## Industry Snapshots

Arrow denotes 12-month moving total/average direction.

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

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

## Macroeconomic Outlook

Consumers and businesses are proving relatively resilient amid rising uncertainty and changing global trade dynamics. Pricing challenges remain top of mind due to the evolving tariff environment, and escalating input and labor costs are fueling concerns over margin compression. Despite these headwinds, economic fundamentals still signal that mild growth is on the horizon. A generally stable consumer base and solid business financials are well-positioned to absorb some of the volatility.

US Consumer Prices in May were 2.4% above the year-ago level, a 0.1 percentage point tick up in inflation from the prior month. Despite growing economic unease, consumers are still spending more on both goods and services, even when adjusting for inflation. Personal income gains exceeding inflation are helping consumers spend, but spending habits are likely to shift toward essentials and away from discretionary items.

Business-to-business spending is rising mildly. While corporate profits are elevated, profit growth is slowing, suggesting further but tempered growth. The sideways trend in the US ISM PMI (Purchasing Managers Index) also indicates that near-term growth in B2B spending will likely remain mild, as elevated economic uncertainty and high financing costs will prompt some businesses to be cautious in their capital expenditure plans.

> *"We are also starting to see turnarounds in some of the more beleaguered segments of industrial activity."*

Annual US Industrial Production is poised to continue its ascent. High-tech sectors can expect to benefit, and vertical markets to data center construction and power grid infrastructure will grow. We are also starting to see turnarounds in some of the more beleaguered segments of industrial activity that struggled with excess inventories in 2023-24, such as machinery.

Meanwhile, affordability constraints continue to weigh on the housing sector. Annual US Single-Unit Housing Starts in April were 2.8% below the year-ago level and are declining. Sectors tied to the housing market may experience some near-term pain as a result. Despite current softness, underlying demand for housing is evident in generally low, though rising, homeowner vacancy rates. We are still awaiting signs of the next upturn in housing, as the ITR Single-Unit Housing Starts Leading Indicator™ moved lower in April.

In this macroeconomic environment, protecting profitability is paramount. Businesses should refine pricing strategies, considering tools like price escalator clauses, to adapt quickly to cost changes and reduce decision lag. Prioritizing investment in higher-margin segments of the business will be essential.

  