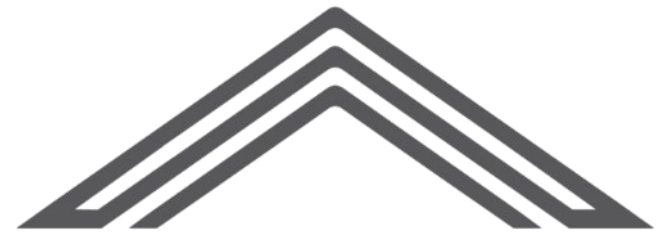




ITR ECONOMICS

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NFBA NATIONAL FRAME
BUILDING ASSOC.

Challenges and Opportunities in 2025-2026-2027

**Presented by ITR Economics
Economist & Senior
Consulting Speaker
Michael Feuz**

	Duration	Accuracy
US GDP	12	98.6%
US Ind. Production	19	96.5%
Europe Ind. Production	20	99.1%
Canada Ind. Production	10	99.6%
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.

A Powerful Management Tool • Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Mar-23	5.972				
Apr-23	6.964				
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			
Jan-24	6.487	20.1			
Feb-24	6.310	19.5		79.3	
Mar-24	6.299	19.1		79.6	
Apr-24	6.658	19.3		79.3	
May-24	6.763	19.7	2.5%	79.8	
Jun-24	6.982	20.4	1.3%	79.9	
Jul-24	6.580	20.3	1.8%	79.7	
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	6.603	20.6	1.1%	80.4	1.3%
Jan-25	6.931	20.8	3.3%	80.8	2.0%
Feb-25	6.511	20.0	3.8%	81.0	2.2%

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.

Expect Mild Rise Through 2025

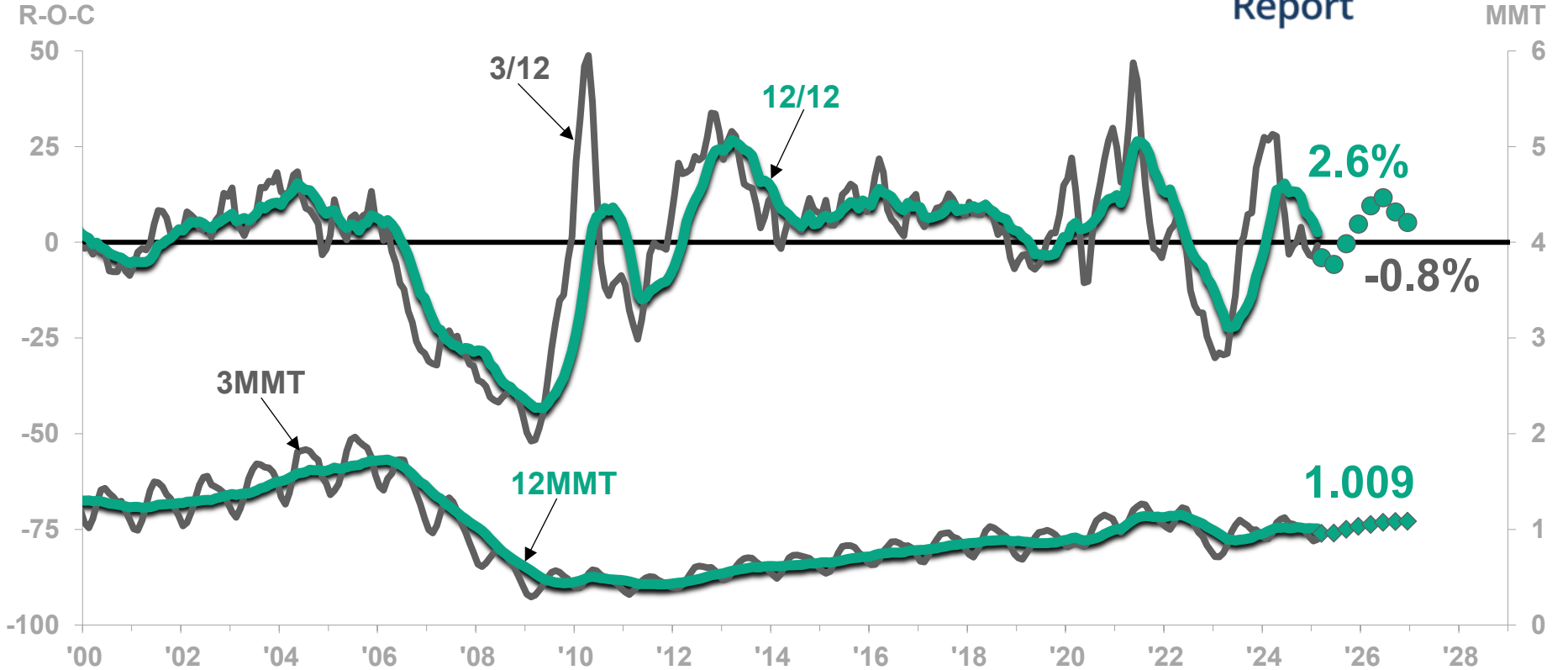
Source: US Census Bureau

US Single Unit Housing Starts

Millions of Units

as seen in
ITR Economics'
Trends
Report

ITR ECONOMICS



Housing Starts Rise to be Muted by Affordability Constraints

Sources: US Census Bureau, ITR

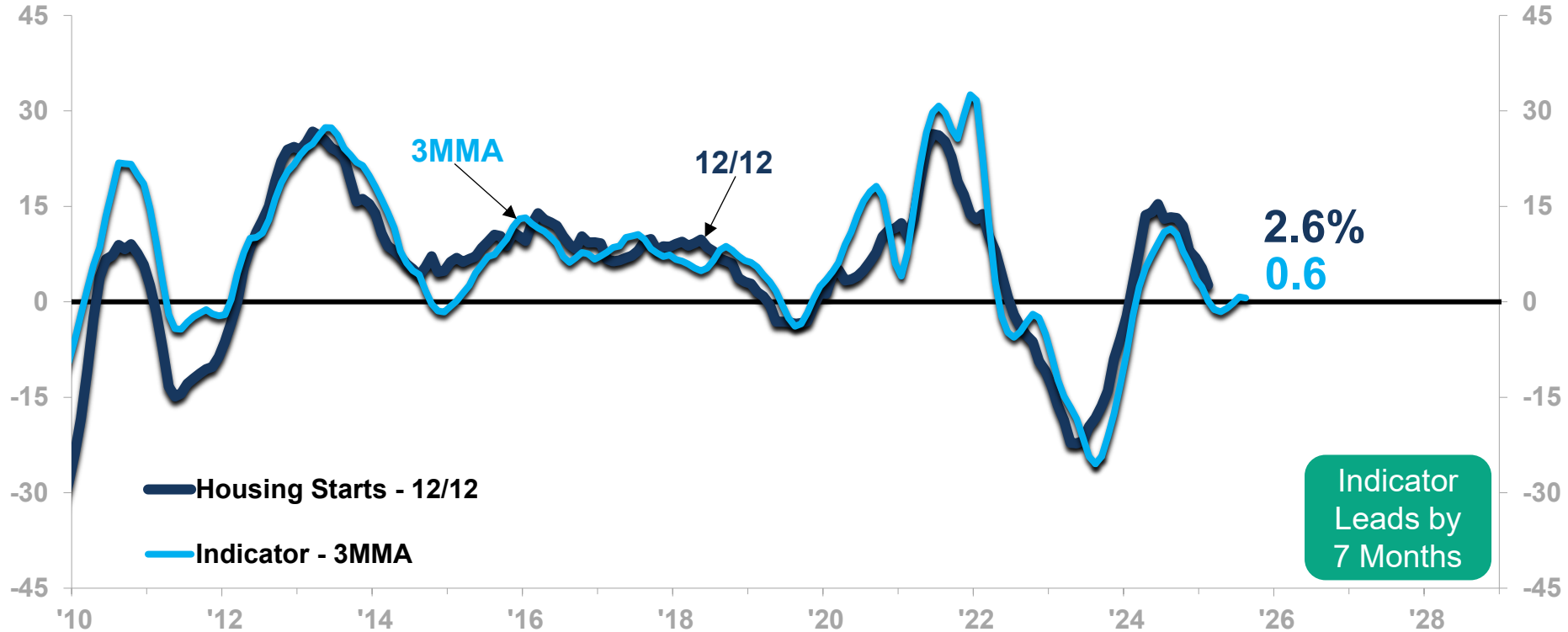


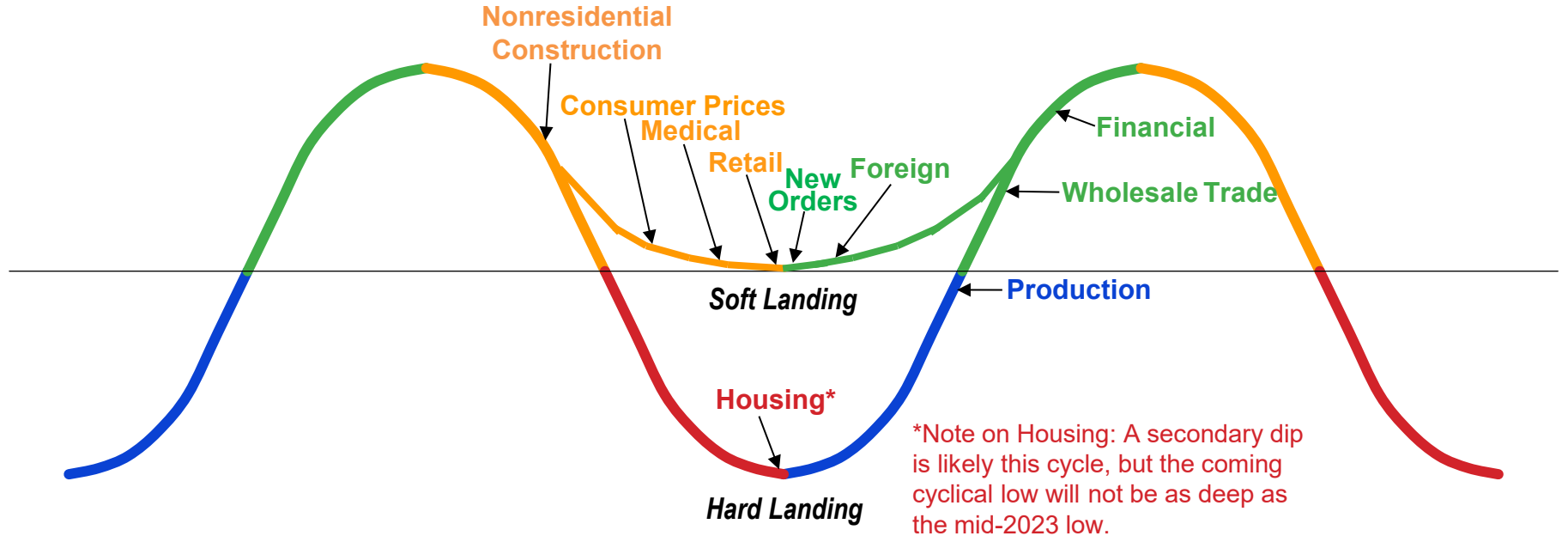
US Single-Unit Housing Starts to ITR Single-Unit Housing Starts Leading Indicator

Rate-of-Change to Quarterly Data Trend

Housing Starts

Indicator





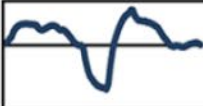



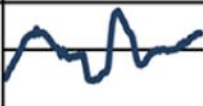

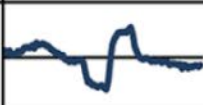

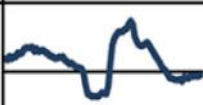

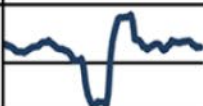

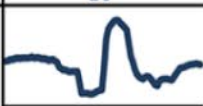



The World Economy, Global Trade & Tariffs



The Global Economy At-a-Glance

Source: ITR Economics Trends Report™

	Historical 12/12	Historical 12MMA	Current 12/12	2025	2026	2027
Canada Industrial Production			0.1	2.3	1.7	1.0
Mexico Industrial Production Index			0.2	0.4	0.7	0.9
Brazil Manufacturing and Mining Industrial Production Index			3.1	-2.2	2.7	1.7
Western Europe Industrial Production Index			-1.7	2.1	0.8	1.3
Eastern Europe Industrial Production Index			-0.8	2.9	1.6	1.0
India Industrial Production Index			4.3	5.3	3.3	3.7
China Industrial Production Index			5.6	3.4	4.5	4.3

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.

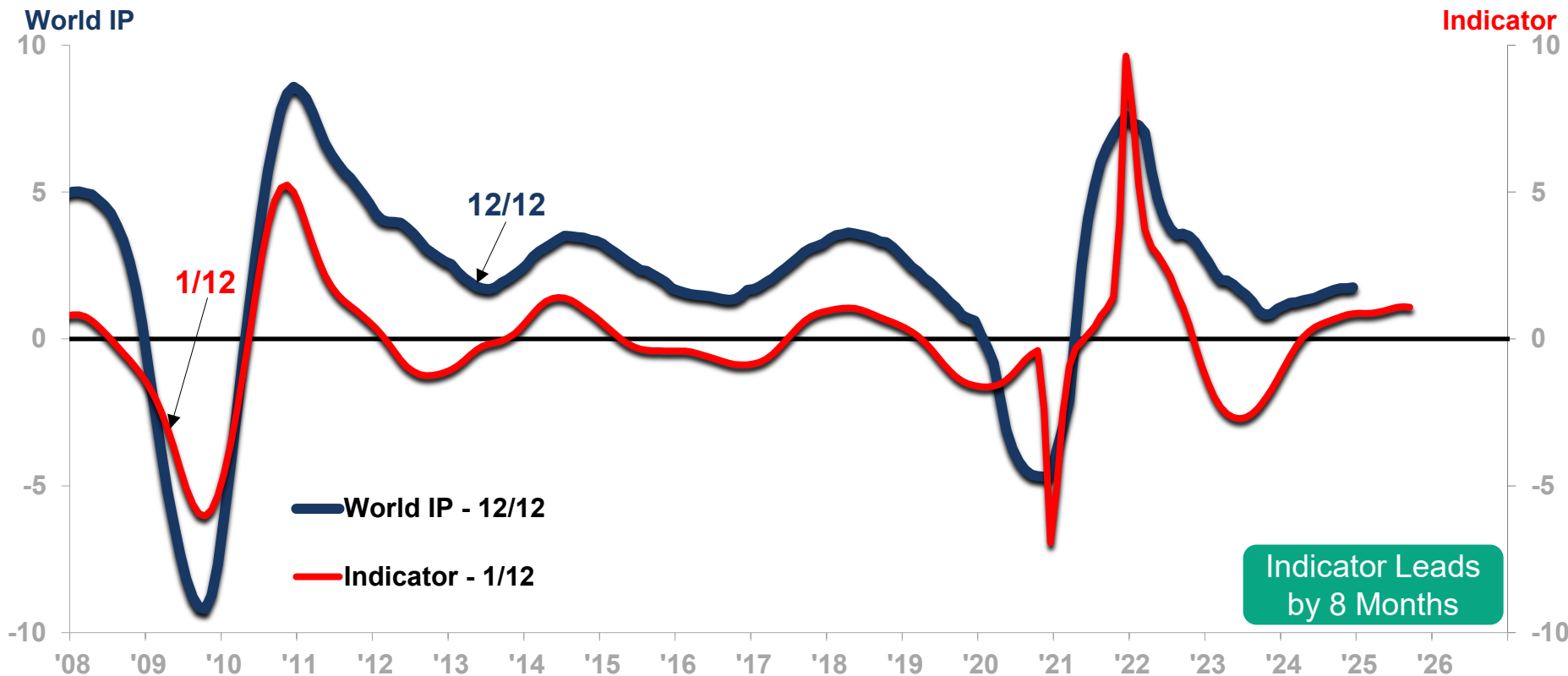
Indication of Ongoing Rise in 2025

Sources: CPB Netherlands Bureau For
Economic Policy Analysis, OECD



World Industrial Production Index to G7 Leading Indicator

Rates-of-Change

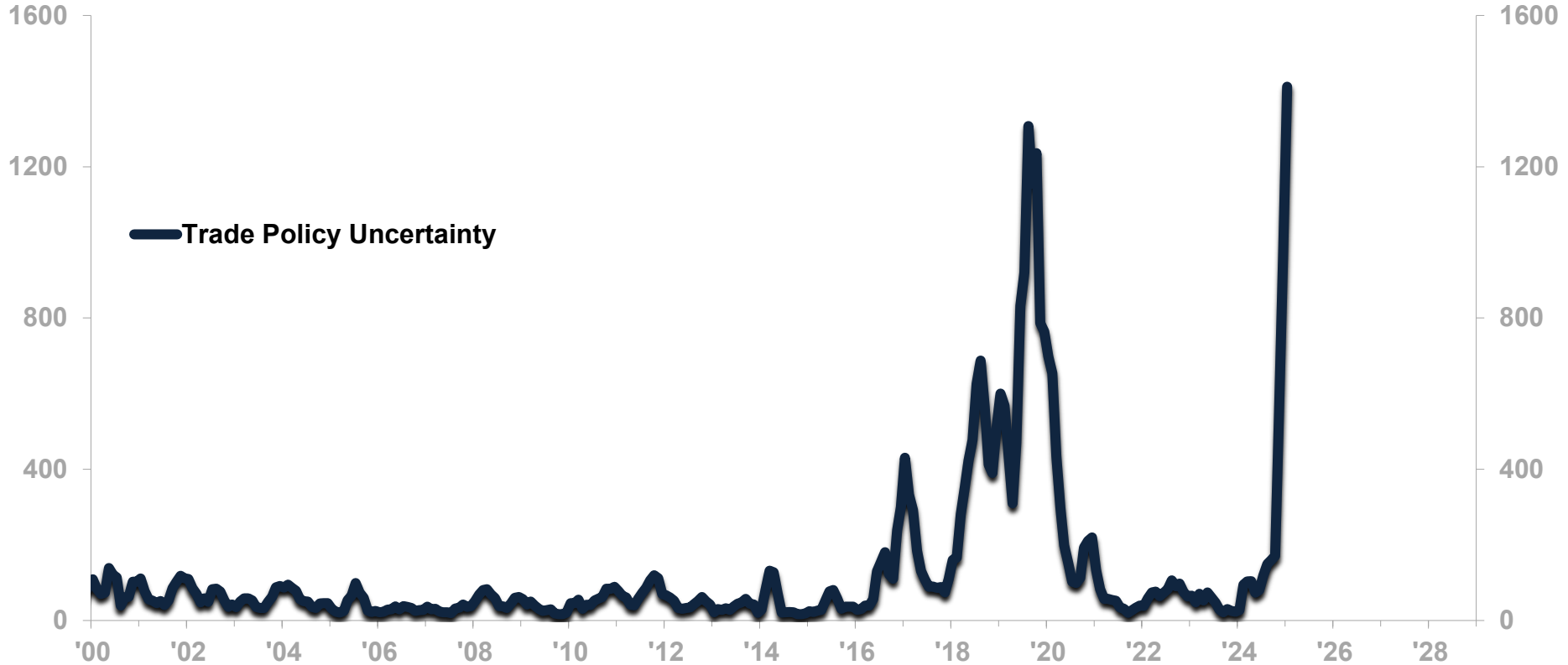


Uncertainty Abounds

Source: Economic Policy Uncertainty

US Trade Policy Uncertainty Index

Quarterly Data Trend: Index



US Top Trading Partners Through December 2024

Billions of Dollars



Top 15 Countries US Trades With through December 2024 (Billions of Dollars)

1. Mexico	\$ 839.9	6. South Korea	\$197.1	11. Netherlands	\$ 123.8
2. Canada	\$ 761.2	7. Taiwan	\$158.6	12. Ireland	\$ 119.8
3. China	\$ 582.5	8. Vietnam	\$149.7	13. Italy	\$ 108.8
4. Germany	\$ 236.0	9. United Kingdom	\$148.0	14. France	\$ 103.4
5. Japan	\$ 227.9	10. India	\$129.2	15. Brazil	\$ 92.0

Wood Imports from Canada (2023)

Canadian Wood Imports By Year

- “The lumber used to frame a new home makes up a significant portion of the overall cost to build. In fact, the average new home built in the U.S. has a rough lumber package cost in the range of **6.5% to 8%** of the total cost to build the home.” - <https://ownerbuilderclass.com/blog/f/lumber-prices-for-new-homes>
- A 25% Tariff on Canadian Lumber would roughly have a \$3,000 to \$5,000 price increase on **a home costing \$400,000 to build** **if** the tariff is fully passed through **and if the builder uses Canadian Lumber.**

7.36%

1.09%

Wood Crates

0.42%

US Capacity Utilization Can Absorb Some Canadian Production

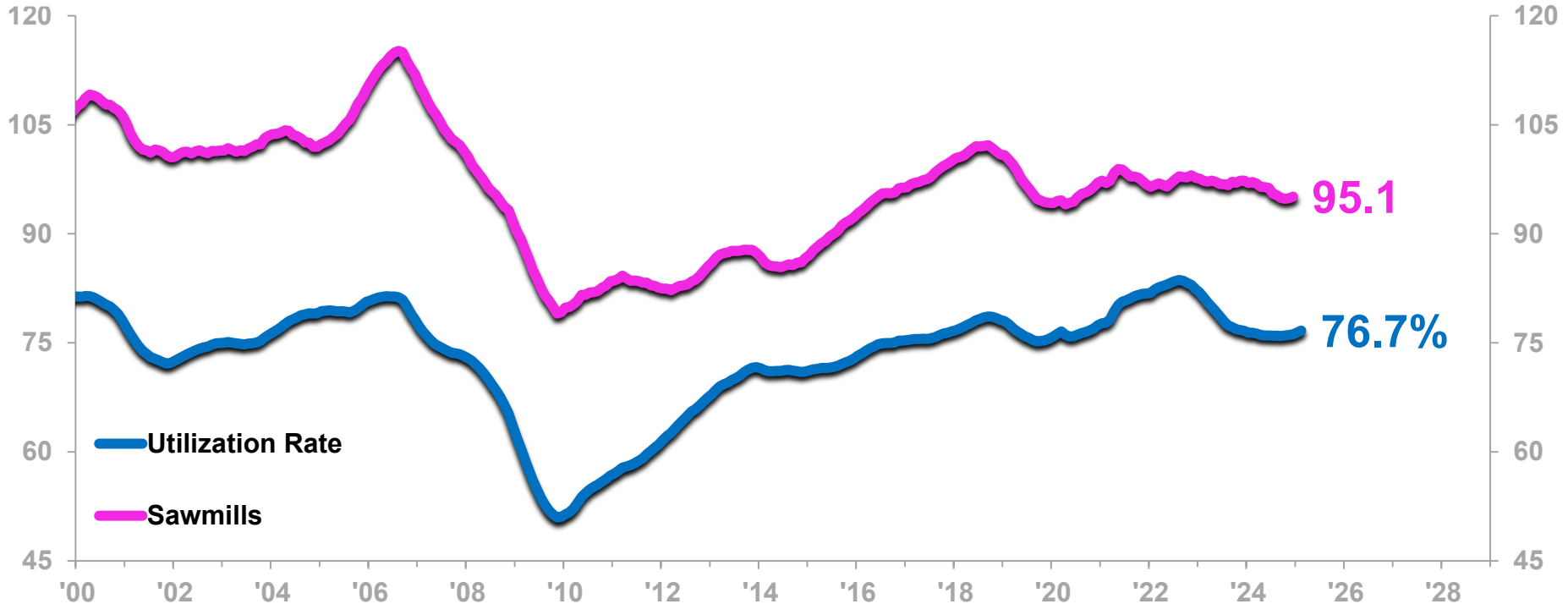
Source: FRB

US Wood Products Capacity Utilization Rate to US Sawmills and Wood Preservation Production Index



Annual Data Trends

Utilization Rate (%)



Tariffs Account for Less than 1% of Total Federal Revenue

Sources: White House
OMB, BEA, USITC

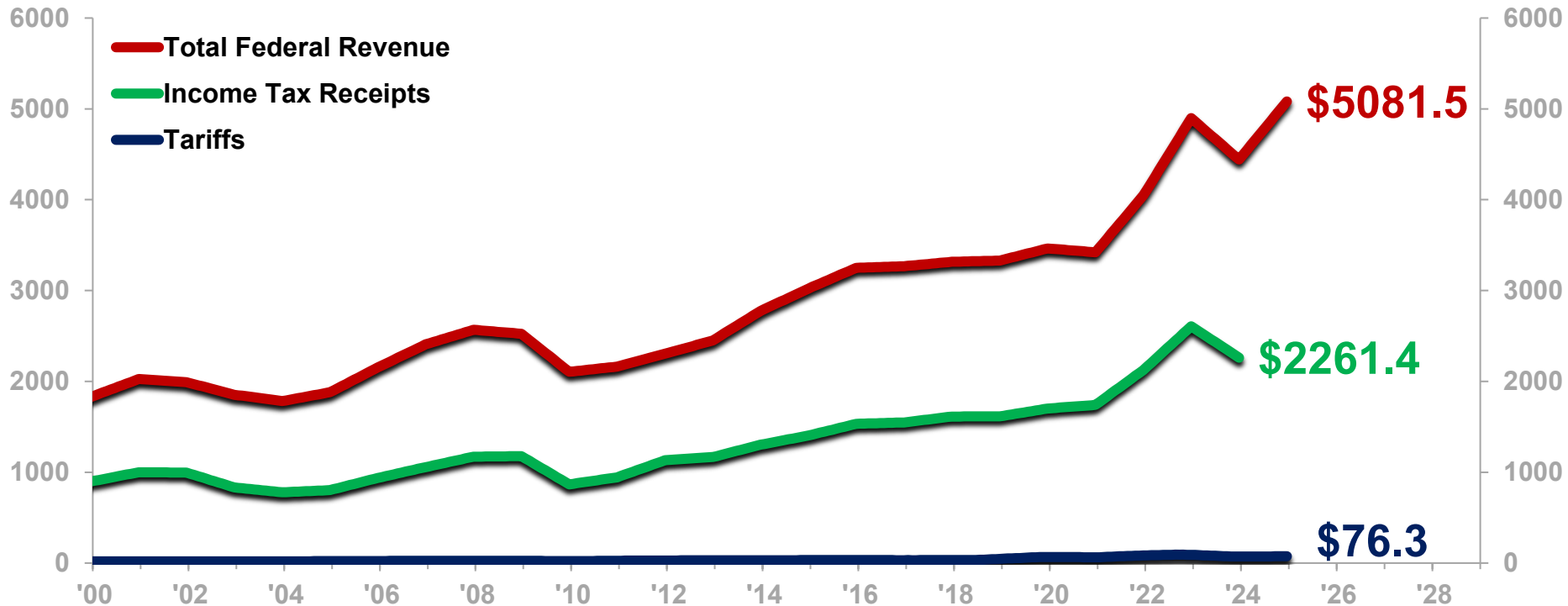
US Total Federal Revenue to US Current Federal Government Tax Receipts from Personal Income Tax to US Value of Tariffs Collected on Imported Goods



Annual Data Trends: Billions of Dollars

Federal Revenue

Income Tax Receipts, Tariffs



 Even with tariffs on Canada, Mexico, Europe, & China the US Economy will continue to grow.

 Immediate tariff price impact will be more microeconomic.

 Retaliations may ensue.

Next Steps

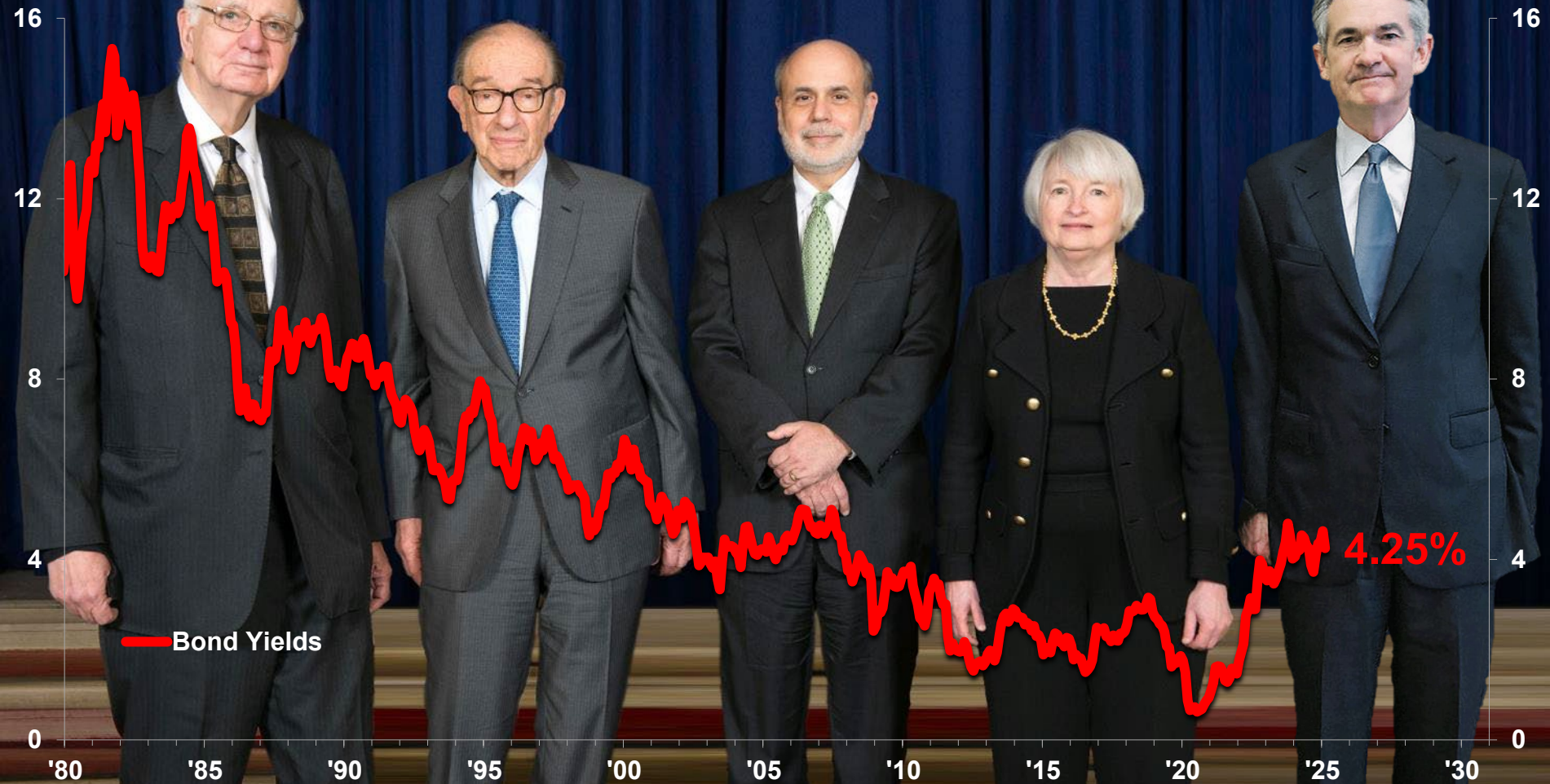
- **Develop your tariff playbook.**
- **Cut costs relentlessly that do not impact your long-term strategy.**
- **Raise prices aggressively.**



Inflation & Interest Rates

Future US Bond Yields

Source: FRB



— Bond Yields

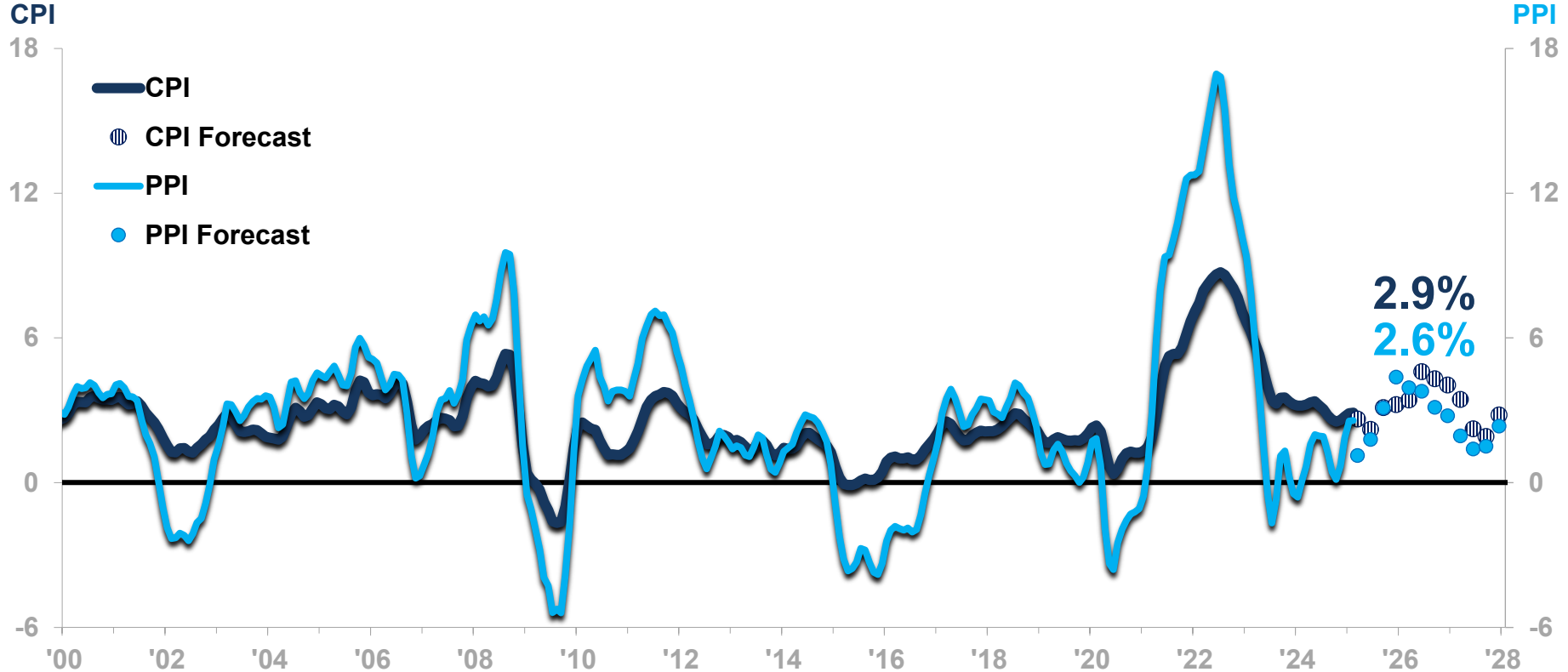
4.25%

Inflation is Coming Back

Source: BLS

US Consumer Price Index to US Producer Price Index

3/12 Rates-of-Change

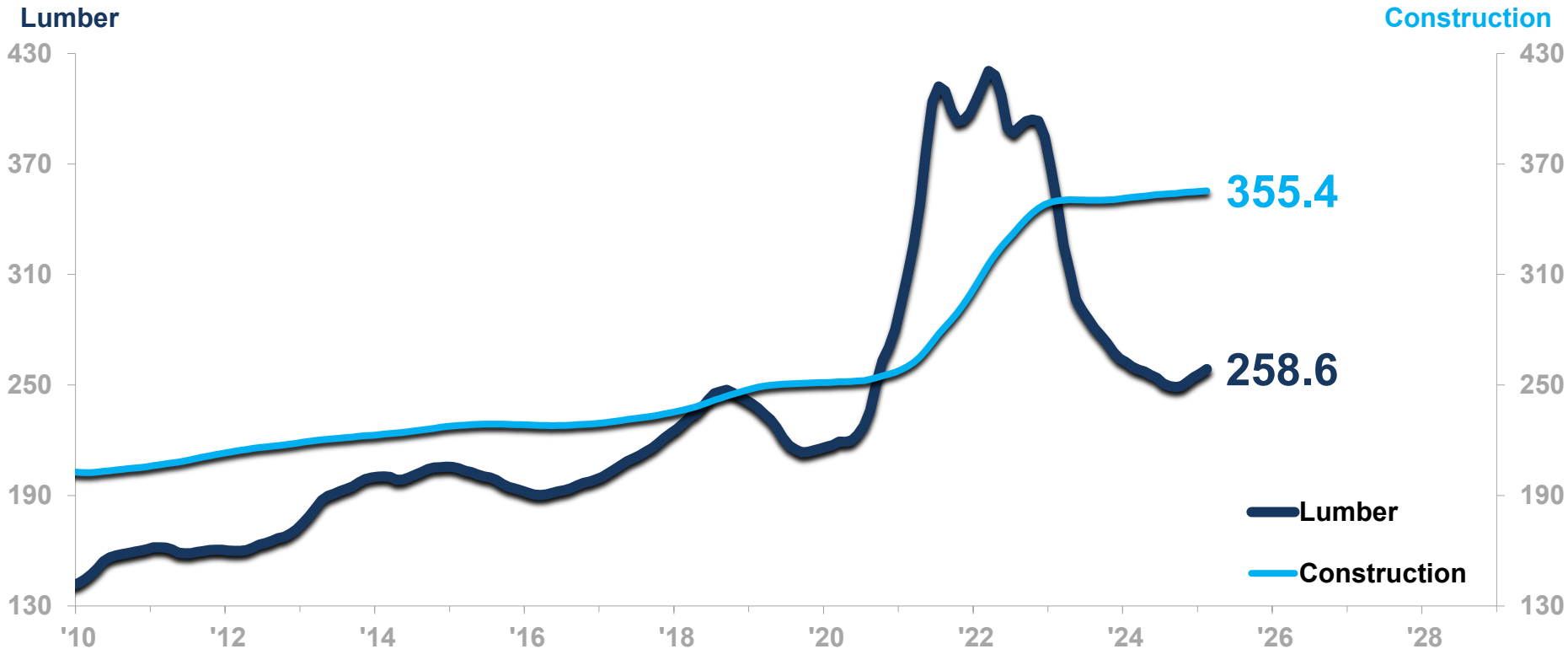


Prices to Rise 2H25 Amid Residential Construction Expansion

Source: BLS

US Softwood Lumber Producer Price Index to US Construction Materials and Components Producer Price Index

Annual Data Trends: 1982 = 100





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

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



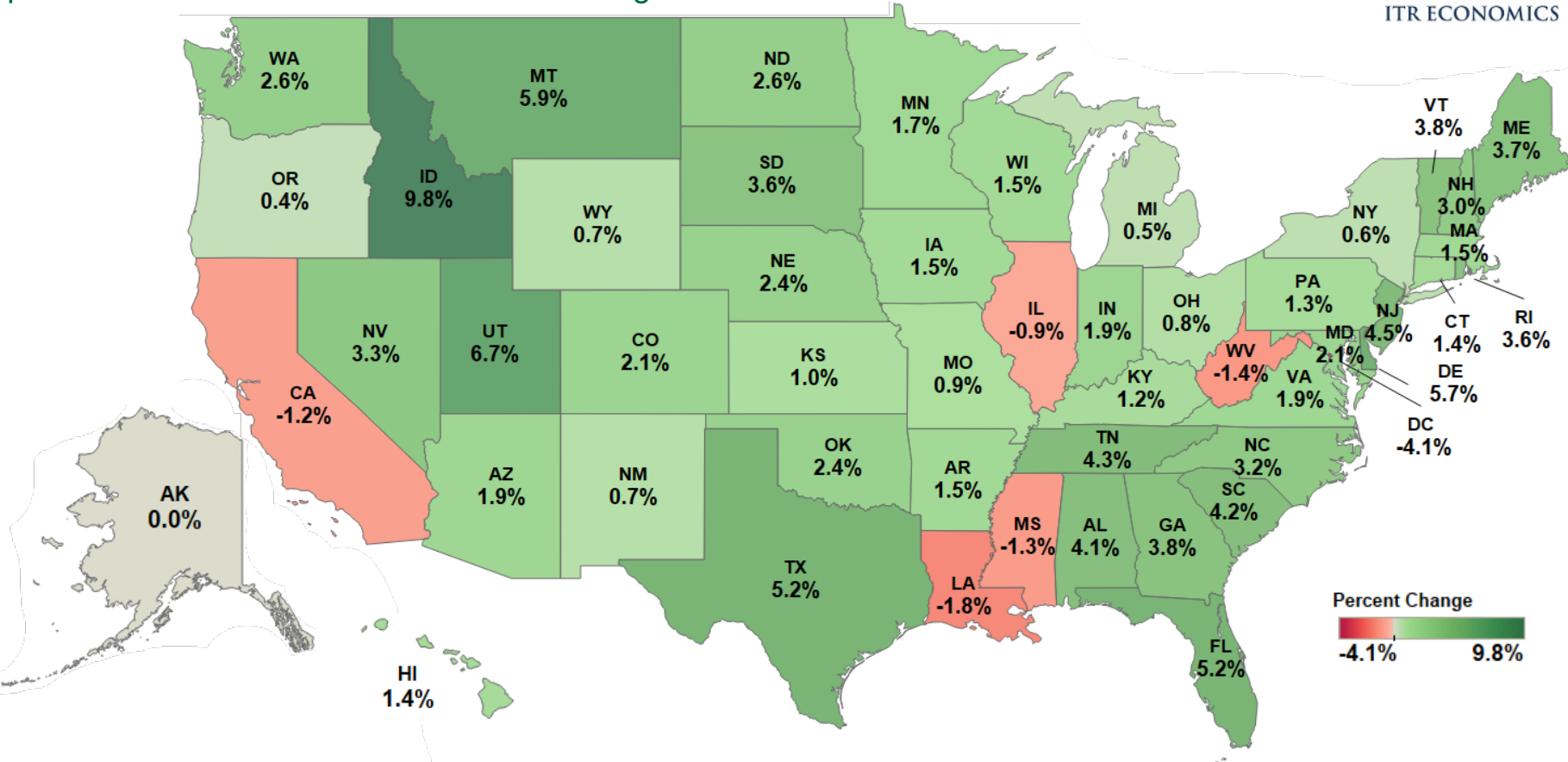
People



Population Changes 2019 to 2023

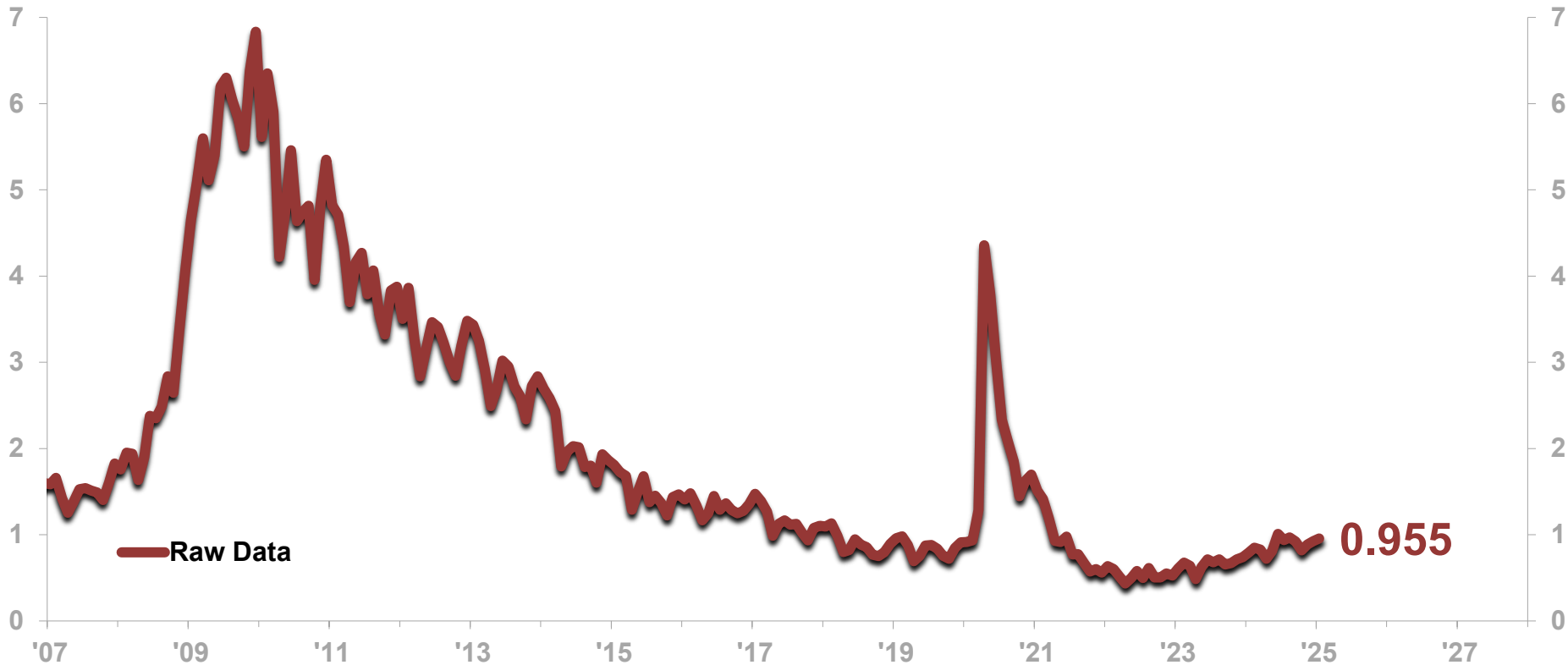
Source:
US Census Bureau

Population Growth 2019 – 2023: Percent Change



US Number of Unemployed Persons per Job Opening

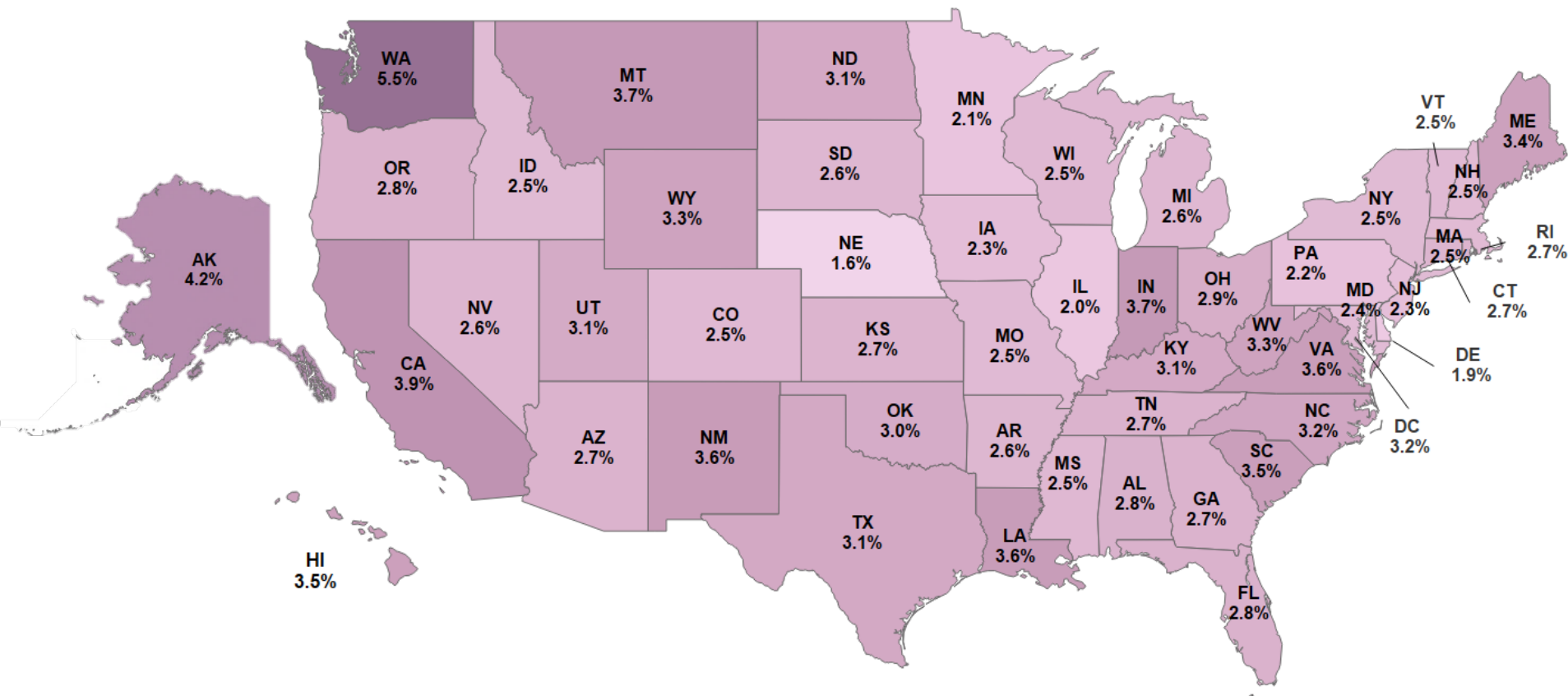
Raw Data: Number of Persons



US Wage Inflation by State

Source: BLS

12/12 Rates-of-Change

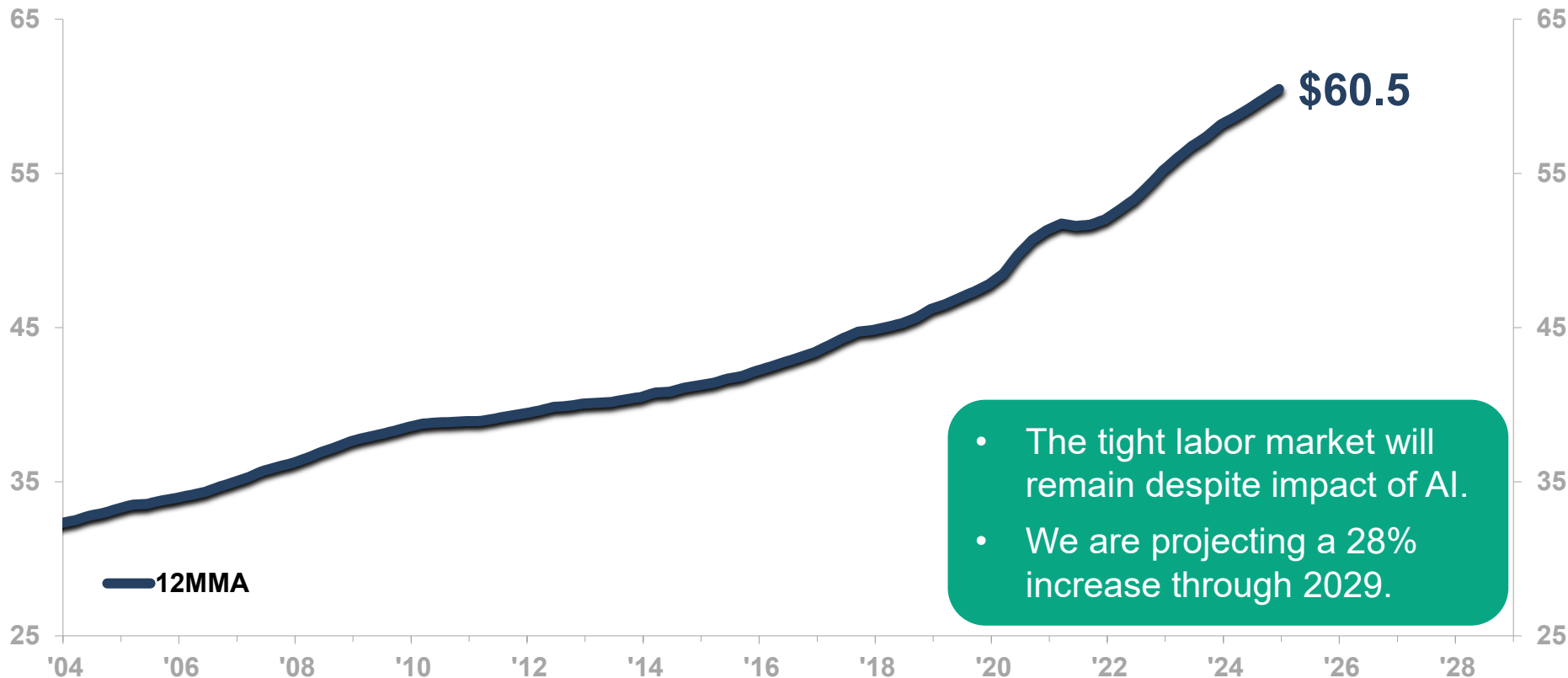


Expect Labor Costs to Move Higher to 2030

Source: BLS

US Median Annual Earnings

Annual Data Trend: Thousands of Dollars



- The tight labor market will remain despite impact of AI.
- We are projecting a 28% increase through 2029.

 Disinflation on wages into 2025.

 Tight labor market for years.

 It is all about the culture.

Next Steps

- **Baby Boomers are leaving.**
- **Prepare the next generation.**



Macroeconomic Trends

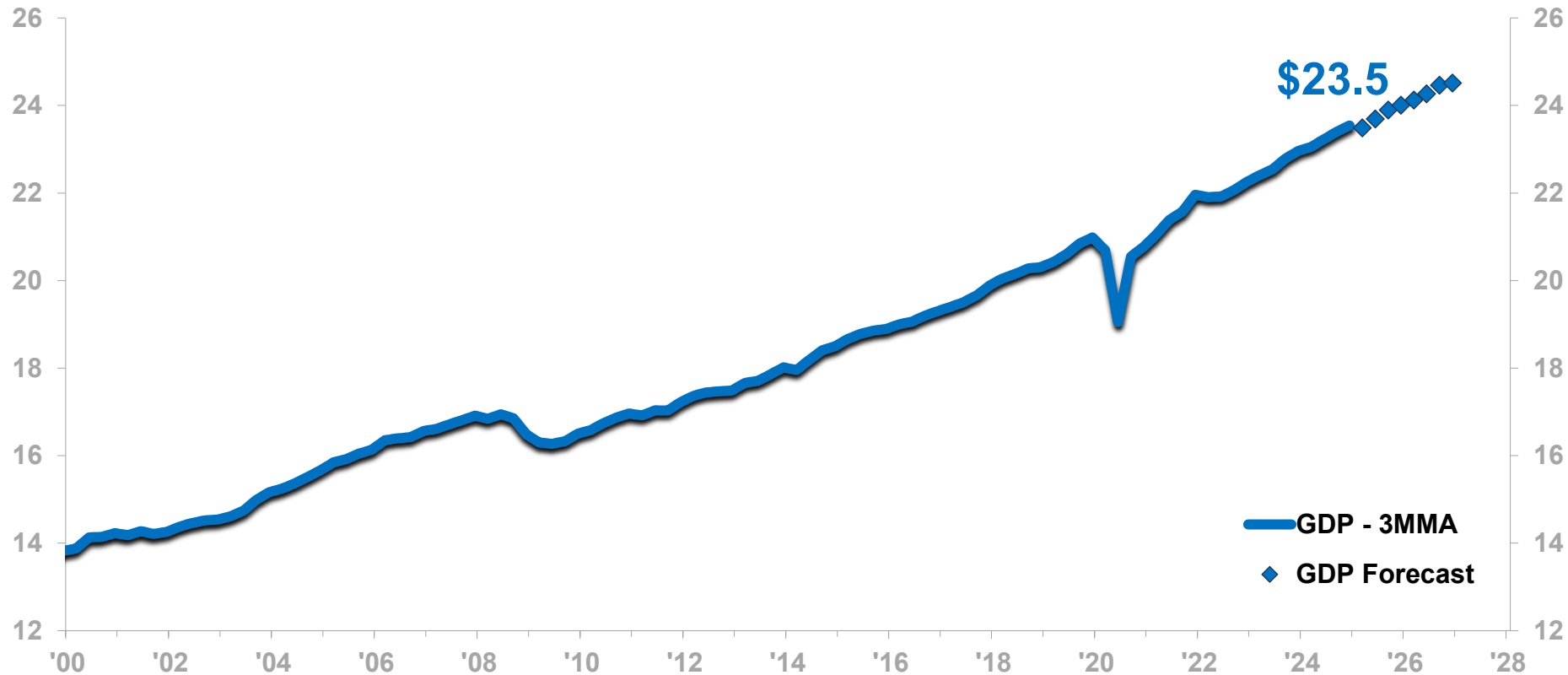


Growth Expected to Characterize 2025 & 2026

Source: BEA

US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



Inflation-Adjusted Wages Are Rising

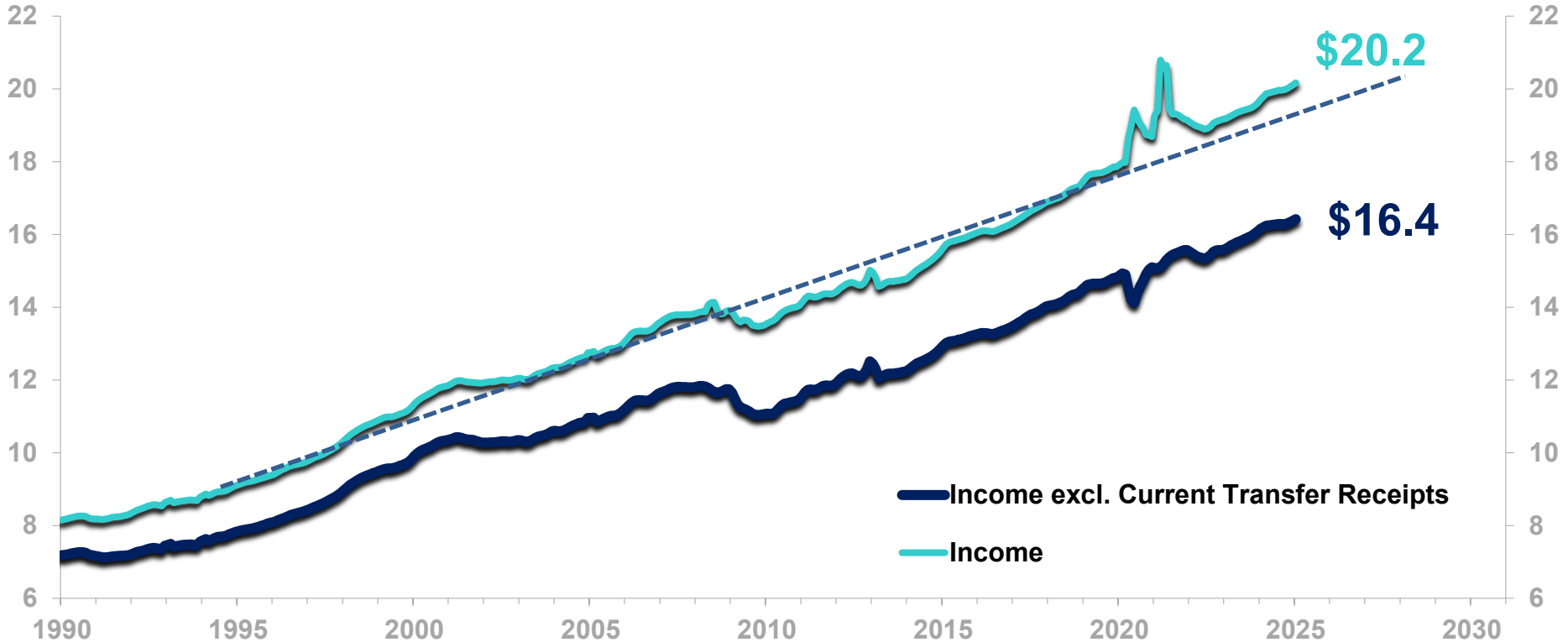
Source: BEA

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

3.18%

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

Residential Delinquency (>90 days)

1.82%

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

Domestic Nonfinancial Corp
Profits (Trillions of Dollars)

\$2.77

Record high but +5.6% gain is below avg

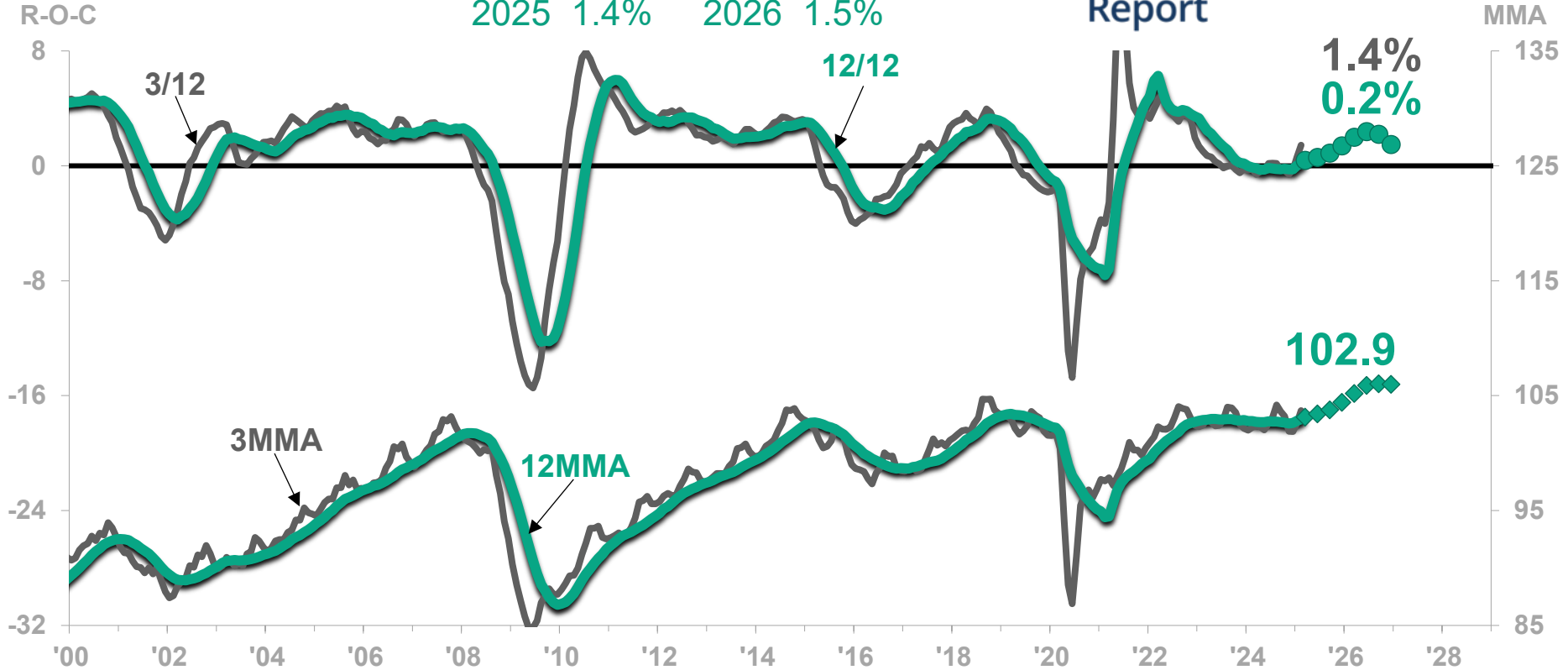
Rise Begins Now

Source: FRB

US Industrial Production Index

2017 = 100

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



US Leading Indicators

Sources: ITR Economics, OECD, ISM, FRB

Leading Indicators to US Industrial Production



Indicator	1Q25	2Q25	3Q25	Lead Time
ITR Leading Indicator	●	●	●	8
ITR Retail Sales Leading Indicator	●	●	●	8
US OECD Leading Indicator	●	●	●	9
US ISM PMI	●	●	●	12
US Total Capacity Utilization Rate	●	●	N/A	7

Coloring denotes the business cycle phase at year-end. **Annual growth rate (12/12)



Profits Signaling Mild Rise in Capital Expenditures

Sources: US Census
Bureau, BEA

US Nondefense Capital Goods New Orders (excluding aircraft) to US Domestic Nonfinancial Industries Corporate Profits (with capital consumption adjustments)
Rates-of-Change



ITR ECONOMICS

as seen in
ITR Economics'

Trends Report Profits

New Orders



Profits Lead
by 9 Months



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.**



Construction



Permits Signal Potential for Rise for Housing Starts

Source: US Census Bureau

US Housing Starts to US Housing Unit Building Permits

Rates-of-Change



Housing Starts

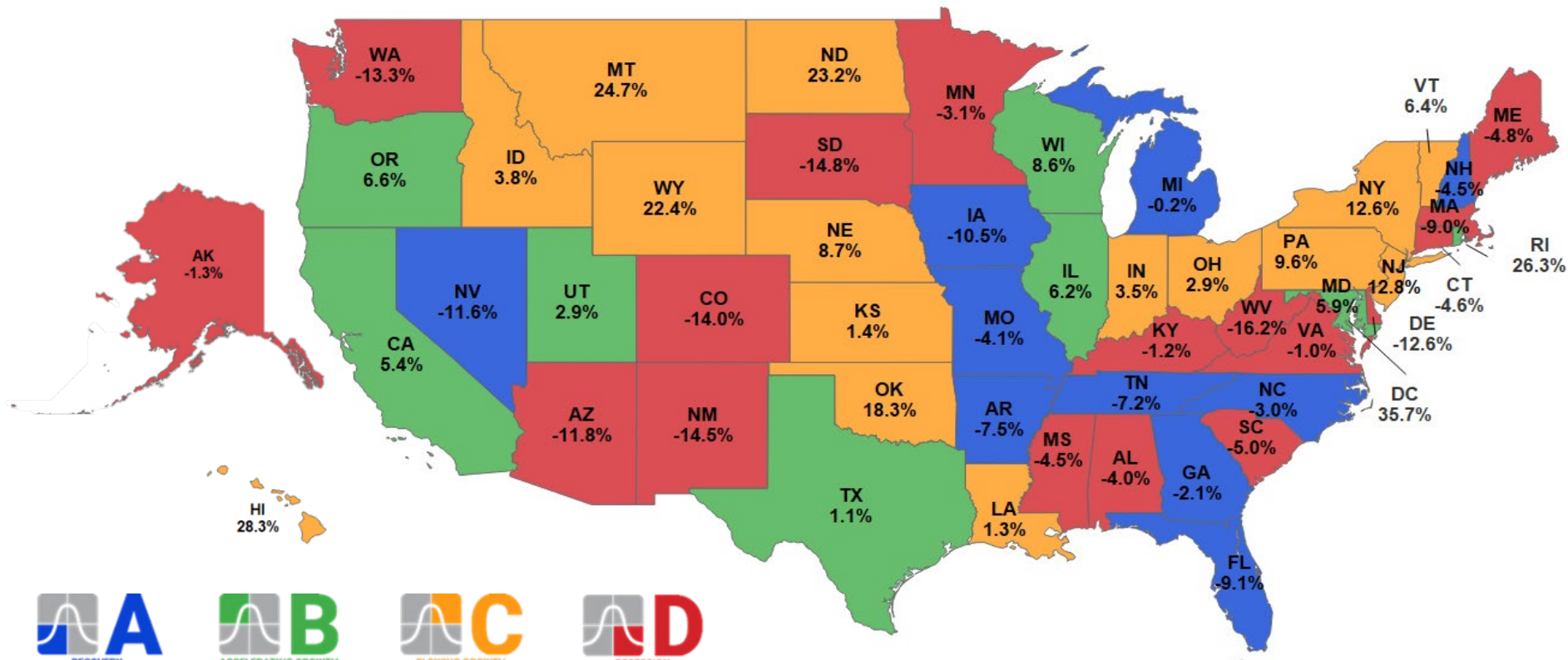
Permits



US Single-Family Housing Unit Permits by State

Source: US Census Bureau

3/12 Rates-of-Change

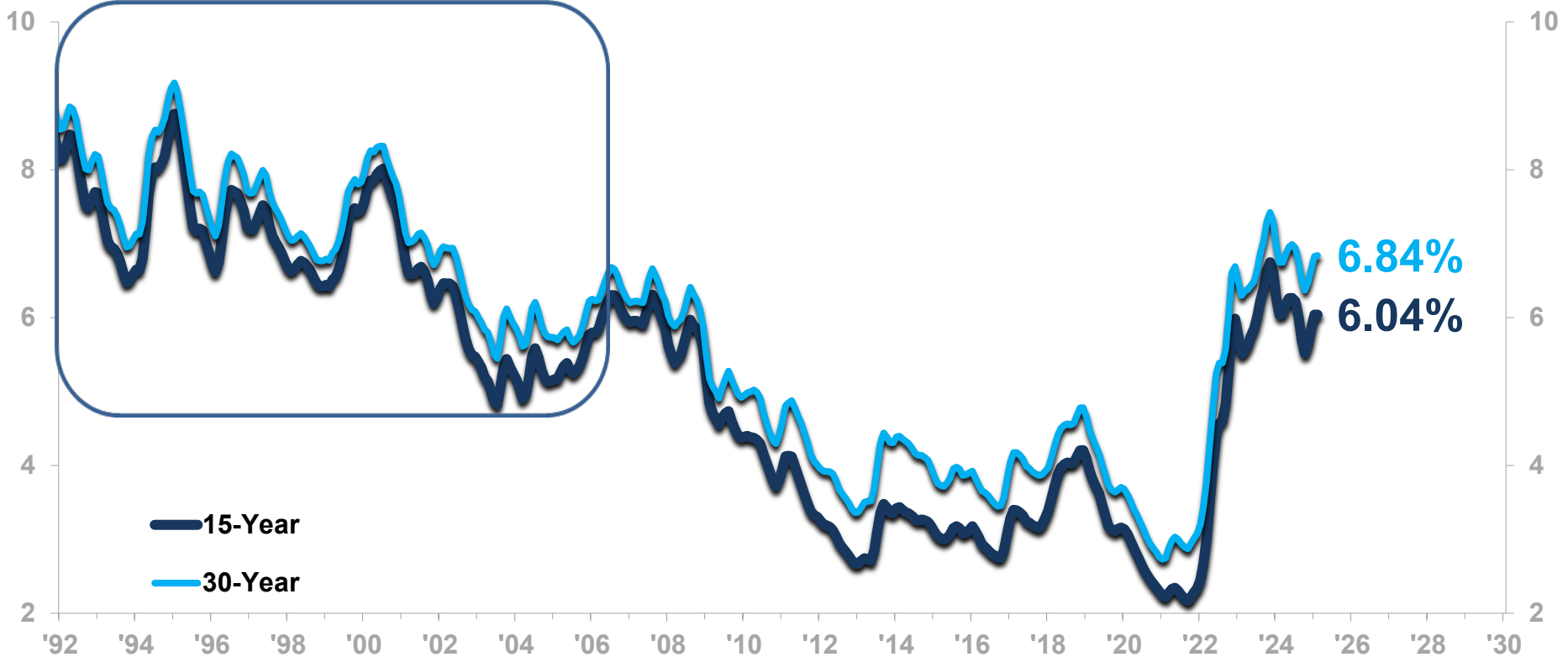


Mortgage Rates Trending into the “New Normal”

Source: Freddie Mac



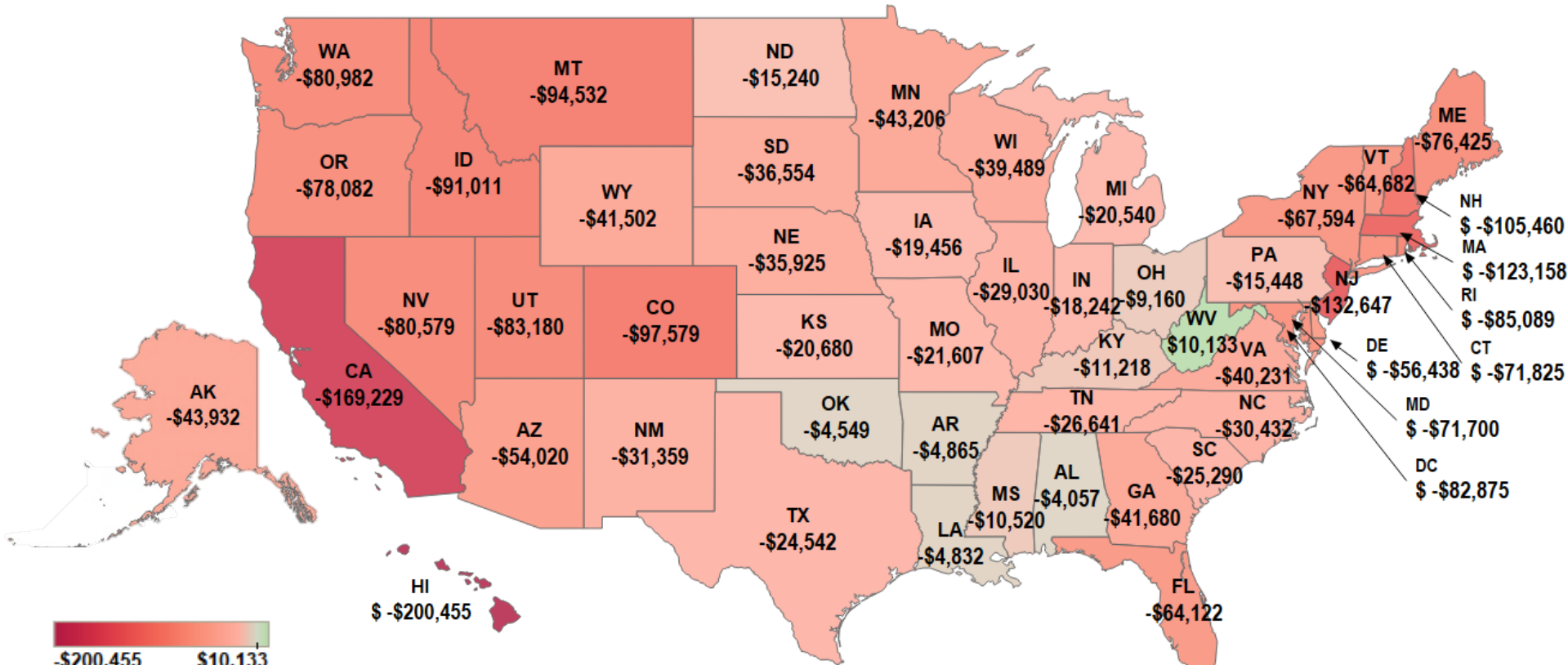
**US 15-Year Mortgage Monthly Average Fixed Rate to
US 30-Year Conventional Mortgage Rate**
Quarterly Data Trends: Percent



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

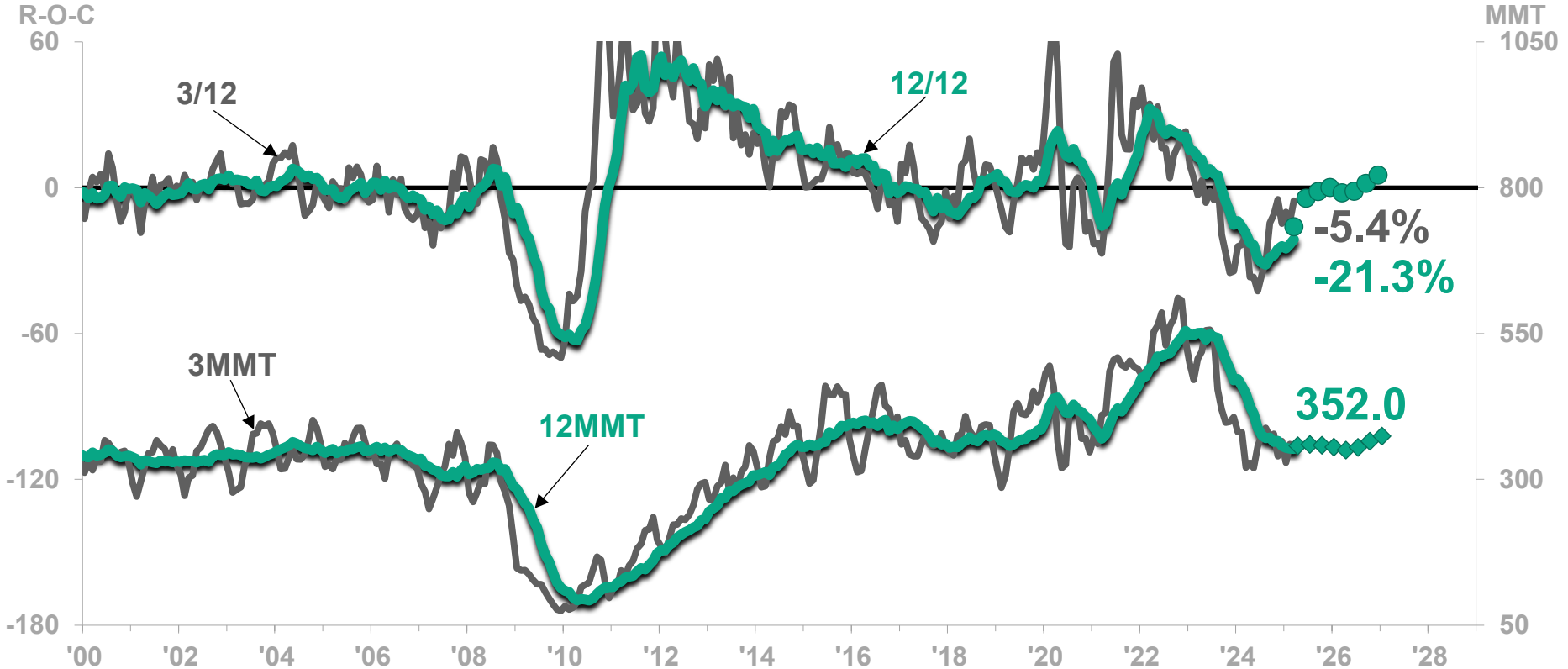


General Rise Through 2026; Remain Below 2022-23 Levels

Source: US
Census Bureau

US Multi-Unit Housing Starts

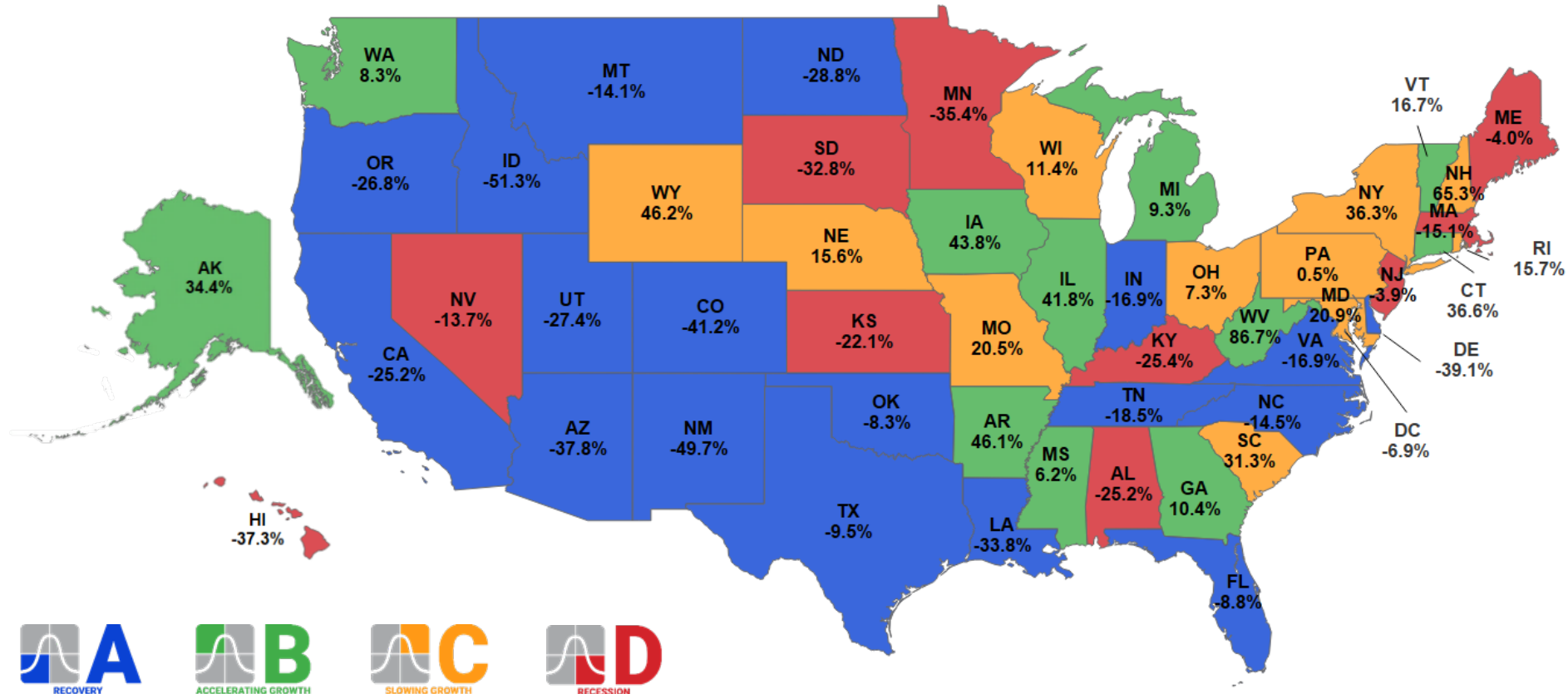
Thousands of Units



US Multi-Family Housing Unit Building Permits

Source: US Census Bureau

12/12 Rates-of-Change

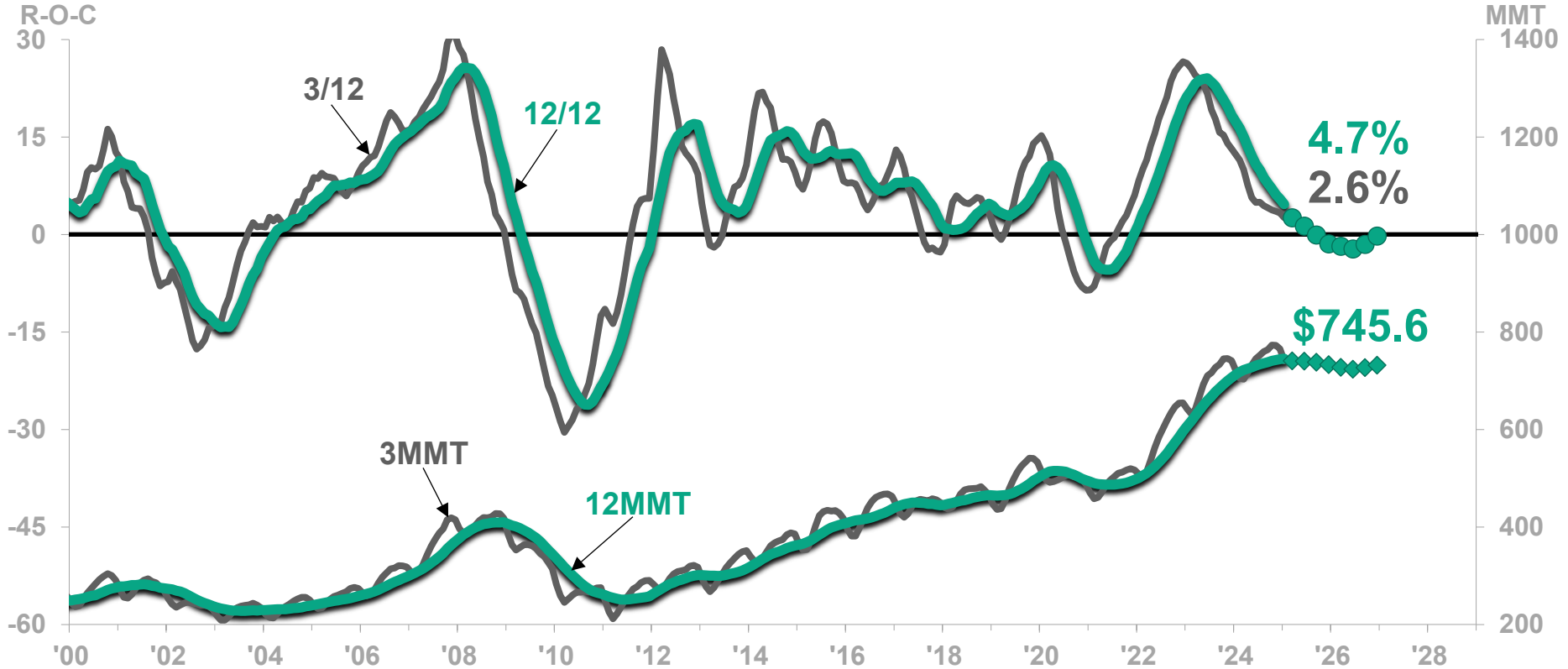


Nonres Construction to Generally Decline into Early 2026

Source: US
Census Bureau

US Private Nonresidential Construction

Billions of Dollars



Backlogs Signal Further Construction Cyclical Decline

Sources: US Census Bureau,
Associated Builders & Contractors

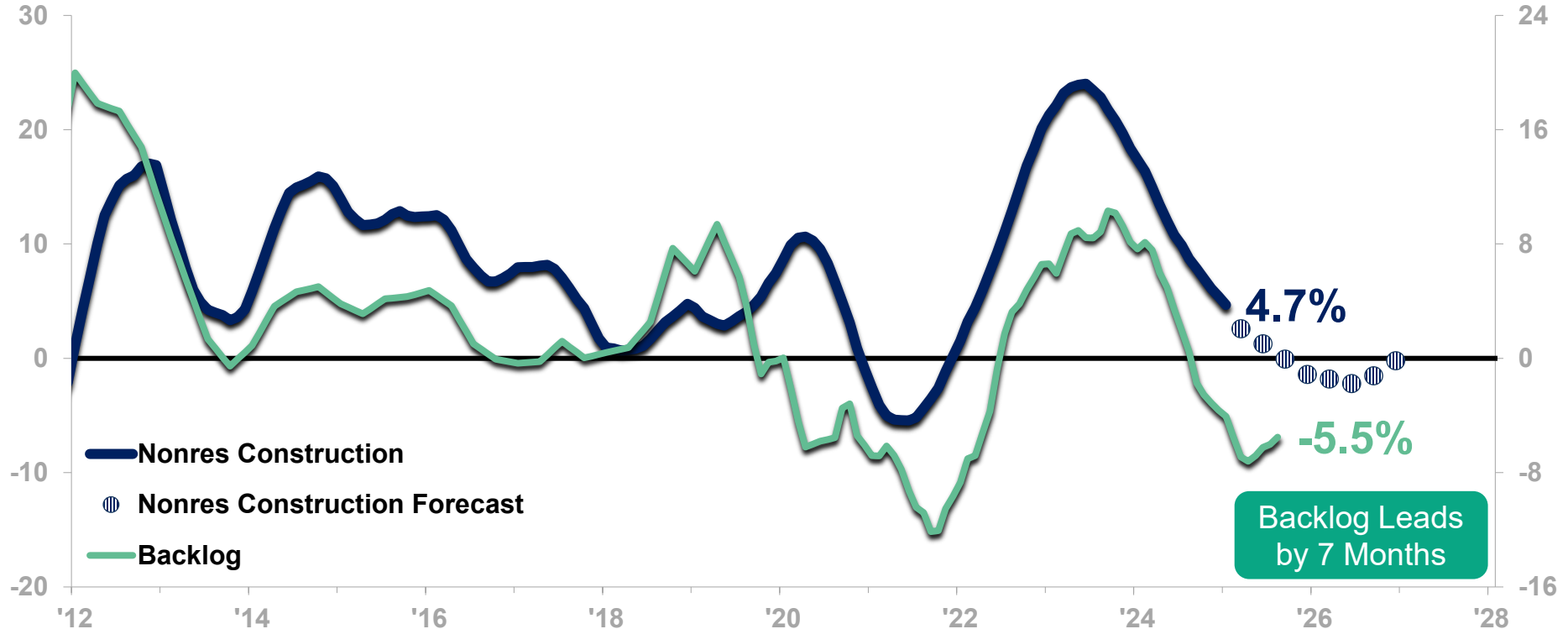


US Private Nonresidential Construction to Construction Backlog Indicator

12/12 Rates-of-Change

Nonres Construction

Backlog

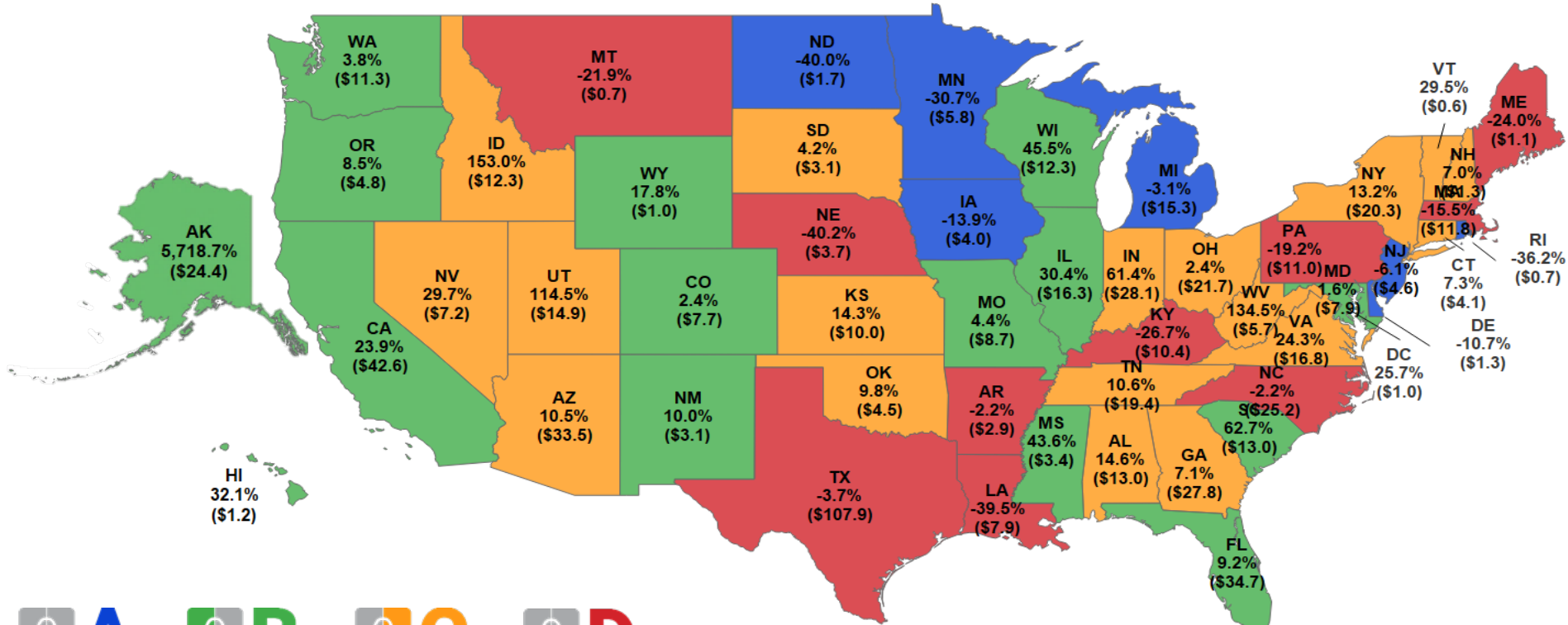


US New Nonresidential Construction

Source: ConstructConnect

12/12 Rates-of-Change

Annual Data Trend: Billions of Dollars



The US Construction Economy At-a-Glance

Source: ITR Economics
Trends Report™



	Historical 12/12	Historical 12MMT	Current 12/12	2025	2026	2027	Highlights
US Single-Unit Housing Starts			5.2	4.8	5.2	5.1	Starts will rise from mid-2025 through at least 2027. Rise may be muted and choppy due in part to affordability headwinds.
US Multi-Unit Housing Starts			-23.1	0.2	5.3	-0.7	Market conditions are relatively weak. The 12MMT will vacillate between 345 and 377 thousand units in the coming three years.
US Private Office Construction			-14.8	-3.6	8.2	3.0	The 12MMT will decline for much of 2025 due to unfavorable industry conditions. The 12MMT will then rise through at least 2027.
US Total Education Construction			8.4	-2.0	2.2	6.1	Prior decline in housing starts signals a weaker year for Construction. Expect decline from the near term into early 2026.
US Total Hospital Construction			10.1	2.4	5.6	2.8	Construction will rise through 2027, although growth will slow this year. An aging US population will keep demand relatively high.
US Private Manufacturing Construction			20.3	-1.3	-12.8	-4.2	Receding government incentives and the impact of elevated interest rates will temper Construction. Onshoring is an upside.
US Private Multi-Tenant Retail Construction			-7.2	-2.3	7.3	-2.1	Expected stronger consumer signals will drive recovery and rise in this market. Low vacancy poses an upside risk to our forecast.
US Private Warehouse Construction			-18.6	6.0	9.0	1.2	A rising trend will kick off early this year as economic activity gains momentum. Interest rates remain an obstacle.
US Public Water & Sewer Facilities Construction			13.2	2.3	-2.0	-0.5	Prior housing and utilities trends suggest downside pressures. The 12MMT will peak around mid-2025, then decline into late 2027.

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



- 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.

Any questions?



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Is your business facing these questions and concerns as we move toward the 2030s?

- *Interest rate sensitivity*
- *Price sensitivity*
- *Dependence upon a demand-pull market dynamic that will be hard hit in the 2030s*
- *Worth of your business positively correlated to the financial markets*
- *Reliant upon market activity that is largely non-discretionary*

Financial Resilience: Your Blueprint to the 2030s

Extended forecast and custom roadmap

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