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News and Economic Outlook for the Wire and Cable Industry

| SPOTLIGHT |

A Look at the Canadian Economy

MANY ECONOMIES HEAVILY TIED to natural resources production took a beating over the past year as global industrial activity slowed. Combined with a supply glut, this led to plummeting Oil Prices *(down 23.6% year-over-year)*, and lower investment in the Oil Industry *(down 62% since December 2014)*. Canada was particularly hit hard because it derives over 17% of GDP from natural resources production. Canada Mining and Oil and Gas Extraction and Canada Forestry and Logging Production are down 2.3%, and 3.1%, respectively, on a year-over-year basis. The impact of low commodity prices has prolonged the decline in annual Canada Industrial Production *(down 0.6%)* and tempered expectations for GDP growth, which is currently growing at a seasonally-adjusted annual rate of 1.1% through July. The slowdown in World Industrial Production hurt international trade for Canada as well. Total Exports to the US, the UK, and China for the 12 months through May were down 12.1%, 15.6%, and 35.9%, respectively, compared to last year. This has contributed to significant job loss as average annual Unemployment, measured in millions of unemployed workers, rose 4.8% since the year-ago level. It has also limited real wage growth since rising wages *(up 1.4%)* have been mostly masked by inflation *(up 1.1%)*. However, an impending recovery in the global economy and Canada's stimulus plan should help Canada return to accelerating growth in 2017.

Canada's latest efforts to spur economic growth have been through a combination of monetary and fiscal policies which started back in the early second quarter of 2016. The Canada central bank lowered interest rates to 0.5% with the prospect of attracting investments. Canada's fiscal policy included an approved $120 billion over the next ten years with over 40% budgeted toward investments in infrastructure. Funding will go to public infrastructure projects that will spur the most private sector business investments and likely go to areas with the highest opportunities for business. Canada also earmarked some of these funds toward the Canada Child Benefit (CCB), a fiscal stimulus package similar to the US Economic Stimulus Act of 2008, which targets households with children. The CCB will support rise in Canada Retail Sales which are growing at an annual rate of 3.0%. Canada is well positioned to commit this level of public debt spending as they have managed a surplus in recent years and currently have a Debt to GDP ratio under 100% which is lower than major trading powers such as the US, the UK, and Japan. Canada has also enacted policies to keep the business climate attractive for firms. The Canada Corporate Tax Rate is 26.5%, down 15.9 percentage points since 2000. Growth in infrastructure has long been considered a long-term growth strategy that attracts businesses and creates sustained job growth for the economy.

These policies, combined with rising global and Canadian leading indicators, bodes well for Canada's economy in 2017.

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IEWC® GLOBAL SOLUTIONS

GLOBAL ECONOMIC OVERVIEW

NORTH AMERICA US Real Gross Domestic Product (GDP) is growing at a seasonally-adjusted annual rate of 1.3%, but Real GDP is expanding at the slowest rate in nearly three years. However, the S&P 500 annual growth rate is on the upward side of the business cycle. This is a positive signal corroborating the rise in the US Corporate Profits quarterly growth rate and suggests generally improving economic conditions in 2017. This outlook is supported by the leading indicators to the macro economy such US New Homes Sold *(up 11.1%)* and the general rise in the US Purchasing Managers Index. Annual average US Industrial Production Index *(down 1.3%)* will enter recovery by late 2016. Expect annual US Industrial Production to rise from late 2016 through late 2018. US Retail Sales, adjusted for inflation, are up 1.8%. However, low gas prices have hidden some of the value of consumer strength. US Retail Sales Excluding Gas Stations *(deflated)* is up 3.4% compared to the 2015 level. Plan for Real GDP to finish 2016 up 2.1% on a seasonally-adjusted annual basis. GDP will be in an accelerating growth trend throughout 2017, up 3.7% by year-end. Plan for a stronger year in 2017, led by consumer spending and rising prices.

Like in the US, consumer strength in Mexico is outpacing industrial activity. Mexico Retail Sales are up 6.6% year-over-year, but the Mexico Industrial Production Index is stagnating. Positive signs in the Mexico Leading Indicator point to rise in Industrial Production through at least mid-2017. Annual average Canada Industrial Production as of July is down 0.6% from the previous year, but Canada GDP is up 1.1% year-over-year.

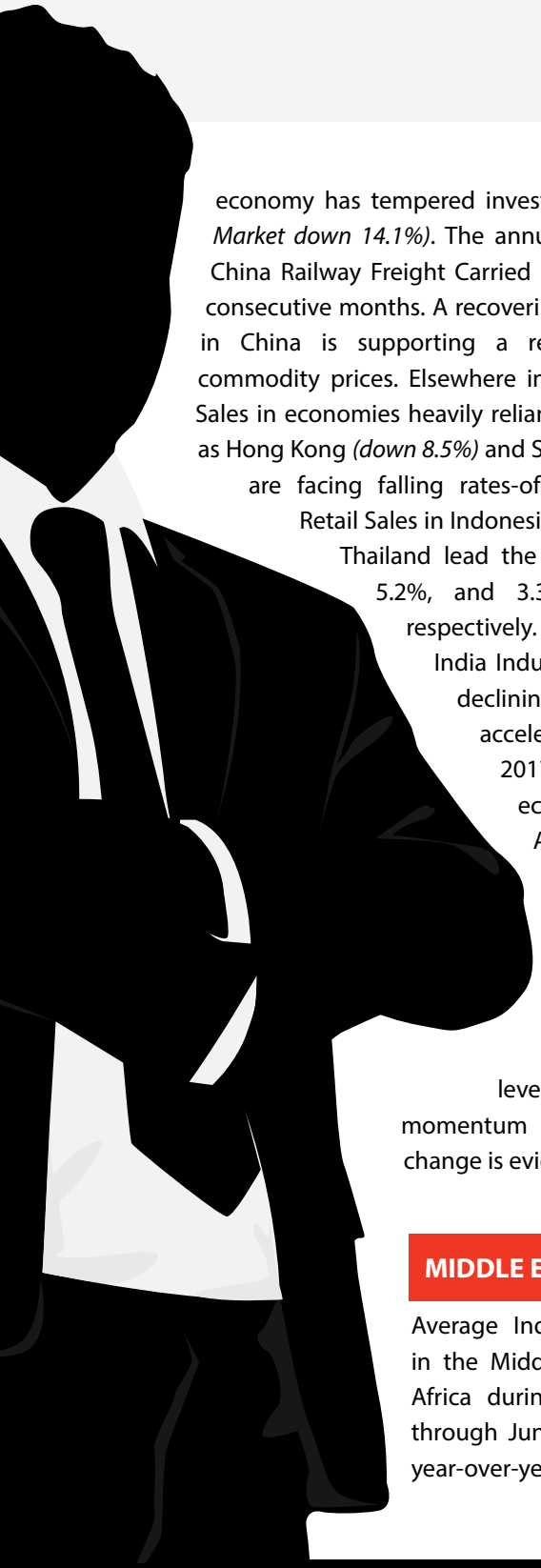
SOUTH AMERICA Average Brazil Manufacturing and Mining Industrial Production during the 12 months through August is 9.3% below the 2015 level. Opportunities for growth will be limited through late 2016 until annual average Production rises in 2017. The recession in Brazil has adversely affected the rest of South America. Annual Chile and Argentina Industrial Production are both below the year-ago level, down 0.7% and 2.3%, respectively. Colombia Industrial Production remains the strong point among the region's economies, up 3.8%.

EUROPE Eastern Europe Industrial Production is outperforming Western Europe, with annual growth rates of 2.6% and 1.2%, respectively. The pace of growth in both regions is currently slowing, and the Europe Leading Indicator remains relatively flat. The uncertainty from Brexit and the declining Europe Export Volume, down 0.8% year-over-year, are likely causes of the slowdown. Annual Europe Motor Vehicle Production is a bright spot, up 5.9% since last year.

ASIA Average Southeast Asia Industrial Production for the 12 months through July is up 1.3% compared to the previous year's level. The quarterly growth rate is rising and is above the annual rate-of-change, suggesting the accelerating growth trend in Production will last through at least early 2017. The China Industrial Production annual growth rate has held steady at 5.9% in recent months, but shows signs of accelerating growth in the near term. The slowdown in China's

BY THE NUMBERS (US)

Conference Board Consumer Confidence Index	September (2016) Unemployment	Retail Sales (August to Sept change)	Mfg.'s New Orders for Durable Goods (July to August change)
104.1%	5.0%	+0.6%	0.0%



economy has tempered investment *(China Stock Market down 14.1%)*. The annual growth rate for China Railway Freight Carried has risen for seven consecutive months. A recovering industrial sector in China is supporting a recovery in global commodity prices. Elsewhere in the region, Retail Sales in economies heavily reliant on tourism, such as Hong Kong *(down 8.5%)* and Singapore *(up 3.7%)*, are facing falling rates-of-change. However, Retail Sales in Indonesia, South Korea, and Thailand lead the region, up 11.2%, 5.2%, and 3.3% year-over-year, respectively. Average annual India Industrial Production is declining, but expect accelerating growth in 2017 as the global economy improves. Average Japan Industrial Production for the 12 months through August is down 1.6% from the year-ago level, but upward momentum in the rates-of-change is evident.

MIDDLE EAST / AFRICA

Average Industrial Production in the Middle East and North Africa during the 12 months through June is up 1.6% on a year-over-year basis. Low commodity prices have negatively impacted economic activity across the two regions; Middle East GDP is down 11.1% year-over-year while Africa Nominal GDP is down 8.8%. Expect the recovery in commodity prices into at least late 2017 to alleviate some of the negativity for economies tied to commodities in the regions.

*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 9/1/2015	Change Since 1/1/2016
Brazilian Real	3.20	-0.79	-0.76
Canadian Dollar	1.31	-0.01	-0.08
Chinese RMB	6.74	0.38	0.23
Euro	0.91	0.02	-0.01
Mexican Peso	18.93	2.06	1.73
Pound Sterling	0.82	0.16	0.14

Current values as of 10/17/2016

Mfg.'s Shipments of Durable Goods (July to August change)	Durable Goods Mfg.'s Inventories (July to August change)	CPI Inflation (over prev. 12 months)	US Industrial Production Index (over prev. 12 months)	Purchasing Managers Index (September)
-0.4%	+0.1%	+0.3%	-1.0%	51.5%

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The annual growth rates for China Industrial Production *(up 5.9%)* and US Industrial Production *(down 1.3%)* are both expected to rise imminently into late 2017. Canada is expected to ride on the backs of its trade partners as global demand rises. Many commodity prices are generally rising off early 2016 lows, and general rise in prices of most commodities is expected to persist into at least the second half of 2017. The Canada Purchasing Managers Index *(10-month leading indicator to Canada Industrial Production)* and the Canada Leading Indicator *(11-month leading indicator)* have exhibited positive momentum over the past 9 and 12 months, respectively. These factors suggest 2017 will be a better year than 2016 for the Canadian macroeconomy.

The Canada construction markets will be supported by the macroeconomic recovery and Canadian government investment plans through at least 2017. Canada Nonresidential Construction is down 1.5%, and Canada Industrial Construction is down 5.1% from the year-ago level, but both segments are recovering from first quarter cyclical lows. Canada Wholesale Trade of Building Materials and Supplies is down 6.1% compared to last year and Wholesale Trade of Machinery and Equipment is down 4.1%, but both show signs of improvement and have tentatively transitioned to a recovery trend. Expect the construction markets in 2017 to see some near-term tailwinds from the stimulus plan but the majority of growth will be attributed to underlying growth in Canada in 2017.

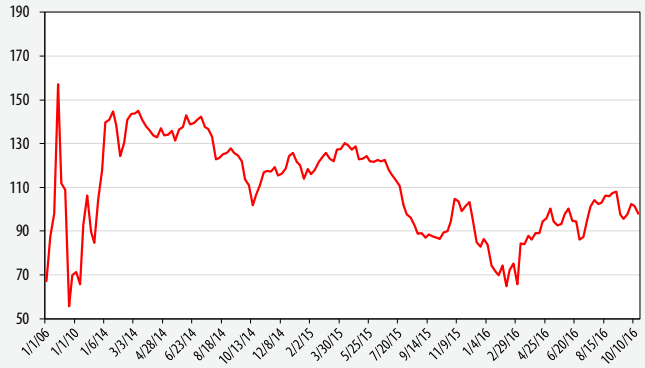
With investment opportunities and better days ahead, firms should consider Canada as a buy low situation with potential upside over the next few years. Low interest rates and earmarked funding for construction will support a rise in business investment that may have not otherwise been available. Be opportunistic about seeking new acquisitions or projects in Canada, and check your distribution and system processes to ensure you are ready for an expansion in 2017.

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

WIRE INDEX

The Wire Index fell by 9.1% since the beginning of September. However, it is still up 16.9% year-to-date and up 9.0% over the past 12 months. All companies tracked in the Index were down since the beginning of September except for Houston Wire & Cable.

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 slightly, by 1.7%, since the beginning of September. The rate sits at $2.10 as of October 14. Comex Copper is down 1.7% year-to-date and down 13.1% over the past twelve months.