FPSA
FOOD PRODUCTION SOLUTIONS ASSOCIATION

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

US Real Gross Domestic Product (GDP) rose in the second quarter, despite the volatile policy environment. These results were in line with our expectations. Our outlook for mild rise in the macroeconomy this year and next remains the most likely outcome, supported by a consumer willing to spend amid relatively high levels of employment and rising real incomes, as well as increased business investment as uncertainty dissipates.

With inflation sticky and trending above the Federal Reserve's 2% target rate, the central bank opted to keep interest rates steady in July. The Fed's July meeting was marked by a historic dissent, with two Fed governors advocating for a rate cut. While inflation is ticking up, discord among Fed governors, coupled with weaker-than-previously-thought jobs numbers, could lead to a potential rate cut by the end of this year. Significant rate cuts are unlikely, however, as inflation remains driven by multiple factors and this business cycle is marked by shortages of labor, housing, and electricity.

For producers, inflation was at 1.9% for finished goods in July and is on a general upward trajectory. While volatility in commodity prices is likely to persist, supply and demand dynamics suggest rise ahead for many. In addition, tariffs will put upward pressure on many input prices. Look for ways to mitigate tariff exposure and consider reaching out to a customs and trade specialist to assist.

Align your business for general macroeconomic growth into 2027.

Annual US Industrial Production is above year-ago levels and poised for further growth. Rise will be driven in part by nearshoring, as well as by consumers and businesses as they acclimate to a higher-interest-rate environment. Sideways movement in selected leading indicators points to growth being relatively mild, with some markets outperforming others. Standouts right now include computers and electronics as well as pharmaceuticals; laggards include markets like fabricated metals and machinery for the agricultural, construction, and mining industries.

The housing market is exhibiting disparate trends. US Single-Unit Housing Starts are declining, but regional trends vary, so ensure you are tracking regional data as well. US Multi-Unit Housing Starts are generally rising, with further rise likely given permitting trends. On the nonresidential side, construction is declining, though pockets of resiliency exist in some subsectors such as data centers and water/sewer, both of which are rising at a double-digit pace.

Align your business for general macroeconomic growth into 2027. Focus on how you can capture some of this growth while paying particular attention to efficiency, as labor costs will continue to rise in the coming years. Delaying investment in the hopes of looser financial conditions may prove more costly than investing in your business now, given our expectation for rising prices.

onDemand

