






















Industry Snapshots

Arrow denotes 12-month moving total/average direction.

	RETAIL SALES	
	WHOLESALE TRADE	
	AUTO PRODUCTION	
	MANUFACTURING	
	ROTARY RIG	
	CAPITAL GOODS	
	NONRESIDENTIAL CONSTRUCTION	
	RESIDENTIAL CONSTRUCTION	

				
Steep Rise	Mild Rise	Flat	Mild Decline	Steep Decline

Macroeconomic Outlook

Economic conditions remain broadly stable, though the balance of risks has shifted modestly in recent weeks. Underlying demand remains resilient, but softer income data and renewed geopolitical pressures have introduced more uncertainty into the economy. Oil price volatility and evolving policy expectations are posing hurdles for business decision-making. Growth will persist for many markets, albeit at a measured pace and with notable variability across sectors.

Oil prices have been volatile since the onset of war in Iran, and markets are still trying to assess how long and how severe this conflict might become. Oil Prices jumped from the mid-\$60s per barrel to now oscillating around \$95 to \$100 per barrel as of mid-March. We expect quarterly Prices to average in the upper \$90s per barrel in the near term before gradually moving into the low \$70s by late this year. Higher input costs for businesses are a risk for margins, particularly for fuel- and energy-linked products such as plastics, fertilizer, and electricity. Keep your business on top of price shifts to avoid being moored in profitless prosperity.

Expect overall Consumer Inflation to stay above the Federal Reserve's target rate of 2% through at least this year

Consumer Prices in February are up 2.4% from the year-ago level. Quarterly prices for consumer goods are generally accelerating — a trend we expect to persist through the first half of this year — while prices for services are in a disinflationary trend (rising at a slowing pace). The lagged impact of tariff policy may play a part in further goods inflation, alongside geopolitically driven supply chain disruptions relating to oil inputs. Expect overall Consumer Inflation to stay above the Federal Reserve's target rate of 2% through at least this year.

US Total Retail Sales are rising, up 3.6% on an annual basis. We are monitoring muted growth in US Real Personal Income (excluding transfer receipts), which could impact some consumers' ability to afford higher costs of goods amid the recent spike in energy and gasoline prices. We expect spending growth this year due in part to relatively solid debt management among households; however, we expect milder-than-typical growth in Retail Sales this cycle.

While growth in many indicators remains mild, business-to-business spending is resilient. Increasingly favorable inventory ratios and rising utilization rates suggest further rise in B2B spending. Some of this increased activity is due to AI and energy-related investments, which we expect will be a growing area of opportunity moving forward.

As pricing pressures heat up due to geopolitical discord, focus on monitoring input cost trends. This, as well as a focus on your consumer base's preferences will be especially important. Keep in mind that lower-income consumers will be generally more price sensitive than those with higher incomes.

Make Your Move

While real personal incomes are rising, we are watching the recent muted growth trend, particularly given recent upside pricing risks. Closely monitor energy price volatility and its potential impact on near-term costs and consumer purchasing power.

Investor Update

The macroeconomic and financial risk of higher oil prices is less in the increase itself and more in the broader context of softening growth in real personal income, which limits consumers' ability to absorb rising energy costs. Our analysis of prior instances where oil prices jumped more than 20% over a five-day period suggests that the primary negative impact on financial markets is isolated to the near term.

ITR Economics Long-Term View

2026

GROWTH

2027

GDP GROWTH; MANUF. FLAT

2028

GROWTH

Leading Indicator Snapshot

	2Q2026	3Q2026	4Q2026
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

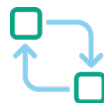
- Largely mild and sometimes inconsistent rise in our system of leading indicators supports our outlook for mild growth ahead for many sectors of the economy.
- The ITR Retail Sales Leading Indicator™ calls for further rise in consumer spending; however, slowing growth in real income paints a picture of mild, not robust, rise.
- Focus on areas of the economy that will benefit from uncertainty, a price-sensitive environment, or secular tailwinds; defense, consumer staples, and areas that directly or indirectly benefit from AI-related investment (such as electrical equipment) are examples of this.

Industry Analysis



RETAIL SALES

- US Total Retail Sales in the 12 months through January were 3.6% above the year-ago level
- The ITR Retail Sales Leading Indicator™ is showing a positive signal for further growth in retail activity
- Volume growth is likely to be slim given inflation trends



WHOLESALE TRADE

- Annual US Total Wholesale Trade in 2025 totaled \$8.4 trillion, 4.8% above the level one year prior
- The durables component was 6.2% above the year-ago level, while nondurables came in 3.4% above the year-ago level
- Elevated oil prices are likely to boost the nondurables component this year



AUTO PRODUCTION

- Annual North America Light Vehicle Production in January totaled 15.3 million units, 1.4% below the year-ago level
- Some sluggishness in the auto retail market portends further weakness in Production activity
- Car buying is sensitive to consumer confidence, another near-term downside



MANUFACTURING

- US Total Manufacturing Production in the 12 months through February was 1.3% above the year-ago level
- Efforts in electrification and digital infrastructure are likely to support growth in related manufacturing sectors
- Upcoming rise will be understated given mild macro headwinds



ROTARY RIG

- The US Rotary Rig Count in the three months through February averaged 547 units, 6.8% below the year-ago level
- Oil prices have been volatile amid the Iran conflict, with prices spiking briefly above \$100 per barrel
- While strong oil prices could be an upside for the Rig Count, upstream investment is only probable if the industry expects the war to last and keep prices elevated longer term



CAPITAL GOODS NEW ORDERS

- US Nondefense Capital Goods New Orders (excluding aircraft) in 2025 were 3.6% higher than in 2024
- US Defense Capital Goods New Orders were 13.2% higher in 2025 than in 2024
- Previously announced plans for a larger FY2027 defense budget and the potential for additional funding for conflicts overseas could boost Defense New Orders



TOTAL NONRESIDENTIAL CONSTRUCTION

- US Total Nonresidential Construction in 2025 was 0.6% below the 2024 level
- Government infrastructure dollars are exerting upward pressure on some components, such as water and sewer construction
- Elevated construction costs will boost dollar-denominated Construction



TOTAL RESIDENTIAL CONSTRUCTION

- US Private Single-Family Residential Construction in 2025 was 3.1% below the year-ago level, and it is in recession
- Construction in the multi-family sector was 8.4% below the year-ago level, and it is in a recovery trend
- General positivity in the ITR Remodeling Market Index™ signals some opportunity in this market

A Closer Look: The US Economy War, Oil, and Broader Energy Markets

JOHN OLSON

What you need to know: Oil Prices will eventually settle, but overall energy costs are pinching businesses and consumers

War in the Middle East has once again reminded consumers and businesses how quickly geopolitical strife can ripple through the global energy system. In late February and early March, attacks on infrastructure and threats to shipping in the Strait of Hormuz sent US Crude Oil Spot Prices sharply higher.

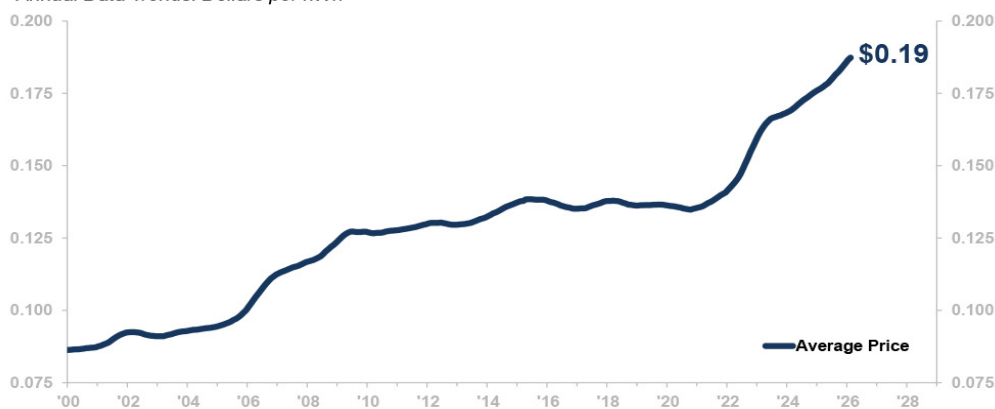
For US consumers, the first noticeable effect has been costs at the pump. Higher crude oil prices feed directly into higher gas prices. In December, US Regular Gasoline Prices were below \$3/gallon. Since the start of the conflict, prices have jumped to \$3.72 for the week ending March 16. While spending on fuel makes up a lower percentage of overall personal consumption expenditures than in years past, the need to increase energy-related expenditures may spell spending cuts in other areas, especially for already-squeezed lower-income consumers.

Energy — Not Just Oil — Is Getting More Expensive

Focusing solely on prices at the pump, however, misses the broader story. Oil price shocks are occurring at a time when consumers and businesses are already contending with higher prices for energy in other areas. The cost of electricity is rising, with February data showing a 4.8% ascent in consumer electricity prices over the last 12 months. Utilities are investing heavily in grid modernization, renewables, and transmission infrastructure to support the ongoing energy transition. Meanwhile, rising demand from data centers, electrification of vehicles and heating systems, and industrial sector reshoring adds additional pressure on the grid. The result is sharp rise in electricity costs since the onset of the pandemic. The annual US Average Price for Electricity has risen nearly 40% since 2020, after remaining relatively stagnant in the decade prior.

New Acceleration Stage Expected to Continue

US Average Price for Electricity
Annual Data Trends: Dollars per kWh



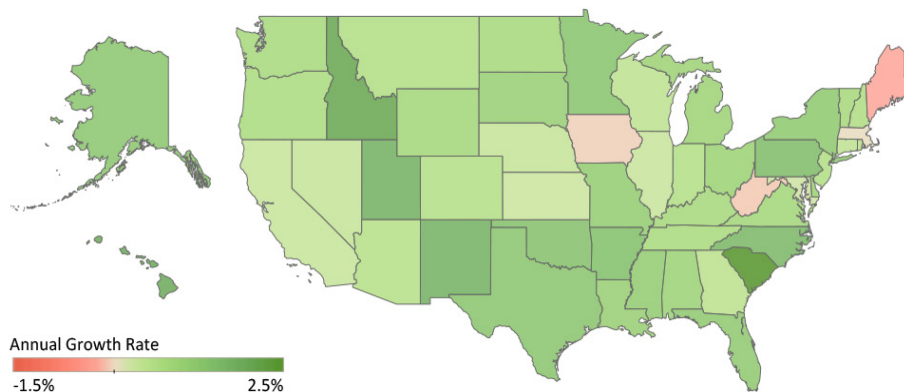
Source: BLS

These higher costs trickle pervasively through the economy. Everything takes energy, from driving a car, to manufacturing goods, to running a service business. Higher input costs in all these areas will lead to higher prices across the economy, contributing to consumers being squeezed further. So, while the war in Iran may be less a singular driver of energy inflation and more a reminder of the connectivity of commodity markets, squeezed consumer spending will add to elevated uncertainty in the US economy.

Oil markets will likely move back, but not all the way back, toward the pre-war level once geopolitical tensions ease. Nevertheless, the broader trajectory of higher electricity demand, significant grid investment, and tighter global energy systems suggests that volatility and upward pressure on energy costs will remain a defining feature of the US economy in the coming years.

So, what can you do to mitigate this threat of profitless prosperity? There are a few options. Investment in more energy-efficient machinery can lower your marginal costs. Investing in research and development to reduce waste and increase efficiencies is another. Locking in energy costs is something to consider, but we generally recommend waiting until more favorable terms are available at the bottom of the business and price cycle, likely in 2027. Finally, some businesses are investing in on-site energy generation, which provides a more stable platform to plan your energy costs. Consider implementing one or more of these strategies into your business.

State-by-State: Employment



- US Total Nonfarm Employment in the 12 months through February was 0.4% above the year-ago level; it is slowing in growth.
- While job creation is on the more sluggish side, many metrics are pointing to a relatively stable environment. The rate of private layoffs has plateaued in recent months after mildly rising for the past 3.5 years, and it remains historically low, at 1.25% in the 12 months through January. In the 10 years pre-COVID, the rate averaged 1.44%.
- While Employment is in a broad growth trend in the US, Maine (-0.3), the District of Columbia (-1.5%), Iowa (-0.1%), and West Virginia (-0.1%) are all undergoing mild contraction.
- Slowing growth in Employment is not necessarily cause for concern for the broader economy. Heightened uncertainty is likely playing a role, as opposed to fundamental weakness.

Readers' Forum

I'm hearing mixed messages about the housing market regarding price trends. What's the real story?

Haley Sienkiewicz, Economist at ITR Economics™, answers:

Recently, price trends for new homes and existing homes have diverged. The annual median sale price for an existing home continues to climb, while median prices for new homes have dropped roughly 10% since early 2023, ending 2025 at \$412,700. Since mid-2025, new home prices have trended below existing home prices, a reversal from the norm not seen in the historical data dating back to 1990.

Several factors are contributing to this shift. The larger, higher priced-homes that builders have in many cases prioritized are out of reach for many buyers and consequently tend to remain on the market longer. Geography also plays a role, as a growing share of new construction is occurring in relatively more affordable regions, particularly in the South and Midwest. Overall, housing price dynamics vary by region and home type. While home price growth appears to be moderating, affordability challenges continue to constrain many prospective buyers.

Please send questions to: questions@itreconomics.com

Profitless Prosperity: Why Growth Isn't Translating Into Profits — and What Leaders Must Do Next



PURCHASE NOW

Economic growth remains steady, yet many leaders are finding it increasingly difficult to convert that growth into meaningful earnings. Rising costs, wage pressures, technology investments, regulatory demands, and supply-chain complexity are compressing margins despite resilient demand — a structural challenge known as profitless prosperity. In our upcoming webinar, we will clarify what this environment means for your organization, why traditional growth strategies are falling short, and how leadership teams can adapt with greater precision. Leveraging forward-looking forecasts and economic insights, attendees will learn to distinguish real risk from noise, pinpoint margin erosion, and make more strategic decisions around pricing, investment, labor, and technology.

Discover the critical insights you need to tackle profitless prosperity by watching our March webinar. Insider members receive \$25 off with code INSIDER2026!