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Navigating into 2027



*Presented by Connor Lokar, Senior Forecaster and
Economic Consulting Speaker, ITR Economics*



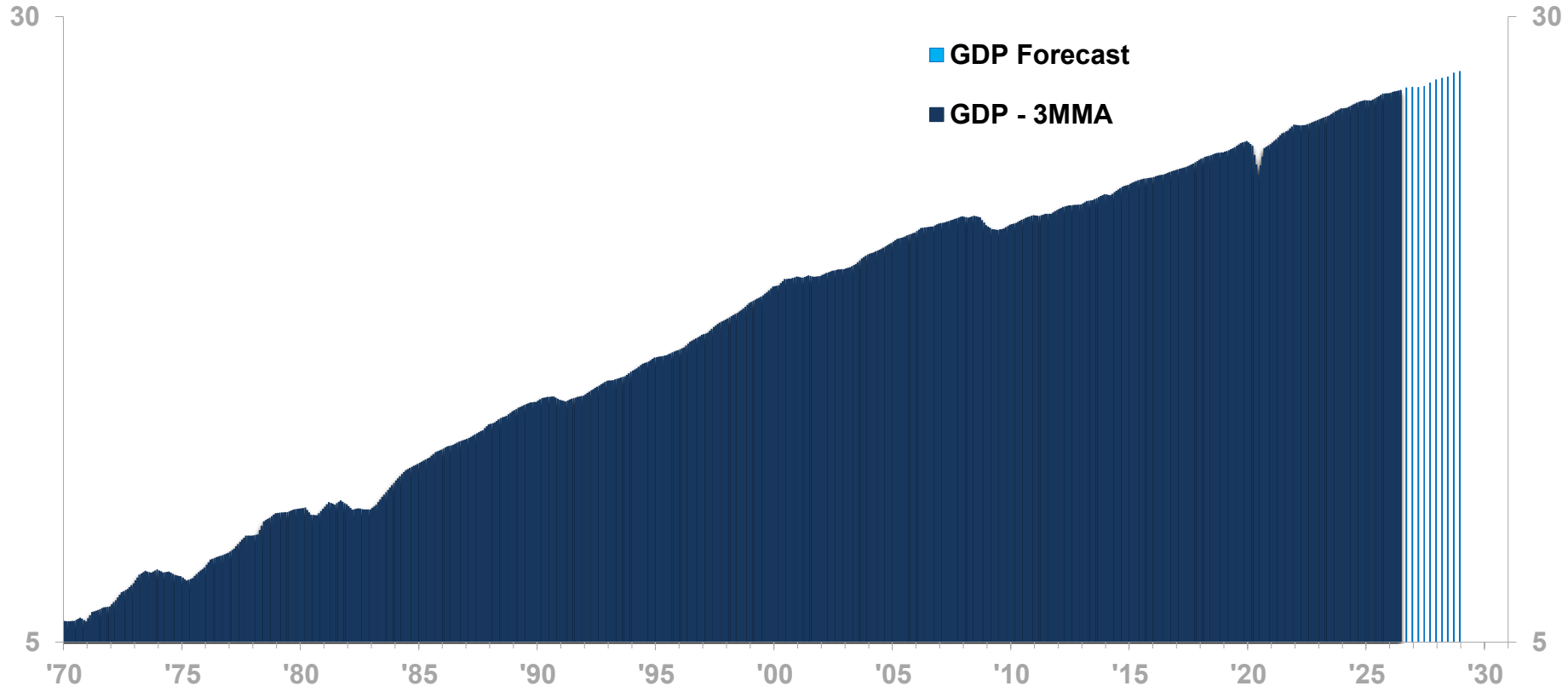
ITR ECONOMICS

Part of  Crowe

Plan for Total GDP Expansion Through 2028; Slower 2027

US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



A Powerful Management Tool: Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Sep-24	6.856				
Oct-24	6.727				
Nov-24	7.227	20.8			
Dec-24	6.574	20.5			
Jan-25	6.902	20.7			
Feb-25	6.498	20.0			
Mar-25	6.236	19.6			
Apr-25	7.069	19.8			
May-25	7.114	20.4			
Jun-25	7.118	21.3			
Jul-25	7.101	21.3			
Aug-25	7.229	21.4		82.6	
Sep-25	7.040	21.4		82.8	
Oct-25	7.291	21.6		83.4	
Nov-25	7.505	21.8	4.9%	83.7	
Dec-25	6.731	21.5	4.9%	83.8	
Jan-26	7.489	21.7	4.9%	84.4	
Feb-26	6.824	21.0	5.4%	84.7	4.9%
Mar-26	6.773	21.1	7.4%	85.3	5.6%
Apr-26	8.058	21.7	9.4%	86.3	6.3%
May-26	8.073	22.9	12.2%	87.2	7.0%
Jun-26	8.173	24.3	14.1%	88.3	8.1%
Jul-26	8.383	24.6	15.5%	89.6	8.9%
Aug-26	8.148	24.7	16.2%	90.5	9.5%

3/12

Based on data from a consecutive 3-month period compared to one year earlier.

Anticipates shifts in business cycle trends.

12/12

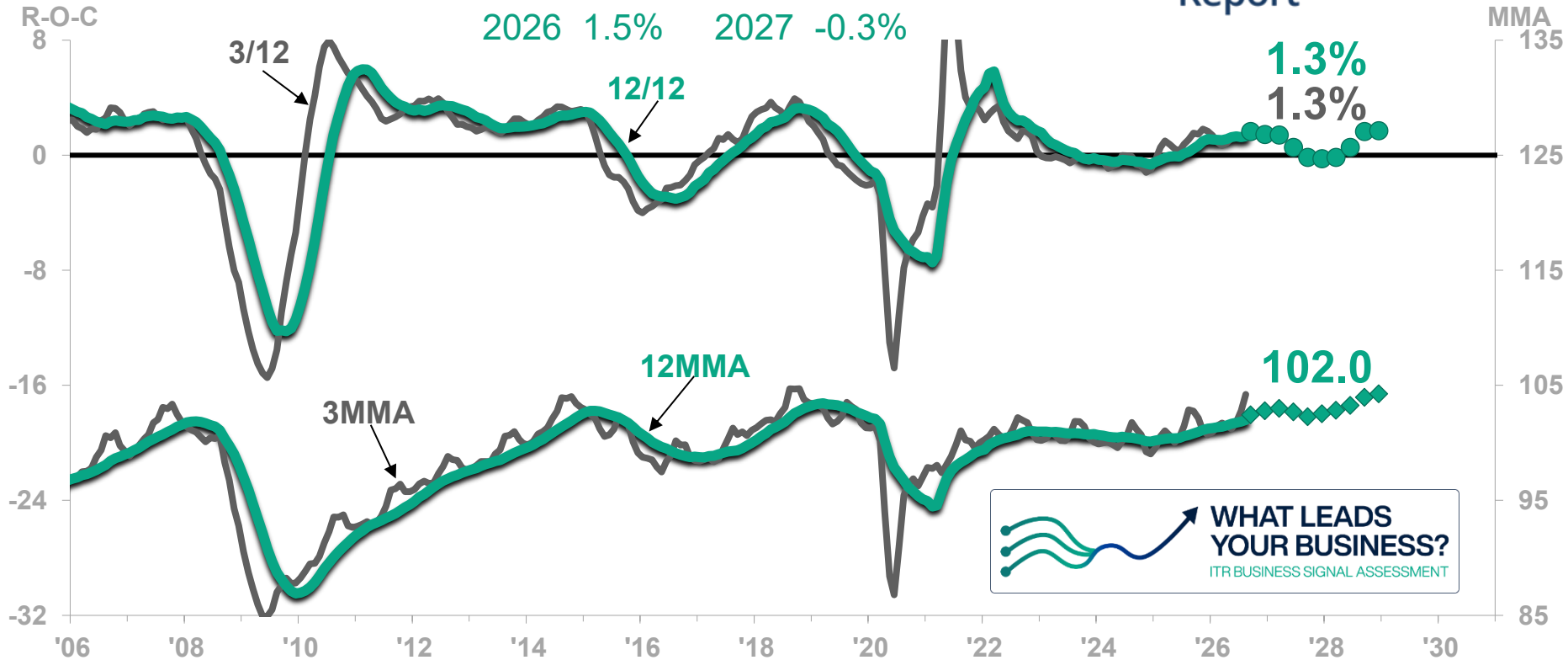
Based on data from a consecutive 12-month period compared to one year earlier.

Defines the business cycle.

Slowdown Coming In 2027

US Industrial Production Index
2017 = 100

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



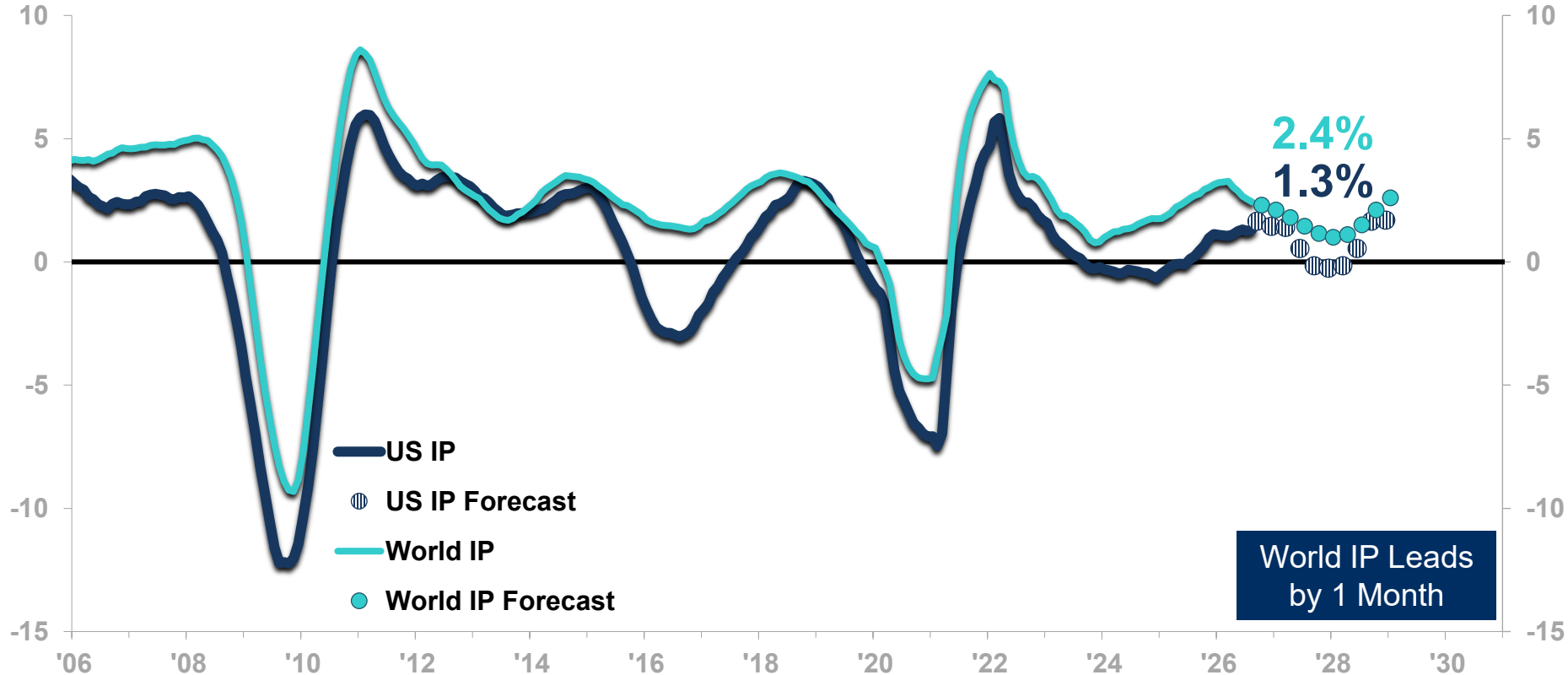


Global

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US & Global Growth Underway – Will See a Slowdown in 2027

US Industrial Production Index to World Industrial Production Index
12/12 Rates-of-Change



Production in Key Economies

International Industrial Production Indexes

	12/12	Phase	3/12	Phase
India	5.0%	B	6.8%	B
Rest of Asia	2.2%	B	3.6%	B
Japan	1.2%	B	4.1%	B
Europe	0.7%	C	0.4%	B
Canada	0.6%	B	2.8%	C
South America	0.0%	D	-1.9%	A
Mexico	-0.1%	A	1.2%	B

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



Agricultural Machinery In Key Economies

	12/12	Phase	3/12	Phase
Japan Agricultural Machinery	16.5%	C	10.2%	B
US Farm Machinery & Equipment	8.9%	B	9.6%	C
EU Agriculture and Forestry Machinery	5.4%	C	-3.0%	D
Canada Agricultural, Construction & Mining Machinery	-8.0%	A	-3.8%	D
US Farm Machinery & Equipment Exports	-2.1%	D	1.2%	C
Brazil Farm Machinery & Equipment	-8.1%	D	-23.1%	D
US Farm Machinery and Equipment Imports	-14.5%	A	-10.3%	D

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



Construction Machinery in Key Economies

	12/12	Phase	3/12	Phase
US Construction Machinery Production	10.5%	B	16.3%	B
Mexico Construction Machinery Production	7.2%	C	15.9%	B
Europe Construction Machinery Production	7.2%	B	7.3%	C
Brazil Construction and Mining Machinery	7.0%	C	13.4%	C
EU Fluid Power Equipment Production	1.1%	C	1.4%	C
US Imports of Industrial Machinery from China	-14.9%	A	0.3%	B

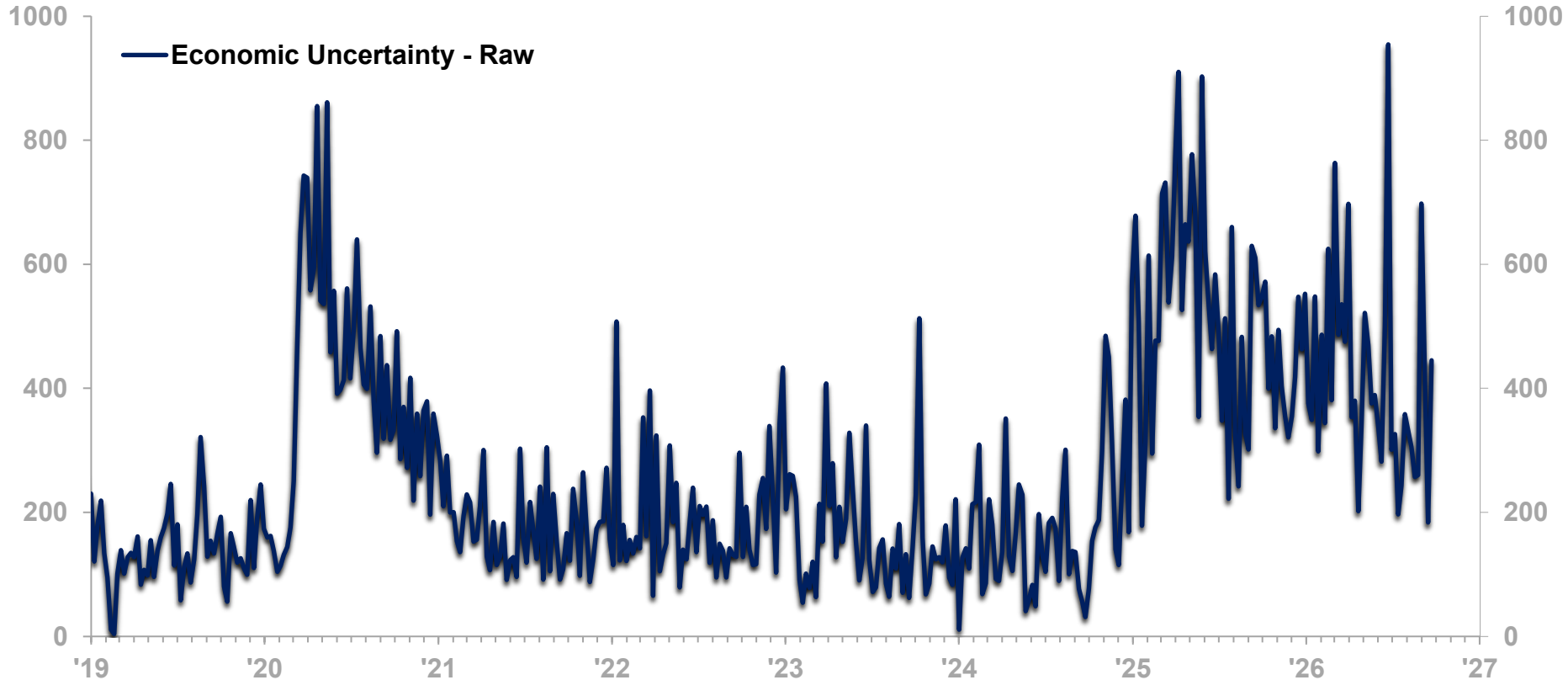
Sources: FRB, Mexico National Institute of Statistics and Geography, Eurostat, Brazilian Institute of Geography and Statistics, US Census Bureau



Uncertainty Normalizing as Iran Conflict Wears On – Still Elevated

US Economic Policy Uncertainty Index

Raw Data: 1985-2009 = 100



Precedent Says Oil Prices Stabilize Around \$70 by Late 2026

Crude Oil Spot Price

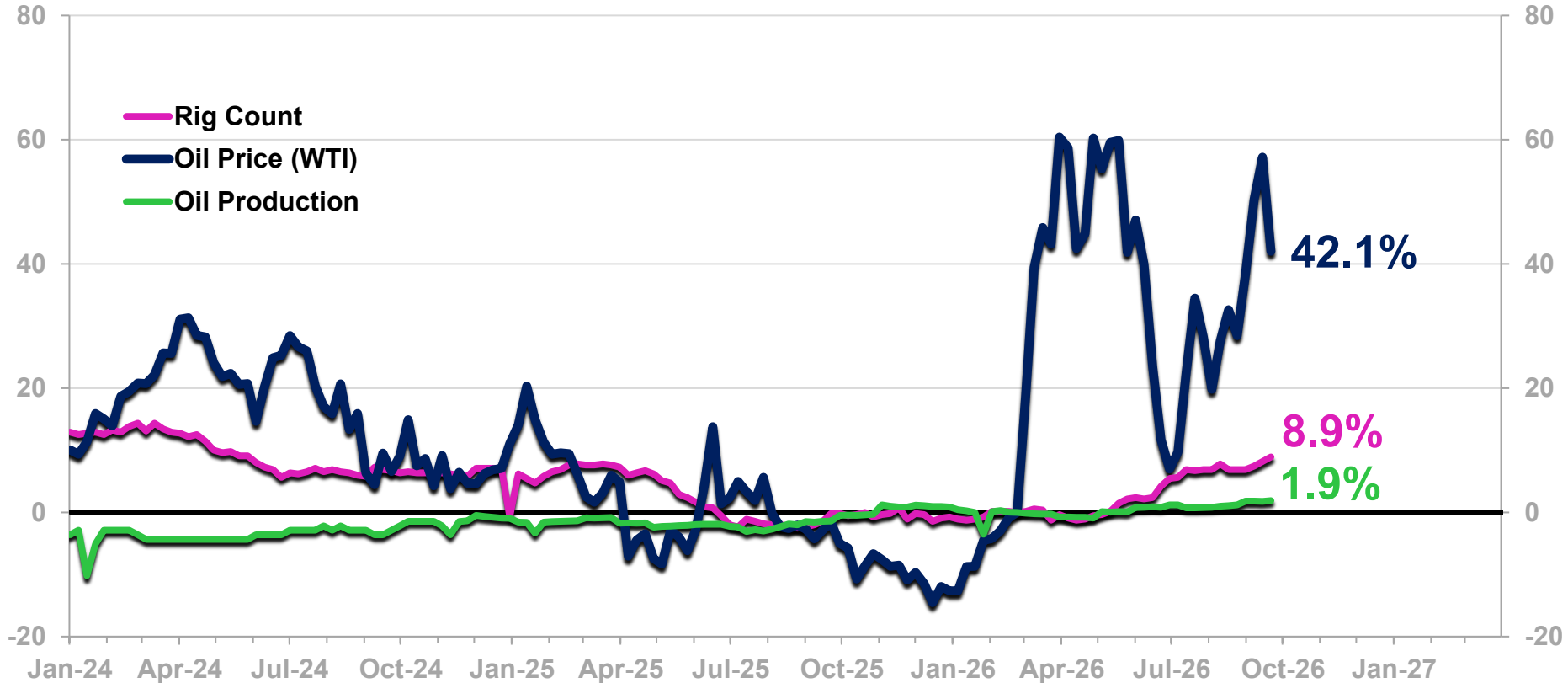
Quarterly Data Trends Dollars per Barrel



Very Mild Response From Rig Count So Far

US Weekly Rig Count, US Oil Production Output, and US Oil Prices

Percent Change from W4 Feb 2026

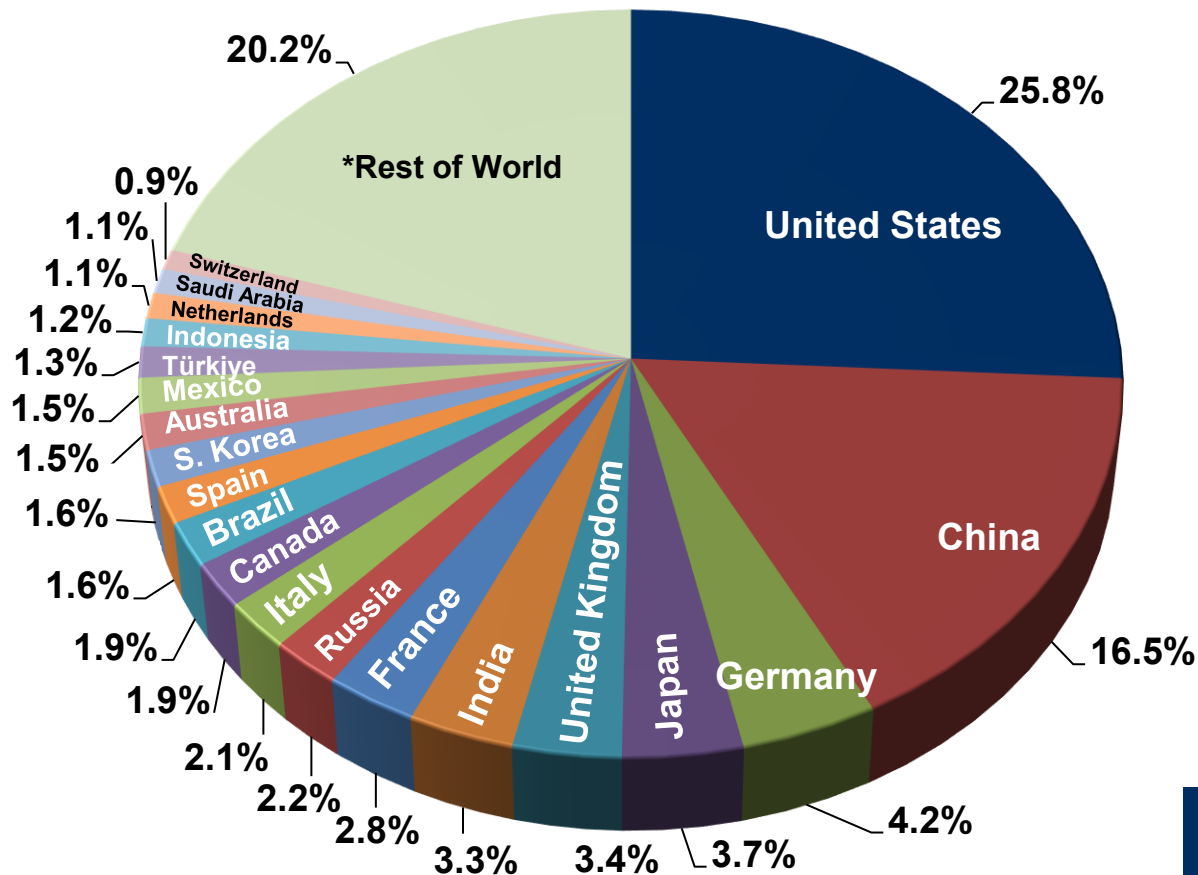


Adjusting Oil Relative to Earnings; Problematic But Less Dire

Cost of 22 Barrels of Oil (Typical Annual Consumption per Consumer) as a Pct. of Median Annual Earnings
Uses Quarterly Data Trends: Percent



Percent of World GDP by Country



*Total World GDP:
\$119.1 Trillion US \$

Source: IMF, *56% of R-o-W are IMF Estimates



The US Economy

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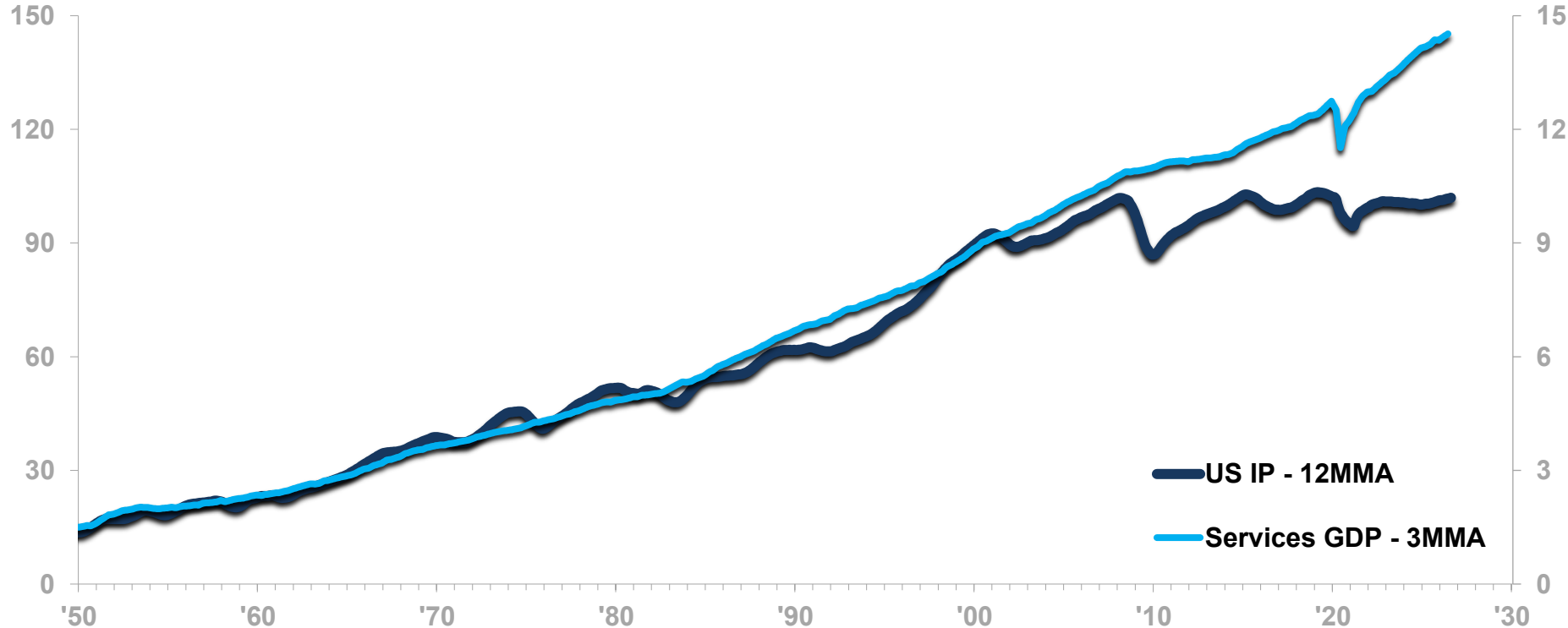
Service Sector Strength Continues; Industrial Side Gaining Momentum

US Industrial Production Index to US Services GDP

Data Trends

US IP (2017 = 100)

Services GDP (Tril. 2017 \$)



Deflated Retail Sales Trend is Holding Up

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

Rates-of-Change



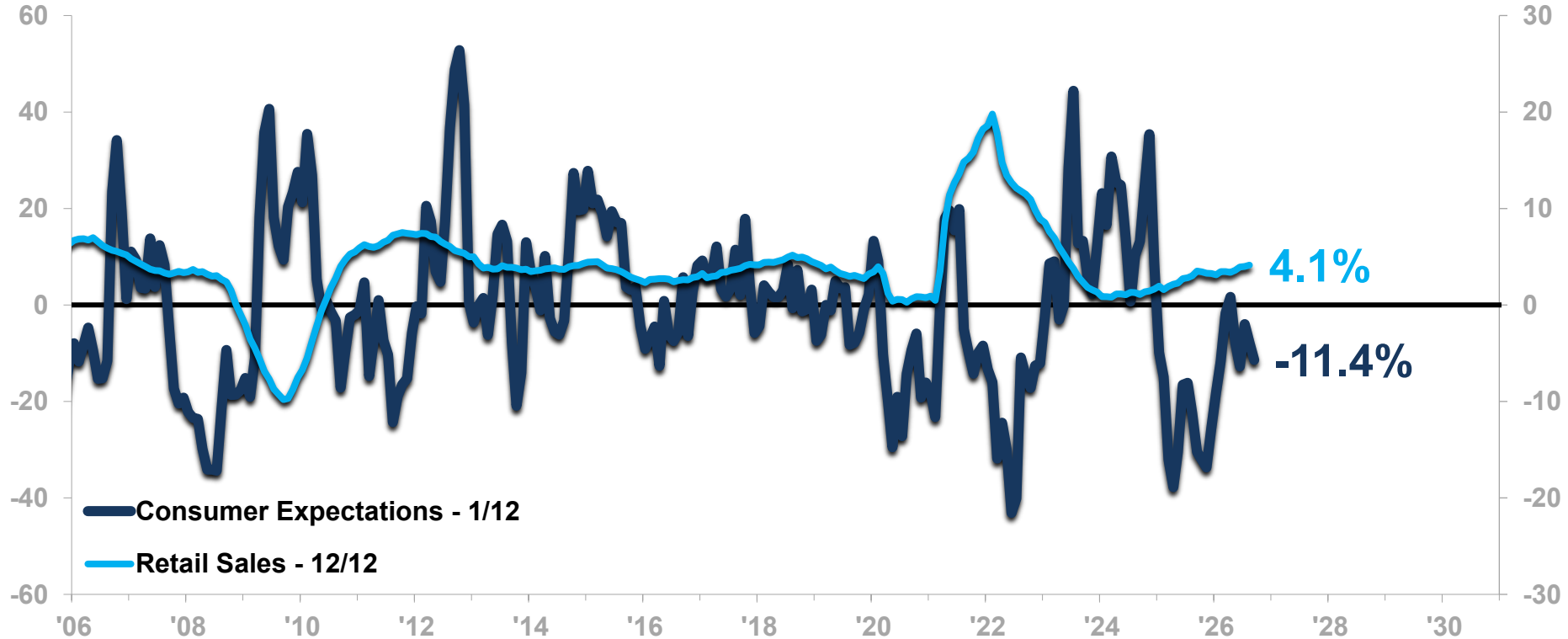
Very Poor Relationship to Actual Retail Outcomes

US Index of Consumer Expectations to US Total Retail Sales

Rates-of-Change

Consumer Expectation

Retail Sales



Big Discretionary Items Tend to React Poorly to Expectations Decline

US Light Vehicles Retail Sales to US Index of Consumer Expectations

Annual Data Trend to Monthly Data

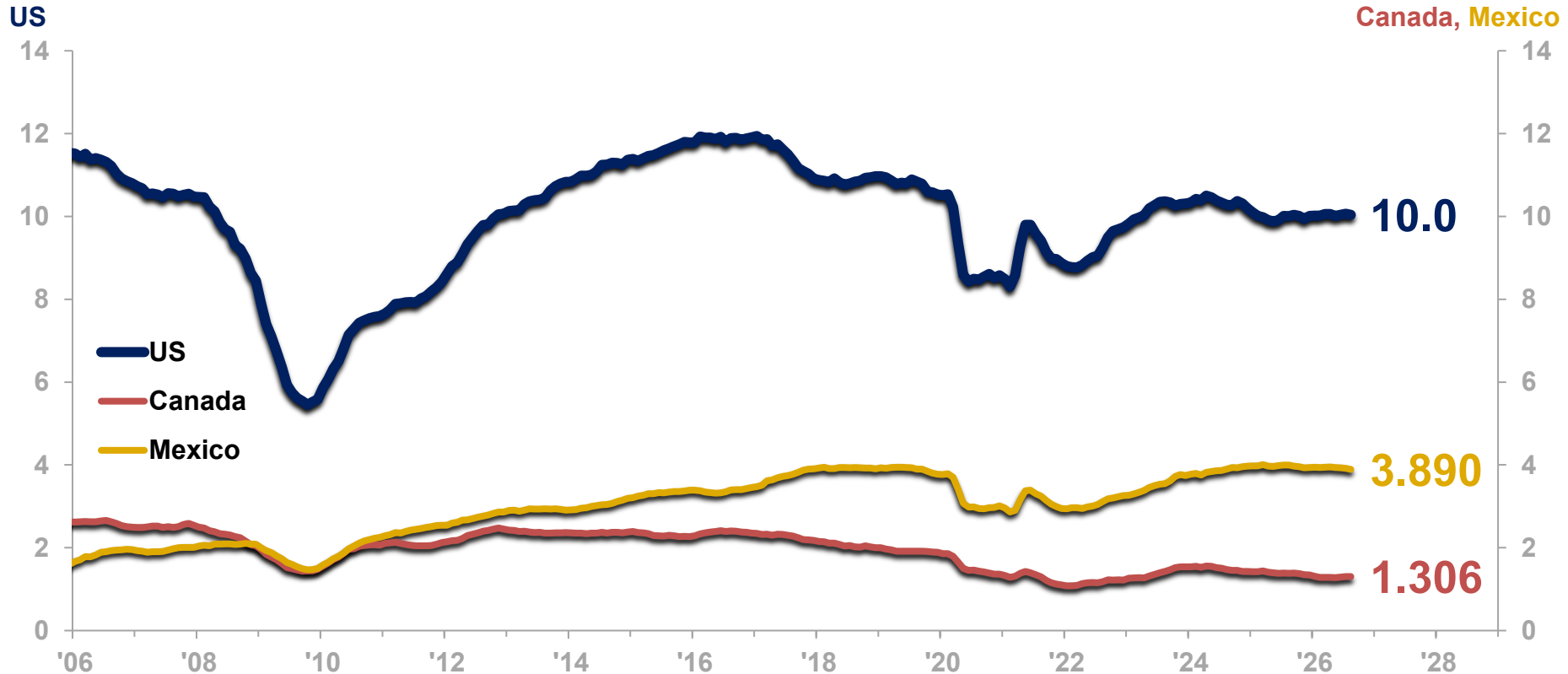
Retail Sales (Mil. Units)



Expect Automotive Market To Trend Sideways

Light Vehicle Production in the US, Canada, and Mexico

Annual Data Trends in Millions of Units

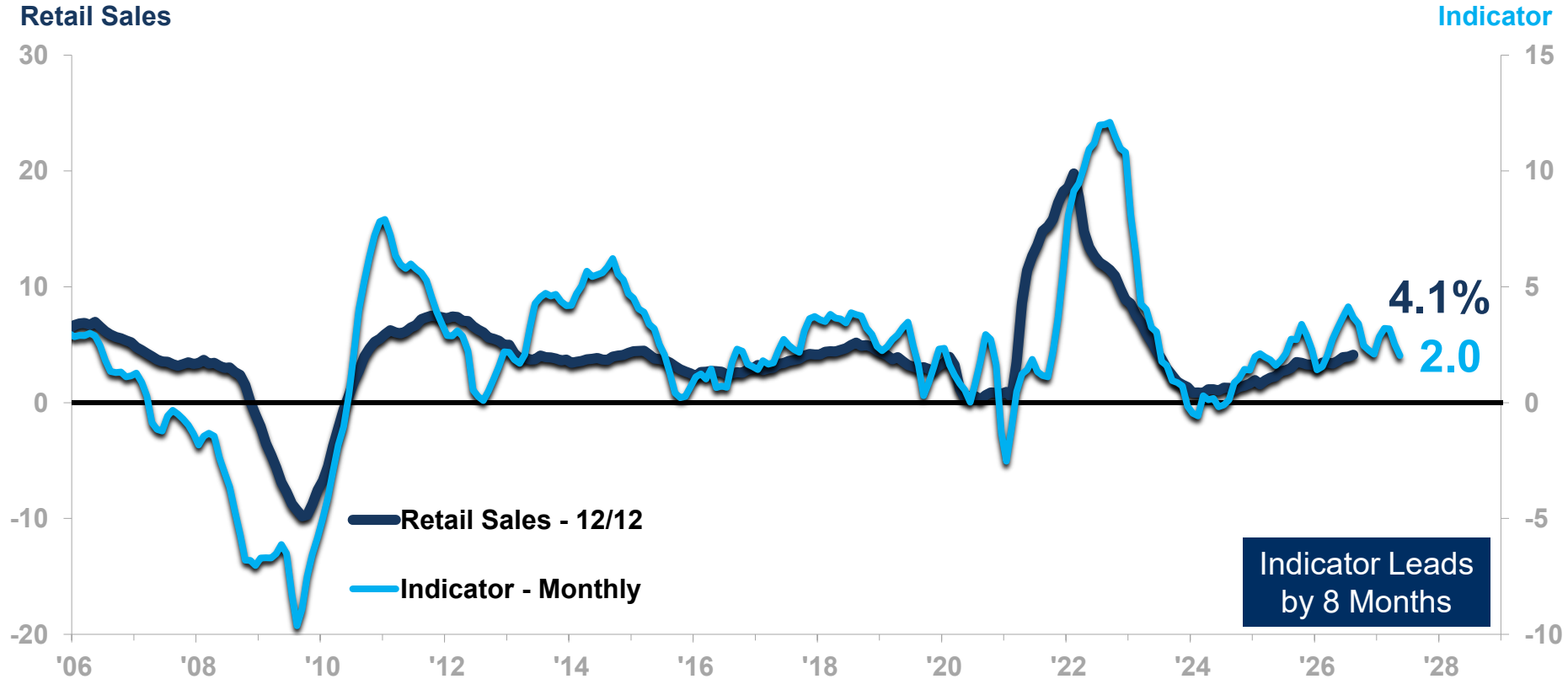


Early Indications of a Slowdown Heading Into 2027

US Total Retail Sales to ITR Retail Sales Leading Indicator™

12/12 Rate-of-Change to Monthly Data

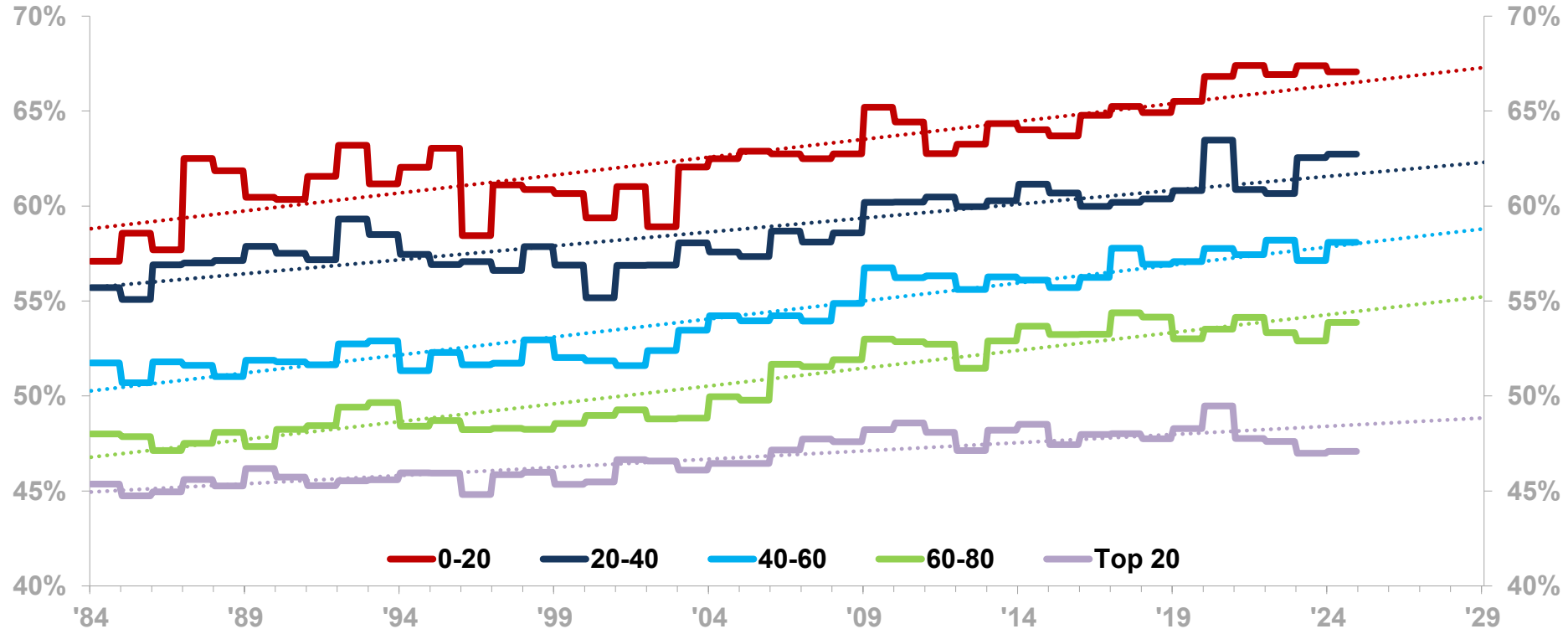
Retail Sales



Low to Middle Income Spending Getting Crowded Out; Middle to Upper Income Solid

Food, Housing and Healthcare as a Percentage of Expenditure

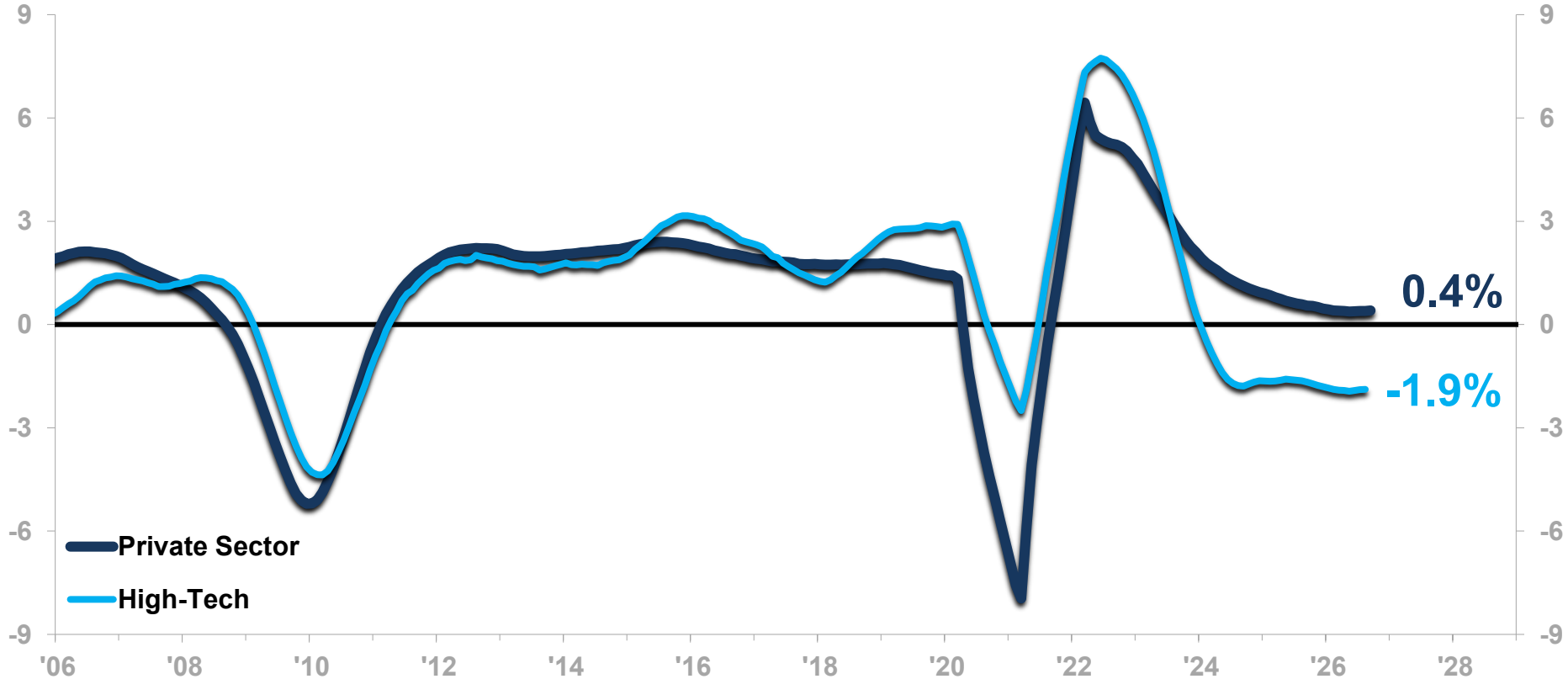
Percentages



Tech Sector Layoffs Are Real – A Right-Sizing Trend?

US Private Sector Employment to US High-Technology Employment

12/12 Rates-of-Change



White Collar Layoffs Are Above Long-Term Average; Blue Collar Layoffs Below

Layoffs and Discharges by Private Sector

	Annual Trend	10-Year Average	% Difference	12/12	Phase
Information Services	549 (Thou.)	435.8	26.0%	30.1%	B
Financial Services	421 (Thou.)	388.6	8.3%	0.7%	D
Professional & Business Services	5.5 (Mil.)	5.0	8.5%	2.7%	C
Manufacturing	1.2 (Mil.)	1.5	-17.4%	-14.4%	D
Construction	1.8 (Mil.)	2.2	-15.5%	-8.0%	D
Wholesale Trade	555 (Thou.)	589.4	-5.8%	-4.6%	A

Source: BLS





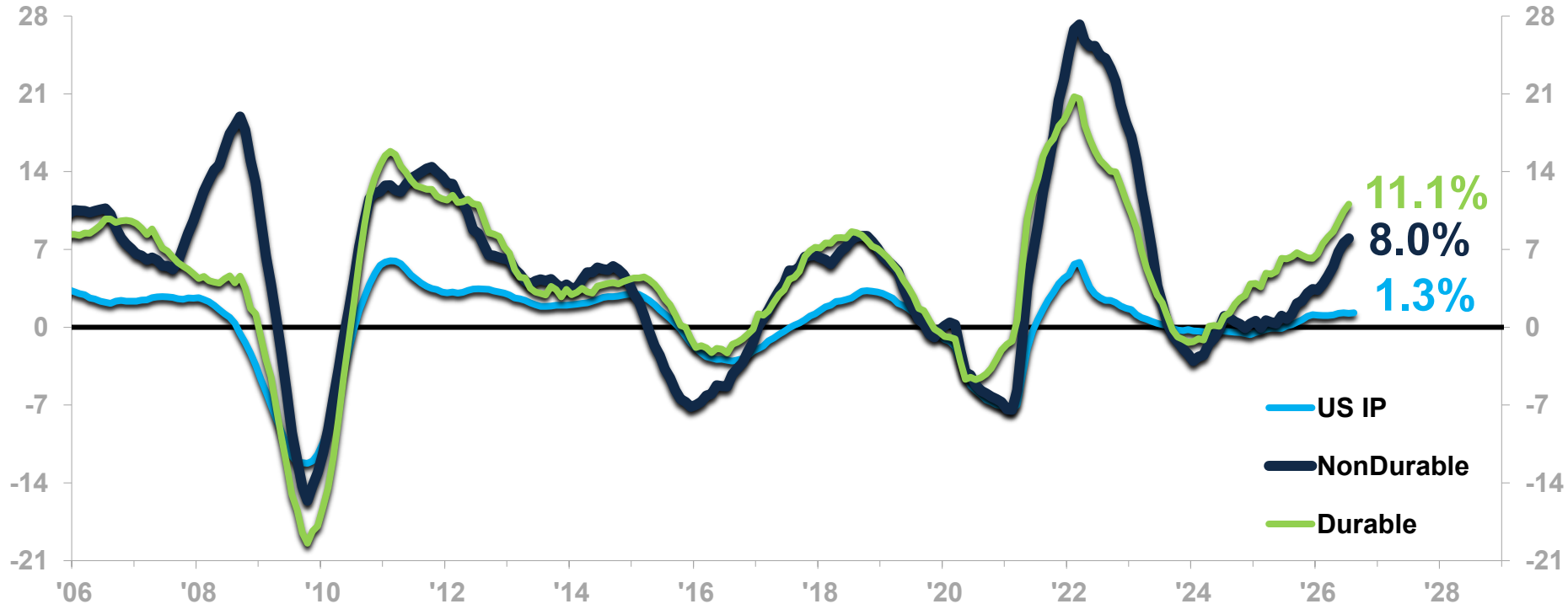
Industry Trends

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This Is A Favorable Physical Good Cycle – Slowdown Coming In 2027

US Industrial Production Index to US Wholesale Trade of Durable Goods to
US Wholesale Trade of Nondurable Goods

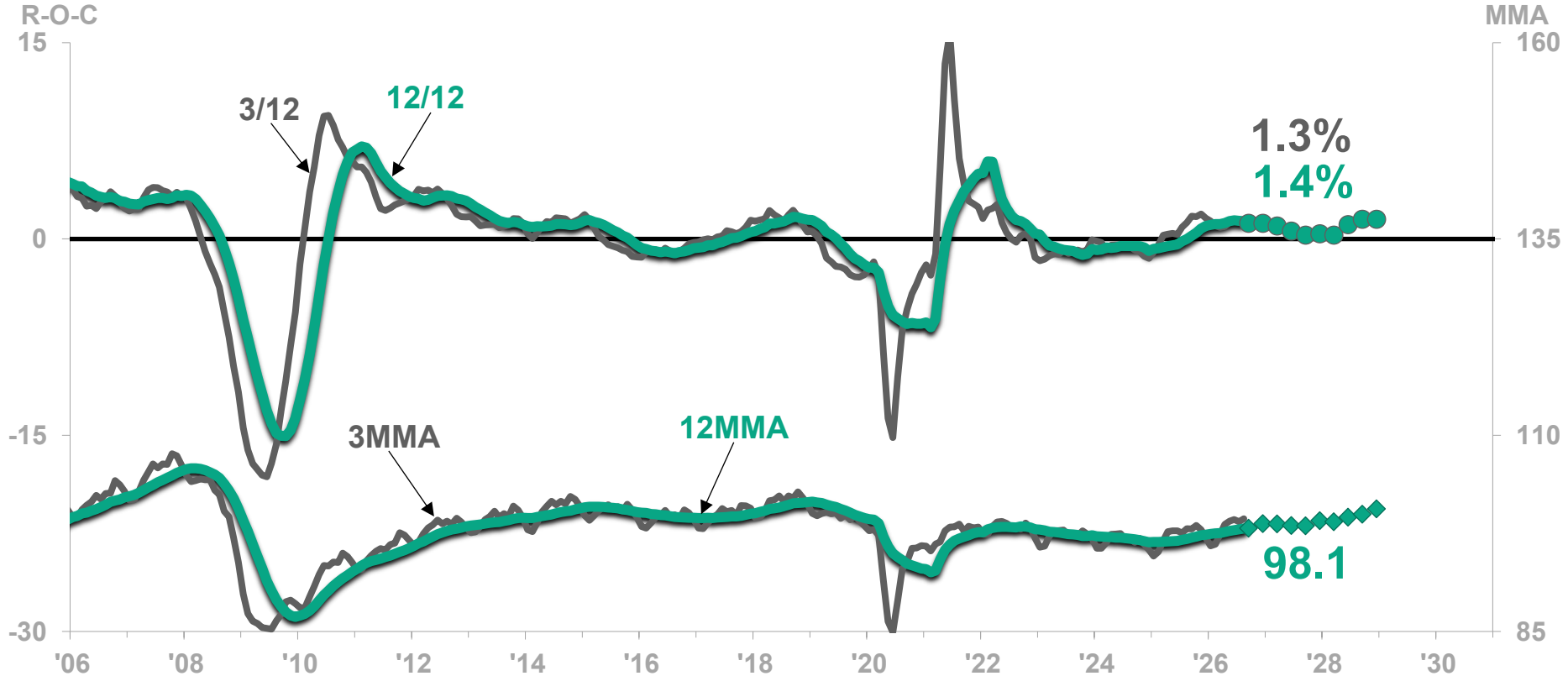
12/12 Rates-of-Change



Domestic Manufacturing Volume is Mildly Accelerating

US Total Manufacturing Production Index

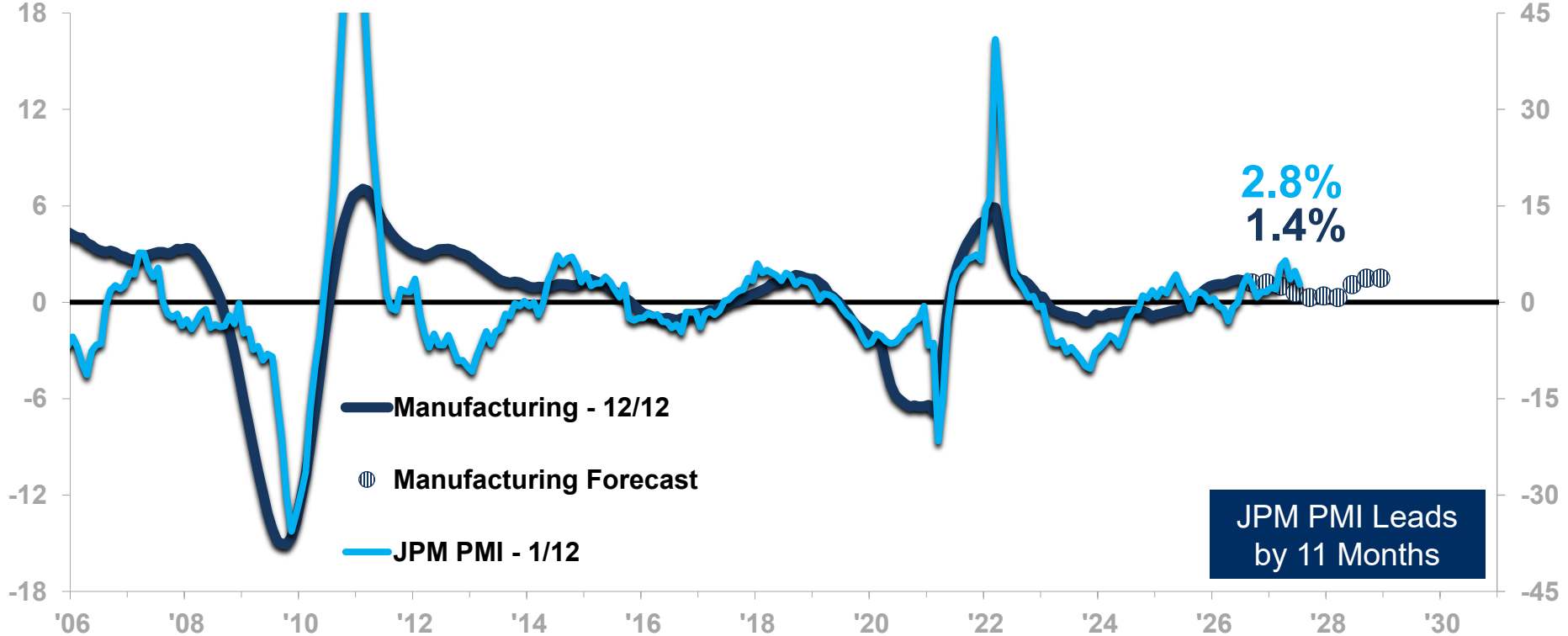
2017 = 100



Early Signs of 2027 Slowdown

US Total Manufacturing Production Index to JP Morgan Global Manufacturing Purchasing Managers Index
Rates-of-Change

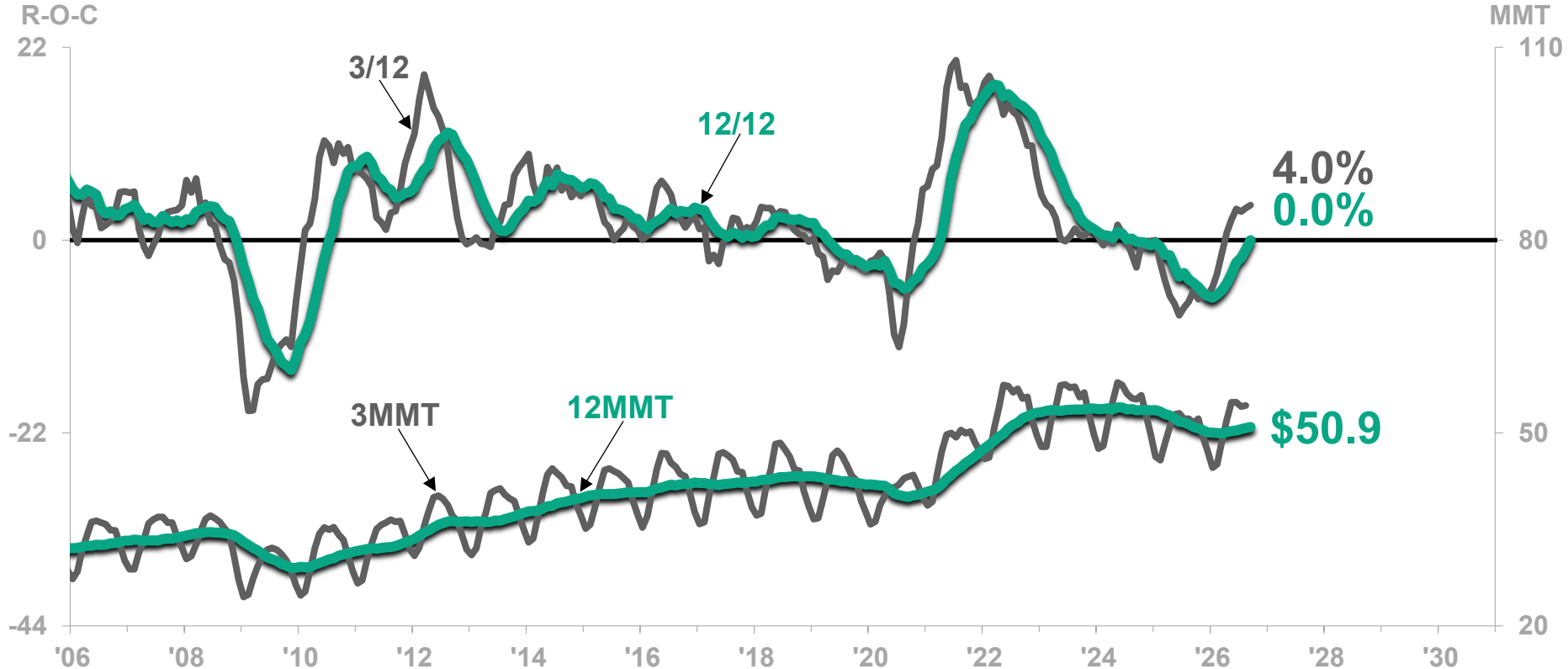
Manufacturing



Seeing Improvement in Seals & Adhesives

US Paints, Coatings, and Adhesives Shipments

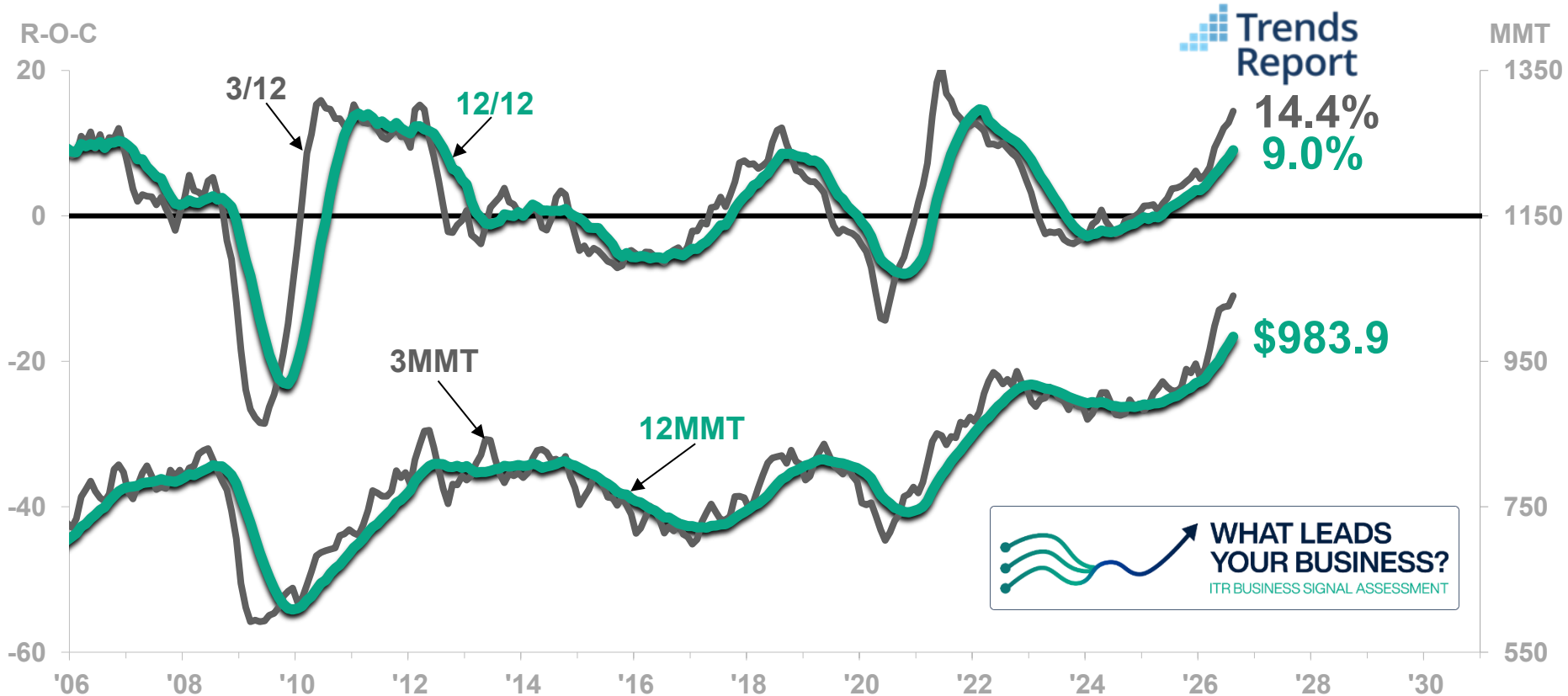
Billions of Dollars



New Orders Accelerating – This Is Our Capex Benchmark

US Nondefense Capital Goods New Orders (excluding aircraft)

Billions of Dollars

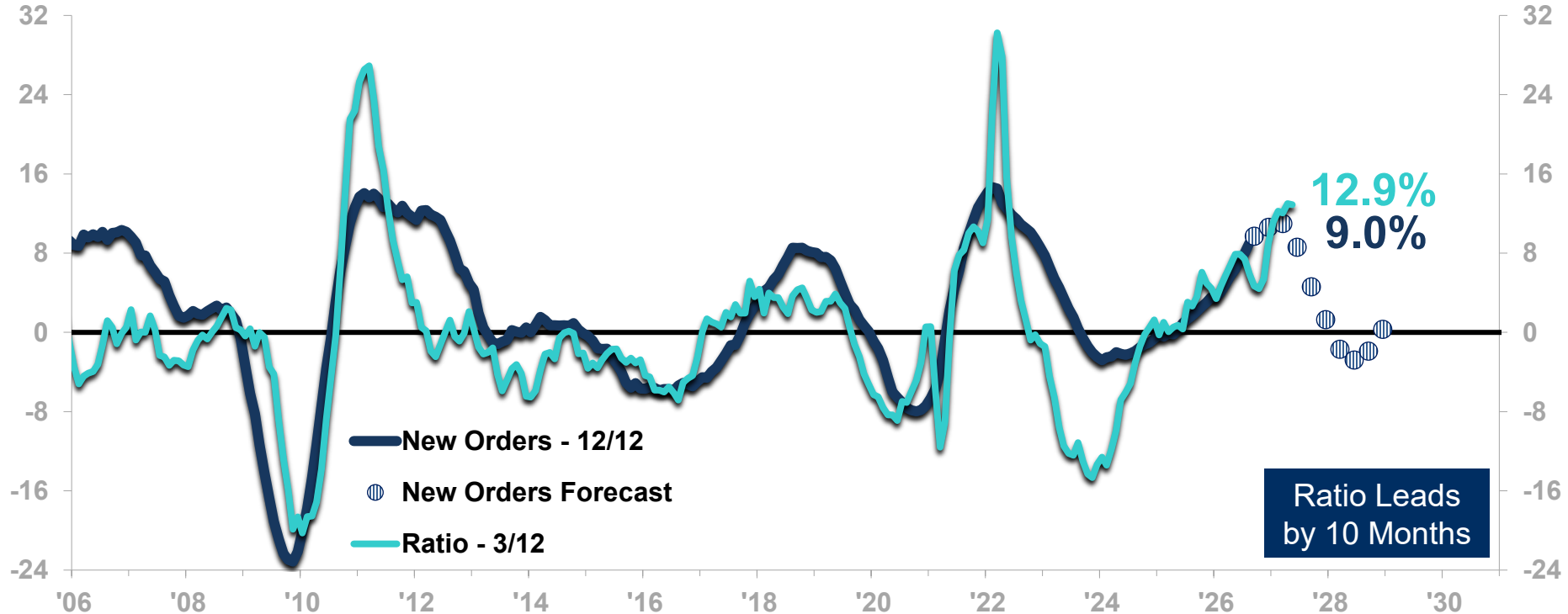


Positive Sales/Inventory Input

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

Rates-of-Change

New Orders



This Is a Key Indicator – Positive Signal Through Early 2027

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

Rates-of-Change

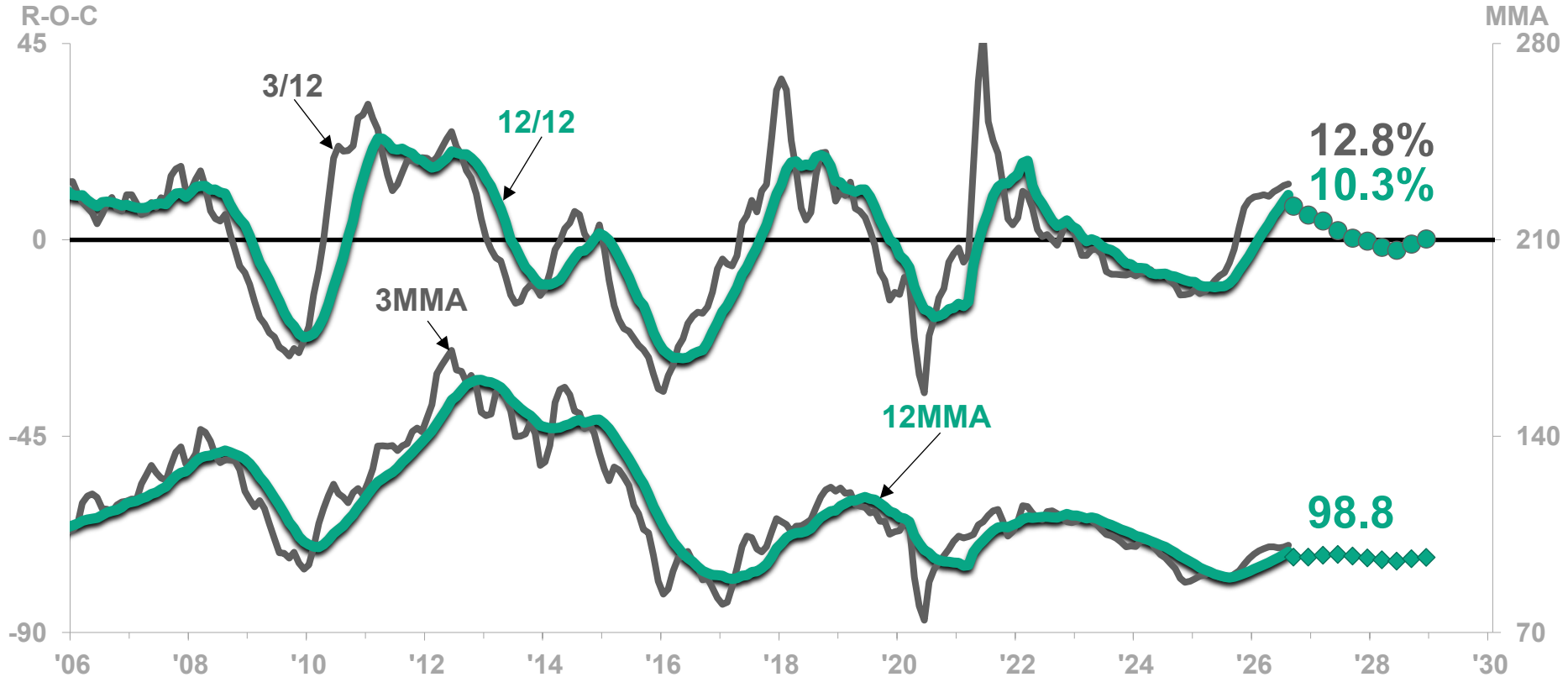
New Orders



Mobile Hydraulic Segment Growing – Mostly Due To Construction

US Agriculture, Construction and Mining Machinery Production Index

2017 = 100

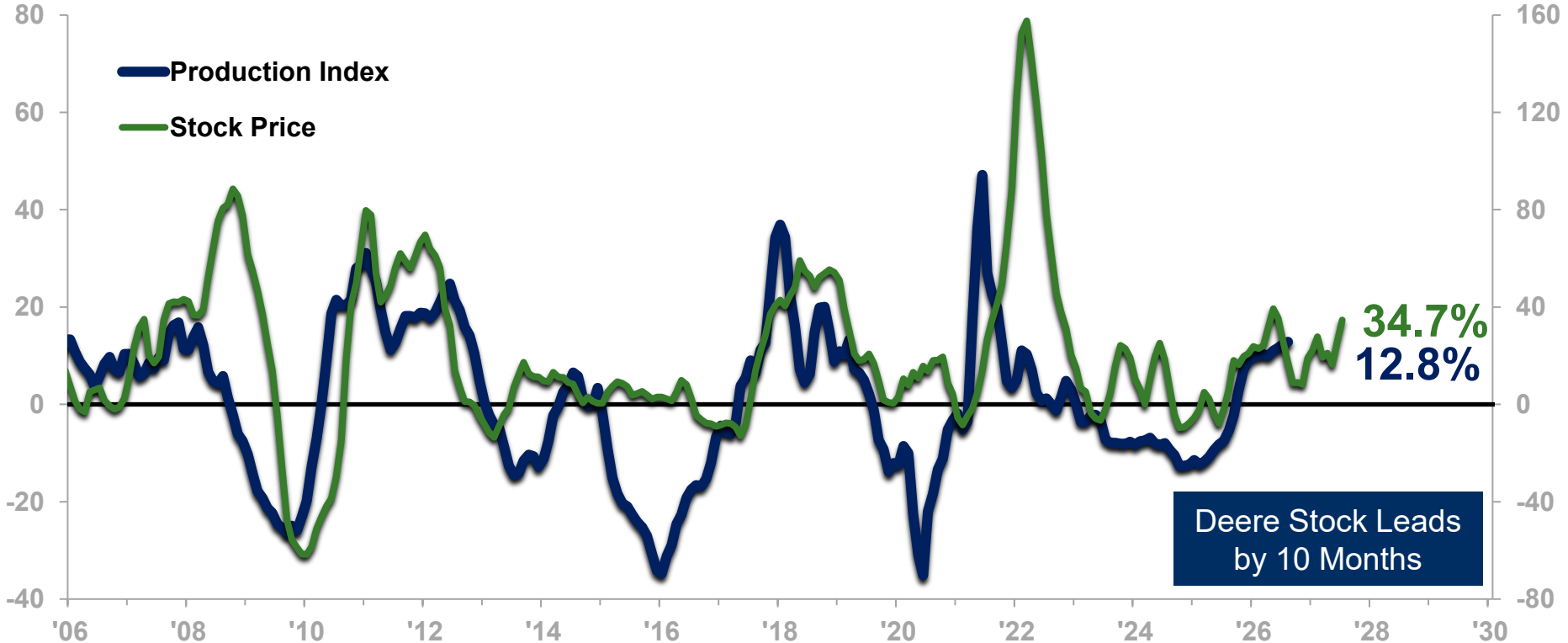


Deere Share Prices Indicate Stability

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

Production Index

Stock Price



Ag Remains Under Pressure – Diesel, Fertilizer, Etc...

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

12/12 Rates-of-Change

Production Index

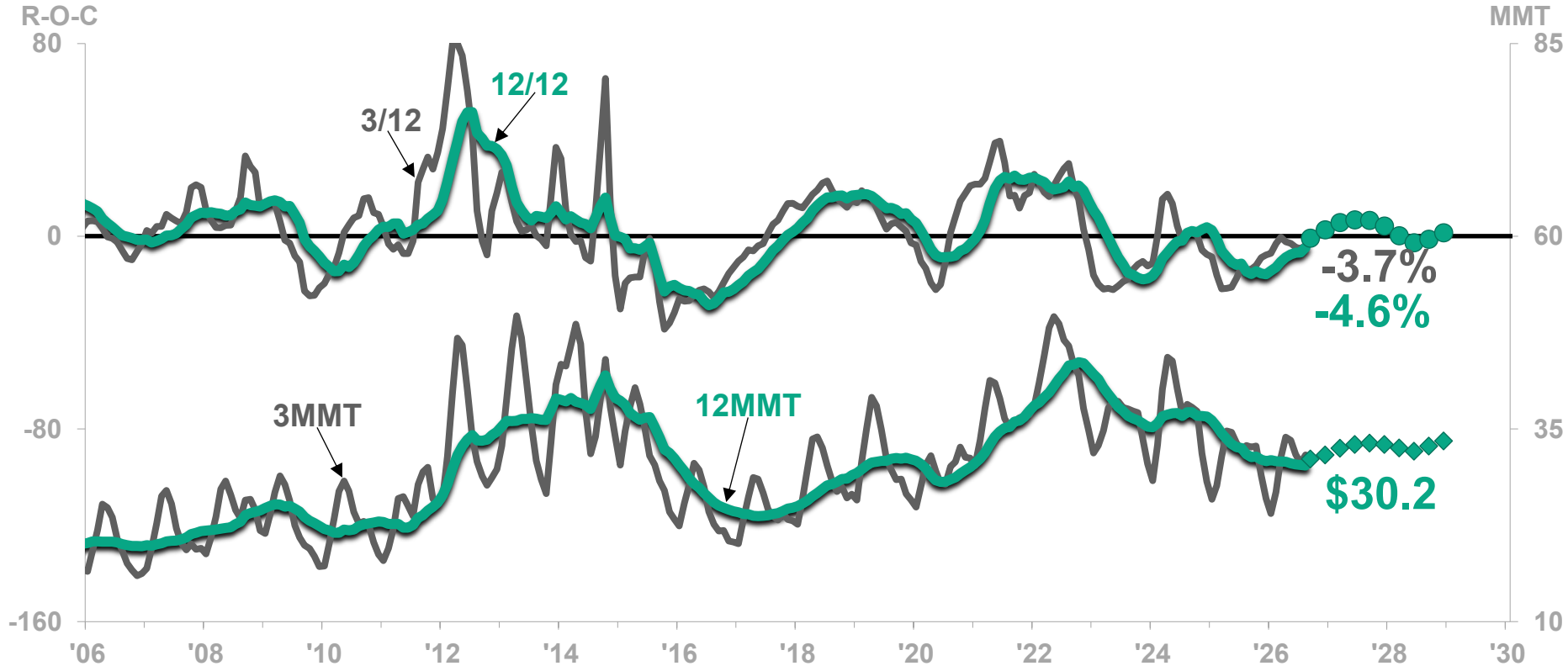
Income



Recovering – But Slowly

US Farm Machinery Shipments

Billions of Dollars



US Industry Segments

	12/12	Phase	12MM Notes
Engines & Turbines	14.1%	B	Robust Rise
Aerospace Parts & Production	13.1%	C	Robust Rise
Computer & Electronics New Orders	11.2%	B	Robust Rise
Ag, Construction, & Mining Machinery	10.3%	B	Robust Rise
Total Machinery	4.4%	B	Rise
Fabricated Metals	2.6%	B	Rise
Pharmaceuticals	2.4%	C	Rise
Manufacturing (excl. Motor Vehicles)	1.3%	C	Mild Rise
Light Vehicles	-1.0%	D	Mild Decline

Spending Generally Up Across the Board

US New Orders

Source: US Census Bureau

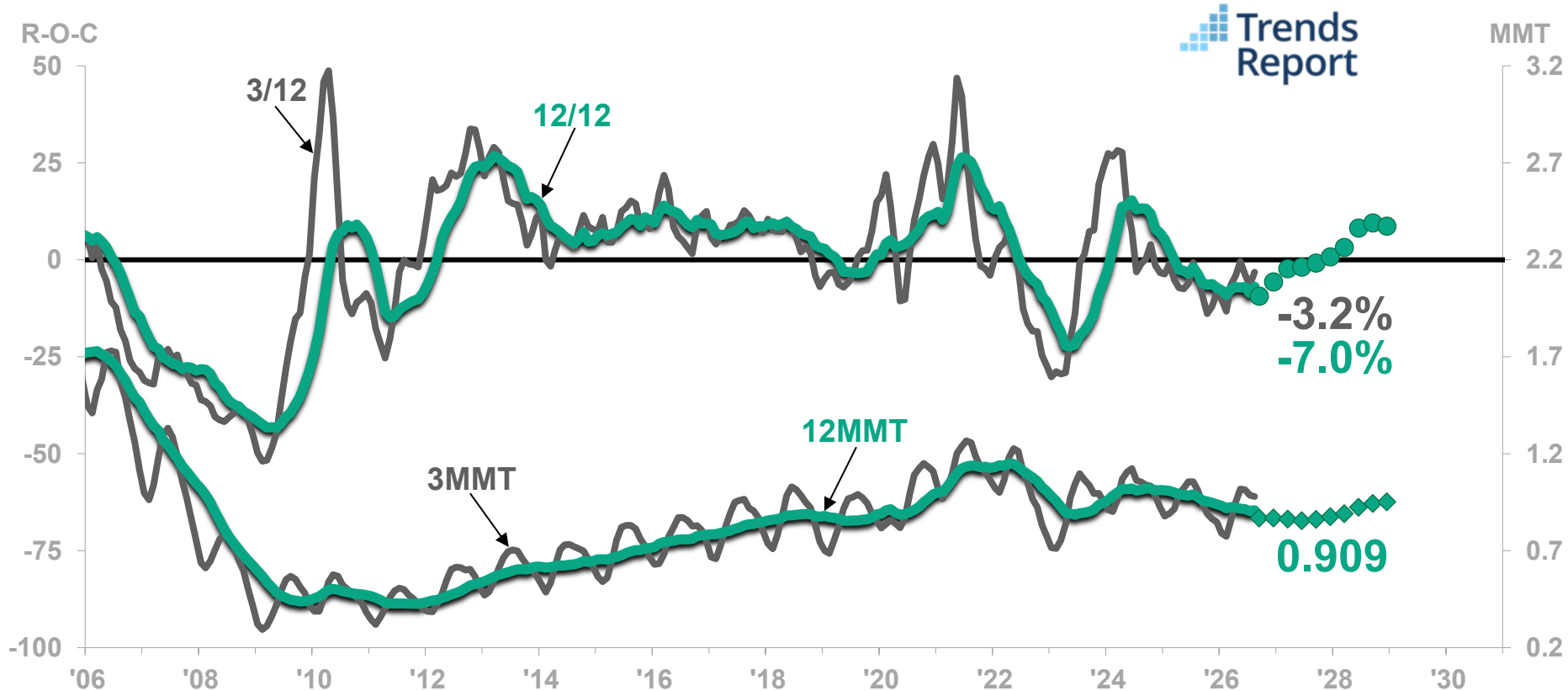
Indicator	12/12	Phase
Industrial Machinery	38.5%	B
Metal Cutting Machine Tool	36.2%	B
Construction Machinery	19.8%	C
Electronic Computers	18.3%	B
Refrigeration & HVAC	17.9%	B
Engines, Turbines & Generators	14.0%	B
Machinery	11.9%	B
Electrical Equipment	10.6%	B
Information Technology	10.6%	B
Nondefense Capital Goods ex. Aircraft	9.0%	B
Metalworking Machinery	7.7%	B
Construction Materials & Supplies	3.4%	B
Material Handling	-2.6%	A



Expect Housing to Struggle Through 2027; Grow in 2028

US Single Unit Housing Starts

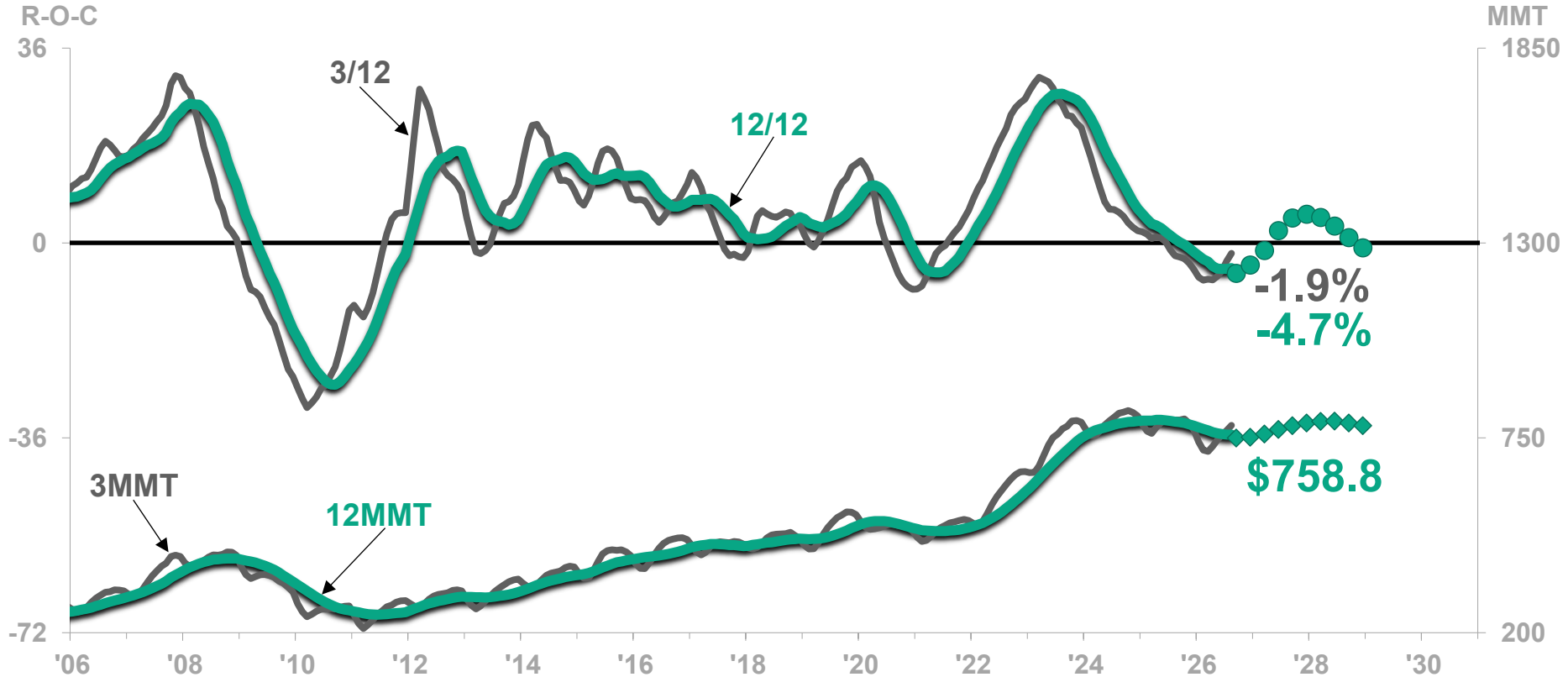
Millions of Units



We Expect Total Nonresidential Market to Remain Essentially Flat

US Private Nonresidential Construction

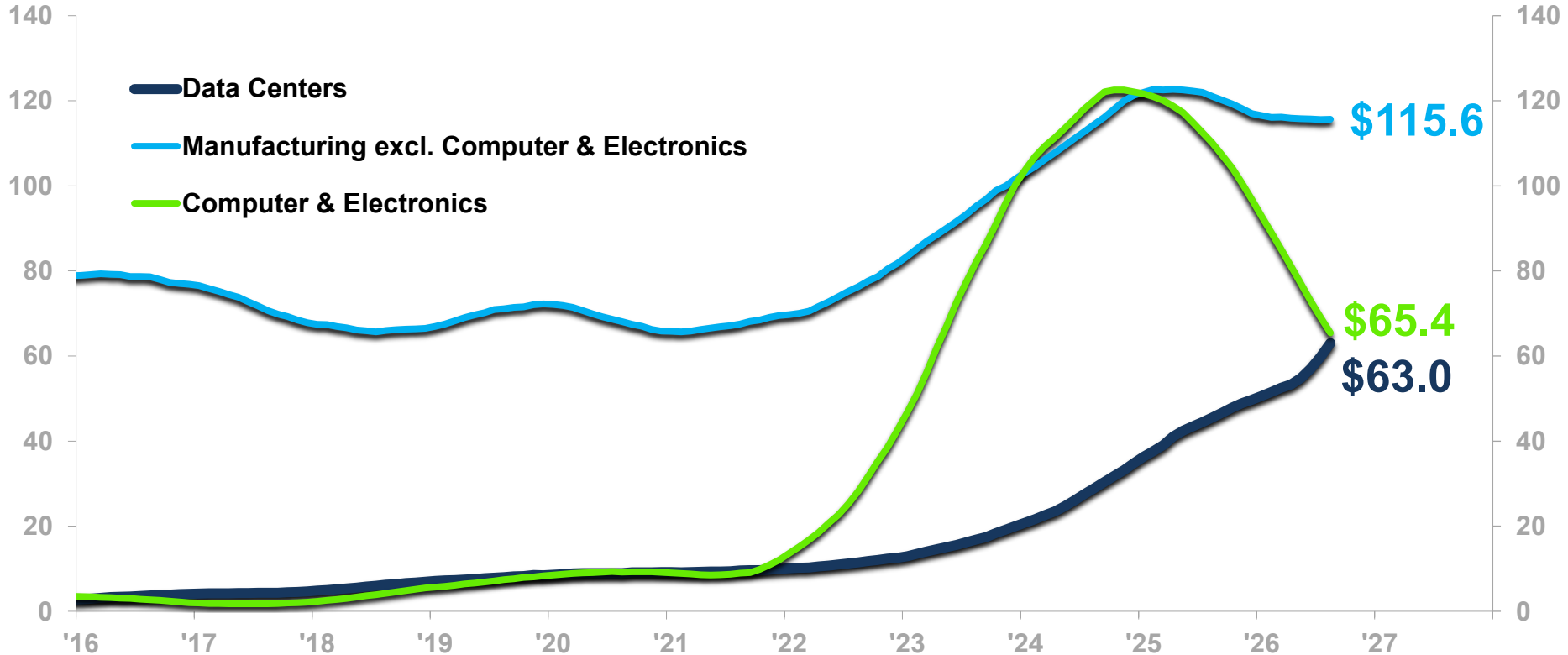
Billions of Dollars



Data Centers & Manufacturing Investment Rising

US Private Data Center Construction to US Private Manufacturing Construction (excluding computer, electronic, and electrical construction) to US Private Computer, Electronic, and Electrical Construction

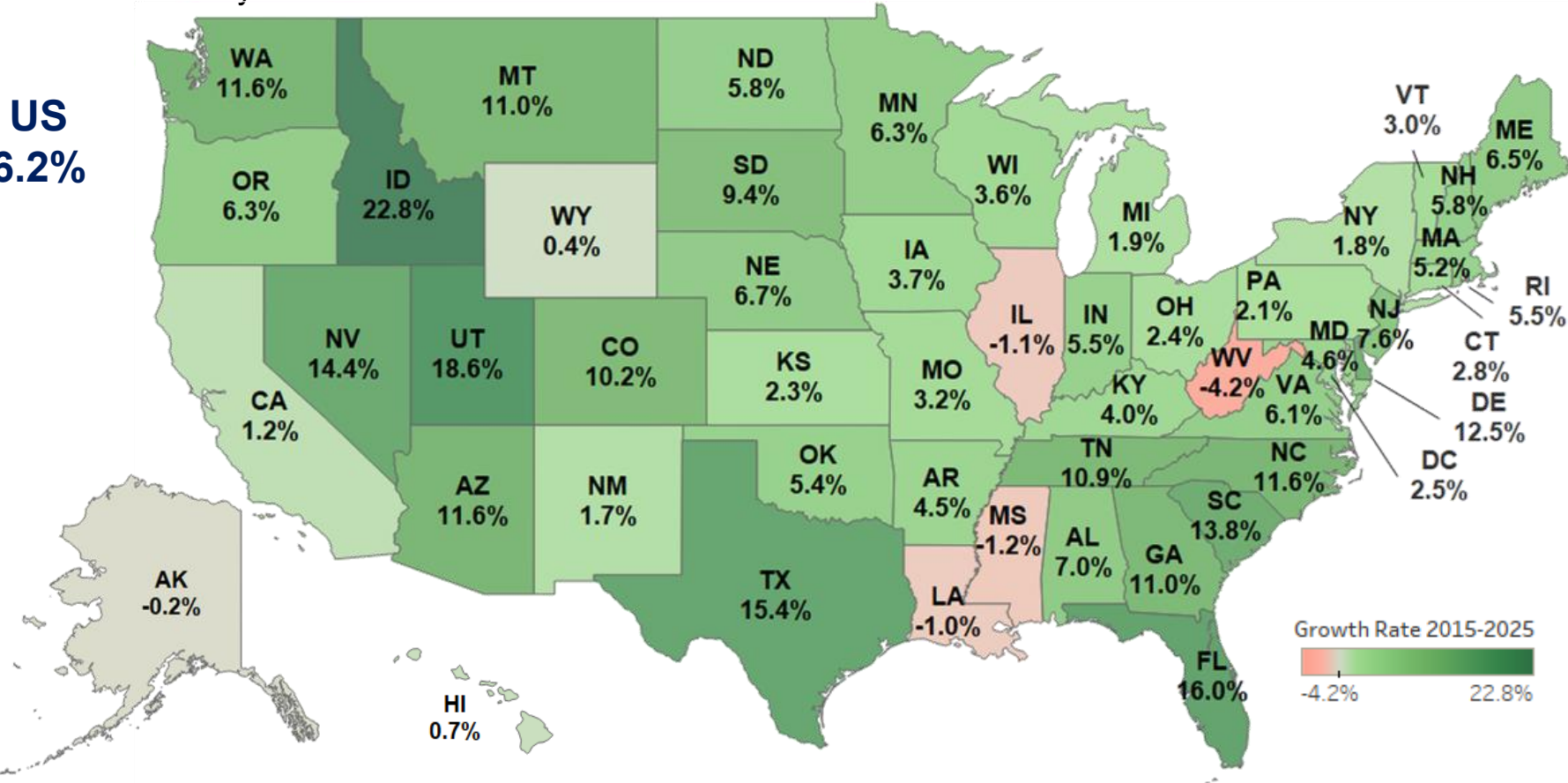
Annual Data Trends: Billions of Dollars



Longer View to Normalize COVID Effect

Population Growth by State 2015-2025

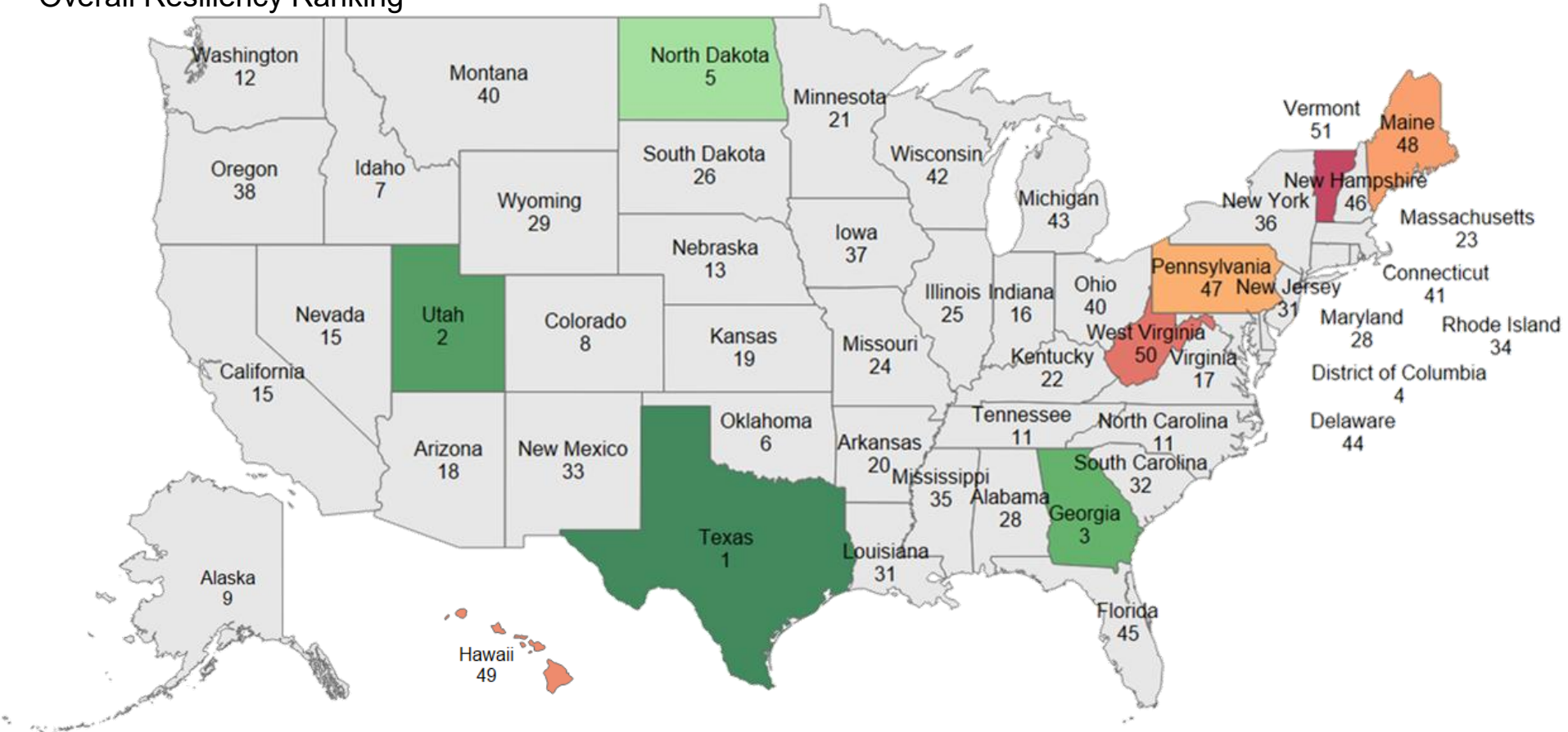
US
6.2%

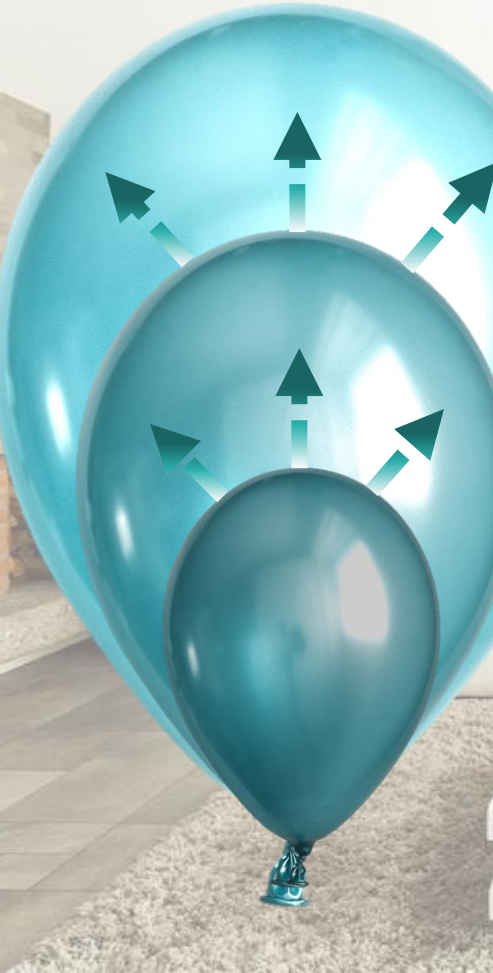


Growth Rate 2015-2025
-4.2% 22.8%

Population Resiliency Rankings

Overall Resiliency Ranking



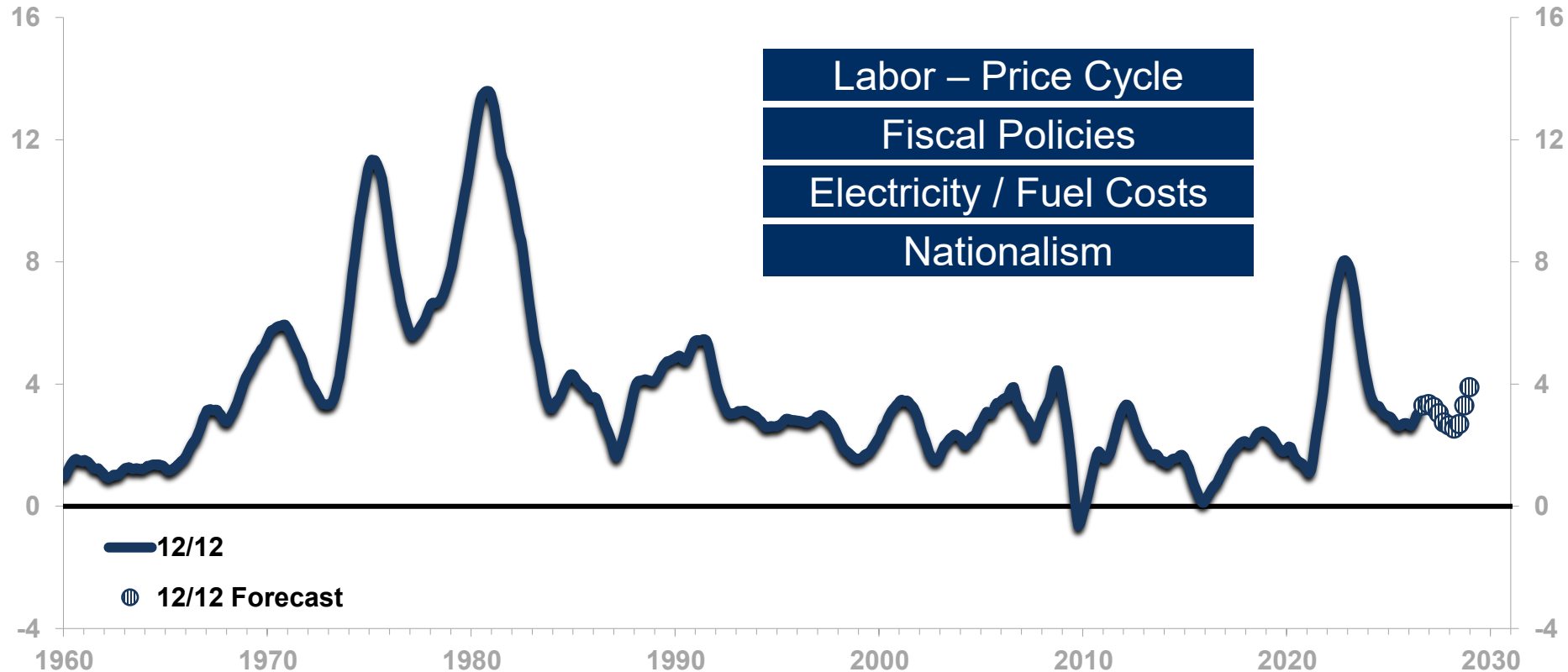


Inflation & Interest Rates

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Profitless Prosperity Will Be a Defining Challenge of 2026-2030

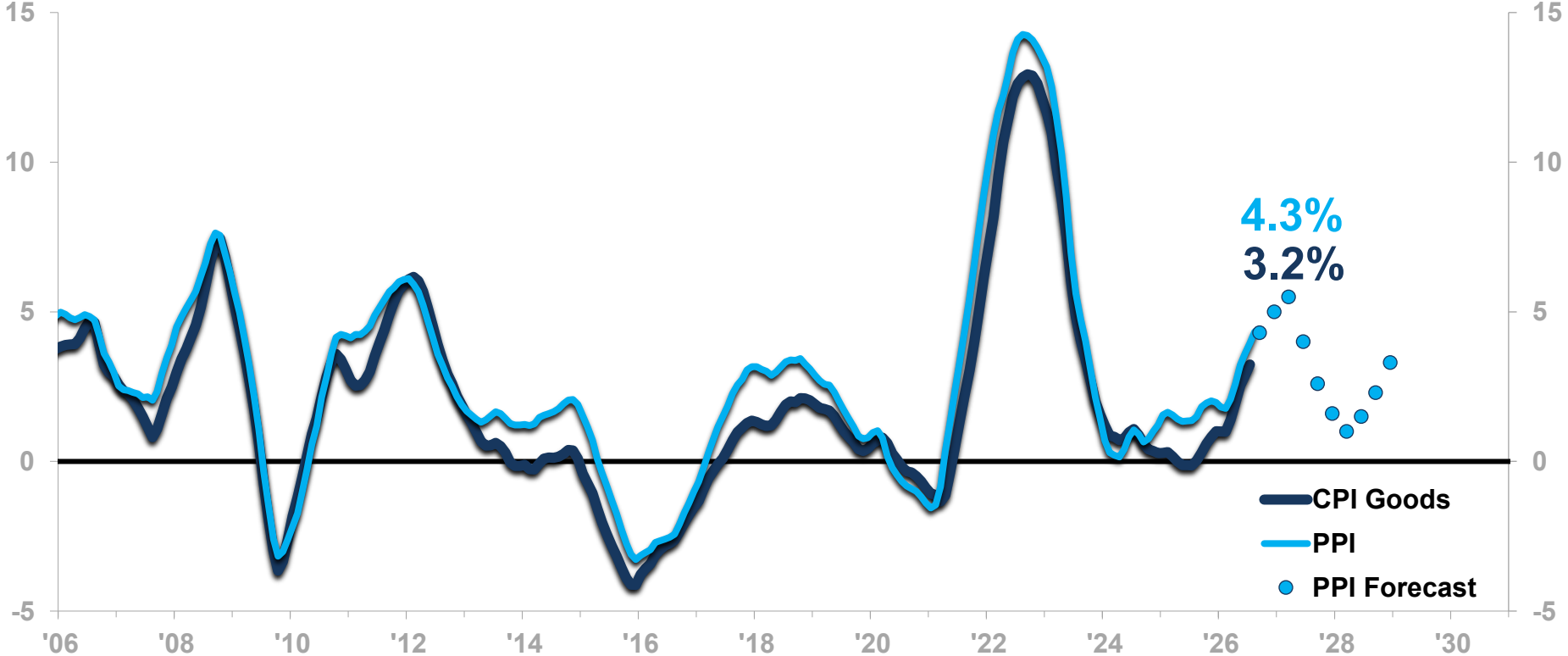
US Consumer Price Index
12/12 Rates-of-Change



Inflation Pressure Should Ease Somewhat In 2027

US Consumer Price Index for Goods to US Producer Price Index Final Demand – Finished Goods
12/12 Rates-of-Change

CPI Goods



Abundant Input & Shipping Cost Pressure

Indicator	12/12	Phase	3/12	Phase
Copper Futures	32.1%	B	43.3%	B
Diesel on Highway	29.2%	B	48.2%	C
Aluminum Prices	25.2%	B	22.3%	C
Crude Oil	15.3%	B	32.4%	C
Iron & Steel	11.6%	B	16.5%	B
Electric Power	4.4%	C	3.3%	C
Trucker Wages	4.1%	B	4.2%	C
Manufacturing Wages	4.0%	C	3.6%	C

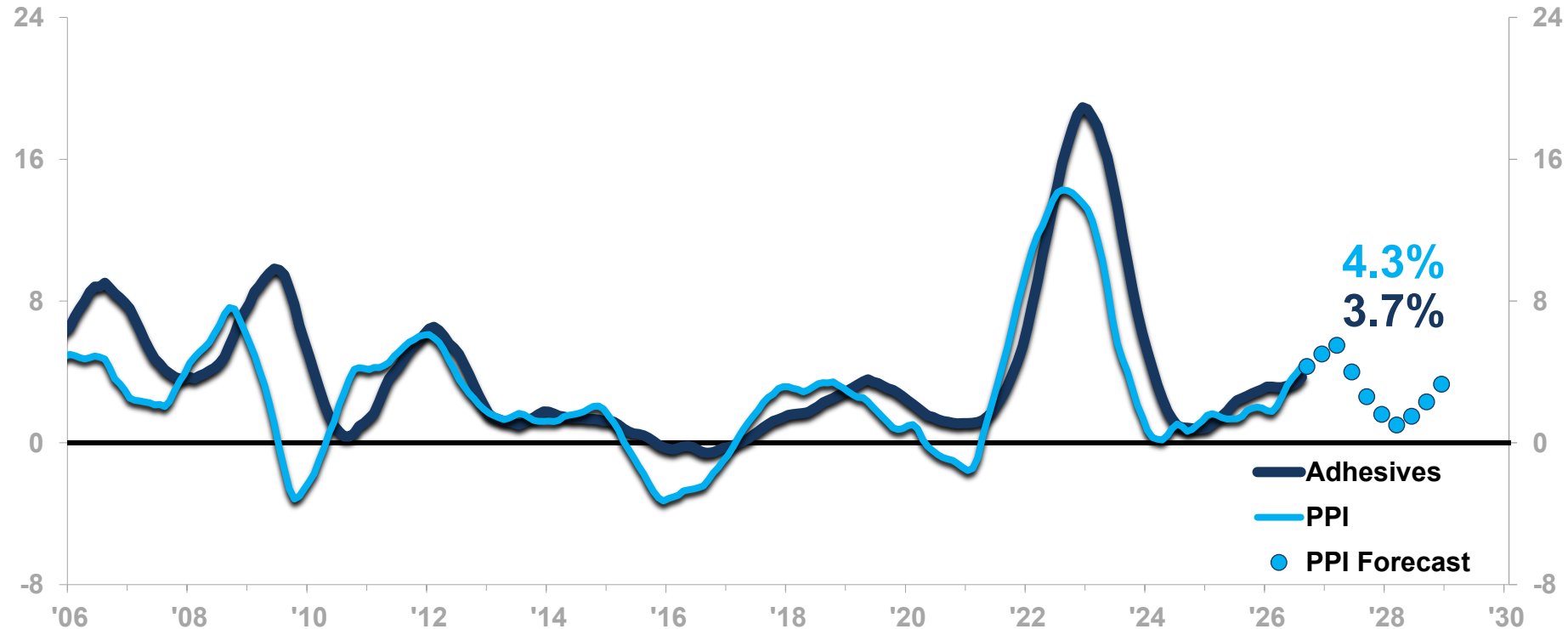


Adhesives & Sealants Pricing Is Accelerating

US Producer Price Index for Adhesives and Sealants to
US Producer Price Index Final Demand – Finished Goods

12/12 Rates-of-Change

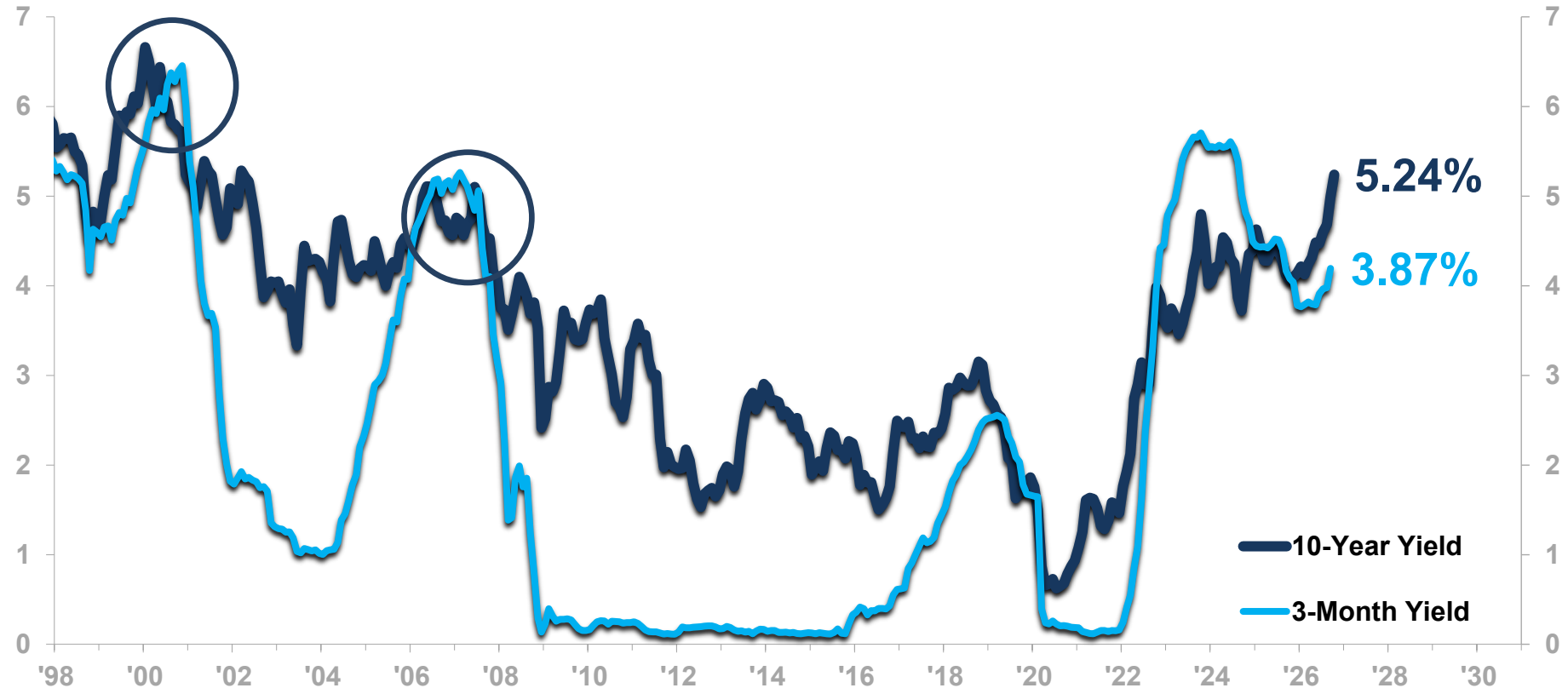
Adhesives



We Do Not Expect Lower Rates – Headwind For Housing

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

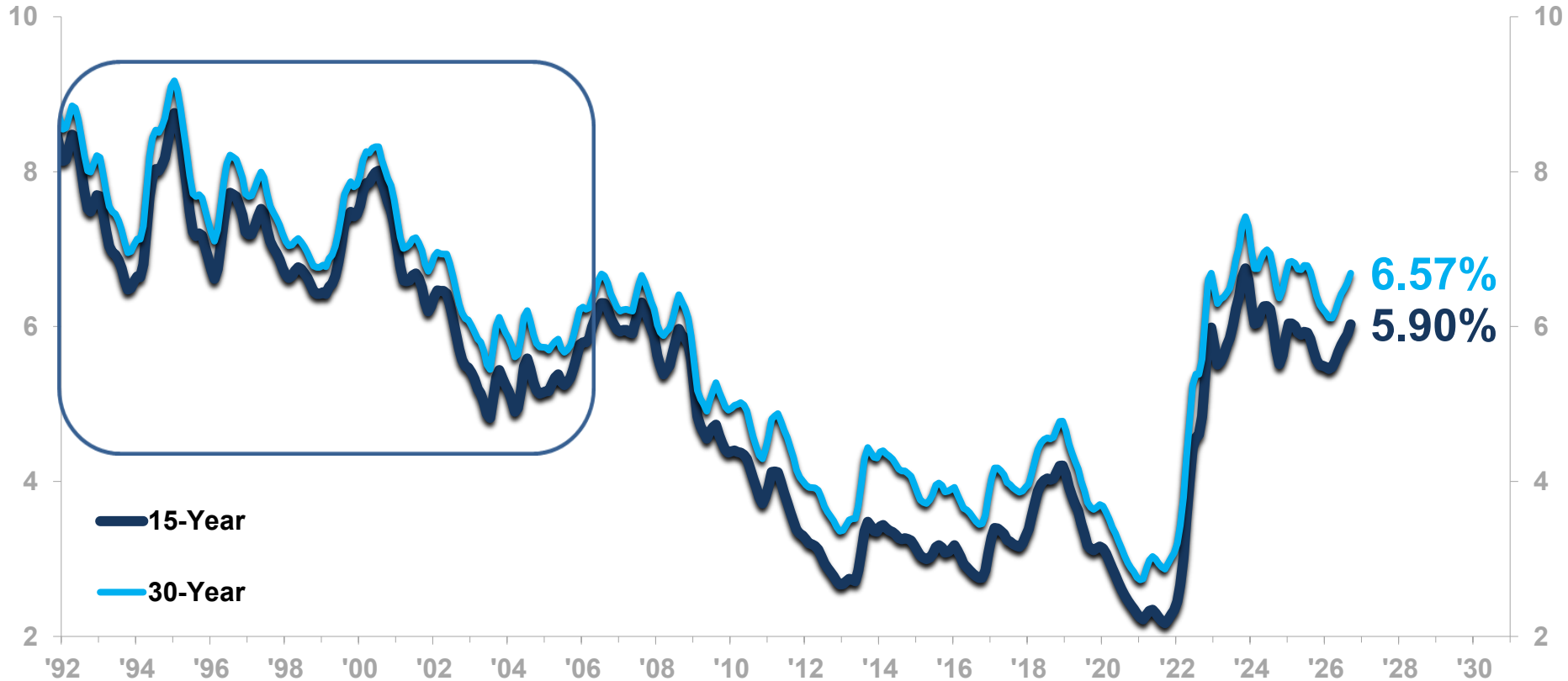
Raw Data: Percent



Mortgage Rates Trending into the “New Normal”

US 15-Year Mortgage Monthly Average Fixed Rate to US 30-Year Conventional Mortgage Rate

Quarterly Data Trends: Percent



2030s Outlook Unchanged



1. Demographics



2. Health Care Costs



3. Entitlements



4. Inflation

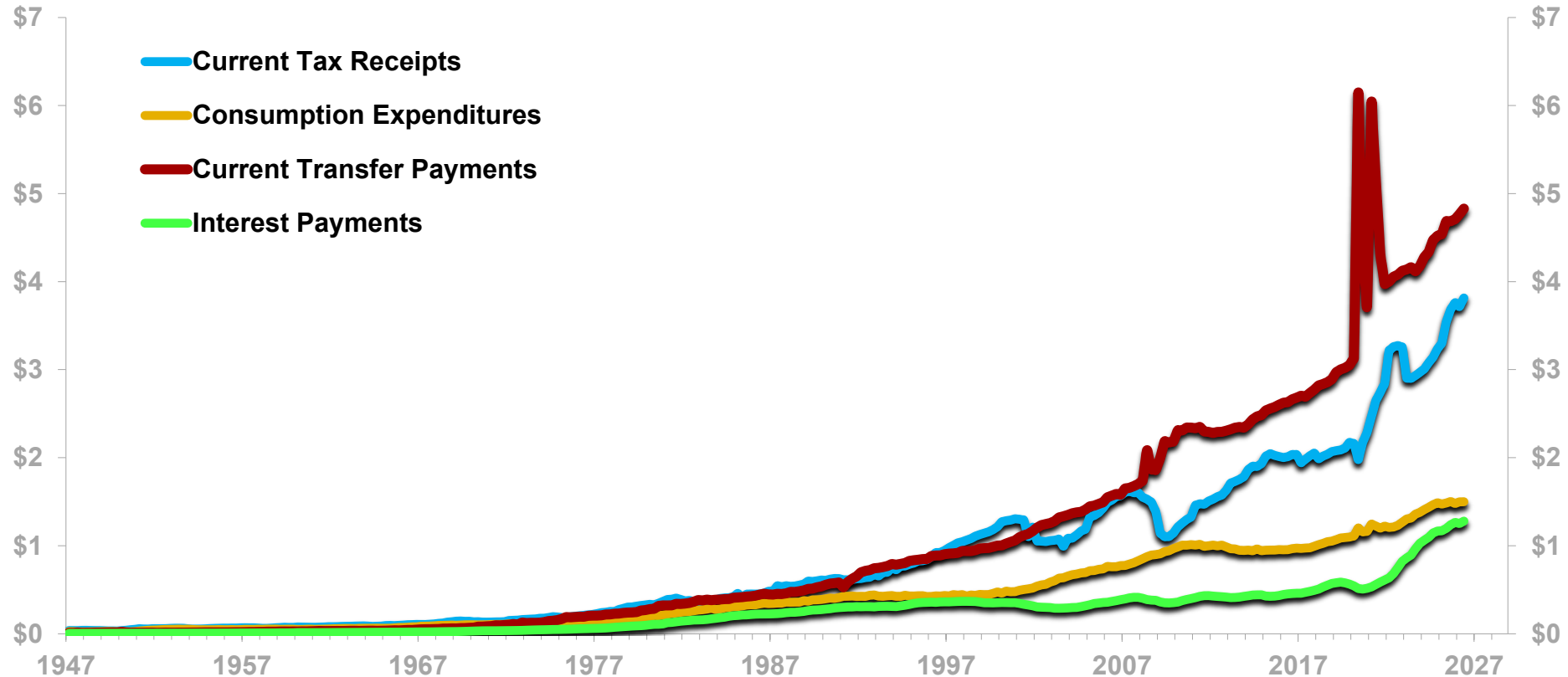


5. US National Debt



Problems Ahead

Federal Government Receipts and Payments
Quarterly Data Trends: Trillions of Dollars



Five Pillars Underpinning State Resiliency



Economic Pressures Will Vary by State

Least Risk Places to Be

1. Nebraska
2. Utah
3. South Dakota
4. Montana
5. Idaho
6. Oklahoma
7. Colorado
8. Minnesota
9. North Dakota
10. New Hampshire

Most at Risk

1. Mississippi
2. Michigan
3. Kentucky
4. Ohio
5. Alabama
6. New Mexico
7. South Carolina
8. Nevada
9. Illinois
10. Connecticut

What You Need To Do Right Now:

Develop relationships/strategies/tactics in the more resilient markets

Being liquid and debt free is crucial by 2030

There are ALWAYS ways to make money; do not be chained to the past

Understand how inflation affects your company specifically

Have strong subject matter experts on your team

You NEED to know how your company aligns with market data



Connor Lokar

Senior Forecaster & Keynote
Manager



ANY QUESTIONS?



Get a complimentary ITR Business Signal Assessment to see which leading indicators have historically moved ahead of your revenue.

*Scan our code,
then tap the link
to get started.*

