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## *Align Resources for the Rise Ahead*

**Presented by ITR Economics  
Senior Forecaster & Senior  
Economic Consulting Speaker  
Connor Lokar**

	Duration	Accuracy
US GDP (Sep 2024 data)	12	99.2%
US Ind. Production	19	96.5%
Europe Ind. Production (Nov 2024)	18	99.4%
Canada Ind. Production (Oct 2024)	10	99.7%
China Ind. Production (Nov 2024)	25	96.6%
Retail Sales	26	95.6%
Housing - Single Family	11	99.7%
Employment-Private Sector	11	99.7%

***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.

# Planning For Growth in 2025 & 2026

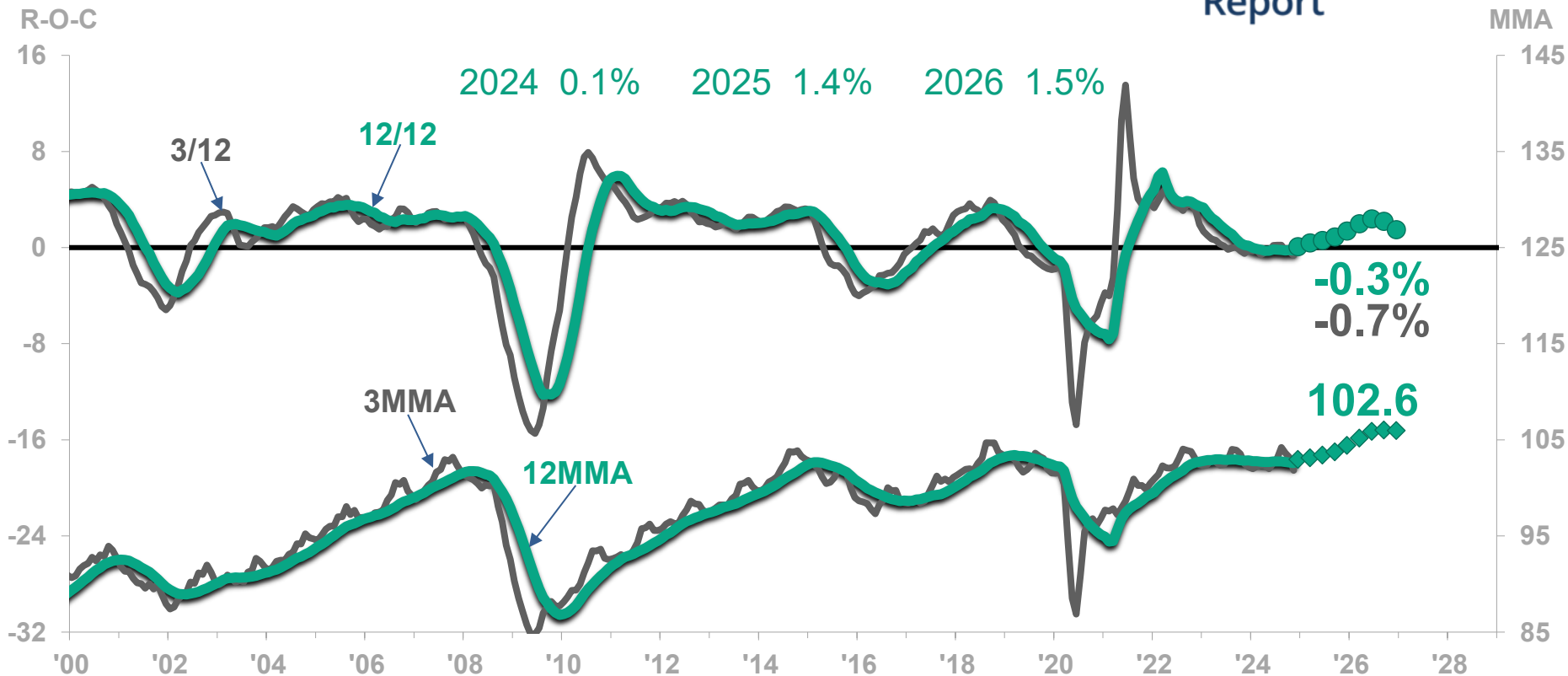
Source: FRB

## US Industrial Production Index

2017 = 100

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

  
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# *Global Forces*

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# Production in Key Economies:

Sources: Japan METI, Statistics Canada, Eurostat,  
ITR Economics, India Central Statistics Office,  
Mexico National Institute of Statistics and Geography

## International Industrial Production Indexes



	12/12	Phase	3/12	Phase	12MM Notes
Japan	-2.3%	A	-1.3%	A	Declining
Canada	0.5%	B	0.3%	B	Rising
Europe	-2.4%	A	-1.3%	D	Declining
Rest of Asia	0.5%	C	0.6%	B	Stalling
South America	-0.8%	A	1.9%	B	Rising
India	4.4%	B	4.0%	B	Rising
Mexico	0.5%	C	-1.3%	D	Declining

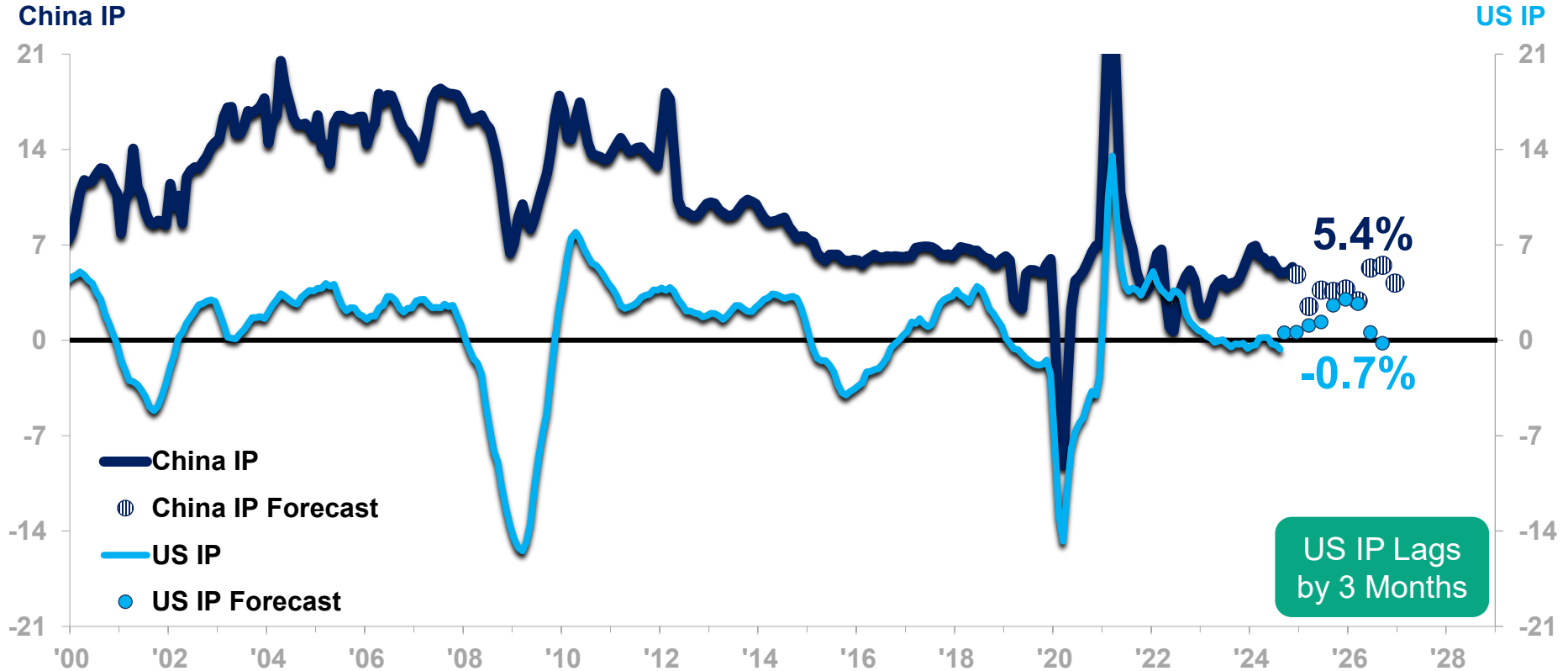


# China is Weakening and Will Continue to Weaken

Sources: China National Bureau of Statistics, FRB

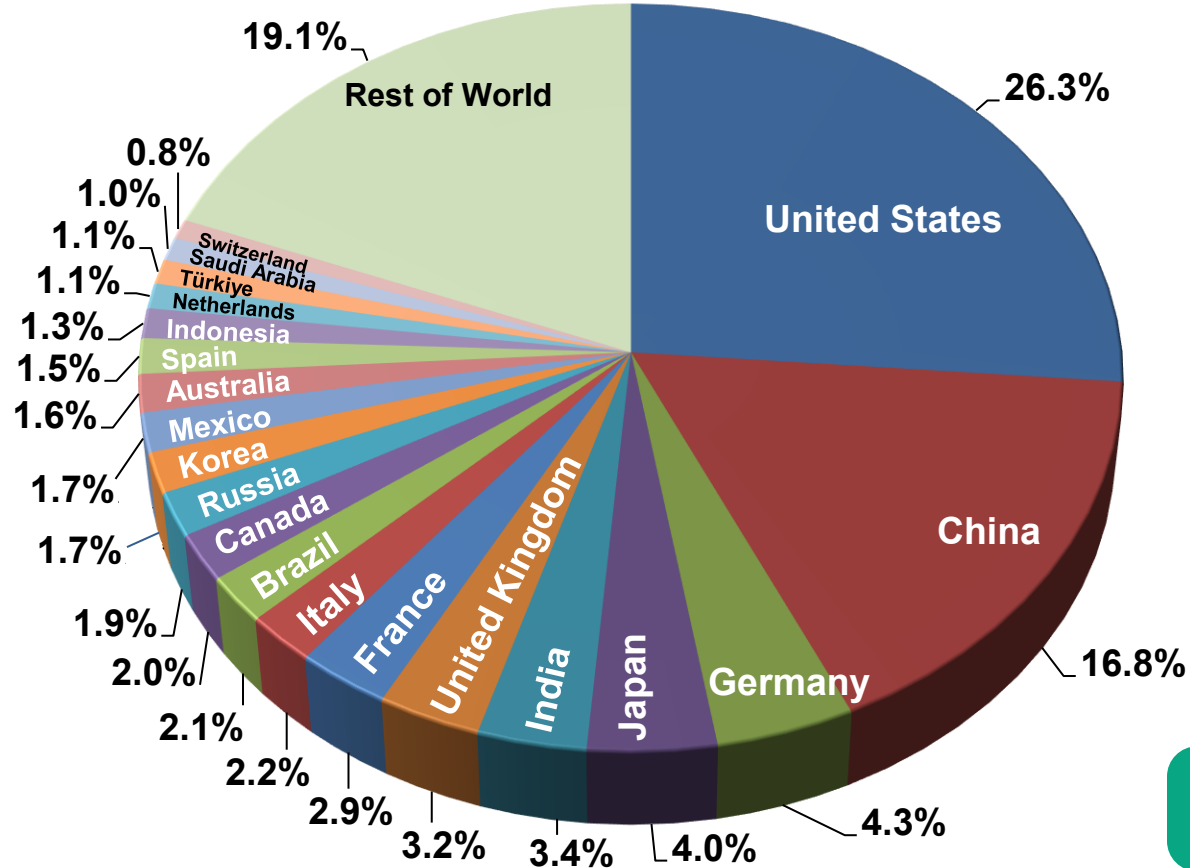
## China Industrial Production Index to US Industrial Production Index

3/12 Rates-of-Change



# Percent of World GDP by Country

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



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



**China is facing significant economic challenges compounded by demographic decline**



**Risks associated with financial ties to China are rising**



**USA is the #1 destination of foreign direct investment**

## *Next Steps*

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- **Nationalism brings opportunities for shorter supply chains**
- **It also brings inflation and potentially diminished export opportunities**



# ***Inflation & Interest Rates***



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# Some Costs Are Down, But Power & Labor Are Not

Sources: BLS, US Census Bureau

Indicator	12/12	Phase	3/12	Phase
Truck Transportation PPI	-1.7%	A	-1.5%	D
Unlaminated Vinyl	-1.6%	A	2.6%	B
New Homes Prices	-3.1%	A	-2.1%	D
Asphalt PPI	2.6%	B	2.1%	C
Electric Power	2.5%	C	1.6%	C
Construction Materials PPI	1.1%	B	1.1%	B
Wholesale Trade – Durables, Earnings	3.4%	B	3.9%	B
Transportation Employment Cost Index	5.3%	B	5.6%	C

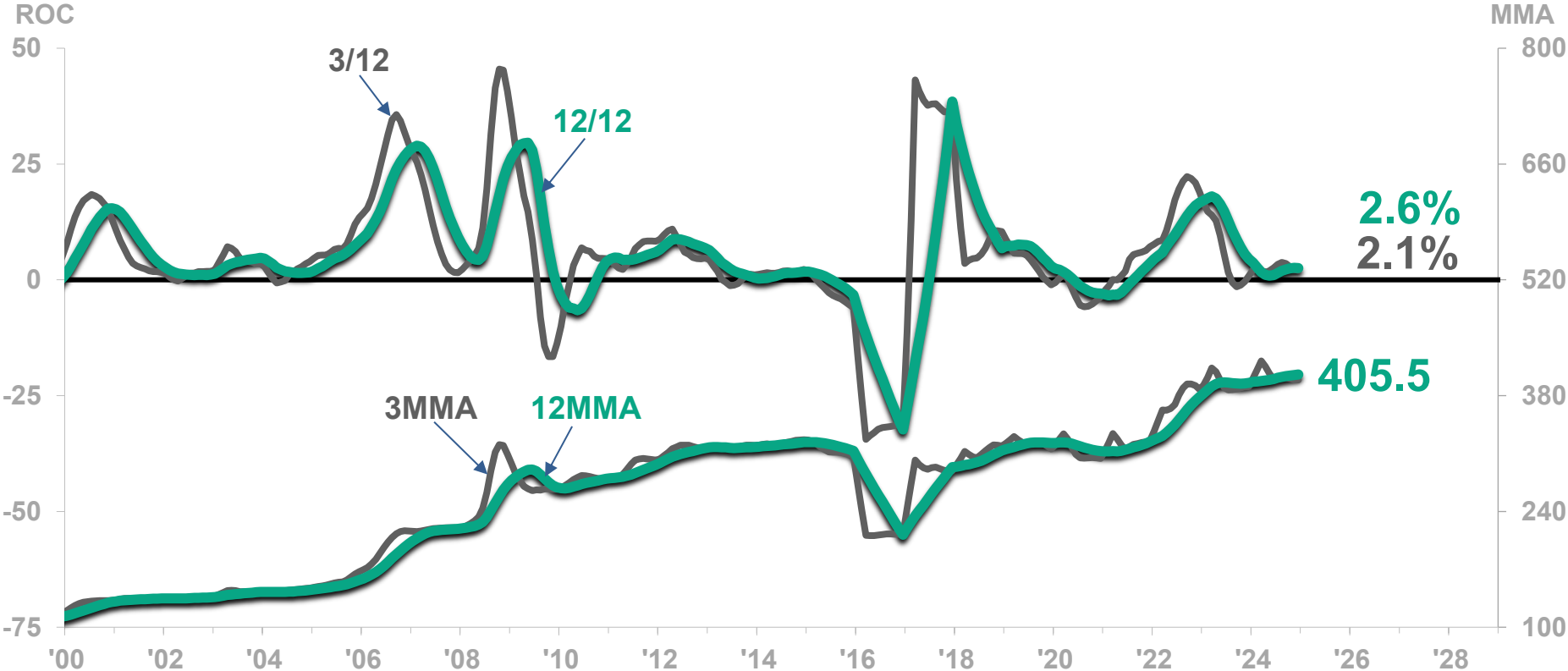


# Asphalt Pricing Rising In 2025

Source: BLS

## US Producer Price Index For Asphalt

1982 = 100

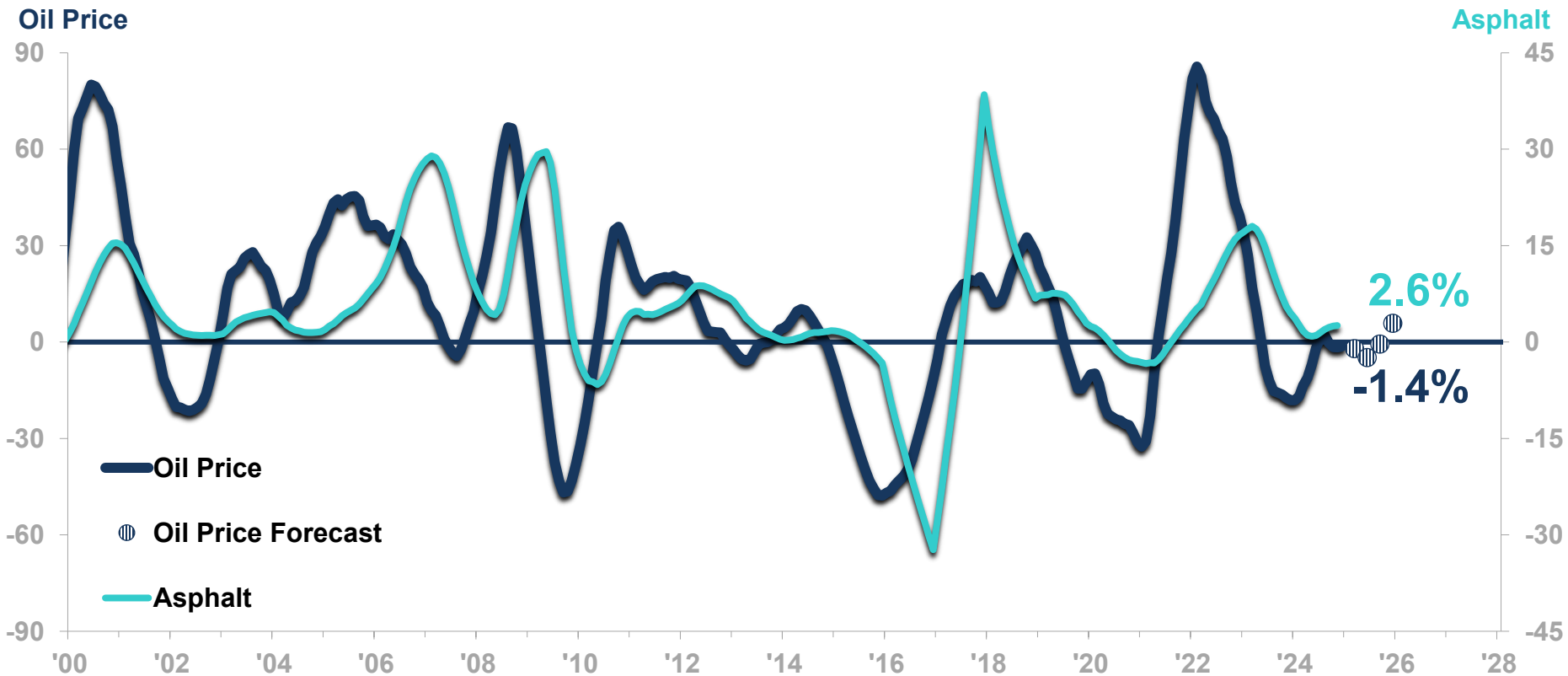


## US Crude Oil Spot Prices to US Asphalt Producer Price Index

12/12 Rates-of-Change



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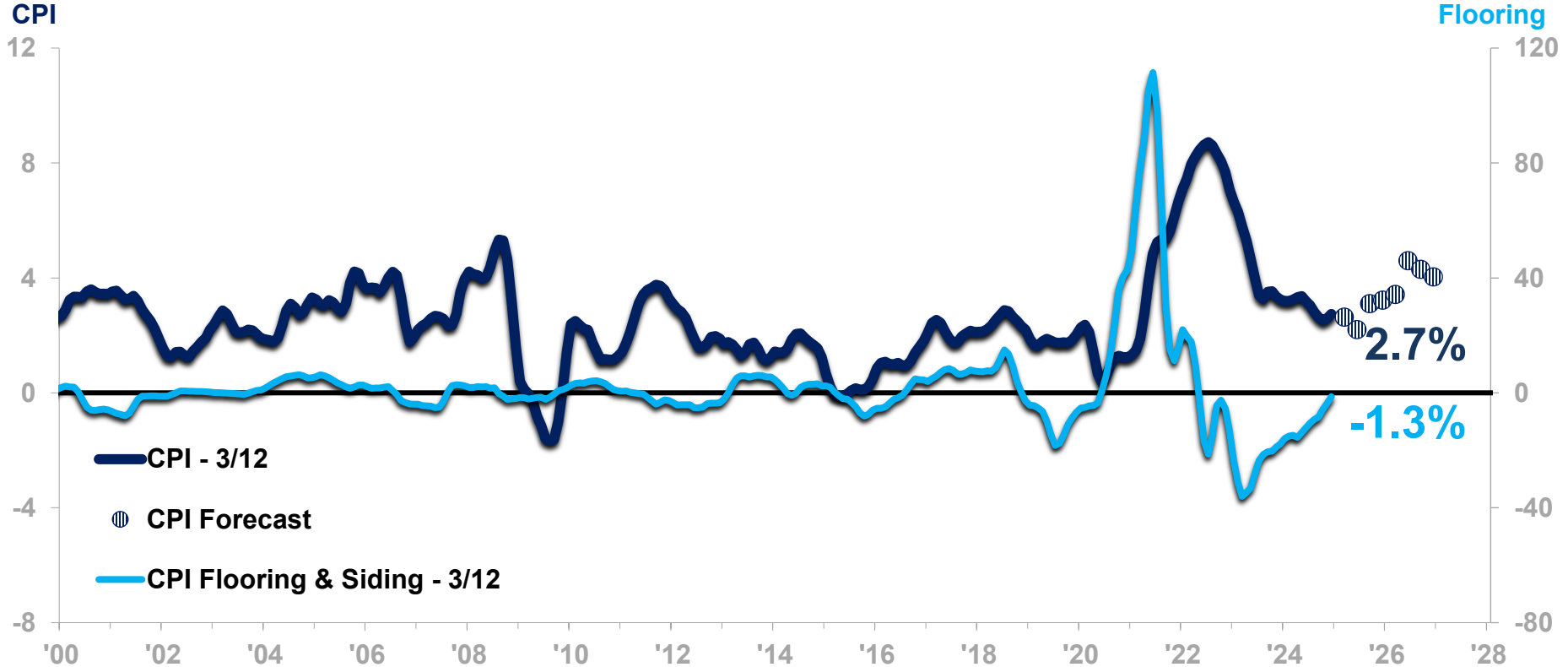


# Cyclical Rise Underway in Flooring & Siding Trend

Source: BLS

## US Consumer Price Index to US Flooring, Siding, and Cut Stock Producer Price Index

3/12 Rates-of-Change



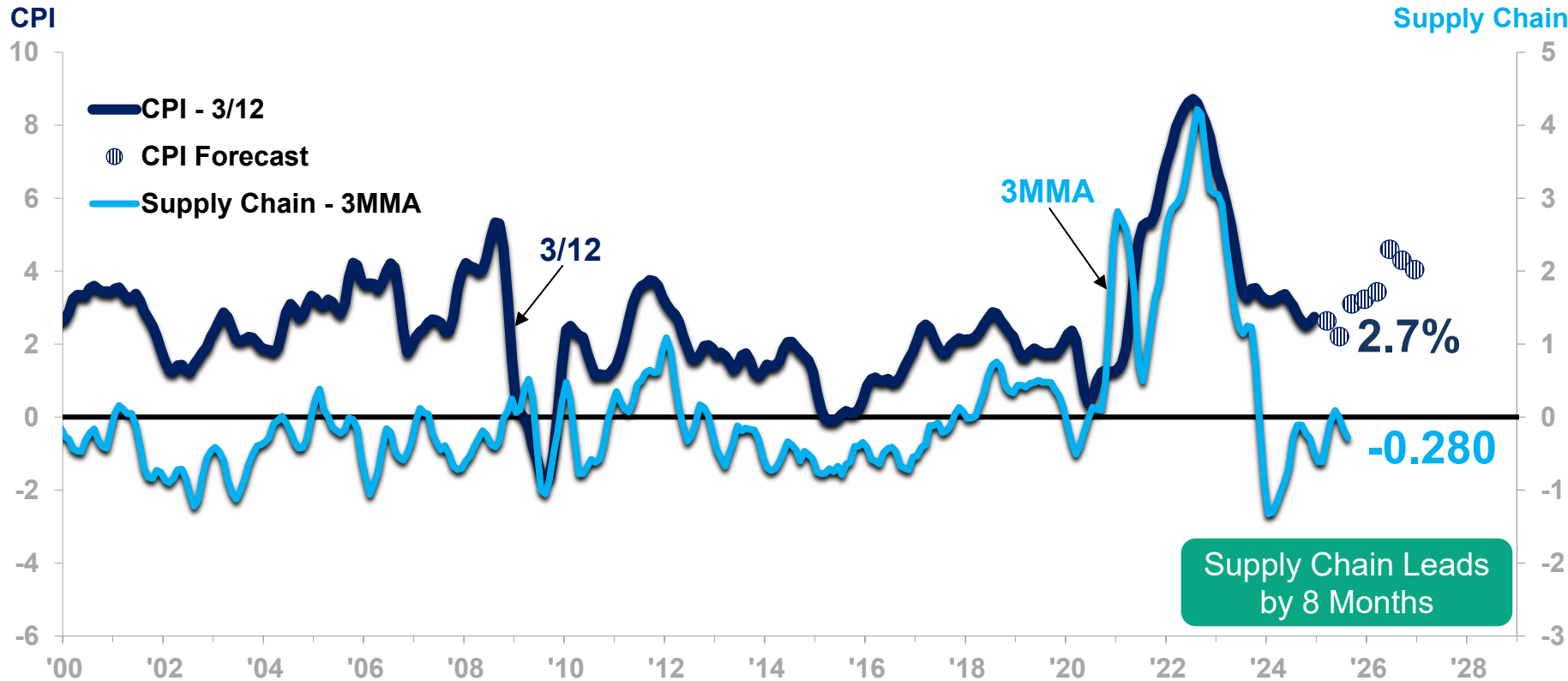
# Supply Chain Impact on Inflation Has Normalized

Sources:  
BLS, FRBNY



## US Consumer Price Index to Global Supply Chain Pressure Index

3/12 Rate-of-Change to Quarterly Data Trend

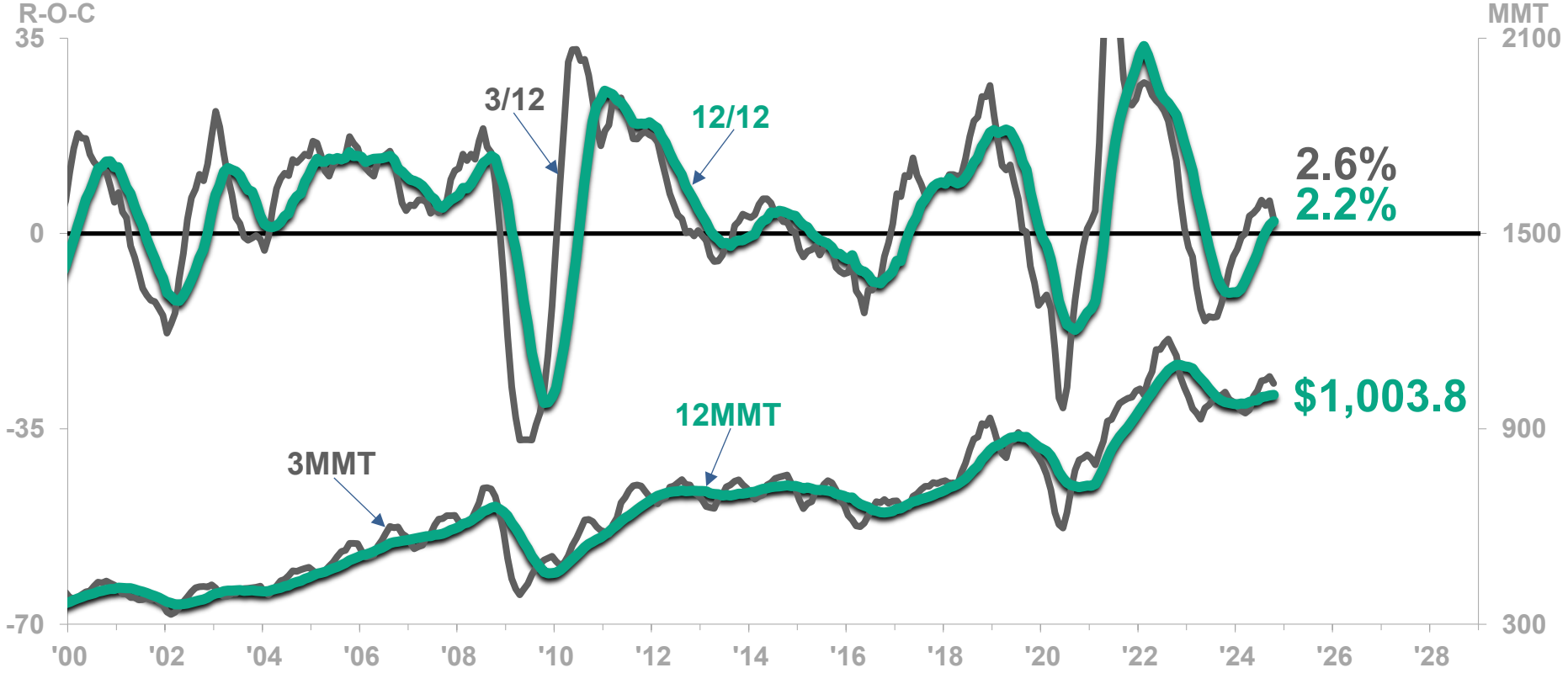


# Tariffs Are a Supply Chain & Inflation Variable to Watch

Source: USITC

## US Value of Imports Subject to Tariffs

Billions of Dollars

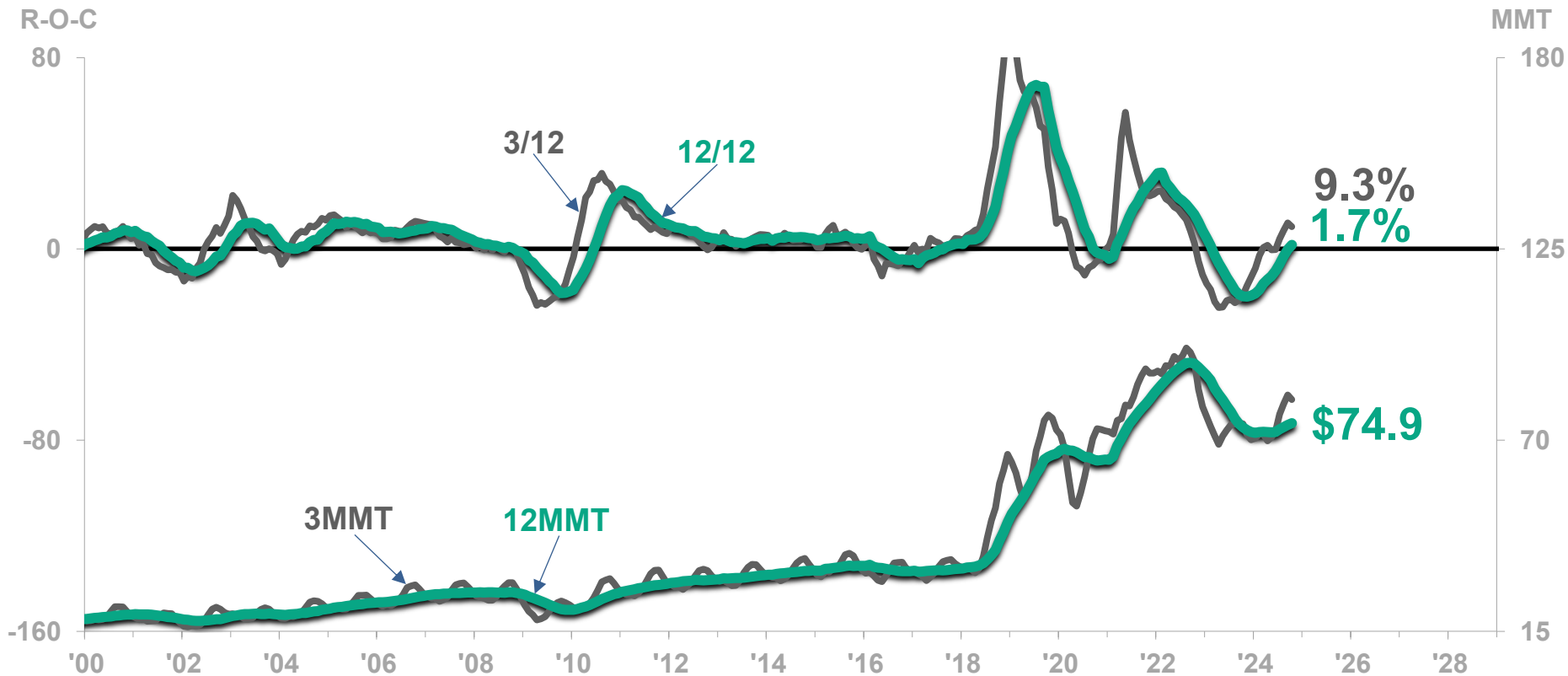


# Moving Back Into Phase B

Source: USITC

## US Value of Tariffs Collected on Imported Goods

Billions of Dollars



# Disinflation in the Short Term; Rising Inflation Rates In 2H25

Source: BLS

## US Consumer Price Index to US Producer Price Index

3/12 Rates-of-Change



# Government Spending Sows Seeds of Future Inflation

Sources: BLS, White House  
Office of Management and Budget

## US Consumer Price Index to US Total Government Spending

3/12 Rates-of-Change



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CPI

10

8

6

4

2

0

-2

-4

— CPI

— Spending

Spending

50

40

30

20

10

0

-10

-20

2.7%

1.6%

Spending  
Leads by 23  
Months

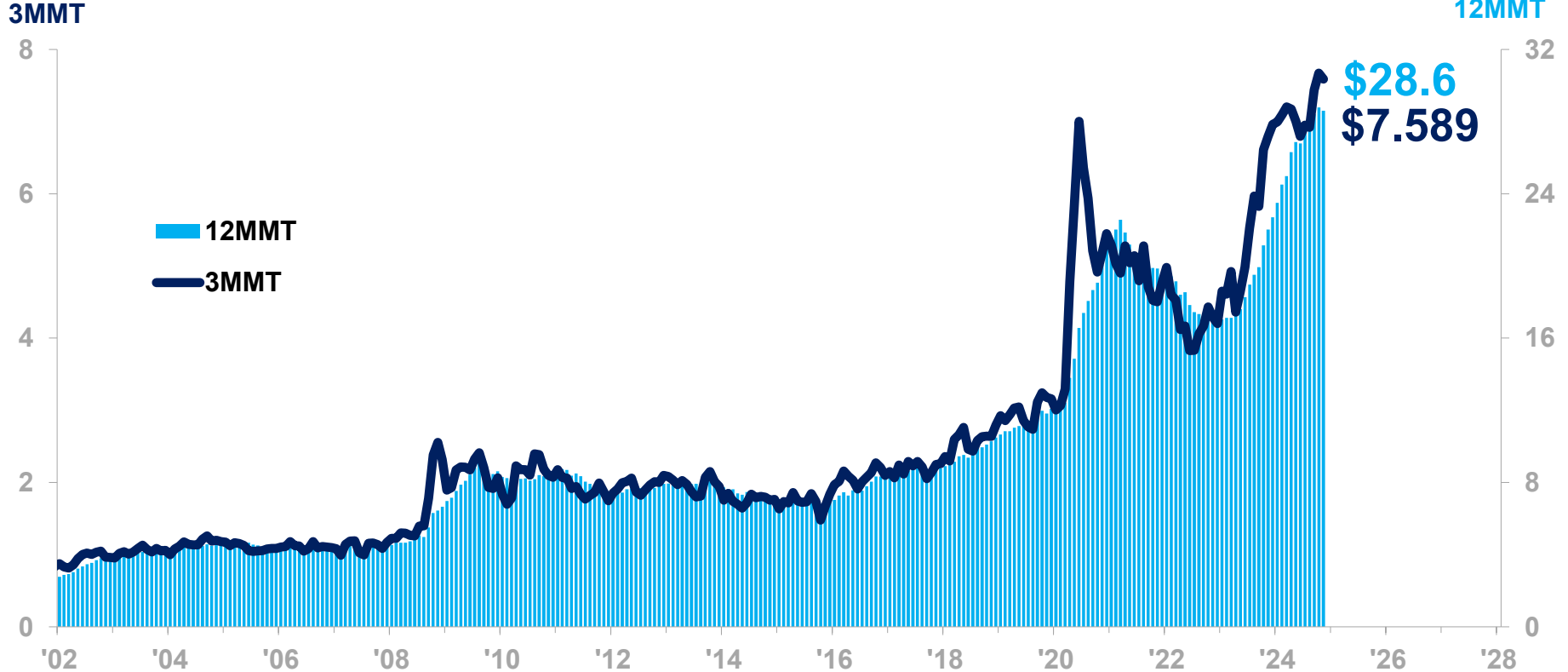
'00 '02 '04 '06 '08 '10 '12 '14 '16 '18 '20 '22 '24 '26 '28

# The Next Round of Inflation is Already Forming

Source: SIFMA

## US Treasury Gross Issuances

Data Trends: Trillions of Dollars



# Expect Labor Costs to Move Higher to 2030

Source: BLS

## US Median Annual Earnings

Annual Data Trend: Thousands of Dollars

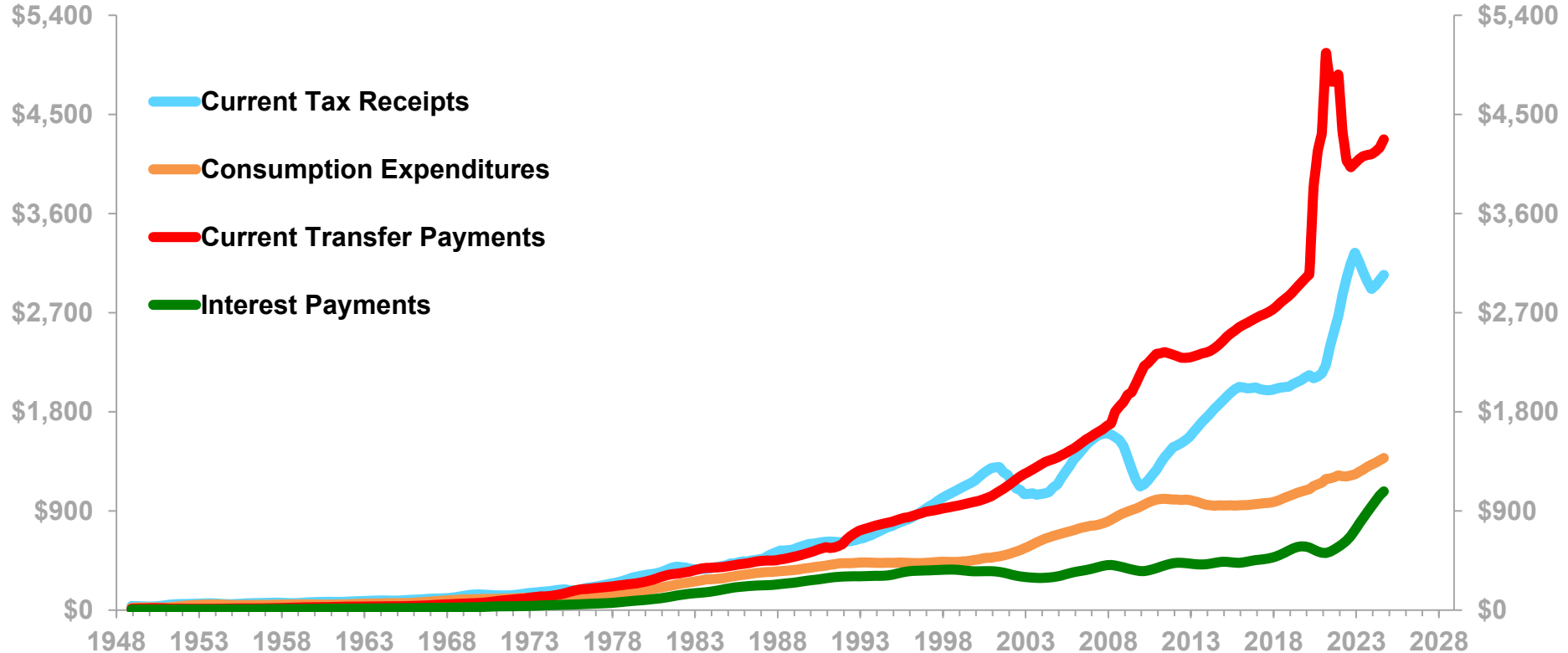


-  1. Demographics
-  2. Health Care Costs
-  3. Entitlements
-  4. Inflation
-  5. US National Debt



## Federal Government Receipts and Payments

Annual Data Trends in Billions of Dollars



# Relentless Rise in Social Security and Rapid Rise in Interest

Source: White House  
OMB

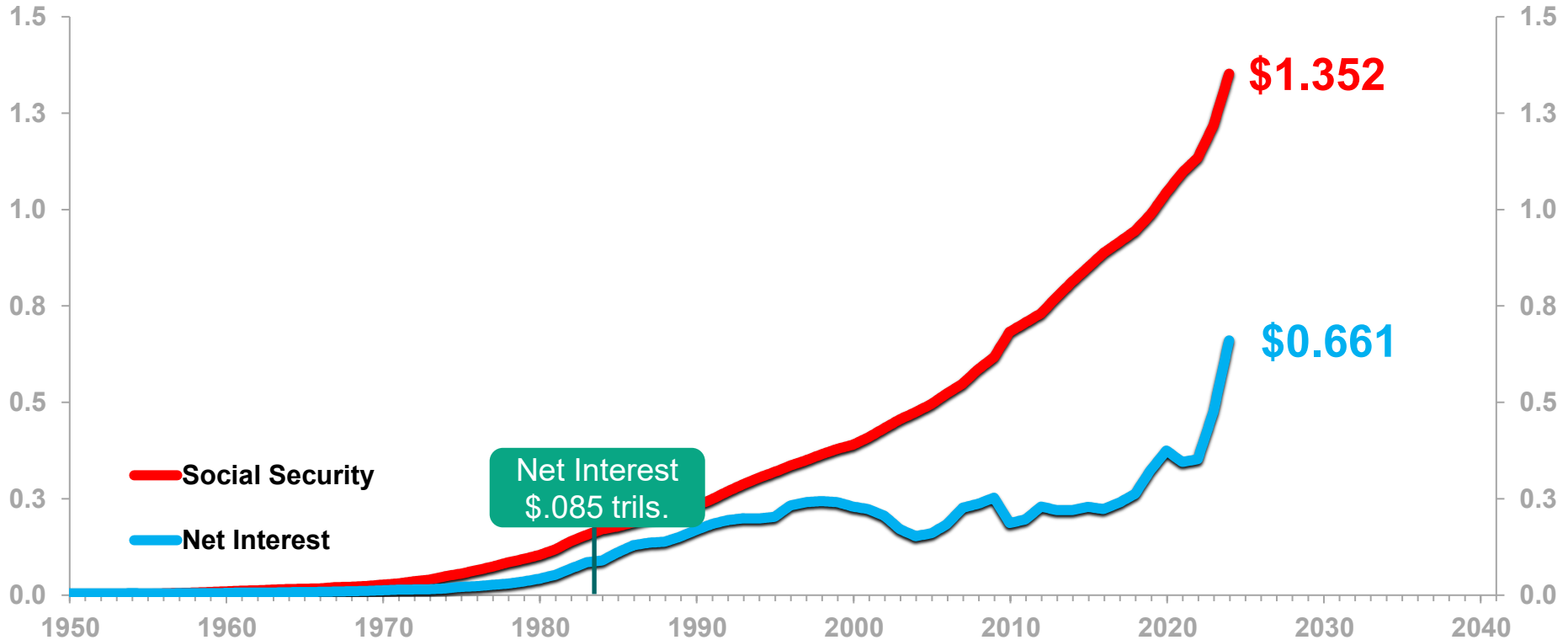
## US Total Government Spending on Social Security and Net Interest

Annual Data Trends in Trillions of Dollars

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**Social Security**

**Net Interest**





Meaningful interest rate decline is not probable for 2025.



Lock in fixed rates for 5 – 7 years if you are going to use leverage.



Use the next 12 – 18 months to develop a prolonged inflation strategy.

## *Next Steps*

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



# *The US Economy*

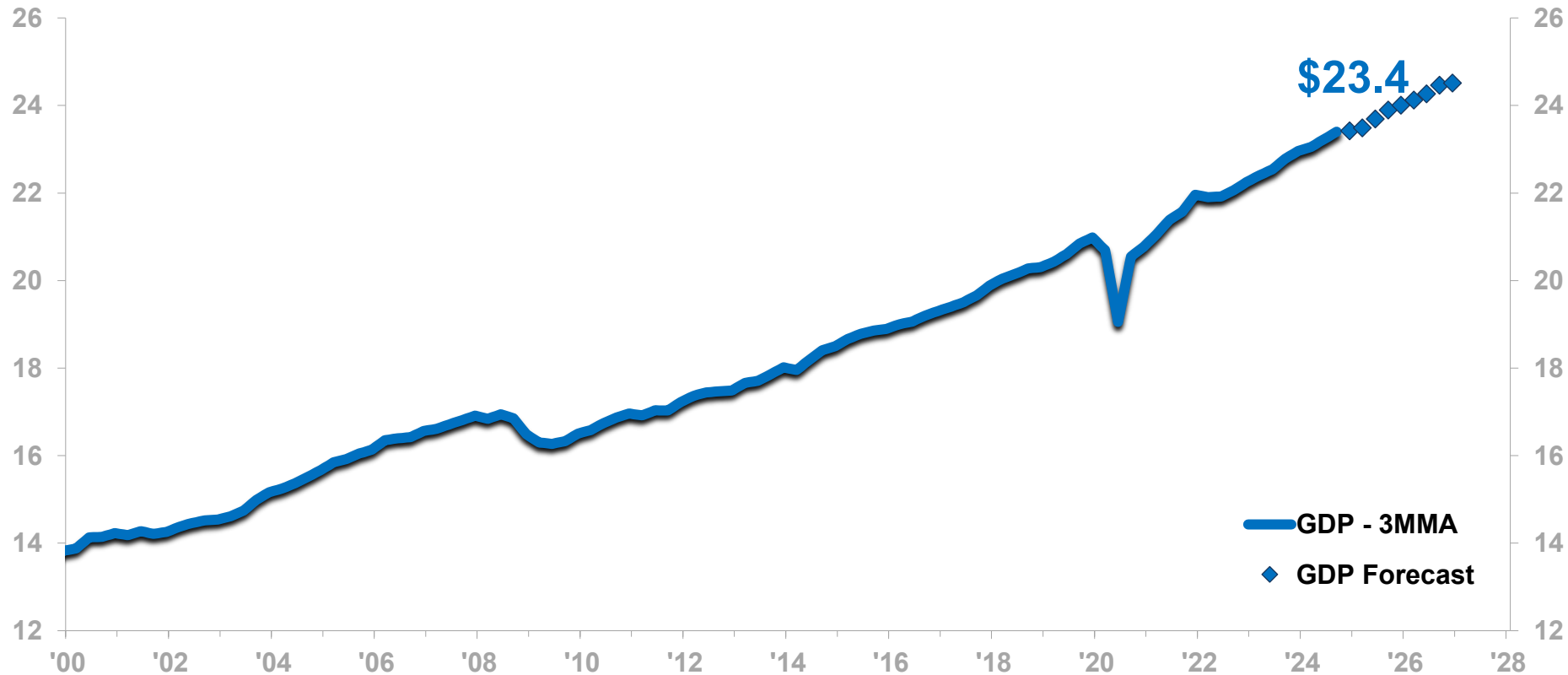
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# Growth Expected to Characterize 2025 & 2026

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



# A Tale of Two Economies

Sources: FRB, BEA

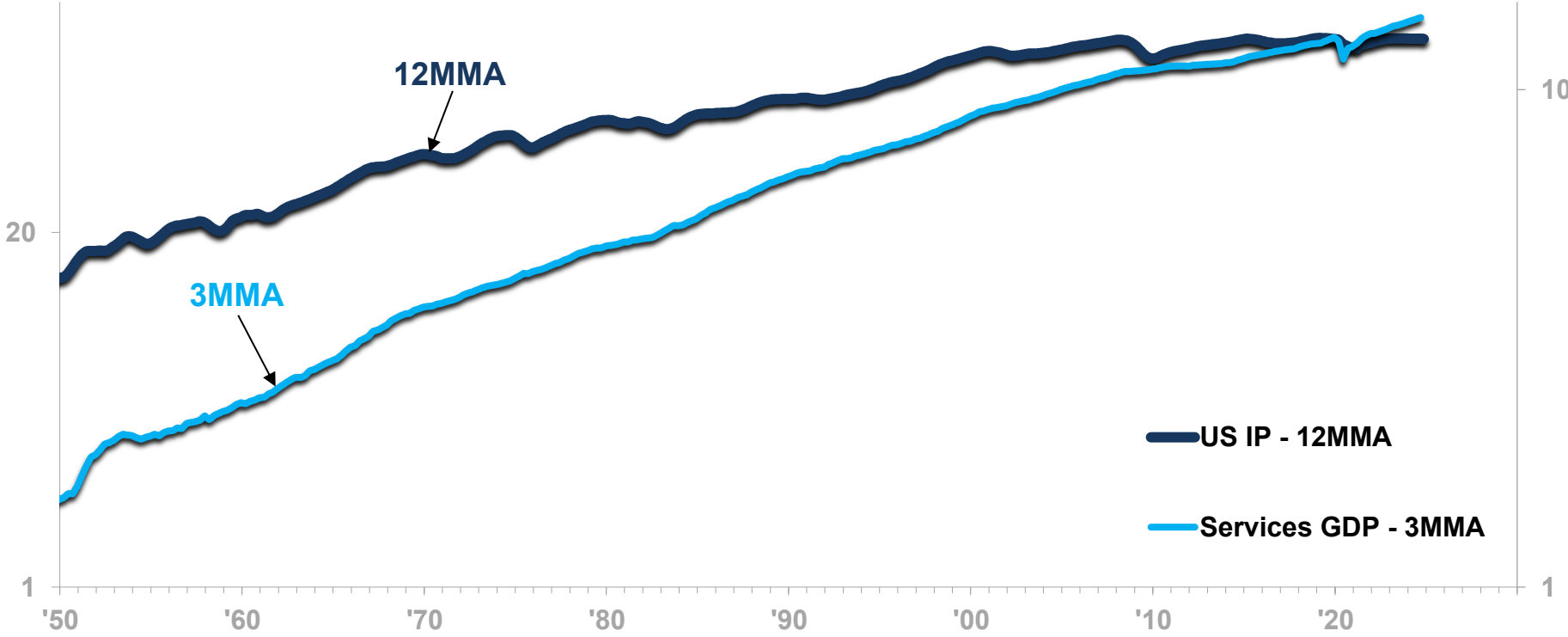
## US Industrial Production Index to US Services GDP



Data Trends

US IP (2017 = 100)

Services GDP(Tril. 2017 \$)



# Starting to See an Uptick in M&A

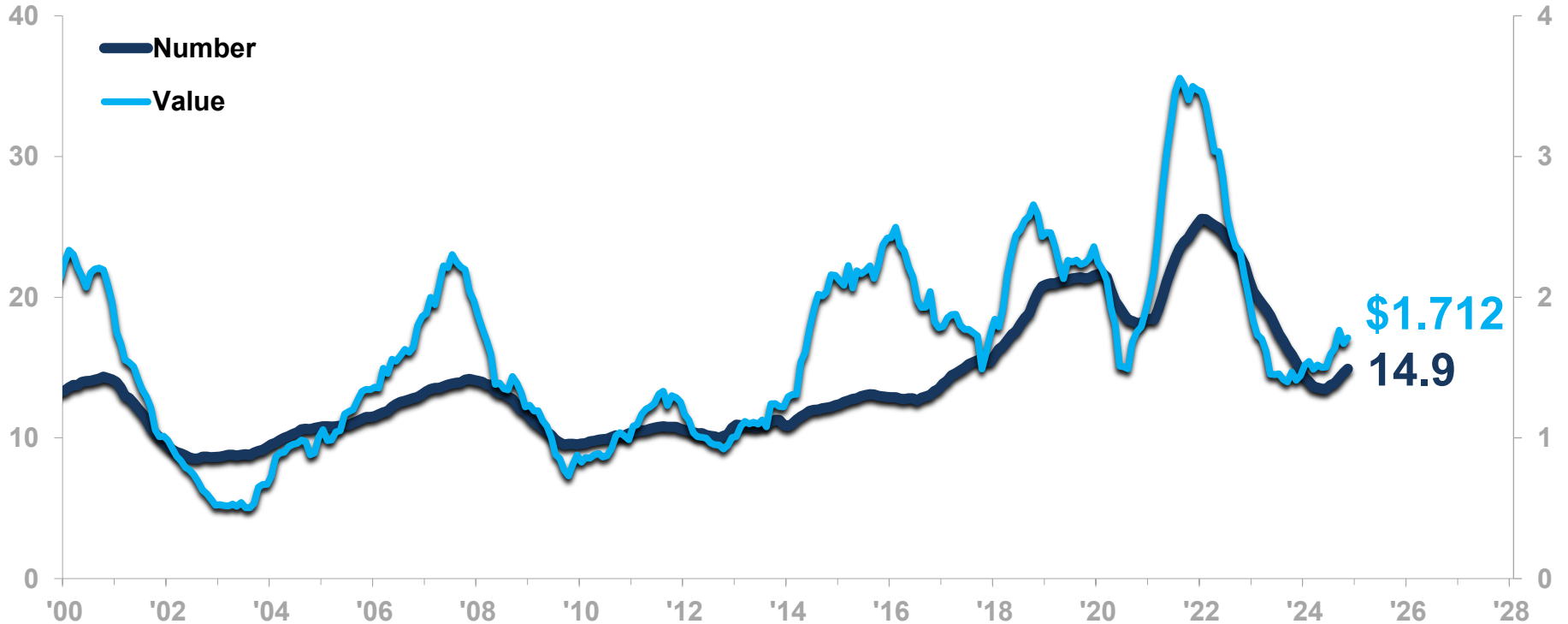
Source: IMAA



## Total Number of US Mergers and Acquisitions to Total Value of US Mergers and Acquisitions Annual Data Trends

Number (Thou.)

Value (Tril. \$)



# Retail Goods Have Not Been Primary Driver of Upside

Source: US Census Bureau, BEA

## US Total Retail Sales (deflated) to US Real Gross Domestic Product

Rates-of-Change



# Inflation-Adjusted Wages Are Rising

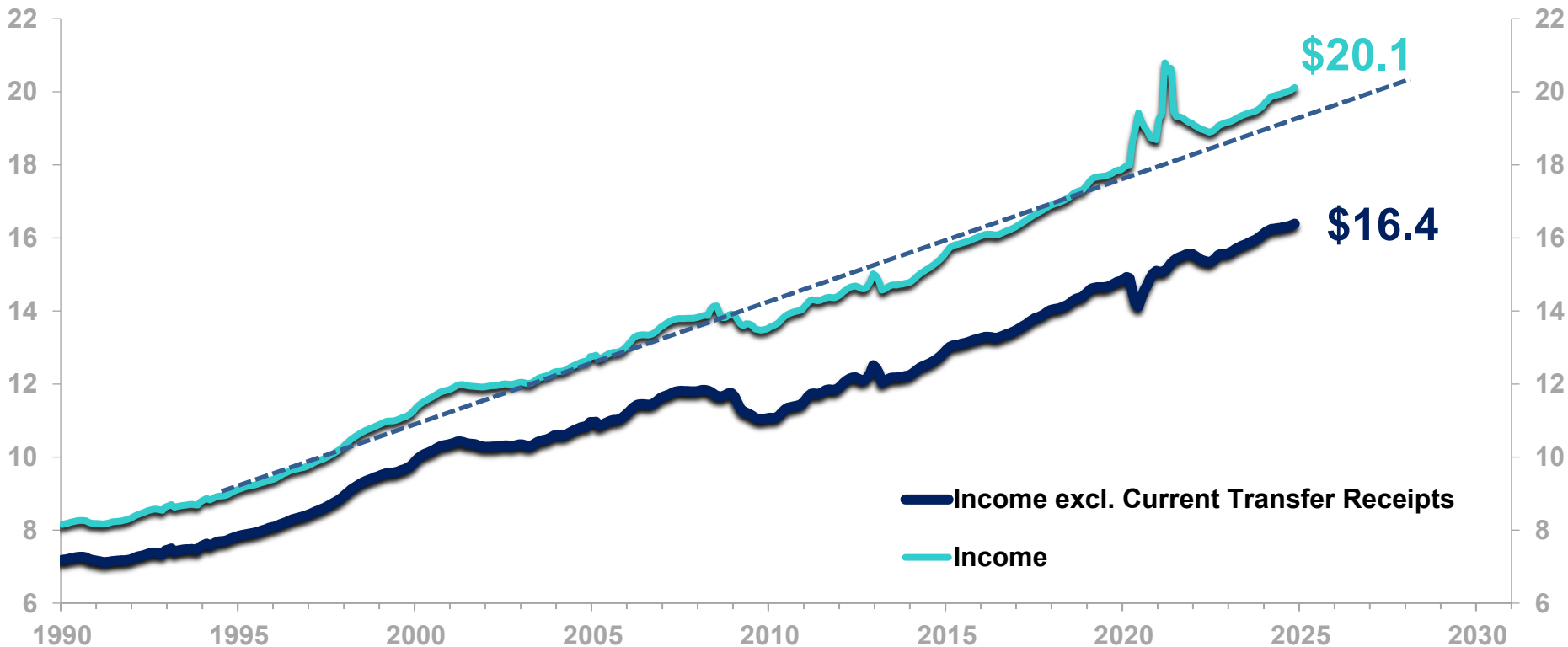
Source: BEA

## 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





**Real incomes are rising but discretionary income is getting squeezed.**



**Expect the pressure of making choices to ease until inflation comes back in earnest.**



**Expect the second half of 2025 to be stronger than the first half of the year.**

## *Next Steps*

- **Competitive advantages must be compelling.**
- **Set more aggressive goals for the next several years.**
- **Gaining market share through 2029 will set you up well for the 2030s.**

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# *Construction*



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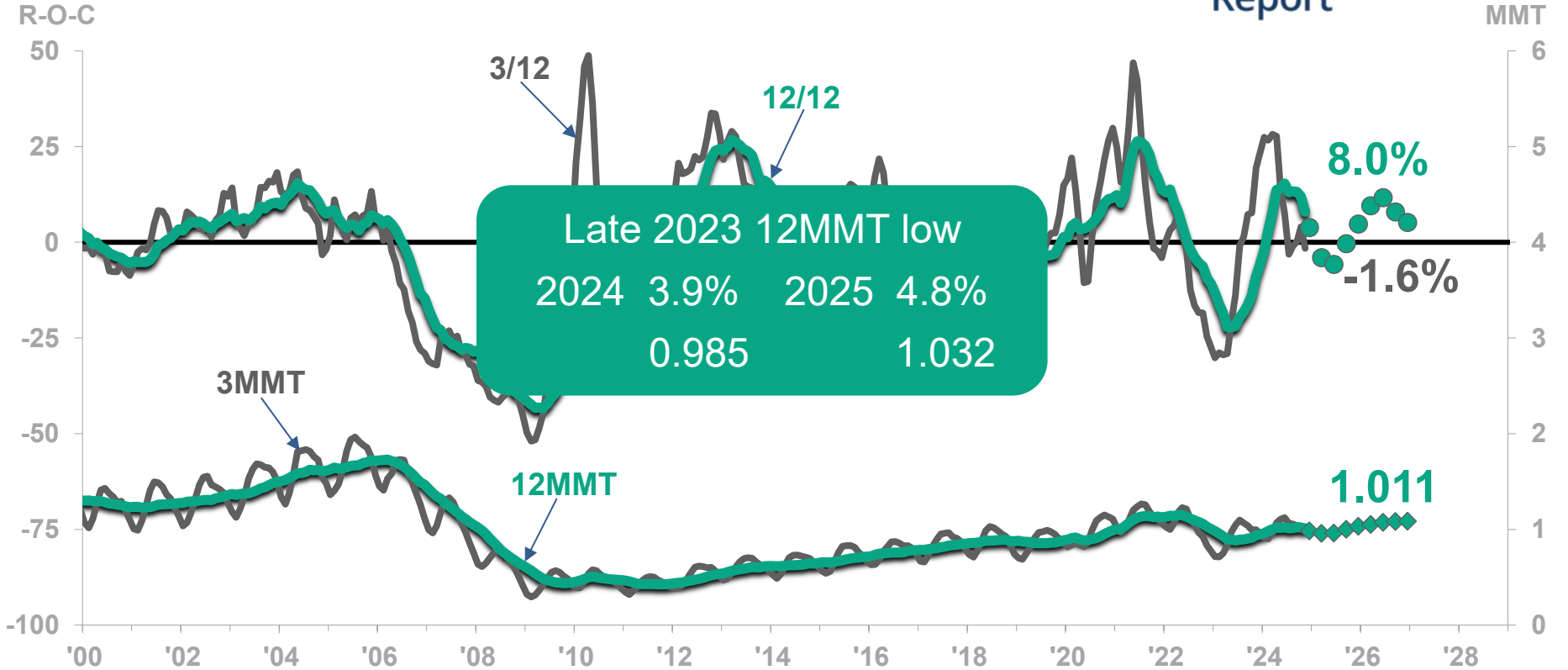
# Expect Mild Rise Through 2025

Source: US Census Bureau

## US Single Unit Housing Starts

Millions of Units

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



# Permits Signal Short Term Weakness For Starts

Source: US Census Bureau



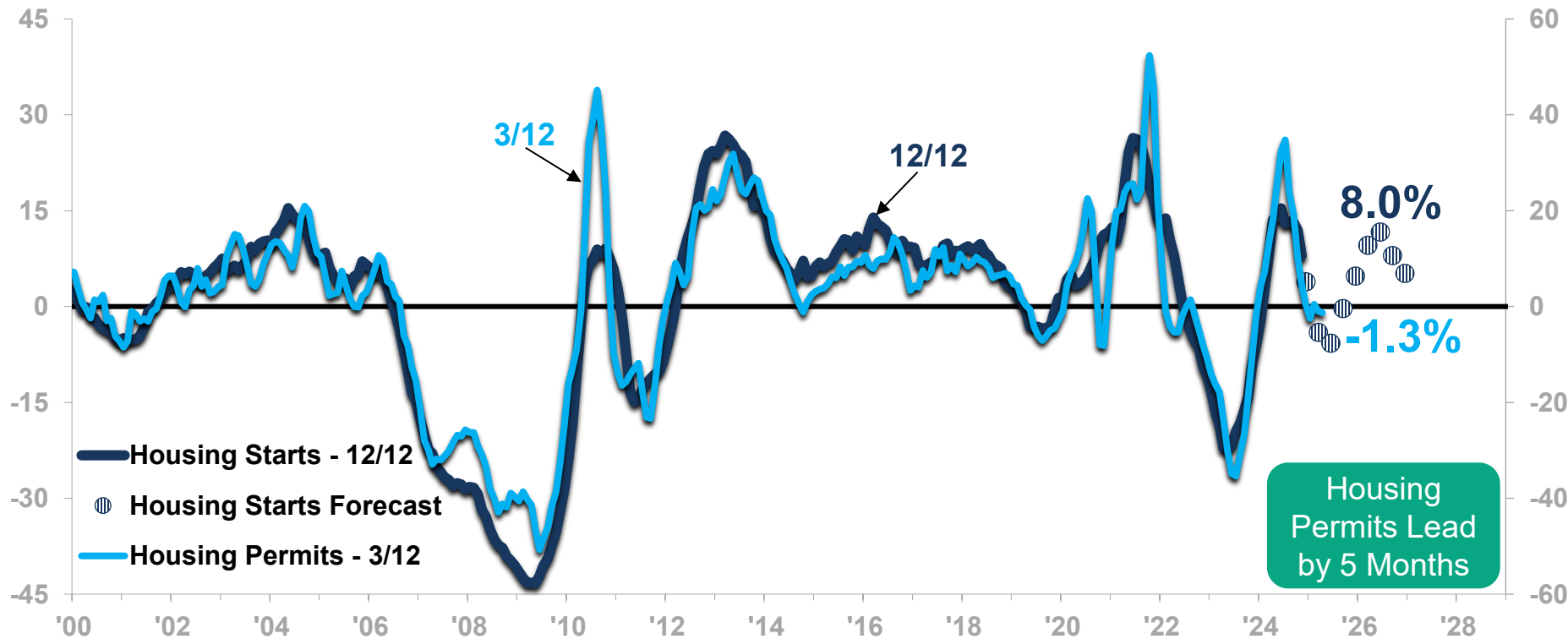
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## US Single-Unit Housing Starts to US Single-Unit Housing Permits

Rates-of-Change

Housing Starts

Housing Permits



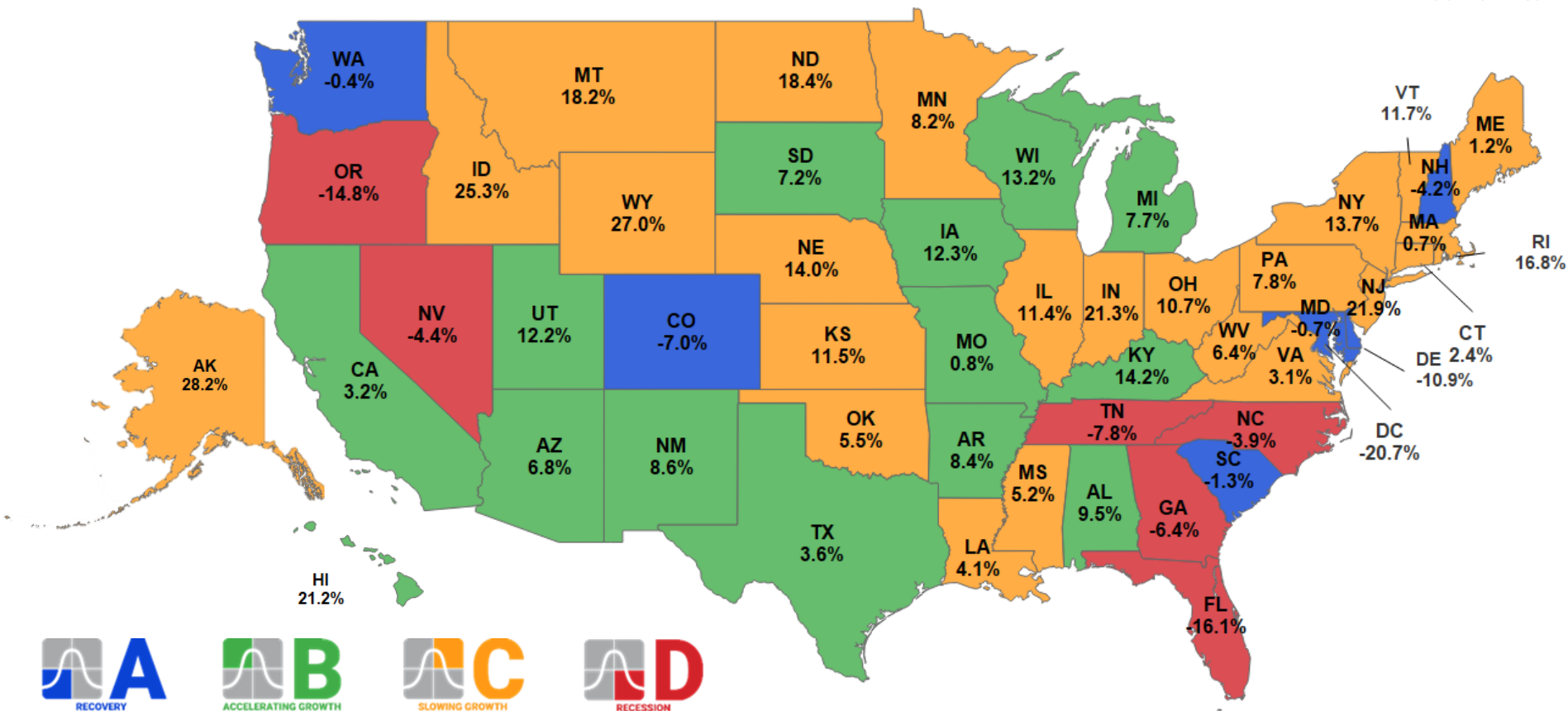
# US Single-Family Housing Unit Permits by State

Source: US Census Bureau

3/12 Rates-of-Change



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# Volatile Builder Sentiment Readings

Sources:  
US Census Bureau, NAHB



## US Single-Unit Housing Starts to National Association of Home Builders Housing Market Index Rates-of-Change

Housing Starts

Market Index

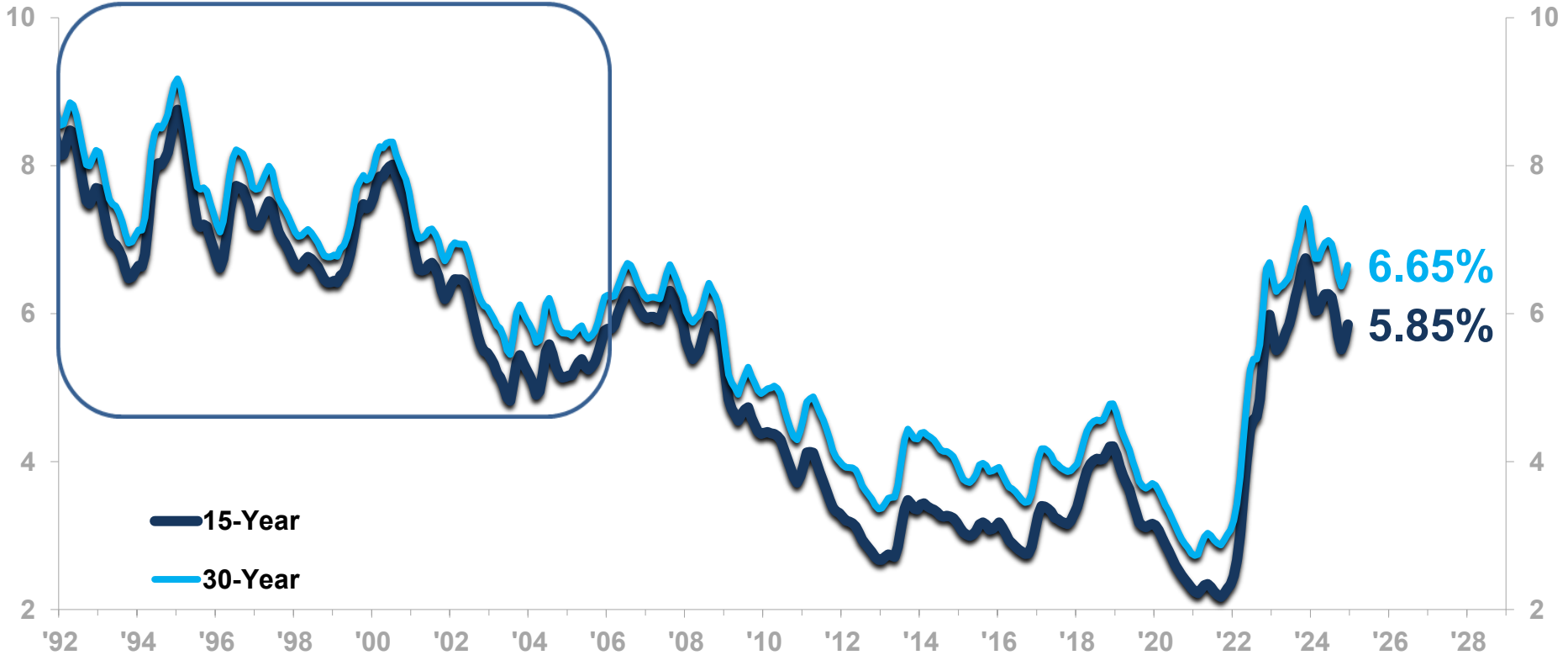


# Mortgage Rates Trending into the “New Normal”

Source: Freddie Mac



**US 15-Year Mortgage Monthly Average Fixed Rate to  
US 30-Year Conventional Mortgage Rate**  
Quarterly Data Trends: Percent



# Still Very Expensive

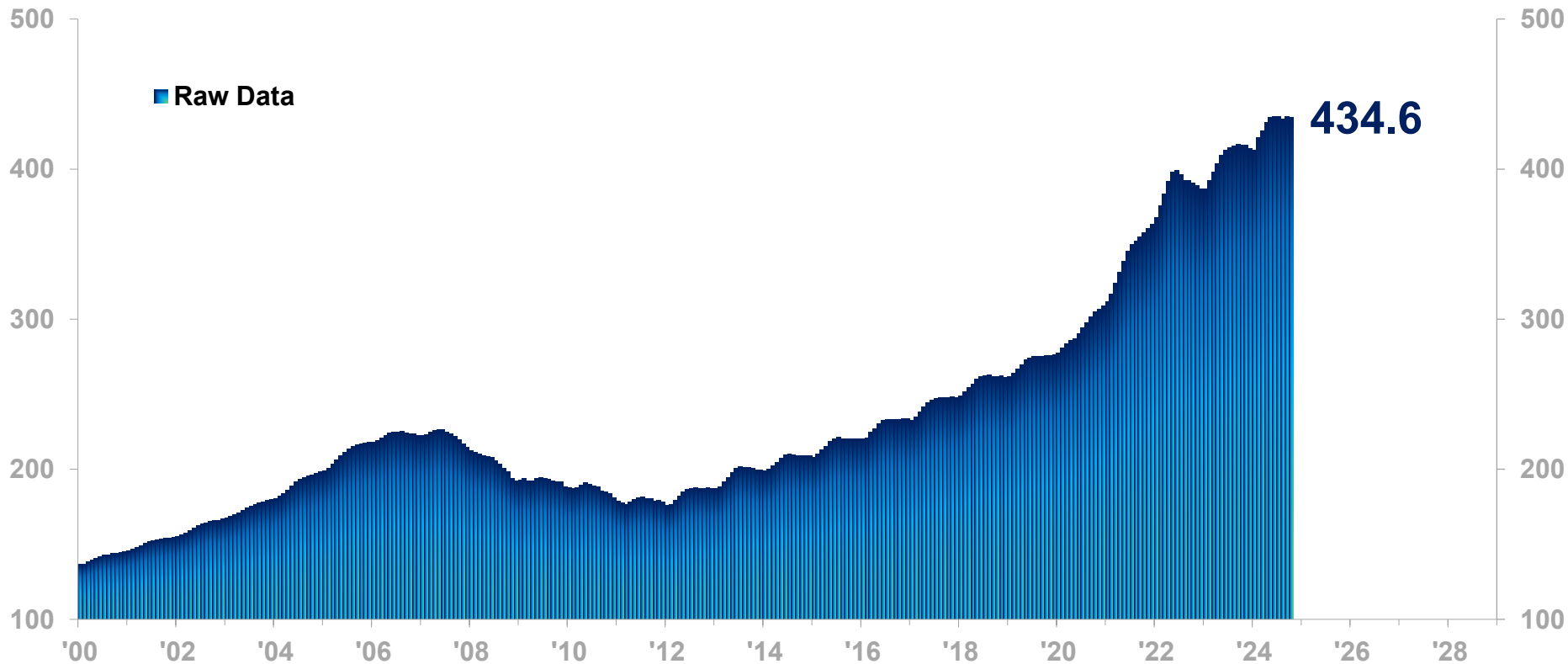
Source: Federal Housing  
Finance Agency

## US Housing Price Index

Raw Data (1991 = 100)



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# New Home Sales Slowing

Source:  
US Census Bureau

## US Single-Unit Housing Starts to US New Homes Sold

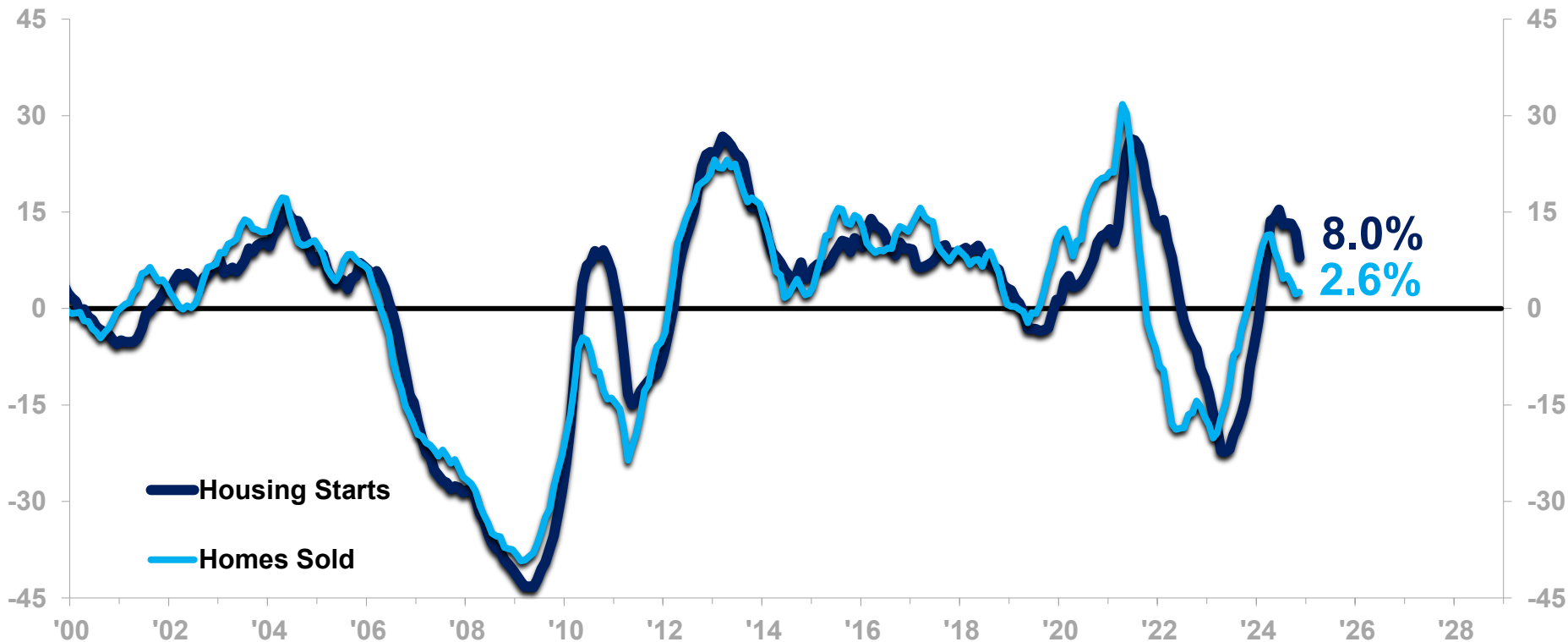
12/12 Rates-of-Change



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Housing Starts

Homes Sold



# Existing Home Sales Finally Stabilizing

Sources: US Census Bureau, NAR



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## US Single-Unit Housing Starts to US Existing Home Sales

Rates-of-Change

Housing Starts

Existing Homes

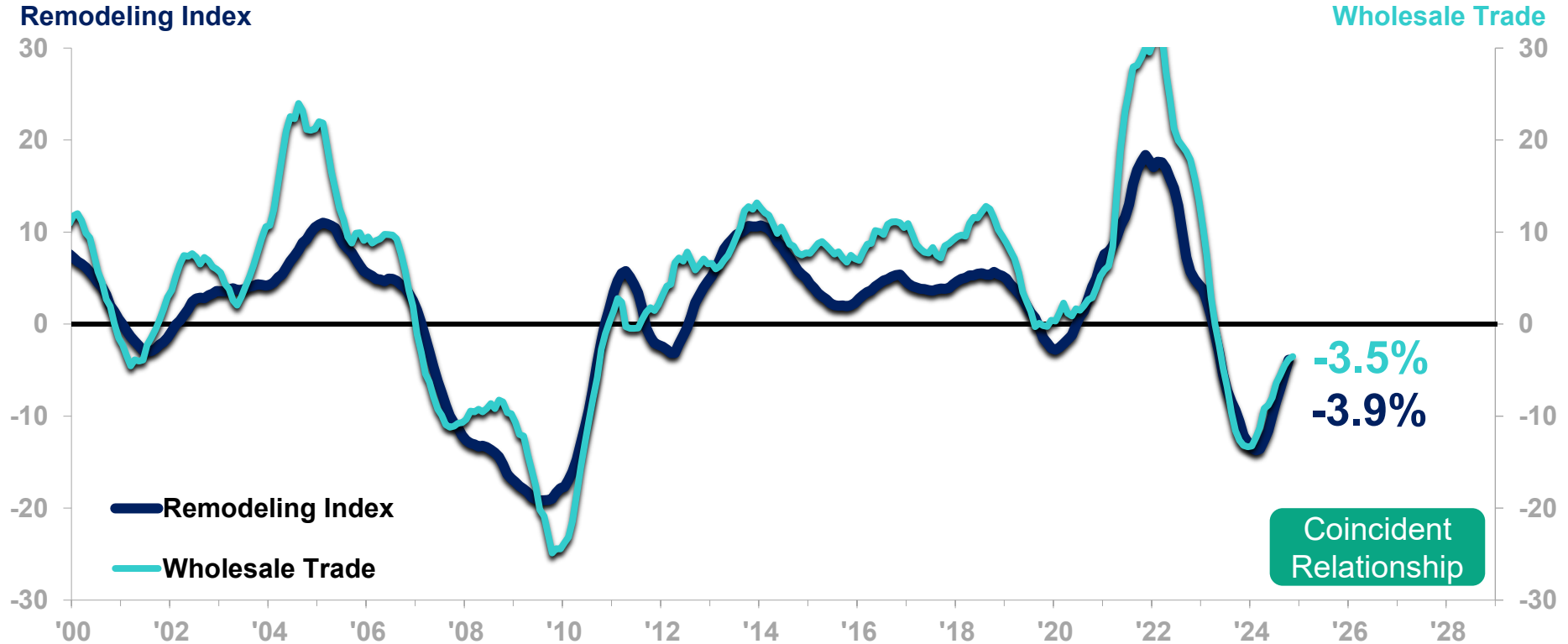


# Remodeling Indicator Showing Cyclical Improvement

Sources: ITR Economics,  
US Census Bureau

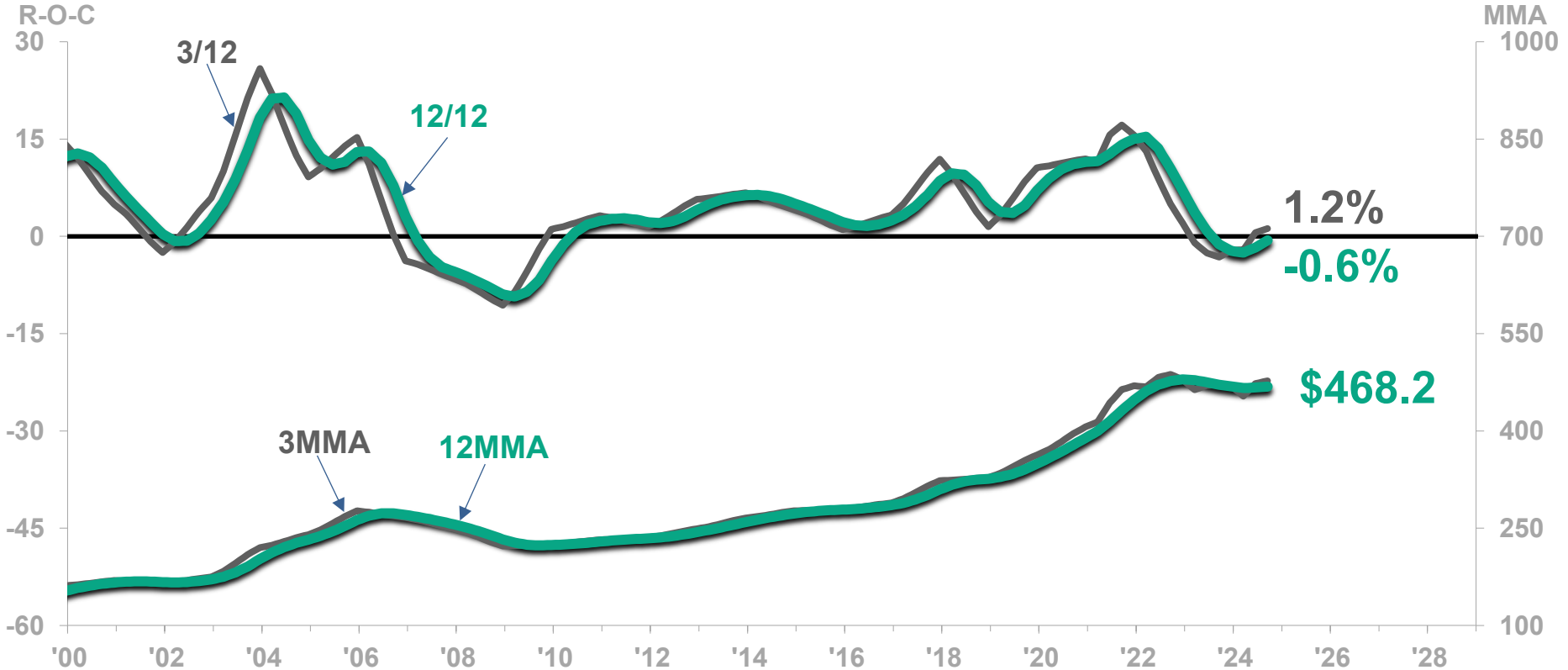


## ITR Remodeling Market Index to US Wholesale Trade of Lumber and Other Construction Materials 12/12 Rates-of-Change



## Harvard US Leading Indicator of Remodeling Activity

Billions of Dollars



# Low Inventories: A Long-Term Fundamental in Our Favor

Sources: US Census Bureau,  
National Association of Realtors

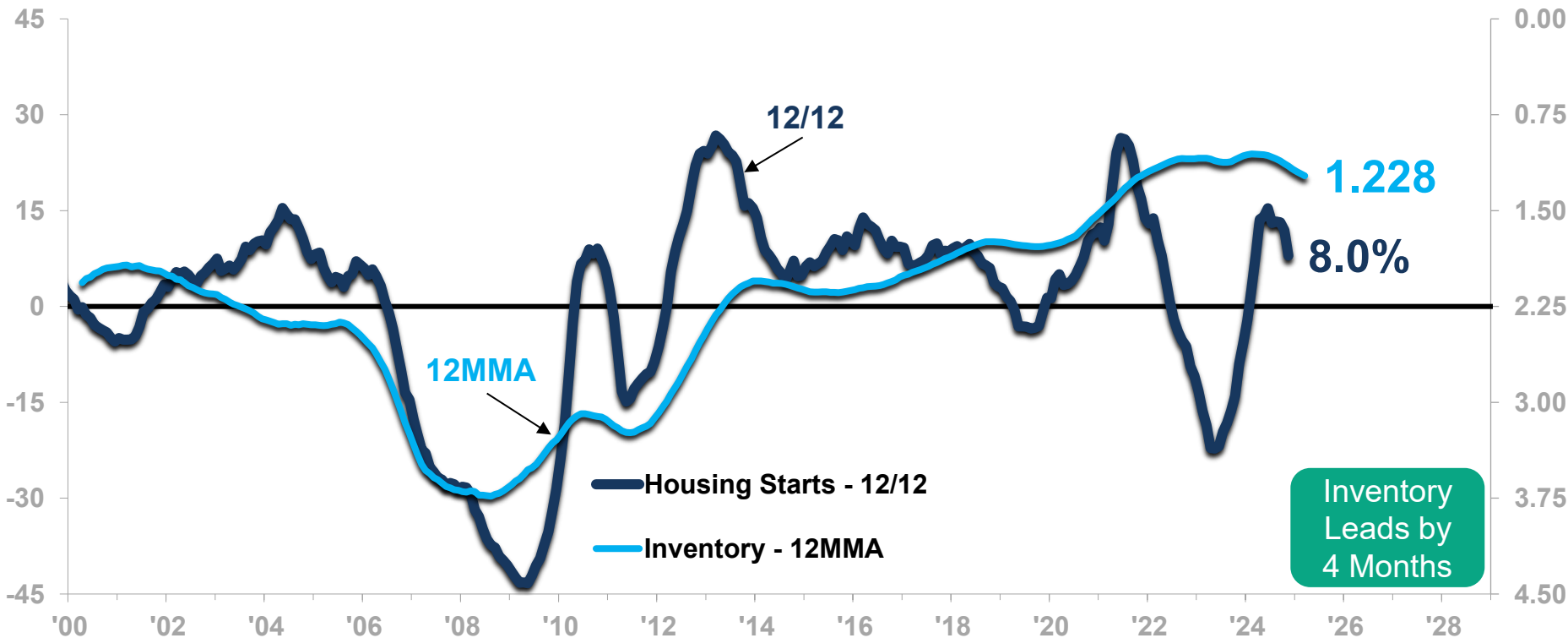


## US Single-Unit Housing Starts to US Existing Home Inventory

12/12 Rate-of-Change to 12MMA Data Trend in Millions of Units

Housing Starts

Inventory

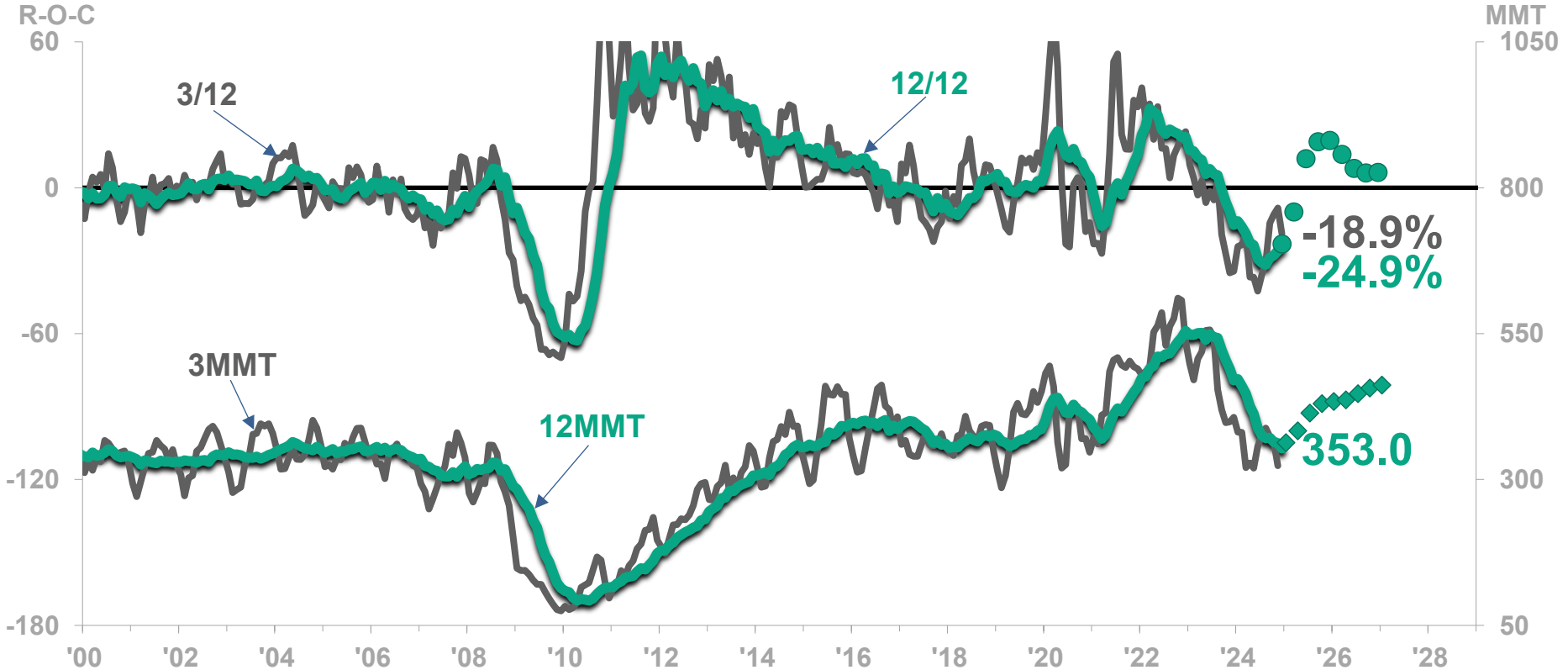


# 12MMT Rise Expected in 2025

Source: US Census Bureau

## US Multi-Unit Housing Starts

Thousands of Housing Starts



# Permits Point to Ongoing Decline in Multi-Unit Starts

Source: US Census Bureau

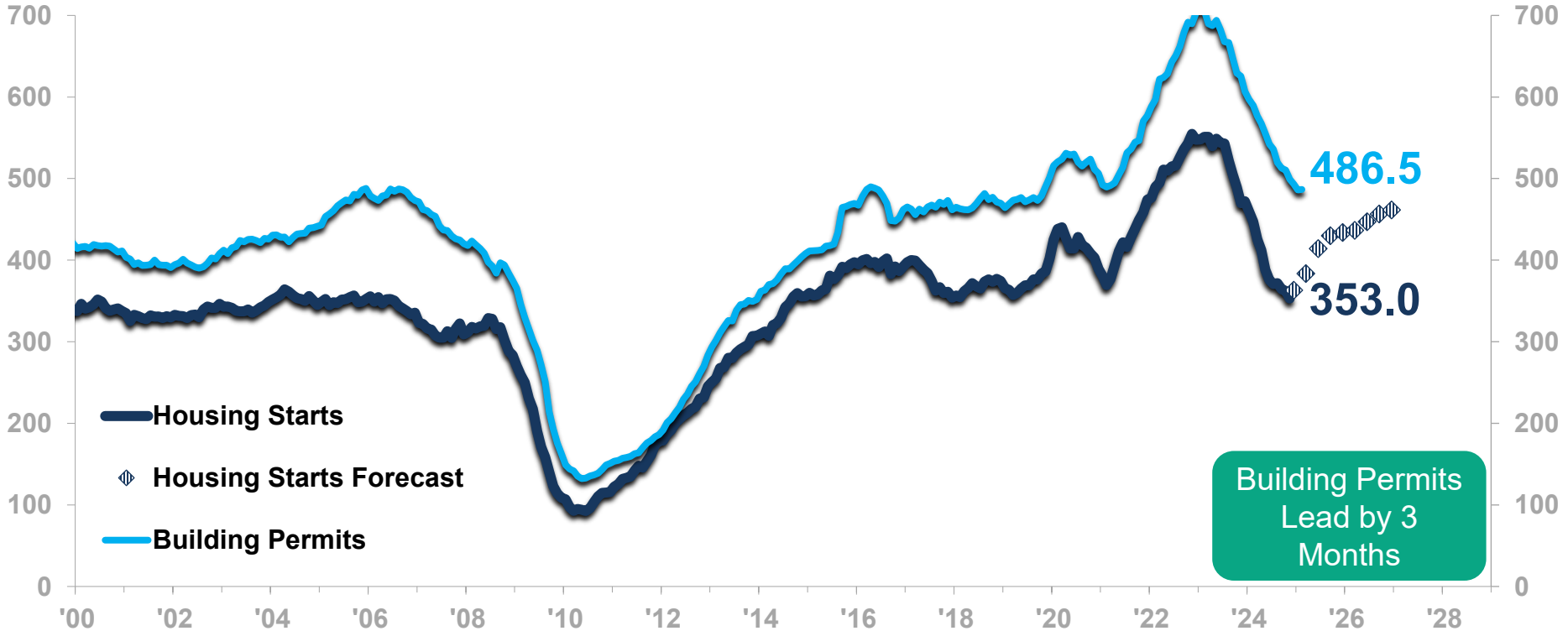
## US Multi-Unit Housing Starts to US Multi-Unit Housing Permits

Annual Data Trends: Thousands of Units



Housing Starts

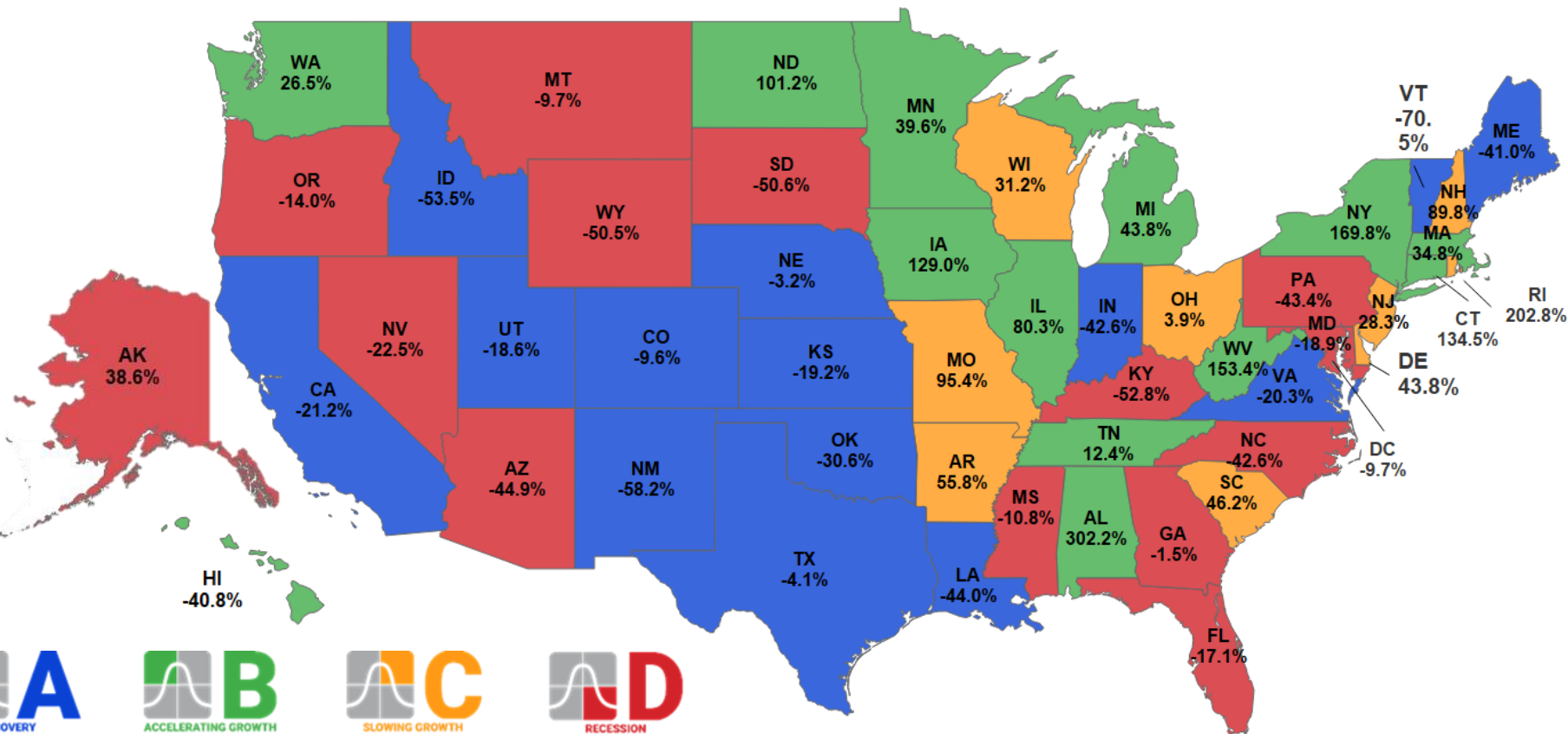
Building Permits



# US Multi-Family Housing Unit Permits by State

Source: US Census Bureau

3/12 Rates-of-Change



# Housing Leads – Nonresidential Lags

Source: US Census Bureau

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

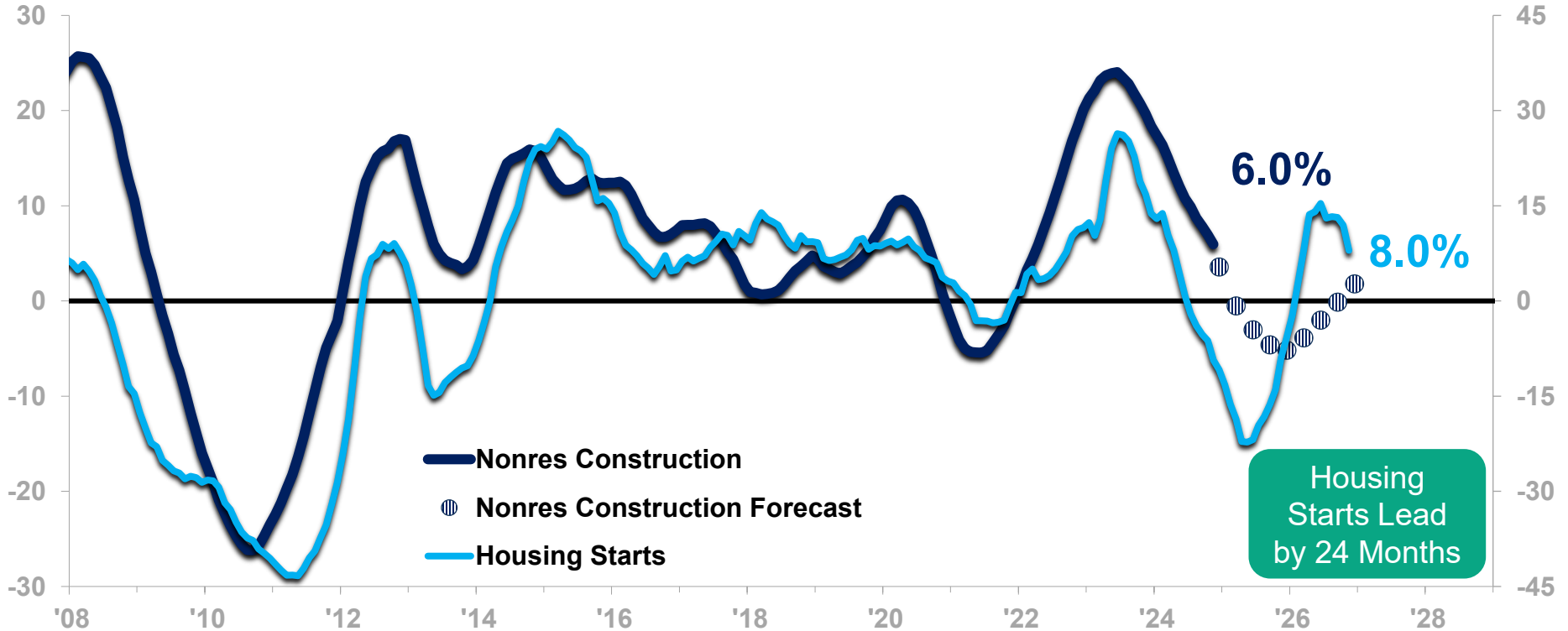
12/12 Rates-of-Change

as seen in  
ITR Economics'  
Trends  
Report



Housing Starts

Nonres Construction



# 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.





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*People*

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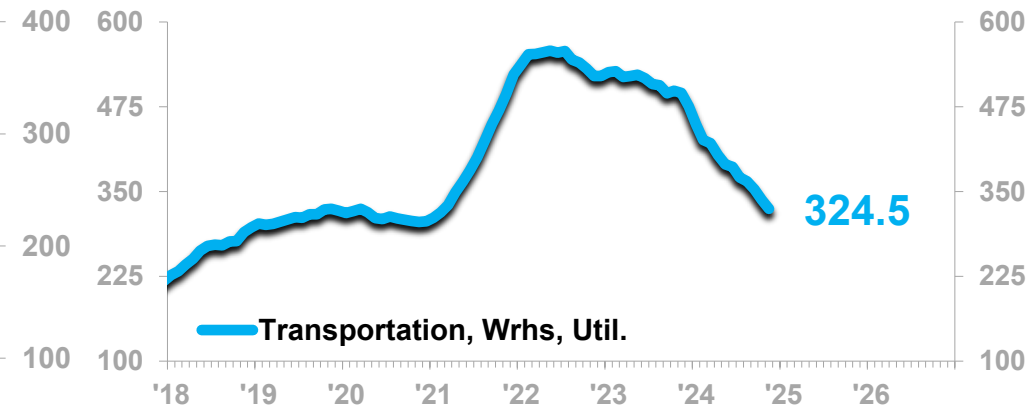
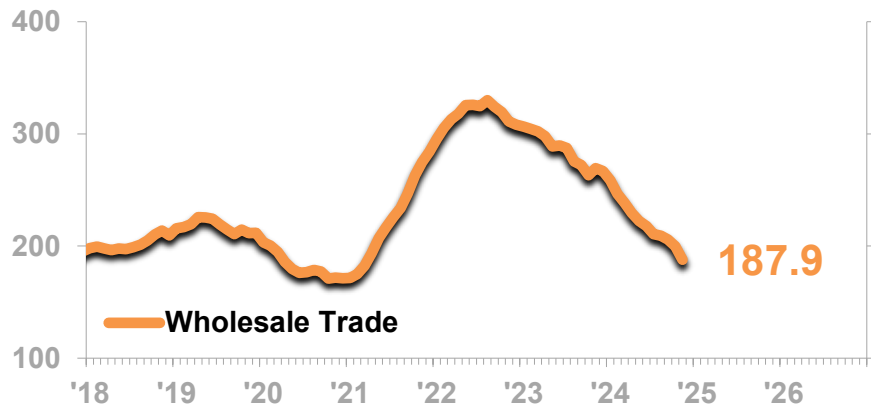
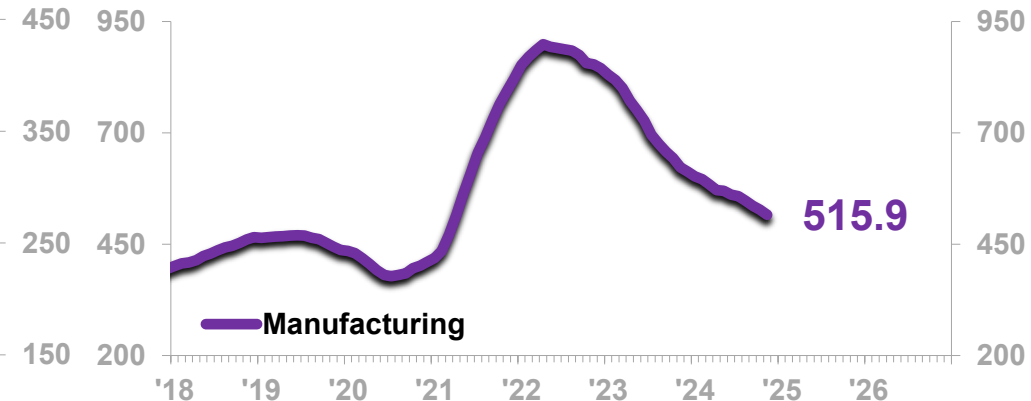
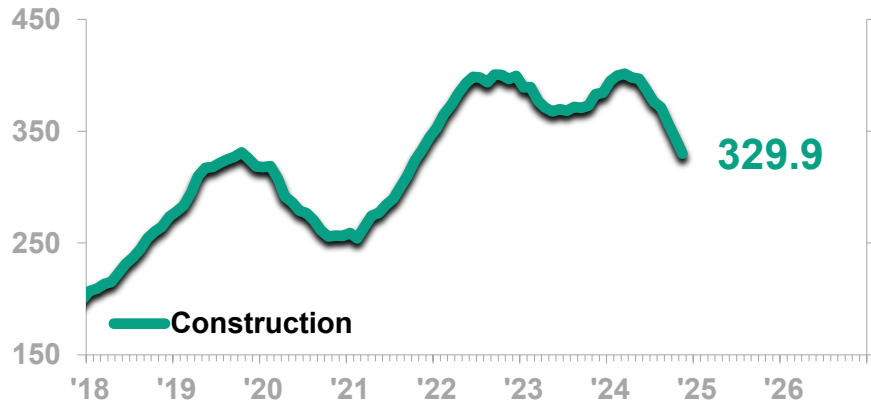
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# 2025-26 Growth Will Place Upward Pressure on Openings

Source: BLS

## US Job Openings by Industry

Annual Data Trends: Thousands

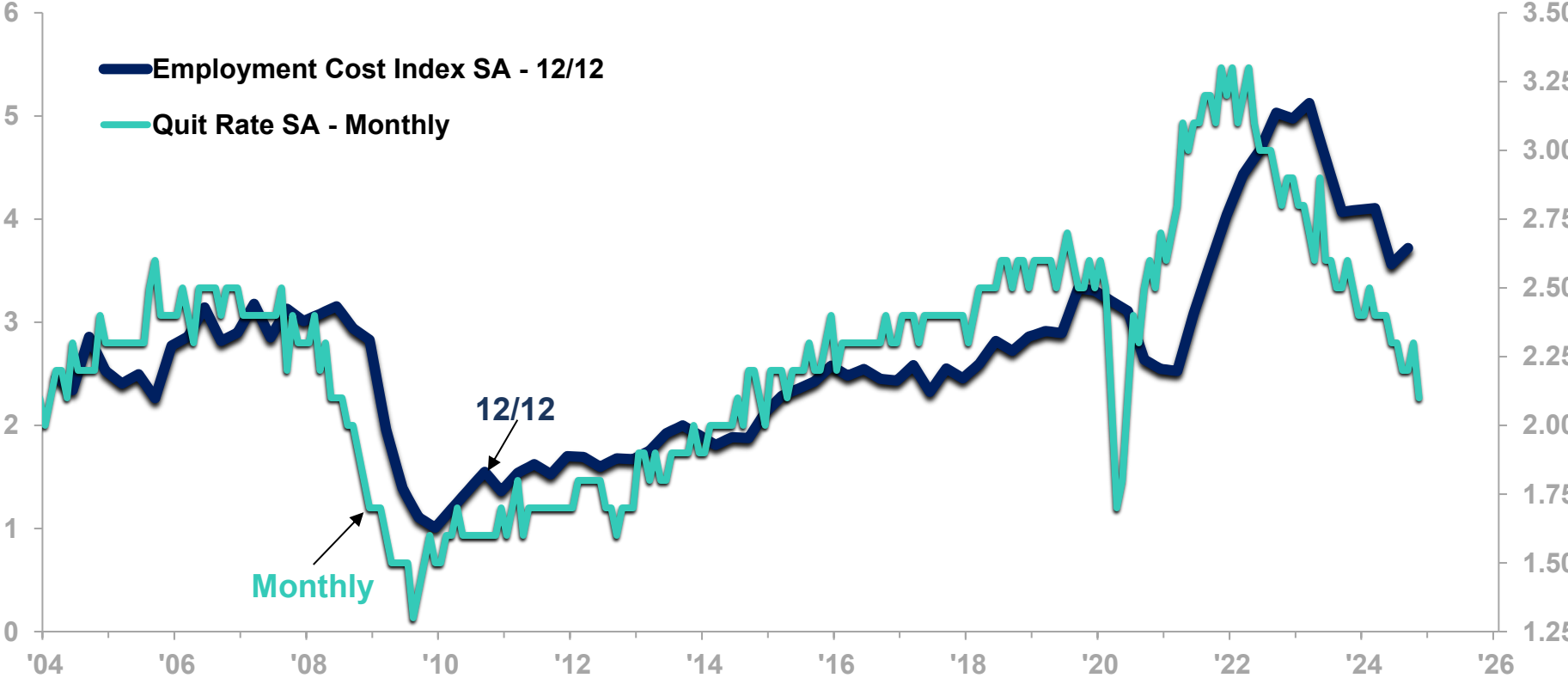


# An Easing in the Quit Rate Will Moderate Employment Costs

Source: BLS

## US Employment Cost Index to US Quit Rate

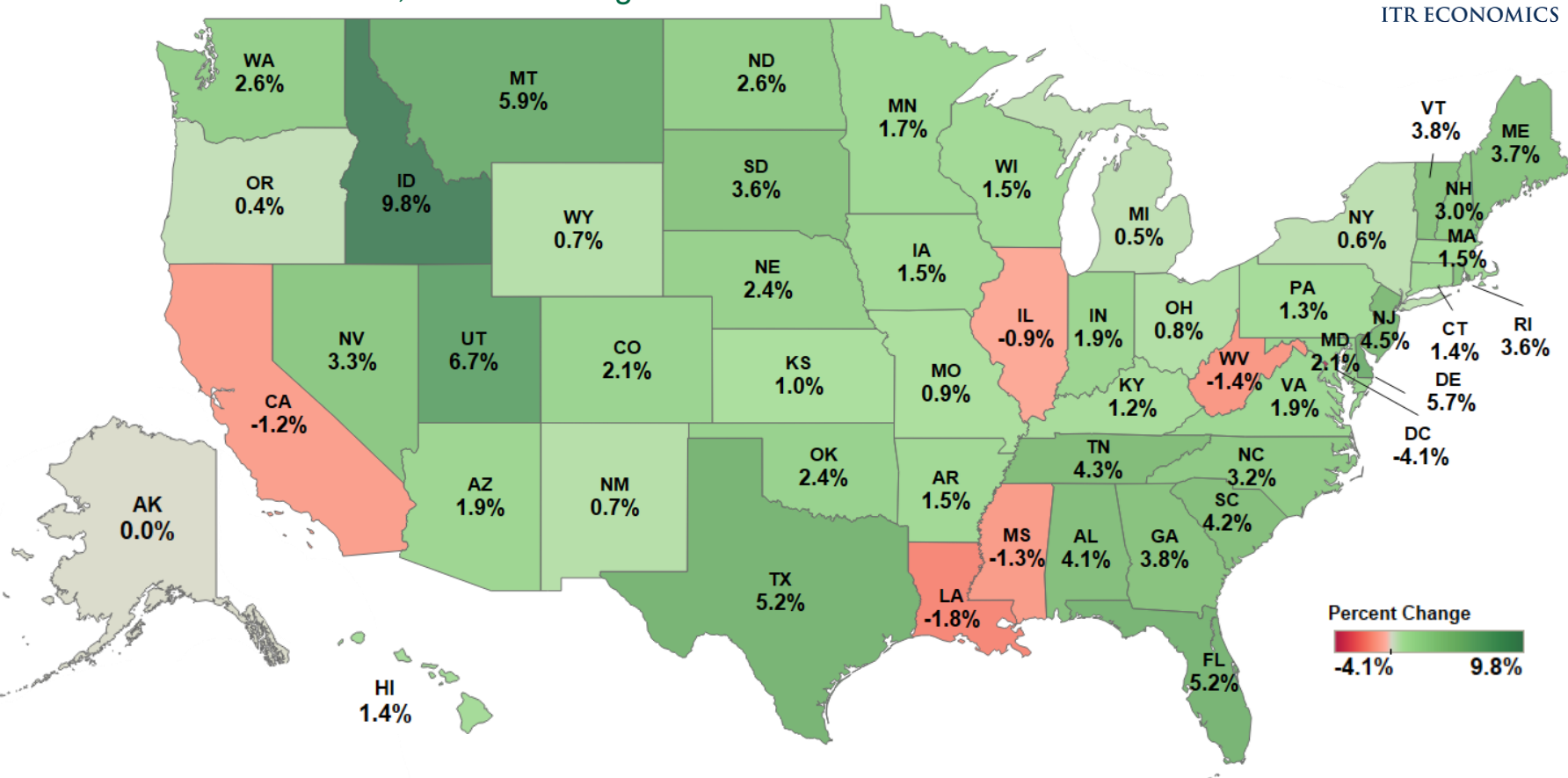
Index: 12/12 Rate-of-Change, Quit Rate: Percent



# Be Geographically Specific: Population Growth 2019 to 2023

Source:  
US Census Bureau

## Population Growth 2019 – 2023, Percent Change





**Tight labor situation not likely to change.**



**Seek efficiency gains. AI can help but it is but one tool.**



**Escalating cost of labor is a reality to plan for.**

## *Next Steps*

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- **Train and invest in the productivity of your people.**
- **There is no reservoir of people heading your way; work at keeping those you have.**

- Do not expect meaningful interest rate change in 2025.
- Wages, rents, power, and nationalism will lead to higher prices.
- Build out an inflation strategy.

- Margin pressures mean having an effective cost management and inflation savvy plans 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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