

# AVDA

**“The Future is Your Decision”**

April 2008

*Presented By:*

The Institute for Trend Research

Alan Beaulieu

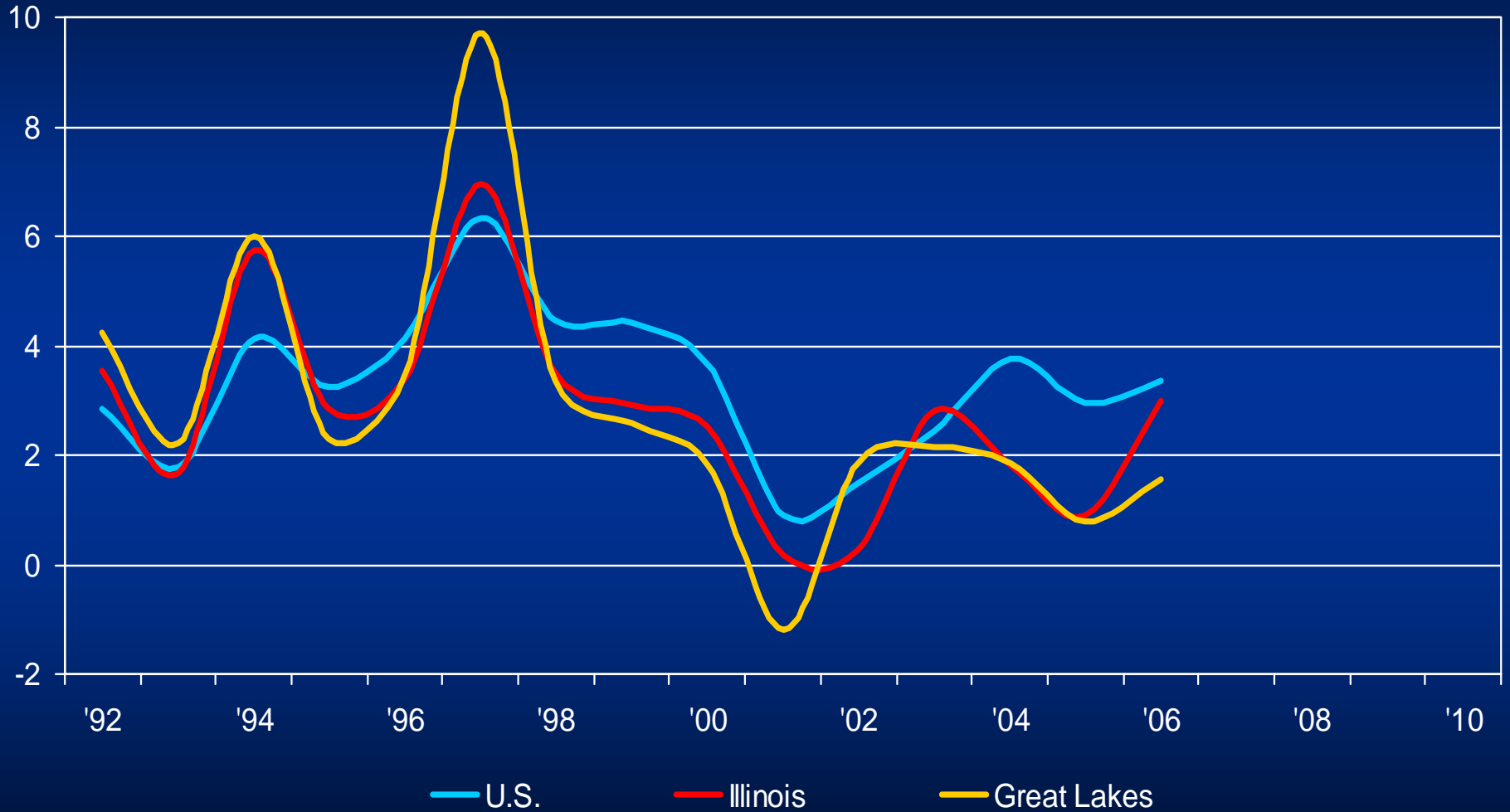
# US Industrial Production to Gross Domestic Product

## 3/12 Rates-of-Change



— GDP  
— US IP

## US, Illinois & the Great Lakes Annual GSP Growth Rate

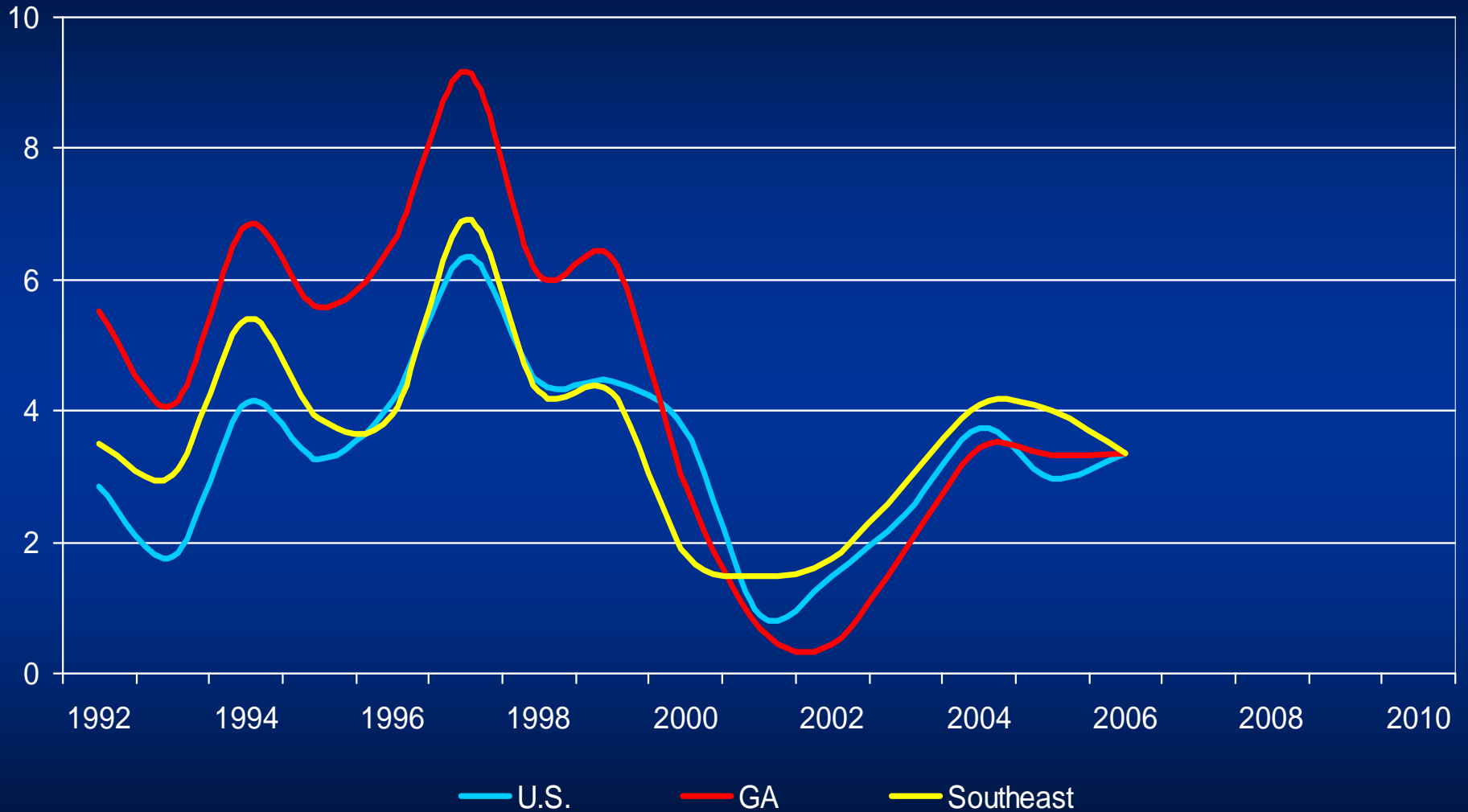


— U.S.

— Illinois

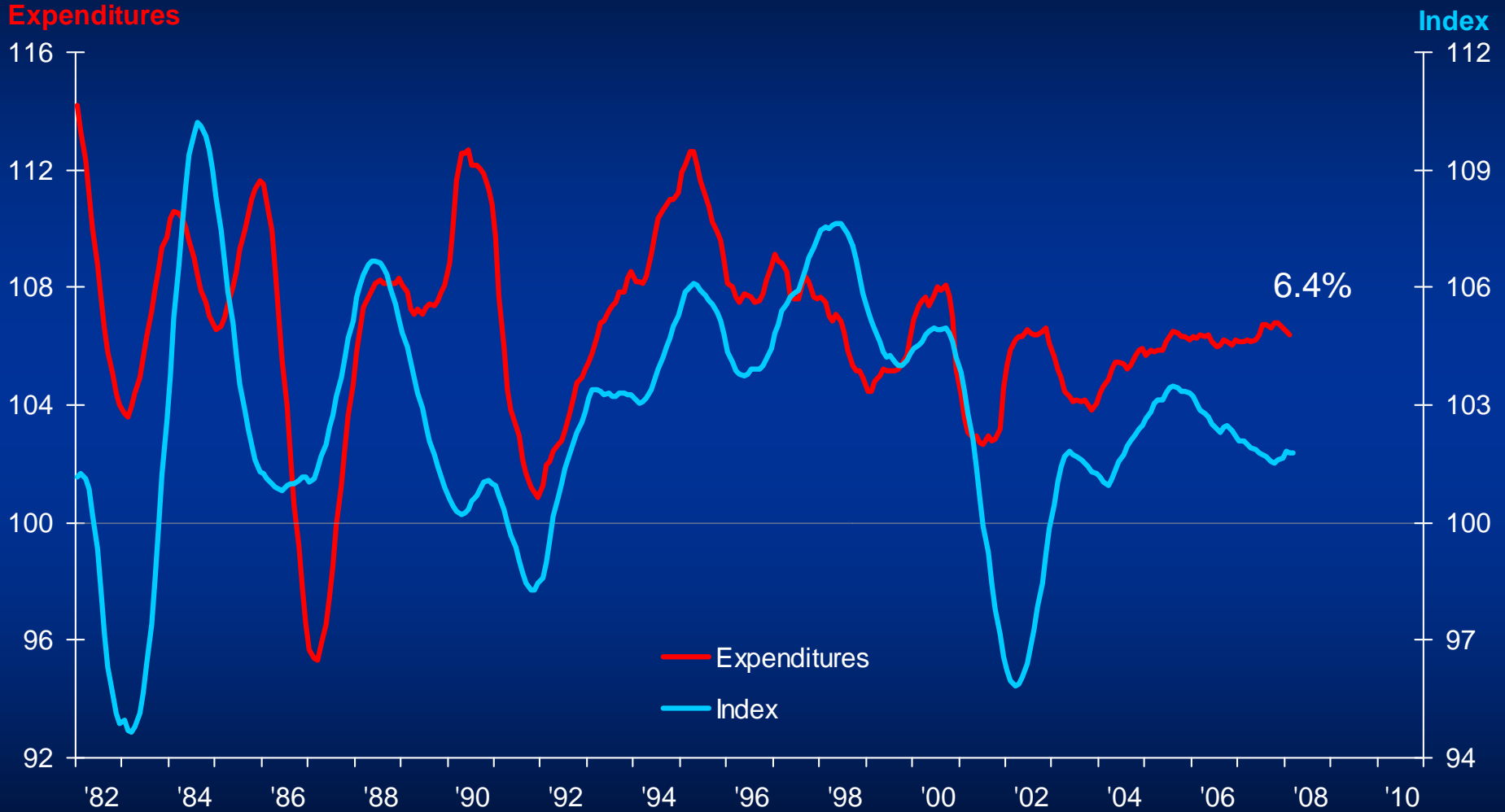
— Great Lakes

## US, Georgia & the Southeast Annual GSP Growth Rate



# US Industrial Production to Pet Food Expenditures

## 12/12 Rates-of-Change



# Pet Food Expenditures to Retail Sales Excluding Autos

## 12/12 Rates-of-Change

Retail Sales

Food

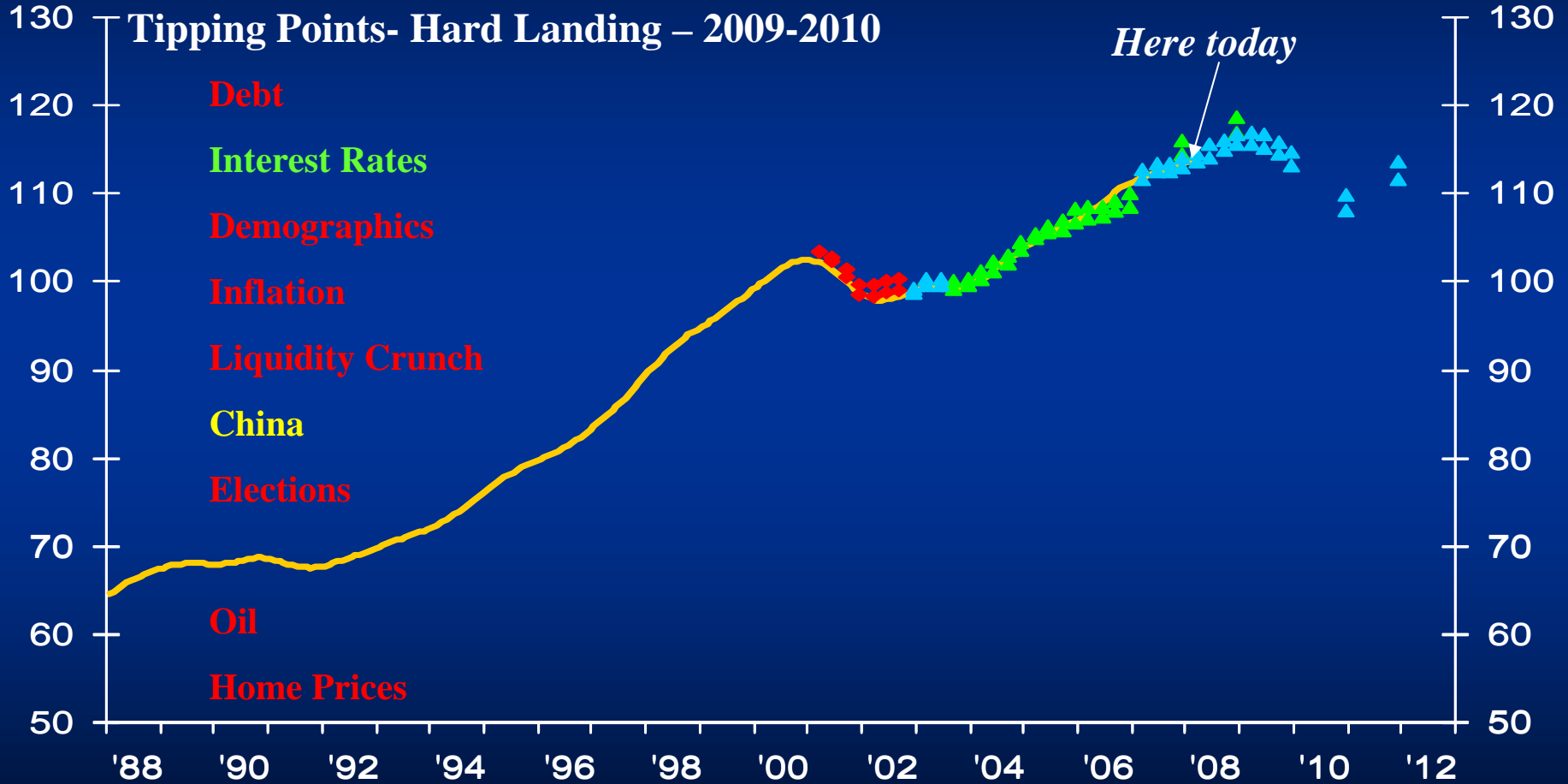


— Retail Sales  
— Pet Food



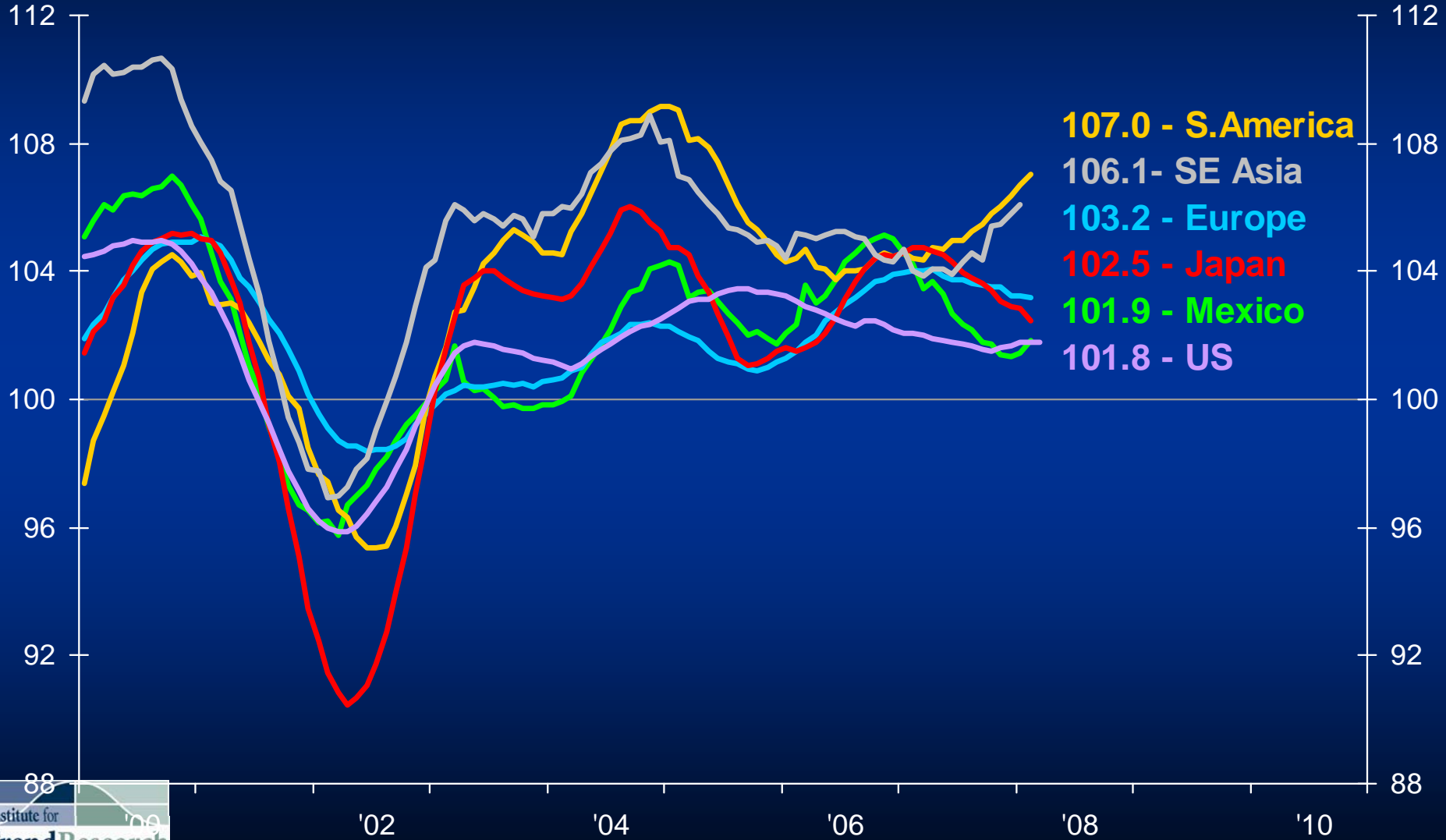
# US Industrial Production Index

Forecast Through December 2011  
Annual Average Index



# Global Industrial Production Indices

## 12/12 Rates-of-Change



**107.0 - S.America**  
**106.1- SE Asia**  
**103.2 - Europe**  
**102.5 - Japan**  
**101.9 - Mexico**  
**101.8 - US**

# Demographics

## Winning Demographics

USA ~ 300 Million grows to 400 – 500 Million

India

Indonesia

Australia

## Negative Demographics

China

Europe

Japan

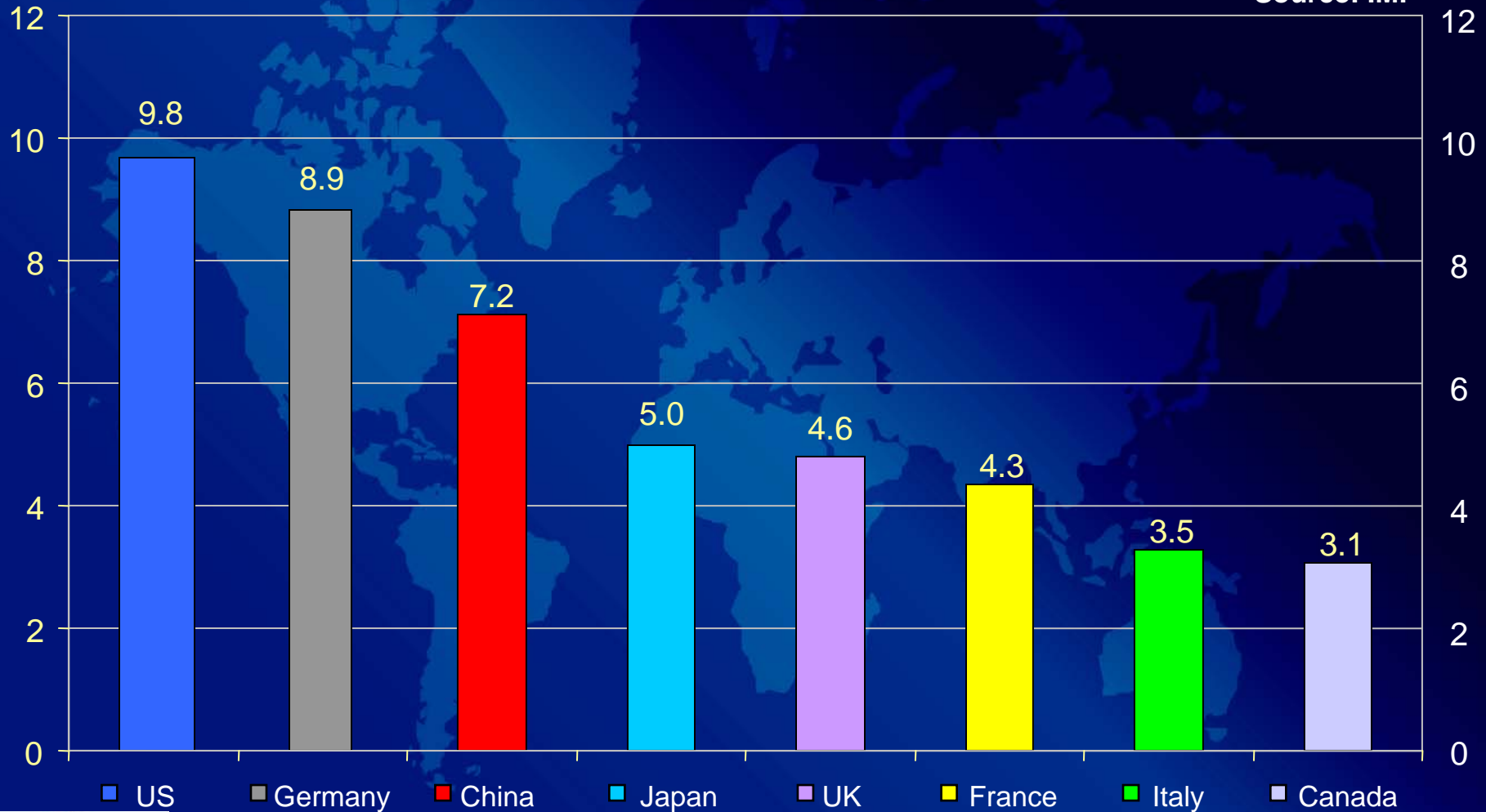
Russia

Source: United Nations

# Exports by Nation

## Percentage of Total World Exports of Goods and Services

Source: IMF



# GOODS & SERVICES AS A PERCENT OF GDP (real) w/o structures



# Major Issues Stalking China's Future

## *“A Tiger on Steroids”*

- Banking System\* (Relational & ‘Not for Profit’)
- Legal System\* (Court of no appeals)
- Government Interference/Control\*
- Environmental (Water, Air, Land Pollution)
- Health Issues
- Negative Demographics
- Competition for Resources and ‘Cheap’ Labor – (Philippines, India, Vietnam, Thailand, E. Europe...)
- Civil Unrest (Pollution, wages, abuse, health care, education...)
- Increasing US protectionism sentiment (currency)

## Example: Revenue 12MMT

### 12MMT:

Nov 06	1.47		12MMT = 17.54	
Dec 06	1.51			
Jan 07	1.65	3MMT = 4.63		
Feb 07	1.75			
Mar 07	1.76			
Apr 07	1.64	3MMT = 5.14		
May 07	1.71			
Jun 07	1.74			
Jul 07	1.54	3MMT = 4.98		
Aug 07	1.44			
Sep 07	1.24	3MMT = 4.22		
Oct 07	1.26	3MMT = 3.95	12MMT = 18.70	
Nov 07	1.74	3MMT = 4.24	12MMT = 18.97	8.2%

# RATE-OF-CHANGE

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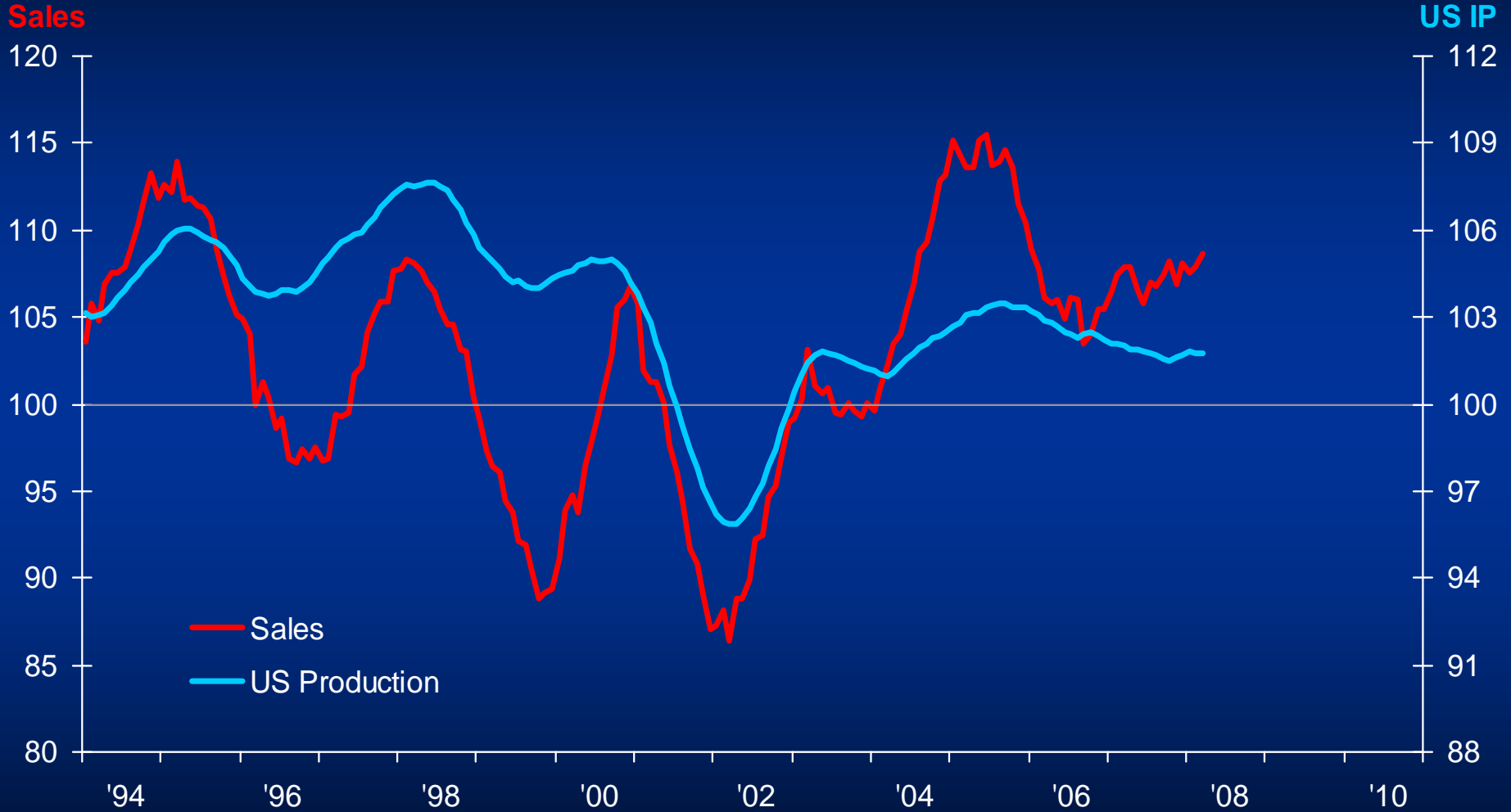
$$\frac{\text{ACTUAL MONTHLY DATA AS OF 3/08}}{\text{ACTUAL MONTHLY DATA AS OF 3/07}} = 1/12$$

$$\frac{\text{3-MOS MOVING TOTAL (3MMT) AS OF 3/08}}{\text{3-MOS MOVING TOTAL (3MMT) AS OF 3/07}} = 3/12$$

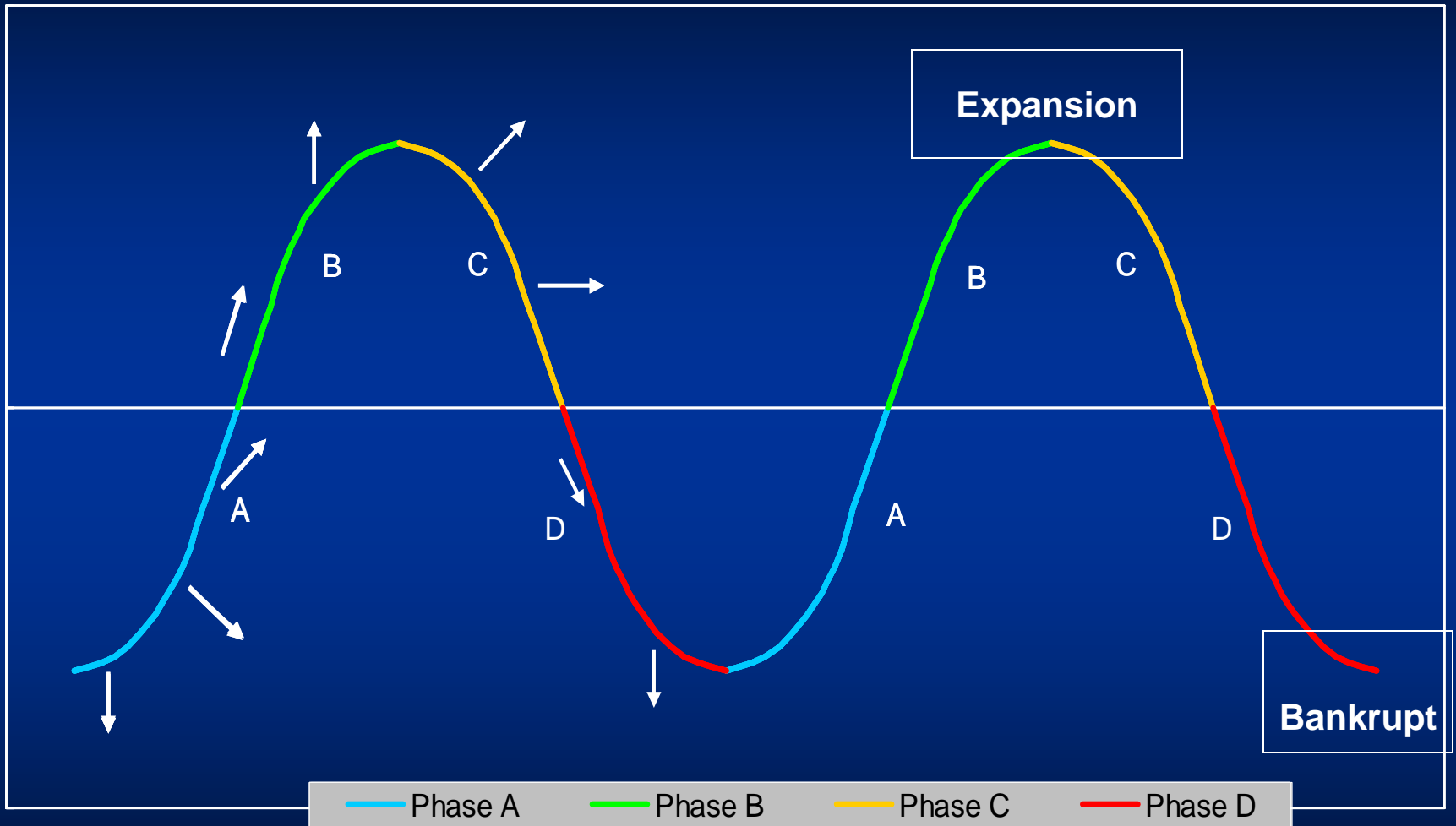
$$\frac{\text{ANNUAL MOVING TOTAL (12MMT) AS OF 3/08}}{\text{ANNUAL MOVING TOTAL (12MMT) AS OF 3/07}} = 12/12$$

# Company L to US Industrial Production

## 12/12 Rates-of-Change



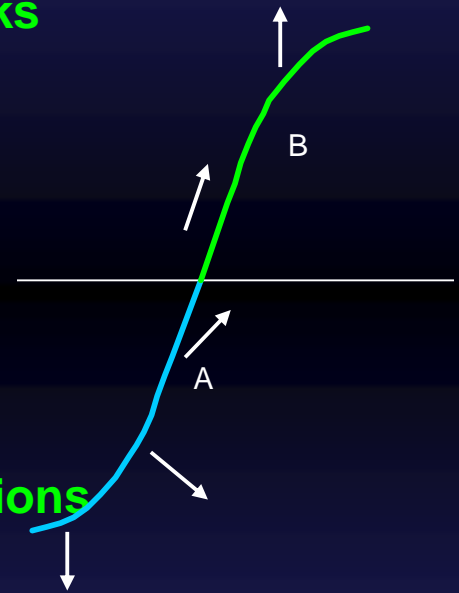
# Four Phases



# Phase Management Objectives™ :

## Phase Early B - Growth:

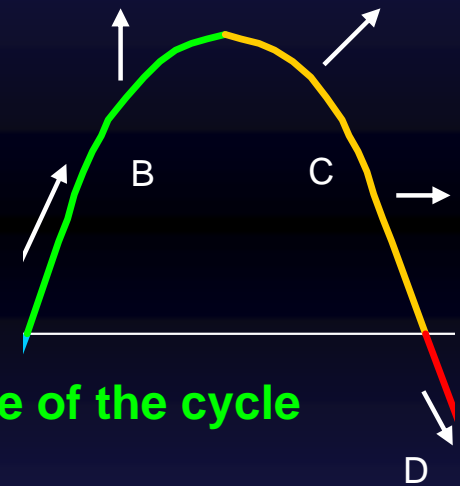
1. Accelerate training
2. Check the process flow for possible future bottlenecks
3. Continue to build inventory
4. Increase prices
5. Consider outside manufacturing sources if internal pressures becoming tight
6. Find the answer to “What next?”
7. Open distribution channels (your own or outsource)
8. Use improved cash flow to improve corporate operations
9. Use cash to create new competitive advantages
10. Watch your debt-to-equity ration and ROI
11. Maintain/pursue quality: don't let complacency set in



## Phase Management Objectives™ :

### Phase Late B Early C - Prosperity:

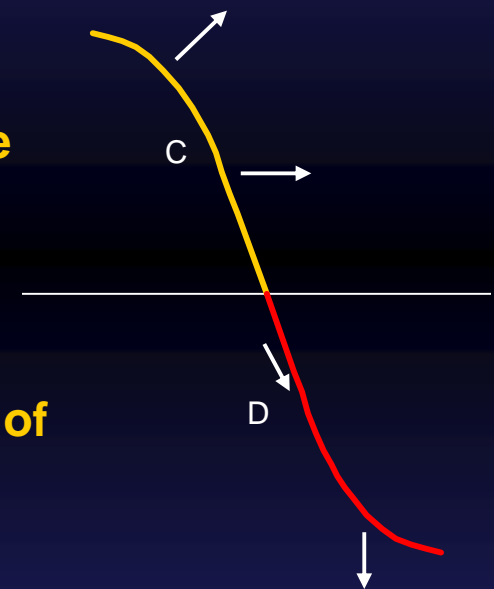
1. Stay in stock on A items, be careful with C items
2. Consider selling the business in a climate of maximum “goodwill”
3. Penetrate new selected accounts
4. Develop plan for lower activity in traditional, mature markets
5. Freeze expansion plans (unless related to “what is next”)
6. Spin off undesirable operations
7. Consider taking on subcontract work if the backside of the cycle looks recessionary
8. Stay realistic – beware of linear budgets
9. Begin missionary efforts into new markets
10. Communicate competitive advantages to maintain margins



# Phase Management Objectives™ :

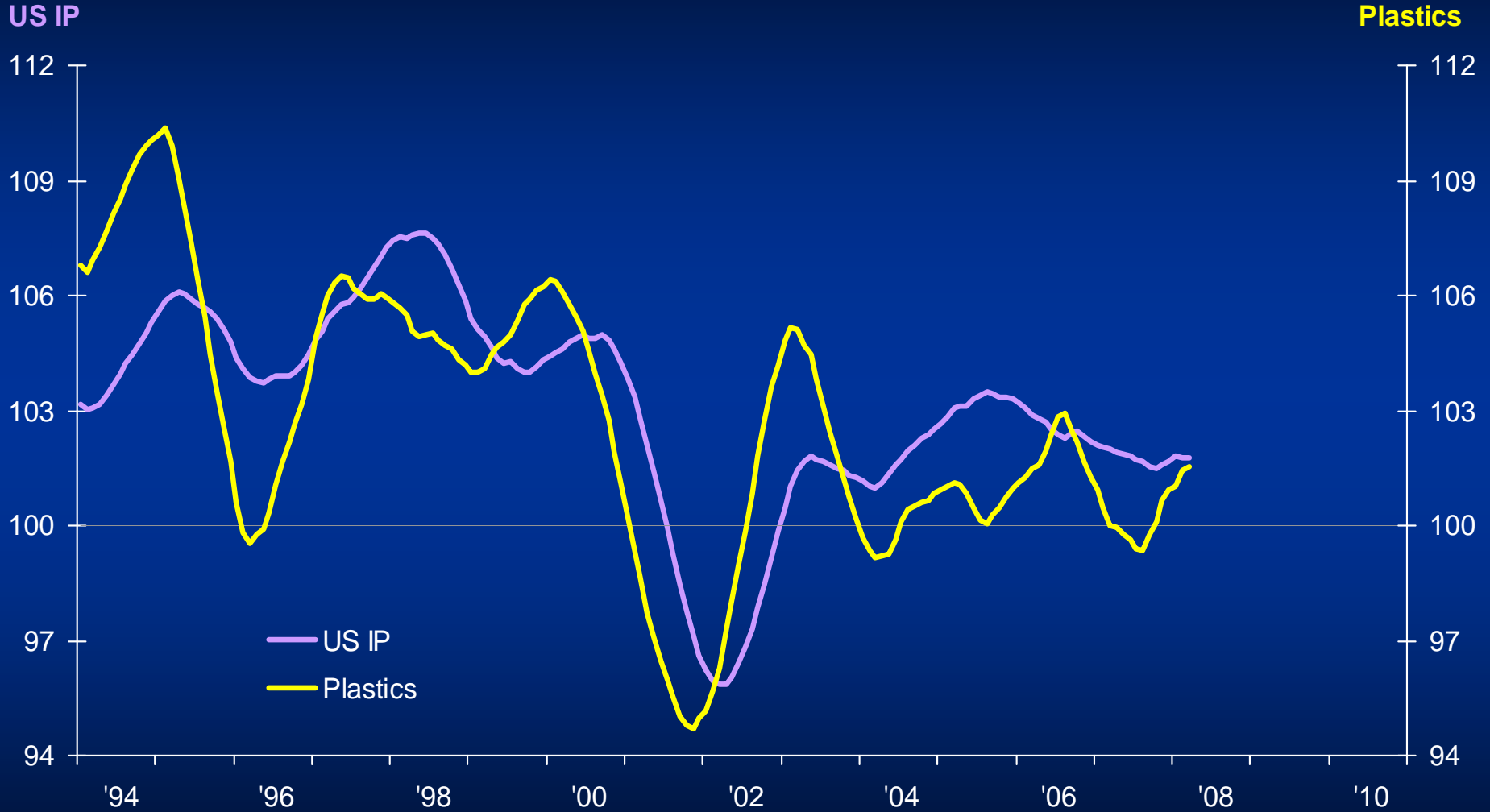
## Phase Late C - Warning:

1. Begin work force reductions
2. Set budget reduction goals by department
3. Avoid long-term purchase commitments late in the price cycle
4. Concentrate on cash and balance sheet
5. Reduce advertising & inventories
6. De-emphasize commodity/services in anticipation of diminishing margins
7. Weed out inferior products (loose the losers)
8. Encourage distributors to decrease inventory



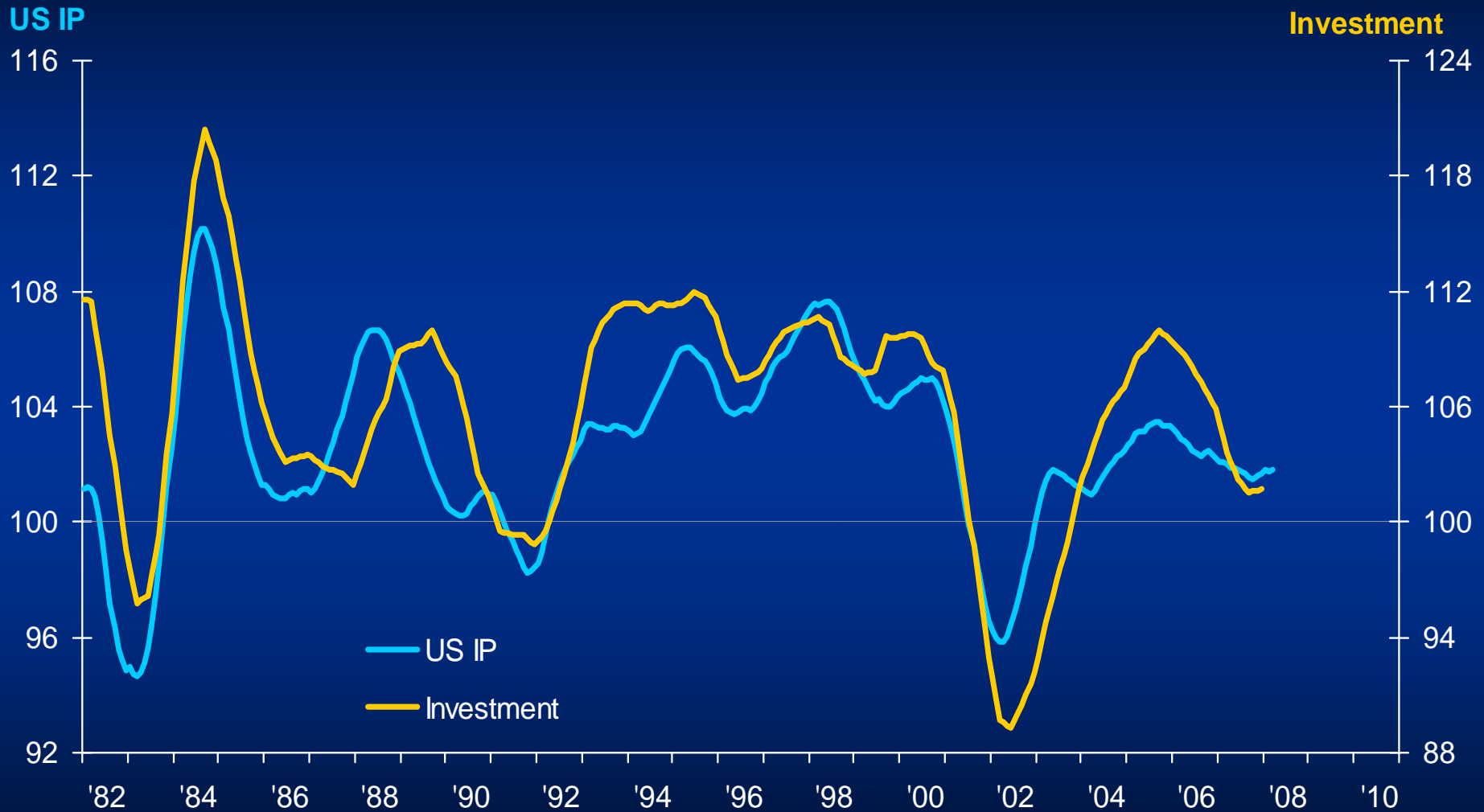
# US Industrial Production to Plastics Products Production

## 3/12 Rates-of-Change



# US Industrial Production to Equipment & Software Investment

## 12/12 Rates-of-Change



# Nondefense Capital Goods New Orders w/o Aircraft

Billions of \$

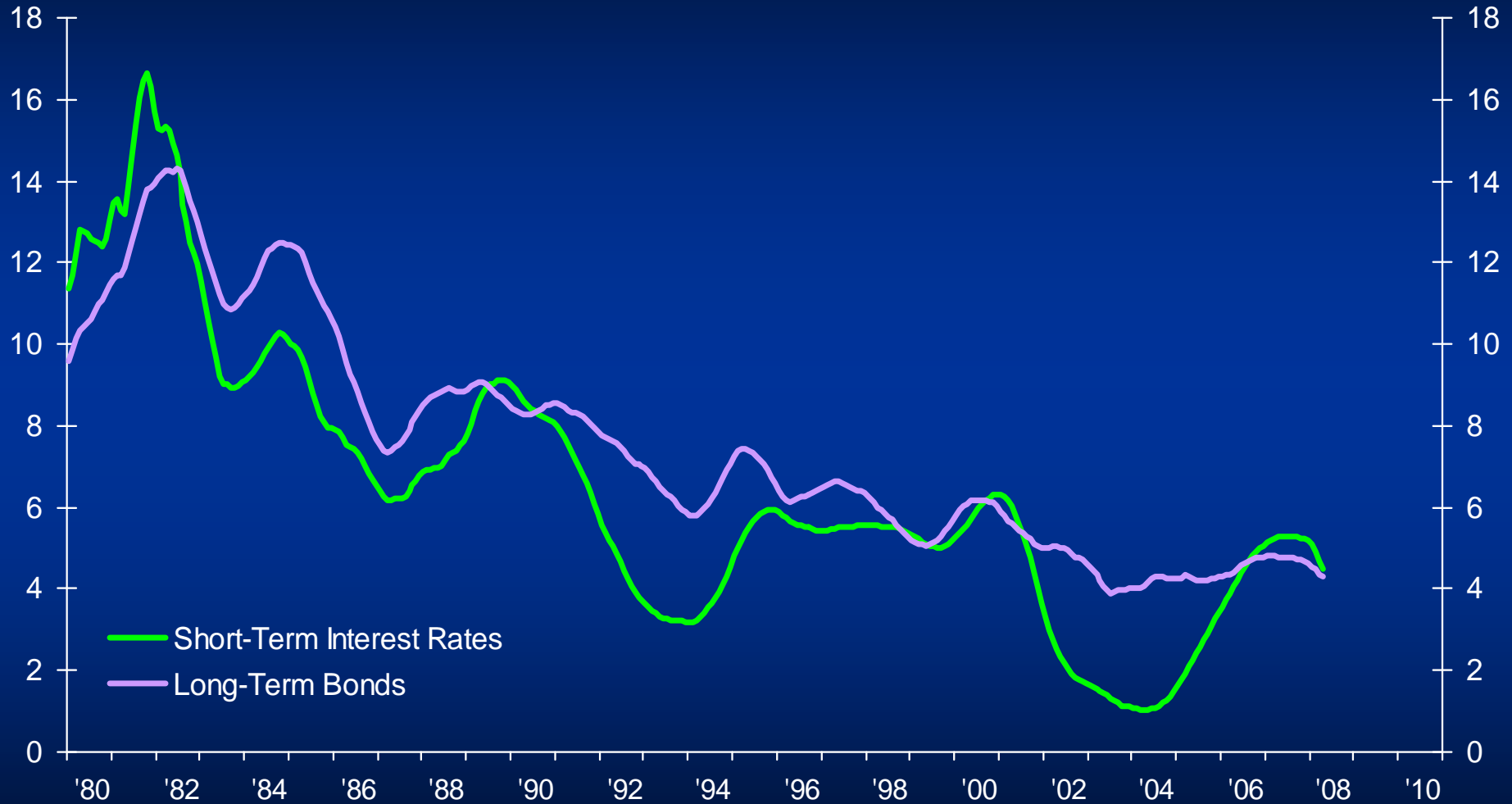


Source: ITR's EcoTrends<sup>®</sup>  
Monthly Economic Report

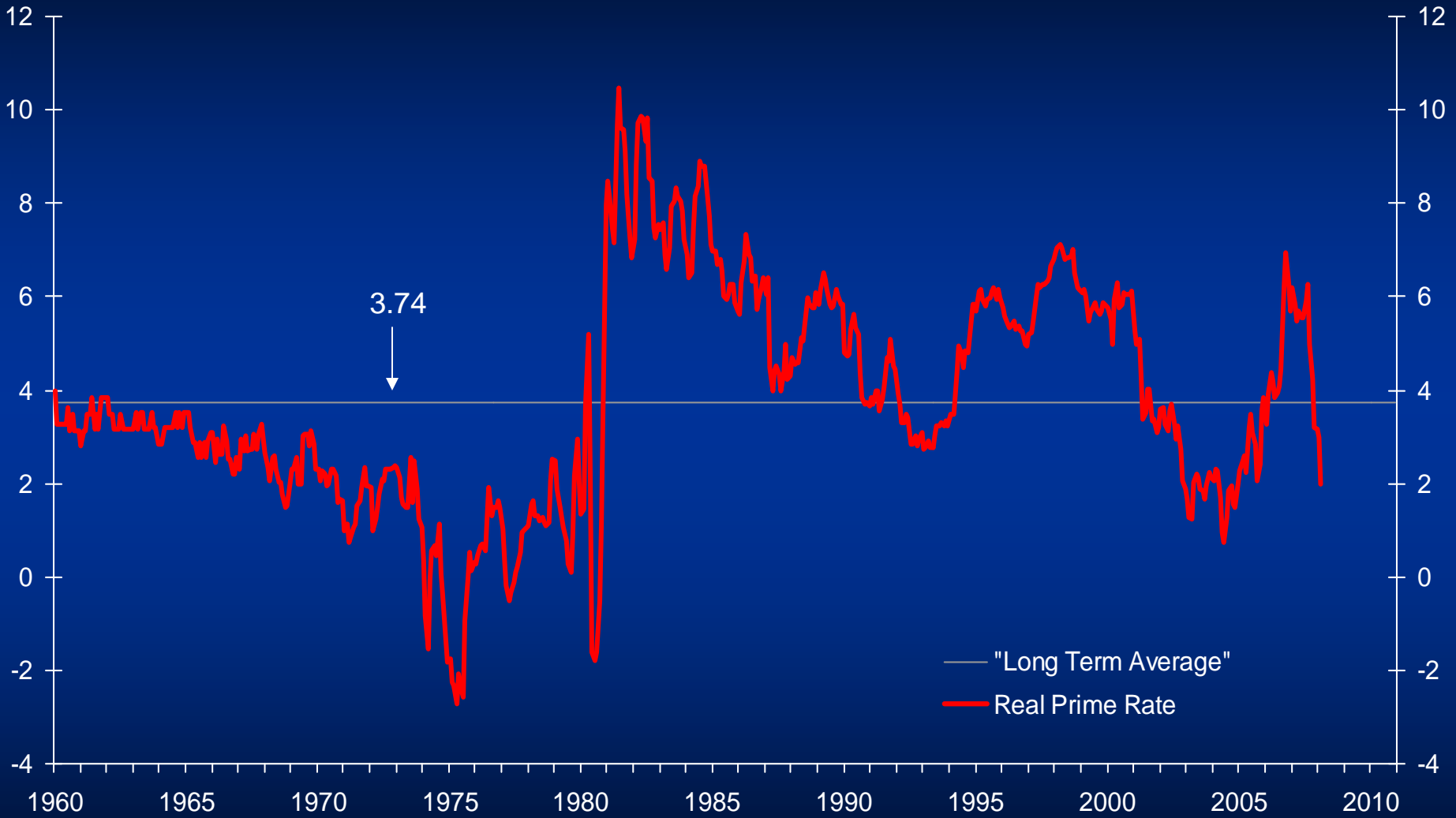


# Short-Term Interest Rates to US Gov't Long-Term Bond Yields

## Annual Data Trends



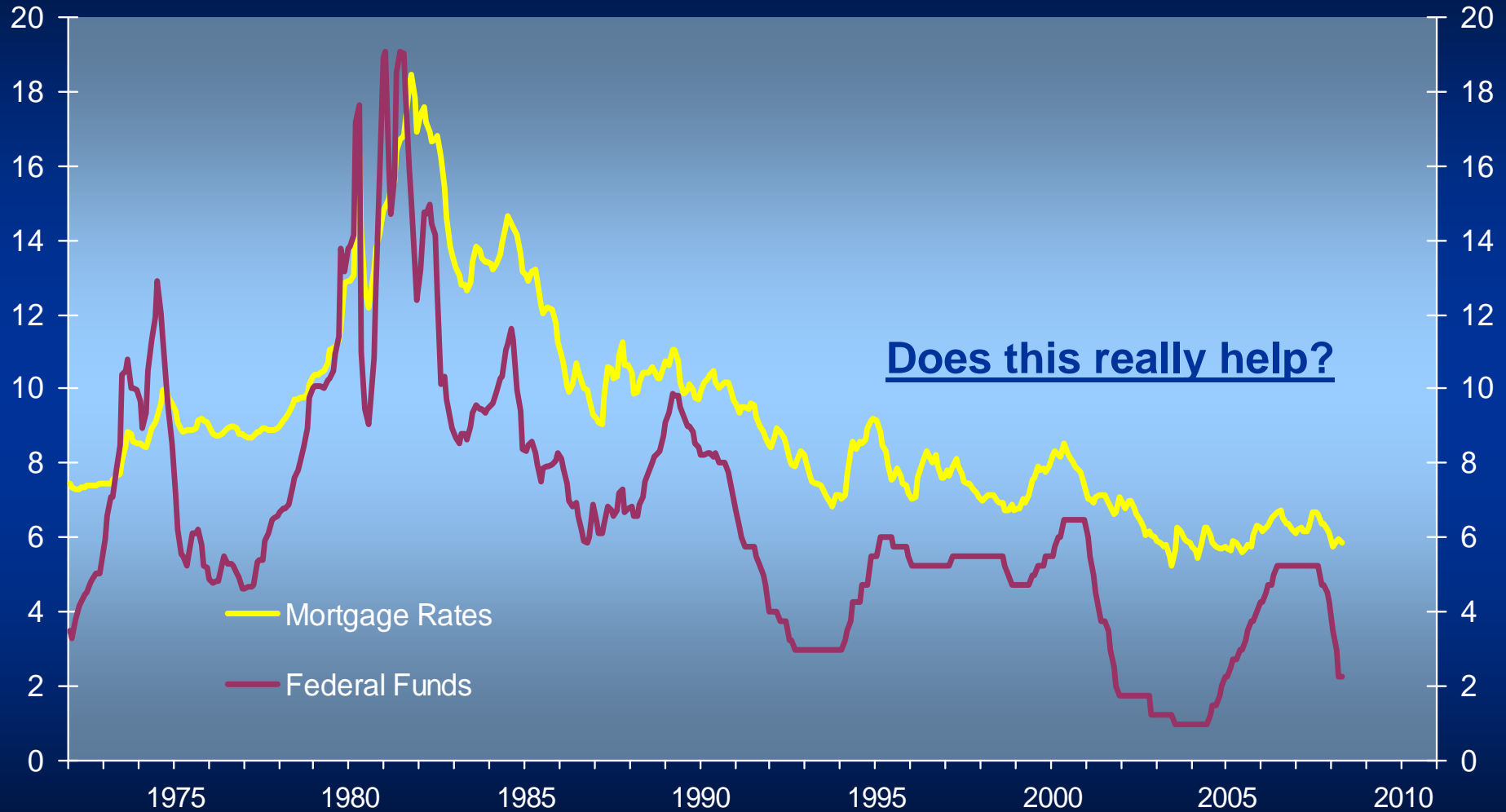
# Real Prime Rate (Adjusted for Inflation)



— "Long Term Average"  
— Real Prime Rate

# Mortgage Rates to Federal Funds

## Raw Data



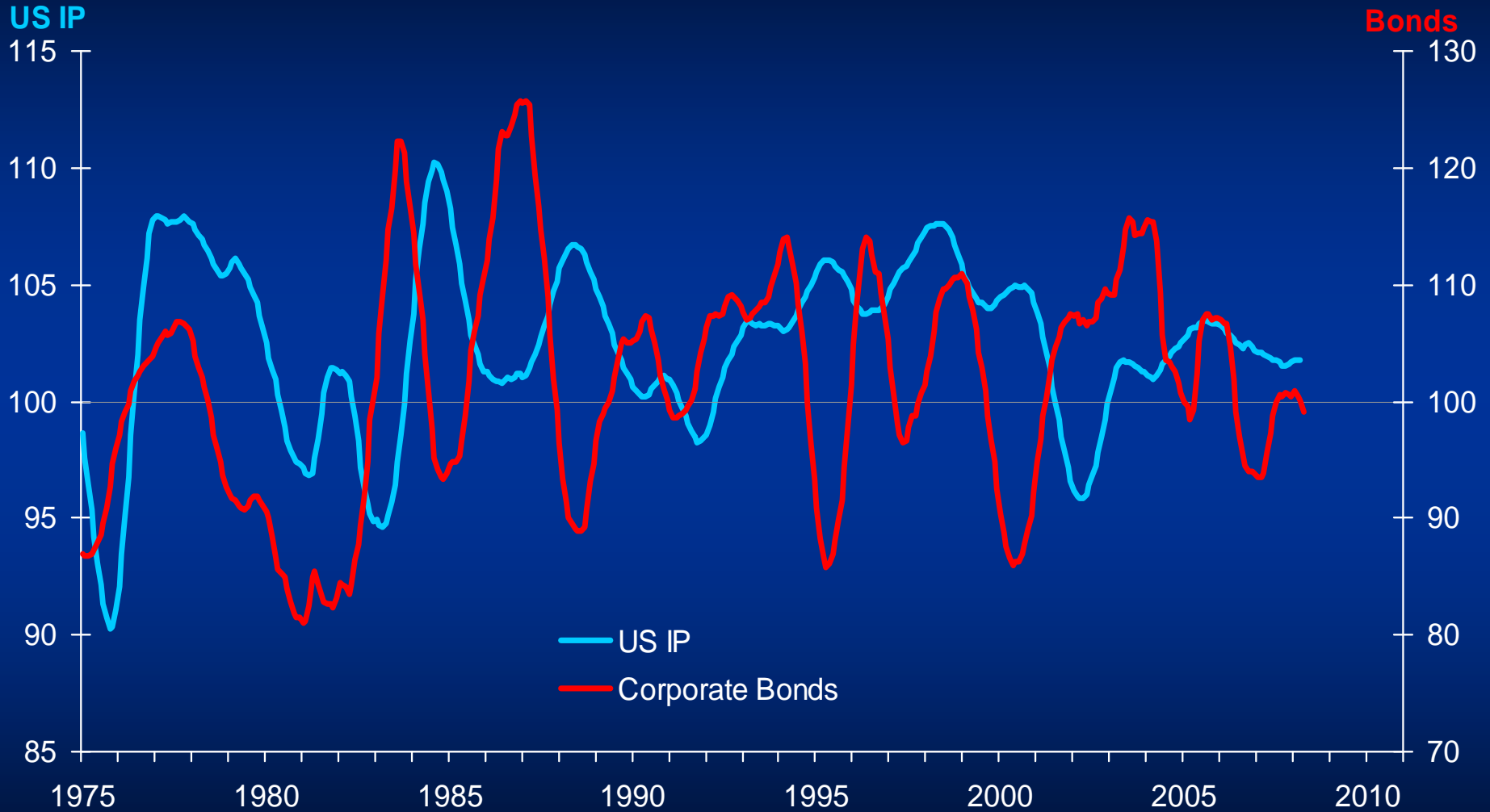
Does this really help?

— Mortgage Rates

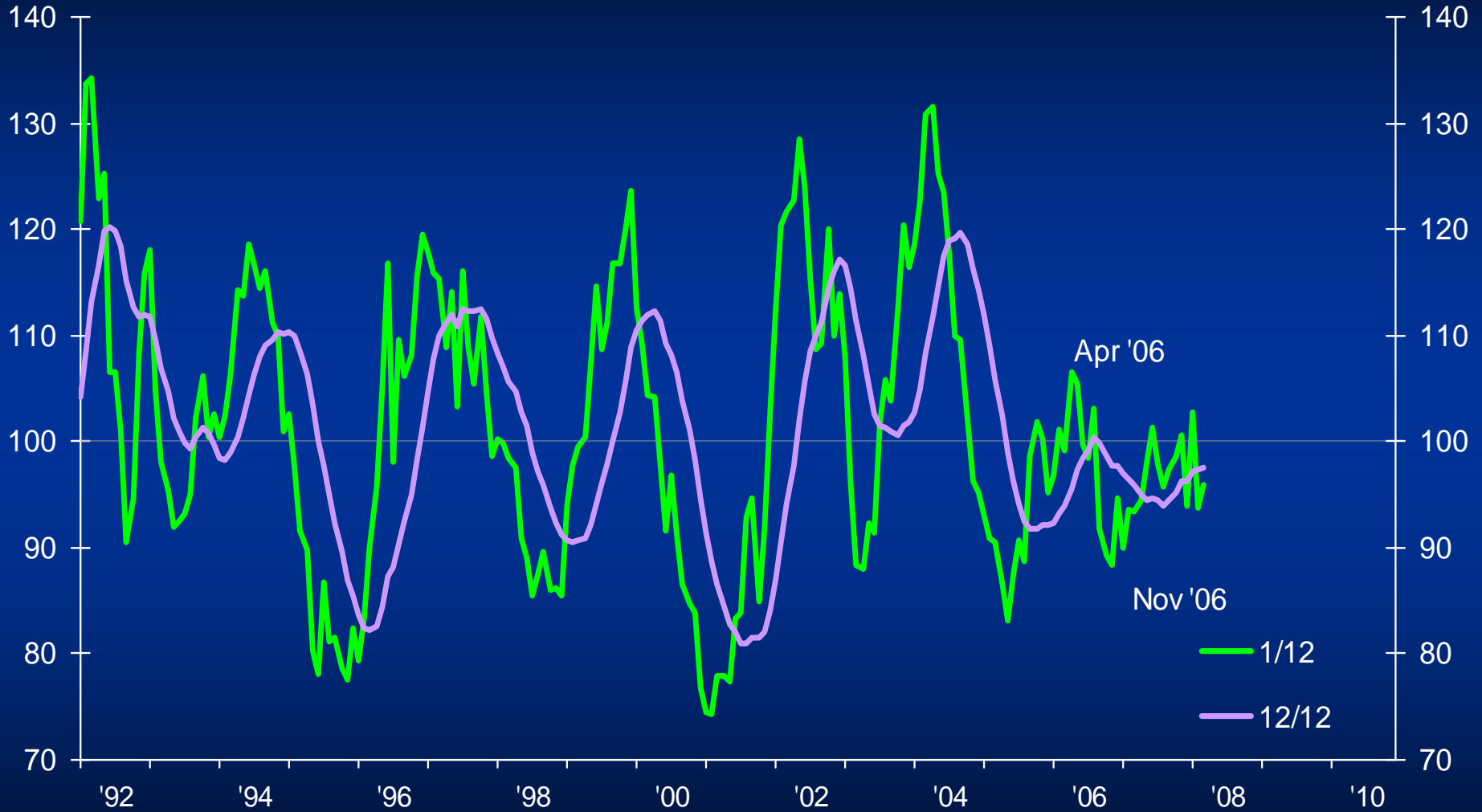
— Federal Funds

# US Industrial Production to Corporate Bond Prices

## 12/12 Rates-of-Change



# Purchasing Managers Index ISM

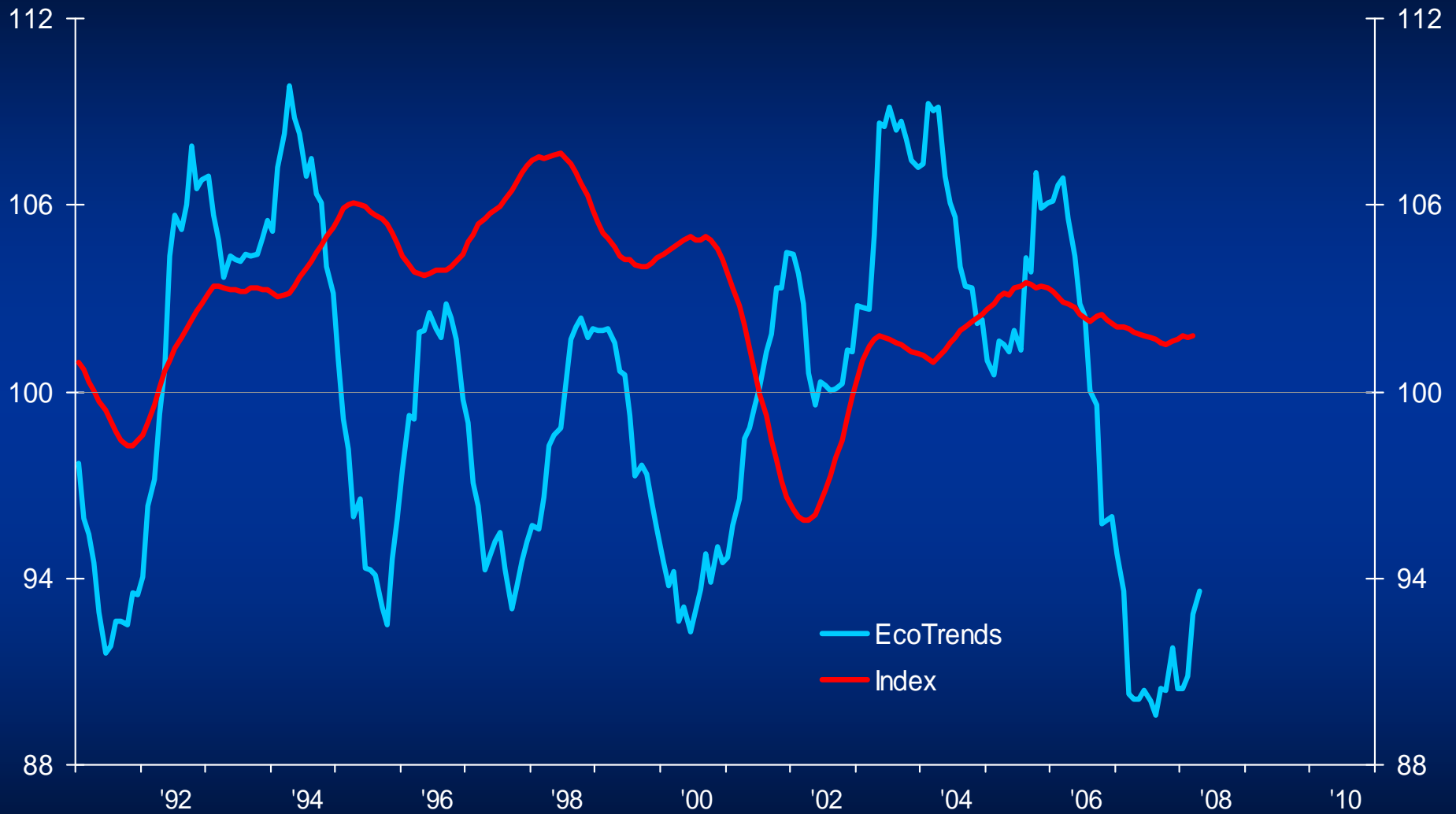


1/12  
12/12

Source: ITR's EcoTrends<sup>®</sup>  
Monthly Economic Report



# EcoTrends® Leading Indicator to US Industrial Production Index



— EcoTrends  
— Index

**Source: ITR's EcoTrends®**  
*Monthly Economic Report*



# Stock Prices Index

S&P 500, 1941 - 43 = 10



106.0

93.7

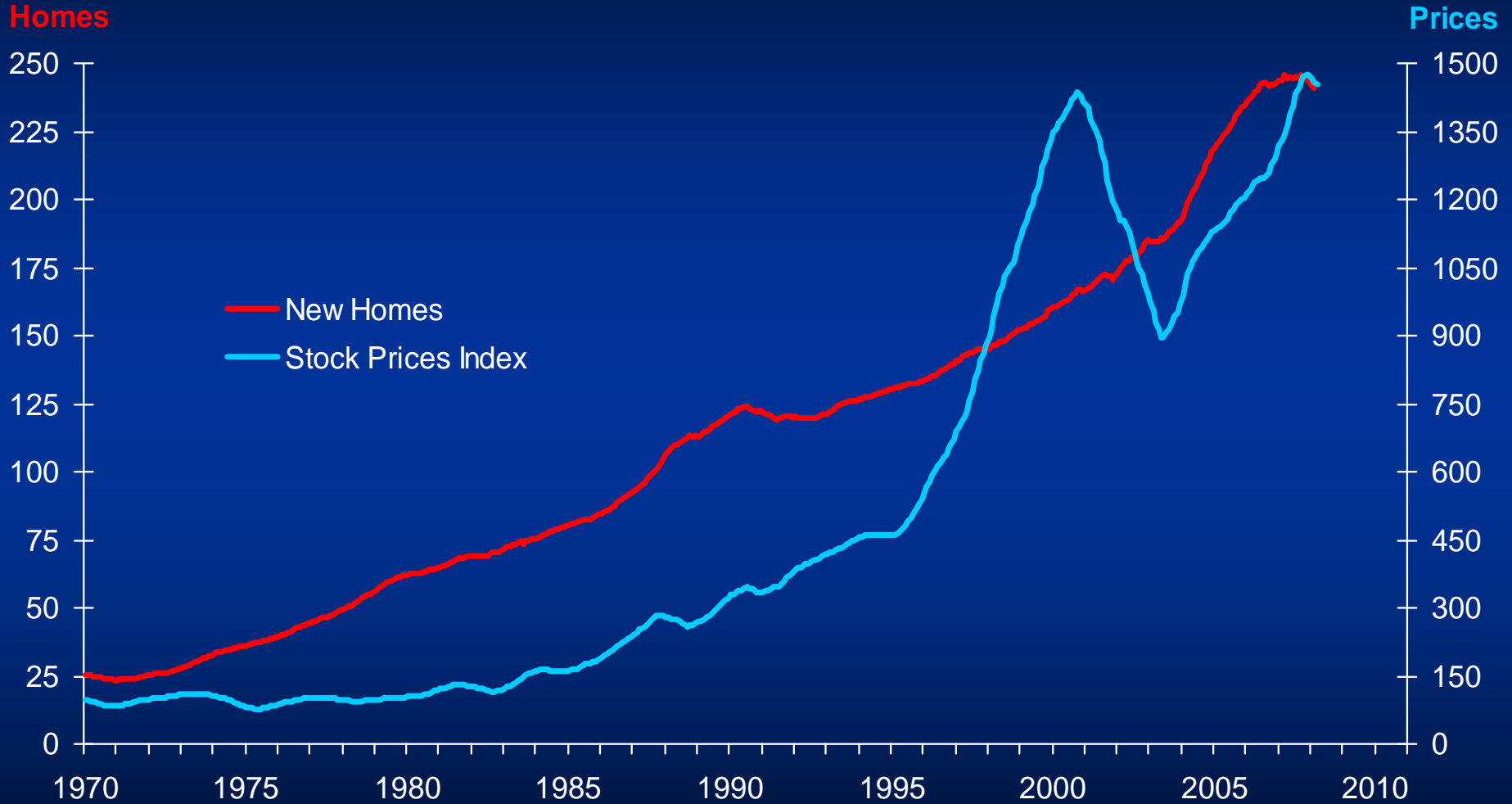
1444.958

Source: ITR's EcoTrends<sup>®</sup>  
Monthly Economic Report



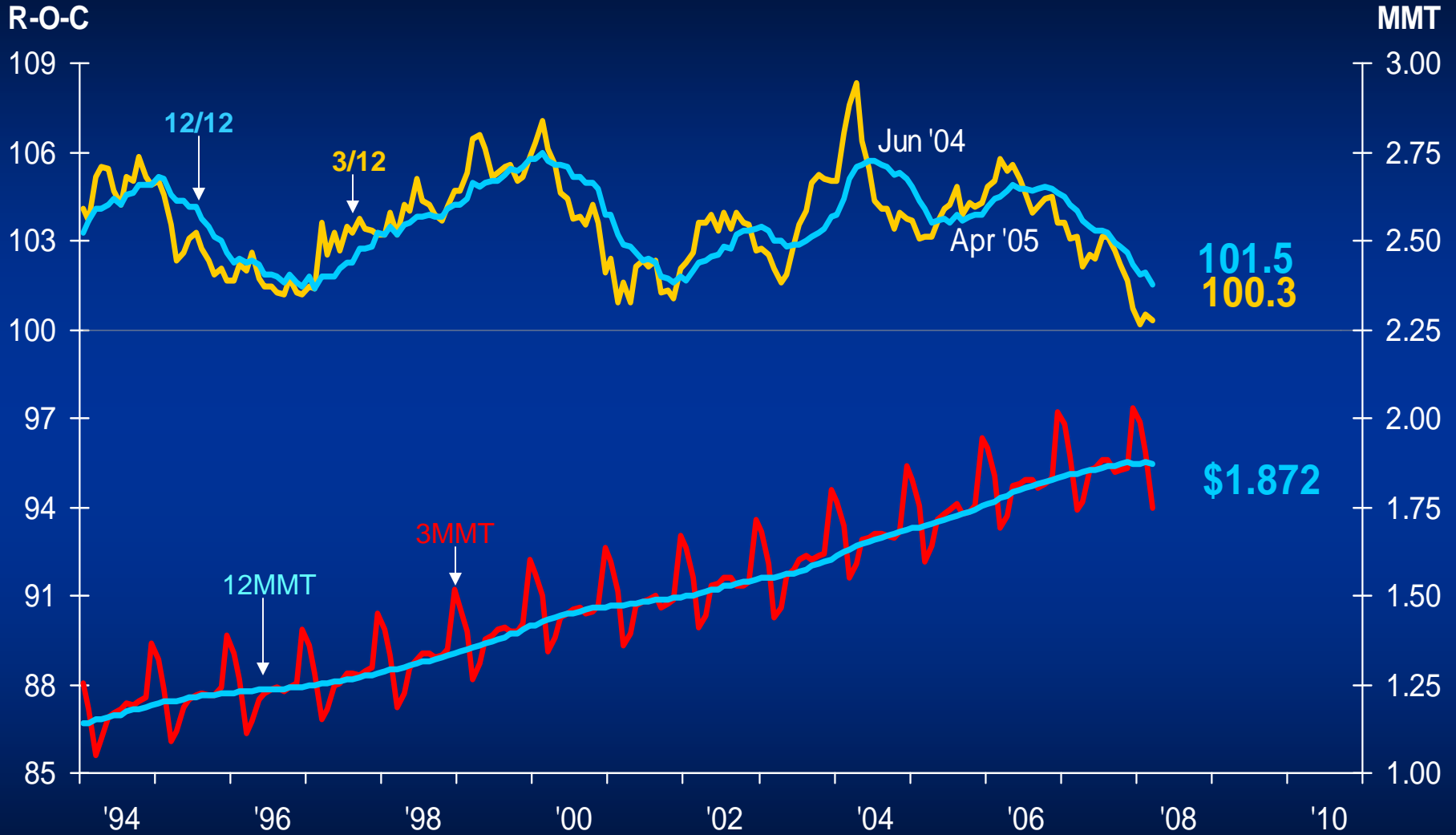
# New Homes Sales Median Price to Stock Prices Index

## Data Trends



# Retail Sales Excluding Automobiles

Trillions of 82-84\$



# Pet Food Expenditures to Retail Sales Excluding Autos

## 12/12 Rates-of-Change

Retail Sales

Food

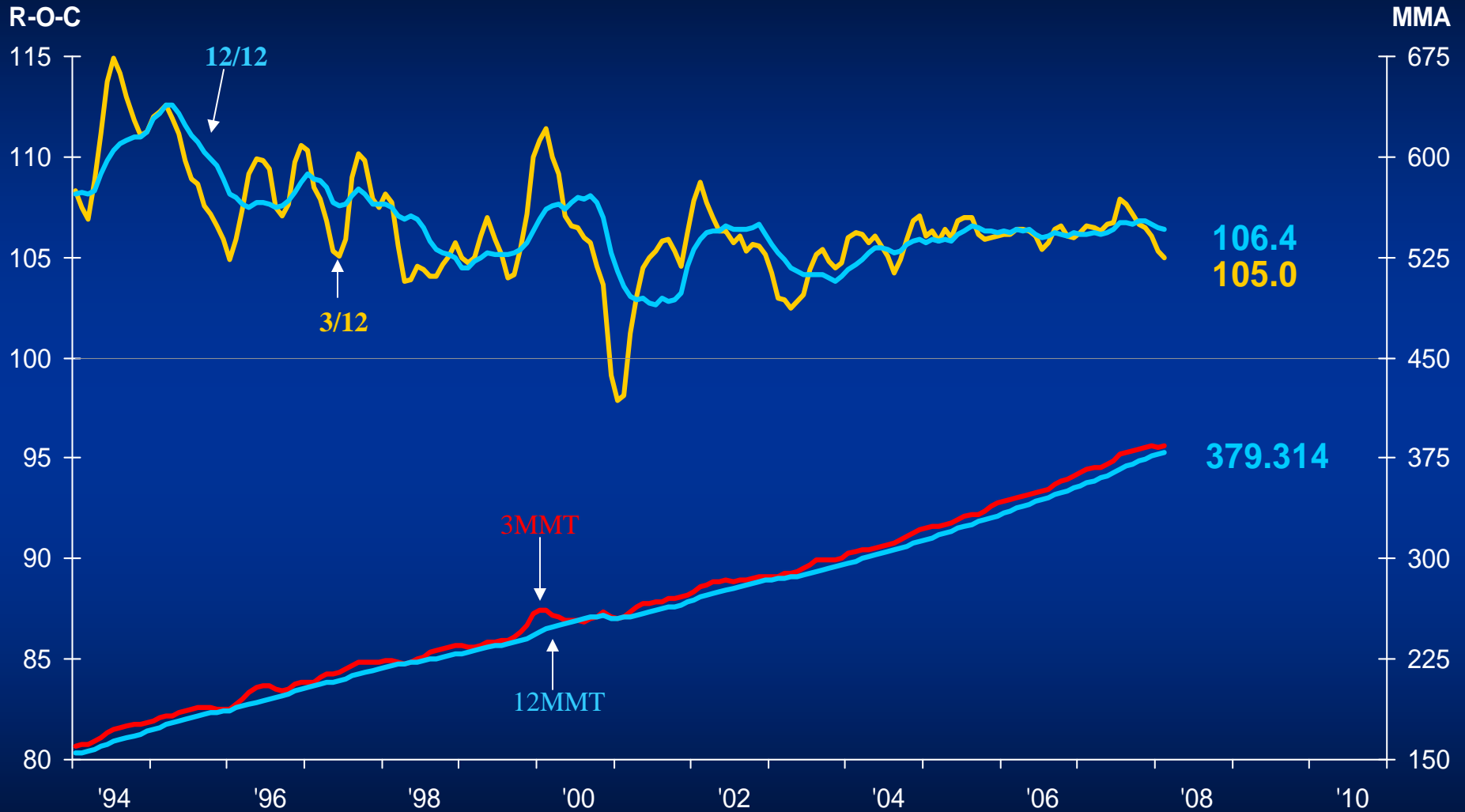


Retail Sales

Pet Food

# Pet Food Expenditures

Billions of \$

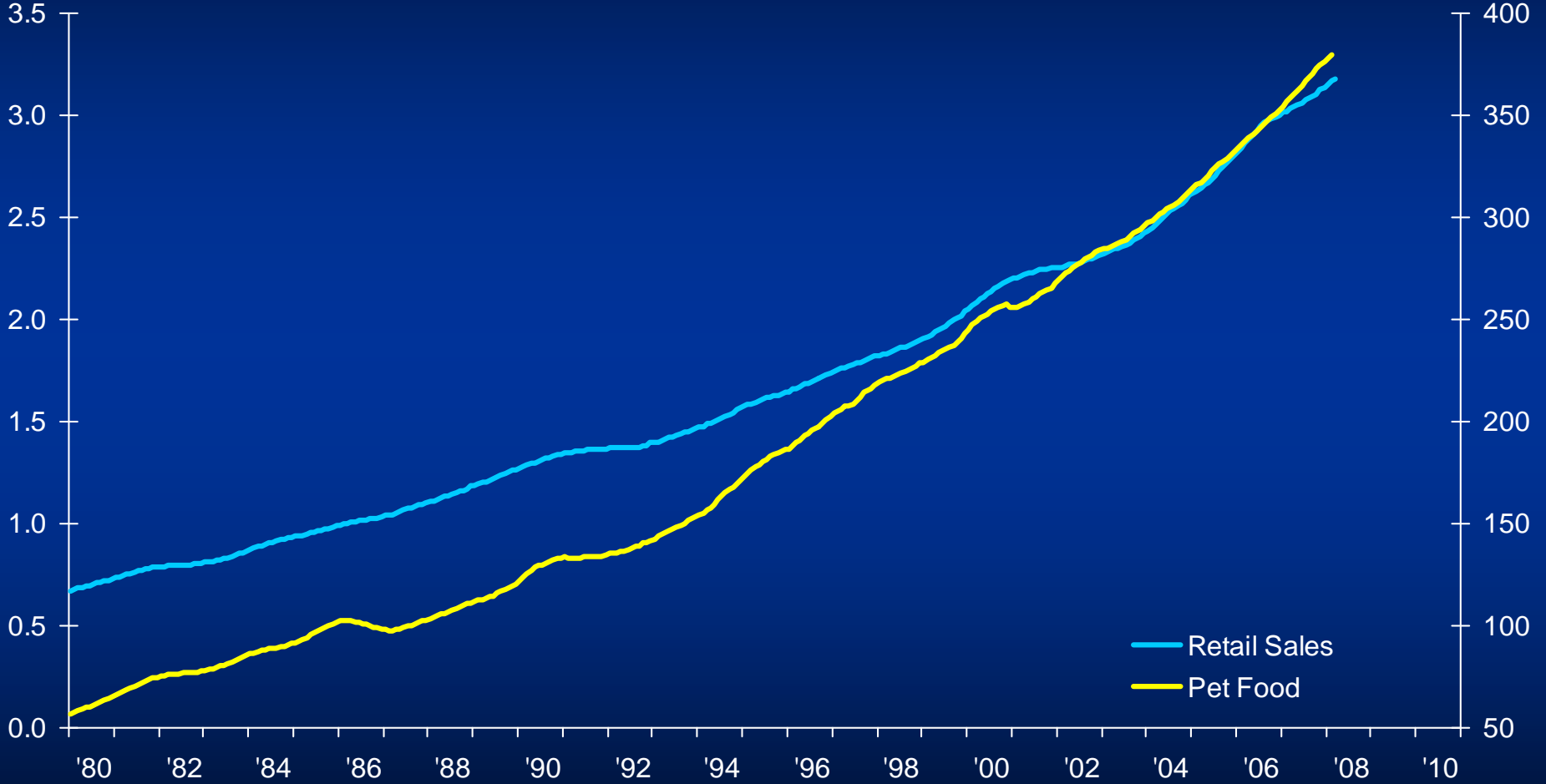


# Pet Food Expenditures to Retail Sales Excluding Autos

## Data Trends in Dollars

Retail Sales

Pet Food



— Retail Sales  
— Pet Food



# Pet Food Expenditures per Annum Exceed...

Pleasure craft

Bicycles

Cosmetics & Perfume

Stationary & School Supplies

Eye exams

Household insurance

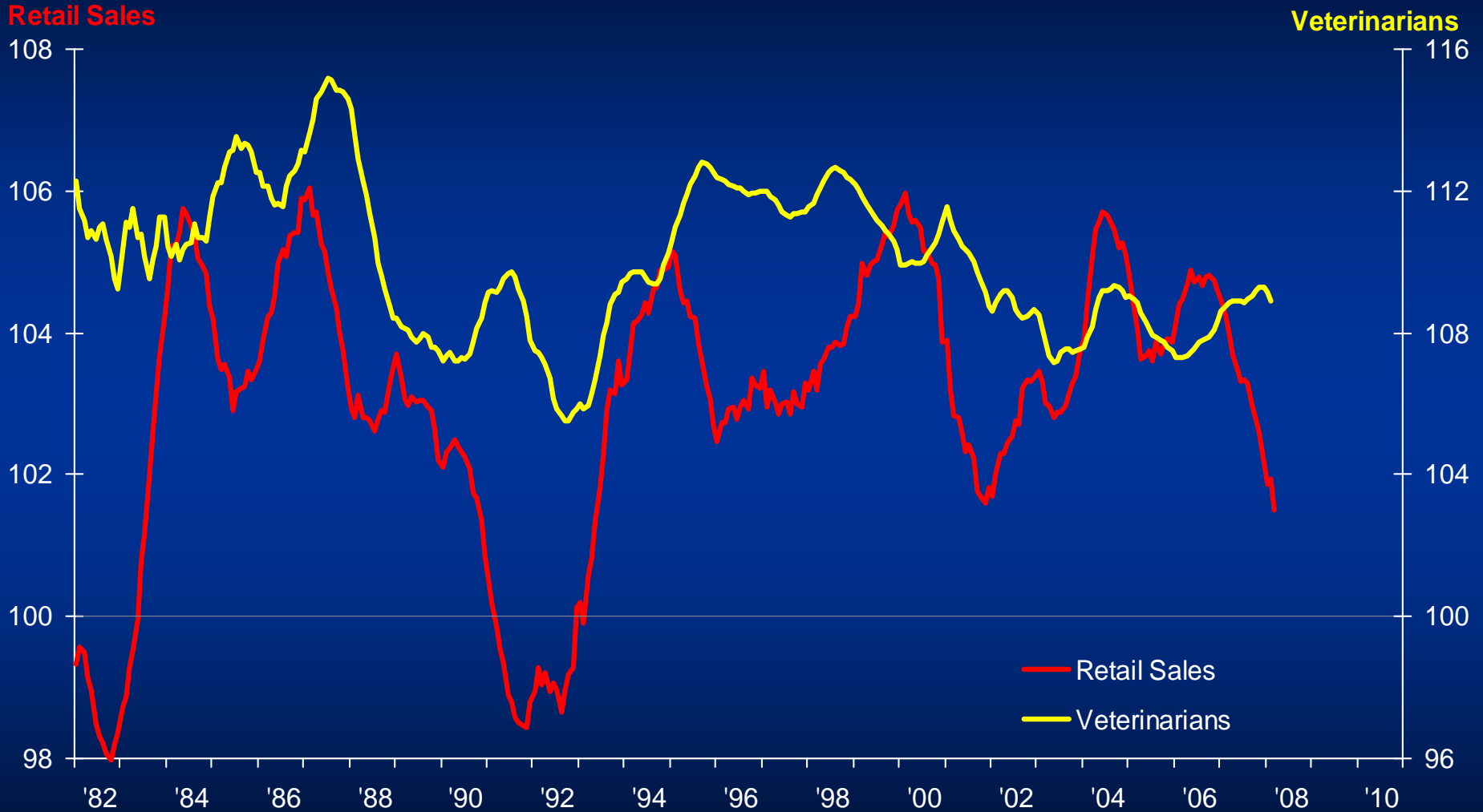
Funerals

Flowers, seeds and potted plants

Legit Theater & Opera

# Veterinarian Expenditures to Retail Sales excluding Autos

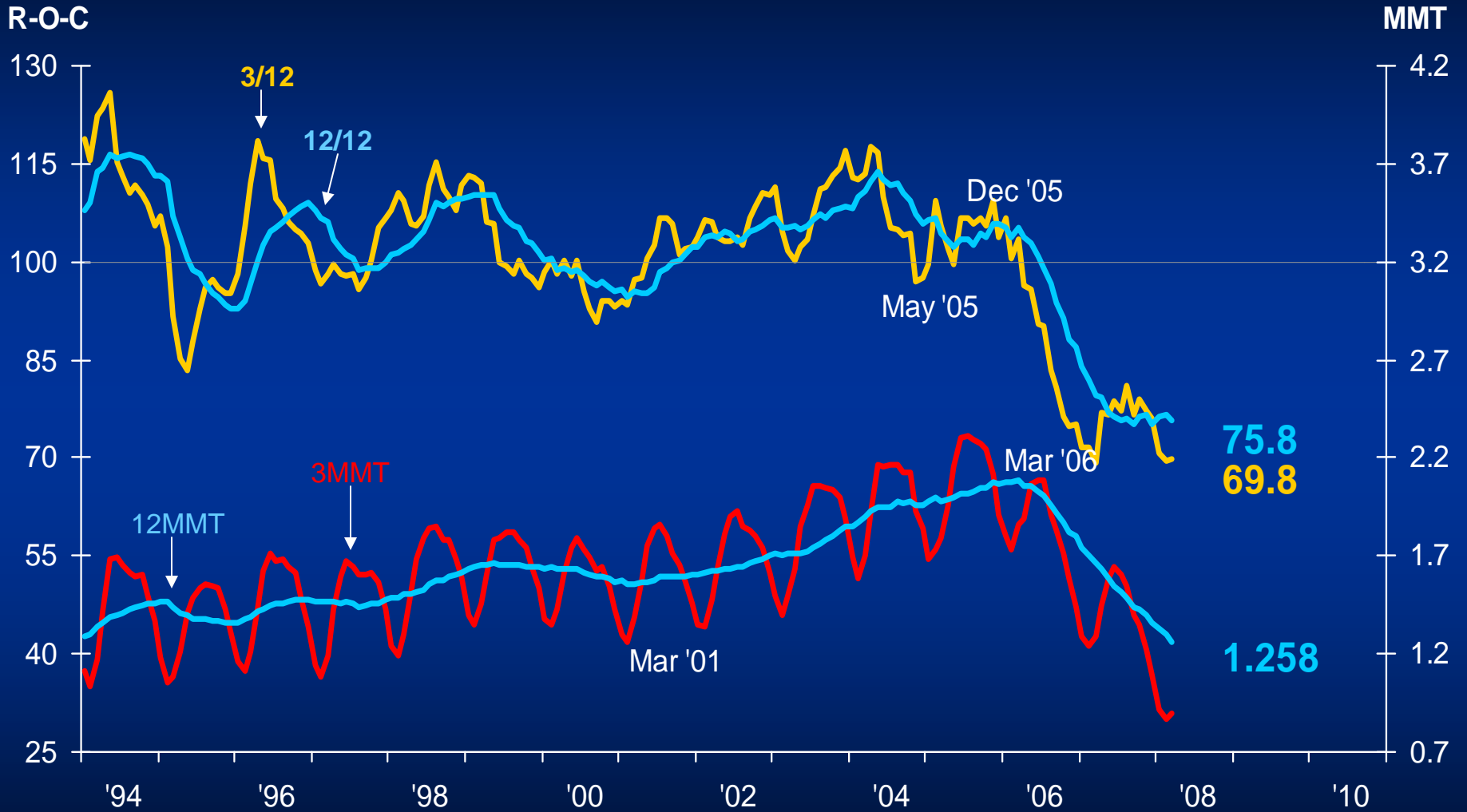
## 12/12 Rates-of-Change



— Retail Sales  
— Veterinarians

# Housing Starts

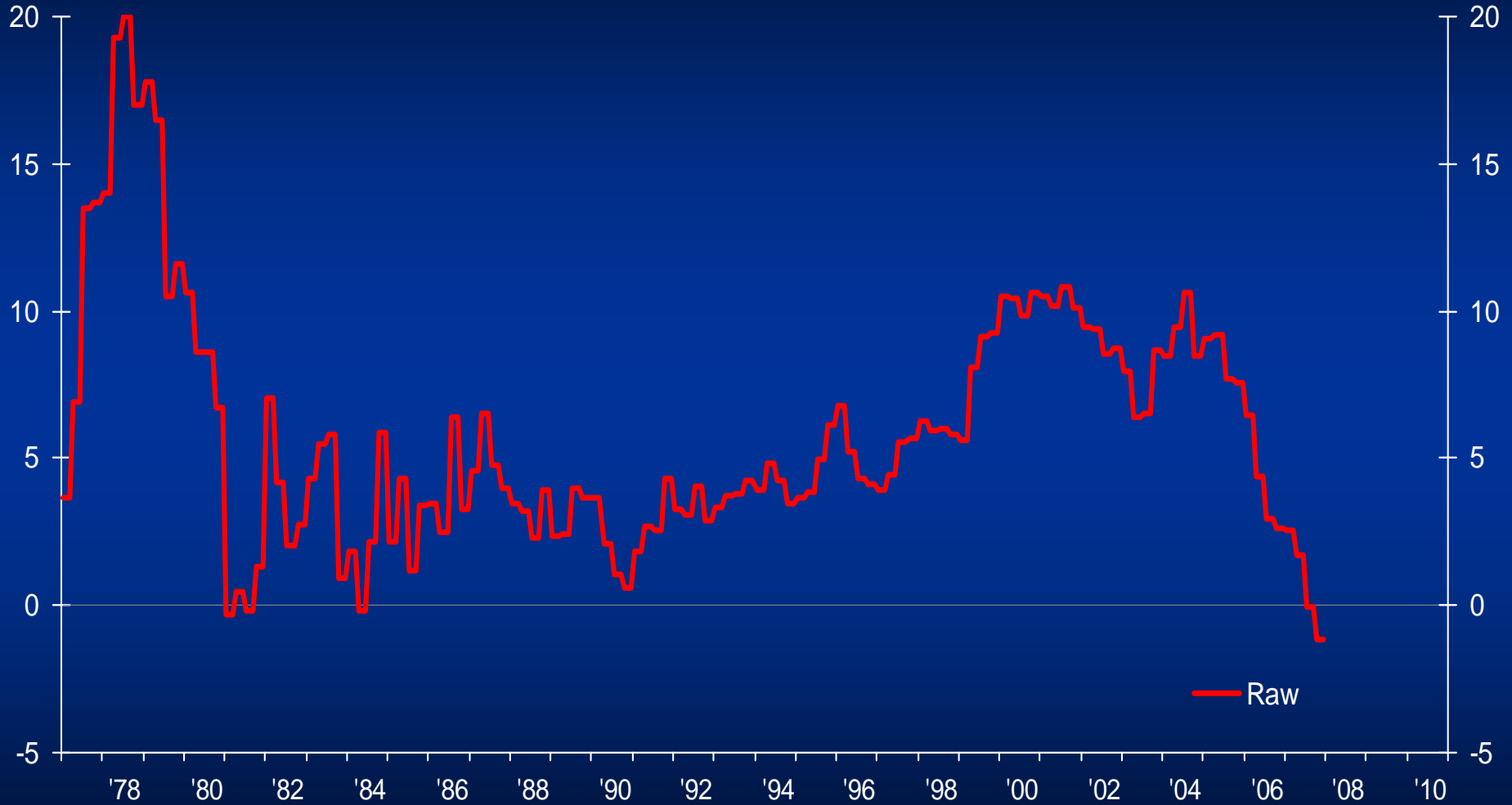
Millions of Units



Source: ITR's EcoTrends<sup>®</sup>  
Monthly Economic Report



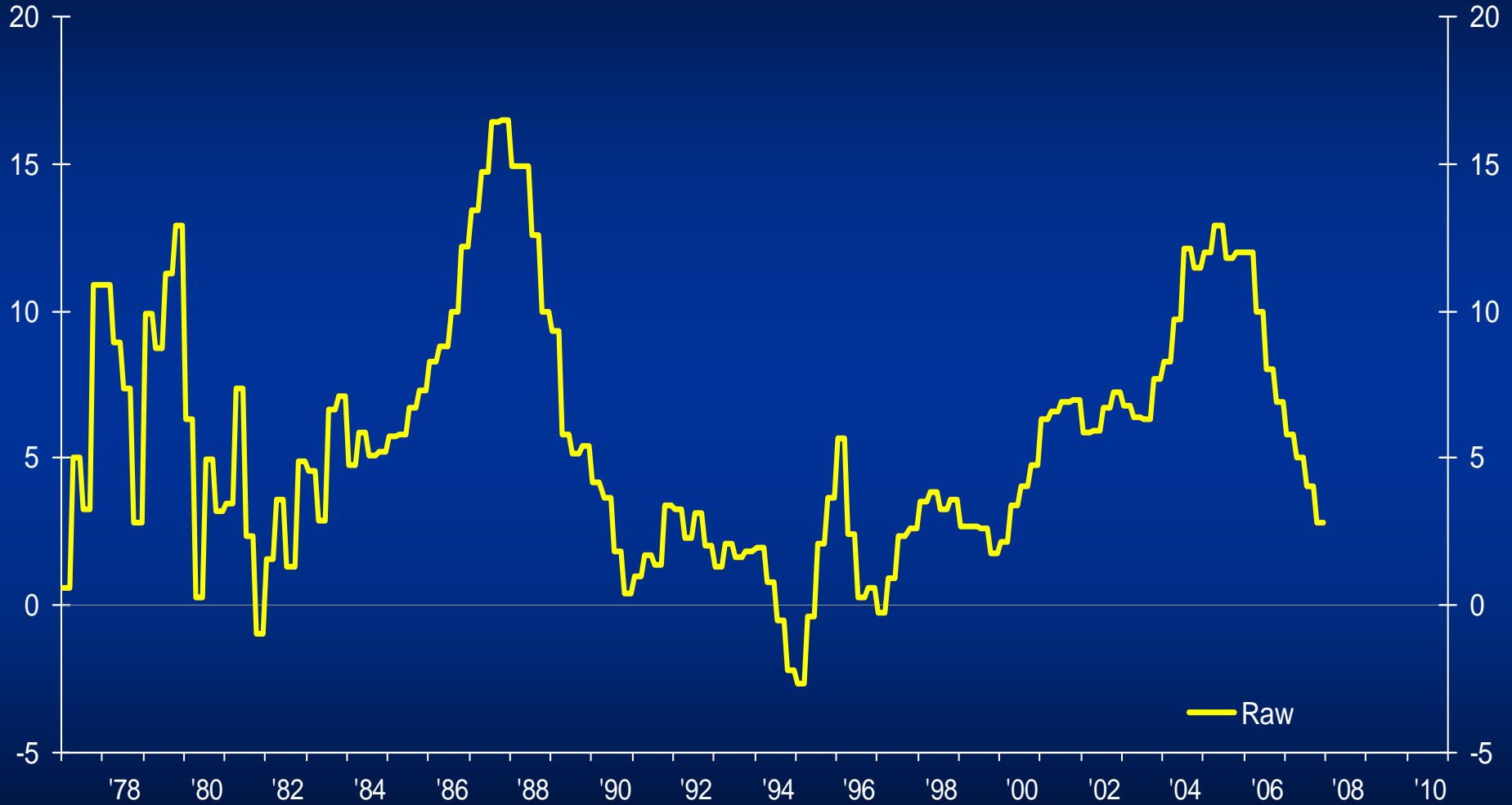
# Minnesota Housing Price Index Year over Year % Change



Raw

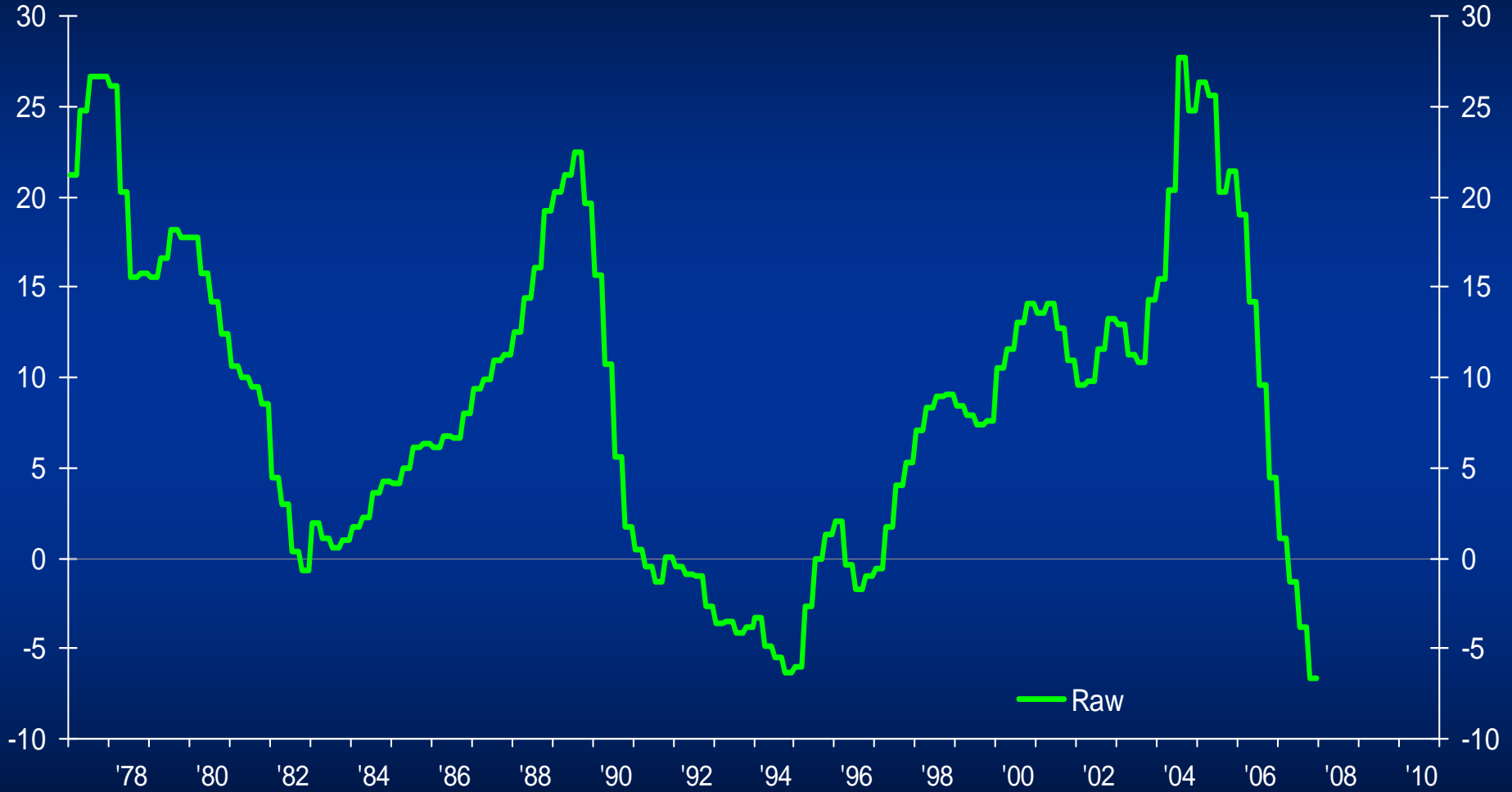


# Pennsylvania Housing Price Index Year over Year % Change



Raw

# California Housing Price Index Year over Year % Change



Raw

# Florida Housing Price Index Year over Year % Change



Raw



# Michigan Housing Price Index

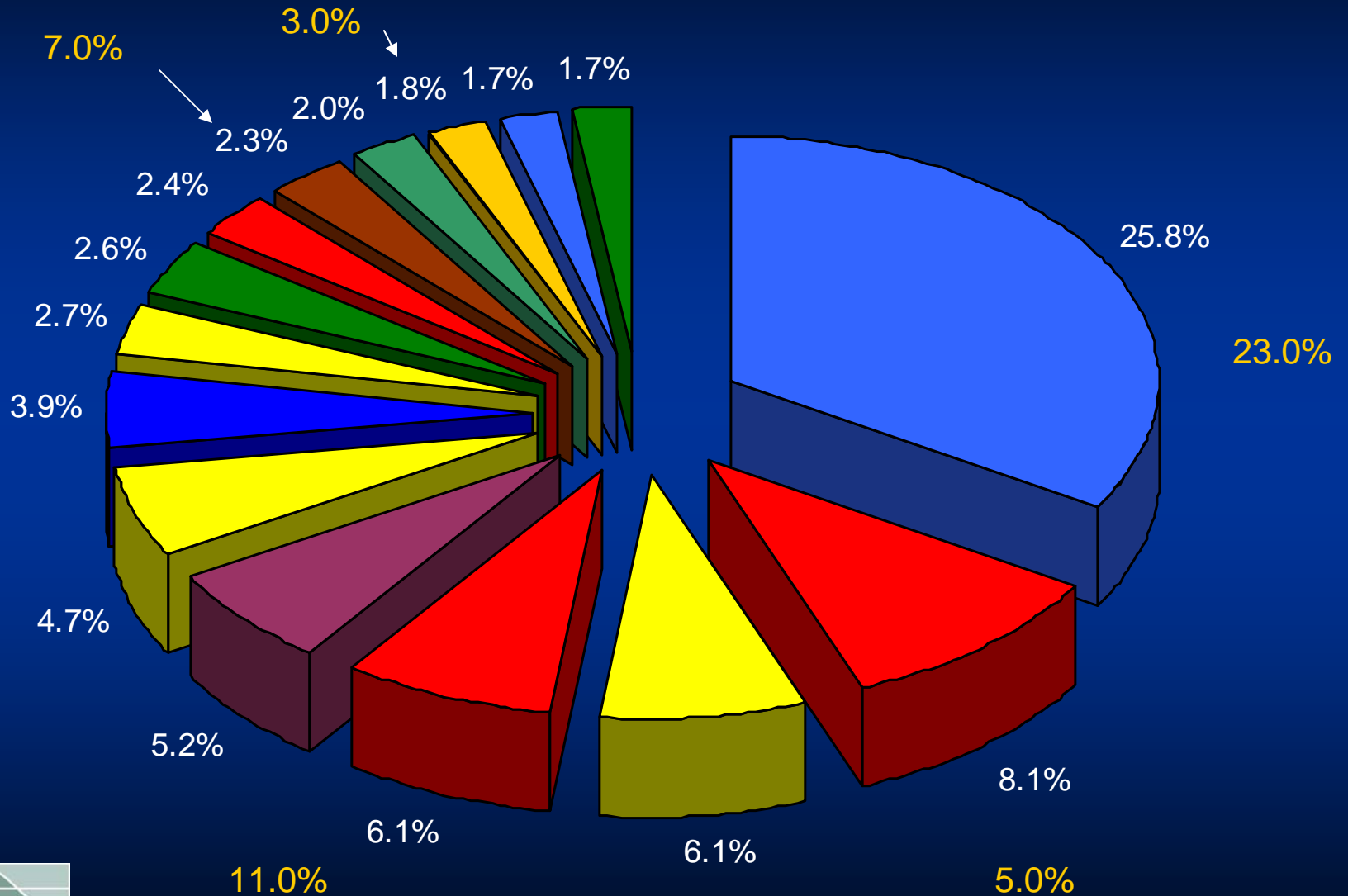
## Year over Year % Change



Raw

# GDP, Bils of US \$, Current Prices

Percent of World GDP



***“I find the great thing in this world is not so much where we stand, as in what direction we are moving -- we must sail sometimes with the wind and sometimes against it -- but we must sail, and not drift, nor lie at anchor.”***

Oliver Wendell Holmes