

# GEARING UP FOR 2026

PRESENTED BY ITR ECONOMICS SENIOR  
FORECASTER & ECONOMIC CONSULTING  
SPEAKER CONNOR LOKAR



ITR ECONOMICS

Part of  Crowe



# Forecast Results Through Mid-2025

	Duration	Accuracy
US GDP	12	99.9%
US Ind. Production	10	99.8%
Europe Ind. Production	14	99.0%
Canada Ind. Production	9	99.7%
China Ind. Production	16	98.9%
Retail Sales	15	97.7%
Housing - Single Family	11	98.6%
Employment-Private Sector	17	99.2%

***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
Sep-23	6.936				
Oct-23	6.716				
Nov-23	6.964	20.6			
Dec-23	6.631	20.3			
Jan-24	6.472	20.1			
Feb-24	6.306	19.4			
Mar-24	6.286	19.1			
Apr-24	6.634	19.2			
May-24	6.749	19.7			
Jun-24	6.968	20.4			
Jul-24	6.564	20.3			
Aug-24	6.791	20.3		80.0	
Sep-24	6.856	20.2		79.9	
Oct-24	6.727	20.4		79.9	
Nov-24	7.227	20.8	0.9%	80.2	
Dec-24	6.574	20.5	1.1%	80.2	
Jan-25	6.902	20.7	3.2%	80.6	
Feb-25	6.498	20.0	2.9%	80.8	2.2%
Mar-25	6.236	19.6	3.0%	80.7	1.7%
Apr-25	7.069	19.8	3.0%	81.2	2.6%
May-25	7.114	20.4	3.8%	81.5	2.5%
Jun-25	7.118	21.3	4.7%	81.7	2.5%
Jul-25	7.101	21.3	5.2%	82.2	3.5%
Aug-25	7.239	21.5	5.8%	82.7	3.3%

## 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.

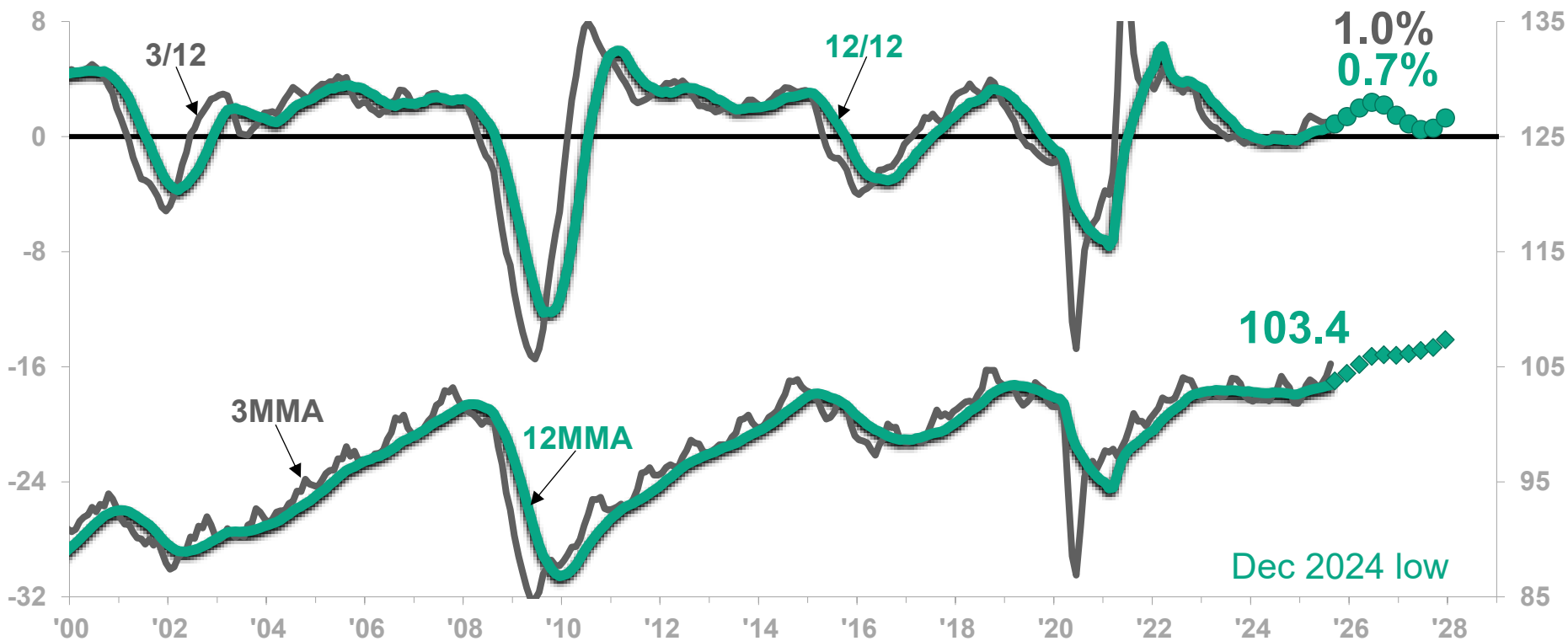
# Rise Begins Now

Source: FRB

## US Industrial Production Index

2017 = 100

R-O-C

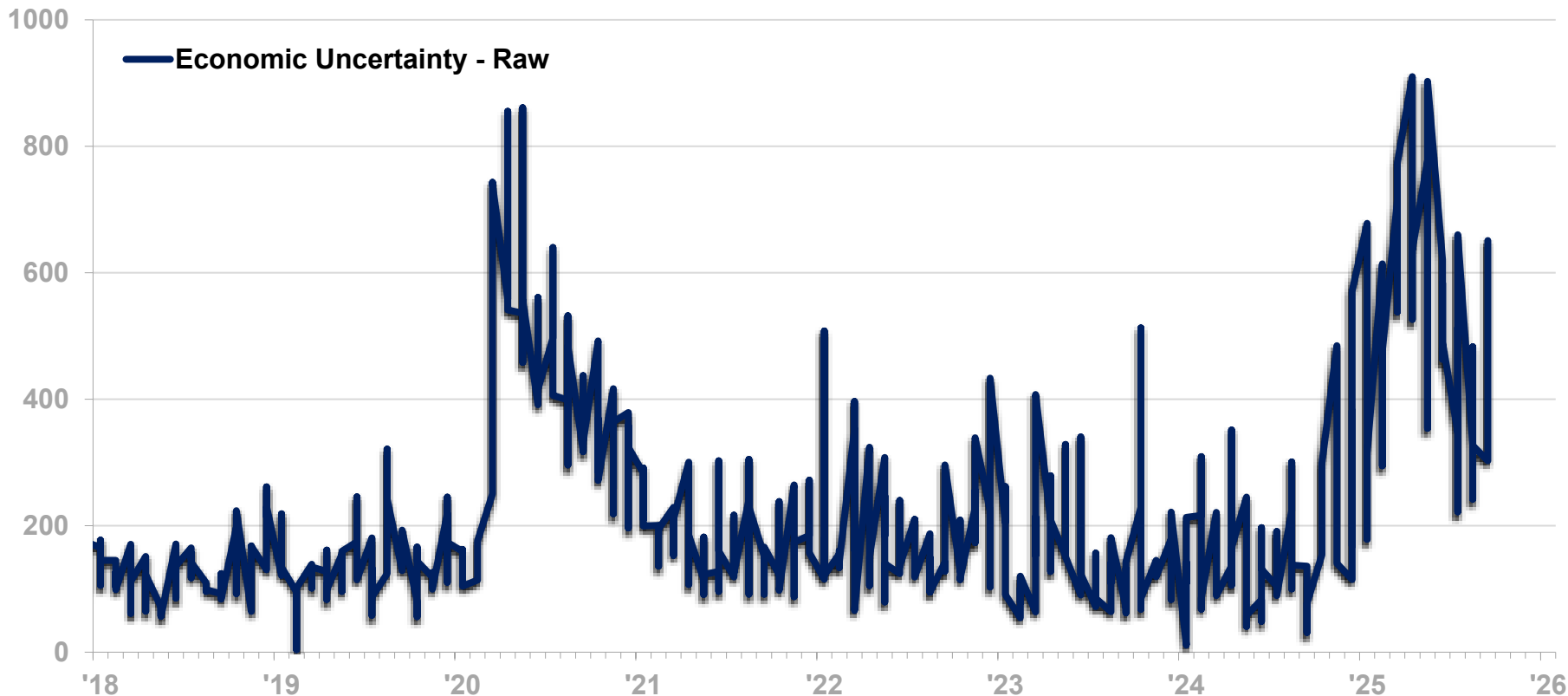


# Uncertainty is Subsiding (Are We Getting Numb?)

Source: Economic Policy Uncertainty

## US Economic Policy Uncertainty Index

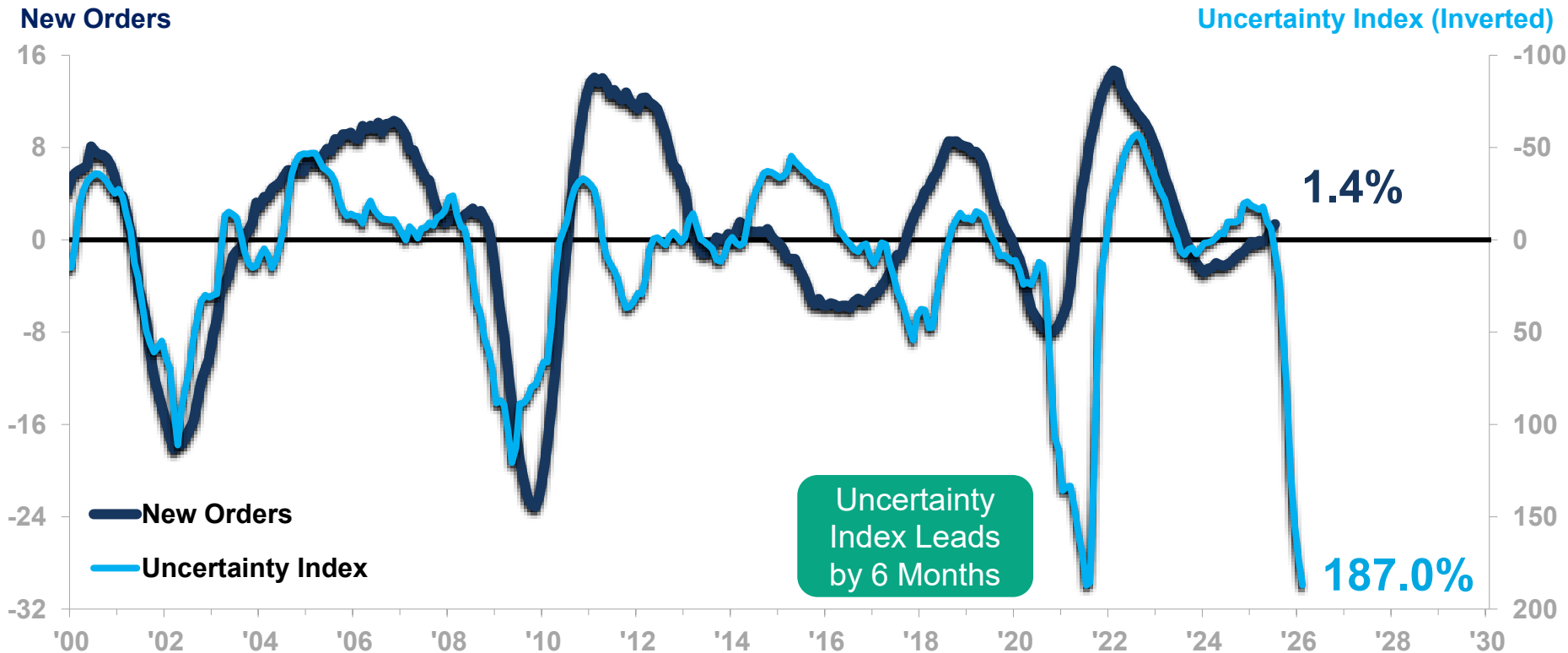
Raw Data: 1985-2009 = 100



# Tariff Policy Drove Uncertainty – That Will Reverse

Sources: US Census Bureau,  
Economic Policy Uncertainty

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Economic Policy Uncertainty Index  
12/12 Rates-of-Change



# Policy Consistency Will Lend Itself to Higher Confidence

Sources: US Census  
Bureau, OECD

## US Nondefense Capital Goods New Orders (excl. aircraft) to US Business Confidence Index Rates-of-Change



New Orders

Business Confidence



# View This As An Opportunity

Sources: US Census Bureau, OECD

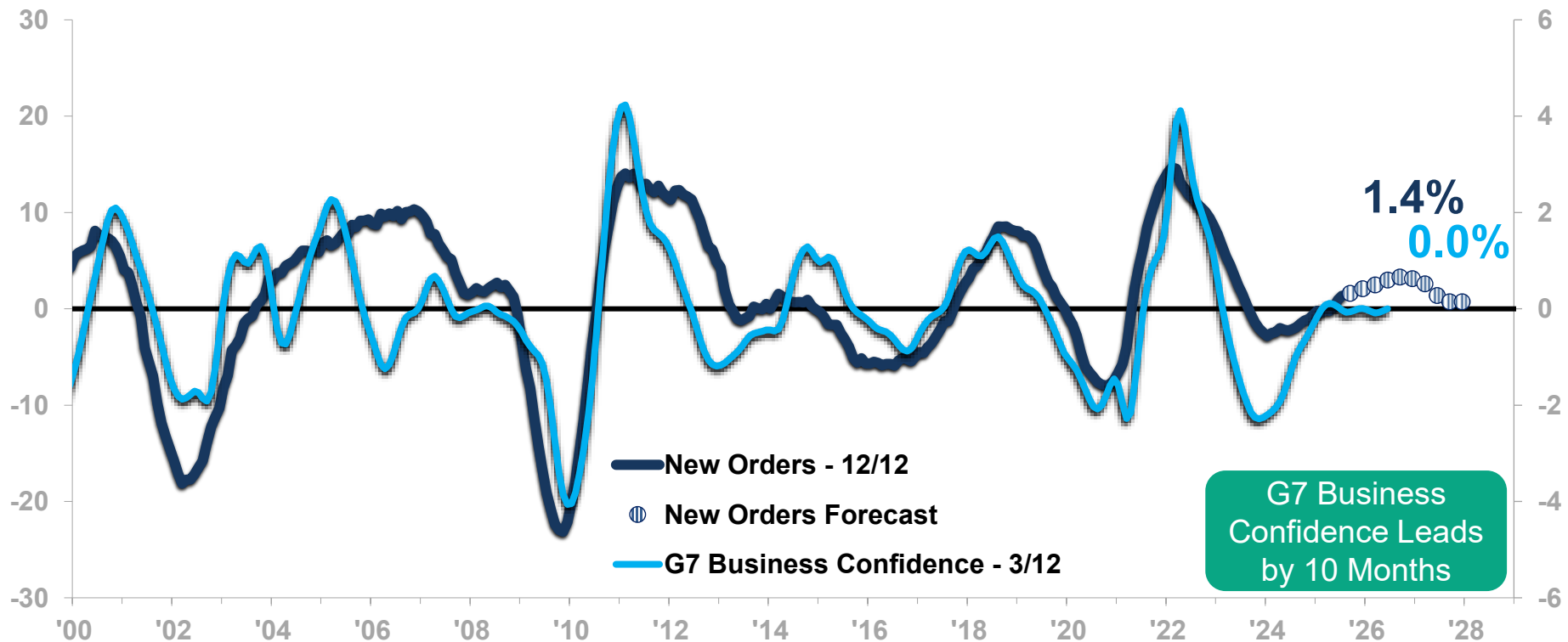
## US Nondefense Capital Goods New Orders (excl. aircraft) to G7 Business Confidence Index

Rates-of-Change



New Orders

G7 Business Confidence

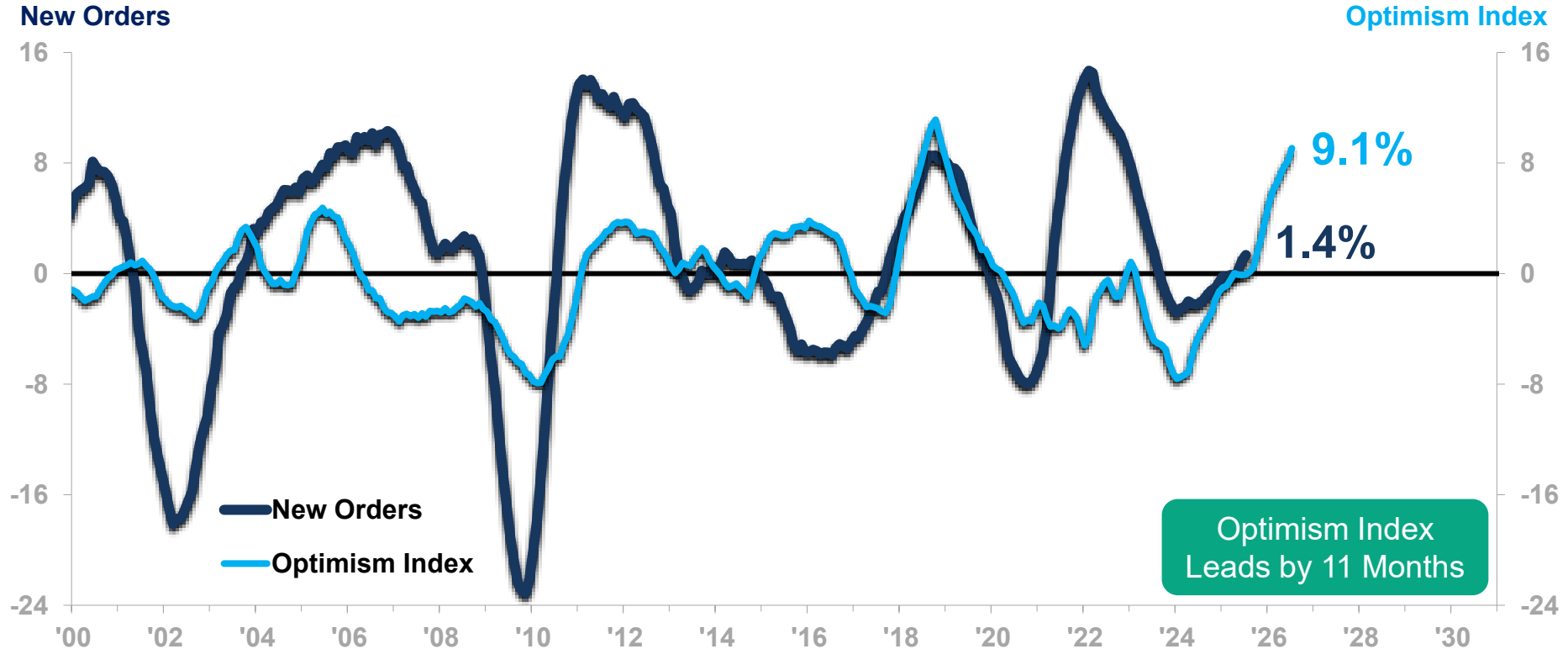




# Small Business Optimism Flashing Upside

Sources: US Census Bureau, NFIB

**US Nondefense Capital Goods New Orders (excl. aircraft) to  
US Small Business Optimism Index**  
12/12 Rates-of-Change





# ***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	-0.7%	D	0.4%	C	Bottoming
Canada	0.4%	C	-0.8%	D	Rising
Europe	0.2%	B	1.8%	C	Bottoming
Rest of Asia	0.9%	B	1.2%	C	Rising
South America	2.1%	B	2.0%	C	Bottoming
India	3.1%	C	2.3%	B	Rising
Mexico	-1.4%	D	-1.3%	A	Declining



# Ag Machinery In Key Economies

Sources: FRB, Statistics Canada, Eurostat, Japan METI, Brazilian Institute of Geography and Statistics, US Census Bureau

	12/12	Phase	3/12	Phase	12MM Notes
US Farm Machinery & Equipment	-5.6%	A	-0.3%	A	Decline
Canada Agricultural, Construction & Mining Machinery	-7.4%	A	-3.5%	D	Decline
EU Agriculture and Forestry Machinery	-11.3%	A	3.7%	B	Decline
Japan Agricultural Machinery	-19.5%	A	4.2%	B	Decline
Brazil Farm Machinery & Equipment	7.6%	B	20.1%	C	Rise
US Farm Machinery and Equipment Exports	-20.0%	A	-19.2%	A	Decline
US Farm Machinery and Equipment Imports	-21.3%	A	-21.1%	A	Decline

# Construction Machinery in Key Economies

Sources: FRB, Eurostat, Mexico National Institute of Statistics and Geography, Brazilian Institute of Geography and Statistics, US Census Bureau

	12/12	Phase	3/12	Phase	12MM Notes
US Construction Machinery Production	-7.5%	A	-5.2%	A	Decline
Europe Construction Machinery Production	-15.4%	A	-2.3%	A	Nascent Rise
Mexico Construction Machinery Production	18.8%	B	33.7%	B	Rise
Brazil Construction and Mining Machinery	0.5%	B	5.2%	C	Decline
US Imports of Industrial Machinery from China	14.7%	C	11.3%	C	Rise
EU Fluid Power Equipment Production	-6.3%	A	0.2%	B	Decline

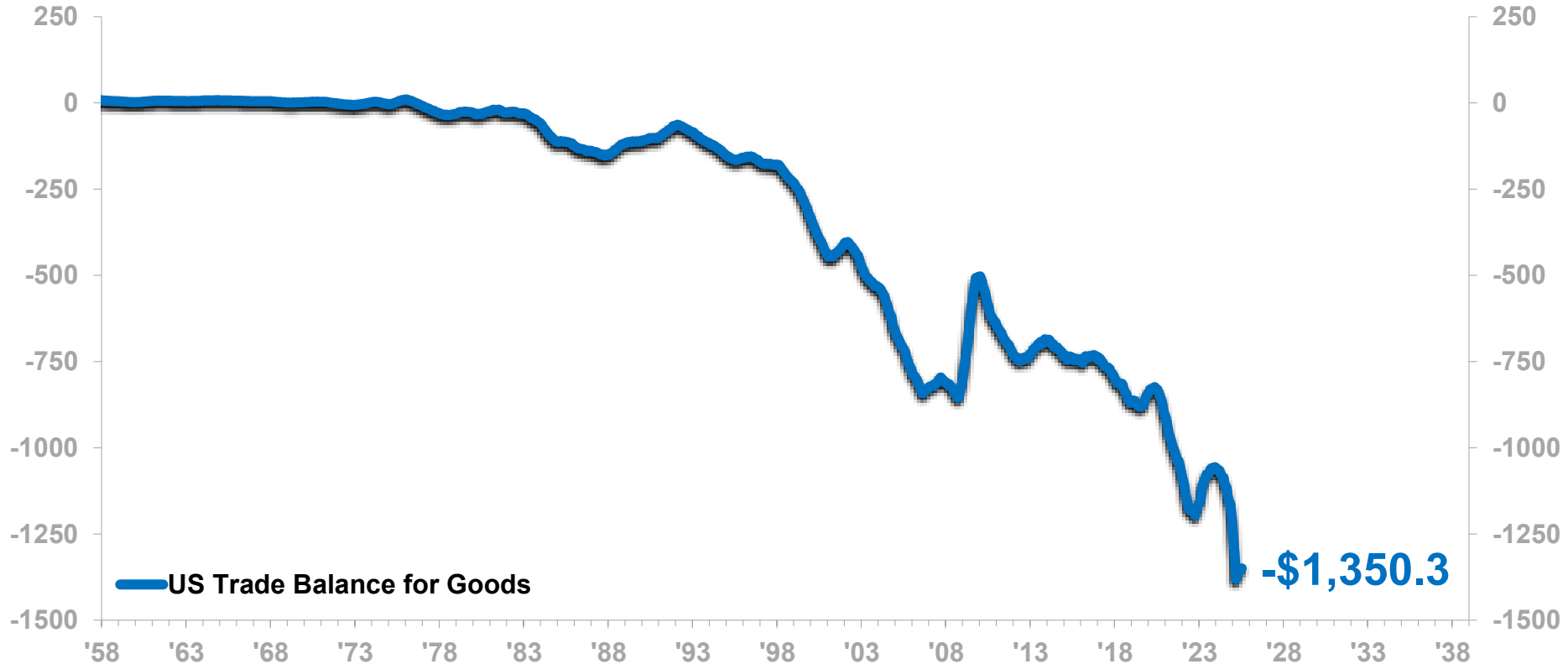


# Very Ominous Looking Trend

Source: US Census Bureau

## US Trade Balance for Goods

Annual Data Trend: Billions of Dollars

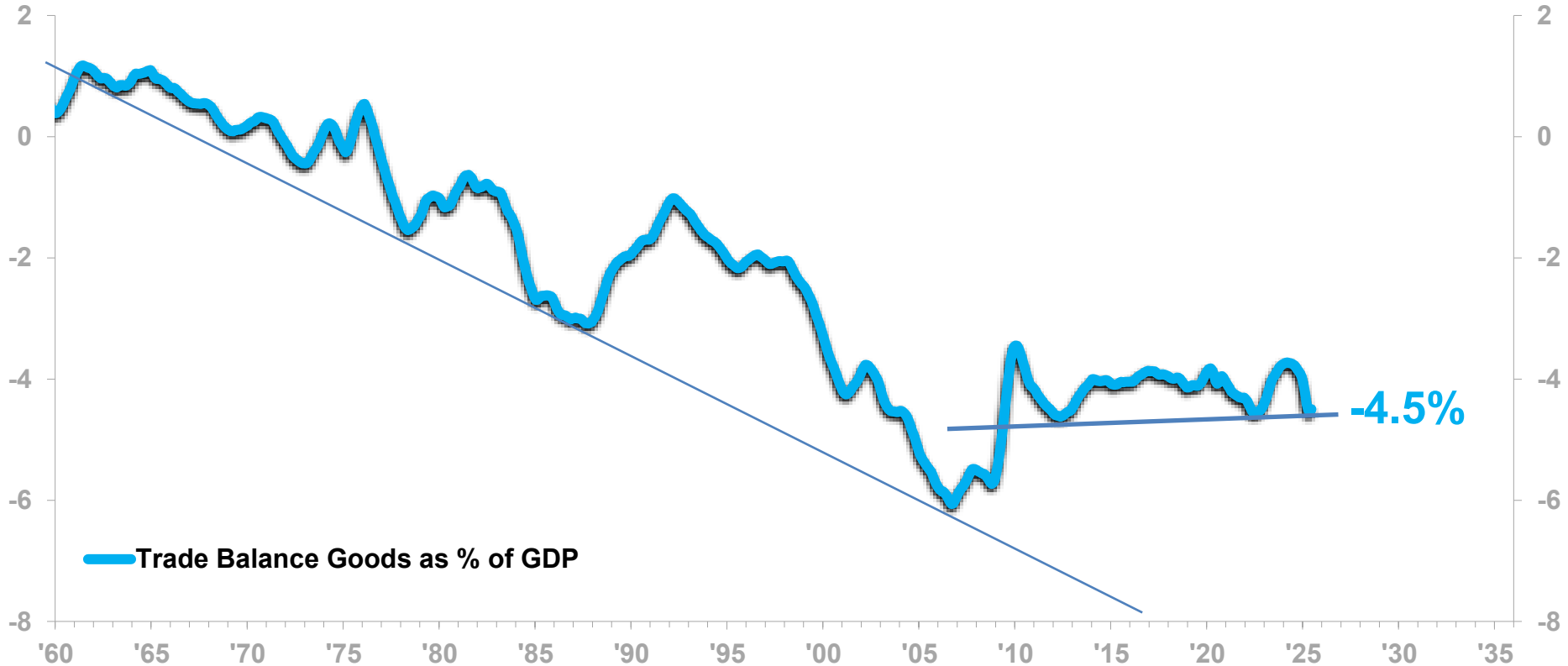


# Focusing on the Deficit Number Ignores the Point

Sources: US Census Bureau, BEA

## US Trade Balance of Goods with the World as a Percent of GDP

Quarterly Data Trend: Percent

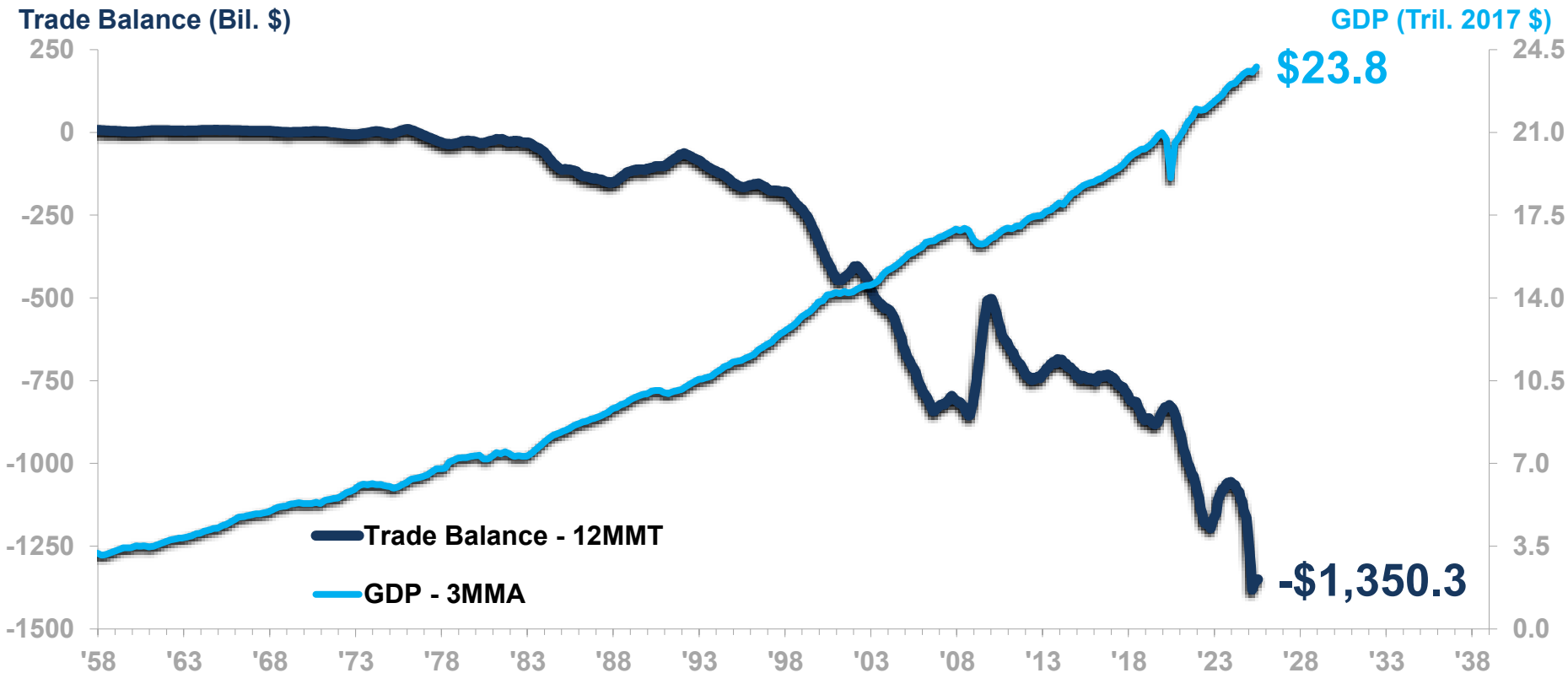


# US Economy Grows Through These Deficits

Sources: US Census Bureau, BEA

## US Trade Balance for Goods to US Real Gross Domestic Product

### Data Trends



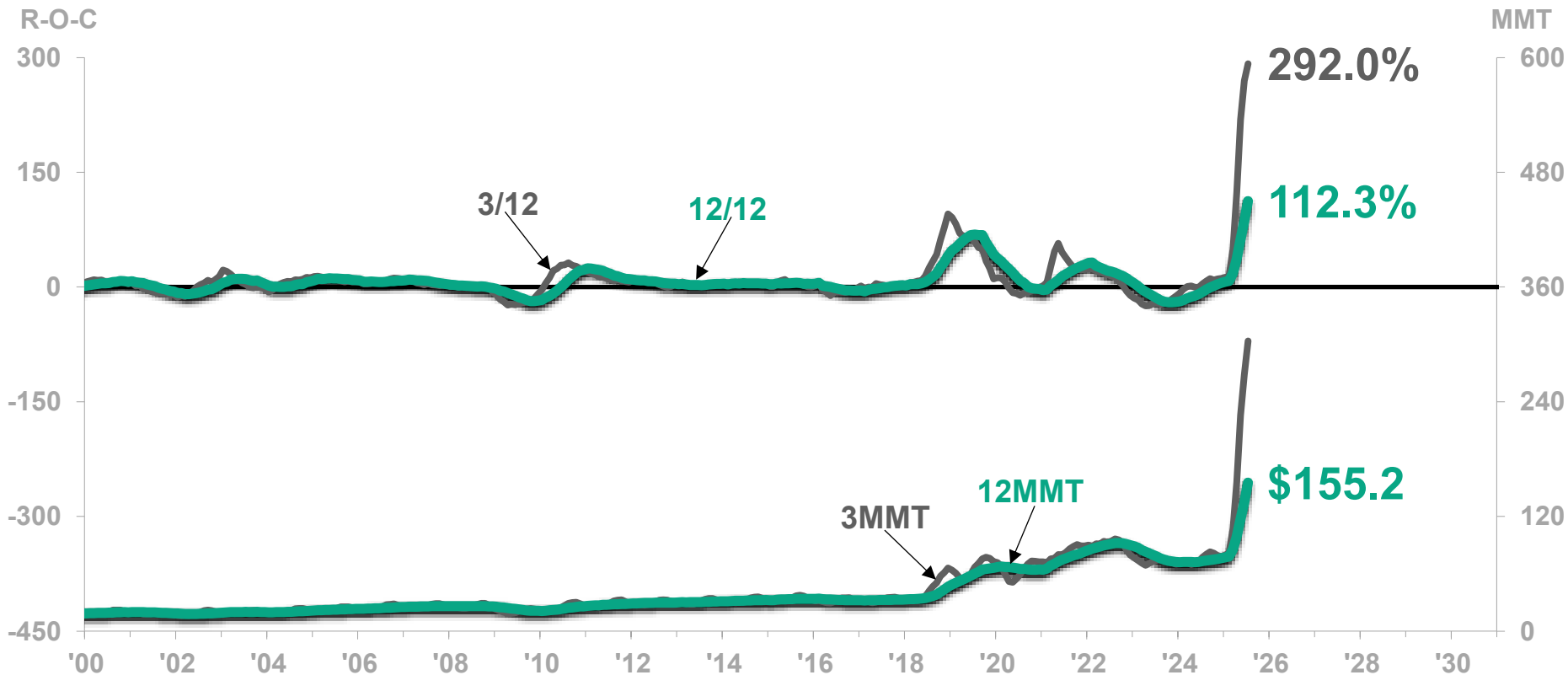


# Tariff Income Is Rising

Source: USITC

## US Value of Tariffs Collected on Imported Goods

Billions of Dollars



# Where Do Our Goods Come From?

Source: US Census Bureau

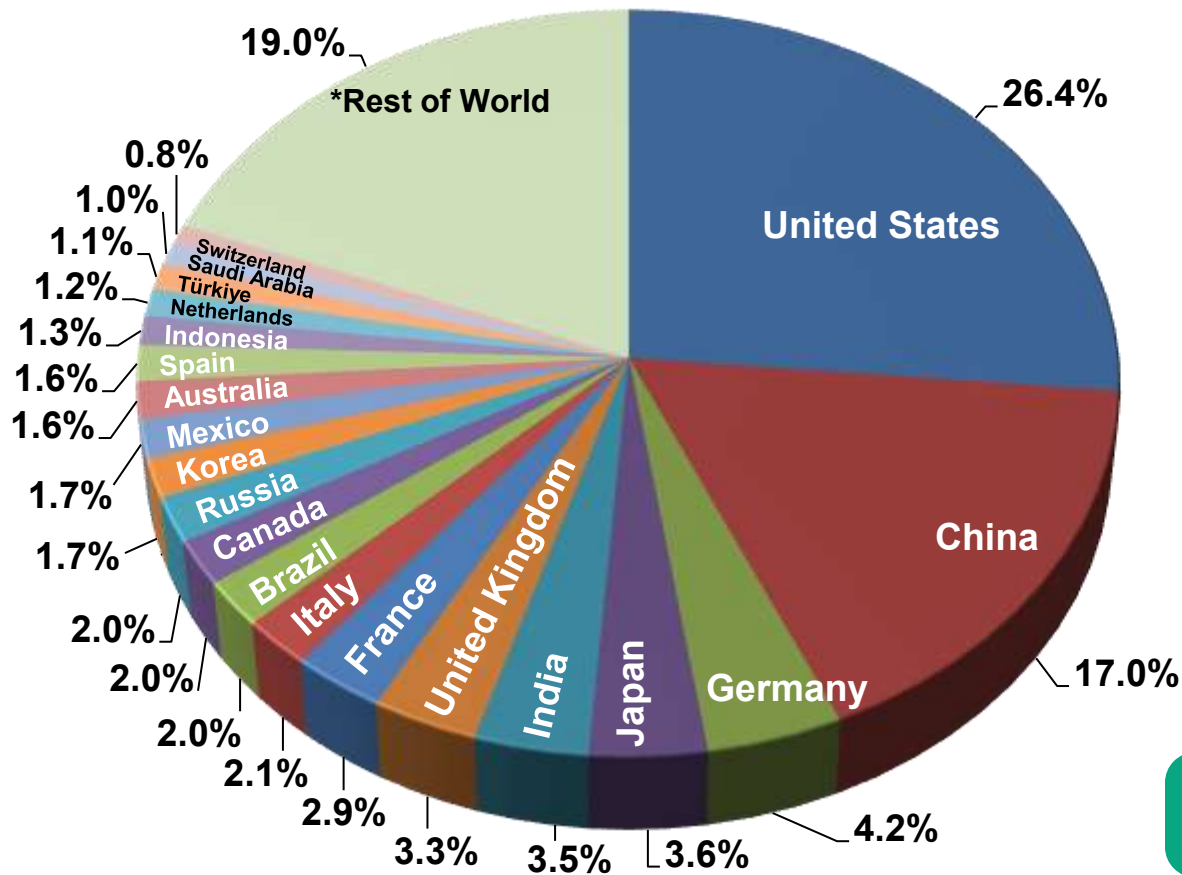
## Imports by NAICS

\*Total market estimated as shipments plus imports minus exports.

Commodity	Total Domestic Market* (Bil. \$)	% Domestically Sourced	% Imported
Transportation Equipment	\$1,314.7	62.4%	37.6%
Chemicals	\$1,080.2	63.5%	36.5%
Food & Kindred Products	\$1,004.7	88.3%	11.7%
Petroleum & Coal Products	\$708.1	91.1%	8.9%
Computer & Electronic Products	\$649.2	15.0%	85.0%
Machinery, Except Electrical	\$538.5	54.0%	46.0%
Fabricated Metal Products	\$476.8	79.3%	20.7%
Primary Metal Mfg	\$377.8	64.7%	35.3%
Plastics & Rubber Products	\$336.9	77.1%	22.9%
Electrical Equipment, Appliances & Components	\$293.3	33.3%	66.7%
Beverages & Tobacco Products	\$256.8	87.2%	12.8%
Miscellaneous Manufactured Commodities	\$244.7	36.5%	63.5%
Paper	\$210.8	87.3%	12.7%
Nonmetallic Mineral Products	\$176.3	83.4%	16.6%
Wood Products	\$175.6	85.8%	14.2%
Furniture & Fixtures	\$121.7	63.5%	36.5%
Printed Matter And Related Products	\$90.5	93.1%	6.9%
Apparel & Accessories	\$86.6	3.9%	96.1%
Textile Mill Products	\$45.7	47.9%	52.1%
Leather & Allied Products	\$43.1	6.9%	93.1%
Textiles & Fabrics	\$24.7	63.0%	37.0%
<b>Total for Above Categories</b>	<b>\$8,256.7</b>	<b>65.5%</b>	<b>34.5%</b>

# Percent of World GDP by Country

Source: IMF, \*ROW: 57% are IMF Estimated Figures



\*Total World GDP:  
\$110.5 Trillion US \$



**Tariffs are paid by the importer and are inflationary.**



**It is too soon to gauge the impact of these tariffs.**



**Uncertainty arising from tariffs should abate in 2026.**

## ***Next Steps***

- **Nationalism brings opportunities for shorter supply chains and new business and pushing through price increases.**

# ***The US Economy***

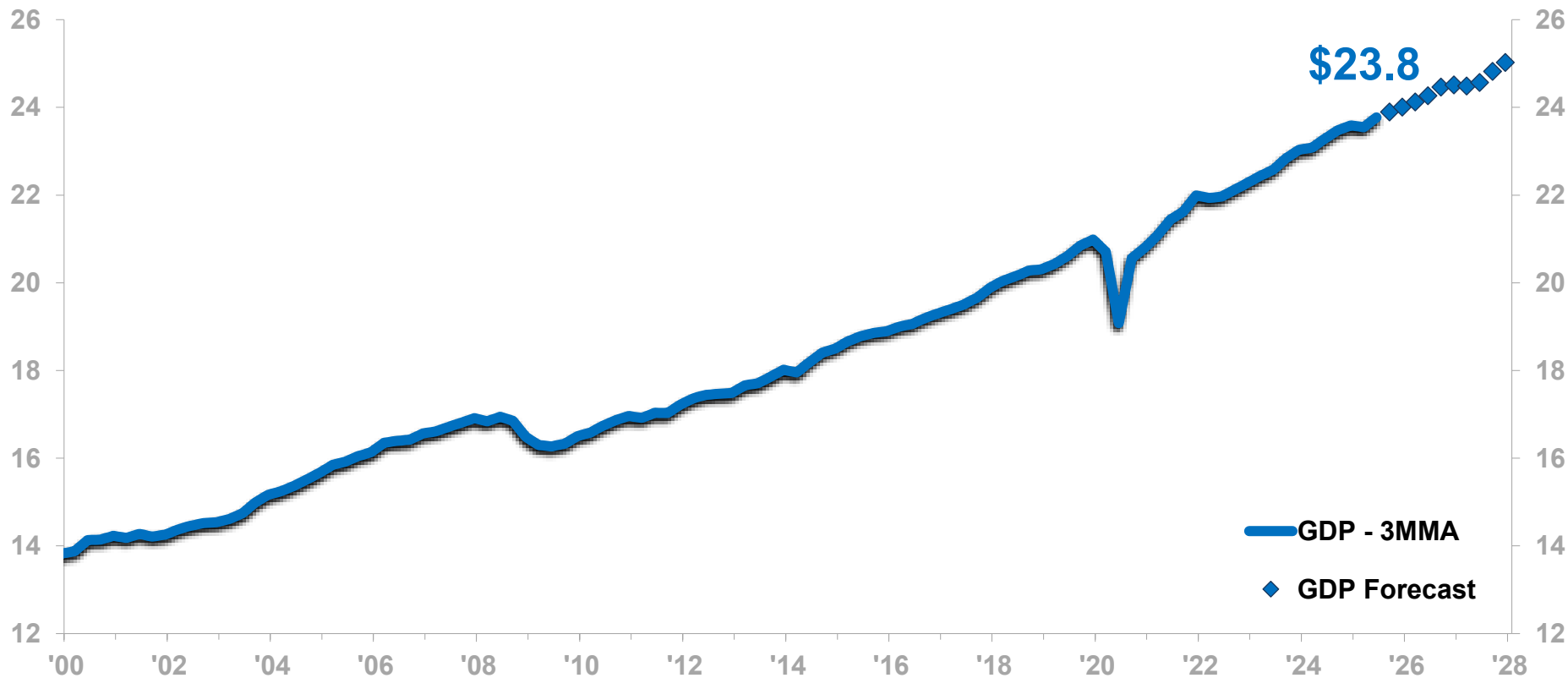
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# 1H25 GDP Numbers Contained A Lot of Noise – Rise Persists

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

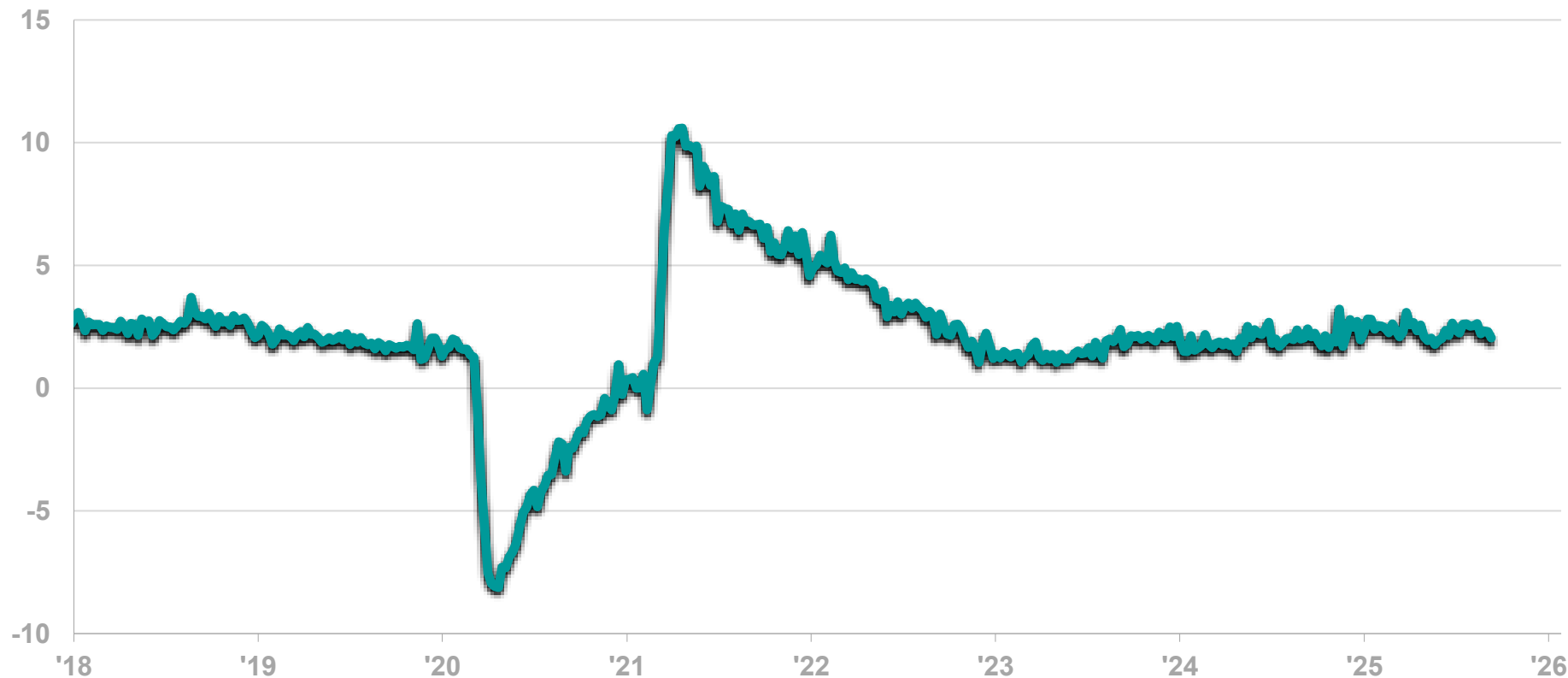


# Weekly Economic Index Trend Supports Projection for Rise

Source: FRB Dallas

## US Weekly Economic Index

Raw Data: Percent



# Very Poor Relationship to Actual Retail Outcomes

Sources: University of Michigan,  
US Census Bureau

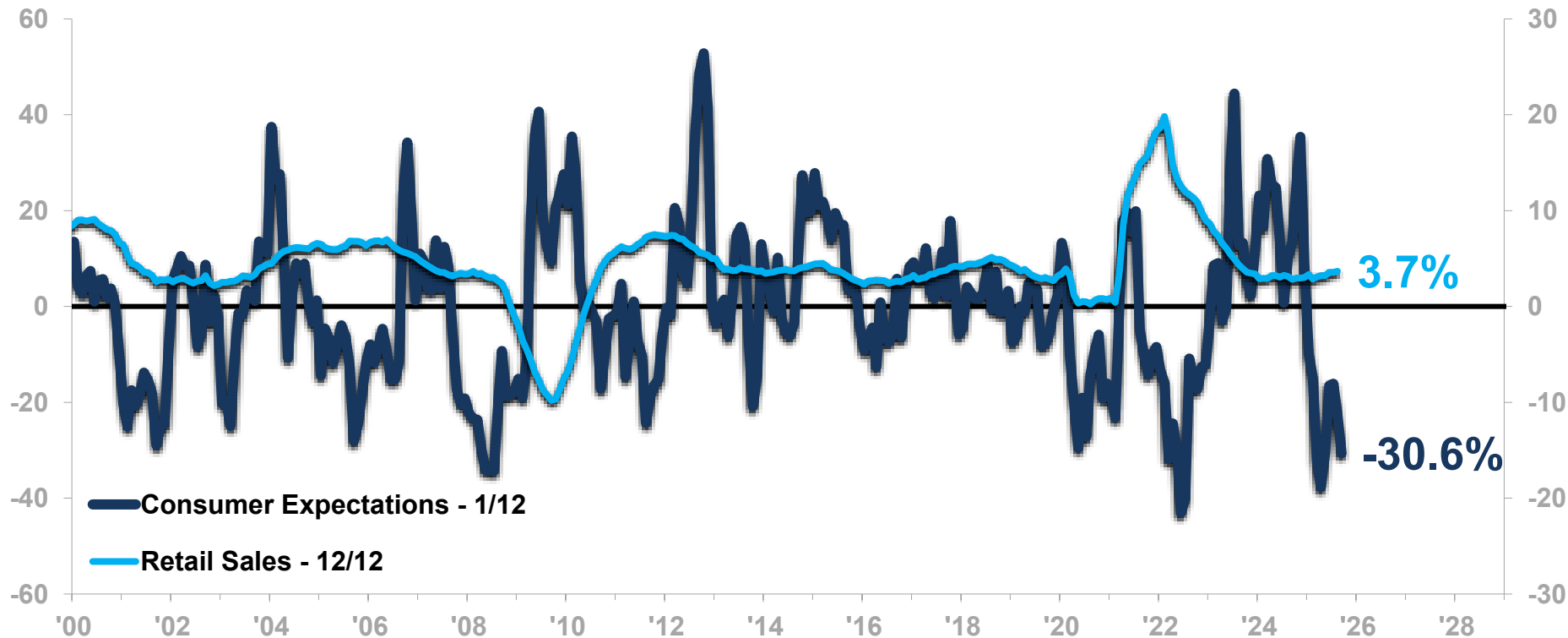
## US Index of Consumer Expectations to US Total Retail Sales

Rates-of-Change

Consumer Expectations

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Retail Sales





# Weekly Data Says the Consumer is Spending

Source: Johnson Redbook

## Johnson Redbook Indexes

Percent: Raw Data



# Deflated Retail Sales Trend Bodes Well for GDP

Sources: BEA, US Census Bureau

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

Rates-of-Change

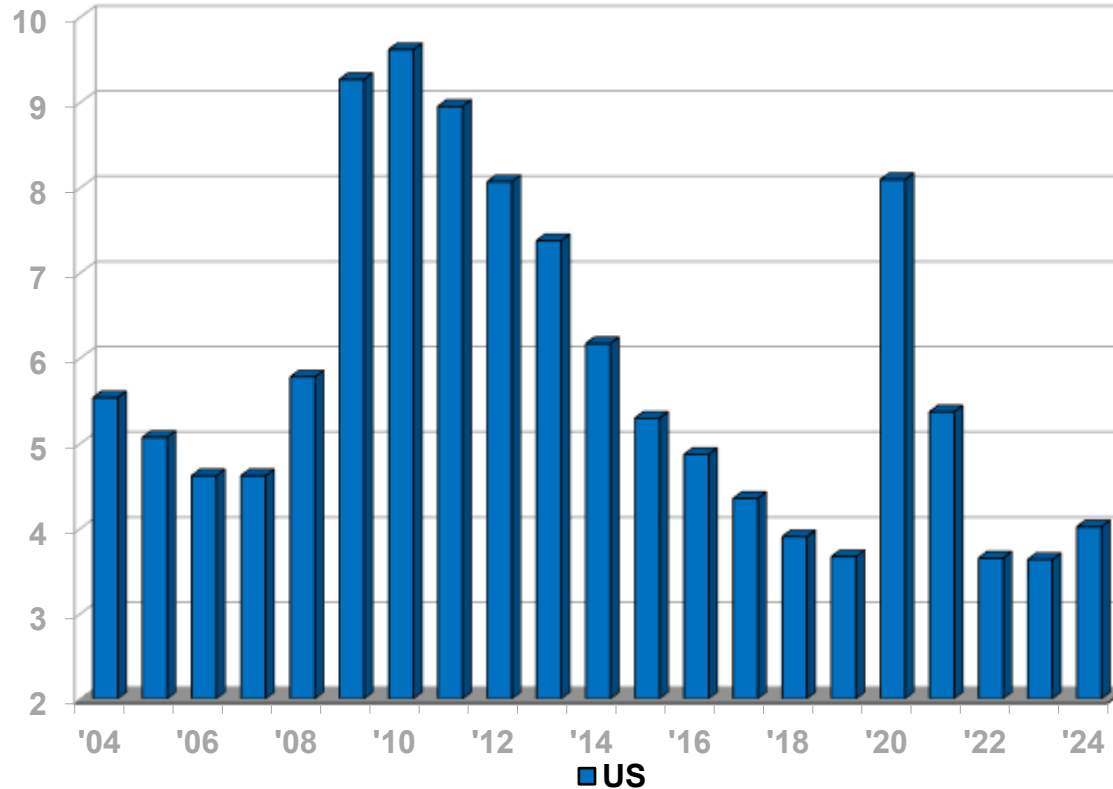


# Employment Trends Are a Lagging Indicator

Source: BLS

## US Unemployment Rates

Percent

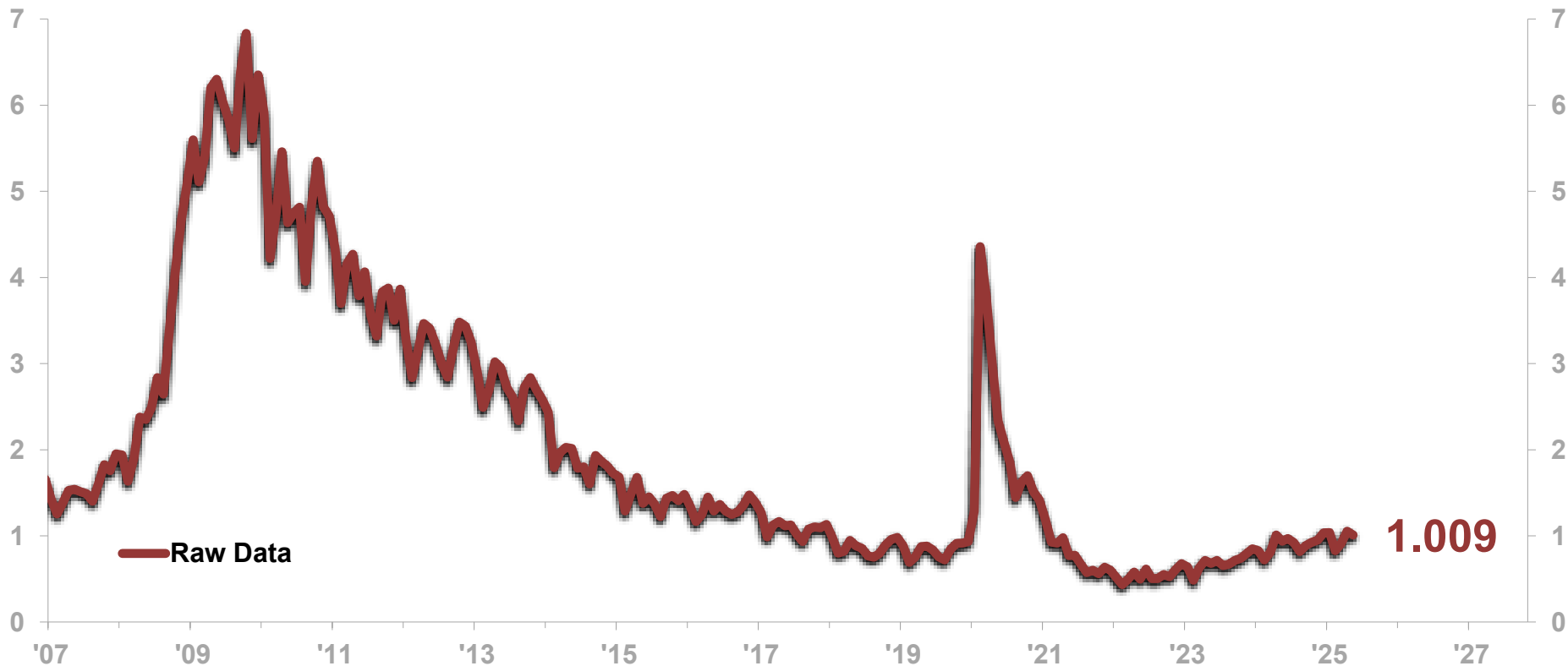


**August 2025**

**US 4.5%**

## US Number of Unemployed Persons per Job Opening

Raw Data: Number of Persons



# Inflation-Adjusted Wages Are Rising

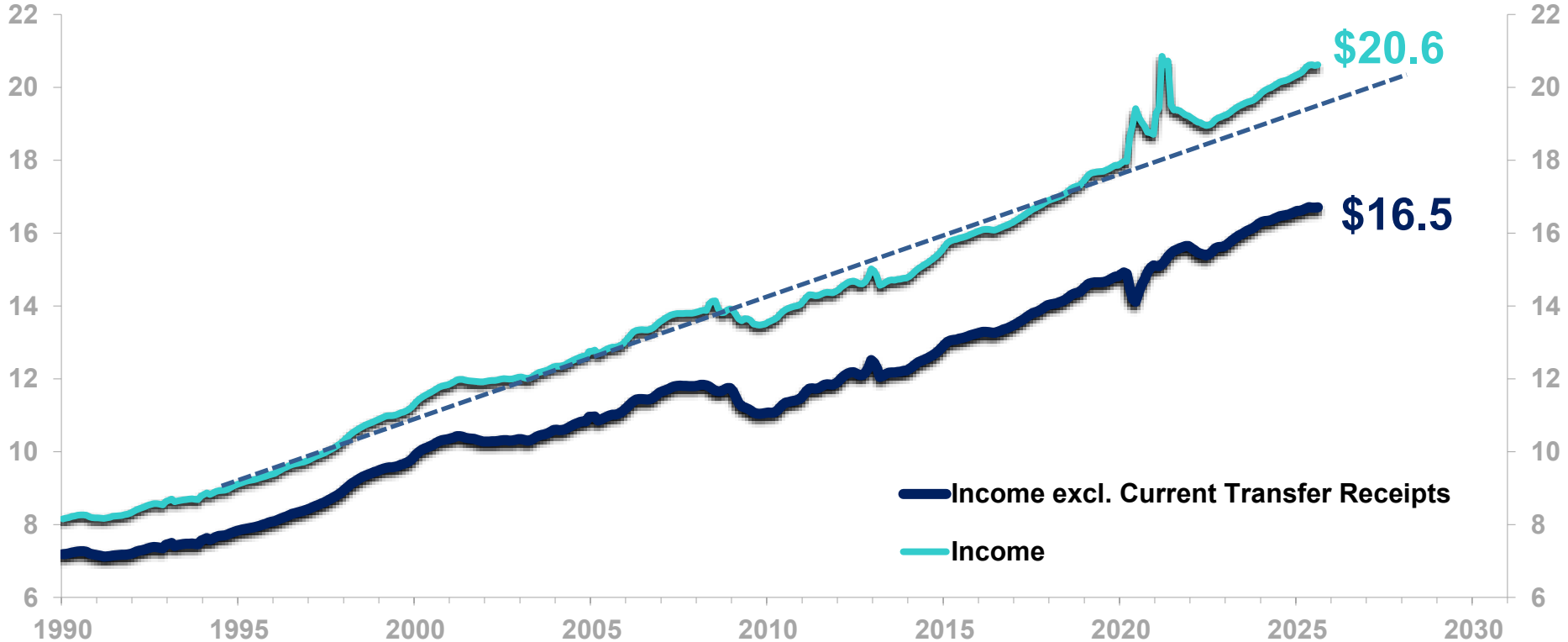
Source: BEA

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

Quarterly Data Trends in Trillions of Chained 2017 Dollars



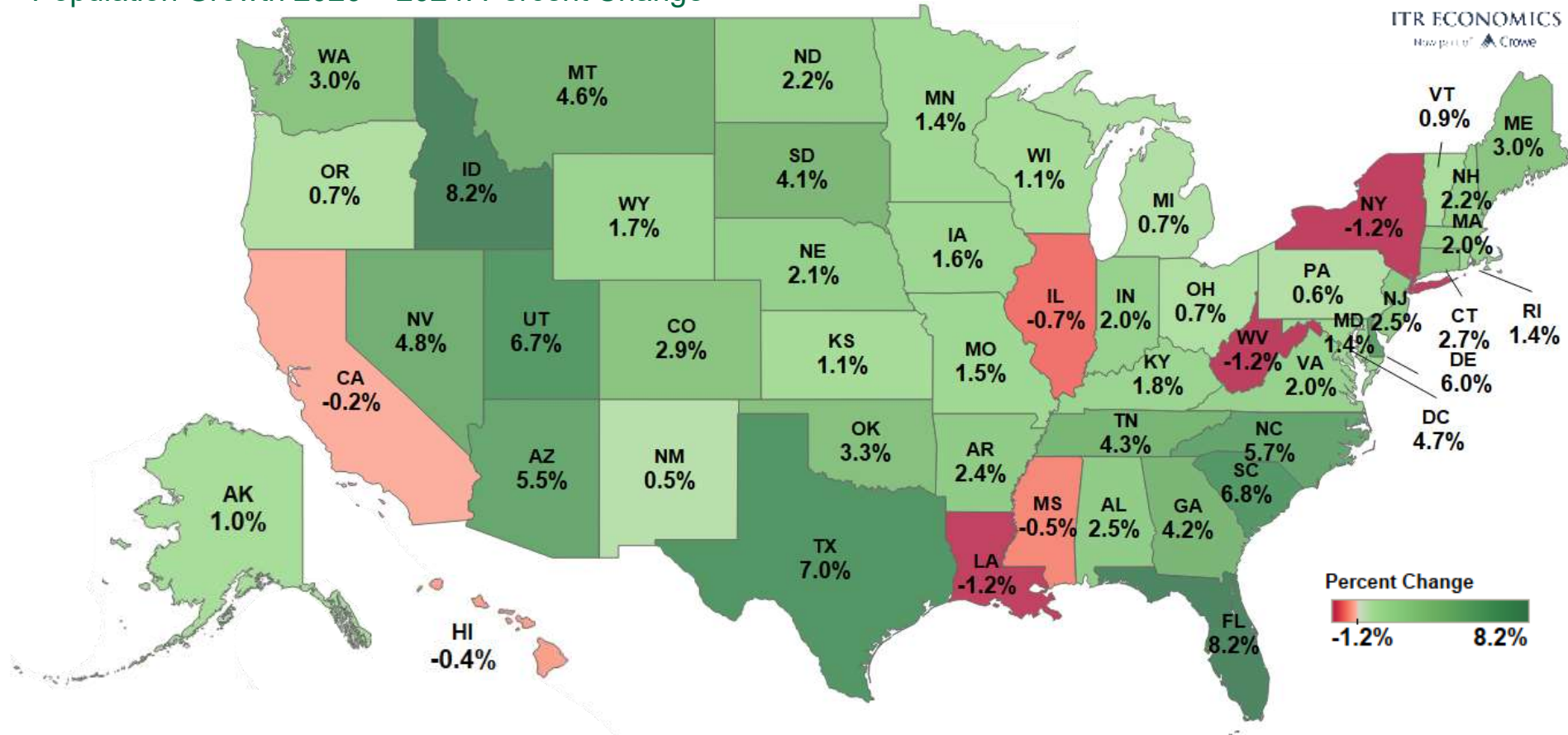
Income excl. Transfers



# Be Geographically Specific

Source:  
US Census Bureau

## Population Growth 2020 – 2024: Percent Change





**Continue to ignore the political noise**



**Invest in yourselves to best compete through the next several years.**



**There is no “miracle cure” on the radar scope for what ails this market.**

## ***Next Steps***

- **Differentiate from your competitors.**
- **Are you learning how to use AI like your larger competitors?**



# ***Manufacturing***

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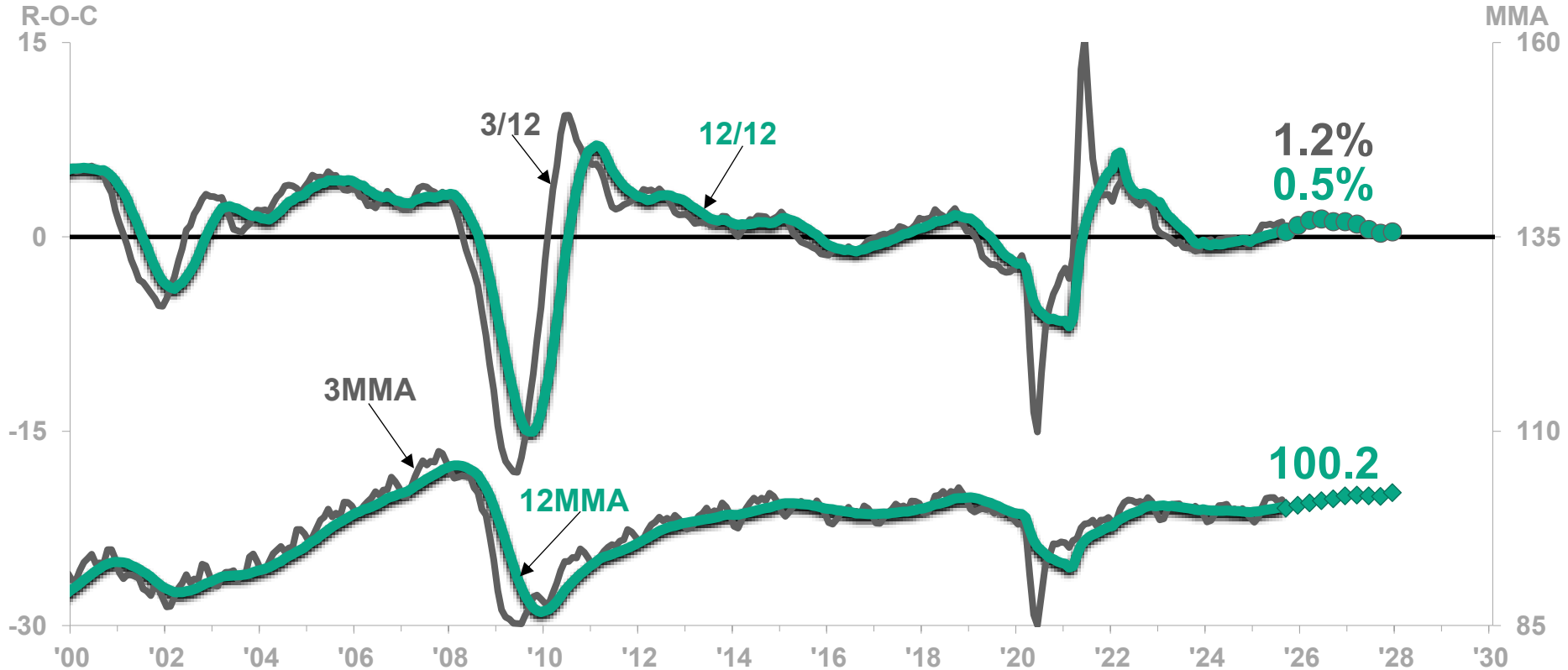


# Plan on Growth in 2025

Source: FRB

## US Total Manufacturing Production Index

2017 = 100



# Capacity Utilization Ticking Up; A Good Sign

Source: FRB

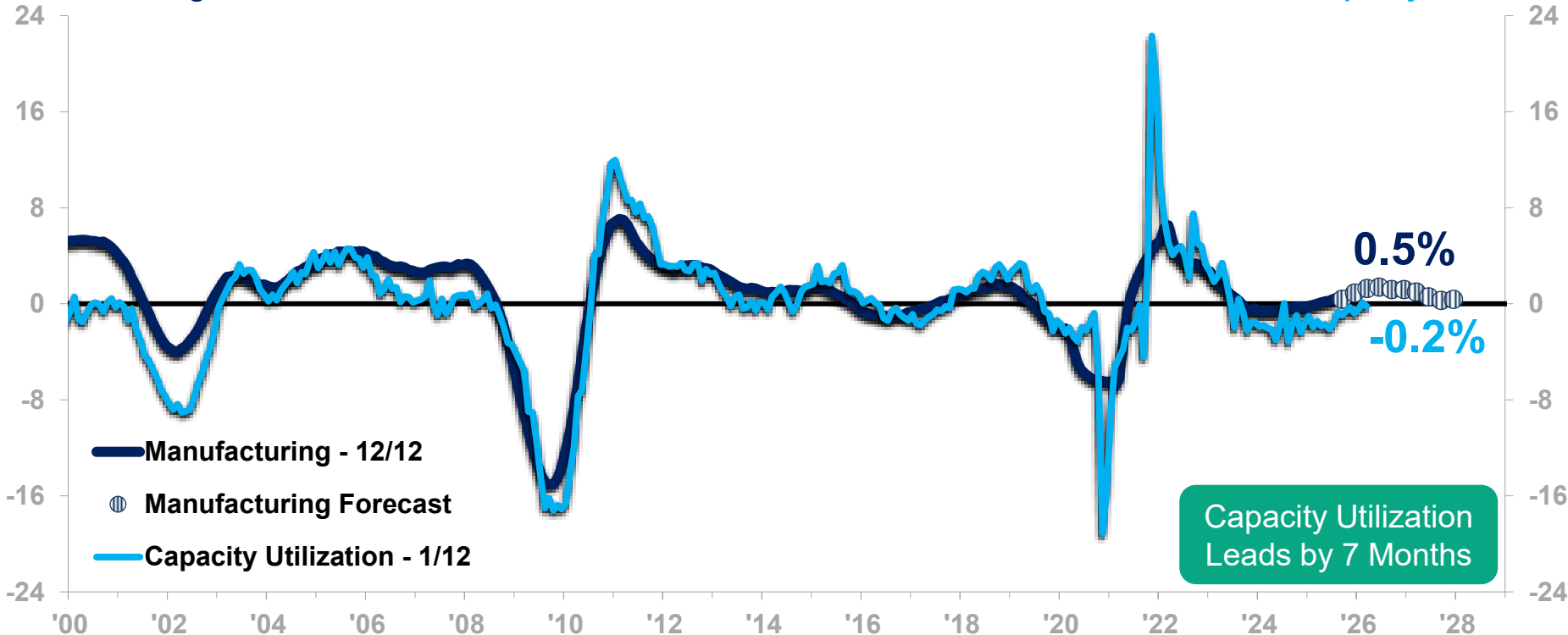
## US Total Manufacturing Production Index to US Manufacturing Capacity Utilization Rate

Rates-of-Change



Manufacturing

Capacity Utilization

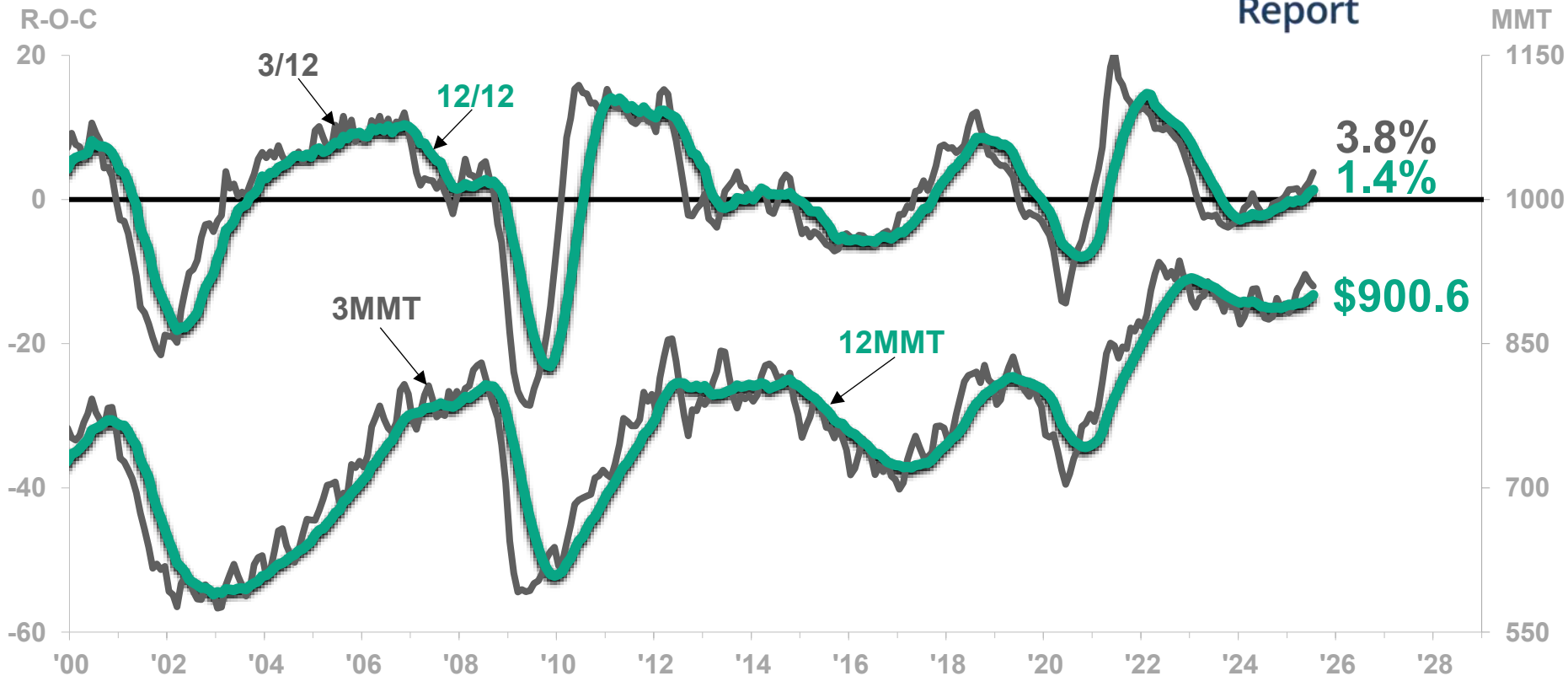


# Elevated Uncertainty Weighing on Capex Spend

Source: US Census Bureau

## US Nondefense Capital Goods New Orders (excluding aircraft)

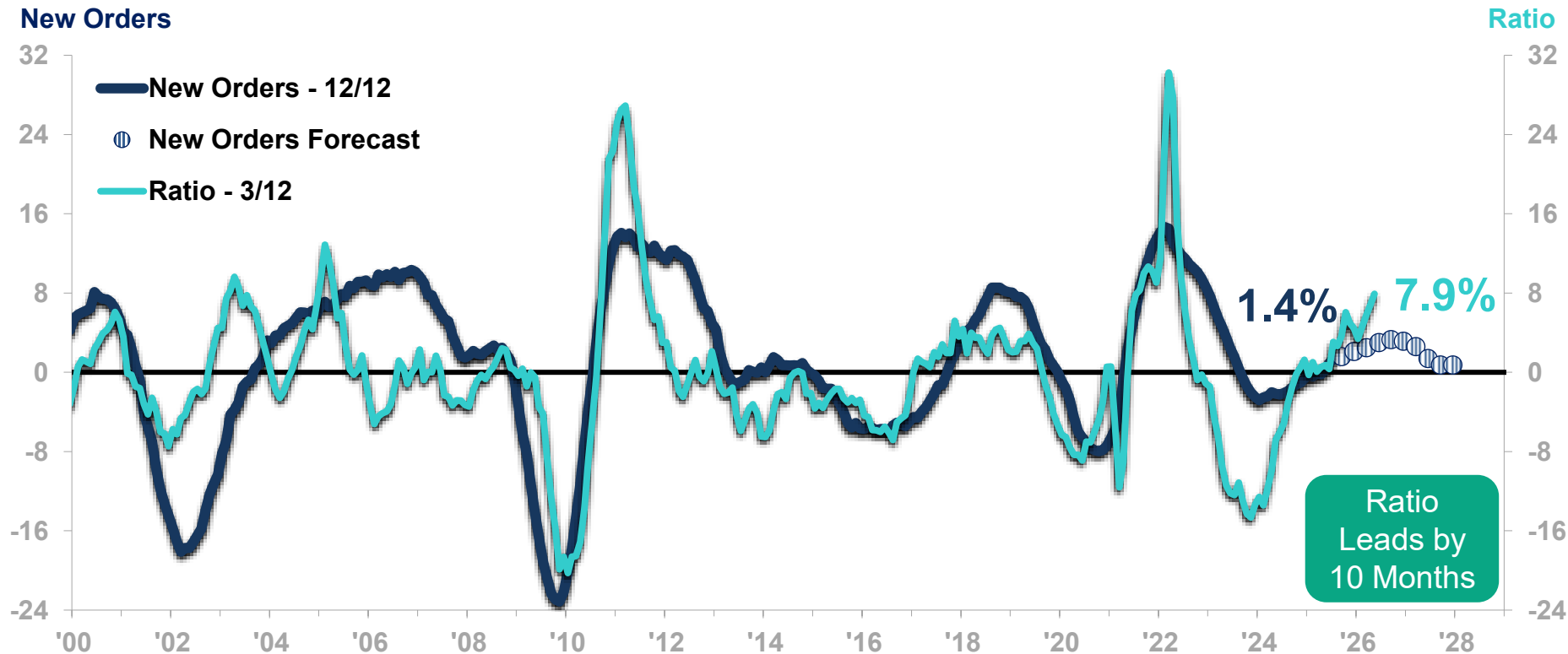
Billions of Dollars



# Inventory Overrun Issues of 2023-24 Have Reversed

Source: US Census Bureau

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Durable Goods Wholesale Sales/Inventory Ratio  
Rates-of-Change



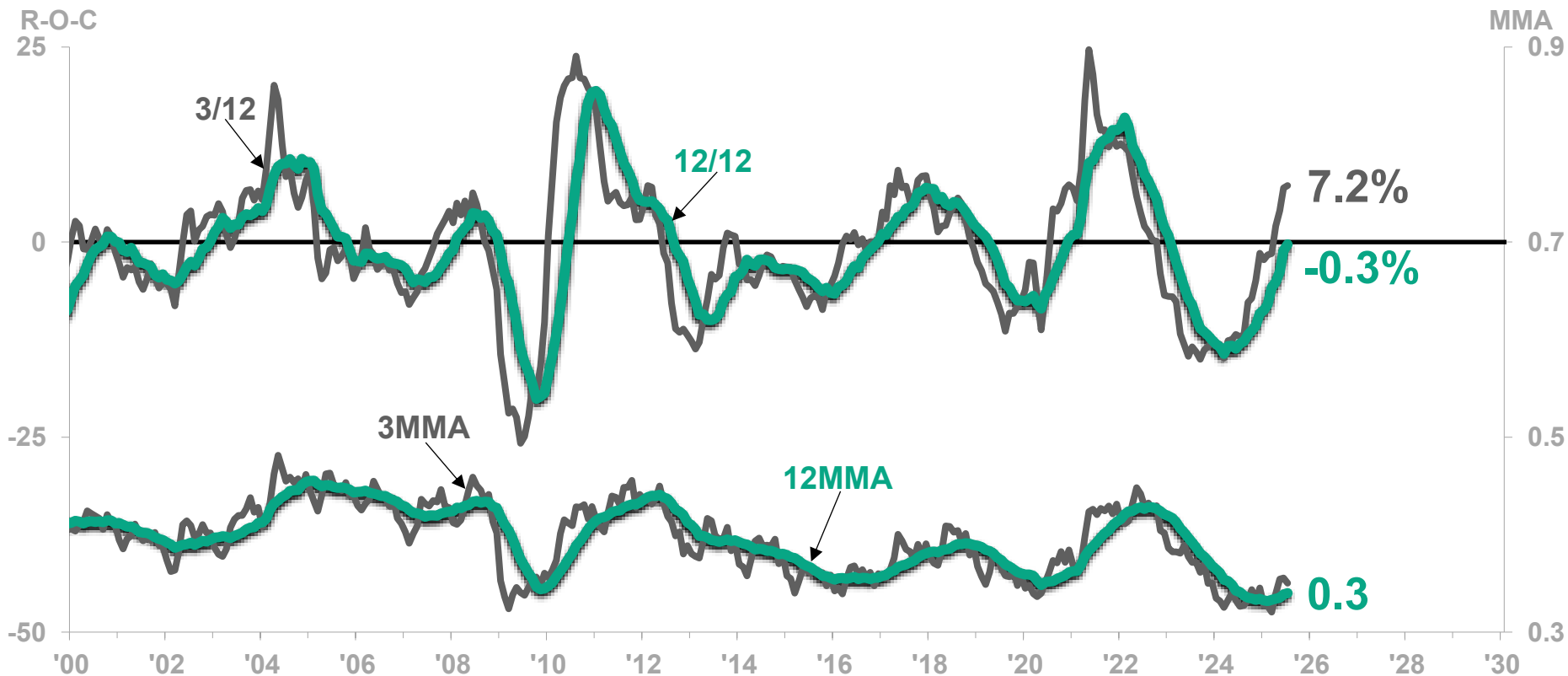
# Machinery Sales/Inventory Ratio Rising – Great Sign

Source: US Census Bureau

## US Machinery, Equipment, and Supplies Wholesale Sales/Inventory Ratio

Ratio

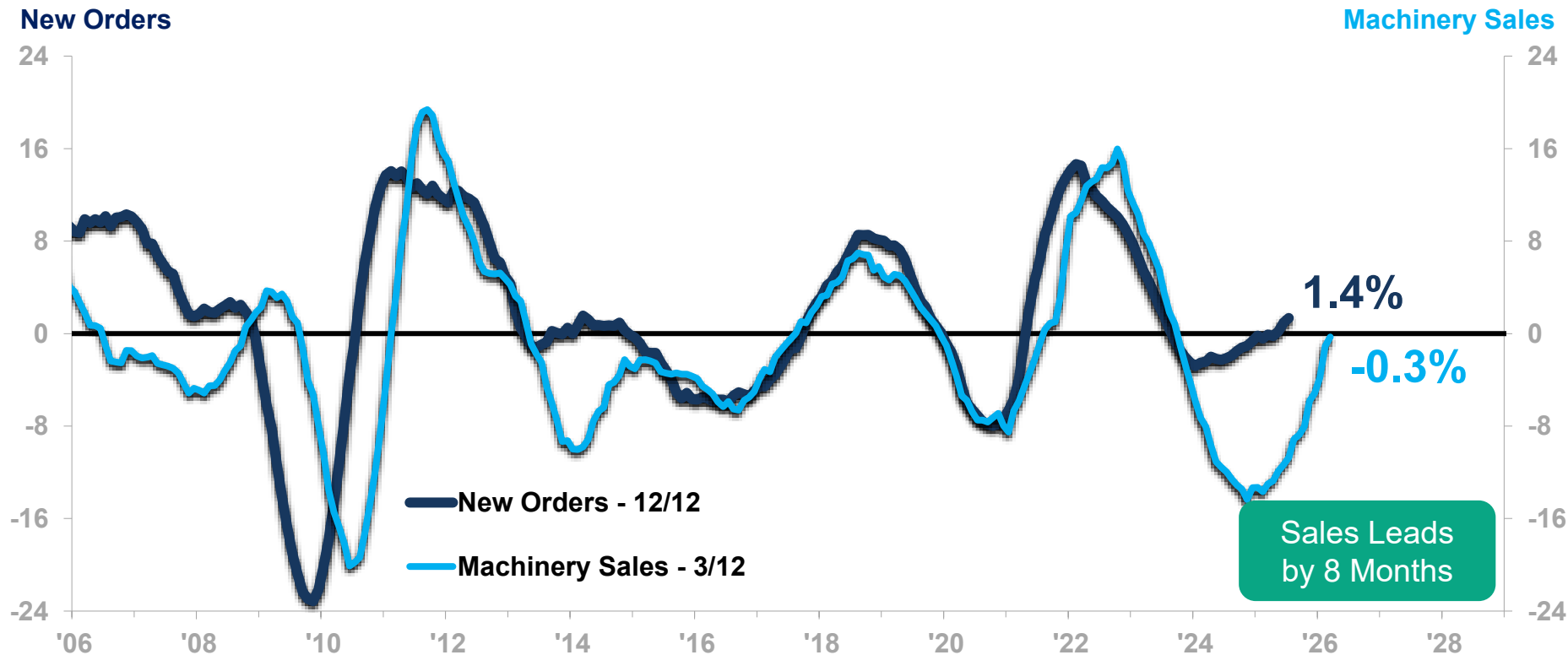
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# We Need To Budget For What's Coming

Source: US Census Bureau

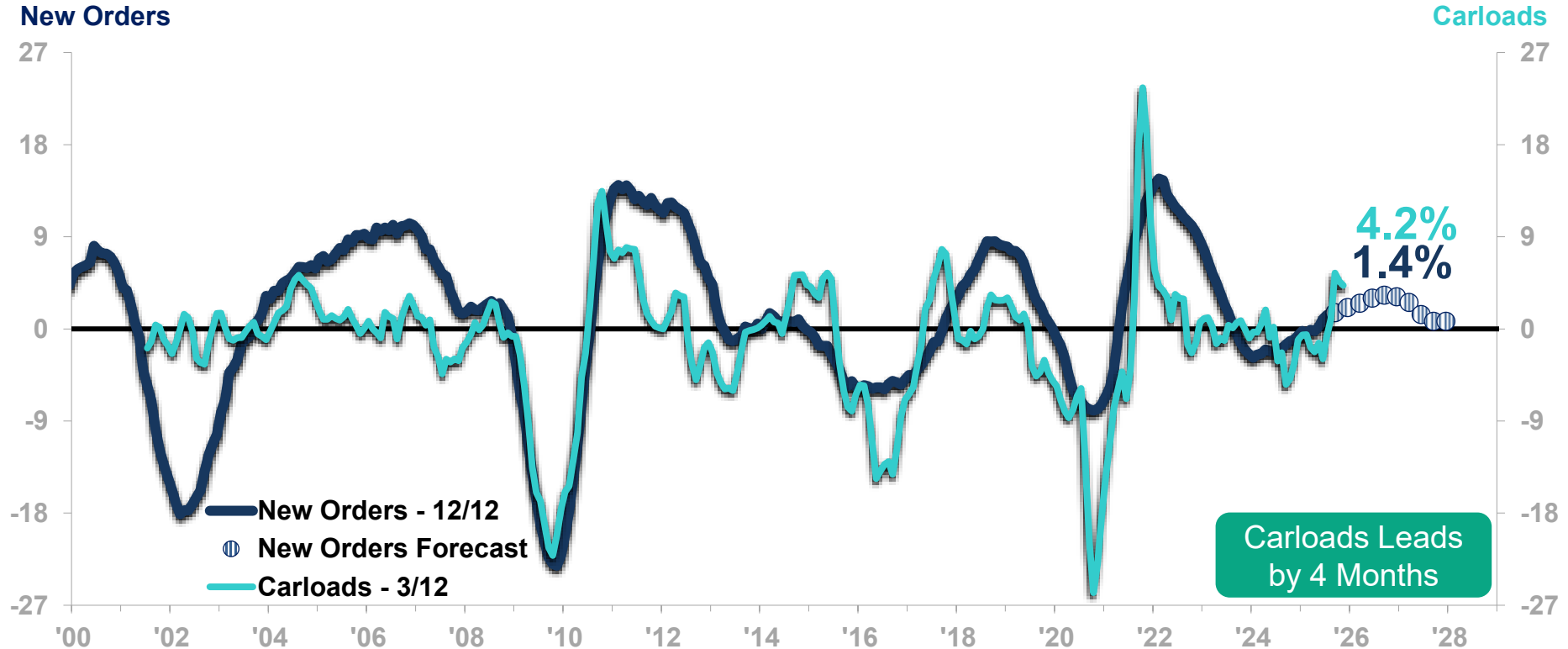
**US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Machinery, Equipment, and Supplies Wholesale Sales/Inventory Ratio**  
Rates-of-Change



# Short Term Demand Signals Are Positive

Sources: US Census Bureau, US Bureau of Transportation Statistics

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Rail Freight Carloads in the US and Canada  
Rates-of-Change



# Lending Standards Are Easing – Credit Available If Needed

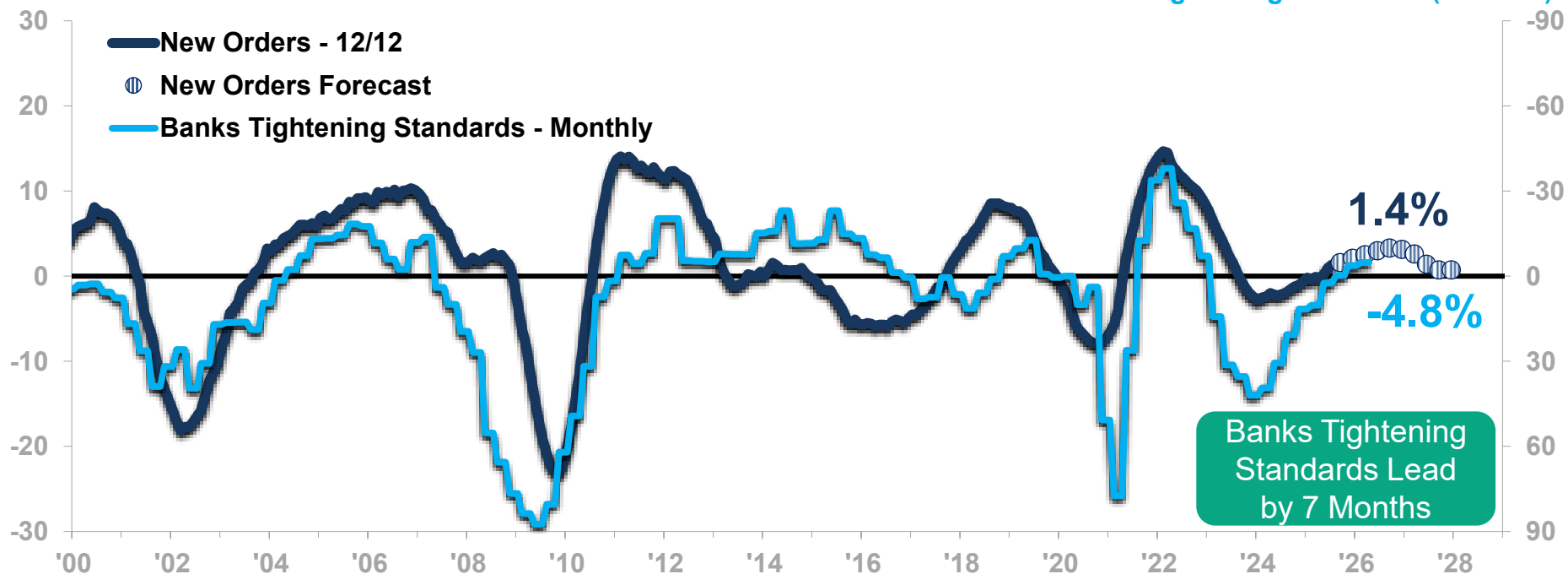
Sources: US Census  
Bureau, FRB

US Nondefense Capital Goods New Orders (excluding aircraft) to Net Percentage of Domestic  
Banks Tightening Standards Across Loan Categories, Weighted by Banks' Outstanding  
Loan Balances by Category



12/12 Rate-of-Change to Monthly Data

## New Orders





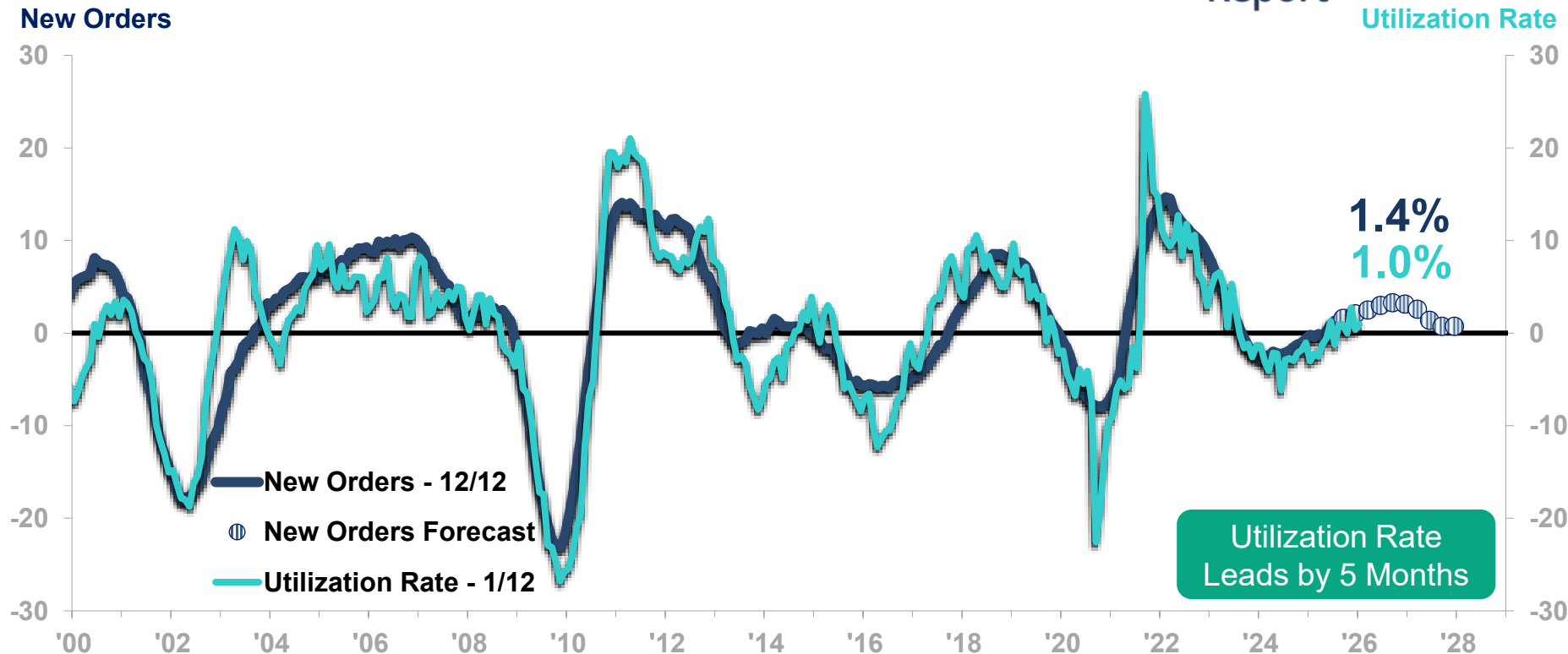
# CAPEX Indicators Are Generally Pointing Upward

Sources: US Census Bureau,  
FRB

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Machinery Manufacturing Capacity Utilization Rate  
Rates-of-Change

as seen in  
ITR Economics'  
Trends  
Report

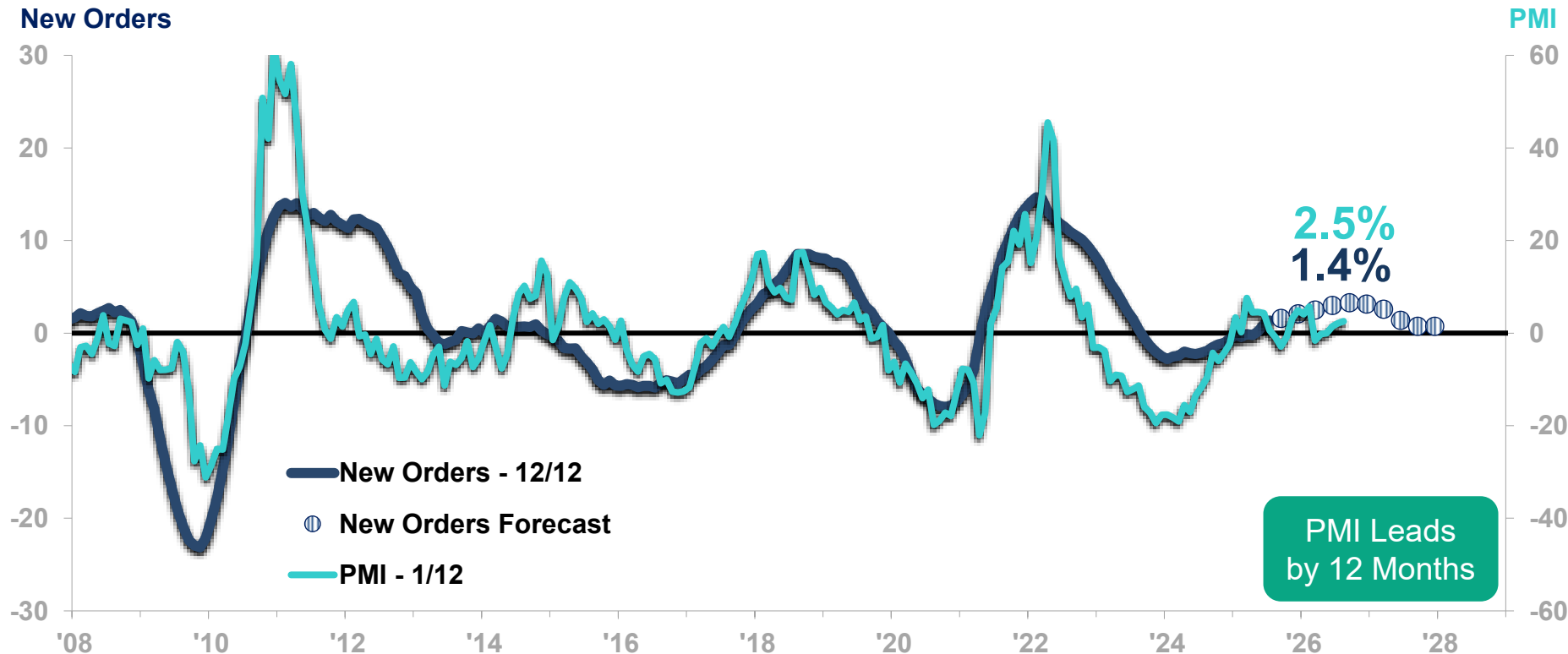
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# Volatile PMI Readings; Back in a Tentative Rising Trend

Sources: US Census Bureau,  
ISM

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Purchasing Manager's Index  
Rates-of-Change



# Copper Prices Typically\* Predict Capex Cycles

Sources: WSJ, US Census Bureau

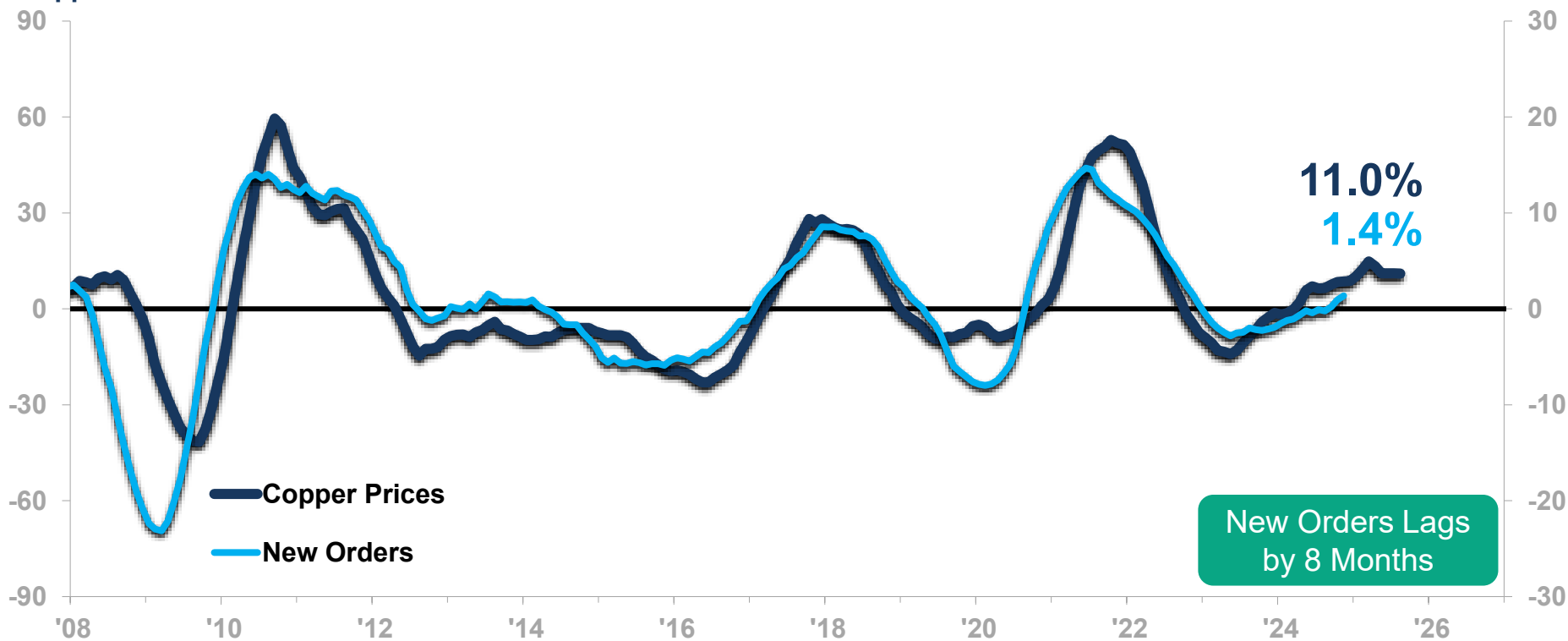
## Copper Futures Prices to US Nondefense Capital Goods New Orders (excluding aircraft)

12/12 Rates-of-Change



Copper Prices

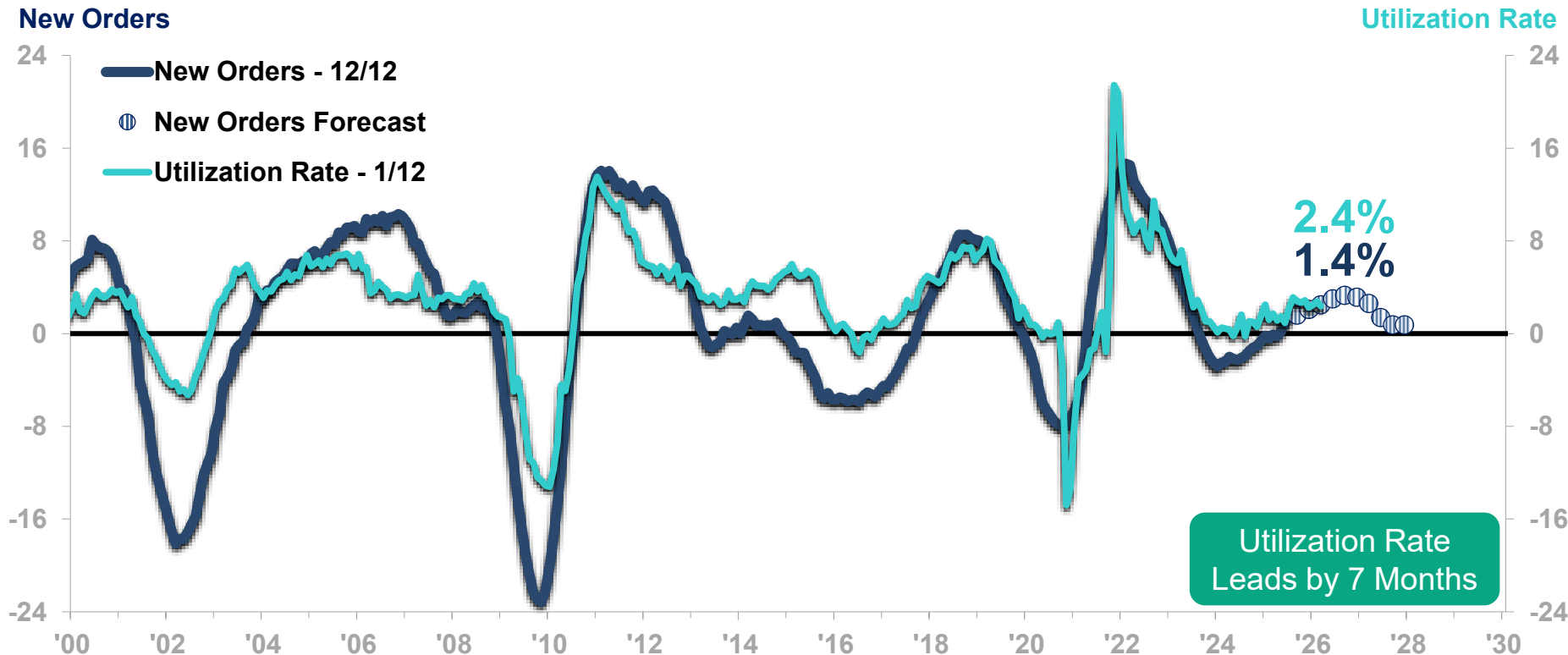
New Orders



# Overall Capacity Usage is Rising

Sources: US Census Bureau, FRB

US Nondefense Capital Goods New Orders (excluding aircraft) to  
US Total Industry Capacity Utilization Rate (modified)  
Rates-of-Change



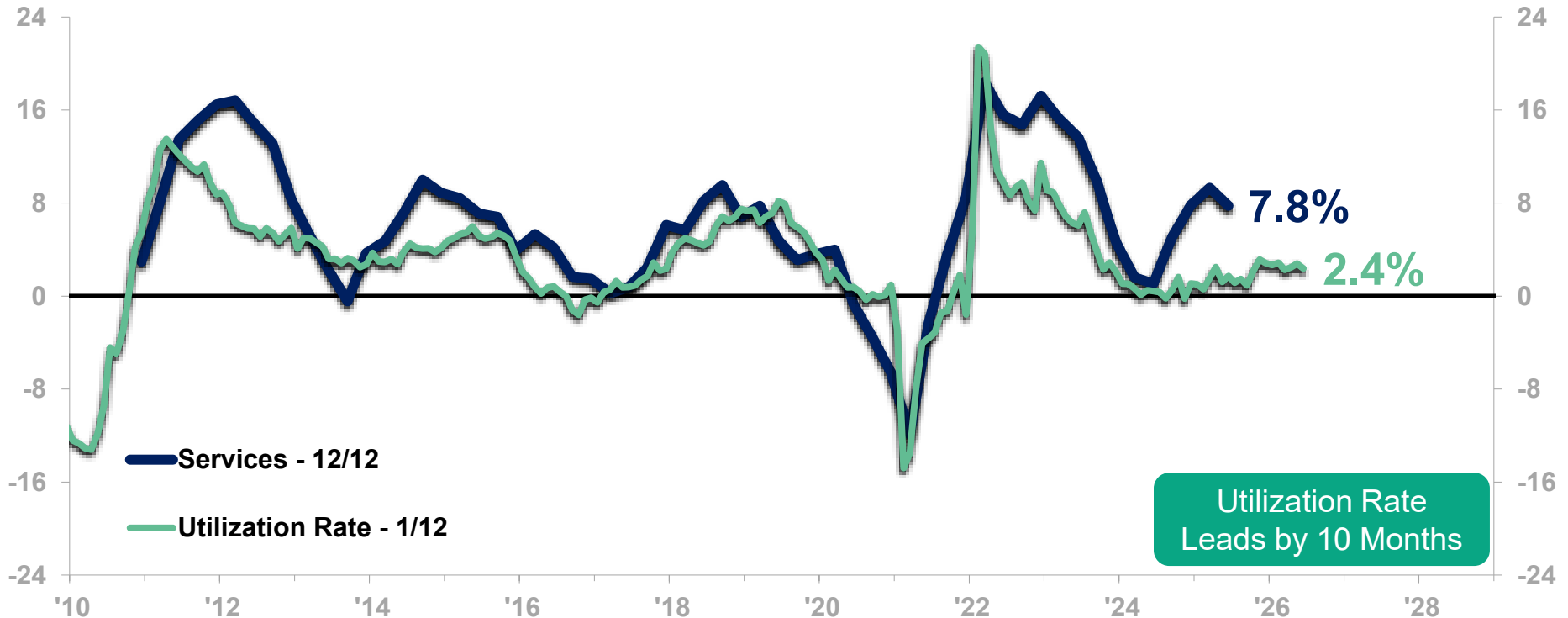
# Driver of New Equipment & Service/Repair

Sources: US Census Bureau, FRB

## US Commercial and Industrial Equipment Repair and Maintenance Services Revenue to US Total Industry Capacity Utilization Rate

Rates-of-Change

Services

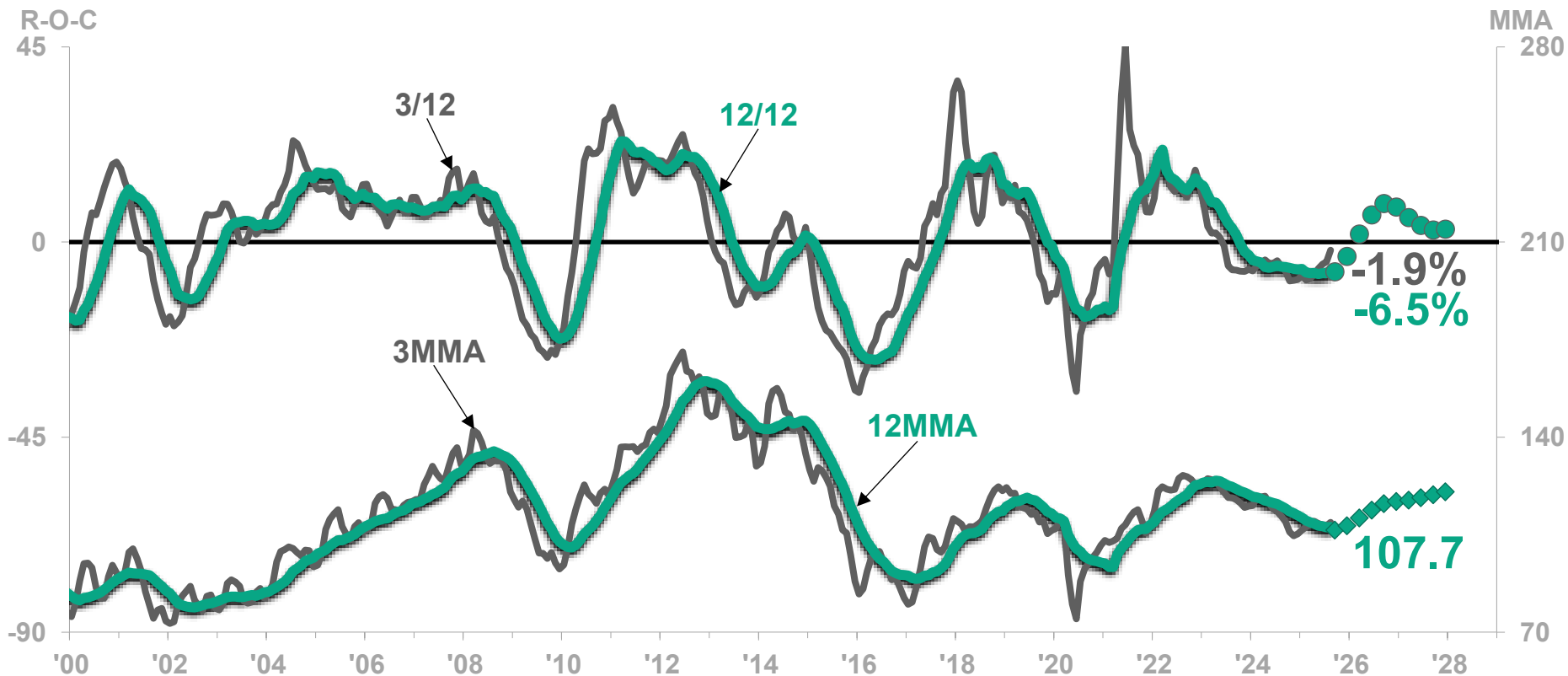


# The Holy Trinity For Fluid Power

Source: FRB

## US Agriculture, Construction and Mining Machinery Production Index

2017 = 100



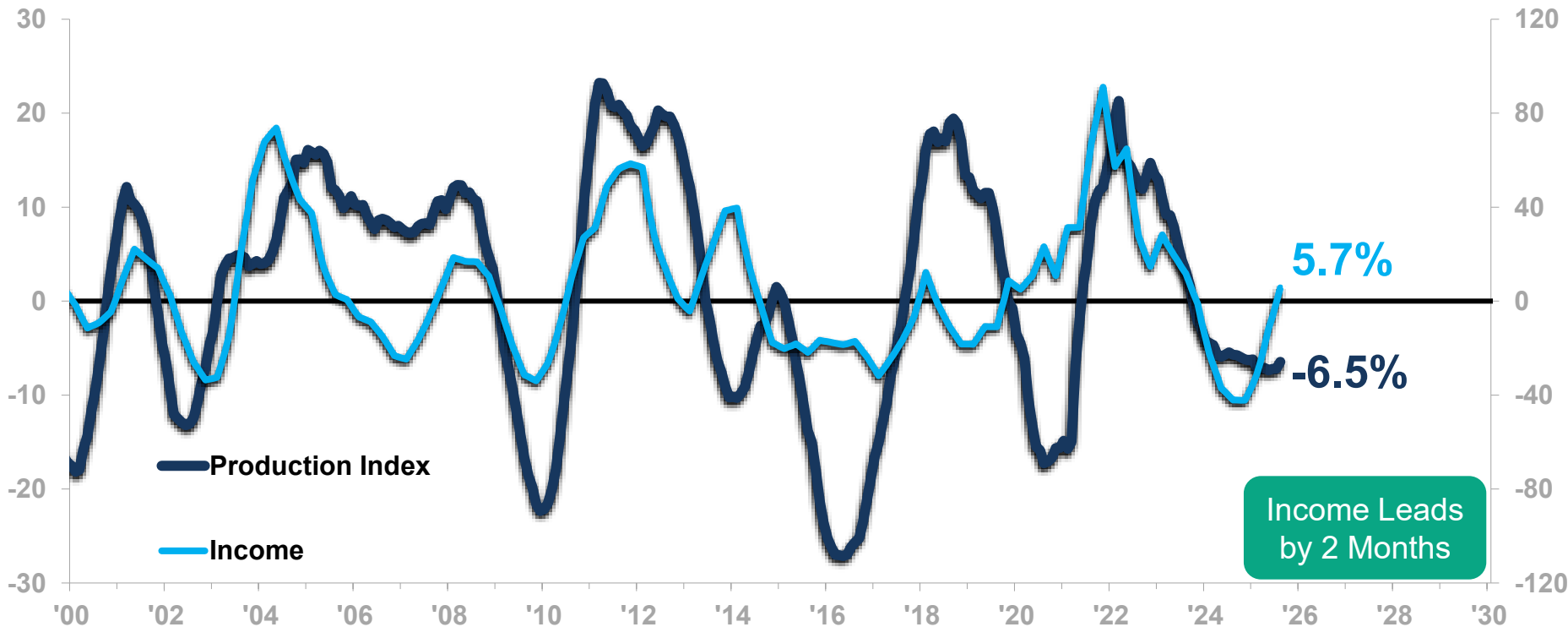
# Farm Income Rising, Possible Gov Funding As Well

Sources: FRB, BEA

US Agriculture, Construction and Mining Machinery Production Index to  
US Farm Proprietors Income (with inventory valuation adjustment)

12/12 Rates-of-Change

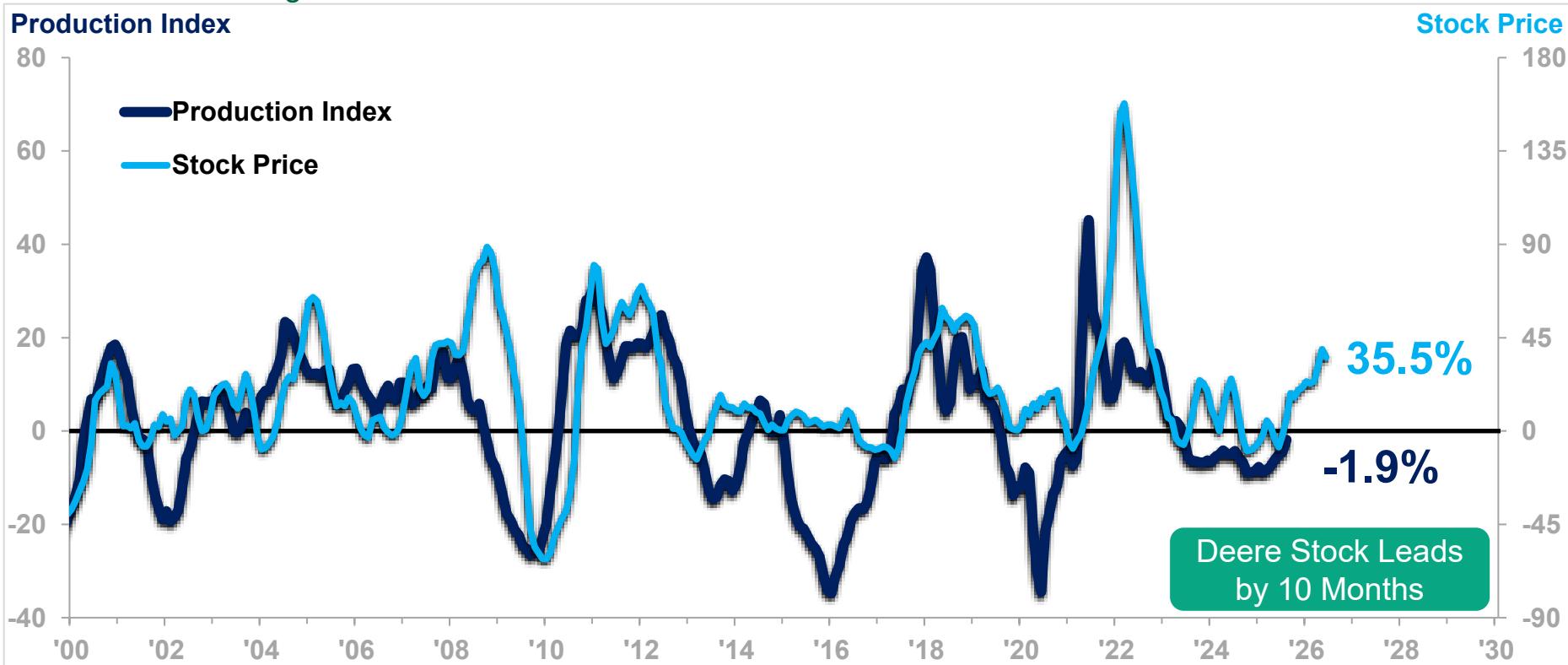
Production Index



# Deere Share Prices Say Upside is Coming

Sources: FRB, Yahoo Finance

## US Agriculture, Construction and Mining Machinery Production Index to John Deere Stock Price 3/12 Rates-of-Change



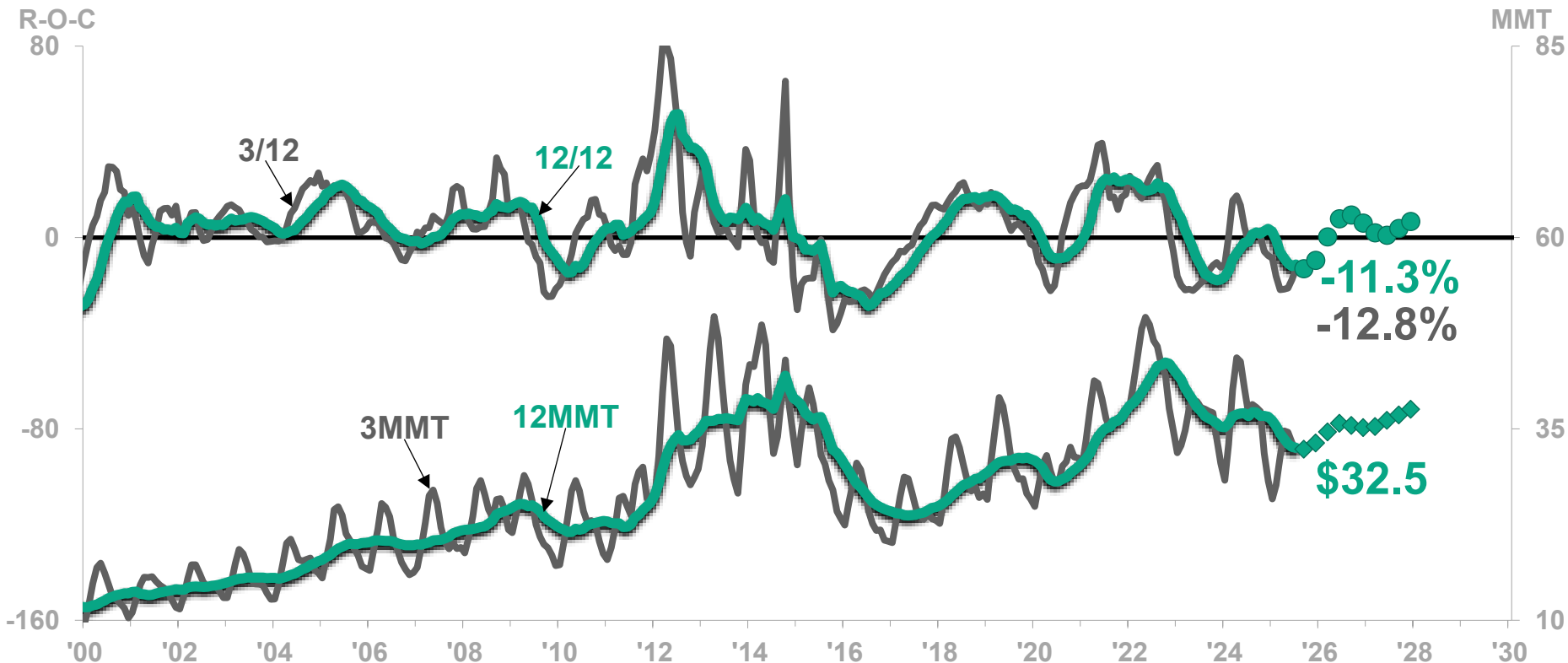


# Current Trend is Poor, But We Project Better Next Year

Source: US Census Bureau

## US Farm Machinery Shipments

Billions of Dollars





# ***Inflation & Interest Rates***

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# Aside From Oil – Costs Are Up

Sources: BLS, EIA

Indicator	12/12	Phase	3/12	Phase
Truck Transportation PPI	0.3%	C	0.5%	C
Construction Workers Earnings	4.1%	B	4.0%	B
Crude Oil (WTI)	-14.2%	D	-15.5%	A
Copper & Brass PPI	7.6%	C	3.1%	B
Electric Power	2.3%	B	3.9%	B
Iron & Steel PPI	-3.5%	A	6.3%	B
Wholesale Trade – Durables, Wages	3.8%	B	4.0%	B
Transportation Employment Cost Index	4.9%	C	4.1%	C

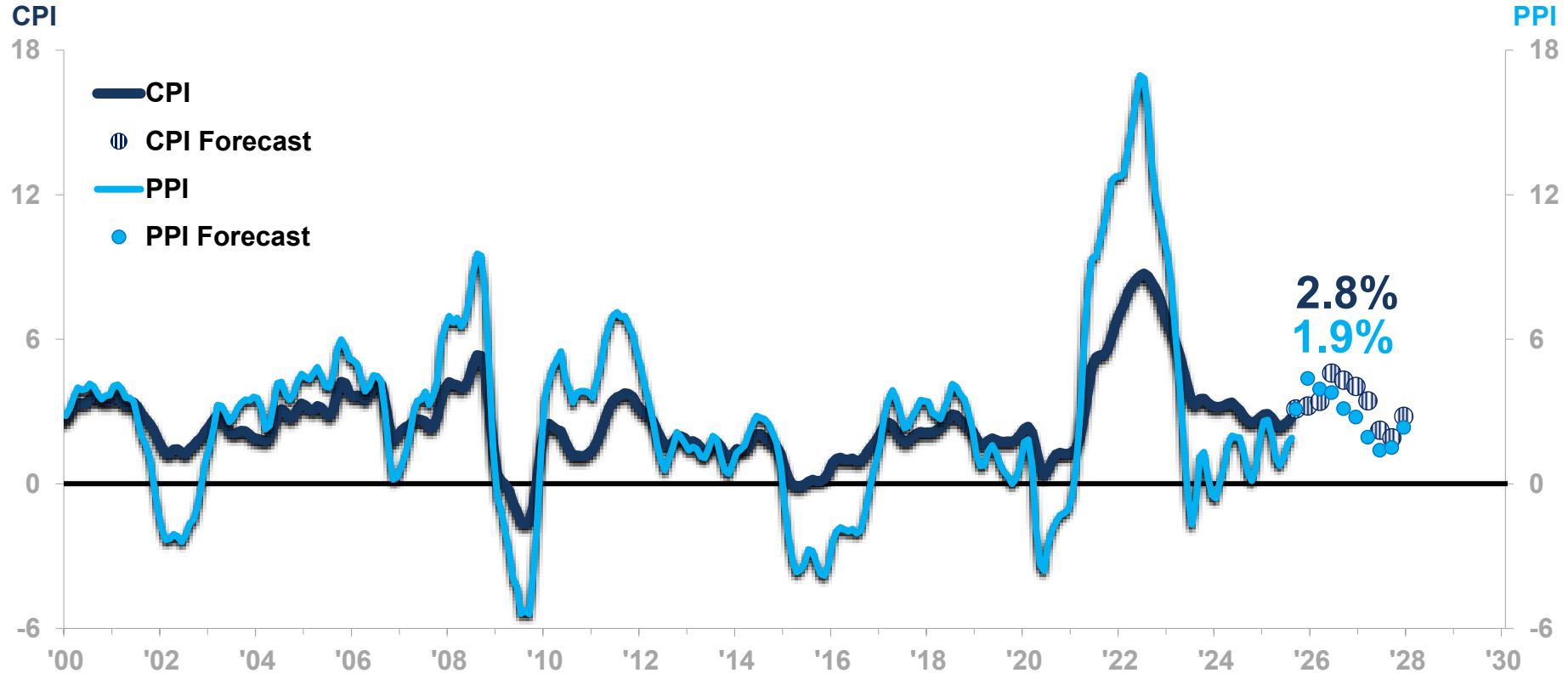


# Disinflation in the Short Term

Source: BLS

## US Consumer Price Index to US Producer Price Index

3/12 Rates-of-Change



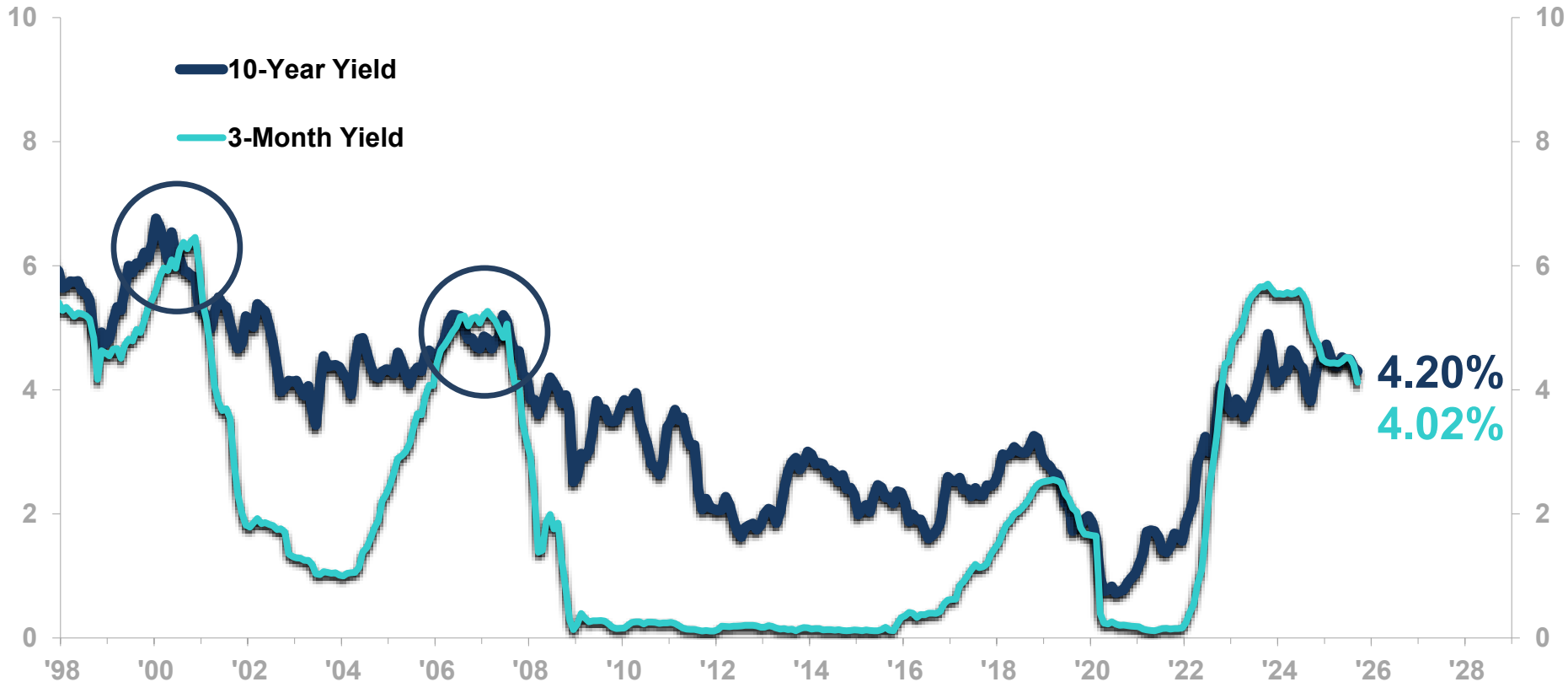
# *We Do Not Expect Dramatic Interest Rate Decline*

Sources: FRB, US Treasury Dept.

## US Government Long-Term Bond Yields to US 3-Month Treasury Bond Yield

Raw Data: Percent

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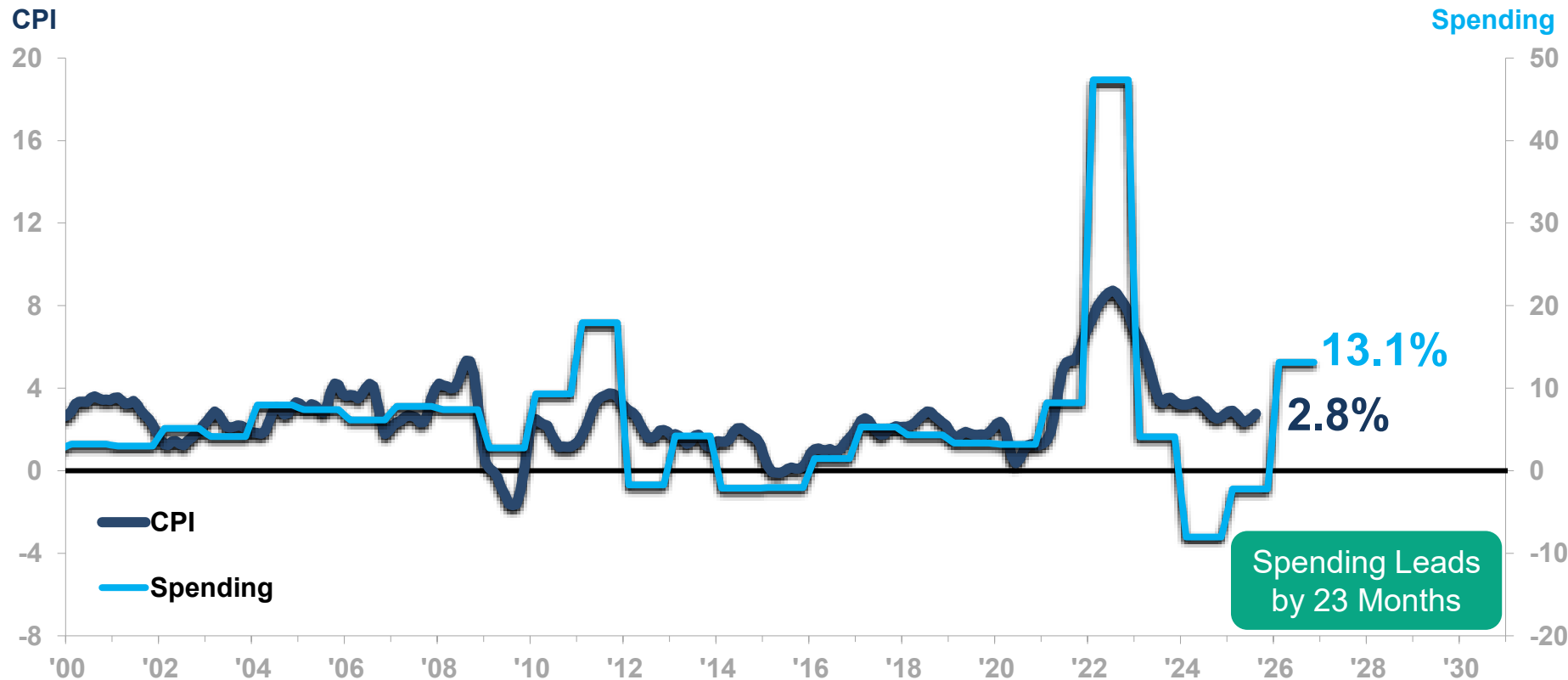


# Government Spending Sows Seeds of Future Inflation

Sources: BLS, White House OMB

## US Consumer Price Index to US Total Federal Spending

3/12 Rates-of-Change





Easing in inflation rate is largely over.



Electricity costs will be under long-term upward pressure.



Differentiate “first” cost from “total.”

## *Next Steps*

- Stay with us via our weekly Fed Watch YouTube free broadcasts.
- Broadcast this perspective within your organizations, including sales team.

# Causal Factors & Outlook Are Unchanged

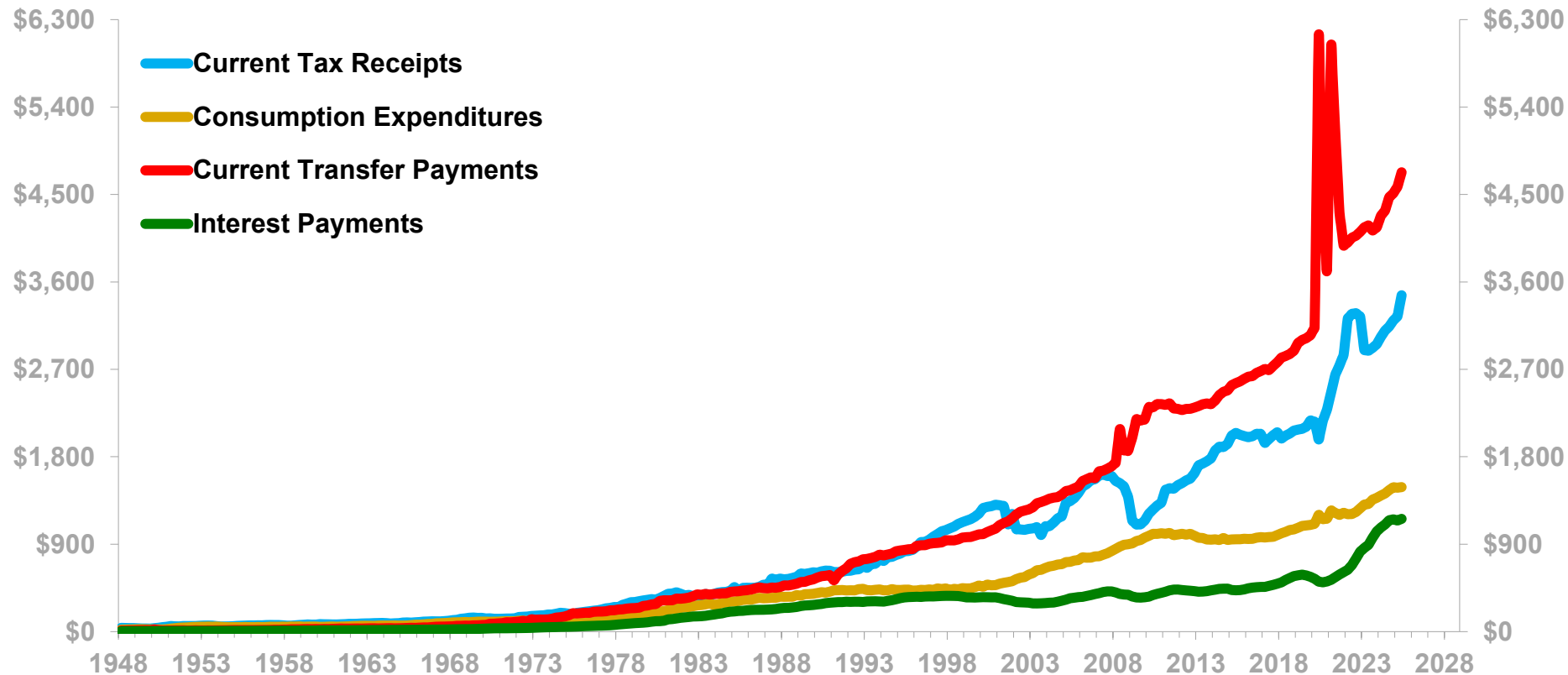
-  1. Demographics
-  2. Health Care Costs
-  3. Entitlements
-  4. Inflation
-  5. US National Debt





## Federal Government Receipts and Payments

Quarterly Data Trends in Billions of Dollars



# Relentless Rise in Social Security and Rapid Rise in Interest

Source: White

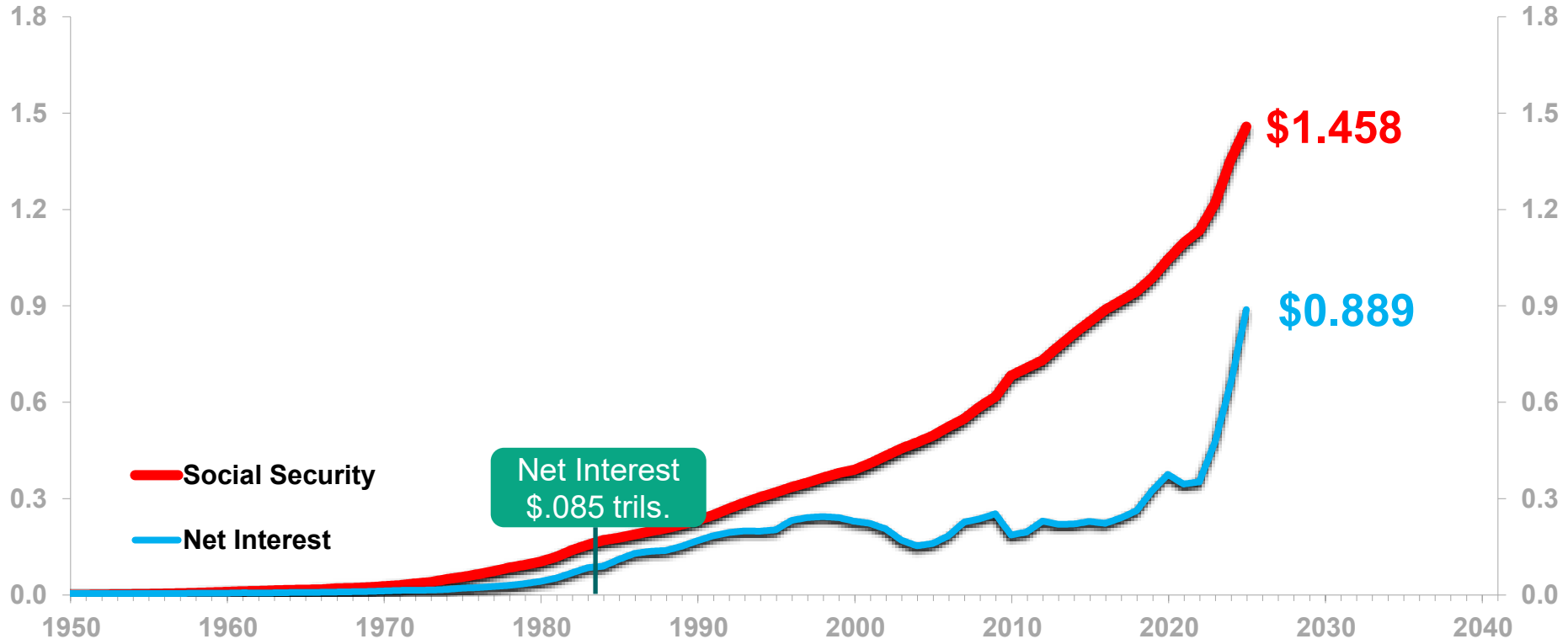
House OMB

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

### Annual Data Trends

**Social Security (Tril. \$)**

**Net Interest (Bil. \$)**



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## Government Revenue Needed to Make Interest Payments

Percent

### Percent of Revenue Needed in Year:

United States	18.0%	2023
United Kingdom	9.0	2023
Canada	7.4	2023
China	3.4	2021
Australia	3.1	2022
Germany	1.5	2022
Sweden	1.4	2022
Switzerland	0.9	2023

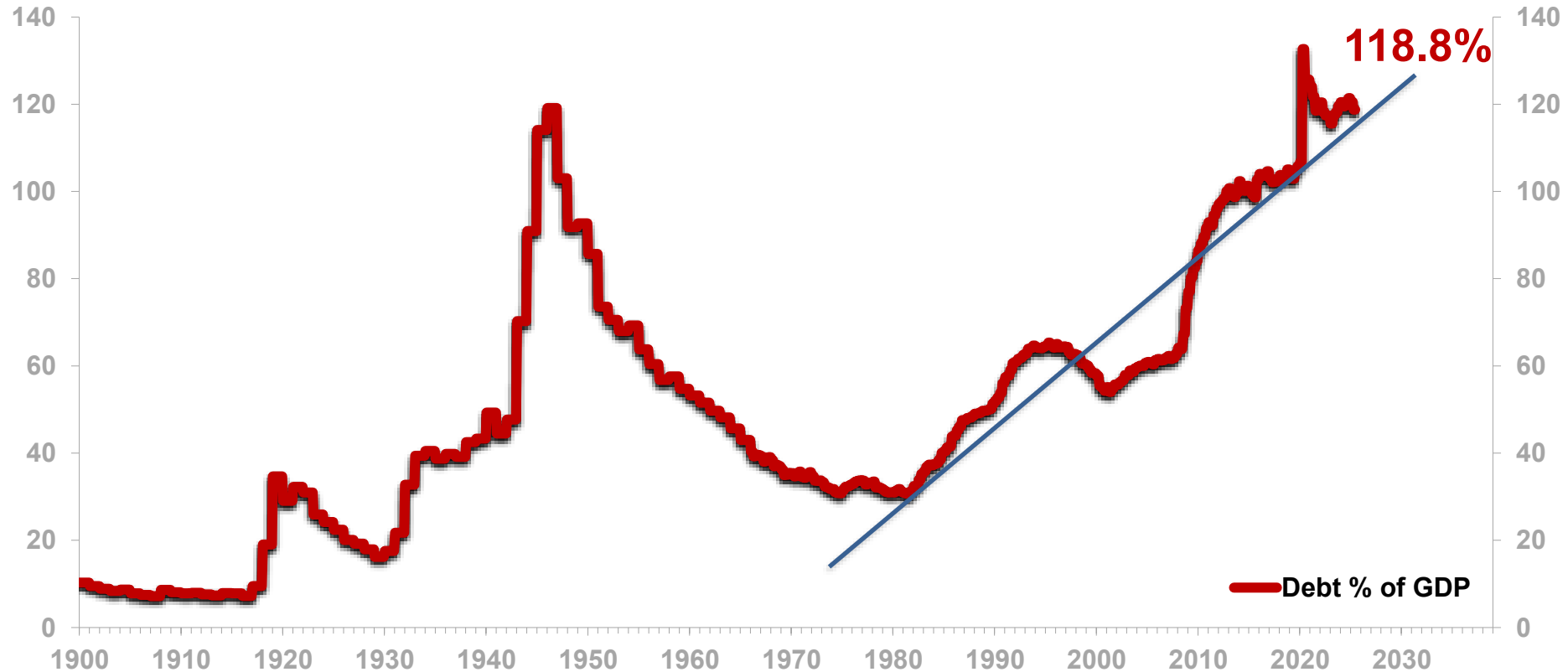
# Deficit Spending Expected to Continue to Ramp Up

Source: BEA

## US Gross Public Federal Debt as a Percent of Nominal GDP

Percent

ITR ECONOMICS  
Newport Crowe



# *Test to Determine if Your Company is:*

1 Interest rate sensitive

2 Price sensitive

3 Dependent upon a demand-pull market dynamic that will be hard hit in the 2030s

4 Positively correlated to the financial markets

5 A candidate for a possible divestiture/acquisition

- 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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# ANY QUESTIONS?

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