Industrial Supply Association

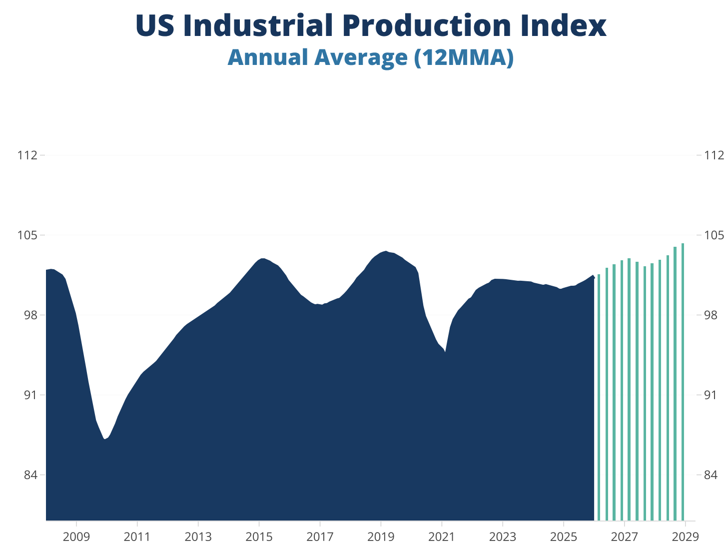
MARCH 2026

ITR ECONOMICS
Part of Crowe

603.796.2500 itreconomics.com

Table of Contents

Economic Overview



From an economic perspective, the outbreak of war in the Middle East adds complication, delays, and costs to global supply chains, but the conflict is not expected to shift the business cycle based on its current trajectory. War-related spending would be counted as a positive for GDP, but that economic growth can feel hollow, as it does not directly improve consumers' economic wellbeing. Higher energy costs will be hitting consumers at a time with real income growth is already sluggish, but the impact is somewhat mitigated by efficiency gains in recent decades. Businesses should take a proactive approach to managing their supply chain risks in that region by ordering sooner rather than later and finding backup sources. Expect higher oil prices to flow over to downstream chemicals markets such as plastics and fertilizers in the near term. Our analysis suggests that similar black-swan type events typically lead to higher prices in the one to two quarters following the onset; however, prices then move back toward economic fundamentals. Even so, the length of the conflict and extent of infrastructure damage will matter. Do not get too caught up in the news. Remember that business cycles in the economy are larger than politics. The momentum for much of the economy is to the upside right now, with the notable exception of some construction markets.

The US economy continues to expand even in the face of headwinds. Consumers remain on relatively solid ground and still have the capacity to borrow to finance spending. Business-to-business spending is recovering, with inflation-adjusted US Nondefense Capital Goods New Orders (excluding aircraft) moving above year-ago levels to close out 2025. We are anticipating a growth rate peak for much of the macroeconomy late this year, including retail sales, industrial production, and capex spending. However, growth will not be even among industries. Legacy manufacturing markets are likely to lag behind the growth of total US Industrial Production. For example, we recently lowered our expectations for North America Light Vehicle Production due to tariff headwinds, weak income growth, and affordability issues. Meanwhile, markets like high tech, defense, and electrical equipment are likely to outperform the broader total, as efforts to modernize domestic manufacturing, invest in electrification, and reduce reliance on imports will drive growth.

Looking beyond this year, many segments of the economy will be heading into slowing growth to start 2027. As you begin to look operationally at the year ahead, ensure your planning accounts for this knowledge and that you are not overbuilding inventory late this year. The housing market is already signaling a stall, and housing typically leads the industrial sector by roughly one year. While some of the drivers of ongoing US Single-Unit Housing Starts are insular to the new construction industry, sticky interest rates and slowing growth in real incomes will weigh on the industrial sector. The expected stall will be brief though, with rise expected in 2028.

Profitless prosperity remains a risk for many businesses in the coming years. Input costs are generally accelerating, meaning that margin squeeze is likely for businesses with price-sensitive buyers. Higher costs will come from multiple vectors. Electricity, labor, materials, and transportation costs are likely to rise. Investing in efficiency will be vital to counter this pressure and maximize opportunities in the modest growth environment over the second half of this decade.

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**	**2026****	**2027****	**2028****
5	US Industrial Production Index	1.2%	**B**	**1.5%**	**-0.3%**	**1.7%**
6	US Civilian Aircraft Equipment Production Index	8.6%	**B**	**13.5%**	**-2.5%**	**3.9%**
7	US Automobile Production Index	-6.1%	**A**	**-1.3%**	**-0.5%**	**4.2%**
8	US Private Nonresidential Construction	-3.1%	**A**	**0.8%**	**1.6%**	**-3.9%**
9	US Primary Metals Production Index	1.9%	**B**	**-0.2%**	**-1.2%**	**3.6%**
10	US Real Gross Domestic Product *(Quarterly Growth Rate)*	2.2%	**B**	**2.1%**	**2.1%**	**2.5%**

**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.*

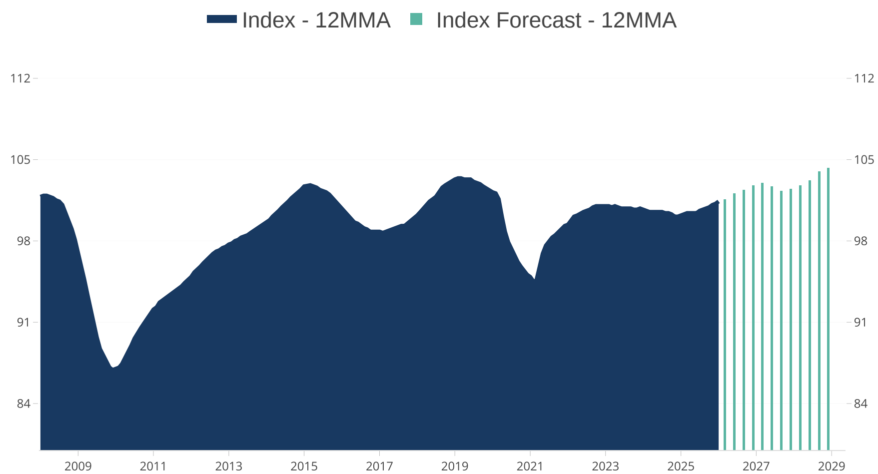
***Annual growth rate (12/12) except where noted otherwise.*

Recovery (A) **Accelerating Growth (B)** **Slowing Growth (C)** **Recession (D)**

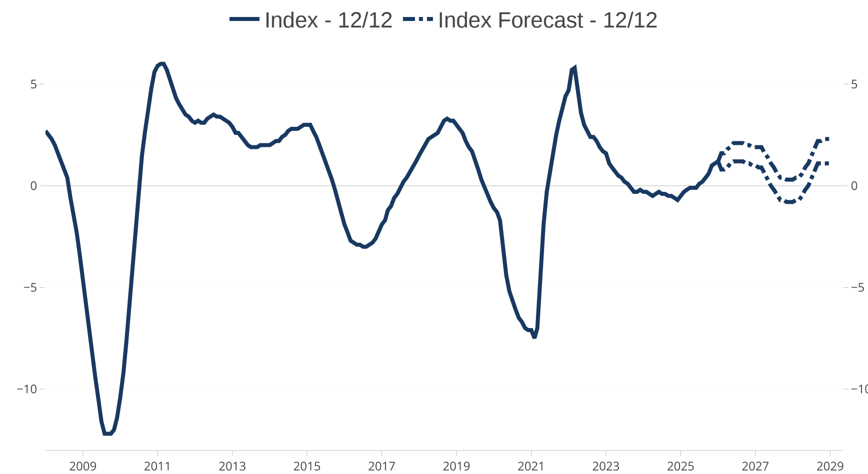
US Industrial Production Index

General Rise Ahead Will Be Interrupted by a Stumble in 2027; Legacy Markets to Underperform

Annual Average (12MMA)



Annual Growth Rate (12/12)



Current Phase

Phase B Accelerating Growth

Industry Outlook

Year	*Annual Growth Rate*
2026	1.5%
2027	-0.3%
2028	1.7%

Current Indicator Amplitude

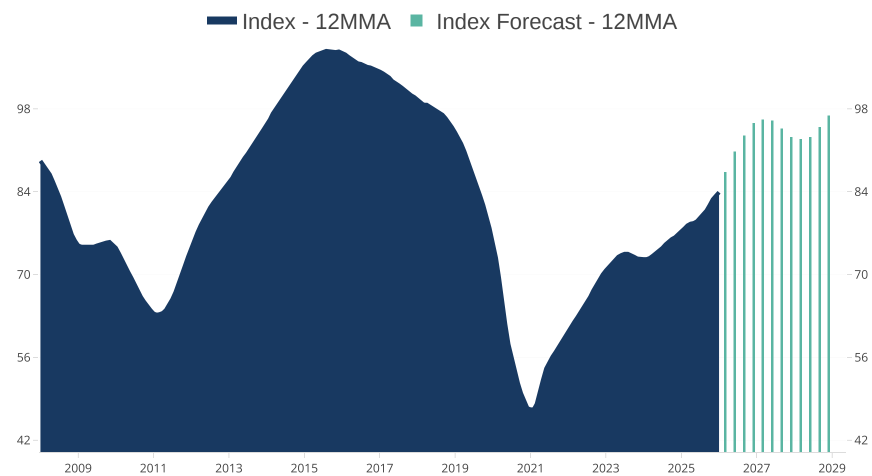
- January 2026 Annual Growth Rate (12/12): 1.2%
- January 2026 Annual Average (12MMA), 2017=100: 101.4

	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Lower Forecast Range	0.8	1.2	1.2	1.0	0.9	0.0	-0.7	-0.8	-0.7	0.0	1.1	1.1
Annual Growth Rate (%)	**1.2**	**1.7**	**1.7**	**1.5**	**1.4**	**0.6**	**-0.2**	**-0.3**	**-0.2**	**0.6**	**1.7**	**1.7**
Upper Forecast Range	1.6	2.1	2.1	1.9	1.9	1.1	0.4	0.3	0.4	1.1	2.2	2.3
Lower Forecast Range	101.2	101.7	102.0	102.3	102.5	102.1	101.7	102.0	102.3	102.7	103.4	103.6
Annual Average Index (2017=100)	**101.6**	**102.1**	**102.4**	**102.8**	**103.0**	**102.7**	**102.3**	**102.5**	**102.8**	**103.2**	**104.0**	**104.3**
Upper Forecast Range	102.0	102.6	102.9	103.2	103.5	103.2	102.8	103.1	103.4	103.8	104.5	104.9

US Civilian Aircraft Equipment Production Index

Solid Order Book to Support Ramp up In Production; Expect Double-Digit Rise This Year

Annual Average (12MMA)



Annual Growth Rate (12/12)

Current Phase

Phase B Accelerating Growth

Current Indicator Amplitude

- January 2026 Annual Growth Rate (12/12): 8.6%
- January 2026 Annual Average (12MMA), 2017=100: 83.9

Industry Outlook

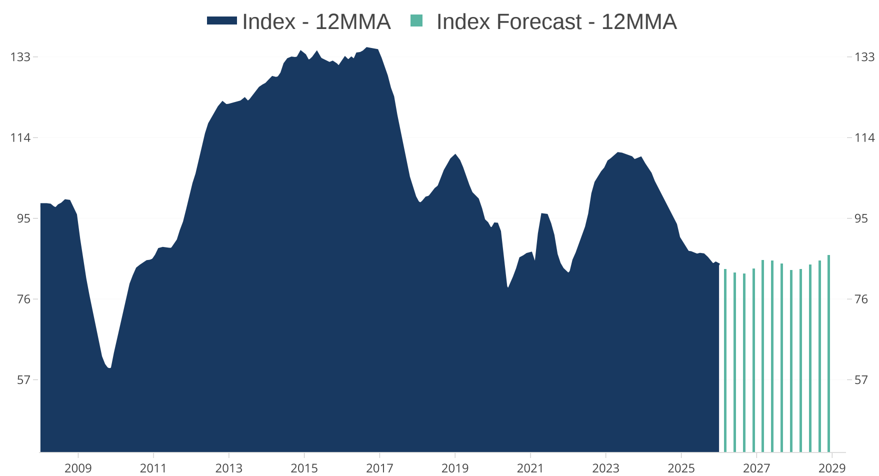
Year	*Annual Growth Rate*
2026	13.5%
2027	-2.5%
2028	3.9%

	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Lower Forecast Range	10.0	13.4	13.9	12.0	8.7	4.2	-0.2	-4.0	-5.0	-4.4	-1.3	2.4
Annual Growth Rate (%)	**11.5**	**14.9**	**15.4**	**13.5**	**10.2**	**5.7**	**1.3**	**-2.5**	**-3.5**	**-2.9**	**0.2**	**3.9**
Upper Forecast Range	13.0	16.4	16.9	15.0	11.7	7.2	2.8	-1.0	-2.0	-1.4	1.7	5.4
Lower Forecast Range	86.1	89.6	92.3	94.3	94.9	94.6	93.3	91.8	91.4	91.7	93.5	95.5
Annual Average Index (2017=100)	**87.3**	**90.8**	**93.5**	**95.6**	**96.2**	**96.0**	**94.7**	**93.2**	**92.9**	**93.2**	**94.9**	**96.9**
Upper Forecast Range	88.5	92.0	94.7	96.9	97.5	97.3	96.1	94.7	94.3	94.6	96.3	98.3

US Automobile Production Index

Forecast Revised Due to Affordability and Tariff Headwinds, and Changes to EV Incentives

Annual Average (12MMA)



Annual Growth Rate (12/12)

Current Phase

Phase A Recovery

Industry Outlook

Year	Annual Growth Rate
2026	-1.3%
2027	-0.5%
2028	4.2%

Current Indicator Amplitude

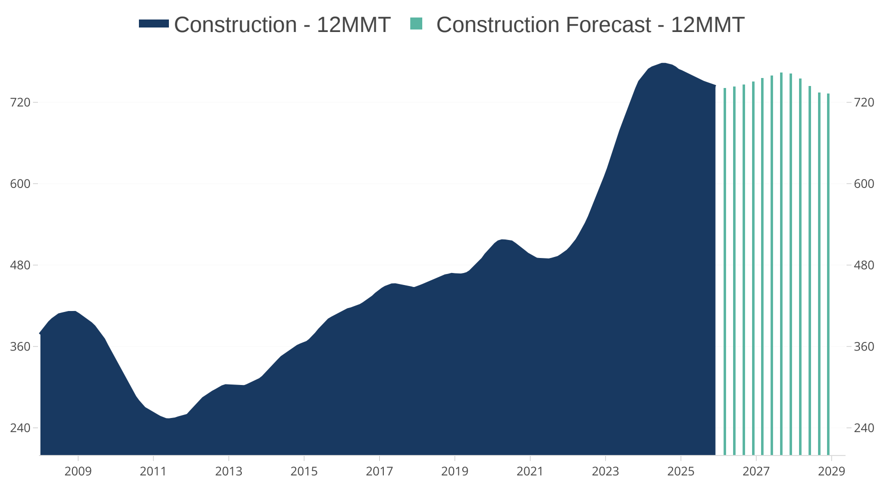
- January 2026 Annual Growth Rate (12/12): -6.1%
- January 2026 Annual Average (12MMA), 2017=100: 83.9

	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Lower Forecast Range	-6.0	-6.2	-5.7	-2.8	1.1	1.9	1.3	-2.0	-4.0	-2.6	-0.6	2.7
Annual Growth Rate (%)	**-4.5**	**-4.7**	**-4.2**	**-1.3**	**2.6**	**3.4**	**2.8**	**-0.5**	**-2.5**	**-1.1**	**0.9**	**4.2**
Upper Forecast Range	-3.0	-3.2	-2.7	0.2	4.1	4.9	4.3	1.0	-1.0	0.4	2.4	5.7
Lower Forecast Range	81.7	80.9	80.7	81.9	83.9	83.8	83.1	81.5	81.7	82.8	83.8	85.0
Annual Average Index (2017=100)	**83.0**	**82.2**	**82.0**	**83.2**	**85.1**	**85.0**	**84.3**	**82.8**	**83.0**	**84.1**	**85.0**	**86.3**
Upper Forecast Range	84.3	83.5	83.3	84.5	86.4	86.2	85.5	84.0	84.3	85.3	86.3	87.5

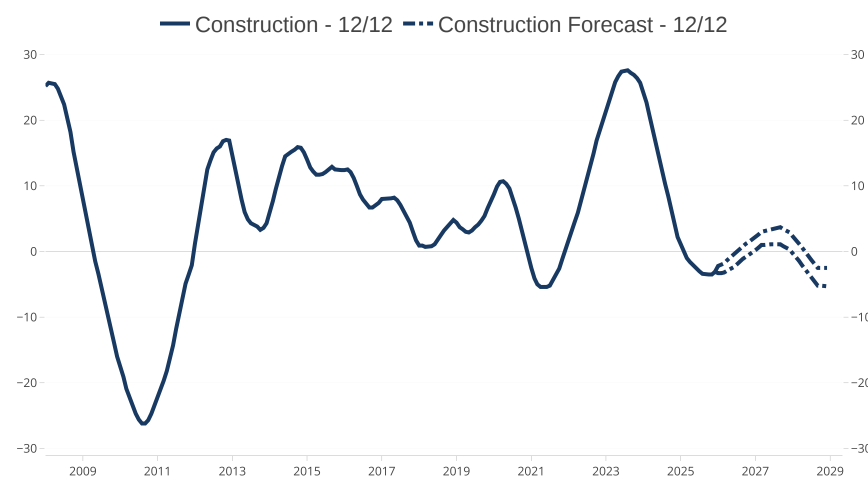
US Private Nonresidential Construction

Fading Government Incentives and Sticky Interest Rates Will Limit Growth Potential

Annual Total (12MMT)



Annual Growth Rate (12/12)



Current Phase

Phase A Recovery

Current Indicator Amplitude

- December 2025 Annual Growth Rate (12/12): -3.1%
- December 2025 Annual Total (12MMT), Billions of $: 742.4

Industry Outlook

Year	*Annual Growth Rate*
2026	0.8%
2027	1.6%
2028	-3.9%

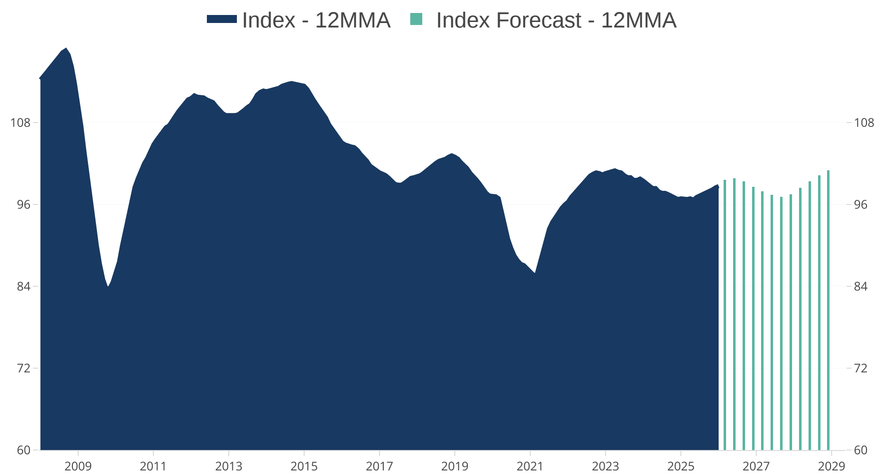
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Lower Forecast Range	-3.2	-2.4	-1.1	-0.2	1.0	1.1	1.1	0.3	-1.4	-3.4	-5.2	-5.3
Annual Growth Rate (%)	**-2.5**	**-1.4**	**-0.1**	**0.8**	**2.0**	**2.2**	**2.4**	**1.6**	**-0.1**	**-2.1**	**-3.9**	**-3.9**
Upper Forecast Range	-1.8	-0.4	0.9	1.8	3.0	3.3	3.7	2.9	1.2	-0.7	-2.5	-2.5

Lower Forecast Range	735.4	735.4	738.5	742.8	748.1	751.1	754.1	752.5	744.9	733.5	724.1	721.8
Annual Total Construction (Billions Of $)	**740.7**	**742.9**	**745.9**	**750.2**	**755.5**	**759.3**	**763.8**	**762.2**	**754.8**	**743.7**	**734.4**	**732.5**
Upper Forecast Range	746.0	750.5	753.4	757.7	762.9	767.5	773.5	772.0	764.6	754.0	744.7	743.2

US Primary Metals Production Index

Section 232 Tariffs Remain in Place, Suggesting Demand For Domestic Metals Likely to Persist

Annual Average (12MMA)



Annual Growth Rate (12/12)

Current Phase

Phase B Accelerating Growth

Current Indicator Amplitude

- January 2026 Annual Growth Rate (12/12): 1.9%
- January 2026 Annual Average (12MMA), 2017=100: 98.7

Industry Outlook

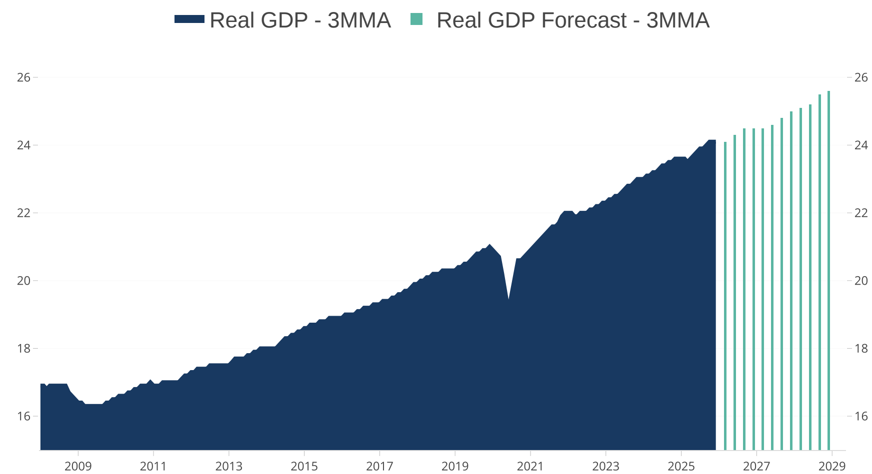
Year	*Annual Growth Rate*
2026	-0.2%
2027	-1.2%
2028	3.6%

	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Lower Forecast Range	1.8	1.7	0.5	-1.4	-2.9	-3.7	-3.6	-2.7	-1.0	0.5	1.8	2.1
Annual Growth Rate (%)	**2.8**	**2.8**	**1.6**	**-0.2**	**-1.7**	**-2.4**	**-2.3**	**-1.2**	**0.5**	**2.0**	**3.3**	**3.6**
Upper Forecast Range	3.8	3.9	2.7	1.0	-0.5	-1.1	-1.0	0.3	2.0	3.5	4.8	5.1
Lower Forecast Range	98.6	98.7	98.3	97.5	96.7	96.1	95.8	96.0	96.9	97.9	98.9	99.5
Annual Average Index (2017=100)	**99.6**	**99.8**	**99.4**	**98.6**	**97.9**	**97.4**	**97.1**	**97.5**	**98.4**	**99.4**	**100.3**	**101.0**
Upper Forecast Range	100.5	100.9	100.5	99.8	99.1	98.7	98.4	98.9	99.8	100.8	101.8	102.4

US Real Gross Domestic Product

GDP Volatility Has Resulted From Trade Swings; Consumers Remain Consistent Growth Engine

Quarterly Average (3MMA)



Quarterly Growth Rate (3/12)

Current Phase

Phase B Accelerating Growth

Current Indicator Amplitude

- December 2025 Quarterly Growth Rate (3/12): 2.2%
- December 2025 Quarterly Average (3MMA), Trillions of Chained 2017 $: 24.1

Industry Outlook

Year	*Quarterly Growth Rate*
2026	2.1%
2027	2.1%
2028	2.5%

	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Lower Forecast Range	2.4	2.1	2.1	1.8	1.2	0.9	1.2	1.8	2.4	2.4	2.5	2.1
Quarterly Growth Rate (%)	**2.7**	**2.4**	**2.4**	**2.1**	**1.5**	**1.2**	**1.5**	**2.1**	**2.7**	**2.8**	**2.8**	**2.5**
Upper Forecast Range	3.0	2.7	2.7	2.4	1.8	1.5	1.7	2.4	3.0	3.1	3.2	2.8
Lower Forecast Range	24.1	24.2	24.4	24.4	24.4	24.5	24.8	25.0	25.1	25.2	25.4	25.6
Quarterly Average Real GDP (Trillions Of Chained 2017 $)	**24.1**	**24.3**	**24.5**	**24.5**	**24.5**	**24.6**	**24.8**	**25.0**	**25.1**	**25.2**	**25.5**	**25.6**
Upper Forecast Range	24.2	24.3	24.5	24.6	24.6	24.6	24.9	25.1	25.2	25.3	25.6	25.7

US Leading Indicators

Indicator	Direction 1Q26	2Q26	3Q26
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

- Mixed signals in the table portray broad, though likely muted, growth for the economy in the coming quarters.
- Vacillation in the US ISM PMI (Purchasing Managers Index) is ongoing, which supports our outlook for growth to be somewhat mild and potentially choppy.
- After years of cumulatively strong pricing pressures, consumers and businesses are likely feeling fatigued and may be more price-sensitive during the current rising trend. Keep this in mind when introducing products and services.

The broader macroeconomic environment is fundamentally sound. Despite evidence of a “K-shaped” economy, consumers are generally well positioned and continue to spend. Upsides from reshoring efforts in the manufacturing sector are likely to be concentrated in areas like high tech.

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 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 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 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).

Market Definitions

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 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

Recovery

- 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

Phase B

Accelerating Growth

- 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

Phase C

Slowing Growth

- 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

Phase D

Recession

- 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