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First In Forecasts Worldwide

# NEMEON

## ***2024–2025: Anticipating Business Cycle Changes***

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

	Duration	Accuracy
US GDP	15	98.0%
US Ind. Production	14	99.8%
Europe Ind. Production	14	99.5%
Canada Ind. Production	15	99.3%
China Ind. Production	13	99.6%
Retail Sales	12	99.9%
Housing - Single Family	14	92.0%
Employment-Private Sector	13	99.5%

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

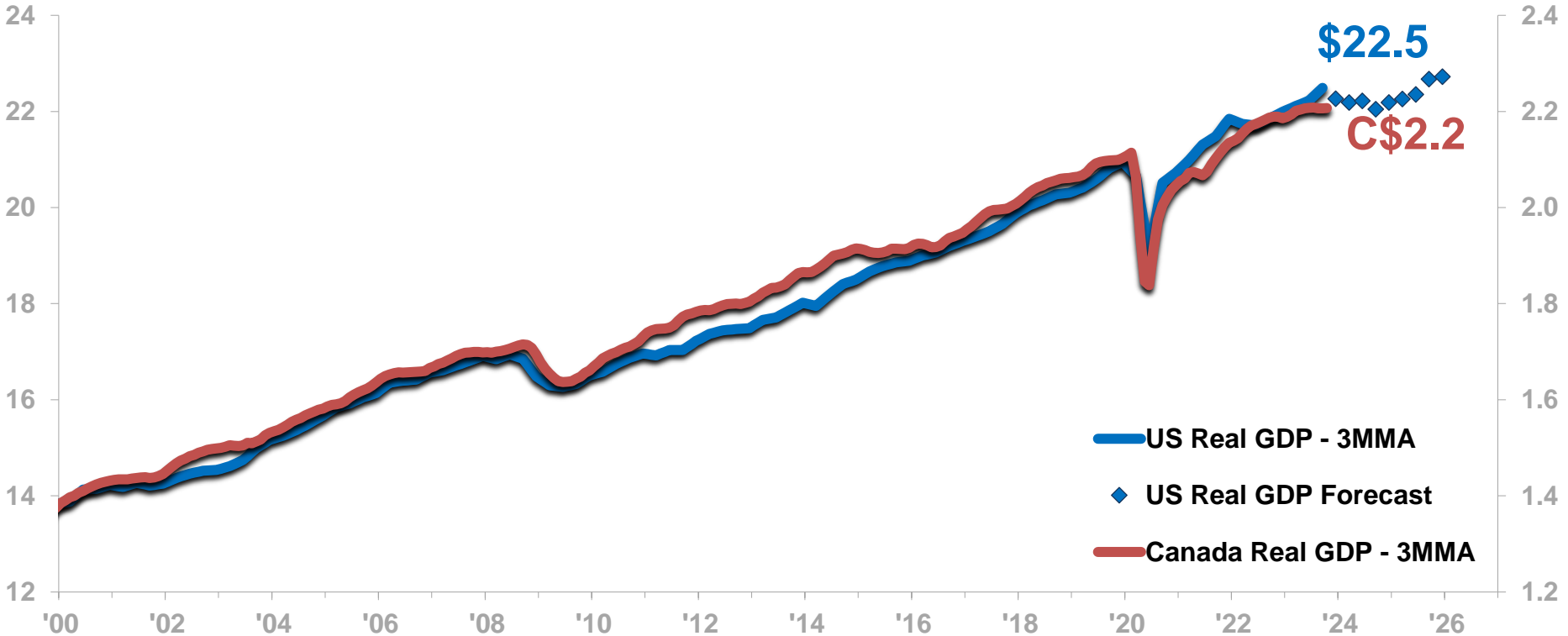
# Slight Decline for 2024 for the General Economy

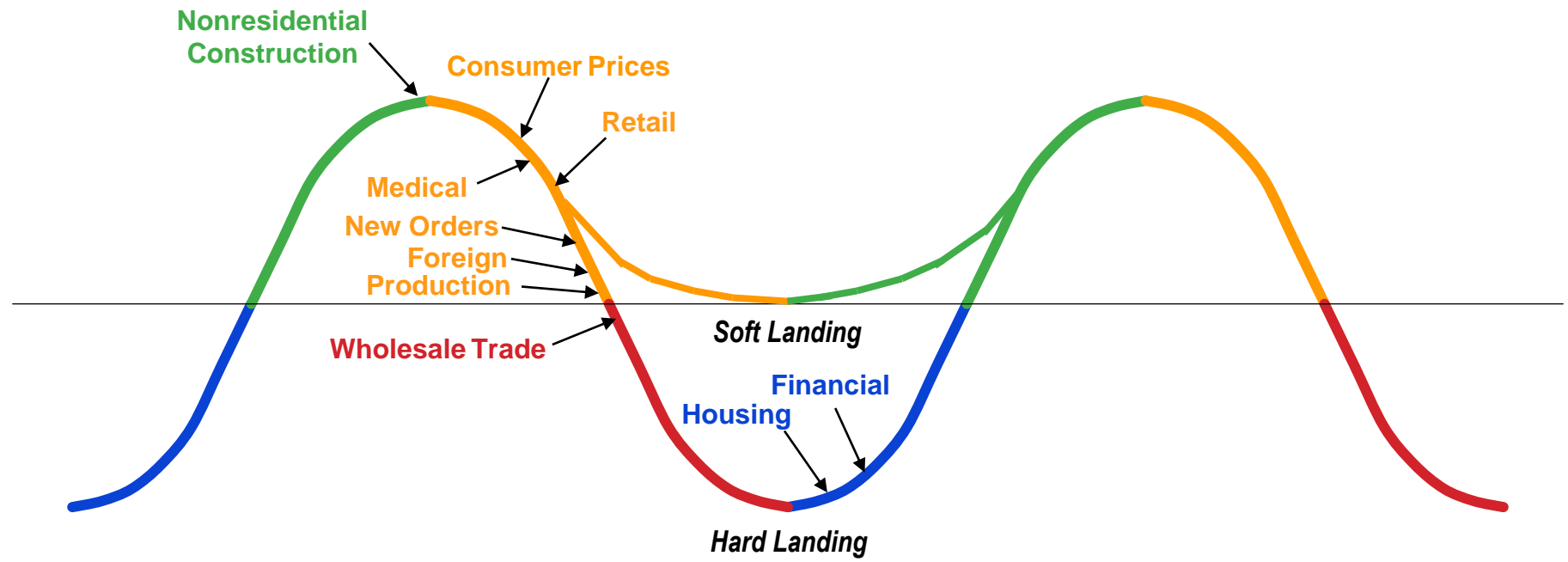
Sources: BEA,  
Statistics Canada,

## Real Gross Domestic Product for the US and Canada

Data Trends

US (Tril. 2017 USD)



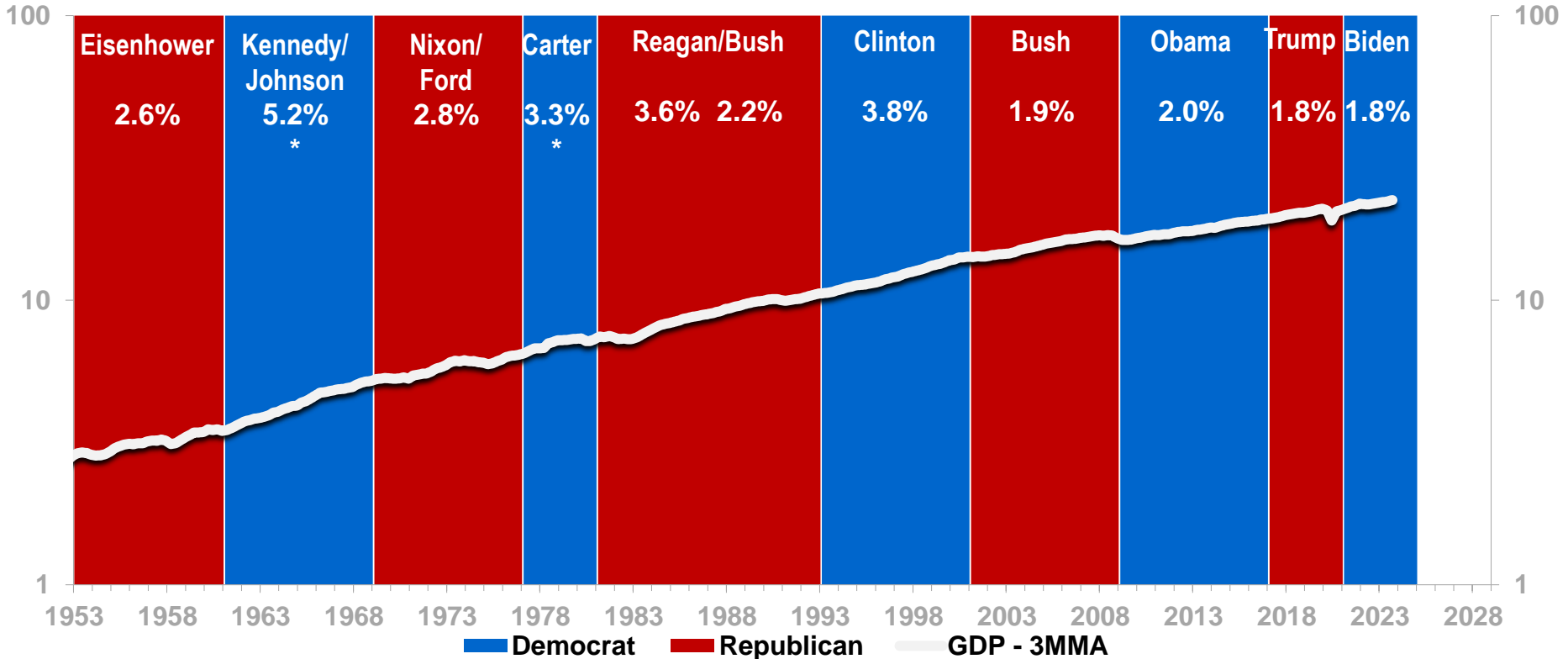


# Party Affiliation is Not a Determinant in Economic Growth

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trends: Trillions of Chained 2017 Dollars





# ***Global Issues***

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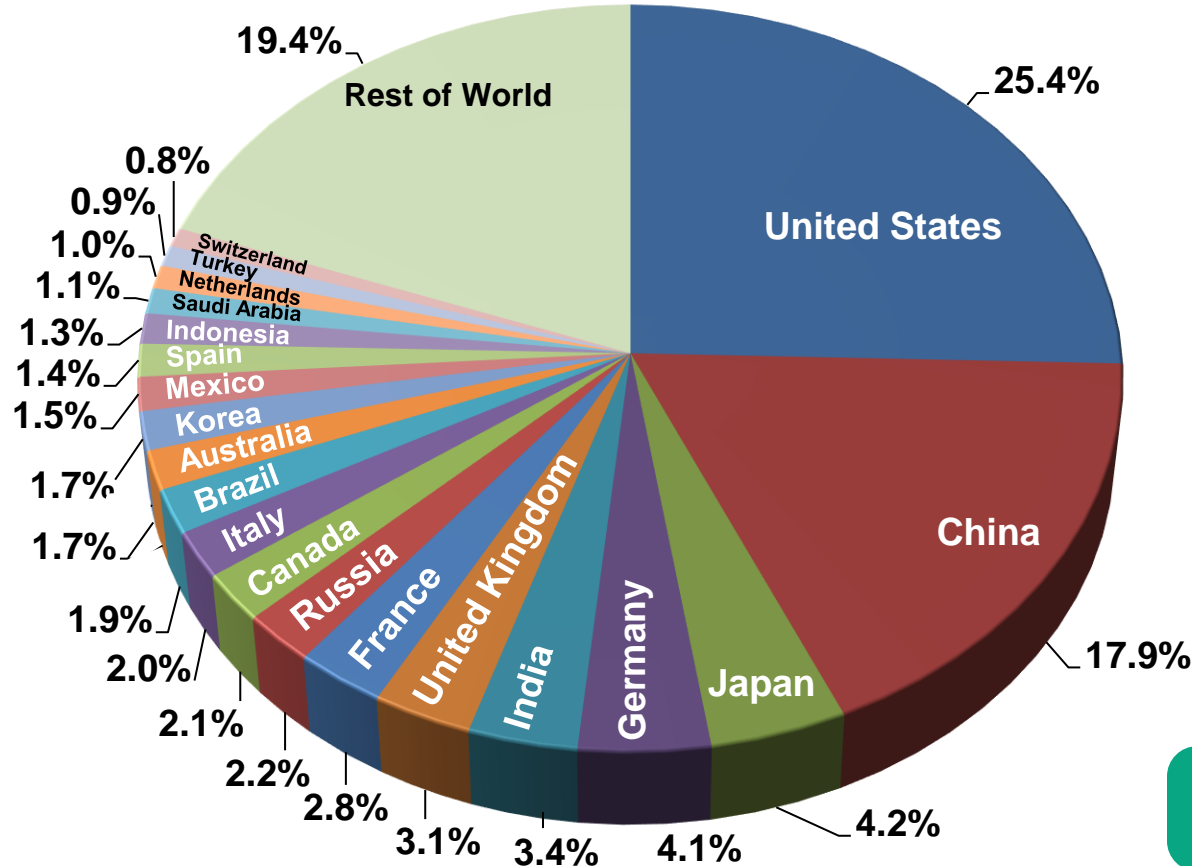


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# Percent of World GDP by Country

Source: IMF, \*ROW: 29% are IMF Estimated Figures



\*Total World GDP:  
\$100.1 Trillion US \$

# 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



# Historic Opportunity: India is the Most Populous Country

Source: World Bank



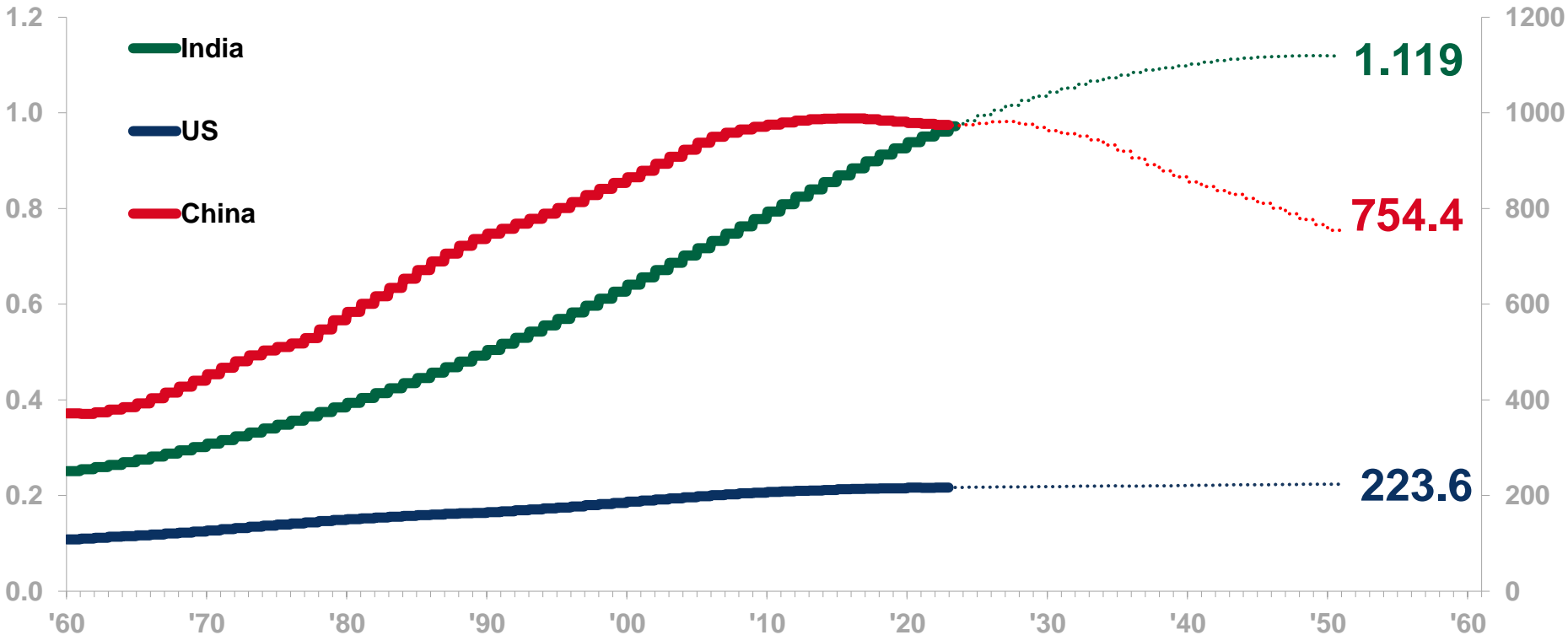
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## Total Population Age 15-64 With Projections

Millions of Persons

India(Billions)

Others(Millions)

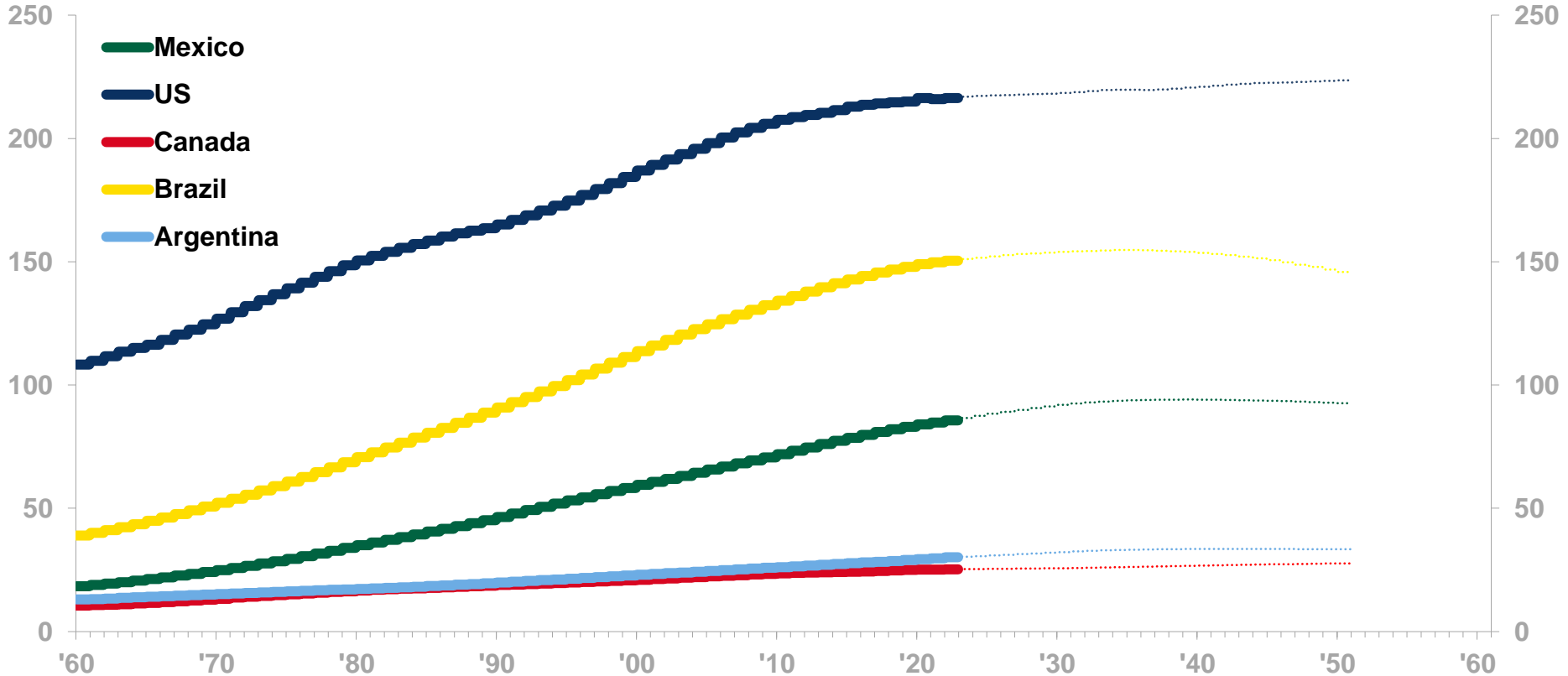


# Keep in Mind that More People = Economic Growth

Source: World Bank

## Total Population Age 15-64 With Projections – US, Mexico, Canada, Brazil, and Argentina

Millions of Persons



# Take Advantage of Nationalism Comes From...

Source: BEA

## Foreign Direct Investment Into the US

Annual Data Trend




	Billions \$
<b>Total</b>	<b>\$373.3</b>
Canada	75.9
United Kingdom	48.6
Netherlands	33.8
Germany	25.3
France	21.7
Switzerland	10.9
Ireland	6.7
Italy	6.2
Mexico	4.1
Spain	3.0
Brazil	0.3

*European Union total \$134.3*

 China is facing significant headwinds going forward. China presents mounting risks

 Demographics will drive much of what the long-term “normal” looks like

 USA is the #1 destination of foreign direct investment

## *Next Steps*

- Nationalism brings opportunities for shorter supply chains and new business
- Investing in the USA is the best plan.



# ***Inflation & Interest Rates***

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# Banks Were Surprised By Higher Interest Rates



— Bond Yields

4.15%

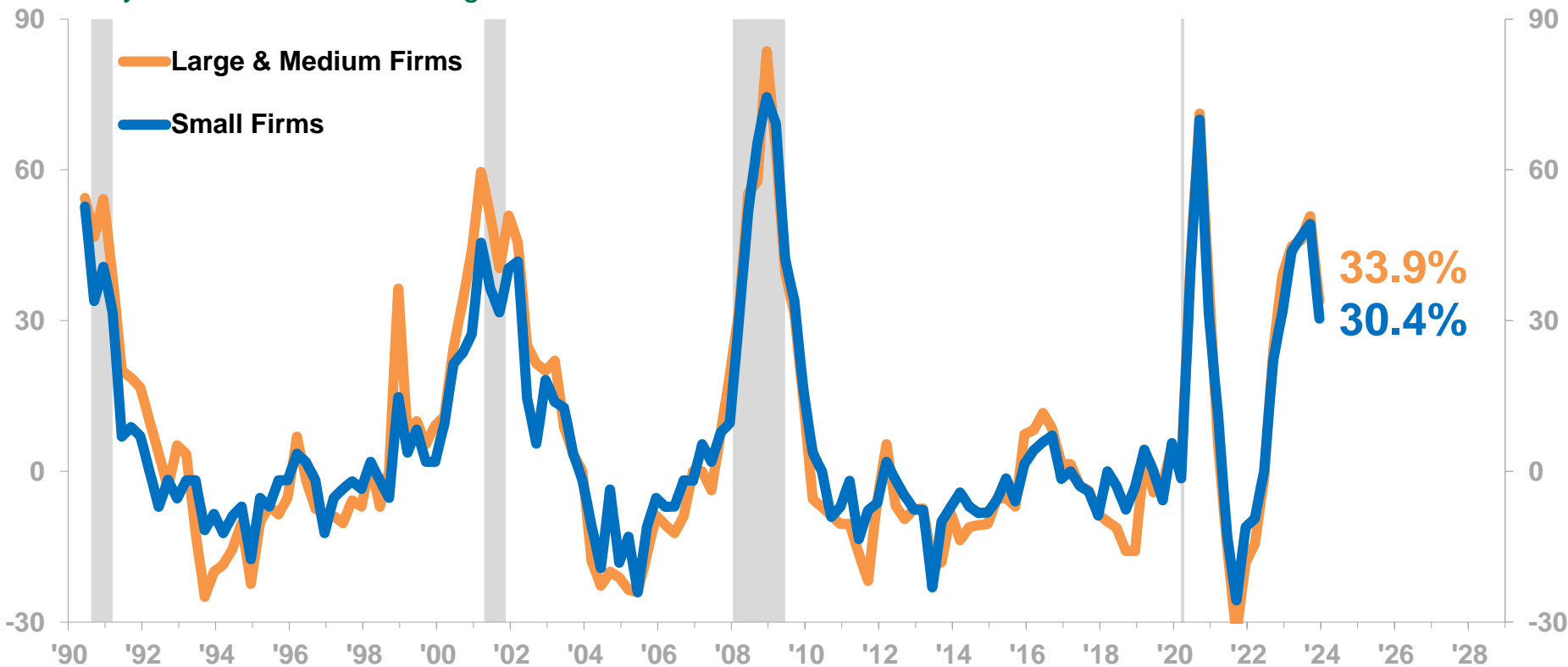
# Tight Credit Conditions Expected to Persist Through 2024

Sources: FRB

## US Net Percentage of Domestic Respondents Tightening Standards for Small, Medium and Large Firms



Quarterly Data Trends: Percentage

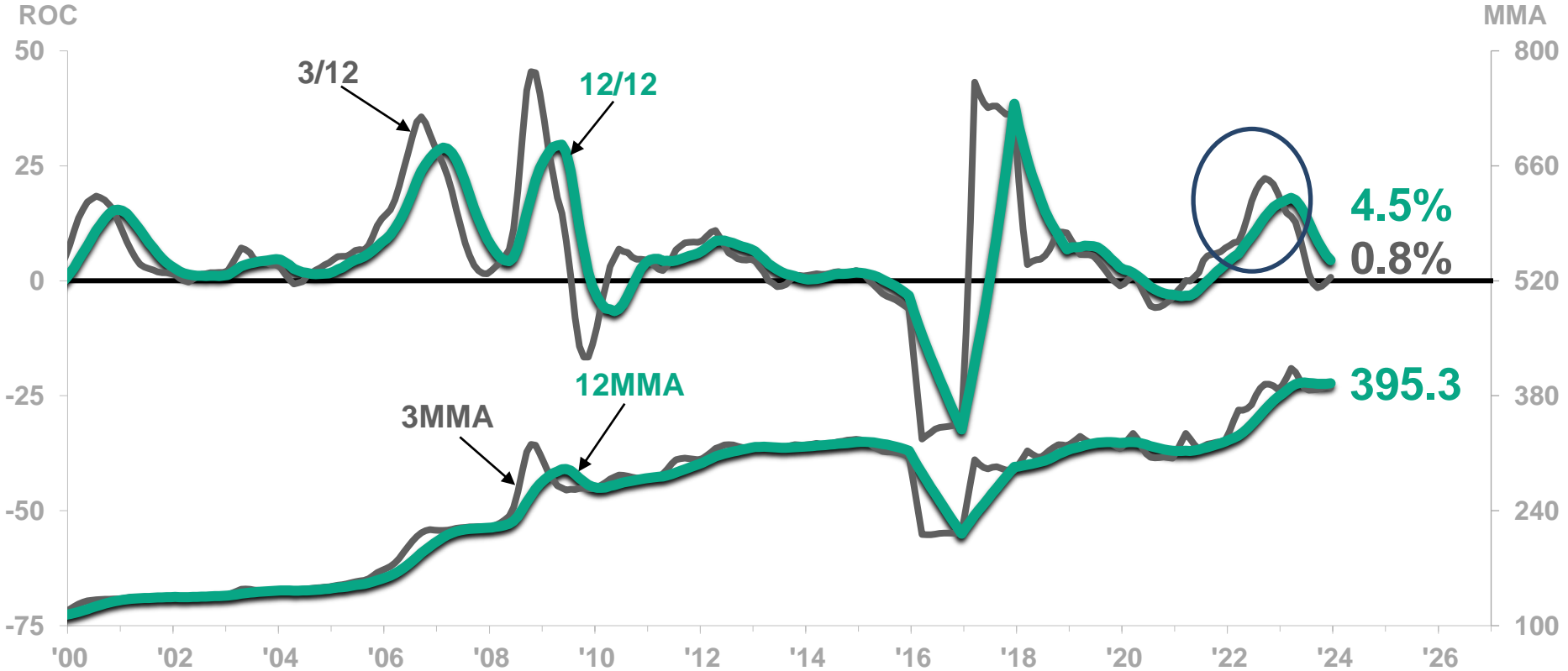


# Normal Price Fluctuations Indicated

Source: BLS

## US Producer Price Index For Asphalt

1982 = 100



# This PPI Has No Working Relationship With the CPI

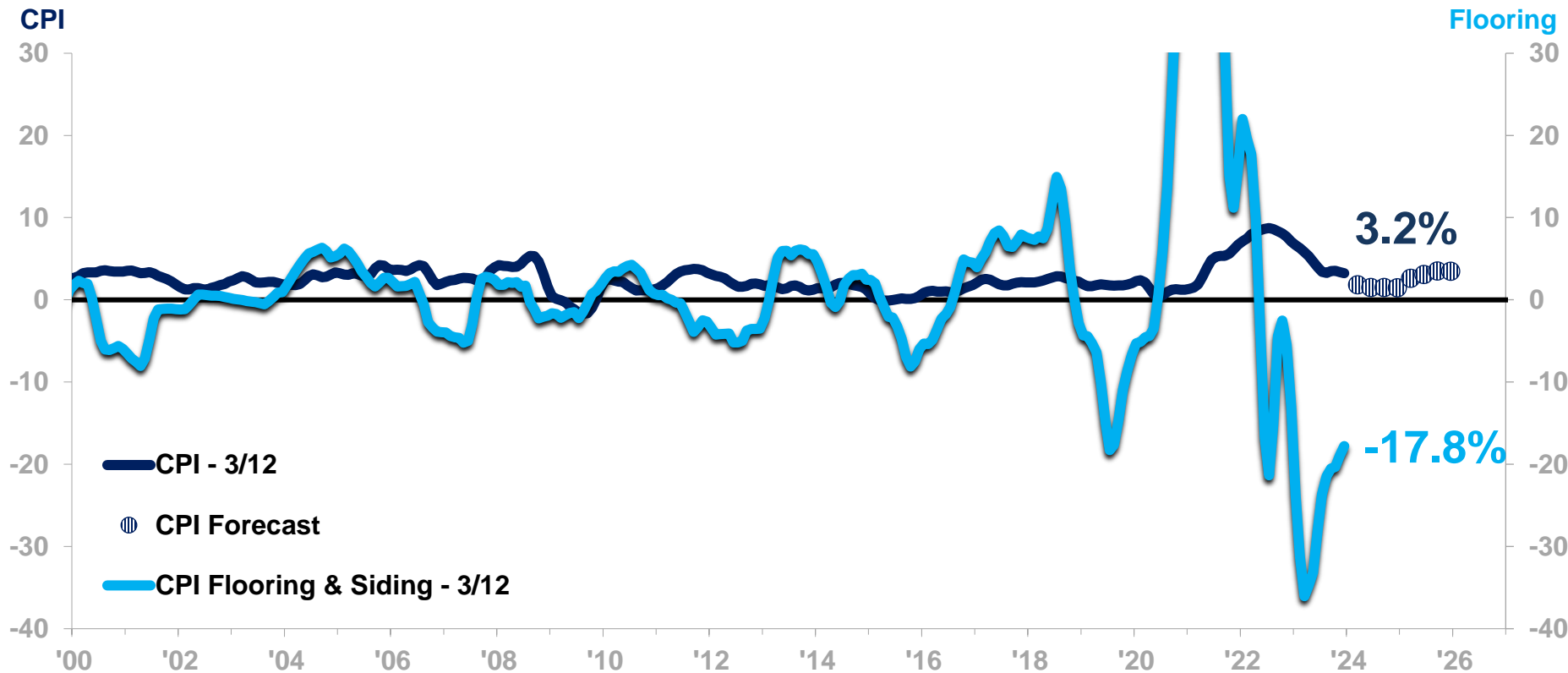
Source: BLS

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



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3/12 Rates-of-Change



# Commodities Get the Headlines But Are Not the Whole Story

Sources: BLS, US Census Bureau

Indicator	12/12	Phase	3/12	Phase
Truck Transportation PPI	-7.9%	D	-8.5%	A
Unlaminated Vinyl	2.0%	C	-3.8%	A
New Homes Prices	-3.8%	D	-11.1%	D
Asphalt PPI	4.5%	C	0.8%	B
Electric Power	7.5%	C	5.4%	B
Construction Materials PPI	0.9%	C	0.9%	B
Wholesale Trade – Durables, Earnings	5.4%	C	4.5%	C
Transportation Employment Cost Index	4.4%	C	3.9%	C

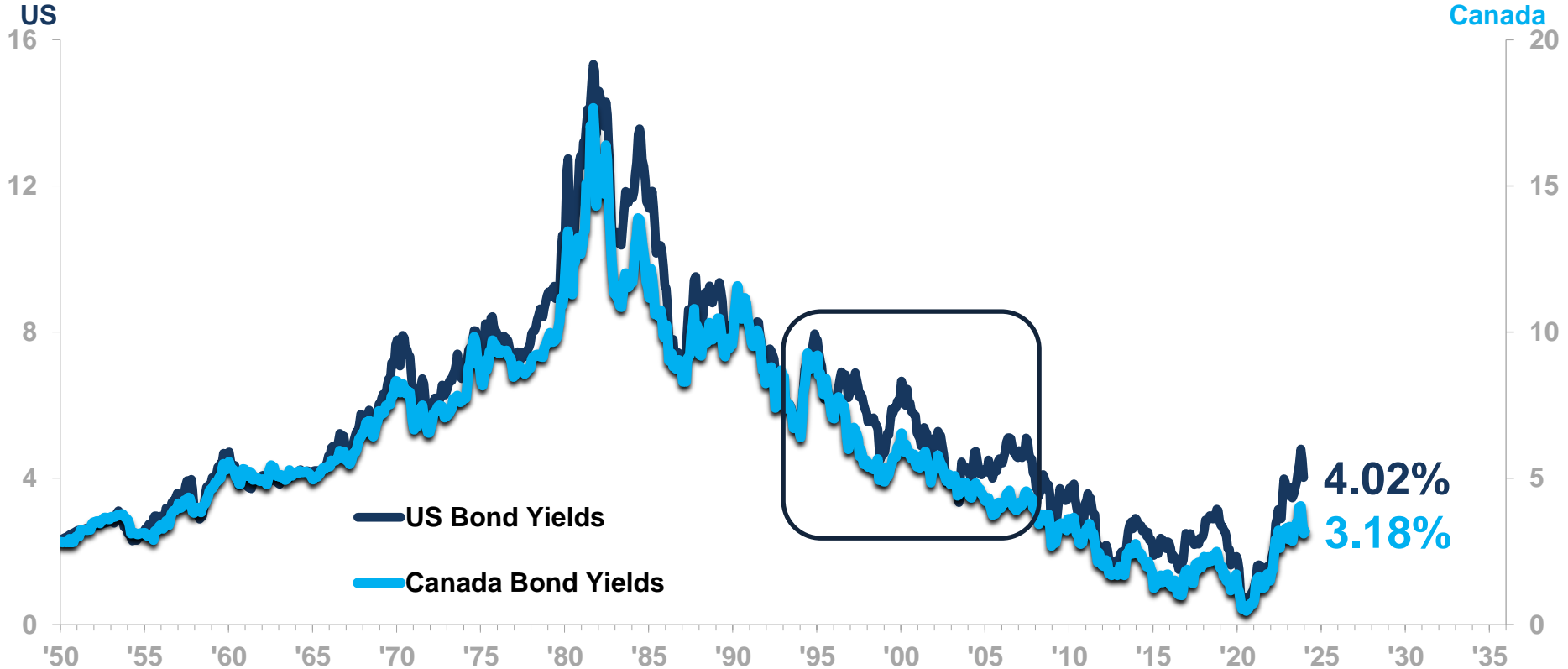


# The Canadians Can Borrow Money at a Lower Rate

Sources: FRB, Macrobond

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

Raw Data: Percent

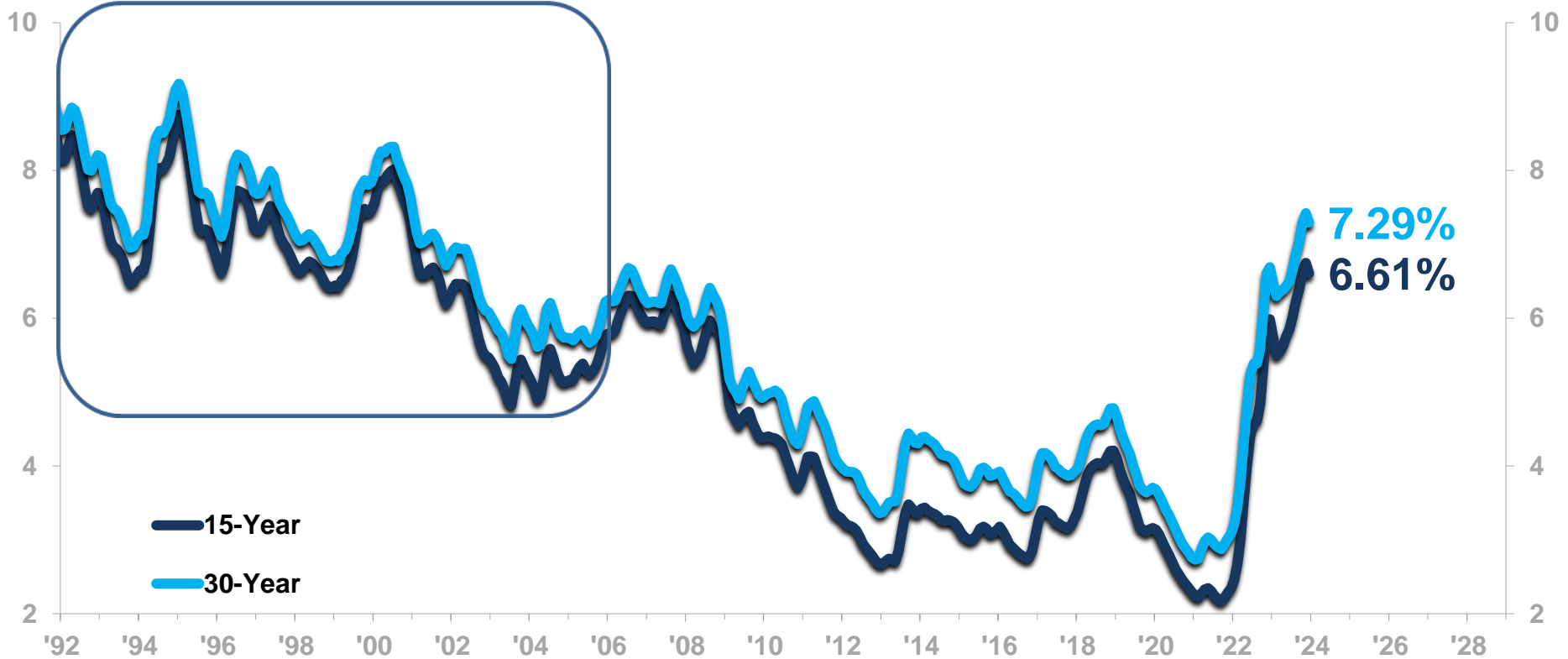





# Mortgage Rates Trending into the “New Normal”

Source: Freddie Mac



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



-  Inflation is decreasing and is expected to decline further. Rate decline probable for 2024.
-  Determine how you can take advantage of interest rate decline in 2024.
-  Tight credit conditions likely to last through 2024. Cash flow analysis through 2024 is critical.

## *Next Steps*

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- 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.



# ***US Economy & NEMEON Markets***

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# Inflation-Adjusted Wages Are Rising

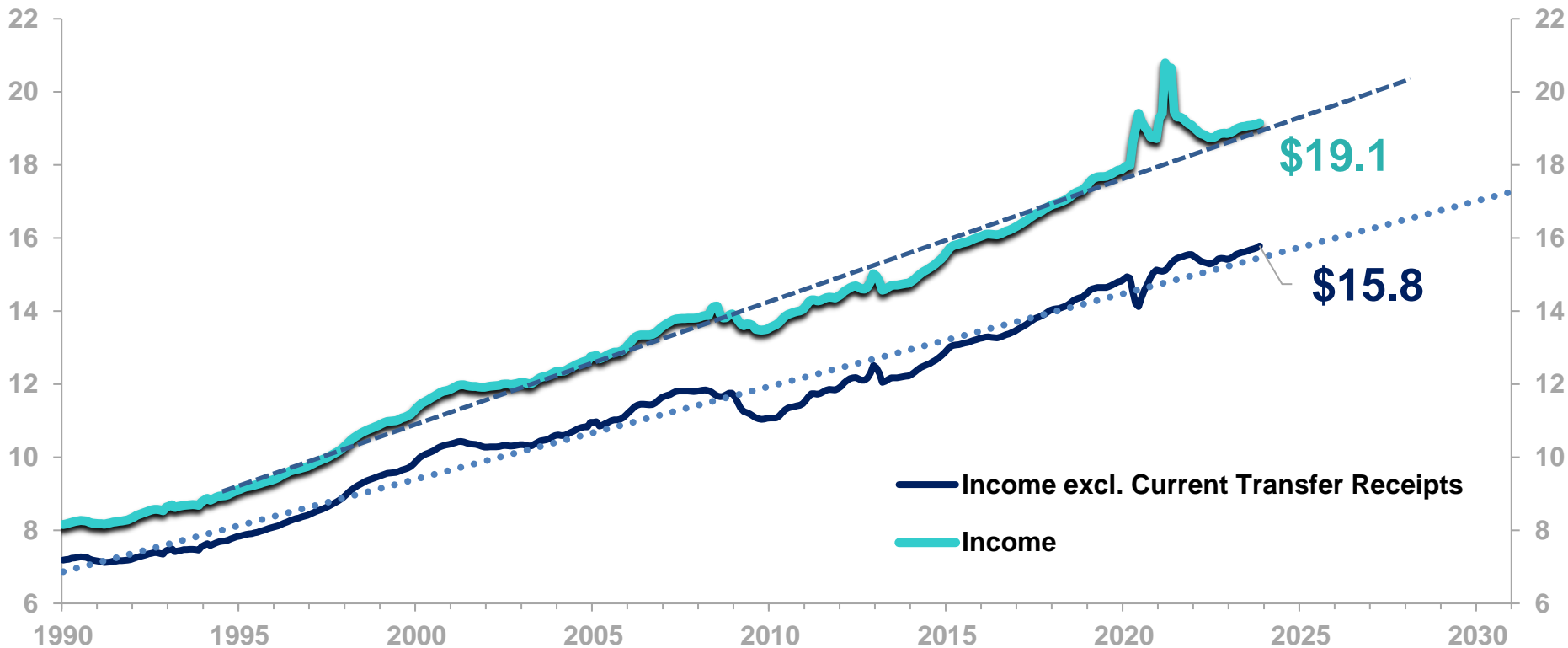
Source: BEA

## 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



# Debt Load is Manageable; Credit Card Debt Not an Issue

Sources: FRB New York,  
US Census Bureau, BLS

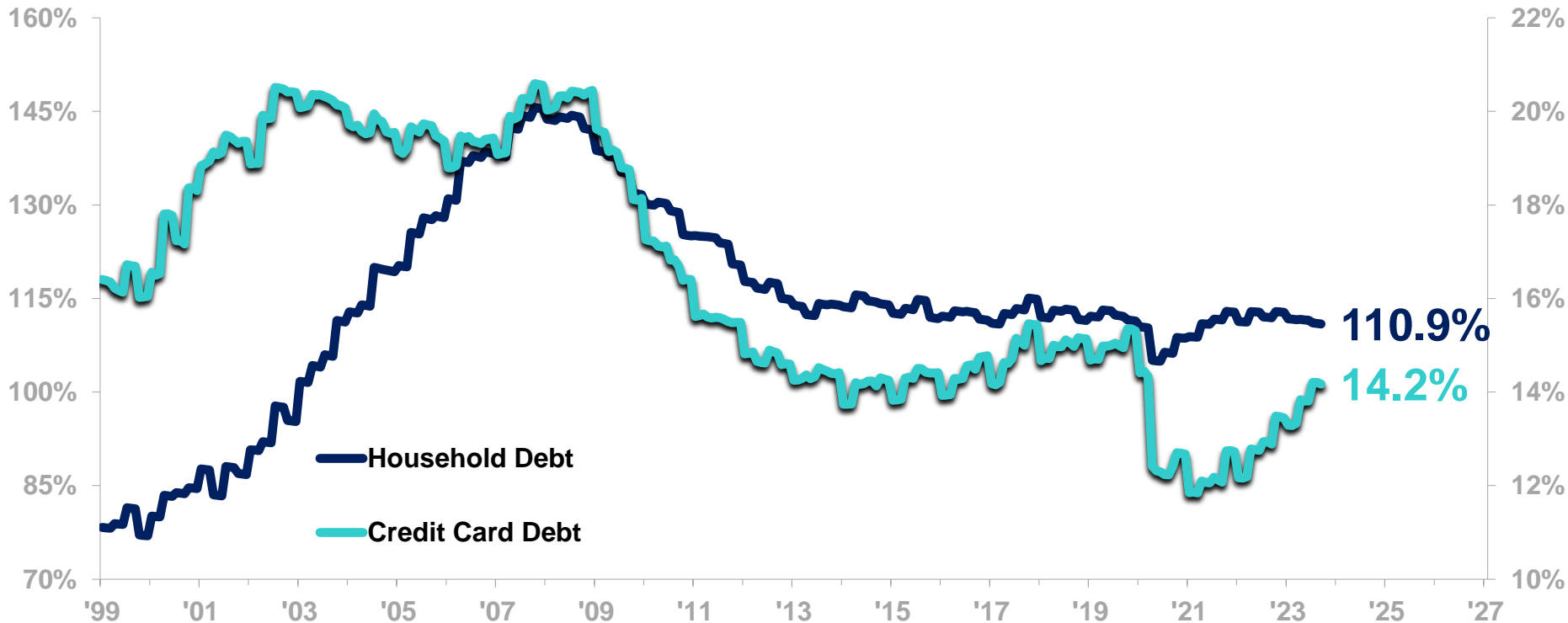


## US Household Debt per Capita as a % of US Median Annual Earnings to US Credit Card Debt per Household as a % of US Median Annual Earnings

Raw Data, Percent

Household Debt as % of Earnings

Credit Card Debt as % of Earnings



# Consumer is Able to Service the Debt Loads

Source: FRBNY, FRB, BEA

## US Profits and Delinquency Rates



### Monthly

### Notes

Auto Loan Delinquency

3.91%

Up from Oct '22 5-yr low of 3.73%

Credit Card Delinquency

2.97%

Pre-Covid 10yr avg 2.76%

Residential Delinquency (>90 days)

1.71%

Lowest in 16 <sup>3</sup>/<sub>4</sub> years

Domestic Nonfinancial Corp  
Profits

\$2.31T

Record high

# Housing Trend/Outlook Encouraging for 2024...

Source: US Census Bureau

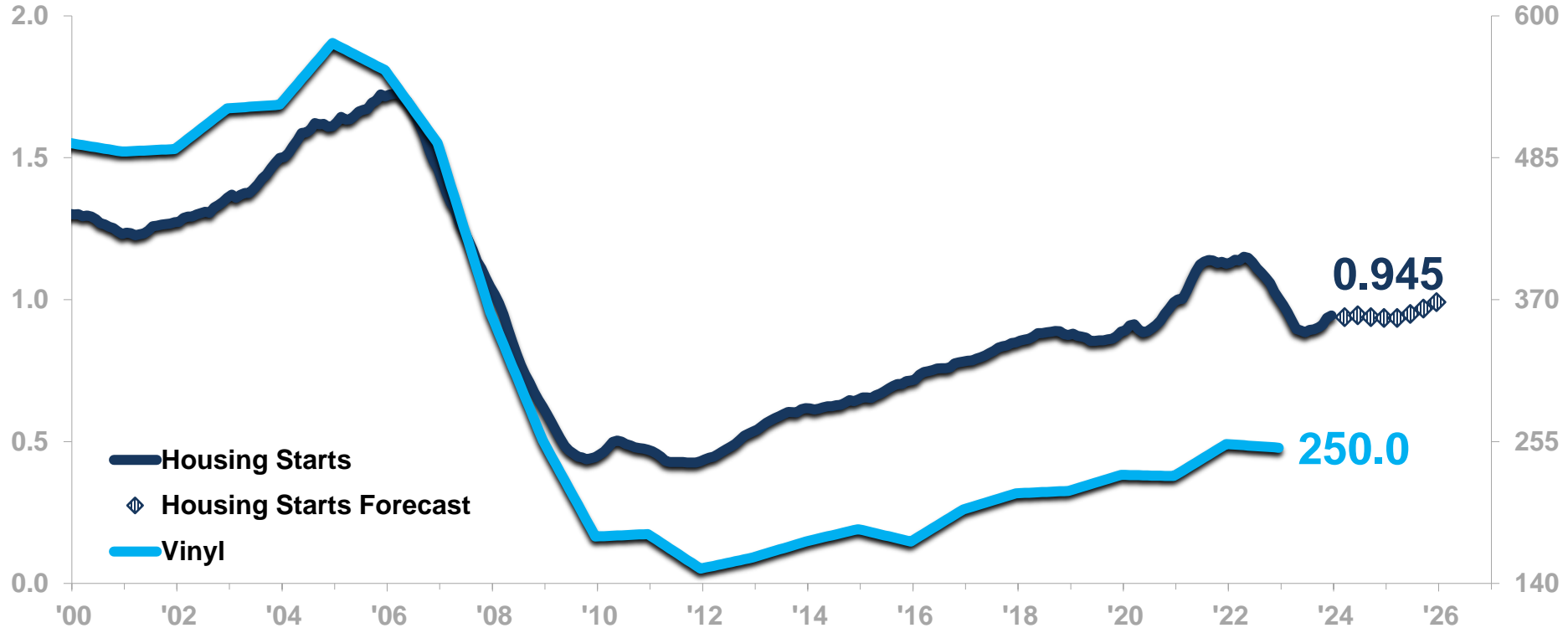
## US Houses Completed With Vinyl Siding Exterior to US Single-Unit Housing Starts



Annual Data Trends

Housing Starts (Mil.)

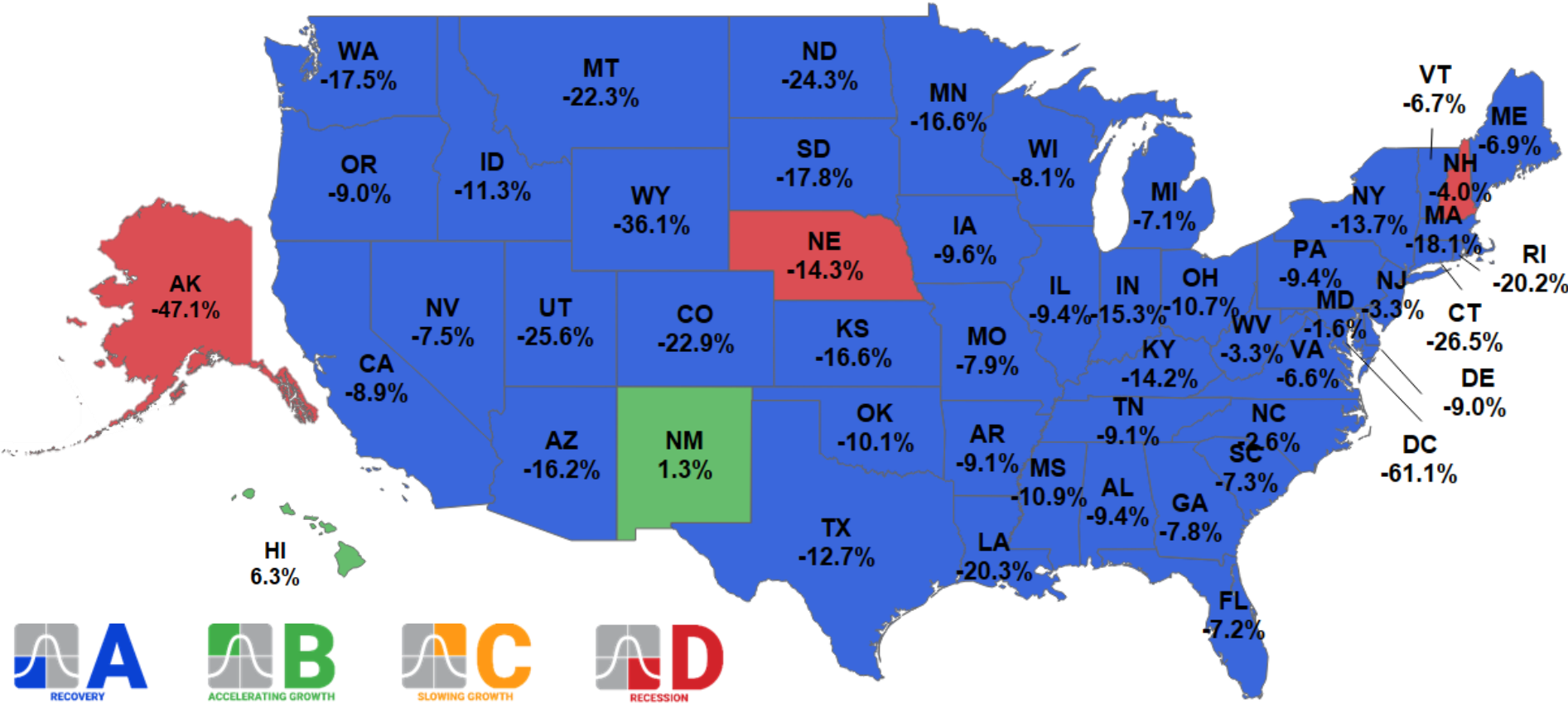
Vinyl (Thou. Houses)



# Single-Family Housing Unit Permits; Blue is a Favorable Sign

Source: US Census Bureau

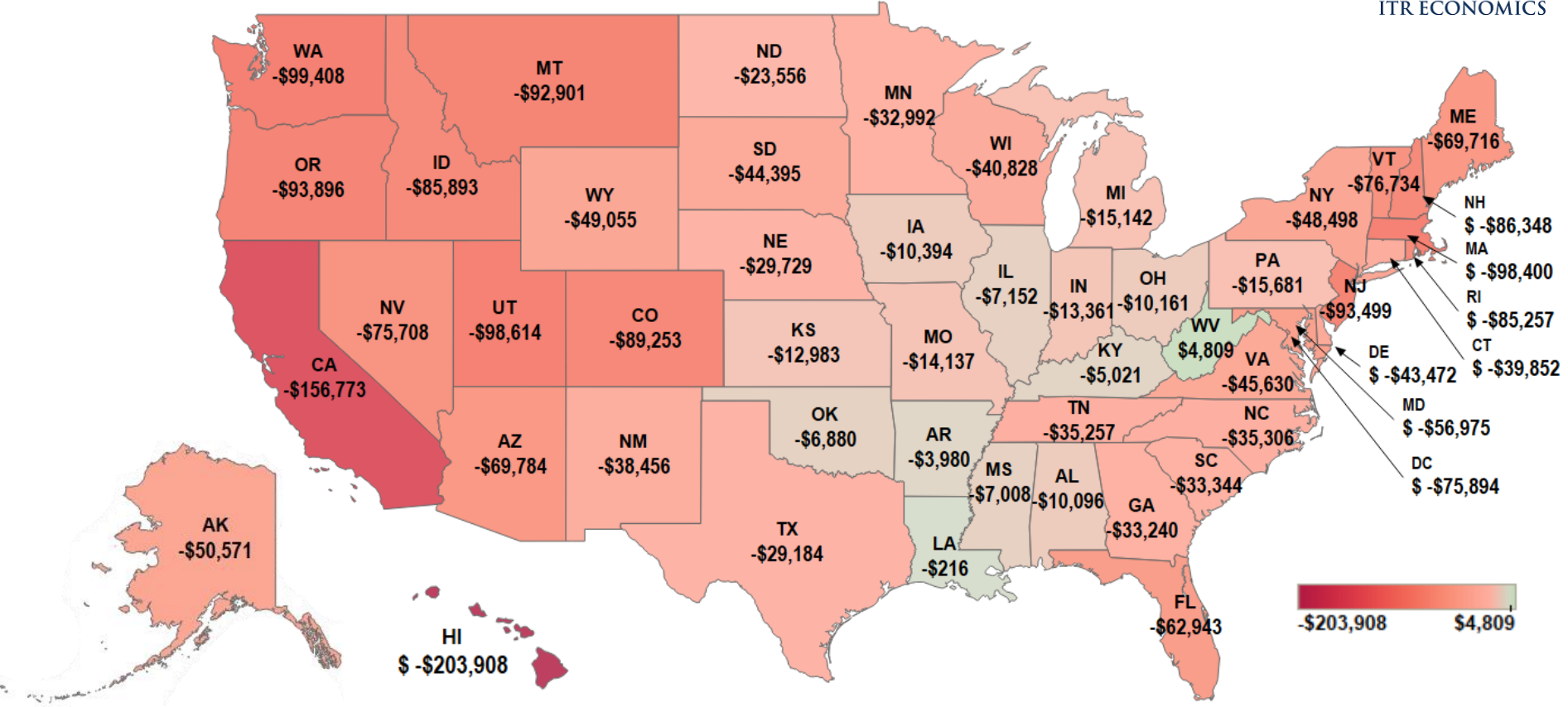
12/12 Rates-of-Change



# Gaining Market Share is How you Beat This Trend

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



# Still Painfully High But Improvement is a Green Shoot

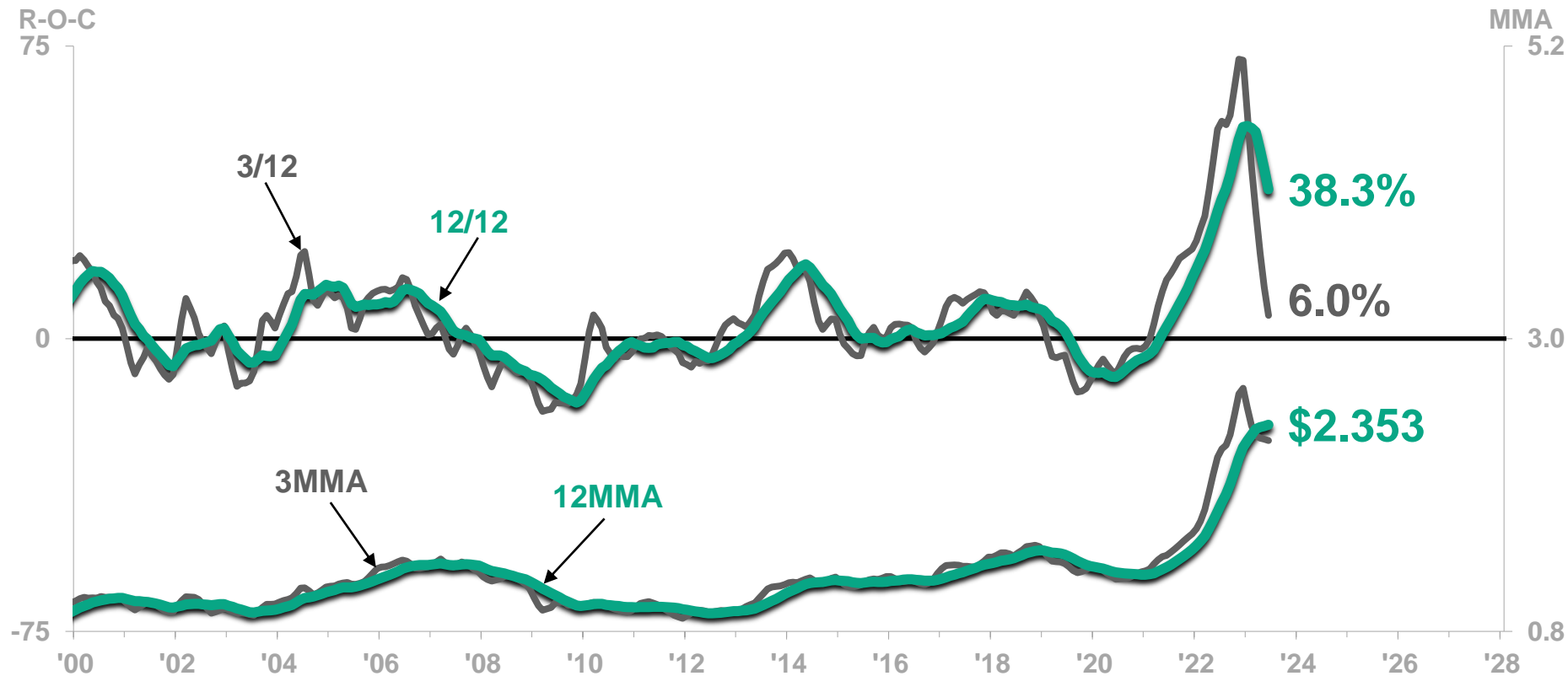
Source: US Census Bureau,  
Freddie Mac

## US Average Mortgage Payment

Thousands of Dollars



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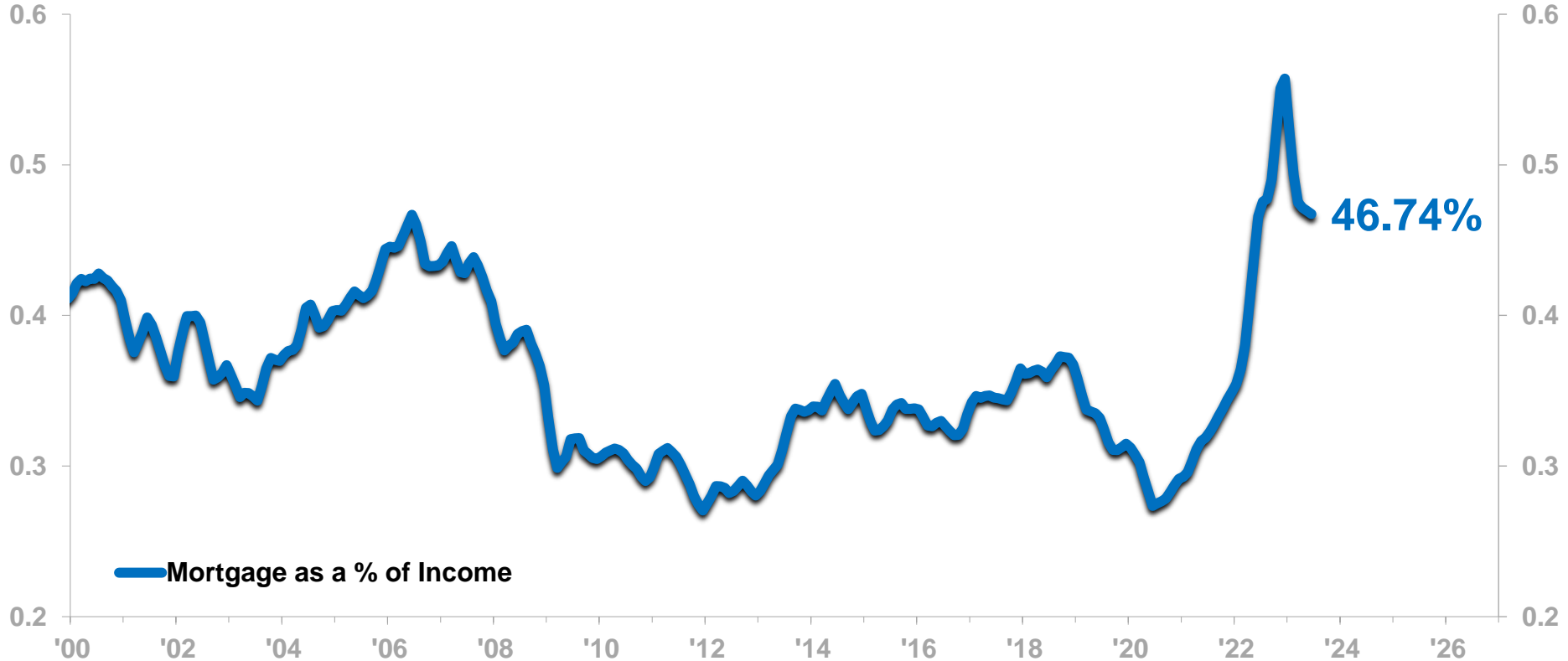
# Painfully High But Recent Decline is a Green Shoot

Sources: US Census Bureau,  
Freddie Mac, BLS

## US Average Mortgage Payment as a Percent of Median Income

Percent

  
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# Not Great But Not the Great Recession Either

Source: US Census Bureau

## US Single Unit Housing Starts

Millions of Units

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

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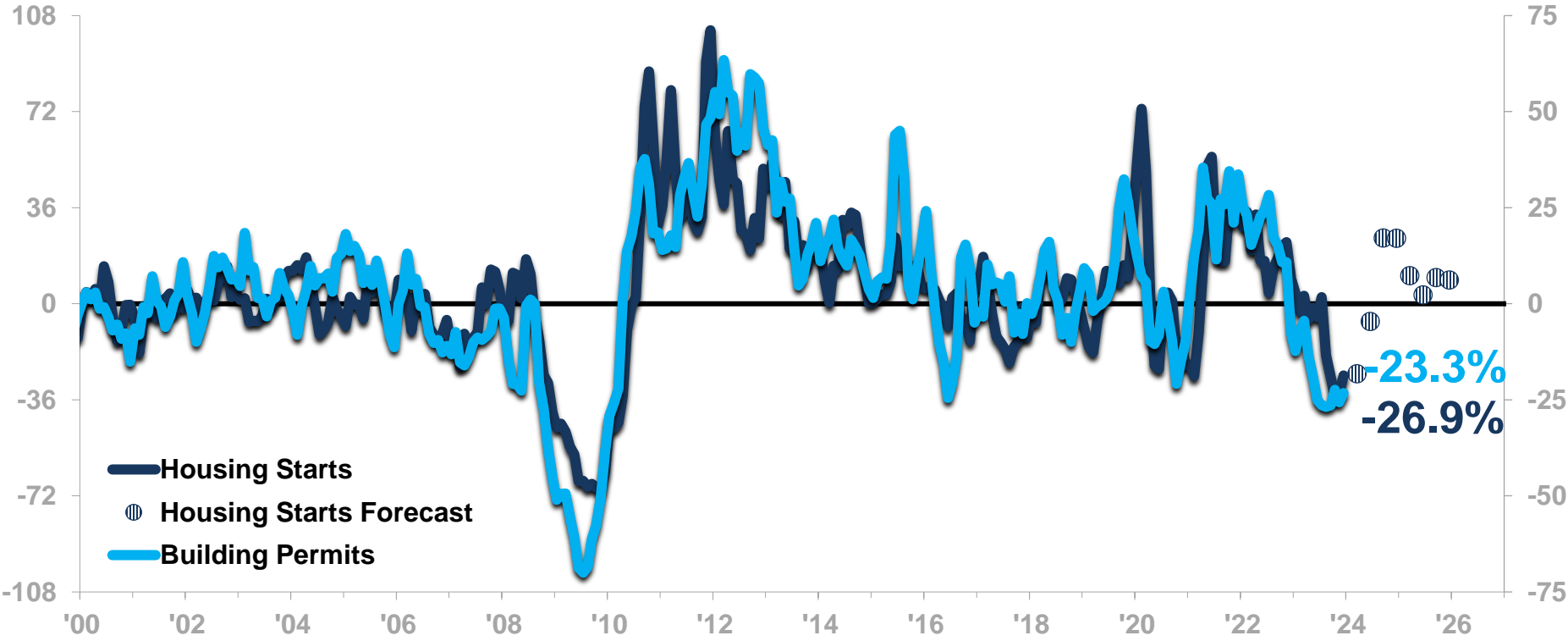
# US Multi-Unit Housing Starts to US Multi-Unit Housing Permits

3/12 Rates-of-Change



Housing Starts

Building Permits



# Dynamics Are Stronger Than Single Family

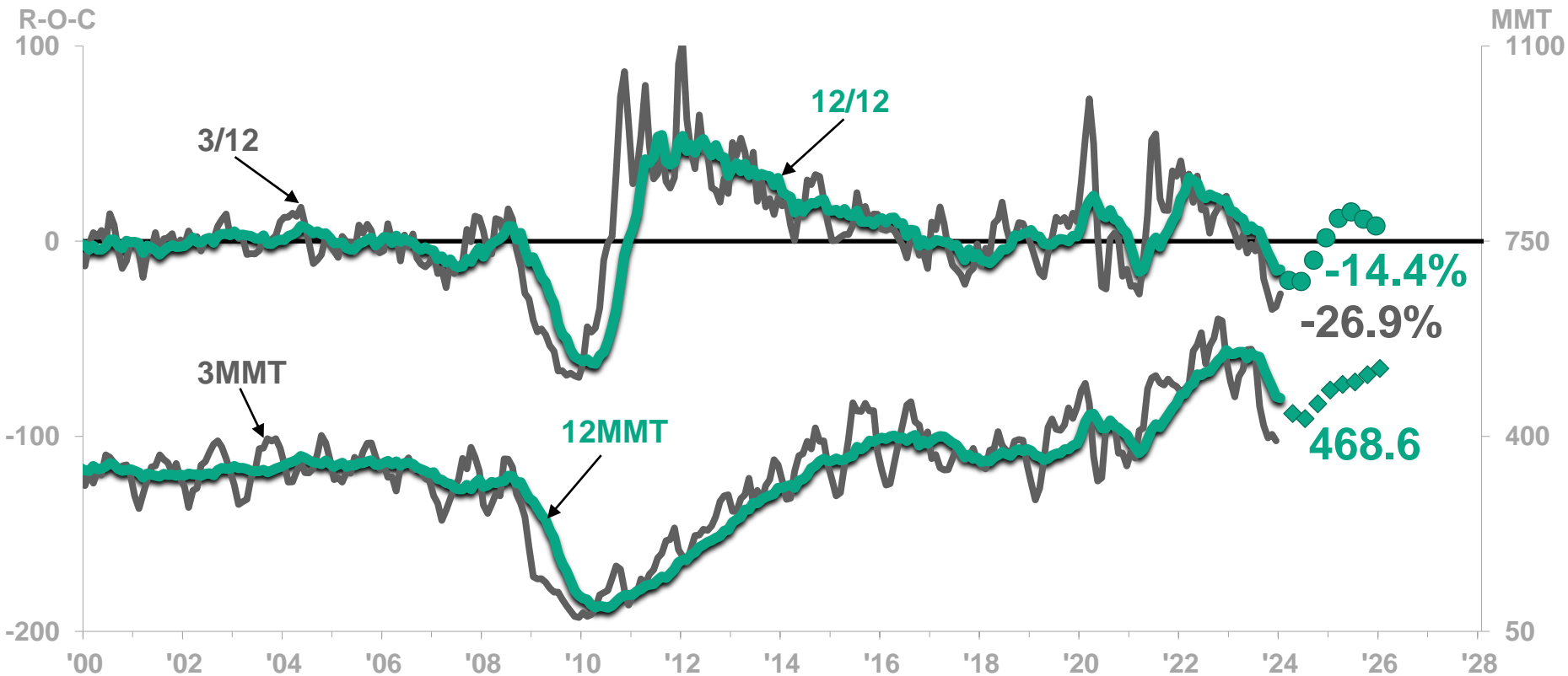
Source: US Census Bureau

## US Multi-Unit Housing Starts

Thousands of Units



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# Permit Status Varies From State to State

Source: US Census Bureau

## Multi-Family Housing Unit Building Permits

Annual Trend in Units



	12/12	Phase	3/12	Phase	Trend	12MMT Notes
Arizona	13.2%	B	47.4%	B	24.9	Up
Florida	-10.7%	D	-41.4%	D	67.5	Down
Georgia	-21.7%	D	-52.6%	A	21.0	Down
North Carolina	10.6%	C	6.0%	C	28.8	Down
South Carolina	-23.1%	A	-38.3%	D	5.9	Down
Tennessee	38.4%	B	83.7%	C	14.9	Up
Texas	-22.6%	D	-32.0%	A	82.8	Down



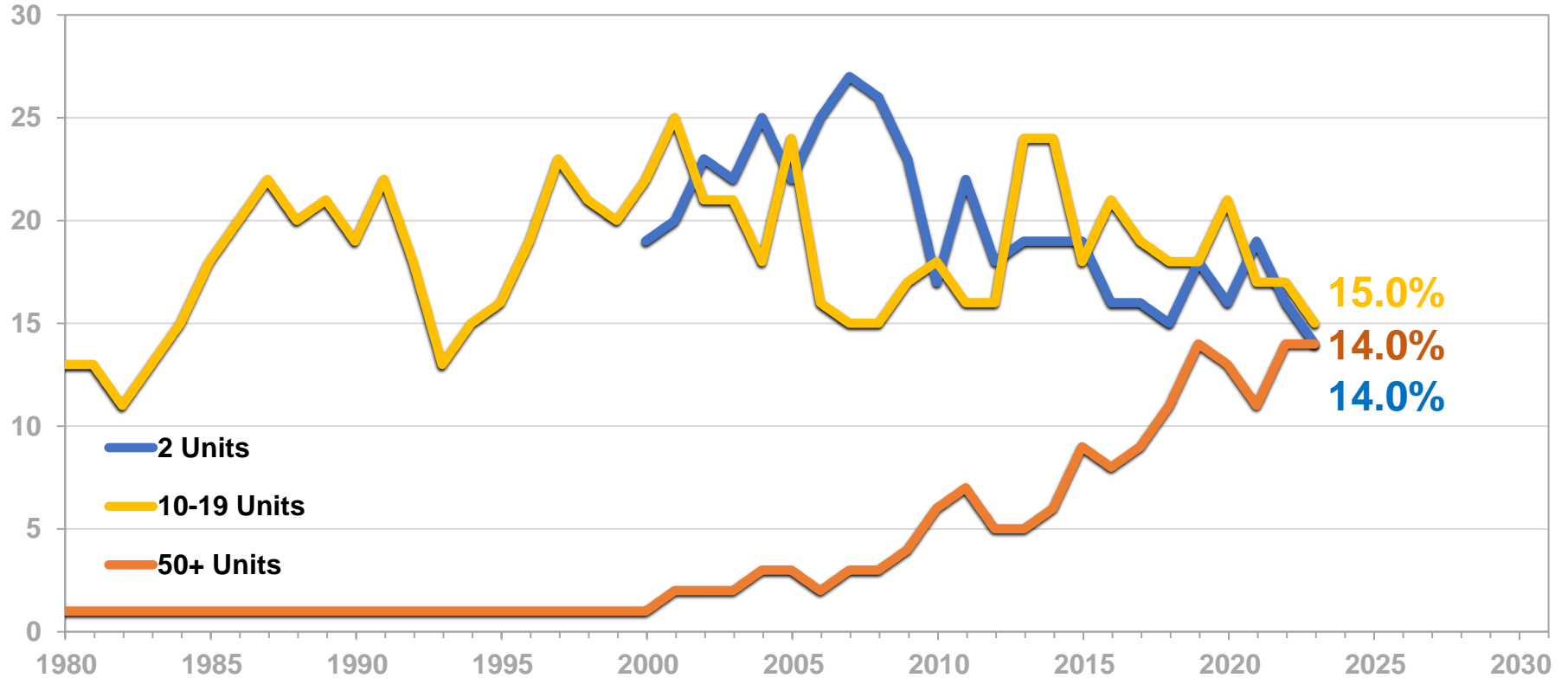
# A Significant Shift in Size

Source: US Census Bureau

## Percent Distribution of Multifamily Buildings Completed by Number of Units



Annual Data Trends, Percent



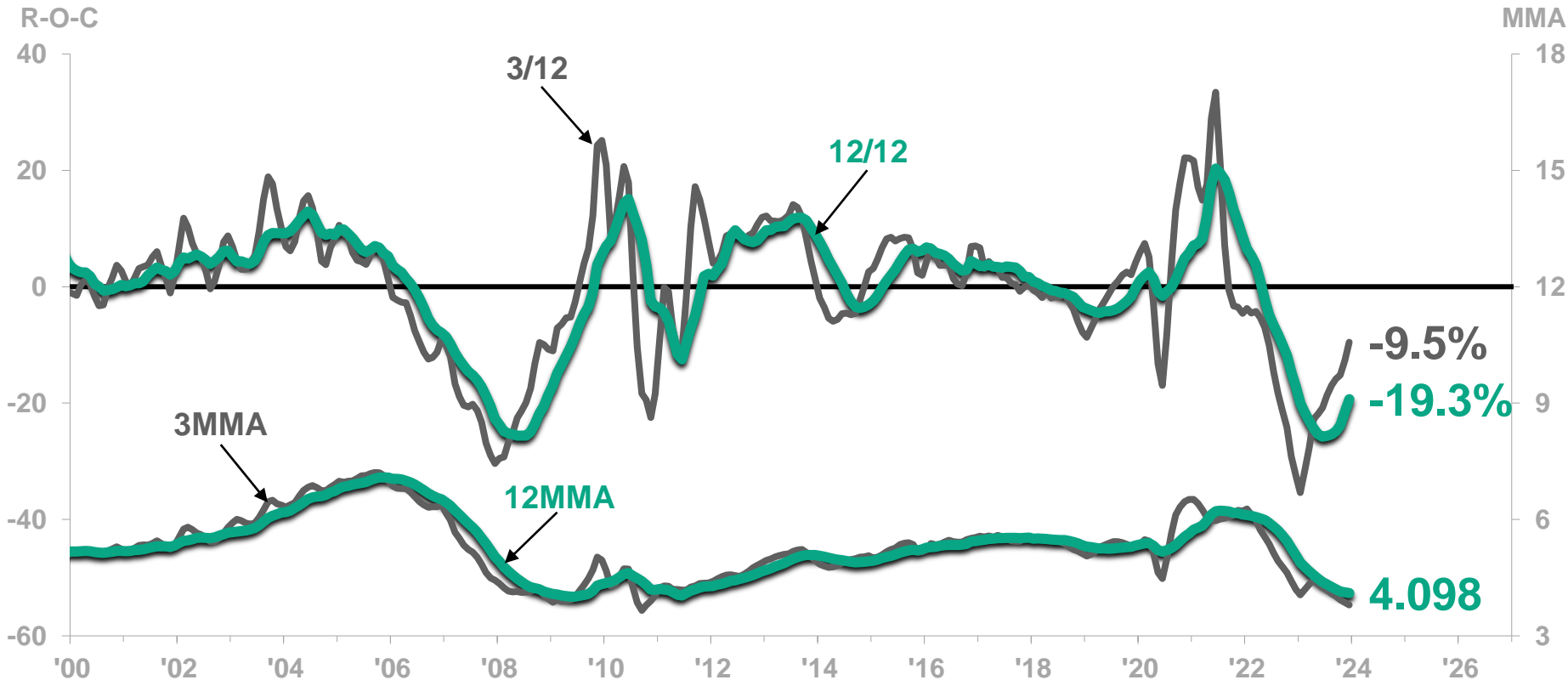
# Affordability & Inventory Issues Persist: R-O-C Turns Upward

Source:  
National Association  
of Realtors



## US Existing Home Sales

Millions of Units



# Weak Cyclical Signal

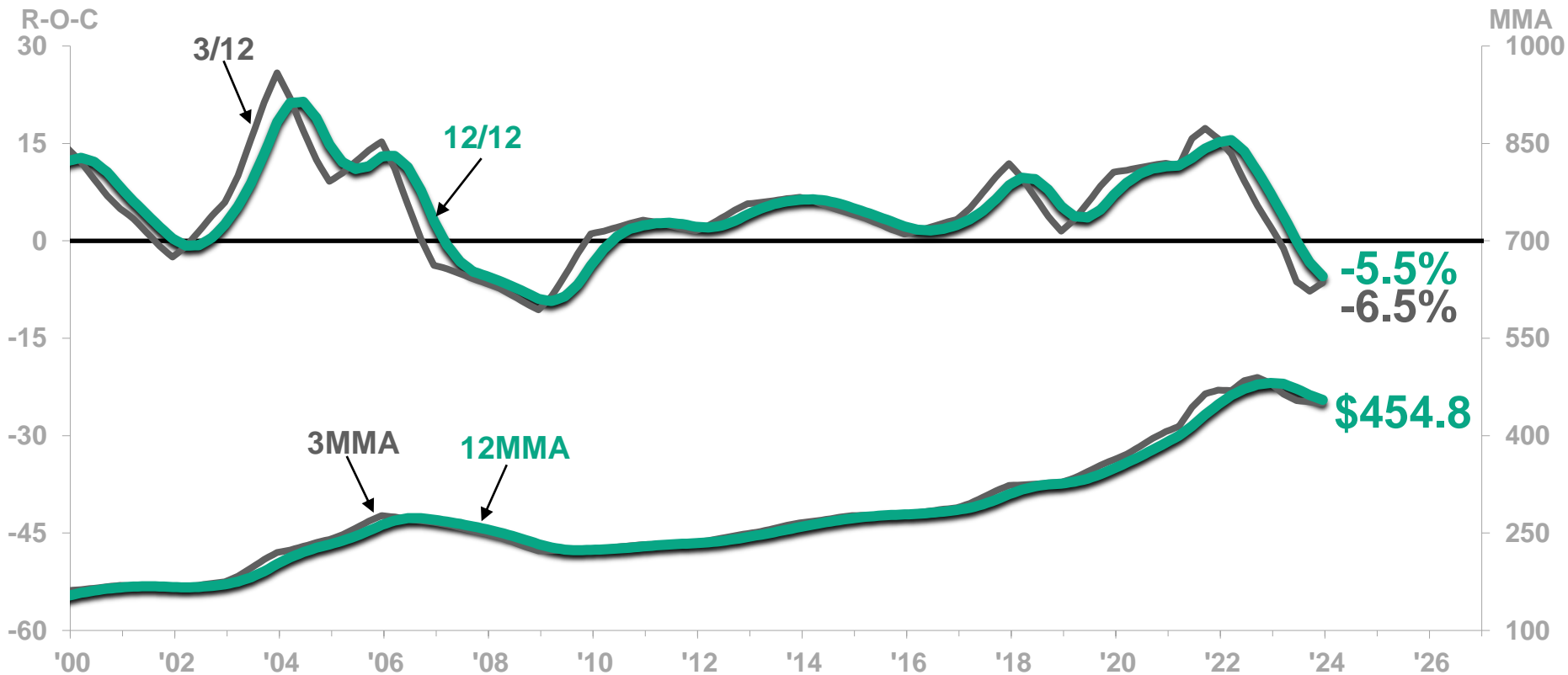
Source: Joint Study for Housing  
at Harvard University

## Harvard US Leading Indicator of Remodeling Activity

Billions of Dollars



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# Housing Leads – Nonresidential Lags

Source: US Census Bureau

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

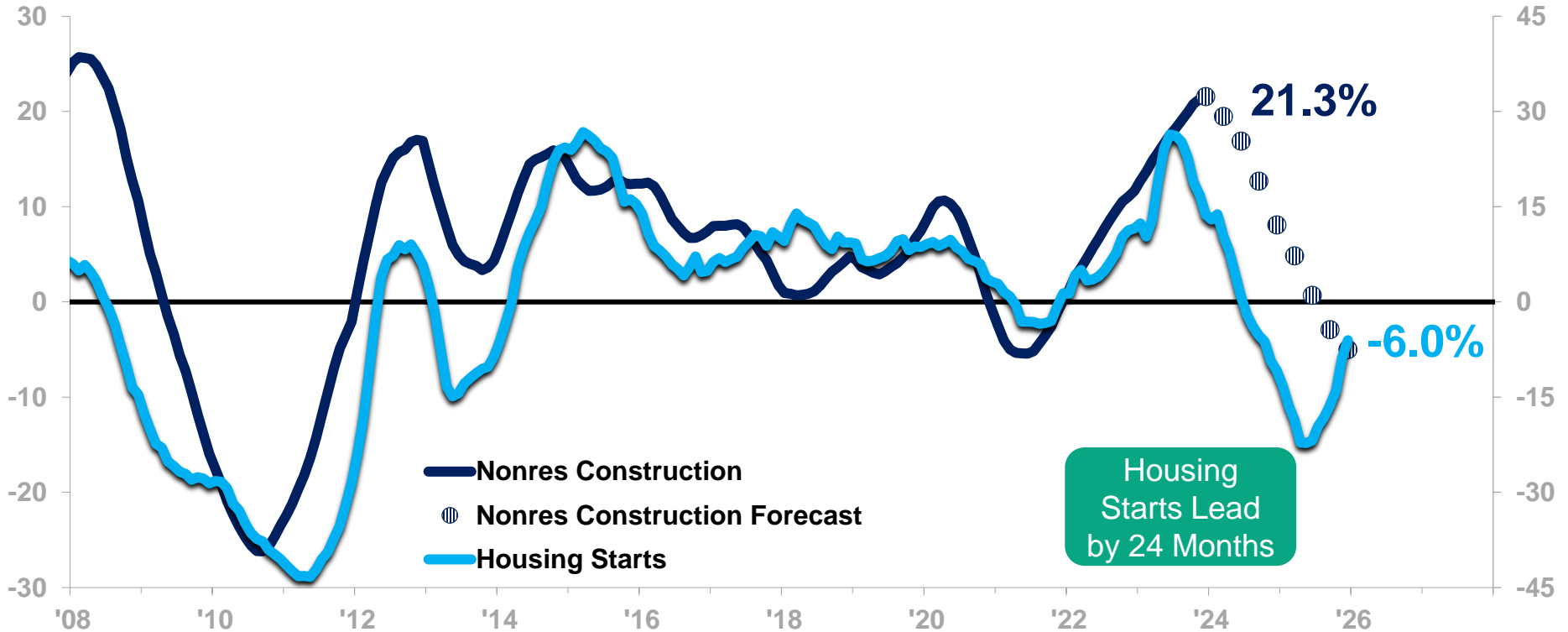
12/12 Rates-of-Change

as seen in  
ITR Economics'  
Trends  
Report



Nonres Construction

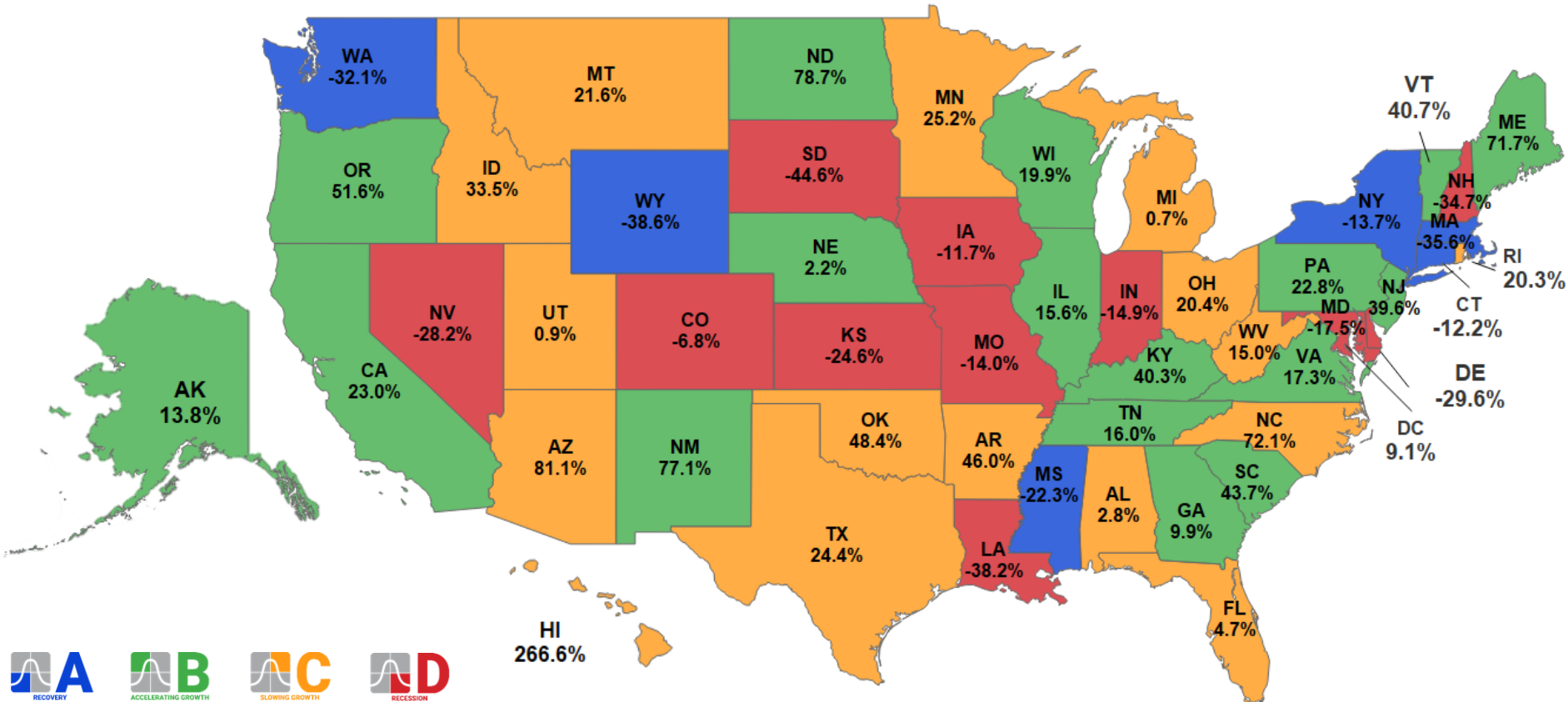
Housing Starts



# US Commercial Construction by State

Source: ConstructConnect

12/12 Rates-of-Change

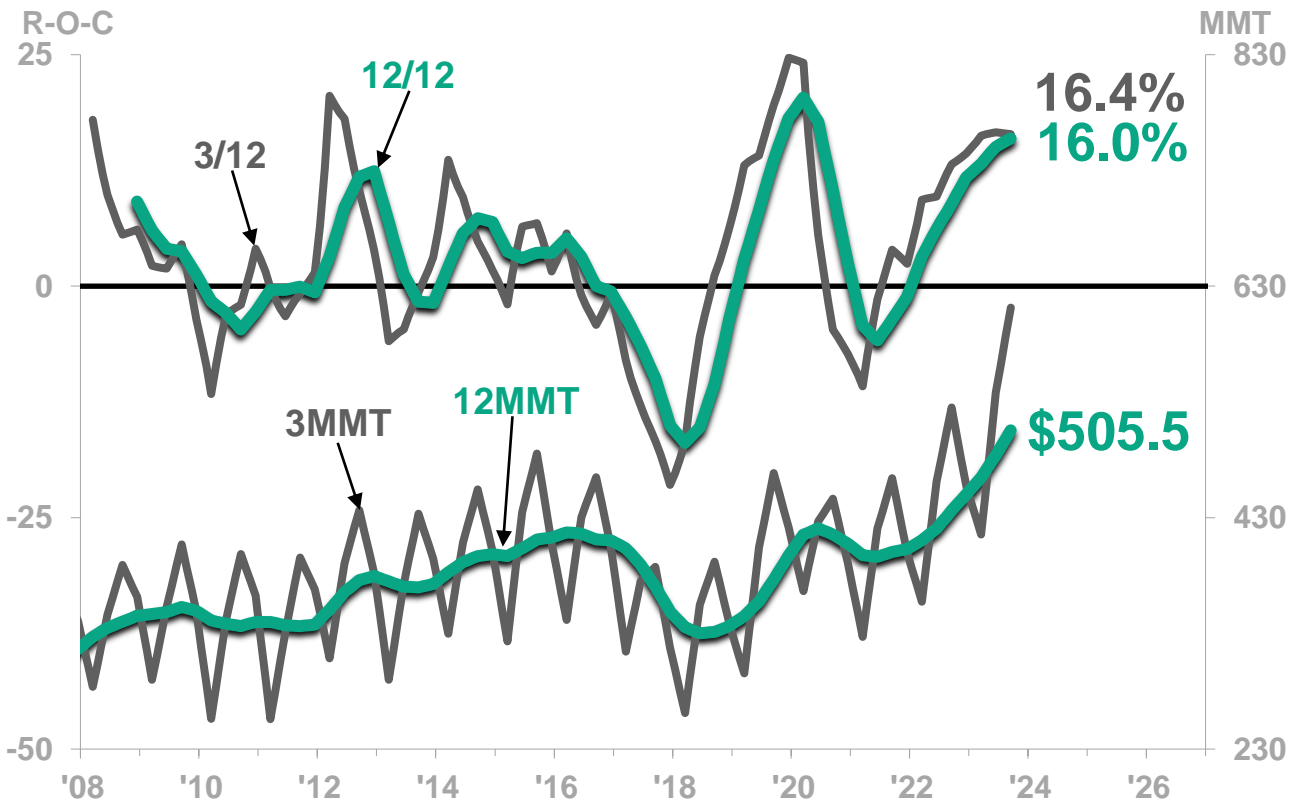


## US Total Nonresidential Construction Renovations

Billions of Dollars



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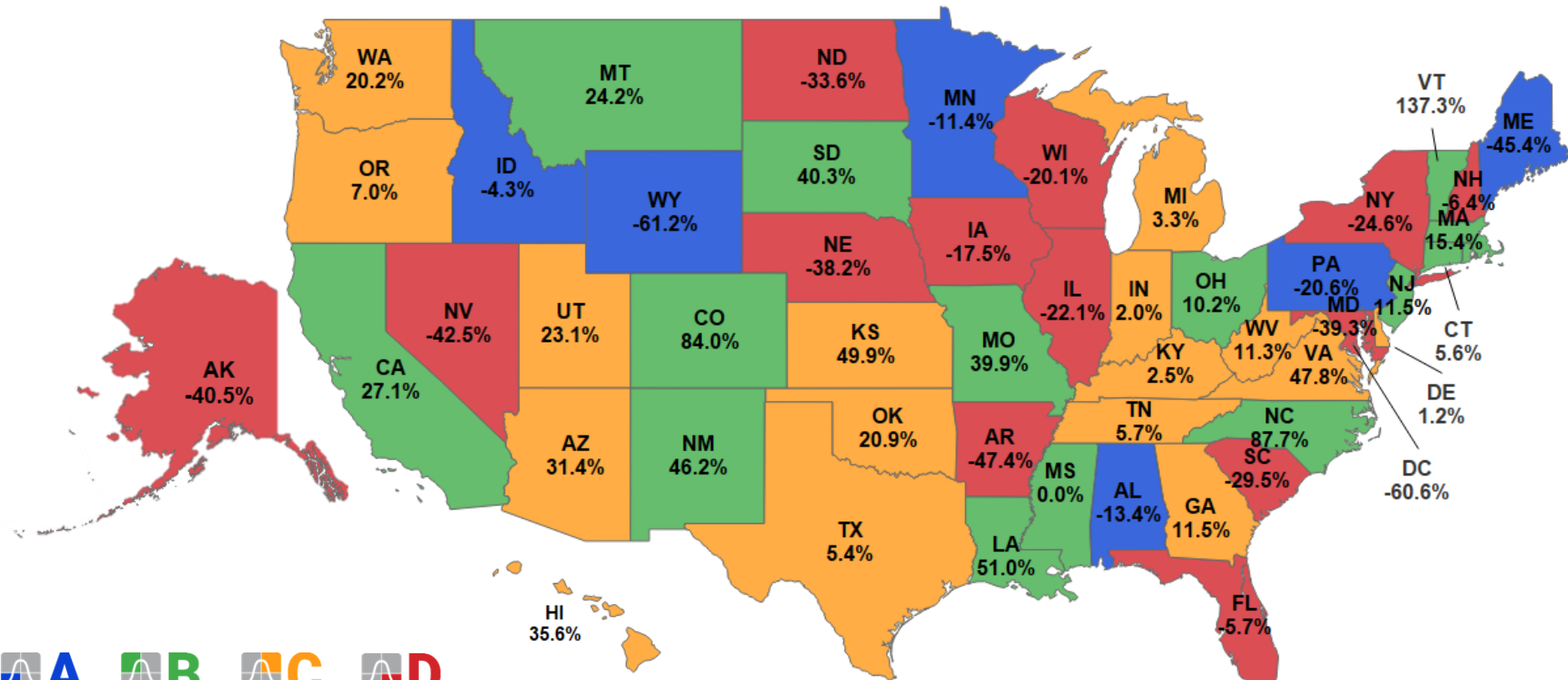


Nonresidential construction renovations put-in-place in the US. Includes lodging, office, commercial, health care, educational, religious, public safety, recreation, transportation, communication, power, highway and street, sewer, water, conservation, and manufacturing. Put-in-place measures the total spending on construction, including spending on intermediate goods e.g. money spent on cement, wood or ready to fit appliances.

# US Commercial Remodeling Construction by State

Source: ConstructConnect

12/12 Rates-of-Change



# As Seen in the ITR Trends Report; Seek the Opportunities

Source: ITR Economics  
Trends Report™



## The US Construction Economy At-a-Glance

	Historical 12/12	Historical 12MMT	Current 12/12	2024	2025	2026
US Single-Unit Housing Starts			-8.8	1.6	6.0	5.8
US Multi-Unit Housing Starts			-15.0	1.9	8.0	2.1
US Private Office Construction			7.5	-5.1	-3.2	5.7
US Total Education Construction			11.4	2.4	-3.8	2.2
US Total Hospital Construction			12.6	-3.4	1.9	3.7
US Private Manufacturing Construction			68.0	2.4	-2.3	6.9
US Private Multi-Tenant Retail Construction			9.7	-11.2	1.6	8.2
US Private Warehouse Construction			9.8	-4.7	2.4	6.6
US Public Water & Sewer Facilities Construction			19.8	-0.4	-7.5	3.0

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



# Entering the Difficult Part

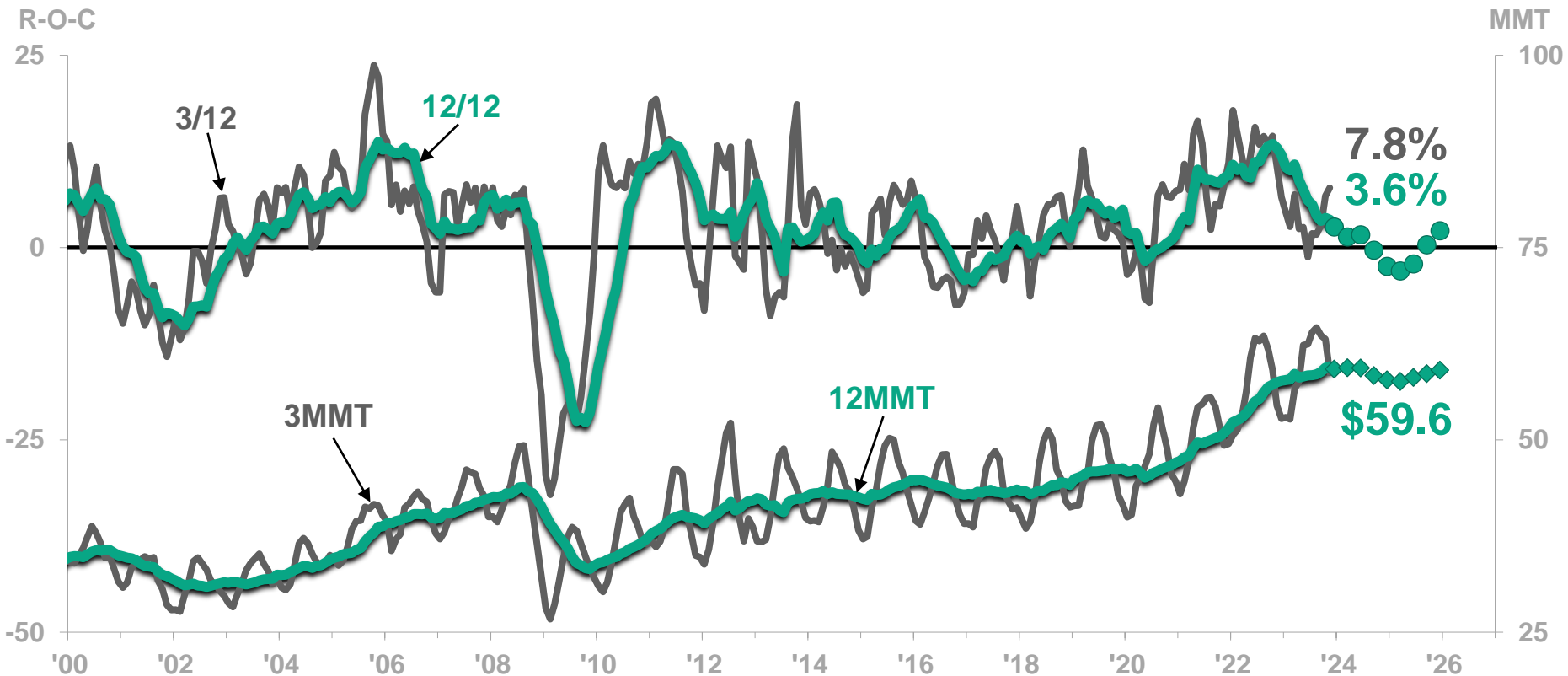
Source: US Census Bureau

## US Refrigeration and HVAC Equipment New Orders

Billions of Dollars



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There are “green shoots” developing for the residential market



Nonresidential construction is a lagging economic indicator



Results will vary considerably from state to state

## *Next Steps*

- Expect a reluctant consumer in 2024
- Use residential real estate prices as a personal wealth inflation hedge



# People

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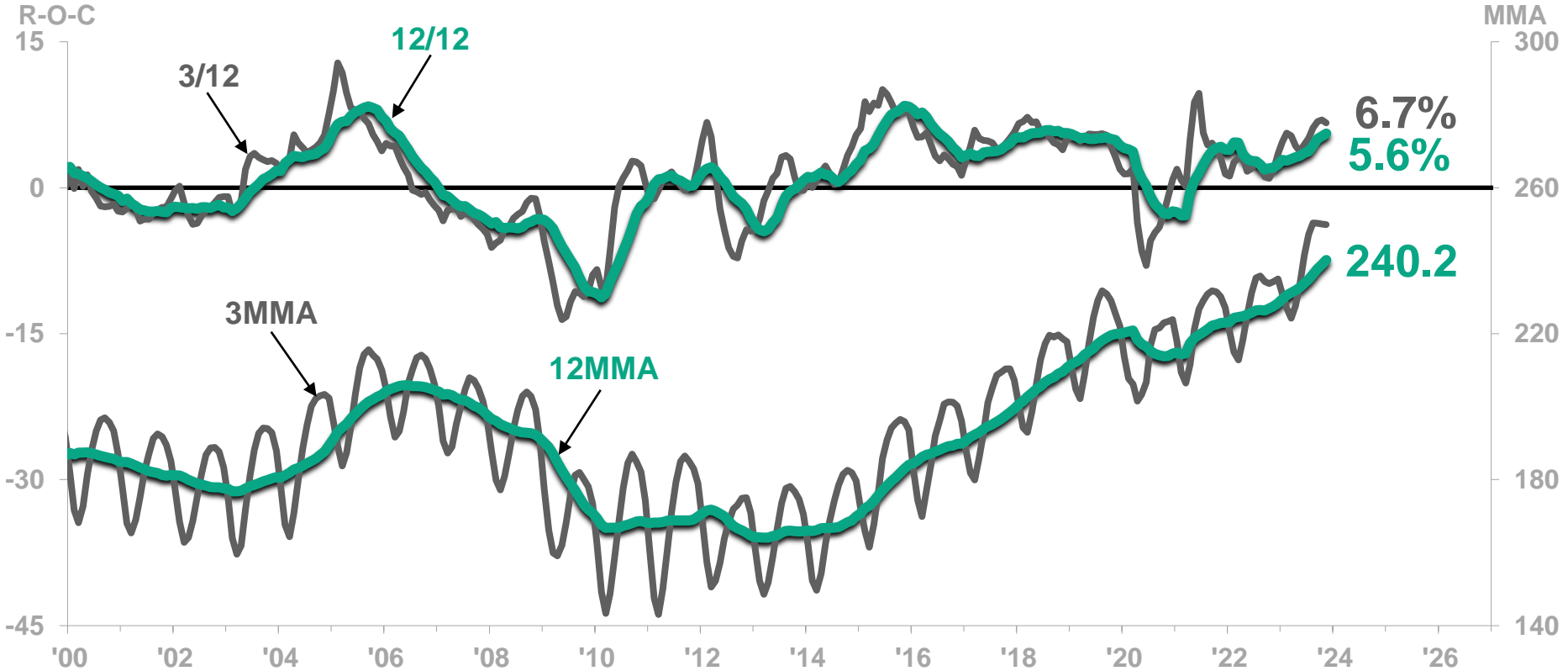


# Employment at a Record High

Source: BLS

## US Roofing Contractor Employment

Thousands of Workers



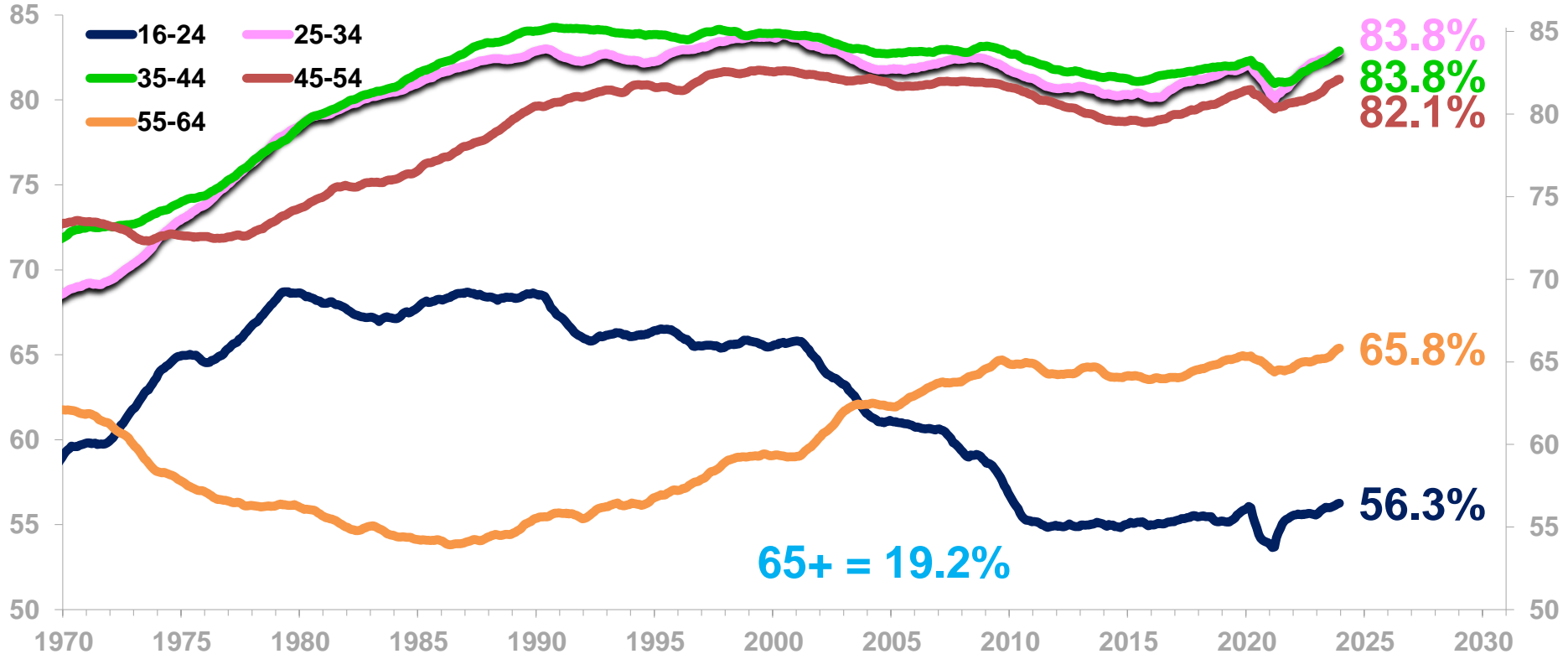
# Labor is Back & Above Pre-COVID Participation Rates

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



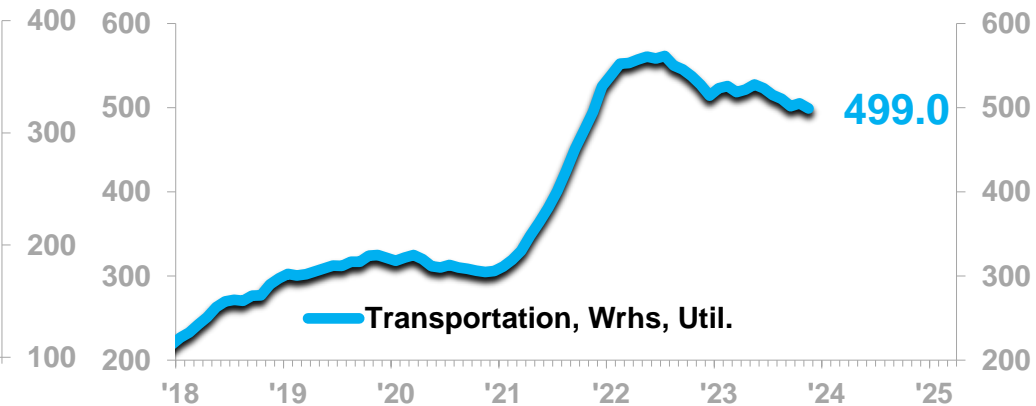
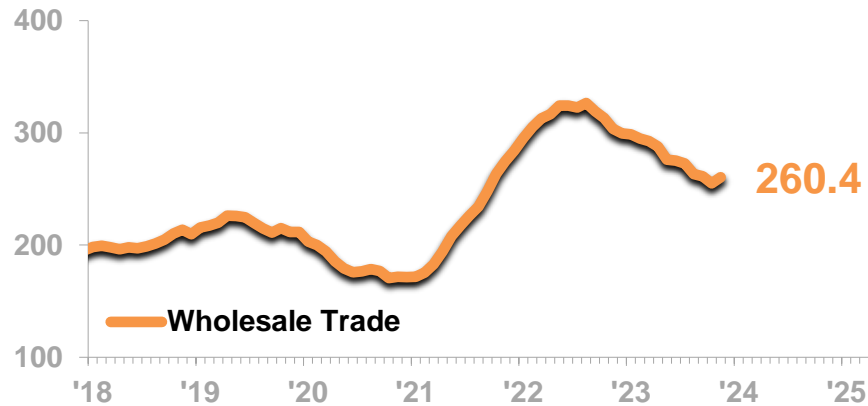
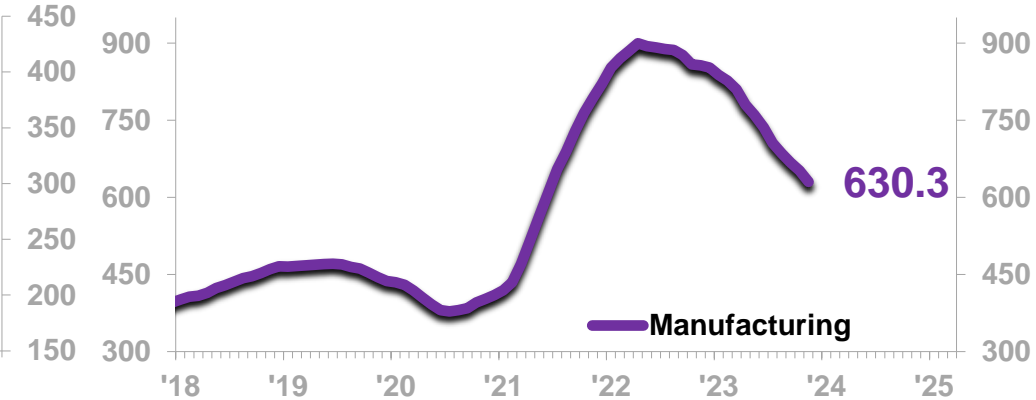
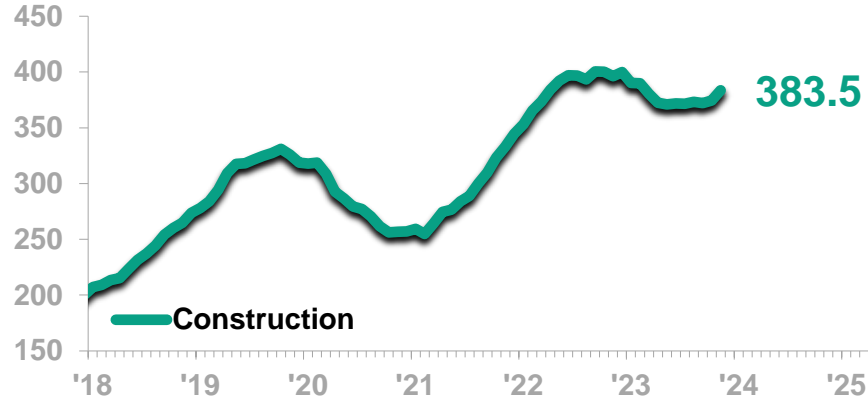
# Labor Shortage Will Not End Anytime Soon

Source: BLS



## US Job Openings by Industry

12MMA in Thousands



# Rate of Rise Expected to Diminish

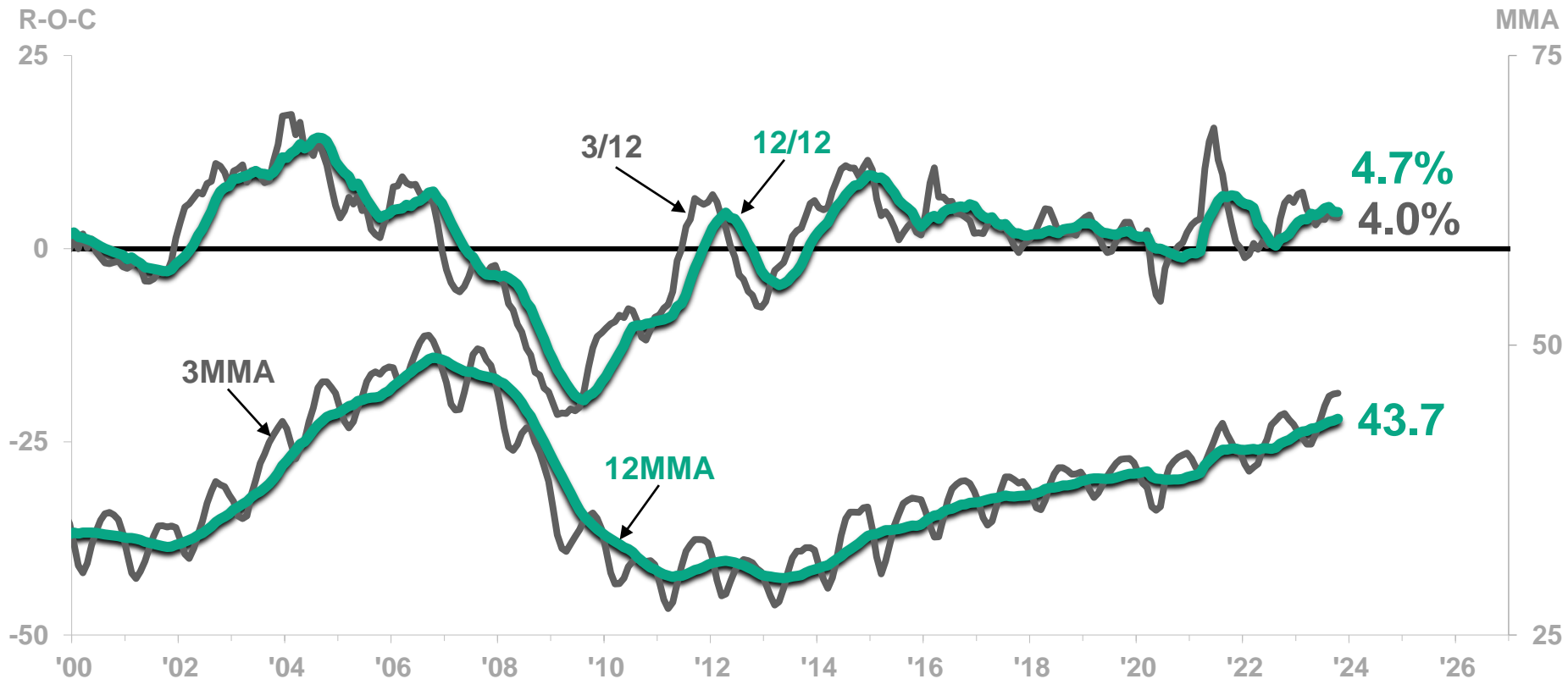
Source: BLS

## US Employment of Siding Contractors

Thousands of Workers



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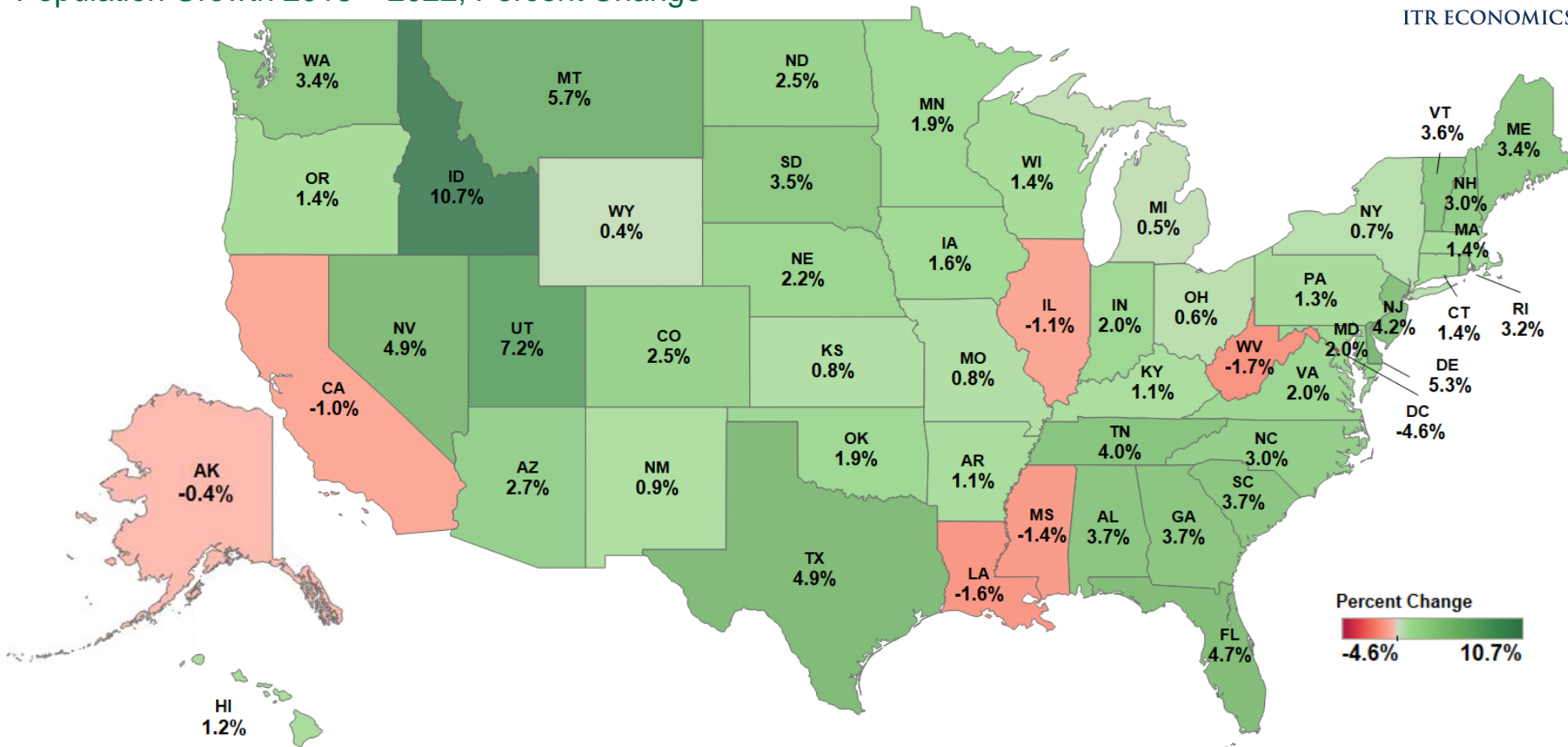
# Be Geographically Focused

Source: US Census Bureau

## Population Growth 2018 – 2022, Percent Change



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**Weakening economic conditions means employees become more likely to stay.**



**Tightness in the labor market is a longer-term trend so don't overreact in 2024.**



**Major differences by geographic market.**

## *Next Steps*

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- **There are going to be some layoffs in 2024; entice some freed-up talent**
- **Tougher times increases employee “stickiness”**



# ***Financial Markets***

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# Optimizer Leading Indicator Flashing “Defensive”

Sources: WSJ, BEA

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

Data Trends



SP5



## US S&P 500 Stock Price



### Highlights

- The market rose sharply in November
- The ITR Optimizer™ is signaling an overall slight defensive bias to the market, consistent with individual investors' behavior as they begin to ramp up cash positions
- Negative earnings guidance could mean that further market gains may prove elusive until headwinds dissipate; be patient

### Overview

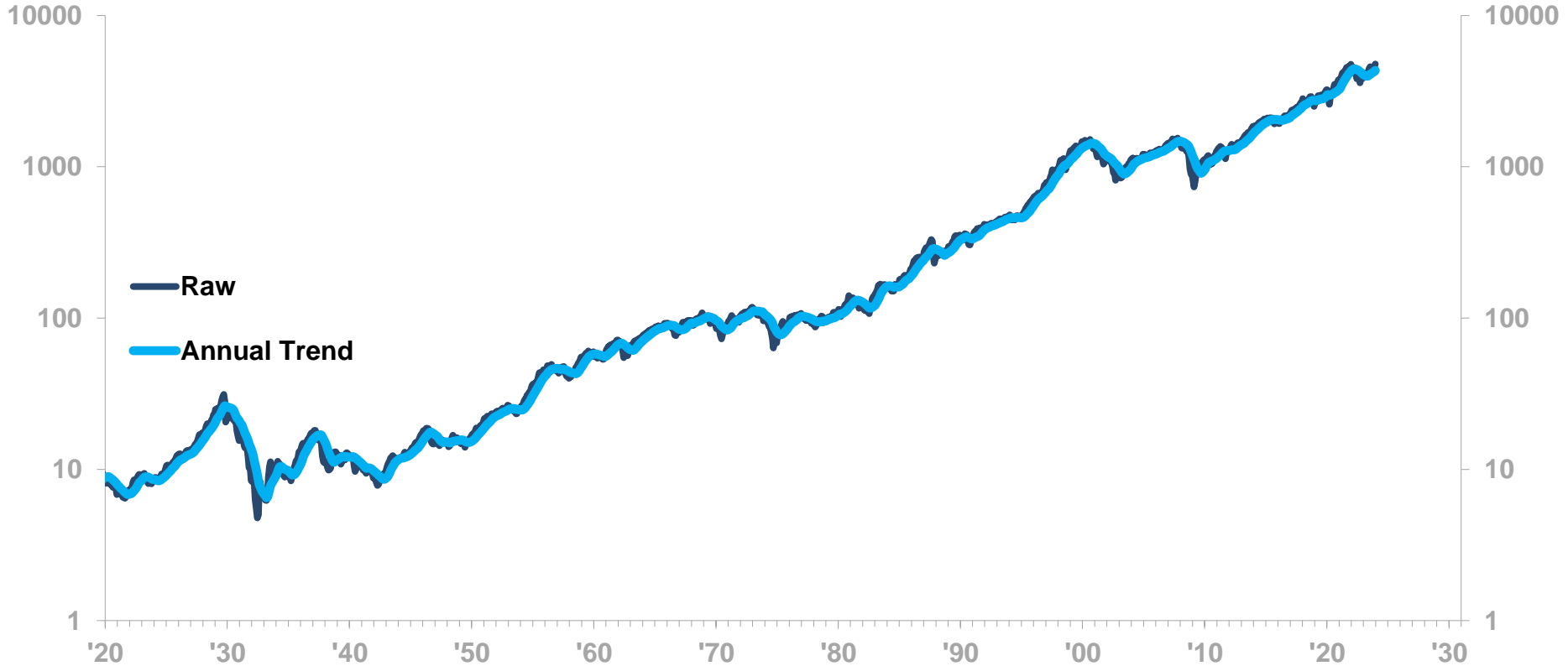
- As of December 1, 69 S&P 500 companies had issued negative earnings guidance, while only 38 had issued positive guidance.
- Do not be surprised if we see some pullbacks ahead. That being said, trying to time those potential pullbacks is unlikely to maximize returns.
- Instead, position your assets in sectors that are likely to benefit as the defensive, easing-inflation environment takes hold.

# Note the Extended Periods of Decline or No-Growth

Source: WSJ

## US Stock Prices Index

Raw to Annual Data Trends (1941-43=10)



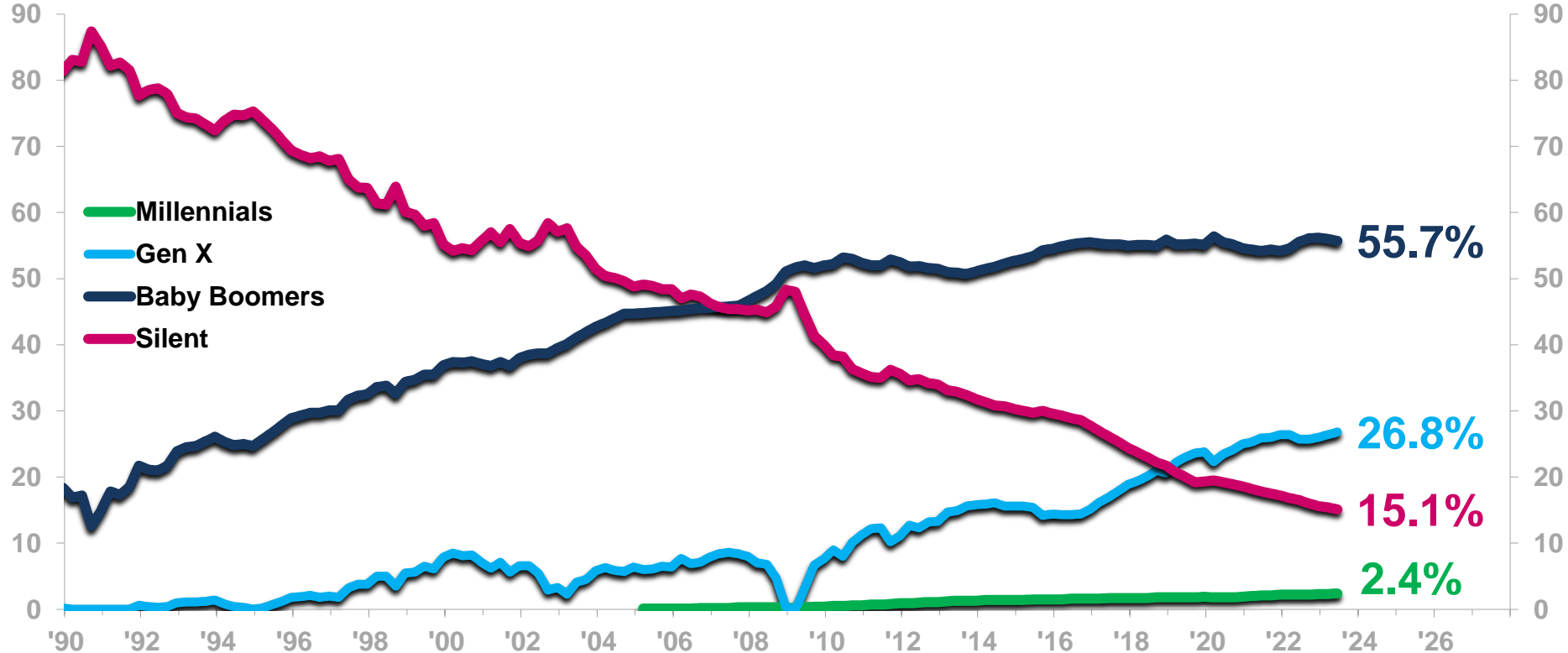
# Downside Sales Pressure in the 2030s as the Boomers Retire

Source: FRB

## US Ownership of Corporate Equities and Mutual Fund Shares of Silent to Baby Boomers to Gen X to Millennials

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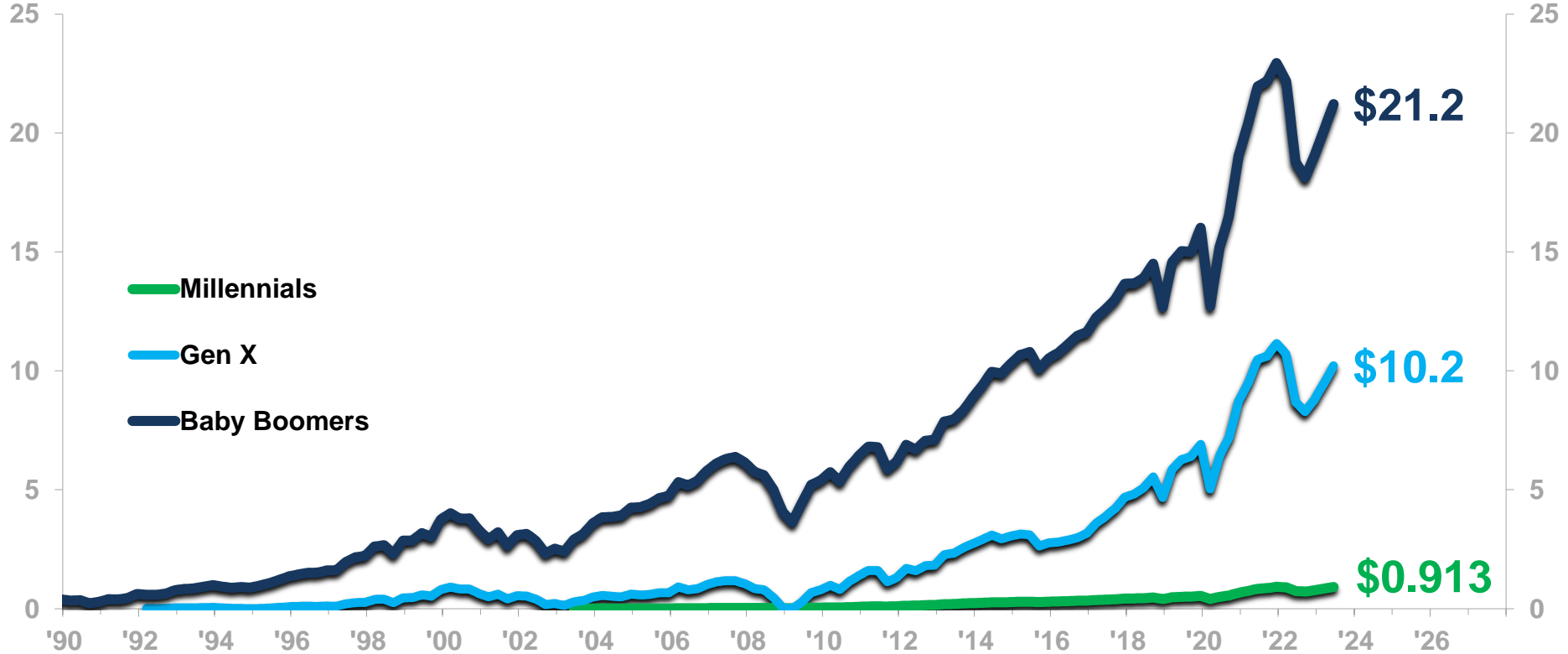
Quarterly Data Trends: Percentage



# Trillions of Dollars Potentially Going Onto the Selling Block

Sources: FRB

## US Ownership of Corporate Equities and Mutual Fund Shares of Baby Boomers to Gen X to Millennials Quarterly Data Trends: Trillions of Dollars



# A Trend Worthy of Consideration

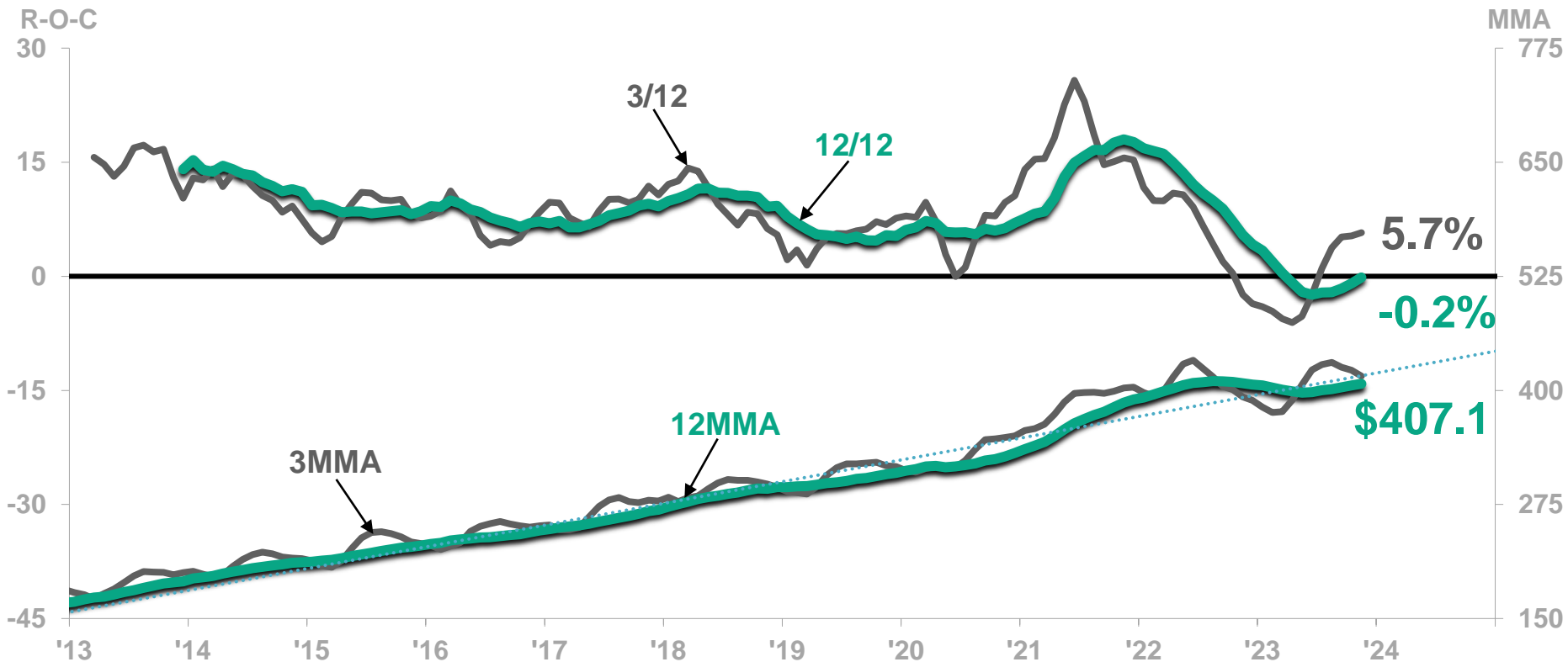
Source: Redfin

## US Multi-Family Home Median Sales Price

Thousands of Dollars



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**Stock market as a whole is going to experience greater-than-normal volatility.**



**Think about investing in sectors within the overall stock market versus the overall market.**



**Diversification into additional asset classes may be worth considering.**

## *Next Steps*

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- **Building wealth in the decade ahead will require a different strategy than how you got here**

- Disinflation and deflation will characterize 2024 with an attendant easing of wage inflation.
- The Fed's actions gave rise to an inverse yield curve. Join us for [Fed Watch](#) to keep track of how this unfolds.

- Expect a recession to last most of 2024.
- We expect the recession to be mild but that will not be true of every market.
- Maximize competitive advantages to protect margins.

- Assess cash needs; credit conditions are tightening.
- Interest rates are likely to come down before they go further upward.
- Think about expanding the asset classes you are invested in and how you invest in securities.

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





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