CustomIQ Research

Inflation & Commodity Trends

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What's in this Report

This report contains information on thirteen primary commodities. Information provided for these commodities includes forecast growth rates, the impact of these primary commodities on secondary commodities, substitutes for primary commodities, and upstream and downstream supply chain analysis for each primary commodity.

Contents

Executive Summary

- After cutting rates by 0.25 percentage points in December 2024, interest rates were unchanged in March 2025. The Federal Reserve noted ongoing uncertainty regarding the US economy primarily due to ongoing tariffs and inflation.
    - The Federal Reserve signaled in March 2025 the potential for two more interest rate cuts in 2025.
        - Despite indicating likely interest rate cuts, Powell acknowledged significant uncertainty in the economic outlook.
        - Economic observers and government officials have expressed skepticism regarding two interest rate cuts, including Atlanta Fed President Raphael Bostic, who now anticipates only one cut this year due to slower inflation progress and the impact of tariffs.
    - Inflation shows signs of slowing, but tariffs and economic slowdown pose risks to reaching the 2.0% inflation target.
- Food prices are projected to increase due to factors such as tariff impacts, tight supplies of beef and veal, ongoing effects of avian influenza on egg production, and continued strong consumer demand.
- Both crude oil and natural gas are expected to experience volatility over the next three years, following different trends.
    - Although crude oil prices are experiencing short-term growth due to declines in inventories, they are predicted to decline further into the forecast period as supply stabilizes.
    - The natural gas market is poised to see an uptick in prices, driven by greater global demand and expanded exports amidst flat domestic production. Price relief is expected in the short term as the prime winter heating season ends in the following six months.
- The Trump Administration's new tariffs on goods from Canada, China, and Mexico, commodities such as steel and aluminum, and final products such as vehicles and automotive parts, are expected to significantly impact demand and pricing for commodities throughout the forecast period.

Commodity Analysis

1. Aluminum

Forecast CAGRs:

- 6 Month: 2.7%
- 1 Year: 4.1%
- 2 Year: 9.5%
- 3 Year: 10.6%

Analysis: Aluminum prices are expected to continue increasing throughout the following three-year period as demand remains high. Interest rate cuts later in 2025 are expected to contribute to further upward pressure on prices in the forecast period, as economic activity is expected to increase. Lower interest rates are expected to lead to an increase in manufacturing and building projects, which are expected to increase demand for aluminum, contributing to rising prices for the metal. This increased demand has led experts to anticipate a slight supply deficit to return throughout 2025 as well, which is expected to contribute to further increases in demand. In February 2025, President Trump's expansion of steel and aluminum tariffs to all countries, including raising aluminum tariffs from 10.0% to 25.0%, ends exemptions and could lead to significant domestic price increases and potential retaliatory measures from other countries. These changes are expected to impact pricing dynamics by discouraging imports and limiting demand in the short term by raising costs.

Secondary Commodities:

- Cameras/Cell Phones/Computers/Copiers
  - Aluminum is used in printed circuit boards, computer chips, and other structural or body technology components, such as cameras, cell phones, and computers. As aluminum prices continue to rise, prices may see further growth.
- Canned Goods
  - Canned goods and beverage manufacturers will see input costs increase over the next three years as aluminum prices climb due to greater demand and rising overhead costs.
- Vehicle/Vehicle Parts
  - Vehicle and auto part prices are expected to increase as aluminum prices rise.

Substitute Commodities:

- Magnesium Alloys

Upstream Supply Chain:

- Alumina Producers & Processors
  - Bauxite Miners
- Mining Equipment Manufacturers

Analysis: The upstream supply chain for aluminum consists of raw material suppliers that mine bauxite, process it into alumina, and deliver it to aluminum manufacturers. The supply of these materials may decrease in quantity the following year due to Chinese emissions regulations, contributing to upward pressure on prices.

1. Aluminum

Downstream Supply Chain:

- Car & Automobile Manufacturers
- Metal Can & Container Manufacturers

Analysis: The downstream supply chain for aluminum comprises final products and solutions engineered and built from aluminum. Major downstream players include aircraft and automobile part and equipment manufacturers and canned goods and beverage suppliers. Aluminum demand is expected to rebound as interest rates are cut and policies surrounding combatting inflation continue to take effect, contributing to upward pressure on market prices.

2. Chlorine

Forecast CAGRS:

- 6 Month: 2.7%
- 1 Year: 2.2%
- 2 Year: 2.2%
- 3 Year: 2.4%

Analysis: The price of chlorine is expected to continue increasing at steady rates throughout the following three-year period. Demand is expected to remain high as declining interest rates stimulate economic activity. Demand is expected to grow significantly from pool maintenance and water treatment customers during the forecast period, as paused projects resume as conditions improve for manufacturing activity. Although 72.0% of Chlorine is sourced within the United States, tariffs could still impact market prices by raising prices of imported chlorine, packaging, and other costs. Chlorine shipping rates have increased by 15.0% since the start of the year, increasing logistical demand and raising transportation expenses, contributing further upward price pressure to Chlorine. As of March 2025, the market is still recovering from the September 2024 fire at BioLab's facility in Conyers, Georgia, as other manufacturers struggled to fully meet demand during BioLab's downtime, leading to increased pressure on production. Although BioLab’s Conyers facility is operational again, the fire’s impact will continue to be felt into 2025, with elevated prices persisting due to sustained demand pressure and rising production costs.

Secondary Commodities:

- Pharmaceutical Products
  - As chlorine shortages ease, the prices of pharmaceutical products and medicines that rely on chlorine components are expected to rise with less volatility.

Substitute Commodities:

- Bromine

Upstream Supply Chain:

- Chemical Product Manufacturers
  - Inorganic Chemical Manufacturers
- Mineral & Phosphate Miners
  - Mining Equipment Manufacturers

2. Chlorine

Analysis: The primary upstream supply chain risk for chlorine involves meeting demand. A significant disruption occurred due to the fire at BioLab's facility in Conyers, Georgia, in September 2024, impacting the chlorine supply. While the facility has reopened, these effects are expected to linger, affecting prices and availability.

Downstream Supply Chain:

- Pharmaceutical Manufacturers
- Chemical Product Wholesalers
- Facility Maintenance Providers

Analysis: Demand from downstream suppliers is steady on average, as most buyers in the market require the product at a regular, predictable pace for operations to continue.

3. Food Products

Forecast CAGRS:

- 6 Month: 3.3%
- 1 Year: 3.0%
- 2 Year: 2.4%
- 3 Year: 2.2%

Analysis: Food product prices are expected to increase throughout the forecast period. The USDA projects the price of food products to rise by 3.2% in 2025 alone due to factors like continued inflation, strong consumer demand, tight supplies in some categories (particularly beef and eggs), and rising production costs. These elements contribute to the predicted rise above historical averages. Increased production will help to slow price growth during the next three years, including abundant supply levels for inputs such as wheat and maize. Any supply chain disruptions or increases in energy costs could increase price increases significantly, presenting a risk to the upside.

Secondary Commodities:

- Animal Feed/Products
  - Food products and grain are significant components of the typical animal feed farmers use. As animal feed prices rise, farmers raise the prices of these animal products to cover rising costs, thereby contributing to upward pressure on various food prices, including beef and dairy. The projected increase in food prices in the forecast period is expected to contribute to increases in animal feed and other related products; however, the growth rate is expected to stabilize as food prices decelerate.

Substitute Commodities:

- Barley & Other Grains
- Rice

Upstream Supply Chain:

- Fertilizer Manufacturers
  - Chemical Product Manufacturers

3. Food Products

- Farm Product Storage & Warehousing Providers
- Tractors & Agricultural Machinery Manufacturers
    - Steel Manufacturers
- Water Supply & Irrigation Providers
    - Pipe & Tube Manufacturers

Analysis: Major supply chain disruptions can result from fluctuations in the price or availability of fertilizer. Stabilization in fertilizer prices over the next three years will increase crop production, increasing the overall supply of food prices, which will help mitigate other demand forces pushing prices upward.

Downstream Supply Chain:

- Animal Feed Producers
- Food & Grocery Stores
- Fruit & Vegetable Markets

Analysis: Downstream demand is steady; however, many substitutes are available to consumers and farmers alike, reducing the impact of demand shocks in the market.

4. Crude Oil

Forecast CAGRS:

- 6 Month: -1.2%
- 1 Year: -0.9%
- 2 Year: -3.3%
- 3 Year: -3.5%

Analysis: Crude oil prices are now projected to decline throughout the forecast period due to rising global oil supply outpacing consumption, leading to inventory accumulation and downward pressure on prices. According to the EIA, continued production growth from non-OPEC countries and anticipated increases by OPEC+ contribute to this trend. However, the recent introduction of sanctions on Iran and Venezuela has added volatility but is expected to tighten market balances in the short term. US trade policy and tariffs could strain the economy, potentially slowing demand and keeping oil prices in the low $70 per barrel range due to increased uncertainty and weaker economic growth prospects. Barclays, HSBC, Goldman Sachs, and Bloomberg, among others, are projecting declines in oil prices in 2025.

4. Crude Oil

Secondary Commodities:

- Diesel/Gasoline
  - In March, gasoline and diesel prices currently stand at $3.115 and $3.567 per gallon, respectively, increasing from previous data listed from January.
- Grounds Maintenance Equipment/Heavy Equipment
  - Many types of equipment rely on lubricating oils to ensure machines' longevity. Because these products are refined from crude oil, owners of these machines can expect significant volatility in future costs associated with maintaining their equipment.
- Tires/Auto Parts
  - Oil is a primary component in tires and in manufacturing additional auto parts. Both manufacturers and buyers of tires can expect price relief as oil prices are expected to stabilize.
- Industrial Consumables:
  - Industrial consumables, including motor and lubricating oils, paint, and plastic products, depend heavily on the market for crude oil, as many of these products are oil derivatives. As volatile conditions persist in the crude oil market, the supply and prices of these products are expected to shift quickly. However, price declines are expected to occur in the following period as global oil markets face relief.

Substitute Commodities: N/A

Upstream Supply Chain:

- Mining, Oil & Gas Machinery Manufacturing
  - Steel Manufacturers
- Industrial Supplies Wholesalers
  - Power Tools & Other General Purpose Machinery Manufacturers
  - Pump & Compressor Manufacturers
- Metal Pipe & Tube Manufacturers
  - Steel Manufacturers
  - Iron Manufacturers

Analysis: Significant supply chain risk exists in the market for crude oil, as the market depends heavily on other risky commodities. While international sanctions on Russia have contributed to instability in the supply chain, tariffs on global steel producers can also cause disturbances, as steel and iron are critical components of most machinery used in the oil-extracting process. For example, Section 232 implemented a 25.0% tariff on steel, which contributed to significant negative impacts since most steel pipes utilized in the domestic oil and gas industries are imported. However, as global supply chains have stabilized, the negative impacts have begun to be mitigated in the market.

4. Crude Oil

Downstream Supply Chain:

- Petroleum Refineries
- Gasoline & Petroleum Stations
- Petrochemical Manufacturers
- Rubber Product Manufacturers
- Plastics & Related Products Manufacturers

Analysis: Downstream demand shocks in the market can significantly strain oil markets; however, as inventories are high, downstream supply chain issues are limited.

5. Lumber

Forecast CAGRS:

- 6 Month: 2.0%
- 1 Year: 1.5%
- 2 Year: 1.9%
- 3 Year: 1.6%

Analysis: The price of lumber is expected to increase over the forecast period as demand for new homes surges throughout the United States. A large supply and demand gap exists for houses, currently at about 4.5 million homes. This shortage of homes is expected to contribute to increased new construction throughout the country, which is expected to put further strain on lumber markets. Declining interest rates are expected to stimulate construction activity further, as building projects and demand have been impacted significantly due to the rapid rise in interest rates during the previous three years. The 25.0% tariffs on Mexico and Canada would put significant upward pressure on lumber prices, presenting a risk to the upside in the short-term

Secondary Commodities:

- Toilet Paper
  - As lumber prices steadily increase, personal paper products that depend on wood pulp, such as toilet paper, are forecast to grow through the forecast period.

Substitute Commodities:

- Metals/Steel
- Concrete/Asphalt
- Plastics

Upstream Supply Chain:

- Tools & Hardware Wholesalers
  - Tools & Hardware Manufacturers

Analysis: Upstream supply chain risk primarily stems from the availability of wood and lumber to be cut and sold. Weather events or wildfires can reduce the overall stock of lumber and contribute to higher prices.

5. Lumber

Downstream Supply Chain:

- Hardware Stores
- Commercial Building Construction
- Residential Building Construction
- Municipal Building Construction
- Lumber & Building Material Stores

Analysis: Easing extreme interest rate hikes and the return of construction activity will elevate demand for lumber, placing upward pressure on prices throughout the forecast period. With less inflation, homeowners will be more incentivized to spend on home repair and remodeling, increasing lumber demand and increasing prices.

6. Natural Gas

Forecast CAGRS:

- 6 Month: 7.8%
- 1 Year: 2.3%
- 2 Year: 13.4%
- 3 Year: 10.5%

Analysis: Natural gas prices are highly volatile and difficult to predict. Prices are expected to grow over the forecast period, with surges expected in the following year as domestic production remains flat amidst rising demand and foreign exports entering the market. Agencies also expect natural gas surpluses to end during the forecast period, contributing to further increasing pressure on market prices. The EIA projects the price of natural gas to rise from $4.20/MMBtu to $4.50/MMBtu in 2026 due to increased global demand for liquefied natural gas (LNG), higher consumption, and lower storage levels.

Secondary Commodities:

- Equipment
    - Equipment like generators depends on natural gas to operate and generate electricity. As a result, generator owners, including extensive facilities, universities, and other buildings, can expect operating costs to increase throughout the forecast period, with natural gas prices expected to increase.

Substitute Commodities:

- Propane
- Biofuel
- Coal

6. Natural Gas

Upstream Supply Chain:
- Mining, Oil & Gas Machinery Manufacturing
    - Steel Manufacturers
- Industrial Supplies Wholesalers
    - Power Tools & Other General Purpose Machinery Manufacturers
    - Pump & Compressor Manufacturers
- Metal Pipe & Tube Manufacturers
    - Steel Manufacturers
    - Iron Manufacturers

Analysis: Supply chain disruptions stem from low gas yields at drilling sites and fluctuations in markets for steel and iron, as these metals make up a significant portion of the machinery required to drill for natural gas.

Downstream Supply Chain:
- Coal & Natural Gas Power Providers
- Fuel Dealers
- Fertilizer Manufacturers

Analysis: Downstream demand for natural gas is steady. However, shifts toward green power have made demand shocks more likely in the forecast period. While these trends continue to increase, impacts on price growth are expected to be limited as natural gas is still a primary energy product.

7. Plastic

Forecast CAGRS:
- 6 Month: 2.0%
- 1 Year: 2.1%
- 2 Year: 4.1%
- 3 Year: 2.8%

Analysis: Throughout the forecast period, the price of plastic is projected to increase due to a rise in consumer spending and the industrial production index, both of which increase demand for plastic and plastic products. Interest rate cuts in 2025 will spur greater demand for plastic as borrowing costs decrease, encouraging investment and expansion in industries that rely on plastic products. However, the Federal Reserve's recent announcement to lower the pace of rate cuts in 2025 has lessened the likelihood of significant price growth for oil-based products like plastic stemming from high demand. A slowdown in the US economy would impact demand for plastic products, potentially moderating price increases or leading to decreases.

Secondary Commodities:
- Medical Equipment
    - Plastic is a crucial input for medical equipment used in vials, beakers, implants, and medical instruments. Input costs for plastic medical equipment are projected to increase in the short term.
- Disposables and Polystyrene Foam

7. Plastic

  - As disposable bottles and bags rely on plastic, increases in plastic prices directly impact prices for these goods. Polystyrene foam is also a plastic-based product used in packaging and automobile parts.
- PVC Pipes
  - PVC pipes are plastic-based products often used for sewage pipes and water mains for irrigation.
- Consumer Electronics
  - Smartphones and other consumer electronics use a wide variety of plastic products, including Polycarbonate (PC), Acrylonitrile Butadiene Styrene (ABS), and Polymethyl Methacrylate (PMMA). These plastics are used for display frames, haptic feedback cushioning, and mounting frames, among other purposes.

Substitute Commodities:

- Paper & Paperboard
- Bioplastics
- Glass
- Platinum Silicone
- Ceramics

Upstream Supply Chain:

- Petrochemical Manufacturers
  - Petroleum Refiners
- Industrial Machinery & Equipment Wholesalers
  - Steel Manufacturers
  - Iron Manufacturers
- Inorganic & Organic Chemical Manufacturers
  - Steel Manufacturers
- Resin Producers
  - Coal Miners

Analysis: Petrochemicals, such as ethylene and propylene, are critical inputs for plastic manufacturing and are produced from propane and butane, both of which derive from crude oil refining. Thus, increases in oil prices will pressure plastics prices upward.

Downstream Supply Chain:

- Plastic Bottle Manufacturers
- Plastic Film, Sheet & Bag Manufacturers
- Plastic Pipe & Part Manufacturers
- Urethane Foam Manufacturers
- Plastic Product Wholesalers
- Plastic Toys
- Adhesive Manufacturers

Analysis: Increasing costs in resin and oil, thus plastic, will push prices higher for plastic-based products, including plastic containers, bags, and bottles. The price of polyolefins is also rising, which impacts various products, including clothing, carpet, and roofing materials.

8. Semiconductors

Forecast CAGRS:

- 6 Month: 1.0%
- 1 Year: 0.9%
- 2 Year: 0.6%
- 3 Year: 0.2%

Analysis: Forecasts for semiconductors continue to fluctuate significantly. Although prices have been highly volatile, according to FRED data, semiconductor prices rose less than 1.0% in 2024. Price growth in the market is expected to be mitigated by high competition and innovation. China's recent advancements in manufacturing capacity have triggered strategic price reductions in wafer foundries, pushing semiconductor chip prices lower across the industry. Additionally, multiple United States chip fabs are expected to begin production in 2025 and 2026, operated by large chip manufacturers like Intel and TSMC. This anticipated rise in domestic production is expected to add further downward pressure to semiconductor prices.

Secondary Commodities:

- Cell Phones
  - The semiconductor market for mobile phones is projected to continue declining, with minor recovery expected further into the forecast period, which is expected to contribute to rising prices.
- Computers, Copiers, Web Cameras, and Smartboards
  - The demand for computers has reversed course and begun increasing as laptop and computer shipments have increased. As demand for computers increases, market prices for products and inputs such as semiconductors are expected to start rising into the forecast period.
- Vehicles
  - EV demand has declined, and interest in purchasing EVs in the future has continued to decline, according to a survey by AAA. This trend has been attributed to factors such as consumer range anxiety, inadequate charging infrastructure, and unaffordable pricing amid declining consumer confidence, which is currently at a three-year low.

Substitute Commodities: N/A

Upstream Supply Chain:

- Semiconductor Machinery manufacturers
  - Steel Manufacturers
  - Iron Manufacturers
  - Aluminum Manufacturers
- Copper Rolling, Drawing & Extruding Suppliers
  - Copper Miners
- Chemical Product Manufacturers
  - Silicon Suppliers

8. Semiconductors

Analysis: While silicon production slowed during the past three years, silicon wafer shipments are expected to increase in 2025 as they become increasingly used for new applications like AI and 5G. This trend will continue to increase demand for semiconductors, helping to restrict price declines in this market further into the forecast period.

Downstream Supply Chain:

- Consumer Electronics Stores
- Computer Manufacturers
- Wireless Telecommunication Manufacturers
- Automobile Electronics Manufacturers

Analysis: As demand for consumer electronics is projected to decrease for much of 2025, this is expected to lead to a broader range of products at potentially lower prices.

9. Steel

Forecast CAGRS:

- 6 Month: 2.1%
- 1 Year: 1.8%
- 2 Year: 0.4%
- 3 Year: 0.1%

Analysis: The steel market continues to experience high volatility. In recent months, steel prices have risen as buyers have rushed to purchase steel products before steel-specific tariffs went into effect. The rise in demand has led to production constraints that have further strained demand, ultimately pushing prices higher and leading to rising prices over the next year. However, steel prices are expected to slow significantly later in the forecast period as increased production capacity comes online, and initial tariff-induced demand surges taper off, easing supply constraints. Additionally, potential slowdowns in the manufacturing sector and economic uncertainties could temper future demand, as growing economic concerns surrounding inflation and slowing rate cuts from the United States further restrict price growth and potentially lower prices.

Secondary Commodities:

- Grounds Maintenance Equipment
    - Grounds maintenance equipment, such as shears, is made of hardened carbon or chromium steel. Elevated steel prices are expected to contribute to upward price pressure on this equipment.
- Heavy Equipment
    - Steel is the backbone for scaffolding, cranes, bulldozers, and other heavy equipment. Higher prices are expected to contribute to upward pressure on heavy equipment.
- Industrial MRO Supplies
    - Rising steel prices are expected to place upward pressure on repair tools and safety equipment prices.
- Medical Equipment

9. Steel

  - Medical equipment includes a wide range of steel products, such as medical carts, wheelchairs, hospital beds, IV stands, surgical tools, medical syringes and needles, surgical screws, and plates, among a host of other steel-based products. Rising prices are expected to place upward pressure on these pieces of equipment.
- Vehicle & Vehicle Parts
  - Steel is a critical component in vehicles and vehicle parts. As the price of steel increases, the price of vehicles and vehicle parts will also increase.

Substitute Commodities:

- Aluminum
- Wood
- Stone
- Concrete
- Plastic

Upstream Supply Chain:

- Iron Ore Miners
- Copper, Nickel, Lead & Zinc Miners
- Industrial Machinery & Equipment Manufacturers
  - Steel Manufacturers
- Utilities & Energy Providers
  - Coal Miners

Analysis: Steel production primarily relies on coal as the primary energy source. This reliance is especially true in the blast furnace method, the most common steel production method globally.

Downstream Supply Chain:

- Constructors
- Metal Pipe & Tube Manufacturers
- Car & Automobile Manufacturers
- Steel Rolling & Drawers
- Ferrous Metal Foundry Products

Analysis: Downstream demand for steel includes products and services that rely on steel and steel-based products as a critical input. This includes industrial and construction markets that use steel in heavy equipment and structures, such as shipbuilding, oil and gas refining, and vehicle production.

10. Consumer Paper Products

Forecast CAGRS:

- 6 Month: 0.9%
- 1 Year: 1.4%
- 2 Year: 3.2%
- 3 Year: 2.6%

10. Consumer Paper Products

Analysis: Consumer paper products are expected to move in line with lumber prices over the forecast period, which shows steady growth over the next three years. Nonetheless, prices will increase slowly in the short term due to high levels of supply and muted increases in consumer spending, which directly impact the paper industry because less consumer spending means less demand for paper products, keeping their prices under control. Consumer confidence is expected to fall slightly in 2025, which will dampen demand for the large volume of paper products used in sectors like e-commerce. This expected decline will help ease price growth in the near period.

Secondary Commodities: N/A

Substitute Commodities:

- Paper alternatives (Recycled materials, bamboo, other materials)

Upstream Supply Chain:

- Paper Mills
- Wood Pulp Mills

Analysis: Upstream supply chain risk depends entirely on the stability of the lumber and wood pulp markets, as all consumer paper products will be produced directly from these.

Downstream Supply Chain:

- Office Stationery Wholesalers
- Printing Suppliers
- Paper and Paper Product Wholesalers

Analysis: Consumer paper products typically go to printing providers, office supply wholesalers, and other paper and paper wholesalers who supply products to office buildings, hotels, and other large commercial spaces.

11. XaaS

Forecast CAGRS:

- 6 Month: 3.4%
- 1 Year: 1.1%
- 2 Year: 0.3%
- 3 Year: 0.6%

Analysis: Software-as-a-Service and Infrastructure-as-a-Service prices are projected to increase as supplier costs continue to rise. Rising electricity and energy costs, costs of living, and wages are pressuring software companies to raise prices to protect profits and revenue. Over the next three-year period, a competitive labor market will continue to prompt suppliers to raise wages to attract new workers, while an increasing commitment from top suppliers to meet environmental sustainability objectives will also increase costs, which will be passed on to buyers. Prices are projected to stabilize later in the forecast period as market adjustments take effect and costs balance out with demand.

Substitute Commodities:

- On-Premises Software

11. XaaS

- In-House IT
- Open-Source Software

Upstream Supply Chain:

- Software Engineers & Developers
- Internet Service Providers
- Energy Suppliers
- Third-Party Software Suppliers
- IT Hardware Manufacturers

Analysis: As the costs of servers, storage, and networking hardware rise due to inflation, supply-chain disruptions, and higher manufacturing costs, service providers must shoulder these costs and pass them on to buyers. The tight labor market, specifically in the tech sector, will continue to push XaaS prices higher.

Downstream Supply Chain:

- Businesses & Corporate Entities
- Government Agencies
- Tech Start-Ups
- Healthcare Institutions
- Education Institutions
- Retailers
- E-Commerce Platforms

Analysis: Demand for XaaS will increase due to its scalability and cost-effectiveness, ultimately supporting price increases in this market.

12. Vehicles

Passenger Vehicles

Forecast CAGRS:

- 6 Month: 2.2%
- 1 Year: 1.8%
- 2 Year: 1.7%
- 3 Year: 1.7%

Analysis: Prices of vehicles are projected to increase throughout the forecast period due to a number of tariffs that will elevate input costs and final vehicles. Currently, 25.0% tariffs on aluminum and steel will place upward pressure on input costs for manufacturers, prompting them to raise prices. Additionally, 25.0% tariffs on Mexican and Canadian goods would significantly impact pricing, as these countries make up 34.8% of all car imports, 93.3% of truck imports, 55.6% of automotive parts, and 73.2% of vehicle bodies. In March, the United States issued a one-month pause on tariffs for finished vehicles; however, the current trade environment remains highly volatile. The recent executive order issuing a 25.0% tariff on all foreign vehicles further intensifies the pressure on vehicle prices, leading manufacturers to pass increased costs onto consumers.

12. Vehicles

Fleet Vehicles

Forecast CAGRS:

- 6 Month: 3.2%
- 1 Year: 2.9%
- 2 Year: 2.5%
- 3 Year: 2.2%

Analysis: Fleet vehicles are expected to continue increasing in price over the following three years, moving in line with expectations from passenger vehicles. Fleet vehicles are expected to be impacted less by oversupply as demand remains elevated and continues to meet the supply set by suppliers. A revival in the lease and rental sector drives the forecasted increase in demand for fleet vehicles in 2025 and beyond. Demand has also remained consistently strong in the used vehicle market, which has spilled over into upward price pressure for both new and used fleet vehicles. The surge in final leg delivery operations, especially by businesses like Amazon, is expected to accentuate this upward trend.

Secondary Commodities:

- Gasoline/Diesel:
  - In January, gasoline and diesel prices currently stand at $3.067 and $3.514 per gallon, respectively, declining from previous data listed from September.
- Tires
  - Tires and tire sales depend significantly on passenger vehicle and car sales. As car prices increase, tire prices are expected to align with these changes.

Substitute Commodities:

- Public transportation
- Air transportation

Upstream Supply Chain:

- Auto Parts Manufacturers
  - Iron & Steel Manufacturers
- Car Battery Manufacturers
  - Copper, Nickel, Lead and Zinc Mining

Analysis: Supply chain risk is significant as the market depends on both iron and steel manufacturing and mining for metals such as lead and zinc, both of which experience high levels of volatility. Supply chain disruptions can lead to long-term shortages of specific parts in vehicle manufacturing, leading to temporary price spikes for certain types of cars that depend more heavily on a product.

Downstream Supply Chain:

- Automobile Wholesalers
- Car Rental Dealers
- Fleet Vehicle Suppliers

Analysis: New passenger vehicles are typically sold directly to a consumer, from an automobile wholesaler or dealer to a car rental agency to rent to customers or fleet vehicle suppliers, provided to large corporations as a part of their fleet. As vehicles are a crucial aspect of day-to-day life for many customers and businesses, downstream demand is relatively stable and only impacted significantly by large-scale events.

13. Labor: Professional Services

Forecast CAGRS:

- 6 Month: 2.4%
- 1 Year: 2.4%
- 2 Year: 1.5%
- 3 Year: 1.9%

Analysis: Wages in professional services markets are expected to increase over the following three years as inflationary pressures push employers to raise wages continually. Wage growth is being fueled by rising housing, food, and overall increases in the cost of living. However, as relief is expected with household products, including food and housing, wage growth is expected to slow marginally. Wage growth is expected to face similar increases over the three-year period, as employers in the professional services market target similar merit increases to salaries to retain talent within companies.

External Sources

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