



Accurately Prepare for Tomorrow

Presented by ITR Economics
President
Alan Beaulieu, PhD

2021 Forecast Results

**Based on December Estimates*

Despite everything that happened...



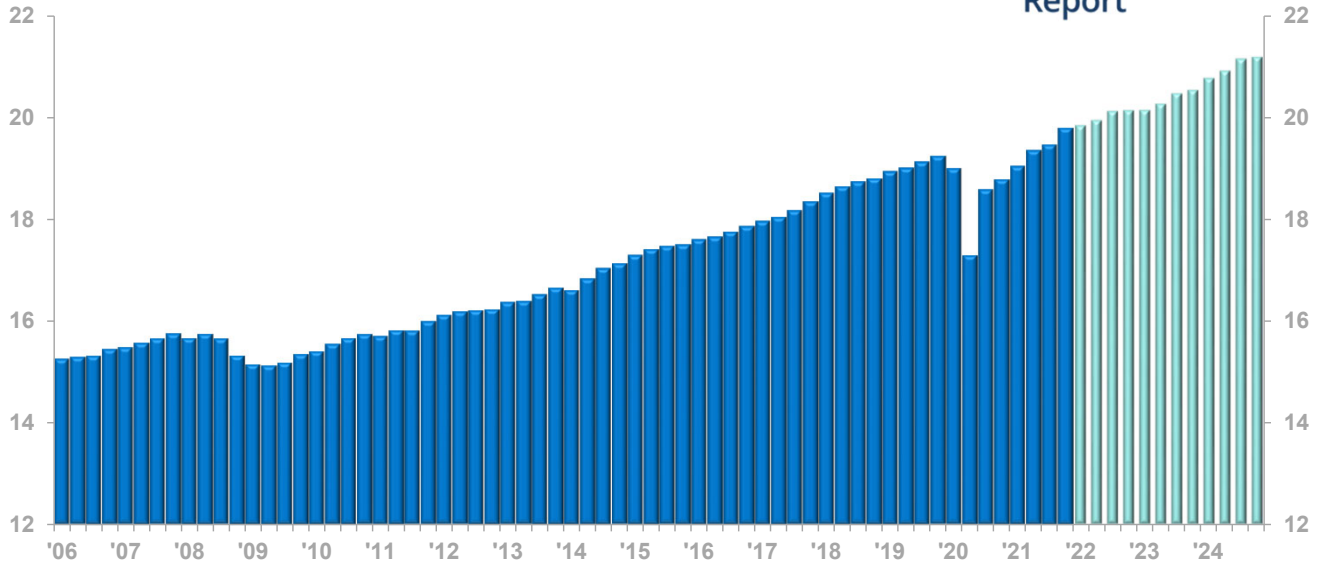
| | Duration | Accuracy |
|---------------------------|----------|----------|
| US GDP | 15 | 98.6% |
| US Ind. Production | 19 | 98.3% |
| Europe Ind. Production | 11 | 97.3% |
| Canada Ind. Production | 12 | 99.5% |
| China Ind. Production | 14 | 97.7% |
| Retail Sales | 11 | 90.6% |
| Housing - Single Family | 12 | 93.1% |
| Employment-Private Sector | 18 | 99.2% |

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

Growth Through 2024

Source: Bureau of Economic Analysis

US Gross Domestic Product, SAAR, Chained 2012 \$
3-Month Moving Average, Trillions of Dollars



A Powerful Management Tool • Rates-of-Change



| | Raw | 3MMT | 3/12 | 12MMT | 12/12 |
|--------|-------|------|-------|-------|-------|
| Feb-20 | 4,548 | | | | |
| Mar-20 | 4,953 | | | | |
| Apr-20 | 4,039 | 13.5 | | | |
| May-20 | 4,177 | 13.2 | | | |
| Jun-20 | 4,864 | 13.1 | | | |
| Jul-20 | 4,912 | 14.0 | | | |
| Aug-20 | 4,866 | 14.6 | | | |
| Sep-20 | 5,064 | 14.8 | | | |
| Oct-20 | 5,293 | 15.2 | | | |
| Nov-20 | 4,983 | 15.3 | | | |
| Dec-20 | 5,399 | 15.7 | | | |
| Jan-21 | 4,942 | 15.2 | | 58.0 | |
| Feb-21 | 4,803 | 15.1 | | 58.3 | |
| Mar-21 | 6,035 | 15.8 | | 59.4 | |
| Apr-21 | 5,850 | 16.7 | 23.2% | 61.2 | |
| May-21 | 5,756 | 17.6 | 33.9% | 62.8 | |
| Jun-21 | 6,216 | 17.8 | 36.2% | 64.1 | |
| Jul-21 | 5,982 | 18.0 | 28.7% | 65.2 | 12.6% |
| Aug-21 | 6,075 | 18.3 | 24.8% | 66.4 | 15.3% |
| Sep-21 | 6,208 | 18.3 | 23.1% | 67.5 | 17.2% |
| Oct-21 | 6,279 | 18.6 | 21.9% | 68.5 | 19.0% |
| Nov-21 | 6,366 | 18.9 | 22.9% | 69.9 | 21.3% |
| Dec-21 | 6,524 | 19.2 | 22.3% | 71.0 | 22.6% |
| Jan-22 | 6,056 | 18.9 | 23.8% | 72.1 | 24.3% |

3/12

Based on data from a consecutive 3-month period compared to one year earlier.

Anticipates shifts in business cycle trends.

12/12

Based on data from a consecutive 12-month period compared to one year earlier.

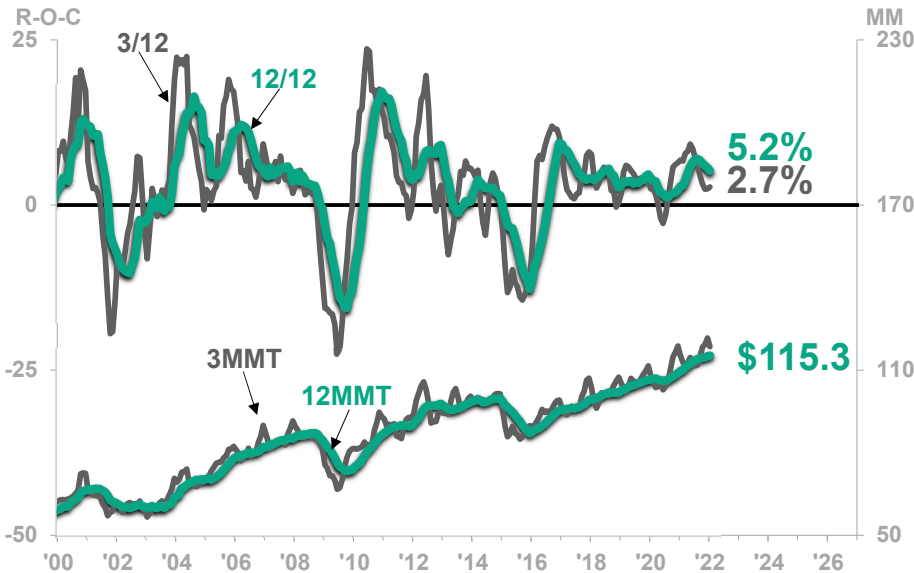
Defines the business cycle.

Still Rising, But More Slowly

Source: US Census Bureau

US Measuring and Control Instruments New Orders

Billions of Dollars



NAICS 334512-9

Includes electromedical and electrotherapeutic apparatus, medical ultrasound equipment, pacemakers, hearing aids, electrocardiographs, and electromedical endoscopic equipment; automatic controls and regulators for applications, such as heating, air-conditioning, refrigeration and appliances; instruments and related devices for measuring, displaying, indicating, recording, transmitting, and controlling industrial process variables, and other measuring devices.

US Economic Leading Indicators: Deceleration in 2022 & 2023

Sources: ITR Economics, Institute for Supply Management, OECD, Yahoo Finance, US Census Bureau, FRB

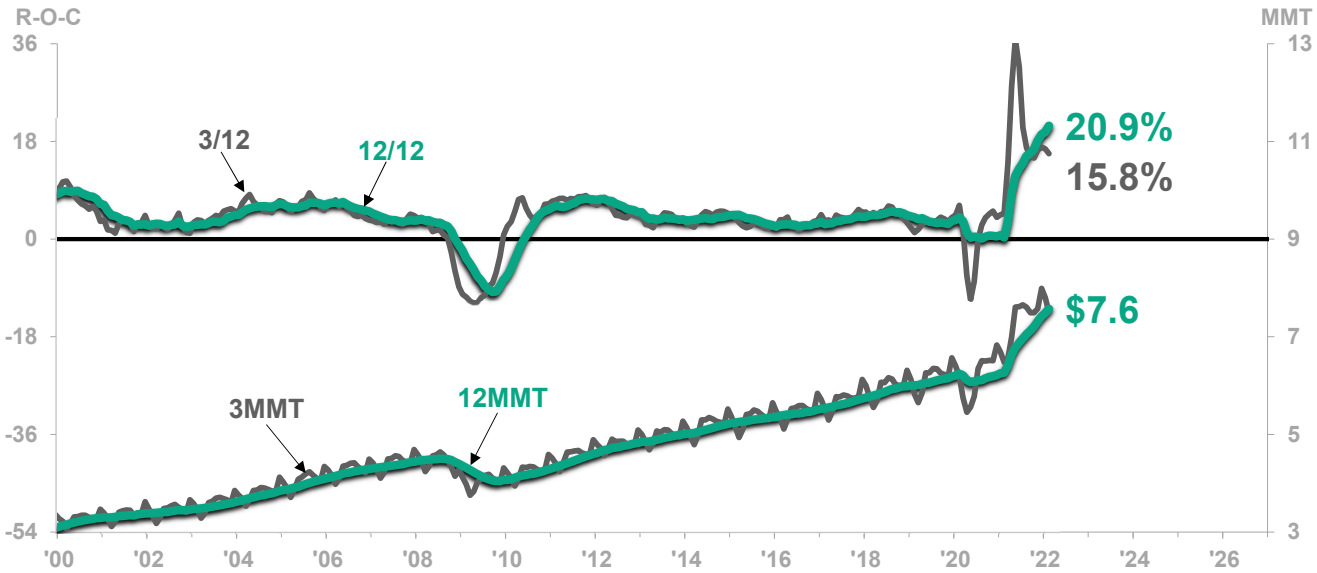
| Indicator | Trend | Macro Indication |
|-------------------------------------|---------|-----------------------------------|
| ITR Retail Sales Leading Indicator | Decline | Deceleration probable for 2022... |
| ITR Financial Leading Indicator | Decline | Deceleration probable for 2022... |
| JPMorgan Global PMI | Decline | Deceleration probable for 2022... |
| OECD Leading Indicator | Decline | Deceleration probable for 2022... |
| G7 Leading Indicator | Decline | Deceleration probable for 2022... |
| Purchasing Managers Index (PMI) | Decline | Deceleration probable for 2022... |
| ITR Leading Indicator | Decline | Deceleration probable for 2022... |
| Wilshire Total Market Cap | Decline | Deceleration probable for 2022... |
| US Business Confidence Index | Decline | Deceleration probable for 2022... |
| Single-Family Housing Starts | Decline | Deceleration probable for 2022... |
| Total Industry Capacity Utilization | Decline | Deceleration probable for 2022... |
| US Exports, Goods – World | Decline | Deceleration probable for 2022... |

Stimulus-Driven Ascent Is Dissipating

Source: US Census Bureau

US Total Retail Sales

Trillions of Dollars

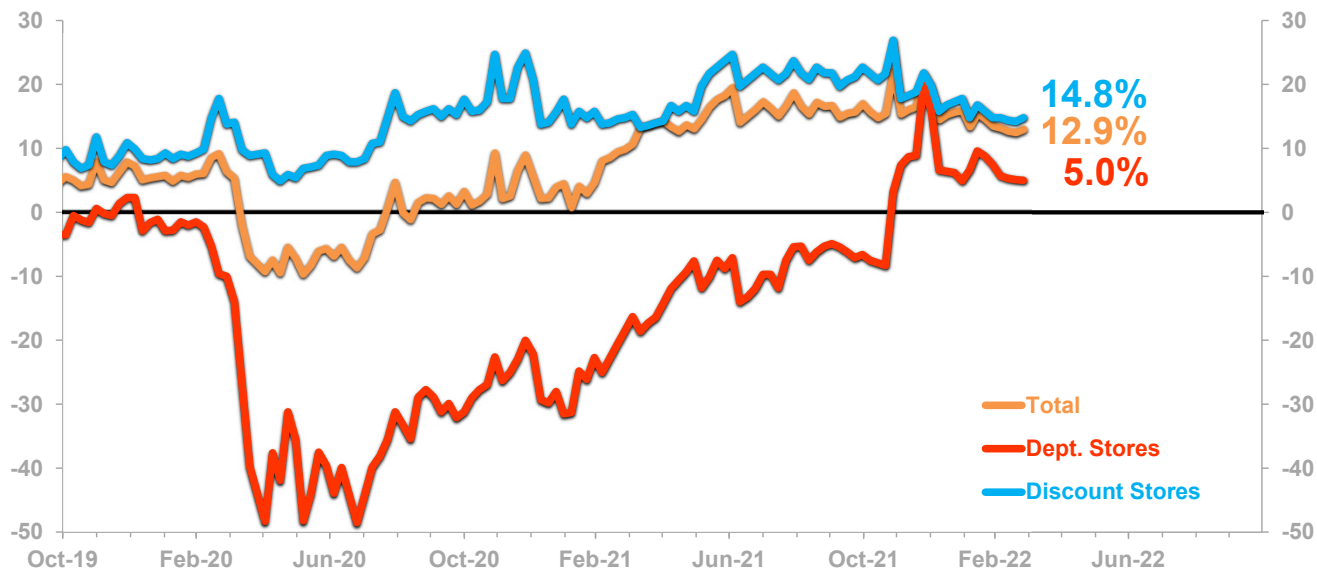


Recovered from COVID

Source: Johnson Redbook

Johnson Redbook Weekly Indexes for the US

Weekly Activity, Year-over-Year Percent Change

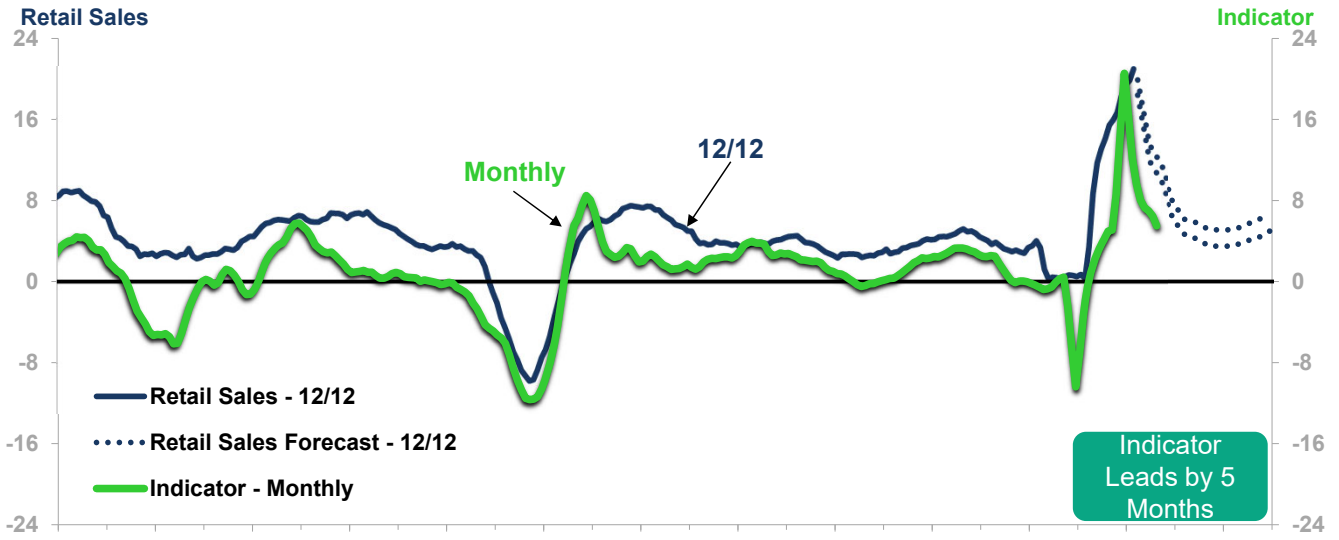


Still Rising, But More Slowly in 2022

Sources: US Census Bureau, ITR Economics

US Total Retail Sales to ITR Leading Indicator™

Rates-of-Change



High Oil Prices Not Automatically Detrimental

Sources: EIA, US Census Bureau

US Crude Oil Spot Prices to US Retail Sales (excluding gas stations)

Data Trends



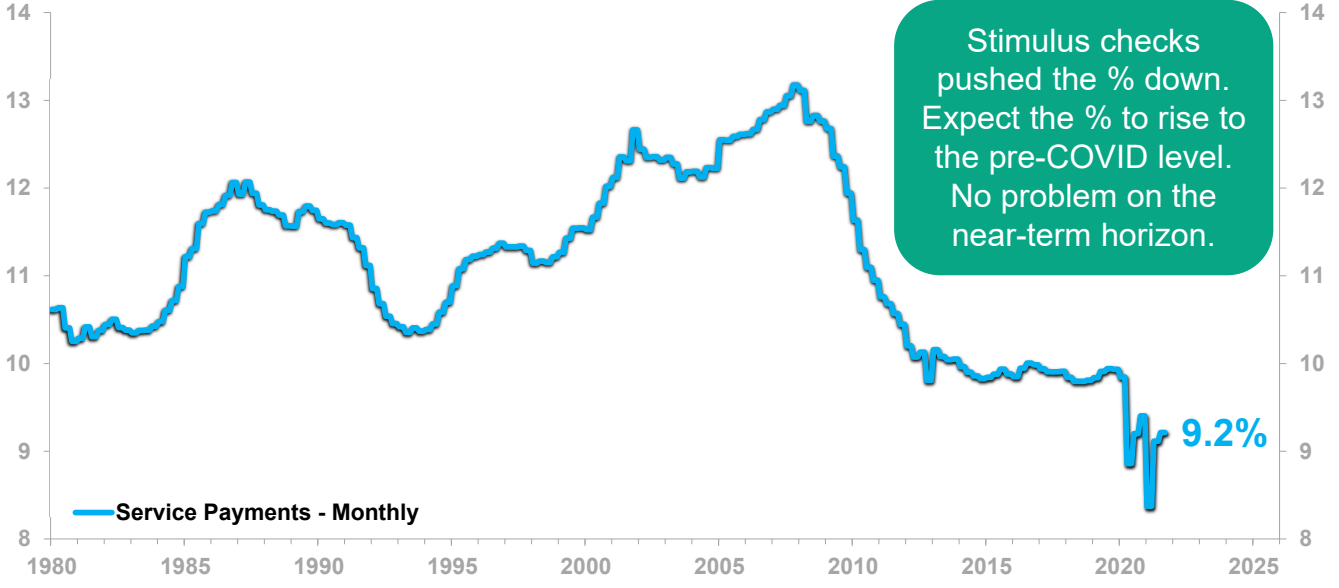
The Consumer Is In A Sound Financial Position

Source: FRB

US Household Debt Service Payments as a Percent of Disposable Personal Income

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Raw Data: Percent



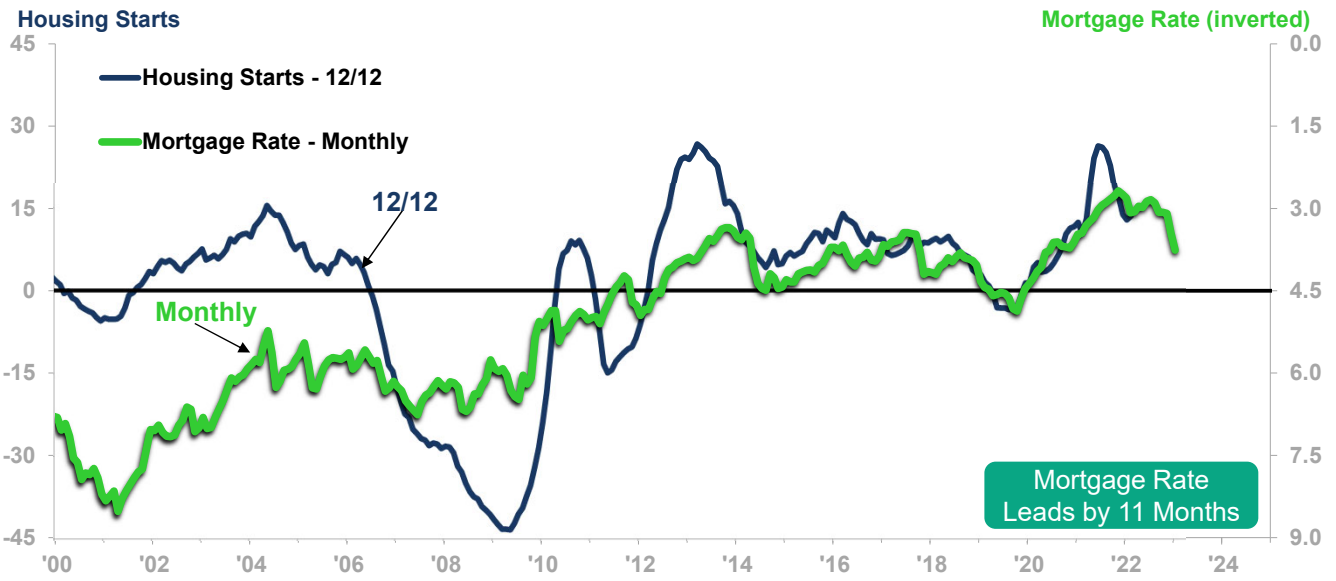
Low-Cost Mortgages Point to More Construction

Sources: US Census Bureau, Freddie Mac

US Single-Unit Housing Starts to US Conventional Mortgage Rate (30-yr)

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Rates-of-Change



Plan on Growth Through 2023

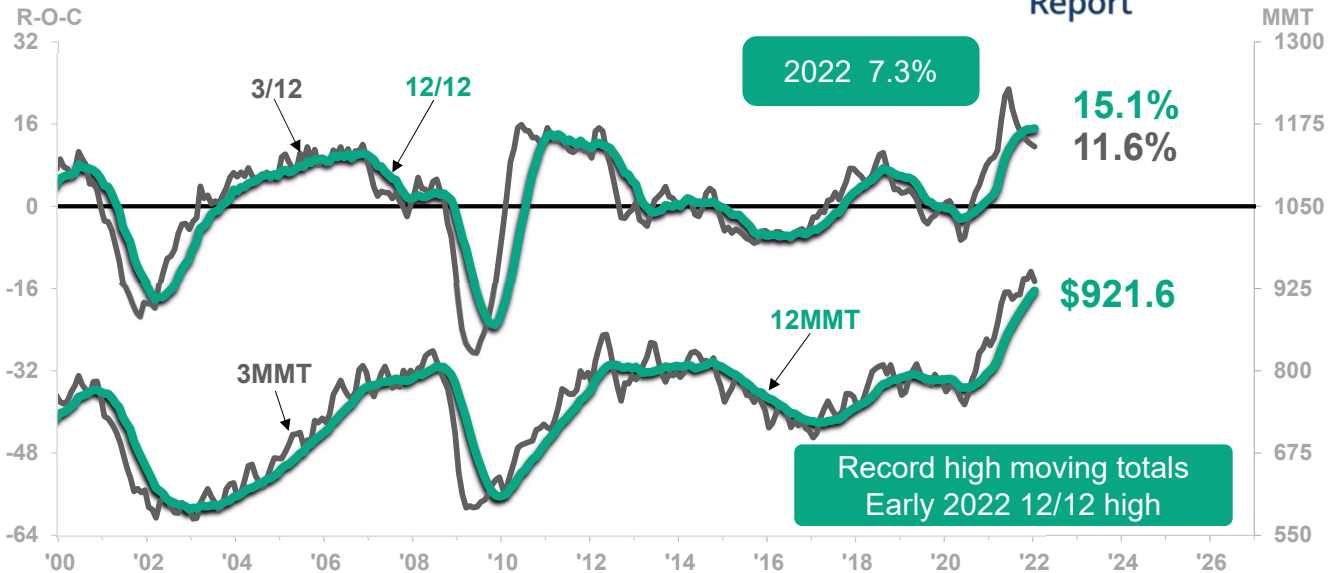
Source: US Census Bureau

US Nondefense Capital Goods New Orders (excluding aircraft)

Billions of Dollars

as seen in
ITR Economics'
**Trends
Report**

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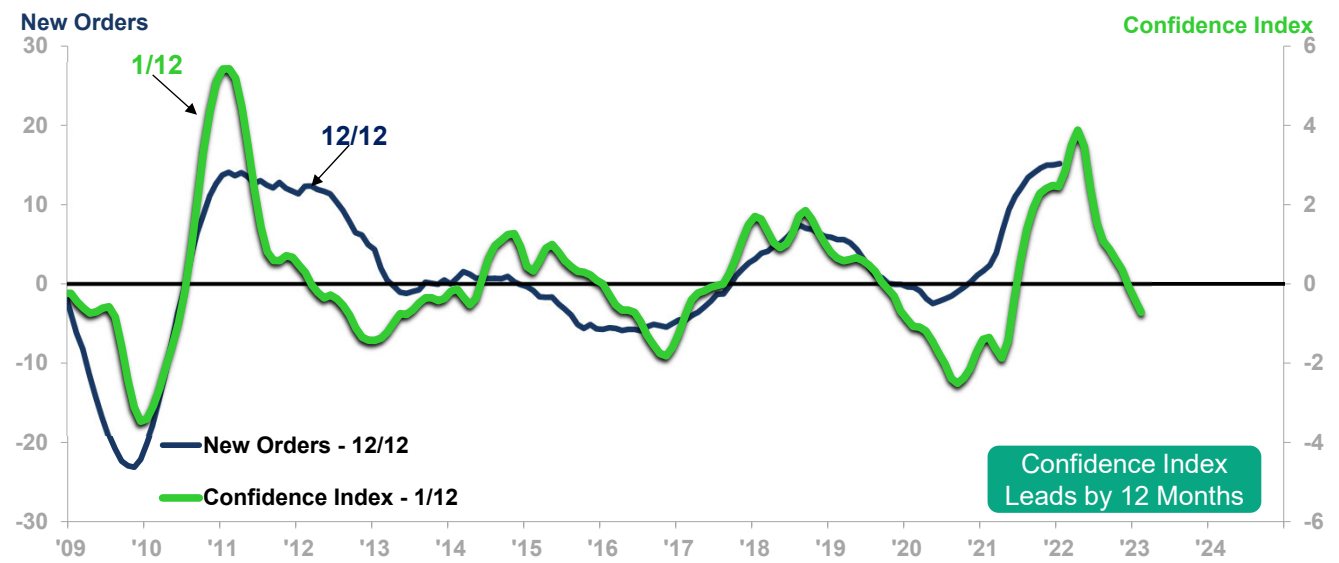
B2B Stays Strong Through 2024

Sources: US Census Bureau, OECD

US Nondefense Capital Goods New Orders (excluding aircraft) to US Business Confidence Index

Rates-of-Change

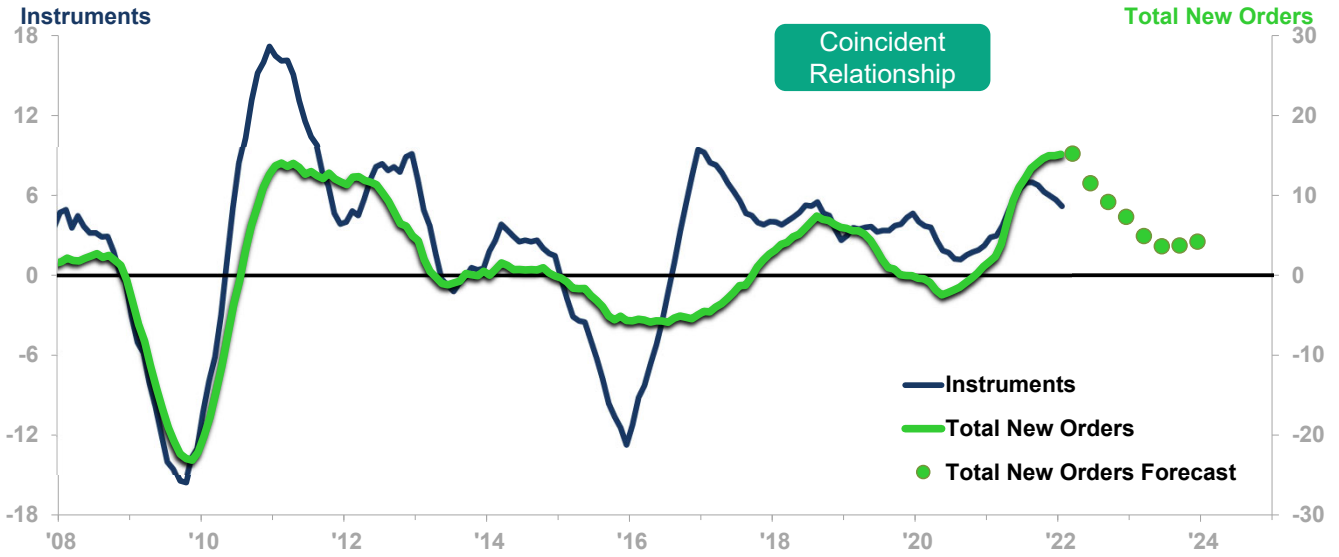
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Tight Cyclical Relationship to Capital Goods New Orders

Source: US Census Bureau

US Measuring and Control Instruments New Orders to US Nondefense Capital Goods New Orders (excluding aircraft)
12/12 Rates-of-Change



Still Rising, But More Slowly Later in 2022

Sources: FRB, Institute for Supply Management

US Industrial Production Index to US Purchasing Managers Index
Rates-of-Change



Rise Through 2023

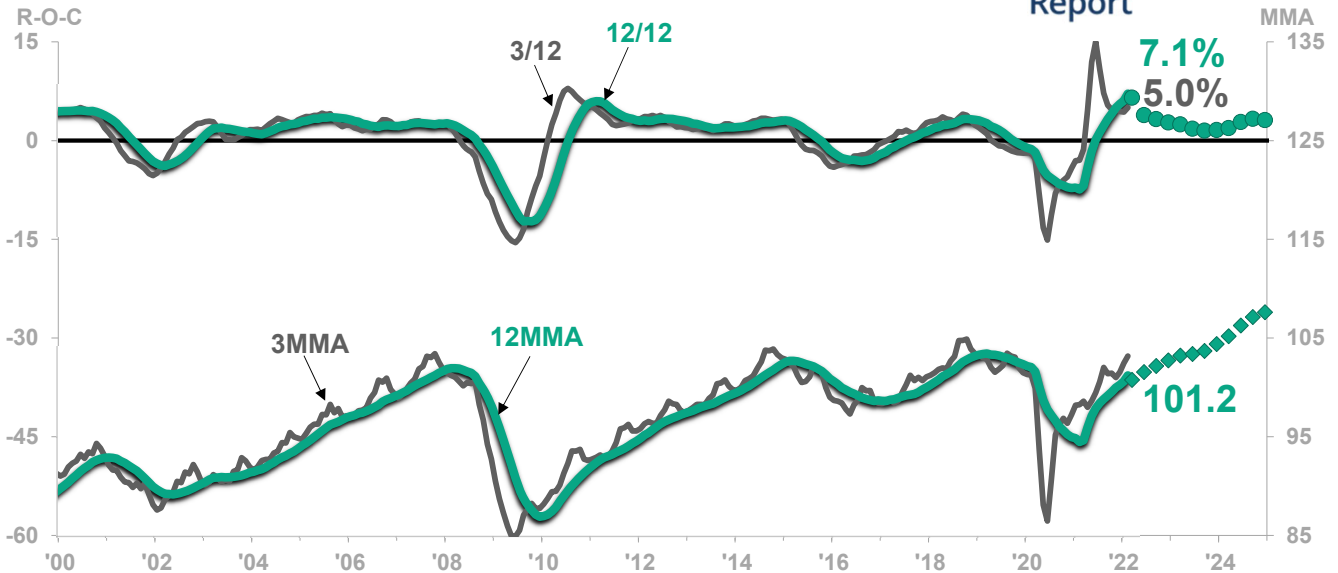
Source: FRB

US Industrial Production Index

2017 = 100

as seen in
ITR Economics'
**Trends
Report**

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The US Macroeconomic Summary

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- Consumer financial health is good with incomes rising
- Businesses are profitable and liquidity is high
- Situation looks stable which bodes well for nonresidential construction

Next Steps

- Economic situation in the US is better than in Europe. Might be better to focus more heavily on domestic opportunities.

Financial Markets

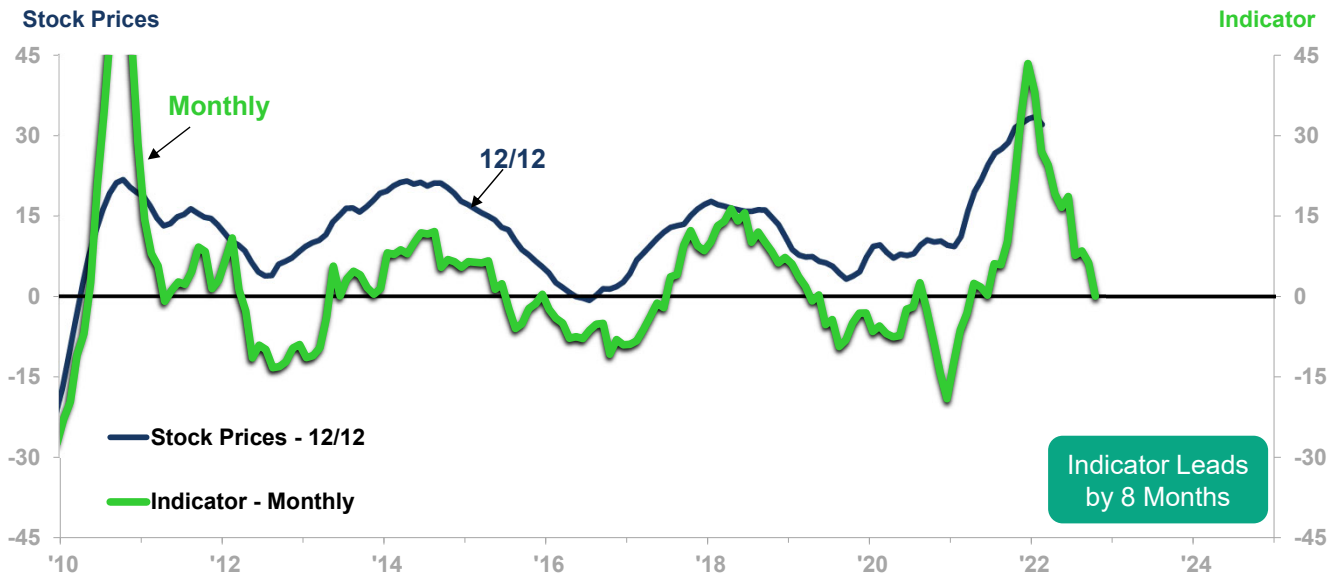
A Clear Signal of Downside Pressure on the S&P 500

Sources: WSJ, ITR Economics

US S&P 500 Stock Prices Index to ITR Financial Leading Indicator™

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Rates-of-Change



Increasingly Risk Laden

Sources: Wall Street Journal, Bureau of Economic Analysis

US Stock Prices Index to US Domestic Corporate Profits with Capital Consumption Adjustments



Data Trends



Financial Markets Summary



- ☐ → Higher inflation/interest rates will compress multiples
- ☐ → Optimizer Leading Indicator, M2, & Margin Debt signal caution regarding S&P 500
- ☐ → Caution does not mean exit the market; continue to build wealth but the strategies will change

Next Steps

A price correction is different than a bear market. Stay engaged

Stay engaged but seek safe sectors.



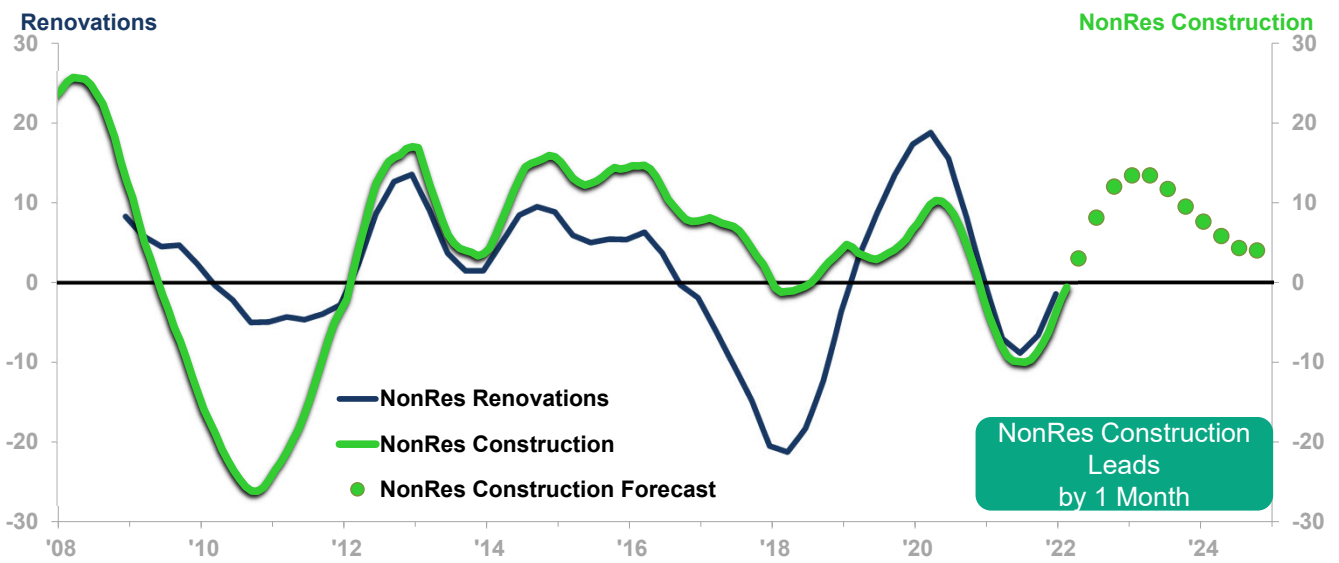
Your Markets



Tight Correlation Between Renovation and New Construction

Sources: ConstructConnect, US Census Bureau

US Total Nonresidential Construction Renovations to
US Private Nonresidential Construction
12/12 Rates-of-Change

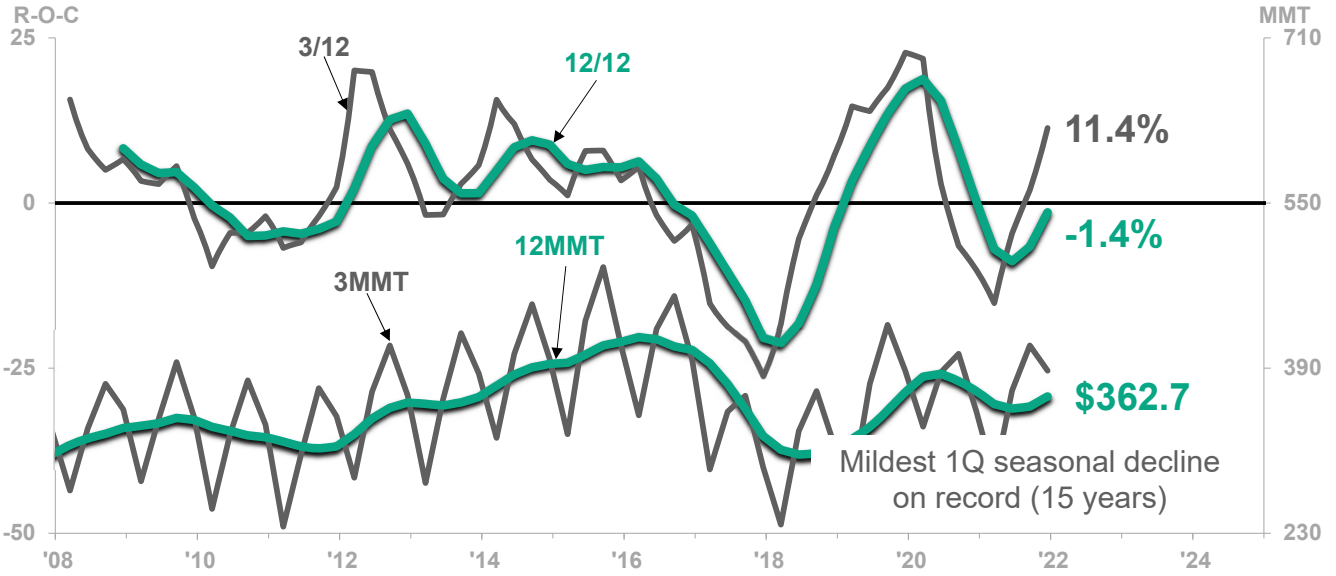


Ongoing Cyclical Rise

Source: ConstructConnect

US Total Nonresidential Construction Renovations

Billions of Dollars

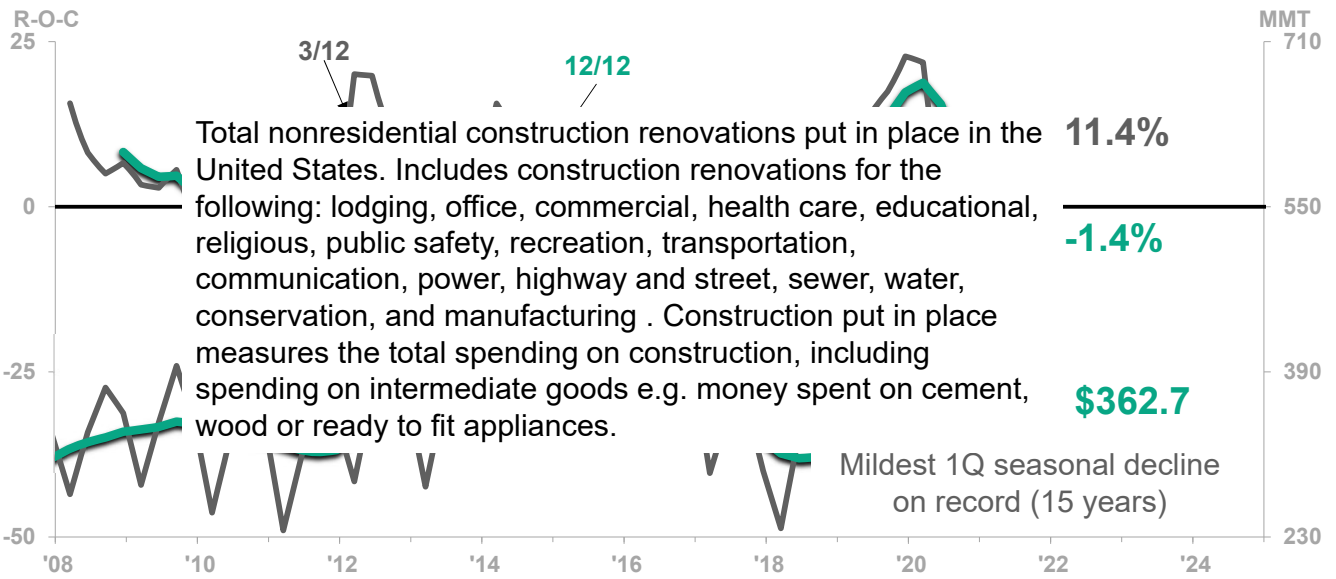


Ongoing Cyclical Rise

Source: ConstructConnect

US Total Nonresidential Construction Renovations

Billions of Dollars

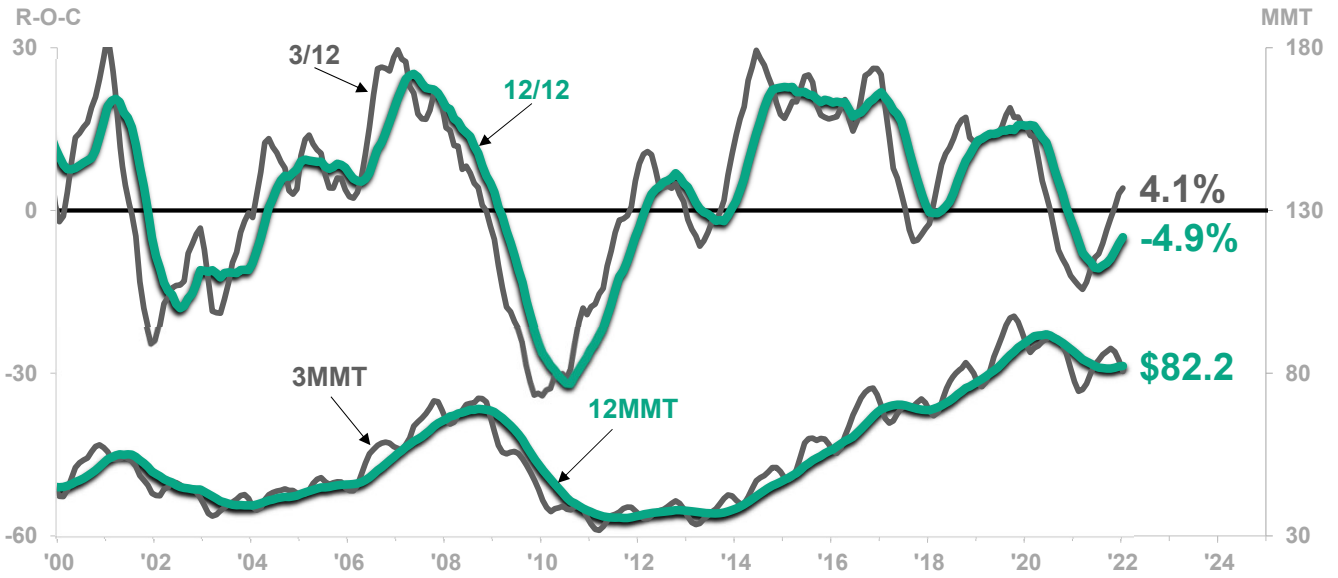


New Construction Is Also On The Rise

Source: US Census Bureau

US Total Office Construction

Billions of Dollars

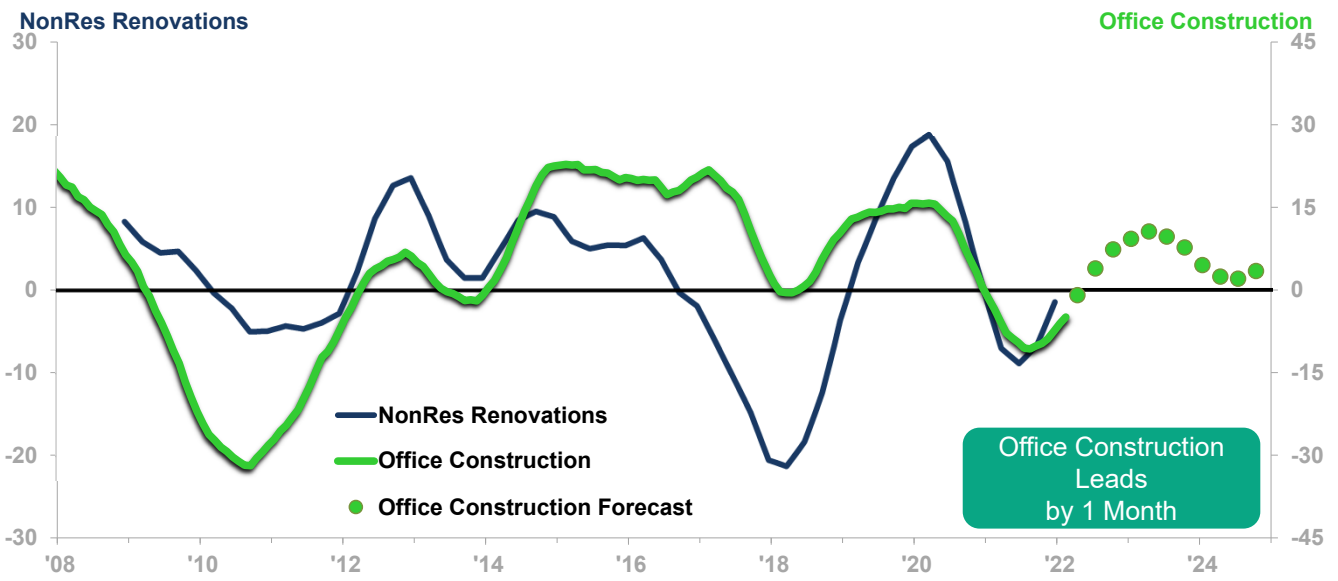


Tight Correlation Between Renovation and Office Buildings

Sources: ConstructConnect, US Census Bureau

US Total Nonresidential Construction Renovations to US Total Office Construction

12/12 Rates-of-Change



US Construction Segments

Source: Census Bureau



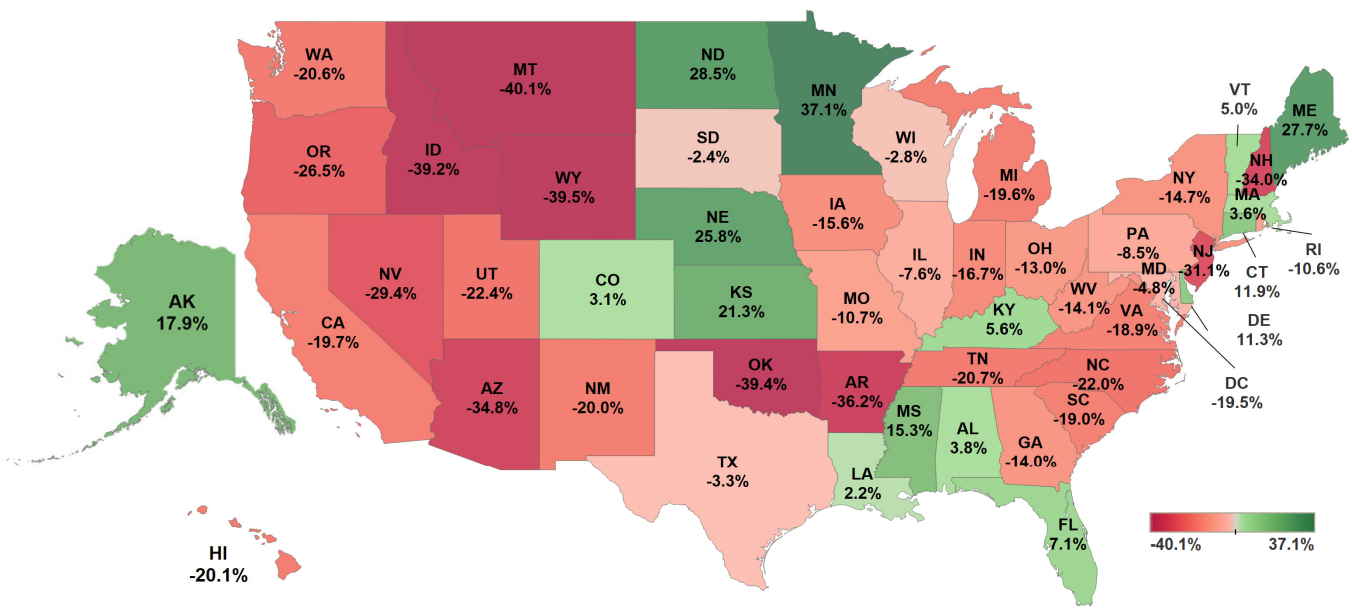
| | 12/12 | Phase | 3/12 | Annual Trend (bn) | Direction | Notes |
|--------------------|--------|-------|--------|-------------------|-----------|-----------------------|
| Federal Government | -17.4% | A | 2.8% | \$24.7 | Up | More rise ahead |
| Total Educational | -8.6% | A | -5.4% | \$97.7 | Down | Rise begins 2Q22 |
| Lodging | -31.7% | A | -26.8% | \$19.3 | Down | Rise begins late 2022 |
| Offices - Private | -5.1% | A | 3.5% | \$70.7 | Up | Ongoing rise |
| Warehouses | 18.5% | B | 28.4% | \$49.0 | Up | Decelerating rise |
| Manufacturing | 11.7% | B | 30.8% | \$79.6 | Up | Ongoing rise |
| Commercial | 7.7% | B | 20.6% | \$88.5 | Up | Ongoing rise |
| Heavy Nonres | -2.2% | A | 2.0% | \$154.4 | Down | Ongoing rise |

US Education Construction

Source: ConstructConnect



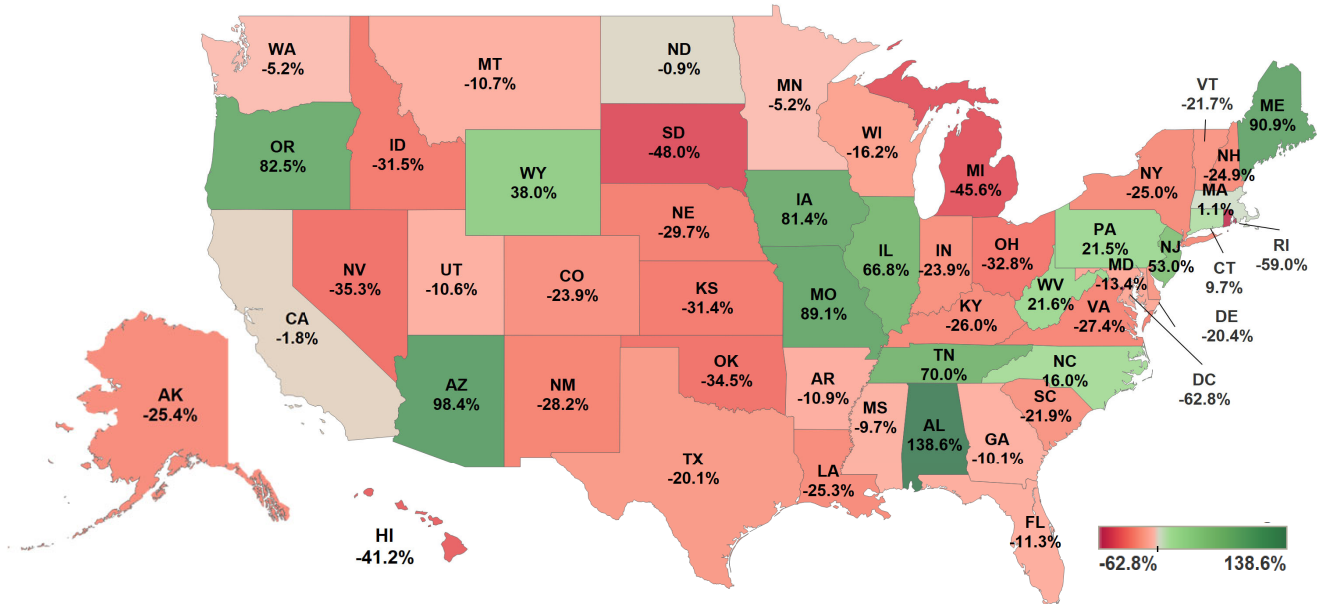
12/12 Rates-of-Change Put In Place



Office Construction by State




Source: ConstructConnect

12/12 Rates-of-Change Put In Place



The US Economy Summary



-  Demand will be there, but the rate of rise will be more modest
-  Businesses are liquid and profitable
-  Labor problems work to your advantage

Next Steps

- Lay plans for growth understanding this is the proverbial “soft landing”
- Can’t stress enough using negative interest rates to leverage the future



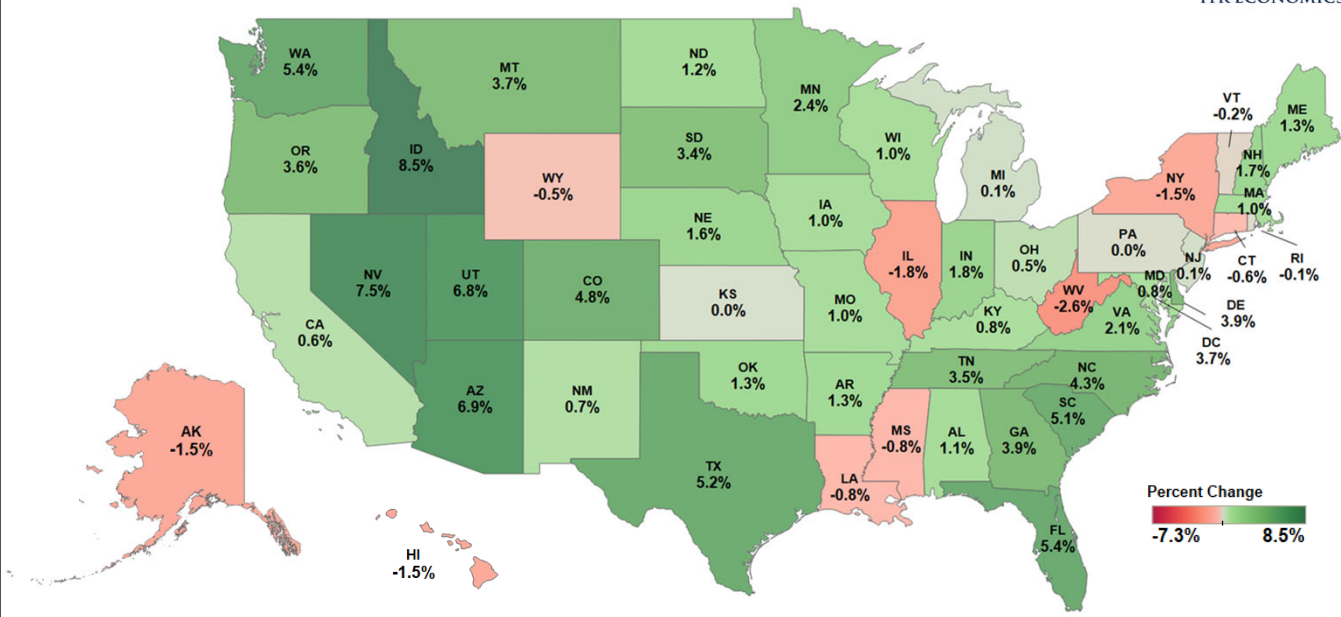
Labor



State Population Growth 2016 to 2020

Source: US Census Bureau

Population Growth 2016 – 2020, Percent Change



The Positive Implications of Younger Workforces

Source: US Census Bureau

Available Workforce
Percent of Total Population

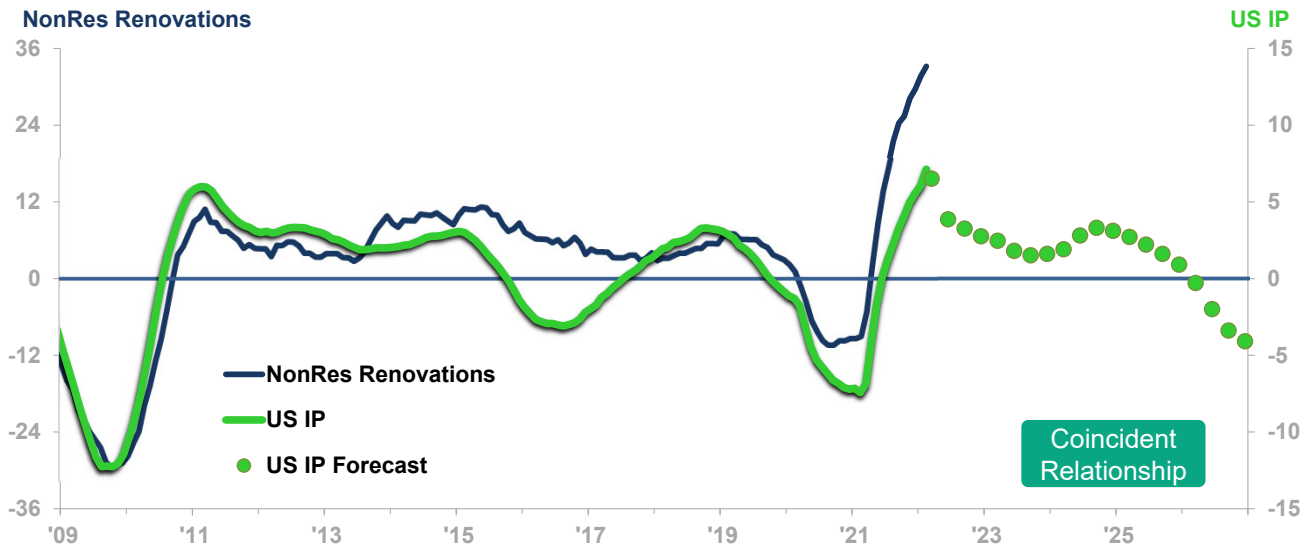


| | Gen Z | Millennials | Gen X | Boomers |
|--------------|-------|-------------|-------|---------|
| US | 20.8% | 21.7% | 20.4% | 21.3% |
| California | 20.7% | 23.6% | 20.4% | 20.1% |
| Florida | 18.3% | 20.1% | 19.8% | 24.1% |
| Illinois | 20.5% | 21.7% | 20.3% | 21.7% |
| New York | 19.2% | 22.5% | 20.0% | 22.2% |
| Pennsylvania | 19.4% | 20.7% | 19.4% | 23.9% |
| Texas | 23.1% | 23.0% | 20.5% | 18.1% |

Deceleration Means a Quit Rate Trend Shift is Ahead

Sources: BLS, FRB

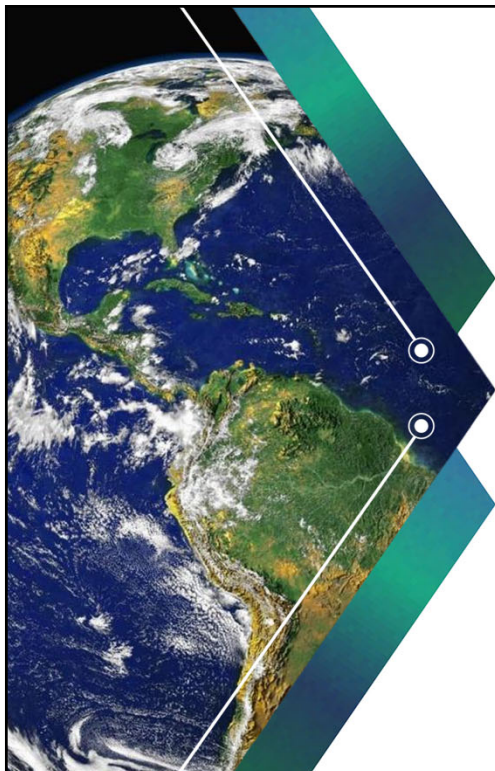
US Nonfarm Quit Rate to US Industrial Production Index
12/12 Rates-of-Change



- Do Well
- Do Good
- Be involved

Next Steps

- Work on your culture
- Plan on higher wages
- Tight labor market for years to come



Global Partners



Decelerating Rise in 2022

Source: OECD

Non-U.S. Economic Leading Indicators



| Indicator | Trend | Comments |
|-----------------------------------|---------|-----------------------------------|
| Australia Leading Indicator | Decline | Slowing rise probable for 2022... |
| Brazil Leading Indicator | Decline | Slowing rise probable for 2022... |
| Canada Leading Indicator | Decline | Slowing rise probable for 2022... |
| Eurozone Leading Indicator | Decline | Slowing rise probable for 2022... |
| Japan Leading Indicator | Decline | Slowing rise probable for 2022... |
| Mexico Leading Indicator | Decline | Slowing rise probable for 2022... |
| Major Five Asia Leading Indicator | Decline | Slowing rise probable for 2022... |

Production in Key Economies

Sources: Australia Bureau of Statistics, Eurostat, ITR Economics, Statistics Canada

International Industrial Production Indexes



| | 12/12 | Phase | 3/12 | Phase | 12MM Notes |
|---------------|-------|-------|-------|-------|-------------------------|
| Australia | 0.8% | B | 1.4% | C | Decelerating rise ahead |
| Canada | 5.0% | B | 4.3% | C | Decelerating rise ahead |
| Europe | 8.0% | C | 1.1% | C | Decelerating rise |
| Rest of Asia | 8.1% | B | 2.6% | C | Decelerating rise ahead |
| South America | 8.2% | C | -0.9% | D | Flat |



Construction in Key Economies

Source: Statistics Canada,
Mexico National Institute of Statistics and Geography

International Construction



| | 12/12 | Phase | 3/12 | Phase | 12MM Notes |
|-------------------------------|--------|----------|--------|----------|-------------------------------|
| Canada Nonres Permits | 18.3% | B | 17.5% | C | More rise ahead |
| Canada Nonres Construction | -7.4% | A | -2.6% | A | Lowest in 13 yrs – rise ahead |
| Canada Office Construction | -13.6% | D | -17.4% | D | Potential for rise in 2H22 |
| Mexico Buildings Construction | 11.4% | B | 19.1% | B | More rise ahead |



Construction in Key Economies

Sources: Australian Bureau of Statistics, China
National Bureau of Statistics, Eurostat

International Construction



| | 12/12 | Phase | 3/12 | Phase | 12MM Notes |
|---------------------------------------|-------|----------|-------|----------|-------------------------------|
| Australia Nonresidential Construction | 22.5% | B | 54.2% | B | More rise ahead |
| China Office Construction | -4.8% | D | -1.6% | A | Decelerating decline |
| Europe Construction Production Index | 4.8% | C | 1.6% | C | Stalled rise – decline likely |



- ☐ → Supply Chain Pressures Easing as Global Growth Slows
- ☐ → Onshoring and Near-Sourcing Trends Are Real
- ☐ → Opportunities exist in Mexico and Canada

Next Steps

- Plan on slower economic growth in most of the world in 2022 and into 2023



Prices

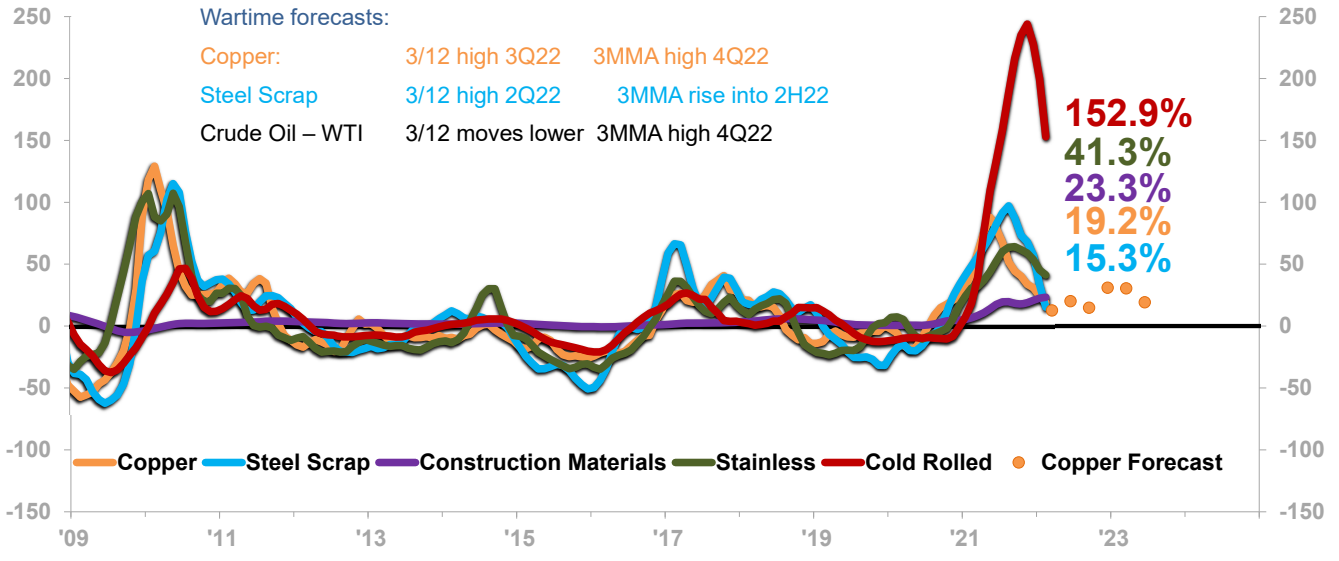
Copper Is Leading The Way

Sources: WSJ, BLS

US Producer Price Indexes for Steel Scrap, Cold Rolled Steel Sheets and Strips, Stainless and Alloy Steel Scrap, and Construction Materials, and Copper Commodity Price

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3/12 Rates-of-Change



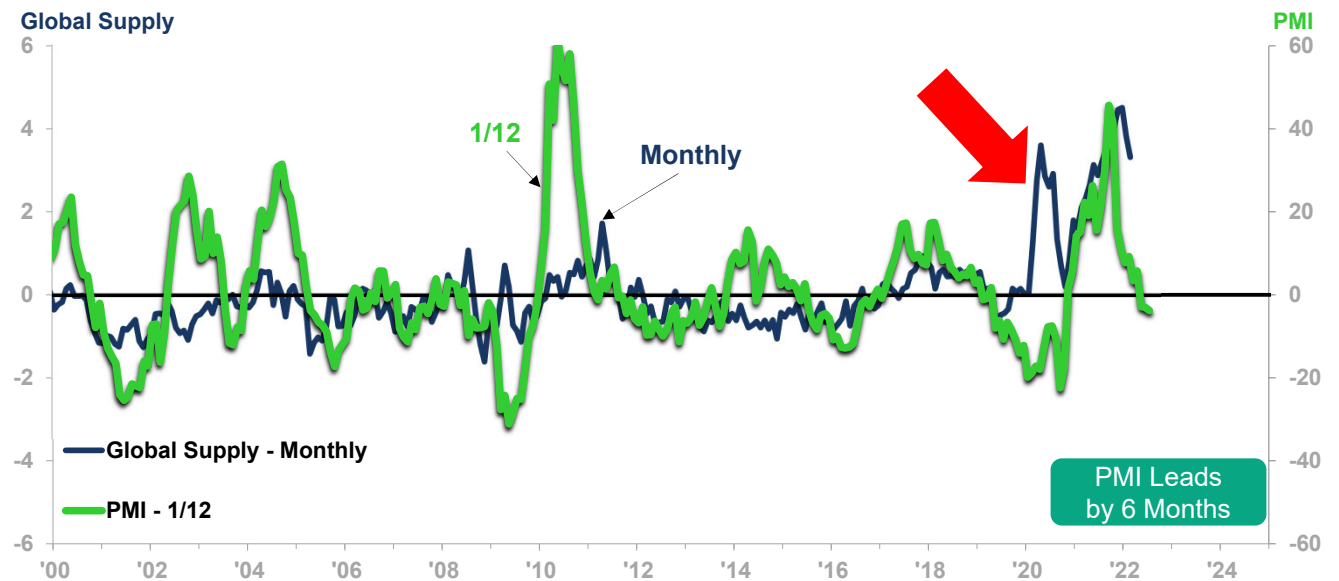
Slowing Economic Growth Means Less Supply Chain Pressure

Sources: FRBNY, ISM

Global Supply Chain Pressure Index to US Purchasing Managers Index

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Rates-of-Change



Deficit Spending Puts Downward Pressure on the USD in 2023

Sources: FRB, White House Office of Management and Budget

US Dollar Broad Real Trade Weighted Exchange Rate Index to US Nominal Federal Government Deficit



3MMA

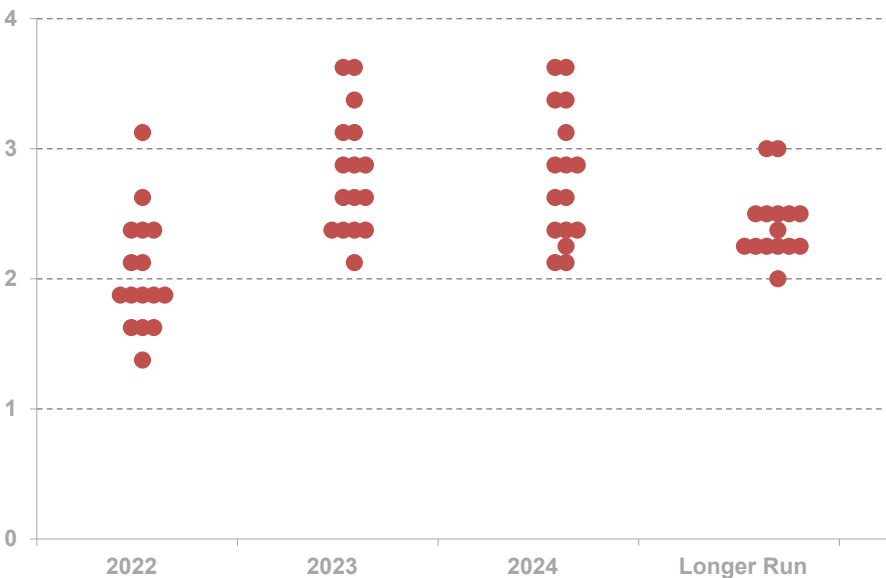
USD



FOMC Member Interest Rate Projections

Source: FRB

Fed Open Market Committee | March 2022



- Make acquisitions**
- Invest in your products – innovate**
- Invest in your processes – efficiency gains, supply chain**
- Invest in sales and marketing**



Supply Chain Pressures Easing as Global Growth Slows Before Ukraine Invaded



Invest in Yourself



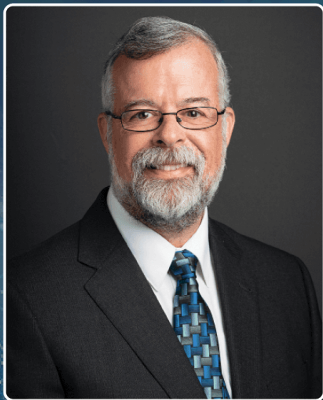
Competitive Advantages – value add and solutions

Next Steps

- Determine if a weakening USD in 2023 will impact your cost structure versus your competitors.



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ABOUT ALAN

With a reputation as an accurate, straightforward economist, Alan has been delivering award-winning workshops and economic analysis seminars in countries across the world to thousands of business owners and executives for the last 30 years.

He is co-author of *Prosperity in the Age of Decline*, a powerful look at how to make the most of the US and global trends over the next 20 years. Alan also coauthored *Make Your Move*, a practical and insightful guide on increasing profits through business cycle changes, and noted by one reviewer as “simple, yet awesome.”

As the chief economist for numerous US and international trade associations, it has been remarked that Alan’s “insight into our business, a track record of accurate forecasting, and unparalleled knowledge of global markets has earned him the respect and appreciation of key business leaders in our industry.”

Pronouncements from ITR Economics™ and/or Alan have appeared in/on: the *Wall Street Journal*, *New York Times*, *USA Today*, *Knight Ridder News Services*, *Business Week*, *Associated Press*, *The Washington Times*, CBS Radio, CNN Radio, Sirius talk radio, and numerous other outlets.

ABOUT ITR ECONOMICS

Founded in 1948, ITR Economics is the oldest privately held, continuously operating economic research and consulting firm in the United States. With a long-term accuracy rating of 94.7%, ITR Economics has forecasted major economic events such as the Great Recession of 2008 years in advance. ITR provides reliable industry and company forecasts tailored to clients’ needs. ITR Economics also offers economic webinars, subscription periodicals, consultative reports, and data-collection services.

TESTIMONIALS

The lessons and strategies you shared as part of the Strategies for a Tough Economy panel were of enormous value to the more than 700 entrepreneurs and small business partners in attendance.” - [Mark Herlyn, Vice President, Advertising New York Times](#)

“Many thanks for your excellent presentation at HMA’s recent National Conference & Expo. As always, the information was extremely well-received, on point, and hit home to everyone in this room. And the ‘subtle’ humor is always an extra bonus!” - [Linda Jovanovich, Executive Vice President, Hardwood Manufacturers Association](#)

“ITR gives us unique intelligence and insight that has helped us win during a severe recession and now win in a growing economy. Alan, you do a great job of presenting the information with a style that is engaging and fun for our audience.” - [Reggie Dupré, CEO, Dupré Logistics, LLC](#)

“Thank you for your wit, charm and levity in your presentation. I always thought economists were boring, but glad to see I was wrong.” [Rich Canote, Principal, Canote Group](#)



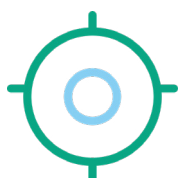
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action!



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- Resource allocation
- Marketing initiatives
- Sales forecasting
- Benchmark internal success
- Budget setting
- Improve internal forecasting accuracy and ability



What is your advice to others who might be considering our services?

"Get it started sooner rather than later. [I was] a general manager, president, then group president for almost 20 years before hearing about ITR and starting to use ITR, and it would have made my life a lot easier had I started using ITR sooner." - *Kenneth Brown*



How do you measure the value our product provides?

"...people constantly ask me 'what's ITR saying about so-and-so?' Whenever we do a forecast, people want to know how it compares to the data ITR is providing as a reference point. It has taken a few years, but the ITR methodology is now fully integrated into our annual budgeting and our mid-term planning." - *Bill Van Horn, FP&A Manager*

www.itreconomics.com // 603.796.2500 // ITR@itreconomics.com

