NON-FERROUS FOUNDERS' SOCIETY

ECONOMIC ADVISOR

Published monthly by ITR Economics™ for NFFS members

Industry Snapshots

Arrow denotes 12-month moving total/average direction.

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

Steep Rise · Mild Rise · Flat · Mild Decline · Steep Decline

Macroeconomic Outlook

The longest-ever US federal government shutdown ended in mid-November, and delayed data from various government sources is beginning to roll in. We continue to monitor private data sources to keep our analysis up-to-date. One discernible impact of this prolonged shutdown is reflected in the US Economic Policy Uncertainty Index, which has been trending at an elevated level in recent weeks. The shutdown has also likely had an impact in areas where federal employment is a significant driver for economic activity, but the overall macroeconomic effect is likely to be minor.

The Federal Reserve implemented a second 25 basis point rate cut in October following its first cut this year in September. It is important to remember that movements in short- and long-term interest rates are not one-to-one. Long-term interest rates have retreated somewhat, but they remain elevated compared to the 2010s and early 2020s as investors see a myriad of inflationary drivers and require more compensation — in the form of elevated long-term yields — to loan out long-term money. There is potential for rise in long-term rates as inflation picks up.

Amid rising pricing pressures, resilient consumers continue to drive the growing economy. US Total Retail Sales are rising, and the US Consumer Credit Card Delinquency Rate is declining, signaling sound household balance sheets for consumers overall. However, lower-income demographics may see their budgets squeezed this cycle. Despite recent abatement in short-term borrowing costs, rates remain elevated, which will contribute to more muted upcoming growth in Retail Sales than in past cycles.

Expect muted growth for many sectors in the coming year

US Industrial Production and business-to-business spending are rising, with disparate contributions from underlying markets. Sectors aligning with technology or energy are often the standouts growth-wise, though profitability in these sectors varies. Keep an eye on margins as inflation ramps up for inputs, labor included. Efficiency gains should be paramount to your business plan in the coming years.

Annual US Total Nonresidential Construction is coming in below the year-ago level and is poised to decline further. While the public component of Nonresidential Construction is growing, overall growth is slowing. Meanwhile, US Private Nonresidential Construction has been declining on an annual basis since late 2024. On the residential side, US Single-Unit Housing Starts continue to face affordability headwinds, though Multi-Unit Starts are growing at single-digit rates. Expect muted growth for many sectors in the coming year. As you firm your budget for 2026, keep rising costs in mind as you aim to maintain, or grow, your margins.

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Make Your Move

Focus on strengthening your competitive advantages and pursuing productivity and labor efficiency gains. Doing so will ensure that your business remains resilient during the upcoming inflationary period.

Investor Update

The S&P 500 continued its strong rise through October, driven by tech and health care, but it had a weak start to November. While we do not forecast the stock market, analysis of historical trends shows the brief downturn in the quarterly rate-of-change late last year and early this year offers little insight into how long the current quarterly rate-of-change upswing will last. More important is whether investors foresee a softer economy than we currently expect and how effectively AI contributes to bottom-line results.

ITR Economics Long-Term View

2025	2026	2027
MILD GROWTH	GROWTH	SLOWING GROWTH

Leading Indicator Snapshot

	4Q2025	1Q2026	2Q2026
ITR Leading Indicator™	🟢	🔴	⚪
ITR Retail Sales Leading Indicator™	🟢	🟢	🔴
US OECD Leading Indicator	🔴	🔴	🔴
US ISM PMI (Purchasing Managers Index)	🟢	🔴	🔴
US Total Industry Capacity Utilization Rate	🔴	🔴	⚪

🟢 *Denotes that the indicator signals cyclical rise for the economy in the given quarter.*

🔴 *Denotes that the indicator signals cyclical decline for the economy in the given quarter.*

⚪ *N/A*

KEY TAKEAWAYS

- There is lingering uncertainty amid evolving trade policy and the prolonged government shutdown, but economic fundamentals remain sound.
- The mix of green and red dots in the table generally reflects vacillation and volatility in the leading indicators — taken together, these paint the picture of a mild growth environment.
- Mild growth in consumer spending will continue to drive the economy; this expectation is supported by general yet choppy rise in the ITR Retail Sales Leading Indicator™.

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Industry Analysis

RETAIL SALES

- Weekly Johnson Redbook data signals consumer spending is rising
- Household finances are generally healthy, though elevated delinquencies on student and auto loans are pain points on some consumers' balance sheets
- Mildly rising real incomes will drive consumer spending higher in the coming years

WHOLESALE TRADE

- The release of new US Wholesale Trade data was still delayed as of this writing
- A favorable inventory to sales ratio supports further rise for Wholesale Trade
- A stable consumer base and willingness to spend also supports rise

AUTO PRODUCTION

- Annual North America Light Vehicle Production was 15.4 million units in September, 1.8% below the year-ago level
- Recent cuts to the Federal Funds Rate could bring minor relief to auto loan rates
- High sticker prices on new vehicles highlight ongoing affordability issues, and high delinquency rates on car loans pose a further downside threat to the industry

MANUFACTURING

- While the Federal Reserve is not a government agency, the release of new data has been postponed in the wake of the shutdown
- Looking at the data through August, high tech manufacturing segments are generally outperforming legacy manufacturing segments
- Recent vacillation in a number of leading indicators for manufacturing activity suggests the upcoming rise will be sluggish

ROTARY RIG

- The US Rotary Rig Count in the three months through October averaged 543 units, 7.4% below the year-ago level
- Demand from a growing industrial sector is likely to mitigate some decline in the Rig Count next year
- Despite softer oil prices, US Personal Consumption Expenditures for Fuel Oil are accelerating in growth, signaling solid demand for the downstream oil industry

CAPITAL GOODS NEW ORDERS

- US Nondefense Capital Goods New Orders (excluding aircraft) data through August (the latest available), shows accelerating growth
- Annual Defense Capital Goods New Orders in August were slowing in growth, although growth rates remain in the double digits
- New Orders data, which is denominated in dollars, will be boosted by rising inflationary pressures

TOTAL NONRESIDENTIAL CONSTRUCTION

- US Total Nonresidential Construction in the 12 months through August fell slightly below year-ago levels
- The leading indicators for Nonresidential Construction are generally rising, signaling that recession in Nonresidential Construction will be mild
- Elevated long-term interest rates will dampen growth

TOTAL RESIDENTIAL CONSTRUCTION

- Data through August depicts annual US Private Single-Unit Residential Construction in recession, 1.1% below the year-ago level
- Spending in the multi-unit sector is in recovery despite rising, albeit generally moderate, vacancies
- Further recovery and eventual rise in multi-unit spending is probable given Multi-Unit Starts trends; expect more weakness ahead for single-unit spending

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A Closer Look: The US Economy

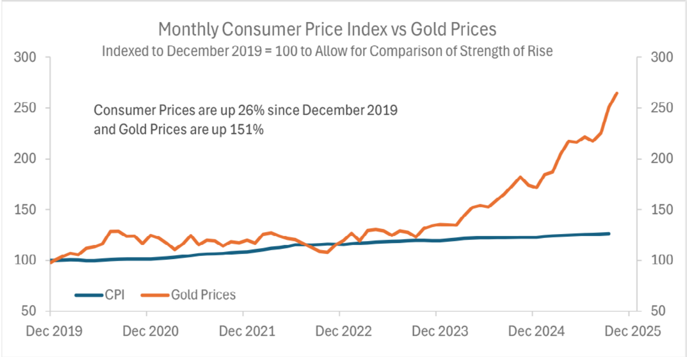
Reading the Gold Rally: How to Prepare Your Business for 2026

NICK EAGLE

Record gold prices point to budding inflation, not recession risk, as the primary threat to most businesses.

Gold has a little secret. Its record-setting 2024–25 run is less about today's economy and more about the inflation and policy pressures that will matter for your business in 2026.

Gold prices are up more than 50% year-to-date and broke above $4,000 per ounce for the first time in October. We can see in the chart below that gold prices have surged well beyond the rate of rise for consumer prices since December 2019. Gold is a poor guide to quarterly GDP; at times it has moved in the opposite direction of the business cycle. It is more useful as a gauge of what investors and central banks fear: stubborn inflation, currency debasement, and concern over government finances.



Why Gold Is Surging Now

Three forces stand out:

• Central banks are diversifying. Foreign central banks now hold more gold than US Treasurys in their reserves for the first time since the mid-1990s.

• Investors have rushed back in. After trimming positions in the early 2020s, investors piled into gold in 2025 as evolving US trade policy, sanctions risks, and fiscal headlines mounted, though some of that demand may ease as uncertainty cools in 2026.

• Policy and fiscal worries are building. Our analysis suggests that today's deficits and loose conditions will translate into gradually higher interest rates later this decade. Sticky long-term yields in spite of Fed rate cuts are already reflecting that concern; gold is echoing the same story.

A Slow-Burn, Not the 1970s

It is tempting to liken this to the 1970s. While there are some parallels — namely, generally elevated inflationary pressures — there are meaningful differences as well. Today's economy is more diversified. For example, the US is now energy independent rather than highly energy reliant on the Middle East, as it was in the 1970s. Accordingly, we do not foresee the same rates of inflation we saw in the 1970s as probable. In the 1970s, inflation did not become unsustainable in a single year; it accumulated until policy was forced to change. Our outlook is similar. We expect inflation's effects to compound, with the real strain showing up closer to 2030.

Think of gold as a future barometer, not a current thermometer. It is not reading today's temperature; it is hinting at a pattern ahead — one of firmer inflation, higher average interest rates, and greater sensitivity to fiscal news than much of the last 20 years.

Implications for Your 2026 Planning

For most businesses, the message is not panic but preparation:

• Build room for cost pressure. Expect renewed upward pressure on wages, inputs, and financing costs as we move through 2026 and beyond. Review long-term contracts and add contingency to project budgets.

• Be deliberate with capital spending. For major projects, run scenarios under higher-for-longer interest rates and inflation generally running in excess of 2%. In some cases, moving earlier to lock in costs will make sense; in others, phased commitments and preserving flexibility will be the better choice. We are concerned that companies will view recession risk as a greater threat than the solid, if unspectacular, economic data suggests and therefore fail to greenlight the sorts of projects that save on costs, increase efficiencies, and preserve margins. Inflation, not macro recession risk, is the greater threat to most businesses.

• Review upcoming loan renewals. Higher long-term interest rates will likely raise borrowing costs later this decade. Identify when major loans or credit lines renew and plan ahead for how higher rates could affect your cash flow.

Gold's message is not that the economy is about to fall off a cliff. It is that inflation will be elevated for the remainder of the 2020s and even into the very early 2030s. Firms that adjust their pricing, cost structure, and capital plans now will be better positioned as today's warning light becomes tomorrow's operating reality.

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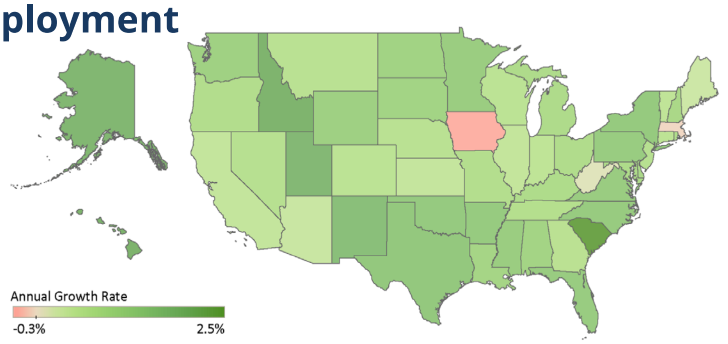
State-by-State: Employment



- US Private Sector Employment in the 12 months through September was 1.1% above the year-ago level; growth is slowing.
- The number of unemployed people has been slightly outpacing the number job openings in recent months, signaling some loosening in the labor market. However, this metric is historically low, as there were more than twice as many job seekers as job openings in the 10 years preceding COVID.
- Nonfarm Employment in the majority of US states is growing, with growth rates generally the strongest in regions with growing populations.
- Exceptions to the national growth trend are Iowa (-0.3% below the year-ago level) and Massachusetts (-0.1%), which are still experiencing mild contraction in Nonfarm Employment.

Readers' Forum

How are households doing financially now that student loan payments have fully restarted after the COVID forbearance period? Will this impact the broader economy?

Haley Sienkiewicz, Economist at ITR Economics™, answers:

Student loans make up a relatively small portion of US consumer debt, totaling 8.9% of overall consumer debt in the third quarter; however, this percentage is higher for younger age brackets. During the pause on student loan repayments, delinquency rates on these types of loans fell significantly, but they have popped up since the start of 2025 given the resumption of loan reporting. The US Student Loan Delinquency Rate now sits at 9.4%, just under the pre-COVID average of 10.6%. This spike in delinquencies is likely less of a harbinger of economic trouble and more a return to typical trends for this loan type.

Households are adequately managing their debts overall. The US Consumer Credit Card Delinquency Rate is declining. The US Residential Mortgage Delinquency Rate is rising, but it remains historically very low, below 1%. Younger people are likely to be most impacted by the pinch of student loan payments, as opposed to borrowers further along in their careers. This latter demographic will be a key driver for the mild US economic growth we are forecasting. Therefore, recent developments in the student loan market are unlikely to have a lasting material impact on the US economy as a whole.

Please send questions to: questions@itreconomics.com

Strategic Shifts for Resiliency in the 2030s Great Depression

The changes coming up for the economy, and by extension our markets and businesses, are going to be tectonic given the trends coming to a nexus in the early 2030s. Going into the downturn with a "we will just sell more" attitude is using hope as a strategy. We have seen that hope dashed repeatedly in every major recession, and the 2030s downturn will be the worst that any of us has experienced. The good news is that we can prepare our businesses and position our wealth to not simply survive the coming depression but come out stronger on the other side.

Discover the critical insights you need for the next decade by attending our December webinar. Insider members receive $25 off with code INSIDER2025!

REGISTER NOW

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