

Rowntree Enterprises Inc.

“The Future is Your Decision”

Presented by

ITR[®]

Brian Beaulieu

November 2011

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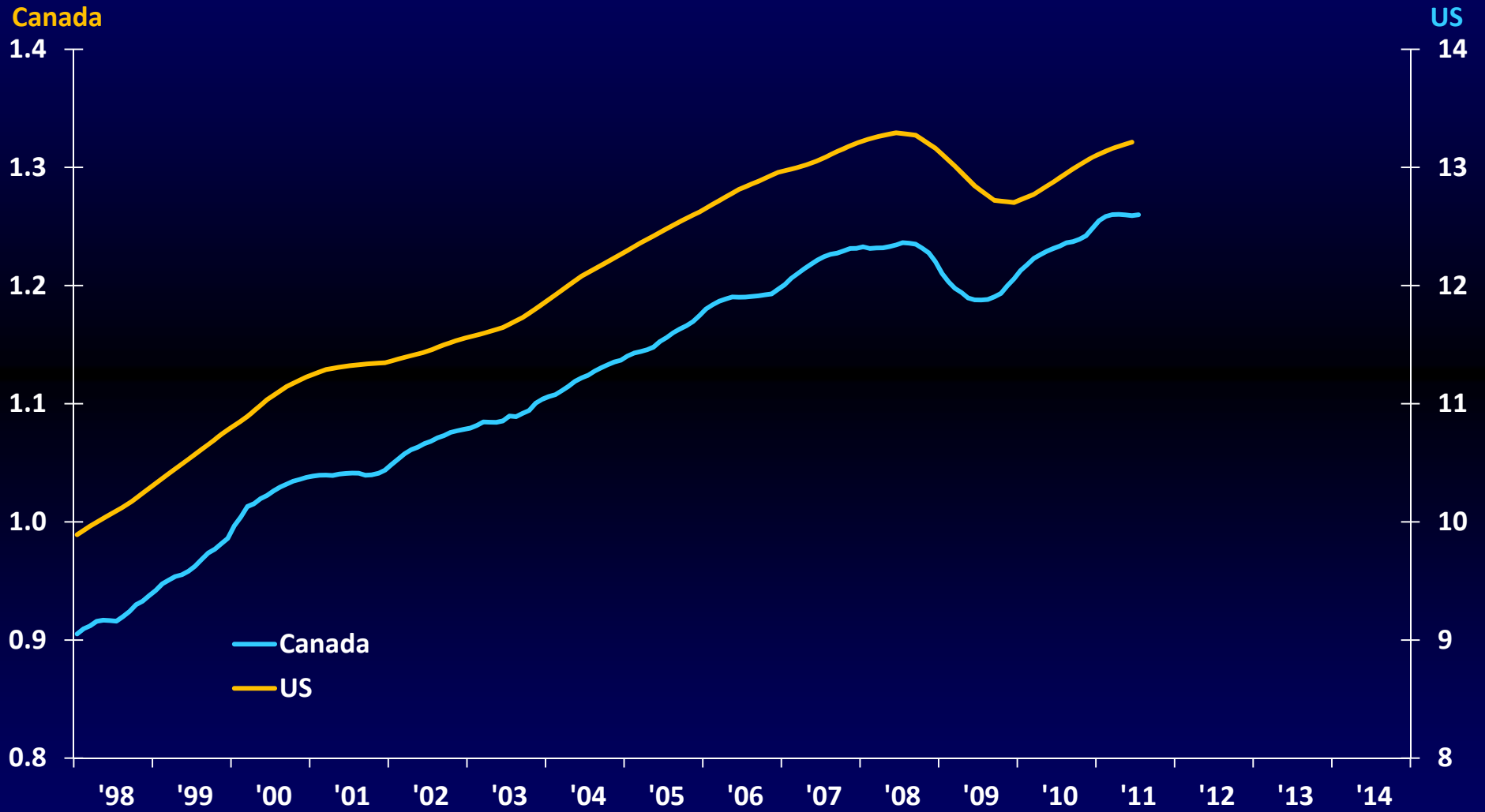
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The U.S. economy remains almost comatose. The current slump already ranks as the longest period of sustained weakness since the Great Depression. Once-in-a-lifetime dislocations will take years to work out.

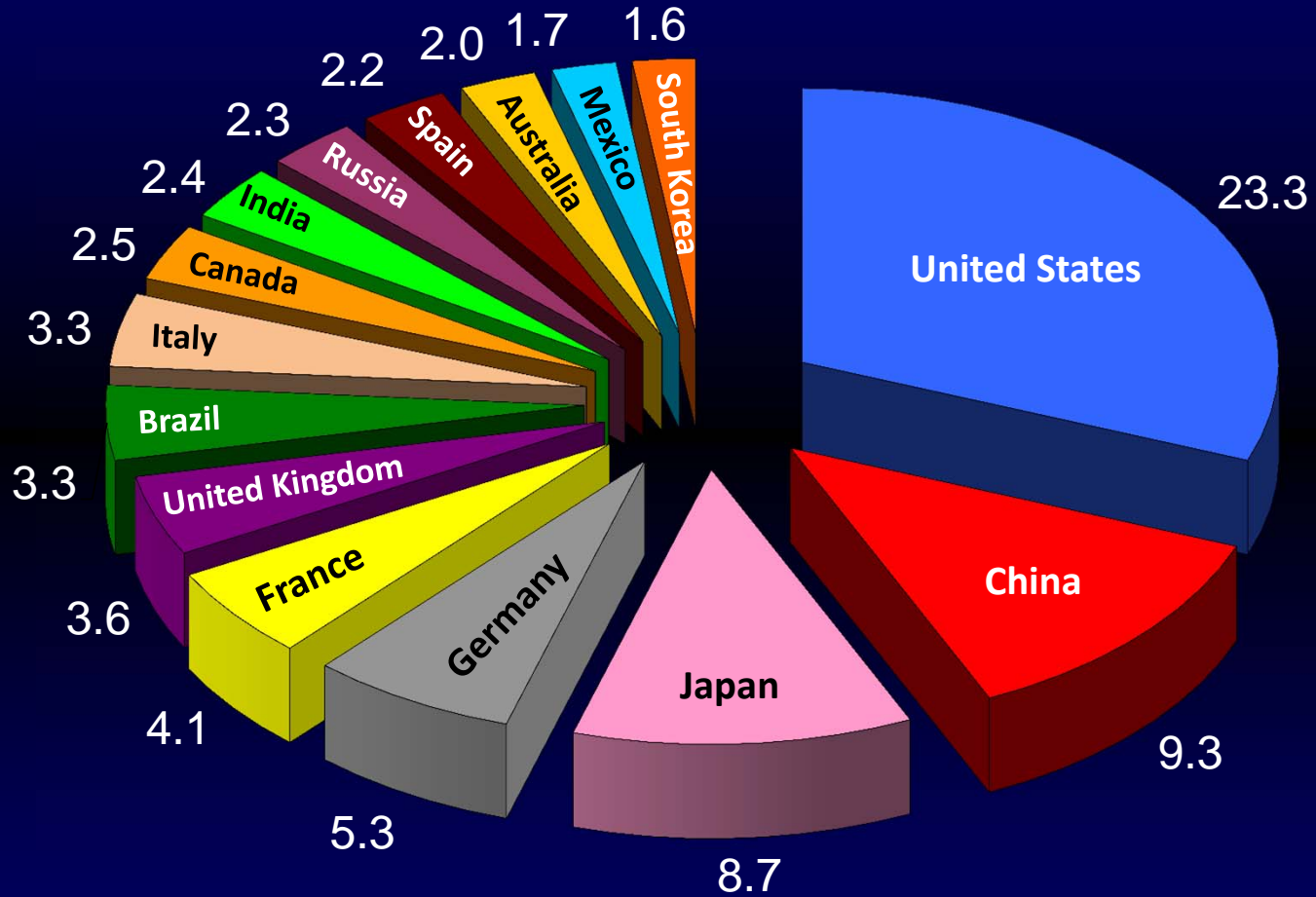
Among them: the job drought, the debt hangover, the defense-industry contraction, the banking collapse, the real estate depression, the health-care cost explosion and the runaway federal deficit.

TIME

US GDP to Canada GDP 3MMA Trillions of Constant \$



World GDP, Bils of US \$, Current Prices Percent of World GDP



US/Canada Recovery

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

Recession in 2012

- Europe's financial troubles *might...*
- China's housing/inflation bubble *could...*
- Oil prices *could* break through \$120 ...
- USD *could* lose all credibility causing...
- Unemployment remains high...
- Construction activity problematic...

Example: Revenue 12MMT

Monthly

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

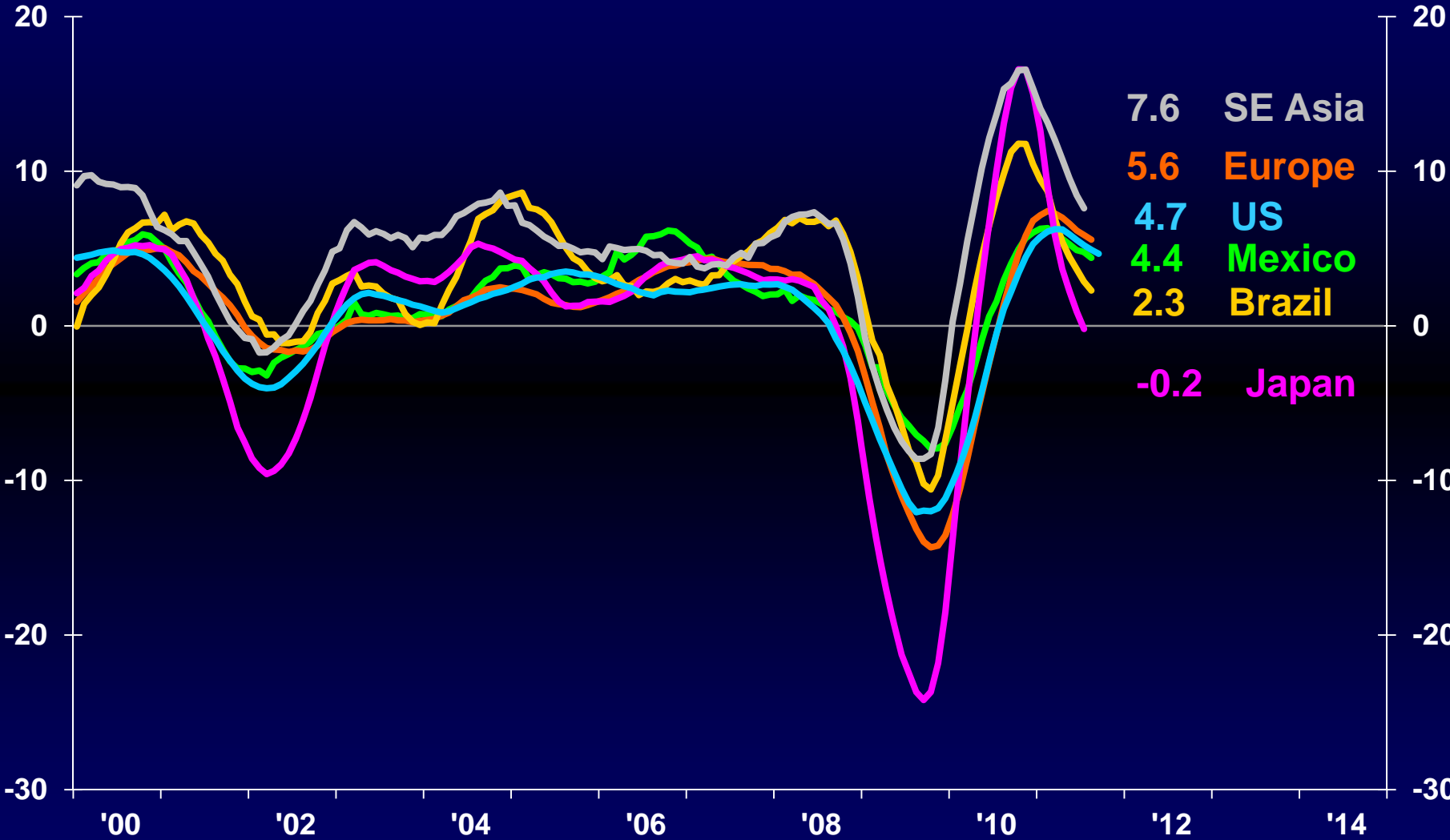
RATE-OF-CHANGE

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

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

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

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

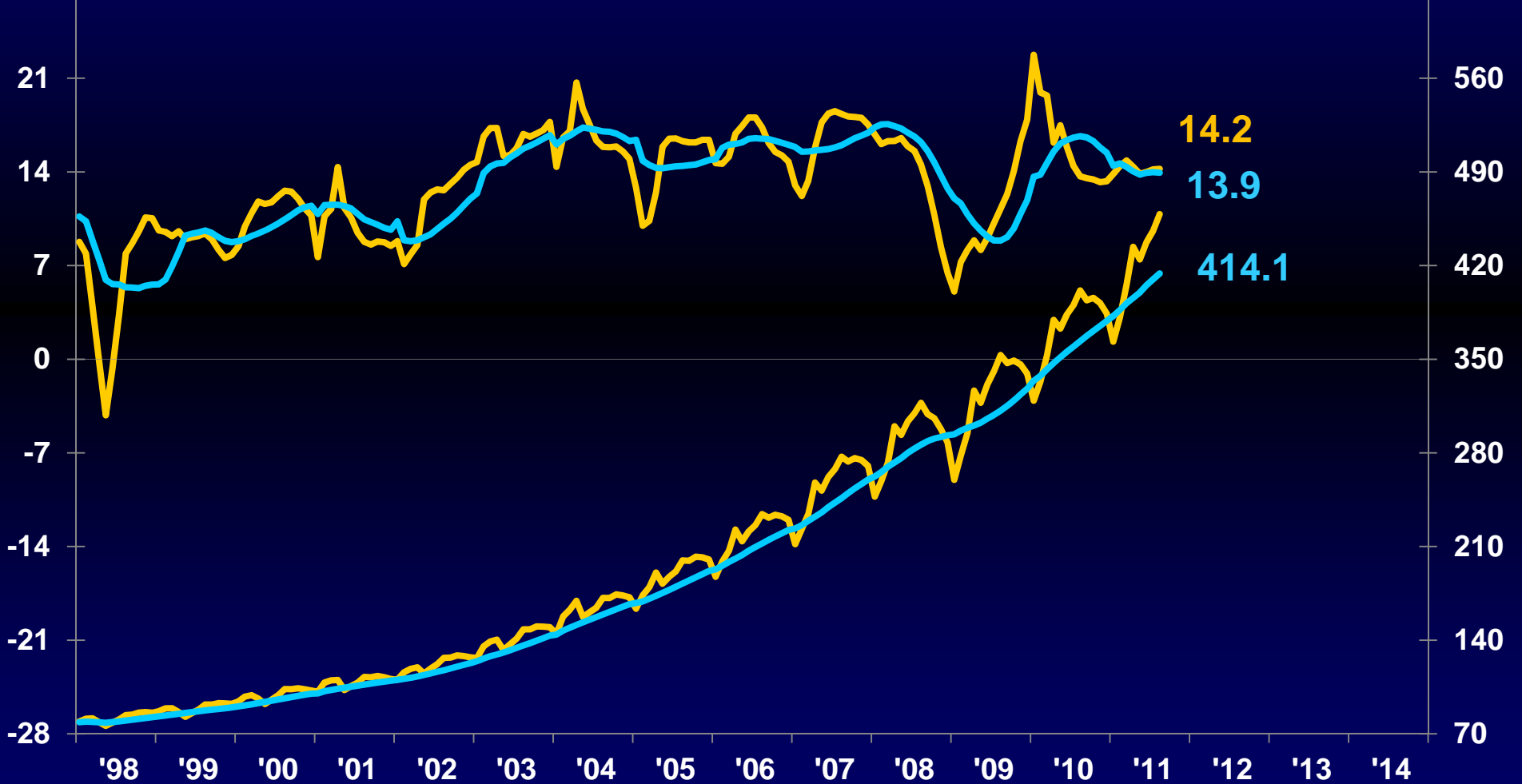


China Industrial Production Index SA, 2000 = 100

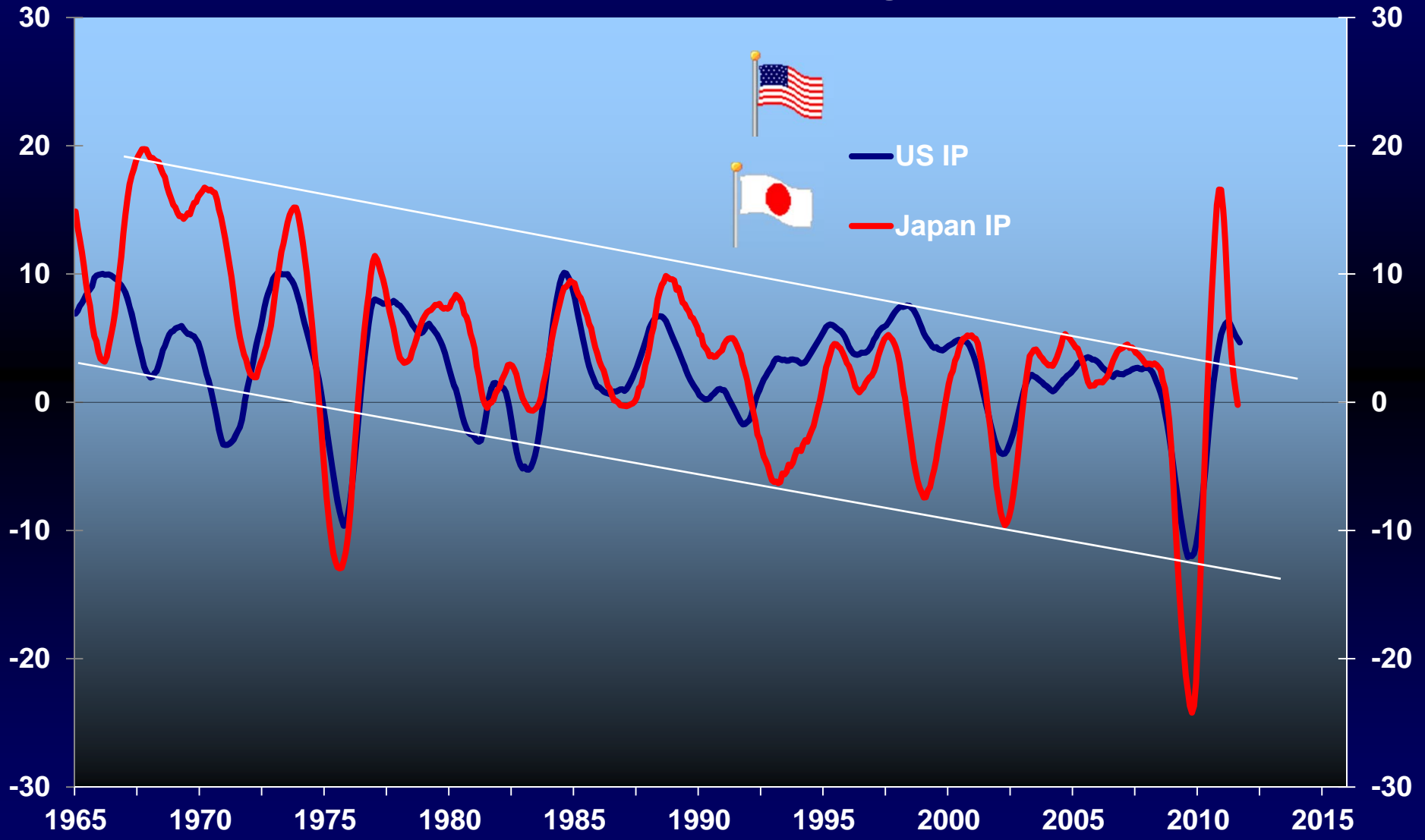
10

R-O-C
28

MMA
630



US Industrial Production to Japan Industrial Production 12/12 Rates-of-Change

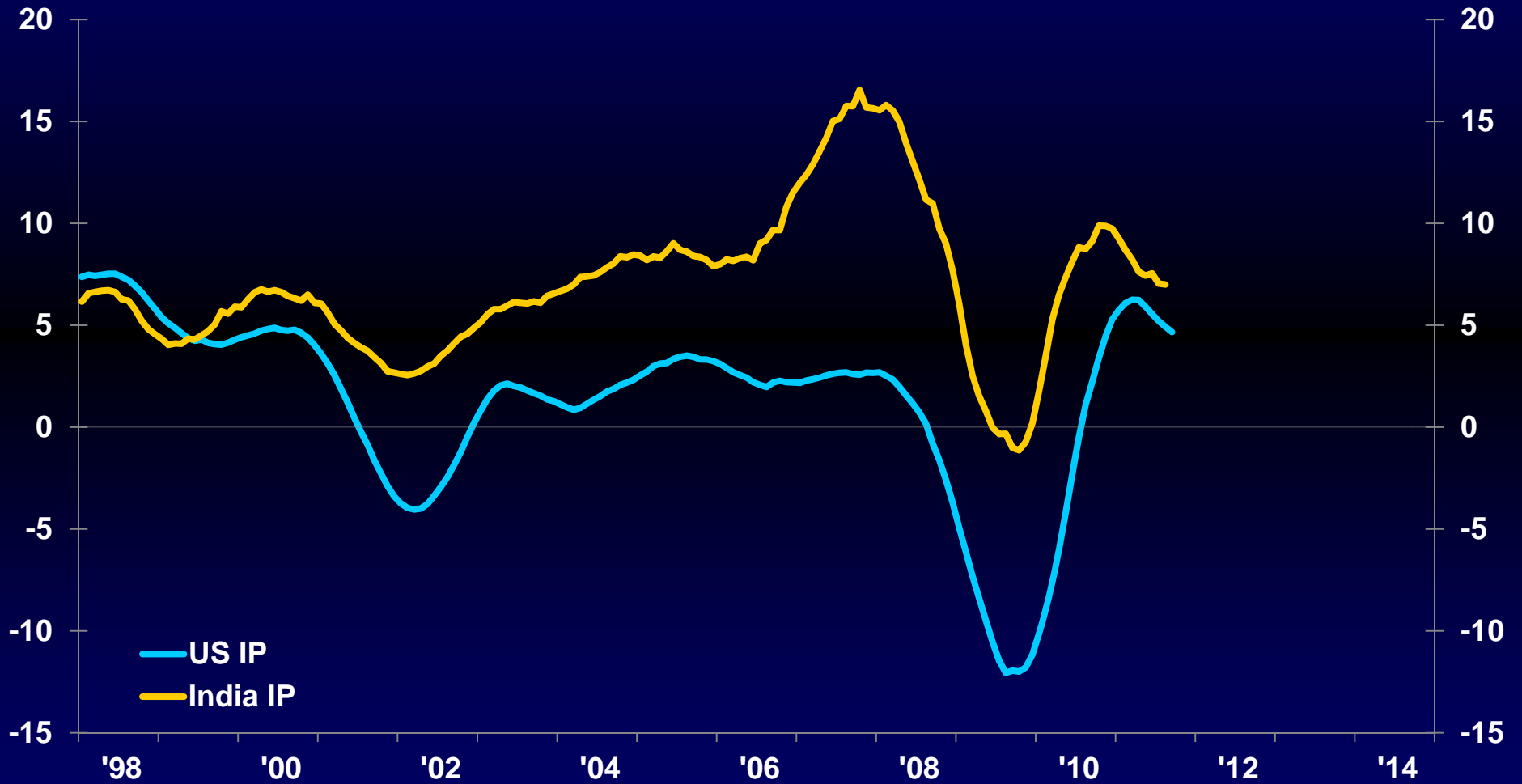


US Industrial Production to India Industrial Production 12/12 Rates-of-Change

12

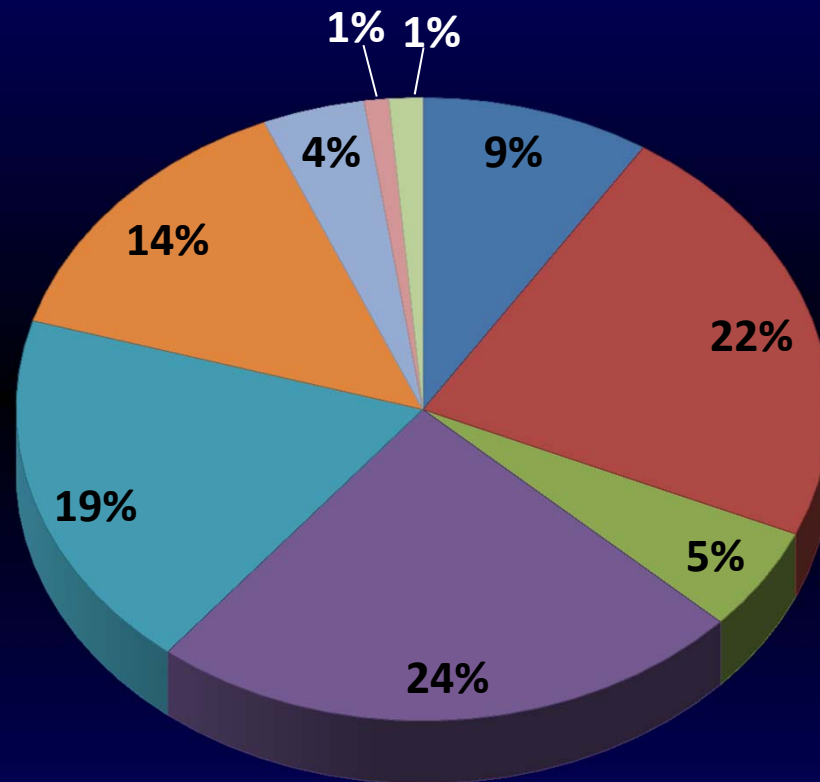
US IP

India



2010 Exports from Canada to the World Billions of Dollars

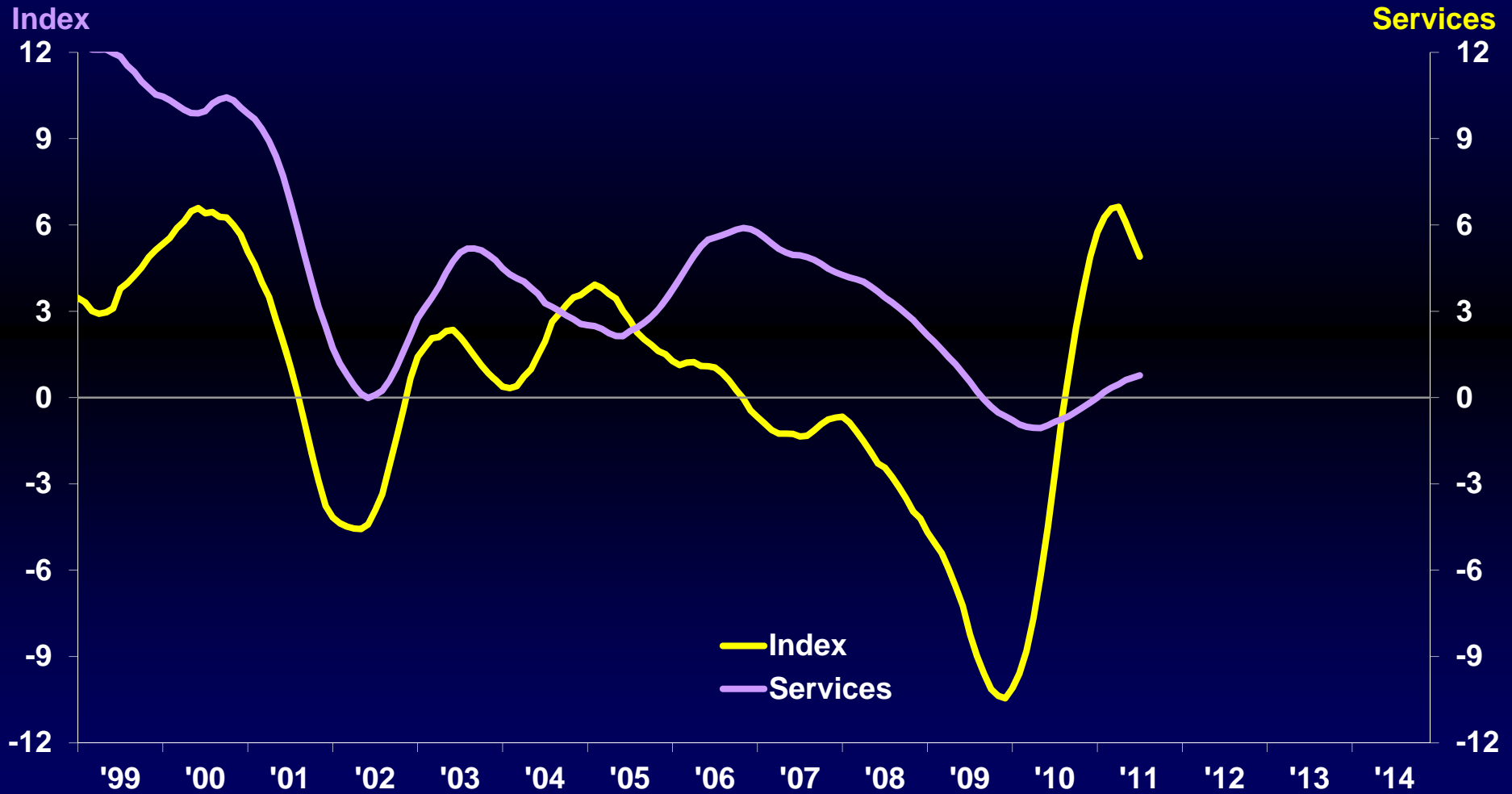
13



- Agricultural and fishing products
- Energy products
- Forestry products
- Industrial goods and materials
- Machinery and equipment
- Automotive products
- Other consumer goods
- Special transactions trade
- Unallocated adjustments

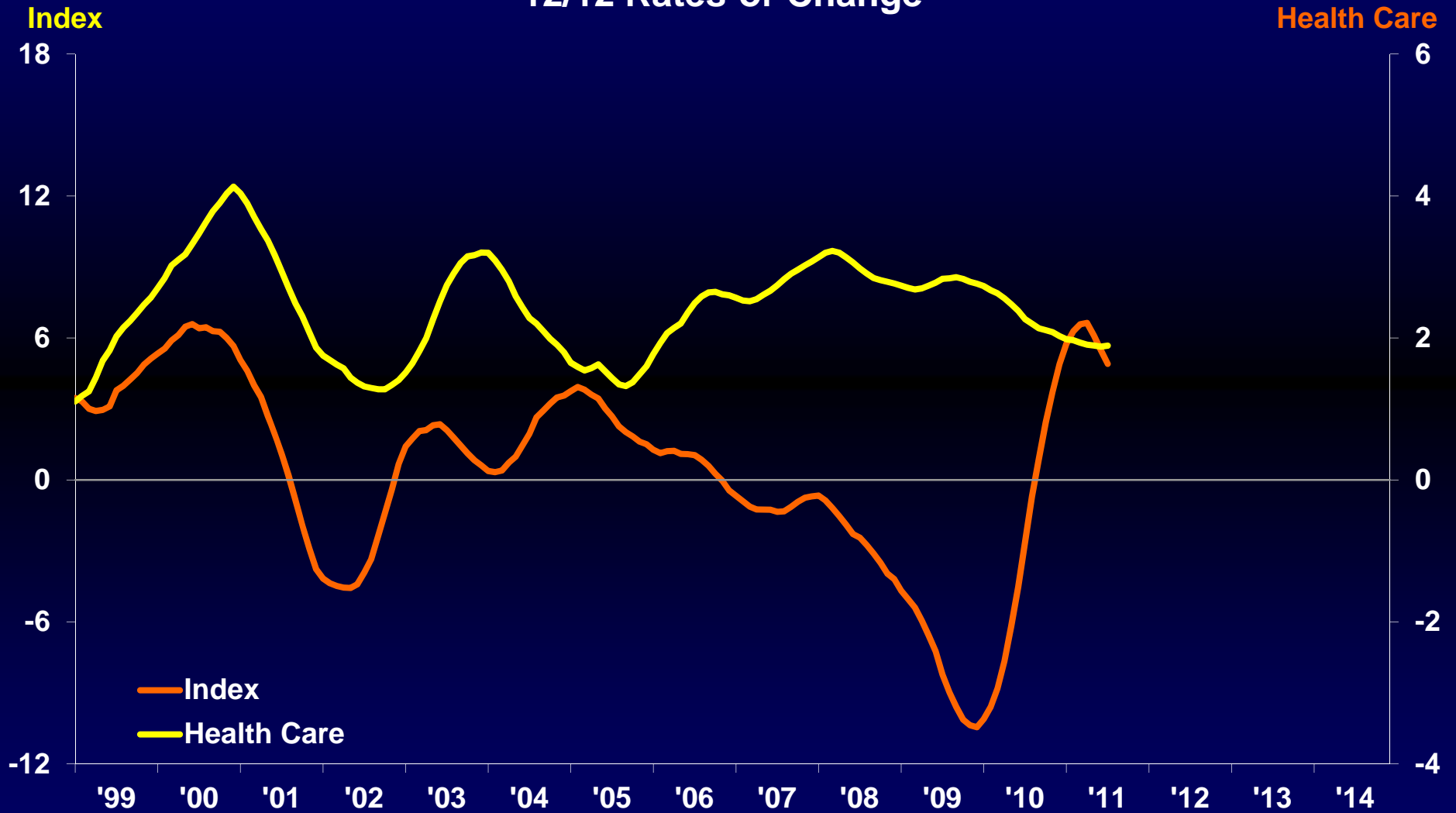
Canada Industrial Production Index to Canada Professional, Scientific and Technical Services 12/12 Rate-of-Change

14



Canada Industrial Production Index to Canada Health Care & Social Assistance 12/12 Rates-of-Change

15



US GDP to Canada GDP 3/12 Rates-of-Change

Canada

US

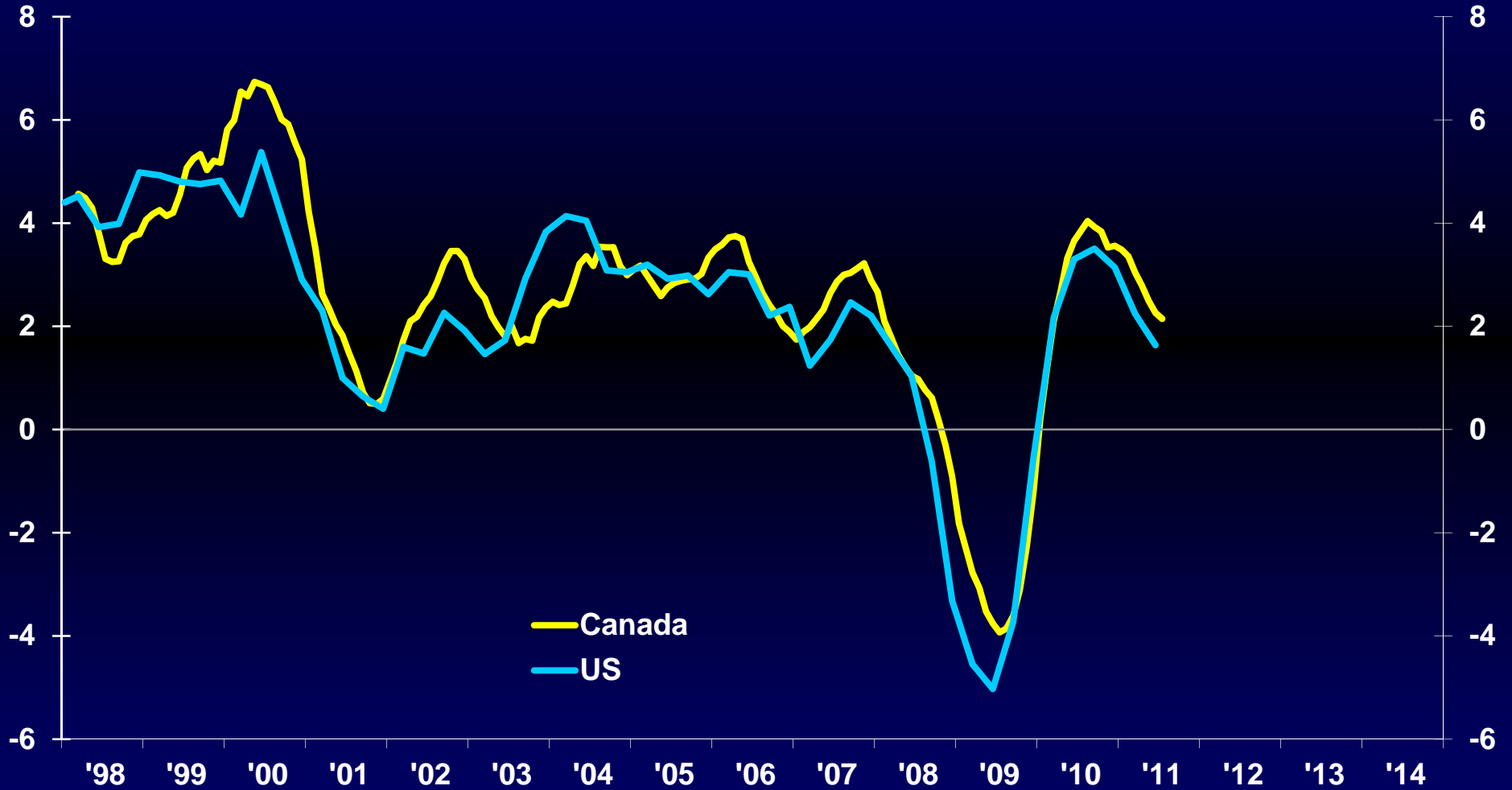
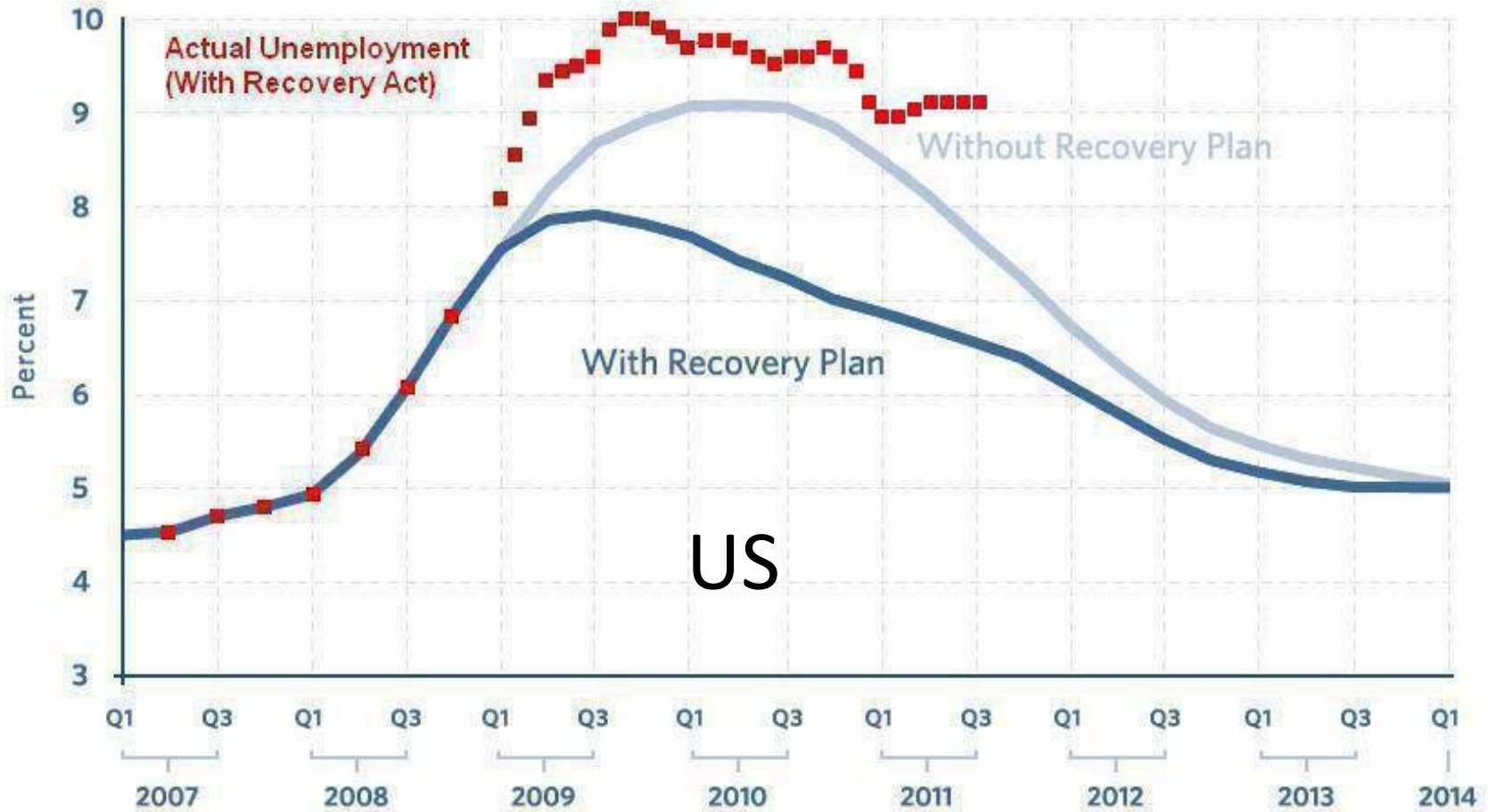
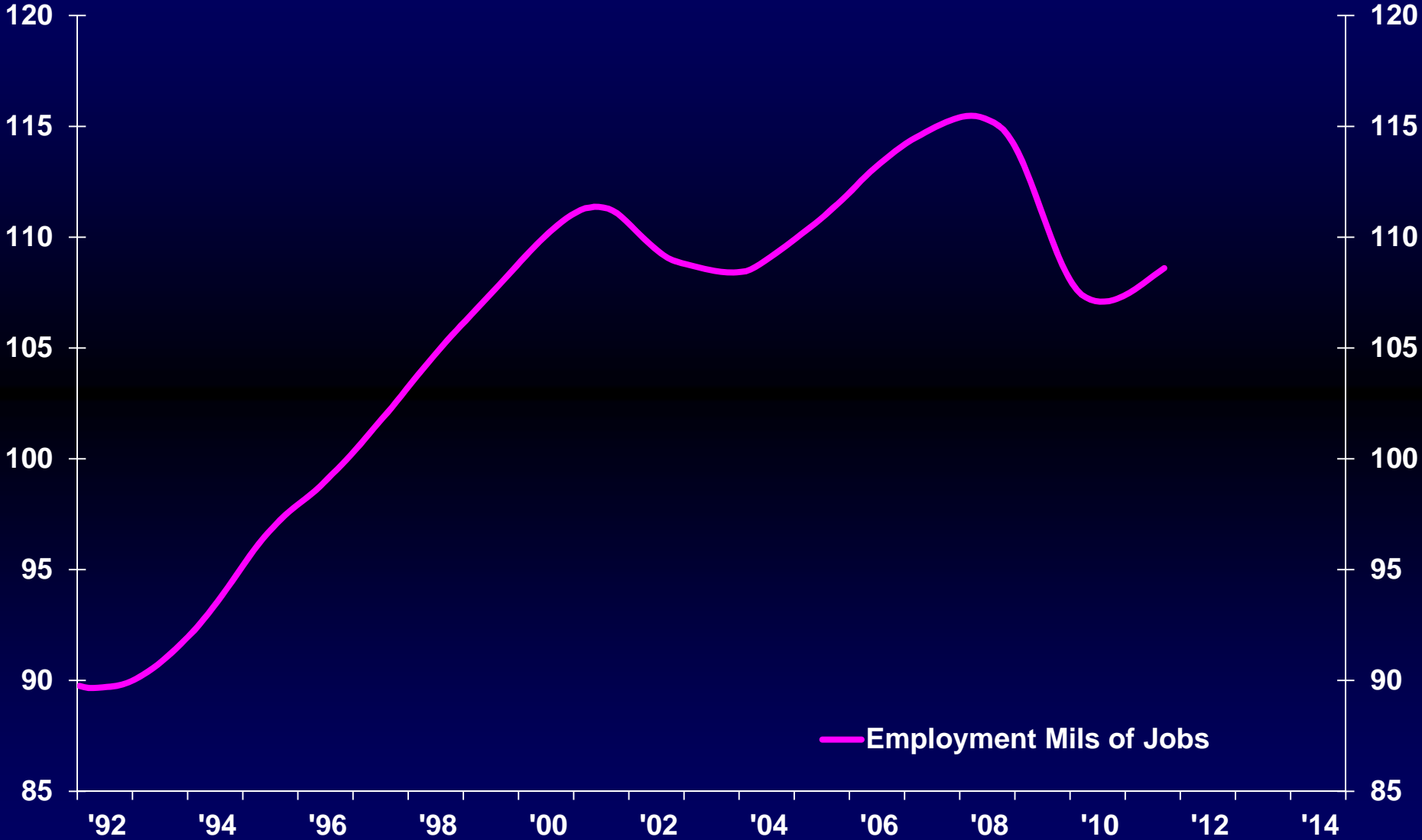


Figure 1
 Unemployment Rate With and Without the Recovery Plan



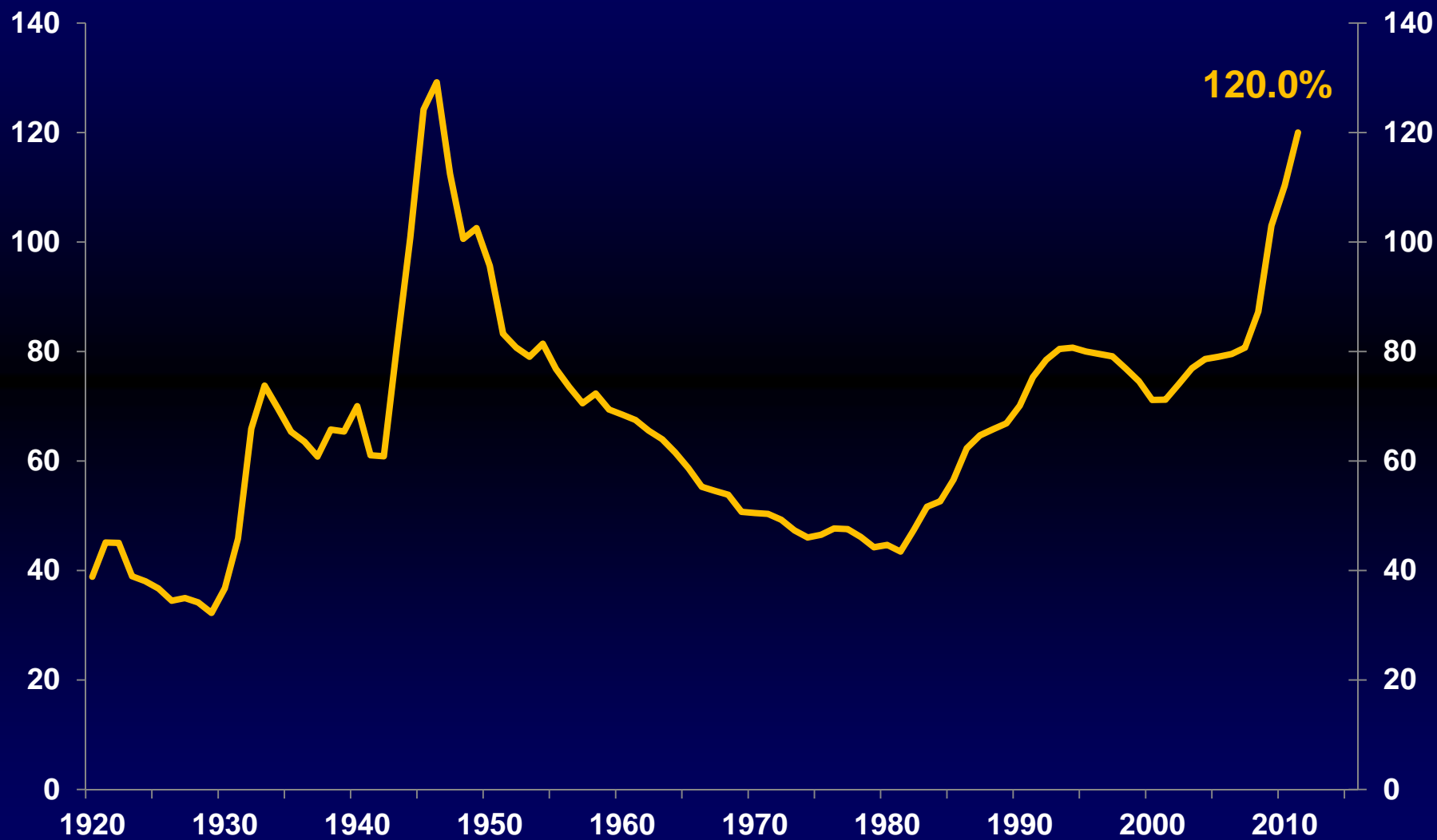
US Employment – Private Sector Annual Data Trend



— Employment Mils of Jobs

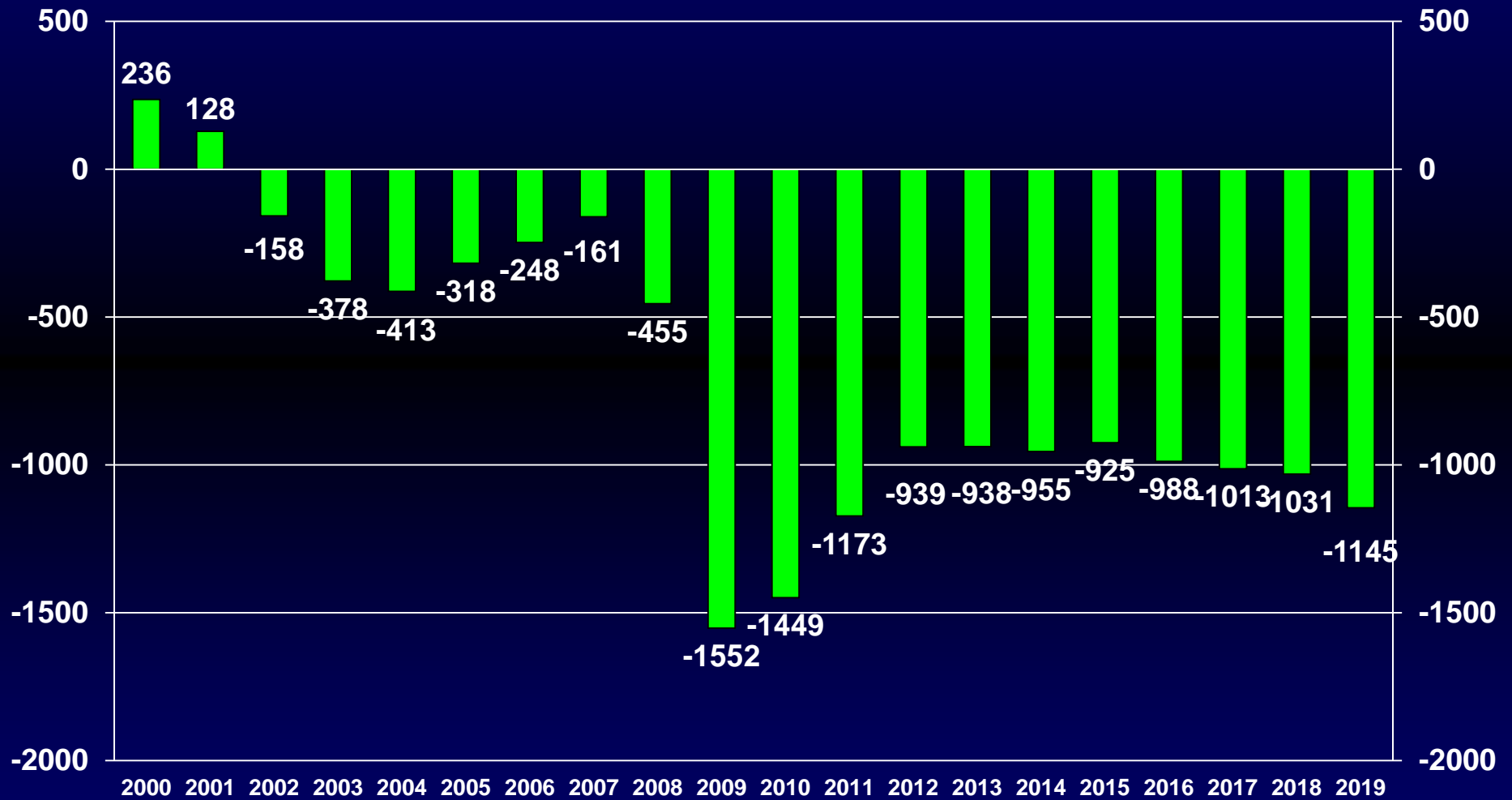
Total U.S. Public Debt (% of GDP)

19

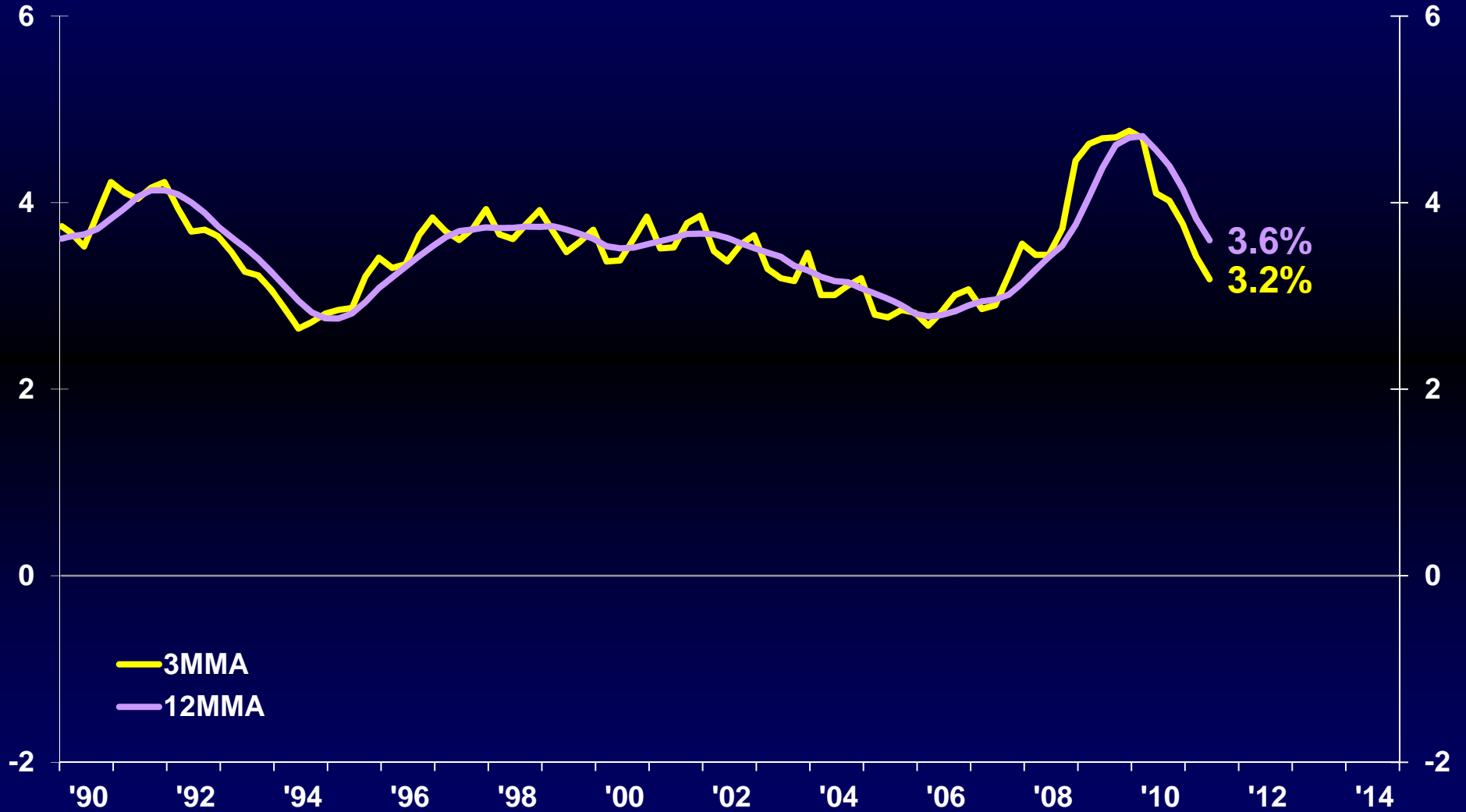


OMB's 10-Year Deficit Projections (Baseline of Current Policy) Billions of Dollars

20



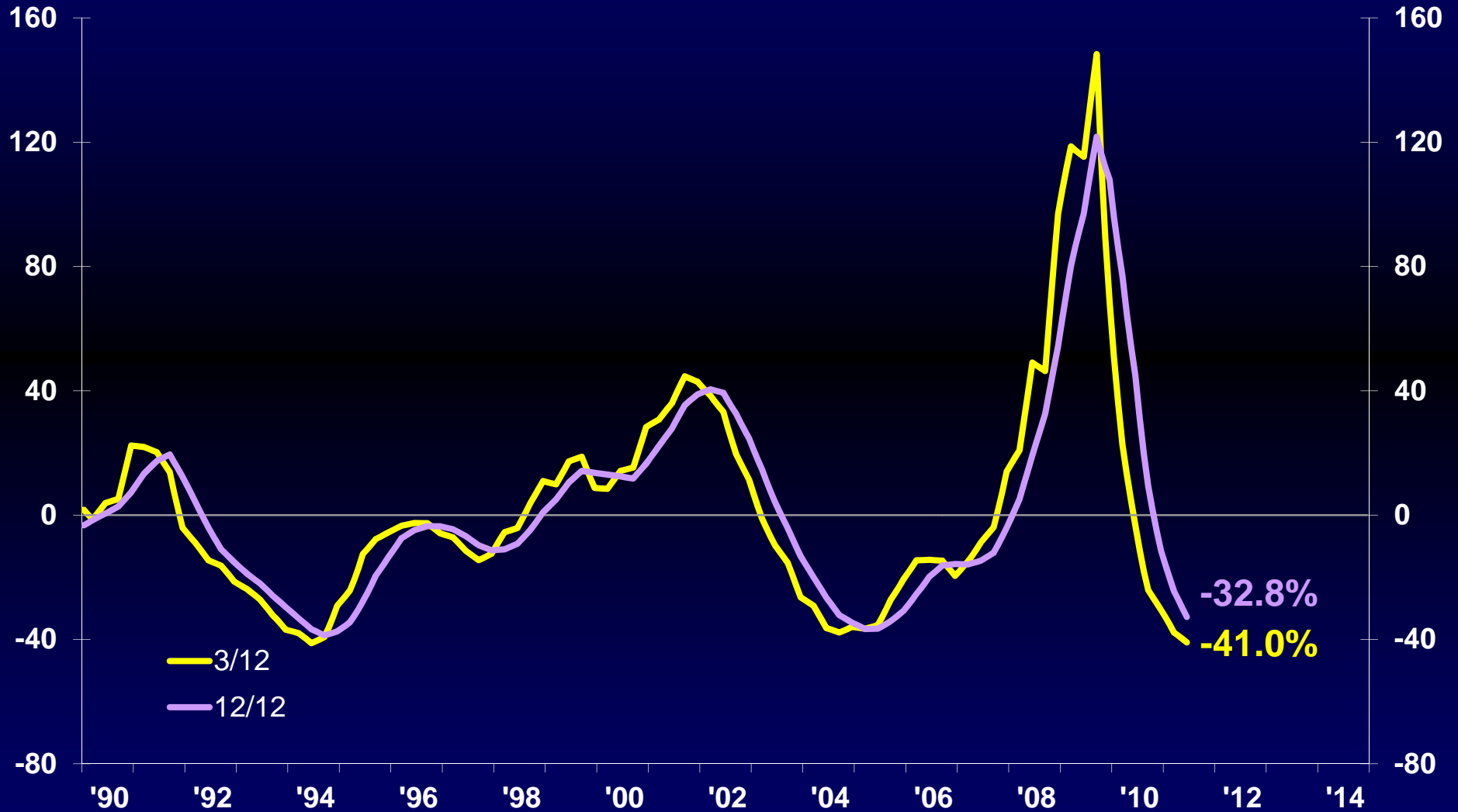
Consumer Loan Delinquency Rates 3MMA and 12MMA



Delinquency Rates for C&I Loans

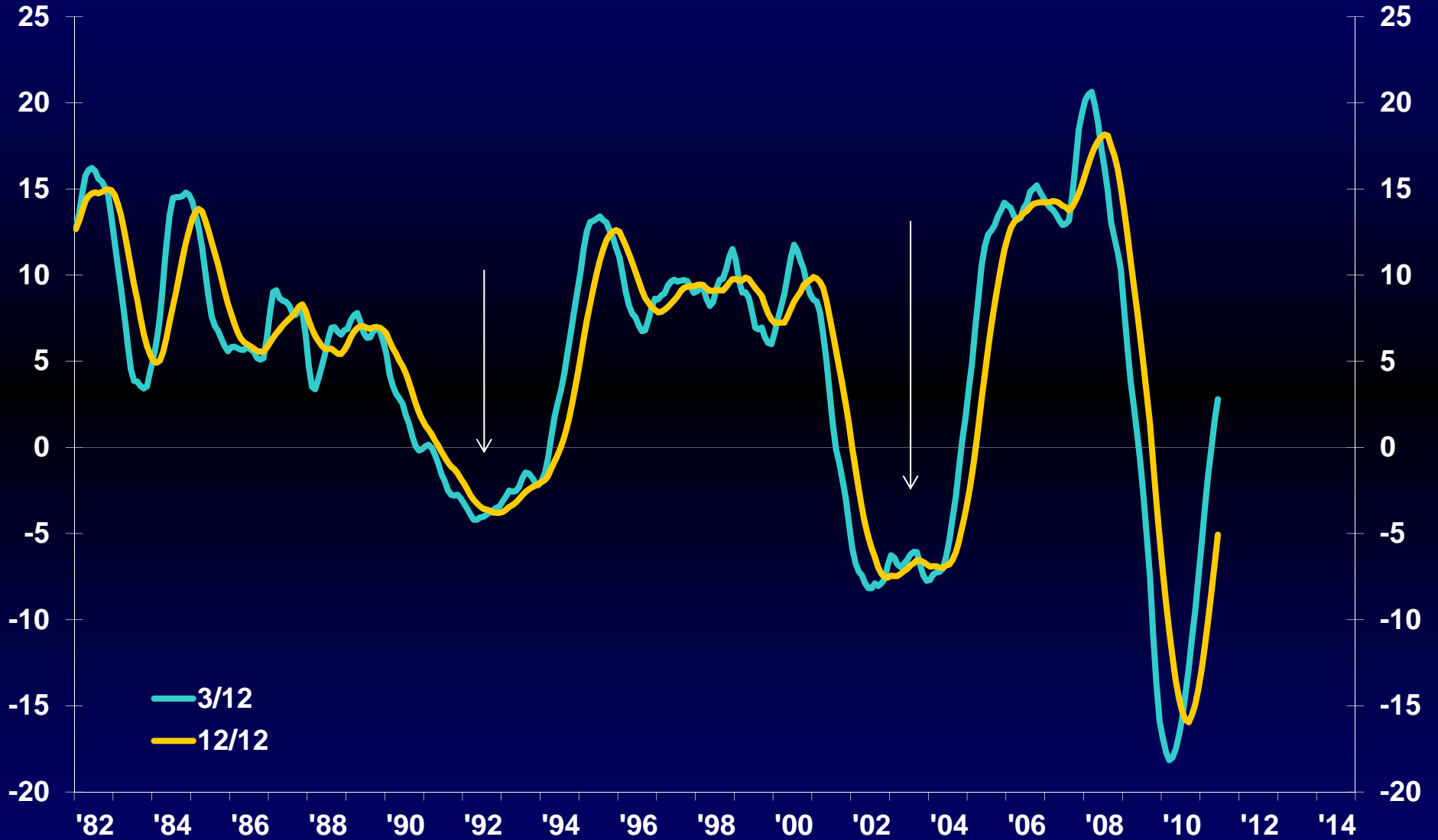
3/12 & 12/12 Rates-of-Change

22



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

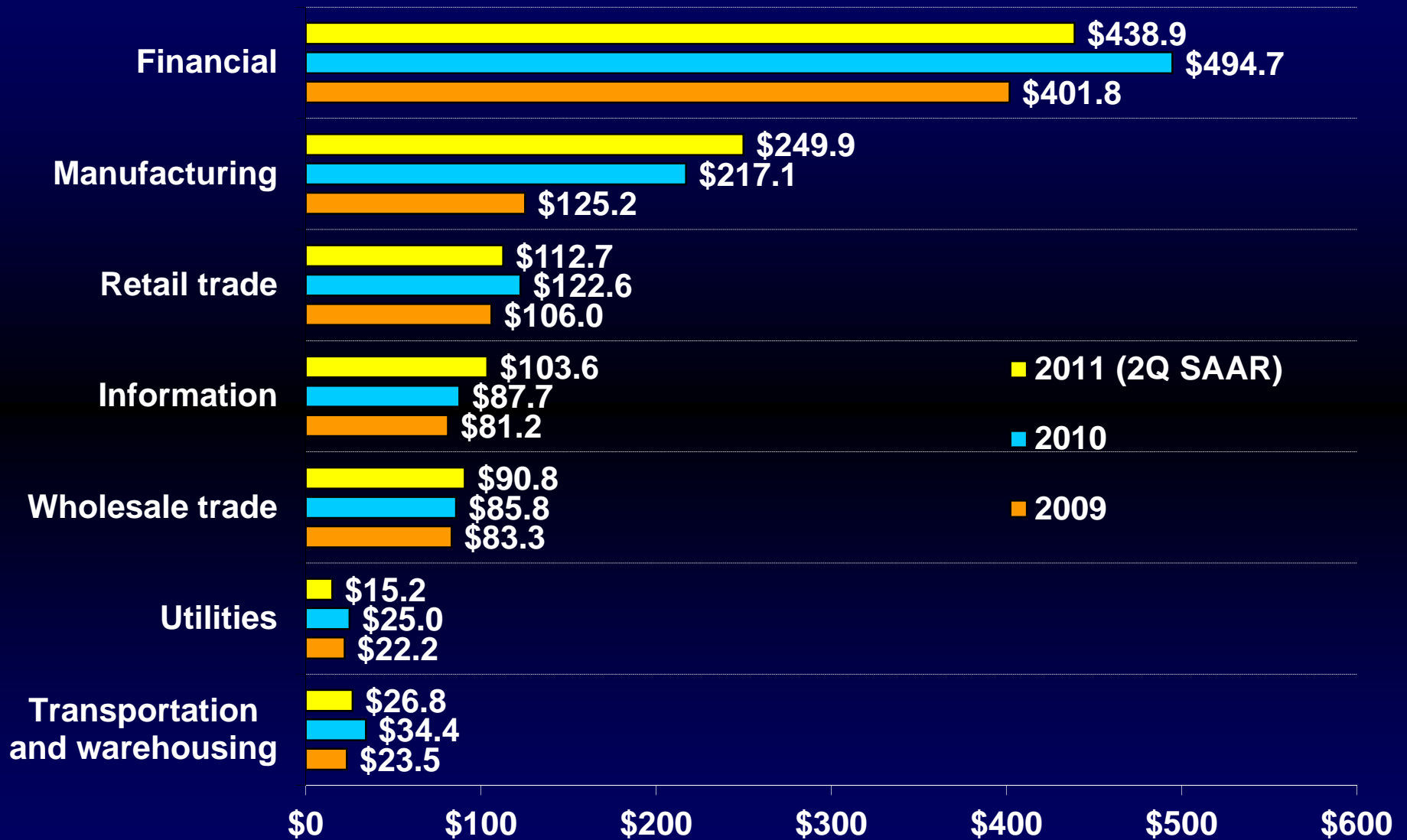
23



Corporate Profits – 2nd Quarter

Billions of \$

24

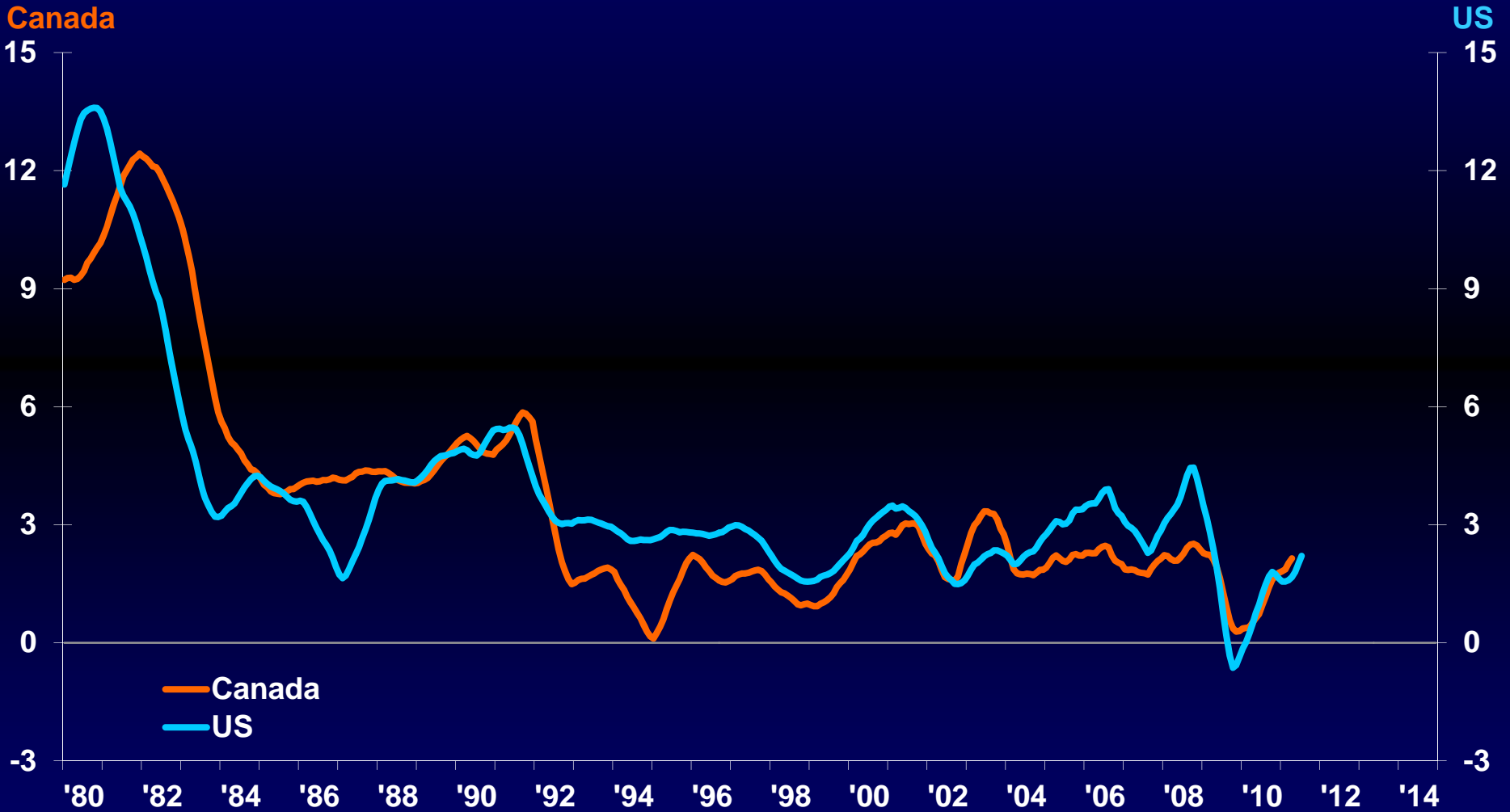


Source: BEA

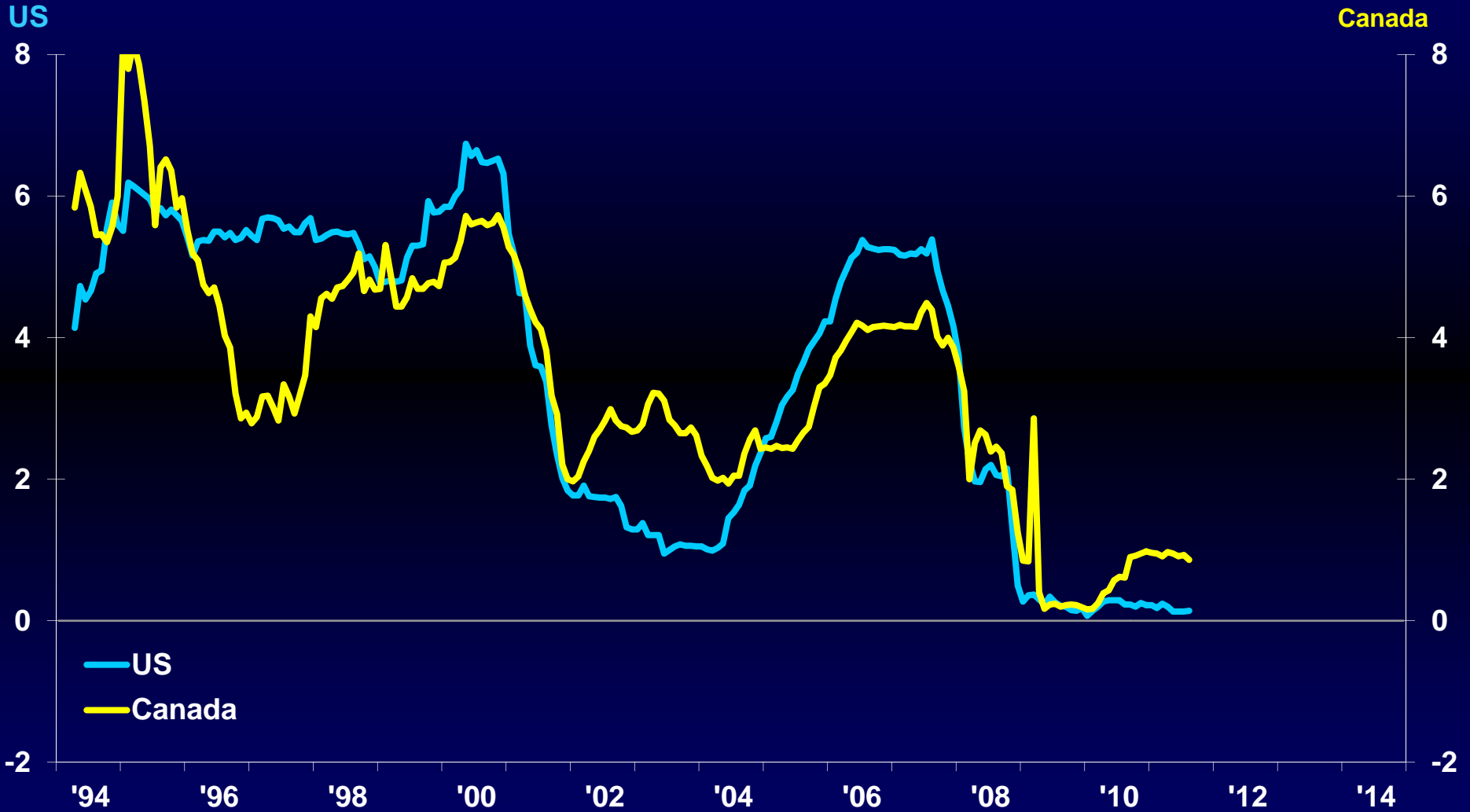


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US Consumer Price Index to Canada Price Index 12/12 Rates-of-Change



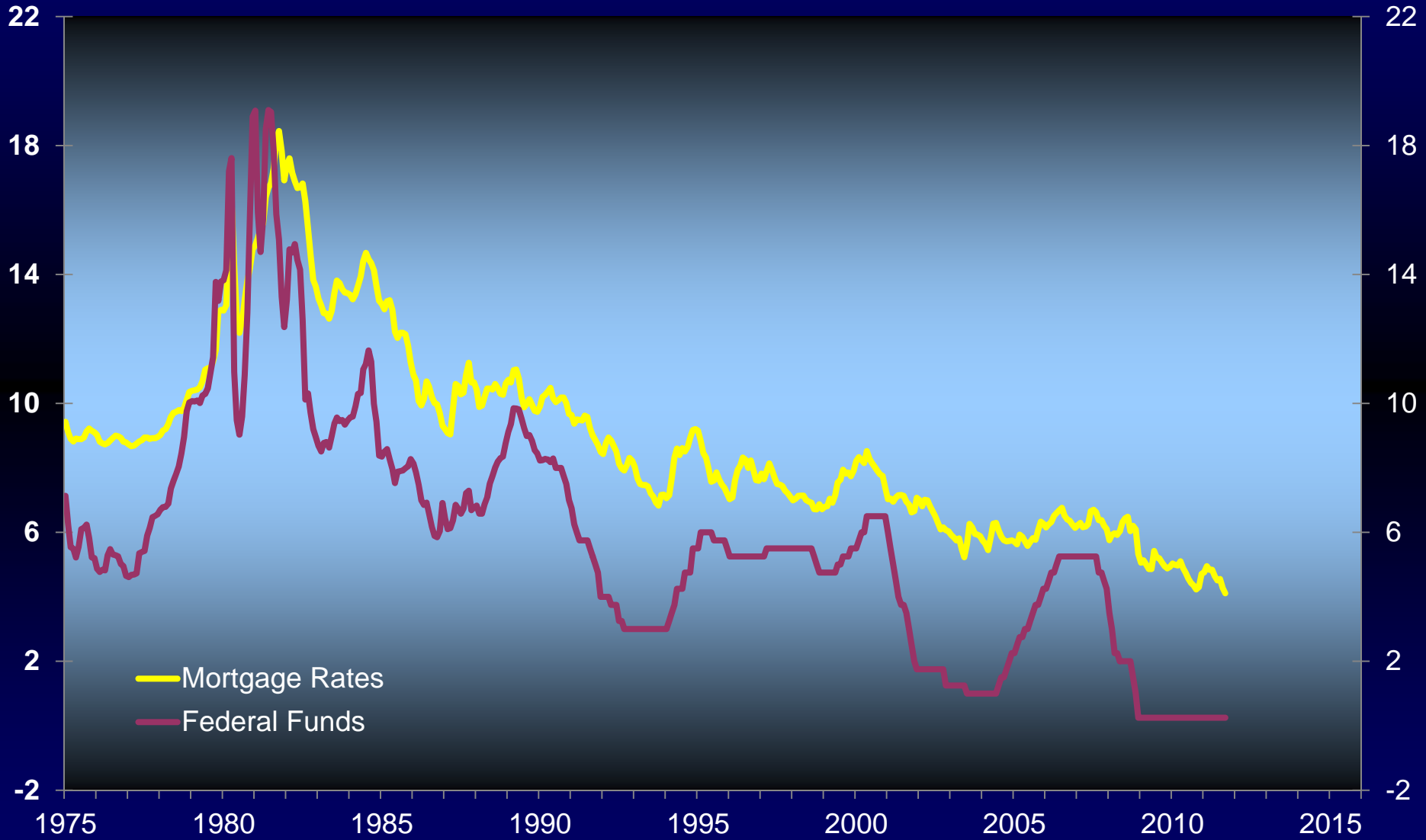
US 3-Month Money Market Rate to Canada 3-Month Money Market Rate Raw Data



US 10-Year Government Bond Yields to Canada 10-Year Government Bond Yields Raw Data

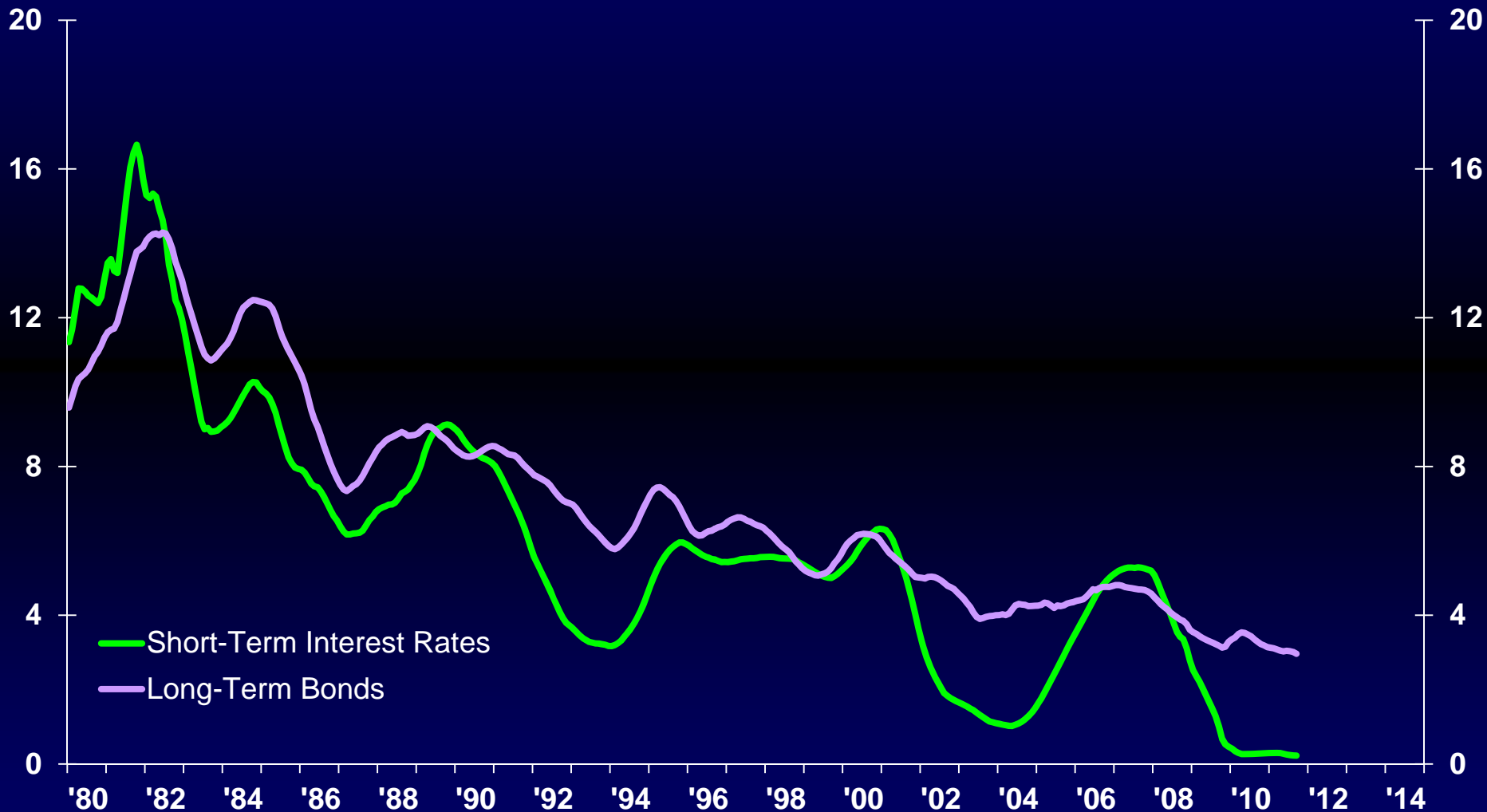


US Mortgage Rates to Federal Funds Raw Data



US Short-Term Interest Rates to US Gov't Long-Term Bond Yields ²⁹

Raw Data Trends

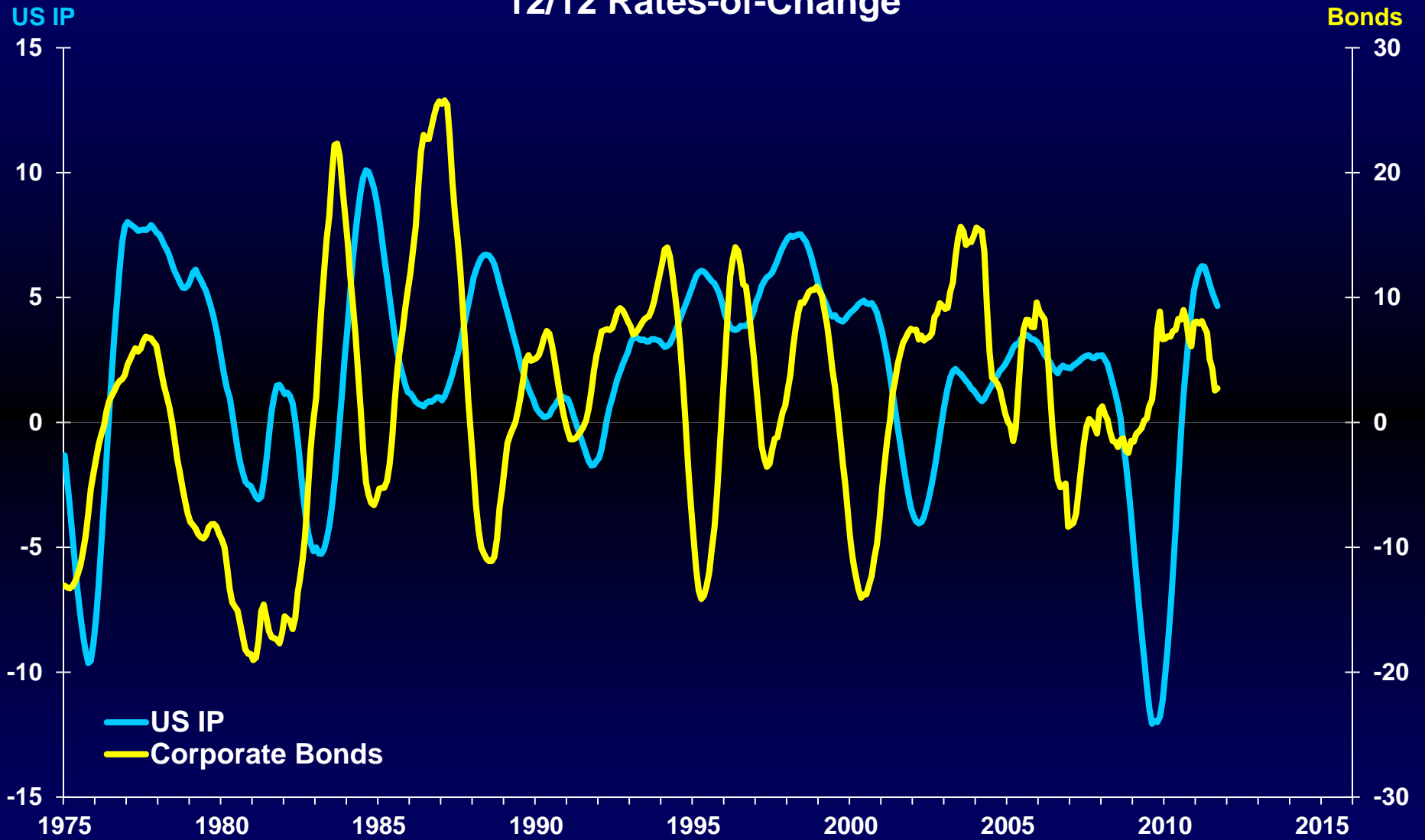


US M2 Money Supply Trillions of 82\$

30



US Industrial Production to Corporate Bond Prices 12/12 Rates-of-Change



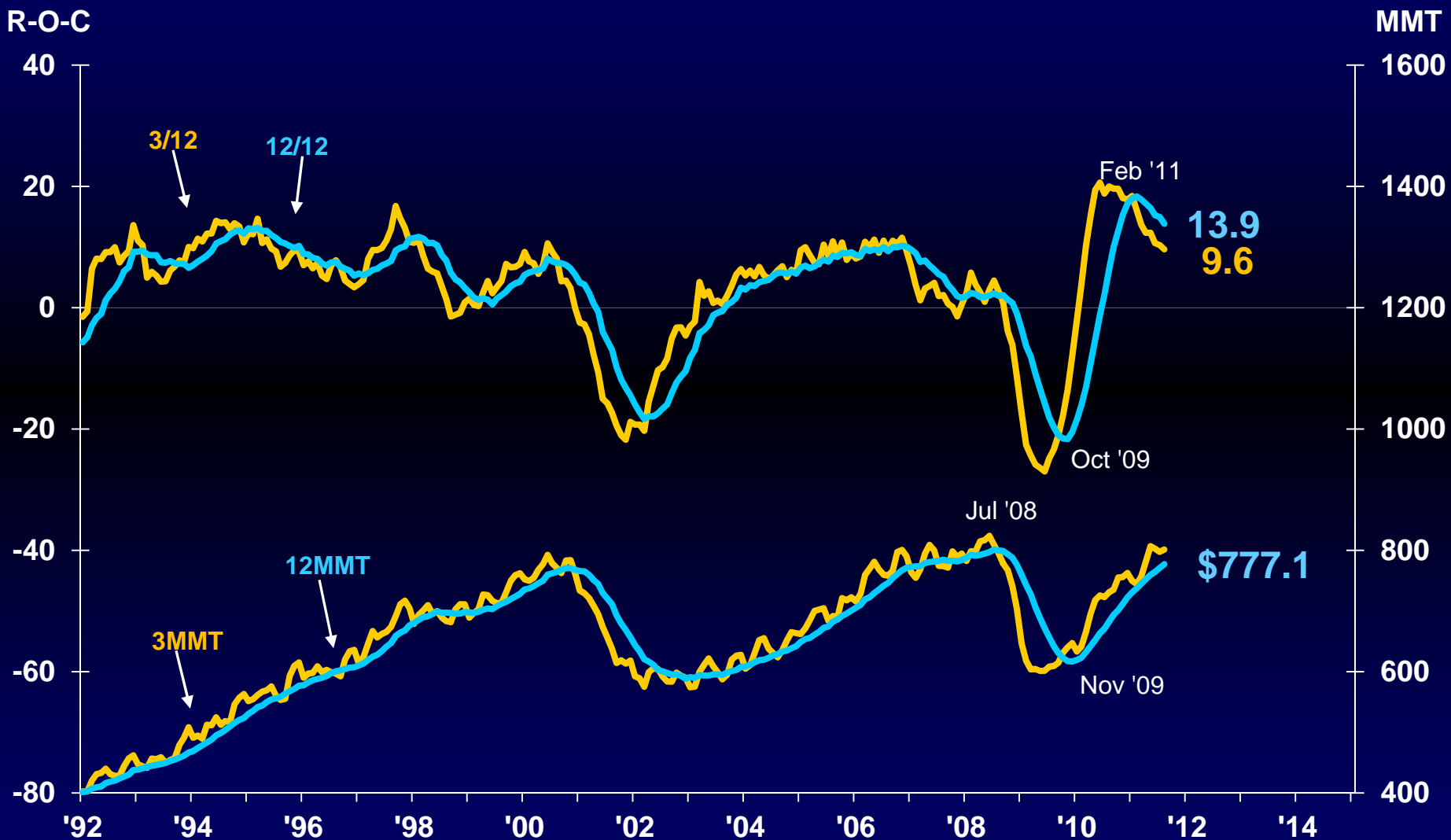
Canada Exchange Rate C\$ per US Dollar

32



Nondefense Capital Goods New Orders w/o Aircraft Billions of \$

33

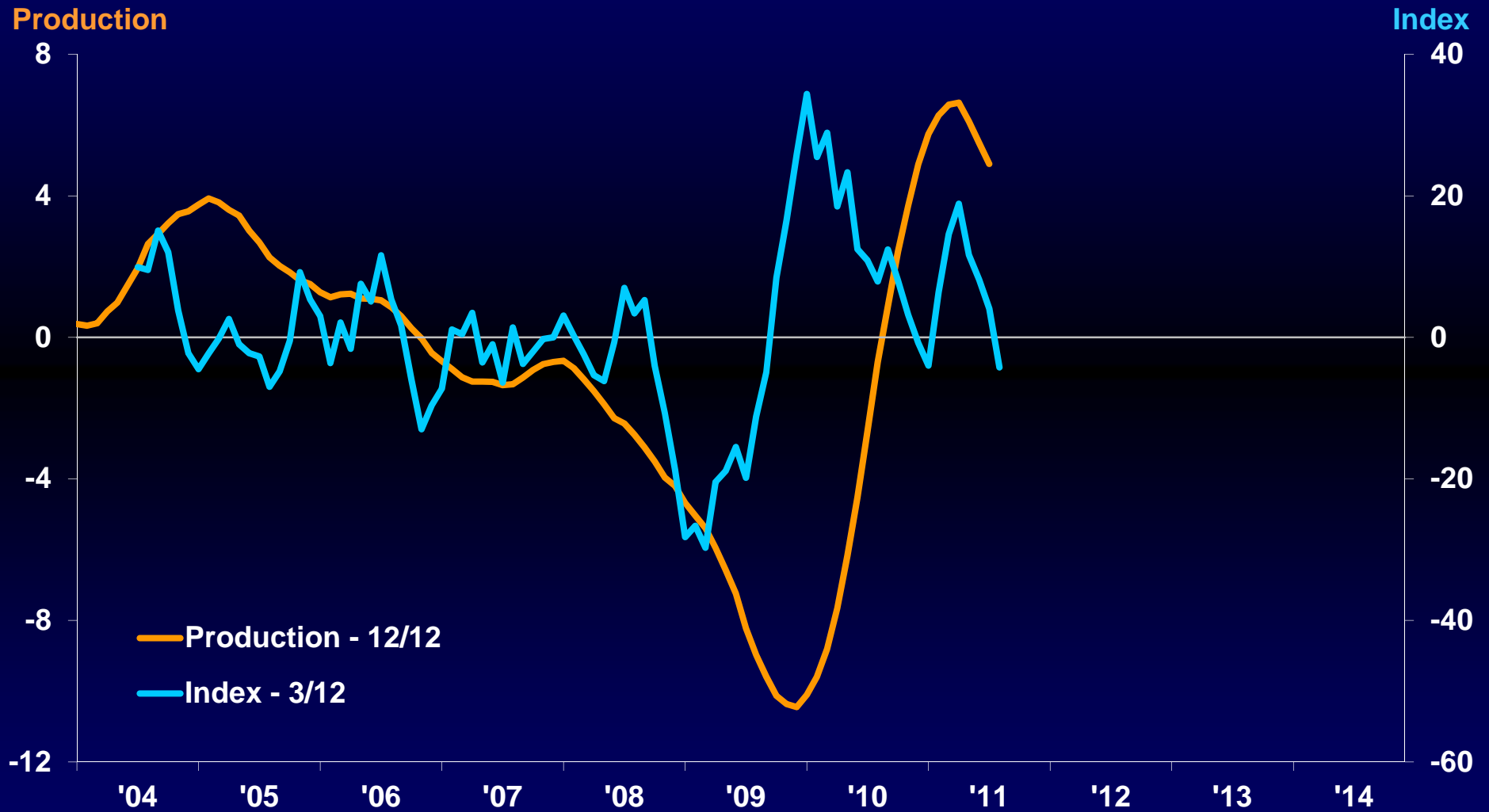


US Leading Indicator 1996 = 100

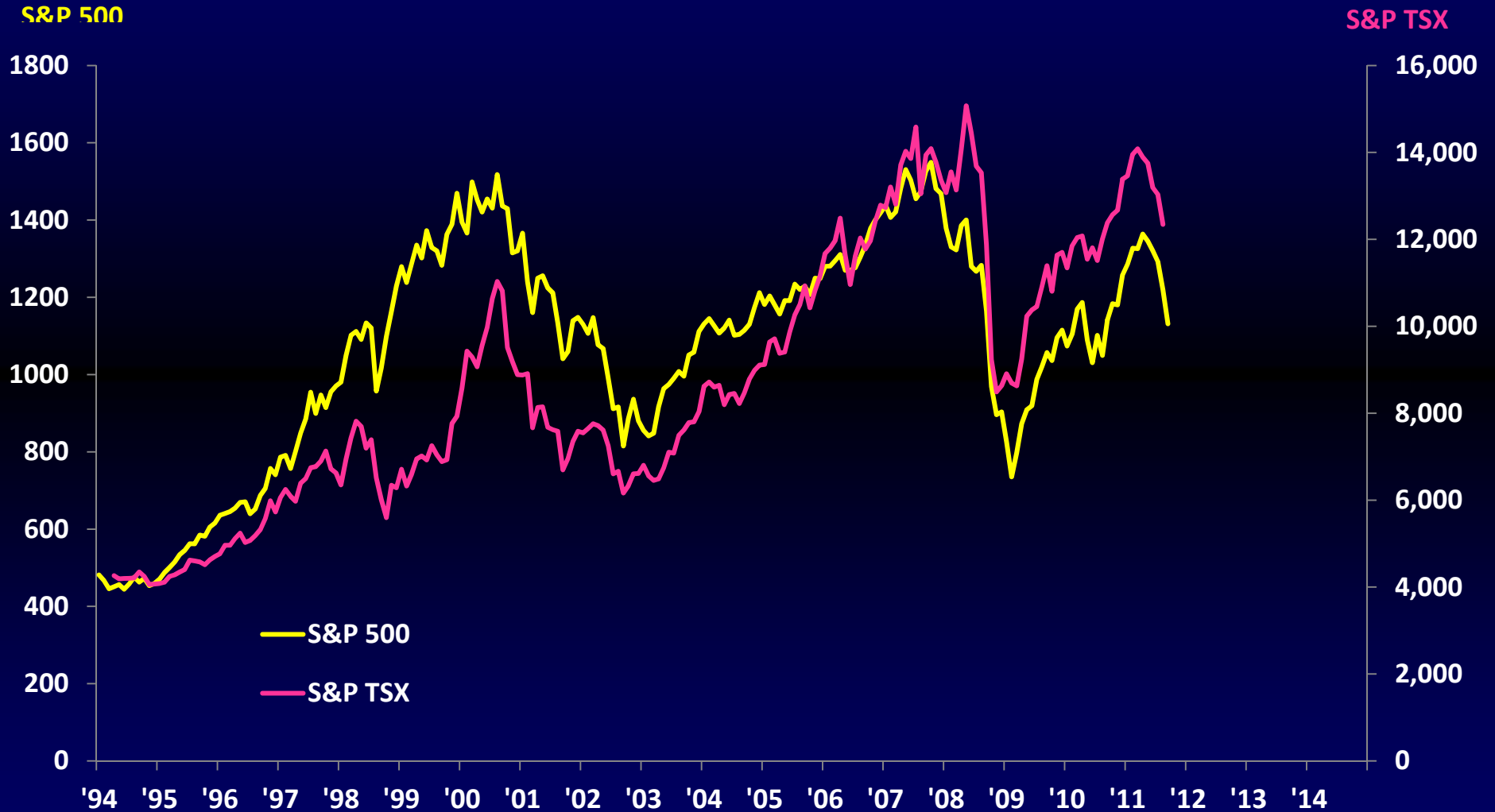


Canada Industrial Production Index to Canada Purchasing Managers Index Rates-of-Change

35



S&P 500 to S&P Toronto Stock Exchange (TSX) Data Trends

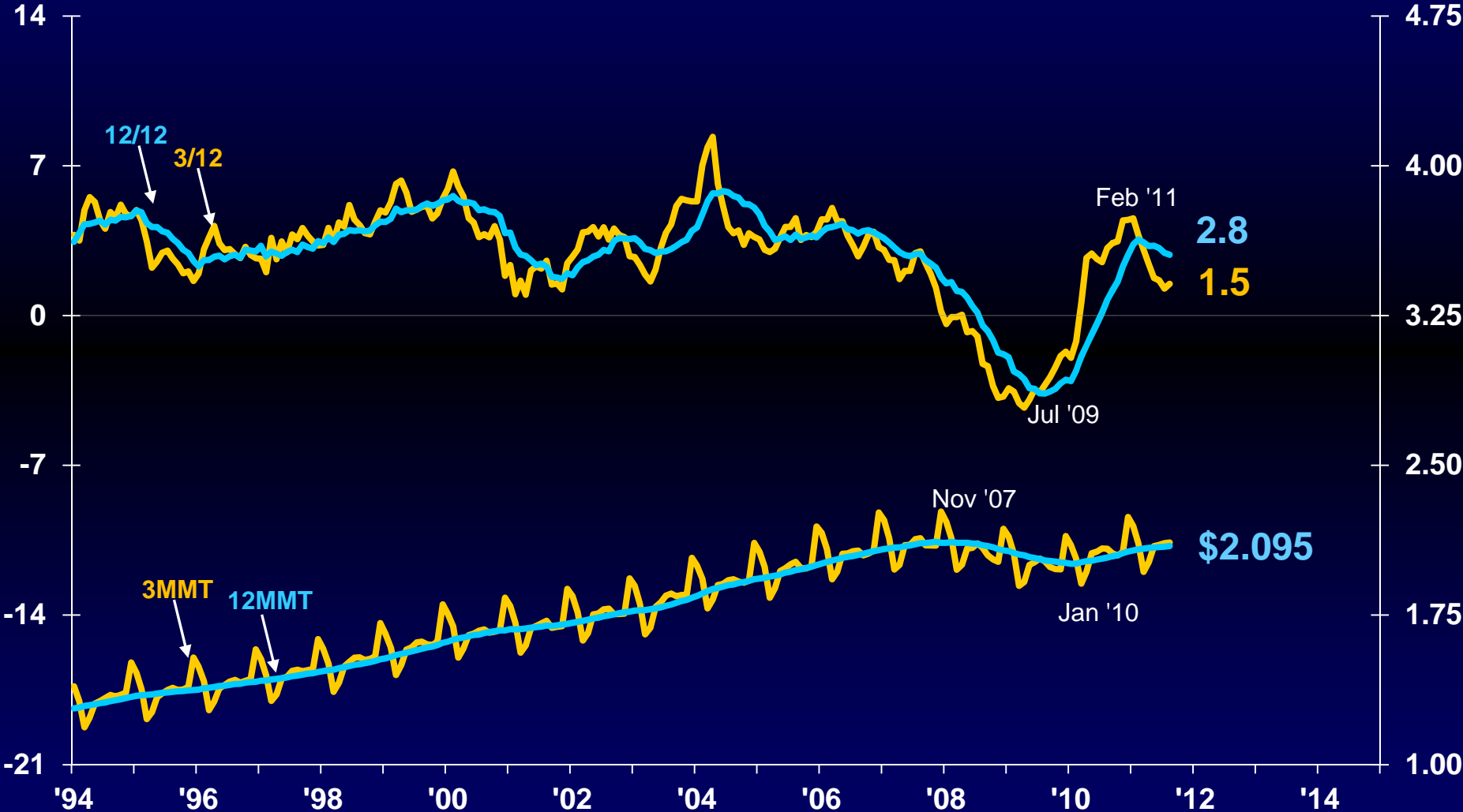


Retail Sales Excluding Automobiles

Trillions of 82-84\$

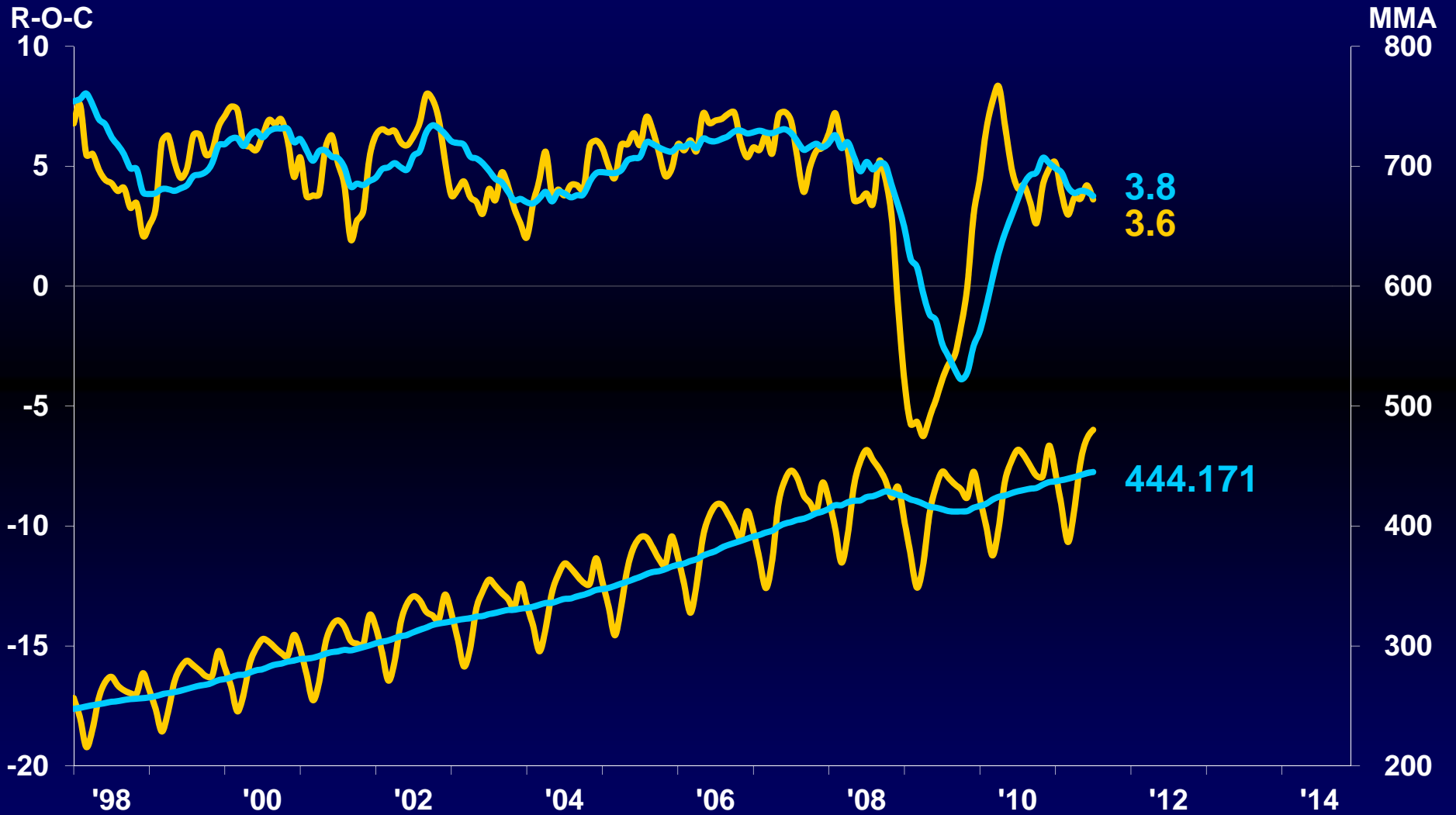
R-O-C

MMT

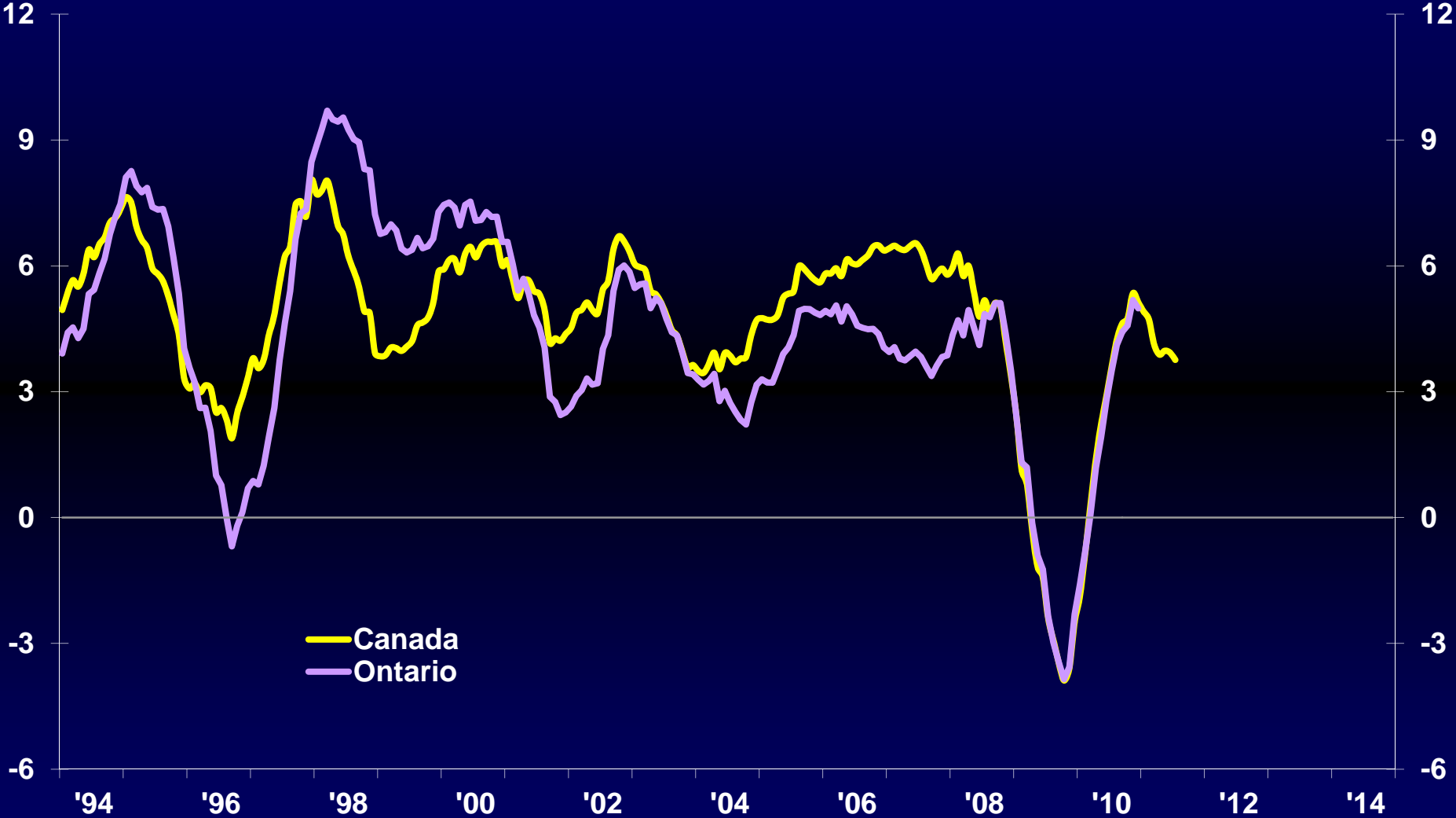


Canada Retail Trade GDP Billions of C\$

38

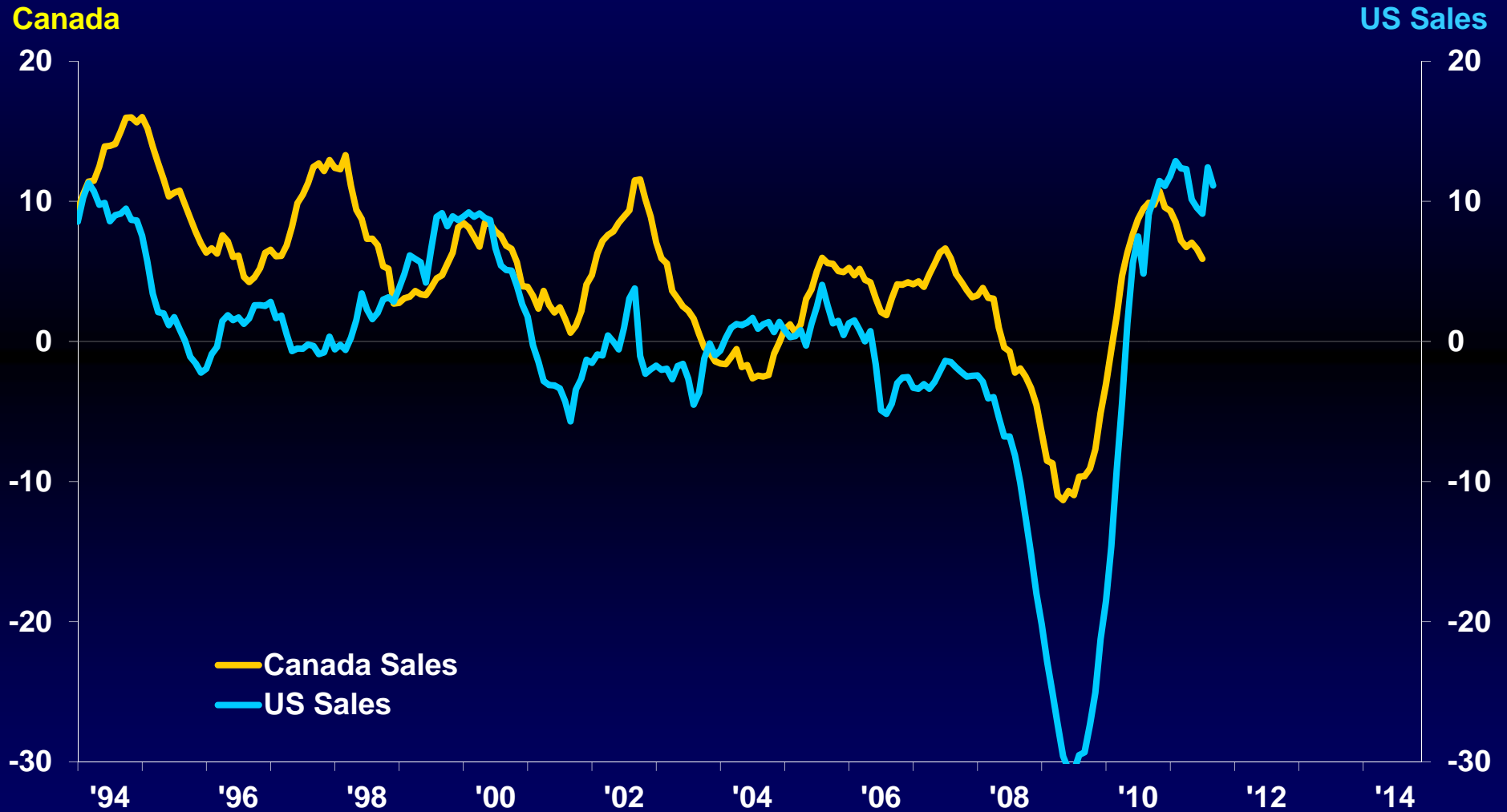


Canada to Ontario Retail Sales 12/12 Rates-of-Change



US Light Vehicle Retail Sales to Canada Light Vehicle Retail Sales 12/12 Rates-of-Change

40



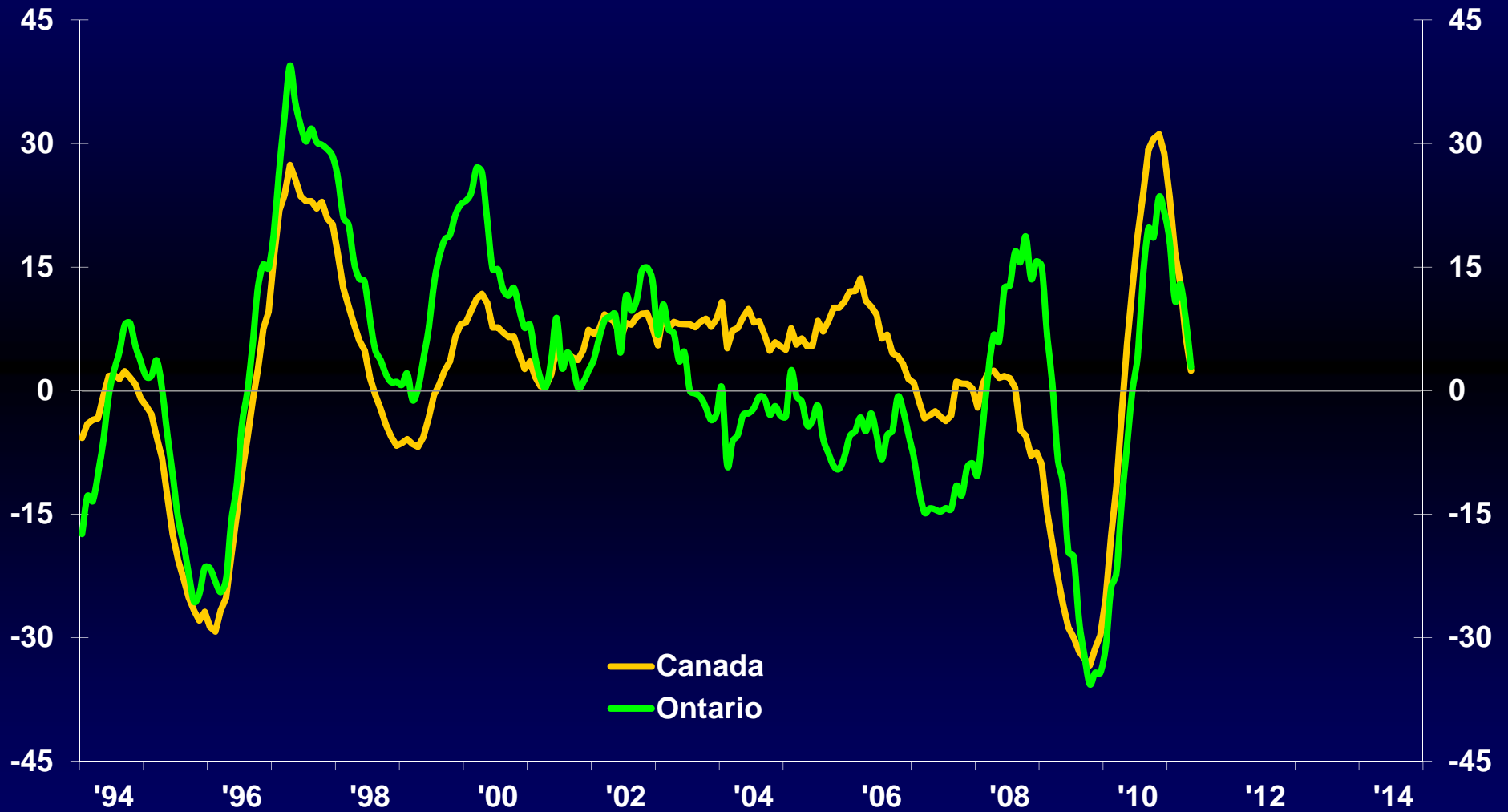
Canada Housing Starts Thousands of Units, SAAR

41



Canada to Ontario Housing Starts Growth 12/12 Rates-of-Change

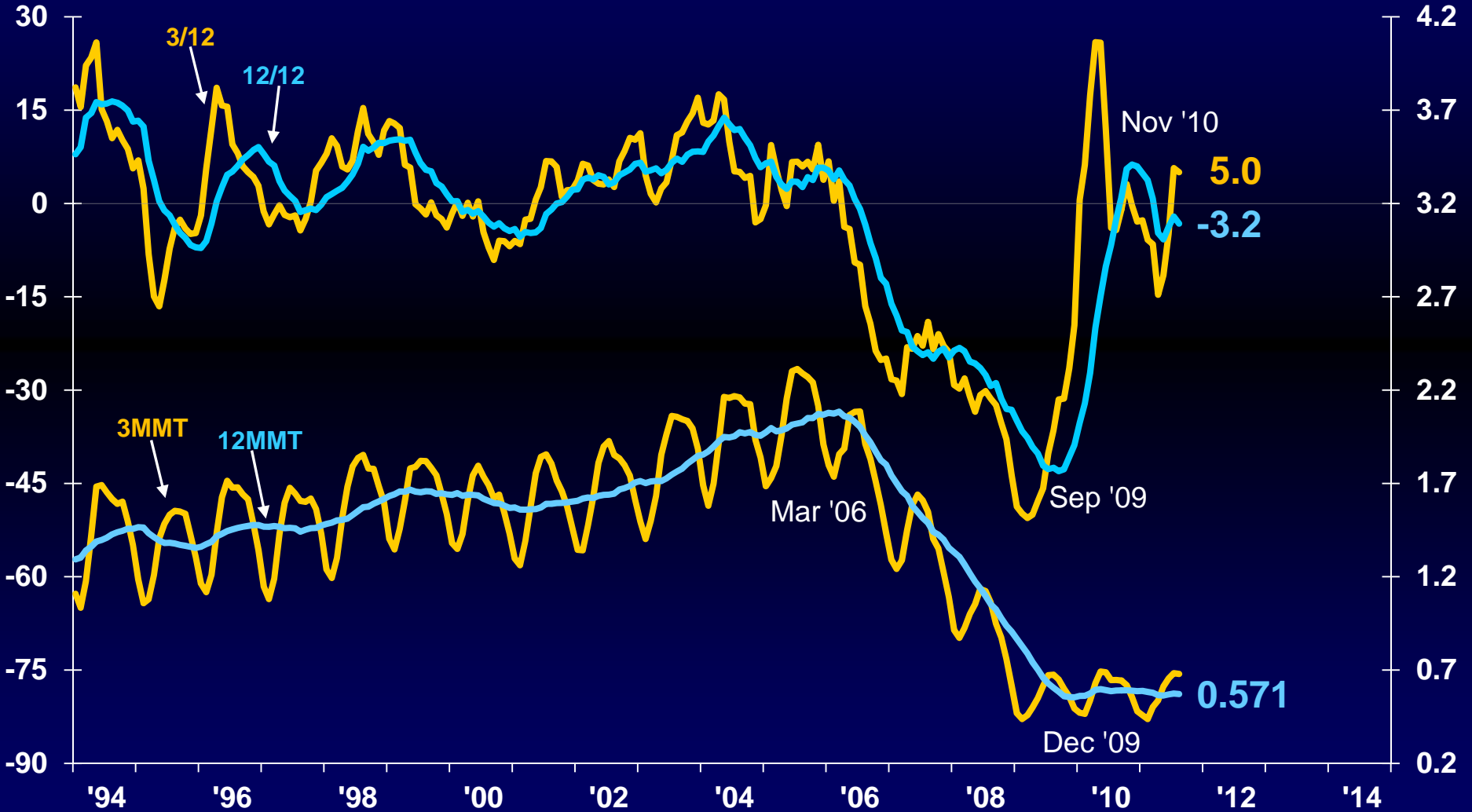
42



Housing Starts Millions of Units

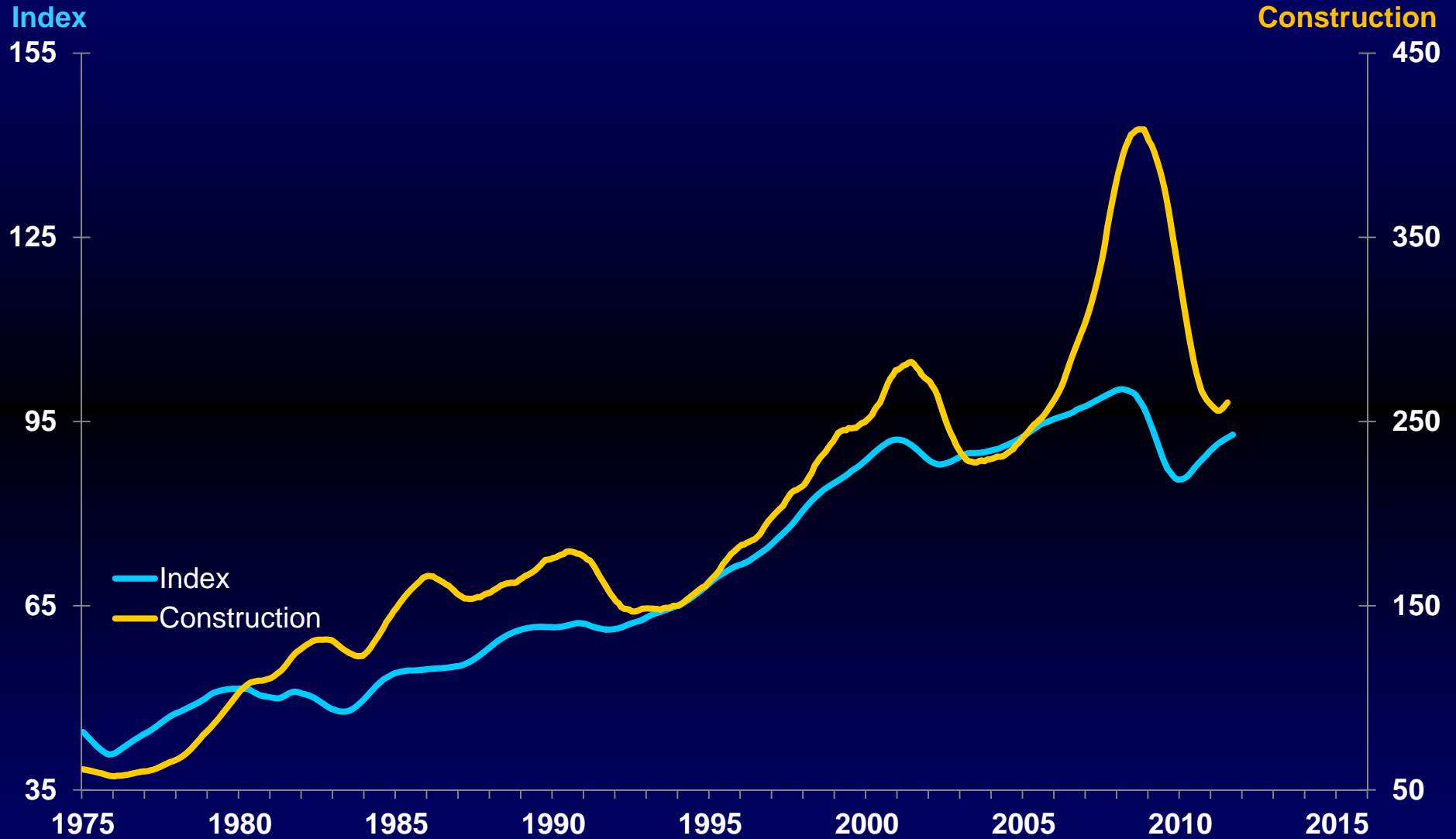
R-O-C

MMT



US Industrial Production to Non-Residential Construction Data Trends

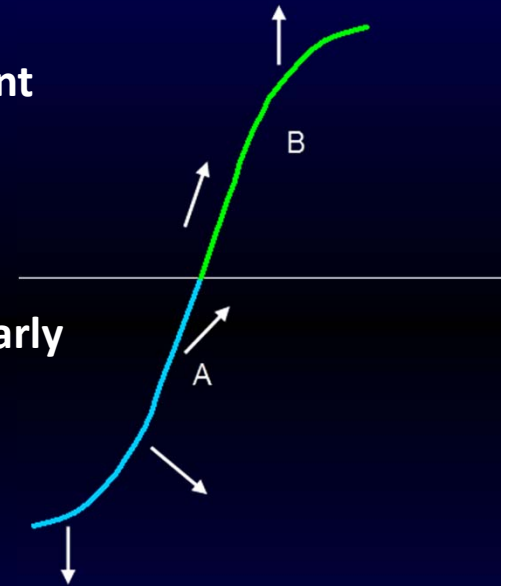
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Phase Management Objectives™:

Phase Late A – Recovery

1. Positive leadership modeling (culture turns to behavior)
2. Establish goals: tactical goals which lead to strategic achievement
3. Develop a system for measurement and accountability re:#2
4. Align compensation plans with #2 and #3
5. Be keenly aware of the BE (Break Even) point and check it regularly
6. Judiciously expand credit
7. Check distributions systems for readiness to accommodate increased activity
8. Review and uncover competitive advantages
9. Invest in customer market research (know what they value)
10. Improve efficiencies with investment in technology and software

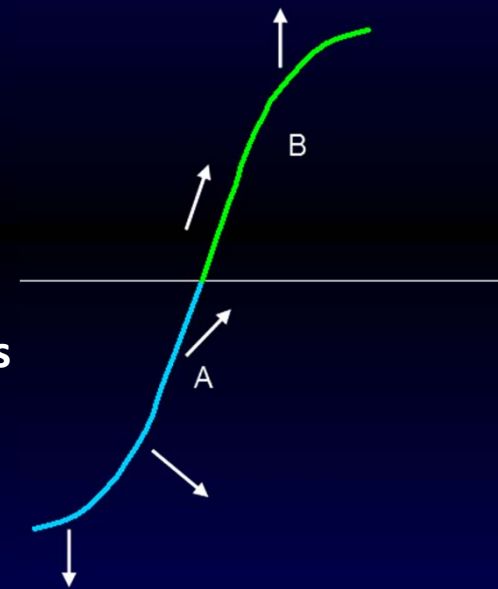


Phase Management Objectives™:

Phase Late A – Recovery

Part 2

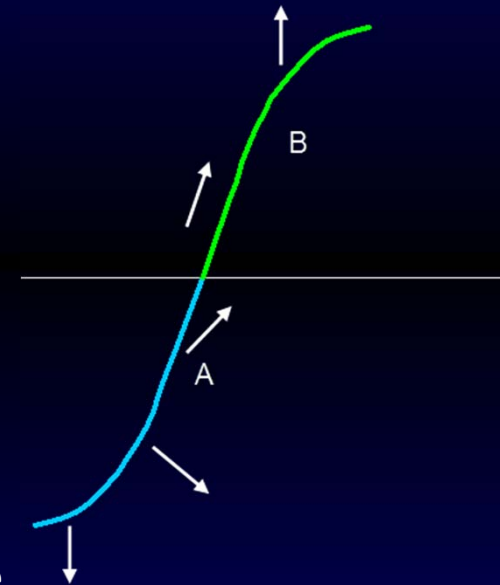
11. Start to phase out marginal opportunities
12. Add sales staff
13. Build inventories (consider lead time and turn rate)
14. Introduce new product lines
15. Determine capital equipment needs and place orders
16. Begin advertising and sales promotions
17. Hire "top" people
18. Implement plans for facilities expansion
19. Implement training programs



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 centers
8. Use improved cash flow to improve corporate governance
9. Use cash to create new competitive advantages
10. Watch your debt-to-equity ratio and ROI
11. Maintain/pursue quality: don’t let complacency set in



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

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

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

To learn how incorporating economic data into your planning process can increase your profitability, please contact

**james@itreconomics.com
603-796-2500**

**Clients and Subscribers
may call at any time to
ask questions.**





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Brian Beaulieu provides economic forecasts with 90% accuracy so companies can improve their performance and profits.

Rave Reviews

"Brian was spectacular, charismatic and incredibly relevant."

C. Homann

Royal Bank of Canada

"Brian's presentation was insightful, relevant and very entertaining. The presentation in Bend, Oregon was the best presentation on the economy in this region for many years. I found his message on investing in businesses especially enlightening, as well as the optimal timing of those investments in the business cycle."

Roger J. Lee, Director

**Economic Development for
Central Oregon**

"You WOWED our members at Nexstar's Super Meeting in Atlanta! Everyone enjoyed your great sense of humor and how you were able to connect specifically to them during your presentation. You could have heard a pin drop in the room while you were speaking as everyone was captivated."

Sandie Jacobson

Nexstar Network

"I can safely say that, in my 13 years of putting together programs for the Marketing Council and other AGMA meetings, you are the most interesting, most informative, most enlightening and most enthusiastic speaker we have ever had!"

Kurt Medert, Vice President

American Gear Manufacturers

"...Brian was fabulous, not enough words in the Thesaurus to express how good Mr. Beaulieu really is in his presentation"

Glen R. Anderson

Executive Vice President

Pressure Sensitive Tape Council

A sample of what you will learn:

- Short-term and long-term economic forecasts (U.S. and /or abroad).
- How our forecasts impact your company.
- What ITR Management Objectives™ apply at this time in the business cycle.
- What about inflation?
- What leading economic indicators should we be watching for?
- See the future first before your competition does!

About Brian

Brian Beaulieu has been an economist with ITR® since 1982, serving as a principal and it's CEO since 1987. At the Institute, his focus is research into using business cycle analysis and forecasts to increase business profits.

He is co-author of "Make Your Move", a book on how to increase profits through business cycle changes.

Mr. Beaulieu is Chief Economist for Vistage International; a global organization comprised of over 14,000 CEO's and has an active consulting practice. Beaulieu has been providing workshops and economic analysis seminars in 10 countries to literally thousands of business owners and executives for the last 28 years. He is the winner of the 2008 Speaker Impact of the Year Award from Vistage International.

Mr. Beaulieu's views have appeared in/on: *the Wall Street Journal, New York Times, Barron's, USA Today, CNBC TV, FOX Business TV, Knight Ridder News Services, Reuters, CBS Radio, The Washington Times, Forbes, Atlanta Journal Constitution, KERA TV, Canadian TV, and numerous other outlets.*

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