



Importance of ITR Economics: Outlook for 2026 and Early 2027

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Speaker Michael Feuz*



ITR ECONOMICS

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Forecast Results for 2025 (Preliminary)

	Duration	Accuracy
US GDP	18	98.9%
US Ind. Production	16	99.4%
Europe Ind. Production	20	98.6%
Canada Ind. Production	15	98.9%
China Ind. Production	22	98.0%
Retail Sales	21	99.3%
Housing - Single Family	17	92.9%
Employment-Private Sector	23	98.6%

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

Summary – February 2026

➤ Macroeconomic Signals for 2026

- Sluggish Business Cycle Improvement
- Consumer Finances Good Overall
- Tariff Drag Should Diminish

➤ Uncertainty Drivers

- Fed Independence
- Social Emphasis vs. Economic Focus
- Gunboat Diplomacy

➤ Highlights

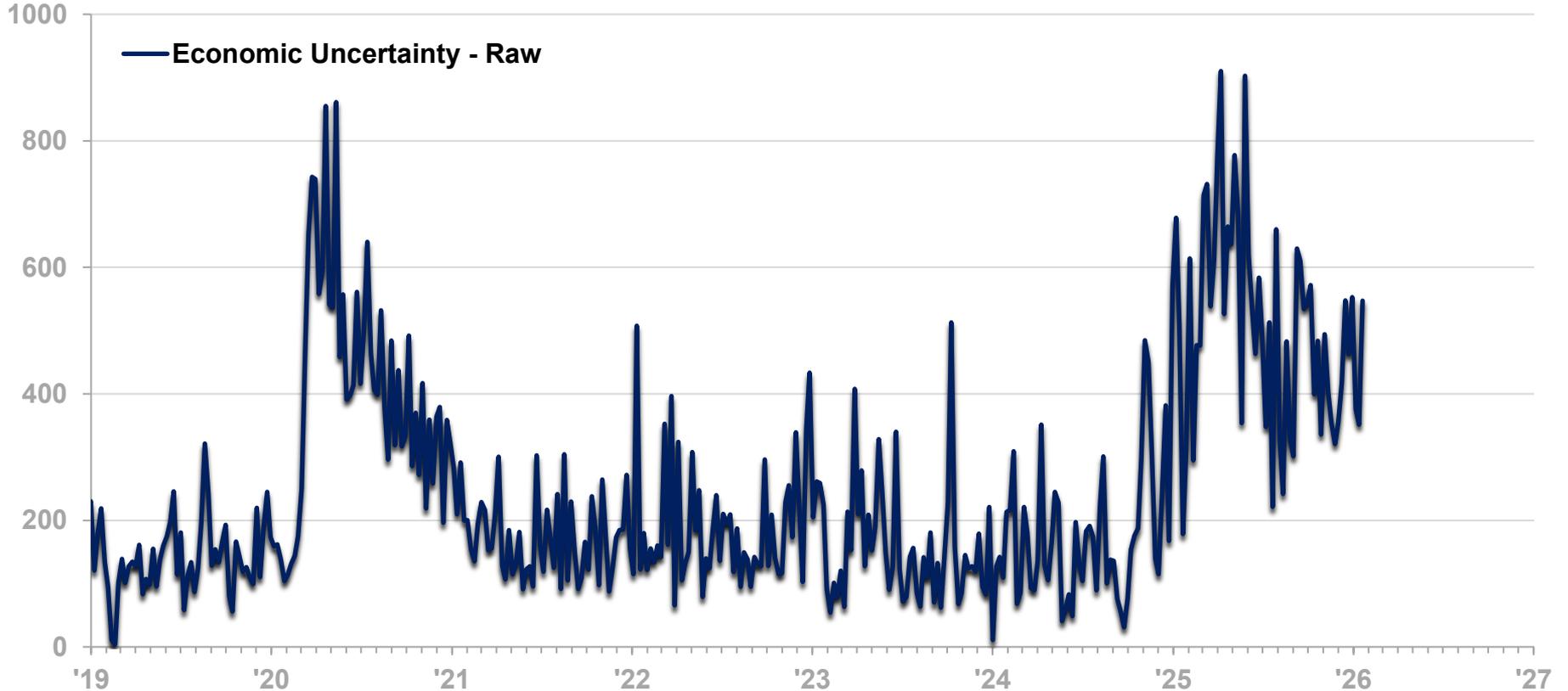
- Milder-Than-Normal Rise is the Extended Outlook
- Profitless Prosperity
- Still on Target for the 2030s



Uncertainty Is Not Subsiding

US Economic Policy Uncertainty Index

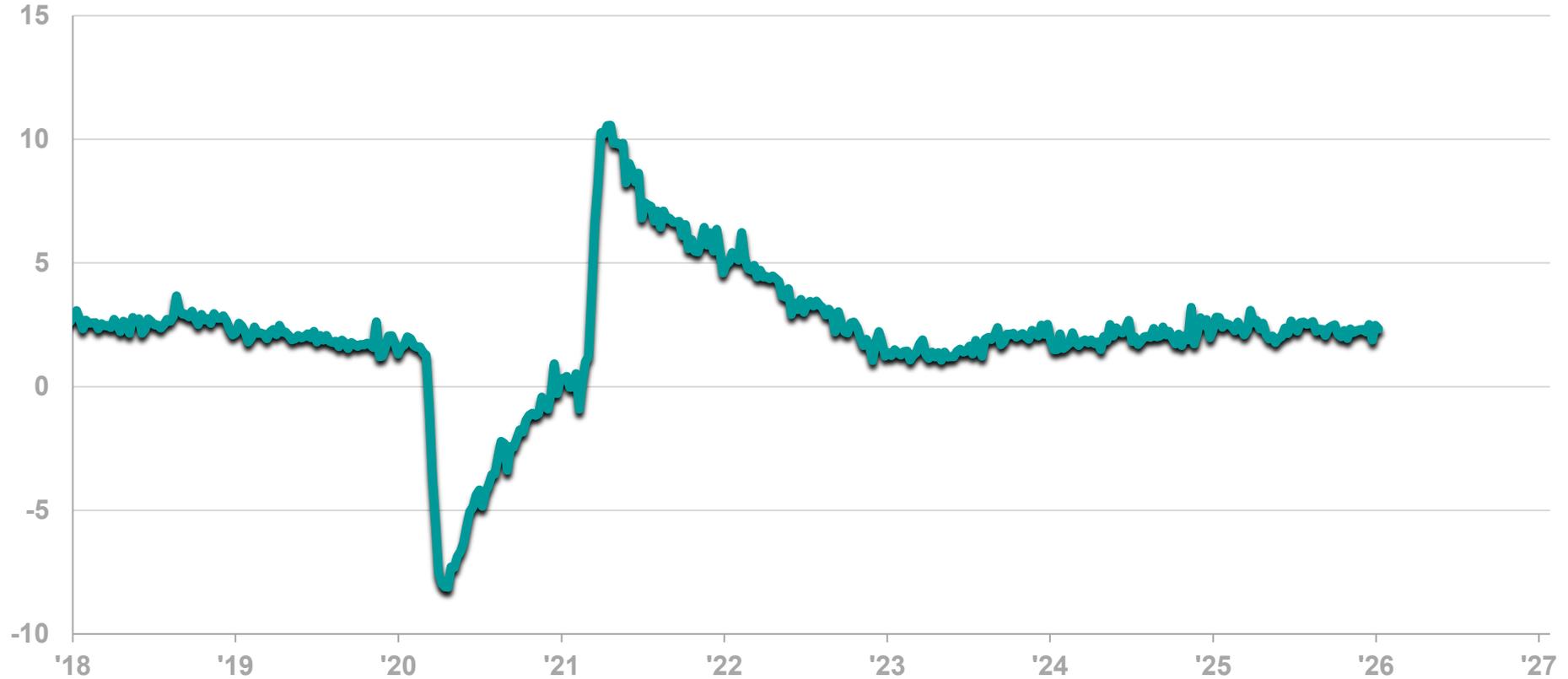
Raw Data, 1985-2009 = 100



Weekly Data Shows Additional GDP Growth is Probable

US Weekly Economic Index

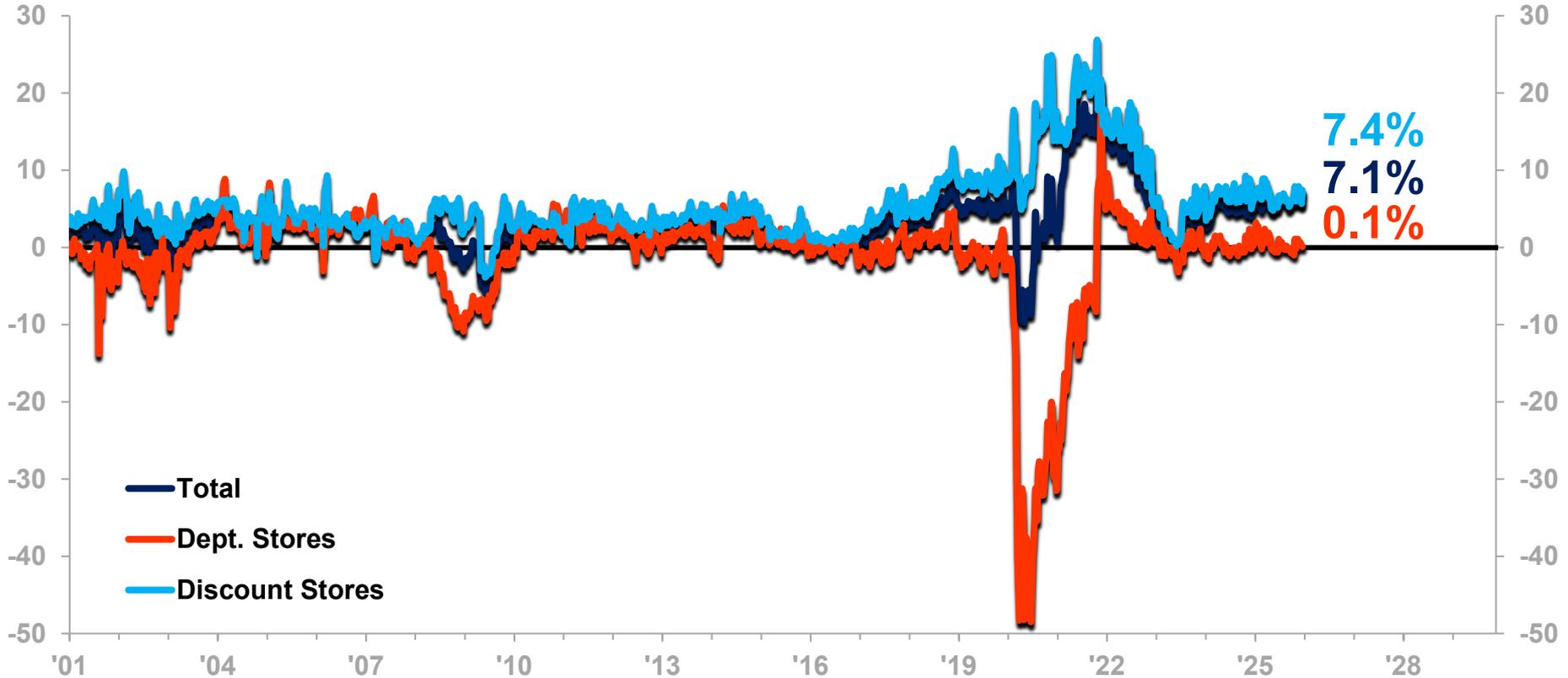
Raw Data: Percent



Weekly Data Shows the Consumer is Out There Spending

Johnson Redbook Indexes

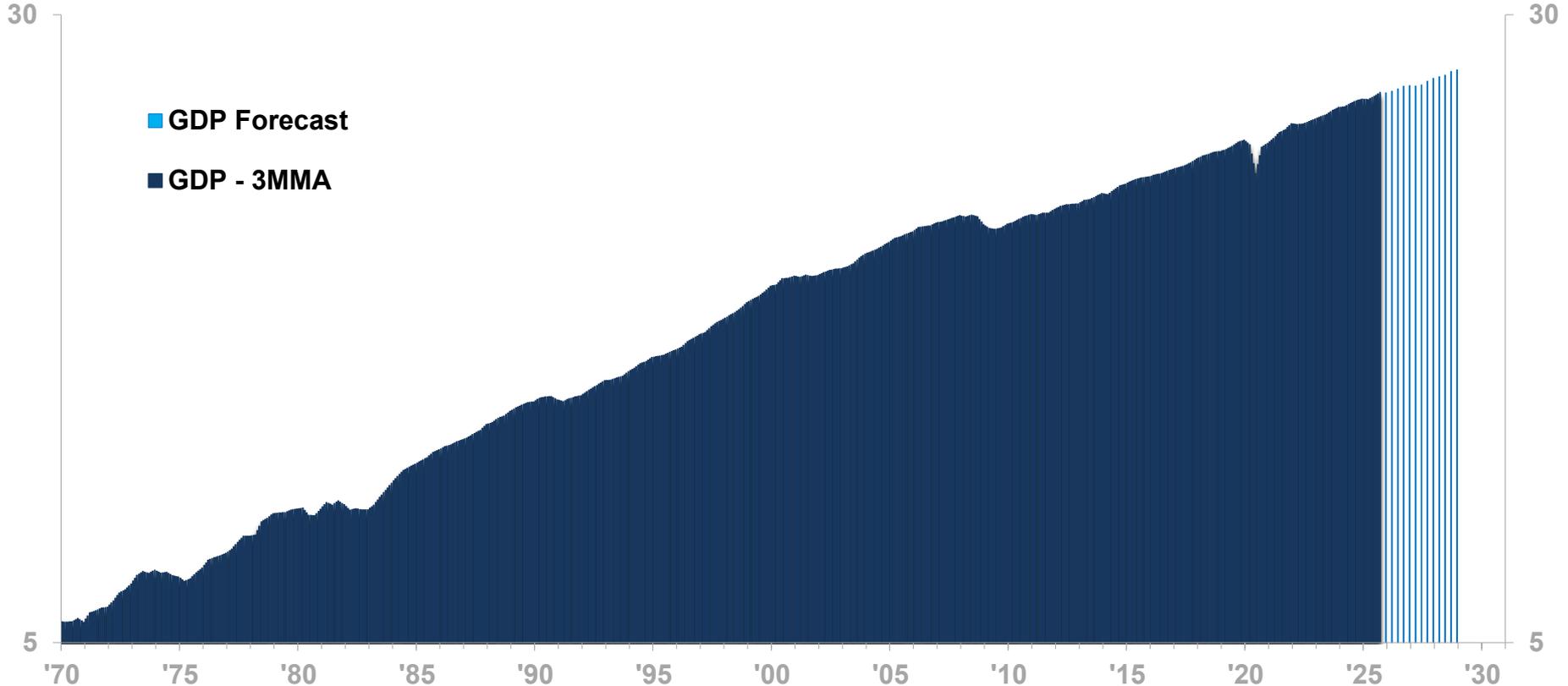
Raw Data: Percent



Plan for Total GDP Expansion Through 2028

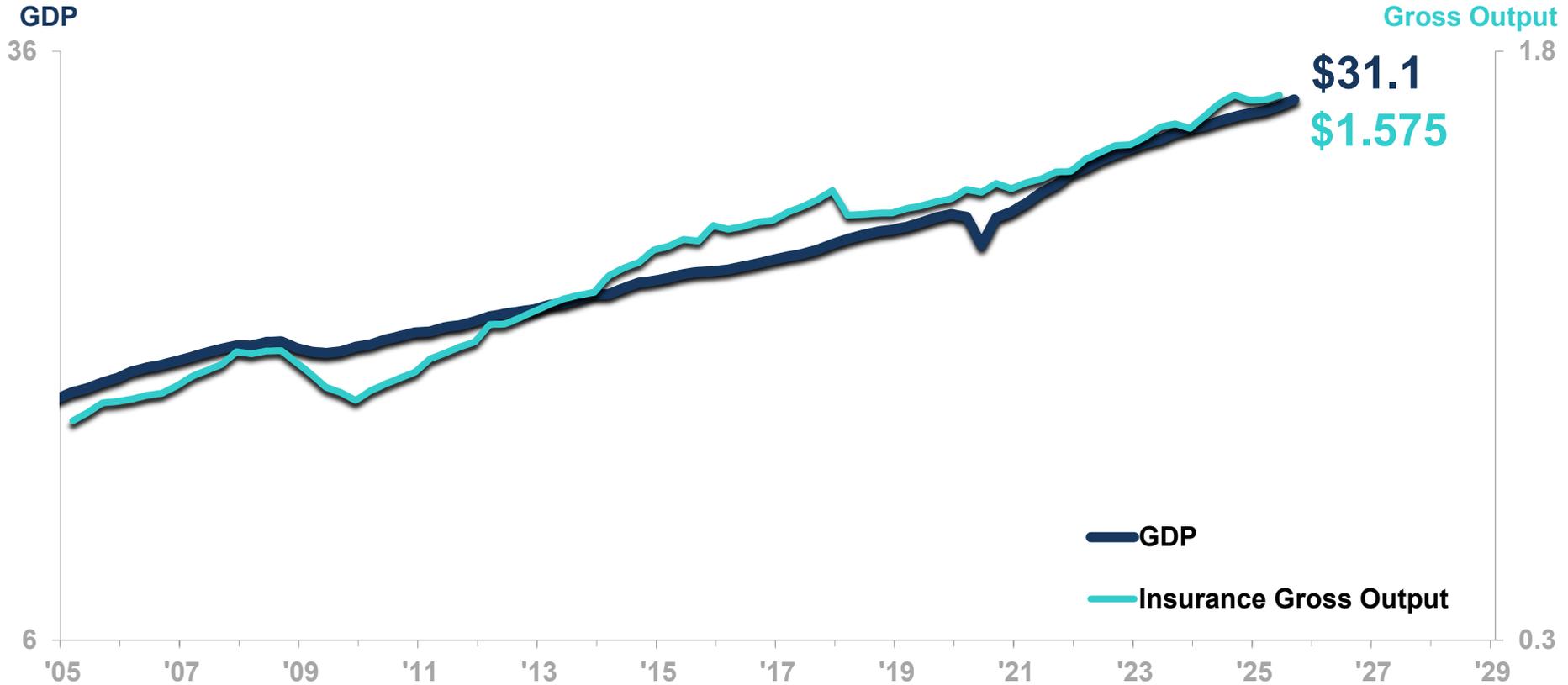
US Real Gross Domestic Product

Quarterly Data Trend: Trillions of Chained 2017 Dollars



Solid Long-Term Growth; Beware of Inflation Ahead

US Gross Domestic Product to US Insurance Carriers GDP Gross Output
Quarterly Data Trends: Trillions of Dollars

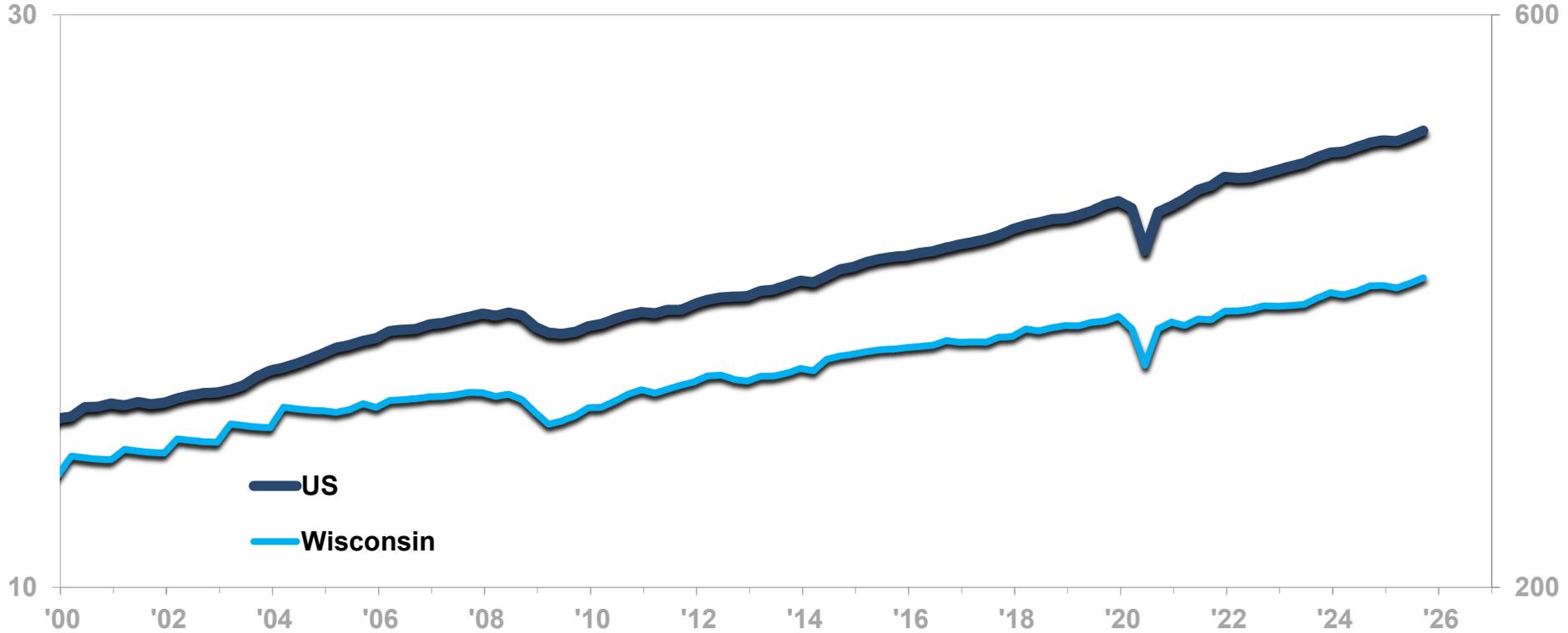


US As a Whole is Outpacing Wisconsin

US and Wisconsin GDP Growth Rate
Quarterly Data Trends

US (Tril. Chained 2017 \$)

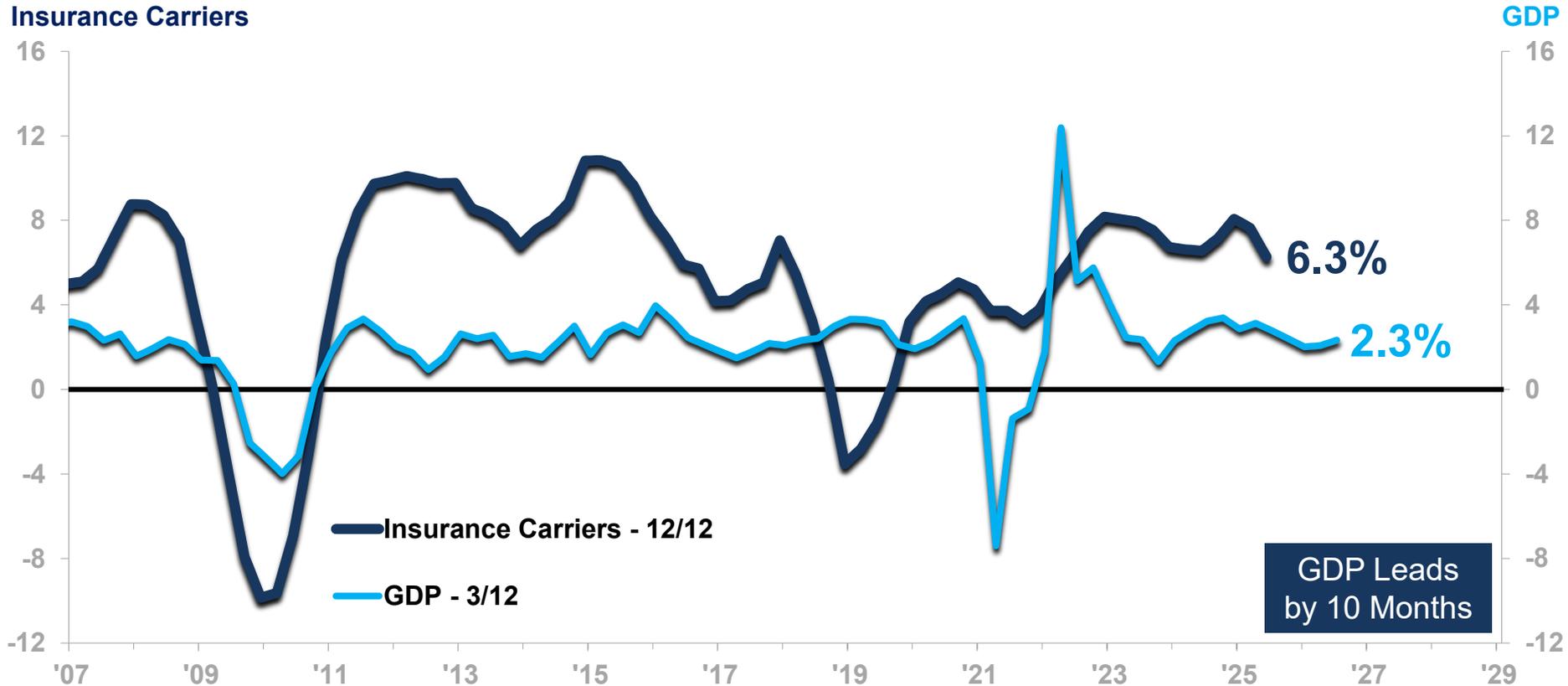
Wisconsin (Bil. Chained 2017 \$)



Re-Acceleration Indicated for 2026 & Likely 2028

US Insurance Carriers GDP Gross Output to US Real Gross Domestic Product
Rates-of-Change

Insurance Carriers

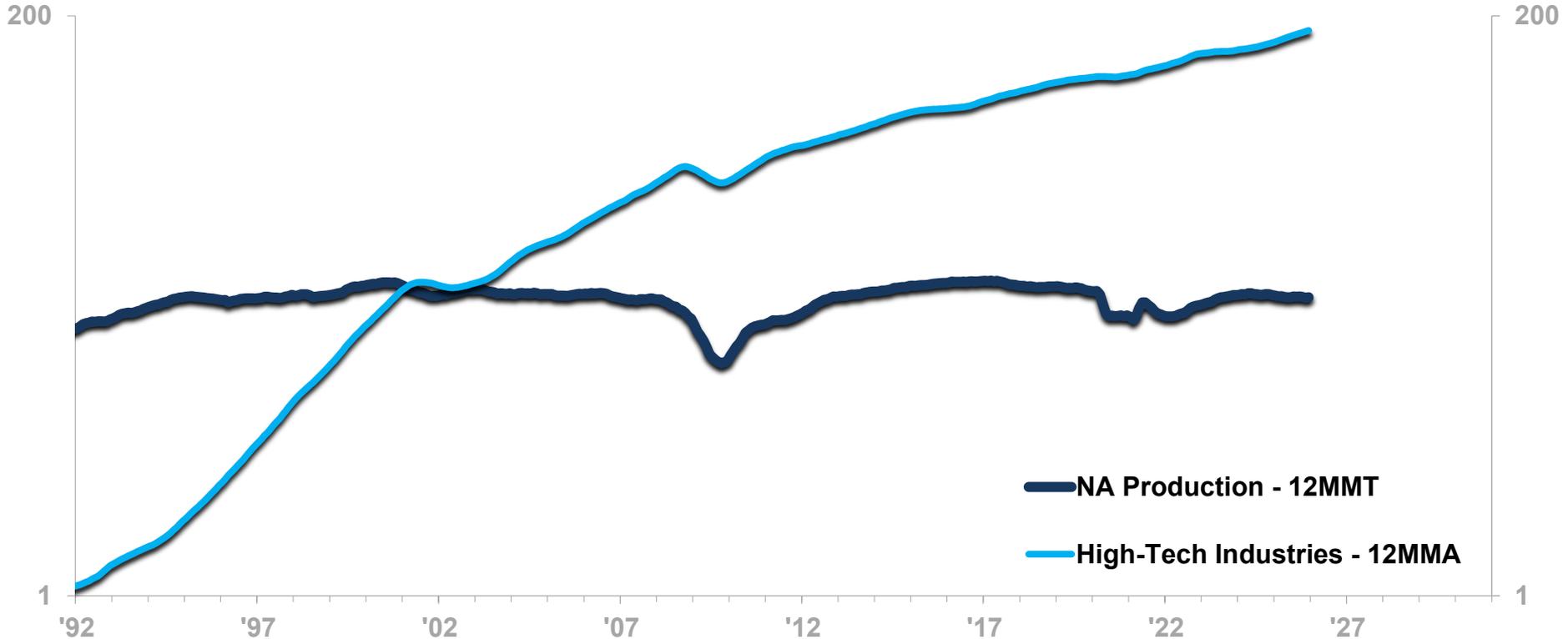


Legacy vs. High-Tech...Two Different Growth Probabilities

North America Light Vehicle Production to US High-Technology Industries Production Index
Annual Data Trends

NA Production (Mil. Units)

High-Tech Industries (2017 = 100)





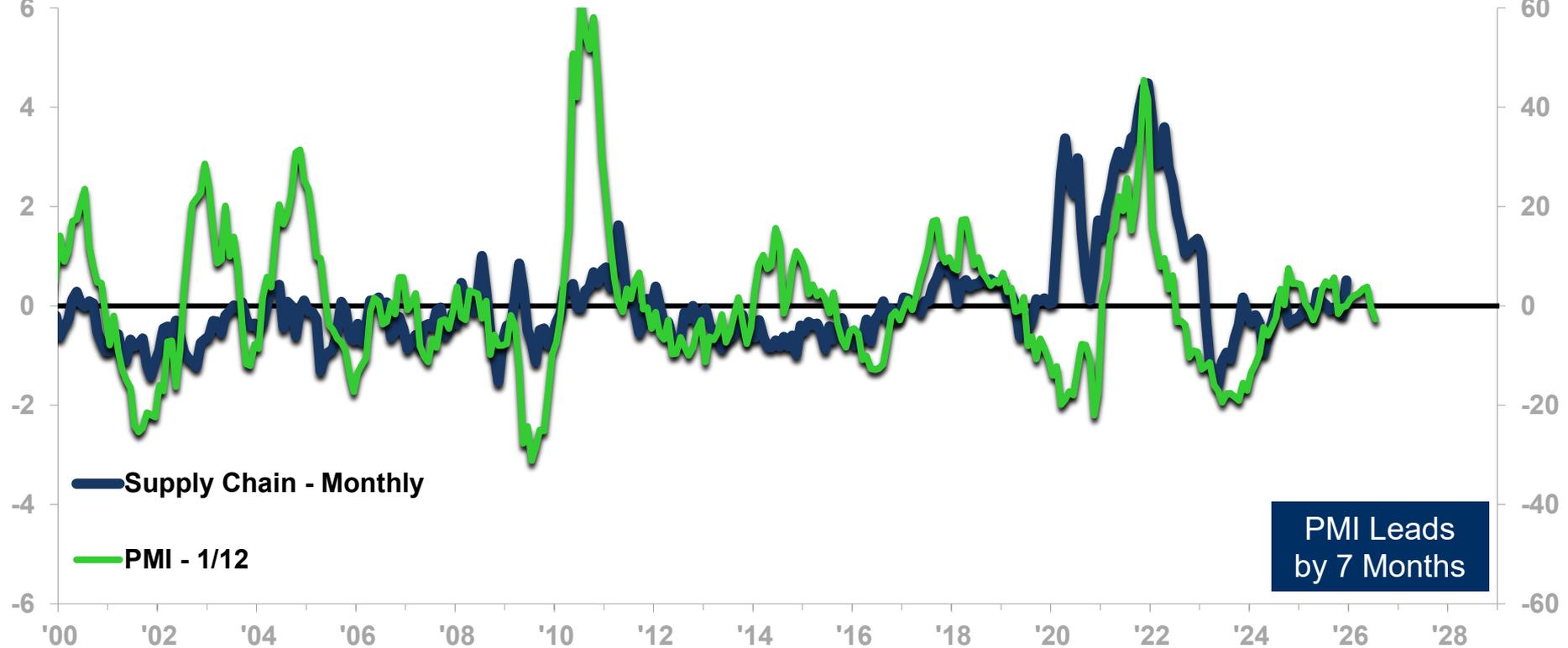
Global Forces



Leading Signal Suggests Normal Supply Chain Conditions

Global Supply Chain Pressure Index to US Purchasing Managers Index
Pressure Index, Raw to PMI 1/12 Rate-of-Change

Global Supply

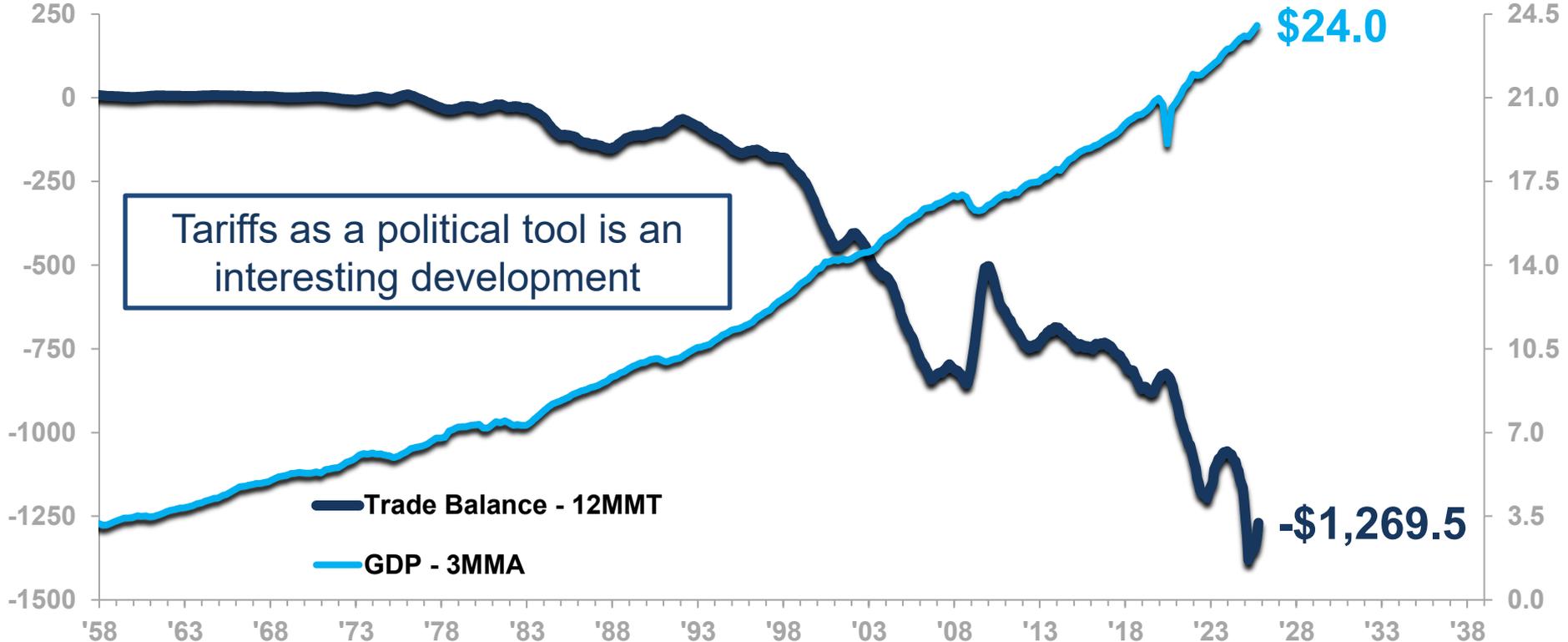


US Economy in General Grows Despite Trade Deficits

US Trade Balance for Goods to US Real Gross Domestic Product

Data Trends

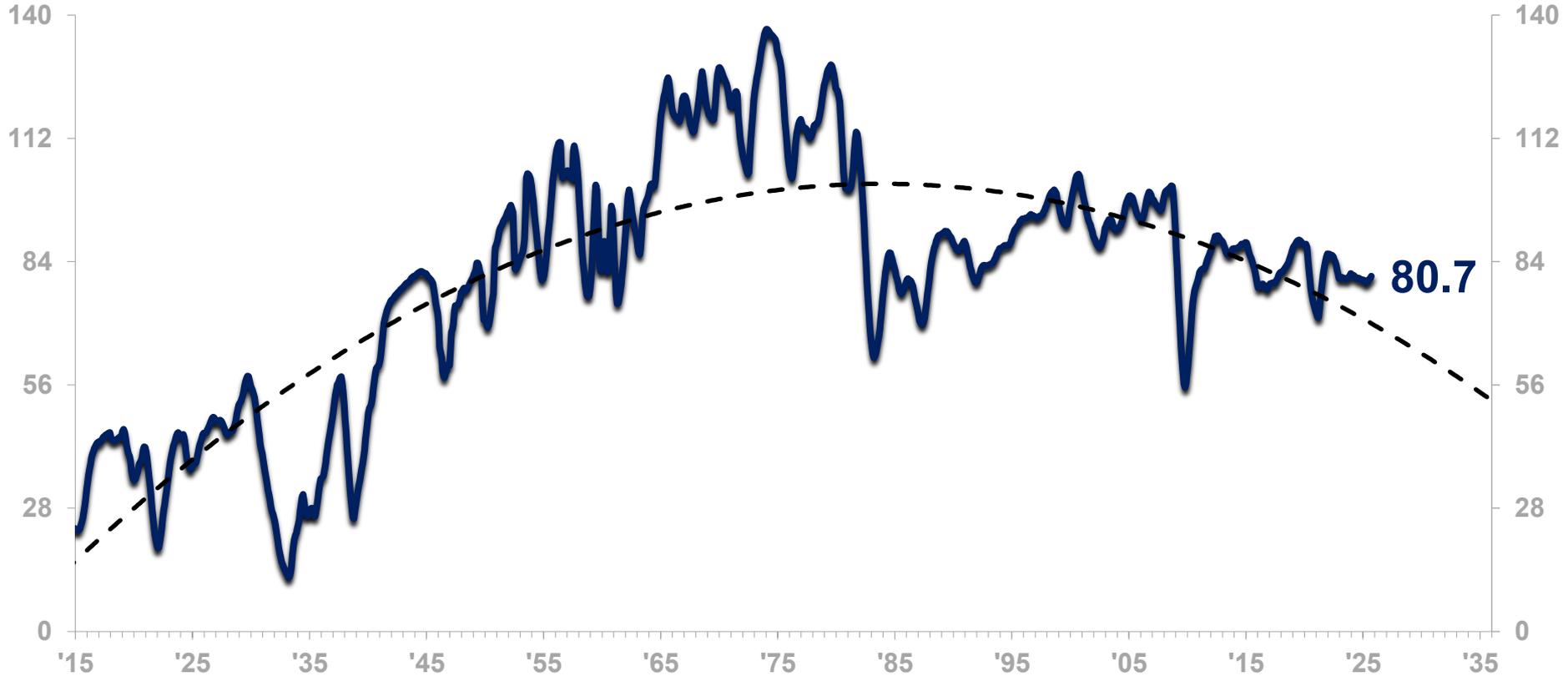
Trade Balance (Bil. \$)



Reverse a 50-Year Trend Given Global Capacity & Other Issues?

US Raw Steel Production

Annual Data Trend: Millions of Metric Tons



Global || Summary

- Tariffs are mostly paid by the consumer and are inflationary.
- It is too soon to gauge the impact of these tariffs.
- Uncertainty related to tariffs should diminish in 2026.

NEXT STEPS:

- Nationalism provides protection from foreign competition and *may* reduce urgency of improving efficiencies and reducing costs.

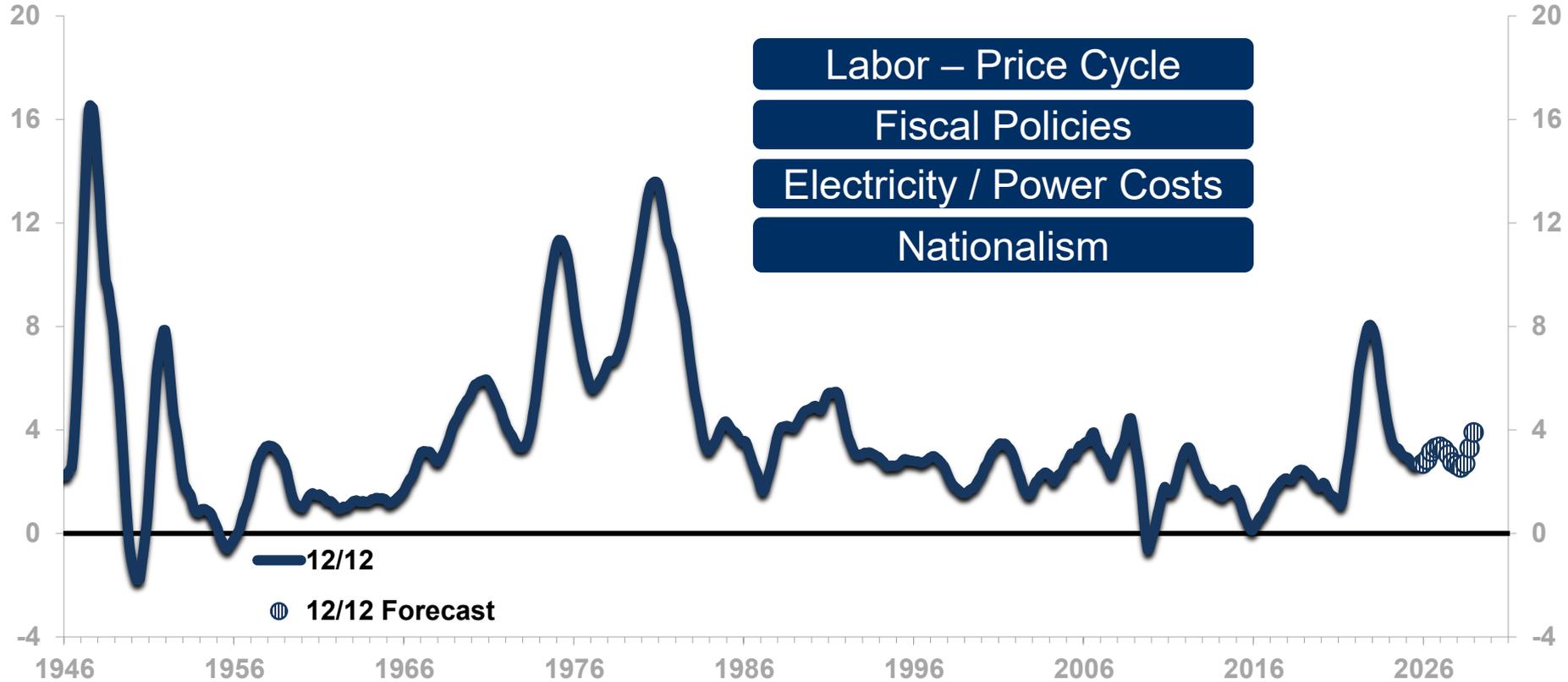


Inflation & Interest Rates



Another Round of Inflation is Building...Now

US Consumer Price Index
12/12 Rates-of-Change



The Next Round of Inflation is Already Forming

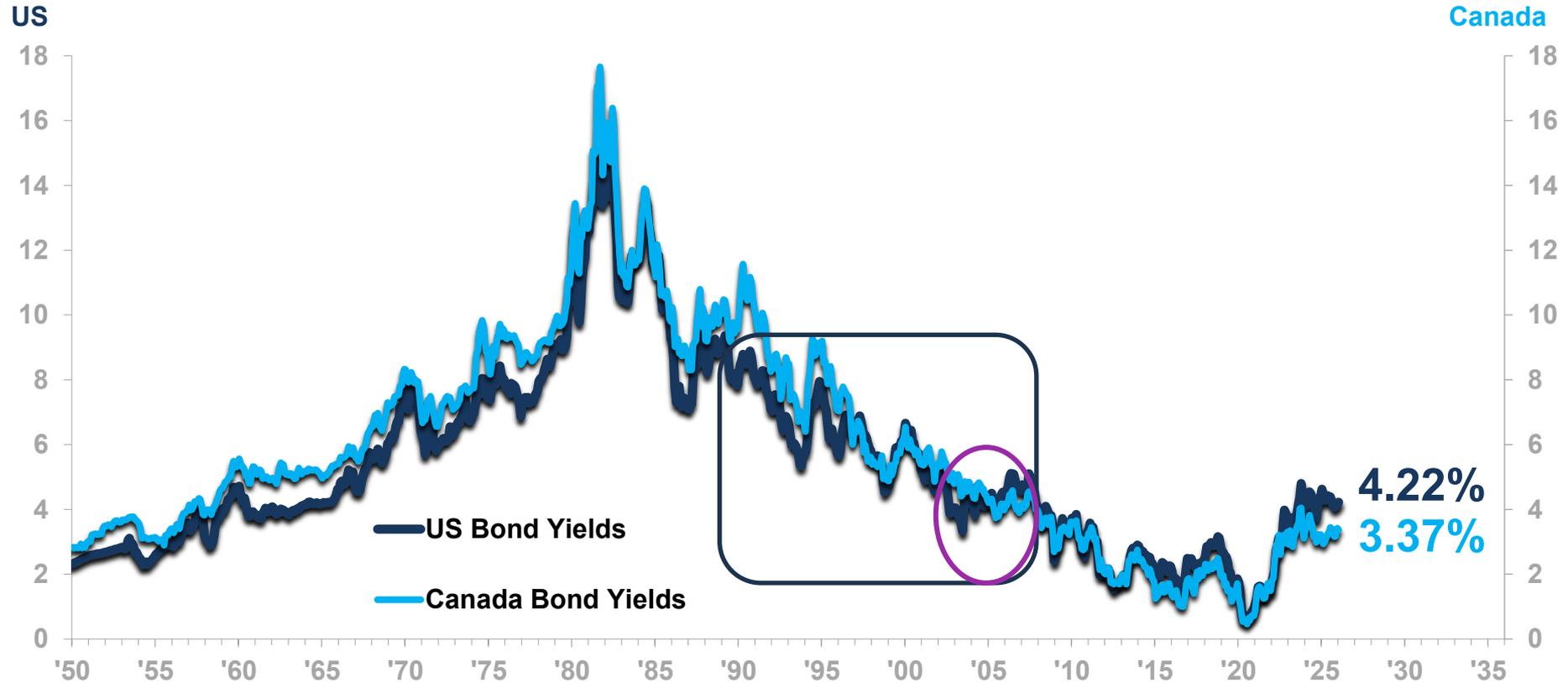
US Treasury Gross Issuances

Data Trends: Trillions of Dollars



Higher Rates Expected Post Mid-2026

US Government Long-Term Bond Yields to Canada 10-Year Government Bond Yields
Raw Data: Percent



|| Inflation Summary

- Cost pressures will continue to require sound strategic management.
- Profitless prosperity will take out the weaker competition.
- Expect to hear more about “stagflation”

NEXT STEPS:

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

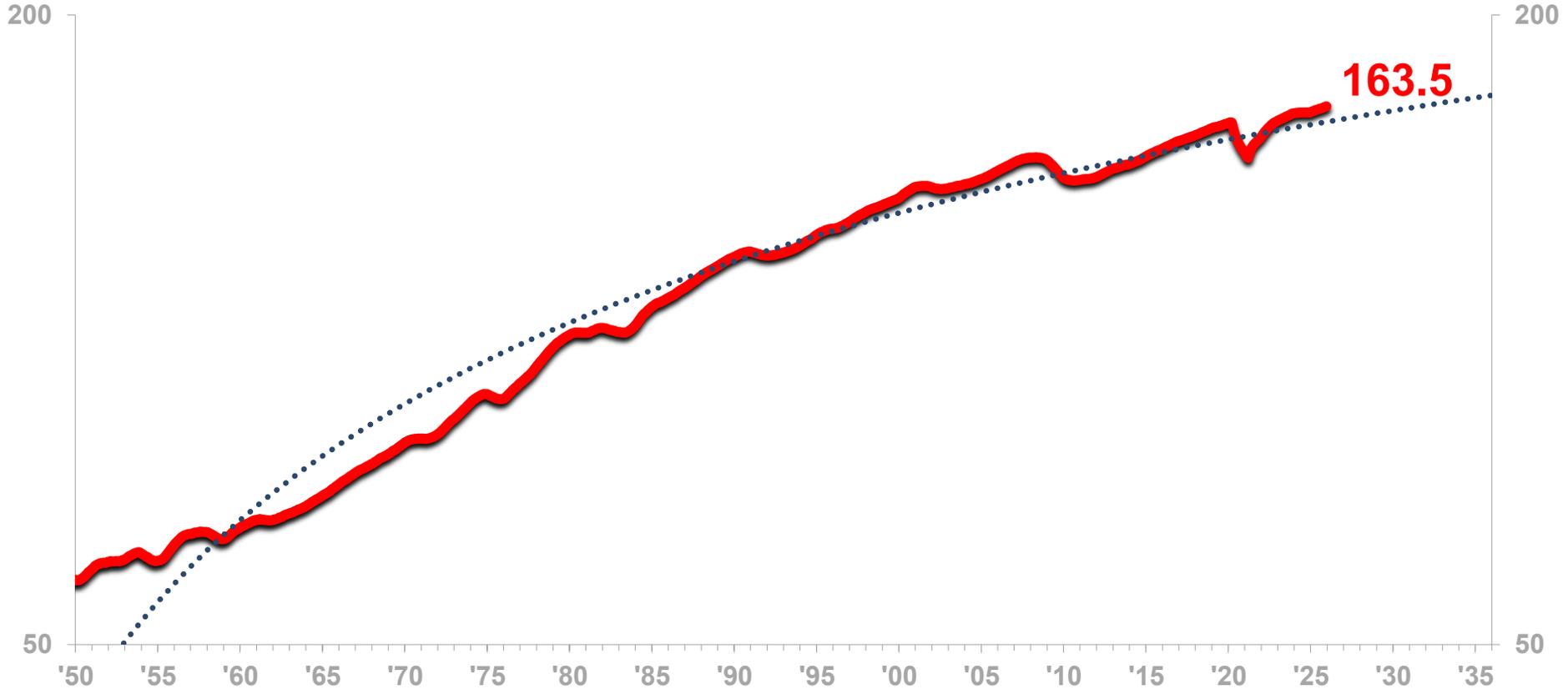


People



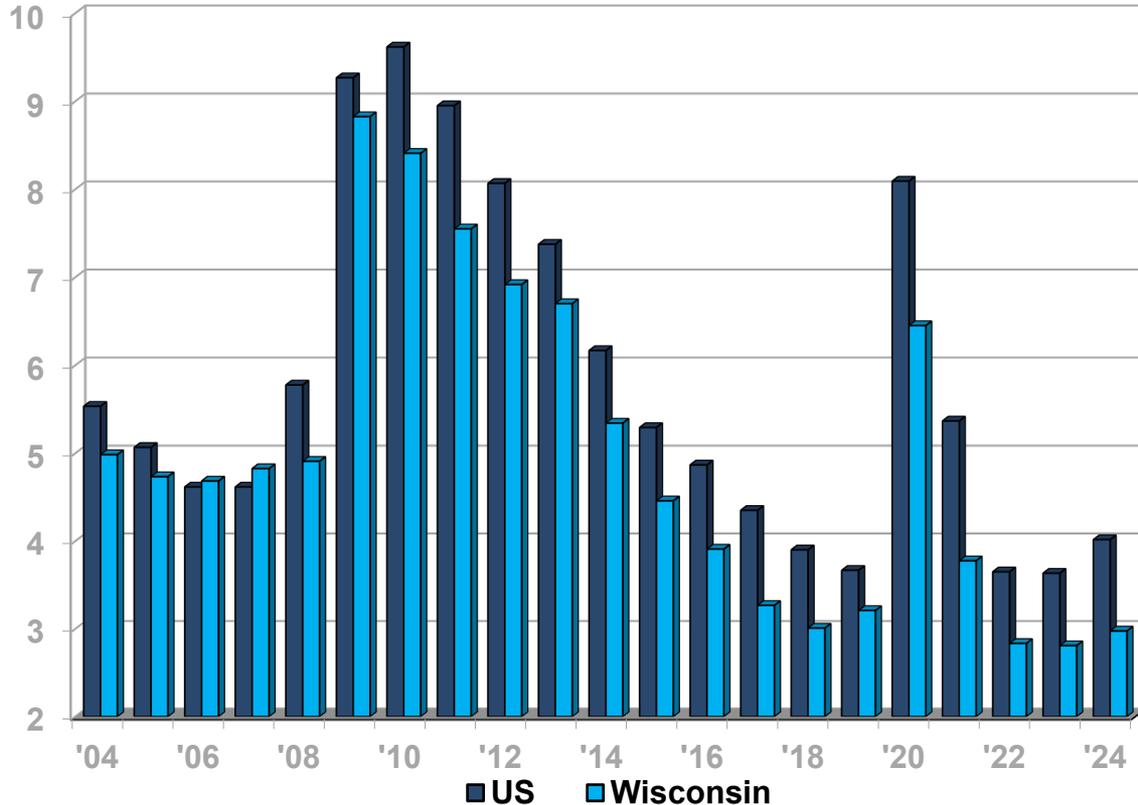
Ongoing Rise is a Powerful Advantage

US Civilian Labor Force Employment
Annual Data Trend: Millions of People



Wisconsin: A Better-Than-Average State Regarding Unemployment

US to Wisconsin Unemployment Rates
Percent



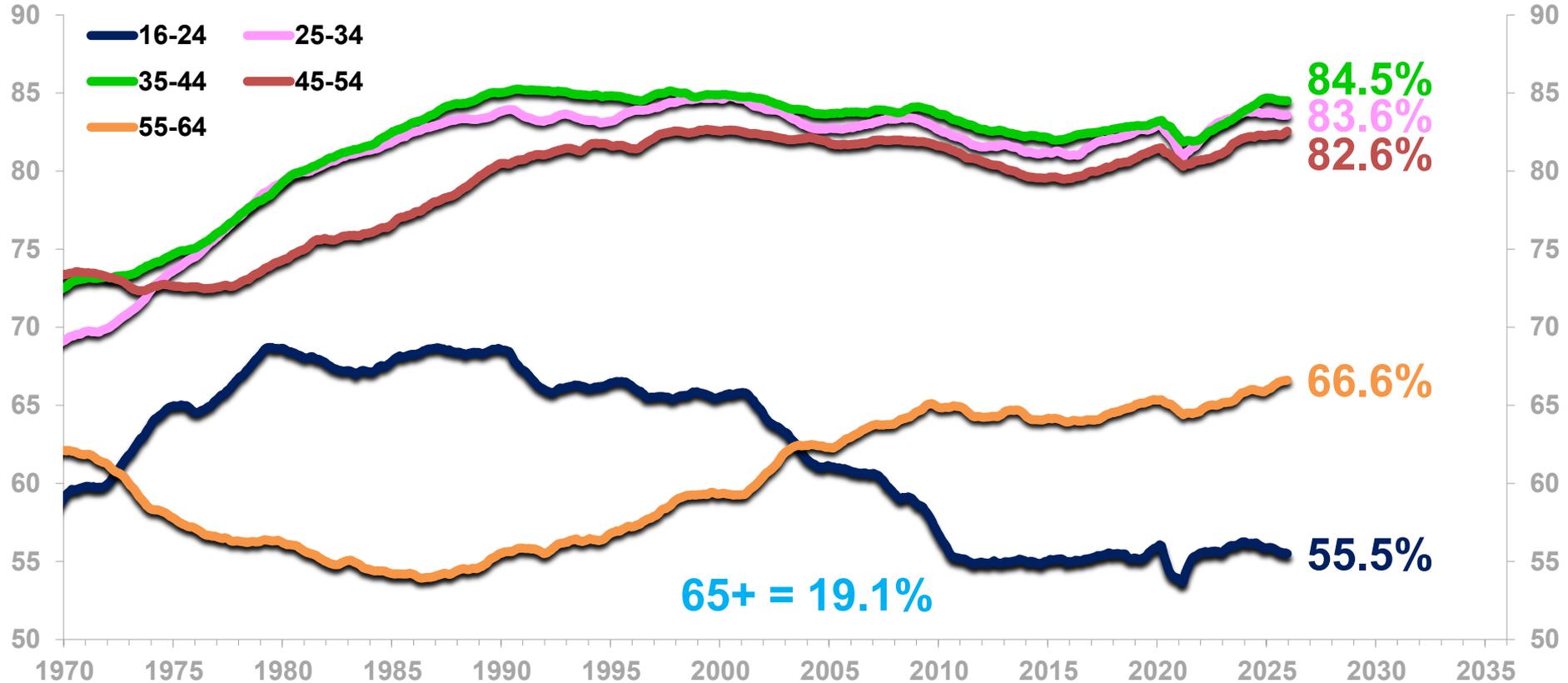
December 2025

US 4.1%

WI 3.1%

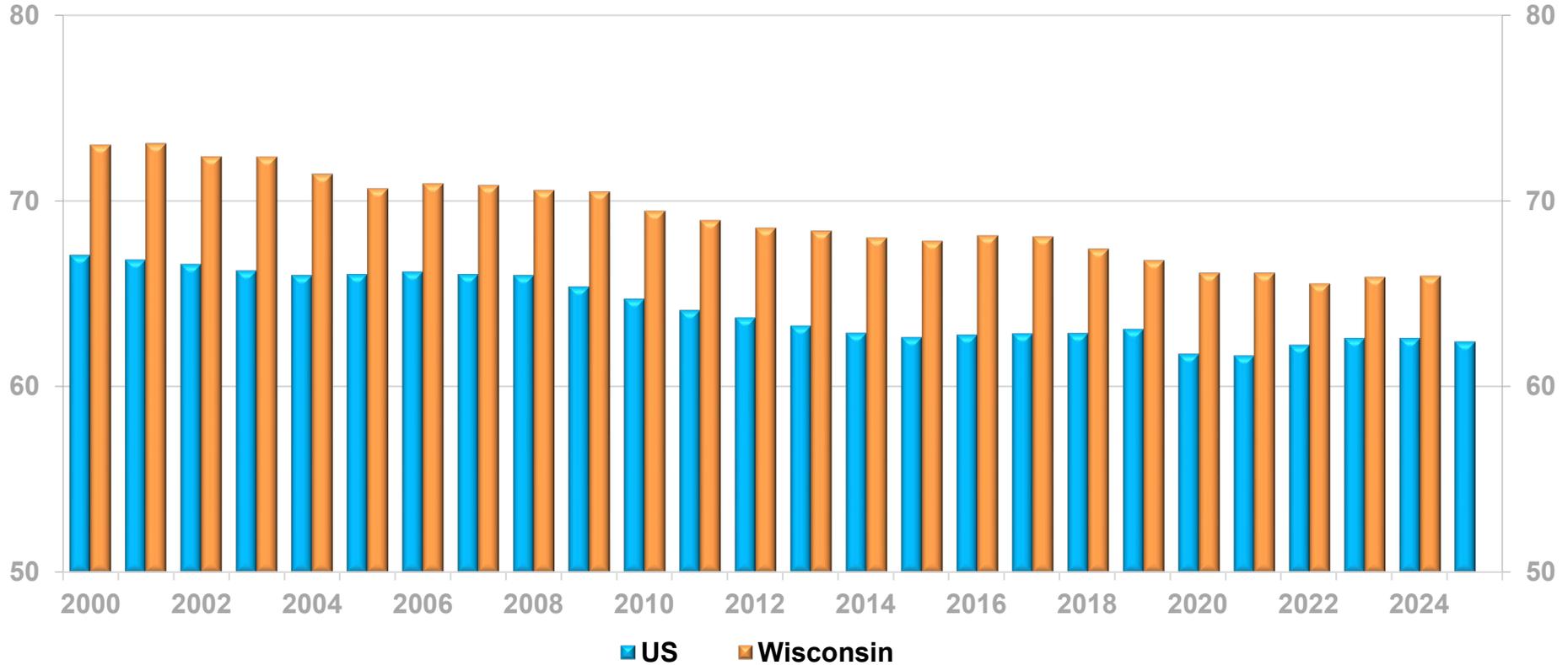
Participation is Up Except Among Gen Z

US Civilian Labor Force Participation Rate For Ages 16-24, 25-34, 35-44, 45-54, 55-64, and Over 64
Annual Data Trends, Percent



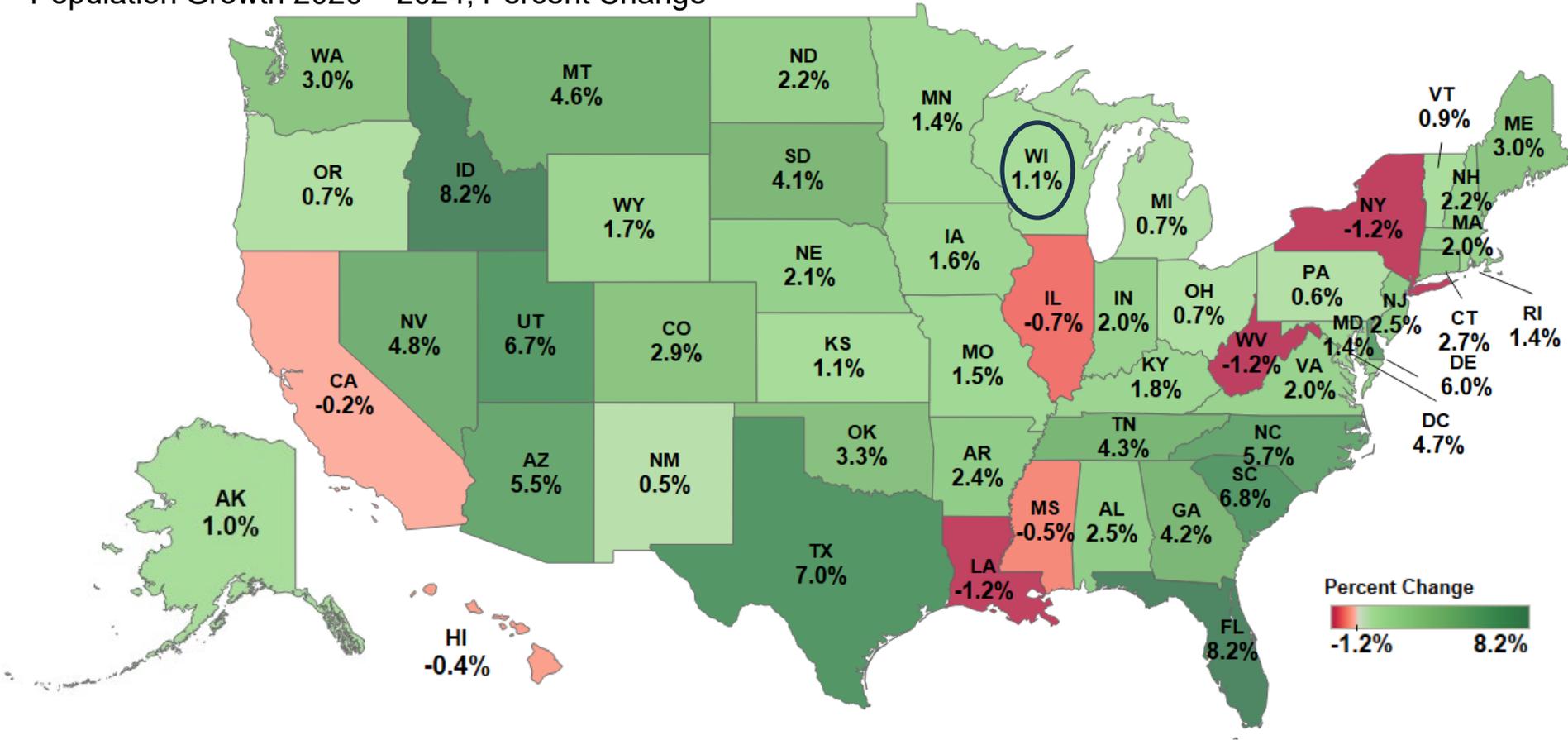
WI: Consistently Higher-Than-US Participation Rates

US to Wisconsin Civil Labor Force Participation Rates
Percentages



Be Geographically Specific

Population Growth 2020 – 2024, Percent Change



County Population Growth Rate

Percent Change from Population Estimates 2019 to 2023

<u>Area</u>	<u>Growth Rate</u>
Milwaukee County	-1.5%
Waukesha County	2.3%
Ozaukee County	2.5%
Washington County	1.4%
Racine County	0.3%
Kenosha County	-0.3%
Walworth County	0.7%
United States Total	2.3%

The Positive Implications of Younger Workforces

Percent of Total Population
Available Workforce



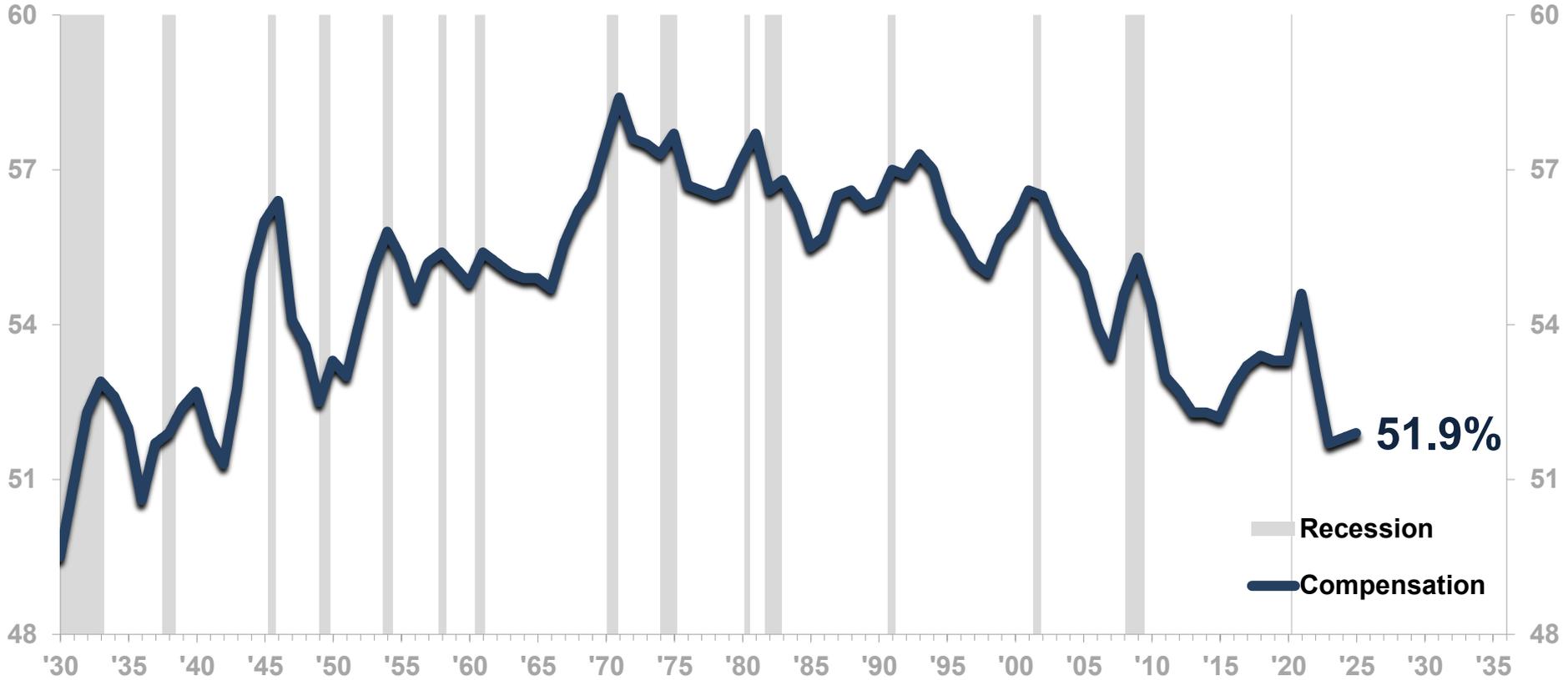
	Gen Z	Millennials	Gen X	Boomers
US	20.6%	21.7%	19.7%	20.6%
WI	20.5%	20.3%	19.1%	22.6%
*Milwaukee	20.3%	21.9%	19.2%	20.9%
*Madison	22.8%	23.2%	18.8%	19.2%
*Green Bay	21.0%	20.1%	19.6%	22.0%
*Racine	20.0%	19.8%	19.4%	23.0%

*Metropolitan Statistical Area

The Levels Are Not Indicative of Broad Prosperity

US Employee Compensation as a Share of Gross Domestic Income

Annual Data Trend: Percent



People Summary

- Supply and demand are not aligned in terms of skills and experience.
- There is no latent pool of talent to draw from.
- Employers must entice people and provide the right culture, training, and opportunity to keep them.

NEXT STEPS:

- Stress test a 20% increase in wages through the rest of this decade.



The US Economy

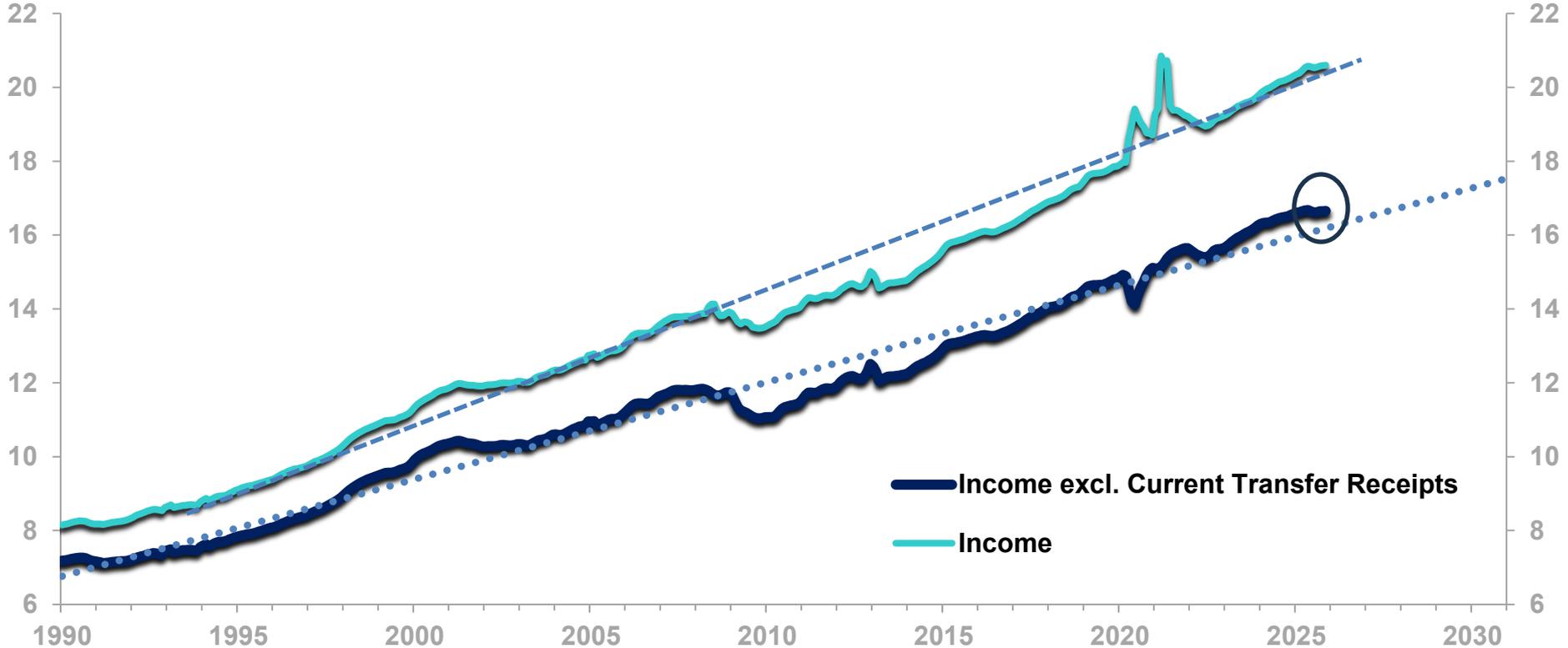


SECURA
INSURANCE COMPANIES

Inflation-Adjusted Wages Are Rising on Trend, But.....

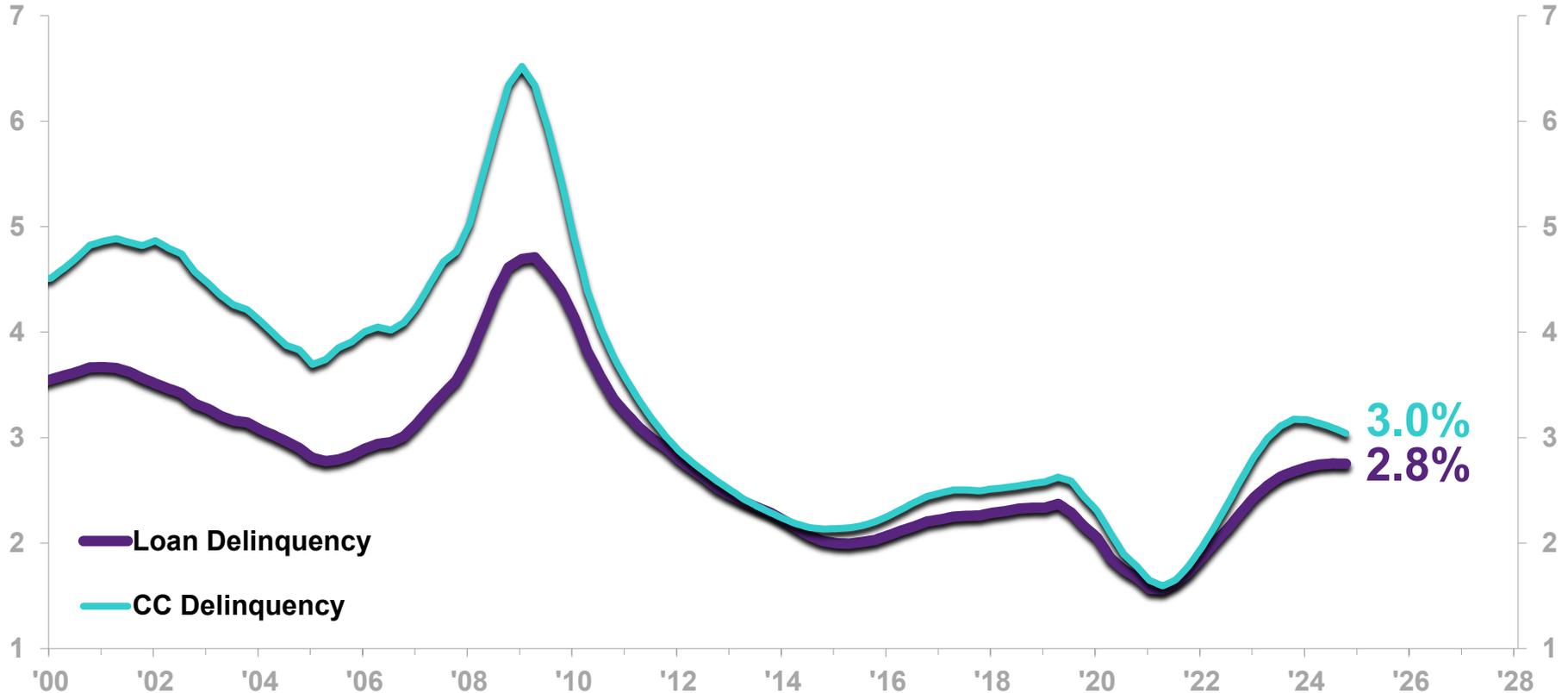
US Real Personal Income (excluding current transfer receipts) to US Real Personal Income
Quarterly Data Trends in Trillions of Chained 2017 Dollars

Income excl. Transfers



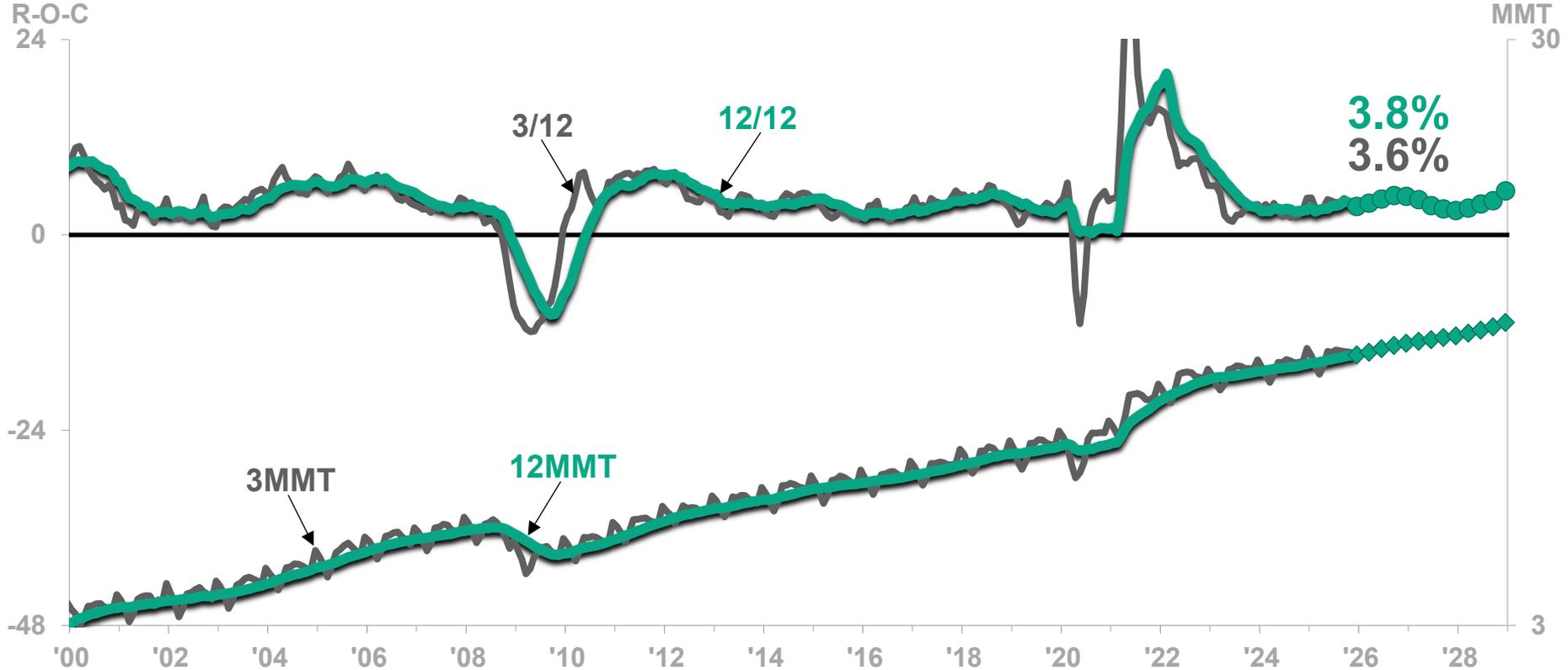
Delinquency Rates in General Are Not An Issue

US Consumer Loan Delinquency Rate to US Consumer Credit Card Delinquency Rate
Annual Data Trends: Percent



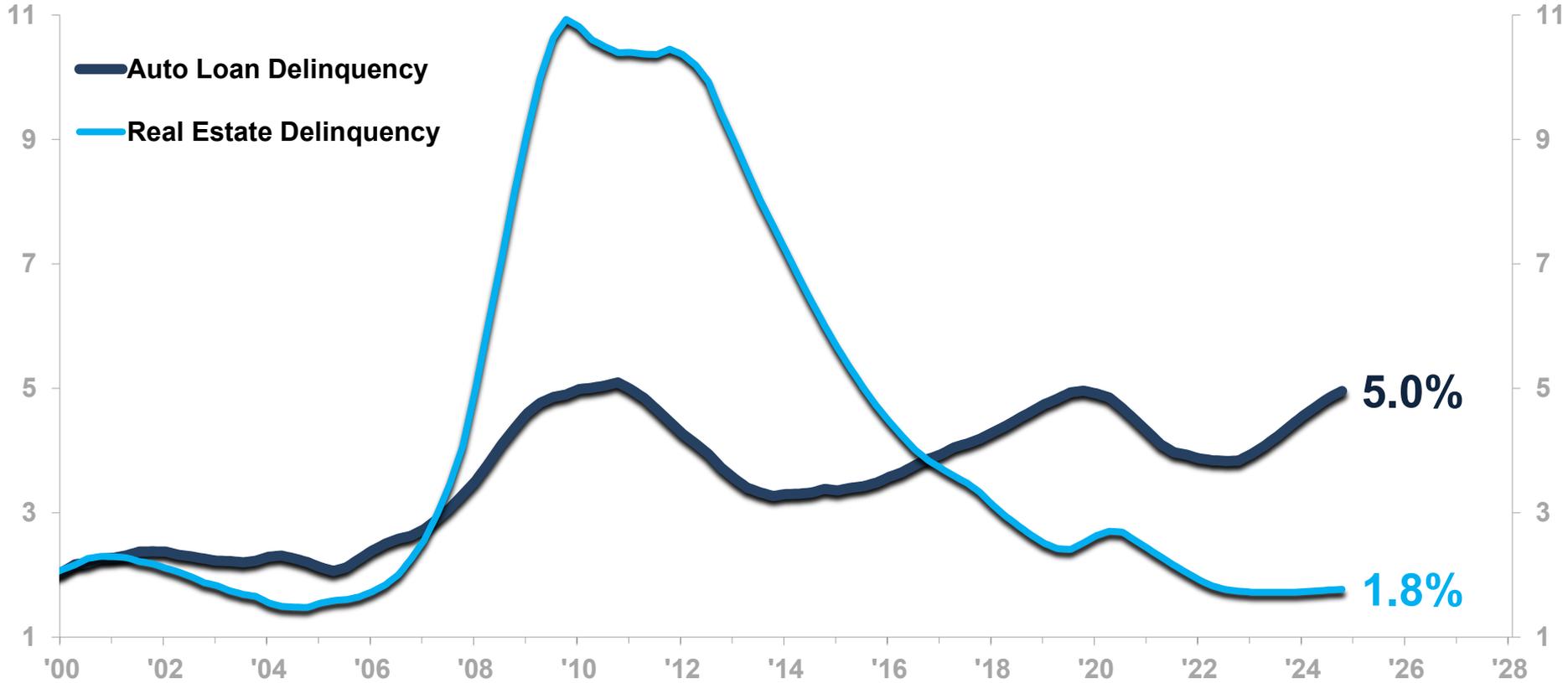
Retail Sales Are Climbing & More is Expected

US Total Retail Sales
Trillions of Dollars



The Auto Sector is Showing Stress

US Auto Loan Delinquency Rate (over 90 days) to US Real Estate Residential Loan Delinquency Rate
Annual Data Trends: Percent

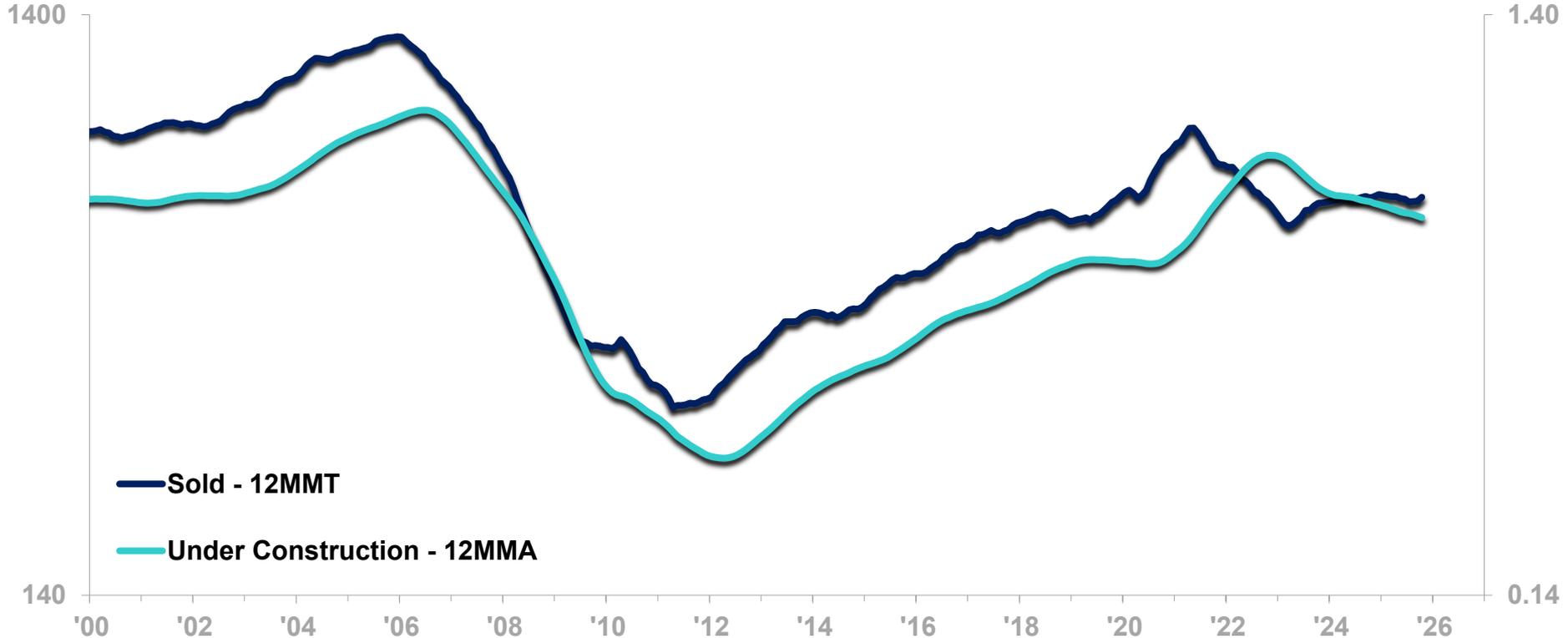


The COVID Rush to Over Build New Homes

US New Single-Family Homes Sold to US New Single-Family Residential Housing Units Under Construction
Annual Data Trends

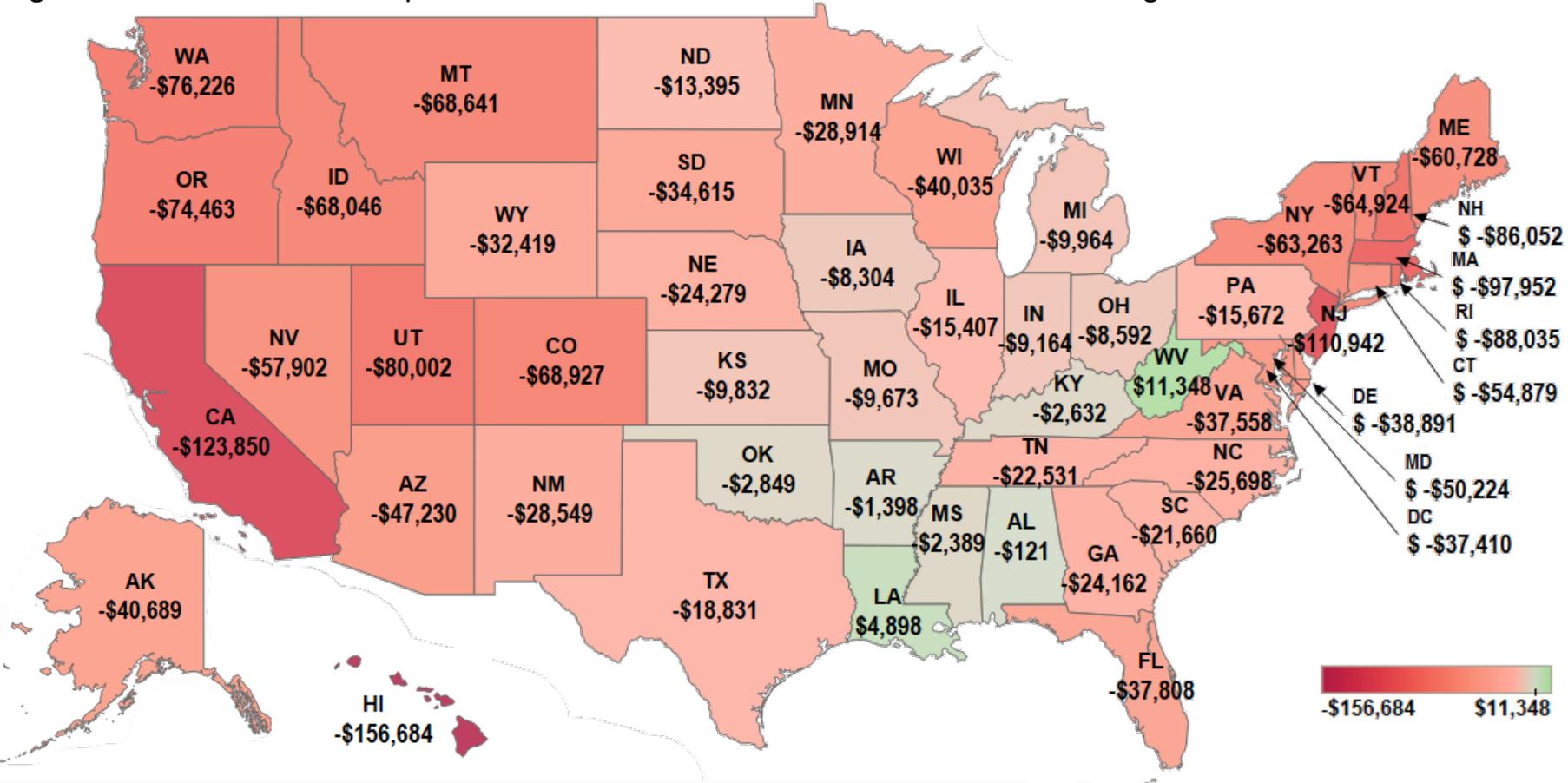
Sold (Thou. Units)

Under Construction (Mil. Units)



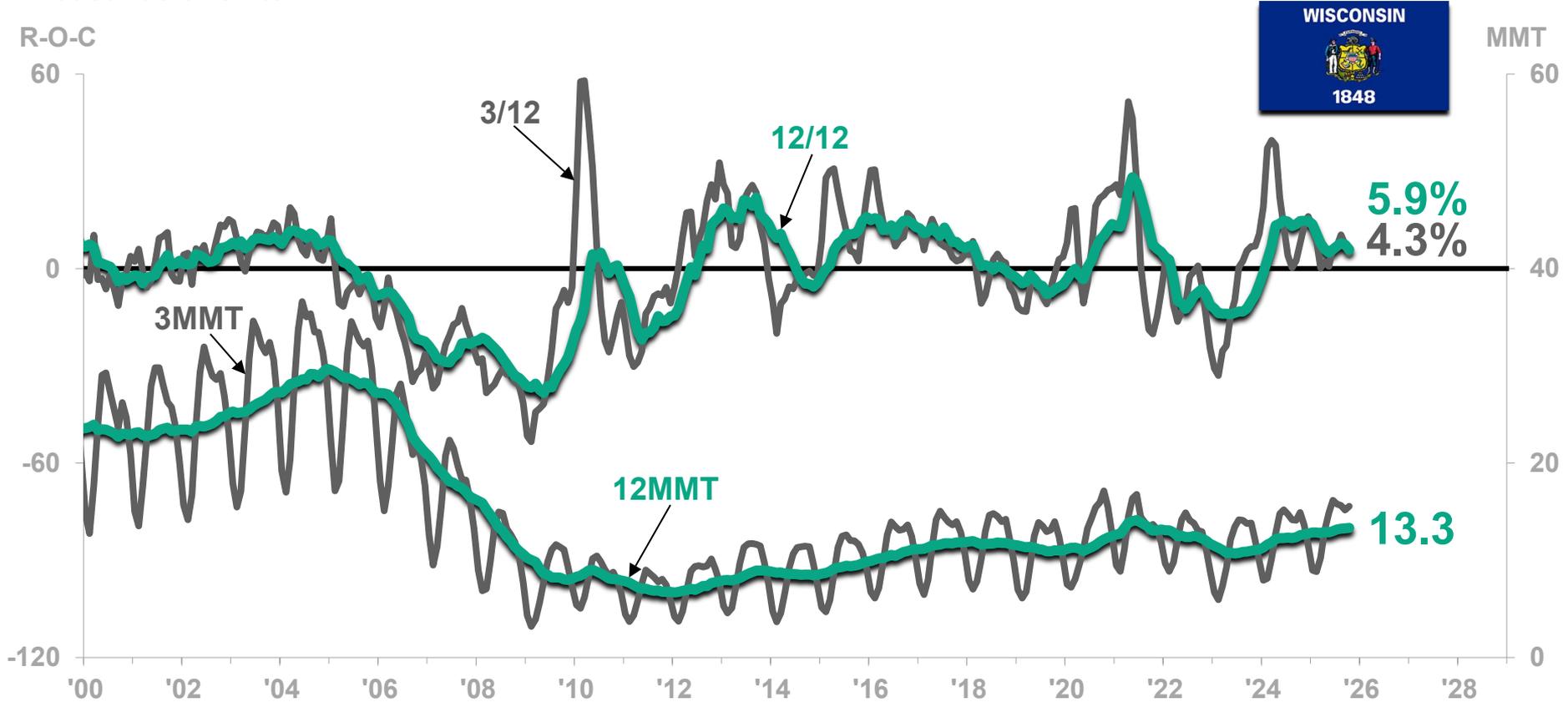
Housing Affordability Varies Considerably by State

Average Household Income Surplus or Deficit to Income Needed to Afford an Average Priced Home



Wisconsin Single-Family Trend is Superior to the Country

Wisconsin Single Family Housing Unit Building Permits
Thousands of Units

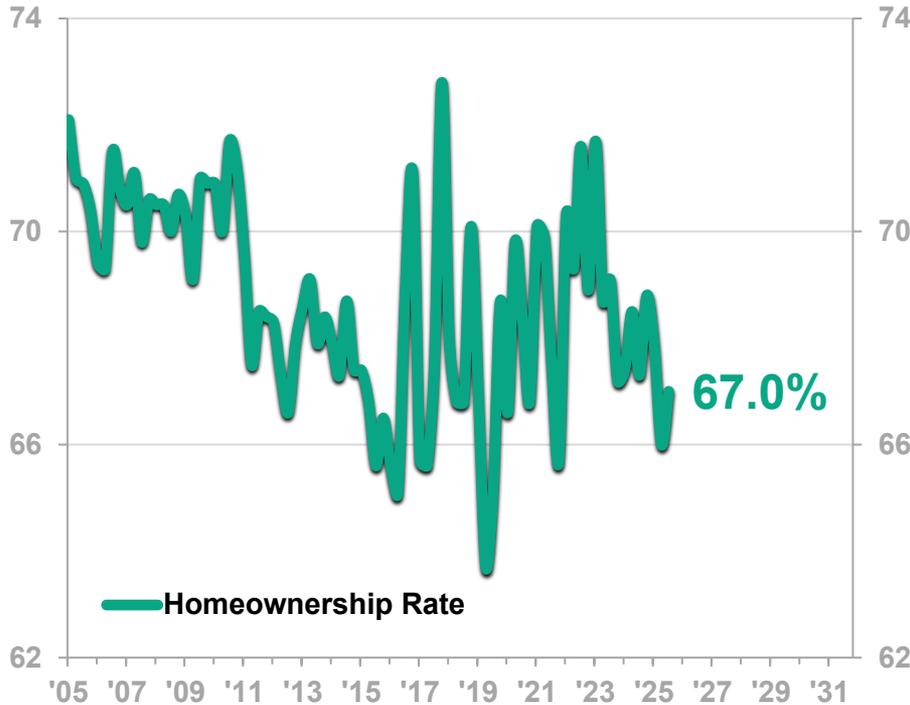


Ownership and Rental Vacancy Trending in the Wrong Direction

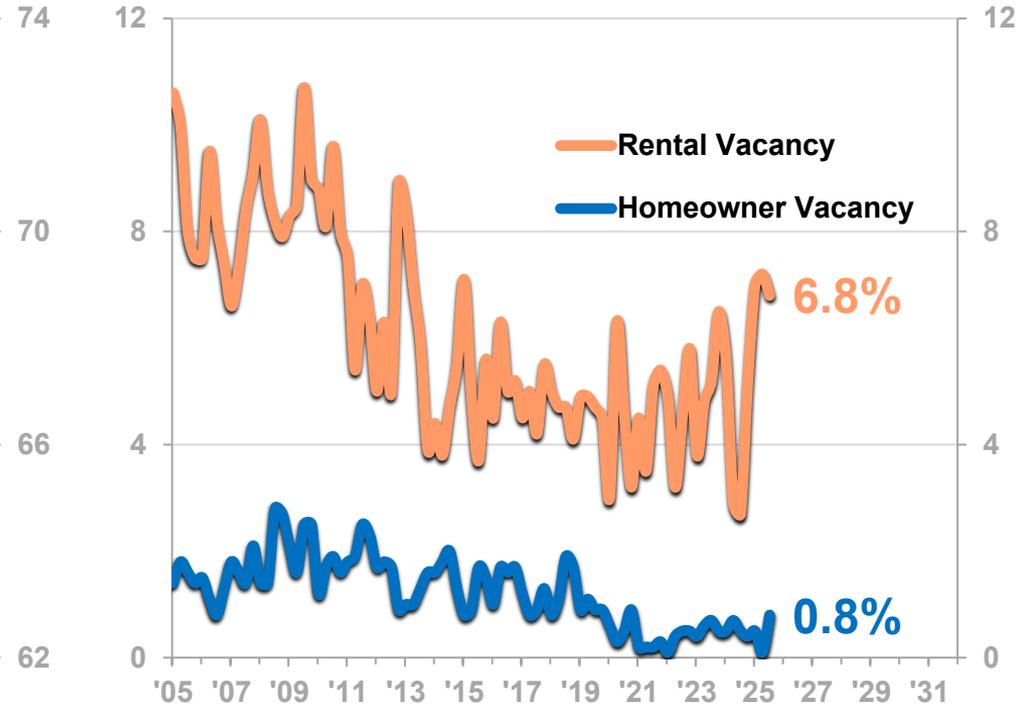
Wisconsin Homeownership and Vacancy Rates
Raw Data: Percent



Homeownership Rate

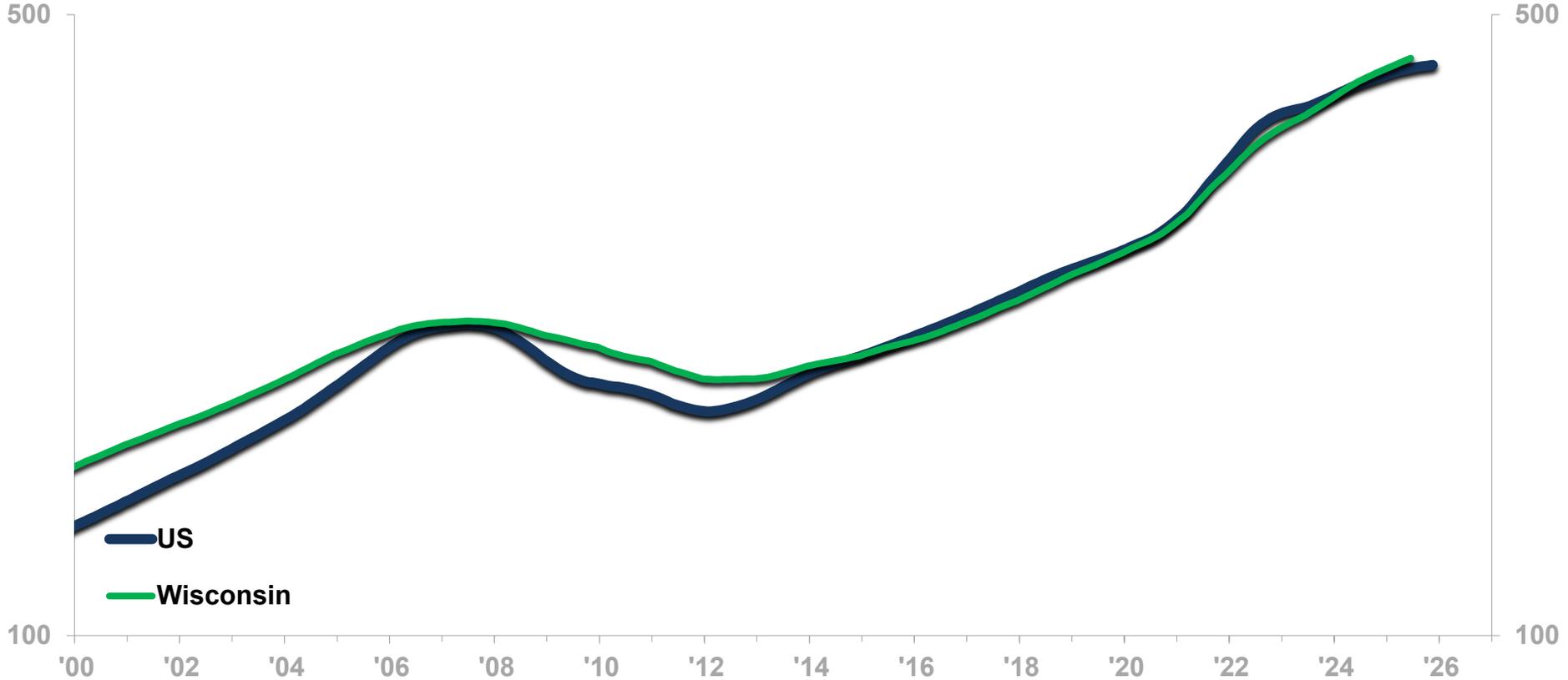


Vacancy Rate



Strongest Stretch of Rise Likely Behind Us

Wisconsin Housing Price Index to US Housing Price Index
Annual Data Trends: 1991 = 100

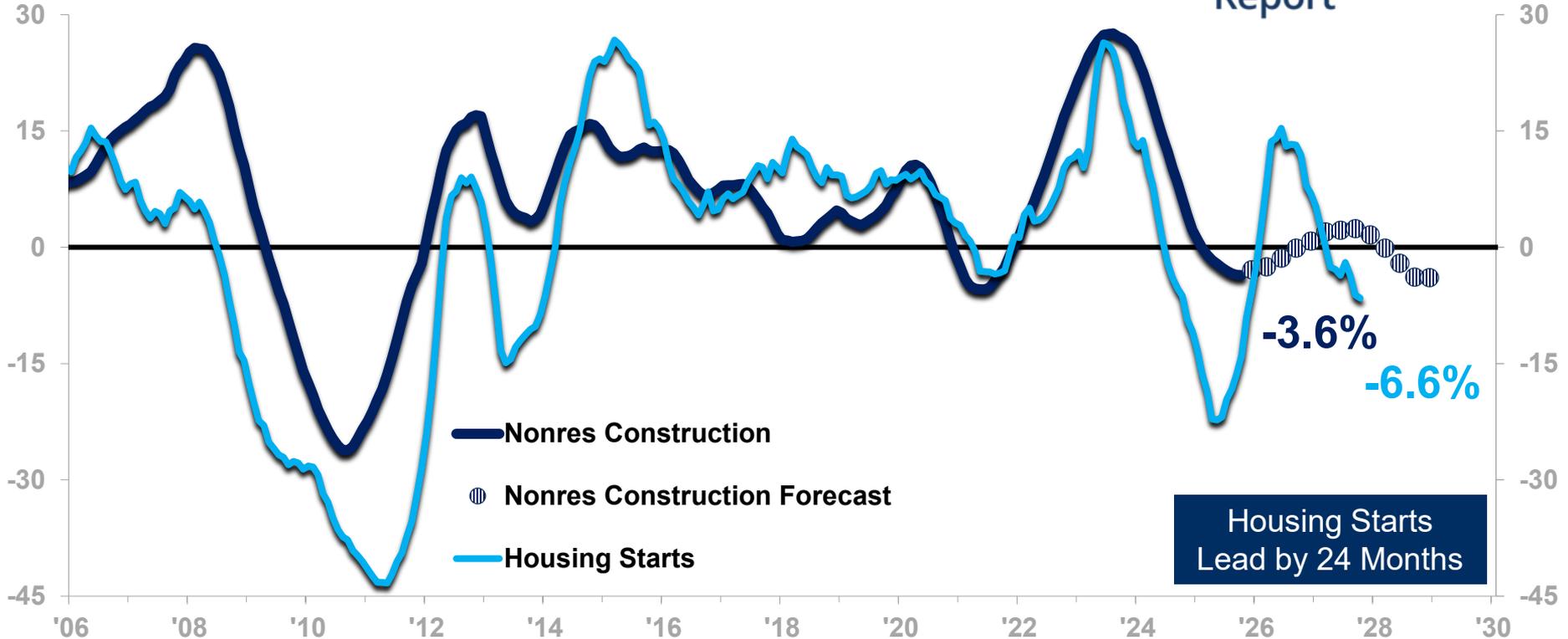


Expect Nonresidential Construction to be in a Weak Cycle

US Private Nonresidential Construction to US Single-Unit Housing Starts
12/12 Rates-of-Change

Nonres Construction

as seen in
ITR Economics'
Trends Report Housing Starts



Service Sector Revenue

US Services Revenue

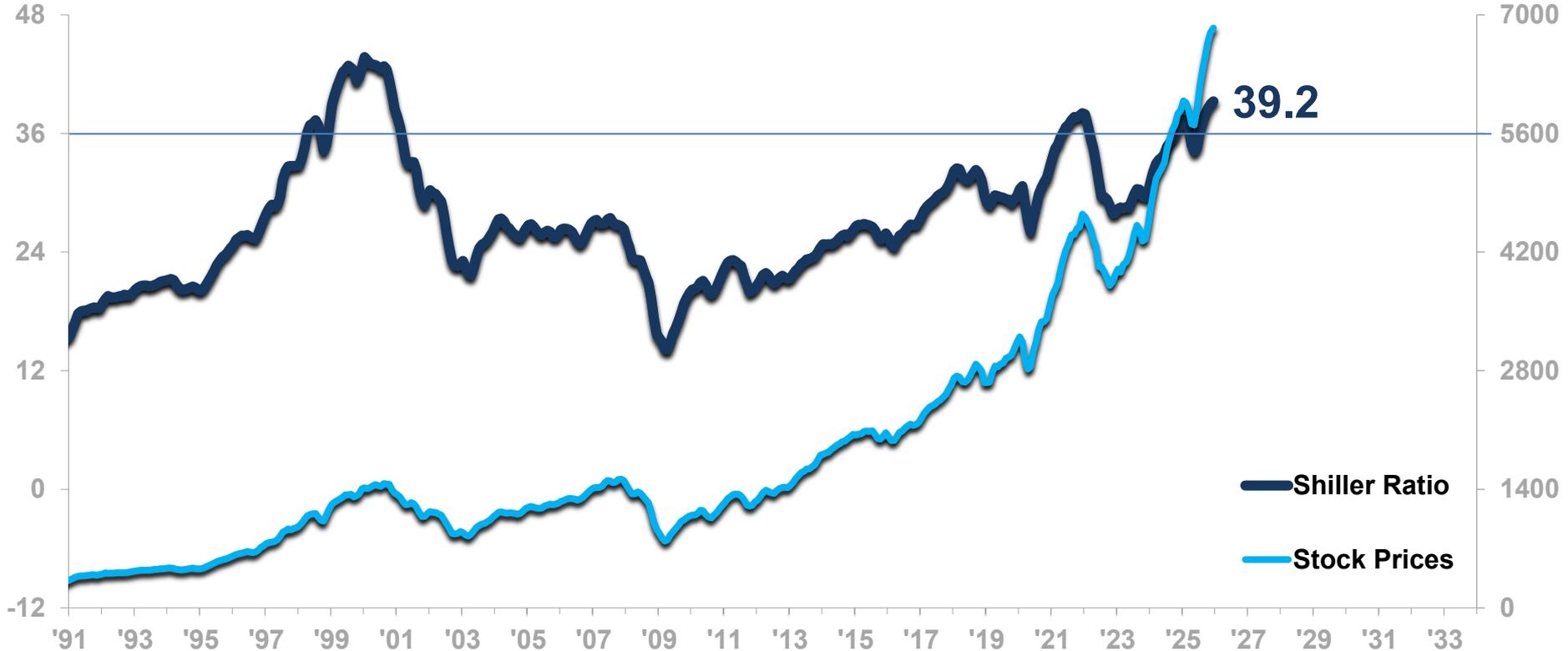
	3/12	Phase
Insurance Carriers	6.9%	B
Legal Services	13.7%	B
Computer System Design	8.4%	B
Management, Scientific, & Technical Consulting	1.3%	C
Real Estate	4.1%	B
Educational	5.7%	B
Agencies, Brokerages and Other Insurance	8.7%	B
Accounting, Tax Preparation, Bookkeeping	2.8%	C



Shiller P/E Ratio is in Rarified Territory

US S&P 500 Shiller Price Earnings Ratio to US S&P 500 Stock Prices Index
Quarterly Data Trends

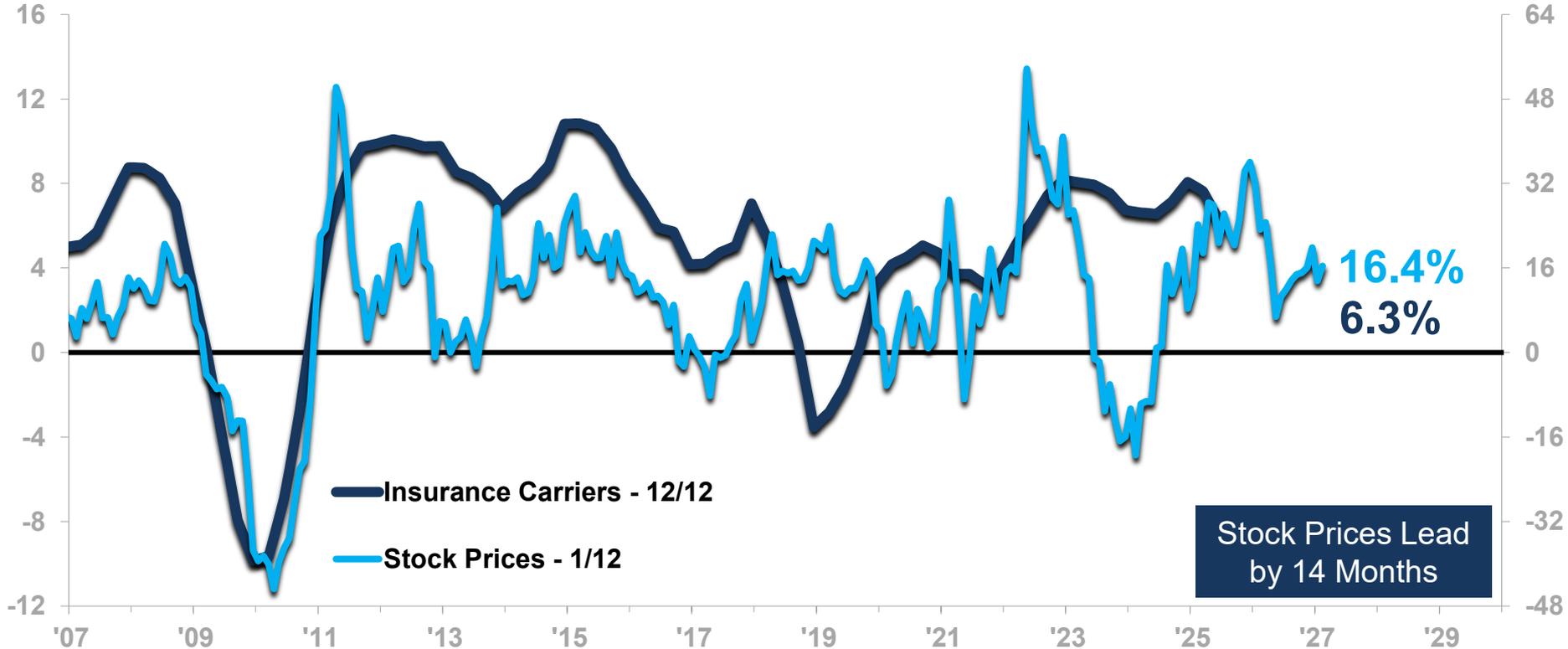
Shiller Ratio



Business Cycle Dynamics Improve in 2026 & Again in 2028

US Insurance Carriers GDP Gross Output to US S&P 500 Stock Prices Index
Rates-of-Change

Insurance Carriers



The US Macroeconomic Summary

- Consumer financial health is good with incomes rising.
- Leading indicators portend sluggish ascent for 2026.
- Headwinds for 2027 are becoming more evident.

NEXT STEPS:

- Turn off the news and focus on the data.

2030s Outlook Unchanged



1. Demographics



2. Health Care Costs



3. Entitlements



4. Inflation



5. US National Debt

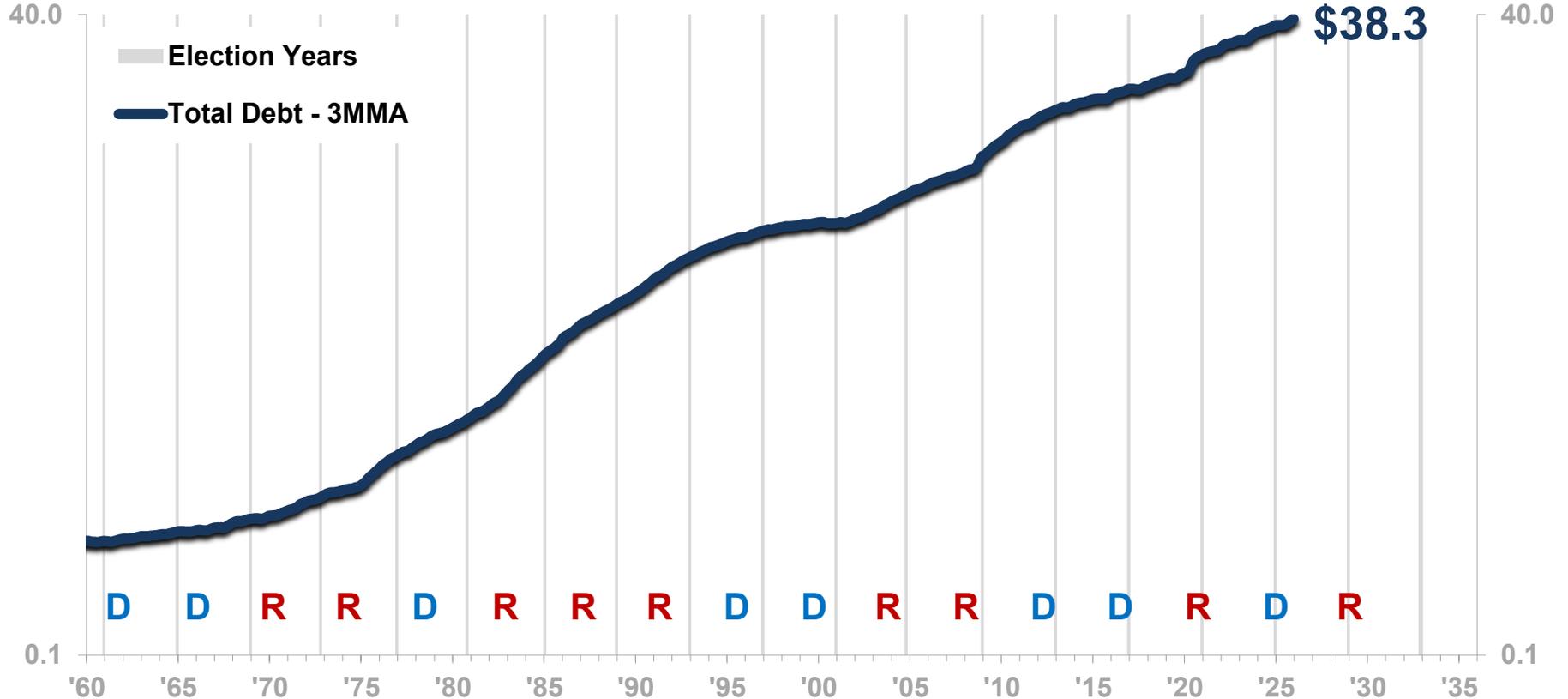


Demographic Influence is Significant

	Population Change 2019-2023	Population Projected Change 2040
World	3.6%	13.4%
US	2.0%	7.8%
➔ Australia	3.8%	14.8%
India	3.5%	12.8%
➔ Canada	4.0%	11.8%
Mexico	3.2%	11.5%
UK	2.3%	7.4%
Costa Rica	2.1%	5.2%
➔➔ Sweden	2.6%	5.0%
➔➔ Switzerland	3.4%	4.6%
Brazil	1.8%	3.8%
Western Europe	1.6%	-0.5%
Europe	-0.5%	-3.2%
Korea	0.0%	-5.4%
China	-0.1%	-5.6%
Eastern Europe	-2.9%	-6.7%
Japan	-1.8%	-9.8%

The Mountain of Debt Continues to Grow

US Total Public Debt Outstanding
Quarterly Data Trends: Trillions of Dollars



How the Broad Economic Segments Have Performed

Magnitude of Decline

Recessions

	1974-75	1981-83	1990-91	2000-01	2008-09
US Real Gross Domestic Product	-3.1%	-2.6%	-1.4%	-0.4%	-4.0%
US Services Real GDP	-0.9%	-0.2%	n/a	n/a	-0.1%
US Industrial Production Index	-10.1%	-7.4%	-1.6%	-3.9%	-14.7%
US Total Manufacturing Production Index	-12.0%	-8.8%	-1.9%	-4.2%	-17.9%

Potential Helpful General Market Categories for the 2030s*

Food Processing & Distribution

Pharma

Hospital/Medical

Non-Discretionary Services

Electrification

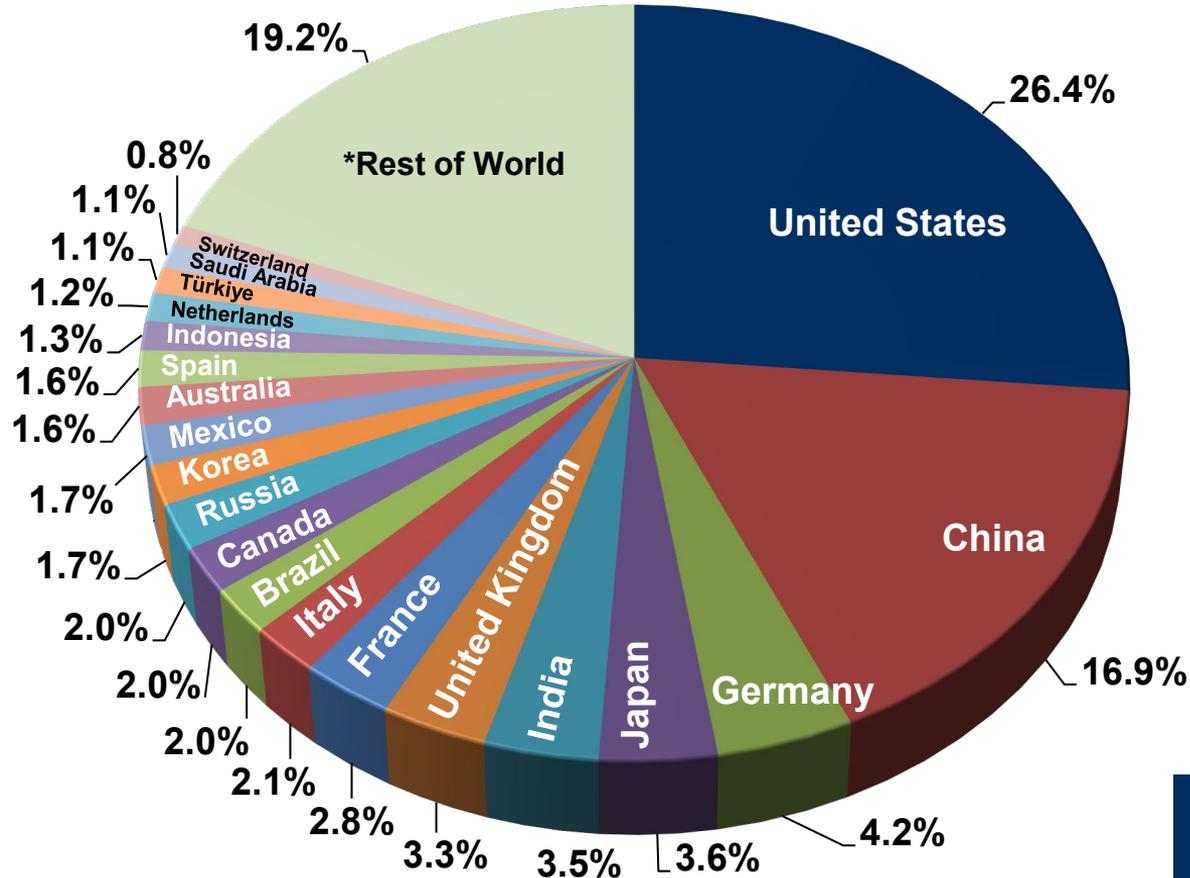
Pets

Defense

Physical AI & Cyber Security

* Selective Aspects of the Markets Are Advised

Percent of World GDP by Country



*Total World GDP:
\$111.1 Trillion US \$



Michael Feuz

Economist & Senior
Consulting Speaker



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