

*Owner Resource Group is pleased to provide the following exclusive economic perspective from the Institute for Trend Research*

## MAKING GOOD DECISIONS IN AN UNCERTAIN ENVIRONMENT

Leaders are faced with enough political and economic uncertainty to last them for years. How do you make decisions in this environment? The answer is surprisingly clear at one level and complex on another. The clarity comes from knowing where to look for answers. What leading indicators reliably speak to the future? What is important and what is noise? We will answer some of that here and readers should finish this article with a better sense of what will be.

The complexity comes in that many decision makers today have grown risk averse where they must know everything and be absolutely sure before risking resources of any kind. This model does not make for leaders, but it does make for a herd. Entrepreneurial thinking and attitudes are an absolute must in today's climate of uncertainty. The entrepreneurs will ultimately pull ahead of the rest. Decision making takes courage and there is little I can do to give anyone courage. All I can do is provide as much clarity as I can and hope that the clarity makes it easier for you to take risks.

ITR® is projecting that the rate of recovery in the US will slow in the quarters ahead but, and this is important given all the bad news and opinions flying around, there will not be a double-dip recession where double dip is defined as the US slipping back into a general economic recession. Certain industries will stall in their recovery trend, and others will be flat, and still others may give up a little ground, but the US economy in total can be expected to slog its way forward.

Uncertainty abounds and as you and I know well, businesses of all kinds hate uncertainty because uncertainty tends to freeze most important business decisions. The uncertainty seems to be tied, at least in part, to the upcoming mid-term elections, daily stock market gyrations and as we bounce from one piece of economic news to the other, lingering high unemployment, government debt, uncertainty over new financial regulations and whispers about the shadow housing inventory.

We are not complacent about these problems, but we have to balance off the negatives with the positives and these positives happen to provide us with the clarity we need. The confidence in the future recovery comes from using select leading indicators to see that more economic expansion can be anticipated. These same leading indicators will eventually warn us of the next recession, but they will give us courage to act then too.

What leading indicators do we turn to and what are they saying?

## LEADING INDICATORS

INDICATOR	WHAT IT MEANS
Corporate Bonds Yields are Moving Lower	Affordable borrowing and ongoing recovery
Purchasing Managers Index – Above 50	No recession now; slower rate of recovery later
Stock Prices – Rate-of-change Moving Higher	General economic recovery extends into 2011
Housing Starts – Flat	Not signaling a double-dip
Household Net Worth – Moving Higher	Improvement here means more spending later
Savings	Incredible savings means stability now and more spending later

In addition to the above, corporate profits are very healthy and corporations that are profitable at this level of activity are not going to need to do more workforce reductions even if the economy stalls. These layoffs are an oft-cited cause of another housing crash and an assumed demise in retail activity. It is not likely to happen. Business balance sheets are loading up on cash and that speaks to future consumption. This last point is worth a second look as it means corporate America has right-sized to the new reality.

Keep an eye on Retail Sales if you are looking for additional clarity. The consumer can make or break this economy. Retail Sales, adjusted for inflation, are an encouraging 3.1% ahead of this time last year (latest quarter) with more spending coming. Christmas 2010 will come in above 2009 and that means economic expansion. As long as the internal indications for Retail Sales

remain positive, as they are now, there is no need to feel uncertain about what will be. Plan on more opportunities in the year to come.

One more point of optimism can be found in the Federal Reserve Board's remarks that they will provide the needed liquidity to keep the economy on a positive footing if needed. An infusion of cash by the fed will help banks and businesses in the coming quarters if the dark days return.

Our outlook is rather straight forward. The US Industrial Production trend, as measured by the three-month-moving average, will be essentially flat in the last quarter of 2010 and in the first quarter of 2011. Knowing that it is coming will keep you from being drawn to the false conclusion that another recession is about to begin. It is merely a sag in the road, not the beginning of a downhill slide.

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## MAKE YOUR MOVE

The upcoming period of stability/mild recovery in the US economy demands increased efficiency throughout your operation. Spend money now on employee training and reap the profits from improved productivity and increased customer satisfaction. Hire to fill skill gaps or to avoid employee burnout.

More ideas on how to prosper in any portion of the business cycle are available in our book, *Make Your Move*, which is available through our website or online at your favorite book seller.

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