



Social Narratives / Economic Realities

Policy Turbulence and the U.S. Outlook

Focus on the Fastener Industry

Christopher Thornberg, PhD

Founding Partner, Beacon Economics

June 2025



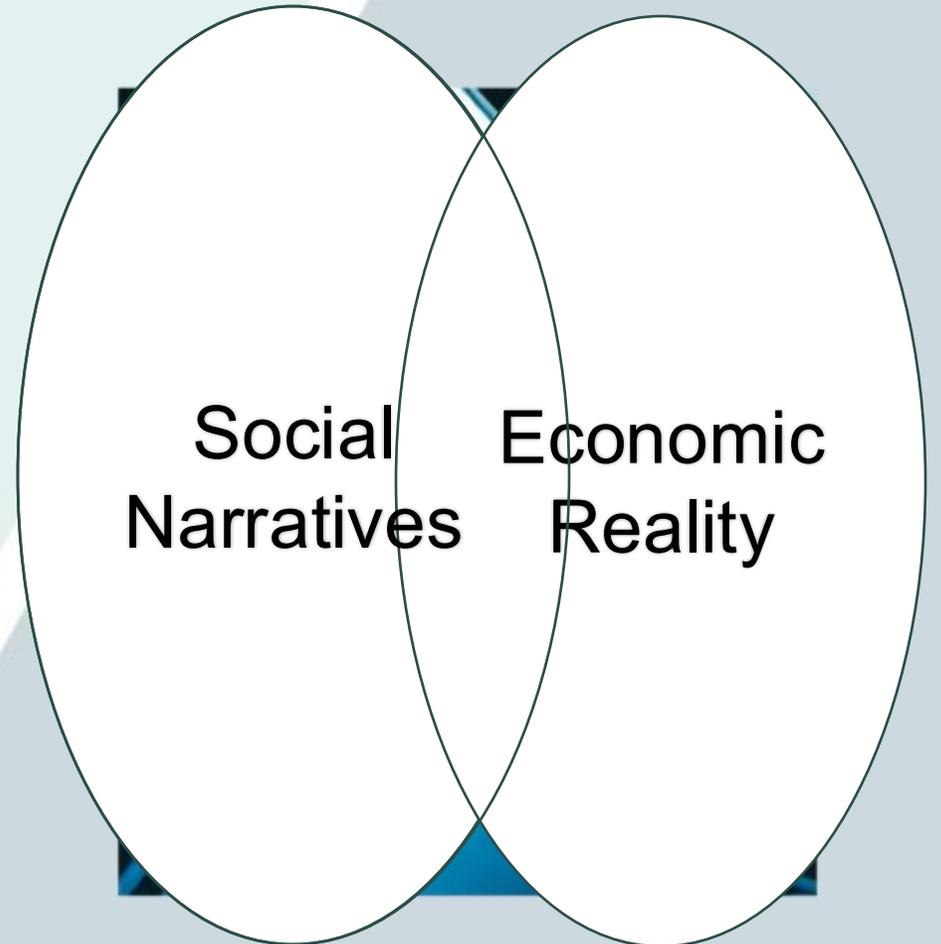
Beacon Economics

Economic research firm founded in 2006 with a commitment to letting the *data* determine 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 policies start with the correct narrative.



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

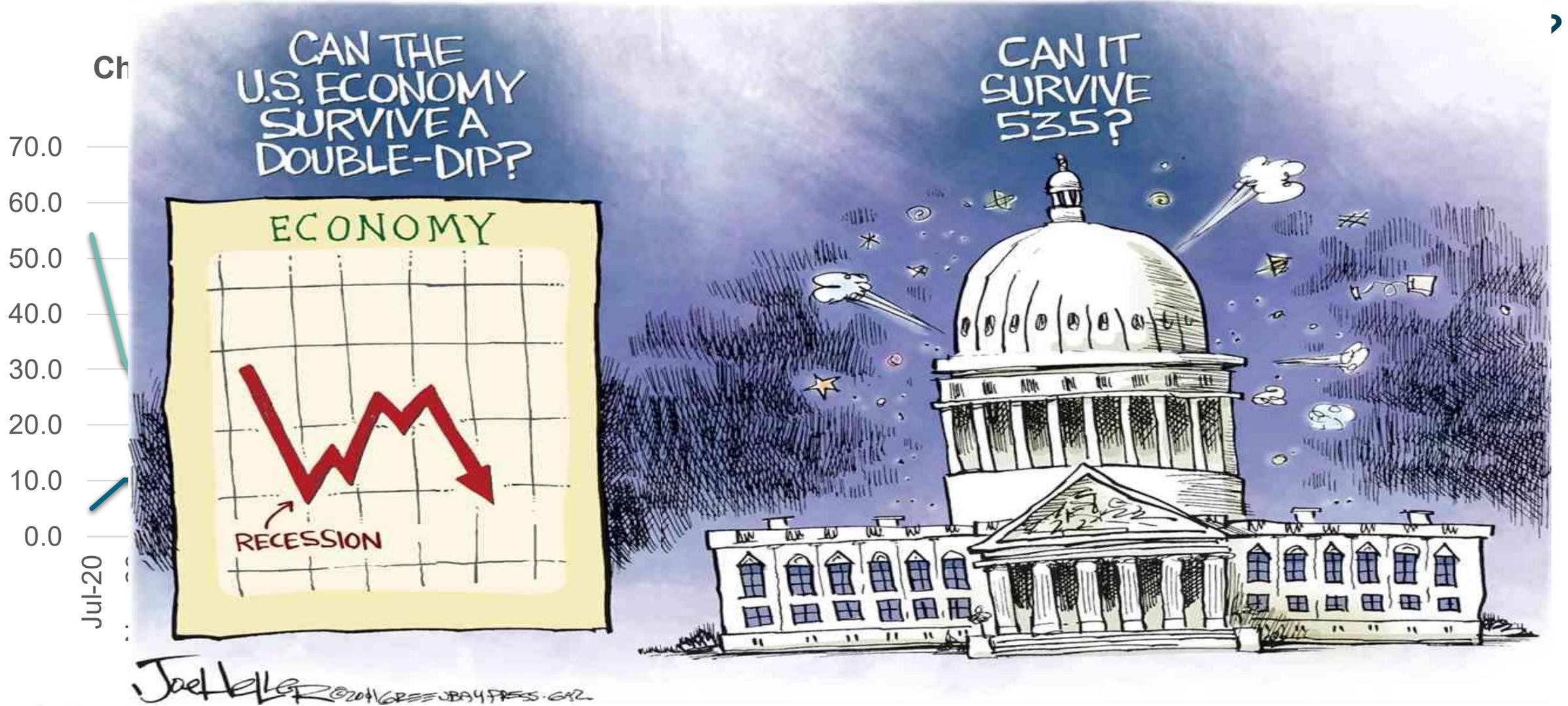
Recent Forecast Narratives

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

-Christopher Thornberg



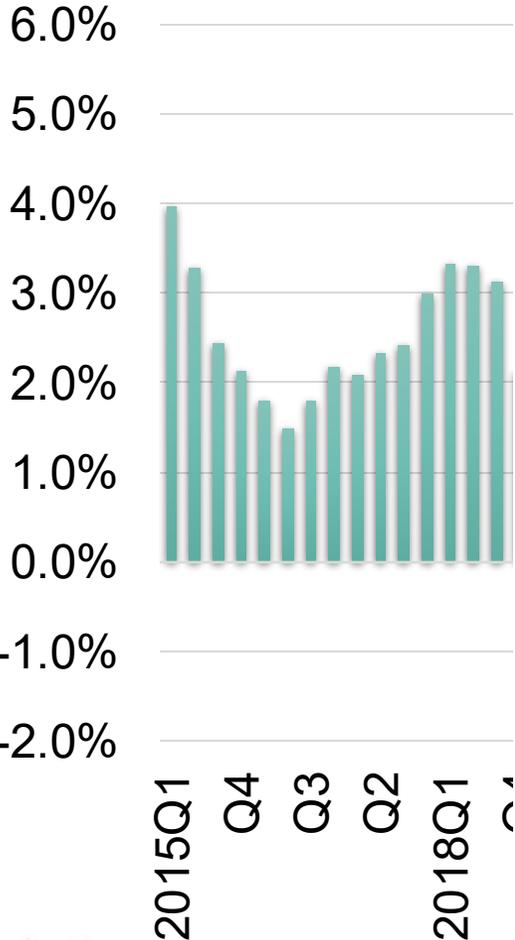
Risks are rising—but not for the reasons you may think...



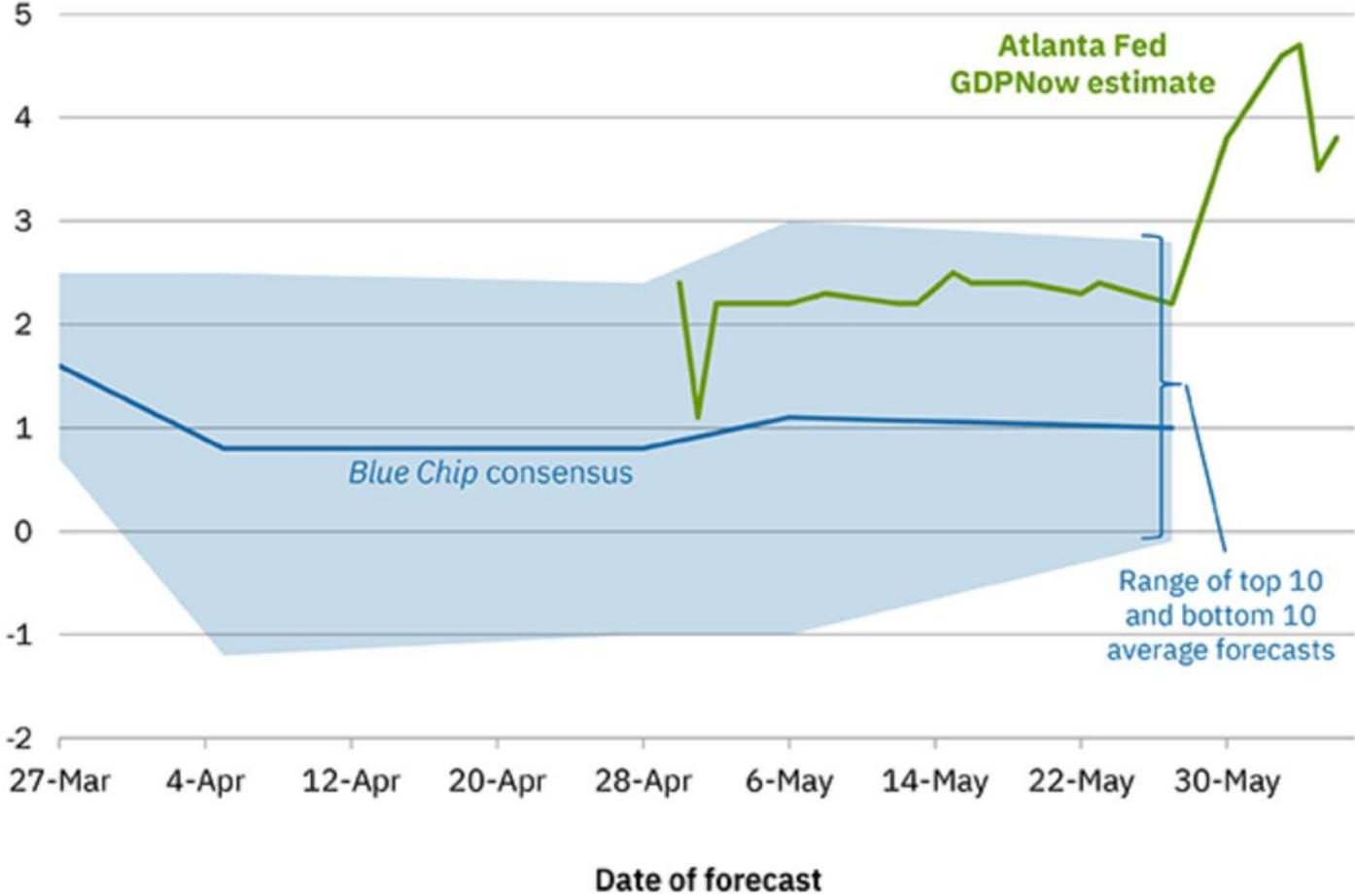
Growth Solid Coming Into 2025



Real GDP (QoQ)



Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q2
Quarterly percent change (SAAR)



2024	2025
	Q1
2.80	-0.20
3.11	2.06
1.87	0.80
0.25	-0.29
0.27	0.30
1.35	0.79
0.66	1.34
0.11	-0.04
0.17	1.16
0.21	0.25
0.17	-0.02
0.06	2.64
-0.37	-4.90
0.36	0.26
-0.73	-5.16
0.58	-0.12
0.16	-0.30
0.41	0.18



Consumers: Still Having Fun!

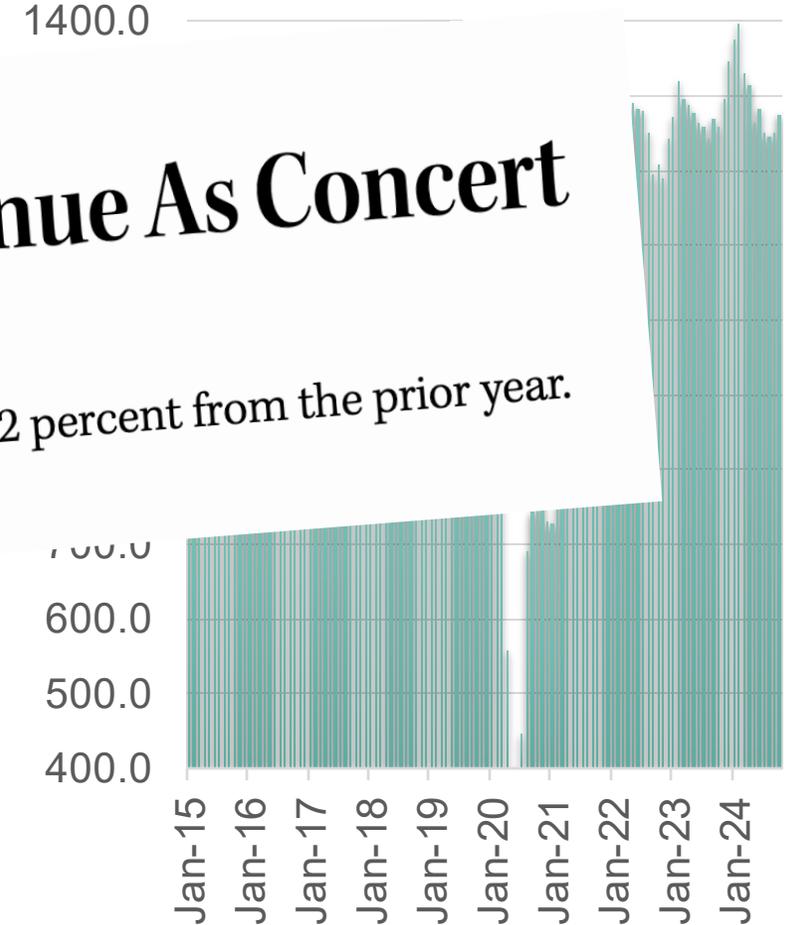
Real Travel Spending



Restaurant Retail



Las Vegas Gaming Revenues



Live Nation Reports \$23B in 2024 Revenue As Concert Demand Rises

The company's concert segment brought in \$19 billion of that revenue, up 2 percent from the prior year.

BY CAITLIN HUSTON FEBRUARY 20, 2025 1:39PM

2016 2017 2018 2019 2020 2021 2022 2023 2024

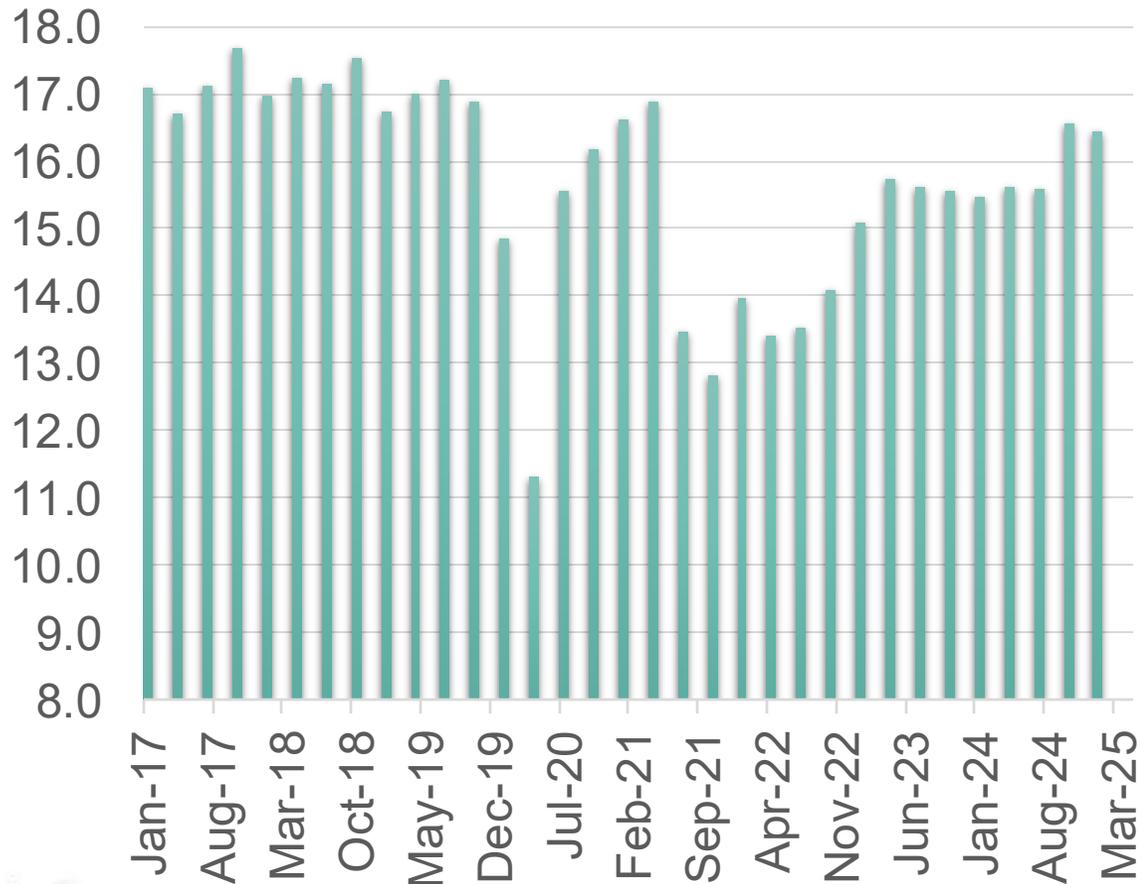
— Personal Travel to US
 — Personal Travel from US



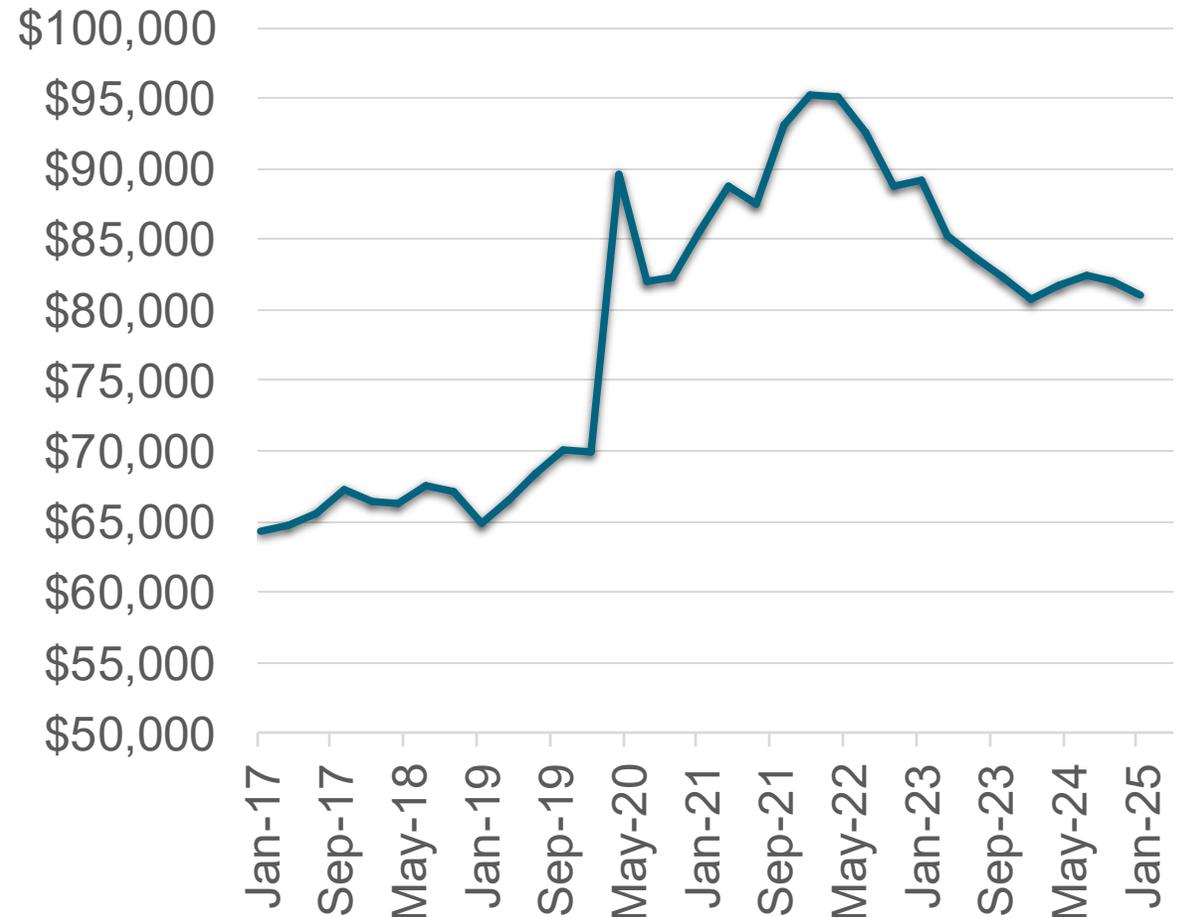
Vehicle Sales Up, Quality Still Up



US Auto and Light Truck Sales (Millions, SAAR)



Average Vehicle Price (Inflation Adjusted)



Where is the money going?

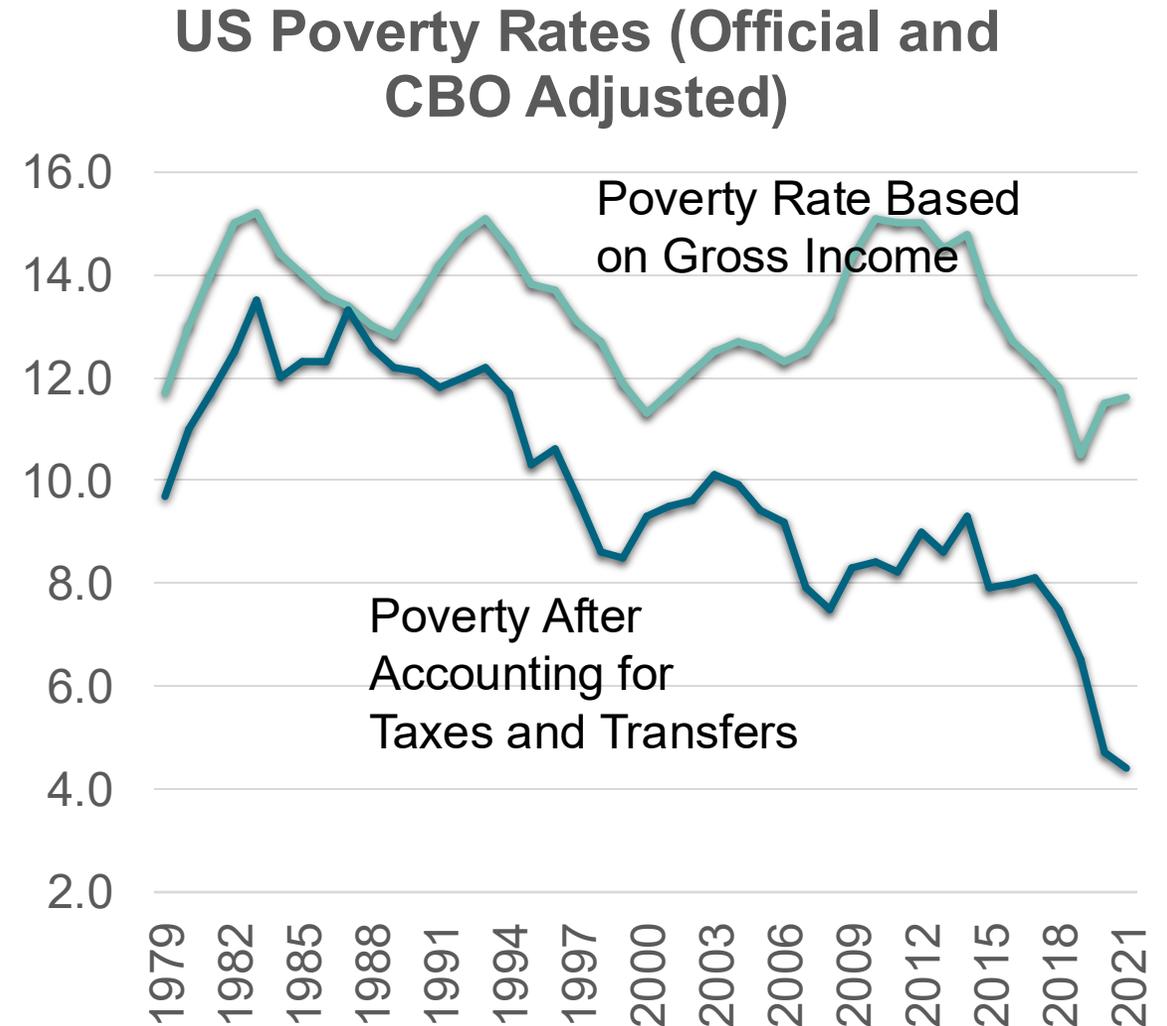
2 Year Growth Nominal Consumer Spending (to April 2025)

High Growth		Medium Growth		Low Growth	
Spectator sports	23.1%	Personal care serv	14.2%	Non-prescript drugs	8.6%
Foreign travel	22.7%	Childcare	14.0%	Food for off-premises	6.6%
Live entertainment	19.7%	Dental services	13.6%	Furniture furnishings	5.6%
Air transportation	19.4%	Purchased meals	13.4%	Alcoholic beverages	5.4%
Nursing homes	18.8%	Information pro eq	12.7%	Higher education	3.7%
Membership clubs	16.9%	Rental Housing	11.5%	Hotels and motels	1.5%
Prescription drugs	16.9%	Household utilities	10.7%	Motor vehicle fuels	-13.0%



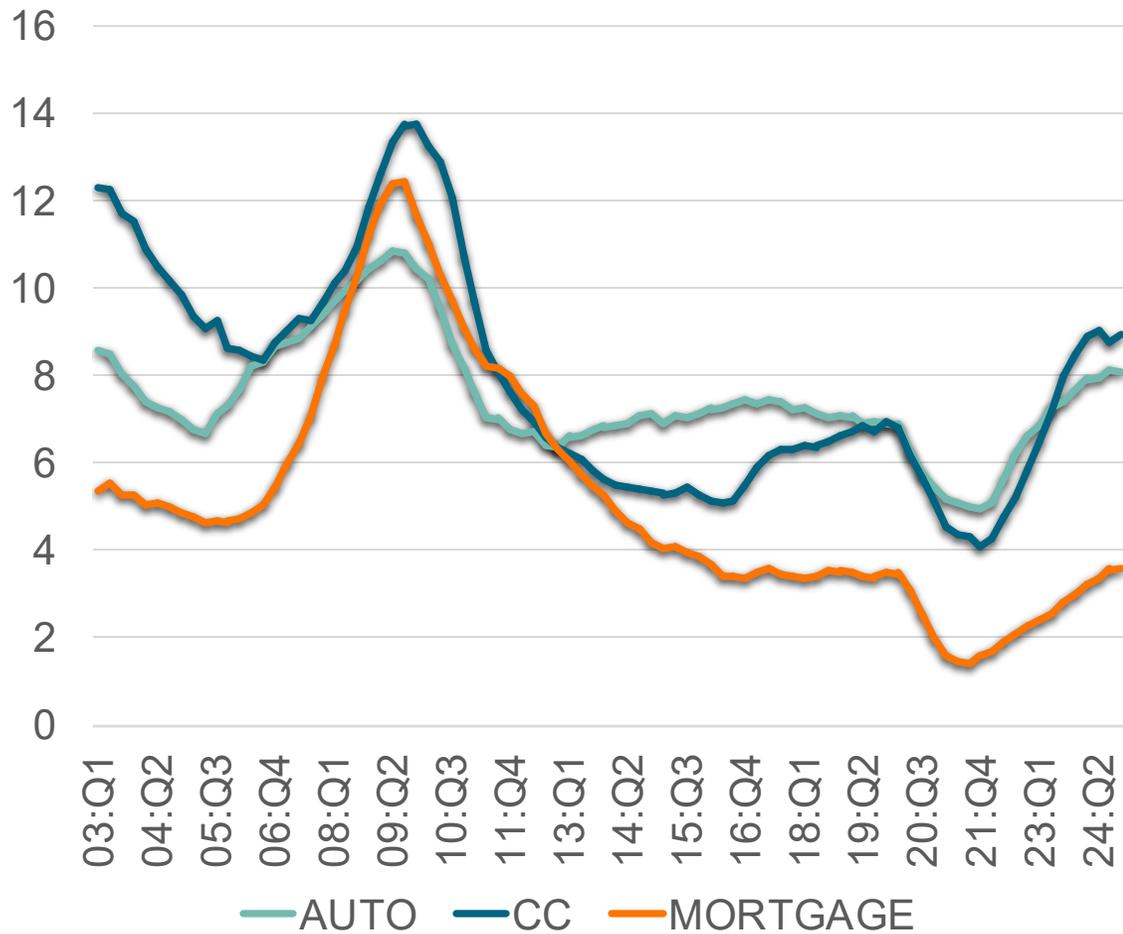
Broad Based Consumption Gains

Growth in Household Consumption Expenditures 18-23		
	Annual 2023	Gr 18-23
Bottom 20%	\$33,776	27.9%
20-40%	\$48,923	22.4%
40-60%	\$65,487	26.6%
60-80%	\$87,922	27.2%
80-100%	\$150,093	26.4%

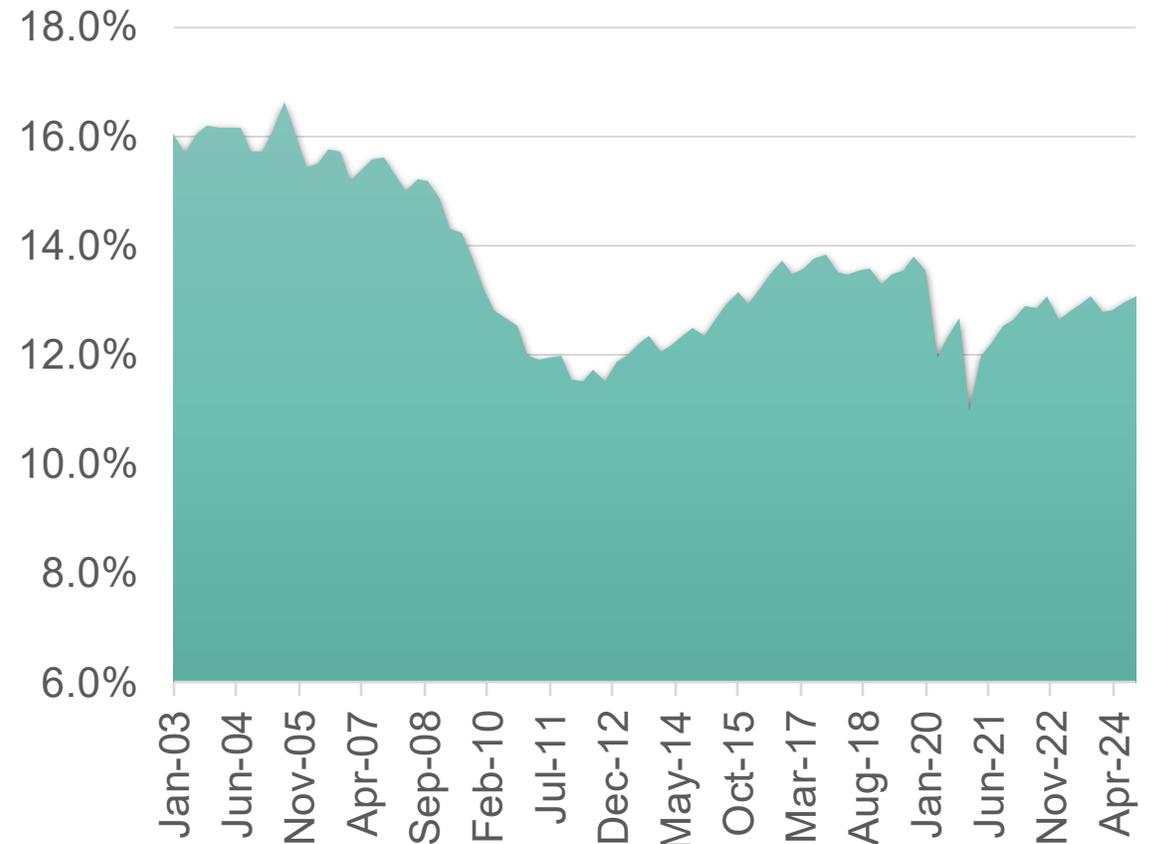


Credit Card / Auto Loan Issues Not Systemic

Share of Debt 30 Day+ Delinquent

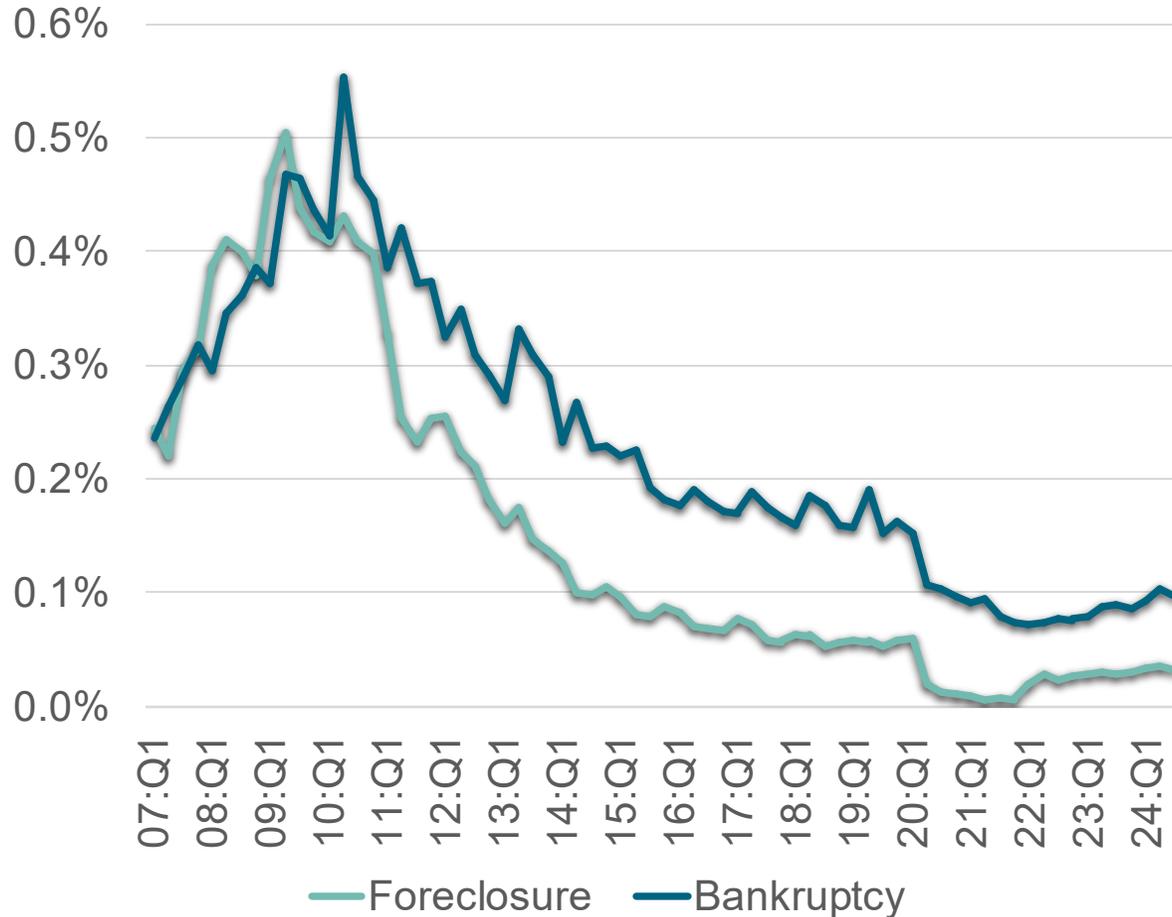


Auto and Credit Card Debt As a % Of DPI

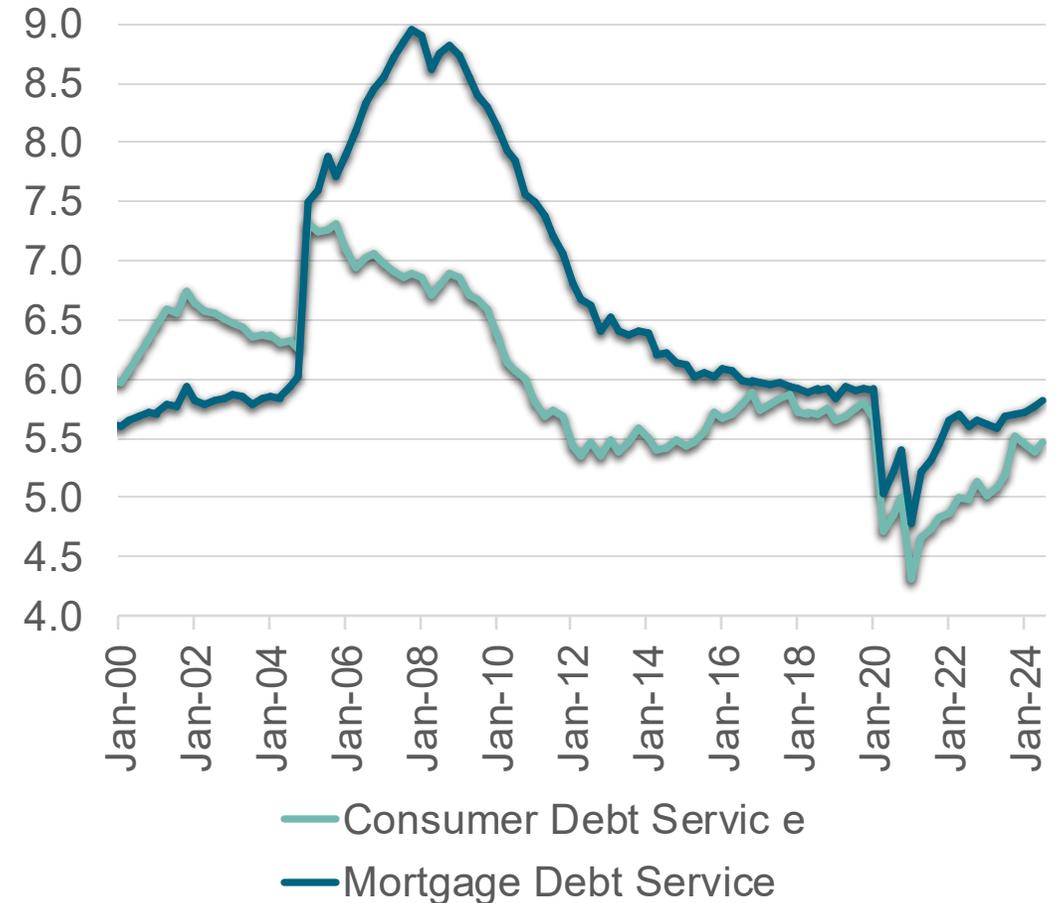


Little topline household distress

Foreclosures and Bankruptcies (As % of Households)

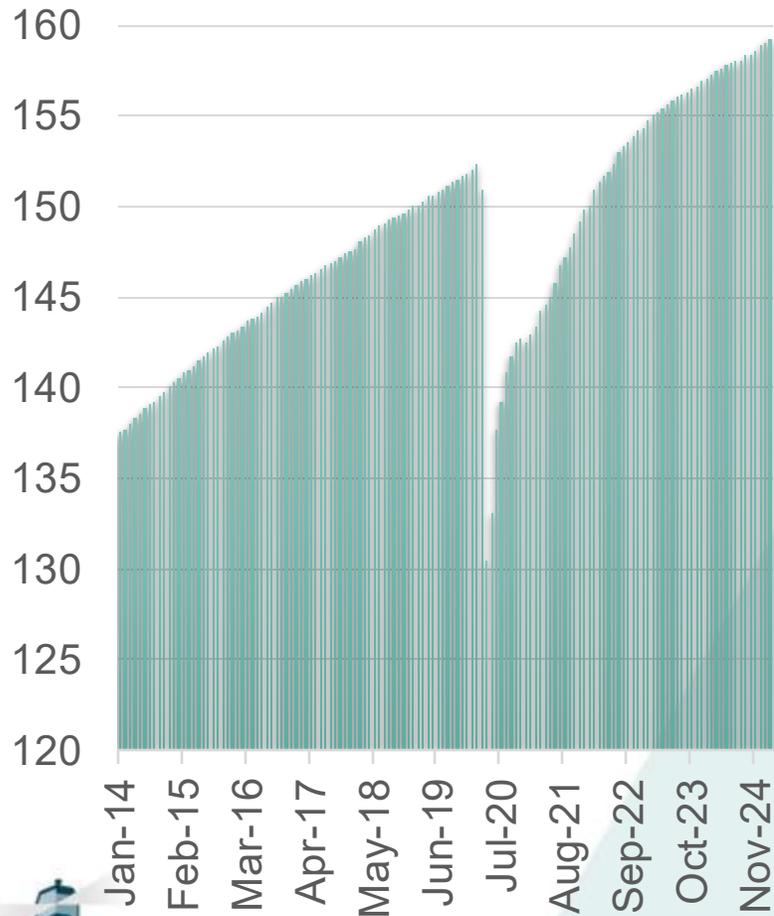


Household Debt Service Ratios Share of DPI (%)

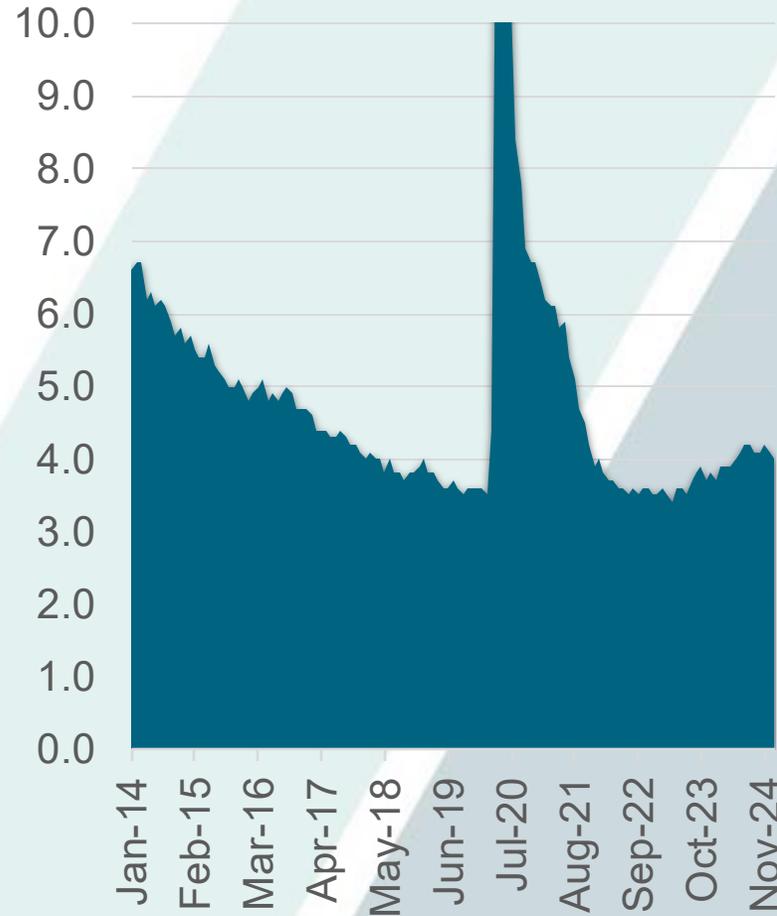


US Labor Markets: Still Tight

US Payroll Employment (Millions)



US Unemployment Rate (%)



US Job Openings Rate (% of Employment)



Real Wages Up

YoY Growth Real Hourly Wages



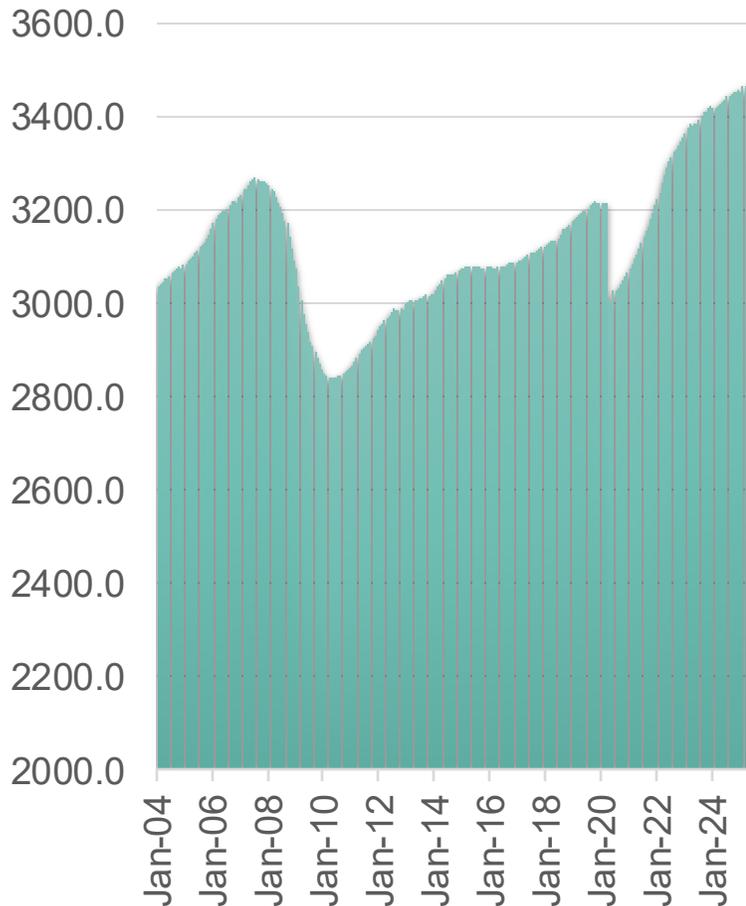
Inflation Adjusted Earnings Growth 2018-2023

	Male	Female
Median earnings	\$51,391	\$38,649
	6.2%	9.3%
Median earnings full-time	\$63,975	\$52,370
	4.57%	5.39%
Median by Education (Age 25+)		
Less than high school	\$36,740	\$24,766
	6.70%	13.68%
High school grad	\$45,709	\$31,508
	5.08%	7.03%
Some college / associate	\$54,496	\$38,541
	2.36%	5.62%
Bachelor's degree	\$81,218	\$57,055
	3.49%	4.71%
Graduate / professional	\$104,054	\$74,815
	-3.04%	3.01%

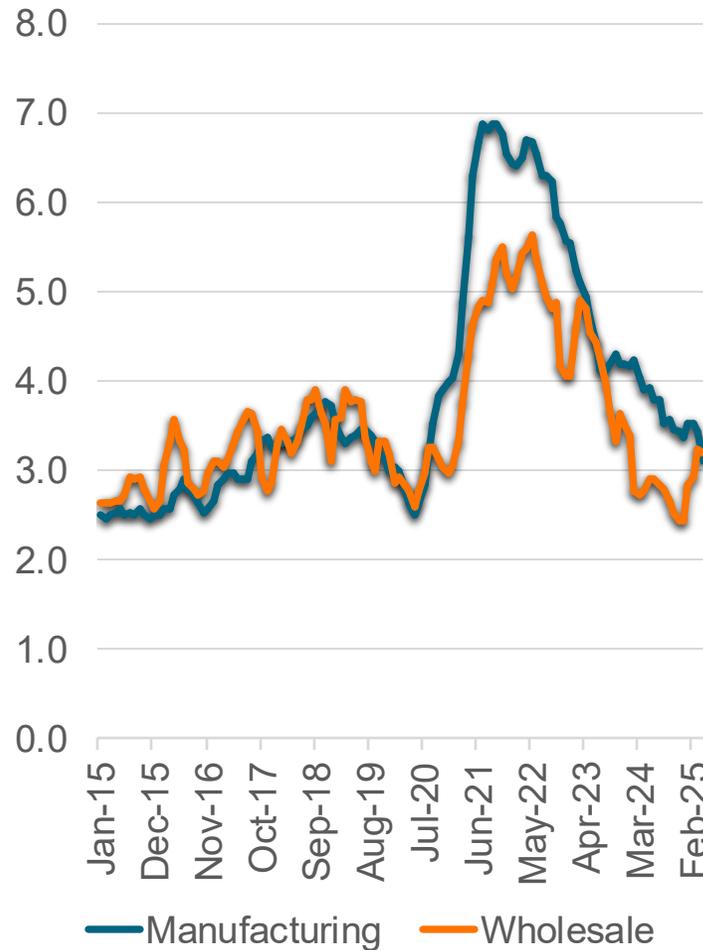


Wholesale Trade Industry

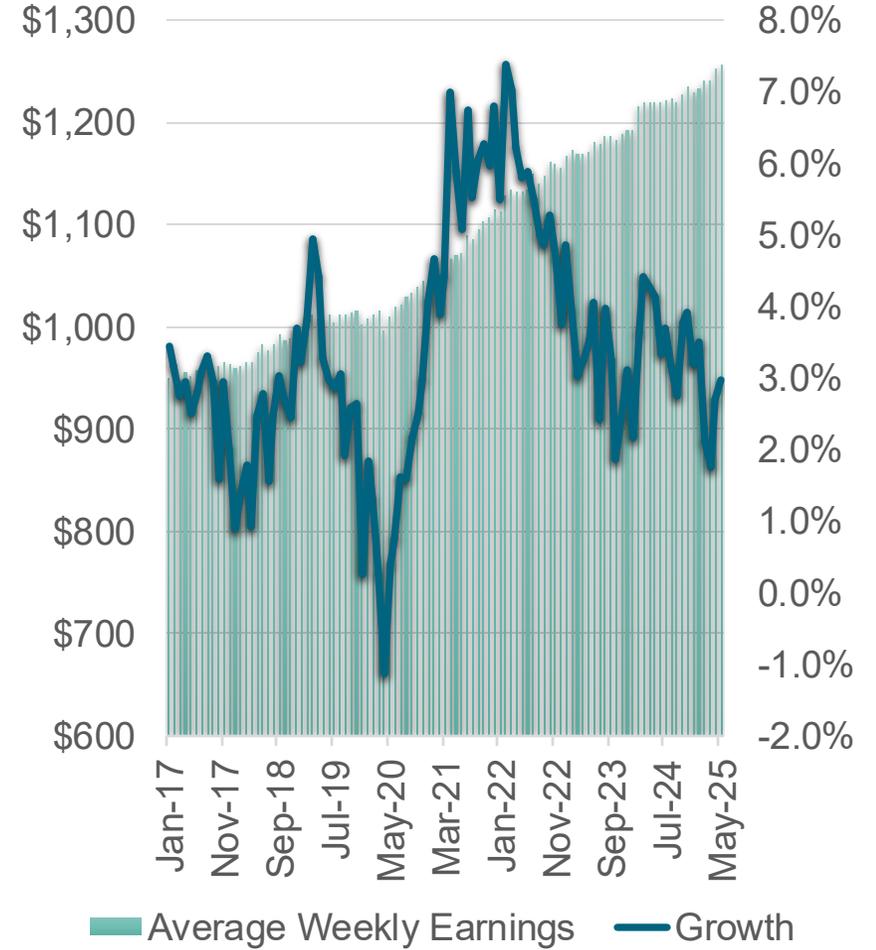
All Employees, Merchant Wholesalers, Durables 000s



Job Opening Rate



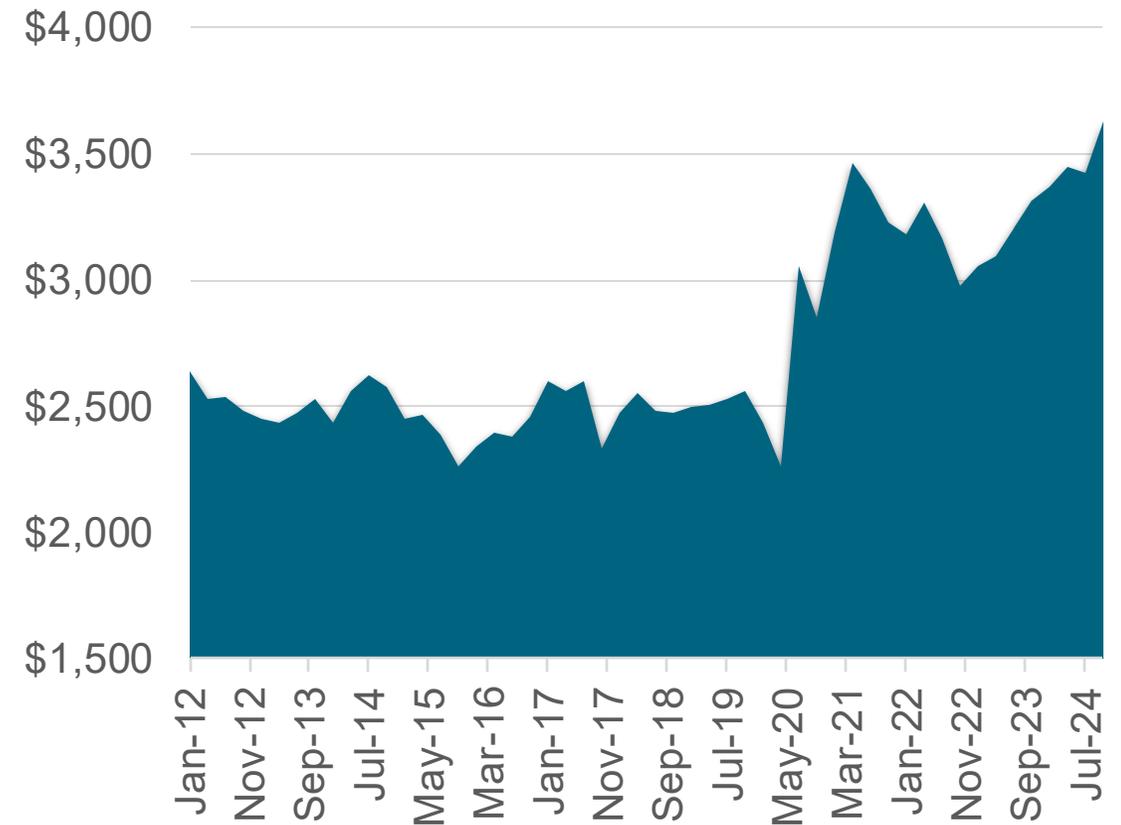
Labor Costs



Business Investment

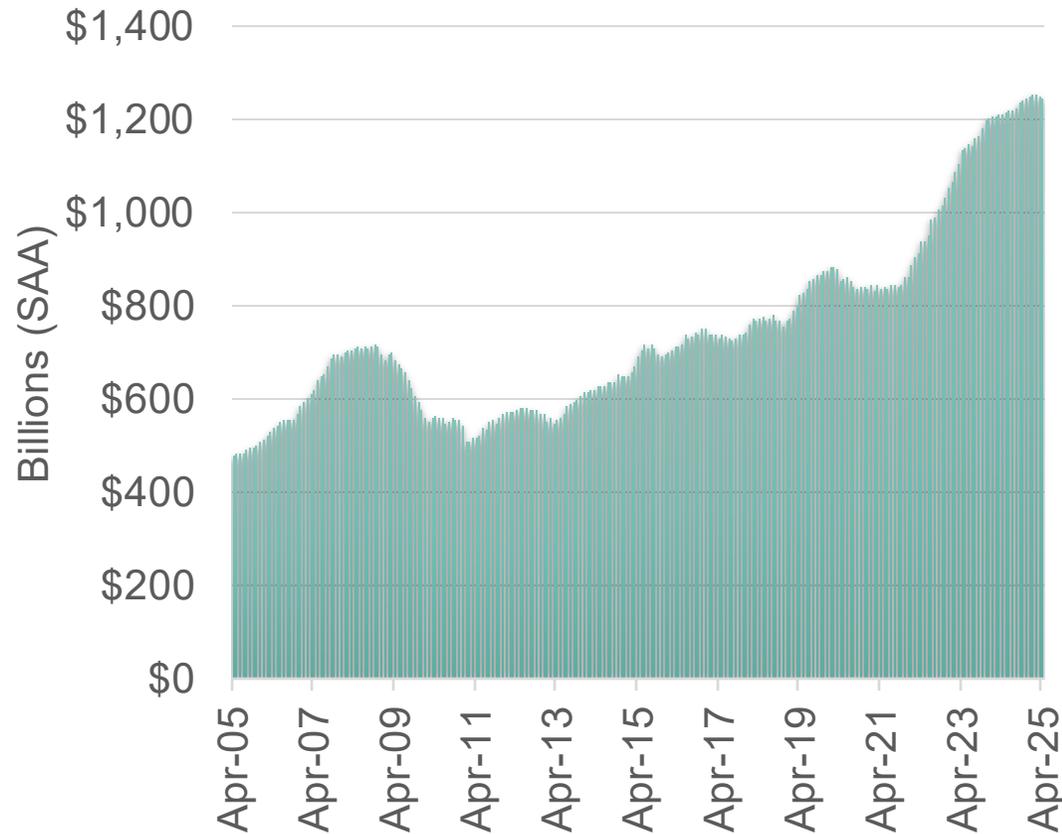
	24 Q	2 Yr Gr
Private fixed investment	4265.9	6.9%
Manufacturing	149.2	57.4%
Transportation equipment	309.1	21.3%
Power and communication	127.7	15.5%
Software	774.6	10.3%
Residential Structures	778.5	5.2%
Research and development	661.2	5.1%
Information processing eq	523.3	5.0%
Industrial equipment	261.1	2.5%
Entertainment, literary	91.8	-0.6%
Commercial and health care	169	-7.3%
Mining, shafts, Wells	104.9	-9.3%

Corporate Profits After Tax (Real, \$Billions SAAR)



Non-Residential Construction

U.S. Non-Residential Construction Spending

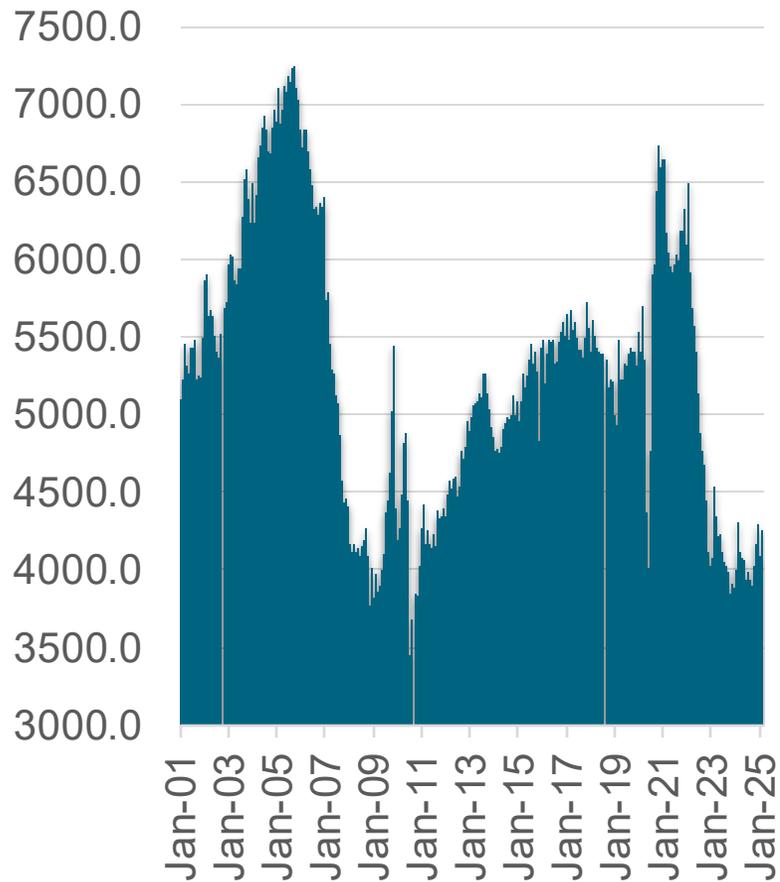


Type	Apr-25 (\$ Bil.)	1-Year Chg. (%)	5-Year Chg. (%)
Nonresidential	1,247.8	2.8	46.0
Manufacturing	232.2	0.3	212.5
Power	152.0	4.1	27.8
Highway and Street	147.3	0.5	45.2
Educational	135.6	6.6	20.1
Commercial	122.6	-3.6	34.6
Office	104.1	3.9	14.3
Transportation	71.1	7.0	19.7
Health Care	69.4	2.8	46.2
Sewage and Waste Disposal	49.3	8.9	83.7
Amusement and Recreation	42.7	11.4	53.0
Water Supply	34.3	6.9	79.9
Communication	28.6	1.7	19.9
Lodging	23.0	-0.6	-22.5

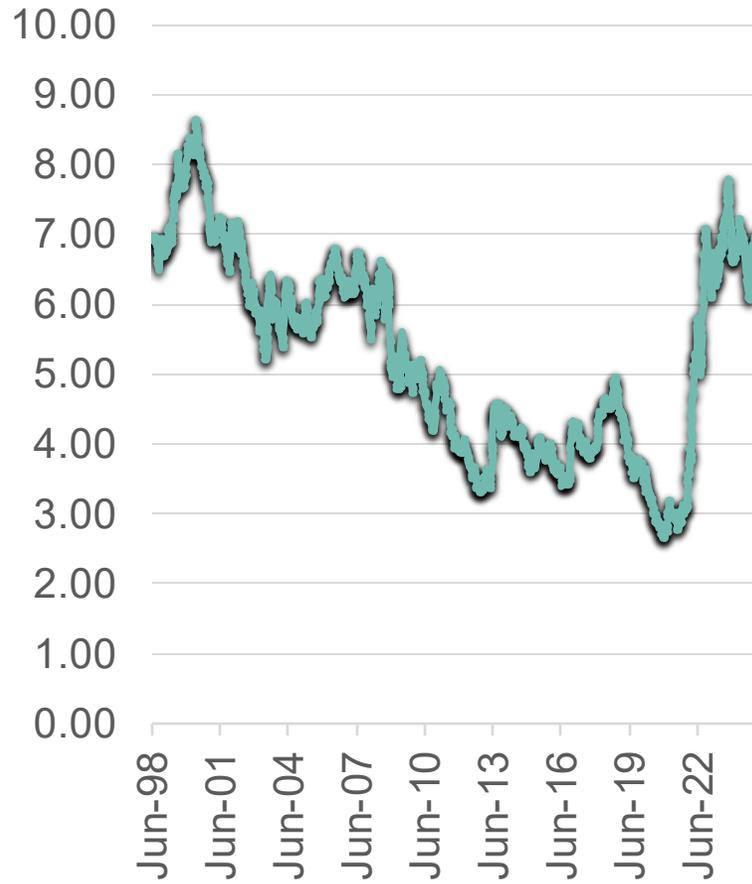


A rate shocked existing home market

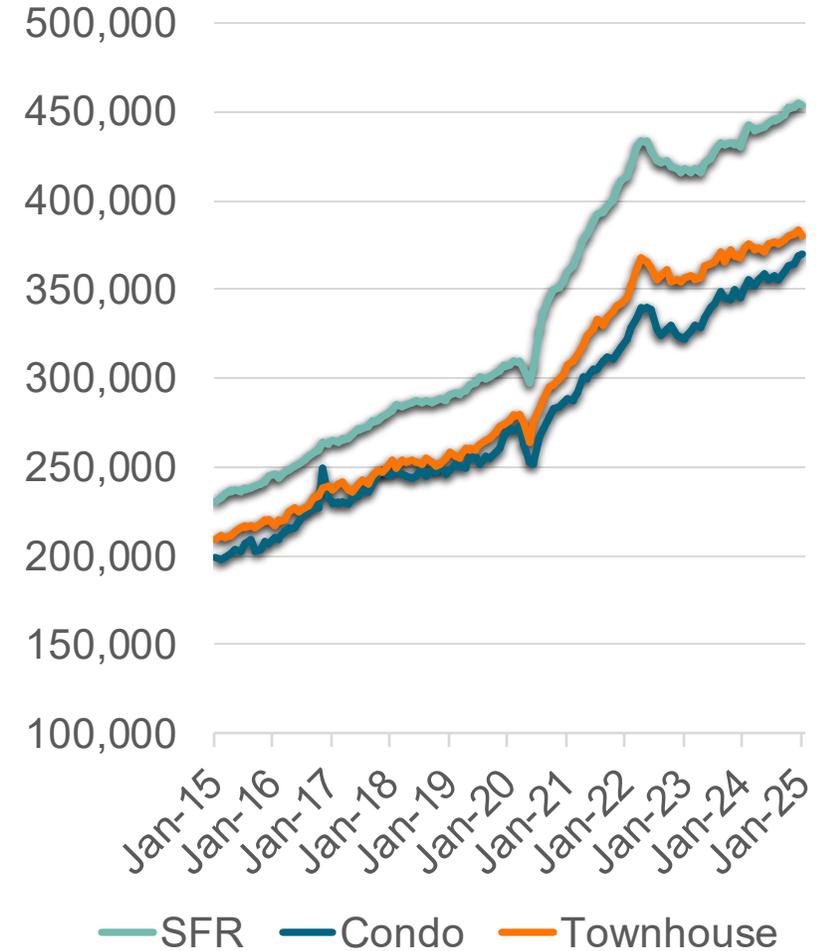
Existing Home Sales SAAR (NAR)



30 Year FR Mortgage Rate

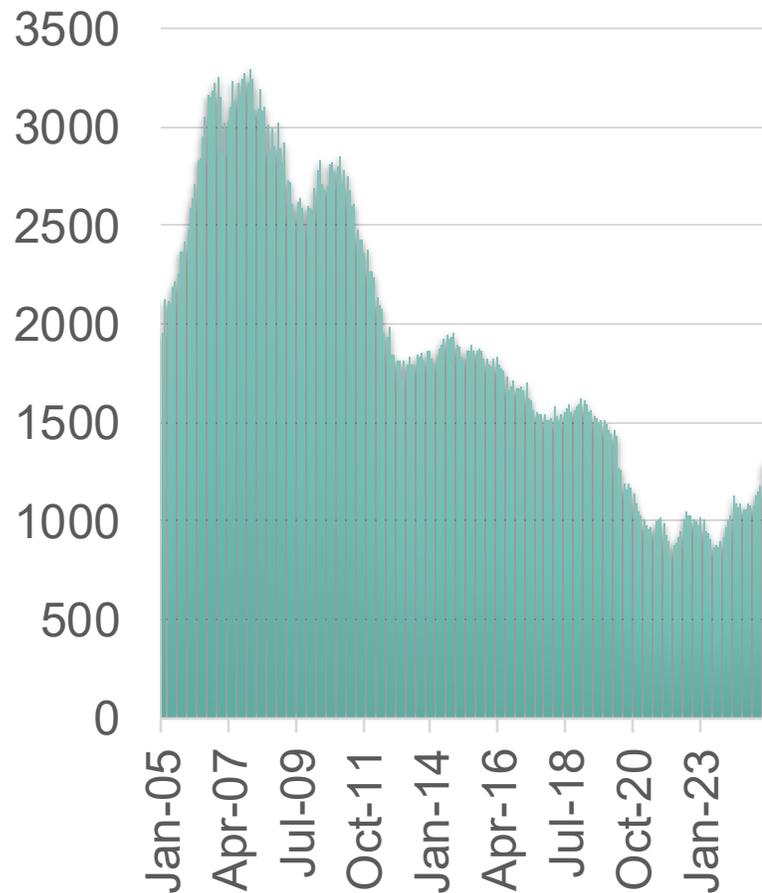


U.S. Median Home Price

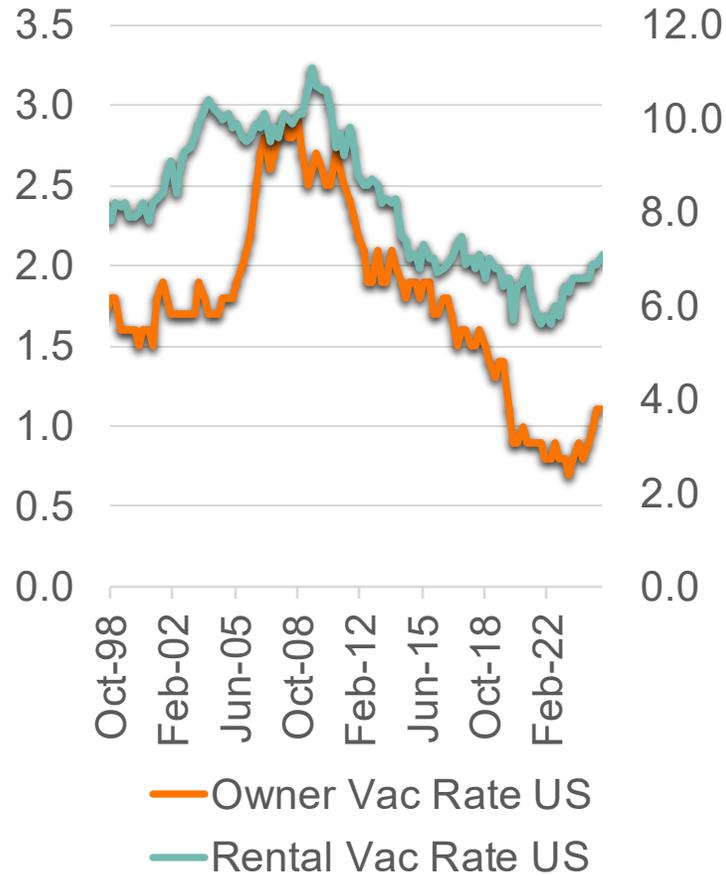


Supply, Supply, Supply...

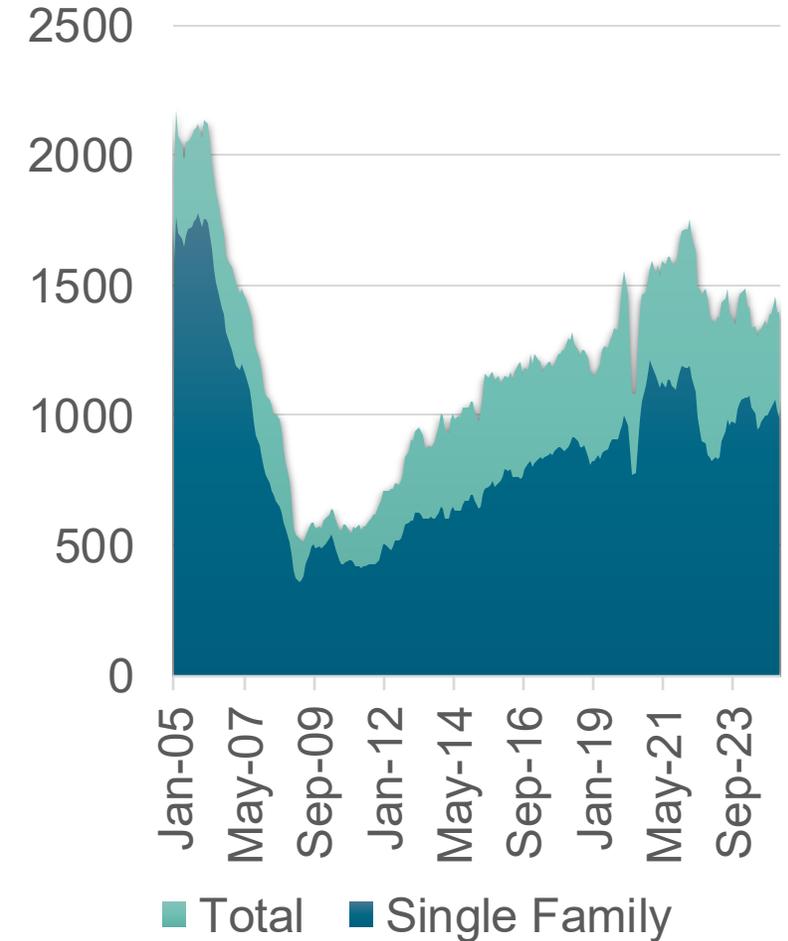
Existing Homes for Sale (NAR)



Housing Vacancy Rate % (HVS)



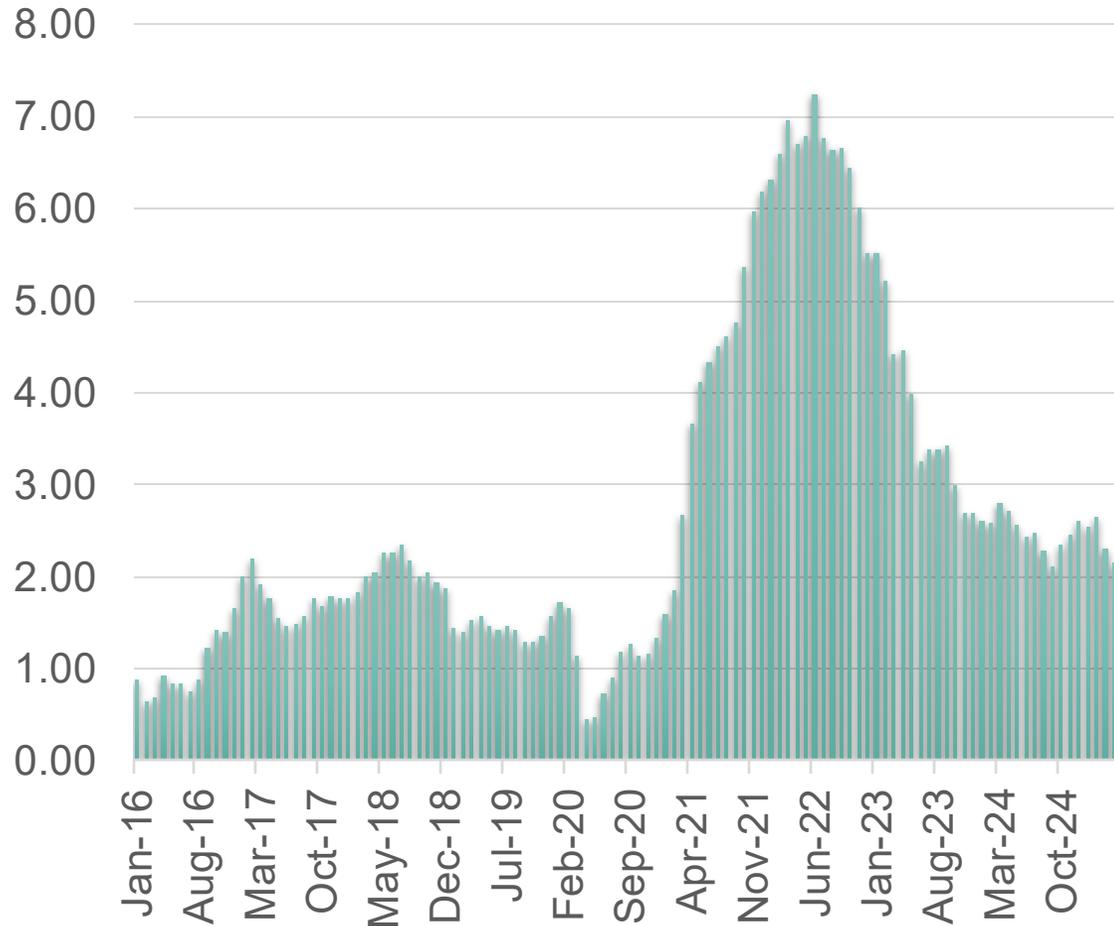
Housing Starts



Inflation Subdued, Rates Steadied



YoY Growth Consumer Prices (PCE)



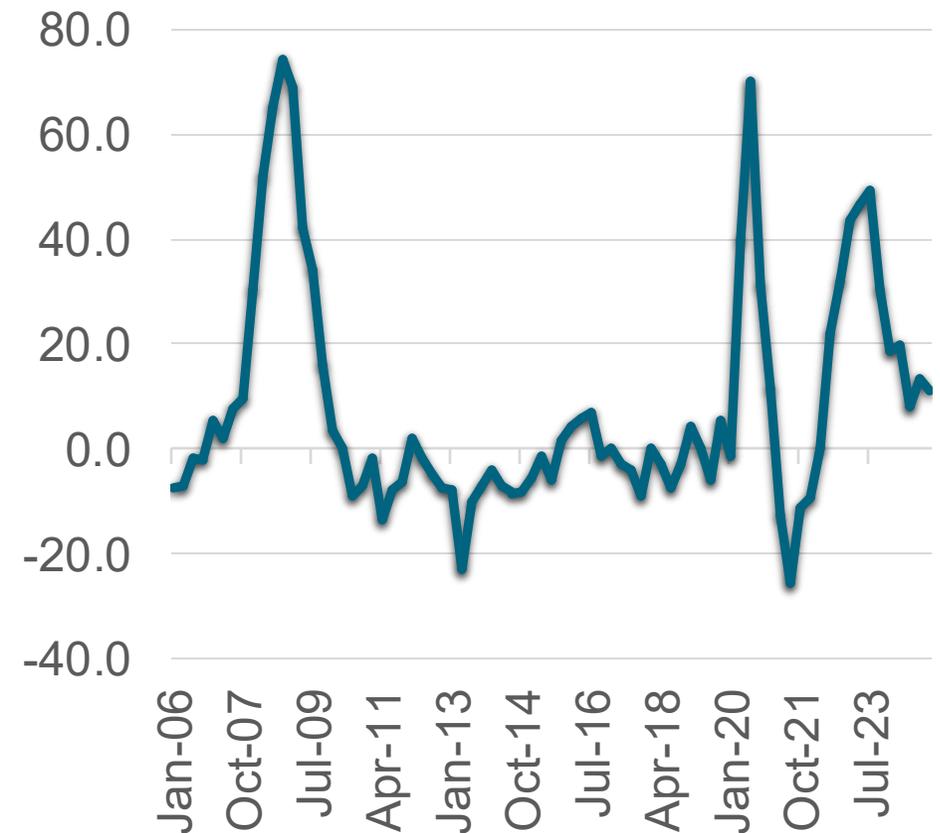
Weekly Interest Rates



Banking: Moving to Normalcy

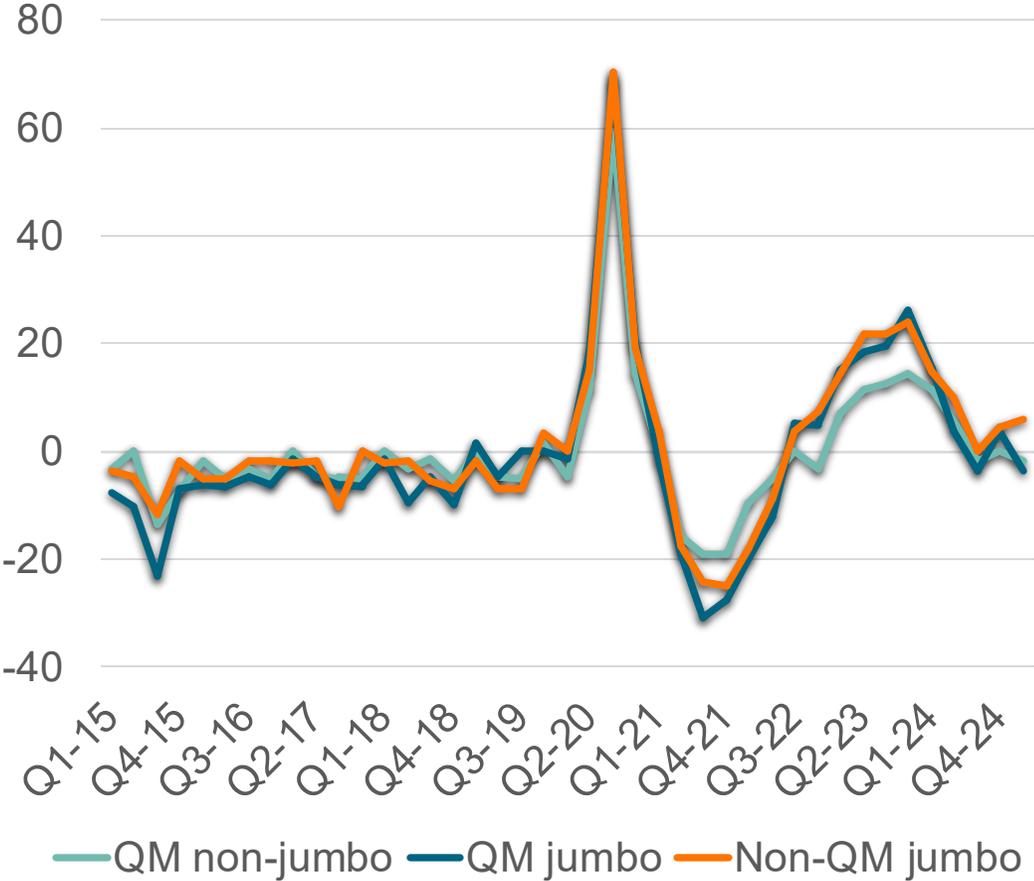
	2022-23	2023-24	2024-25
Bank credit	6.0%	-0.8%	3.7%
Securities	-4.7%	-6.8%	4.9%
Treasury	-6.8%	-5.7%	7.7%
C&I	13.4%	-2.3%	1.5%
HELOC	3.3%	-0.3%	3.5%
Mortgages	10.7%	3.9%	1.9%
Construction	17.1%	6.5%	-2.6%
Multi-Family	26.3%	2.2%	3.7%
Commercial	8.8%	2.6%	1.5%
Credit Cards	17.3%	9.0%	4.9%
Autos	1.3%	-3.9%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

Net Share Banks
Tightening Standards for
Small C&I

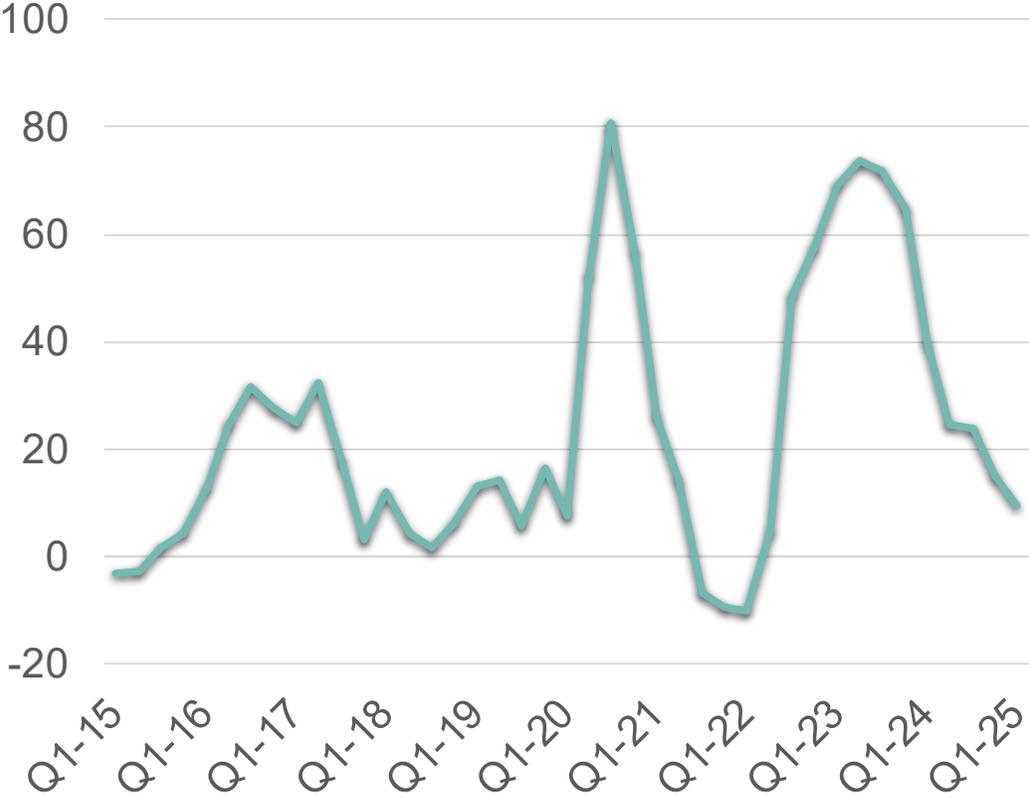


Senior Loan Officer Opinion Survey

Net % Tightening Standards for Mortgage Loans



Net % Tightening Standards for Construction and Land Development Loans

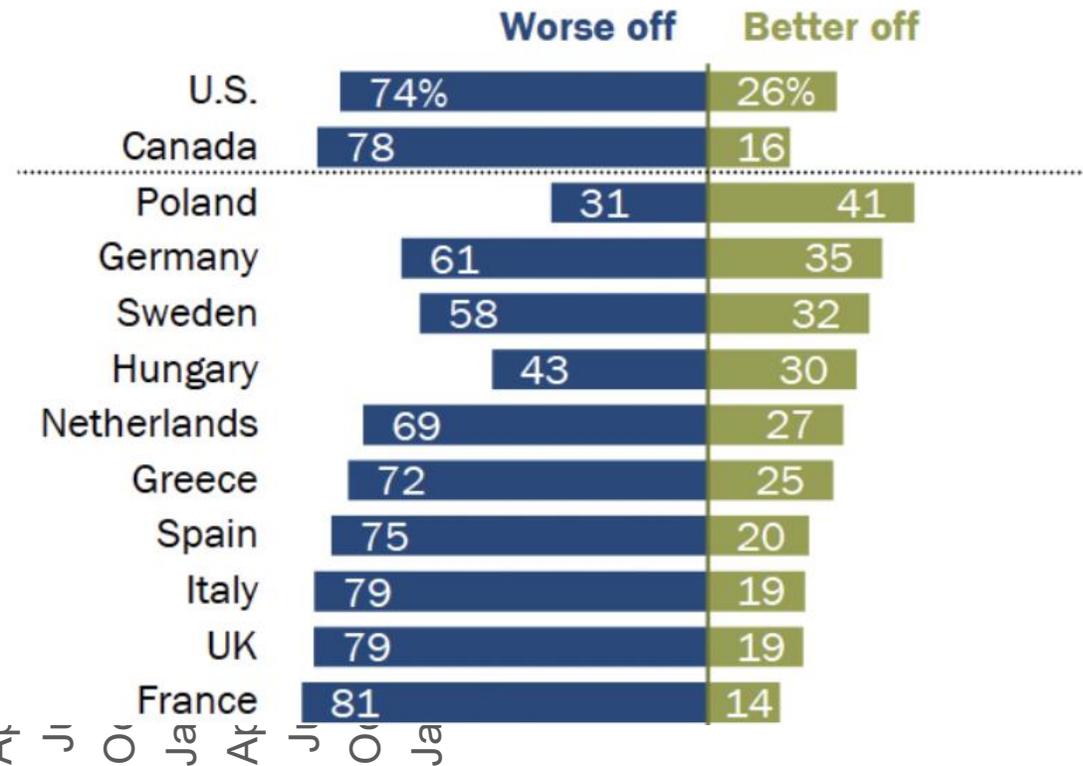


The national mood?



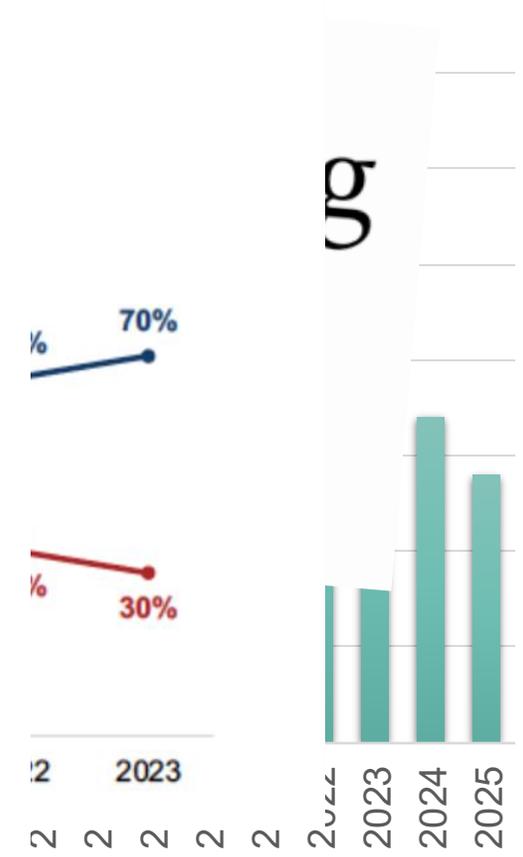
Globally, most think children will be worse off financially than their parents

% who say that when children in their country grow up, they will be ___ financially than their parents



By satisfied with

worse off



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 “Depression”?

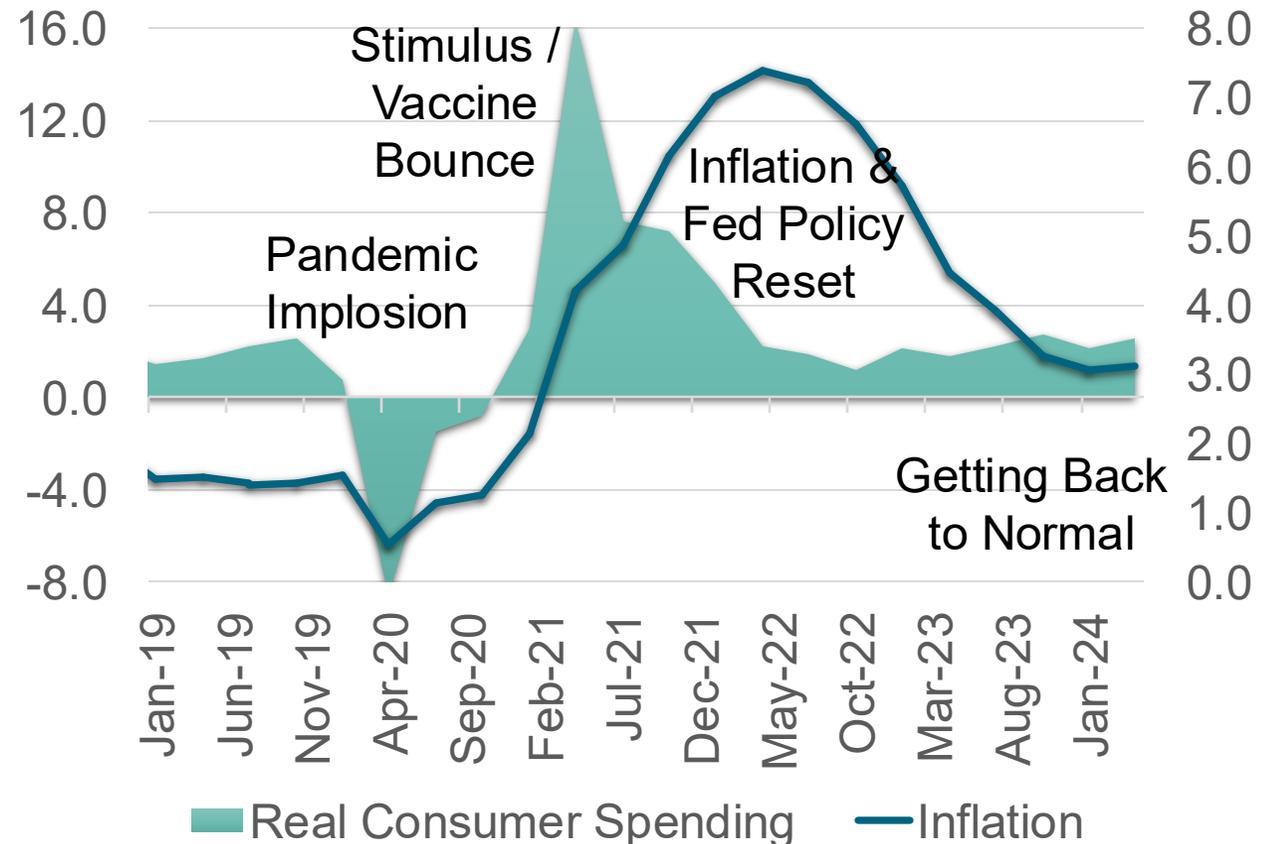
Pandemics do not cause depressions.

- Lost Output during Pandemic: \$850 Billion
- Stimulus deployed: \$6 trillion
- Efforts supported by \$5 trillion in QE

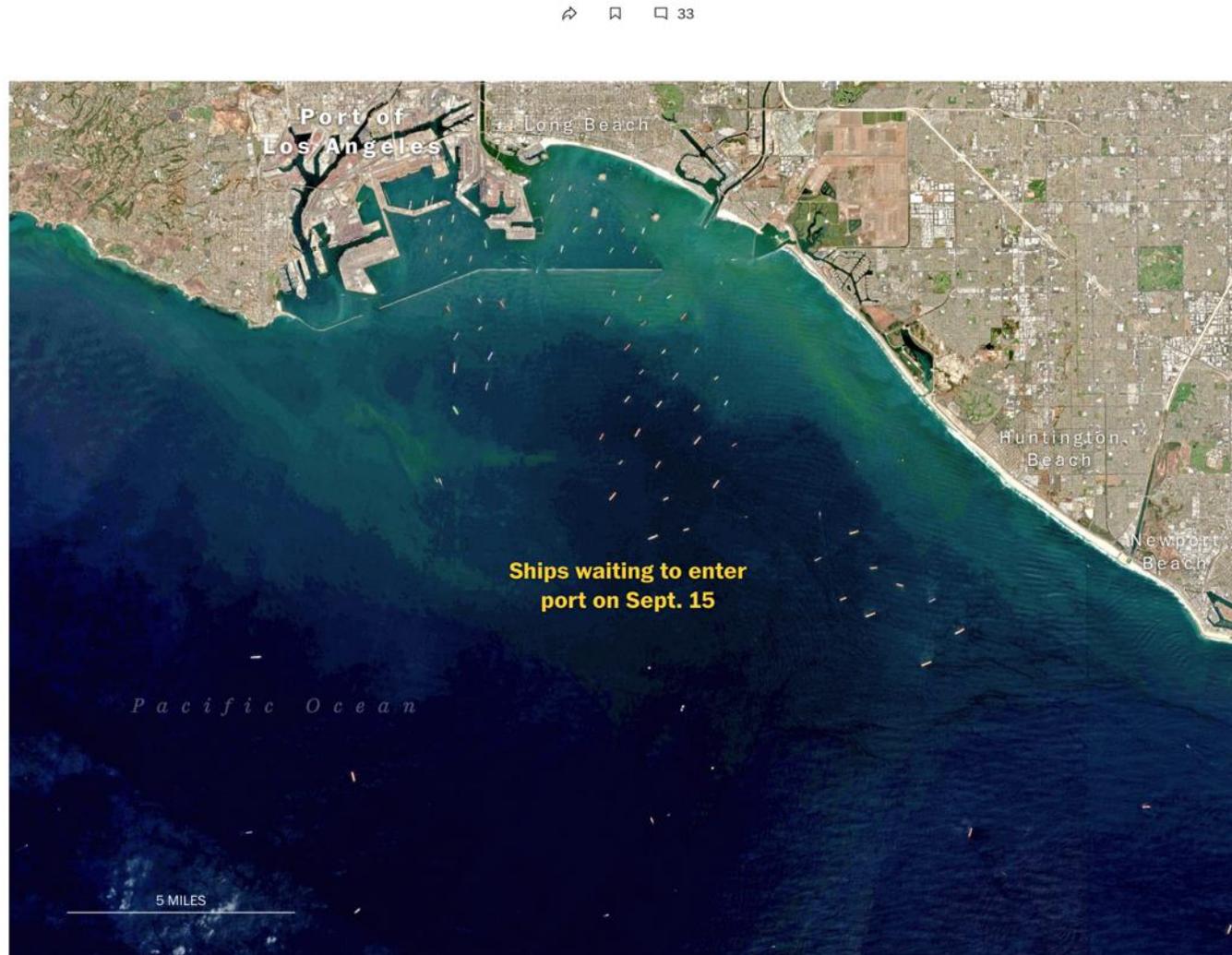
The Stimulus Multiplier

- Initial stimulus \$50k per household
- Asset prices: \$200K more in net worth
- 26% increase in average net worth

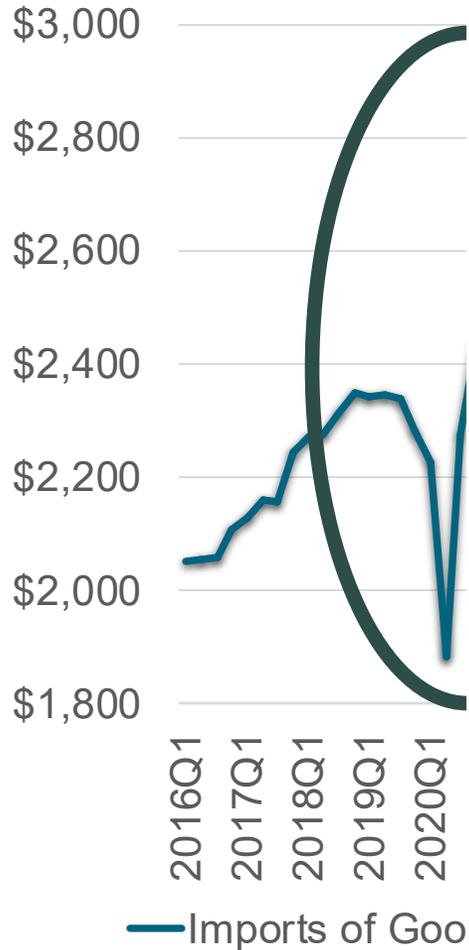
YOY Changes in Real Consumer Spending and Price Changes (%)



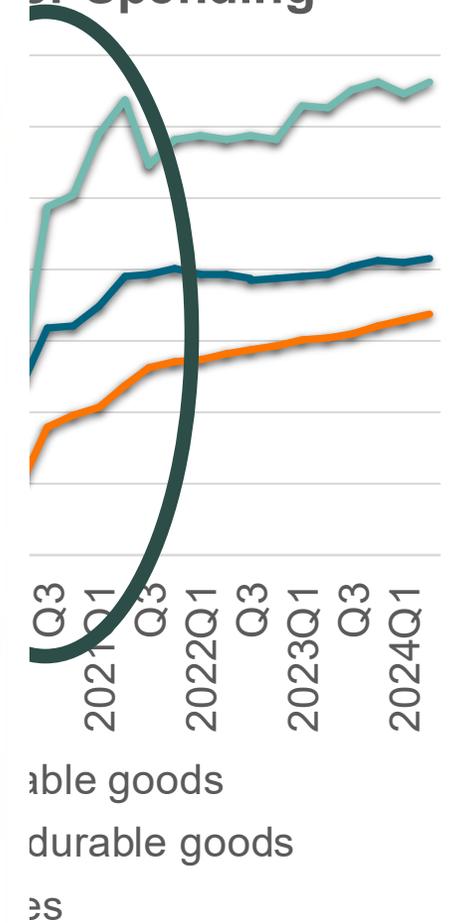
Satellite imagery shows the scale of the traffic congestion at the ports of Los Angeles



Real Trade FI



Percentages of Real Consumer Spending

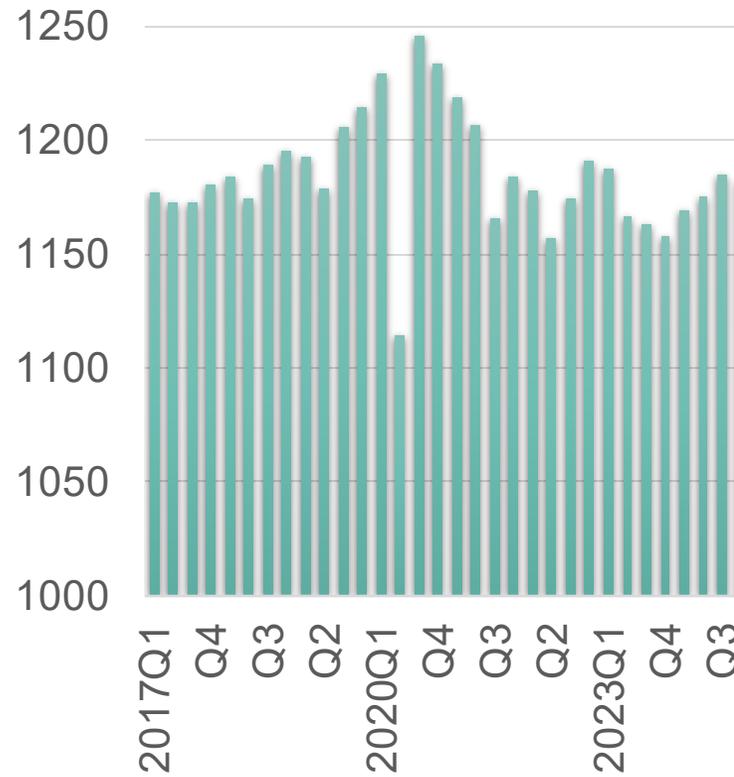


Supply Chains and Wholesale

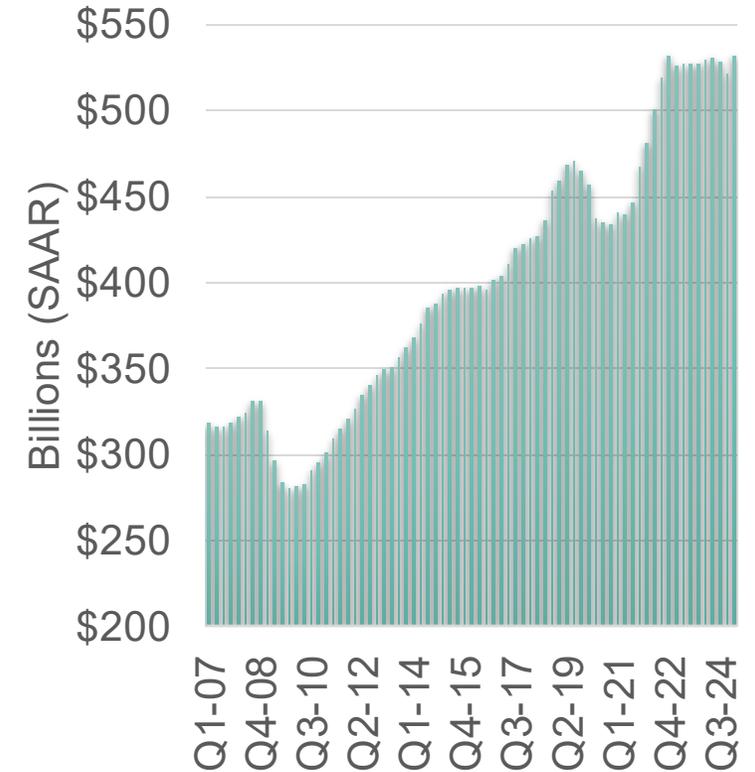
Global Supply Chain Pressure Index



Real Value Add of Wholesale Trade Industry

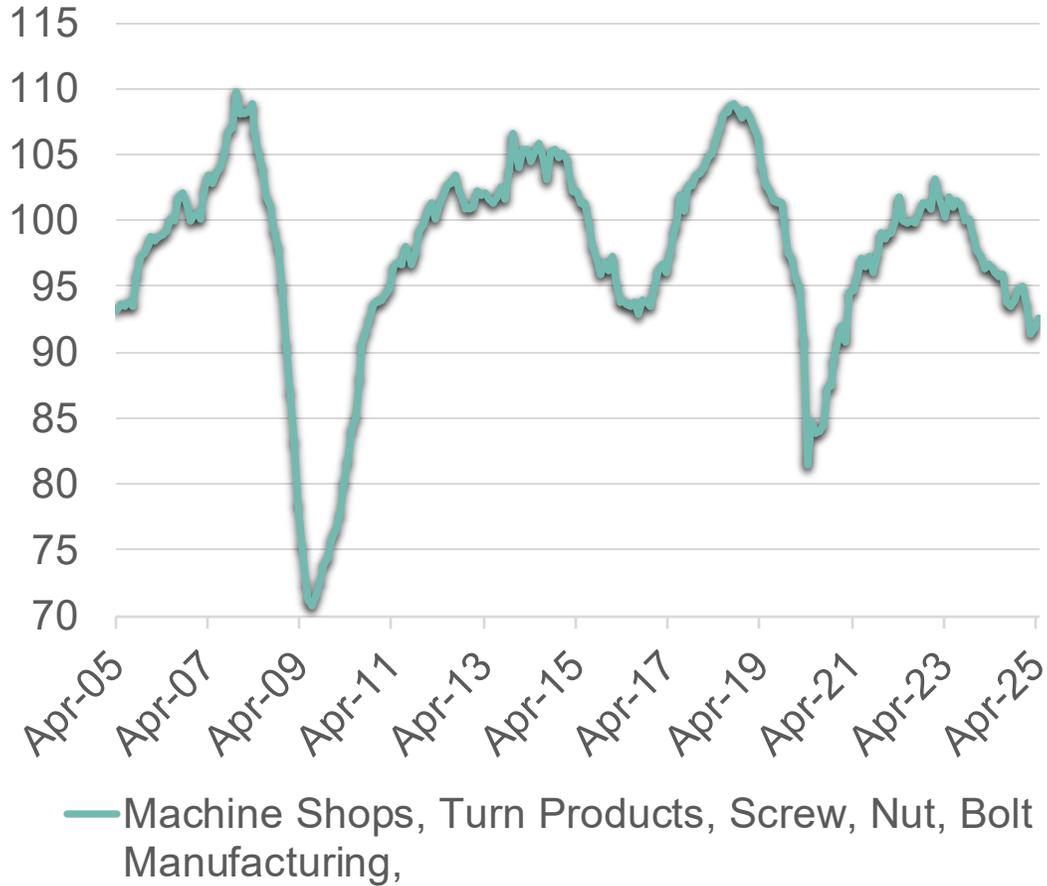


Real Private Inventories: Wholesale Trade Durable Goods

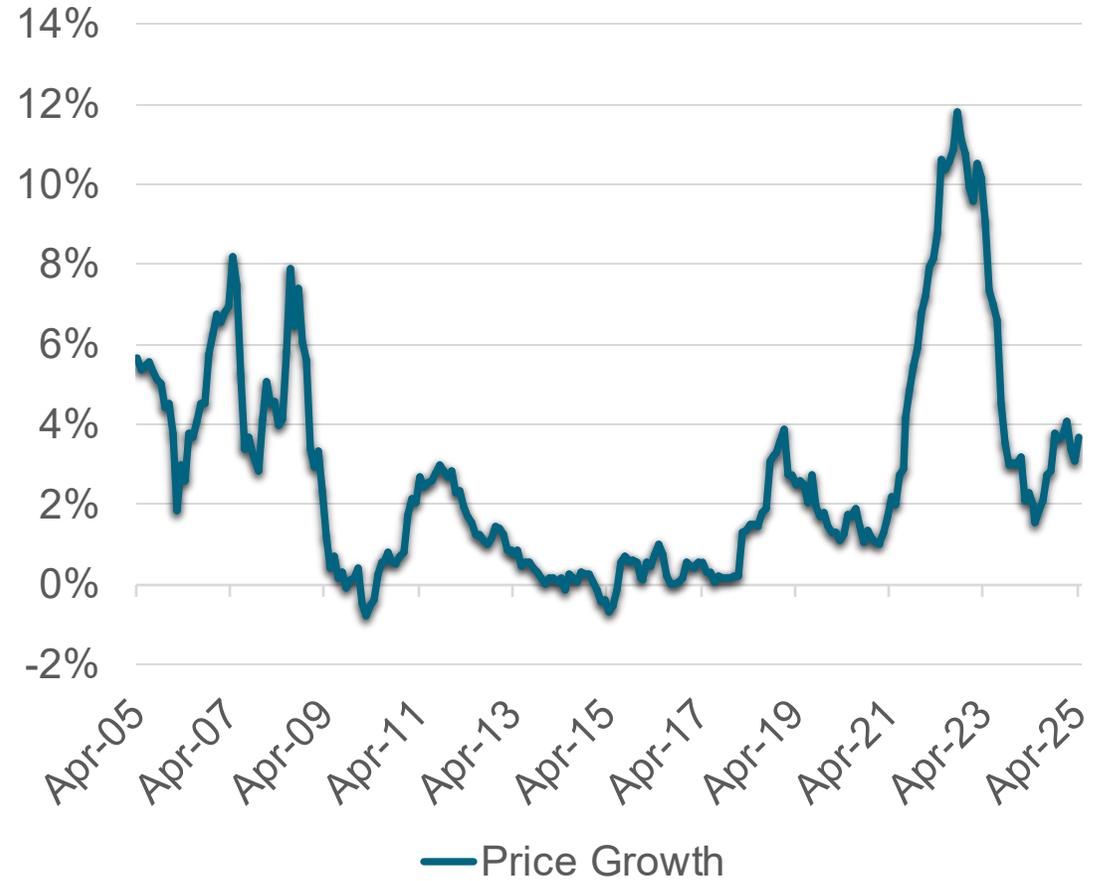


The US Fastener Production Industry

US Production Metal Products, inc Fasteners

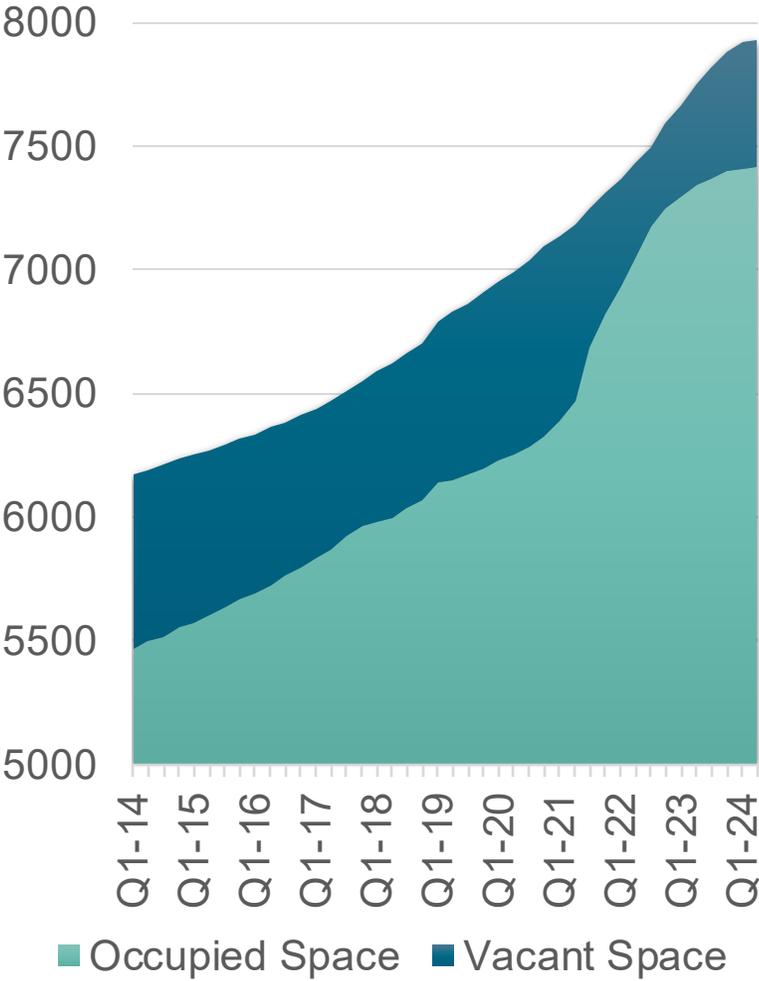


Prices: Metal Products, inc Fasteners

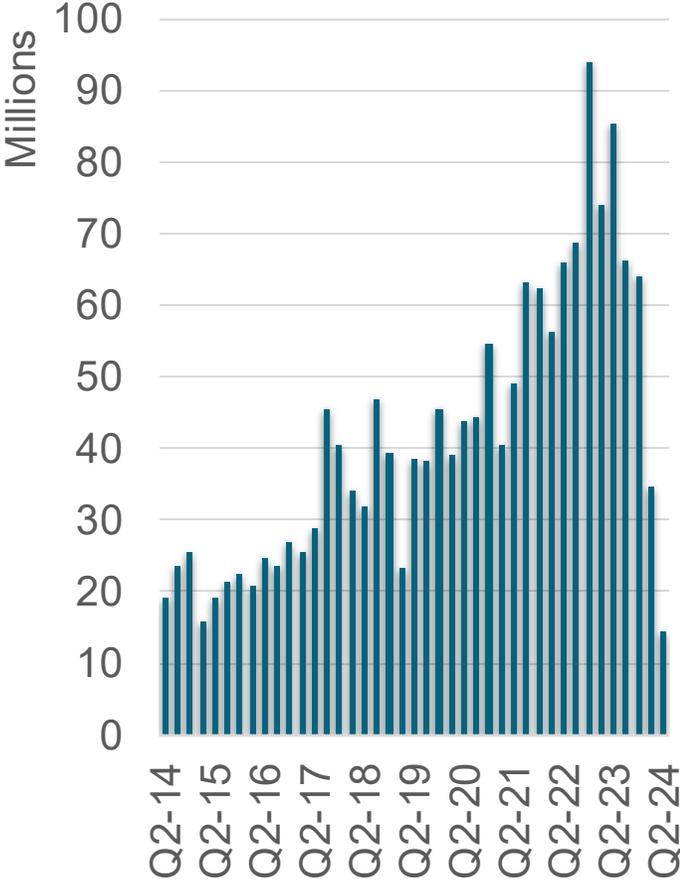


The Industrial Space Overshoot...

US Warehouse Space



U.S. Warehouse Completions



Asking Rent PSF Warehouse Space



Excess Money + Demand = Inflation

Money and Prices



Who should Trump thank for his big election sweep?



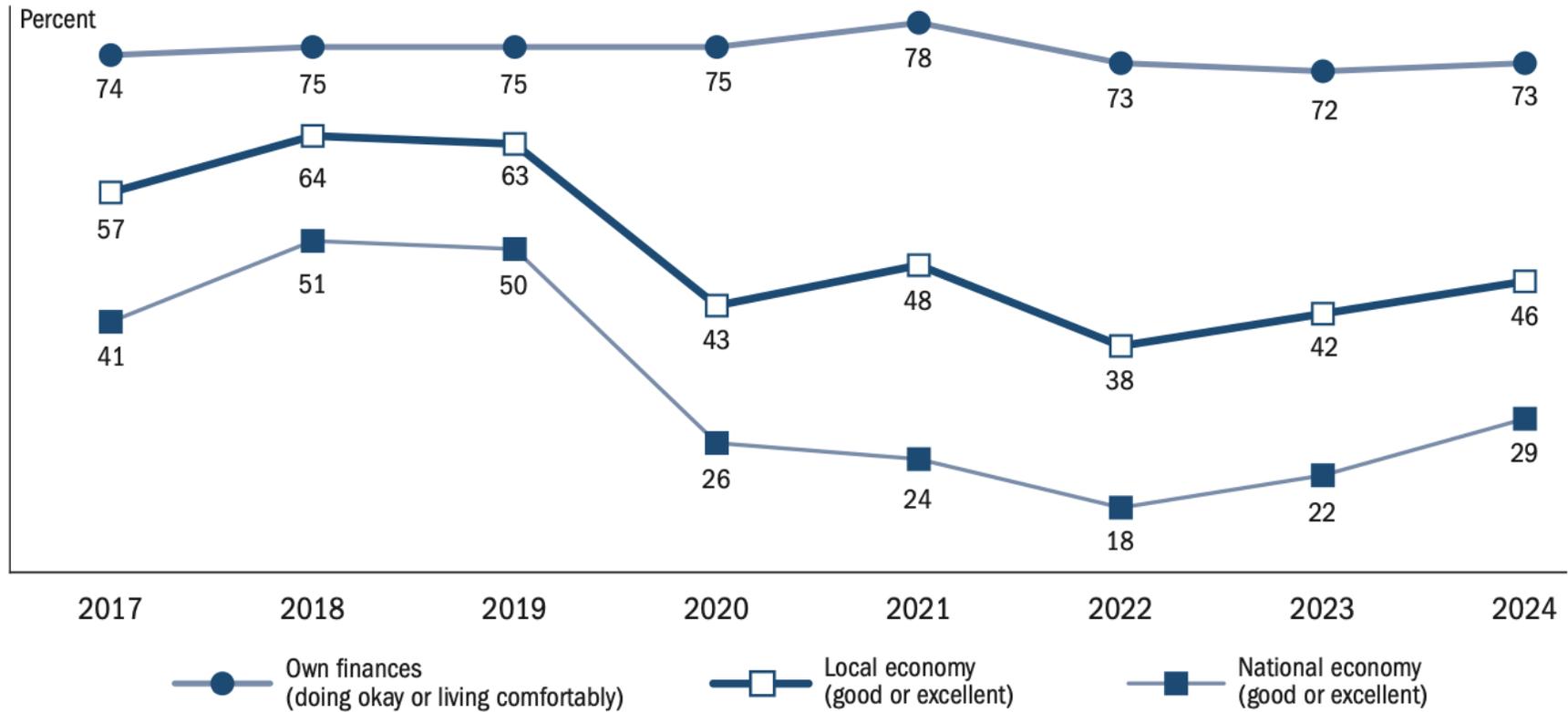
[Get the data](#) • [Download image](#)

GALLUP



How do narratives go astray?

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



Note: Among all adults. For each series, the responses presented represent the most favorable two outcomes on a four-point scale.



How About Gen-Z?

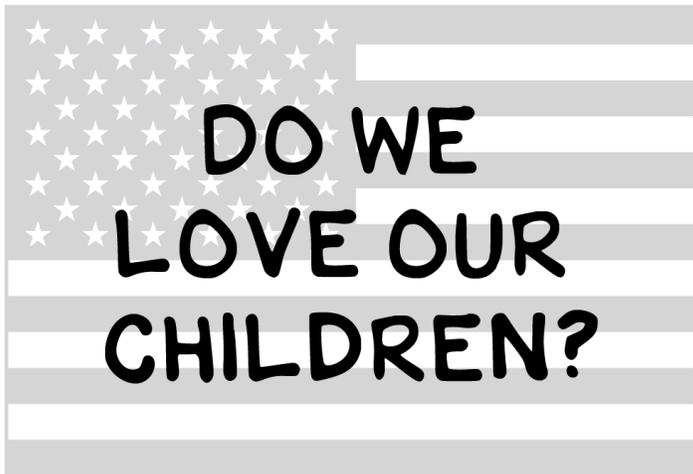
NO MERCY/NO MALICE

War on the Young



Scott Galloway @profgalloway

Published on April 19, 2024



Why the “social contract” has been broken:

- Today’s 25-year-olds make less than their parents and grandparents did at the same age
- They carry student debt loads unimaginable to earlier generations
- Housing costs have outpaced them

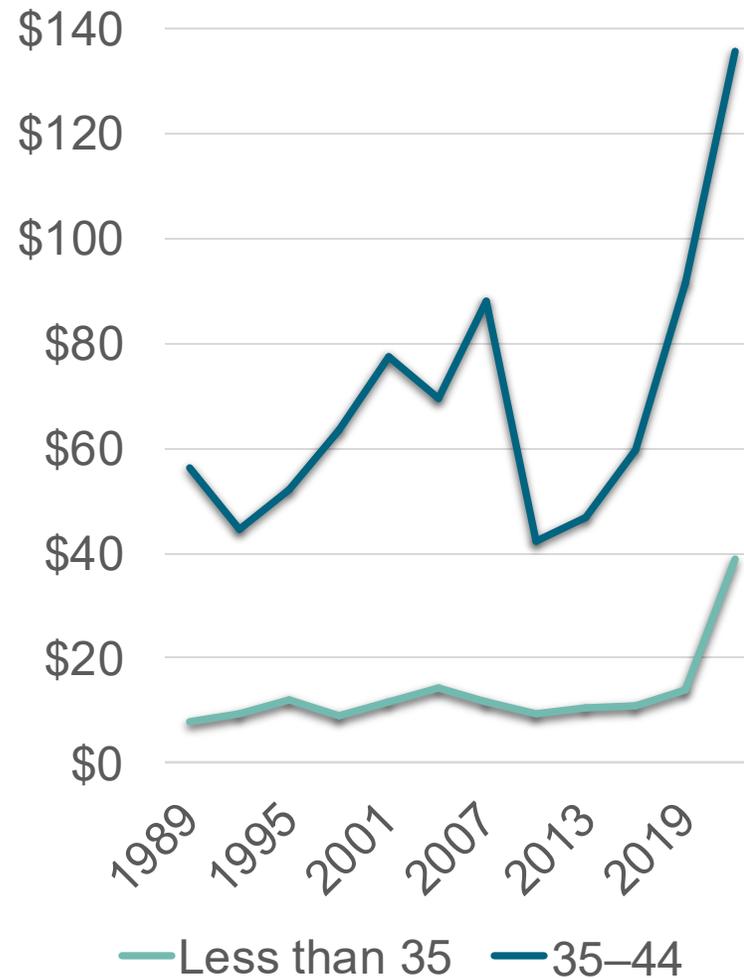


What about Gen Z's income & wealth?

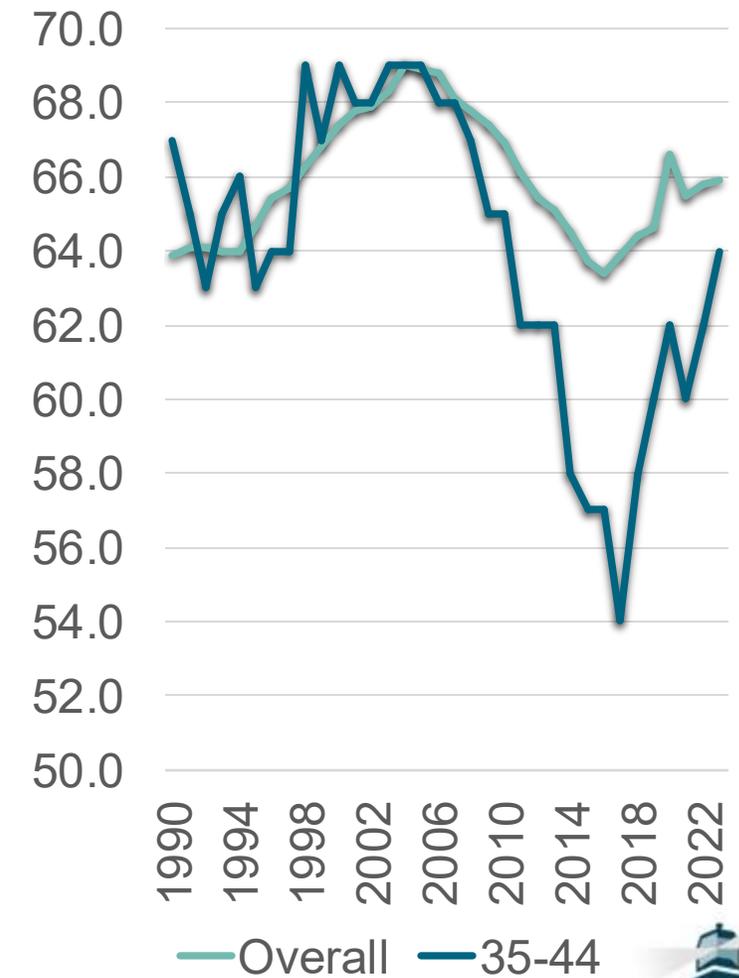
Real Median Income 25-34 Years



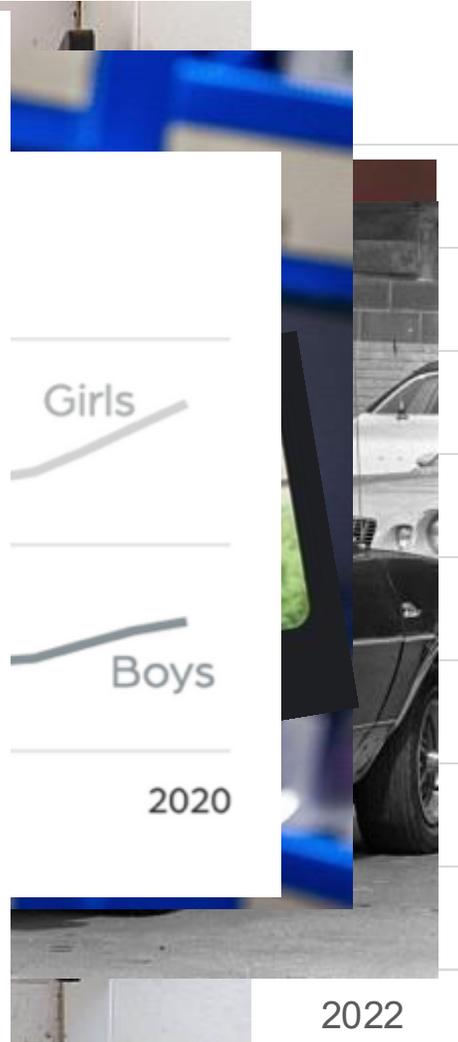
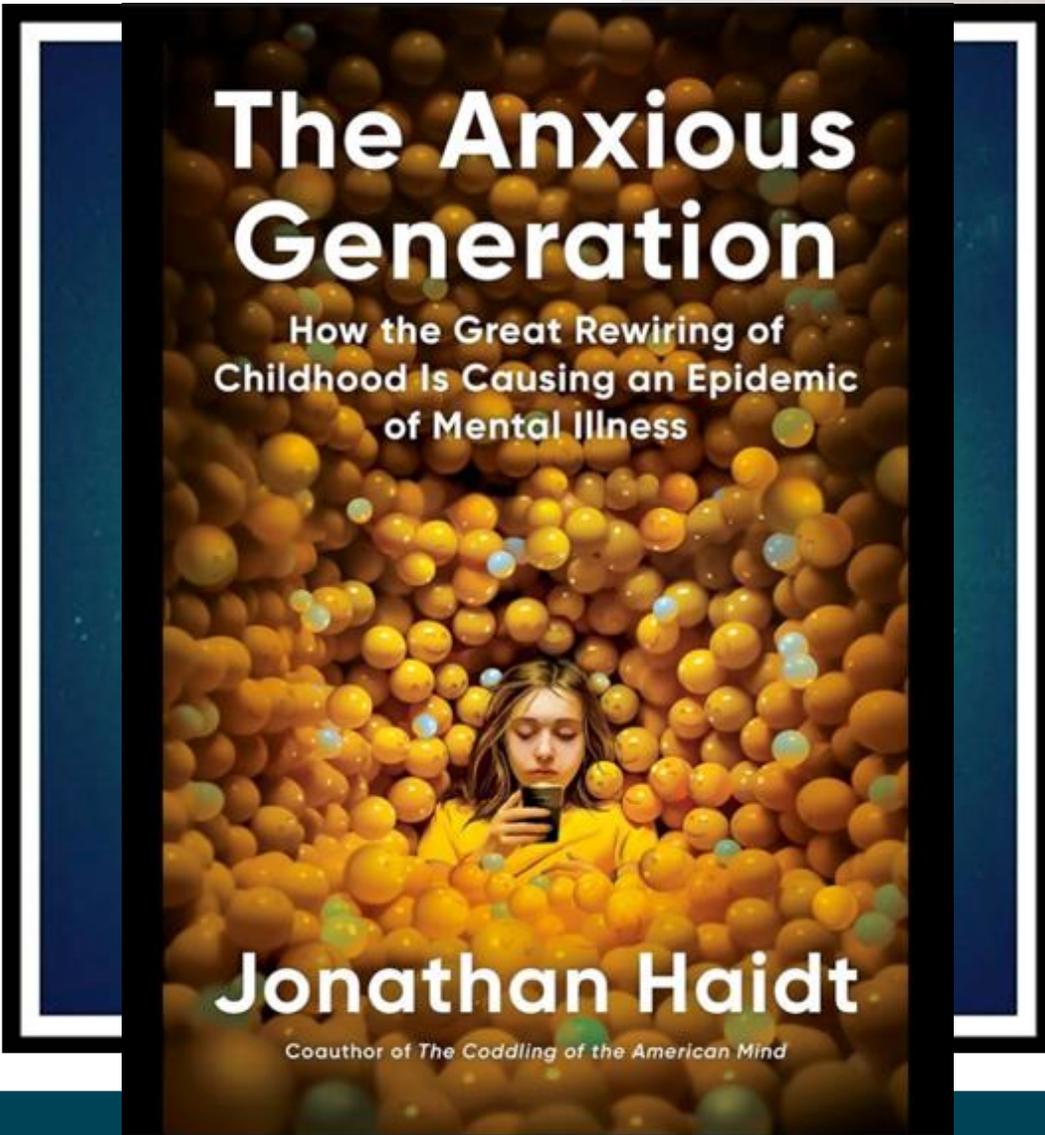
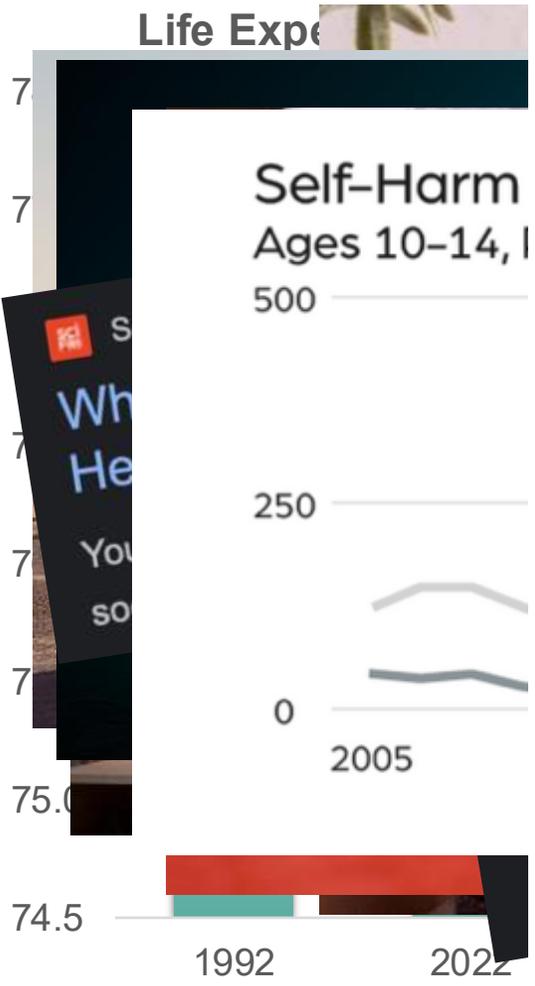
Real Median Net Worth \$000's



Home Ownership Rates

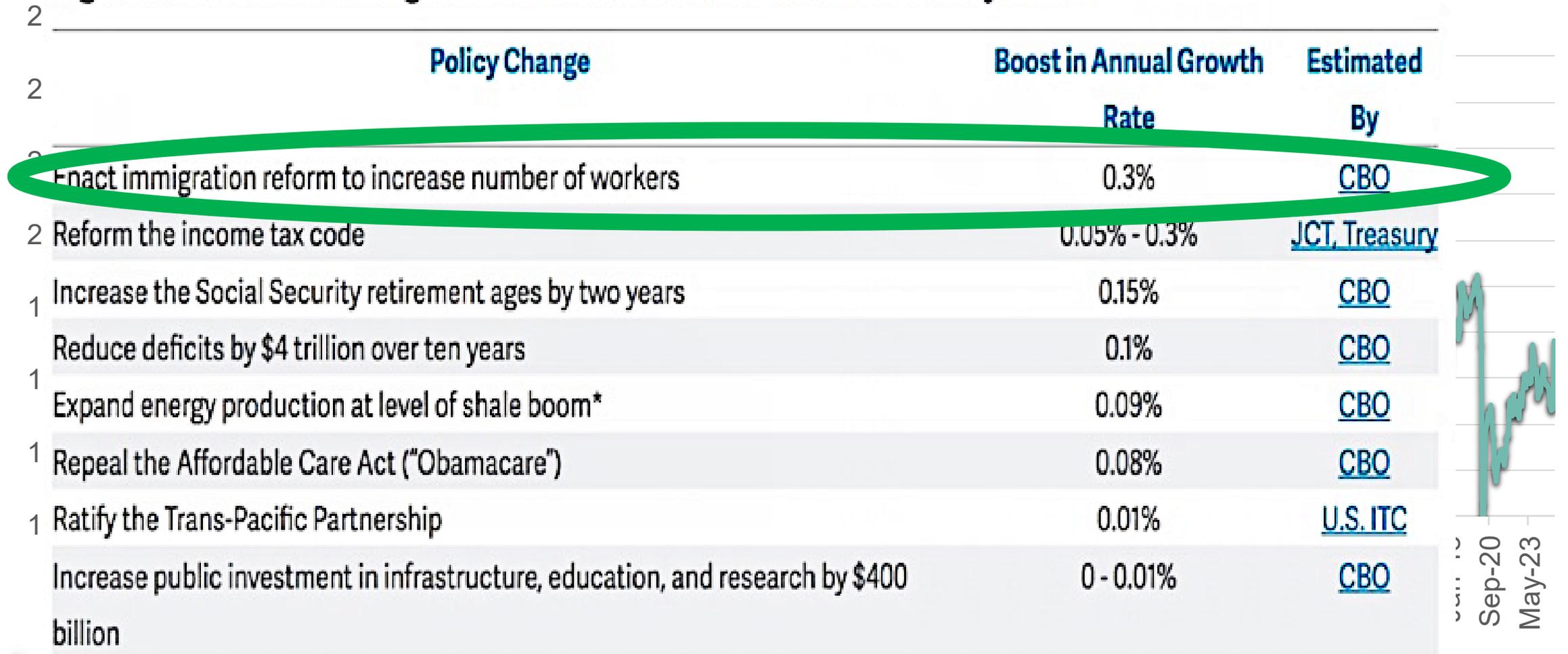


Other Quality of Life Metrics



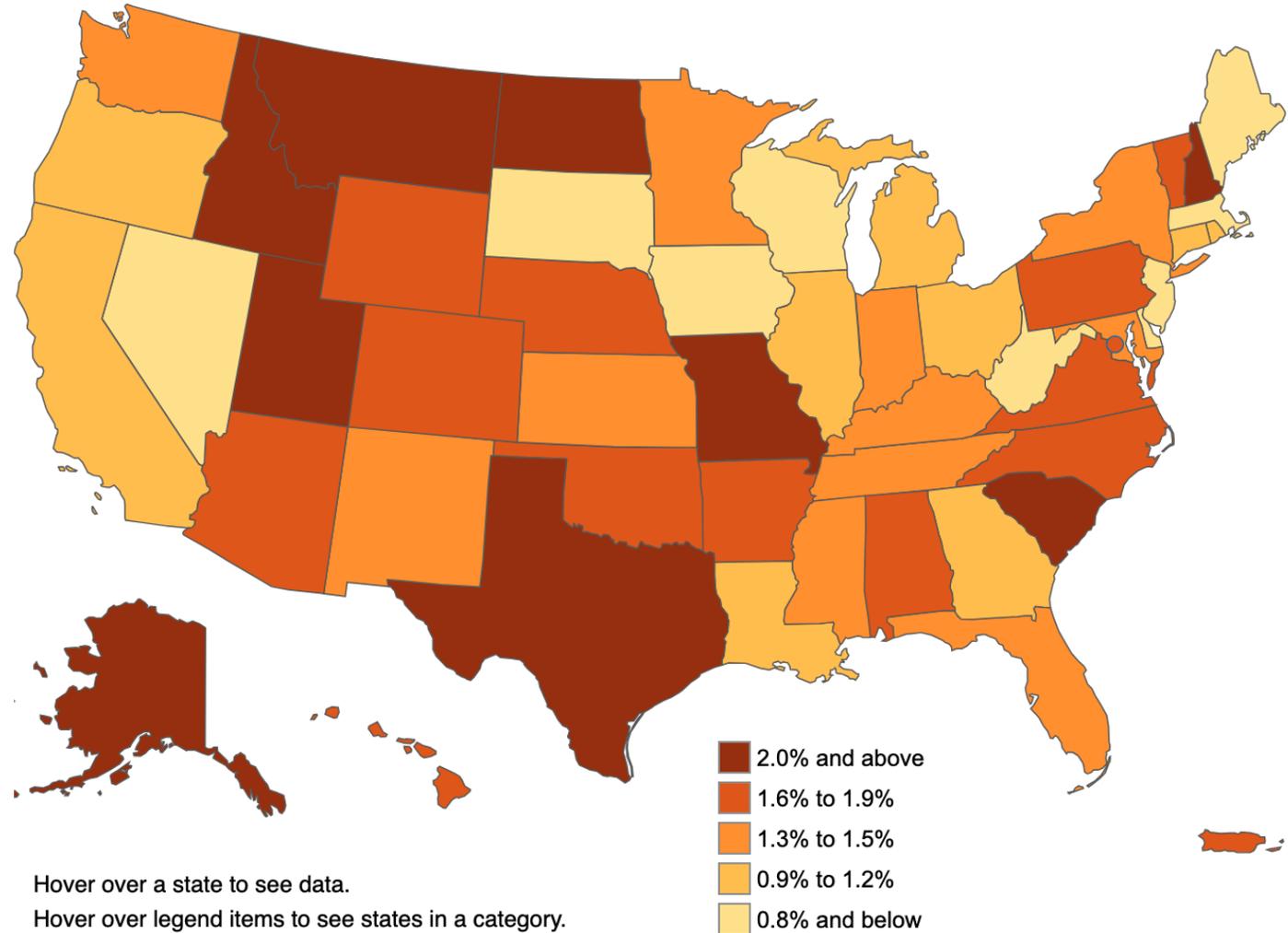
Labor Supply Issues

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



Regional Job Growth

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



Hover over a state to see data.

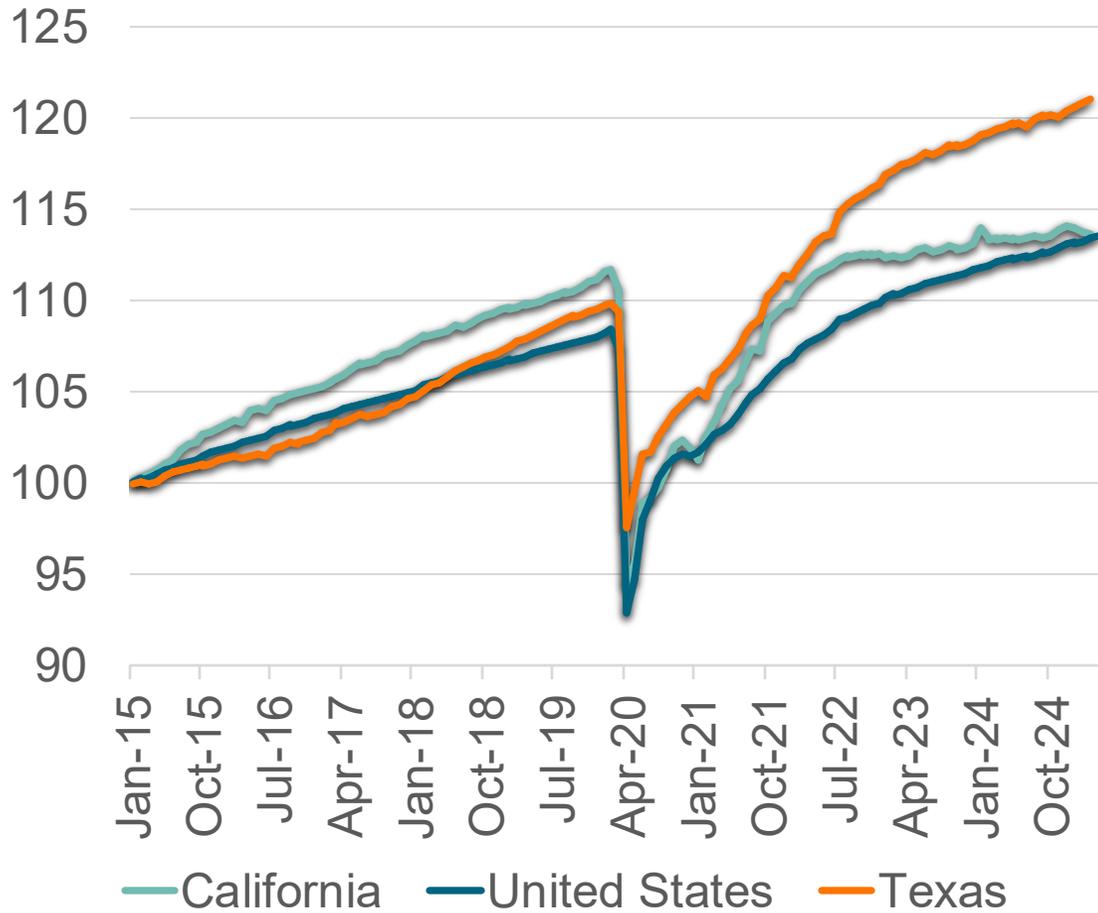
Hover over legend items to see states in a category.

Source: U.S. Bureau of Labor Statistics.



Regional Growth Differences?

Index of Employment



Housing Permits by State



Migration and the US Labor Force

Accumulation of US Labor Force



POLITICS APRIL 30, 2024

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

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

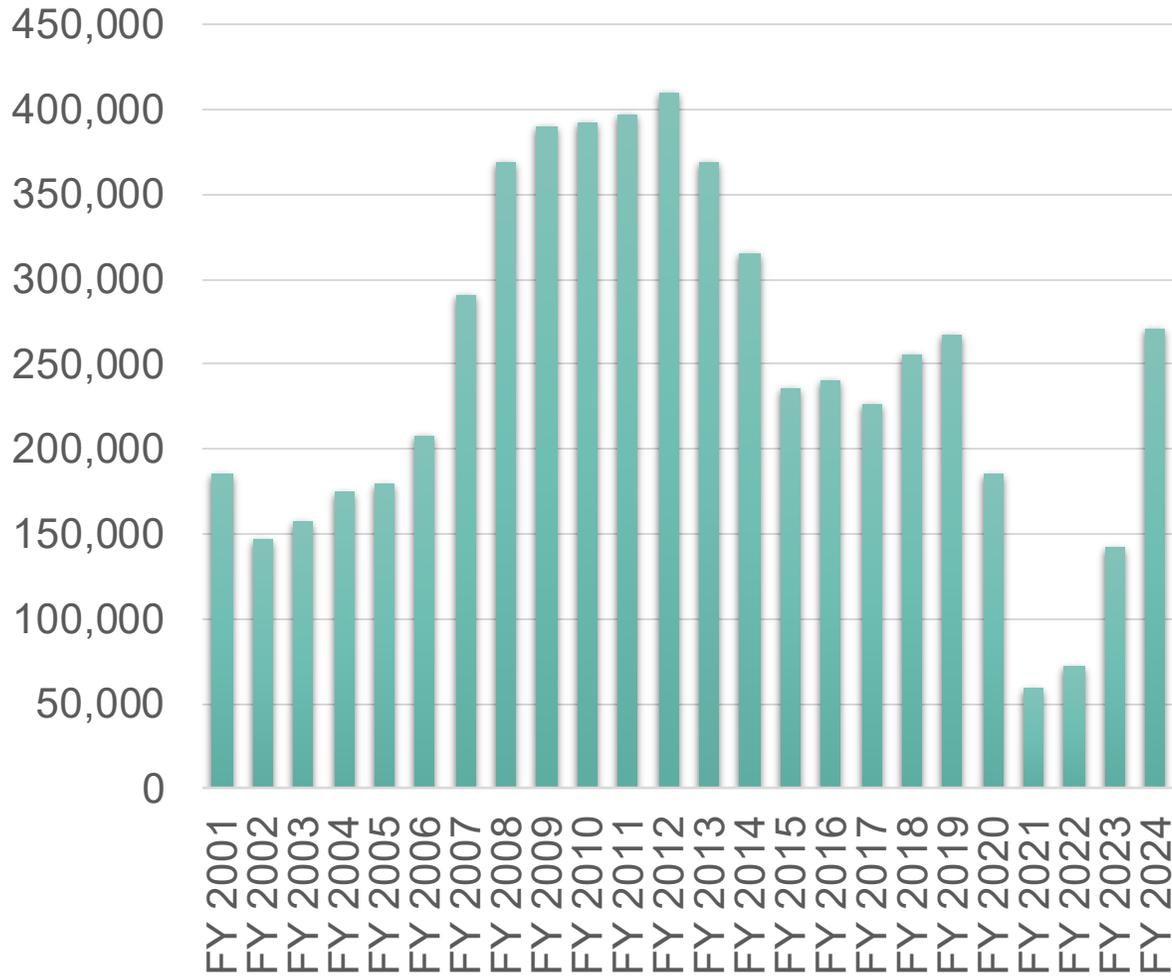
BY MEGAN BRENAN

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

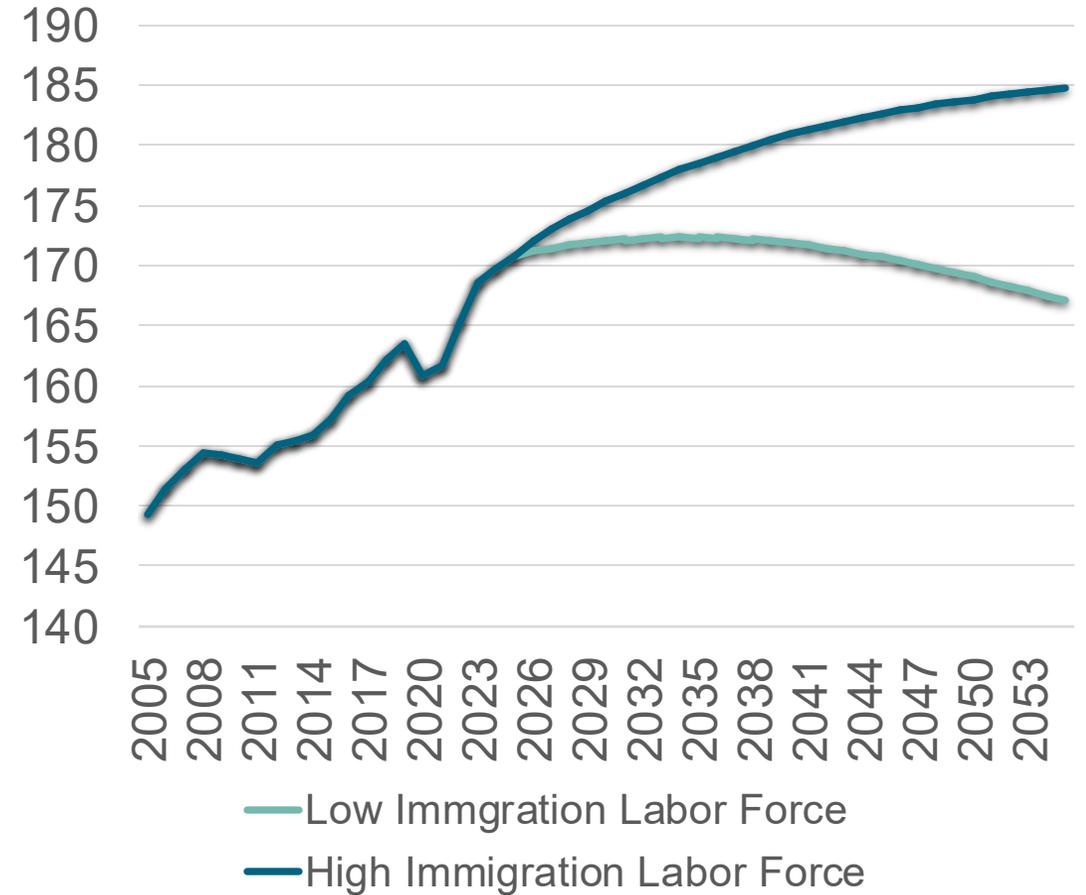


Which is the bigger issue?

Total Removal by Fiscal Year



Immigration and Labor Force Levels (Millions workers)



North A

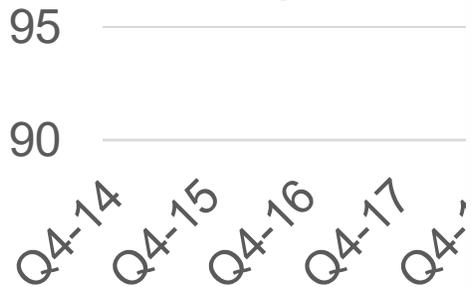
≡ **CNN Business**

Trump and pause on with exce

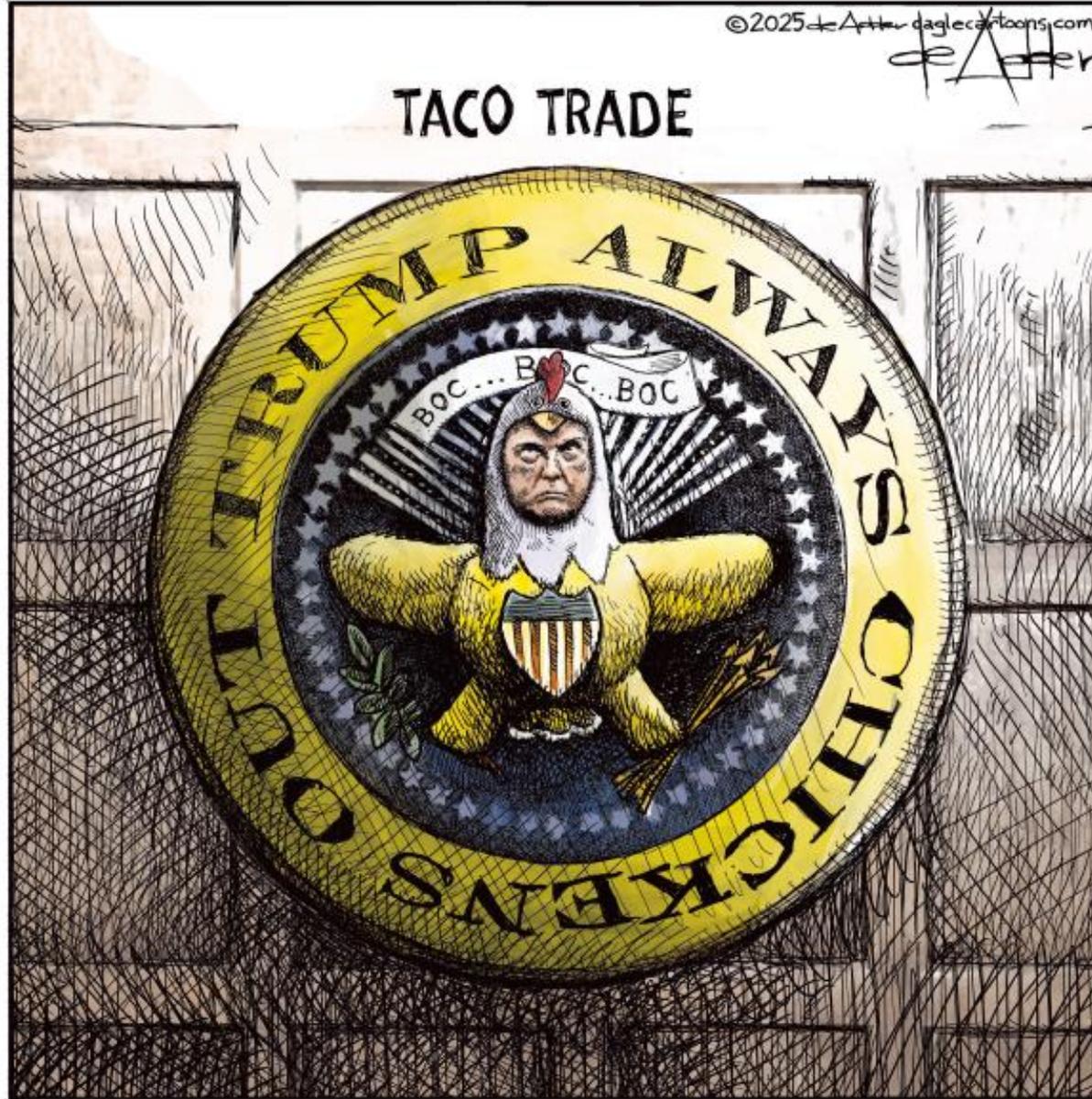
By Elisabeth Buchwald and

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🕒 8 minute read



— Canada —



Trends

rice Indexes

will go into

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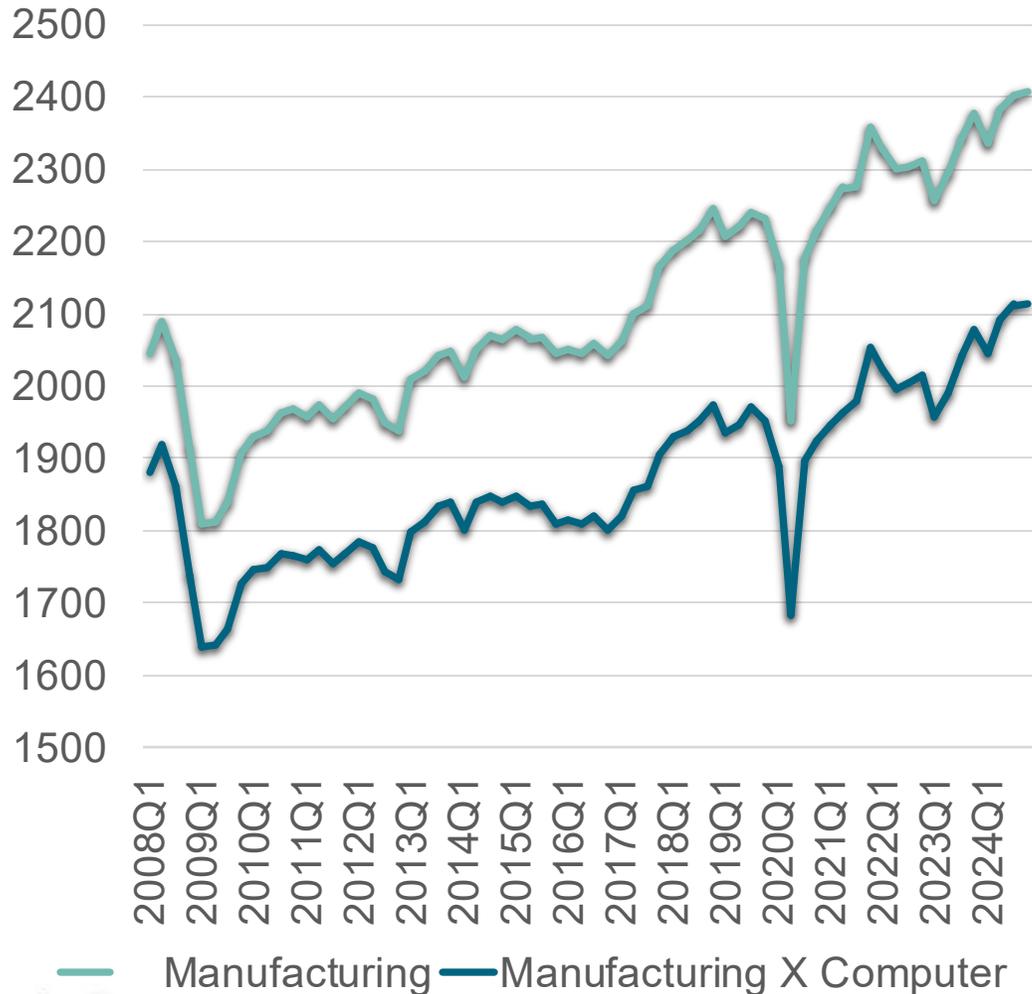
tariffs will
stantially,
al U-turn

April 23, 2025



How is Manufacturing Doing?

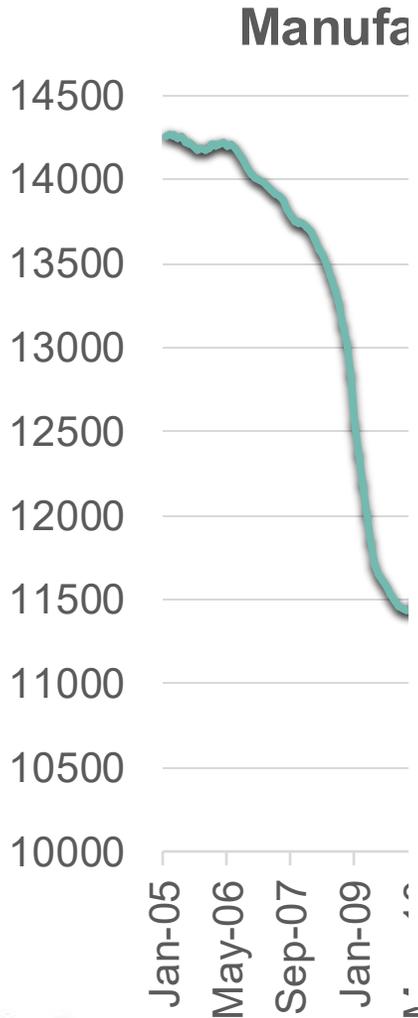
US Real Value Added



	2024	8 Year Gr
Real Gross domestic product	23542.3	22.0%
Manufacturing Real Value Added	2406.8	17.8%
Primary metals	108.5	67.4%
Chemical products	498.7	45.9%
Petroleum and coal products	137.1	43.1%
Motor vehicles, bodies	212	37.9%
Computer and electronic products	291.5	20.2%
Other transportation equipment	169	16.0%
Food and beverage	289.9	12.1%
Wood products	39.9	11.8%
Machinery	140	2.9%
Paper products	55	-6.3%
Nonmetallic mineral products	50.9	-8.3%
Electrical equipment, appliances	48.9	-9.9%
Fabricated metal products	120.7	-12.7%
Plastics and rubber products	62.8	-18.4%
Furniture and related products	21.9	-24.7%
Printing and related support activities	30.6	-25.2%



How About US Manufacturing?



BENZINGA

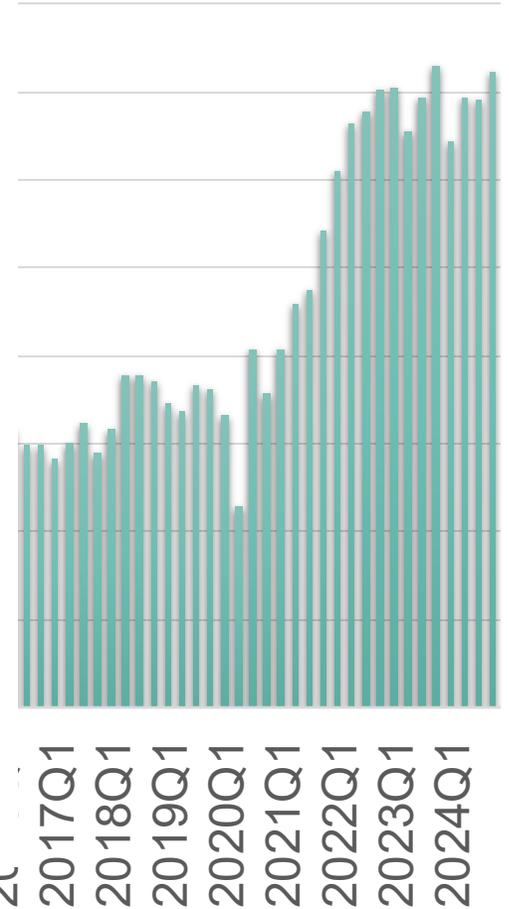
80% Of Americans Say The Country Would Be Better Off With More Manufacturing Jobs —But Only 25% Want One Themselves

Adrian Volenik

April 17, 2025 • 4 min read



ing Profits
(ate)



The Potential Trade Impact

The Tariff Tax: Context

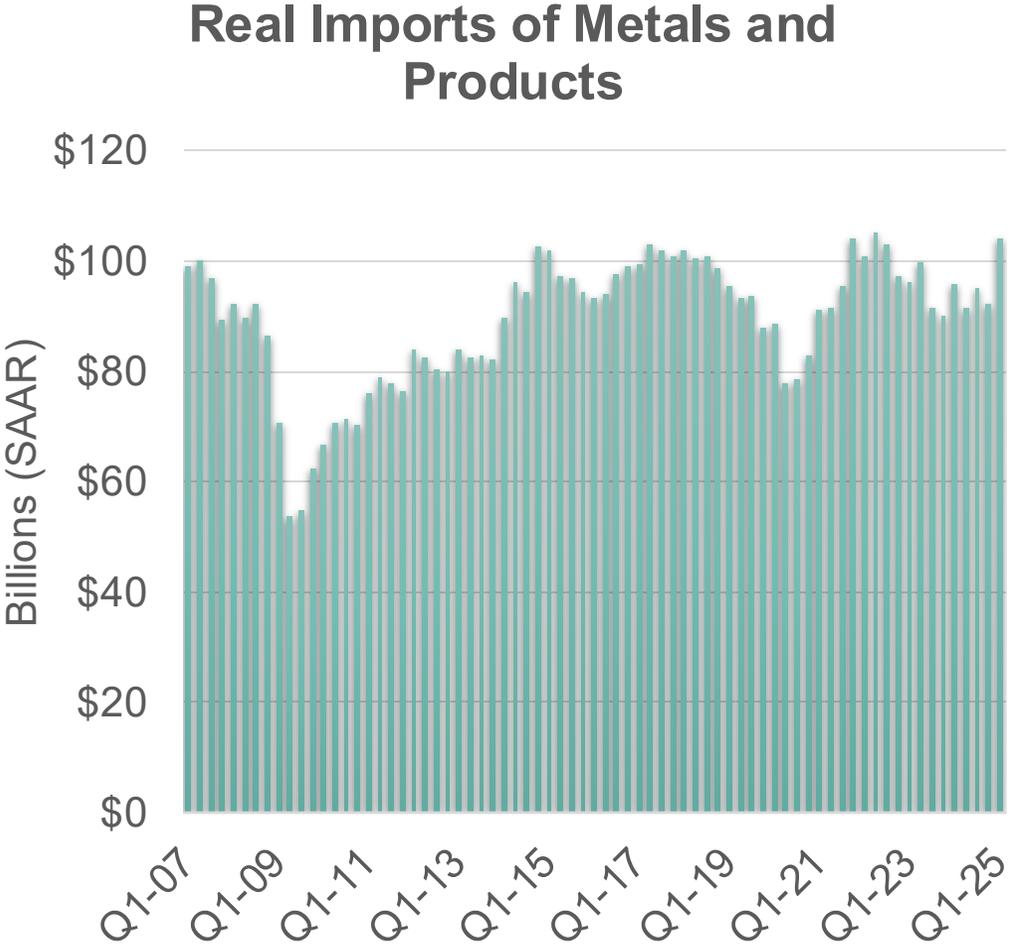
	Billions	Share GDP
GDP	\$29,723	
Total Imports Goods	\$3,267	11.0%
~~New Tariffs	\$653	2.2%
Federal Deficit	-\$1,847	-6.2%
Personal Taxes to Feds	\$2,391	8.0%
Corp Taxes to Fed	\$490	1.6%

Imports of goods 2024 \$Billions	3261	
Industrial equipment	295.6	9.1%
Petroleum and products	251.9	7.7%
Engines, parts, bodies	196.6	6.0%
Metals and products	137.5	4.2%
Electrical equipment	102.6	3.1%
Telecommunications eq	84.3	2.6%
Semiconductors and related	82.1	2.5%
Chemicals	73.2	2.2%
Civilian aircraft, engines parts	62.7	1.9%
Scientific, hospital, and medical	62.5	1.9%
Building materials	45.7	1.4%
Mining, and construction eq	27.3	0.8%
Consumer goods	803.5	24.6%
Automotive vehicles	278.8	8.5%
Computers, peripherals, and parts	216	6.6%



Domestic Supply Chain

Industry	Intermediate Imports Share of Intermediate Outlays
Total	9.3%
Aircraft manufacturing	30.8%
Motor vehicle transmission & power train parts mfg	27.6%
Fasteners, buttons, needles, and pins mfg	22.7%
Automobile and light duty motor vehicle mfg	21.6%
Turned product and screw, nut, and bolt mfg	10.7%
Wholesale - Machinery, equipment, and supplies	7.8%
Machine shops	6.7%
Wholesale - Other durable goods merchant wholesalers	5.3%



Source: IMPLAN



The Auto Sector

BUSINESS

How automakers are responding to the 25% car tariffs so far

Billions

APRIL 5, 2025 ·

AUTOS



Emma Bow

Trump signs order easing some auto tariffs

PUBLISHED TUE, APR 29 2025·9:43 AM EDT | UPDATED WED, APR 30 2025·6:56 AM EDT



- Parts & Access For Motor Vehicles (
- Motor Cars & Vehicles For Transport
- Motor Vehicles For Transport Of Go



Michael Waylan
@MIKEWAYLAN

Home > Business

Report: Only 8% of Mexican auto parts manufacturers face new US tariffs

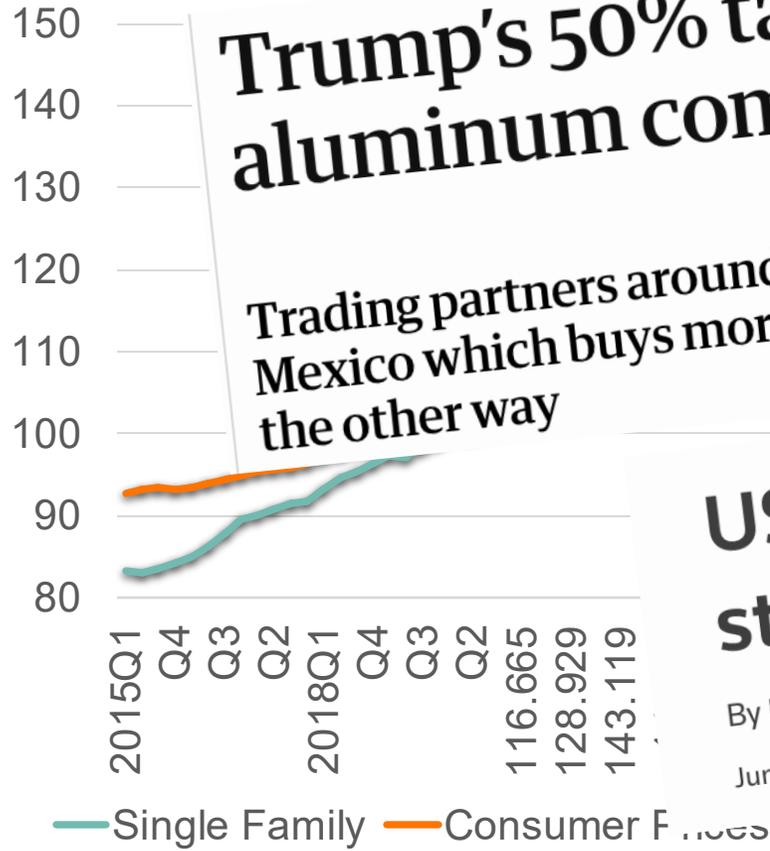
MND Staff May 13, 2025

	1-Year Chg. (%)	5-Year Chg. (%)
2.9	2.6	29.8
		43.2
		24.4
		5.3
		1.2
		1.1



Commodity Input Prices

Price Indexes (Q1 2020 = 100)



Trump's 50% tariffs on foreign steel and aluminum come into effect

Trading partners around the world express anger including Mexico which buys more steel out of the US than it sends the other way

US, Mexico discuss deal to cut Trump's steel tariffs, sources say

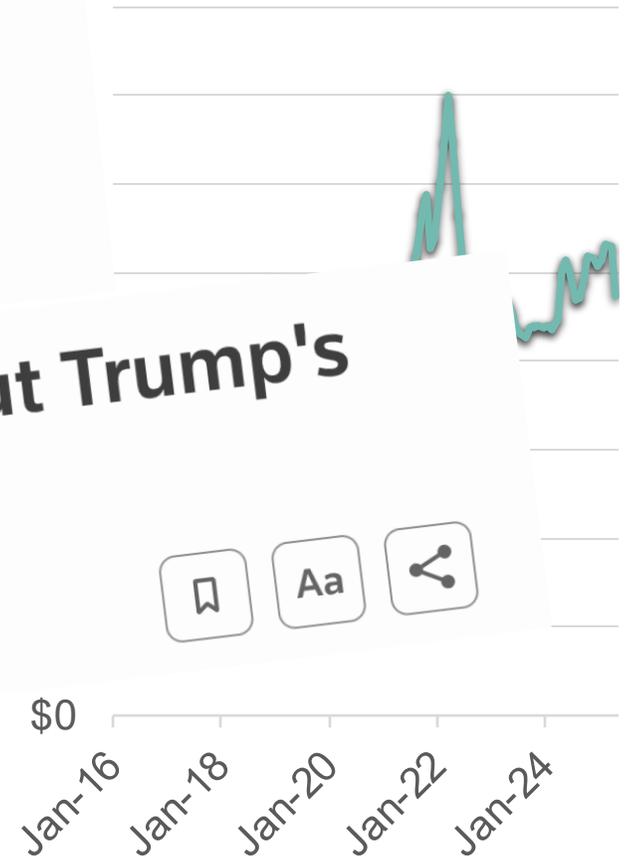
By Reuters

June 10, 2025 5:04 PM PDT · Updated 2 days ago

Jan-1 Jan-2 Jan-23 Jan-25

U.S. Cold Rolled Steel

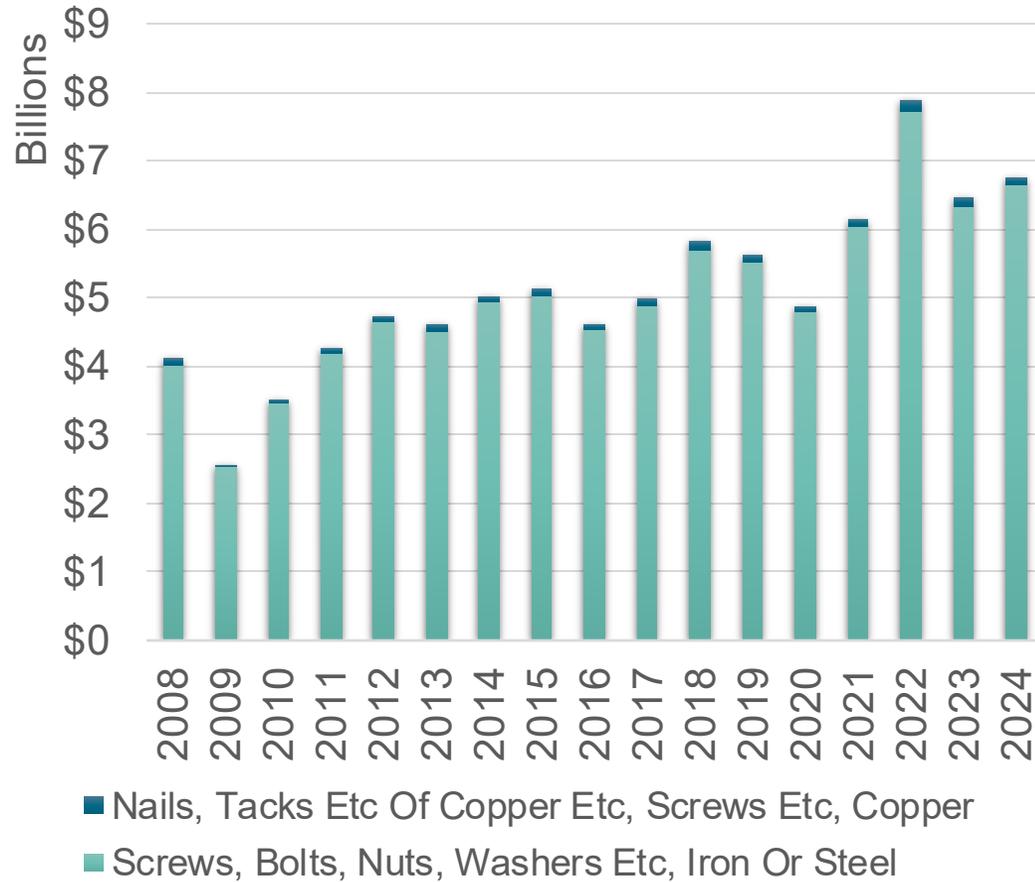
Global Aluminum Prices



Fasteners Exposure?



Nominal Fastener Imports

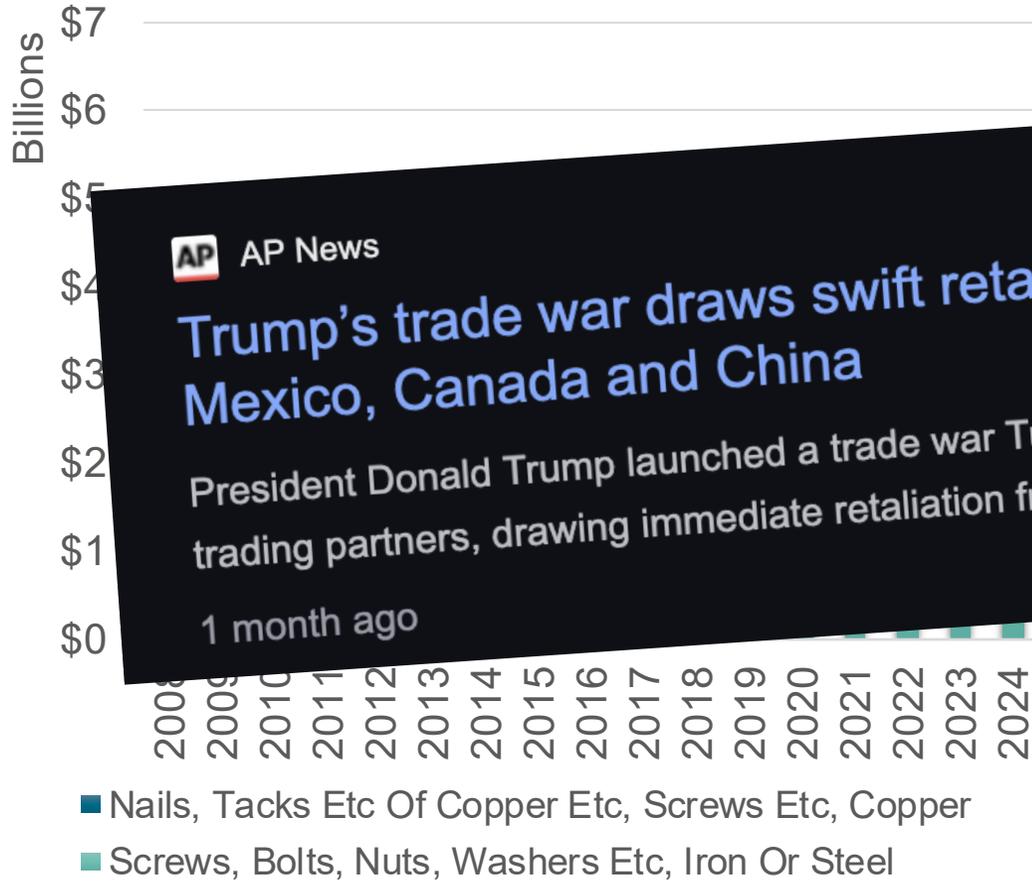


Country of Origin	Imports 2024 (\$ Mil.)	1-Year Change (%)	5-Year Change (%)
Total Fasteners (Iron/Steel)	6,633.9	4.9	20.3
Taiwan	2,173.2	-1.7	14.5
China	1,192.7	10.6	8.1
Japan	623.0	11.9	-0.2
Canada	408.2	1.2	31.6
Germany	388.4	3.4	6.4
Korea, Republic Of	300.0	9.6	59.6
Italy	259.2	14.4	80.2
India	237.6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



Fastener Exports

Nominal Fastener Exports



AP AP News

Trump's trade war draws swift retaliation with new tariffs from Mexico, Canada and China

President Donald Trump launched a trade war Tuesday against America's three biggest trading partners, drawing immediate retaliation from Mexico, Canada and...

1 month ago

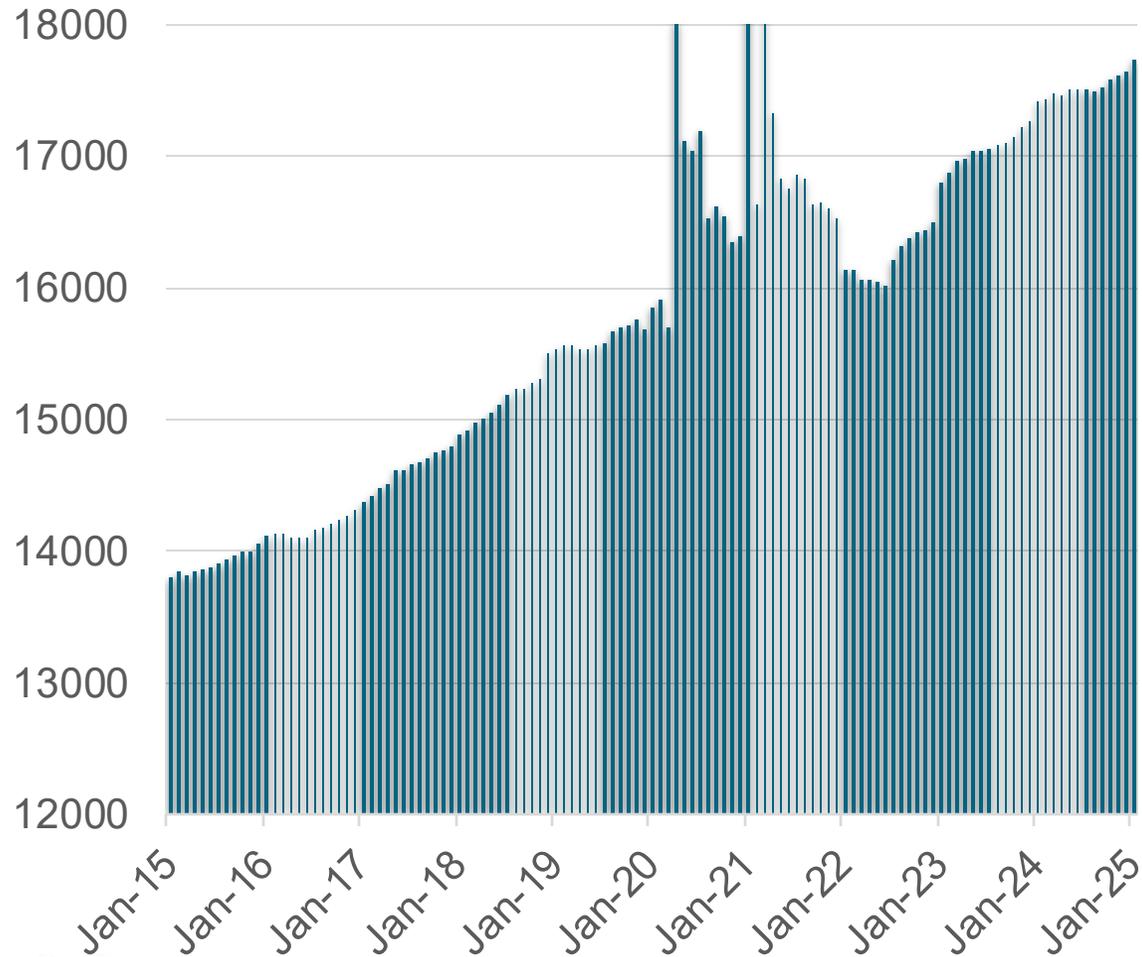


Destination Country	Exports 2024 (\$ Mil.)	1-Year Change (%)	5-Year Change (%)
Total Fasteners (Iron/Steel)	27.9		
	30.7		
	1.5		
	5.3		
	6.2		
	9.9		
	50.7	55.1	50.7
Brazil	131.3	8.2	19.7
Japan	127.3	41.0	29.1
Korea, Republic Of	118.5	15.8	33.9
Singapore	117.5	28.7	13.2

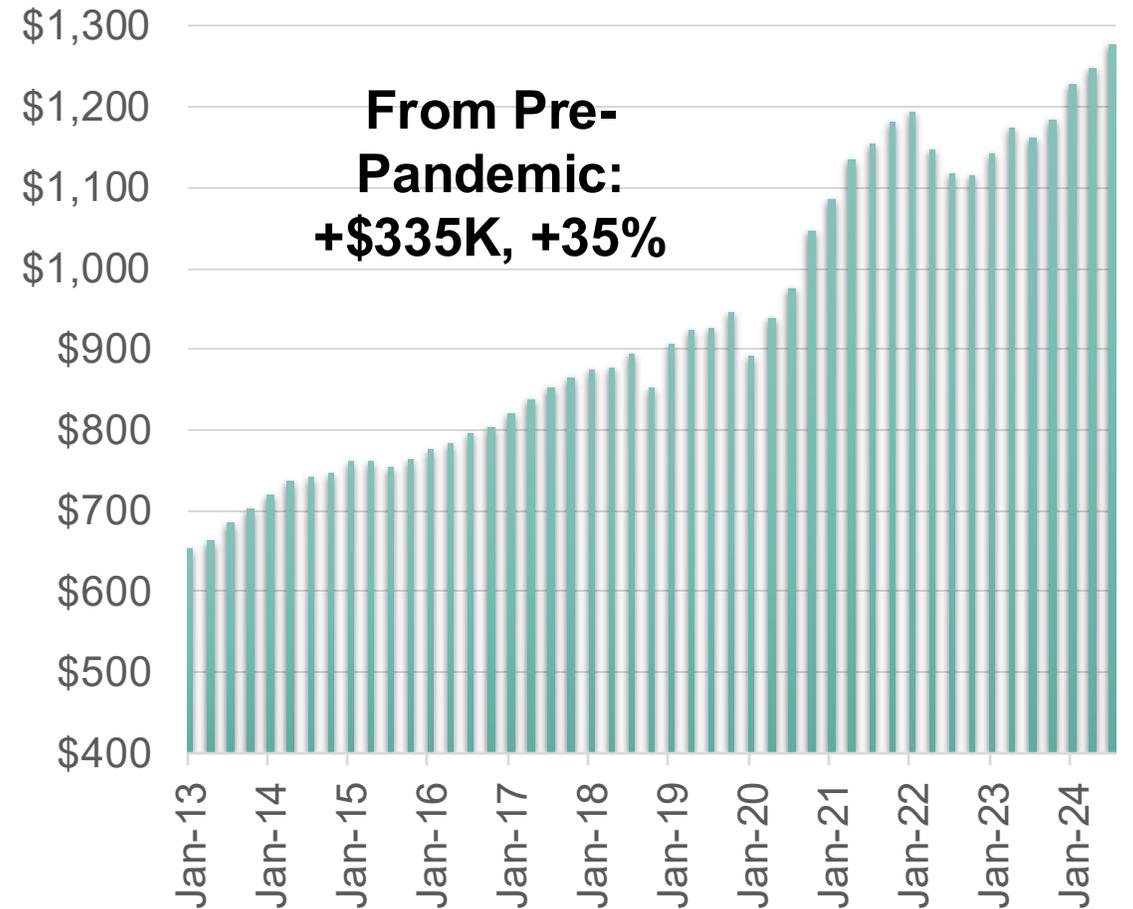


Household Finance: Record Strong

Real Disposable Income

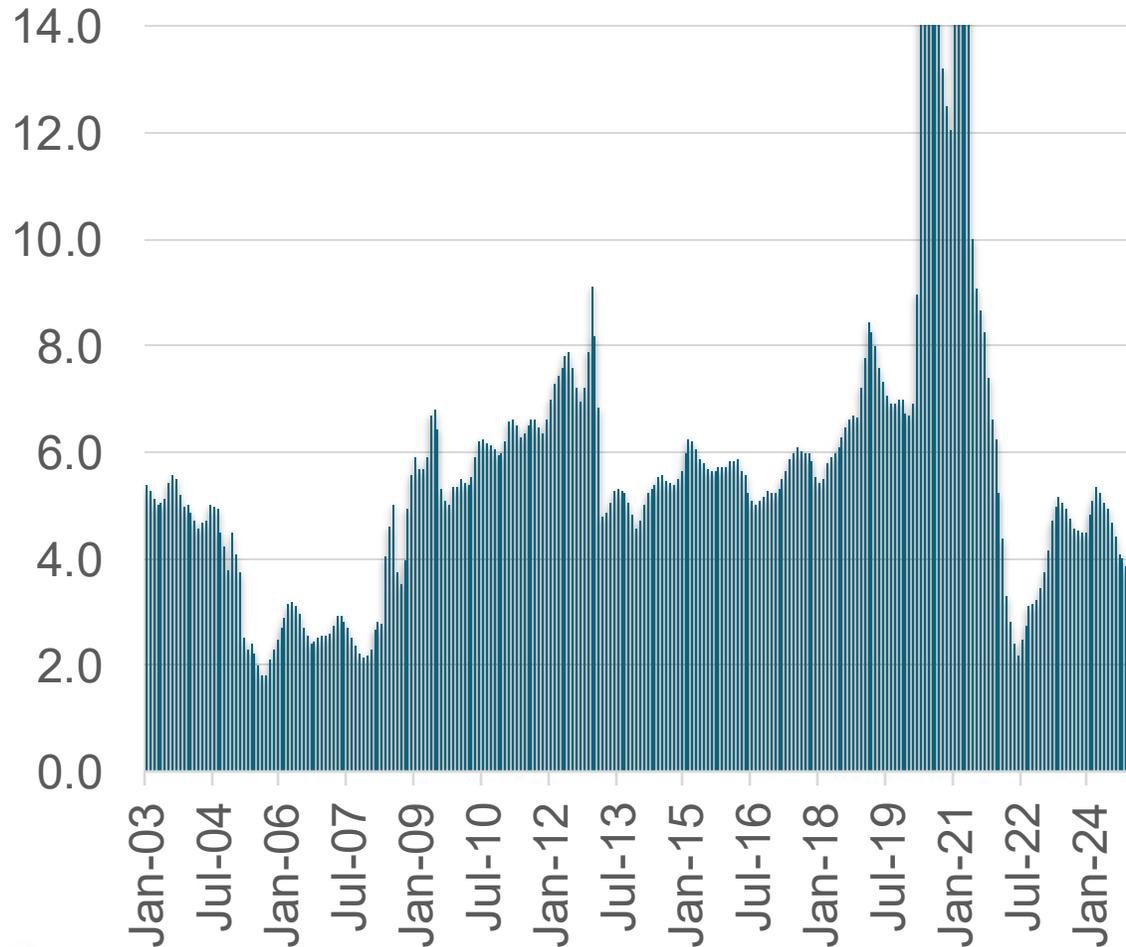


Average Net Worth Per Household (\$000s)

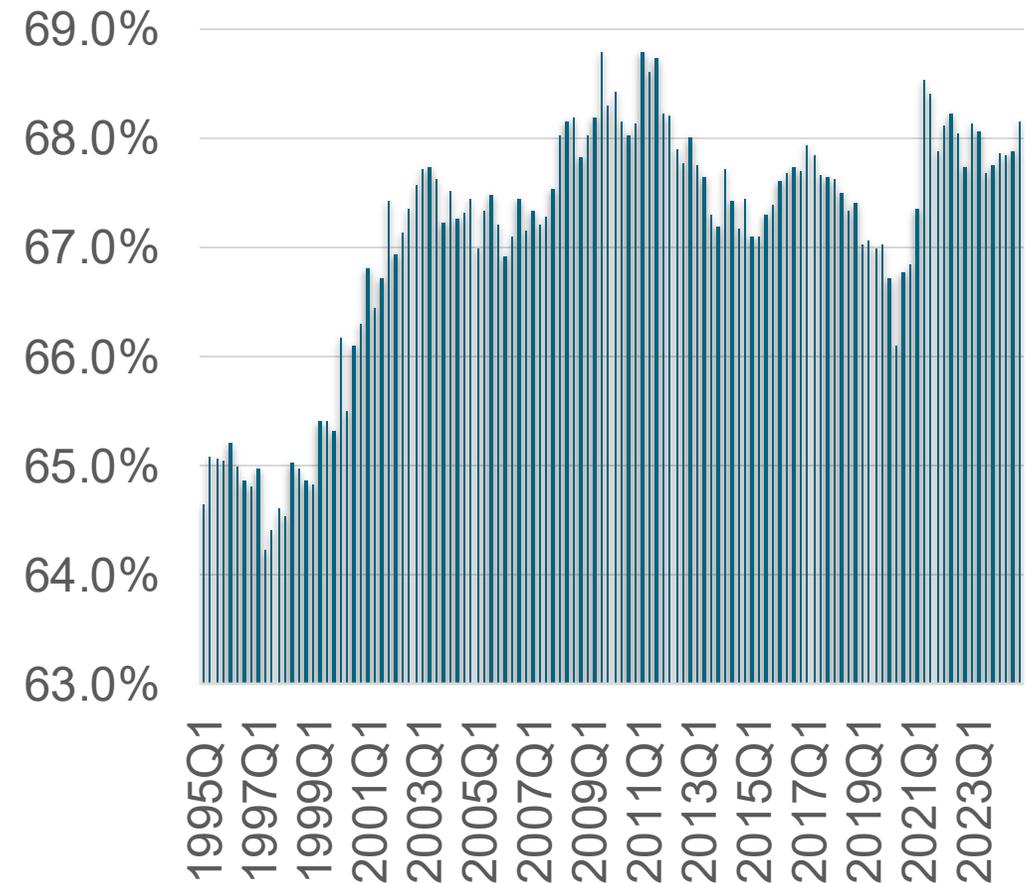


Too Strong?

Household Savings Rate (% DPI)

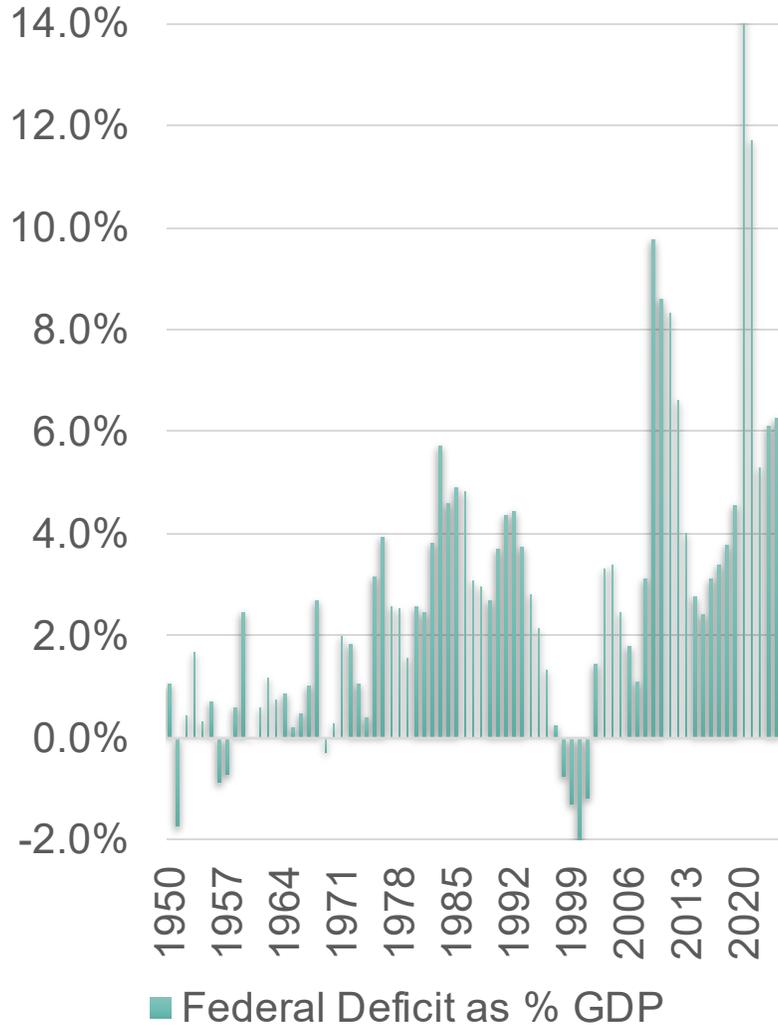


Consumer Spending Share GDP



The Wealth / Income Mirage

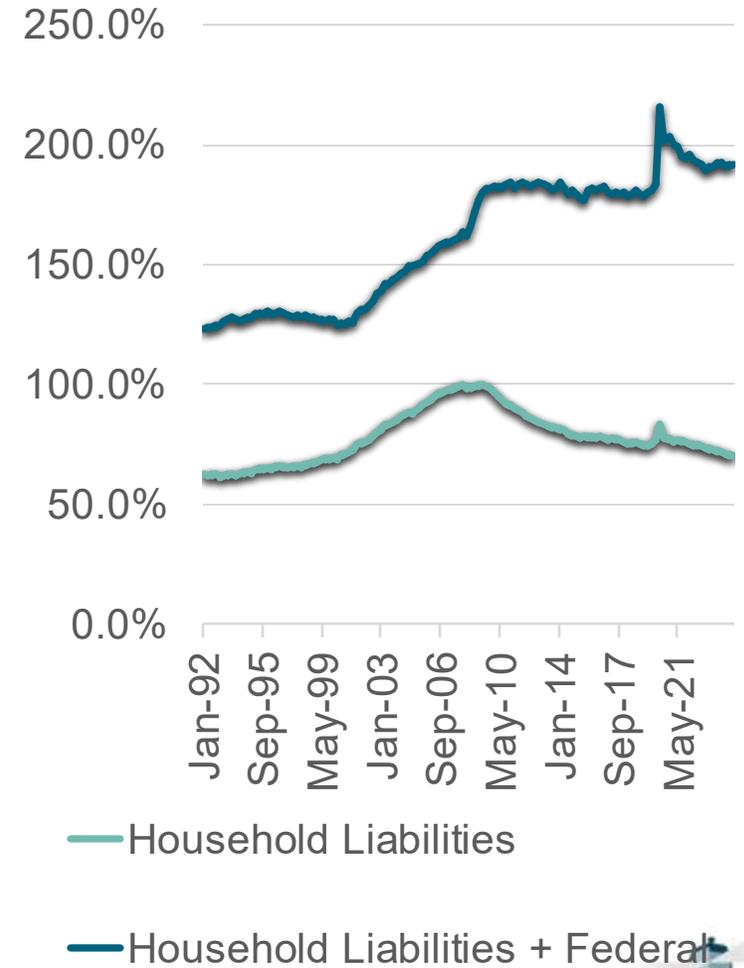
Federal Deficit / % of GDP



Household Savings as % of DPI

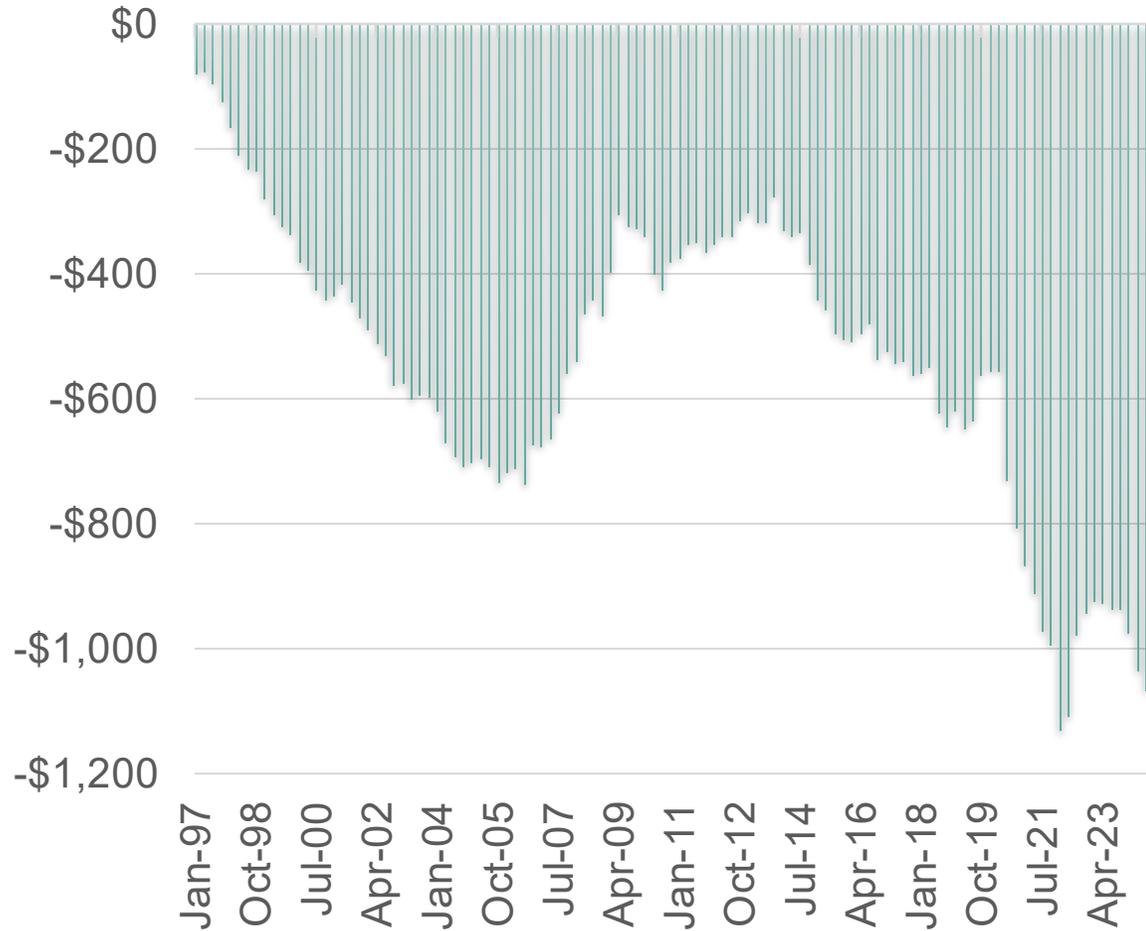


Household Debt as % of GDP



An Over-Consumption Problem...

US Trade Deficit (\$Bil, Real)

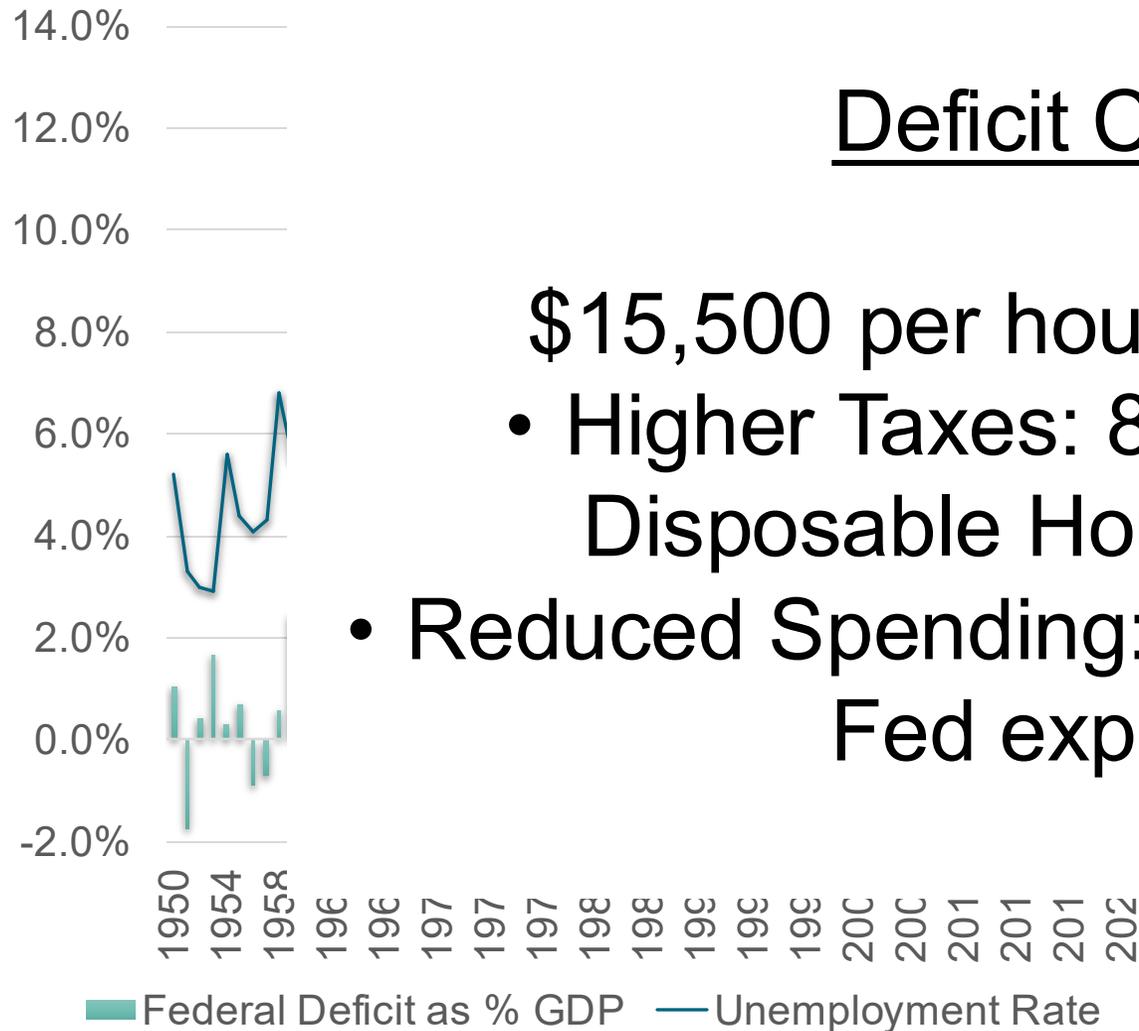


US Current Account Deficit as % of GDP



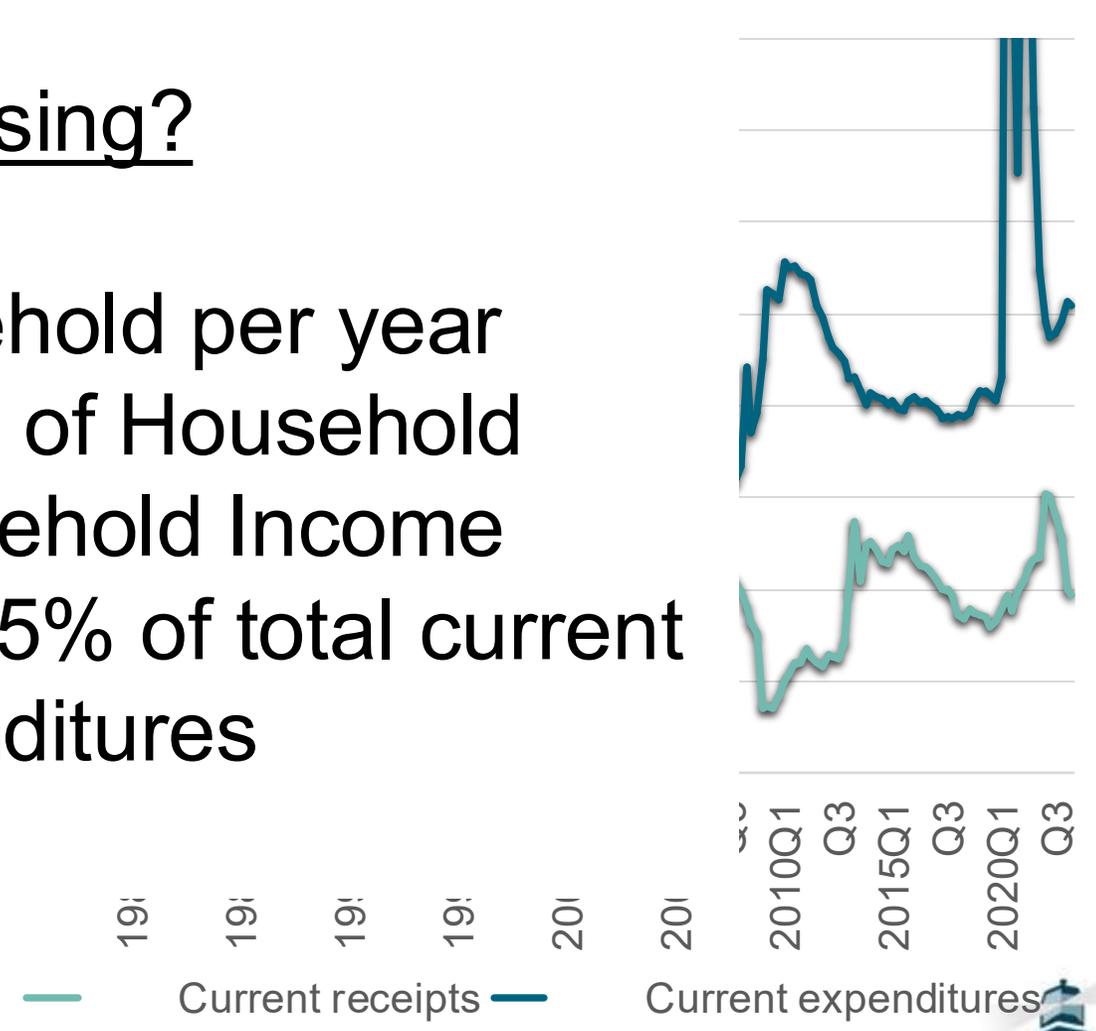
The Federal Deficit

Deficits and Unemployment



Deficit Closing?

- Higher Taxes: 8% of Household Disposable Household Income
- Reduced Spending: 25% of total current Fed expenditures



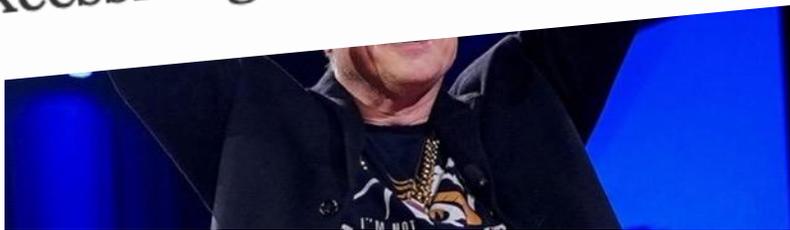
Can Doge fix it? No.



Budget Function	FY 2024	Share of Total
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Trump's Policy Bill Could Add \$2.4 Trillion to Debt, Analysis Shows

The analysis from the nonpartisan Congressional Budget Office was all but certain to inflame concerns that President Trump's domestic agenda would lead to excessive government borrowing.

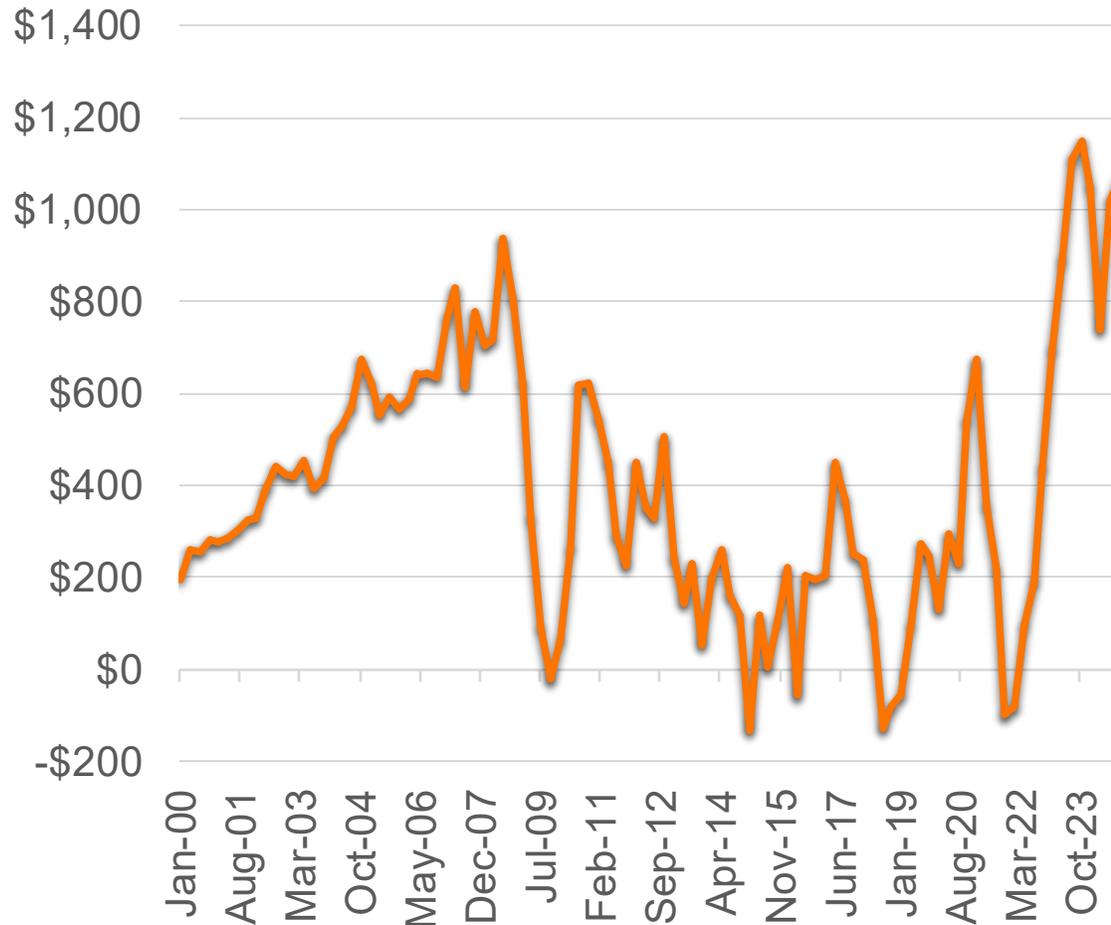


		Total
Grants and fixed charges	\$6,941.2	71.7%
Contractual services and supplies	\$1,145.8	11.8%
Personnel compensation & benefits	\$835.3	8.6%

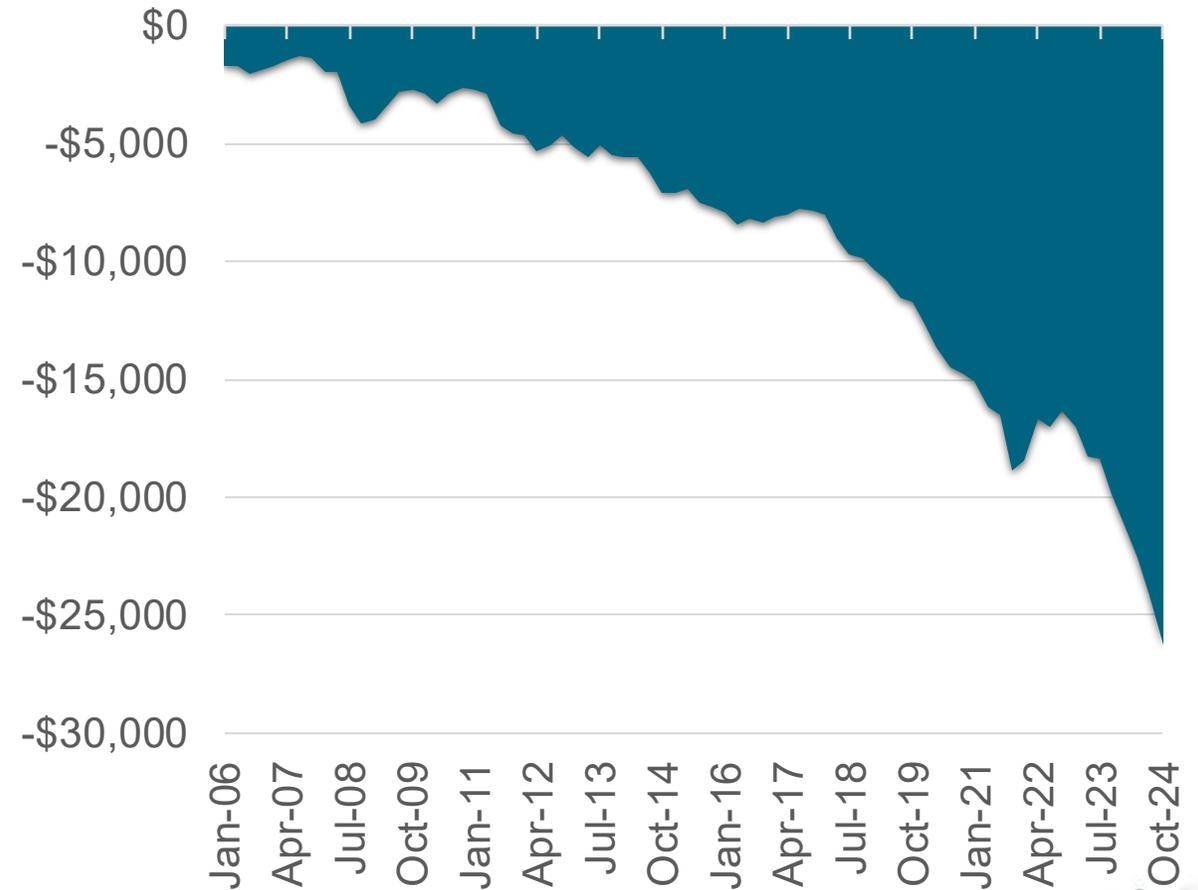


Who is Paying the Bills?

Net Inflows of Portfolio Investment (\$Billions, SAAR)

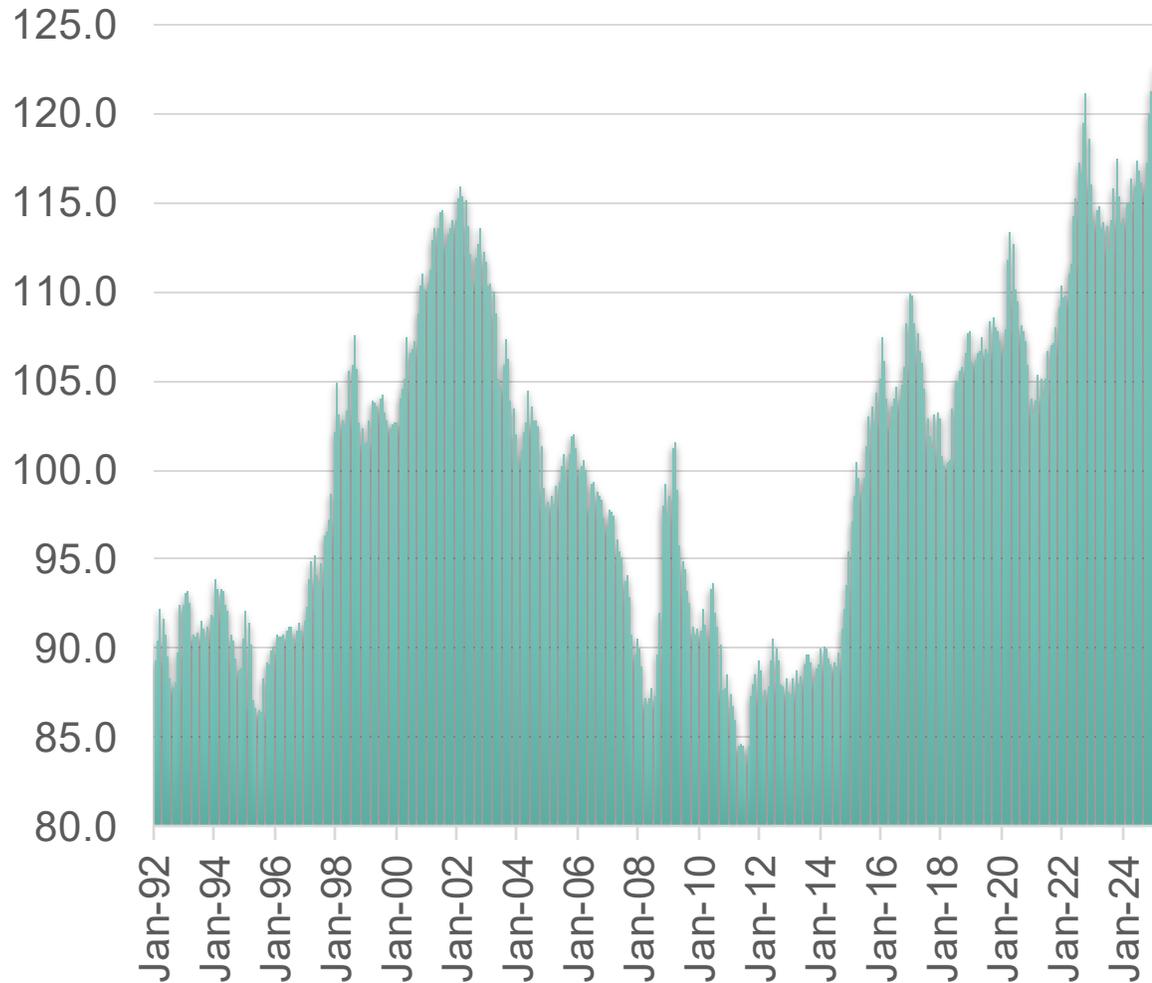


U.S. Net International Investment Position \$Billions

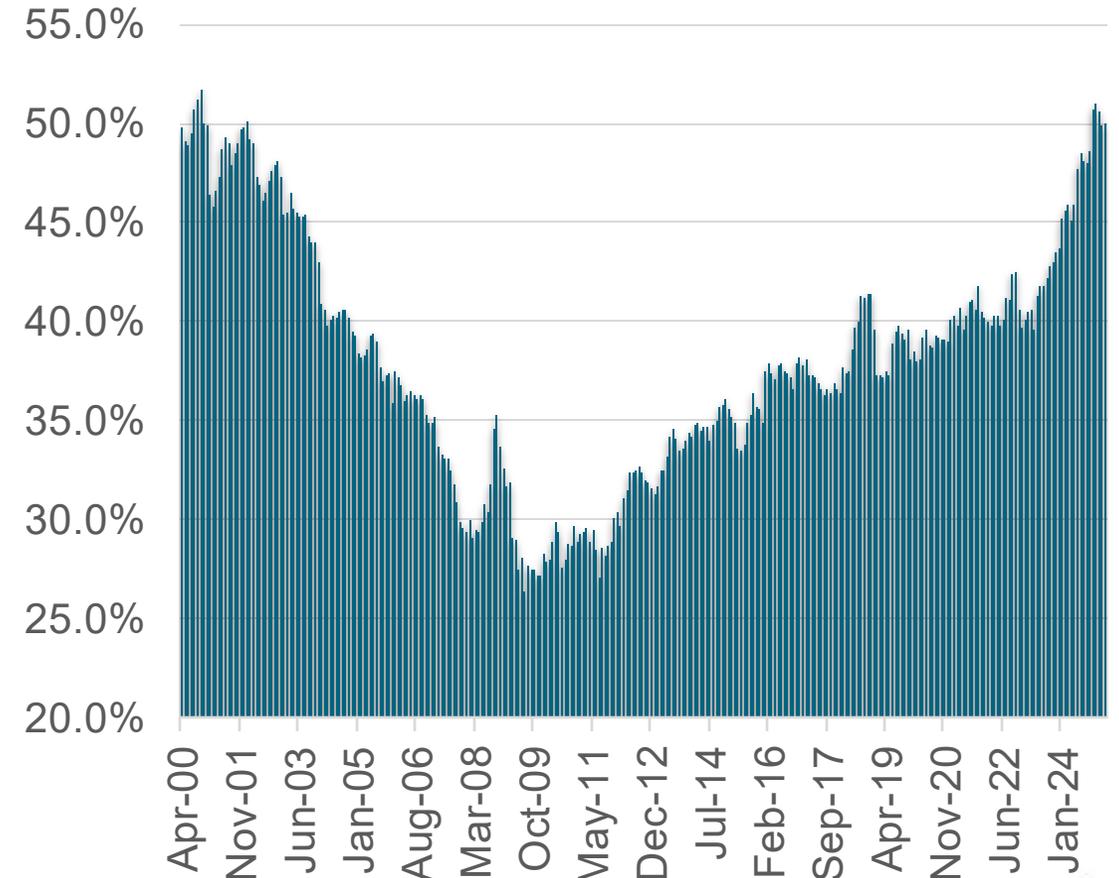


Chasing Yield, Not Value

Real Value \$US (Broad Index)

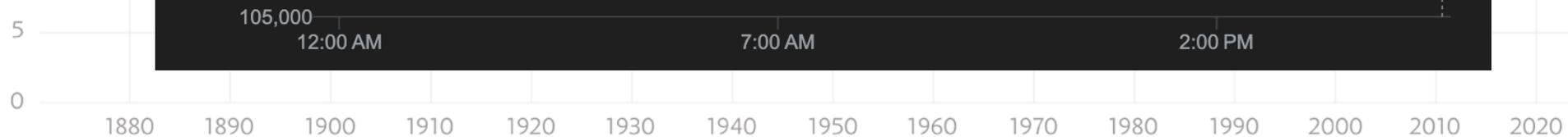
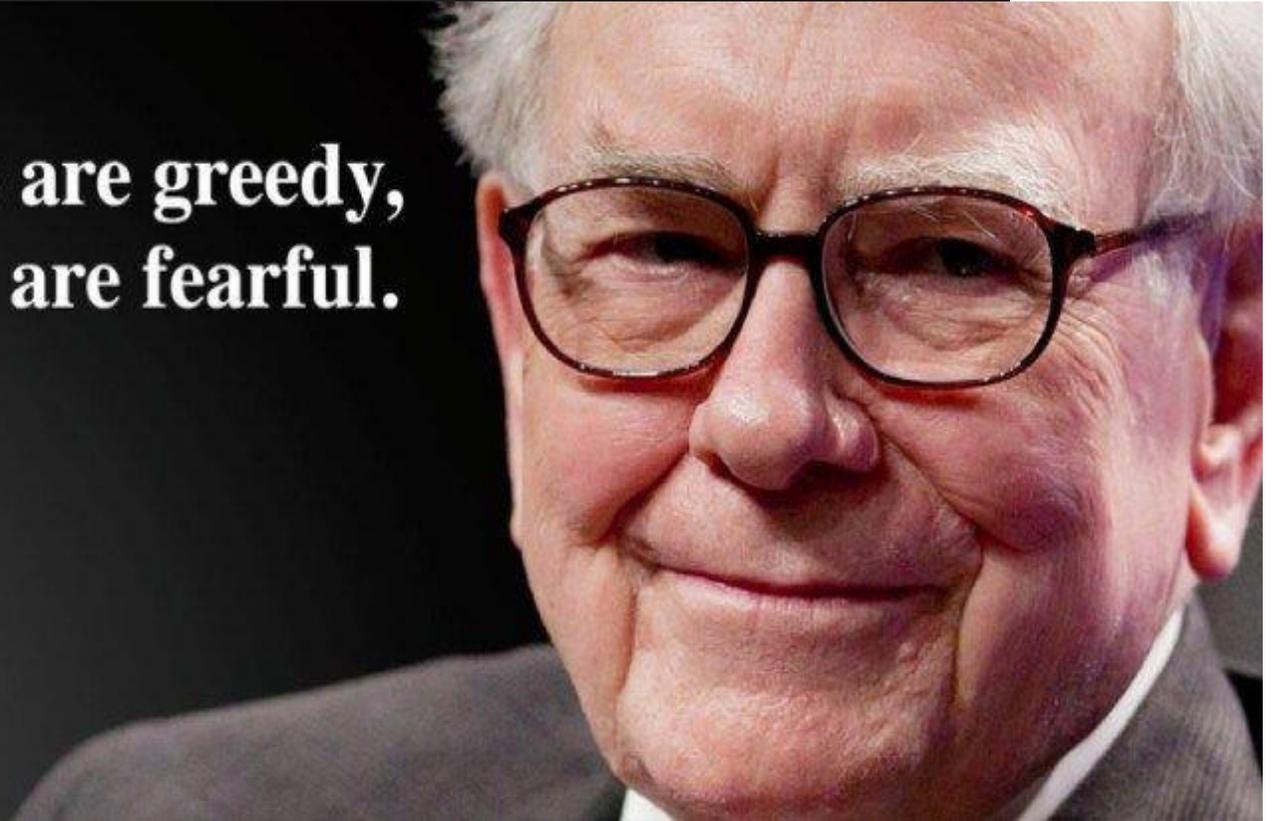


US Equity Market Capitalization as Share of Global Total



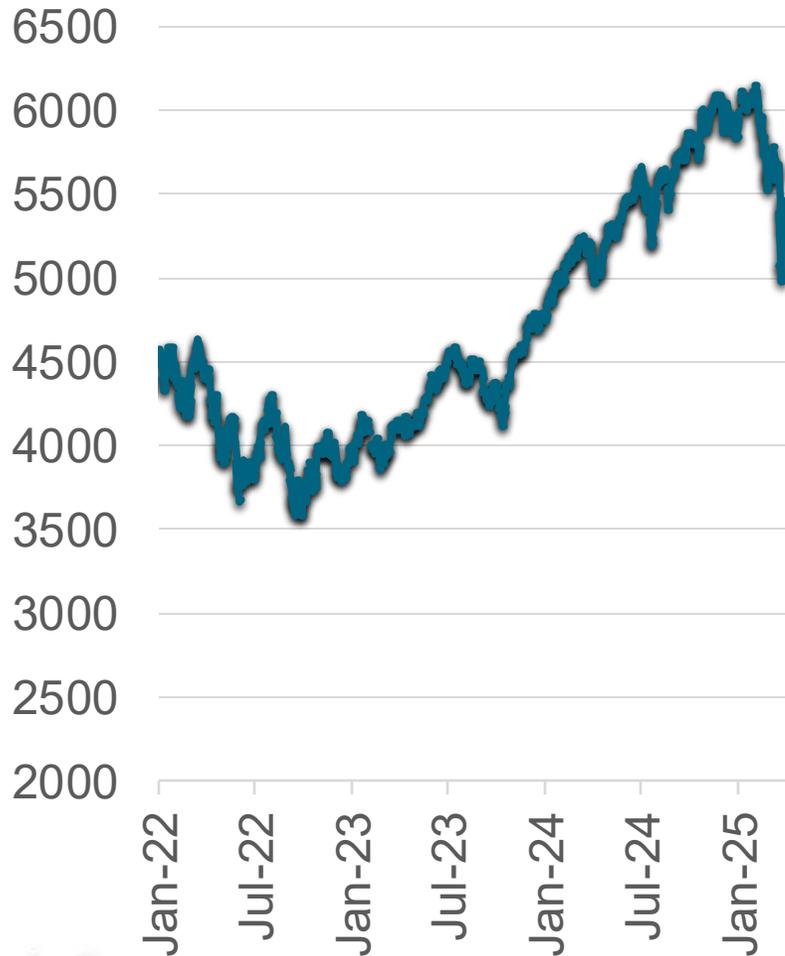
Powell's Other Legacy; Asset Bubbles

**Be fearful when others are greedy,
be greedy when others are fearful.
- Warren Buffett**



The Recent Reactions to Turbulence

S&P 500 Daily Close



10 Year Treasury Rate (%)



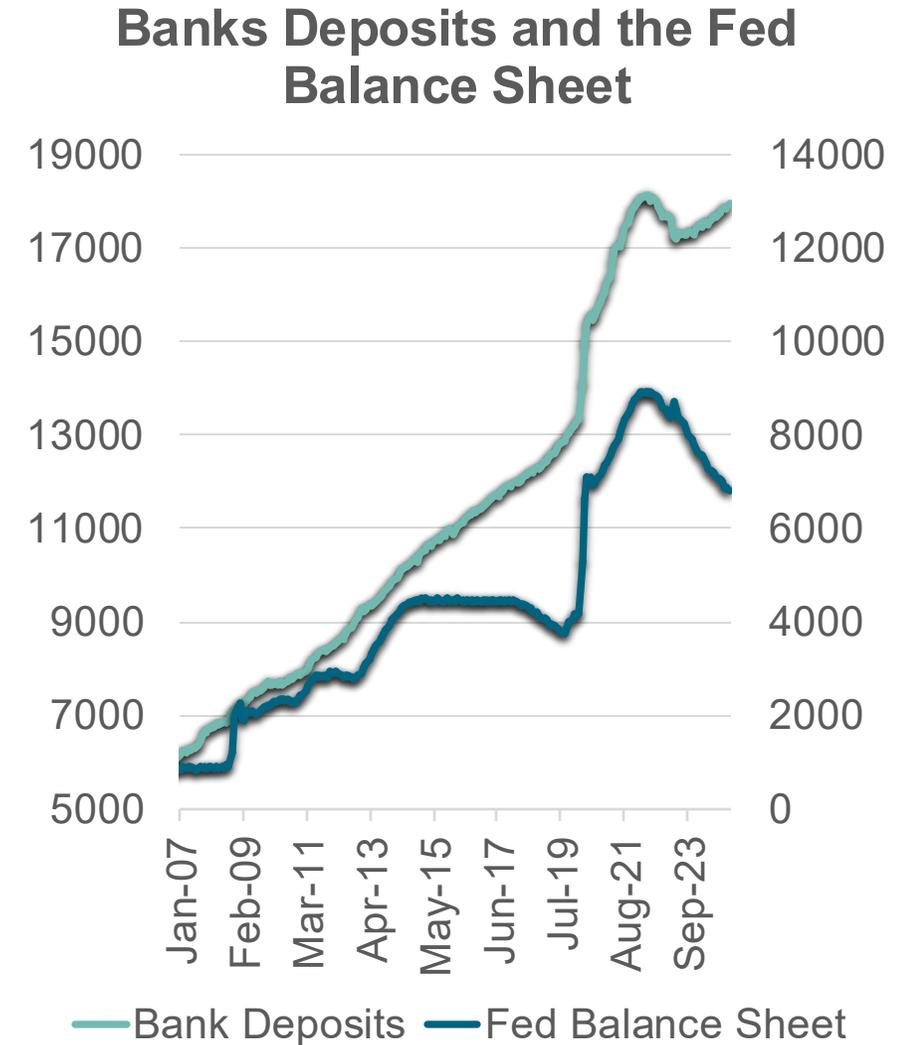
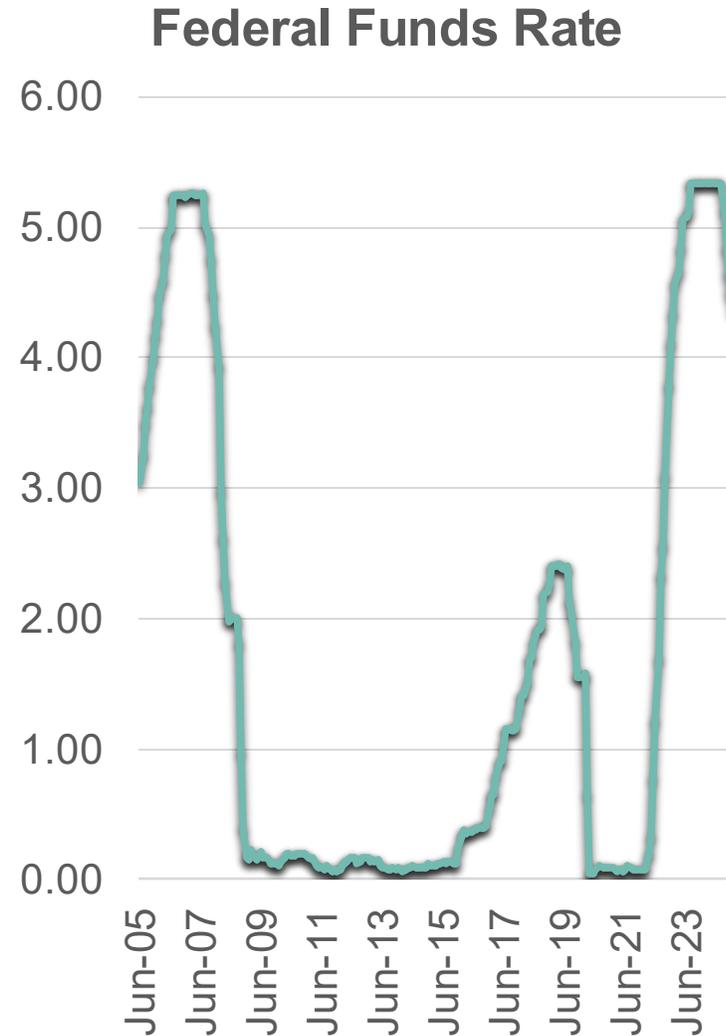
Dollar Index



Where is the Fed?

The Federal Reserve's False Narrative

- US inflation due to some exogenous shock
- Inflation is now being driven by inflation expectations
- Inflation is causing substantial harm to American households
- The Fed must fight inflation and it is worth the loss of some jobs / higher unemployment



The Narrative / Reality Gap

	Q4 12	Q4 16	Q4 20	Q4 24
	Obama	Trump	Biden	Trump
Real GDP Growth YoY Gr	1.6%	2.2%	-1.0%	2.5%
Unemployment Rate	7.8%	4.8%	6.8%	4.1%
Real Per Capita DPI	\$42,342	\$43,846	\$49,476	\$51,637
Household Debt (% GDP)	84.5%	77.9%	77.5%	70.0%
Household Net Worth (% GDP)	413.9%	469.3%	562.3%	539.5%
UM: Consumer Sentiment	79.4	93.1	79.8	72.1
Federal Deficit % GDP	-6.5%	-3.1%	-16.2%	-6.9%
Federal Debt: % GDP	100.1%	104.6%	125.7%	121.9%
Current Account (% GDP)	-2.3%	-2.0%	-3.3%	-4.0%
Net Int Investment (% GDP)	-27.8%	-43.3%	-66.7%	-88.3%
\$Dollar (Broad Real)	87.9	108.0	105.7	119.5
Shiller P/E Ratio	21.24	27.08	32.51	37.22



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