

Anticipating 2021



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The number 21 is usually good, right? In blackjack, 21 means you win. In life, 21 means you're officially adult enough to buy alcohol, gamble in a casino or purchase a handgun (In the United States, at least). In military ceremonies, a 21-gun salute is an honor reserved for dignitaries or heads of state.

So, yeah, 21 is usually good. It's a number that's often celebrated. Whether 2021 will be celebrated remains to be seen. But we're at the point where we've all had enough of 2020, and we need something to look forward to. Also, it's that natural time of year when we *have* to begin looking toward next year.

In publishing, we're preparing schedules, forecasting revenues, making budgets. Even though it's only August, we're well into the process of planning for next year. In much of the business world, people are doing the same.

How do you plan when life is so unpredictable? Much hinges on the COVID-19 pandemic. Will there be a vaccine? If so, will it work? Will there be a second wave that ramps up over the fall and winter? Will there be more lockdowns? Opinions on the future of the pandemic change every day – and sometimes more often than that, depending on who's giving them. Add to that an extremely divisive presidential election and social unrest unlike anything we've seen in decades. The result is widespread fear and uncertainty.

Fortunately, I had the opportunity to attend the Industry and Economic Outlook Conference held by the National Fluid Power Association. The AGMA is also a partner in this event, and the speakers included Tom Runiewicz of IHS Markit, whose presentation on the gear industry outlook provided significant insight about the stages of recovery we should expect, as well as when we'll likely see them.

According to Runiewicz, total U.S. domestic demand for gears was about \$5.7 billion in 2019. IHS Markit is currently projecting 2020 demand to finish at about \$5 billion, down 12% from last year. And although that demand varies widely by market — with gears for material handling applications expected to be down only 4.5%, but gears for construction equipment expected to be down 30% — all segments of the gear industry are down in 2020.

Next year, though, we should see some improvement, especially as we get into the second half. But the recovery won't be as fast as the decline, Runiewicz says. And some segments won't likely see meaningful growth until 2022 or later. In fact, IHS Markit isn't predicting U.S. gear demand to hit \$5.7 billion again until at least 2023.

Of course, projections are only as good as long as the current trends hold true. Significant changes in consumer confidence, industrial production and the overall economy can and will be affected by the pandemic, the election and possibly other factors we haven't anticipated.

So what does all of this mean? To me it means we should probably expect the next six, nine or twelve months to continue to be challenging, but that at some point in 2021, we have reasonable hope for some relief.

One thing is clear, though. Access to high-level, in-depth analysis like that provided by IHS Markit specifically for the gear industry is invaluable. The actual presentations at the August conference included much more information than I've been able to share here, including specifics about each market segment, alternative scenarios and probabilities, as well as presentations on other industrial segments such as machine tools, aerospace and so on. If you are a member of AGMA and/or NFPA, these are the kinds of programs you should be taking advantage of. Visit www.agma.org for more information.

Will 2021 be a year to celebrate? If we experience anything resembling a return to normalcy over the next 12 months, I'm hopeful. And if demand for gears comes back in a big way by the end of next year, I may even organize the 21-gun salute myself.