FPSA
FOOD PRODUCTION SOLUTIONS ASSOCIATION

## Industry Snapshots

Arrow denotes 12-month moving total/average direction.

| | |
|---|---|
| RETAIL SALES | Mild Rise |
| WHOLESALE TRADE | Mild Rise |
| AUTO PRODUCTION | Mild Decline |
| MANUFACTURING | Mild Rise |
| ROTARY RIG | Mild Decline |
| CAPITAL GOODS | Flat |
| NONRESIDENTIAL CONSTRUCTION | Mild Rise |
| RESIDENTIAL CONSTRUCTION | Mild Rise |

*Steep Rise* *Mild Rise* *Flat* *Mild Decline* *Steep Decline*

# Macroeconomic Outlook

US trade policy is fluid. For now, uncertainty abounds for consumers and businesses, reigniting financial market turmoil and dormant fears of a strained supply chain. In terms of businesses, our apolitical analysis shows that the evolving tariff environment will create winners and losers. As tariffs act as a tax on goods, they tend to negatively impact consumers. We still anticipate general growth in most major macroeconomic benchmarks, such as Retail Sales and Industrial Production, though we have changed a number of forecasts (oil prices, bond yields, nondurable goods distribution, and industrial production for both Canada and Mexico, for example) as a result of the changed landscape.

While the aim of tariffs is to boost domestic manufacturing, they can lead to higher input costs, squeezed margins, and a less efficient supply chain. For more details, check out our recent blog post on tariff impacts: blog.itreconomics.com/blog/the-impact-of-tariffs-on-us-manufacturing-production.

The US manufacturing sector recently rose above year-ago levels, and further rise is likely given rise in our system of leading indicators. Despite recent softening, corporate cash in this sector – at 42% above the pre-COVID level, which far outstrips inflation – is elevated, signaling the industry is decently positioned to absorb rising costs should tariffs have an outsized impact on input prices.

> *"Take steps to insulate your business from the trade war."*

Business-to-business spending will generally rise this year, though some near-term volatility may occur given trade uncertainty. Further rise is likely given positivity in our ITR Leading Indicator™ and our expectations for reignited pricing pressures, which boost dollar-denominated metrics.

The nonresidential construction market is slowing in growth from the lagged impact of still-elevated financing costs and the drawdown of government infrastructure funding. On the residential side, US Single-Unit Housing Starts are plateauing with a downward bias, with further downside pressure likely ahead as affordability constraints persist. The Multi-Unit sector is in a nascent rising trend, though we expect the rise to be relatively mild given the hangover of elevated long-term interest rates and economic uncertainty. Consumers are spending more than ever, with record-high US Total Retail Sales. Rising incomes and a relatively resilient labor market may be fueling the engine of our economy to go uphill, but the cumulative impact of high prices, high interest rates, stock market weakness, and slowing income growth are limiting consumer spending growth.

While trade policy is uncertain, our general macroeconomic expectation of mild industrial sector growth, reemerging inflation, and elevated interest rates is unchanged. Take steps to insulate your business from the trade war, such as going one layer deeper to investigate your supply chain for resiliency (ensure that you know where your suppliers' suppliers are located). Meanwhile, do not lose sight of the longer term: have a clear-cut plan for pricing and labor in the coming years.

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