Feature

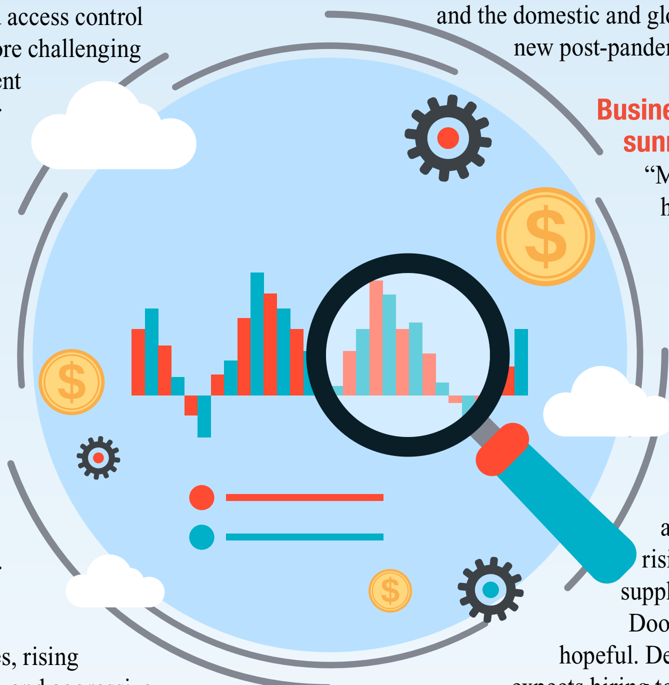
2022 forecast for door and access dealers

Healthy economic outlook despite looming virus effects

By Phillip M. Perry

Editor's Note:
Ongoing supply chain issues, relentless labor shortages, and plaguing tariffs sum up 2021. Will these same issues test door and access businesses in 2022? In this story, award-winning journalist Phillip Perry offers some survival tactics and hope for the year ahead.

Garage door, gate, and access control companies face a more challenging operating environment in 2022. After a year in which pandemic-sequestered consumers spent heavily on their homes, experts expect a shift of disposable income spending to restaurants, theaters, and travel — services that COVID-19 had previously made off-limits.



The numbers tell the tale

"Core retail sales (which exclude the volatile auto and gasoline segments) are expected to increase 4.3% in 2022," said Scott Hoyt of Moody's Analytics. "Service spending, in contrast, is expected to grow by 9.5%."

Declining unemployment rates, rising wages, a booming housing sector, and aggressive corporate investments are helping generate sales for door and access dealers.

The Gross Domestic Product (GDP) is the most commonly accepted measure of economic growth; the Real GDP adjusts for inflation. According to Moody's, the Real GDP is expected to grow at a 4.3% rate in 2022, down from the 6% of 2021 yet sunnier than the 3.4% pandemic-fueled decline of 2020.

> Door and access businesses should expect to shell out a 4.6% rise in wage and salary income next year on top of the projected 7% increase in 2021.

Door and access dealers will continue to battle labor shortages, crippled supply chains, China tariffs, nascent inflation, and unsettled customers throughout the next 12 months. However, economists are optimistic.

Bernard Yaros Jr. of Moody's Analytics said that labor and goods shortages will ease as waves of COVID-19 variants subside and the domestic and global economies learn to adapt to the new post-pandemic normal.

Business owners confirm sunny reports

"Most of our members have seen a healthy return of revenues and are doing about 90% of their pre-COVID-19 business," said Tom Palisin of The Manufacturers' Association in York, Pa.

Moody's expects corporate profits nationally to increase by around 4% in 2022. Heftier earnings should offer door and access companies some ability to absorb price pressures stemming from rising commodity prices and global supply chain issues.

Door and access dealers should remain hopeful. Demand is steadily high, and Palisin expects hiring to increase. Aggressive hiring is improving the nation's employment level, driving retail sales, and influencing consumer sentiment (which is vital to the nation's overall business health).

Jobs are being added at an "astoundingly good" rate, said Hoyt. Unemployment is expected to drop to 4.5% by the end of 2021 and then to 3.4% by the end of 2022.

Wage and salary income on the rise

Any tight labor market is likely to spark wage hikes, which drive positive consumer sentiment while simultaneously increasing employer labor costs. Today's economy is no exception.

"We have seen a significant increase in wages over the past year — as high as 20% to 25% for lower hourly entry-level employees or machine operators," said Palisin.

Wage rates aren't the only component of an employer's labor cost. Add a greater number of people employed, a greater number of job positions filled, and an increased number of hours worked, and the total comes to what economists dub "wage and salary income."

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People now have a huge amount of savings and credit card borrowing is down, leaving consumers more flexibility to borrow money, said Hoyt.

"Ready money" fuels construction activity

Lucky for garage door and access businesses, new construction continues to boom. Palisin said Manufacturers' Association members are expanding, building new warehouses and manufacturing facilities, and buying new equipment.

Moody's also expects capital investment nationwide to increase to 8.2% for both 2021 and 2022, up from the 5.4% decline of 2020. Companies are investing in their information processing equipment and software, said Yaros.

Long overdue commercial projects

Door dealers should benefit from anticipated spending on commercial structures. "We're going to see more non-residential construction next year," said Bill Conerly, principal at Conerly Consulting. "It will be strongest probably in warehouses and light industrial, but also suburban offices."

Long lead times and a scarcity of new initiatives in the early days of the pandemic impacted these projects. "Early in 2020, nobody was signing papers to acquire land or do new projects," said Conerly. Projects that were planned pre-pandemic or with short lead times are getting done now.

> Vendors don't expect production to be back to where it should be until the middle to the end of 2023.

Housing starts drive growth

Residential housing starts have been running about 20% higher than pre-pandemic levels, according to Moody's. Buyers of new homes tend to shop heavily at retail stores, and the prediction for the housing industry is full steam ahead.

"Annual growth in housing starts will remain strong because of favorable demand-side factors, namely demographics and excess savings," said Yaros. Increases for 2022 are expected to top 12.9%.

Eager consumers are bidding up the prices of single-family homes, and a general easing of mortgage lending standards is helping grease the skids. Housing prices for 2021 are expected to jump by 15.6%. As for 2022, Moody's expects increases to decelerate to 1.4%, thanks to difficult year-to-year comparisons.

Scarcity of workers

Door and access businesses struggling to find qualified workers should anticipate more challenges. "The average time-to-hire has doubled from what it was prior to the pandemic," said Palisin.

Nationwide job openings recently topped a record-shattering 11 million. "There have never been so many open positions across every industry and government," said Yaros. The need for more workers is especially acute in manufacturing, transportation, educational services, healthcare, and leisure and hospitality, he added.

Folks forced into retirement, staying at home for child or dependent care issues, and people fearful of workplace infections are affecting labor force participation. And many pandemic-shocked people are pursuing new, more fulfilling ventures.

A number of factors may help relieve the labor crisis in 2022, such as the end of bonus unemployment insurance, a declining effect from stimulus payments, an abatement of infections, and a return to in-person schooling.

Broken supply chains

Door dealers and manufacturers will continue to battle supply chain issues in 2022. New York consultant Bob Phibbs said that "Smaller operators who lack buying clout are finding it especially difficult to get product."

A lack of sufficient workers is often the root cause of supply chain disruption. When people aren't available to do the work, efficient production, and transportation fall by the wayside. Cargo ships are piling up at ports, causing delivery delays and leading to widespread price increases for supplies.

Delivery disruptions may persist for some time. Vendors don't expect production to be back to where it should be until the middle to the end of 2023, said Phibbs. "The prices for components have gone up so much that in many cases it is no longer profitable to keep making some products," he added.

Diversify supply chains

The increased costs resulting from order backlogs and delivery delays are only exacerbated by the China tariffs. So far there has been no move from the Biden administration to change the status quo.

"Tariffs on Chinese goods will likely continue," said Conerly. "In fact, given the friction between the US and China, it's possible we could even get additional ones."

Dealers and manufacturers should consider more than one regional or local supplier for goods and services to soften the impact of tariffs. New York consultant John Manzella recommends that businesses build more diverse and reliable supply chains.

"Instead of buying in scale from two very large Chinese suppliers, they might buy in smaller increments from a half dozen suppliers located in different regions of the world."

"They may also utilize more long-term warehousing facilities. This strategy, which adds costs but reduces risk, will be extremely beneficial in protecting against the next pandemic, black swan, or trade war."

Finding alternative sources can be easier said than done. Businesses are struggling to find U.S. vendors that can match Chinese product quality and prices, said Conerly. Adding to this litany of woes is the Chinese government's increasingly heavy-handed control of industry, said Palisin.

The year ahead

In the closing months of 2021, the attitude of the American public was surprisingly unsettled despite favorable wages and income trends.

"It really is difficult to get a good sense of consumer confidence in the current environment," said Hoyt. One reason is the recent spike in fuel prices which is sparking fears of inflation.

In the first quarter, there are several important indicators to follow including interest rates, the return-to-work numbers, whether employers are getting the workers they need, and employee salaries.

Finally, the Delta and Omicron variants have reminded us that the pandemic is still alive and has the potential to disrupt economic activity, added Hoyt. Early 2022 COVID-19 data, including vaccination and infection rates, hospitalizations, and deaths, will be vital to currency power and economic growth. Favorable trends will bode well for dealers and manufacturers. ■