

Forecast for your business in 2021

Return to normalcy

By Phillip M. Perry

Editor's note: 2020 has been filled with uncertainty, to say the least. But what can we expect for the year ahead? Award-winning business journalist Phil Perry offers some insight in this mixed yet revealing forecast.

Door and access companies can look forward to an increasingly favorable operating environment in 2021, as the U.S. economy rebounds from the effects of the COVID-19 pandemic. Economists anticipate a gradual but noticeable recovery fueled by a surge in corporate profits, a strong housing market, and the successful rollout of a vaccine.

The healthier the economy, the more businesses profit. Moody's Analytics expects the nation's gross domestic product to increase at a 2.6% clip for 2021, up from the 4.9% decline in 2020. "The COVID-19 recession is over, and the economy is currently in an early-cycle expansion," said Sophia Koropecykj, a managing director for Moody's.

Slow and steady

For most businesses, the return to normalcy should be gradual. Koropecykj said, "The economy will regain its stride in the second half of the year, when a vaccine or treatment is assumed to be widely available."

Some businesses are optimistic. "Even though there's still a lot of uncertainty out there, many companies have a positive outlook," said Tom Palisin, executive director for the Manufacturers' Association in York, Pa.

For the door industry, the next 12 months may be more of a mixed bag. "I expect garage door firms serving the residential construction and residential service segments to continue to register strong growth at a rate greater than their commercial counterparts," said Josef Roberts, founder of E Squared Consulting. "Single-family construction will continue to expand in suburban America."

Despite the healthy state of backlogs on the commercial side, the forecast for that industry segment is more nuanced. "My concern is that there is a lull right now in architectural activity and billings, and those are leading indicators of future orders," said Roberts.

"Commercial dealers who don't have long-term views of their sales cycles may end up

struggling as they may not have visibility as to what their future orders will look [like]."

Housing surge equals more business

Residential construction is helping to drive the economy and promises to do extremely well in 2021, thanks to a dramatic shift to suburban living.

Wayne Dalton senior brand marketing manager Sarah Schram said, "As Americans continue to take advantage of record-low mortgage rates due to the pandemic, we are seeing the sale of new homes surge."

Koropecykj forecasts housing starts will surge by 20.1% in 2021, after falling an expected 5.7% in 2020. The comparable 2019 figure was a positive 3.8%.

Retail growth in select sectors

The retail sector has registered notable gains, and it often reflects the nation's overall economy. "Our current 2021 forecast is for 6.2% growth in core retail sales," said Scott Hoyt, senior director for Moody's. That forecast anticipates a substantial improvement over 2020, with a 2.6% increase expected (when numbers are finalized), representing a deceleration from the 3.9% growth clocked in 2019.

The growing trend of online shopping fueled by the stay-at-home nature of the pandemic has contributed to retail sales overall. Additionally, pandemic-enforced leisure time has made consumers more selective, favoring retail categories that are essential to living or that bring enjoyment. Both trends create a retail environment that favors some sectors and devastates others.

"With the recent shift of consumers shopping online to minimize exposure to the pandemic, more and more retail businesses have had to close their doors," said Schram. The closures may serve as an opportunity for access and security sales.

Schram said, "Now, more than ever, retailers are at risk of vandalism and trespassing and need to maintain security and keep their inventory

and/or store safe. Due to these security concerns, there is increased demand for secure access solutions—specifically for security doors with visual access, slim-fit theft deterrent security doors, and other security add-ons."

"While consumer spending has been hammered pretty badly, retailers have not been hit nearly as hard as service businesses," said Hoyt. Moody's anticipates a 6.5% decline in services spending when the 2020 numbers are tallied—a stark reversal from the 4.3% gain in 2019.

Schram said, "In order to be a partner to service companies through these difficult times, manufacturers should focus their efforts on supporting essential businesses with doors, parts, and related products."

Capital investments crumble

Despite the aforementioned strengths of the housing and retail sectors, the U.S. economy will face headwinds in 2021. Moody's says that by the end of 2020, total real fixed investment will have fallen by 27% annualized.

More robust investments in commercial buildings and machinery are not expected to arrive any time soon. "Major segments of investment will be weak, with transportation equipment and structures especially hard hit. Structures investment will fall more than 20% in the months ahead, led by the collapse in retail and reduced demand for office space," said Koropecykj.

Moody's identifies technology as one bright spot. "The pandemic will probably accelerate the trend toward more automation and robotics," said Palisin. "Such technology will be needed to increase manufacturers' resiliency."

Consumer confidence levels

Consumer spending accounts for roughly 70% of all economic activity and directly reflects the nation's overall business health. Household spending is also driven by public psychology.

According to Moody's, by late 2020, consumer confidence was running low due

to uncertainty surrounding the future of the pandemic and the availability of a reliable vaccine. However, the noticeable drop in take-home pay may be a more immediate driver of consumer discontent.

“Wage and salary income, including the value of benefits, is forecast to decline 2.2% when 2020 numbers are finalized,” said Hoyt. Those numbers represent a reversal in fortune from the 4.4% increase of 2019. Pandemic-related furloughs and business closings accounted for a major portion of wage declines.

Tight labor market

High unemployment levels and a lack of quality job applicants are also affecting economic recovery. Furloughed workers, child care issues, and health care concerns are issues continuing to affect the labor market.

While the future of the labor market is unsettled, the opening months of 2021 might provide clues on whether hiring difficulties will improve. Palisin said, “Right now ... people are sitting on the sidelines to see what is going to happen.”

Competition for quality workers also makes the hiring process more difficult for business owners. “Some sectors of the manufacturing economy, such as the food and automobile industries, are hiring quite a bit,” said Palisin. “And sectors such as construction and healthcare are competing with manufacturers for workers.”

When the labor market tightens, the pressure to pay higher wages increases. “To remain competitive, companies are restructuring their compensation packages to retain higher-end skilled workers,” added Palisin.

Early projections

The first quarter could be a barometer for how the rest of the year plays out. “Businesses will be looking for increased certainty on matters such as market stabilization, the ability to hire, access to a qualified labor pool, and workplace safety protocols,” said Palisin. “It would be good to have some kind of resolution around trade issues as well.”

Koropecy plans to look to consumer sentiment levels in the early months for insight on 2021 spending. “We will also look closely at the number of business bankruptcies. And

the core unemployment rate, which excludes temporary layoffs, will gauge how much joblessness is attributable to permanent layoffs, which leave behind long-lasting scars on the labor market,” she said.

But perhaps the best economic indicator of all will be the rate of progress toward a cure for the pandemic.

“Businesses will be concerned about the timeline of a vaccine,” said Koropecy. “The path towards some semblance of economic normality hinges upon its development and widespread distribution.” ■

Supply chain woes

Tom Palisin, executive director, The Manufacturers' Association

“The hope is that there’s some kind of trade deal with China. Higher tariffs don’t help in the middle of an economic slowdown.”

Bill Conerly, principal and owner, Oregon consulting firm

“In the worst of the COVID-19 lockdown, nothing was coming out of China. Few companies made radical shifts in their sourcing, due to a natural hesitancy to change suppliers, but there is growing pressure to obtain materials from not only domestic suppliers but also from multiple factories.”

Sarah Schram, senior brand marketing manager, Wayne Dalton

“As companies push to return to some sense of normalcy, manufacturers should continue to make continuity within the order process a top priority. Extended lead times puts greater pressure on the overall process and impacts completion dates.”

John Manzella, New York consultant

Companies should no longer rely on just-in-time inventory strategies, which too often have become just-too-late failures, and stockpile more supplies both in the United States and abroad. This approach reduces efficiencies but favors risk reduction.

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