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

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

## 2023 Forecast Results



	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**

- Business Cycle Slowly Improves
- Consumer Finances Good Overall
- Monetary Policy Status Improving

## **Uncertainty Drivers**

- China
- Election
- CRE

## **Highlights**

- Extended Rise in the Outlook
- Competitive Advantages Are Key
- Still on Target for the 2030s

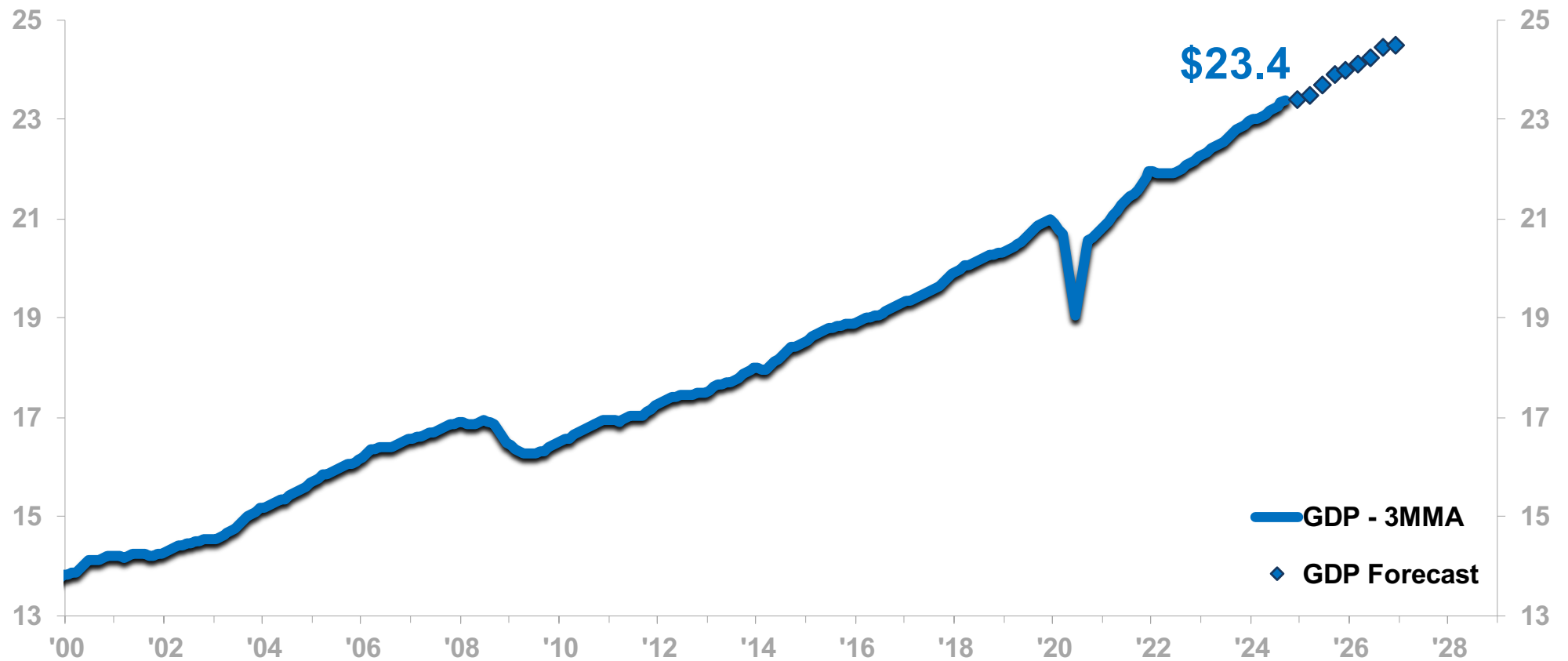


# Growth Expected to Characterize 2025 & 2026

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

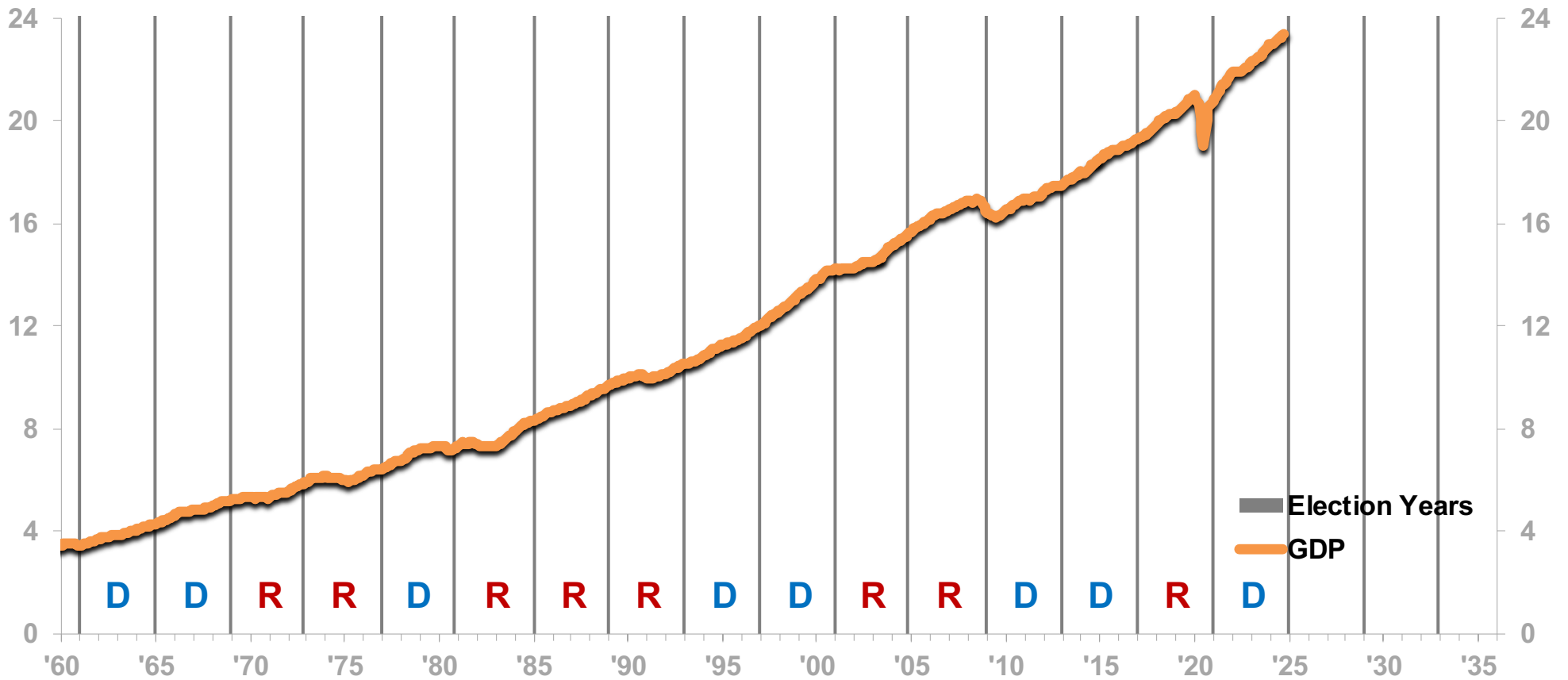


# Presidential Election Impact is Not Evident

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

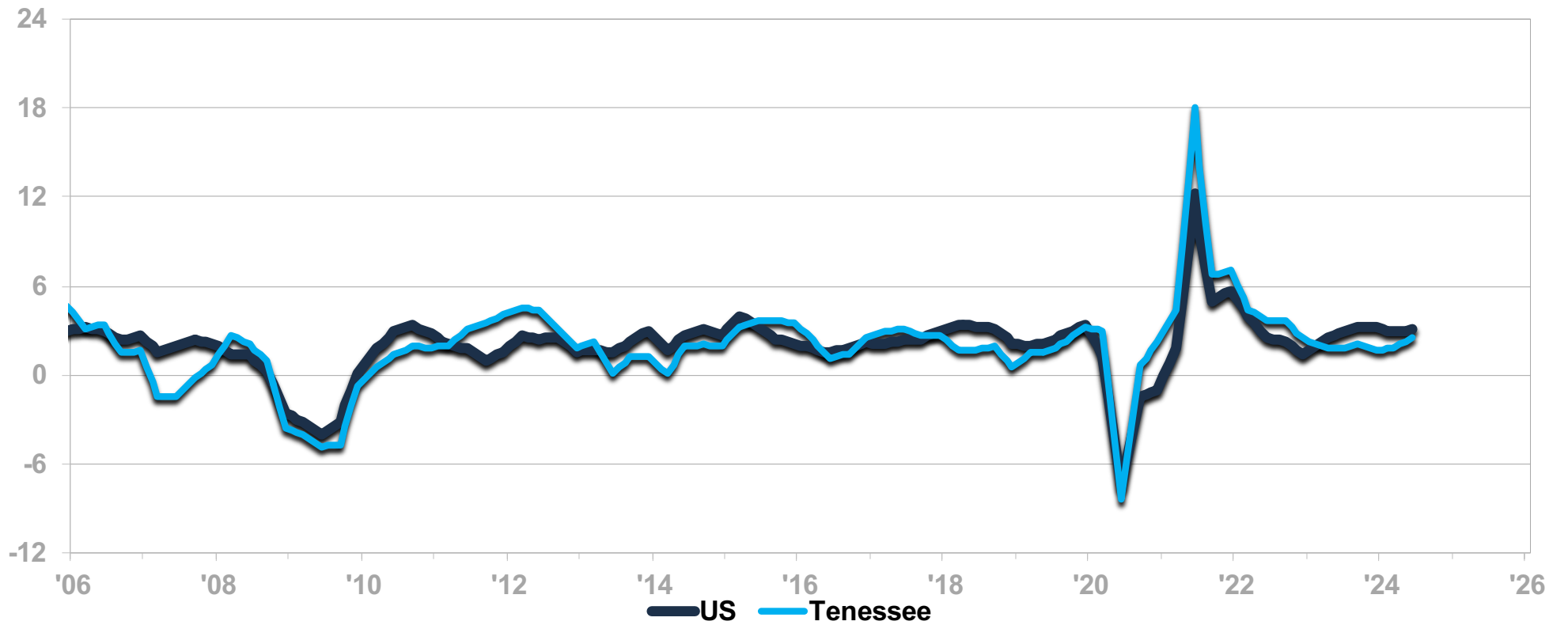


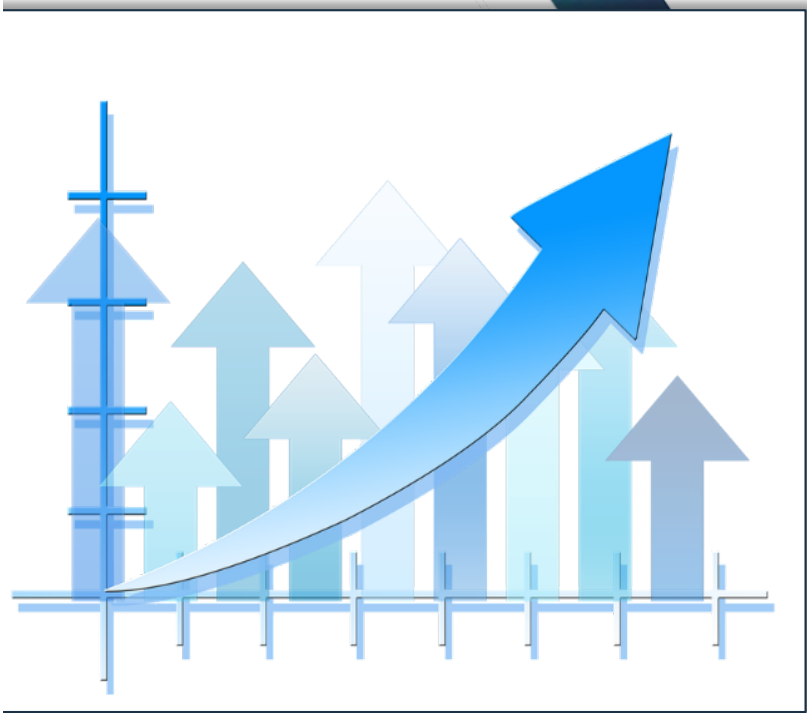
# A Strong Correlation

Source: BEA

## US and Tennessee GDP Growth Rates

3/12 Rates-of-Change





# ***Leading Indicators System Approach***

# A Powerful Management Tool • Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Nov-22	6.804				
Dec-22	6.643				
Jan-23	6.611	20.1			
Feb-23	6.251	19.5			
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		79.1	
Nov-23	6.985	20.7		79.3	
Dec-23	6.658	20.4		79.3	
Jan-24	6.487	20.1	0.4%	79.2	
Feb-24	6.310	19.5	-0.3%	79.3	
Mar-24	6.299	19.1	1.4%	79.6	
Apr-24	6.658	19.3	0.4%	79.3	-1.7%
May-24	6.763	19.7	2.5%	79.8	-0.6%
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	6.726	20.4	2.8%	80.1	1.2%

3/12

Based on data from a consecutive 3-month period compared to one year earlier.

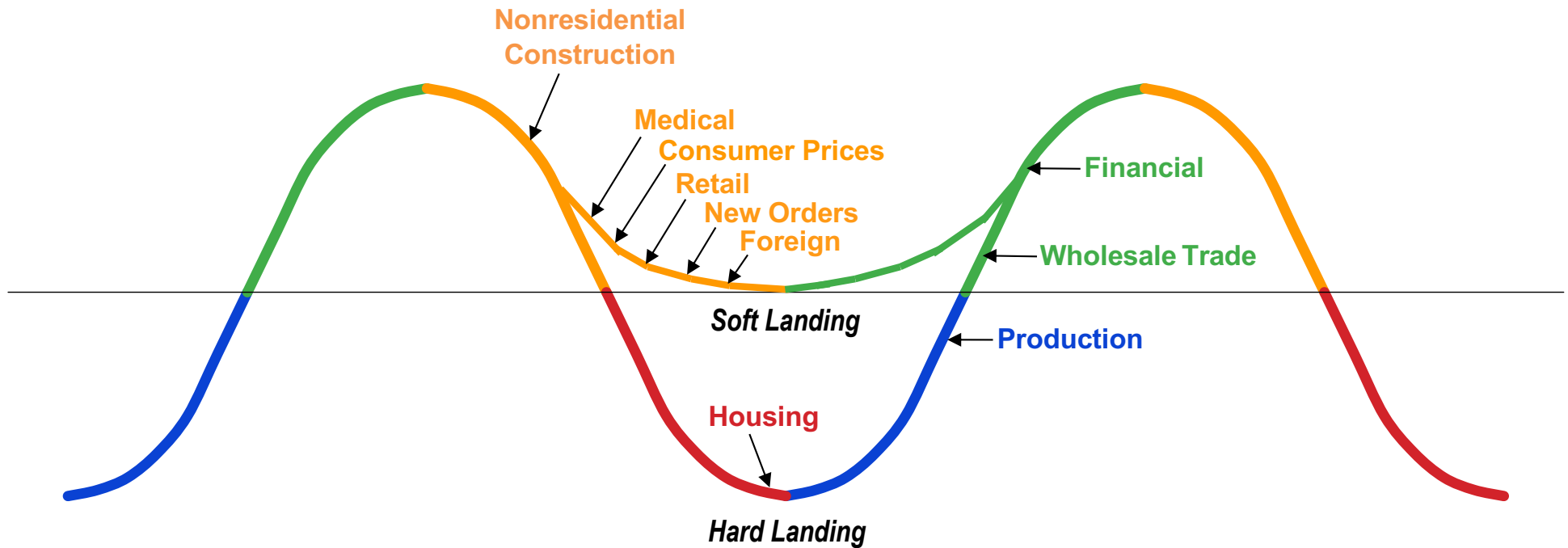
**Anticipates** shifts in business cycle trends.

12/12

Based on data from a consecutive 12-month period compared to one year earlier.

**Defines** the business cycle.





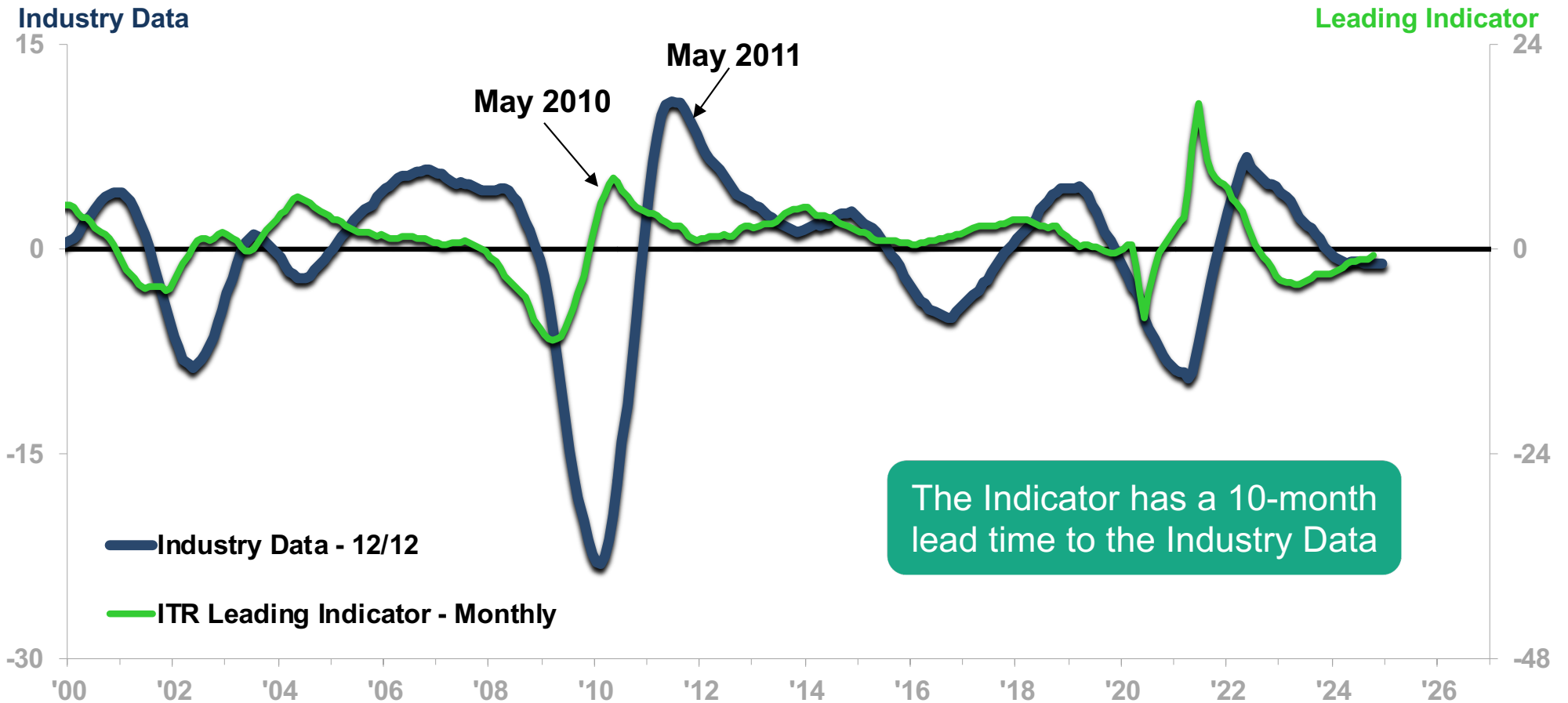
# Leading Indicators – The Importance of Good Data

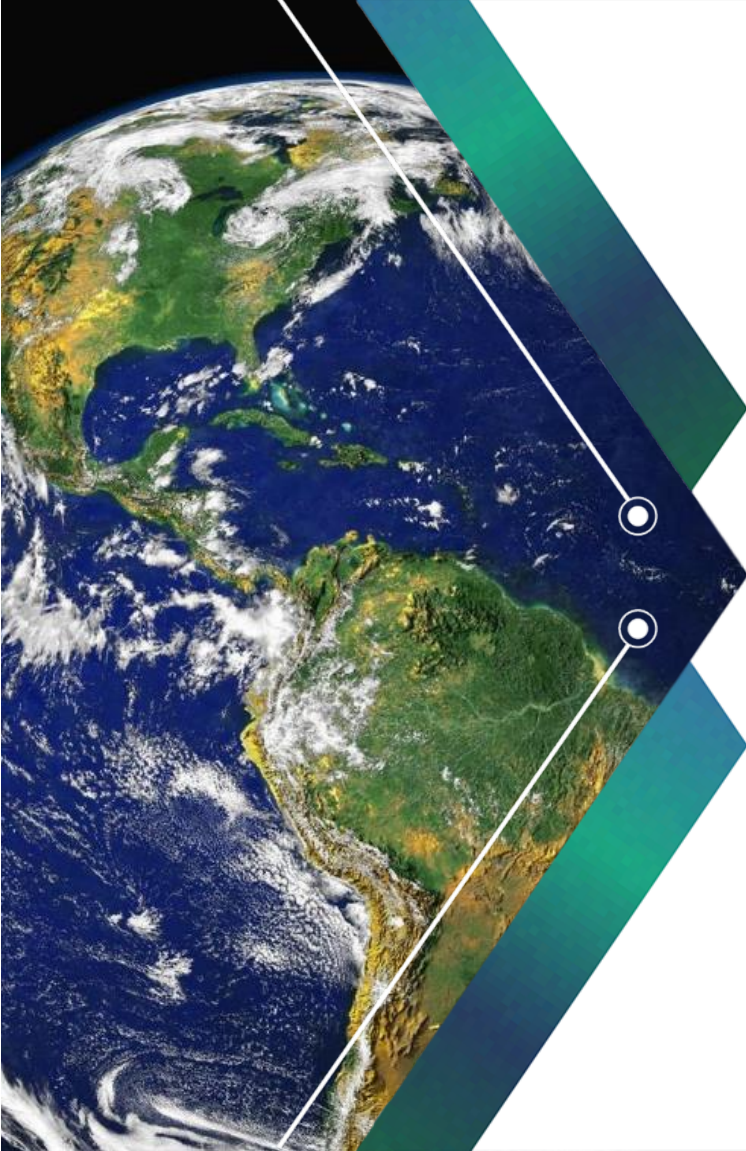
Sources: FRB, ITR Economics



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Rates-of-Change





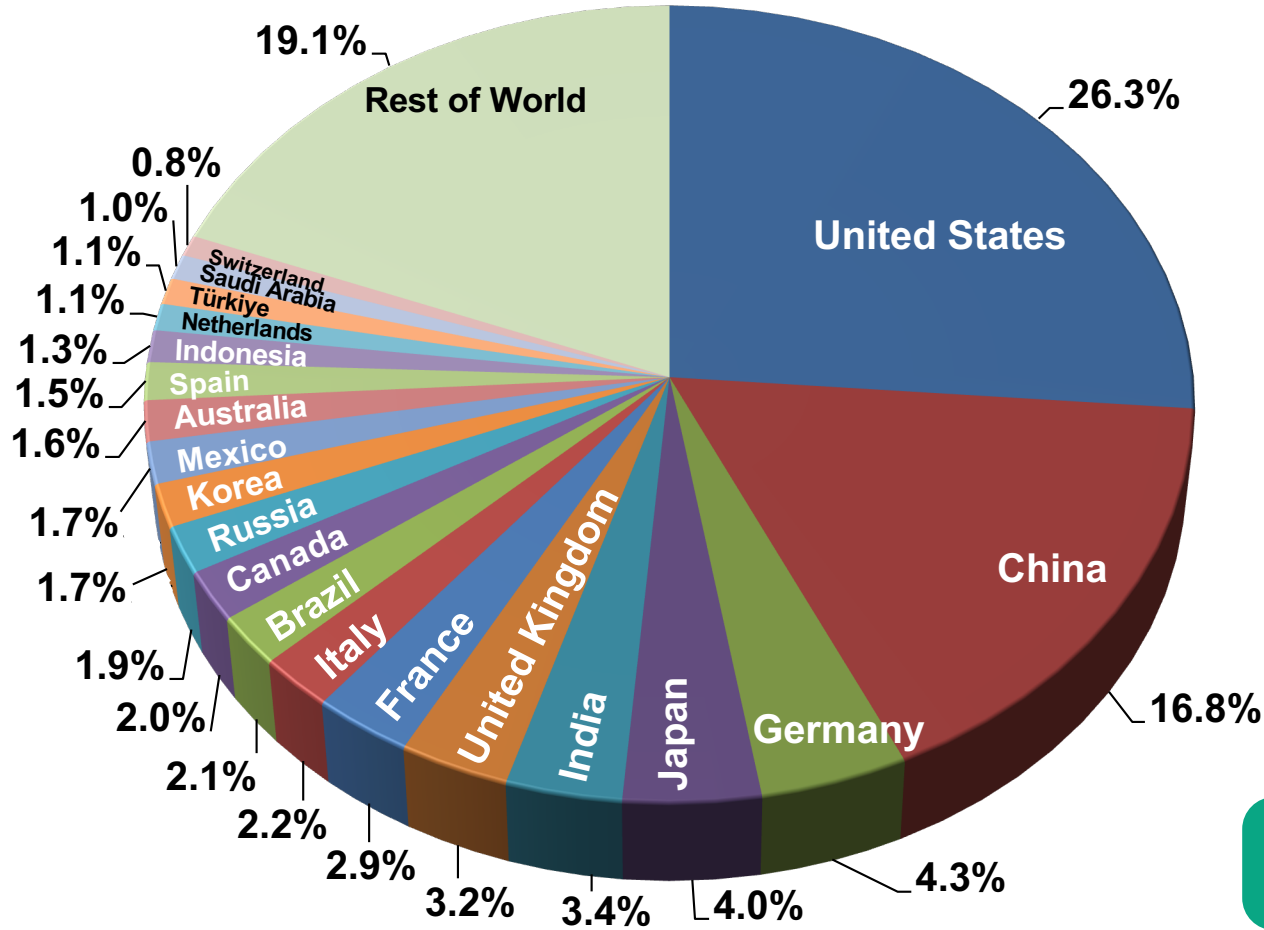
# *Global Partners*

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# Percent of World GDP by Country

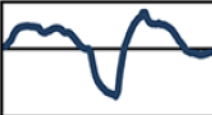

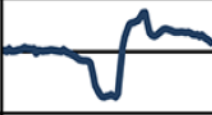

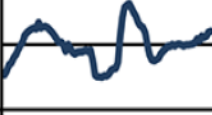

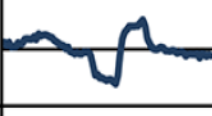

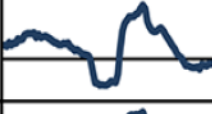



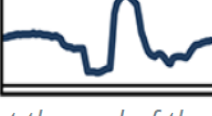

Source: IMF, \*ROW: 34% are IMF Estimated Figures



\*Total World GDP: \$105.6 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			-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

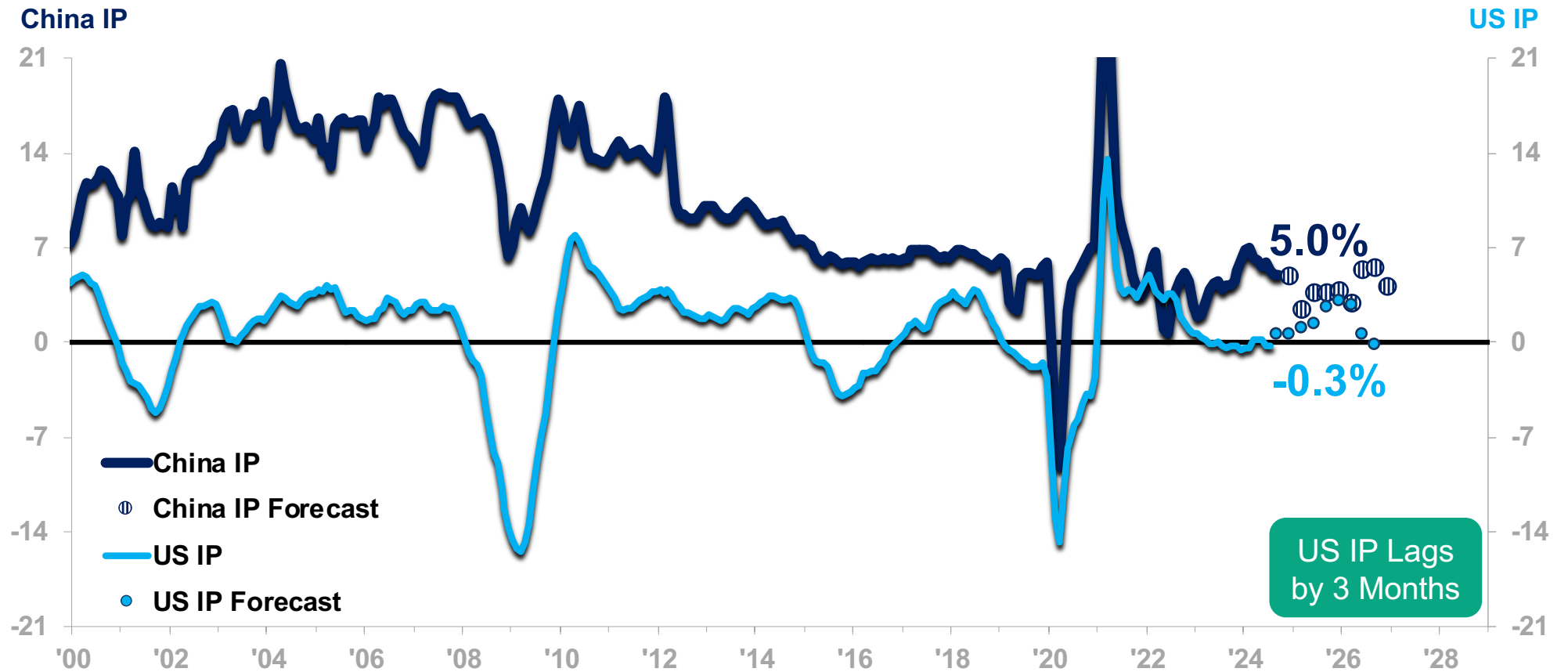
Note: Forecast color represents what Phase the market will be in at the end of the year. Ukraine data has been removed from Eastern Europe Industrial Production as it is unavailable due to the war. We have added Hungary Industrial Production data to the series.

# A Marked Slowdown in Growth in China Over Time

Sources: China National Bureau of Statistics, FRB

## China Industrial Production Index to US Industrial Production Index

3/12 Rates-of-Change



# 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	2.6%	C
Canada	1.6%	C
Mexico	4.6%	B
Brazil	4.4%	C
Colombia	5.8%	C
Argentina	209.0%	B
Europe	2.1%	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 2024

Sources: BLS

## US Consumer Price Index

### 3/12 Rate-of-Change

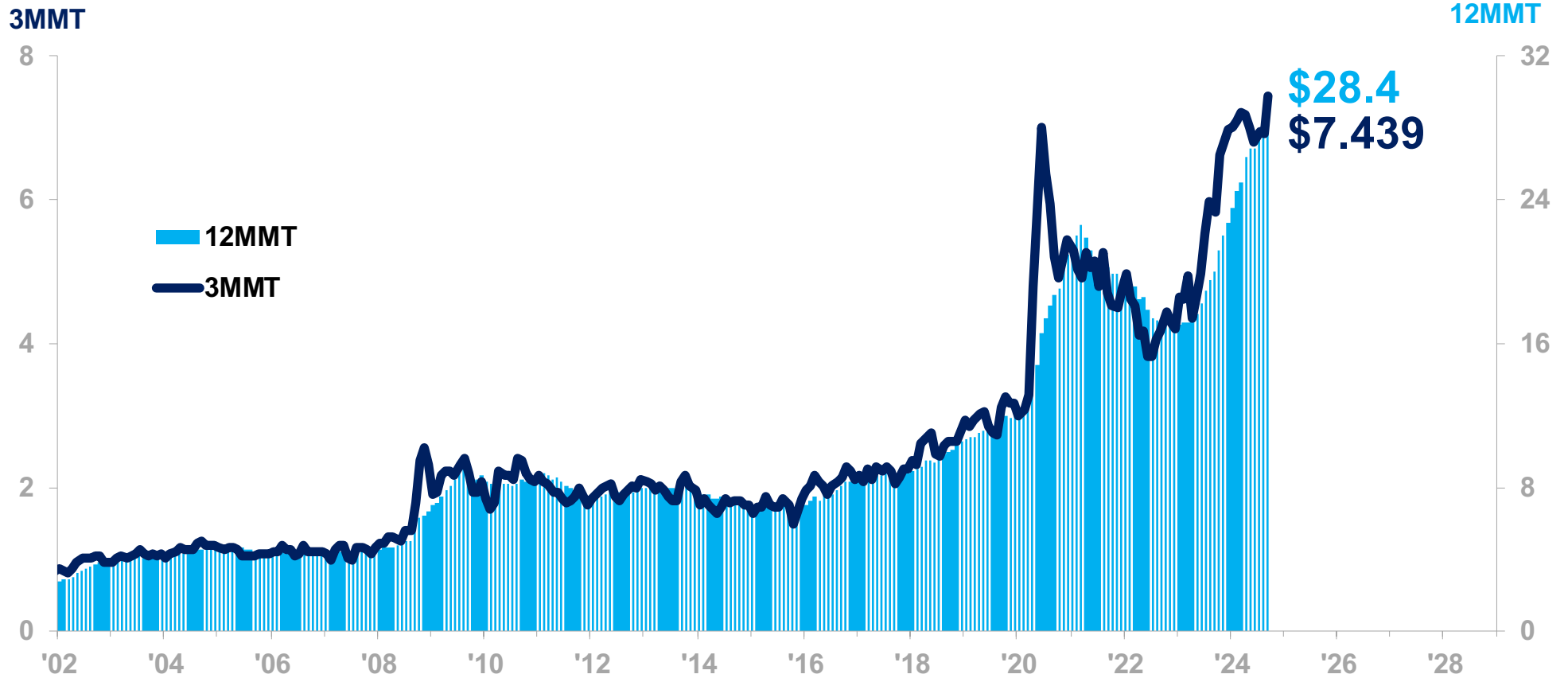


# The Next Round of Inflation is Already Forming

Source: SIFMA

## US Treasury Gross Issuances

Data Trends: Trillions of Dollars

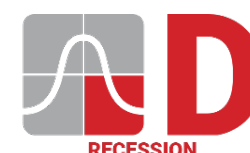


# Profit Margin Pressures: Battle Back With Competitive Advantages



Sources: LME, BLS, EIA

Indicator	12/12	Phase	3/12	Phase
Aluminum Prices	4.7%	B	14.7%	C
Iron & Steel	-6.1%	D	-9.3%	D
Crude Oil	-1.6%	D	-14.6%	D
Diesel on Highway	-11.4%	A	-19.3%	D
Electric Power	3.1%	C	1.6%	C
Trucker Wages	2.6%	B	2.2%	B
Manufacturing Wages	5.1%	C	4.7%	C





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*

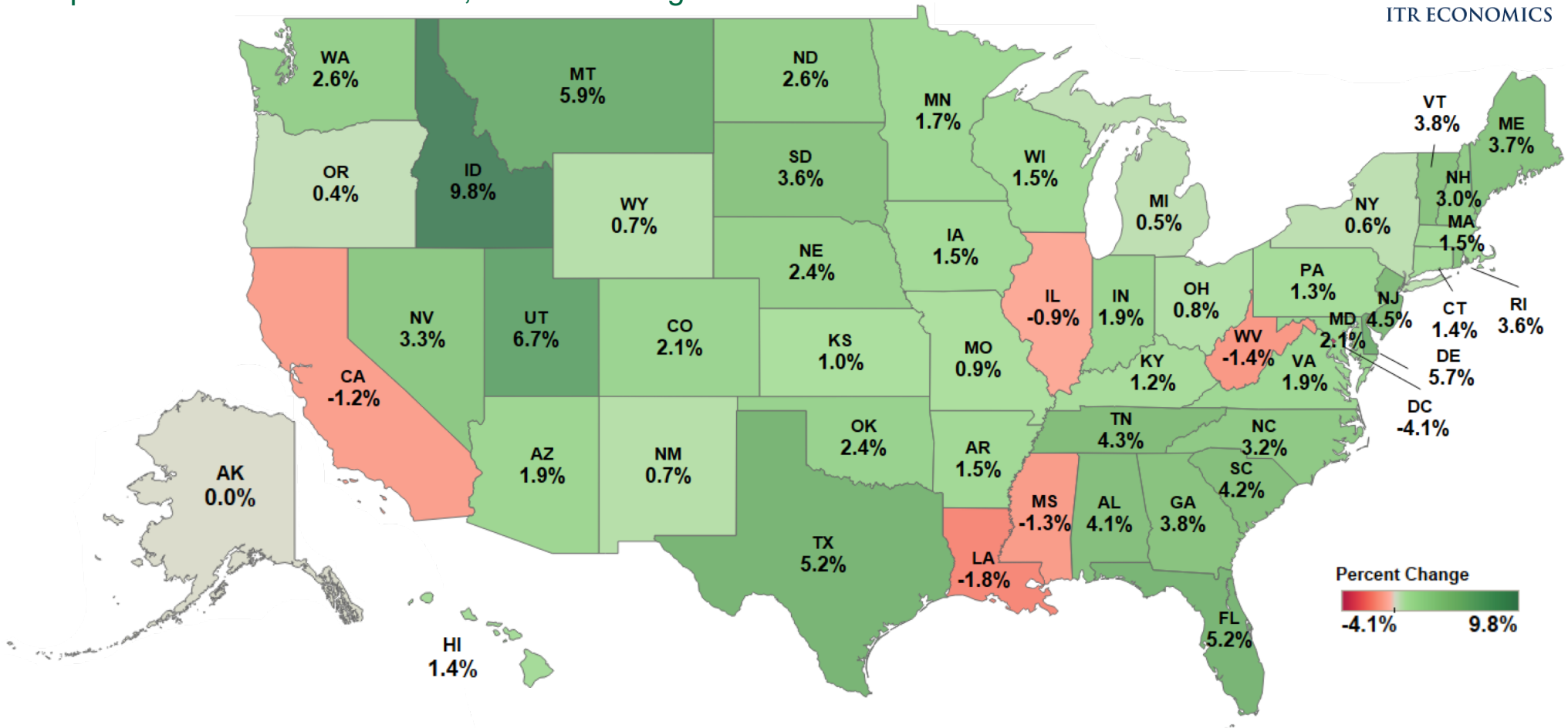
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# Be Geographically Specific: Population Growth 2019 to 2023

Source:  
US Census Bureau

Population Growth 2019 – 2023, Percent Change



# Population Growth: An Opportunity

Source: US Census Bureau

## City Population Growth Rates

Percent Change from Population Estimates 2019 to 2023



<u>City/State</u>	<u>Growth Rate</u>
Tennessee	4.1%
Knoxville, TN	4.6%
Nashville, TN	2.5%



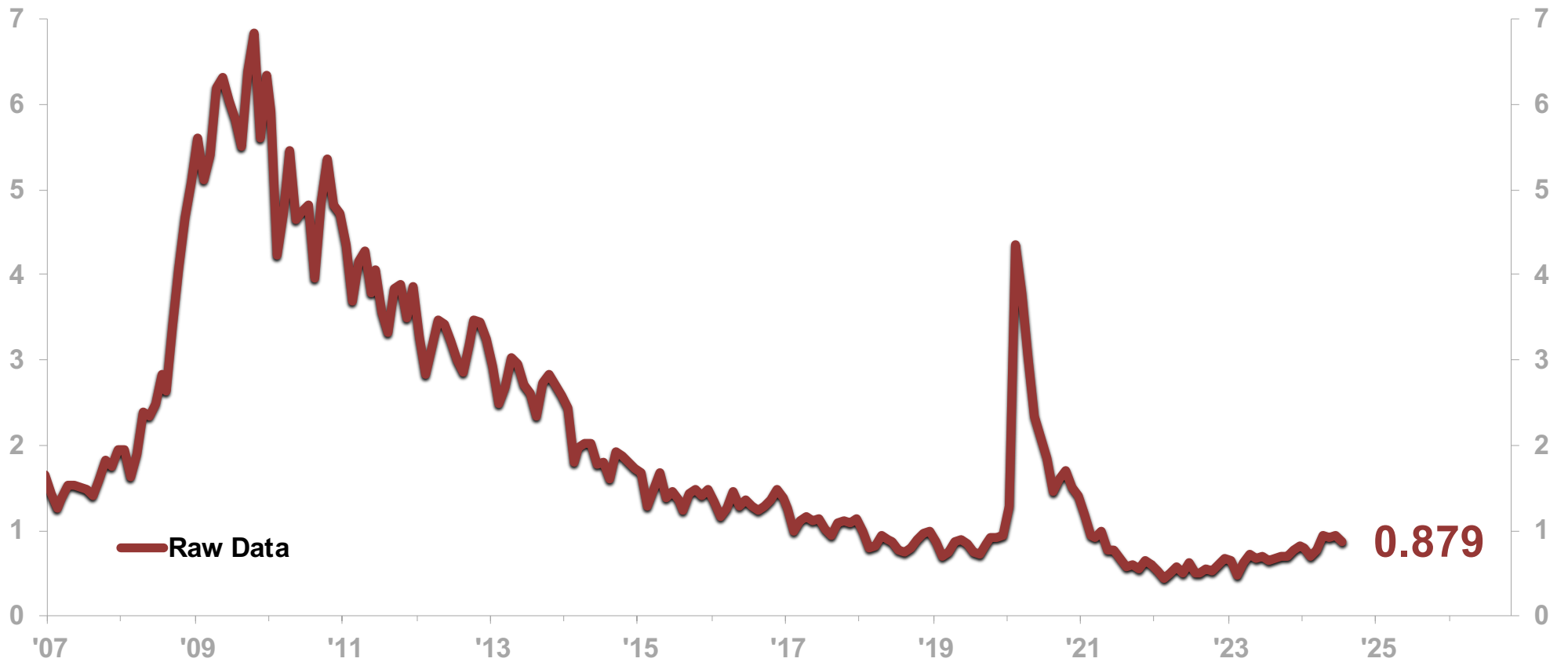


# Employees Market

Source: BLS

## US Number of Unemployed Persons per Job Opening

Raw Data, Number of Persons



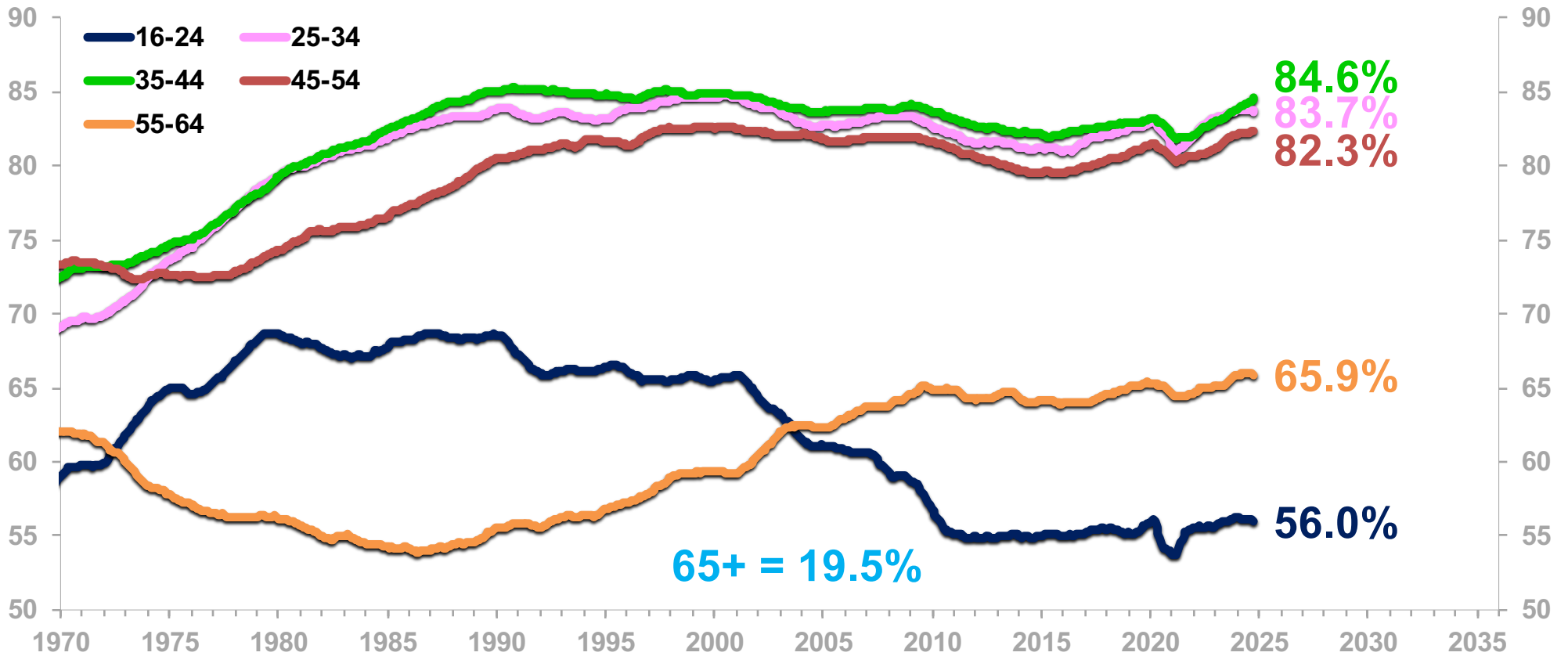
# Culture: Do Well, Do Good, Be Aware

Source: BLS

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



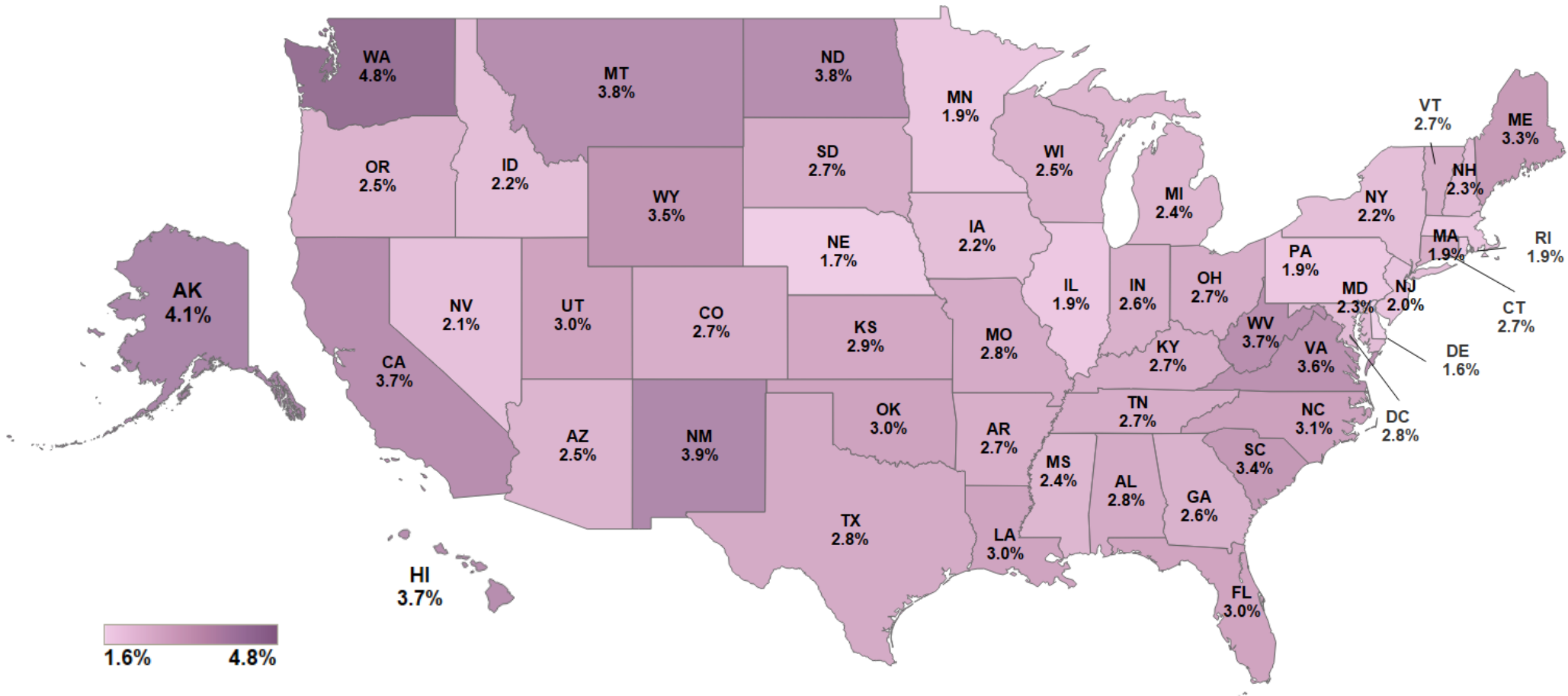
Annual Data Trends, Percent



# US Wage Inflation by State

Source: BLS

12/12 Rates-of-Change

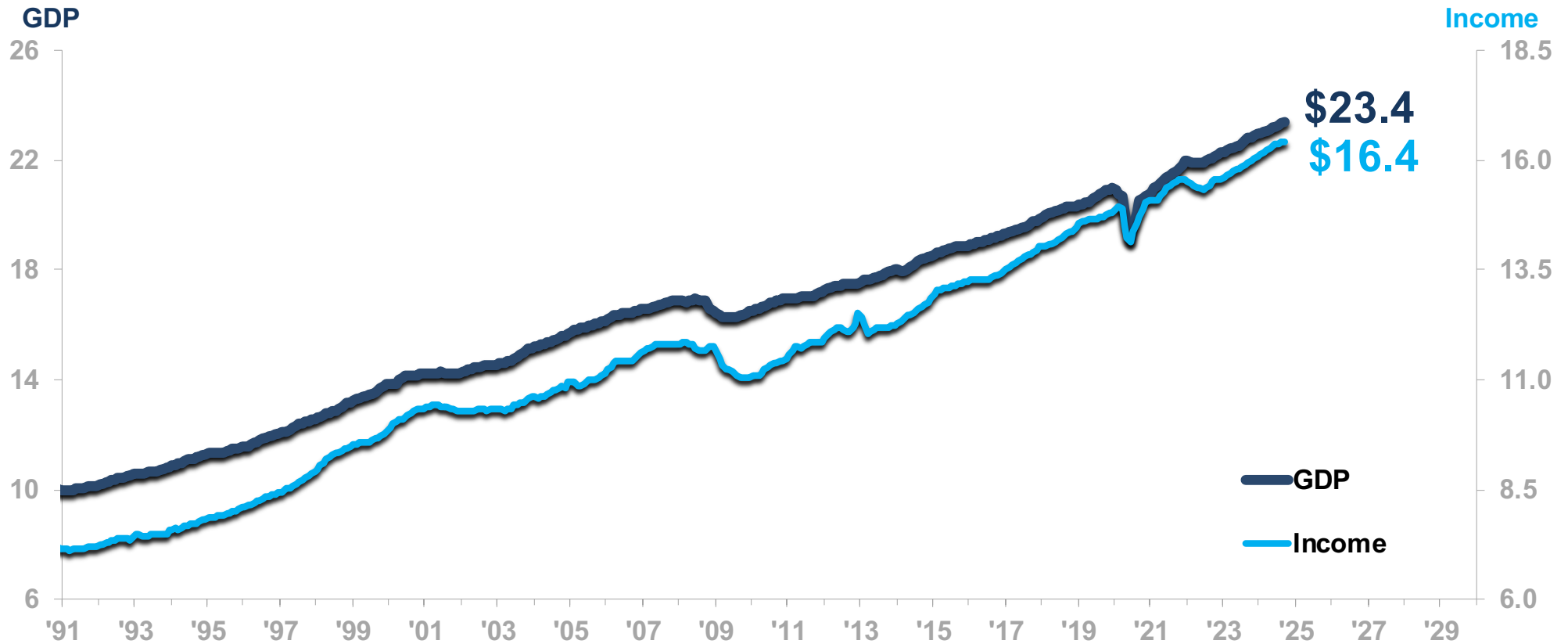


# GDP-Sized Question: Will Real Incomes Continue to Rise

Source: BEA

## US Real Gross Domestic Product to US Real Personal Income (excluding current transfer receipts)

Quarterly Data Trends: Trillions of 2017 Chained Dollars



# Overall Debt Load is Manageable

Sources: FRB New York,  
US Census Bureau, BLS

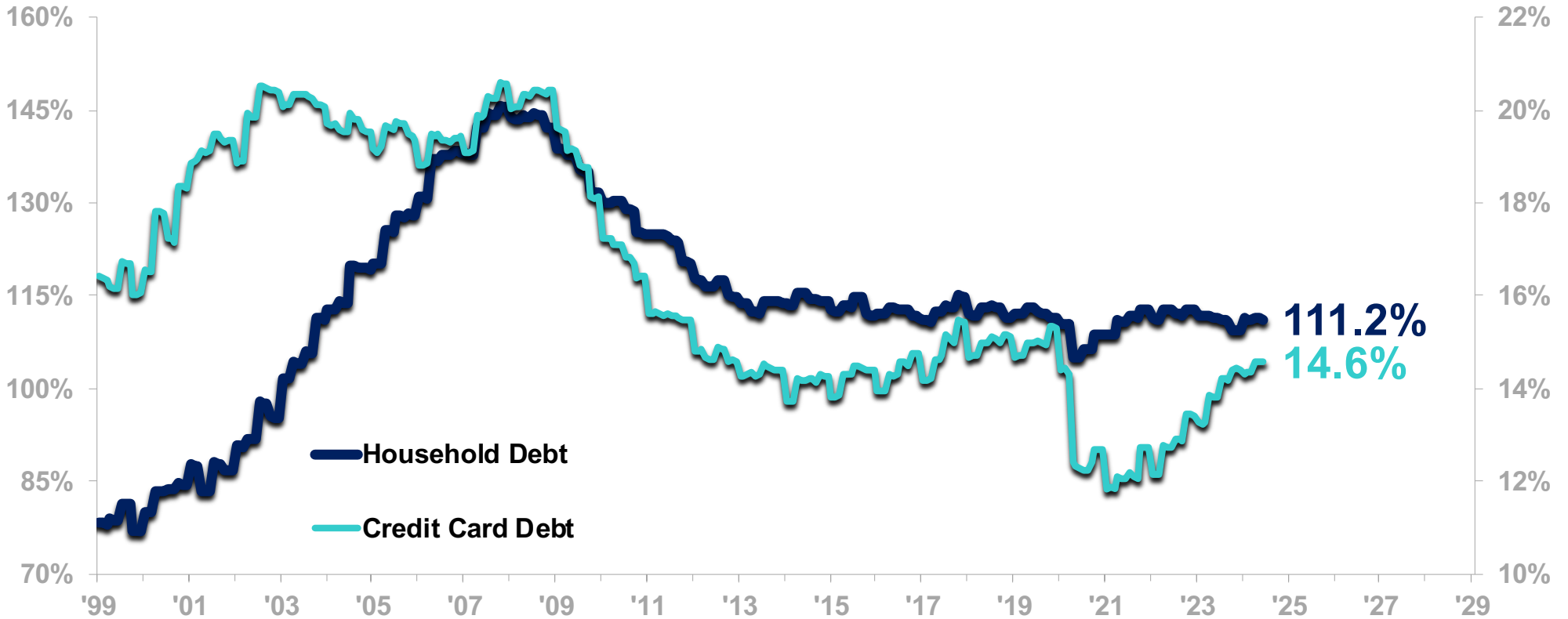


## US Household Debt per Capita as a % of US Median Annual Earnings to US Credit Card Debt per Household as a % of US Median Annual Earnings

Raw Data, Percent

Household Debt as % of Earnings

Credit Card Debt as % of Earnings



# Consumers Are Able to Service Their Debt Loads

Source: FRBNY, FRB, BEA

## US Profits and Delinquency Rates



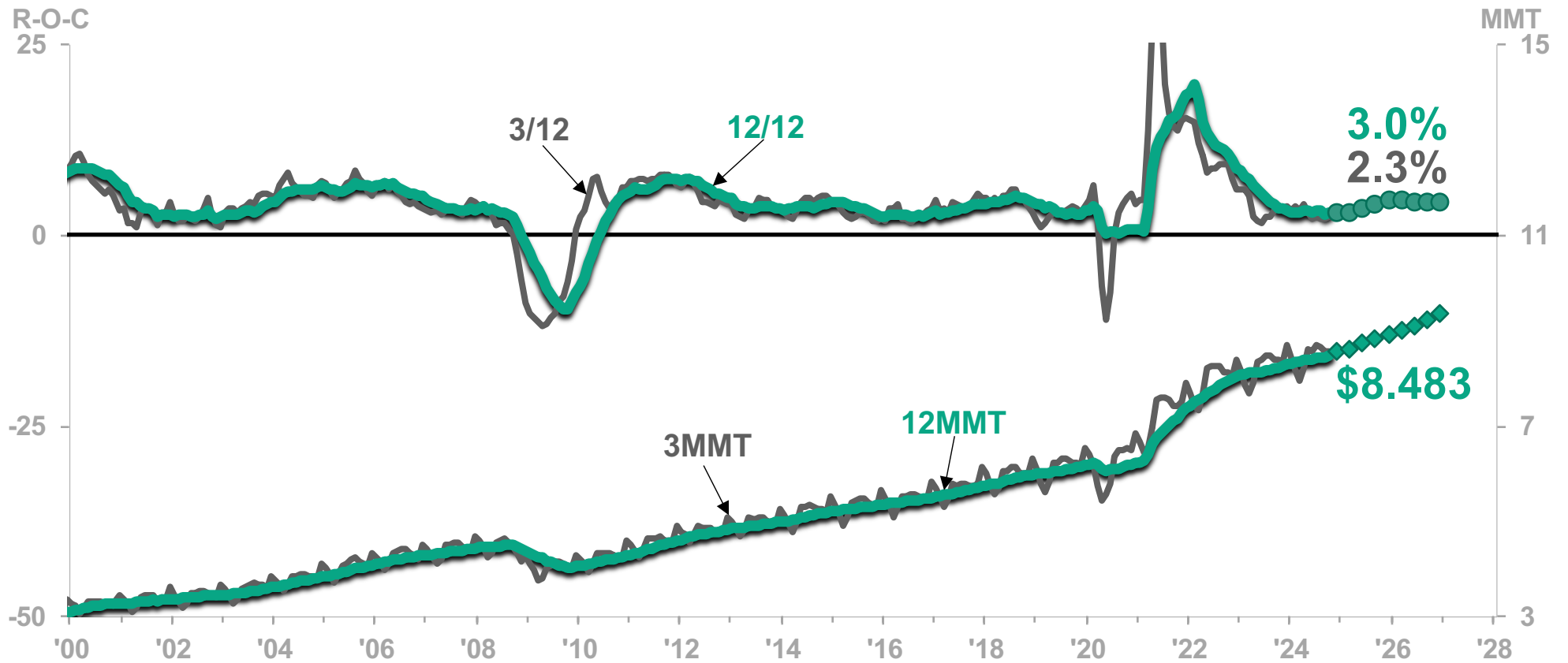
	Monthly	Notes
Auto Loan Delinquency	4.43%	Post GR avg* 4.1%; Elevated but not critical
Credit Card Delinquency	3.04%	Not an issue; Pre-Covid 10-yr avg 2.76%
Residential Delinquency (>90 days)	1.68%	Not an issue; 10-year average 3.24%
Domestic Nonfinancial Corp Profits (Trillions of Dollars)	\$2.69	Near 2Q23 record high of \$2.71

# Retail Sales Pick Up Speed in 2025

Source: US Census Bureau

## US Total Retail Sales

Trillions of Dollars





**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**





# *Housing & Construction*



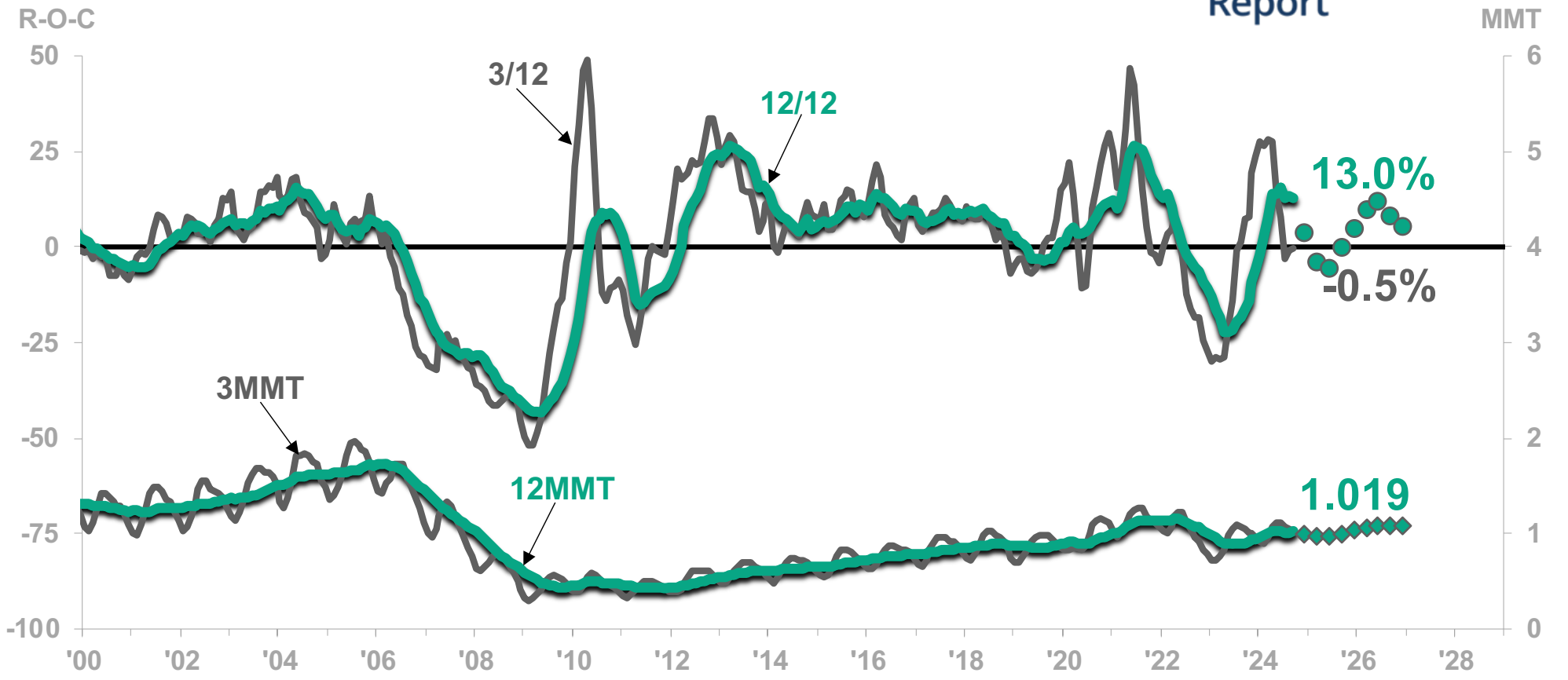
# Expect Mild Rise Through 2025

Source: US Census Bureau

## US Single Unit Housing Starts

Millions of Units

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

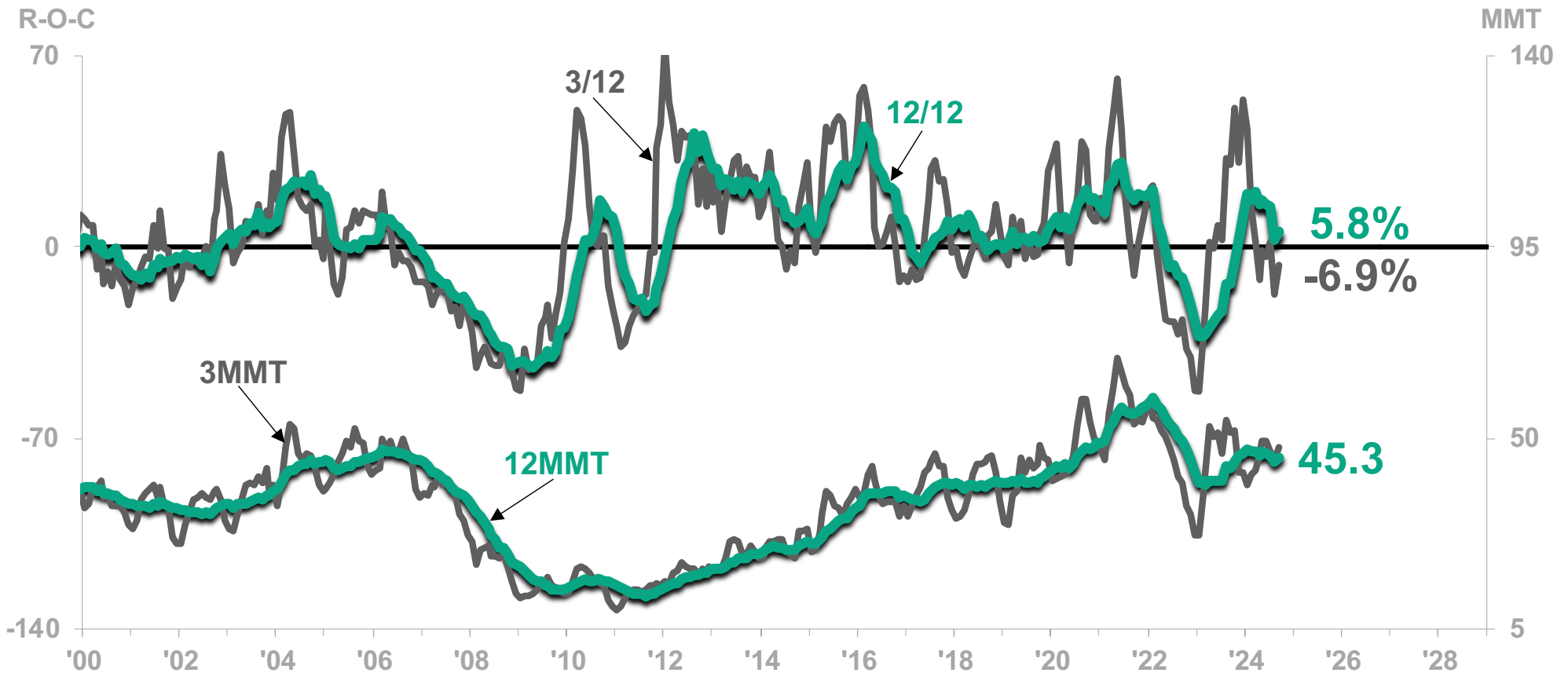


# Negative Rate-of-Change Signal

Source: US Census Bureau

## Tennessee Housing Permits

Thousands of Units

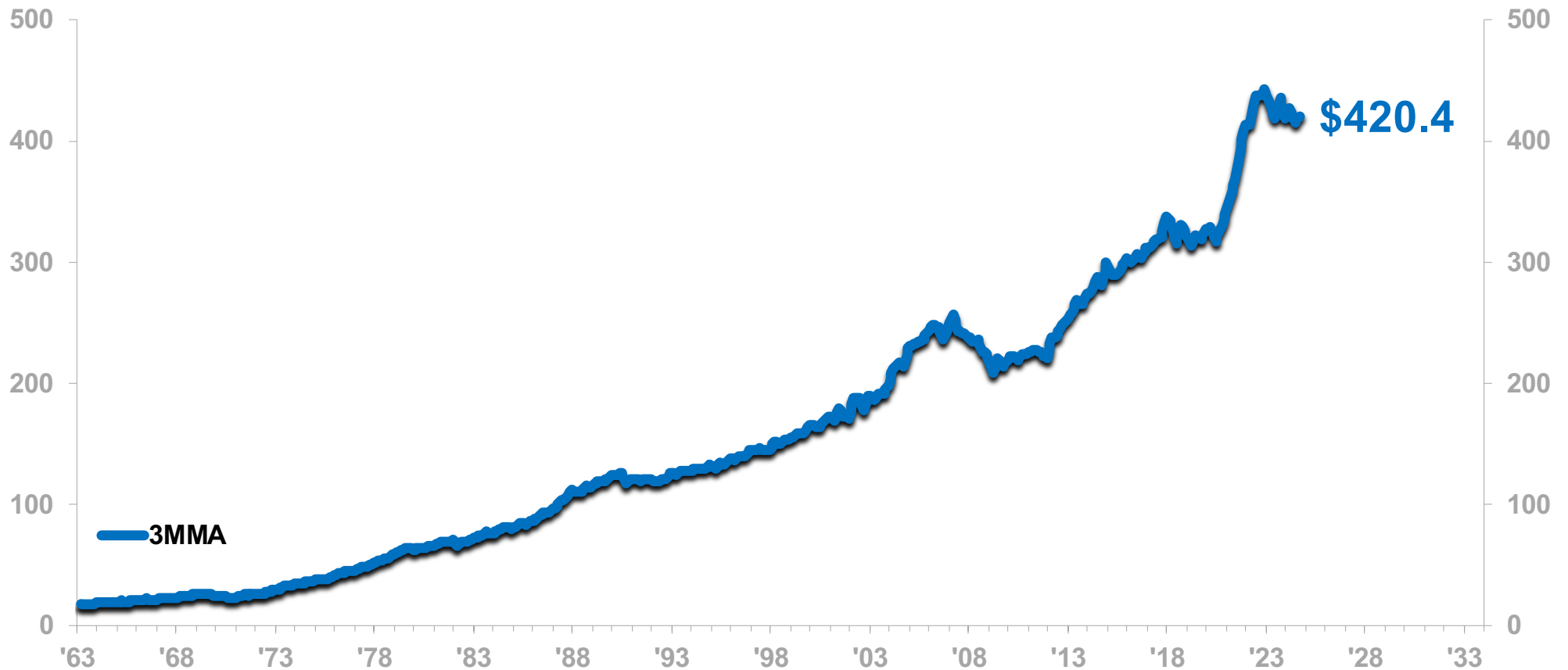


# Prices Correcting in Some Markets ~ COVID Echo

Source: US Census Bureau

## US New Home Median Sales Price

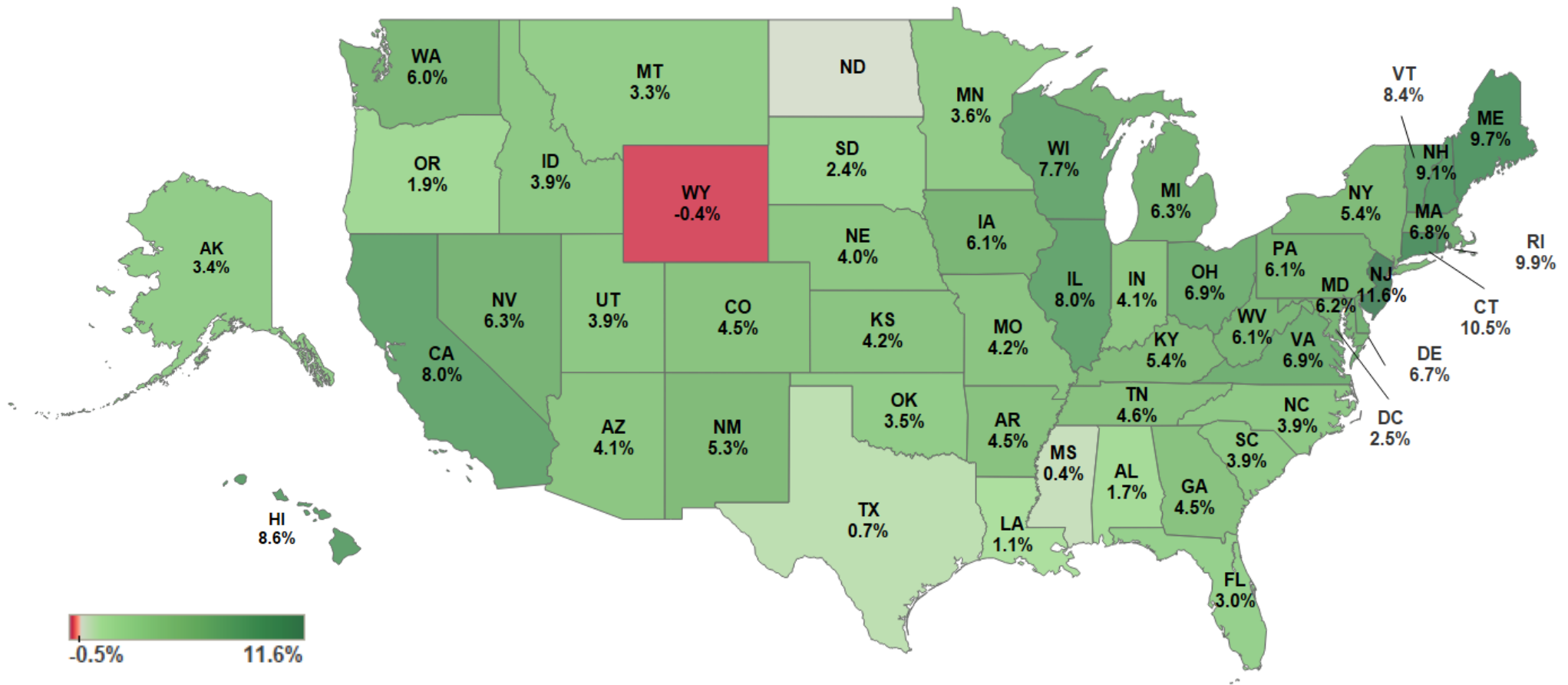
Quarterly Data Trend: Thousands of Dollars



# Median Home Sale Price by State

Source: Data provided by Redfin, a national real estate brokerage.

12/12 Rates-of-Change



# Mortgage Rates Declining with Monetary Policy Trajectory

Sources: WSJ, Freddie Mac

## US Federal Funds Target Rate to US 30-Year Conventional Mortgage Rate

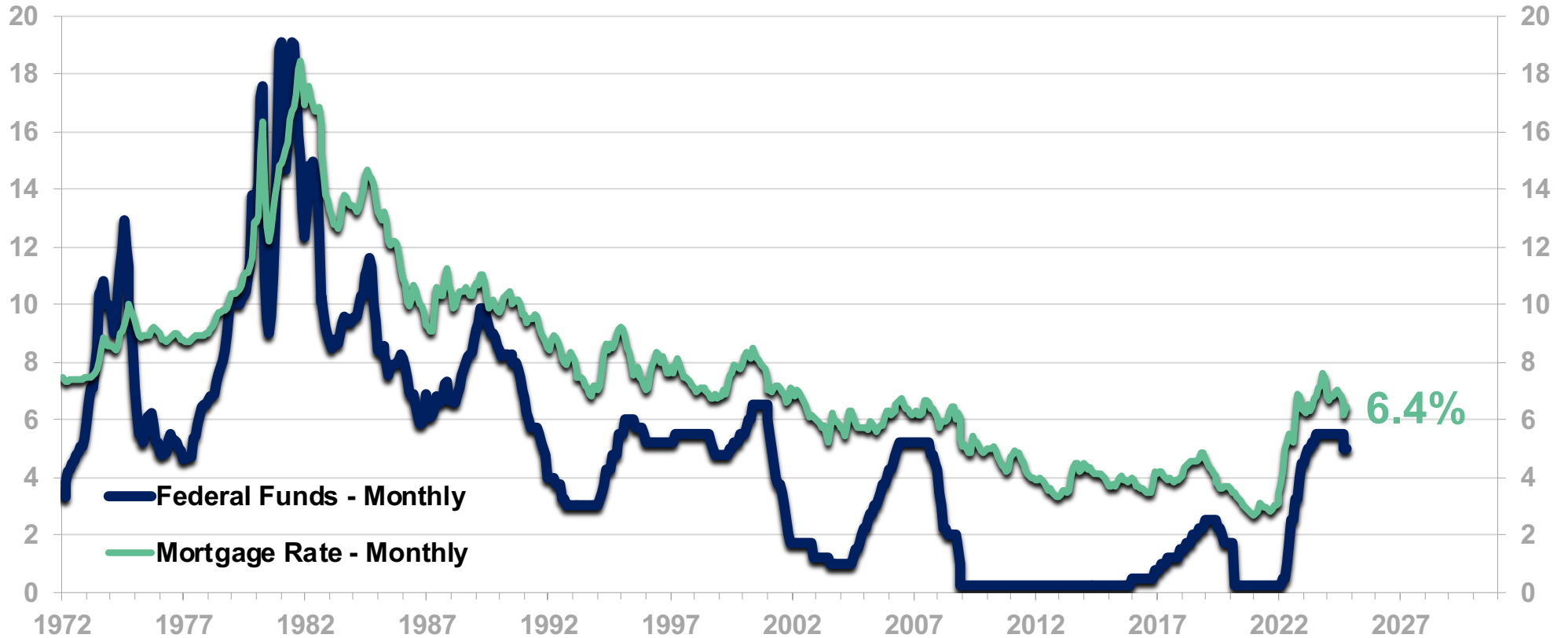
Raw Data Trends, Percent



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Federal Funds

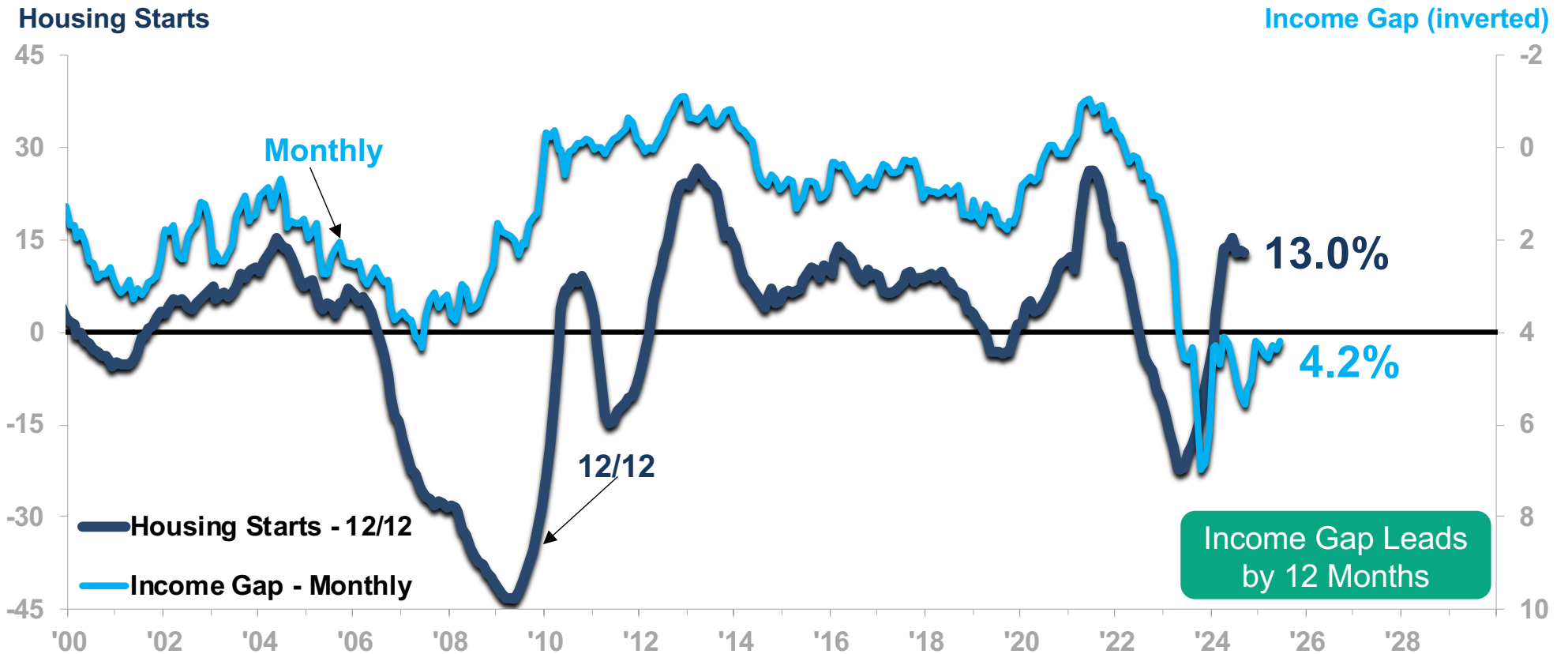
Mortgage Rate



# 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



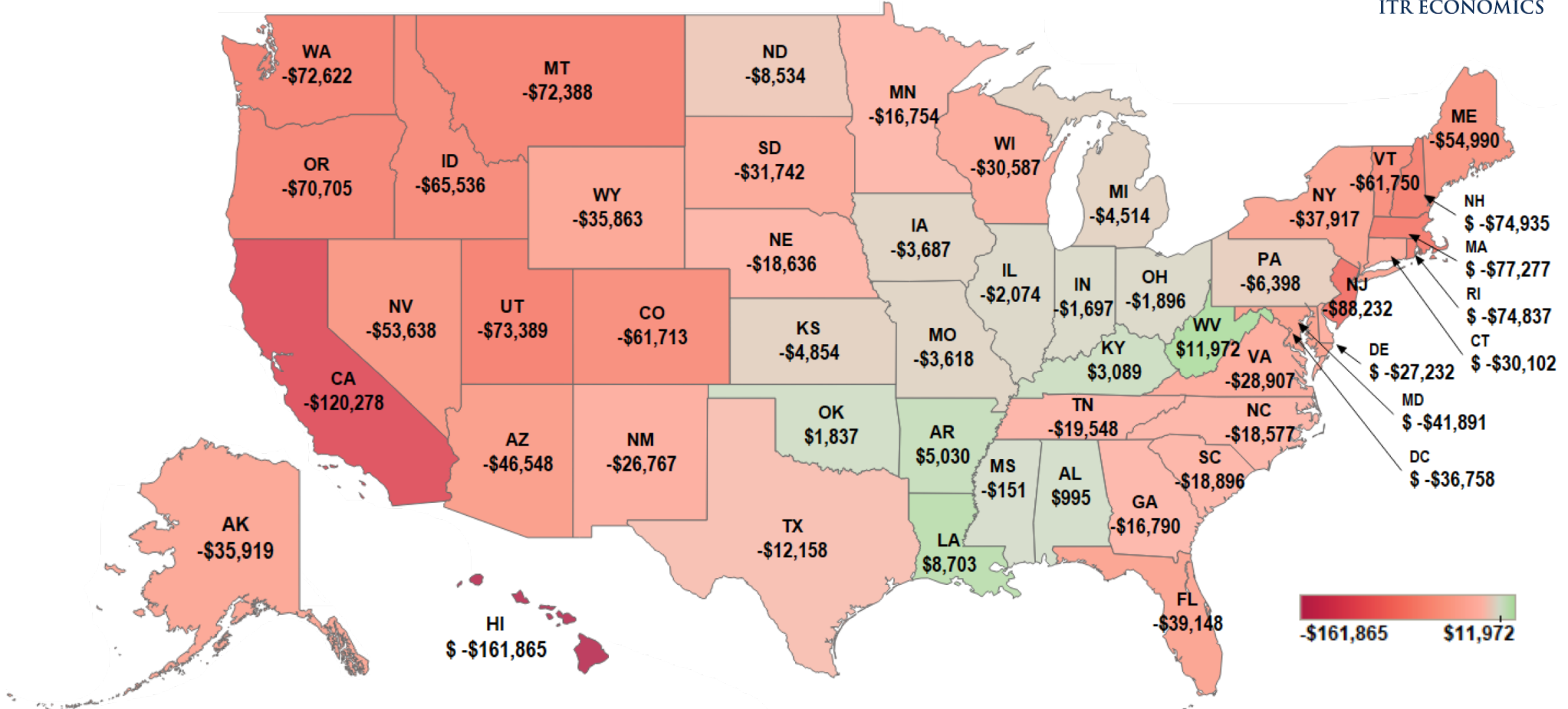
# Housing Affordability Varies Considerably

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

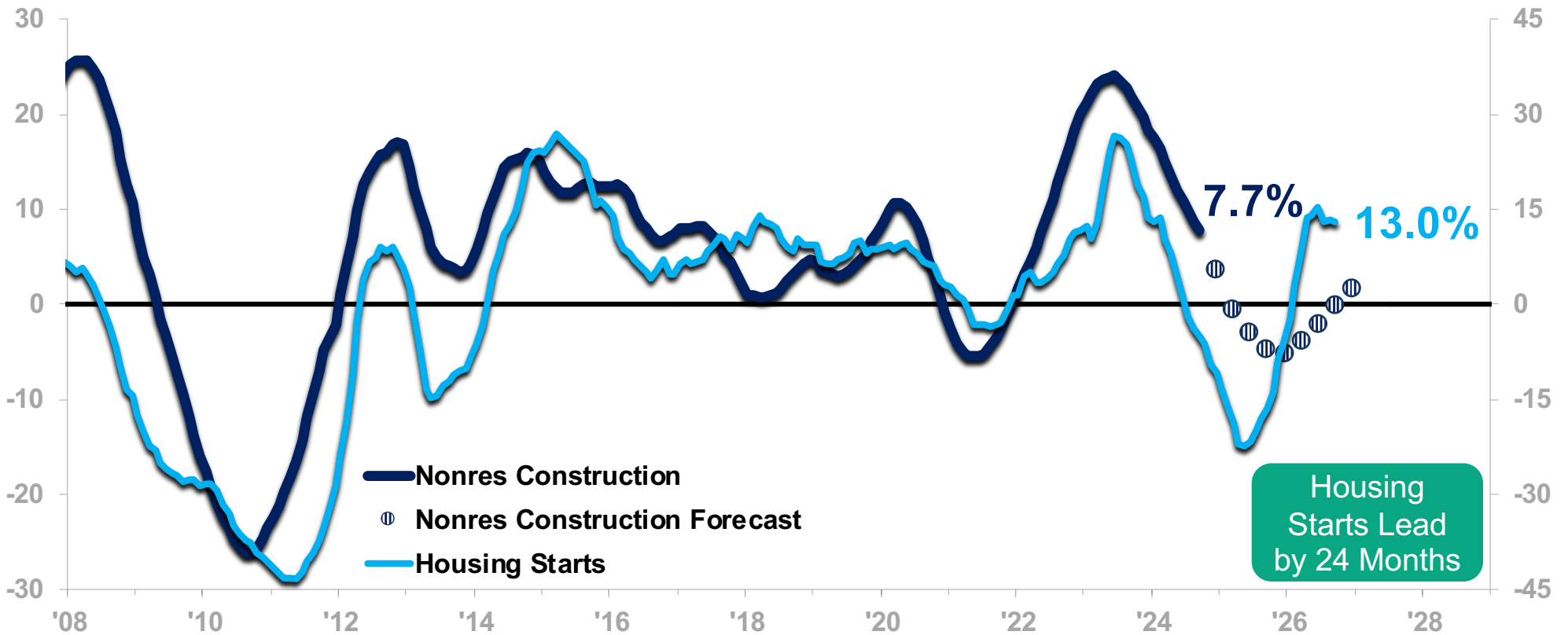
12/12 Rates-of-Change

Nonres Construction

as seen in  
ITR Economics'  
Trends  
Report

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Housing Starts

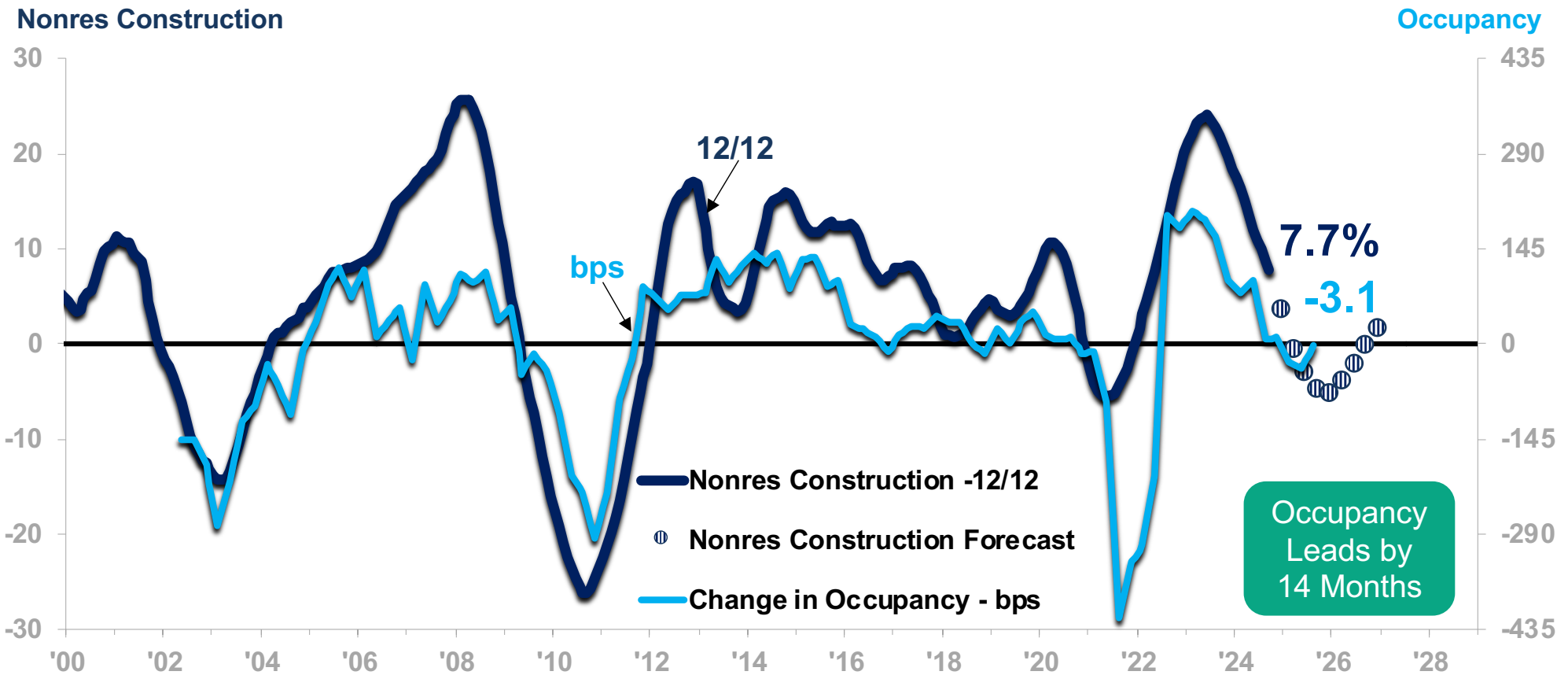


# Occupancy Trend is Consistent with Nonres Forecast

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



# 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.





# ***The US Economy***

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# Service Sector Shows Signs of Strength Relative to Total GDP

Source: BEA

## US Real Gross Domestic Product to US Services Personal Consumption Expenditures (deflated)

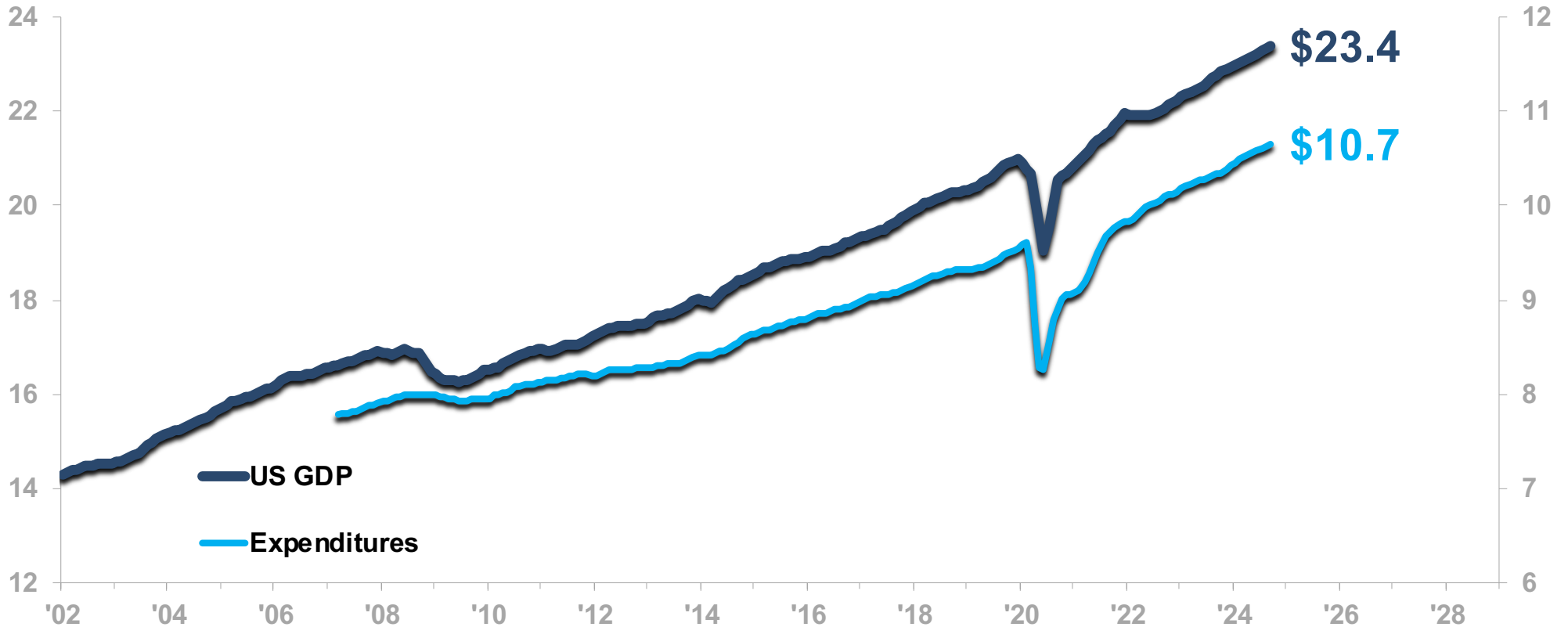
Quarterly Data Trends: Trillions of Chained 2017 Dollars

US GDP



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Expenditures



# Service Sector Revenue

Source: US Census Bureau

## US Services Revenue



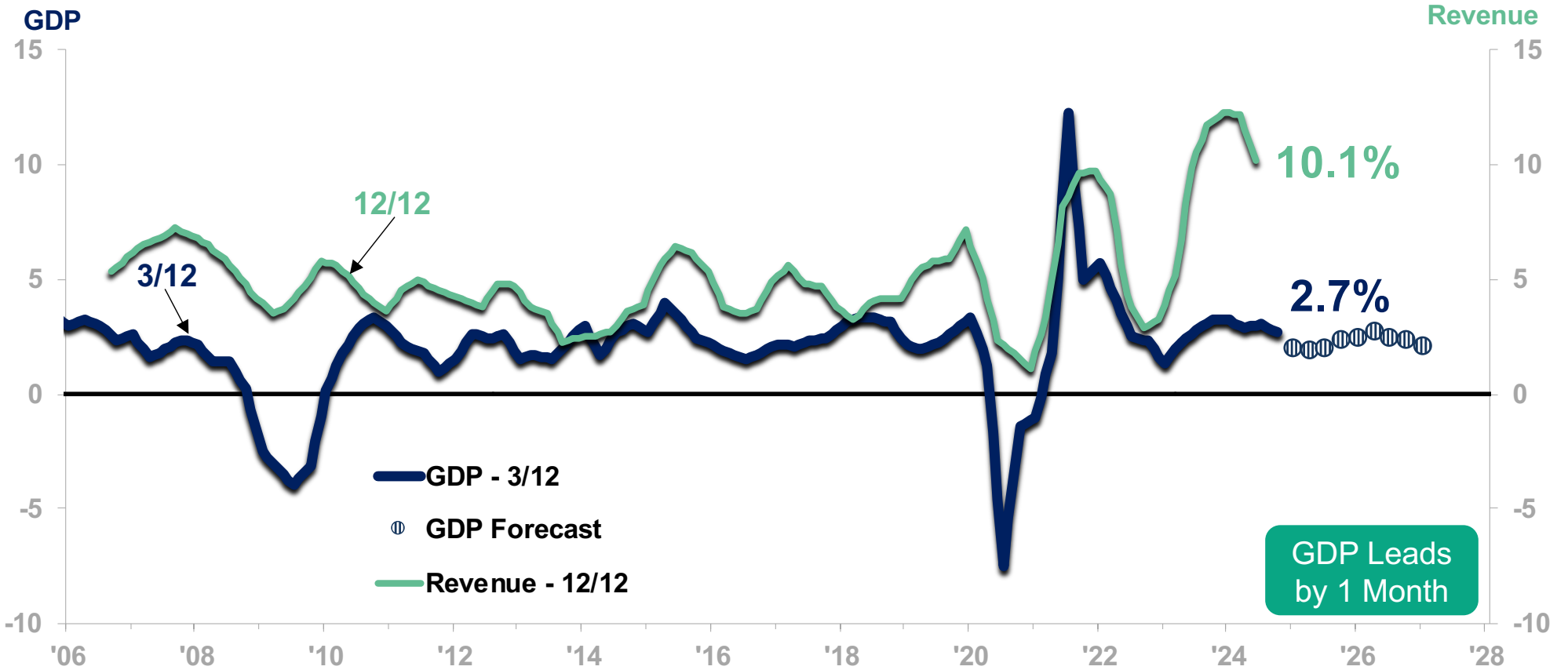
	3/12	Phase
Insurance Carriers	9.7%	C
Legal Services	10.7%	B
Computer System Design	2.9%	B
Management, Scientific, & Technical Consulting	8.6%	B
Real Estate	7.4%	C
Educational	10.4%	B
Agencies, Brokerages and Other Insurance	9.1%	C
Accounting, Tax Preparation, Bookkeeping	-1.9%	D

# GDP Forecast Suggests Decelerating Rise for Hospital Revenue

Sources: BEA,  
US Census Bureau

## US Real Gross Domestic Product to US Hospitals Services Revenue

Rates-of-Change



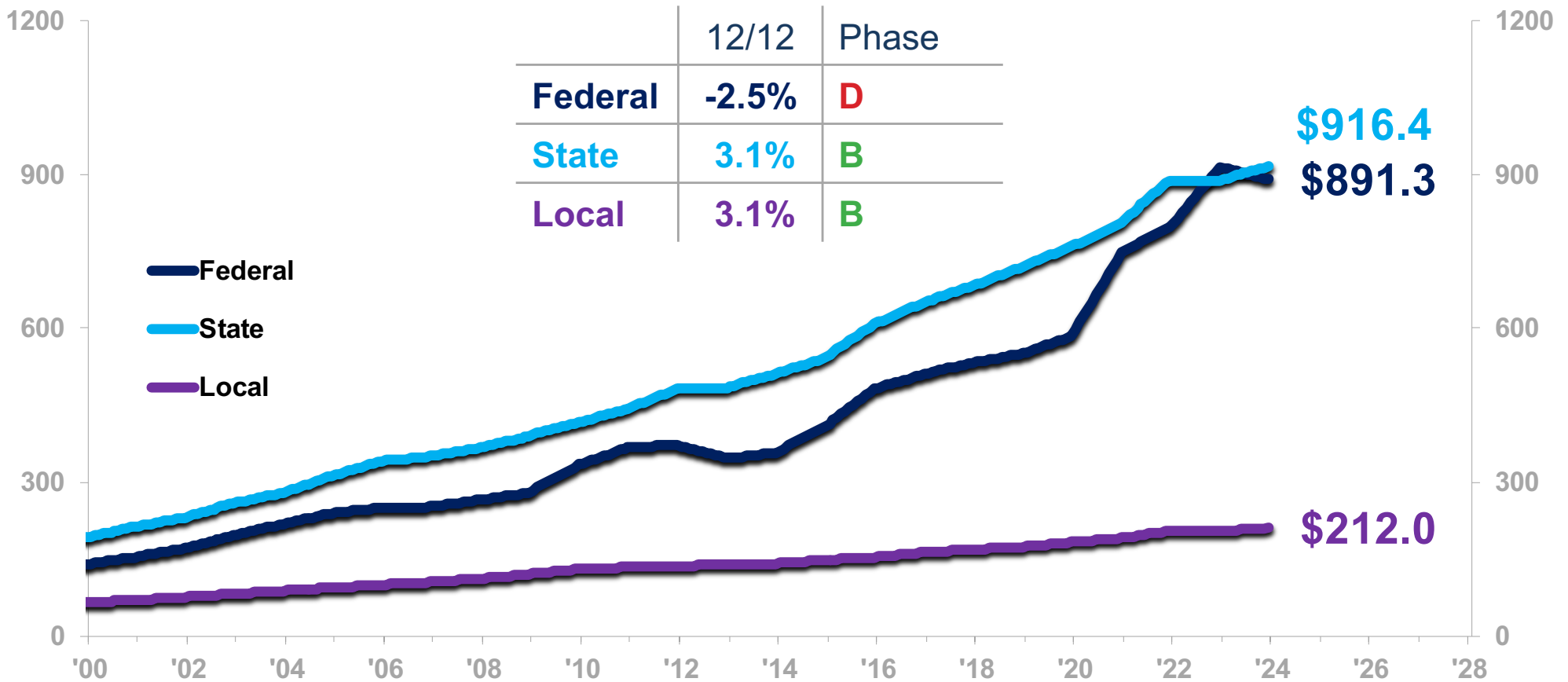


# Rising Trends That Will Continue

Source: USGovernmentspending.com

## US Federal, State, and Local Government Spending on Healthcare

Annual Data Trends: Billions of Dollars



# Rise in 2025-2026

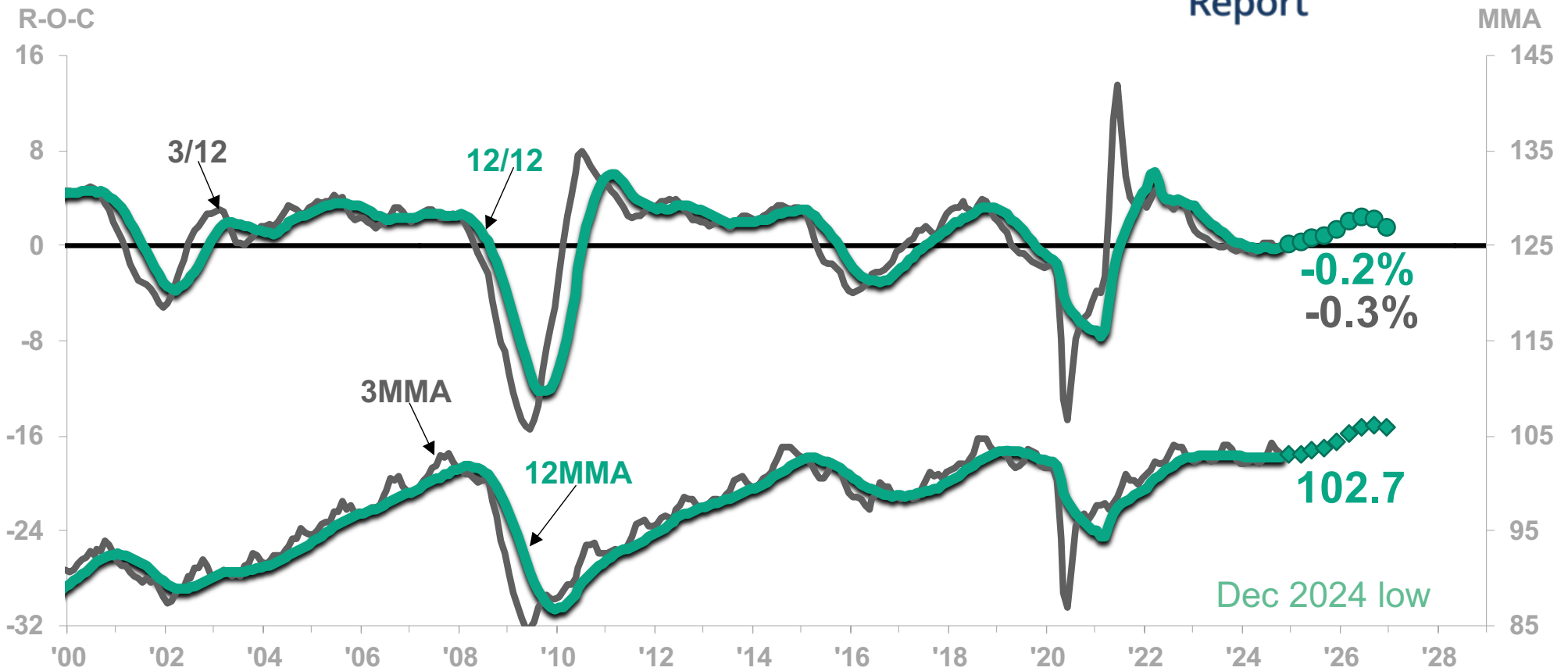
Source: FRB

## US Industrial Production Index

2017 = 100

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

  
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# US Production Indexes

Sources: FRB, US Census Bureau

## US Industry

### Rates-of-Change



	12/12	Phase	3/12	Phase
Aerospace Products & Parts	0.7%	C	-7.9%	D
Beverages	-8.9%	D	-10.4%	A
Chemical Products ex Pharma & Medicines	-0.2%	D	-3.4%	A
Civilian Aircraft	-0.1%	A	0.2%	B
Computer & Electronics New Orders	-3.8%	A	5.2%	B
Construction Machinery	3.3%	B	2.6%	C



# US Production Indexes

Source: FRB

## US Industry

### Rates-of-Change



	12/12	Phase	3/12	Phase
Durable Hardgoods	-0.5%	A	-0.5%	D
Electrical Power	1.8%	C	0.6%	C
Engines & Turbines	-2.2%	A	5.9%	B
Fabricated Metal	-1.0%	A	-1.7%	A
Food	-1.2%	A	-0.2%	D
Plastics	-0.8%	A	-3.2%	D
Iron & Steel	-3.0%	D	-4.6%	A
Industrial Machinery	-8.2%	A	-5.4%	A

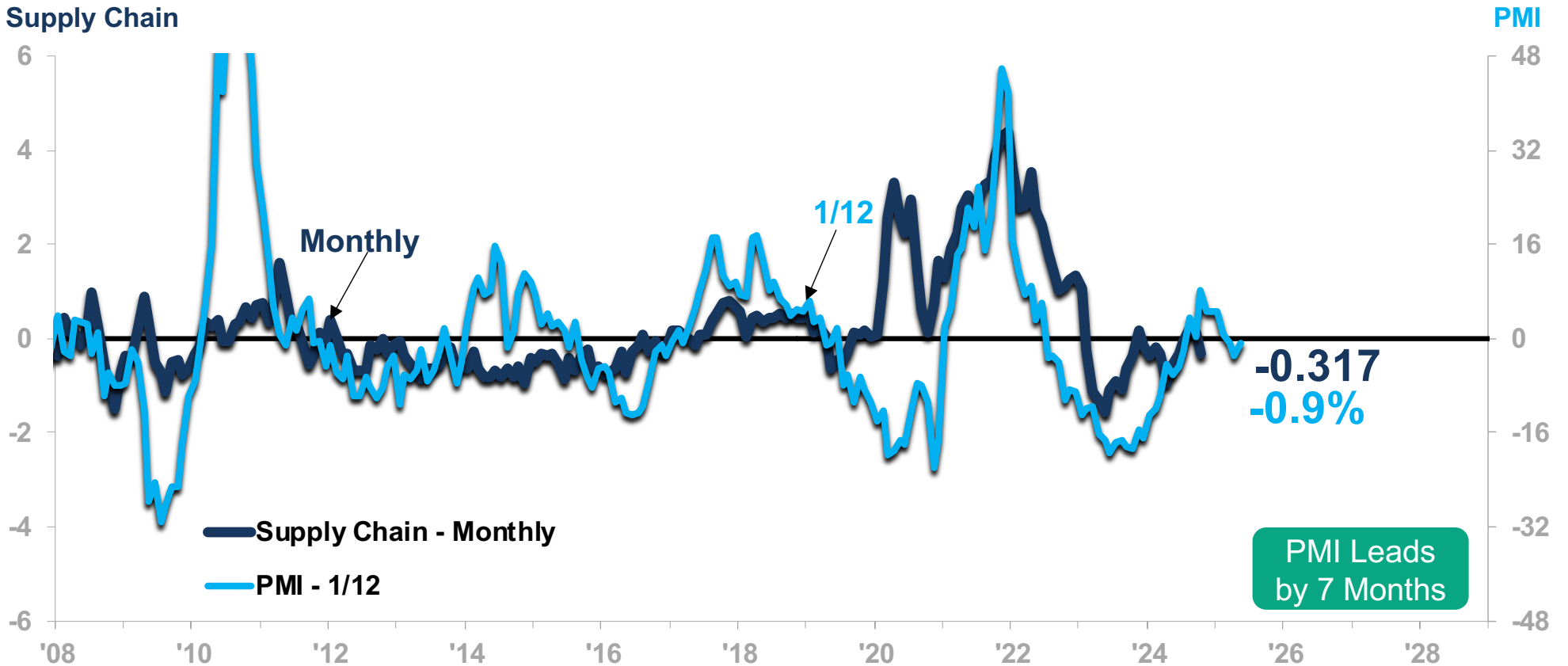
# Normalization of Supply Chain

Sources: FRBNY, ISM

## Global Supply Chain Pressure Index to US Purchasing Managers Index



Rates-of-Change  
Supply Chain



-  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**




# *The 2030s*

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# Causal Factors & Outlook Are Unchanged

 1. Demographics

 2. Health Care Costs

 3. Entitlements

 4. Inflation

 5. US National Debt



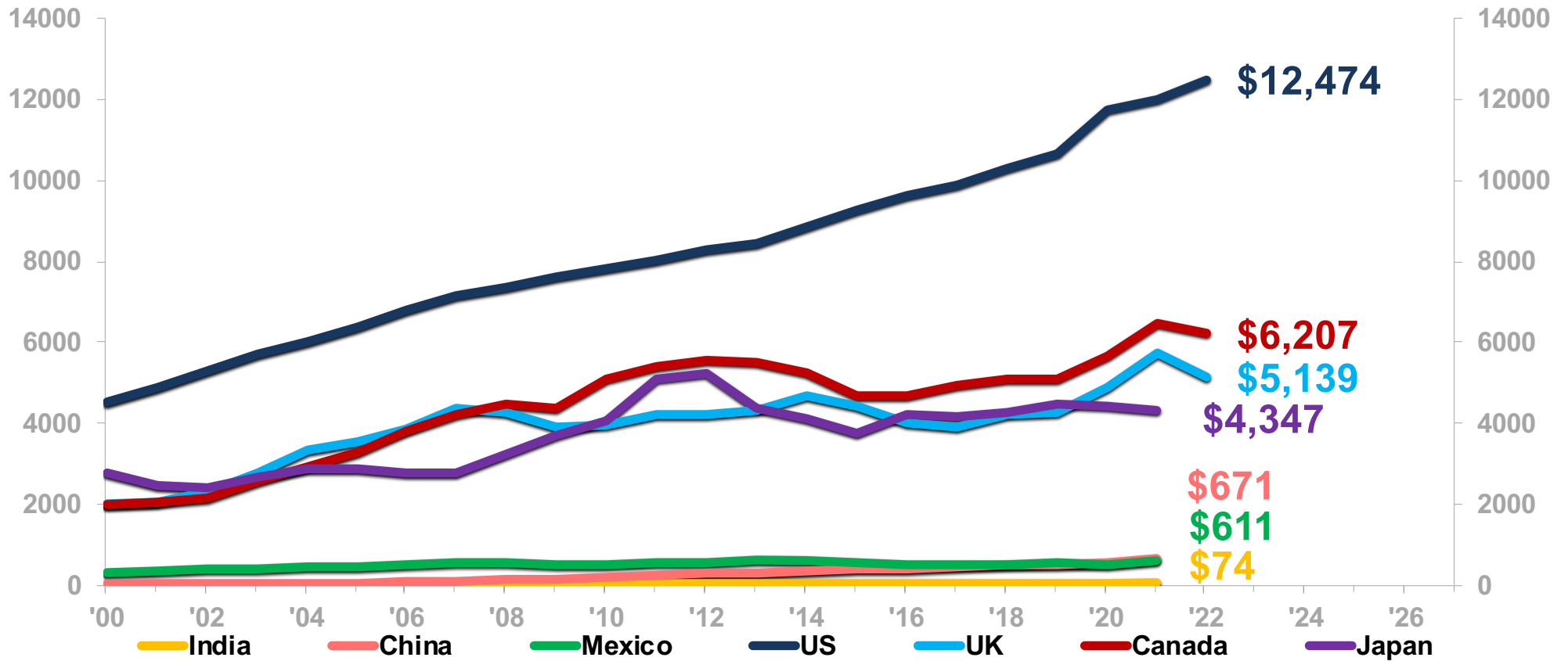


# USA Leads in Health Care \$ Per Capita

Source: WorldBank

## Current Health Expenditure per Capita

Raw Data: Current US Dollars

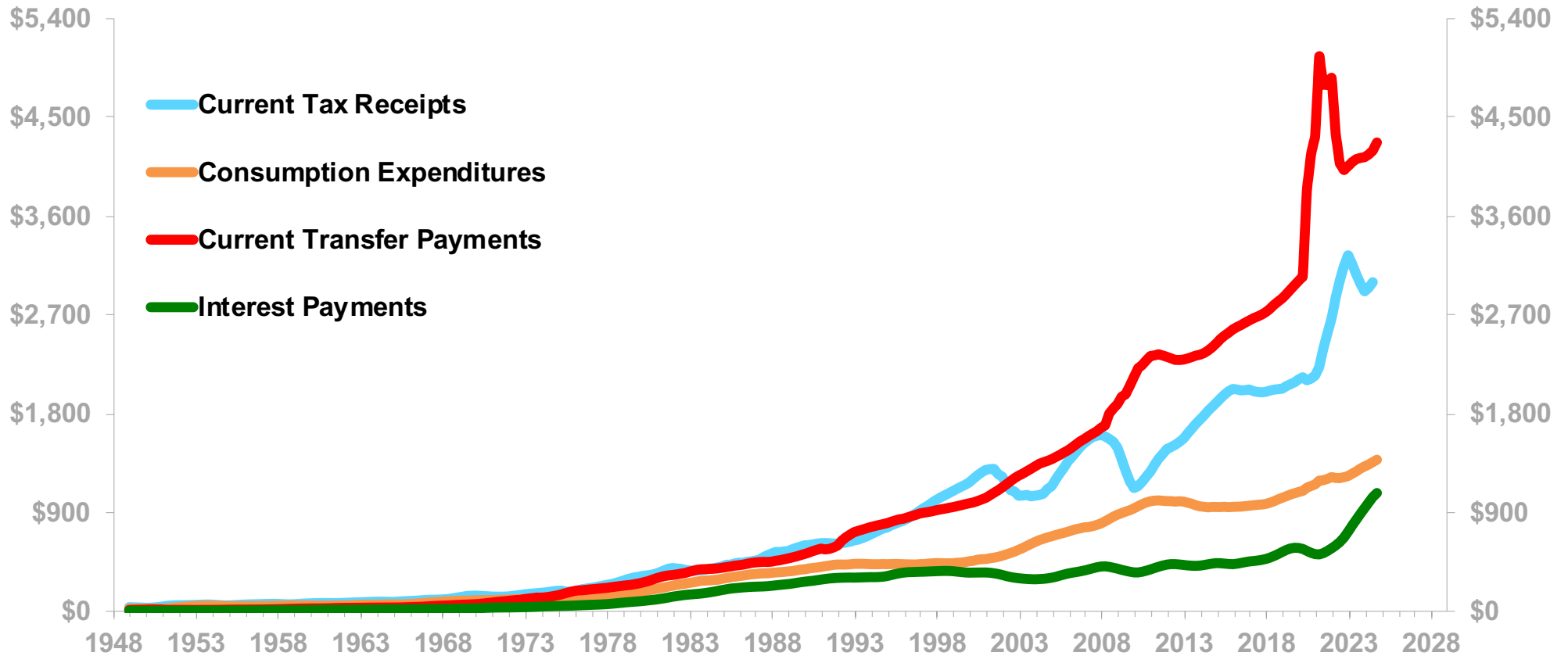


# Problems Ahead

Source: BEA

## Federal Government Receipts and Payments

Annual Data Trends in Billions of Dollars

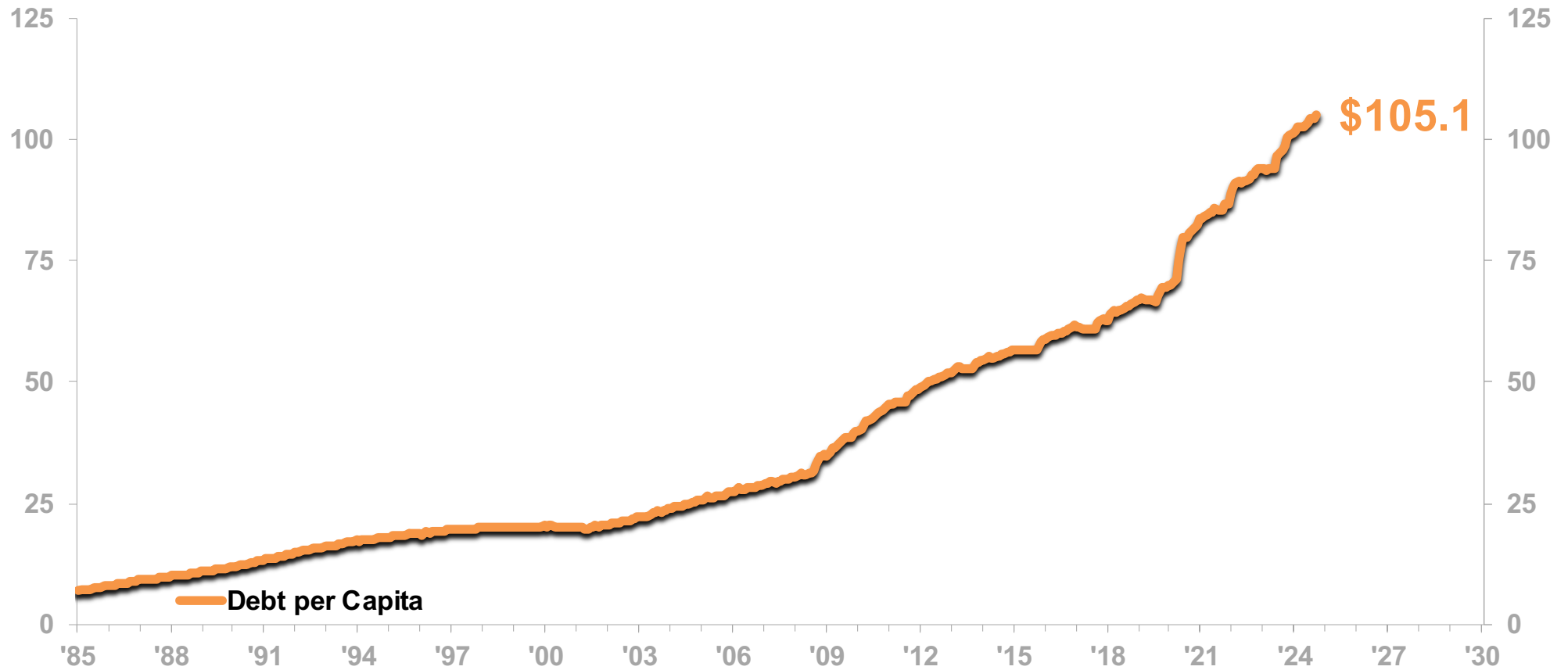


# An Accelerating Trend

Sources: US Department of the Treasury, BEA

## US Federal Government Debt per Capita

Thousands of Dollars





**Switch to wealth preservation  
circa 2030 - 2032**



**Safety over magnitude of return  
will be a virtue next decade**



**Be ready to switch back into an  
aggressive posture circa 2036**

### *Next Steps*

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- **Talk to your wealth advisor  
about best investments in a  
period of inflation.**


- 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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# Any questions?

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