

# Industrial Supply Association

**MARCH 2025**

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# Economic Overview

Tariffs, geopolitical conflict, interest rates, inflation, stock market volatility, and more are on the minds of businesses and consumers, leading to elevated uncertainty. As we parse the various headwinds and tailwinds, we are maintaining our outlook for macroeconomic growth in the coming years. A number of leading indicators, including rise in the US Total Industry Capacity Utilization Rate and ITR Leading Indicator™ signal that there will be rise in 2025 and into at least 2026. However, in general, 2025 and 2026 will be muted relative to the prior cycle, and we want to emphasize that underneath the headline numbers, there are divergent outcomes. Knowing your market’s trends is key.

Rising real incomes, as well as our expectations for generally rising consumer prices, suggest that Retail Sales will rise in the coming years. Not all consumer demographics are performing the same though – a large portion of consumer expenditures are made by high-income brackets . If your business caters to lower-income brackets, who on net are struggling to build up savings as prices generally rise and long-term interest rates stay sticky, your sales may not trend as closely this cycle with broader Retail Sales. Consider who your target demographics are when making business decisions.

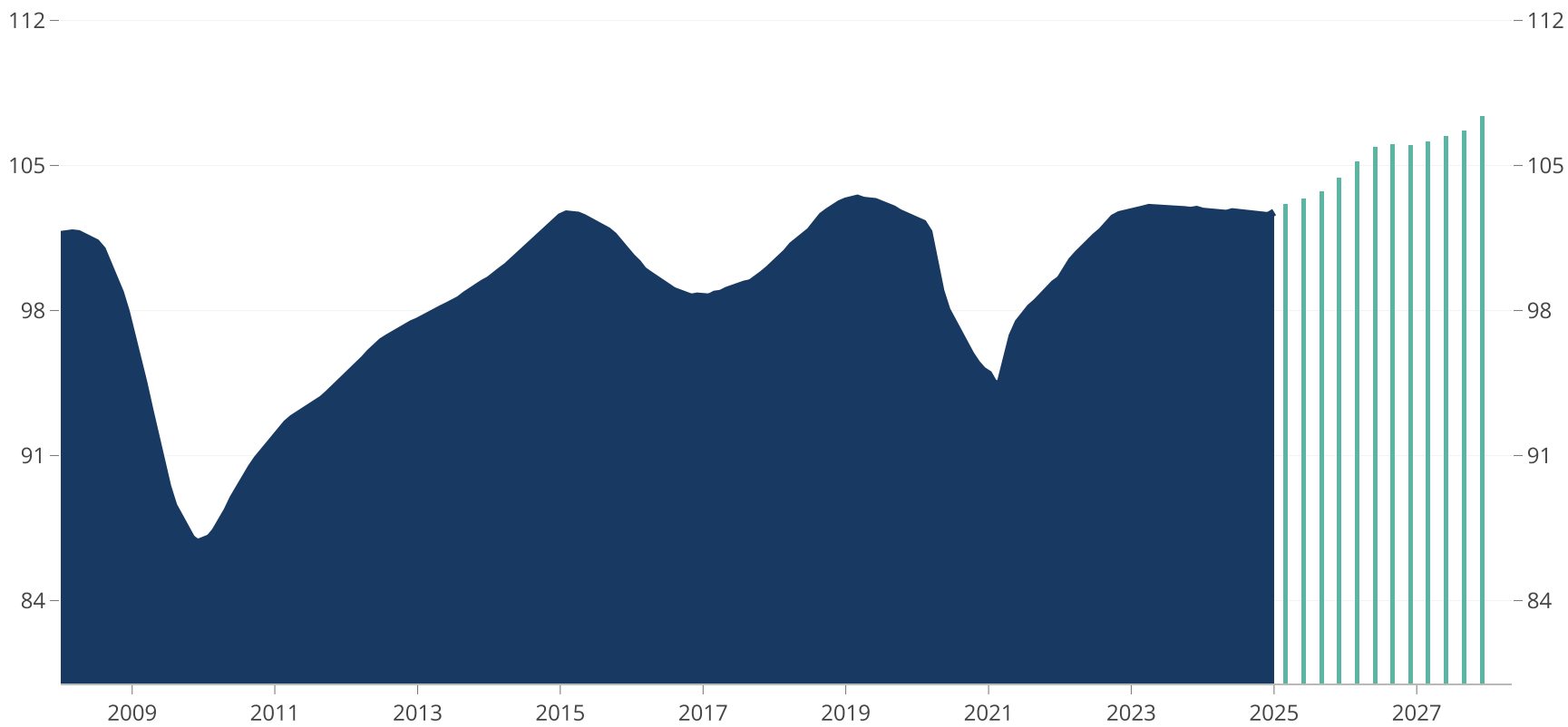
Businesses are also in a stable position with elevated corporate profits, and business confidence metrics are slowly rising. US Nondefense Capital Goods New Orders, a proxy for B2B spending, is tentatively rising and poised for further rise in the rest of 2025 and throughout at least 2026, though growth will be muted relative to recent cycles. Businesses are contending with still-elevated borrowing costs, which will limit some capex. However, we urge clients to avoid trying to time a low for borrowing costs and instead invest in new capacity whenever it would most benefit their business. Our long-range expectation is for interest rates and inflation to generally rise given the multitude of inflationary drivers present in this cycle.

Construction trends differ from the macroeconomy and much of the industrial sector. The residential sector, which leads the macroeconomy, is undergoing very mild decline due in part to persistent affordability constraints. While these constraints are likely to persist, mild rise is on the horizon for US Single-Unit Housing Starts given the underlying demand for more housing. Multi-Unit Housing is facing other challenges and is likely to stay well below the stimulus and low-interest-rate-fueled 2022 level of activity. This is due to current interest rate headwinds and greater financial strains for those on the lower or middle end of the income spectrum, who predominantly rent multi-unit housing. The nonresidential construction sector, which lags the macroeconomy, will generally decline mildly this year and next due in part to elevated interest rates. However, be prepared for shifts within the overall nonresidential sector, with some segments of institutional construction, like education, lagging overall nonresidential outperforming and others that have been outperforming, like manufacturing, facing the impact of government incentives wearing off.

Tariffs are at the forefront of the minds of businesses and consumers alike. At ITR Economics, we are apolitical and analyze policy solely due to its economic implications. Tariffs create winners and losers in the marketplace; some will face pain, while others will benefit from the shift in the competitive landscape. Where does your business fall within this spectrum? Consider your direct exposure to tariffs and the upstream and downstream effects on your business.

While each business’s situation is unique, there are some recommendations we think apply broadly. The first is to focus on efficiency: Pricing pressures will increase in the coming years for both inputs and labor, which could cut into profits. Second, if you plan to finance business investments, focus more on the payback period rather than trying to time a low in interest rates, as they are likely to remain sticky. Our third recommendation is that you factor a challenging 2030s cyclical downturn into your longer-term plans. There is still time to position your business and personal finances to prepare for those tougher times, but the runway is rapidly shortening. Stagnation is terminal – growth requires constant attention and change.

## US Industrial Production Index Annual Average (12MMA)



Terminology and Methodology

Data Trends: Moving Averages and Totals

Quarterly Average *(Three-Month Moving Average, or 3MMA)*

The average of the latest three months of data, updated every month. In the example, \$57.79 is the quarterly average for the three months ending in March 2021 (i.e., the average for January, February, and March 2021).

*Example: Monthly US Crude Oil Spot Prices averaged \$57.79 in the first quarter of 2021, a 26.3% increase from the first quarter of 2020.*

Quarterly Total *(Three-Month Moving Total, or 3MMT)*

The total of the latest three months of data, updated every month. In the example, \$257.8 billion is the quarterly total for the three months ending in February 2021 (i.e., the total for December 2020, January 2021, and February 2021).

*Example: Quarterly US Capital Goods New Orders totaled \$257.8 billion in February 2021.*

Annual Average *(12-Month Moving Average, or 12MMA)*

The average of the latest 12 months of data, updated every month. In the example, 119.0 million is the annual average for February 2021 (i.e., the average for the 12-month period from March 2020 through February 2021).

*Example: US Private Sector Employment averaged 119.0 million workers during the 12 months through February 2021, down 7.5% from one year earlier.*

Annual Total *(12-Month Moving Total, or 12MMT)*

The total of the latest 12 months of data, updated every month. In the example, \$5.849 trillion is the annual total for February 2021 (i.e., the total for the 12-month period from March 2020 through February 2021).

*Example: US Wholesale Trade totaled \$5.849 trillion during the 12 months through February 2021.*

Growth Rates

Monthly Growth Rate *(1/12 Rate-of-Change)*

The percentage change between a given month and the same month one year earlier. In the example, 79.3% is the monthly growth rate for March 2021.

*Example: Monthly US Copper Futures Prices were at \$4.00 per pound in March 2021, 79.3% above the March 2020 level of \$2.29.*

Quarterly Growth Rate *(3/12 Rate-of-Change)*

The percentage change between a three-month period and the same three-month period from one year earlier. In the example, 26.3% is the quarterly growth rate for March 2021.

*Example: US Crude Oil Spot Prices averaged \$57.79 in the first quarter of 2021, a 26.3% increase from the first quarter of 2020.*

Annual Growth Rate *(12/12 Rate-of-Change)*

The percentage change between a 12-month period and the same 12-month period from one year earlier. In the example, -7.5% is the annual growth rate for February 2021; that is, US Private Sector Employment during March 2020 through February 2021 came in 7.5% below Employment from March 2019 through February 2020.

*Example: US Private Sector Employment averaged 119.0 million workers during the 12 months through February 2021, down 7.5% from one year earlier.*

Business Cycle Phases



Recovery (A)

The annual growth rate (12/12) is rising, but the rate of growth is still negative. We denote this phase with blue (for improving).



Accelerating Growth (B)

The annual growth rate (12/12) is rising, and the rate of growth is positive. We denote this phase with green (for go).



Slowing Growth (C)

The annual growth rate (12/12) is positive, but the rate of growth is declining. We denote this phase with yellow (for caution).



Recession (D)

The annual growth rate (12/12) is declining, and the rate of growth is negative. We denote this phase with red (for warning).



# Industrial Supply Association Markets Dashboard

|             |  | Current       |       | Annual Growth Rate Forecast (12/12), Year-End* |        |        |
|-------------|--|---------------|-------|--|--------|--------|
| Page Number | Indicator  | Growth Rate** | Phase | 2025**   | 2026** | 2027** |
| 4           | US Industrial Production Index                         | 0.0%          | A     | 1.4%   | 1.5%   | 1.3%   |
| 5           | US Civilian Aircraft Equipment Production Index        | 2.9%          | B     | 5.7%   | 3.1%   | 3.2%   |
| 6           | US Automobile Production Index                         | -15.8%        | D     | -4.4%  | 4.8%   | -1.1%  |
| 7           | US Private Nonresidential Construction                 | 4.7%          | C     | -1.4%  | -0.2%  | 2.7%   |
| 8           | US Primary Metals Production Index                     | -2.2%         | D     | 2.0%   | 1.7%   | -1.0%  |
| 9           | US Real Gross Domestic Product (Quarterly Growth Rate) | 2.5%          | C     | 2.5%   | 2.1%   | 2.1%   |

\*Coloring denotes the business cycle phase at year-end. For example, if a value in the first column under “Annual Growth Rate Forecast (12/12), Year-End” is colored blue, the corresponding indicator is forecasted to be in Phase A, Recovery, at the year-end indicated by the column. Green denotes Phase B, yellow Phase C, and red Phase D.

\*\*Annual growth rate (12/12) except where otherwise noted.



Recovery (A)



Accelerating Growth (B)



Slowing Growth (C)

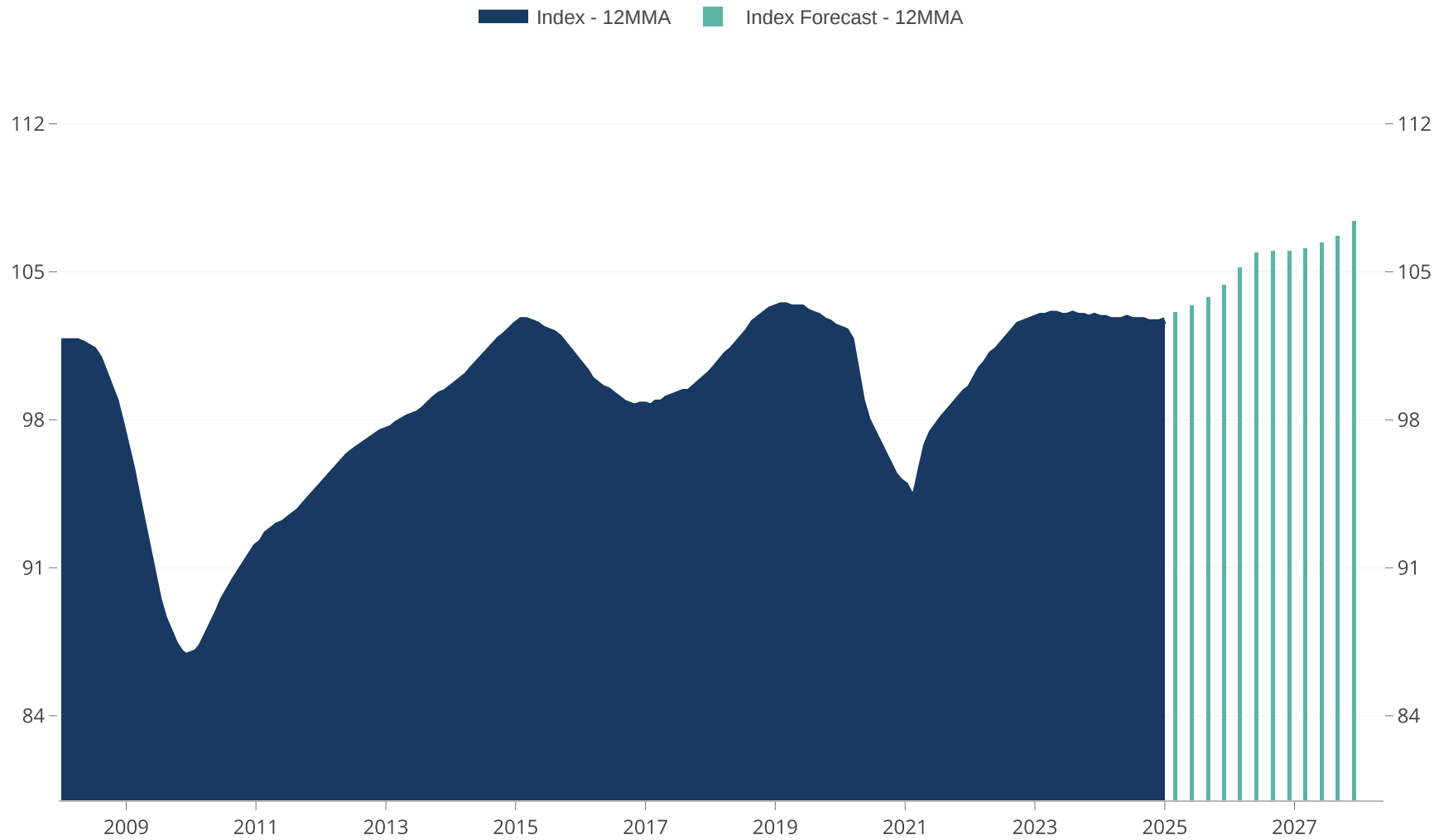


Recession (D)

US Industrial Production Index

Leading Indicators Paint a Positive Outlook; Interest Rates and Uncertain Trade Policy Are Headwinds

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase

Phase A Recovery

| Industry Outlook |                           |
|------------------|---------------------------|
| <i>Year</i>      | <i>Annual Growth Rate</i> |
| 2025             | 1.4%                      |
| 2026             | 1.5%                      |
| 2027             | 1.3%                      |

Current Indicator Amplitude

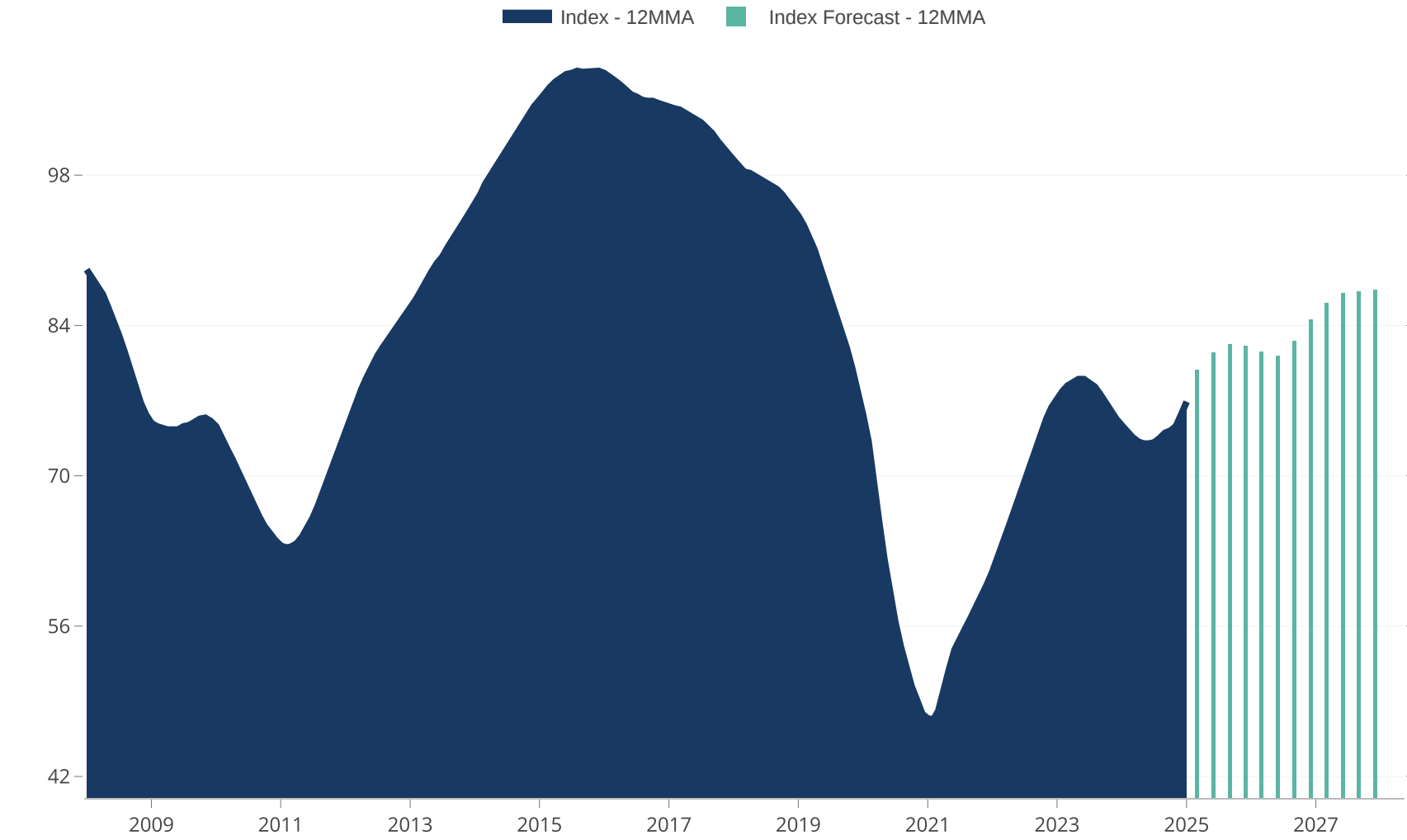
- January 2025 Annual Growth Rate (12/12): 0.0%
- January 2025 Annual Average (12MMA), 2017=100: 102.7

|                        | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range   | -0.2   | 0.0    | 0.3    | 0.8    | 1.4    | 1.8    | 1.6    | 0.9    | 0.3    | -0.1   | 0.0    | 0.7    |
| Annual Growth Rate (%) | 0.4    | 0.6    | 0.9    | 1.4    | 2.0    | 2.4    | 2.2    | 1.5    | 0.9    | 0.5    | 0.6    | 1.3    |
| Upper Forecast Range   | 1.0    | 1.2    | 1.5    | 2.0    | 2.6    | 3.0    | 2.8    | 2.1    | 1.5    | 1.1    | 1.2    | 1.9    |

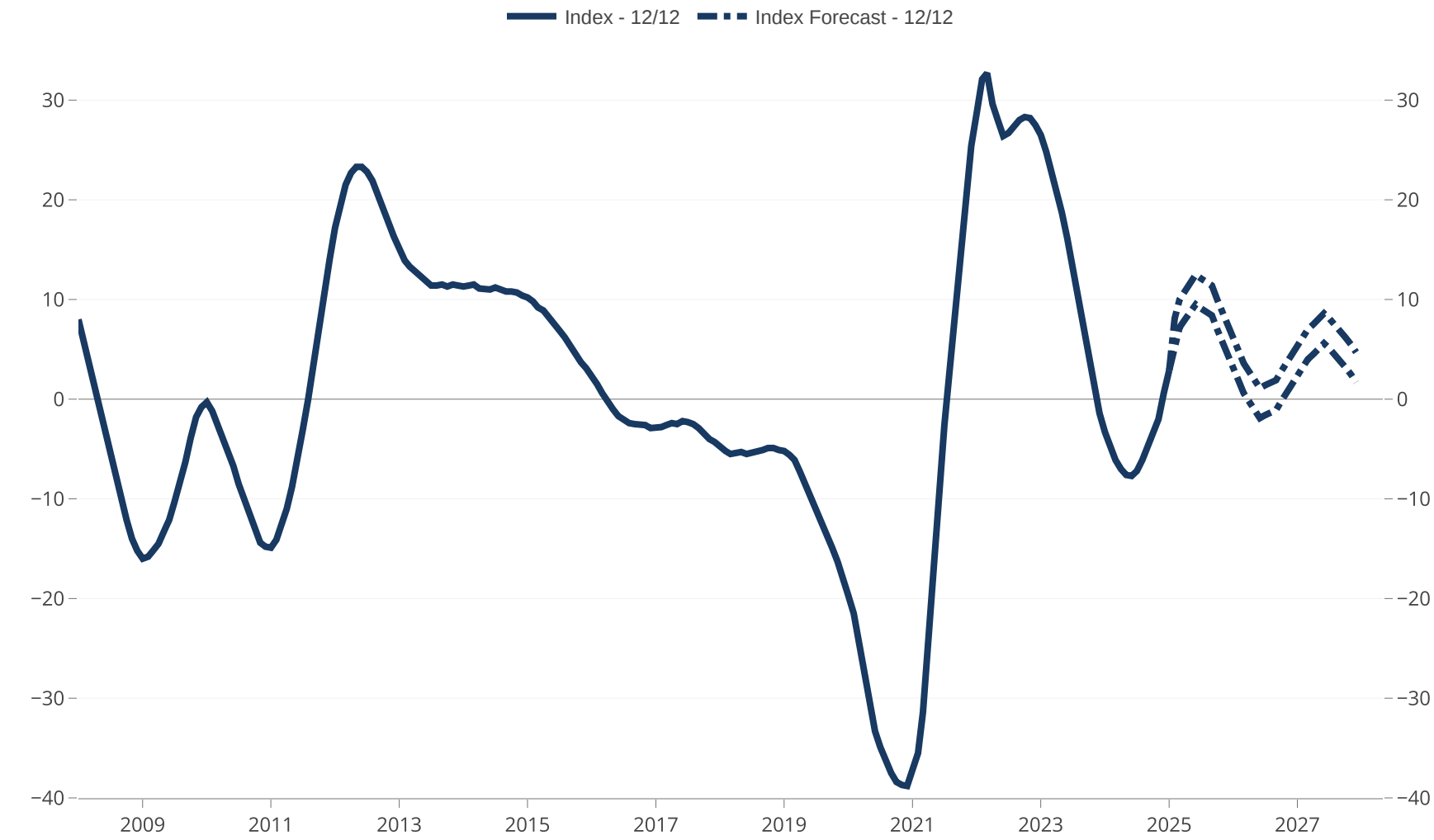
|                                 |       |       |       |       |       |       |       |       |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Lower Forecast Range            | 102.5 | 102.8 | 103.1 | 103.8 | 104.6 | 105.3 | 105.4 | 105.4 | 105.5 | 105.8 | 106.0 | 106.7 |
| Annual Average Index (2017=100) | 103.1 | 103.4 | 103.8 | 104.4 | 105.2 | 105.9 | 106.0 | 106.0 | 106.1 | 106.4 | 106.7 | 107.4 |
| Upper Forecast Range            | 103.7 | 104.0 | 104.4 | 105.0 | 105.8 | 106.5 | 106.7 | 106.6 | 106.8 | 107.1 | 107.3 | 108.0 |

Annual Production Rebounding From Strike; Demand Supports General Rise Ahead

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase



Phase B  
Accelerating  
Growth

| Industry Outlook |                           |
|------------------|---------------------------|
| <i>Year</i>      | <i>Annual Growth Rate</i> |
| 2025             | 5.7%                      |
| 2026             | 3.1%                      |
| 2027             | 3.2%                      |

Current Indicator Amplitude

- January 2025 Annual Growth Rate (12/12): 2.9%
- January 2025 Annual Average (12MMA), 2017=100: 76.9

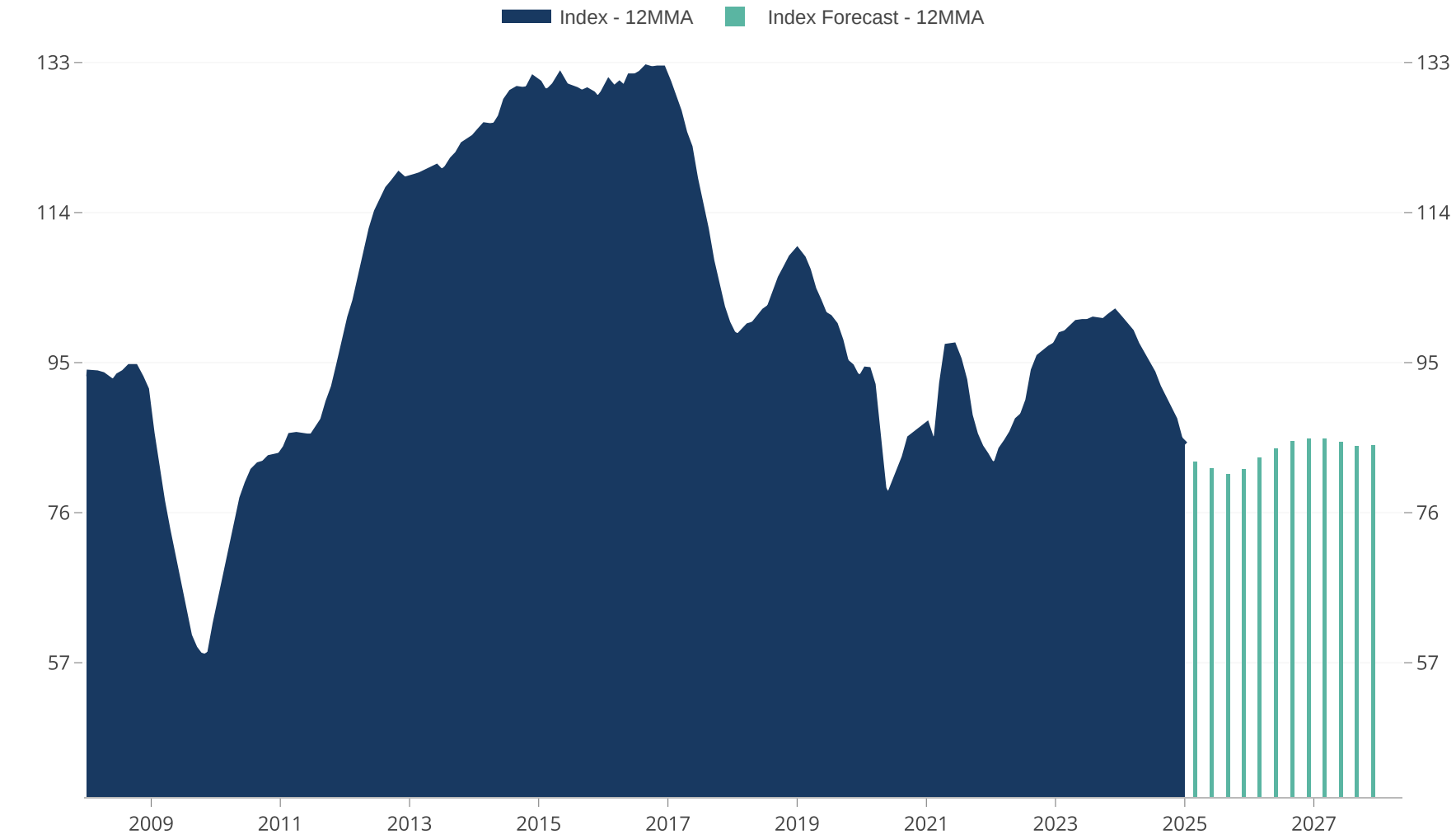
|                        | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range   | 7.2    | 9.5    | 8.4    | 4.2    | 0.6    | -1.9   | -1.1   | 1.6    | 4.0    | 5.6    | 4.0    | 1.7    |
| Annual Growth Rate (%) | 8.6    | 11.0   | 9.9    | 5.7    | 2.1    | -0.4   | 0.4    | 3.1    | 5.5    | 7.1    | 5.5    | 3.2    |
| Upper Forecast Range   | 10.0   | 12.5   | 11.4   | 7.2    | 3.6    | 1.1    | 1.9    | 4.6    | 7.0    | 8.6    | 7.0    | 4.7    |

|                                 |      |      |      |      |      |      |      |      |      |      |      |      |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Lower Forecast Range            | 78.9 | 80.4 | 81.2 | 80.9 | 80.4 | 80.0 | 81.4 | 83.4 | 84.8 | 85.8 | 86.0 | 86.1 |
| Annual Average Index (2017=100) | 79.9 | 81.5 | 82.3 | 82.1 | 81.6 | 81.2 | 82.6 | 84.6 | 86.1 | 87.0 | 87.2 | 87.3 |
| Upper Forecast Range            | 80.9 | 82.6 | 83.4 | 83.2 | 82.8 | 82.4 | 83.9 | 85.8 | 87.3 | 88.2 | 88.4 | 88.6 |

US Automobile Production Index

Forecast Revised; Production to Vacillate in a Narrow Range, Due in Part to Interest Rates

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase



Phase D  
Recession

Current Indicator  
Amplitude

- January 2025 Annual Growth Rate (12/12): -15.8%
- January 2025 Annual Average (12MMA), 2017=100: 84.6

Industry Outlook

*Year* *Annual Growth Rate*

|      |       |
|------|-------|
| 2025 | -4.4% |
| 2026 | 4.8%  |
| 2027 | -1.1% |

|                        | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range   | -18.2  | -15.6  | -12.0  | -5.9   | -0.8   | 1.6    | 3.6    | 3.3    | 1.4    | -0.5   | -2.3   | -2.6   |
| Annual Growth Rate (%) | -16.7  | -14.1  | -10.5  | -4.4   | 0.7    | 3.1    | 5.1    | 4.8    | 2.9    | 1.0    | -0.8   | -1.1   |
| Upper Forecast Range   | -15.2  | -12.6  | -9.0   | -2.9   | 2.2    | 4.6    | 6.6    | 6.3    | 4.4    | 2.5    | 0.7    | 0.4    |

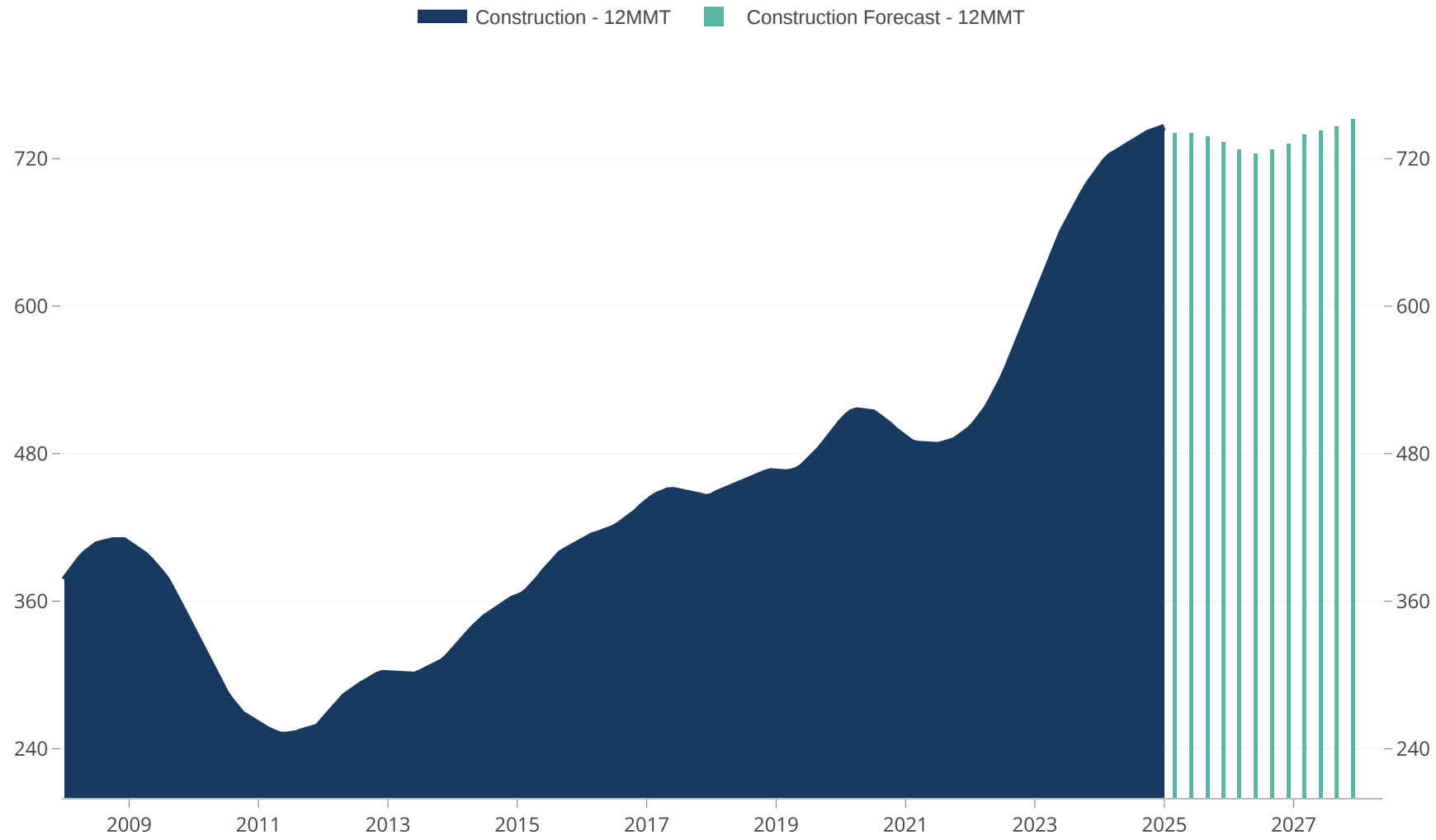
|                                 |      |      |      |      |      |      |      |      |      |      |      |      |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Lower Forecast Range            | 80.9 | 80.2 | 79.6 | 80.2 | 81.7 | 82.9 | 83.9 | 84.2 | 84.1 | 83.7 | 83.1 | 83.2 |
| Annual Average Index (2017=100) | 82.4 | 81.6 | 80.9 | 81.5 | 83.0 | 84.1 | 85.1 | 85.4 | 85.4 | 85.0 | 84.4 | 84.5 |
| Upper Forecast Range            | 83.9 | 83.0 | 82.3 | 82.8 | 84.2 | 85.4 | 86.3 | 86.6 | 86.6 | 86.2 | 85.7 | 85.8 |



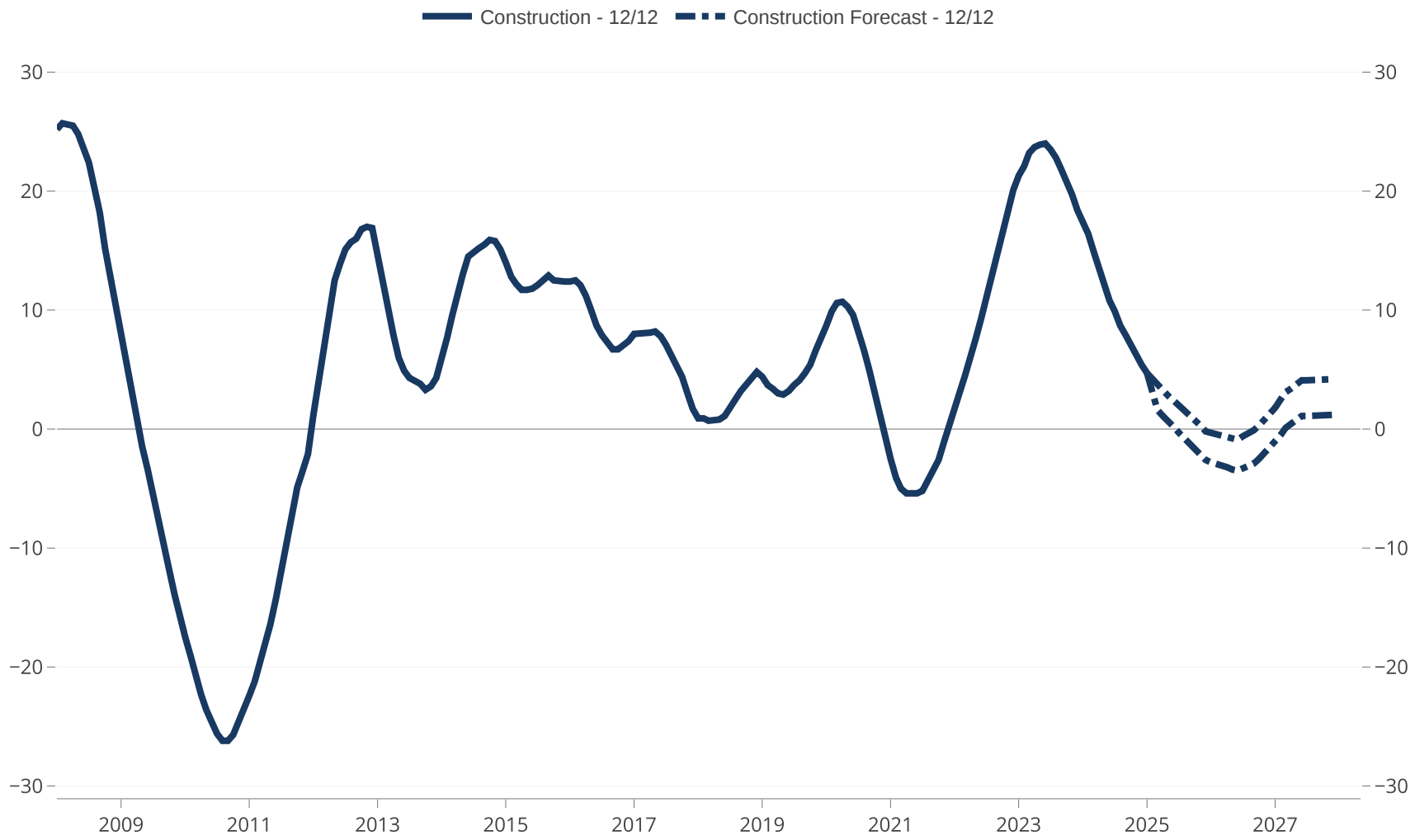
US Private Nonresidential Construction

Forecast Lifted; Pullback Still Likely in Reaction to Prior Economic Slowdown and High Rates

Annual Total (12MMT)



Annual Growth Rate (12/12)



Current Phase



Phase C  
Slowing Growth

Current Indicator  
Amplitude

- January 2025 Annual Growth Rate (12/12): 4.7%
- January 2025 Annual Total (12MMT), Billions of \$: 745.6

Industry Outlook

*Year* *Annual Growth Rate*

|      |       |
|------|-------|
| 2025 | -1.4% |
| 2026 | -0.2% |
| 2027 | 2.7%  |

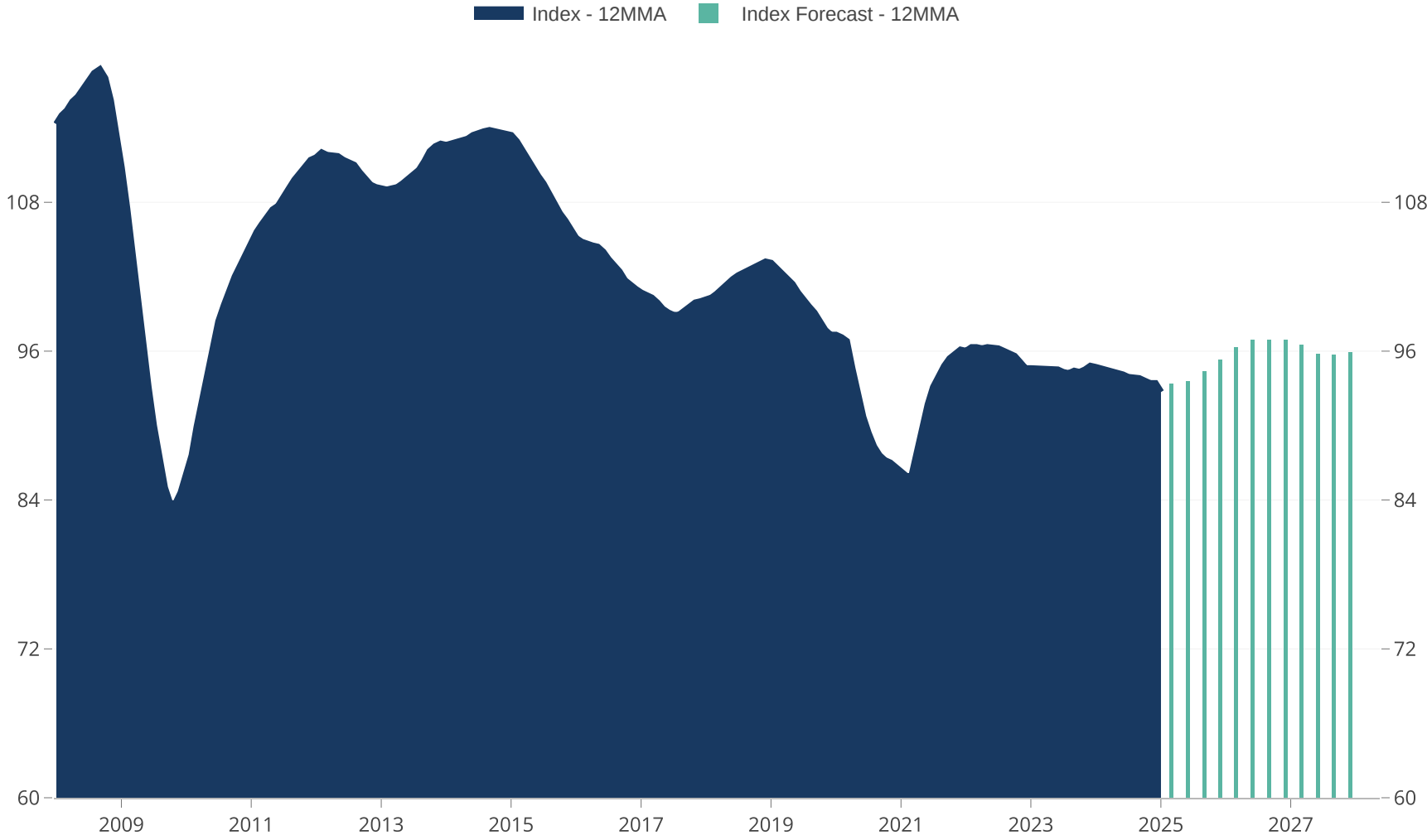
|                        | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range   | 1.6    | 0.2    | -1.2   | -2.6   | -3.1   | -3.5   | -2.9   | -1.6   | 0.1    | 1.1    | 1.1    | 1.2    |
| Annual Growth Rate (%) | 2.6    | 1.3    | 0.0    | -1.4   | -1.8   | -2.2   | -1.5   | -0.2   | 1.6    | 2.6    | 2.6    | 2.7    |
| Upper Forecast Range   | 3.6    | 2.4    | 1.2    | -0.2   | -0.5   | -0.9   | -0.1   | 1.2    | 3.1    | 4.1    | 4.1    | 4.2    |

|  |       |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Lower Forecast Range                       | 733.6 | 732.2 | 729.1 | 724.5 | 717.9 | 714.4 | 716.6 | 721.6 | 728.2 | 732.0 | 734.9 | 740.7 |
| Annual Total Construction (Billions of \$) | 740.8 | 740.3 | 738.0 | 733.4 | 727.5 | 724.0 | 726.9 | 731.9 | 739.1 | 742.8 | 745.8 | 751.7 |
| Upper Forecast Range                       | 748.1 | 748.3 | 746.9 | 742.3 | 737.1 | 733.6 | 737.3 | 742.2 | 750.1 | 753.7 | 756.7 | 762.7 |

US Primary Metals Production Index

Metals Demand Stemming From Industrial and Consumer Sectors Will Pick Up Later This Year

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase



Phase D  
Recession

Industry Outlook

*Year* *Annual Growth Rate*

|      |       |
|------|-------|
| 2025 | 2.0%  |
| 2026 | 1.7%  |
| 2027 | -1.0% |

Current Indicator  
Amplitude

- January 2025 Annual Growth Rate (12/12): -2.2%
- January 2025 Annual Average (12MMA), 2017=100: 92.7

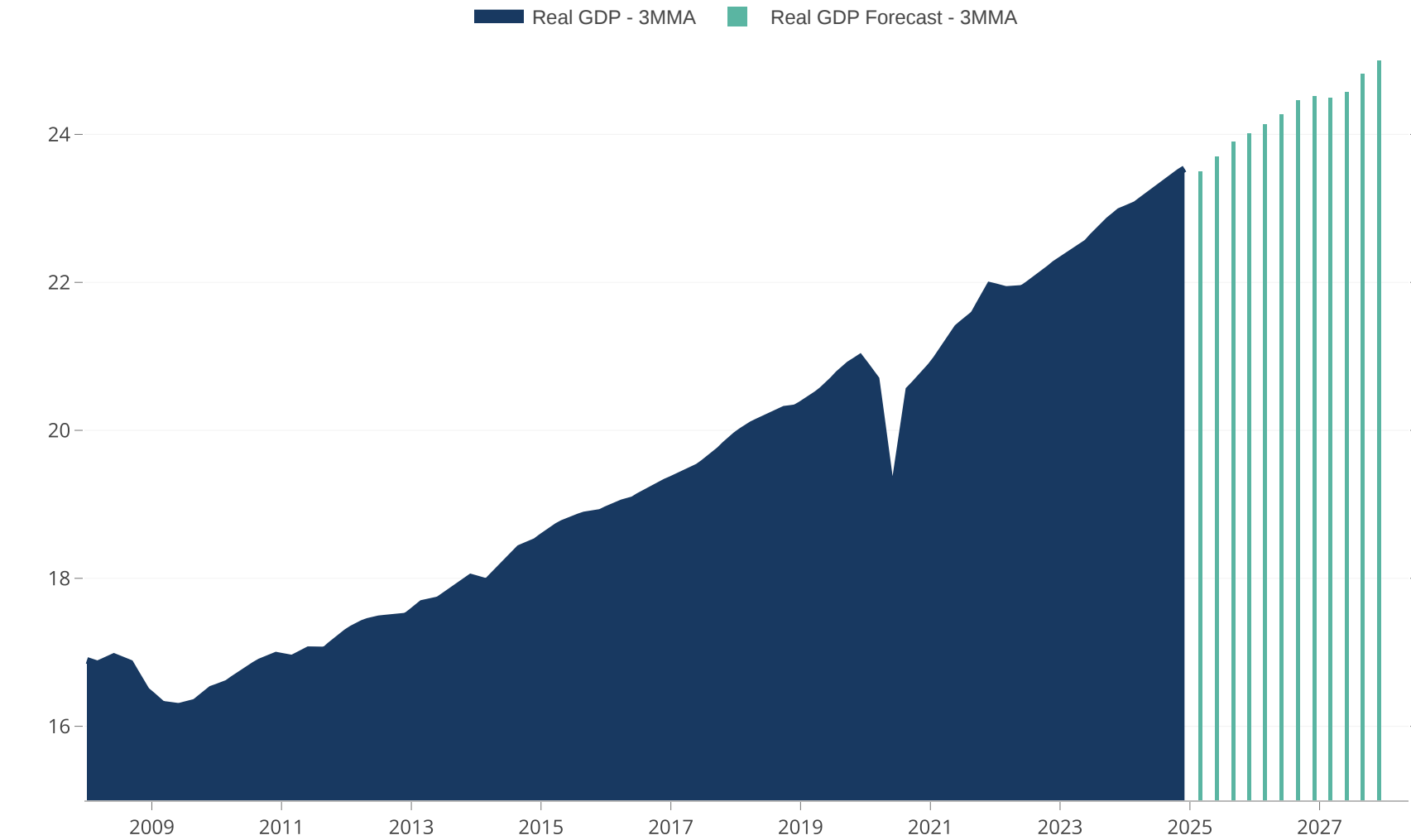
|                        | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range   | -2.2   | -1.7   | -0.7   | 0.5    | 1.7    | 2.0    | 1.2    | 0.2    | -1.3   | -2.6   | -2.7   | -2.5   |
| Annual Growth Rate (%) | -1.2   | -0.5   | 0.5    | 2.0    | 3.2    | 3.5    | 2.7    | 1.7    | 0.2    | -1.1   | -1.2   | -1.0   |
| Upper Forecast Range   | -0.2   | 0.7    | 1.7    | 3.5    | 4.7    | 5.0    | 4.2    | 3.2    | 1.7    | 0.4    | 0.3    | 0.5    |

|                                 |      |      |      |      |      |      |      |      |      |      |      |      |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Lower Forecast Range            | 92.4 | 92.5 | 93.2 | 93.9 | 94.9 | 95.5 | 95.5 | 95.5 | 95.1 | 94.4 | 94.3 | 94.5 |
| Annual Average Index (2017=100) | 93.4 | 93.6 | 94.4 | 95.3 | 96.3 | 96.9 | 96.9 | 96.9 | 96.5 | 95.8 | 95.7 | 95.9 |
| Upper Forecast Range            | 94.3 | 94.8 | 95.5 | 96.7 | 97.7 | 98.3 | 98.3 | 98.3 | 98.0 | 97.3 | 97.2 | 97.4 |

US Real Gross Domestic Product

Policy Changes Could Disrupt, but Business and Consumer Metrics Suggest Growth Still Probable

Quarterly Average (3MMA)



Quarterly Growth Rate (3/12)



Current Phase

Phase C  
Slowing Growth

| Industry Outlook |                              |
|------------------|------------------------------|
| <i>Year</i>      | <i>Quarterly Growth Rate</i> |
| 2025             | 2.5%                         |
| 2026             | 2.1%                         |
| 2027             | 2.1%                         |

Current Indicator Amplitude

- December 2024 Quarterly Growth Rate (3/12): 2.5%
- December 2024 Quarterly Average (3MMA), Trillions of Chained 2017 \$: 23.536

|                           | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 | Mar-27 | Jun-27 | Sep-27 | Dec-27 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range      | 1.6    | 1.7    | 2.1    | 2.2    | 2.4    | 2.1    | 2.1    | 1.8    | 1.2    | 0.9    | 1.2    | 1.8    |
| Quarterly Growth Rate (%) | 1.9    | 2.0    | 2.4    | 2.5    | 2.7    | 2.4    | 2.4    | 2.1    | 1.5    | 1.2    | 1.5    | 2.1    |
| Upper Forecast Range      | 2.2    | 2.3    | 2.6    | 2.8    | 3.0    | 2.7    | 2.7    | 2.4    | 1.8    | 1.5    | 1.7    | 2.4    |

|   |        |        |        |        |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Lower Forecast Range                                      | 23.422 | 23.623 | 23.831 | 23.934 | 24.055 | 24.197 | 24.389 | 24.437 | 24.417 | 24.495 | 24.753 | 24.955 |
| Quarterly Average Real GDP (Trillions of Chained 2017 \$) | 23.492 | 23.694 | 23.897 | 24.006 | 24.128 | 24.270 | 24.463 | 24.511 | 24.491 | 24.569 | 24.821 | 25.024 |
| Upper Forecast Range                                      | 23.563 | 23.766 | 23.962 | 24.078 | 24.200 | 24.343 | 24.536 | 24.584 | 24.564 | 24.643 | 24.889 | 25.093 |

US Leading Indicators

| Indicator  | Direction |      |      |
|--|-----------|------|------|
|  | 2Q25      | 3Q25 | 4Q25 |
| ITR LEADING INDICATOR™   | ●         | ●    | N/A  |
| ITR RETAIL SALES LEADING INDICATOR™  | ●         | ●    | ●    |
| US OECD LEADING INDICATOR  | ●         | ●    | N/A  |
| US ISM PMI (PURCHASING MANAGERS INDEX)   | ●         | ●    | ●    |
| US TOTAL CAPACITY UTILIZATION RATE   | ●         | ●    | N/A  |
| Green denotes that the indicator signals cyclical rise for the economy in the given quarter. Red denotes the opposite. |           |      |      |

What It Means for the US Economy

- 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.

Mild rise continues to be the expectation for 2025, though economic uncertainty is ramping up. Still, a solid consumer and generally tight labor market bode well for growth despite the ebbs and flows of threatened policies. Make sure you are prepared to capture this growth through efficiency measures and by securing labor sooner than later.

## Market Definitions

### US Industrial Production Index

Index of total industrial production in the United States; includes manufacturing, mining, and utilities. Source: Federal Reserve Board (FRB). Index, 2017 = 100, not seasonally adjusted (NSA).

### US Automobile Production Index

Automobile Production. This U.S. industry comprises establishments primarily engaged in (1) manufacturing complete automobiles (i.e., body and chassis or unibody) or (2) manufacturing automobile chassis only. Source: Federal Reserve Board (FRB). Index, 2017 = 100, not seasonally adjusted (NSA).

### US Primary Metals Production Index

Industries in the Primary Metal Manufacturing subsector smelt and/or refine ferrous and nonferrous metals from ore, pig or scrap, using electrometallurgical and other process metallurgical techniques. Establishments in this subsector also manufacture metal alloys and superalloys by introducing other chemical elements to pure metals. The output of smelting and refining, usually in ingot form, is used in rolling, drawing, and extruding operations to make sheet, strip, bar, rod, or wire, and in molten form to make castings and other basic metal products. Source: Federal Reserve Board (FRB). Index, 2017 = 100, not seasonally adjusted (NSA).

### US Civilian Aircraft Equipment Production Index

Index for US establishments primarily engaged in one or more of the following: (1) manufacturing aircraft engines and engine parts; (2) developing and making prototypes of aircraft engines and engine parts; (3) aircraft propulsion system conversion (i.e., major modifications to systems); (4) aircraft propulsion systems overhaul and rebuilding (i.e., periodic restoration of aircraft propulsion system to original design specifications). Source: Federal Reserve Board. NAICS Code: 336412,3. Index, 2017 = 100, not seasonally adjusted (NSA).

### US Private Nonresidential Construction

Private nonresidential construction in the United States. Includes private construction of the following types: office, commercial, automotive, lodging, dining, retail, warehouse, storage facilities, schools, dormitories, sports facilities, galleries, museums, hospitals, medical buildings, special care facilities, religious buildings, fitness centers, amusement parks, movie theaters, social centers, transportation facilities, power facilities, and manufacturing facilities. Source: US Census Bureau. Measured in billions of dollars, not seasonally adjusted (NSA).

### US Real Gross Domestic Product

Real (inflation-adjusted) gross domestic product (GDP) in the United States. GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. Put simply, GDP is a broad measurement of a nation's overall economic activity. Source: Bureau of Economic Analysis. Measured in trillions of 2017 chained dollars, seasonally adjusted at annual rate (SAAR).



Management Objectives™

| Phase A   | Phase B  | Phase C  | Phase D   |
|---|--|--|---|
| <div><div></div><div>Recovery</div></div> <div><ul style="list-style-type: none"><li>● Scrupulously evaluate the supply chain</li><li>● Model positive leadership (culture turns to behavior)</li><li>● Start to phase out marginal opportunities (products, processes, people); repair margins</li><li>● Perform due diligence on customers and extend credit</li><li>● Be on good terms with a banker; you will need the cash more now than in any other phase</li><li>● Invest in customer market research; know what they value and market/price accordingly</li><li>● Hire key people and implement company-wide training programs ahead of Phase B</li><li>● Allocate additional resources to sales and marketing</li><li>● Invest in system/process efficiencies</li><li>● Make opportunistic capital and business acquisitions; use pessimism to your advantage</li></ul></div> | <div><div></div><div>Accelerating Growth</div></div> <div><ul style="list-style-type: none"><li>● Ensure quality control keeps pace with increasing volume</li><li>● Invest in workforce development: hiring, training, retention</li><li>● Ensure you have the right price escalator; space out price increases</li><li>● Maximize your profit margins through differentiation; stand out from the crowd and set yourself apart</li><li>● Use improved cash flow to strategically position the business to beat the business cycle</li><li>● Expand credit to customers</li><li>● Improve corporate governance (rent a CFO; establish a board of advisors or board of directors)</li><li>● Communicate competitive advantages; build the brand</li><li>● Query users for what they want and what is important to them</li><li>● Sell the business in a climate of maximum goodwill</li></ul></div> | <div><div></div><div>Slowing Growth</div></div> <div><ul style="list-style-type: none"><li>● Know if your markets are headed for a soft landing or a hard landing</li><li>● Cash is king; beware of unwarranted optimism</li><li>● Stay on top of aging receivables</li><li>● Revisit capital expenditure plans</li><li>● Lose the losers: if established business segments are not profitable during this phase, eliminate them</li><li>● Use competitive pricing to manage your backlog through the coming slowdown</li><li>● Avoid committing yourself to long-term expenses at the top of the price cycle, but lock in revenue</li><li>● Go entrepreneurial and/or counter-cyclical</li><li>● Evaluate your vendors for financial strength; if needed, look for additional vendors as a safety net</li><li>● If the cycle looks recessionary, cross-train key people to prepare for workforce attrition/reduction</li></ul></div> | <div><div></div><div>Recession</div></div> <div><ul style="list-style-type: none"><li>● Implement aggressive cost-cutting measures</li><li>● Offer alternative products with a lower cost basis</li><li>● Perform due diligence on acquisitions while valuations are falling</li><li>● Reduce advertising as consumers become more price conscious</li><li>● Enter or renegotiate long-term leases</li><li>● Negotiate labor contracts</li><li>● Consider capital equipment needs for the next cycle</li><li>● Tighten credit policies</li><li>● Develop programs for advertising, training, and marketing to implement in Phase A</li><li>● Lead with optimism, remembering that Phase D is temporary</li></ul></div> |