

# Manufacturing Outlook And Key Indicators

## THE MANUFACTURING CYCLE

Historically, manufacturing and the overall U.S. economy have been closely linked. If manufacturing grew, so did the U.S. economy, and vice versa. That relationship abated as the U.S. evolved into a service-based economy. Today, manufacturing has its own economic cycle, although indicators remain in related industries as well as sub-industries.

## LAG-LEAD RELATIONSHIP OF RELATED INDUSTRIES

In order to build accurate forecasts, manufacturers need to evaluate trends further in advance as the industry is less sensitive to small changes in the economy than others, such as retail. Manufacturing must heed the lag-lead relationship it has with related industries, as well as sub-industries, that serve as near, mid and long-term indicators.

### EXAMPLES OF INDUSTRY FORECAST LAG-LEAD RELATIONSHIPS:

#### Near-term forecasts

(6-12 MONTHS):

RETAIL  
CPG  
RESTAURANT

#### Mid-term forecasts

(9-18 MONTHS):

CONSTRUCTION  
TELECOM  
HOSPITALITY

#### Long-term forecasts

(MORE THAN 18 MONTHS):

UTILITIES  
CHEMICAL  
STEEL

## THREE KEYS TO BUILDING AN ACCURATE FORECAST

### UNDERSTAND YOUR SUB-INDUSTRY'S KEY INDICATORS AND LAG-LEAD TIME

The Architectural Billings Index is an important indicator for the construction industry, which needs to forecast 9-18 months in advance. While chemical companies have a forecast cycle of more than 18 months and a stronger reliance on global indicators such as the Trade Weighted Dollar Value Index.

### KNOW WHICH INDICATORS HAVE LONG-TERM IMPLICATIONS

Consumer sentiment and disposable income are very important indicators for B2C companies, but are often short-term indicators and therefore have little relevance for manufacturers.

### IDENTIFY GLOBAL OPPORTUNITIES FOR GROWTH

Manufacturers are not reliant on a strong U.S. economy to experience growth. During lean times, there are many opportunities to export products to foreign economies that are experiencing a growth period. But to take advantage of these opportunities, manufacturers must be able to forecast these growth areas to effectively market their services to the right geographies.