

# ***Align Resources for the Rise Ahead***

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

## **2024 Forecast Results**



|                                   | <b>Duration</b> | <b>Accuracy</b> |
|-----------------------------------|-----------------|-----------------|
| 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.

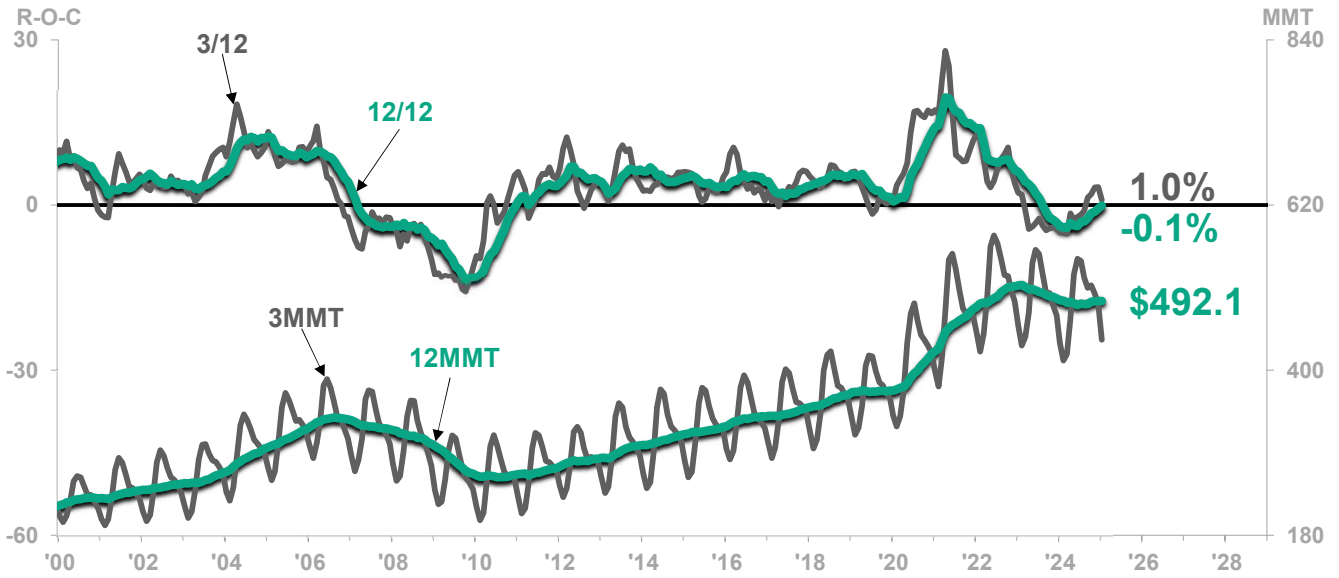
## Plan for Rise in 2025 and 2026

Source: US Census Bureau

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

ITR ECONOMICS

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

ITR ECONOMICS

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

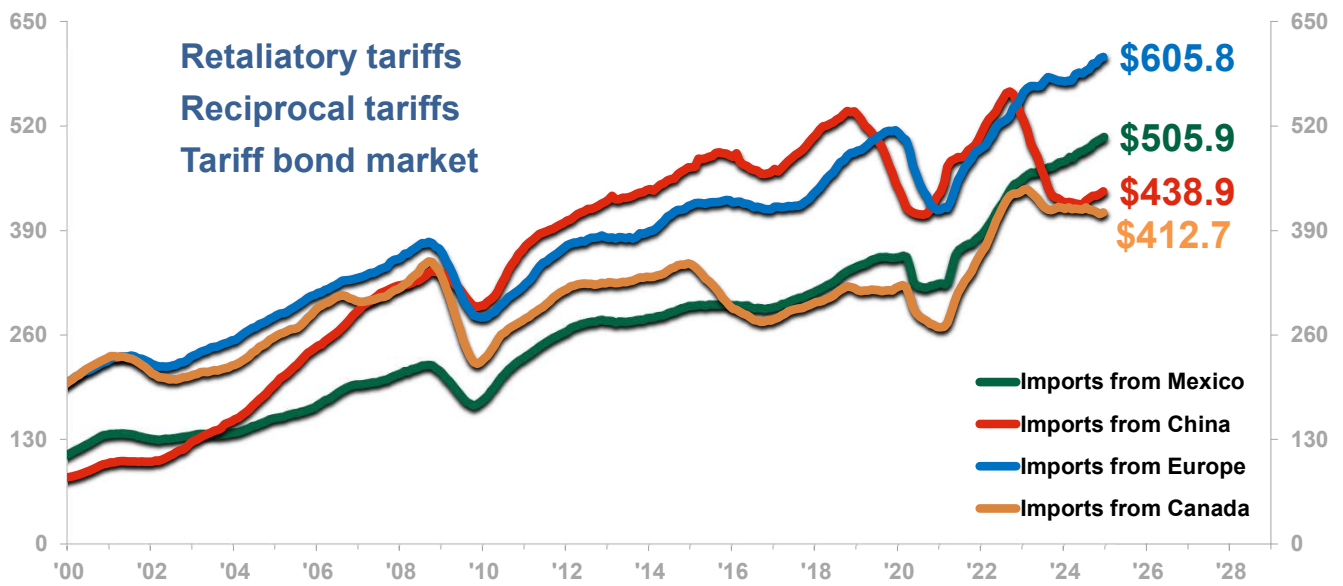


# Global Forces

## China Has Dropped to #3

Source: US Census Bureau

**US Imports From China, Mexico, the EU, and Canada**  
Annual Data Trends: Billions of Dollars



## Trade to GDP Ratio by Country

Source: Macrotrends



Mexico:

74.1% (2023)

Canada:

67.5% (2023)

United States:

24.9% (2023)

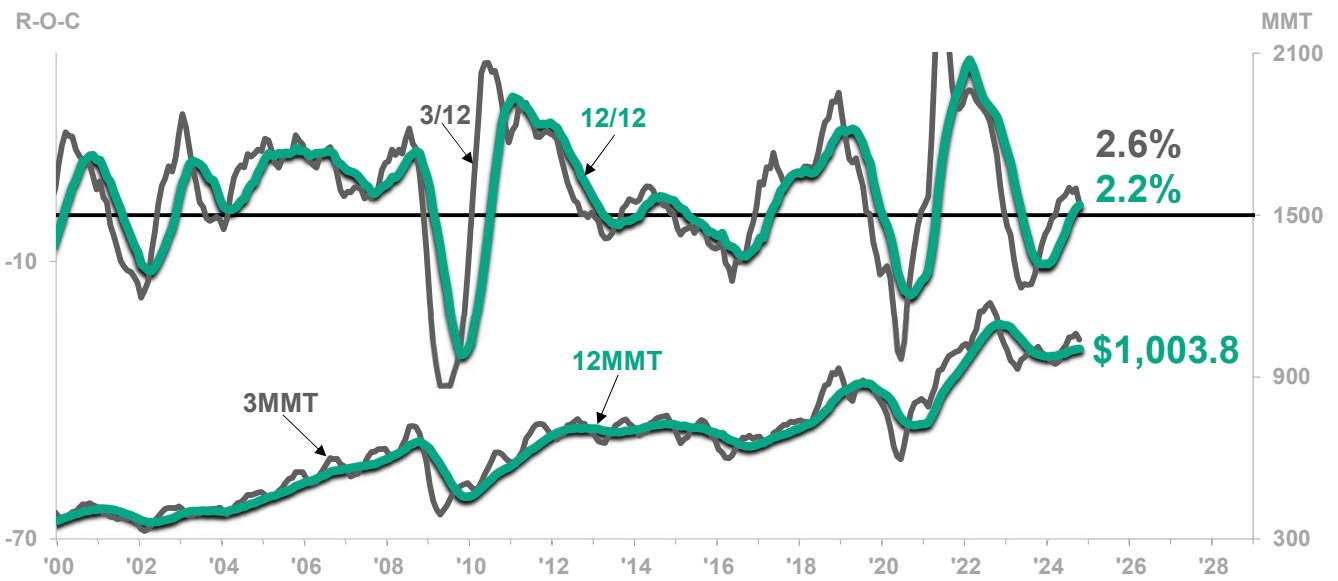
*Trade is the sum of exports and imports of goods and services as a % of GDP*

## Tariffs Are a Potential Risk in 2025 & Beyond

Source: USITC

### US Value of Imports Subject to Tariffs

Billions of Dollars



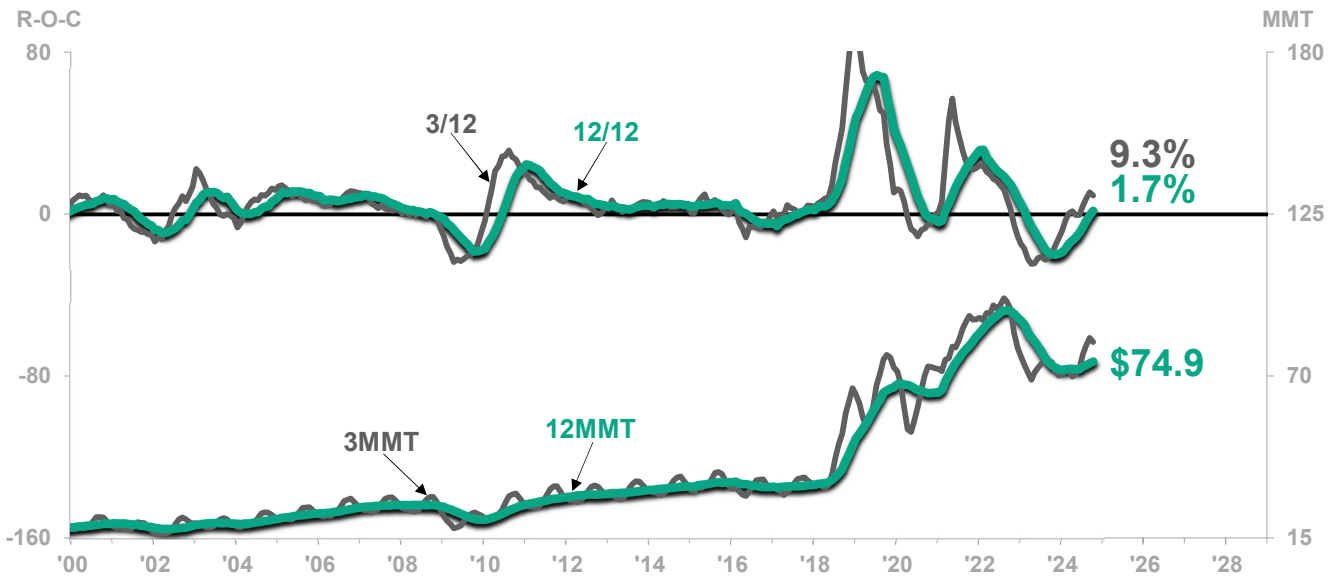
## Moving Back Into Phase B

Source: USITC

### US Value of Tariffs Collected on Imported Goods

Billions of Dollars

ITR ECONOMICS



## Global Summary

ITR ECONOMICS



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.

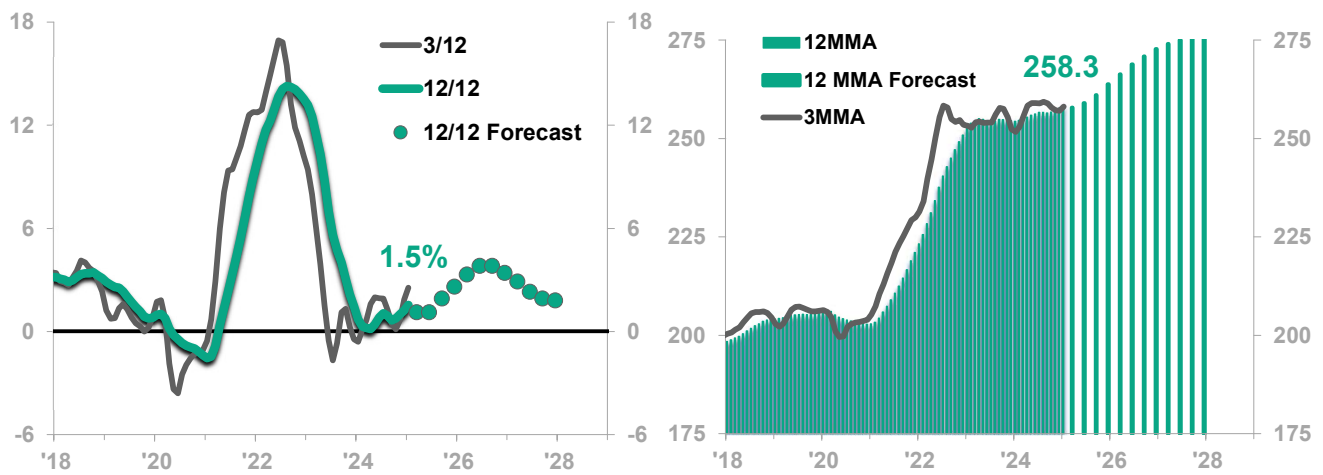


# Inflation & Interest Rates

## Expect Producer Prices to Move Higher in 2025

Source: BLS

**US Producer Price Index**  
1982 = 100

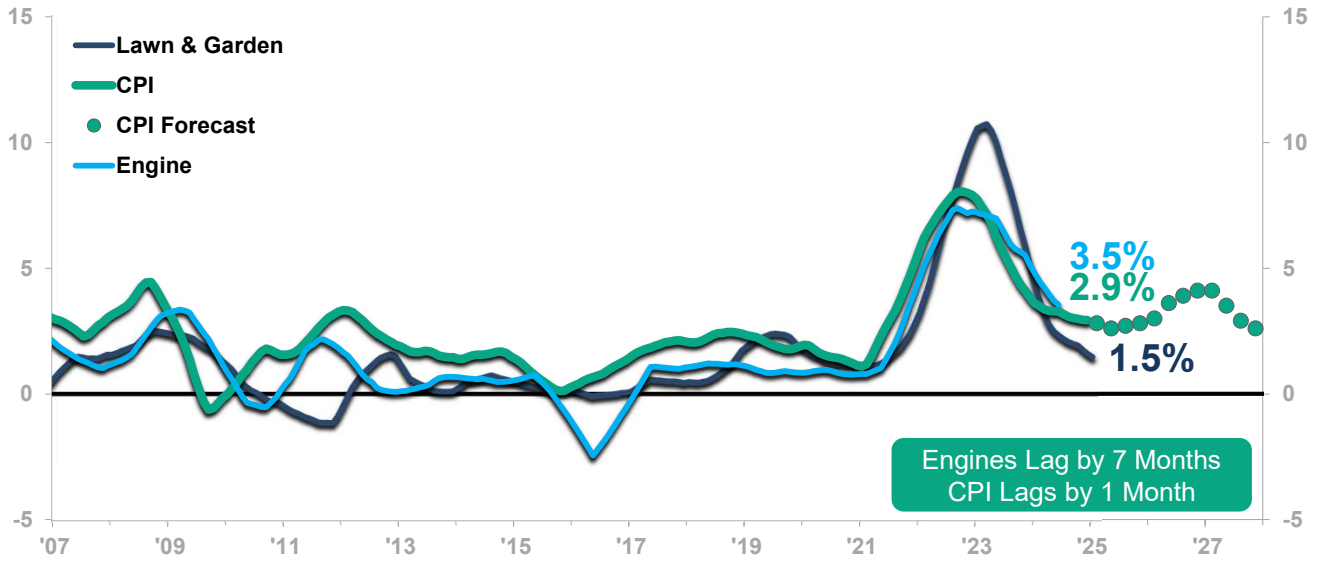


## Expect Inflation in the Second Half of 2025 and in 2026

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

ITR ECONOMICS

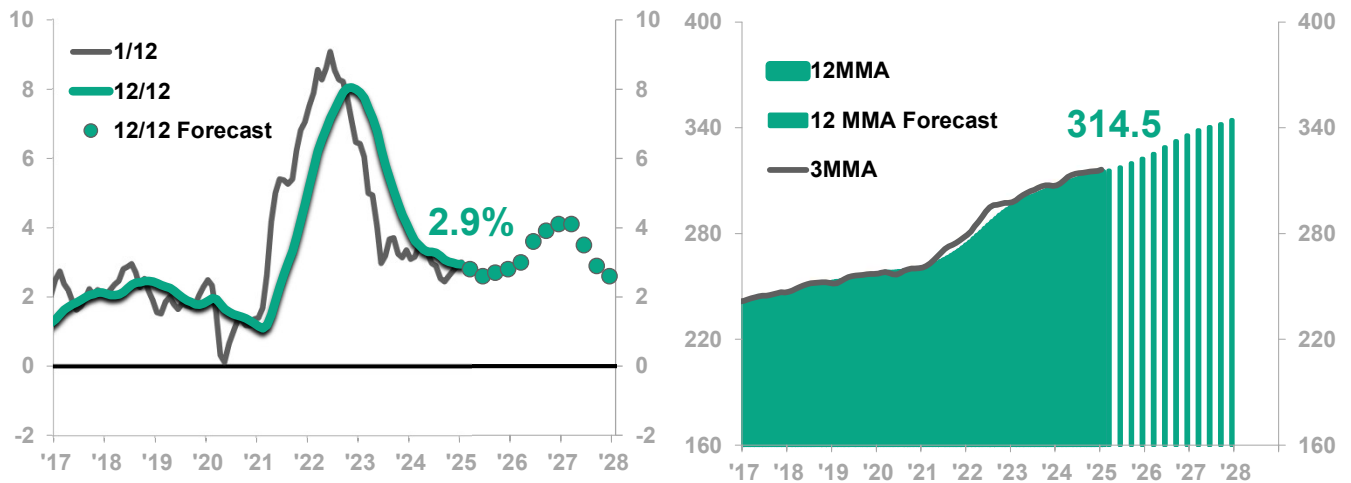


## CPI Inflation Returns Around Mid 2025

Source: BLS

US Consumer Price Index  
1982-84 = 100

ITR ECONOMICS



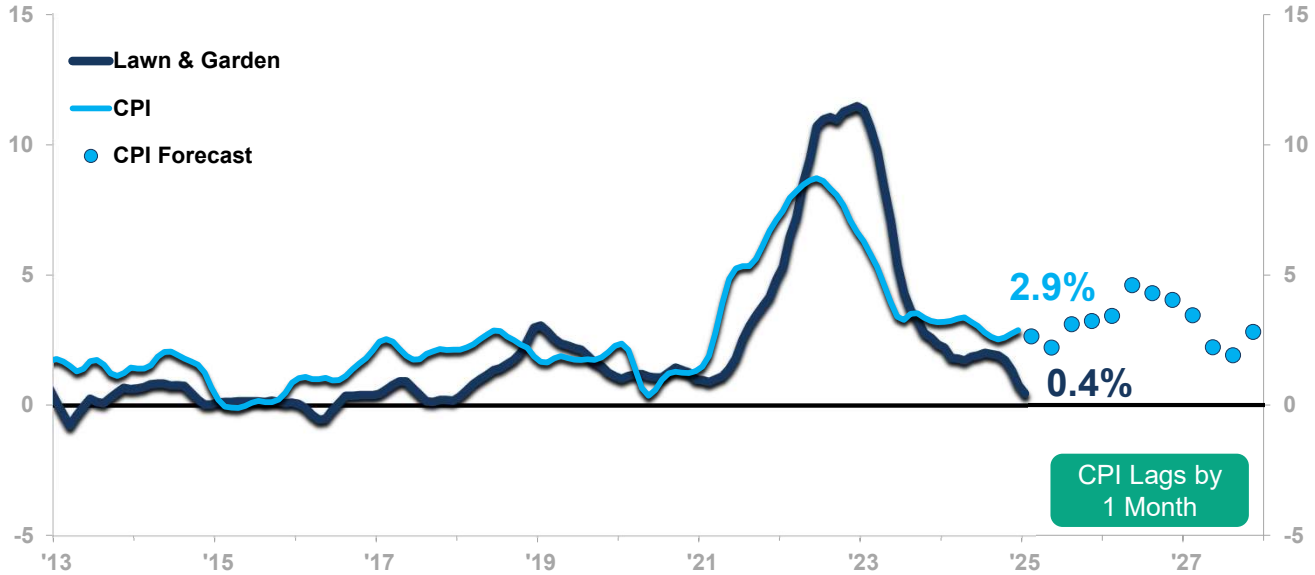


## The CPI Outlook Portends Higher Costs for the Industry

Source: BLS

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

ITR ECONOMICS



## Inflation Will Soon Return

Sources: BLS, FRB

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

ITR ECONOMICS

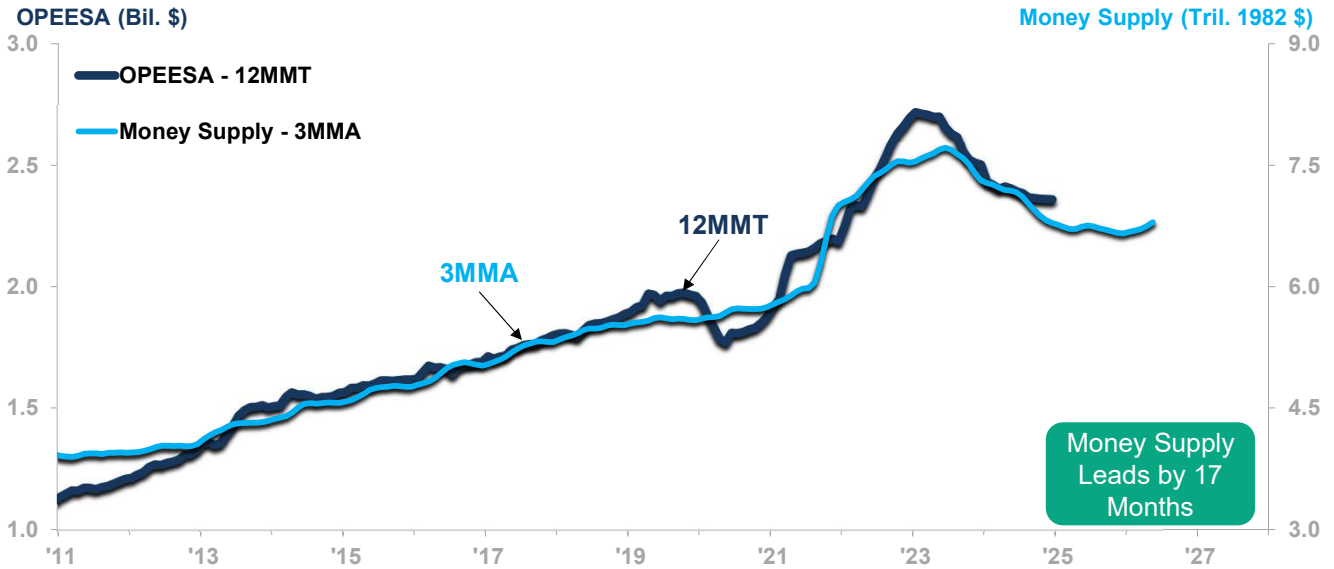


## Money Supply Suggests Stability/Mild Rise in 2025

Sources: OPEESA, FRB

### OPEESA to US M2 Money Supply (deflated)

Data Trends

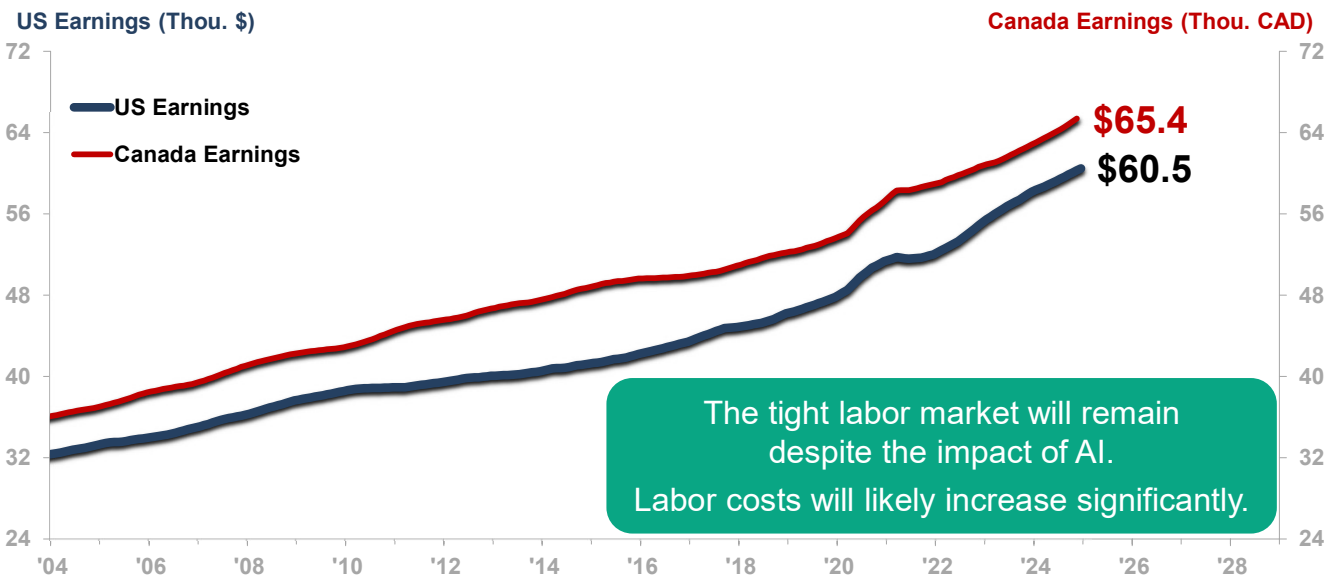


## Expect Labor Costs to Move Higher to 2030

Sources: BLS, Statistics Canada

### US Median Annual Earnings to Canada Average Annual Earnings

Annual Data Trends



# The Next Round of Inflation is Already Forming

Source: SIFMA

## US Treasury Gross Issuances

Data Trends: Trillions of Dollars

ITR ECONOMICS



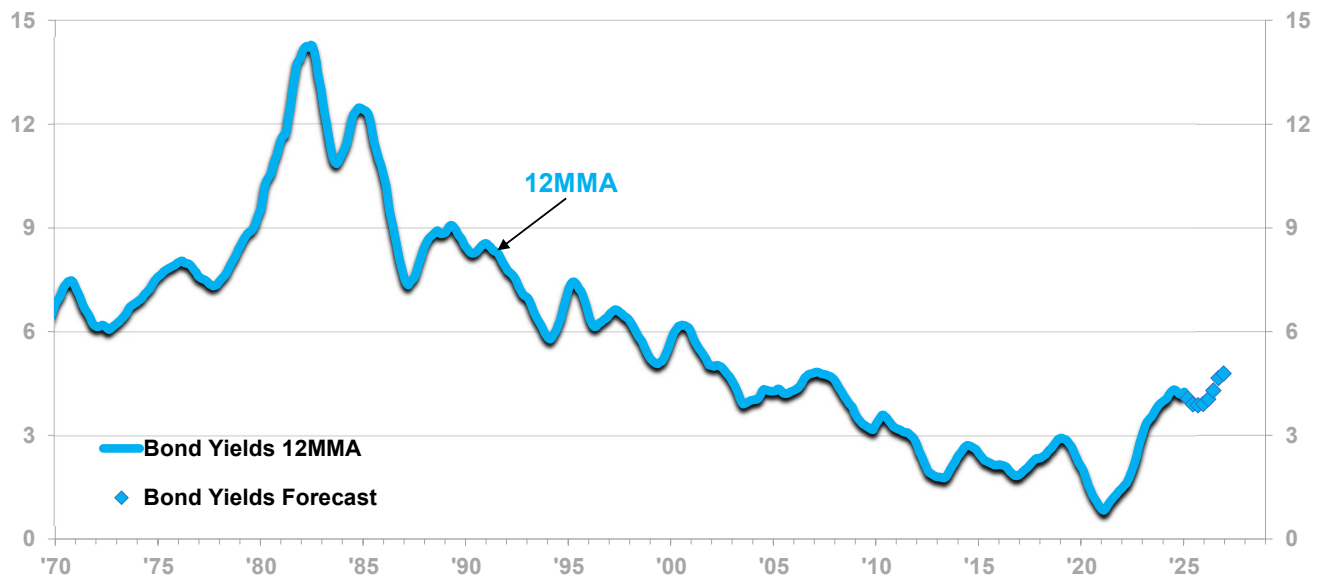
# Expect Interest Rate Rise Later This Year and in 2026




Source: FRB

## US Government Long-Term Bond Yields

Annual Data Trend: Percent

ITR ECONOMICS



-  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](https://youtube.com/@ITREconomics)



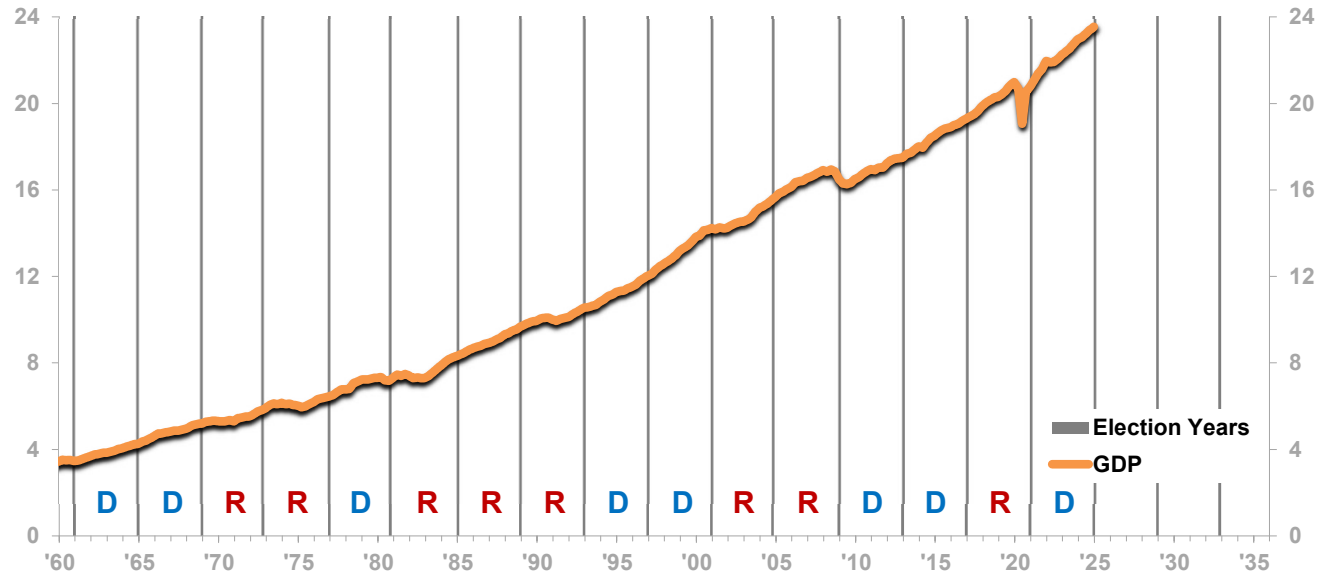
# Macroeconomic Trends

# Presidential Election Impact is Not Evident

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

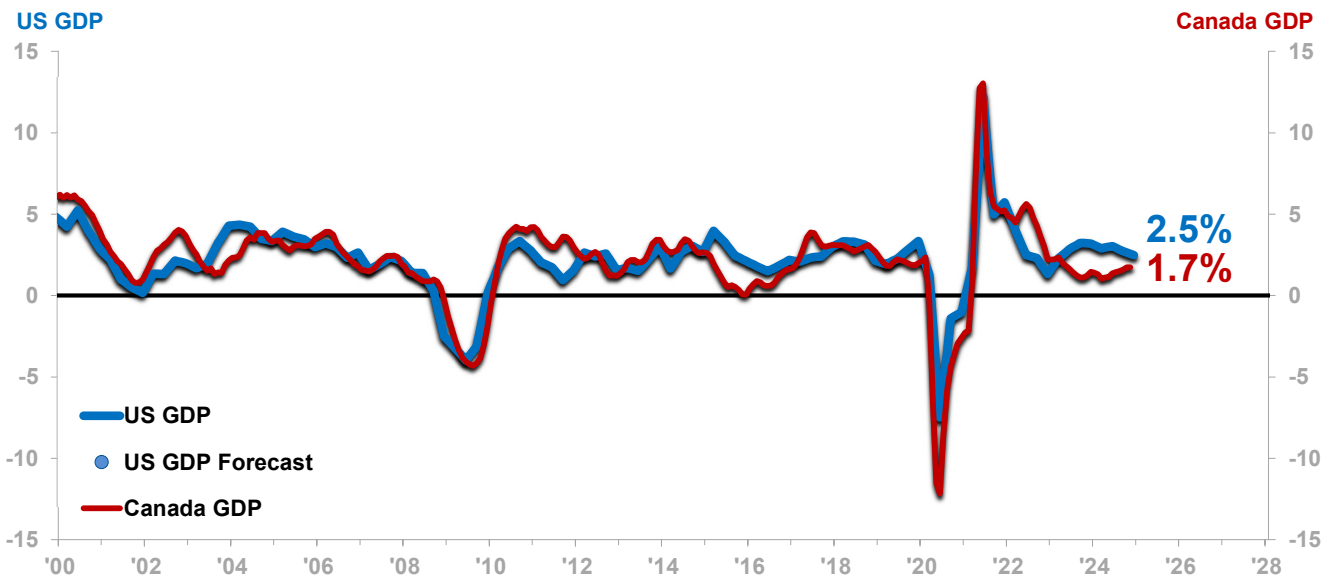


# Strong Cyclical Relationship

Sources: BEA, Statistics Canada

## US Real Gross Domestic Product to Canada All Industries GDP

3/12 Rates-of-Change



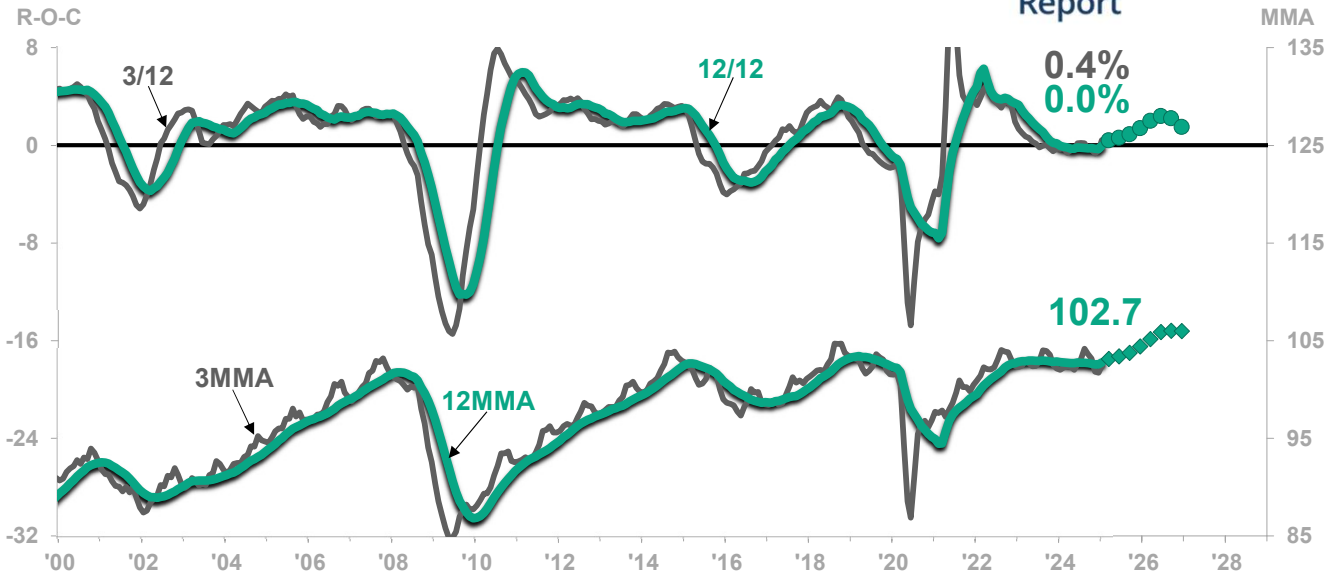
# Rise Through 2026

Source: FRB

## US Industrial Production Index

2017 = 100

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

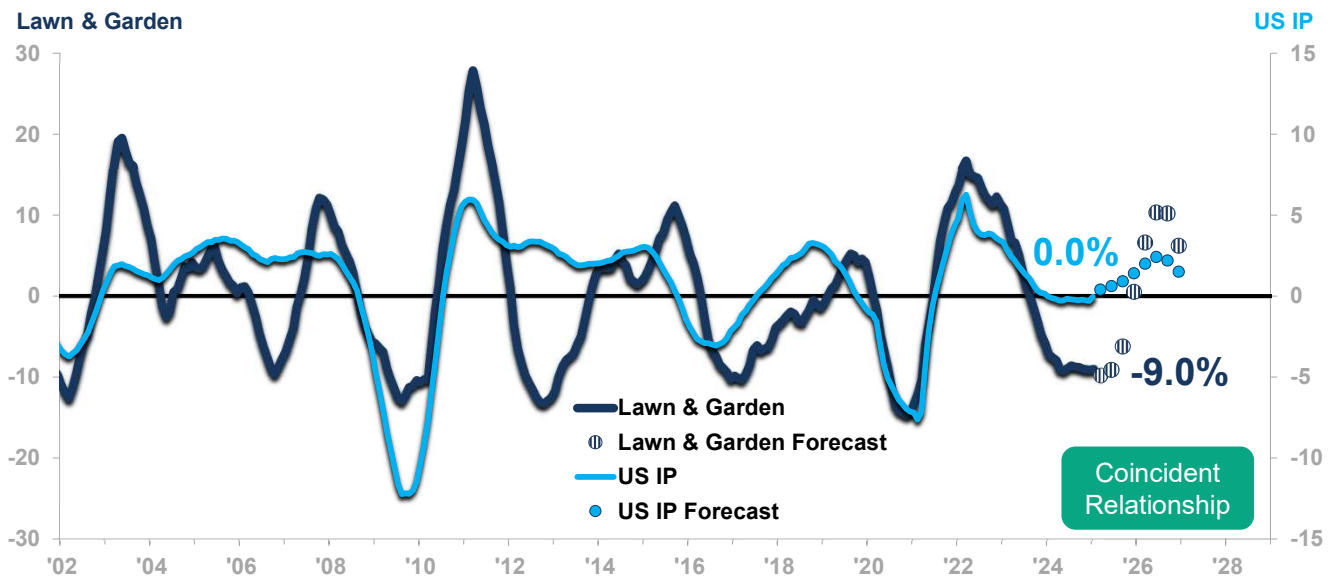


# The Macro Outlook Bodes Well for Equipment Producers

Source: FRB

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

12/12 Rates-of-Change

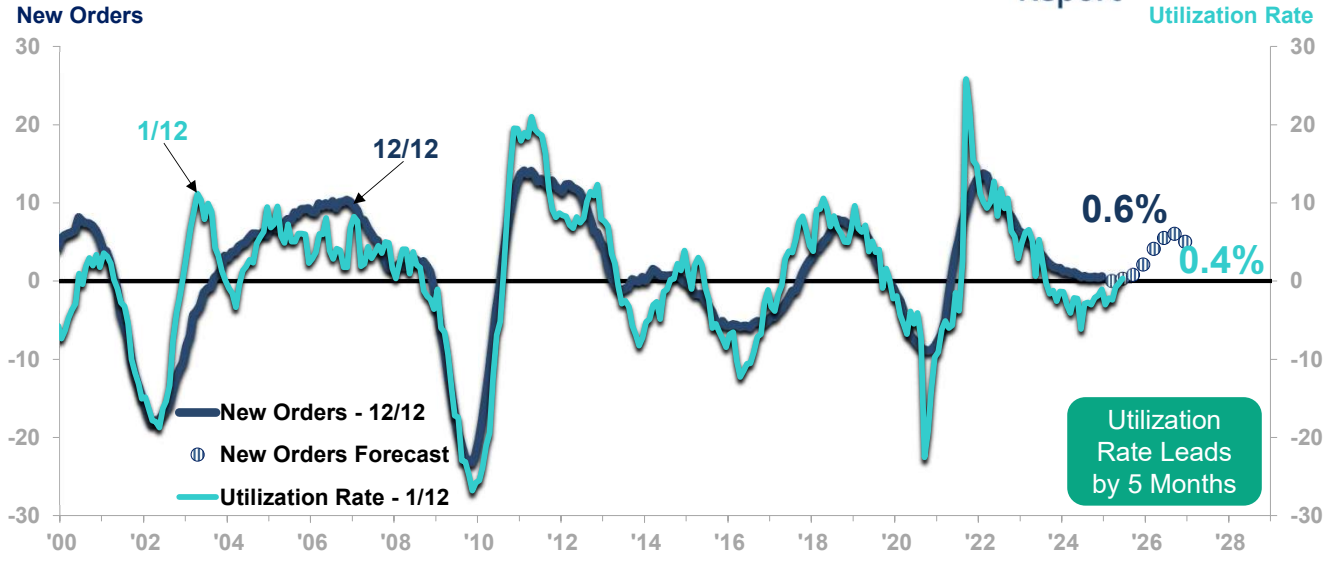


# A Clear Indication of Rise in New Orders in 2025

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 ITR ECONOMICS

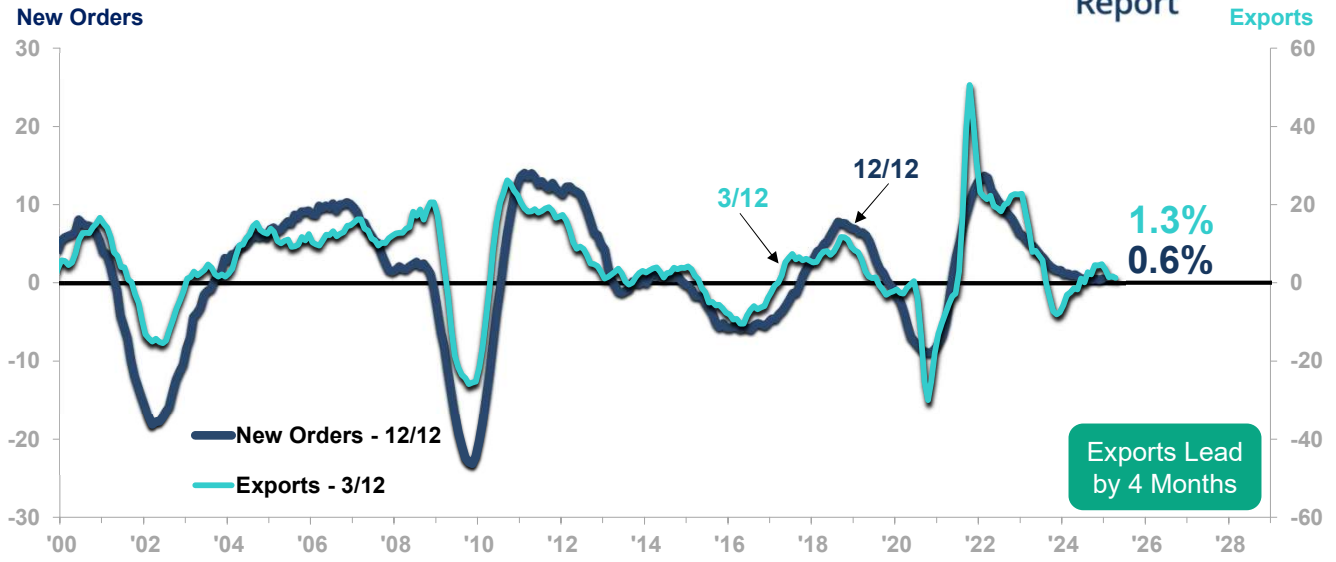


# Exports Bode Well for New Orders in 2025, Unless...

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 ITR ECONOMICS

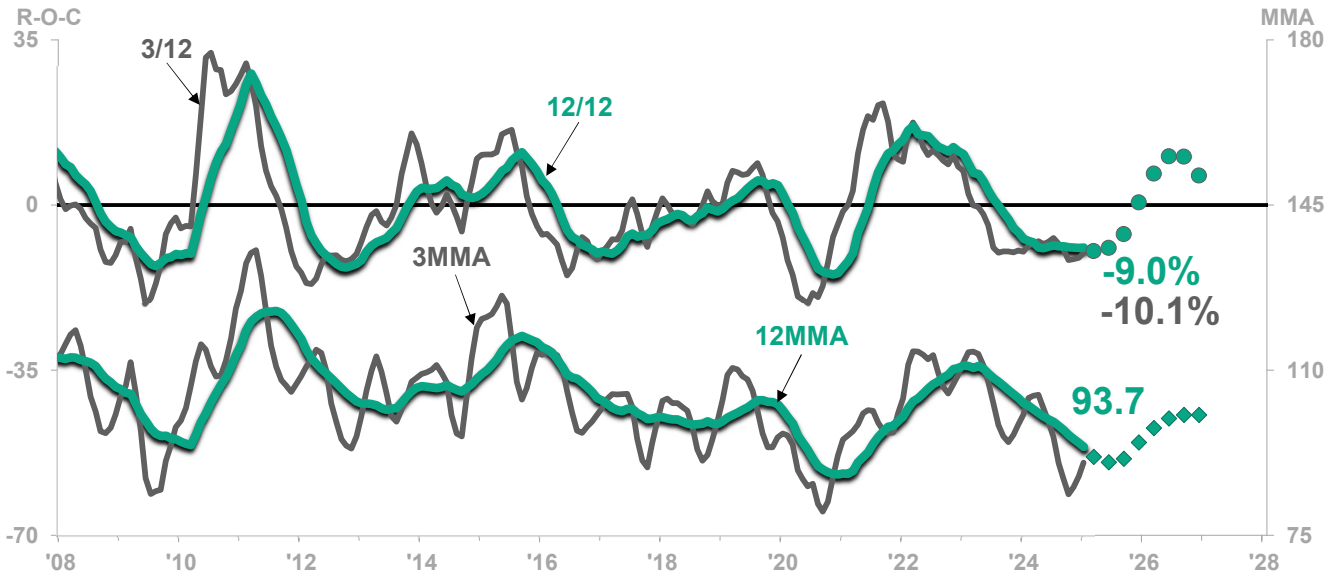


# Plan for Rise in the Second Half of 2025 and in 2026

Source: FRB

## US Lawn and Garden Equipment Production Index

2017 = 100



# Consumers





## Inflation-Adjusted Wages Are Rising

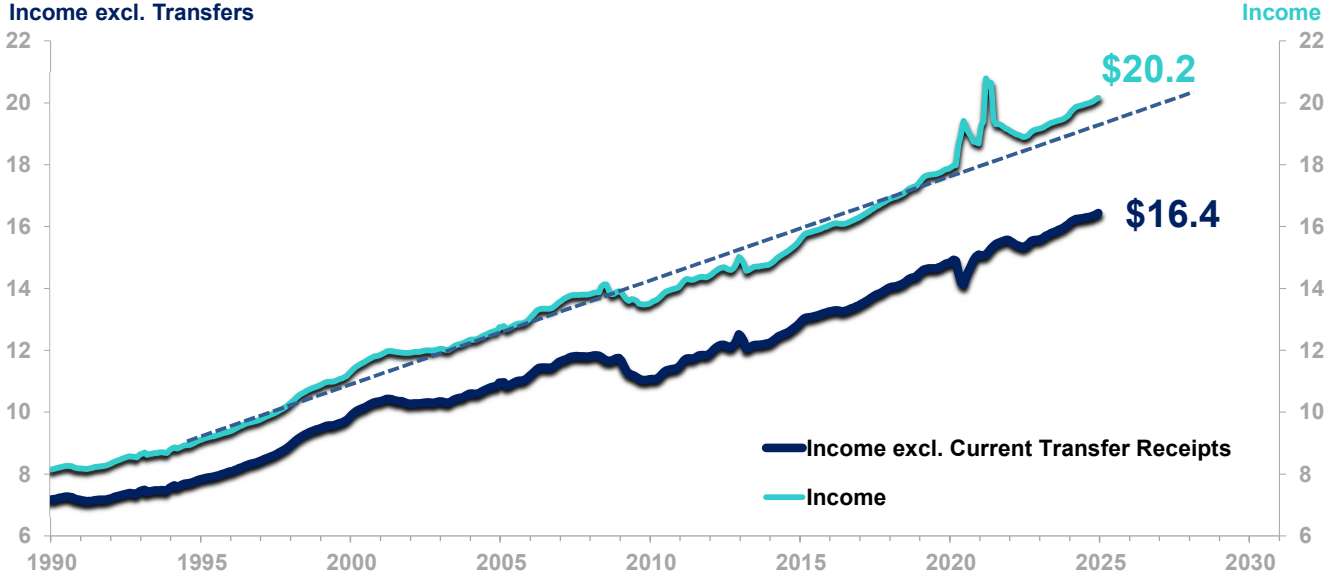
Source: BEA

### 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



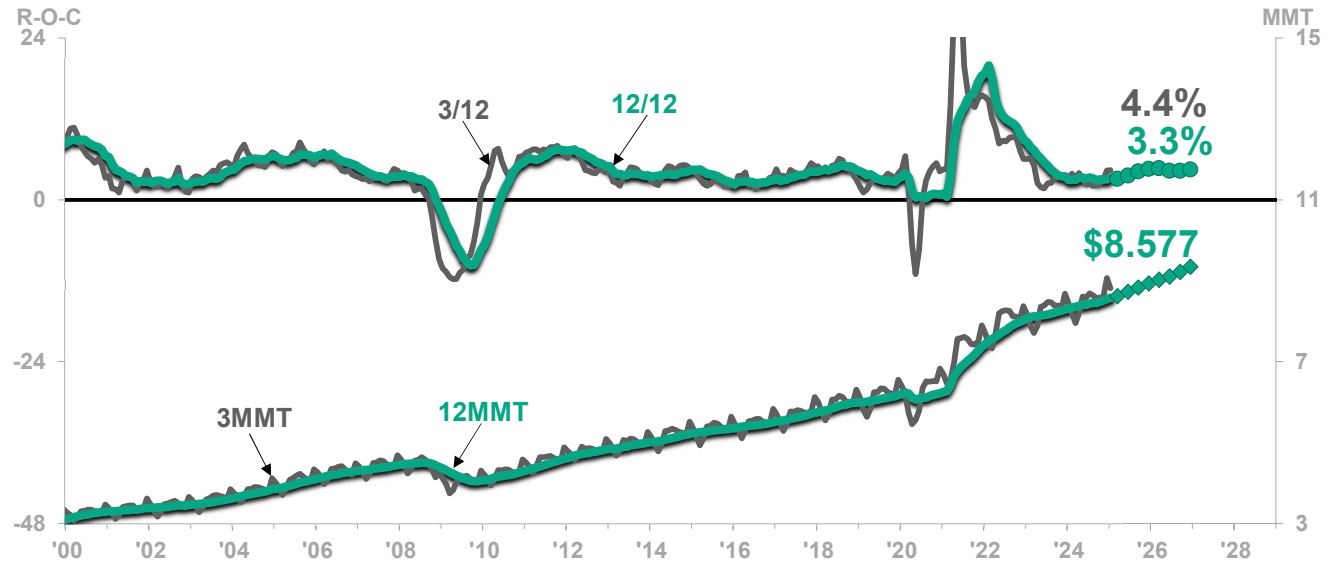
|   | Monthly | Notes   |
|---|---------|---|
| Auto Loan Delinquency                                     | 4.83%   | Post GR avg* 4.1%; Elevated & a concern       |
| Credit Card Delinquency                                   | 3.23%   | Back on trend; Pre-Covid 10-yr avg 2.76%      |
| Residential Delinquency (>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

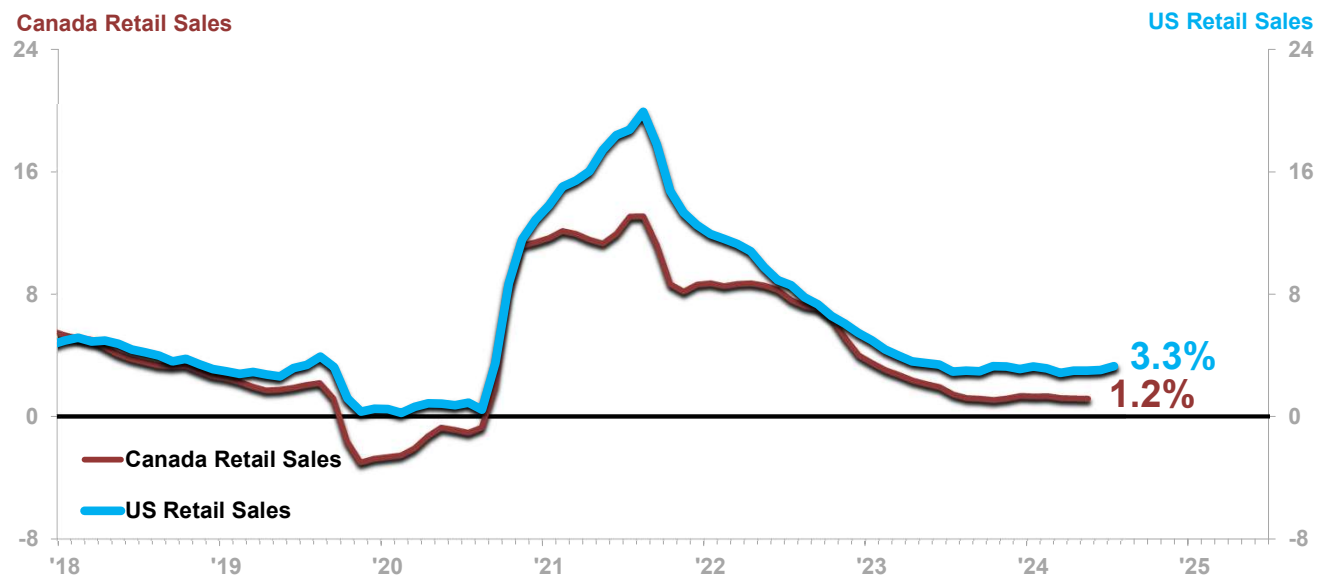


# Expect Retail Sales to Rise in Canada in 2025 and 2026

Sources: Statistics Canada, US Census Bureau

## Canada Retail Sales to US Retail Sales

12/12 Rates-of-Change

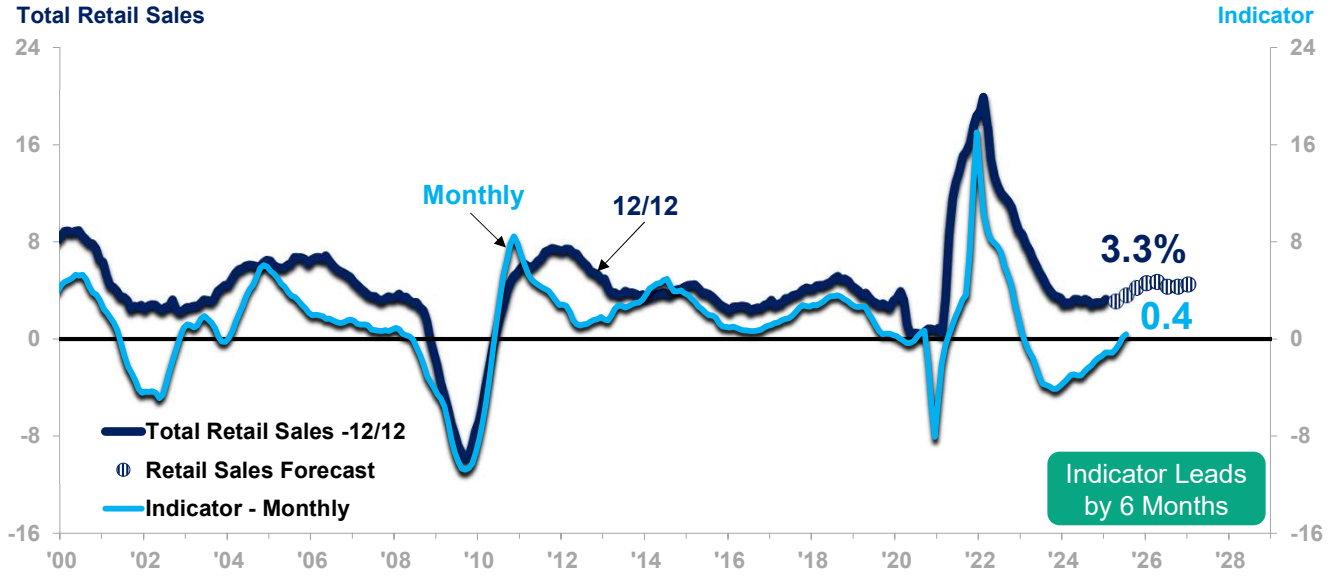


# ITR Leading Indicator Confirms Growth in Retail Sales

Sources: US Census Bureau, ITR Economics

## US Total Retail Sales to ITR Leading Indicator™

Rate-of-Change to Raw Data



# Retail Sales Outlook is Good News for OPEESA

Sources: OPEESA, US Census Bureau

## OPEESA to US Total Retail Sales

12/12 Rates-of-Change



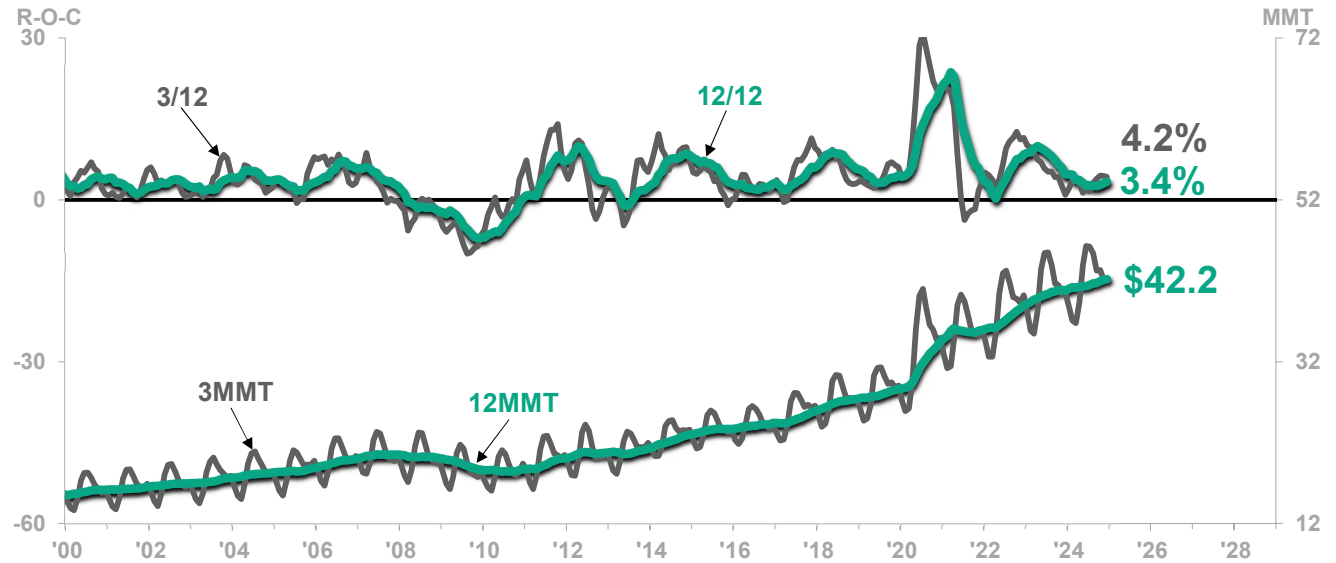
## Plan on Rise Through 2026

Source: US Census Bureau

### US Hardware Stores Retail Sales

Billions of Dollars

ITR ECONOMICS



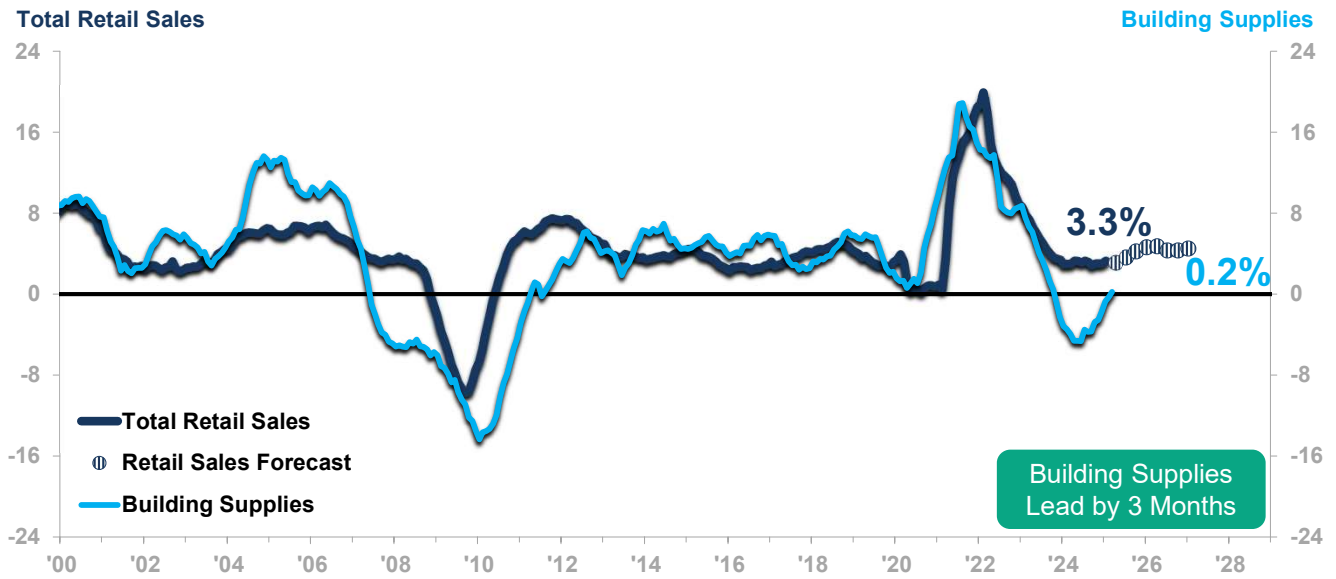
## The Retail Sales Outlook Bodes Well for Dealer Retail Sales

Source: US Census Bureau

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

12/12 Rates-of-Change

ITR ECONOMICS



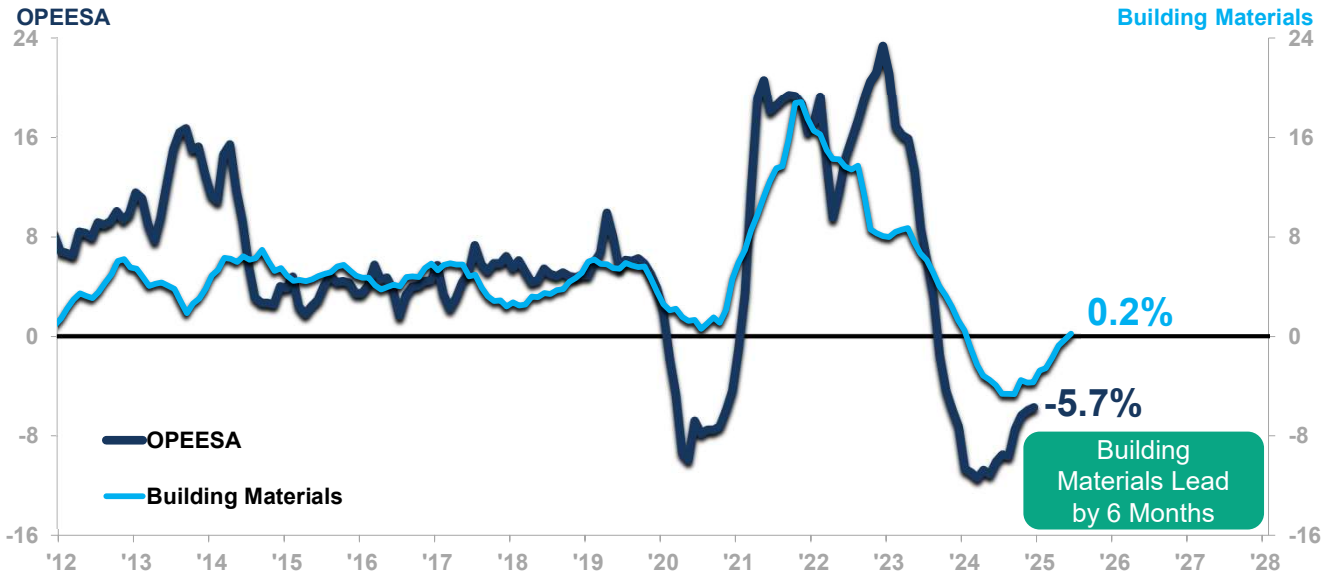
## Positive Input from the Dealer Retail Sales 12/12

Sources: OPEESA,  
US Census Bureau

### OPEESA Sales to US Building Materials and Supplies Dealers Retail Sales

12/12 Rates-of-Change

ITR ECONOMICS



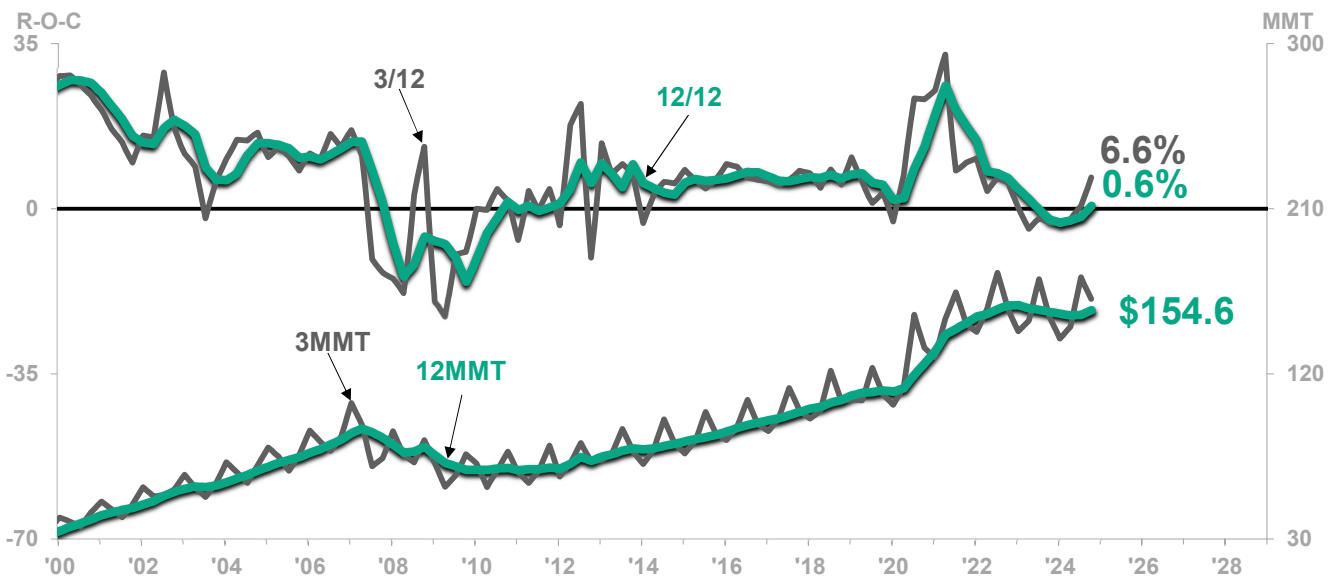
## Expect Rise in 2025 and 2026

Source: EDGAR

### Home Depot Sales (publicly reported)

Billions of Dollars

ITR ECONOMICS



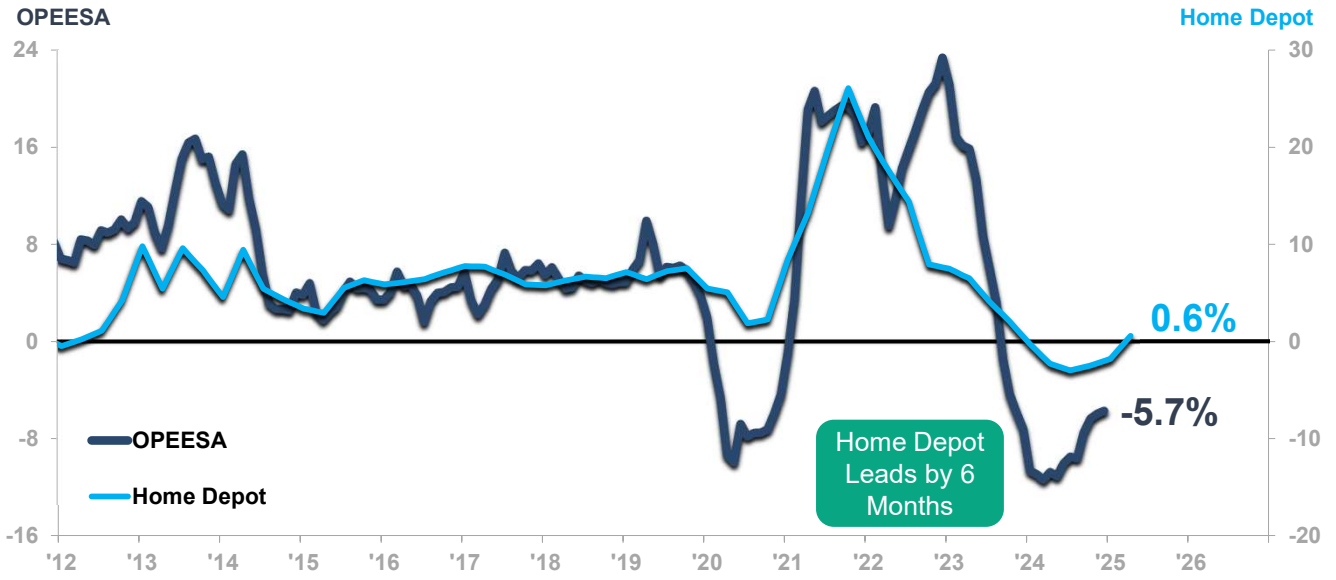
# Home Depot Leads the Way – Good News for OPEESA

Sources: OPEESA, EDGAR

## OPEESA to Home Depot Sales (publicly reported)

12/12 Rates-of-Change

ITR ECONOMICS



# Expect Mild Rise Through 2025

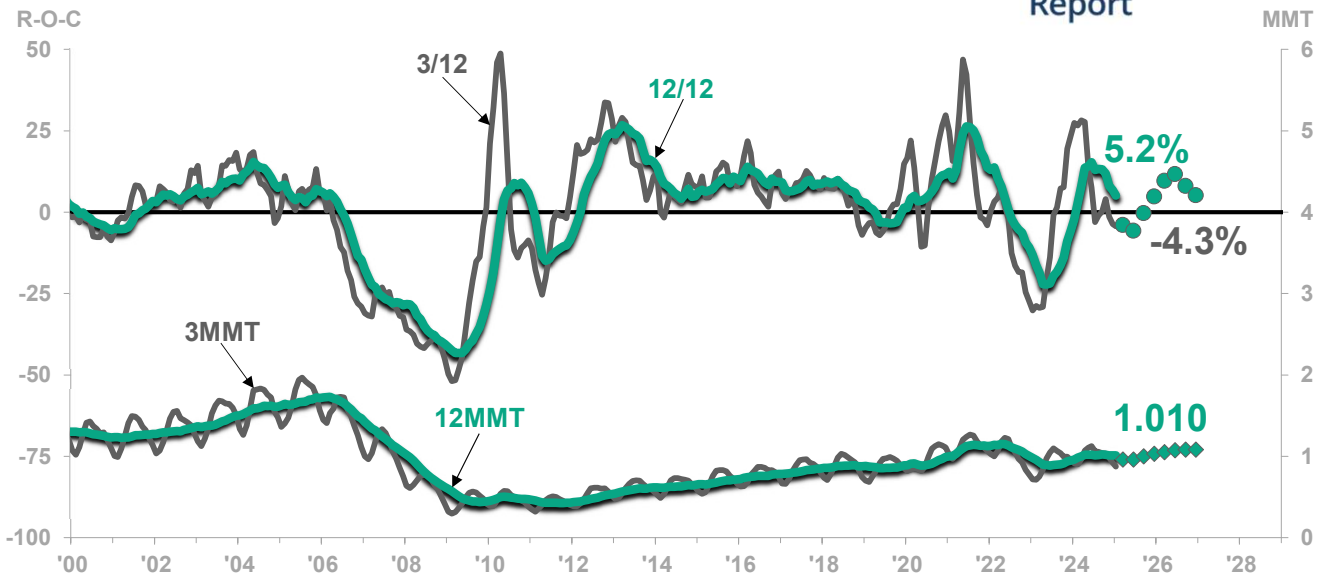
Source: US Census Bureau

## US Single Unit Housing Starts

Millions of Units

as seen in ITR Economics' Trends Report

ITR ECONOMICS

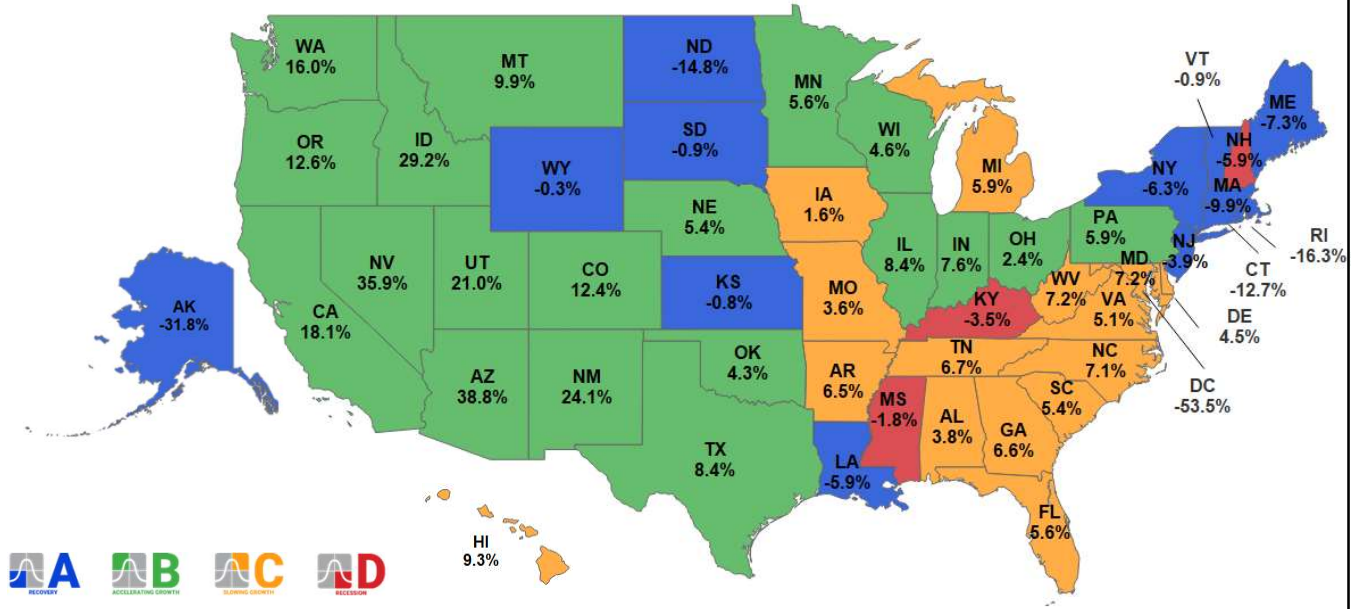


# Private Single-Family Housing Units Construction by State

Source: ConstructConnect

12/12 Rates-of-Change

ITR ECONOMICS

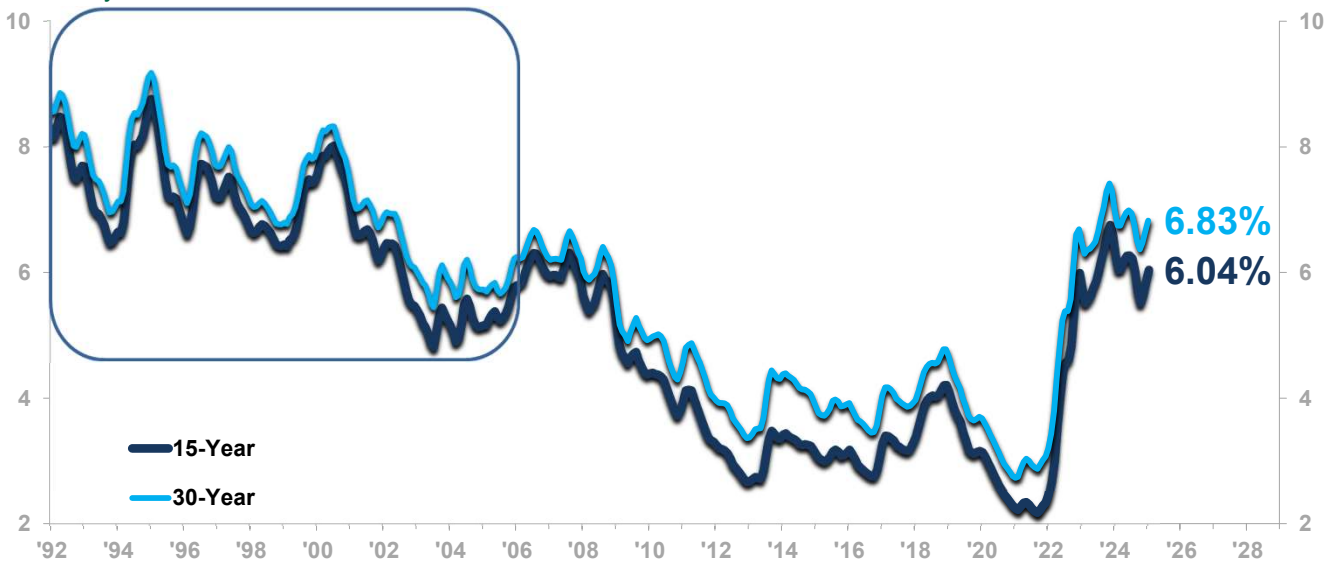


# Mortgage Rates Trending into the "New Normal"

Source: Freddie Mac

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

ITR ECONOMICS



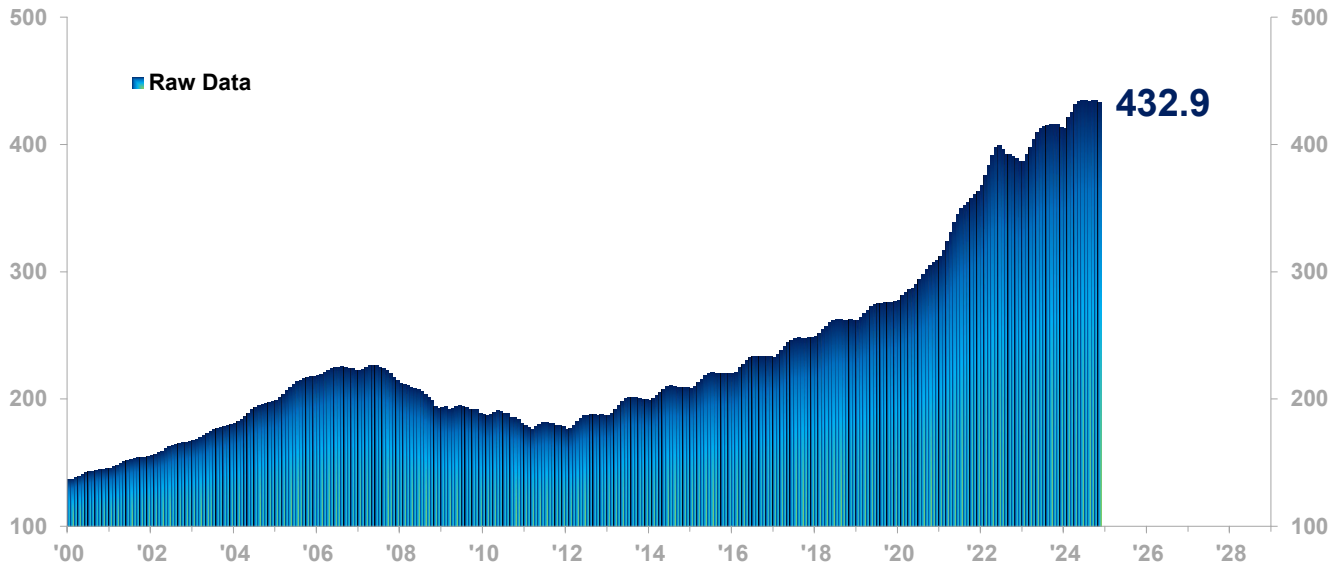
## Still Very Expensive

Source: FHA

### US Housing Price Index

Raw Data (1991 = 100)

ITR ECONOMICS



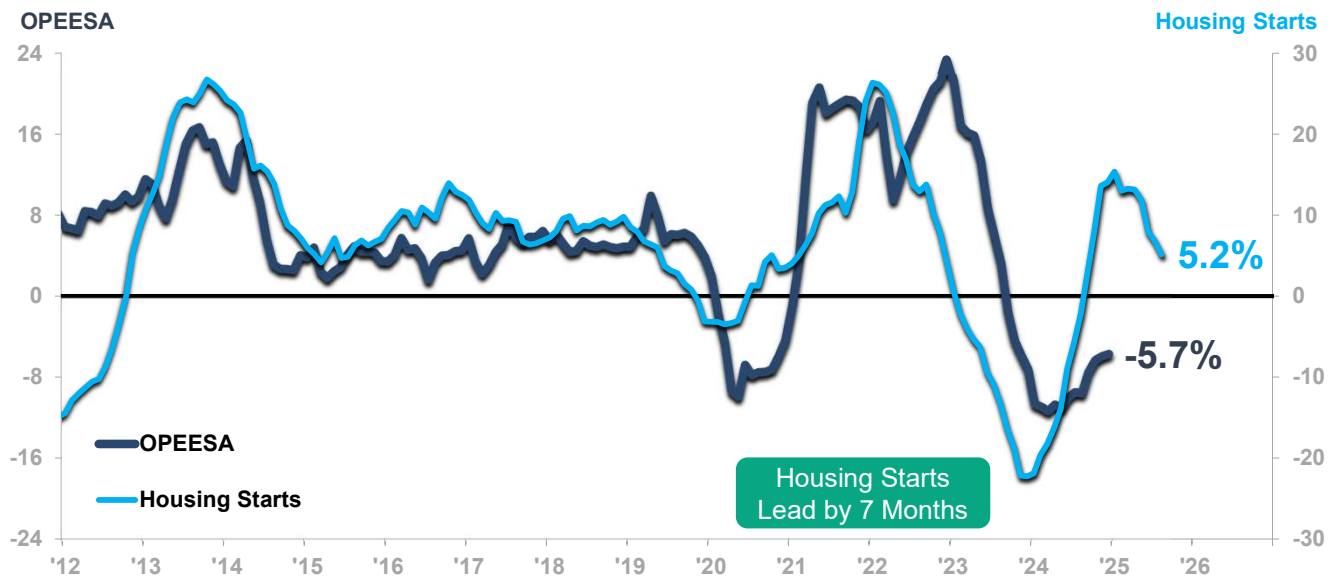
## Housing Indicates Rise for OPEESA

Sources: OPEESA, US Census Bureau

### OPEESA Sales to US Single-Unit Housing Starts

12/12 Rates-of-Change

ITR ECONOMICS





## Positive Input for 2025

Sources: OPEESA, ITR Economics

### OPEESA to ITR Remodeling Market Index

Rates-of-Change

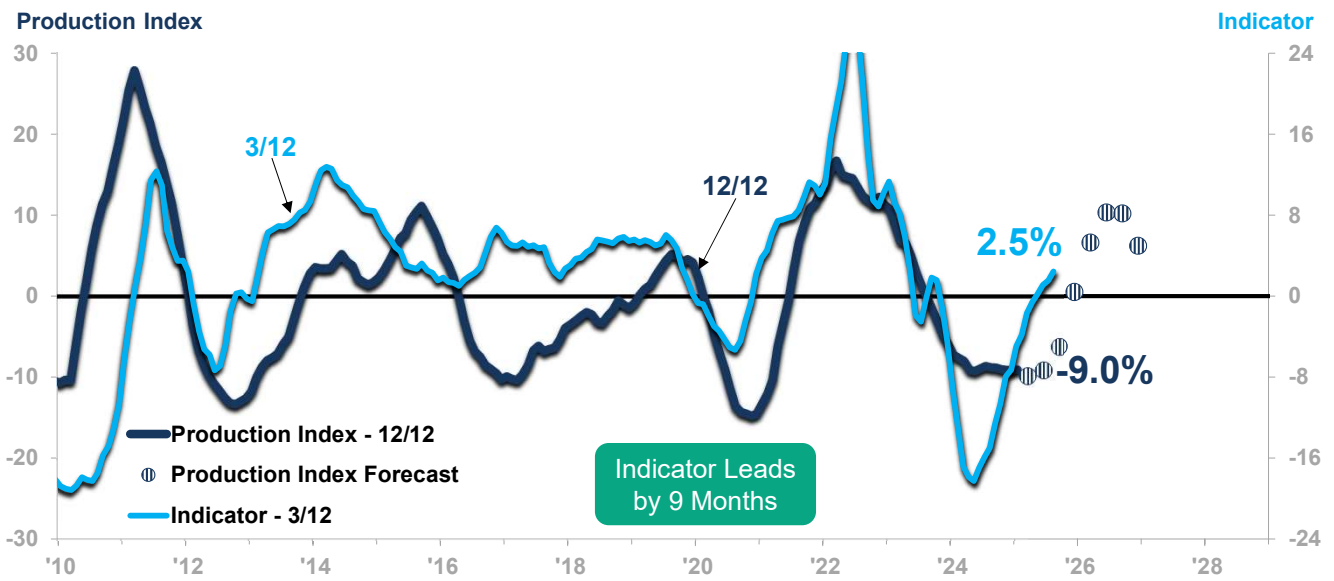


## Good News for Equipment Producers

Sources: FRB, ITR Economics

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

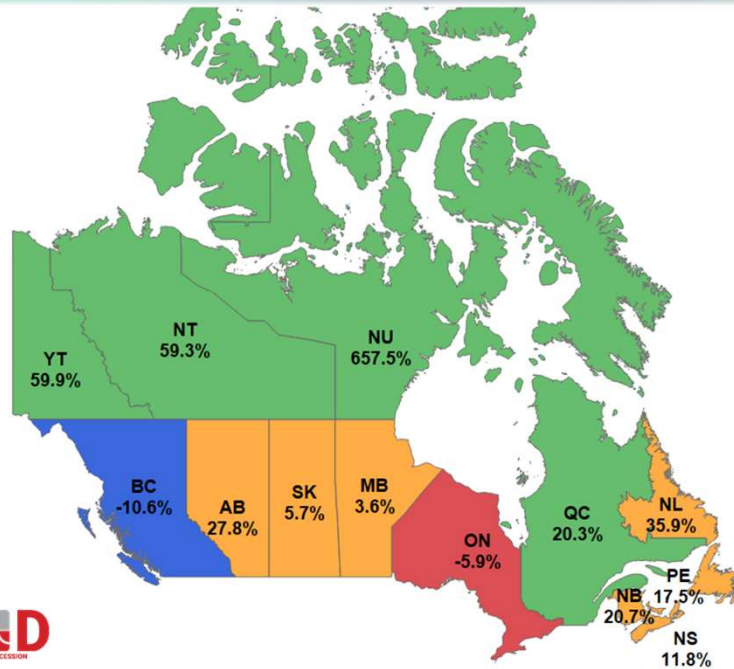
Rates-of-Change



## 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.

- 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***

**LEARN  
MORE**

