

# Global Industrial Outlook: Weathering the Storm

Brian Langenberg

Last issue (Sept.) we explained how bad energy is getting. So on to alternatives.

We just returned from WEFT-EC—the premier U.S. water and wastewater management show. Our recent discussion (Game Changer) highlighted the negative impact of low oil prices.

We confirmed that municipal finances continue to improve, leading to continued activity on projects originally planned for 5, 6, and 7 years ago finally being released.

Could this possibly be enough to offset weak energy? Not in 2015 or 2016.

Speaking with a publicly traded pump manufacturer that tends to focus on small-to-mid-size municipal water

of energy and materials; funding improvements is easier after an election (hopefully) and with lower input costs. The set-up is for early '17 bills getting passed with funding (President-elect's brief "honeymoon"), and rising activity in 2018.

**2. Improving home prices** support continued residential optimism. You (not me) will be happy to know that, for example, my village has just proposed a 20 percent increase in my tax assessment. THAT isn't going to happen, but the direction remains up.

**3. U.S. economic growth continues**, despite headwinds from lower energy and the strong U.S. dollar.

**4. Aerospace and auto market conditions should remain strong.** In a nutshell, weathering the con-

lated systems to Pratt & Whitney on its geared turbo fan (GTF) engine slated to launch on the significantly delayed C-Series jet.

That chart looks...*awful*. The company is over two years late on C-Series entry into service (hoping for certification in November), which has cost orders, replaced senior management, and is currently running around seeking cash so they can ensure getting aircraft into commercial production.

If you are a supplier on the GTF engine, this appears worrisome, but take heart—the GTF is extremely important to United Technologies (owner of Pratt & Whitney) and the AOFUTX-EWSF (Association of Former UTX Executives Who Speak French) has taken over at Bombardier. They will get it into the air.

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systems, we gleaned the following:

We think these trends will continue at least through 2016, albeit with oil and gas comparisons eventually (hopefully) stabilizing.

So what/where are the silver linings when the entire machinery sector, ex trucking, is getting whacked?

**1. Low commodity prices enable demand.** Nothing big is happening now. But infrastructure soaks a lot

of energy and materials; funding improvements is easier after an election (hopefully) and with lower input costs. The set-up is for early '17 bills getting passed with funding (President-elect's brief "honeymoon"), and rising activity in 2018.

**Focus Company: Bombardier (BBD.B)**

Bombardier operates in two business segments: Commercial Aviation and Rail. This company matters to you if you supply engine components or re-

Market	Sub-Segment	Commentary
Oil & Gas	Upstream, midstream	Off (50%); no silver lining.
Fire Pumps	Non-residential buildings	"Very good." Same commentary from other participants. Gulf Coast is "a touch" slower.
Irrigation	U.S. farming	California doing well owing to drought. Rest of market is weak.
Municipal	Water, wastewater treatment	Growing. Good conditions.



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Contact [blangenberg@aurora.edu](mailto:blangenberg@aurora.edu) to arrange for a phone or in-person discussion. **PTE**

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has earned recognition as a member of the Institutional Investor All-America Research Team, a Wall Street Journal All-Star, and Starmine Best on the Street. As Principal of Langenberg & Company, he advises CEOs and senior executives on strategy and capital markets, and makes numerous public speaking appearances. In July 2015 he was named Chair (and Lecturer) of Graduate Business Programs at Aurora University.

