






















Industry Snapshots

Arrow denotes 12-month moving total/average direction.

	RETAIL SALES	
	WHOLESALE TRADE	
	AUTO PRODUCTION	
	MANUFACTURING	
	ROTARY RIG	
	CAPITAL GOODS	
	NONRESIDENTIAL CONSTRUCTION	
	RESIDENTIAL CONSTRUCTION	

 Steep Rise
  Mild Rise
  Flat
  Mild Decline
  Steep Decline

Macroeconomic Outlook

While tariffs, inflation, uncertainty, and interest rates dominate the news, overall, consumers are in solid (albeit unspectacular) shape and will serve as a main driver of expected growth in 2025. US Real Personal Incomes are rising, and debt levels are manageable; these factors will drive spending in the economy despite still elevated interest rates. This translates to growth in the industrial sector and in GDP through at least 2025, though growth will be muted, and we may see a hit to first-quarter GDP given a surge in imports, which count against GDP, to avoid tariffs.

There are some signs consumers are being a bit more hesitant with their spending. US Total Retail Sales in February came in 0.9% below February 2024. Some of these factors may be serendipitous (2024 was a leap year, and 2025 had unusually cold weather that may have suppressed economic activity), but weakness in discretionary areas like restaurant and bar sales and building materials store sales could indicate hesitancy amid elevated economic uncertainty. We are watching and waiting to see the February services data, as well as the March data points, to determine if this is a shift or just noise. Encouragingly, our ITR Retail Sales Leading Indicator™ is rising, indicating that some weakness early in the year is more likely to be temporary than persistent.

“Weakness early in the year is more likely to be temporary than persistent.”

US Housing Starts are below year-ago levels, pushed down primarily by contraction in the multi-unit sector as economic uncertainty and high interest rates curtail property investors. Despite high borrowing costs, US Existing Home Sales are rising as prospective homebuyers acclimate to the new financing environment and benefit from a rising, though still low, supply of homes for sale. Still, higher mortgages have made their way onto debt balance sheets; US Mortgage Debt as a Percentage of Total Household Debt in 2024 averaged 70.2%, slightly higher than the 10-year average of 68.9%. Despite mortgage debt making up a larger portion of consumers' debt load, the US Residential Mortgage Delinquency Rate sits far below its long-term average, depicting a base of homeowners who can adequately manage the increased debt level.

The manufacturing sector is showing some glimmers of growth, with the most recent three months of activity coming in 0.7% above the same three months one year earlier. The manufacturing sector is weighed down mostly by the durables component, while the nondurables sector is above year-ago levels and accelerating in growth, bolstered in part by the chemicals industry. Domestic producers in this market and others may be positioned to gain share given the threat of tariffs, an upside to manufacturing.

The scope of tariffs continues to evolve, and their impact will vary by sector. Despite our expectations for reignited inflation, keep in mind that both businesses and consumers are generally in a solid position financially.

Make Your Move

While investors are contending with elevated uncertainty given changing tariffs, government spending, and monetary policy, they should keep in mind the glass is half full: Leading indicators – such as our ITR Leading Indicator™ – are in general rising trends alongside real personal income.

Investor Update

The S&P 500 gave back most of its January gains, declining a normal 1.4% throughout February. This weakness has extended into early March, with stocks down on a year-to-date basis as of March 13. More notably, the S&P 500 is now in an overall slowing growth phase, where the annual growth rate is moving lower, but the twelve-month moving average is still above the year-ago level. This matters to investors; outcomes during this phase of the stock market cycle are generally less robust than the 2023-24 phases.

ITR Economics Long-Term View

2025

MILD GROWTH

2026

GROWTH

2027

SLOWING GROWTH

Leading Indicator Snapshot

	2Q2025	3Q2025	4Q2025
ITR Leading Indicator™	●	●	●
ITR Retail Sales Leading Indicator™	●	●	●
US OECD Leading Indicator	●	●	●
US ISM PMI (Purchasing Managers Index)	●	●	●
US Total Industry Capacity Utilization Rate	●	●	●

● Denotes that the indicator signals cyclical rise for the economy in the given quarter.

● Denotes that the indicator signals cyclical decline for the economy in the given quarter.

● N/A

KEY TAKEAWAYS

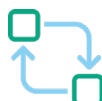
- The majority of leading indicators continue to suggest mild rise overall in the economy for 2025. The US ISM PMI (Purchasing Managers Index) still depicts a slight downside risk, but it is neither diving nor shooting up. Fits and starts in this indicator have minimal bearing on our overall picture of the economy given the indicator's volatility.
- Rise in the ITR Retail Sales Leading Indicator™ supports an upward trajectory for US Total Retail Sales. Rising incomes will continue to bolster spending in 2025.
- Despite the mildness of rise in the US Total Industry Capacity Utilization Rate, it has likely reached a low point, signaling that rise in the industrial sector is probable for 2025.

Industry Analysis



RETAIL SALES

- US Total Retail Sales in the 12 months through February were 2.7% above the year-ago level
- Further rise is likely given upward movement in the ITR Retail Sales Leading Indicator™
- We are awaiting more data to see how consumers respond to economic uncertainty



WHOLESALE TRADE

- Annual US Total Wholesale Trade in the 12 months through January rose and was 2.2% above the year-ago level
- The nondurables component just rose above year-ago levels, while the durables component is accelerating in growth and is 4.1% above the year-ago level; pricing is hindering segments of nondurables
- Solid financials for consumers and businesses signal further rise in Wholesale Trade



AUTO PRODUCTION

- Annual North America Light Vehicle Production is generally declining, though still 0.3% above the year-ago level
- Further downward pressure is likely given declining industry utilization rates
- Rising real incomes should keep Production contraction somewhat mild



MANUFACTURING

- US Total Manufacturing Production in the 12 months through February rose and was even with the year-ago level
- Further rise is likely given upward pressure from the US Nondurable Manufacturing Capacity Utilization Rate
- The durables sector is less likely to contribute to rise in at least the near term



ROTARY RIG

- The US Rotary Rig Count in the three months through February rose slightly to an average of 587 rigs, 5.6% below the same three months one year prior
- US Oil and Gas Extraction Production is above year-ago levels, and we just saw a positive ITR Checking Point™
- Tariff uncertainty may place further upside pressure on the Rig Count



CAPITAL GOODS NEW ORDERS

- US Nondefense Capital Goods New Orders (excluding aircraft) in the 12 months through January were 0.8% above the year-ago level; we expect mild growth in 2025 capex
- Highly cyclical markets are generally underperforming while Computers & Electronics New Orders rise
- US Defense Capital Goods New Orders in the 12 months through January were 8.6% above the year-ago level



TOTAL NONRESIDENTIAL CONSTRUCTION

- US Total Nonresidential Construction in the 12 months through January was 6.2% above the year-ago level and is slowing in growth
- Upward pressure in areas from government funding like the CHIPS and Science Act is waning as segments like Manufacturing slow in their ascent
- The public component of Nonresidential Construction is outperforming the private component, so target opportunities accordingly



TOTAL RESIDENTIAL CONSTRUCTION

- US Total Residential Construction in the 12 months through January was 5.7% above the year-ago level and is in a nascent slowing growth trend
- Single-Family Starts are on the back side of the business cycle while Multi-Family Starts recover
- Our ITR Remodeling Market Index™ is on the cusp of an accelerating growth phase; be prepared for consumers to remodel or buy small homes instead of purchasing large new homes

A Closer Look: The US Economy Tariffs and Associated Inflation

JOHN OLSON

What you need to know: Tariffs are likely to exacerbate expected inflationary trends this year, but there are still strategies to insulate your business.

Headlines in recent months have been chock full of tariffs: reciprocal tariffs, retaliatory tariffs, surprise tariffs, retractions to tariffs, delays of tariffs, and more. The heft of the focus thus far has been on Mexico, Canada, and China, the US' three largest trading partners. AAs of this writing, those three countries have been the primary targets for additional broad-based tariffs. There are also global tariffs on steel and aluminum. The US is mulling over adding reciprocal tariffs – tariffs to match other countries' import duties on US products – and expanding its set of tariffs on EU countries.

To varying degrees, these levies are likely to have an inflationary impact. As displayed in the chart below, some industries are likely to face more significant headwinds than others. For example, Computer & Electronic Products, with 85.0% of goods imported, are very likely to experience a greater impact than a market with heavy domestic sourcing, such as Petroleum & Coal Products which – thanks to fracking – are only 8.9% reliant on imports.

Where Do Our Goods Come From?			
Source: USITC			
Imports by NAICS			
*Total market estimated as shipments plus imports minus exports.			
Commodity	Total Domestic Market*	% Domestically Sourced	% Imported
Transportation Equipment	\$1,314.7	62.4%	37.6%
Chemicals	\$1,080.2	63.5%	36.5%
Food & Kindred Products	\$1,004.7	88.3%	11.7%
Petroleum & Coal Products	\$708.1	91.1%	8.9%
Computer & Electronic Products	\$649.2	15.0%	85.0%
Machinery, Except Electrical	\$538.5	54.0%	46.0%
Fabricated Metal Products, Nesoi	\$476.8	79.3%	20.7%
Primary Metal Mfg	\$377.8	64.7%	35.3%
Plastics & Rubber Products	\$336.9	77.1%	22.9%
Electrical Equipment, Appliances & Components	\$293.3	33.3%	66.7%
Beverages & Tobacco Products	\$256.8	87.2%	12.8%
Miscellaneous Manufactured Commodities	\$244.7	36.5%	63.5%
Paper	\$210.8	87.3%	12.7%
Nonmetallic Mineral Products	\$176.3	83.4%	16.6%
Wood Products	\$175.6	85.8%	14.2%
Furniture & Fixtures	\$121.7	63.5%	36.5%
Printed Matter And Related Products, Nesoi	\$90.5	93.1%	6.9%
Apparel & Accessories	\$86.6	3.9%	96.1%
Textile Mill Products	\$45.7	47.9%	52.1%
Leather & Allied Products	\$43.1	6.9%	93.1%
Textiles & Fabrics	\$24.7	63.0%	37.0%
Total for Above Categories	\$8,256.7	65.5%	34.5%

The above chart provides a high-level understanding of which markets rely the most on imported goods. However, it is important to consider the breakdown of imports by country of origin, how lean the inventory situation is in each market (to help determine whether producers will eat the cost or consumers will bear the brunt of the tariff), and other relevant economic factors. If you need help with this analysis in your market, reach out to us. You can also watch our March 2025 ITR Summit, which includes presentations by ITR economists on tariffs, supply chains, and our long-range economic outlook; we will also have additional presentations by Crowe experts on how to handle these pressures.

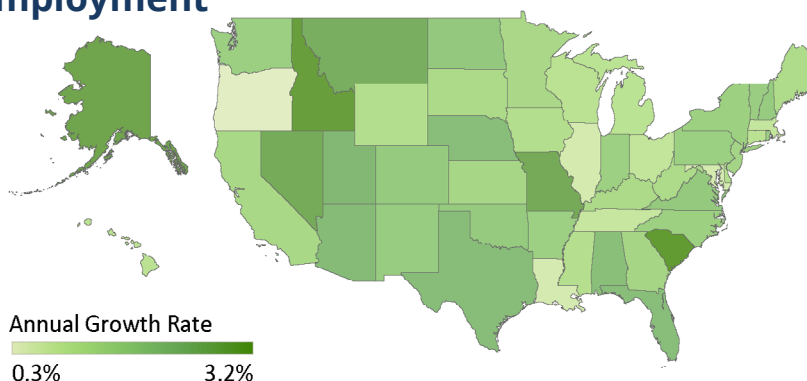
INFLATIONARY AND ECONOMIC IMPACT

We have already been warning our clients of a pickup in inflation in the second half of 2025 and into 2026 due to a litany of inflationary drivers: a labor shortage, a housing shortage, a shortage of electricity given electrification trends and AI, and more. Tariffs add another potential driver to this mix. As for the economic impact, it is likely to be downward in aggregate, with some winners and some losers. With US imports surging as businesses look to beat tariffs and potential supply chain snarls, do not be surprised to see some weakness in first quarter GDP but do not overreact.

HOW TO RESPOND

What can you do to limit tariff impacts? Elevated uncertainty can be mitigated at least partially by shortening your supply chain. If you are sourcing domestically, any tariff impacts will be felt further down the supply chain. Consider including price escalators in your contracts to shield yourself from unanticipated inflationary impacts due to tariffs. Furthermore, if you are exposed to imports, ensure you are on good terms with your customs surety bond provider in case your products become subject to unanticipated tariffs. Lastly, communicate up and down your supply chain to determine if any of your suppliers or customers will be affected by tariffs; with that knowledge, you can plan accordingly.

State-by-State: Employment



- US Private Sector Employment in the 12 months through February was 1.1% above the year-ago level and is generally slowing in its ascent.
- Employment is growing most robustly in the Southwest and Mountain West. South Carolina is also growing robustly, experiencing employment growth of 3.17% in 2024, and is one of the country's fastest-growing states by population.
- Oregon experienced the flattest growth in employment for 2024 at a rate of 0.3%. Manufacturing employment in this state is below year-ago levels, a contributor to sluggish employment growth overall.
- Zooming out, the national unemployment rate is elevated compared to one year ago, averaging 4.1% in the 12 months through January versus 3.7% in the prior 12 months. Still, it remains below the pre-pandemic 5-year average of 4.4%. We anticipate continued tightness in the labor market in the coming years given demographic trends.

Readers' Forum

Is the housing market swinging back in favor of buyers?

Haley Sienkiewicz, Economist at ITR Economics™, answers:

Home prices remain elevated relative to incomes, with new homes coming in at an average price of \$446,300 in January, 3.7% above the year-ago level. Elevated mortgage rates pose an affordability challenge as well, only coming down slightly from their peak in 2023; this makes monthly mortgage payments untenable for a chunk of buyers. Still, some signs are pointing toward the national market loosening. In February, US Median Days on Market for Housing Inventory rose to an annual average of 56.2 days, up 9.2% from the prior year. This could give prospective buyers more leverage on the asking price, a much-needed reprieve given the high borrowing costs. As always, housing market tightness varies considerably by state, city, and even neighborhood, so we recommend you track your local market closely.

Given our expectations of reignited inflation and the potential for borrowing costs to remain elevated in the coming years, now is likely the most advantageous time to take the plunge into homeownership despite the financial hurdles. These obstacles are likely to remain present in the coming years.

Please send questions to: questions@itreconomics.com

ITR Economics Summit Presentations Now Available for Purchase!



The 2025 ITR Economics Summit is an all-day event filled with presentations from both Crowe and ITR Economics experts. Each session provides exclusive, never-before-seen information on the most popular economic topics of the day, including the 2030s depression, Trump administration policies, inflation, tariffs, supply chain insights, tax strategies, AI, and so much more.

For those unable to attend the event, recordings of each of the seven webinars are available both as a bundle, as well as individually! This way, you get the insights you need to drive your business forward and prepare for the challenges ahead. Visit the store on ITRondemand.com to purchase the recordings and slide decks for each presentation!

SUMMIT WEBINARS