

Industrial Supply Association

SEPTEMBER 2025

Table of Contents

Economic Overview1

Terminology and Methodology2

Industrial Supply Association Markets Dashboard3

US Industrial Production Index4

US Civilian Aircraft Equipment Production Index5

US Automobile Production Index6

US Private Nonresidential Construction7

US Primary Metals Production Index8

US Real Gross Domestic Product9

US Leading Indicators10

Market Definitions11

Management Objectives™12

Economic Overview

Where is the economy headed in the coming quarters? Many segments of the economy will experience mild to moderate growth in 2026, but do not expect a blockbuster year unless you have material exposure to an upside outlier, such as AI and data centers. Here are some trends to keep an eye on.

Consumer: Consumers are spending more than ever and are generally in a good spot, with record-high employment, rising inflation-adjusted incomes, and room to take on more debt. There is certainly some discomfort and price sensitivity. Those in lower-income brackets are seeing more and more of their expenditures squeezed by housing, food, and health care. Nonetheless, the majority of expenditures are made by consumers in middle- to upper-income brackets, a group that is well positioned to keep spending. We anticipate that US Total Retail Sales will generally rise in the coming quarters, though the pace will be muted relative to recent years.

Businesses: US Small Business Optimism is rebounding, and corporate balance sheets indicate a capacity to spend. Leading indicators point to modest gains in US Nondefense Capital Goods New Orders, our preferred benchmark for B2B spending, over the next two years. We anticipate increased investment in capital goods as firms adjust to elevated borrowing costs and policy uncertainty eases. Tariffs and a tight labor market underscore the need to invest in efficiency.

Inflation: Growing demand for goods and services will amplify inflationary pressures, the seeds of which were already planted with prior monetary and fiscal policy. Commodity prices are volatile and are more likely to swing with changing trade conditions and economic uncertainty; however, on net, both producers and consumers need to prepare for further rising prices. Companies need to be proactive in guarding against “profitless prosperity.” Rising prices will put pressure on margins, making it crucial to focus on efficiency, differentiation, and effective marketing.

Interest Rates: The Federal Reserve will likely cut the overnight rate in their mid-September meeting, but the economic fundamentals suggest limited justification for material rate cuts over the next year. The 10-Year Treasury Yields are typically a better proxy for actual borrowing costs in the economy and are typically “stickier” than the overnight rate. Long-term rates will vacillate around the current level in the near term and potentially dip slightly, but we anticipate general rise beginning in mid-2026. If you need to borrow or roll over debt in the next few years, plan for your interest expenses to go up. If you are counting on interest rates to suddenly drop and be a cure-all for economic pain points, you may be disappointed.

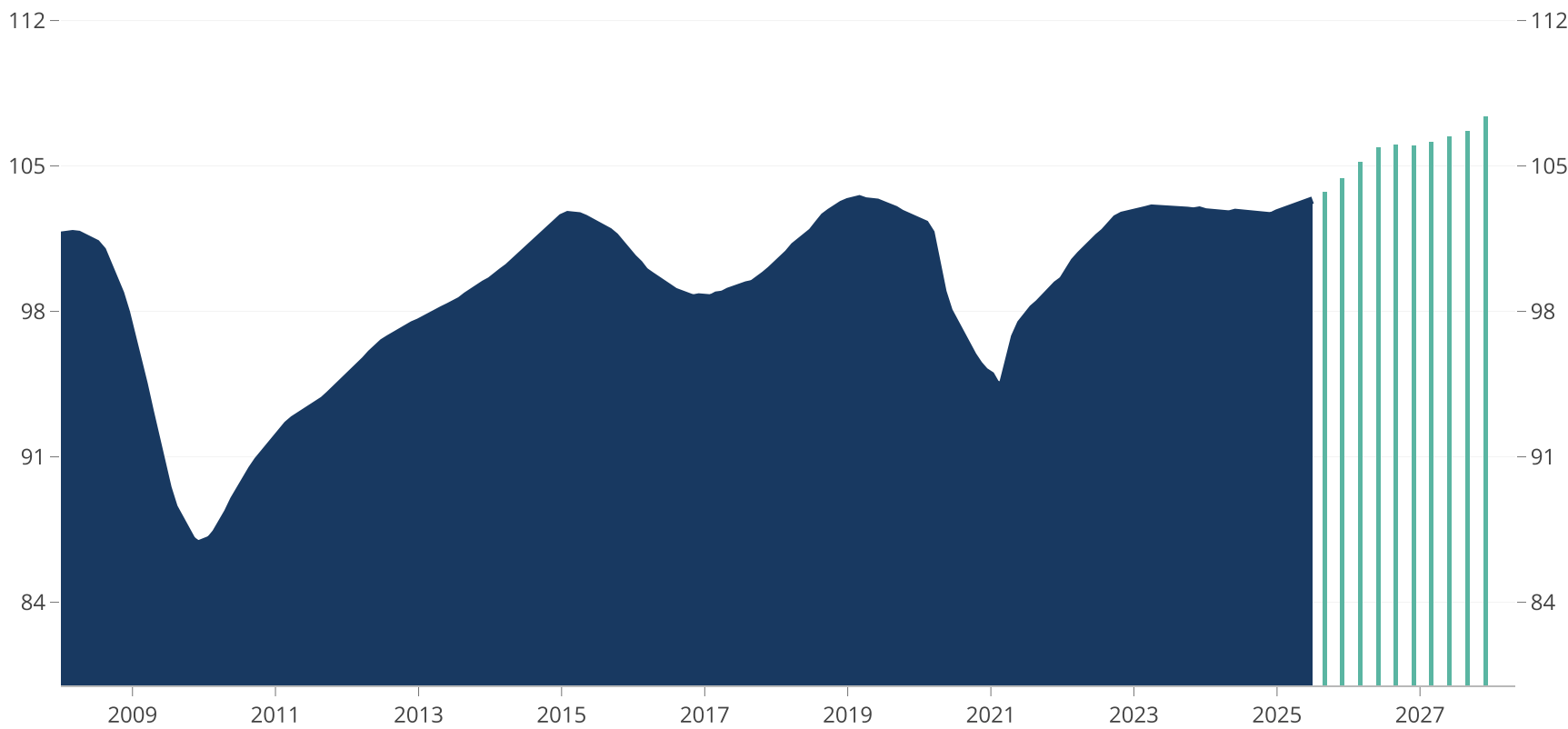
Industrial Sector: With businesses and consumers both in good positions to spend, there will be upward pressure on the US industrial sector. Investments in domestic capacity made in recent years will help enable higher levels of production. The industrial sector will generally rise, but leading indicators signal that this rise could be choppy.

Construction: Single-Unit Housing Starts, which lead the economy, are declining largely due to trends in the South, as affordability constraints persist. Businesses tied to regional housing should closely monitor local activity. We expect near-term recovery, but it is likely to be muted rather than robust. Multi-Unit Housing Starts are generally rising, with permits suggesting more growth ahead. Nonresidential construction is contracting, but areas of opportunity, including data centers and some public segments, remain.

Takeaways

The biggest bang for your buck this cycle will be to focus on improving your company efficiencies. We are anticipating a modest rise in demand. Top-line growth is likely to outpace bottom-line growth as the pricing environment puts margins under pressure. Efficiencies, including automations to help your business rely less on labor, and working to eliminate bottlenecks will help your business capture upcoming growth.

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	0.6%	B	1.4%	1.5%	1.3%
5	US Civilian Aircraft Equipment Production Index	8.9%	B	4.1%	2.4%	5.3%
6	US Automobile Production Index	-13.3%	A	-4.4%	4.8%	-1.1%
7	US Private Nonresidential Construction	-3.1%	D	-2.6%	0.1%	7.3%
8	US Primary Metals Production Index	0.3%	B	2.0%	1.7%	-1.0%
9	US Real Gross Domestic Product (Quarterly Growth Rate)	2.1%	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)

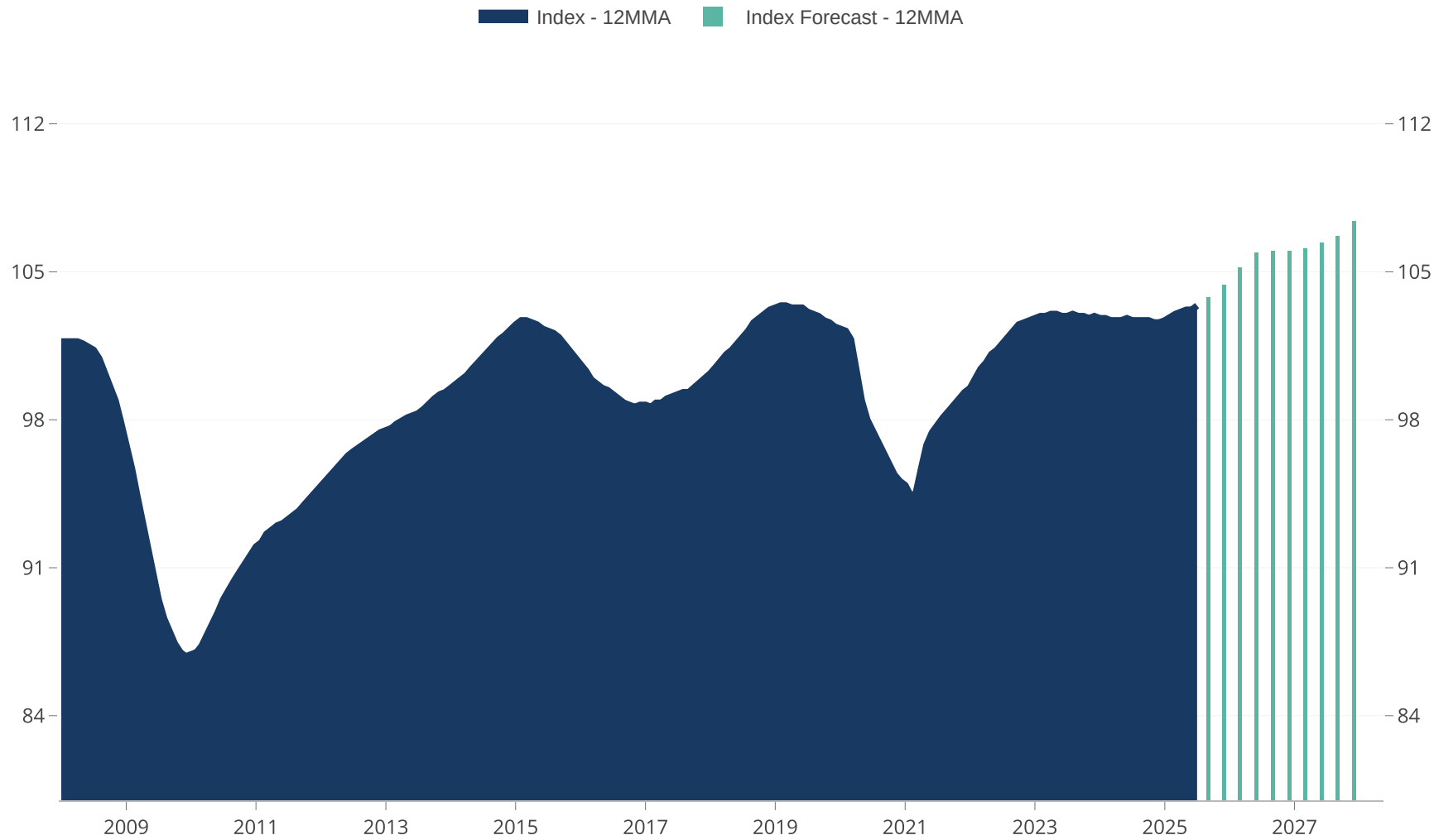


Recession (D)

US Industrial Production Index

Record Highs Likely, but the Maturity of US Industrial Sector Will Limit the Pace of Growth Ahead

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase



Phase B
Accelerating
Growth

Current Indicator
Amplitude

- July 2025 Annual Growth Rate (12/12): 0.6%
- July 2025 Annual Average (12MMA), 2017=100: 103.4

Industry Outlook

Year *Annual Growth Rate*

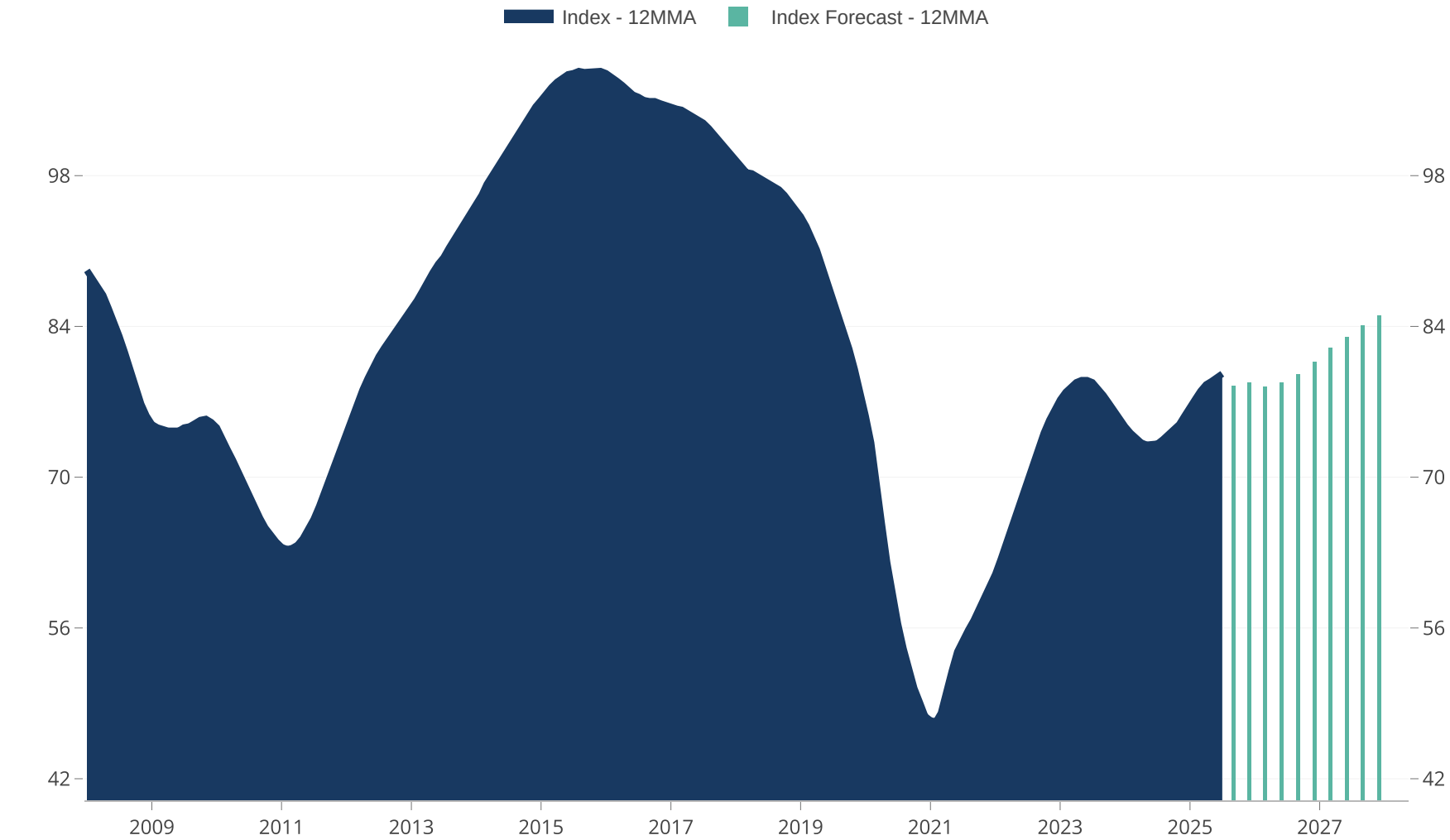
2025	1.4%
2026	1.5%
2027	1.3%

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

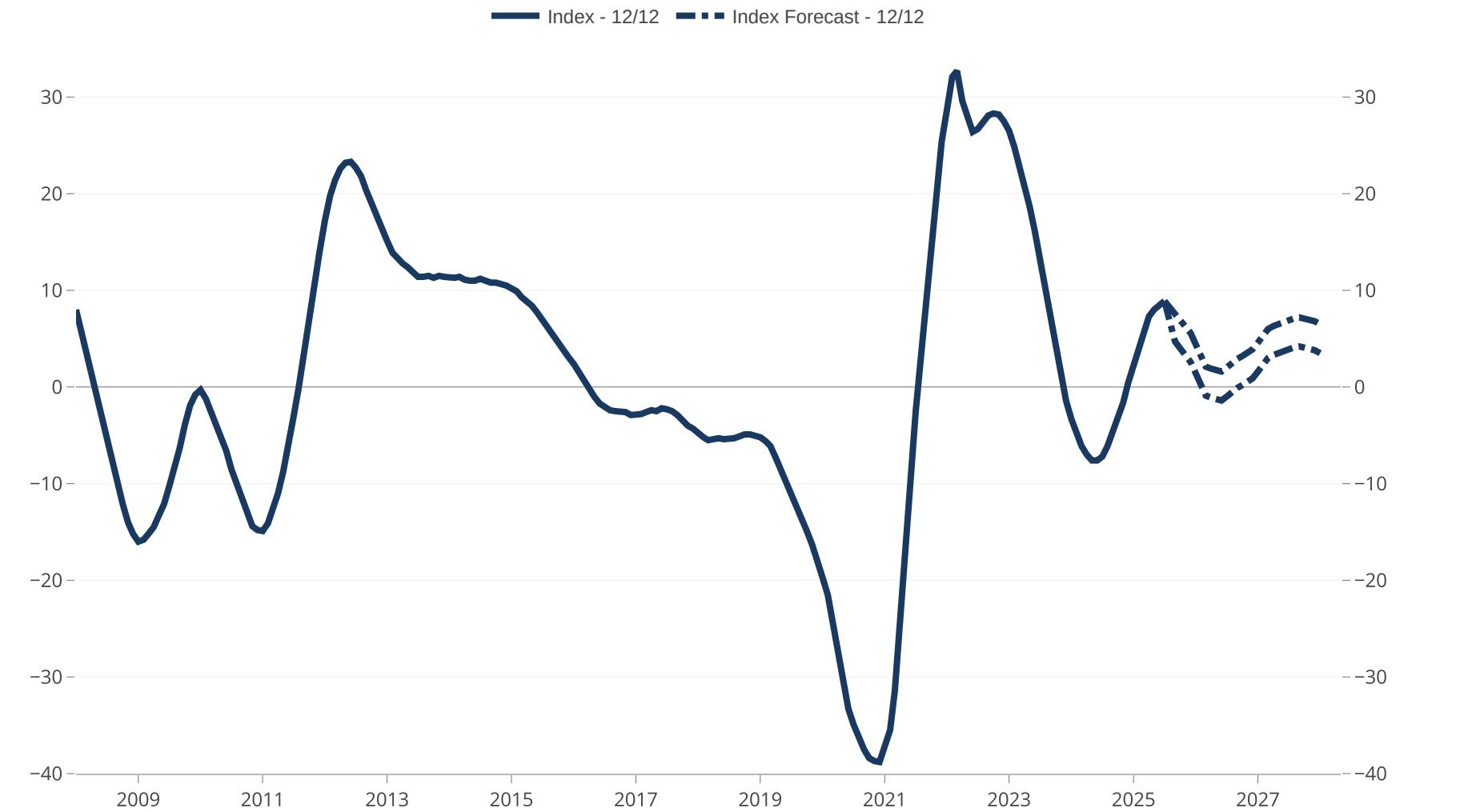
Lower Forecast Range	103.1	103.8	104.6	105.3	105.4	105.4	105.5	105.8	106.0	106.7
Annual Average Index (2017=100)	103.8	104.4	105.2	105.9	106.0	106.0	106.1	106.4	106.7	107.4
Upper Forecast Range	104.4	105.0	105.8	106.5	106.7	106.6	106.8	107.1	107.3	108.0

Forecast Lowered on Industry Supply-Side Issues; Production to Plateau Into Mid-2026, Rise in 2027

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	4.1%
2026	2.4%
2027	5.3%

Current Indicator Amplitude

- July 2025 Annual Growth Rate (12/12): 8.9%
- July 2025 Annual Average (12MMA), 2017=100: 79.6

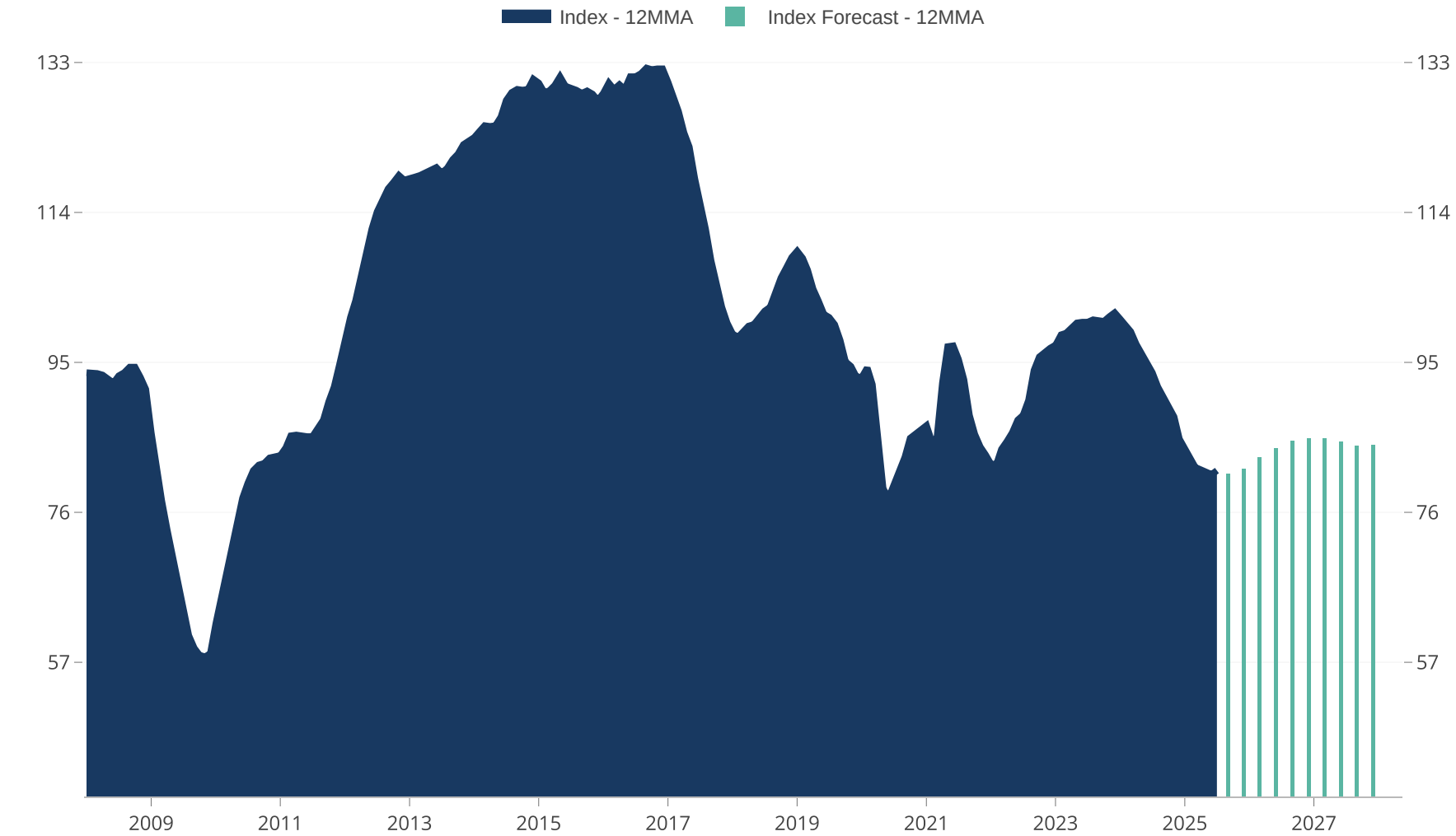
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Lower Forecast Range	4.7	2.6	-0.9	-1.4	-0.1	0.9	3.0	3.8	4.2	3.8
Annual Growth Rate (%)	6.1	4.1	0.6	0.1	1.4	2.4	4.5	5.3	5.7	5.3
Upper Forecast Range	7.5	5.6	2.1	1.6	2.9	3.9	6.0	6.8	7.2	6.8

Lower Forecast Range	77.5	77.7	77.3	77.6	78.4	79.5	80.8	81.8	83.0	83.8
Annual Average Index (2017=100)	78.5	78.8	78.4	78.8	79.6	80.7	82.0	83.0	84.1	85.0
Upper Forecast Range	79.5	79.9	79.6	80.0	80.8	81.9	83.1	84.2	85.3	86.2

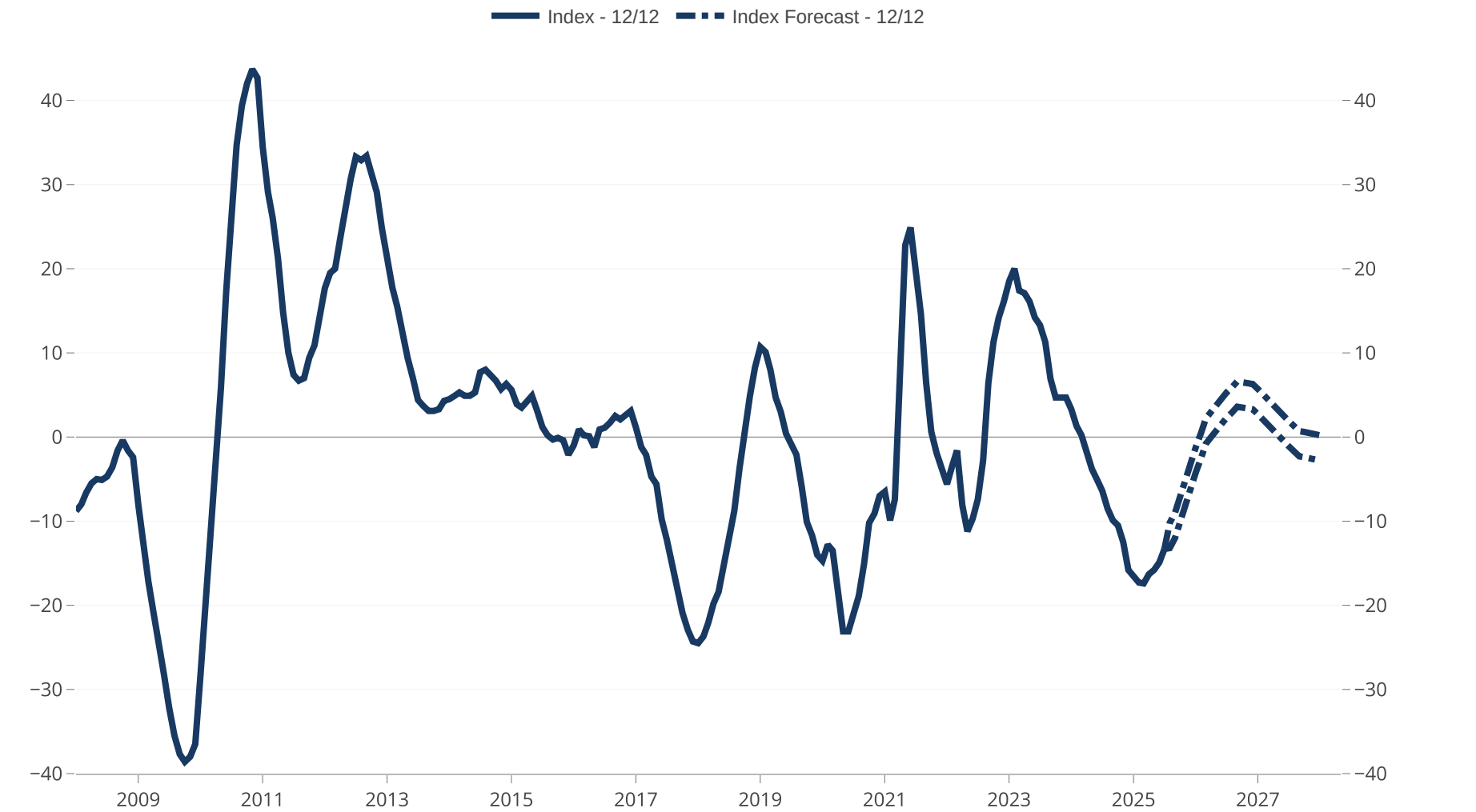
US Automobile Production Index

Auto Sales in Units Are Holding Up Well; a Rate Cut Could Improve Affordability and Boost Recovery

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase

Phase A Recovery

Industry Outlook	
Year	Annual Growth Rate
2025	-4.4%
2026	4.8%
2027	-1.1%

Current Indicator Amplitude

- July 2025 Annual Growth Rate (12/12): -13.3%
- July 2025 Annual Average (12MMA), 2017=100: 81.3

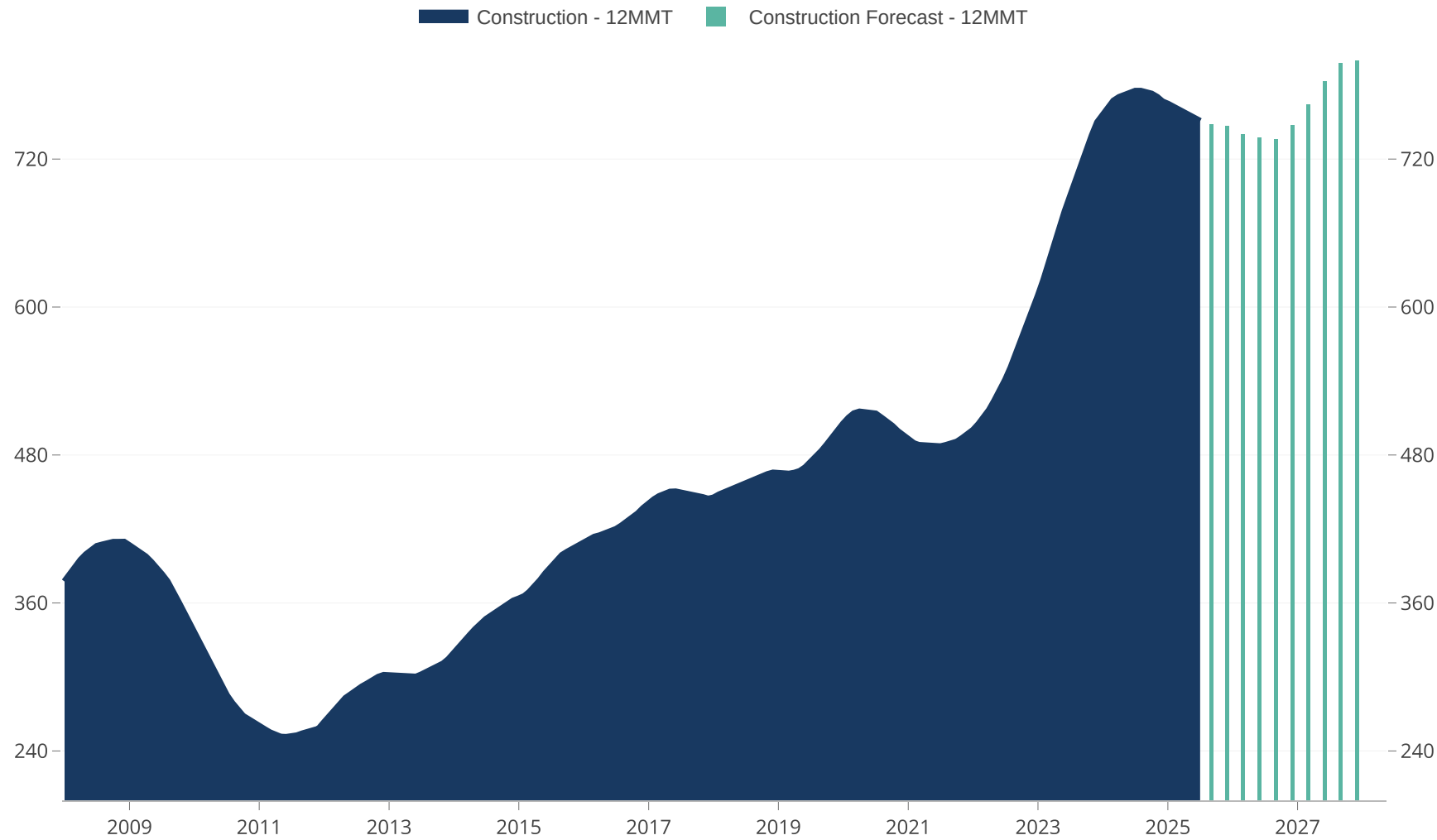
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Lower Forecast Range	-12.0	-5.9	-0.8	1.6	3.6	3.3	1.4	-0.5	-2.3	-2.6
Annual Growth Rate (%)	-10.5	-4.4	0.7	3.1	5.1	4.8	2.9	1.0	-0.8	-1.1
Upper Forecast Range	-9.0	-2.9	2.2	4.6	6.6	6.3	4.4	2.5	0.7	0.4

Lower Forecast Range	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)	80.9	81.5	83.0	84.1	85.1	85.4	85.4	85.0	84.4	84.5
Upper Forecast Range	82.3	82.8	84.2	85.4	86.3	86.6	86.6	86.2	85.7	85.8

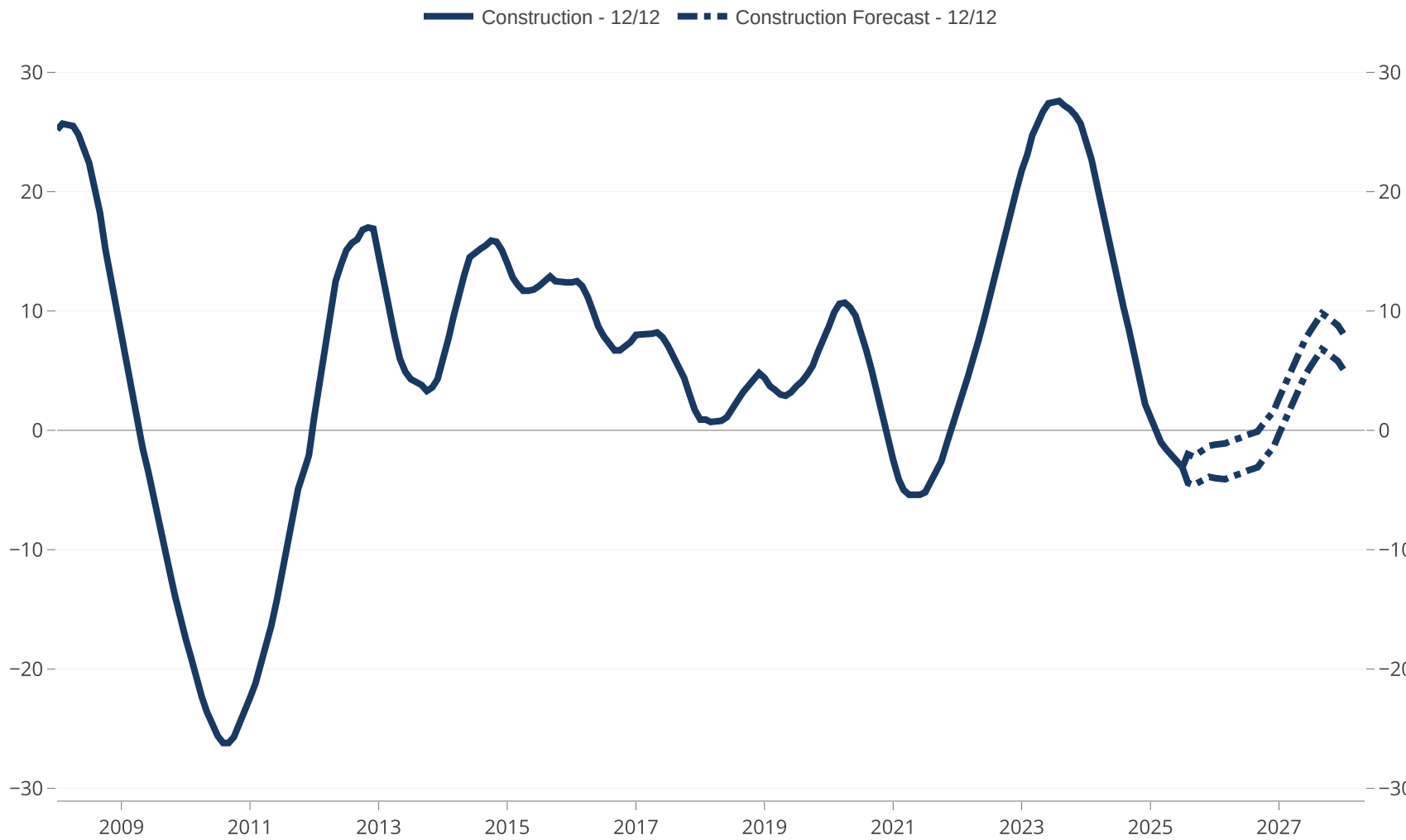
US Private Nonresidential Construction

Historical Data and Forecast Revised; Decline Will Last Into Late 2026, Rise Will Follow in 2027

Annual Total (12MMT)



Annual Growth Rate (12/12)



Current Phase



Phase D
Recession

Current Indicator
Amplitude

- July 2025 Annual Growth Rate (12/12): -3.1%
- July 2025 Annual Total (12MMT), Billions of \$: 750.7

Industry Outlook

Year *Annual Growth Rate*

2025	-2.6%
2026	0.1%
2027	7.3%

	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Lower Forecast Range	-4.6	-3.9	-4.1	-3.6	-3.1	-1.4	1.8	4.7	6.8	5.8
Annual Growth Rate (%)	-3.4	-2.6	-2.6	-2.1	-1.6	0.1	3.3	6.2	8.3	7.3
Upper Forecast Range	-2.2	-1.3	-1.1	-0.6	-0.1	1.6	4.8	7.7	9.8	8.8

Lower Forecast Range	738.9	736.6	728.5	725.7	725.0	736.1	753.3	771.6	786.3	790.7
Annual Total Construction (Billions of \$)	748.2	746.6	739.9	737.0	736.2	747.3	764.4	782.6	797.4	801.9
Upper Forecast Range	757.5	756.5	751.3	748.2	747.5	758.5	775.5	793.7	808.4	813.1

US Primary Metals Production Index

Rising Capex Supports Growth Outlook; Off-Road and Transportation Equipment Are Lingering Downsides

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase



Phase B
Accelerating
Growth

Current Indicator
Amplitude

- July 2025 Annual Growth Rate (12/12): 0.3%
- July 2025 Annual Average (12MMA), 2017=100: 94.2

Industry Outlook

Year *Annual Growth Rate*

2025	2.0%
2026	1.7%
2027	-1.0%

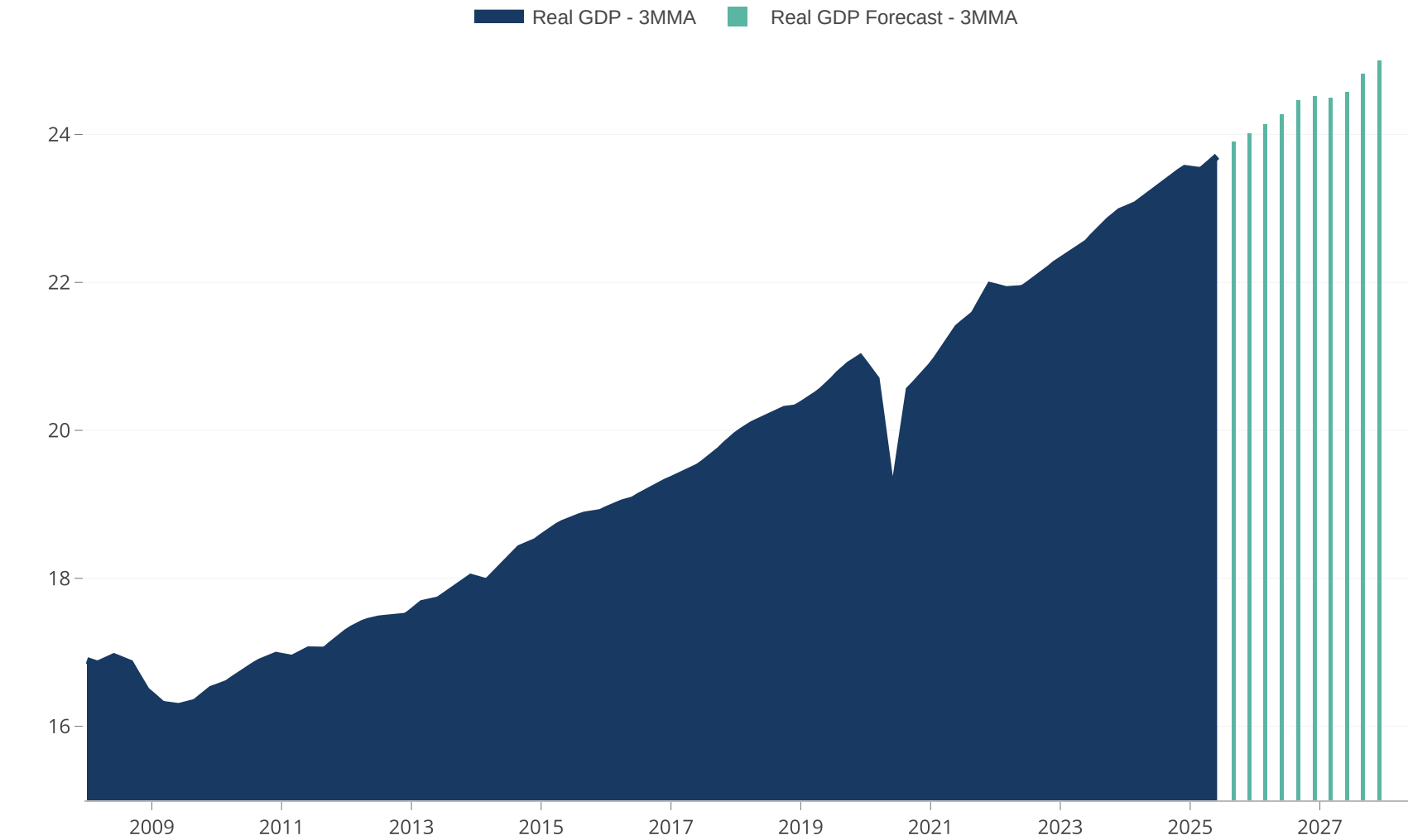
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Lower Forecast Range	-0.7	0.5	1.7	2.0	1.2	0.2	-1.3	-2.6	-2.7	-2.5
Annual Growth Rate (%)	0.5	2.0	3.2	3.5	2.7	1.7	0.2	-1.1	-1.2	-1.0
Upper Forecast Range	1.7	3.5	4.7	5.0	4.2	3.2	1.7	0.4	0.3	0.5

Lower Forecast Range	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)	94.4	95.3	96.3	96.9	96.9	96.9	96.5	95.8	95.7	95.9
Upper Forecast Range	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

US Economy Expanded In Q2 Despite Policy Uncertainty; Further Modest Growth Is Expected

Quarterly Average (3MMA)



Quarterly Growth Rate (3/12)



Current Phase

Phase C
Slowing Growth

Industry Outlook	
Year	Quarterly Growth Rate
2025	2.5%
2026	2.1%
2027	2.1%

Current Indicator Amplitude

- June 2025 Quarterly Growth Rate (3/12): 2.1%
- June 2025 Quarterly Average (3MMA), Trillions of Chained 2017 \$: 23.704

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

Lower Forecast Range	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 \$)	23.897	24.006	24.128	24.270	24.463	24.511	24.491	24.569	24.821	25.024
Upper Forecast Range	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		
	3Q25	4Q25	1Q26
ITR LEADING INDICATOR™	●	●	●
ITR RETAIL SALES LEADING INDICATOR™	●	●	●
US OECD LEADING INDICATOR	●	●	●
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

- Divergence in leading indicator signals is in part a reflection of heightened uncertainty rather than a mark of fundamental weakness in the macroeconomy. We have seen some indicators, such as the US OECD Leading Indicator, bounce back after taking dips earlier in the year when the trade war initially ramped up; others, such as the PMI, have yet to do so.
- Choppy upward momentum in the US Total Industry Capacity Utilization Rate bodes well for the mild industrial sector growth we are forecasting through at least the end of this year.
- Vacillation in the ITR Retail Sales Leading Indicator™ supports our outlook for muted growth in US Total Retail Sales into at least the beginning of next year, with most of the ascent attributable to rising prices, not volumes. While consumers are enjoying rising real incomes, cumulative inflation and economic uncertainty may pinch discretionary spending.

Leading indicators suggest that rise ahead will be bumpy, and we expect divergence by markets. Set your sights on goals that fit the long-term outlook. Seek investments that provide ROI by the end of this decade so that you enter the 2030s on solid financial footing.

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