PMMI Business Intelligence

2026-2027 ECONOMIC OUTLOOK

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FOREWORD

This report presents an comprehensive analysis of the U.S. and global economic outlook from 2026 to 2027, incorporating detailed economic forecasts, sector-specific insights, inflationary and interest rate trends, and labor market dynamics. It also includes a long-term warning regarding structural vulnerabilities expected to culminate in a major economic disruption by the end of the decade.

The insights presented are based on real-time indicators, long-term data, and cross-sector analysis reflecting the economic environment as of April 2026. This report was prepared by PMMI and is based on the presentation delivered by ITR Economics during the 2026 Executive Leadership Conference, held in Florida from April 12—15, 2026.

The intent of this report is not only to present an outlook, but to provide a framework for interpreting economic signals and translating them into actionable business strategy.

Methodology and Forecast Framework

Forecasts in this report are built using ITR Economics' proprietary system of leading indicators, emphasizing both accuracy and longevity. Each indicator is selected for its ability to lead economic cycles and reflect future outcomes months in advance. Economic conclusions are not based on sentiment or media narratives, but are grounded in statistically reliable forecasting models.

Forecast accuracy is measured not only by correctness but also by how long forecasts remain unchanged. Several forecasts currently in place were issued more than 24 months ago and remain valid despite the economic turbulence of recent years.

ITR Economics emphasizes the importance of forecast longevity as a key measure of credibility. While accuracy is critical, the firm takes particular pride in the duration of its forecasts—many of which remained unchanged for a year or more before final 2025 data confirmed their validity. This consistency, despite economic volatility and political uncertainty, reflects the strength of ITR's methodology and leading indicator system. The underlying message: while short-term variables such as tariffs and policy shifts require tactical responses, the broader direction of economic demand remains steady and predictable—warranting strategic preparation.

2025 Forecast Results

	Duration in Months	Accuracy
US GDP	18	99.7%
US Ind. Production	16	99.2%
Europe Ind. Production	20	98.7%
Canada Ind. Production	15	98.7%
China Ind. Production	22	97.9%
Retail Sales	21	99.1%
Housing – Single Family	17	91.2%
Employment – Private Sector	23	97.9%

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

THE BIG PICTURE: A SLOWER, UNEVEN EXPANSION

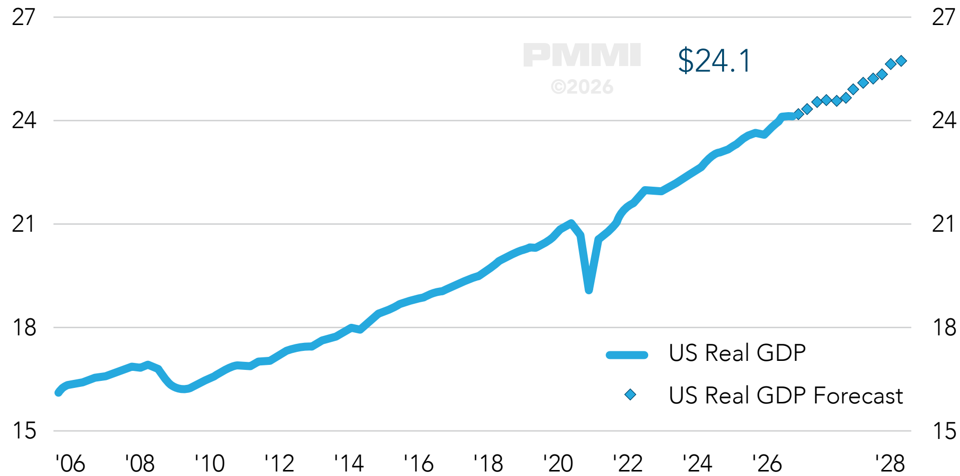
The U.S. economy continues to grow, but the nature of that expansion has shifted.

Gross Domestic Product (GDP) remains at historically high levels and is projected to increase further through 2026. However, the defining characteristic of this phase is not acceleration, but moderation. Growth is occurring at a slower pace, and momentum is less uniform across sectors.

Uncertainty continues to play a role, but its impact is more nuanced than in prior periods. Rather than halting activity, uncertainty is primarily delaying investment and purchasing decisions, resulting in a more gradual progression of the business cycle.

Growth Expected to Characterize 2026

US Real Gross Domestic Product | Quarterly Data Trend: Trillions of Chained 2017 Dollars



Source: BEA

GDP remains at record highs and continues to trend upward. However, the slope of growth has moderated, reinforcing expectations for a slower and more measured expansion cycle.

Taken together, these dynamics point to an economy that is fundamentally stable, yet operating with less momentum than typically seen during expansion phases. This slower pace sets the foundation for how growth and risk should be interpreted across the remainder of this report.

GLOBAL ECONOMY: RECOVERY WITH FRICTION

Building on this slower domestic expansion, global conditions are also improving, though with similar constraints.

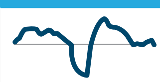
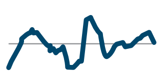
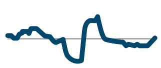
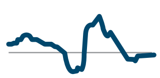
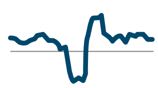
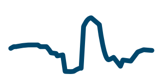
The global economy is gradually emerging from a period of slowed growth, though the recovery remains uneven across regions.

While industrial activity is improving, the pace of expansion varies significantly by geography. Some regions are transitioning into growth, while others are stabilizing following prior contraction.

In North America, Mexico is exhibiting stronger forward momentum, with industrial input forecast to recover to 0.8 in 2026, supported by its integration within regional supply chains and improving industrial output. Canada, while more closely tied to U.S. performance, is also showing signs of gradual improvement.

Across Europe, economic conditions are stabilizing, with several markets returning to modest growth. Meanwhile, Asia continues to lead in overall growth rates, although long-term expansion is expected to moderate due to structural demographic challenges.

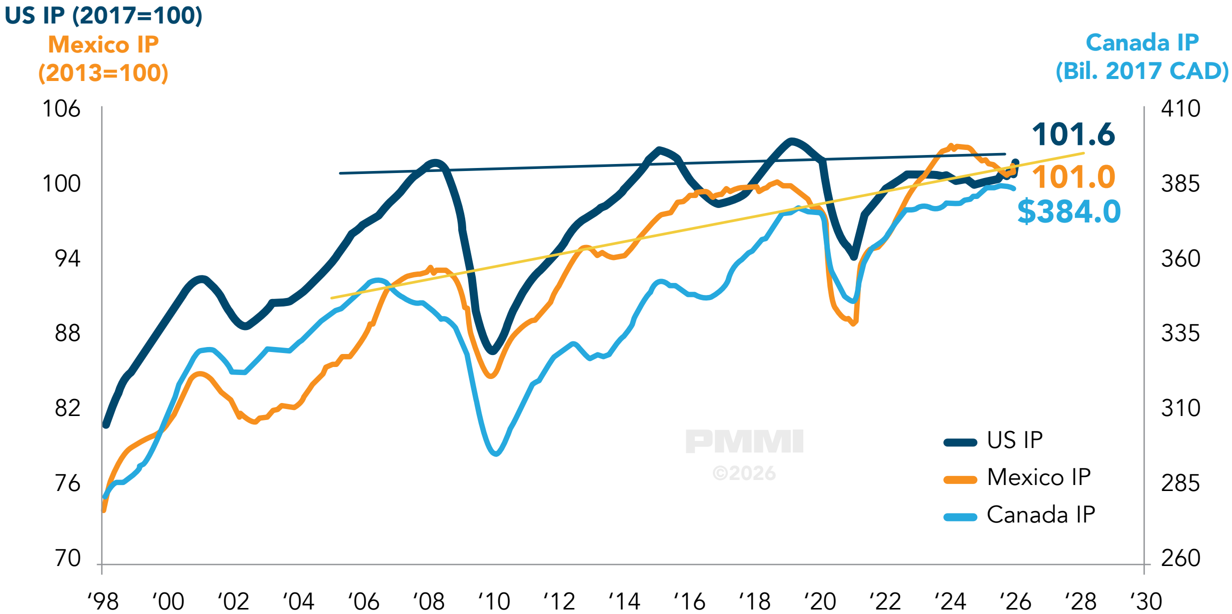
The Global Economy At-a-Glance

	Historical 12/12	Historical 12MMT/A	Current 12/12	2026	2027	2028
Canada Industrial Production			0.9	1.3	0.3	1.6
Mexico Industrial Production Index			-1.3	0.8	0.2	0.5
Brazil Manufacturing and Mining Industrial Production Index			0.6	0.9	-0.1	1.3
Western Europe Industrial Production Index			-0.2	1.2	0.8	0.5
Eastern Europe Industrial Production Index			0.3	3.5	1.0	3.2
India Industrial Production Index			3.8	3.3	3.7	4.4
China Industrial Production Index			5.9	3.9	4.5	6.6

Sources: ITR Economics Trends Report™
Growth is becoming more widespread across global regions, with several economies transitioning into recovery or expansion phases.

Highly Correlated; Strongest Growth in Mexico

US Industrial Production Index to Canada Industrial Production to Mexico Industrial Production Index
Annual Data Trends



Sources: FRB, Statistics Canada, Mexico National Institute of Statistics and Geography

Industrial production trends highlight stronger relative growth in Mexico, with the U.S. and Canada showing more gradual improvement.

Taken together, these dynamics point to a global environment that is improving in direction but constrained in pace — **a recovery that is broadening without significantly accelerating**.

- Tariffs are mostly paid by the consumer and are inflationary.
- Tariff impacts should diminish as 2026 progresses.
- Geopolitical uncertainty to remain elevated in the near term.

NEXT STEPS:

Nationalism provides protection from foreign competition and *may* reduce urgency of efficiencies and cost reduction.

US ECONOMY: GROWTH IS SHIFTING

While overall economic growth remains positive, its composition is changing.

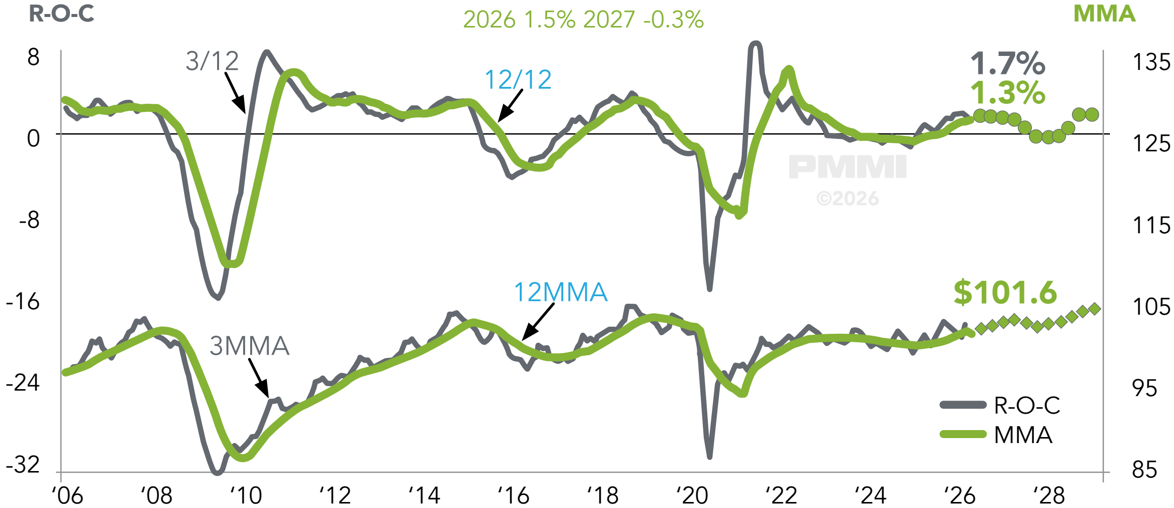
Expansion is increasingly concentrated in:

1. Services
2. High-Technology Industries

Traditional manufacturing sectors continue to experience slower growth.

Rise Underway

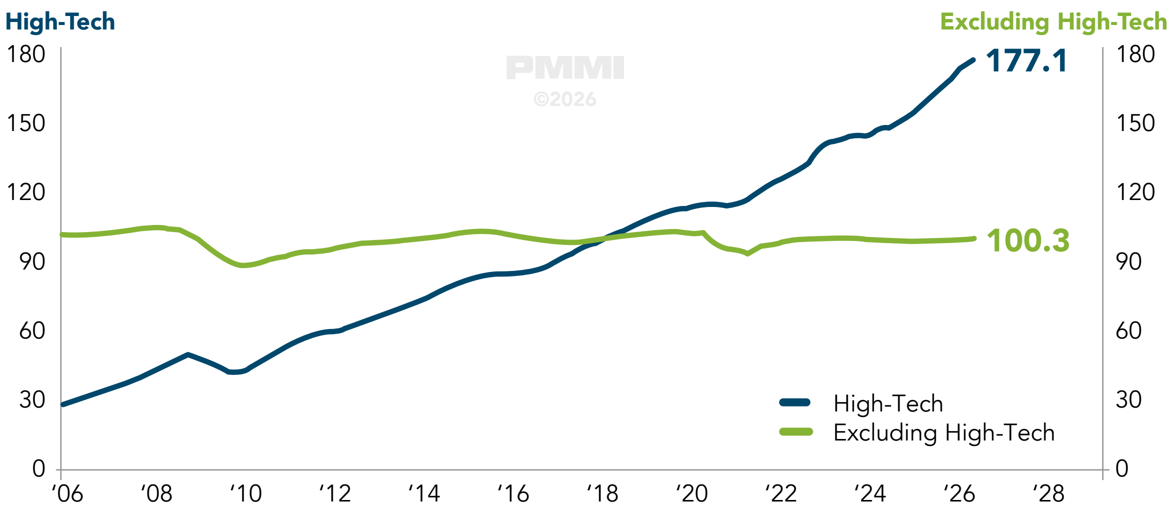
US Industrial Production Index | 2017=100
2026 1.5% 2027 -0.3%



Source: FRB
Growth is positive but modest, reflecting a gradual recovery.

Growth Has Clearly Shifted to High-Tech Industries

US Production Index for High-Technology Industries to Total (excluding high-technology)
Annual Data Trends: 2017=100

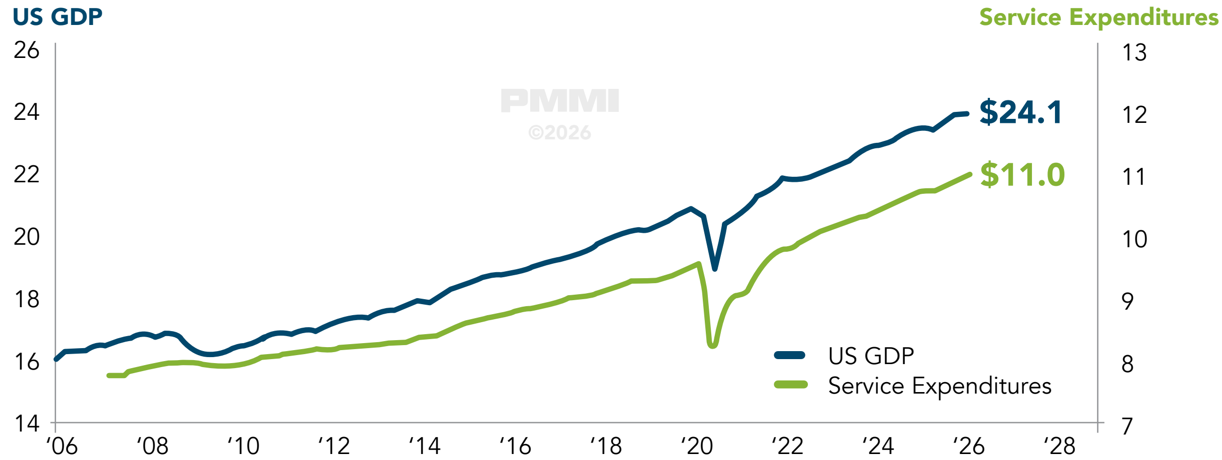


Source: FRB
High-tech sectors are driving a disproportionate share of growth.

Service Sector Showing Signs of Strength Relative to Total GDP

US Real Gross Domestic Product to US Services Personal Consumption Expenditures (deflated)

Quarterly Data Trends: Trillions of Chained 2017 Dollars



Source: BEA
Services continue to play a dominant role in overall economic expansion.

While these trends confirm that growth persists, they also highlight an important shift: **where growth is occurring is becoming just as important as how much growth is occurring**.

This evolving composition of growth, combined with rising cost pressures across the economy, creates a more complex operating environment—one that is best understood by examining the underlying structural drivers of this cycle.

- 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.

STRUCTURAL DRIVERS OF THIS CYCLE

To fully understand the current economic environment, it is necessary to look beyond growth rates and examine the forces shaping both cost structures and capacity across the economy.

Inflation, labor availability, energy demand, and productivity are not independent factors—they are interconnected drivers that collectively define the pace and profitability of growth in this cycle.

Inflation & Interest Rates: A New Regime

Inflation has transitioned from a temporary disruption to a **structural feature of the economic landscape.**

After moderating from peak levels, inflation is expected to stabilize within a **2–4% range through at least 2028**, reflecting ongoing pressure from multiple underlying drivers.

These include:

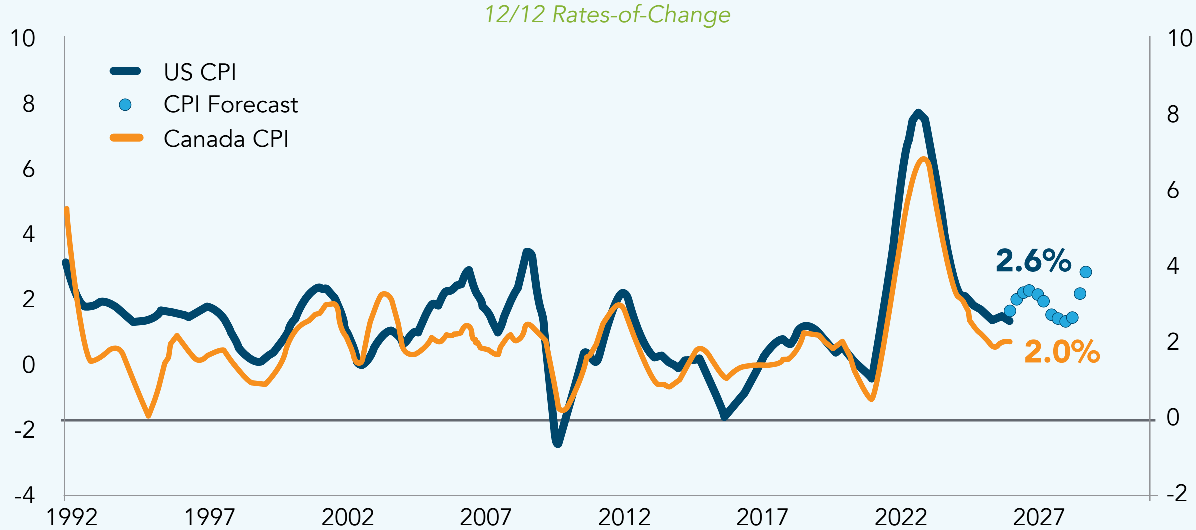
- Elevated government spending and fiscal policy
- Persistent labor shortages and wage growth
- Rising energy demand and infrastructure expansion
- Continued input cost pressures across industries

Importantly, while tariffs contributed to earlier inflationary increases, their impact has largely **already passed through to prices**, shifting the focus toward longer-term structural drivers. This distinction matters: tariff-related pricing pressure is largely in the rear-view mirror, while the drivers listed above (government spending, labor costs, energy demand and input costs) are the forces expected to sustain inflation through 2028.

More Persistent Inflationary Pressures

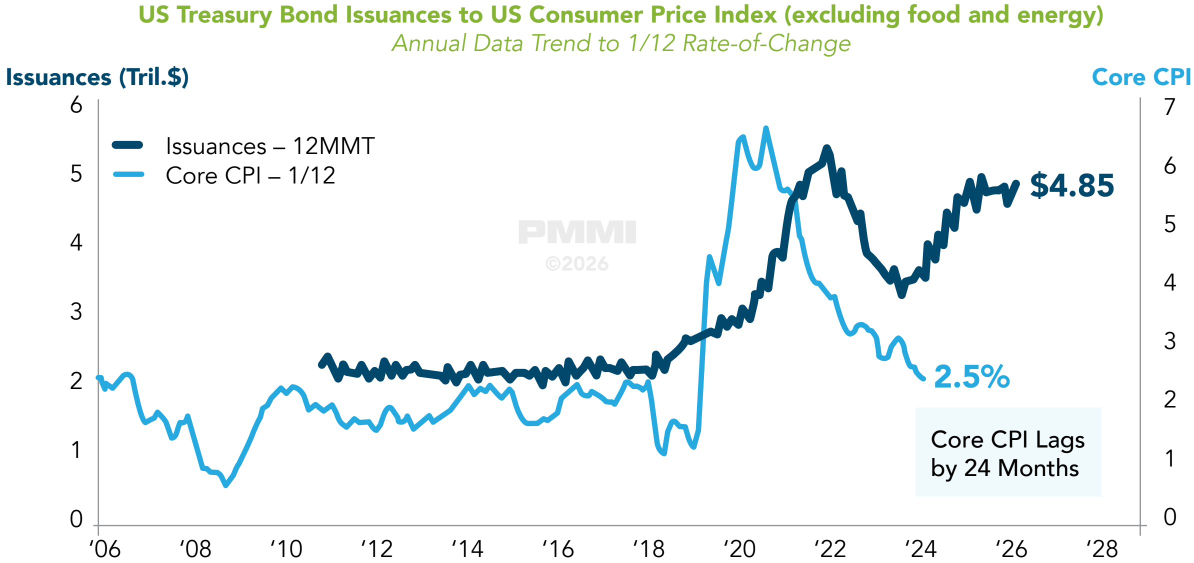
US Consumer Price Index to Canada Consumer Price Index

12/12 Rates-of-Change



Source: BLS, Statistics Canada
Inflation remains elevated across major economies, with limited evidence of a return to historically low levels.

Fiscal Policy: An Important Input to Our Inflation Forecast



Source: SIFMA, BLS
Government spending trends suggest additional inflationary pressure is already embedded in the system.

Interest Rate Outlook

Given this inflation environment, interest rates are expected to:

- Remain stable in the near term
- Carry greater risk of increasing rather than decreasing

For businesses, this reinforces a critical point: **the current borrowing environment may represent a near-term floor rather than a temporary pause**.

These persistent cost pressures set the stage for broader challenges across labor markets and input costs, both of which continue to reinforce inflationary conditions.

Labor Market: Structural Constraint

The inflationary pressures are closely tied to conditions in the labor market, which remains one of the most significant structural constraints on economic growth.

While labor market conditions have eased modestly from peak tightness, the underlying imbalance between labor supply and demand persists. This is not the result of a typical business cycle fluctuation, but rather a longer-term demographic shift that continues to limit workforce availability.

Several structural dynamics are driving this imbalance:

- A near 1:1 ratio of unemployed individuals to job openings
- Continued retirement of baby boomers
- Insufficient replacement from younger generations
- Limited re-entry of workers into the labor force

Employees Market

US Number of Unemployed Persons per Job Opening | *Raw Data: Number of Persons*

Source: BLS
Labor market tightness persists, with limited available workforce capacity.

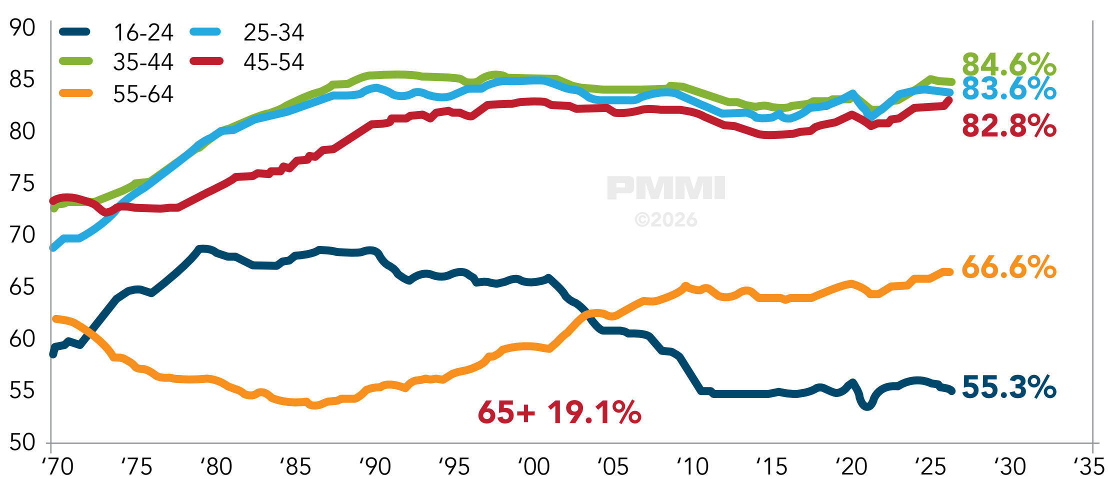
At approximately 1.2 unemployed persons per job opening, the labor market remains exceptionally tight by historical standards. While this represents some easing from recent lows, it remains well below pre-pandemic levels, indicating that demand continues to absorb most available labor supply.

While this highlights current tightness, participation trends help explain why this imbalance is unlikely to ease meaningfully. Prime-age participation (ages 25 – 54) remains elevated at roughly 82 – 84%, suggesting the core workforce is already highly engaged. Although participation among older workers has increased, these gains largely extend existing trends rather than adding new capacity. Meanwhile, younger participation remains comparatively low, limiting the ability to offset demographic losses.

Taken together, these trends indicate that the labor market has already absorbed much of its available capacity, leaving little room for meaningful expansion.

Culture: Do Well, Do Good, Be Aware

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



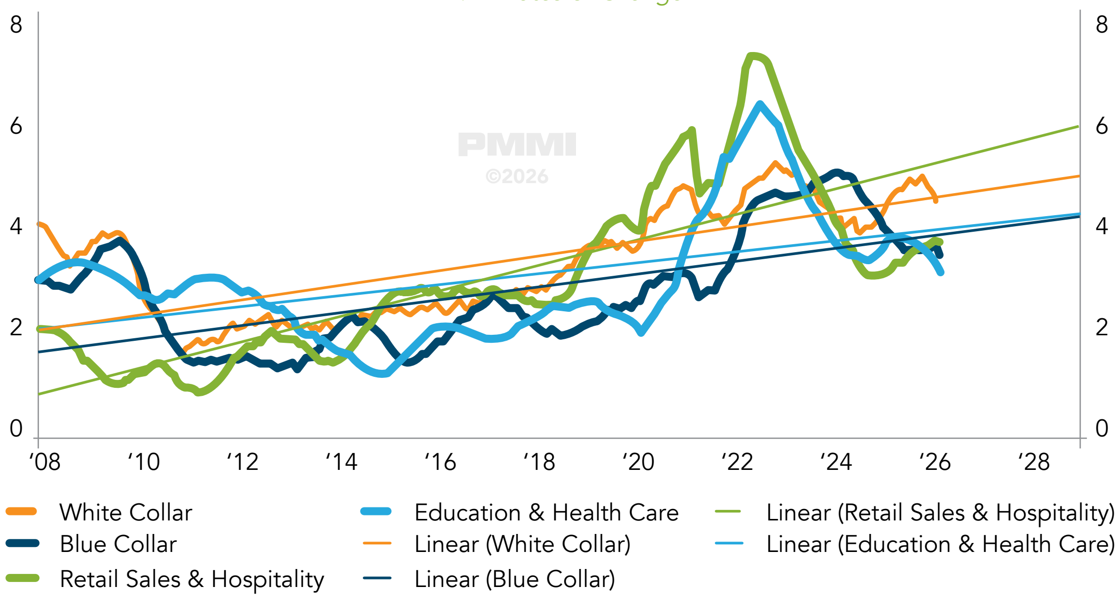
Source: FRB
Participation rates indicate little remaining opportunity to expand the labor pool.

Wage growth, while moderating from peak levels, remains elevated and broadly distributed across sectors. Importantly, wages are stabilizing at a higher baseline rather than returning to pre-pandemic norms, reinforcing labor as a persistent source of cost pressure.

Know Your Labor Pool

US Average Hourly Earnings: Blue Collar Workers to White Collar Workers to Retail Sales and Leisure/Hospitality to Education and Health Care

12/12 Rates-of-Change



Source: BLS
Wage increases remain a consistent source of cost pressure across industries.

The implication is clear: **Labor availability, not demand, is increasingly the limiting factor for growth.**

This dynamic not only limits growth potential but also reinforces ongoing wage-driven cost pressures, further contributing to the broader inflation environment.

- 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 labor costs through the rest of this decade.

Energy & Cost Pressures: A Structural Shift

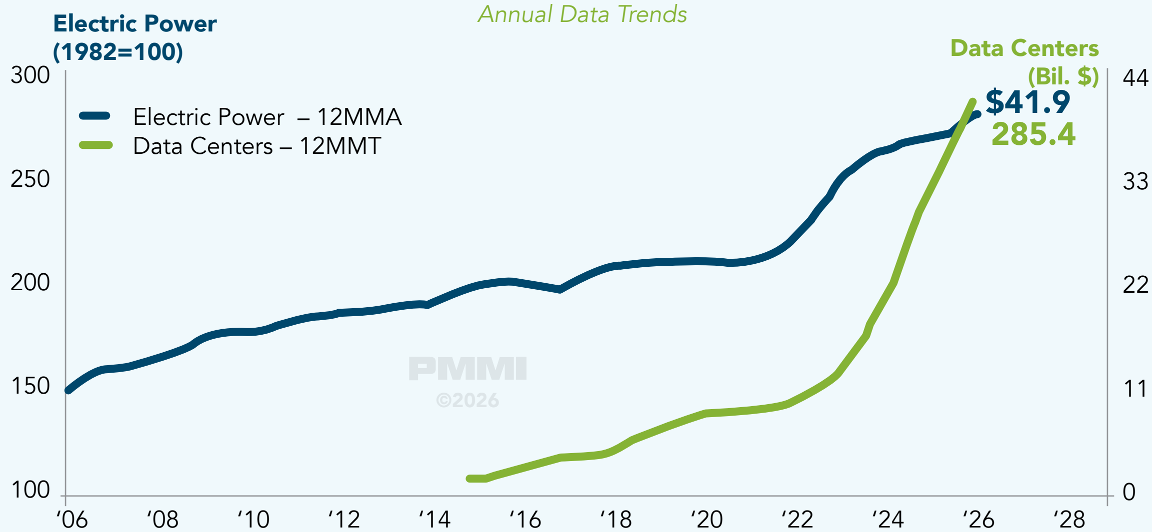
In addition to labor, energy is emerging as another critical—and often underappreciated—driver of long-term cost pressures. The rapid expansion of data centers and digital infrastructure, particularly those supporting artificial intelligence, is significantly increasing electricity demand. In the U.S., private data center construction has surged to approximately $42 billion, reflecting a sharp acceleration in investment over a relatively short period. This growth is not cyclical, but structural, driven by sustained demand for computing power rather than short-term economic conditions.

As data center investment continues to expand, the strain on energy infrastructure is expected to intensify. Unlike traditional commodity-driven energy shocks, this trend reflects a long-term shift in demand, suggesting that electricity costs may remain elevated even in periods of broader economic moderation.

The US Draws More Energy for Data Centers Than Anyone Else

US Electric Power Producer Price Index to US Private Data Center Construction

Annual Data Trends



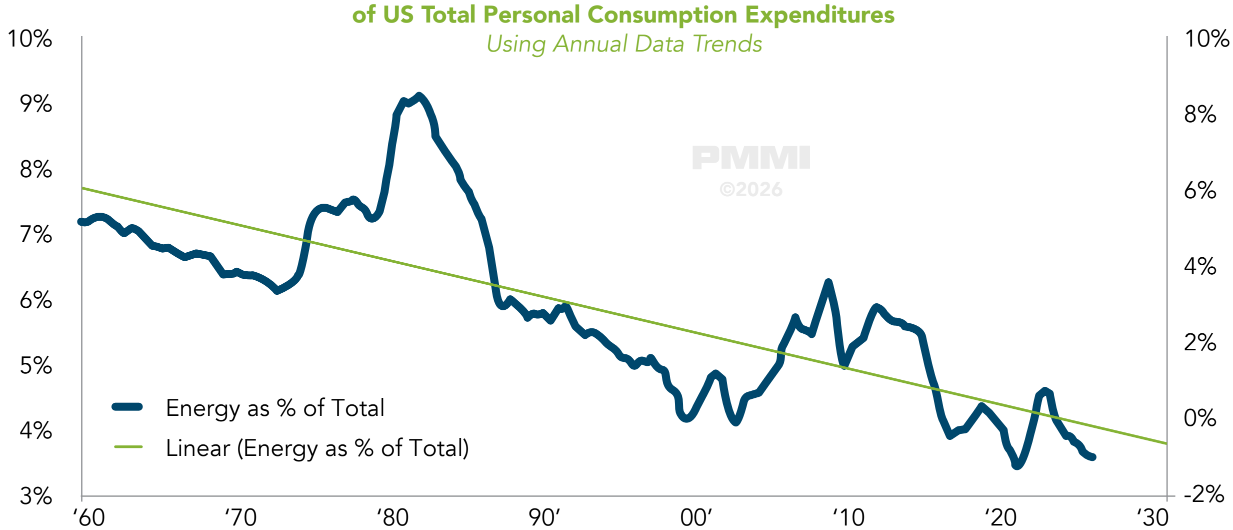
Source: BLS, US Census Bureau

Private data center construction has risen sharply to approximately $42 billion, while the Electric Power Producer Price Index has climbed to 285.4 (1982 = 100). This parallel increase highlights the growing role of data centers in driving sustained upward pressure on electricity costs.

While geopolitical events may create short-term spikes in oil prices, these are expected to be temporary. In contrast, electricity demand represents a **long-term structural change**.

At the same time, energy expenditures as a share of total consumer spending remain relatively low by historical standards, providing some insulation against short-term volatility.

Consumer Budgets Less Impacted by Energy Now Than Before

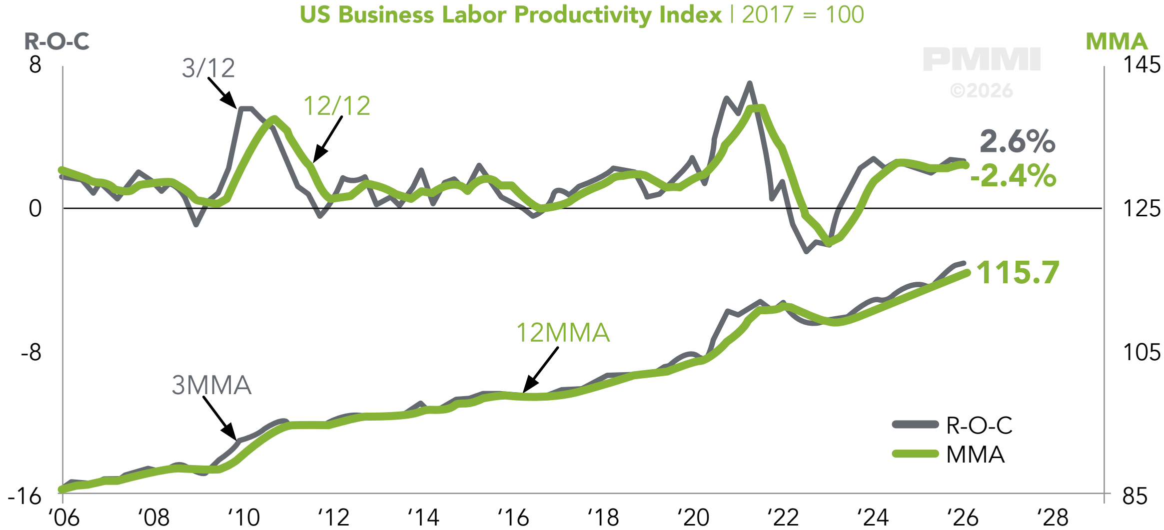


Source: BEA
Consumers are currently less exposed to energy costs than in previous decades, limiting immediate economic impact.

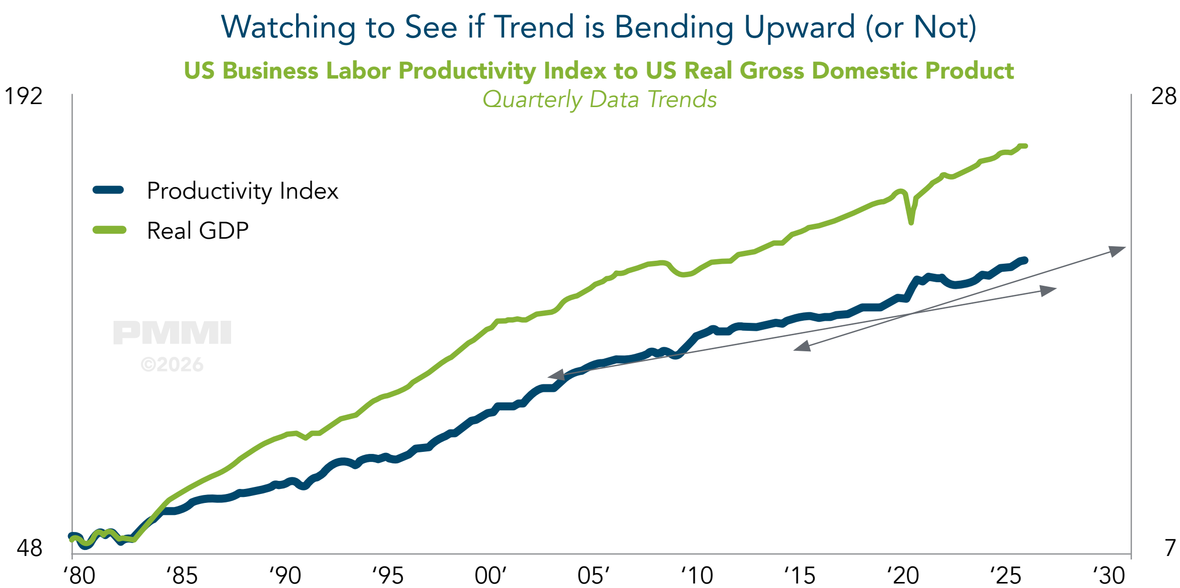
While both labor and energy costs continue to rise, an important question remains: can productivity improvements offset these pressures?

Productivity & AI: Incremental, Not Transformational (Yet)

Despite rapid adoption of artificial intelligence and digital tools, the answer—at least in the near term—is largely no. Overall productivity continues to rise gradually, but there is **no clear inflection point** indicating a structural shift.

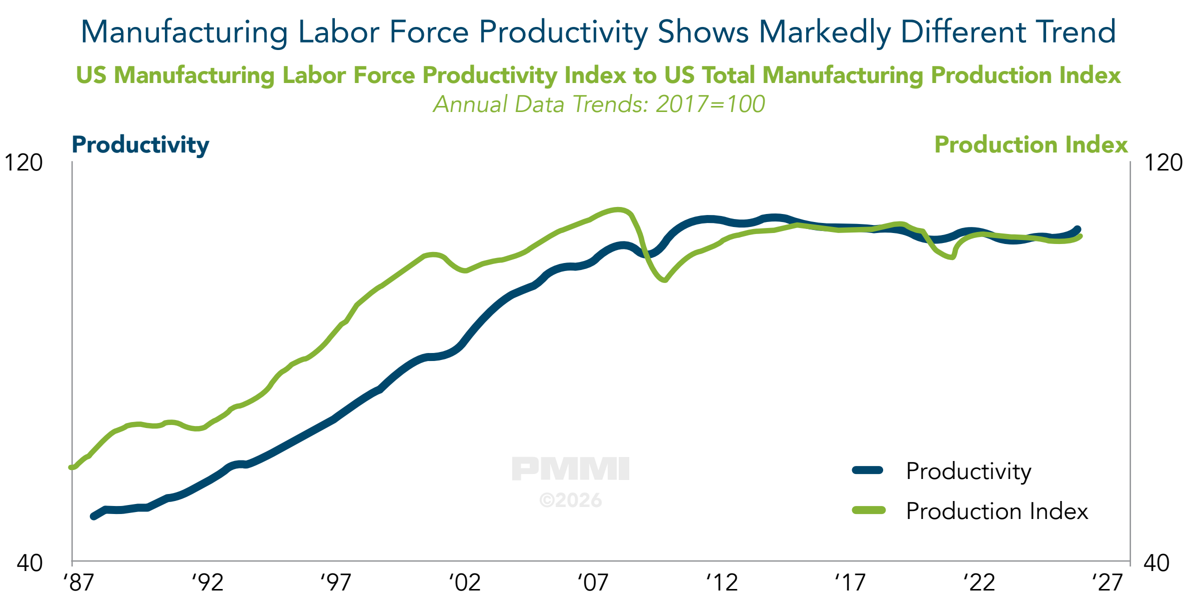


Source: BLS



Source: BLS, BEA
The relationship between productivity and GDP shows no meaningful shift in trend.

In manufacturing, productivity trends are even more constrained, with some indicators suggesting stagnation or slight decline. Manufacturing productivity remains limited, highlighting sector-specific challenges.



Source: BLS, FRB

This suggests that while AI holds long-term potential, its near-term impact is likely to be **incremental rather than transformative**. As a result, businesses are likely to face a prolonged period in which cost pressures persist without a corresponding acceleration in productivity gains—further reinforcing the margin challenges businesses are likely to face in the coming years.

THE CONSUMER: A BIFURCATED ECONOMY

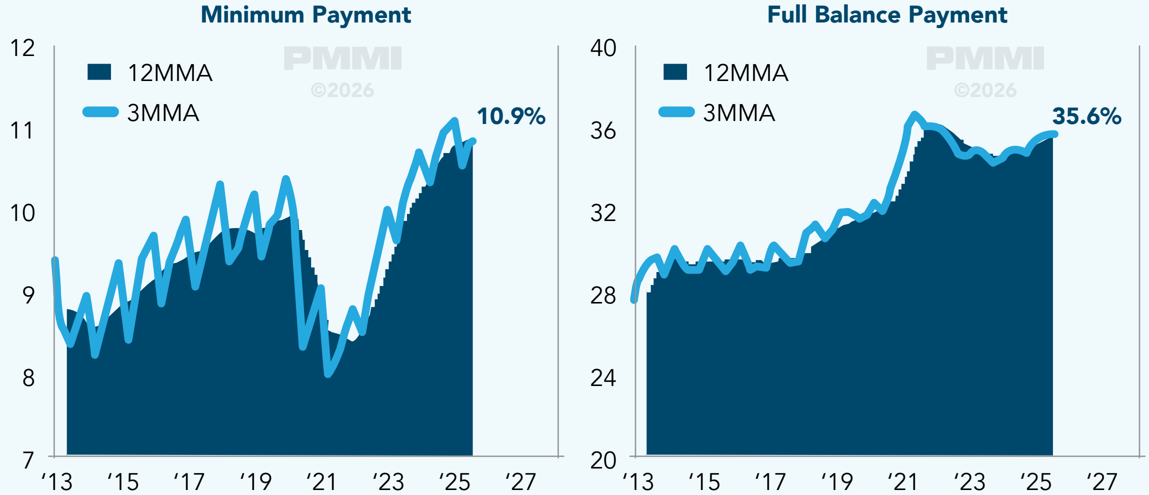
While cost pressures continue to build on the supply side, their effects are increasingly visible in consumer behavior.

Higher-income households continue to demonstrate strong financial health, supported by asset appreciation and income growth. In contrast, lower-income consumers are facing rising cost pressures and greater reliance on credit. An increase in both minimum and full-balance payments highlights growing divergence among consumers.

A Bifurcated Consumer Base

US Share of Consumer Credit Card Accounts Making the Minimum Payment to Accounts Making the Full Balance Payment

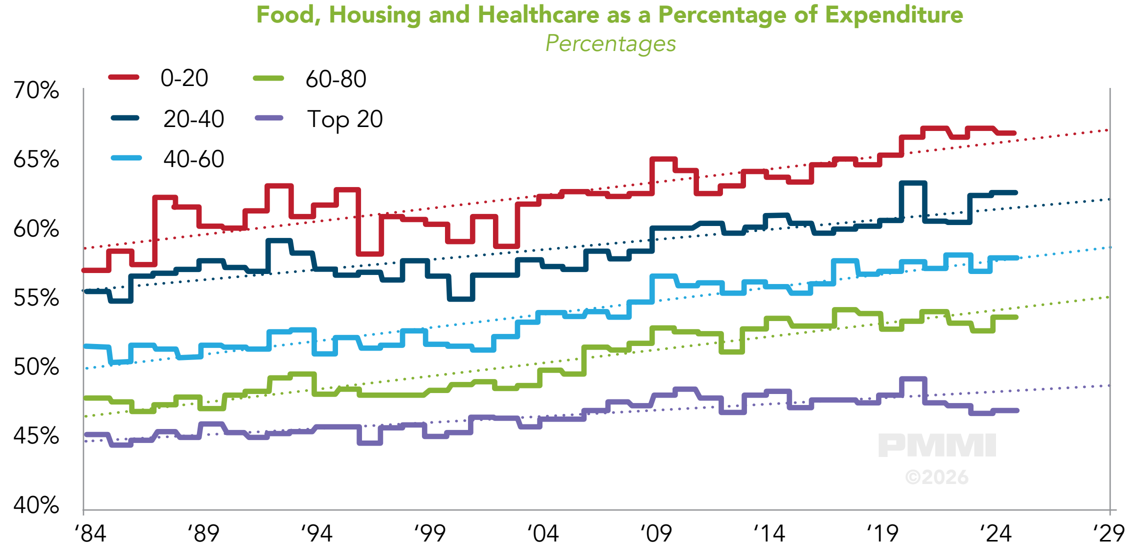
Data Trends: Percent



Source: FRB Philadelphia

This bifurcation is also evident in spending patterns. Lower-income households are allocating a larger share of spending to essentials, limiting discretionary capacity.

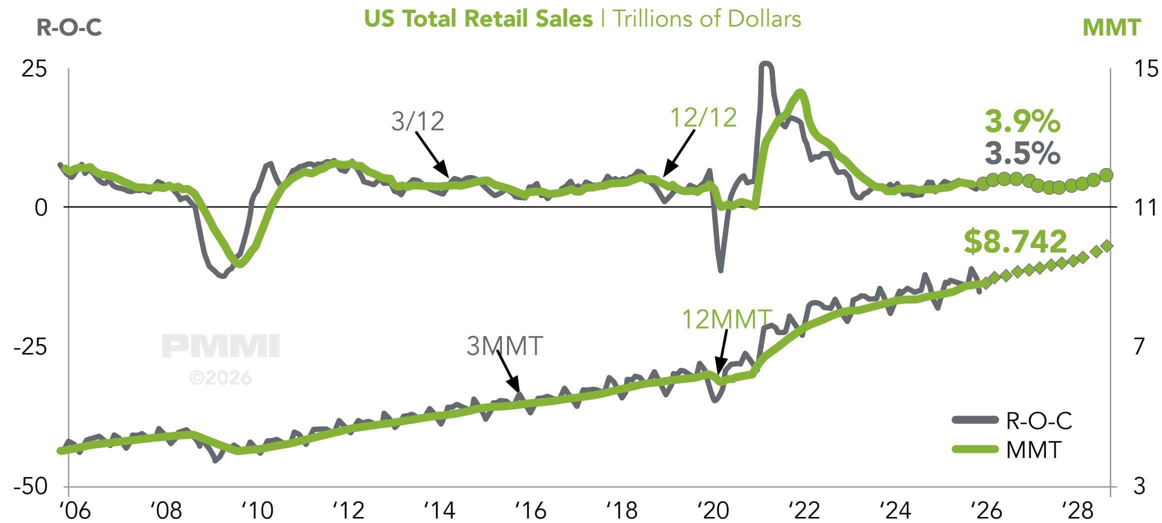
Low to Middle Income Spending Getting Crowded Out; Middle to Upper Income Solid



Source: BLS

Despite these differences, overall retail activity remains resilient. Total retail sales continue to grow, supported by higher-income consumer activity.

Retail Sales Pick Up Speed in 2025



Source: US Census Bureau

The result is a **K-shaped consumer economy**: aggregate retail activity remains positive, supported largely by upper-income households. But the lower half of earners is under genuine pressure—spending a growing share of income on necessities, relying more heavily on credit, and limiting discretionary purchases. Businesses should not interpret headline consumer resilience as broad-based demand strength; where a customer sits in the income distribution will increasingly determine their behavior.

HOUSING & CONSTRUCTION:
MISALIGNMENT, NOT COLLAPSE

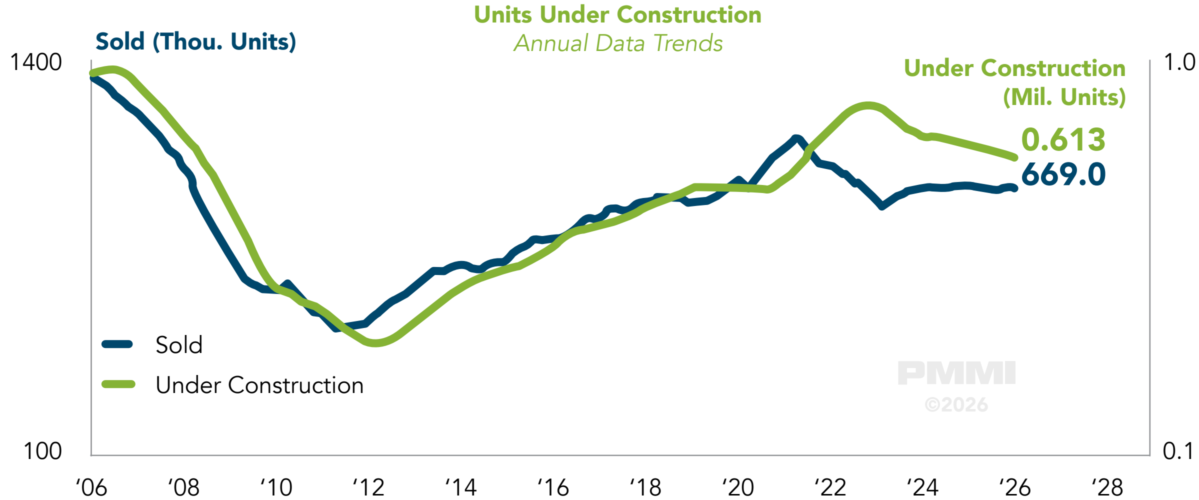
These same financial pressures are also shaping housing market dynamics, where affordability constraints and structural mismatches continue to limit activity. The housing market is constrained by structural challenges rather than experiencing a broad-based downturn.

A key issue is the growing disconnect between:

- The types of homes being built
- The types of homes consumers are able and willing to purchase

New Homes Under Construction Rose Too High

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

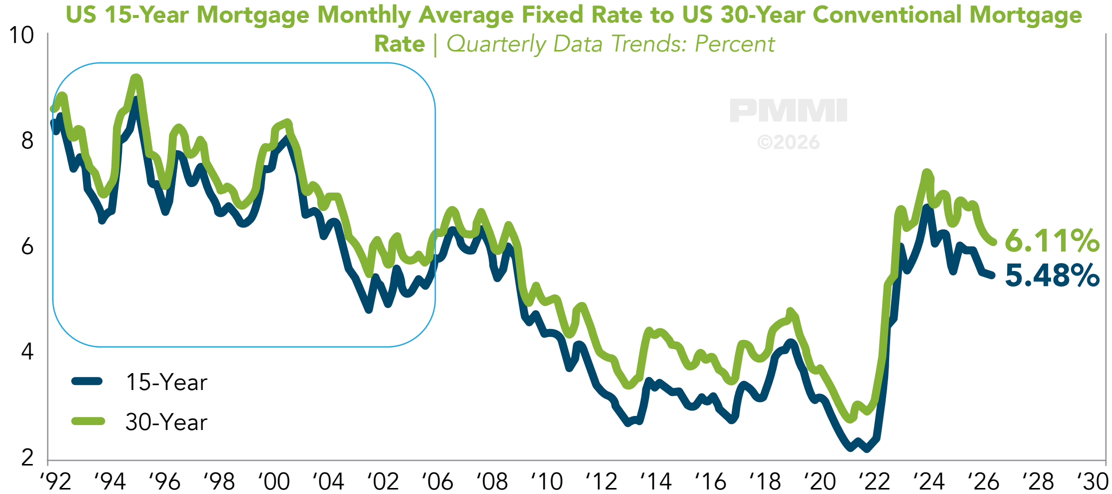


Source: US Census Bureau
Construction activity remains elevated despite weaker sales, highlighting a supply-demand mismatch.

Mortgage rates have stabilized at higher levels, creating a new baseline for affordability.

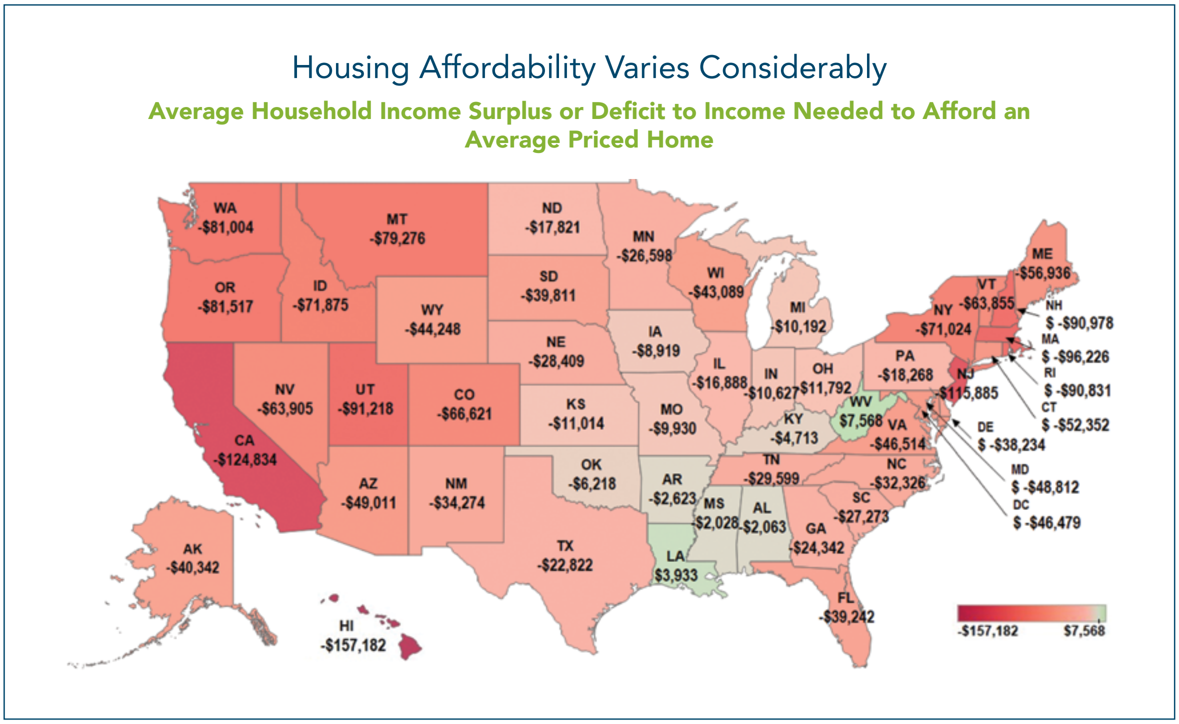
Mortgage Rates Trending into the "New Normal"

US 15-Year Mortgage Monthly Average Fixed Rate to US 30-Year Conventional Mortgage Rate | *Quarterly Data Trends: Percent*



Source: Freddie Mac
Rates have entered a "new normal," limiting purchasing power.

Affordability challenges vary significantly by region.



Sources: Zillow, District Lending, FHA, Freddie Mac, BLS
Significant disparities exist across states, influencing migration and housing demand patterns.

- Construction activity is uneven, with opportunities concentrated by segment and region.
- Affordability constraints and low home turnover limit new construction but sustain remodel demand.
- Multifamily and select institutional projects provide more consistent opportunities than single-family starts.

NEXT STEPS:

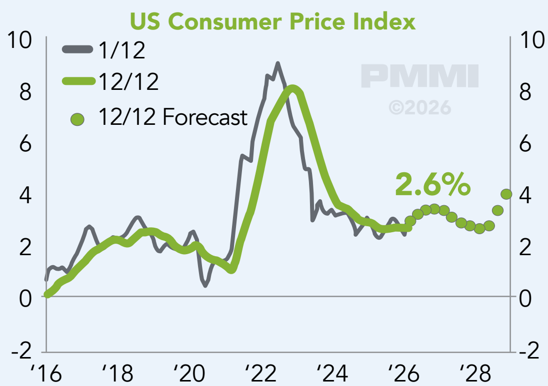
Build relationships now for the next construction upswing.

PROFITLESS PROSPERITY: A DEFINING RISK

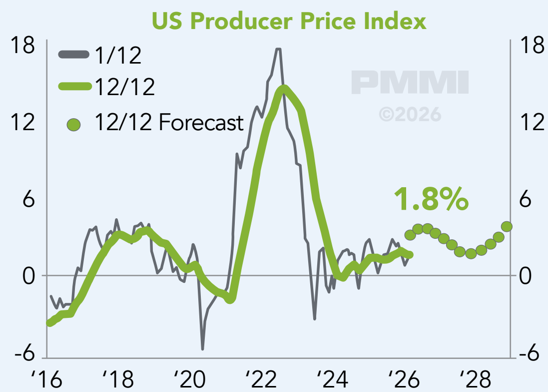
Taken together—moderating growth, persistent inflation, labor constraints, and limited productivity gains—these dynamics point to a defining risk in the current cycle: **profitless prosperity**.

While revenue growth may continue, rising input costs are placing sustained pressure on margins.

Near-Term CPI Rise Expected; PPI Rise Already Underway



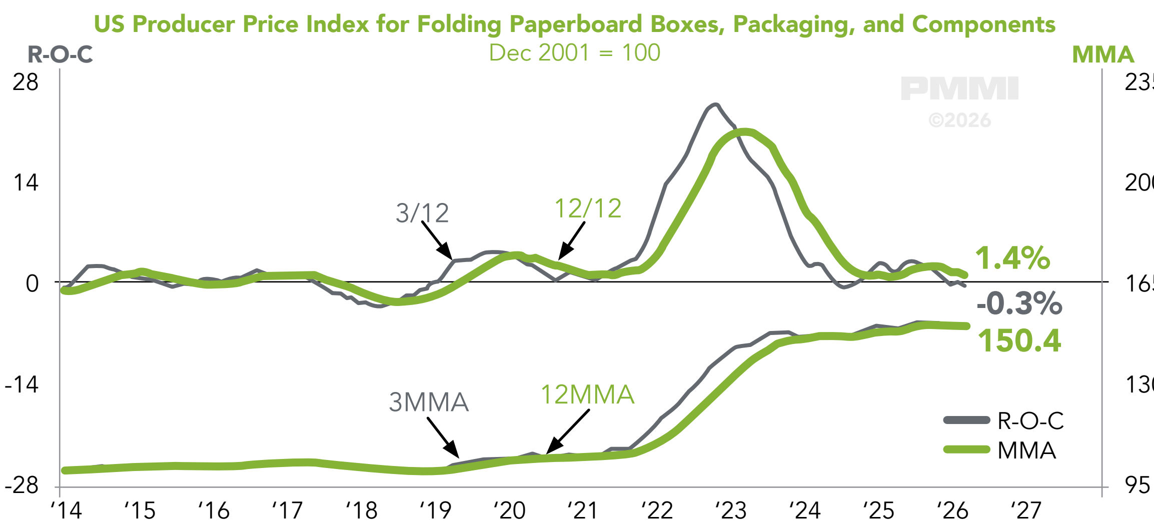
Forecast	12/12
2026	3.4%
2027	2.7%
2028	3.9%



Forecast	12/12
2026	3.4%
2027	1.8%
2028	4.0%

Source: BLS
Cost pressures are building faster than consumer pricing adjustments in many cases.

Steadying Industry Pricing



Source: BLS
Packaging-related input costs remain elevated, even as growth stabilizes.

This environment requires:

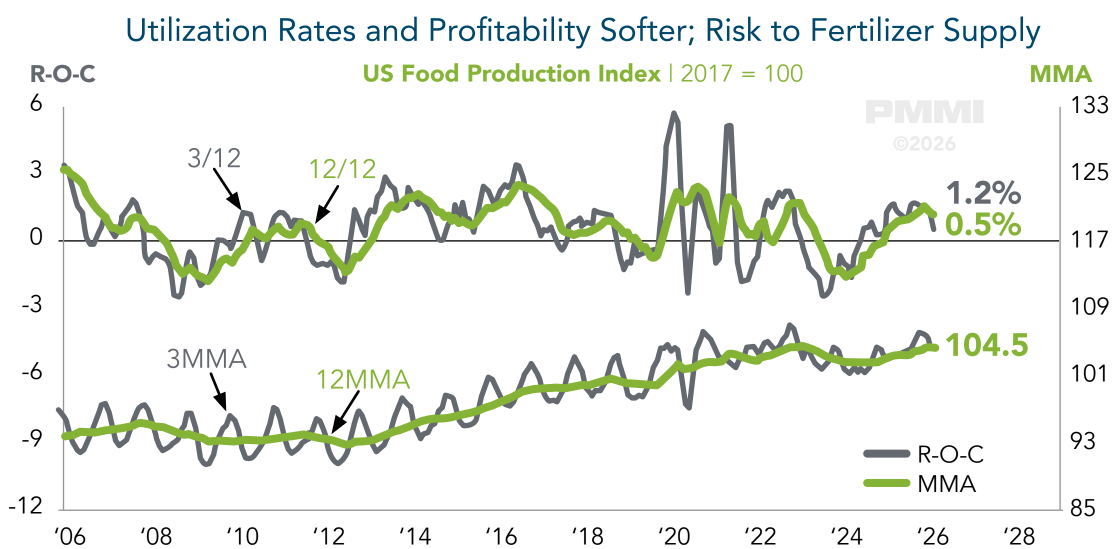
Active pricing strategies	Cost management discipline	Investment in efficiency

YOUR MARKETS: SECTOR IMPLICATIONS

These macroeconomic conditions—particularly the combination of slower growth and persistent cost pressures—are playing out differently across industries.

Food Production

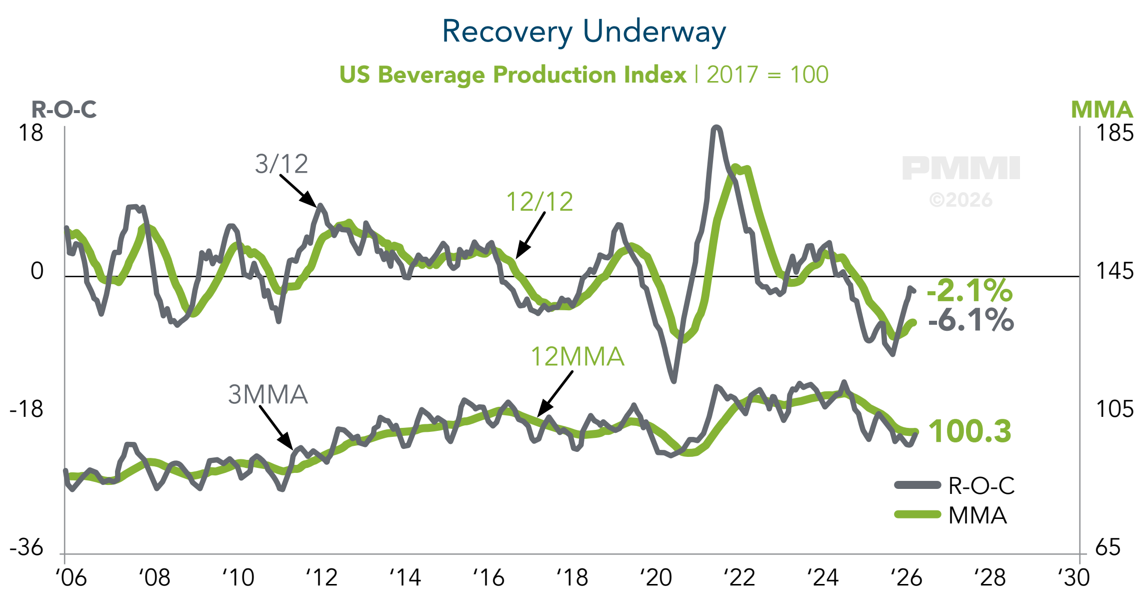
Remains stable but faces emerging input risks



Source: FRB

Beverage Production

Transitioning into recovery following prior decline



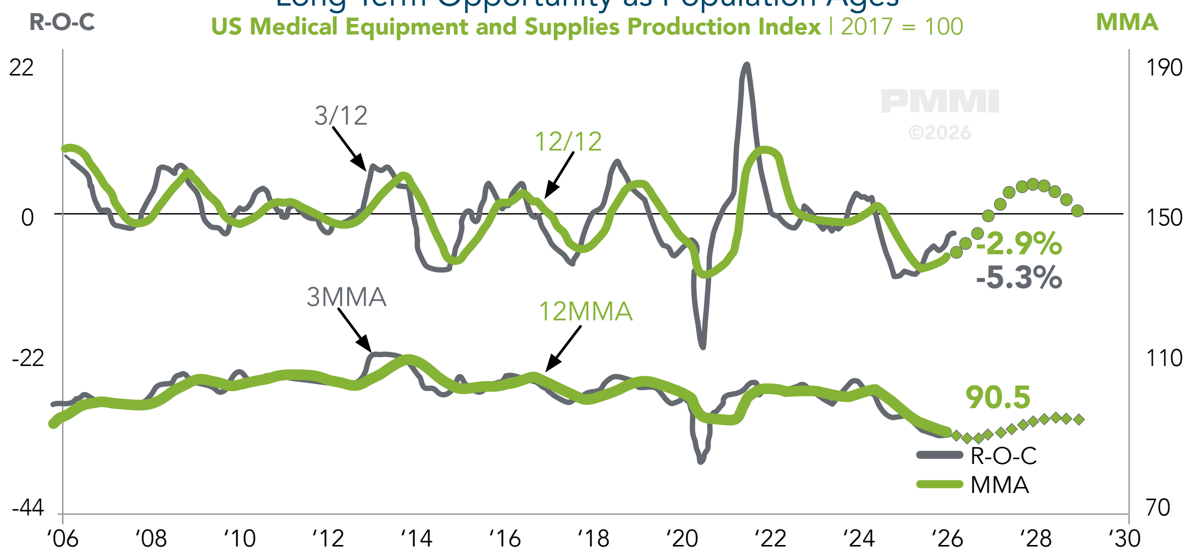
Source: FRB

Medical Equipment & Pharmaceuticals

Supported by long-term demographic demand

Long Term Opportunity as Population Ages

US Medical Equipment and Supplies Production Index | 2017 = 100



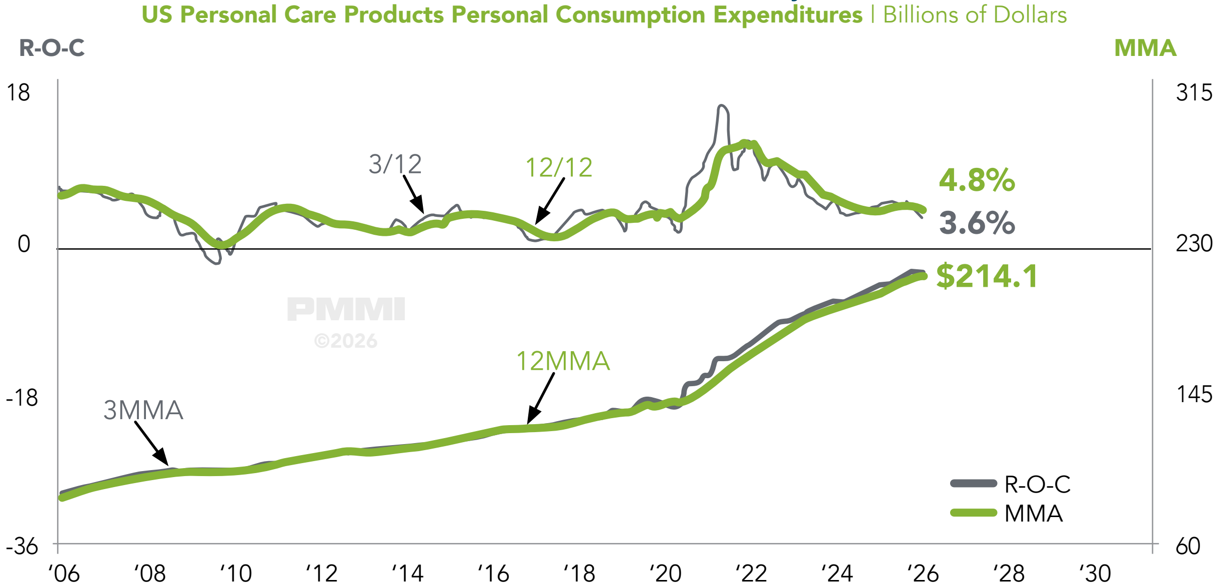
Source: FRB

Personal Care

Demonstrates resilience due to consumer behavior

Recession Resistant Industry

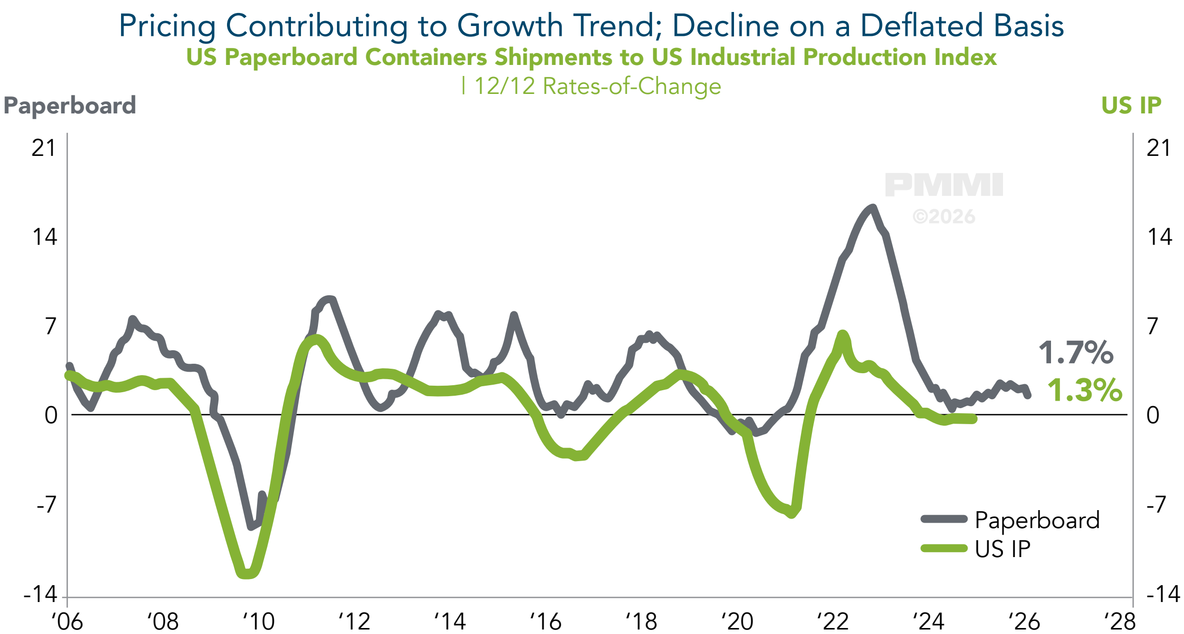
US Personal Care Products Personal Consumption Expenditures | Billions of Dollars



Source: BEA

Packaging / Paperboard

Growth supported by pricing, though volume trends are more moderate



Source: FRB, US Census Bureau

As a result, sector performance should be evaluated not only through the lens of demand, but also through the lens of cost structure and margin resilience.

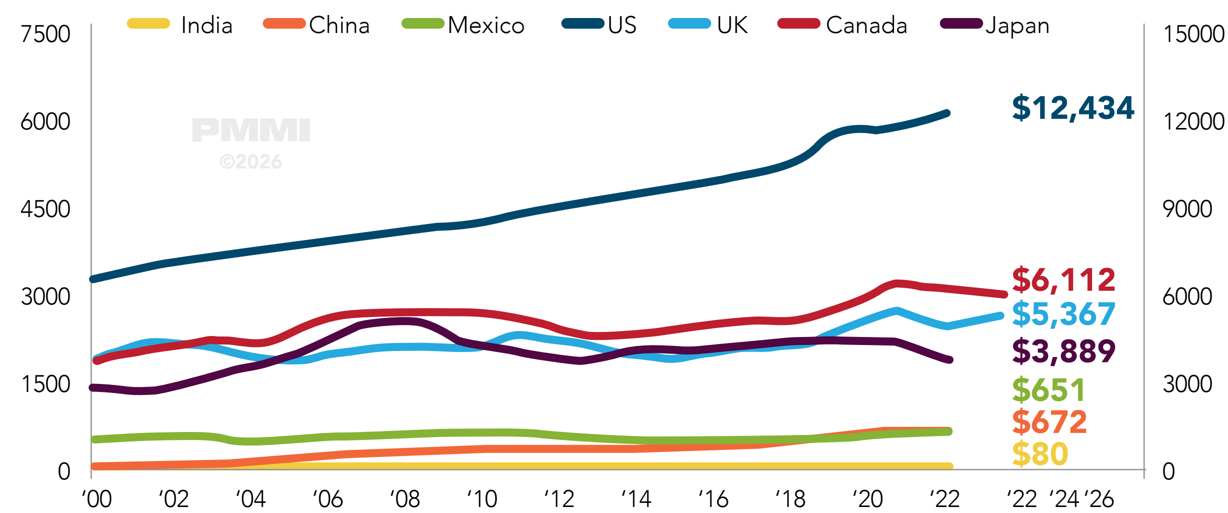
THE 2030s OUTLOOK

While near-term growth is expected to continue at a slower pace, long-term structural risks remain firmly in place. These risks are not new; the underlying drivers of a potential downturn in the next decade, particularly demographics, healthcare costs, and government debt, have not materially changed. In many cases, they have continued to build.

The U.S. continues to outspend global peers on healthcare by a wide margin. This trend reflects both an aging population and rising per-capita costs, placing sustained pressure on both public and private spending.

USA Leads in Health Care $ Per Capita

Current Health Expenditure per Capita | Raw Data: Current US Dollars

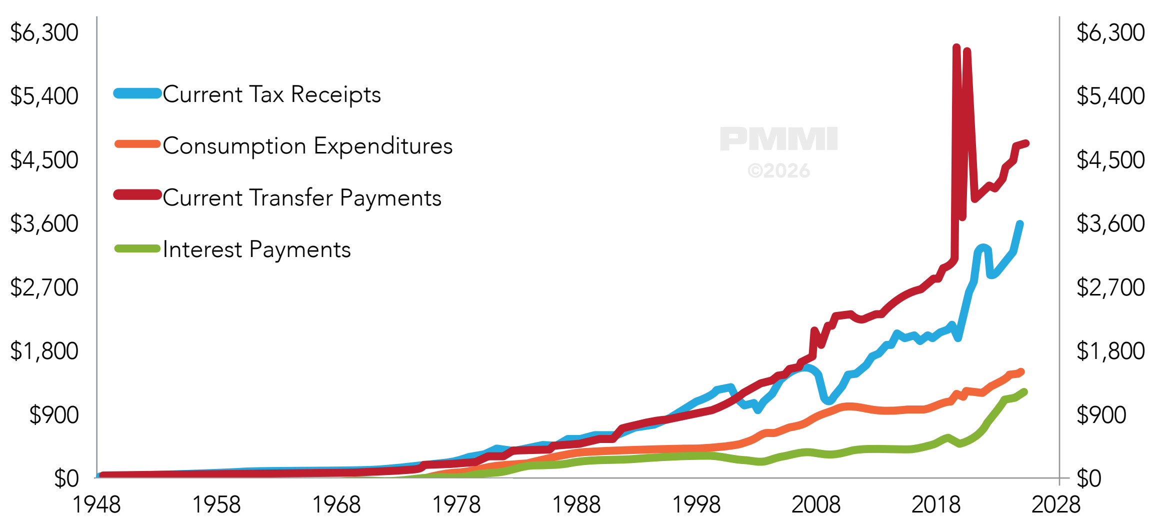


Source: WorldBank

At the same time, government finances remain structurally imbalanced. Government spending continues to exceed revenue, resulting in persistent deficits that are not tied to a specific economic cycle.

Problems Ahead

Federal Government Receipts and Payments | Annual Data Trends in Billions of Dollars

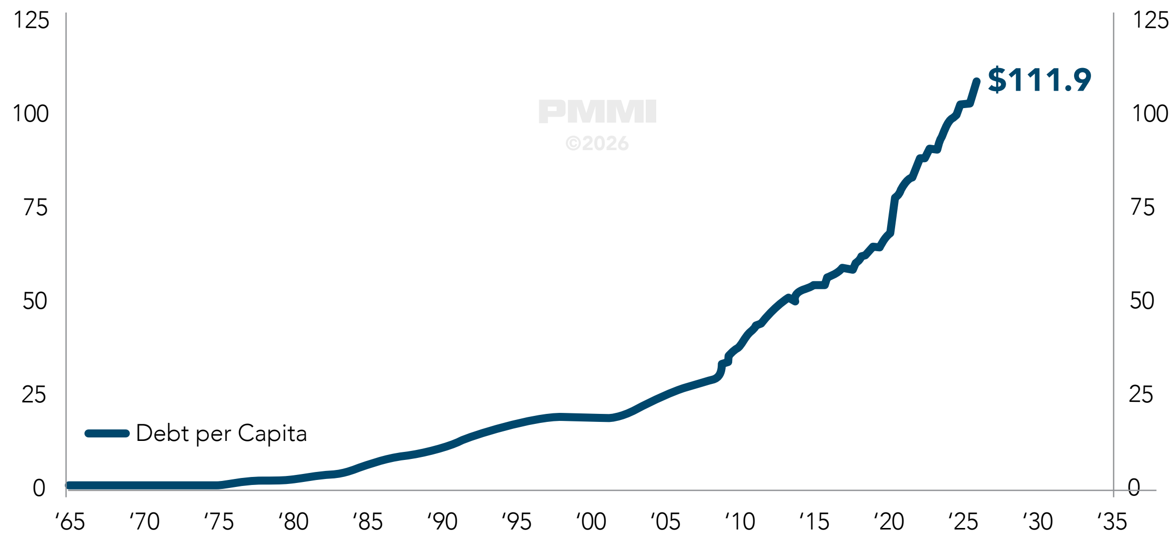


Source: BEA

Debt levels continue to rise on a per-capita basis, reflecting the cumulative impact of ongoing deficits. As debt levels increase, so too does the cost of servicing that debt—particularly in a higher interest rate environment.

An Accelerating Trend

US Federal Government Debt per Capita | Monthly Data: Thousands of Dollars



Sources: US Department of the Treasury, BEA

Rising interest rates are contributing to a growing share of government spending being allocated toward interest payments, further limiting fiscal flexibility.

Higher Rates Exacerbating the Problem

US Government Long-Term Bond Yields to US Federal Government Interest Payments

Data Trends

Sources: FRB, BEA

Taken together, these trends point to a set of structural imbalances that are unlikely to resolve without meaningful policy changes. As noted in the presentation, there is currently little indication of such adjustments being made at scale.

The purpose of this outlook is not to predict the precise timing of a downturn, but to highlight the underlying conditions that continue to build toward one. Organizations that recognize and plan for these longer-term risks will be better positioned to navigate—and potentially capitalize on—the next major economic shift.

- Switch to wealth preservation circa 2030-2032.
- Safety over magnitude of return will be a virtue next decade.
- Be ready to switch back into an aggressive posture circa 2036.

NEXT STEPS:

Talk to your wealth advisor about best investments in a period of inflation.

STRATEGIC GUIDANCE

In light of both near-term economic conditions and longer-term structural risks, strategic positioning becomes increasingly critical.

Near-Term Priorities (2026–2027)

- Focus on margin protection
- Plan for persistent inflation
- Invest selectively in efficiency

Looking further ahead, the priority shifts toward building financial flexibility – reducing leverage and increasing liquidity through 2028–2030 as structural pressures continue to build. For organizations that are well-positioned heading into that period, the subsequent downturn is expected to create meaningful opportunities to acquire undervalued assets and expand at depressed prices, with a recovery to follow.

The economic environment ahead is not defined by contraction, but by complexity.

Growth continues, but more slowly.

Demand persists, but unevenly.

Opportunities exist, but require precision.

Success will depend not on reacting to change—but on anticipating it.

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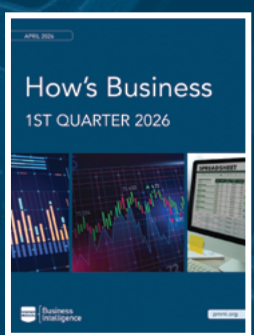

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