

# Miami Herald

## Looking back at 2019 and at the business year ahead: What's ahead?



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2019 was full of surprises with interest rates unexpectedly reduced, the trade war with China, and other eye-openers — but can reviewing these developments help forecast what 2020 will bring, or will nothing short of a crystal ball help? Are greater curveballs in store as we throw into the mix a highly contentious presidential election and impeachment proceedings? And what are the implications and potential safeguards for your middle-market business?

In 2018, interest rates were raised several times; the Fed predicted two hikes for 2019, but rates were actually [lowered three times](#) that year. Meanwhile,

the trade war with China resulted in onerous tariffs and serious long- and short-term repercussions for America. According to [Fortune](#), while Beijing enforced a strategy that protected its economy and took intellectual property, the U.S. approach is “forcing our manufacturers and consumers to pay tens of billions of dollars more for imported products and parts.”

American farmers lost close to two-thirds of their exports to China, while China was busy developing relationships with other global markets for its agricultural imports. Countries like Brazil have filled the void, offering China low-cost pork and soybeans that before the imposition of tariffs, were being exported from the U.S. to China at higher prices. Some believe the chances of those contracts returning to the U.S. are questionable.

In manufacturing, the ISM Purchasing Managers Index (PMI) showed that September had the “[lowest levels of activity... since the great recession.](#)”

M&A activity didn't escape unscathed either, as “[U.S. M&A sank 40% year-on-year to \\$246 billion, the lowest such quarterly \(the third\) level since 2014.](#)”

Likewise, the trade war impacted global M&A, which hit a three-year low. But things seem to be going better in the fourth quarter, and the first quarter of 2020 also looks more positive.

We also witnessed a continued squeeze on migrants that is draining the labor pool, causing escalating problems for many U.S. businesses, particularly in tourism and retail, which will result in lower GDP growth.

Additionally, President Trump's “\$1.5 trillion tax cut package appeared to have little impact on businesses' capital investment or hiring plans.” Despite much fanfare, the fiscal facelift did little to improve the long-term economy, and what it did do, is in the rear-view mirror.

Looking at the year ahead: The Fed has indicated that interest rates are unlikely to be adjusted. Although 2020 is fraught with uncertainty, phase 1 of an agreement with China has been announced, which will purportedly lower tariffs and see China resume buying U.S. agricultural products, but the exact amounts are in dispute. Arguably, phase 1 merely puts us back where we were before the trade war started.

For small and middle-market companies who can't push back on their suppliers to absorb the tariffs, the truce will spare them from what might have

been the kiss of death. Also, our national employee base is not expected to materially grow in 2020, and retaining existing staff — perhaps by delaying retirement or drawing people back to the workforce — will be essential.

The upcoming elections will have the parties championing different views relating to healthcare, environmental issues, regulatory policy and taxes, with varying implications for middle-market businesses. You can safeguard your interests by continuing to monitor economic and political trends.

Even if trade wars fade into the past, you still want to weigh the benefits of staying with your business or going to market to sell. But remember, the sales process takes about six to nine months. Don't wait to have full clarity on the political and economic future, or it may be too late. If you intend to raise capital, strengthen your position by raising money now, and then see what the next two years bring.

Erring on the side of caution is sound practice, and never more so than in times of marked uncertainty. Build your coffers now: As the saying goes, an ounce of prevention is worth a pound of cure.

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