




ITR ECONOMICS

Now part of  Crowe



2024–2025: A Changing Landscape

**Presented by ITR Economics
Economist and Speaker
Patrick Luce**

	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.

A Powerful Management Tool • Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
May-22	6.736				
Jun-22	6.962				
Jul-22	7.303	21.0			
Aug-22	6.500	20.8			
Sep-22	7.040	20.8			
Oct-22	6.858	20.4			
Nov-22	6.804	20.7			
Dec-22	6.643	20.3			
Jan-23	6.611	20.1			
Feb-23	6.251	19.5			
Mar-23	5.972	18.8			
Apr-23	6.964	19.2		80.6	
May-23	6.305	19.2		80.2	
Jun-23	6.870	20.1		80.1	
Jul-23	6.789	20.0	-4.9%	79.6	
Aug-23	6.238	19.9	-4.2%	79.3	
Sep-23	6.960	20.0	-4.1%	79.3	
Oct-23	6.740	19.9	-2.3%	79.1	-0.3%
Nov-23	6.985	20.7	-0.1%	79.3	-0.8%
Dec-23	6.658	20.4	0.4%	79.3	-1.3%
Jan-24	6.487	20.1	0.4%	79.2	-1.7%
Feb-24	6.310	19.5	-0.3%	79.3	-2.0%
Mar-24	6.299	19.1	1.4%	79.6	-1.7%
Apr-24	6.659	19.5	0.4%	79.3	-1.7%

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.

Recession in 2024

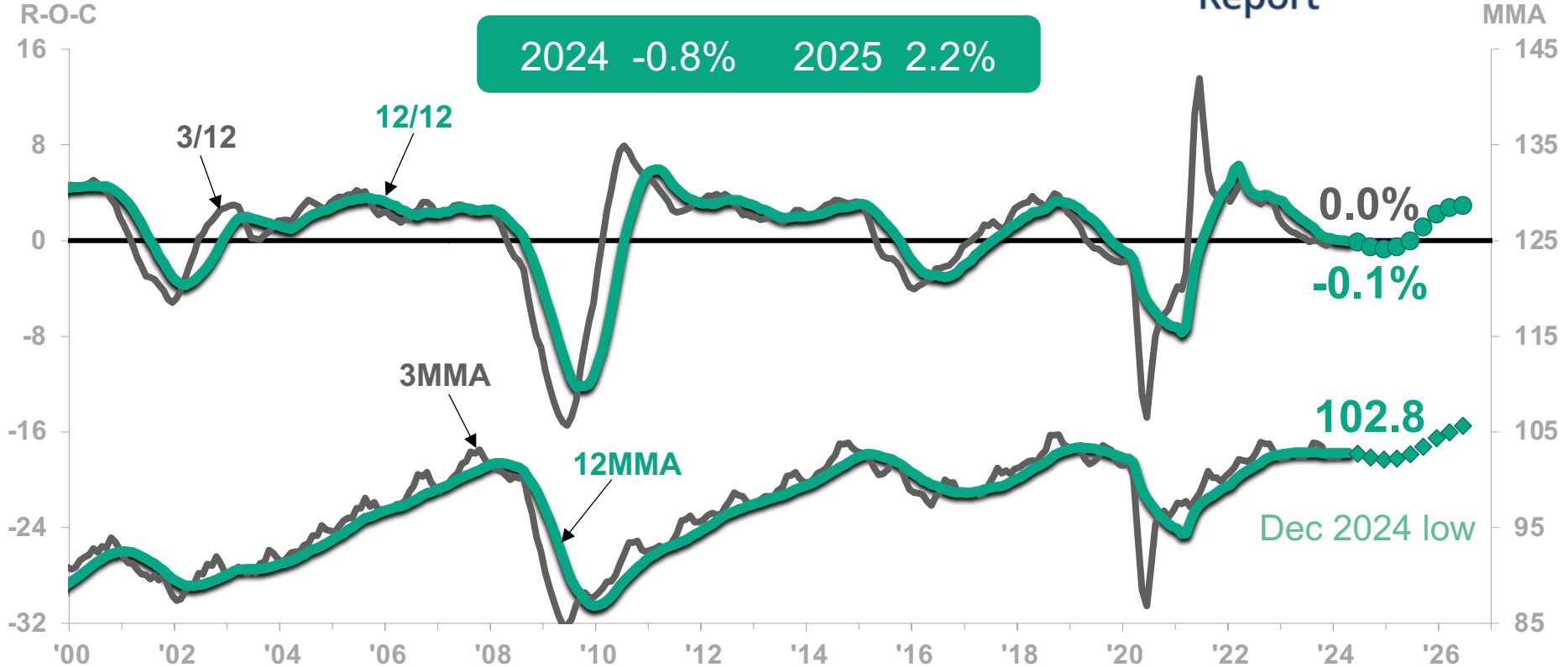
Source: FRB

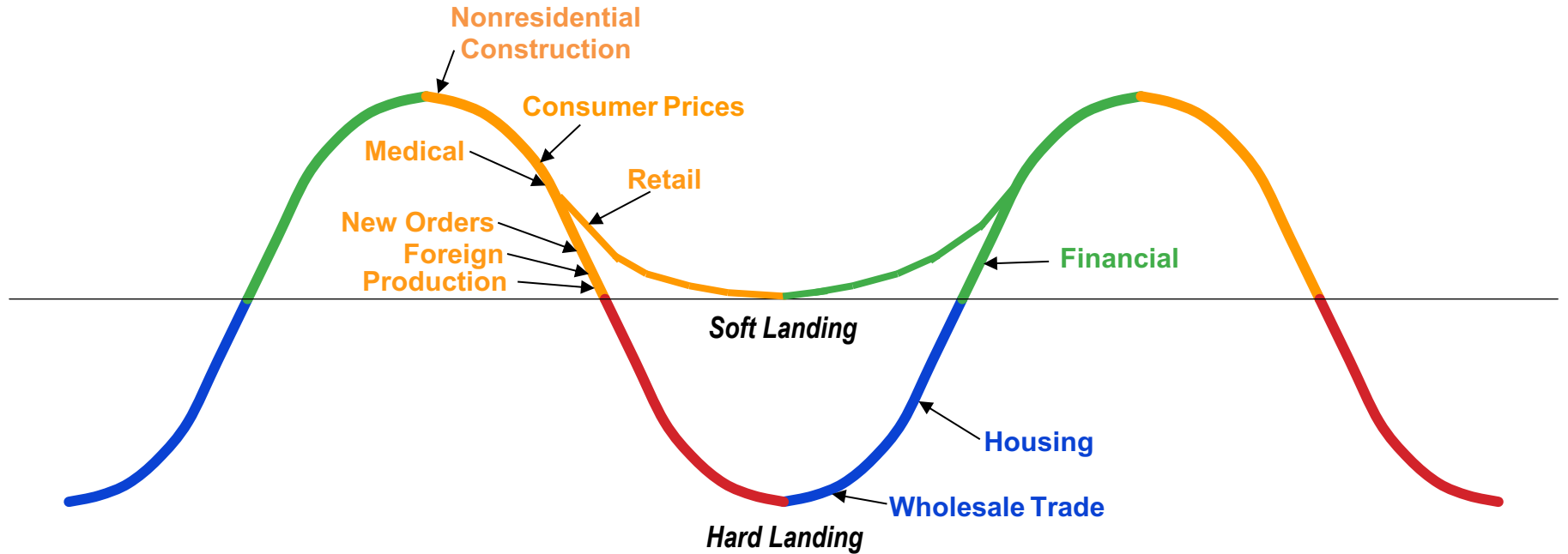
US Industrial Production Index

2017 = 100

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


ITR ECONOMICS



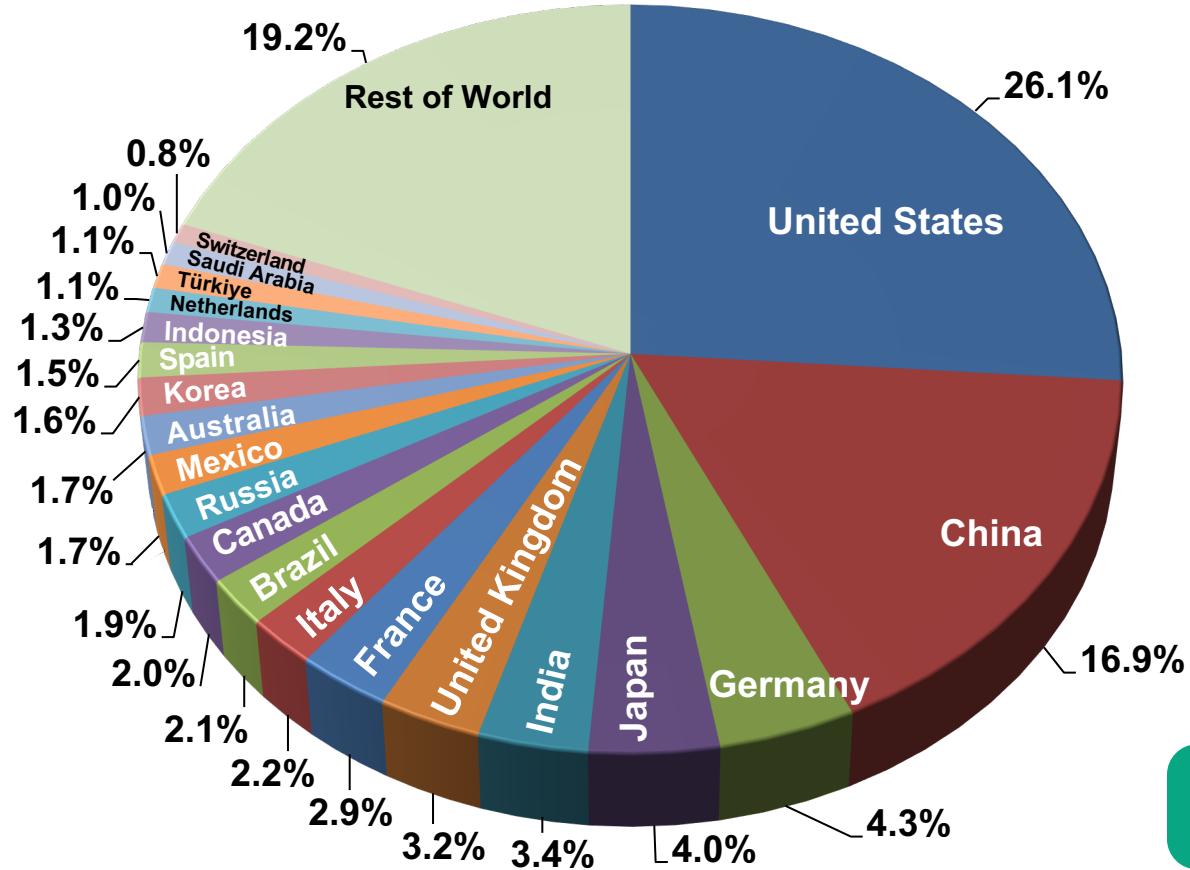




Global

Percent of World GDP by Country



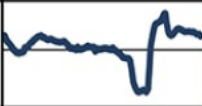





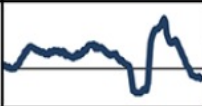

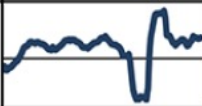



Source: IMF, *ROW: 64% are
IMF Estimated Figures



*Total World GDP:
\$104.7 Trillion US \$

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			-1.0	-0.4	3.3	2.9
Mexico Industrial Production Index			3.0	0.4	0.4	0.7
Brazil Manufacturing and Mining Industrial Production Index			0.7	-0.7	-0.1	1.8
Western Europe Industrial Production Index			-2.3	-1.0	2.1	0.8
Eastern Europe Industrial Production Index			-2.4	0.8	2.9	1.6
India Industrial Production Index			5.8	0.9	4.0	1.8
China Industrial Production Index			5.3	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.

A Declining Population is a Concern

Source: China National Bureau of Statistics



China Industrial Production Index to China Retail Sales of Consumer Goods

Rates-of-Change



Leading Indicator Signal of Normalization of Supply Chain

Sources:
FRBNY, ISM



Global Supply Chain Pressure Index to US Purchasing Managers Index

Pressure Index, Raw to PMI 1/12 Rate-of-Change

Global Supply



Universal Inflation

Sources: BLS, Statistics Canada, Mexico National Institute of Statistics & Geography, Brazil National Confederation of Industry, Colombia National Statistics Administrative Department, Argentina National Institute of Statistics & Censuses (INDEC), Eurostat

Consumer Price Indexes

1/12 Rates-of-Change

Country	1/12	Phase
US	3.4%	C
Canada	2.9%	C
Mexico	4.4%	C
Brazil	3.7%	C
Colombia	7.2%	C
Argentina	289.4%	B
Europe	2.6%	C
China	0.2%	B



ITR ECONOMICS



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

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



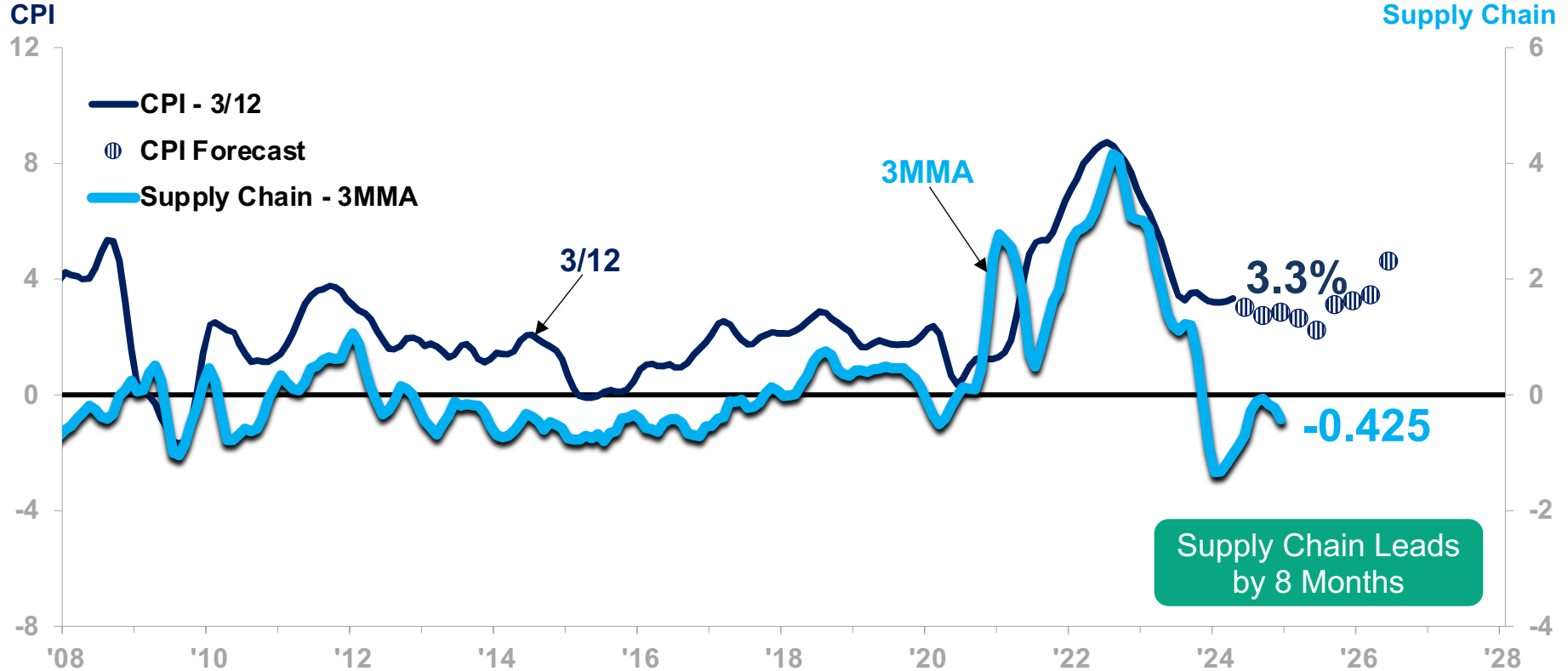
Inflation & Interest Rates

Supply Chain Impact on Inflation Has Normalized

Sources:
BLS, FRBNY

US Consumer Price Index to Global Supply Chain Pressure Index

3/12 R-O-C to Quarterly Data Trend

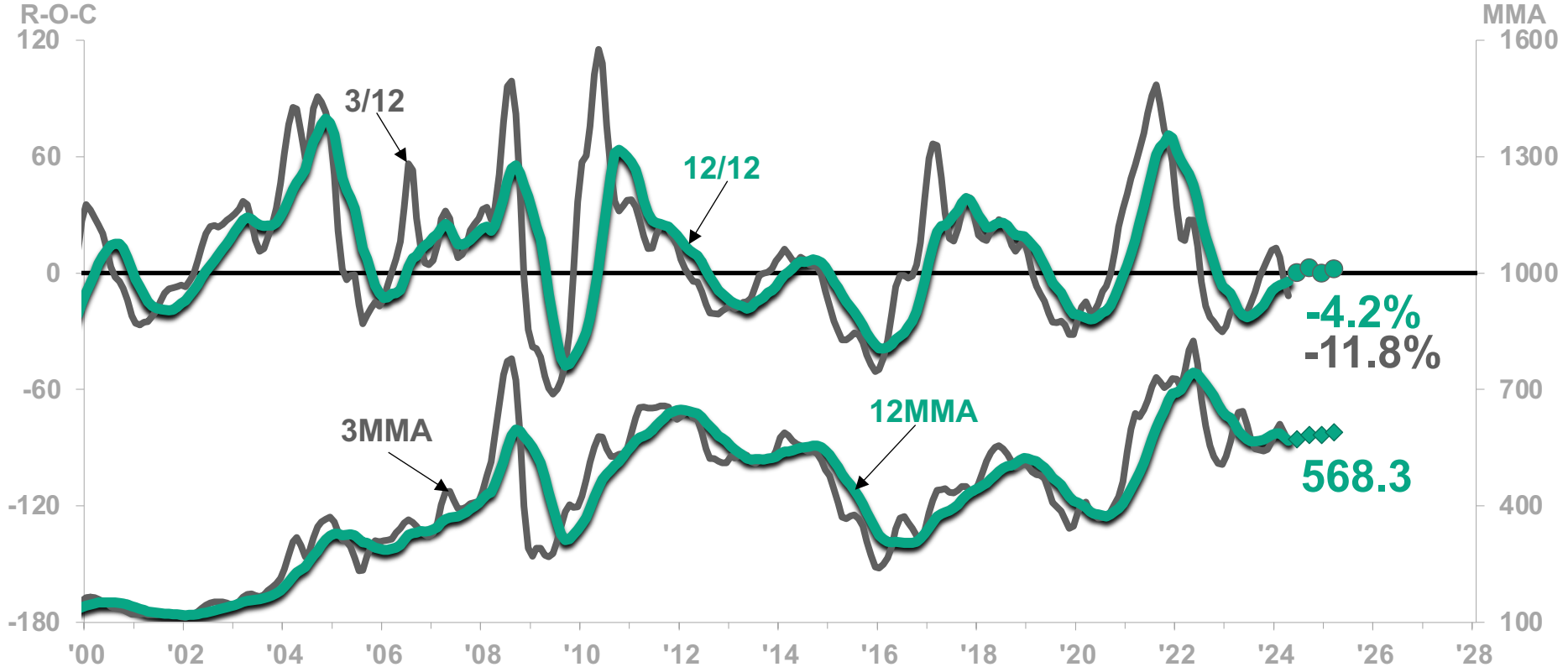


Prices to Trend Relatively Flat in 2024

Source: BLS

US Steel Scrap Producer Price Index

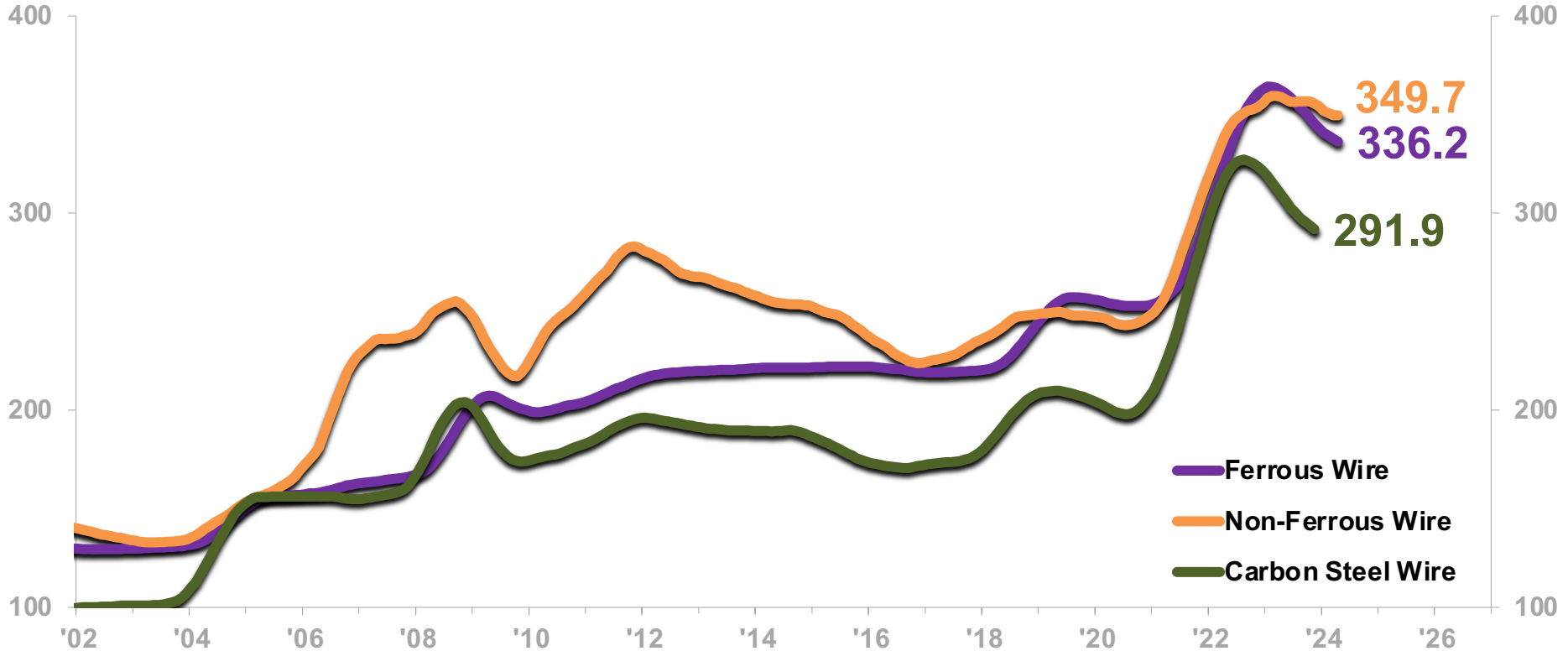
1982 = 100



Wire Prices Generally Easing

Source: BLS

US Producer Price Indexes for Fabricated Ferrous Wire to Non-Ferrous Wire and Cable to Carbon Steel Wire
Annual Data Trends

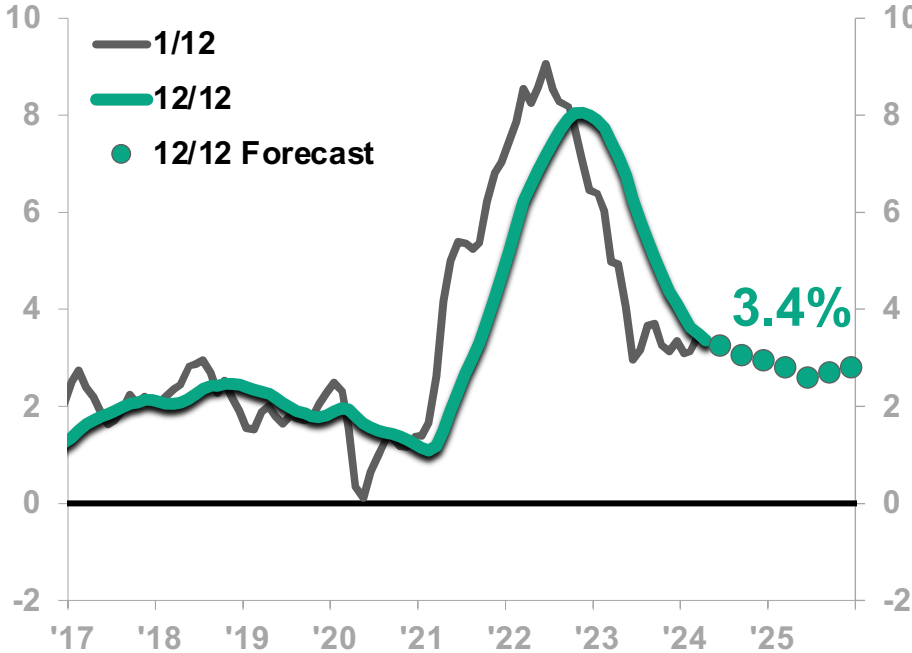


CPI and PPI Slow in 2024

Source: BLS

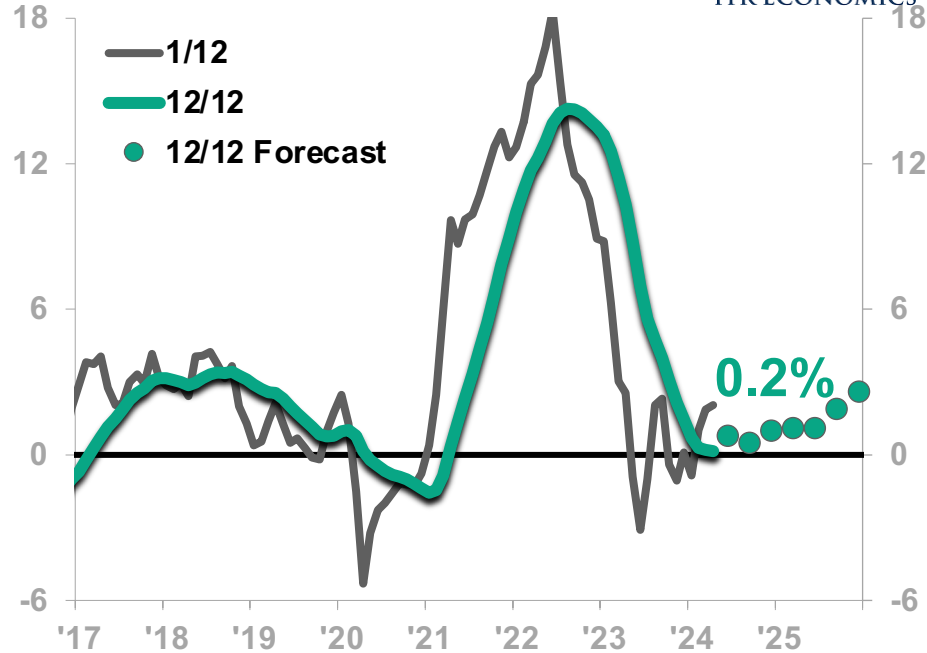


US Consumer Price Index



Forecast	12/12
2024	3.9%
2025	2.8%
2026	4.1%

US Producer Price Index

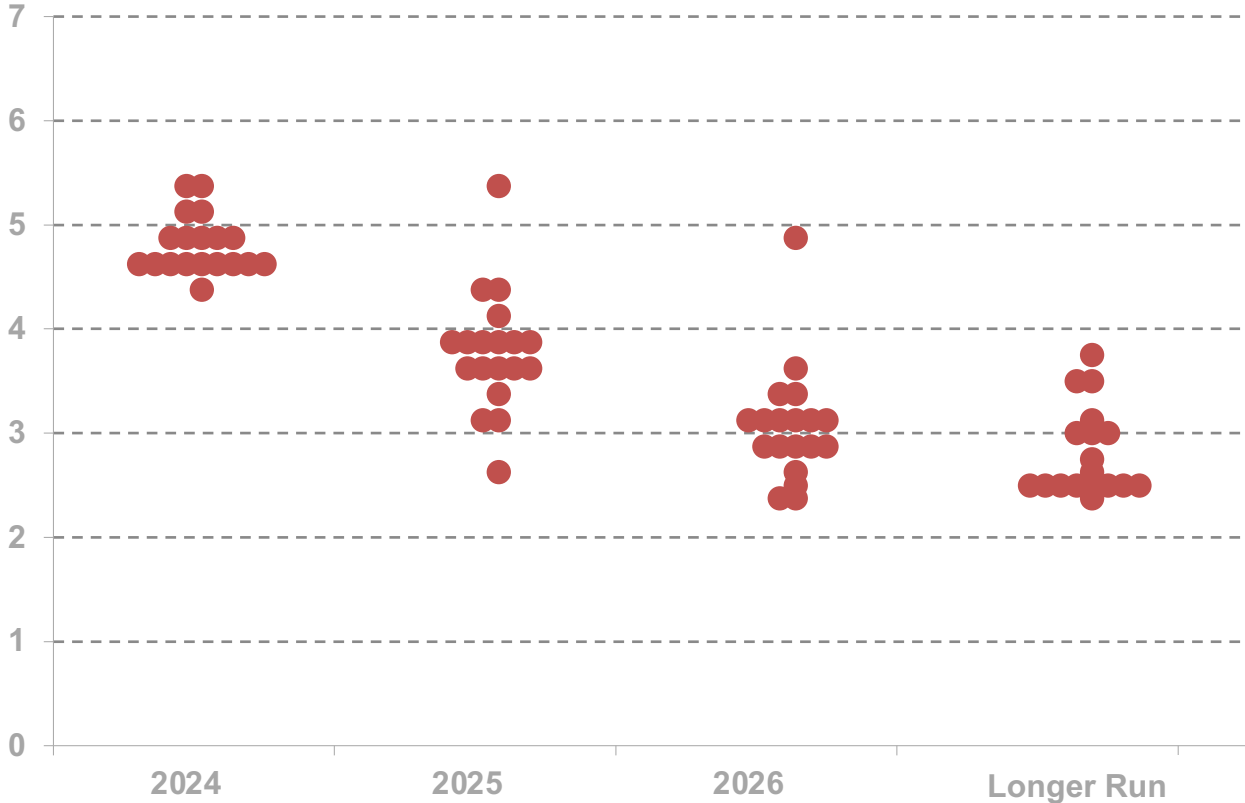


Forecast	12/12
2024	1.0%
2025	2.6%
2026	3.4%

FOMC Member Interest Rate Projections

Source: FRB

Fed Open Market Committee | March 2024



Take advantage of lower interest rates

Make acquisitions

Invest in your products – innovate

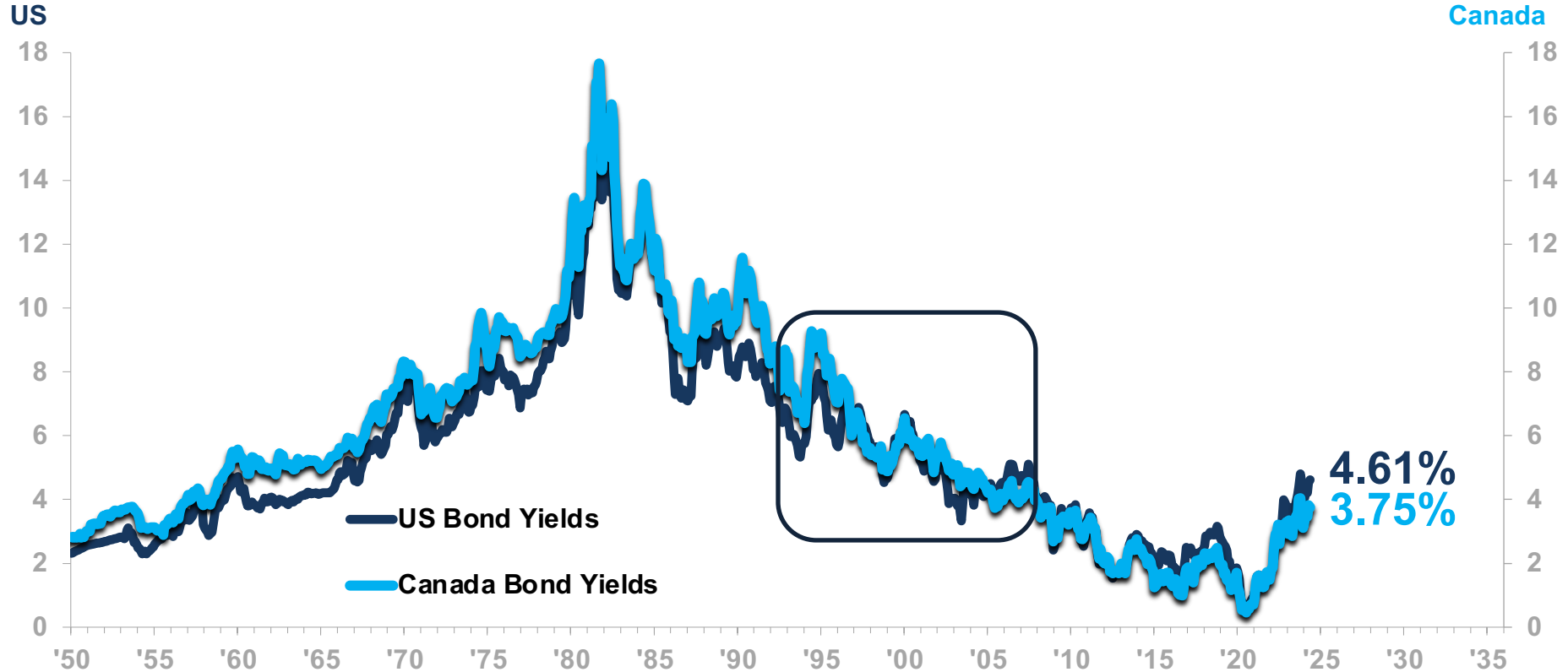
Invest in your processes

The Canadians Can Borrow Money at a Lower Rate

Sources: FRB, Macrobond

US Government Long-Term Bond Yields to Canada 10-Year Government Bond Yields

Raw Data: Percent



Signal for Another Wave of Inflation

Source: SIFMA

US Treasury Gross Issuances

Data Trends: Trillions of Dollars





Inflation is decreasing and is expected to decline further. Rate decline is probable for 2024.



Bank credit remains tight. Cash flow analysis through 2024 is critical.



Use the next 2 years to strategize how you will contend with future inflation and higher interest rates.

Next Steps

- This Federal Reserve is a wild card from our perspective. Stay with us via our weekly Fed Watch YouTube free broadcasts until this is over.



People

India is Now the Most Populous Country

Source: World Bank



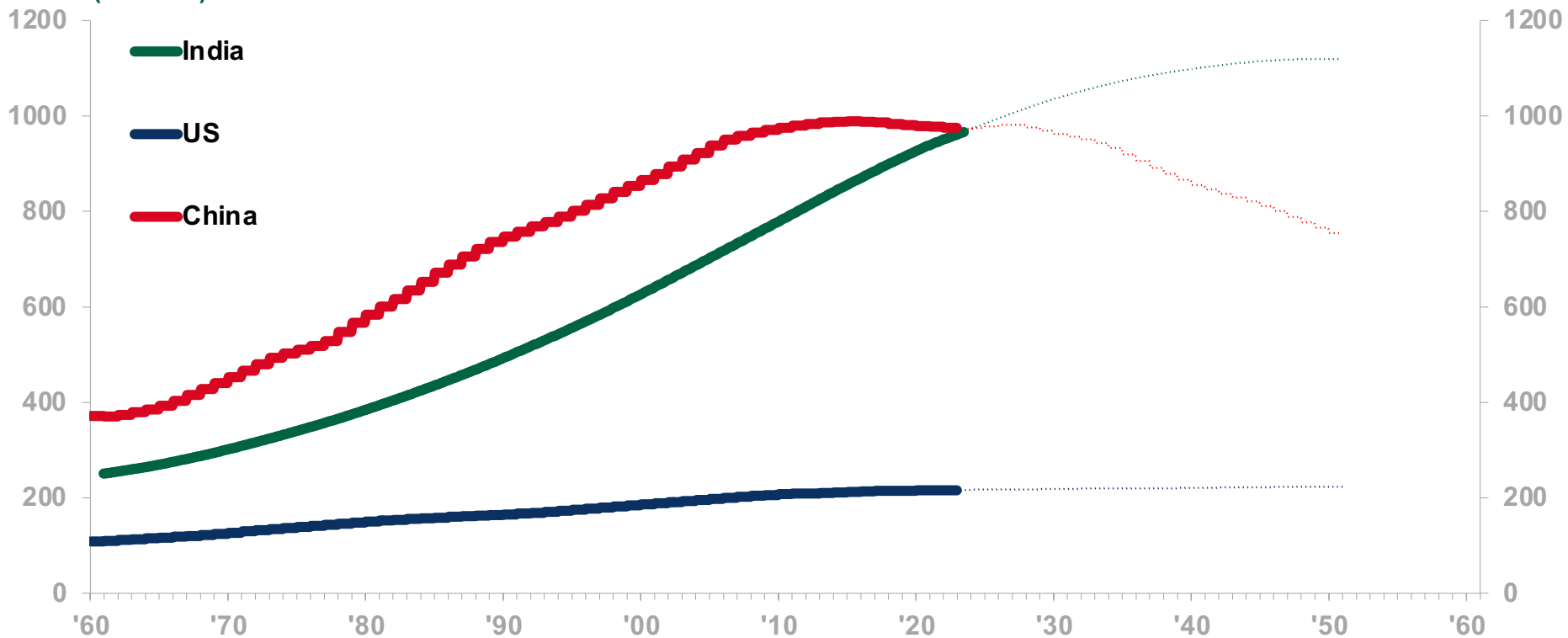
ITR ECONOMICS

Total Population Age 15-64 With Projections

Millions of Persons

India (Billions)

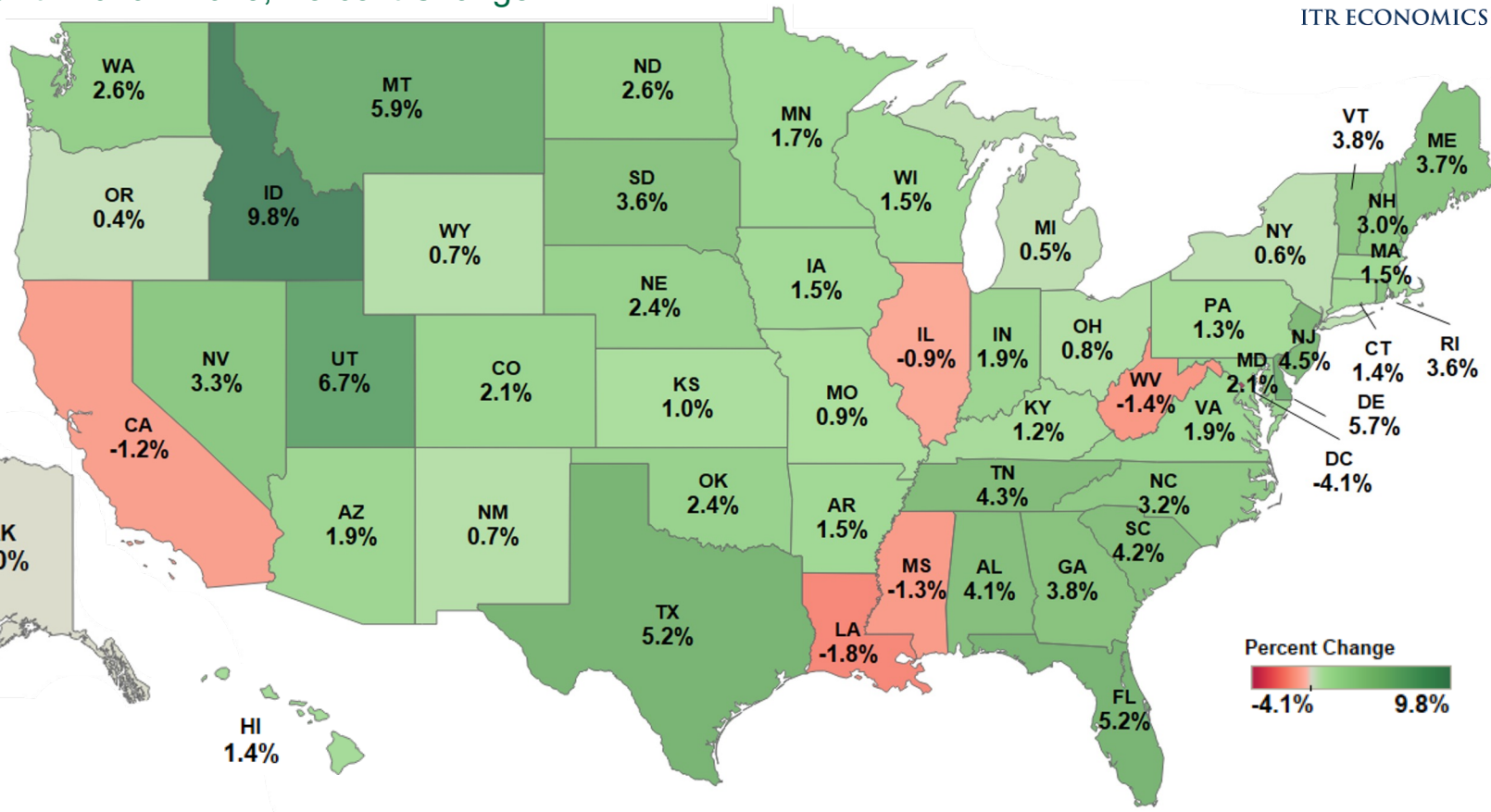
Others (Millions)



Be Geographically Specific: Population Growth 2019 to 2023

Source:
US Census Bureau

Population Growth 2019 – 2023, Percent Change



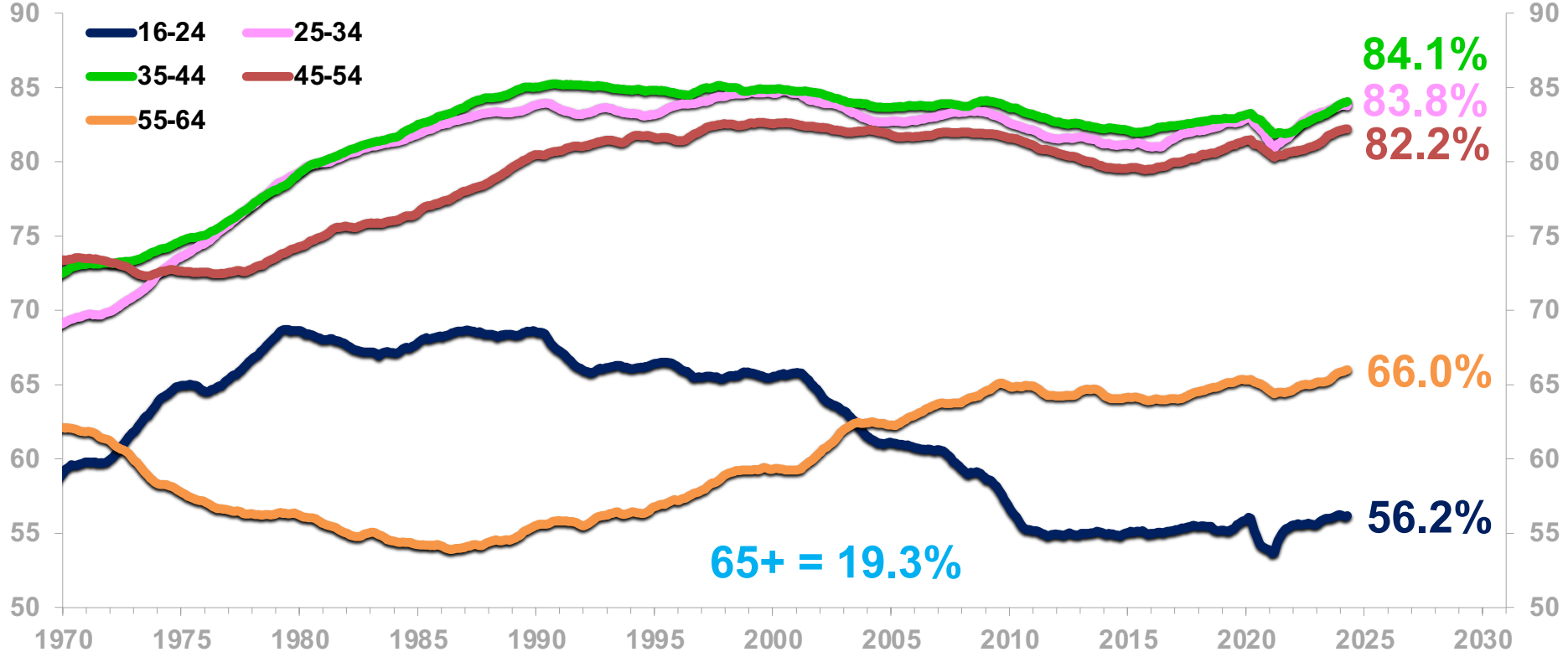
Culture: Do Well, Do Good, Be Aware

Source: BLS

US Civilian Labor Force Participation Rate For Ages 16-24, 25-34, 35-44, 45-54, 55-64, and Over 64



Annual Data Trends, Percent

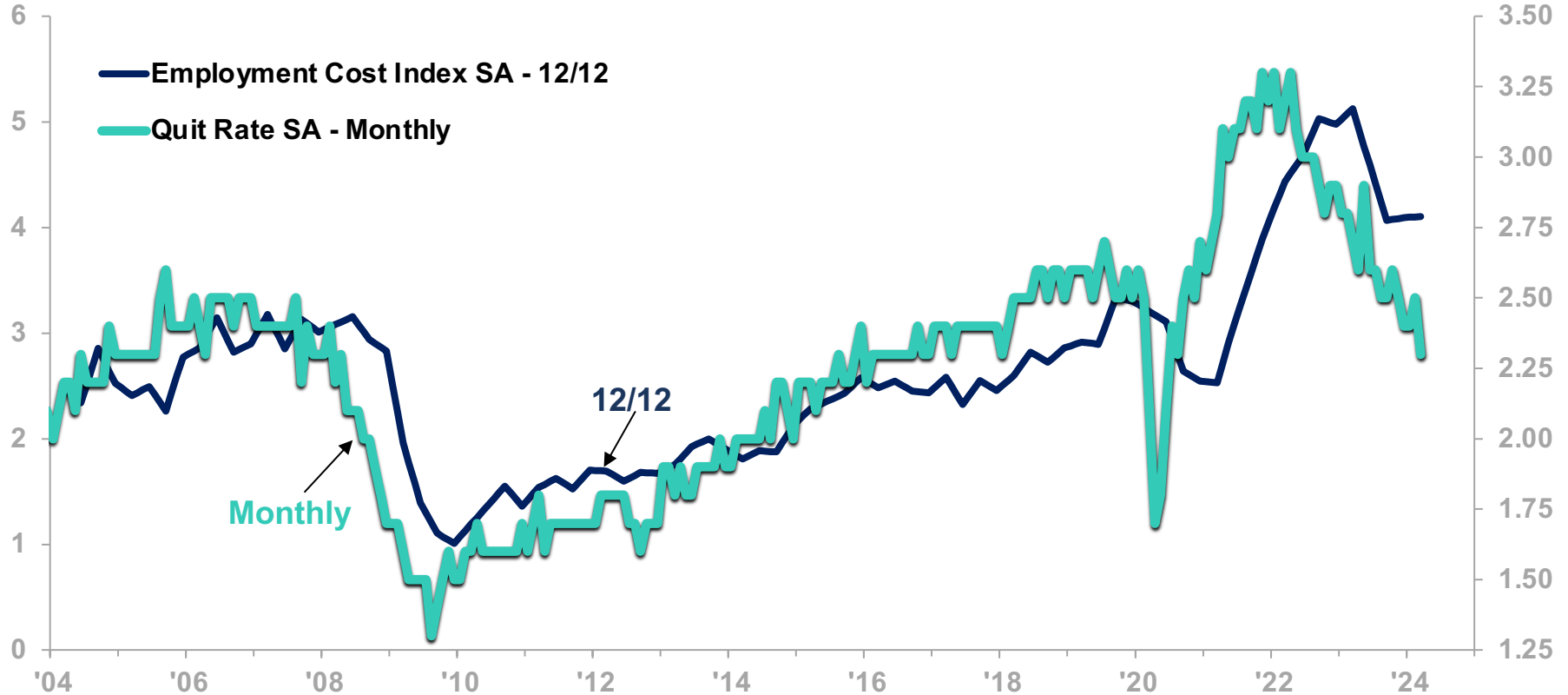


Expect Decelerating Rise in Employment Costs

Source: BLS

US Employment Cost Index to US Quit Rate

Index: 12/12 Rate-of-Change, Quit Rate: Percent

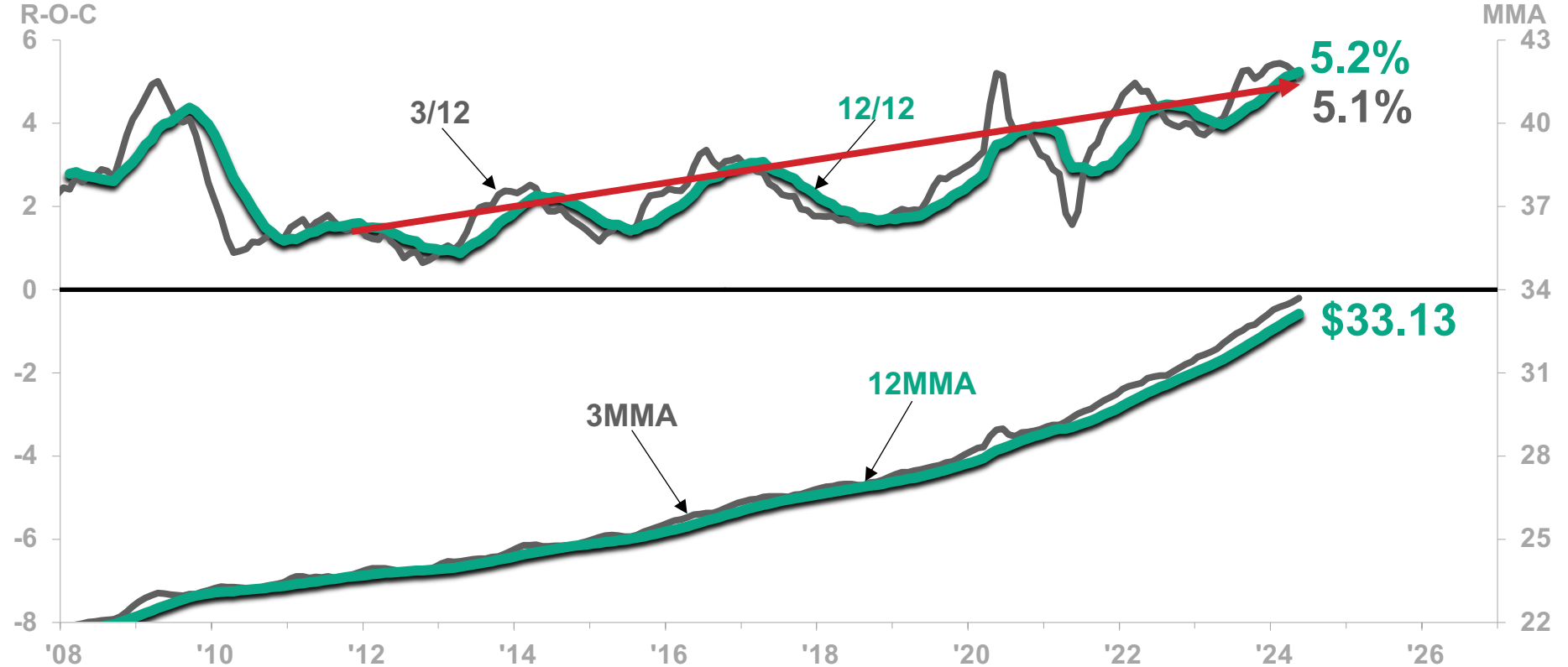


Decelerating Rise Anticipated for 2024

Source: BLS

US Manufacturing Employees Average Hourly Earnings

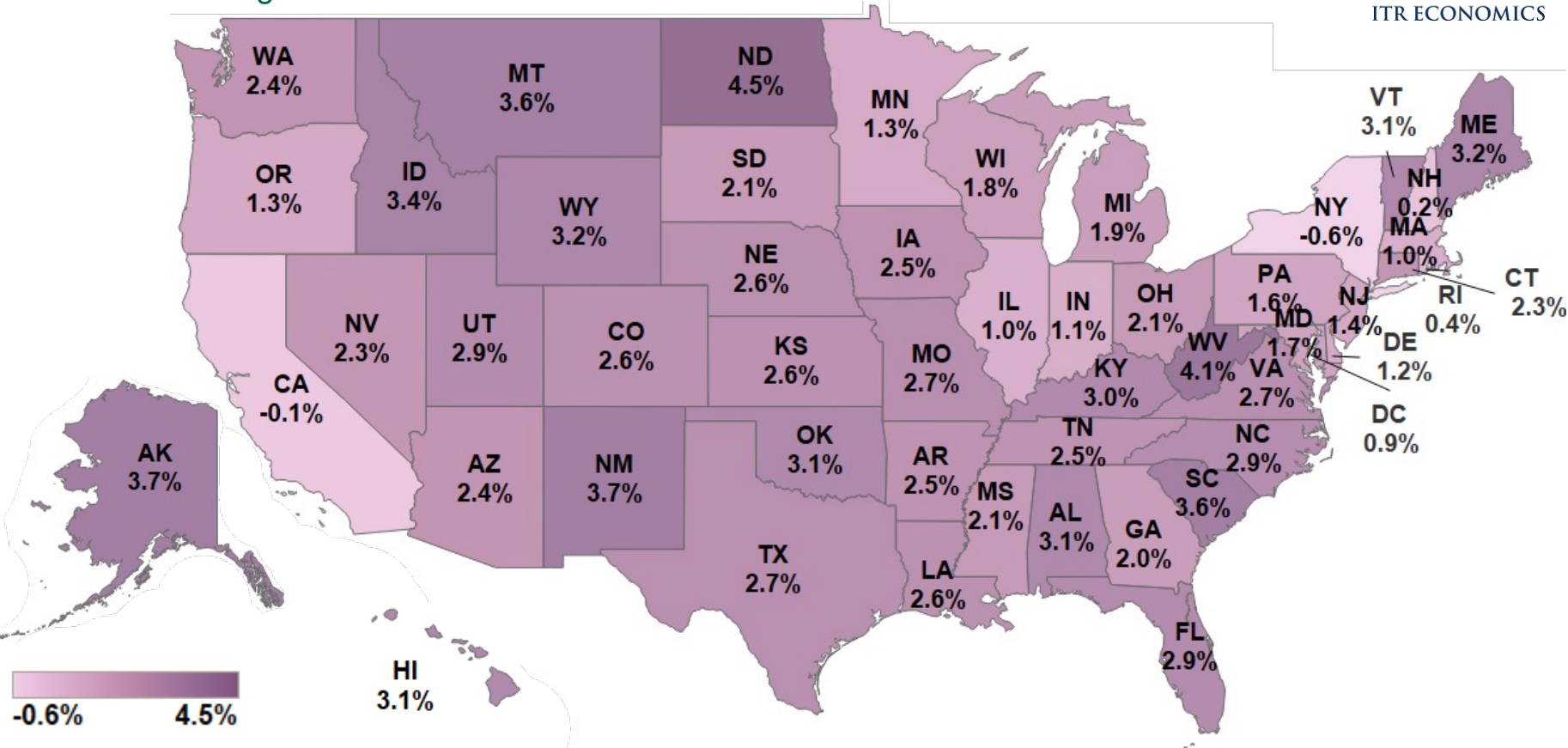
Dollars



US Wage Inflation by State


Source: BLS

12/12 Rates-of-Change



 Disinflation on wages in 2024

 Tight labor market for years

 It is all about the culture

Next Steps

- **Baby Boomers are leaving**
- **Preparing the next generation**

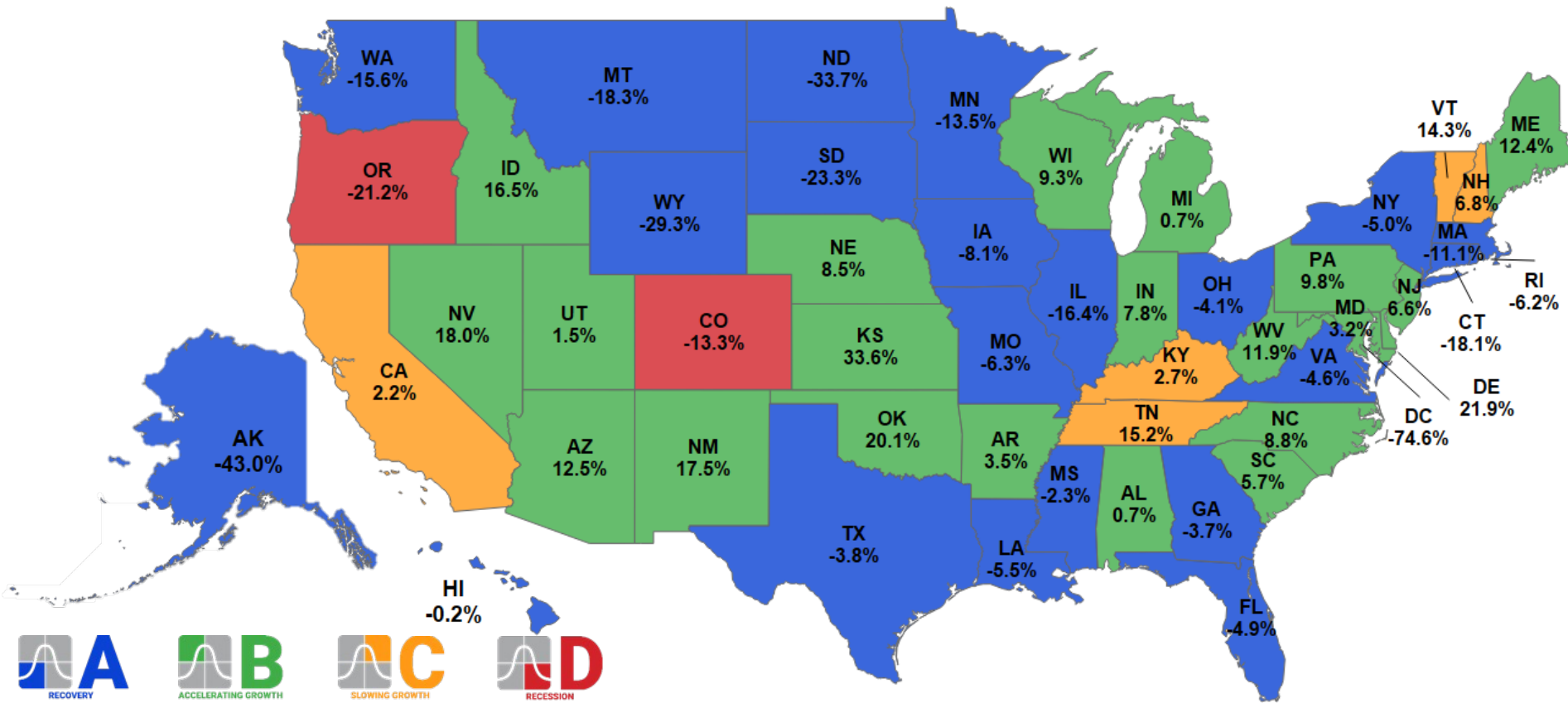


Construction

Housing Permits by State

Source:
US Census Bureau

12/12 Rates-of-Change



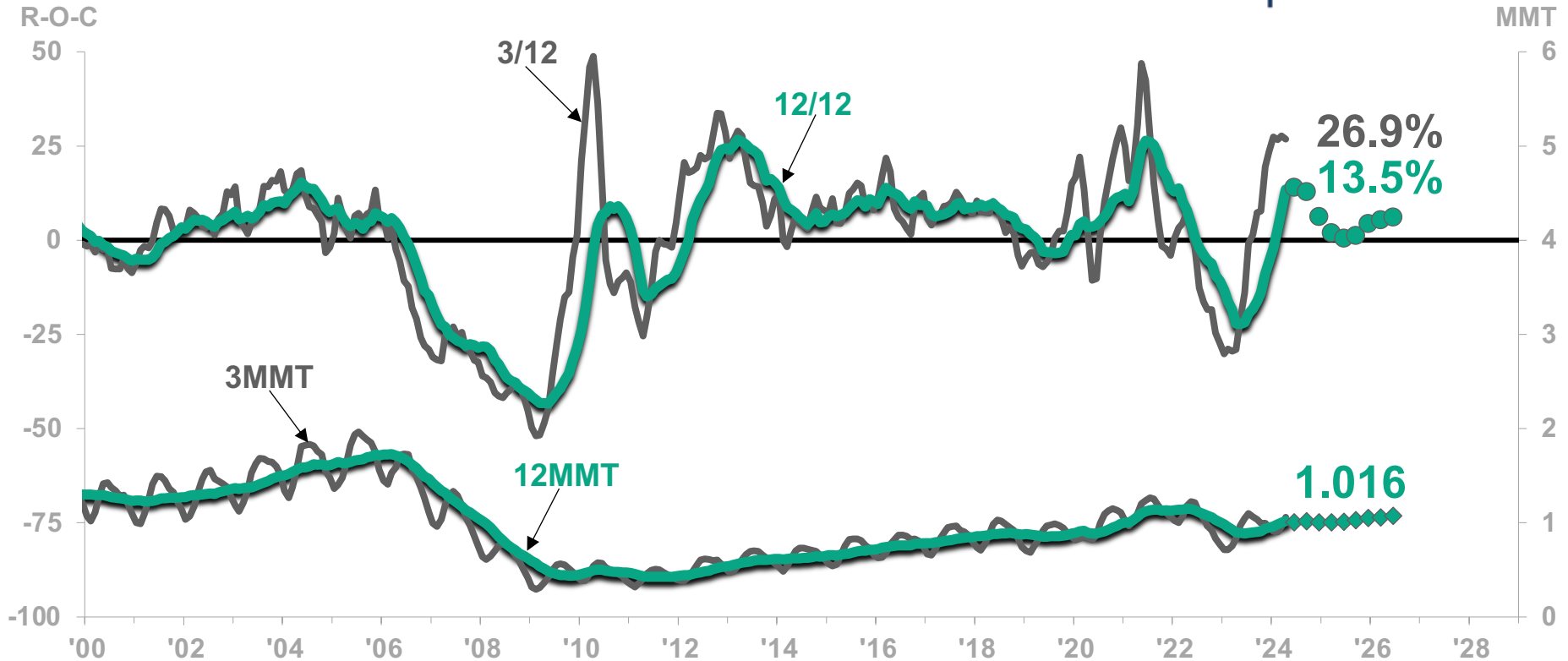
Expect Mild Rise Through 2025

Source: US Census Bureau

US Single Unit Housing Starts

Millions of Units

as seen in
ITR Economics'
Trends
Report



Housing Leads – Nonresidential Lags

Source: US Census Bureau

US Private Nonresidential Construction to US Single-Unit Housing Starts

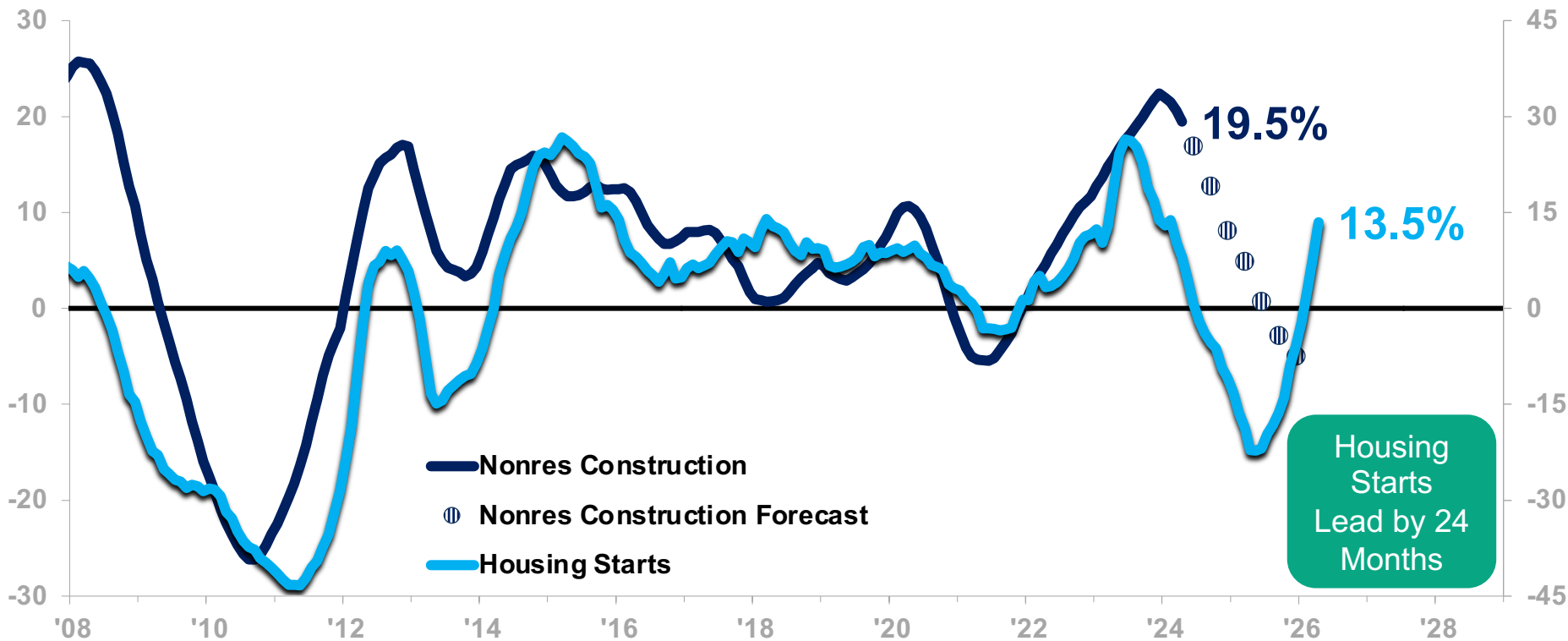
12/12 Rates-of-Change

as seen in
ITR Economics'
Trends
Report

ITR ECONOMICS

Housing Starts

Nonres Construction



The US Construction Economy At-a-Glance

Source: ITR Economics
Trends Report™



ITR ECONOMICS

	Historical 12/12	Historical 12MMT	Current 12/12	2024	2025	2026	Highlights
US Single-Unit Housing Starts			13.5	6.3	4.4	3.3	A tight housing market will drive general Starts 12MMT rise through at least 2026.
US Multi-Unit Housing Starts			-23.8	-11.4	14.2	4.1	The Rental Vacancy Rate and Apartment Tightness Index signal upcoming Phase A, Recovery, for Starts, but downside risks are present.
US Private Office Construction			6.3	1.0	-3.2	6.4	We revised the Construction forecast upward. Expect decline to begin in mid-2024 and extend into the latter half of 2025.
US Total Education Construction			17.0	7.0	-3.0	2.2	Public school enrollments post gains but are below pre-pandemic levels as homeschooling increases, which could impact future funding.
US Total Hospital Construction			13.8	2.5	-0.5	4.5	The 12MMT will rise into late 2024 and then decline into mid-2025. An aging population will drive demand, but labor is a key challenge.
US Private Manufacturing Construction			59.3	11.1	-6.1	6.3	Architecture Inquiries and interest rate pressures suggest decline is likely in this market, but government spending is an upside risk.
US Private Multi-Tenant Retail Construction			4.2	-1.9	-1.5	3.3	We revised the forecast due to upgraded Retail Sales. The 12MMT will still decline from mid-2024 into the second half of 2025.
US Private Warehouse Construction			4.5	-4.7	2.4	6.6	Vacancy rates are rising but still low, and warehouse storage costs have ticked down. The 12MMT will decline into mid-2025.
US Public Water & Sewer Facilities Construction			20.0	8.0	-2.5	6.4	Trends in Utilities Services Revenue signal downward pressure on Construction in the coming quarters.

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



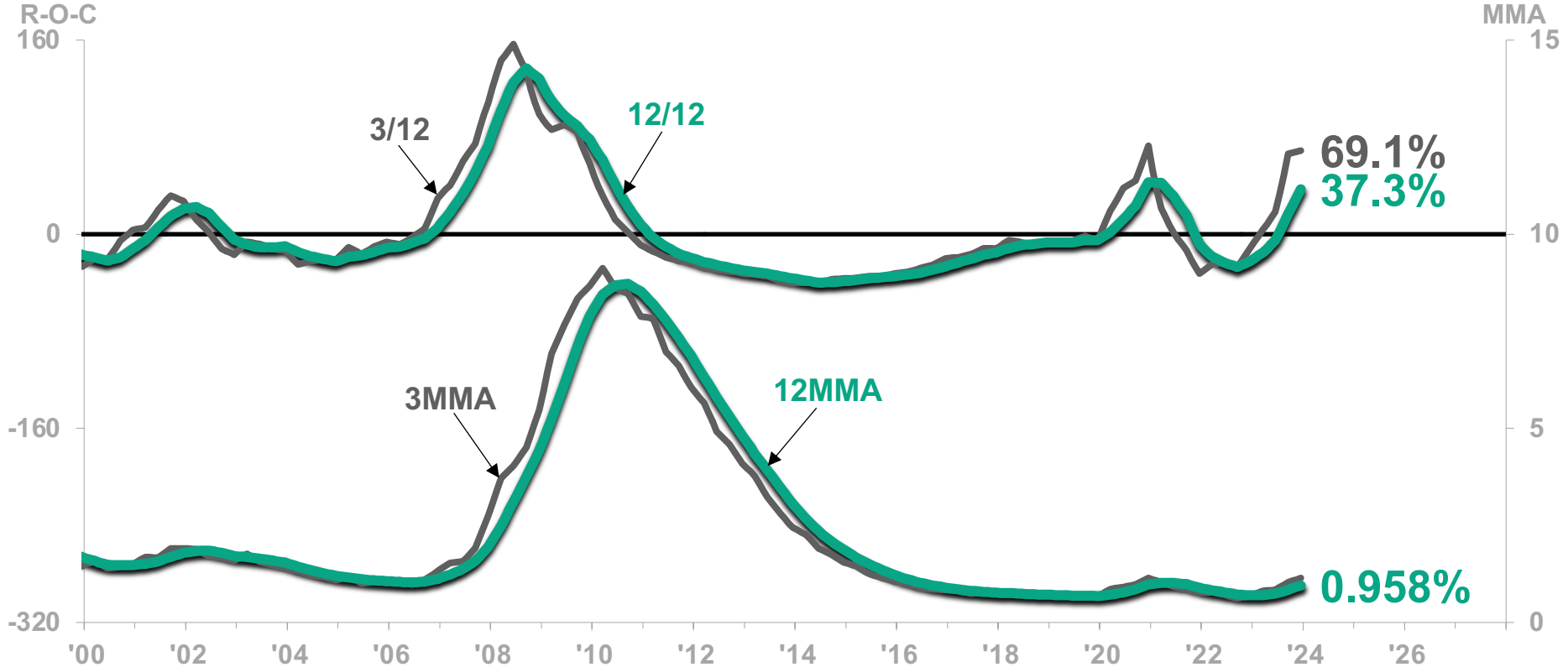
Extreme CRE Loan Exposure Isolated to Smaller Banks

Source: FRB

US Delinquency Rate on Commercial Real Estate Loans



Percent



Infrastructure Spending Bill Amplifying Construction Growth

Source:
US Census Bureau

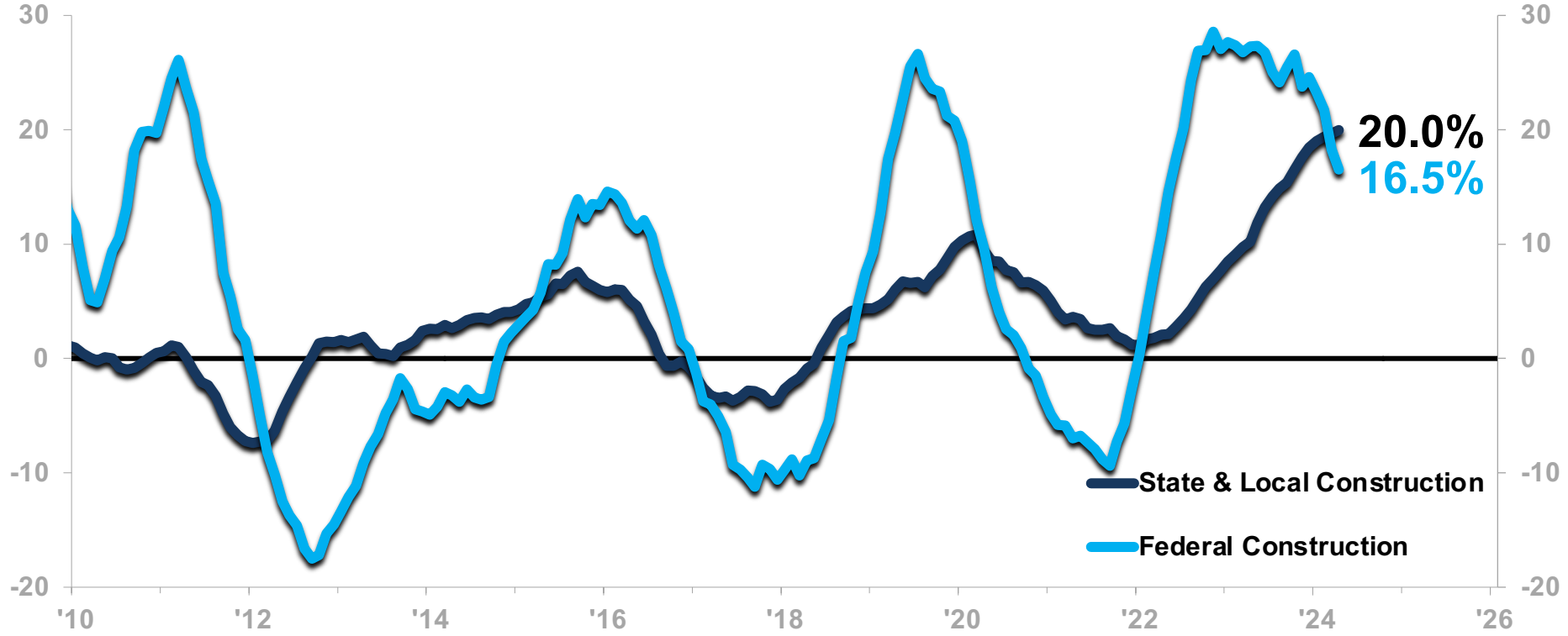
US State and Local Infrastructure Construction to US Federal Infrastructure Construction



12/12 Rates-of-Change

State & Local Construction

Federal Construction





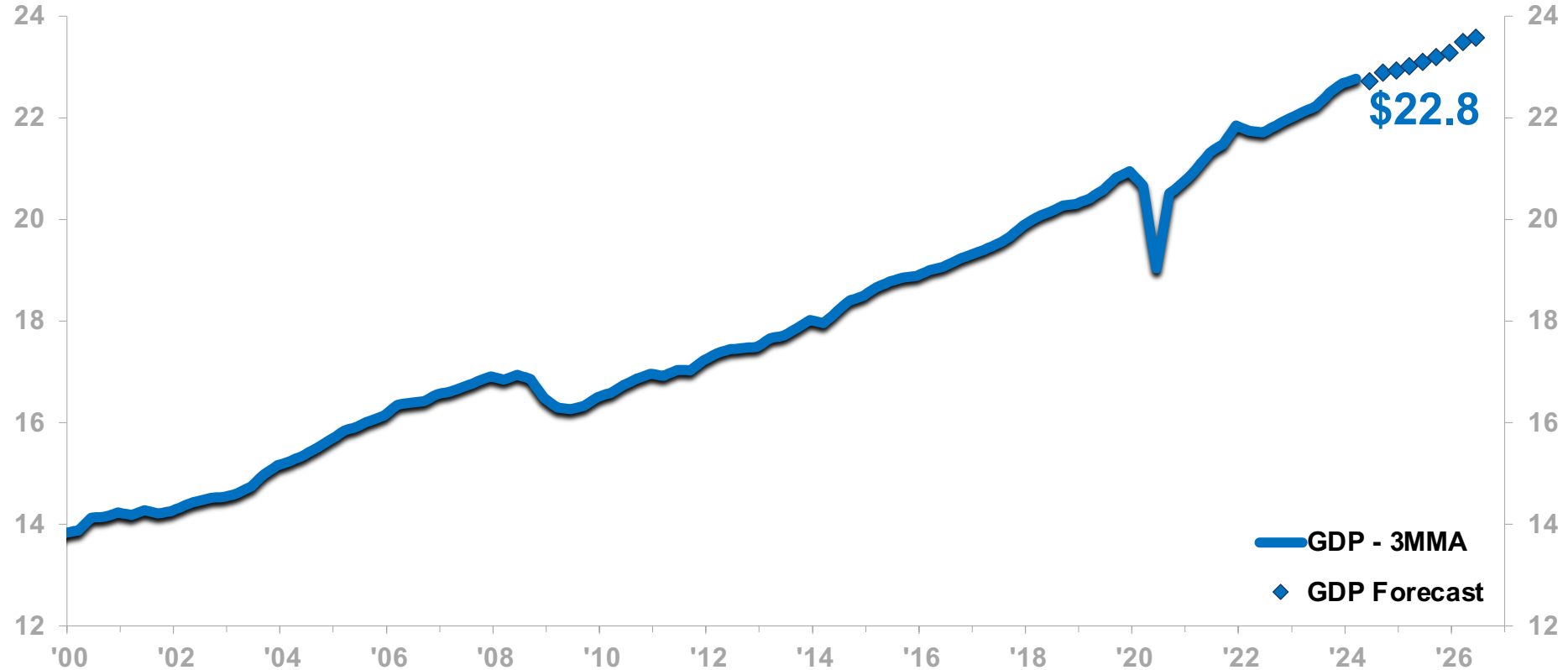
***Macroeconomic
Trends***

Expect a Slower Growth Year in 2024

Source: BEA

US Real Gross Domestic Product

Quarterly Data Trends: Trillions of Chained 2017 Dollars

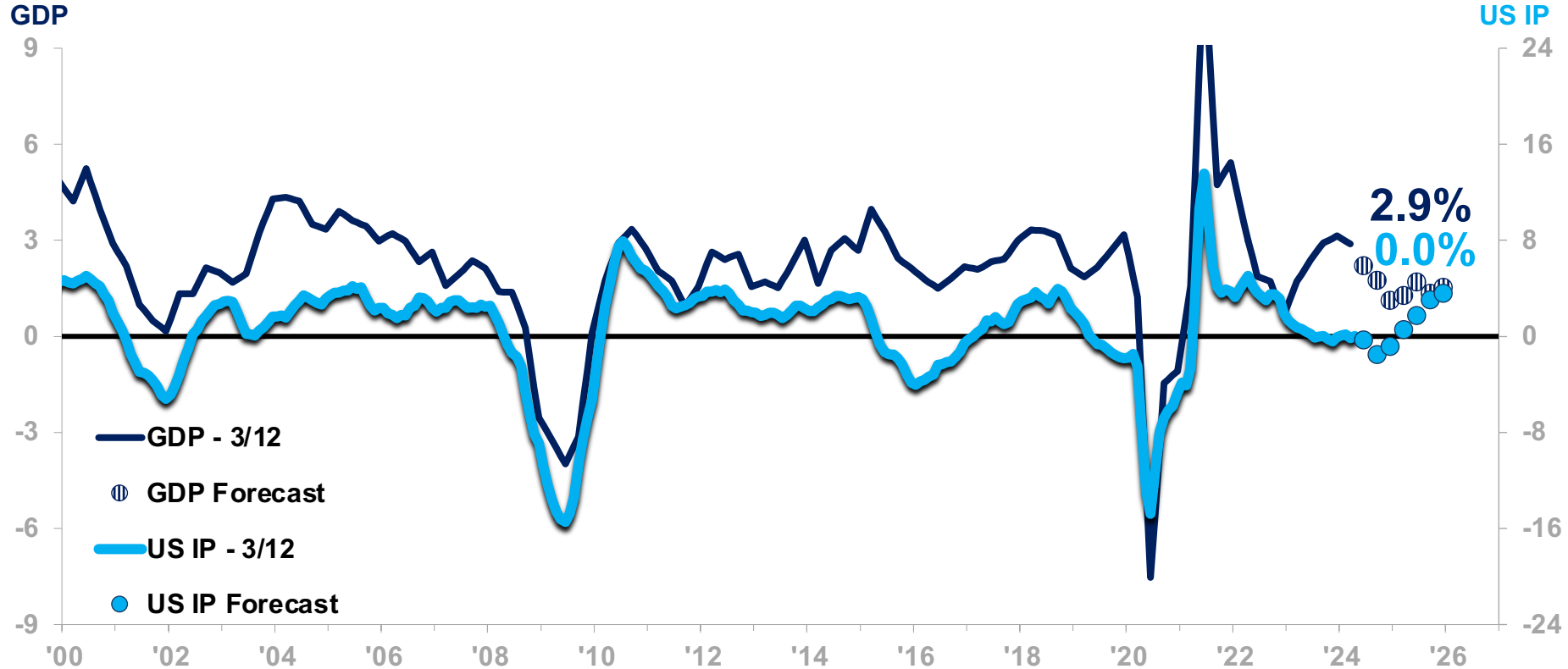


The 2025 Recovery Should Not Be Left to Chance

Sources: BEA, FRB

US Real Gross Domestic Product to US Industrial Production Index

3/12 Rates-of-Change



Services Rising Above Industrial Activity

Sources: FRB, BEA

US Industrial Production Index to US Services GDP

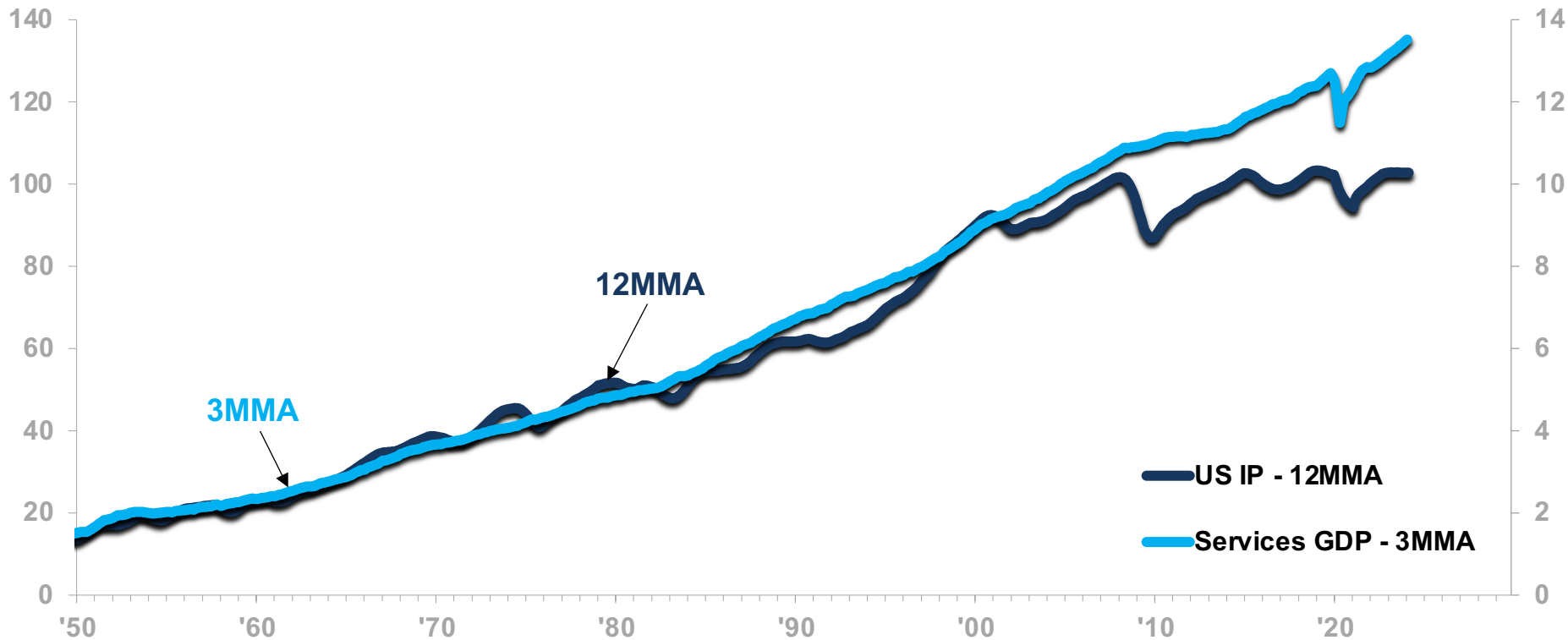


ITR ECONOMICS

Data Trends

US IP (2017 = 100)

Services GDP (Tril. 2017 \$)



Slowing Growth Through 2024

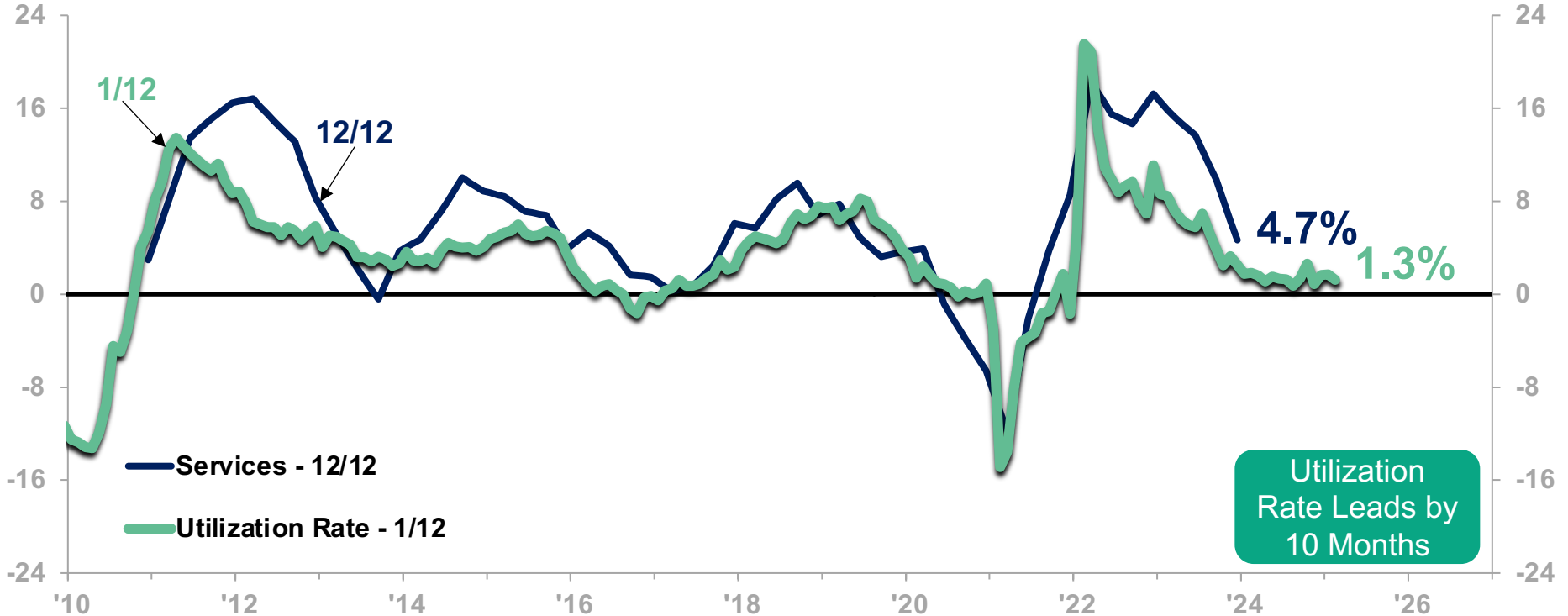
Sources: US Census Bureau,
FRB



US Commercial and Industrial Equipment Repair and Maintenance Services Revenue to US Total Industry Capacity Utilization Rate

Rates-of-Change
Services

Utilization Rate

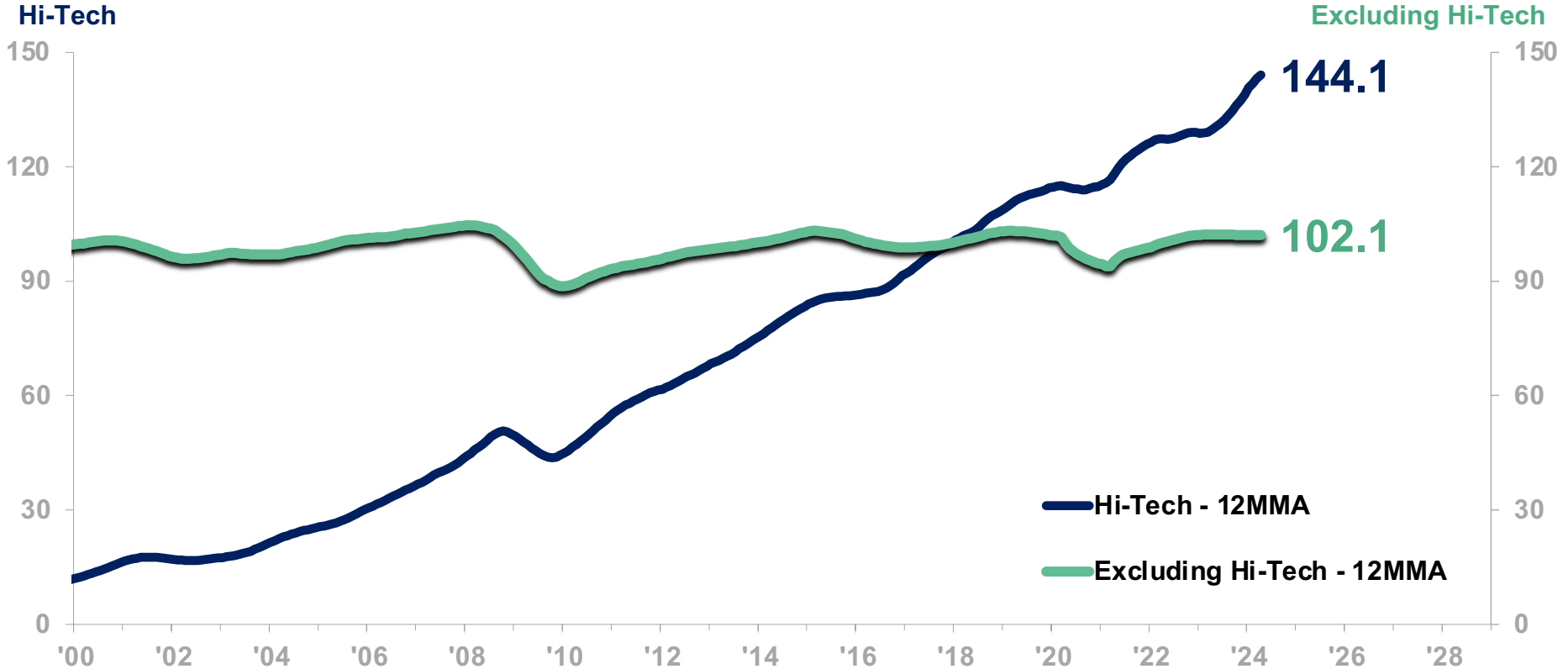


Growth Has Clearly Shifted to High-Tech Industries

Source: FRB

US Production Index for High-Technology Industries to Total (excluding high-technology)

Annual Data Trends, 2017 = 100

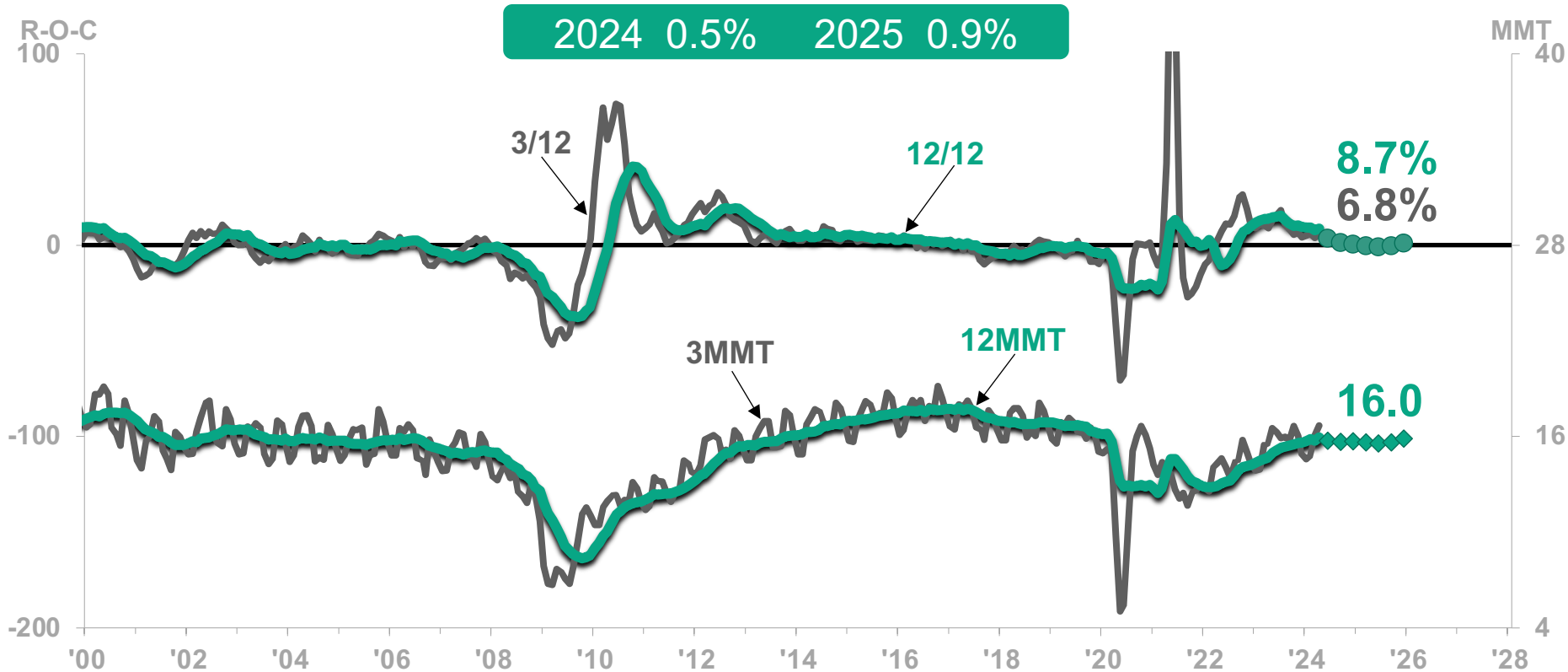


Production to Generally Plateau Into Late 2025 Given Opposing Factors

North America Light Vehicle Production



Millions of Units

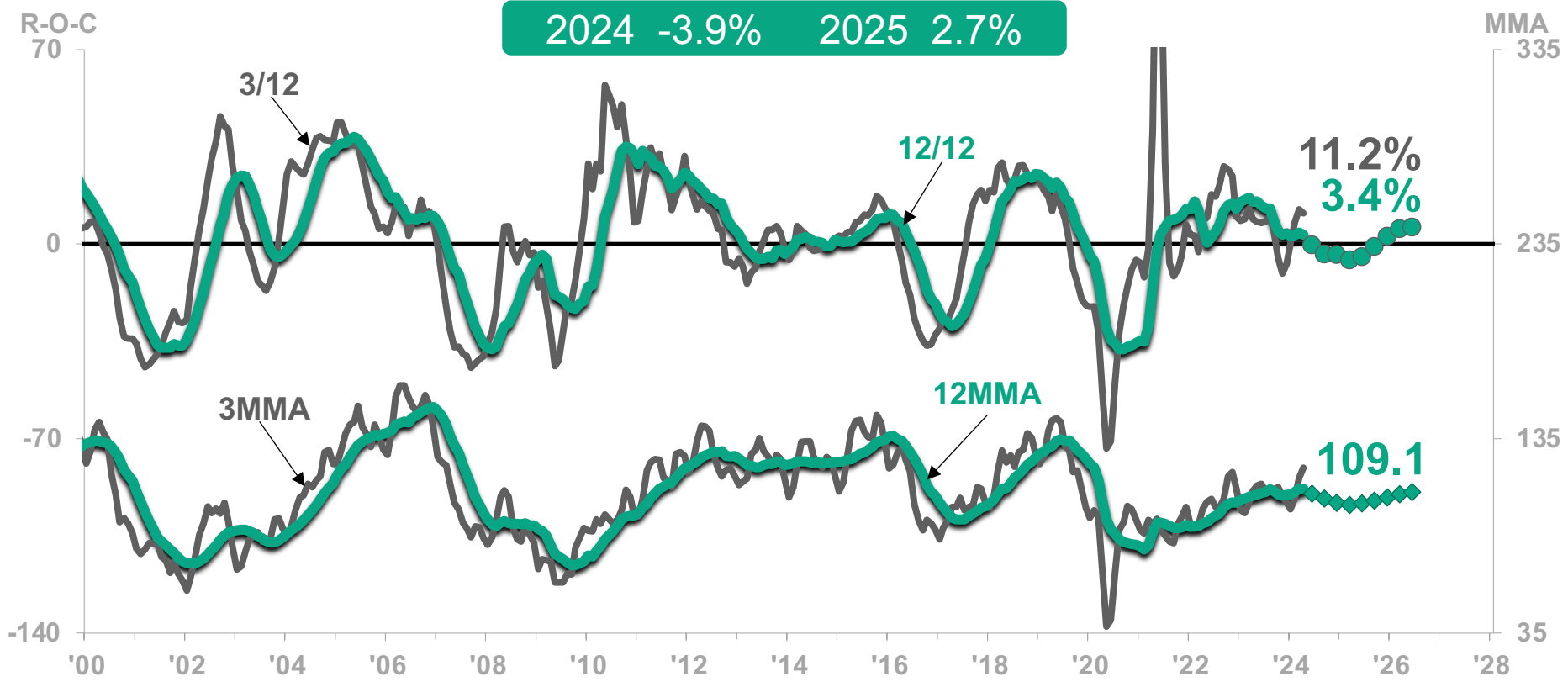


Mild Decline Likely Into Early 2025 Given Freight Headwinds

Source: FRB

US Heavy Duty Truck Production Index

2017 = 100



Despite Expected Cyclical Rise, Plan for Production to Trend Below Levels of the 2010s

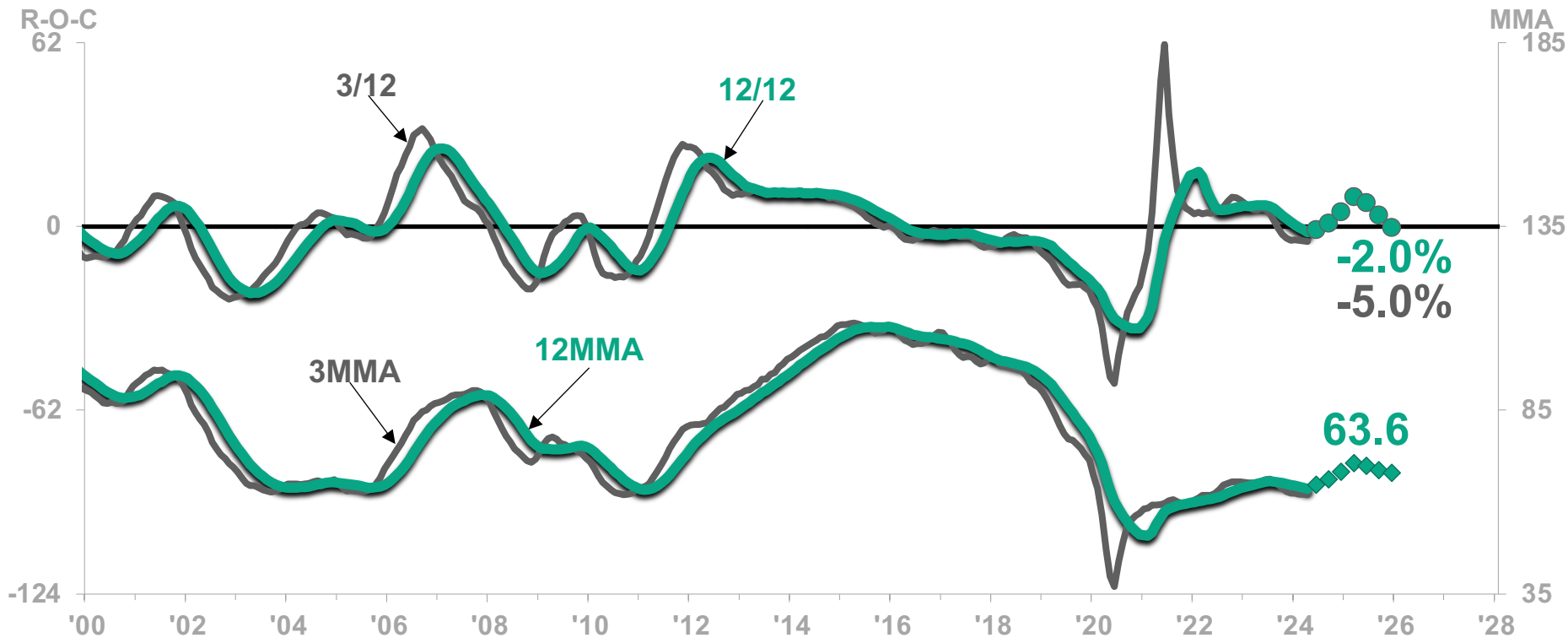
Source: FRB

US Civilian Aircraft Equipment Production Index

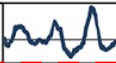





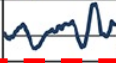



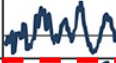
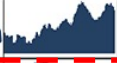
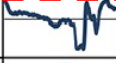















2017 = 100



ITR ECONOMICS



The Manufacturing Economy-At-a-Glance

	Historical 12/12	Historical 12MMT/A	Current 12/12	2024	2025	2026	Highlights
US Metalworking Machinery New Orders			-1.9	3.3	4.2	1.9	New Orders will generally rise through at least 2026, and anticipated rising prices will aid in that rise.
US Machinery New Orders			0.4	-0.3	5.0	4.4	We lifted the New Orders forecast following a change to our broader B2B expectations. Expect a 12MMT plateau into early 2025.
US Construction Machinery New Orders			9.8	-2.9	1.0	5.6	New Orders will decline mildly this year and into early 2025. Residential construction demand and pricing will keep decline mild.
US Electrical Equipment New Orders			7.9	-1.6	4.3	2.2	Housing market trends portend New Orders 12/12 rise by early 2025, with nonresidential construction contributing by late 2025.
US Computers & Electronics New Orders			2.9	-0.9	2.0	1.4	The growing adoption of AI technologies will trigger additional demand for New Orders.
US Defense Capital Goods New Orders			-5.0	2.7	-1.9	6.7	The 12MMT will transition to rise in the near term. 2025 will be a down year and then growth will resume in 2026.
North America Light Vehicle Production			8.7	0.5	0.9	3.7	The Production 12MMT will plateau with a downward bias into mid-2025. Subsequent 12MMT rise will extend through at least 2026.
US Oil & Gas Extraction Production			6.2	2.8	2.2	4.2	Leading indicators including industry utilization rates and industry corporate cash point to downside pressure on the Production 12/12.
US Mining Production (excluding oil & gas)			-1.5	-2.7	1.6	0.9	Recent spikes in commodity prices, such as copper, are an upside risk. Production decline is still probable this year.
US Chemicals & Chemical Products Production			1.2	-0.2	1.2	0.9	We revised the forecast given higher expectations for B2B activity. The 12MMA will plateau this year and then rise for much of 2025-26.
US Civilian Aircraft Equipment Production			-2.0	4.8	-0.4	7.0	Aircraft demand is relatively strong, but supply-side issues are a downside. We expect Production to begin rising soon.
US Medical Equipment & Supplies Production			1.4	1.9	-0.5	1.9	The 12MMA will decline from mid-2024 to mid-2025. Tariffs on Chinese imports may put upward pressure on US production.
US Heavy-Duty Truck Production			3.4	-3.9	2.7	2.6	The 12MMA will decline into early 2025. Trade activity through Mexico could pose an upside risk amidst new Chinese tariffs.
US Food Production			-2.4	-0.2	1.7	1.5	Production will decline into mid-2024 and then rise through at least 2026. The grain component has already returned to a growth trend.

Source: ITR Economics
Trends Report™



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

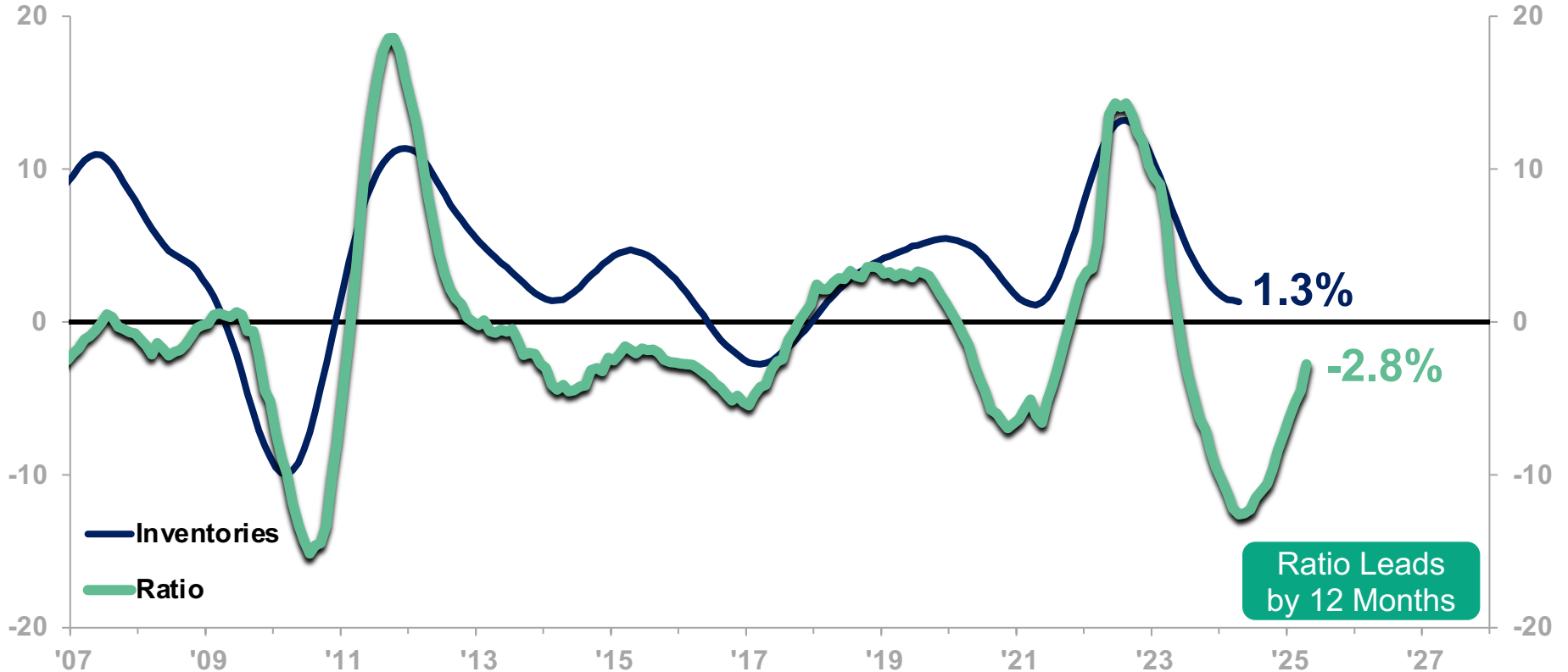
Plan Ahead of the Inventory Cycle

Source: US Census Bureau

US Durable Goods Inventories to US Durable Goods Wholesale Sales/Inventory Ratio



12/12 Rates-of-Change



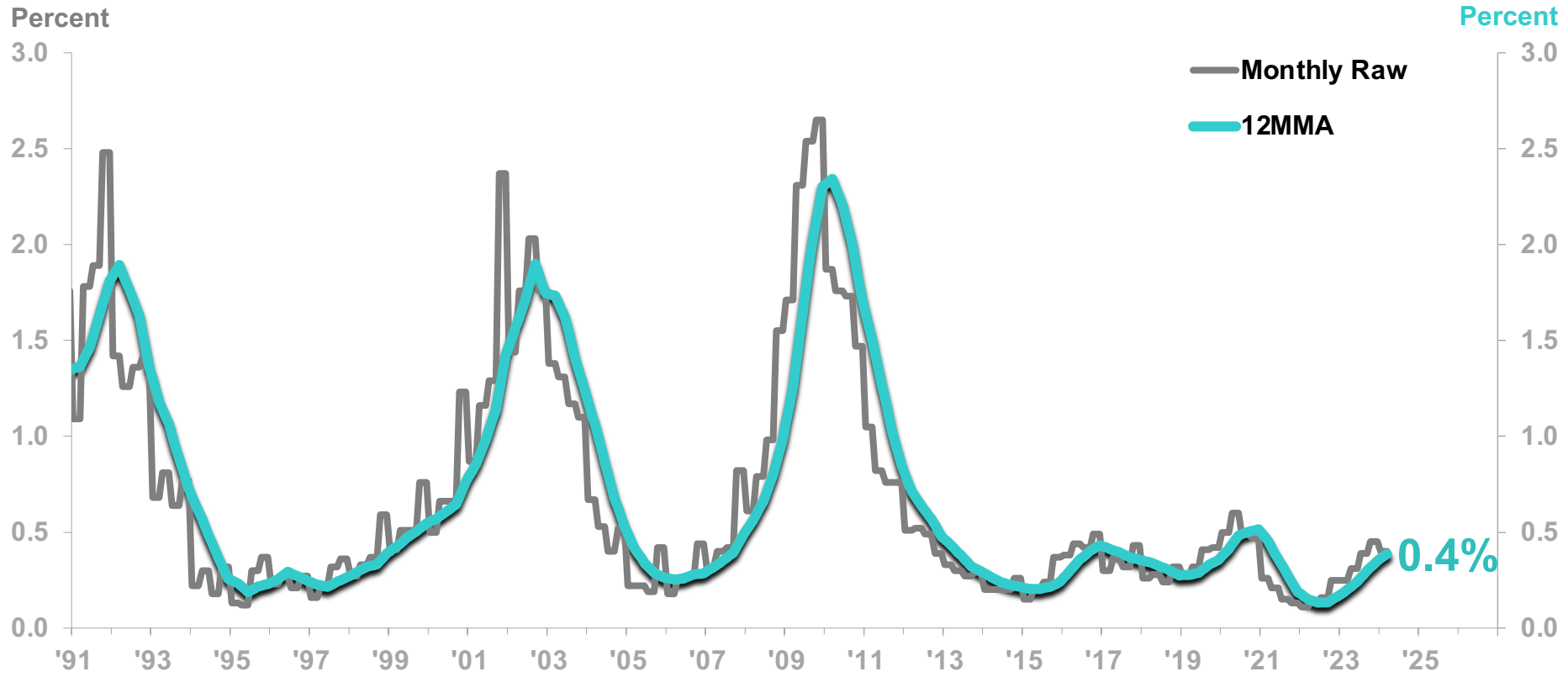
Little to No Pressure from the Business Community

Source: FRB

US Commercial and Industrial Loan Charge-off Rates



Data Trends, Percent



Overall Debt Load is Manageable, Credit Card Debt is Minimal

Sources: FRB New York,
US Census Bureau, BLS

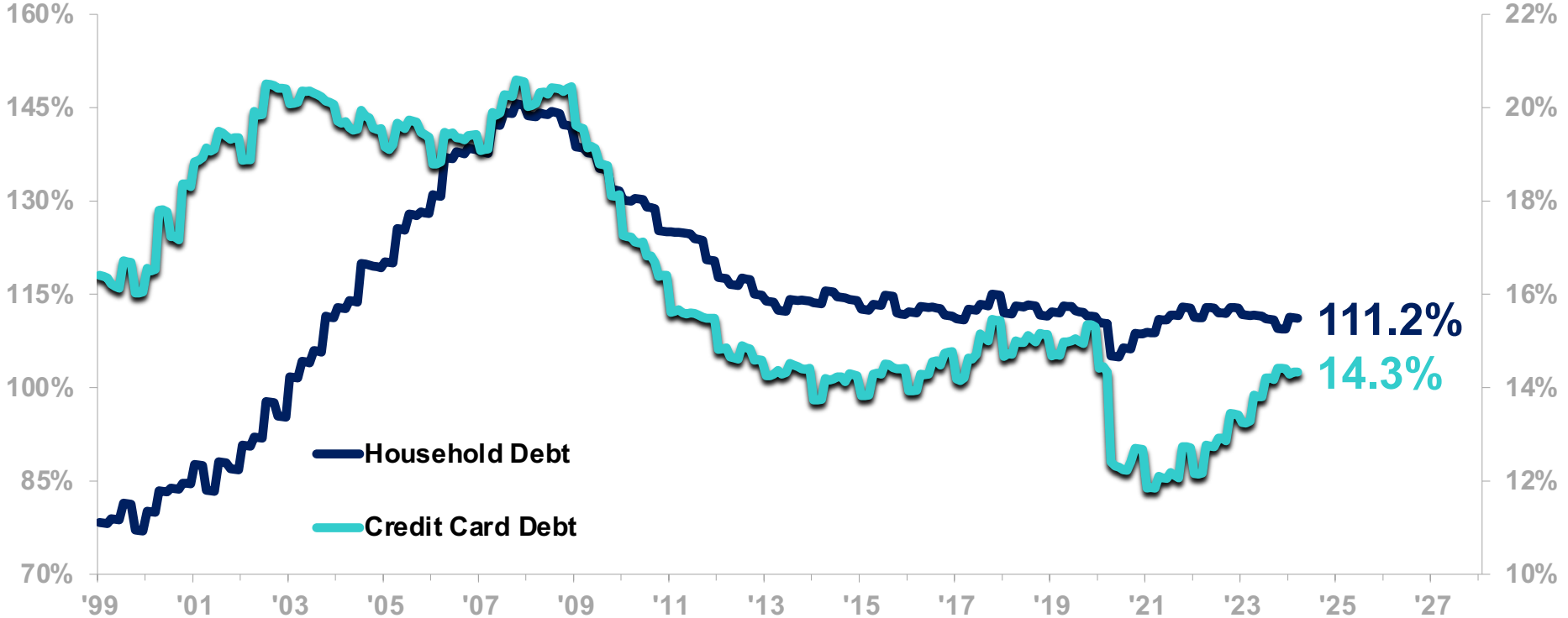


US Household Debt per Capita as a % of US Median Annual Earnings to US Credit Card Debt per Household as a % of US Median Annual Earnings

Raw Data, Percent

Household Debt as % of Earnings

Credit Card Debt as % of Earnings



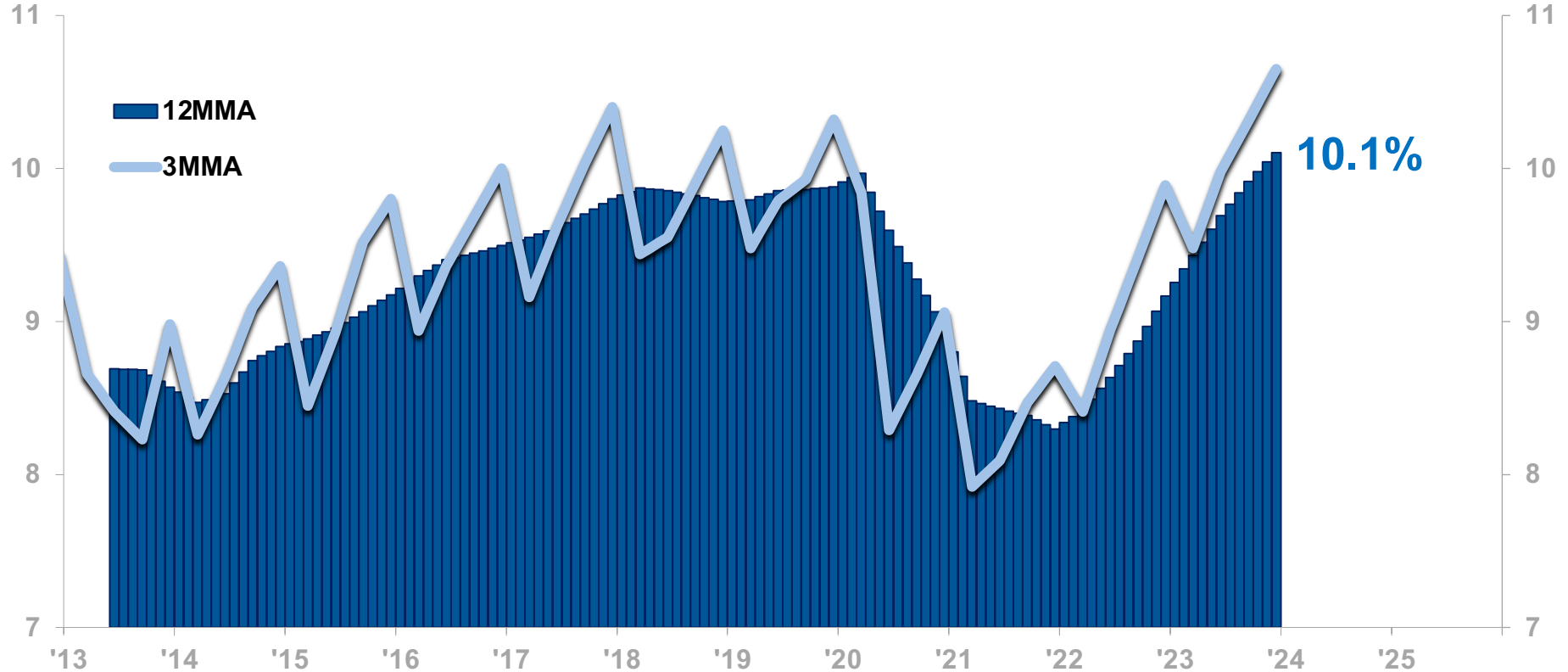
Something to Watch But Not Worry About




Source: FRB Philadelphia

US Share of Consumer Credit Card Accounts Making the Minimum Payment



Percent



-  Ignore the political noise
-  Businesses are profitable and cash is above the year ago level
-  Impact of interest rates and monetary tightening in 2024

Next Steps

- Watch the inverse yield curve
- Invest in your business
- Good opportunity for organic growth in 2025



The 2030s



ITR ECONOMICS

Now part of  Crowe

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



Your personal Financial Bunker will be unique because the details will vary from one set of circumstances to the next. However, some common themes to consider are:

1

Do you intend to work throughout the 2030s?

2

Become personally sufficiently debt free to weather a cycle worse than 2007 – 2009 stretched over 6 years

3

Determine what investments are you holding that will perform well in a period of inflation and general economic rise. These same investments will not do well in the 2030s

4

Do your due diligence on foreign sovereign bonds

5

Have a strong tax advisor on your financial team; assume higher taxes on the upper incomes

- Disinflation and deflation will characterize 2024 with an attendant easing of wage inflation.
- Expect interest rates to ease lower in 2024 and likely early 2025.

- Service sector expected to hold up better than private manufacturing in 2024.
- Fiscal policy and high corporate cash levels are a buffer for the economy.

- Assess cash needs
- 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*

Head to our website to check out our numerous resources on the coming 2030s Depression!

**LEARN
MORE**



Discover blogs, videos, webinars, and more