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# ***Staying Ahead of the Curve in 2025–2026***

**Presented by ITR Economics  
Economist & Senior  
Consulting Speaker  
Lauren Saidel-Baker, CFA**

	Duration	Accuracy
US GDP	15	97.8%
US Ind. Production	14	99.8%
Europe Ind. Production	17	99.7%
Canada Ind. Production	15	95.7%
China Ind. Production	13	99.5%
Retail Sales	14	99.9%
Housing - Single Family	14	88.9%
Employment-Private Sector	13	99.9%

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

## **Macroeconomic Signals for 2025**

- US/Global Economic expansion
- Some industries decline into 2025

## **Uncertainty Drivers**

- The extent of interest rate decline
- Disinflation in many, but not all, sectors
- Consumer stress in some areas

## **Highlights**

- There Are Opportunities Out There
- Planning is needed 2026-2029



# Growth Expected to Characterize 2025 & 2026

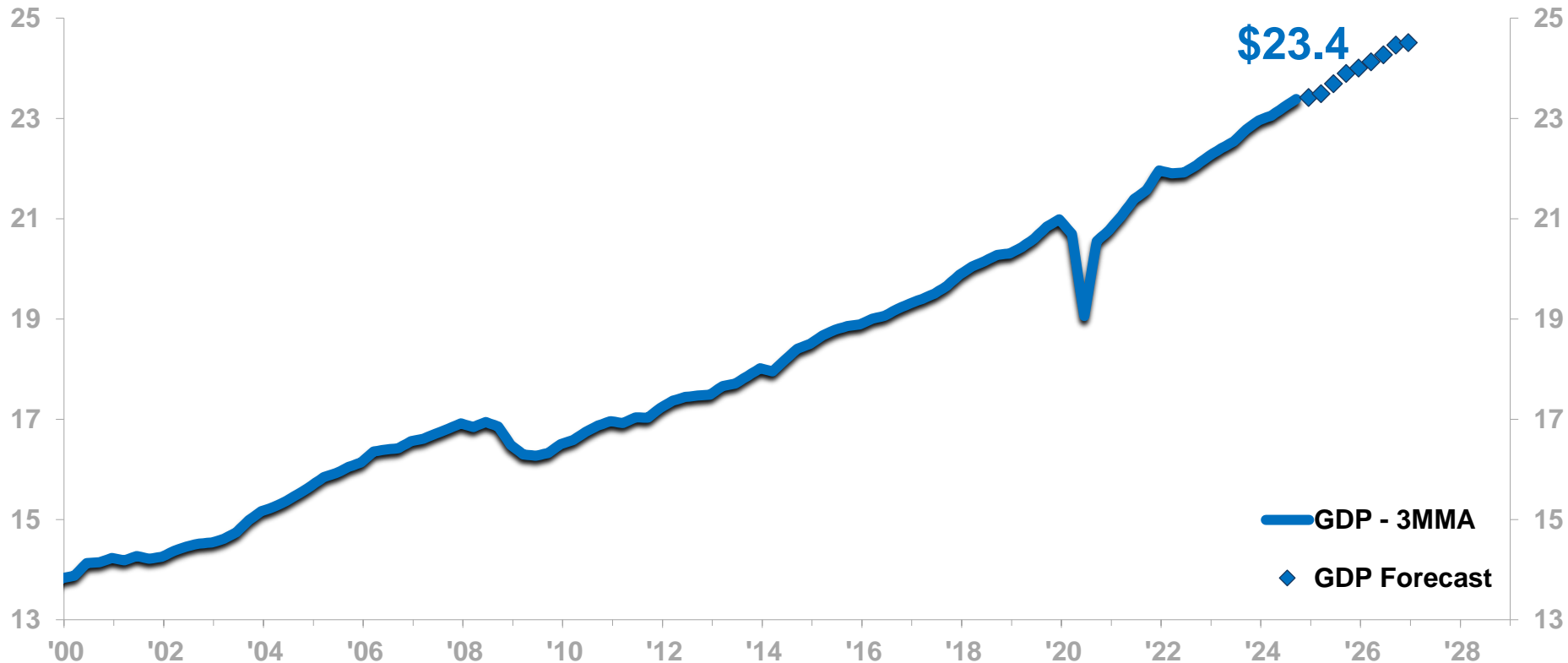
Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



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# Presidential Election Impact is Not Evident

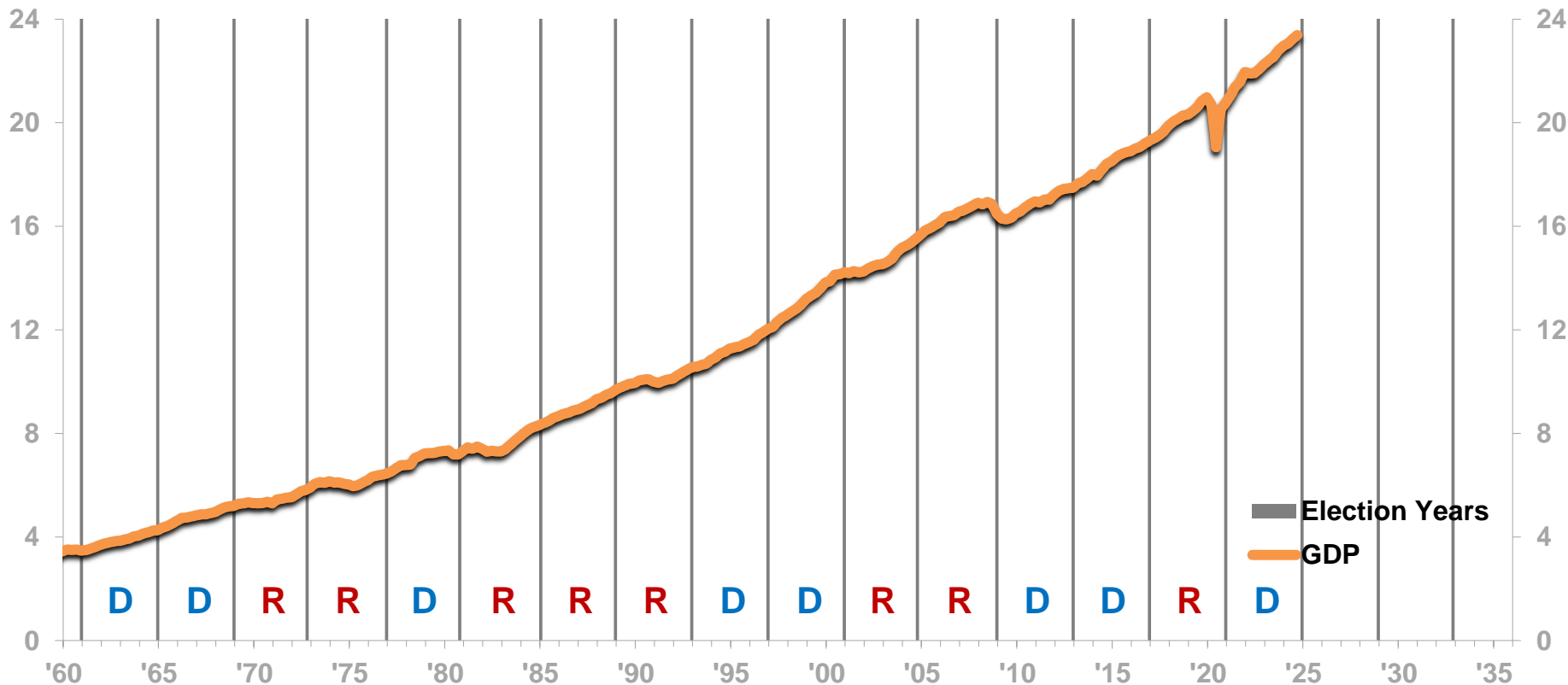
Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



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# ***Global Partners***

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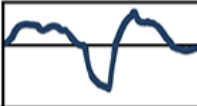

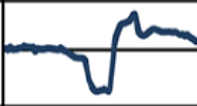

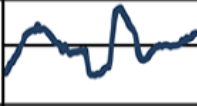

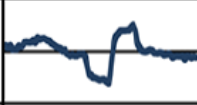

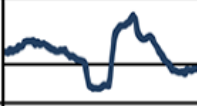

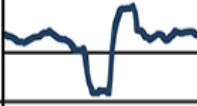

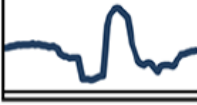



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# The Global Economy At-a-Glance

Source: ITR Economics Trends Report™

	Historical 12/12	Historical 12MMA	Current 12/12	2024	2025	2026
Canada Industrial Production			-0.6	-0.4	3.3	2.9
Mexico Industrial Production Index			1.9	0.4	0.4	0.7
Brazil Manufacturing and Mining Industrial Production Index			2.4	1.7	-2.2	2.7
Western Europe Industrial Production Index			-1.3	-1.0	2.1	0.8
Eastern Europe Industrial Production Index			-1.2	0.8	2.9	1.6
India Industrial Production Index			5.0	3.5	5.3	3.3
China Industrial Production Index			5.7	5.9	3.4	4.5

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.

## Consumer Price Indexes

### 1/12 Rates-of-Change

Country	1/12	Phase
US	2.4%	C
Canada	1.6%	C
Mexico	4.6%	B
Brazil	4.4%	C
Colombia	5.8%	C
Argentina	209.0%	B
Europe	2.4%	C







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



**Europe in recovery in 2025**



**Nationalism is the long-term play**

## *Next Steps*

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- **Nationalism brings opportunities for shorter supply chains and new business**



# ***Inflation & Interest Rates***

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# Disinflation Through Mid-2025

Sources: BLS

## US Consumer Price Index

### 3/12 Rate-of-Change



# Profit Margin Pressures: Battle Back With Competitive Advantages

Sources: LME, BLS, EIA, Investing.com

Indicator	12/12	Phase	3/12	Phase
Aluminum Prices	4.7%	B	14.7%	C
Iron & Steel	-5.9%	D	-9.9%	D
Crude Oil	-1.6%	D	-14.6%	D
Diesel on Highway	-11.4%	A	-19.3%	D
Electric Power	3.3%	C	1.8%	C
Trucker Wages	2.6%	B	2.2%	B
Manufacturing Wages	5.1%	C	4.7%	C



# The Next Round of Inflation is Already Forming

Source: SIFMA

## US Treasury Gross Issuances

Data Trends: Trillions of Dollars

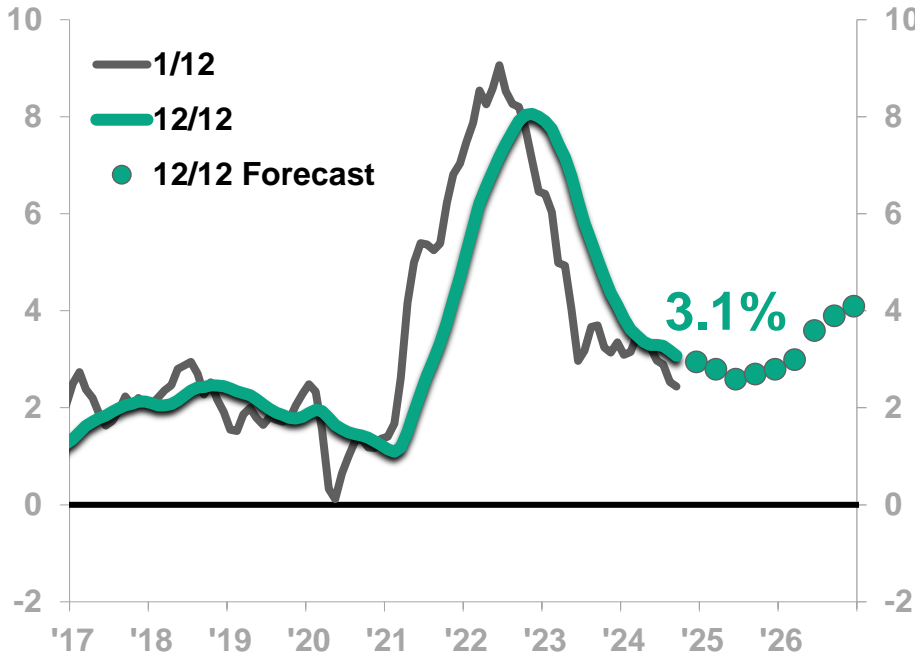


# Expect a Steady Rate of Inflation in the PPI in 2025

Source: BLS

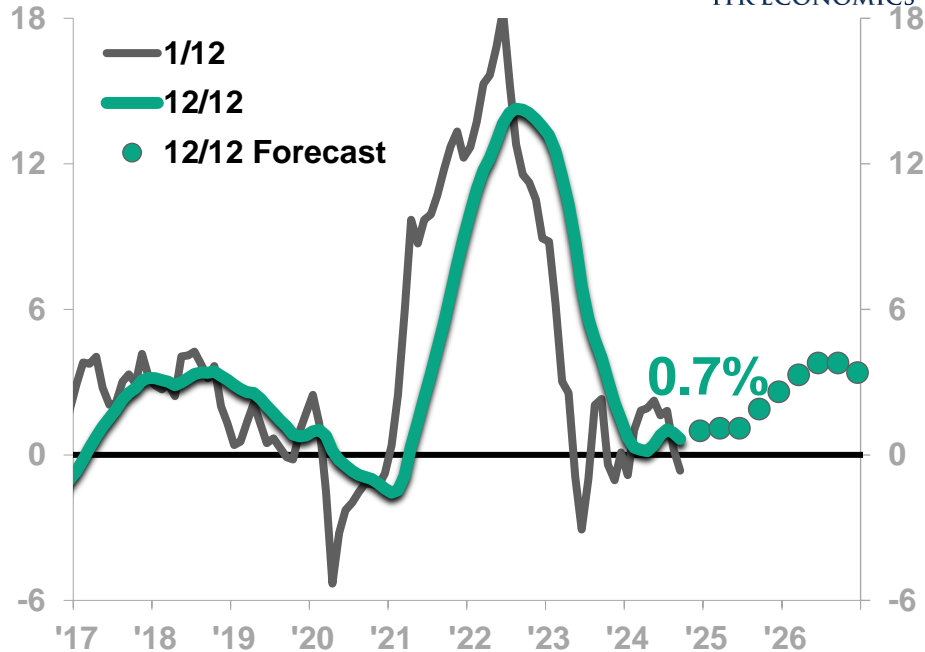


## US Consumer Price Index



Forecast	12/12
2024	3.0%
2025	2.8%
2026	4.1%

## US Producer Price Index



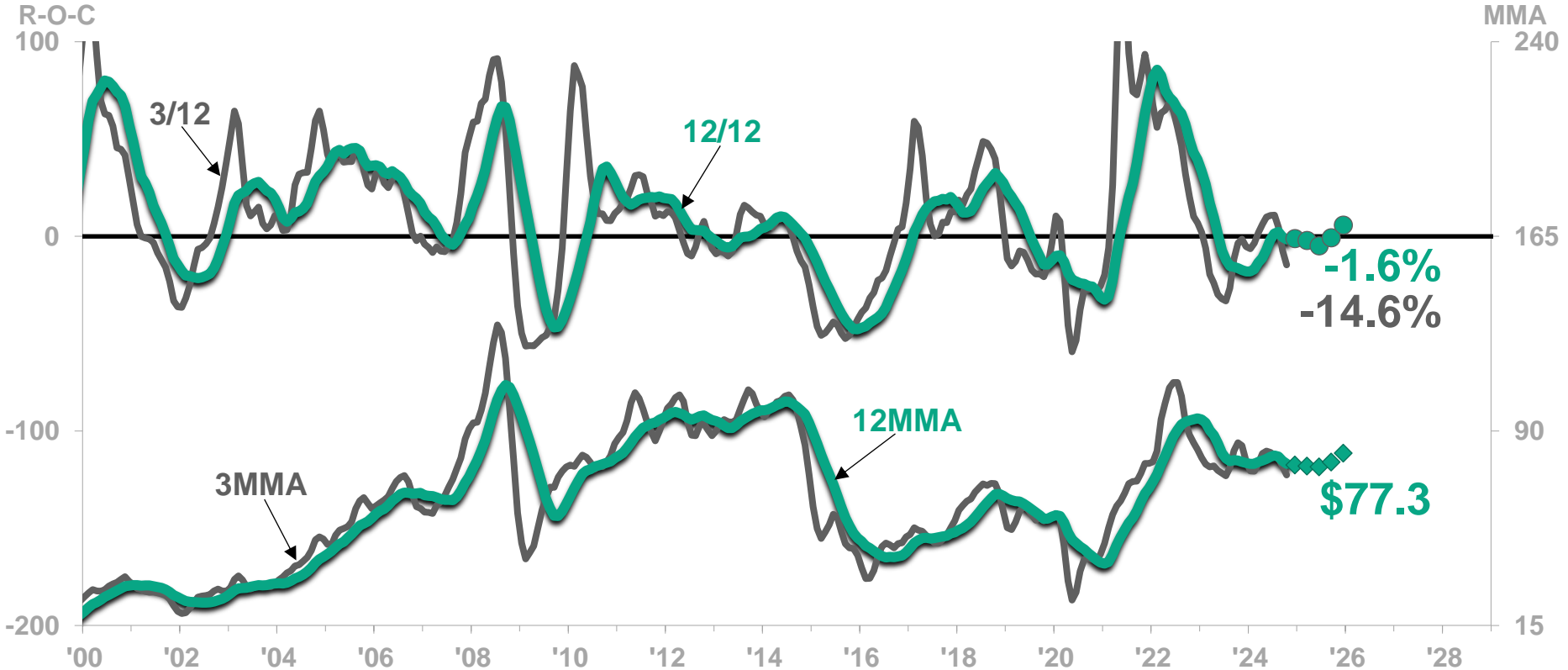
Forecast	12/12
2024	1.0%
2025	2.6%
2026	3.4%

# Geopolitical Risks to the Upside

Source: EIA

## US Crude Oil Spot Prices

Dollars per Barrel

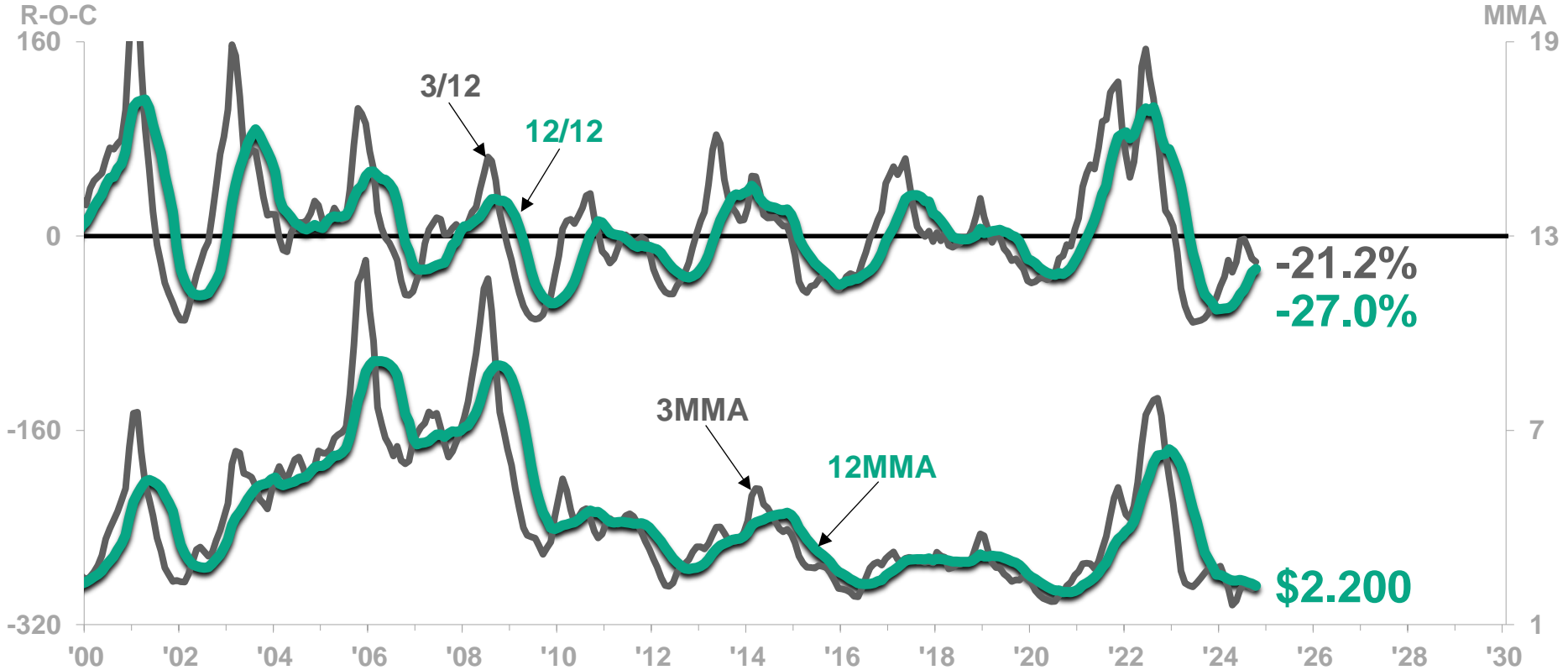


# Cyclical Recovery Likely in Natural Gas

Source: EIA

## US Natural Gas Spot Prices

Dollars per Million BTUs





# Longer Term: Expect Electricity Prices to Rise Relentlessly

**AI Infusion**



**Data Center Proliferation**



**EV “Adoption”**



**Environmental Temperature  
Realization**

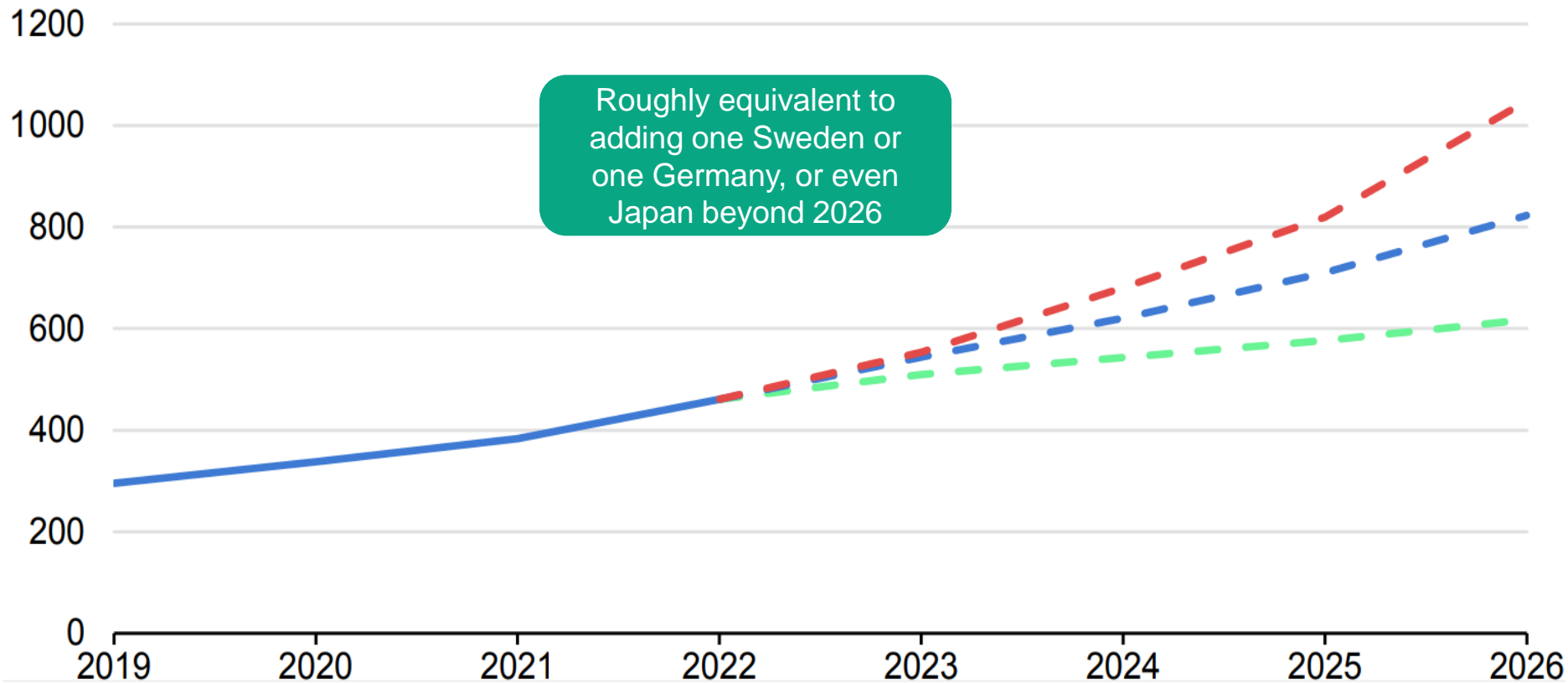


**Pushing  
Demand  
Higher:**

**Lack of Diversity in Energy  
Sources & Resiliency  
(e.g. CA and TX)**



## Global Electricity Demand from Data Centers, AI, and Cryptocurrencies. 2019 - 2026



# The US Draws More Energy for Data Centers Than Anyone

Sources: BLS,  
US Census Bureau

## US Electric Power Producer Price Index to US Private Data Center Construction

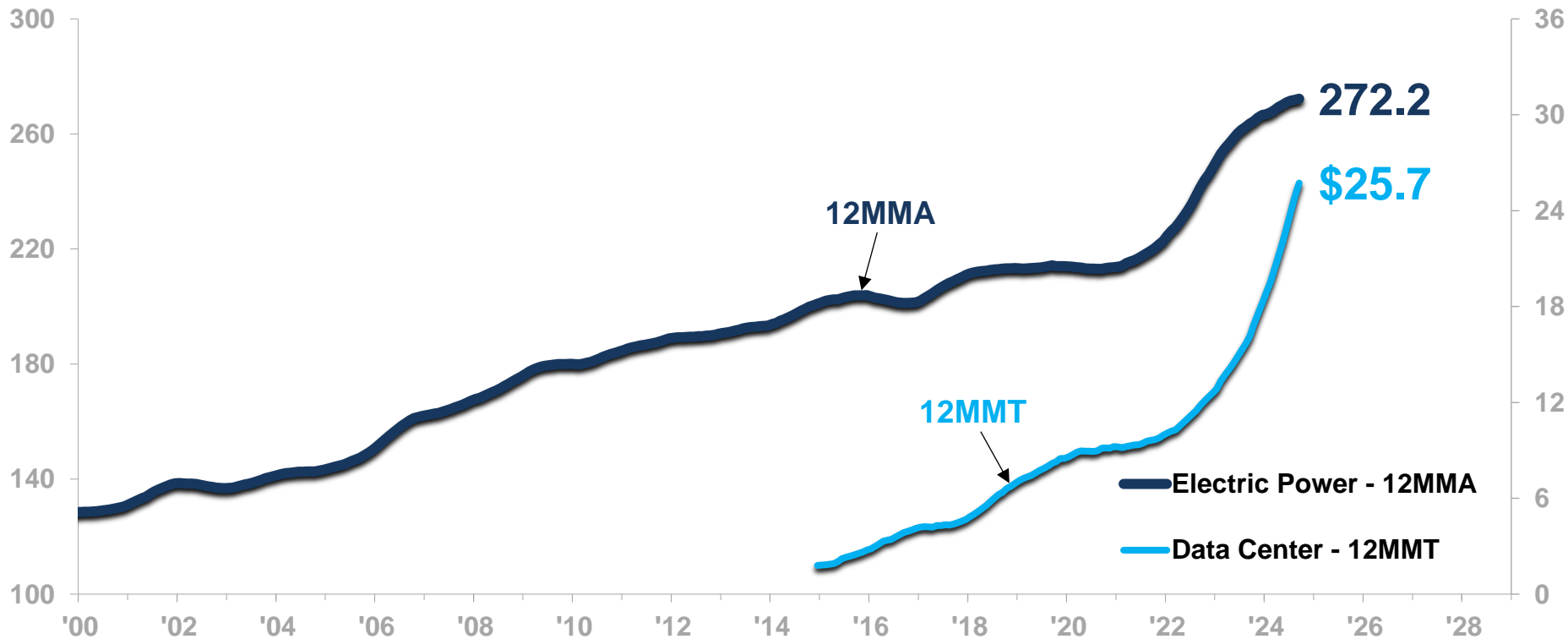


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### Annual Data Trends

Electric Power PPI (1982 = 100)

Data Center (Bil. \$)





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/videos](https://youtube.com/@ITREconomics/videos)



# People

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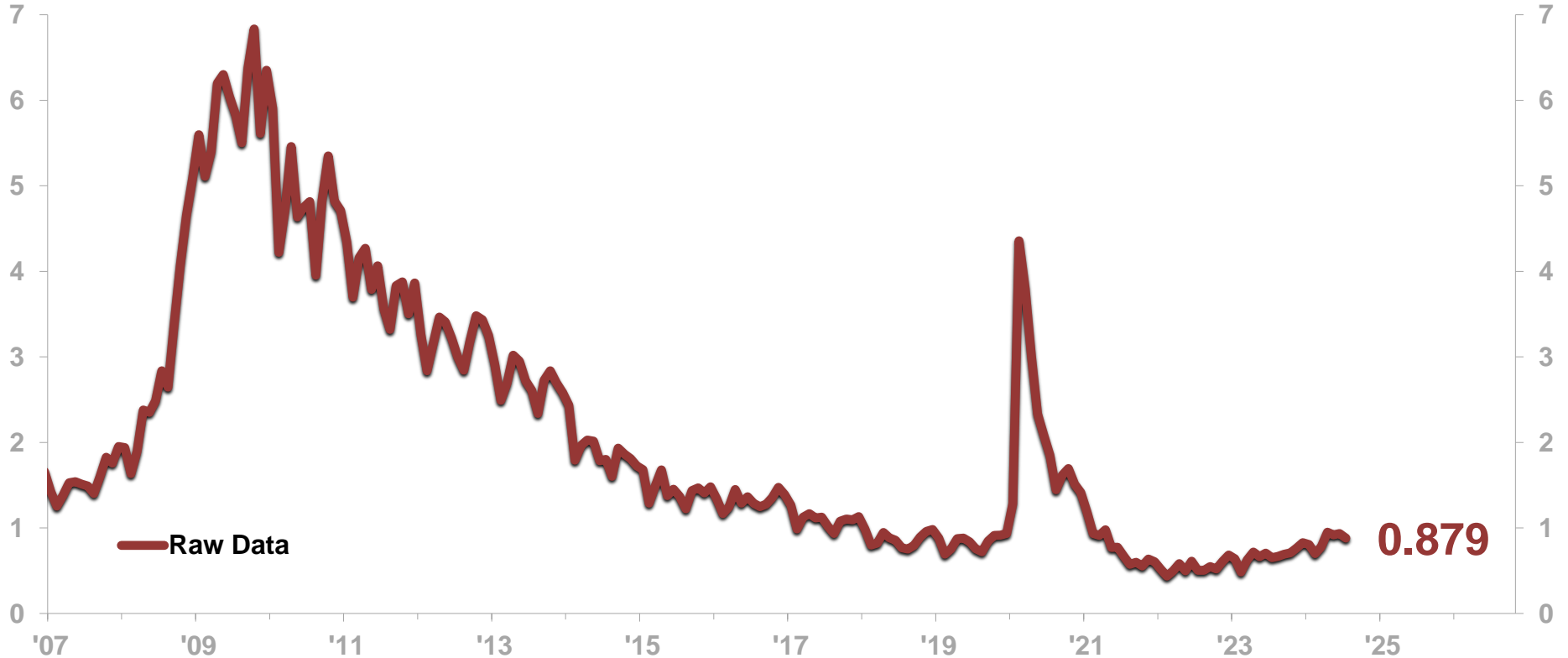


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## US Number of Unemployed Persons per Job Opening

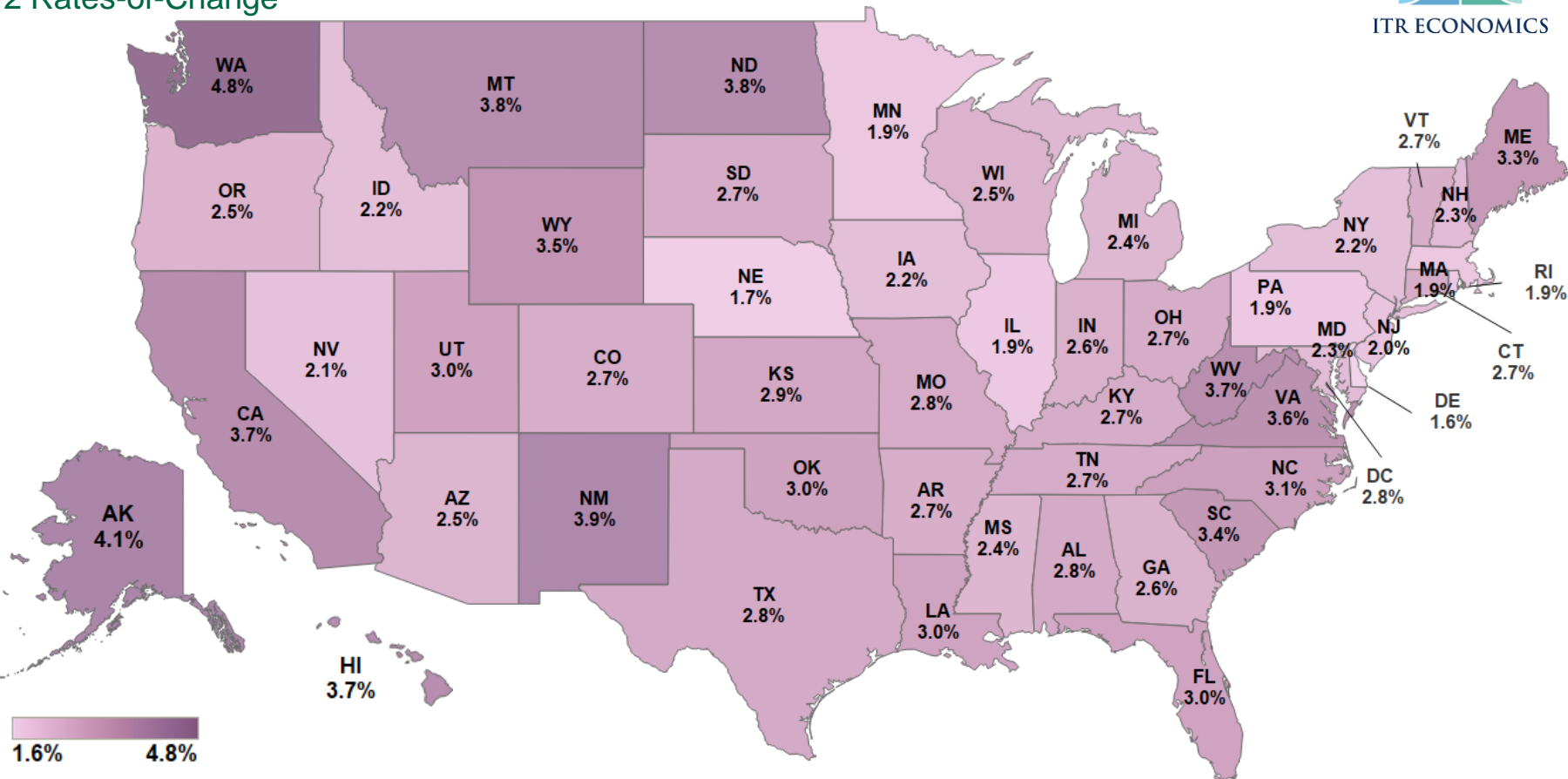
Raw Data, Number of Persons



# US Wage Inflation by State

Source: BLS

12/12 Rates-of-Change



# Potential Solution to the Jobs Problem

Sources: A3, BLS

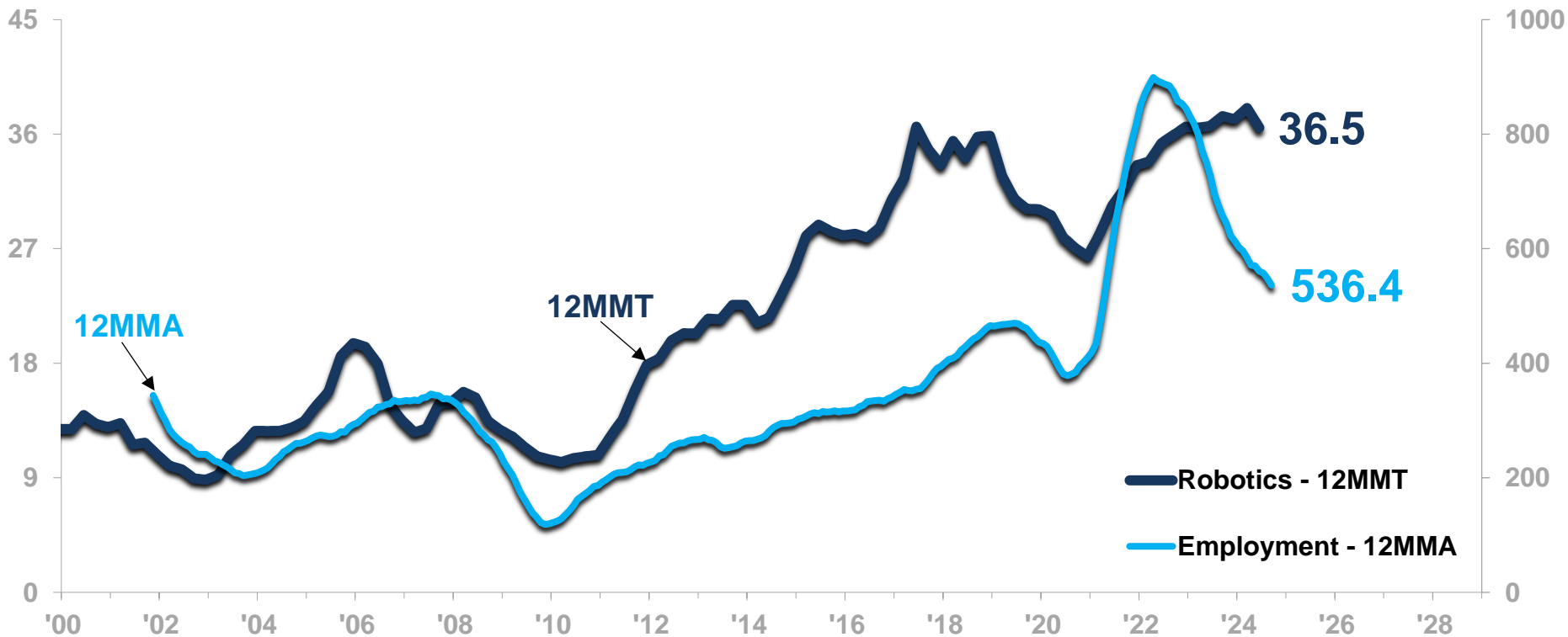
## North America Robotics Shipments Units to US Total Manufacturing Job Openings



Annual Data Trends

Robotics (Thou. Units)

Job Openings (Thou.)







**Wages and total private workforce are slowing in their rate of rise.**



**Tightness in the labor market is a longer-term trend so don't overreact as we move into 2025.**



**Replacing the baby boomers will be a challenge.**

## *Next Steps*

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- **Demographics and economic diversity in an area should drive resource allocation**



# *Construction*

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# Mild Rise Through 2025; Affordability Constraints Linger

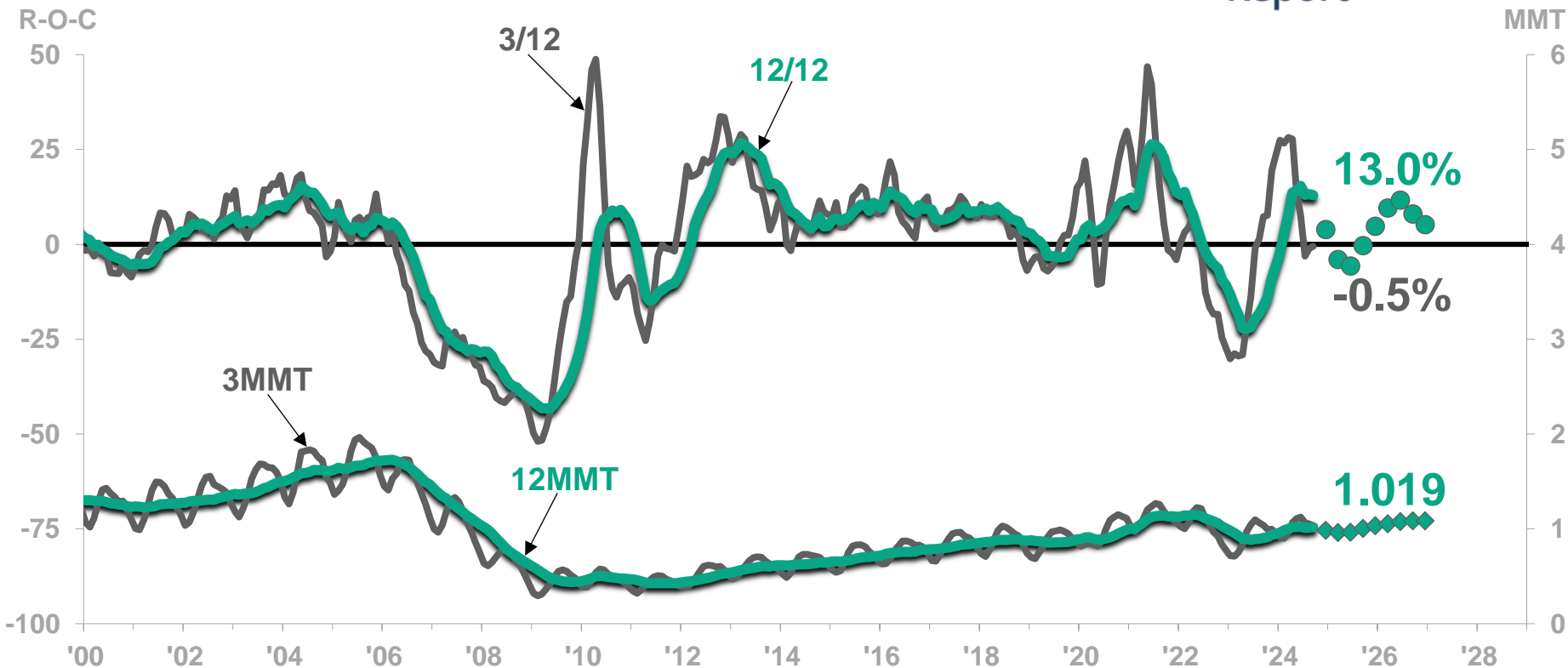
Source: US  
Census Bureau

## US Single Unit Housing Starts

Millions of Units

as seen in  
ITR Economics'  
Trends  
Report

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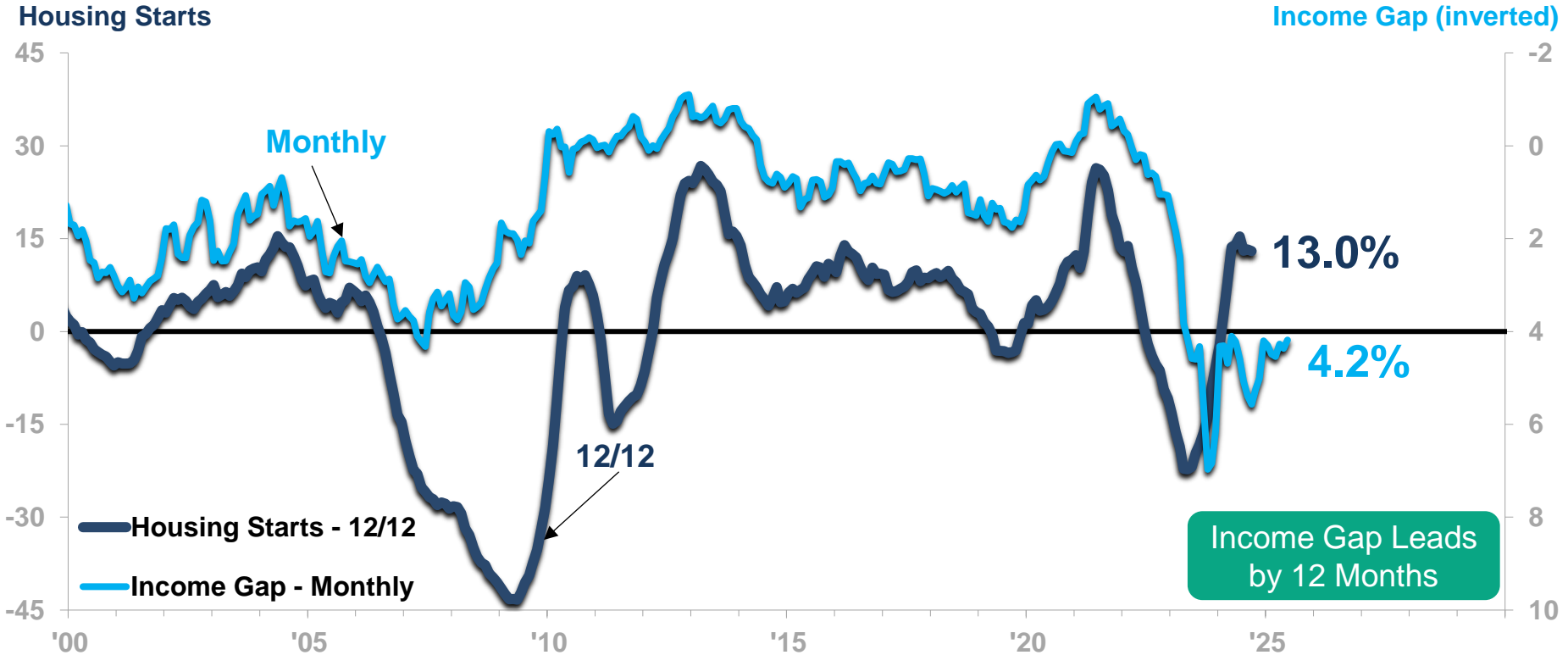


# Income Gap Monthly Trend Bodes Well for Housing Starts

Source: US Census Bureau,  
Freddie Mac, BLS

## US Single-Unit Housing Starts to US Average Annual Income Gap to Qualify for an Average Mortgage as a Percent of Average Annual Earnings

Rates-of-Change



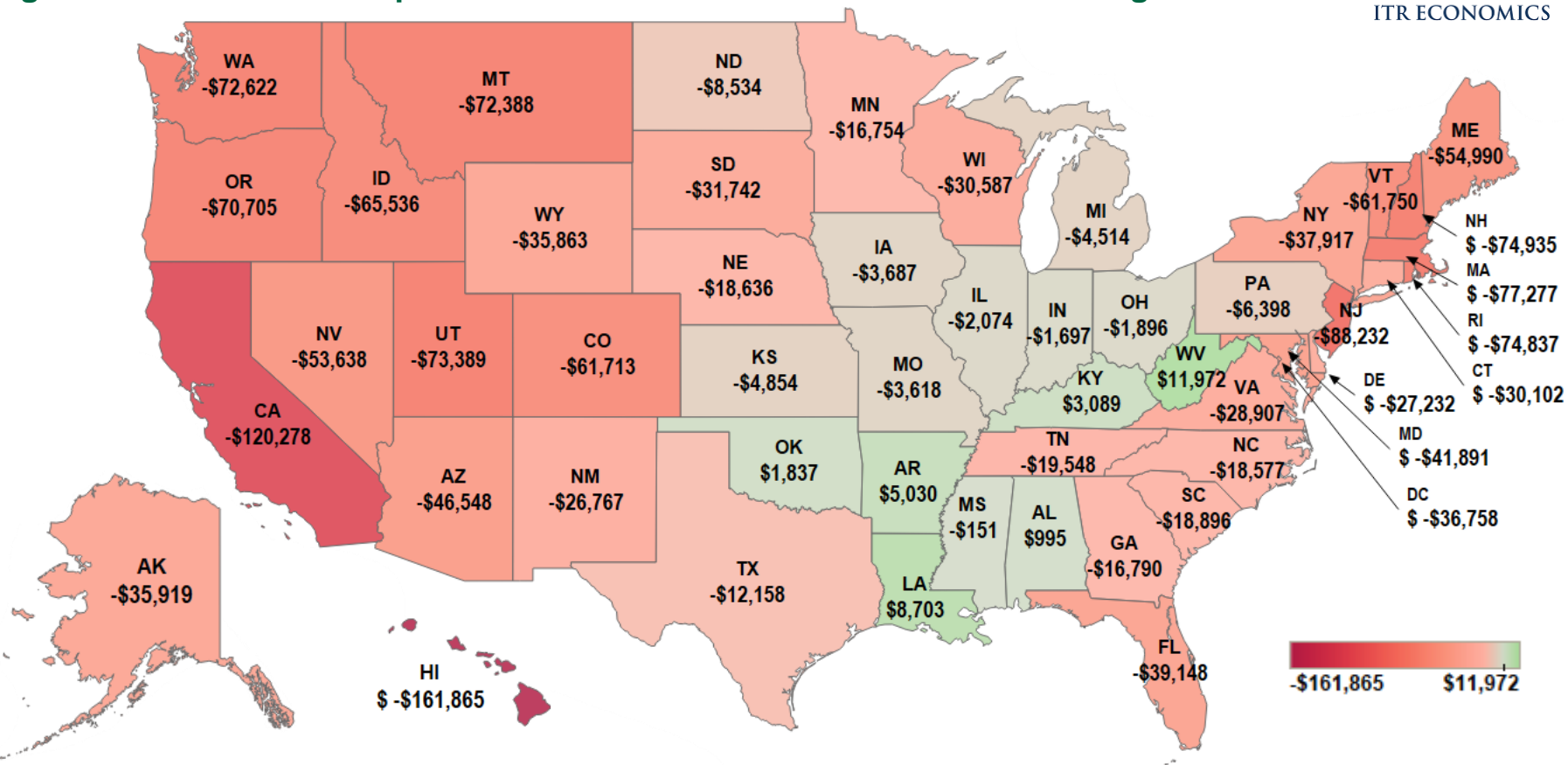
# Housing Affordability Varies Considerably

Sources: Zillow, Tax -Rates.org, Wall Street Journal, Federal Housing Agency, US Census Bureau

## Average Household Income Surplus or Deficit to Income Needed to Afford an Average Priced Home



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# Housing Leads – Nonresidential Lags

Source: US Census Bureau

## US Private Nonresidential Construction to US Single-Unit Housing Starts

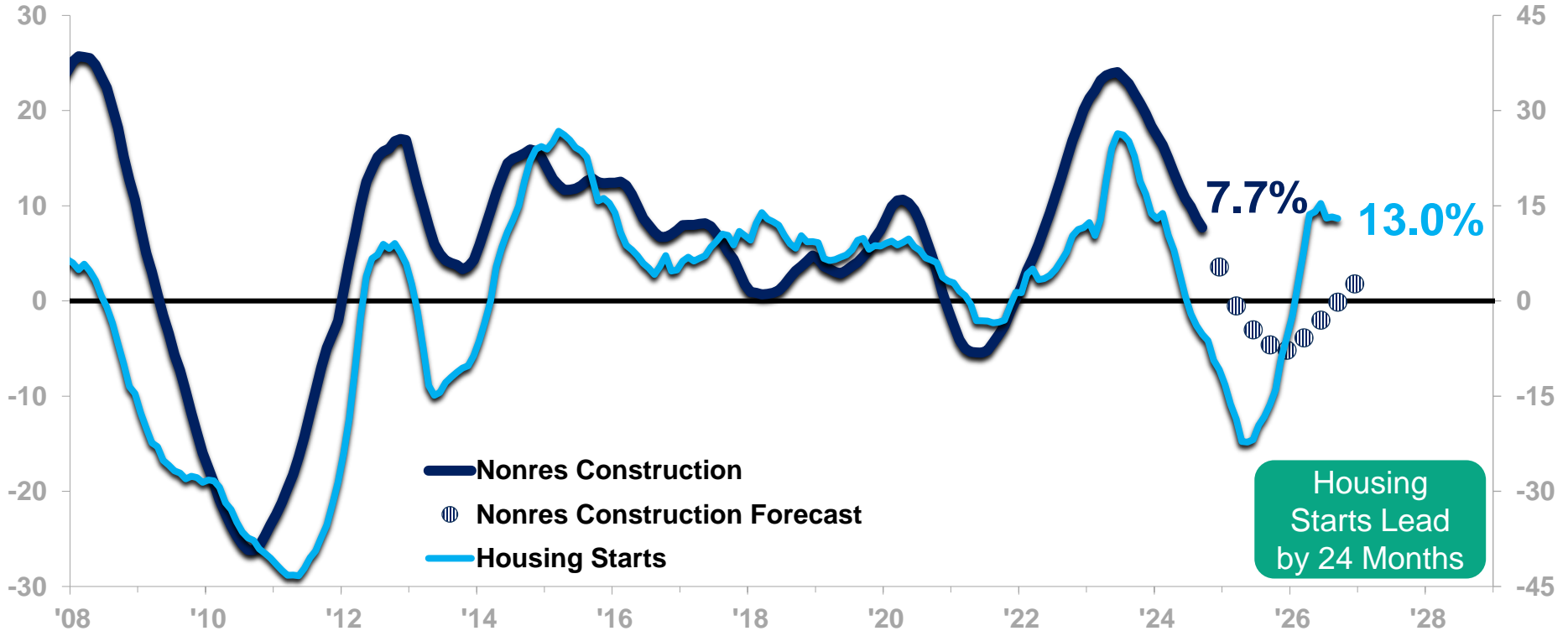
12/12 Rates-of-Change

as seen in  
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Nonres Construction

Housing Starts



# Occupancy Trend is Consistent with Nonres Forecast

Sources: US Census Bureau, Nareit

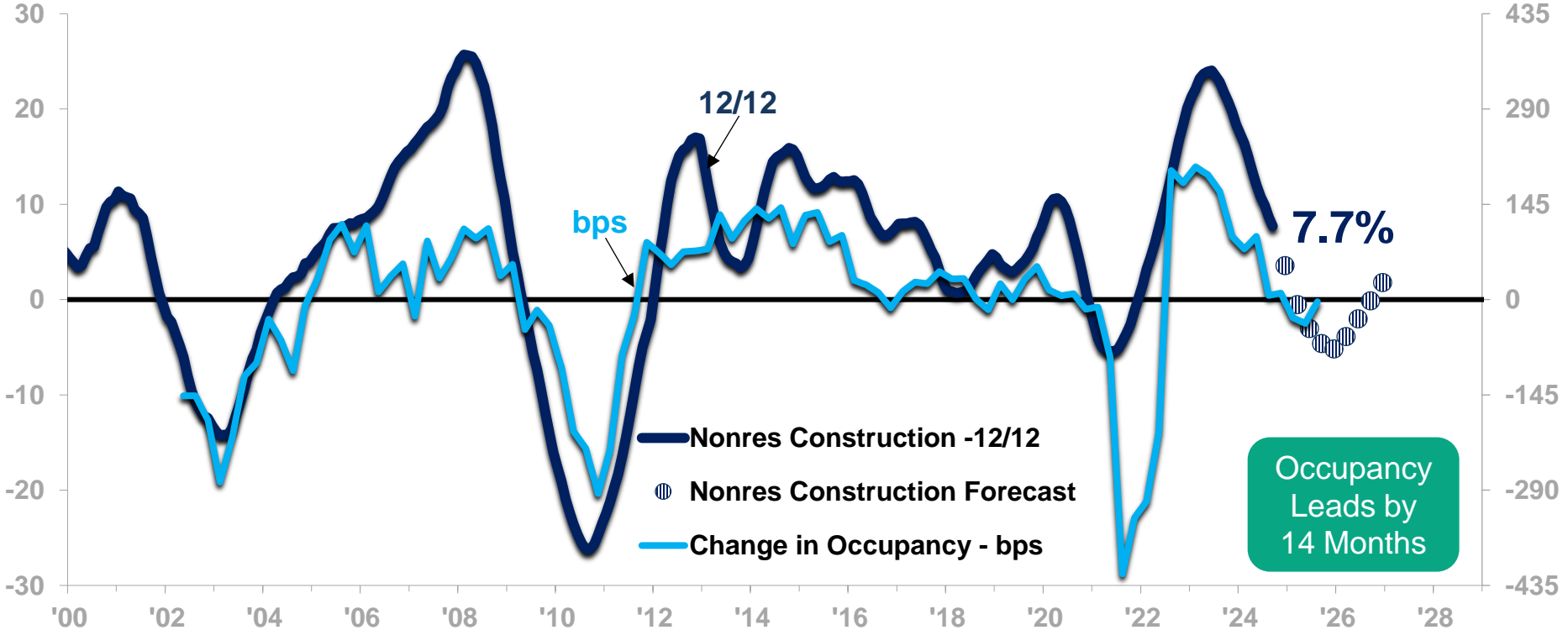


## US Private Nonresidential Construction to US Commercial Real Estate Occupancy Rate

12/12 Rate-of-Change to Change in 3MMA vs. one year ago

Nonres Construction

Occupancy



Occupancy Leads by 14 Months

# Office Vacancies Elevated; Retail Vacancies Low

Source: Nareit

## US Vacancy Rates



	Monthly	10-Year Average	Difference
Apartments	4.2%	4.6%	-0.4% pts
Industrial Building	4.6%	4.0%	+0.6% pts
Office	14.0%	9.3%	+4.7% pts
Retail	3.2%	4.4%	-1.3% pts





# The US Construction Economy At-a-Glance

Source: ITR Economics  
Trends Report™



	Historical 12/12	Historical 12MMT	Current 12/12	2024	2025	2026	Highlights
US Single-Unit Housing Starts			13.0	3.9	4.8	5.2	The Starts 12/12 is likely to decline in the coming months, following signals from the ITR Housing Starts Leading Indicator™.
US Multi-Unit Housing Starts			-27.8	-23.1	19.5	6.4	Vacancy Rates and Architecture Billings signal a near-term Starts low. More progress on interest rates is needed to gain momentum.
US Private Office Construction			-14.0	-13.5	-3.6	8.2	The 12MMT will decline into the second half of 2025, as developers may be hesitant given economic uncertainty and high interest rates.
US Total Education Construction			12.7	7.5	-2.0	2.2	A waning funding base signals a weaker pipeline for 2025. Expect mild decline in the near term and into early 2026.
US Total Hospital Construction			10.3	7.8	-0.3	3.4	Decline into mid-2025 will be mild and followed by rise through at least 2026. Demographic trends are favorable for this market.
US Private Manufacturing Construction			29.2	18.1	-2.8	5.8	Elevated interest rates, a shrinking construction backlog, and prior decline in the PMI 1/12 signal upcoming mild decline.
US Private Multi-Tenant Retail Construction			-3.1	-10.2	-2.3	7.3	Downward pressures will linger through 2025. Generally stable consumer finances and low vacancy rates signal rise in 2026.
US Private Warehouse Construction			-17.0	-16.0	14.0	10.9	We lowered our forecast. We still expect 12MMT rise in 2025 and 2026. The primary change is a lower growth rate for 2026.
US Public Water & Sewer Facilities Construction			15.0	8.5	1.2	2.1	The 12MMT will rise into mid-2025 and then plateau through mid-2026 as prior housing market woes drag on Construction demand.

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



# Slowing – but Elevated – Growth in Manufacturing Construction

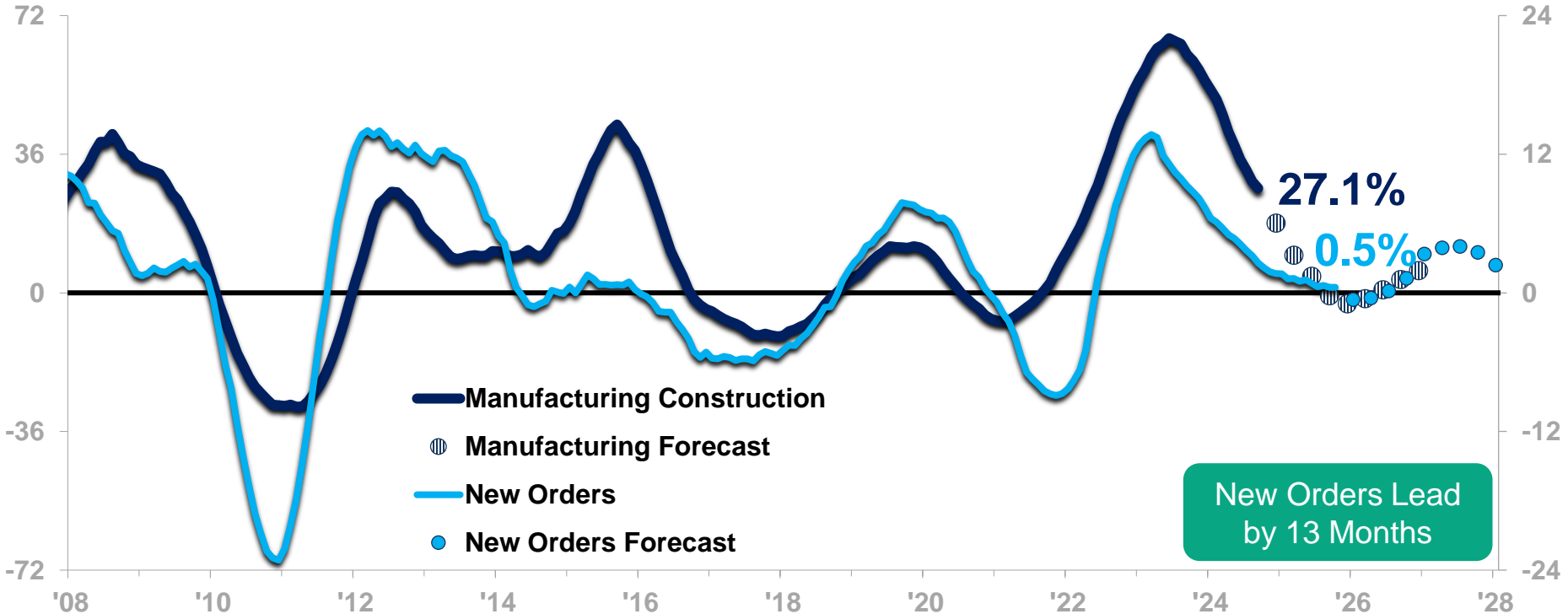
Source: US  
Census Bureau

US Private Manufacturing Construction to  
US Nondefense Capital Goods New Orders (excluding aircraft)  
12/12 Rates-of-Change



Manufacturing Construction

New Orders





# *Industry Drivers*

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# Rise Begins in Early 2025

Source: FRB

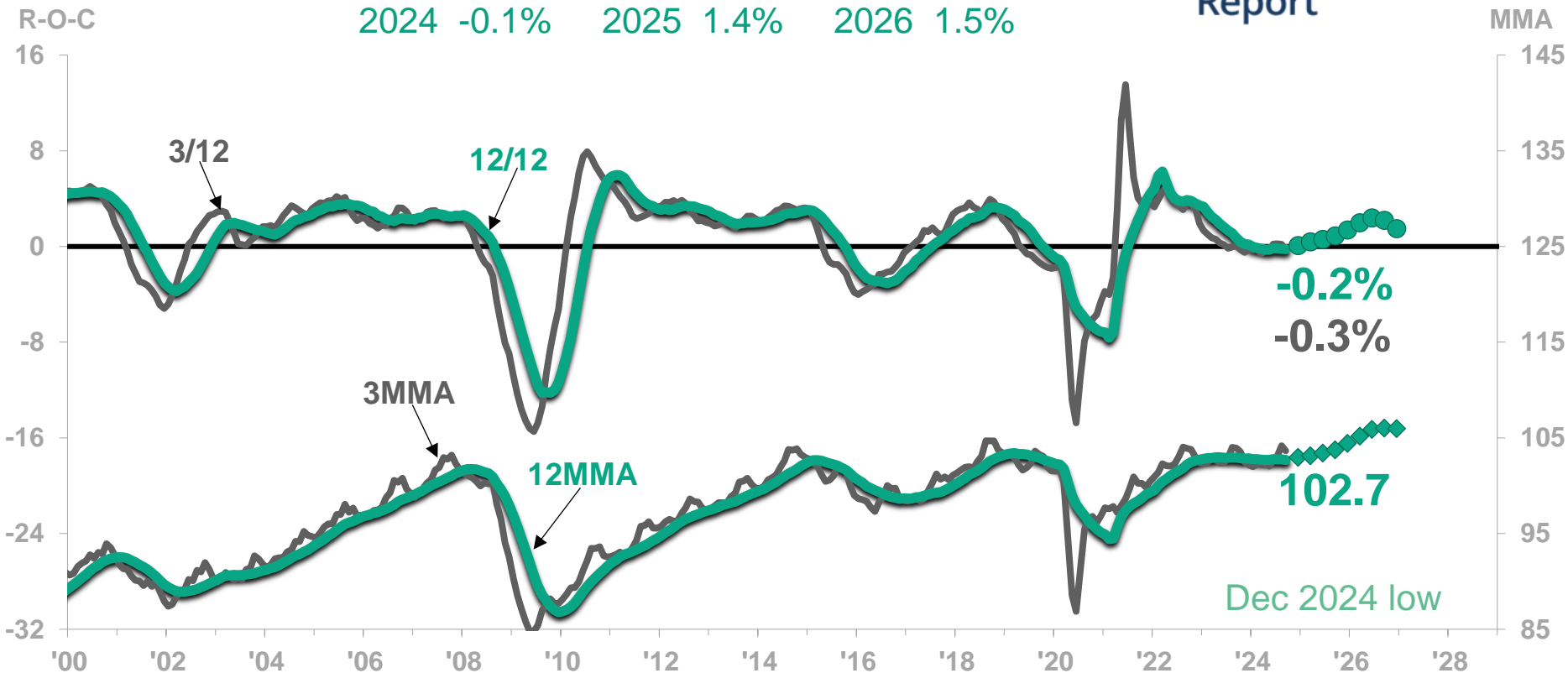
## US Industrial Production Index

2017 = 100

as seen in  
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Report**

  
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2024 -0.1%    2025 1.4%    2026 1.5%



# US Production Indexes

Sources: FRB, US Census Bureau

## US Industry

### Rates-of-Change



	12/12	Phase	3/12	Phase
Aerospace Products & Parts	2.7%	C	-1.9%	D
Beverages	0.4%	C	-3.4%	D
Chemical Products ex Pharma & Medicines	-0.3%	A	0.1%	B
Civilian Aircraft	-5.7%	A	1.3%	C
Computer & Electronics New Orders	3.3%	B	2.6%	C
Construction Machinery	-4.9%	A	-5.3%	D



## US Industry

### Rates-of-Change



	12/12	Phase	3/12	Phase
Durable Hardgoods	-0.5%	A	-0.5%	D
Electrical Power	2.0%	C	0.7%	C
Engines & Turbines	-3.6%	A	3.1%	B
Fabricated Metal	-1.0%	A	-1.0%	A
Food	-1.5%	A	-0.4%	A
Plastics	-0.5%	D	-2.0%	D
Iron & Steel	-2.4%	D	-4.3%	A
Industrial Machinery	-8.5%	A	-5.3%	A

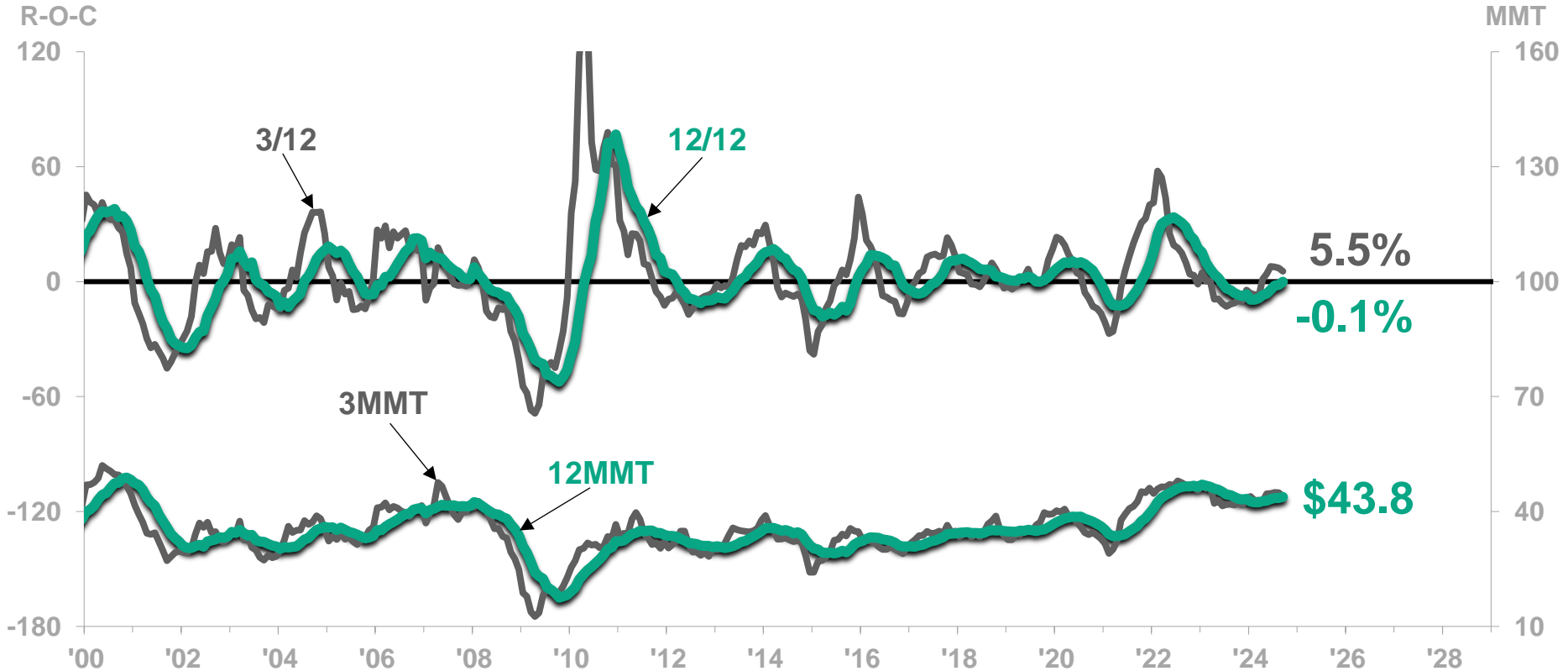


# Cyclical Rise in New Orders Trend

Source: US Census Bureau

## US Industrial Machinery New Orders

Billions of Dollars

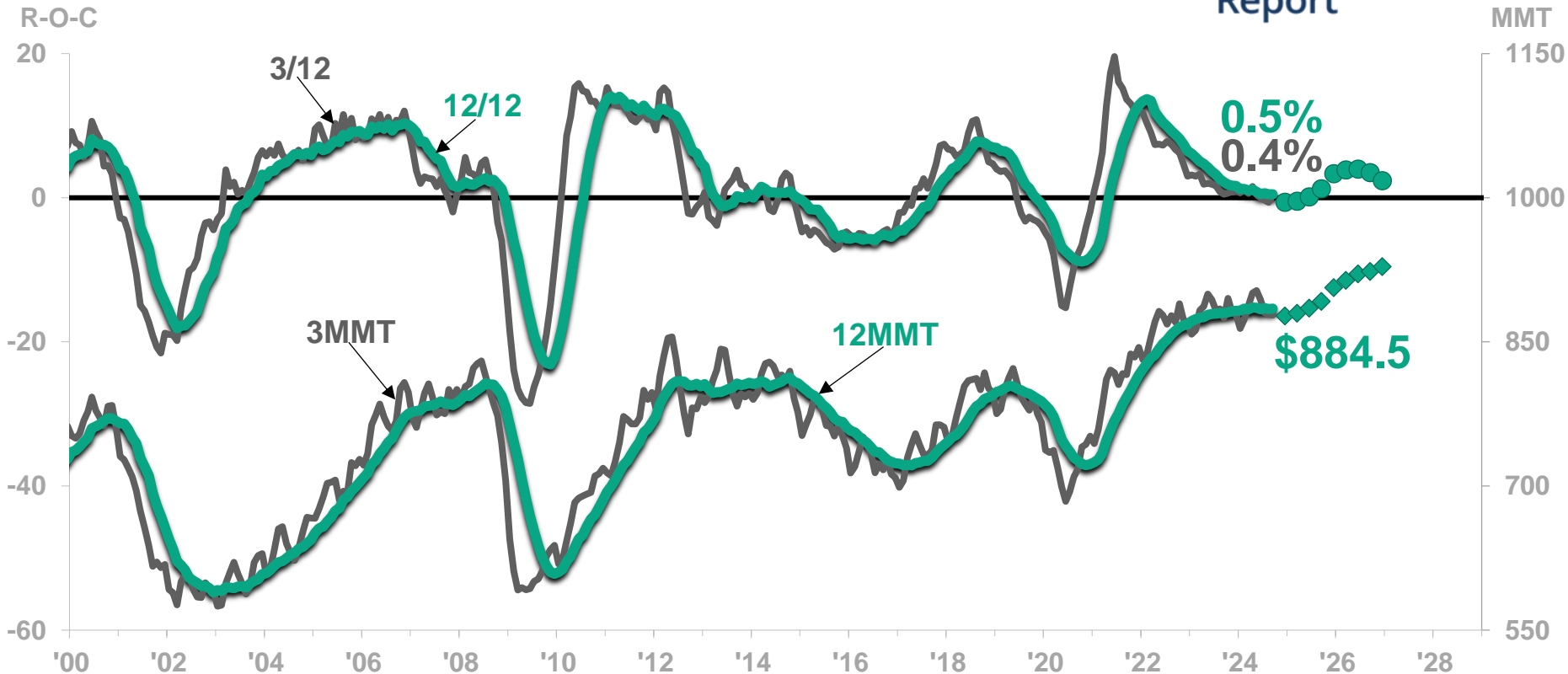


# Capex Rebound Expected in 2025

Source: US Census Bureau

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

Billions of Dollars



as seen in  
ITR Economics'  
Trends  
Report

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# High Correlation; Suggests Opportunities Ahead

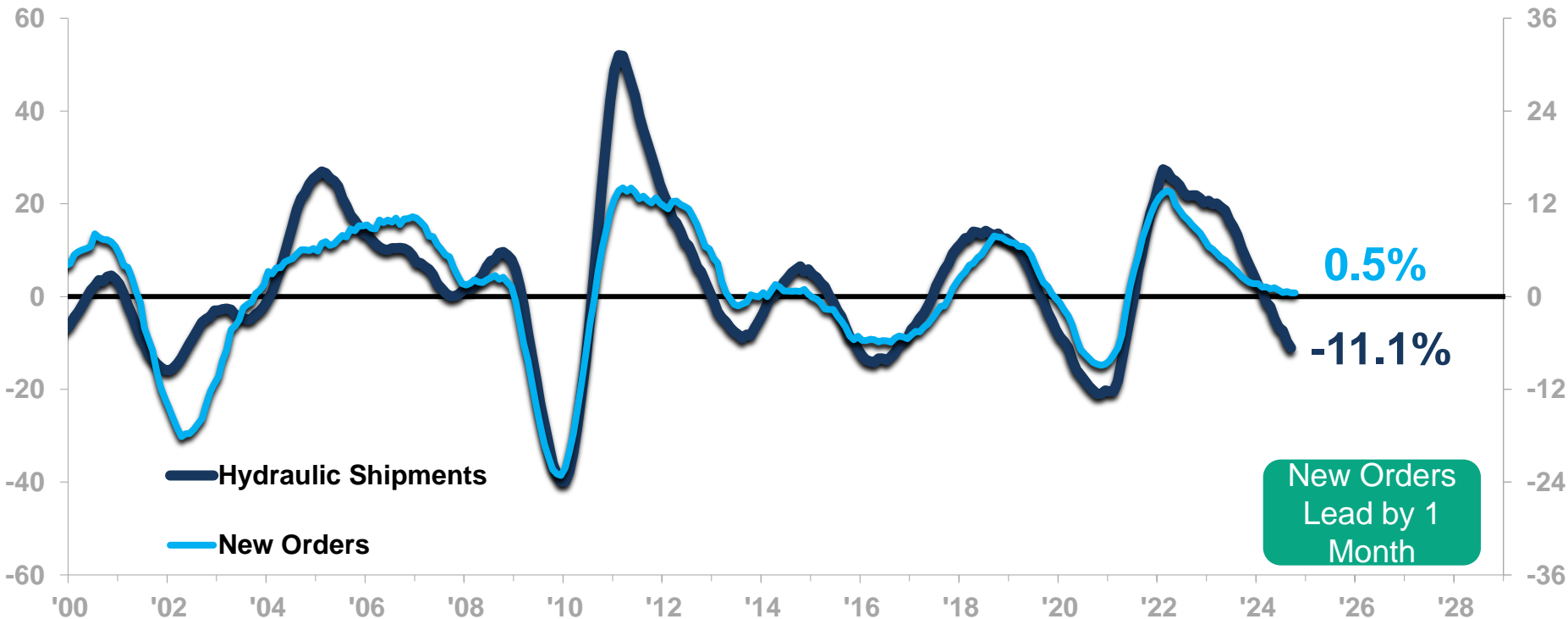
Sources: NFPA,  
US Census Bureau



## NFPA Hydraulic Shipments to US Nondefense Capital Goods New Orders (excluding aircraft) 12/12 Rates-of-Change

Hydraulic Shipments

New Orders



# Positive Signal for 2025

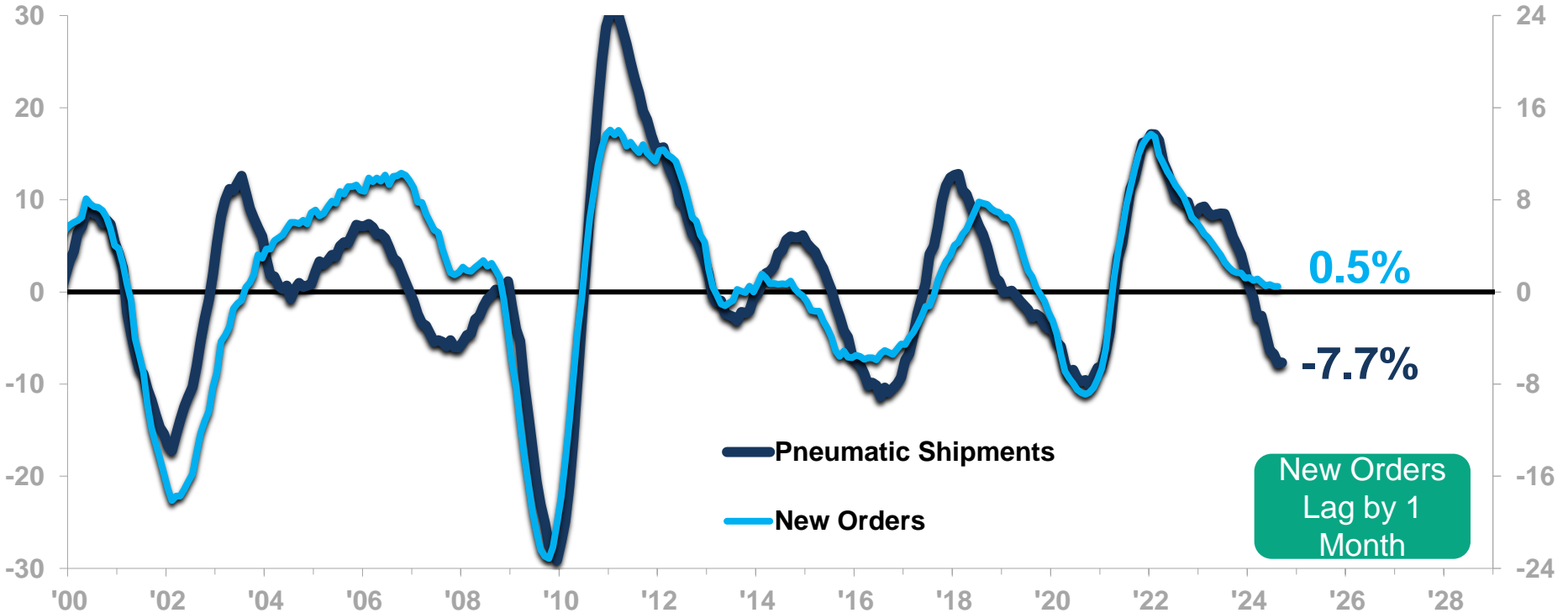
Sources: NFPA,  
US Census Bureau



## NFPA Pneumatic Shipments to US Nondefense Capital Goods New Orders (excluding aircraft) 12/12 Rates-of-Change

Pneumatic Shipments

New Orders



# Tentative Recovery in Farm, Construction Machinery; Recession in Mining Machinery

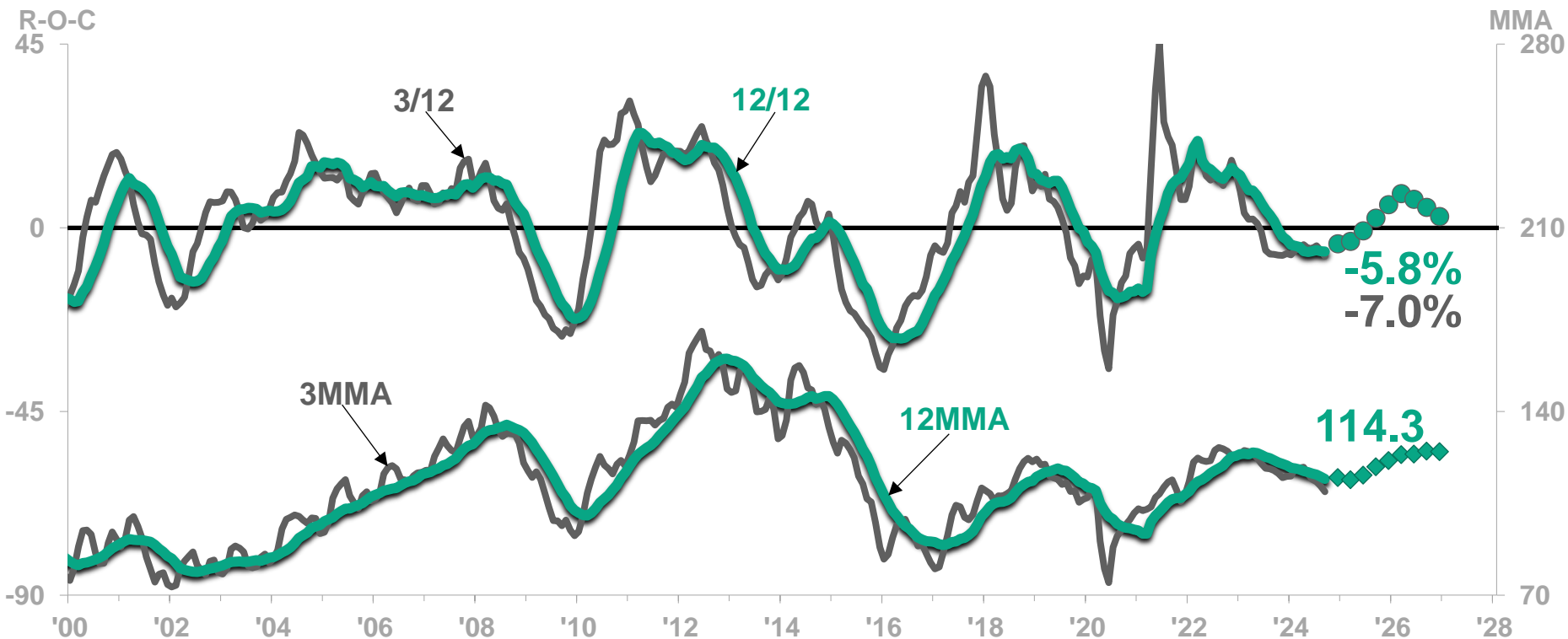
Source: FRB

## US Agriculture, Construction and Mining Machinery Production Index

2017=100



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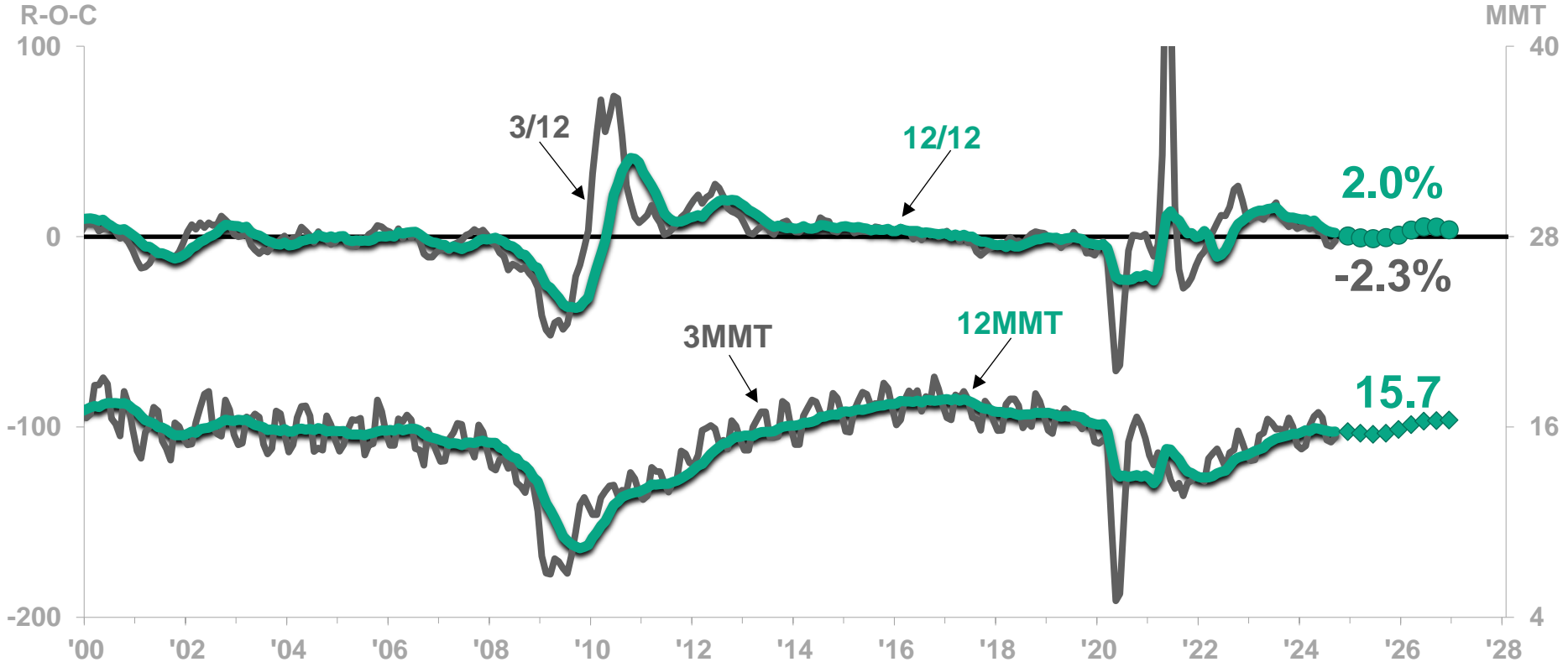


# Auto Loan Delinquencies Rising but Level Not Concerning

Source: WardsAuto

## North America Light Vehicle Production

Millions of Units



# EV Sales Are Impacted By the Macro Trend

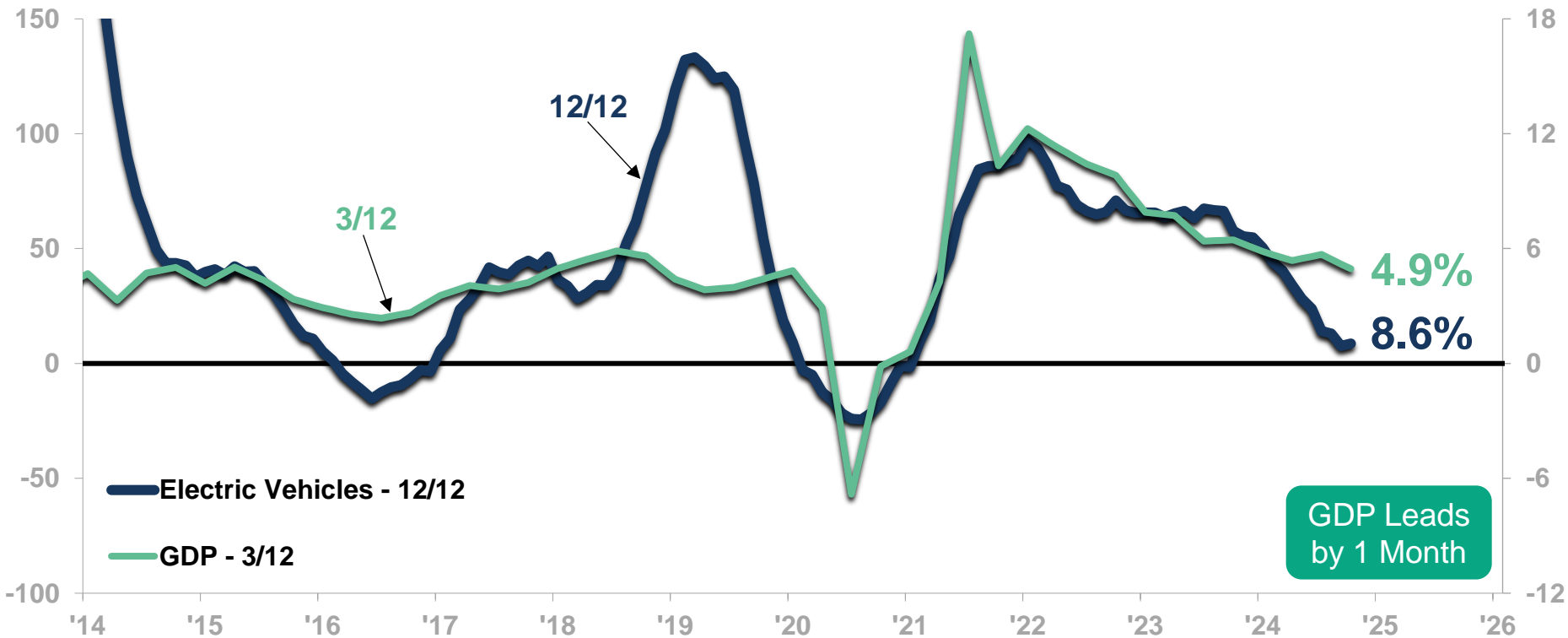
Sources: WardsAuto, BEA



## US Electric Vehicle Retail Sales to US Gross Domestic Product

Rates-of-Change

Electric Vehicles

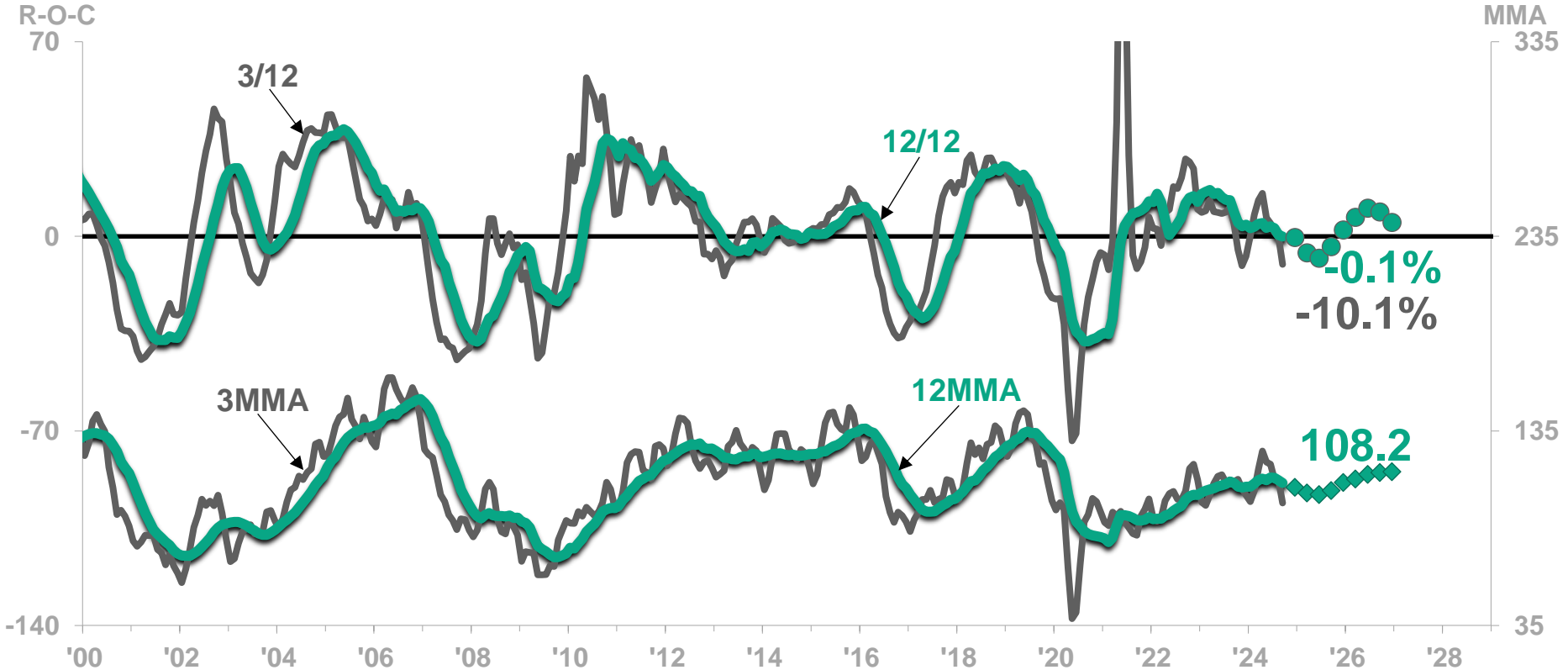


# Nearshoring Trends Supporting Demand for Heavy Trucks

Source: FRB

## US Heavy-Duty Truck Production Index

2017 = 100



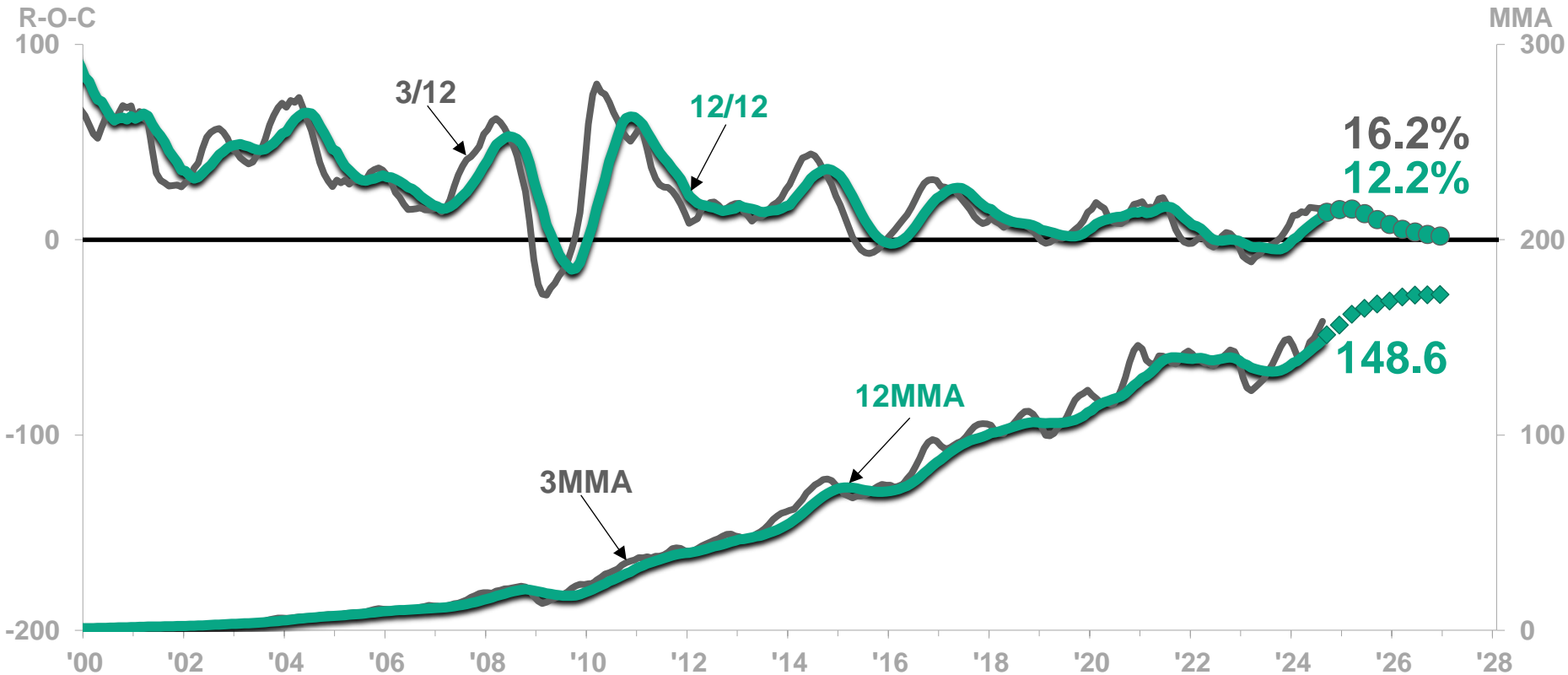
# Investment and Onshoring Support Further Growth

Source: FRB

## US Semiconductors and Related Devices Production Index



2017 = 100

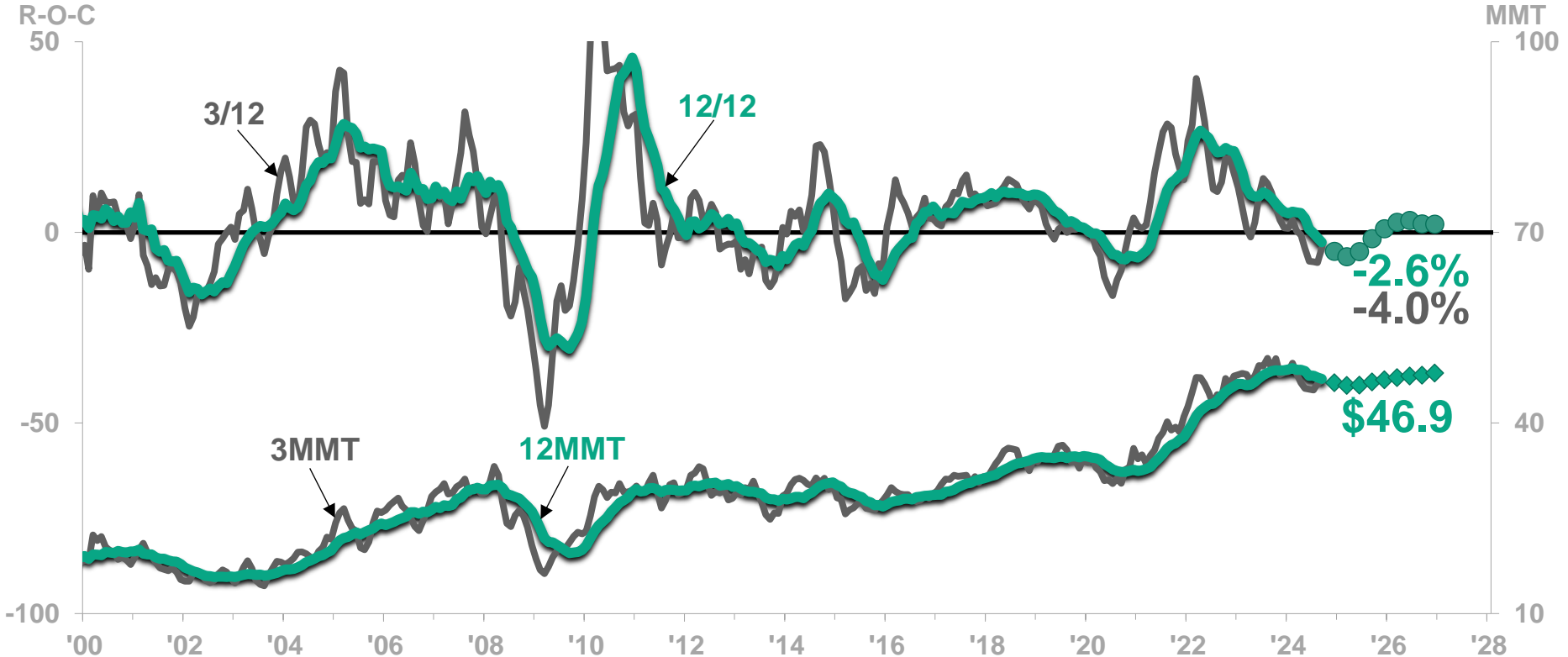


# Tight Labor Market Supporting Elevated Spending

Source: US Census Bureau

## US Material Handling Equipment New Orders


Billions 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**

- 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.



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