

Political Narratives / Economic Realities

The US Economic Outlook

Focus on the Fasteners Business

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Founding Partner, Beacon Economics

March 2025



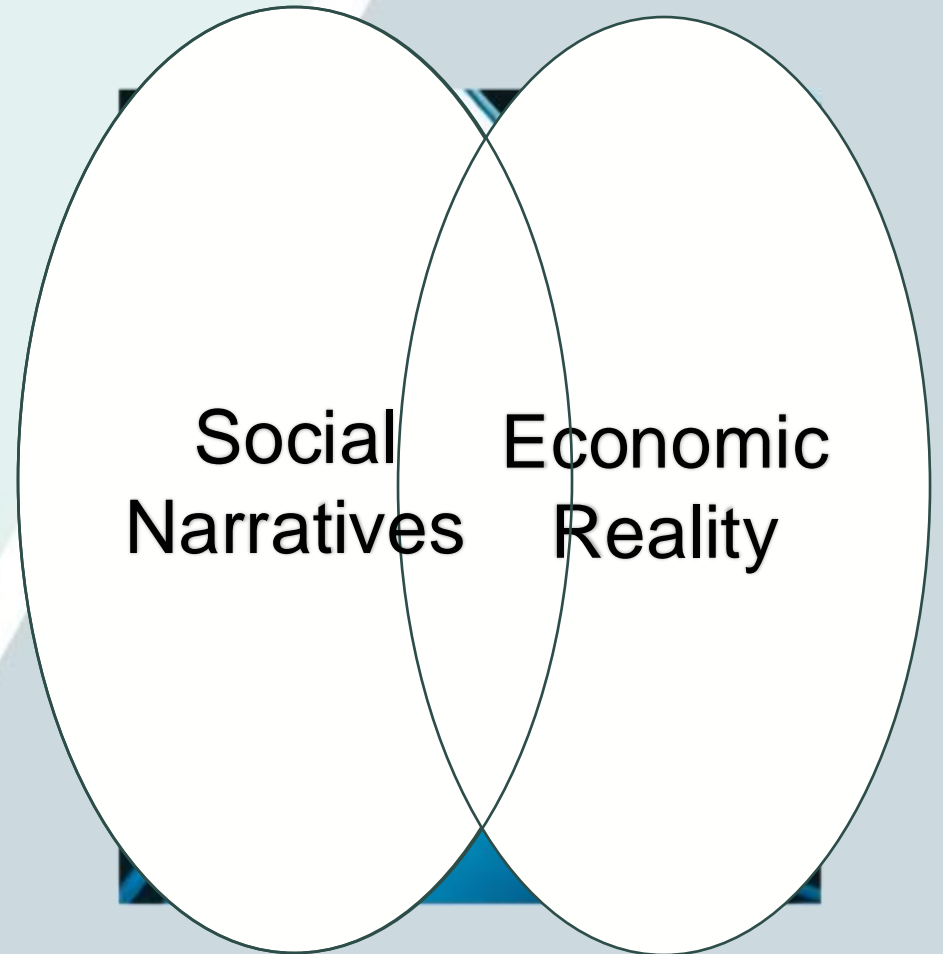
Beacon Economics

- Economic research firm founded in 2006 with a commitment to letting the *data* drive the *answer*.

Today's Presentation

- What we *think* is happening in our economy (our social narrative or “lived experience”)
- What is *actually* happening in our economy (our objective statistical reality)
- It is the combination of the two that drives the forecast: Narratives drive choices, while economics determines outcomes.

Good choices and smart policy start with the correct narrative.



Slides available by using QR code at end of presentation, or email Kristen@beaconecon.com

The Recent Forecast Narratives

The only function of economic forecasting is to make astrology look respectable.”

-John Kenneth Galbraith



Last Year's Political Narrative

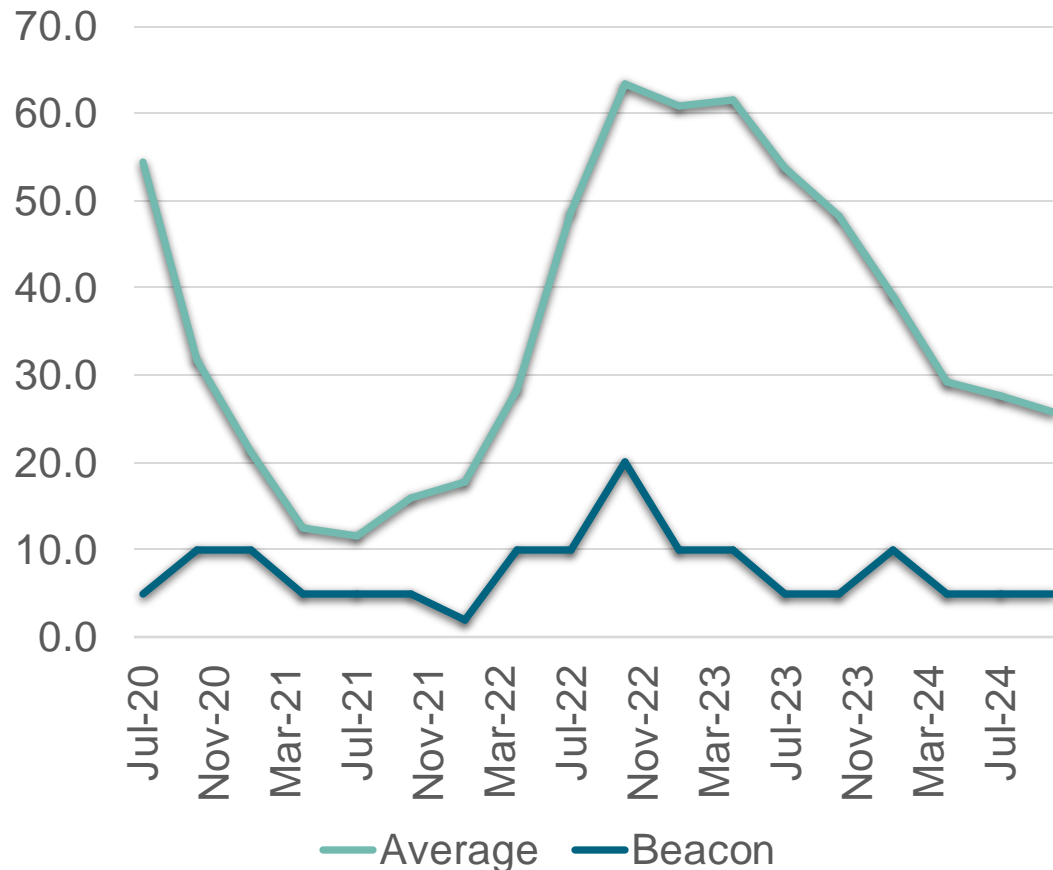
“The only function of election polling is to make economic forecasting look respectable.”

-Christopher Thornberg

Beacon's US Outlook

WSJ Survey of Forecasters

Percent Chance of US entering a recession
in the next 12 months



Expansion to Continue

- Economy has cooled from hot to normal
- Inflation down, credit supply up
- Household finances remain solid

Unstable Foundations

- Strong HH finances a function of bubbly asset markets and record Federal deficits
- External imbalances growing

And the New Administration?

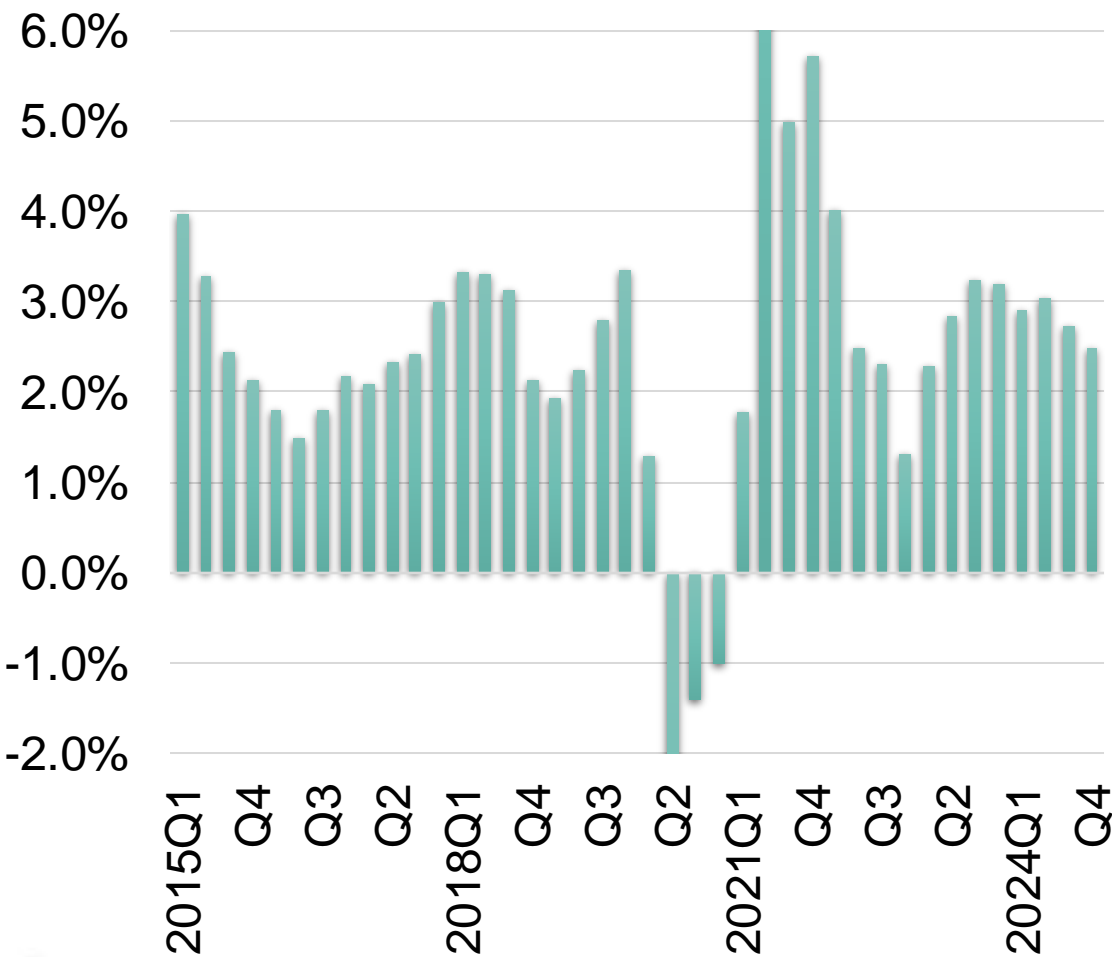
- It takes consensus to achieve lasting change
- The real worry is what they won't do
- Trade turbulence could set off the external crisis earlier



GDP Growth Solid into '25



Real GDP Growth Y-o-Y



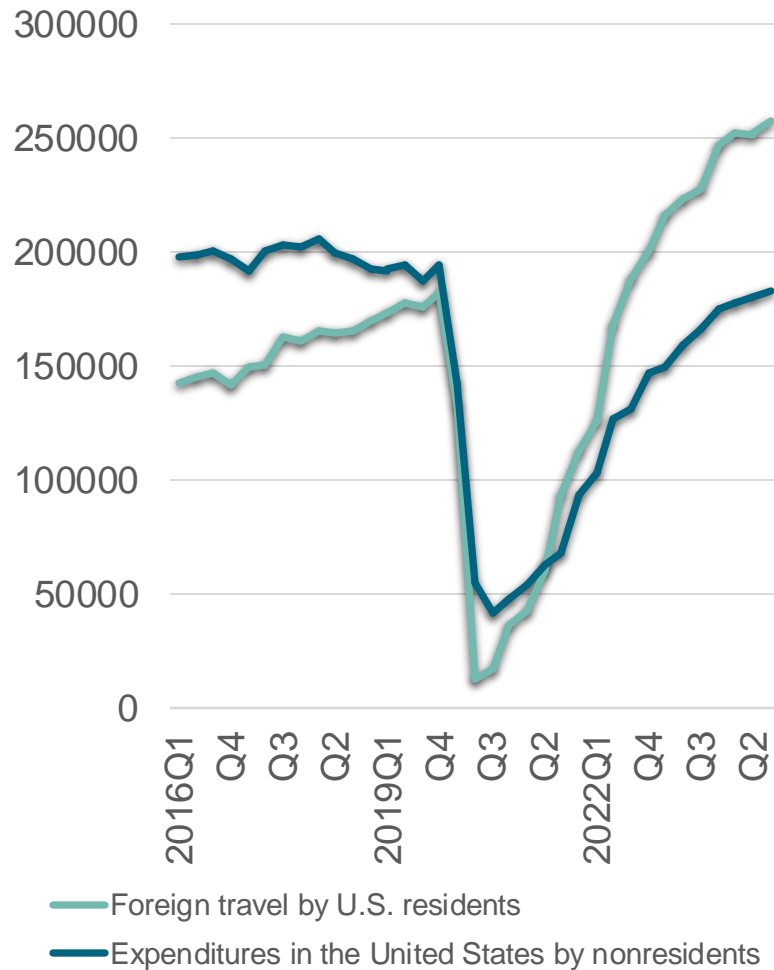
Contributions to Real Growth

	2022	2023	2024
GDP	2.5	2.9	2.8
Final Demand	2.3	2.8	3.1
Personal consumption	2.1	1.7	1.9
Durable goods	-0.2	0.3	0.2
Nondurable goods	0.0	0.1	0.3
Services	2.2	1.3	1.4
Fixed investment	0.5	0.4	0.7
Structures	0.1	0.3	0.1
Equipment	0.2	0.2	0.2
Intellectual property	0.6	0.3	0.2
Residential	-0.4	-0.4	0.2
Change inventories	0.6	-0.4	0.1
Net exports	-0.4	0.5	-0.4
Exports	0.8	0.3	0.4
Imports	-1.2	0.2	-0.7
Government	-0.2	0.7	0.6

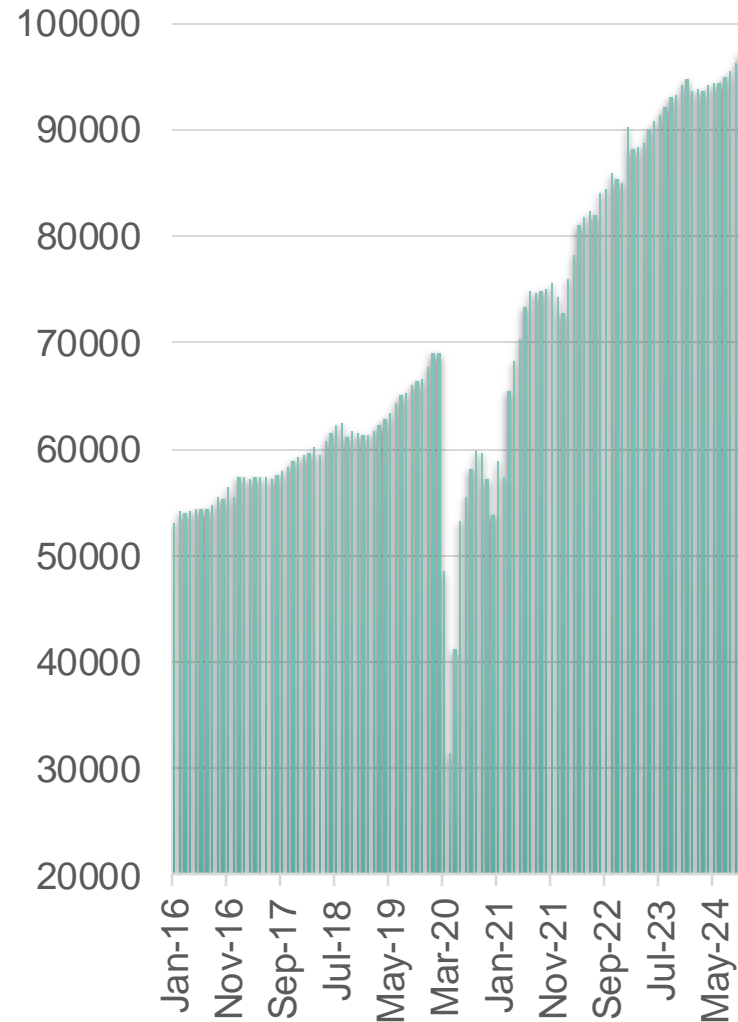


Welcome to the New Roaring 20's!

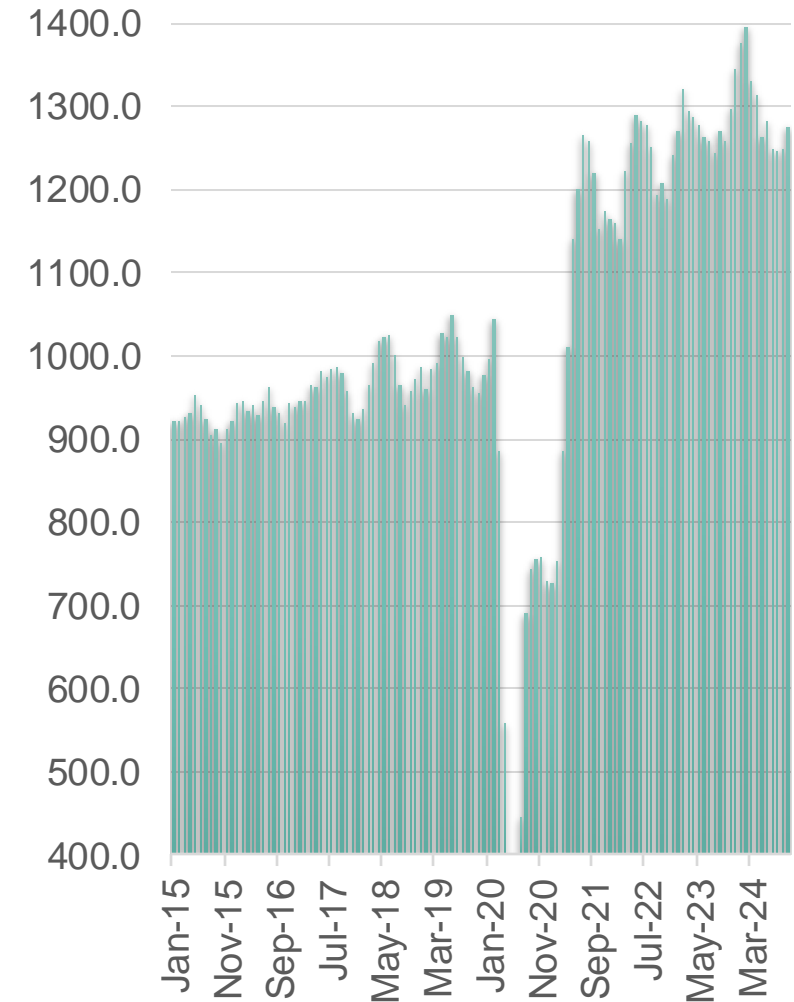
Real Spending on Foreign Travel



Restaurant Sales



Las Vegas Gaming Revenues



Shifting Spending Patterns

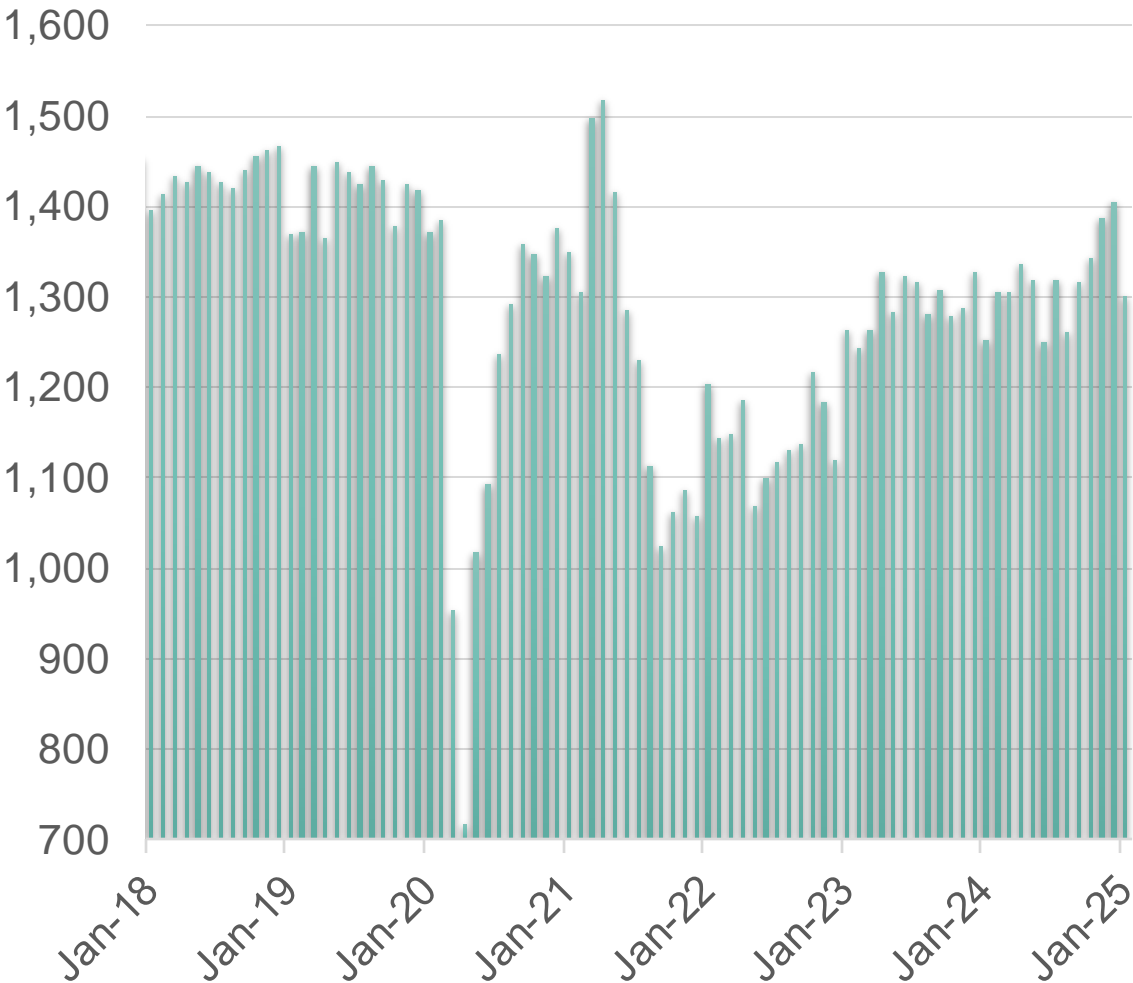
	Real Consumption Growth			Price Ch
	Q4	22-23	23-24	23-24
Total	16278.5	3.0%	3.1%	2.5%
Motor vehicles	610.2	2.1%	6.4%	-1.8%
Recreational goods	798.7	12.5%	6.0%	-1.5%
Furnishings	448.6	3.4%	5.7%	-2.1%
Health care	2864.1	6.0%	5.3%	2.5%
Financial serv	1175.7	4.0%	3.2%	6.9%
Transportation Serv	500.3	2.0%	2.9%	3.2%
Recreation Serv	624.1	2.4%	2.1%	3.0%
Food Markets	1176.3	0.1%	1.7%	1.5%
Clothing	506.7	1.8%	1.6%	1.1%
Housing	2646.2	0.1%	1.1%	4.7%
Food serv / accom	1076.4	3.9%	0.6%	3.3%
Gasoline	317.4	1.9%	-0.1%	-8.8%



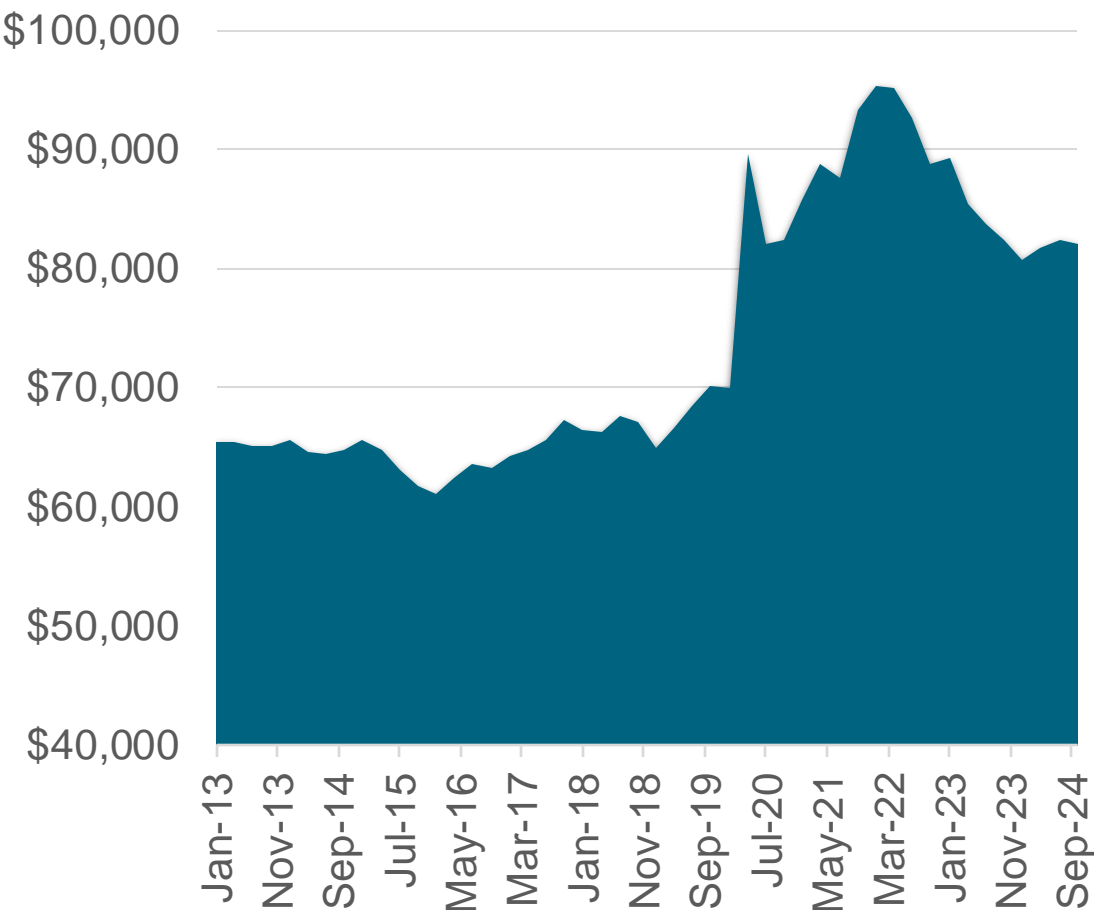
Auto Sales: A Shift to Quality



Auto and Light Truck Sales (000s, SA)




Average Value per Vehicle
Inflation Adjusted



Same with the Wine biz!

U.S. Wine C

NBC NEWS

Wine sales drying up as Americans turn elsewhere

SHARE & SAVE —    ... 

DATA GRAPHICS

Wine sales drying up as Americans turn elsewhere

U.S. wine sales continued a multiyear decline in 2024, which experts attribute to shifting demographics, health concerns, new competition and economic forces.

Grape Acreage 2022	10-Year Chg. (%)
1,108,161	-2.7
160,324	-25.6
111,972	4.9
95,424	-12.5

Total (Gallons, Mil.)



ONE WINE EXPERT says it may take years for the industry to grow again: "We've built to overproduce; we've got to balance that out."

Just as uncontrollable financial, demographic and other forces have wreaked havoc in Hollywood, California's wine industry is now reeling from epochal stresses that are grinding down yet another mainstay of the state's economy. The aging of baby boomers who long served as the industry's mainstay, changing tastes among young consumers, a flood of cheaper foreign wine, a surplus of U.S. products and new medical warnings against alcohol are shaking a once seemingly impregnable business to its core. Then there's the threat of Trump tariffs and retaliatory duties — even an outright boycott by Canada, California wine's largest export market.

"We're really hit by a perfect storm of crisis today," says Natalie Collins, president of the California Assn. of Winegrape Growers.

WINE MARKET ADJUSTS TO A NEW REALITY

California sellers struggle with changing tastes, foreign competition and too many grapes on the vine

By Don Lee

After nearly three decades of annual growth, U.S. wine sales and shipments have fallen into a prolonged slump.

Gone are the days when international acclaim for Napa and other California products seemed to promise an endlessly bright future. Now, thousands of grapevines are being destroyed because there's no market for their grapes.

There was a brief reprieve when consumers stuck at home during the COVID-19 pandemic flocked to wine clubs and sparked online buying binges. Tasting rooms that once entertained masses of customers are now struggling to survive. Those good times seem to be fading fast.

And looking beyond its present woes, the industry faces tectonic shifts in demographics that suggest a bleak future.

[See Wine, A7]

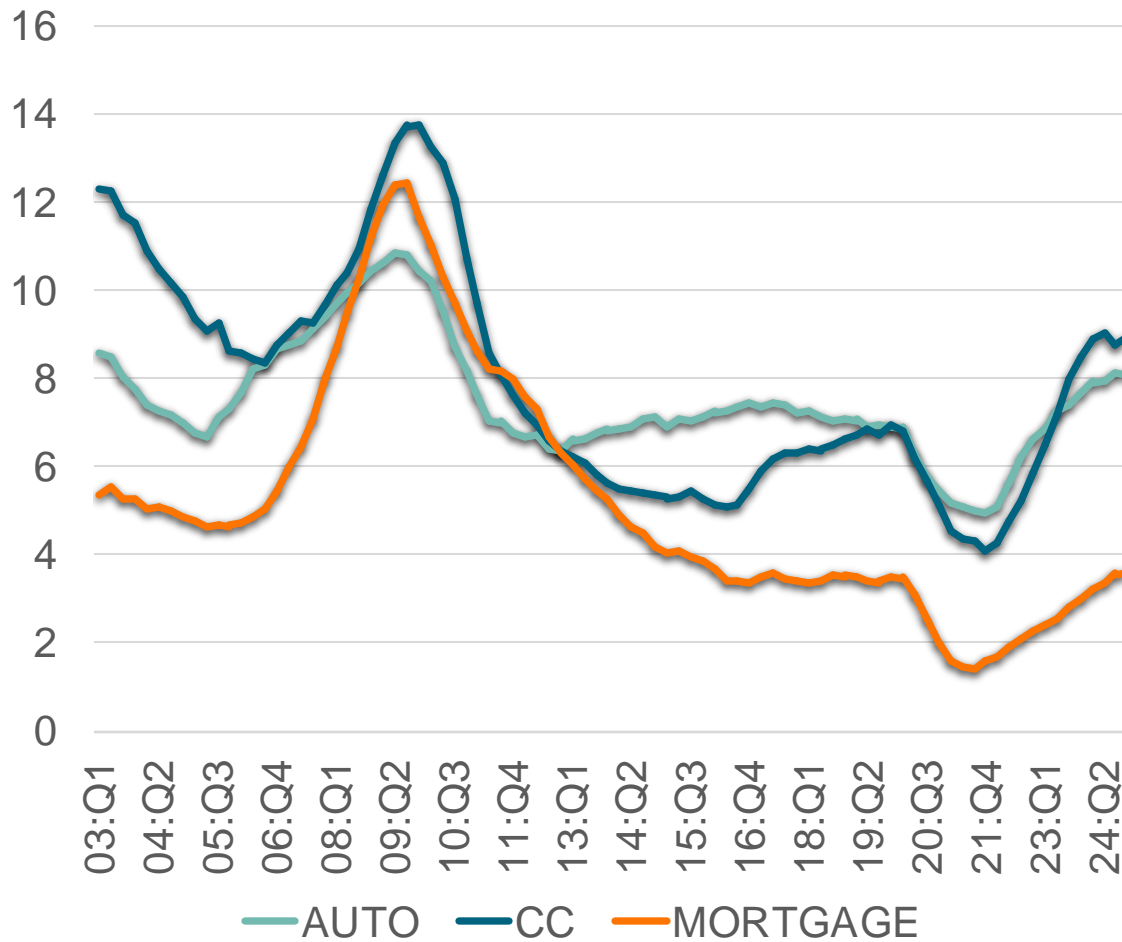
The Story Behind the American Wine Crisis

The first half of 2024 has felt like a tidal wave of woe for U.S. wine producers, but what's really going on? Winery professionals and industry analysts weigh in

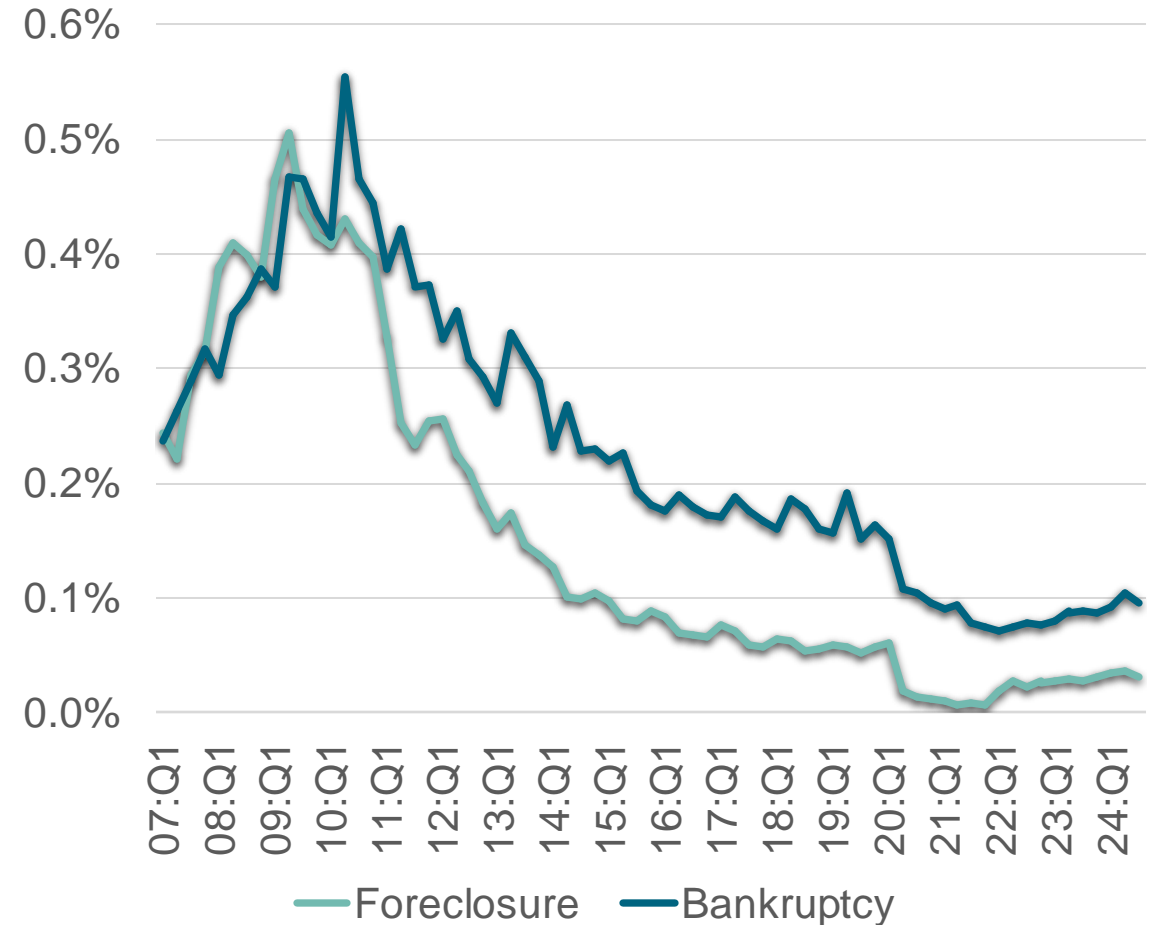
5.4
5.6
0.9
3.8
6.3
4.7

Little topline consumer debt distress

Share of Debt 30 Day+ Delinquent

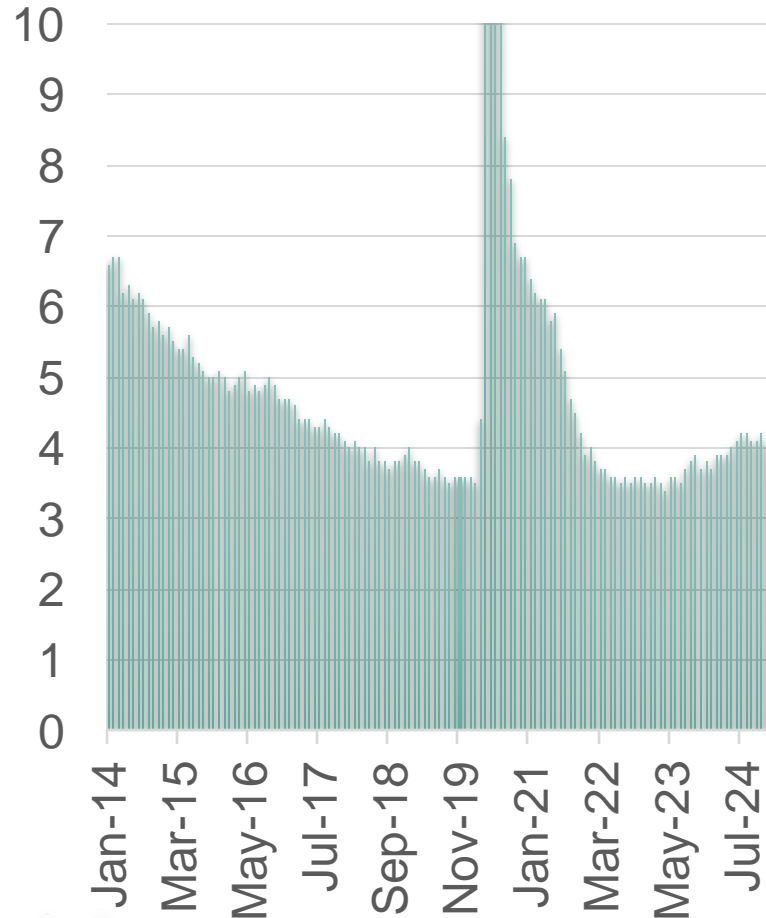


Foreclosures and Bankruptcies (As % of Households)

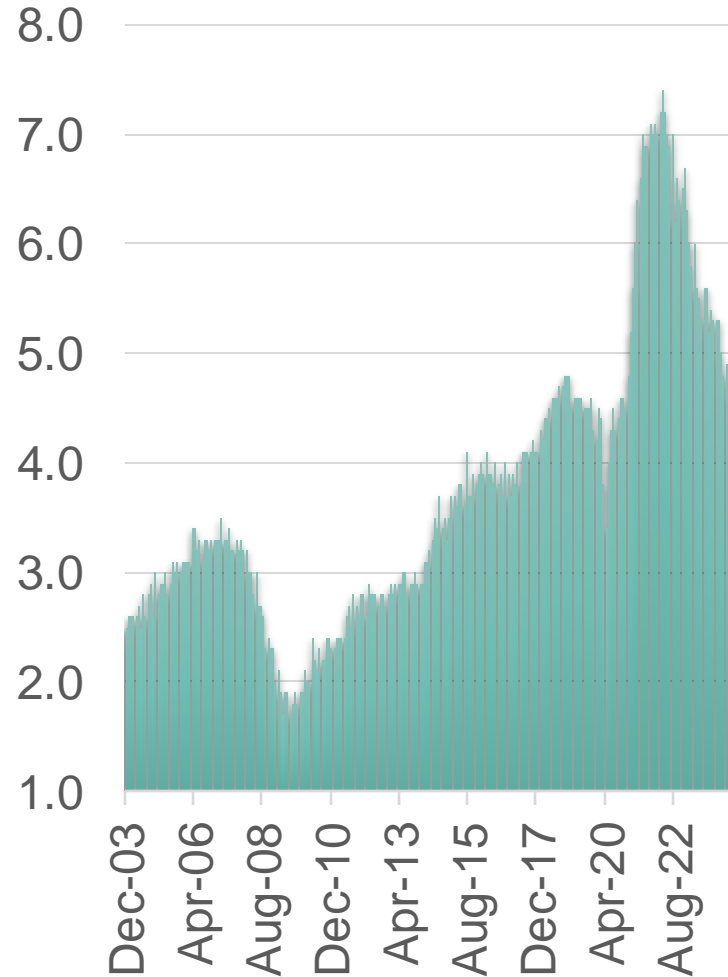


Labor Markets: Cooled, Not Distressed

US Unemployment Rate



Job Opening Rate



Layoff Rate (%)



Worker Incomes: Still Growing

Inflation Adjusted Hourly Wage Growth
(Annual)



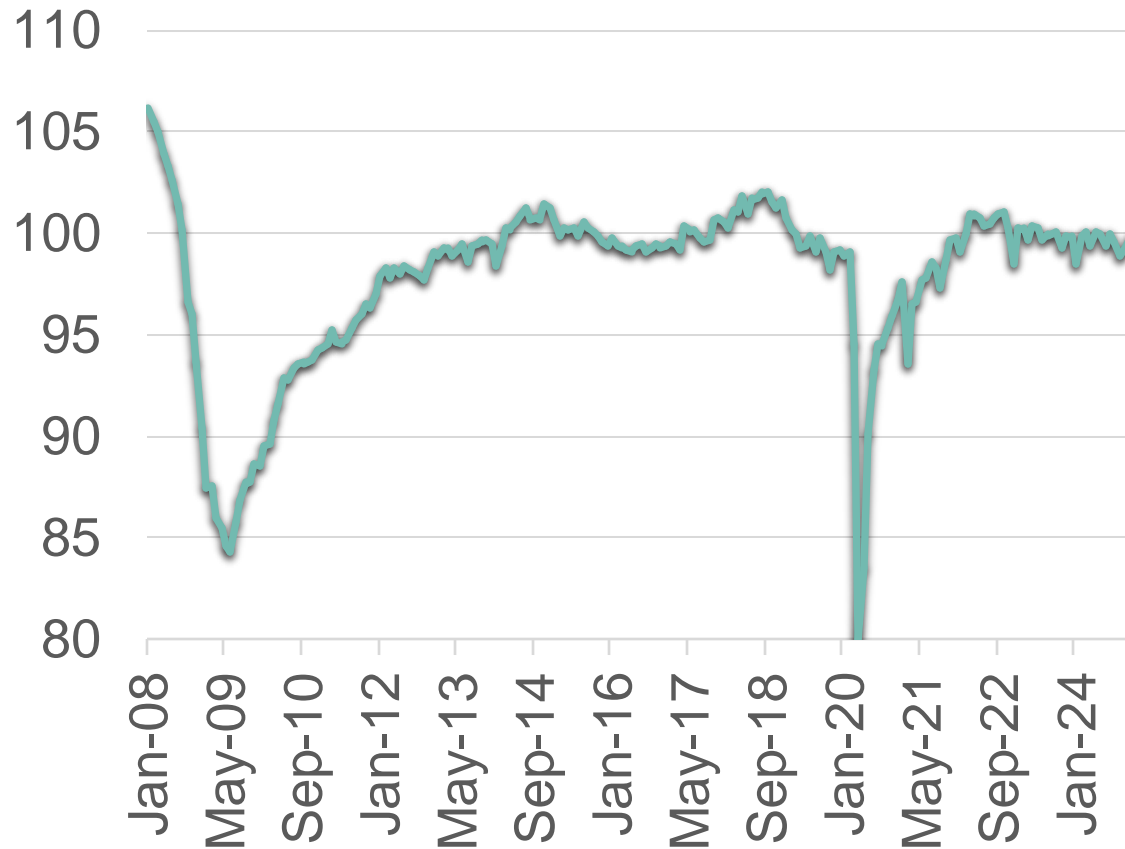
National Hourly Wage Growth (Nominal) 2019-24

	Q4 24	5 Yr Gr
Limited-service restaurants	\$18.30	37.90%
Grocery retailers	\$21.80	37.60%
Full-service restaurants	\$22.50	34.70%
Gasoline stations	\$19.10	33.90%
Traveler accommodation	\$24.10	31.60%
Clothing retailers	\$23.90	25.00%
Hobby, toy, and game retailers	\$19.50	21.20%
Amusement parks and arcades	\$22.10	19.90%
Warehousing and storage	\$24.60	19.50%
General merchandise retailers	\$21.60	17.40%
Hardware retailers	\$22.30	17.00%



US Production Steady, Investment Up

US Manufacturing Production (Indexed)



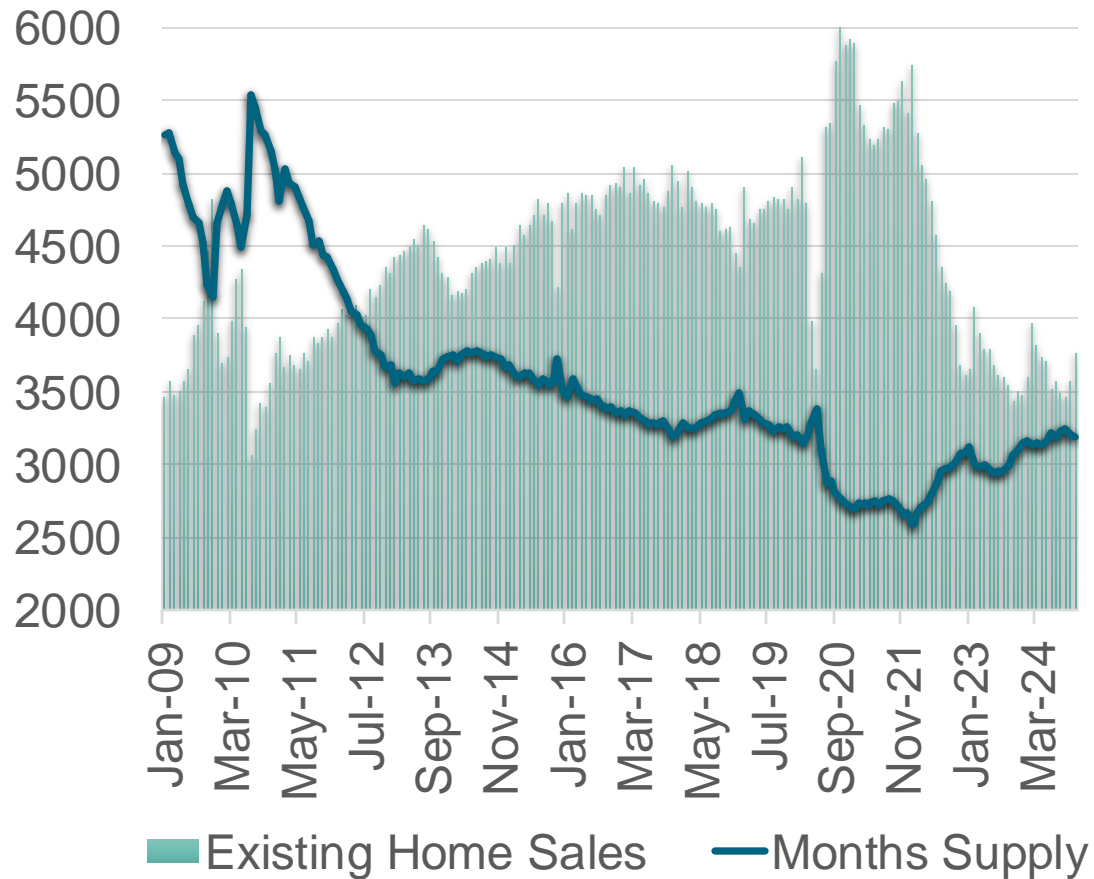
US Real Fixed Investment

Nonresidential 2 Year Growth	9.7%	
	Growth	Contr.
Transportation equipment	38.0%	28.4%
Software	12.9%	28.0%
Manufacturing	71.2%	19.7%
Research and development	7.5%	14.9%
Computers and Eq	13.5%	7.1%
Information processing eq	2.2%	3.7%
Power and communication	10.3%	3.7%
Industrial equipment	4.6%	3.7%
Multifamily	4.1%	1.2%
Entertainment, literary	-1.3%	-0.4%
Mining exploration, shafts	-7.7%	-2.8%
Commercial and health care	-7.0%	-4.0%
Single family	-7.6%	-7.2%



A rate shocked market

Existing Home Sales and Months Supply



Interest Rates

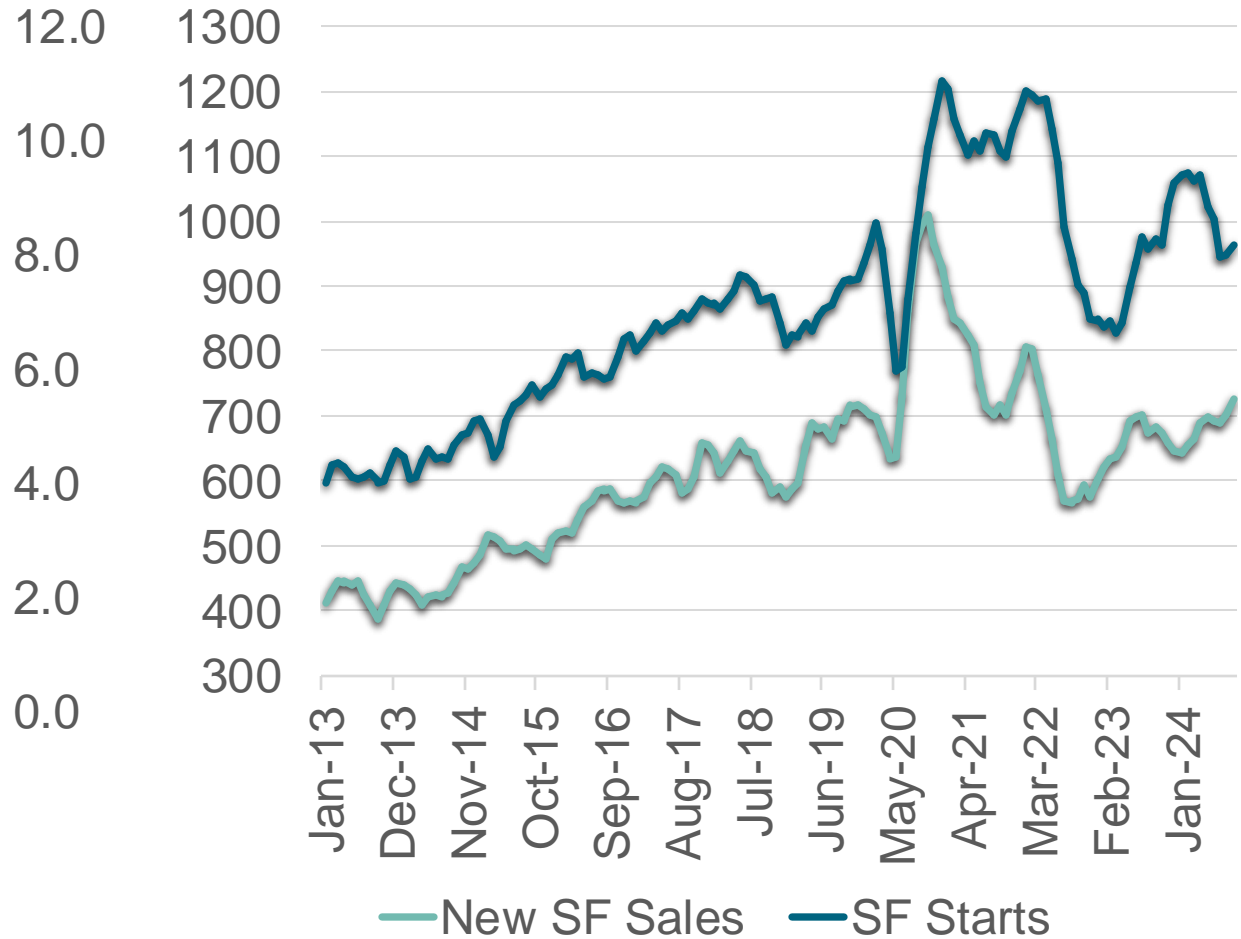


Supply, Supply, Supply...

US Housing Vacancy Rates (%)



New SF Home Sales and Starts



The Yin and Yang of New Home Markets

Months Supply of Units for Sale



Liquidity
Constrained
Housing
Market

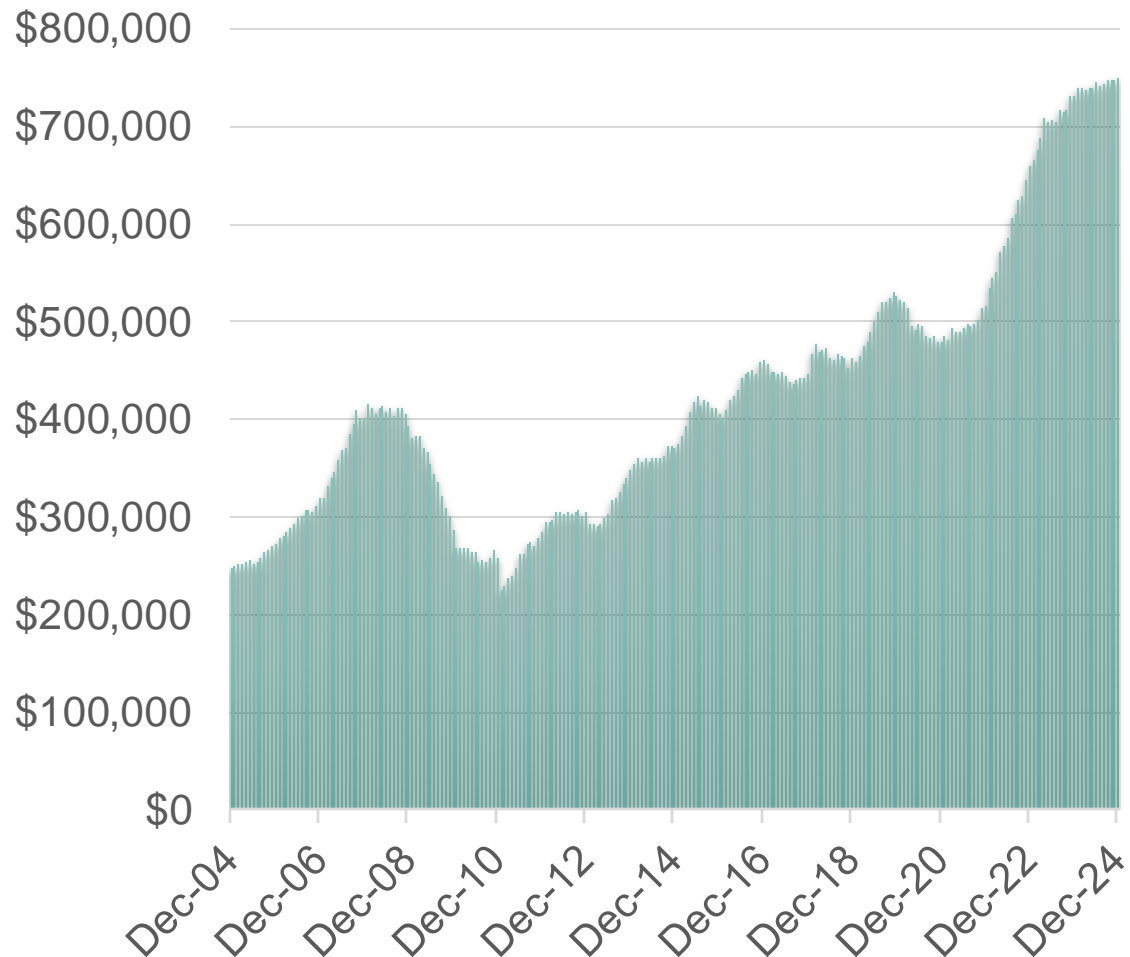


Normal
Housing
Market



Non-Res Construction Trends

Private Nonresidential Construction

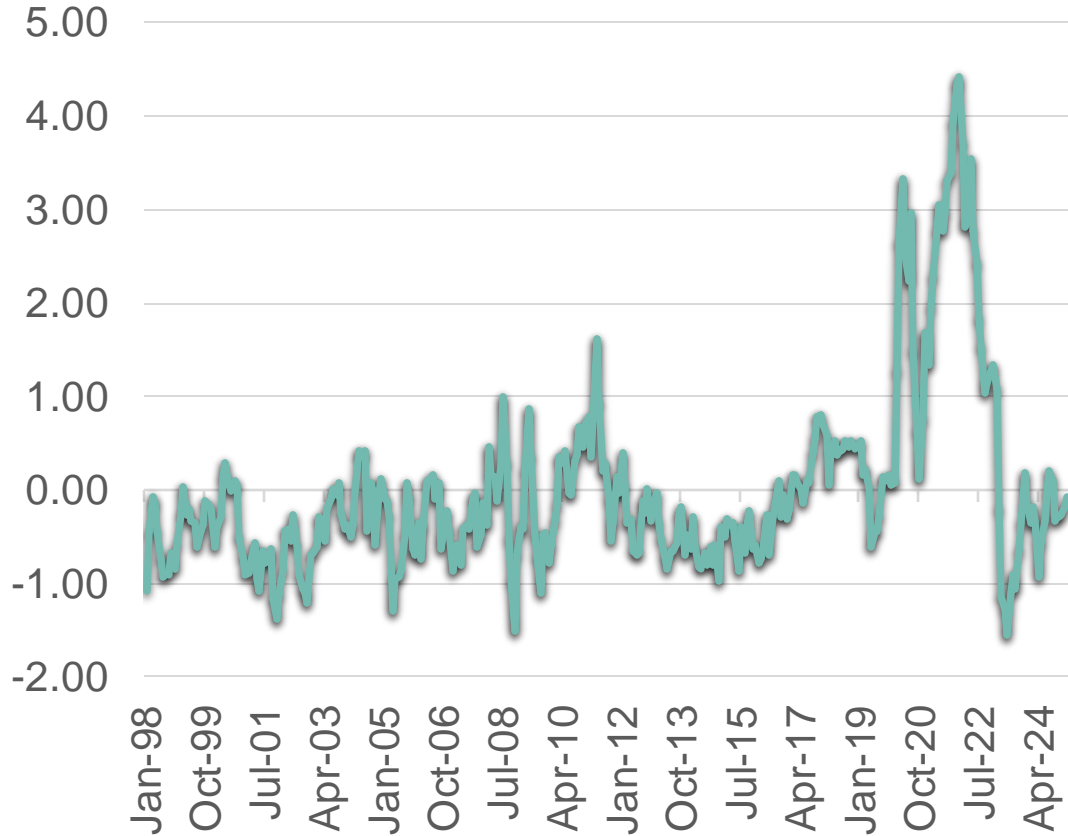


	2018	2023	
Real Private inv in structures	1382.2	1393.8	0.8%
Manufacturing	68.8	122.3	77.8%
Warehouses	32.0	46.9	46.6%
Multifamily structures	72.5	104.4	44.0%
Health care	36.8	39.7	7.9%
Housing Improvements	241.4	254.3	5.3%
Food establishments	8.4	8.7	3.6%
Other commercial	13.2	12.9	-2.3%
Single-family structures	277.7	266.3	-4.1%
Transportation	17.1	15.6	-8.8%
Amusement and recreation	18.0	15.9	-11.7%
Office	73.7	61.3	-16.8%
Educational and vocational	21.0	16.3	-22.4%
Lodging	35.9	21.3	-40.7%
Multimerchandise shopping	20.1	10.8	-46.3%

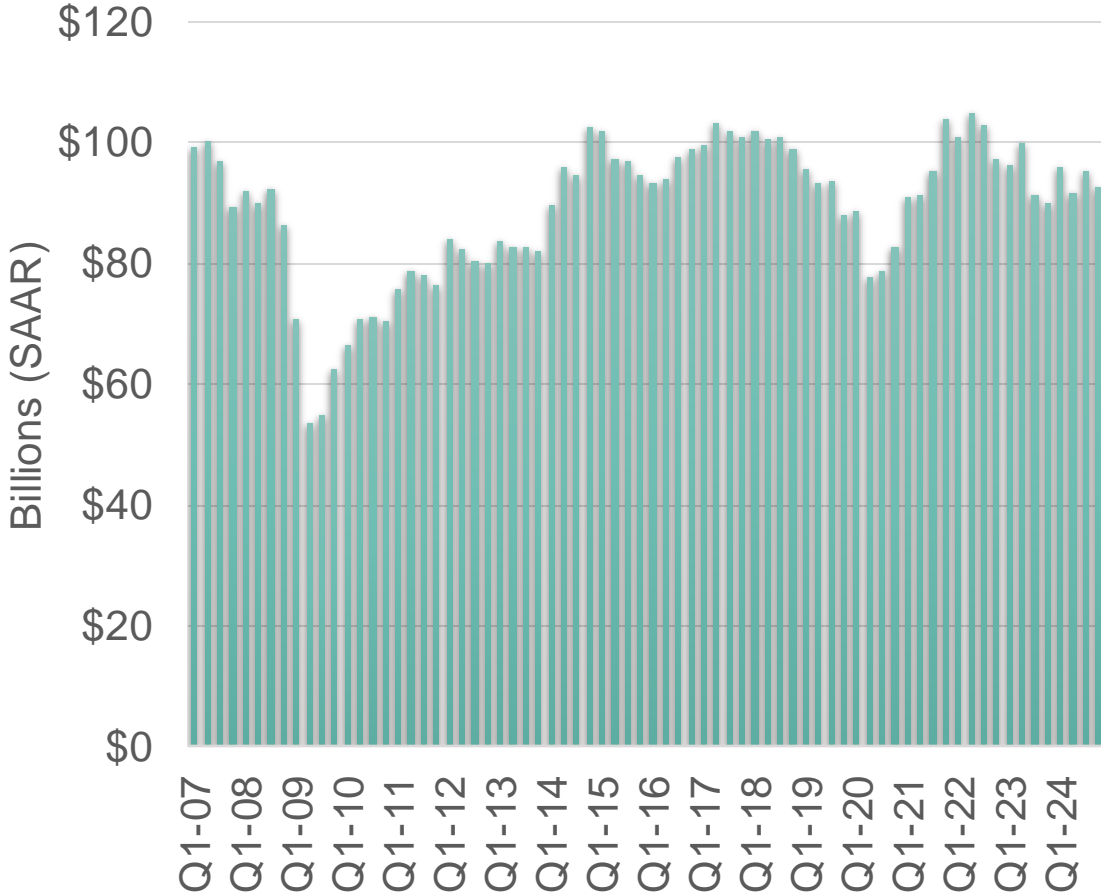


Supply Chains and Imports

Global Supply Chain Pressure Index

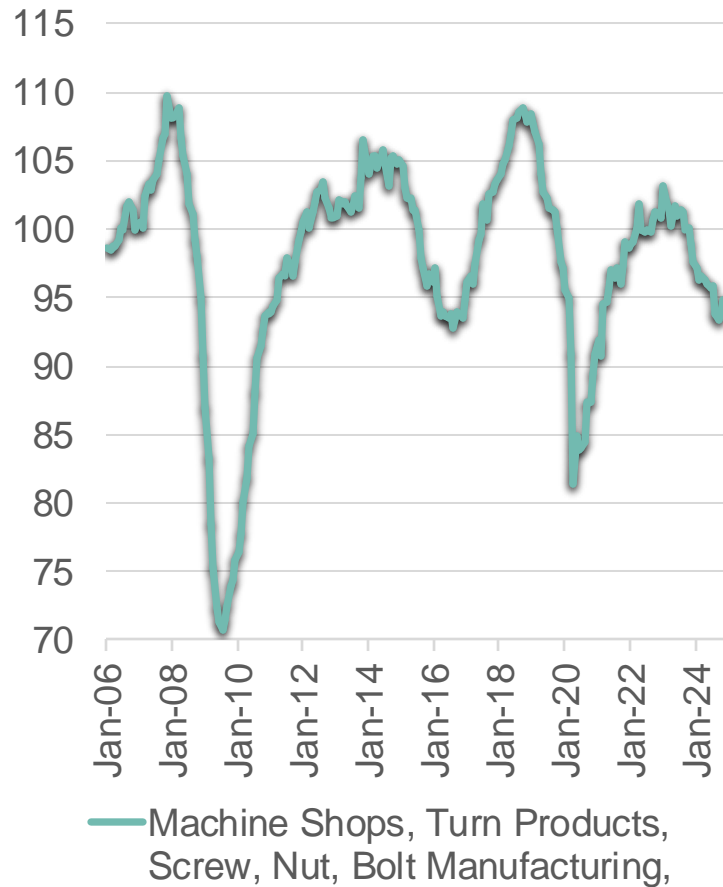


Real Imports of Metals and Products

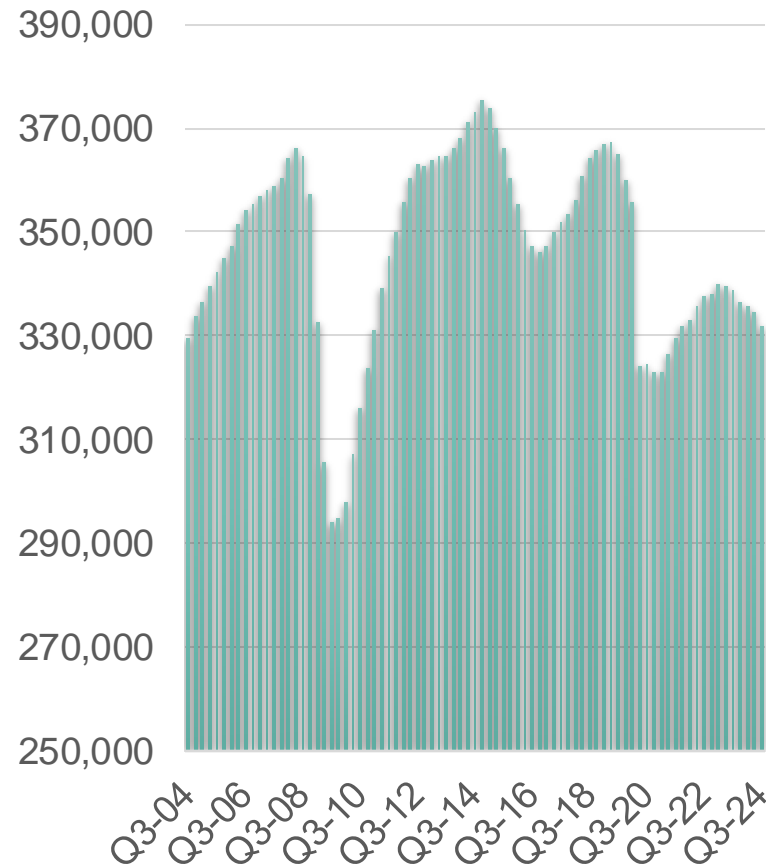


Domestic Fastener Production

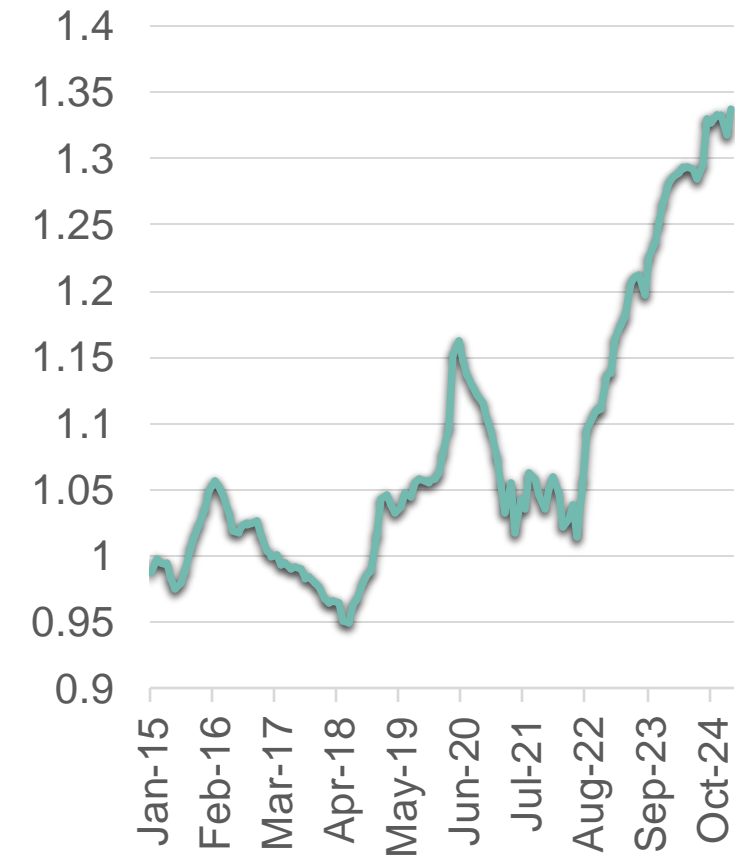
US Production Metal Products, inc Fasteners



Employment: Machine shops; turned product; and screw, nut, and bolt manufacturing



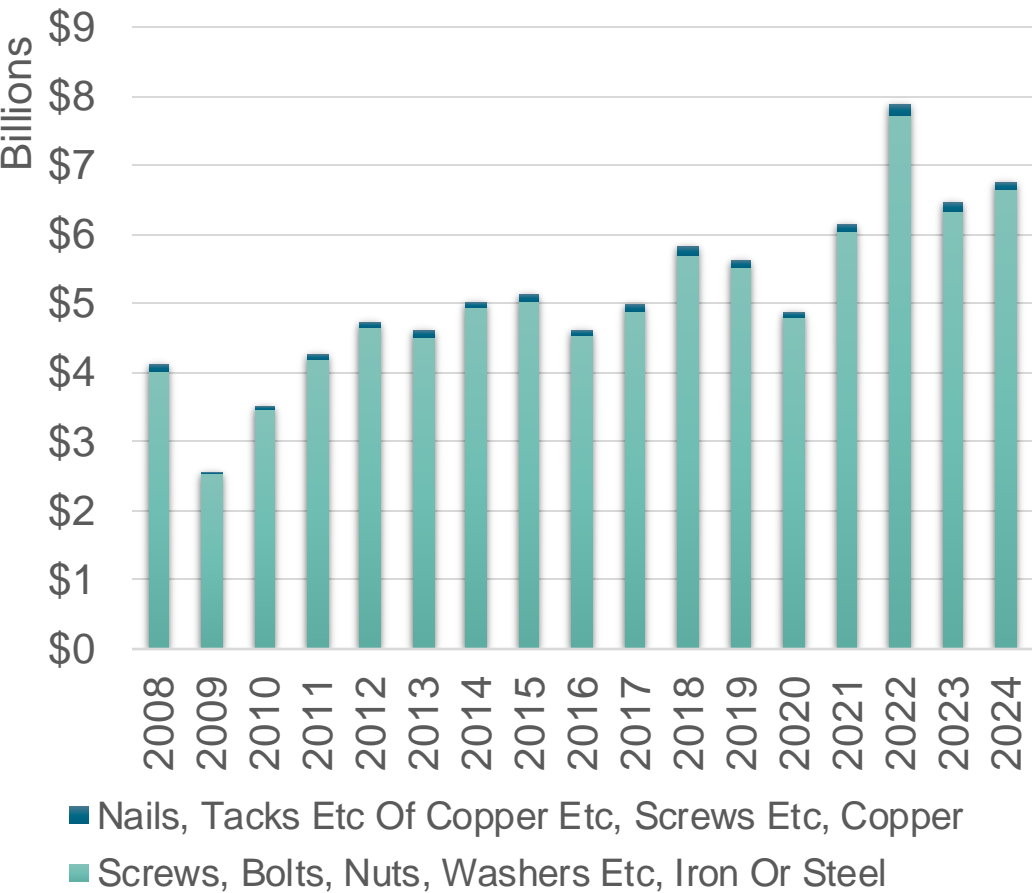
Relative Price Fasteners



Supply Chains and Trade



Nominal Fastener Imports



Country of Origin	Imports 2024 (\$ Mil.)	1-Year Change (%)	5-Year Change (%)
Total Fasteners (Iron/Steel)	6,633.9	4.9	20.3
Taiwan	2,173.2	-1.7	14.5
China	1,192.7	10.6	8.1
Japan	623.0	11.9	-0.2
Canada	408.2	1.2	31.6
Germany	388.4	3.4	6.4
Korea, Republic Of	300.0	9.6	59.6
Italy	259.2	14.4	80.2
India	237.6	18.7	63.4
Mexico	198.4	9.5	52.8
France	128.3	15.4	48.3



Fastener Trade Changes

West Coast Share of Fastener Imports

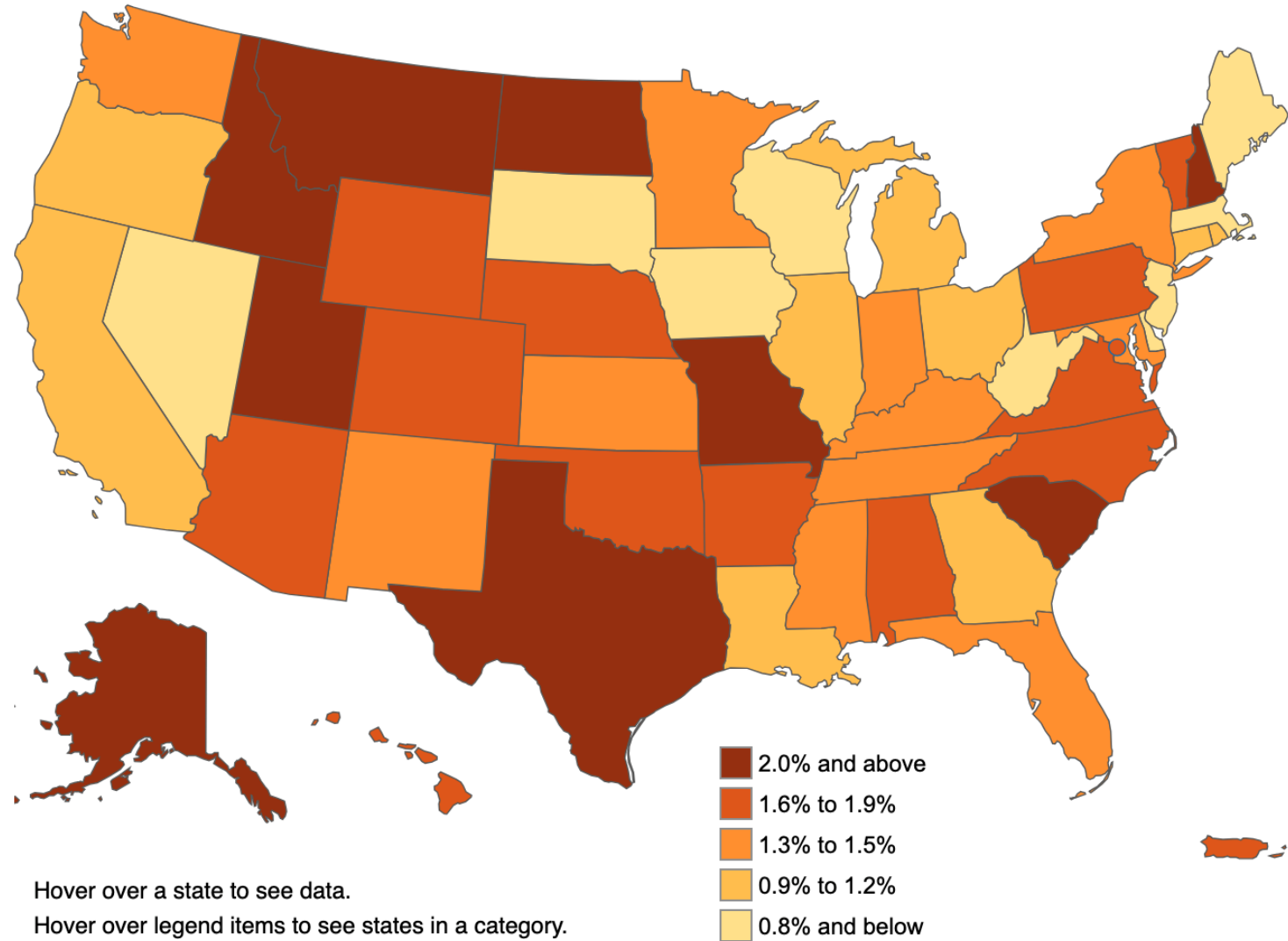


Destination State	Imports 2024 (\$ Mil.)	1-Year Change (%)	5-Year Change (%)
Total Fasteners (Iron/Steel)	6,633.9	4.9	20.3
Texas	845.0	-0.9	62.6
California	791.0	4.6	4.2
Illinois	629.7	4.2	9.6
Ohio	473.9	4.8	11.6
Michigan	419.1	-0.8	20.6
Indiana	362.8	24.2	25.5
New Jersey	261.4	14.6	26.4
Georgia	260.9	4.3	34.0
New York	243.0	-5.4	-19.1
Florida	240.9	8.5	59.0



Regional Job Growth

Change in nonfarm employment by state, December 2023 to December 2024, seasonally adjusted



Hover over a state to see data.

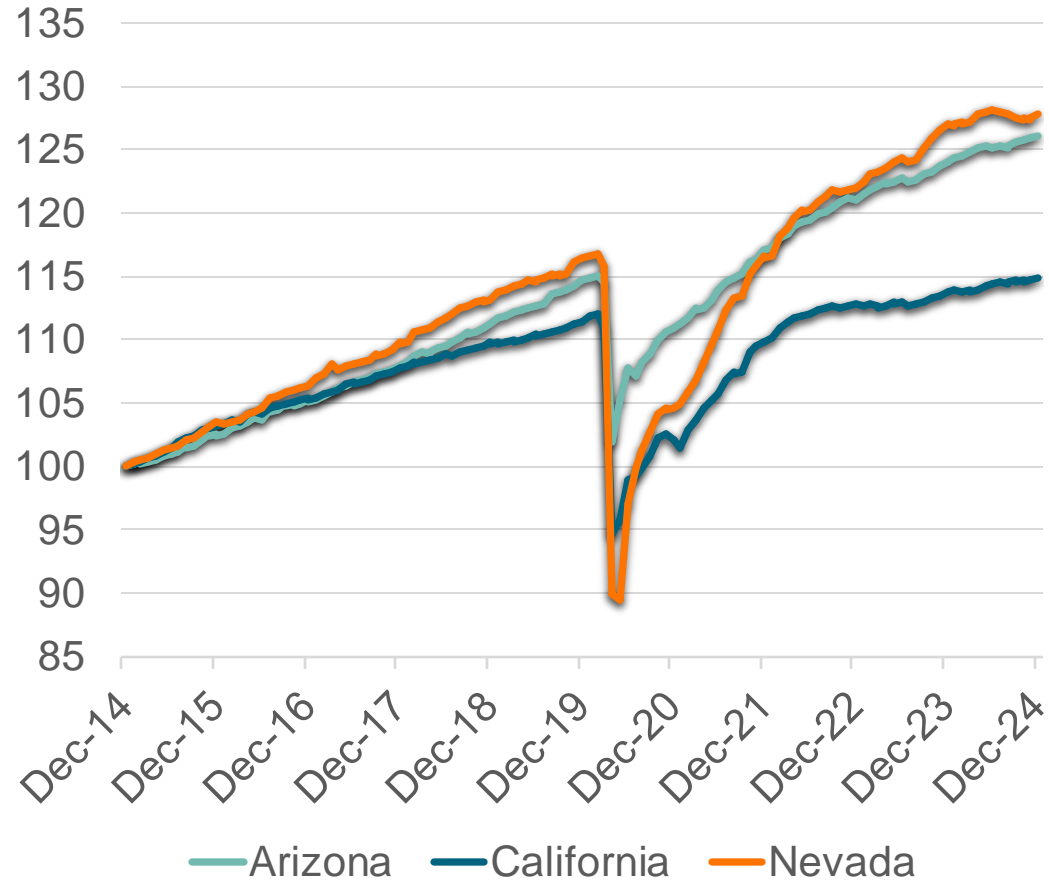
Hover over legend items to see states in a category.

Source: U.S. Bureau of Labor Statistics.

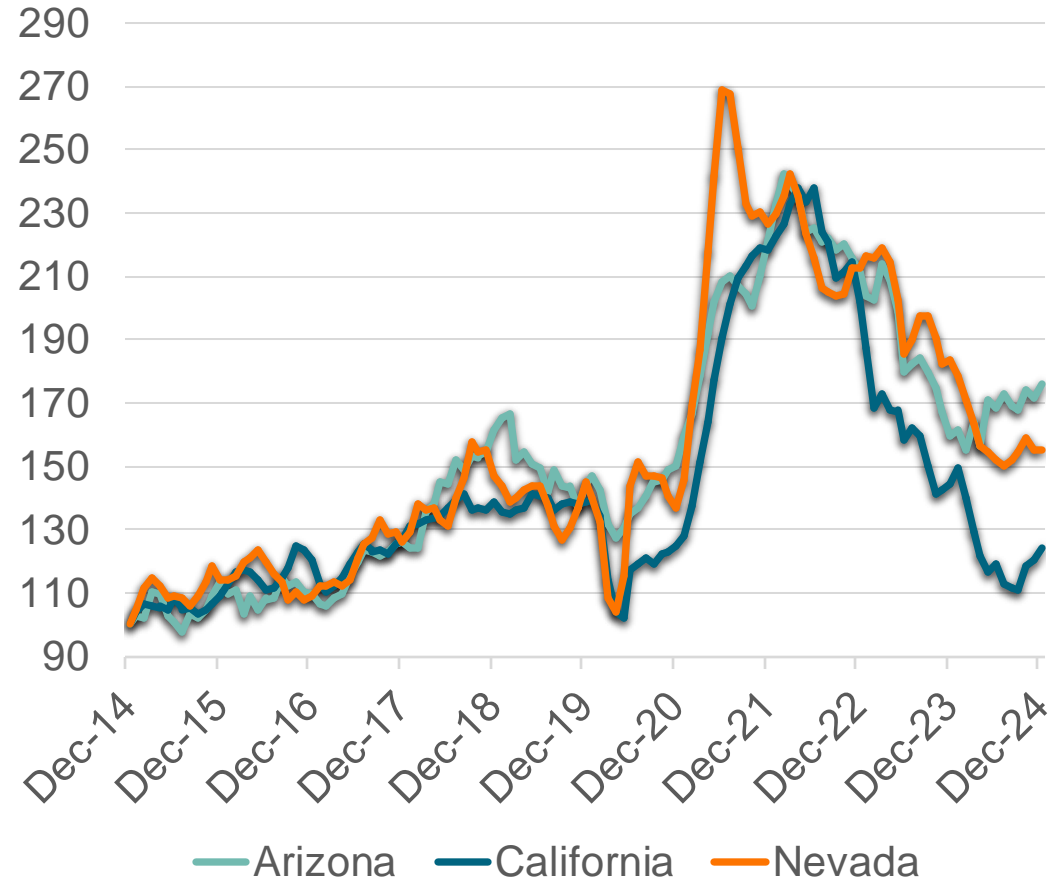


Regional Employment & Job Openings

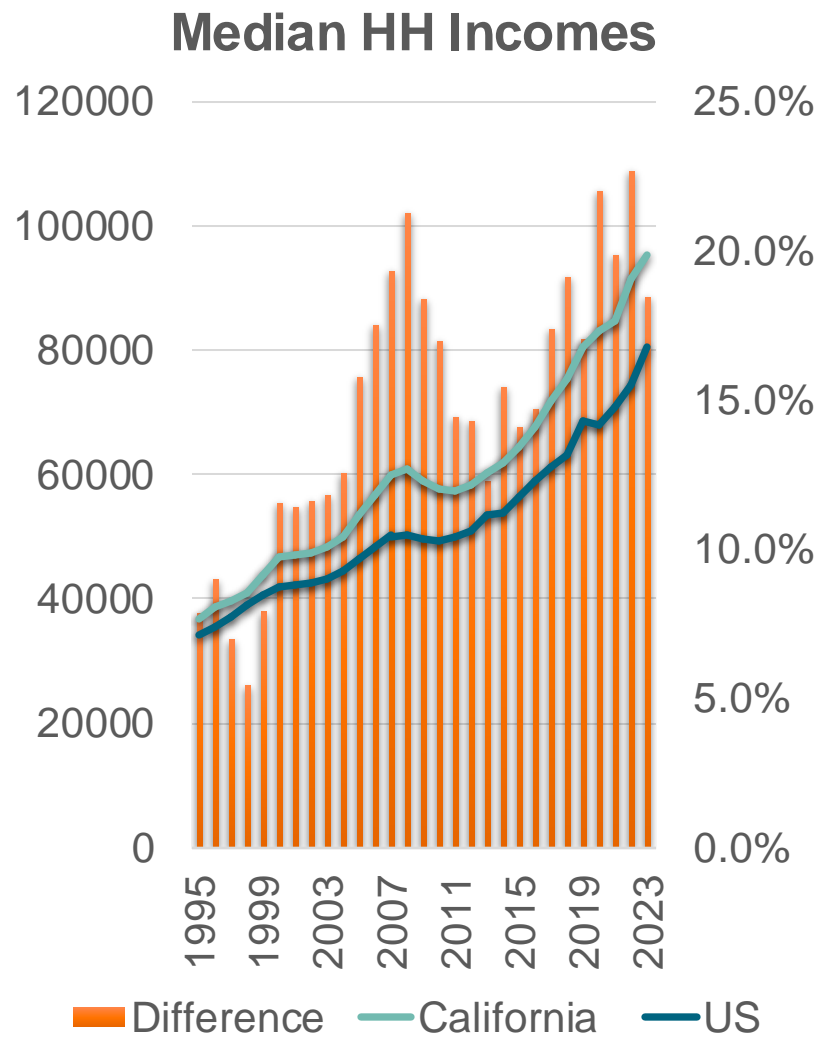
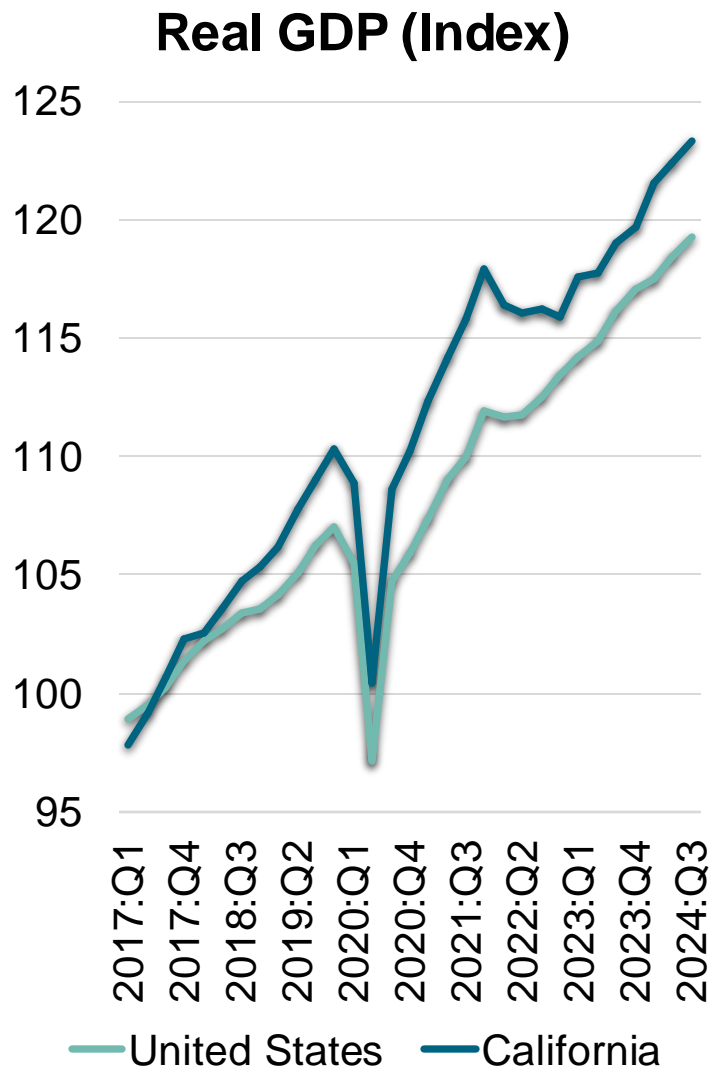
Indexed Nonfarm Employment



Indexed Job Openings



California Incomes / Output



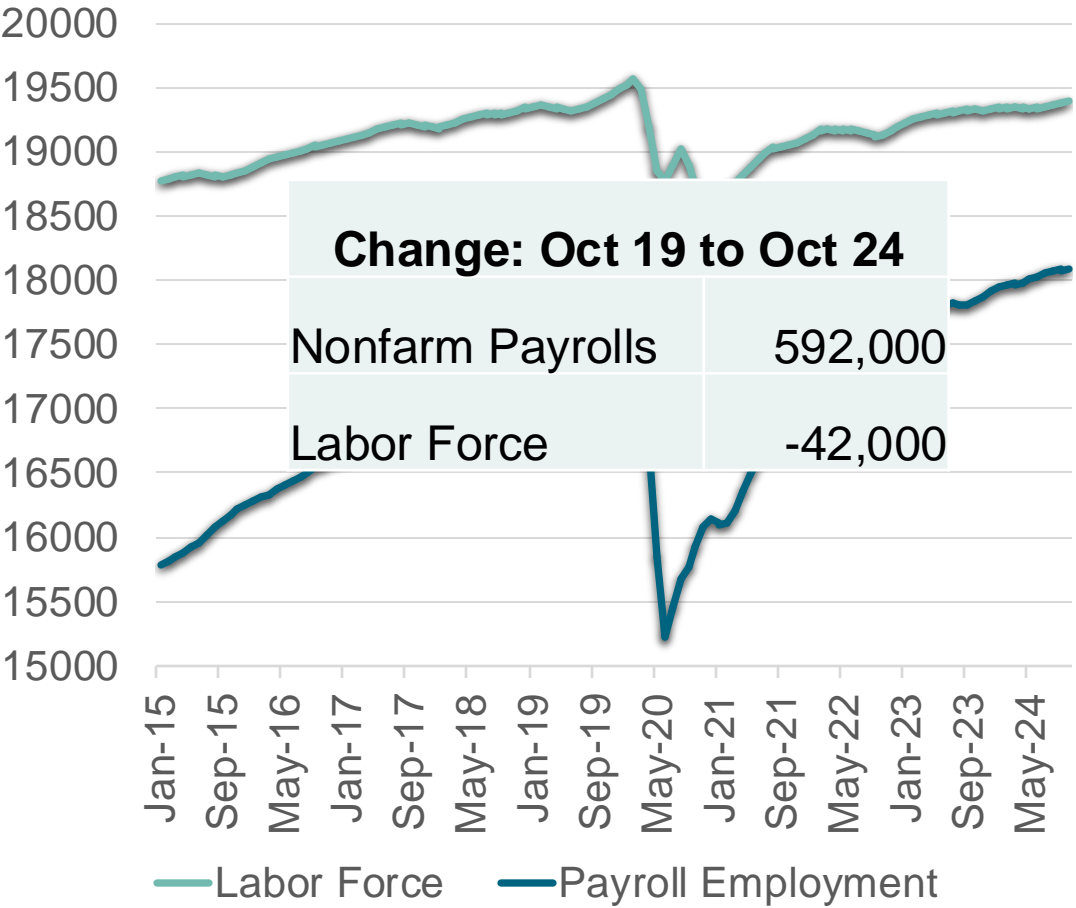
Ranked Median Household Income by County

		2023 Med HH Inc
Rank out of 3,200		
2	Santa Clara	\$154,954
3	San Mateo	\$151,485
10	Marin	\$139,644
18	San Francisco	\$126,730
25	Contra Costa	\$122,794
30	Alameda	\$119,931
52	Orange	\$110,042
54	Placer	\$109,713
56	El Dorado	\$108,594
59	Ventura	\$107,667
61	San Benito	\$107,324
70	Santa Cruz	\$105,631
77	Napa	\$104,686
82	San Diego	\$103,674

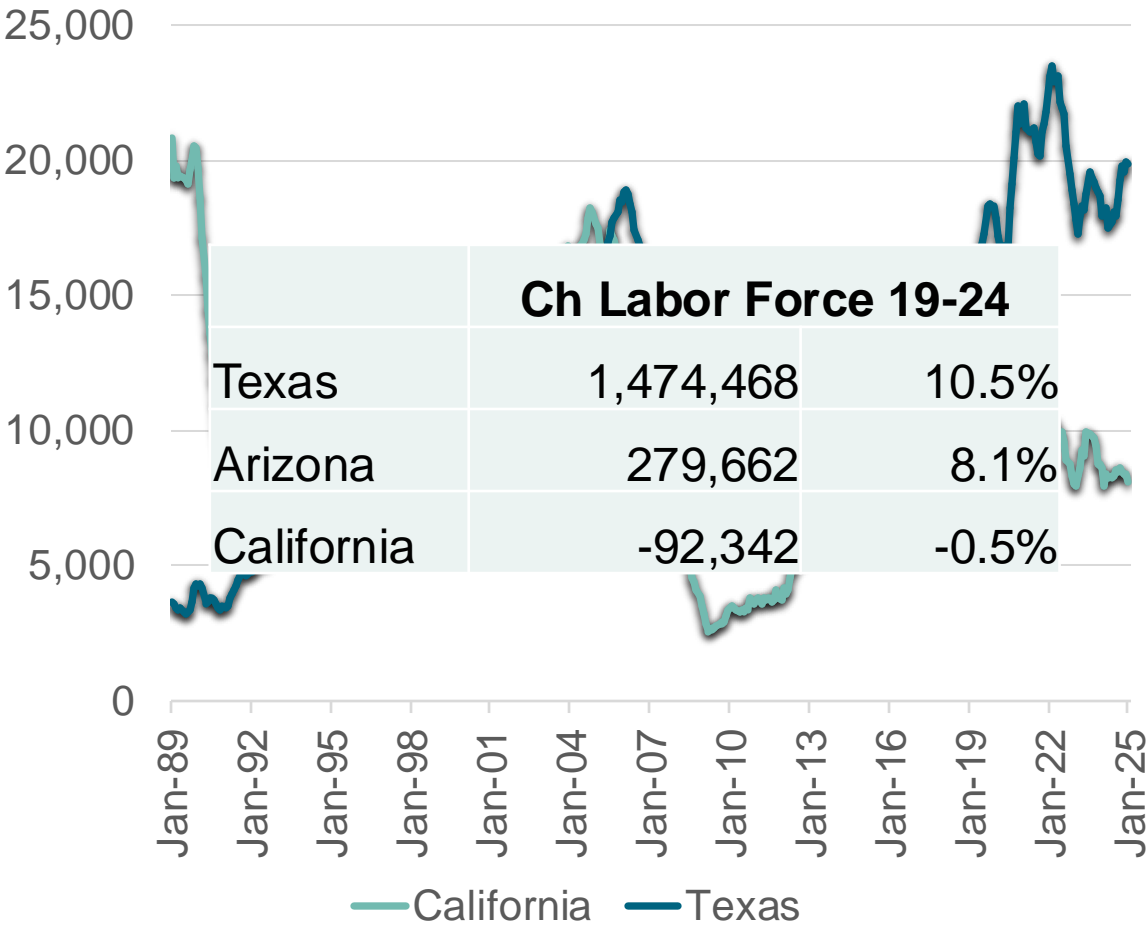


Regional Growth Differences?

California Employment and Labor Force

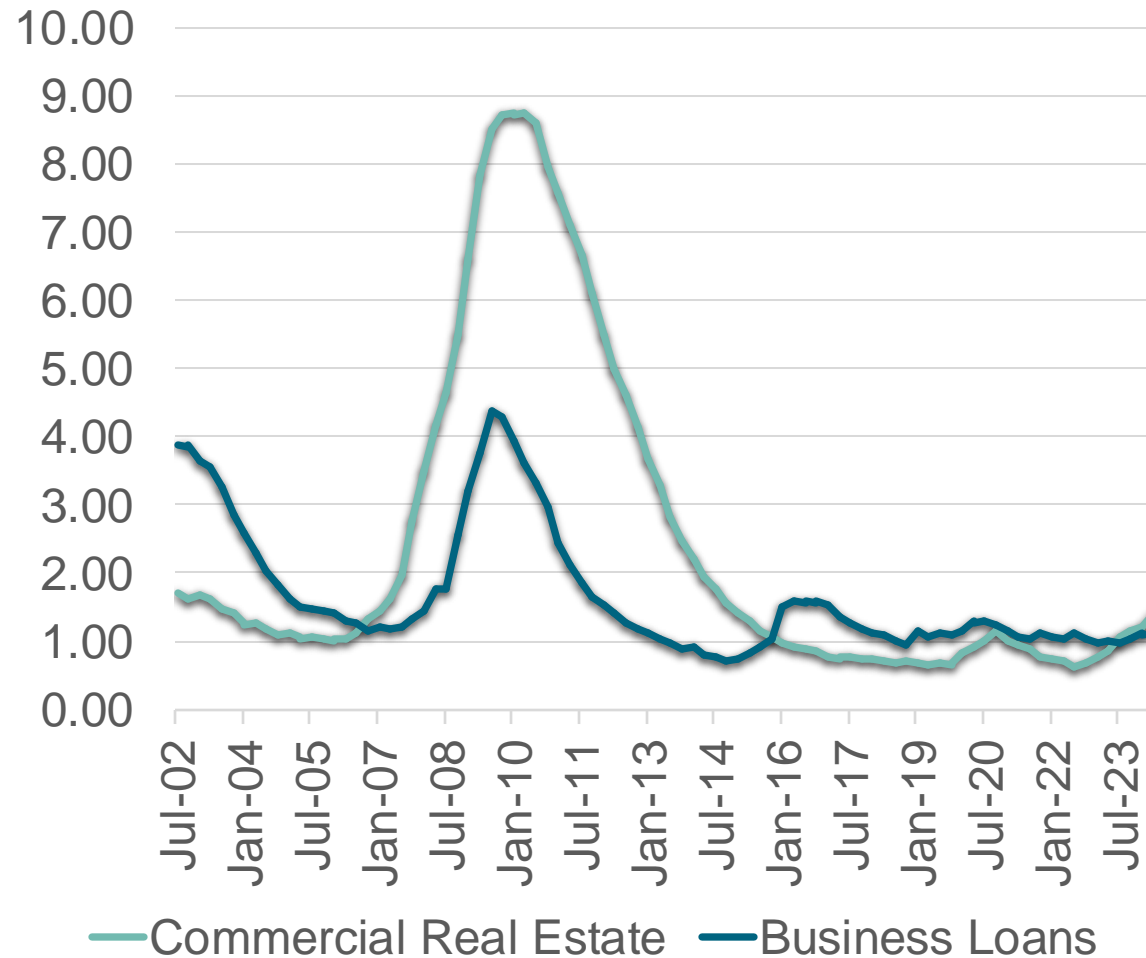


Housing Permits



Debt Markets: Still Clean

Commercial Bank Delinquencies



NY Fed Bond Distress Index



Banking: Moving to Normalcy

	Jan-25	2022-23	2023-24	2024-25
Bank credit	18055746	6.0%	-0.8%	3.7%
Securities	5378897	-4.7%	-6.8%	4.9%
Treasury	4406760	-6.8%	-5.7%	7.7%
C&I	2794362	13.4%	-2.3%	1.5%
HELOC	263763	3.3%	-0.3%	3.5%
Mortgages	2372324	10.7%	3.9%	1.9%
Construction	474758	17.1%	6.5%	-2.6%
Multi-Family	606439	26.3%	2.2%	3.7%
Commercial	1816745	8.8%	2.6%	1.5%
Credit Cards	1092509	17.3%	9.0%	4.9%
Autos	488036	1.3%	-3.9%	-2.1%
Deposits	17972470	-1.6%	-1.8%	3.2%
Borrowings	2166219	16.3%	26.9%	-10.3%



CRE Loan Demand and Standards

**Net % Reporting Stronger Demand
for Construction and Land
Development Loans**



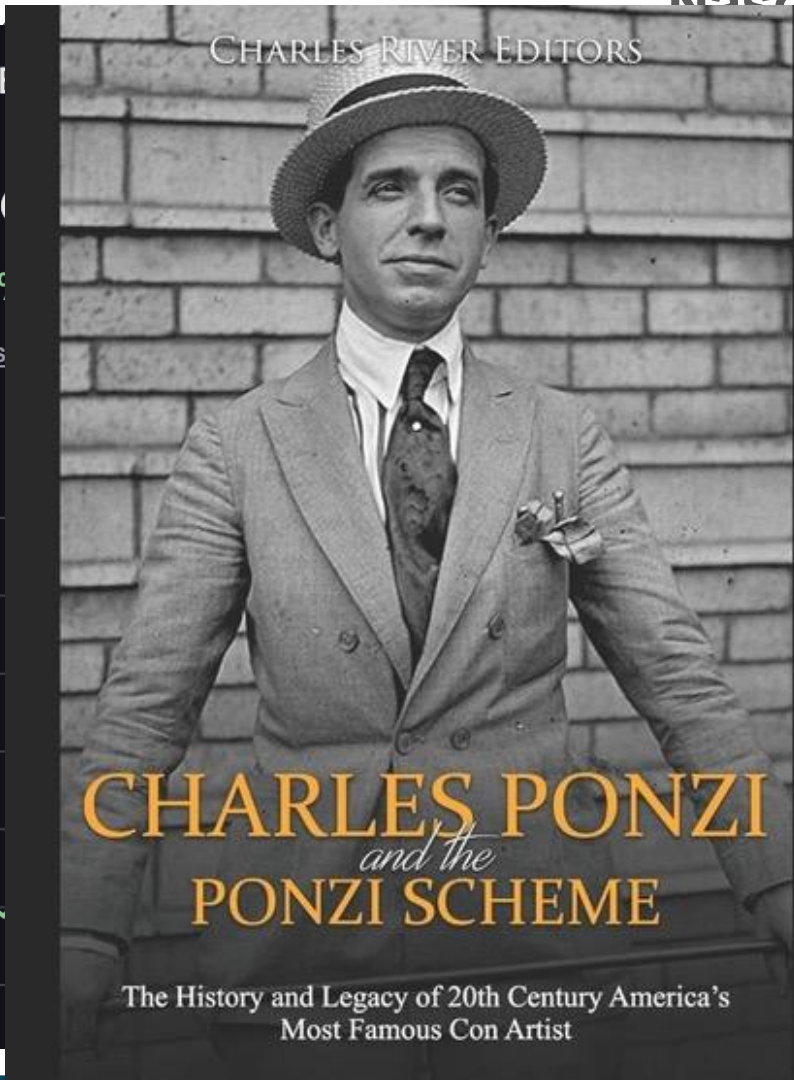
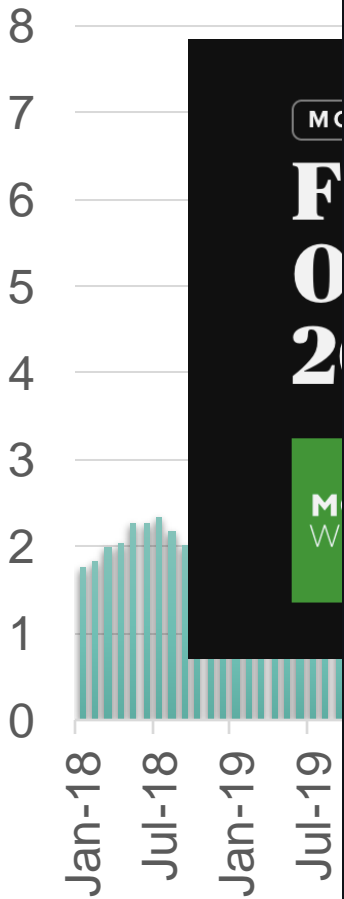
**Net % Tightening Standards for
Construction and Land
Development Loans**



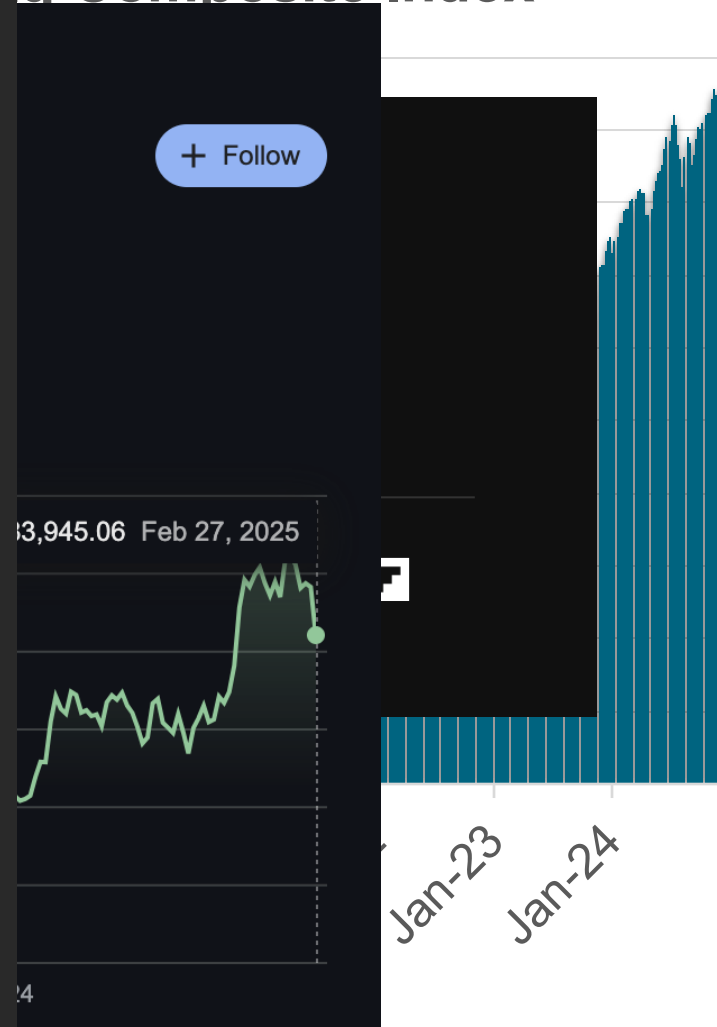
Inflation Down, Markets Up



PCE Deflator (YoY Growth)



Nasdaq Composite Index



The national mood?

U Mich Consumer Sentiment Smoothed



Beware the Narrative

Social Narratives

Economic Reality

“It isn't what we don't know that gives us trouble, it's what we know that ain't so.”

– Will Rogers



The Pandemic Over-reaction

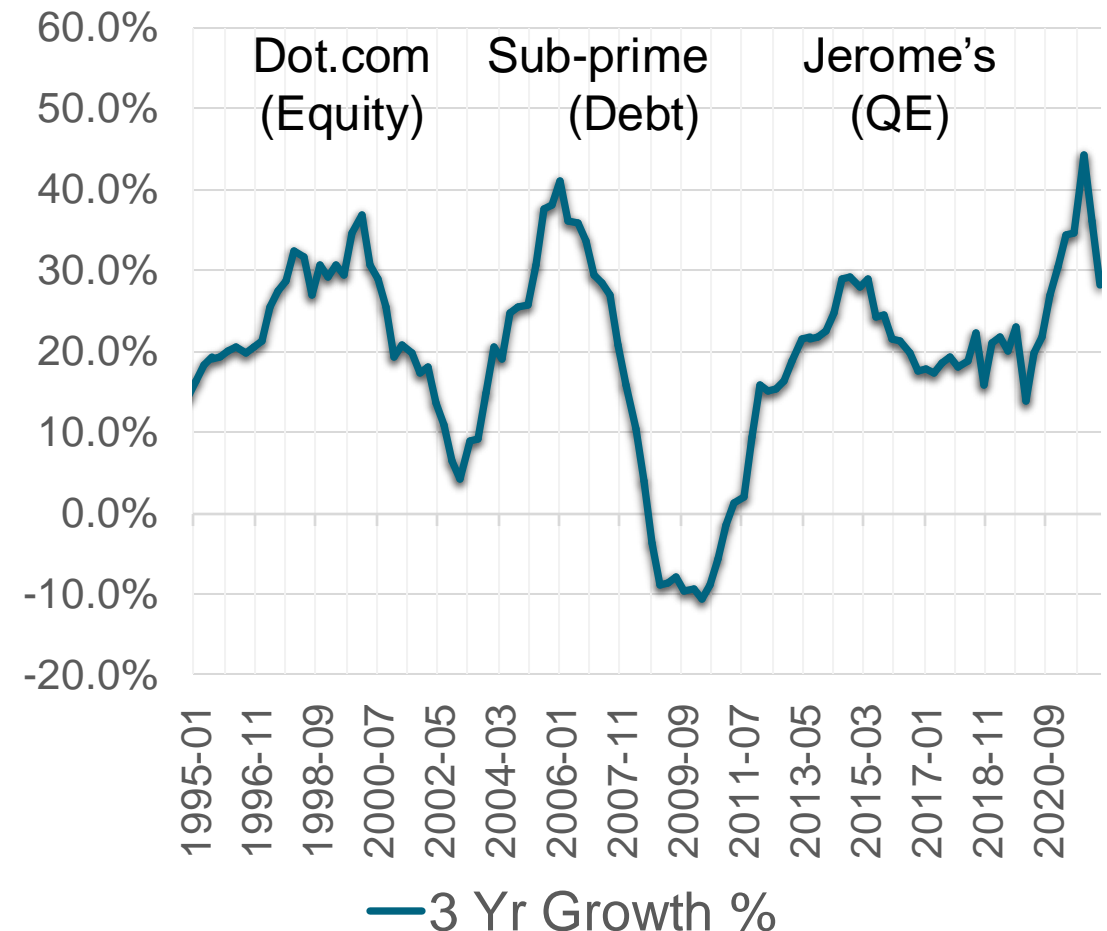
Total Lost GDP: \$1.2 Tr

**Fiscal Stimulus: \$6.0 Tr,
funded by \$5.0 Tr QE**

**\$50,000 in stimulus /
household**

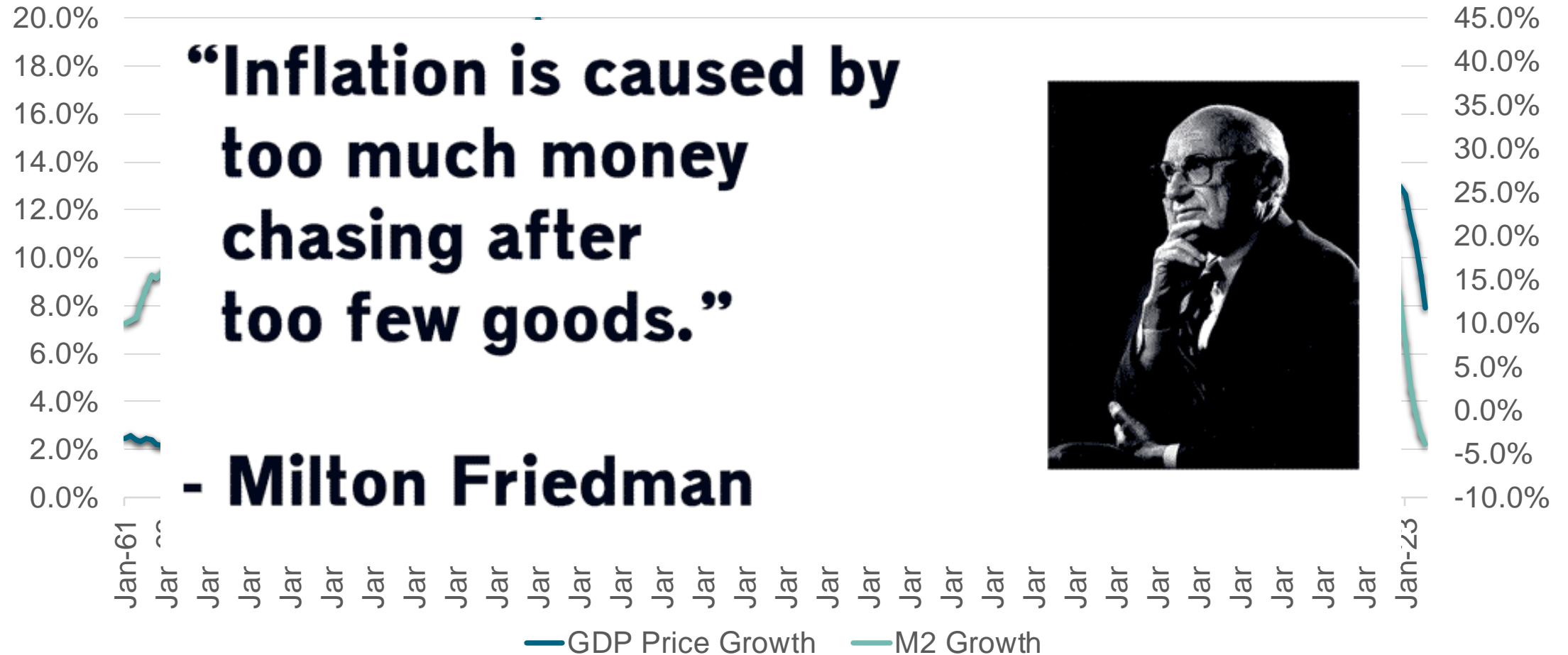
**\$250,000 in New Net Worth
per household (+26%)**

US Household Net Worth grew by
\$30 trillion from 2020-2022



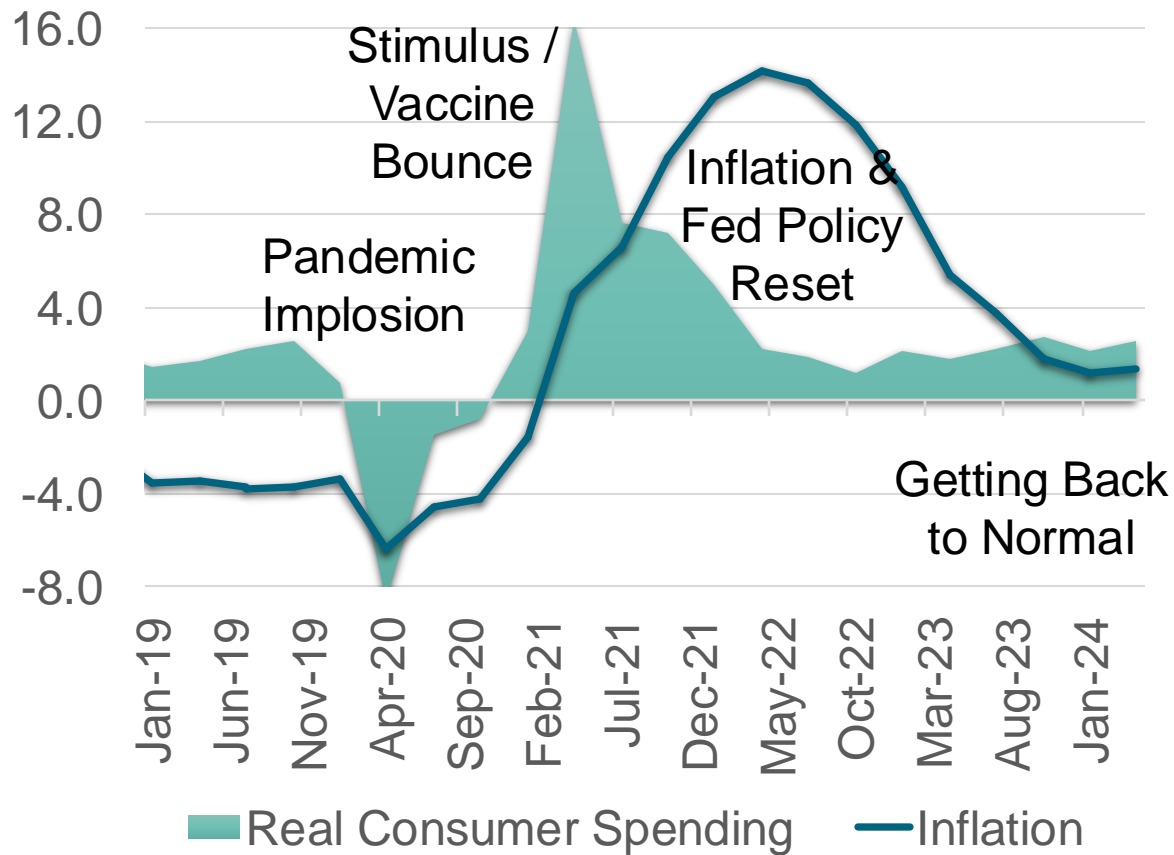
Excess Money + Demand = Inflation

Money and Prices

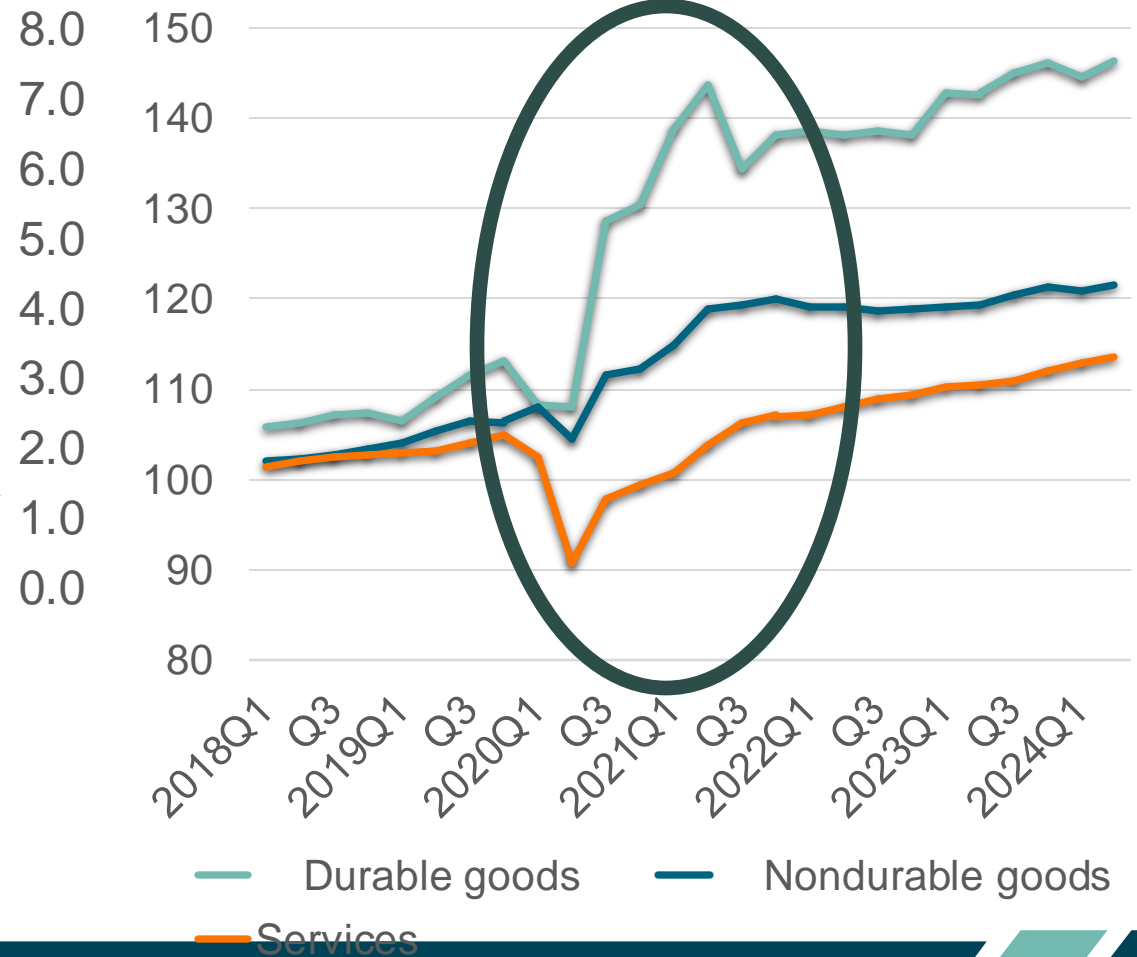


Stages of the Consumer Surge

YOY Changes in Real Consumer Spending and Price Changes (%)

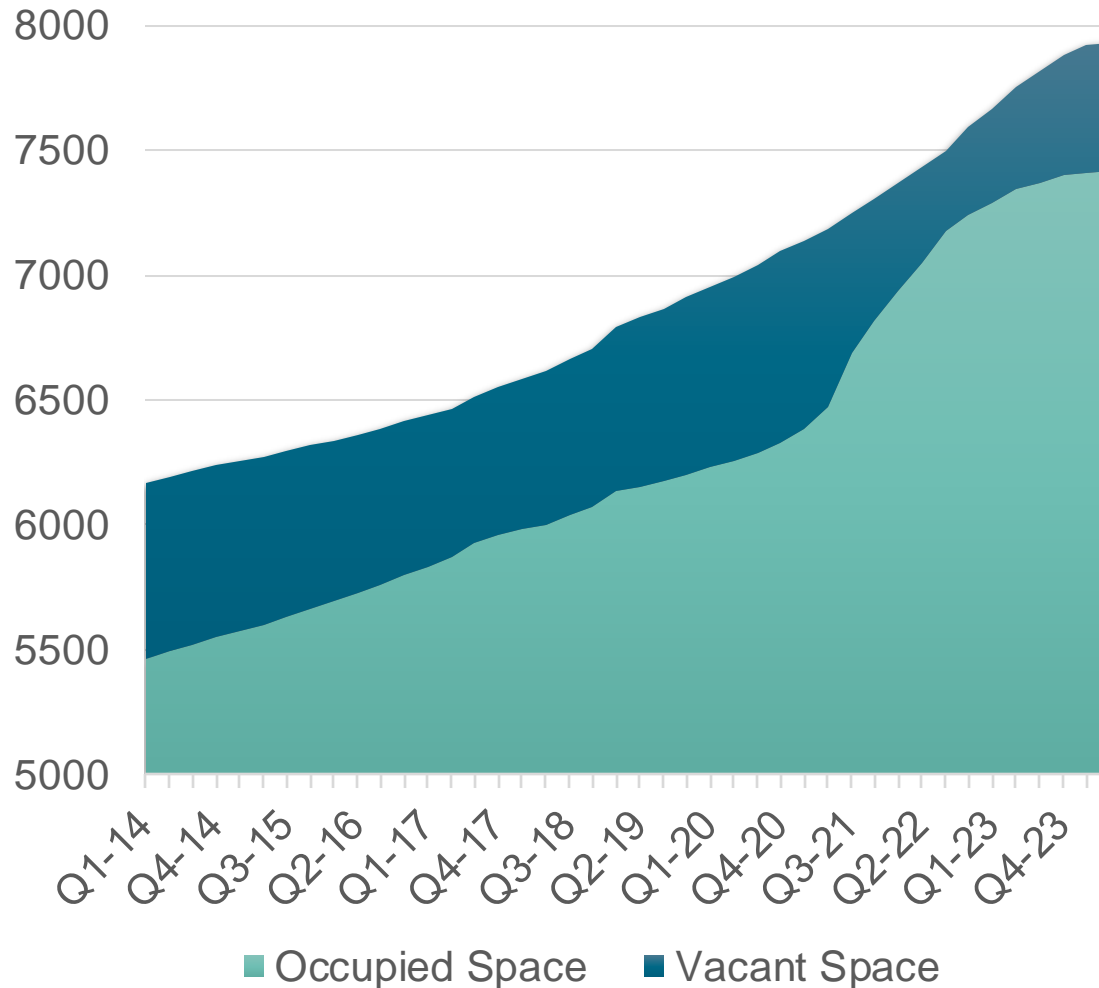


Indexes of Real Consumer Spending

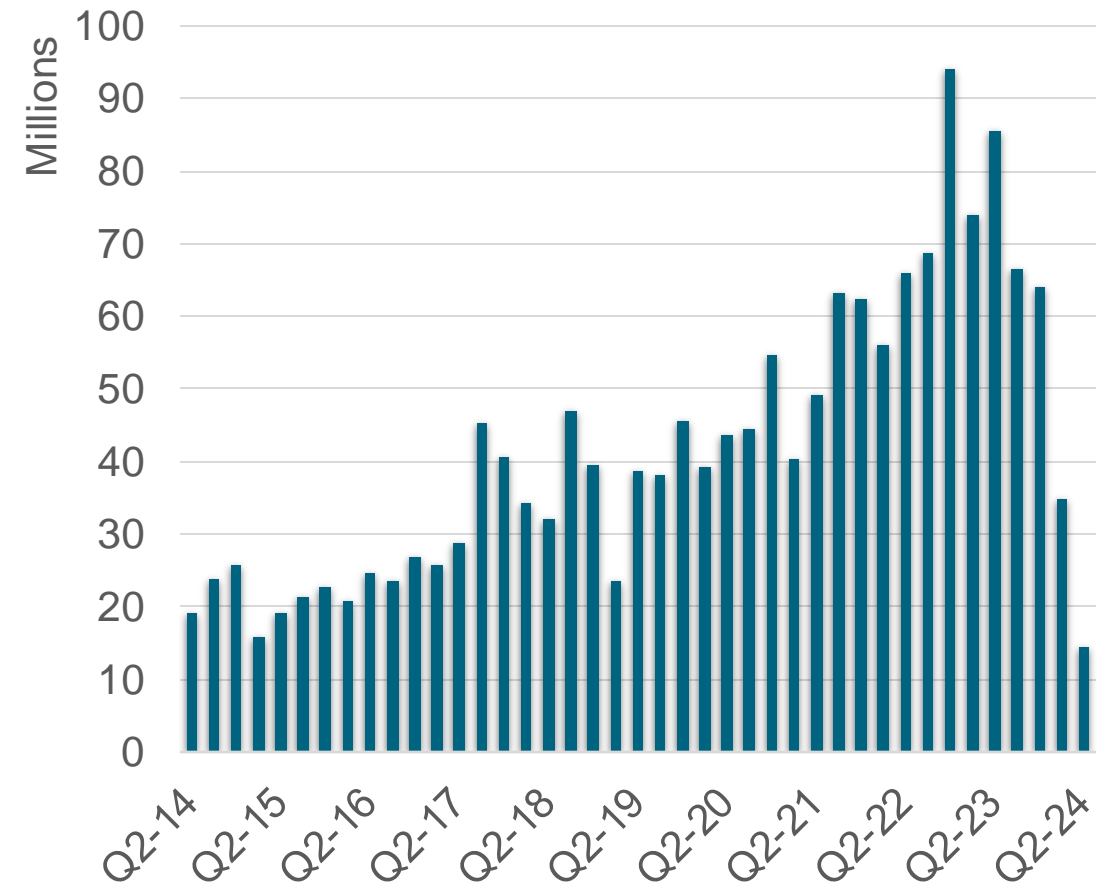


The Industrial Overshoot...

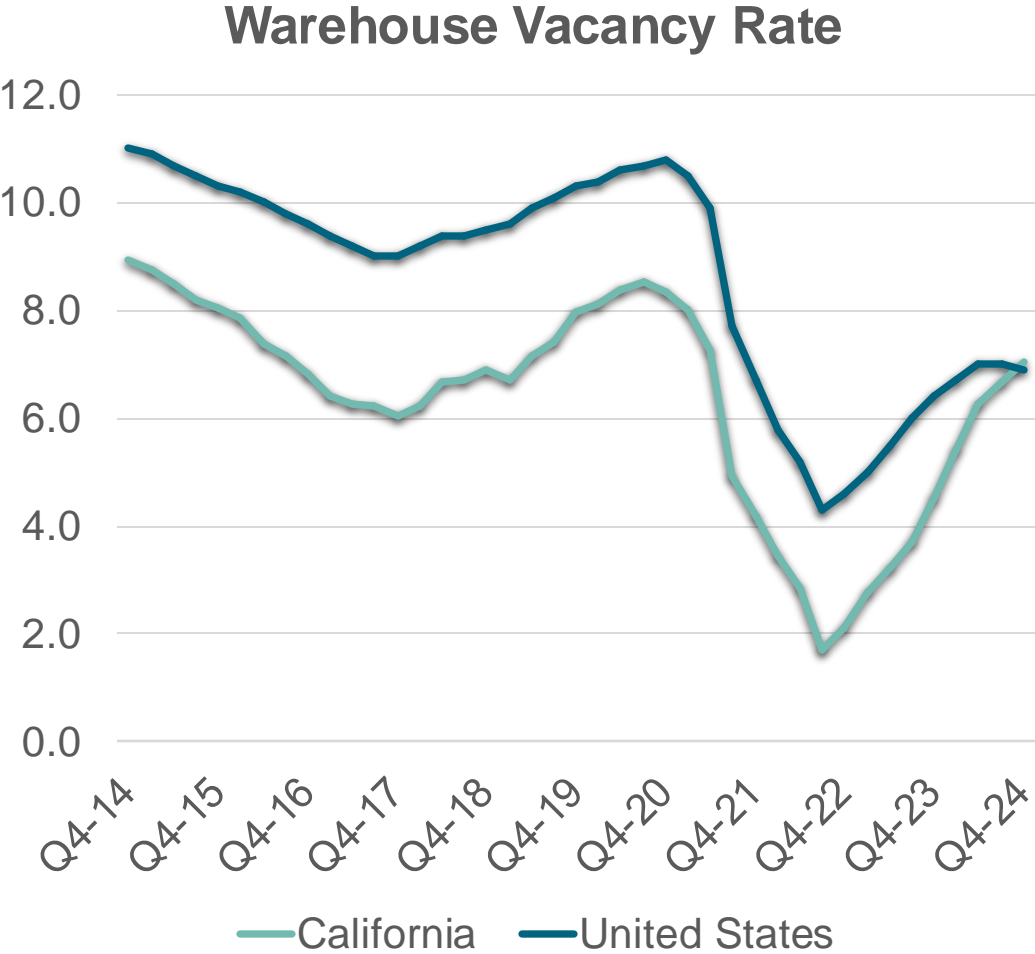
US Warehouse Space



U.S. Warehouse Completions



Industrial Market

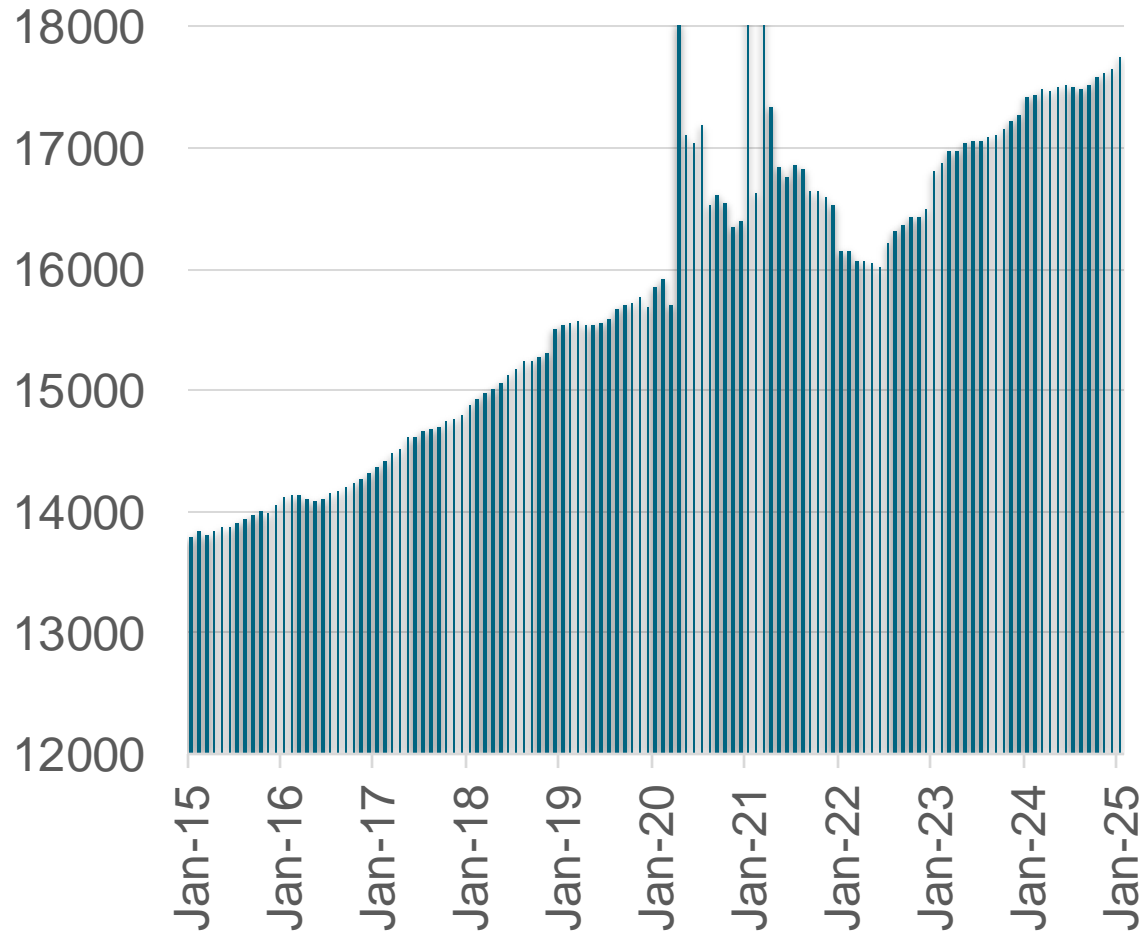


Location	Q4-23 (\$)	1-Yr Growth (%)	Change since Q4-19 (%)
United States	7.95	1.7	40.5
Inland Empire	12.91	-0.2	124.1
Los Angeles (MD)	12.62	-2.5	59.9
Orange County (MD)	10.92	1.5	44.3
Phoenix	8.68	2.4	40.9
Las Vegas	9.54	2.6	37.9
Seattle	10.15	1.5	27.4
Fresno	6.54	2.0	24.3
Stockton	7.86	1.8	23.4

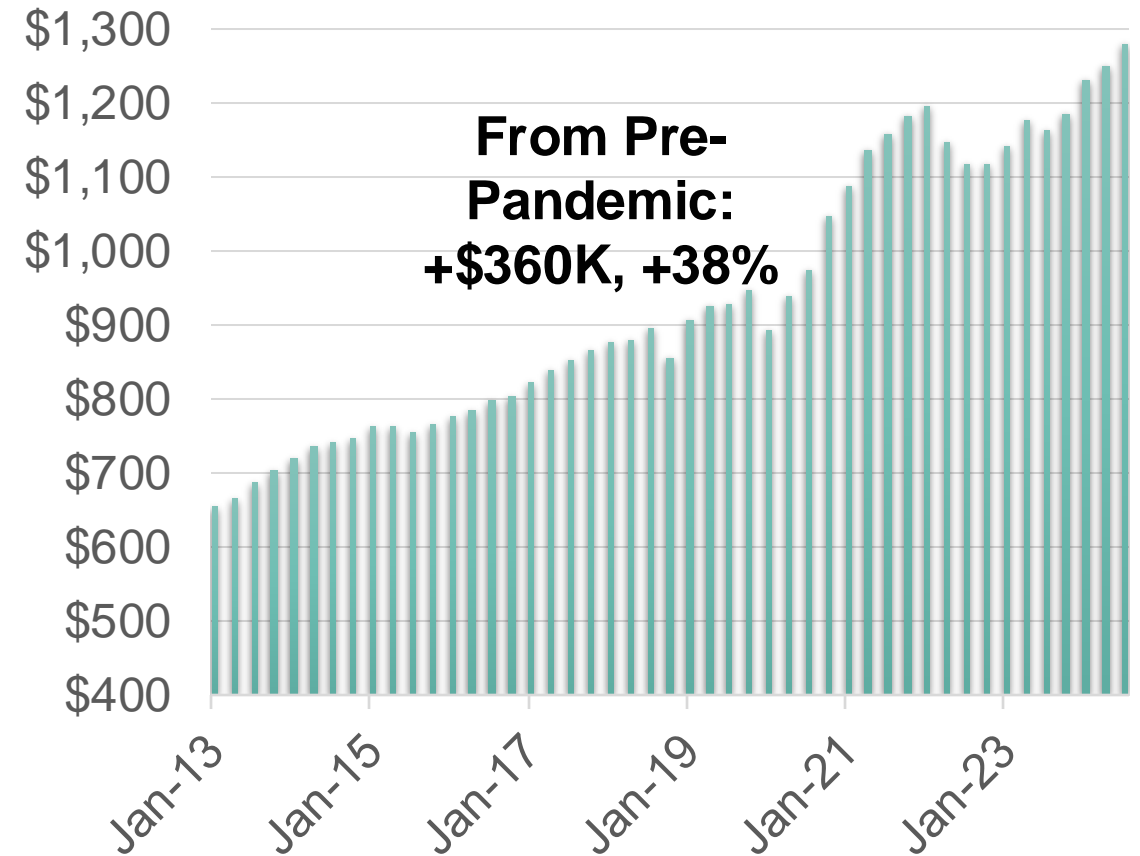


SR Outlook for Consumers: Still Good

Real Disposable Income



Average Net Worth Per Household (\$000s)



How do narratives go astray?

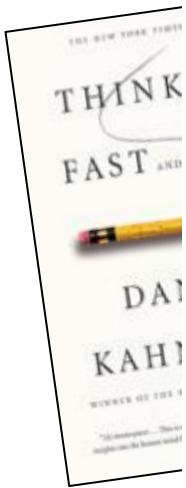
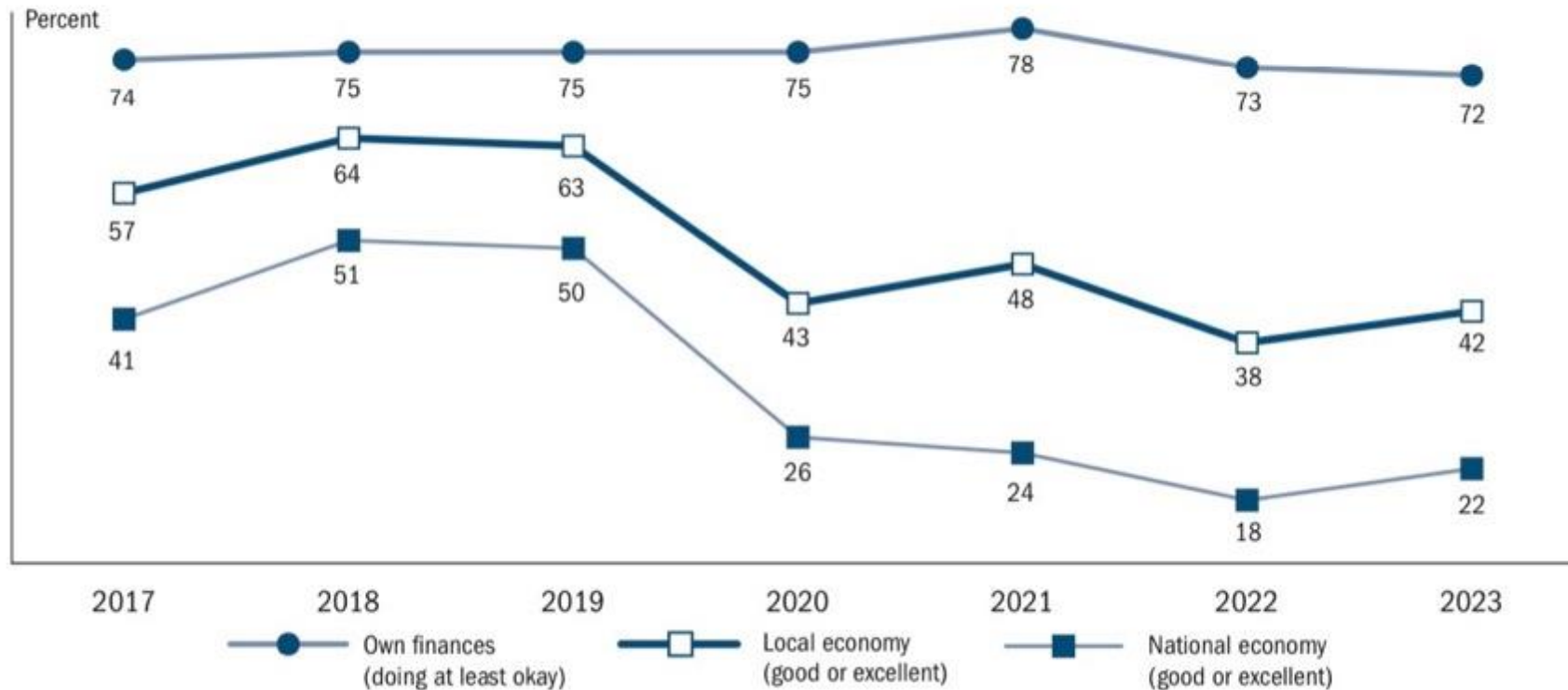
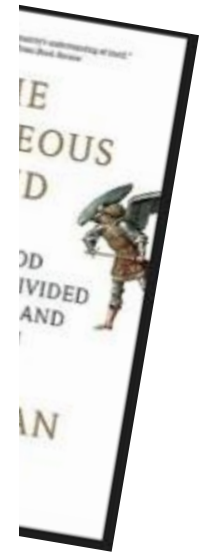


Figure 7. Assessment of own financial well-being, local economy, and national economy (by year)

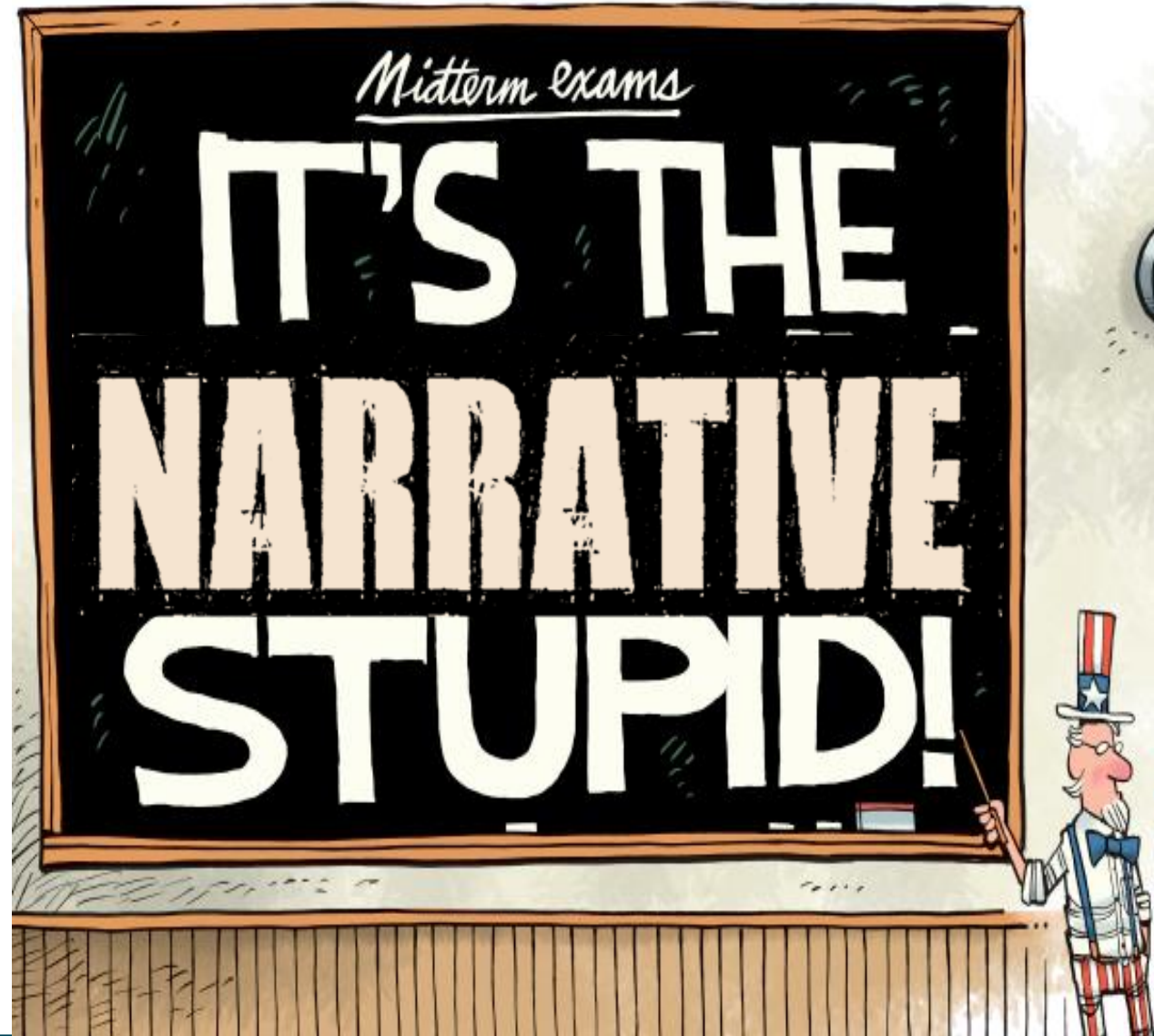


Note: Among all adults.



What to make of the Red Wave?

Year	Change in U Mich Cons Sentiment Index from start of Admin	Incumbent Party
1984	33.7%	WIn
1976	16.5%	Loss
1996	15.1%	WIn
2016	10.6%	Loss
2012	9.9%	Win
1964	8.8%	Win
2004	5.1%	Win
2000	4.3%	Loss
1972	4.0%	Win
1988	1.8%	Win
1968	-12.3%	Loss
1992	-16.3%	Loss
2024	-20.4%	Loss
2020	-21.5%	Loss
1980	-24.9%	Loss
2008	-28.1%	Loss



Who should Trump thank for his big election sweep?



And the new administration?

Policy Uncert

Evolutio

2025: Q1

Index

450



Layoffs across the U.S. soar to highest level since 2020, led by DOGE cuts

Trump vows March 4 tariffs for Mexico, Canada, extra 10% for China over fentanyl

By Jeff Mason, D
February 27, 2025

Trump's effort to withhold federal funding triggers constitutional showdown

The power of Congress to dictate federal spending as outlined in the Constitution will be at the center of

Here are the cities where ICE raids are taking place

U.S. Immigration and Customs Enforcement arrested 956 people on Sunday – the largest number of arrests on a single day by the Trump administration to date.

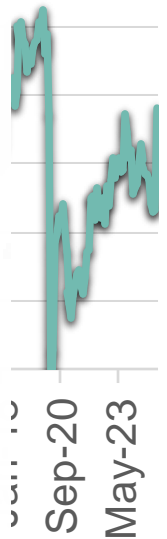
Jan-25
Feb-25
Feb-25
Mar-25



Labor Supply Issues

Figure 8: Increase in Average Annual Growth Rate With Estimated Policy Shifts

	Policy Change	Boost in Annual Growth Rate	Estimated By
2	Enact immigration reform to increase number of workers	0.3%	CBO
2	Reform the income tax code	0.05% - 0.3%	JCT, Treasury
1	Increase the Social Security retirement ages by two years	0.15%	CBO
1	Reduce deficits by \$4 trillion over ten years	0.1%	CBO
1	Expand energy production at level of shale boom*	0.09%	CBO
1	Repeal the Affordable Care Act ("Obamacare")	0.08%	CBO
1	Ratify the Trans-Pacific Partnership	0.01%	U.S. ITC
	Increase public investment in infrastructure, education, and research by \$400 billion	0 - 0.01%	CBO



Migration

Growth in US Labor Force by Nativity
2005-2023 000s



Immigration Named Top U.S. Problem for Third Straight Month

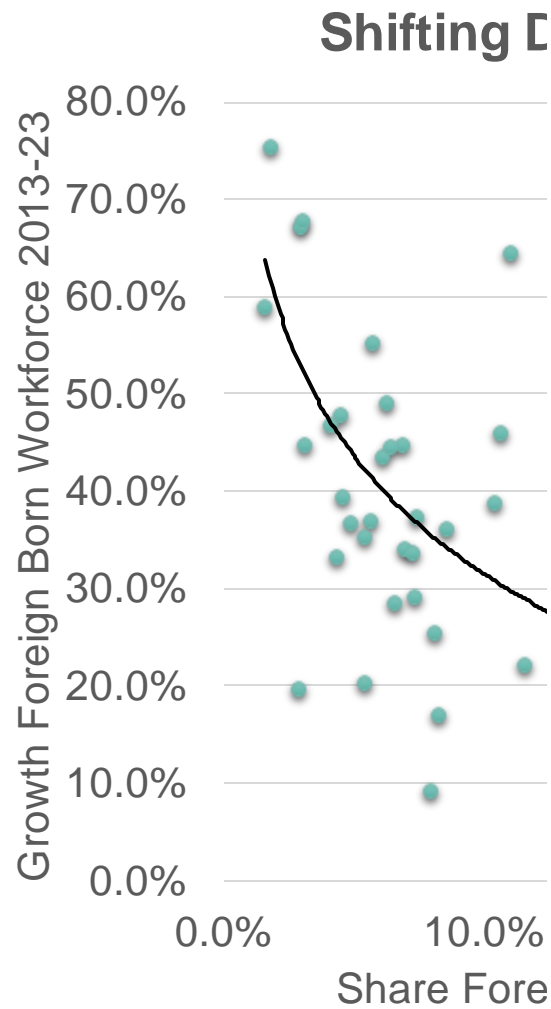
Immigration has been the most politically polarizing issue mentioned in past 25 years

BY MEGAN BRENNAN

	2023		2023 Foreign Born % of LF
			9.5
			8.7
			17.3
			16.7
			16.5
			16.3
			15.5
			8.4
			15.2
Washington	20.1	New Mexico	13.1

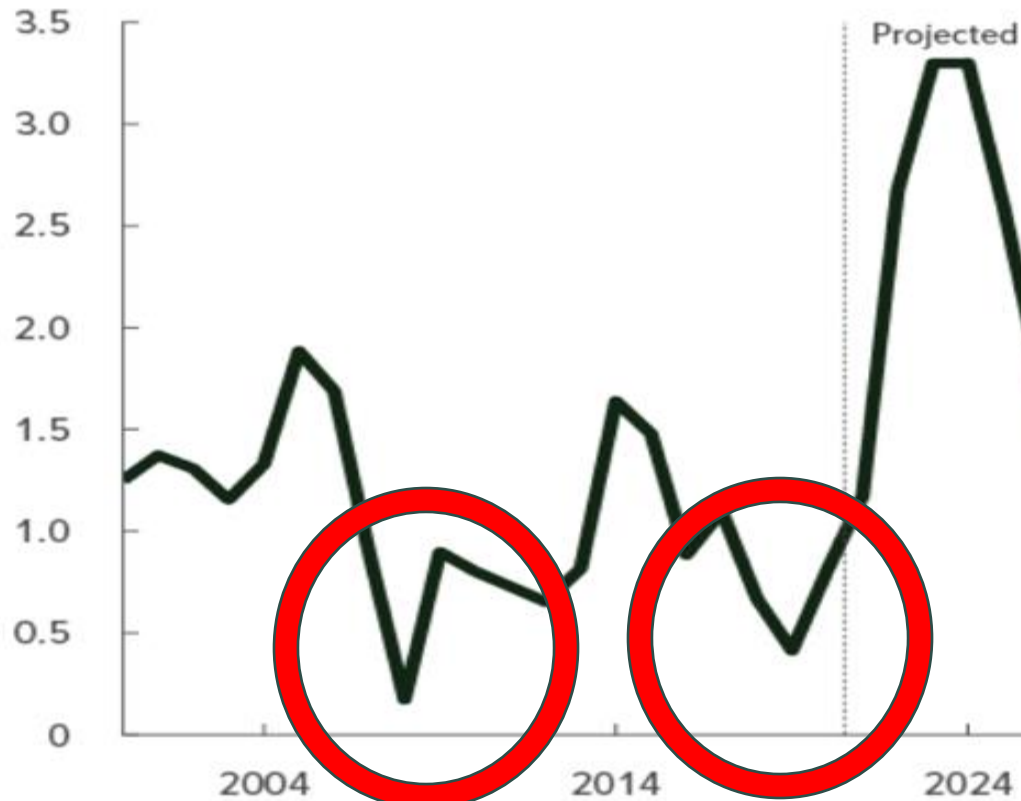


Foreign Born Workforce

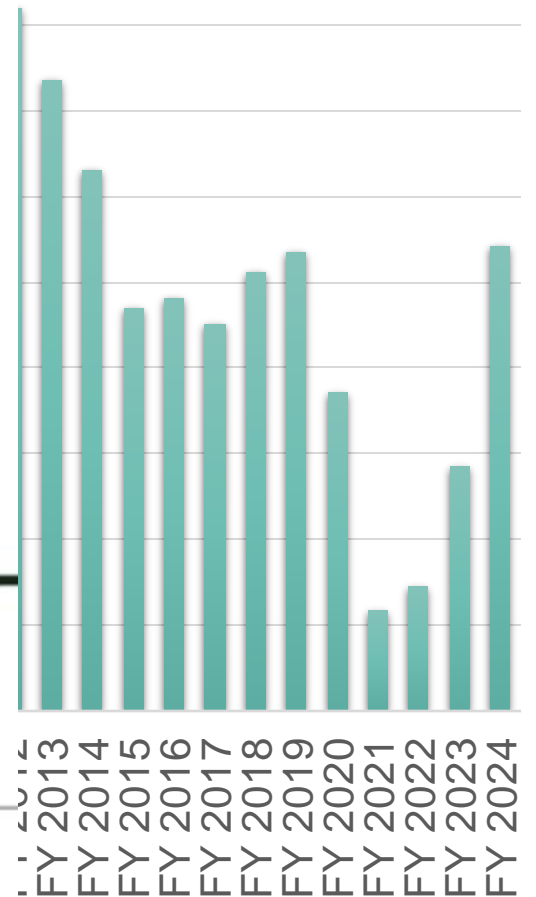


Net Immigration

Millions of people



Fiscal Year



North American Labor Force Trends

Indexed Labor Force



Country	Imports 2024 (\$ Bil.)	1-Year Chg. (%)	5-Year Chg. (%)	Share of Imports (%)
Korea, Republic Of	132	13.3	69.8	4.0
Taiwan	116	32.5	114.4	3.6
Ireland	103	25.4	66.9	3.2
India	87	4.5	51.0	2.7



Commodity Input Prices

U.S. Cold Rolled Steel PPI

Global Aluminum Prices



Import Dependence

US Production Metal Products, inc
Fasteners



State Import Dependent Industries	Import % of Rev
Nonferrous forging	32%
Seafood product	24%
Cut and sew apparel contractors	23%
Printing	21%
Secondary processing nonferrous metals	21%
Local government passenger transit	21%
Jewelry and silverware manufacturing	21%
Copper rolling, drawing, alloying	19%
Petroleum refineries	19%
Motor vehicle transmissio manufacturing	18%
Aircraft engine and engine parts manu	17%
Aluminum sheet, plate, and foil manu	16%
Printed circuit assembly manufacturing	15%



Import Cost Impacts?

Import Motor		
Total		
Mexico		
Canada		
China		
Japan		
Korea, Republic Of		
Germany		
India		
Taiwan		
Thailand		
Italy	777.9	12.0

SPEND

Tariffs could drive up new home prices by a

Published Wed,

Mike Winte
@MIKE_W

The Post Most

E.U., Canada retaliate against Trump's tariffs as trade war escalates

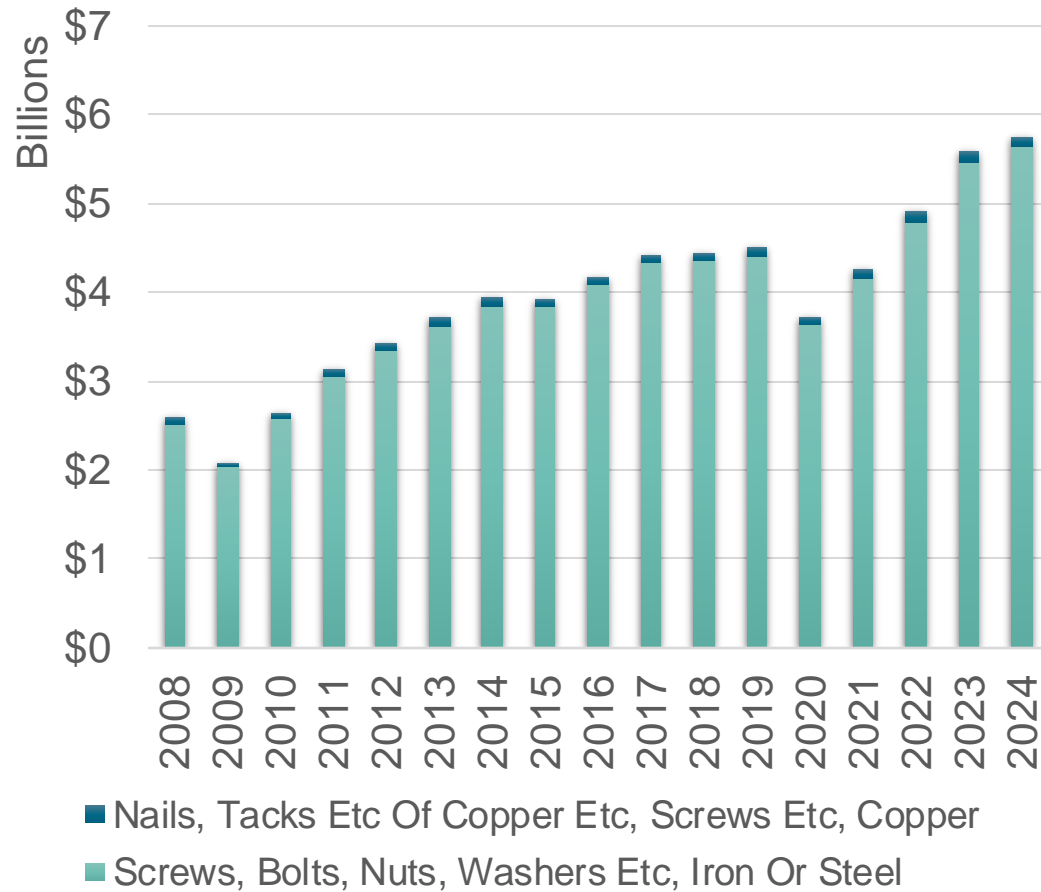
Q3
2023Q1
Q3
2024Q1
Q3

al Investment



Fastener Exports

Nominal Fastener Exports

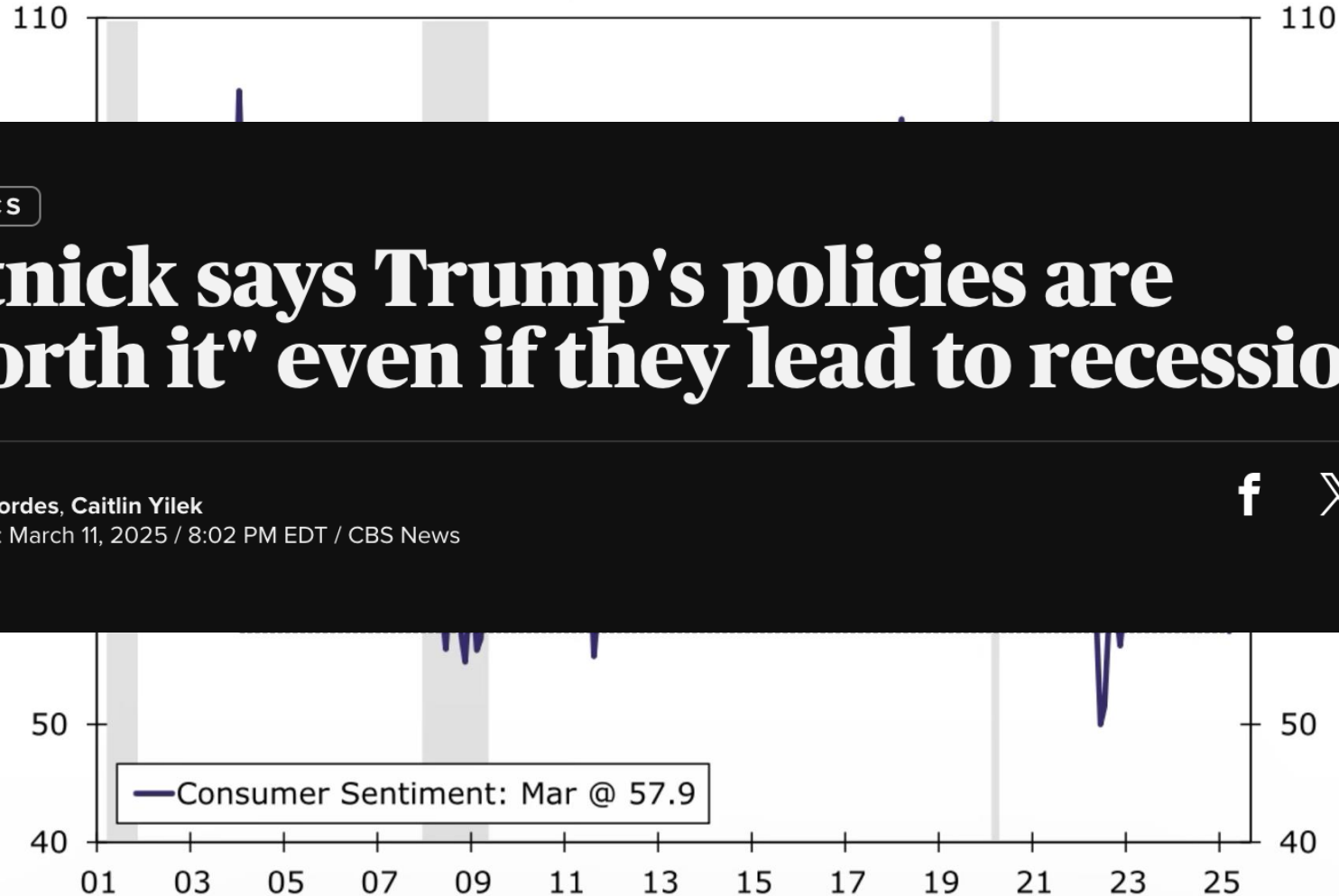


Destination Country	Exports 2024 (\$ Mil.)	1-Year Change (%)	5-Year Change (%)
Total Fasteners (Iron/Steel)	5,628.0	3.0	27.9
Mexico	1,996.1	3.2	30.7
Canada	1,281.9	-6.6	11.5
China	266.2	-3.3	45.3
United Kingdom	185.9	33.7	16.2
Germany	148.4	6.2	19.9
France	135.5	53.1	50.7
Brazil	131.3	8.2	19.7
Japan	127.3	41.0	29.1
Korea, Republic Of	118.5	15.8	33.9
Singapore	117.5	28.7	13.2



How far will this go?

Consumer Sentiment Index
Index 1966=100



POLITICS

Lutnick says Trump's policies are "worth it" even if they lead to recession

By Nancy Cordes, Caitlin Yilek

Updated on: March 11, 2025 / 8:02 PM EDT / CBS News



Narratives of Fed Policy?

The Federal Reserve's Narrative

- US inflation due to some



Yes this is what he said apparently: "The

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

- The Fed must fight inflation and it is worth the loss of some jobs / higher unemployment

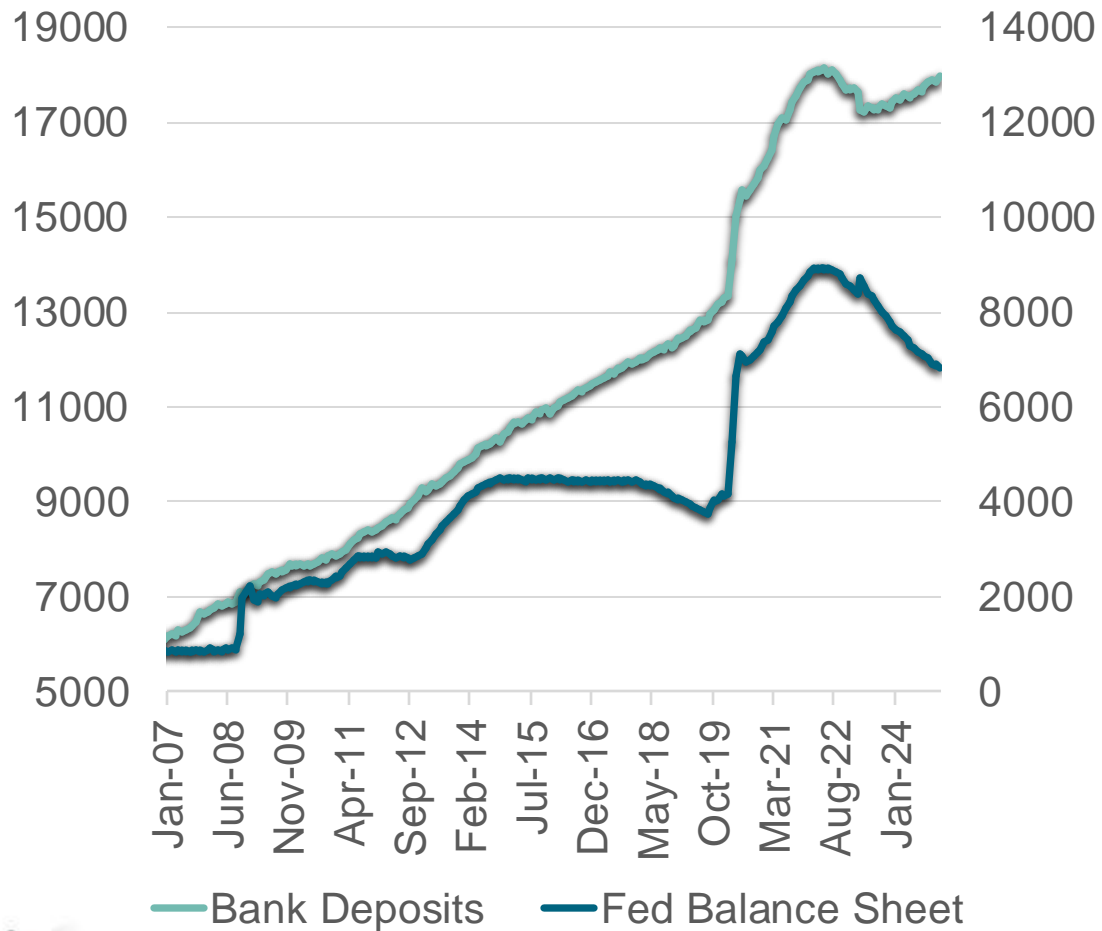
Fed's Powell says 'time has come' to begin cutting interest rates
finance.yahoo.com

incoming data, the evolving outlook, and the balance of risks."



Unwinding the Yield Curve

Banks Deposits and the Fed Balance Sheet



Interest Rates



Powell's Other Legacies; Asset Bubbles

Shiller Stock Market Price Earnings Ratio

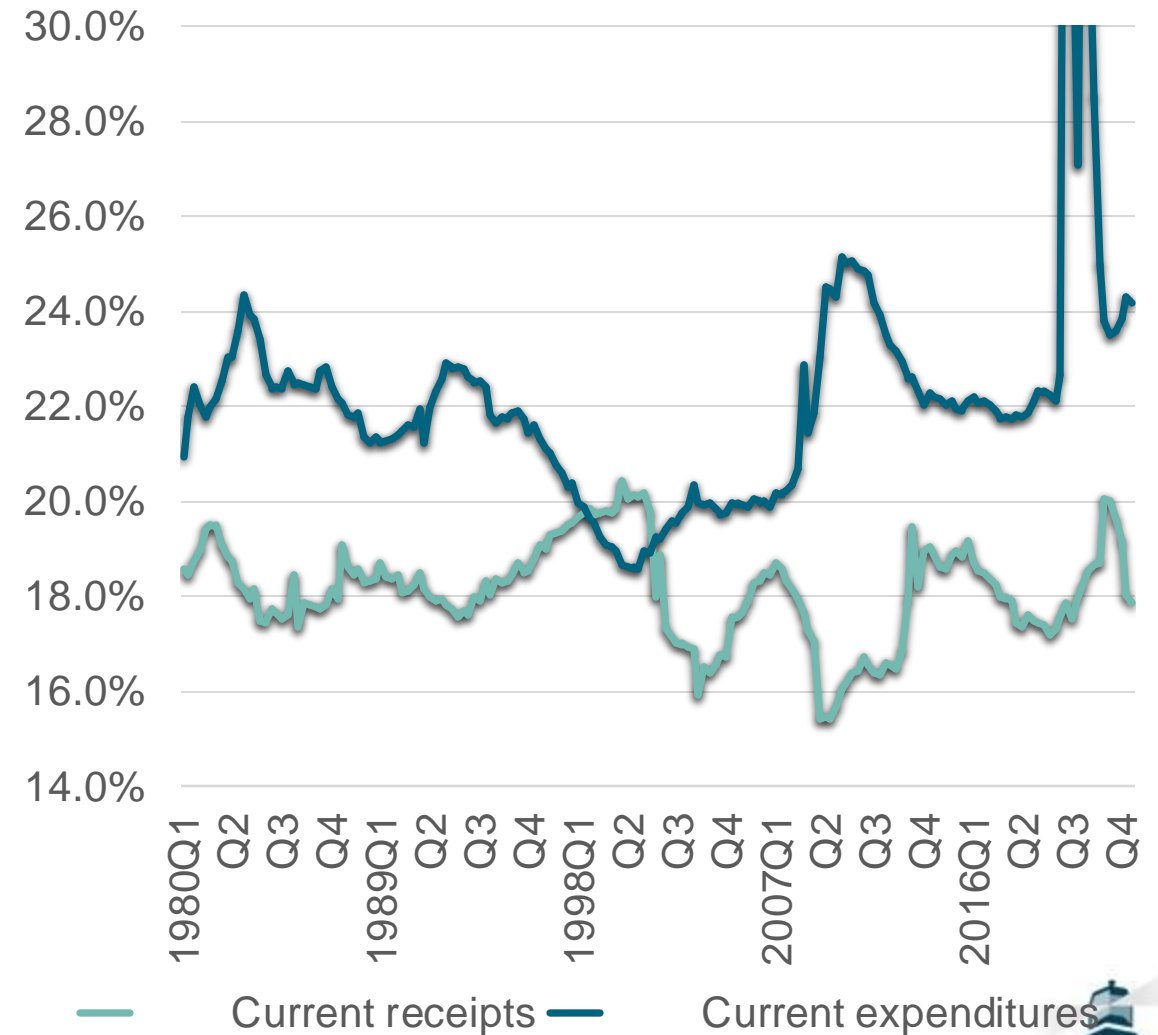


The Federal Deficit

Federal Deficit, Percent of GDP



A Spending Issue



Can Doge fix it?



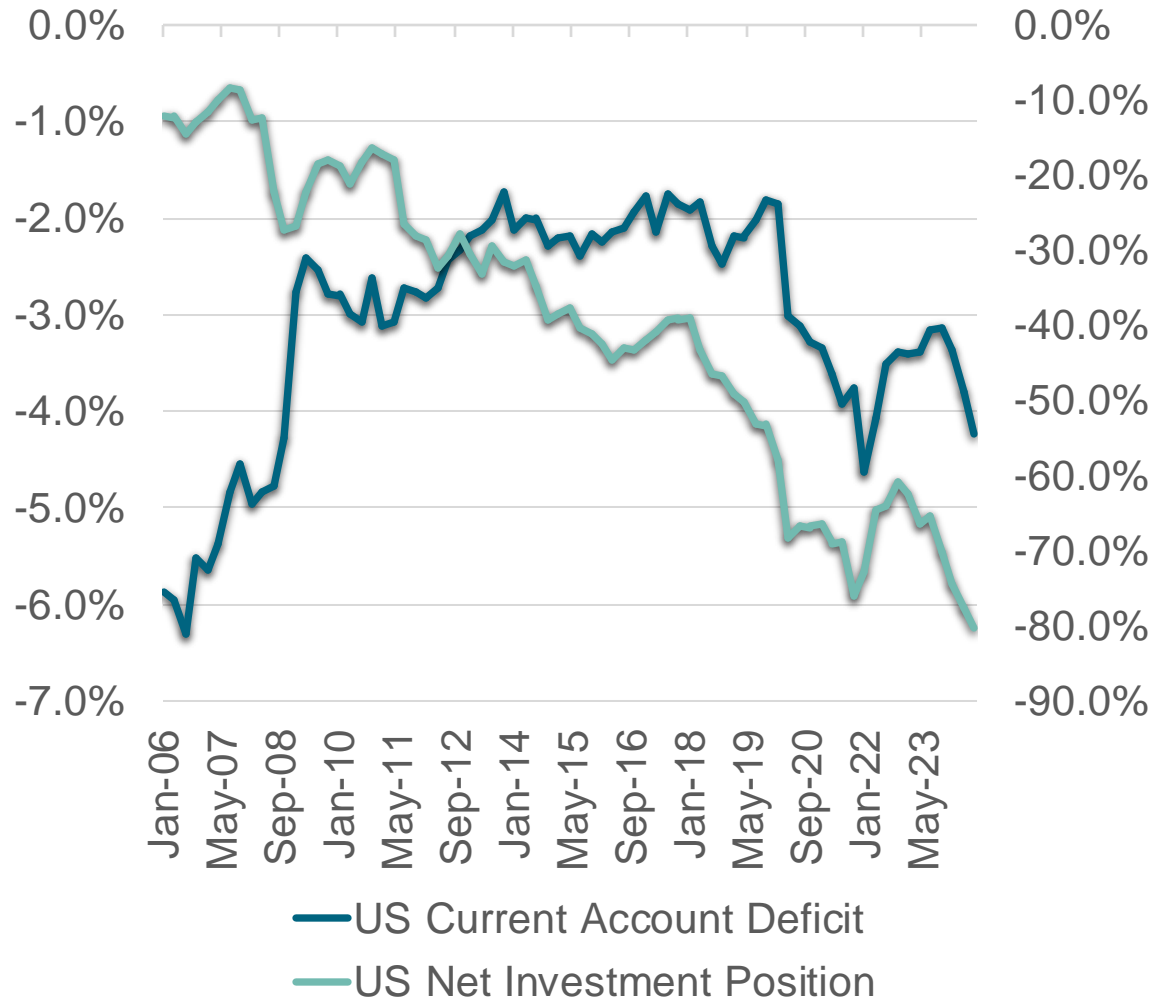
Budget Function	FY 2024 (\$ Bil.)	Share of Total
Total	\$9,682.9	100.0%
Medicare	\$1,582.7	16.3%
Social Security	\$1,541.0	15.9%
National Defense	\$1,358.3	14.0%
Net Interest	\$1,149.6	11.9%
Health	\$1,098.4	11.3%

Object Class	FY 2024 (\$ Bil.)	Share of Total
Grants and fixed charges	\$6,941.2	71.7%
Contractual services and supplies	\$1,145.8	11.8%
Personnel compensation & benefits	\$835.3	8.6%

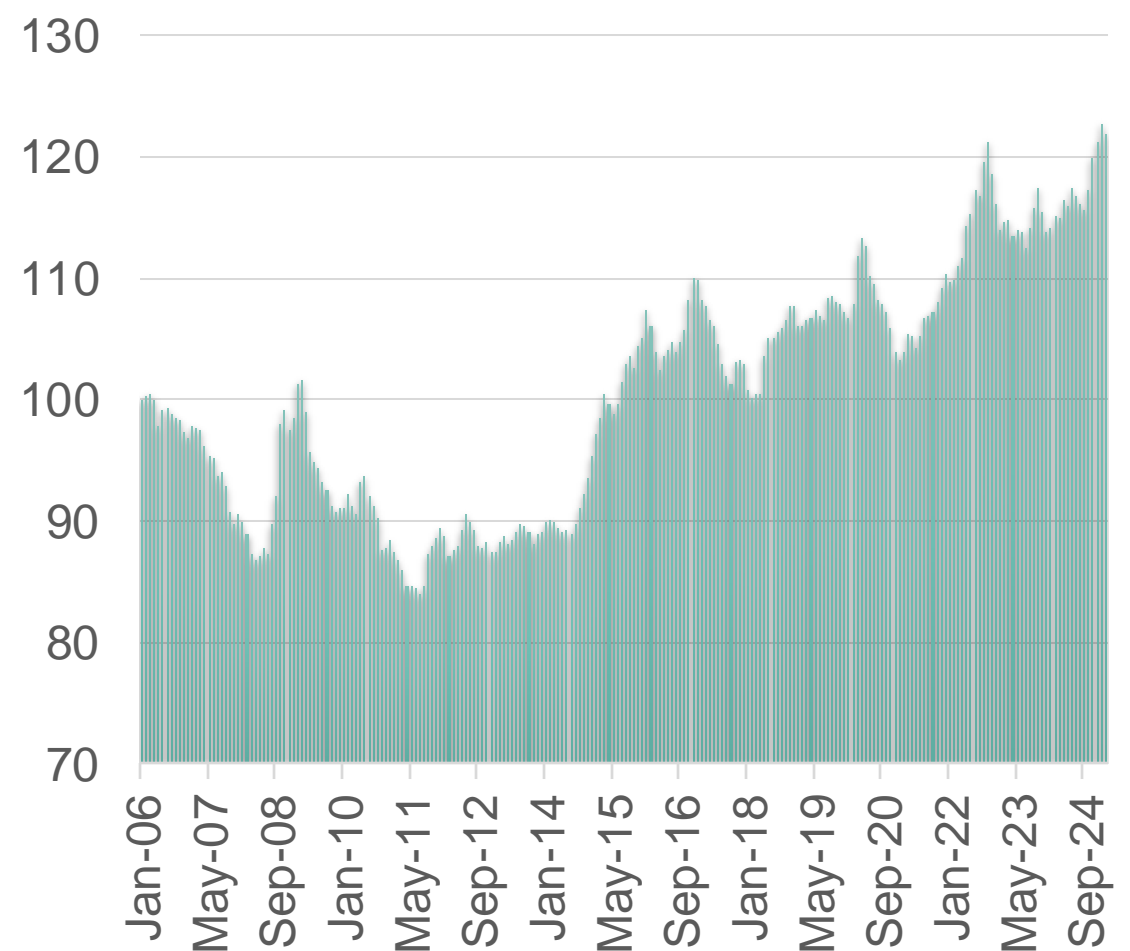


Growing External Imbalances

US External Balances



Real Value \$US (Indexed)



Out of the Woods?

We were never in the woods.

- Economy has downshifted to normal
- Consumer demand remains strong
- Short run: the US expansion (4+ years old) will continue

Headwinds will intensify

- Fed deficits and frothy asset markets, external imbalances, policy uncertainties
- Important #s: The \$US, HH savings rate, 10 Year Bond

The Fastener Biz

- Demand drivers still solid, but could take a hit
- Import and input prices will rise with tariffs, but dollar is a risk too

The real issue?

- The narrative is running amuck
- Political chaos in its wake leaving US / CA policy rudderless

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Or contact:
Kristen@beaconecon.com

Welcome to the Age of Confirmation Bias!

“New information platforms feed the ancient instinct people have to find information that syncs with their perspectives”

“The information environment will not improve. The problem is human nature”

— Pew Charitable Trust, *The Future of Truth and Misinformation Online*

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