

# ACG<sup>®</sup> Denver

Association for Corporate Growth



## Shifting Gears

Dr. Alan Beaulieu  
President

### 2018 Preliminary Forecast Results If you heard ITR around two years prior...

	Duration	Accuracy
US GDP	24	99.7%
US Ind. Production	34	99.6%
Europe Ind. Production	24	97.2%
Canada Ind. Production	27	94.5%
China Ind. Production	30	99.9%
Retail Sales	28	99.6%
Housing (Single Family Units)	26	99.2%
Employment (private sector)	30	99.4%

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



First in Forecasts Since 1948

# Summary January 2019

## Macroeconomic Rise for 2019

US

Global

## Segment Thinking Into 3 Time Periods

2018 - 2020

2021 - 2029

2030 - 2040

## Global Issues Impacting Our Businesses

Tariffs

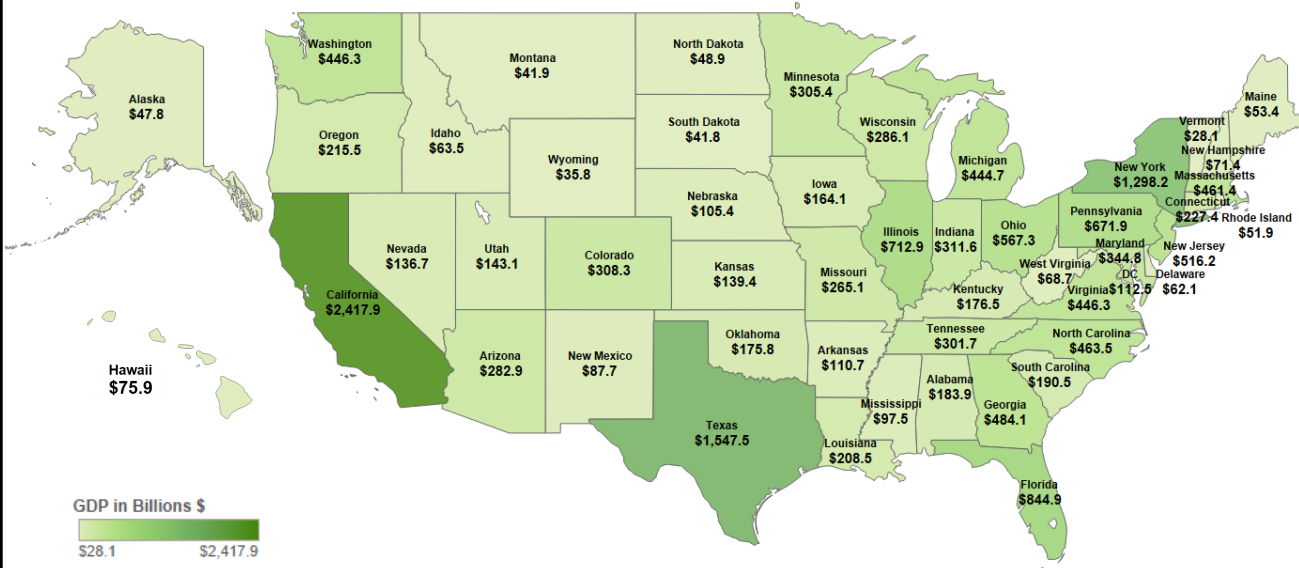
## Leading Indicator Signals are Mixed

Know which ones matter to you

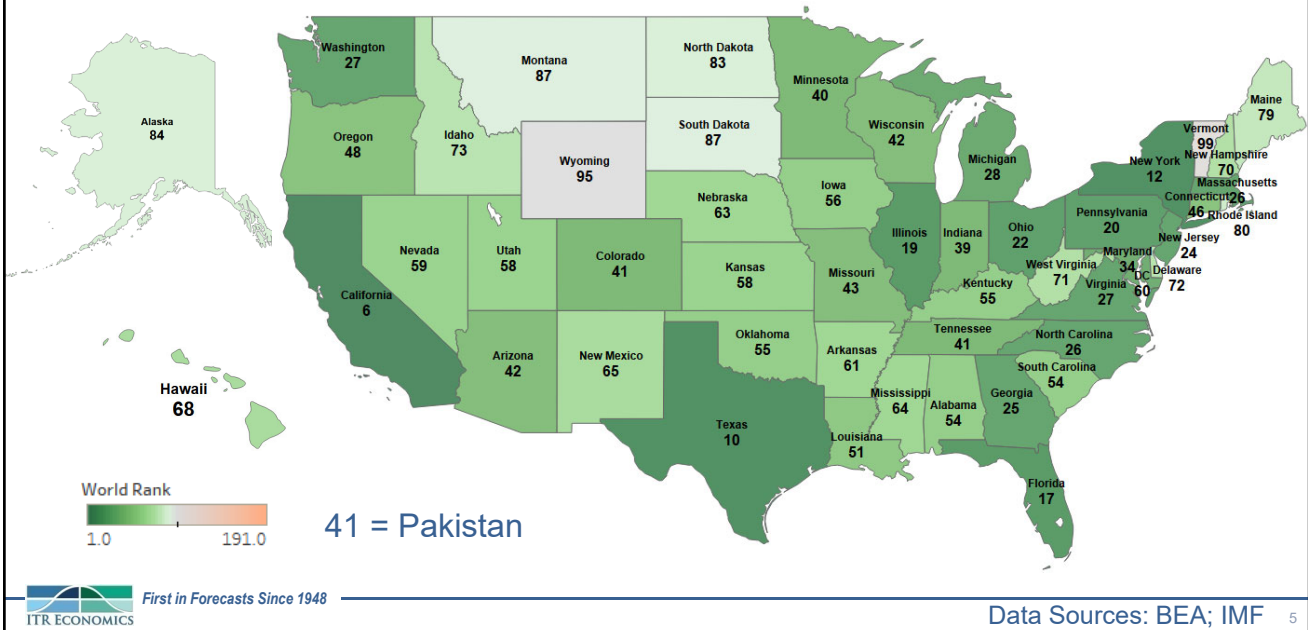
How to track the leading indicators



# State Gross Domestic Product

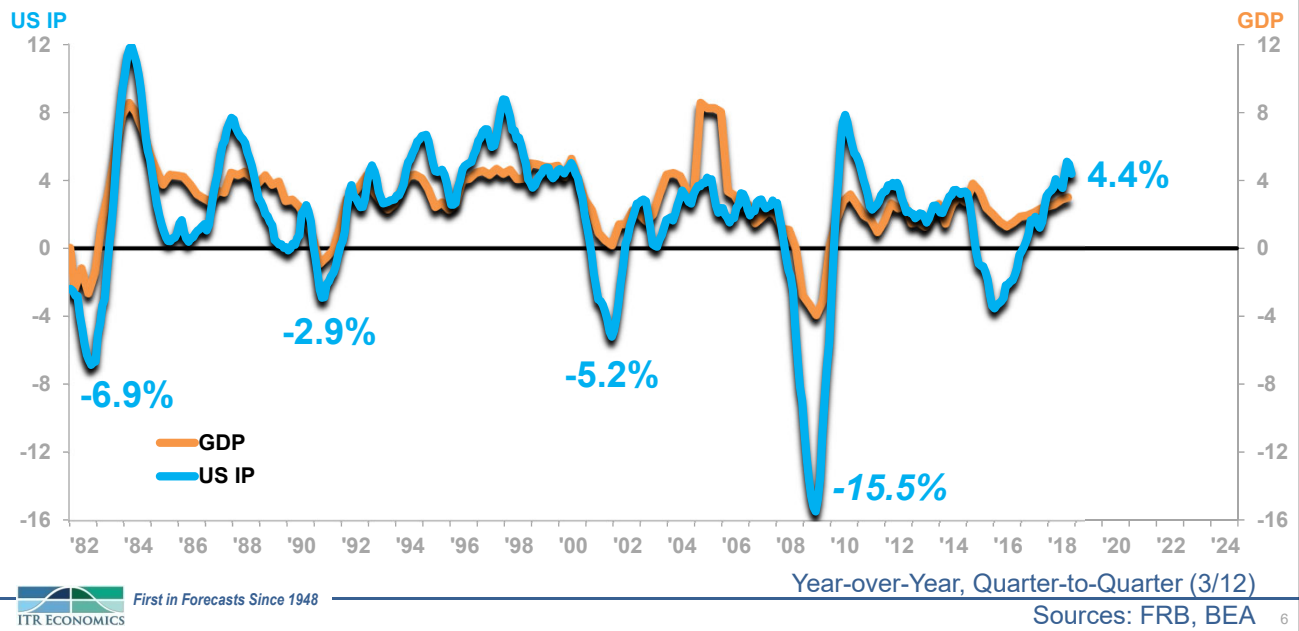


## US States GDPs Ranked vs. World Country GDPs

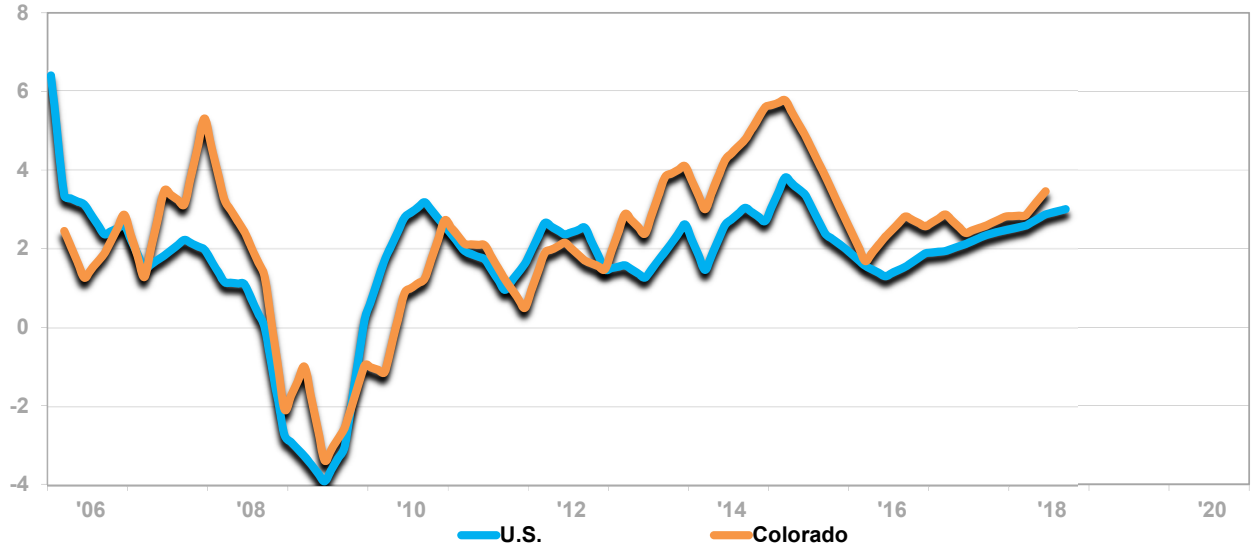


## Manage the Business Cycles to Maximize Profits

### US Industrial Production to Gross Domestic Product



## US and Colorado Annual GSP Growth Rate



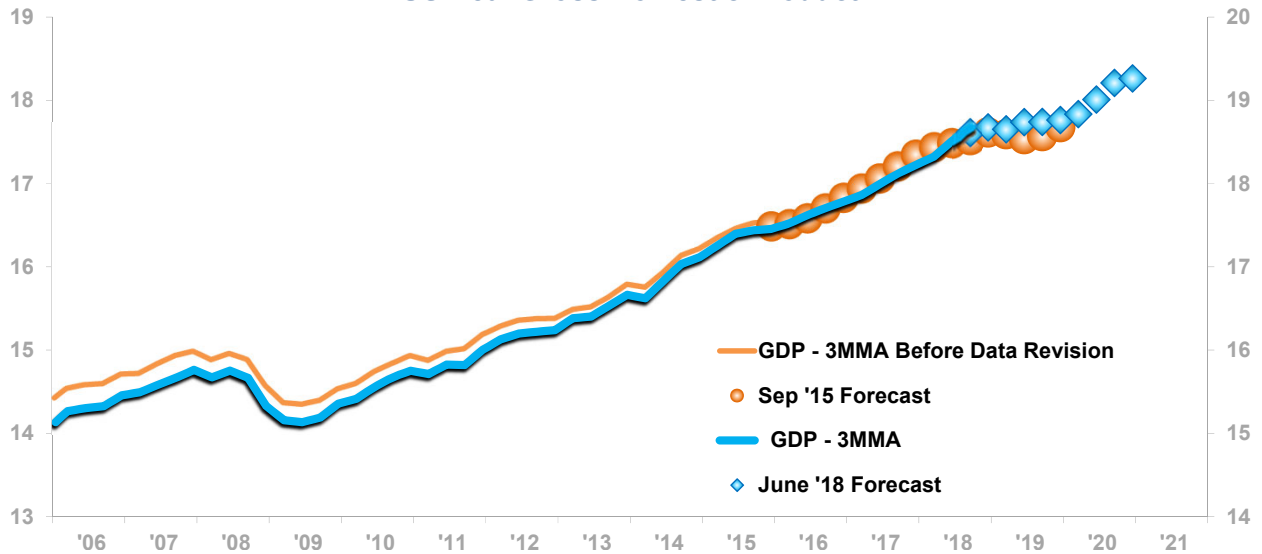
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3/12 Rate-of-Change

US Bureau of Economic Analysis

## US Economy Stalls in 2019 and Into 2020

### US Real Gross Domestic Product



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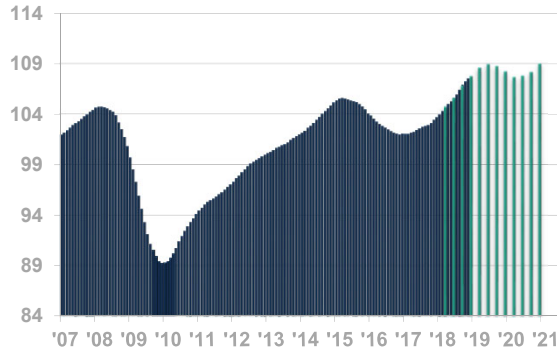
3MMA Data Trend

Source: BEA

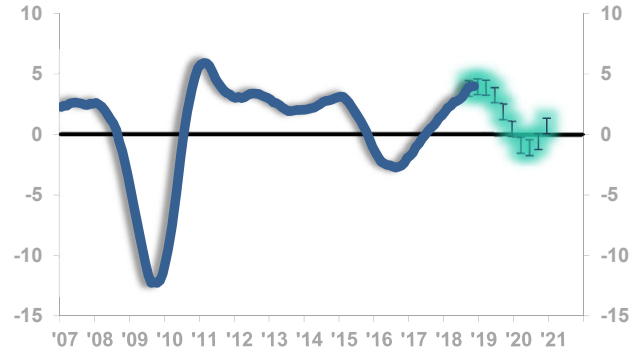
# Slowing Growth for 2019

## US Industrial Production Index

US Industrial Production Index  
12-Month Moving Average



Year-over-Year Growth Rate  
12/12 Rate-of-Change



- Annual Trend: 107.3
- Phase: B
- Year-over-Year: 4.0%

# A Powerful Management Tool Rate-of-Change

Raw	3MMT	3/12	12MMT	12/12	
Jan-17	1.5				
Feb-17	1.5				
Mar-17	1.4	4.4			
Apr-17	1.5	4.4			
May-17	1.3	4.4			
Jun-17	1.3	4.2			
Jul-17	1.6	4.1			
Aug-17	1.6	4.2			
Sep-17	1.5	4.5			
Oct-17	1.7	4.7			
Nov-17	1.6	4.8			
Dec-17	1.7	4.8	18.0		
Jan-18	1.7	5.0	18.2		
Feb-18	1.7	5.0	18.4		
Mar-18	1.6	5.1	15.9%	18.6	
Apr-18	1.7	5.0	13.6%	18.8	
May-18	1.5	5.0	13.6%	19.0	26.7%
Jun-18	1.5	4.8	14.3%	19.2	25.5%
Jul-18	1.9	4.7	14.6%	19.4	25.2%
Aug-18	1.7	4.9	16.7%	19.7	22.4%
Sep-18	1.7	5.1	13.3%	19.8	20.0%
Oct-18	1.9	5.3	12.8%	20.0	18.3%
Nov-18	1.7	5.3	10.4%	20.2	15.4%
Dec-18	1.7	5.3	10.4%	20.3	12.7%

**DATACAST !**

### 3/12 Rate-of-Change

$$= \frac{\text{December 2018 3MMT}}{\text{December 2017 3MMT}} \times 100 - 100$$

$$= \frac{5.3}{4.8} \times 100 - 100 = 10.4\%$$

### 12/12 Rate-of-Change

$$= \frac{\text{December 2018 12MMT}}{\text{December 2017 12MMT}} \times 100 - 100$$

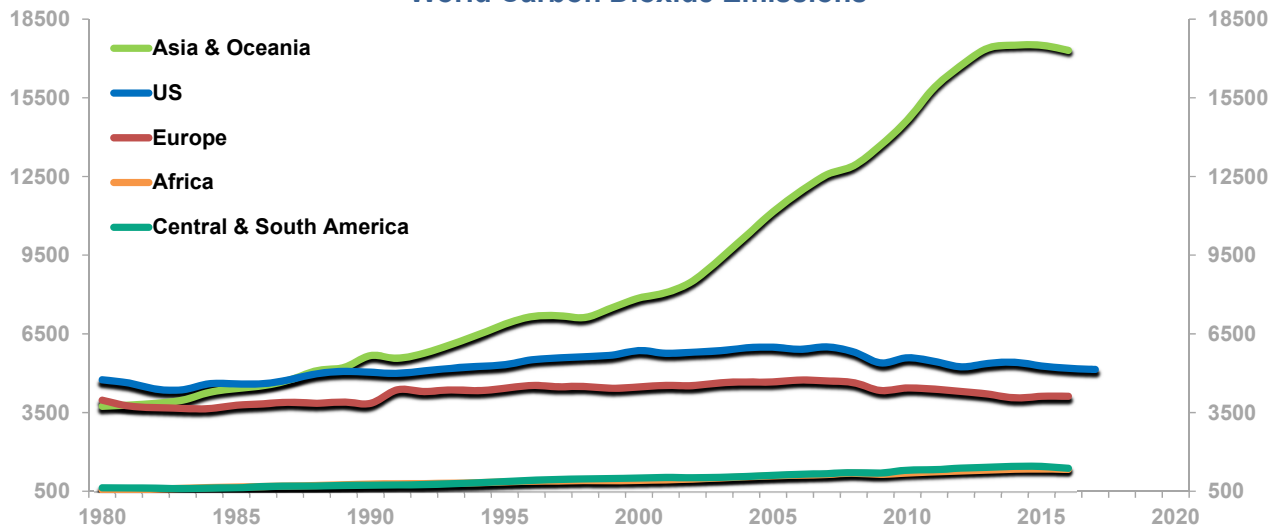
$$= \frac{20.3}{18.0} \times 100 - 100 = 12.7\%$$

# Tariffs and other fun things



## Things Are Getting Better

### World Carbon Dioxide Emissions



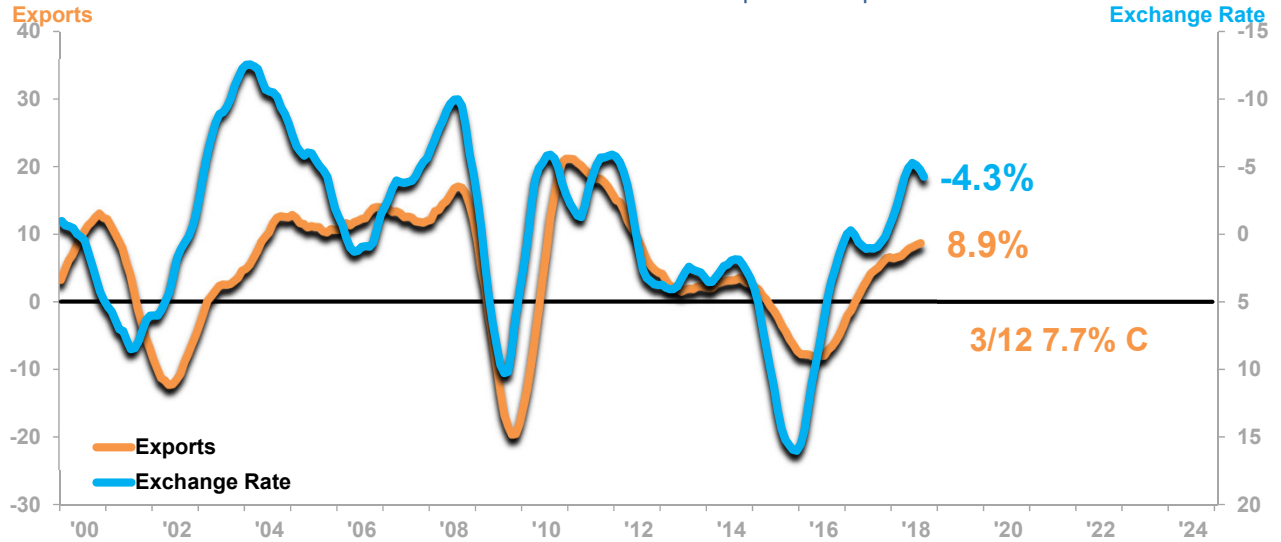
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Millions of Metric Tons

Source: EIA

# US Trade in Goods with World (Exports) are an important part of economic health

US Trade in Goods with World: Exports to Imports

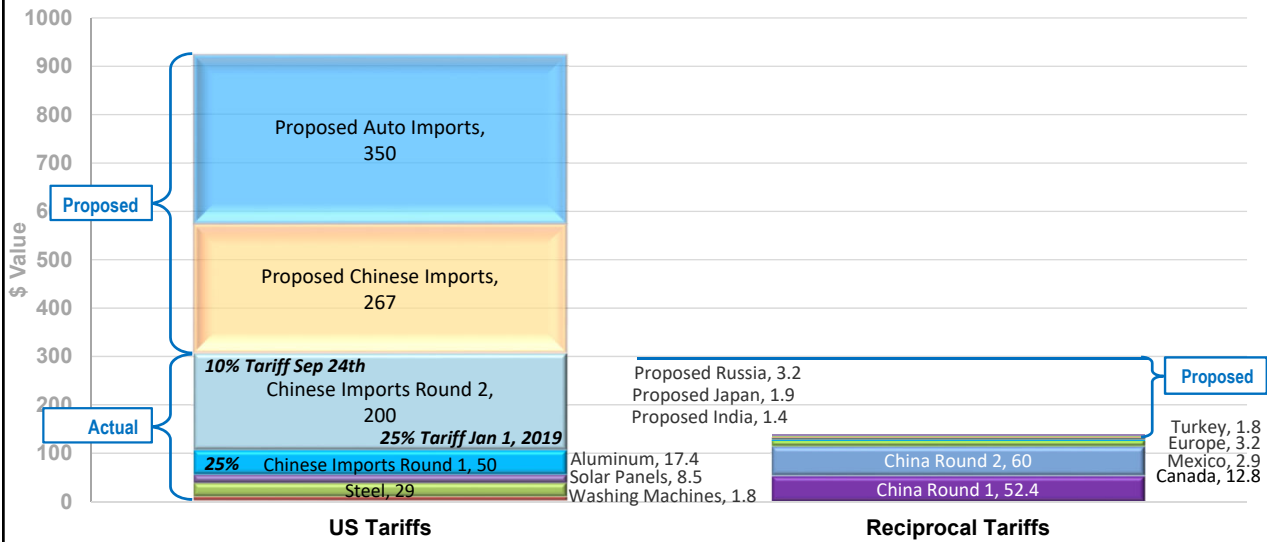


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12/12 Rates-of-Change

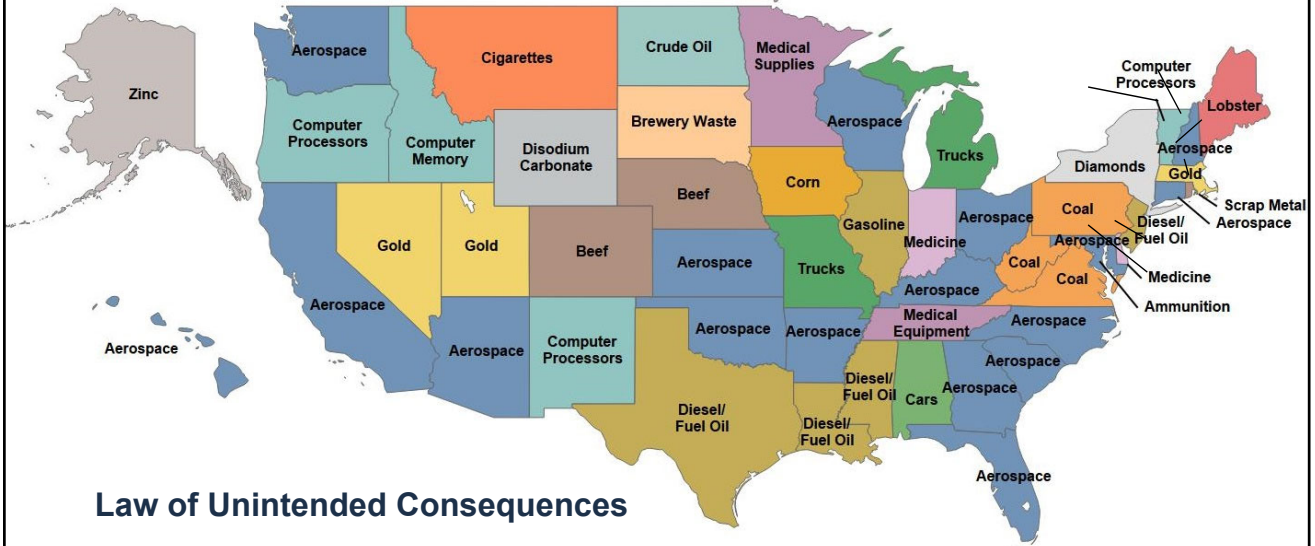
Sources: Census Bureau, FRED 13

# Tariffs: There Will Be Winners and Losers



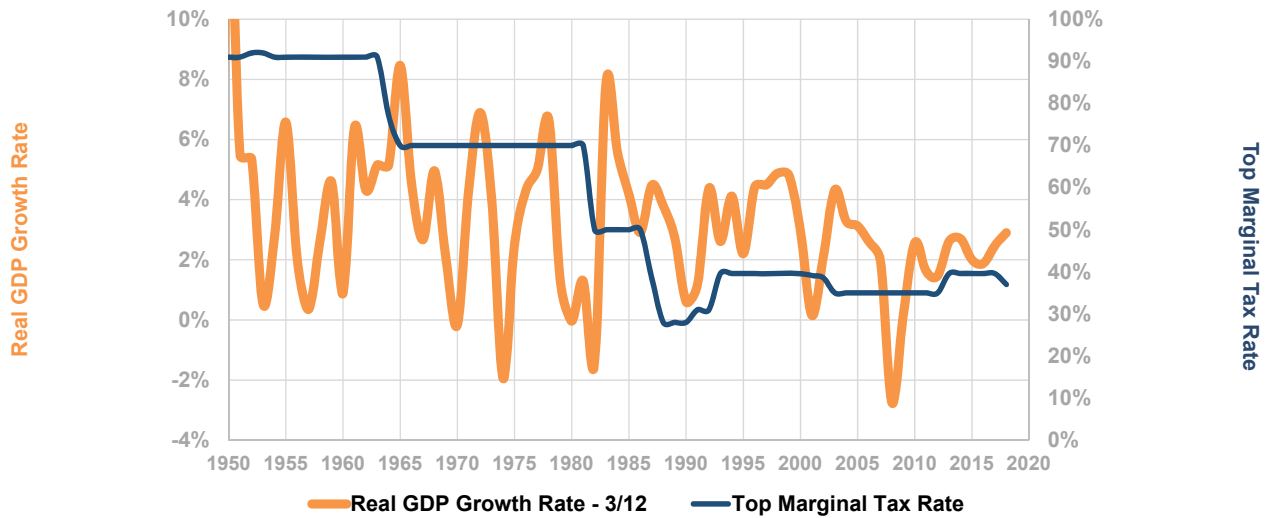
First in Forecasts Since 1948

## Retaliation Threat by State US Top Goods Export by State



Law of Unintended Consequences

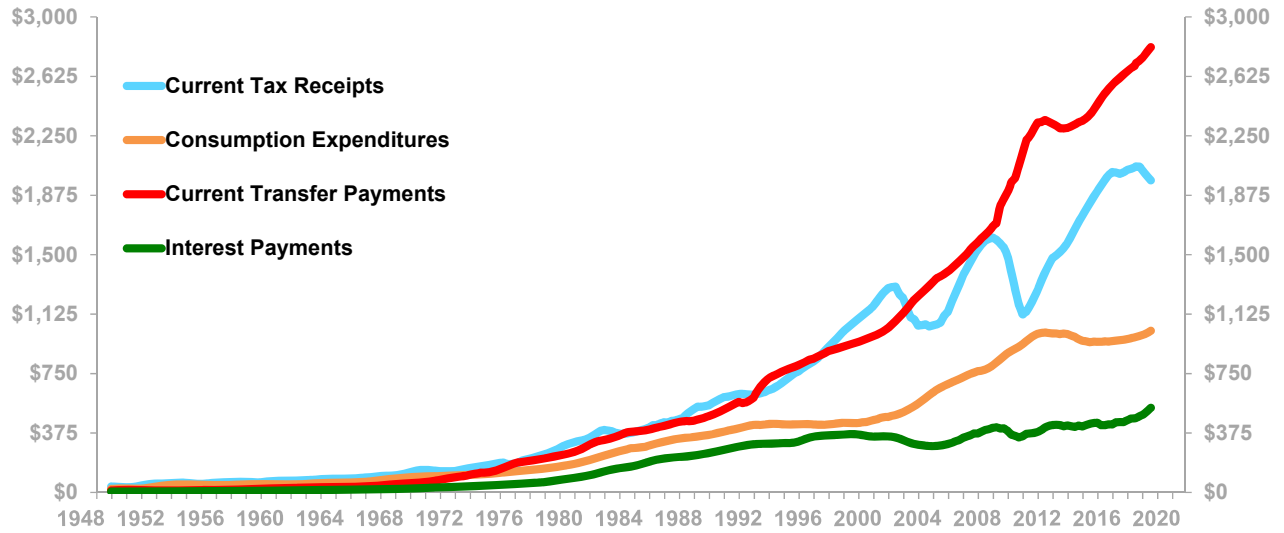
## Lower Taxes May Provide a Temporary Boost US Tax Rates and Real GDP Growth





# Issues Government Will and Won't Tackle

## US Federal Government Receipts and Payments



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Billions of Dollars

Source: BEA 17

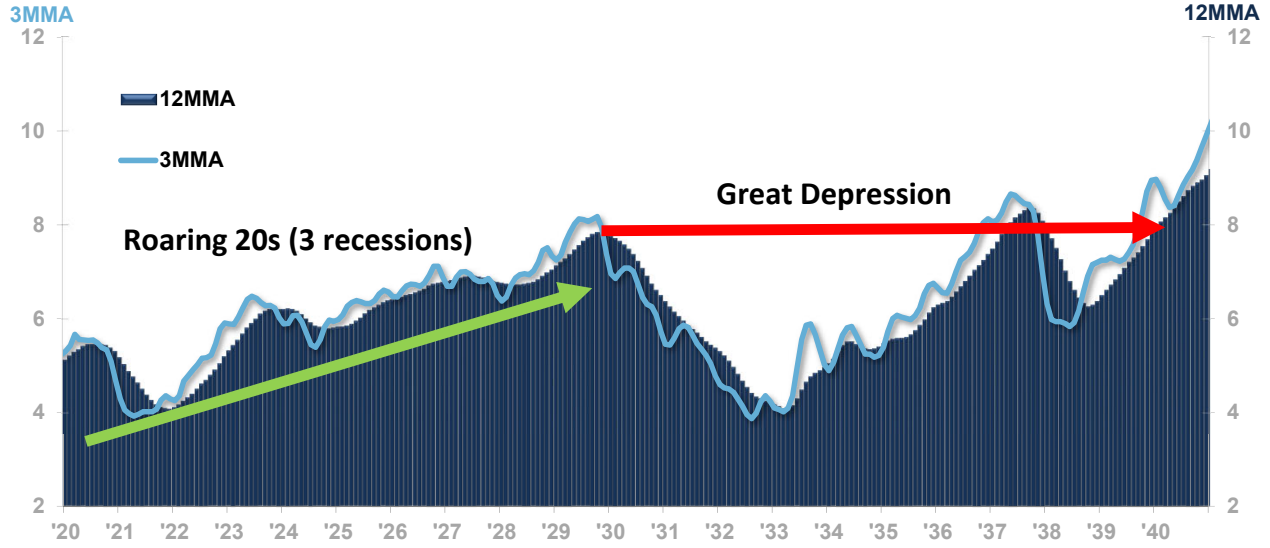
# The Long View

## Prosperity in the Age of Decline



# A Model for the Future

US Industrial Production Index



## Depression Drivers



1. Demographics

2. Health Care Costs

3. Entitlements

4. Inflation

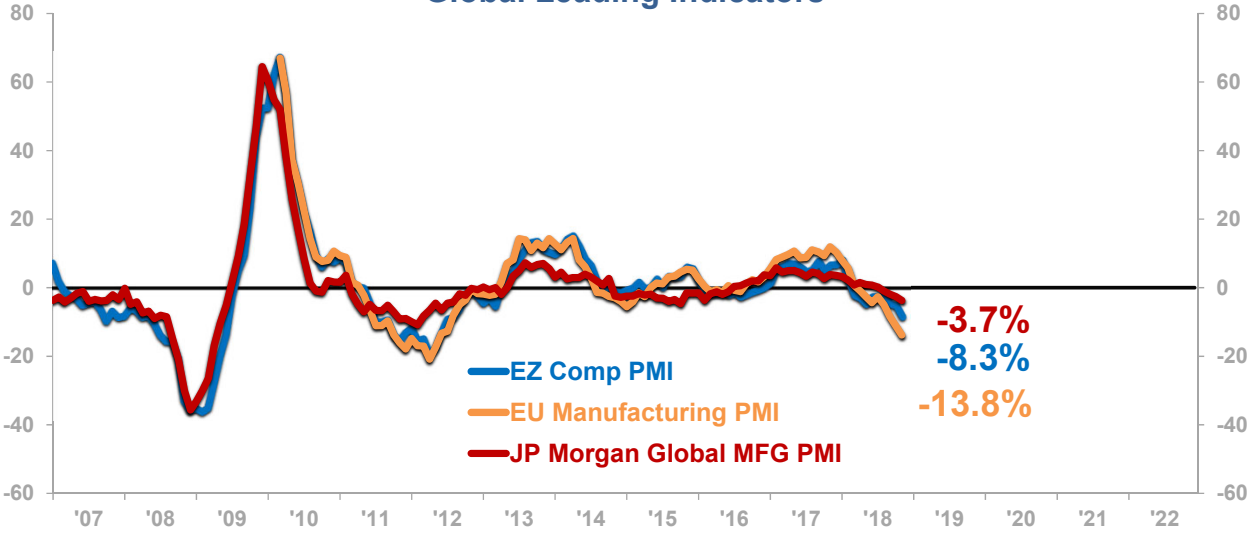
5. US National Debt

# Global Partners

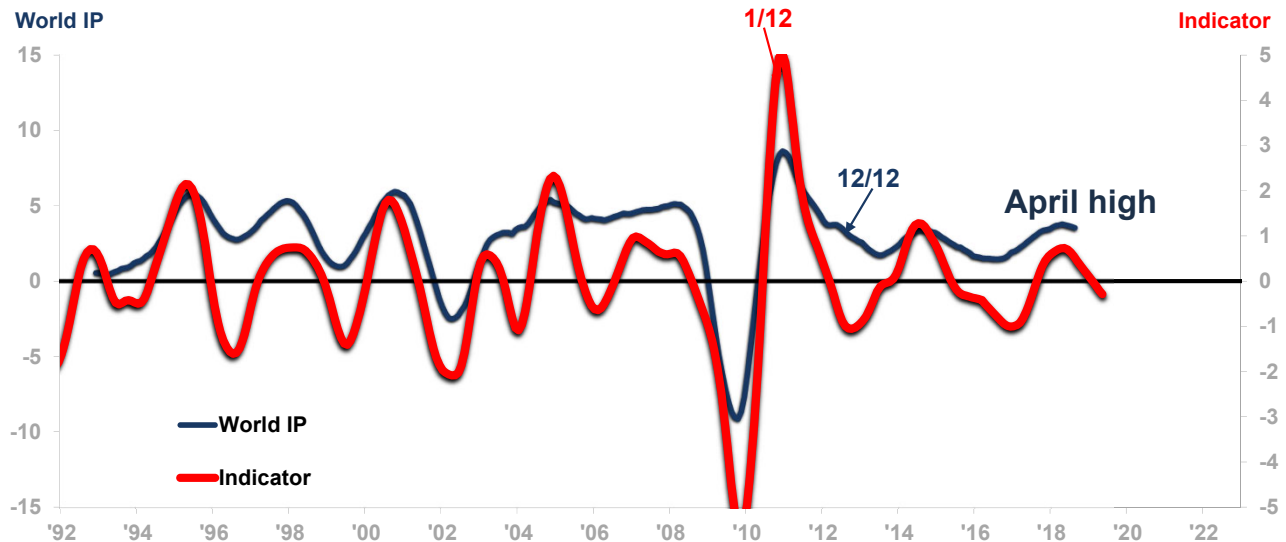


## Negative Business Cycle Pressure

### Global Leading Indicators



# World Industrial Production Index to G7 Leading Indicator



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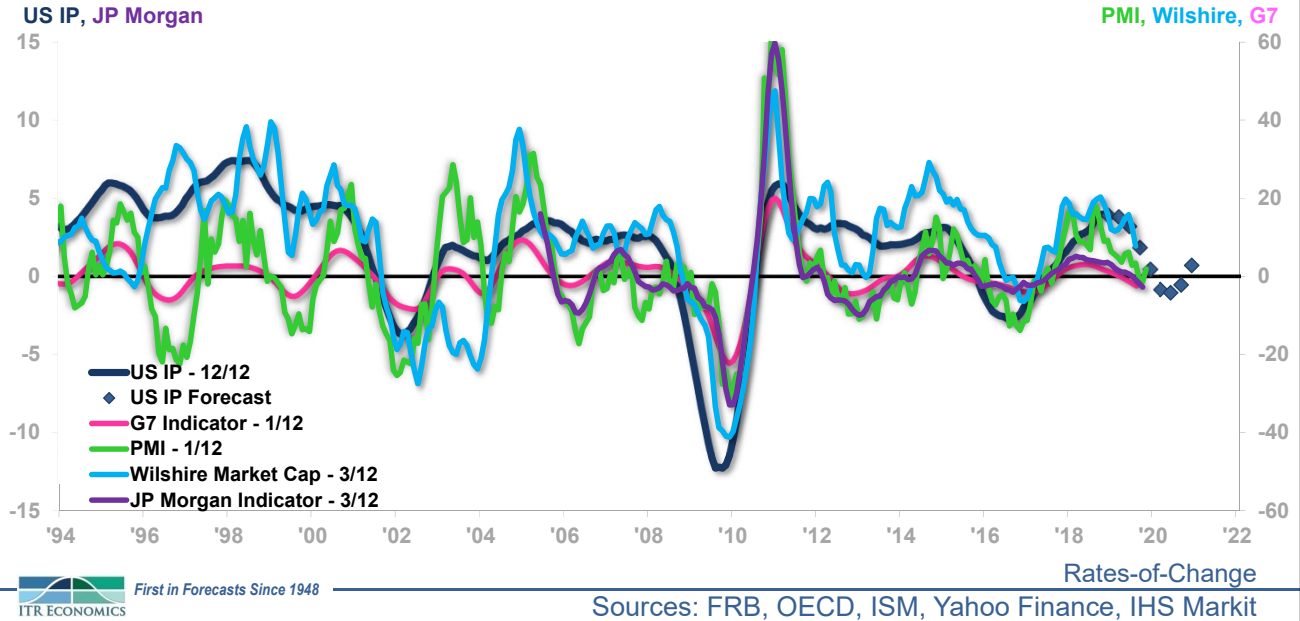
Sources: CPB Netherlands Bureau For Economic Policy Analysis, OECD Rates-of-Change 23

# The US Economy



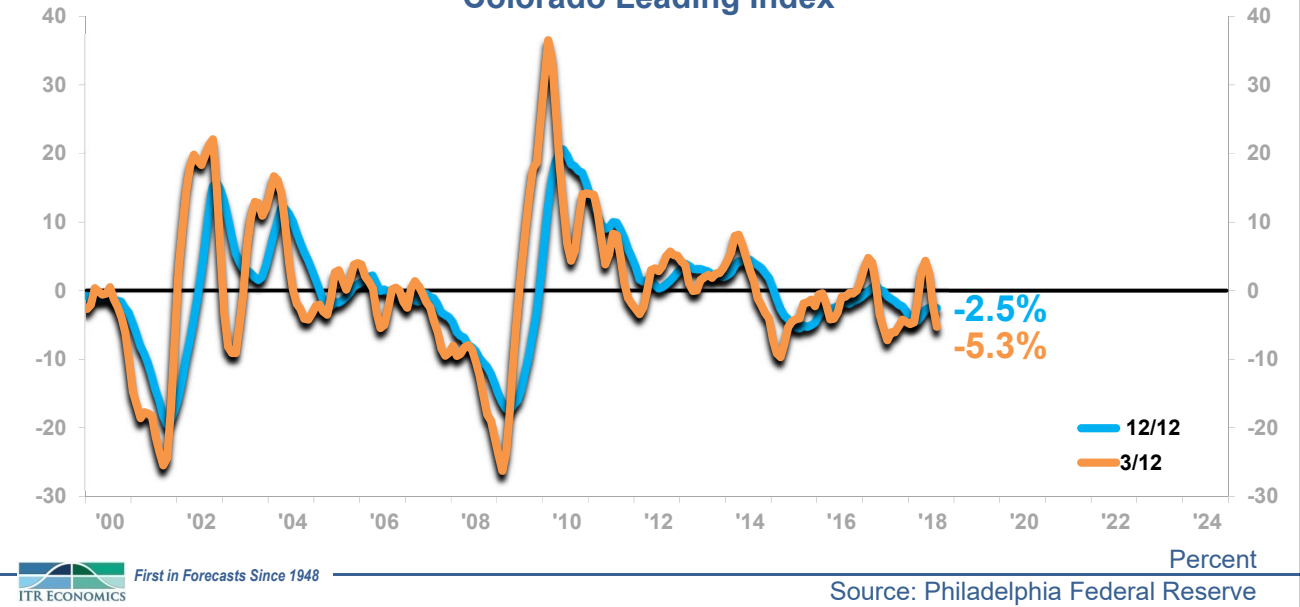
# Leading Indicator System as a Powerful Tool

## US Industrial Production Index to Leading Indicators



# Downside Business Cycle Pressure Indicated

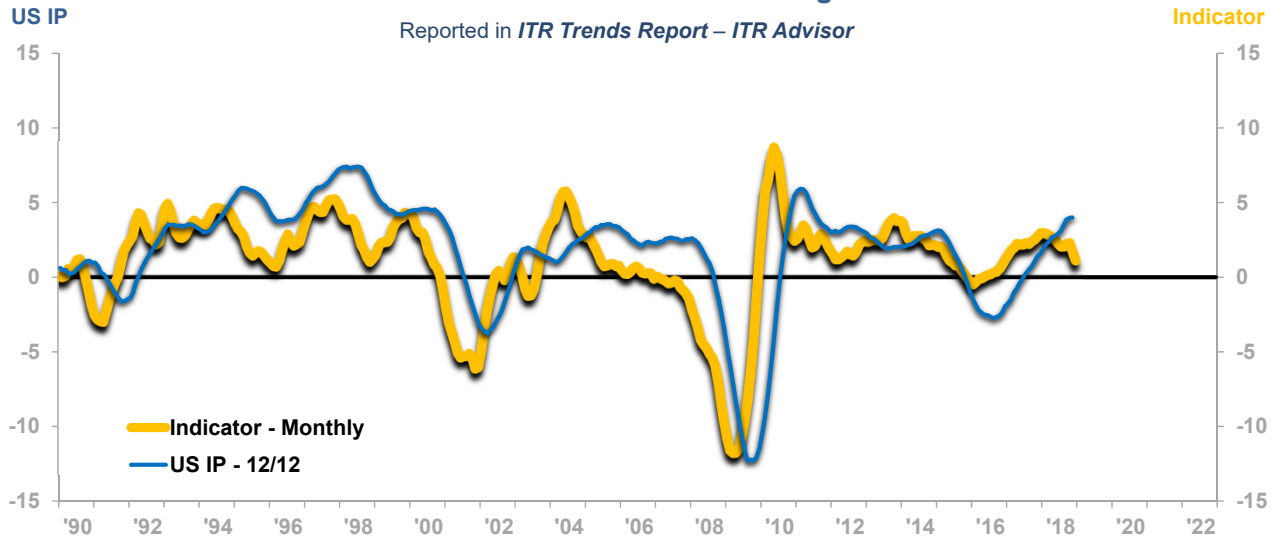
## Colorado Leading Index



# ITR's Leading Indicator™ Says Slowing Rise Ahead

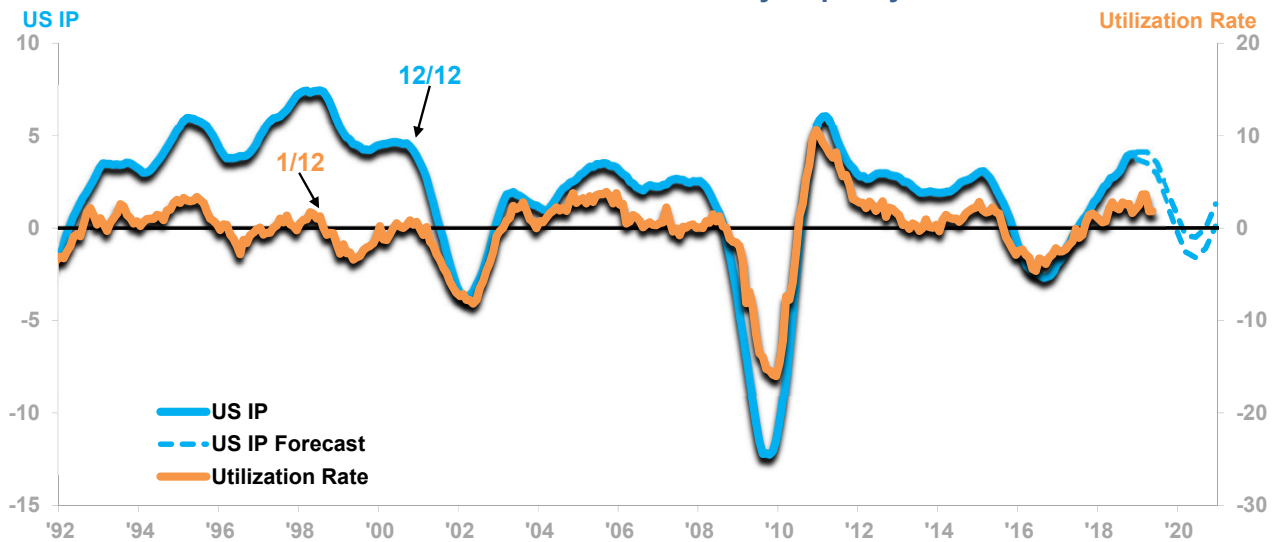
## US Industrial Production to ITR Leading Indicator™

Reported in *ITR Trends Report – ITR Advisor*



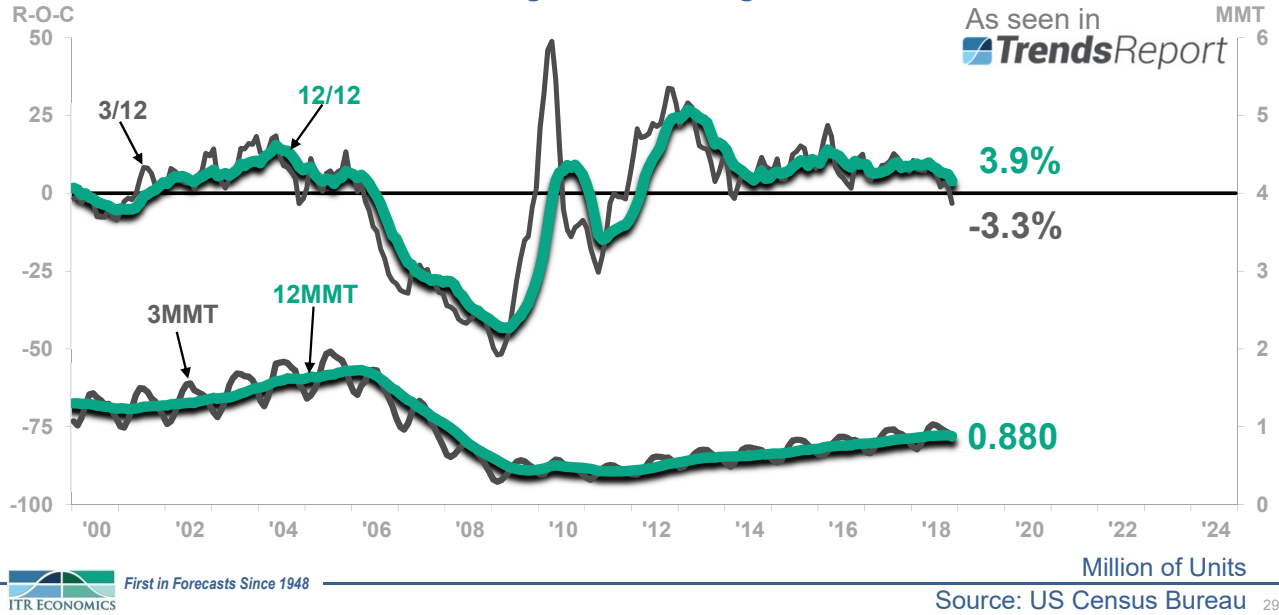
# Negative Signal for Industrial Production

## US Industrial Production to US Total Industry Capacity Utilization Rate

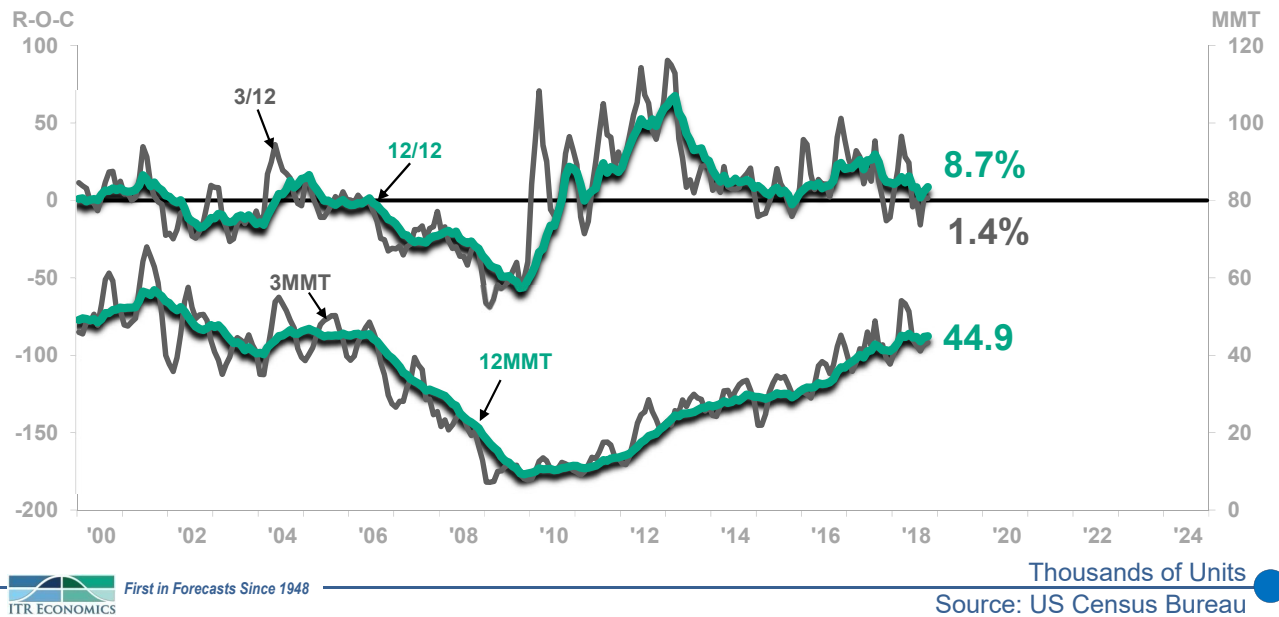


## More Decline Indicated

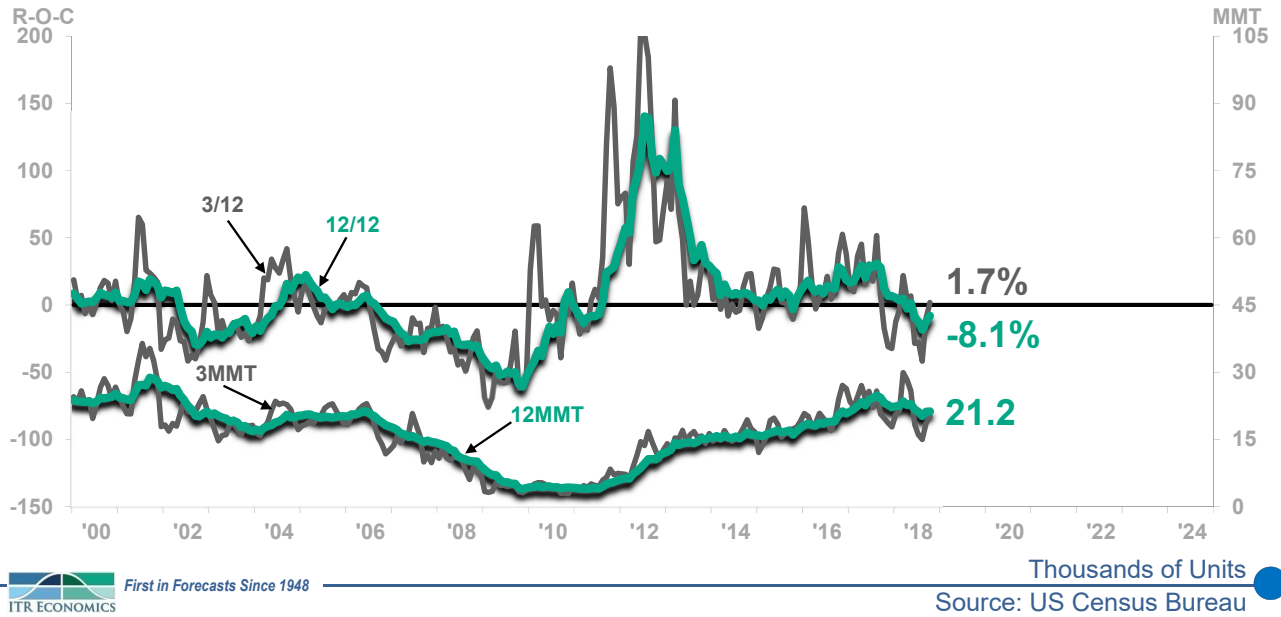
### US Single Unit Housing Starts



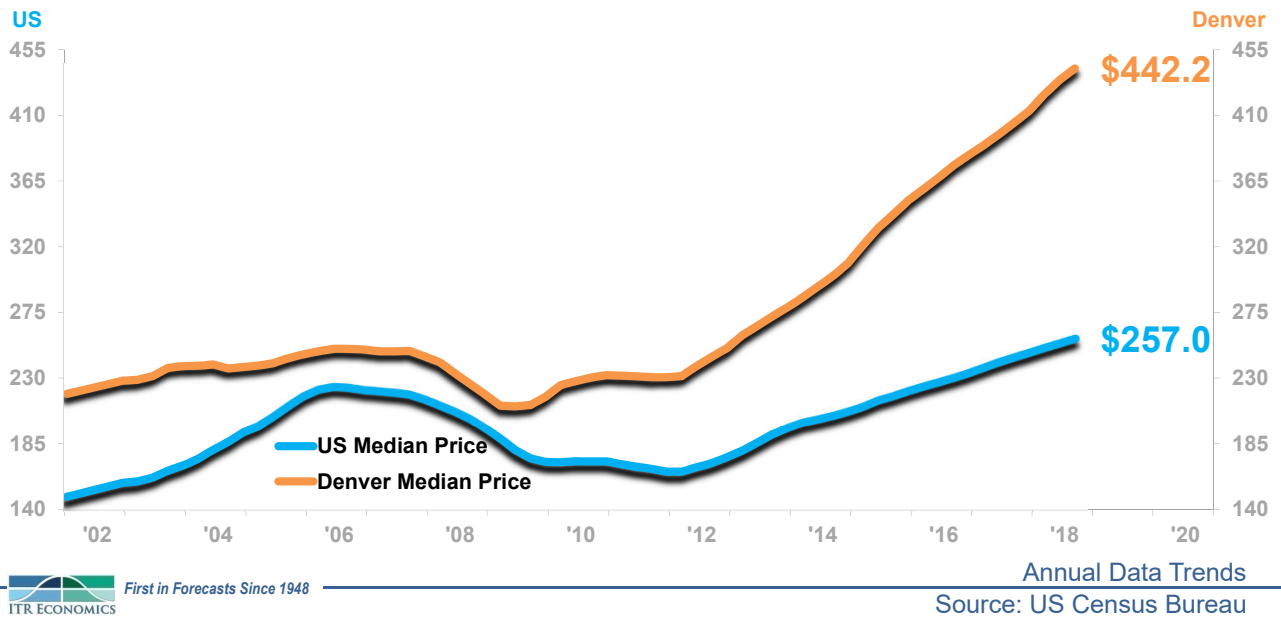
## Colorado Housing Unit Building Permits



## Denver Housing Unit Building Permits



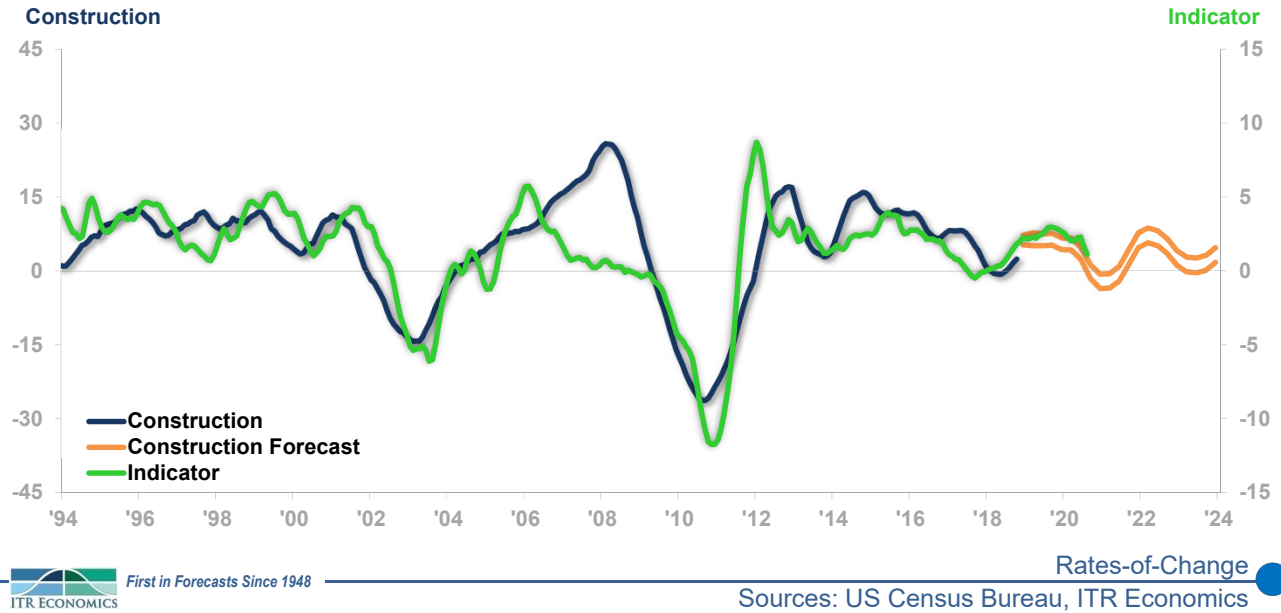
## US to Denver Area Median Home Sale Price





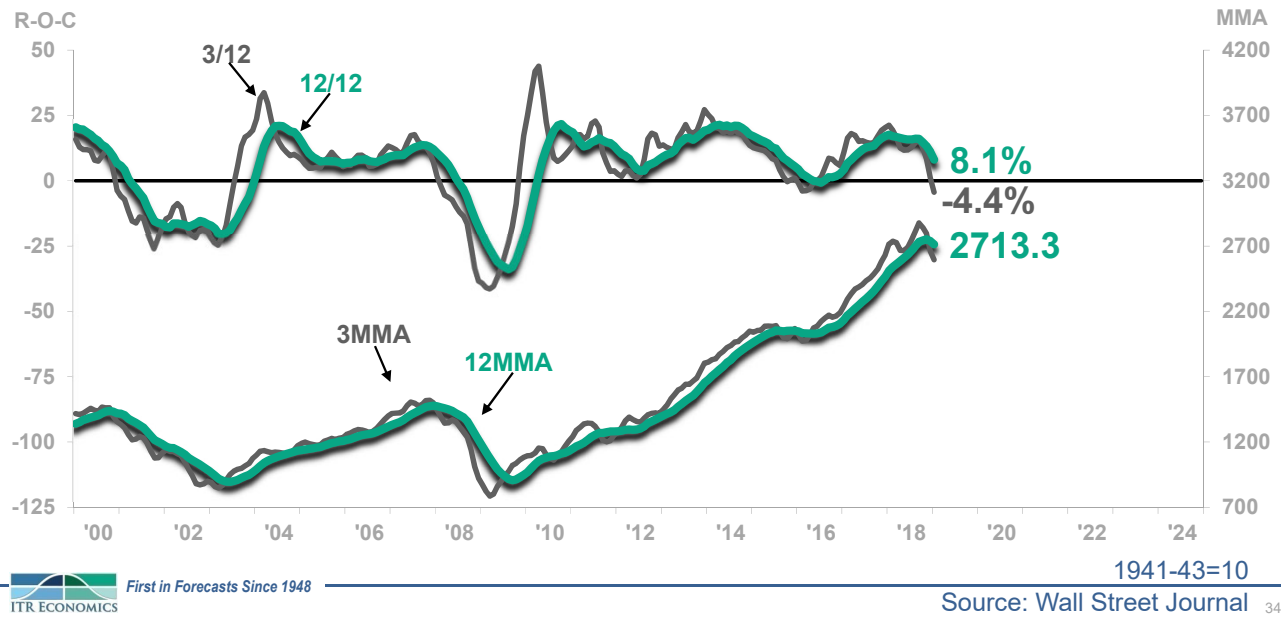
## ITR's Leading Indicator Says Cyclical Rise is Ahead

### US Private Nonresidential Construction to ITR Leading Indicator



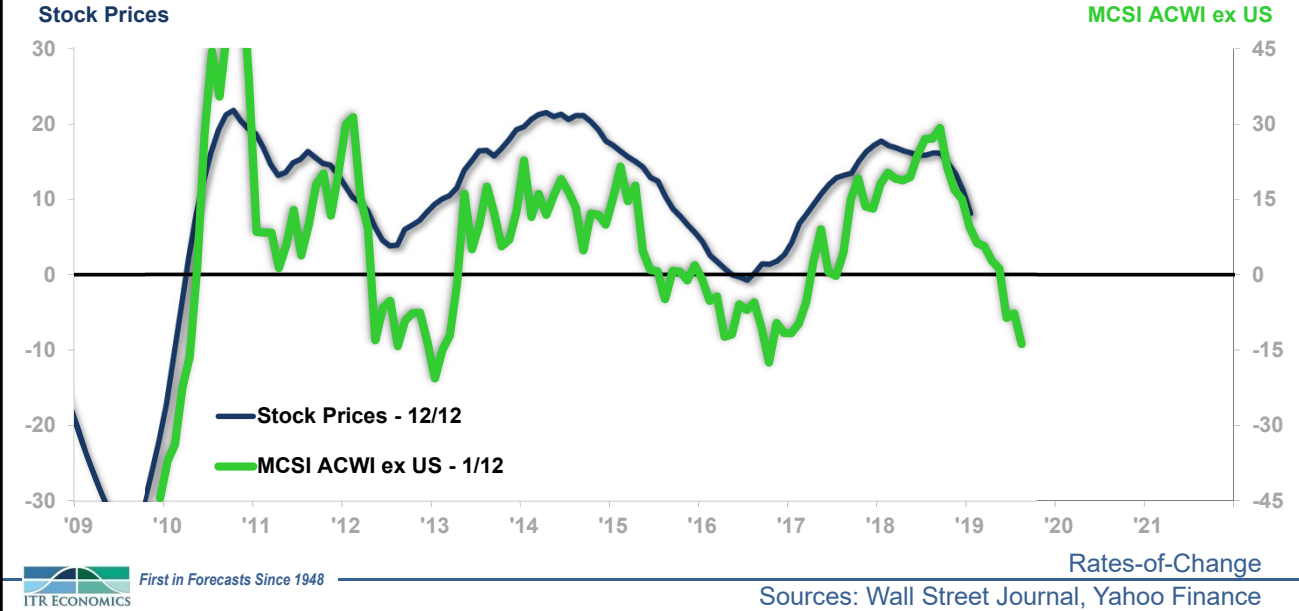
## Cyclical Pressure Remains Negative

### US Stock Prices Index



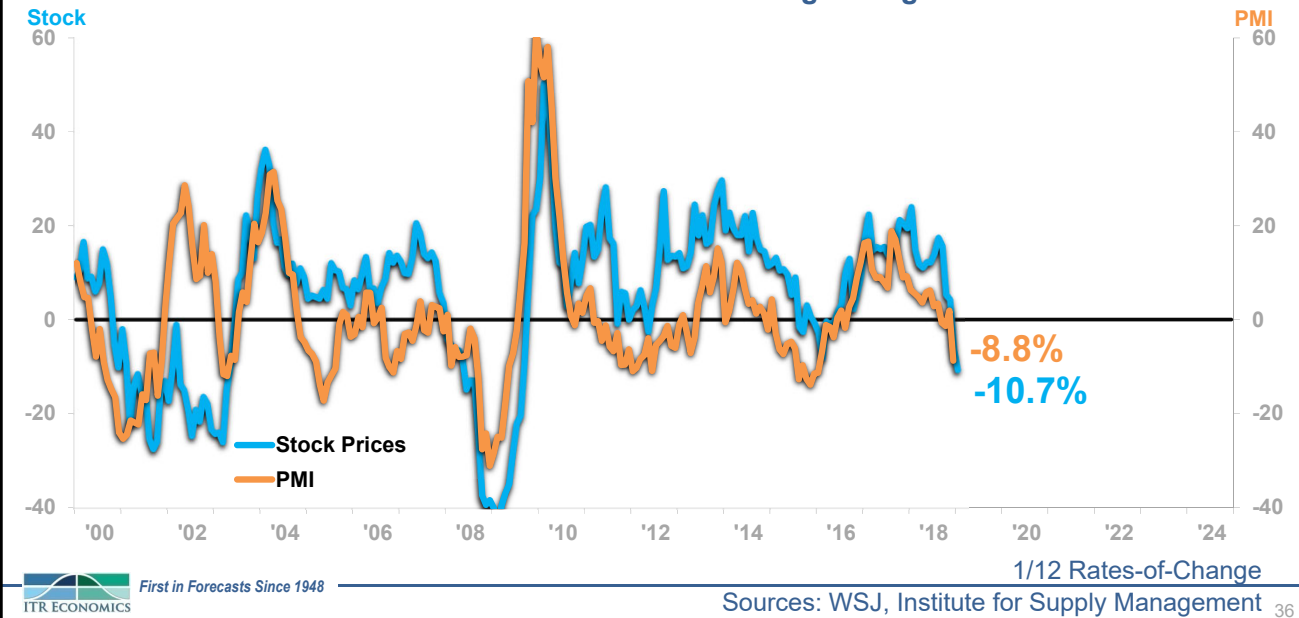
## A Clear Signal From Abroad

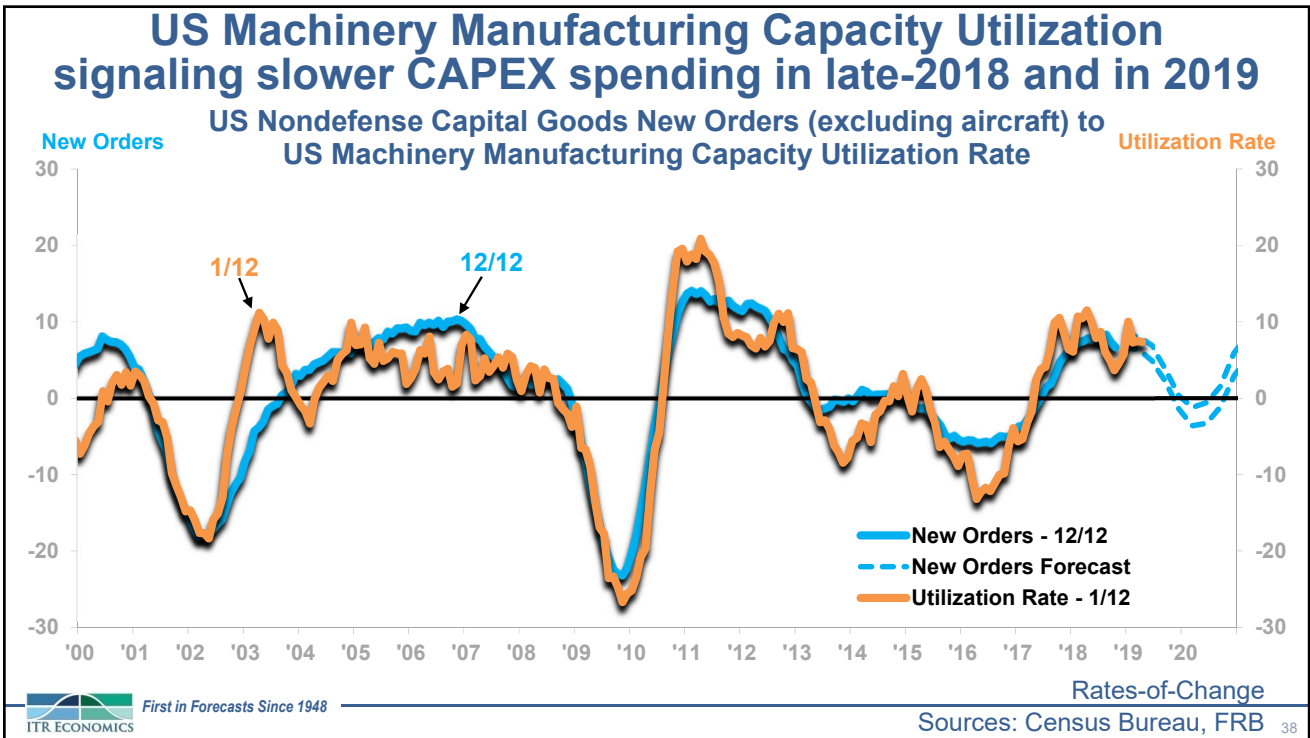
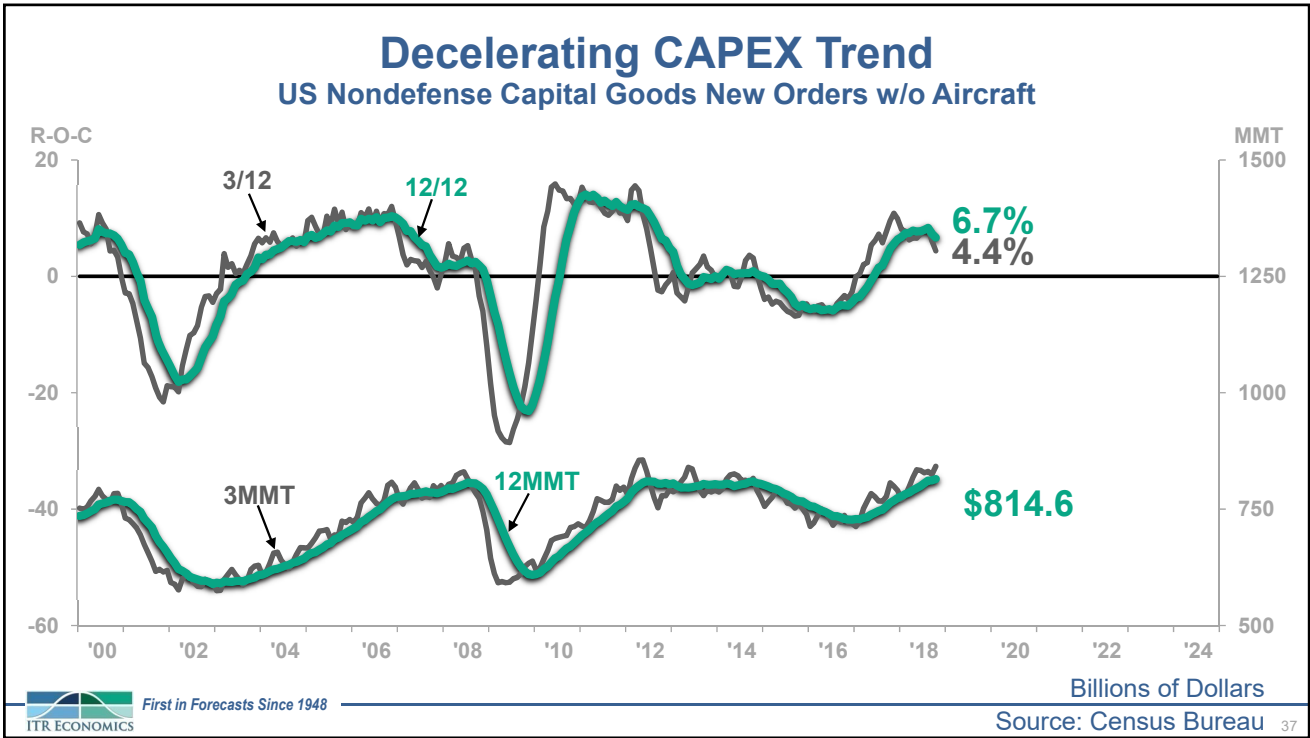
US Stock Prices Index to MCSI ACWI excluding USA



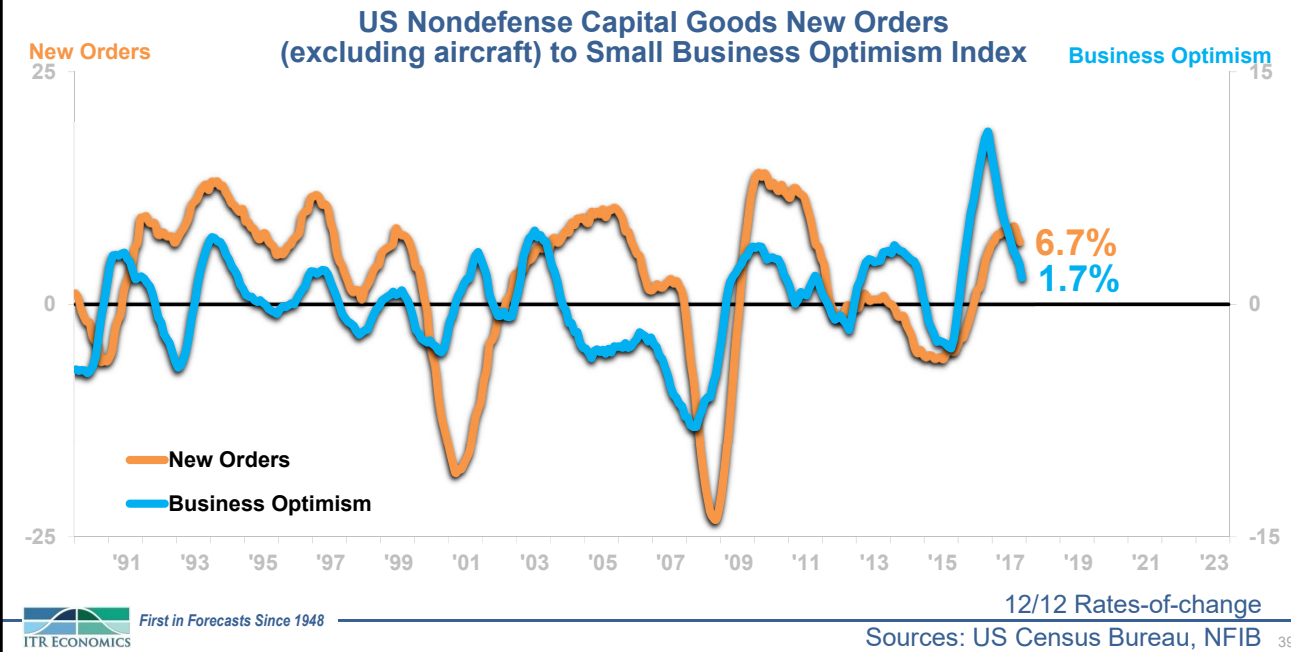
## Domestic Indicator of Negative Pressure

US Stock Prices Index to US Purchasing Managers Index

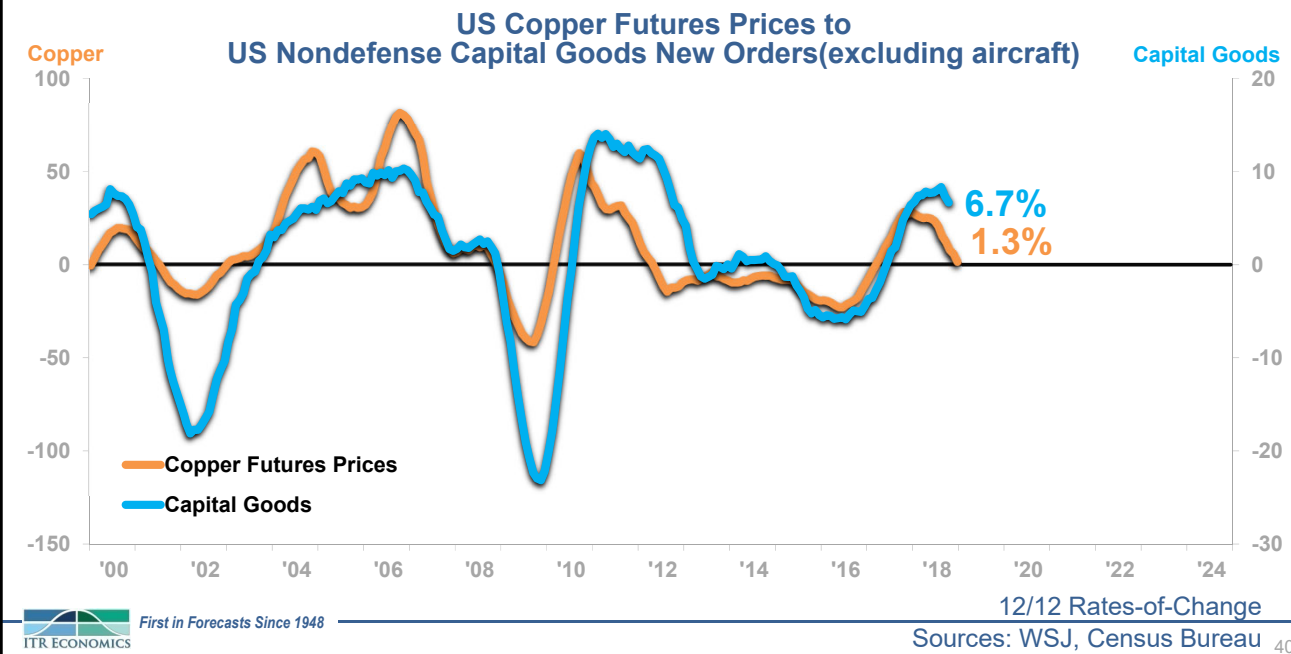


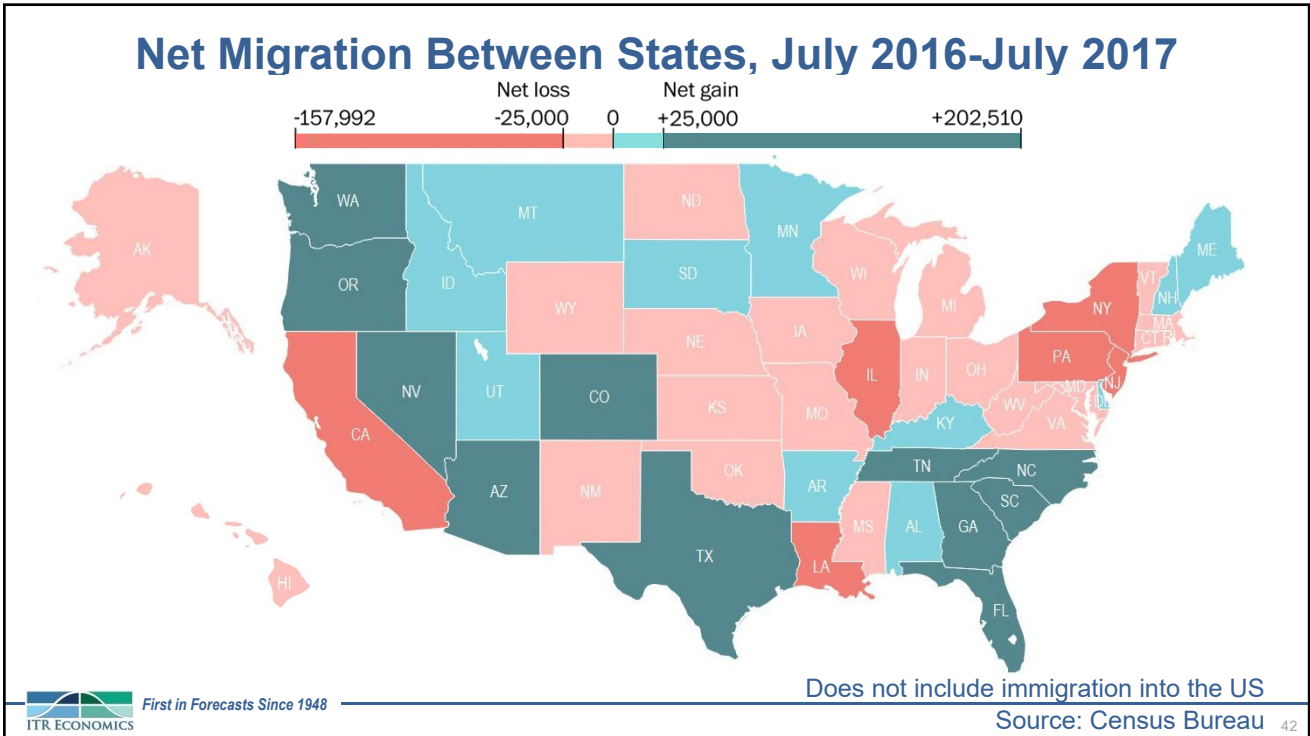


## Optimism Index Portends a Softer 2019

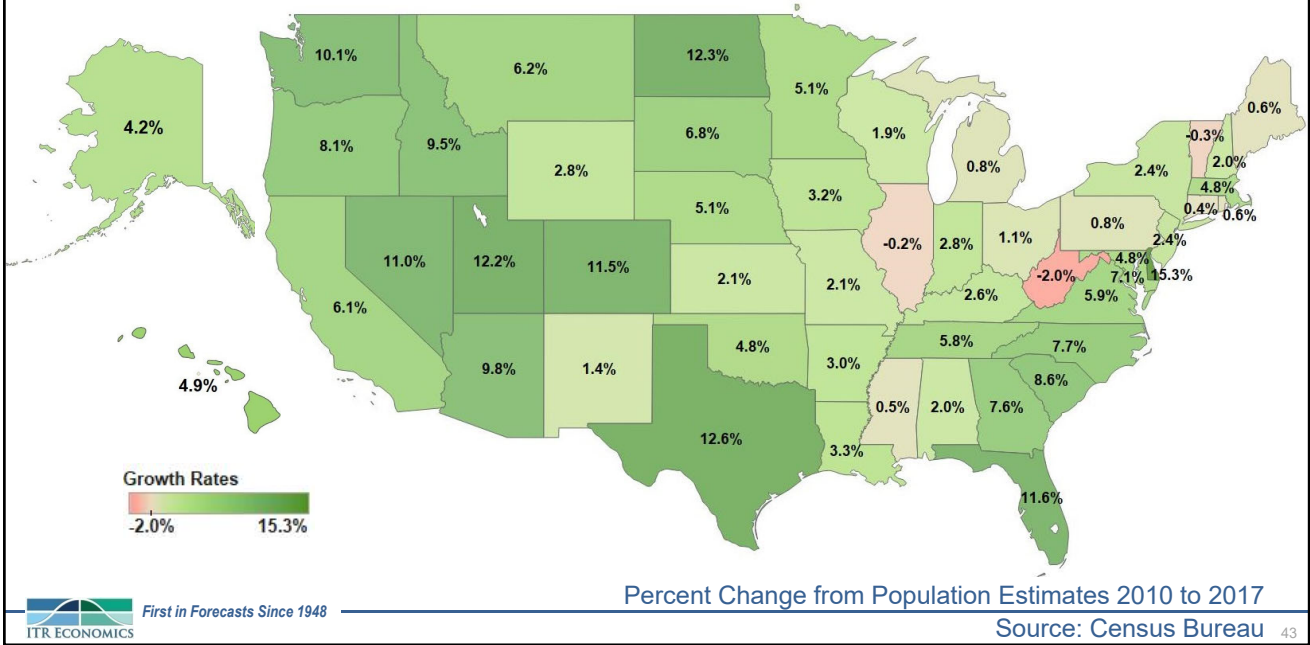


## Copper is Signaling a Slowdown in Spending This Year



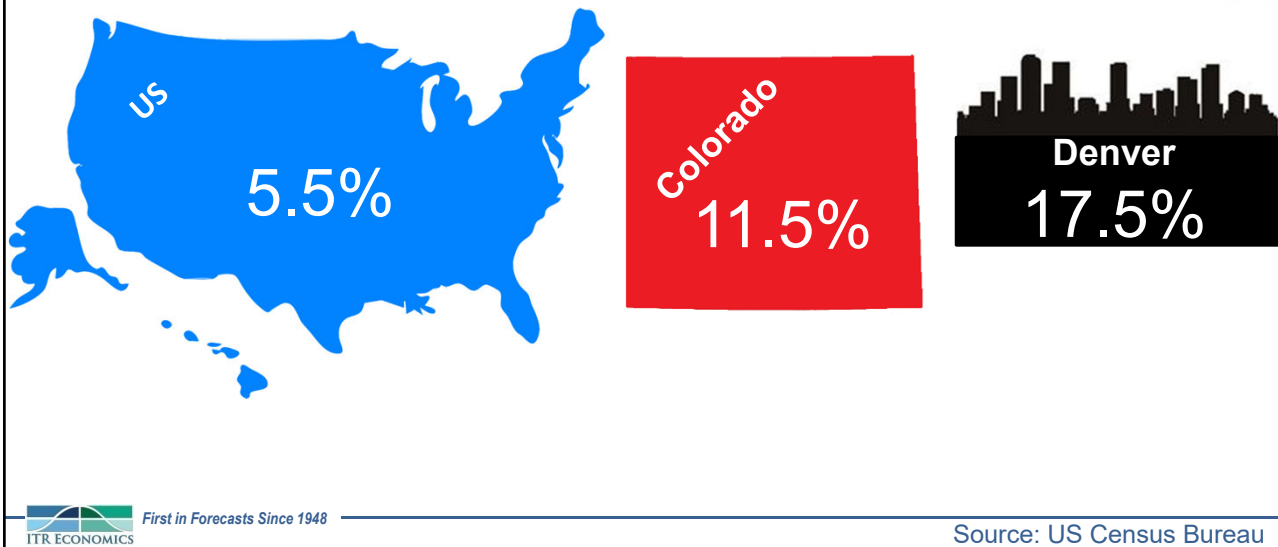


## State Population Growth Rates



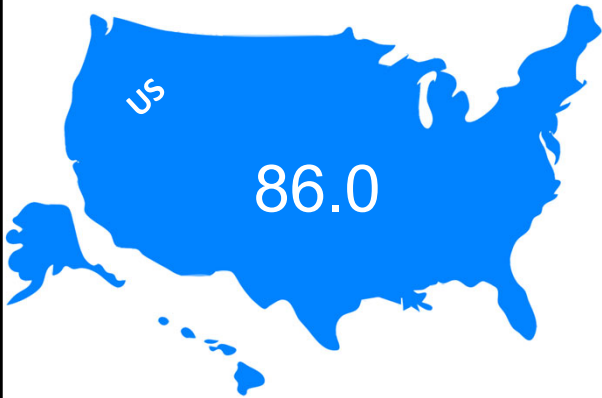
## US to Colorado to Denver Population Trends

Overall Population Growth (2010-2017)



# US to Colorado to Denver Millennial Population

2017 Estimate in Millions



1.8% of US Millennials  
28.9% of CO Population

0.3% of US Millennials  
36.9% of Denver Population

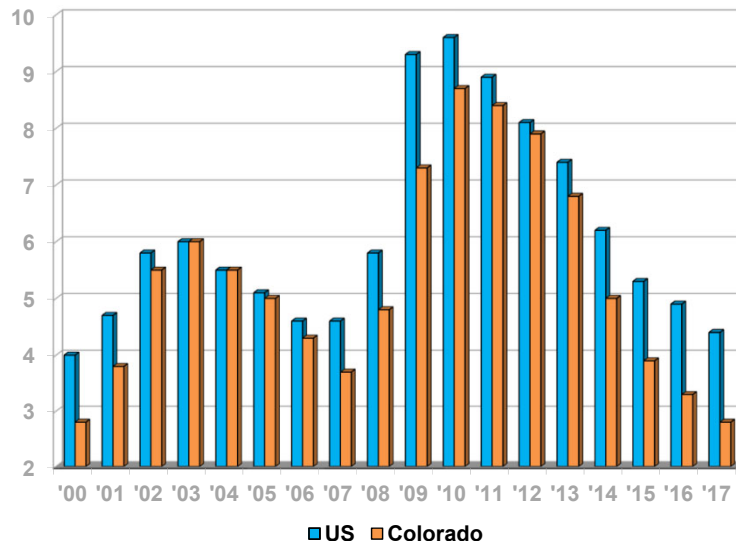


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Population Aged 21-39 in 2017 (born 1978 – 1996)

Source: US Census Bureau

# US to Colorado Unemployment Rates



**October 2018**

**US: 3.7**

**CO: 3.2**

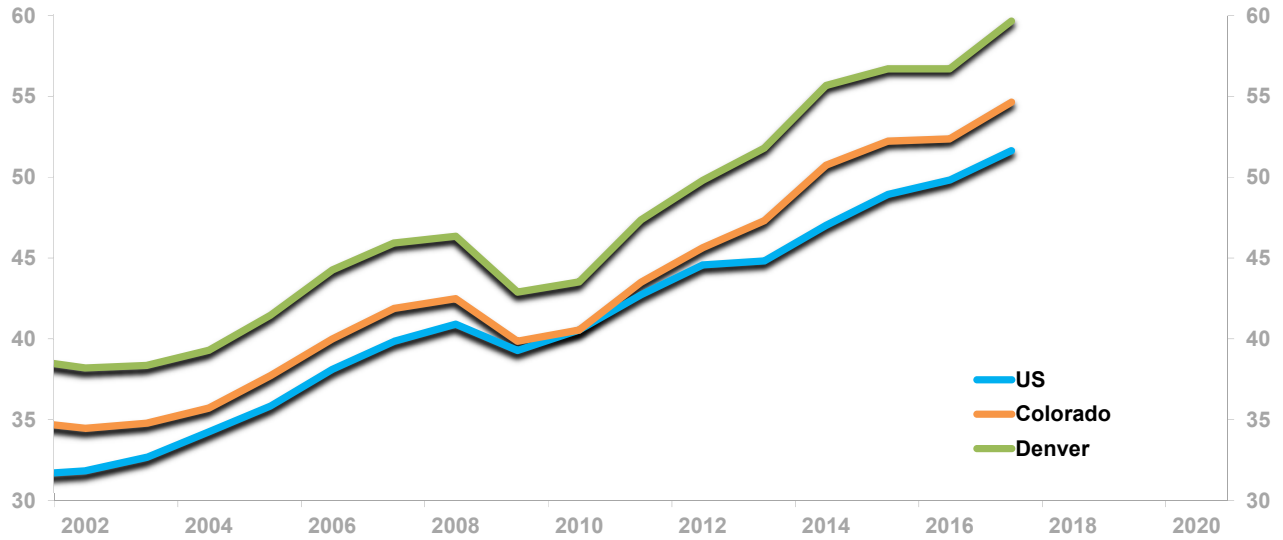


First in Forecasts Since 1948

Source: Bureau of Labor Statistics

## Spending Power in Denver and Colorado

US to Colorado and Denver Per Capita Personal Income



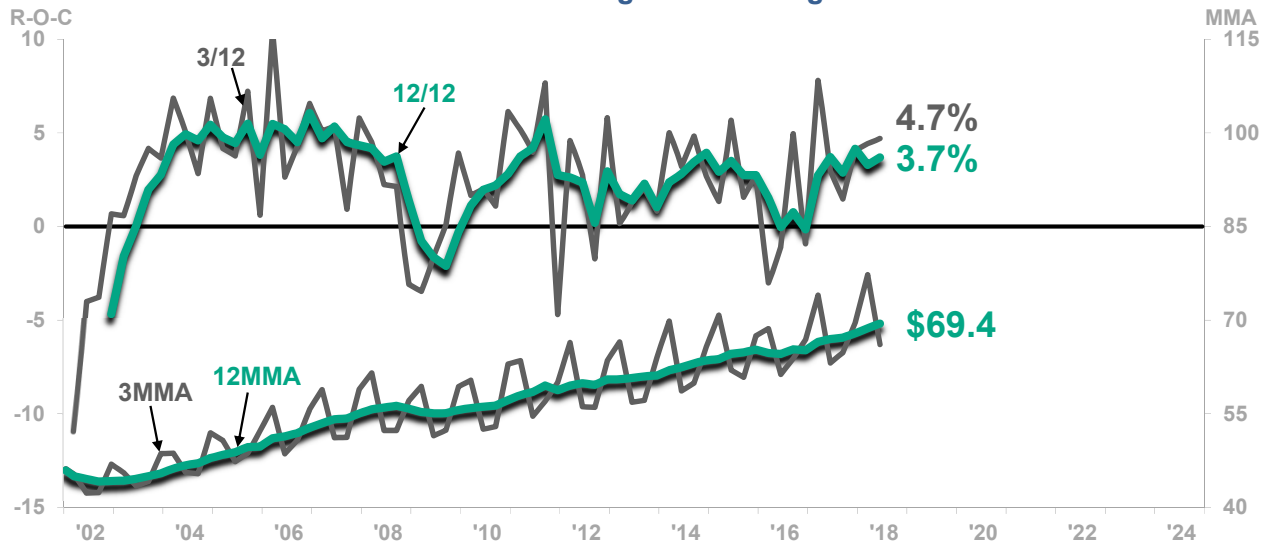
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Thousands of Dollars

Source: Bureau of Economic Analysis

## High Paying Jobs

Colorado Average Annual Wages



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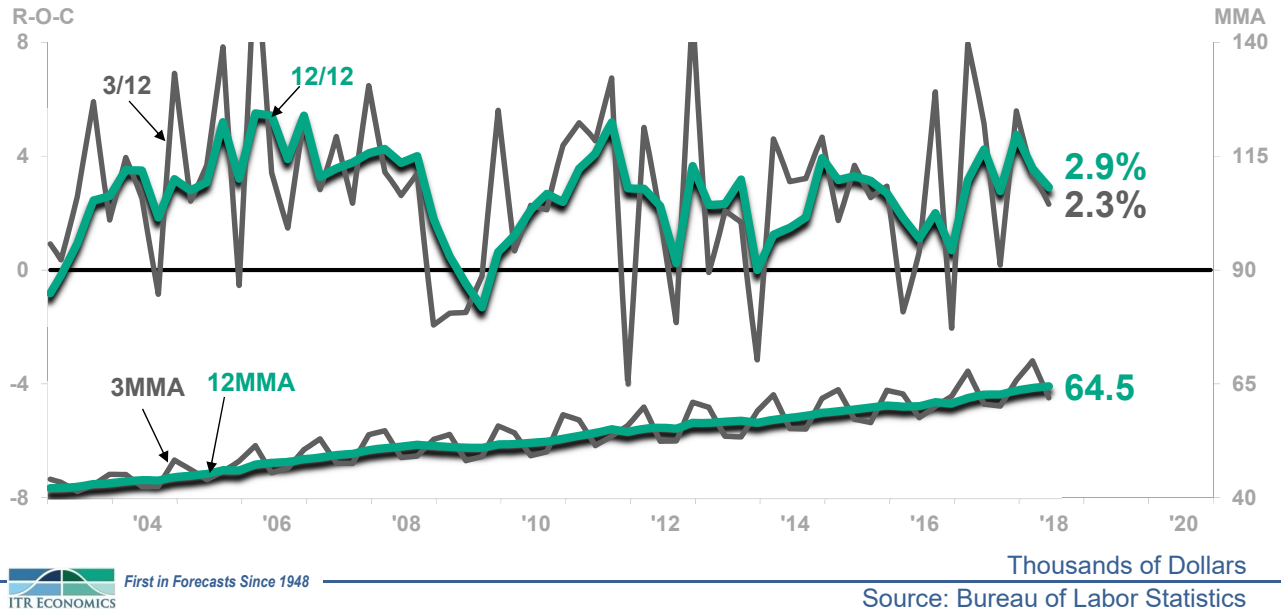
Thousands of Dollars

Source: Bureau of Labor Statistics



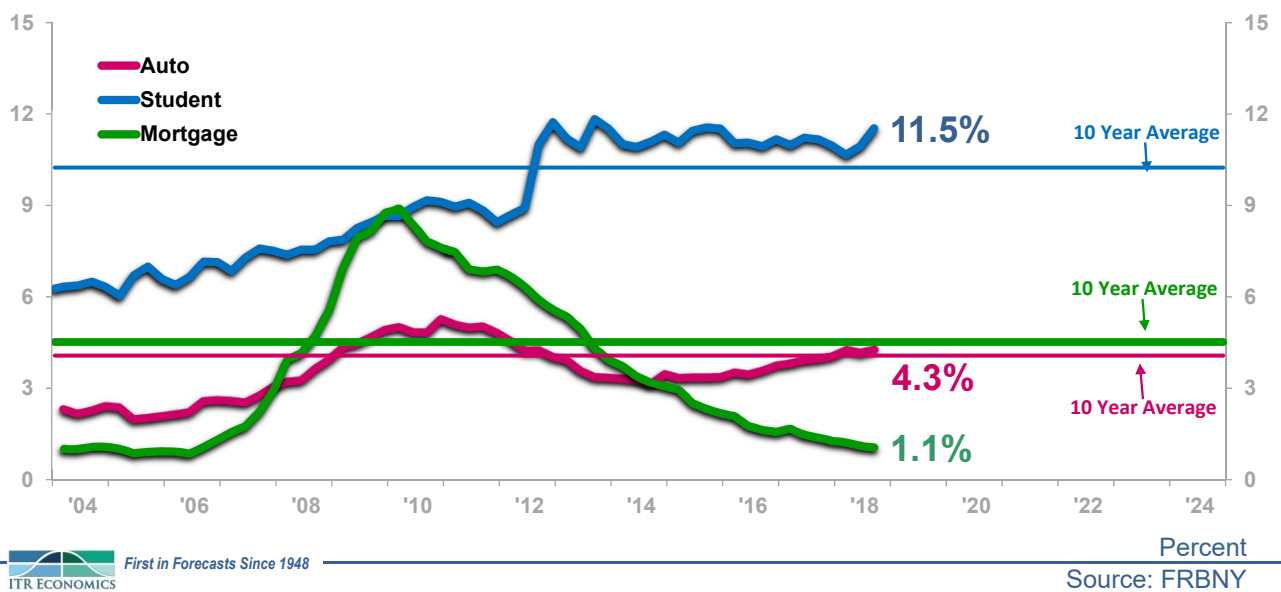
## No Near-Term End to the Upward Pressure on Wages

Denver-Aurora-Lakewood MSA Average Annual Wages



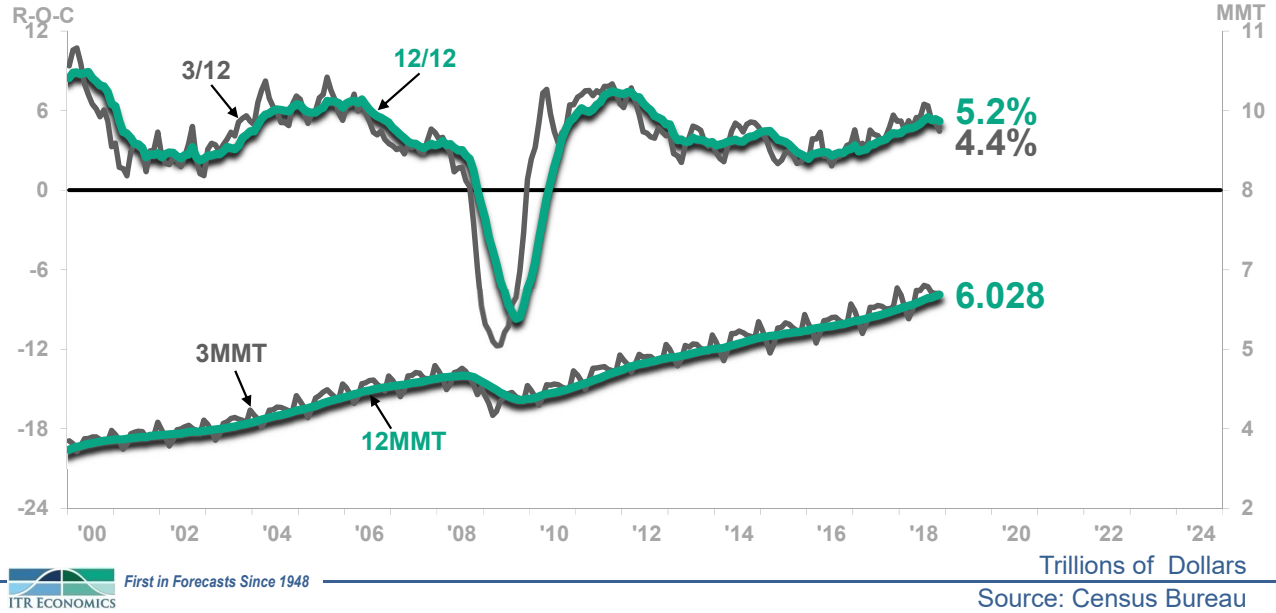
## Servicing the Debt is What Matters

Consumer Delinquency Rates (over 90 days delinquent)



## On the Backside of the Business Cycle

### US Total Retail Sales



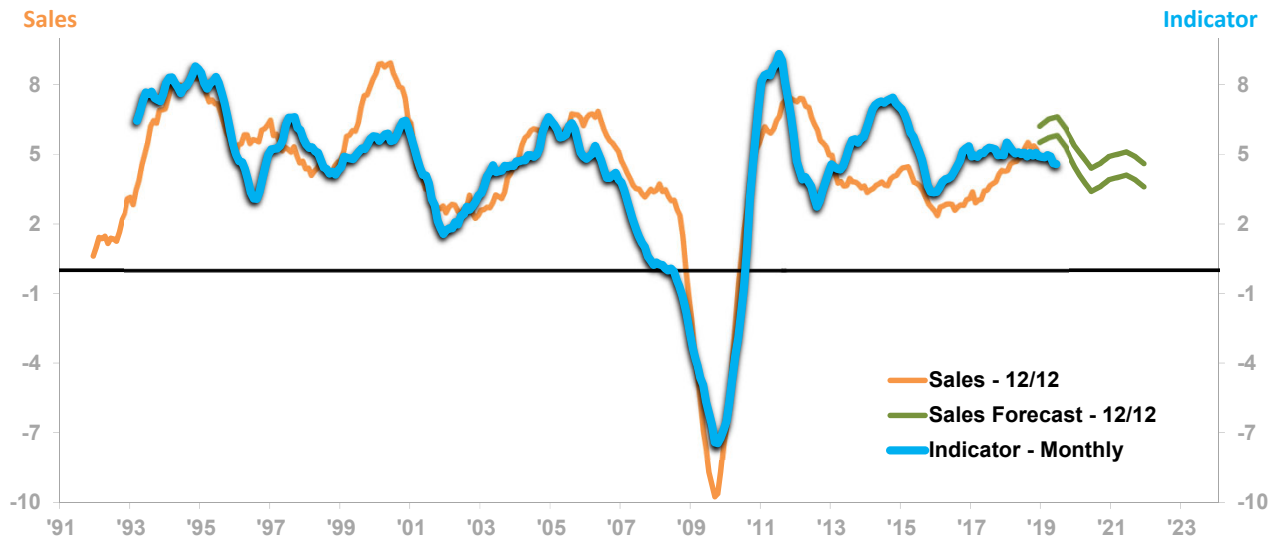
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Trillions of Dollars

Source: Census Bureau

## ITR Leading Indicator Says Slowing Growth Ahead

### US Total Retail Sales to ITR US Retail Sales Leading Indicator



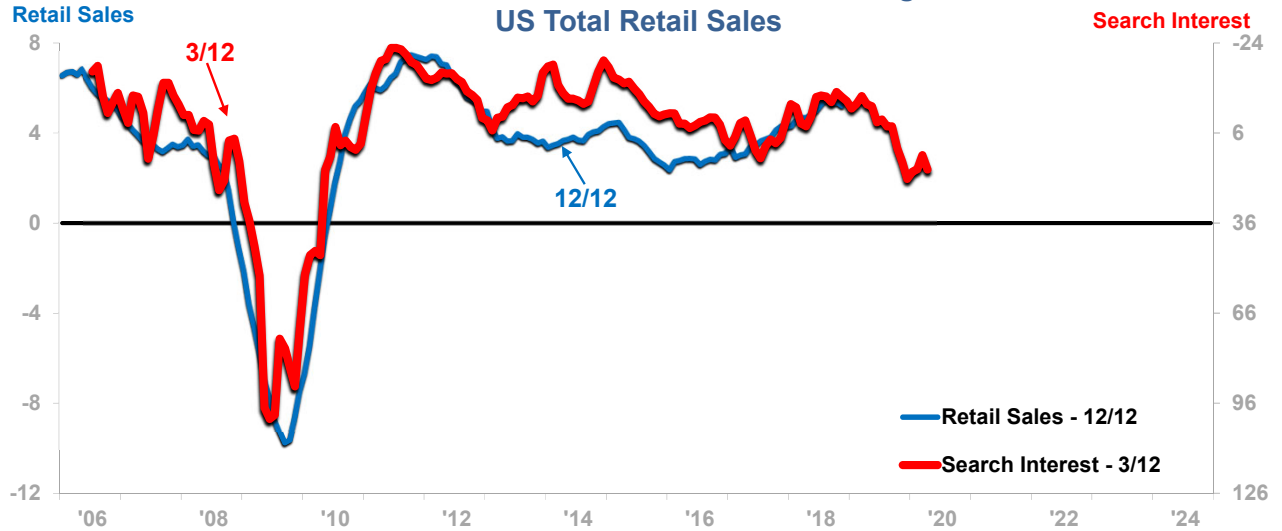
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Retail Sales = 12/12, ITR Retail Sales = Monthly

Sources: Census Bureau and ITR Economics

# Searching for a Recession

US Search Interest for "Recession" on Google to US Total Retail Sales



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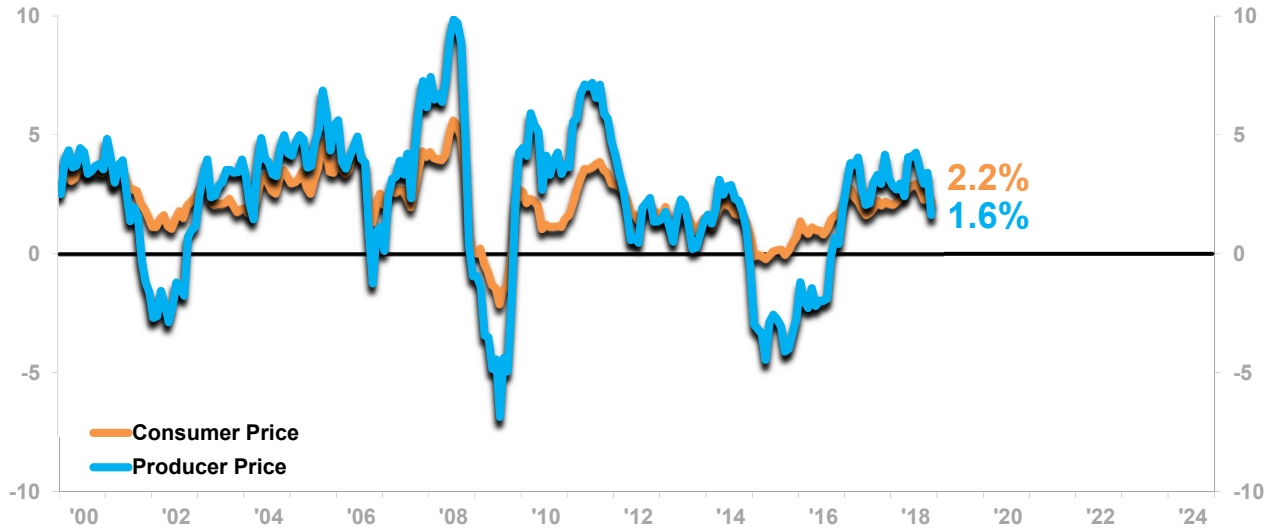
Rates-of-Change (Search Interest has a 16 month lead time)

Sources: Google, US Census Bureau



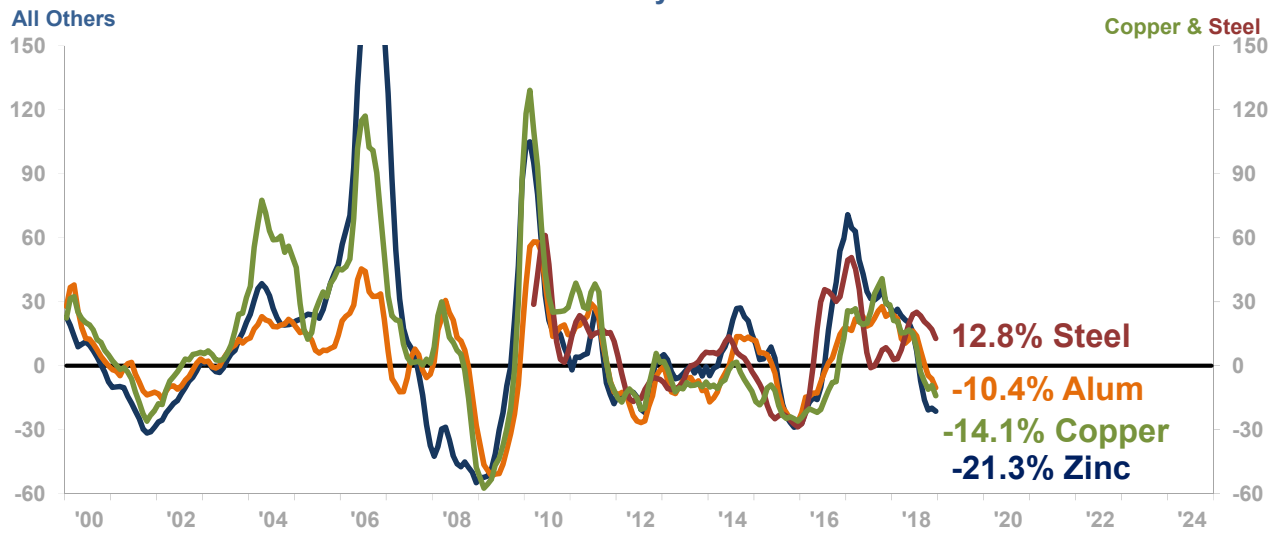
# Disinflationary Environment

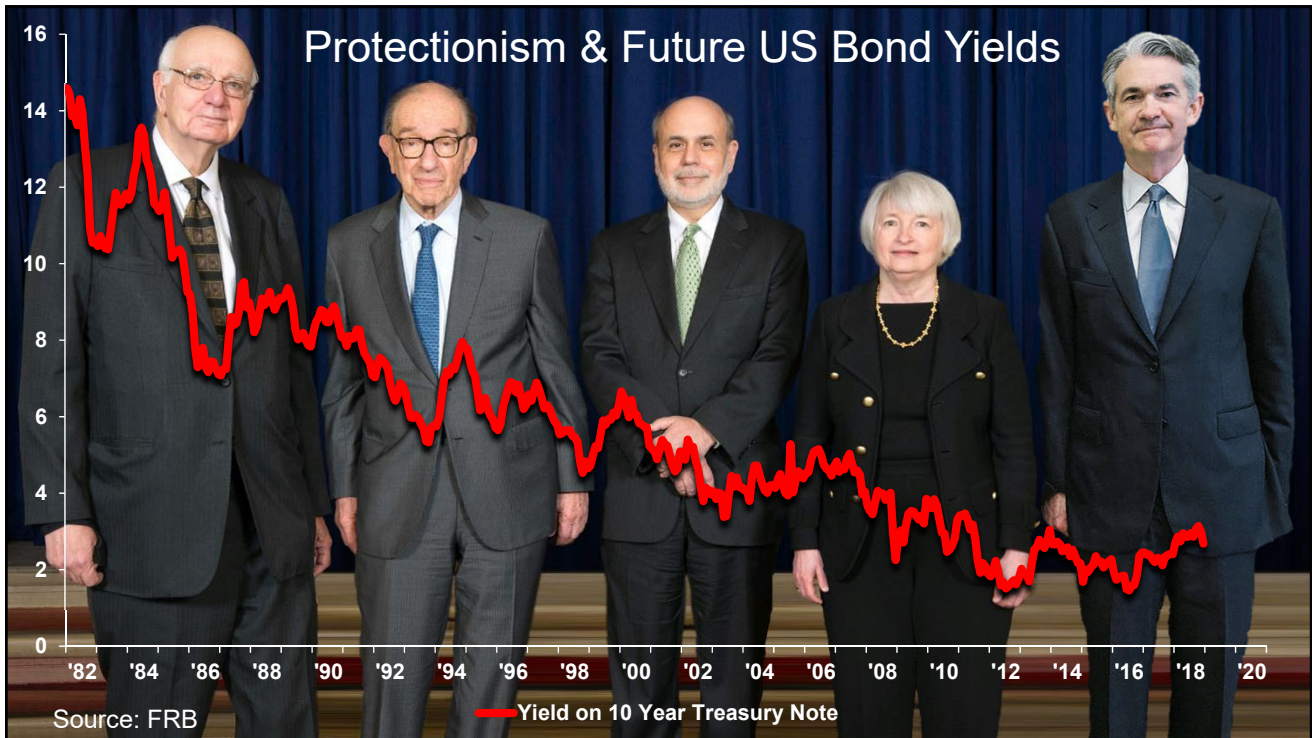
## US Consumer Price Index to US Producer Price Index



# All Except for Steel

## Commodity Prices





## Summary January 2019

### Beware of Business Cycle Decline in 2019

Some industries hit harder than others  
 Consumer is the source of concern

### Additional Profit Margin Pressure Points

Employment  
 Inflation Issues

### The Long View is Unchanged

Severe business cycle decline 2030-2040



## Phase C

1. Focus on the segments of the business that are the most profitable in Phase C (shifting costs, consumer demand, selling points)
2. Technology implementation – play to the trough, there is good growth ahead
3. Cash assessment and management for proper allocation
4. Inventory control if applicable
5. Ask yourself what you shouldn't be doing? (resource management and diversion to more profitable parts of the company)
6. Trumpet your Phase C competitive advantages and start developing your message for the next phase (B or D, depending on your industry)
7. Talent development – this never ends
8. Develop your rates-of-change so you will know when the trough is near (Using the ITR Checking Points™)

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