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C A P I T A L

# ***2025–2026: Years of Change***

**Presented by ITR Economics  
Consulting Principal  
Alan Beaulieu, PhD**

	Duration	Accuracy
US GDP (Sep 2024 data)	12	99.2%
US Ind. Production (Nov 2024)	19	96.7%
Europe Ind. Production (Oct 2024)	18	99.4%
Canada Ind. Production (Sep 2024)	10	99.7%
China Ind. Production (Oct 2024)	25	96.6%
Retail Sales (Nov 2024)	26	96.1%
Housing - Single Family (Nov 2024)	11	99.4%
Employment-Private Sector (Nov 2024)	11	99.9%

***ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.***

# A Powerful Management Tool • Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Jan-23	6.611				
Feb-23	6.251				
Mar-23	5.972	18.8			
Apr-23	6.964	19.2			
May-23	6.305	19.2			
Jun-23	6.870	20.1			
Jul-23	6.789	20.0			
Aug-23	6.238	19.9			
Sep-23	6.960	20.0			
Oct-23	6.740	19.9			
Nov-23	6.985	20.7			
Dec-23	6.658	20.4		79.3	
Jan-24	6.487	20.1		79.2	
Feb-24	6.310	19.5		79.3	
Mar-24	6.299	19.1	1.4%	79.6	
Apr-24	6.658	19.3	0.4%	79.3	
May-24	6.763	19.7	2.5%	79.8	
Jun-24	6.982	20.4	1.3%	79.9	-0.3%
Jul-24	6.580	20.3	1.8%	79.7	0.1%
Aug-24	6.797	20.4	2.3%	80.2	1.1%
Sep-24	6.879	20.3	1.3%	80.1	1.1%
Oct-24	6.738	20.4	2.4%	80.1	1.3%
Nov-24	7.263	20.9	0.9%	80.4	1.4%
Dec-24	6.615	20.6	1.1%	80.4	1.3%

## 3/12

Based on data from a consecutive 3-month period compared to one year earlier.

**Anticipates** shifts in business cycle trends.

## 12/12

Based on data from a consecutive 12-month period compared to one year earlier.

**Defines** the business cycle.

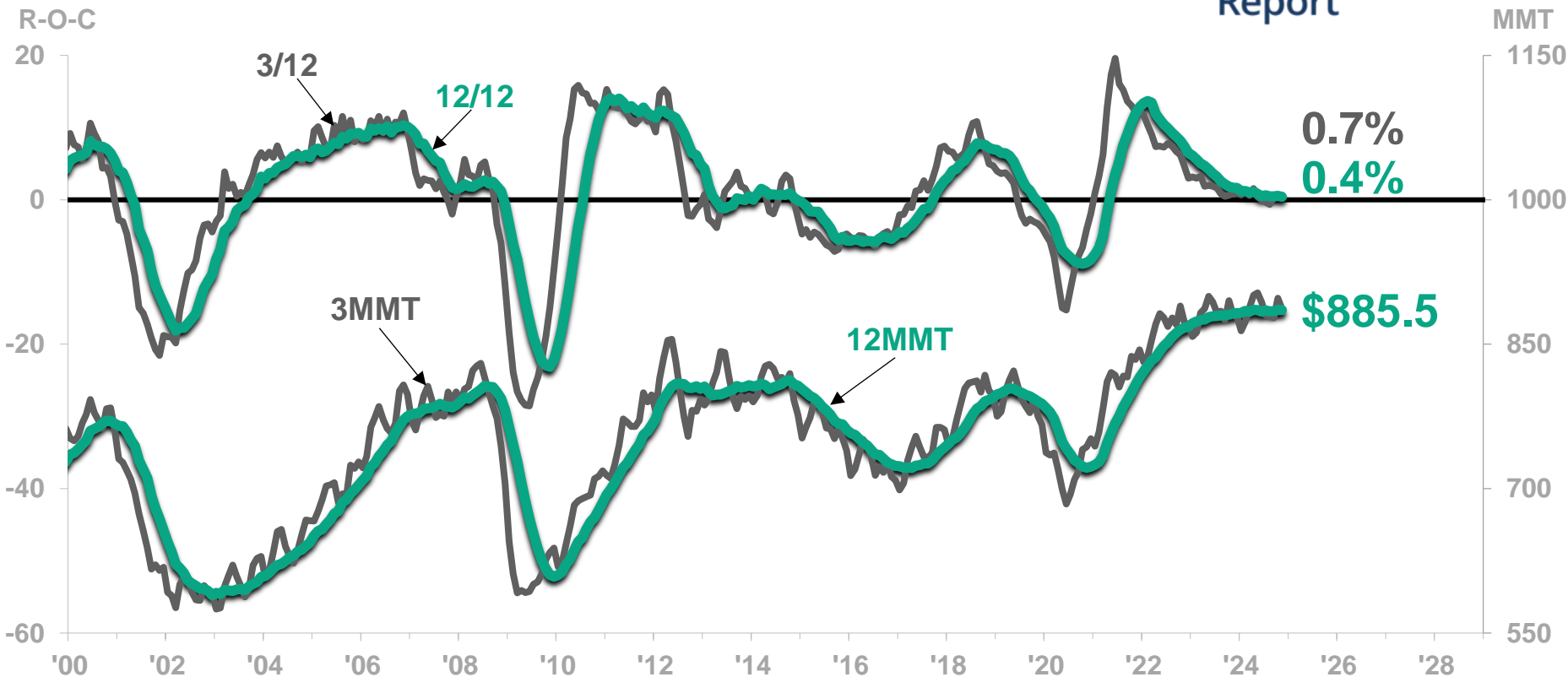
## US Nondefense Capital Goods New Orders (excluding aircraft)

Billions of Dollars

as seen in  
ITR Economics'

Trends  
Report

ITR ECONOMICS



# A Trustworthy Leading Indicator

Sources: IMAA, OECD

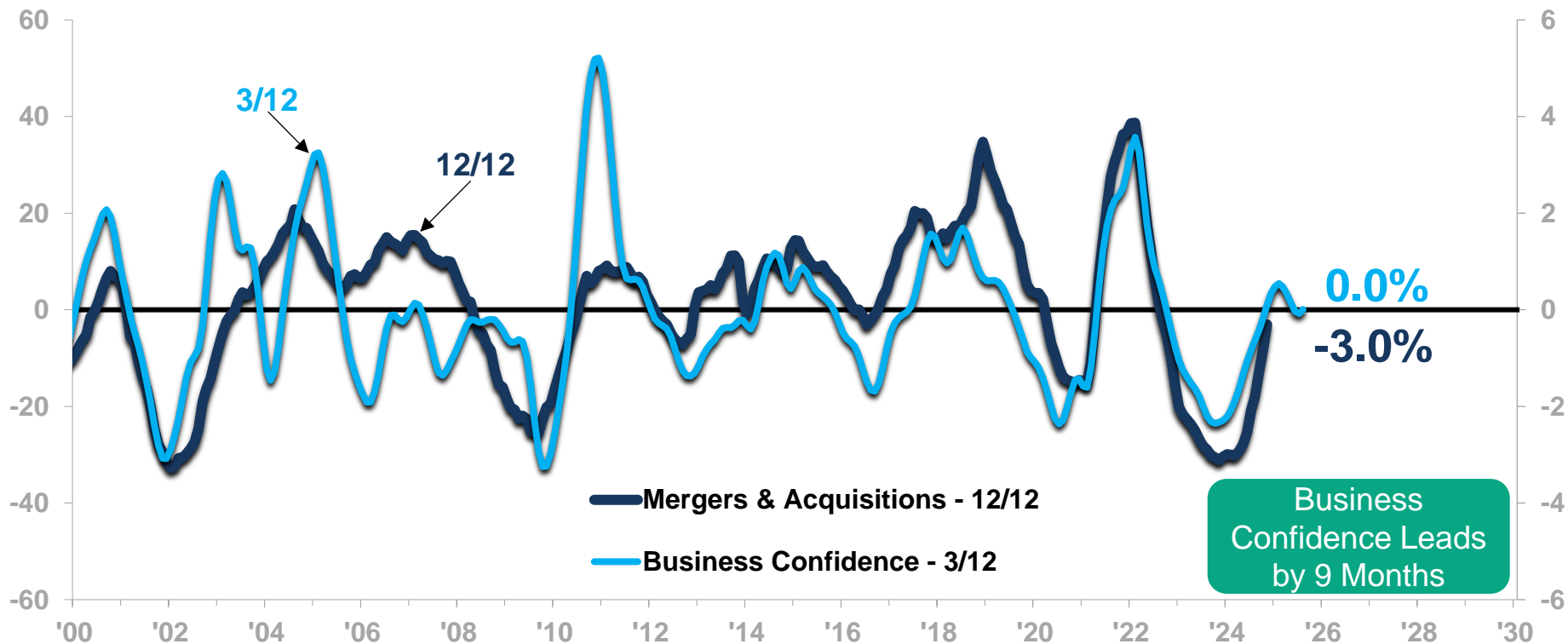


## Total Number of US Mergers and Acquisitions to US Business Confidence Index

### Rates-of-Change

#### Mergers & Acquisitions

#### Business Confidence

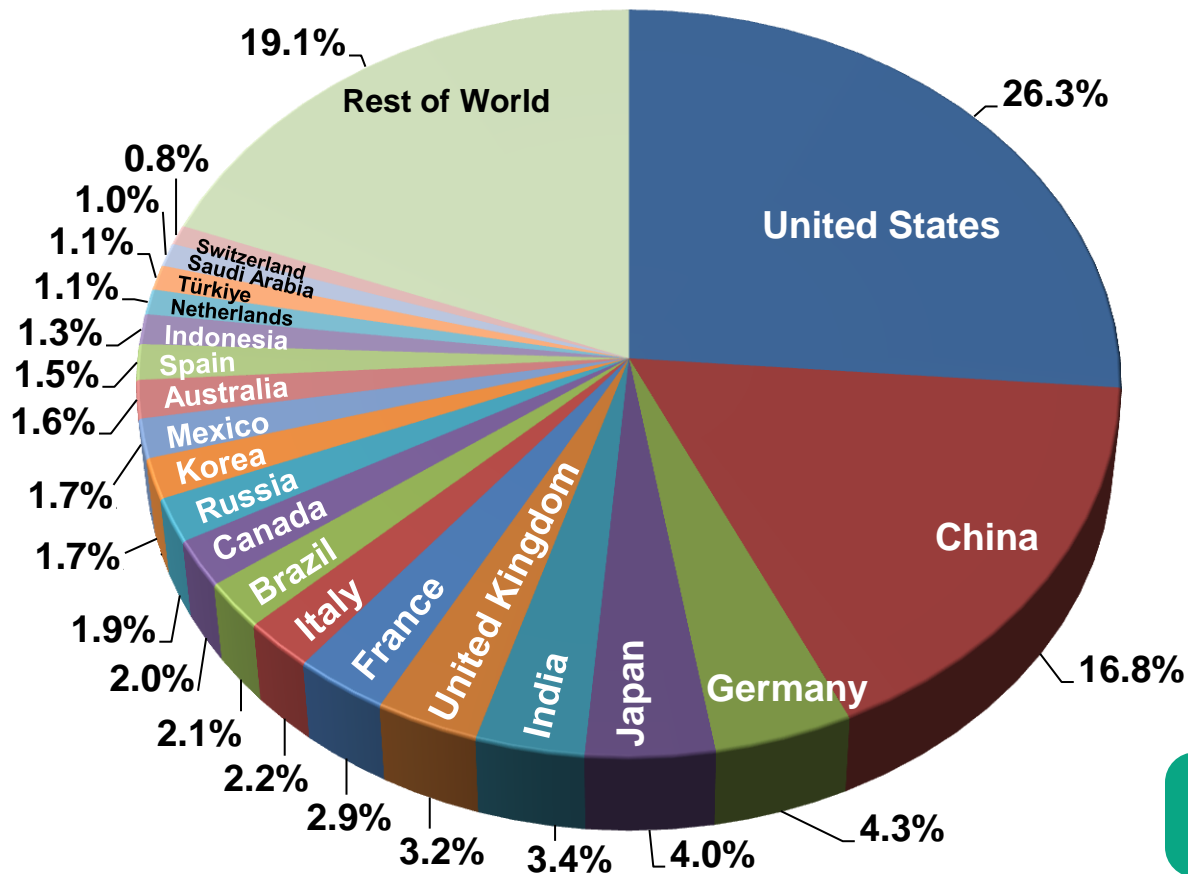


# ***Global Forces***

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# Percent of World GDP by Country

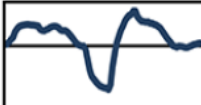



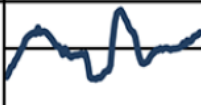

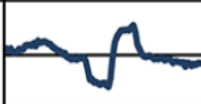

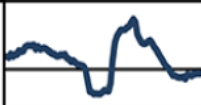



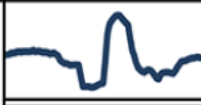

Source: IMF, \*ROW: 34% are  
IMF Estimated Figures



\*Total World GDP:  
\$105.6 Trillion US \$

# The Global Economy At-a-Glance

Source: ITR Economics Trends Report™

	Historical 12/12	Historical 12MMA	Current 12/12	2025	2026	2027
Canada Industrial Production			0.5	2.3	1.7	1.0
Mexico Industrial Production Index			0.9	0.4	0.7	0.9
Brazil Manufacturing and Mining Industrial Production Index			3.0	-2.2	2.7	1.7
Western Europe Industrial Production Index			-1.8	2.1	0.8	1.3
Eastern Europe Industrial Production Index			-1.0	2.9	1.6	1.0
India Industrial Production Index			4.1	5.3	3.3	3.7
China Industrial Production Index			5.7	3.4	4.5	4.3

*Note: Forecast color represents what Phase the market will be in at the end of the year. Ukraine data has been removed from Eastern Europe Industrial Production as it is unavailable due to the war. We have added Hungary Industrial Production data to the series.*



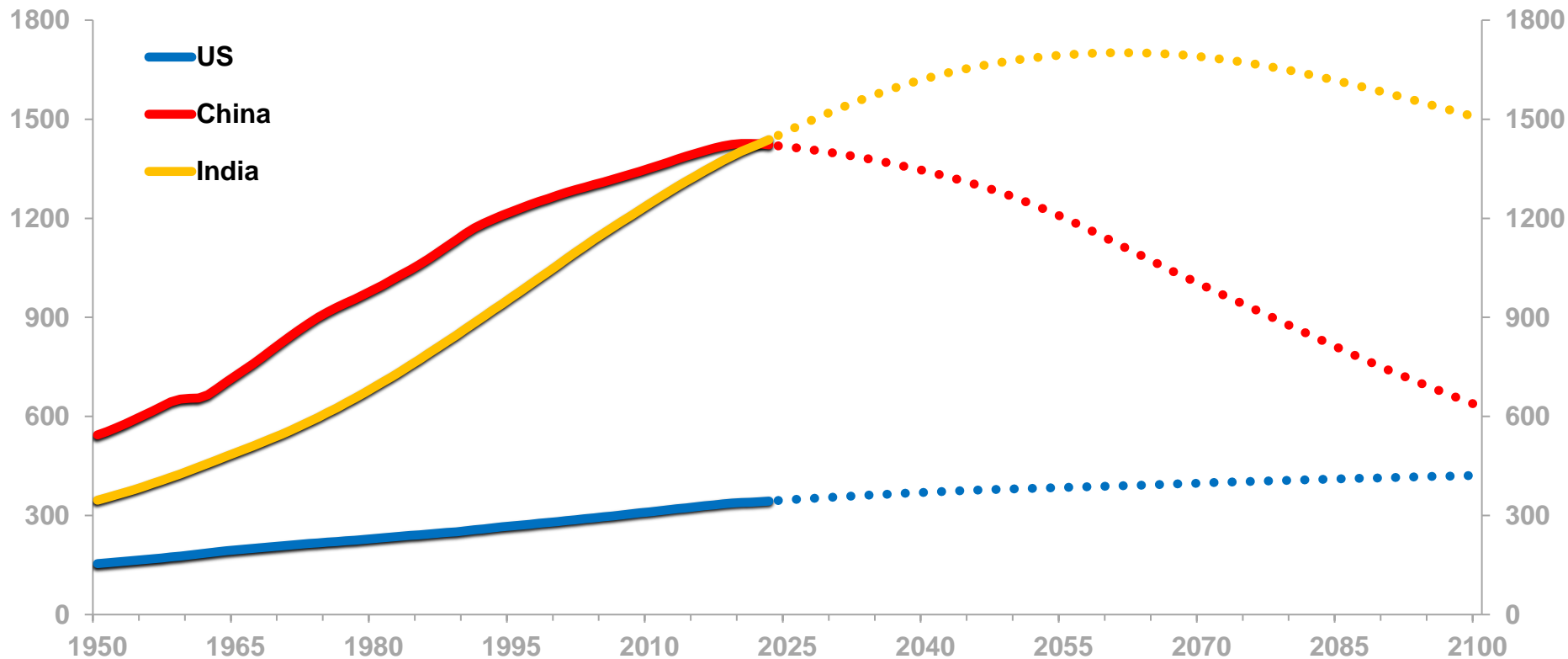
# Historic Shift in Population Trends

Source: UN Population Division



## Total Historical and Population Projections by Country

Raw Data in Millions of Persons

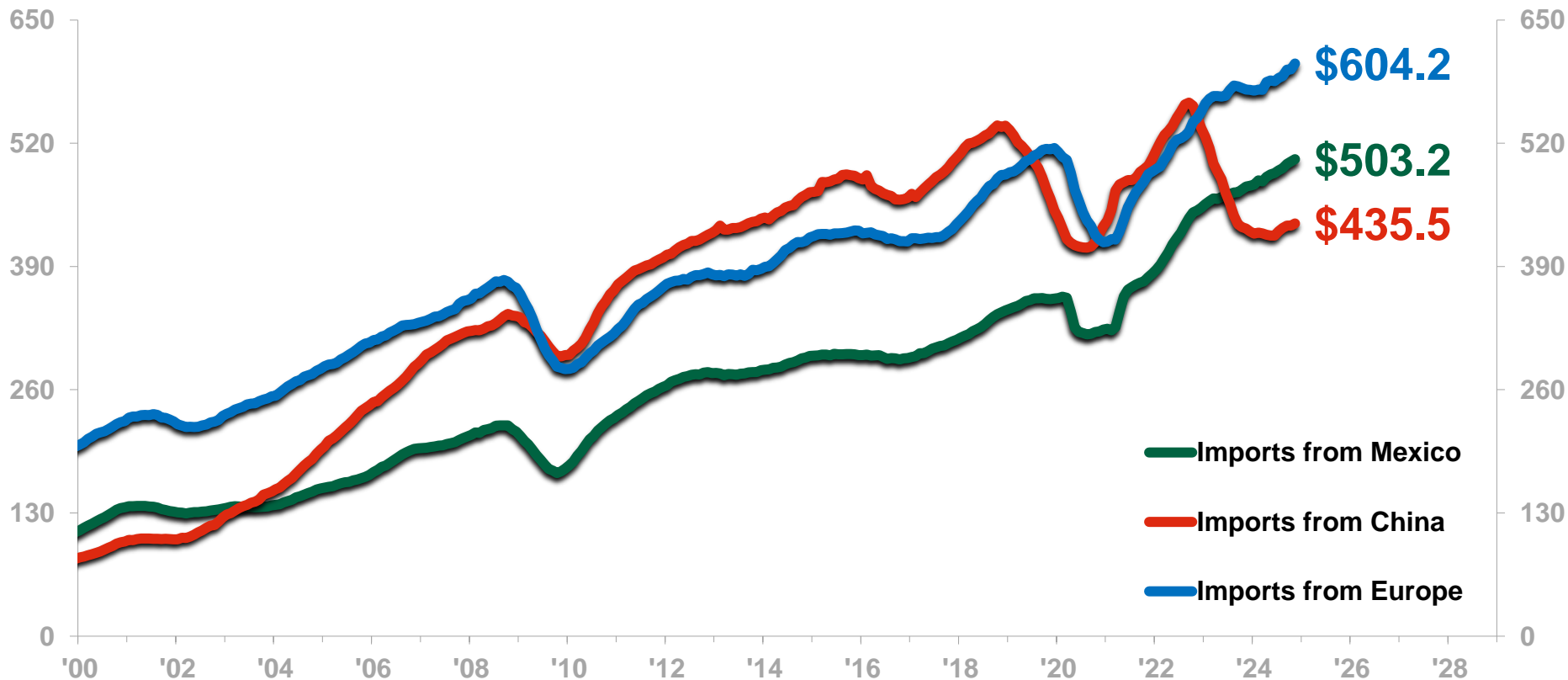


# China Has Dropped to #3

Source: US Census Bureau

## US Imports From China, Mexico, and the EU

Annual Data Trends: Billions of Dollars



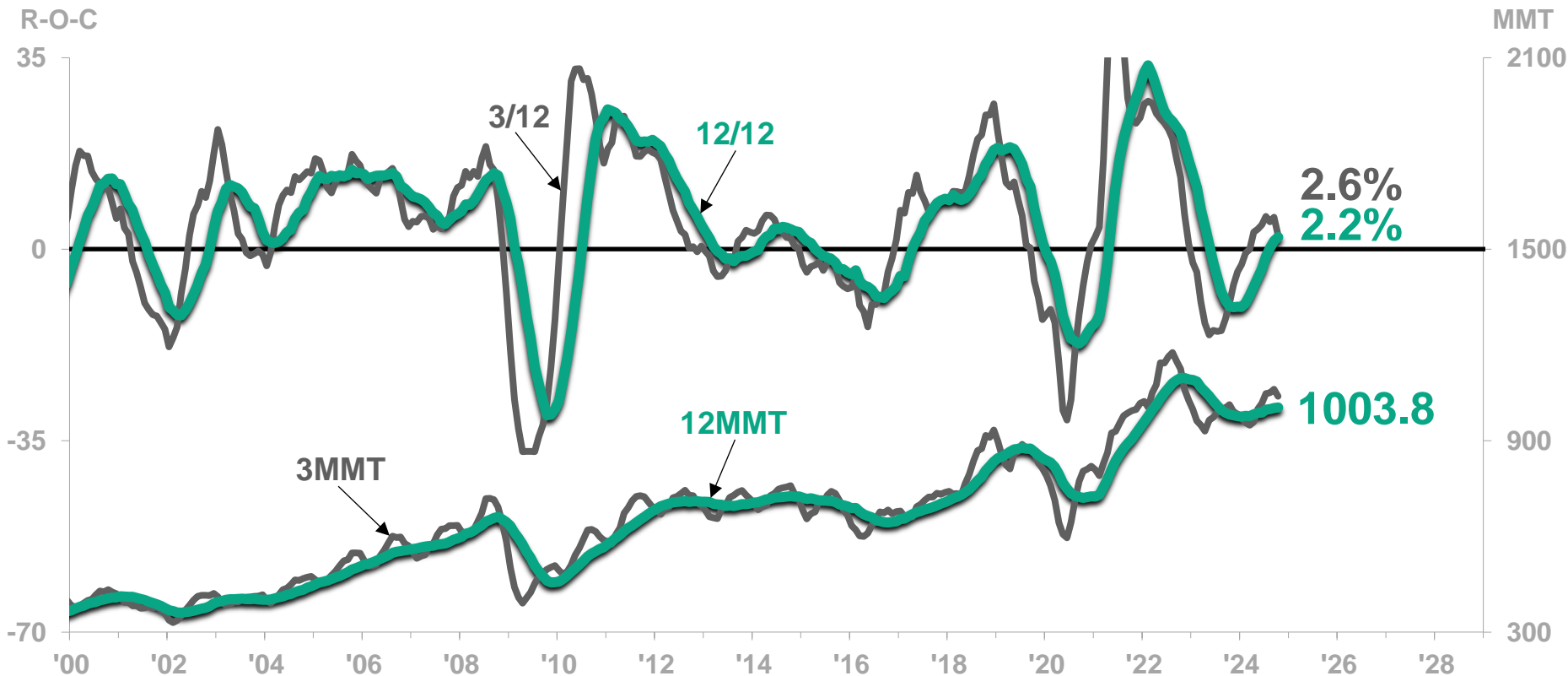
# Tariffs Are a Potential Risk in 2025 & Beyond

Source: USITC

## US Value of Imports Subject to Tariffs

Billions of Dollars

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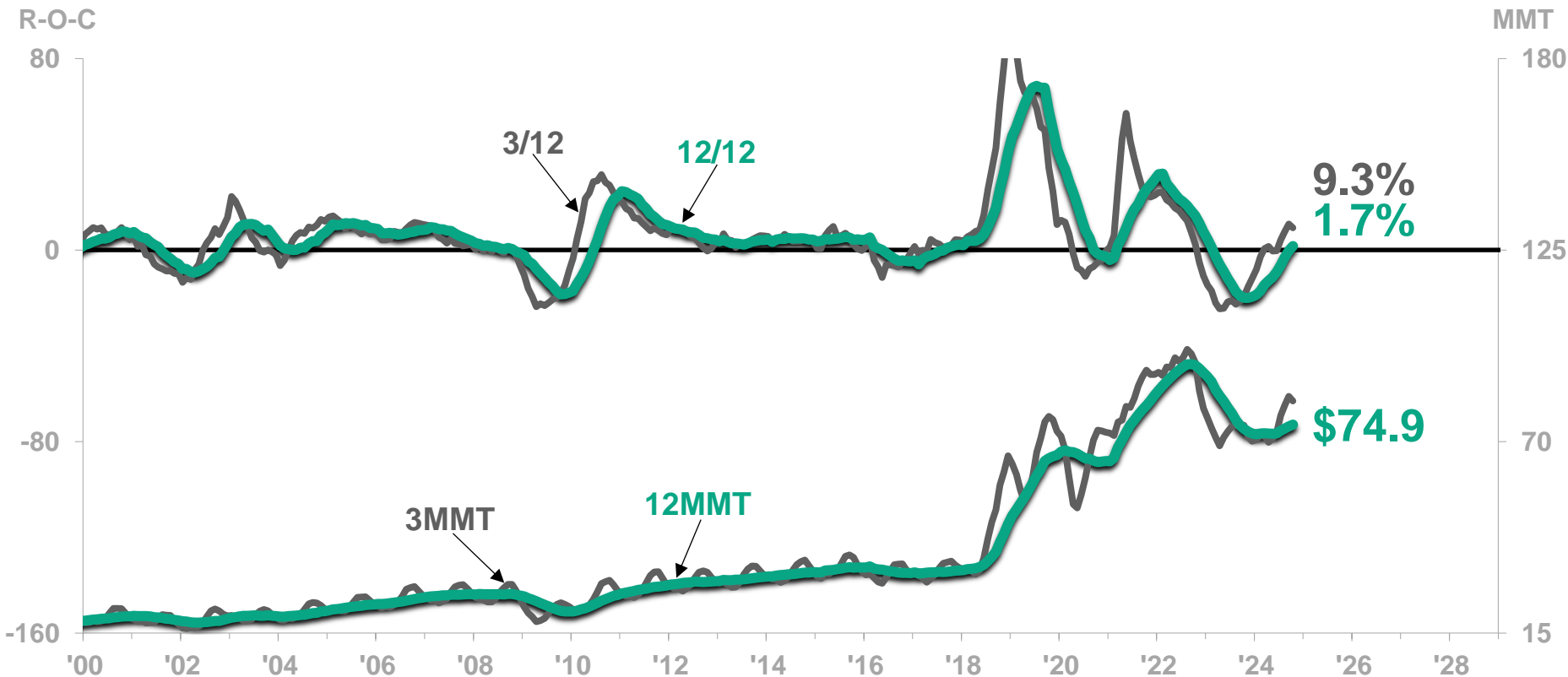
# Moving Back Into Phase B

Source: USITC

## US Value of Tariffs Collected on Imported Goods

Billions of Dollars

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China is becoming more of a problem going forward with mounting risks



Europe in recovery in 2025



Impact of increased tariffs

## *Next Steps*

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- Nationalism brings opportunities for shorter supply chains and new business

# ***Inflation Trends***



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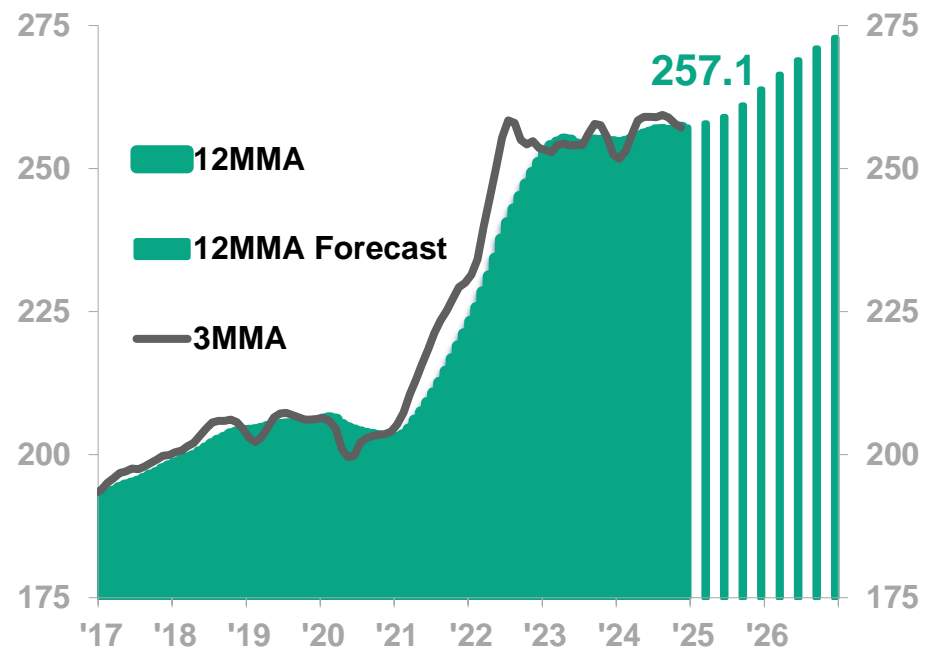
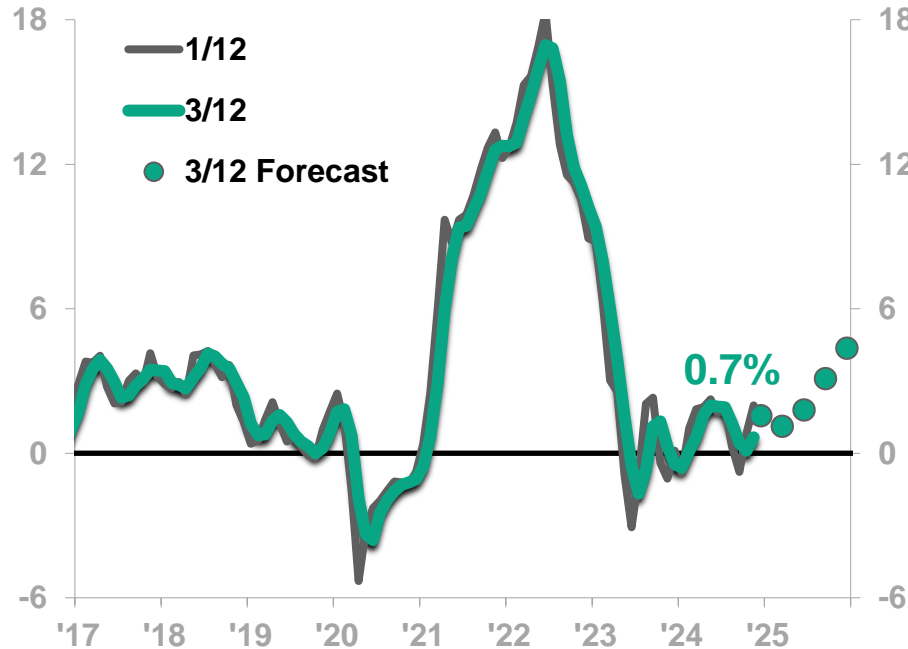
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# Producer Prices Outlook Indicates Buying Opportunity into Early 2025

Source: BLS

## US Producer Price Index

1982 = 100



2024: 1.6%

2025: 4.4%

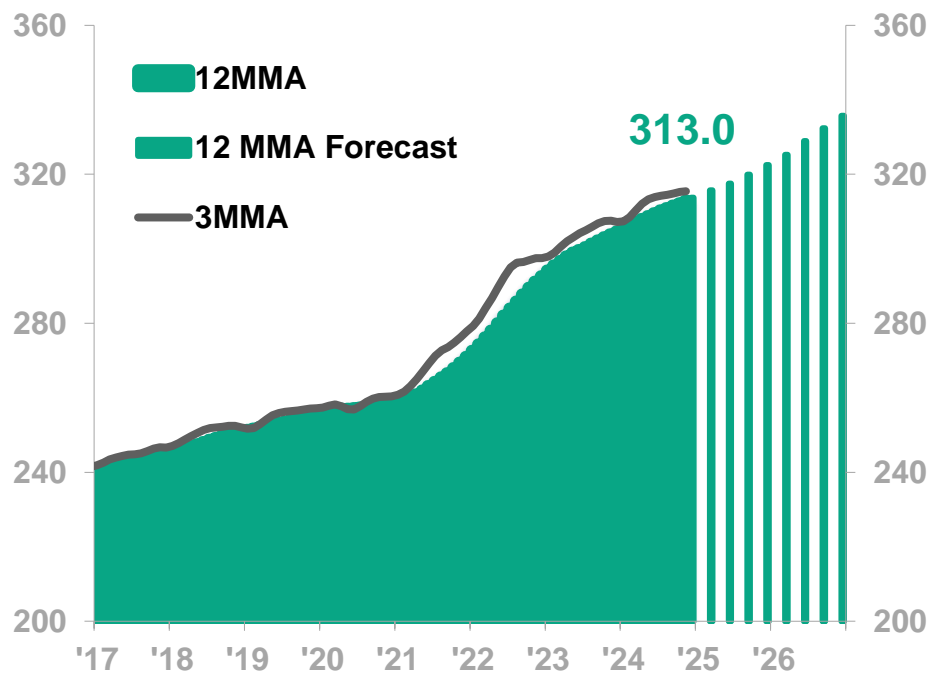
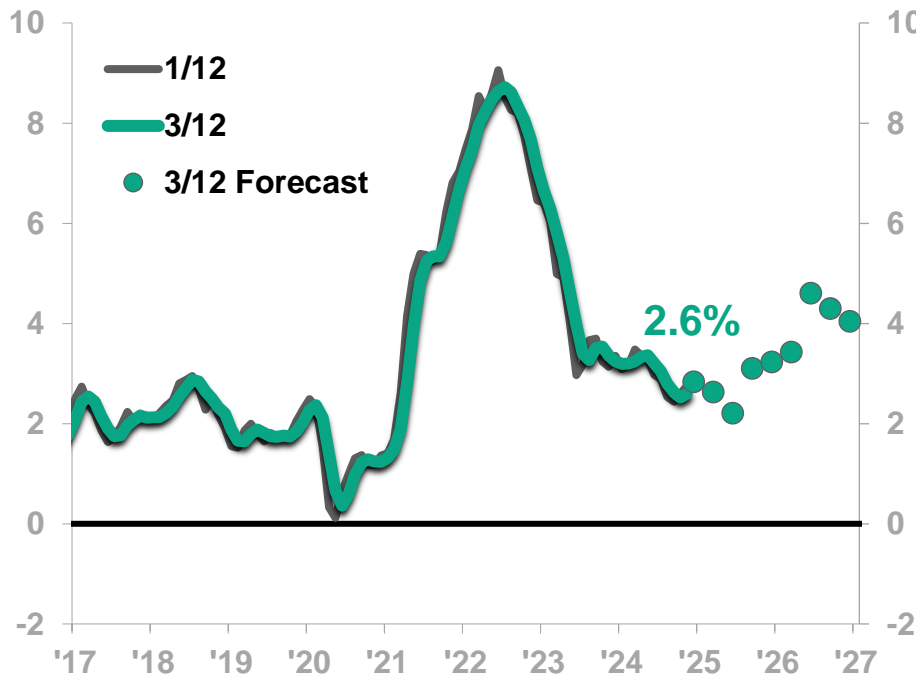
2026: 2.8%

# CPI Disinflation and PPI Deflation for Now

Source: BLS

## US Consumer Price Index

1982-84 = 100



2024: 2.8%

2025: 3.2%

2026: 4.1%



# The PMI Leads Aluminum Spot Prices

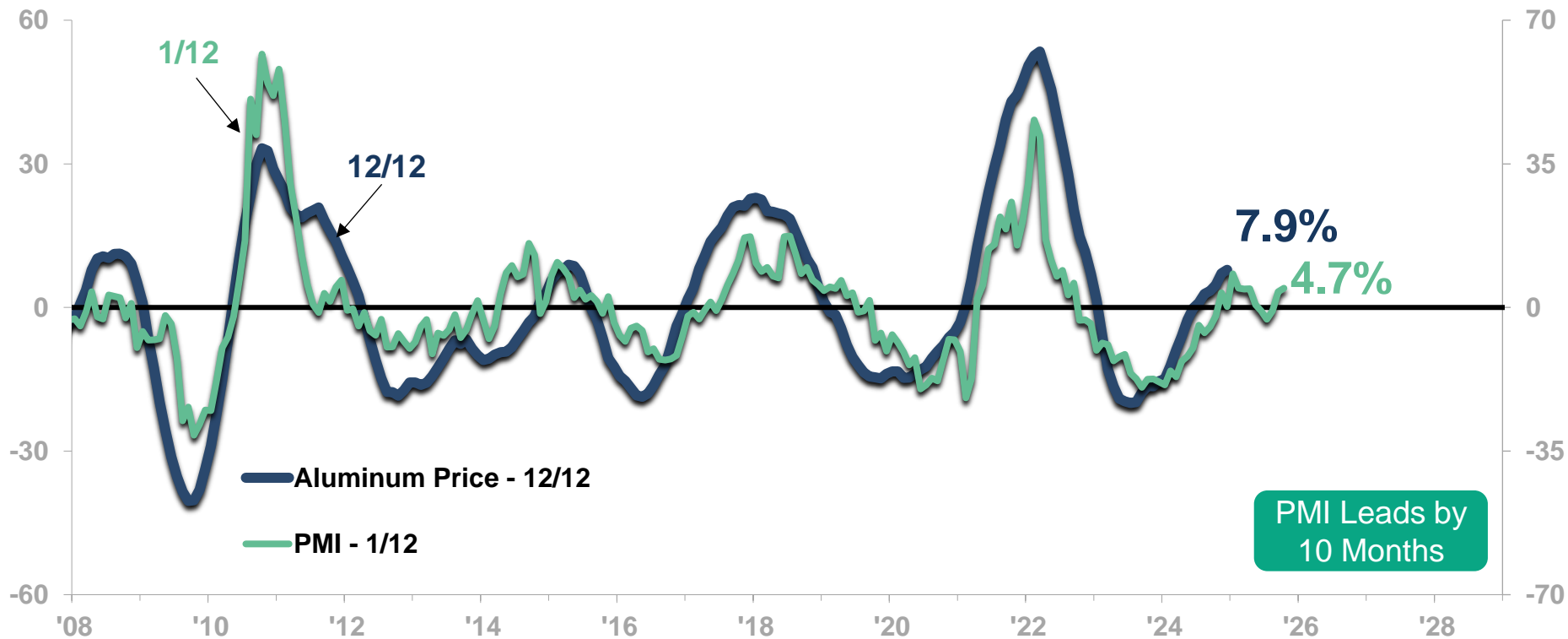
Sources: LME, ISM

## Aluminum Spot Prices to Purchasing Managers Index



### Rates-of-Change

#### Aluminum Price



# The Next Round of Inflation is Already Forming

Source: SIFMA

## US Treasury Gross Issuances

Data Trends: Trillions of Dollars

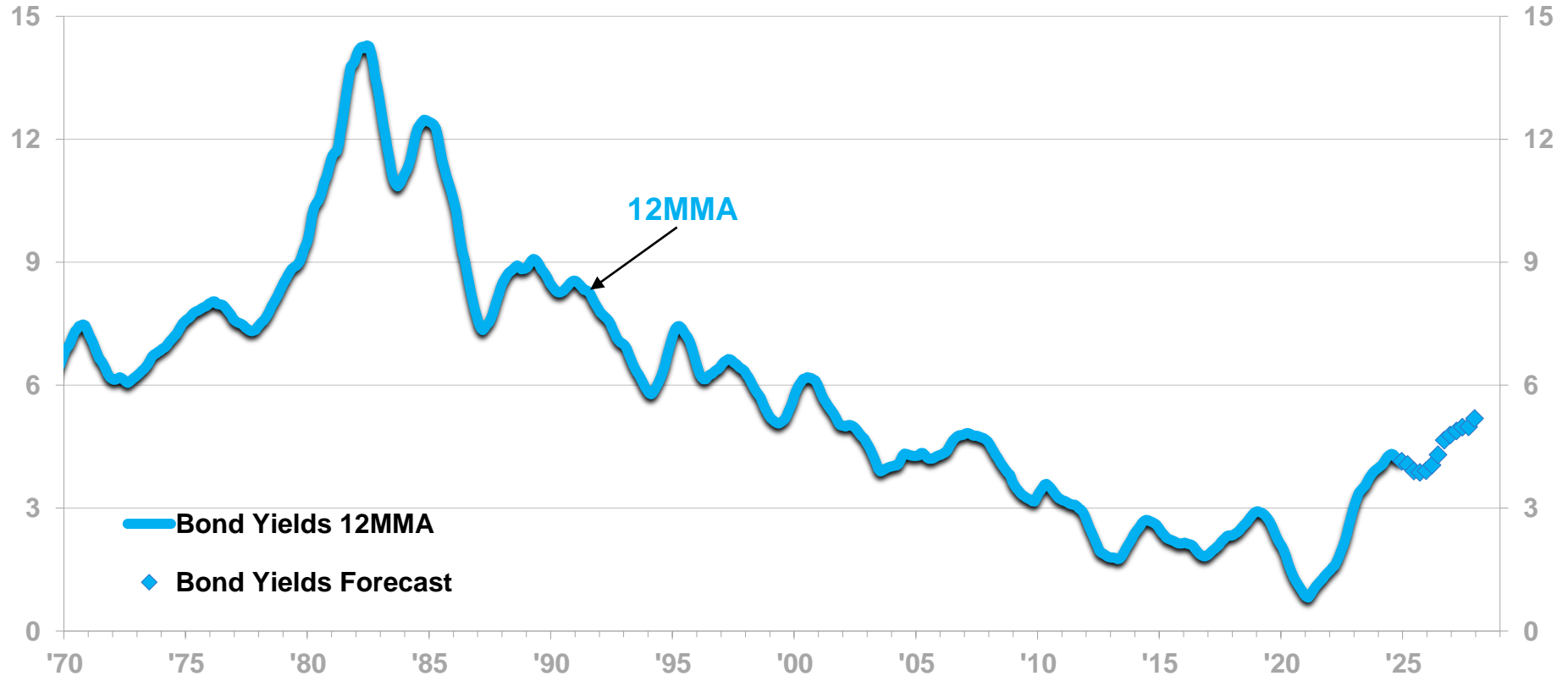


# A Slight Easing in Yields Until Mid 2025

Source: FRB

## US Government Long-Term Bond Yields

Annual Data Trend: Percent





Wage pressures, shelter and energy are keeping the CPI from coming down in a normal manner.



Electricity costs will experience long-term upward pressure.



Use the next 12 months to strategize how you will contend with future inflation and higher interest rates.

## *Next Steps*

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- Stay with us via our weekly Fed Watch YouTube free broadcasts.
- [youtube.com/@ITREconomics](https://youtube.com/@ITREconomics)



# *Labor*

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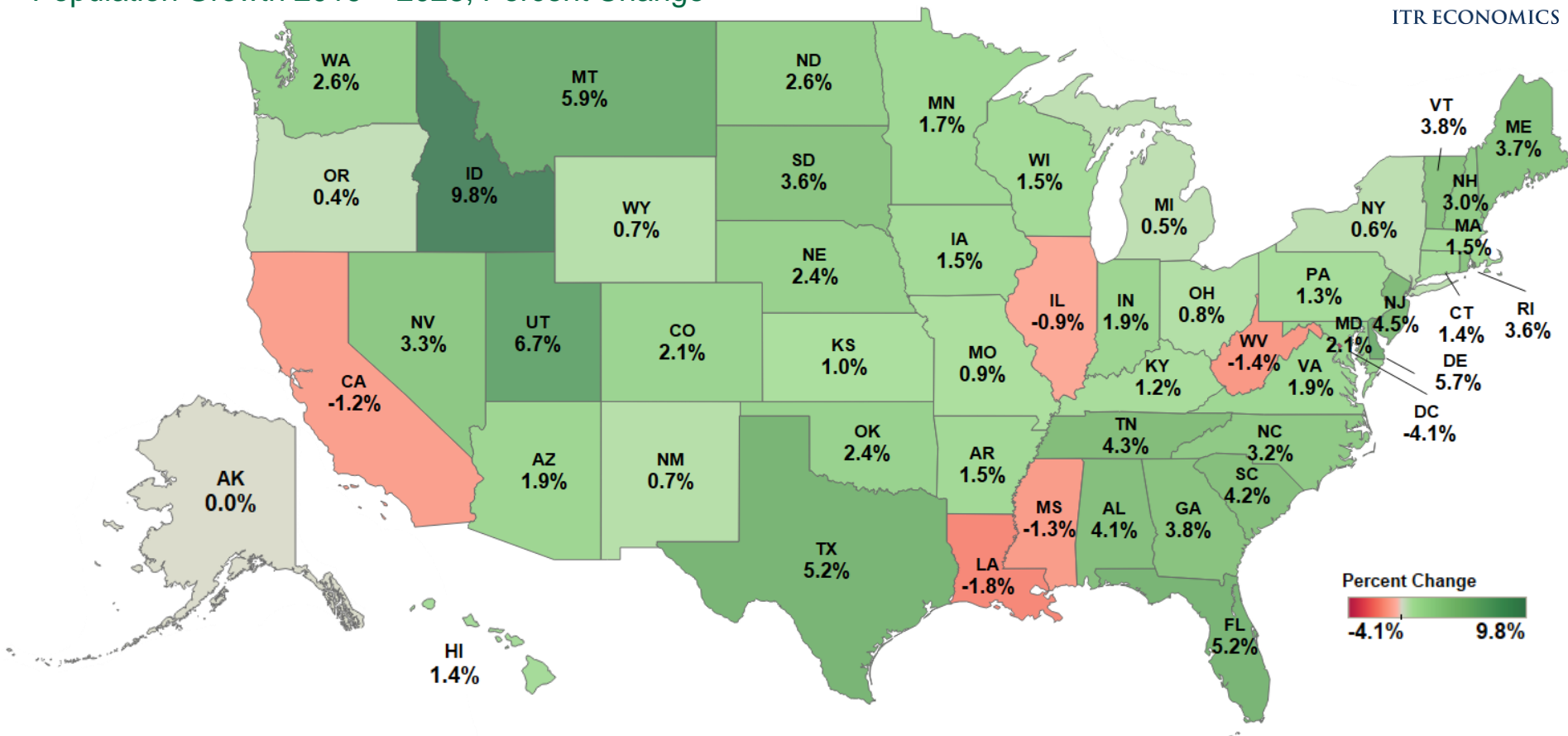
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# Be Geographically Specific: Population Growth 2019 to 2023

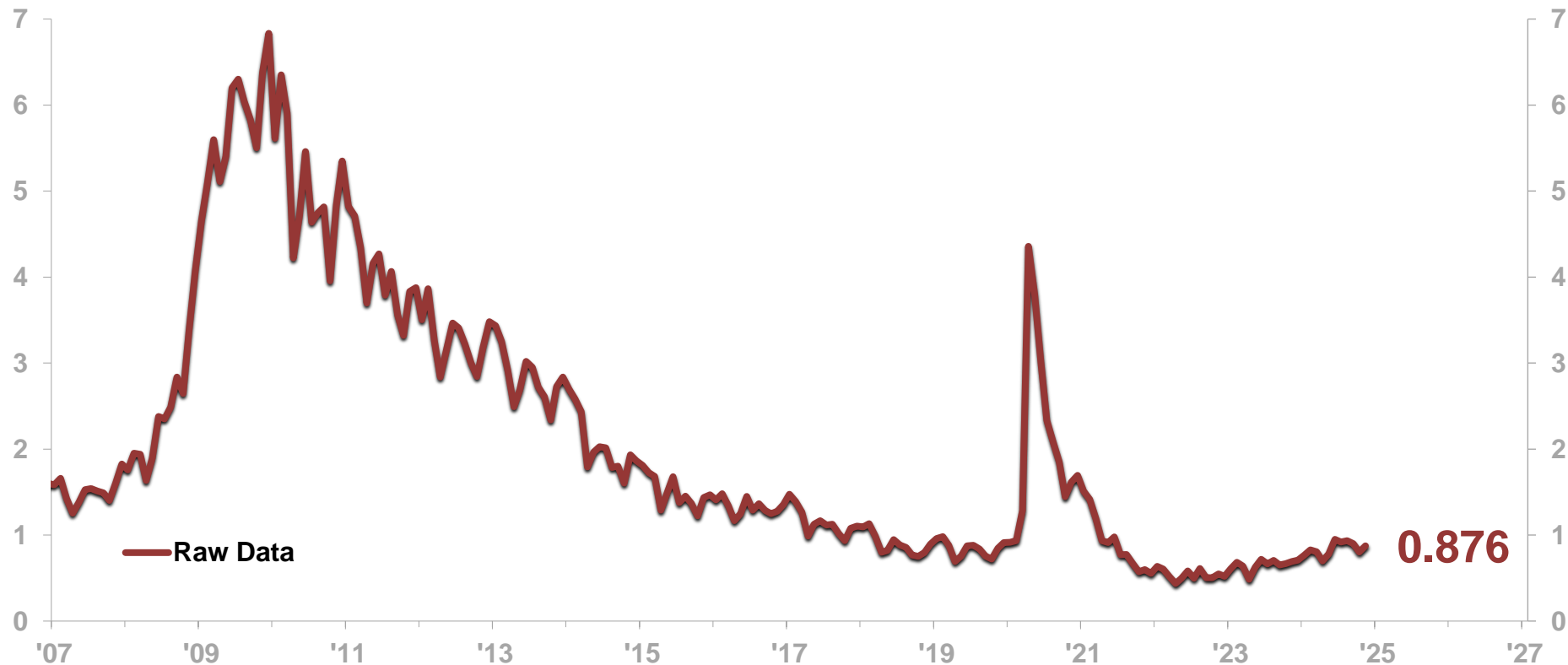
Source:  
US Census Bureau

## Population Growth 2019 – 2023, Percent Change




## US Number of Unemployed Persons per Job Opening

Raw Data: Number of Persons



 Disinflation on wages into 2025

 Tight labor market for years

 It is all about the culture

## *Next Steps*

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- Baby Boomers are leaving
- Preparing the next generation



# ***The US Economy***

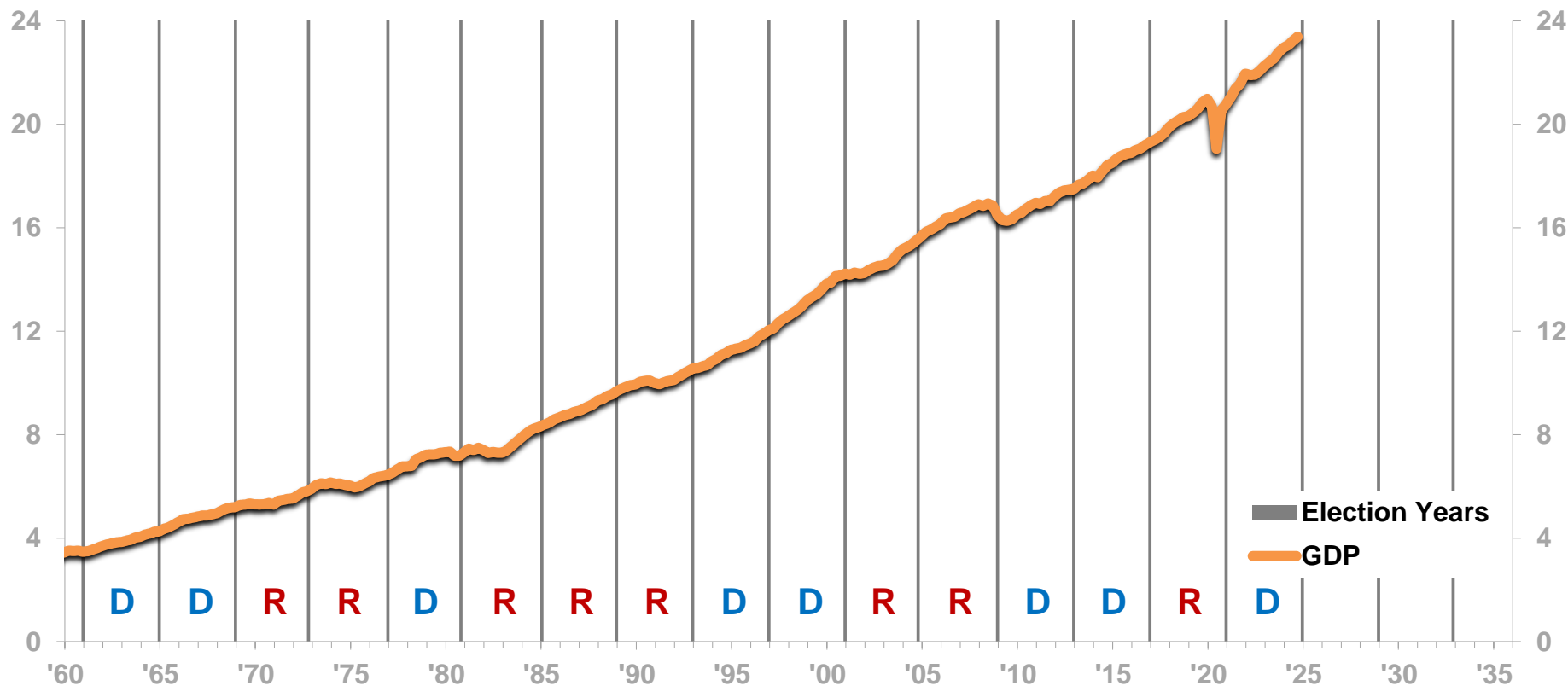
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# Presidential Election Impact is Not Evident

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



# A Tale of Two Economies

Sources: FRB, BEA

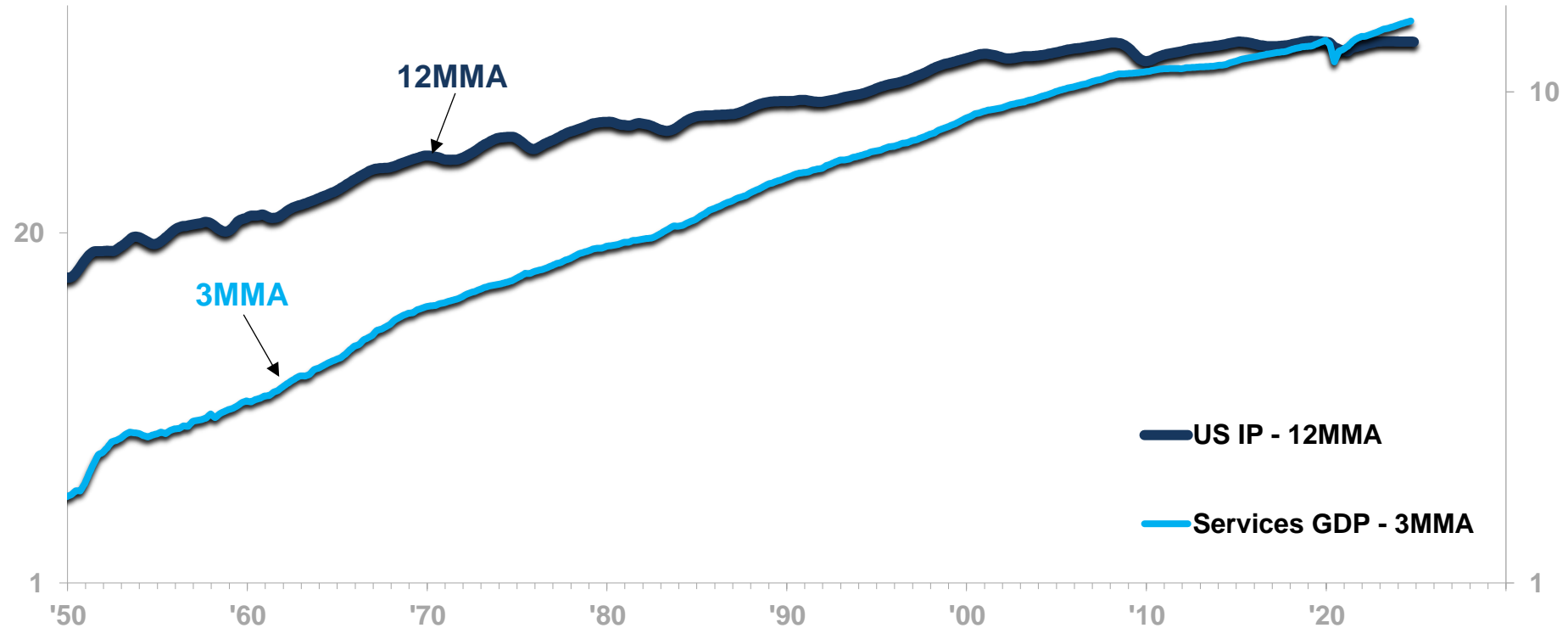
## US Industrial Production Index to US Services GDP

Data Trends



US IP (2017 = 100)

Services GDP (Tril. 2017 \$)



# An Indication of Rise in New Orders in 2025

Sources: US Census Bureau,  
FRB

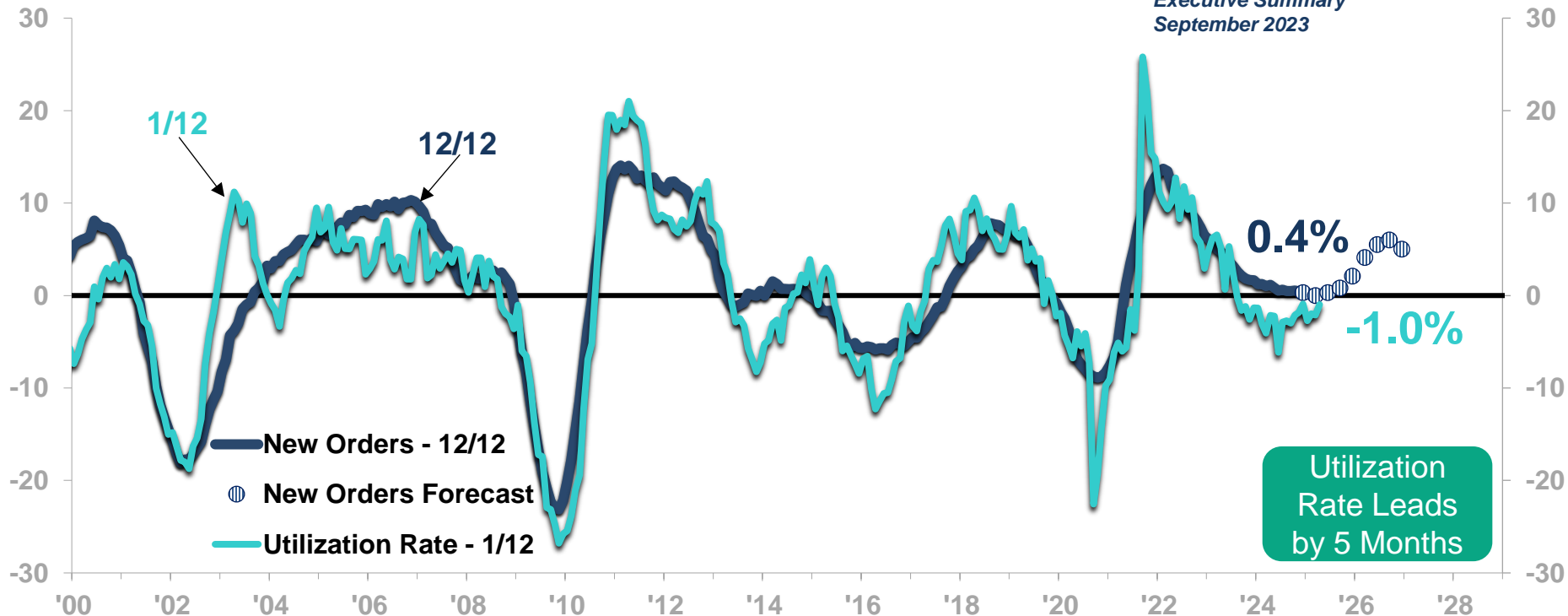
US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Machinery Manufacturing Capacity Utilization Rate  
Rates-of-Change

as seen in  
ITR Economics'  
**Trends  
Report**

ITR ECONOMICS

Executive Summary  
September 2023

**New Orders**



# Exports Bode Well for New Orders in 2025, Unless...

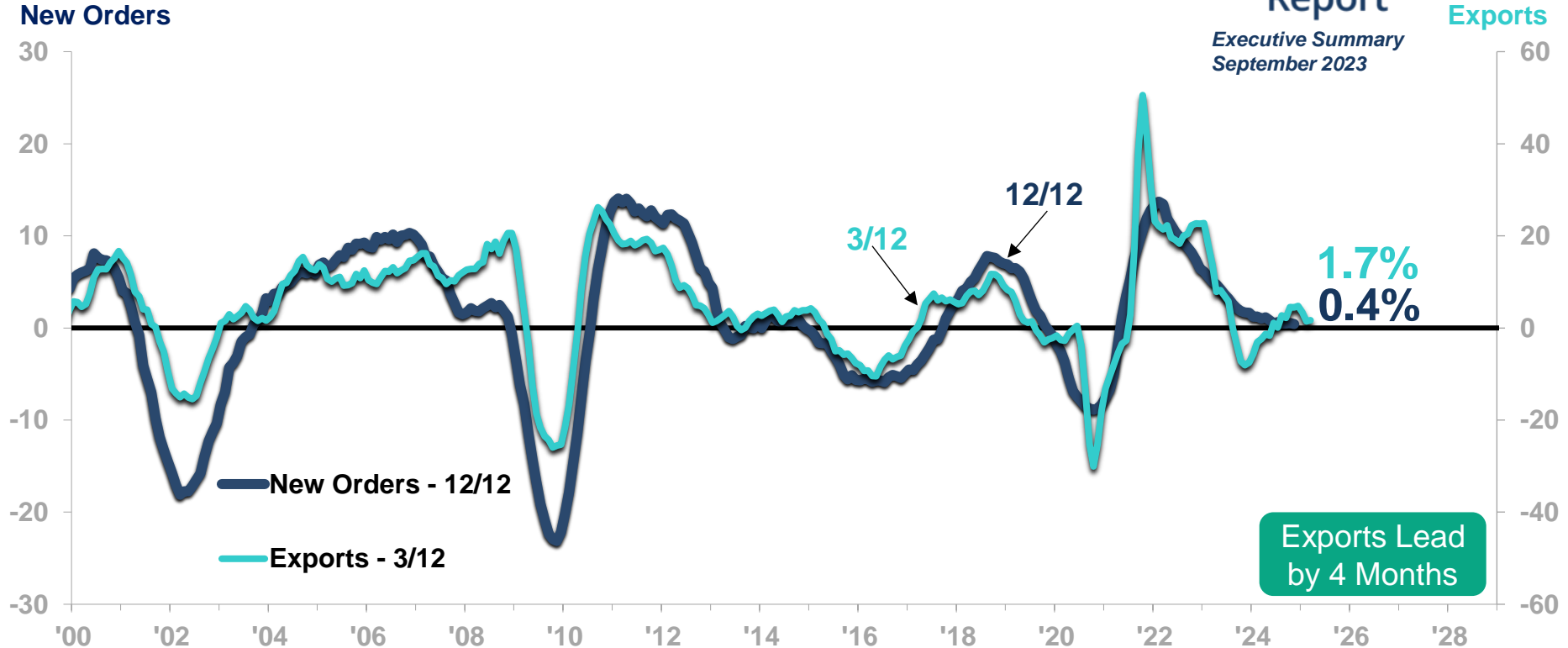
Source: US Census Bureau

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Exports of Goods to the World  
Rates-of-Change

as seen in  
ITR Economics' ITR ECONOMICS

**Trends  
Report**

Executive Summary  
September 2023



# Rise Begins in Early 2025

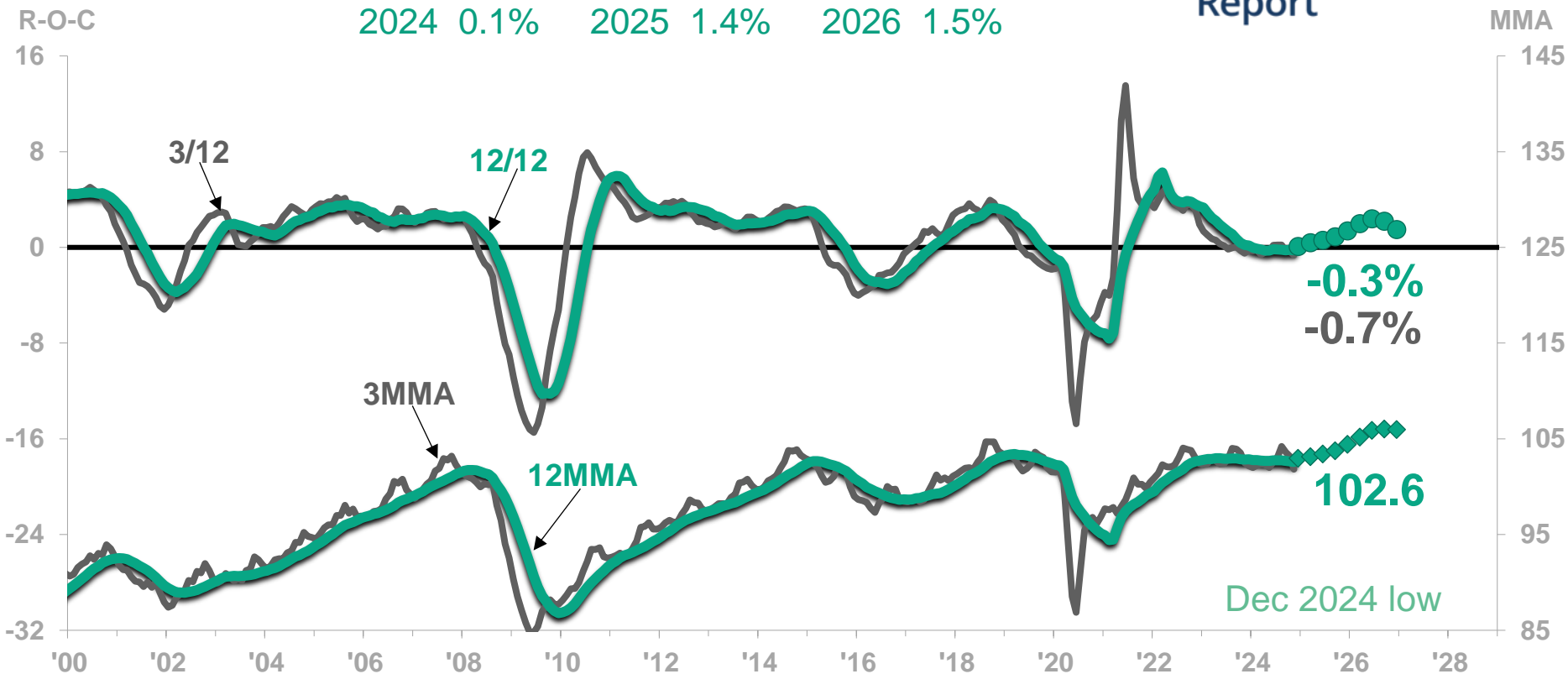
Source: FRB

## US Industrial Production Index

2017 = 100











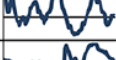



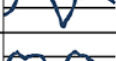





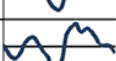

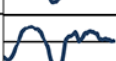

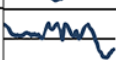

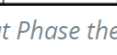

as seen in  
ITR Economics'  
**Trends  
Report**

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# The Manufacturing Economy-At-A-Glance

Source: ITR Economics  
Trends Report™

	Historical 12/12	Historical 12MMT/A	Current 12/12	2025	2026	2027	Highlights
US Metalworking Machinery New Orders			1.5	4.2	1.9	1.7	Leading indicators and expected growth in industrial sector activity and B2B spending support 12MMT rise through at least 2027.
US Machinery New Orders			0.3	5.0	4.4	-0.2	Rise will characterize New Orders for the majority of 2025 and 2026; a plateau will follow in 2027.
US Construction Machinery New Orders			-0.7	-2.4	5.7	0.3	We lowered the 12MMT outlook by 7.6% for 2025 and 5.2% for 2026. The 12MMT will decline into the middle of this year.
US Electrical Equipment New Orders			1.1	4.3	2.2	0.0	New Orders will reach record highs this year, but domestic manufacturers are facing increased competition from abroad.
US Computers & Electronics New Orders			2.9	1.3	1.8	-0.1	This market has positive fundamentals given a robust export trend, interest in AI, and investments in domestic semiconductor capacity.
US Defense Capital Goods New Orders			3.1	-1.9	6.7	9.2	Results may be above the forecast range in the near term given additional international funding.
North America Light Vehicle Production			1.2	0.9	3.7	-0.3	Automaker incentives are rising as dealers face soft demand. Production will plateau into mid-2025, then rise into early 2027.
US Oil & Gas Extraction Production			3.2	2.2	4.2	2.7	We expect rise in the coming three years, with the strongest growth in 2026. Conservative capex and high rates could limit growth.
US Mining Production (excluding oil & gas)			-4.6	2.6	2.0	-1.9	The 12MMA will rise in 2025 and 2026, boosted by demand from the expanding industrial and retail sectors, then mildly decline in 2027.
US Chemicals & Chemical Products Production			1.8	0.7	0.6	1.1	The chemicals market, particularly pharmaceuticals, have been outperforming but face probable softness in late 2025.
US Civilian Aircraft Equipment Production			-2.3	5.7	3.1	3.2	Results are likely to trend lower than forecasted in the near term due to lingering strike effects, but underlying demand supports rise.
US Medical Equipment & Supplies Production			-2.2	0.7	0.5	0.9	The forecast was adjusted to account for a recent downward deviation, but growth rates for the coming years are little changed.
US Heavy-Duty Truck Production			1.0	2.4	5.1	1.2	While Production will decline into mid-2025, businesses should focus on preparing for the upcoming rising trend.
US Food Production			-1.2	0.6	1.9	0.6	We lowered the outlook. The 12MMA will decline into the first half of 2025, then rise through at least 2027.

Note: Forecast color represents what Phase the market will be in at the end of the year.



# Inflation-Adjusted Wages Are Rising

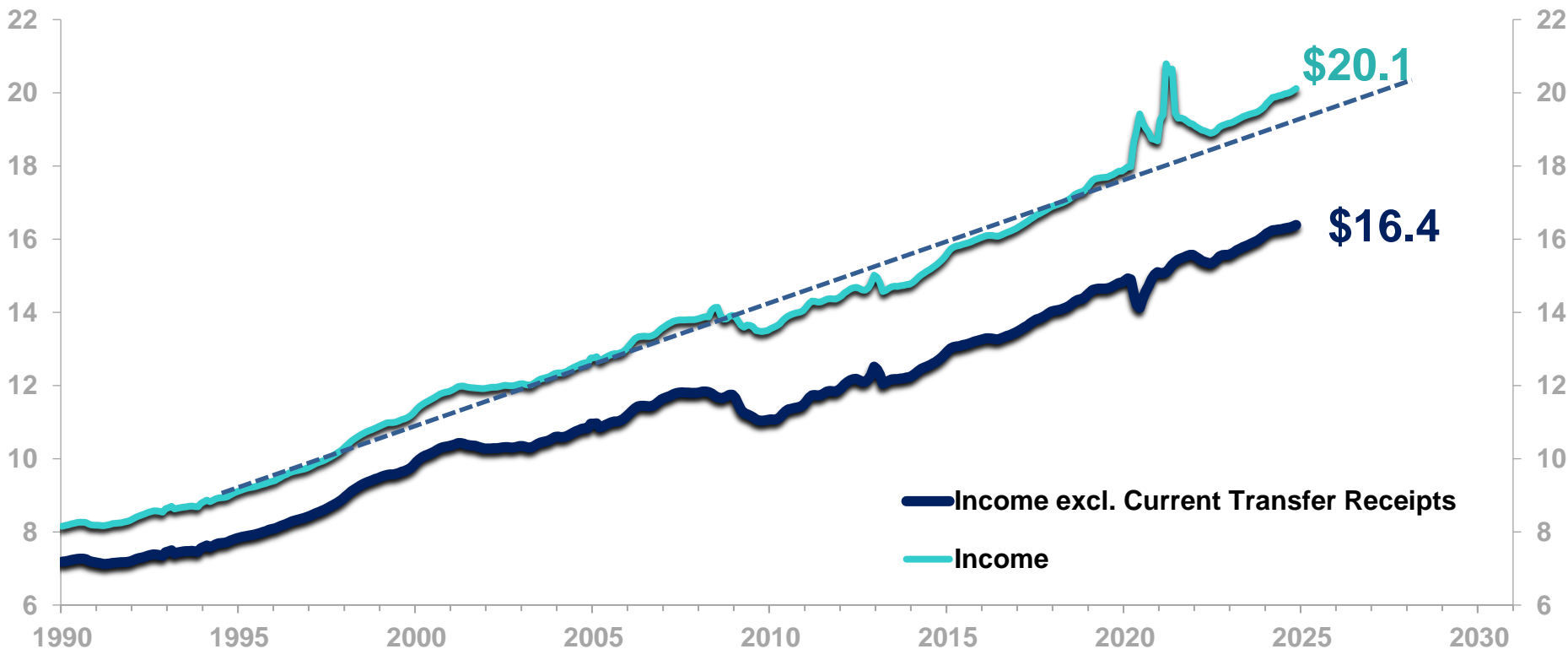
Source: BEA

## US Real Personal Income (excluding current transfer receipts) to US Real Personal Income

Quarterly Data Trends in Trillions of Chained 2017 Dollars



Income excl. Transfers



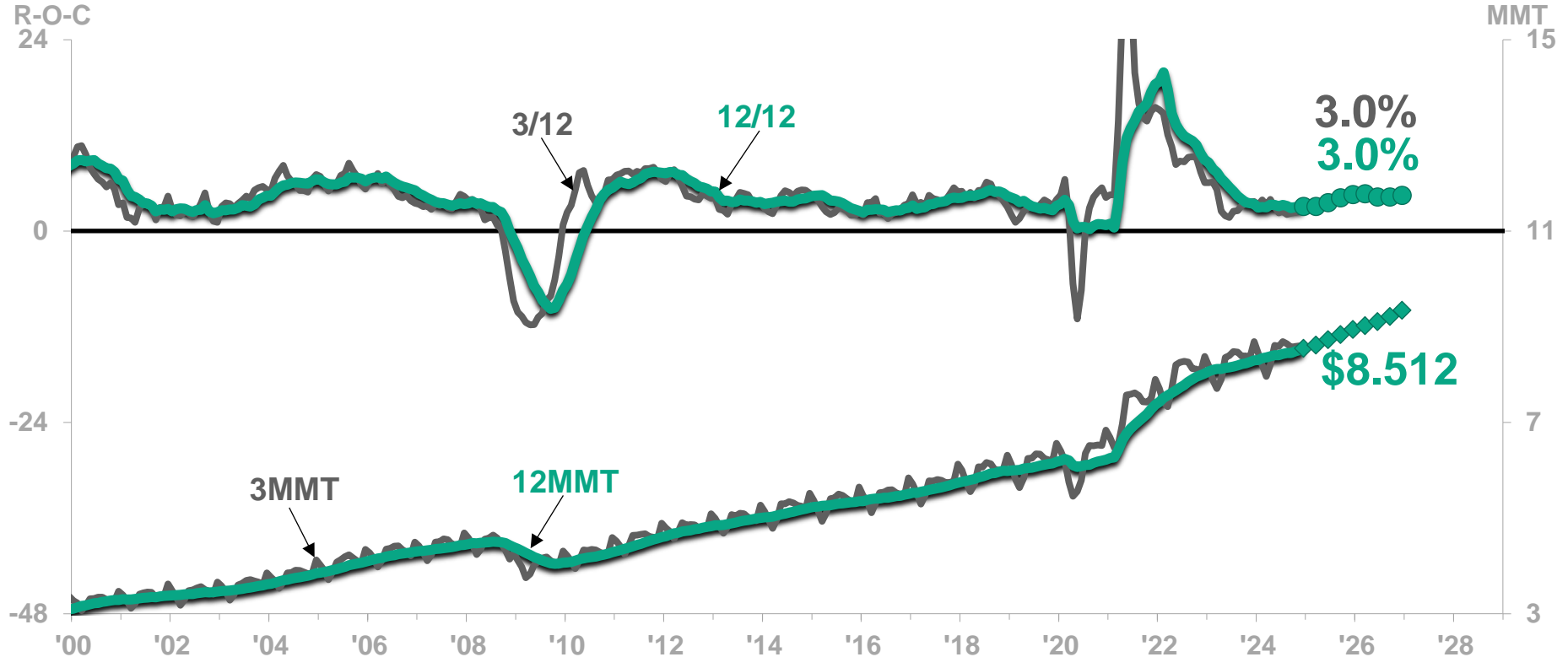


# Retail Sales Pick Up Speed in 2025

Source: US Census Bureau

## US Total Retail Sales

Trillions of Dollars



-  Ignore the political noise
-  Businesses generally have cash and are profitable
-  Slower growth in consumer spending

## *Next Steps*

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- Growth requires cash. Assess your balance sheet to see if you are ready
- Good opportunities for organic growth in 2025 and 2026

# *Industry Segments*



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# The US Construction Economy At-a-Glance

Source: ITR Economics  
Trends Report™



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	Historical 12/12	Historical 12MMT	Current 12/12	2025	2026	2027	Highlights
US Single-Unit Housing Starts			8.0	4.8	5.2	5.1	Starts will edge lower in early 2025. A lack of available existing homes will help drive rise in subsequent years, but affordability challenges remain.
US Multi-Unit Housing Starts			-24.9	19.5	6.4	1.2	Starts will likely rise as recession risks fade and consumer finances improve, but interest rates are unlikely to improve much.
US Private Office Construction			-14.6	-3.6	8.2	3.0	Lingering effects of borrowing conditions and remote work will result in further Construction decline into late 2025 and then a muted recovery.
US Total Education Construction			9.9	-2.0	2.2	6.1	Education Revenues signal downside pressure in 2025. Housing market trends point to recovery and rise for Construction in 2026 and 2027.
US Total Hospital Construction			10.8	-0.3	3.4	2.8	The 12MMT reached a record high for the first time since 2009. Expect a plateau for a portion of 2025, then rise through at least 2027.
US Private Manufacturing Construction			24.8	-1.3	-12.8	-4.2	We revised the forecast downward for 2026. Decline is likely given interest rates and the eventual tapering of government incentives.
US Private Multi-Tenant Retail Construction			-5.7	-2.3	7.3	-2.1	Expect mild decline to flatness in 2025. Construction will rise in 2026 following stronger retail activity and growth in residential construction.
US Private Warehouse Construction			-19.1	6.0	9.0	1.2	We revised the Construction forecast downward. Expect rise primarily in late 2025 and in 2026, with Construction relatively flat in 2027.
US Public Water & Sewer Facilities Construction			14.0	2.3	-2.0	-0.5	We revised the 12MMT forecast upward, with most of the lift being in the near term. Mild decline is expected in 2026-27.

Note: Forecast color represents what Phase the market will be in at the end of the year.

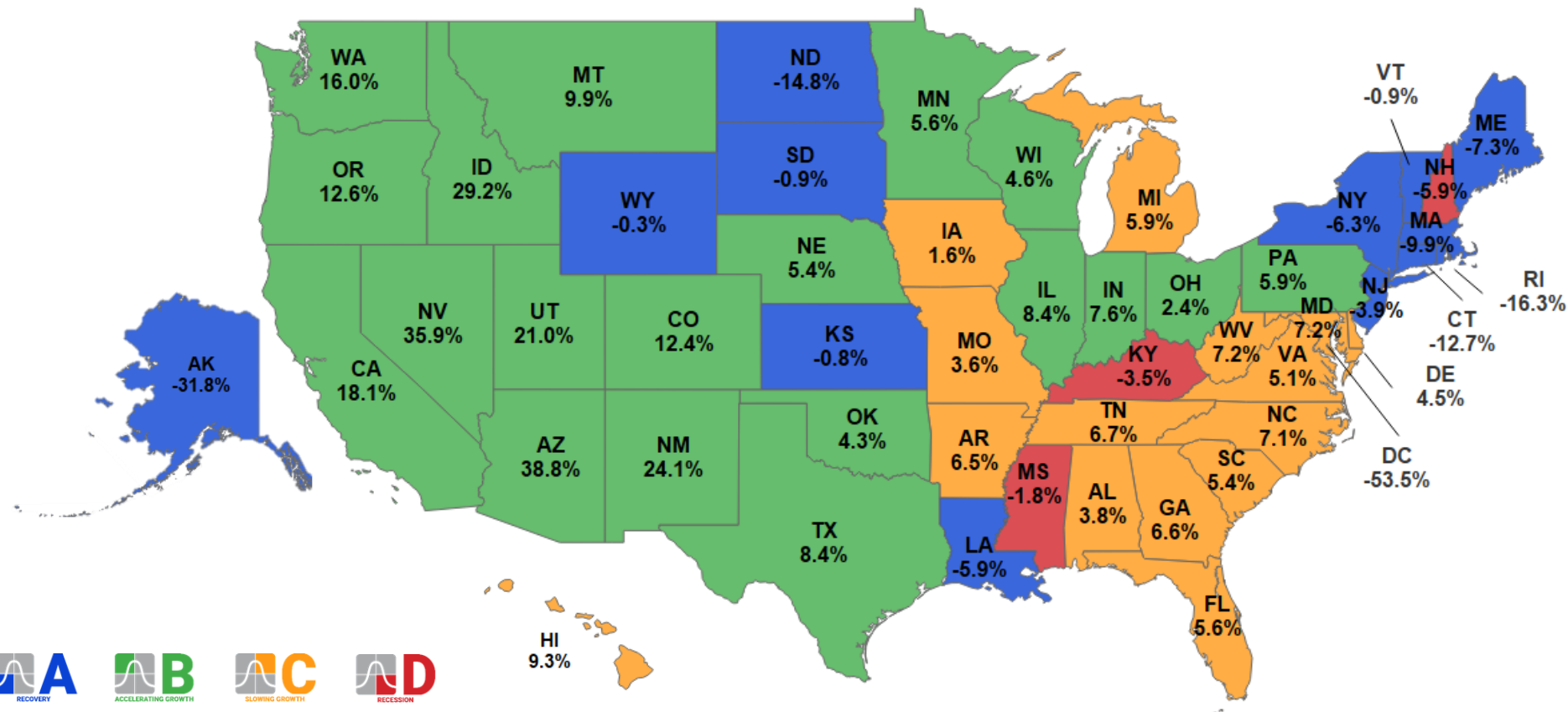


# Private Single-Family Housing Units Construction by State

Source:  
ConstructConnect

12/12 Rates-of-Change

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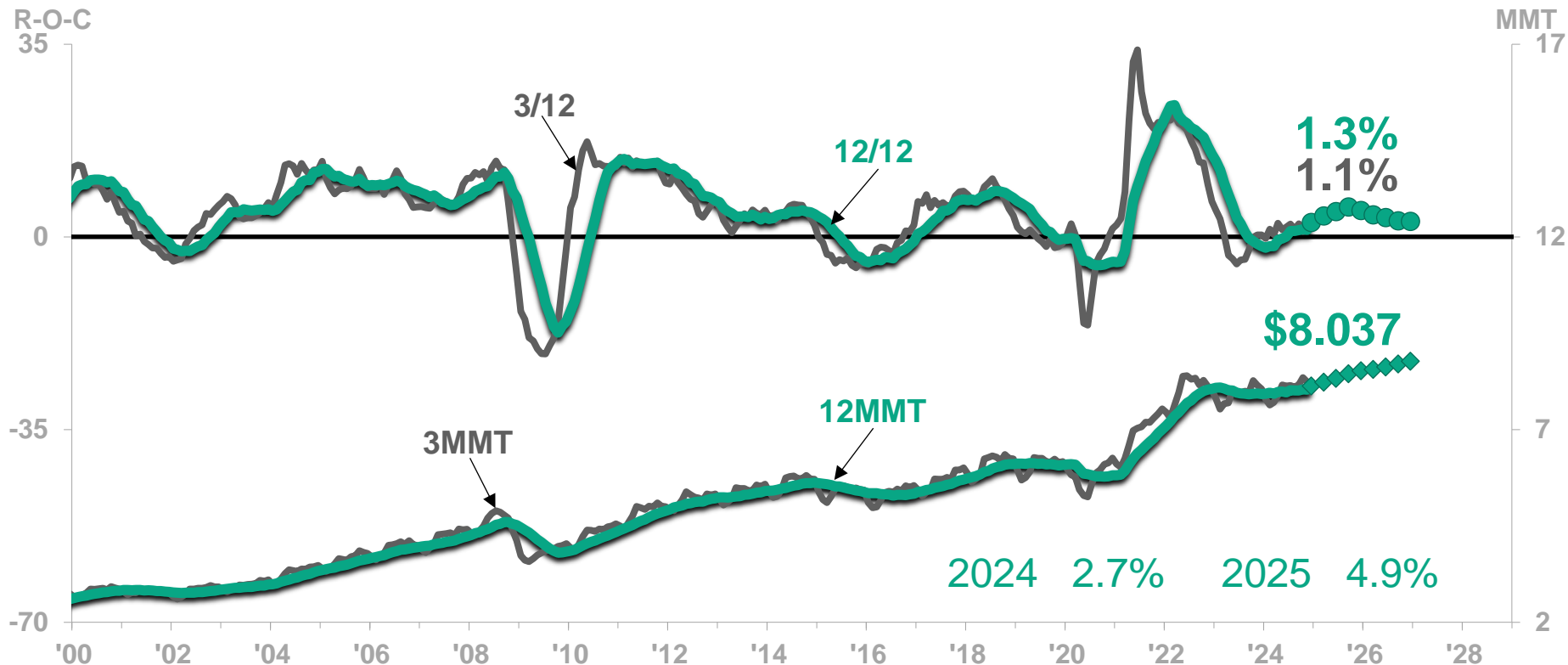


# Expect Rise Through 2026

Source: US Census Bureau

## US Total Wholesale Trade

Trillions of Dollars



# The ITR Leading Indicator Supports the Forecast

Sources: US Census Bureau,  
ITR Economics

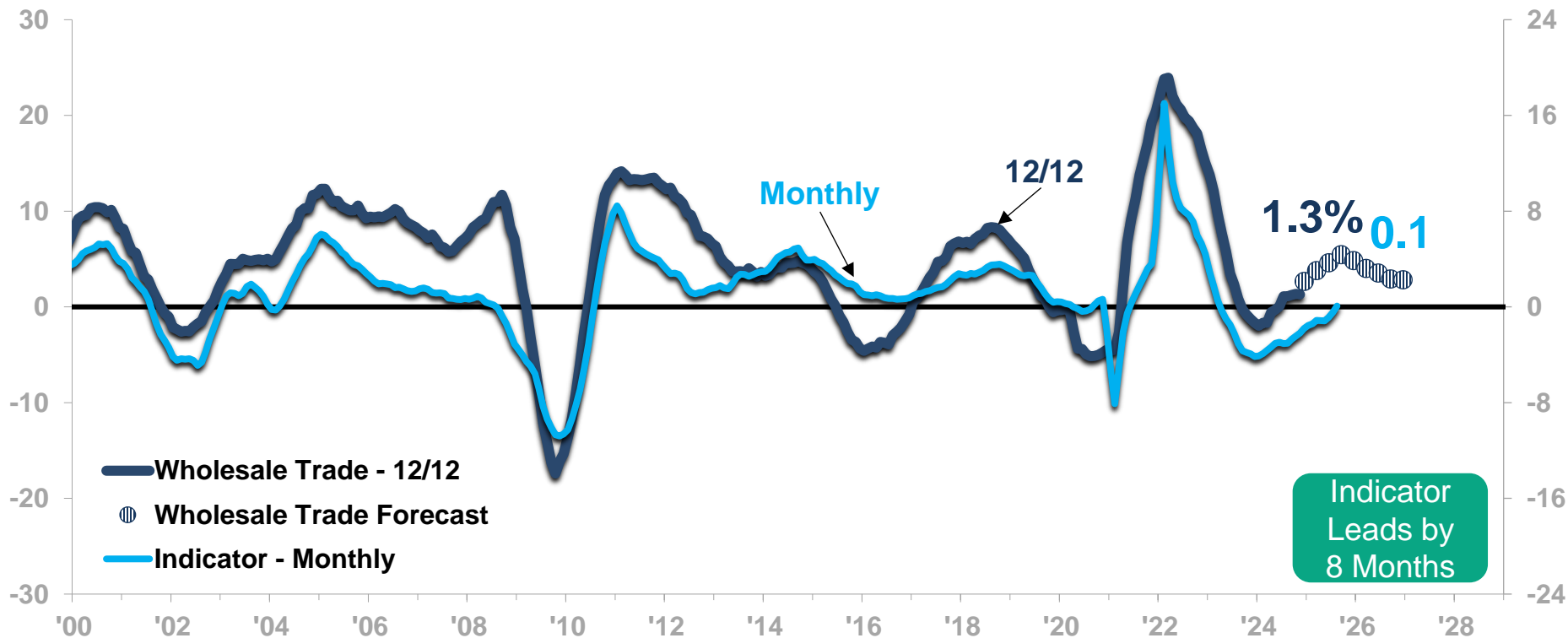
## US Total Wholesale Trade to ITR Leading Indicator™



Rates-of-Change

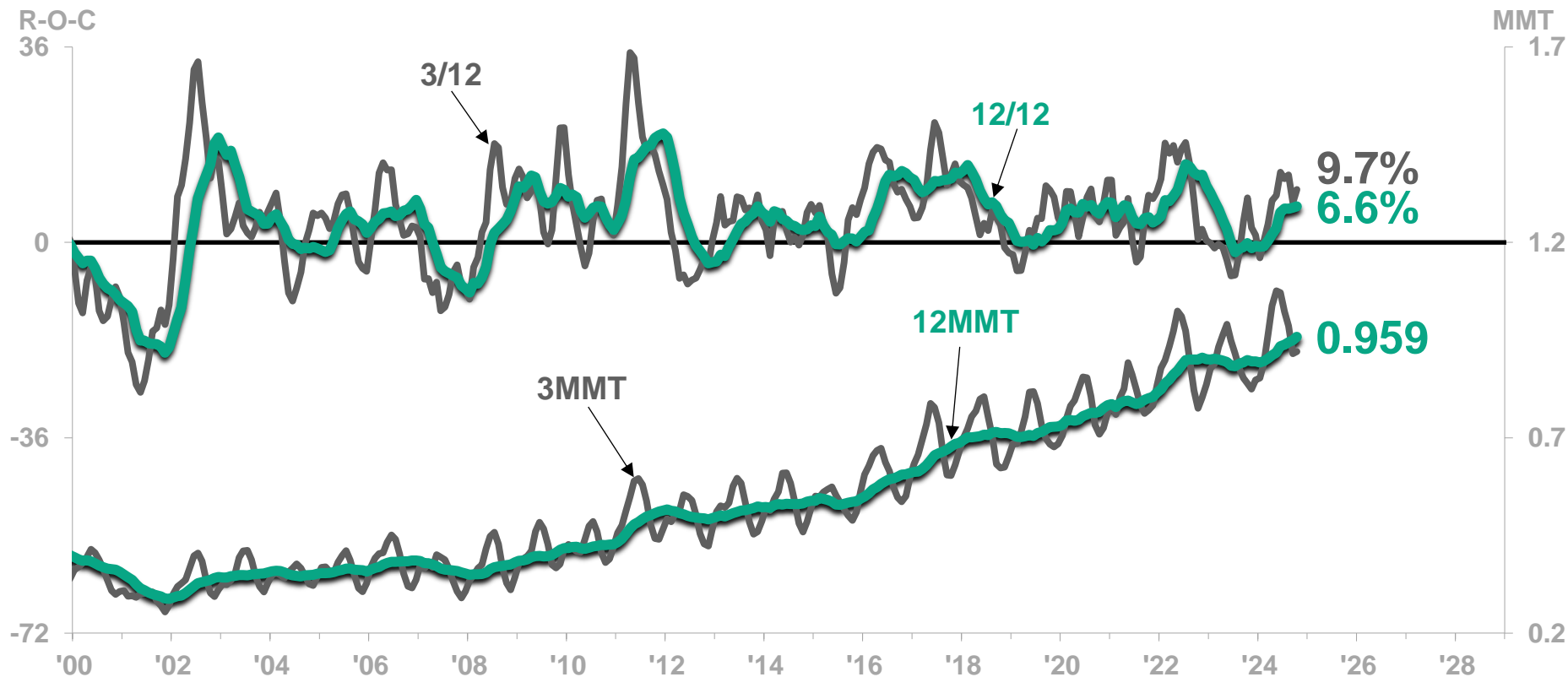
Wholesale Trade

Indicator



## US Net Renewable Energy Electricity Generation

Trillions of KWh



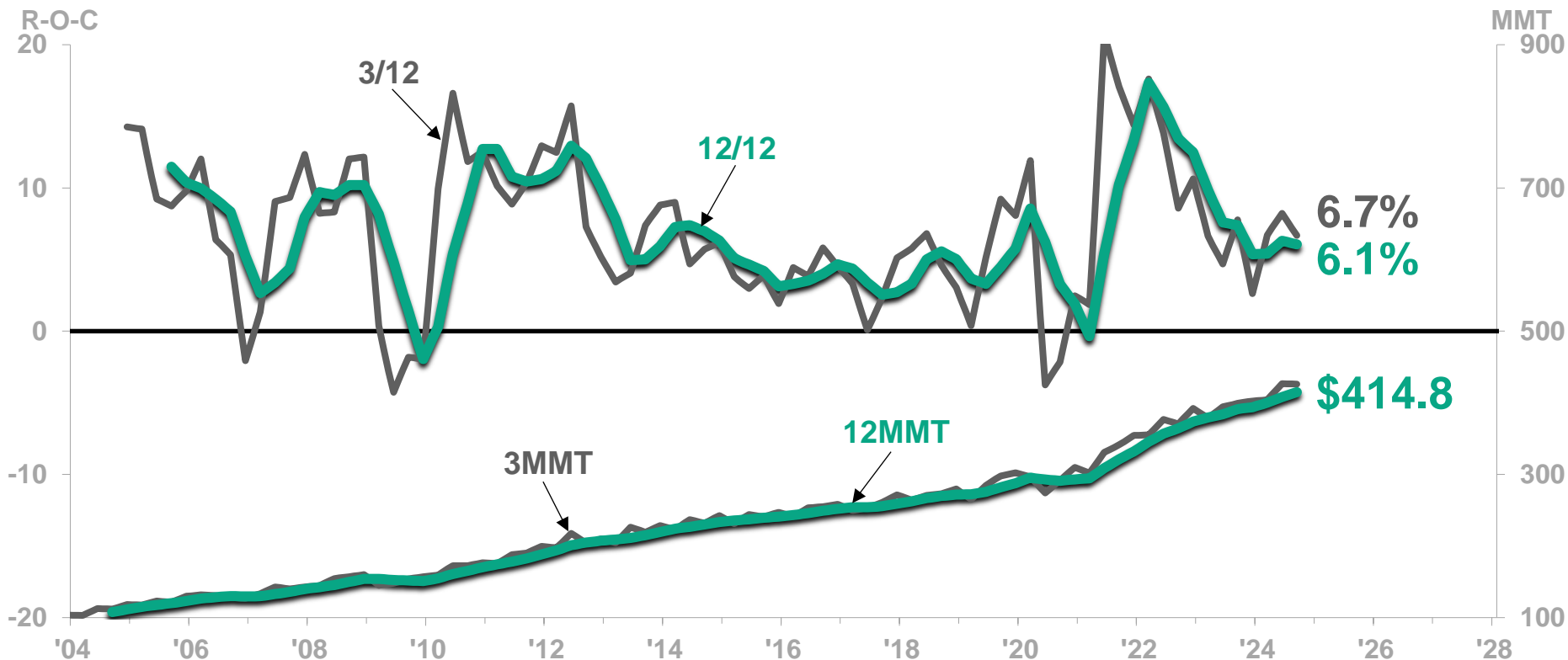


# Decelerating Rise in Services Revenue

Source: US Census Bureau

## US Management, Scientific, and Technical Consulting Services Revenue

Billions of Dollars



# Services Revenue Trends

Source: US Census Bureau

## US Services Revenue



	3/12	Phase	Notes
Insurance Carriers	11.4%	B	Accelerating rise in 2025
Legal Services	11.6%	B	Accelerating rise in 2025
Computer System Design	7.6%	B	Accelerating rise in 2025
Management, Scientific, & Technical Consulting	6.7%	C	Rise in 2025
Real Estate	8.4%	C	Accelerating rise in 2025
Educational	9.0%	B	Rise in 2025
Agencies, Brokerages & Other Insurance	14.5%	B	Accelerating rise in 2025
Accounting, Tax Preparation, Bookkeeping	1.9%	B	Accelerating rise in 2025



# Varying Industry Trends

Sources: FRB, US Census Bureau

## US Industries Rates-of-Change



	12/12	Phase	3/12	Phase	12MMT/A Notes
Beverages Production	-0.6%	D	-4.2%	D	Mildly negative
Chemicals Production	1.8%	B	3.2%	B	Plateau 2H25
Aerospace Production	-1.5%	D	-15.6%	D	Late 2025 low
Defense Aircraft/Parts NO	-6.8%	A	5.7%	B	Rise in 2025
Civilian Aircraft Equip Prod	-2.3%	A	4.7%	C	Rise in 2025
Computers & Electronics NO	2.9%	C	2.3%	C	Rise in 2025
Construction Machinery Prod	-5.7%	D	-9.4%	D	Decline into 3Q 2025



# Varying Industry Trends

Source: US Census Bureau, FRB

## US Industry

### Rates-of-Change



	12/12	Phase	3/12	Phase	12MM Notes
Material Handling N.O.	-2.8%	A	-2.0%	A	Rise later in 2025
Pharmaceuticals Prod	4.2%	B	6.2%	C	Rise in 2025
Plastics Production	-0.9%	D	-3.0%	D	Rise later in 2025
Semiconductors Prod	16.1%	B	21.3%	B	Rise in 2025
Automobile Production	-12.8%	D	-15.2%	A	Rise later in 2025





# ***The 2030s***

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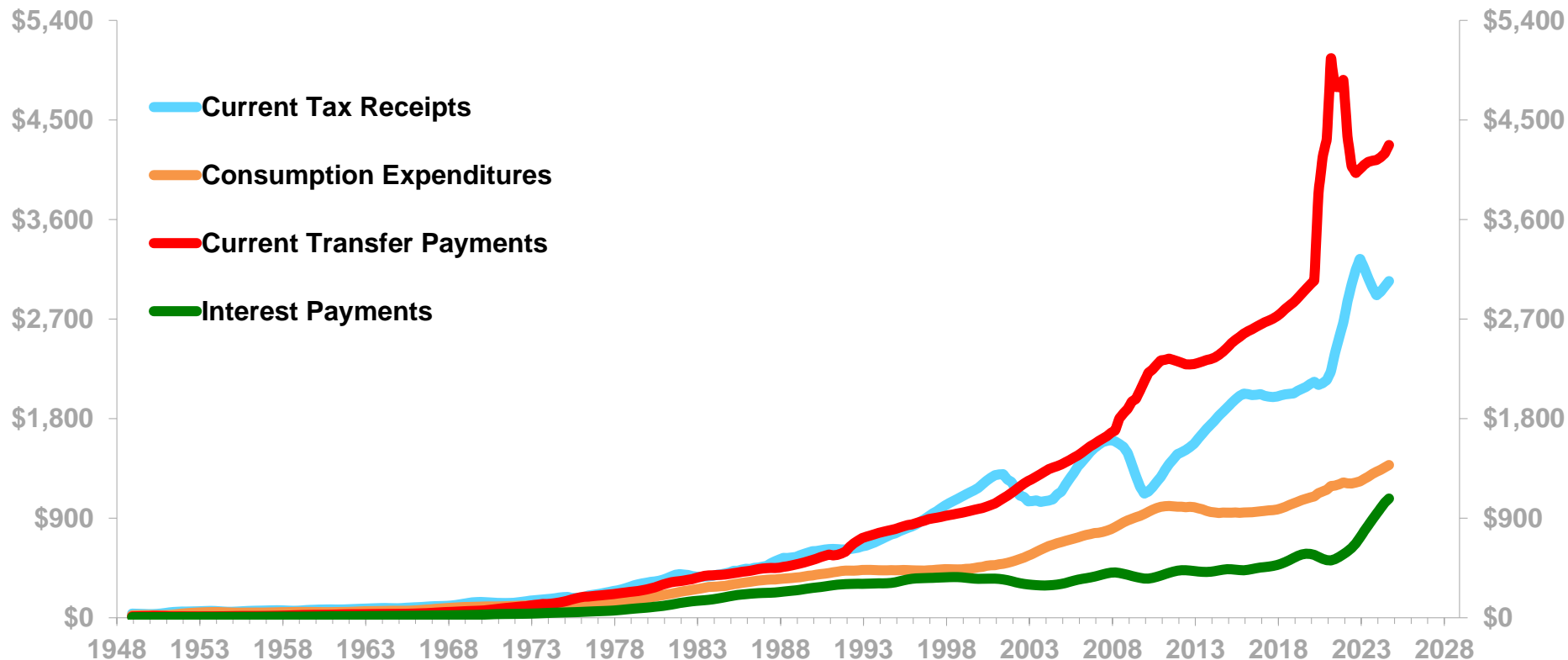
# Causal Factors & Outlook Are Unchanged

-  1. Demographics
-  2. Health Care Costs
-  3. Entitlements
-  4. Inflation
-  5. US National Debt



## Federal Government Receipts and Payments

Annual Data Trends in Billions of Dollars



# *Test to Determine if Your Company is:*

1 Interest rate sensitive

2 Price sensitive

3 Dependent upon a demand-pull market dynamic that will be hard hit in the 2030s

4 Positively correlated to the financial markets

5 A candidate for a possible divestiture/acquisition





**Switch to wealth preservation  
circa 2030 - 2032**



**Safety over magnitude of return  
will be a virtue next decade**



**Be ready to switch back into an  
aggressive posture circa 2036**

## ***Next Steps***

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- **Talk to your wealth advisor  
about best investments in a  
period of inflation.**

- Expect interest rates to ease lower through at least early 2025.
- Jump on the lower rates if you intend to leverage the future.
- Build out an inflation strategy.

- Margin pressures mean having an effective cost management and inflation savvy plans are imperative.
- Be USA-centric in your thinking regarding the future.

- Digitize and use AI.
- Maximize competitive advantages.
- Think about expanding the asset classes you are invested in and plan to pivot hard in 2028 – 2032.

# Any questions?



**Is your business facing these questions and concerns as we move toward the 2030s?**

- *Interest rate sensitivity*
- *Price sensitivity*
- *Dependence upon a demand-pull market dynamic that will be hard hit in the 2030s*
- *Worth of your business positively correlated to the financial markets*
- *Reliant upon market activity that is largely non-discretionary*

## **Financial Resilience: Your Blueprint to the 2030s**

***Extended forecast and custom roadmap***

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