

Economic Update

Key Insights for Business Leaders in 2026

March 2026

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Consulting

Today's Agenda

Topics We'll Cover



- Global Perspective
- Trade and Tariffs
- Latest Economic Data
- Actionable Takeaways

A Global Economic Perspective

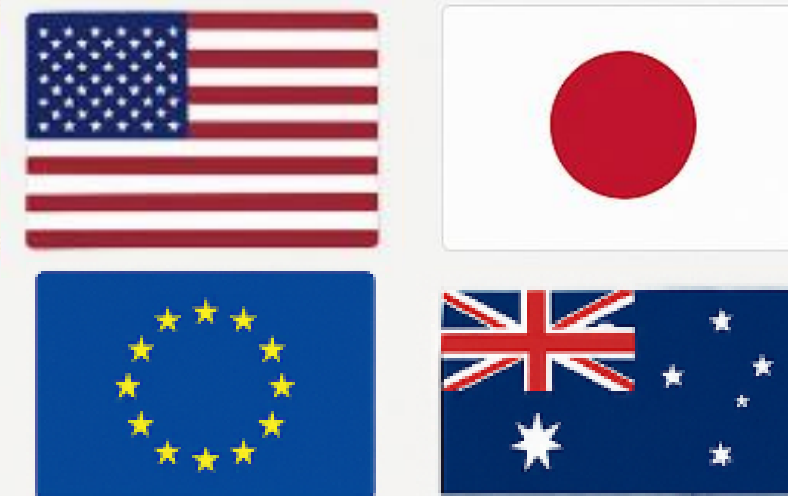


A Global Economic Perspective



CENTERS OF GLOBAL POWER PROJECTION

1 - THE US AND ITS FINANCIAL AND MILITARY ALLIES



2 CHINA AND ITS FINANCIAL AND MILITARY ALLIES



3 FREE AGENTS



4 TECHNOLOGY LEADERS

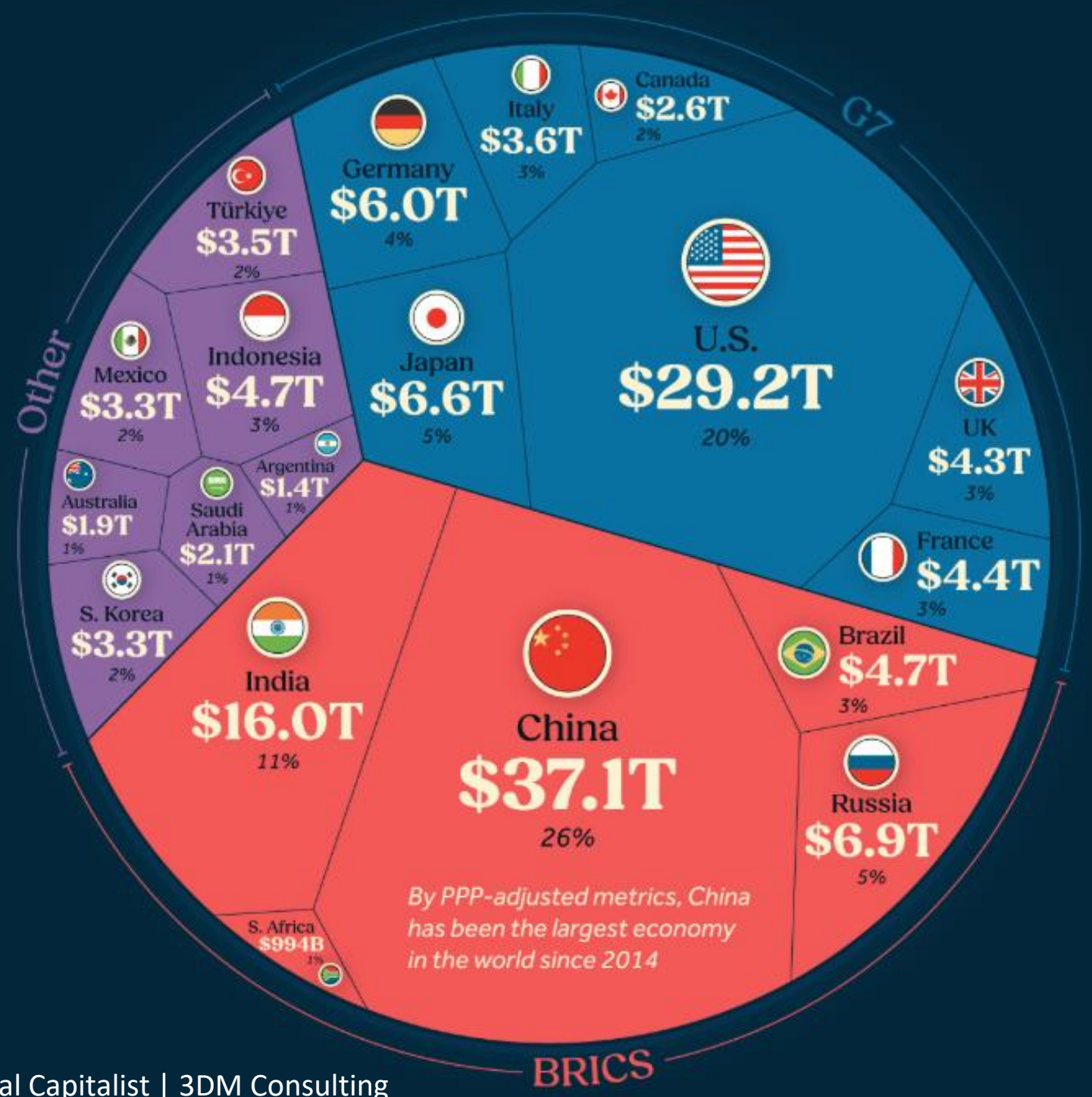


Global Economy: PPP

G20 GDP

Purchasing power parity-adjusted GDP (2024) in International dollars

PPP-adjusted GDP measures a country's economic output based on local purchasing power, adjusting for differences in cost of living.



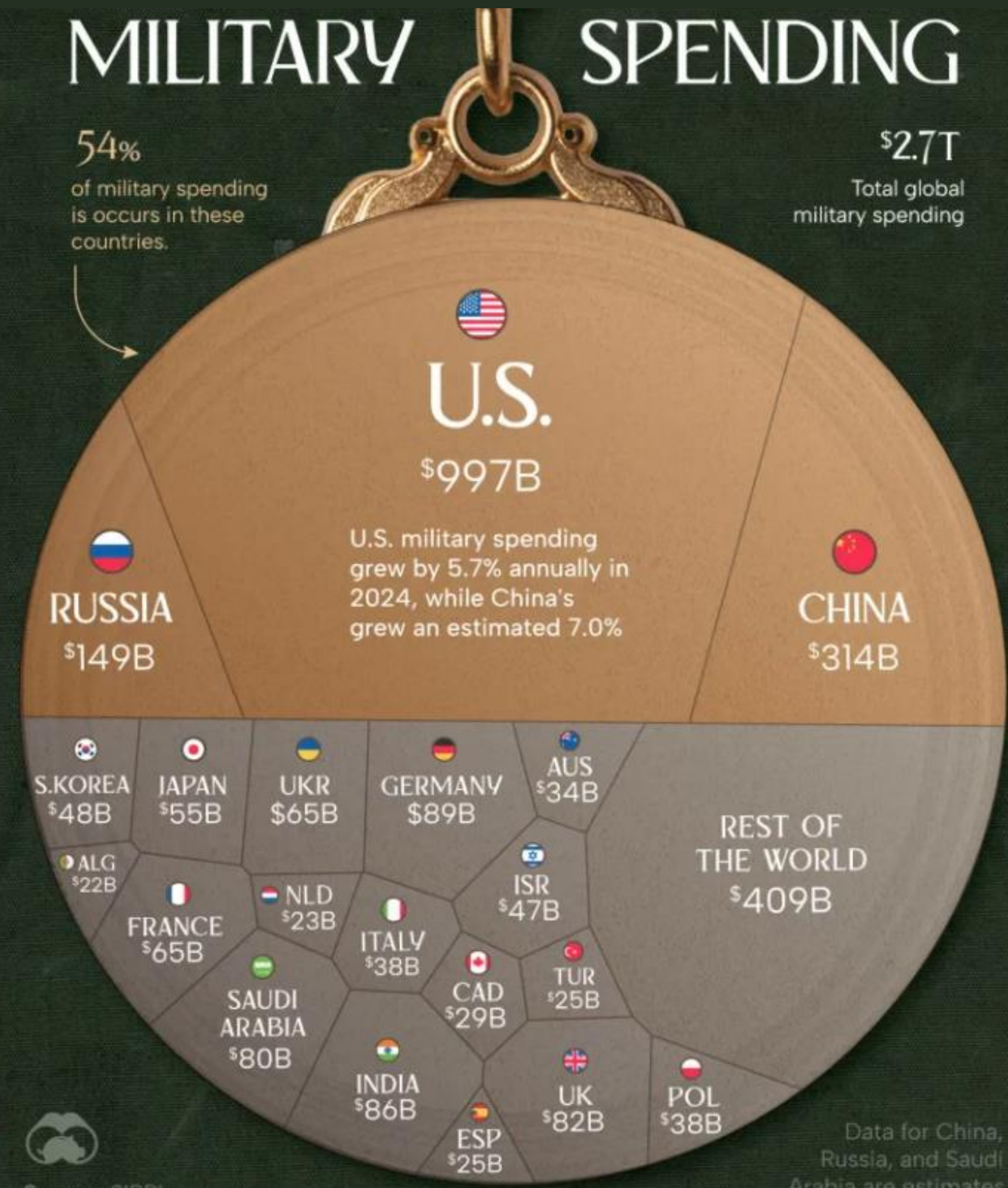
By PPP-adjusted metrics, China has been the largest economy in the world since 2014

A Different View

MILITARY SPENDING

54% of military spending occurs in these countries.

\$2.7T Total global military spending



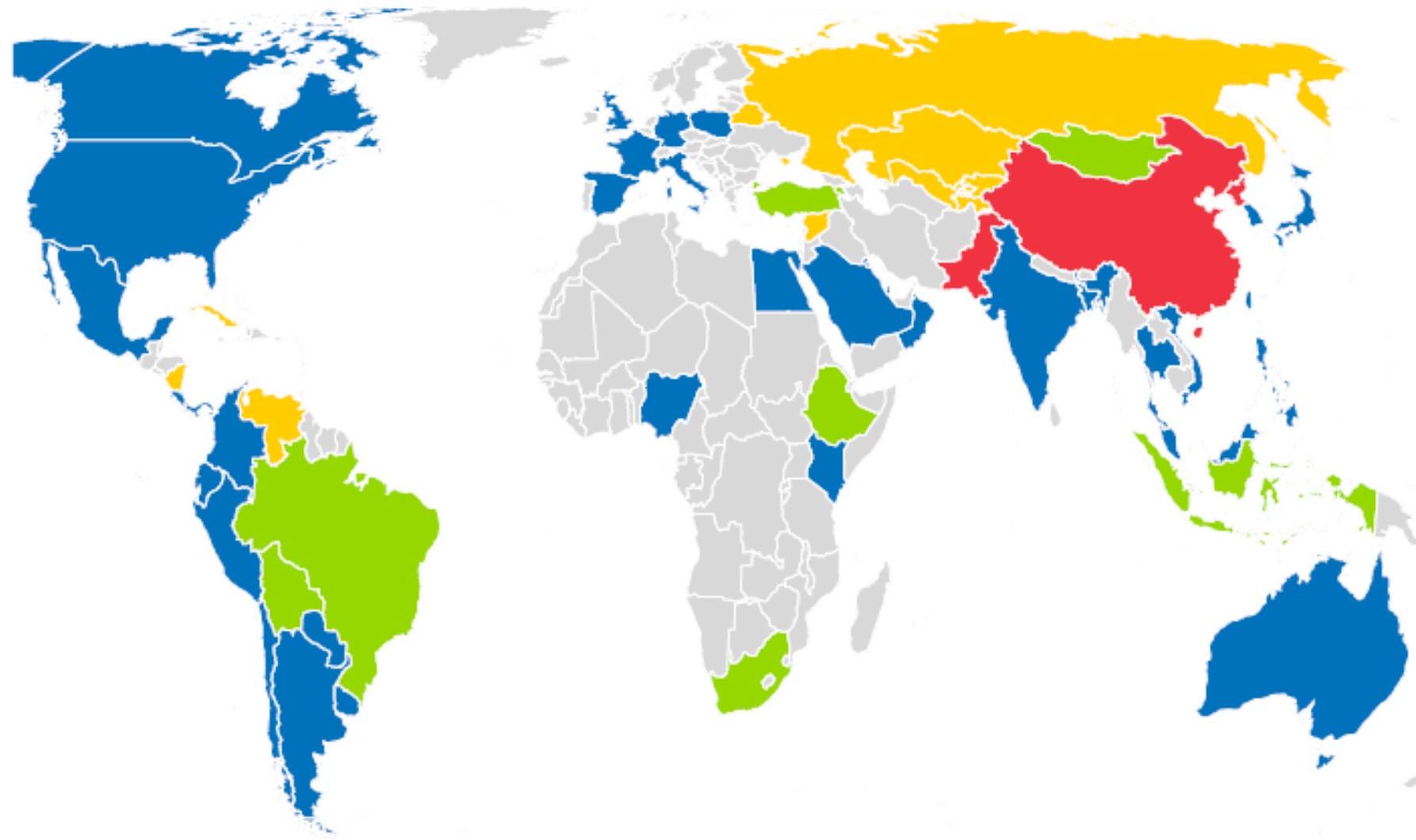
Source: SIPRI

Data for China, Russia, and Saudi Arabia are estimates.

Different Spheres of Influence

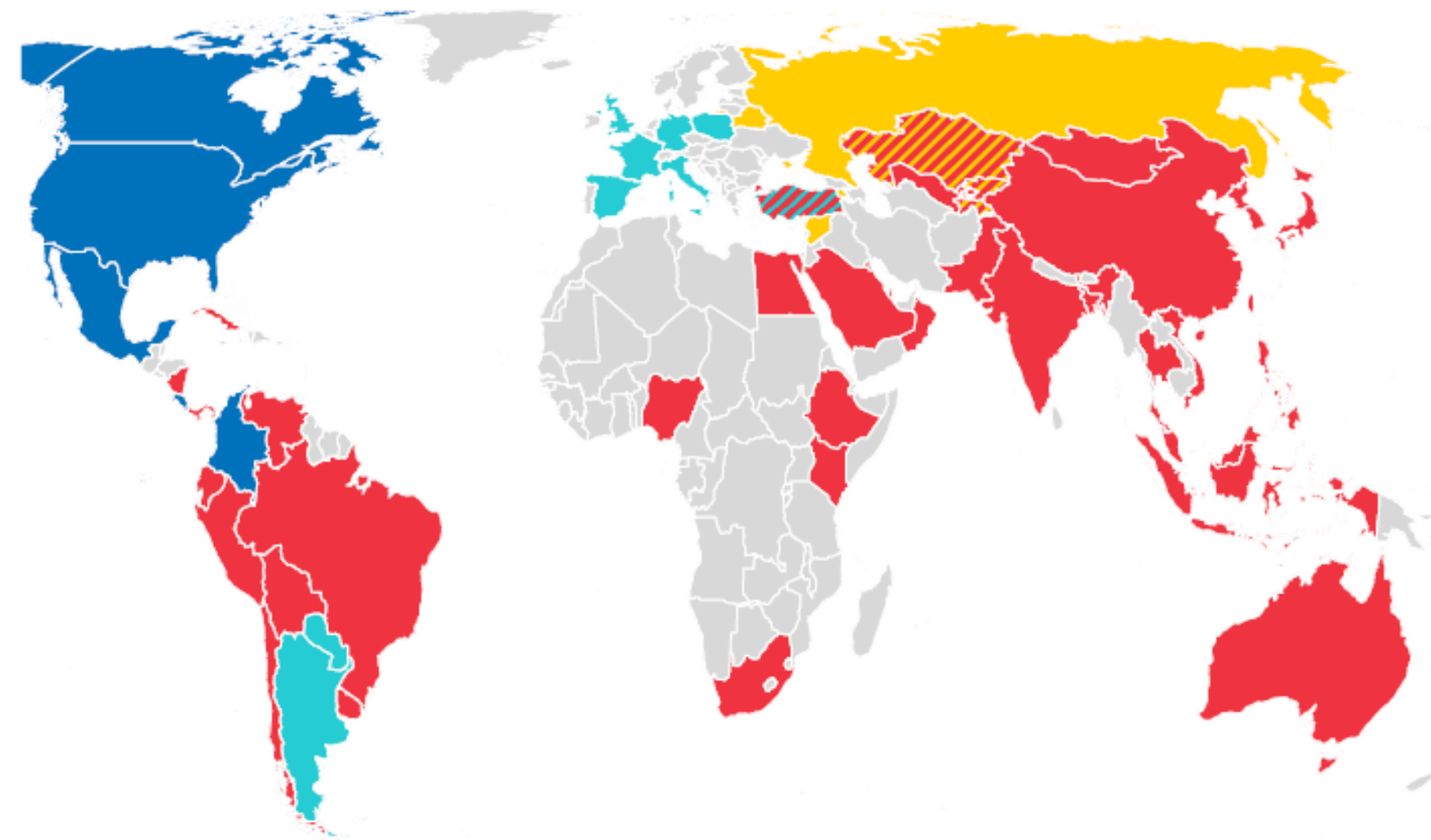
Security order

Security alignment based on primary military alliances, defense partnerships, and security cooperation



Economic order

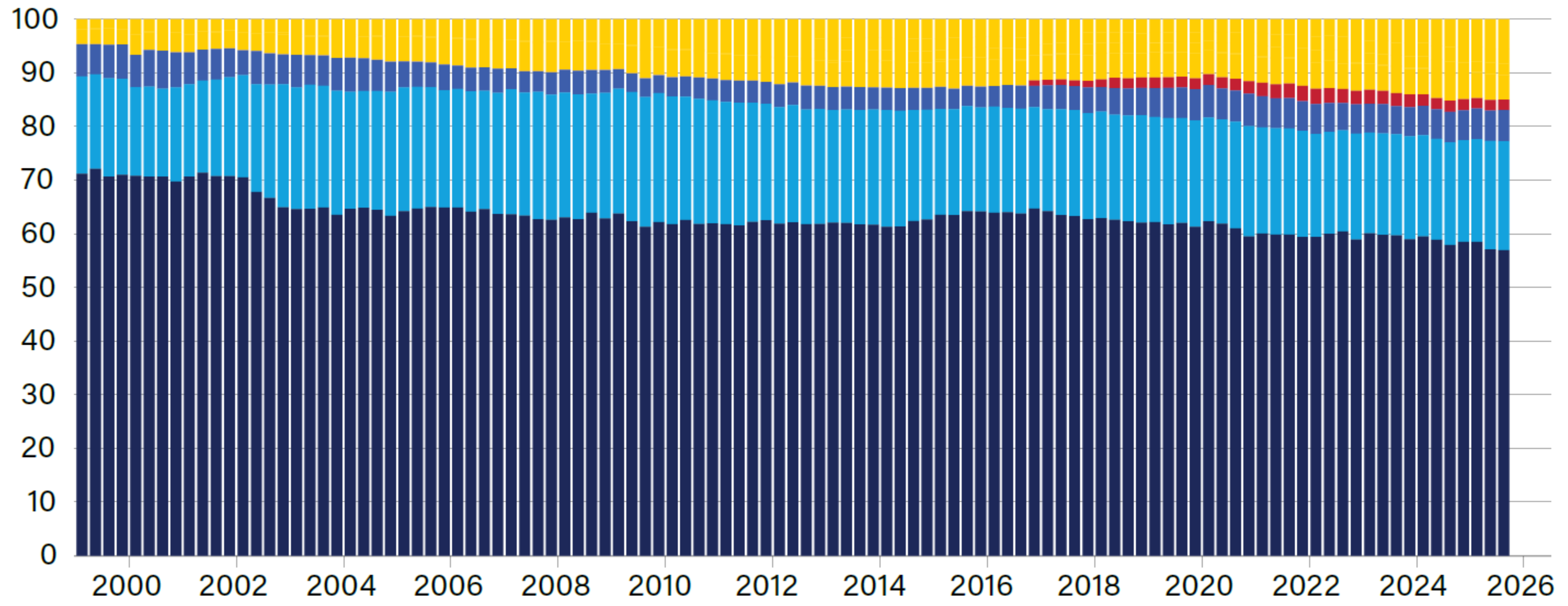
Economic alignment based on total bilateral trade



USD as Global Reserve Currency

Official reserves FX holding, % of total

■ USD ■ EUR ■ YEN ■ CNY ■ Other

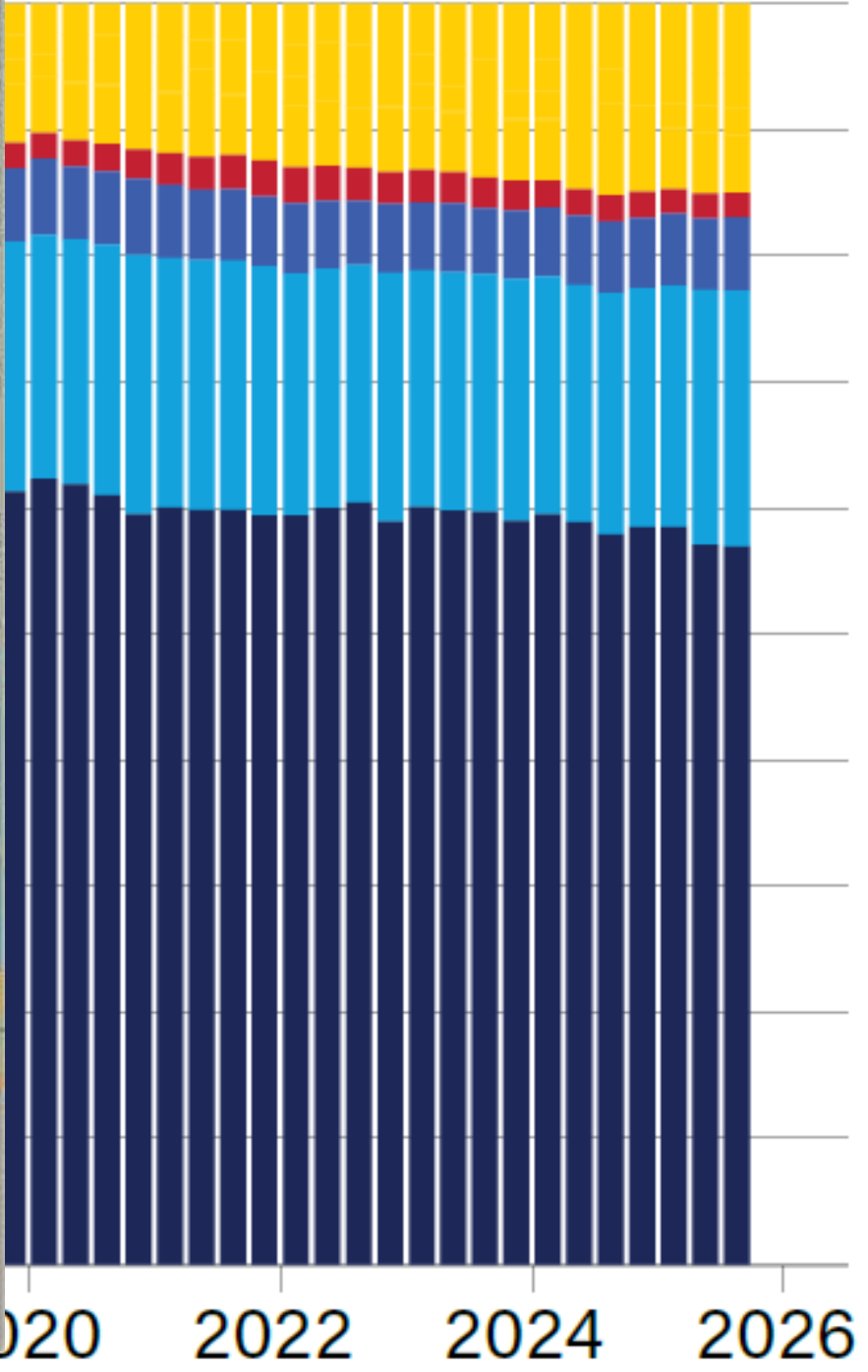
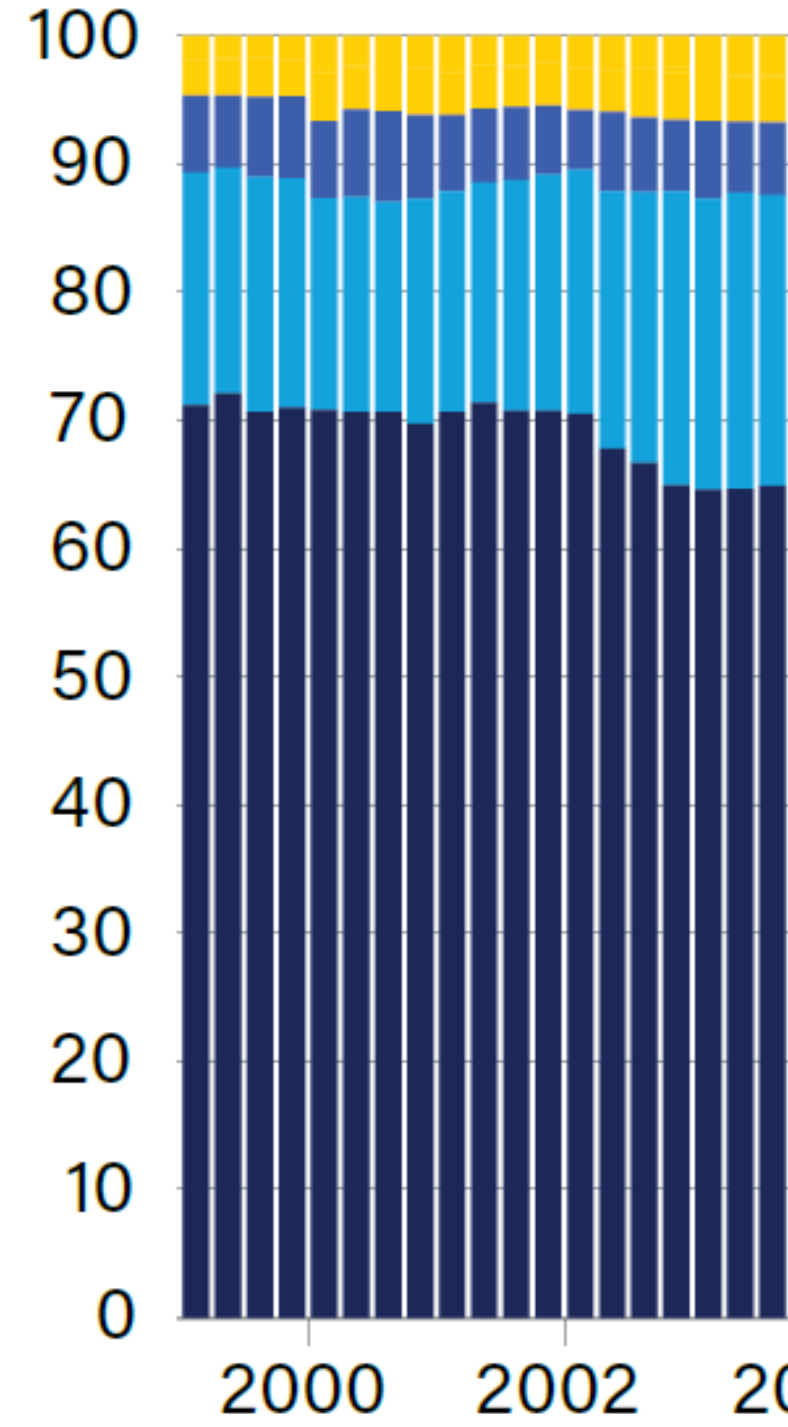


USD as Global Reserve Currency

SHARE OF ALLOCATED RESERVES (2025) TOTAL \$11.5T

Official reserves FX hold

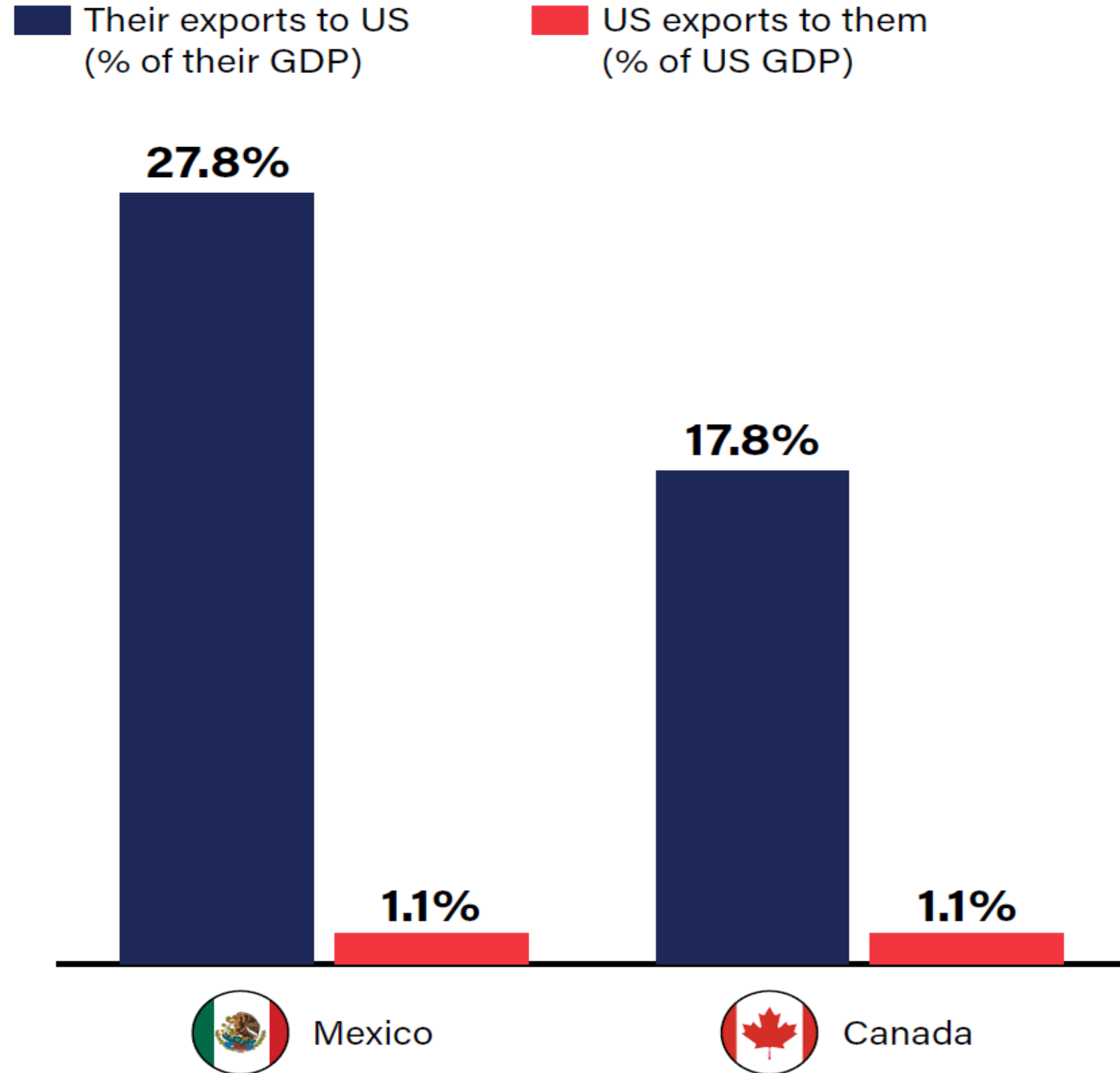
■ USD ■ EUR ■





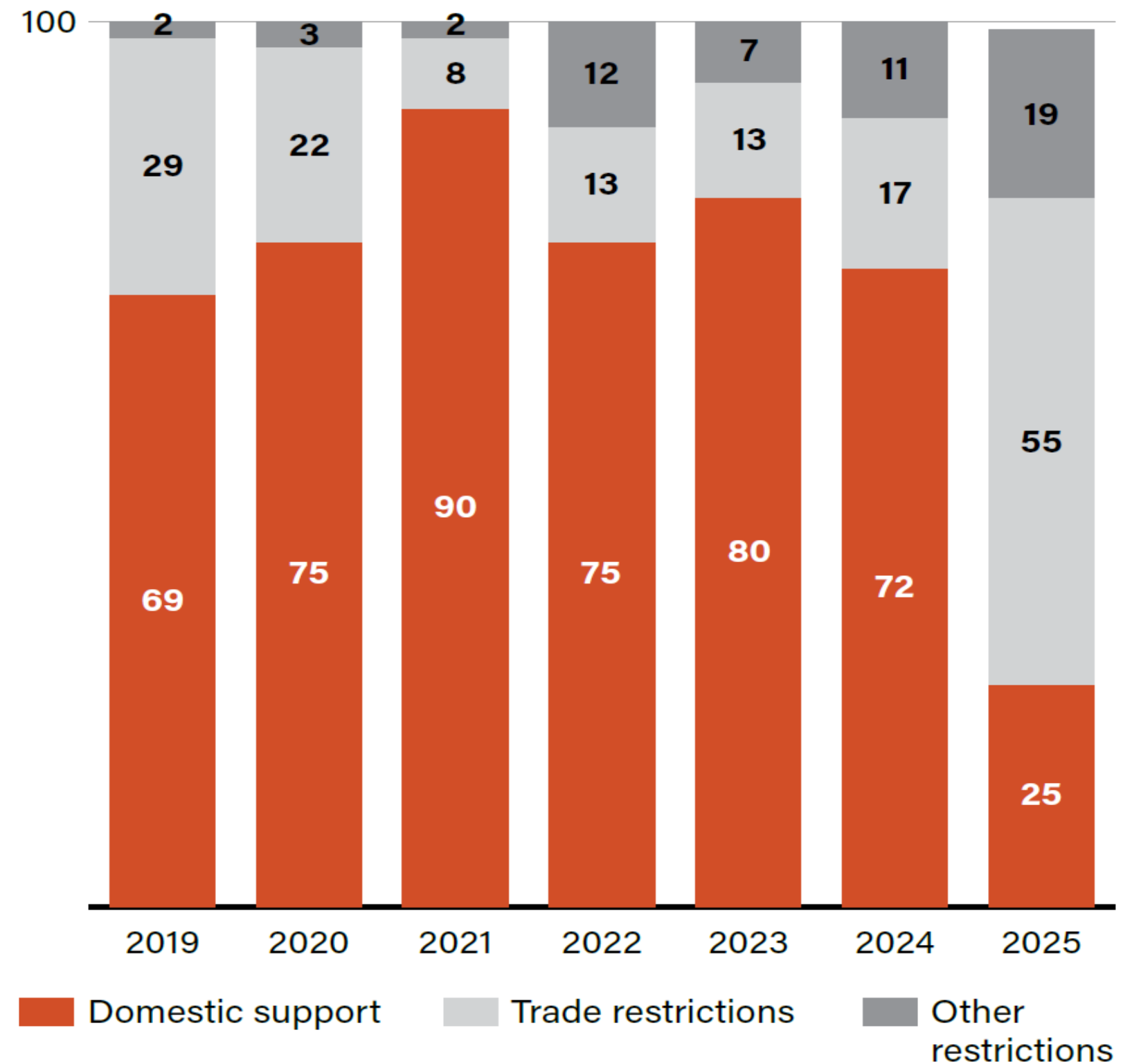
Trade Policy Impact

North America's asymmetric dependence

Exports, 12m rolling sum, % of GDP



From  to 
% of distortive industrial policy measures by type

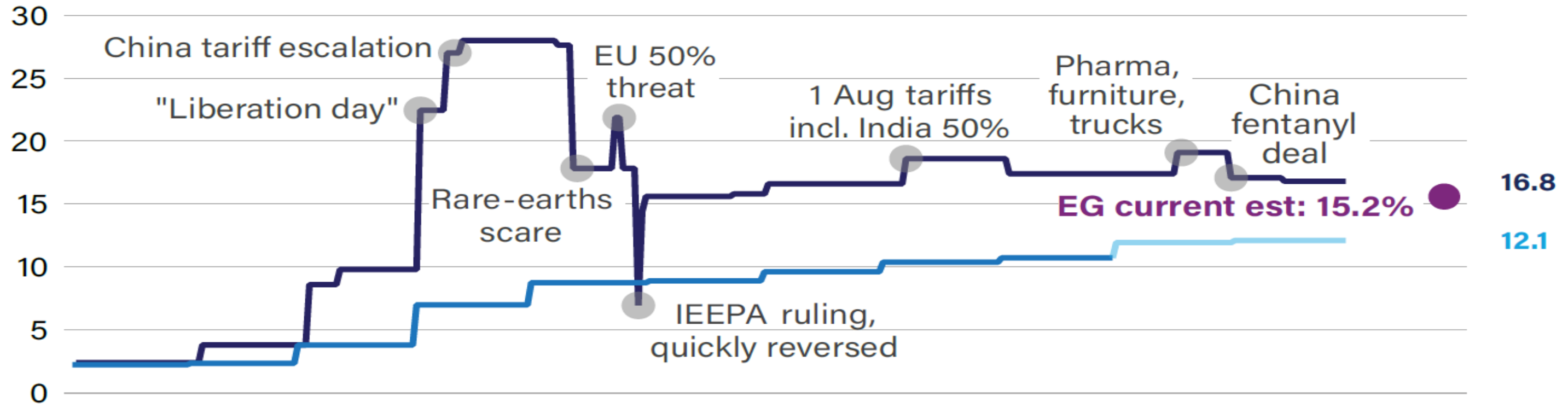


Effective vs. Actual Tariff Rate

US average effective tariff rate (AETR) on all goods imports, pre-substitution

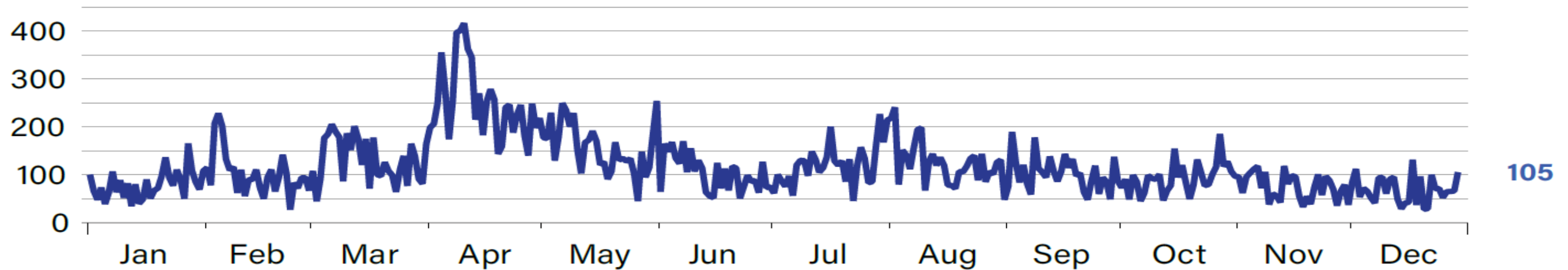
- based on calculated duty (Census, Treasury for forecasts)
- based on announced policy (Budget Lab)

Percent



Trade Policy Uncertainty Index has fallen to Jan 2025 levels

Index



Current Section 232 Tariff Investigations

1. Semiconductors and Semiconductor Manufacturing Equipment

Initiated April 1, 2025

2. Pharmaceuticals and Pharmaceutical Ingredients - Initiated April 1, 2025

3. Trucks - Initiated April 22, 2025

4. Processed Critical Minerals and Derivative Products - Initiated April 22, 2025

5. Commercial Aircraft and Jet Engines - Initiated May 1, 2025

6. Polysilicon and its Derivatives - Initiated July 1, 2025

7. Unmanned Aircraft Systems (UAS) and Their Parts and Components

Initiated July 1, 2025

8. Wind Turbines - Initiated August 13, 2025

9. Robotics and Industrial Machinery - Initiated September 2, 2025

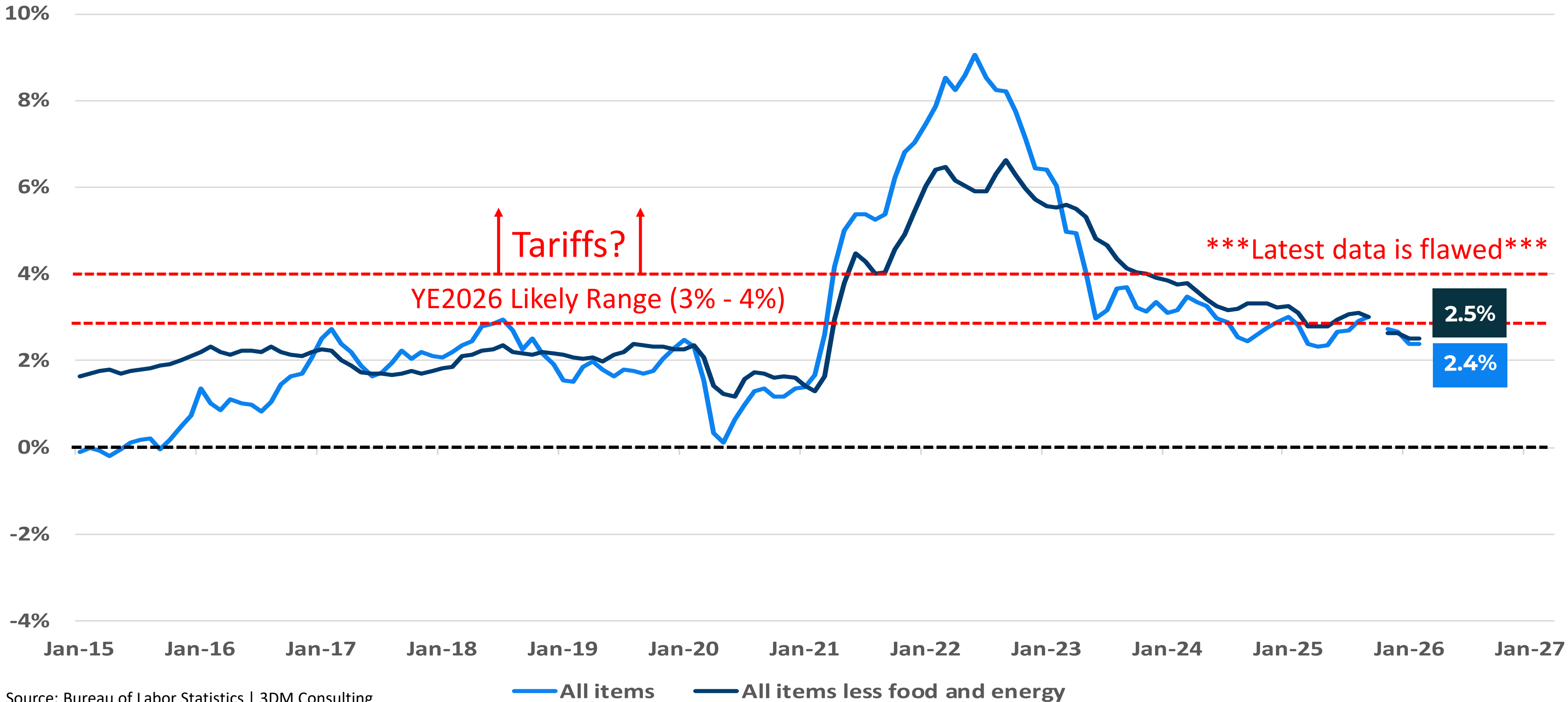
10. Personal Protective Equipment, Medical Consumables, and Equipment

Initiated September 2, 2025

Tariffs aren't going anywhere but will evolve over the course of 2026!

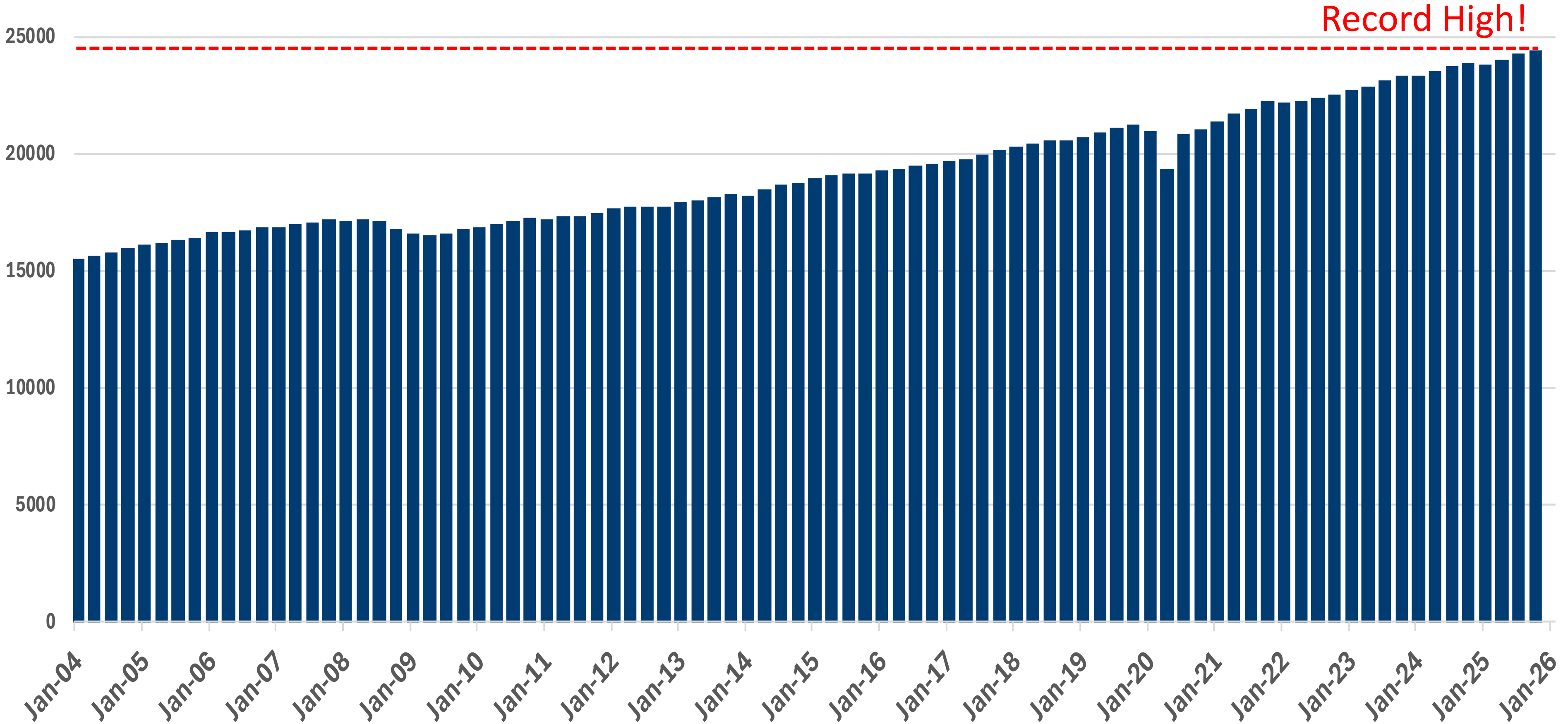
Inflation Expected to Trend Higher

Consumer Price Index - Year-over-Year % Change



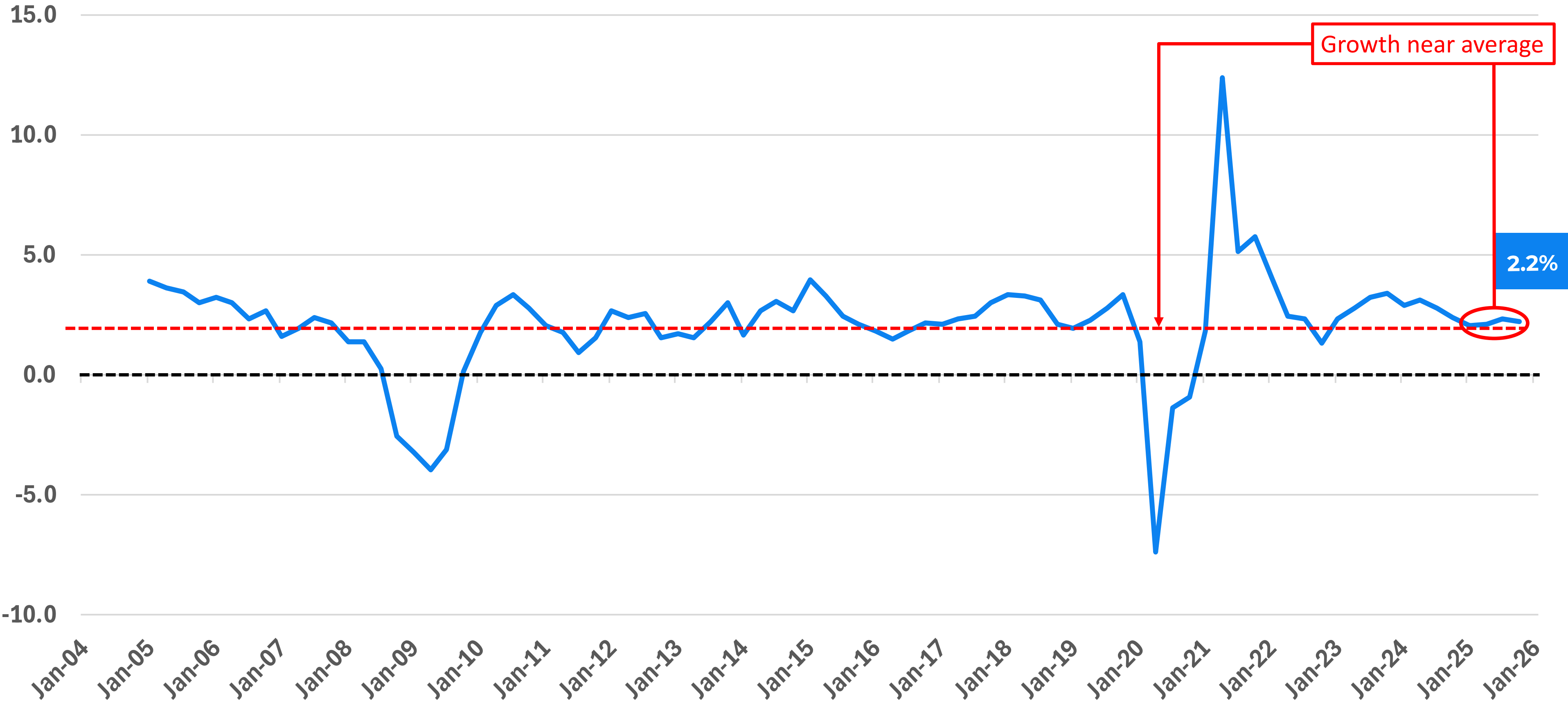
US Real (Inflation Adjusted) GDP

Billions of Chained 2017 Dollars



Real (Inflation Adjusted) GDP

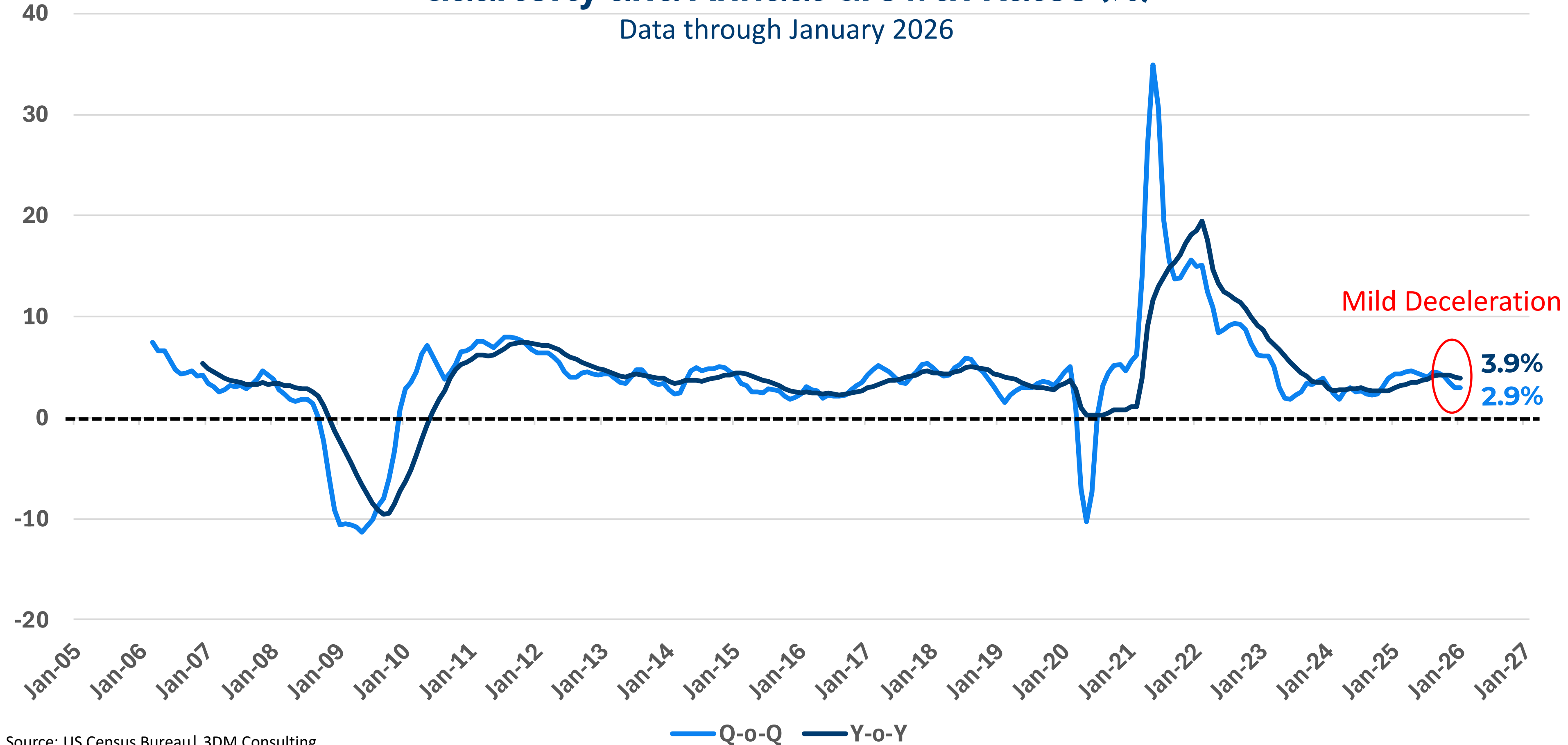
Quarter-over-Quarter Growth Rate (%)



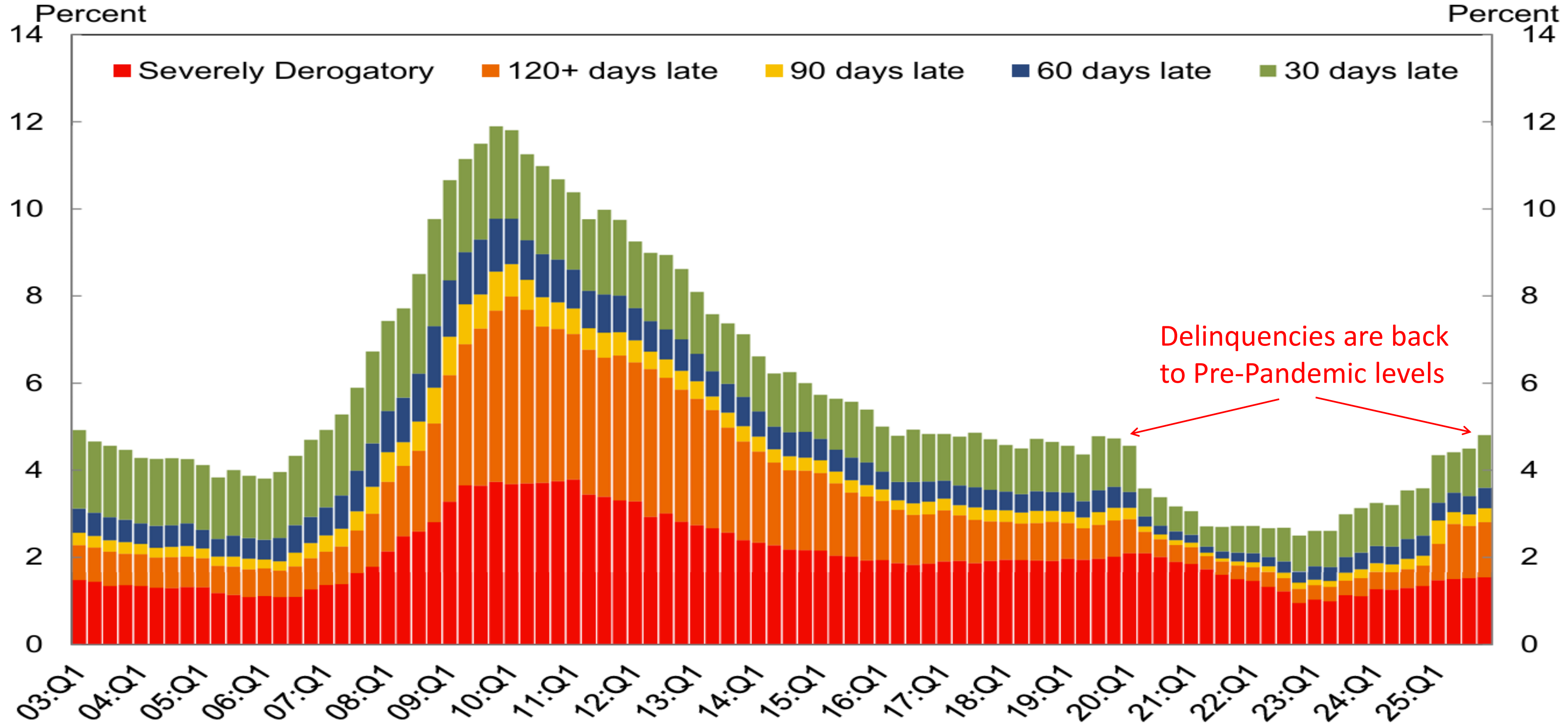
Retail Activity Decelerating but Positive

Quarterly and Annual Growth Rates (%)

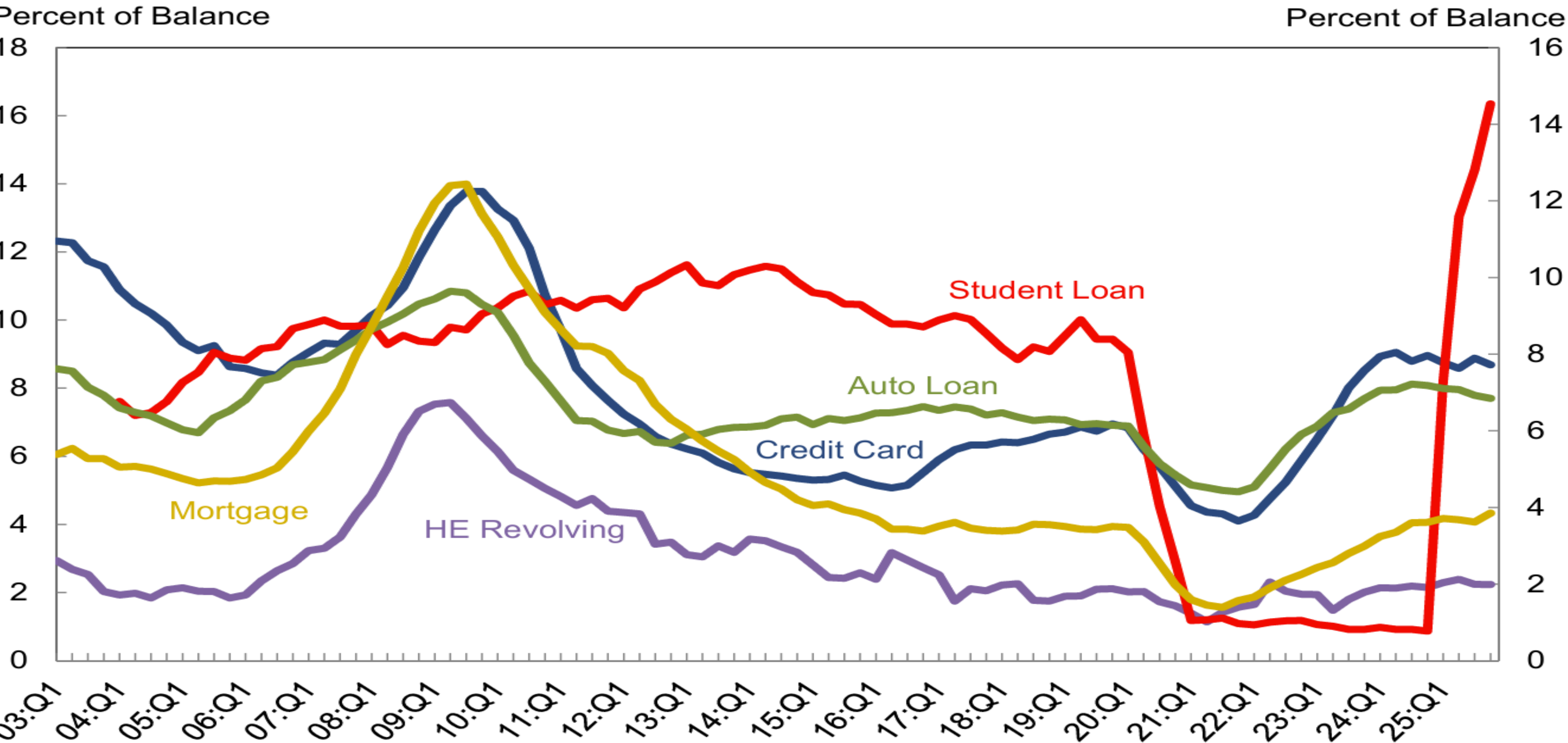
Data through January 2026



Total Balance by Delinquency Status

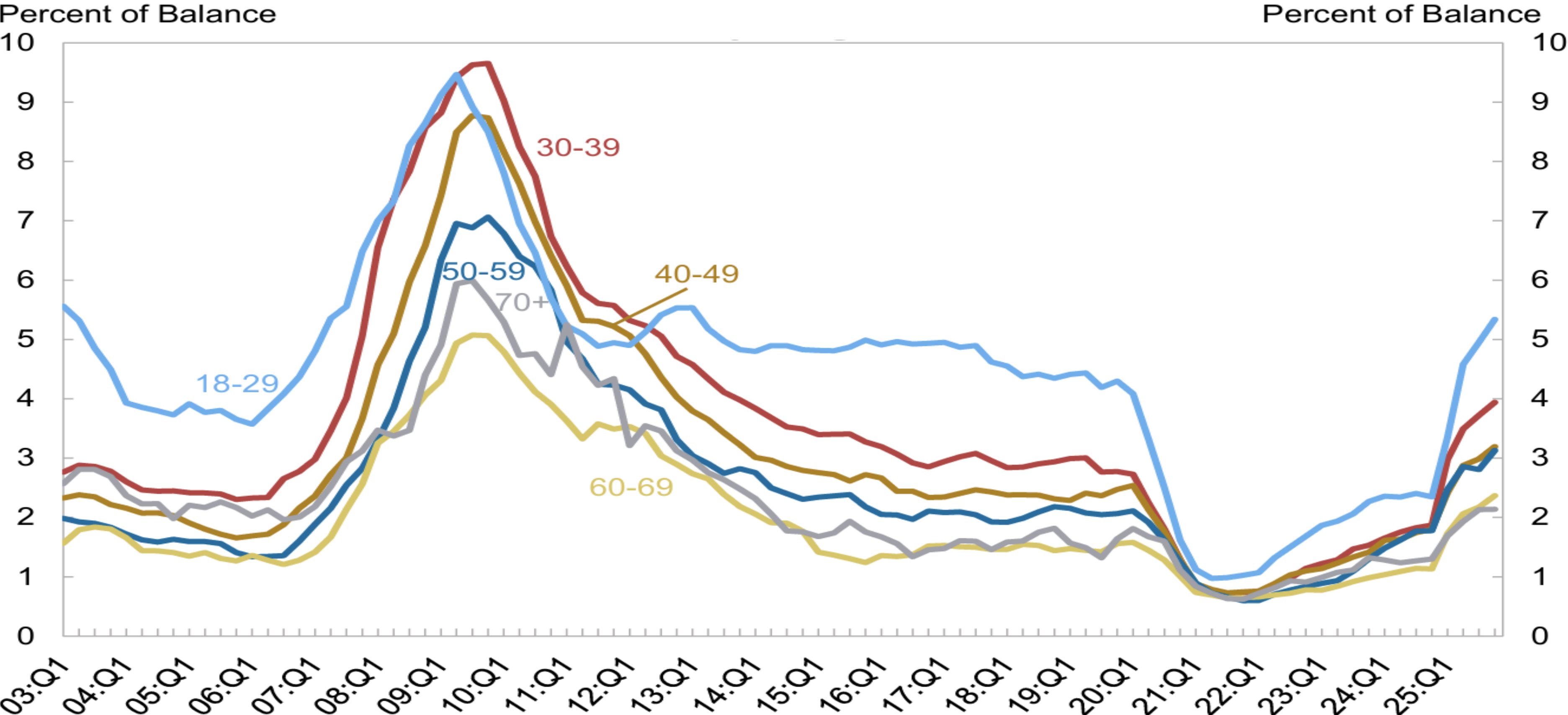


Transition into Delinquency (30+) by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax
 Note: 4 Quarter Moving Sum
 Student loan data are not reported prior to 2004 due to uneven reporting

Transition into Serious Delinquency (90+ days) by Age



Note: 4 Quarter Moving Sum.

Age is defined as the current year minus the birthyear of the borrower.

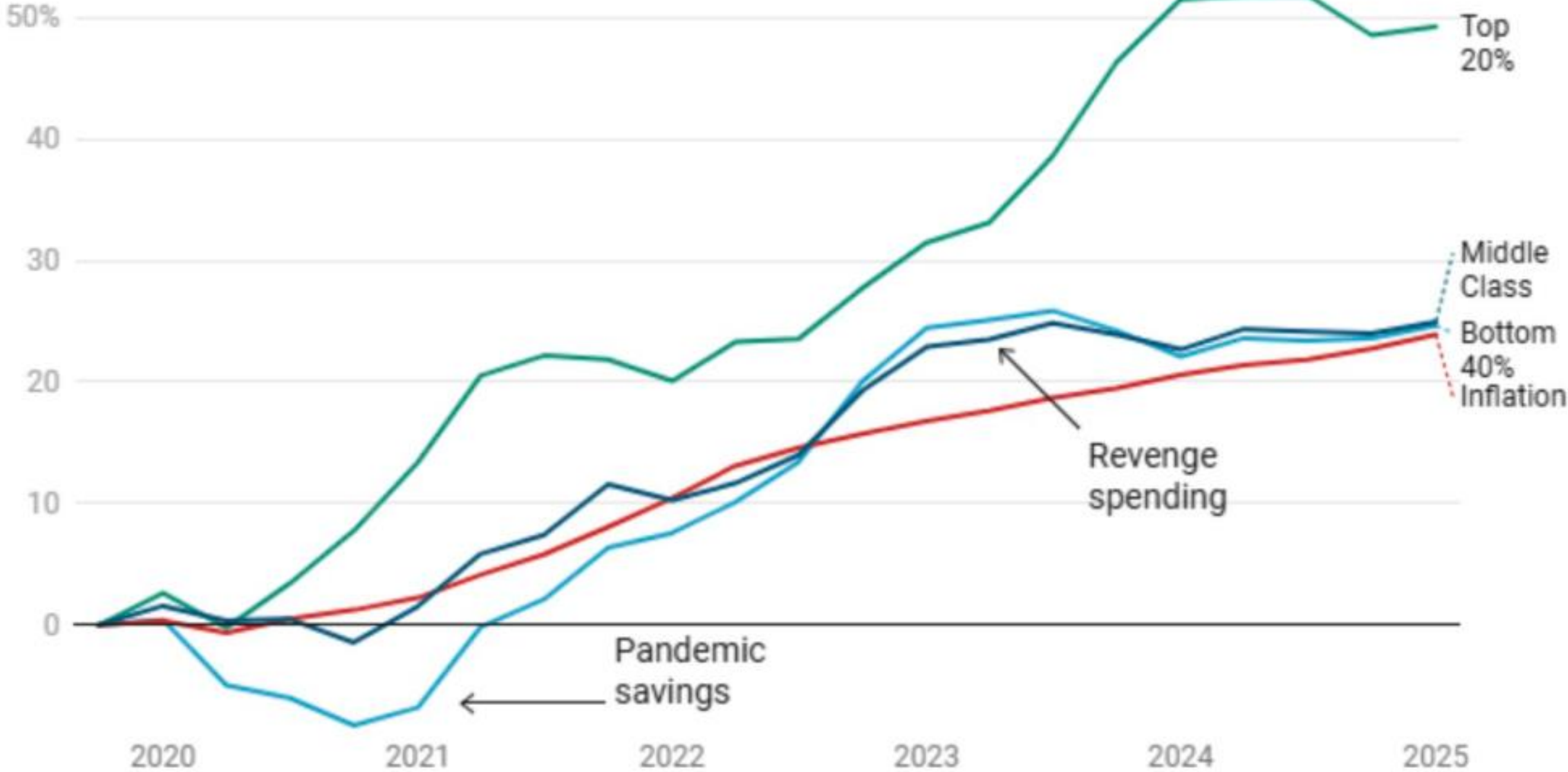
Age groups are re-defined each year.

Source: New York Fed Consumer Credit Panel/Equifax

The K-Shaped Economy: Consumption

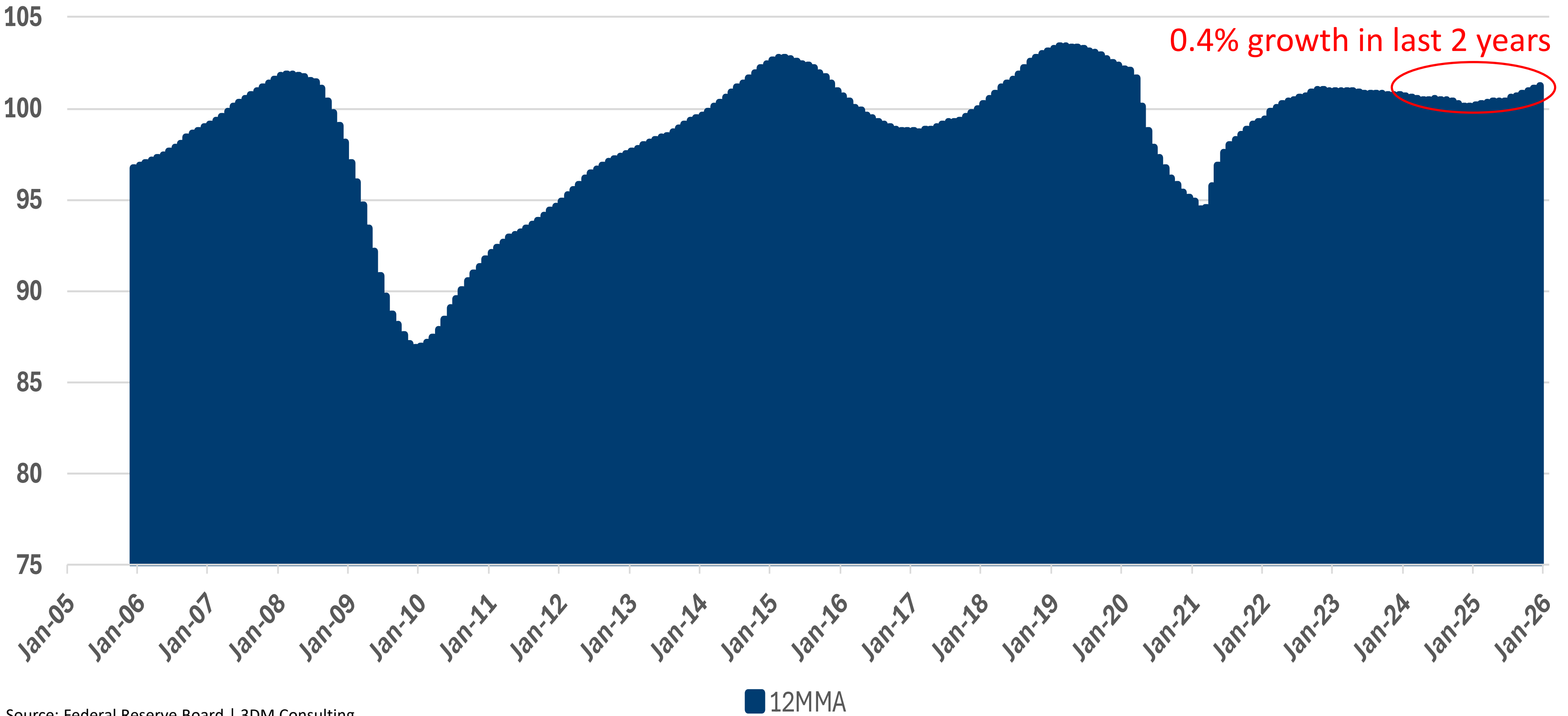
The U.S. economy depends on consumption by the rich

Wealthy Americans in the top 20 percent continue to grow their spending. Meanwhile, the "revenge spending" era for middle-class and lower-income Americans is over. Their spending is roughly in line with inflation. (Chart shows growth in personal outlays vs. inflation.)



US Industrial Production (B2B Economy)

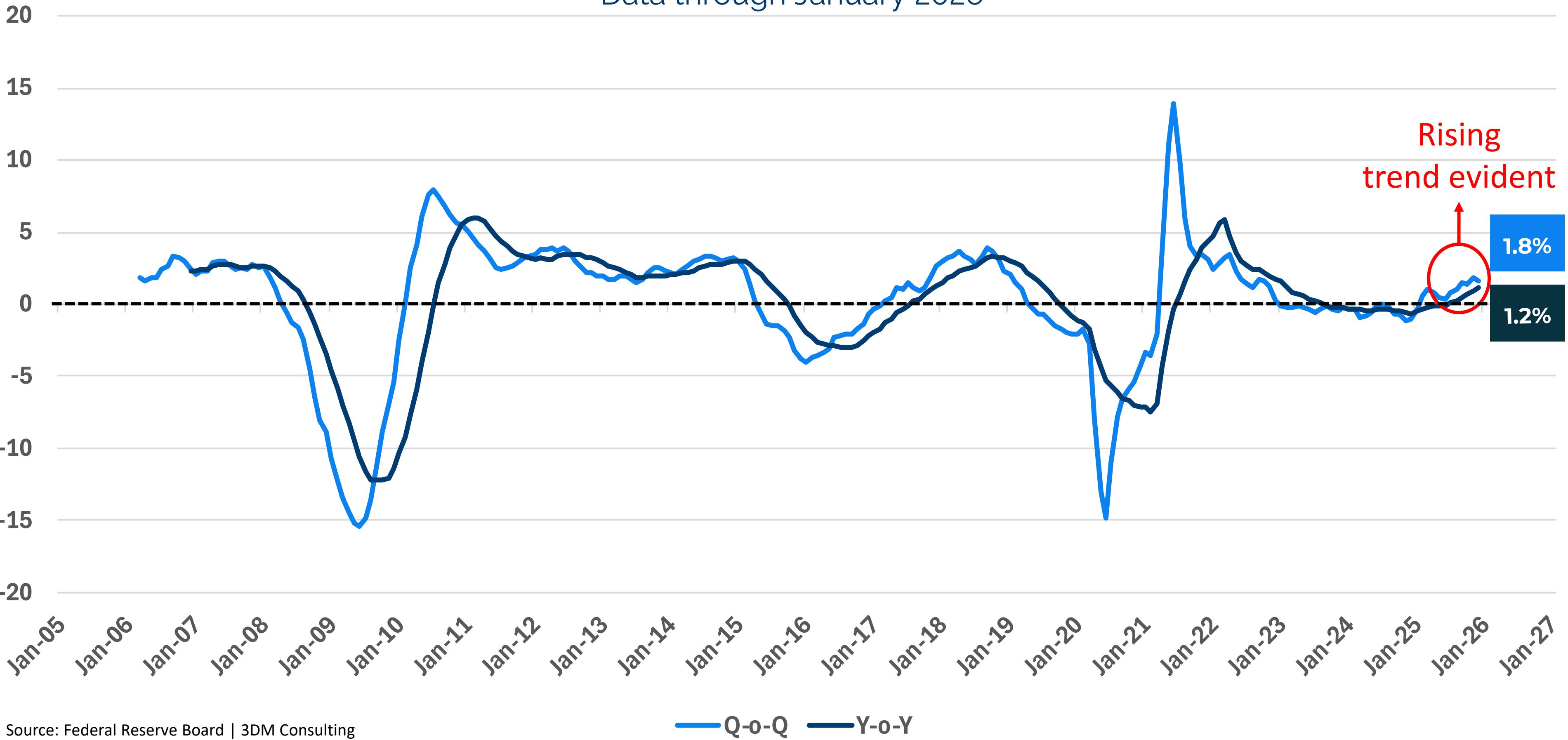
Index – Data through January 2026



Visible Momentum in B2B Economy

US Industrial Production Quarterly and Annual Growth Rates (%)

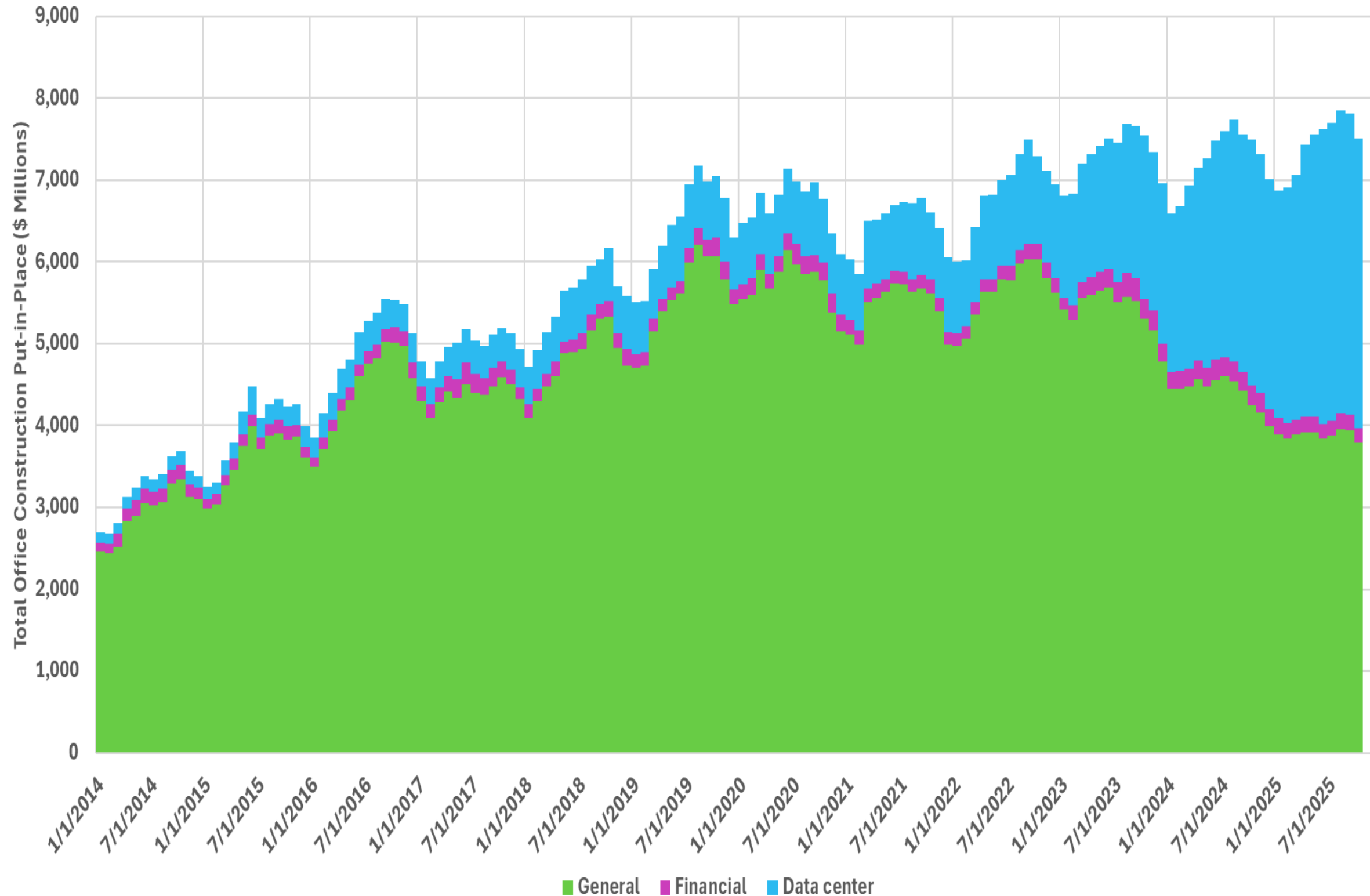
Data through January 2026



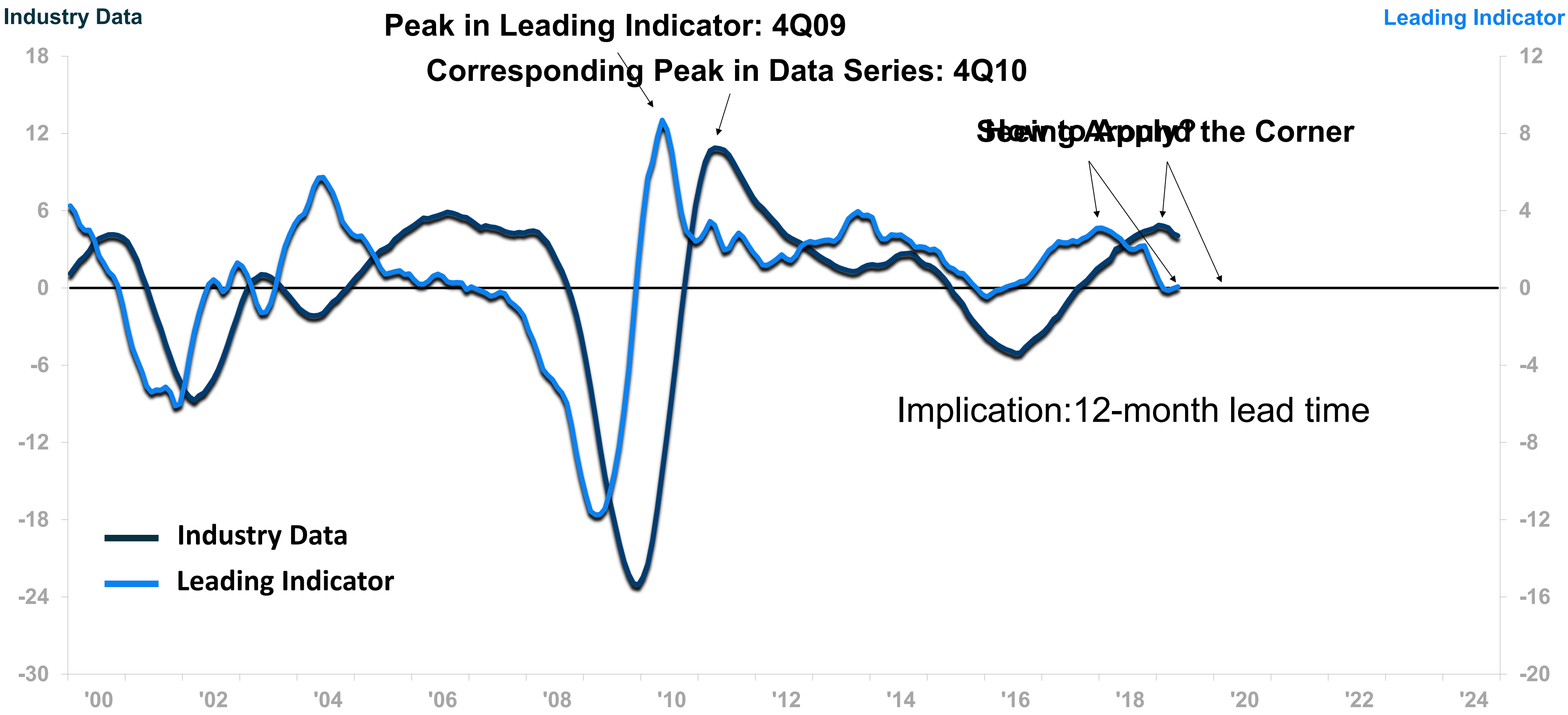
Winners and Losers

| Industry Group | |
|--|-------|
| Aerospace and miscellaneous transportation equ | 17.2% |
| Natural gas | 8.7% |
| Computer and electronic products | 7.4% |
| Machinery | 4.8% |
| Primary metals | 3.5% |
| Fabricated metal products | 2.6% |
| Petroleum and coal products | 2.1% |
| Manufacturing | 2.0% |
| Food, beverage, and tobacco products | 1.9% |
| Mining | 1.7% |
| Chemicals | 1.6% |
| Electric | 1.3% |
| Electrical equip., appliances, and component | 1.3% |
| Plastics and rubber products | -0.2% |
| Apparel and leather | -0.5% |
| Textile and product mills | -0.8% |
| Nonmetallic mineral products | -1.0% |
| Furniture and related products | -2.2% |
| Motor vehicles and parts | -2.8% |
| Paper | -3.1% |
| Printing and support | -3.4% |
| Miscellaneous | -3.7% |
| Wood products | -5.5% |

Office Construction Evolution



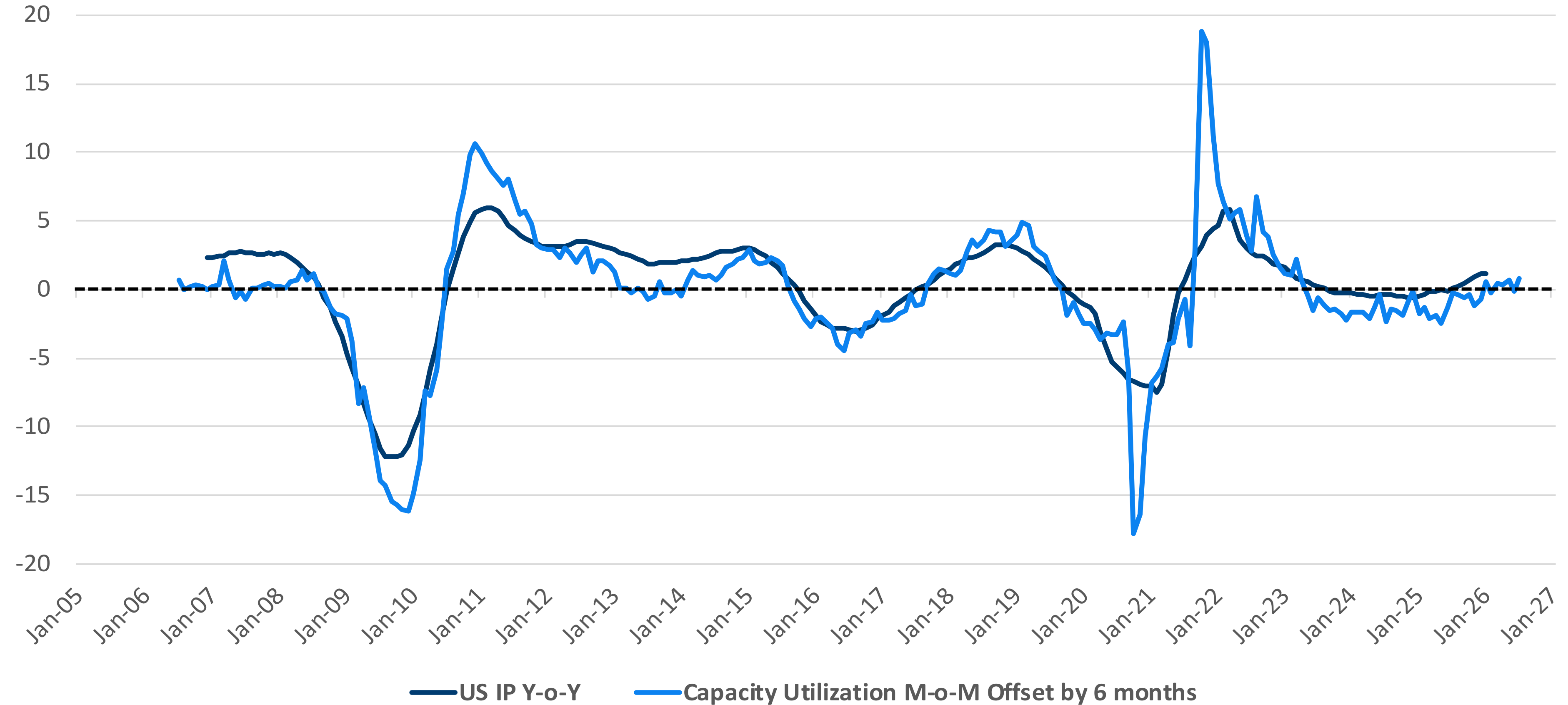
How Do Leading Indicators Work?



Source: 3DM Consulting

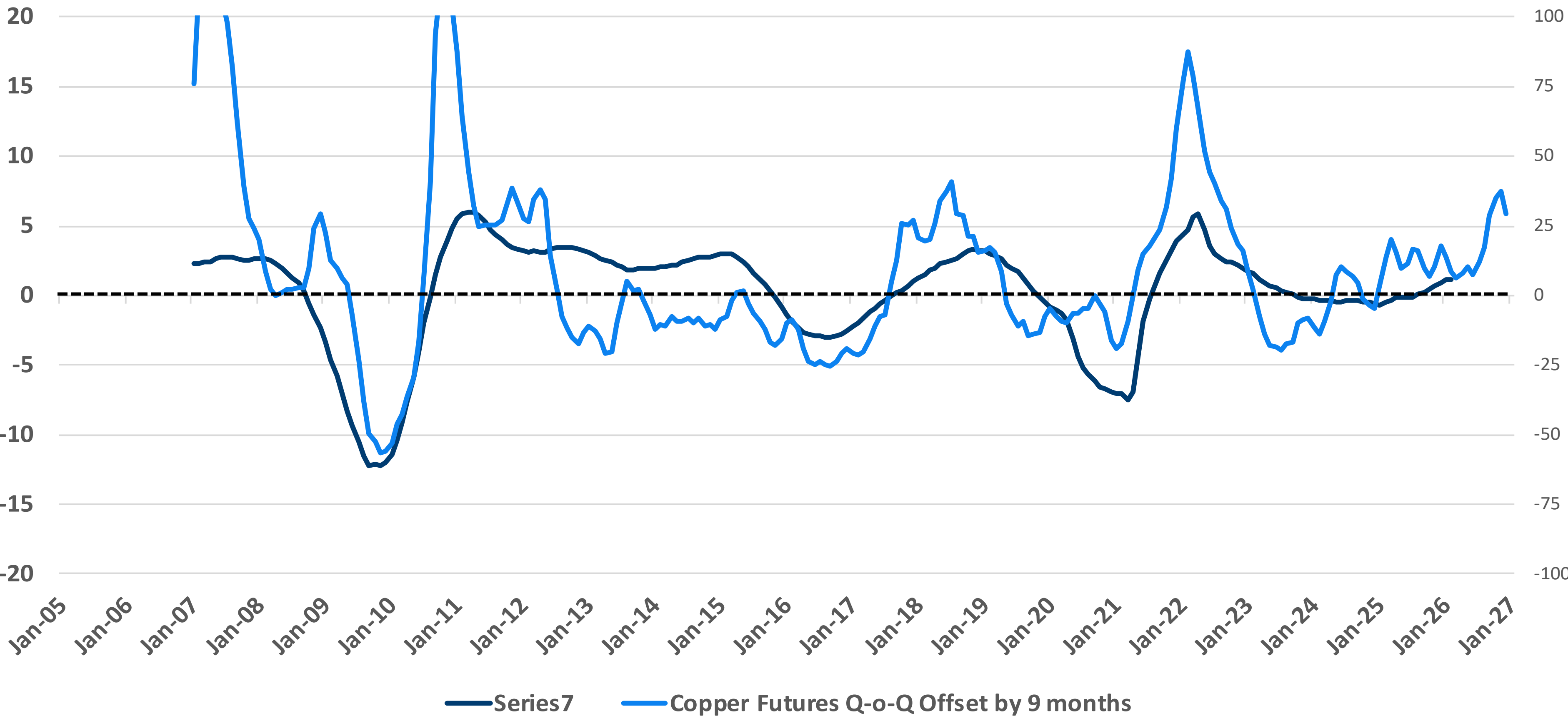
Leading Indicators: Capacity Utilization

Total Industry Capacity Utilization Rate vs US IP - 6 month lead time



Leading Indicators: Copper Prices

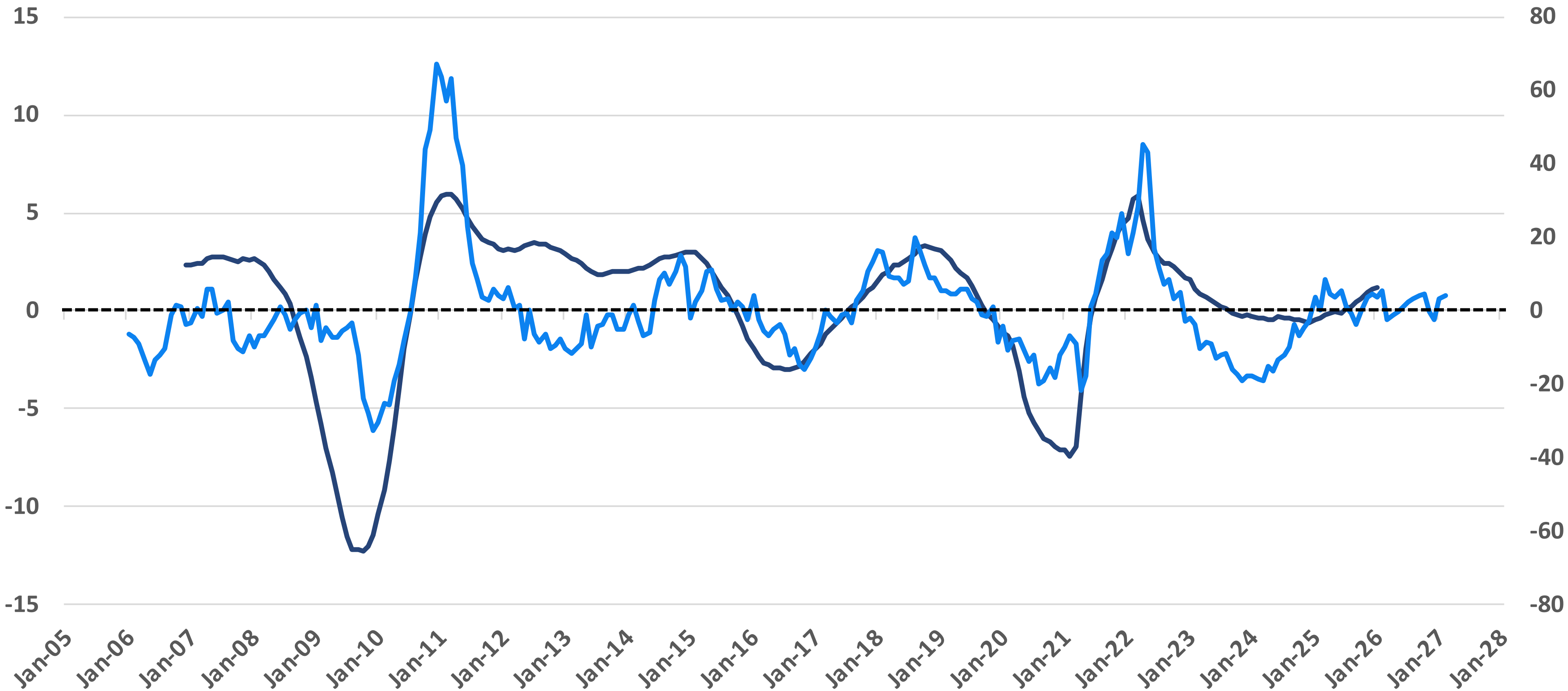
Copper Futures Price vs US IP - 9 month lead time



Series7 Copper Futures Q-o-Q Offset by 9 months

Leading Indicators: PMI

US ISM PMI vs US IP - 12 month lead time



National Labor Market Performance

» January 2026



JOB GAIN

130K



UNEMPLOYMENT RATE

4.3%



AVG HOURLY EARNINGS

3.7%

Past 12 Months

National Labor Market Performance

» February 2026



JOB GAIN

-92K



UNEMPLOYMENT RATE

4.4%



AVG HOURLY EARNINGS

3.8%

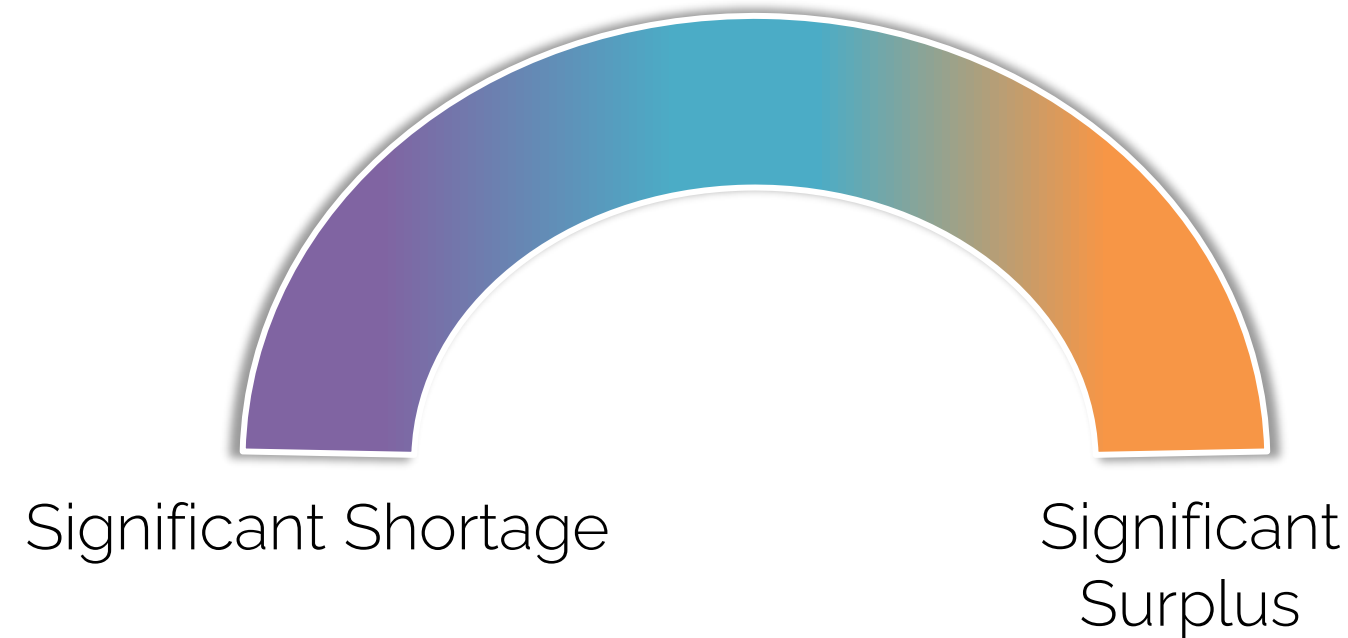
Past 12 Months



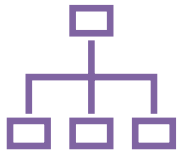



Talent Availability - Details Matter

4.4%

**National Unemployment Rate
February 2026**

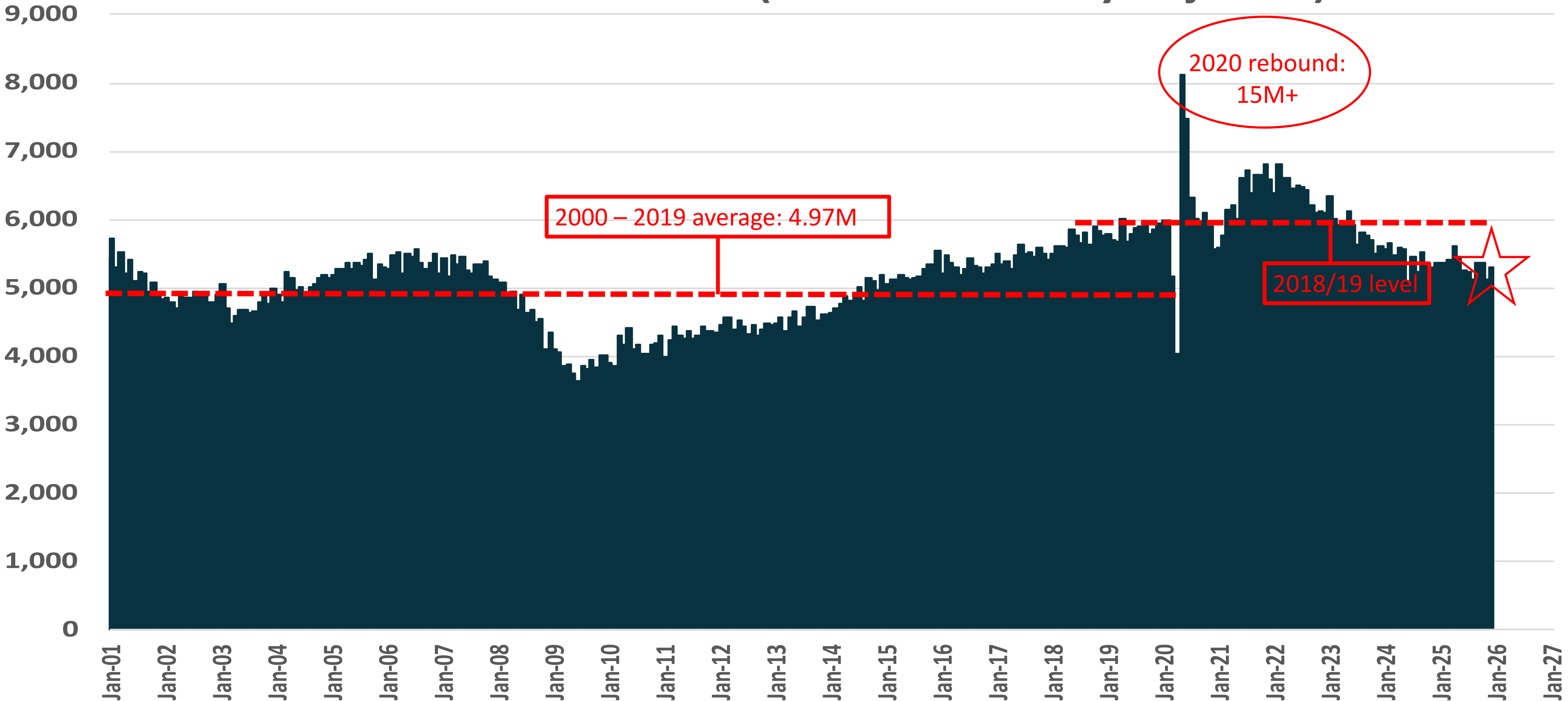
Market Supply



| | | |
|---|----------------------------|-------------|
|  | Legal | 2.1% |
|  | Healthcare Practitioners | 1.1% |
|  | Management | 2.8% |
|  | Architecture & Engineering | 2.9% |
|  | Financial Operations | 2.7% |
|  | Sales | 4.9% |

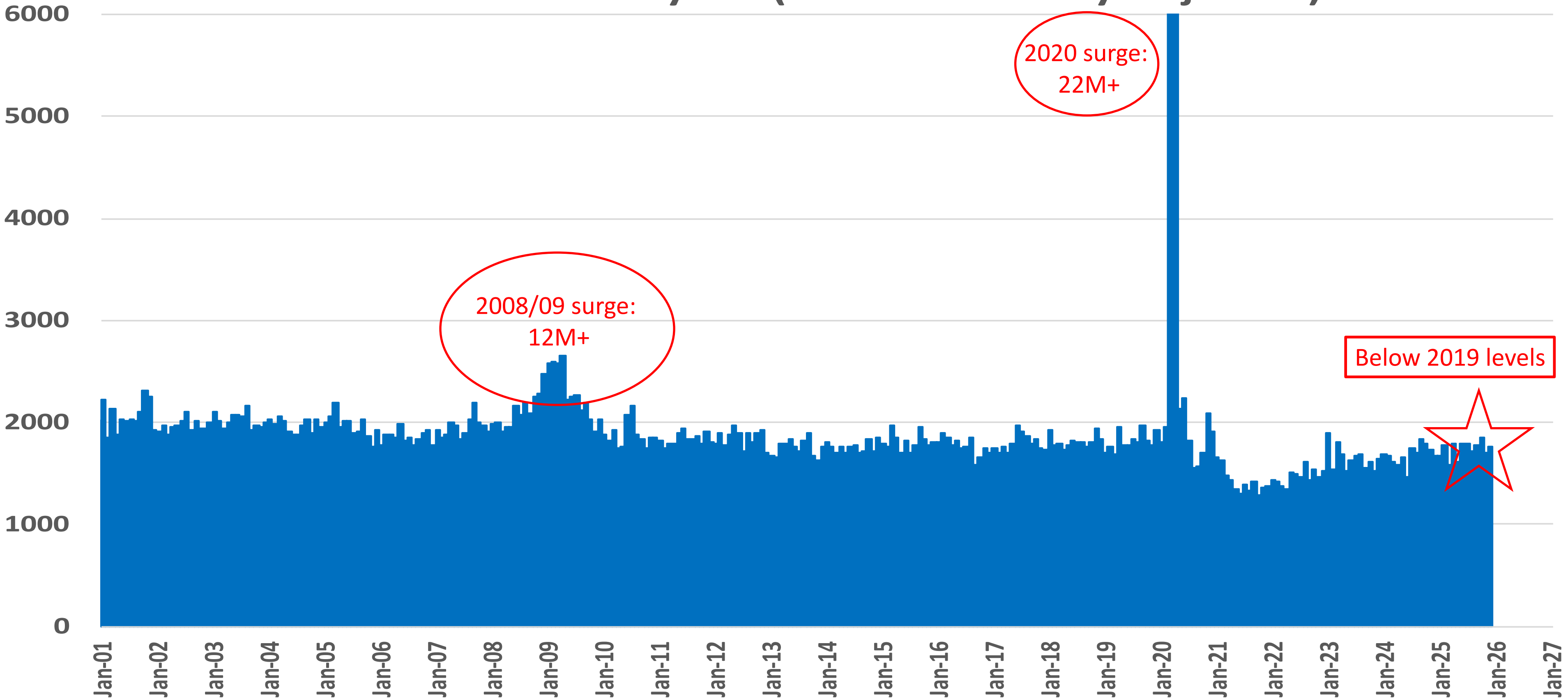
Hiring Activity has Slowed Noticeably...

Total Nonfarm Hires (000s - Seasonally Adjusted)



...But no Visible Increase in Layoffs so Far

Total Nonfarm Layoffs (000 - Seasonally Adjusted)



Strategic Priorities

- Data-driven decision making is key
- Prepare for rising industrial demand but ***plan for a variety of scenarios***
- Reinforce supply chains for ongoing geopolitical upheaval
- Build moats around relationships
- Protect margins from rising costs and pivot to outperforming sectors
- AI adoption and seek productivity gains via technology investment

**Navigating
the Current
Macro
Landscape**



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