MCA TEXAS

Challenges and Opportunities in 2025–2026–2027

Presented by ITR Economics
Senior Forecaster & Senior Economic Consulting Speaker
Connor Lokar

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2024 Forecast Results

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	Duration	Accuracy
US GDP	12	98.6%
US Ind. Production	19	96.5%
Europe Ind. Production	20	99.1%
Canada Ind. Production	10	99.6%
China Ind. Production	25	96.3%
Retail Sales	26	95.6%
Housing - Single Family	11	99.7%
Employment-Private Sector	11	99.7%

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

A Powerful Management Tool • Rates-of-Change

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	Raw	3MMT	3/12	12MMT	12/12
Jul-23	6.772				
Aug-23	6.225				
Sep-23	6.936	19.9			
Oct-23	6.716	19.9			
Nov-23	6.964	20.6			
Dec-23	6.631	20.3			
Jan-24	6.472	20.1			
Feb-24	6.306	19.4			
Mar-24	6.286	19.1			
Apr-24	6.634	19.2			
May-24	6.749	19.7			
Jun-24	6.968	20.4		79.7	
Jul-24	6.564	20.3		79.5	
Aug-24	6.791	20.3		80.0	
Sep-24	6.856	20.2	1.4%	79.9	
Oct-24	6.727	20.4	2.5%	79.9	
Nov-24	7.227	20.8	0.9%	80.2	
Dec-24	6.574	20.5	1.1%	80.2	1.3%
Jan-25	6.902	20.7	3.2%	80.6	2.0%
Feb-25	6.498	20.0	2.9%	80.8	2.2%
Mar-25	6.236	19.6	3.0%	80.7	1.7%
Apr-25	7.069	19.8	3.0%	81.2	2.6%
May-25	7.114	20.4	3.8%	81.5	2.5%
Jun-25	7.122	21.3	4.7%	81.7	2.5%

3/12

Based on data from a consecutive 3-month period compared to one year earlier.

Anticipates shifts in business cycle trends.

12/12

Based on data from a consecutive 12-month period compared to one year earlier.

Defines the business cycle.

Expecting The Economy To Grow In 2025 & 2026

Source: FRB

US Industrial Production Index

2017 = 100

as seen in ITR Economics' Trends Report

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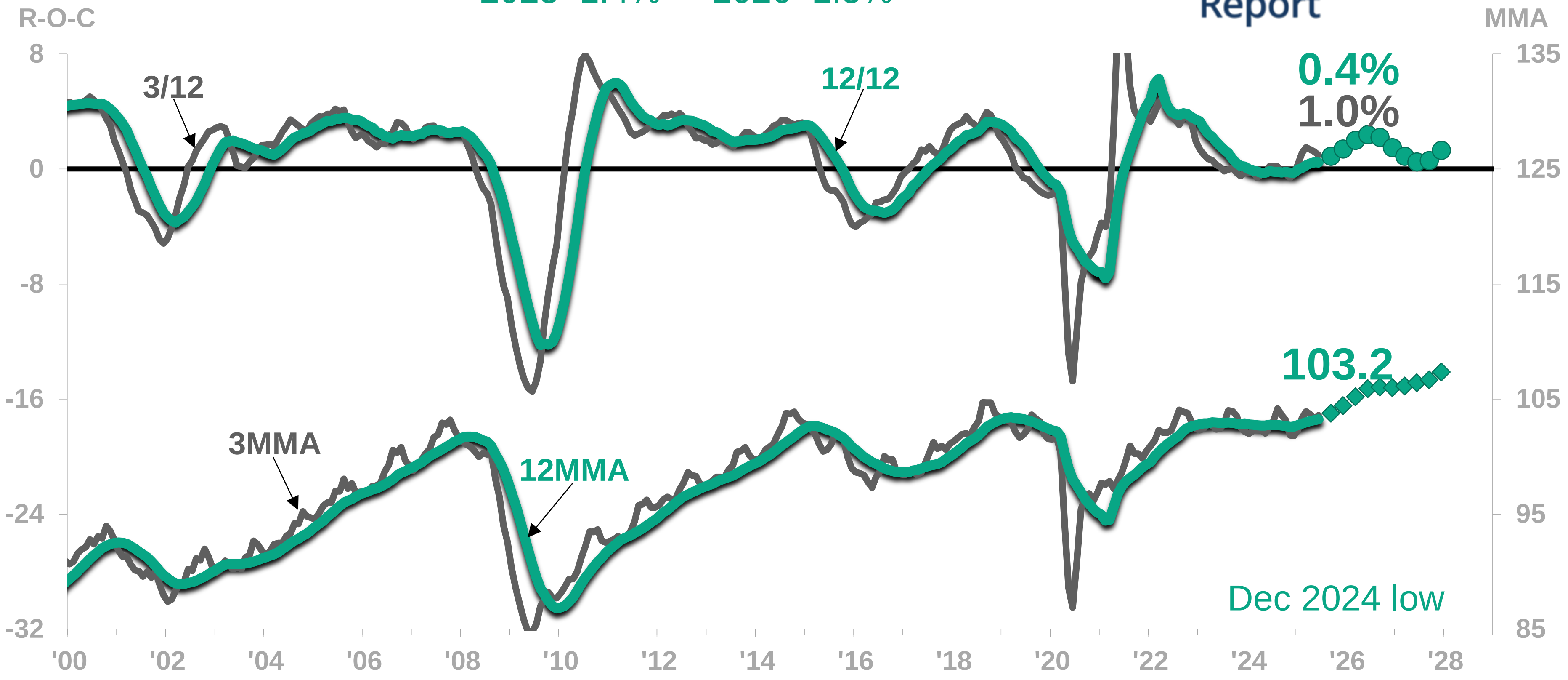
2025 1.4%   2026 1.5%

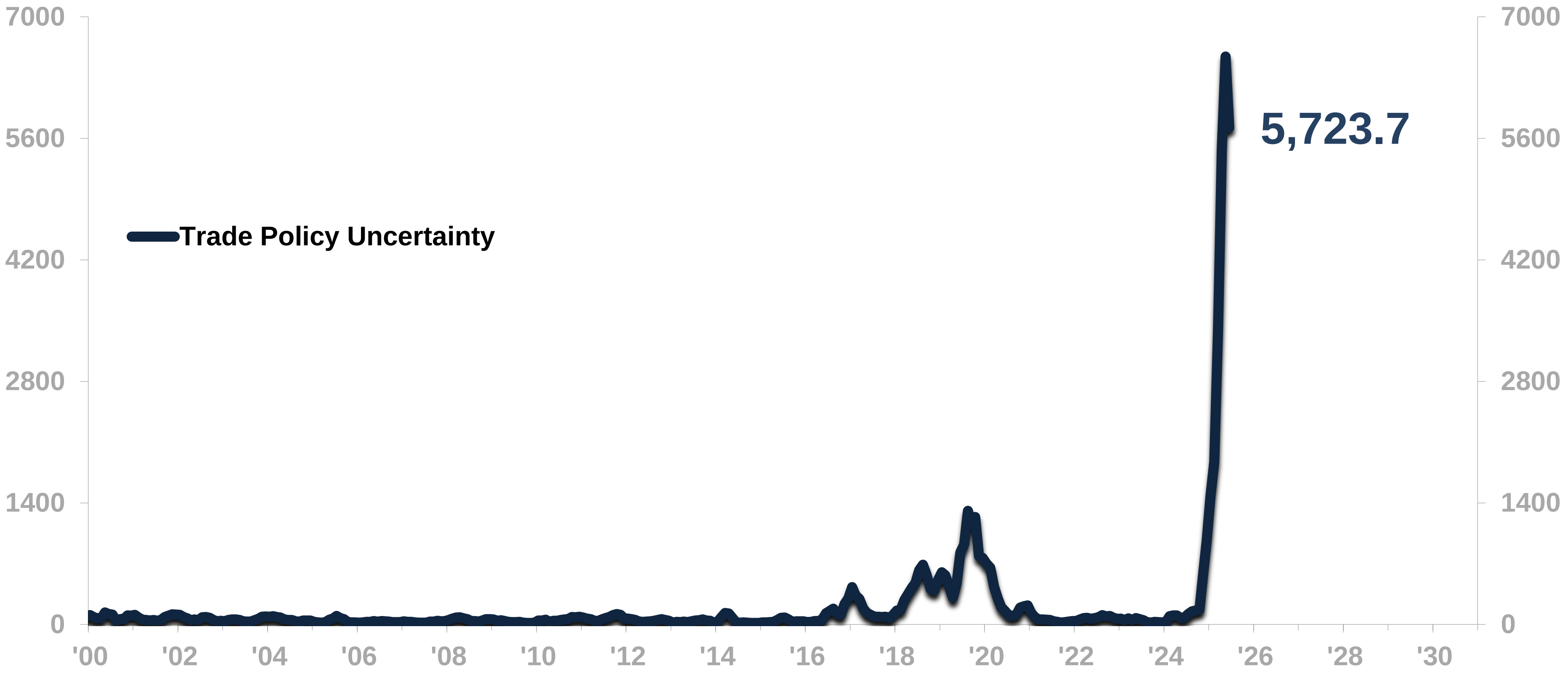


Uncertainty Abounds

Source: Economic Policy Uncertainty

US Trade Policy Uncertainty Index

Quarterly Data Trend: Index



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Global Forces

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Production in Key Economies:

Sources: Japan METI, Statistics Canada, Eurostat, ITR Economics, India Central Statistics Office, Mexico National Institute of Statistics and Geography

International Industrial Production Indexes

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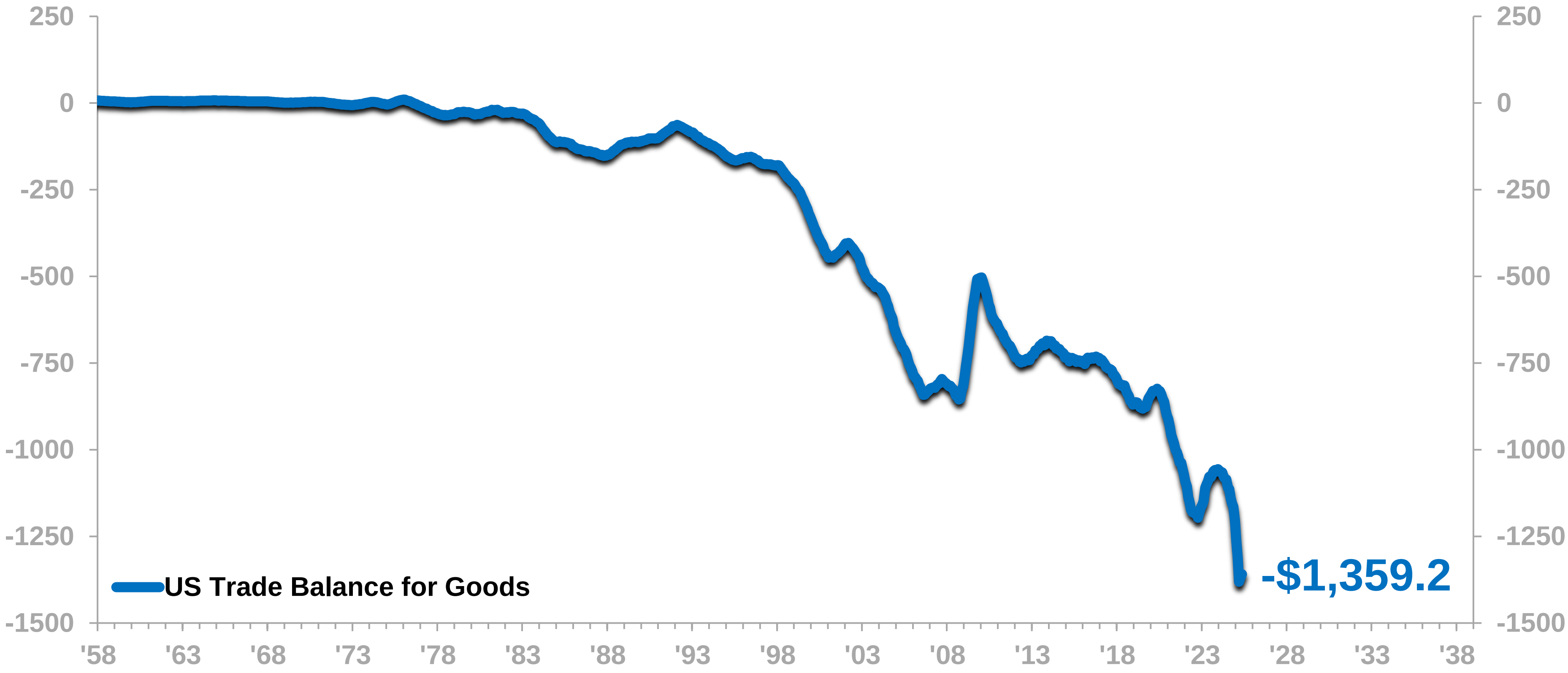
	12/12	Phase	3/12	Phase	12MM Notes
Japan	-1.4%	D	-0.1%	D	Declining
Canada	0.8%	B	1.3%	C	Rising
Europe	-1.0%	A	1.3%	B	Declining
Rest of Asia	0.8%	B	1.4%	C	Rising
South America	-0.4%	A	1.9%	C	Rising
India	3.4%	C	2.6%	B	Rising
Mexico	-1.0%	D	-1.0%	A	Declining

Very Ominous Looking Trend

Source: US Census Bureau

US Trade Balance for Goods

Annual Data Trend: Billions of Dollars



Focusing on the Deficit Number Ignores the Point

Sources: US Census Bureau, BEA

US Trade Balance of Goods with the World as a Percent of GDP

Quarterly Data Trend: Percent

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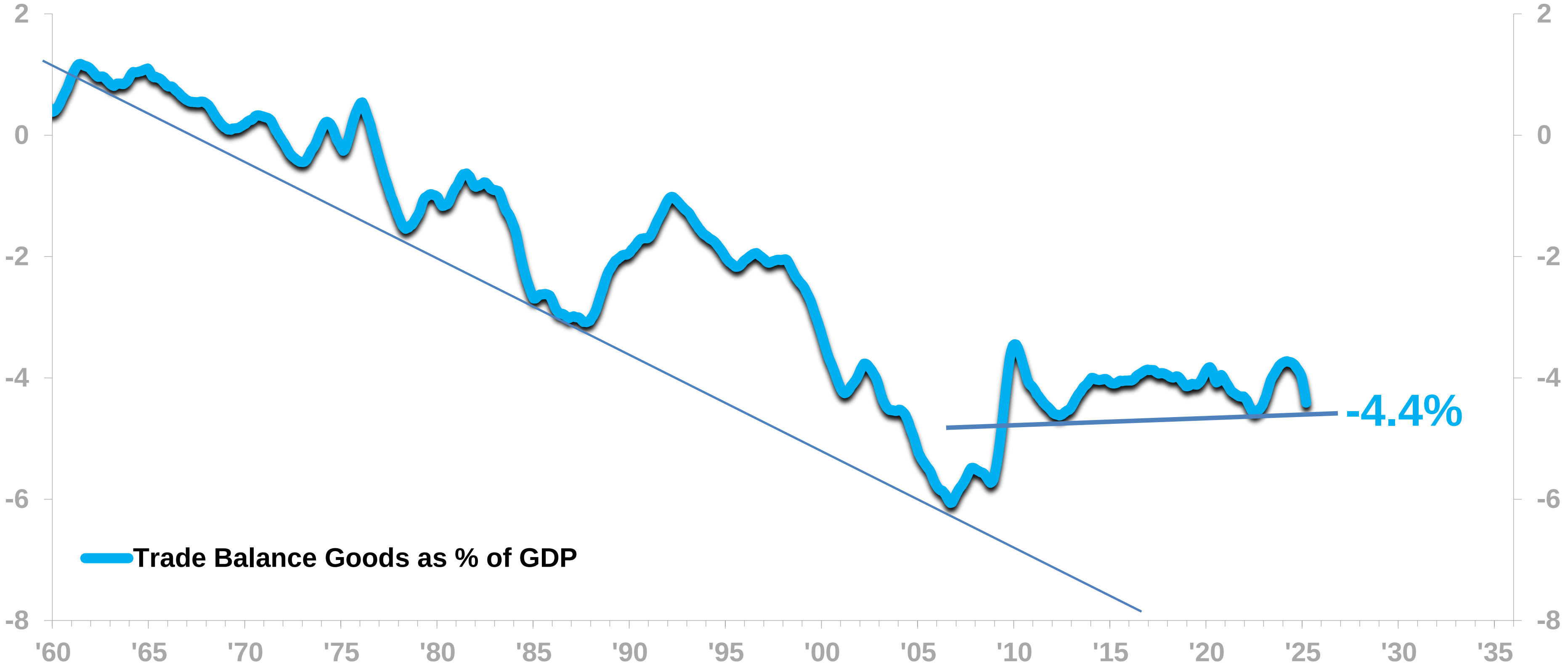

US Economy Grows Through These Deficits

Sources: US Census Bureau, BEA

US Trade Balance for Goods to US Real Gross Domestic Product

Data Trends

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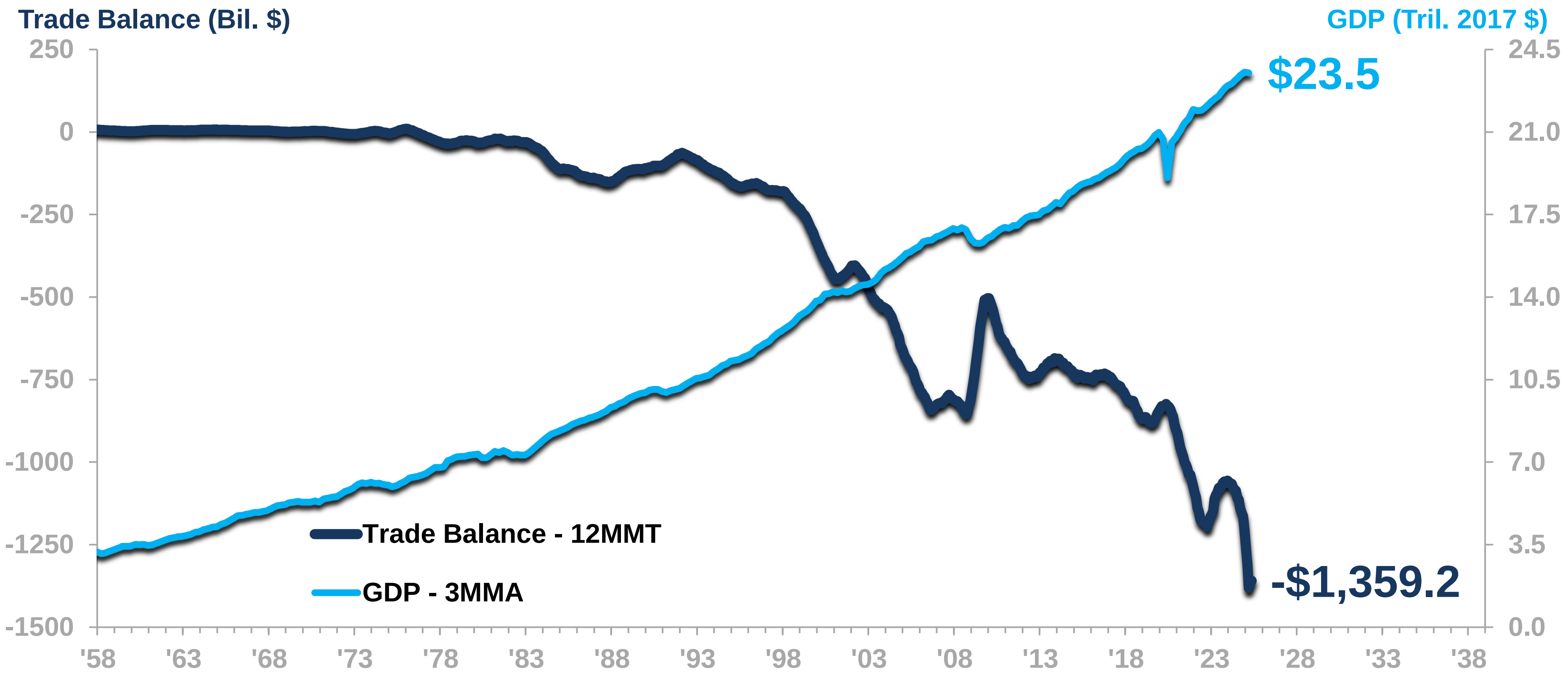
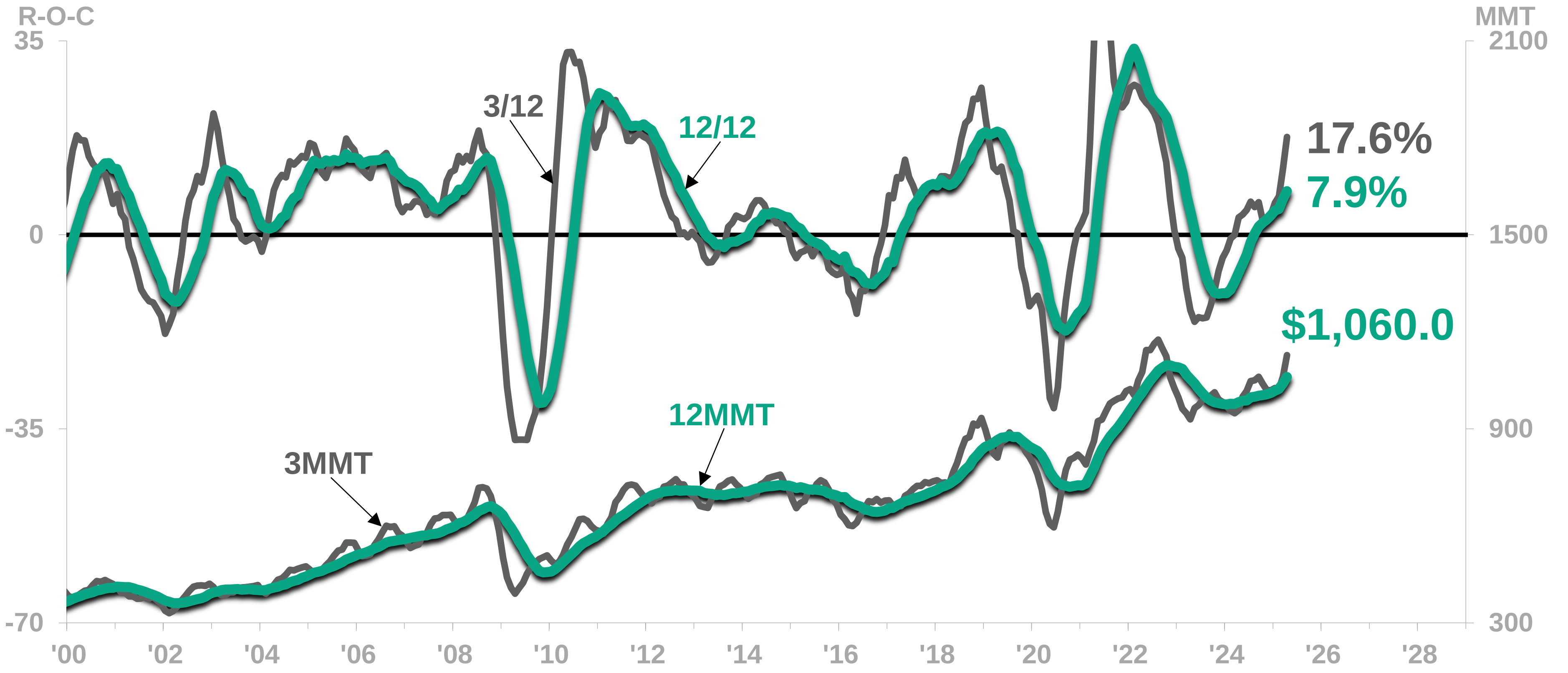


Tariffs Are a Supply Chain & Inflation Variable to Watch

Source: USITC

US Value of Imports Subject to Tariffs

Billions of Dollars

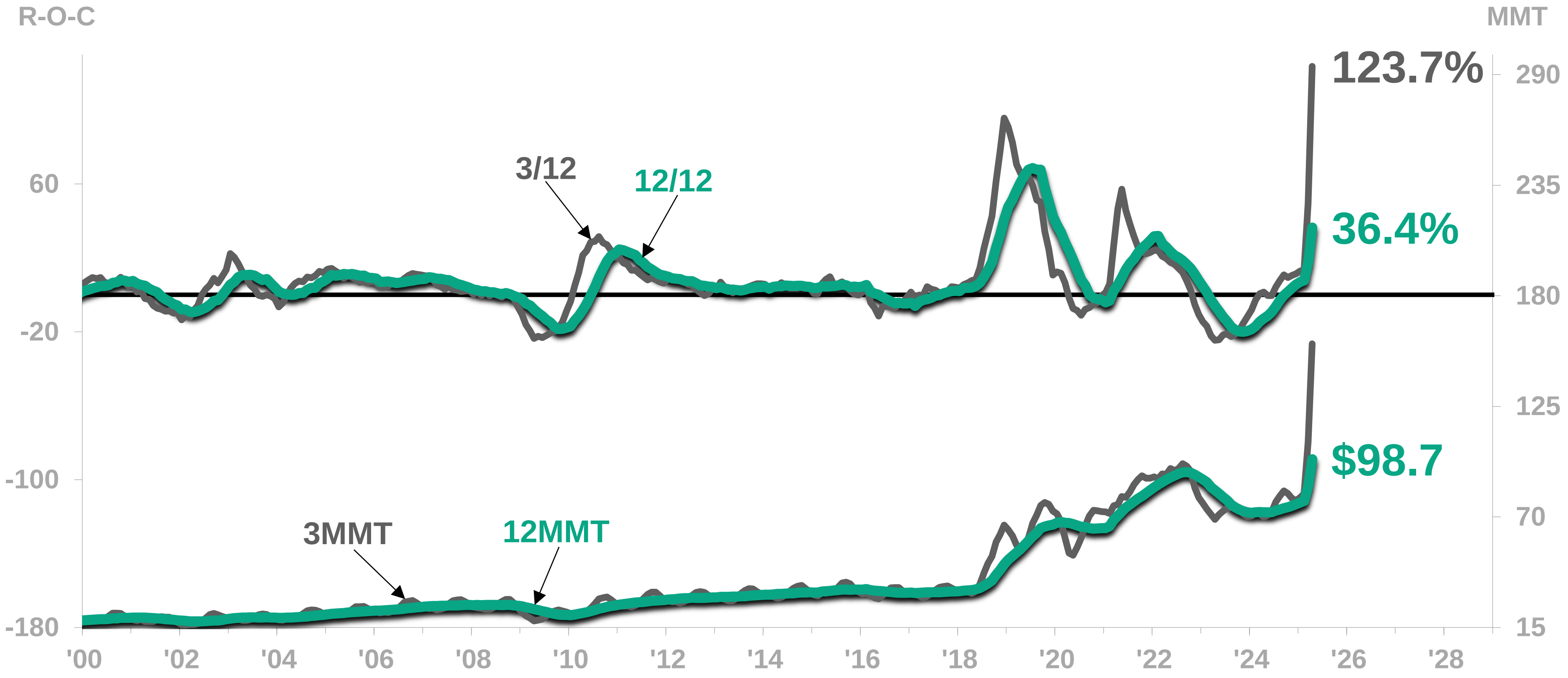


Tariff Income Is Rising

Source: USITC

US Value of Tariffs Collected on Imported Goods

Billions of Dollars



Where Do Our Goods Come From?

Source: US Census Bureau

Imports by NAICS

*Total market estimated as shipments plus imports minus exports.

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Commodity	Total Domestic Market* (Bil. $)	% Domestically Sourced	% Imported
Transportation Equipment	$1,314.7	62.4%	37.6%
Chemicals	$1,080.2	63.5%	36.5%
Food & Kindred Products	$1,004.7	88.3%	11.7%
Petroleum & Coal Products	$708.1	91.1%	8.9%
Computer & Electronic Products	$649.2	15.0%	85.0%
Machinery, Except Electrical	$538.5	54.0%	46.0%
Fabricated Metal Products	$476.8	79.3%	20.7%
Primary Metal Mfg	$377.8	64.7%	35.3%
Plastics & Rubber Products	$336.9	77.1%	22.9%
Electrical Equipment, Appliances & Components	$293.3	33.3%	66.7%
Beverages & Tobacco Products	$256.8	87.2%	12.8%
Miscellaneous Manufactured Commodities	$244.7	36.5%	63.5%
Paper	$210.8	87.3%	12.7%
Nonmetallic Mineral Products	$176.3	83.4%	16.6%
Wood Products	$175.6	85.8%	14.2%
Furniture & Fixtures	$121.7	63.5%	36.5%
Printed Matter And Related Products	$90.5	93.1%	6.9%
Apparel & Accessories	$86.6	3.9%	96.1%
Textile Mill Products	$45.7	47.9%	52.1%
Leather & Allied Products	$43.1	6.9%	93.1%
Textiles & Fabrics	$24.7	63.0%	37.0%
Total for Above Categories	**$8,256.7**	**65.5%**	**34.5%**

A Tariff To-Do List From Our Colleagues at Crowe

Source: Crowe LLP

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TO-DO LIST FOR TARIFF MITIGATION

A to-do list for importers to prepare for a period of growing protectionism and increasing tariffs:

- Have a meeting with the bond surety to discuss your company's bond limit
- Consider a review of your company's HTS Database to ensure your company's imported goods are appropriately classified
- Include a tariff classification expert in your company's new product development process for tariff engineering purposes
- Assess multi-country "work in progress" activity to ensure the correct country of origin is being declared
- Evaluate supply chain to identify potential substitute vendors for dual sourcing
- Consider the possibility of nearshoring
- Evaluate the necessity of building up North America inventory before tariffs are implemented
- Review sourcing contract terms and conditions to evaluate whether increased tariff costs can be pushed back to the vendor
- If your company imports and exports, consider establishing a duty drawback program
- Form an internal "Tariff Committee" consisting of stakeholders such as tax, purchasing, procurement, vendor management, trade compliance, supply chain, product development, etc. focused on duty minimization
- Evaluate the potential impact of increasing tariffs on your related party transfer price
- Assess the possibility of changing the terms of sale to put the responsibility of import duties on the foreign vendor
- Perform a Foreign Trade Zone (FTZ) cost benefit analysis
- Monitor opportunities for Section 301 and Section 232 exclusions, as well as petitions for Miscellaneous Tariff Bill (MTB)
- Establish an Automated Commercial Environment (ACE) portal account and enroll in Periodic Monthly Statement (PMS)
- Make contact with your Congressional representative's office and your two (2) senators and let them know that you exist
- Consider joining a trade promotion organization, such as AAEI
- Consider subscribing to a trade-focused periodical such as International Trade Today, Journal of Commerce, etc.

Have questions? Contact Dan Swartz, Principal – Customs & Trade, Crowe LLP 415-706-8423, dan.swartz@crowe.com

A COMPLIMENTARY Service From ITR/Crowe

Source: Crowe LLP

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Customs & trade

Trade Data Analysis

Contact Dan Swartz
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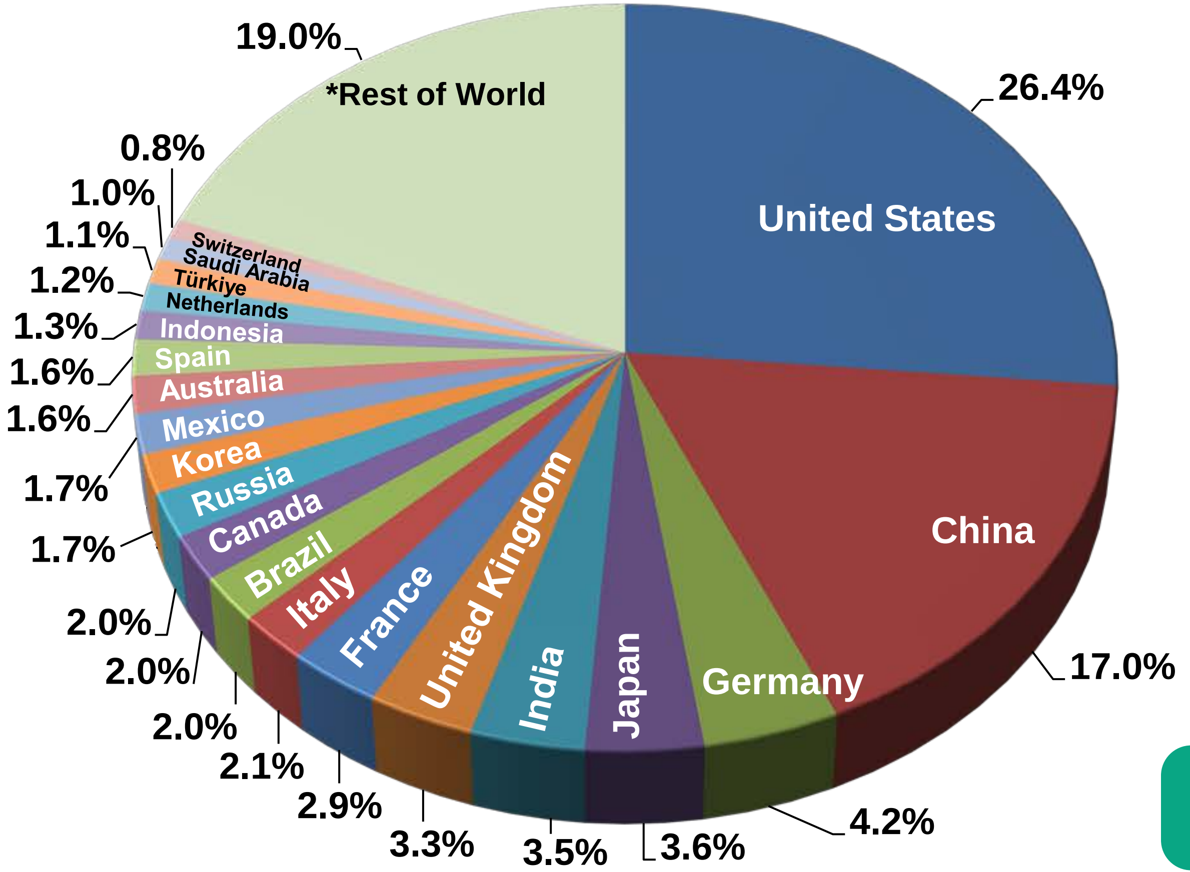
Dan Swartz
Principal

Percent of World GDP by Country

Source: IMF, **ROW: 57% are IMF Estimated Figures*



*Total World GDP:
$110.5 Trillion US $

Global Summary

China is facing significant economic challenges compounded by demographic decline.

Risks associated with financial ties to China are rising.

USA is the #1 destination of foreign direct investment.

Next Steps

- Nationalism brings opportunities for shorter supply chains.
- It also brings inflation and potentially diminished export opportunities.

Inflation & Interest Rates

Some Costs Are Down, But Power & Labor Are Not

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Sources: BLS, EIA

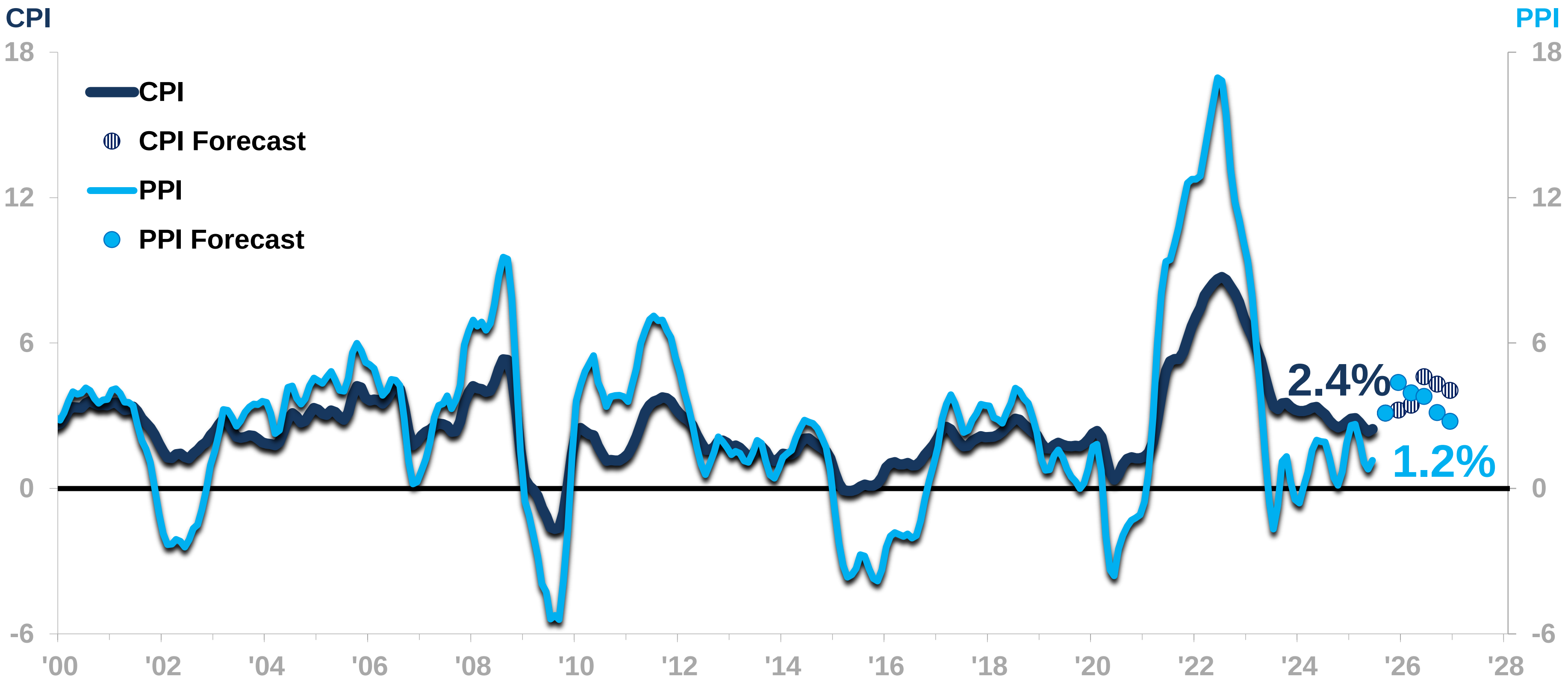
Indicator	12/12	Phase	3/12	Phase
Truck Transportation PPI	1.1%	B	2.1%	C
Construction Workers Earnings	4.1%	C	3.7%	B
Crude Oil (WTI)	-11.4%	D	-20.9%	A
Copper & Brass PPI	8.2%	C	0.3%	C
Electric Power	1.9%	C	2.6%	B
Iron & Steel PPI	-6.6%	A	3.4%	B
Wholesale Trade – Durables, Wages	3.5%	B	4.0%	B
Transportation Employment Cost Index	4.9%	C	4.1%	C

Disinflation in the Short Term

Source: BLS

US Consumer Price Index to US Producer Price Index

3/12 Rates-of-Change

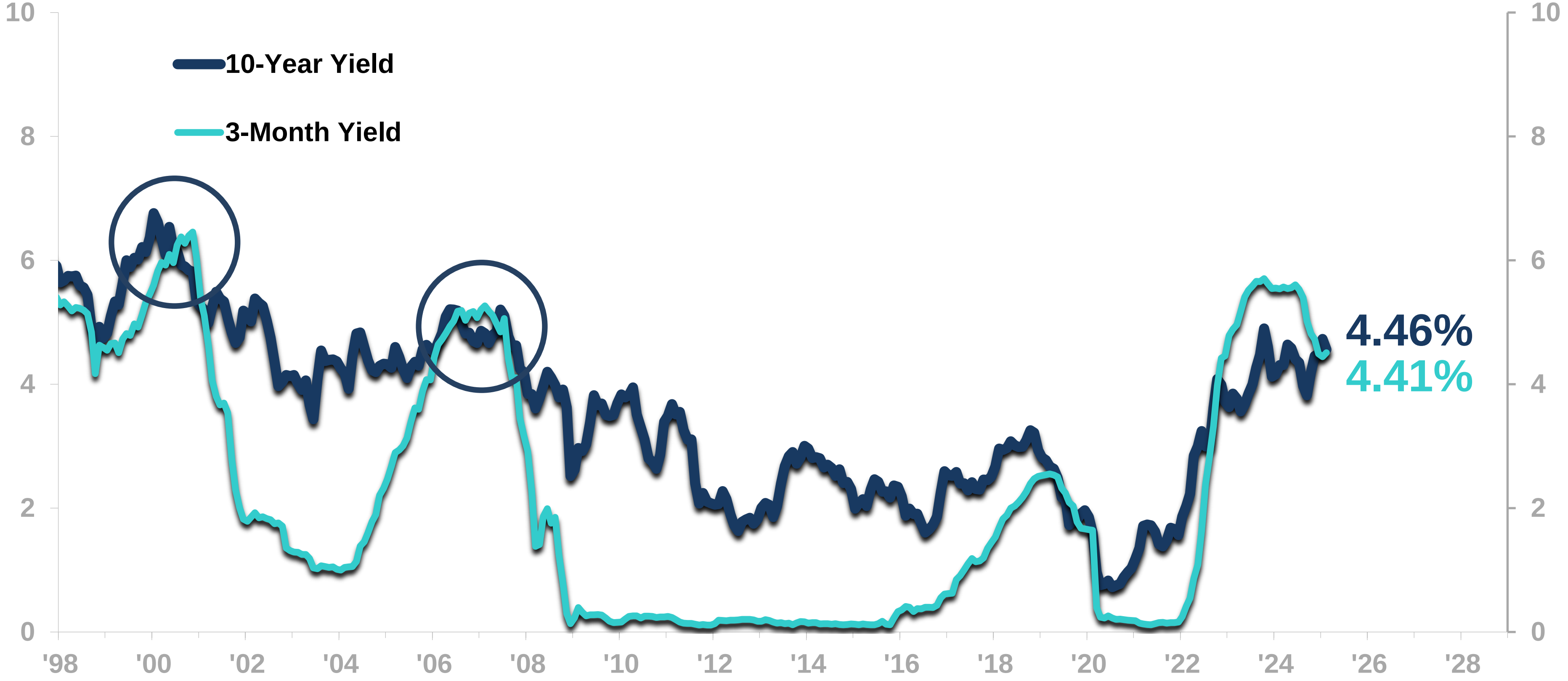


Long-Term Yields Up Despite Rate Cuts

Source: US Treasury Dept.

US Government Long-Term Bond Yields to US 3-Month Treasury Bond Yield

Raw Data: Percent

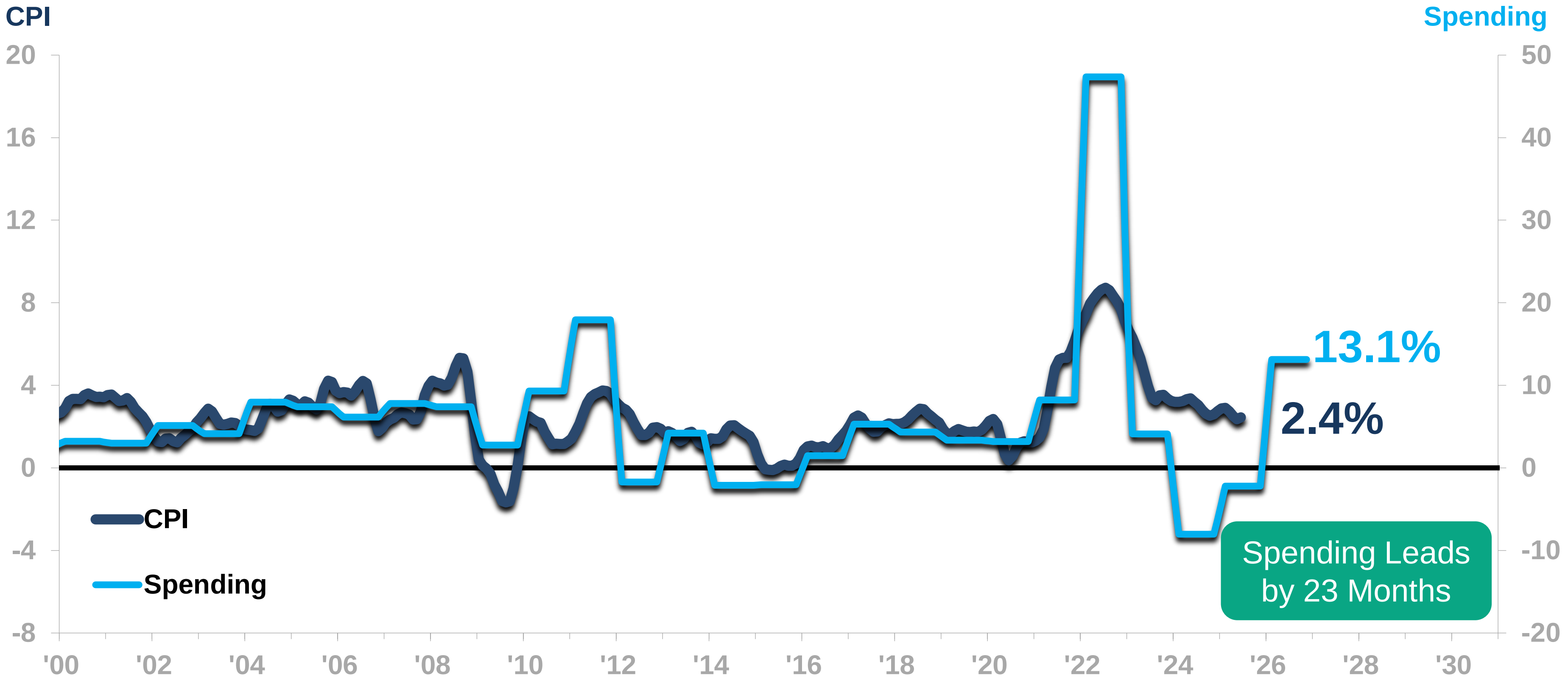


Government Spending Sows Seeds of Future Inflation

Sources: BLS, White House OMB

US Consumer Price Index to US Total Federal Spending

3/12 Rates-of-Change

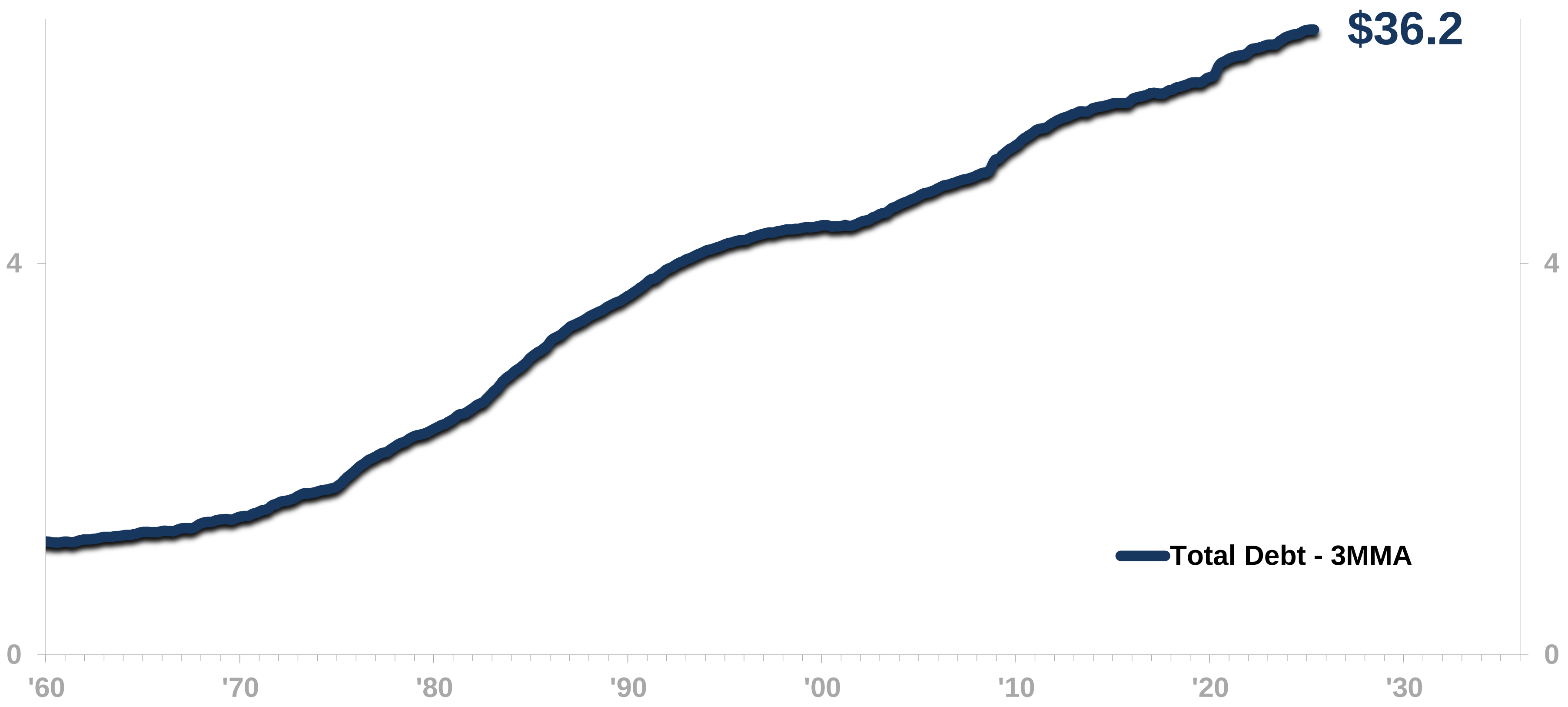


The Real Issue: Mountain of Debt Continues to Grow

Source: US Department of the Treasury

US Total Public Debt Outstanding

Quarterly Data Trend: Trillions of Dollars



Virtue Is Found in the Smaller Numbers

Sources: World Bank, Trading Economics

Government Revenue Needed to Make Interest Payments

Percent

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Percent of Revenue Needed in Year:		
United States	19.9%	2023
United Kingdom	9.0	2023
Canada	7.4	2023
China	3.4	2021
Australia	3.1	2022
Germany	1.5	2022
Sweden	1.4	2022
Switzerland	0.7	2022

Inflation Summary

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Meaningful interest rate decline is not probable for 2025.

Lock in fixed rates for 5–7 years if you are going to use leverage.

Use the next 12–18 months to develop a prolonged inflation strategy.

Next Steps

- Stay with us via our weekly Fed Watch YouTube free broadcasts.
- youtube.com/@ITREconomics

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The US Economy

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1Q25 Decline Was Not Driven By Typical Recession Drivers

Source: BEA

US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars

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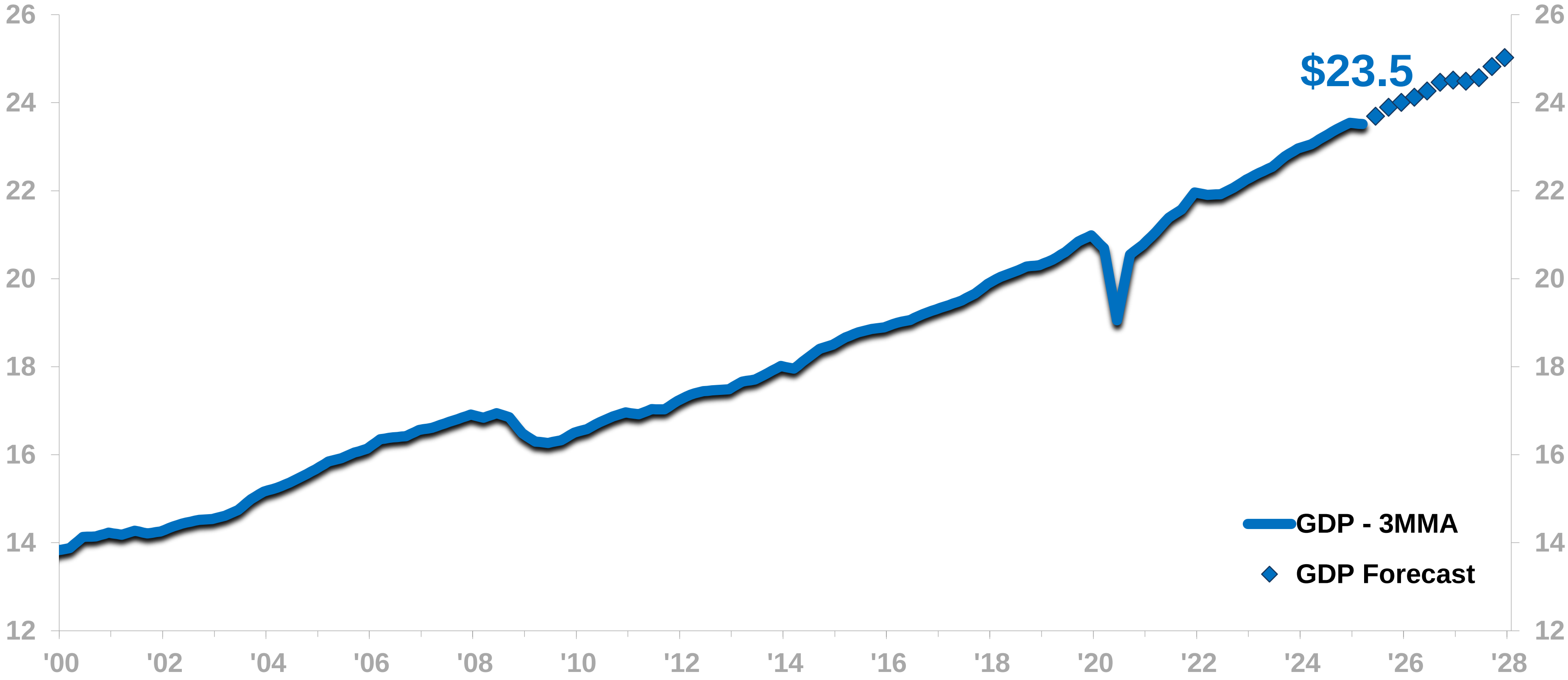
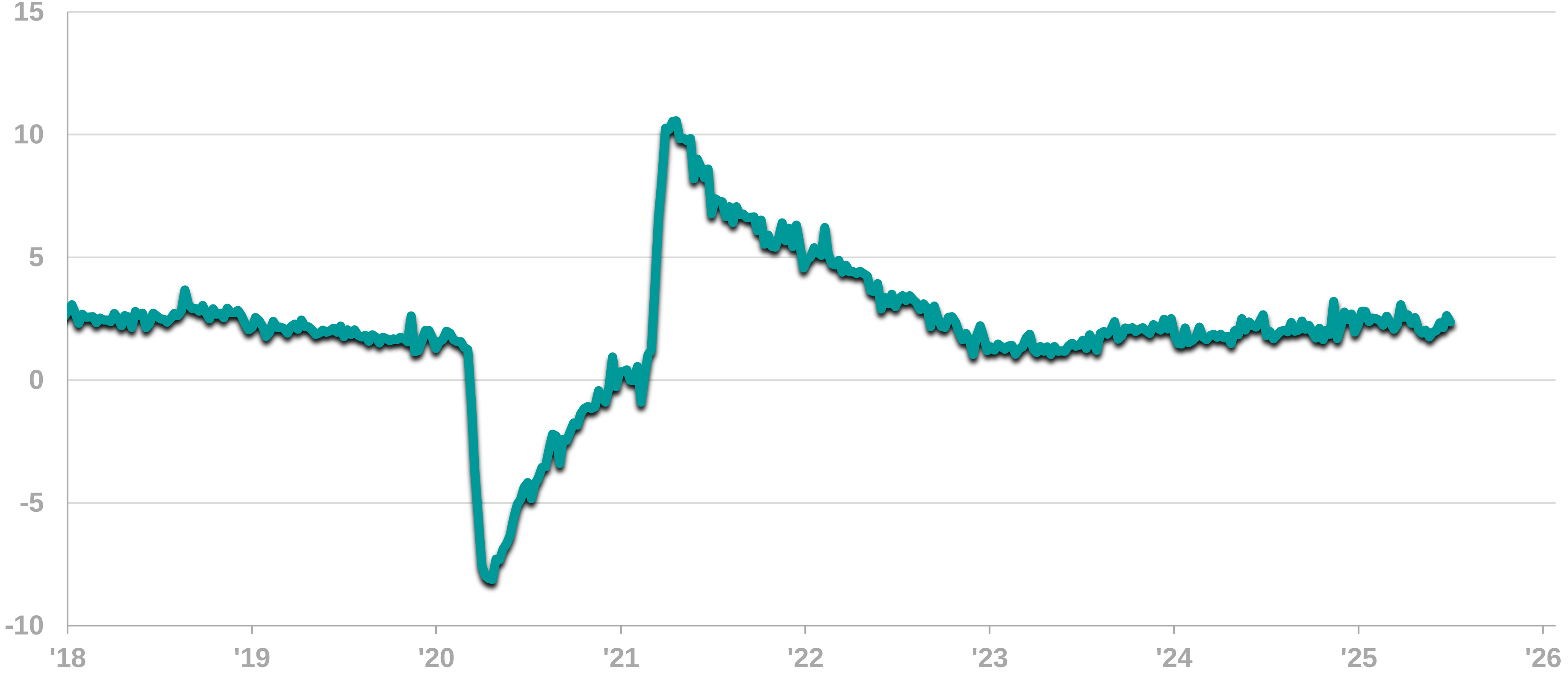


WEI Looks Just Fine

Source: FRB Dallas

US Weekly Economic Index

Raw Data: Percent



Deflated Retail Sales Trend Bodes Well for GDP

Source: US Census Bureau, BEA

US Total Retail Sales (deflated) to US Real Gross Domestic Product

Rates-of-Change

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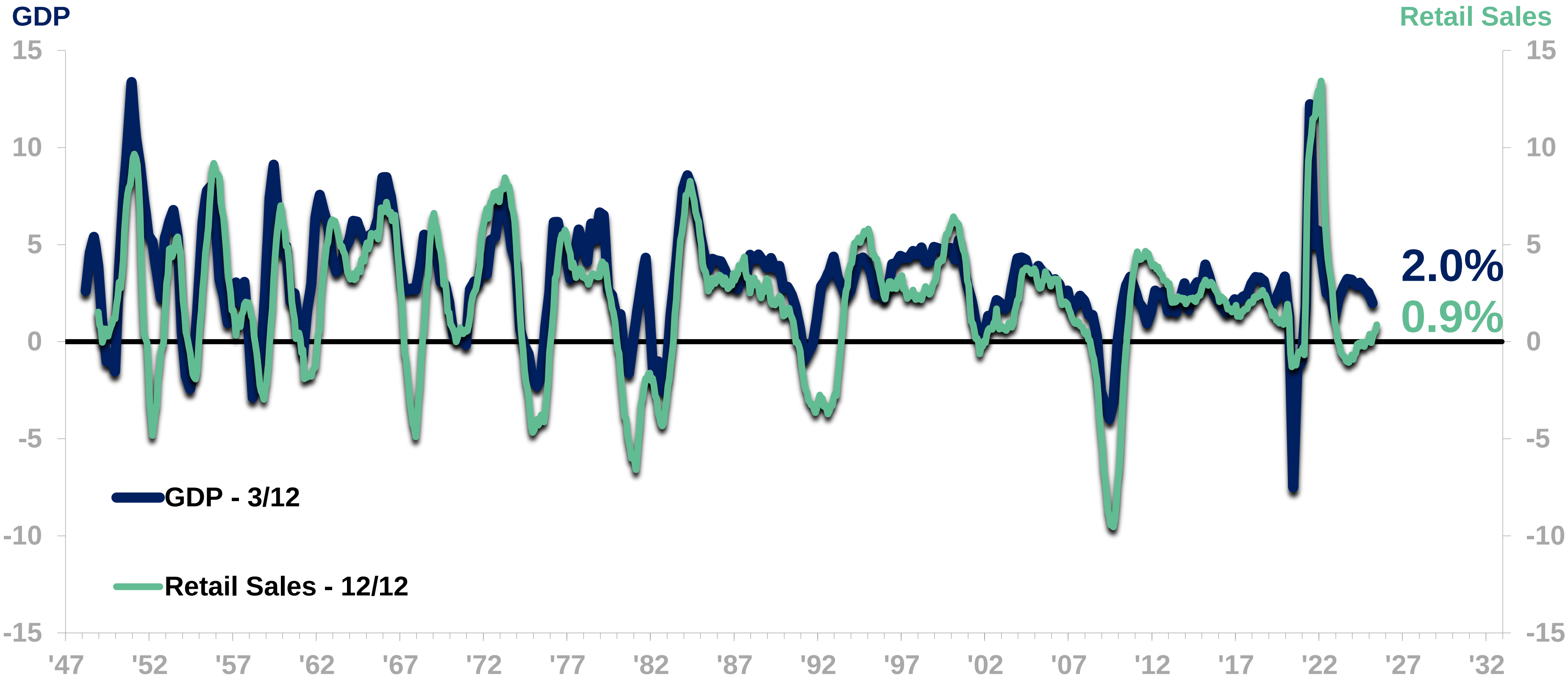
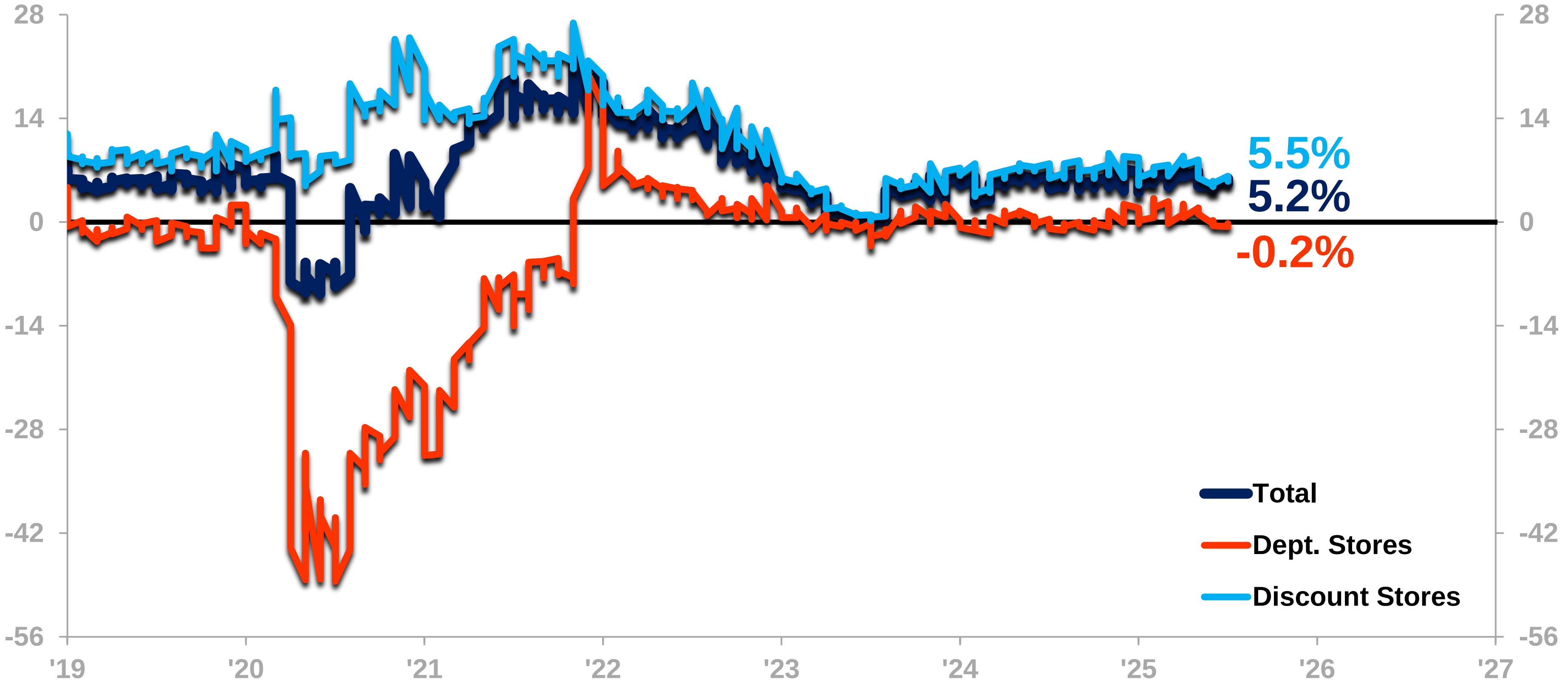


Weekly Retail Trend is Just Fine Despite Headlines

Source: Johnson Redbook

Johnson Redbook Indexes (from 2019)

Percent, Raw Data

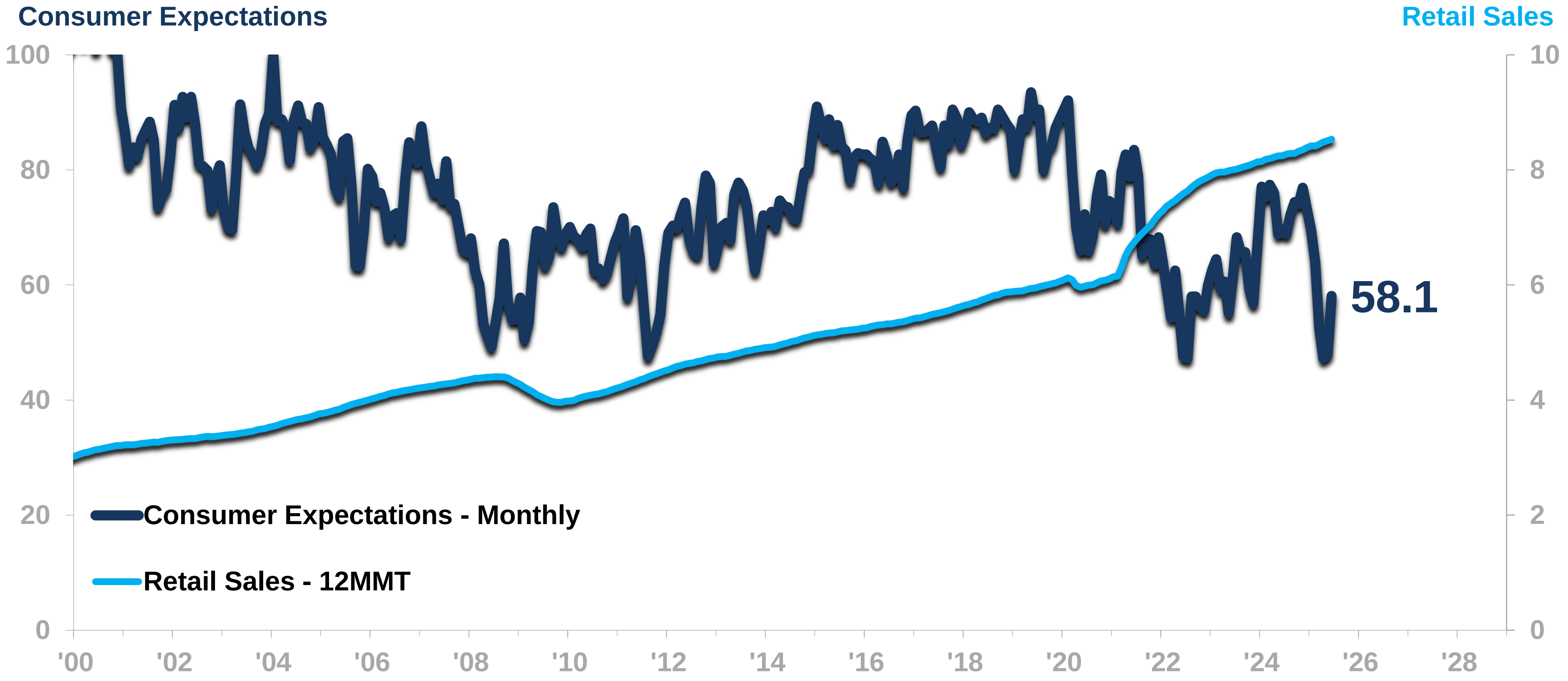


"Soft" Data Points Are Showing the Most Negativity

Sources: University of Michigan, US Census Bureau

US Index of Consumer Expectations to US Total Retail Sales

Monthly Data to Annual Data Trend

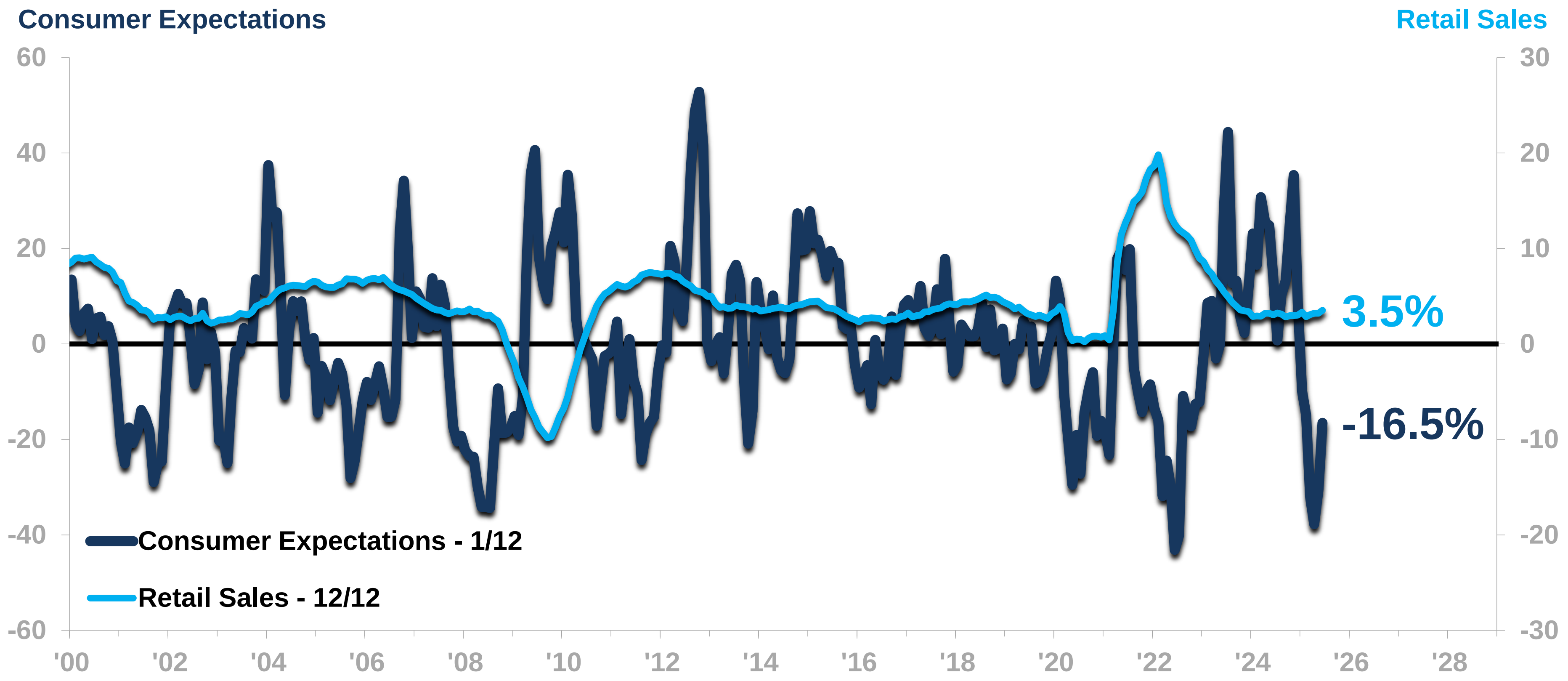


Very Poor Relationship to Actual Retail Outcomes

Sources: University of Michigan, US Census Bureau

US Index of Consumer Expectations to US Total Retail Sales

Rates-of-Change



Inflation-Adjusted Wages Are Rising

Source: BEA

US Real Personal Income (excluding current transfer receipts) to US Real Personal Income

Quarterly Data Trends in Trillions of Chained 2017 Dollars

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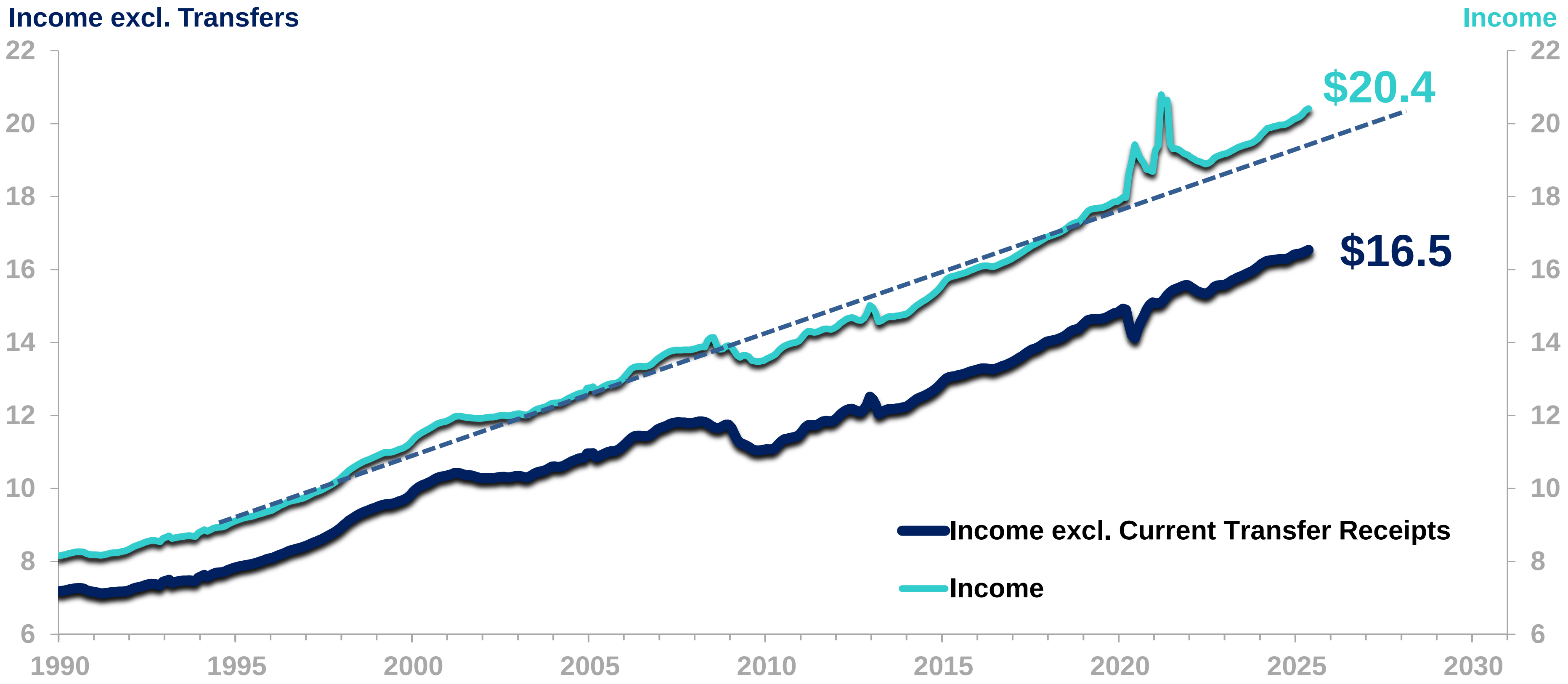

US Macroeconomic Trends Summary

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- Real incomes are rising but discretionary income is getting squeezed.
- Expect the pressure of making choices to ease until inflation comes back in earnest.
- Expect the second half of 2025 to be stronger than the first half of the year.

Next Steps

- Competitive advantages must be compelling.
- Set more aggressive goals for the next several years.
- Gaining market share through 2029 will set you up well for the 2030s.

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Your Markets

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Plan on Growth in 2025

Source: FRB

US Total Manufacturing Production Index

2017 = 100

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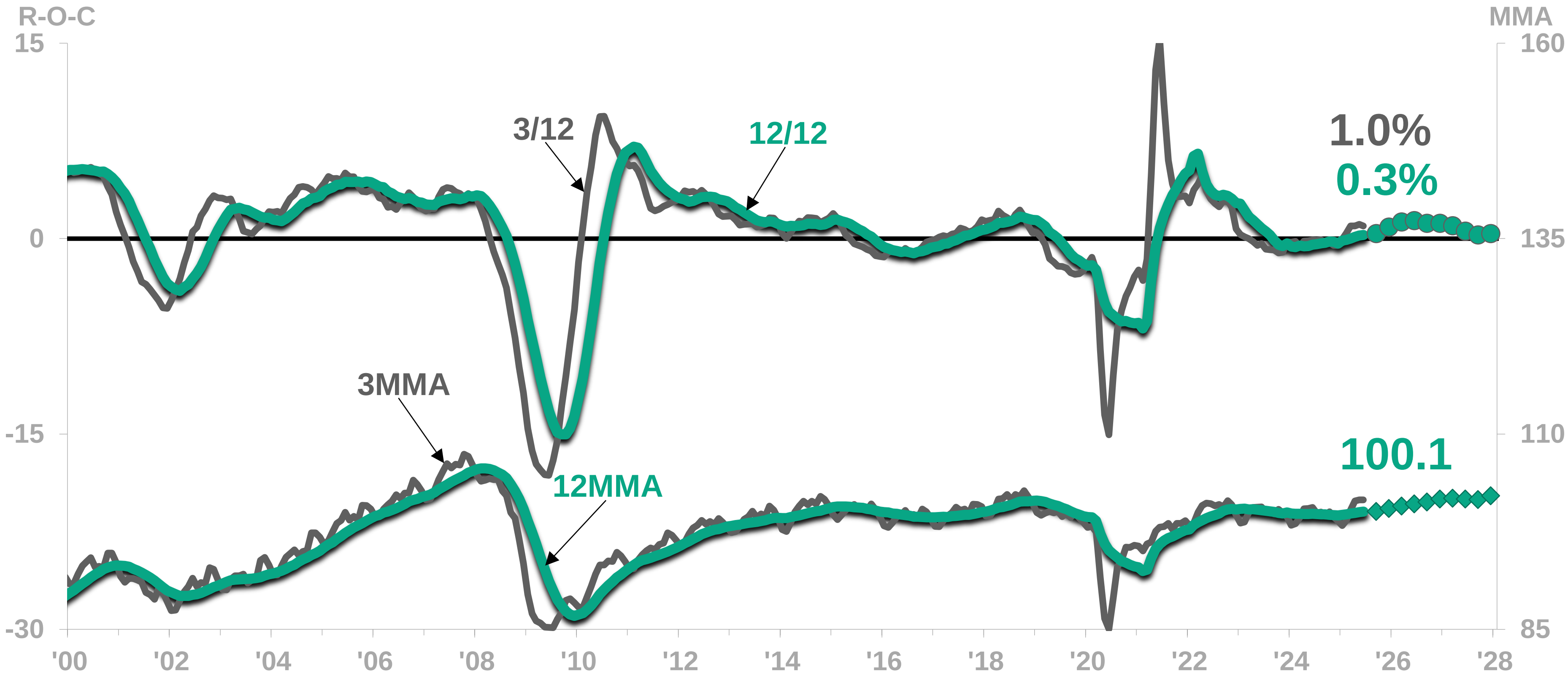
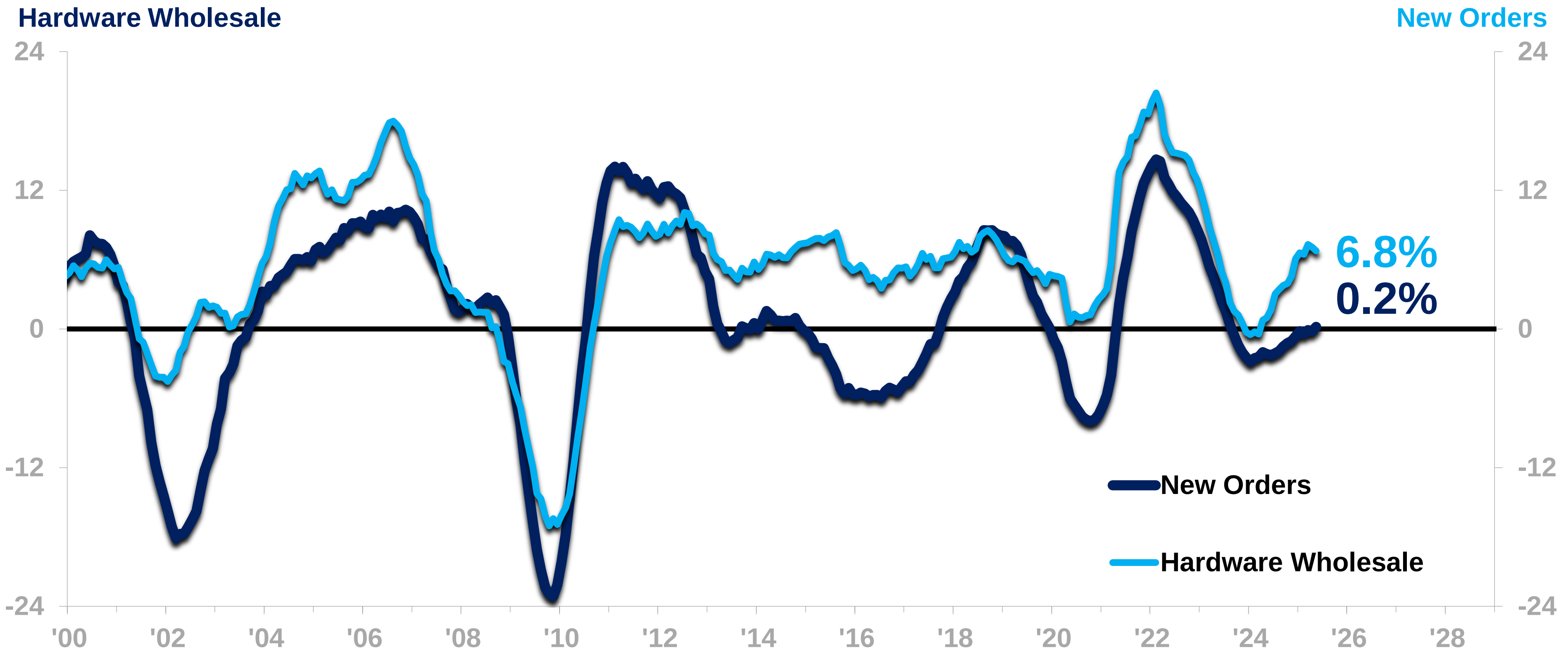


Wholesale Hardware Trends Accelerating

Source: US Census Bureau

US Wholesale Trade of Hardware, Plumbing, and Heating Equipment and Supplies to US Nondefense Capital Goods New Orders (excluding aircraft)

12/12 Rates-of-Change

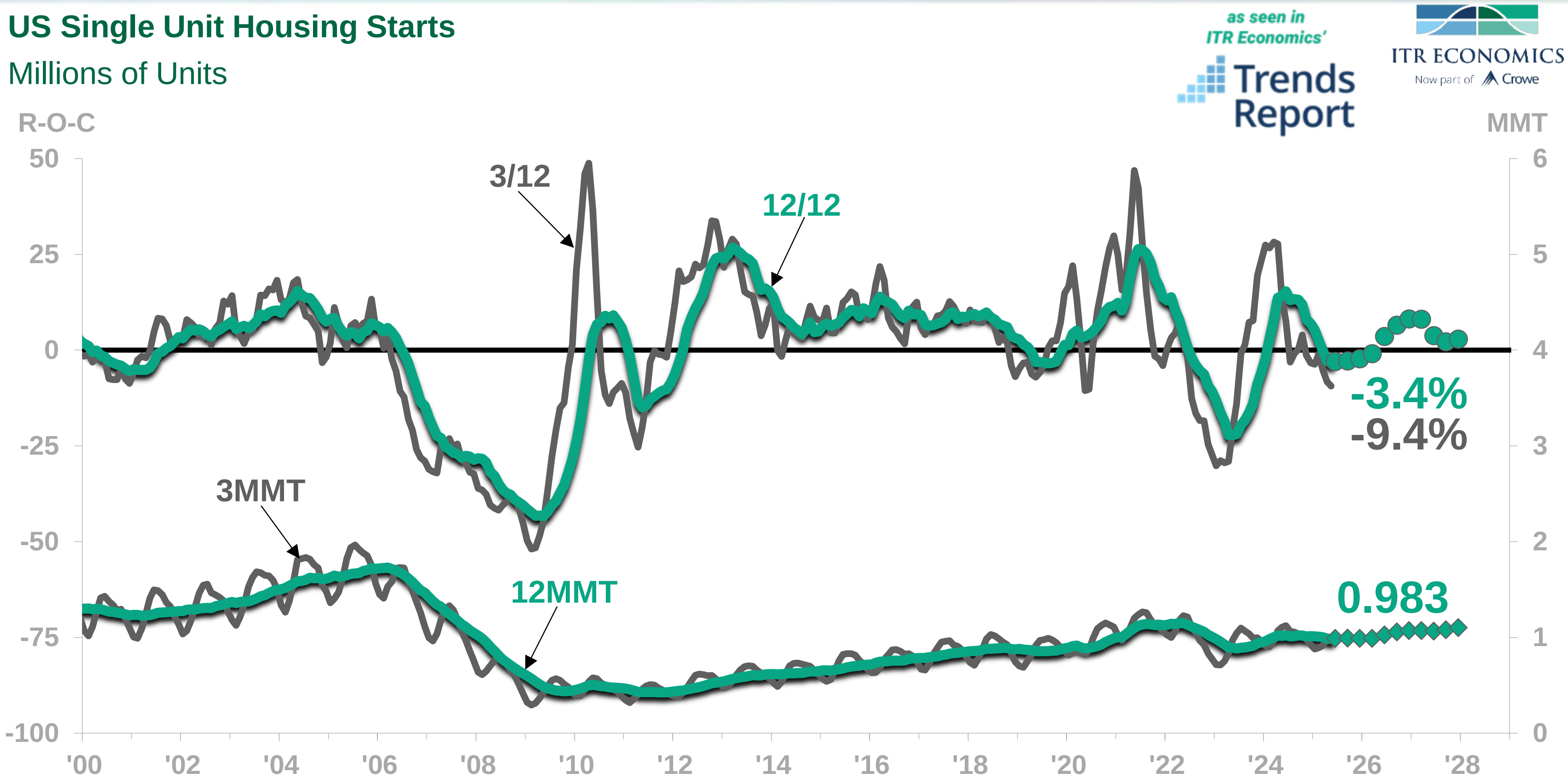


Housing Is Declining on Affordability Challenges

Source: US Census Bureau

US Single Unit Housing Starts

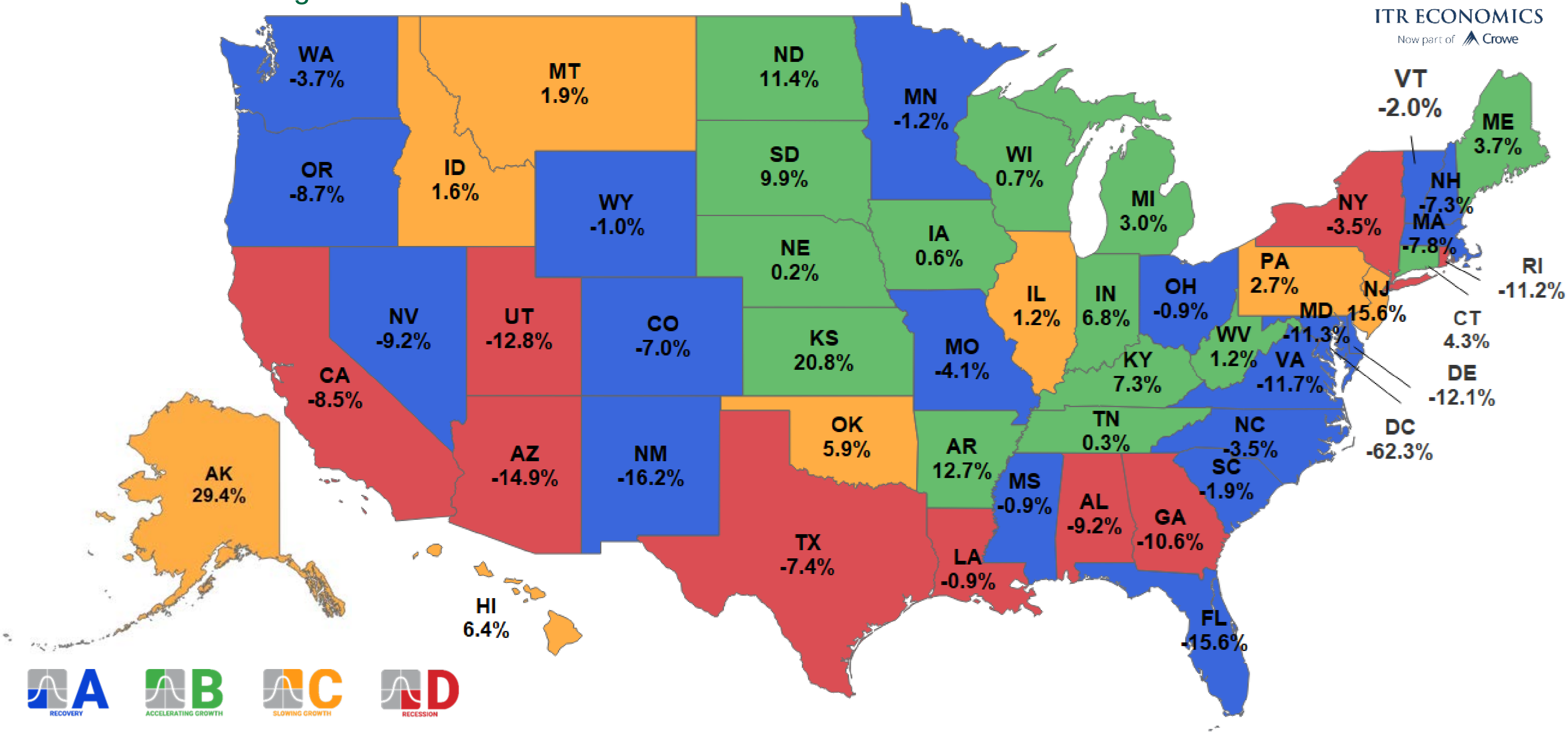
Millions of Units



US Single-Family Housing Unit Permits by State

Source: US Census Bureau

3/12 Rates-of-Change



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Be Geographically Specific: State Population Growth 2020 to 2024

Source:
US Census Bureau

Population Growth 2020 – 2024, Percent Change

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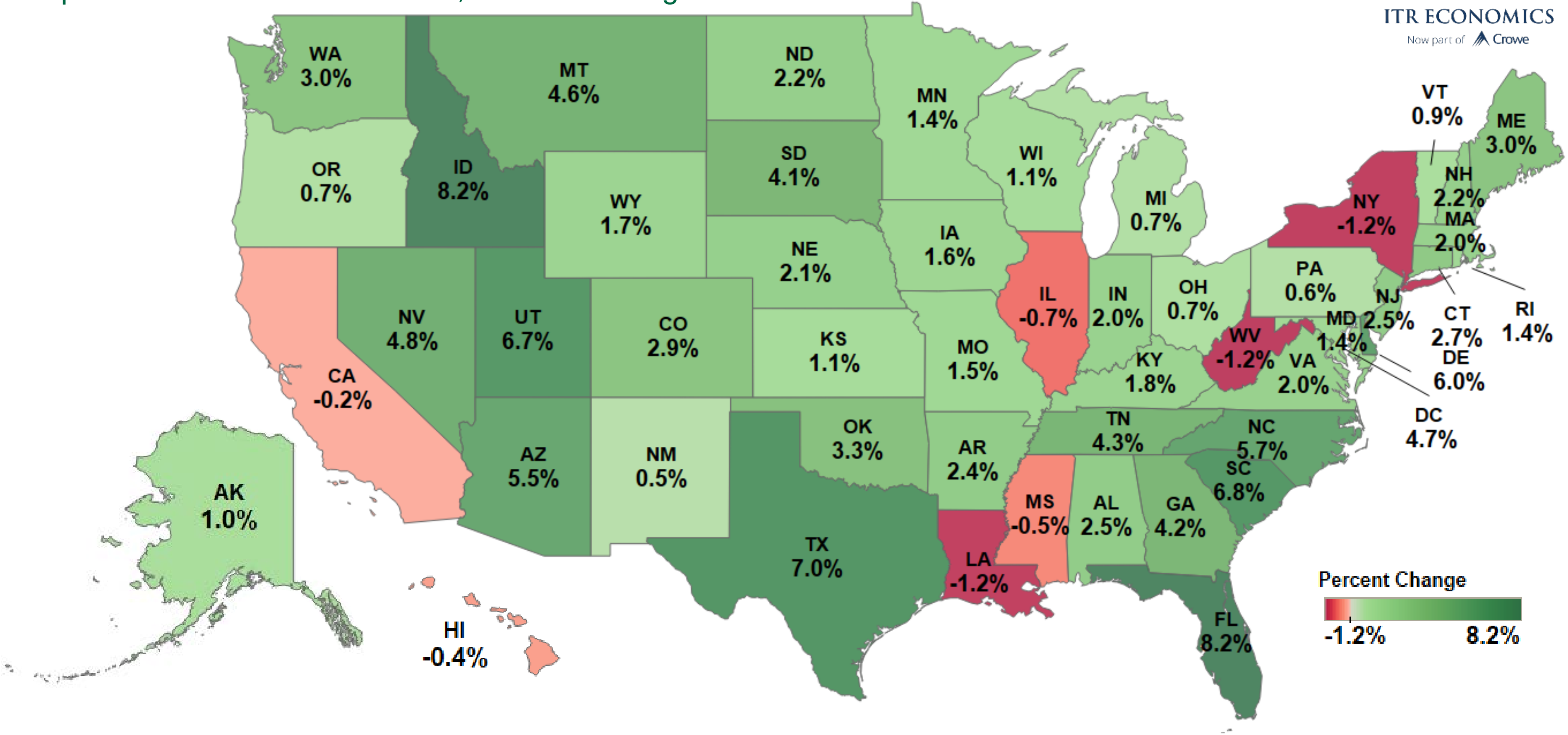

Despite Strong Demographic Growth – Texas Softening

Source: US Census Bureau

Texas Housing Permits

Thousands of Permits

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	12/12	12/12 Phase	Annual Trend	Direction
Texas Total	0.1%	C	223.5	↑
Texas Single-Family	-1.6%	D	153.5	↓
Texas Multi-Family	3.9%	B	70.0	↑
*San Antonio Single-Family	-7.1%	A	10.0	↓
*Houston Single-Family	0.2%	B	51.6	↑
*Dallas Single-Family	-6.3%	A	43.7	↓
*Austin Single-Family	-8.2%	D	16.2	↓

**Metropolitan Statistical Areas*

A RECOVERY

B ACCELERATING GROWTH

C SLOWING GROWTH

D RECESSION

Still Very Expensive, But Pace of Ascent Has Slowed

Source: FHFA

US Housing Price Index

Raw Data (1991 = 100)

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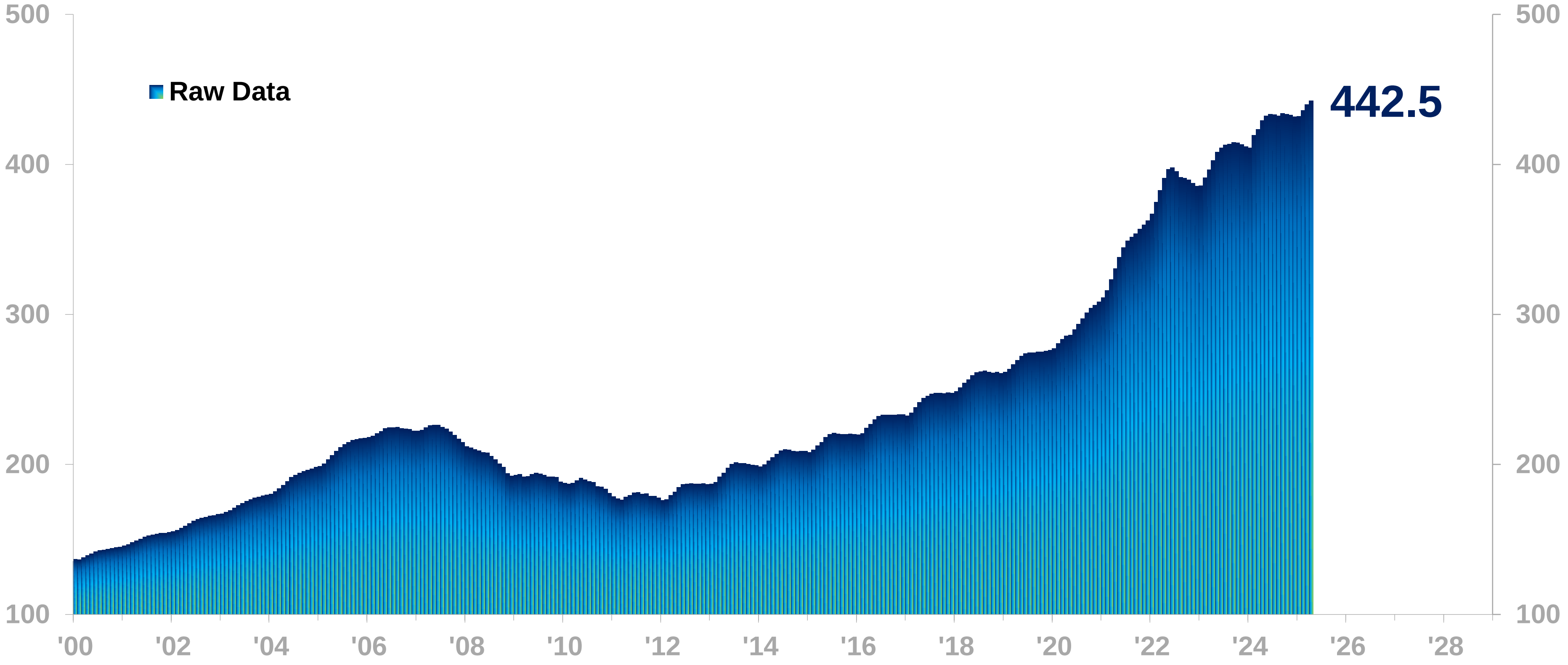
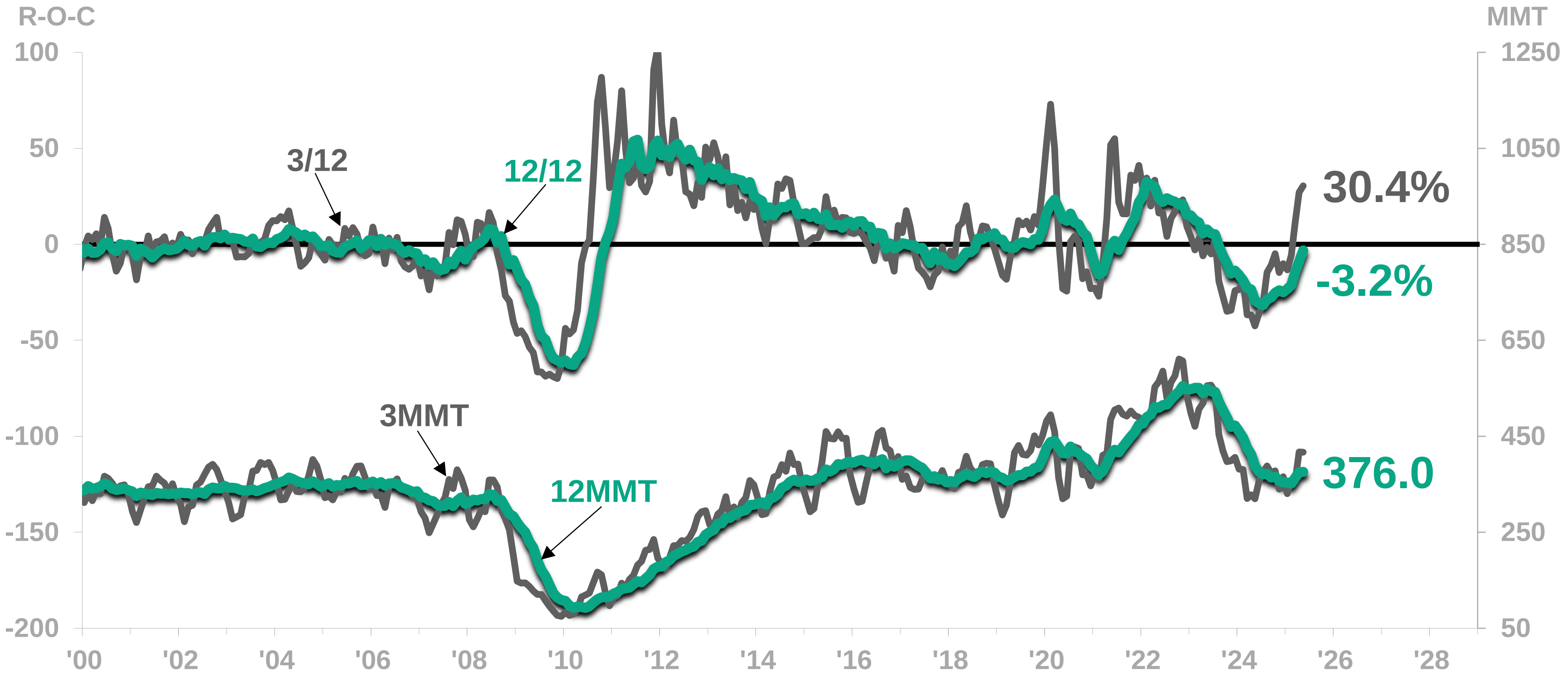


Multifamily Market Rebounding In 2025

Source: US Census Bureau

US Multi-Unit Housing Starts

Thousands of Units



Housing Leads – Nonresidential Lags

Source: US Census Bureau

US Private Nonresidential Construction to US Single-Unit Housing Starts

12/12 Rates-of-Change

as seen in ITR Economics' Trends Report

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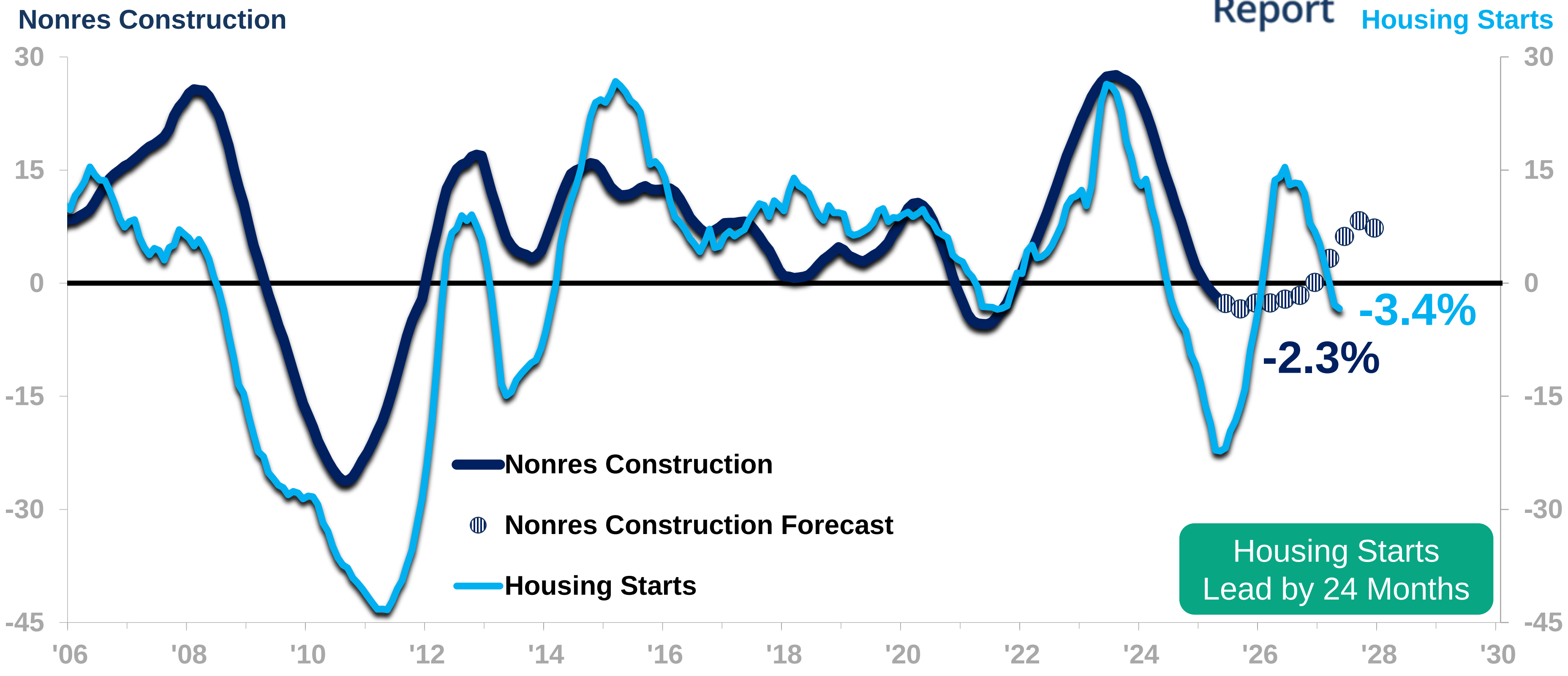
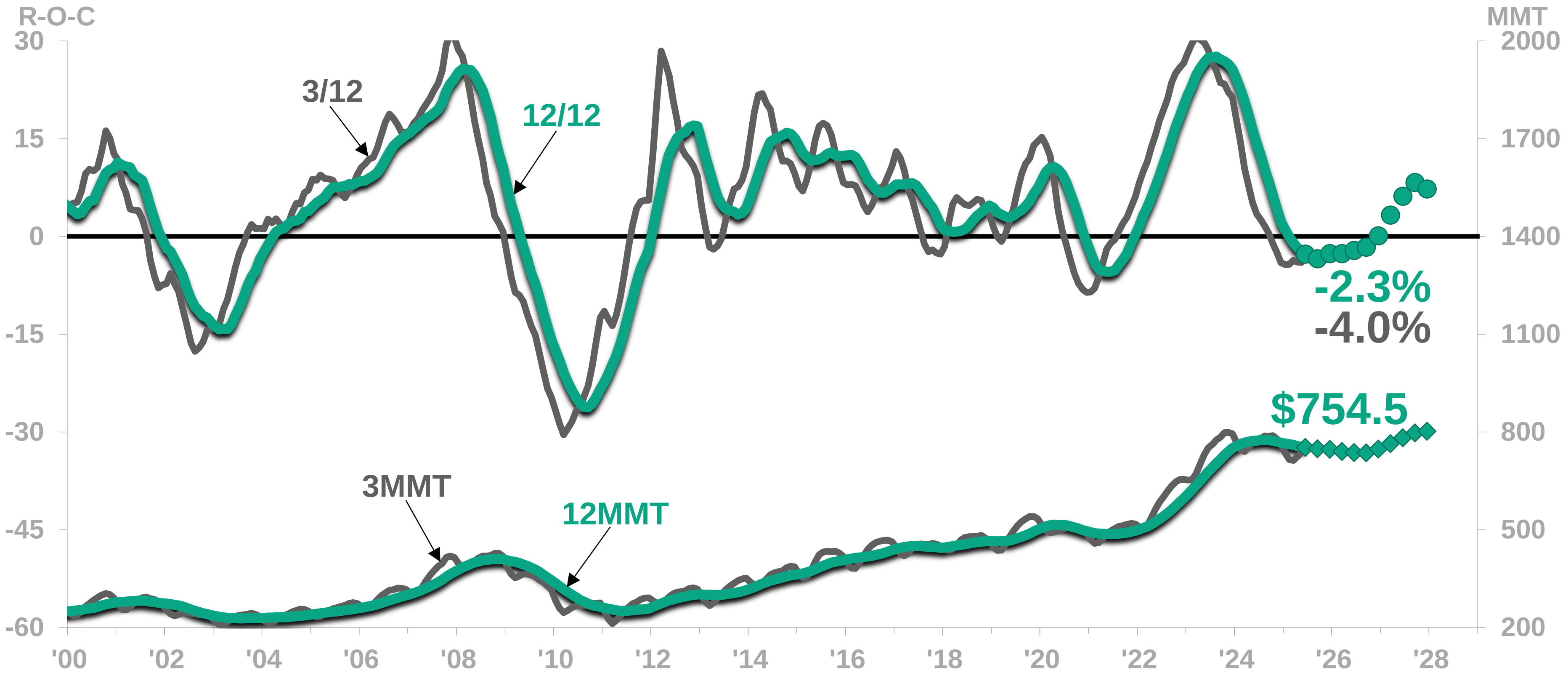


Recovery in the Second Half of 2026 Through 2027

Source: US Census Bureau

US Private Nonresidential Construction

Billions of Dollars



A Look at Texas Value of New Construction

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Source: ConstructConnect

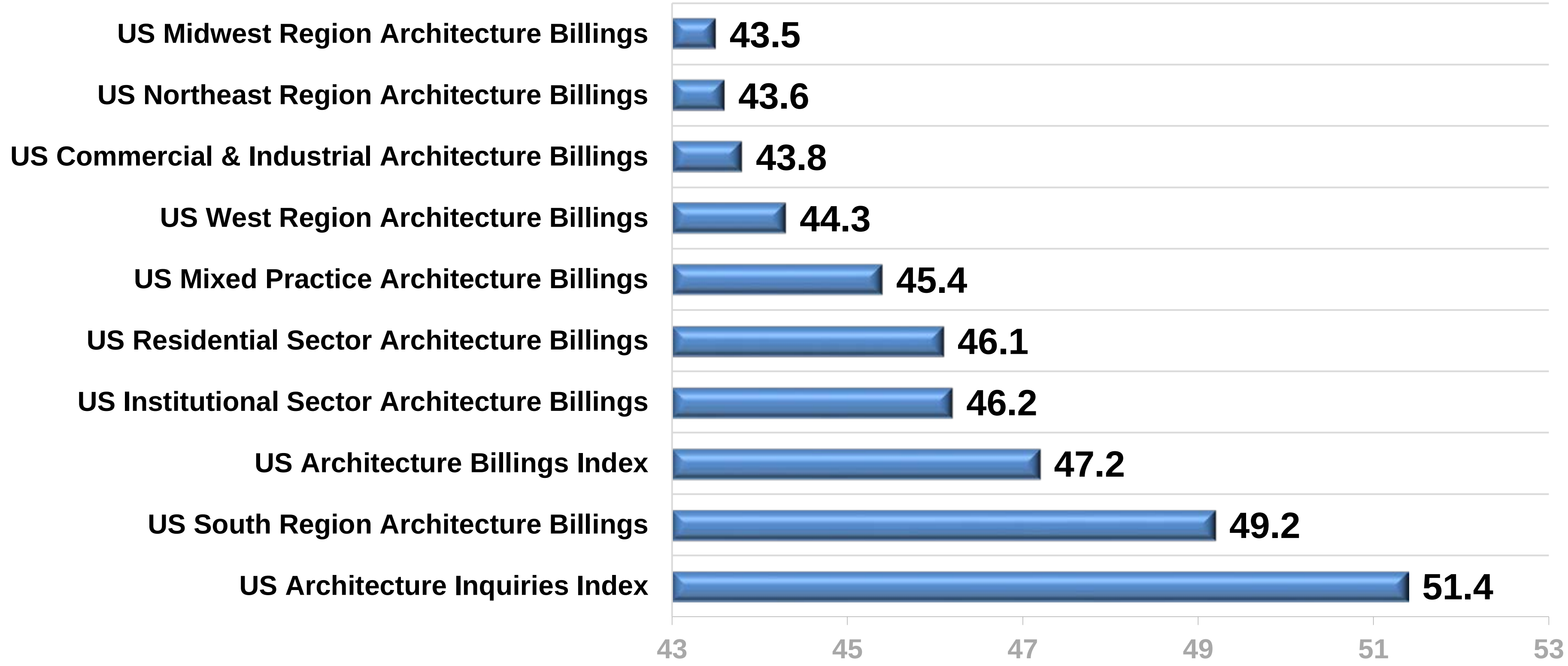
	12/12	Phase	3/12	Phase	12MMT	12MMT Notes
Austin Commercial	7.1%	C	5.4%	C	$ 1.5 bn	Decelerating rise
Dallas Commercial	11.1%	B	28.7%	B	$ 3.4 bn	Rising
Houston Commercial	-4.3%	A	-6.6%	D	$ 3.1 bn	Declining
San Antonio Commercial	12.9%	B	17.8%	B	$ 1.3 bn	Rising
Austin Office	-44.1%	D	-52.4%	D	2.4	Declining
Dallas Office	-21.4%	A	-11.1%	A	5.1	Declining
Houston Office	-22.3%	D	-21.9%	A	2.9	Declining
San Antonio Office	12.5%	C	-30.3%	D	2.7	Quarterly Decline

ABI's Flashing Warning Signs For Overall Market

Source: AIA

Architecture Billings Index

Monthly Data (Above 50 Indicates an Increase in Demand)



Data Center Construction Outperforming Everything Else

Source: US Census Bureau

US Private Data Center Construction

Billions of Dollars

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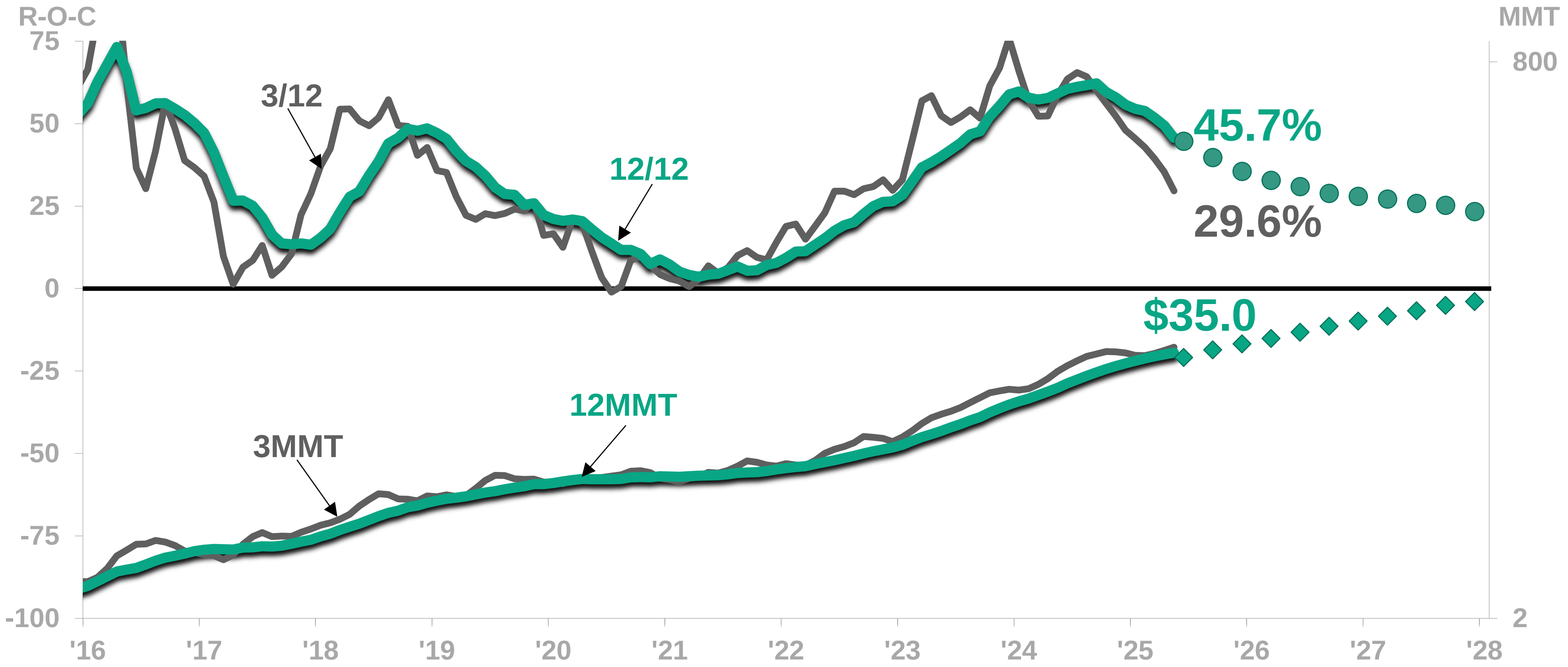
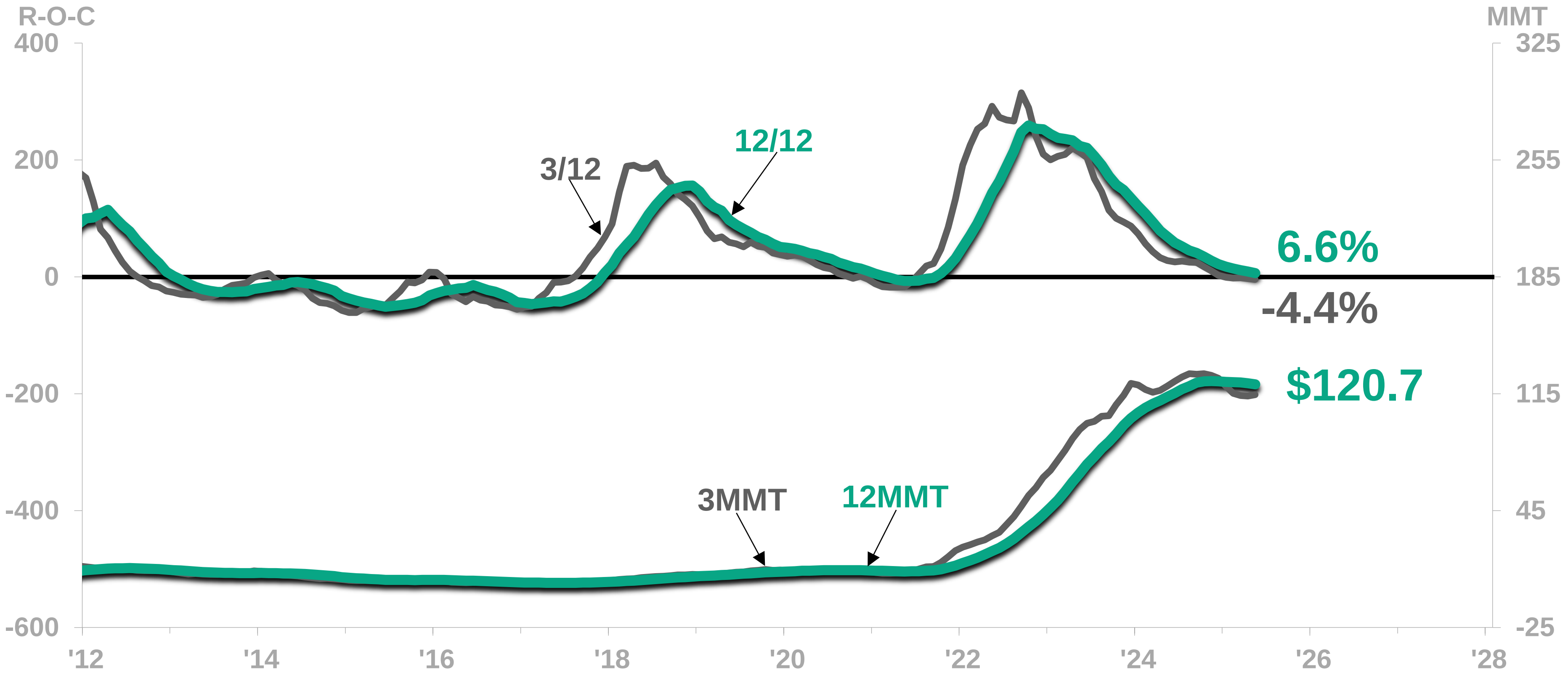


Giga Project Boom Seen In The Data

Source: US Census Bureau

US Private Computer, Electronic & Electrical Construction

Billions of Dollars



Many Markets Have Softened From A Year Ago

Source: US Census Bureau

US Private Food, Beverage, and Tobacco Construction

Billions of Dollars

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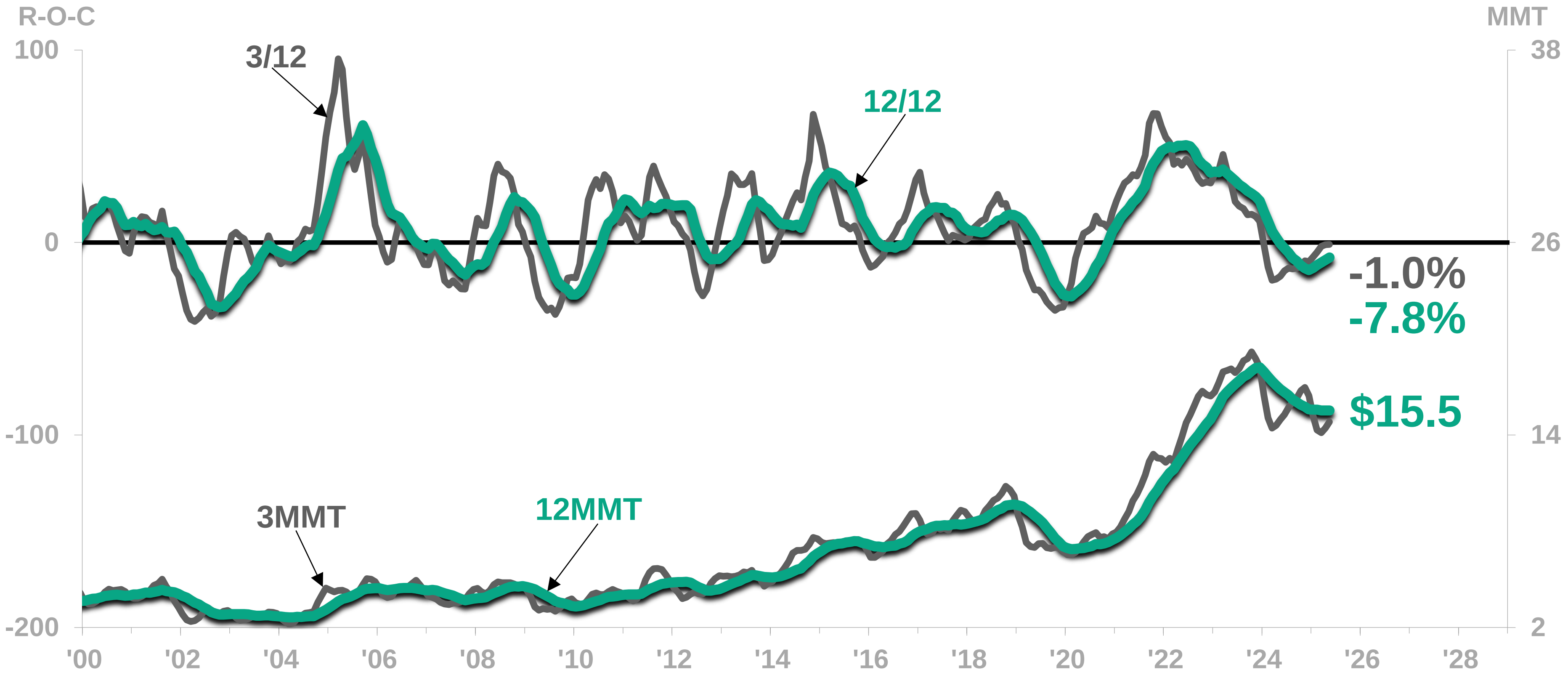

Warehouse Market Is Down More Than 20%

Source: US Census Bureau

US Private Warehouse Construction

Billions of Dollars

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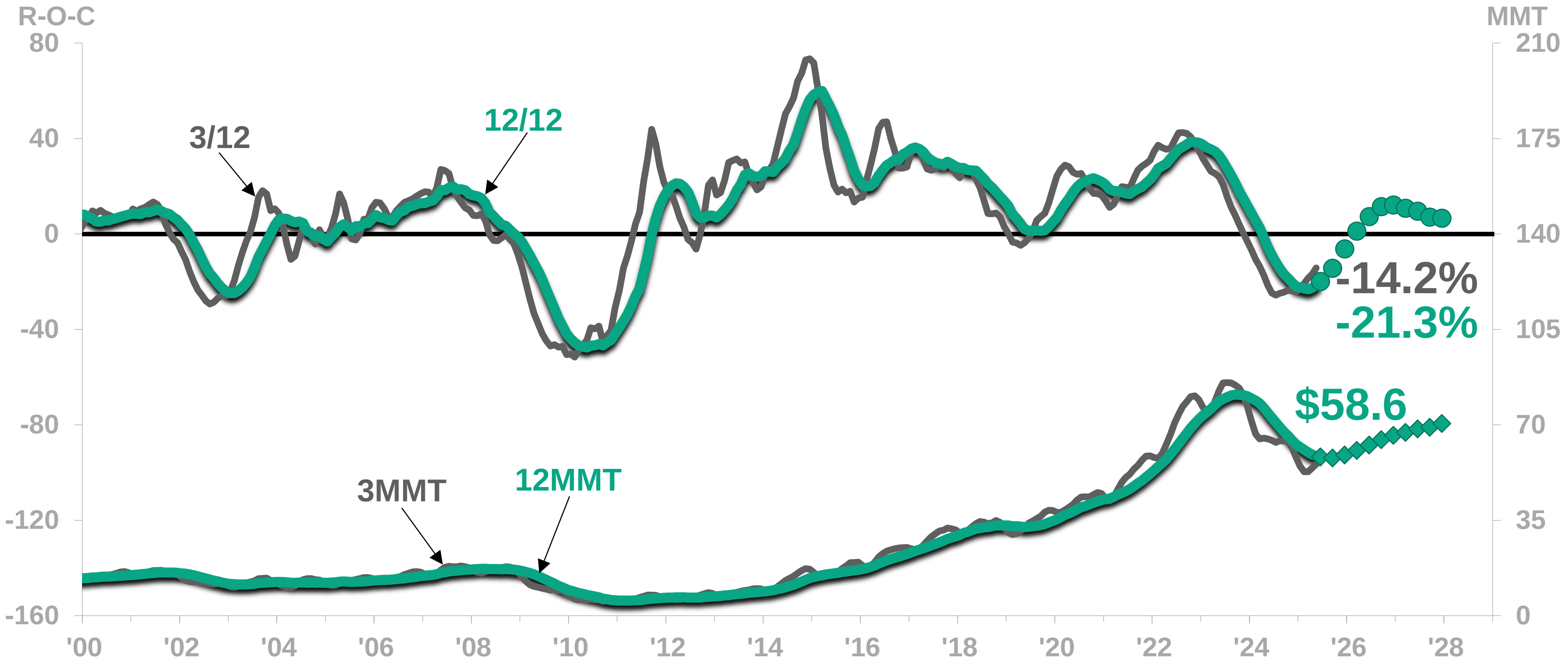
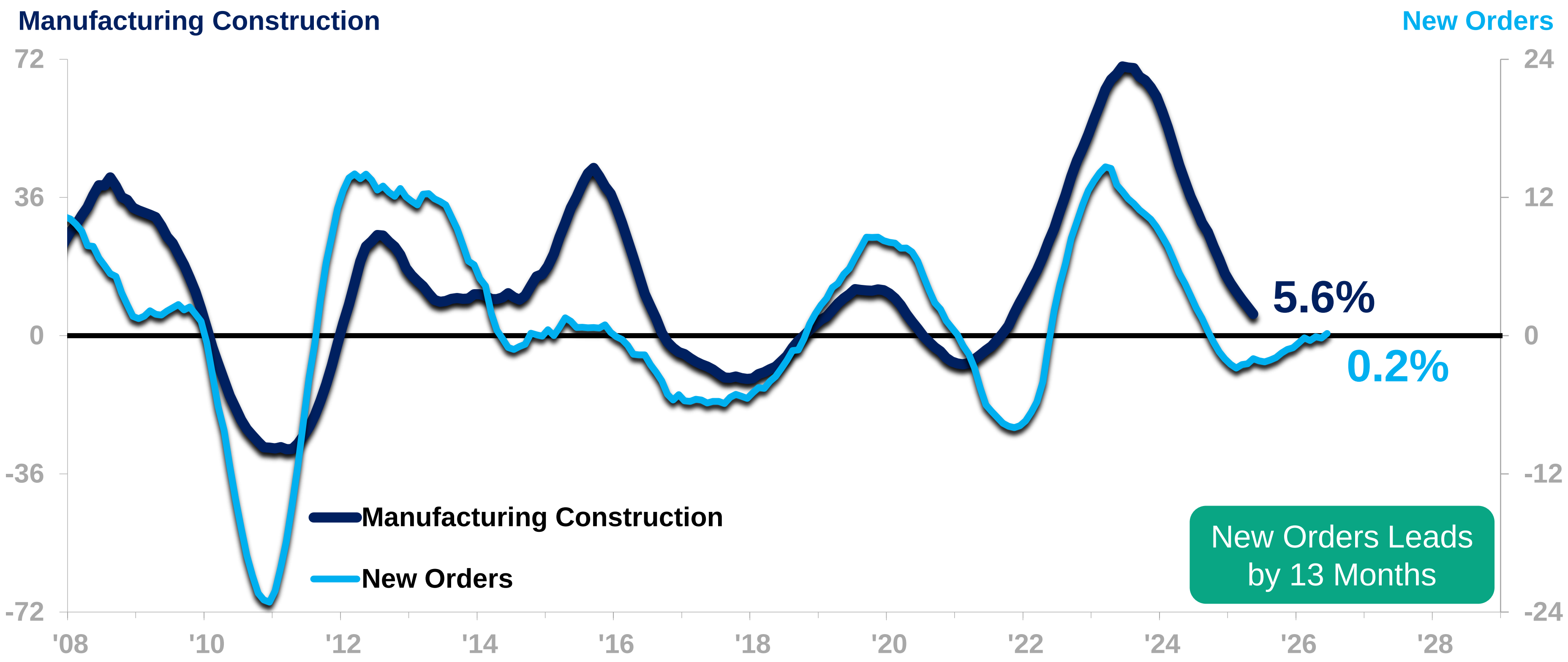


Normalizing After Post-COVID Surge

Source: US Census Bureau

US Private Manufacturing Construction to US Nondefense Capital Goods New Orders (excluding aircraft)

12/12 Rates-of-Change



Office Market Continues To Decline

Source: US Census Bureau

US Private General Office Construction

Billions of Dollars

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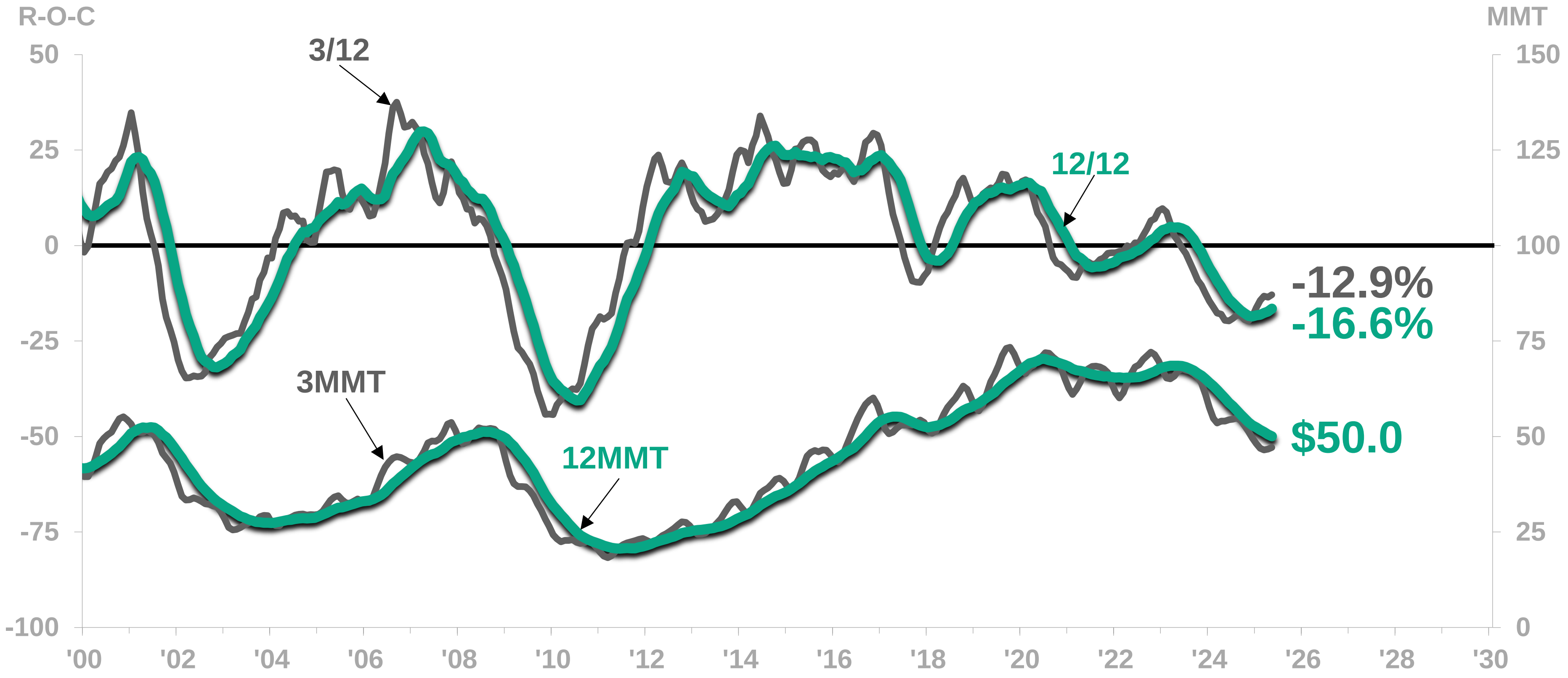

Backlog is Moving Back Into A Rising Trend

Source: Associated Builders and Contractors

US Construction Backlog Indicator For Commercial and Industrial

Months

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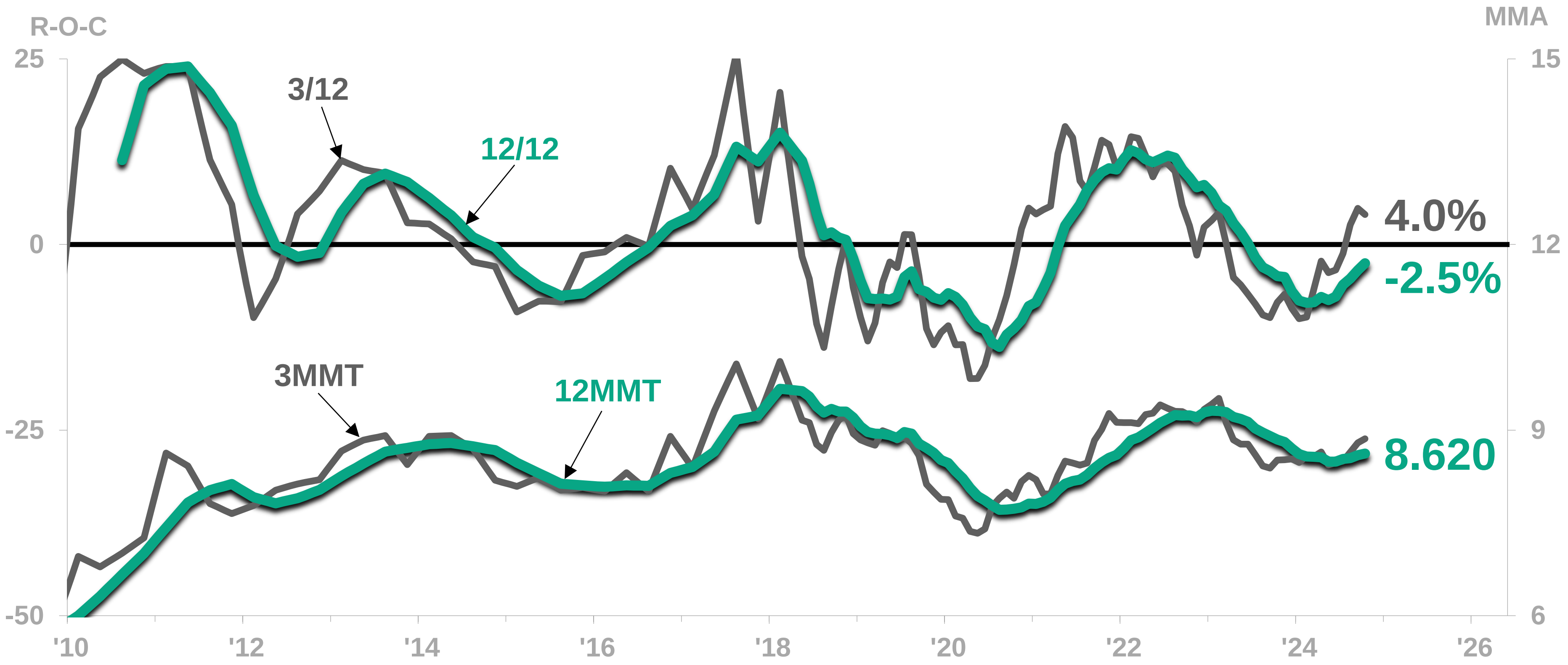

As Seen in the ITR Trends Report; Seek the Opportunities

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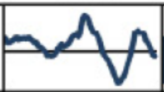
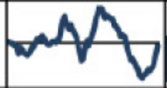
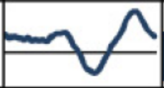
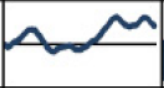
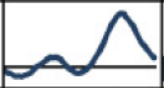
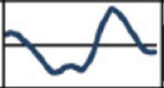
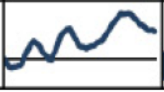
The US Construction Economy At-a-Glance

A RECOVERY

B ACCELERATING GROWTH

C SLOWING GROWTH

D RECESSION

	Historical 12/12	Historical 12MMT	Current 12/12	2025	2026	2027
US Single-Unit Housing Starts			-3.4	-2.2	8.2	2.9
US Multi-Unit Housing Starts			-3.2	0.2	5.3	-0.7
US Private Office Construction			-13.7	-3.6	8.2	3.0
US Total Education Construction			6.5	4.1	-0.4	5.5
US Total Hospital Construction			7.4	2.4	5.6	2.8
US Private Manufacturing Construction			11.9	-1.3	-12.8	-4.2
US Private Multi-Tenant Retail Construction			-7.3	-2.3	7.3	-2.1
US Private Warehouse Construction			-16.2	6.0	9.0	1.2
US Public Water & Sewer Facilities Construction			12.6	2.3	-2.0	-0.5

Note: Forecast color represents what Phase the market will be in at the end of the year.

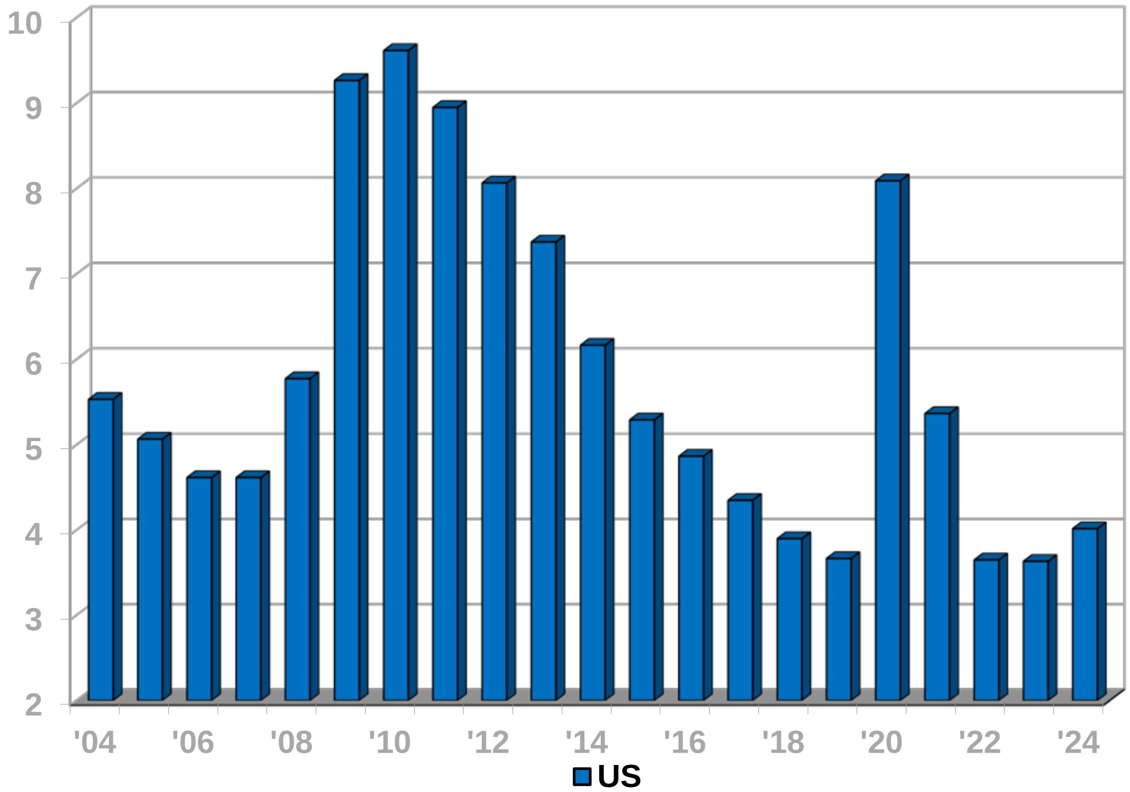
Labor

Unemployment Expected to Remain Low By Historical Standards

Source: BLS

US Unemployment Rates

Percent



June 2025

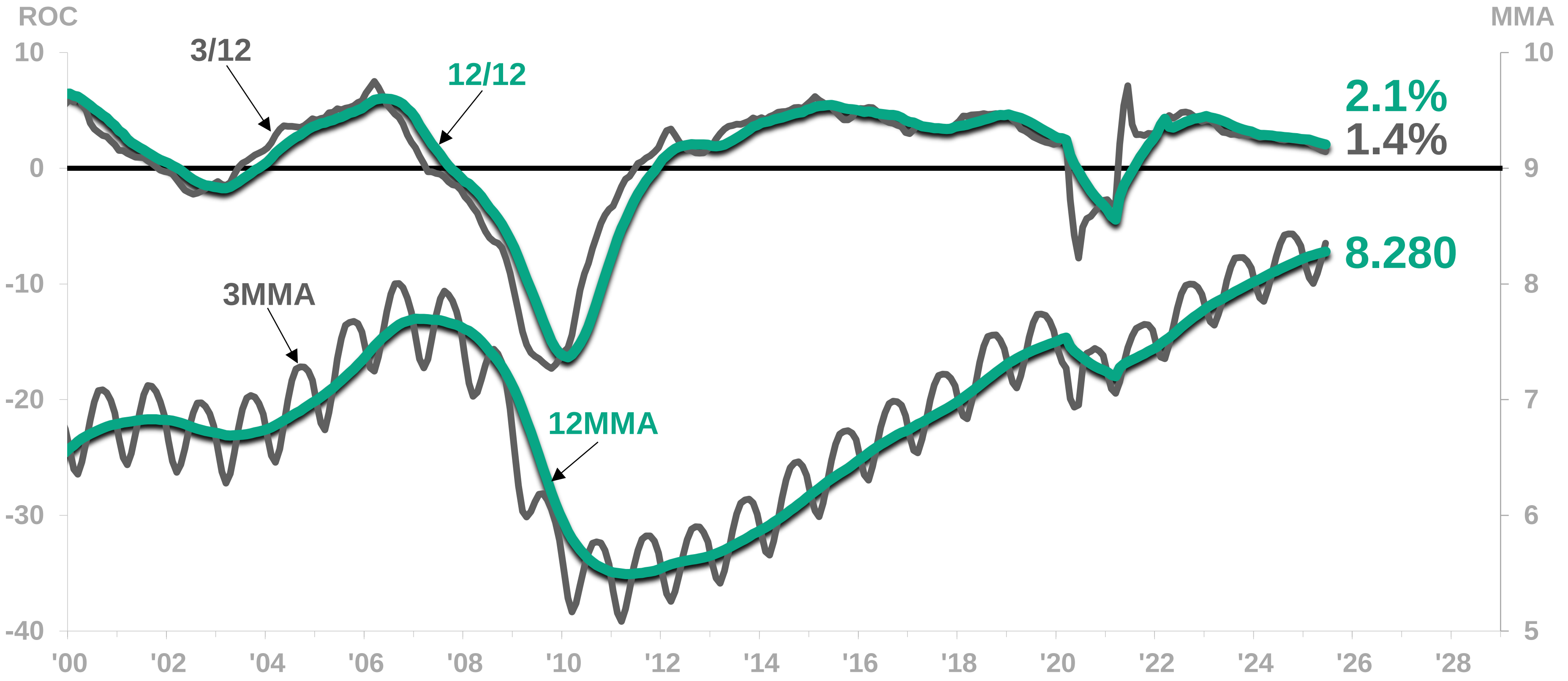
US 4.4%

Construction Employment is at a Record High

Source: BLS

US Construction Employment

Millions of People

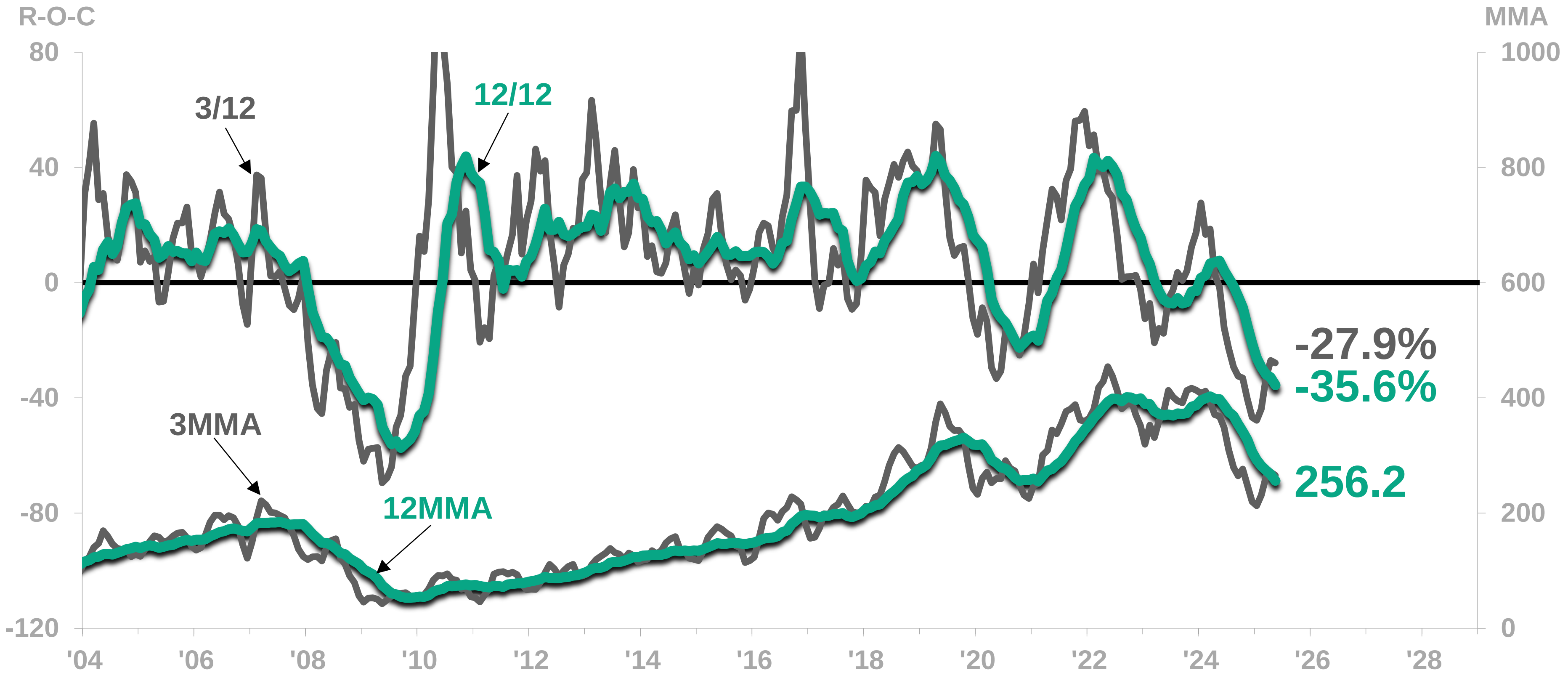


Worth Monitoring - Job Openings Are Down

Source: BLS

US Total Construction Job Openings

Millions of Job Openings



Looking Ahead

- Do not expect meaningful interest rate change in 2025.
- Wages, rents, power, and nationalism will lead to higher prices.
- Build out an inflation strategy.

- Margin pressures mean having an effective cost management and inflation savvy plans imperative.
- Be USA-centric in your thinking regarding the future.

- Digitize and use AI.
- Maximize competitive advantages.
- Think about expanding the asset classes you are invested in and plan to pivot hard in 2028–2032.

Any questions?

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Is your business facing these questions and concerns as we move toward the 2030s?

- *Interest rate sensitivity*
- *Price sensitivity*
- *Dependence upon a demand-pull market dynamic that will be hard hit in the 2030s*
- *Worth of your business positively correlated to the financial markets*
- *Reliant upon market activity that is largely non-discretionary*

Financial Resilience: Your Blueprint to the 2030s

Extended forecast and custom roadmap

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