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# **RV Roadsigns**

## ***Winter Report Review***

**Eric Post**

**Senior Economist, ITR Economics**



# Agenda

- **Economic Overview**
- **RV Forecasts**
- **Q&A**



# ***Economic Overview***

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# Seven Key Points

1. The US consumer is strong
2. 11 of 12 key leading indicators are moving lower
3. The economy will expand through 2024; growth will slow into mid-2023
4. The next recession will be circa 2026; the next depression circa 2030
5. Inflation will moderate in 2022-23, but with a higher “floor”
6. The supply chain situation will improve as 2022 progresses, but some problems will extend beyond 2022
7. Labor (cost & availability) will be an ongoing challenge



# U.S. Economic Leading Indicators: *Deceleration in 2022*

Indicator	Trend	Macro Indication
ITR Retail Sales Leading Indicator	Rise	Positive through next four quarters...
ITR Financial Leading Indicator	Decline	Deceleration probable for 2022
JPMorgan Global PMI	Decline	Deceleration probable for 2022
OECD Leading Indicator	Decline	Deceleration probable for 2022
G7 Leading Indicator	Decline	Deceleration probable for 2022
Purchasing Managers Index (PMI)	Decline	Deceleration probable for 2022
ITR Leading Indicator	Decline	Deceleration probable for 2022
Wilshire Total Market Cap	Decline	Deceleration probable for 2022
US Business Confidence Index	Decline	Deceleration probable for 2022
Single-Family Housing Starts	Decline	Deceleration probable for 2022
Total Industry Capacity Utilization	Decline	Deceleration probable for 2022
US Exports, Goods – World	Decline	Deceleration probable for 2022



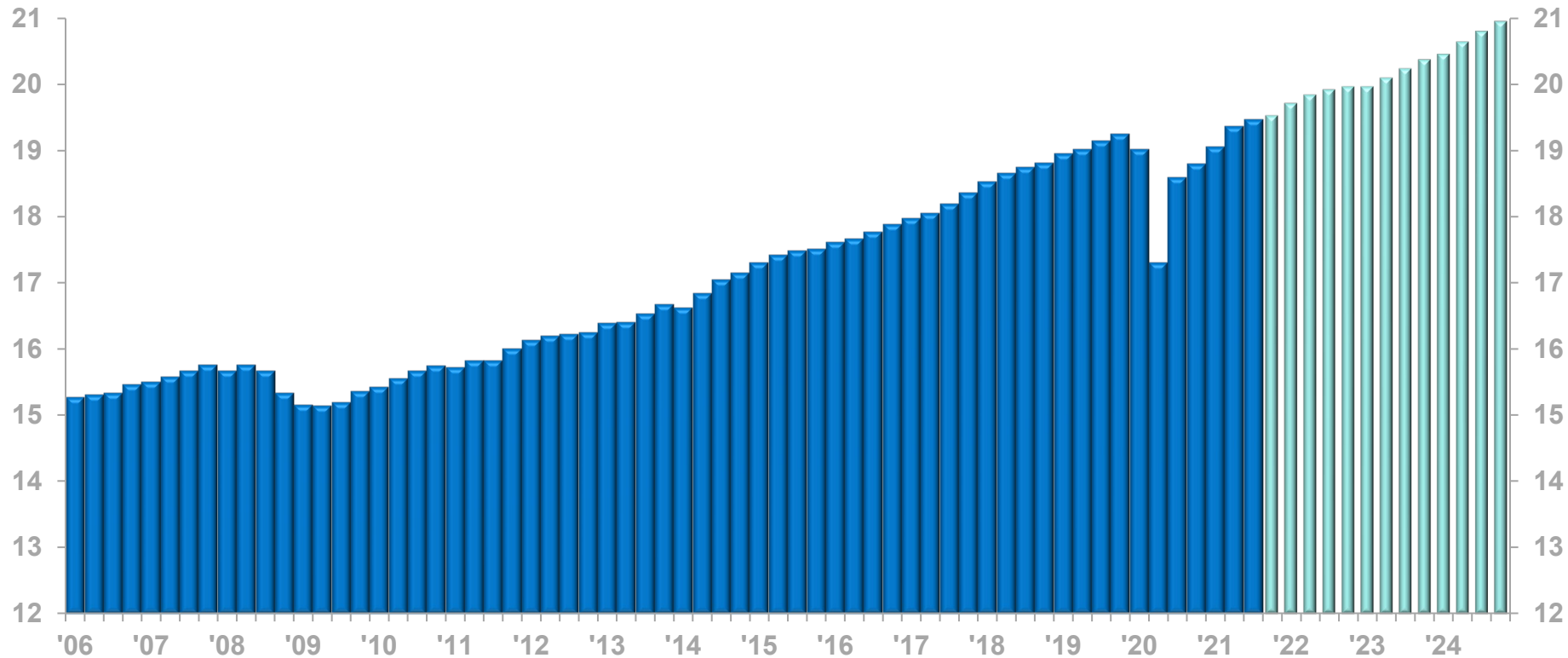
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Sources: ITR Economics, Institute for Supply Management, OECD, Yahoo Finance, US Census Bureau, FRB

# Growth Through 2024

US Gross Domestic Product, SAAR, Chained 2012 \$



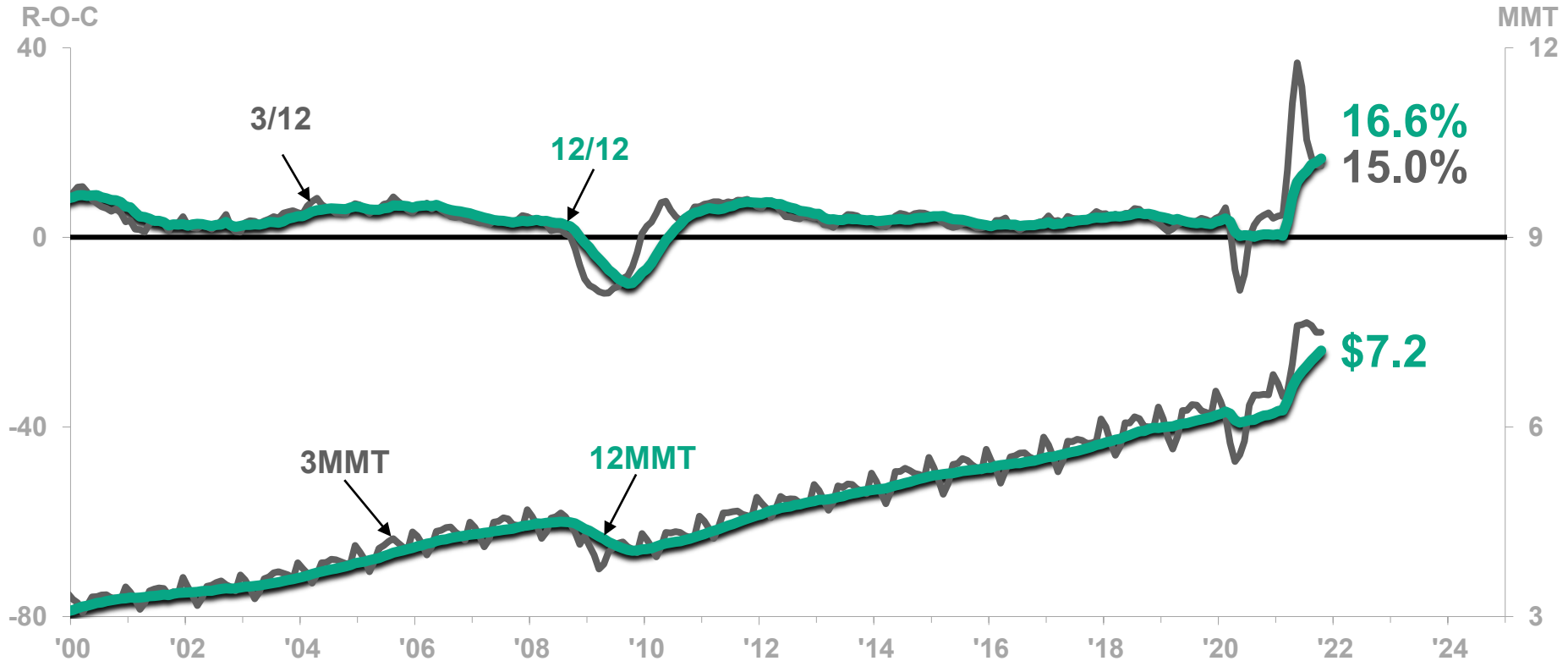
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3-Month Moving Average, Trillions of Dollars

Source: Bureau of Economic Analysis

# Stimulus-Driven Ascent Will Dissipate

## US Total Retail Sales



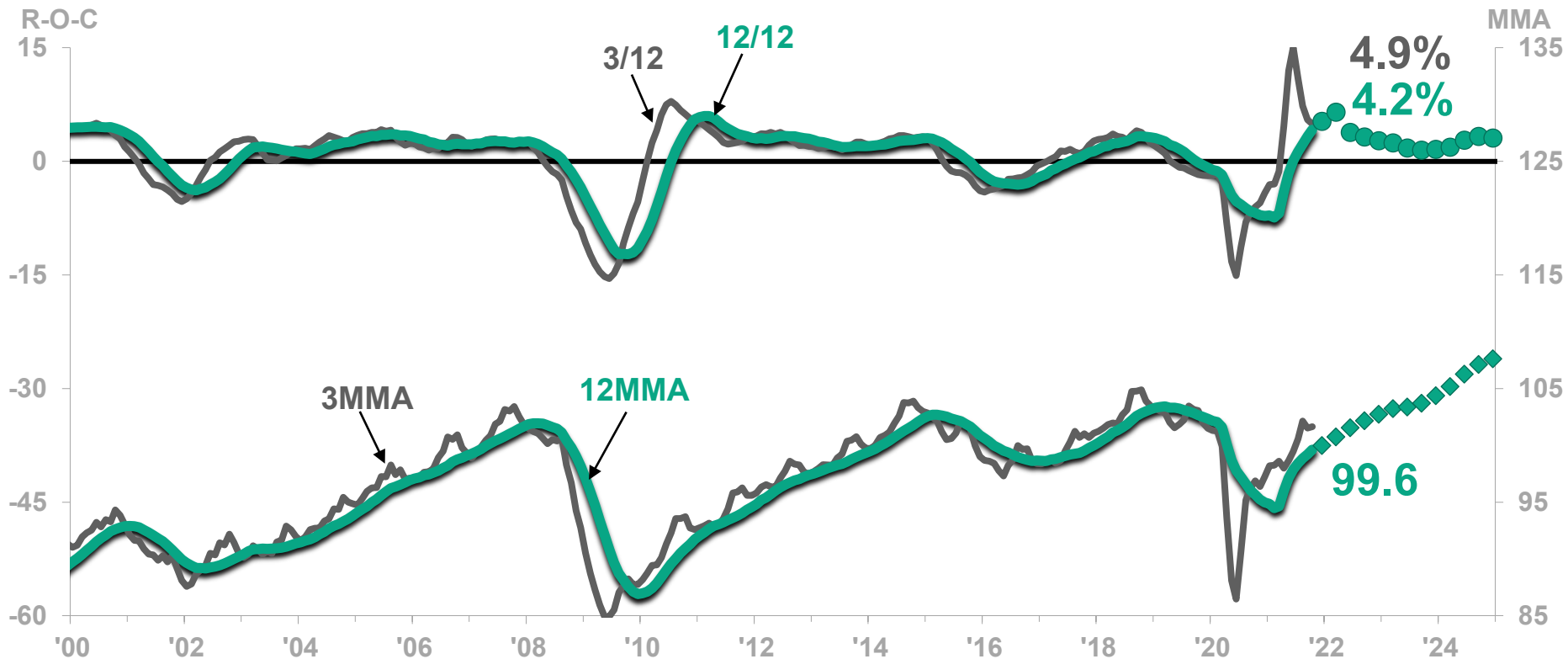
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Trillions of Dollars

Source: US Census Bureau

# Rise Through 2022

## US Industrial Production Index



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2017 = 100

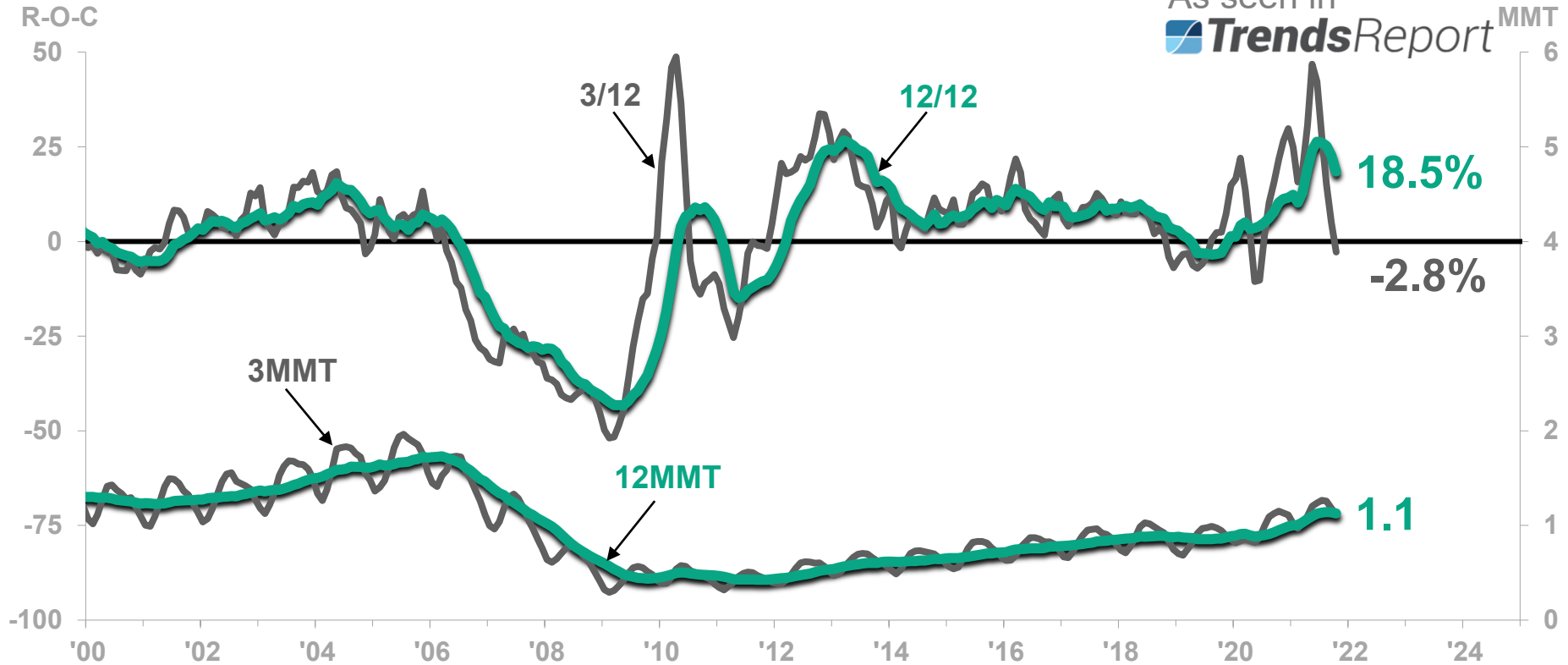
Source: FRB



# Expect Decelerating Rise in 2022

## US Single Unit Housing Starts

As seen in  
**TrendsReport** MMT



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Millions of Units

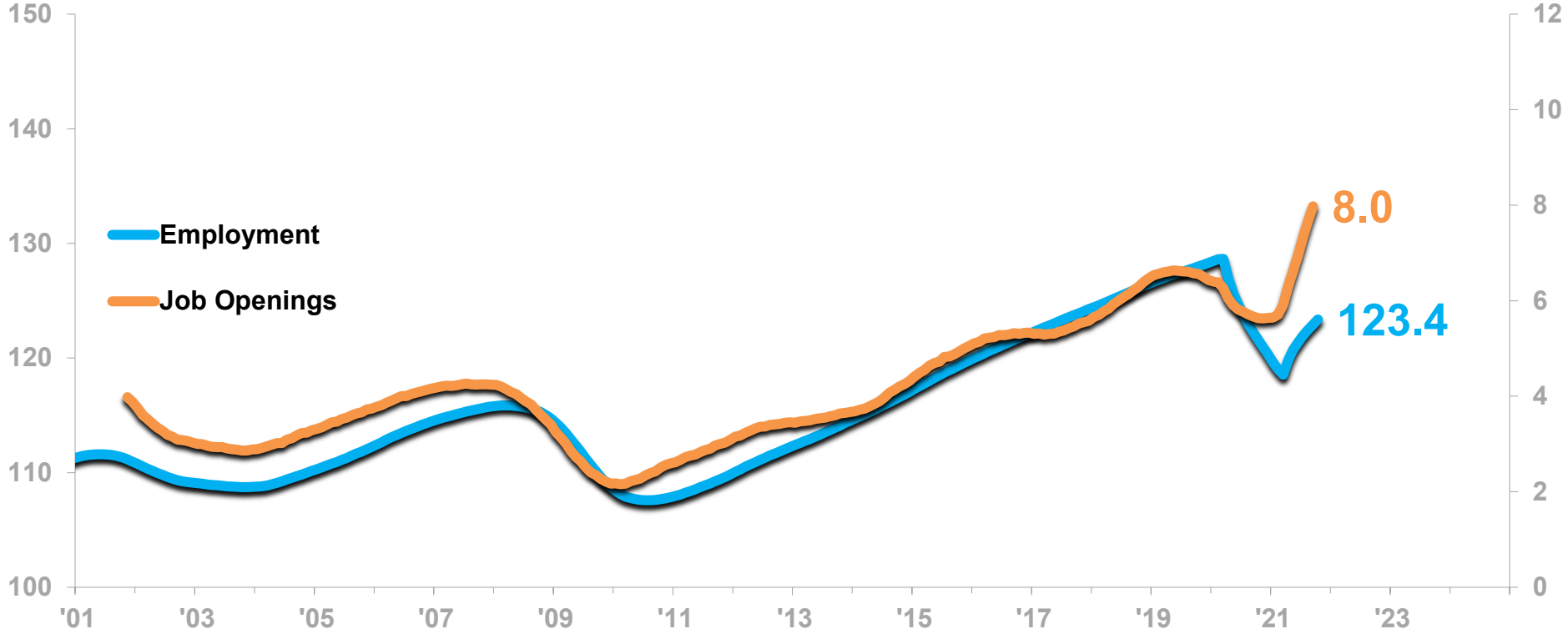
Source: US Census Bureau

# Record Openings + Limited Supply = Higher Wages

US Private Sector Employment to US Total Private Job Openings

Employment

Job Openings



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Annual Data Trends: Millions

Source: Bureau of Labor Statistics

# Wages Are Rising at a Faster Clip

## US Average Hourly Earnings

	Raw Data	1/12	Notes
Wholesale Trade	\$34.07	3.4%	Five-year average 1/12 is 4.2%
Construction	\$33.58	4.8%	Five-year average 1/12 is 4.3%
Manufacturing	\$30.11	3.8%	Five-year average 1/12 is 3.8%



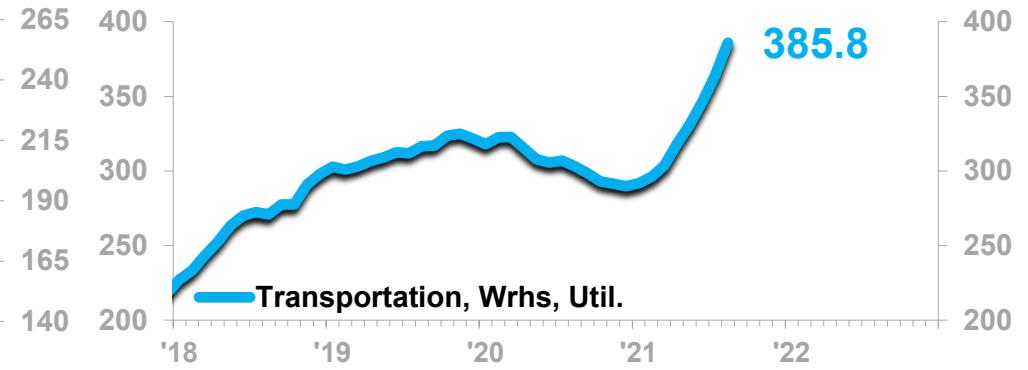
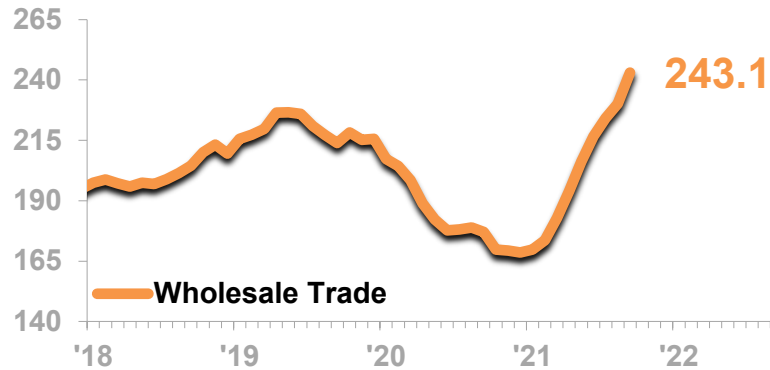
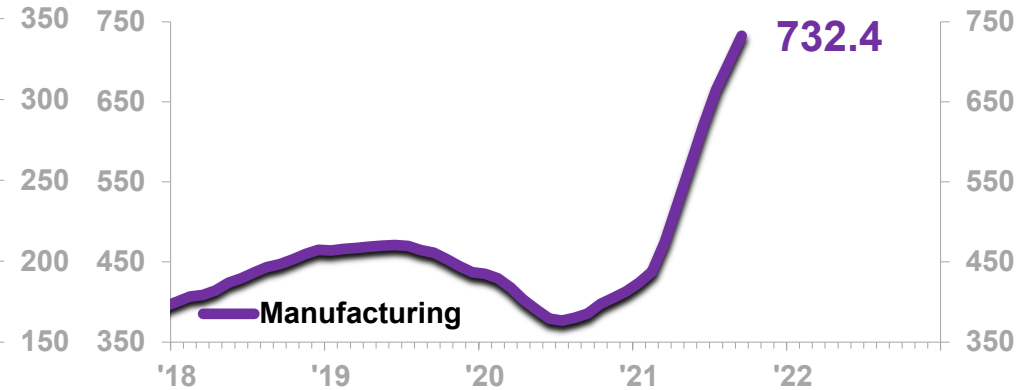
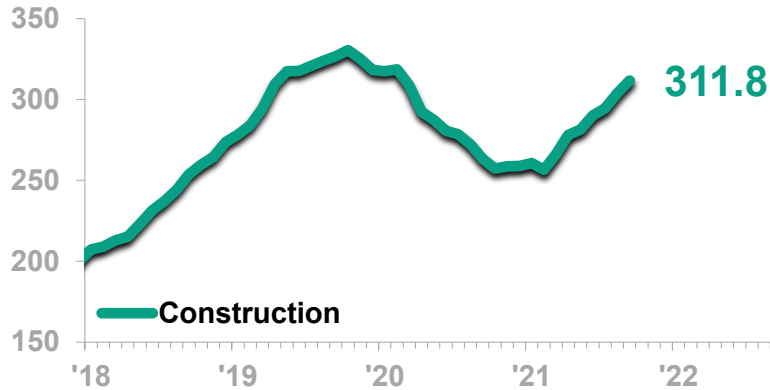
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Source: Bureau of Labor Statistics

# Labor Shortage Will Not End Anytime Soon

## US Job Openings by Industry



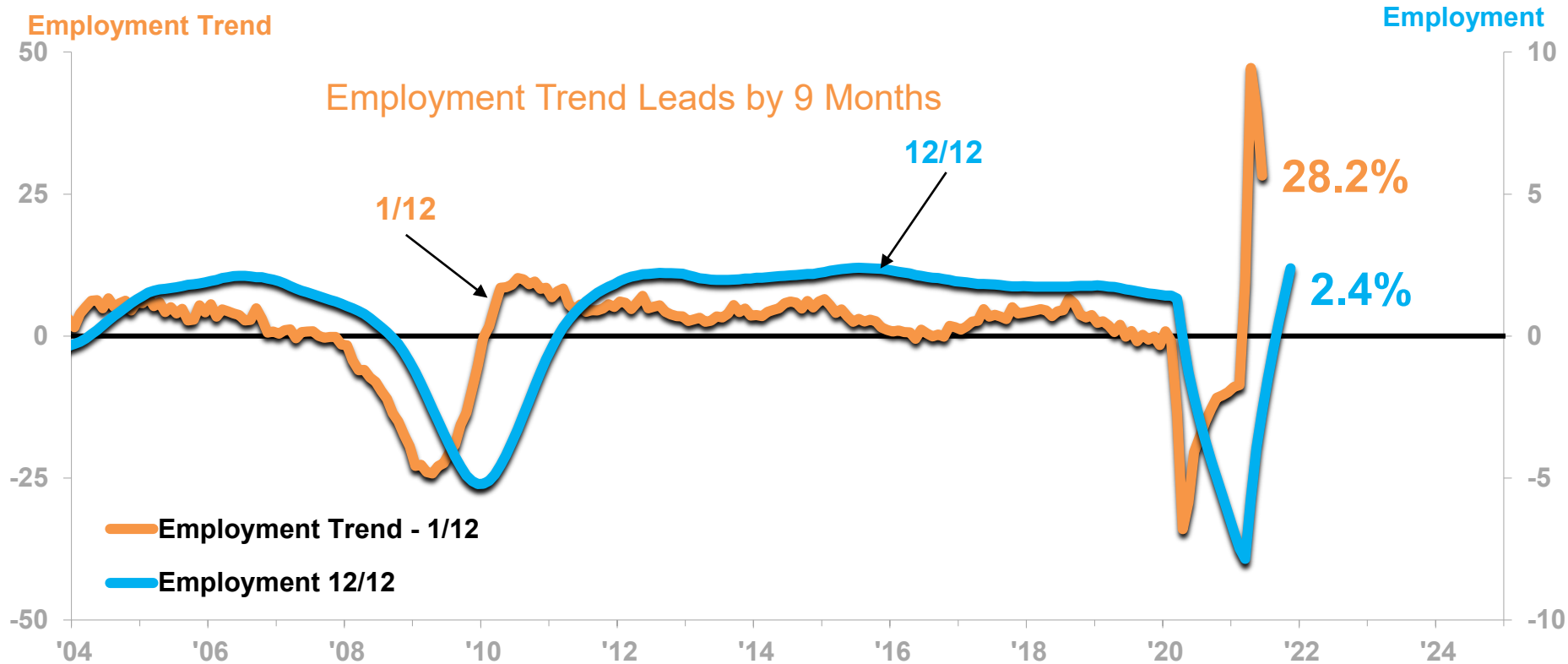
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12MMA in Thousands

Source: Bureau of Labor Statistics

# Expect Slowing Growth in Employment Next Year

## US Private Sector Employment to US Employment Trends Index



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Rates-of-Change

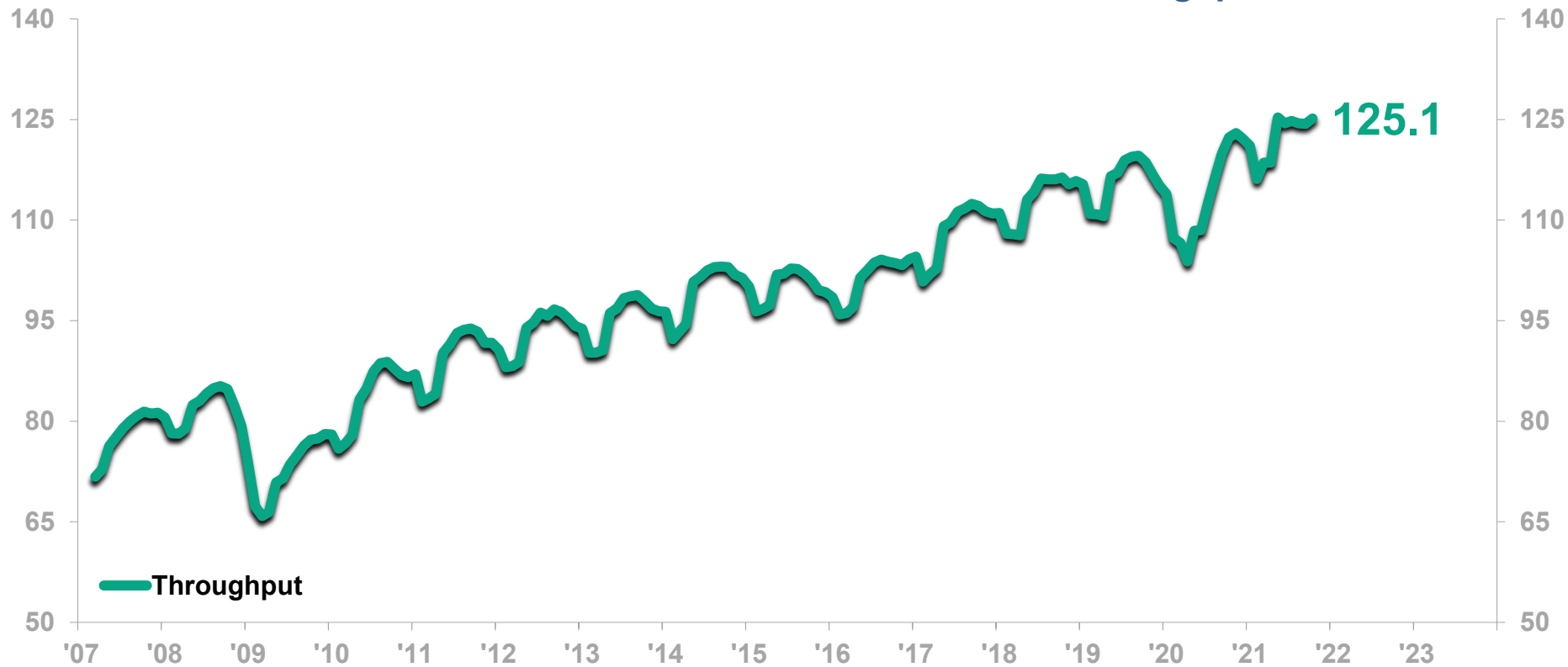
# Ideas for Attracting/Retaining/Training Workers

1. Competitive pay
2. Competitive bonuses/benefits
3. Flexible hours
4. Great (not just good) managers
5. A clearly-defined career path
6. Varied work
7. Encourage feedback & be transparent
8. Strong company culture



# Container Throughput Continues to Rise

Rheinisch-Westfälisches Institute World Container Throughput Index

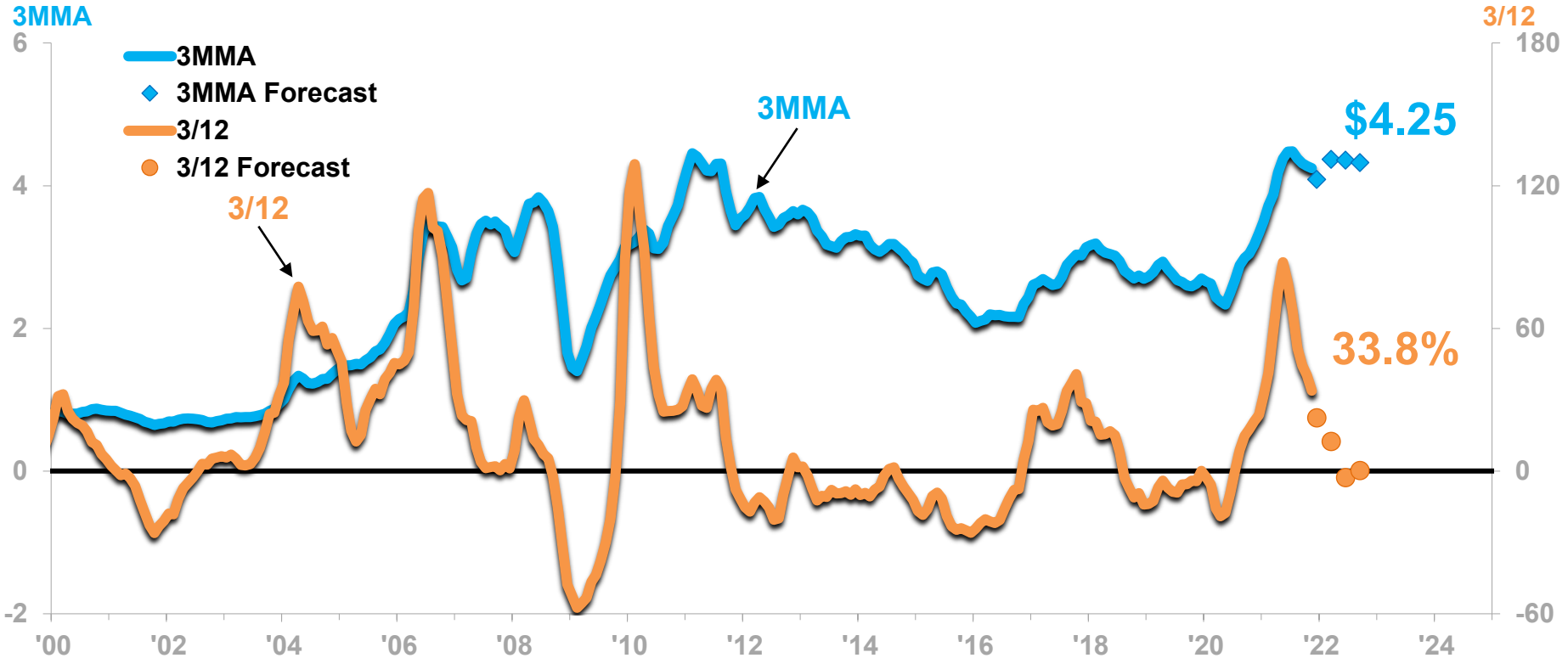


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Quarterly Data Trends: 2015 = 100

# Copper Prices to Vacillate Around \$4/lb.

## Copper Futures Prices



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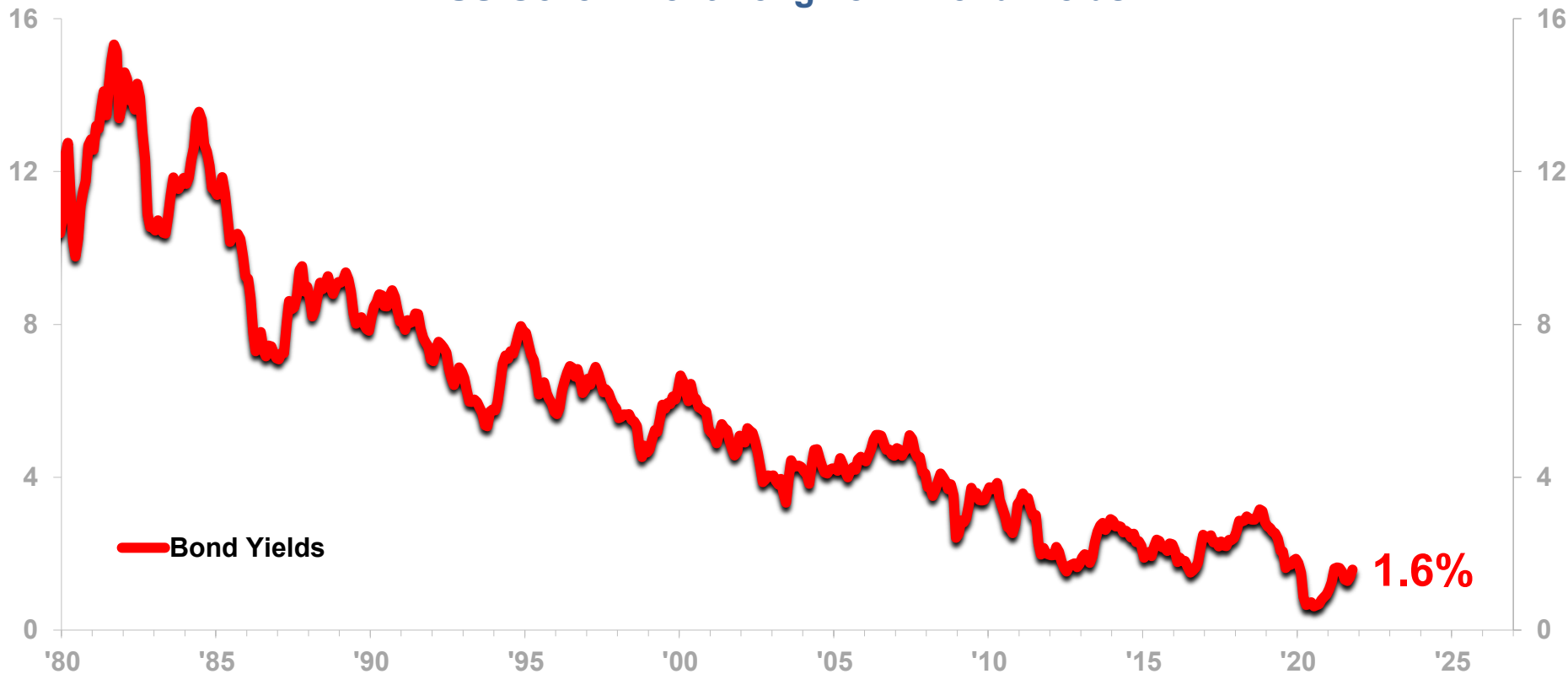
Dollars per pound, Percentage

Source: WSJ



# US Bond Yields and Inflation Concerns

## US Government Long-Term Bond Yields



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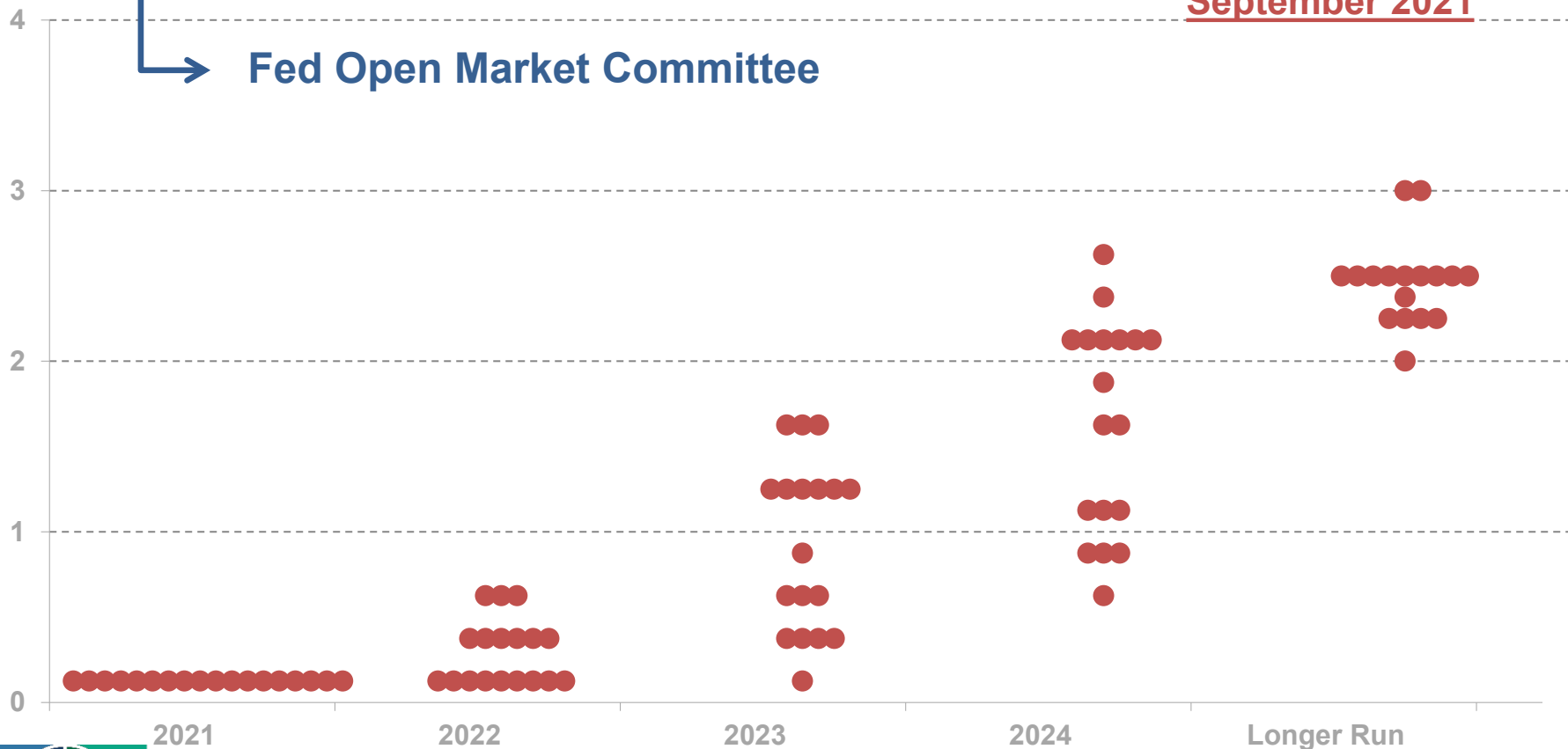
Raw Data, Percent

Source: FRB

# FOMC Member Interest Rate Projections

September 2021

Fed Open Market Committee

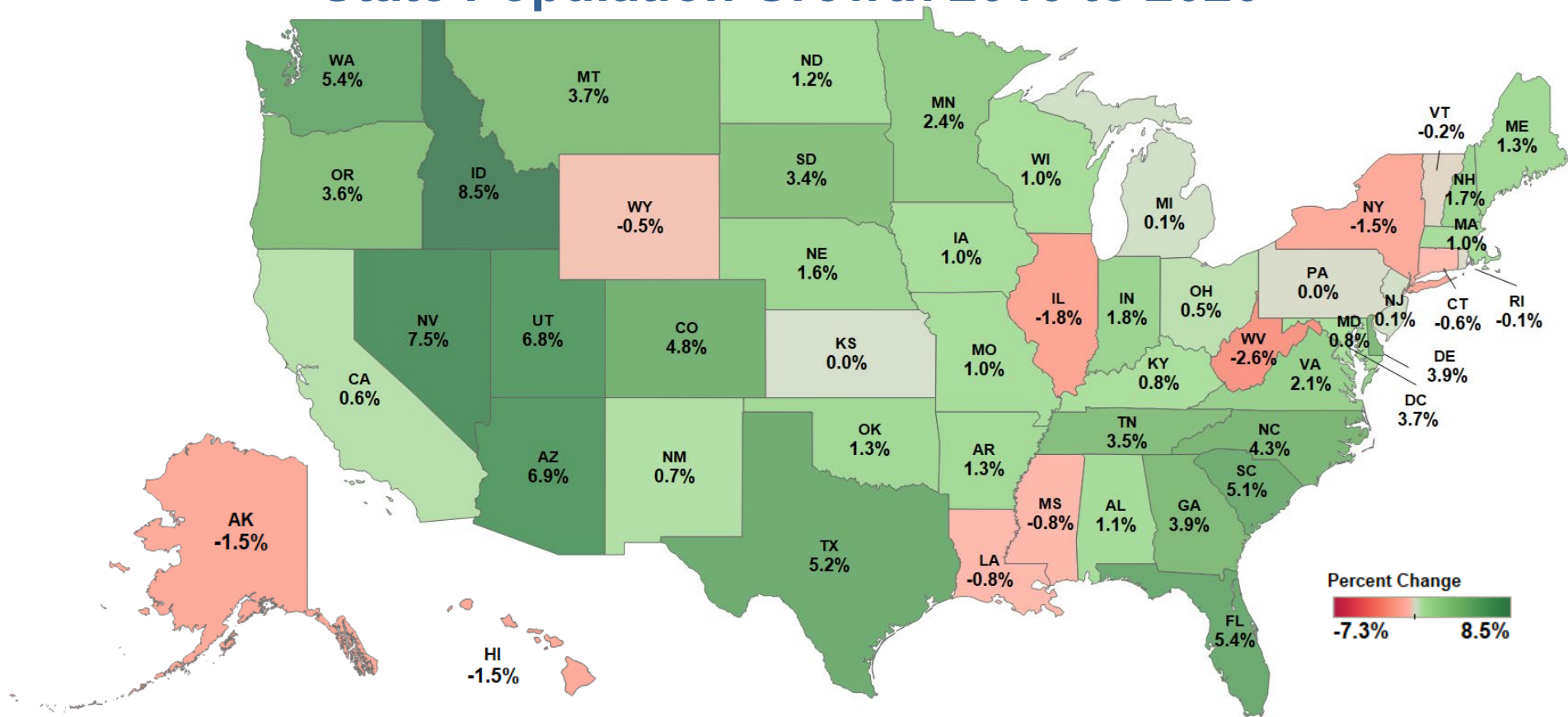


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Source: FRB

# State Population Growth 2016 to 2020



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Population Growth 2016 – 2020, Percent Change

Source: US Census Bureau

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# ***The RV Industry***

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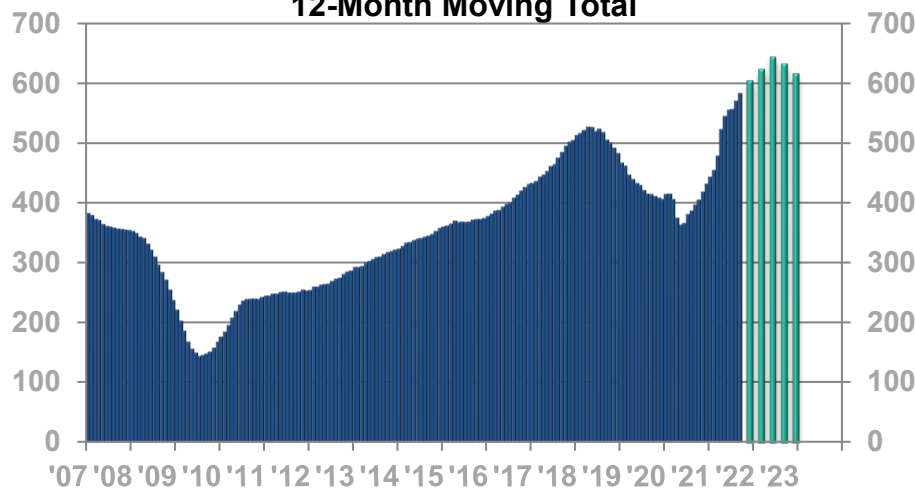
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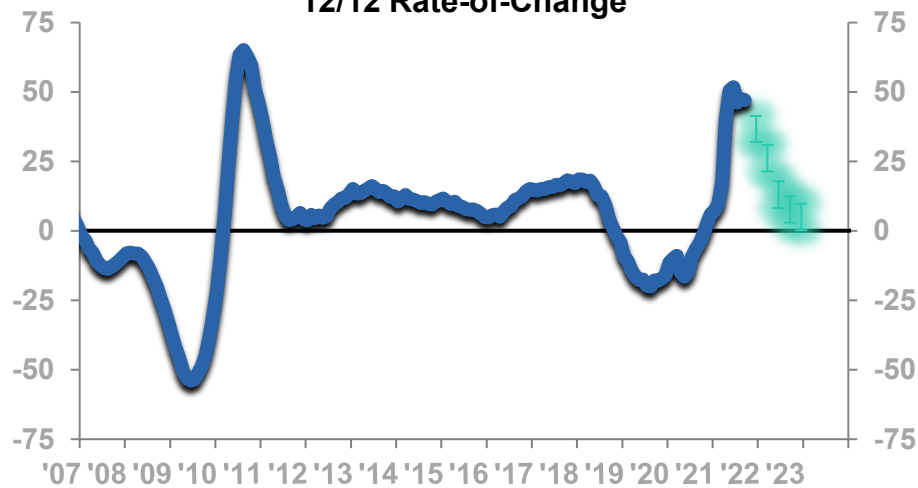
# '22 Forecast at 614k on Restocking; Weakening Retail Spending to Yield Weaker 2<sup>nd</sup> Half of '22 Than 1<sup>st</sup> Half

## Total RV Shipments

12-Month Moving Total



12/12 Rate-of-Change



Year-End Shipments (12-Month Moving Total)

2021 2022

	2021	2022
Lower Forecast Range	593.6	599.7
Median Forecast	602.2	613.7
Upper Forecast Range	610.8	627.7

Annual Growth Rate (Shipments vs. Prior Year)

2021 2022

	2021	2022
Lower Forecast Range	37.9%	-0.4%
Median Forecast	39.9%	1.9%
Upper Forecast Range	41.9%	4.2%



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# Total RV Shipments Year-Over-Year Growth Rates

Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
-9.0	-14.7	-4.5	6.0	17.7	51.7	47.1	39.9	29.9	15.7	8.2	1.9

Note: Color (red, blue, green, or orange) denotes the business cycle phase – as defined at the bottom of the following terminology page – of the overall RV industry at the specified point in time.

- Total RV Shipments in the 12 months through September were up 47.1% from one year earlier. Growth is slowing as Shipments face increasingly lofty year-ago comparisons. We expect the year-over-year growth rate to move lower through at least late 2022 as the pace of US economic growth cools.
- The RV industry will see double-digit growth rates into mid-2022, thanks in part to low inventories and the strong financial standing of consumers, many of whom are interested in the outdoors.



# RV Forecasts

## Component Outlooks

Lower	Unchanged	Higher
None	Truck Campers	Conventional Travel Trailer (+14.2k '21; -4.2k '22)
	Class A	Fifth Wheel (+8.4k '21; 13.3k '22)
	Class C	Folding Camping Trailers (+0.6k '21; +1.1k '22)
		Class B (+2.0k '21; +3.3k '22)

*In aggregate, the 2022 Total Shipments outlook changed from 600k units to 614k units.*



# Reminder...

## The Four-Legged Stool: Generating the Quantitative Forecast

### Internal Trends



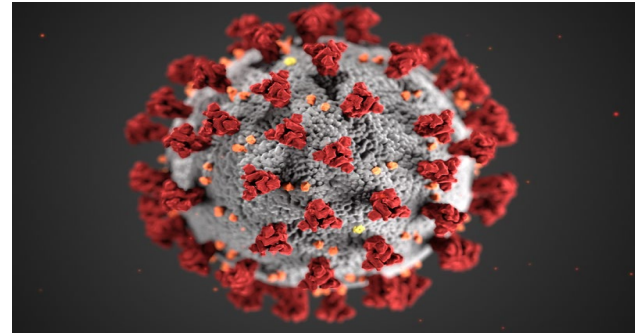
### Leading Economic Indicators



### ITR Long Term Business Cycle Theory



### News and Market Observations



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# RVIA Total Shipments

## Rates-of-Change and News/Market Observations



**Phase C**  
**Slowing Growth**

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

**22.8%**

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

**47.1%**

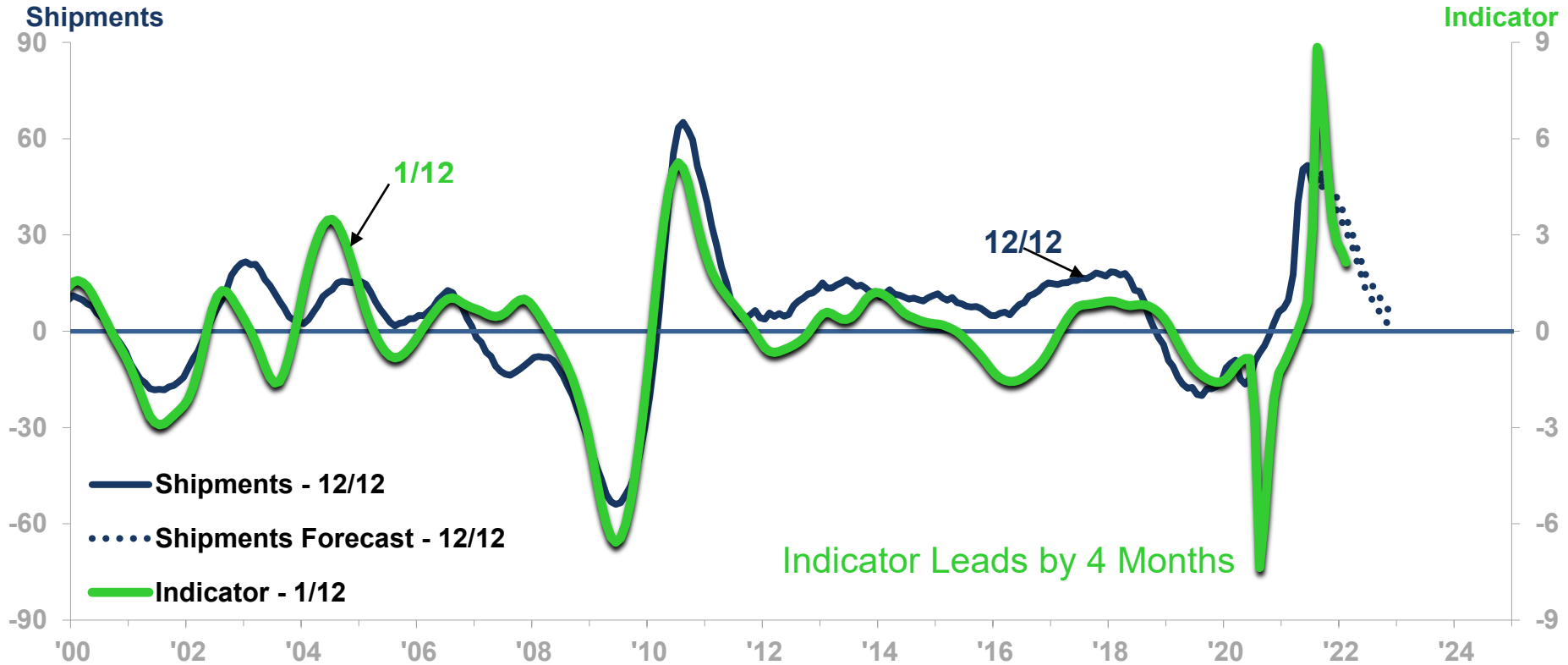
### ***News and Market Observations:***

- ✓ Some reporting prices for used units coming down
- ✓ Some reporting demand beginning to soften
- ✓ Still very low inventories
- ✓ Supply chain issues generally reported as steady (i.e., no significant deterioration or improvement versus the prior quarter)



# OECD's US Leading Indicator Signals Downside Momentum

## RVIA – Total Shipments to US OECD Leading Indicator



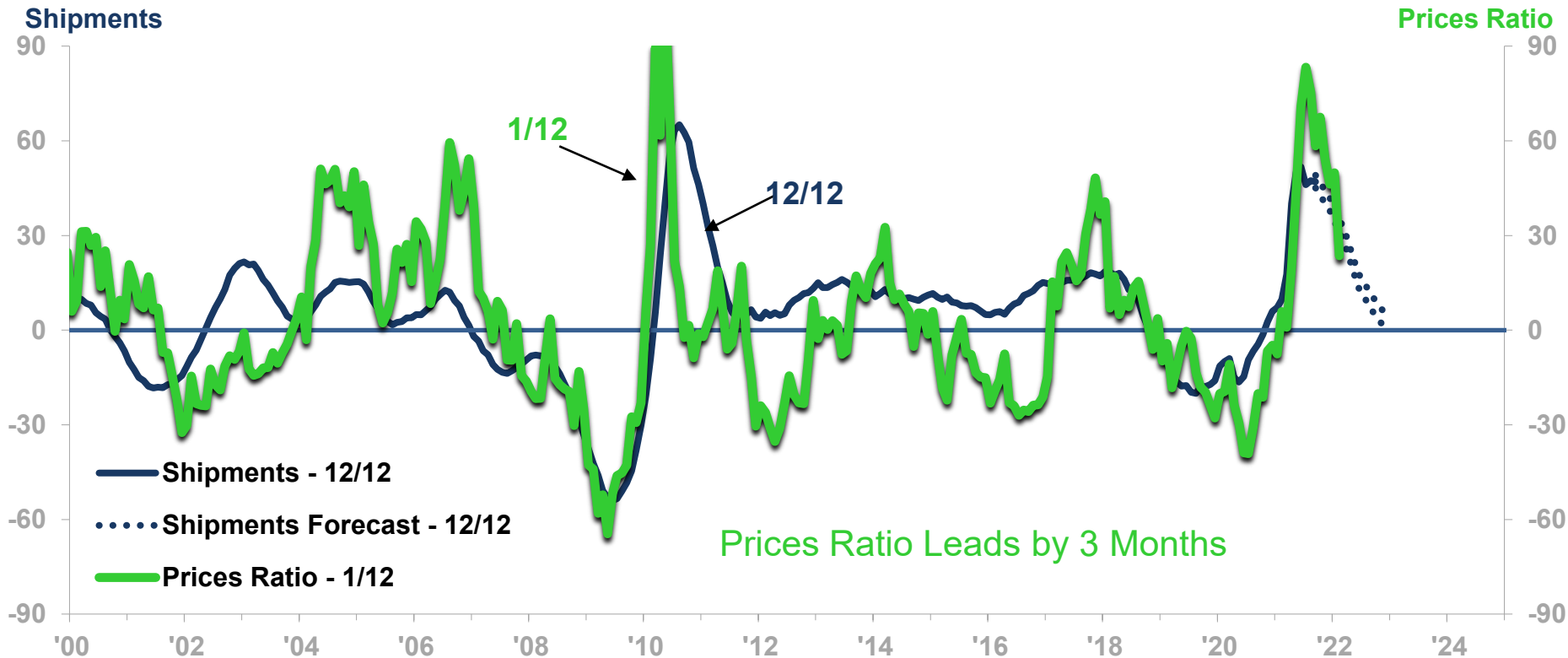
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Rates-of-Change

Sources: RVIA, OECD

# Copper to Gold Prices Ratio Suggests Deceleration

RVIA – Total Shipments to US Copper Prices to Gold Prices Ratio



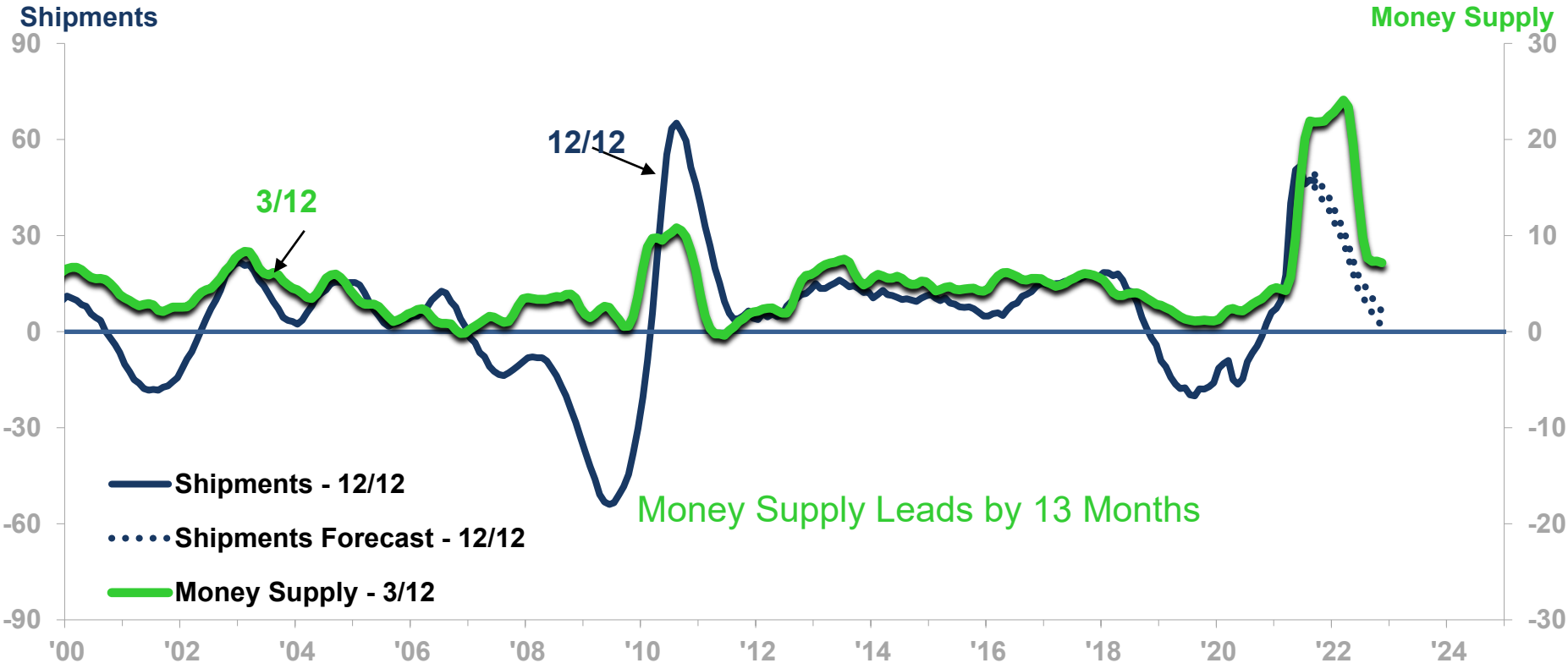
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Rates-of-Change

Sources: RVIA, Wall Street Journal

# Stimulus Effects Upside Risk, but Lower Rate of Rise Nonetheless

RVIA – Total Shipments to US M2 Money Supply (deflated)



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Rates-of-Change

Sources: RVIA, FRB

# Keeping an Eye on Housing as Possible Downside Risk

RVIA – Total Shipments to US New Homes Sold



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Rates-of-Change

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Sources: RVIA, US Census Bureau

# Phase C

## Phase C – Decelerating Growth



1. Know if your markets are headed for a soft landing or a hard landing
2. Cash is king, beware of unwarranted optimism
3. Stay on top of aging receivables
4. Revisit capital expenditure plans
5. Lose the losers: if established business segments are not profitable during this phase, eliminate them
6. Use competitive pricing to manage your backlog through the coming slowdown

Avoid Linear Thinking.

9. Evaluate your vendors for financial strength; if needed look for additional vendors as a safety net
10. If the cycle looks recessionary, cross train key people to prepare for workforce attrition/reduction



# Any Questions?

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