



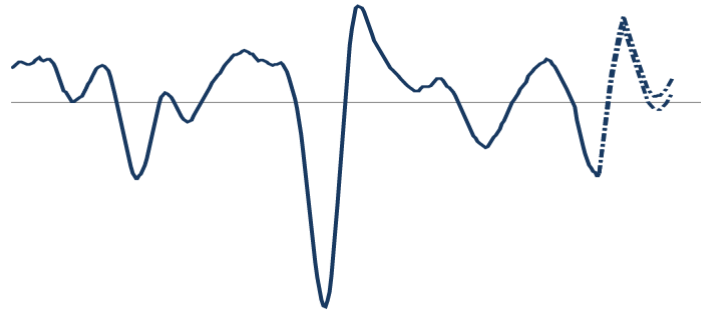
**ITR ECONOMICS**

First In Forecasts Worldwide

# Forecast

===== May 2021 =====

Sample Company



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	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<i>Lower Forecast Range</i>	-9.5	-2.5	2.4	6.2	8.6	6.2	4.2	2.1	0.1	-0.7	-0.8	-0.1	1.1
<i>Annual Growth Rate (%)</i>	-9.0	-2.0	2.9	6.7	9.2	6.8	4.8	2.7	0.8	0.0	0.0	0.7	1.9
<i>Upper Forecast Range</i>	-8.5	-1.5	3.4	7.2	9.8	7.4	5.4	3.3	1.5	0.7	0.8	1.5	2.7
<b>Actual</b>	<b>-8.0</b>												
<i>Lower Forecast Range</i>	556.5	582.3	596.3	608.3	616.8	621.6	624.4	624.0	620.9	620.7	623.0	627.0	632.1
<i>Annual Sales (Thousands of \$)</i>	559.6	585.3	599.2	611.2	620.3	625.1	628.0	627.7	625.2	625.1	628.0	632.1	637.1
<i>Upper Forecast Range</i>	562.6	588.3	602.1	614.0	623.7	628.6	631.6	631.3	629.6	629.5	633.0	637.1	642.1
<b>Actual</b>	<b>568.0</b>												
<i>Quarterly Sales (Thousands of \$)</i>	141.9	152.8	154.2	157.1	156.1	157.6	157.1	156.8	153.6	157.5	160.1	160.8	158.7
<b>Actual</b>	<b>147.0</b>												

Forecast Revised

## Outlook

- The company Sales 12MMT will likely rise into 2H22.
- Sample Company should be prepared for the highest level of activity in over a decade during the latter half of 2022.
- Expect the Sales 12MMT to then decline mildly into mid-2023.

## Results

- Results through March 2021 came in 0.6% above our forecast range.
- The unprecedented rise in Sales in March along with revisions to forecasts for key vertical markets necessitated an upward revision to the Sales forecast.

## Supporting Evidence

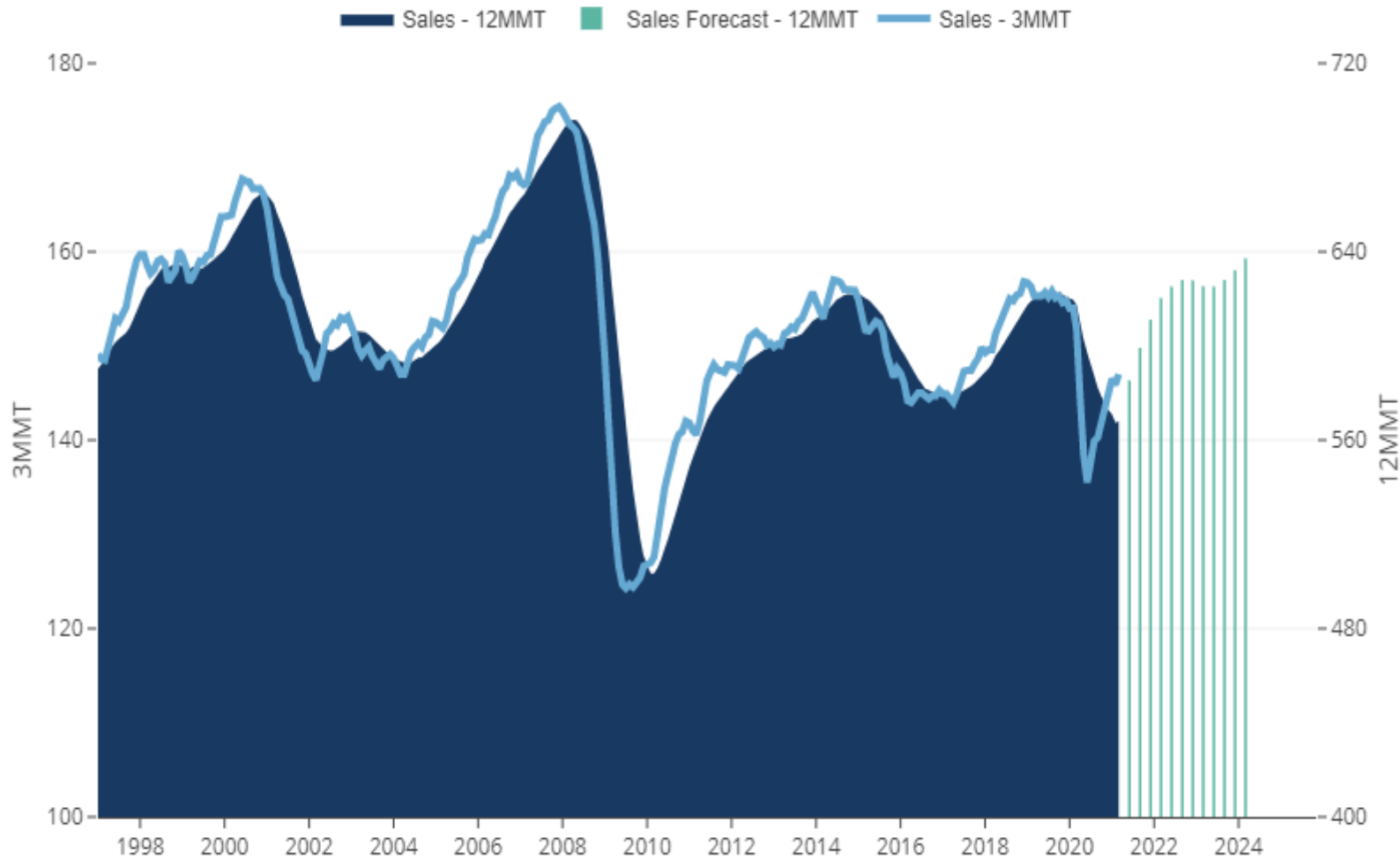
- Expected business cycle rise in Sales during 2021 is in alignment with several key indicators, including the ITR Leading Indicator™.
- The long-term trajectory of the Sales forecast is informed by our forecast for US Total Retail Sales and our expectations for the US industrial economy at large.

## Risks

- Supply chain disruptions could result in capacity constraints; this is a downside risk to the forecast in 2021.

# Sample Company - Sales

Data Trends, Thousands of \$



Quarterly Sales (3MMT)

**\$147.0 thousand**

Annual Sales (12MMT)

**\$568.0 thousand**

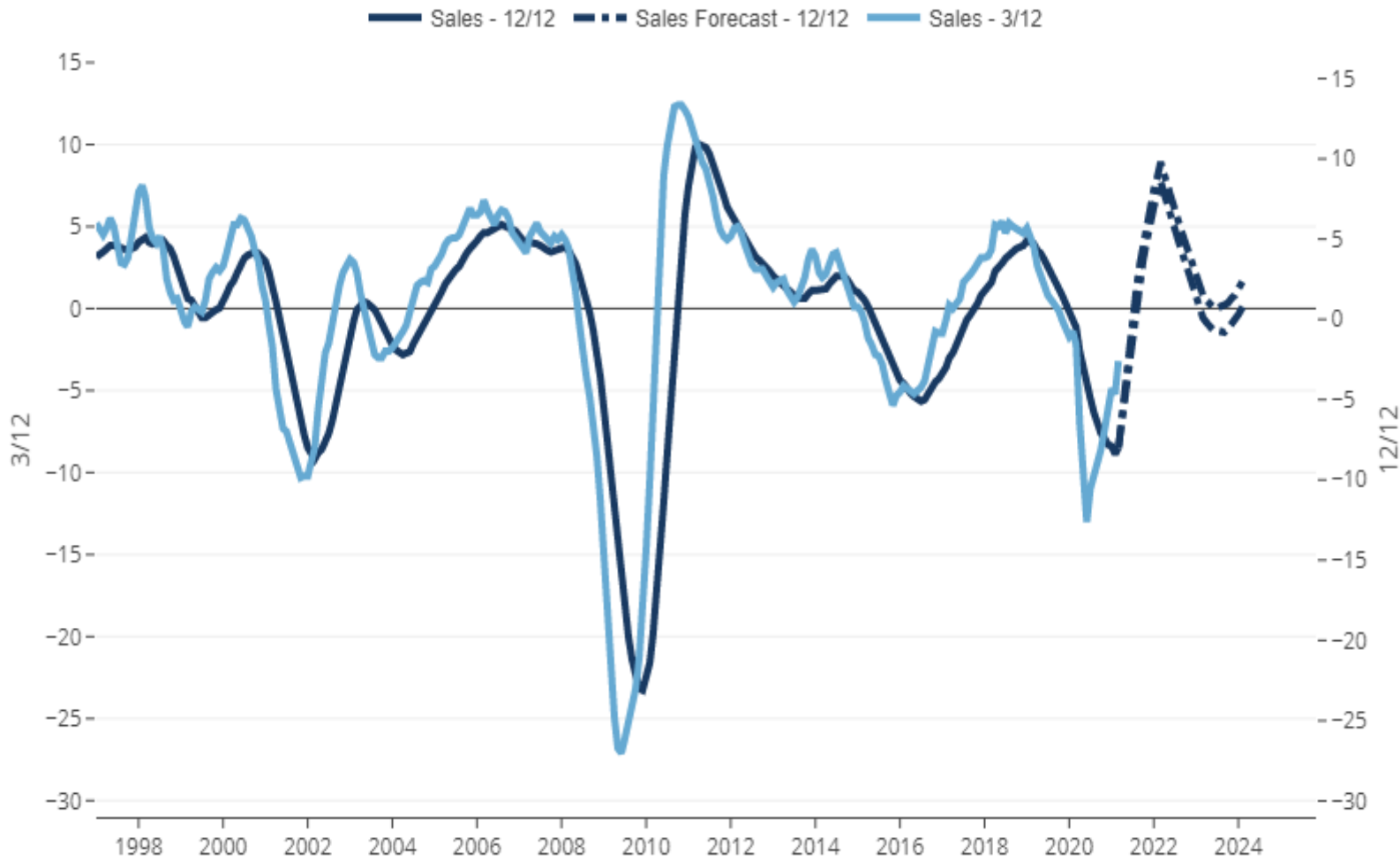
## OUTLOOK

Annual Sales will rise into the second half of 2022. Expect annual Sales to then decline mildly into mid-2023. Annual Sales rise will resume in the latter half of 2023.

	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Lower Forecast Range	582.3	596.3	608.3	616.8	621.6	624.4	624.0	620.9	620.7	623.0	627.0	632.1
Annual Sales (Thousands of \$)	585.3	599.2	611.2	620.3	625.1	628.0	627.7	625.2	625.1	628.0	632.1	637.1
Upper Forecast Range	588.3	602.1	614.0	623.7	628.6	631.6	631.3	629.6	629.5	633.0	637.1	642.1

# Sample Company - Sales

## Rates-of-Change



**Current Phase**

**Phase A  
Recovery**

Quarterly Growth (3/12)

**-3.2%**

Annual Growth (12/12)

**-8.0%**

**NEXT 12/12 HIGH**

**1Q22**

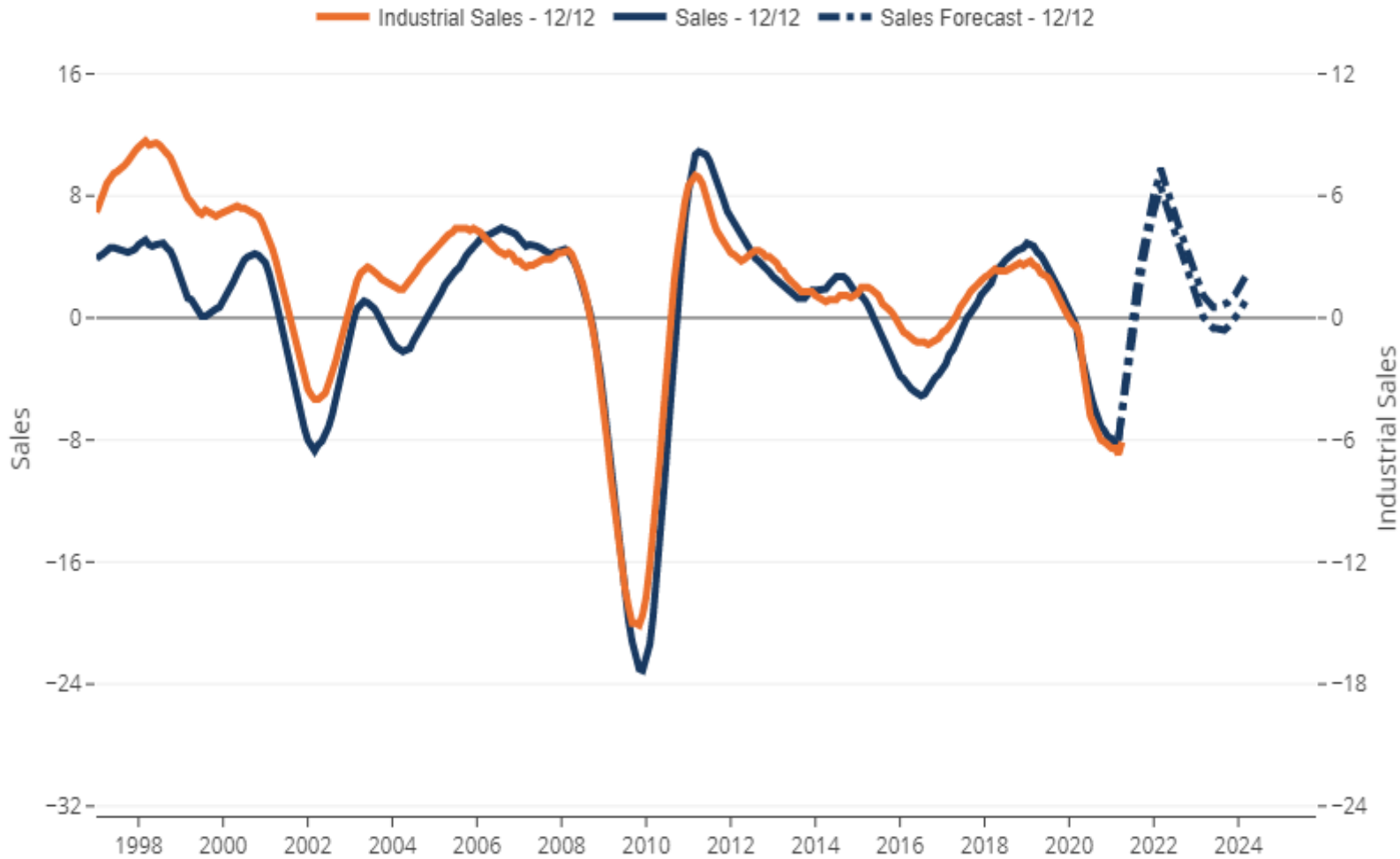
**NEXT 12/12 LOW**

**3Q23**

	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Lower Forecast Range	-2.5	2.4	6.2	8.6	6.2	4.2	2.1	0.1	-0.7	-0.8	-0.1	1.1
Annual Growth Rate (%)	-2.0	2.9	6.7	9.2	6.8	4.8	2.7	0.8	0.0	0.0	0.7	1.9
Upper Forecast Range	-1.5	3.4	7.2	9.8	7.4	5.4	3.3	1.5	0.7	0.8	1.5	2.7

# Sample Company to Sample Company Industrial Division

## 12/12 Rates-of-Change



Sample Company Industrial Division

**Current Phase**

**Phase A Recovery**

Sample Company Annual Growth (12/12)

**-8.0%**

Sample Company Industrial Division Annual Growth (12/12)

**-6.1%**

	Jun-20	Sep-20	Dec-20	Mar-21
<b>Lower Forecast Range</b>	-4.6	-7.4	-9.2	-9.5
<b>Annual Growth Rate (%)</b>	-4.1	-6.9	-8.7	-9.0
<b>Upper Forecast Range</b>	-3.6	-6.4	-8.2	-8.5
<b>Actual</b>	-4.1	-6.5	-7.8	-8.0
<b>Deviation</b>	in range	in range	0.4 above range	0.5 above range
<b>Lower Forecast Range</b>	593.9	576.8	563.8	556.5
<b>Annual Sales (Thousands of \$)</b>	597.0	580.0	566.9	559.6
<b>Upper Forecast Range</b>	600.2	583.1	570.0	562.6
<b>Actual</b>	597.2	582.3	572.8	568.0
<b>Forecast Accuracy</b>	100.0%	99.6%	99.0%	98.5%
<b>Quarterly Sales (Thousands of \$)</b>	137.9	138.1	141.7	141.9
<b>Actual</b>	135.5	140.3	145.2	147.0

Forecast Revision History:

- The previous forecast was put in place for the May 2020 report.

# Terminology and Methodology

## Data Trends

### Monthly Moving Total (MMT) vs Monthly Moving Average (MMA)

Totals are used for data that can be added together, such as units sold or dollars spent. Averages are used for data that cannot be compounded, such as index readings, percentages, price levels, and interest rates.

### 3MMT/A and 12MMT/A

A 3-month or 12-month moving total/average is the total/average of the data for the most recent 3 or 12 months, respectively. The 3MMT/A illustrates the seasonal changes inherent to the data series. The 12MMT/A removes seasonal variation in order to derive the underlying cyclical trend; it is also referred to as the annual total or annual average.

## Rates-of-Change

A rate-of-change figure is the ratio comparing a data series during a specified time period to the same period one year prior. Rates-of-change are expressed in terms of the annual percentage change in a 12MMT or 12MMA, 3MMT/A, and actual monthly data.

Rates-of-change reveal whether activity levels are rising or falling compared to the previous year. A rate-of-change trend illustrates and measures cyclical change and trends in the data. ITR Economics' three commonly used rates-of-change are the 12/12, 3/12, and 1/12, which represent the year-over-year percentage change of a 12MMT/A, a 3MMT/A, or a single month of data, respectively.

A rate-of-change above 0 indicates the data is higher than one year prior, while a rate-of-change below 0 indicates the data is below one year earlier.

## Business Cycle



### Recovery (A)

The 12/12 is rising below 0, and the data trend is either heading toward a low or is in the early stages of recovery. This is the first positive phase of the business cycle.



### Accelerating Growth (B)

The 12/12 is rising above 0, and the data trend is accelerating in its ascent and is above the year-ago level. This is the second positive phase of the business cycle.



### Slowing Growth (C)

The 12/12 is declining but remains above 0; data trend ascent is slowing or has stopped, but the data trend is still above last year. This is the first negative phase of the business cycle.



### Recession (D)

The 12/12 is below 0, the data trend is below the year-ago level, and the rate of decline is increasing. This is the second and final negative phase of the business cycle.

# Management Objectives™

## Phase A



### Recovery

- Scrupulously evaluate the supply chain
- Model positive leadership (culture turns to behavior)
- Start to phase out marginal opportunities (products, processes, people); repair margins
- Perform due diligence on customers and extend credit
- Be on good terms with a banker; you will need the cash more now than in any other phase
- Invest in customer market research; know what they value and market/price accordingly
- Hire key people and implement company-wide training programs ahead of Phase B
- Allocate additional resources to sales and marketing
- Invest in system/process efficiencies
- Make opportunistic capital and business acquisitions; use pessimism to your advantage

## Phase B



### Accelerating Growth

- Ensure quality control keeps pace with increasing volume
- Invest in workforce development: hiring, training, retention
- Ensure you have the right price escalator; space out price increases
- Maximize your profit margins through differentiation; stand out from the crowd and set yourself apart
- Use improved cash flow to strategically position the business to beat the business cycle
- Expand credit to customers
- Improve corporate governance (rent a CFO; establish a board of advisors or board of directors)
- Communicate competitive advantages; build the brand
- Query users for what they want and what is important to them
- Sell the business in a climate of maximum goodwill

## Phase C



### Slowing Growth

- Know if your markets are headed for a soft landing or a hard landing
- Cash is king; beware of unwarranted optimism
- Stay on top of aging receivables
- Revisit capital expenditure plans
- Lose the losers: if established business segments are not profitable during this phase, eliminate them
- Use competitive pricing to manage your backlog through the coming slowdown
- Avoid committing yourself to long-term expenses at the top of the price cycle, but lock in revenue
- Go entrepreneurial and/or counter-cyclical
- Evaluate your vendors for financial strength; if needed, look for additional vendors as a safety net
- If the cycle looks recessionary, cross-train key people to prepare for workforce attrition/reduction

## Phase D



### Recession

- Implement aggressive cost-cutting measures
- Offer alternative products with a lower cost basis
- Perform due diligence on acquisitions while valuations are falling
- Reduce advertising as consumers become more price conscious
- Enter or renegotiate long-term leases
- Negotiate labor contracts
- Consider capital equipment needs for the next cycle
- Tighten credit policies
- Develop programs for advertising, training, and marketing to implement in Phase A
- Lead with optimism, remembering that Phase D is temporary