**

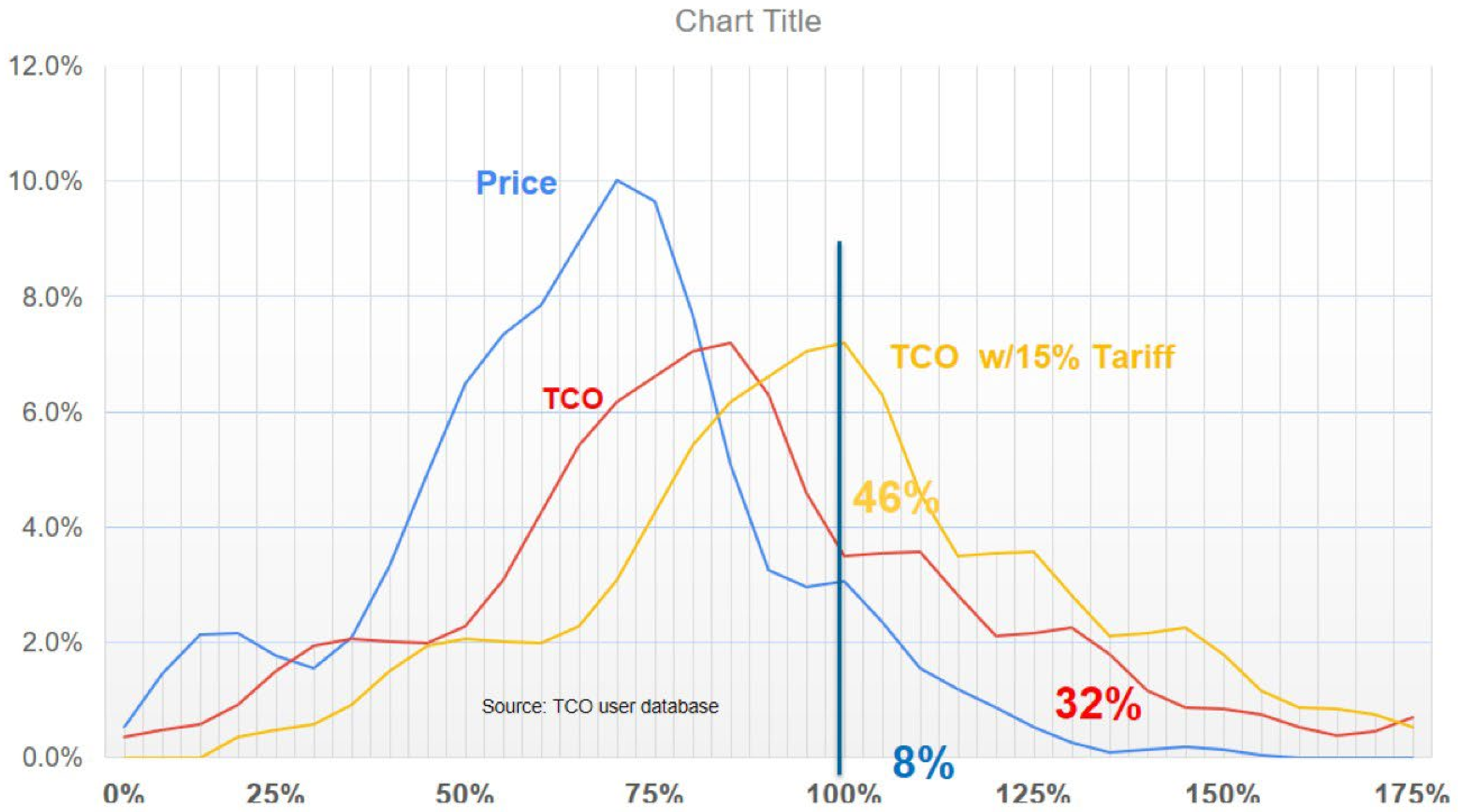
Also applies to BOP, call centers & IT

Source: Archstone Consulting survey, American Machinist Mag., 7/16/09

Use of TCO: Free Online



Chinese Price and TCO, % of U.S.



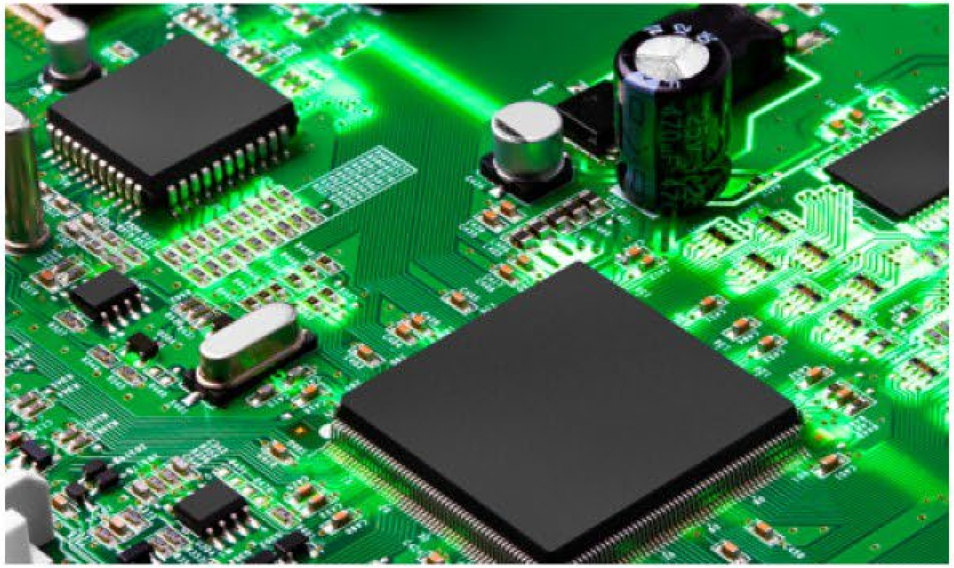
Reshoring Trend Rapidly Accelerating

- **Kevin Nolan, CEO GE Appliances:** **"I've always said, this is just economics, people are going to realize that the savings they thought they had aren't real, and it's going to be better and cheaper to make them here."**

Source: Bloomberg, July 5, 2022, "American Factories Are Making Stuff Again as CEOs Take Production Out of China"
https://www.bloomberg.com/news/articles/2022-07-05/us-factory-boom-heats-up-as-ceos-yank-production-out-of-china

Cut Inventory and Win Orders

- Woodridge, IL
- Supplies heavy equipment companies
- Had quality issue with a Chinese component
- Found local IL source
- Result:
  - Quality problem fixed
  - Inventory cut by 94%
- $60M order



Nedco:
Automation Enabled Reshoring

- Labor -85%
- Scrap 0%
- Reshoring 70%

Waterbury, CT

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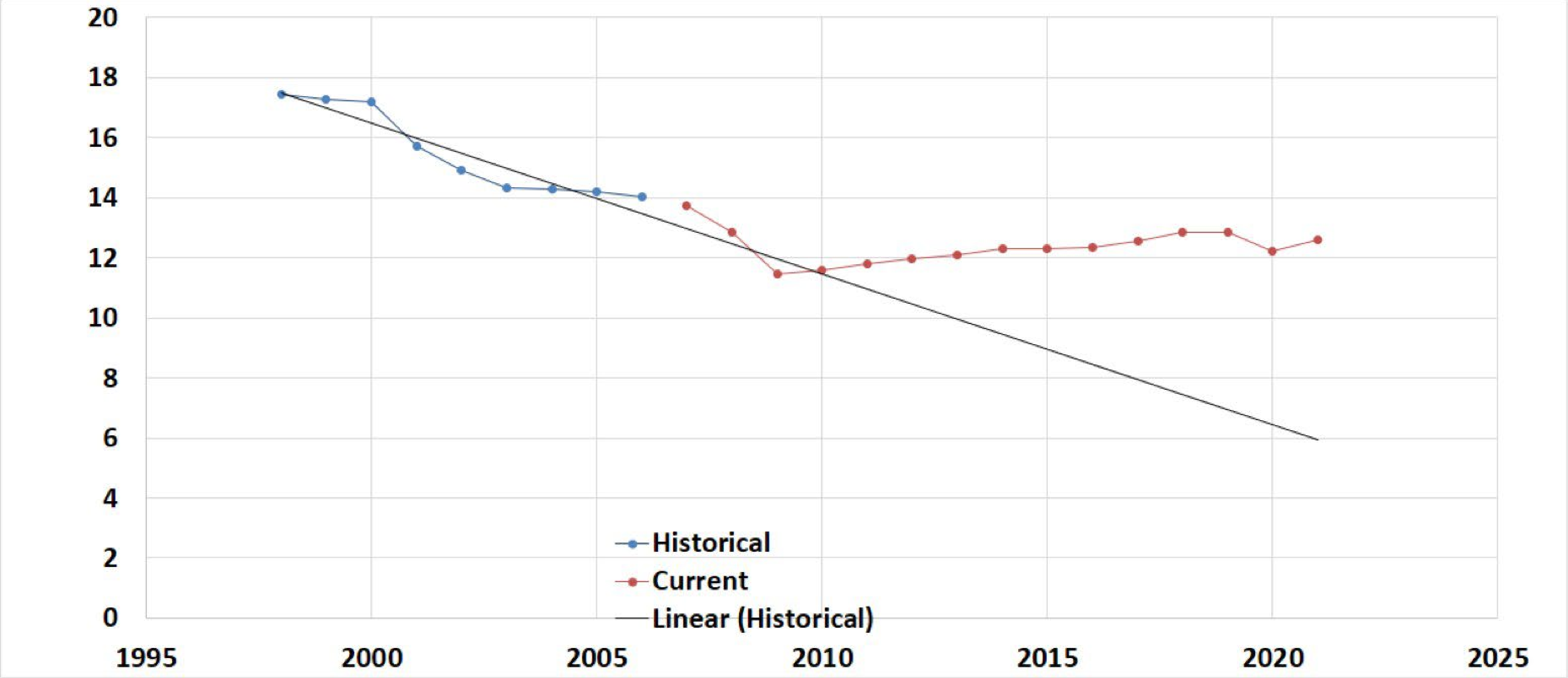
Good News:
Mfg. Employment is Beating the Trend by 6 Million

BLS Manufacturing Employment, Millions



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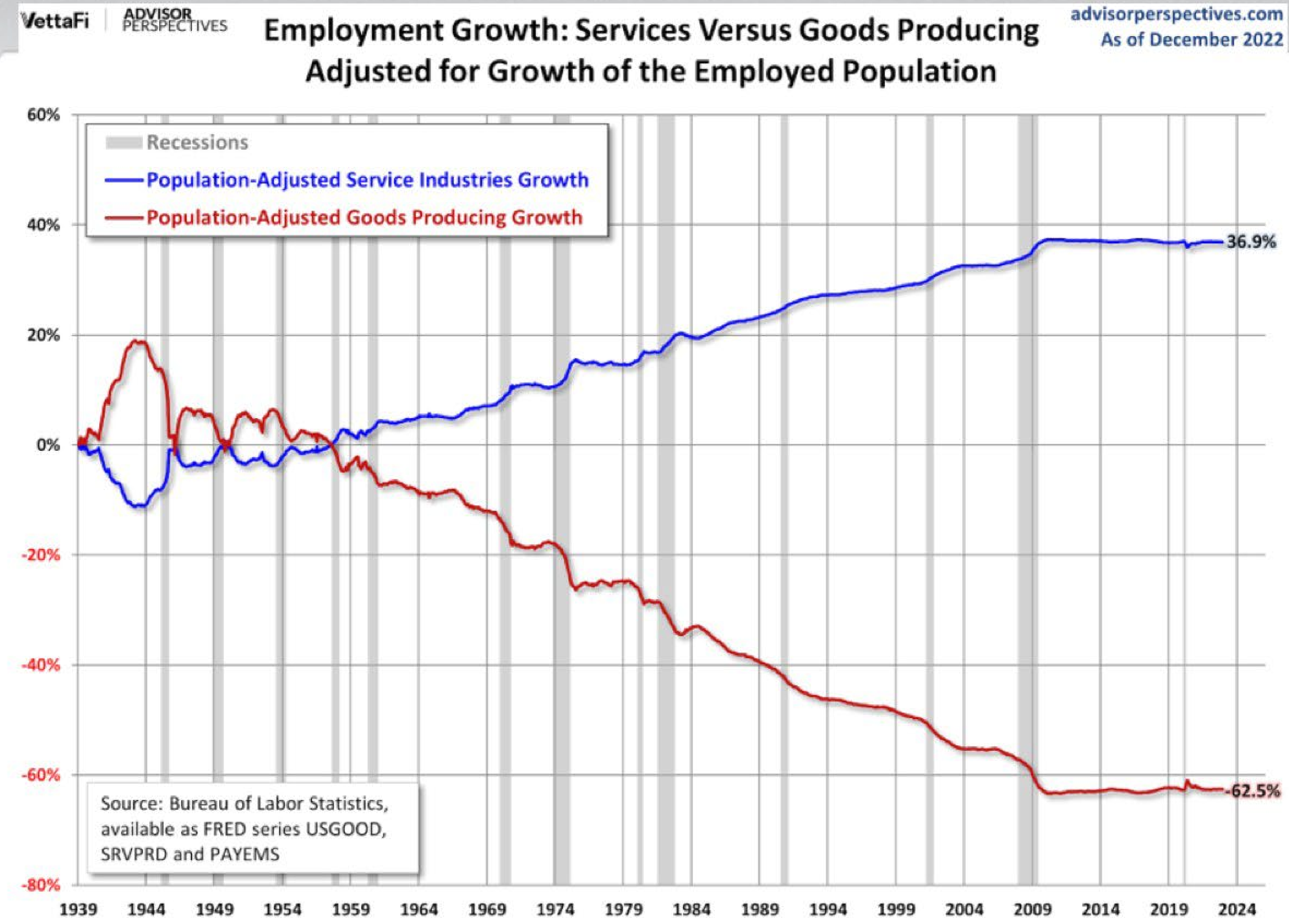
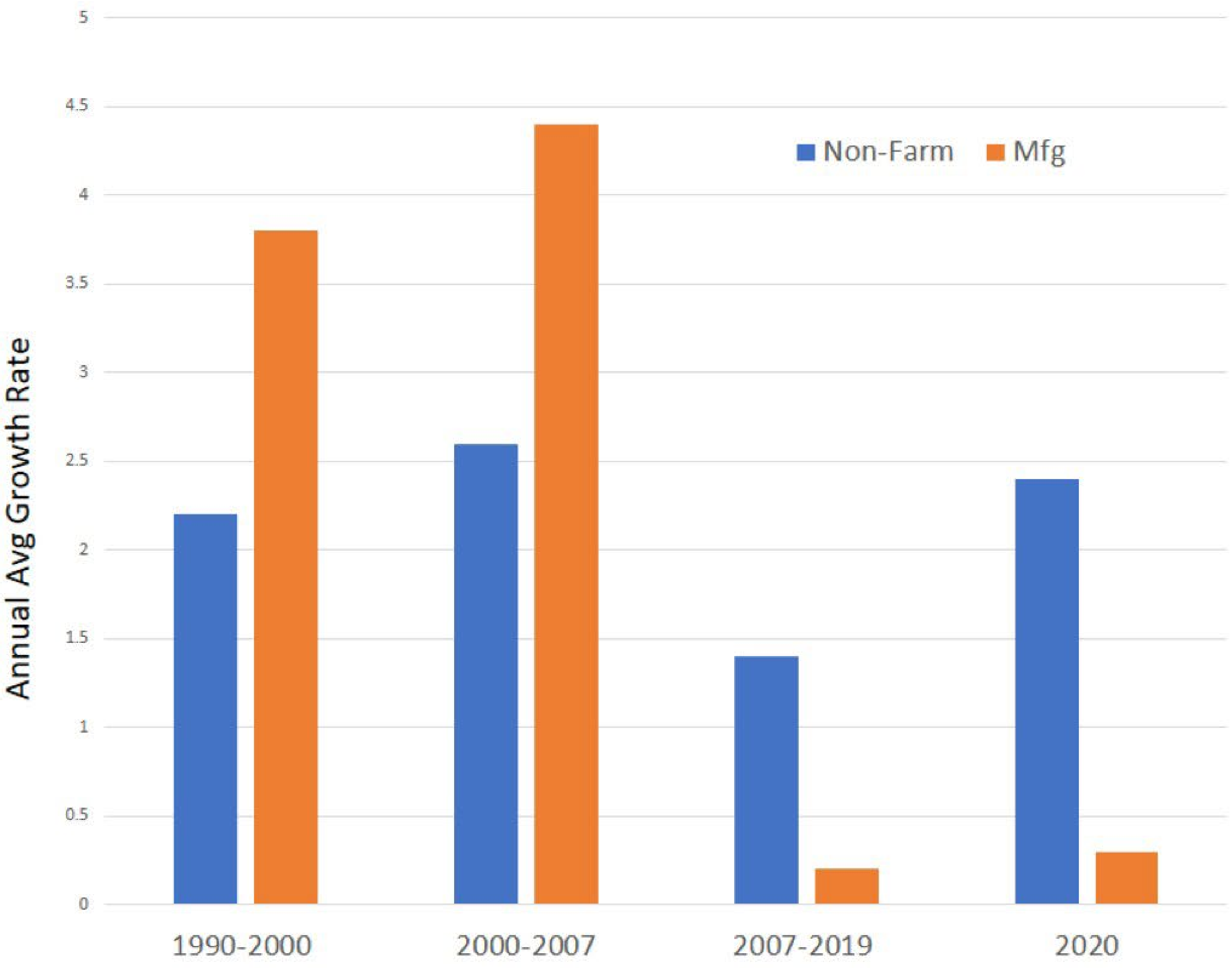


Source: VettaFi Advisor Perspectives, Jan 9, 2023, "December Employment: Services Vs. Goods Producing Jobs" https://www.advisorperspectives.com/dshort/updates/2023/01/09/december-employment-services-vs-goods-producing-jobs?utm_source=d

US Productivity

Non-Farm Business & Manufacturing % Change



Impacts of U.S. Deficit with China

- Last 20 to 30 years:
  - China grew fast, attracted foreign investment and technology, has modern infrastructure and factories, confident
  - U.S. grew slowly, older factories, low capacity utilization, malaise

Good China News: Unit Labor Costs Rising

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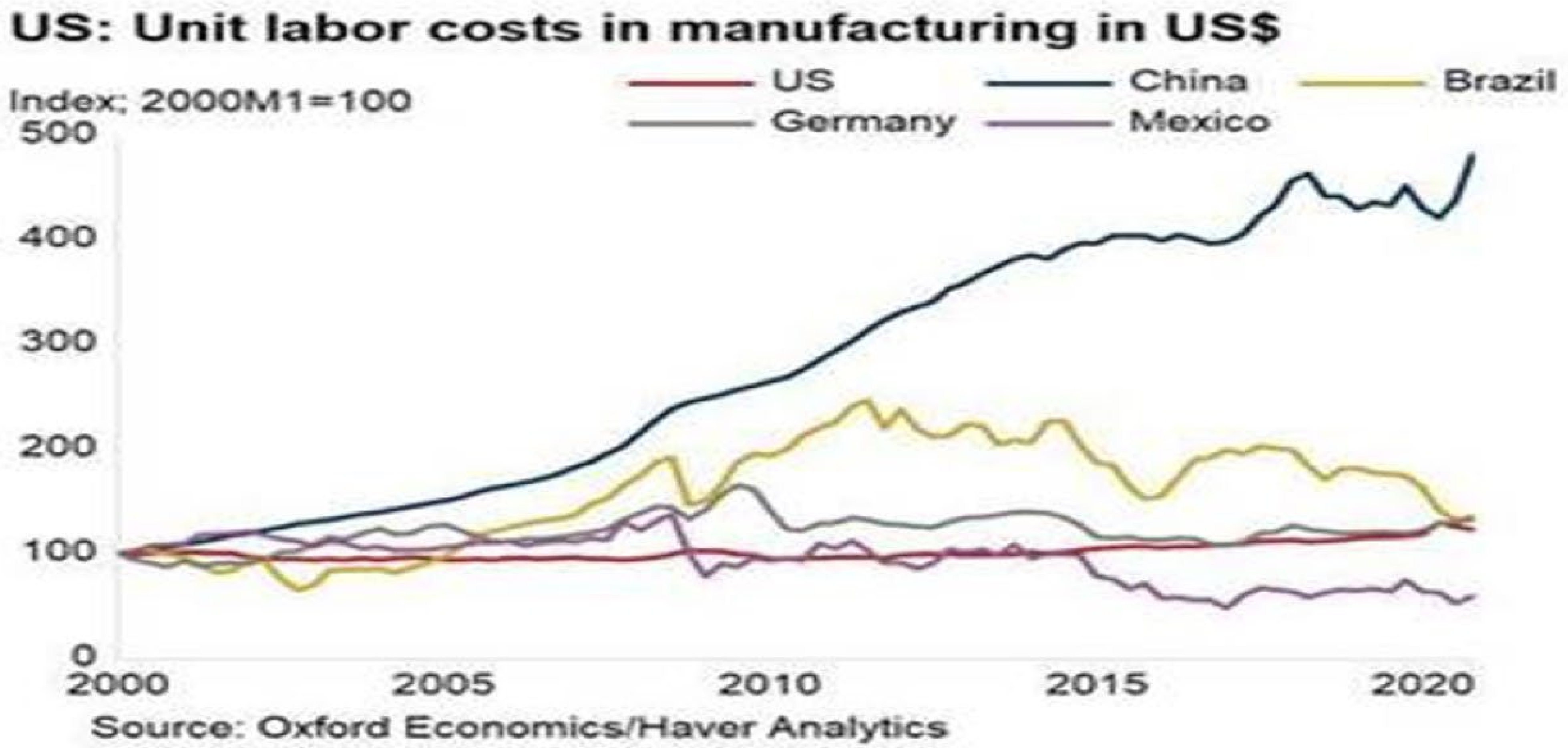
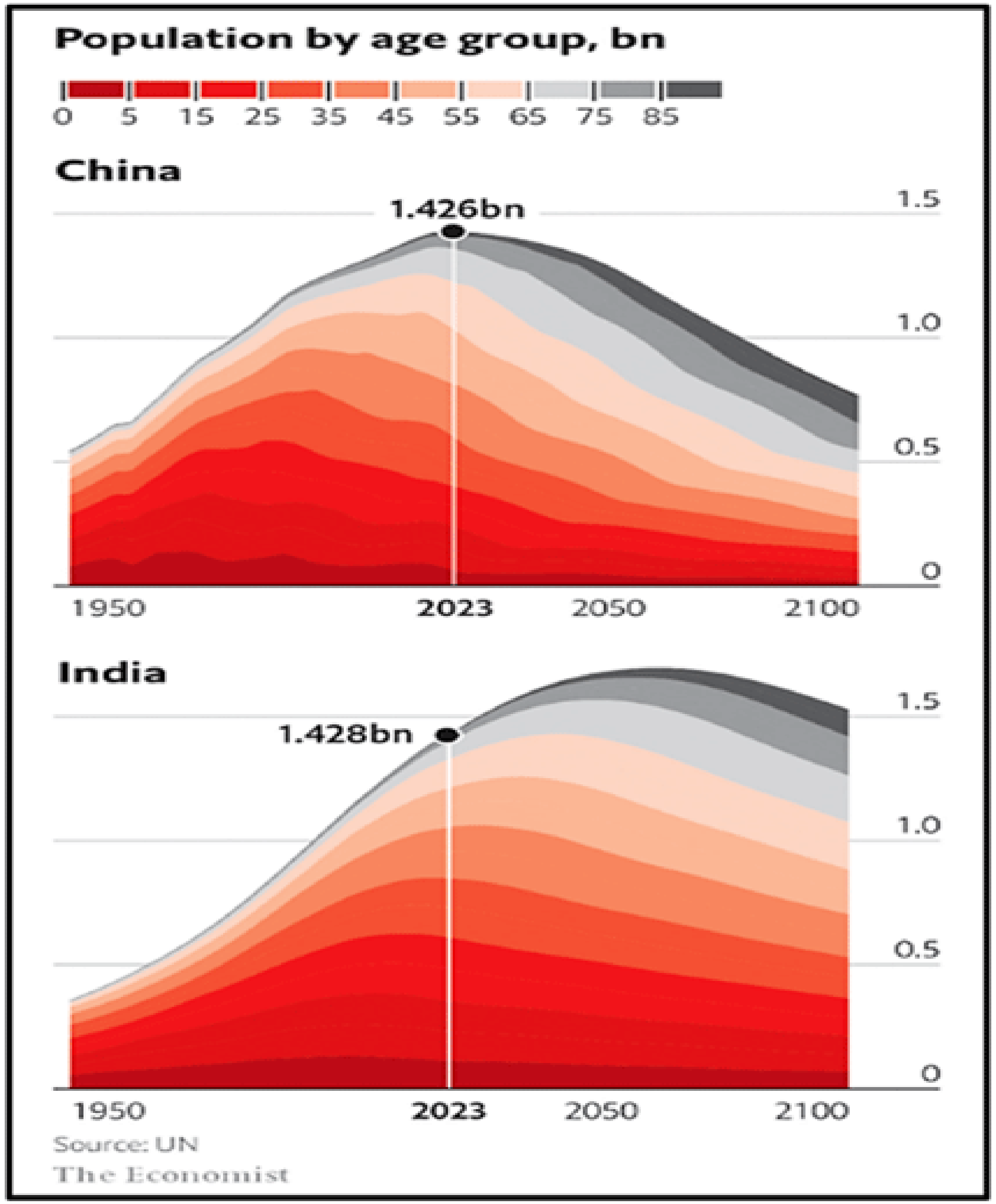




Source: UN,
The Economist,
Clips that Matter

Young Chinese Workers Reject Factory Work Deepening Labor Shortages

- China's Ministry of Education forecasts shortage = 30 million mfg workers / 2025
- Young Chinese adopting minimal lifestyle called "lying flat" = doing just enough to get by, rejecting the rat race of China Inc.

Source: VOA News, November 21, 2022, "Younger Workers Spurn Factory Jobs that Power China's Economy" https://www.voanews.com/a/younger-workers-spurn-factory-jobs-that-power-china-s-economy/6843247.html

Building Alignment. Avoiding Silos.

- Work with natural allies:
  - Lean: understands that offshoring makes waste worse
  - Green: production and electricity generation in China are much more polluting
  - Regulatory compliance: far less sure, especially at lower tiers
  - Quality: less certain, more difficult to correct quickly
  - R&D
  - Line management: suffering from quality, IP, inventory, travel expense and opportunity cost.

Recommendations/Takeaways for Suppliers

- Supply chain benefits more immediately than OEMs
- Automation
- Recruit and train
- Replace Chinese imports
- Offer design and assembly of complex products
- Use TCO
- Offer reshoring on your websites.
- Talk to customers you lost to offshoring. “Is it time to consider reshoring?”
- Promote and enable JIT

Questions to Ask OEMs

- Do you receive many components or products from China, Taiwan and nearby countries?
- How about your U.S. suppliers?
- Are any subject to the 25% Section 301 tariff?
- If all products from China, Taiwan and nearby countries stop coming, how severe would the impact be?
- Are you planning on reshoring any of those products now as insurance?
- If not, why not?

Companies: Find Reshoring Opportunities

- Import Substitution Program – Substitute domestic production for imports
- We can provide data on importers of the products a local company produces or could produce domestically:
  - Consignee company
  - Address
  - Product
  - Tons/year
  - ≈ $/year
  - Offshore supplier
- Training to sell using TCO

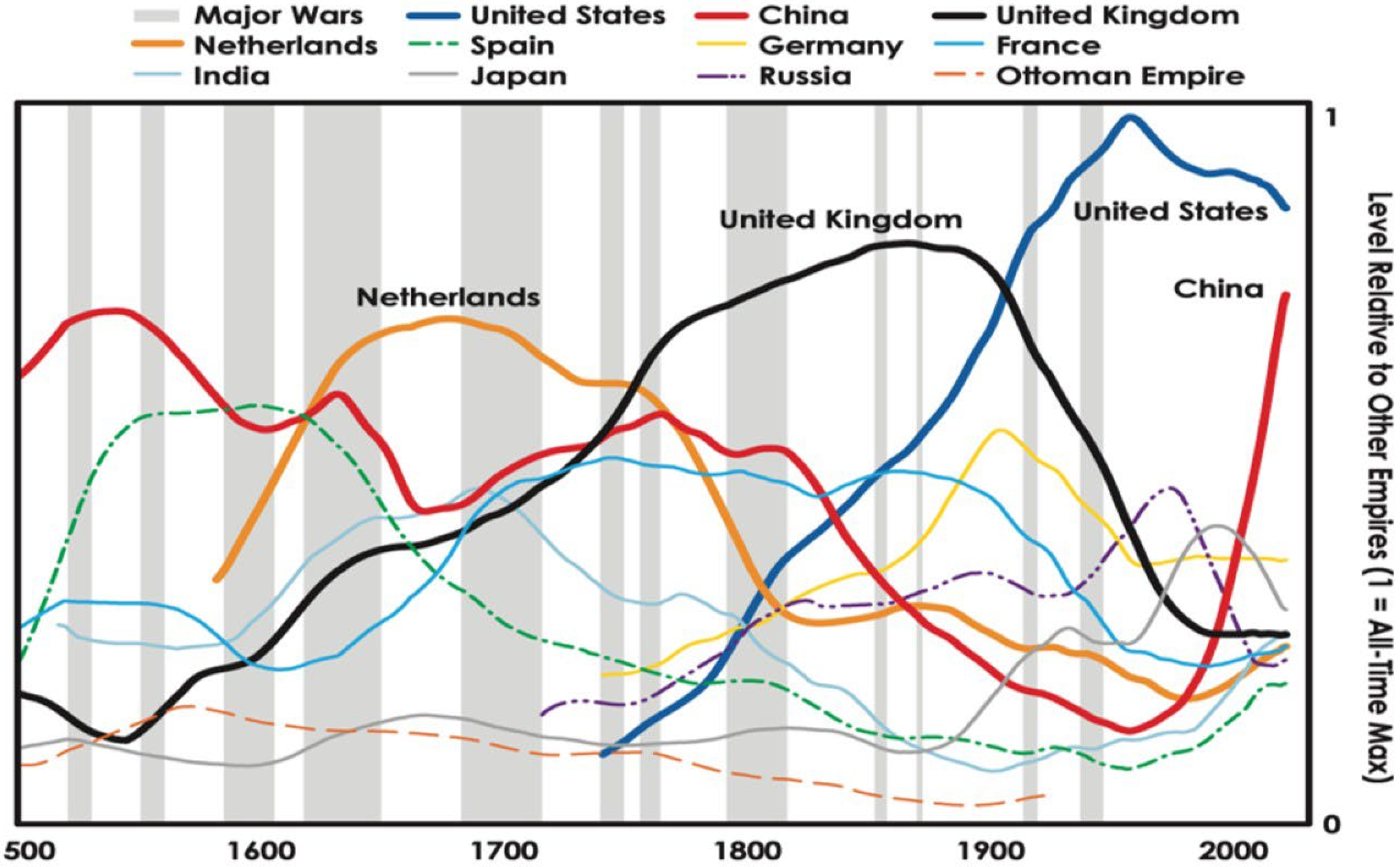
SE ASIA

BEFORE

US

AFTER

Relative Standing of Great Empires



Source: Dalio, R.: Principles for dealing with the changing world order. 2021.

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Gold

Silver

Bronze

Steel

Iron

Reshoring Data & Opportunities

Contact:
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www.reshorenow.org

Useful links:
Total Cost of Ownership Estimator™
Skilled Workforce
Import Substitution Program
Supply Chain Gaps
Data Report

Attendee Checklist

✓ Questions

- Please note – Presenters will be around at the end of the seminar

✓ Keep a look out for a post-event email

- Event recap
  - Download a copy of the presentation
  - Link to view the video
- Feedback survey

THANK YOU!