

FORECAST FOR YOUR BUSINESS IN 2019

BY PHILLIP M. PERRY

Editor's note: The garage door business has been solid for several years, but what about 2019? This article from award-winning business journalist Phil Perry offers some helpful insights from the greater world of retail business and consumer spending.

Garage door and gate companies, and most retailers, will enjoy brisk economic tail winds in 2019. However, economists are starting to see early signs of an inevitable correction.

"The coming 12 months should be a good year for retailers," said Scott Hoyt, a senior director for Moody's Analytics. Core retail sales (which exclude the volatile auto and gasoline segments) are expected to grow a healthy 4.7 percent in 2019.

Happy shoppers are driving the favorable retailing environment. "Consumers seem to be euphoric right now," said Hoyt. "There are very few negatives when it comes to consumer fundamentals."

Economy booms

Door dealers and most business owners are benefiting from a larger economy that continues to grow. "The business cycle has entered its boom phase," said Sophia Koropecykj of Moody's Analytics.

The Gross National Product (GNP), the most commonly accepted measure of economic growth, is expected to grow at a 2.7 percent clip in 2019, down from 3 percent in 2018. The 2019 retail sales growth is also expected to decelerate.

Why? The biggest reason, said Hoyt, is that deficit-financed tax cuts at the start of 2018 are no longer a factor. Job growth will also be slower because of fewer available workers. Finally, Hoyt notes that interest rates will likely be higher, a factor that can have a softening effect.

A year ago, business owners were restricted by the inability to raise prices. But that's not as big of an issue now, said Hoyt. Retail prices actually began to rise a bit in the first half of 2018, for the first time in three years. Indeed, pricing increases are expected to be the key to success in the months ahead.

Who is benefiting?

Businesses that expanded into online sales were the winners in 2018, according to Bob Phibbs, a retail consultant in New York. "For the ones who started looking at digital sales 10 years ago, 2018 was the year their approach finally started to bear fruit." The same secret sauce will work in 2019, he added.

A happier jobs picture should also brighten consumer spending in the months ahead. Moody's expects unemployment to drop to 3.4 percent by the end of 2019, down from the 3.7 percent at the end of 2018.

More jobs mean more wages, so shoppers will have more cash to spend. Average hourly earnings are expected to grow by 3.2 percent in 2019, up from the two previous years, according to Moody's.

"Rising wages are very good for the economy," said John Manzella, a global business consultant. "The more disposable money consumers have, the more they spend. And consumer spending represents 70 percent of the nation's economy."

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Potential problems for businesses

Rising interest rates

“Rising interest rates may not cause much impact in the short term,” said Tom Palisin of The Manufacturers’ Association. “But later in 2019, the higher cost of money may start to constrict the availability of capital.”

Wage hikes

With lower unemployment and the economy chugging along, businesses may need to raise wages to attract enough people, said Hoyt. That can crimp profits.

A “hard Brexit”

If the U.K. fails to land a favorable deal with the European Union, an unmoderated departure can cause problems to the world economy.

Health care costs

About 70 percent of manufacturers report an increase in medical costs over the past year, said Palisin. “Employers don’t know where all this is going.”

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The impact of housing

The housing market is a powerful driver of consumer sentiment and economic growth. Luckily, for garage door businesses, good news is projected for 2019. New housing developments are expected to rise by 19.4 percent in 2019. This is a substantial increase from the estimated 7 percent for 2018. Median home prices should rise by 2.7 percent, slower than the 4.8 percent of 2018.

The challenge for home builders and door dealers is finding enough good workers. The unemployment rate for experienced construction workers is at a record low of less than 5 percent. This suggests that construction labor is critically short, said Koropecykj.

Clouds loom

“The number one issue for retailers is the possibility of a trade war,” said Hoyt. “That would be a lose-lose situation, adding cost to imported merchandise.” (However, Moody’s is not building much of a trade war into its 2019 forecast).

“The wild cards are tariffs,” said Phibbs. “If they really take place, I think every retailer is worried. It will affect margins, and ultimately consumers will pay for it.”

Is a recession on the horizon?

There are signs indicating that the fast-moving economic carriage may be nearing the top of the roller coaster. The signs are similar to those of a business cycle nearing its end, just prior to a recession, said Koropecykj. She thinks that real GDP growth may slow to a crawl.

For garage door and gate companies, the employment picture may be the most important factor of all. “Watch for anything related to the labor market,” said Hoyt. “How much are wages accelerating, and is the increase fast enough to offset any deceleration of employment growth?”

The prudent course seems to involve capitalizing on good times while preparing for the inevitable correction. “Businesses are optimistic about 2019,” said Manzella. “But there is no doubt that the next recession is on its way. The only question is when.” ■

Retail success map for 2019

Ditch discounts

The old days of relying on discounts to spark sales are over. “Discounts worked in the ’60s but not in 2019,” said Bob Phibbs. “There will always be someone cheaper online.”

Find the right employees

Phibbs also emphasized the need and cost of finding enough quality employees. “We have never seen this kind of a labor market before. Some retailers are offering things such as cash incentives and vacations for even part-time employees.”

Training is key

Phibbs’ number-one tip: Train your employees to sell at full price, and make sure that customers find value at your company. That’s the recipe for success in 2019.

