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# *2024–2025: A Changing Landscape*

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**Presented by ITR Economics  
Senior Forecaster  
Connor Lokar**

	Duration	Accuracy
US GDP	15	97.8%
US Ind. Production	14	99.8%
Europe Ind. Production	17	99.7%
Canada Ind. Production	15	95.7%
China Ind. Production	13	99.5%
Retail Sales	14	99.9%
Housing - Single Family	14	88.9%
Employment-Private Sector	13	99.9%

***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
Apr-22	7.271				
May-22	6.736				
Jun-22	6.962	21.0			
Jul-22	7.303	21.0			
Aug-22	6.500	20.8			
Sep-22	7.040	20.8			
Oct-22	6.858	20.4			
Nov-22	6.804	20.7			
Dec-22	6.643	20.3			
Jan-23	6.611	20.1			
Feb-23	6.251	19.5			
Mar-23	5.972	19.9		81.0	
Apr-23	6.964	19.2		80.6	
May-23	6.305	19.2		80.2	
Jun-23	6.870	20.1	-4.0%	80.1	
Jul-23	6.789	20.0	-4.9%	79.6	
Aug-23	6.238	19.9	-4.2%	79.3	
Sep-23	6.960	20.0	-4.1%	79.3	0.9%
Oct-23	6.740	19.9	-2.3%	79.1	-0.3%
Nov-23	6.985	20.7	-0.1%	79.3	-0.8%
Dec-23	6.658	20.4	0.4%	79.3	-1.3%
Jan-24	6.487	20.1	0.4%	79.2	-1.7%
Feb-24	6.310	19.5	-0.3%	79.3	-2.0%
Mar-24	6.300	19.1	-1.4%	79.6	-1.7%

## 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.

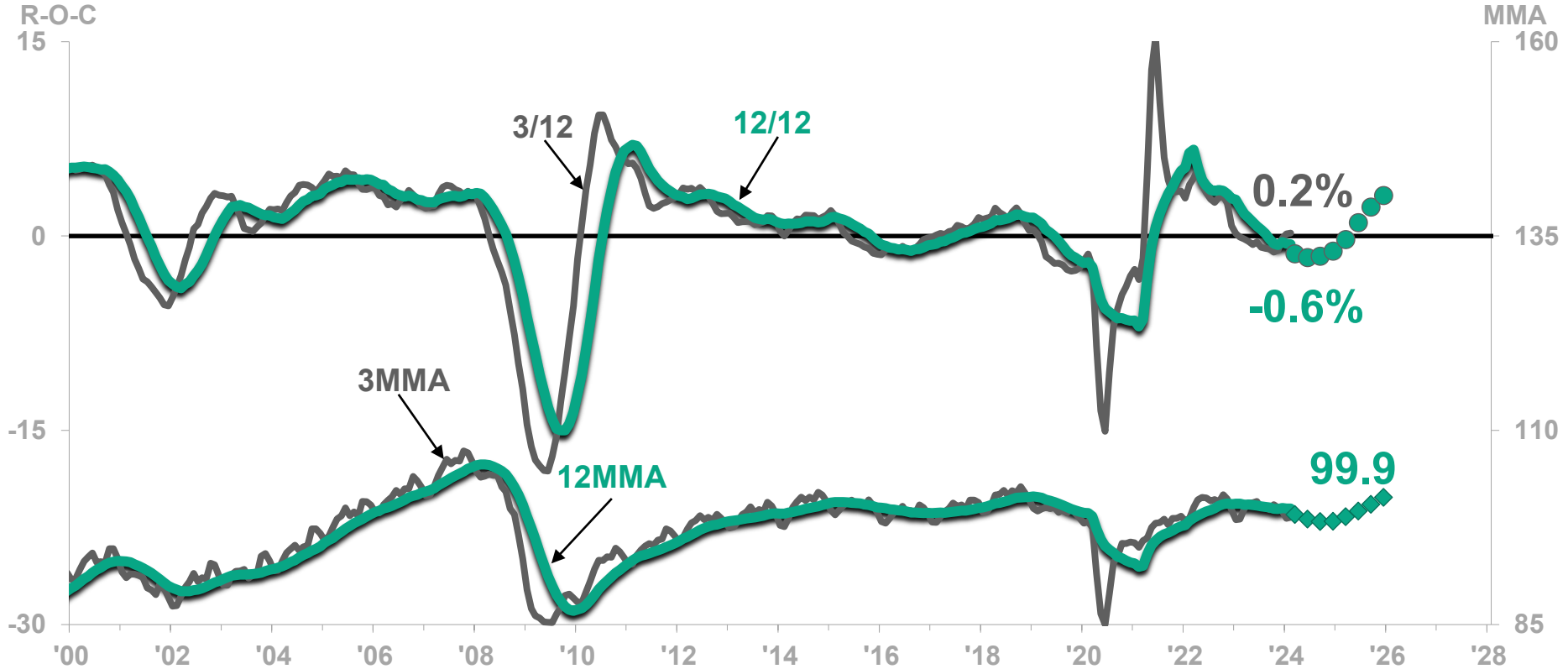
**Defines** the business cycle.

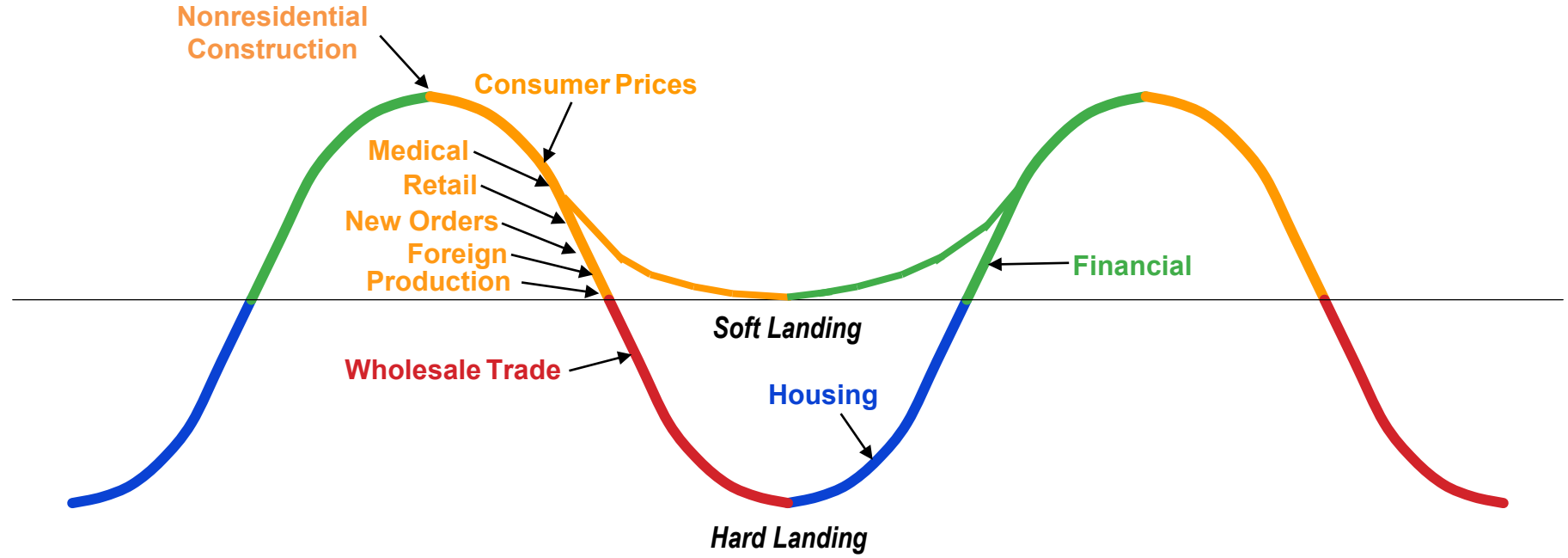
# Mild Decline Through Late 2024

Source: FRB

## US Total Manufacturing Production Index

2017 = 100





**A**  
RECOVERY



**B**  
ACCELERATING GROWTH



**C**  
SLOWING GROWTH



**D**  
RECESSION



# *Global Forces*

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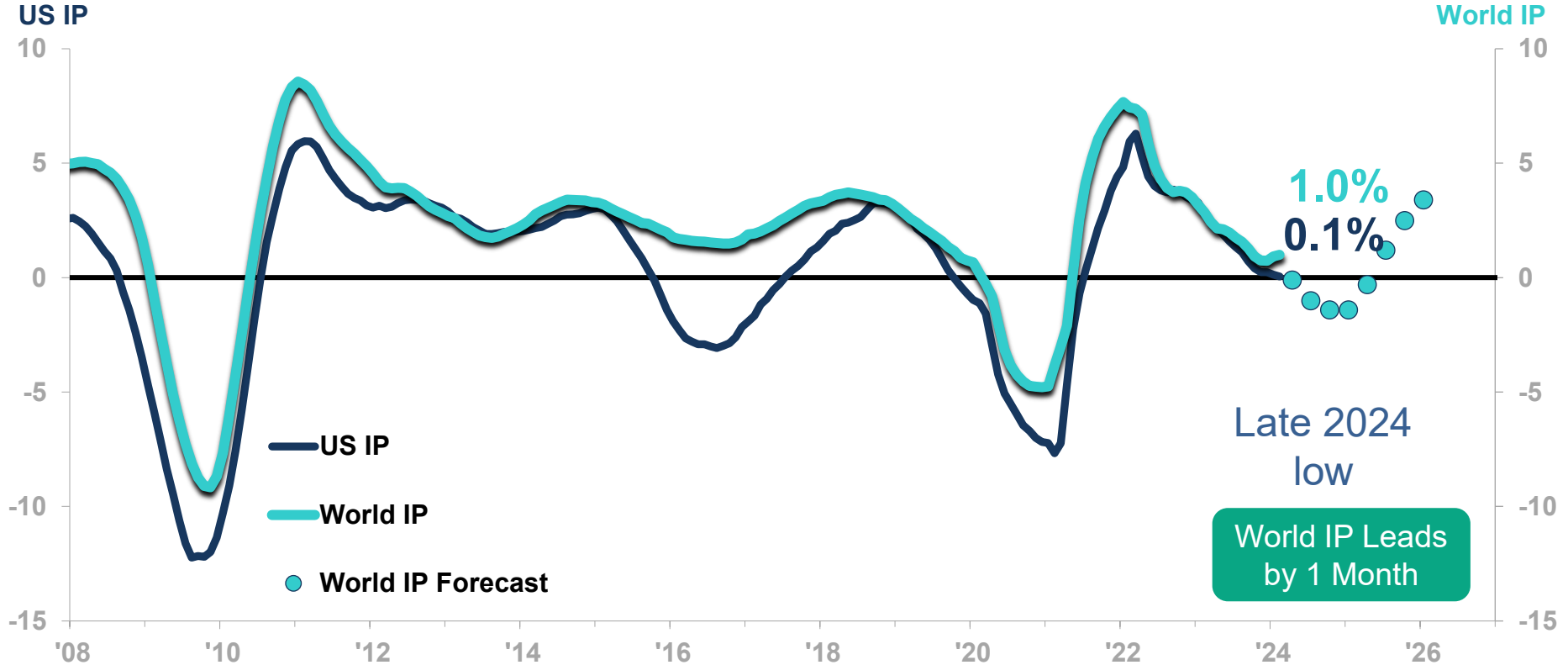
# Strong Cyclical Relationship

Sources: FRB, CPB Netherlands Bureau For Economic Policy Analysis



## US Industrial Production Index to World Industrial Production Index

12/12 Rates-of-Change



# Canada Is Already Below Year-Prior Levels

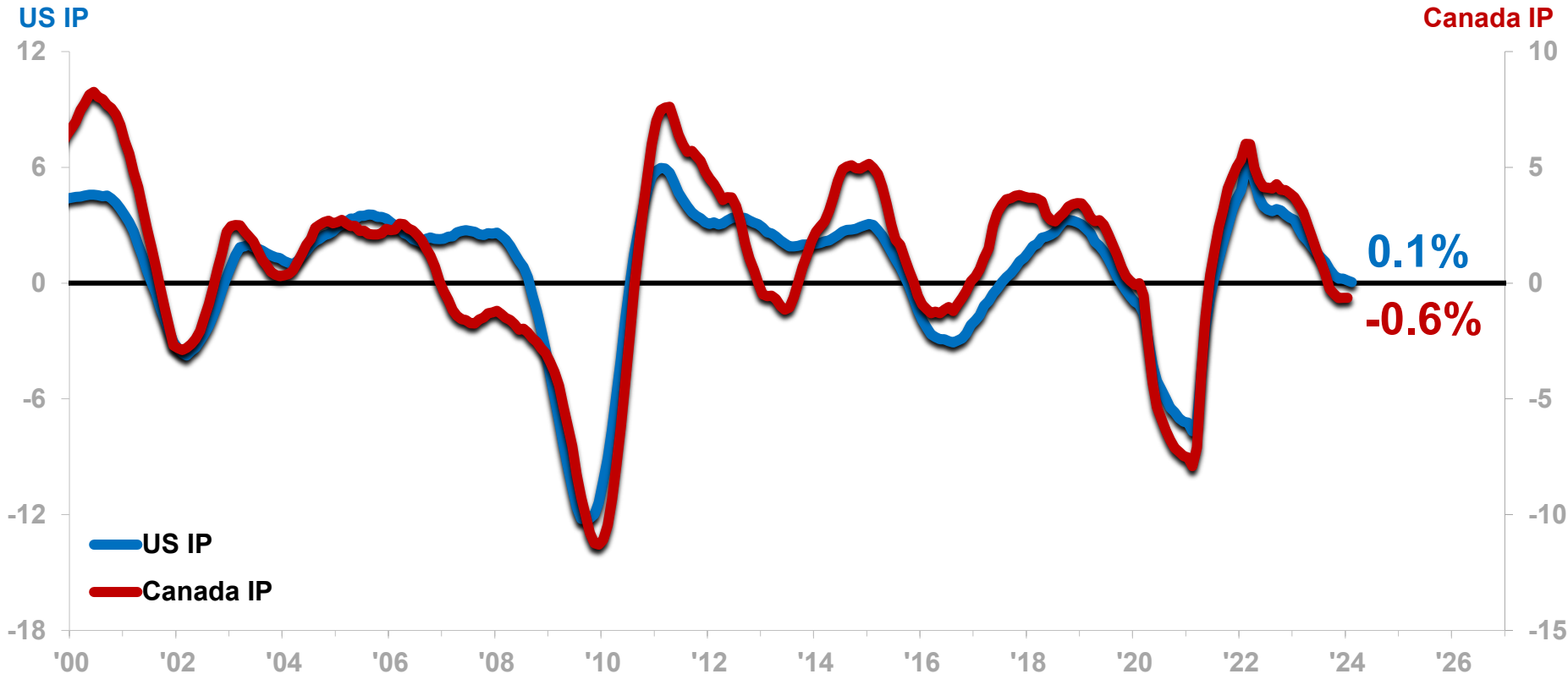
Sources: FRB, Statistics Canada

## US Industrial Production Index to Canada Industrial Production

12/12 Rates-of-Change



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# Decline Signaled for Canada in 2024

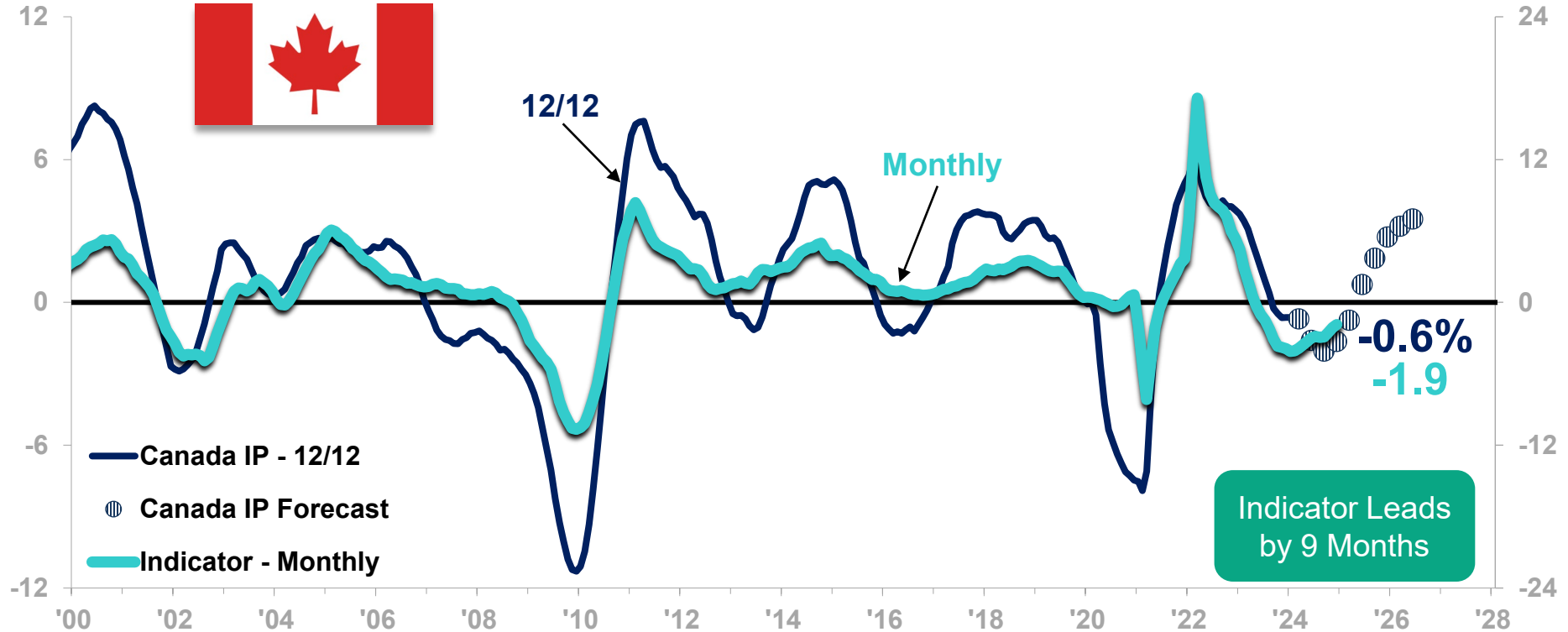
Sources: Statistics Canada, ITR Economics



## Canada Industrial Production to ITR Leading Indicator™

Rates-of-Change

Canada IP



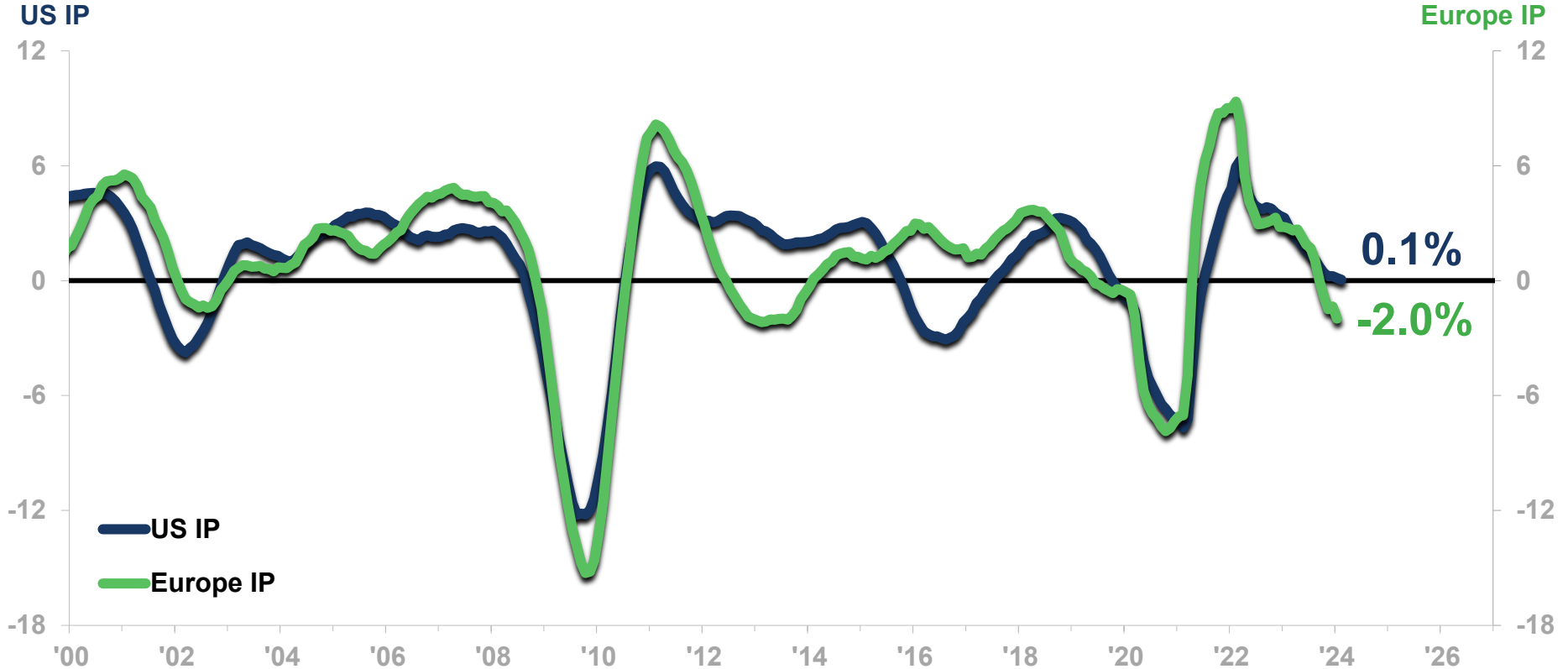
Indicator Leads by 9 Months

# Europe Is Already In Recession

Sources: FRB, Eurostat

## US Industrial Production Index to European Union Industrial Production Index

12/12 Rates of Change



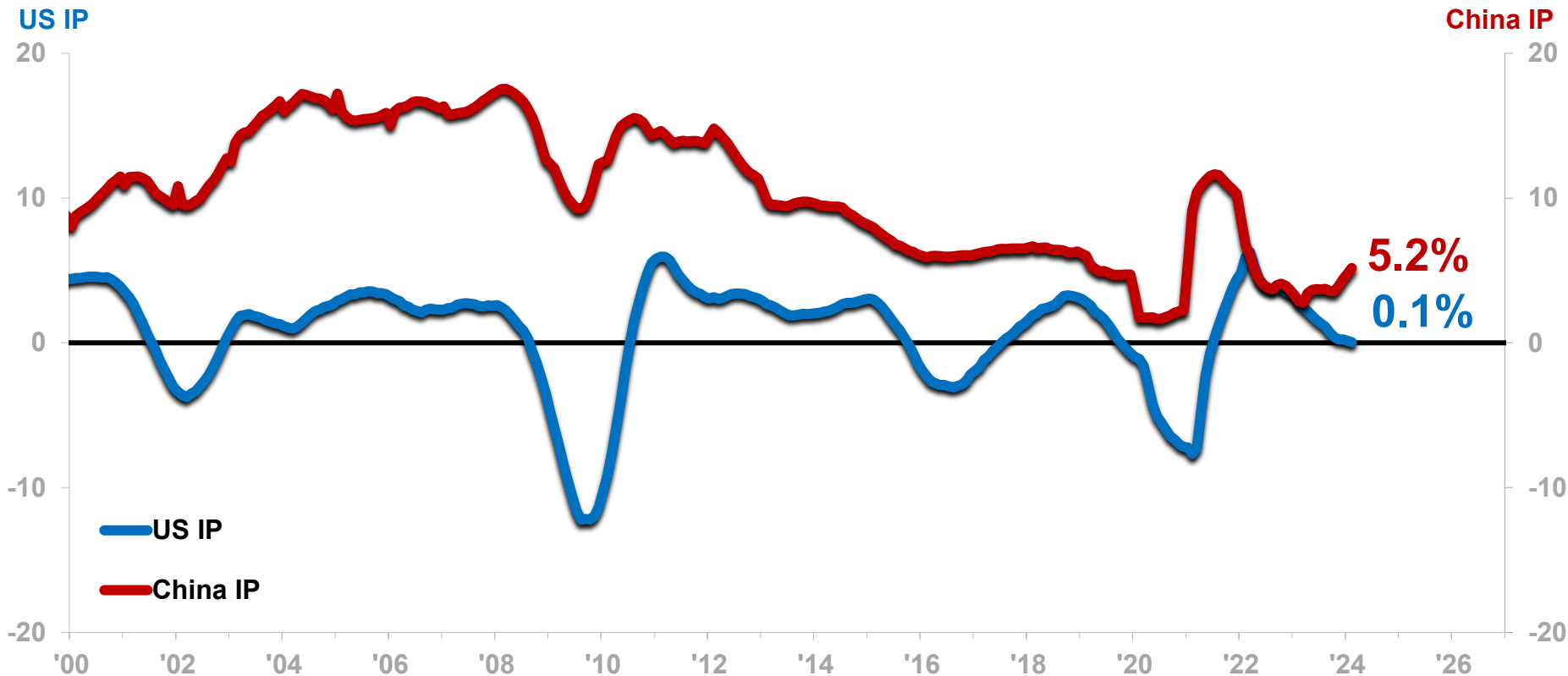
# China's Long Term Growth Rate Is Falling

Sources: FRB, China  
National Bureau of Statistics



## US Industrial Production Index to China Industrial Production Index

12/12 Rates-of-Change



# Production in Key Economies: EU in Front

Sources: Japan METI, Statistics Canada, Eurostat,  
ITR Economics, India Central Statistics Office,  
Mexico National Institute of Statistics and Geography

## International Industrial Production Indexes

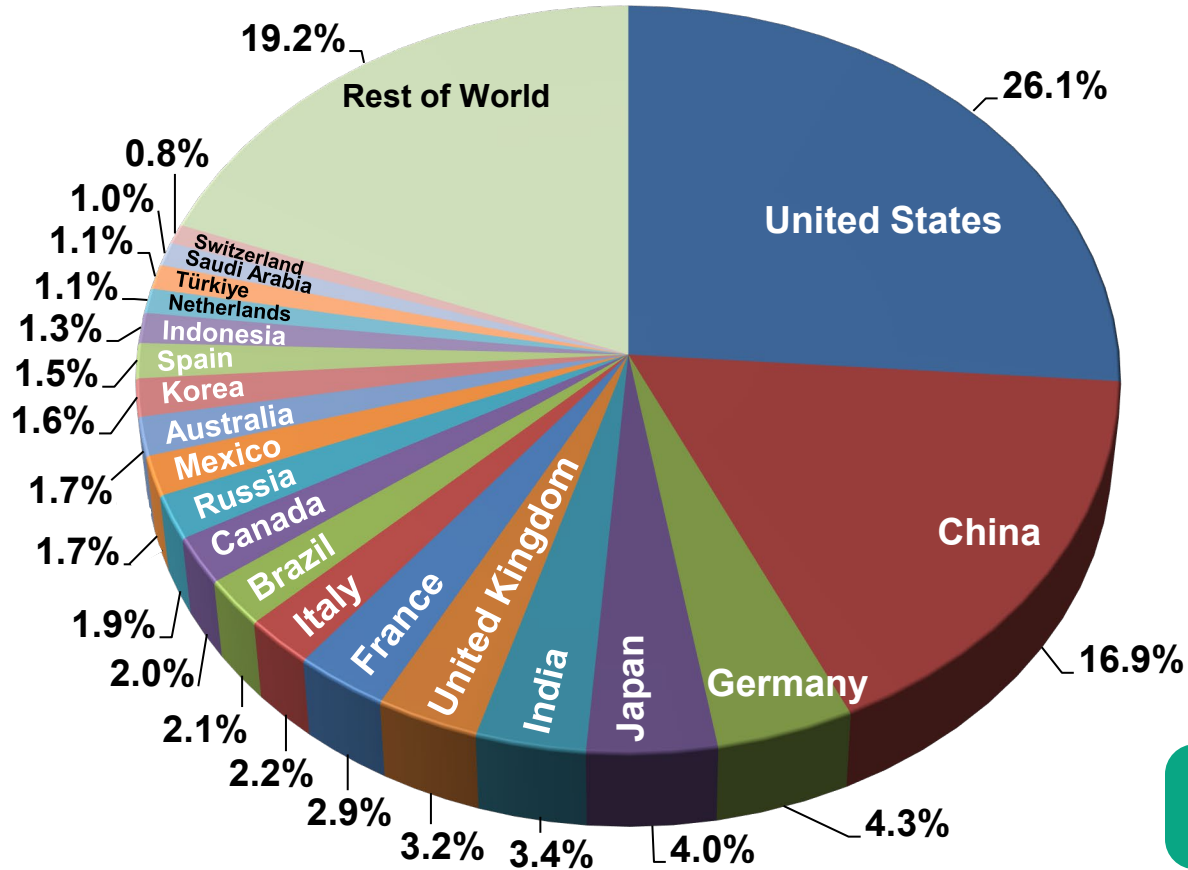


	12/12	Phase	3/12	Phase	12MM Notes
Japan	-1.4%	D	-2.0%	A	Stalling
Canada	-0.6%	A	0.5%	B	Rising
Europe	-2.0%	D	-3.2%	A	Stalling
Rest of Asia	1.2%	B	0.8%	B	Rising
South America	-2.1%	D	-2.6%	A	Rising
India	5.4%	C	3.4%	C	Rising
Mexico	3.5%	C	1.9%	C	Rising



# Percent of World GDP by Country

Source: IMF, \*ROW: 64% are  
IMF Estimated Figures



\*Total World GDP:  
\$104.7 Trillion US \$



**China is becoming more of a problem going forward with mounting risks**



**Europe in recovery in 2025**



**Nationalism is the long-term play**

## *Next Steps*

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- **Nationalism brings opportunities for shorter supply chains and new business**

A decorative graphic on the left side of the slide, consisting of overlapping blue and green geometric shapes (triangles and diamonds) with a white line and two small white circles. The background of this graphic is a blurred image of various interest rate percentages.

# *Inflation & Interest Rates*

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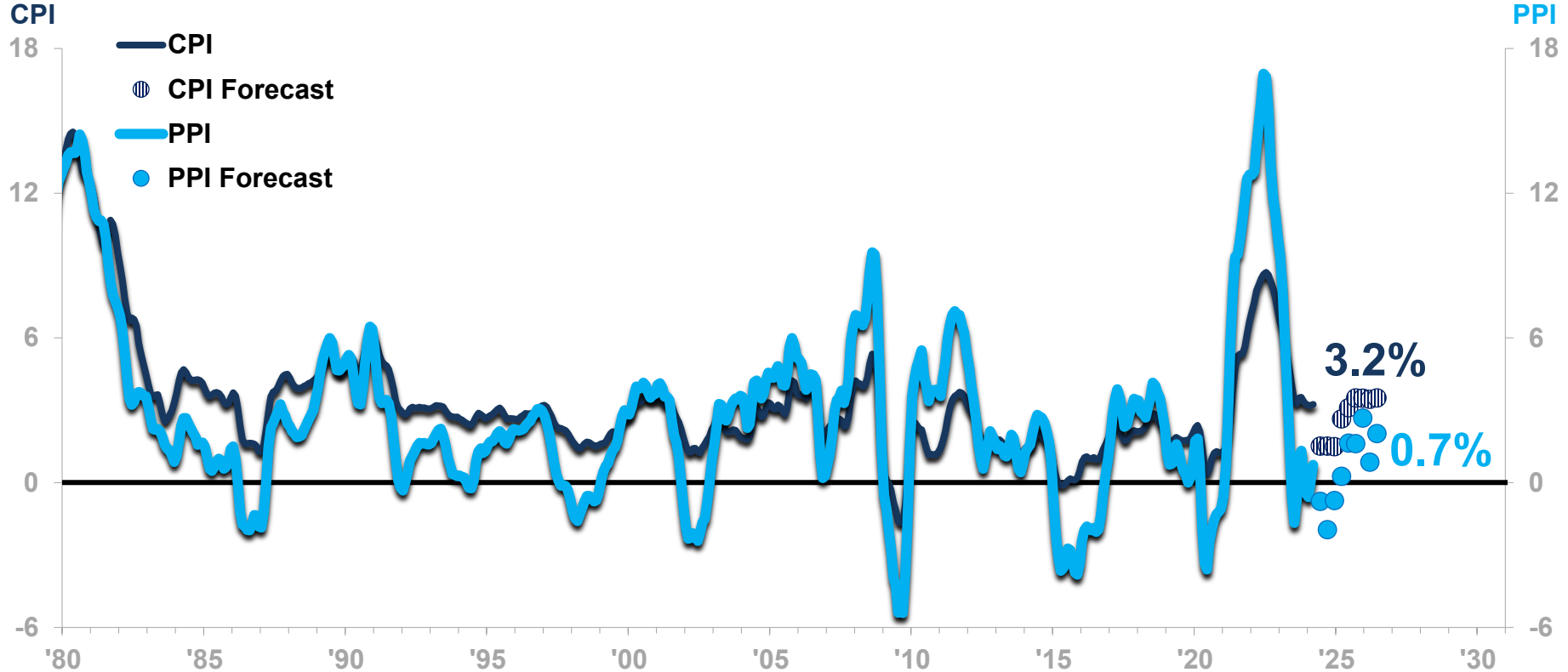


# Producer Price Deflation and Consumer Price Disinflation

Source: BLS

## US Consumer Price Index to US Producer Price Index

3/12 Rates-of-Change





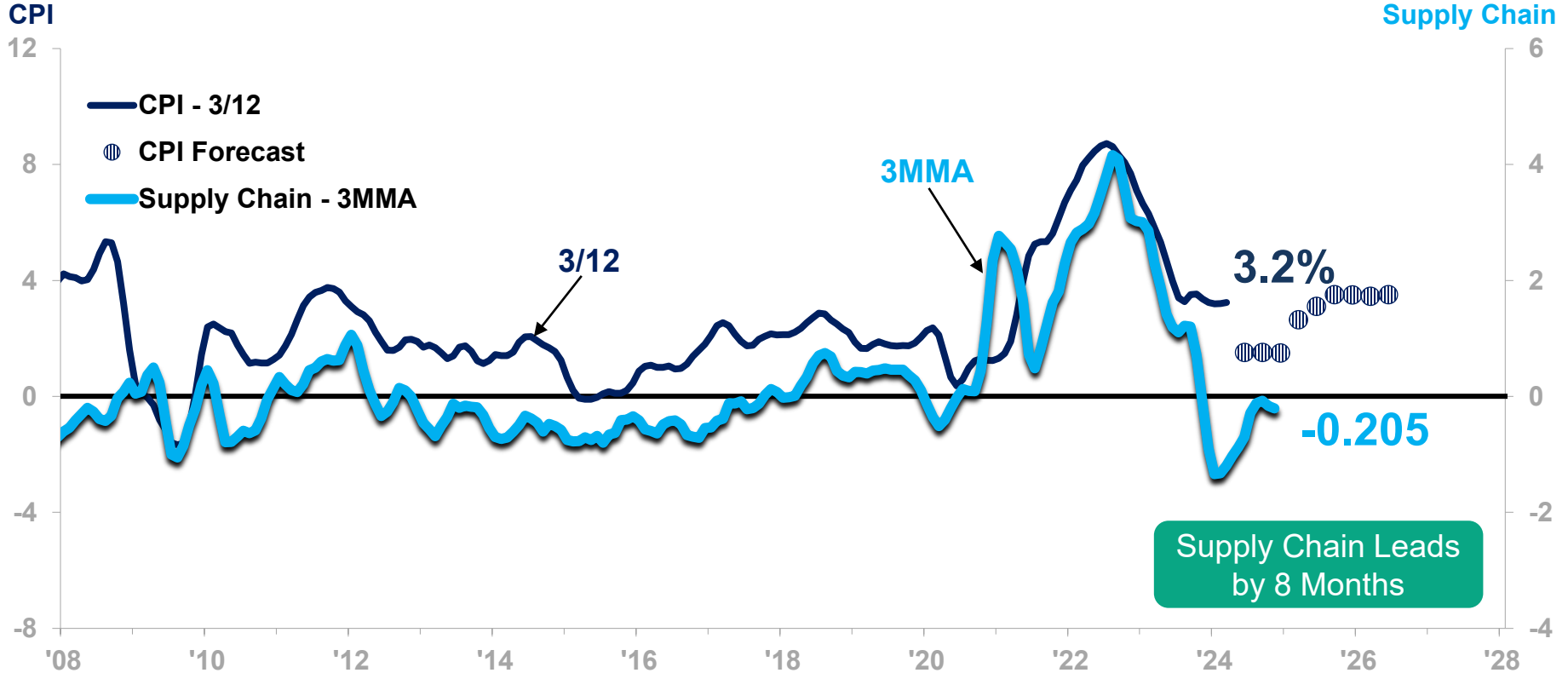
# Supply Chain Impact on Inflation Has Normalized

Sources:  
BLS, FRBNY



## US Consumer Price Index to Global Supply Chain Pressure Index

3/12 R-O-C to Quarterly Data Trend



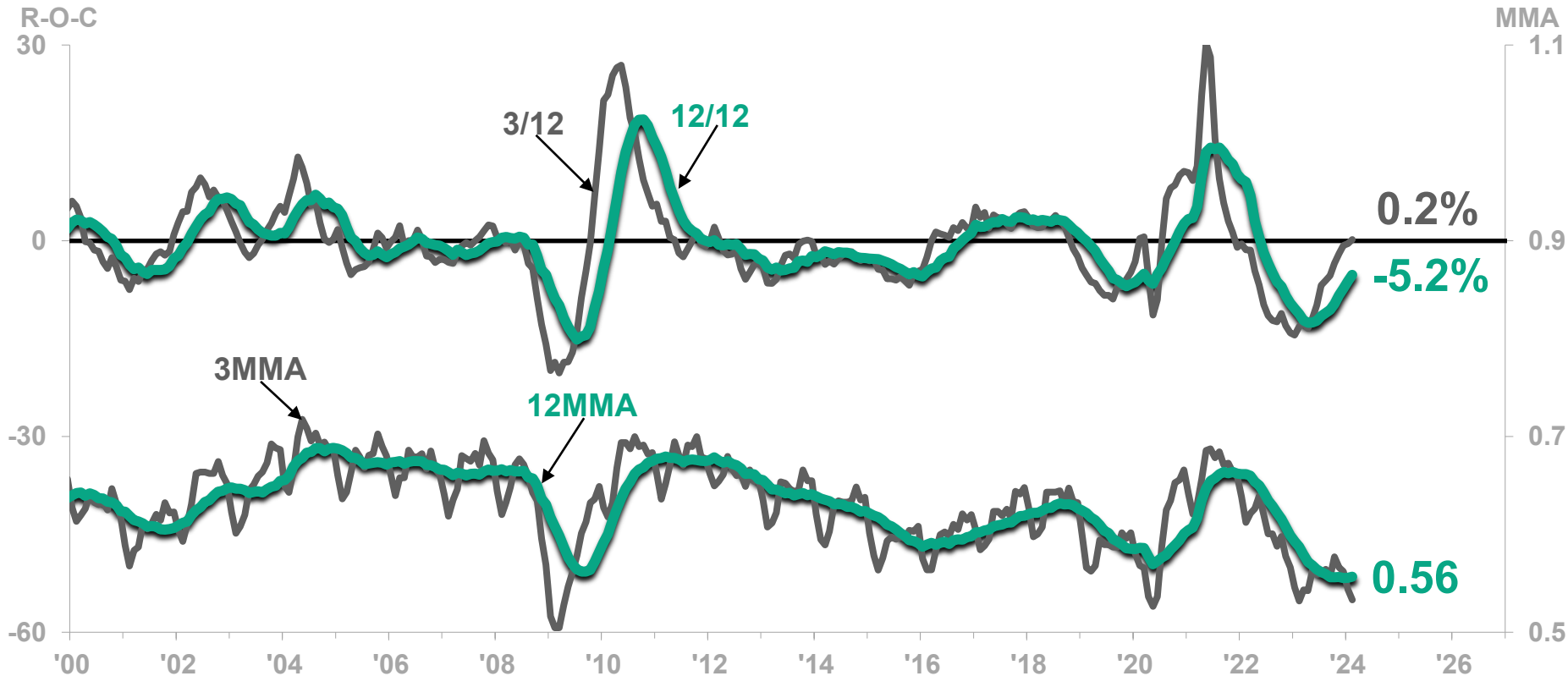
# Inventories Rose in 2023 For Multitude of Reasons

Source: US Census Bureau

## US Durable Goods Wholesale Sales/Inventory Ratio



Ratio



# Some Costs Are Down, But Power & Labor Are Not

Sources: BLS, EIA

Indicator	12/12	Phase	3/12	Phase
Truck Transportation PPI	-9.1%	A	-5.4%	A
Construction Workers Earnings	5.1%	C	5.1%	B
Crude Oil (WTI)	-13.5%	A	1.9%	B
Copper & Brass PPI	-1.7%	A	-3.5%	D
Electric Power	5.0%	C	1.9%	C
Iron & Steel PPI	-7.9%	A	0.7%	C
Wholesale Trade – Durables, Wages	4.5%	C	3.3%	C
Transportation Employment Cost Index	4.4%	B	4.9%	B





**Inflation is decreasing and is expected to decline further. Rate decline is probable for 2024.**



**Bank credit remains tight. Cash flow analysis through 2024 is critical.**



**Use the next 2 years to strategize how you will contend with future inflation and higher interest rates.**

## *Next Steps*

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- **This Federal Reserve is a wild card from our perspective. Stay with us via our weekly Fed Watch YouTube free broadcasts until this is over.**



# *Financial Markets*

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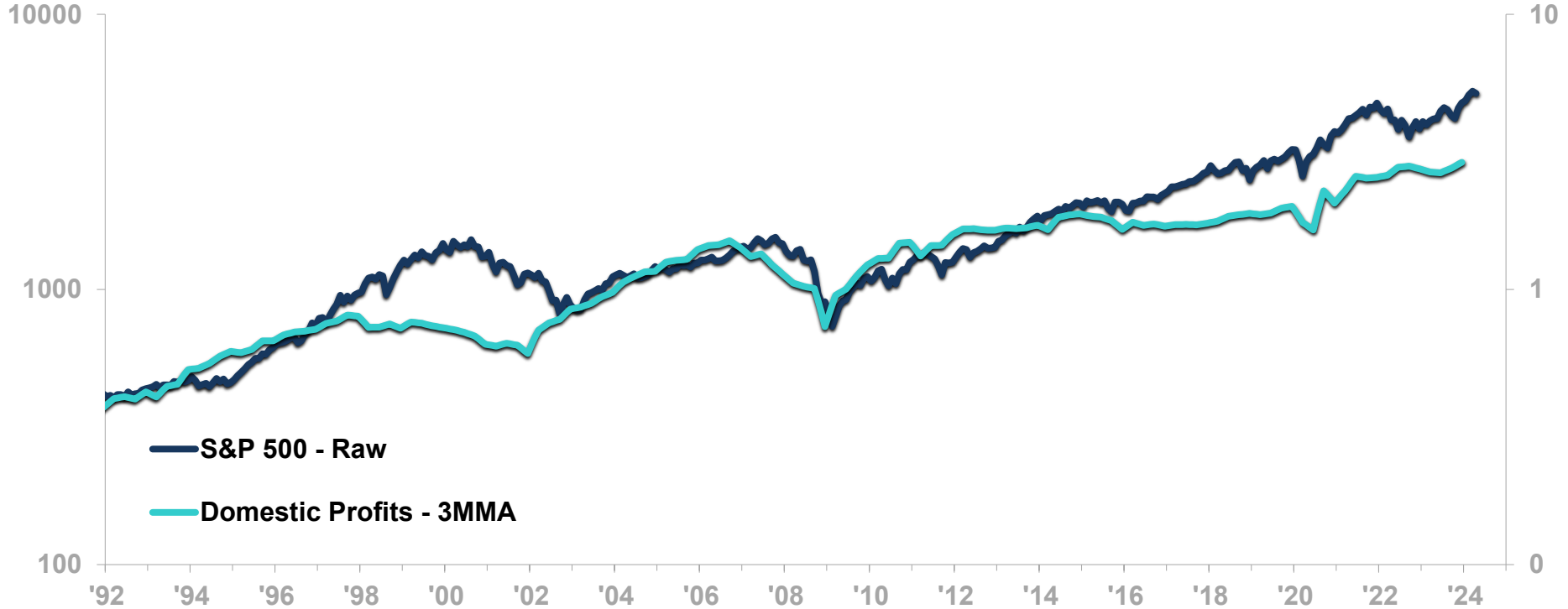


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## US Stock Prices Index to US Domestic Corporate Profits with Capital Consumption Adjustments

Data Trends

SP5





**Stock market as a whole is going to experience greater-than-normal volatility.**



**Think about investing in sectors within the overall stock market.**



**Diversification into additional asset classes may be worth considering.**

## *Next Steps*

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- **Building wealth in the decade ahead will require a different strategy than how you got here**



# *People*

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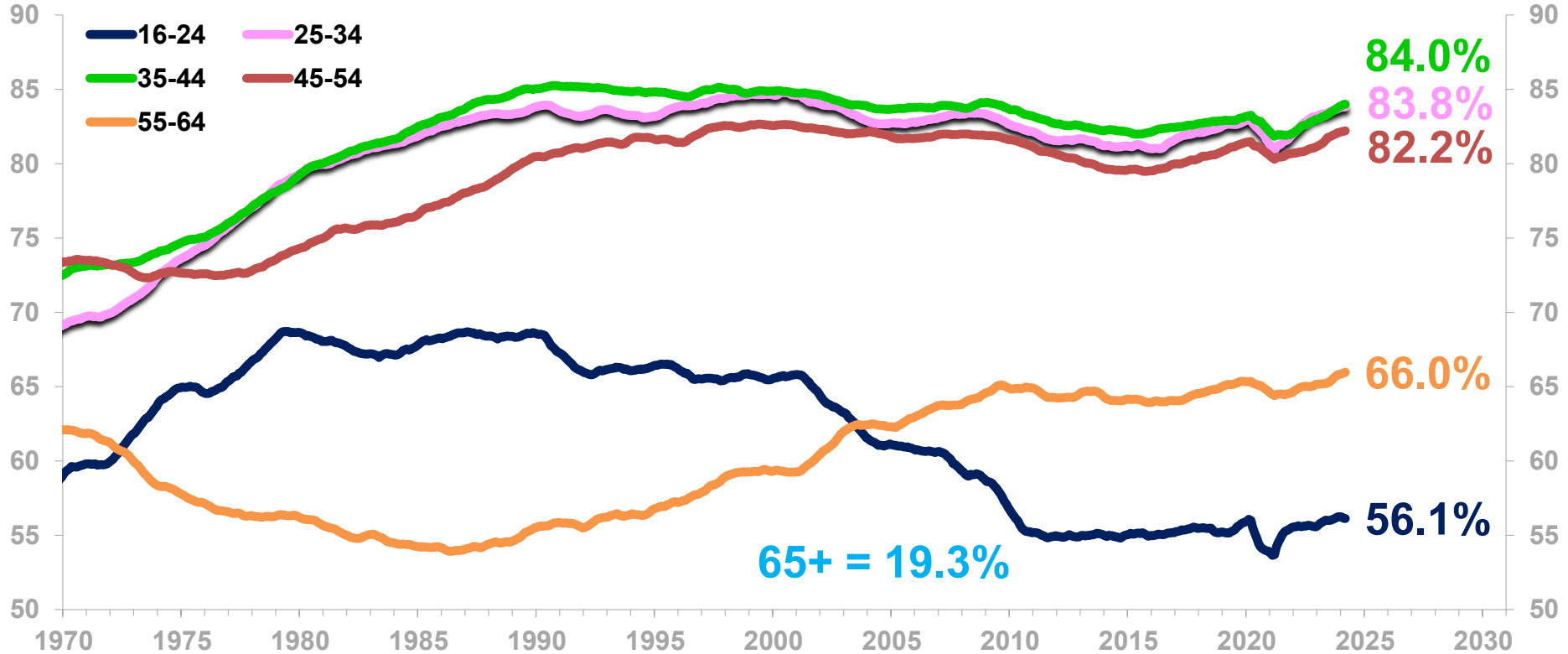
# Labor is Back & Above Pre-COVID Participation Rates

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



# 2024 Slowdown Will Not Fix the Labor Market Long Term

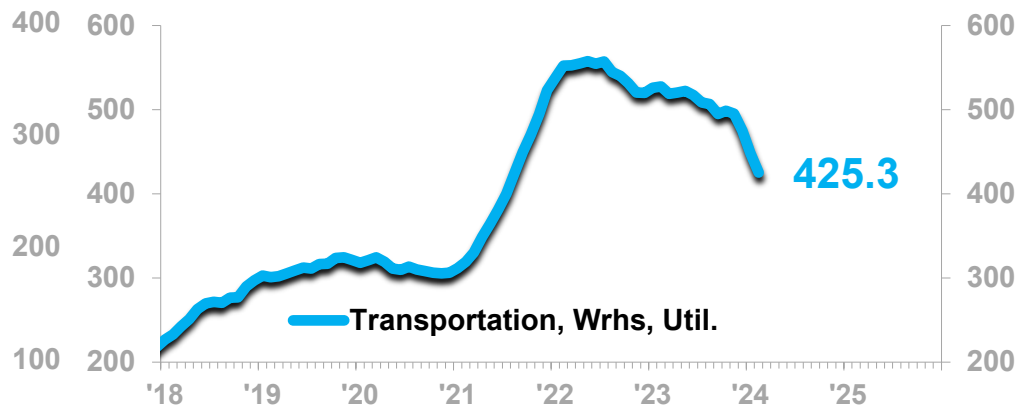
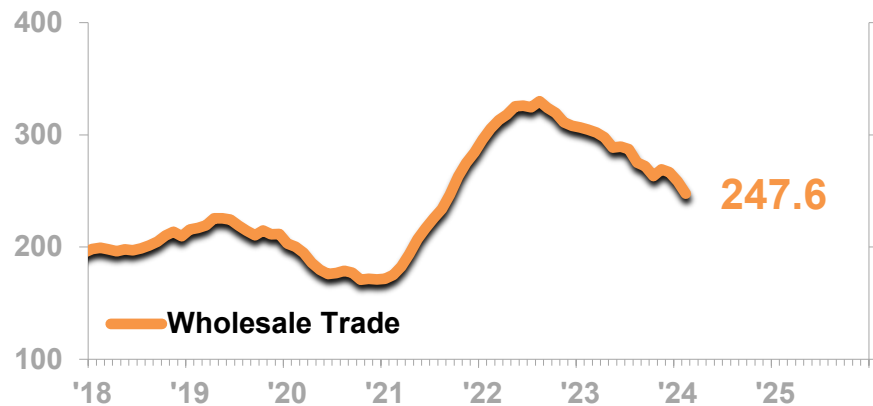
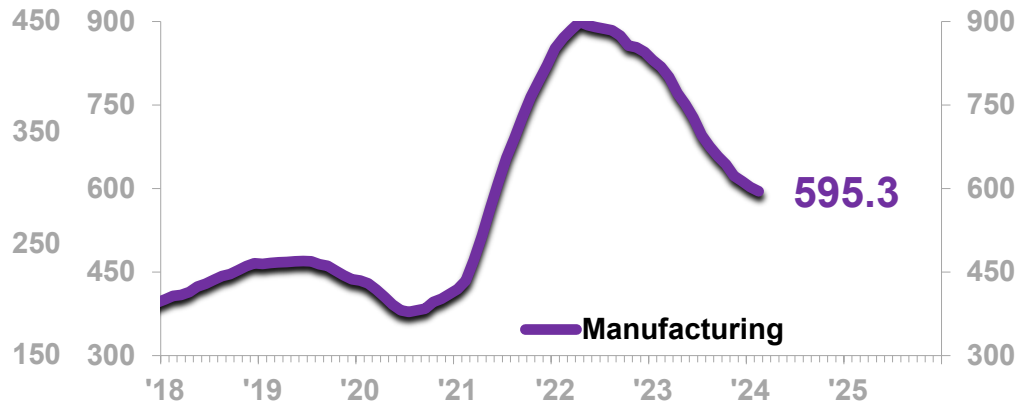
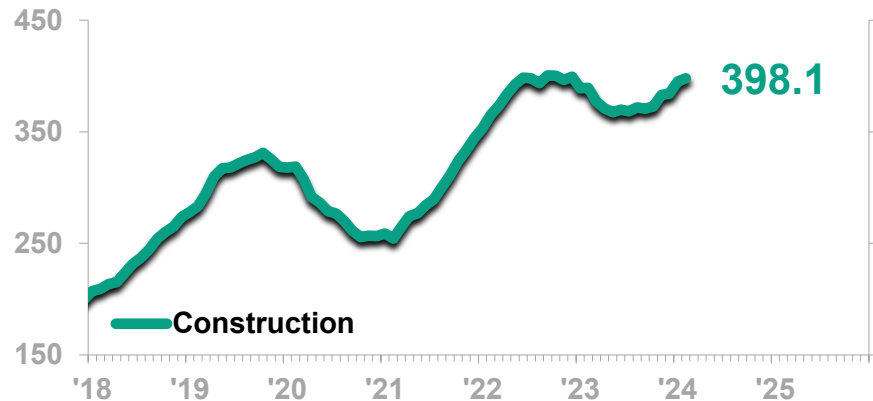
Source: BLS

## US Job Openings by Industry

12MMA in Thousands



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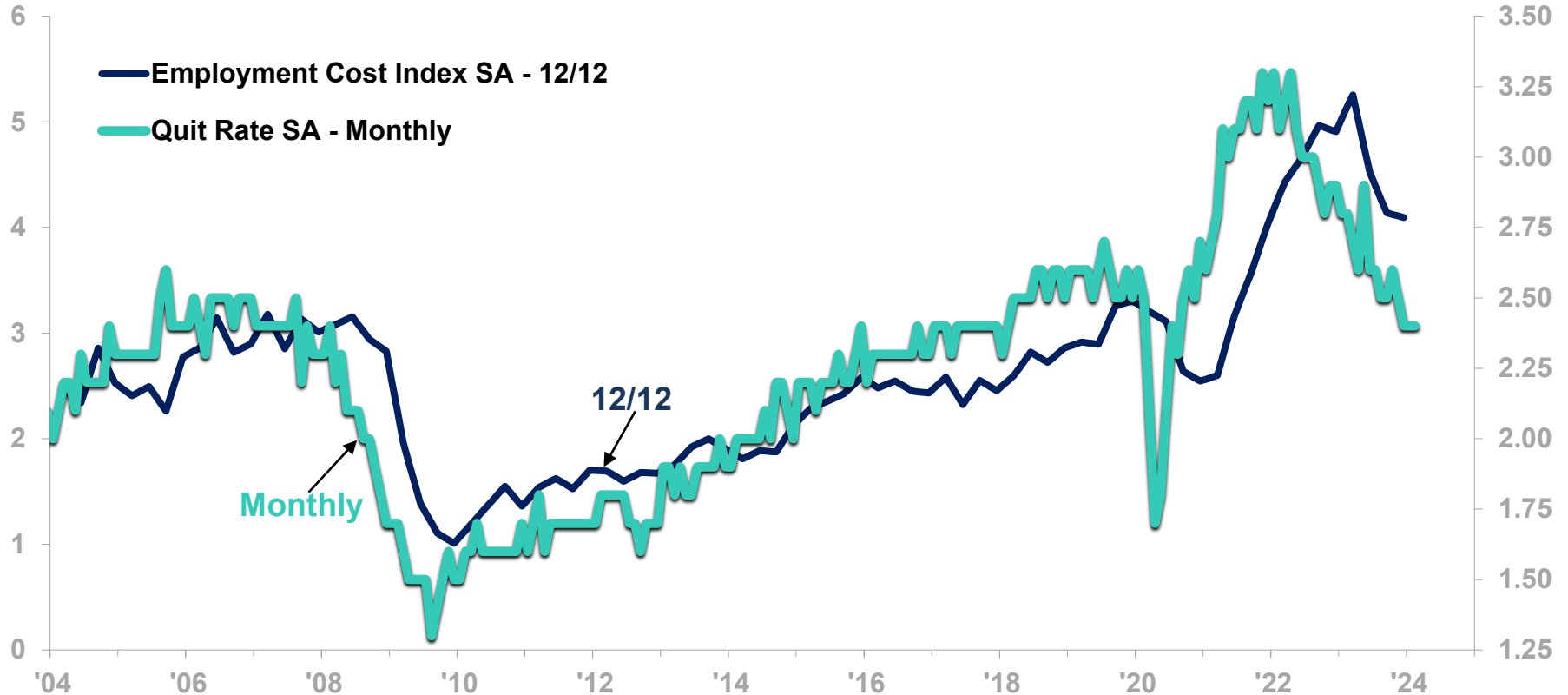


# Expect Slowing Rise in Labor Costs

Source: BLS

## US Employment Cost Index to US Quit Rate

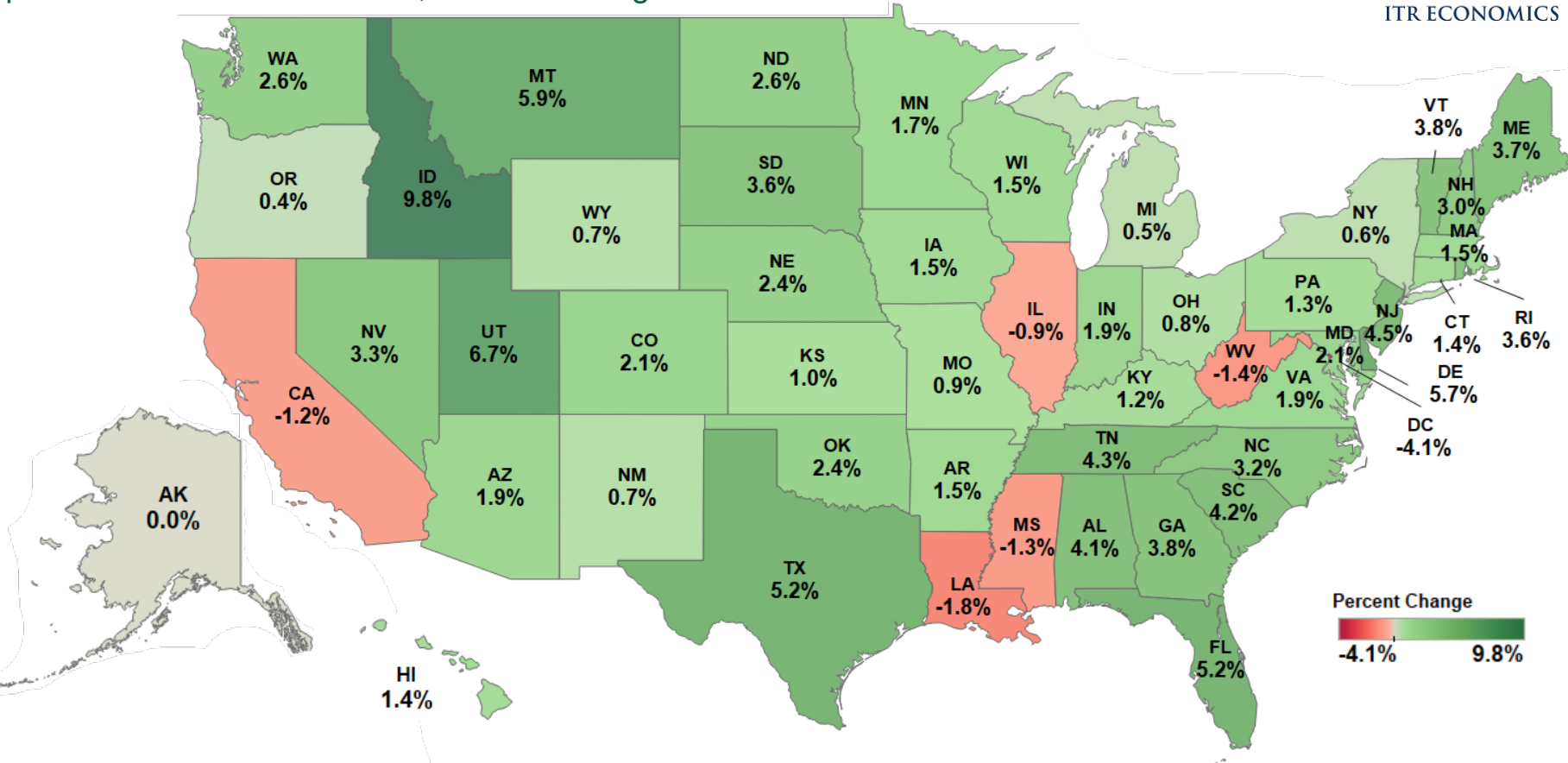
Index: 12/12 Rate-of-Change, Quit Rate: Percent



# Be Geographically Specific: Population Growth 2019 to 2023

Source:  
US Census Bureau

## Population Growth 2019 – 2023, Percent Change





**Weakening economic conditions means employees become more likely to stay.**



**Tightness in the labor market is a longer-term trend so don't overreact in 2024.**



**Higher income levels likely to feel less of the “pain” of 2024.**

## *Next Steps*

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- **Think about targeting the higher end of the market through 2024**



# *US Economy*

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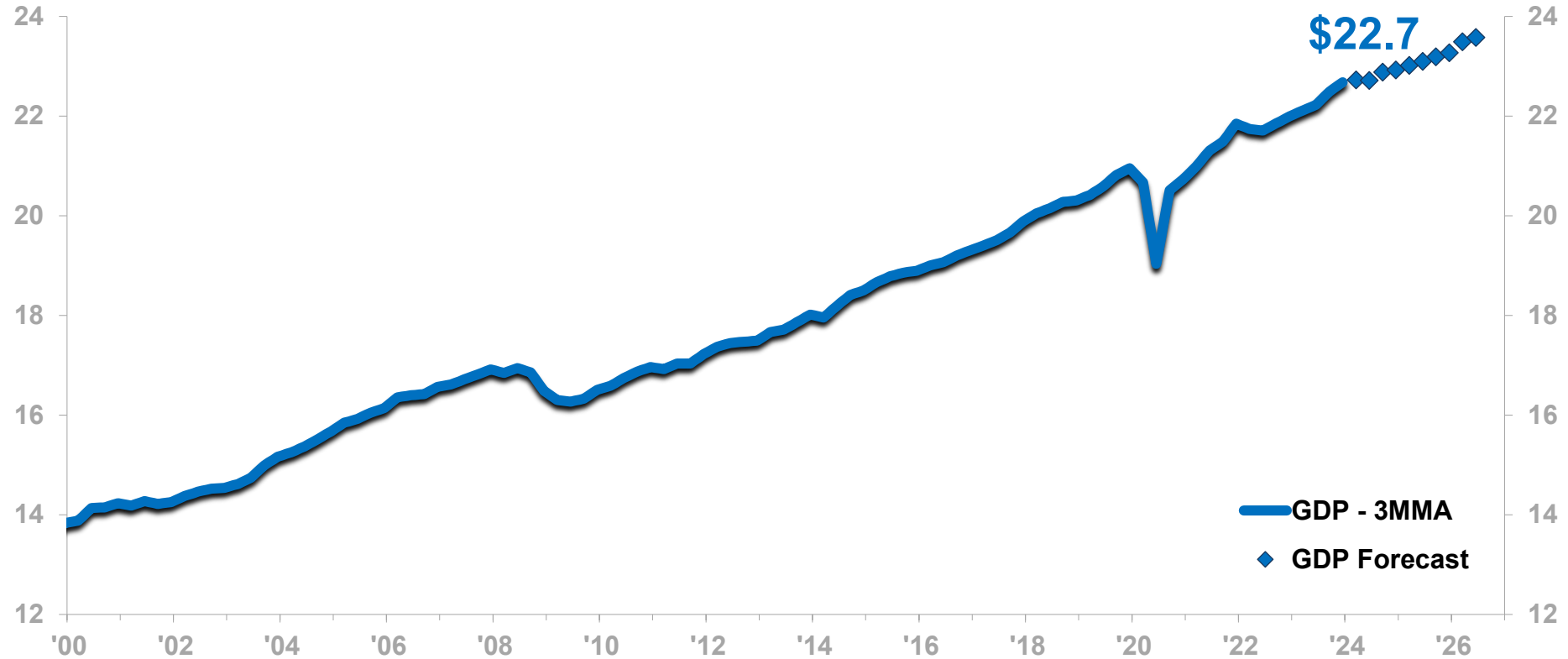
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# Expect a Slower Growth Year in 2024

Source: BEA

## US Real Gross Domestic Product

Quarterly Data Trends: Trillions of Chained 2017 Dollars

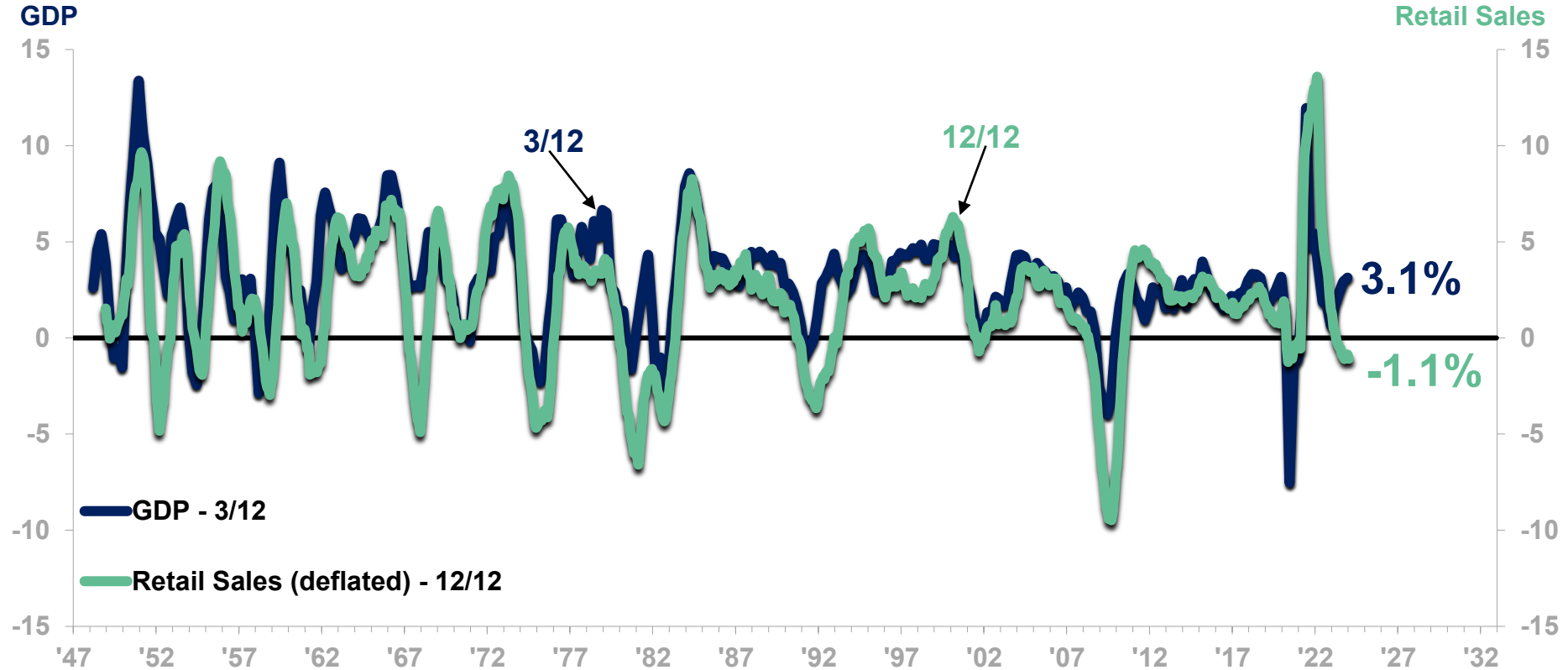


# Retail Goods Has Not Been Primary Driver of Upside

Source: BEA, US Census Bureau

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

Rates-of-Change





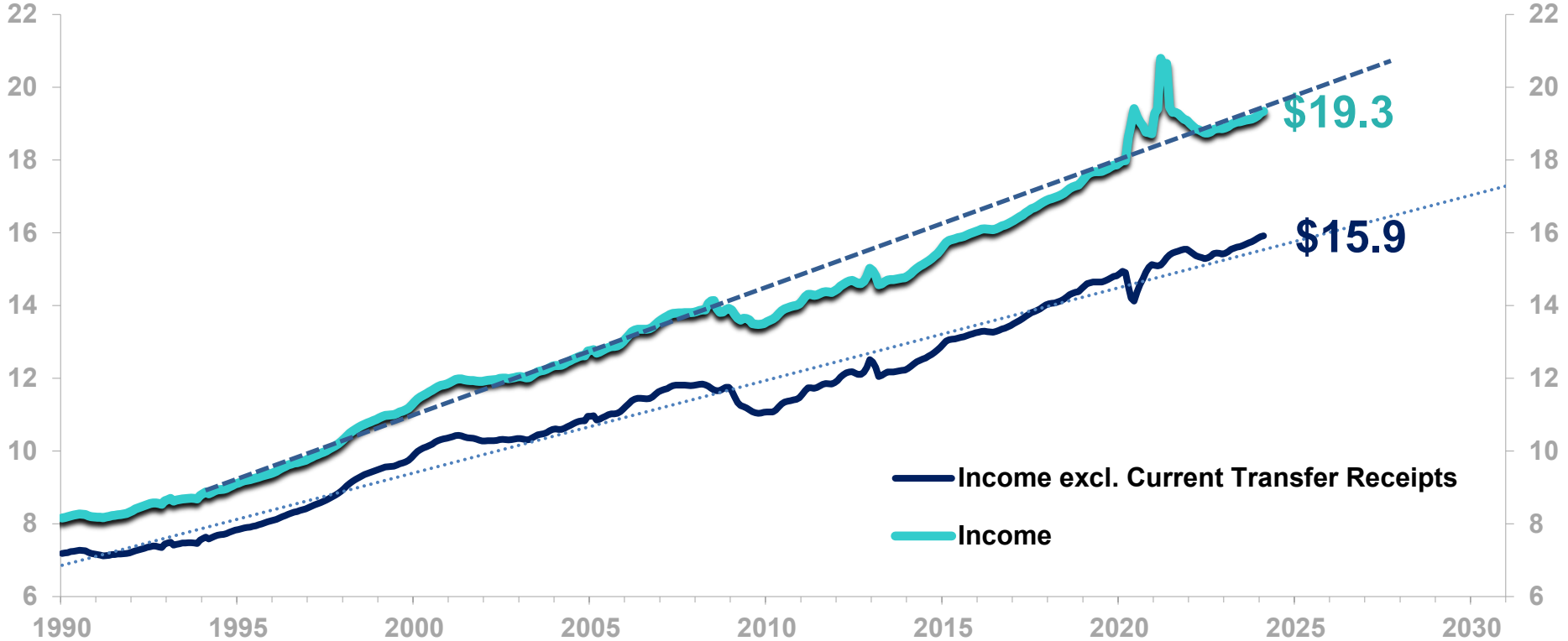
# Inflation Adjusted Wages Are Rising Heading Into 2024

Source: BEA

## Real Personal Income (excluding current transfer receipts) to US Real Personal Income Quarterly Data Trends in Trillions of Chained 2017 Dollars



Income excl. Transfers

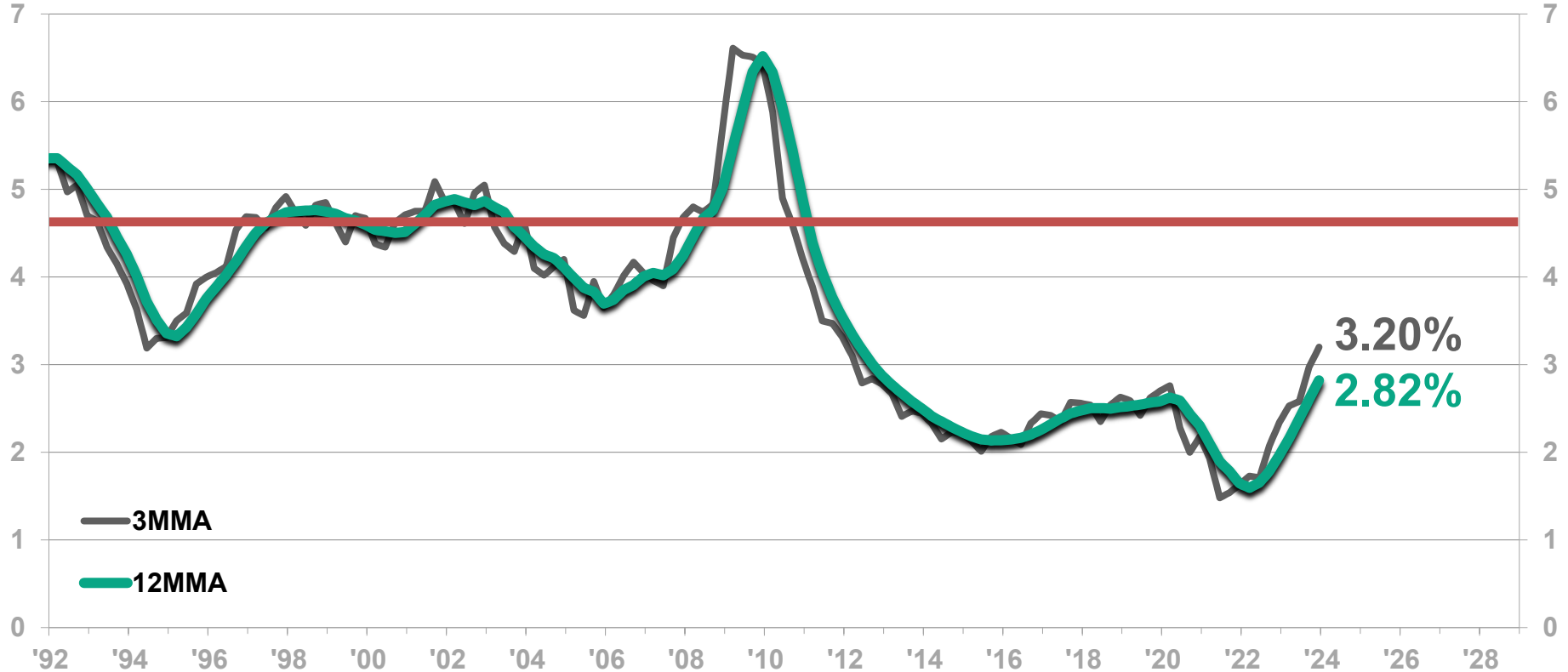



# Rise Is A Concern; Above 4.69% Would be Abnormal

Source: FRB

## Consumer Credit Card Delinquency Rate

Annual Data Trends: Percentages



 Ignore the political noise

 Businesses are profitable and cash is above the year ago level

 Impact of interest rates and monetary tightening in 2024

## *Next Steps*

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- Watch the inverse yield curve
- Invest in your business
- Good opportunity for organic growth in 2025



# *Your Markets*

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# Residential Construction Is Rebounding

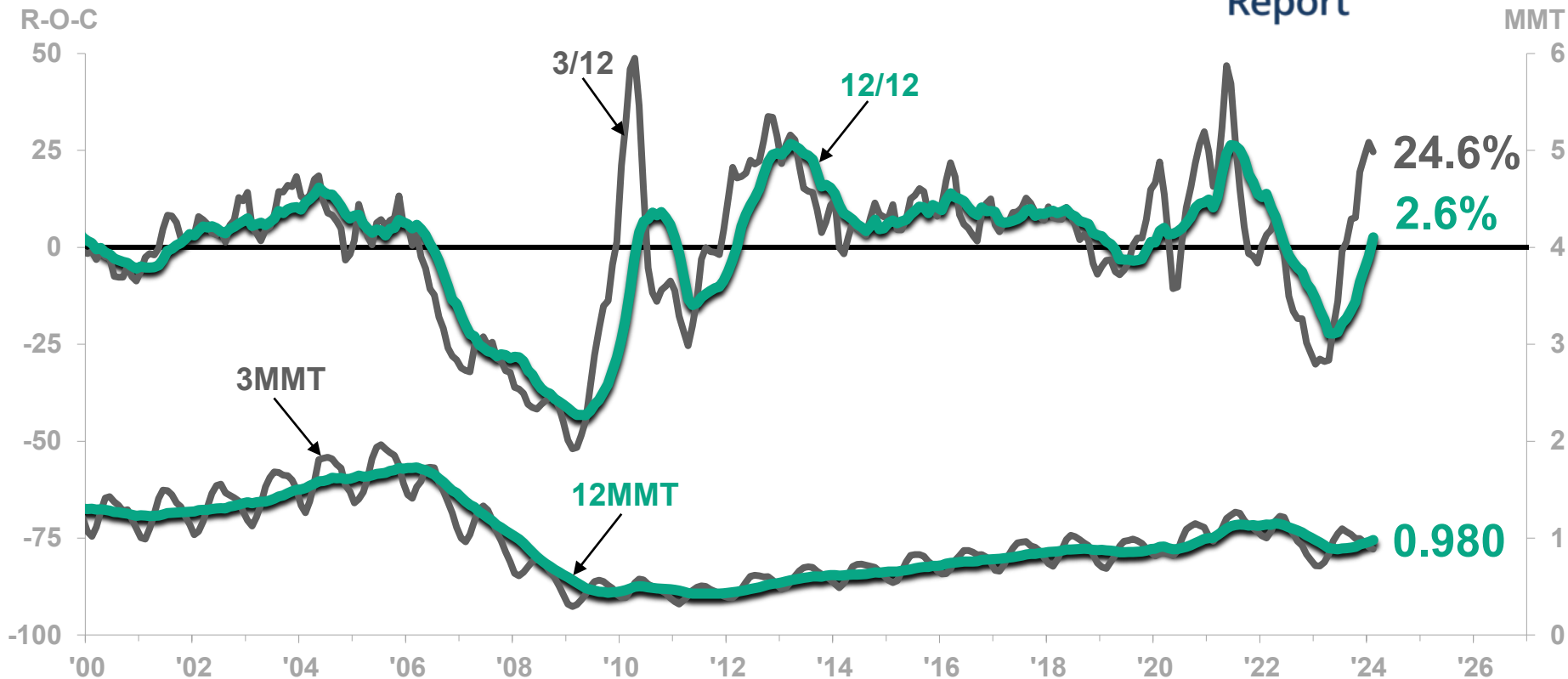
Source: US Census Bureau

## US Single Unit Housing Starts

Millions of Units

as seen in  
ITR Economics'  
Trends  
Report

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# US Regional Single-Family Housing Unit Building Permits

Source: US Census Bureau



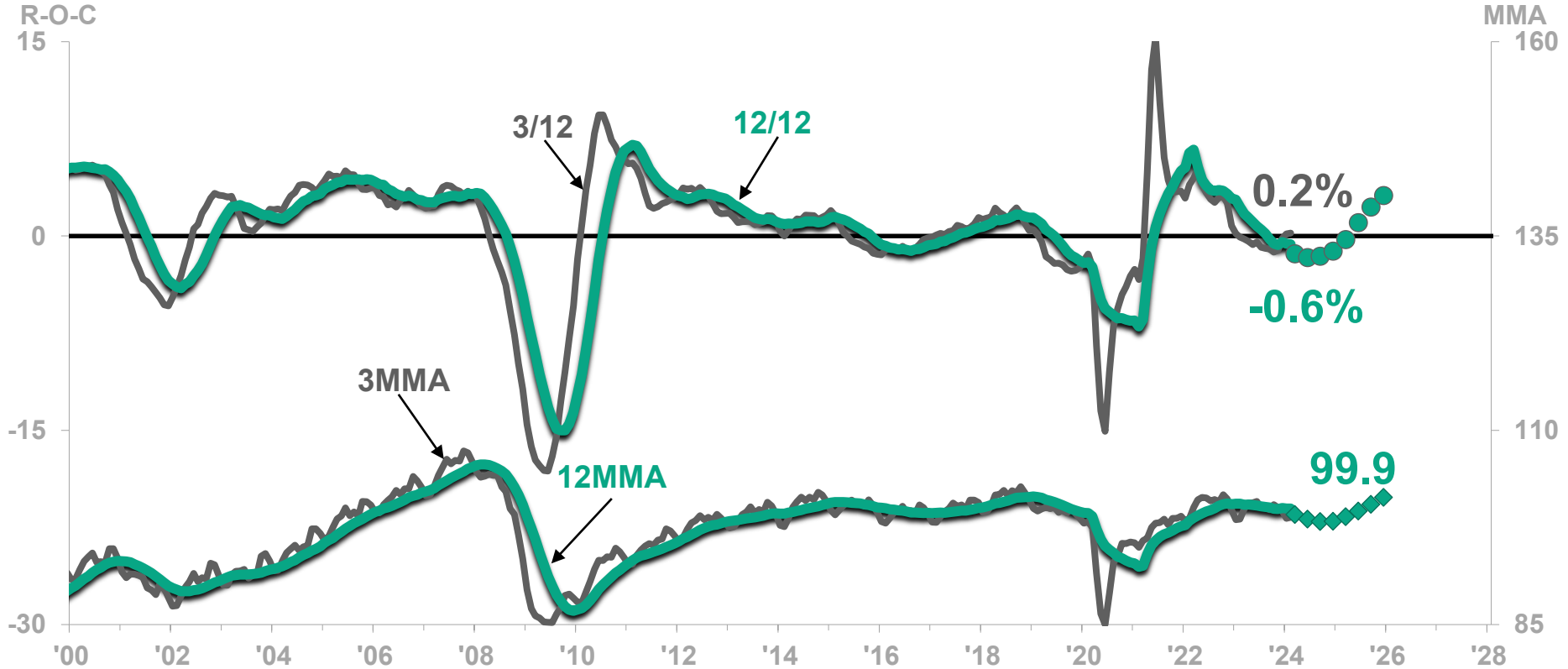
Region	12/12	Phase	3/12	Annual Trend	Direction
<b>Northeast</b> ME, NH, VT, MA, CT, RI, NY, NJ, PA	-1.2%	<b>A</b>	11.1%	56.1	Up
<b>Southeast</b> DC, DE, MD, VA, WV, NC, SC, GA, FL, AL, MS, TN, KY	6.4%	<b>B</b>	29.6%	388.0	Up
<b>Great Lakes</b> OH, MI, WI, IN, IL	2.1%	<b>B</b>	37.3%	69.7	Up
<b>Plains</b> KS, IA, MN, MO, NE, ND, SD	-1.4%	<b>A</b>	35.7%	46.3	Up
<b>Southwest</b> AR, LA, OK, TX	4.8%	<b>B</b>	40.7%	182.7	Up
<b>Mountains</b> AZ, CO, ID, MT, NV, NM, UT, WY	8.6%	<b>B</b>	74.3%	113.0	Up
<b>Pacific</b> AK, CA, HI, OR, WA	3.2%	<b>B</b>	33.7%	91.1	Up

# Mild Decline Through Late 2024

Source: FRB

## US Total Manufacturing Production Index

2017 = 100



# Clear Indication of More Downside Pressure

Source: FRB

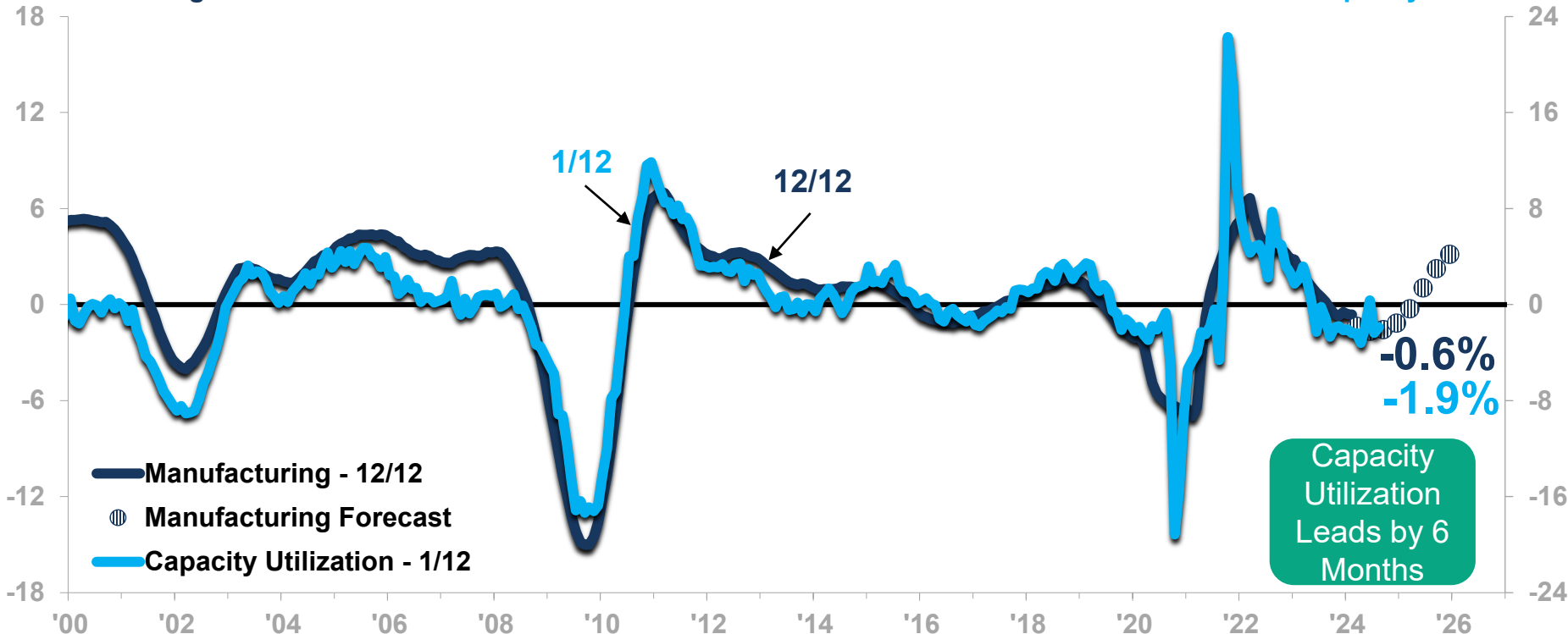
## US Total Manufacturing Production Index to US Manufacturing Capacity Utilization



Rates-of-Change

Manufacturing

Capacity Utilization





# US Industry Segments

Sources: FRB, US Census Bureau

	12/12	Phase	3/12	Phase
Manufacturing (excl. Motor Vehicles)	-1.1%	A	-0.2%	A
Industrial Machinery Production	-7.4%	D	-8.6%	A
Food Production	-2.3%	D	-2.7%	A
Aerospace Products & Parts	8.2%	C	11.4%	C
Chemical and Chemical Products	1.2%	B	1.8%	C
Pharmaceuticals	5.0%	C	1.4%	C
Fabricated Metals	-0.9%	D	-1.2%	A
Computer & Electronics New Orders	3.2%	B	5.1%	B
Rubber and Plastics	-3.6%	A	-0.4%	A
Electrical Equipment	-0.5%	A	0.2%	C
Medical Equipment & Supplies	1.6%	B	2.9%	B



Sources: Australian Department of Industry, Innovation and Science, Statistics Canada, Eurostat, China National Bureau of Statistics, ITR Economics, Mexico National Institute of Statistics and Geography, India Central Statistics Office, Israel Central Bureau of Statistics, Statistics South Africa

Sector	Phase	12/12	Annual Data Trend
Australia Mining Production Index	C	0.3%	99.8   2019-2020=100
Canada Mining and Oil and Gas Extraction	B	1.6%	\$110.6   Bil./Chained (2012) C\$
Europe (EU 27) Mining Production Index	A	-8.4%	78.1   2015=100
China Mining Production (excluding coal)	B	1.7%	1.2   Bil. / Tons
Southeast Asia Mining Production Index	B	6.3%	99.5   2010=100
Mexico Mining Production Index	C	1.2%	74.6   2013=100
India Mining & Quarrying Production Index	C	7.8%	119.0   2011-2012=100
Israel Mining Production Index	C	1.3%	157.5   2011=100
South Africa Mining Production Index	D	-0.4%	92.4   2015=100

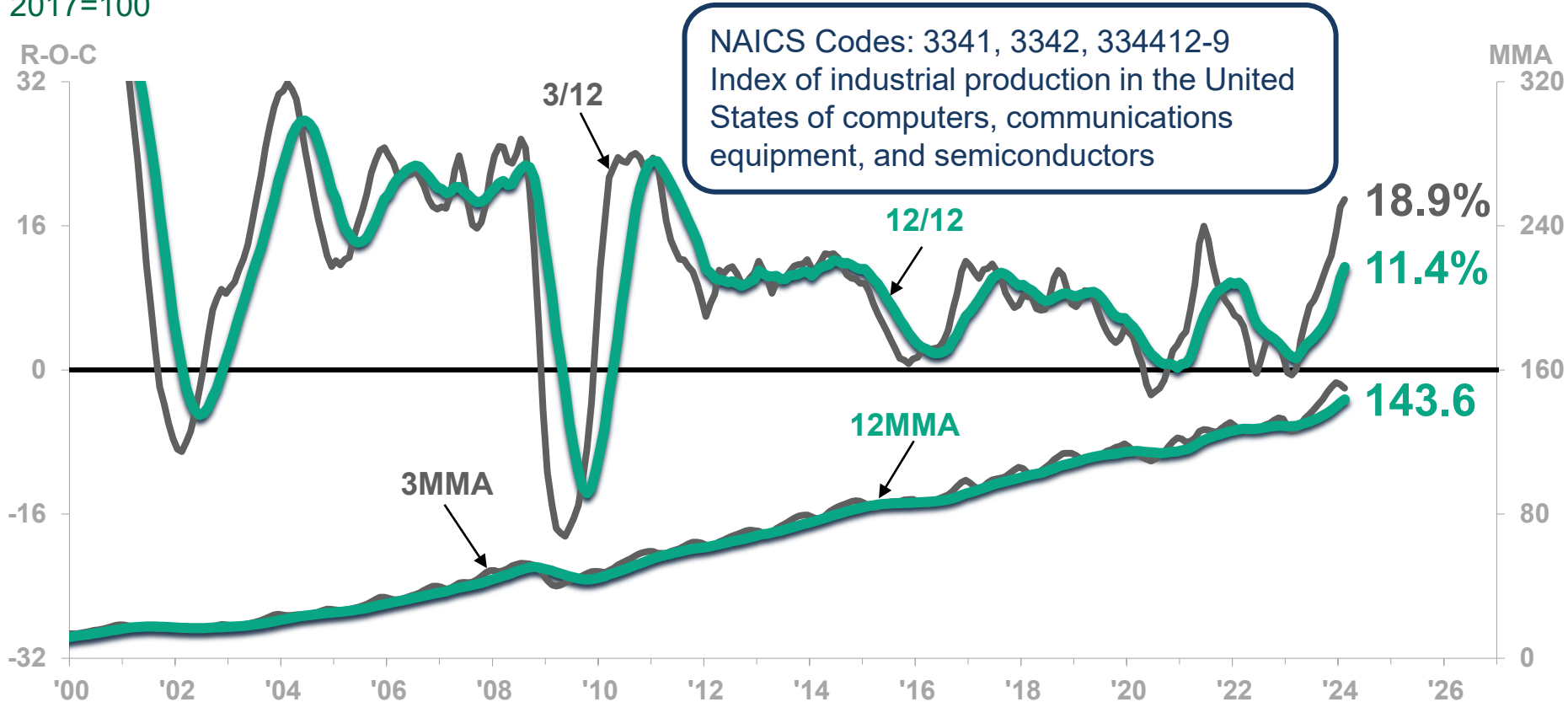
# Not All Markets Are Softening

Source: FRB

## US High-Technology Industries Production Index

2017=100

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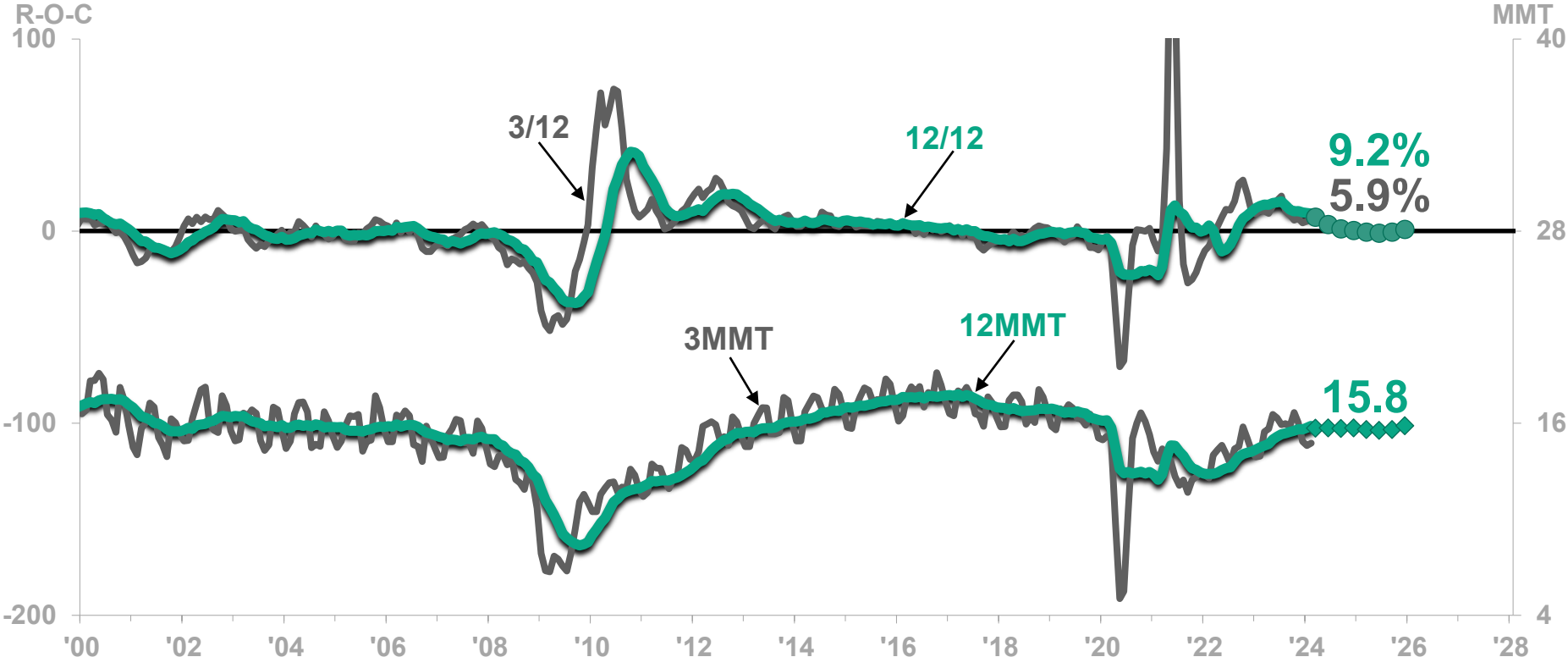


# Automotive Market Starting To Slow

Source: WardsAuto

## North America Light Vehicle Production

Millions of Units

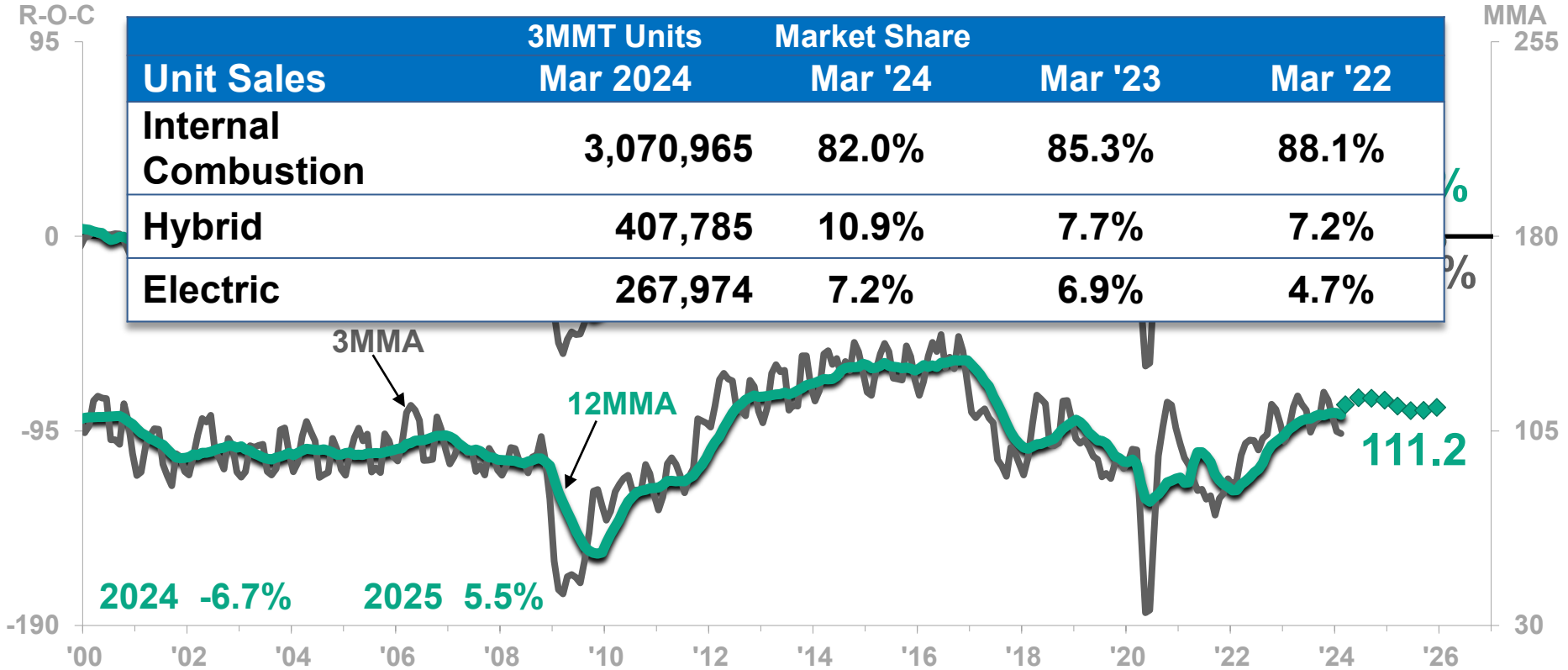


# Expect the 12MMA to Reach a Low in Late 2024

Sources: FRB, WardsAuto

## US Automobile Production Index

2017 = 100



- Disinflation and deflation will characterize 2024 with an attendant easing of wage inflation.
- Expect interest rates to ease lower in 2024 and likely early 2025.

- Service sector expected to hold up better than private manufacturing in 2024.
- Fiscal policy and high corporate cash levels are a buffer for the economy.

- Assess cash needs
- 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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