

ACG

# ***“Make Your Move”***

*Presented by*

ITR<sup>®</sup>

Alan Beaulieu

January 2012

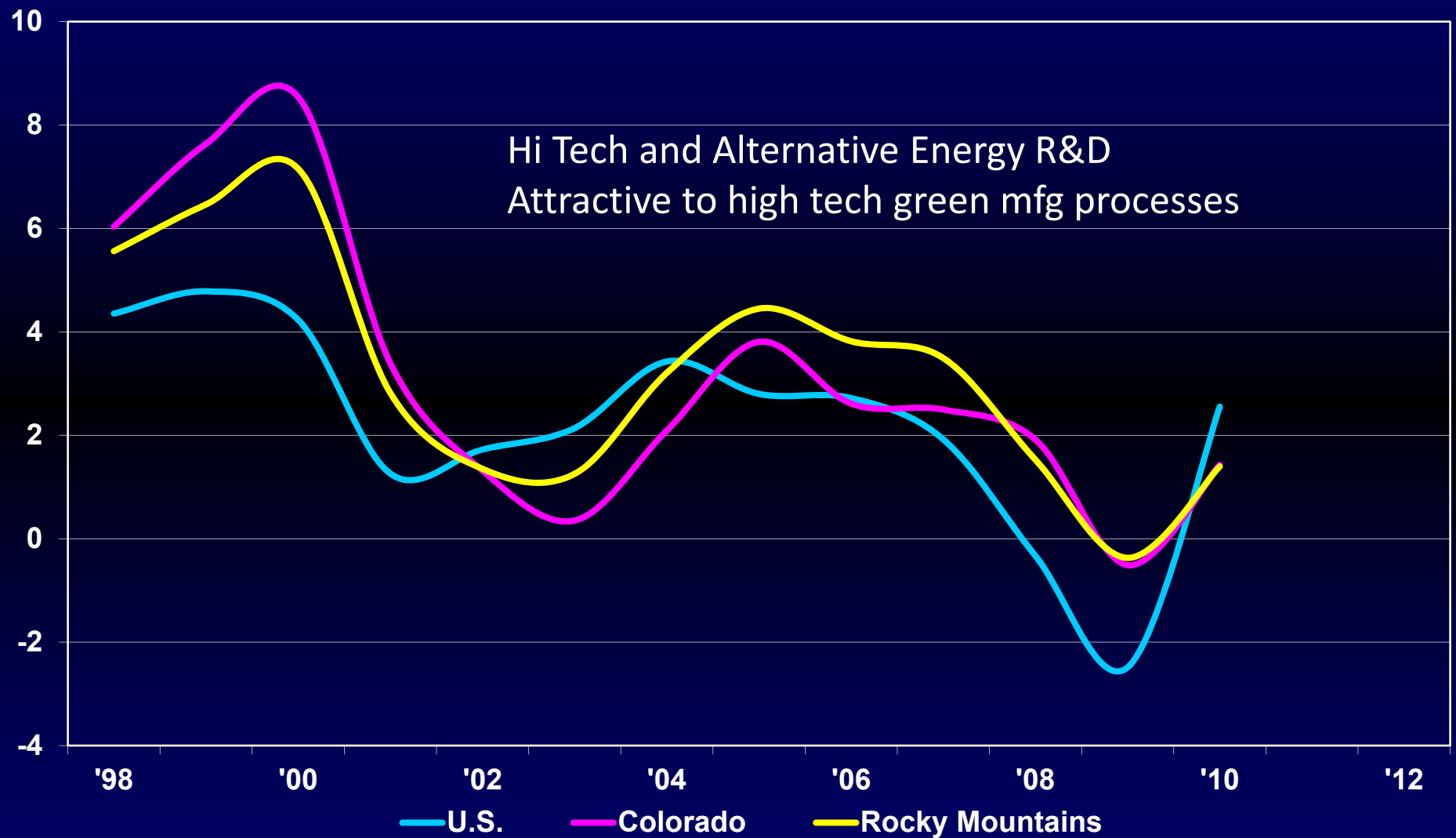
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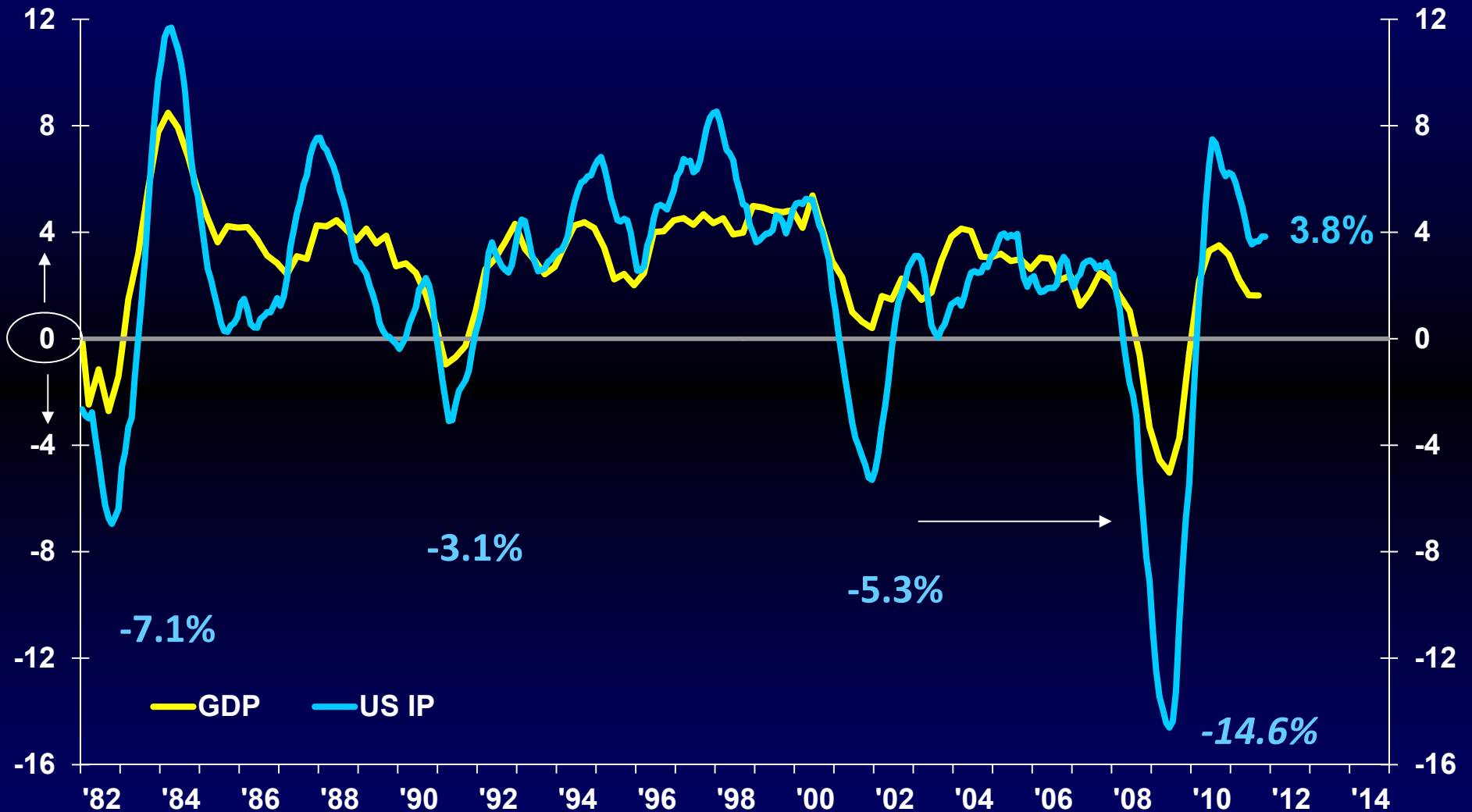
# Results for 2011

	F Date	Forecast	Actual
GDP	6/10	2.0%	2.9% (with normal 4Q)
US IP	1/11	93.1 (12MMA)	93.5 (through Nov)
EU IP	1/11	101.1 (12MMA)	101.3 (through Oct)
Retail Sales	6/10	\$2.116 Trillion	\$2.102(through Nov)
Housing	7/10	579 Th Units	596 (through Nov)
Employment	4/10	141.1 million	139.9 (through Dec)
CPI	7/10	2.9%	3.0% (through Nov)

## US, Colorado & the Rocky Mountains Annual GSP Growth Rate



# US Industrial Production to Gross Domestic Product Year-over-year Quarter to Quarter (3/12)



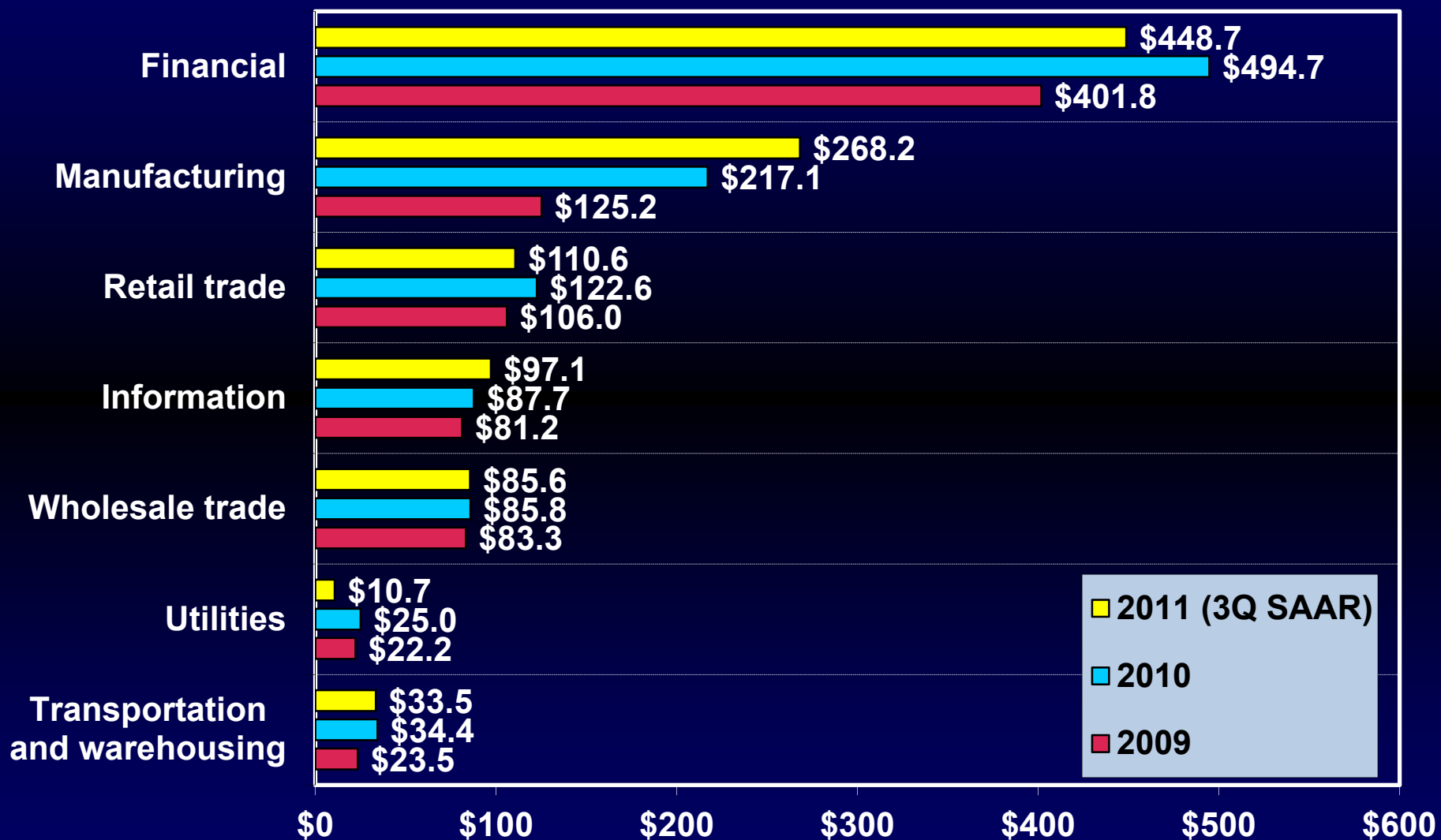
# Recovery

- Leading indicators pointing up
- Liquidity is not an issue
- Exports are up
- Stimulative monetary policy
- Employment rising (companies right-sized)
- Banks are lending/Delinquencies down
- Normal seasonal rise in Retail Sales

# Corporate Profits – 3rd Quarter

## Billions of \$

6



Source: BEA



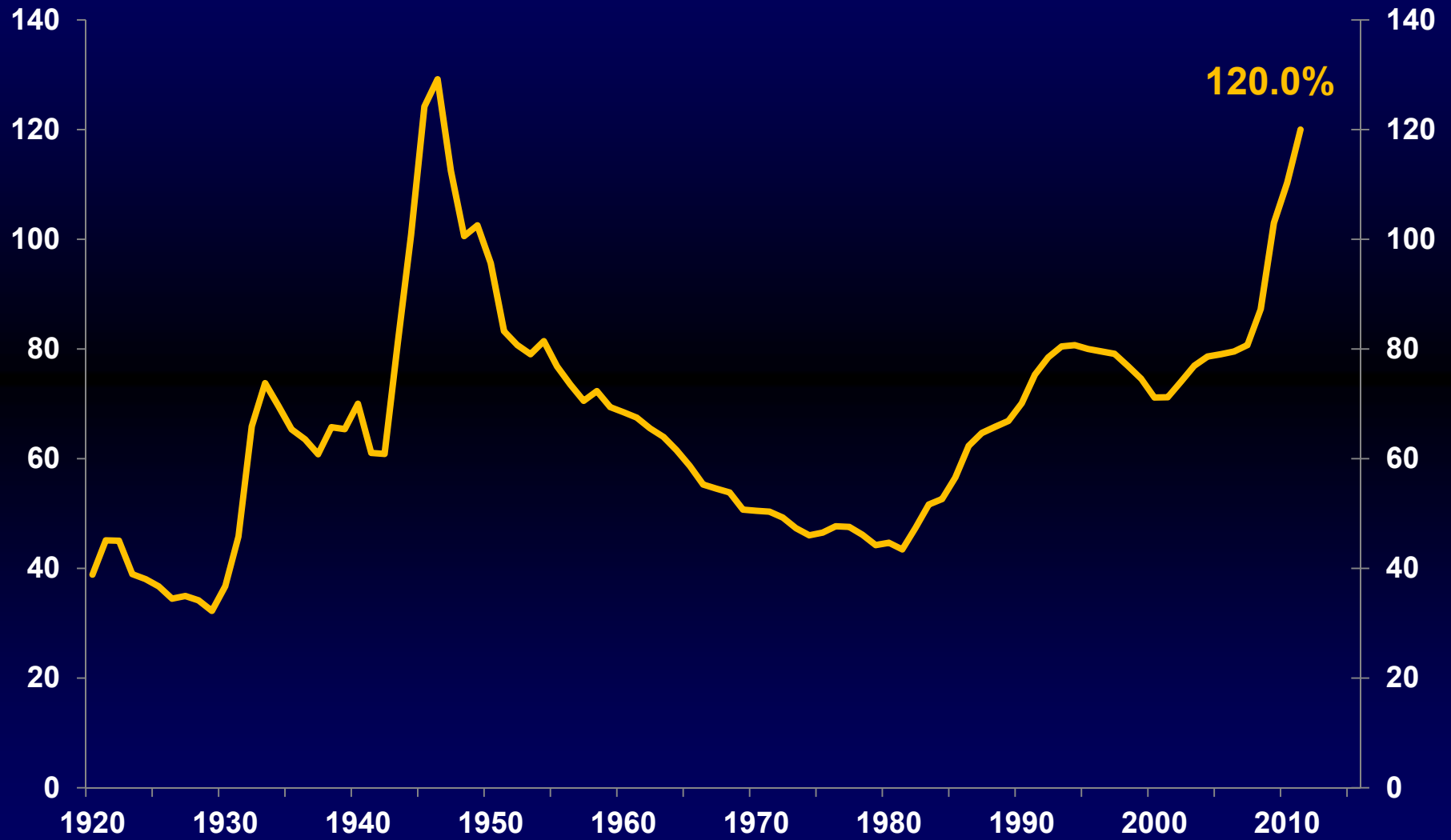
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# Recession in 2012

- Europe's financial troubles *might*
- International banking crisis *becomes*
- China's housing/inflation bubble *could*
- Oil prices *could* break through \$120
- USD *could* lose all credibility causing

## Total U.S. Public Debt (% of GDP)

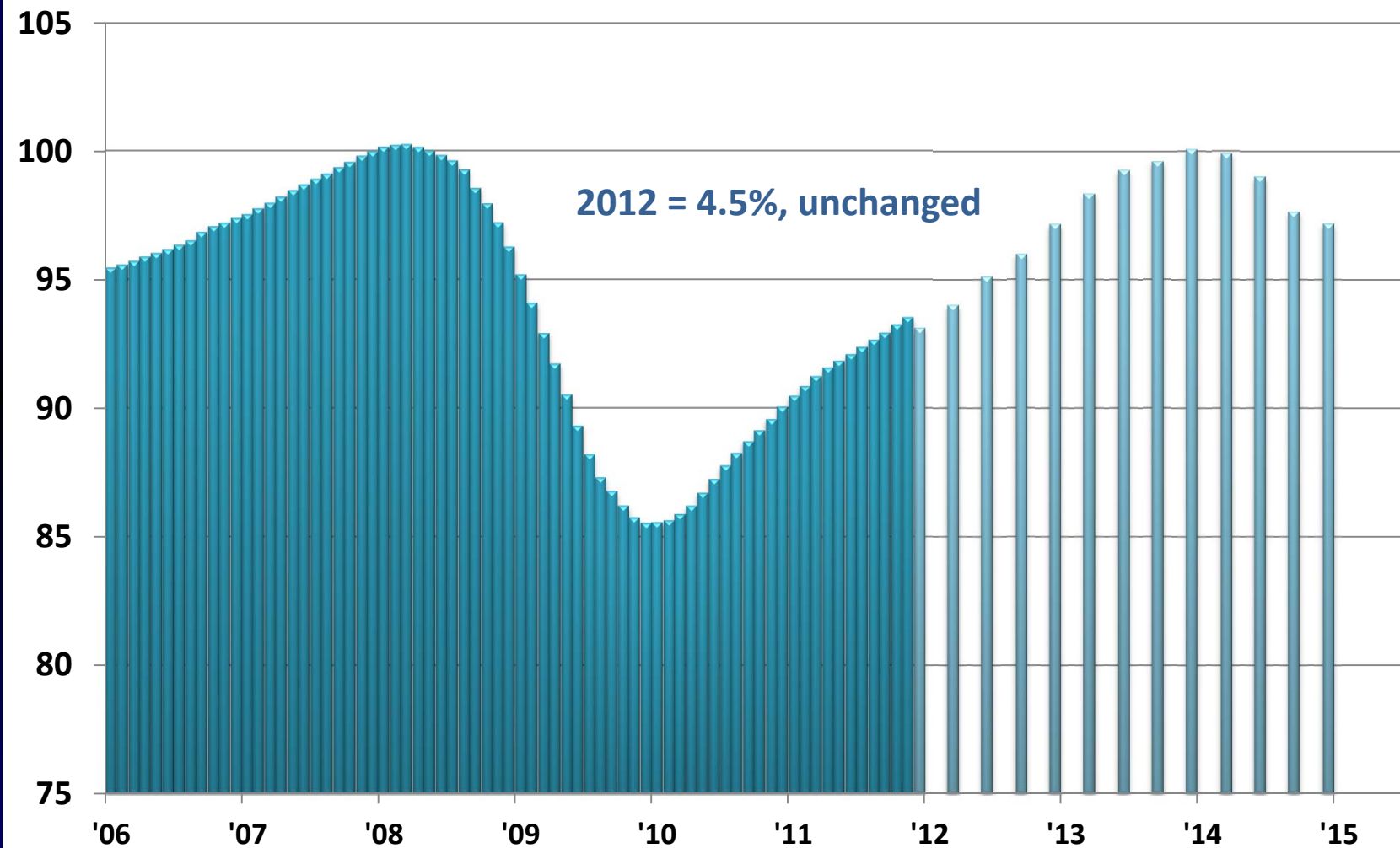
8





## Annual US Industrial Production 12MMA Index, 2007=100

9



# Example: Revenue 12MMT

10

## Monthly

Dec	10			
Jan	11		12MMT = 17.54	
Feb	11	3MMT = 4.63		
Mar	11			
Apr	11			
May	11	3MMT = 5.14		
Jun	11			
Jul	11			
Aug	11	3MMT = 4.98		
Sept	11			
Oct	11	3MMT = 4.22		
Nov	11	3MMT = 3.95	12MMT = 18.70	
Dec	11	3MMT = 4.24	12MMT = 18.97	8.2%

# RATE-OF-CHANGE

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11

$$\frac{\text{ACTUAL MONTHLY DATA AS OF 12/11}}{\text{ACTUAL MONTHLY DATA AS OF 12/10}} = 1/12$$

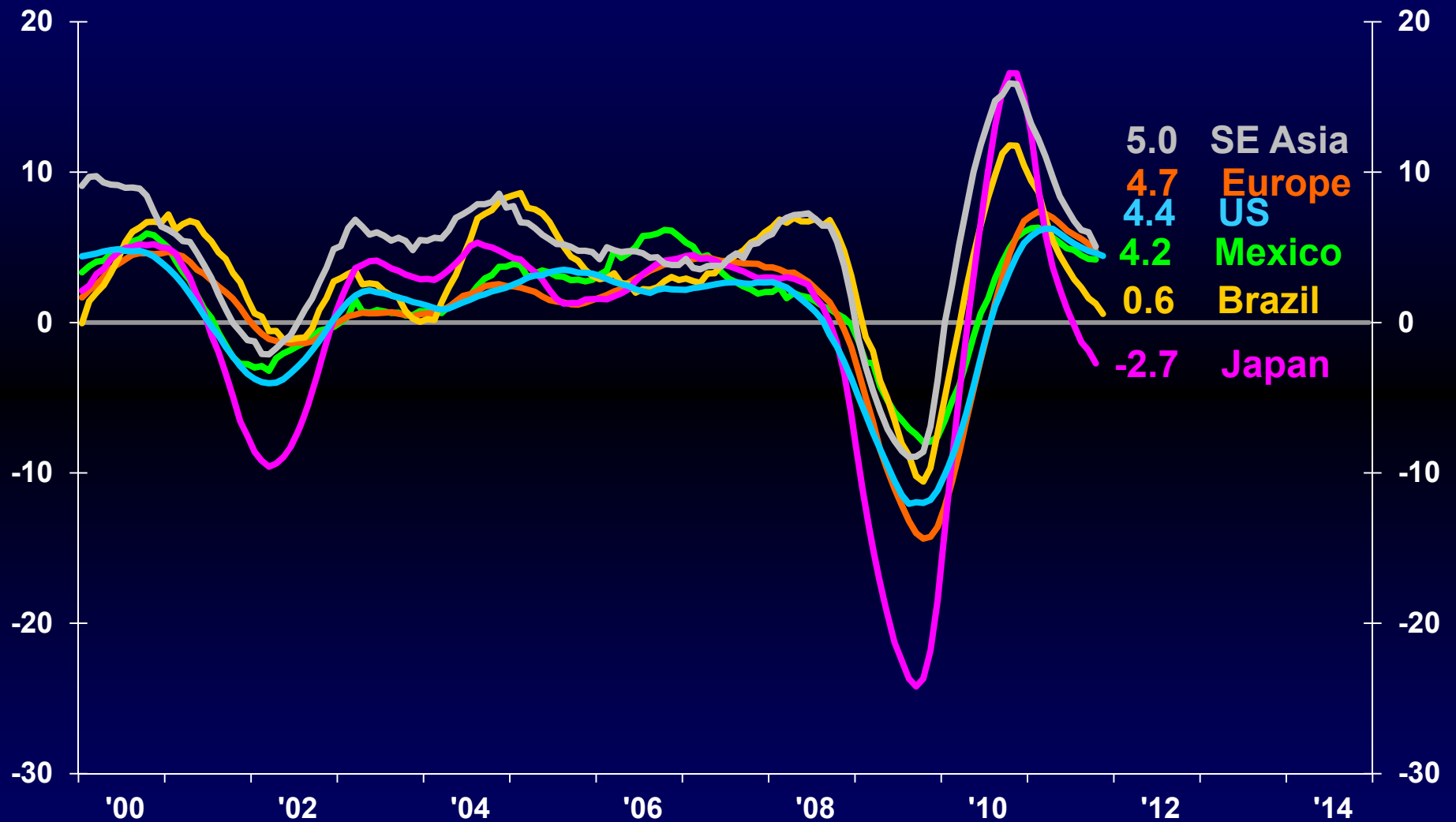
$$\frac{\text{3-MOS MOVING TOTAL (3MMT) AS OF 12/11}}{\text{3-MOS MOVING TOTAL (3MMT) AS OF 12/10}} = 3/12$$

$$\frac{\text{ANNUAL MOVING TOTAL (12MMT) AS OF 12/11}}{\text{ANNUAL MOVING TOTAL (12MMT) AS OF 12/10}} = 12/12$$

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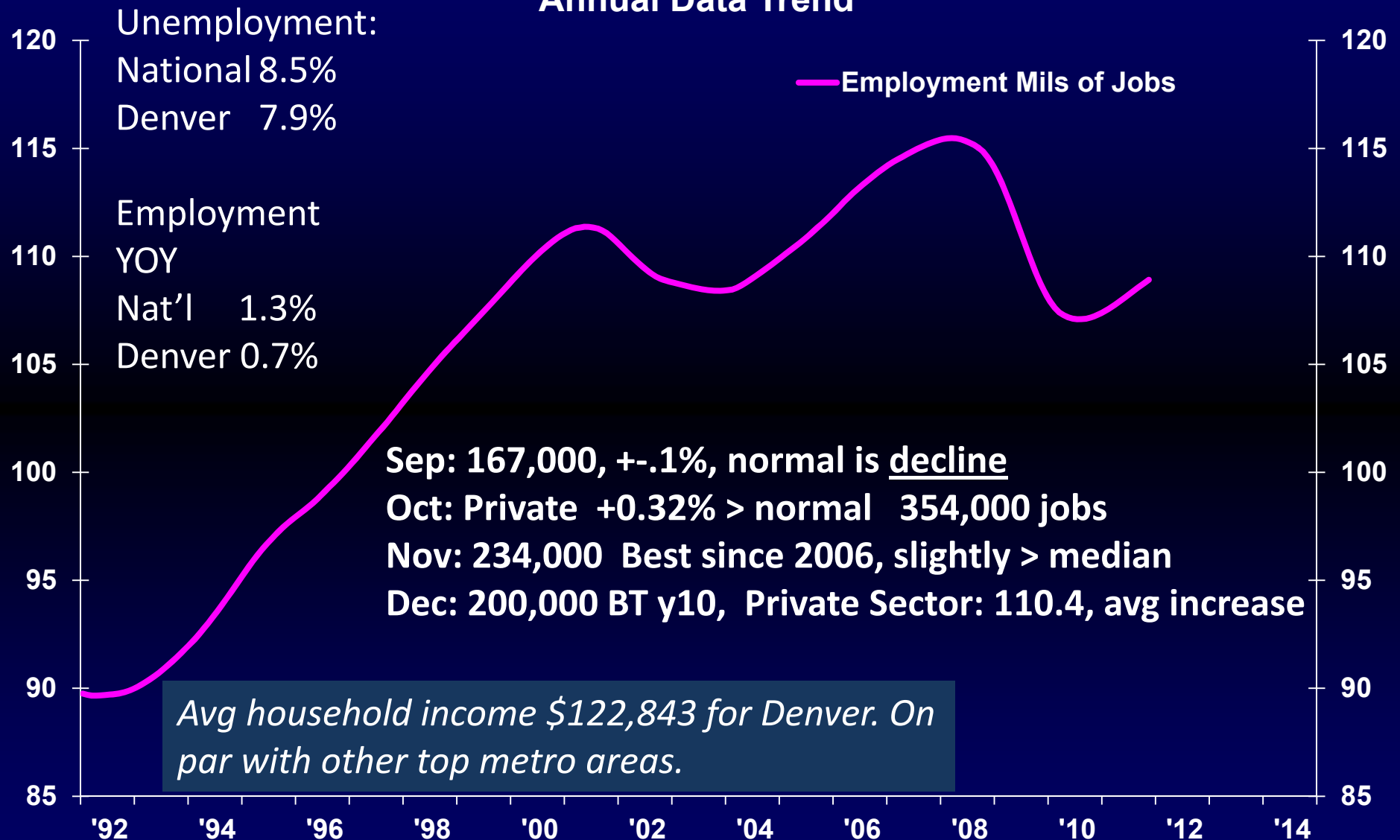
# Global Industrial Production Indices 12/12 Rates-of-Change

12



## Employment – Private Sector Annual Data Trend

13



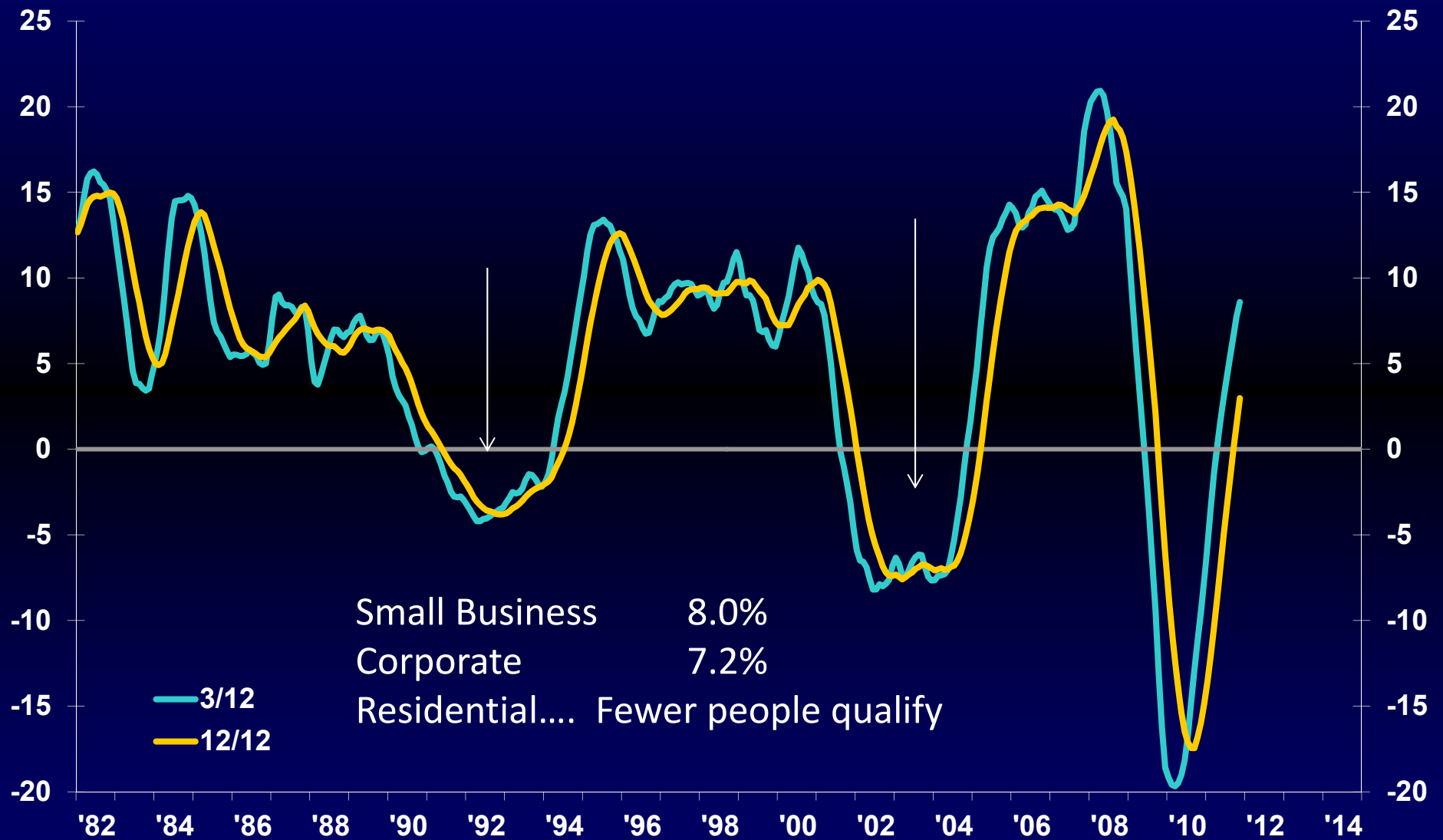
## Denver to Colorado

Industry	Denver County, Colorado
Base Industry: Total, all industries	1
Natural resources and mining	0.87
Construction	0.63
Manufacturing	0.78
Trade, transportation, and utilities	0.96
Information	0.99
Financial activities	1.23
Professional and business services	1.21
Education and health services	1.04
Leisure and hospitality	0.91
Other services	1.11
Unclassified	0.29

Location Quotient: Private employment compared to a base region. The comparison is to the *share* of jobs, not to the simple number of jobs. E.g. 1.29 means that the city/state has a 29% great concentration of a particular job than is found in the base region.

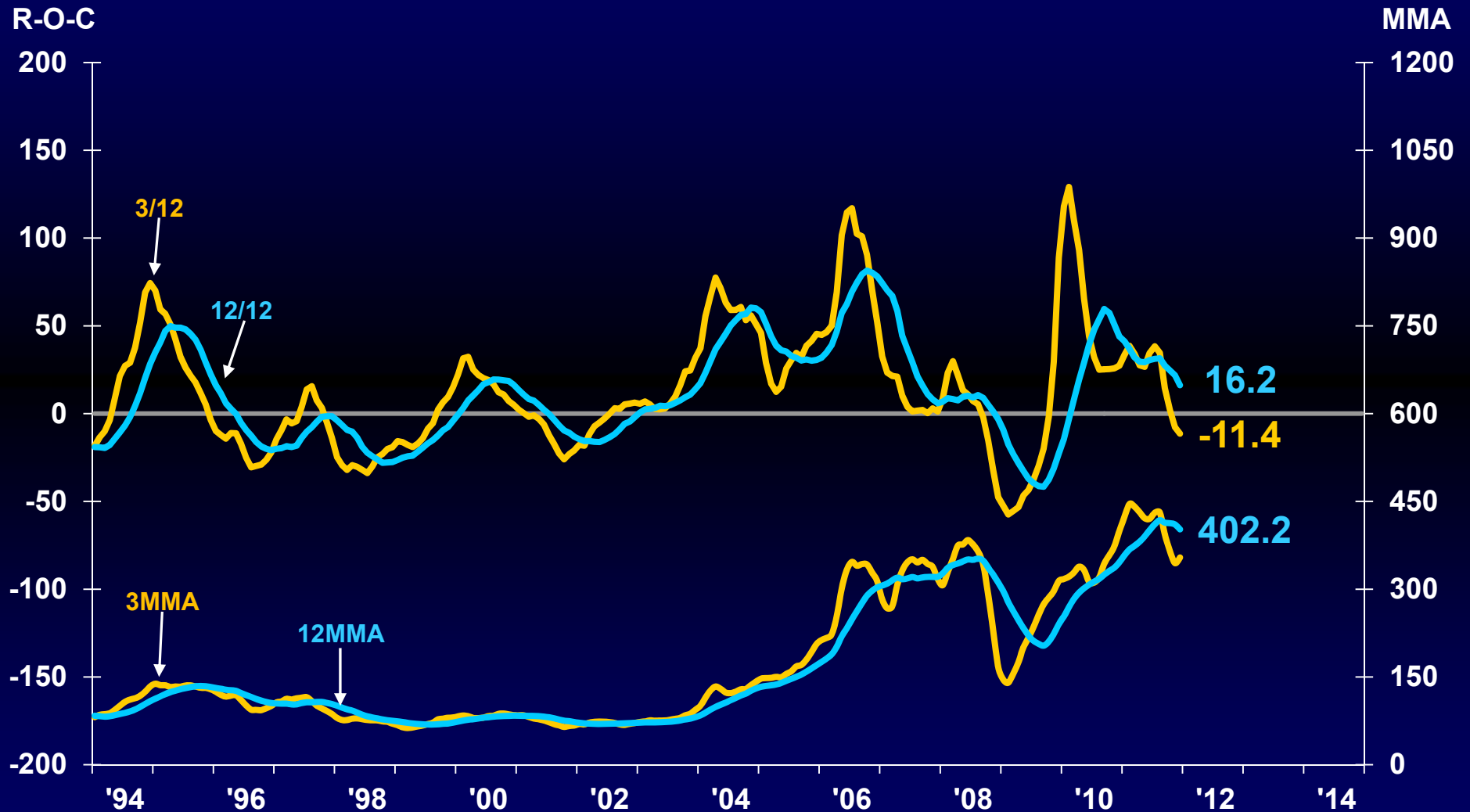
# Commercial & Industrial Loans at Commercial Banks Rates-of-Change

15



# Copper Futures Prices Cents per Pound

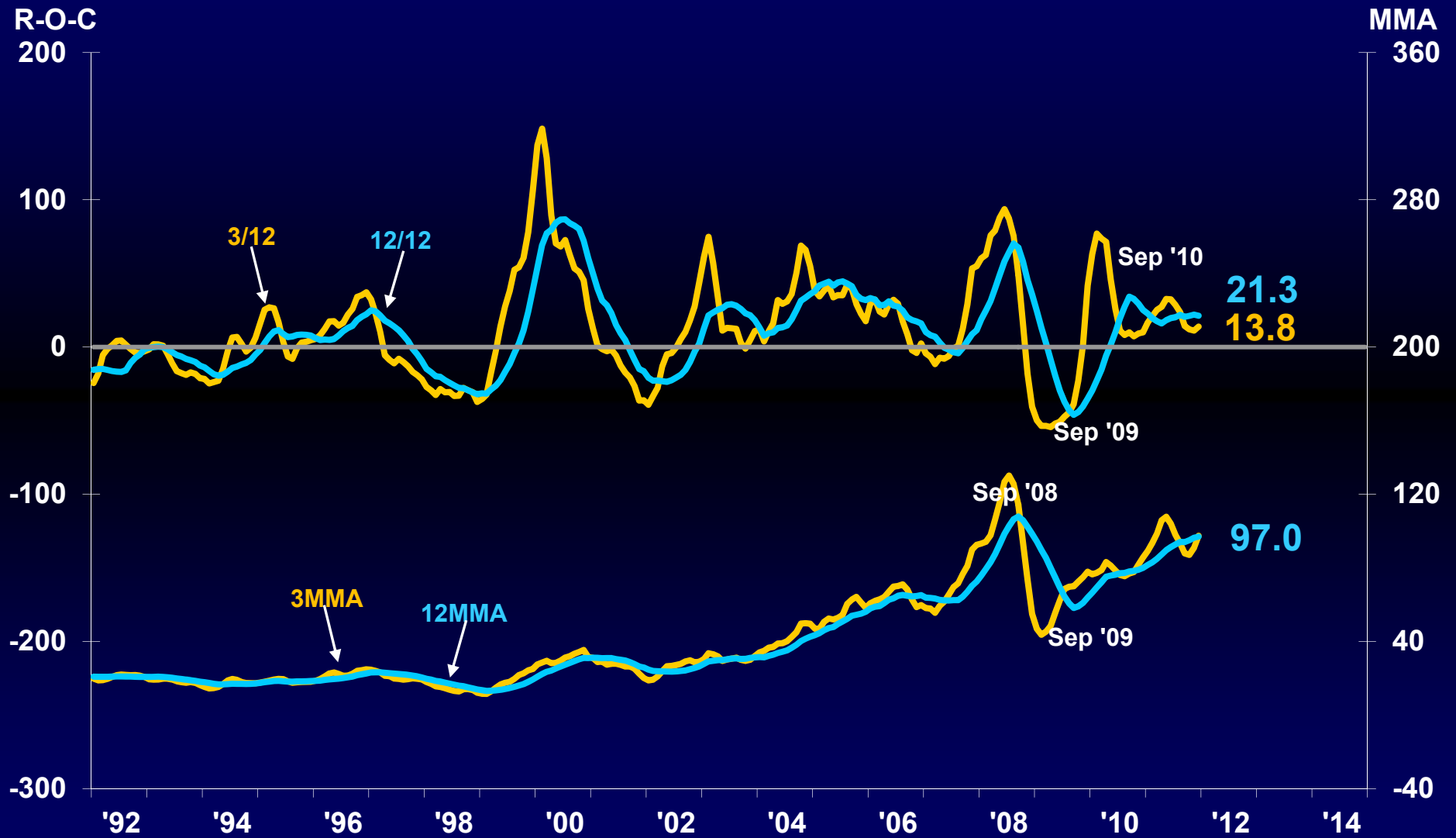
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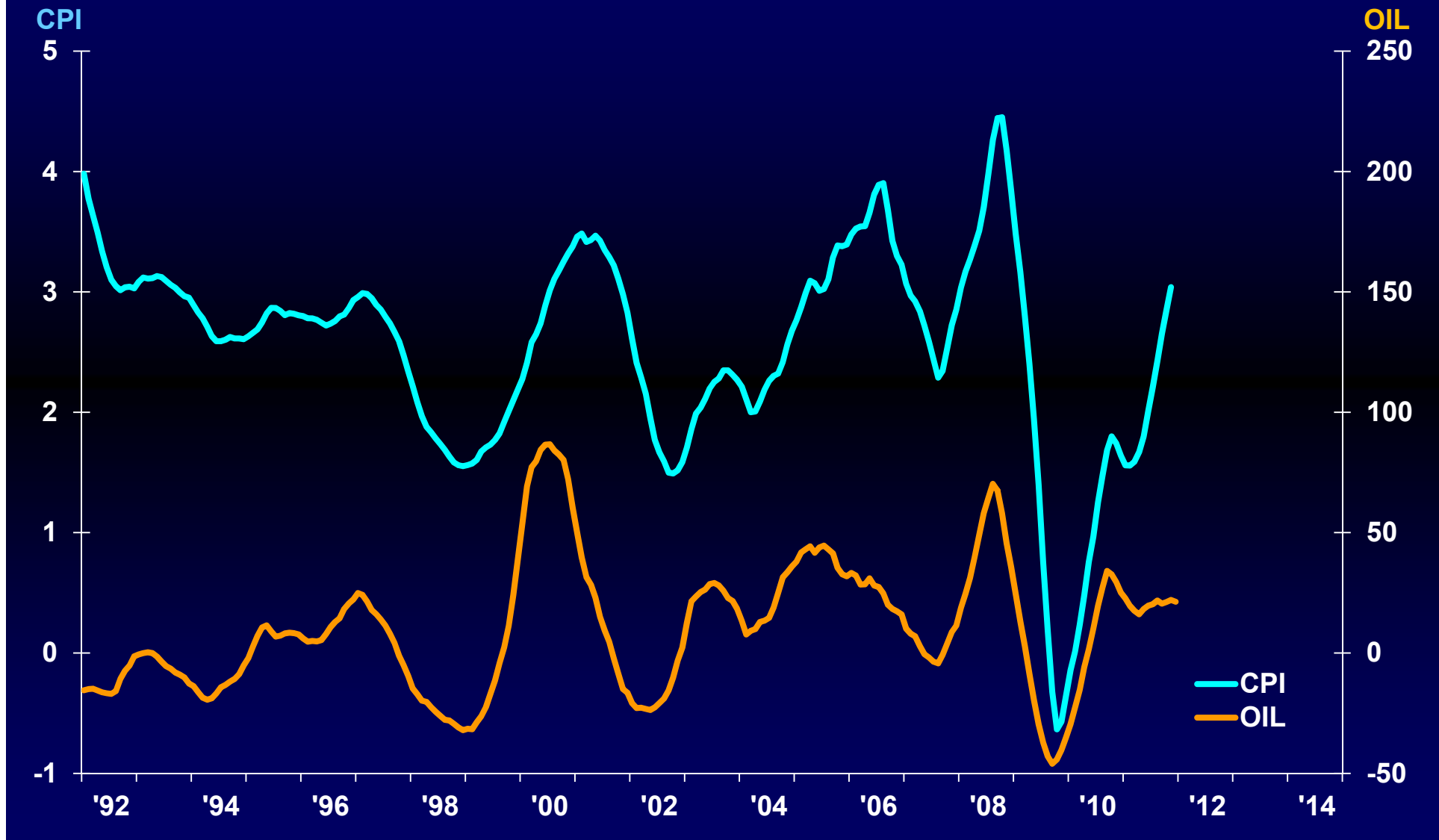
# Crude Oil Futures Prices Light & Sweet \$ per Barrel

17



## Consumer Price Index to Crude Oil Futures Prices 12/12 Rates-of-Change

18

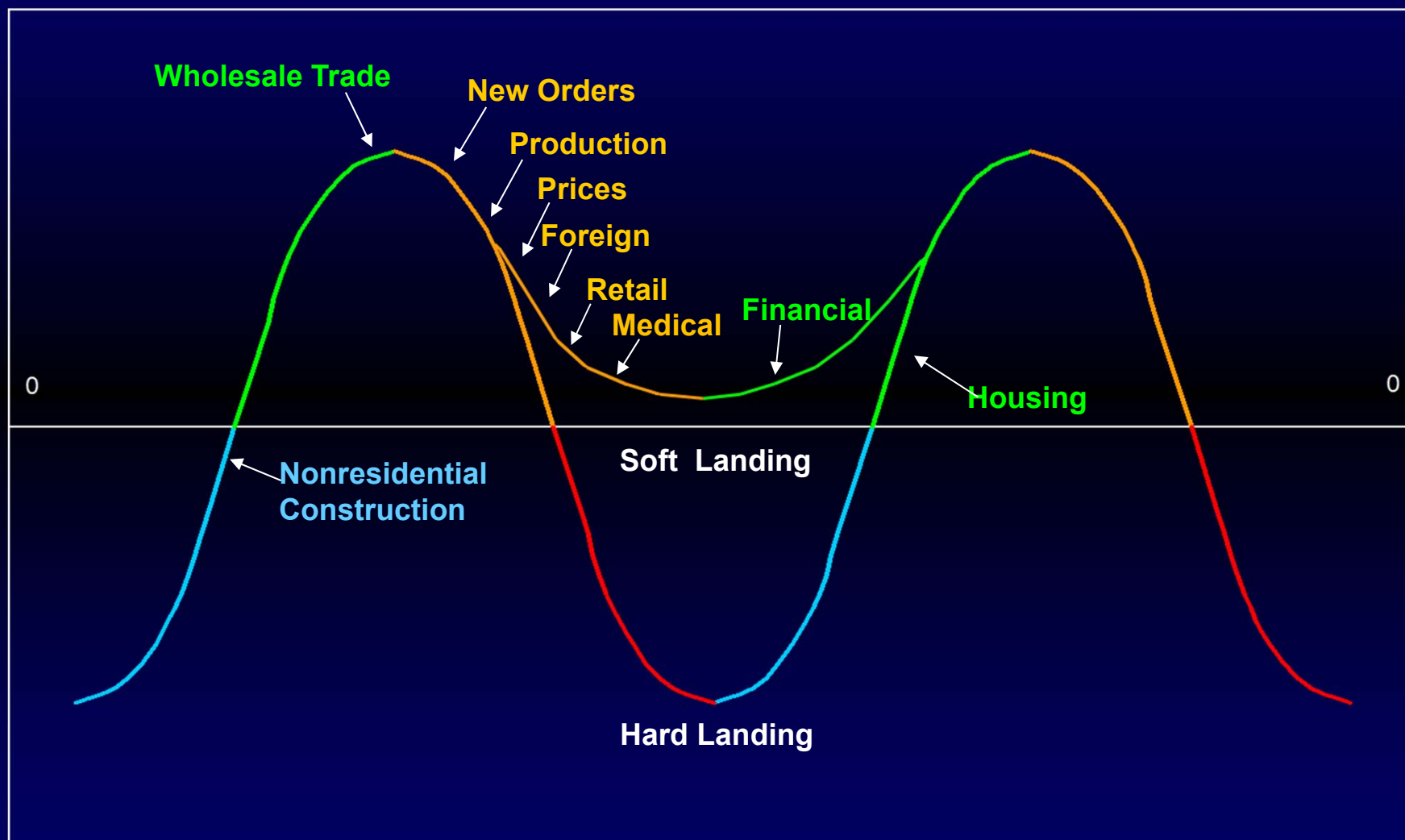


# Managing Inflationary Pressures

- Phase B – raise prices (as justified)
- Consider real cost of living vs. nominal CPI
- Highlight quality, content, service ~ competitive advantage
- Borrow now – fixed as long as possible
  - Inflation favors debtors
  - Purchase land/property – leasing rises with inflation
  - Build in efficiencies for long-term cost savings
- Lower fixed costs ~ increase variable costs for increased flexibility
- Re-assess domestic sources (inflation will be imported)
- Rigorous cost controls – hire the best accountant/CFO
- R & D ~ substitute products and materials
- Move liquid assets off shore
- Hire now and/or lock in labor rates
- Select price indices that magnify inflation negotiating with customers
- Select price indices that minimize inflation negotiating with vendors
  - Get Vendors to agree to longer-term price commitments
- Sell overseas

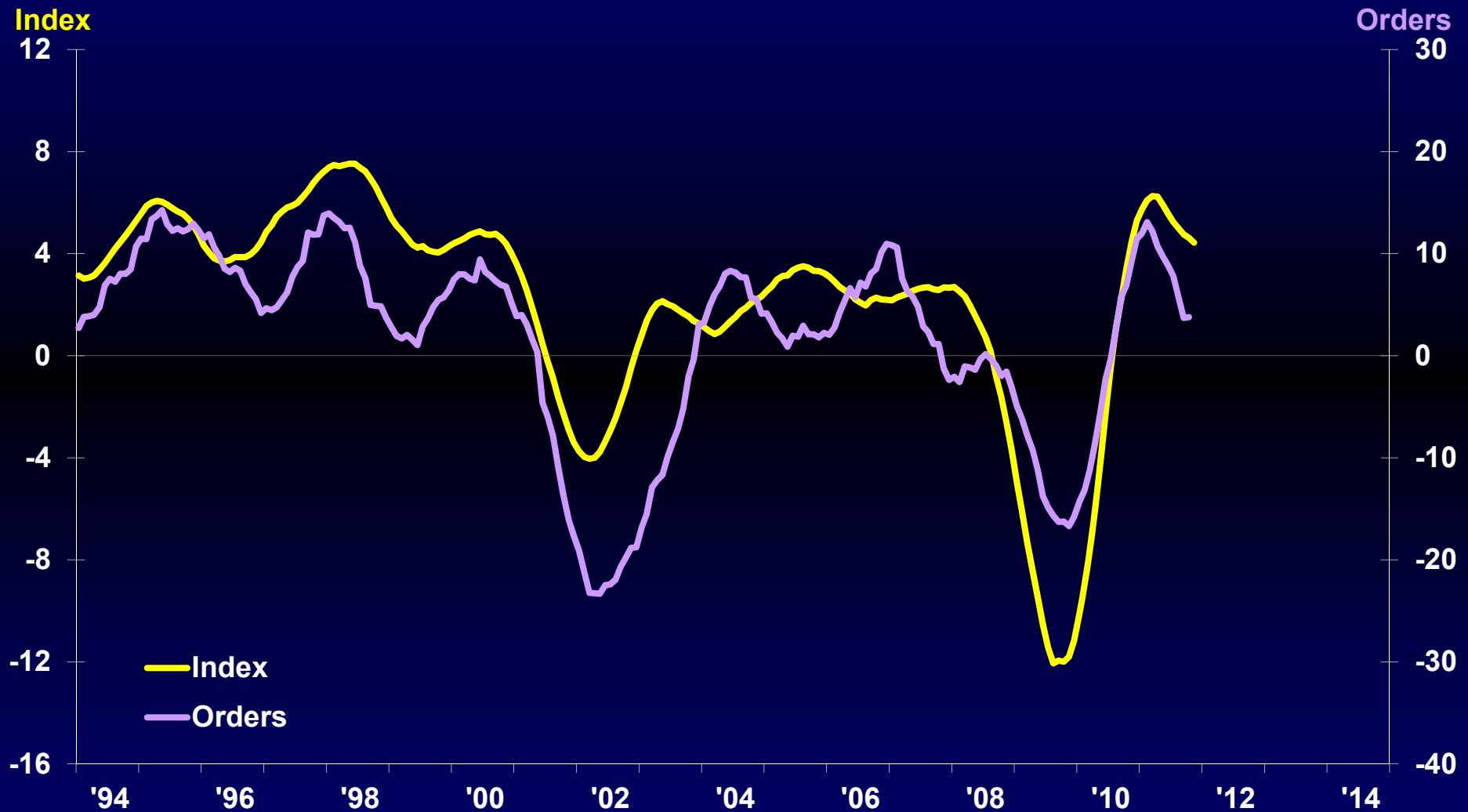
# Trends 10

20



# US Industrial Production to Information Technology New Orders <sup>21</sup>

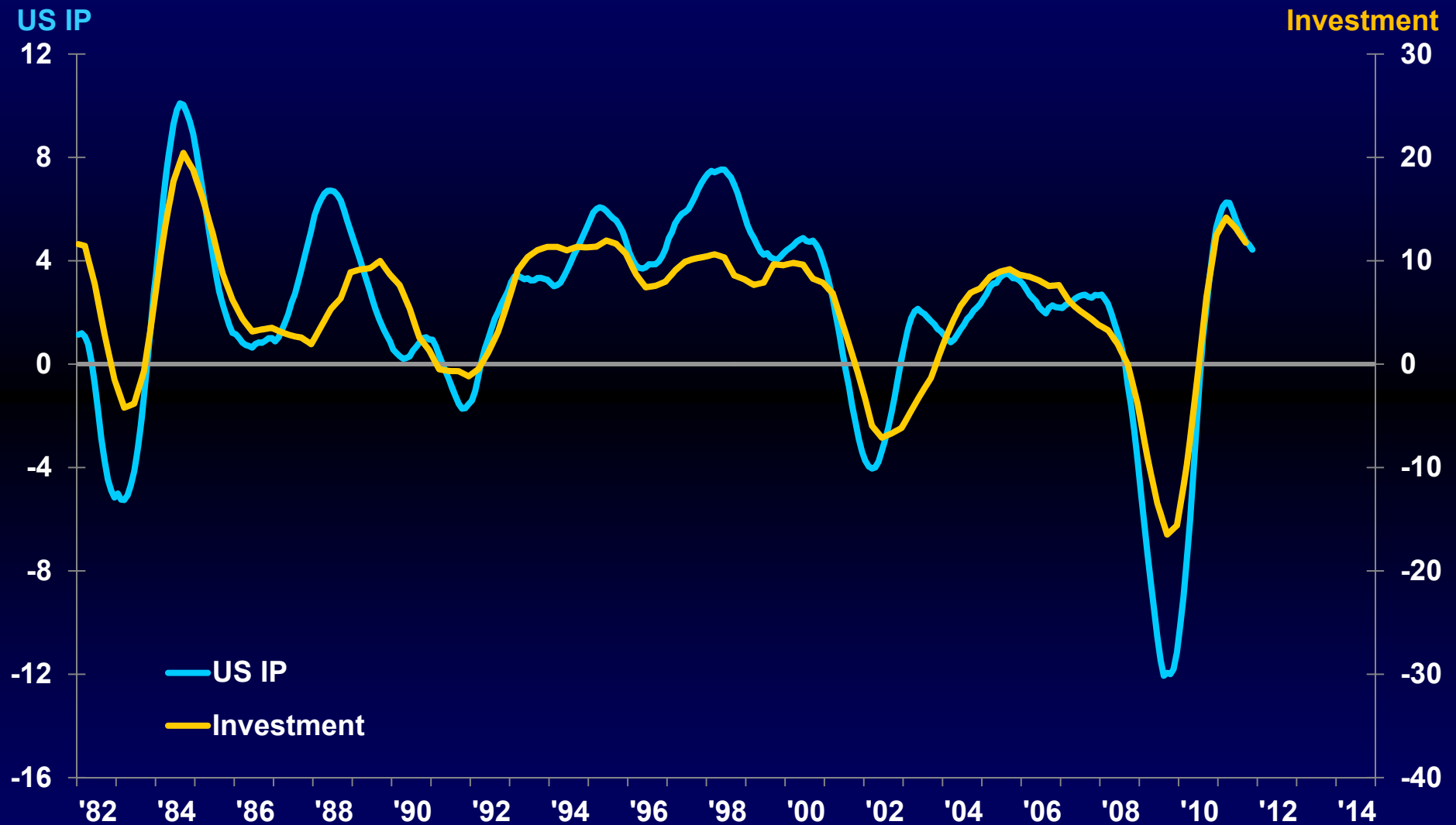
## 12/12 Rates-of-Change



# US Industrial Production to Equipment & Software Investment

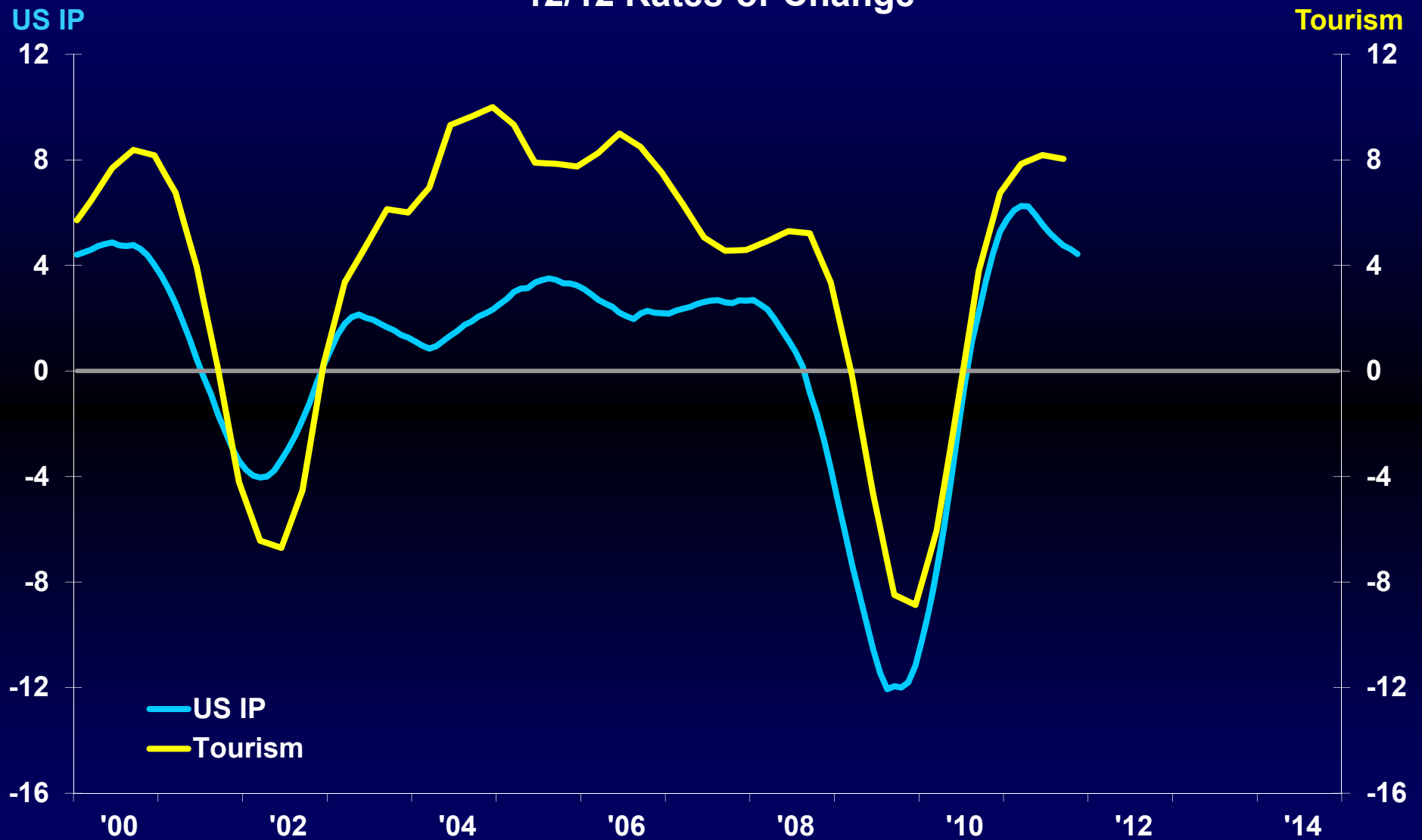
## 12/12 Rates-of-Change

22



## US Industrial Production to Tourism 12/12 Rates-of-Change

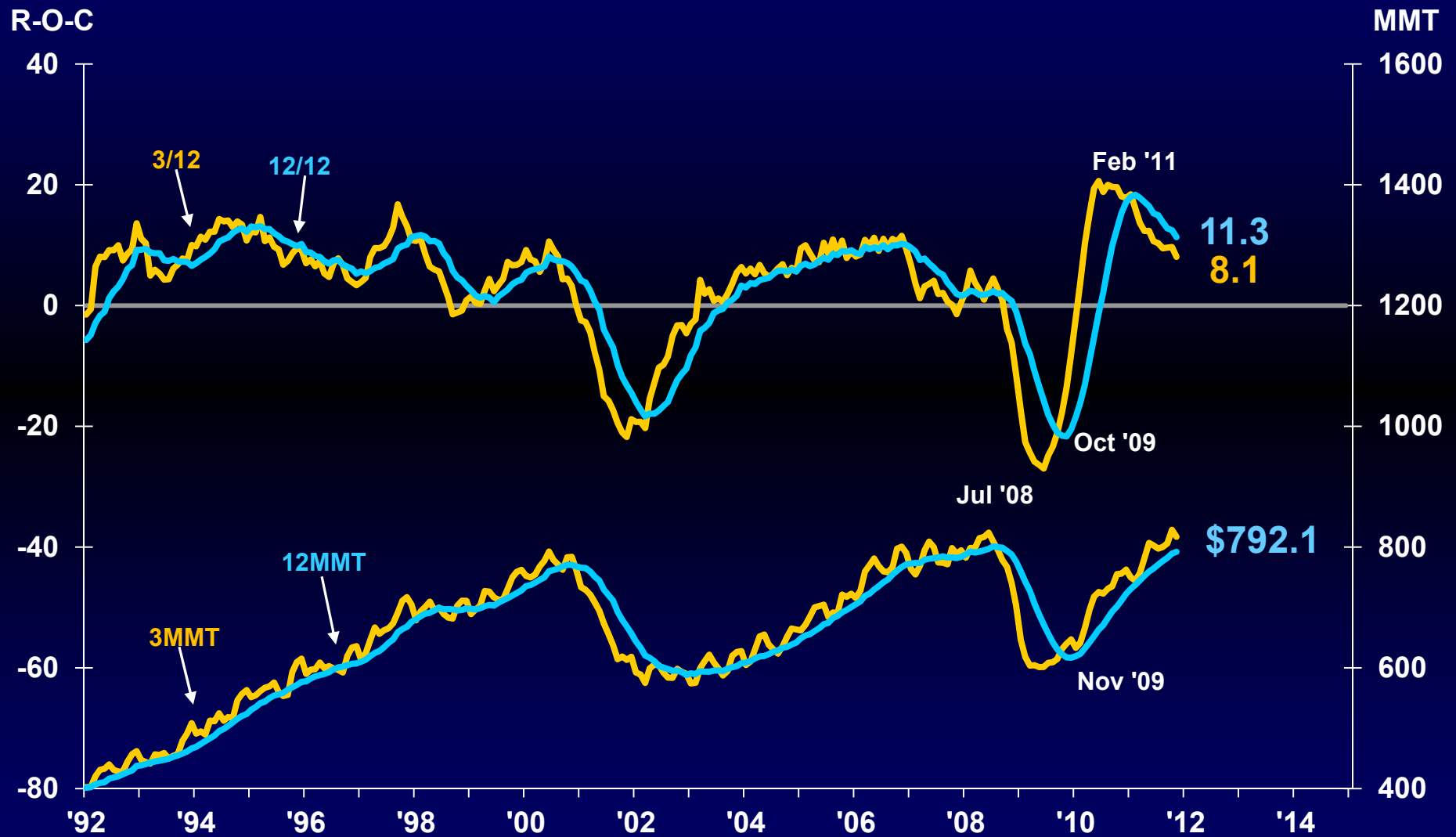
23



# Nondefense Capital Goods New Orders w/o Aircraft

Billions of \$

24





## Ratio of Inventories to New Orders Raw Data



# Purchasing Managers Index Raw Data



# US Leading Indicator 1996 = 100

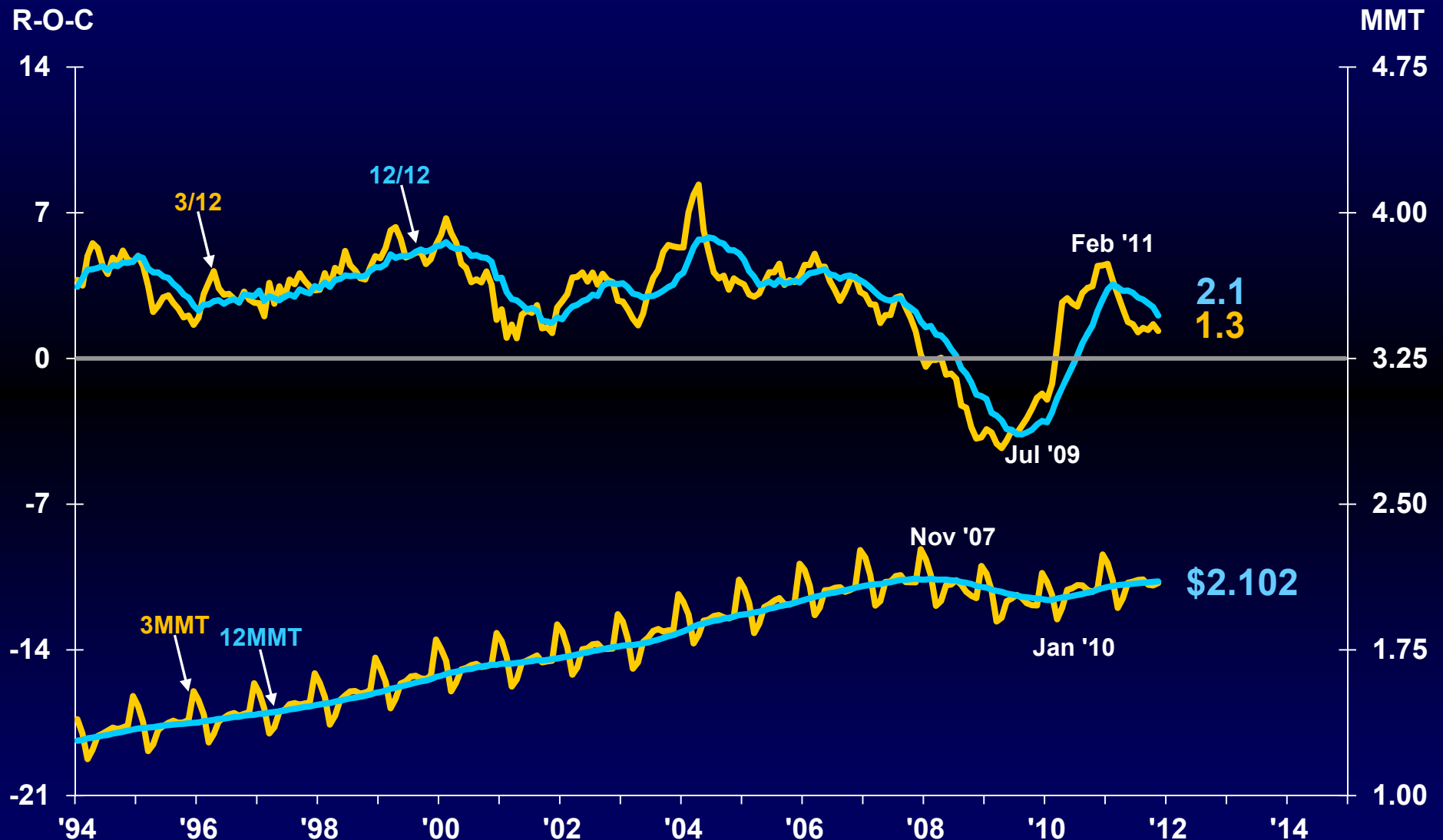


# Stock Prices Index S&P 500, 1941-43 = 10



# Retail Sales Excluding Automobiles Trillions of 82-84\$

29



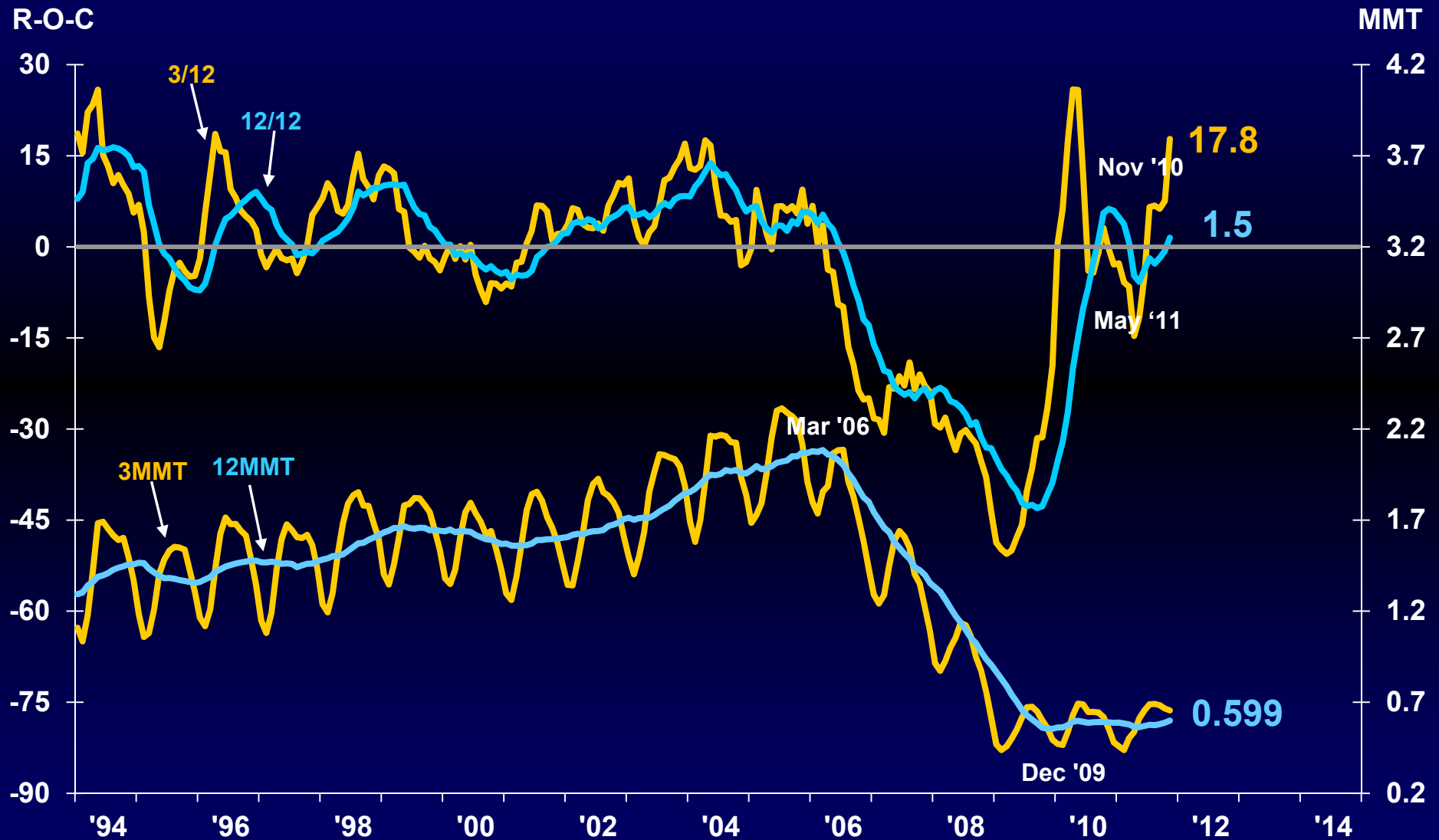
# Consumer Expectations and Retail Sales

30

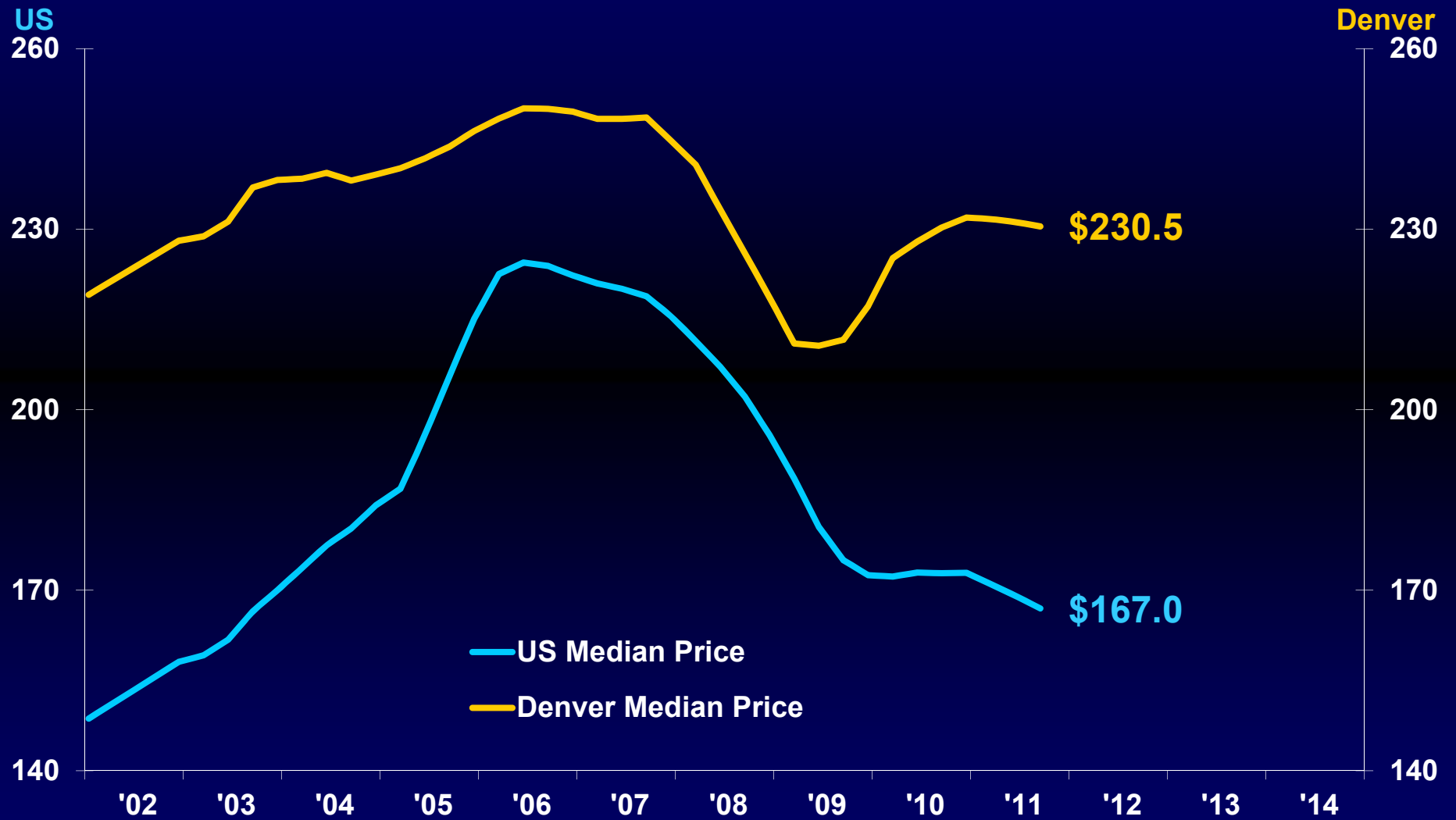


# Housing Starts Millions of Units

31



## US to Denver Median Home Sale Prices Annual Data Trends



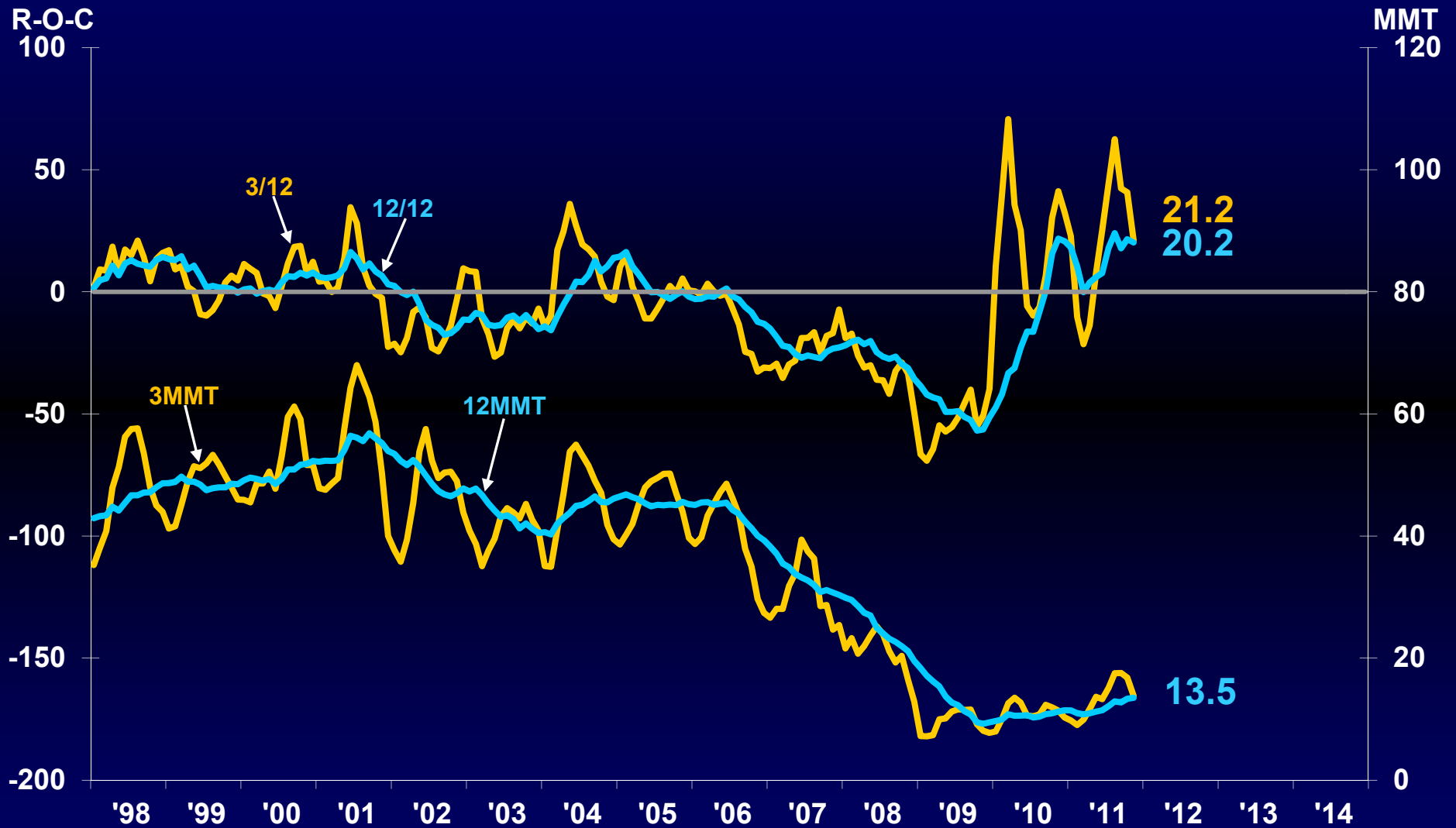


## Denver Building Permits Thousands of Units



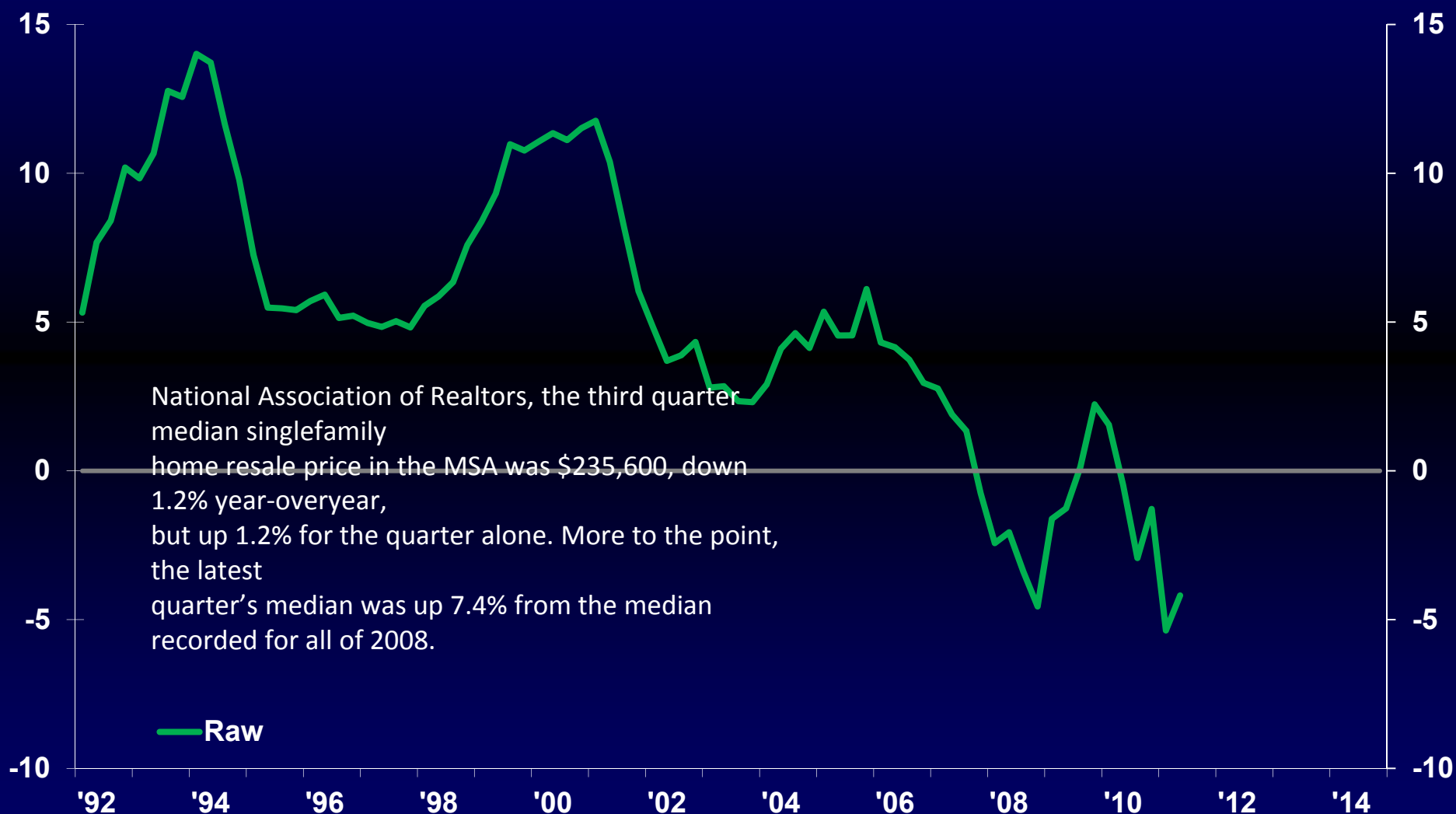
# Colorado Building Permits Thousands of Units

34



## Colorado Housing Price Index Year over Year % Change

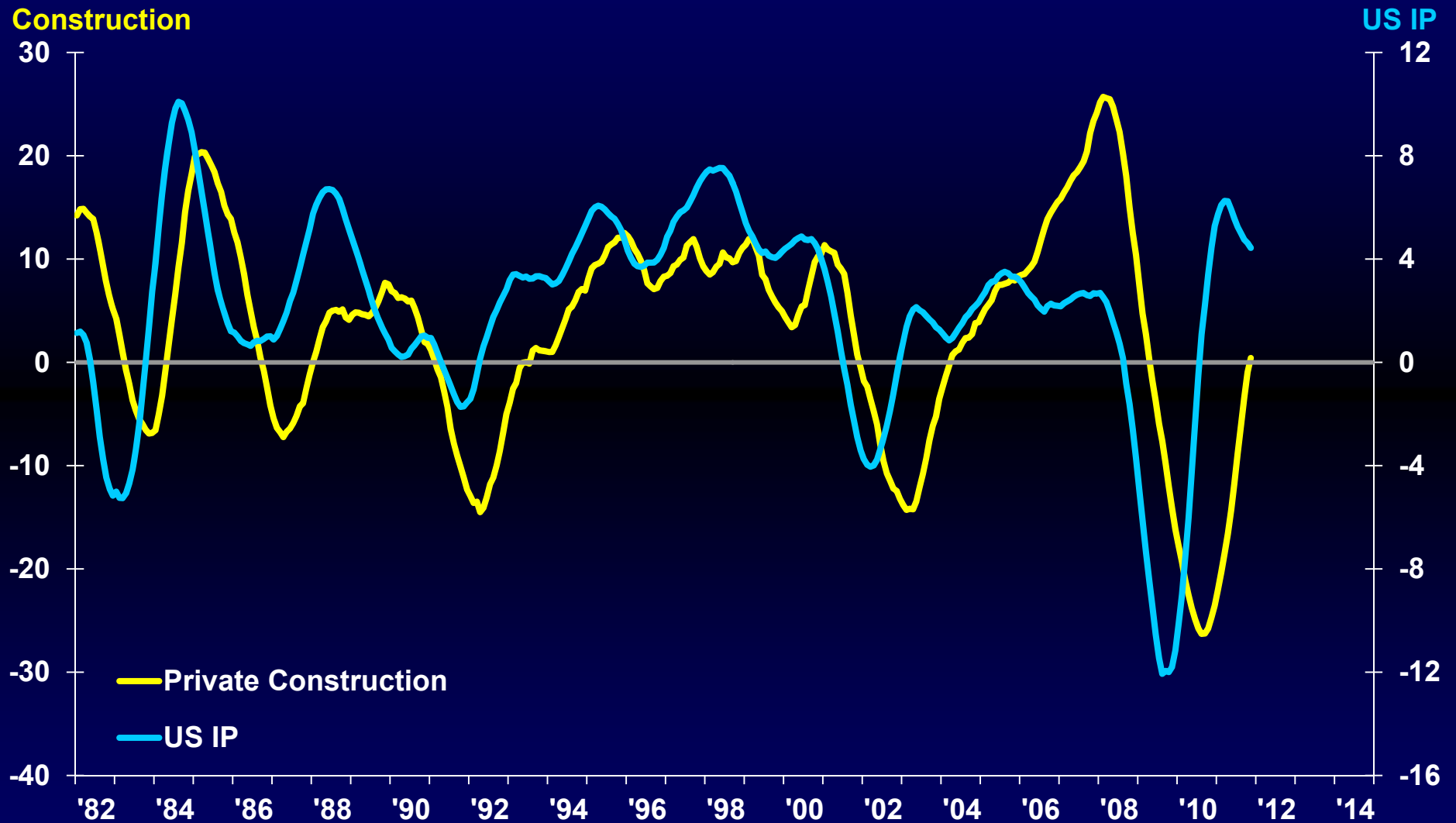
35



# US Industrial Production to Private Non-Residential Construction

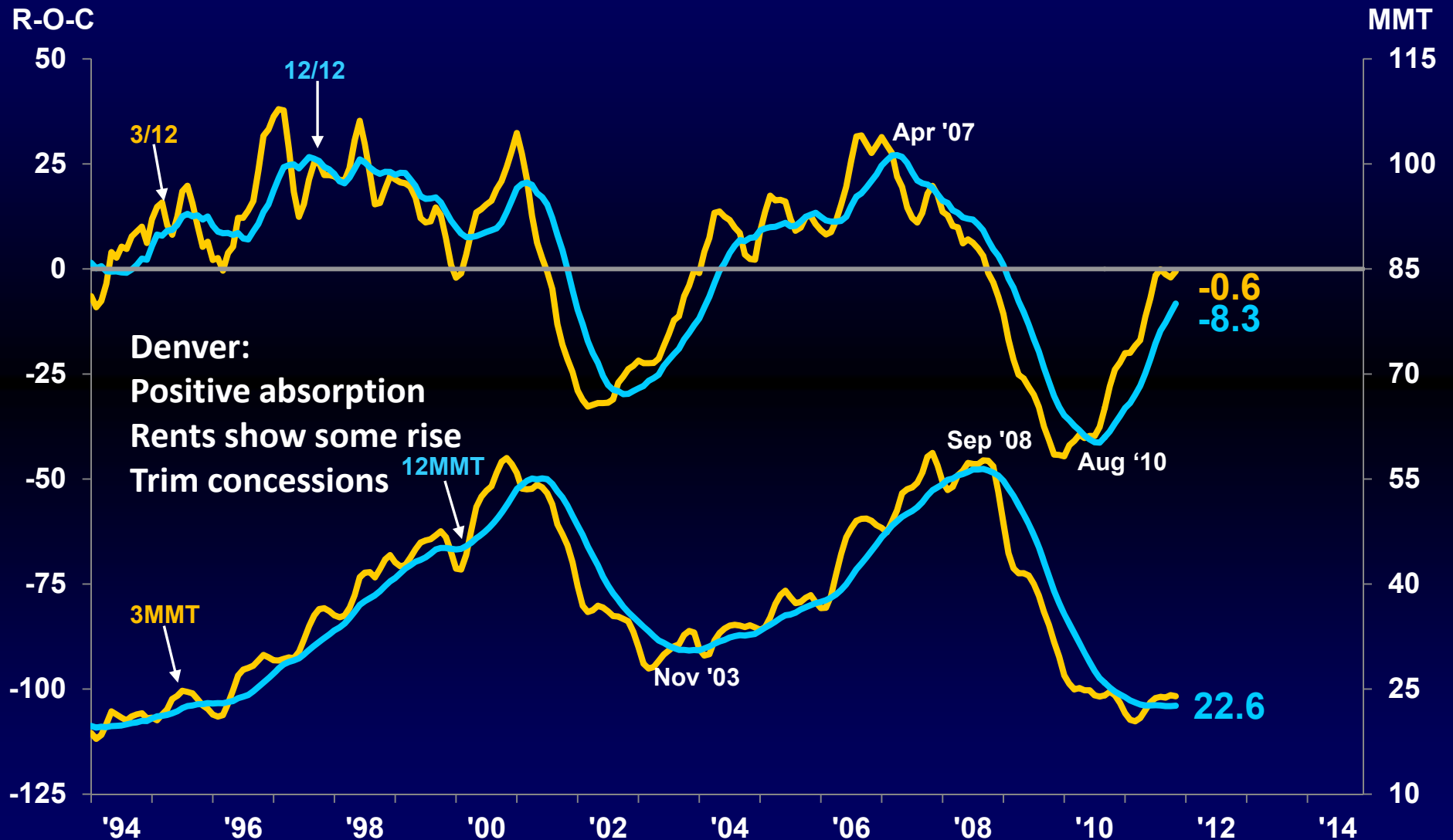
## 12/12 Rates-of-Change

36



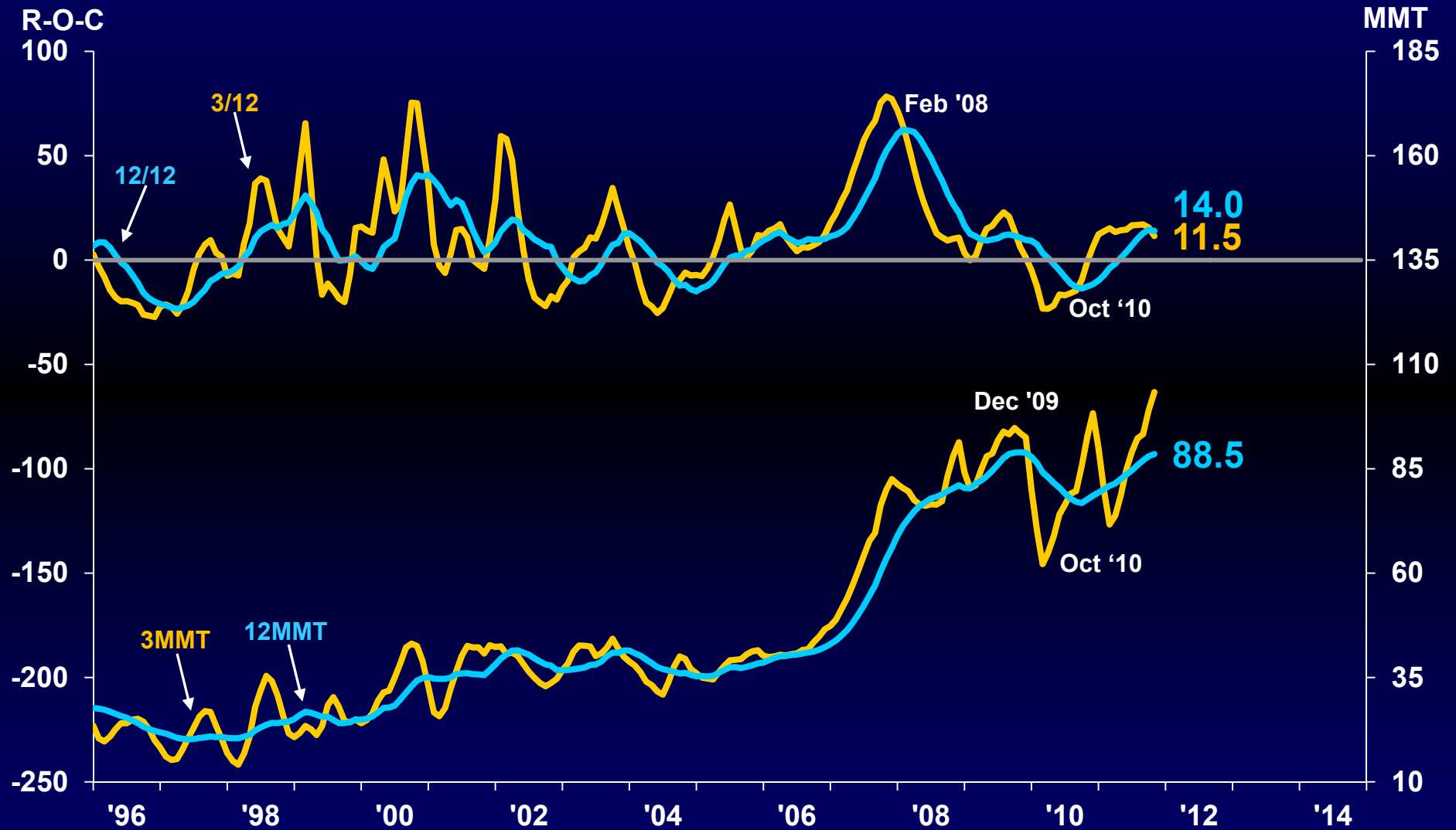
# Office Buildings Construction Billions of \$

37

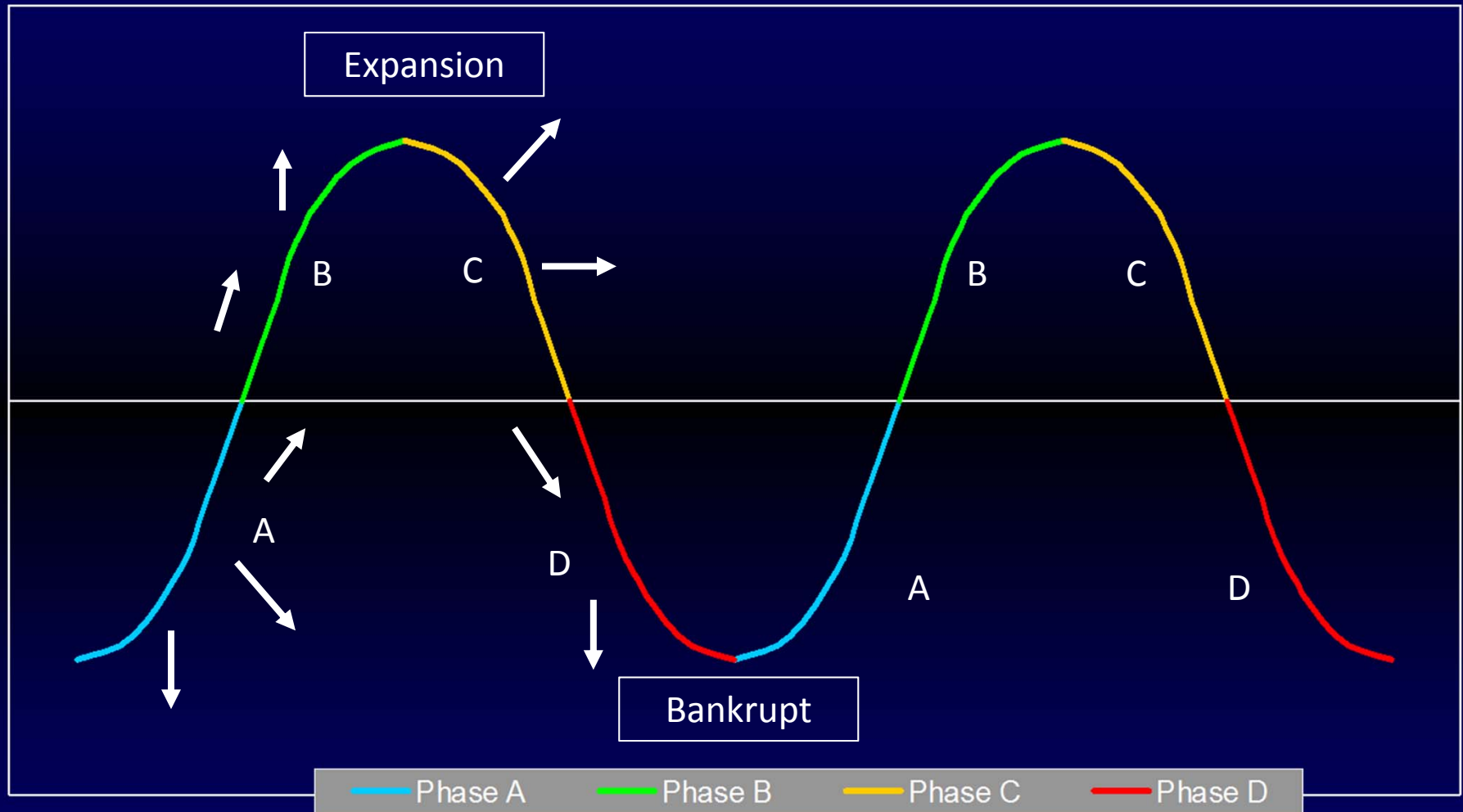


# Power Construction Billions of \$

38



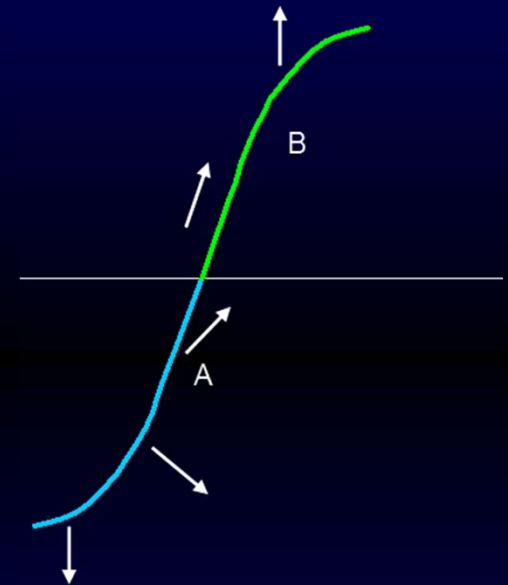
# Make Your Move



# Phase Management Objectives™:

## Phase Late A – Recovery

1. Positive leadership modeling (culture turns to behavior)
2. Add Sales Staff and Hire Top People
3. Training programs
4. Plans to increase prices
5. Invest in customer market research (know what they value)
6. Judiciously expand credit
7. Check distributions systems for readiness to accommodate increased activity
8. Review and uncover competitive advantages
9. Improve efficiencies with investment in technology and software
10. Spend \$ on new products, marketing, advertising
11. Work on “what’s next”



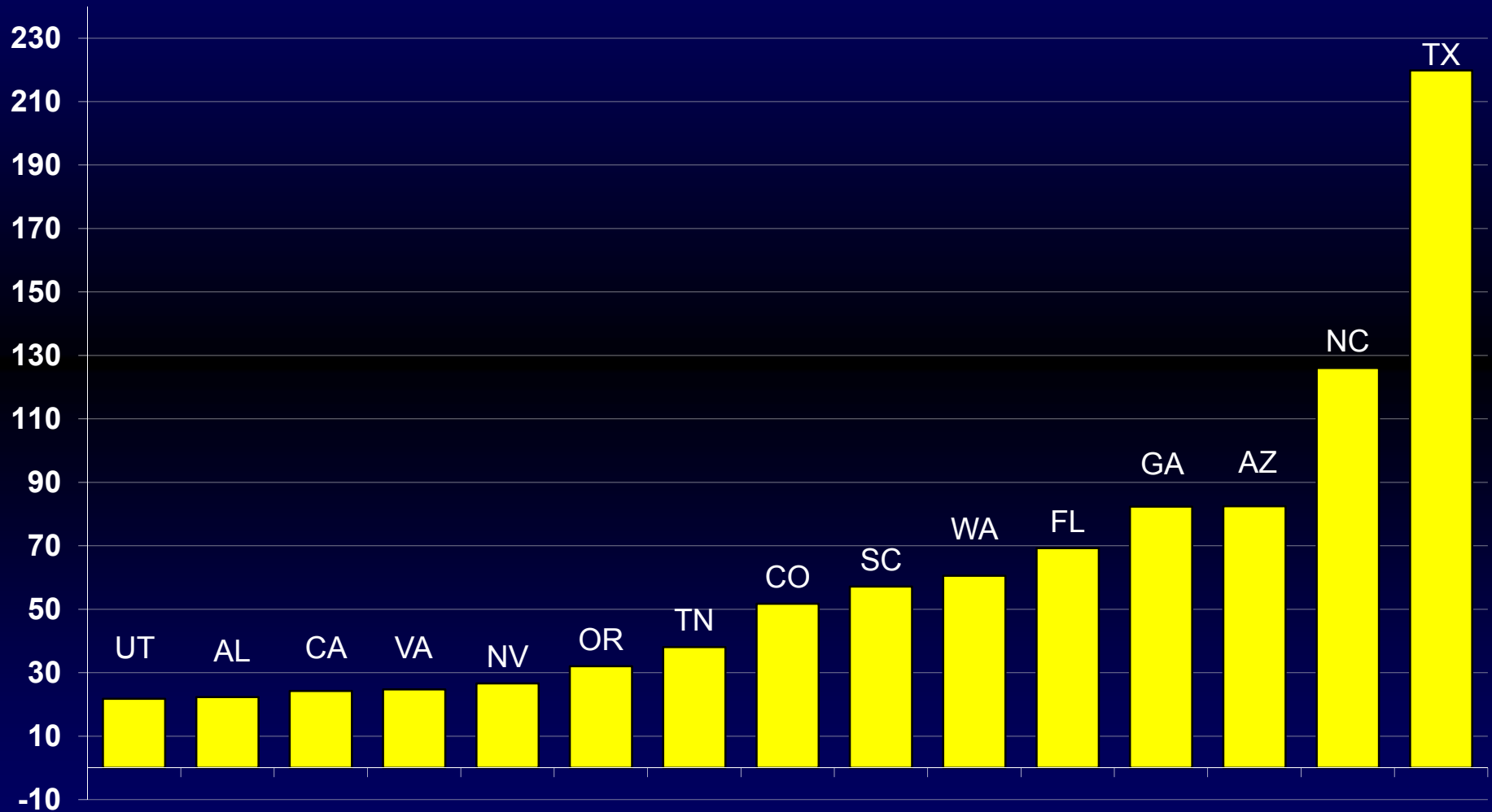


## Find a way to business in the “counter-cyclical” or largely unaffected areas:

- ★ Energy
- ★ Green
- ★ Water
- ★ Canada/Exports
- ★ Higher Education
- ★ Health Care Practices
- ★ Food
- ★ Pets
- ★ Funeral Services
- ★ Alcohol
- ★ Security
- ★ Legal Services (Diversified)

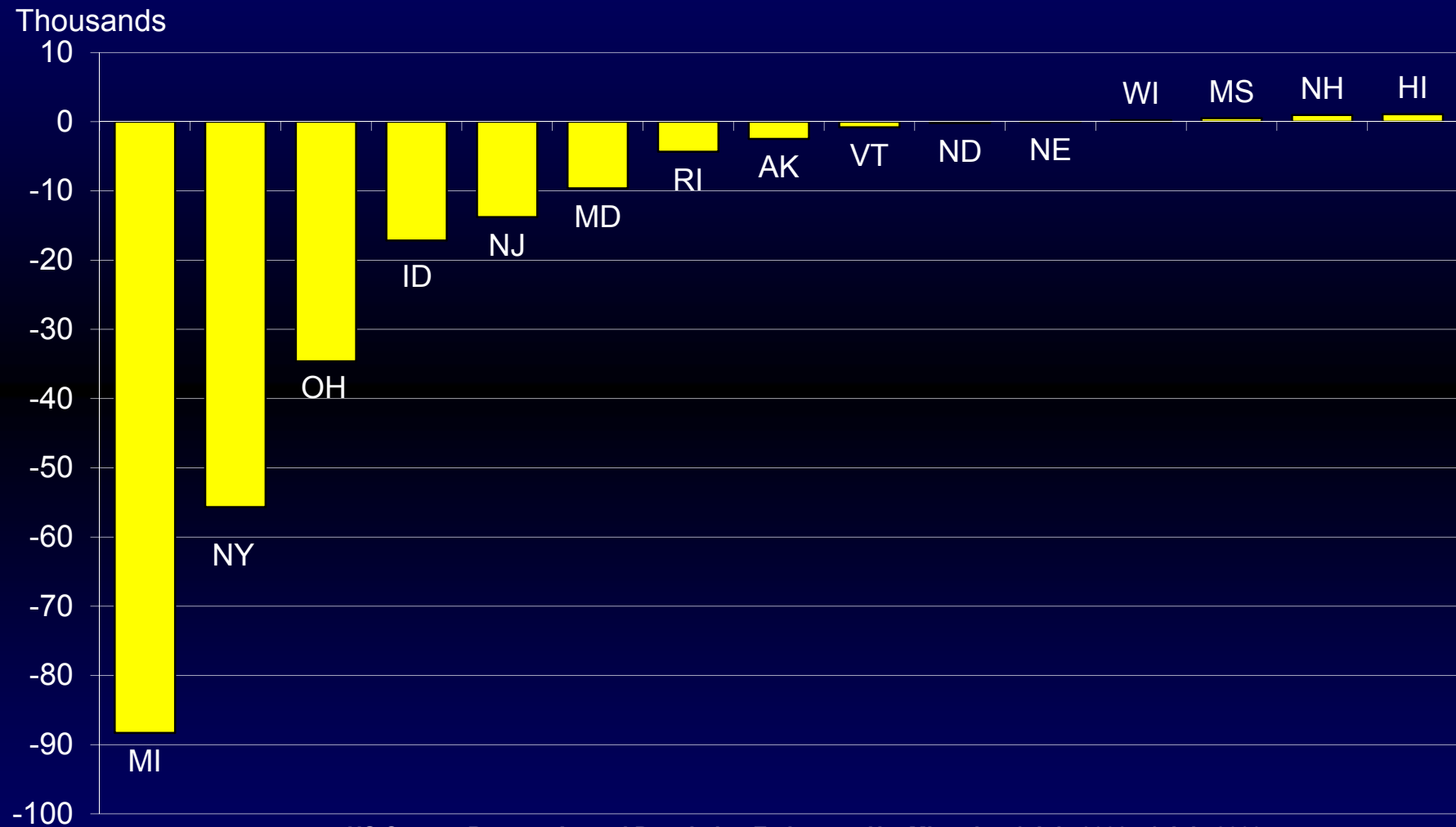
## Net Migration – Top 15

Thousands



US Census Bureau, Annual Population Estimates, Net Migration 1 July 2008 - 1 July 2009

## Net Migration – Bottom 15



US Census Bureau, Annual Population Estimates, Net Migration 1 July 2008 - 1 July 2009

## 7 Must Watch Items

- ❖ Money Supply
- ❖ Corporate Bonds Rate-of-Change
- ❖ US Leading Indicator
- ❖ Purchasing Managers Index
- ❖ Retail Sales
- ❖ Employment
- ❖ Nondefense Capital Goods New Orders

Available from ITR via *ITR Trends Report*,  
the *ITR Advisor*, or on the web



# The Road Ahead

45

(actual results may vary stay tuned!)

2011	Slower rate of recovery
2012	Ongoing recovery
2013	Flattens out: recession begins
2014	Recession
2015	Growth
2016	Growth
2017	Growth

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