

2017 OUTLOOK

ECONOMY

and

MACHINERY

AN ALL NEW GOVERNMENT WILL CREATE SOME EXCITEMENT

TAXES

MEDICAL

FOREIGN RELATIONS

IMMIGRATION

SOCIAL SECURITY

INFRASTRUCTURE

US ECONOMIC INDICATORS

	PRIME INTEREST AVG	PRODUCER PRICE INDEX	CONSUMER CORE PRICE INDEX	Industrial Production %CHG	MILLIONS AUTOS	AUTOS %CHG	National RETAIL SALES %CHG	US GDP
11	3.25%	6.0%	3.1%	4%	12.7	9%	7%	1.6%
12	3.25%	1.9%	2.1%	3%	14.4	13%	5%	2.3%
13	3.25%	1.2%	1.5%	4%	15.5	8%	4%	2.2%
14	3.25%	1.9%	1.6%	4%	16.4	6%	3%	2.4%
15	3.25%	-1.0%	1.1%	1%	17.5	7%	2%	2.4%
16	3.50%	-1.0%	1.9%	-1%	17.6	1%	3%	1.6%
17	4.10%	1.8%	2.0%	0%	16.9	-4%	4%	2.2%
18	4.70%	2.4%	2.5%	1%	16.5	-2%	4%	2.4%

INTEREST RATES

MORE THAN 1 % BUT LESS THAN 2%

MORE INFLATION MAYBE MORE THAN 2%

DOLLAR WILL BE STRONG ALL YEAR

UNITED STATES CONSTRUCTION ACTIVITY

	TOTAL HOUSE		SINGLE		Nonresidential		Street, Highway, Bridge	
	PERMITS	% chg	FAMILY	% chg	Inflation adjusted MILLIONS \$	% chg	Inflation adjusted MILLIONS \$	% chg
11	624,131		418,271		186,595		53,175	
12	829,658	33%	520,425	24%	207,860	11%	52,838	-1%
13	990,552	19%	617,401	19%	241,575	16%	62,426	18%
14	1,045,993	6%	634,309	3%	271,655	12%	65,550	5%
15	1,162,582	11%	695,743	10%	279,055	3%	68,839	5%
16	1,202,727	3%	746,772	7%	288,570	3%	75,557	10%
17	1,275,647	6%	808,824	8%	303,721	5%	81,703	8%
18	1,355,512	6%	881,654	9%	324,190	7%	88,078	8%

**DOES NOT INCLUDE PRESIDENT TRUMPS PROMISED
ONE TRILLION DOLLARS FOR INFRASTRUCTURE**

US Construction Machine Units, First in Dirt

Big 6: dozers, wheel loaders, 12 ton+ excavators, graders, artics, rigid trucks
 Light 4: wheeled and tracked skidsteers, backhoes, and mini-excavators

	BIG 6	% chg	LIGHT 4	% chg	TOTAL	% chg
11	33,150		71,750		104,900	
12	42,500	28%	89,900	25%	132,400	26%
13	43,800	3%	92,700	3%	136,500	3%
14	50,700	16%	104,100	12%	154,800	13%
15	50,500	-0%	110,500	6%	161,000	4%
16	45,500	-10%	115,000	4%	160,500	-0%
17	45,750	1%	120,000	4%	165,750	3%
18	50,000	9%	128,000	7%	178,000	7%

Actual Data through Q3 2016

CONSTRUCTION MACHINERY

SALES OF NEW AND USED LARGE EQUIPMENT WILL REMAIN WEAK.

DEMAND FOR MINING EQUIPMENT OUTSIDE OF THE U.S. WILL BE ALMOST NONEXISTANT.

THERE WILL A SLIGHT INCREASE IN DEMAND BY THE OIL MARKET—MOST WILL BE IN WEST TEXAS

EVEN WITH A CHANGE IN COAL USE REGULATIONS THE COAL MINING MARKET WILL CONTINUE TO SHRINK.

Ag Tractor Industry US and Canada

	under 40hp		2wd		4wd		Tractor 40hp+		combines	
11	96,000	3%	31,000	3%	7,500	7%	38,500	4%	13,000	0%
12	103,000	7%	36,000	16%	8,000	7%	44,000	14%	12,750	-2%
13	114,000	11%	42,000	17%	8,400	5%	50,400	15%	13,000	2%
14	123,000	8%	40,000	-5%	7,000	-17%	47,000	-7%	11,000	-15%
15	130,500	6%	30,000	-25%	4,000	-43%	34,000	-28%	7,500	-32%
16	135,000	3%	20,000	-33%	3,000	-25%	23,000	-32%	5,500	-27%
17	138,000	2%	15,000	-25%	2,250	-25%	17,250	-25%	4,000	-27%
18	140,000	1%	12,000	-20%	1,800	-20%	13,800	-20%	3,200	-20%

THE AGRICULTURE MARKET

TYPICALLY THE AG CYCLE IS 7 YEARS LONG

WE ARE IN YEAR TWO OF THE CYCLE

**SMALL TRACTORS DO WELL FOR THE HOME OWNER
WEEKEND FARMER**

**LARGE USED TRACTORS AND COMBINES WILL CONTINUE TO
DECLINE IN PRICE**



LARGE MACHINE RENTAL ANALYSIS

	DEALER OWNED RENTALS	RENTAL COMPANY RENTALS	TOTAL RENTAL	TOTAL INDUSTRY SALES	RENTAL AS A % OF TOTAL
2011	3,511	591	4,102	33,150	12.4%
2012	15,084	3,691	18,775	42,500	44.2%
2013	13,013	2,689	15,702	43,800	35.8%
2014	15,724	2,566	18,290	50,700	36.1%
2015	13,173	2,357	15,530	50,500	30.8%
2016	11,841	2,008	13,849	45,500	30.4%
2017	12,650	2,400	15,050	45,750	32.9%
2018	15,240	2,600	17,840	50,000	35.7%

RENTAL

25 YEARS AGO RENTAL WAS 15% OF TOTAL CONSTRUCTION MACHINERY VOLUME.

TODAY RENTAL IS 55% OF TOTAL CONSTRUCTION MACHINERY VOLUME.

OVER 20% OF CONTRACTORS RELY TOTALITY ON RENTAL FOR THEIR MACHINERY NEEDS.

A SIGNIFICANT PORTION OF MACHINES ARE FINANCED BY CAPTIVE FINANCE ORGANIZATIONS

OVERSTOCKED DEALERS

BY YEAR-END MOST DEALER'S WILL DISCOVER THEY HAVE TOO MUCH INVENTORY

DEALERS ARE BUYING IN ANTICIPATION OF THE TRUMP TRILLION DOLLAR INFRASTRUCTURE PROGRAM.

MAYBE BY THE SECOND HALF OF 2018 BUT NOT THIS YEAR.

OVERSTOCK WILL CONSIST OF RENTAL MACHINES, USED MACHINES AND NEW MACHINES.

ECONOMIC GROWTH IN THE YEAR AHEAD

NOT EVERY REGION OF THE COUNTRY WILL PROSPER

SOME PAST GROWTH STATES WILL CONTINUE TO DECLINE

**INTEREST GROUPS WILL SEE MORE STRENGTH INFLUENCING
CONGRESS**

**THERE WILL BE SIGNIFICANT FRICTION BETWEEN CONGRESS
AND THE WHITE HOUSE**

**CYBER SECURITY AND CYBER ATTACKS WILL CONTINUE TO
GROW**

NORTH KOREA WILL CAUSE PROBLEMS

REMEMBER

POLITICAL CORRECTNESS IS A DOCTRINE