

# Industrial Supply Association

**MARCH 2024**



# Table of Contents

<b>Economic Overview .....</b>	<b>1</b>
<b>Terminology and Methodology .....</b>	<b>2</b>
<b>Industrial Supply Association Markets Dashboard .....</b>	<b>3</b>
<b>US Industrial Production Index .....</b>	<b>4</b>
<b>US Civilian Aircraft Equipment Production Index .....</b>	<b>5</b>
<b>US Automobile Production Index .....</b>	<b>6</b>
<b>US Private Nonresidential Construction .....</b>	<b>7</b>
<b>US Primary Metals Production Index .....</b>	<b>8</b>
<b>US Real Gross Domestic Product .....</b>	<b>9</b>
<b>US Leading Indicators .....</b>	<b>10</b>
<b>Market Definitions .....</b>	<b>11</b>
<b>Management Objectives™ .....</b>	<b>12</b>

# Economic Overview

## Divergent Outcomes Are Likely in 2024

Consumers are the bedrock of the US economy, and mid-to-upper-income demographics are proving resilient. Consumers are buying a record dollar-value and volume of goods and services, funded through rising income, lower savings, and - in some cases - more debt. Record buying is occurring despite material economic headwinds. Consumer prices are up roughly 20% over the last four years and borrowing costs have soared from record lows to multi-decade highs. These pressures have been felt more acutely by lower-income consumers. Meanwhile, many mid-to-upper-income consumers are benefiting from relatively high home values and growing cash balances. Our analysis indicates that spending by higher-income consumers is having a larger impact on the economic data relative to spending by lower-income consumers.

Relatively strong mid-to-upper-income consumers are driving growth in housing construction, as they are more likely to be able to buy despite still-elevated mortgage rates. Rise in US Single-Unit Housing Starts is likely to persist in the coming years given the tight stock of existing homes and expected improvement in financial conditions in the coming years. There are also regional differences at play here due in part to domestic migration trends; much of this recent growth is in the South and West regions of the US.

We expect slowing growth for US Real GDP in 2024, with the potential for one quarter of mild decline. Retail spending is likely to plateau, while the services sector will slow in growth. Sizable government spending is an upside for the economy and is benefitting not only the public sector, but it is also having knock-on positive effects in the private sector, noticeable in the nonresidential construction and services sectors.

Businesses are showing hesitance towards capex amid the slowing macroeconomy, high borrowing costs, and tight credit conditions. Total Manufacturing New Orders have plateaued and existing manufacturing capacity is being utilized at a lower rate. Contraction is likely for many industrial markets in 2024, if it has not already materialized. Businesses, including those in the manufacturing sector, are holding larger amounts of cash than is typical this cycle, which may offset some of the downside impact of monetary policy. This is part of the reason we expect this downturn to be mild. The resilient consumer and near-sourcing will also contribute to the downturn being mild.

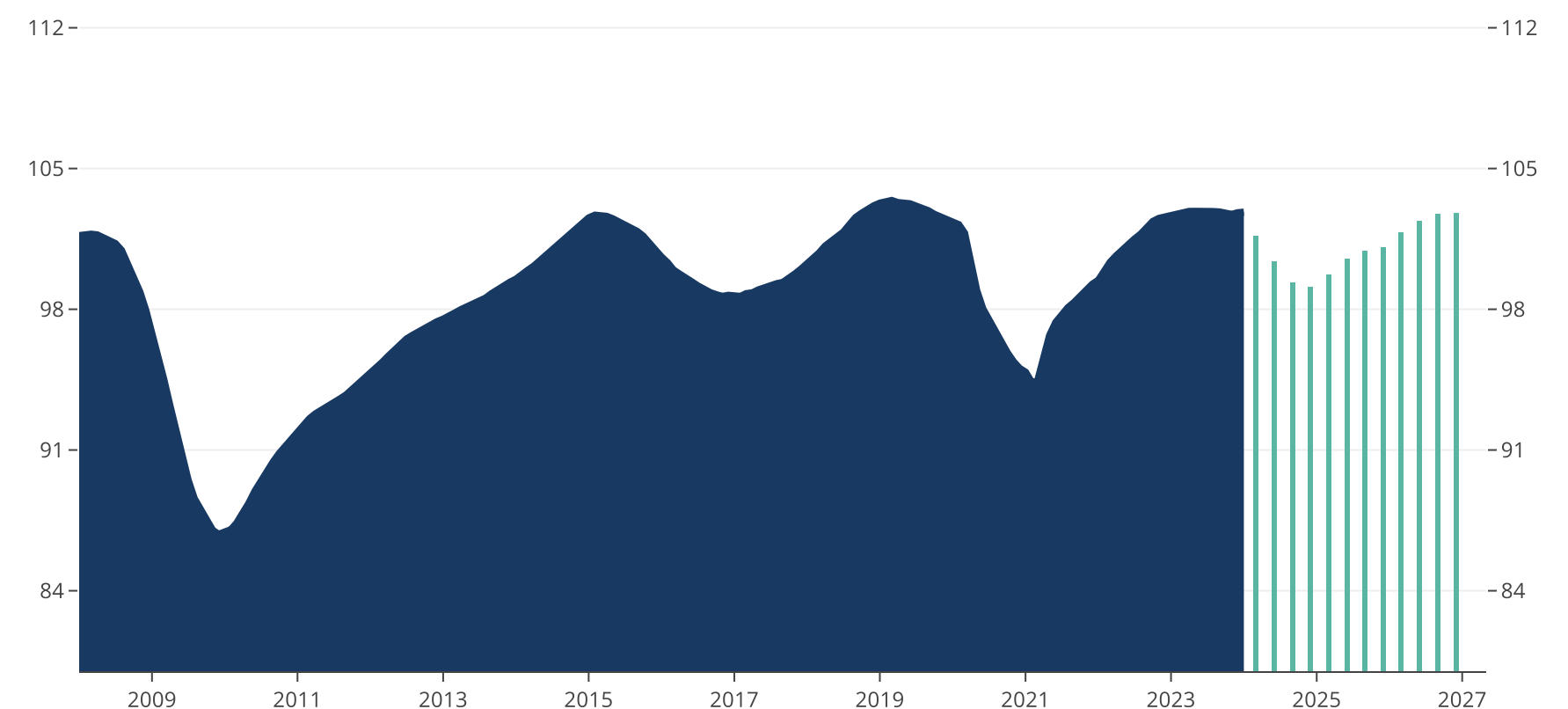
## Growth Will Follow in 2025 and 2026; What to Know for Planning

Know your markets and where your products place relative to your competition. If your business caters directly to consumers, consider your end users' demographics, as your sales performance may differ depending on customers' income levels or on regional trends. Consider how price and interest-rate-sensitive your clients are, as it will likely be hard to lift prices this year, and rates will likely move lower but remain relatively high. Companies with exposure to the services sector or public spending are more likely to experience a soft landing relative to the industrial sector. Look for opportunities tied to reshoring.

If possible, try to keep an extra cash buffer this year to help you mitigate the current high interest rates and to provide both security and flexibility. This year will also be a good time to try to improve efficiencies and cut back on discretionary spending to help offset the impacts of wage pressures.

Evidence for the next rising trend is already forming. Recovery in US Single-Unit Housing Starts, which lead the US economy, suggests rise will begin in 2025. Additionally, the FOMC is messaging potential rate cuts this year. Discernable impacts to the economy typically lag changes in rates, meaning much of the impact of these potential cuts would be seen in 2025. Even if your market is poised for a downturn this year, make sure to look beyond and focus on how your business can be best positioned for the rise coming in 2025 and 2026.

## US Industrial Production Index Annual Average (12MMA)



## Terminology and Methodology

### Data Trends: Moving Averages and Totals

#### Quarterly Average (Three-Month Moving Average, or 3MMA)

The average of the latest three months of data, updated every month. In the example, \$57.79 is the quarterly average for the three months ending in March 2021 (i.e., the average for January, February, and March 2021).

*Example: Monthly US Crude Oil Spot Prices averaged \$57.79 in the first quarter of 2021, a 26.3% increase from the first quarter of 2020.*

#### Quarterly Total (Three-Month Moving Total, or 3MMT)

The total of the latest three months of data, updated every month. In the example, \$257.8 billion is the quarterly total for the three months ending in February 2021 (i.e., the total for December 2020, January 2021, and February 2021).

*Example: Quarterly US Capital Goods New Orders totaled \$257.8 billion in February 2021.*

#### Annual Average (12-Month Moving Average, or 12MMA)

The average of the latest 12 months of data, updated every month. In the example, 119.0 million is the annual average for February 2021 (i.e., the average for the 12-month period from March 2020 through February 2021).

*Example: US Private Sector Employment averaged 119.0 million workers during the 12 months through February 2021, down 7.5% from one year earlier.*

#### Annual Total (12-Month Moving Total, or 12MMT)

The total of the latest 12 months of data, updated every month. In the example, \$5.849 trillion is the annual total for February 2021 (i.e., the total for the 12-month period from March 2020 through February 2021).

*Example: US Wholesale Trade totaled \$5.849 trillion during the 12 months through February 2021.*

### Growth Rates

#### Monthly Growth Rate (1/12 Rate-of-Change)

The percentage change between a given month and the same month one year earlier. In the example, 79.3% is the monthly growth rate for March 2021.

*Example: Monthly US Copper Futures Prices were at \$4.00 per pound in March 2021, 79.3% above the March 2020 level of \$2.29.*

#### Quarterly Growth Rate (3/12 Rate-of-Change)

The percentage change between a three-month period and the same three-month period from one year earlier. In the example, 26.3% is the quarterly growth rate for March 2021.

*Example: US Crude Oil Spot Prices averaged \$57.79 in the first quarter of 2021, a 26.3% increase from the first quarter of 2020.*

#### Annual Growth Rate (12/12 Rate-of-Change)

The percentage change between a 12-month period and the same 12-month period from one year earlier. In the example, -7.5% is the annual growth rate for February 2021; that is, US Private Sector Employment during March 2020 through February 2021 came in 7.5% below Employment from March 2019 through February 2020.

*Example: US Private Sector Employment averaged 119.0 million workers during the 12 months through February 2021, down 7.5% from one year earlier.*

### Business Cycle Phases



#### Recovery (A)

The annual growth rate (12/12) is rising, but the rate of growth is still negative. We denote this phase with blue (for improving).



#### Accelerating Growth (B)

The annual growth rate (12/12) is rising, and the rate of growth is positive. We denote this phase with green (for go).



#### Slowing Growth (C)

The annual growth rate (12/12) is positive, but the rate of growth is declining. We denote this phase with yellow (for caution).



#### Recession (D)

The annual growth rate (12/12) is declining, and the rate of growth is negative. We denote this phase with red (for warning).

# Industrial Supply Association Markets Dashboard

Page Number	Indicator	Current		Annual Growth Rate Forecast (12/12), Year-End*		
		Growth Rate**	Phase	2024**	2025**	2026**
4	US Industrial Production Index	0.1%	C	-3.6%	2.0%	1.7%
5	US Civilian Aircraft Equipment Production Index	-0.1%	D	4.8%	-0.4%	7.0%
6	US Automobile Production Index	9.3%	C	4.1%	-2.4%	5.7%
7	US Private Nonresidential Construction	21.9%	C	8.1%	-5.0%	2.5%
8	US Primary Metals Production Index	-0.3%	D	-3.6%	2.3%	0.3%
9	US Real Gross Domestic Product ( <i>Quarterly Growth Rate</i> )	3.1%	C	1.1%	1.5%	1.9%

\*Coloring denotes the business cycle phase at year-end. For example, if a value in the 2021 column is colored blue, the corresponding indicator is forecasted to be in Phase A, Recovery, at year-end 2021. Green denotes Phase B, yellow Phase C, and red Phase D.

\*\*Annual growth rate (12/12) except where otherwise noted.



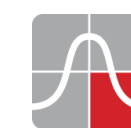
Recovery (A)



Accelerating Growth (B)



Slowing Growth (C)

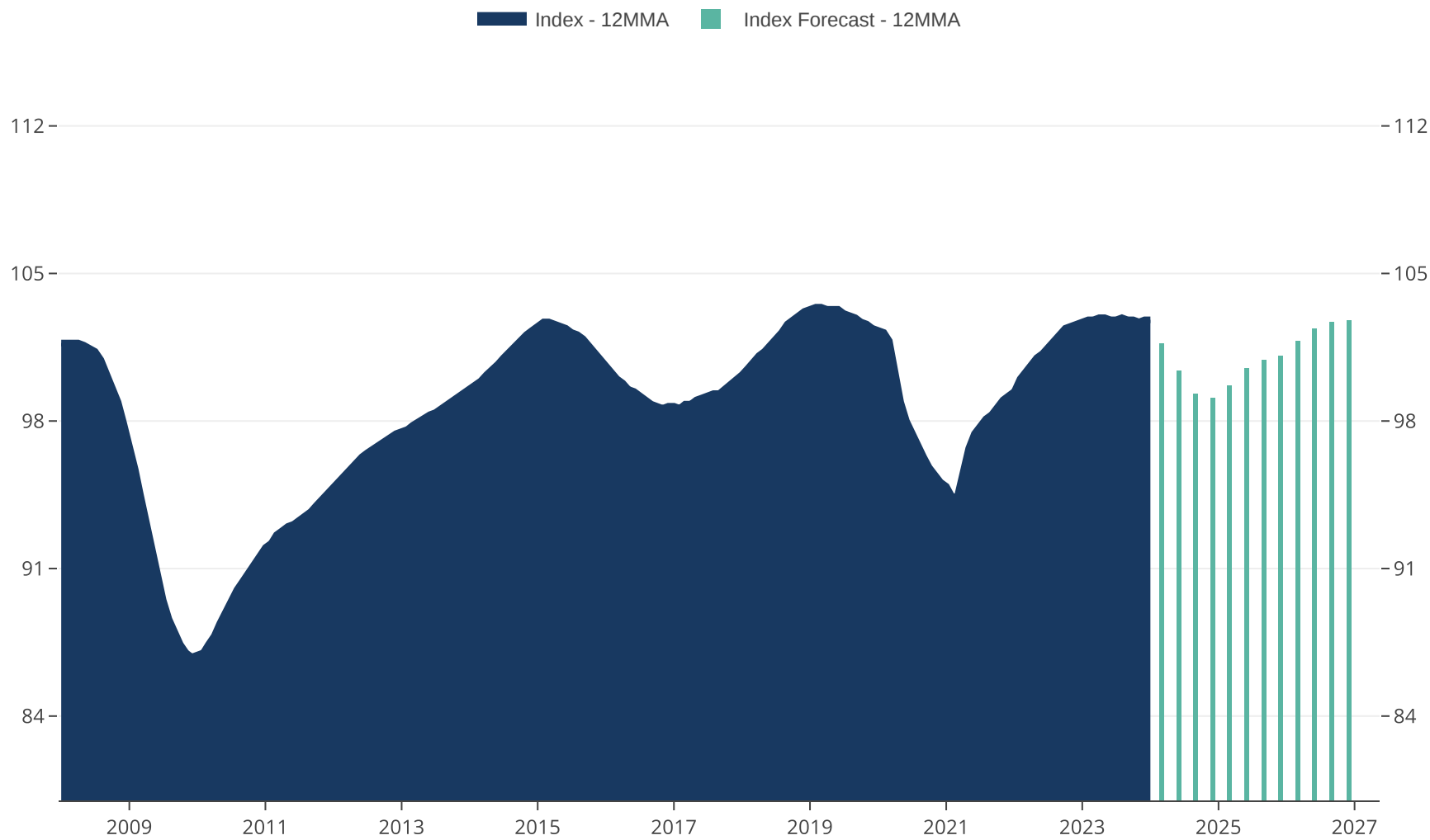


Recession (D)

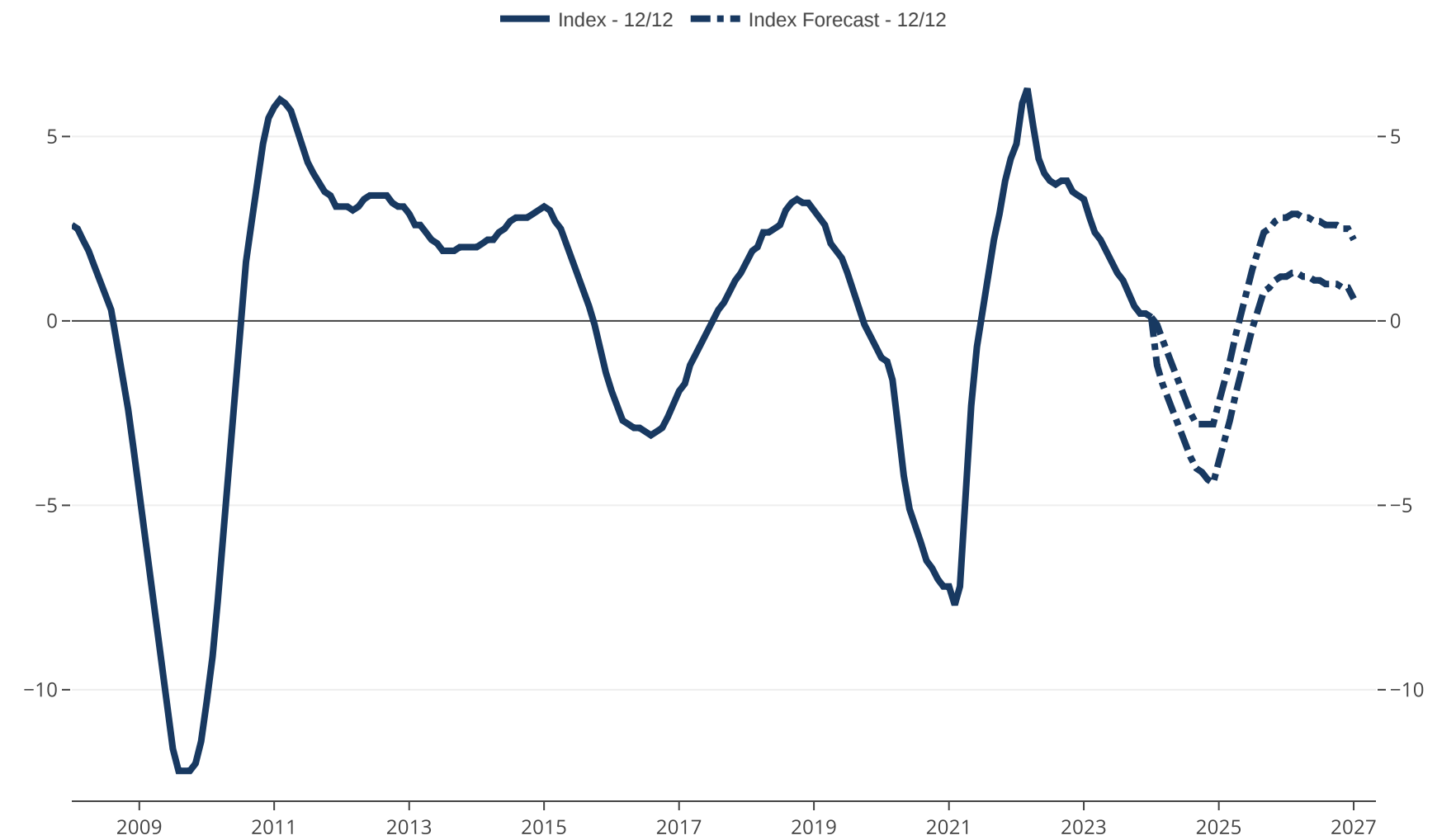
**US Industrial Production Index**

**Production Nearing Phase D; Expect Mild Contraction in 2024, Closer to the Upper Forecast Range**

**Annual Average (12MMA)**



**Annual Growth Rate (12/12)**



**Current Phase**

**Phase C  
Slowing Growth**

**Industry Outlook**

Year	Annual Growth Rate
2024	-3.6%
2025	2.0%
2026	1.7%

**Current Indicator Amplitude**

- January 2024 Annual Growth Rate (12/12): 0.1%
- January 2024 Annual Average (12MMA), 2017=100: 102.8

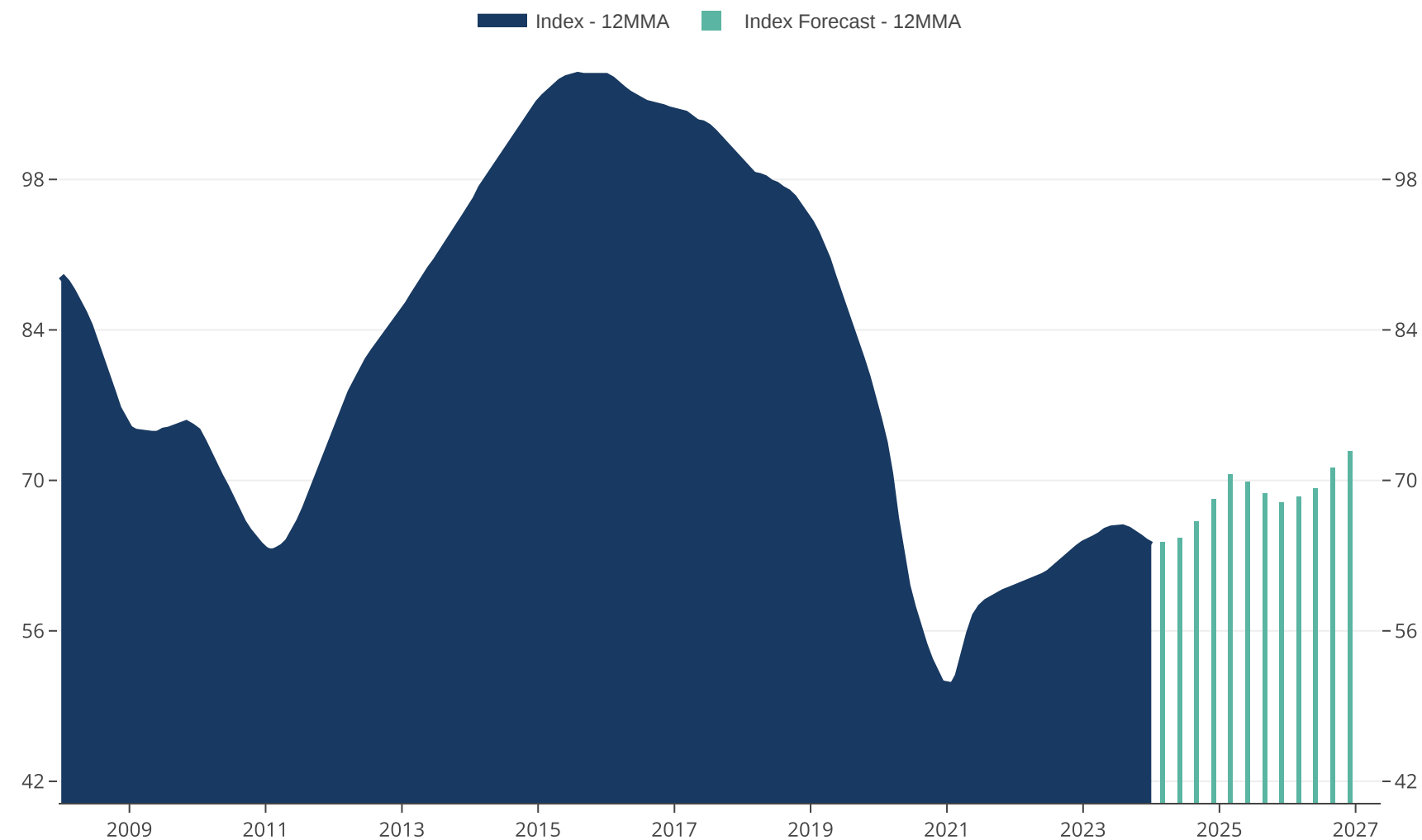
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Lower Forecast Range	-1.7	-3.0	-4.0	-4.4	-2.7	-0.7	0.8	1.2	1.3	1.1	1.0	0.9
<b>Annual Growth Rate (%)</b>	<b>-1.1</b>	<b>-2.4</b>	<b>-3.4</b>	<b>-3.6</b>	<b>-1.9</b>	<b>0.1</b>	<b>1.6</b>	<b>2.0</b>	<b>2.1</b>	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>
Upper Forecast Range	-0.5	-1.8	-2.8	-2.8	-1.1	0.9	2.4	2.8	2.9	2.7	2.6	2.5

Lower Forecast Range	101.0	99.8	98.7	98.3	98.9	99.7	100.1	100.3	101.0	101.6	101.9	102.0
<b>Annual Average Index (2017=100)</b>	<b>101.7</b>	<b>100.4</b>	<b>99.3</b>	<b>99.1</b>	<b>99.7</b>	<b>100.5</b>	<b>100.9</b>	<b>101.1</b>	<b>101.8</b>	<b>102.4</b>	<b>102.7</b>	<b>102.8</b>
Upper Forecast Range	102.3	101.0	100.0	99.9	100.5	101.3	101.7	101.9	102.6	103.2	103.6	103.6

**US Civilian Aircraft Equipment Production Index**

**Forecast Lowered; Production and Regulatory Setbacks Plague Industry, but Orders Are Strong**

**Annual Average (12MMA)**



**Annual Growth Rate (12/12)**



**Current Phase**

**Phase D  
Recession**

**Industry Outlook**

Year	Annual Growth Rate
2024	4.8%
2025	-0.4%
2026	7.0%

**Current Indicator Amplitude**

- January 2024 Annual Growth Rate (12/12): -0.1%
- January 2024 Annual Average (12MMA), 2017=100: 64.0

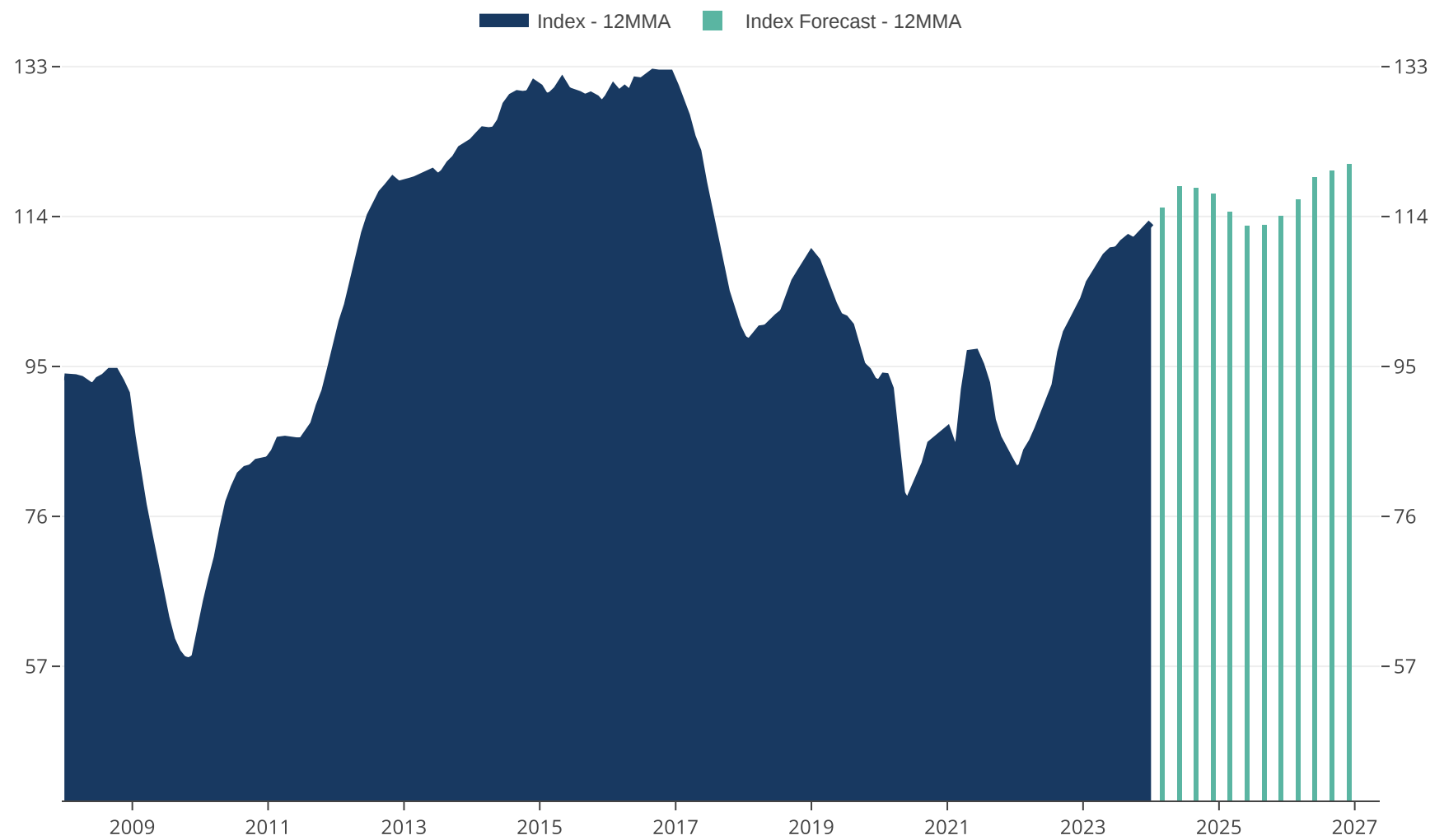
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Lower Forecast Range	-1.7	-2.4	-0.2	3.6	8.7	6.8	2.3	-1.9	-4.6	-2.4	2.0	5.5
<b>Annual Growth Rate (%)</b>	<b>-0.5</b>	<b>-1.2</b>	<b>1.0</b>	<b>4.8</b>	<b>9.9</b>	<b>8.0</b>	<b>3.8</b>	<b>-0.4</b>	<b>-3.1</b>	<b>-0.9</b>	<b>3.5</b>	<b>7.0</b>
Upper Forecast Range	0.7	0.0	2.2	6.0	11.1	9.2	5.3	1.1	-1.6	0.6	5.0	8.5

Lower Forecast Range	63.5	63.9	65.5	67.5	69.9	69.1	67.8	67.0	67.4	68.2	70.1	71.7
<b>Annual Average Index (2017=100)</b>	<b>64.3</b>	<b>64.7</b>	<b>66.2</b>	<b>68.3</b>	<b>70.6</b>	<b>69.9</b>	<b>68.8</b>	<b>68.0</b>	<b>68.5</b>	<b>69.3</b>	<b>71.2</b>	<b>72.7</b>
Upper Forecast Range	65.1	65.5	67.0	69.0	71.4	70.7	69.7	69.0	69.5	70.3	72.2	73.8

**US Automobile Production Index**

**Forecast Lifted, Most Significantly for 2024, Given a Resilient Consumer and Low Inventories**

**Annual Average (12MMA)**



**Annual Growth Rate (12/12)**



**Current Phase**

**Phase C  
Slowing Growth**

**Industry Outlook**

Year	Annual Growth Rate
2024	4.1%
2025	-2.4%
2026	5.7%

**Current Indicator Amplitude**

- January 2024 Annual Growth Rate (12/12): 9.3%
- January 2024 Annual Average (12MMA), 2017=100: 113.2

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Lower Forecast Range	6.3	5.9	4.2	2.6	-1.9	-5.7	-5.5	-3.9	-0.1	4.0	4.6	4.2
<b>Annual Growth Rate (%)</b>	<b>7.8</b>	<b>7.4</b>	<b>5.7</b>	<b>4.1</b>	<b>-0.4</b>	<b>-4.2</b>	<b>-4.0</b>	<b>-2.4</b>	<b>1.4</b>	<b>5.5</b>	<b>6.1</b>	<b>5.7</b>
Upper Forecast Range	9.3	8.9	7.2	5.6	1.1	-2.7	-2.5	-0.9	2.9	7.0	7.6	7.2

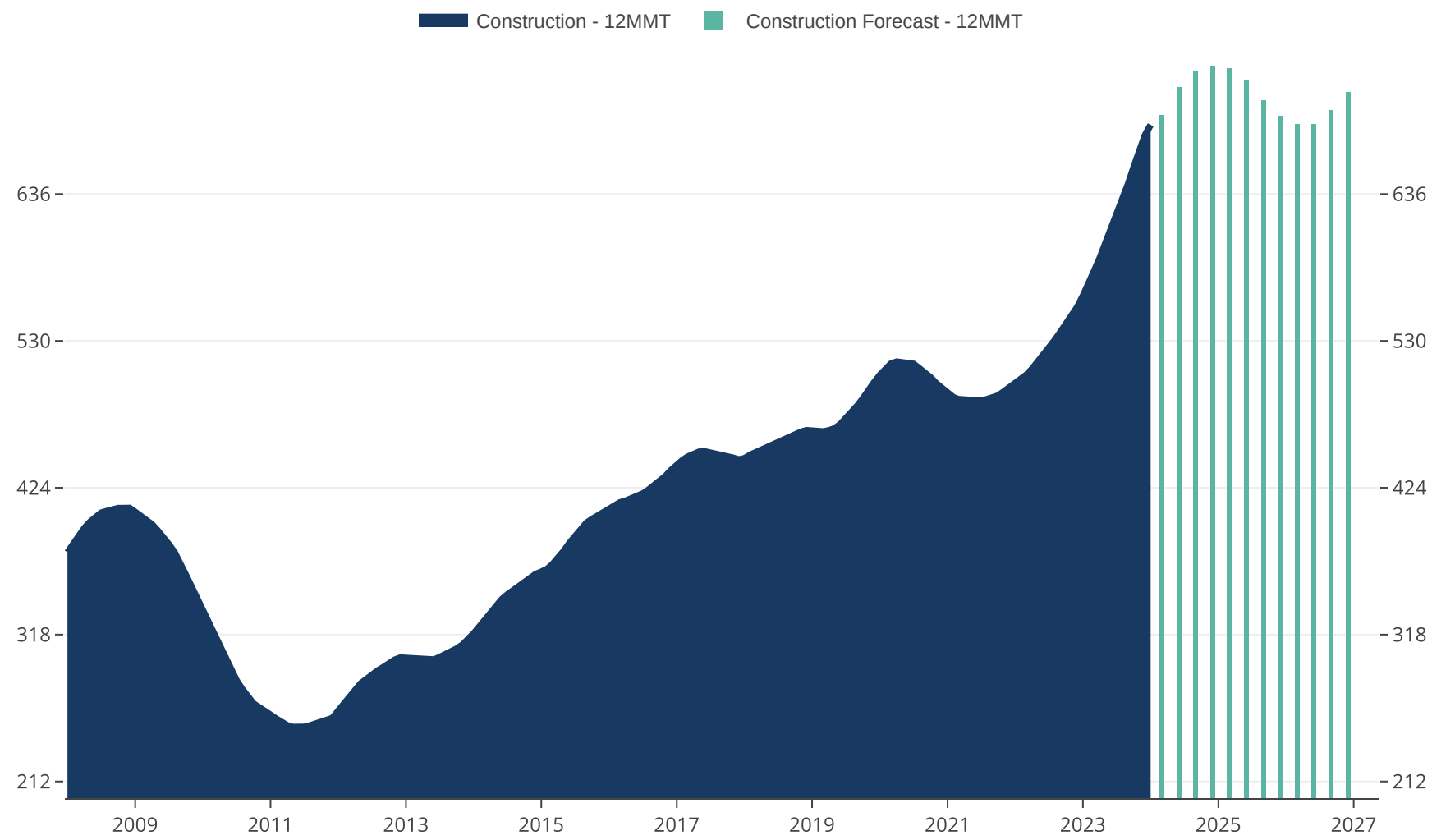
Lower Forecast Range	113.5	116.1	115.9	115.2	112.9	111.1	111.1	112.3	114.5	117.3	118.1	118.9
<b>Annual Average Index (2017=100)</b>	<b>115.1</b>	<b>117.8</b>	<b>117.6</b>	<b>116.9</b>	<b>114.6</b>	<b>112.8</b>	<b>112.9</b>	<b>114.1</b>	<b>116.2</b>	<b>119.0</b>	<b>119.8</b>	<b>120.6</b>
Upper Forecast Range	116.7	119.4	119.3	118.6	116.3	114.6	114.7	115.8	117.9	120.7	121.5	122.3



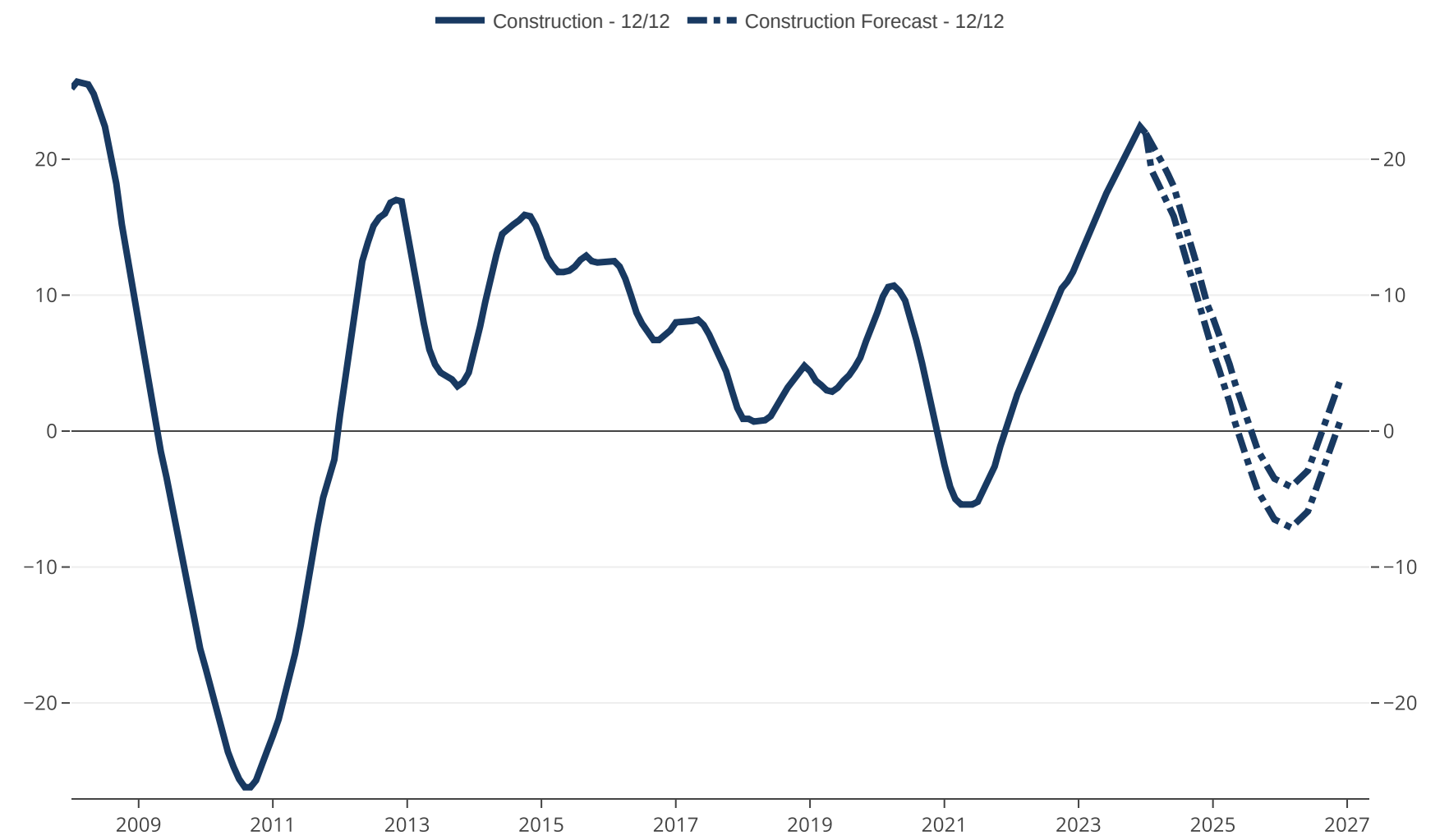
**US Private Nonresidential Construction**

**Forecast Lifted Given Effects of Government Spending; Architecture Billings Suggest Slowing Growth**

**Annual Total (12MMT)**



**Annual Growth Rate (12/12)**



**Current Phase**

**Phase C  
Slowing Growth**

**Industry Outlook**

<i>Year</i>	<i>Annual Growth Rate</i>
2024	8.1%
2025	-5.0%
2026	2.5%

**Current Indicator Amplitude**

- January 2024 Annual Growth Rate (12/12): 21.9%
- January 2024 Annual Total (12MMT), Billions of \$: 685.9

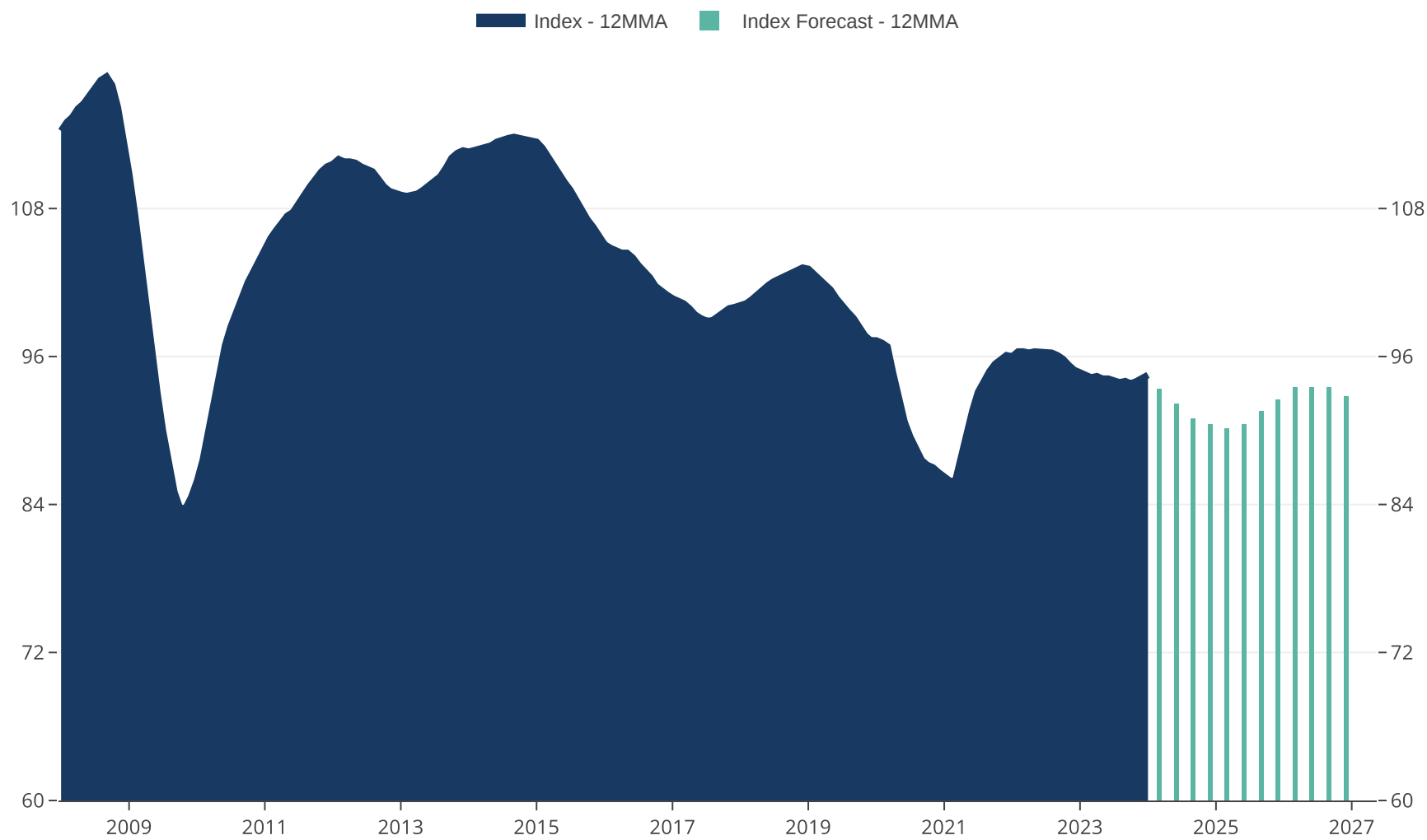
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Lower Forecast Range	18.4	15.8	11.5	6.9	3.5	-0.8	-4.4	-6.5	-7.1	-5.9	-2.5	1.0
<b>Annual Growth Rate (%)</b>	<b>19.5</b>	<b>16.9</b>	<b>12.7</b>	<b>8.1</b>	<b>4.9</b>	<b>0.7</b>	<b>-2.9</b>	<b>-5.0</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-1.0</b>	<b>2.5</b>
Upper Forecast Range	20.6	18.0	13.9	9.3	6.2	2.2	-1.4	-3.5	-4.1	-2.9	0.5	4.0

Lower Forecast Range	687.0	706.6	717.1	720.7	717.6	707.6	693.0	681.5	675.4	675.9	686.2	699.3
<b>Annual Total Construction (Billions of \$)</b>	<b>693.3</b>	<b>713.3</b>	<b>724.8</b>	<b>728.8</b>	<b>727.0</b>	<b>718.3</b>	<b>703.8</b>	<b>692.4</b>	<b>686.3</b>	<b>686.7</b>	<b>696.8</b>	<b>709.7</b>
Upper Forecast Range	699.7	720.0	732.6	736.9	736.3	729.0	714.7	703.3	697.2	697.4	707.3	720.1

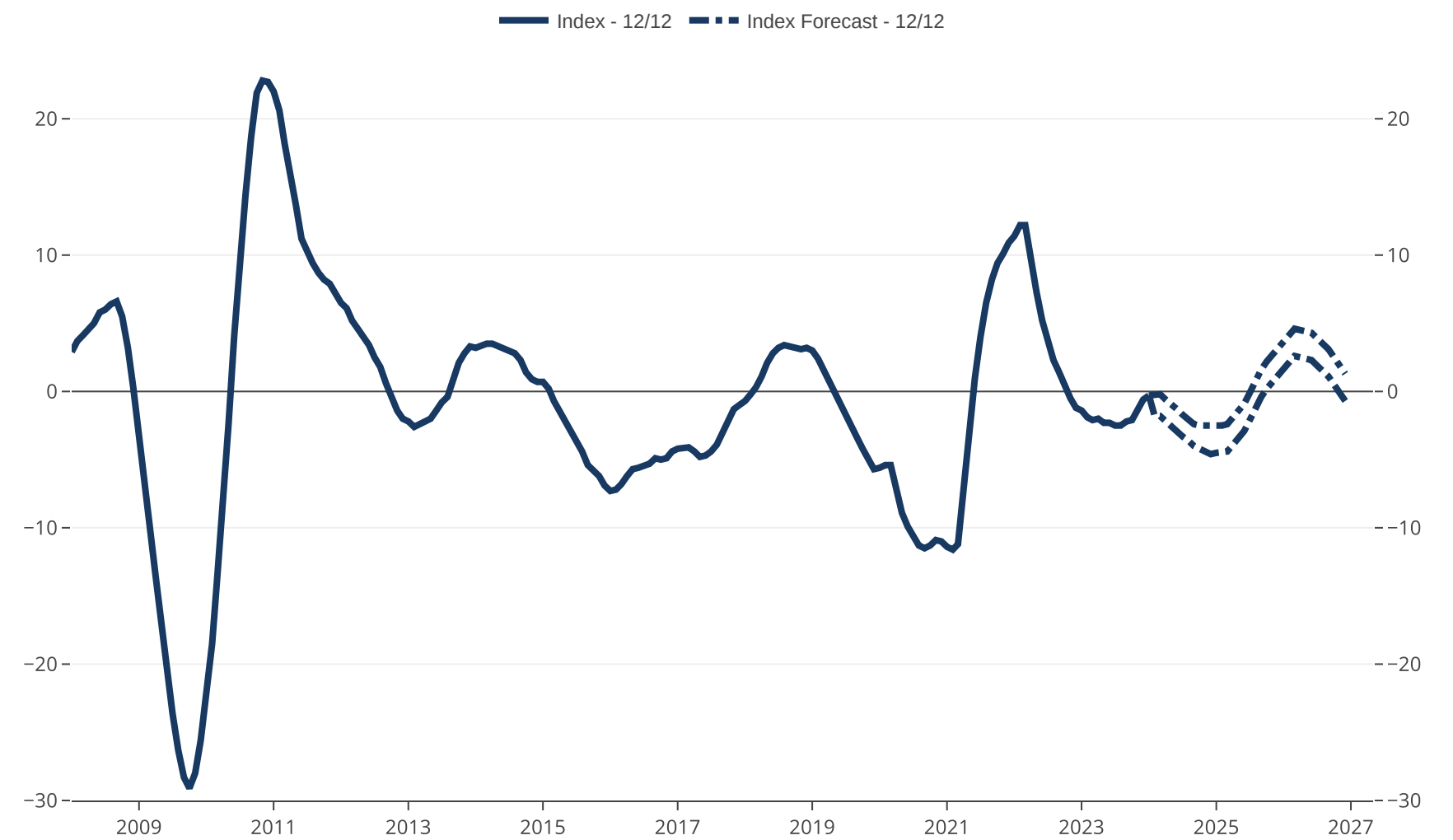
**US Primary Metals Production Index**

**Expected Industrial Recession Signals Decline; Auto and Government Spending Are Upsides**

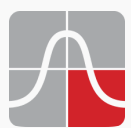
**Annual Average (12MMA)**



**Annual Growth Rate (12/12)**



**Current Phase**



**Phase D  
Recession**

**Current Indicator  
Amplitude**

- January 2024 Annual Growth Rate (12/12): -0.3%
- January 2024 Annual Average (12MMA), 2017=100: 94.5

**Industry Outlook**

<i>Year</i>	<i>Annual Growth Rate</i>
2024	-3.6%
2025	2.3%
2026	0.3%

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Lower Forecast Range	-1.8	-2.9	-4.0	-4.6	-4.4	-2.9	-0.4	1.3	2.6	2.3	1.1	-0.7
<b>Annual Growth Rate (%)</b>	<b>-1.0</b>	<b>-2.1</b>	<b>-3.2</b>	<b>-3.6</b>	<b>-3.4</b>	<b>-1.9</b>	<b>0.6</b>	<b>2.3</b>	<b>3.6</b>	<b>3.3</b>	<b>2.1</b>	<b>0.3</b>
Upper Forecast Range	-0.2	-1.3	-2.4	-2.6	-2.4	-0.9	1.6	3.3	4.6	4.3	3.1	1.3

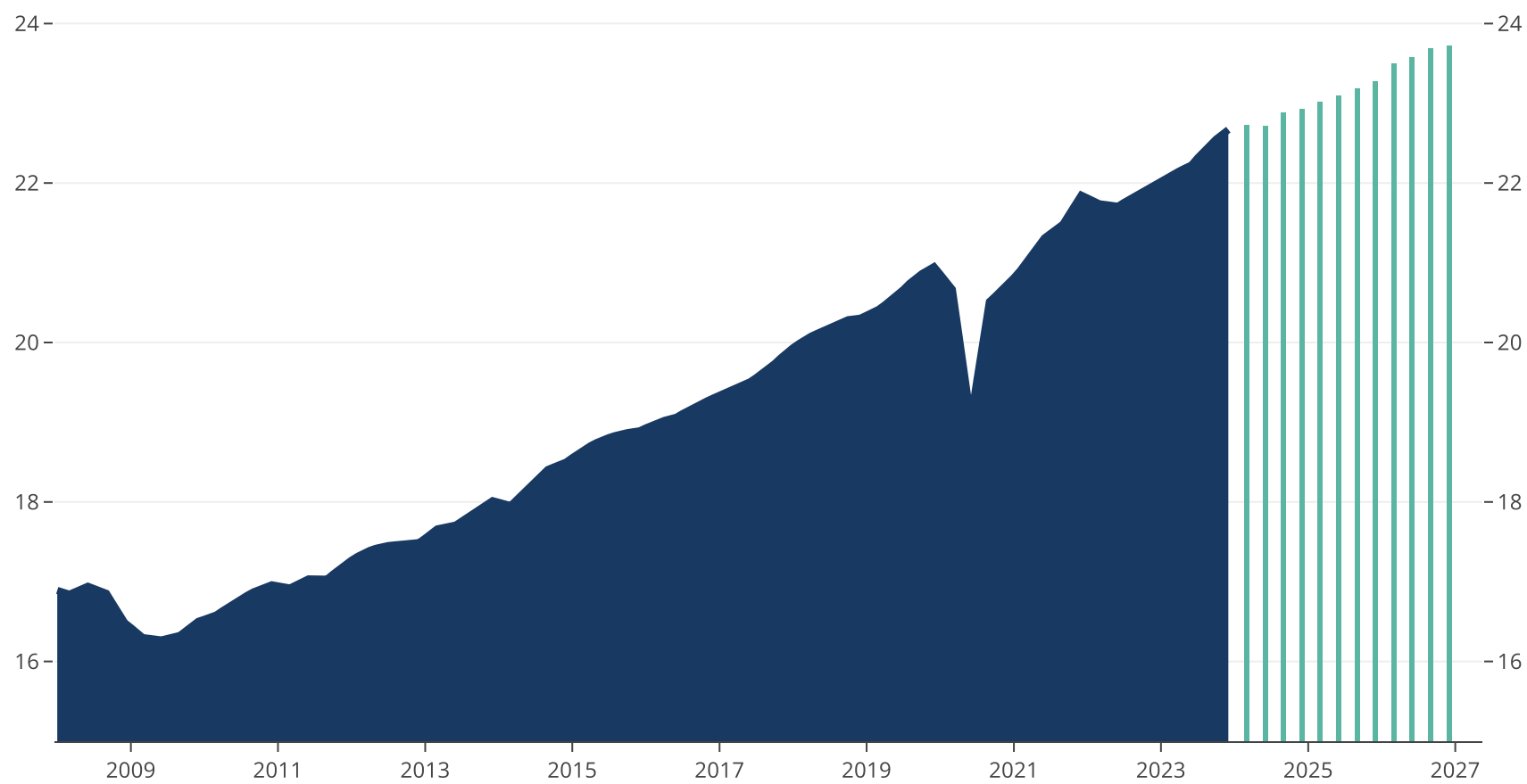
Lower Forecast Range	92.7	91.5	90.3	89.5	89.3	89.6	90.7	91.6	92.6	92.6	92.6	91.9
<b>Annual Average Index (2017=100)</b>	<b>93.4</b>	<b>92.2</b>	<b>91.0</b>	<b>90.5</b>	<b>90.2</b>	<b>90.5</b>	<b>91.6</b>	<b>92.5</b>	<b>93.5</b>	<b>93.5</b>	<b>93.5</b>	<b>92.8</b>
Upper Forecast Range	94.2	93.0	91.8	91.4	91.2	91.4	92.5	93.4	94.4	94.4	94.4	93.7

**US Real Gross Domestic Product**

**Forecast Lifted Based on Consumer and Government Spending; Expect General Rise Through at Least 2026**

**Quarterly Average (3MMA)**

Real GDP - 3MMA Real GDP Forecast - 3MMA



**Quarterly Growth Rate (3/12)**

Real GDP - 3/12 Real GDP Forecast - 3/12



**Current Phase**

**Phase C  
Slowing Growth**

**Industry Outlook**

Year	Quarterly Growth Rate
2024	1.1%
2025	1.5%
2026	1.9%

**Current Indicator Amplitude**

- December 2023 Quarterly Growth Rate (3/12): 3.1%
- December 2023 Quarterly Average (3MMA), Trillions of Chained 2017 \$: 22.669

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Lower Forecast Range	2.6	1.9	1.5	0.9	0.9	1.3	1.0	1.2	1.7	1.7	1.8	1.6
<b>Quarterly Growth Rate (%)</b>	<b>2.8</b>	<b>2.2</b>	<b>1.7</b>	<b>1.1</b>	<b>1.3</b>	<b>1.7</b>	<b>1.3</b>	<b>1.5</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>1.9</b>
Upper Forecast Range	3.0	2.4	2.0	1.4	1.6	2.0	1.7	1.9	2.4	2.4	2.5	2.3

Lower Forecast Range	22.683	22.657	22.825	22.868	22.942	23.015	23.107	23.191	23.412	23.494	23.601	23.636
<b>Quarterly Average Real GDP (Trillions of Chained 2017 \$)</b>	<b>22.727</b>	<b>22.713</b>	<b>22.881</b>	<b>22.925</b>	<b>23.016</b>	<b>23.095</b>	<b>23.187</b>	<b>23.272</b>	<b>23.492</b>	<b>23.575</b>	<b>23.682</b>	<b>23.718</b>
Upper Forecast Range	22.771	22.768	22.938	22.982	23.090	23.174	23.267	23.352	23.573	23.656	23.763	23.799

## US Leading Indicators

Indicator	Direction		
	1Q24	2Q24	3Q24
ITR LEADING INDICATOR™	●	●	N/A
ITR RETAIL SALES LEADING INDICATOR™	●	●	●
US OECD LEADING INDICATOR	●	●	●
US ISM PMI (PURCHASING MANAGERS INDEX)	●	●	●
US TOTAL CAPACITY UTILIZATION RATE	●	●	N/A

*Green denotes that the indicator signals cyclical rise for the economy in the given quarter. Red denotes the opposite.*

### What It Means for the US Economy

- The ITR Leading Indicator™ rose in January, though it has been vacillating around the same level for several months. Prior sharp decline in the Indicator, the sluggishness of the subsequent ascent, and the likelihood of lagged effects from quantitative tightening support our expectation for mild decline in industrial activity this year.
- The ITR Retail Sales Leading Indicator™ moved higher in January. This supports our expectation that US Total Retail Sales growth will pick up in late 2024/early 2025. Meanwhile, tight lending conditions and rising delinquency rates support our expectation for slowing Retail Sales growth in the near term.
- The US ISM PMI (Purchasing Managers Index) monthly rate-of-change moved higher in January and has been generally rising for the past several months. On its own, this would suggest that we could see an earlier-than-forecasted low in US Industrial Production. However, a collection of indicators would be needed to confirm such a trend, and general downward movement in the monthly US Total Industry Capacity Utilization Rate supports our forecast for industrial sector decline in 2024. Stay tuned for further updates as the indicators realign later this year.

The industrial and B2B markets face downward pressure in 2024. Financing conditions for new projects are a headwind. Many businesses are hesitant to make significant investments at a time of relative economic uncertainty. However, green shoots in the housing market and real incomes are positive signs for the next rising trend. Look ahead to the future and consider what you can do now to prepare.

## Market Definitions

### US Industrial Production Index

Index of total industrial production in the United States; includes manufacturing, mining, and utilities. Source: Federal Reserve Board (FRB). Index, 2017 = 100, not seasonally adjusted (NSA).

### US Automobile Production Index

Automobile Production. This U.S. industry comprises establishments primarily engaged in (1) manufacturing complete automobiles (i.e., body and chassis or unibody) or (2) manufacturing automobile chassis only. Source: Federal Reserve Board (FRB). Index, 2017 = 100, not seasonally adjusted (NSA).

### US Primary Metals Production Index

Industries in the Primary Metal Manufacturing subsector smelt and/or refine ferrous and nonferrous metals from ore, pig or scrap, using electrometallurgical and other process metallurgical techniques. Establishments in this subsector also manufacture metal alloys and superalloys by introducing other chemical elements to pure metals. The output of smelting and refining, usually in ingot form, is used in rolling, drawing, and extruding operations to make sheet, strip, bar, rod, or wire, and in molten form to make castings and other basic metal products. Source: Federal Reserve Board (FRB). Index, 2017 = 100, not seasonally adjusted (NSA).

### US Civilian Aircraft Equipment Production Index

Index for US establishments primarily engaged in one or more of the following: (1) manufacturing aircraft engines and engine parts; (2) developing and making prototypes of aircraft engines and engine parts; (3) aircraft propulsion system conversion (i.e., major modifications to systems); (4) aircraft propulsion systems overhaul and rebuilding (i.e., periodic restoration of aircraft propulsion system to original design specifications). Source: Federal Reserve Board. NAICS Code: 336412,3. Index, 2017 = 100, not seasonally adjusted (NSA).

### US Private Nonresidential Construction

Private nonresidential construction in the United States. Includes private construction of the following types: office, commercial, automotive, lodging, dining, retail, warehouse, storage facilities, schools, dormitories, sports facilities, galleries, museums, hospitals, medical buildings, special care facilities, religious buildings, fitness centers, amusement parks, movie theaters, social centers, transportation facilities, power facilities, and manufacturing facilities. Source: US Census Bureau. Measured in billions of dollars, not seasonally adjusted (NSA).

### US Real Gross Domestic Product

Real (inflation-adjusted) gross domestic product (GDP) in the United States. GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. Put simply, GDP is a broad measurement of a nation's overall economic activity. Source: Bureau of Economic Analysis. Measured in trillions of 2017 chained dollars, seasonally adjusted at annual rate (SAAR).

## 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