



ITR ECONOMICS
First In Forecasts Worldwide



Plan & Prosper

**Presented by ITR Economics
CEO and Chief Economist
Brian Beaulieu**

Despite everything that happened...



	Duration	Accuracy
US GDP	15	98.6%
US Ind. Production	19	98.3%
Europe Ind. Production	11	97.3%
Canada Ind. Production	12	99.5%
China Ind. Production	14	97.7%
Retail Sales	11	90.6%
Housing - Single Family	12	93.1%
Employment-Private Sector	18	99.2%

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

Growth Through 2024

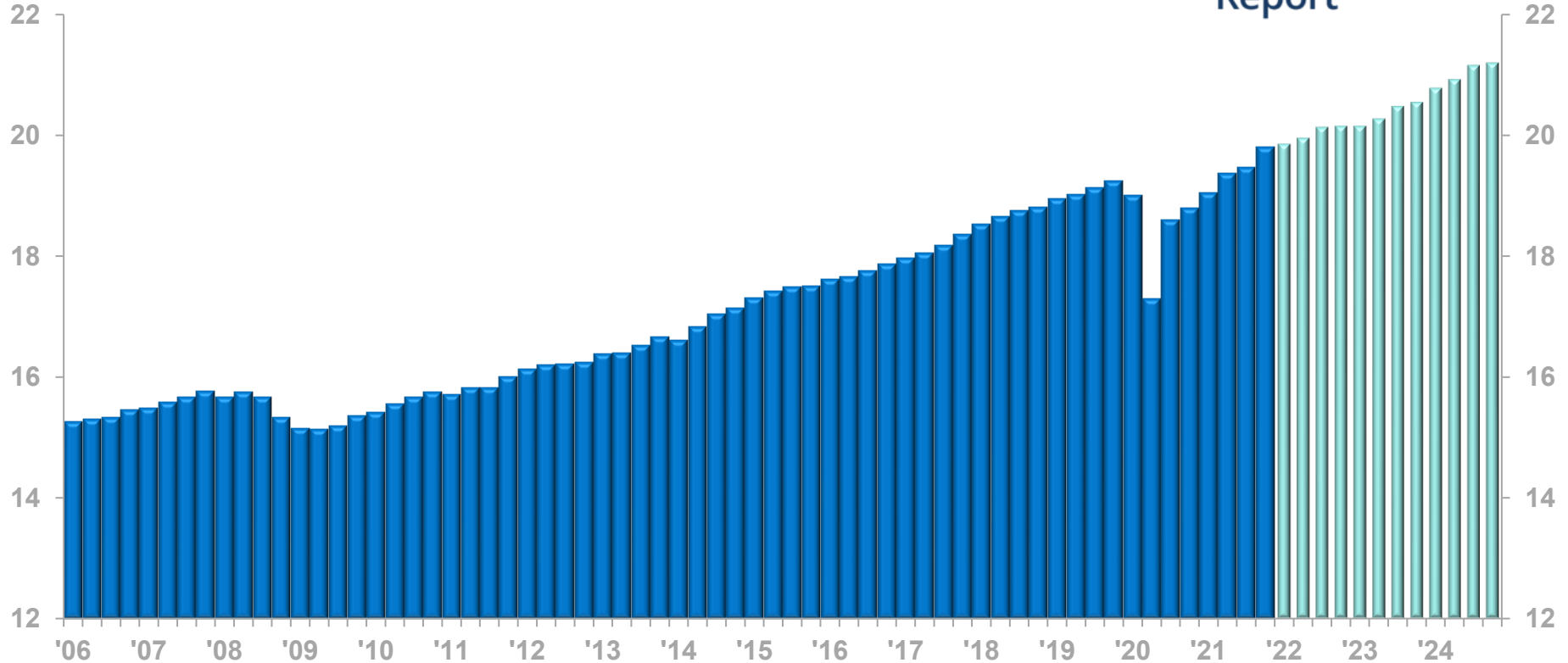
Source: Bureau of Economic Analysis

US Gross Domestic Product, SAAR, Chained 2012 \$

3-Month Moving Average, Trillions of Dollars

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


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Synchronized Rise & Decline

Sources: BEA, Statistics Canada

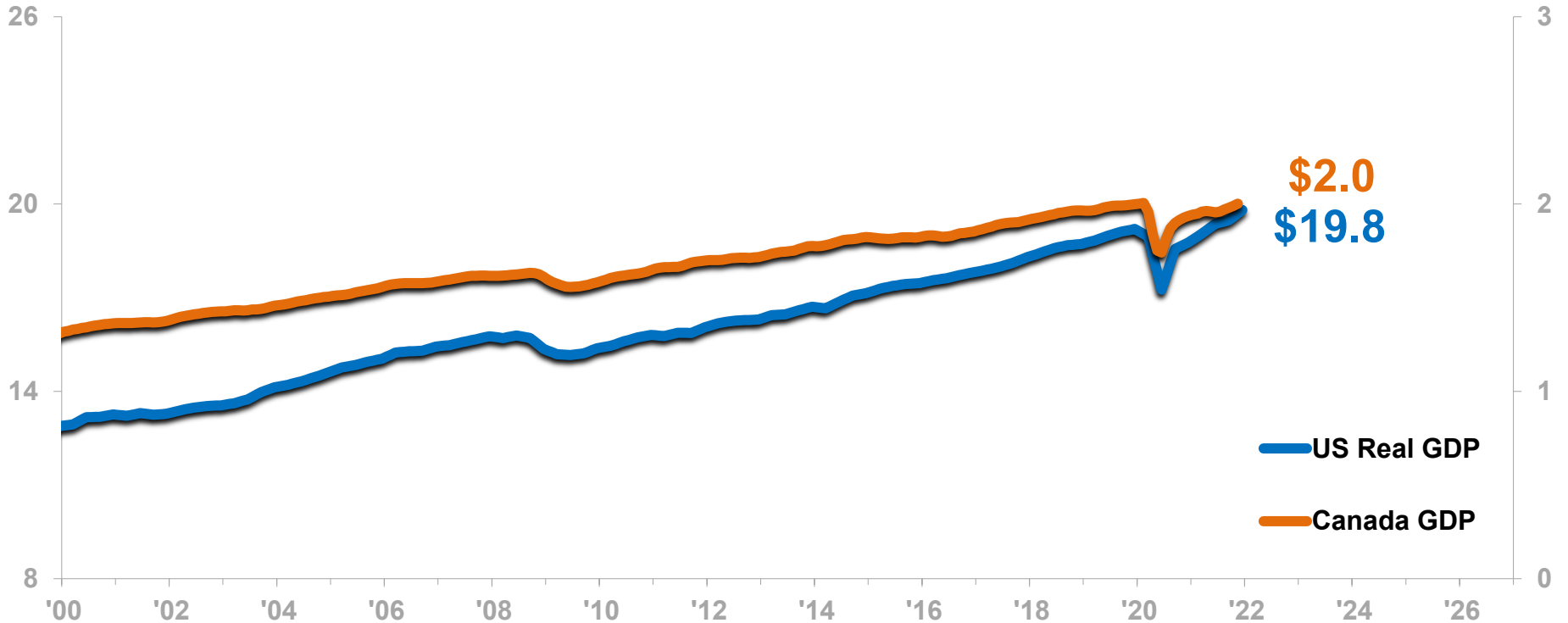
US Gross Domestic Product to US Real Gross Domestic Product to Canada All Industries Gross Domestic Product



Quarterly Data Trends

US Real GDP (Tril. Chained 2012 USD)

Canada (Tril. Chained 2012 CAD)



Slowing Growth Eases Some of the Pressure

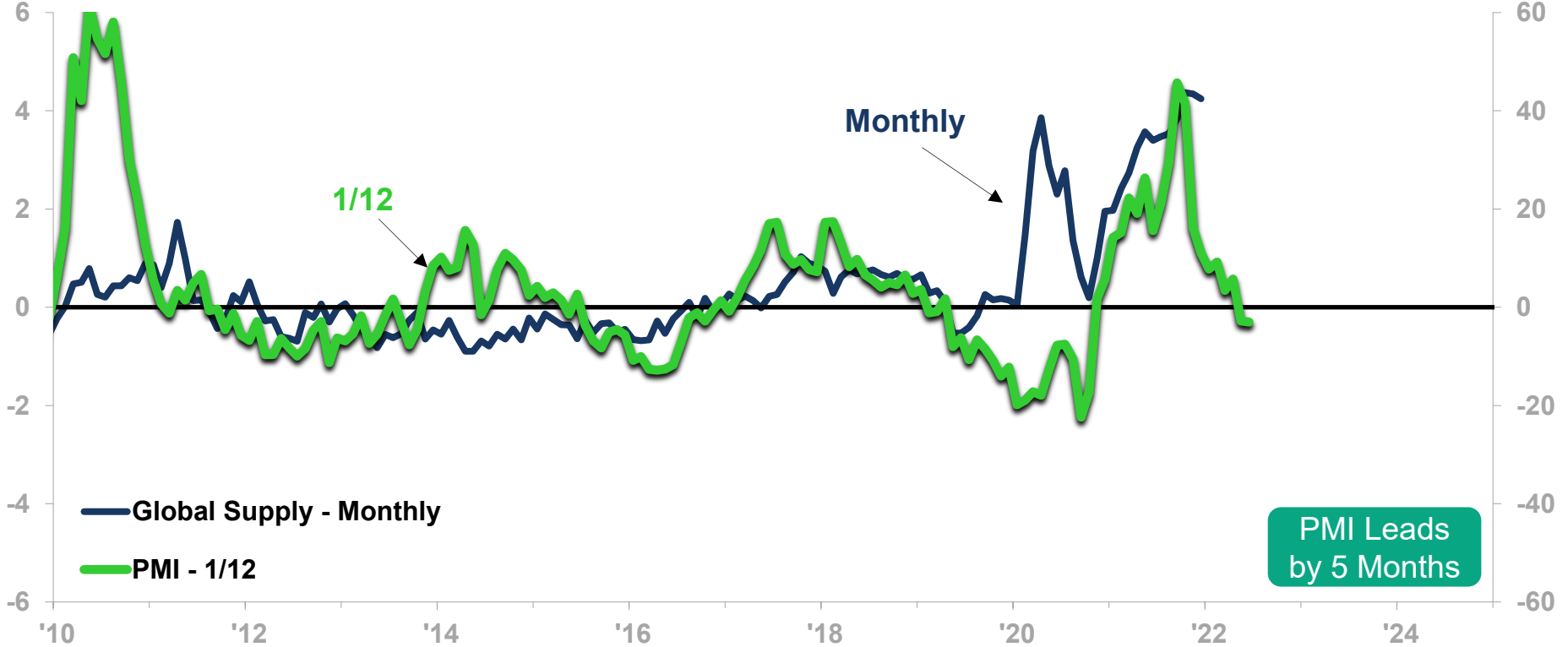
Sources: FRBNY, ISM



Global Supply Chain Pressure Index to US Purchasing Managers Index

Rates-of-Change

Global Supply





**Supply Chain Pressures Easing
as Global Growth Slows Before
Ukraine Invaded**



**Don't Make Strategic Decisions
That Impact Cost at the Current
High-Pressure Point**



**Onshoring and Near-Sourcing
Trends Are Real**

Next Steps

- **Determine if a weakening USD will impact your cost structure versus your competitors.**



US Economy



US Economic Leading Indicators: Deceleration in 2022



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Sources: ITR Economics, Institute for Supply Management, OECD, Yahoo Finance, US Census Bureau, FRB

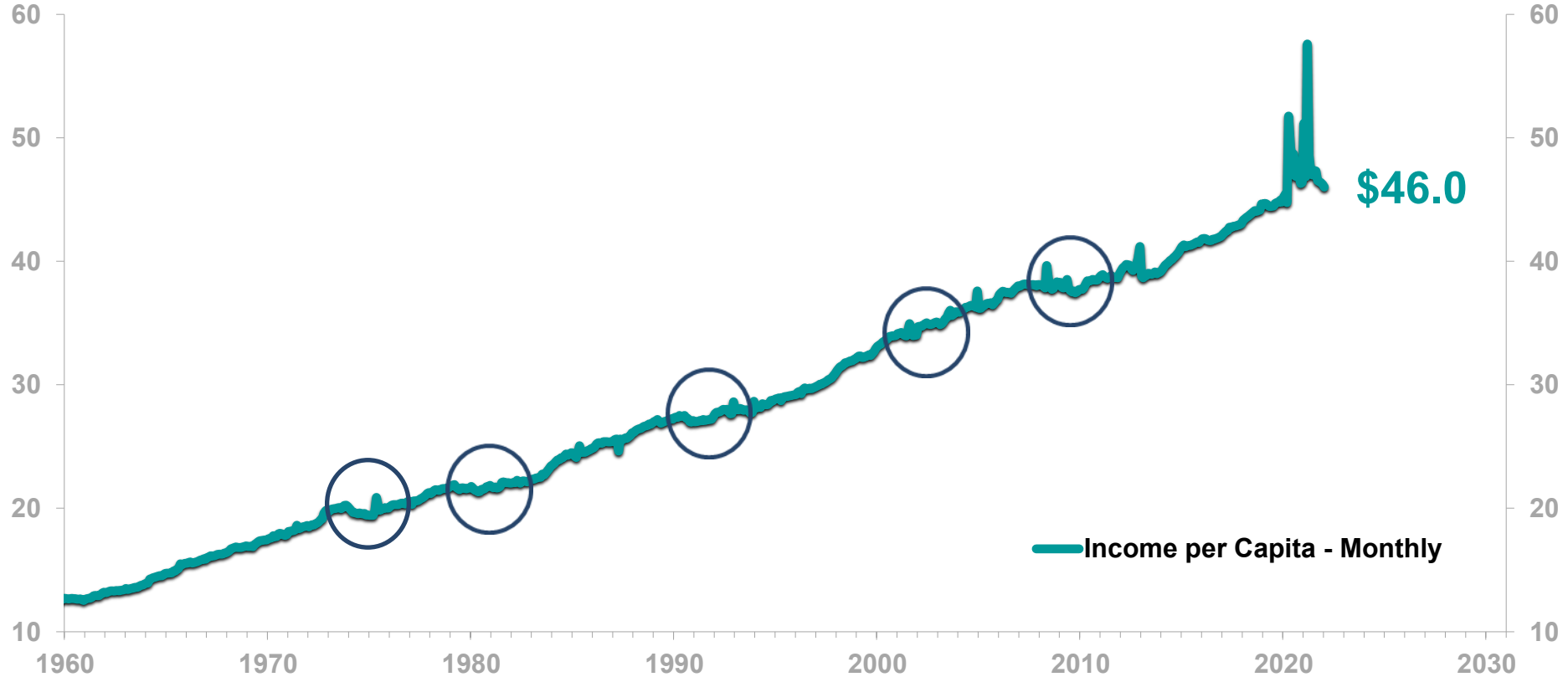
Indicator	Trend	Macro Indication
ITR Retail Sales Leading Indicator	Decline	Deceleration probable for 2022...
ITR Financial Leading Indicator	Decline	Deceleration probable for 2022...
JPMorgan Global PMI	Decline	Deceleration probable for 2022...
OECD Leading Indicator	Decline	Deceleration probable for 2022...
G7 Leading Indicator	Decline	Deceleration probable for 2022...
Purchasing Managers Index (PMI)	Decline	Deceleration probable for 2022...
ITR Leading Indicator	Decline	Deceleration probable for 2022...
Wilshire Total Market Cap	Decline	Deceleration probable for 2022...
US Business Confidence Index	Decline	Deceleration probable for 2022...
Single-Family Housing Starts	Decline	Deceleration probable for 2022...
Total Industry Capacity Utilization	Decline	Deceleration probable for 2022...
US Exports, Goods – World	Decline	Deceleration probable for 2022...

Income Trend Is Normalizing

Source: BEA

US Real Disposable Income Per Capita

Raw Data: Thousands of Chained 2012 Dollars



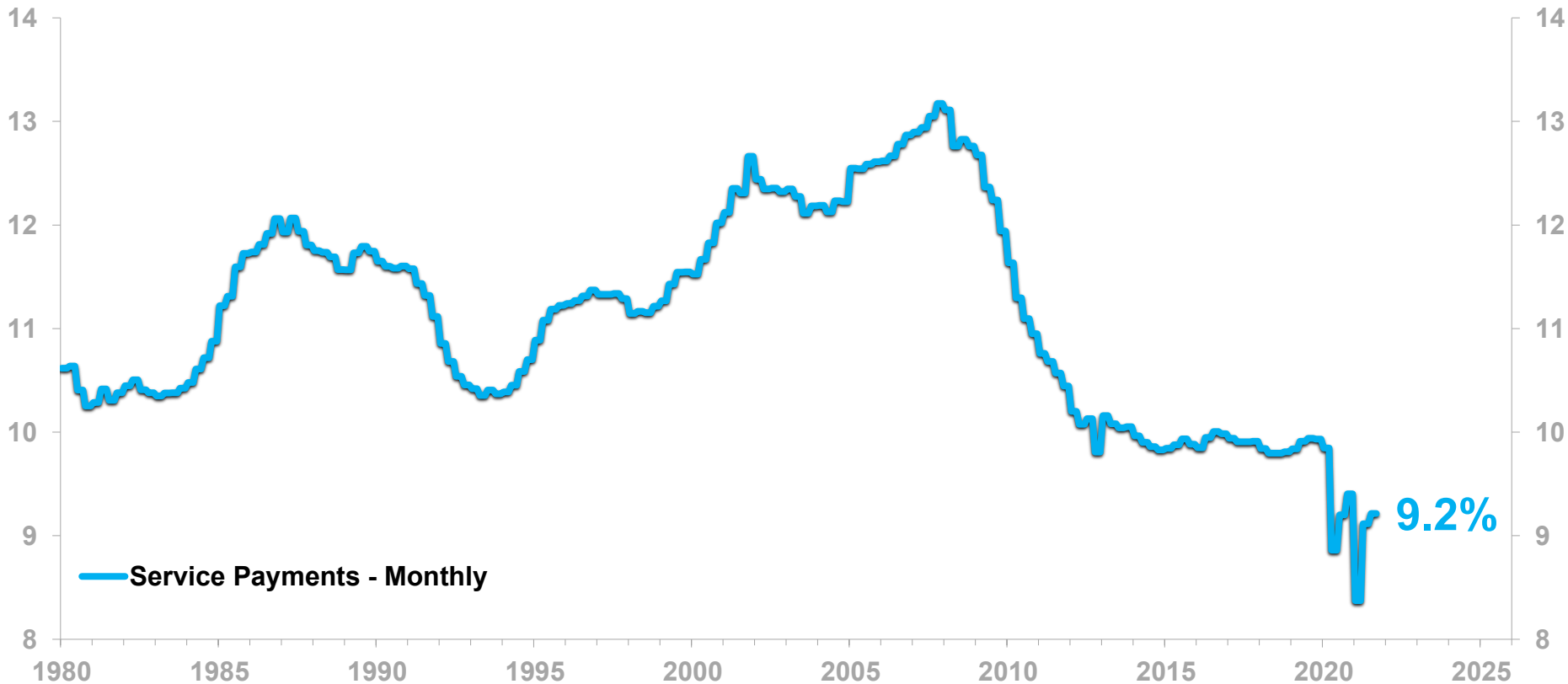
The Consumer Is Easily Coping With Debt

Source: FRB

US Household Debt Service Payments as a Percent of Disposable Personal Income



Raw Data: Percent



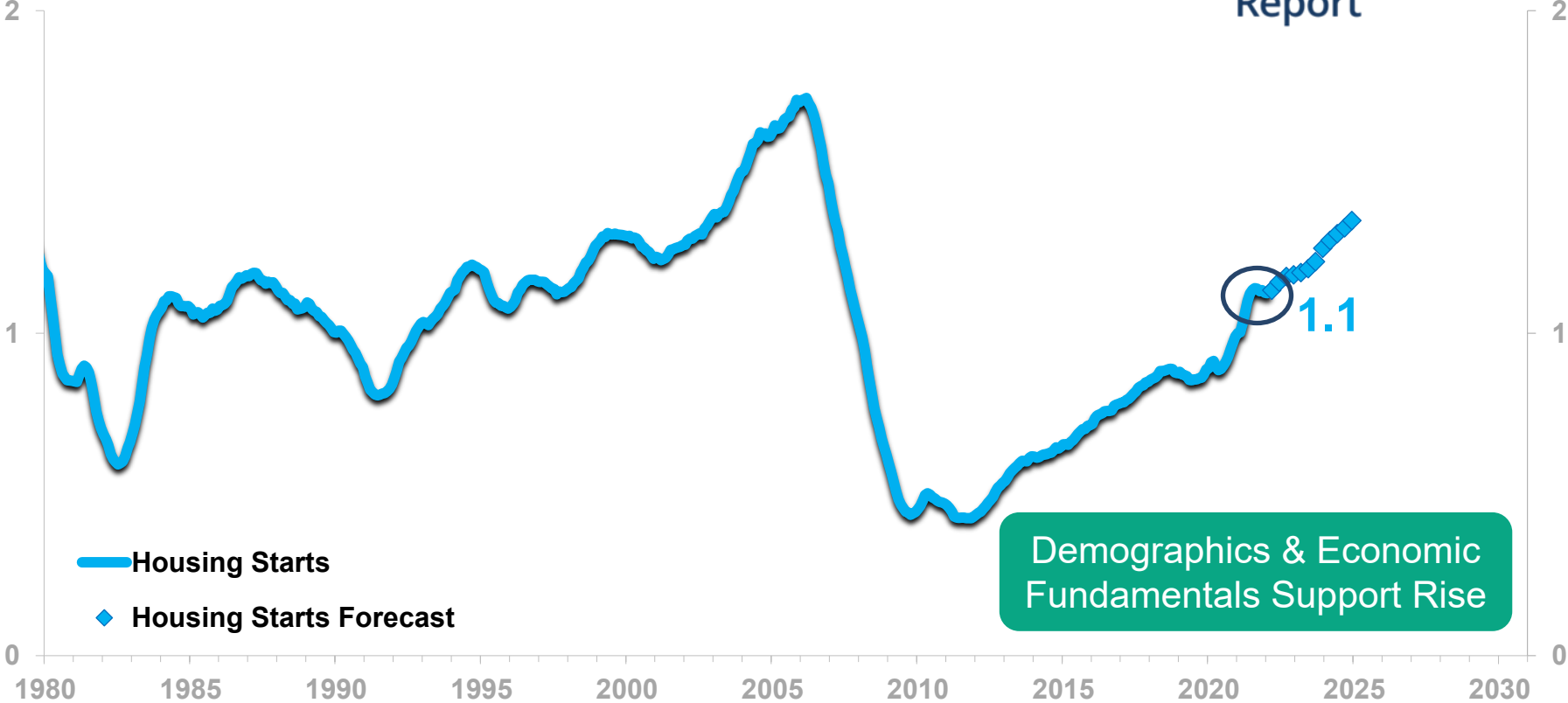
A Positive Leading Indication for the Economy

Source: US Census Bureau

US Single-Unit Housing Starts

Annual Data Trends Millions of Units

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



— Housing Starts
◆ Housing Starts Forecast

Demographics & Economic Fundamentals Support Rise

-  Consumer financial health is good with incomes rising
-  Businesses are profitable and liquidity is high
-  US economic growth is dissipating into a “soft landing”

Next Steps

Approach opportunities knowing balance sheets are strong.

Conditions will sustain growth for Nemeon members.



Market Trends



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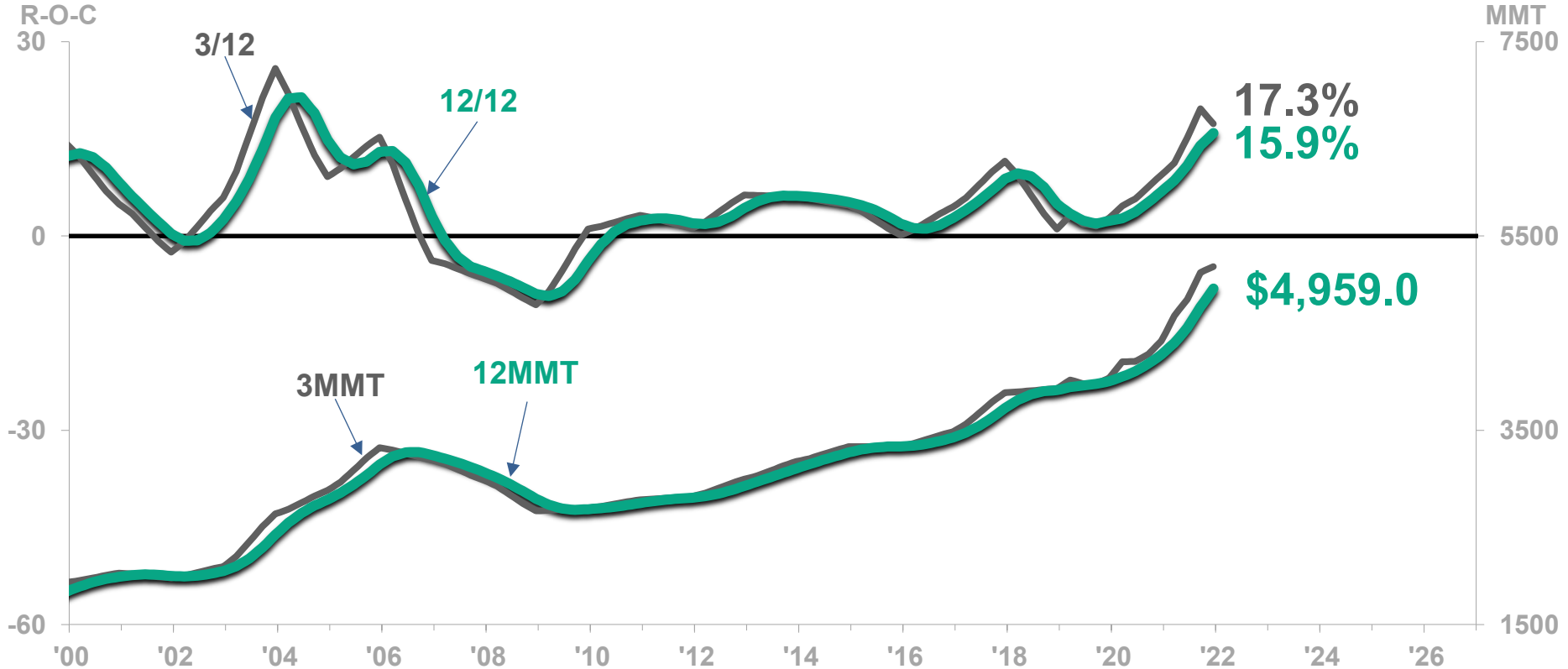
Leading Indicator Trend is Positive

Source: Joint Study for Housing at Harvard University

Harvard US Leading Indicator of Remodeling Activity



Billions of Dollars



Encouraging Input for Residential Remodeling

Source:
National Association of Home Builders

Remodeling Market Index

Diffusion Index, Over 50=Better Conditions



	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>NAHB/Royal Building Products RMI</u>	48.0	73.4	81.5	78.6	86.3	87.1	86.6	82.8



Omicron and Supply Issues Maybe Interrupting the Trend

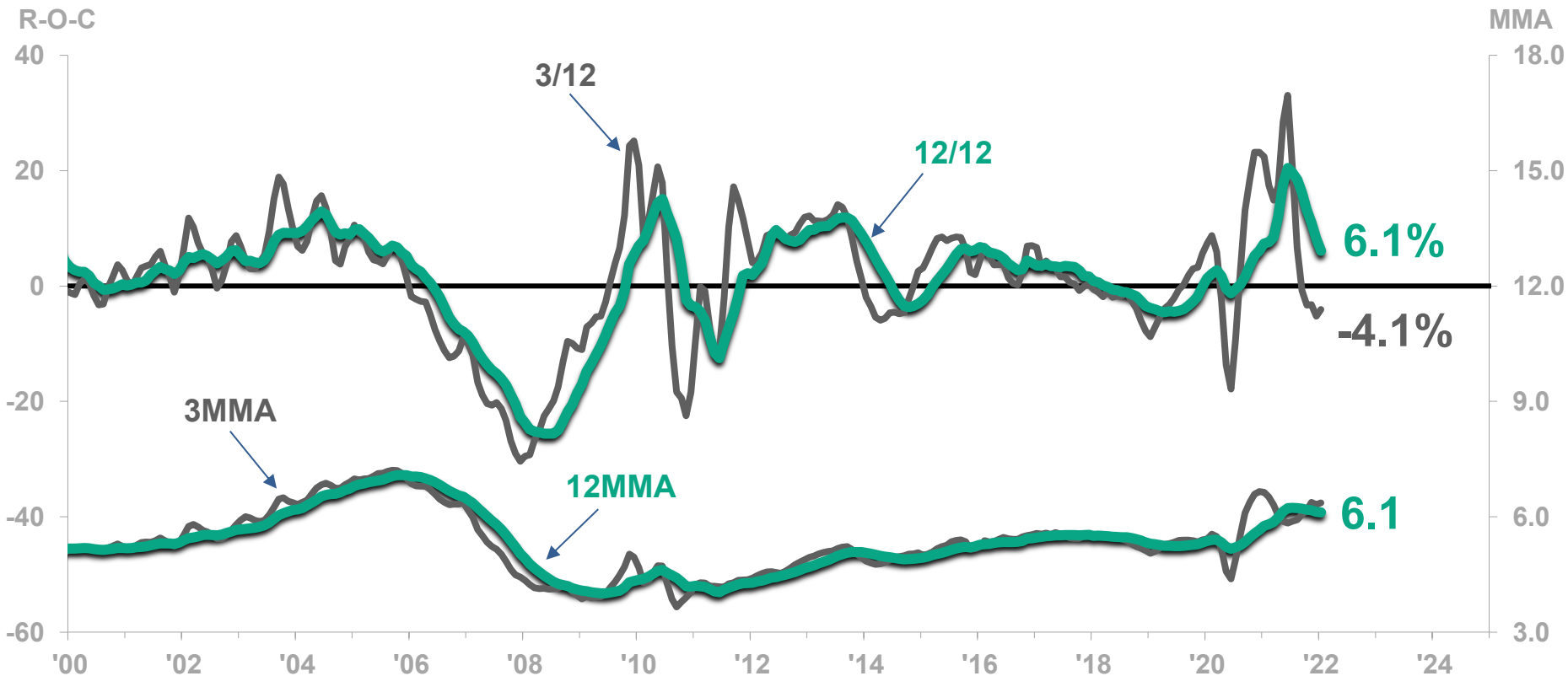
Source:
National Association of Realtors

US Existing Home Sales

Millions of Dollars



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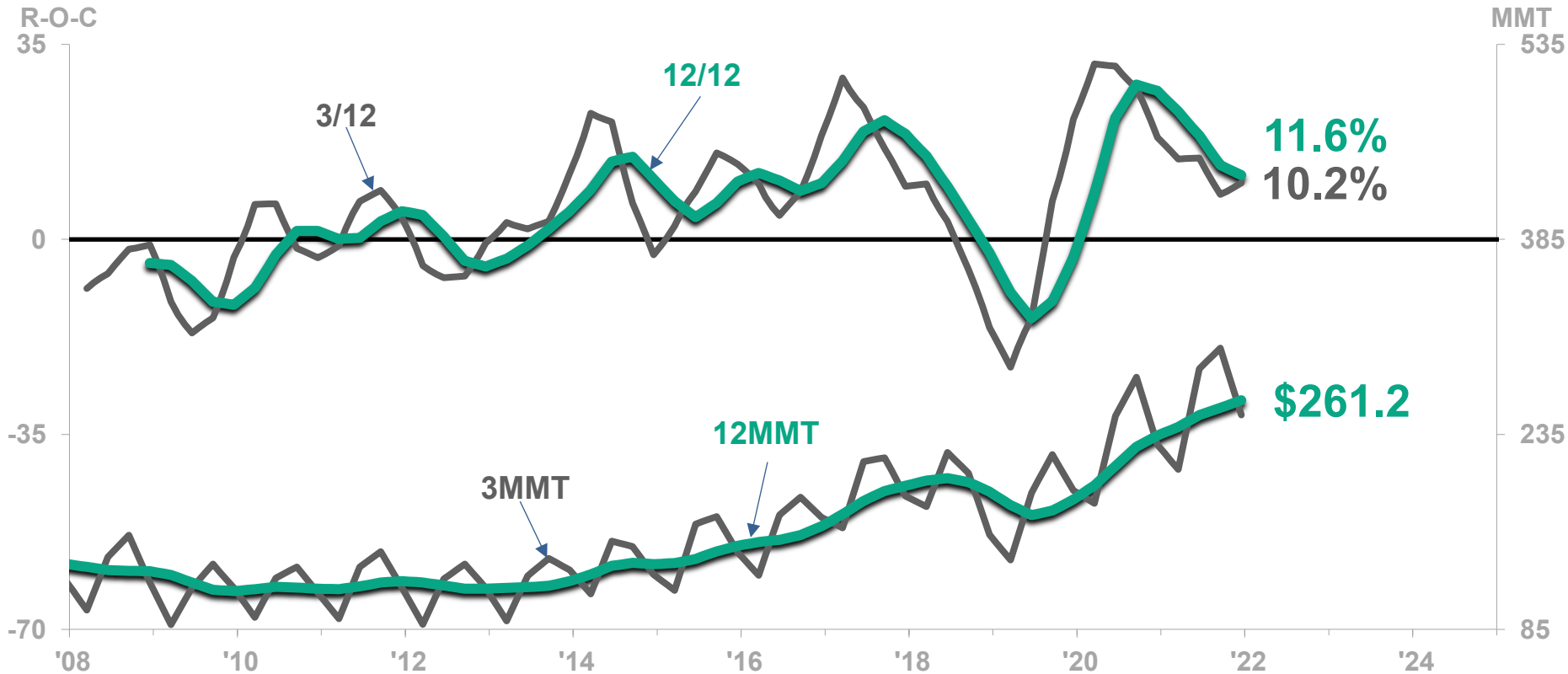
Renovations Tapering Off to a More Sustainable Pace

Source: ConstructConnect

US Total Nonresidential Construction Renovations



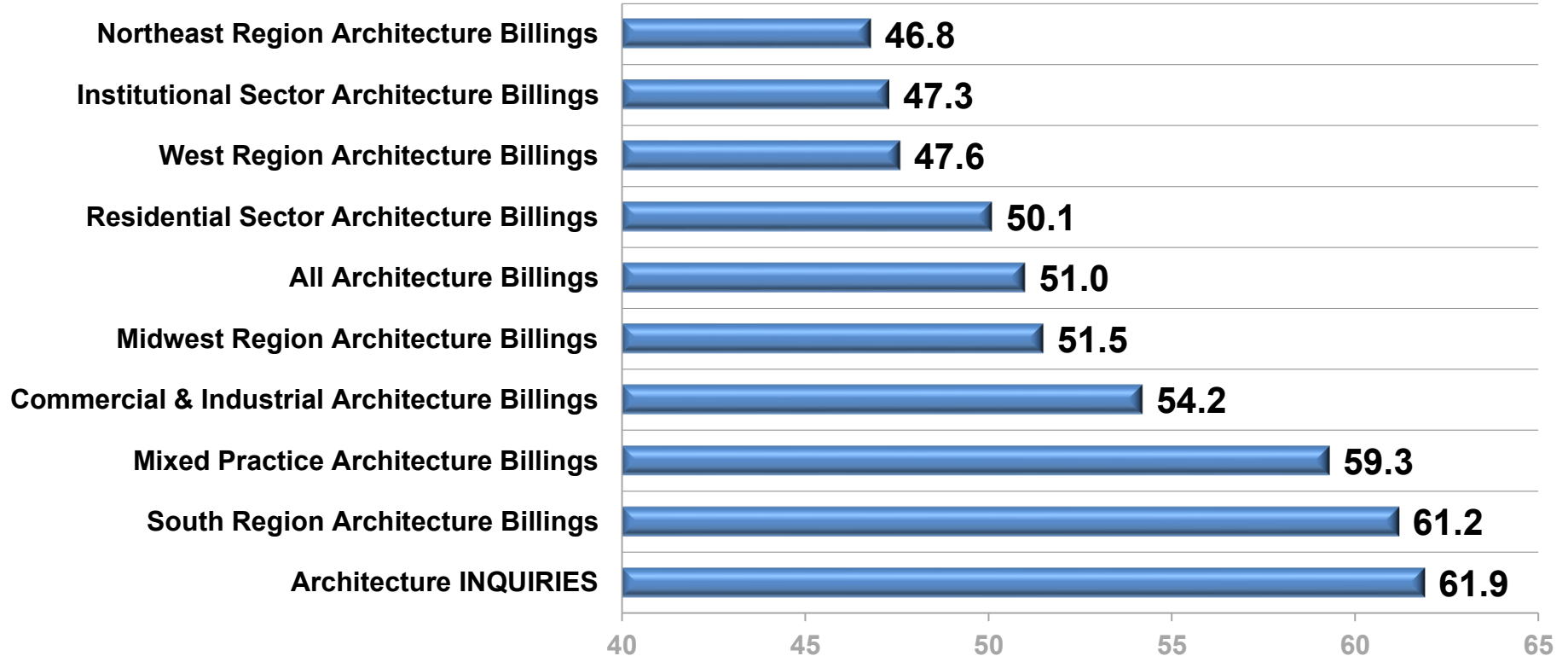
Billions of Dollars



Anything Above 50 Suggests Upward Pressure...

Source:
American Institute of Architects

US Architecture Billing Index



Nonresidential Recovery Trend in Progress

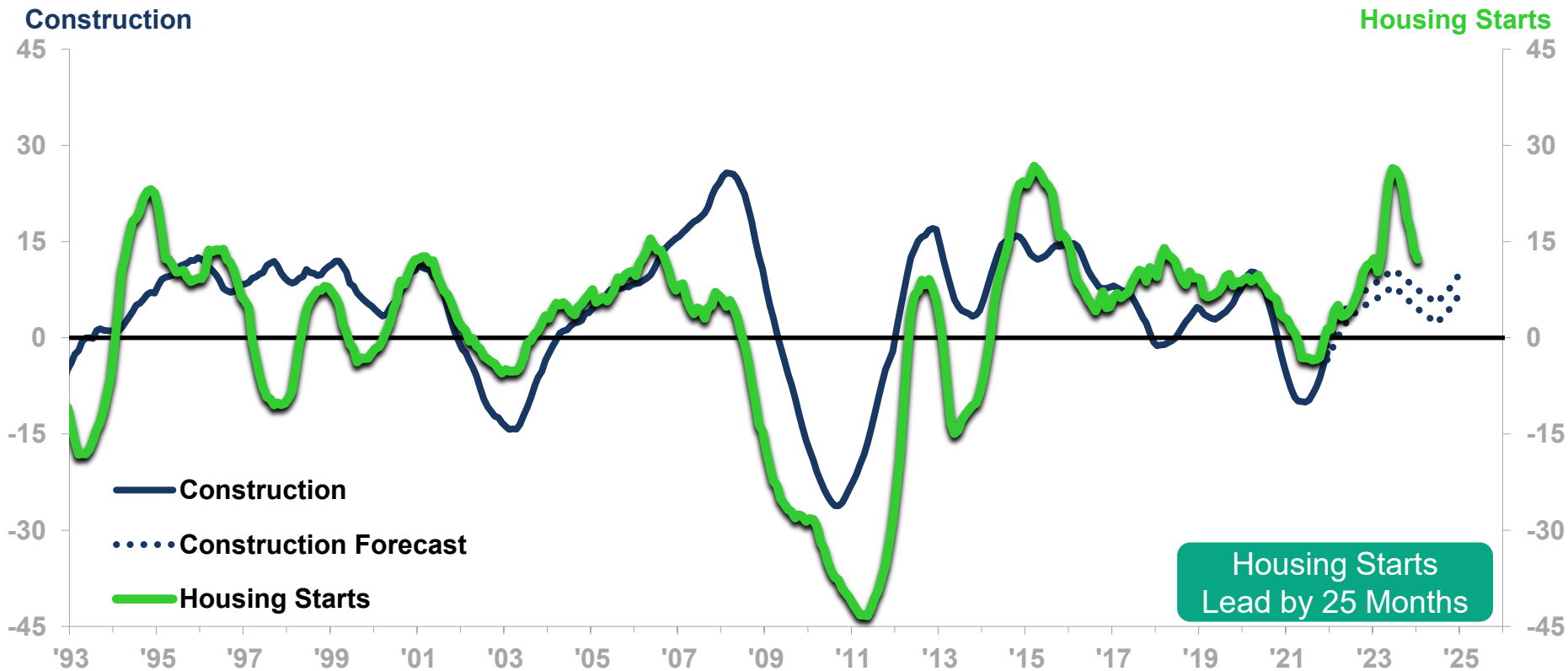
Source: US Census Bureau

US Private Nonresidential Construction to US Single-Unit Housing Starts

12/12 Rates-of-Change



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3/12s and 12/12s Are in Phase A With an Upward Passing

Source: US Census Bureau

US Total Education Construction to US Total Higher Educational Building Construction

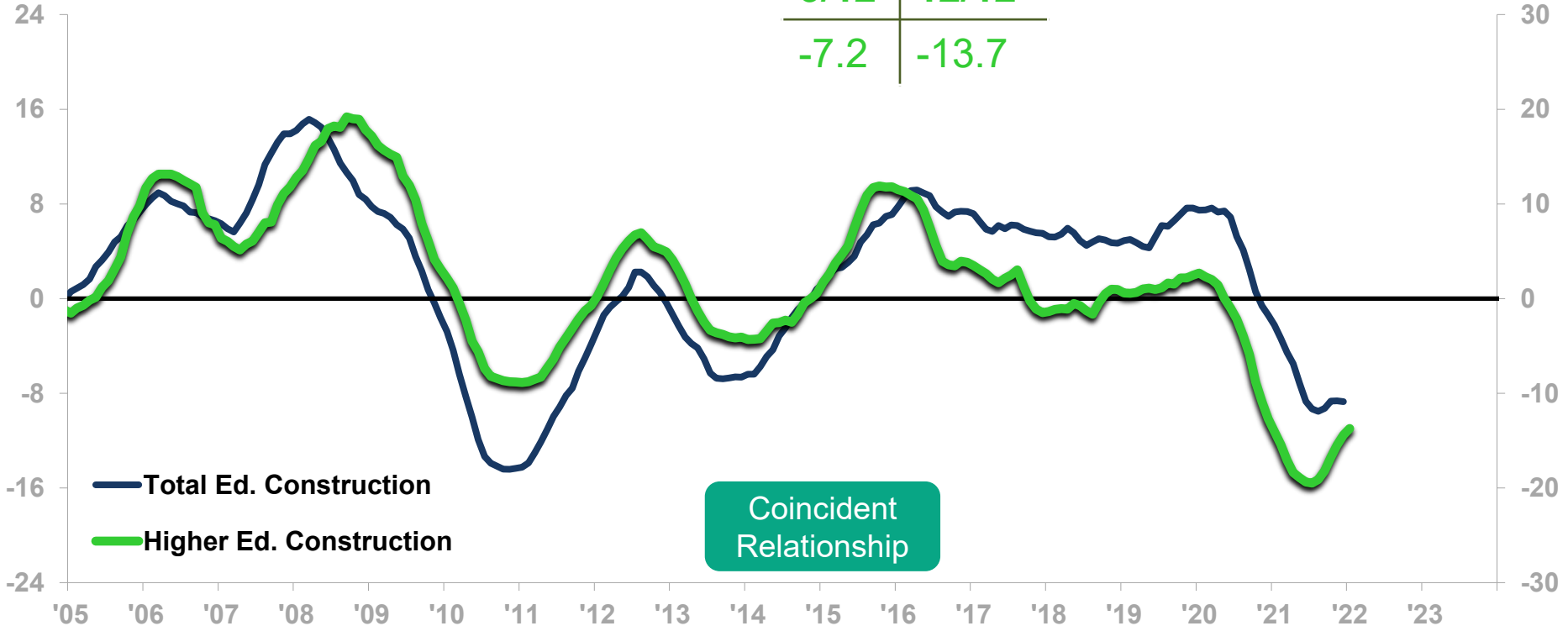


12/12 Rates-of-Change

Total Ed. Construction

3/12	12/12
-7.2	-13.7

Higher Ed. Construction

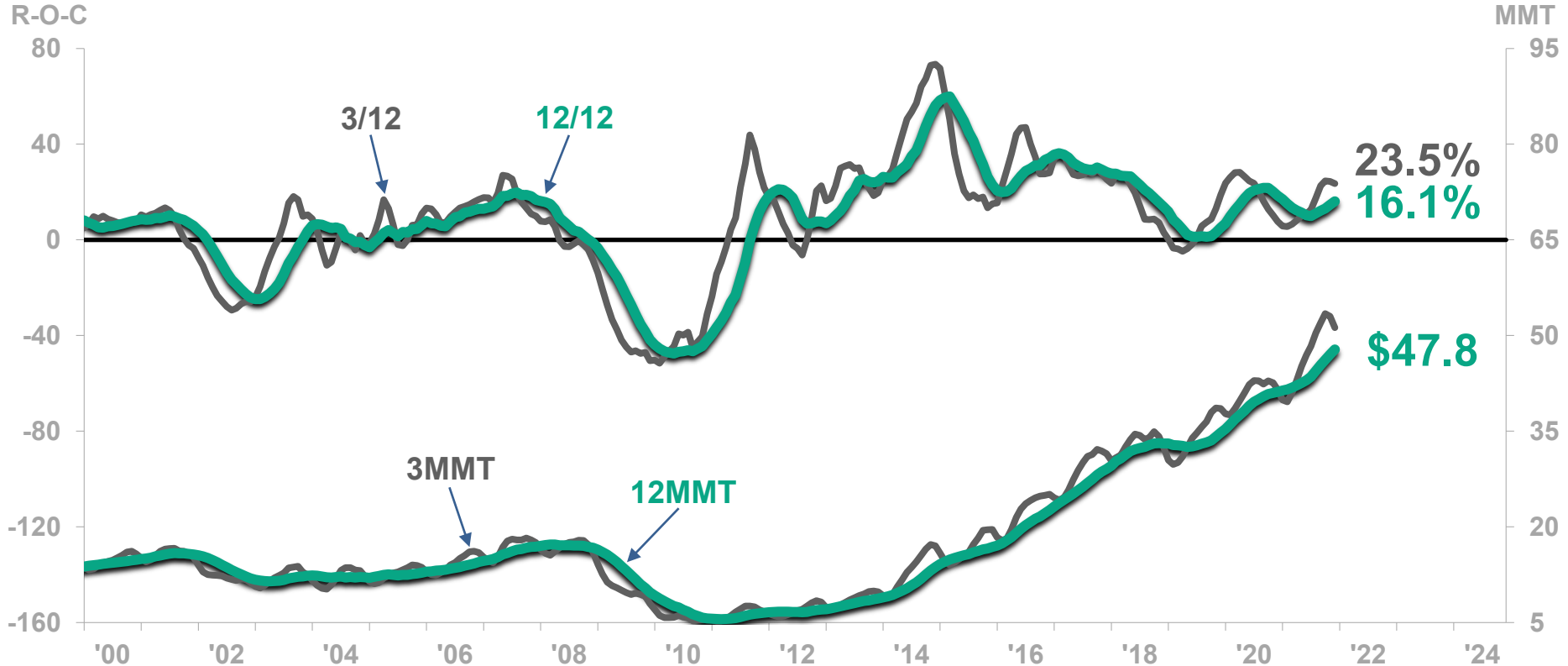


Expect Ongoing Strong Ascent

Source: Census Bureau

US Warehouse Buildings Construction

Billions of Dollars



Strong Rise in 2022 Indicated

Source: US Census Bureau

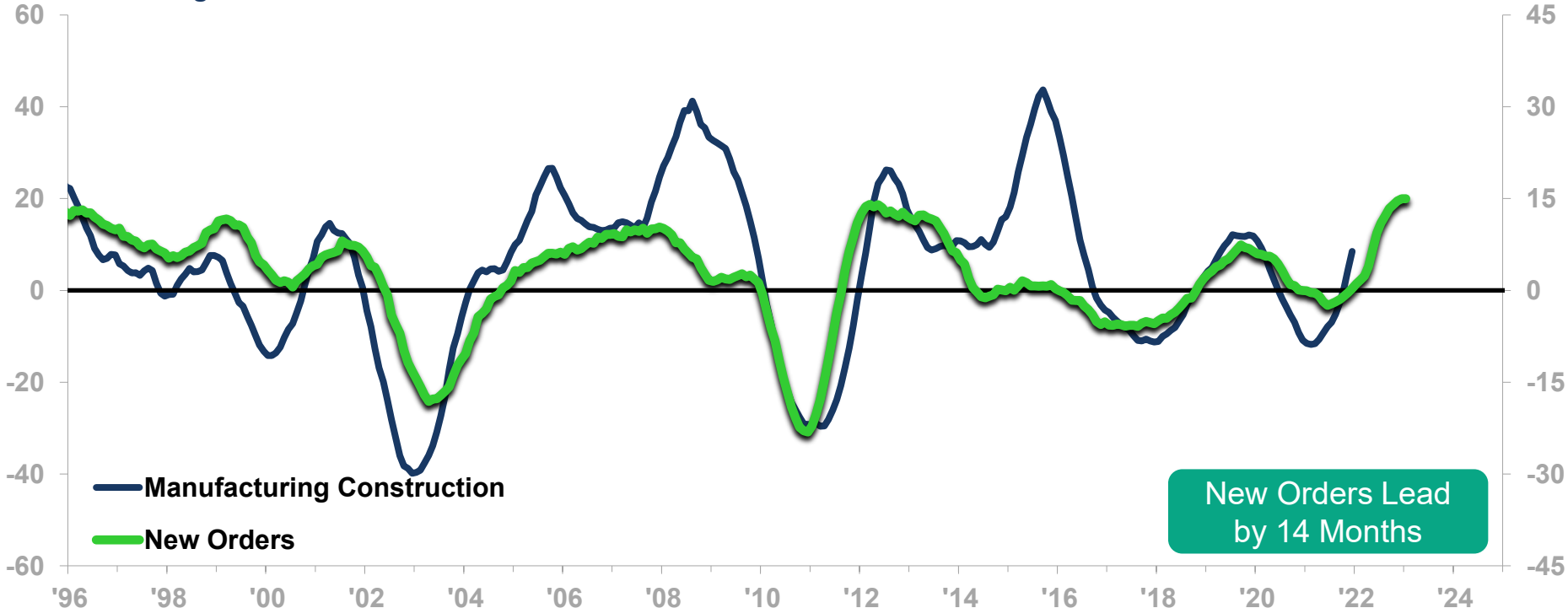
US Private Manufacturing Construction to US Nondefense Capital Goods New Orders (excluding aircraft)

12/12 Rates-of-Change



Manufacturing Construction

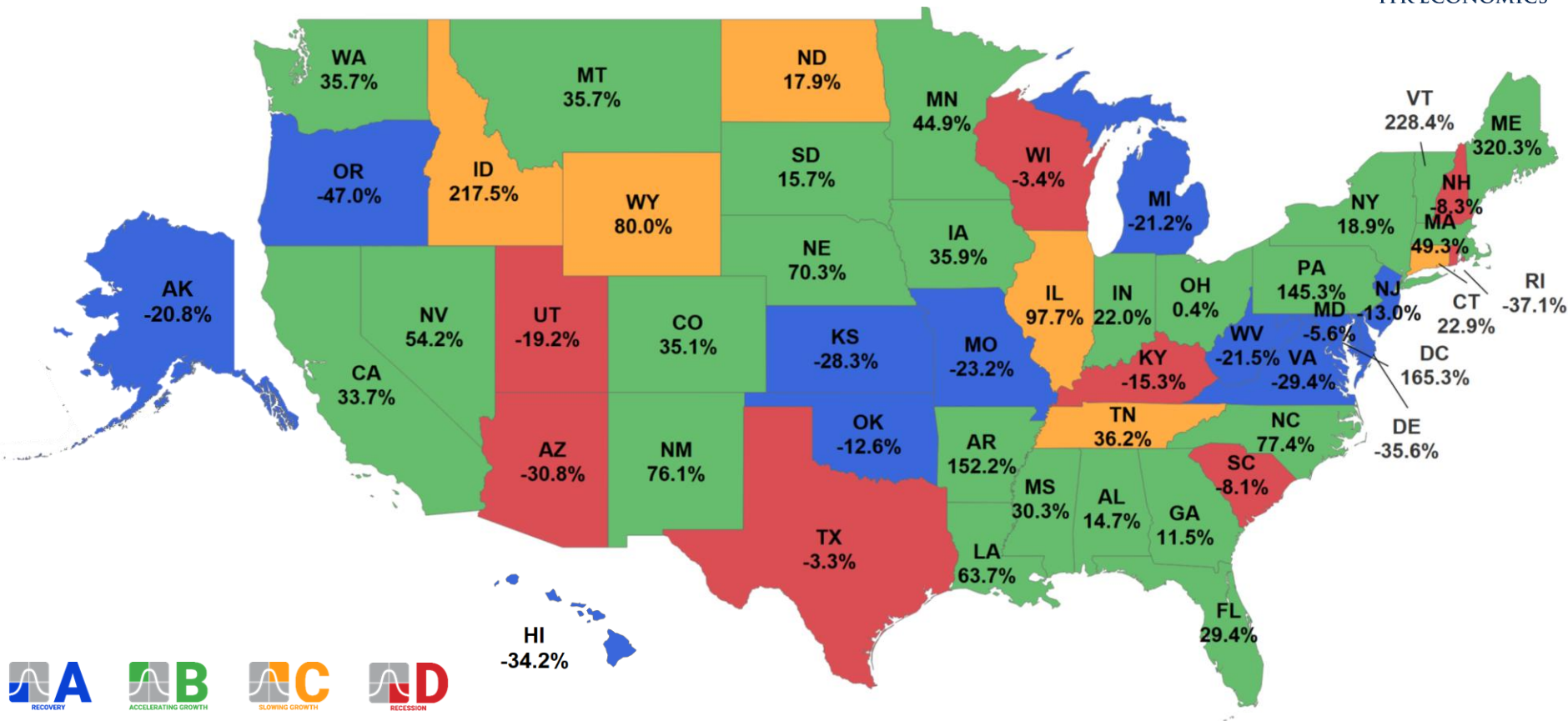
New Orders



US Commercial Construction Renovations by State

Source: ConstructConnect

12/12 Rates-of-Change





People



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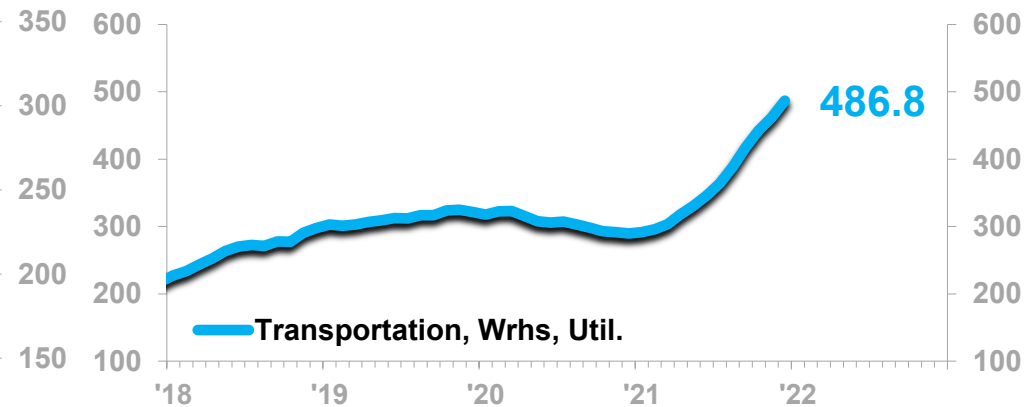
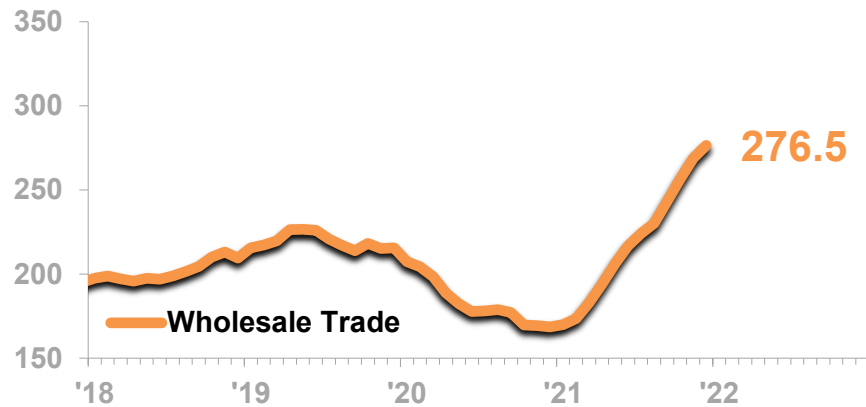
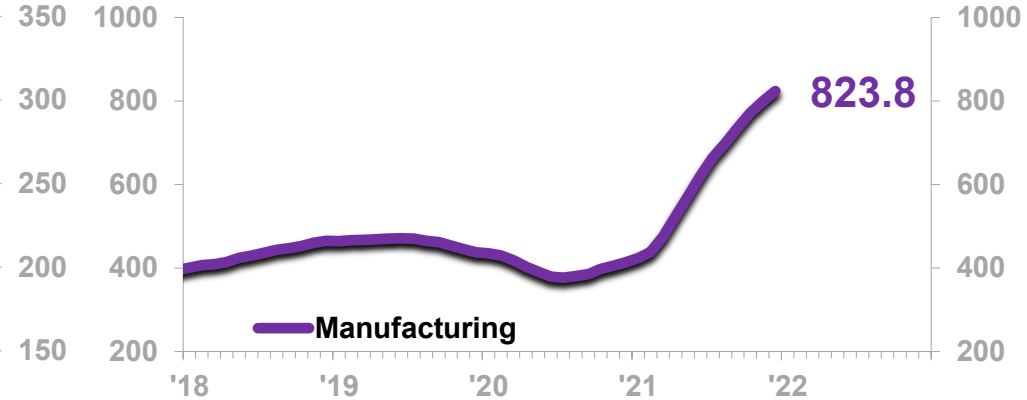
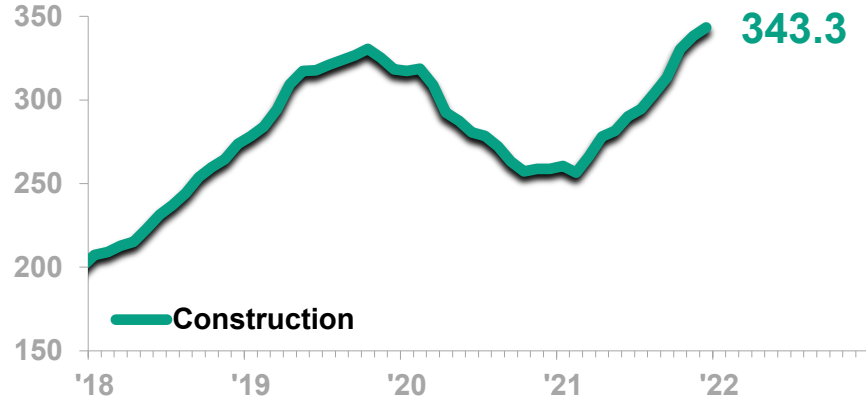
Labor Shortage Will Not End Anytime Soon

Source: Bureau of Labor Statistics



US Job Openings by Industry

12MMA in Thousands

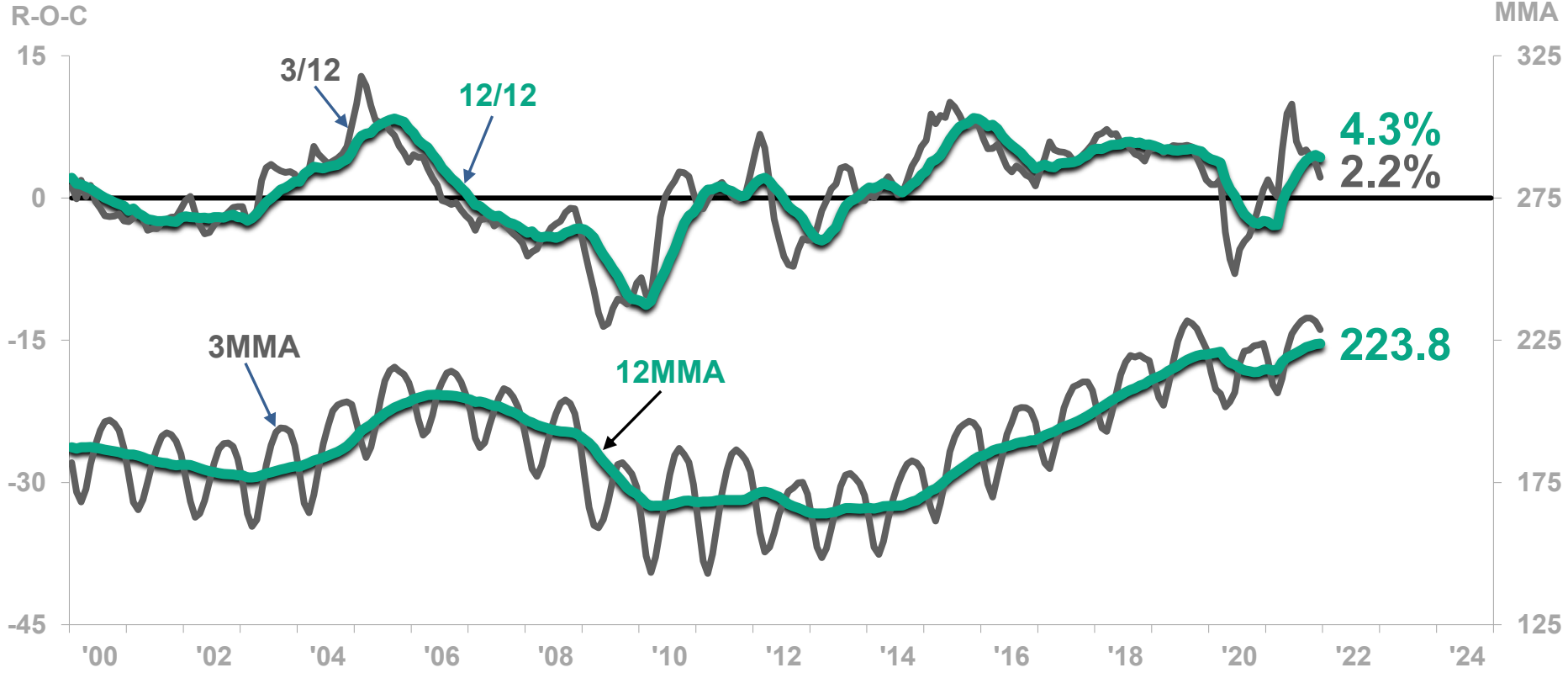


Employment Recovered But Is Below Trend

Source: Bureau of Labor Statistics

US Roofing Contractor Employment

Thousands of Workers



Post-COVID Results Are on Trend With Pre-Covid

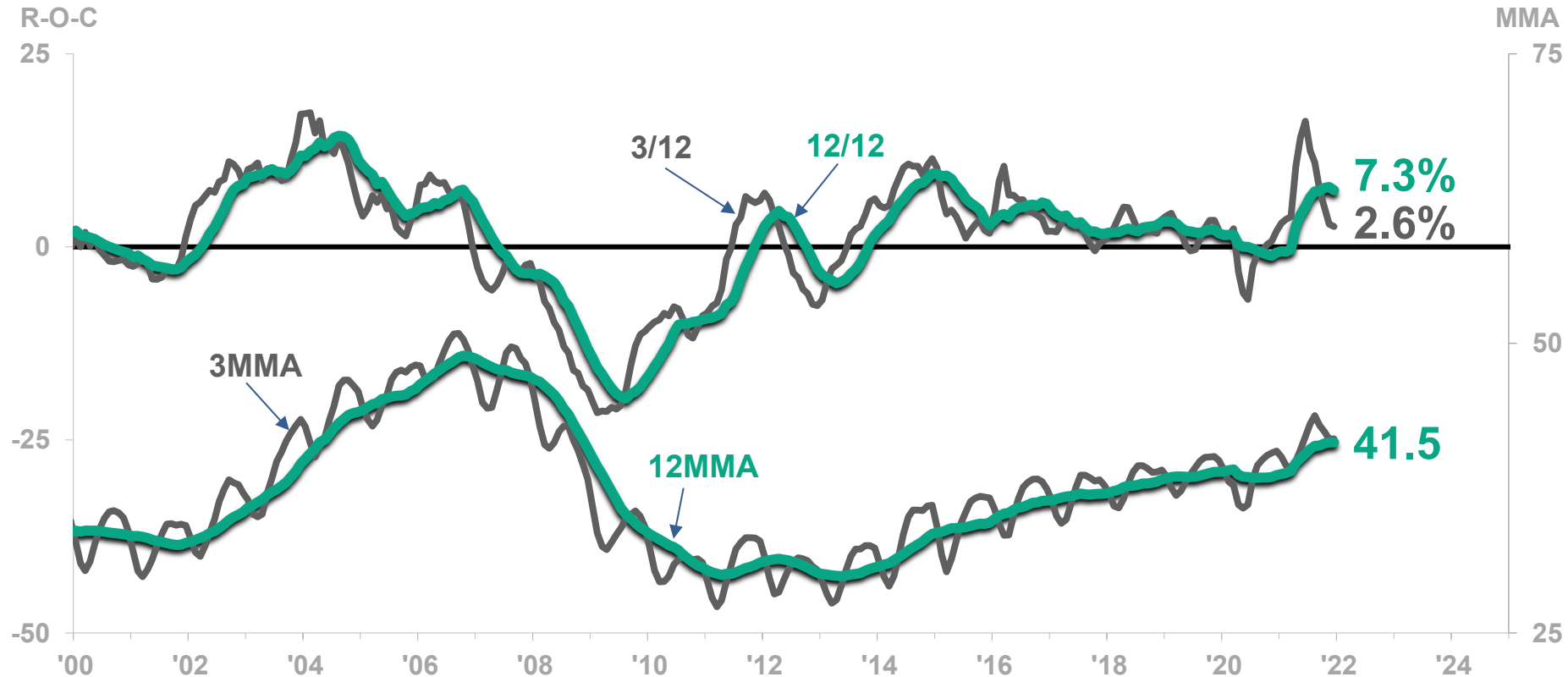
Source: Bureau of Labor Statistics

US Employment of Siding Contractors

Thousands of Workers



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An Easing in the Quit Rate Will Moderate Employment Costs

Source: BLS

US Employment Cost Index to US Quit Rate

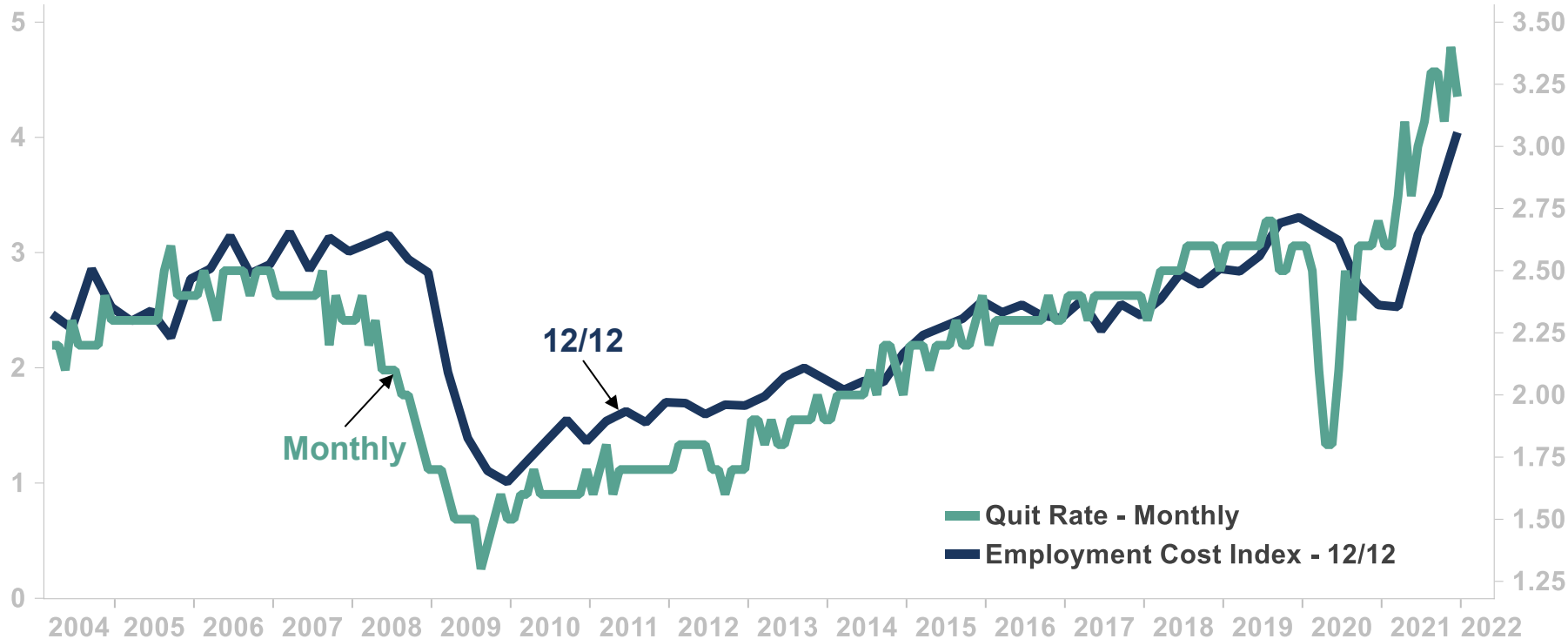
Index: 12/12 Rate-of-Change, Quit Rate: Percent



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Cost Index

Quit Rate



Confirmation That a Quit Rate High is Looming for 2022

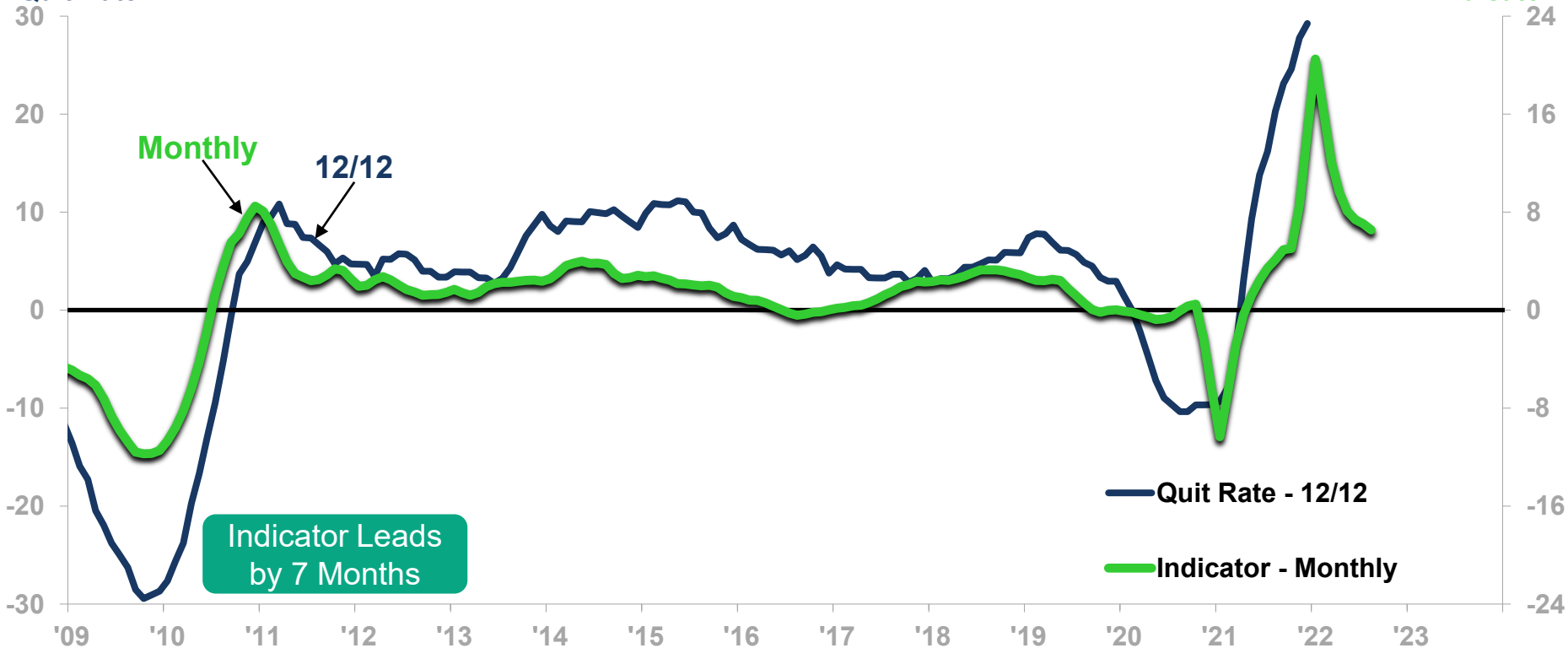
Sources: BLS, ITR Economics

US Nonfarm Quit Rate to ITR Leading Indicator™



Rates-of-Change

Quit Rate



Indicator Leads by 7 Months

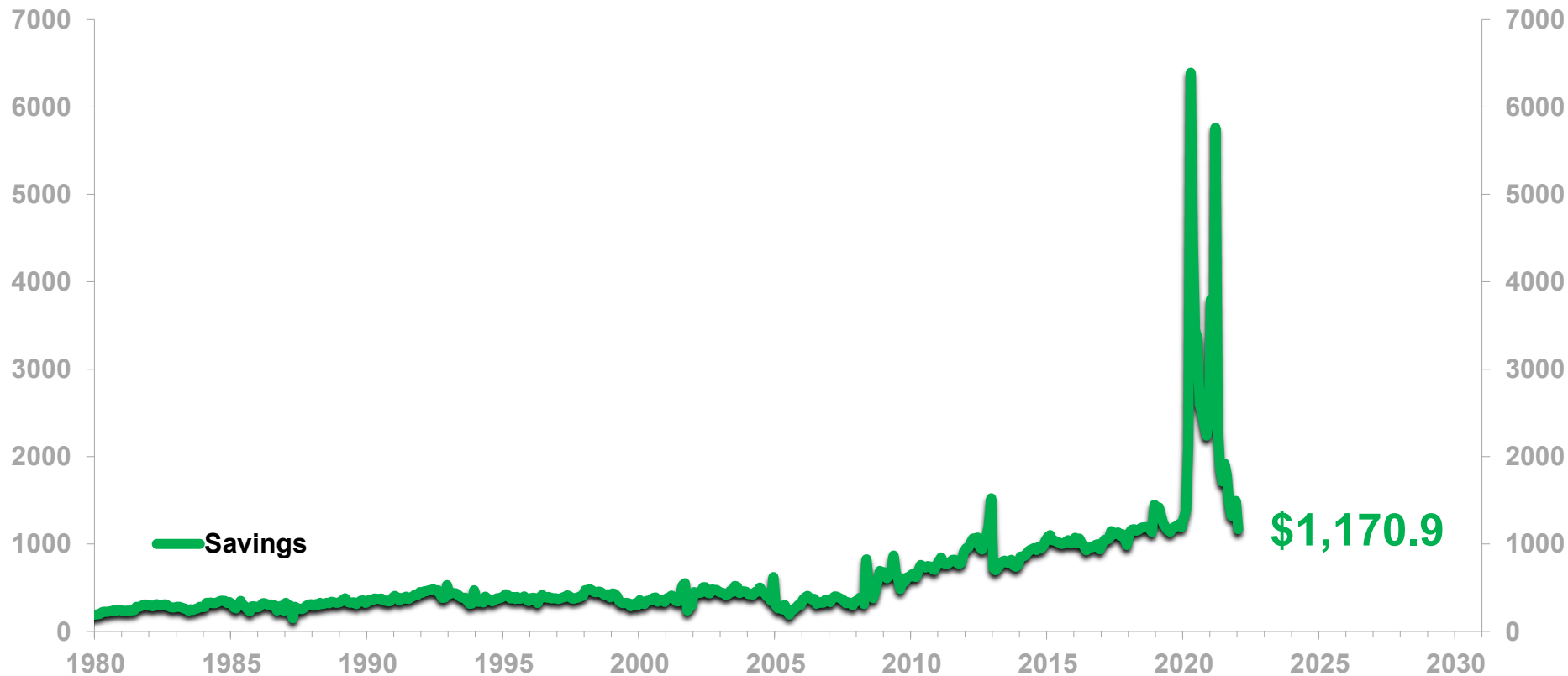
Quit Rate - 12/12
Indicator - Monthly

Savings Are Drawn Down to Normal Levels

Source: BEA

US Personal Savings

Billions of Dollars



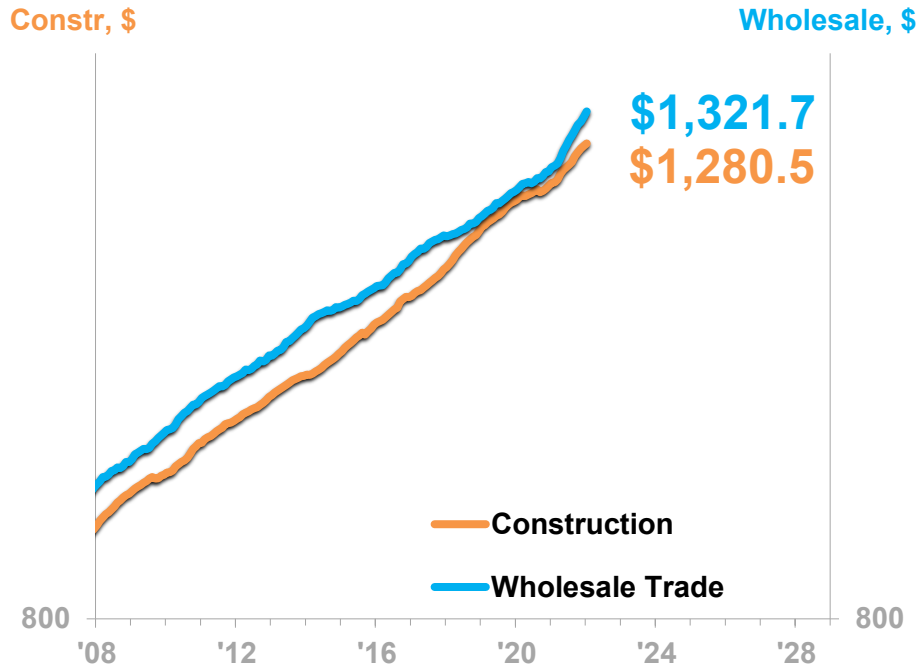
Ongoing Rise in Wages (nominal \$)

Source: BLS

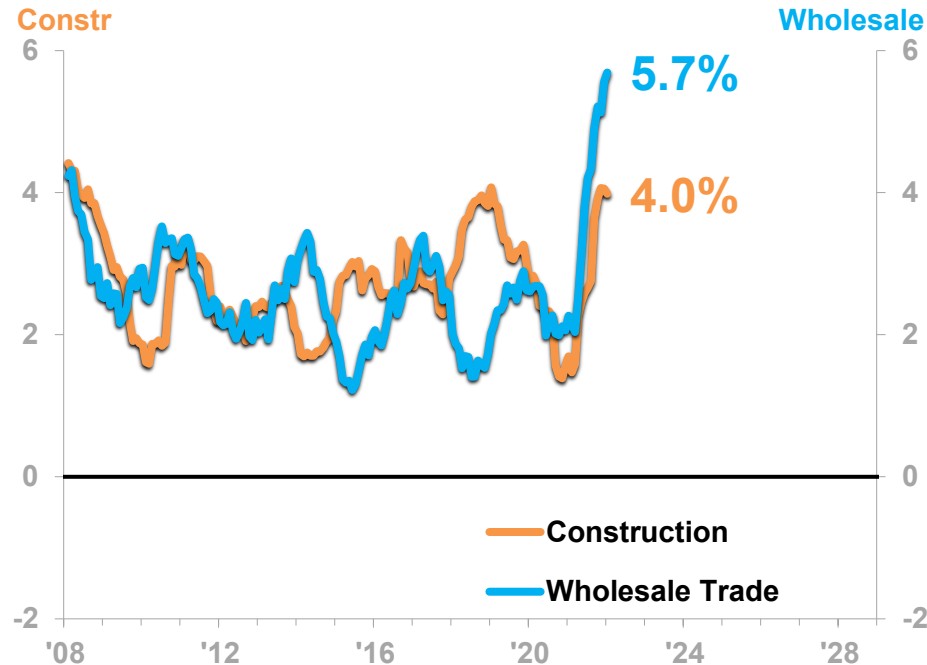
US Average Weekly Earnings of Construction Workers and Wholesale Trade Workers



Annual Data Trends



12/12 Rates-of-Change



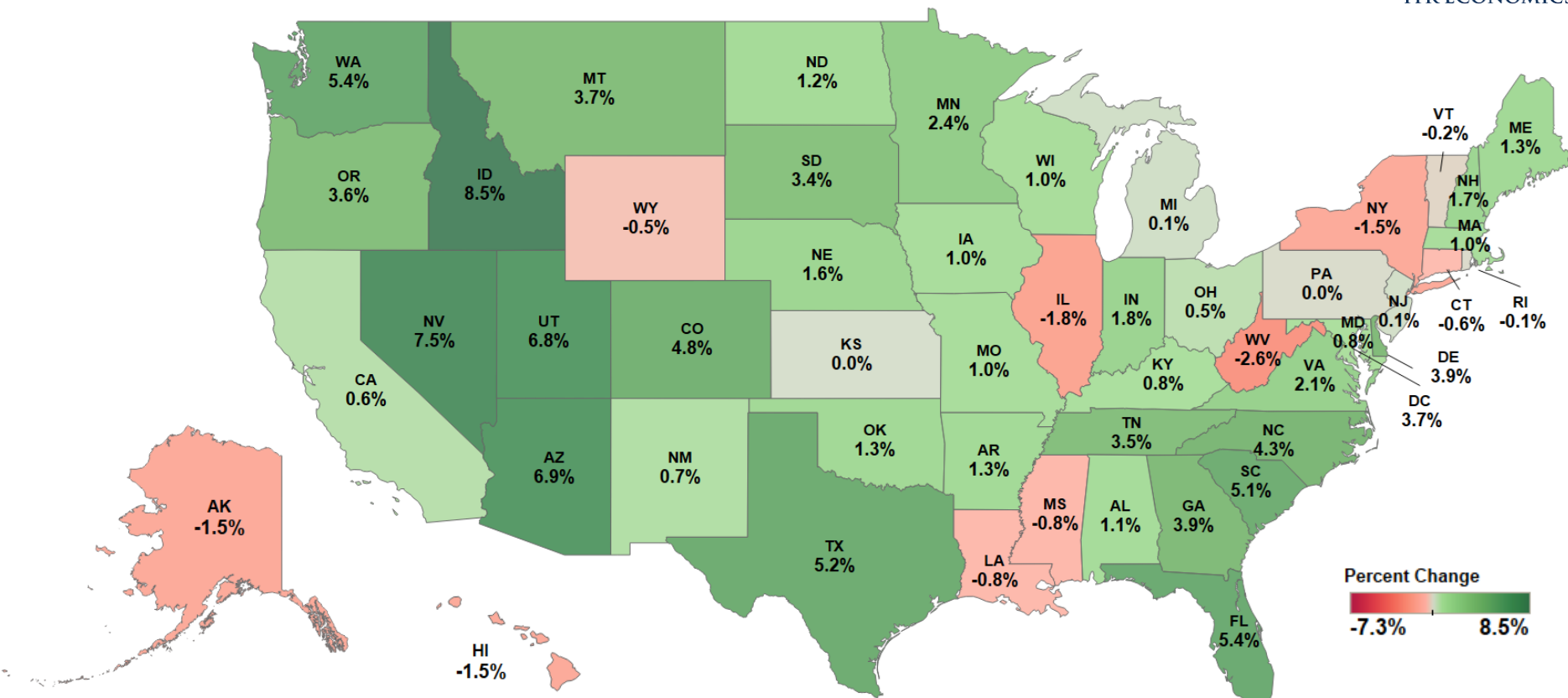
State Population Growth 2016 to 2020: Pick Wisely

Source: US Census Bureau

Population Growth 2016 – 2020, Percent Change



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-  Employees have the power
-  Culture and retention are key
-  Not all states offer the same growth opportunities

Next Steps

Are your employees aware of your philanthropy?

Opportunities for skills growth and advancement are critical.



Other Pricing Pressures



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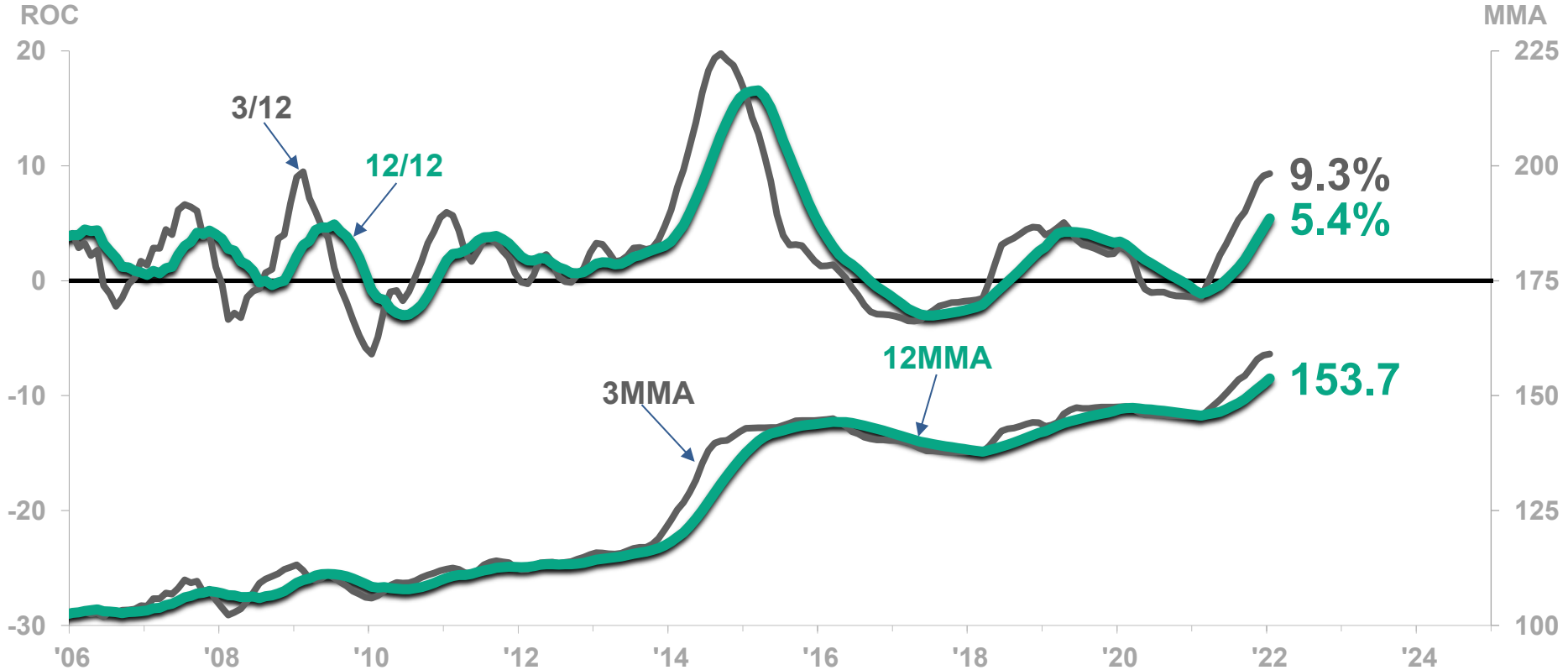
Rising Trend Will Moderate Over 2022

Source: BLS

US Wood Ties, Siding, Shingles and Shakes Producer Price Index



2003 = 100

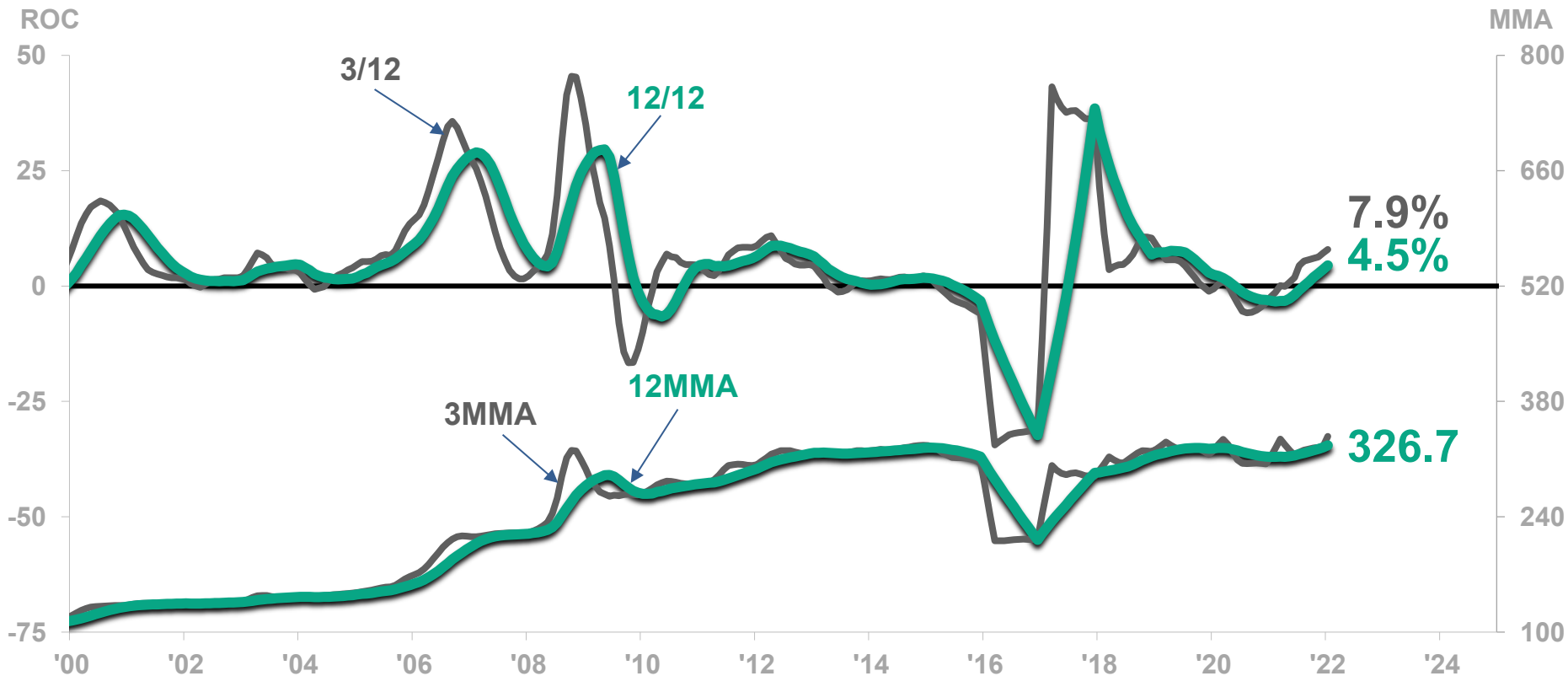


Surprisingly Low Given WTI Prices

Source: BLS

US Producer Price Index For Asphalt

1982 = 100



Index Signaling Oil Prices Moderate in the Future

Sources: EIA, OECD

US Crude Oil Spot Prices to US Business Confidence Index



Rates-of-Change



Oil Prices Will Tend to Follow the Exchange Rate

Sources: EIA, WSJ

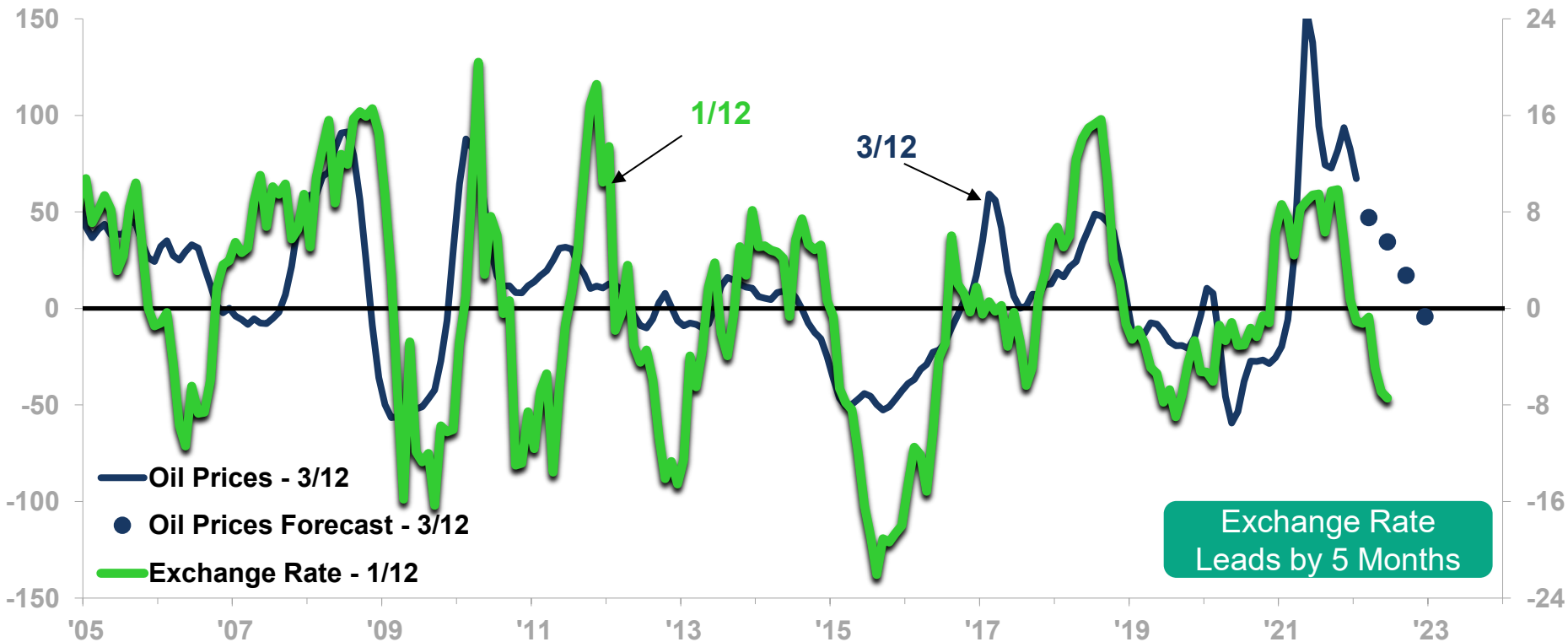
US Crude Oil Spot Prices to Euro to US Dollar Exchange Rate



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Rates-of-Change

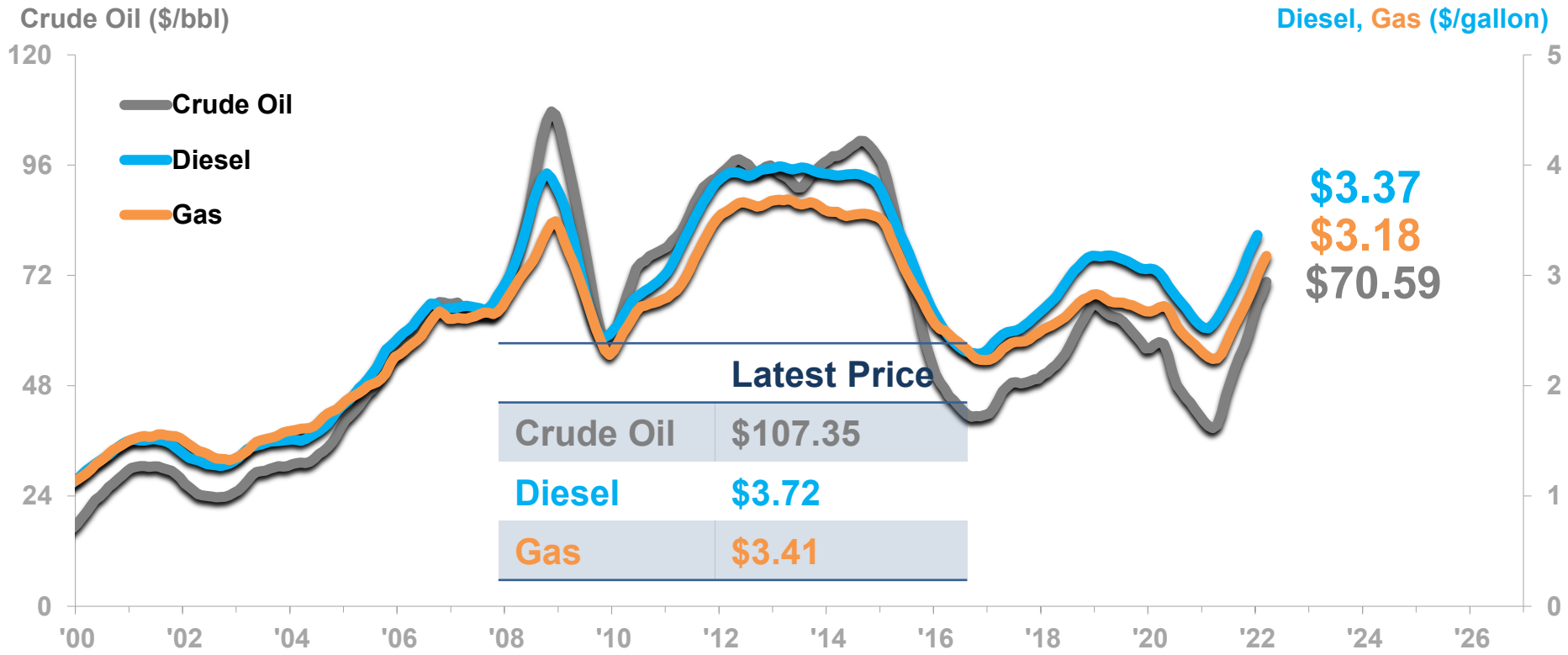
Oil Prices





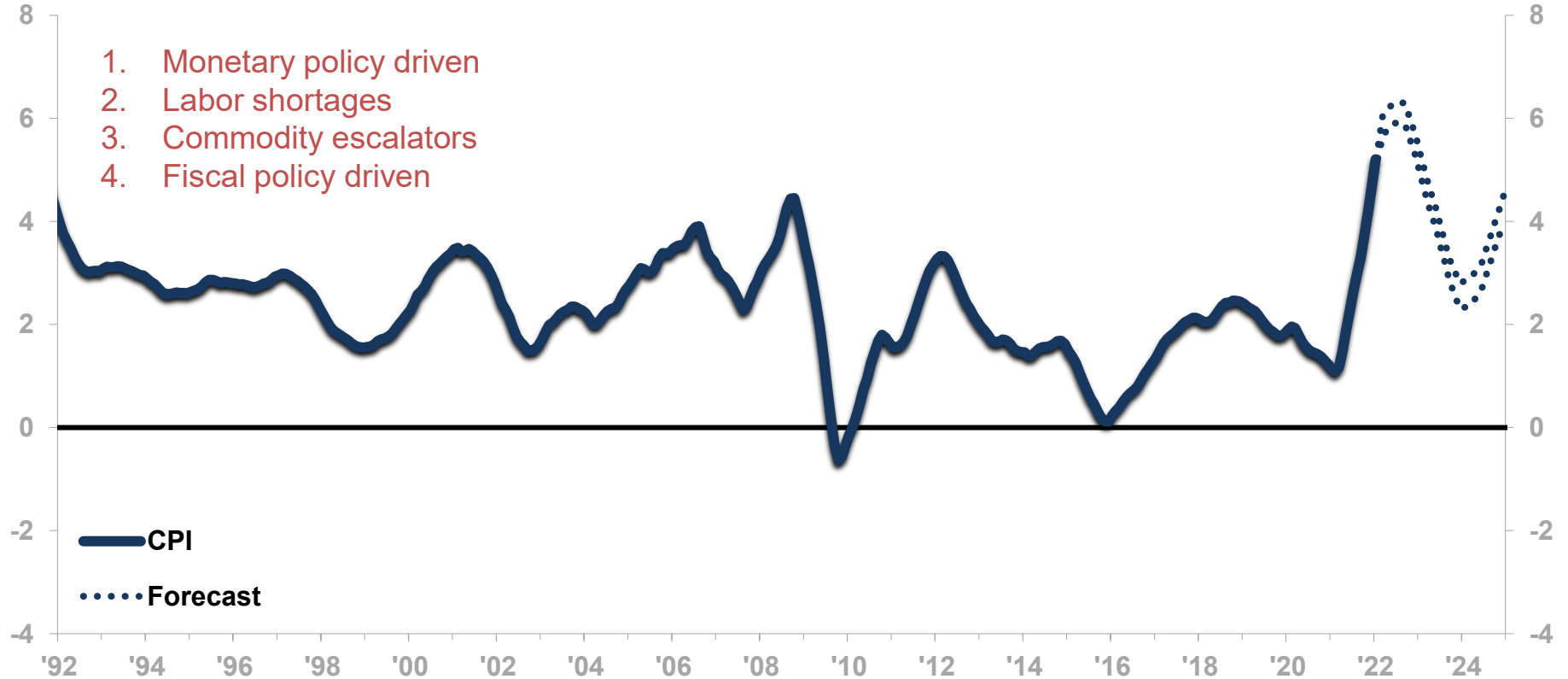
US Crude Oil Spot Prices to US Retail On-Highway Gas Price to US Retail On-Highway Diesel Price

Annual Trends: US Dollars



US Consumer Price Index

12/12 Rate-of-Change





Financial Markets



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US Government Long-Term Bond Yields

Raw Data, Percent



as seen in
ITR Economics'
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Make Your Move

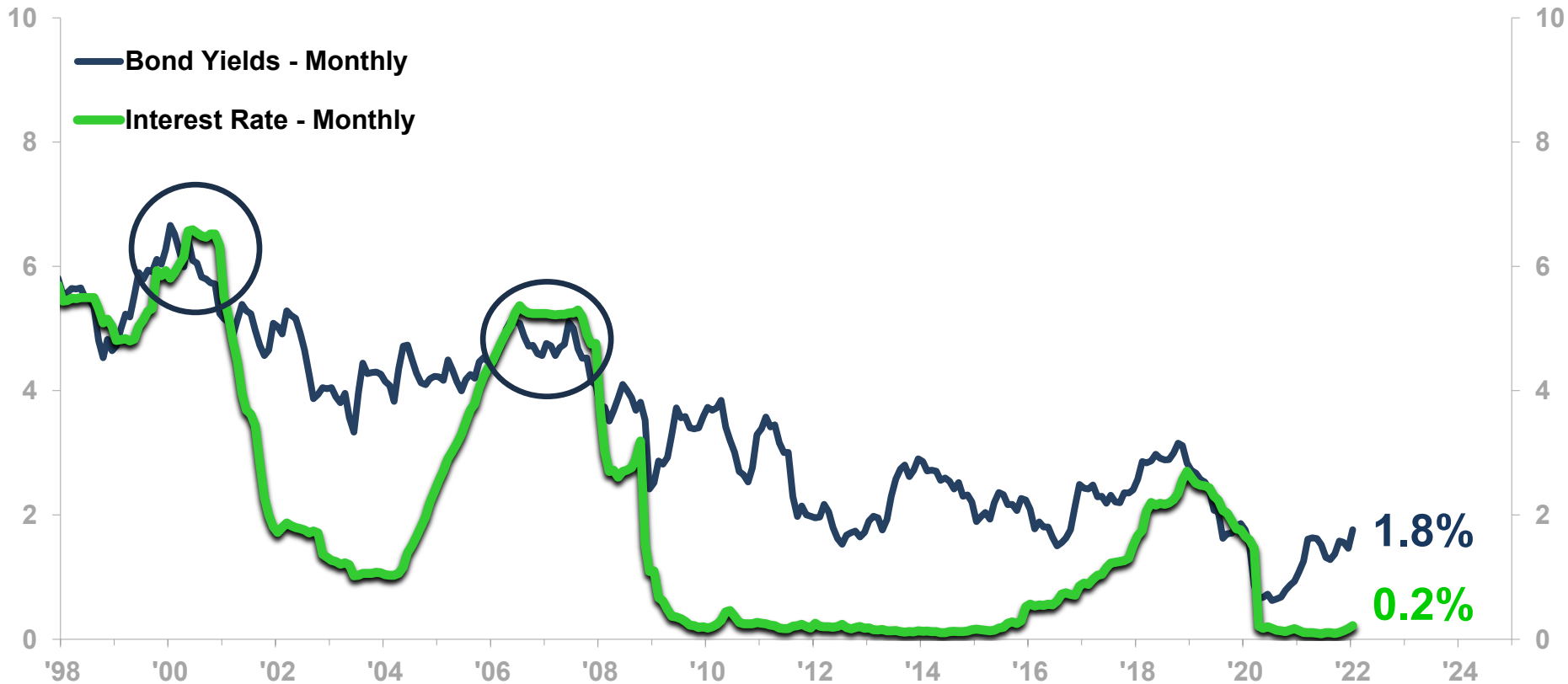
1. Make acquisitions
2. Invest in your processes – efficiency gains, supply chain
3. Practices don't appear to be interest rate sensitive

No Threat Indicated by the Yield Curve

Source: FRB

US Government Long-Term Bond Yields to US Short-Term Interest Rates (90-day)

Raw Data: Percent



Stock Market Adversity is an Economic Risk

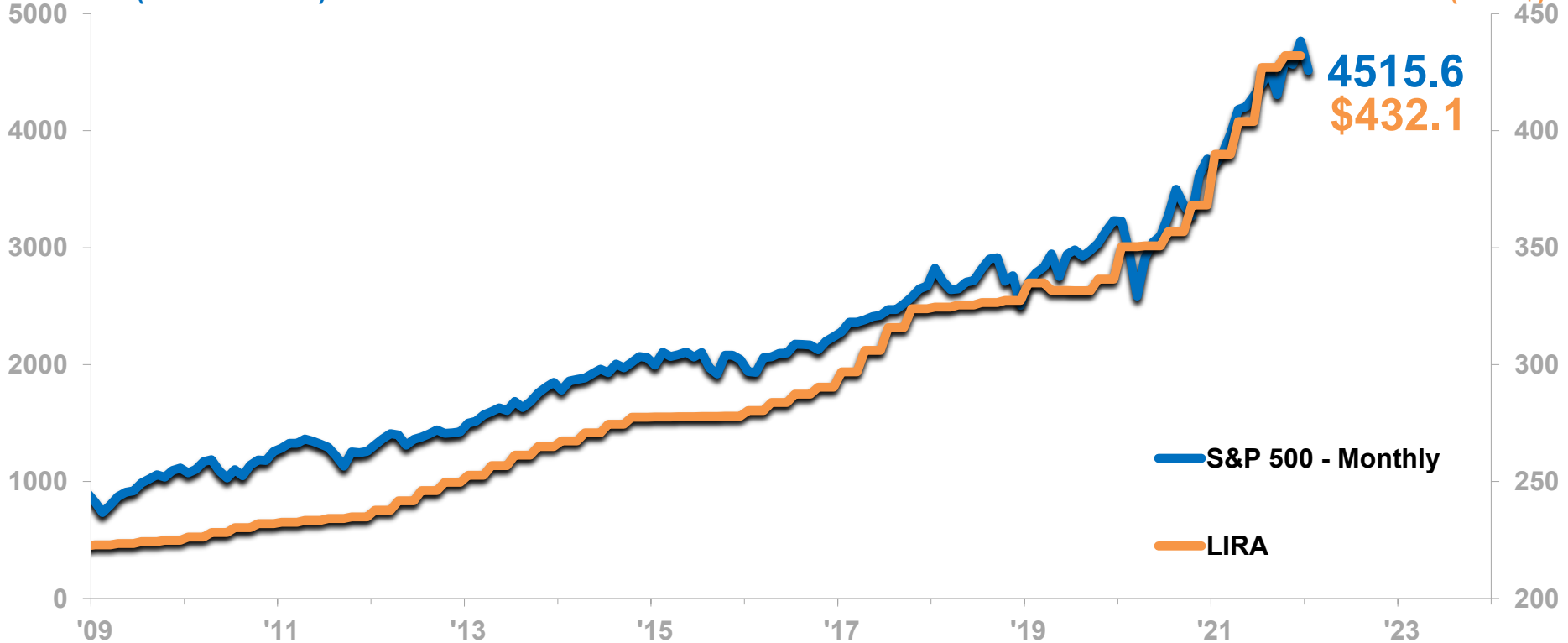
Sources: WSJ, Harvard US Leading Indicator of Remodeling Activity



US S&P 500 Stock Prices Index to Harvard US Leading Indicator of Remodeling Activity

Raw Data

S&P 500 (1941 - 43 = 10)



A Clear Signal of Downside Pressure on the S&P 500

Sources: WSJ,
ITR Economics

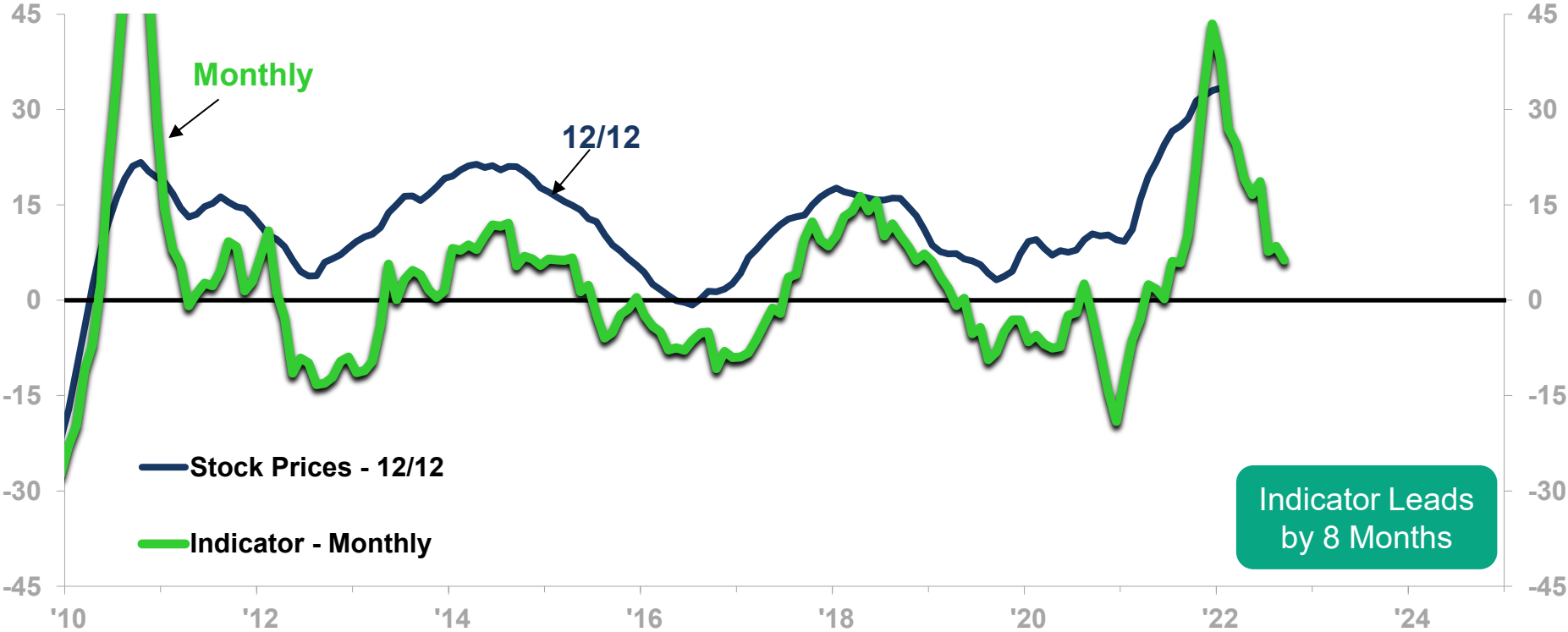


US S&P 500 Stock Prices Index to ITR Financial Leading Indicator™

Rates-of-Change

Stock Prices

Indicator



Increasingly Risk Laden

Sources: Wall Street Journal, Bureau of Economic Analysis



US Stock Prices Index to US Domestic Corporate Profits with Capital Consumption Adjustments

Data Trends

SP5

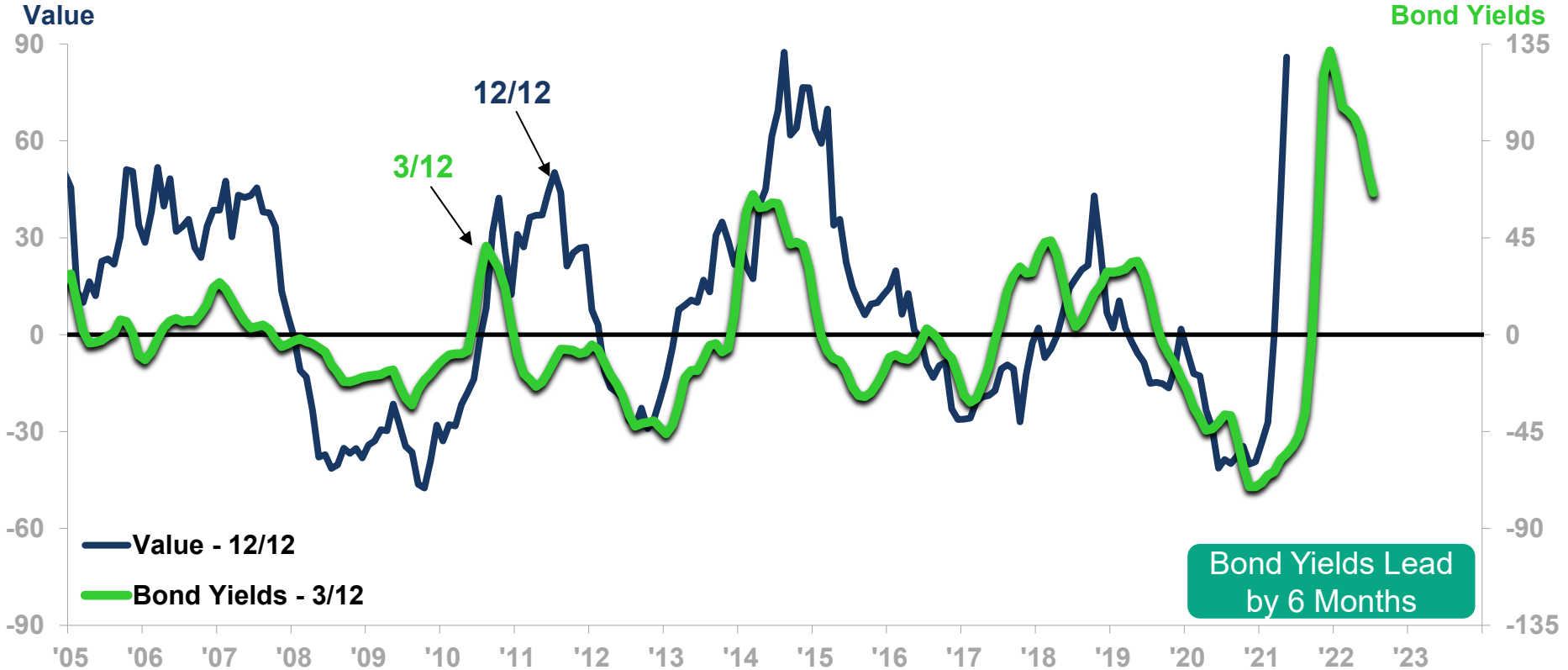




Total Value Poised to Rise But...Multiples....

Sources: IMAA, FRB

Total Value of US Mergers and Acquisitions to US Government Long-Term Bond Yields

Rates-of-Change



-  Higher inflation/interest rates will compress multiples
-  Optimizer Leading Indicator, M2, & Margin Debt signal caution regarding S&P 500
-  Caution does not mean exit the market; continue to build wealth but the strategies will change

Next Steps

Know and expound upon your competitive advantages

Stay engaged but seek safe sectors.



TAKE ACTION



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- **We are entering Phase C of the business cycle.**
- **Slowing rate of rise ahead with opportunities to distress the supply chain.**

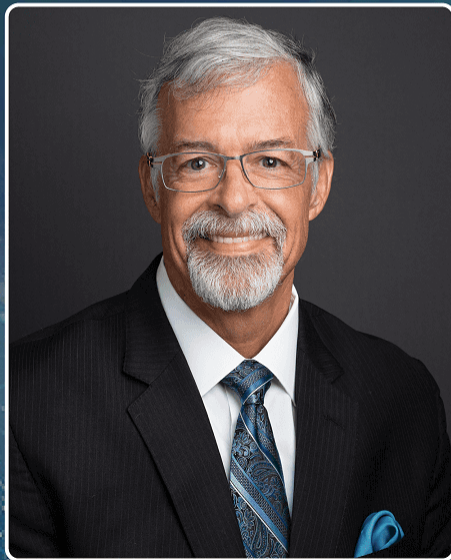
- **Recession not probable 2022-23**
- **That is a future problem for us to contend with.**
- **Fight for margins to stay ahead of the inflation curve.**

- **Automate, retain people, be sincere in evaluating your culture.**
- **Use today's negative real interest rates to leverage 2023-24.**



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