

MCAA 25



Align Resources for the Rise Ahead Brian Beaulieu

**Monday, March 3rd
10:30 a.m. – 12:00 p.m.**

Please let us know what you thought of this session



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MCAA25

Align Resources for the Rise Ahead



Brian Beaulieu

	Duration	Accuracy
US GDP	12	98.6%
US Ind. Production	19	96.5%
Europe Ind. Production	20	99.1%
Canada Ind. Production (Nov 2024)	10	99.5%
China Ind. Production	25	96.3%
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.



Macroeconomic Signals for 2025

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



Uncertainty Drivers

- China
- Policies (nationalism, tariffs)
- CRE



Highlights

- Extended Rise is the Outlook
- Competitive Advantages/Technology Are Key
- Still on Target for the 2030s

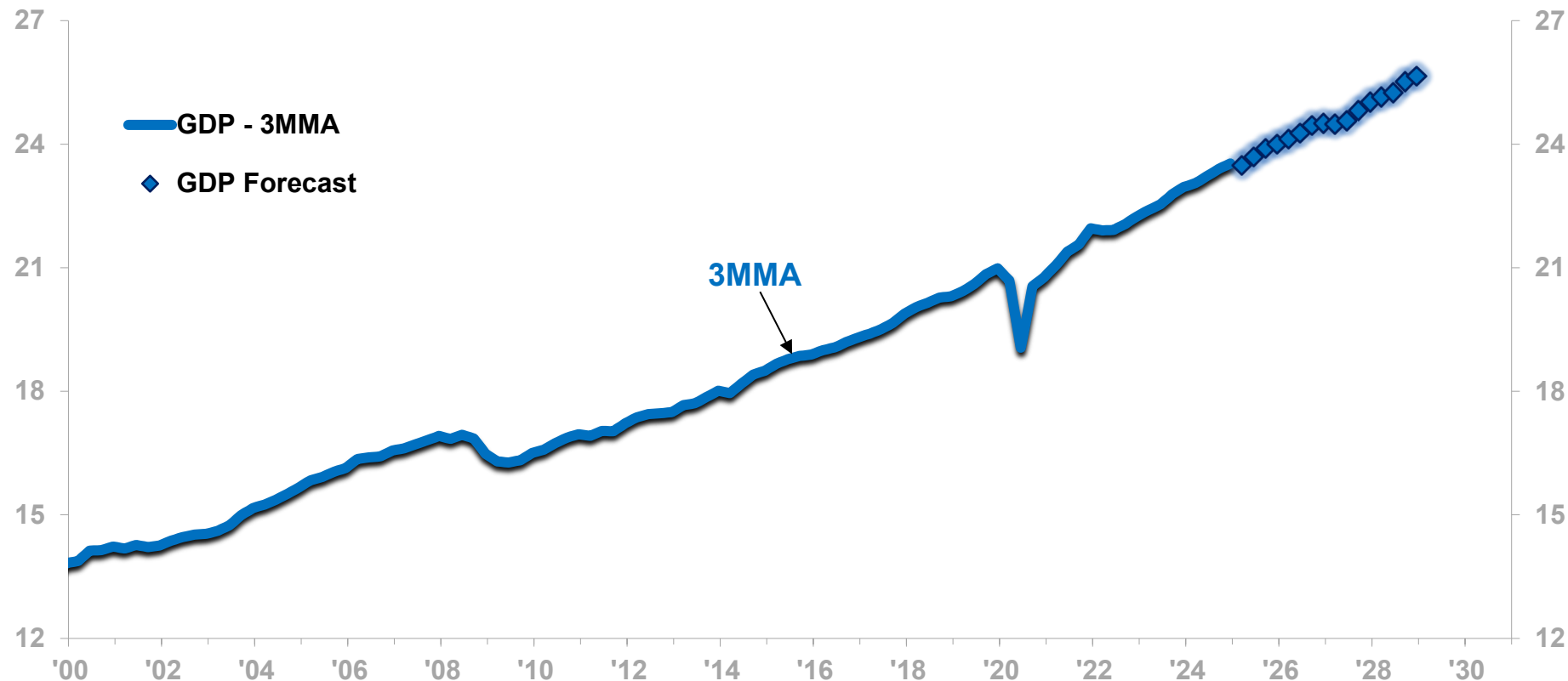


GDP Forecast Through 2028

Source: BEA

US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



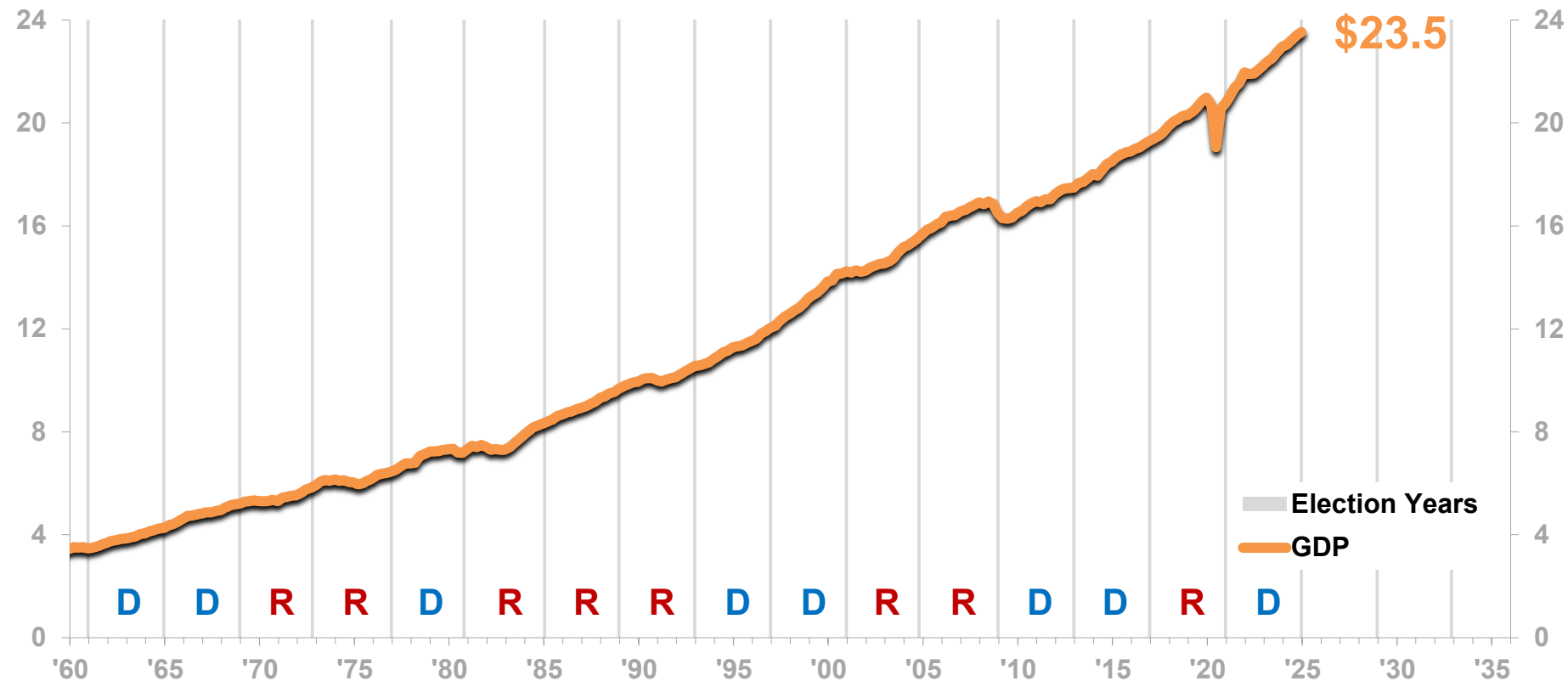
Presidential Election Impact is Not Evident ~ GDP Rise Thru '28

Source:
BEA

US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

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Manufacturing Not Rising as Fast as Services

Sources: FRB, BEA

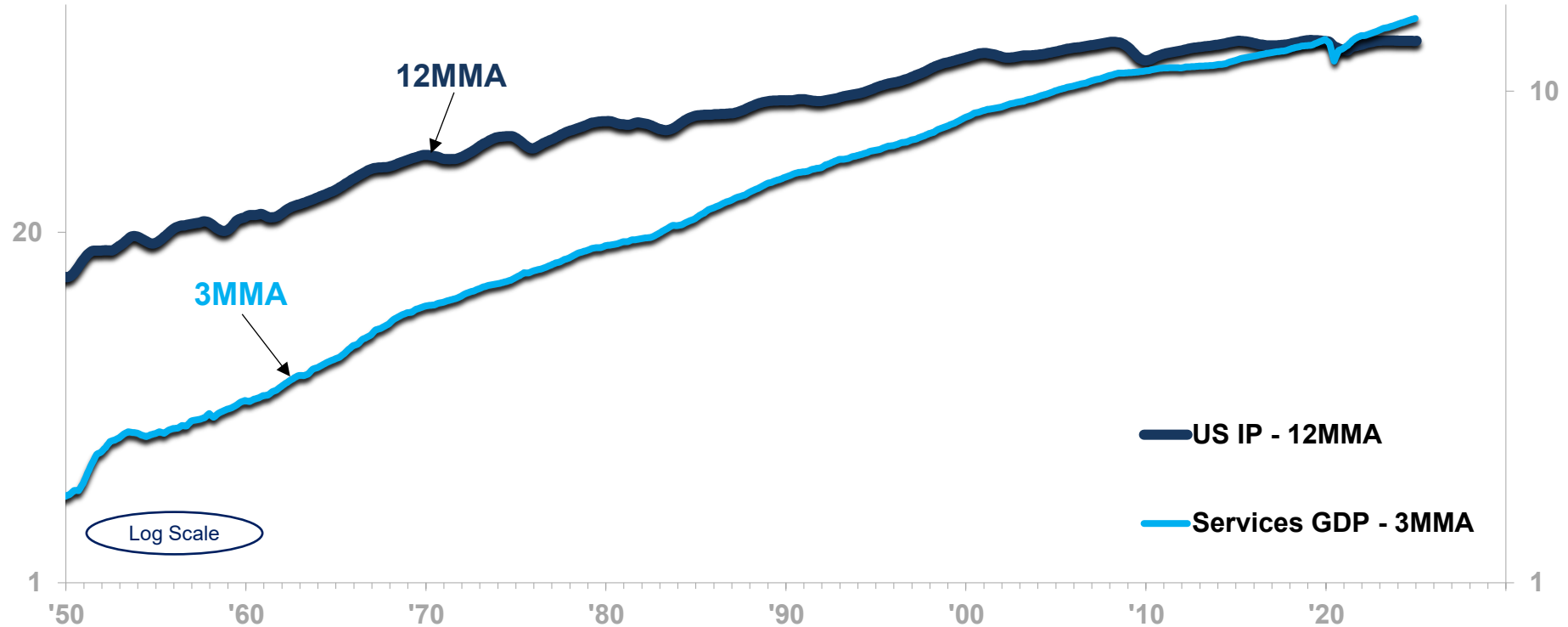
US Industrial Production Index to US Services GDP

Data Trends



US IP (2017 = 100)

Services GDP (Tril. 2017 \$)



Global Trends

2024 Trade Balance for Goods as a Percent of US GDP

Sources: US Census Bureau,
BEA



World
-4.0%

China
-1.0%

Europe
-0.8%

Mexico
-0.6%

Canada
-0.2%

Japan
-0.2%

UK
0.0%

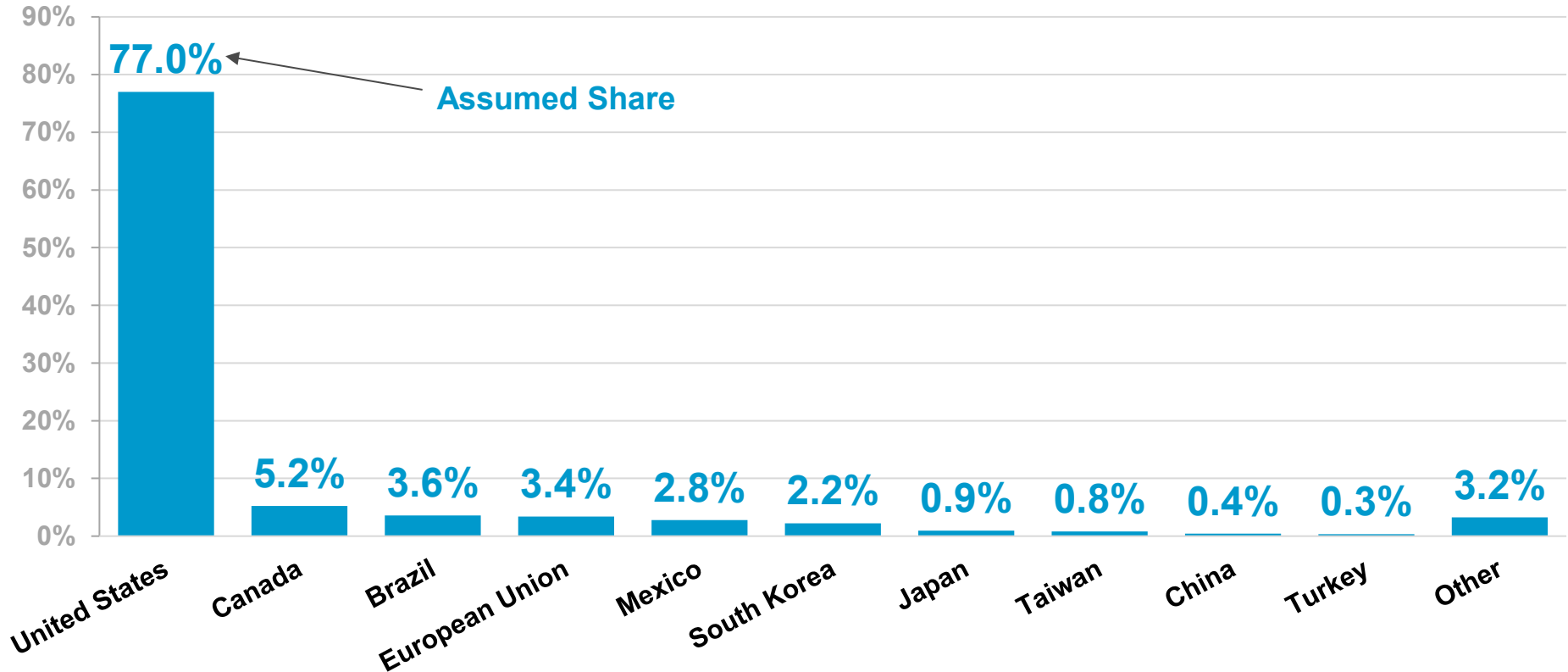
*The trade balances above are the sum of exports minus imports of goods.
Shown here as a % of total GDP*

Steel Market Facts to Know in a Tariff World

Sources: American Iron and Steel Institute,
US Census Bureau

Consumption of Steel Products From Selected Countries and Areas

Assumes 77% is From USA



Aluminum Realities: Pricing May Be Harder Hit

The US imported approximately 50% of the aluminum it consumed in 2024

Most of the scrap used in the US is sourced in the US

The use of foreign trade zones, proper tariff classifications, and duty refunds can save you \$



TO-DO LIST FOR TARIFF MITIGATION

A to-do list for importers to prepare for a period of growing protectionism and increasing tariffs:

- ❑ Have a meeting with the bond surety to discuss your company's bond limit
- ❑ Consider a review of your company's HTS Database to ensure your company's imported goods are appropriately classified
- ❑ Include a tariff classification expert in your company's new product development process for tariff engineering purposes
- ❑ Assess multi-country "work in progress" activity to ensure the correct country of origin is being declared
- ❑ Evaluate supply chain to identify potential substitute vendors for dual sourcing
- ❑ Consider the possibility of nearshoring
- ❑ Evaluate the necessity of building up North America inventory before tariffs are implemented
- ❑ Review sourcing contract terms and conditions to evaluate whether increased tariff costs can be pushed back to the vendor
- ❑ If your company imports and exports, consider establishing a duty drawback program
- ❑ Form an internal "Tariff Committee" consisting of stakeholders such as tax, purchasing, procurement, vendor management, trade compliance, supply chain, product development, etc. focused on duty minimization
- ❑ Evaluate the potential impact of increasing tariffs on your related party transfer price
- ❑ Assess the possibility of changing the terms of sale to put the responsibility of import duties on the foreign vendor
- ❑ Perform a Foreign Trade Zone (FTZ) cost benefit analysis
- ❑ Monitor opportunities for Section 301 and Section 232 exclusions, as well as petitions for Miscellaneous Tariff Bill (MTB)
- ❑ Establish an Automated Commercial Environment (ACE) portal account and enroll in Periodic Monthly Statement (PMS)
- ❑ Make contact with your Congressional representative's office and your two (2) senators and let them know that you exist
- ❑ Consider joining a trade promotion organization, such as AAEI
- ❑ Consider subscribing to a trade-focused periodical such as International Trade Today, Journal of Commerce, etc.

Have questions? Contact Dan Swartz, Principal – Customs & Trade, Crowe LLP 415-706-8423, dan.swartz@crowe.com

A COMPLIMENTARY Service From ITR/Crowe

Source: Crowe LLP



Customs & trade

Trade Data Analysis

Contact Dan Swartz
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Crowe LLP
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dan.swartx@crowe.com



Dan Swartz
Principal



Highly Correlated; Stronger Growth in Mexico

Sources: FRB, Statistics Canada, Mexico National
Institute of Statistics and Geography

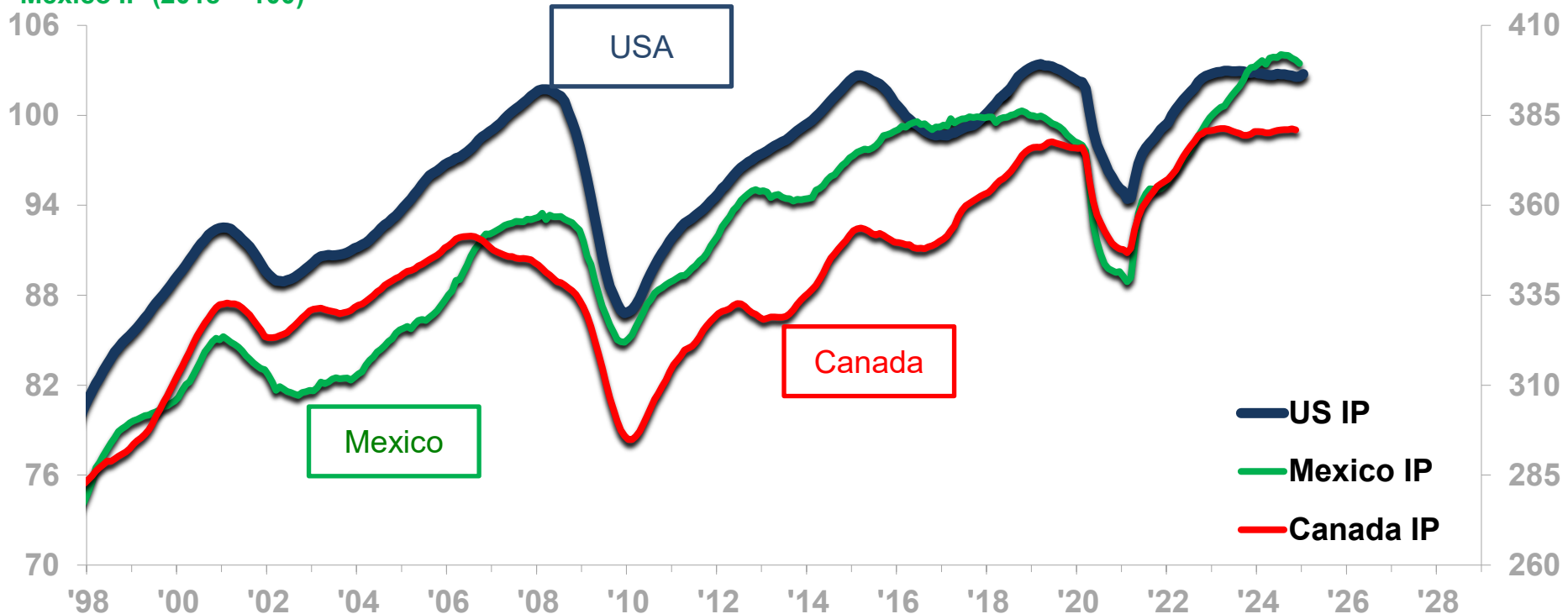


US to Canada to Mexico Industrial Production Indexes

Annual Data Trends

US IP (2017 = 100),
Mexico IP (2018 = 100)

Canada IP (Bil. 2017 CAD)



Costa Rica Stands Out As a Rising Star

Sources: Brazilian Institute of Geography and Statistics, Chile National Institute of Statistics, IMF

Brazil, Chile, and Costa Rica Industrial Production Index

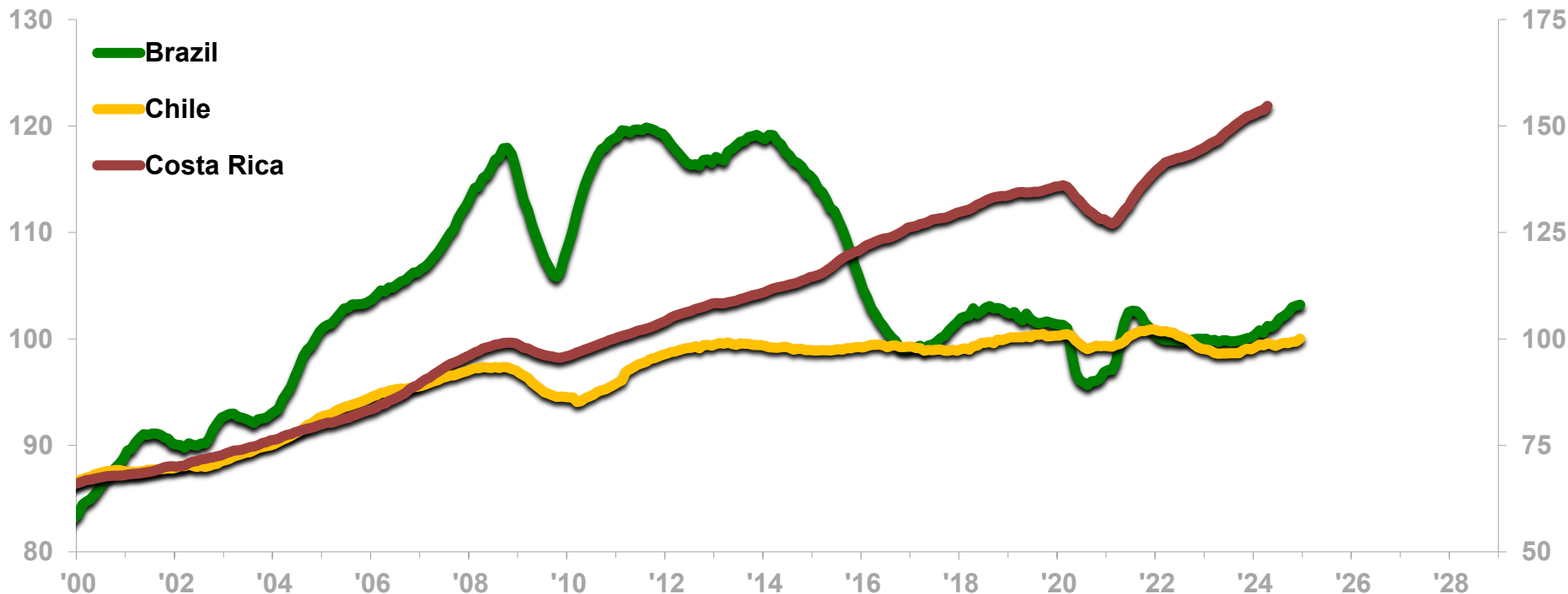
Annual Data Trends



Brazil (2022 = 100)

Chile (2014 = 100)

Costa Rica (2010 = 100)





Tariff and political risks are increasing vis-à-vis China.



Canada and Mexico will be hurt by tariffs more than the US.



Expect nationalism to remain for a long time, and that includes tariffs.

Next Steps

- **Nationalism brings opportunities.**
- **It also brings inflation and potentially diminished export opportunities.**



Inflation & Interest Rates

A New Round of Sustained Inflation Stemming From:

Labor – Price Cycle

Fiscal Policies

Electricity / Power Costs

Nationalism

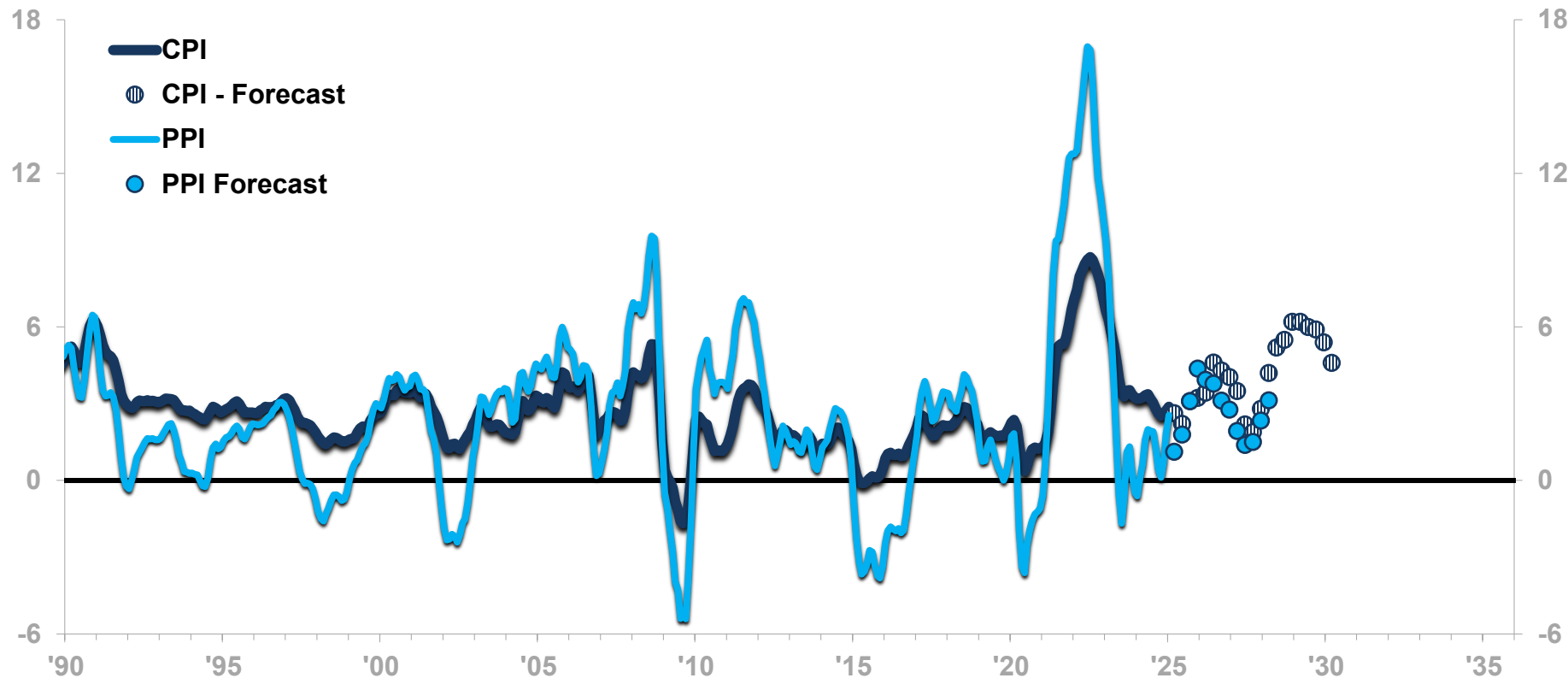
Limited Shelf Life on Disinflation

Source: BLS

US Consumer Price Index to US Producer Price Index Final Demand – Finished Goods

3/12 Rates-of-Change

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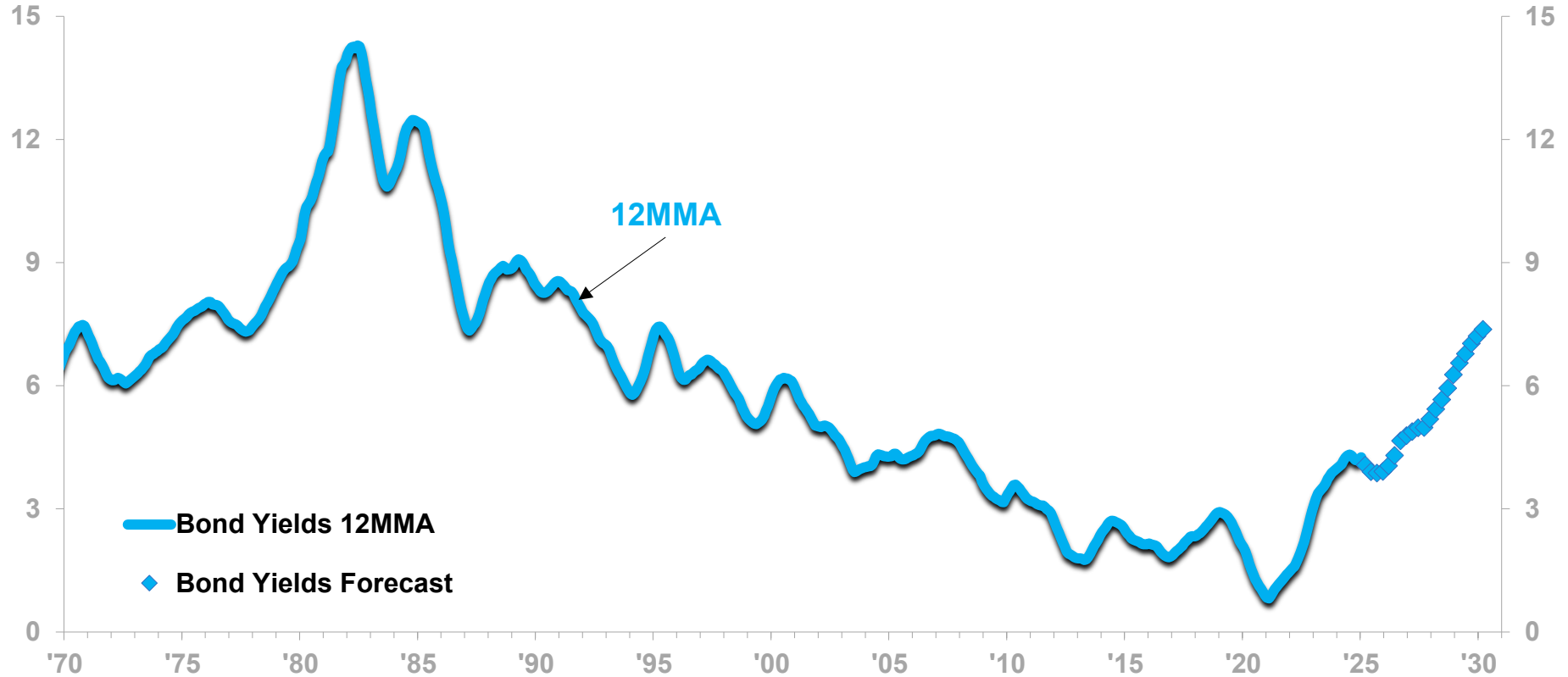


Long-Range Forecast: U.S. Government 10-Year Bond Yields

Source: FRB

US Government Long-Term Bond Yields

Annual Data Trends: Percent

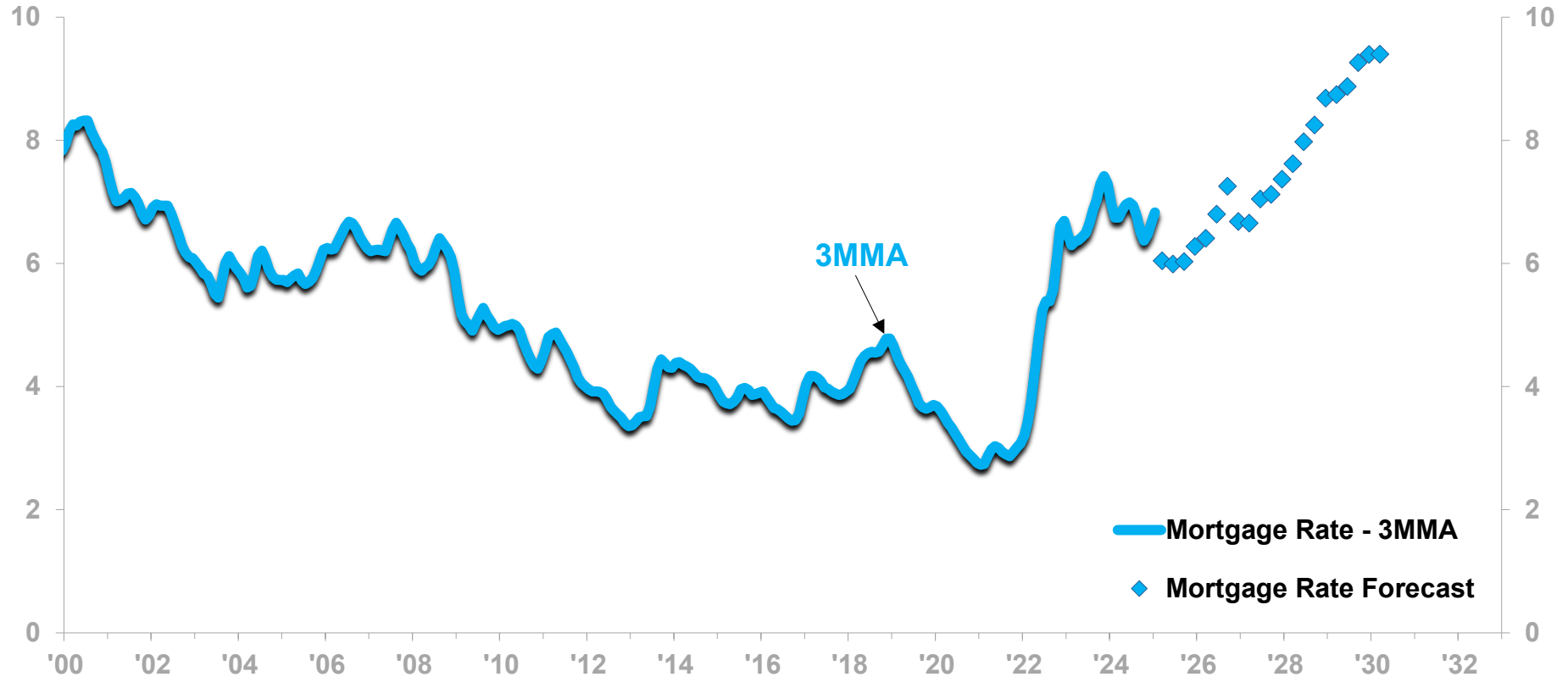


Mortgage Rate Forecast Through 2030

Source: Freddie Mac

US 30-Year Conventional Mortgage Rate

Quarterly Data Trend: Percent





Meaningful interest rate decline is not probable for 2025. The next major trend will be rise.



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

- Stay with us via our weekly Fed Watch YouTube free broadcasts.
- youtube.com/@ITREconomics



People



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Same Trends But Different Levels

Source: BLS

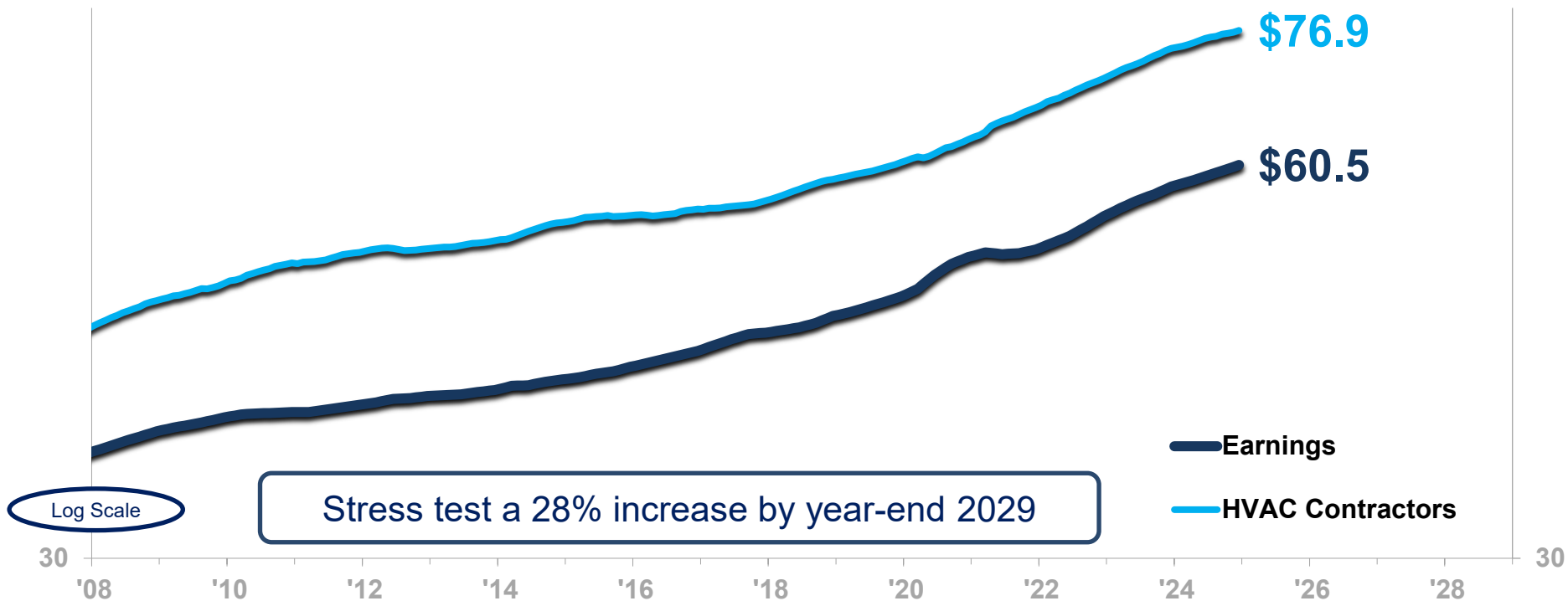
US Median Annual Earnings to US Plumbing and HVAC Contractors Average Annual Earnings

Annual Data Trends: Thousands of Dollars



Average Earnings

HVAC Contractors



A Very Real Difference

Source: BLS

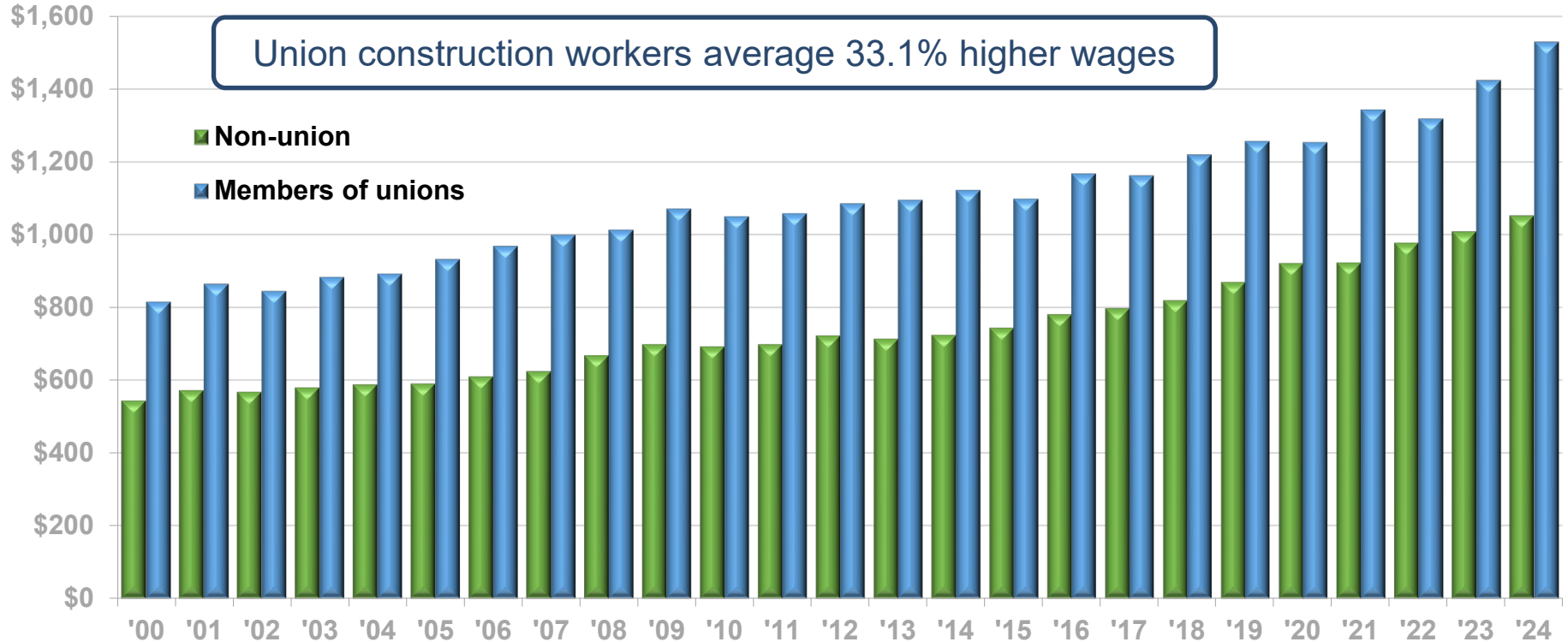
US Median Usual Weekly Earnings of Construction Workers

Dollars



Union construction workers average 33.1% higher wages

■ Non-union
■ Members of unions



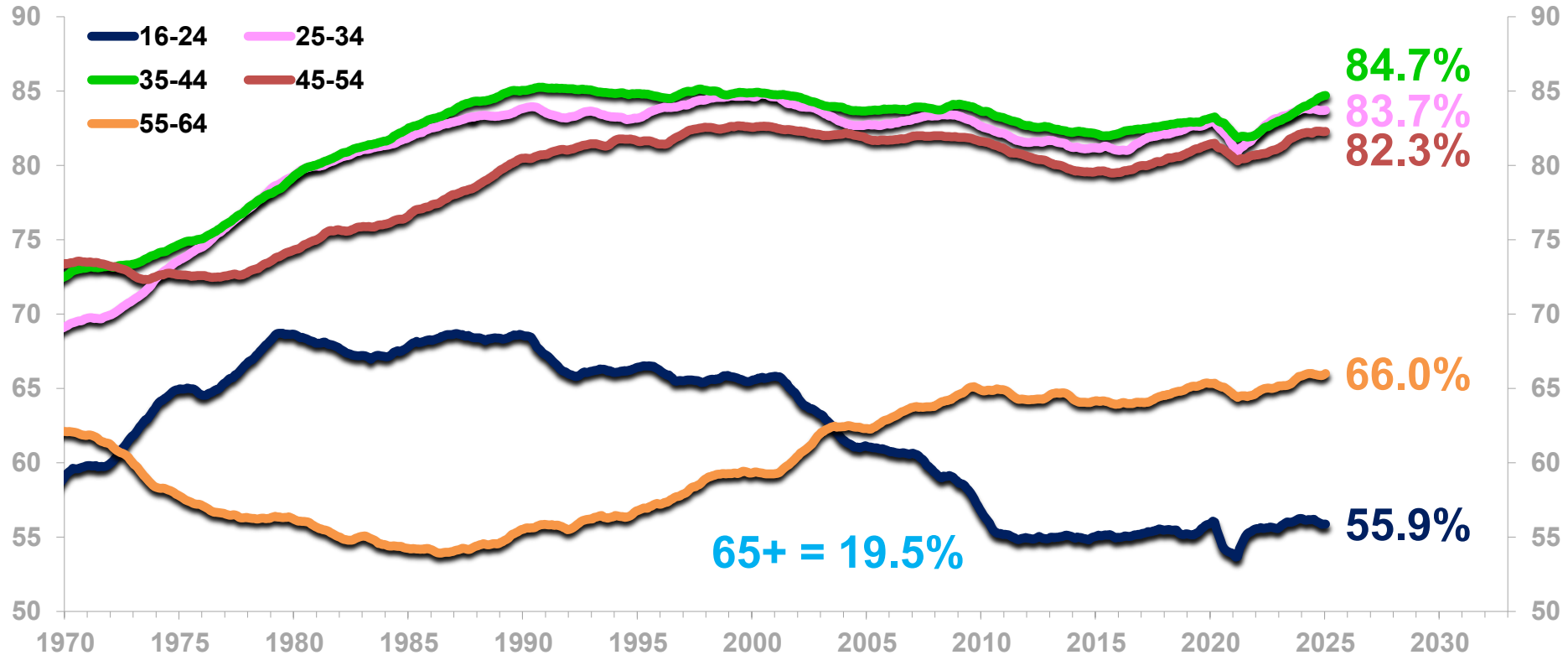
Labor is Back & Above Pre-COVID Participation Rates

Source: BLS

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



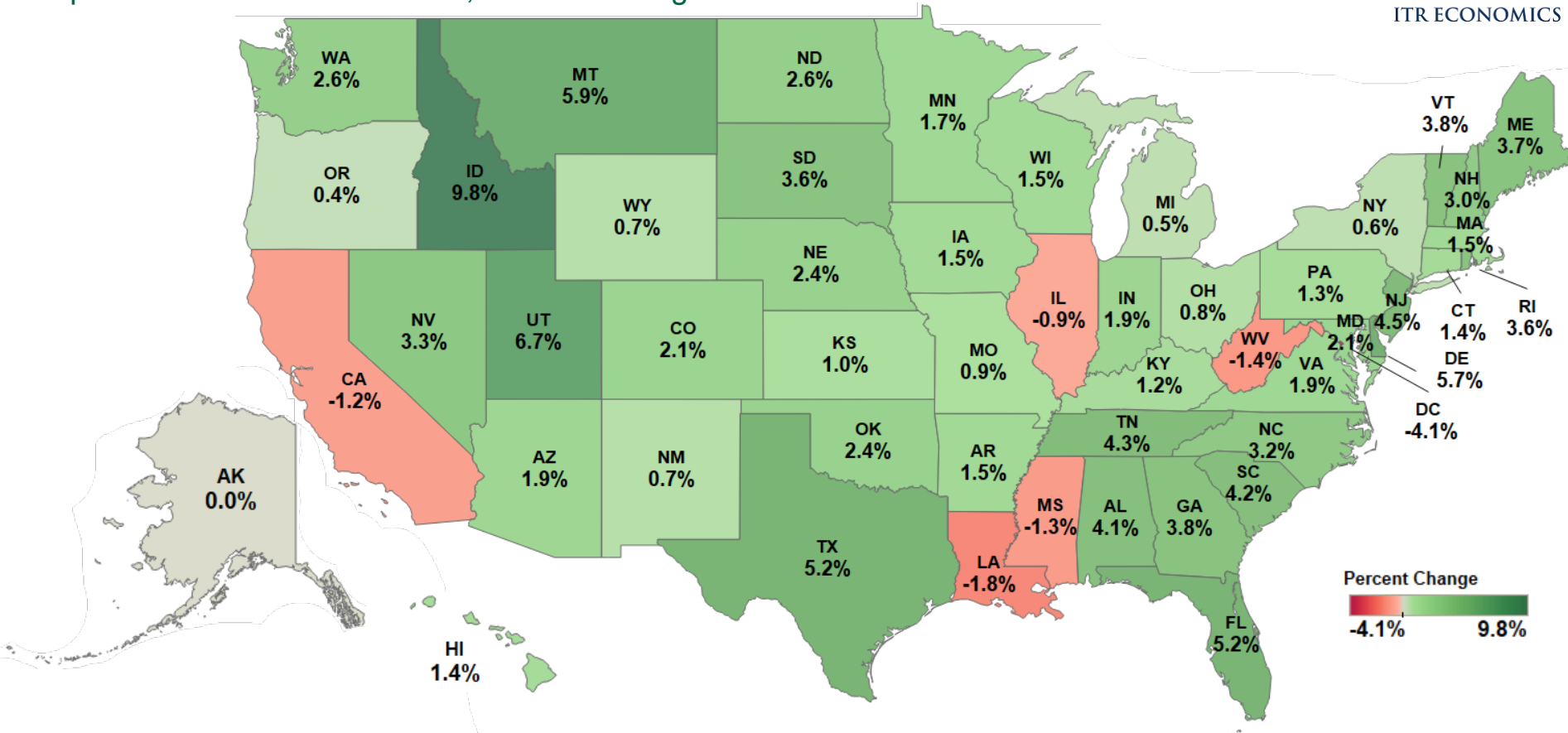
Annual Data Trends: Percent



Population Changes 2019 to 2023

Source:
US Census Bureau

Population Growth 2019 – 2023, Percent Change





Tight labor situation is not going to change. Utilize technology to obviate labor.



Productivity improvements across the board are a must.



Plan for expansion using demographic growth and economic diversification.

Next Steps

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

Macroeconomic Trends



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Inflation-Adjusted Wages Are Rising

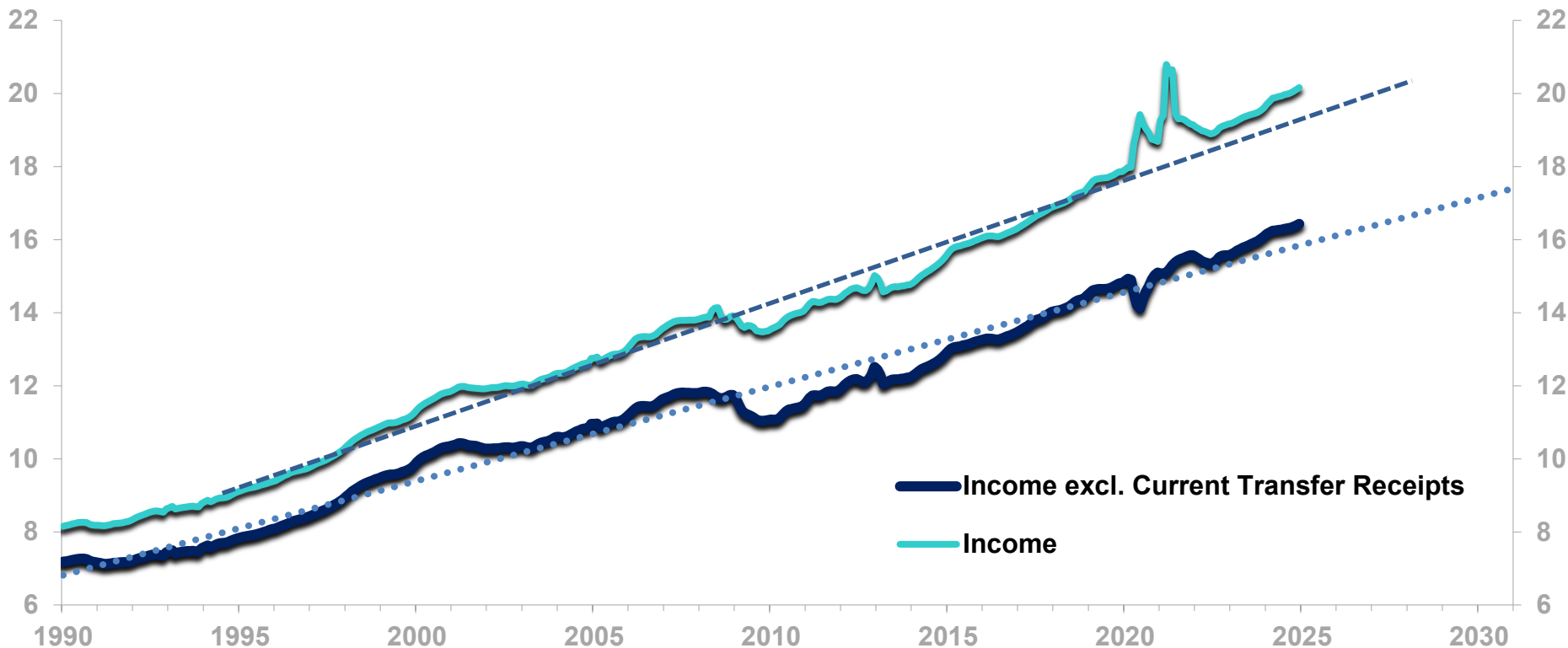
Source: BEA

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



Mixed Results on the Financial Dashboard

Sources: FRBNY, FRB, BEA

US Profits and Delinquency Rates



Monthly

Notes

Auto Loan Delinquency

4.83%

Post GR avg* 4.1%; Elevated & a concern

Credit Card Delinquency

3.23%

Back on trend; Pre-Covid 10-yr avg 2.76%

Residential Delinquency (>90 days)

1.70%

Not an issue; up only 2 bps since Apr '24 Low

Domestic Nonfinancial Corp
Profits (Trillions of Dollars)

\$2.72

Record high but +5.6% gain is below avg

A Retail Sales Rising Trend Indicated For 2H 2025

Sources: US Census Bureau,
ITR Economics

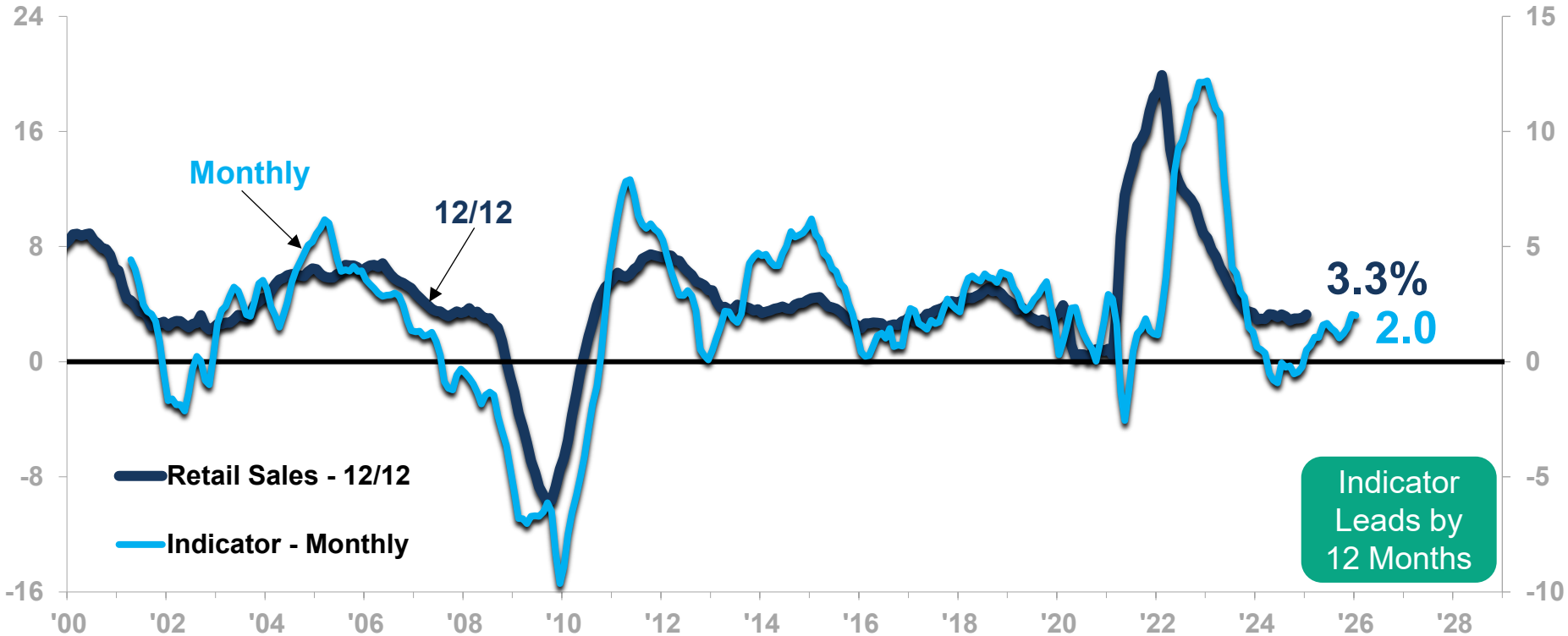
US Total Retail Sales to ITR Retail Sales Leading Indicator™



12/12 Rate-of-Change to Raw Data

Retail Sales

Indicator



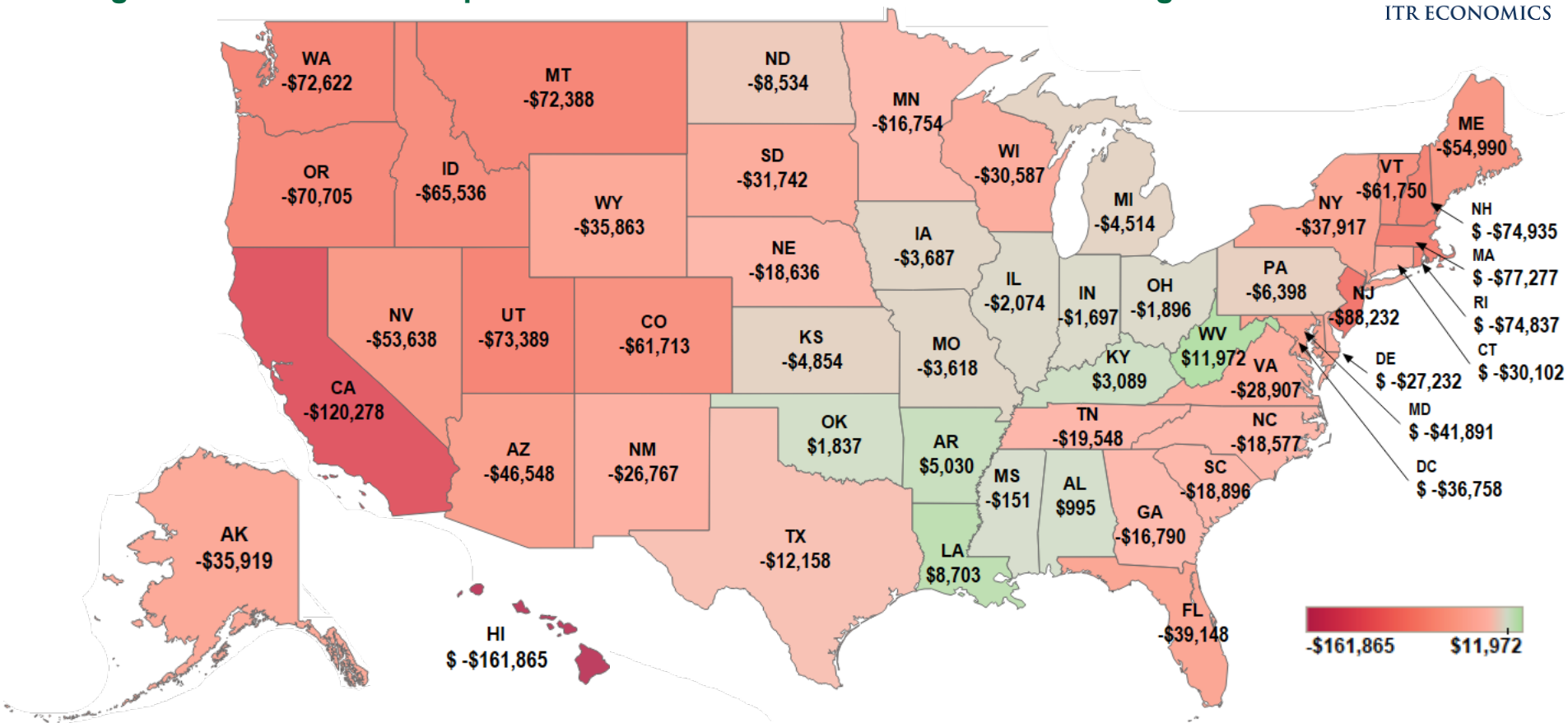
Housing Affordability Varies Considerably

Sources: Zillow, Tax -Rates.org, WSJ,
FHA, US Census Bureau

Average Household Income Surplus or Deficit to Income Needed to Afford an Average Priced Home



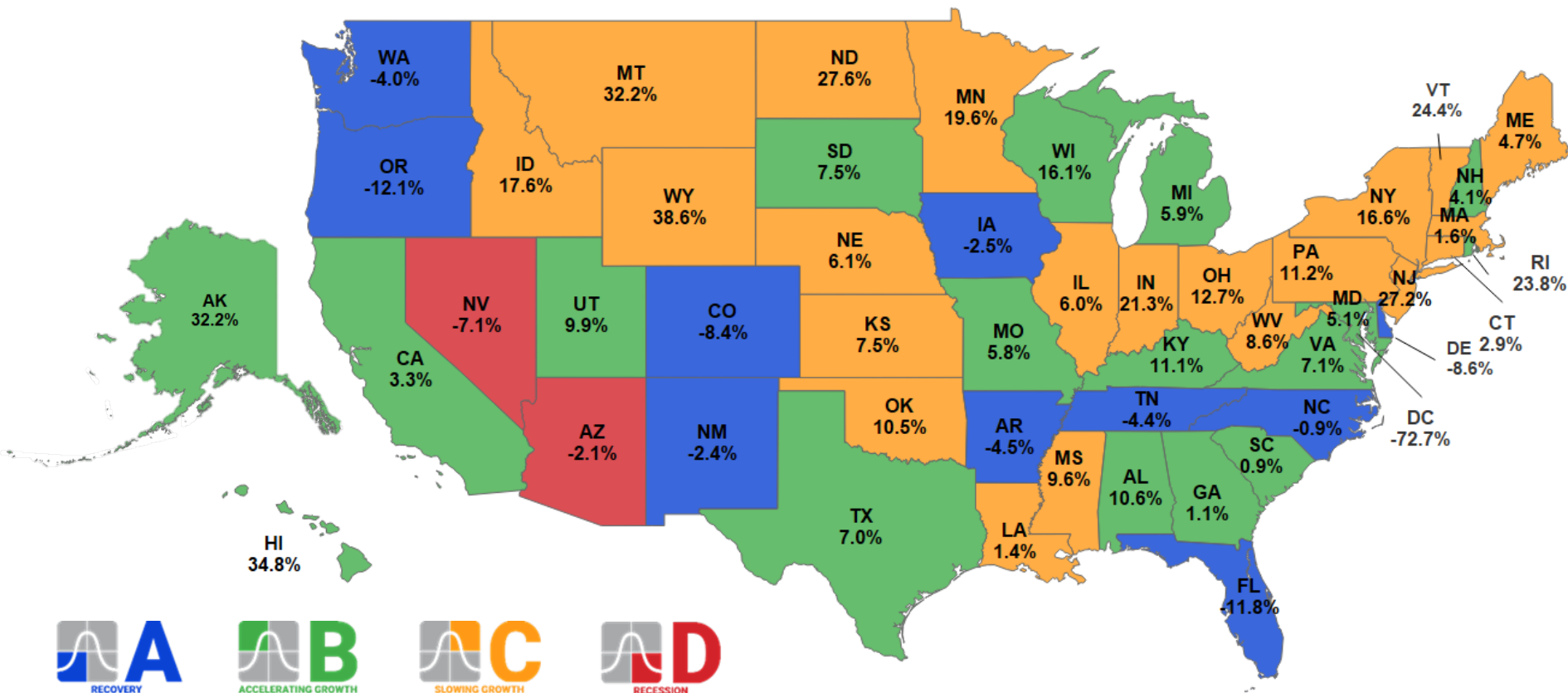
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US Single-Family Housing Unit Permits by State

Source: US Census Bureau

3/12 Rates-of-Change



Single-Family Homes: Expect Mild Rise Ahead

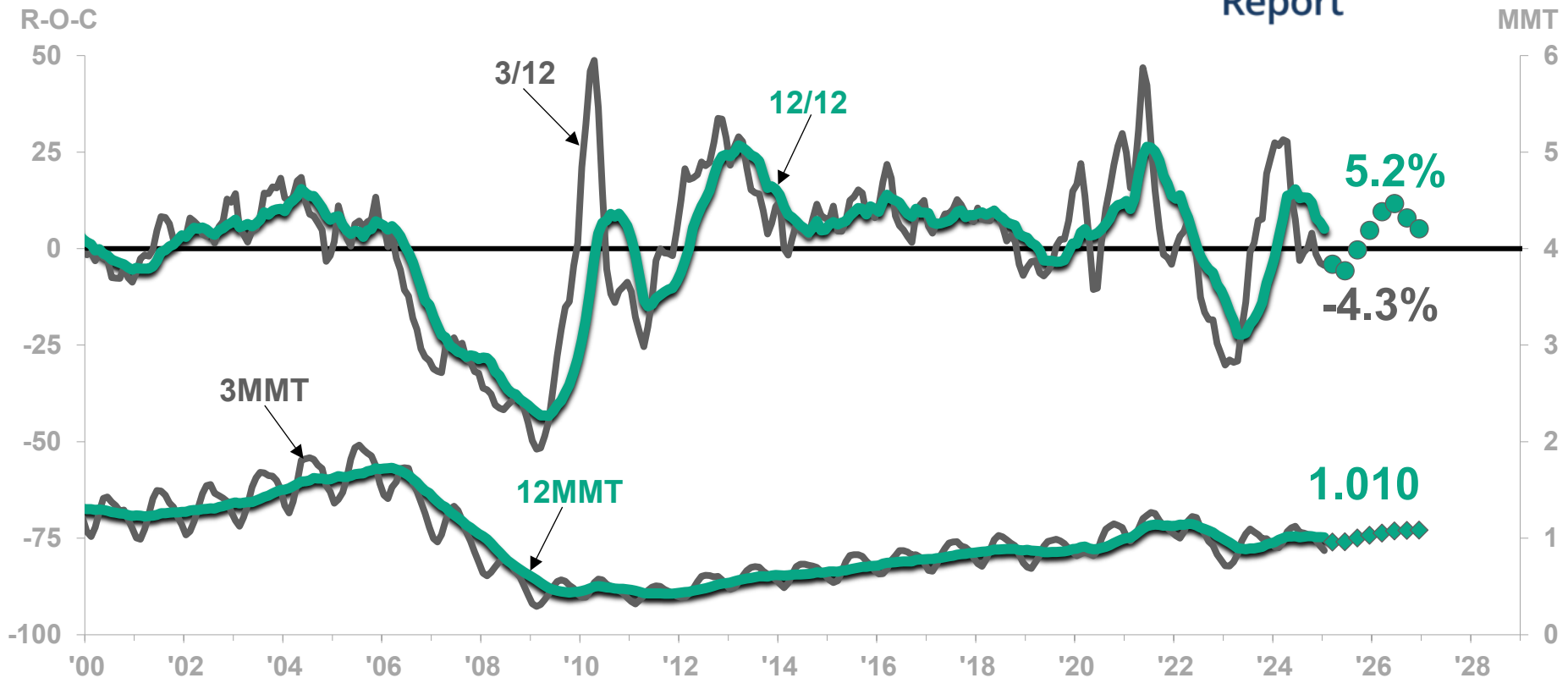
Source: US Census Bureau

US Single Unit Housing Starts

Millions of Units

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

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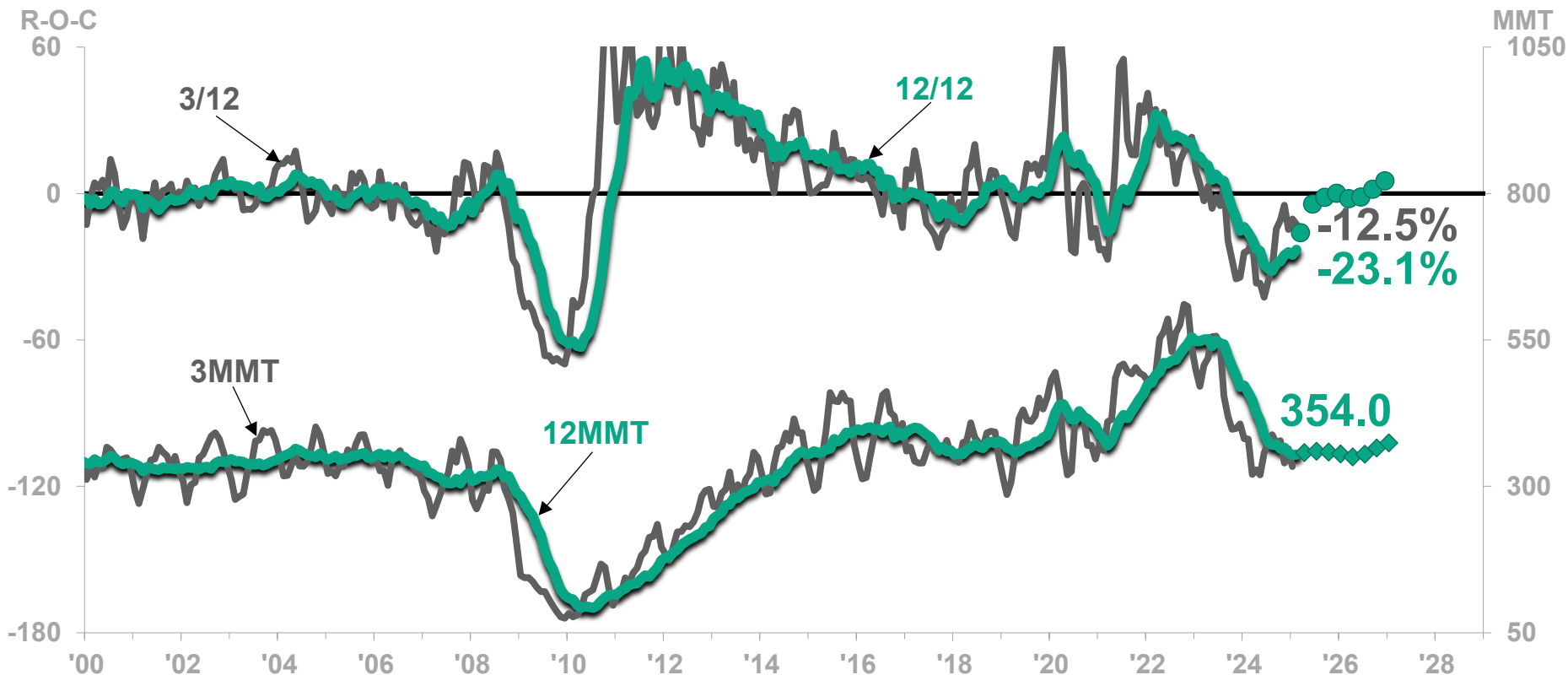


Broad Trough Expected for Multi-Family

Source: US Census Bureau

US Multi-Unit Housing Starts

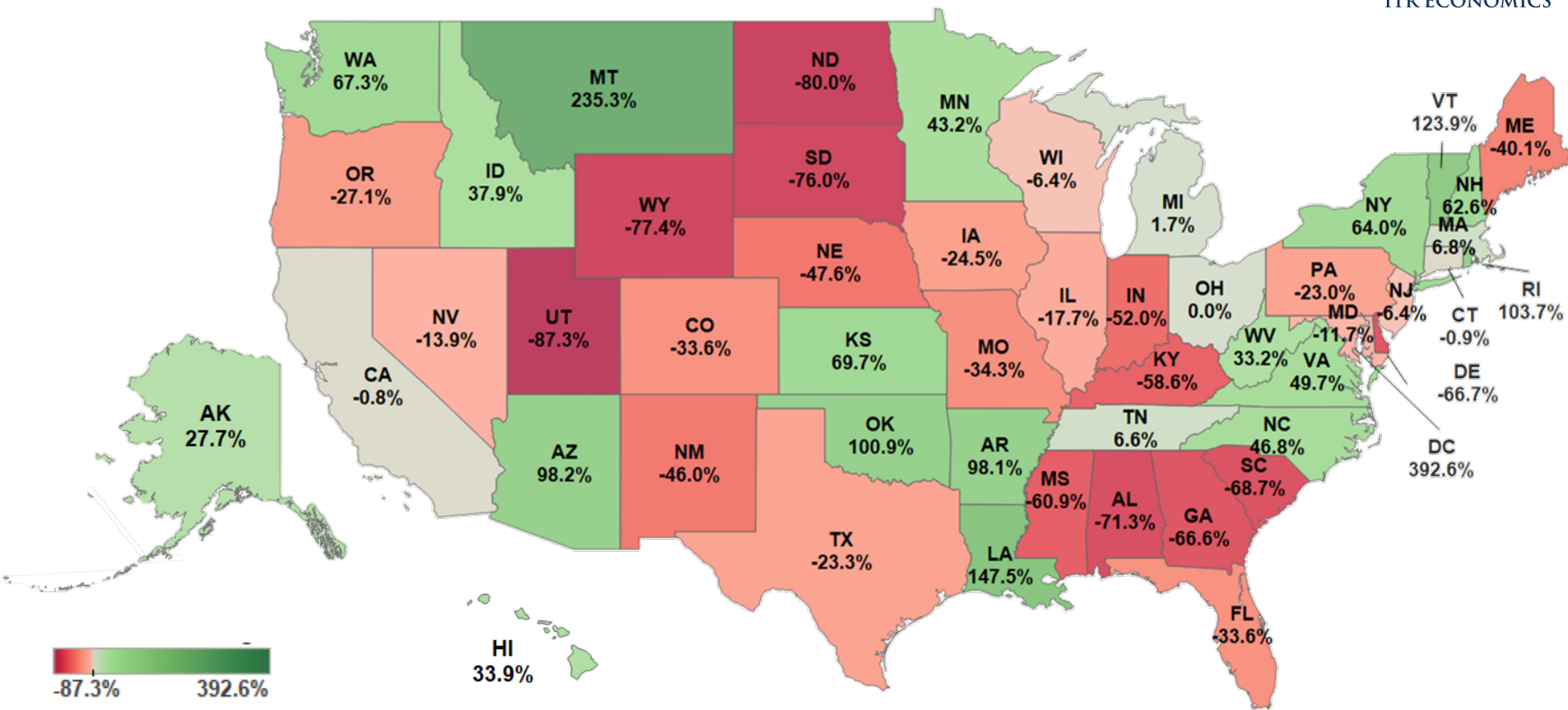
Thousands of Units



US Residential Remodeling Construction by State

Source: ConstructConnect

12/12 Rates-of-Change



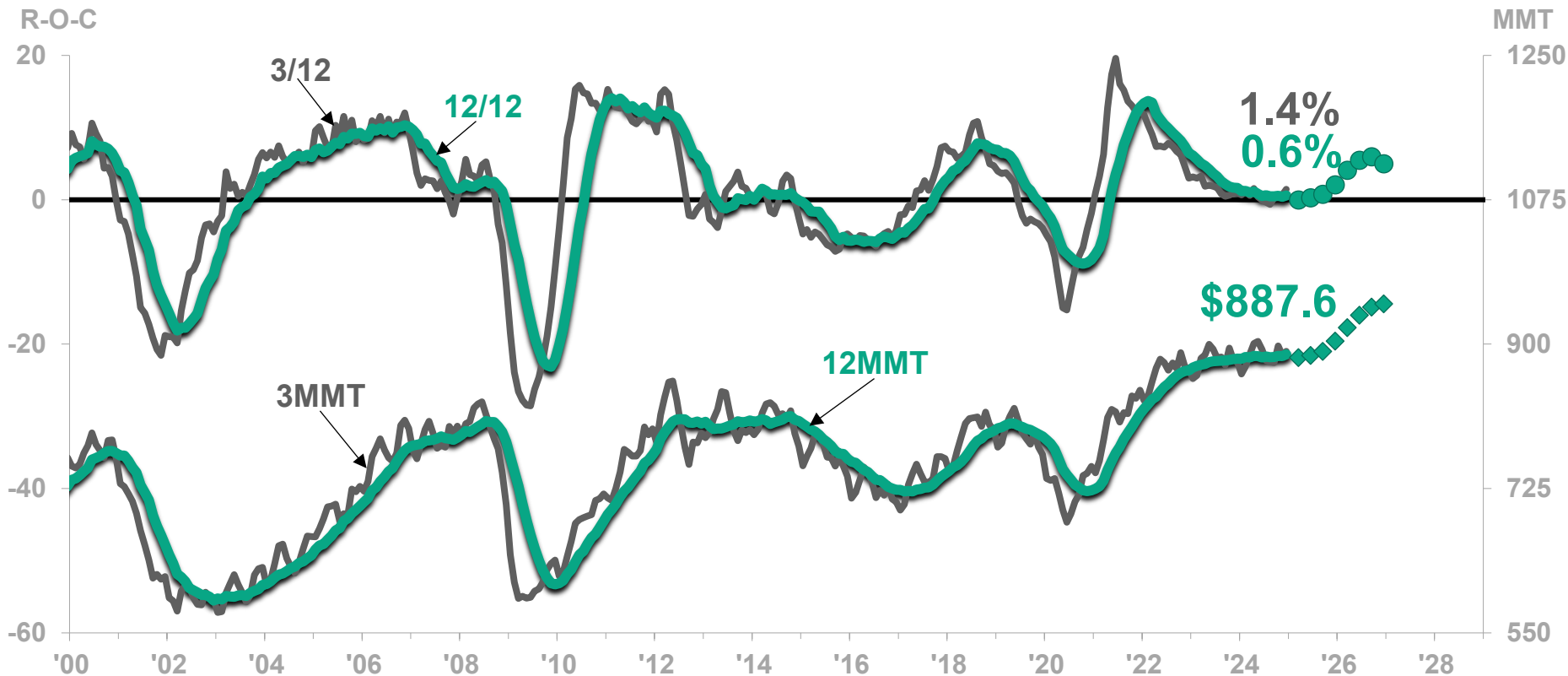
Leading Indicators Point to Recovery 2H 2025

Source: US
Census Bureau

US Nondefense Capital Goods New Orders (excluding aircraft)

Billions of Dollars

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Real incomes are rising but discretionary income is getting squeezed.



Credit situation is not indicative of trouble in 2025/2026.



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.**

Markets



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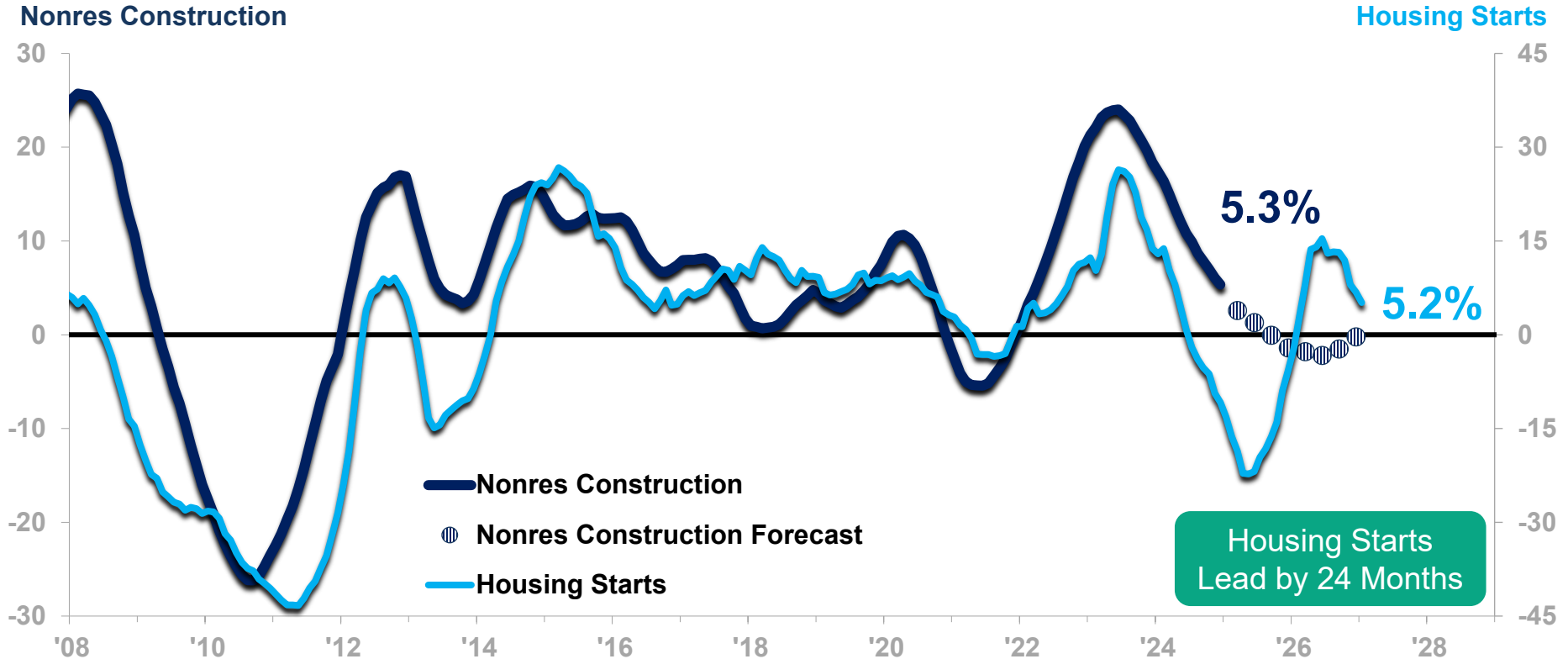
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Housing Leads – Nonresidential Lags

Source: US Census Bureau

US Private Nonresidential Construction to US Single-Unit Housing Starts

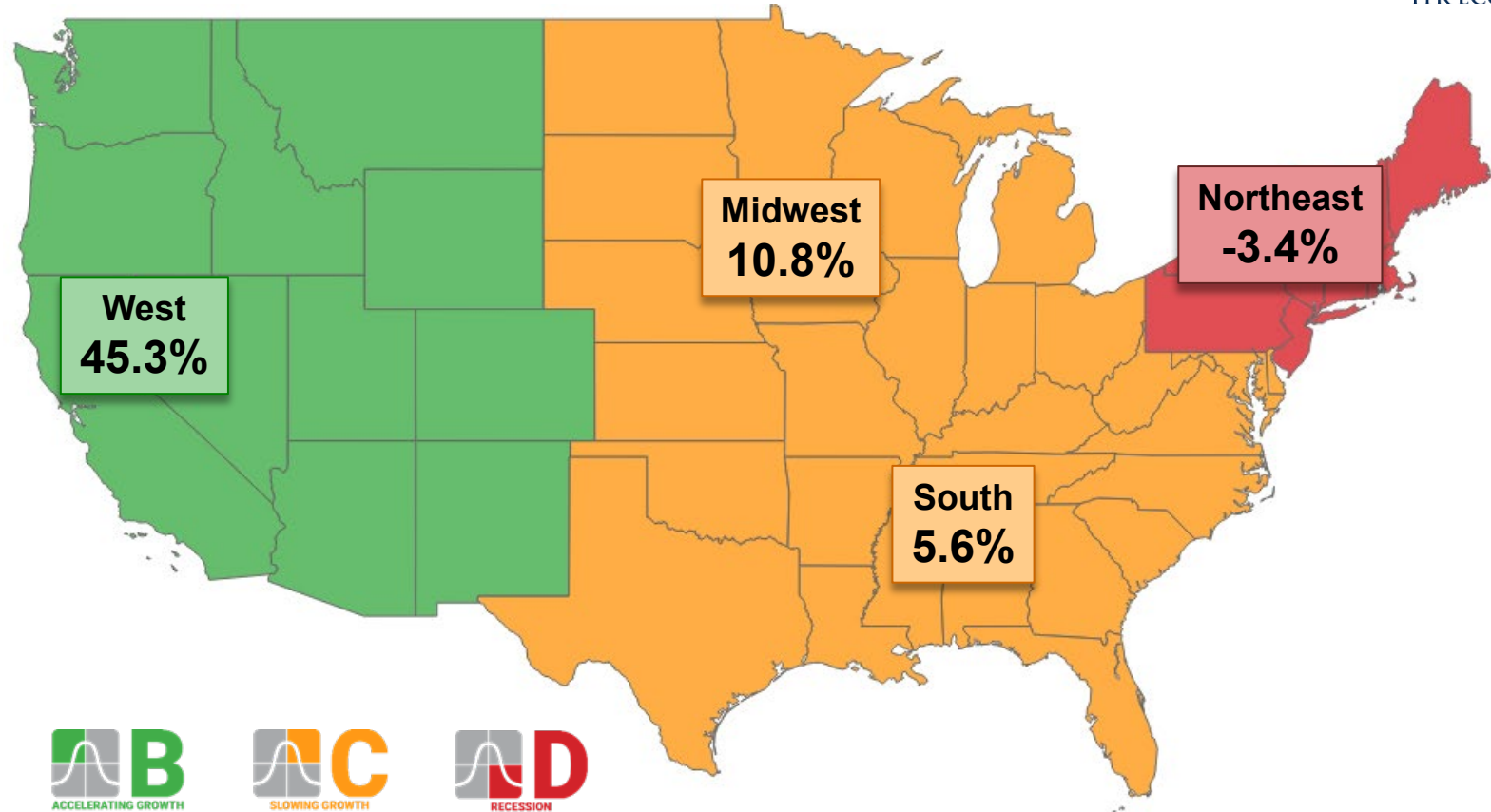
12/12 Rates-of-Change



US Nonresidential Construction by Region

Source: ConstructConnect

12/12 Rates-of-Change

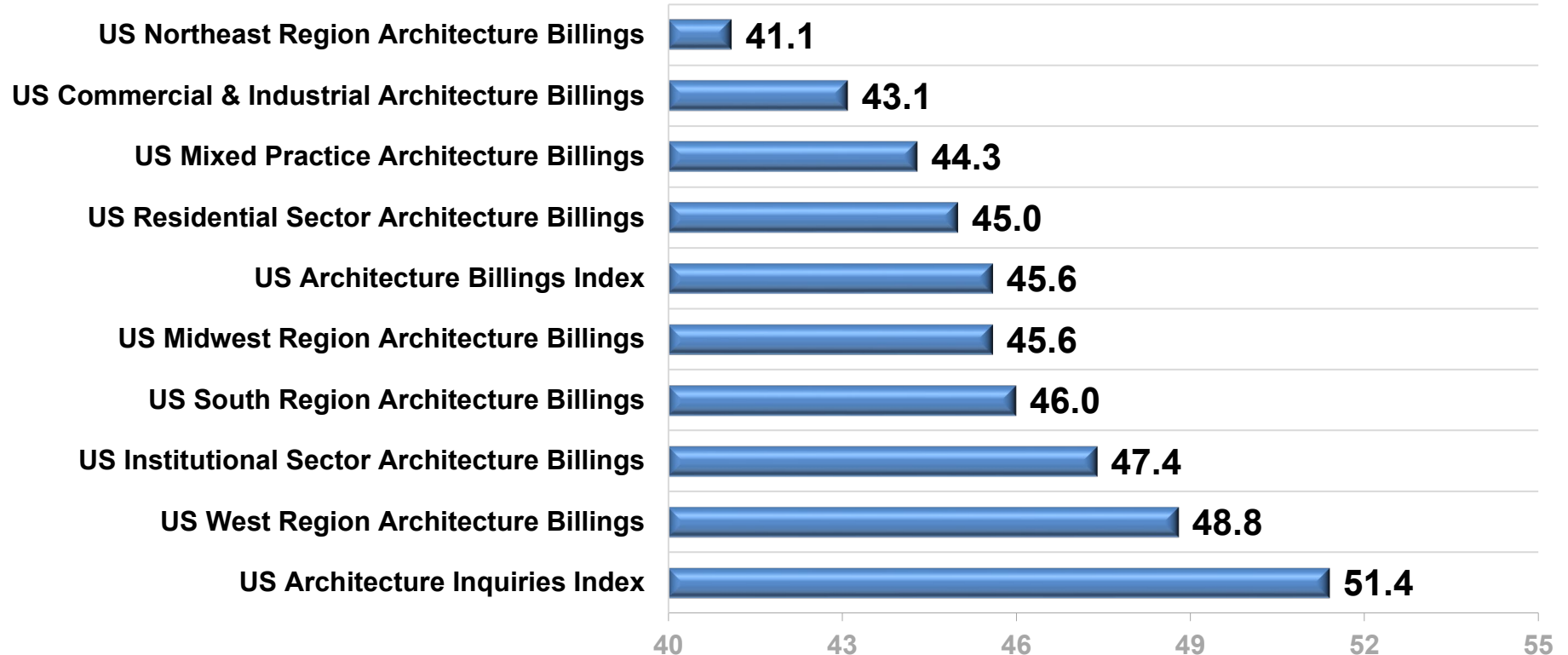


Billings Index Input is Generally Negative

Source: AIA

Architecture Billings Index

Above 50 indicates an increase in demand



US Construction

Rates-of-Change



	12/12	Phase	3/12	Phase	Notes
Private Office	0.4%	B	1.8%	B	Accelerating Rise
Private Education	7.8%	C	1.9%	C	Decelerating Rise
Hospital	10.1%	C	6.2%	C	Decelerating Rise
Private Data Center	55.7%	C	47.3%	C	Decelerating Rise
Industrial	16.2%	C	9.6%	C	Decelerating Rise
Private Commercial	-11.8%	A	-9.3%	A	Heading Toward Recovery
Private Multi-Tenant Retail	-7.2%	D	-5.4%	A	Heading Toward Recovery



Markets In Varying Phases of the Business Cycle

Sources: US Census Bureau, FRB

Market Segments



	12/12	Phase	3/12	Phase	Notes
Total Power Facilities Constr.	10.1%	C	4.4%	C	Decelerating rise
Private Manufacturing Constr.	20.3%	C	12.8%	C	Decelerating rise
Private Chemical Constr.	9.9%	B	15.2%	B	Accelerating rise
Batteries Production	5.0%	C	3.3%	C	Decelerating rise
Semiconductor Production	17.3%	B	22.1%	B	Accelerating rise
Natural Gas Distribution	-1.1%	A	-1.4%	A	Recovery ahead
Exports of LNG	-13.5%	A	-2.4%	A	Recovery ahead



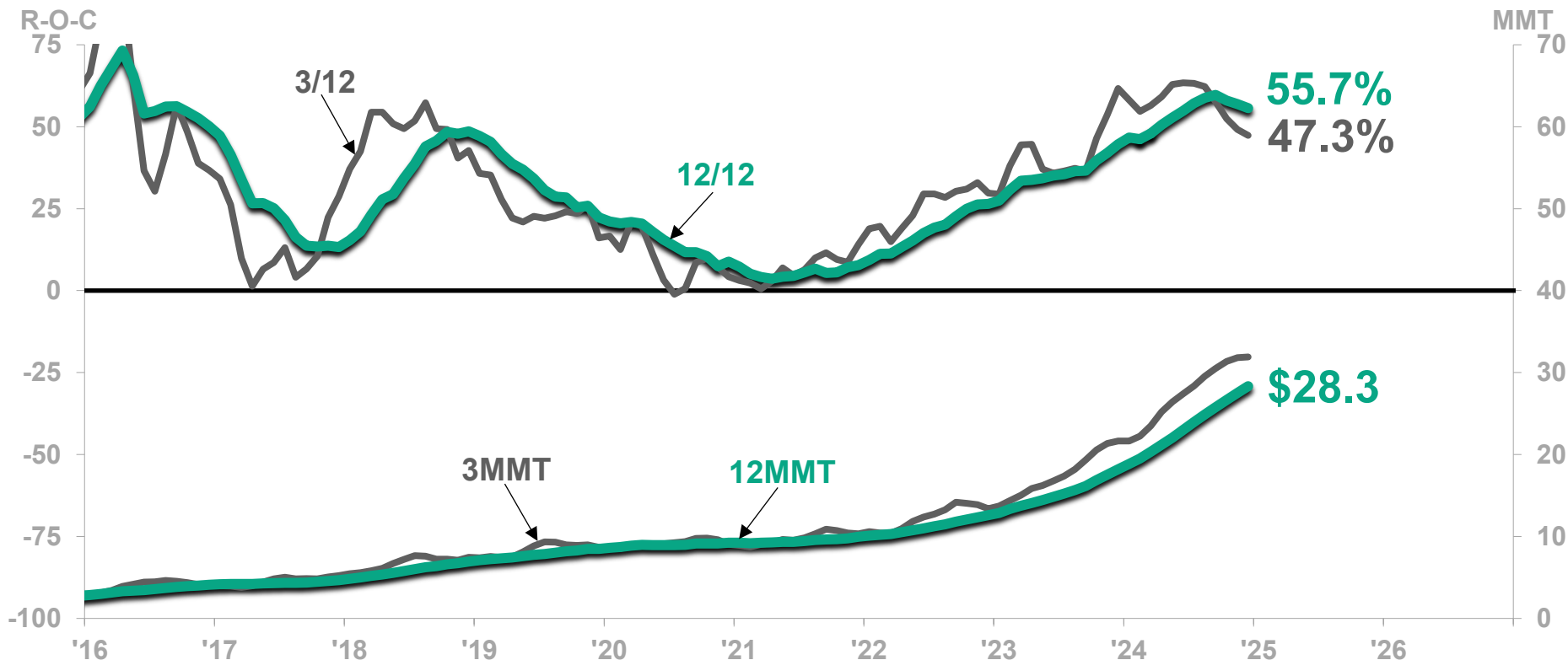
Double-Digit Growth is Slowing

Source: US Census Bureau

US Private Data Center Construction

Billions of Dollars

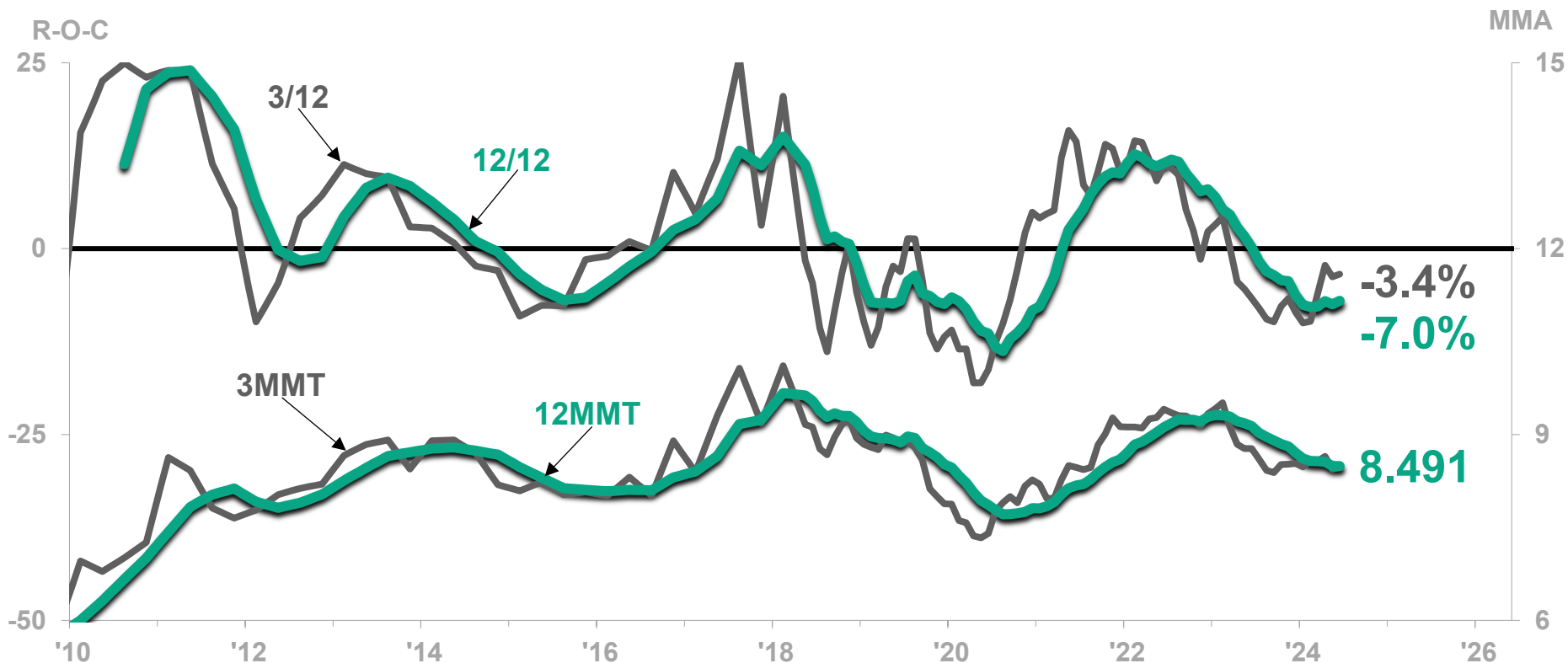
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Backlog Trend is Negative

Source: Associated Builders and Contractors

US Construction Backlog Indicator For Commercial and Industrial Months

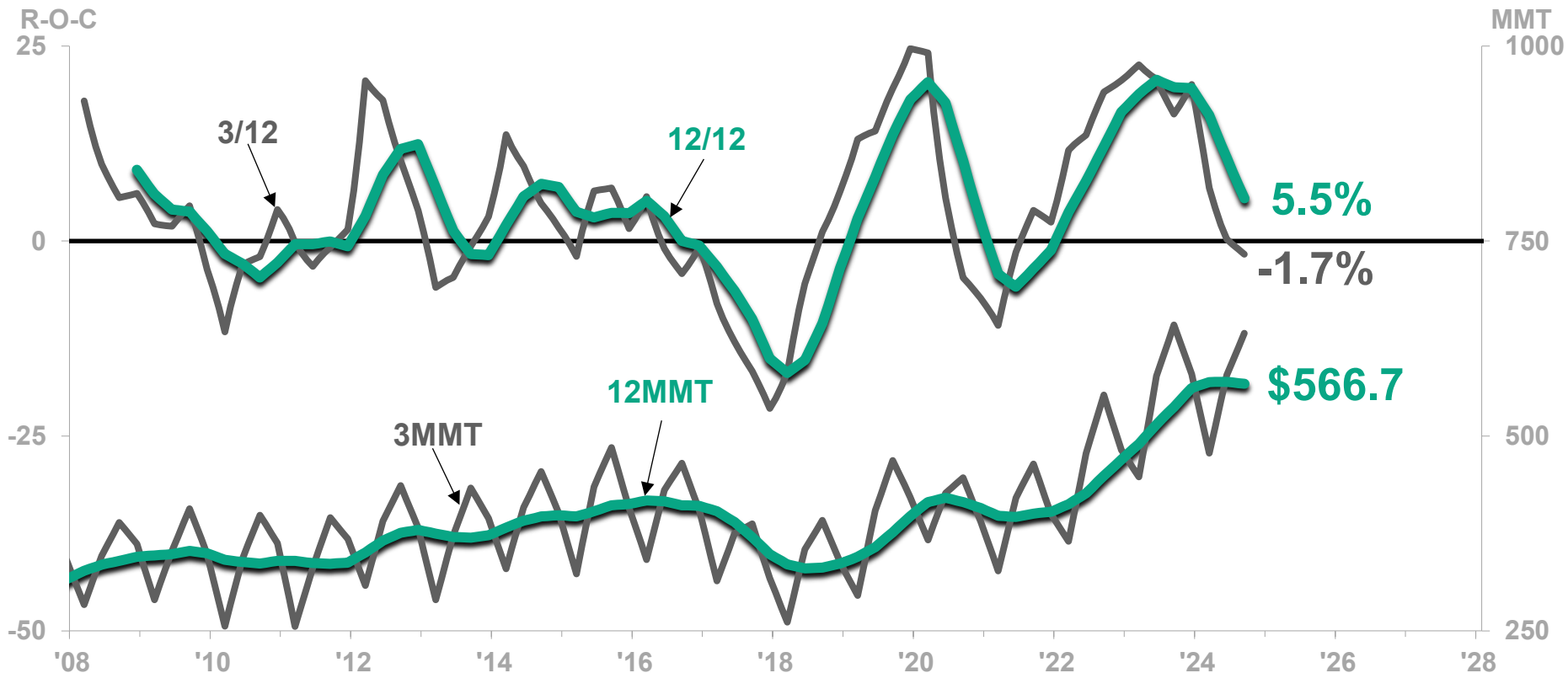


Nonresidential Renovations Are Also Slipping

Source: ConstructConnect

US Total Nonresidential Construction Renovations

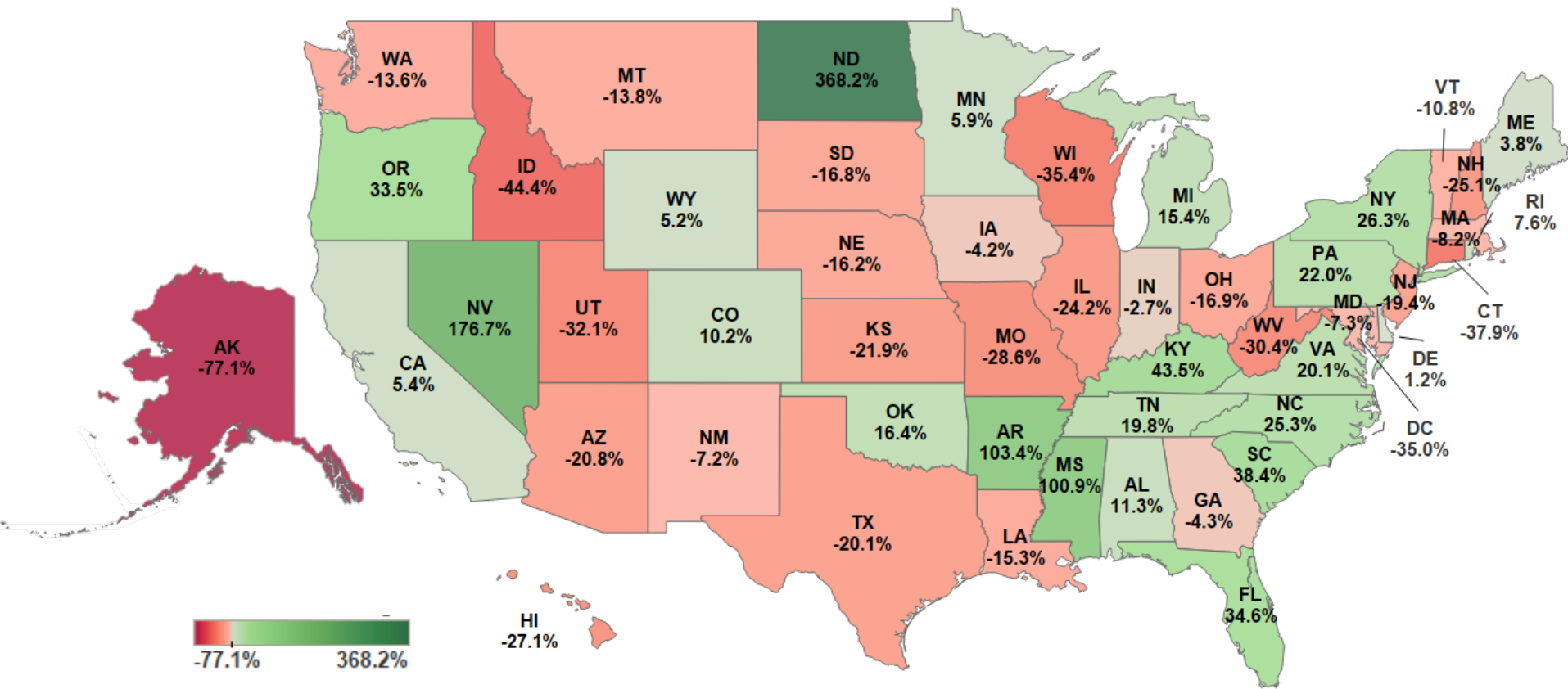
Billions of Dollars



US Commercial Construction Renovations by State

Source: ConstructConnect

12/12 Rates-of-Change



Causal Factors & Outlook Are Unchanged

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

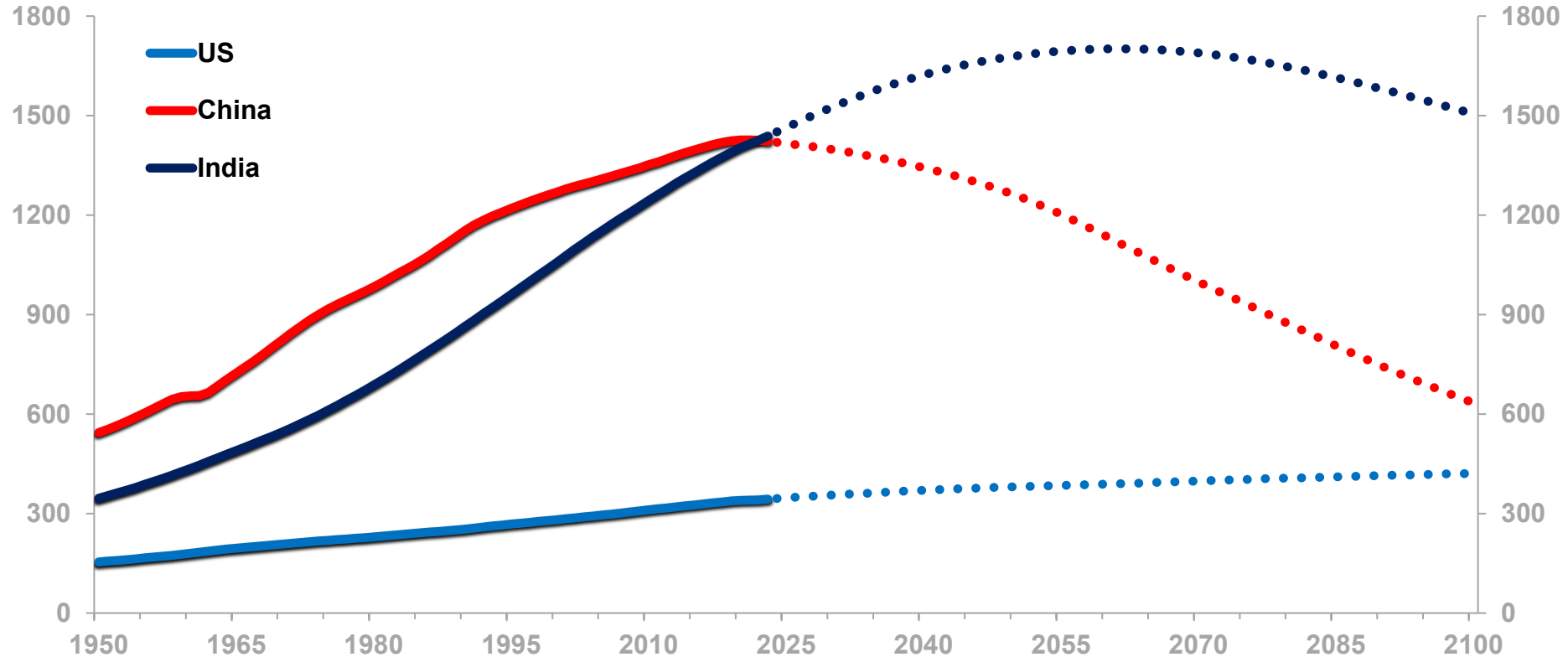


Historic Shift in Population Trends

Source: UN Population Division

Total Historical and Population Projections by Country

Raw Data in Millions of Persons

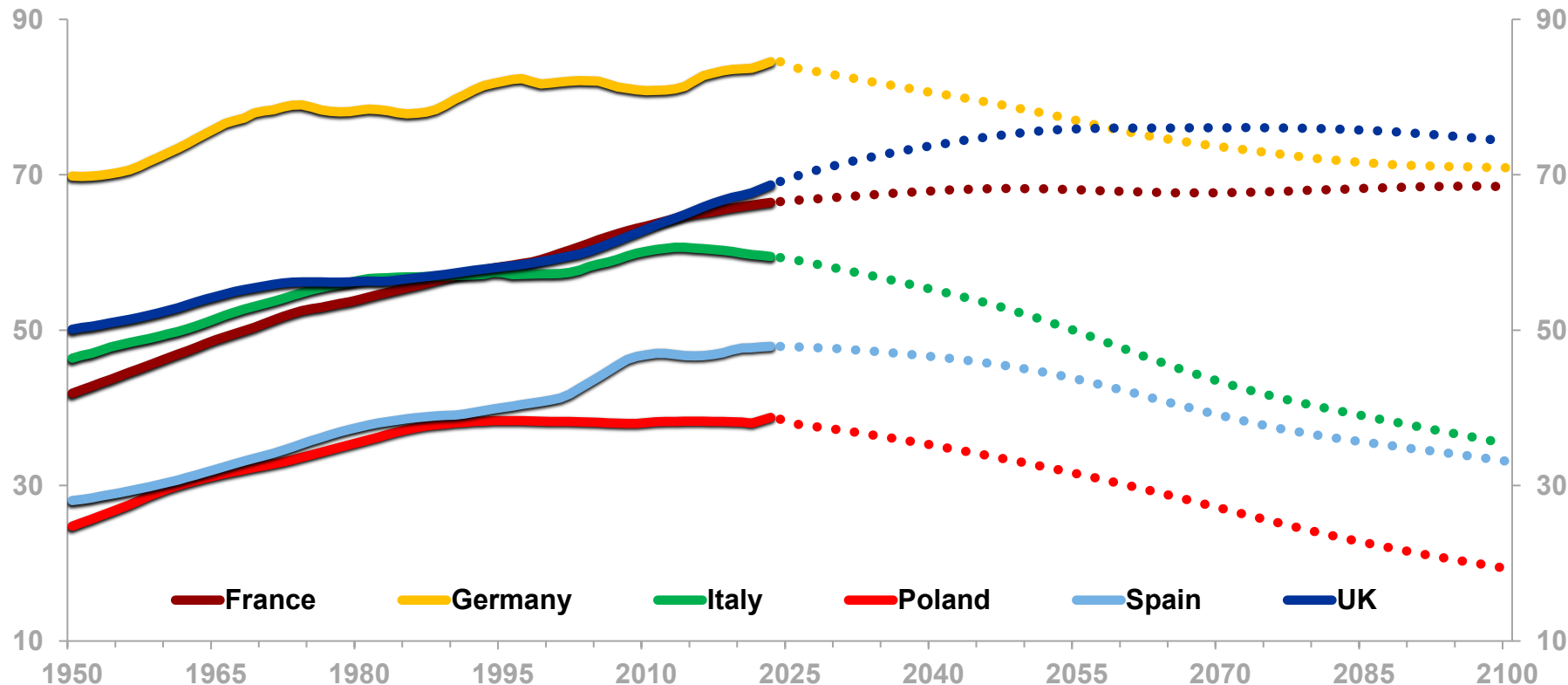


EU is Facing Demographic Decline

Source: UN
Population Division

Total Historical and Population Projections by Country

Raw Data in Millions of Persons

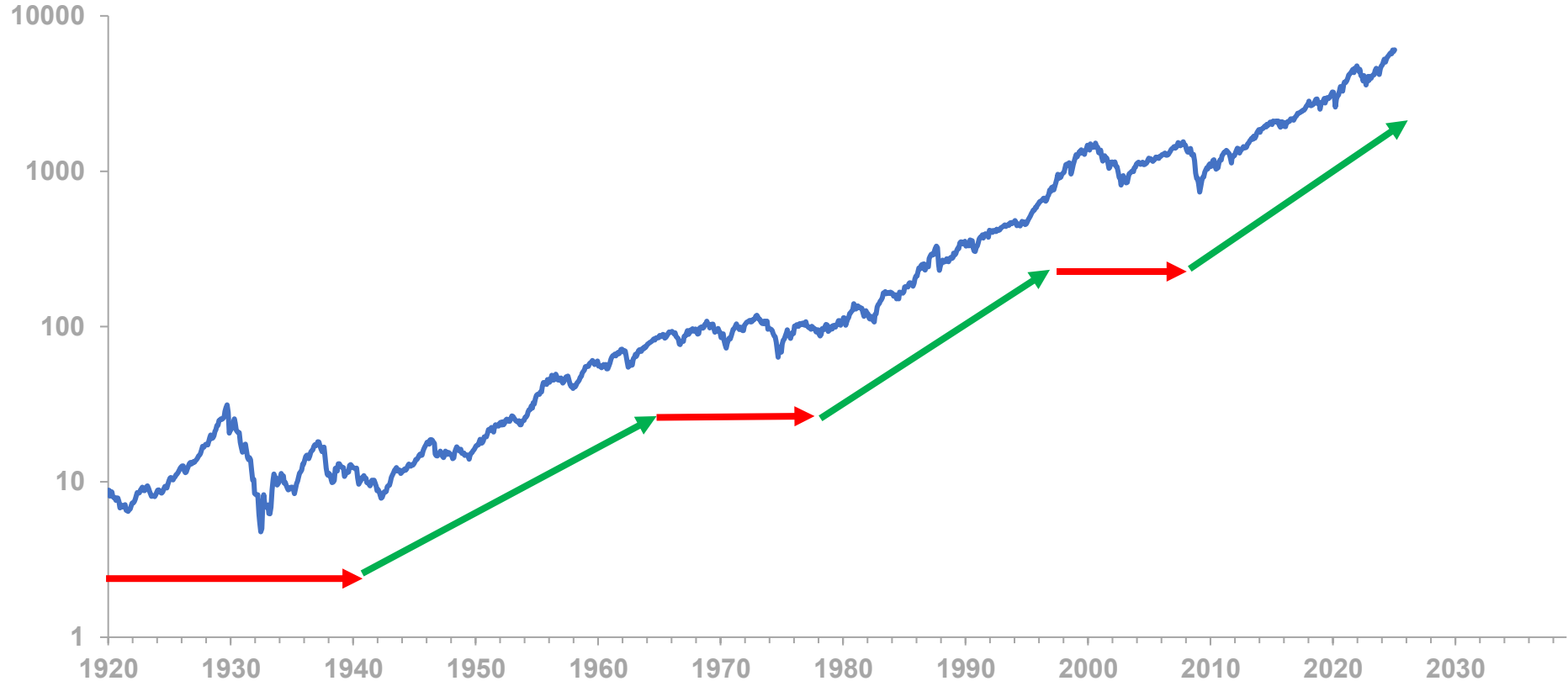


Long-Term Trend of the S&P 500

Source: WSJ

S&P 500, Log Scale, 1920 – Present

Raw Data, Index: 1941-43 = 10

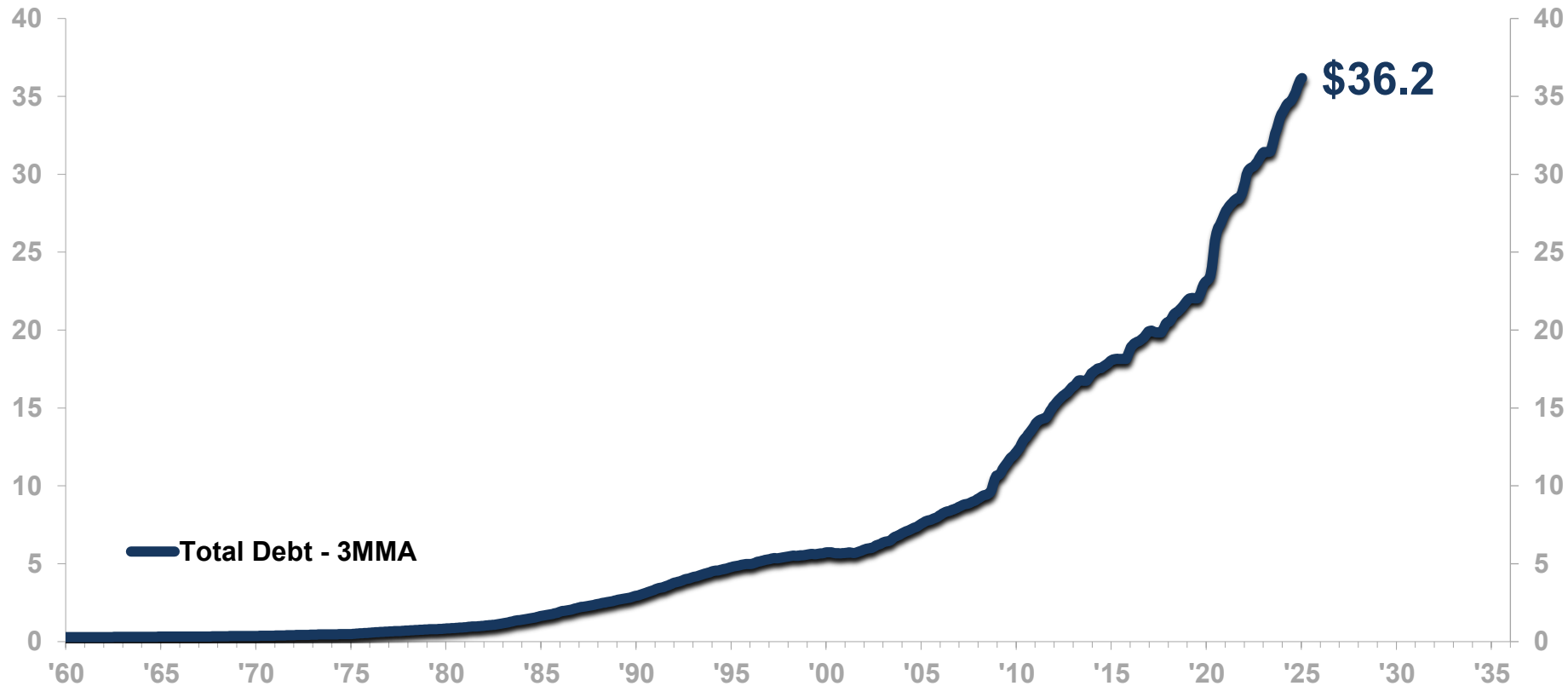


The Mountain of Debt Continues to Grow

Source: US Department of the Treasury

US Total Public Debt Outstanding

Quarterly Data Trend: Trillions of Dollars



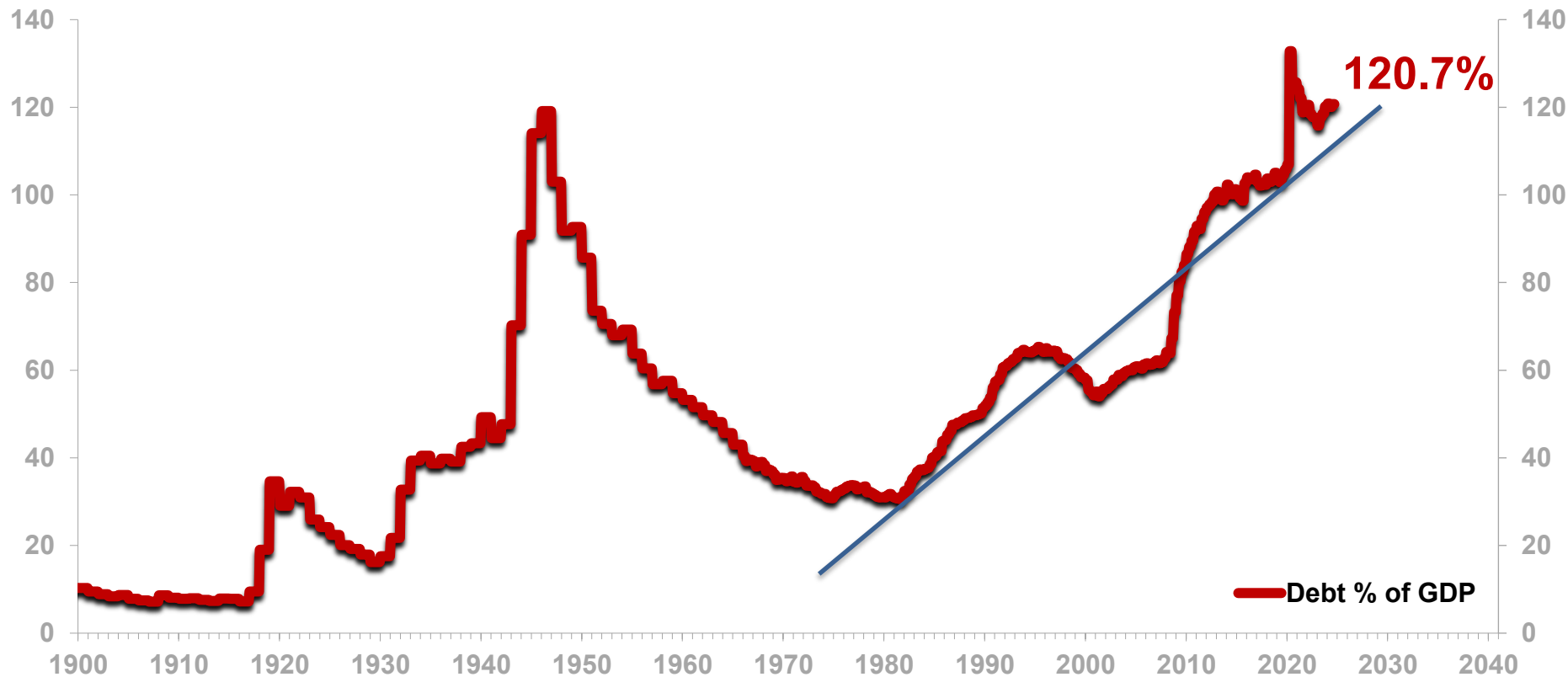
Deficit Spending Expected to Continue to Ramp Up

Source: BEA

US Gross Public Federal Debt as a Percent of Nominal GDP

Percent

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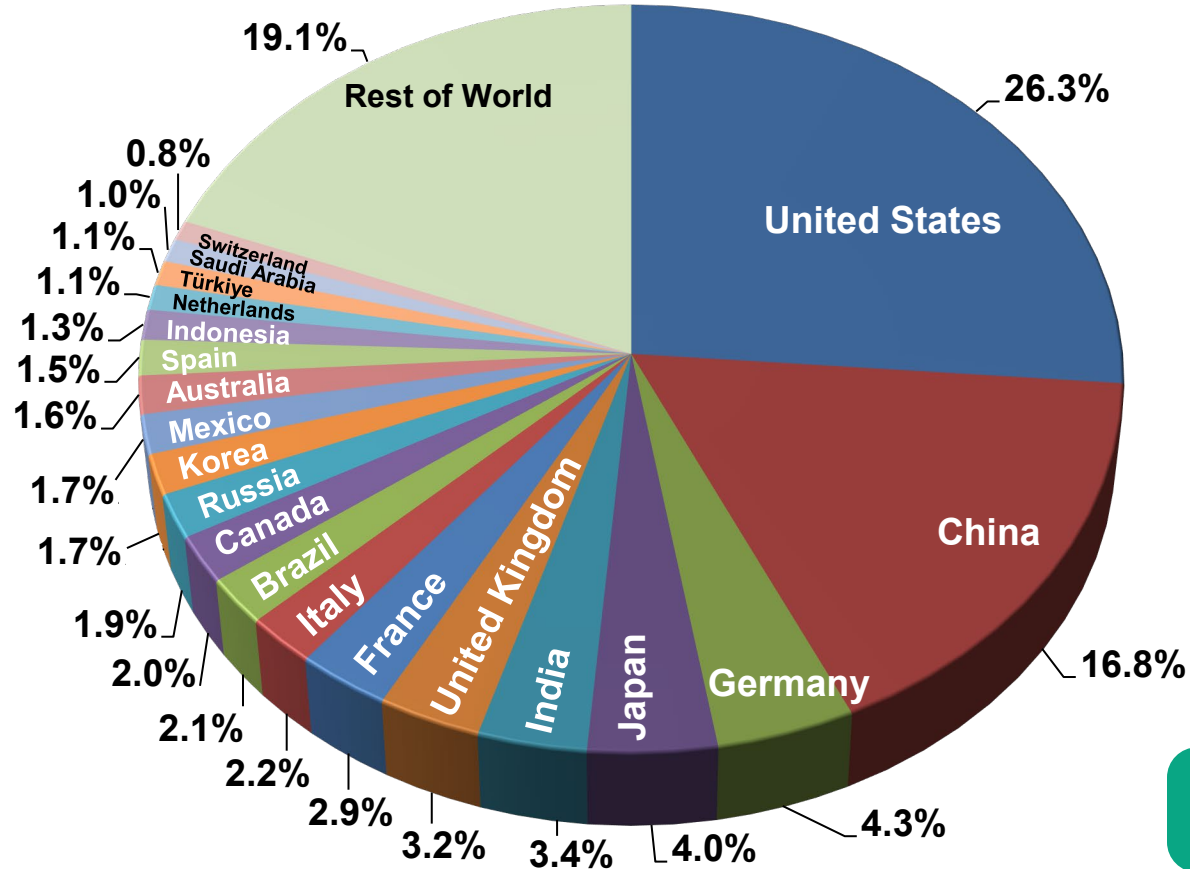
- Do not expect meaningful interest rate change in 2025.
- Wages, rents, power, and nationalism will lead to higher prices.
- Build out an inflation strategy.

- 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.
- The global economy will face significant headwinds in the 2030s.

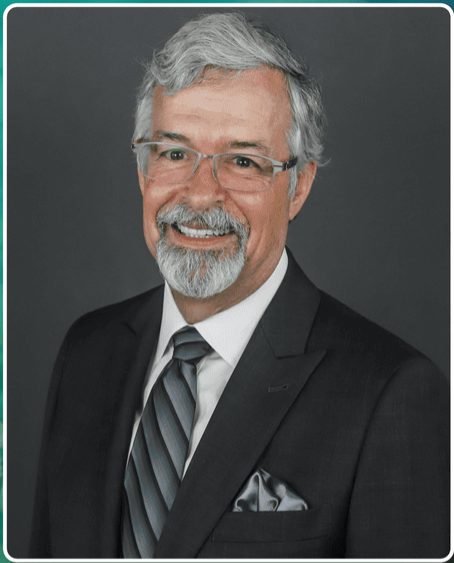
Percent of World GDP by Country

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



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

Any questions?



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2025 Crowe // ITR Economics Summit!***

**Never-before-seen content on: policy impacts from
the new administration, 2030s depression impacts
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strategies for the next five years.**

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