



MEASUREMENT, CONTROL & AUTOMATION ASSOCIATION

## **Navigating the Crest – The Economic Outlook from ITR Economics**

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Currently, the economy is in an accelerating growth cycle. That means that economic forces are a tailwind—your business should be growing. The next six months represent your best opportunity to take on risk and be aggressive. By this time next year, the tailwinds will become headwinds. The economy will transition to the back side of the business cycle. ITR Senior Analyst, Alex Chausovsky, addressed “Navigating the Crest” in his semi-annual MCAA economic forecast in late November and reviewed the macroeconomic landscape—including the key vertical markets served by MCAA members and their product lines.

ITR presents two economic outlooks to the MCAA community each year and in April 2017 (at the Association’s Industry Forum in Atlanta, GA) he accurately forecast a good year for 2017. The ITR economist urged MCAA members to keep the vision of a cresting wave in their mind: right now we have accelerating growth as the wave builds. In mid-2018 we will hit the crest and in the latter one or two quarters of next year we will go down the backside of the wave into a slight downturn in 2019.

Chausovsky noted that we have been in an expansion mode for nearly a decade. Despite a small dip in 2016, we are continuing expansion and should until we hit a small dip in 2019—it will in no way compare to the recession of 2008-09. In the forecast, he foretells of a deceleration of growth, not a recession.

Looking at the performance last year, Industrial Production was down but, because it is made up of three components, the reason is not because manufacturing was down. Composing 73% of the Industrial Production Index, manufacturing was—and is—doing well and never declined in 2016. Instead, mining (16% of Industrial Production) and Utilities (10%) put the downward pressure on the index last year.

Chausovsky stressed to the MCAA members that studying business performance numbers using a rate of change approach is best. This approach gives one to two quarters of notice that your business cycle is about to change. This statistical technique was explained in an MCAA webinar earlier this year which is available from the Association.

Alex Chausovsky is a highly experienced market researcher and analyst with significant expertise in subjects that include macroeconomics, machinery production, electric motors and controls, mechanical and fluid power products and industrial energy efficiency. At ITR Economics, he is currently responsible for providing reliable industry and company forecasts, presentations and economic consulting services to small business, trade associations (including MCAA) and Fortune 500 companies across a spectrum of industries. He holds a BBA in International Business from the University of Texas at Austin and an MBA from Texas State University. He will present another forecast for the MCAA audience at the Association’s Industry Forum April 24 in Houston, TX.

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