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Align Resources for the Rise Ahead

**Presented by ITR Economics
Consulting Principal
Alan Beaulieu, PhD**

2024 Forecast Results



	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



A Powerful Management Tool • Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Feb-23	6.251				
Mar-23	5.972				
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			
Nov-23	6.985	20.7			
Dec-23	6.658	20.4			
Jan-24	6.487	20.4		79.2	
Feb-24	6.310	19.5		79.3	
Mar-24	6.299	19.1		79.6	
Apr-24	6.658	19.3	0.4%	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	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	6.738	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	6.892	20.6	3.1%	80.8	2.0%

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.

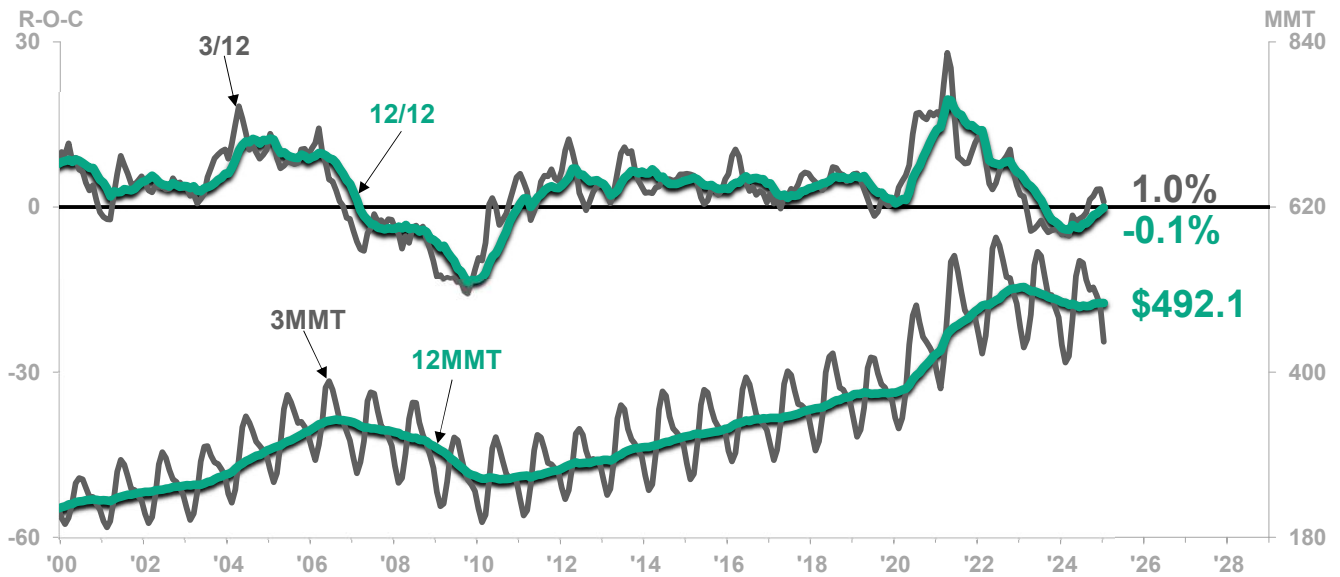
Defines the business cycle.

Plan for Rise in 2025 and 2026

Source: US Census Bureau

US Building Materials Stores and Gardening Equipment and Supplies Stores Retail Sales

Billions of Dollars



Plan for Rise in 2025 and 2026

Source: US Census Bureau

US Building Materials Stores and Gardening Equipment and Supplies Stores Retail Sales

Billions of Dollars



Canada Building Materials & Garden Equipment Dealers Retail Sales

12/12 -1.9% A 3/12 -1.5% A
12MMT C\$45.7b and declining



Global Forces

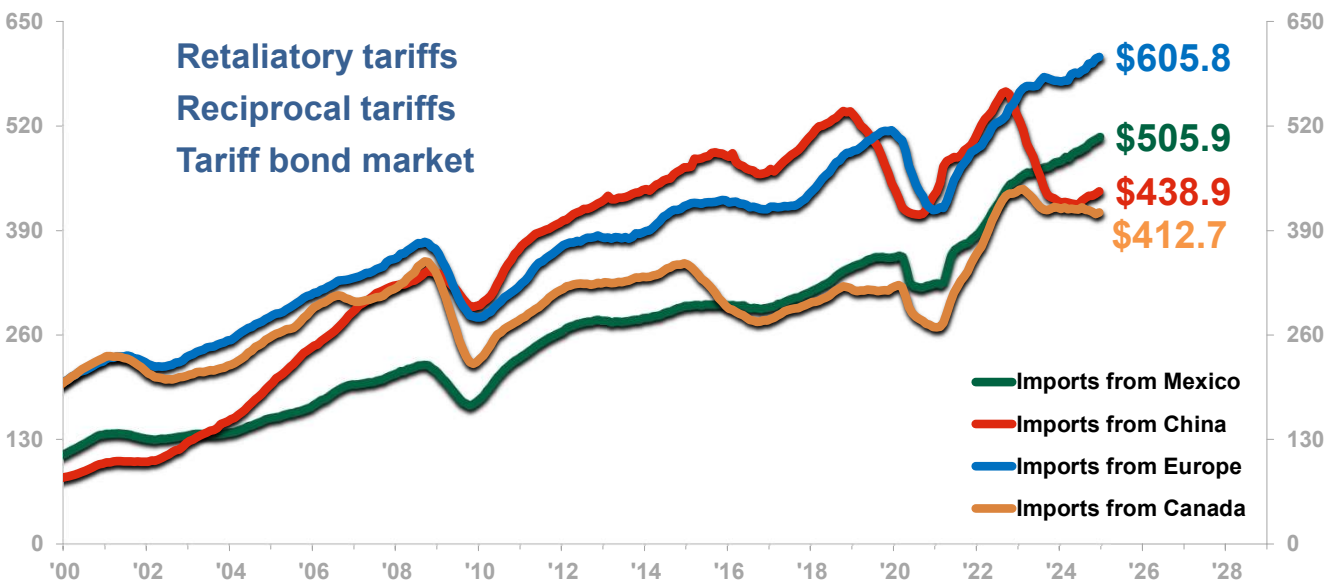
China Has Dropped to #3

Source: US Census Bureau

US Imports From China, Mexico, the EU, and Canada

Annual Data Trends: Billions of Dollars


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Trade to GDP Ratio by Country

Source: Macrotrends



Mexico:

74.1% (2023)

Canada:

67.5% (2023)

United States:

24.9% (2023)

Trade is the sum of exports and imports of goods and services as a % of GDP

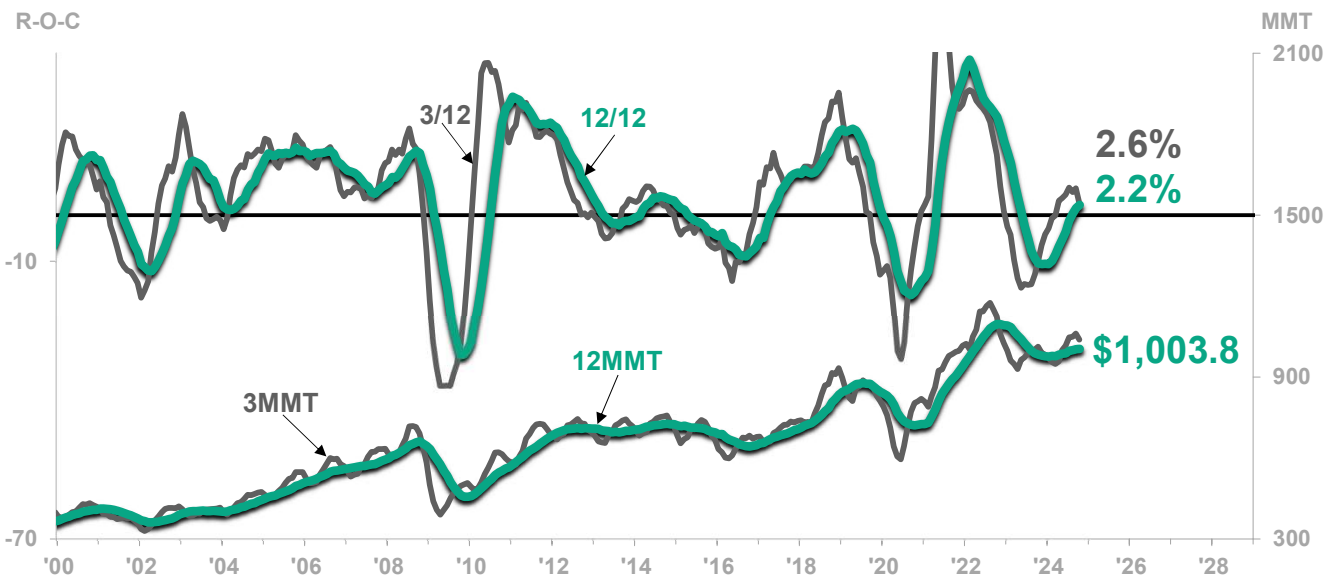
Tariffs Are a Potential Risk in 2025 & Beyond

Source: USITC



US Value of Imports Subject to Tariffs

Billions of Dollars



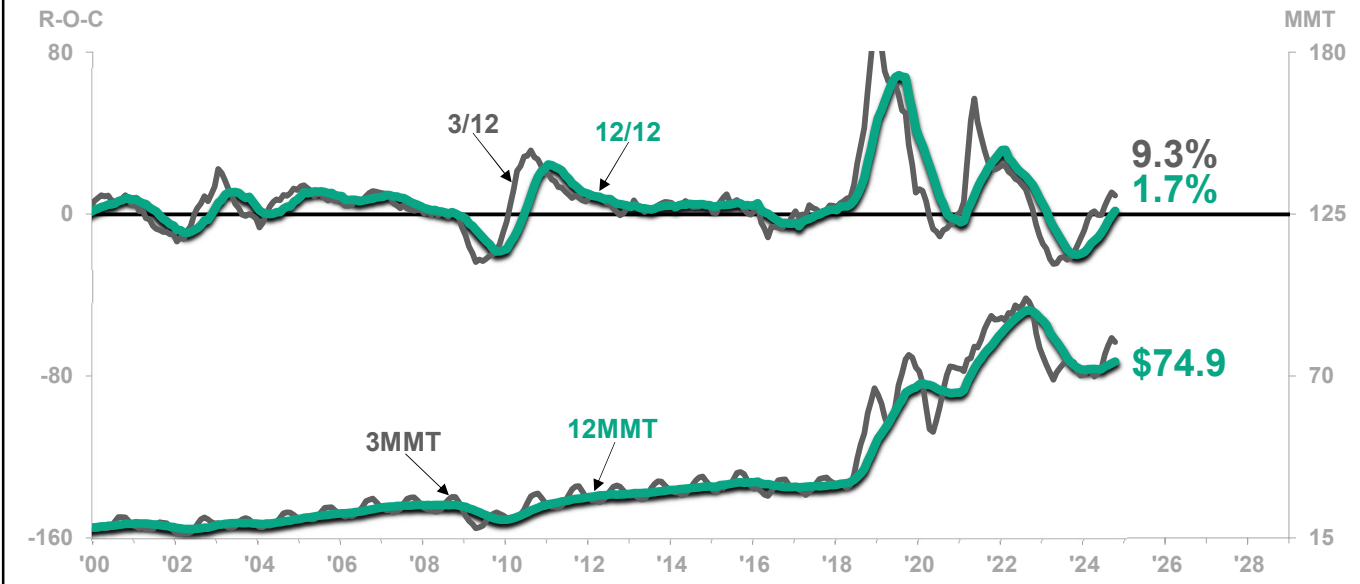
Moving Back Into Phase B

Source: USITC

US Value of Tariffs Collected on Imported Goods

Billions of Dollars

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Global Summary

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China is facing significant economic challenges compounded by demographic decline.



Risks associated with financial ties to China are rising.



USA is the #1 destination of foreign direct investment.

Next Steps

- Nationalism brings opportunities for shorter supply chains.
- It also brings inflation and potentially diminished export opportunities.

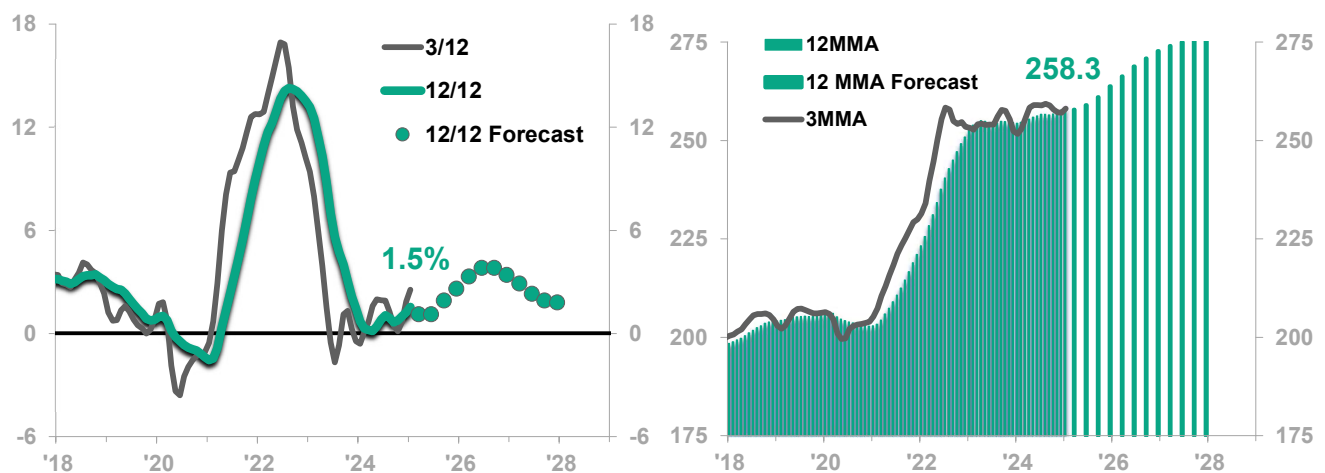
Inflation & Interest Rates

Expect Producer Prices to Move Higher in 2025

Source: BLS

US Producer Price Index

1982 = 100

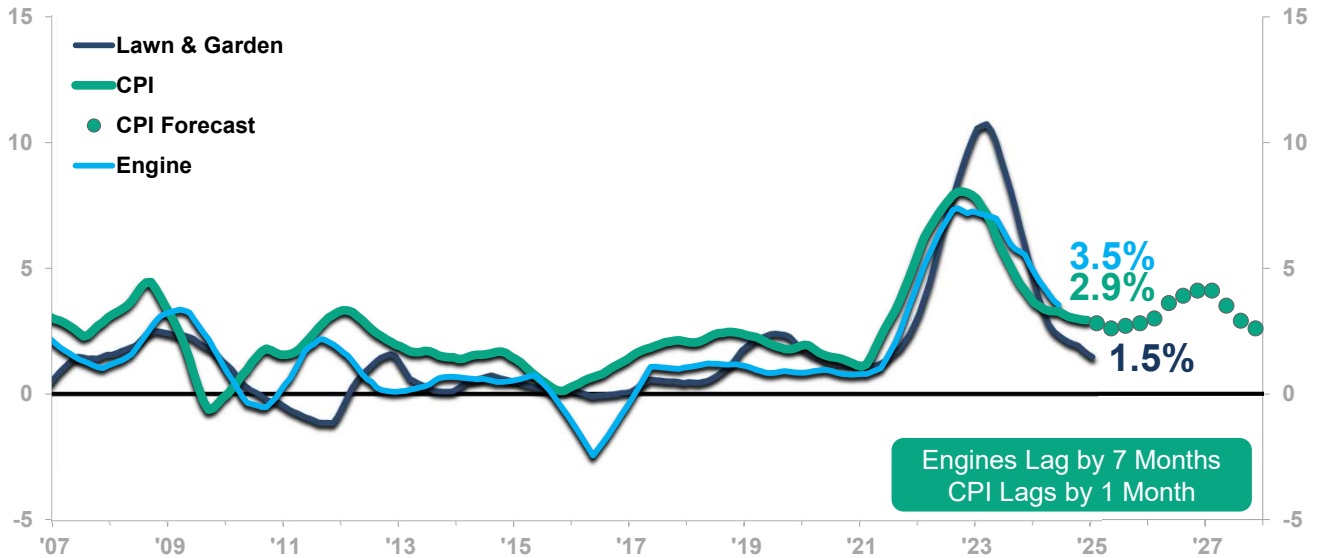


Expect Inflation in the Second Half of 2025 and in 2026

Source: BLS

US Producer Price Index For Lawn and Garden Equipment to
US Internal Combustion Engines Producer Price Index to US Consumer Price Index
12/12 Rates-of-Change

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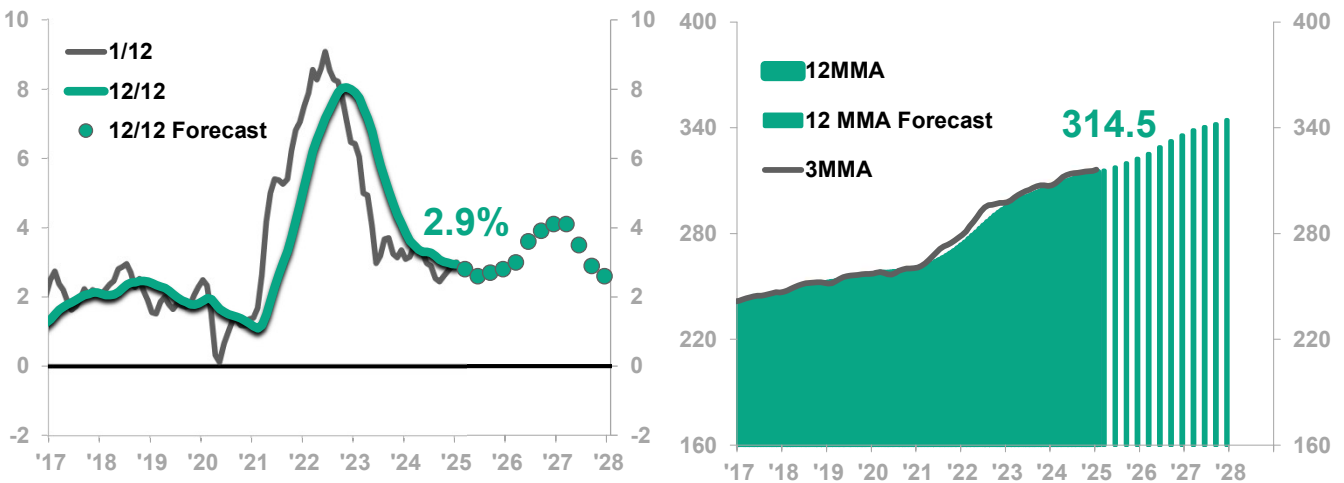
CPI Inflation Returns Around Mid 2025

Source: BLS

US Consumer Price Index

1982-84 = 100

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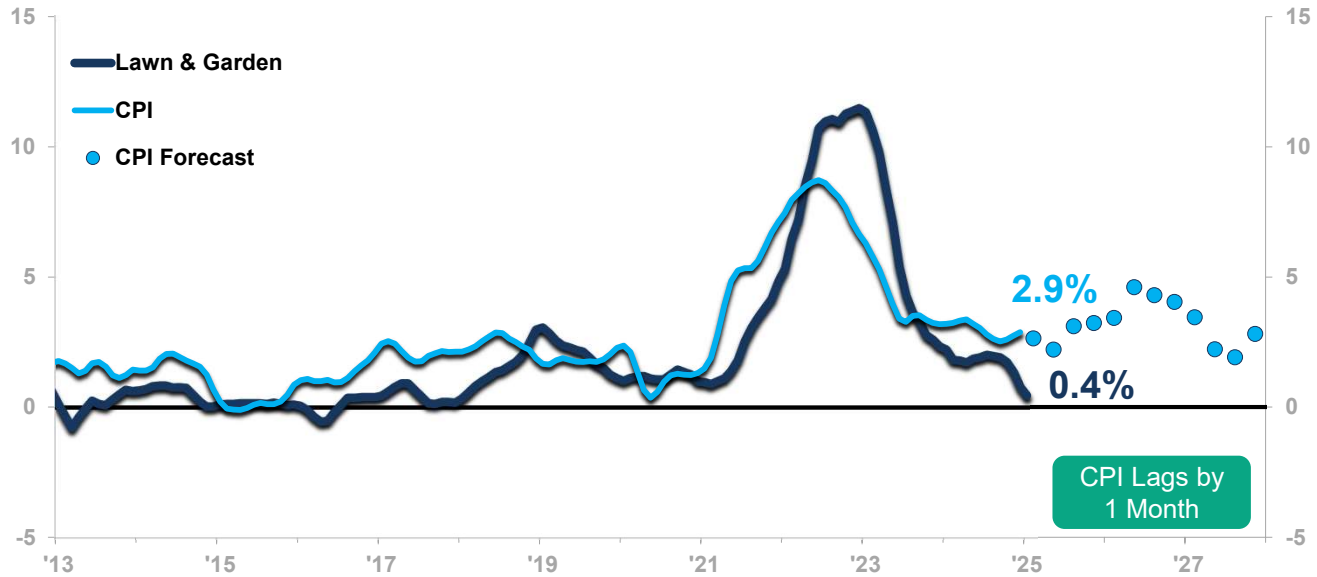


The CPI Outlook Portends Higher Costs for the Industry

Source: BLS

US Producer Price Index For Lawn and Garden Equipment to US Consumer Price Index 3/12 Rates-of-Change

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Inflation Will Soon Return

Sources: BLS, FRB

US Consumer Price Index to US M2 Money Supply (deflated) Rates-of-Change

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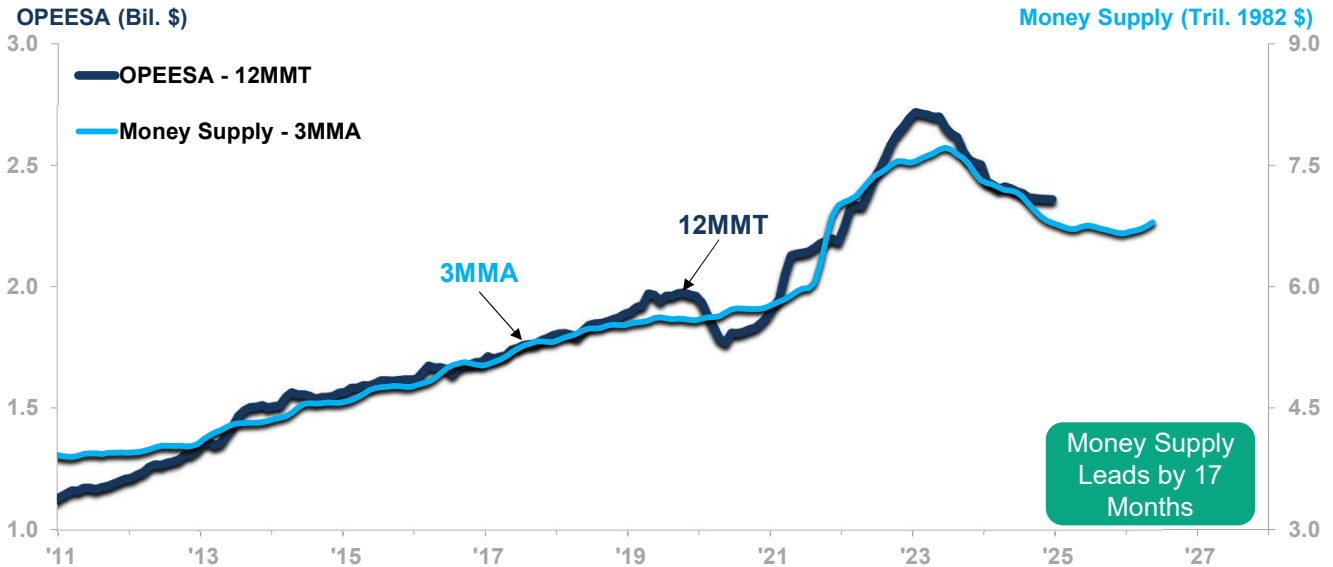
Money Supply Suggests Stability/Mild Rise in 2025

Sources: OPEESA, FRB

OPEESA to US M2 Money Supply (deflated)

Data Trends

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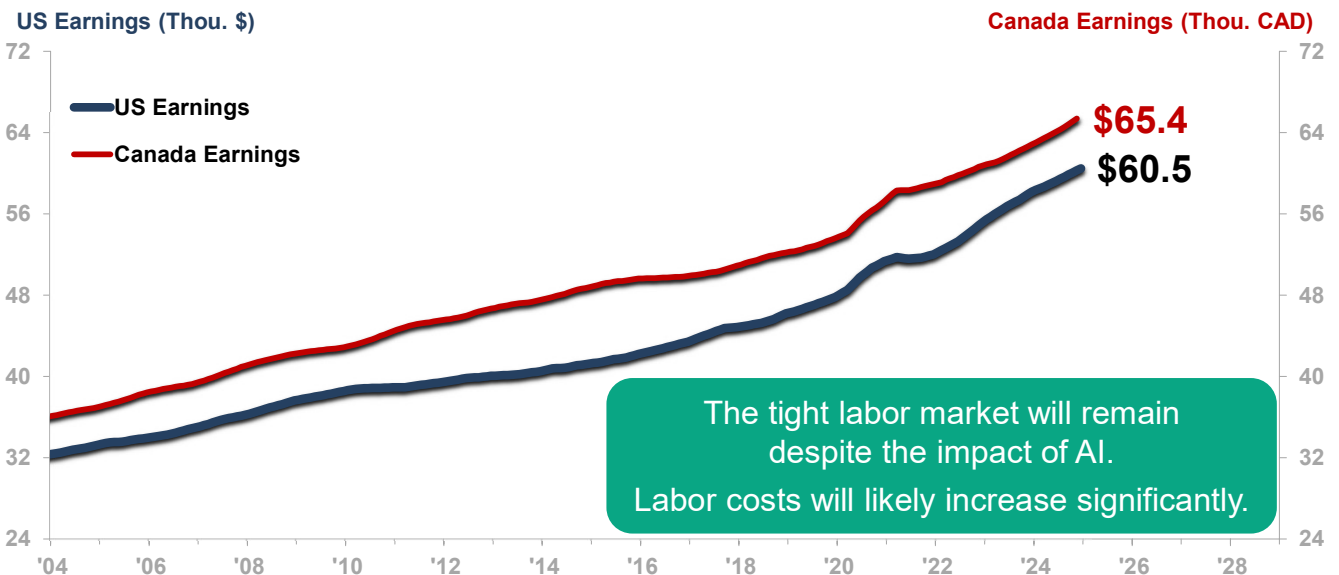
Expect Labor Costs to Move Higher to 2030

Sources: BLS, Statistics Canada

US Median Annual Earnings to Canada Average Annual Earnings

Annual Data Trends

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The Next Round of Inflation is Already Forming

Source: SIFMA

US Treasury Gross Issuances

Data Trends: Trillions of Dollars

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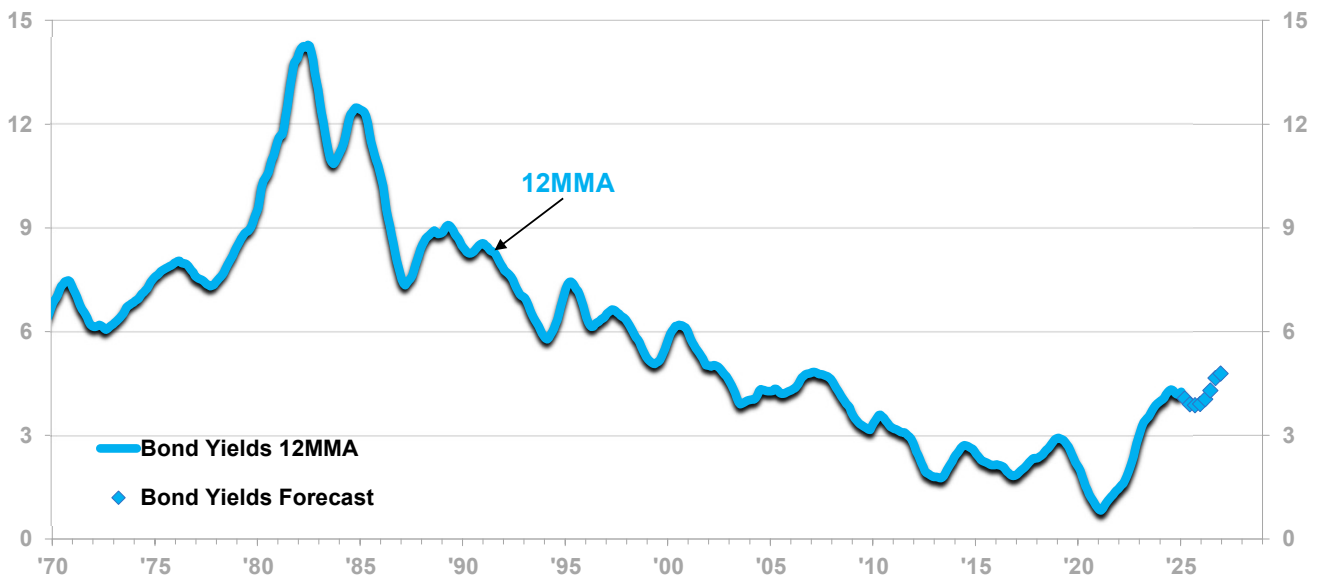
Expect Interest Rate Rise Later This Year and in 2026

Source: FRB

US Government Long-Term Bond Yields




Annual Data Trend: Percent

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Inflation Summary



-  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



Macroeconomic Trends



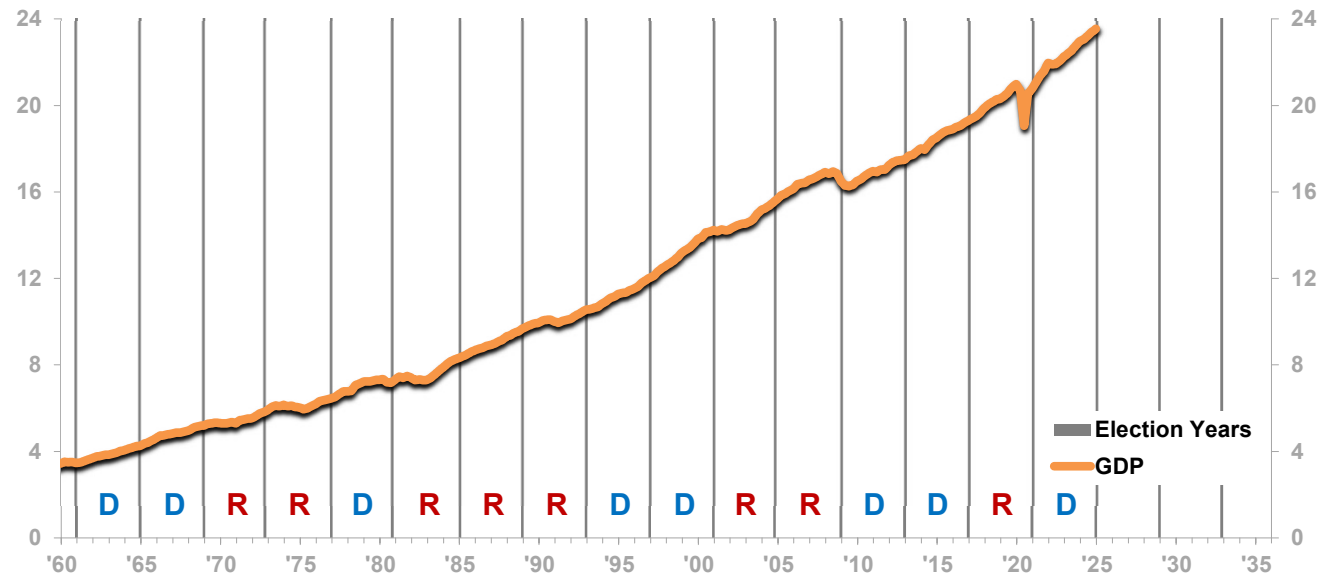
Presidential Election Impact is Not Evident

Source: BEA

US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

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Strong Cyclical Relationship

Sources: BEA, Statistics Canada

US Real Gross Domestic Product to Canada All Industries GDP

3/12 Rates-of-Change

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Rise Through 2026

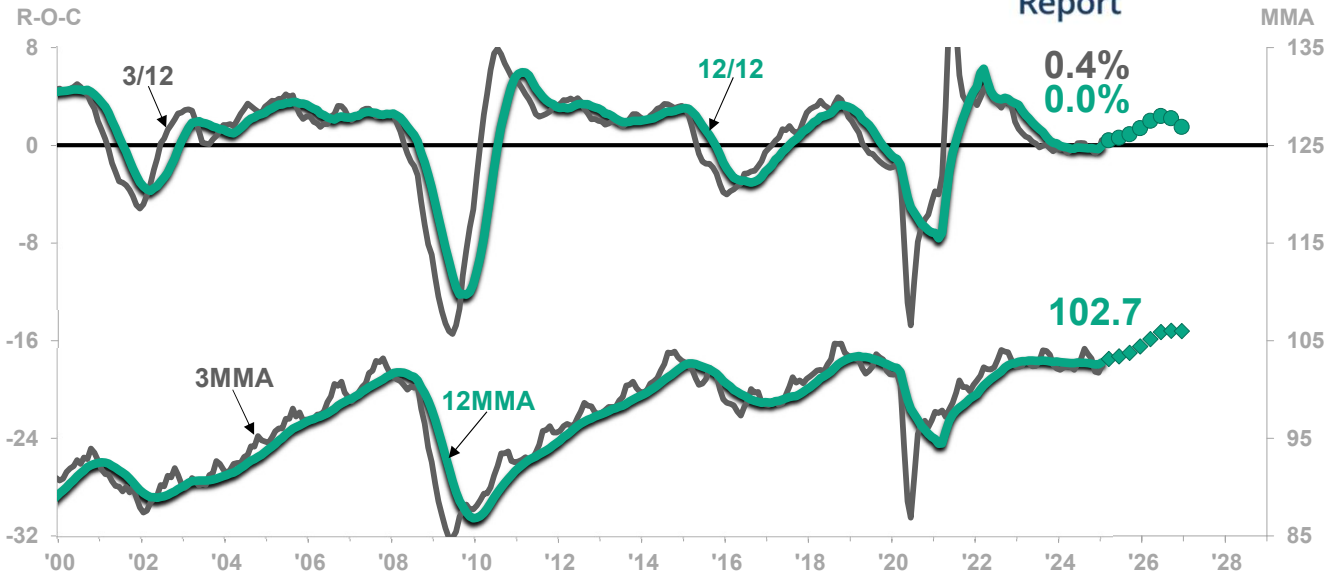
Source: FRB

US Industrial Production Index

2017 = 100

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

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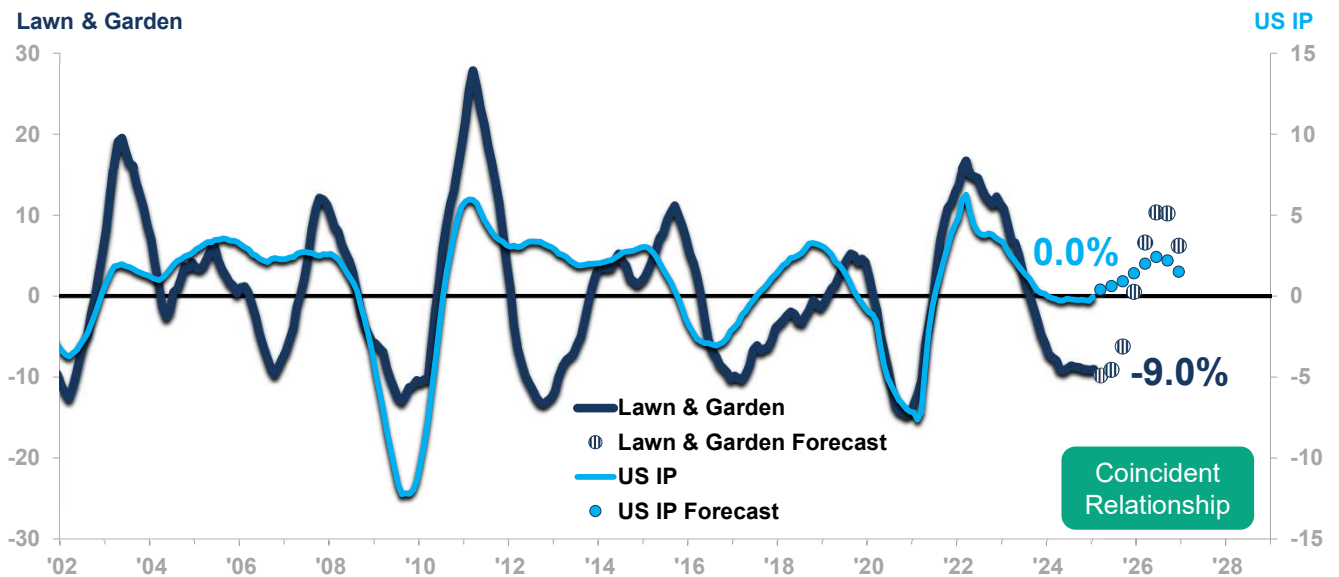
The Macro Outlook Bodes Well for Equipment Producers

Source: FRB

US Lawn and Garden Equipment Production Index to US Industrial Production Index

12/12 Rates-of-Change

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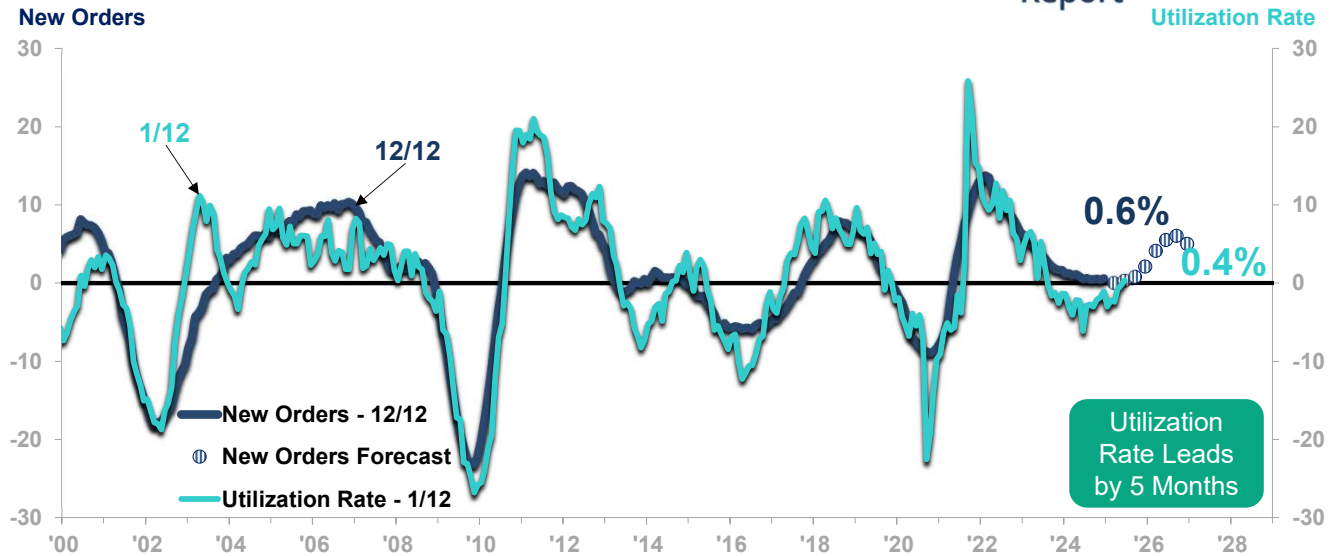
A Clear Indication of Rise in New Orders in 2025

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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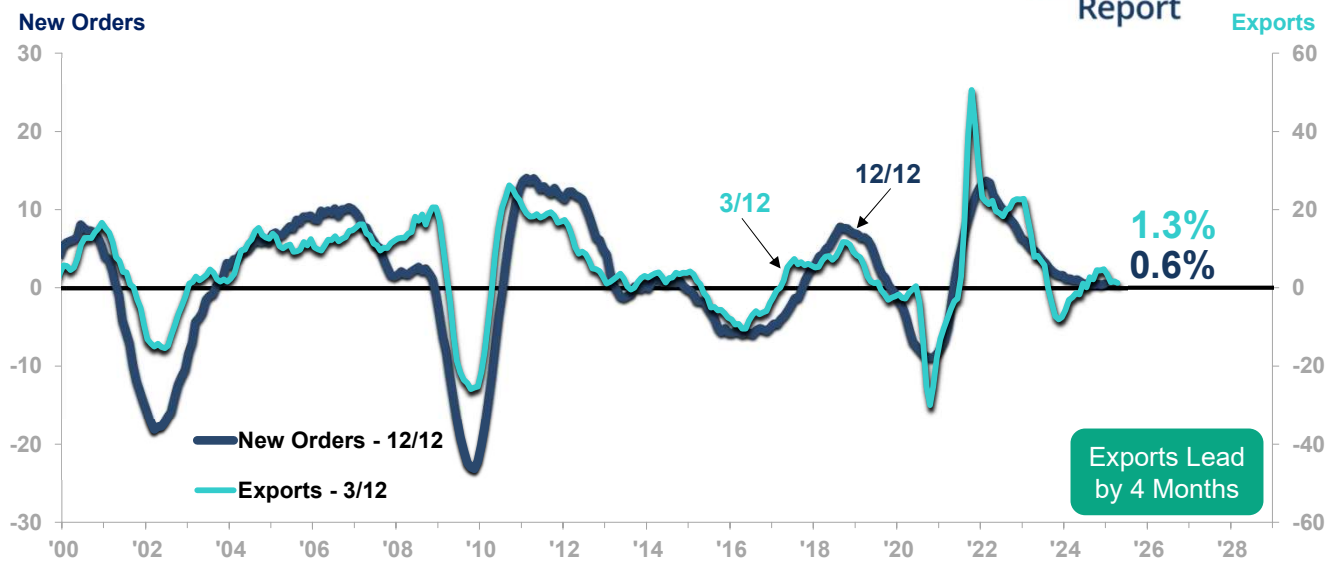
Exports Bode Well for New Orders in 2025, Unless...

Source: US Census Bureau

US Nondefense Capital Goods New Orders (excluding aircraft) to US Exports of Goods to the World
Rates-of-Change

as seen in
ITR Economics
Trends Report

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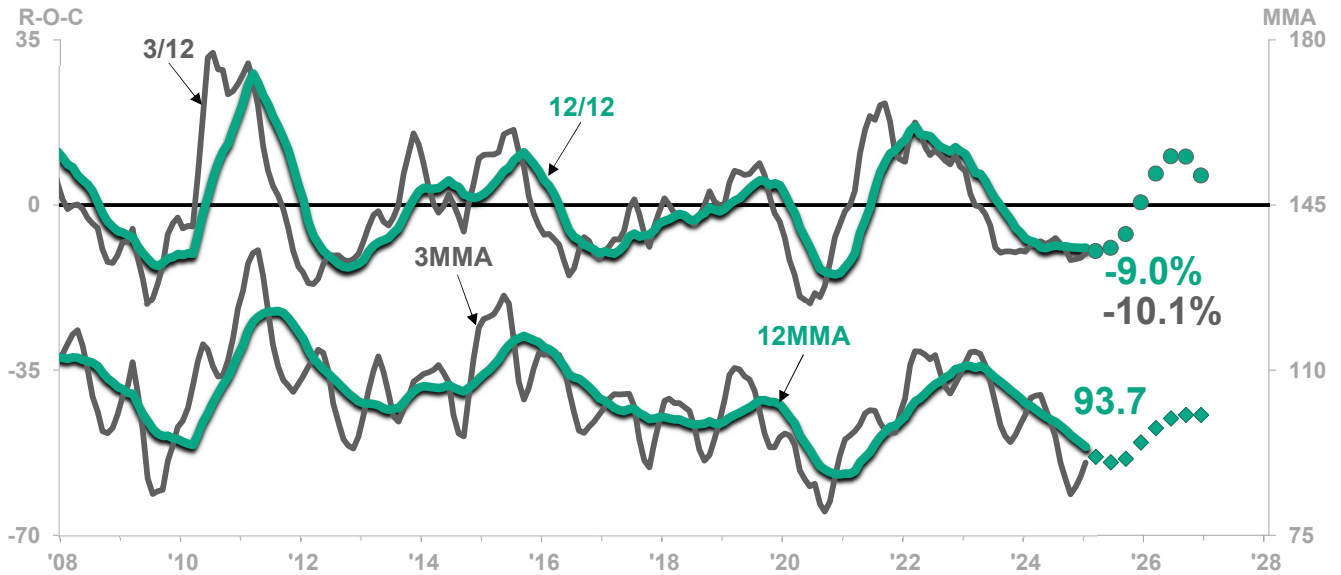
Plan for Rise in the Second Half of 2025 and in 2026

Source: FRB

US Lawn and Garden Equipment Production Index

2017 = 100

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OPEESA
POWERING DISTRIBUTOR SUCCESS

Consumers

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Inflation-Adjusted Wages Are Rising

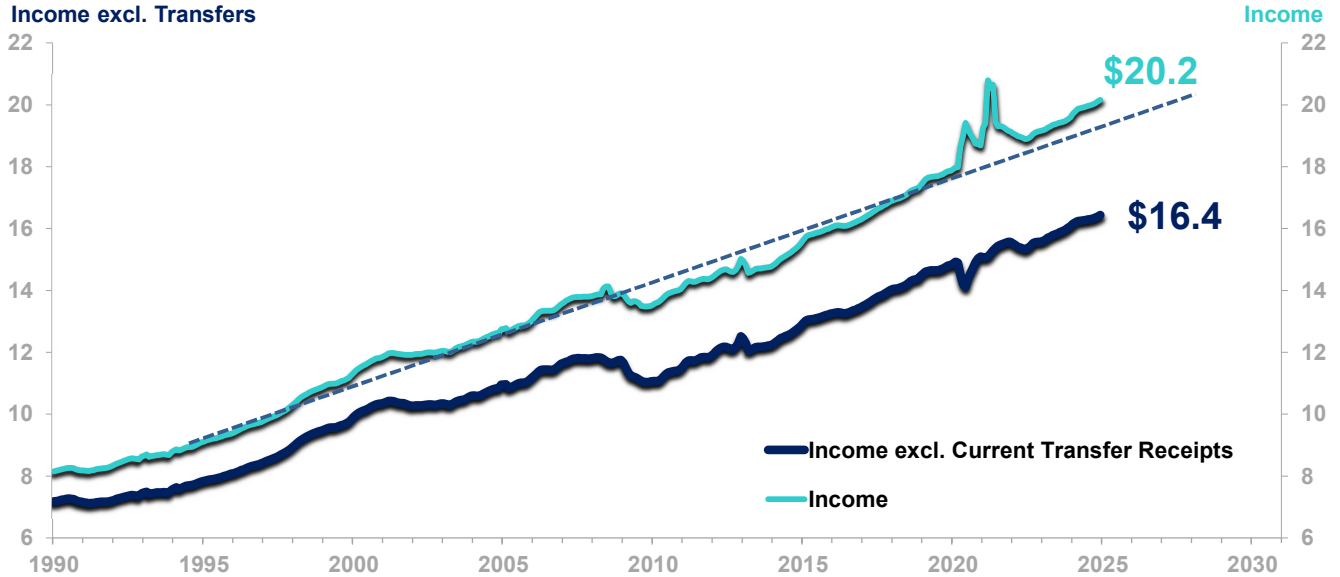
Source: BEA

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

Quarterly Data Trends: 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

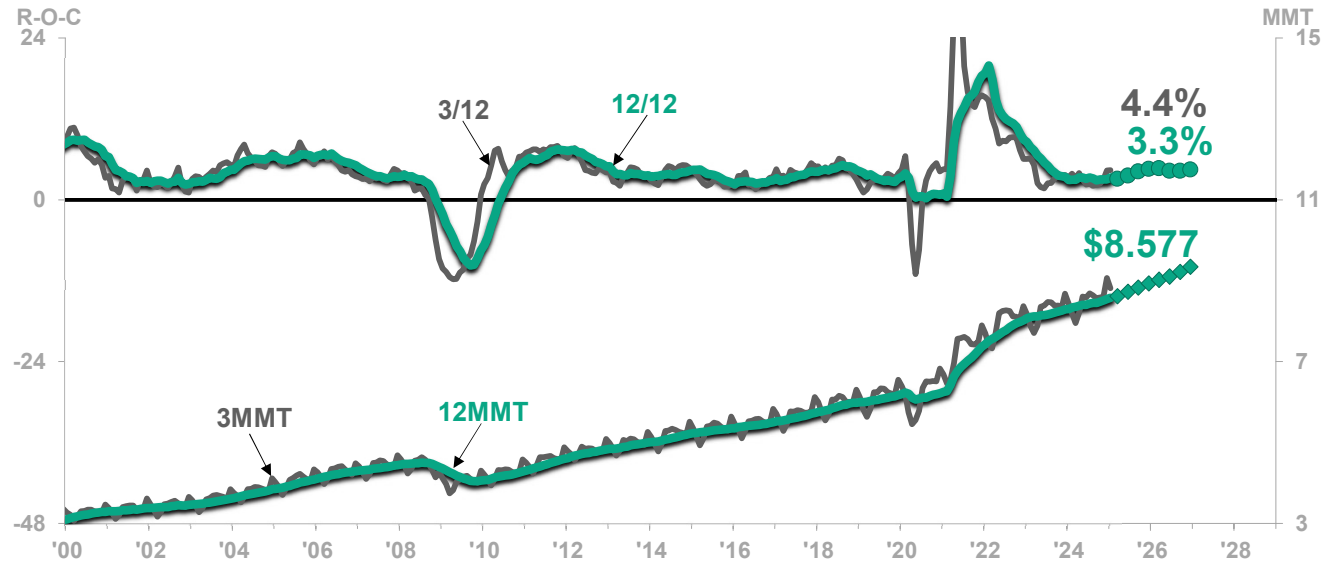
Retail Sales Move Higher Through 2026

Source: US Census Bureau

US Total Retail Sales

Trillions of Dollars

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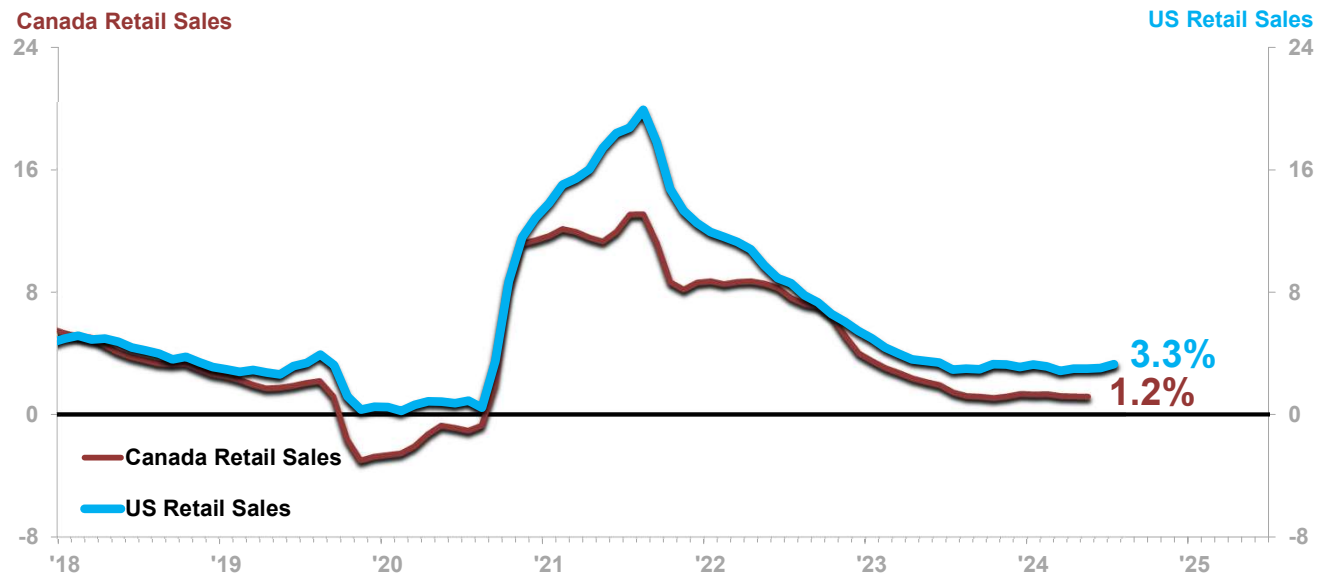
Expect Retail Sales to Rise in Canada in 2025 and 2026

Sources: Statistics Canada, US Census Bureau

Canada Retail Sales to US Retail Sales

12/12 Rates-of-Change

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ITR Leading Indicator Confirms Growth in Retail Sales

Sources: US Census Bureau,
ITR Economics

US Total Retail Sales to ITR Leading Indicator™

Rate-of-Change to Raw Data

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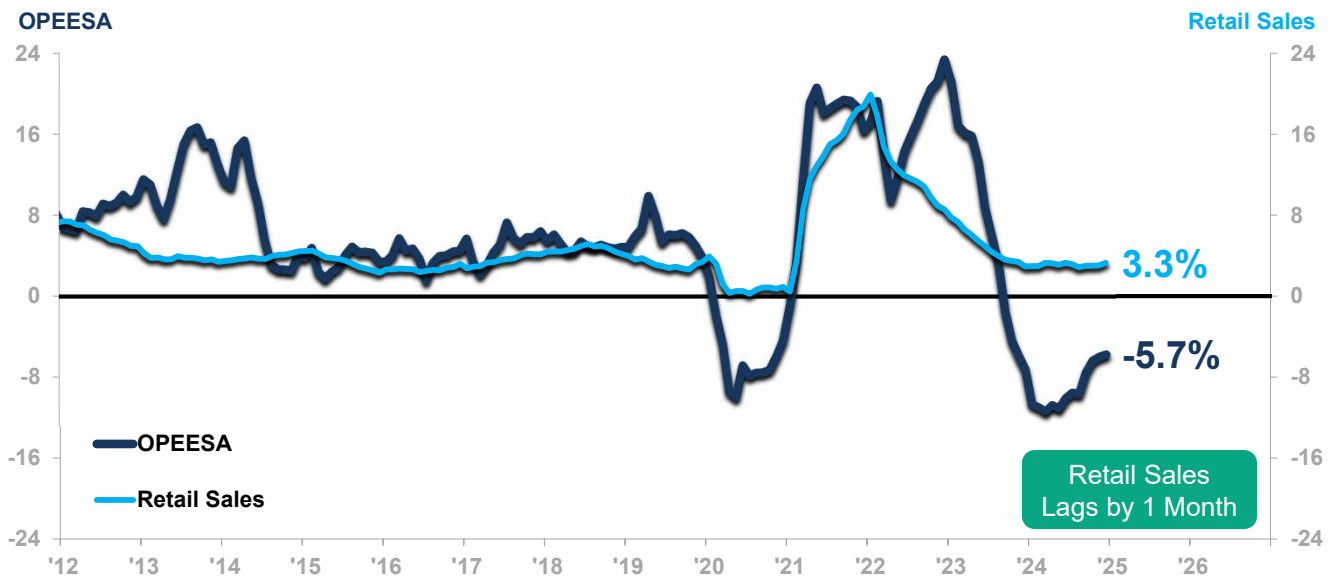
Retail Sales Outlook is Good News for OPEESA

Sources: OPEESA,
US Census Bureau

OPEESA to US Total Retail Sales

12/12 Rates-of-Change

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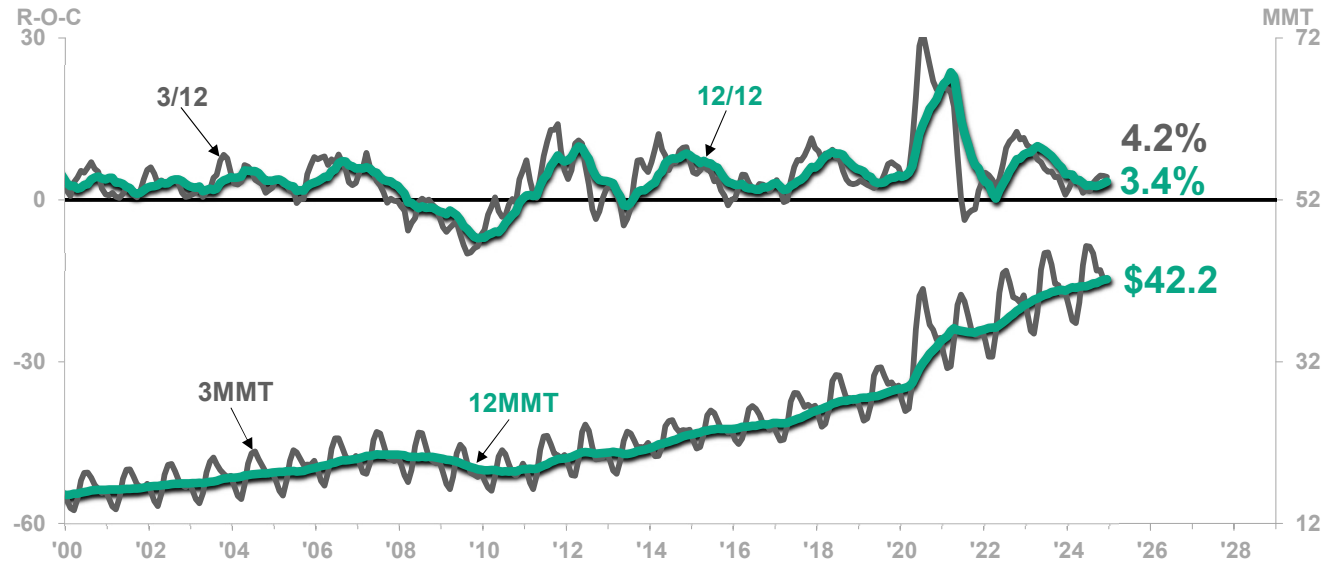
Plan on Rise Through 2026

Source: US Census Bureau

US Hardware Stores Retail Sales

Billions of Dollars

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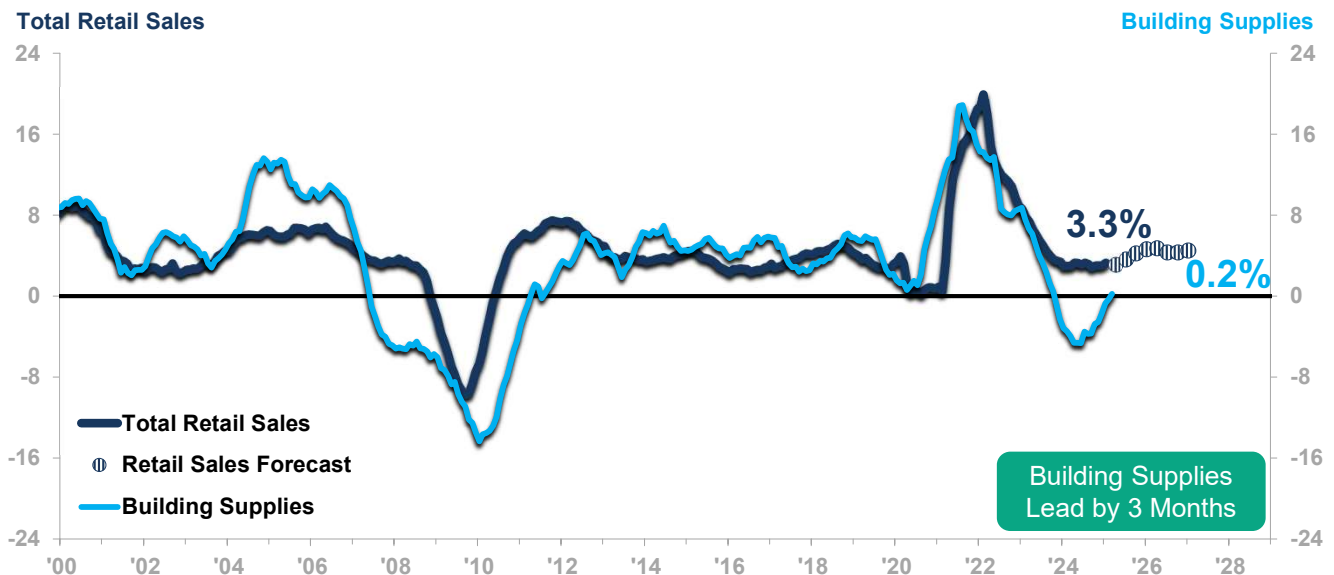
The Retail Sales Outlook Bodes Well for Dealer Retail Sales

Source: US Census Bureau

US Total Retail Sales to US Building Materials and Supplies Dealers Retail Sales

12/12 Rates-of-Change

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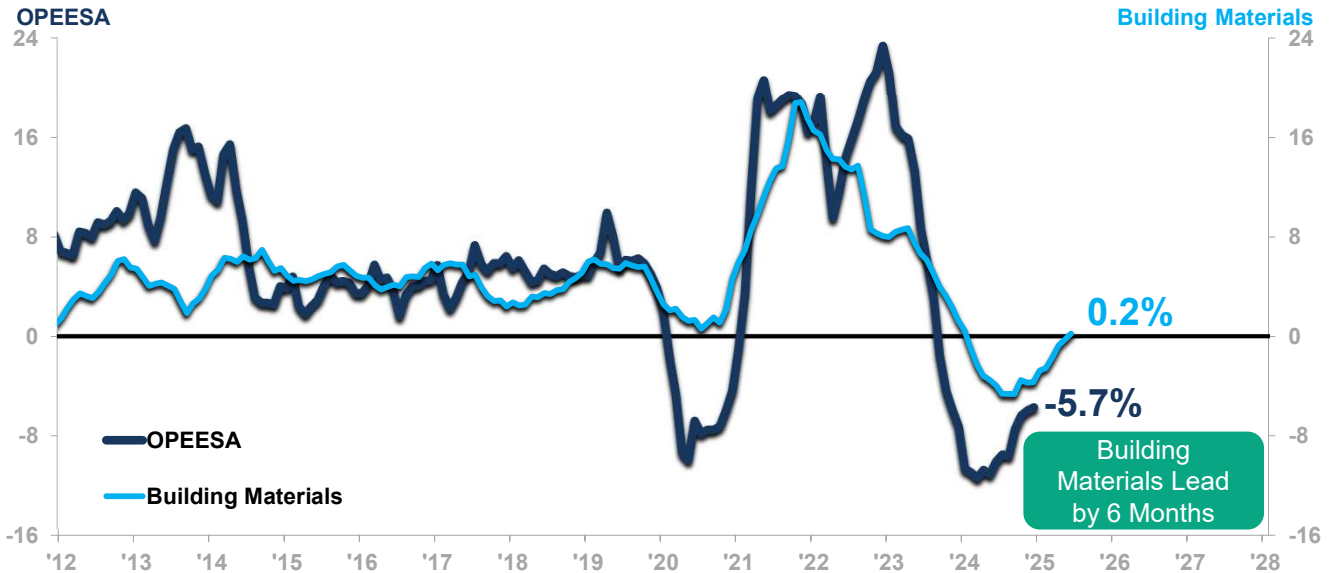
Positive Input from the Dealer Retail Sales 12/12

Sources: OPEESA,
US Census Bureau

OPEESA Sales to US Building Materials and Supplies Dealers Retail Sales

12/12 Rates-of-Change

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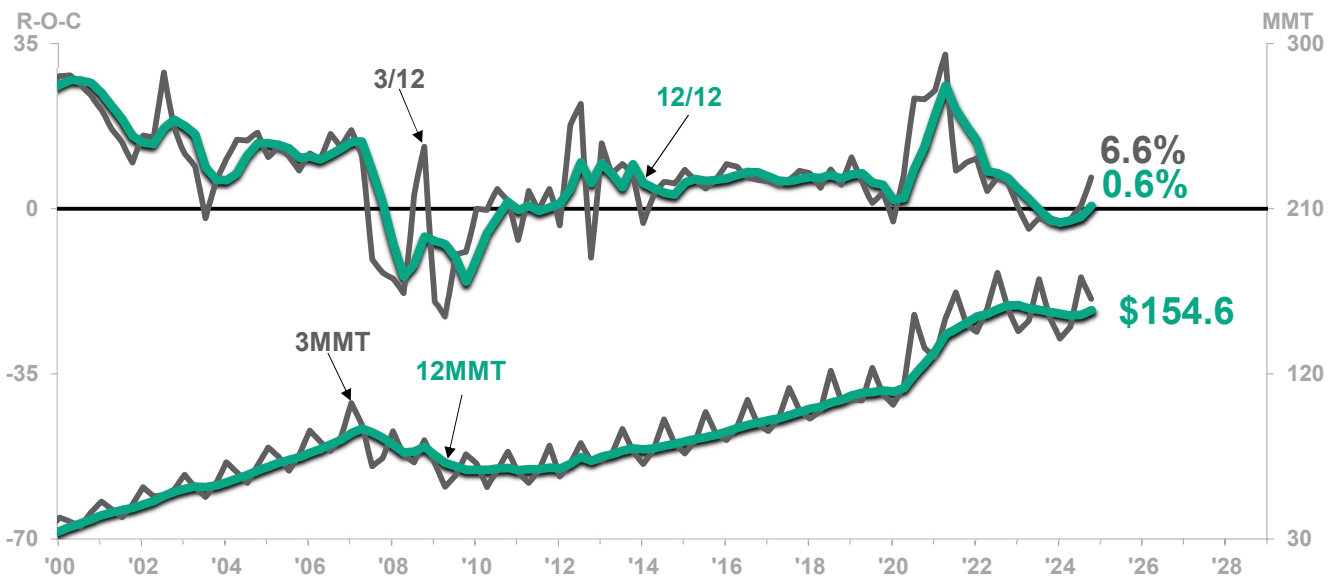
Expect Rise in 2025 and 2026

Source: EDGAR

Home Depot Sales (publicly reported)

Billions of Dollars

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Home Depot Leads the Way – Good News for OPEESA

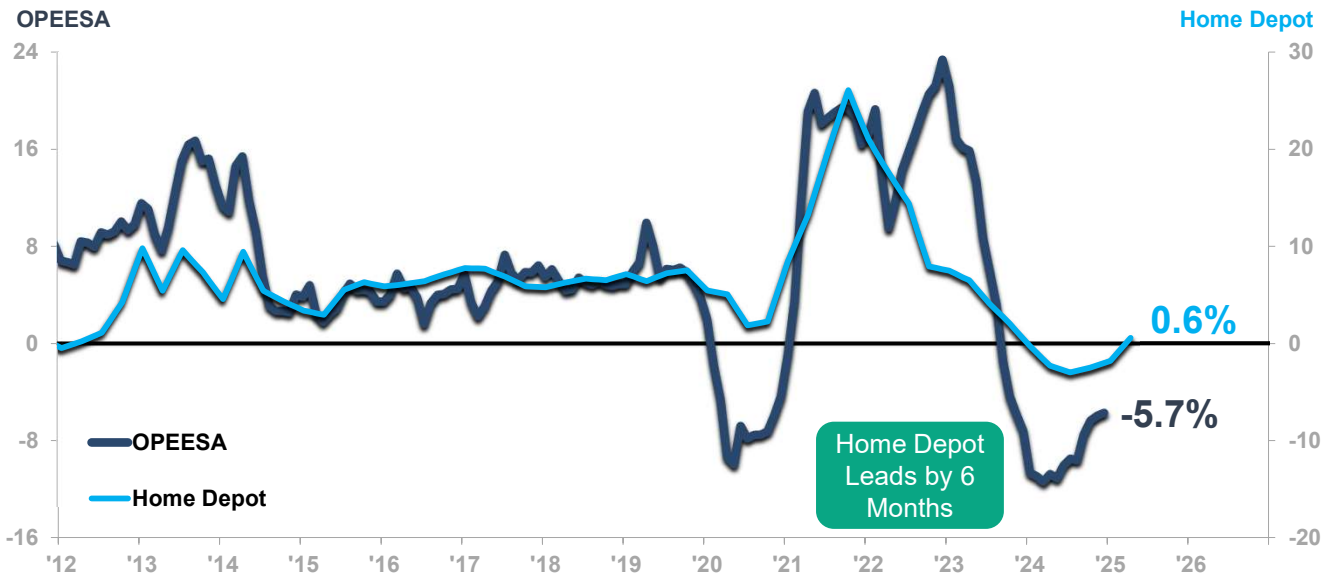
Sources: OPEESA,
EDGAR

OPEESA to Home Depot Sales (publicly reported)

12/12 Rates-of-Change

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Home Depot



Expect Mild Rise Through 2025

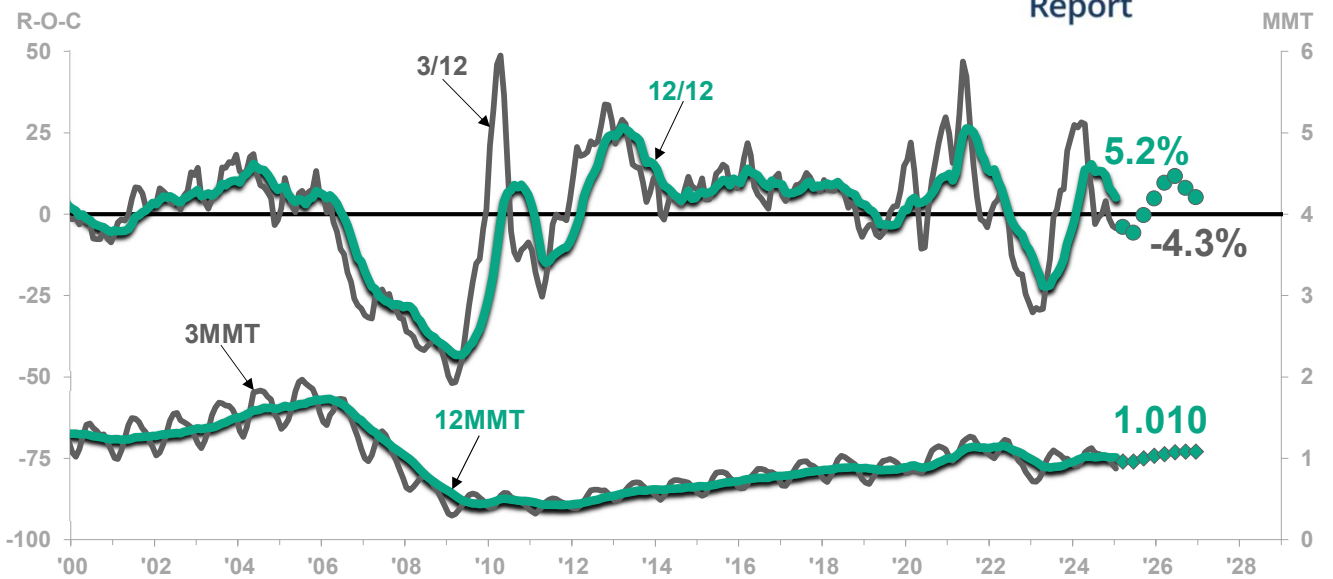
Source: US Census Bureau

US Single Unit Housing Starts

Millions of Units

as seen in
ITR Economics'
Trends
Report

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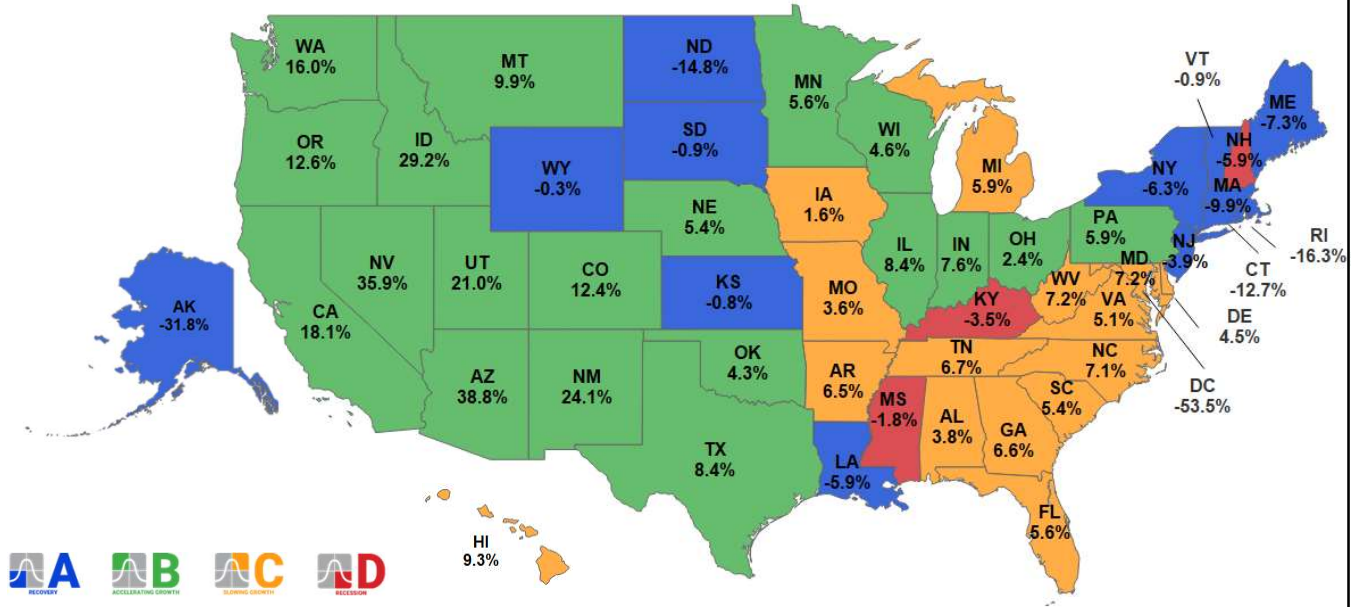


Private Single-Family Housing Units Construction by State

Source:
ConstructConnect

12/12 Rates-of-Change

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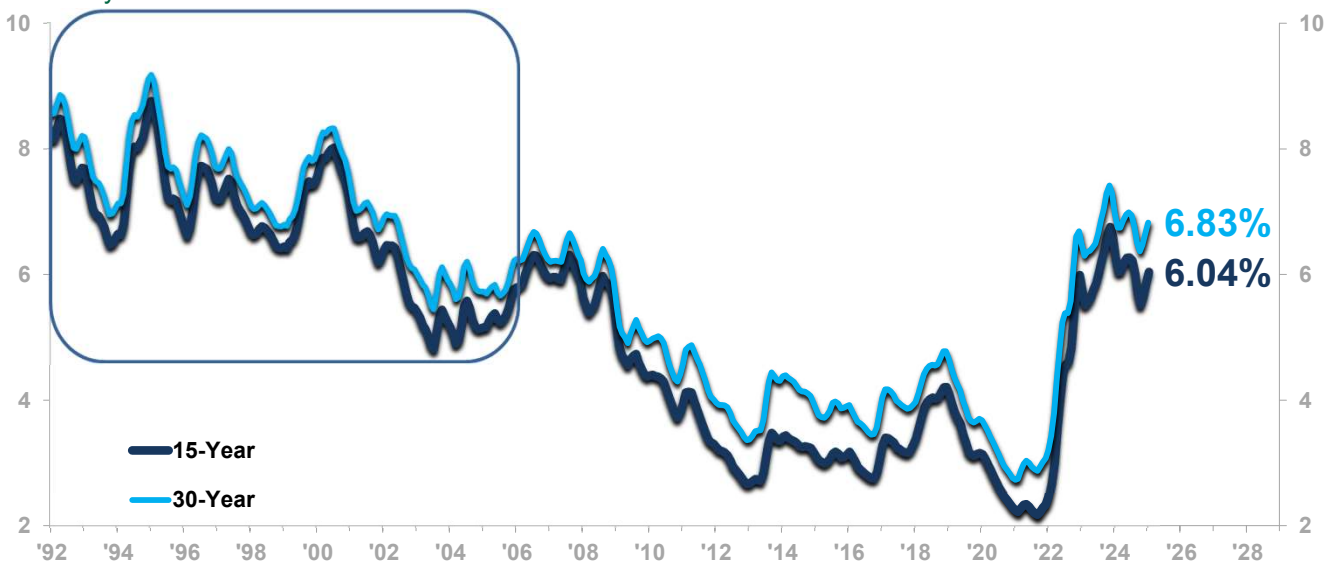


Mortgage Rates Trending into the "New Normal"

Source: Freddie Mac

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

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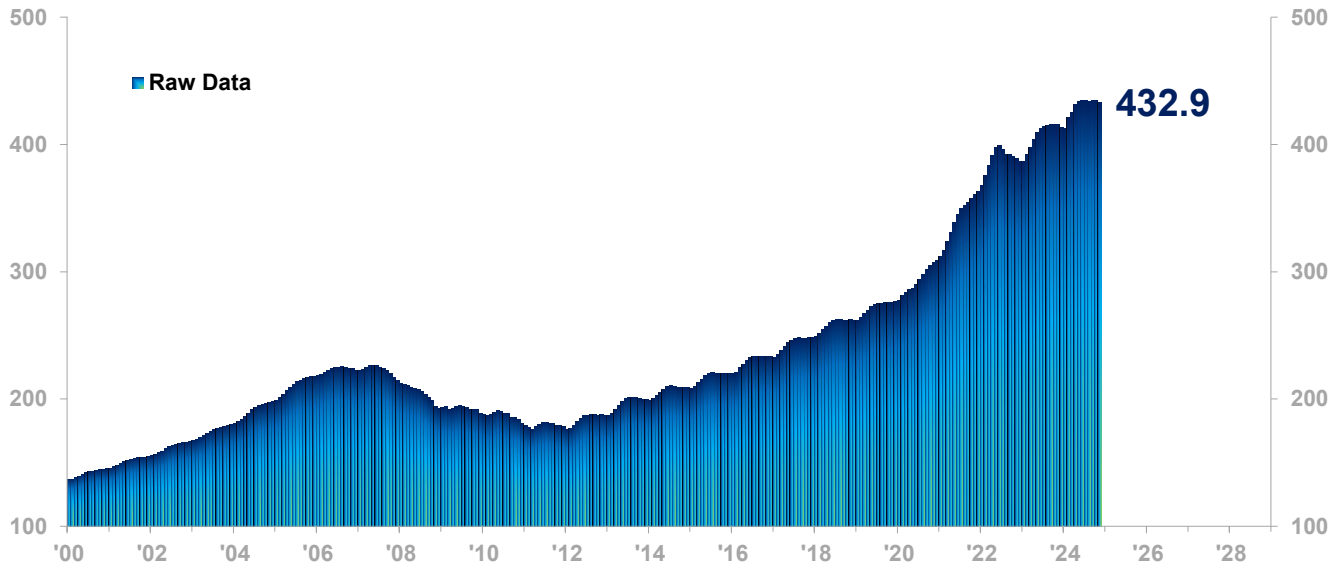
Still Very Expensive

Source: FHA

US Housing Price Index

Raw Data (1991 = 100)

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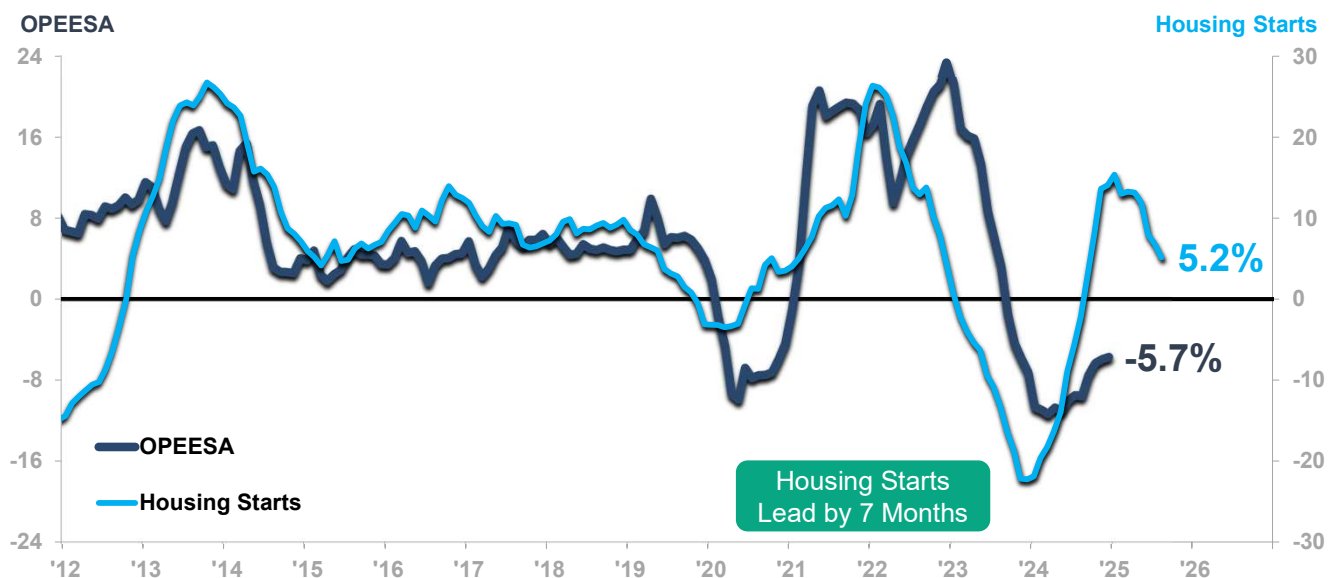
Housing Indicates Rise for OPEESA

Sources: OPEESA,
US Census Bureau

OPEESA Sales to US Single-Unit Housing Starts

12/12 Rates-of-Change

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Positive Input for 2025

Sources: OPEESA, ITR Economics

OPEESA to ITR Remodeling Market Index

Rates-of-Change

ITR ECONOMICS



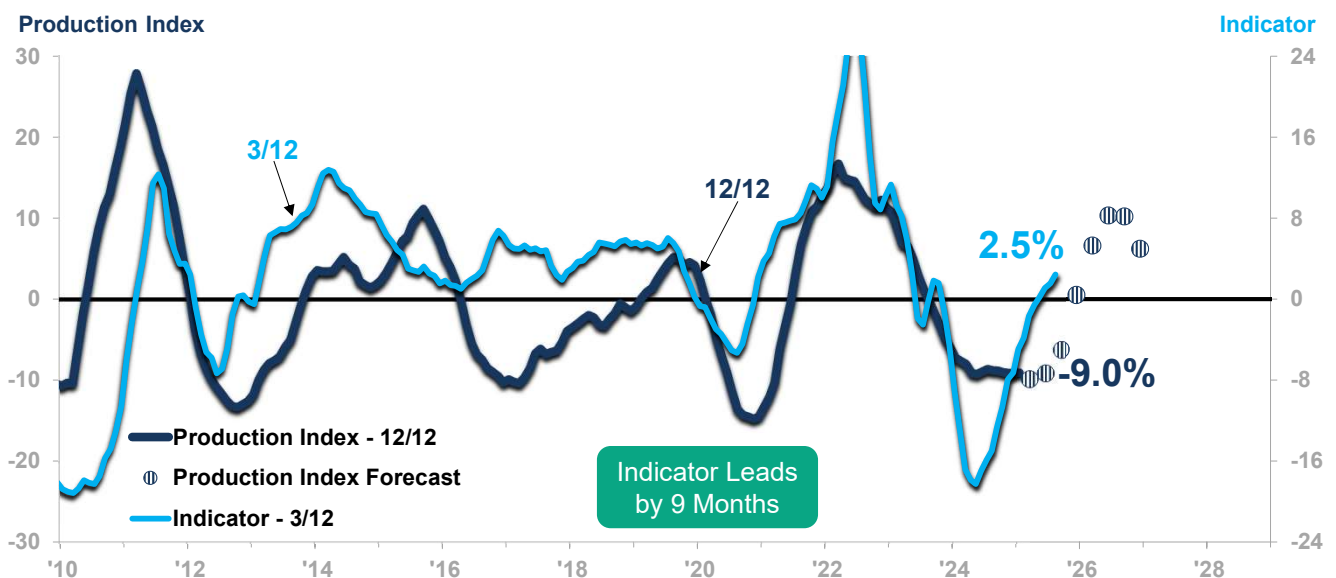
Good News for Equipment Producers

Sources: FRB, ITR Economics

US Lawn and Garden Equipment Production Index to ITR Remodeling Market Index

Rates-of-Change

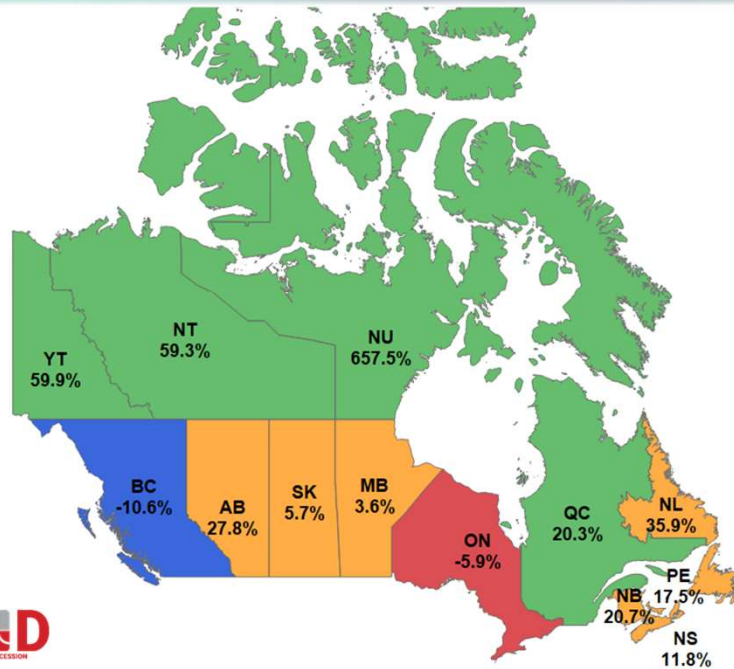
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Canada Housing Permits by Province

Source: Statistics Canada

12/12 Rates-of-Change



US Macroeconomic Trends Summary



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.

Looking Ahead



- 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?



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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