ProcurementIQ

CustomIQ Research

Inflation & Commodity Trends

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June 2025

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

- In the first half of 2025, the Trump administration implemented sweeping tariffs affecting all steel and aluminum imports, as well as all imports from Canada, China, and Mexico. The administration also announced varying tariff rates on all imports from most countries but delayed the implementation of these tariffs until at least July 9.
    - The tariffs currently set to take effect on July 9 remain subject to ongoing negotiations and the possibility of further delays, increasing uncertainty across most US markets.
    - As of March 19, the tariffs on Canadian and Mexican imports exempt USMCA-compliant goods, which are goods produced entirely in the United States, Canada, and Mexico.
    - Tariffs on Chinese imports have fluctuated significantly in recent months but currently stand at 55.0% for most goods.
- After cutting rates by 0.25 percentage points in December 2024, the Federal Reserve (Fed) has left interest rates unchanged through the first half of 2025, primarily due to the risk of returning inflation due to higher tariffs.
    - As interest rates remain relatively high, consumer demand and demand for construction, vehicles, and equipment remain weak due to high borrowing costs.
    - High interest rates are also weakening business investment, reducing software prices in the short term.
- Food prices are projected to decline significantly as the market recovers from the steep price increases faced in the first half of 2025 due to avian flu outbreaks.
- Both crude oil and natural gas are expected to shift over the next three years, following different trends.
    - Crude oil prices are predicted to decline through 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.
    - Both crude oil and natural gas markets face significant volatility risk from the ongoing escalation in tensions between the United States and Iran.
- The Trump Administration's tariffs on goods from Canada, China, and Mexico, and commodities such as steel and aluminum have already created significant price shocks in many markets included in this report. As a result, smaller price declines are likely in many of these markets during the next six months due to slumping demand as buyers adjust to higher prices.

Commodity Analysis

1. Aluminum

Forecast CAGRs:

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

Analysis: Aluminum prices are forecast to decrease slightly in the next six months, before returning to a moderate pace of growth for the remainder of the next three years. The Trump administrations recently implemented tariff increases on aluminum, which reached 50.0% in June, will be a key factor in the decrease in aluminum prices during the next six months. The tariff increases implemented in the last few months have caused significant increases in the domestic price of aluminum, which are likely to weaken demand for aluminum in the short term, resulting in slight price reductions over the next six months. Following this readjustment to the market shifts created by tariff increases, aluminum prices are forecast to grow moderately in the longer term in response to slow but steady growth in global aluminum demand. Rising demand for aluminum from the manufacturing, construction, and renewable energy sectors is expected to underpin this increase in global demand and prices. However, slower growth in industrial activity linked to increasing global trade tensions will remain a limiting factor in the forecast demand and price increases for aluminum. Additionally, sudden price shocks in the US aluminum market remain a distinct possibility due to ongoing uncertainty surrounding US tariff policy.

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. Thus, the overall increase in aluminum prices during the next three years may increase these prices.
- 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.
- Vehicle/Vehicle Parts
    - Vehicle and auto part prices are expected to increase due, in part, to overall increases in aluminum prices.

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 as Chinese producers, who account for an estimated 60.0% of global supply, are subject to environmental regulations that cap their annual output. However, tariffs on

1. Aluminum

aluminum do not extend to alumina or bauxite and are unlikely to include these materials in the future, due to the United States' limited bauxite production capacity. Thus, these upstream markets face less policy-related volatility than the aluminum market itself.

Downstream Supply Chain:

- Car & Automobile Manufacturers
- Metal Can & Container Manufacturers
- Construction Materials 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 parts and equipment manufacturers, construction materials manufacturers, and canned goods and beverage suppliers. Aluminum demand is expected to rebound as interest rates are cut and policies surrounding combating inflation continue to take effect, contributing to upward pressure on market prices in the long run.

2. Chlorine

Forecast CAGRS:

- 6 Month: 8.0%
- 1 Year: 3.5%
- 2 Year: 3.4%
- 3 Year: 2.9%

Analysis: The price of chlorine is expected to continue increasing 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 water treatment customers during the forecast period, as drought and increasing water stress across much of the United States increase water treatment activity. Additionally, rising pharmaceutical and chemical production in the next three years is expected to add to demand and price growth for chlorine. As 72.0% of the chlorine supply in the US market is produced domestically, recent tariff increases have not translated to significant price increases and are not likely to happen in the near future. However, domestic chlorine supply remains limited due to a September 2024 fire at BioLab's facility in Conyers, Georgia. Following the fire, suppliers throughout the market struggled to keep up with demand, and in April, BioLab announced that it would not be reopening the facility. As a result, chlorine supply is likely to remain limited during the next three years, and price increases will be particularly acute in the short term.

Secondary Commodities:

- Pharmaceutical Products
  - As chlorine prices rise in the next three years, the cost of producing pharmaceuticals using chlorine will rise, though this market will face less volatility than other markets more exposed to shifts in US trade policy.

Substitute Commodities:

- Bromine

2. Chlorine

Upstream Supply Chain:

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

Analysis: Since the beginning of 2024, US chemical production has been trending steadily upward, increasing by 5.2% during this period, as near-shoring and capacity expansion projects started in response to post-COVID supply chain disruptions reached completion. With more chemical production capacity set to enter operation this year and in the coming years, upstream chemical supply chains face limited risk. However, higher tariffs may impact the cost of certain chemicals and equipment required for chlorine production.

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. However, increased water stress throughout the United States and growth in domestic chemical and pharmaceutical production will lead to long-term growth in chlorine demand.

3. Food Products

Forecast CAGRS:

- 6 Month: -25.6%
- 1 Year: 0.2%
- 2 Year: 0.4%
- 3 Year: 0.6%

Analysis: In the next six months, food product prices are forecast to decline significantly, as food markets recover from the avian flu outbreak that has been impacting prices through the first half of the year. Avian flu, which affects poultry, cattle, and other livestock, significantly reduced the supply of eggs, dairy, meat, and other food products. This trend, combined with higher tariffs on Canada and Mexico, the two leading sources of imported food products, led to a 14.1% increase in food product prices from the beginning of the avian flu outbreak to the present. Thus, increasing containment of the avian flu will lead to a rebounding food supply in the next six months. Further, the tariffs on Canada and Mexico now exclude goods produced entirely within Canada and Mexico, such as most agricultural products, which will provide further price relief to the US food products market. In the following three years, food product prices are forecast to return to more steady growth, driven by global population growth and environmental constraints on agricultural production.

Secondary Commodities:

- Animal Feed/Products

3. Food Products

- Food products and grain are significant components of the typical animal feed used by farmers. As animal feed prices rise, farmers raise the prices of animal products to cover rising costs, thereby contributing to upward pressure on various food prices, including beef and dairy. However, since the predicted short-term price decreases in food product prices will come largely from animal products, which are rarely used to feed livestock, declining prices in the next six months will not have a significant effect on the animal feed and products markets. Longer-term food price increases will put upward pressure on prices in these markets, as they will be driven by price increases throughout the food product sector.

Substitute Commodities:

- Barley & Other Grains
- Rice

Upstream Supply Chain:

- Fertilizer Manufacturers
    - Chemical Product Manufacturers
- 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 products, 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: -0.5%
- 1 Year: -1.0%
- 2 Year: -1.3%
- 3 Year: -1.2%

Analysis: Crude oil prices are now projected to decline through 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. US tariff increases have been reducing global shipping traffic and economic growth, signaling weaker demand for oil in the shipping industry and less industrial activity. As a result, the continuation of current tariff policies is likely to weaken oil demand, contributing to global price reductions. Barclays, HSBC, Goldman Sachs, and JP Morgan Chase, among others, are projecting declines in oil prices through 2025 and into 2026. However, escalating conflict between the United States and Iran has increased the risk of Iran closing the Strait of Hormuz, through which nearly 20.0% of the global oil supply passes. Thus, the closure of this shipping lane or other shifts in global geopolitics remain an ongoing volatility risk in the crude oil market.

Secondary Commodities:

- Diesel/Gasoline
  - In June, gasoline prices currently stand at $3.213, down from their average at the start of the year, and diesel prices average $3.775 per gallon, up from the beginning of the year.
- Grounds Maintenance Equipment/Heavy Equipment
  - Many types of equipment rely on lubricating oils to ensure 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 the manufacturing of 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

4. Crude Oil

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.

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: -9.0%
- 1 Year: 1.2%
- 2 Year: 1.3%
- 3 Year: 1.3%

Analysis: US lumber prices are forecast to face short-term volatility as prices fall in the next six months, followed by steadier price increases in the long term. In the first quarter of 2025, lumber prices rose 4.8% in response to 25.0% tariffs on all Canadian imports, as Canada is the primary source of imported lumber in the United States. However, the tariffs on Canadian goods were adjusted in April to exempt goods produced wholly in Canada, an exemption that applies to most Canadian lumber. As a result, the supply of lumber in the United States has been rising since this rule change, reversing some of the price increases caused by tariffs. Over the next six months, this reversal of first-quarter price increases is expected to continue, aided by weak lumber demand from the construction sector due to sustained high interest rates. However, lumber prices are forecast to grow at a moderate pace over the next three years as the eventual reduction of interest rates causes housing construction activity to recover, driving higher demand for lumber.

Secondary Commodities:

- Toilet Paper
    - As lumber prices steadily increase in the long run, 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.

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 prices.

6. Natural Gas

Forecast CAGRS:

- 6 Month: 3.8%
- 1 Year: 3.4%
- 2 Year: 3.3%
- 3 Year: 3.3%

Analysis: Natural gas prices are highly volatile and difficult to predict, as national and global demand can shift with the weather or the state of the economy, while supply is often inflexible in the short term. 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 $4.00/MMBtu to $4.90/MMBtu in 2026 due to increased global demand for liquefied natural gas (LNG) as it continues to displace other fossil fuels in the global energy generation sector. Much like crude oil, geopolitical events, such as the possible closure of the Strait of Hormuz, are highly impactful for global natural gas supply, increasing the risk of sudden shocks in this market.

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

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.

6. 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: -0.9%
- 1 Year: 1.6%
- 2 Year: 1.7%
- 3 Year: 1.8%

Analysis: During the next six months, the price of plastic is forecast to decrease marginally as domestic markets react to the impacts of tariffs. Since the start of the year, the price of plastic has increased by 3.9% due to elevated tariffs on key plastic importers such as China. This increase in plastic price is weakening consumer demand, which is likely to drive down prices for plastic in the short term. In the longer term, 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. The eventual reduction of interest rates 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 pushed this eventual shift in market conditions further out. As plastic prices are highly impacted by consumer demand, the possibility of an economic downturn remains a volatility risk in this market.

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 overall in the next three years.
- Disposables and Polystyrene Foam
  - 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

7. Plastic

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, declining crude oil prices will lower these input costs.

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 demand and prices for 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: 0.6%
- 1 Year: 1.6%
- 2 Year: 2.1%
- 3 Year: 2.8%

8. Semiconductors

Analysis: Each year, advancements in semiconductor design and manufacturing technology reduce the cost per transistor in the semiconductor market. At the same time, demand for more powerful semiconductors leads manufacturers to significantly increase the number of transistors in the semiconductors they manufacture. Due to these opposing trends in the cost of manufacturing semiconductors, forecasts in this market continue to fluctuate significantly. Nonetheless, semiconductor prices are forecast to rise throughout the next three years. Deloitte projects that continued demand for AI technology will drive significant increases in semiconductor complexity, with nearly all new computers containing Neural Processing Units (NPUs) by 2028. Thus, this increase in the complexity of the semiconductors being produced will outpace the decrease in per-transistor prices in the next three years, resulting in rising average prices. Additionally, the Trump administration announced 32.0% tariffs on imports from Taiwan, the leading source of imported semiconductors, in February, but has delayed the implementation of these tariffs until July 9. This tariff remains subject to ongoing negotiations, but would cause a significant increase in semiconductor prices if implemented.

Secondary Commodities:

- Cell Phones
  - The semiconductor market for mobile phones is projected to increase in 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 in 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

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

8. Semiconductors

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: Demand for consumer electronics is forecast to rise in the next three years, as the eventual reduction of interest rates increases the average consumer's disposable income. This trend will translate to greater demand and prices for semiconductors.

9. Steel

Forecast CAGRS:

- 6 Month: -9.7%
- 1 Year: -0.2%
- 2 Year: 1.2%
- 3 Year: 1.5%

Analysis: The steel market continues to experience high volatility due to tariffs in the United States and shifts in global production. Since the start of the year, US steel prices have surged upward by 26.4% due to the now 50.0% tariffs on all steel imports. Due to this rapid increase in prices, demand for steel has been declining, as the American Steel Institute reports a 6.2% decrease in total steel imports in 2025 so far and almost no change in domestic steel production. As a result, steel prices are forecast to slump in the next year as the market adjusts to the weaker demand caused by higher tariffs. However, steel prices are expected to grow for the remainder of the next three years, driven by increases in demand tied to eventual interest rate cuts. When interest rates are lowered, the cost of financing vehicle and equipment purchases or construction projects will fall, increasing downstream demand for steel. In turn, this trend will drive steel prices upward in the longer term.

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: 1.2%
- 1 Year: 1.1%
- 2 Year: 0.3%
- 3 Year: 0.5%

10. Consumer Paper Products

Analysis: Consumer paper products are expected to generally follow lumber prices over the forecast period, with steady growth over the next three years. However, because paper products are less affected by the Canadian tariff exemptions implemented in March, consumer paper product prices are forecast to rise in the next six months, unlike lumber prices. 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 predicted decline will help ease price growth in the short term.

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: -0.1%
- 1 Year: 1.5%
- 2 Year: 1.4%
- 3 Year: 1.1%

Analysis: Software-as-a-Service and Infrastructure-as-a-Service prices are projected to decrease slightly in the short term as increased tariffs and slow economic growth are pushing businesses to exercise caution in long-term contractual purchases. However, this slump in demand is expected to recede in the coming years due to interest rate cuts, which will increase businesses' access to money and strengthen overall economic performance. In turn, the XaaS market will see longer-term price growth as businesses are more able to invest in their digital infrastructure.

Substitute Commodities:

- On-Premises Software
- In-House IT
- Open-Source Software

11. XaaS

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: 0.4%
- 1 Year: 0.8%
- 2 Year: 0.9%
- 3 Year: 0.9%

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, 50.0% tariffs on aluminum and steel have increased input costs for manufacturers, prompting them to raise prices. Additionally, the sweeping tariffs announced against most US trade partners in February are set to take effect on July 9, which could add to vehicle manufacturing costs. However, vehicle demand in the US has been slumping due to high interest rates, which is expected to counter rising costs in this market during the next six months. In the longer term, pressure from tariffs, combined with rising demand as interest rates are lowered, will cause vehicle prices to rise at a faster pace. Due to the high impact of tariff and monetary policy on this market, it remains subject to significant volatility, particularly around unexpected policy changes.

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 less impacted by weak demand in the consumer market, as corporate buyers are less impacted by high interest rates when financing purchases. 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 June, gasoline prices currently stand at $3.213, down from their average at the start of the year.
- 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, particularly as tariffs partially insulate the US from the broader global market. 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.

12. Vehicles

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: 4.1%
- 1 Year: 5.6%
- 2 Year: 4.6%
- 3 Year: 3.7%

Analysis: Wages in professional services markets are expected to increase relatively quickly over the following three years as this labor market remains tight, forcing employers to increase wages to attract workers. Due to reductions in the US birthrate in recent decades and likely reduction in immigration during the forecast period, the US working-age population is forecast to flatten as the economy grows, increasing labor market scarcity. Additionally, unemployment and underemployment among recent college graduates have been rising in recent years, according to data from the New York Fed, indicating that fewer new workers are entering the professional services labor market, further limiting supply in this market. These trends, combined with ongoing increases in the cost of living, will drive growth in professional service wages during the next three years as employers seek to attract and retain talent.

External Sources

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