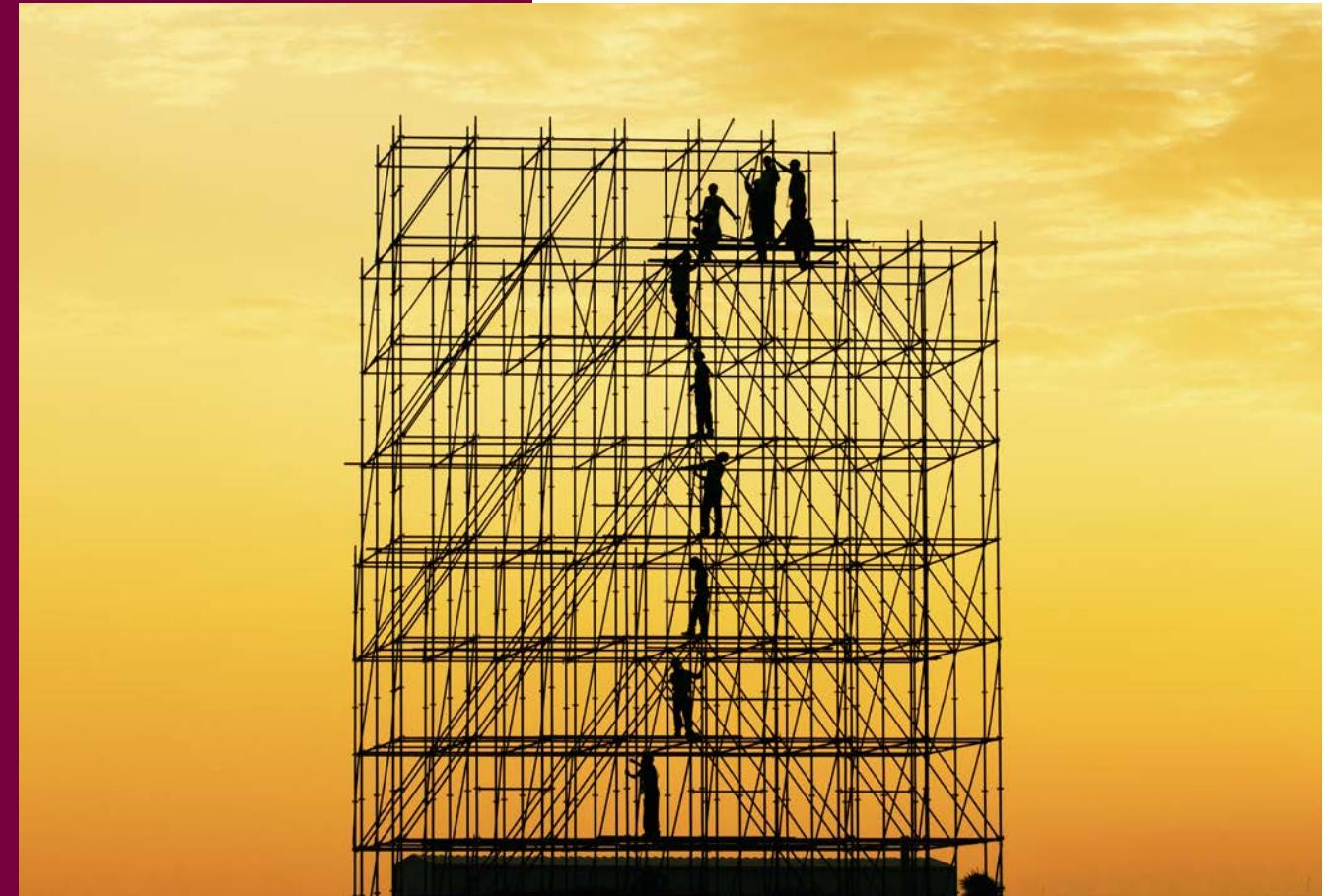


Economic Outlook

The Hartford's
Global Insights
Center



The Hartford



Global Insights Center: In-house research unit, think tank, and advisory team that provides economic and geopolitical views to shape decisions which can maximize global opportunities.

Insights Center Mantra: Look around the corner to provide actionable economic and geopolitical intelligence to our stakeholders

FUNCTIONS



Conduct quantitative and qualitative research on economic and geopolitical trends to form insights on where the world is headed.

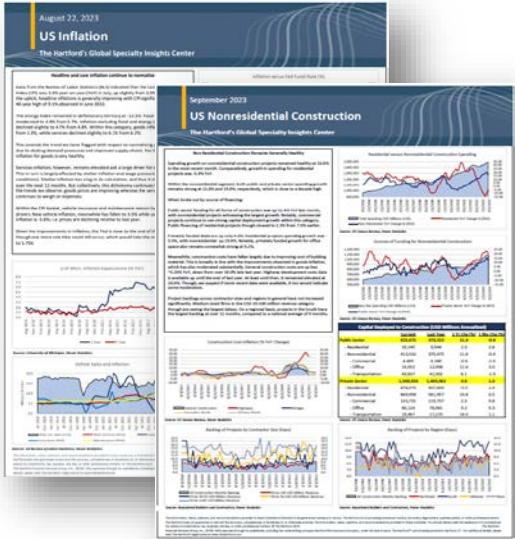


Support underwriting decisions, portfolio discussions, and provide input to actuary and finance forecasts.

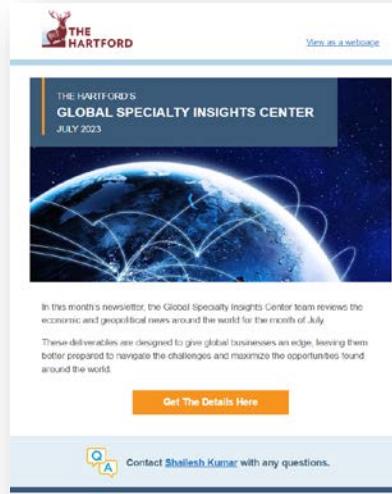


Work directly with our broker, agent, client, and reinsurance partners by providing bespoke briefings on the current environment.

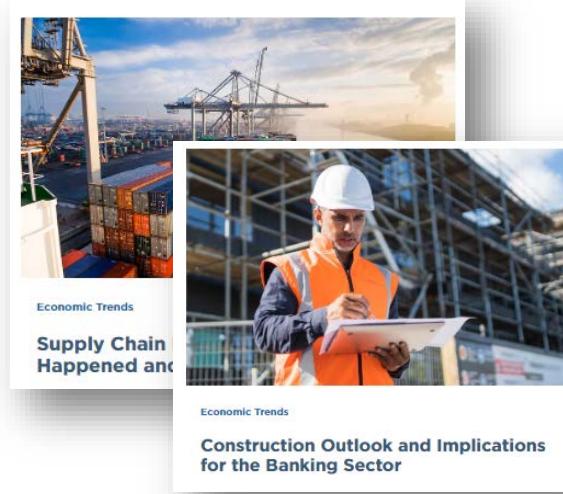
Monthly Dashboard Reports



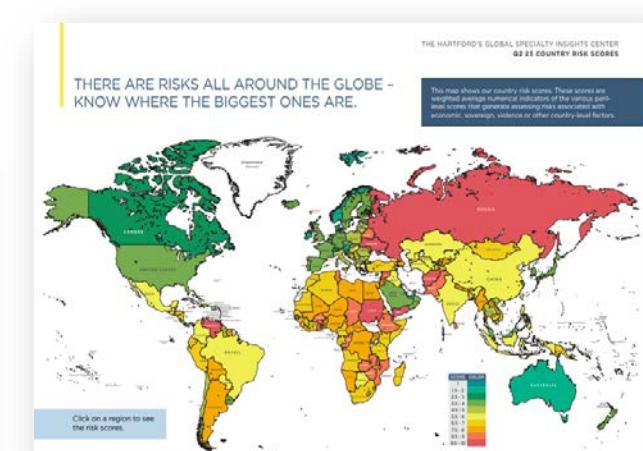
Monthly Broker Newsletter



Thought Leadership Articles



World Analysis



1

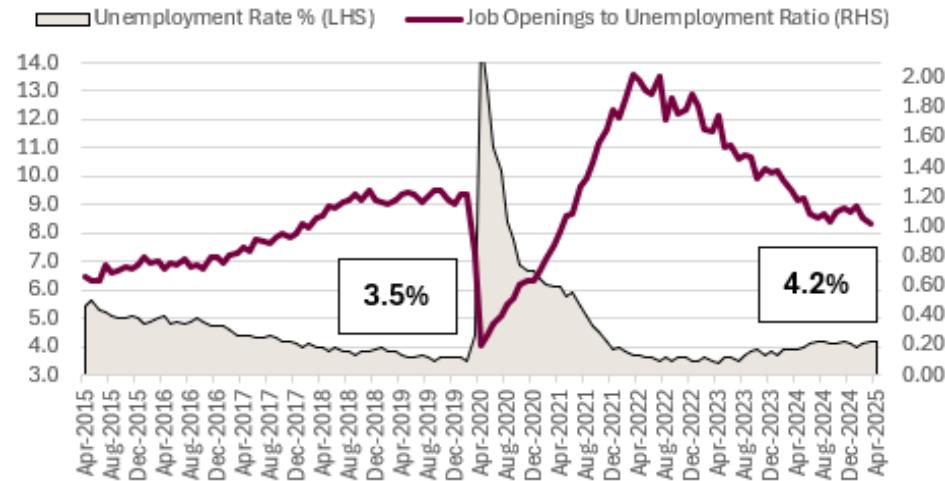
State of the Economy

Labor: Conditions continue to “normalize”

Unemployment is low. The job market now “in balance.”

- Labor market is “in balance” when unemployment is between 4.0% and 4.5%.
- Unemployment rate of **4.2%** in March 2025 is healthy. It was **3.5%** just before and after COVID.
- Wage growth though is elevated at **3.8%** which is above inflation and 2x its preCOVID rate.
- This is partly due to a shortage of workers, though job openings are falling.
- This trajectory though could change.

Unemployment Rate and Labor Availability



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

US Nominal Wage Growth Vs. Inflation

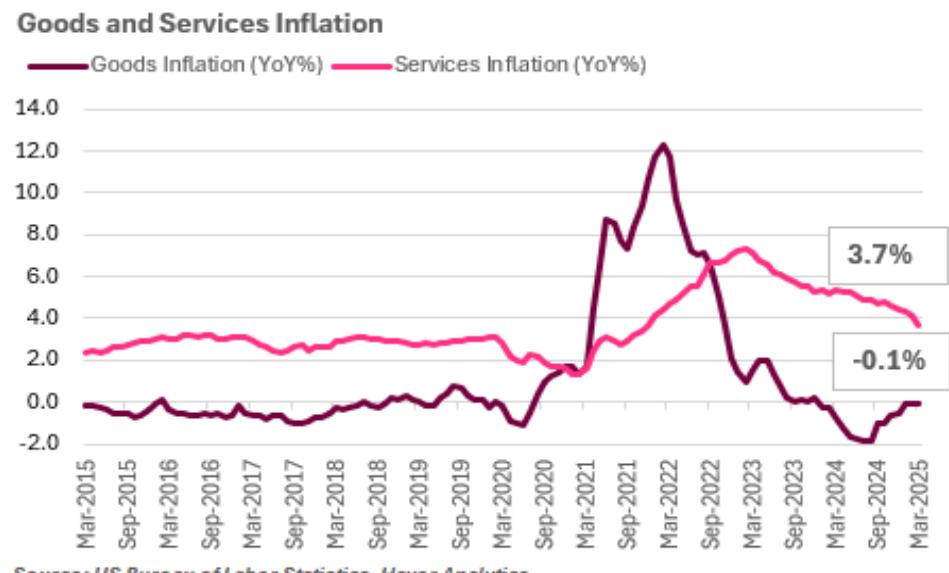
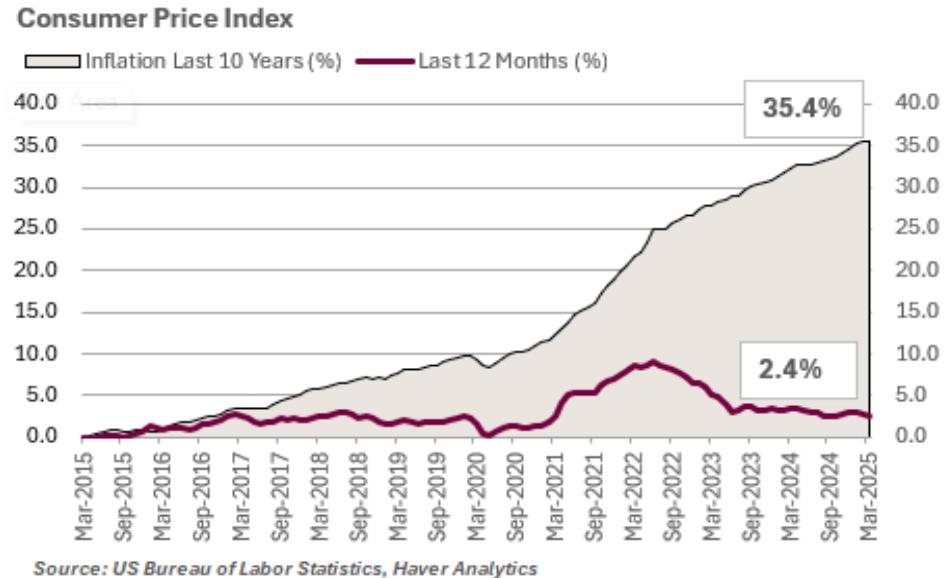


Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Inflation: Annualized inflation has normalized, but cumulative costs are up

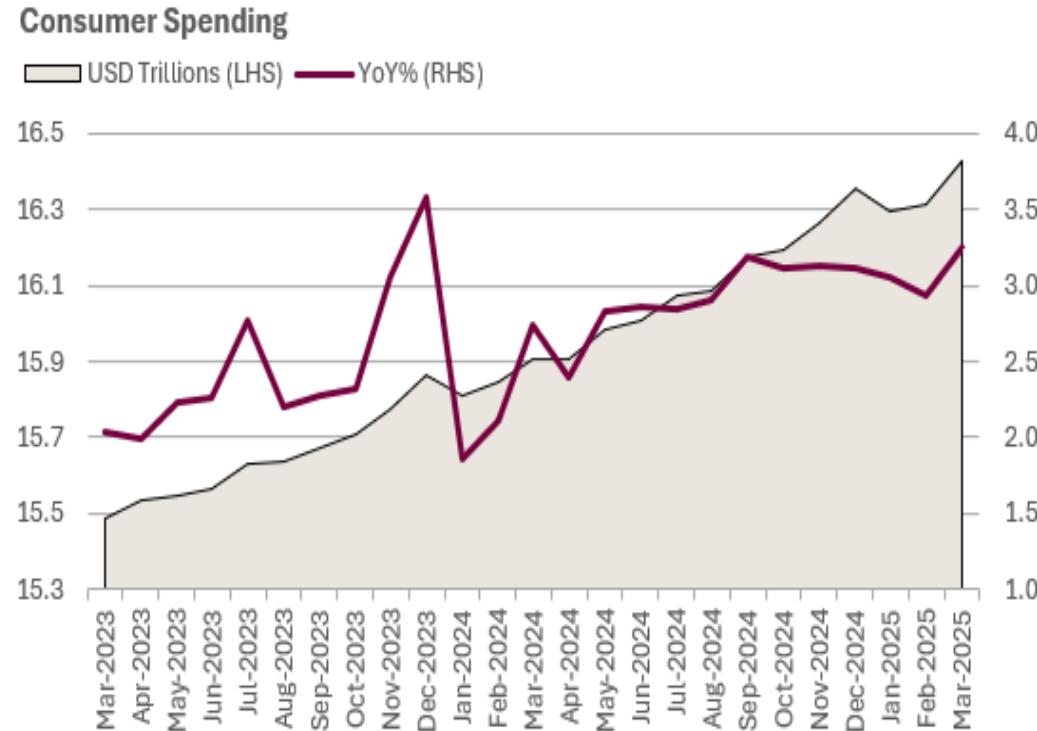
Inflation has improved but remains elevated. Tariffs could put upward pressure on inflation.

- Headline inflation was **2.4% last month**, a significant improvement from 9.1% peak in June 2022.
- However, cumulative Inflation is **35.1% during last 10 years** and **23.3% last 5 years** And this is what consumers feel.
- The Federal Reserve's target is 2.0%, meaning current
- **Goods inflation** (physical products like electronics and furniture) was **-0.1%**, similar to the pre-pandemic norm.
- **Services inflation** is elevated at **3.7%** but it's improving.

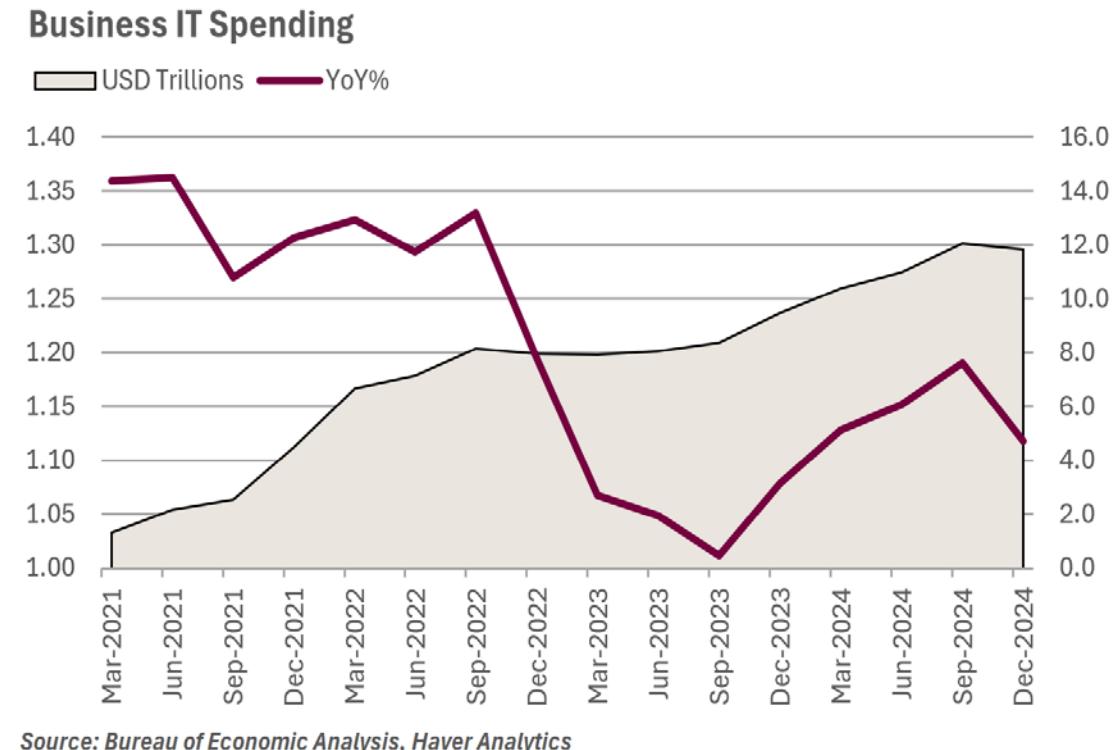


Consumer & Business Spending

Consumers drove growth, and businesses were investing in the AI infrastructure in 2024

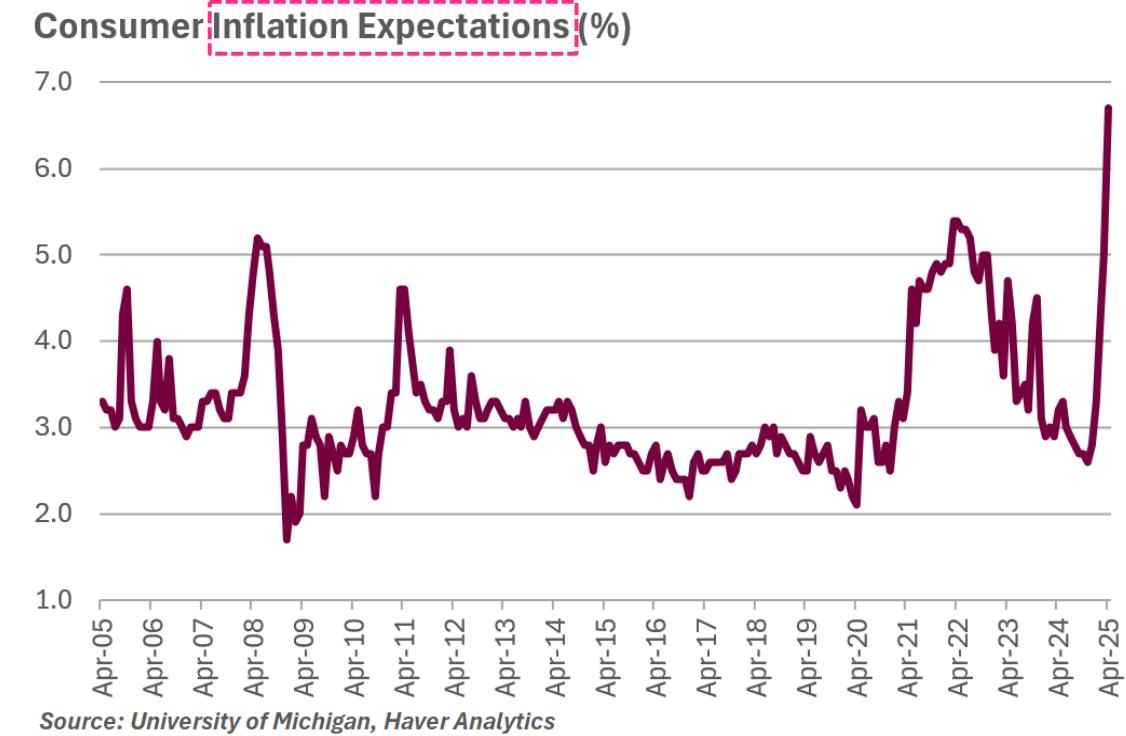
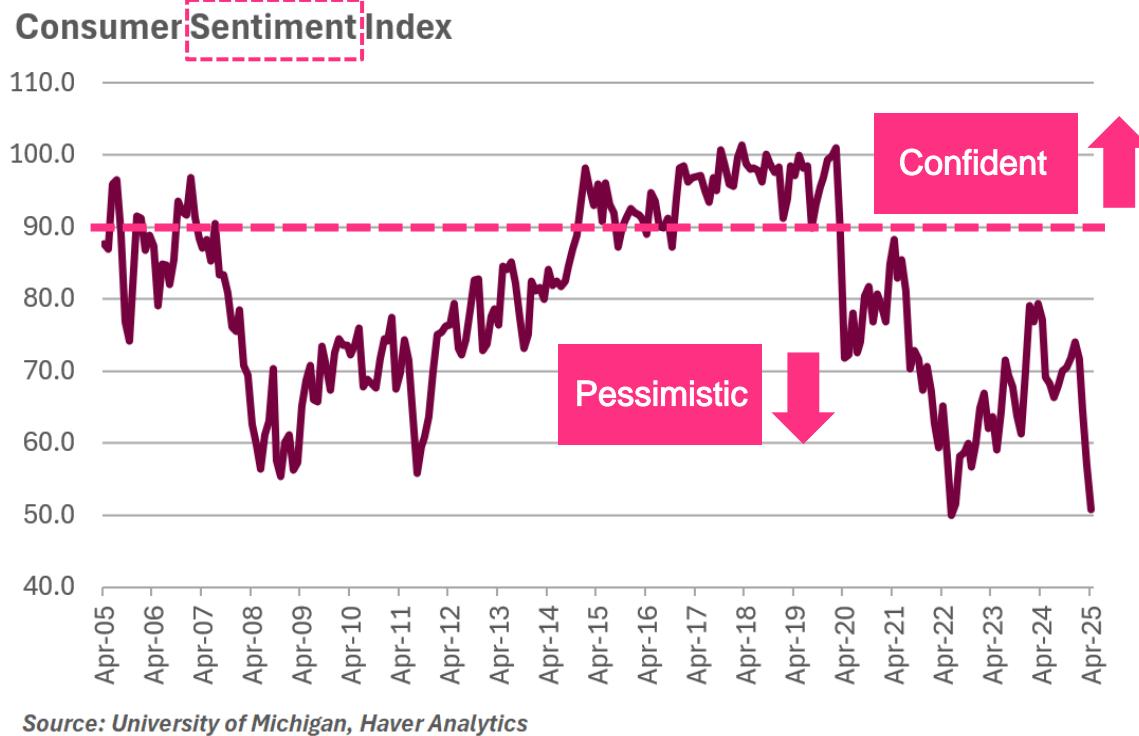


Source: Bureau of Economic Analysis, Haver Analytics



Source: Bureau of Economic Analysis, Haver Analytics

Consumer Mindset: Pessimism could impact spending

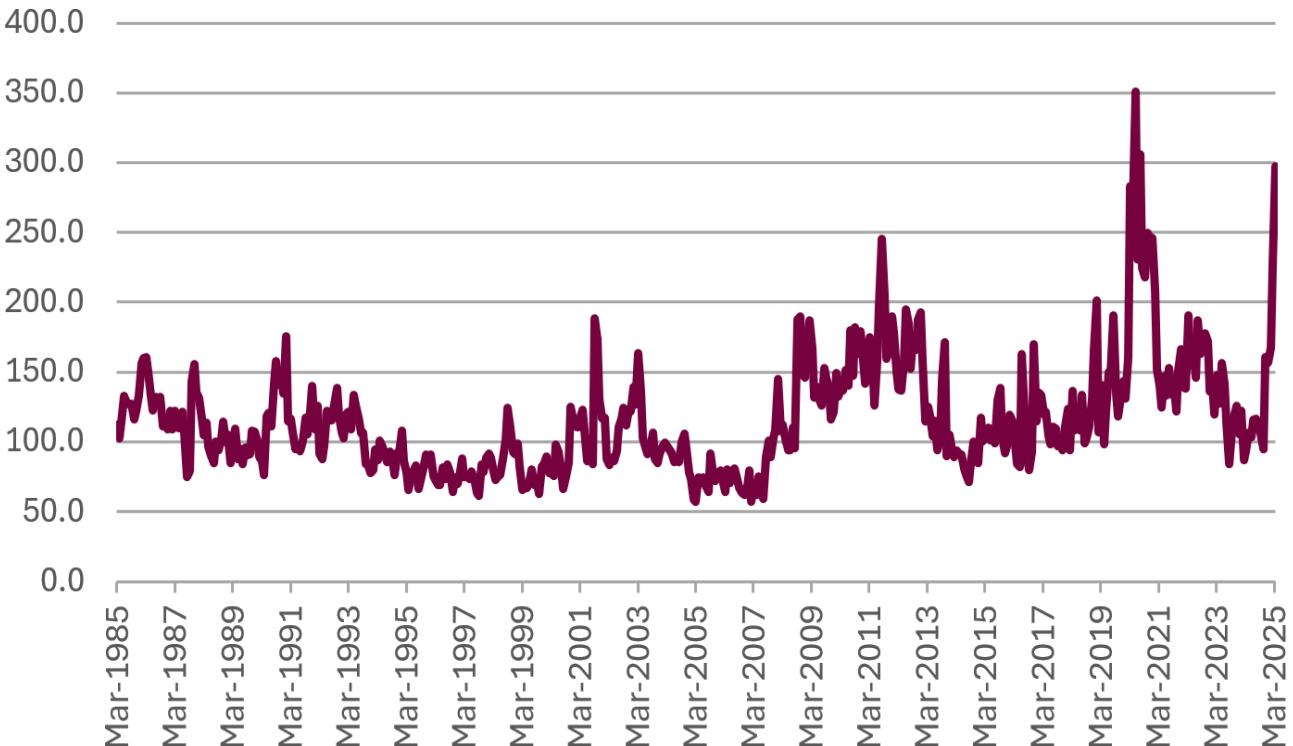


Economic Landscape: Uncertainty is elevated

Uncertainty

- Policy
- Markets
- Costs and inflation
- Business planning
- Household budgeting

Economic Policy Uncertainty Index (1985 = 100)



Source: PolicyUncertainty.com, Haver Analytics

2

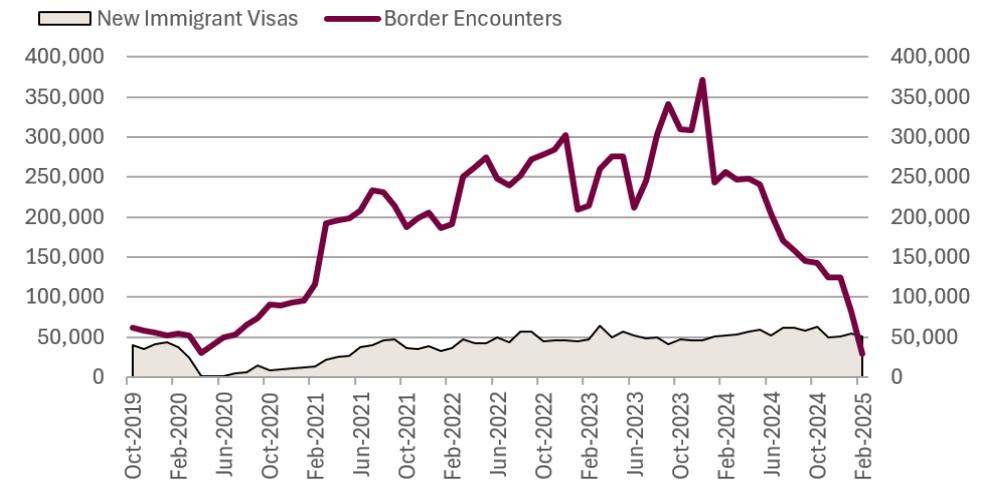
Developing Themes

#1 Tariffs: We'll come back to this one...

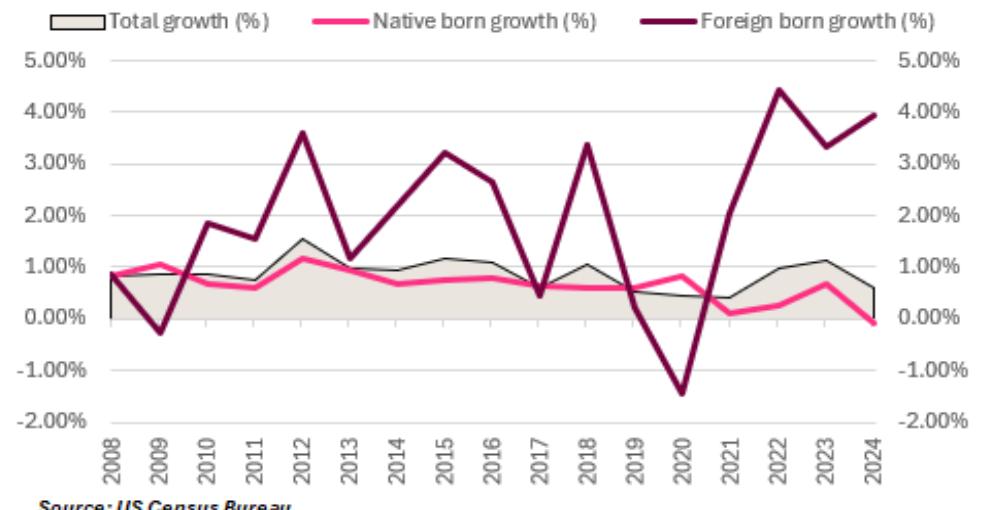
#2 Immigration and Retirements: Headwinds to construction labor supply

- **Documented** immigration is **stable** for now.
- **Undocumented** immigration has likely **diminished**.
- Construction workforce:
 - 75% domestic
 - 13% documented
 - 12% undocumented
- Workforce **retirements** creating **staffing challenges**.
- 12,000 people **turn 65 every day**.
- 20% of construction workforce could **retire by 2035**.

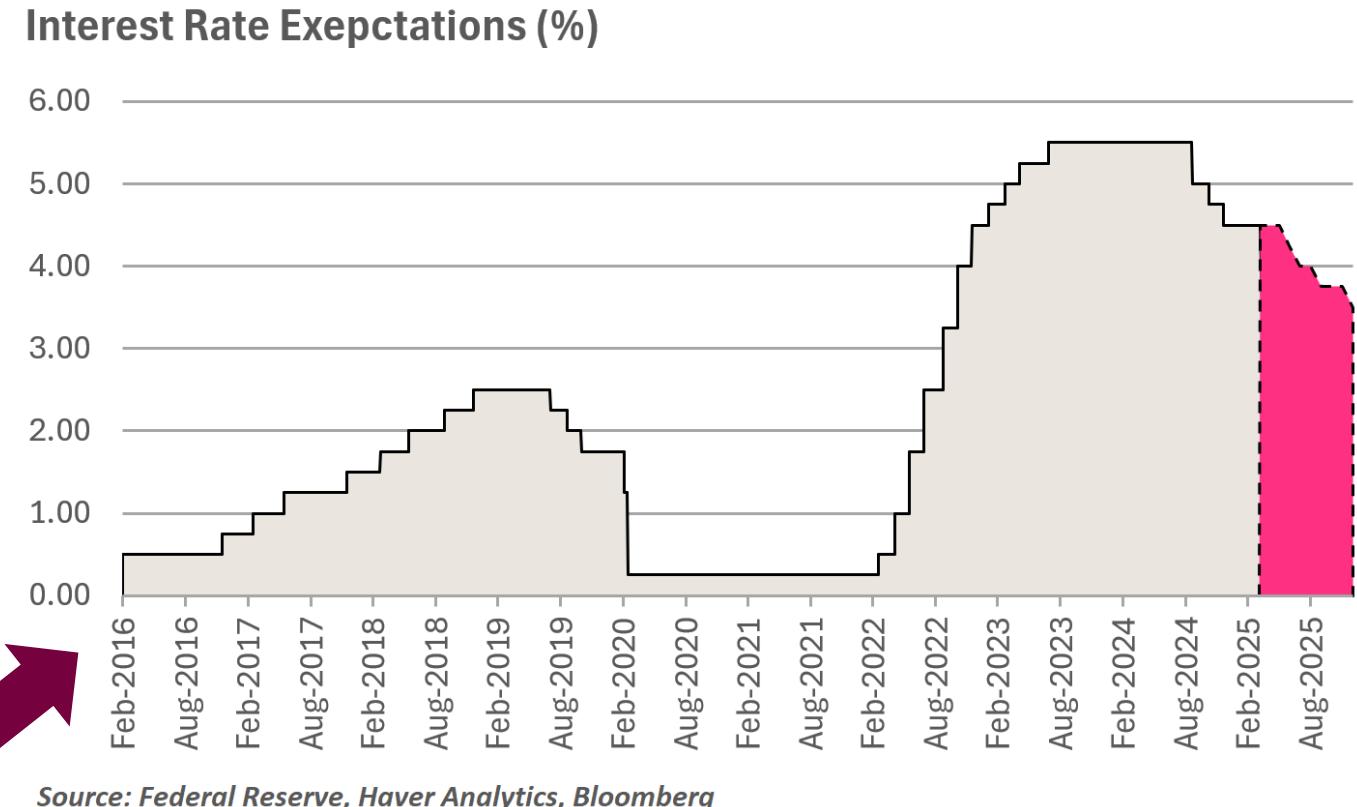
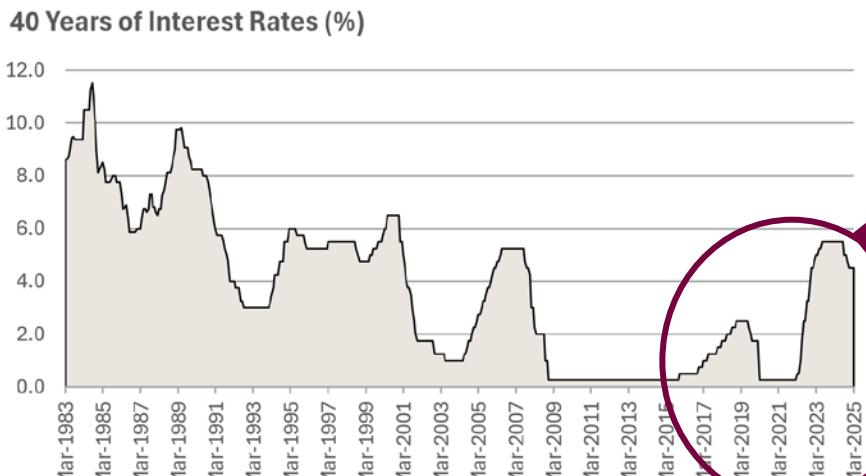
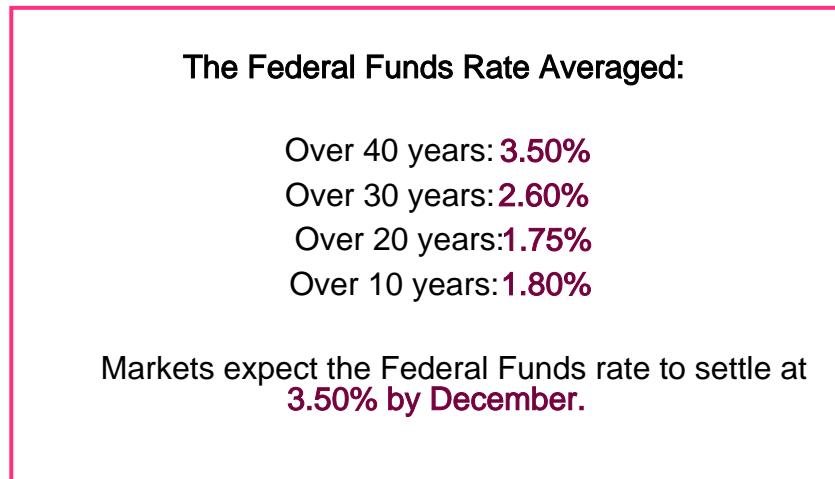
US Immigrant Visas and Border Encounters



US Civilian Population Growth, Age 16+



#3 Interest Rates: Path of interest rates could spur or slow the economy



3

Tariffs

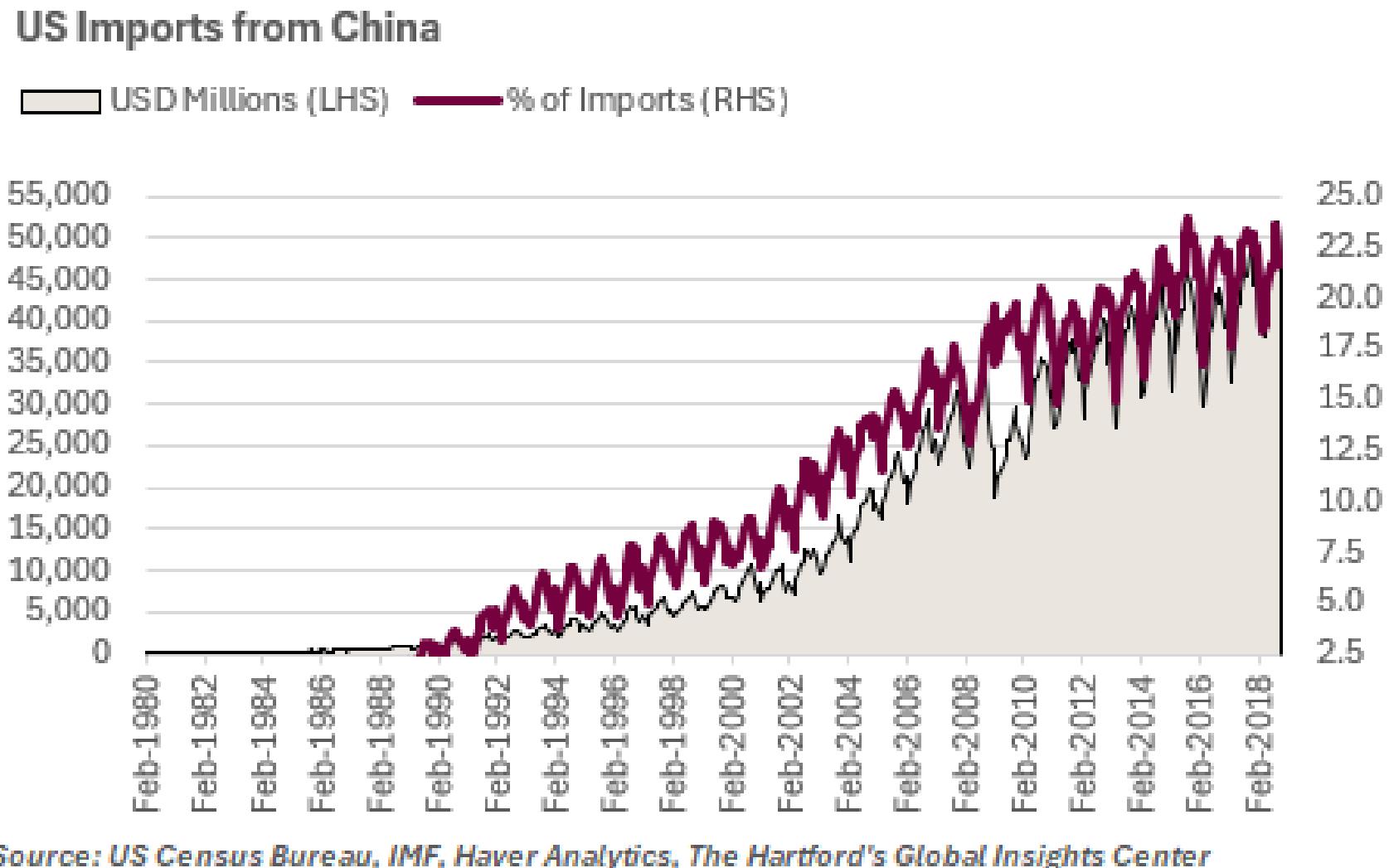
Tariffs: A shift in globalization...

Goods Inflation and Supply Chain Pressures



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

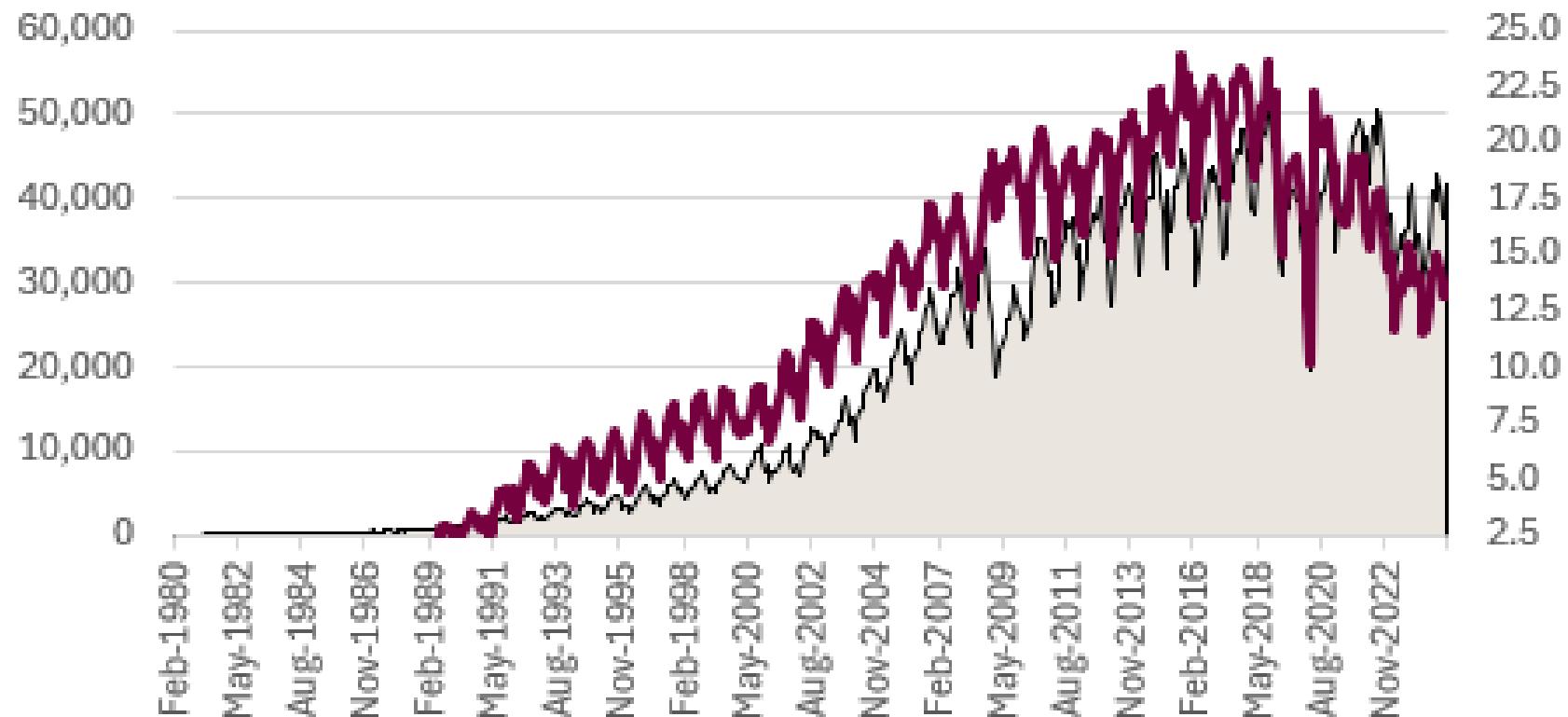
Tariffs: A shift in globalization...



Tariffs: A shift in globalization...

US Imports from China

■ USD Millions (LHS)

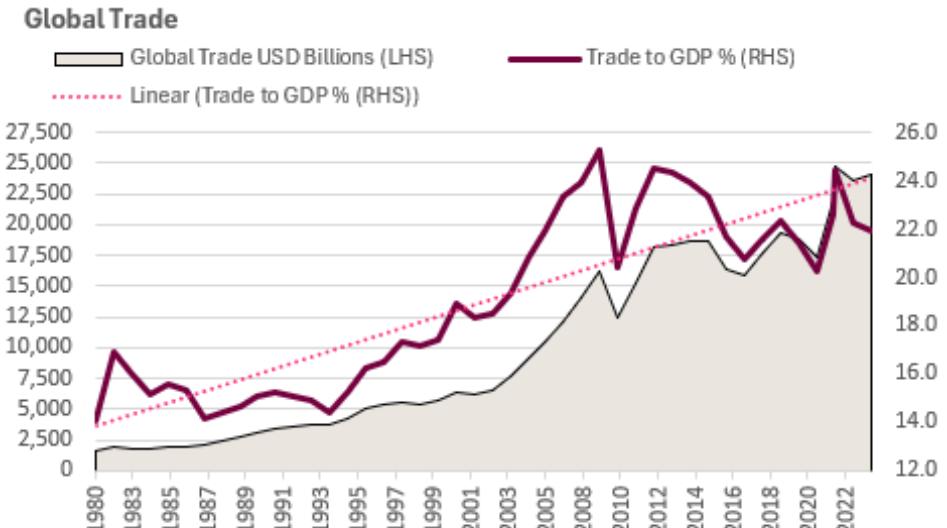


Source: US Census Bureau, IMF, Haver Analytics, The Hartford's Global Insights Center

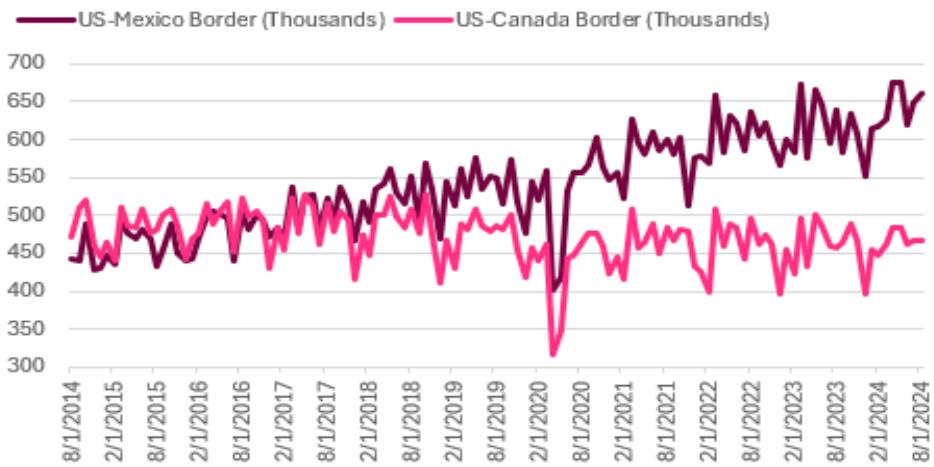
Tariffs: Where economics and geopolitics collide

Costs vs. Advantages

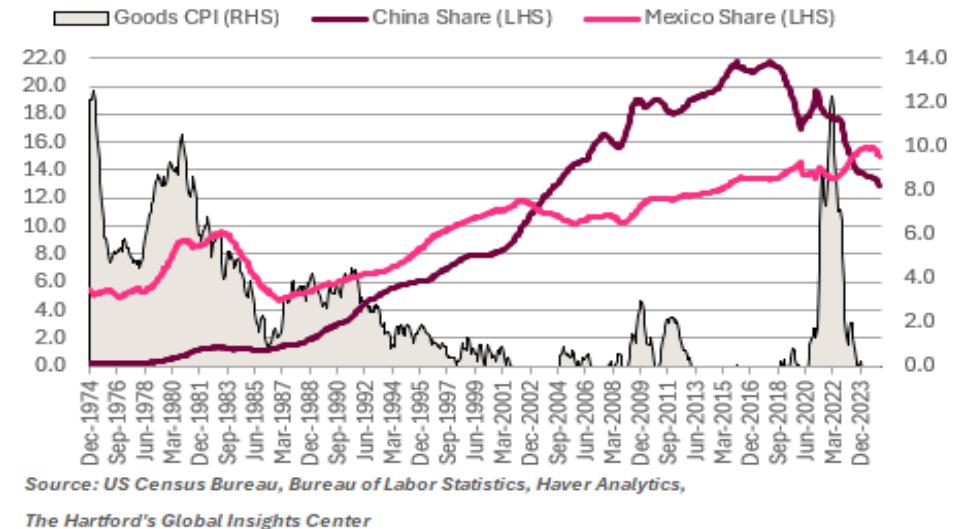
- Protect key industries / reduce competition / national security
- Raise tax revenue
- Enhance international political negotiations
- Reroute trade
- Inflation and economic headwinds



Truck Border Crossings

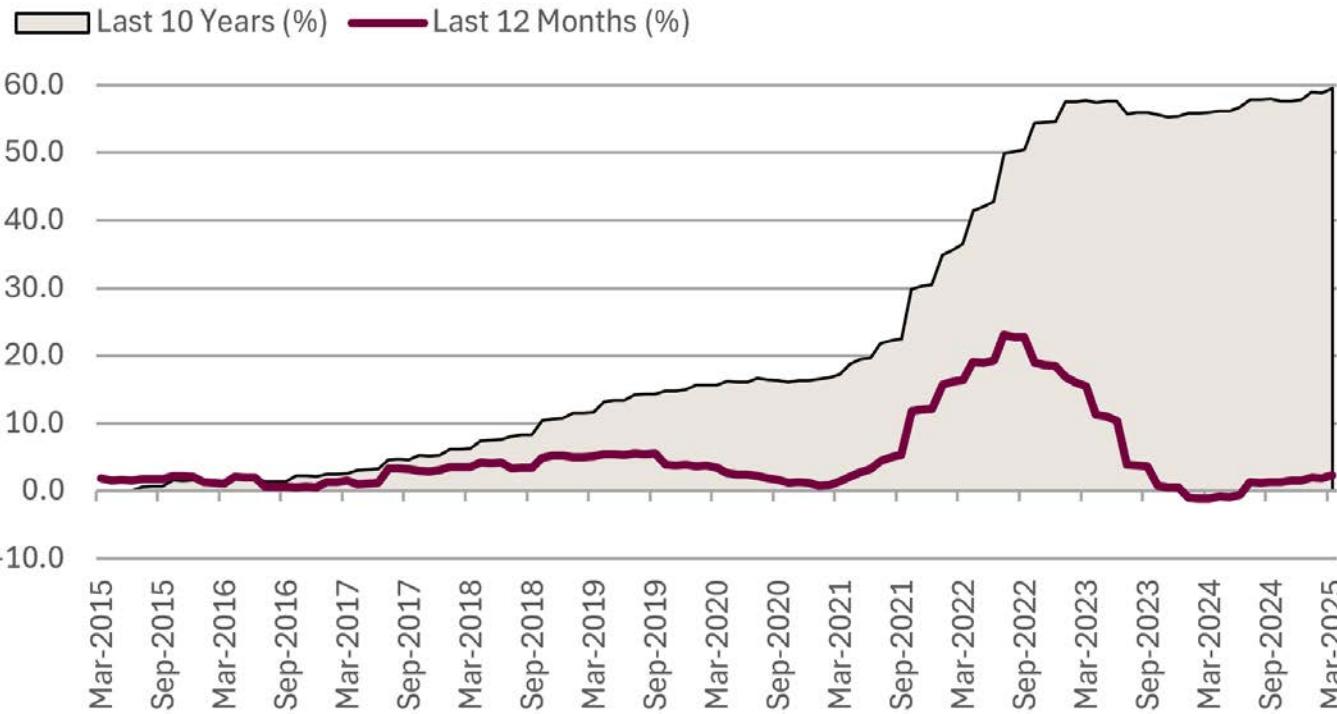


Impact of Offshoring on Inflation



Construction Equipment & Material Costs: Improvements could be reversed

Construction Input Inflation (%)



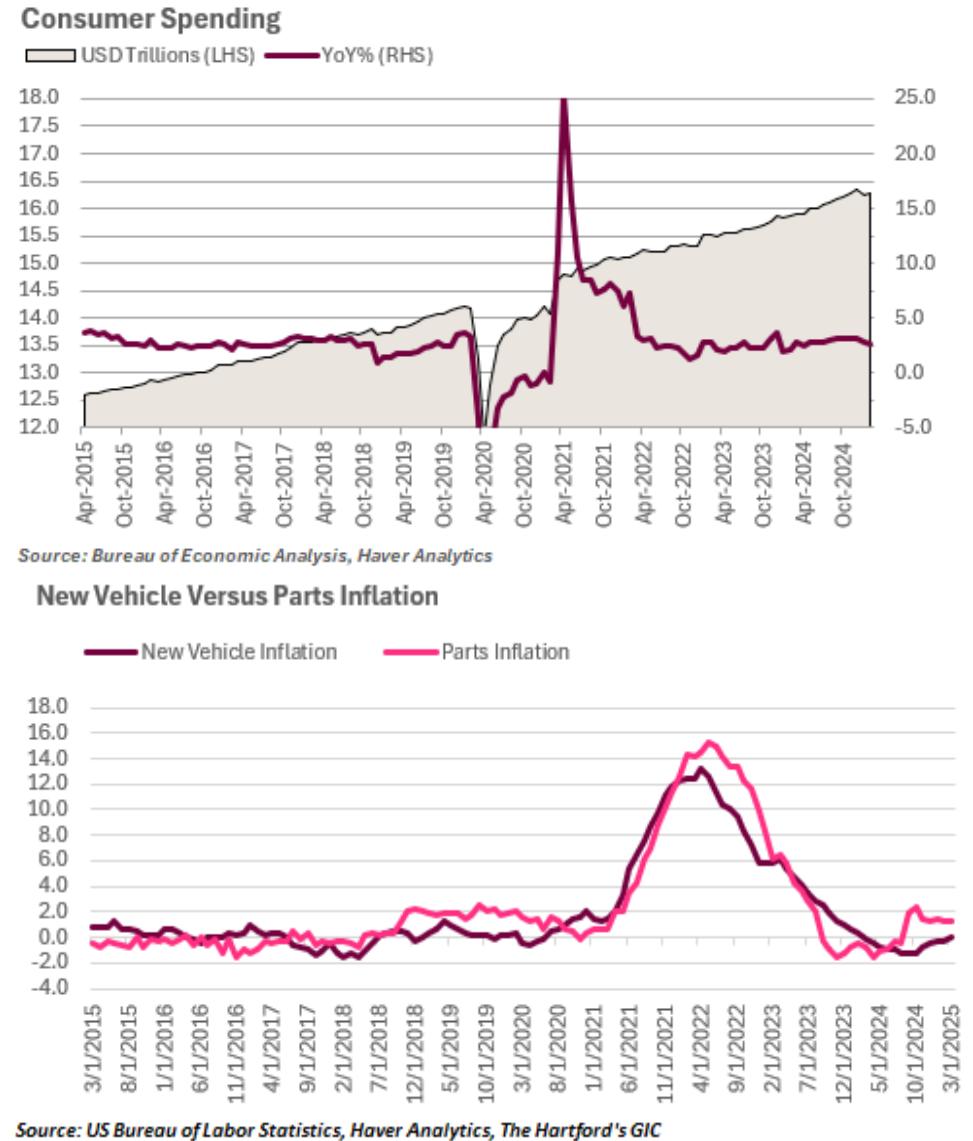
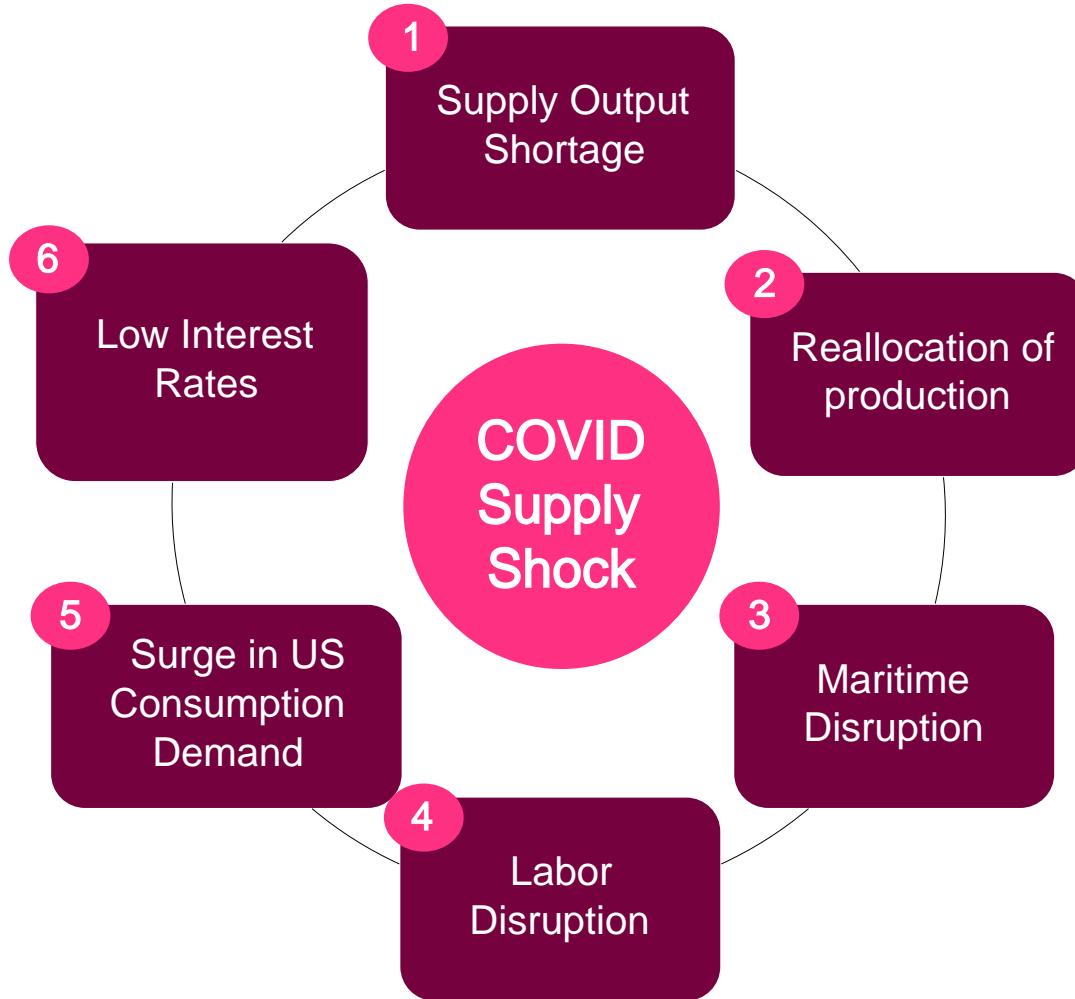
Source: US Bureau of Labor Statistics, Haver Analytics

Construction Input Inflation

Input	Inflation YoY%
Copper	10.7
Lumber	10.2
Concrete	1.4
Construction Machinery	0.7
Flooring	0.4
Steel	-5.6

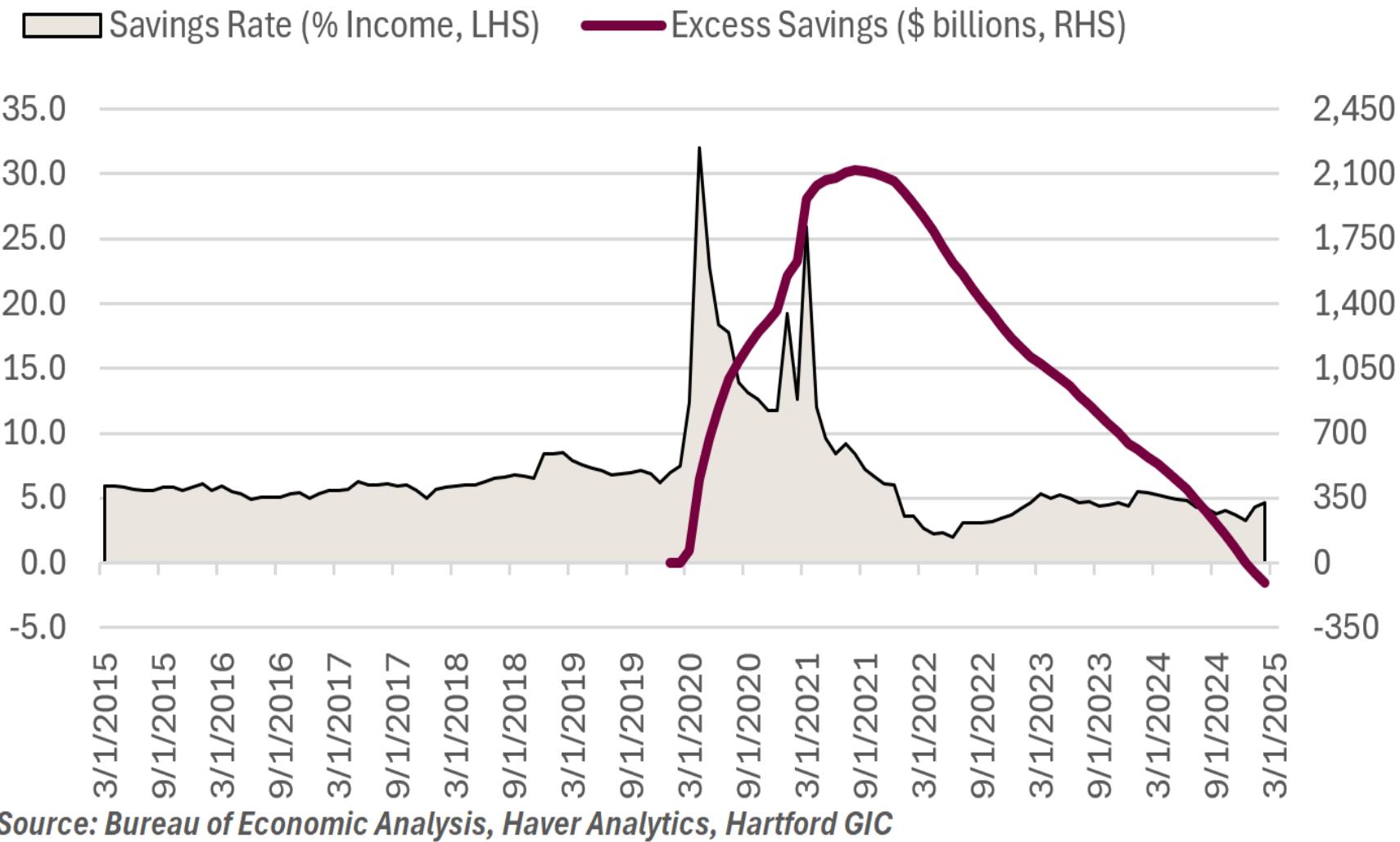
Source: Bureau of Labor Statistics, Haver Analytics

Tariffs: What is different this time?



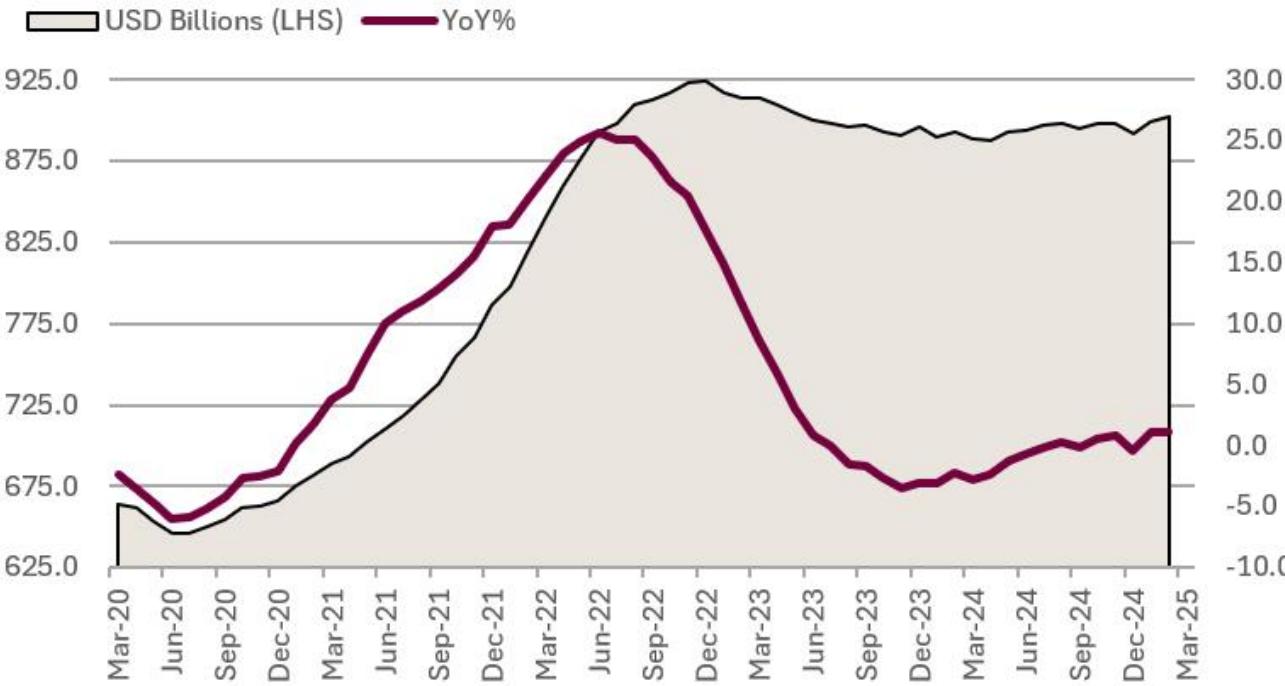
Tariffs: What is different this time?

Household Savings



Availability of Goods: Inventories up from prepandemic norm, flat in last year

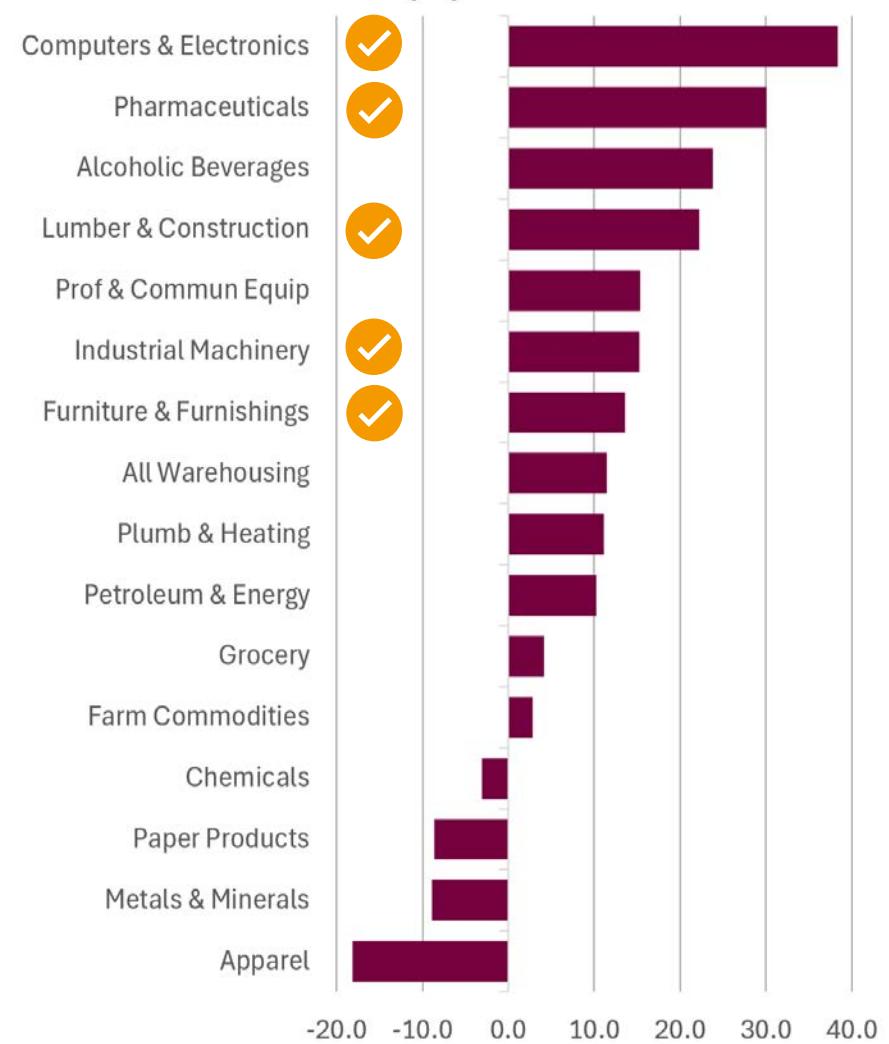
Value of Warehouse Inventories



Source: US Census Bureau, Haver Analytics

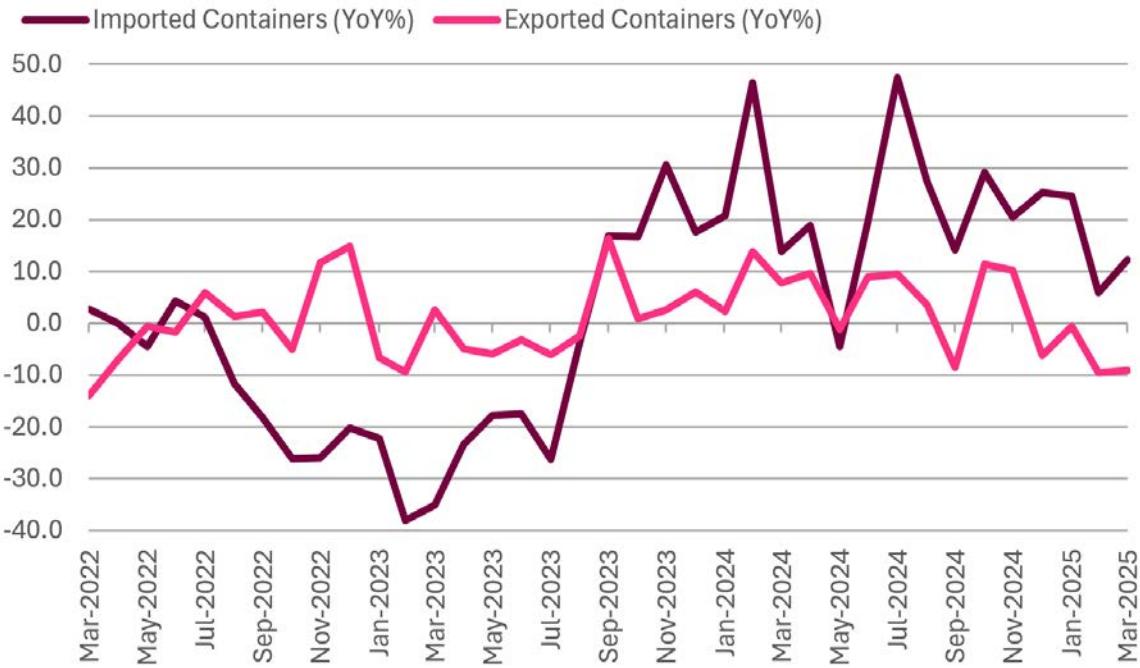
Warehouse Inventories

Growth last 5 Years (%)



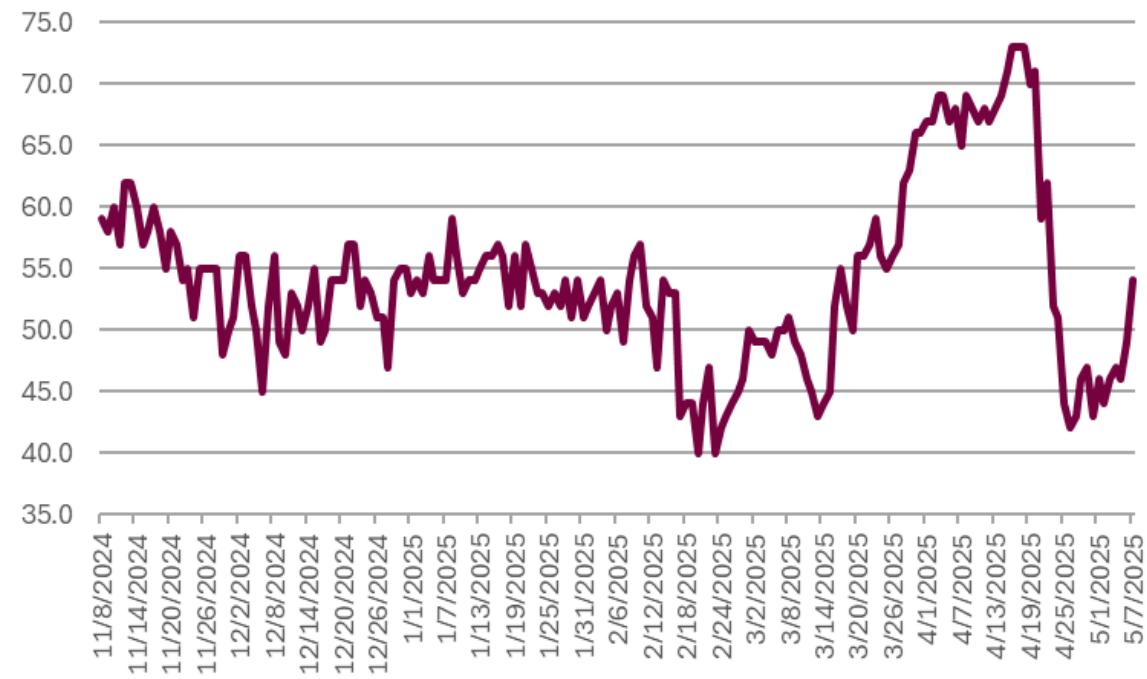
Trade Outlook: Headlines have been misleading

Ports of LA and Long Beach (YoY%)

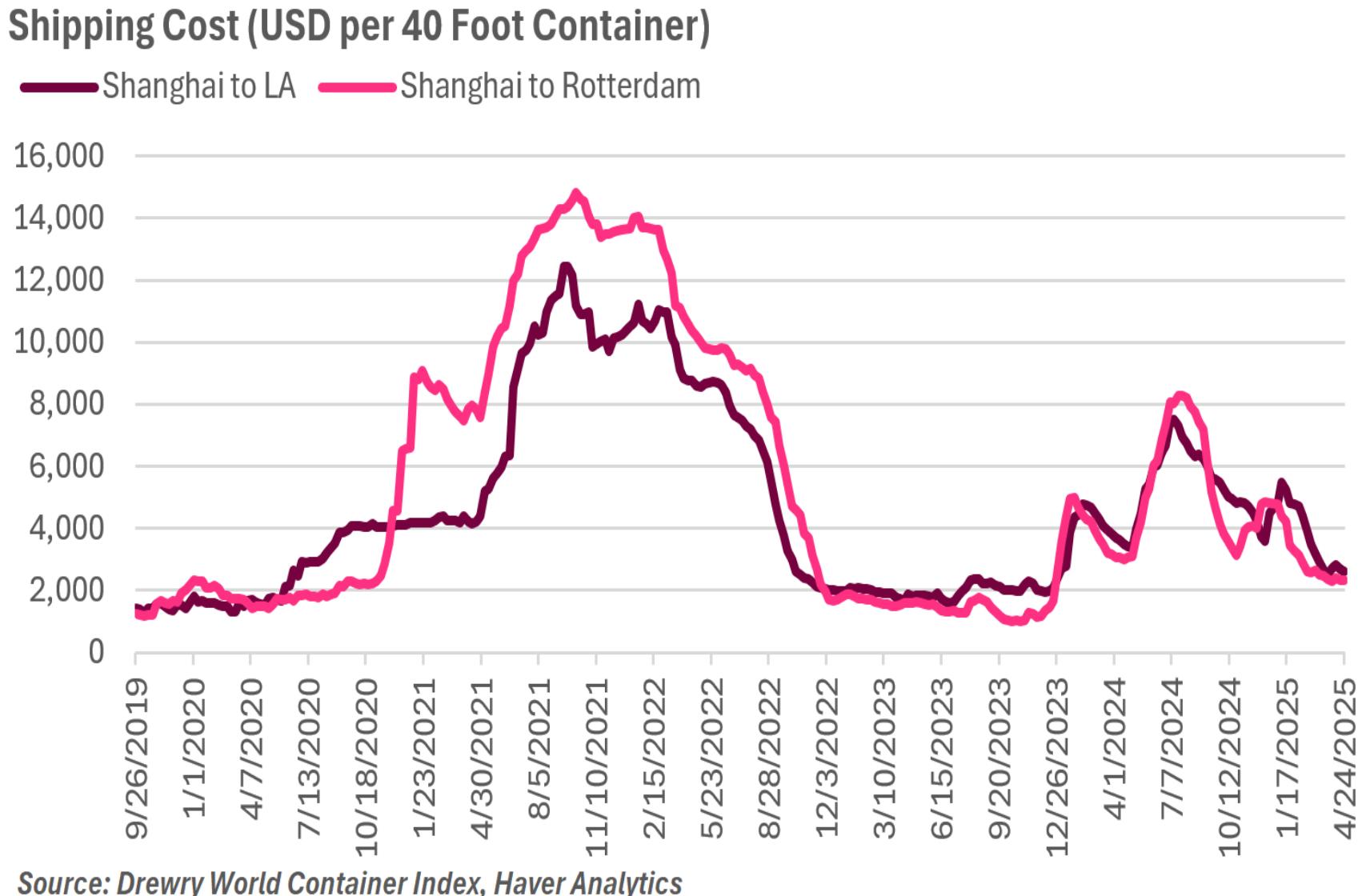


Source: Port of Los Angeles, Port of Long Beach, Haver Analytics

Ships Departing from China to US



Trade Outlook: Headlines have been misleading



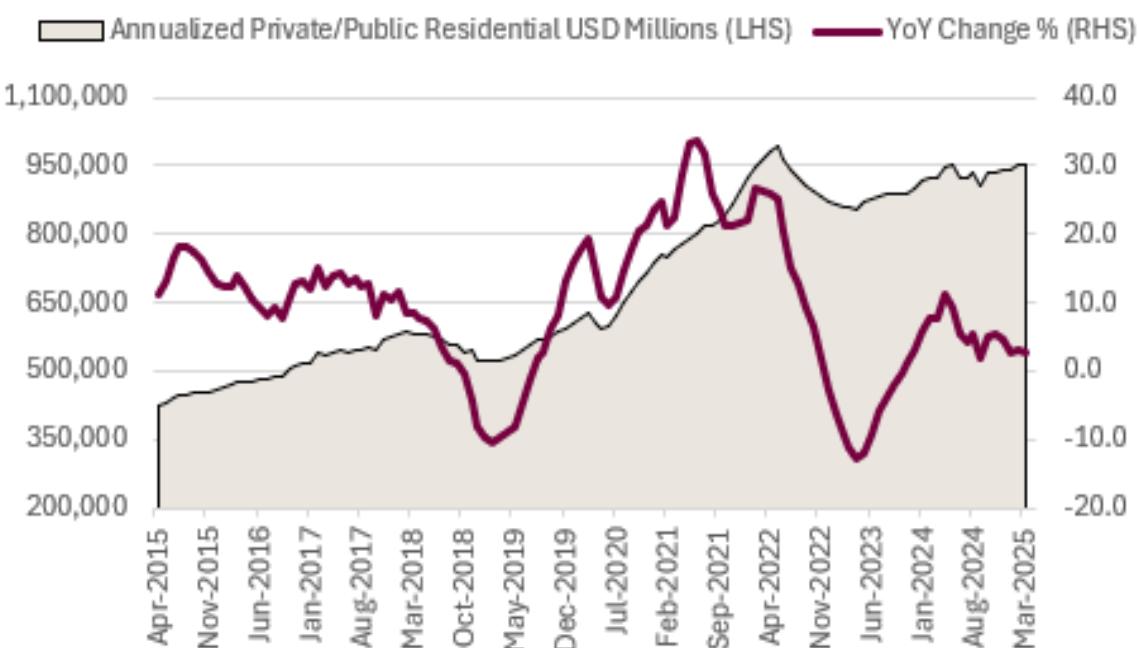
4

Construction Outlook

Residential and Nonresidential: Growth plateauing

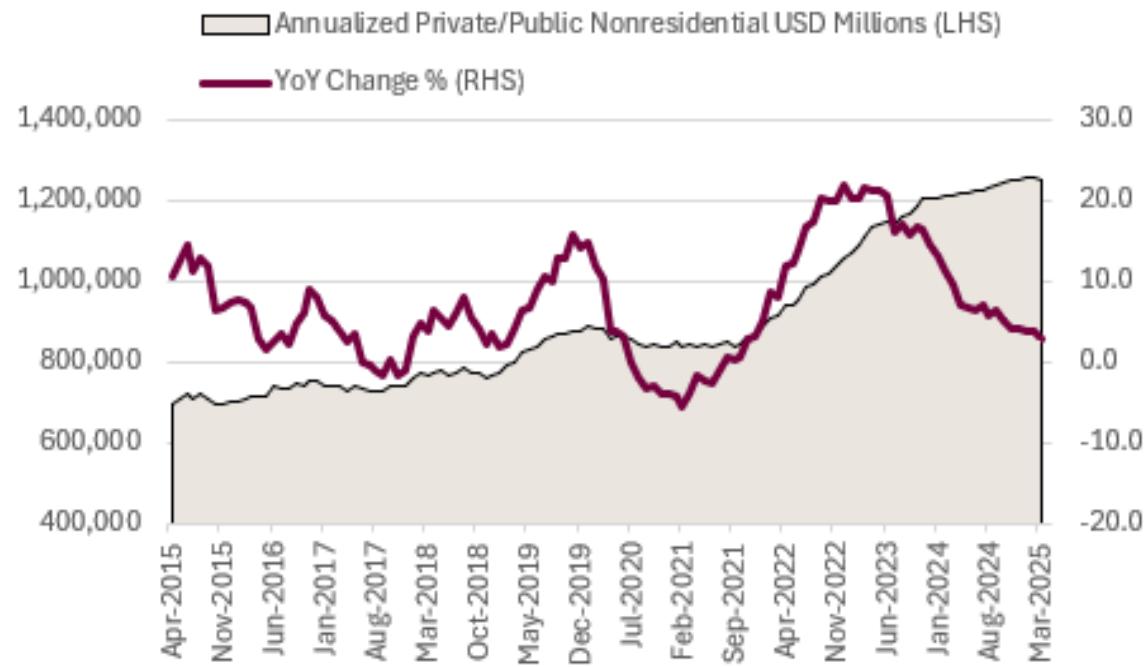
For the first time in 7 years, residential and nonresidential growth is similar.

Value of Residential Construction in Place



Source: US Census Bureau, Haver Analytics

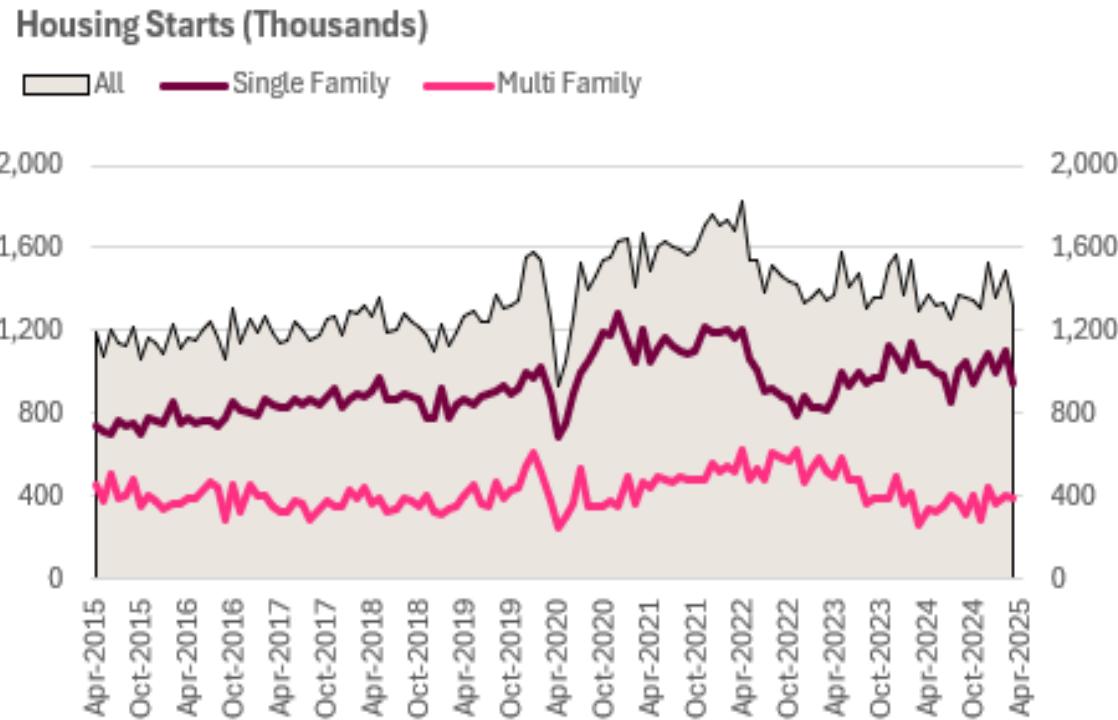
Value of Nonresidential Construction in Place



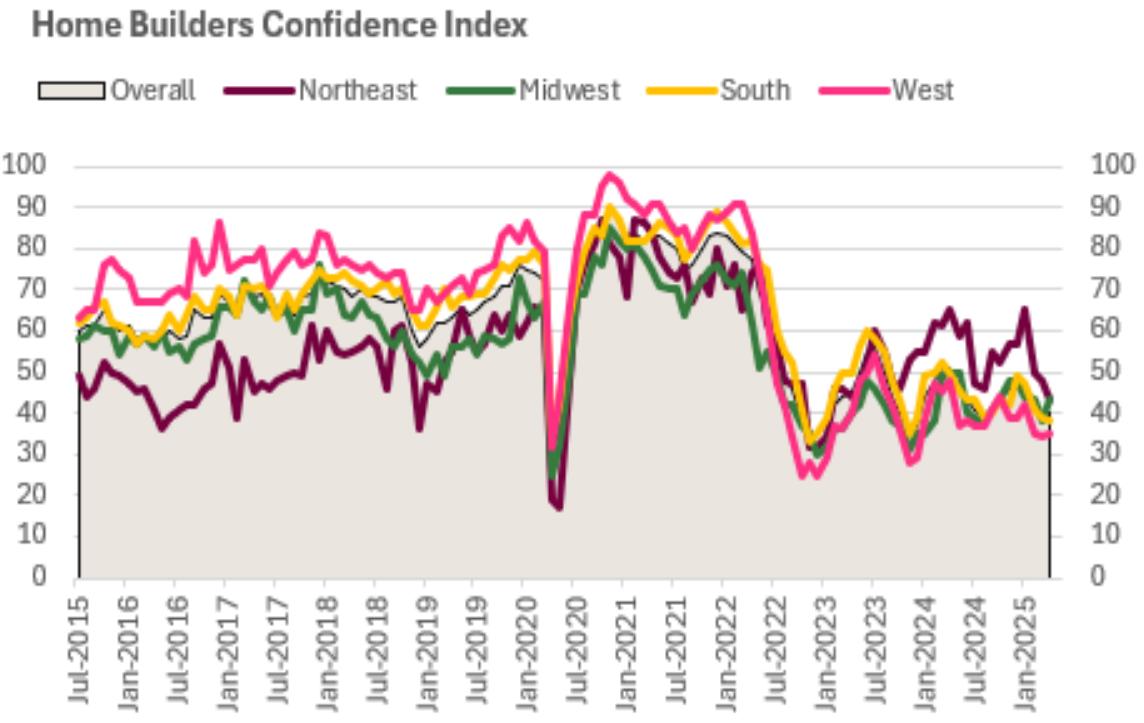
Source: US Census Bureau, Haver Analytics

Residential Construction: Single family steady with some weakness

Housing starts are stable but shifting towards single family while builder confidence weakens further.



Source: US Census Bureau, Haver Analytics

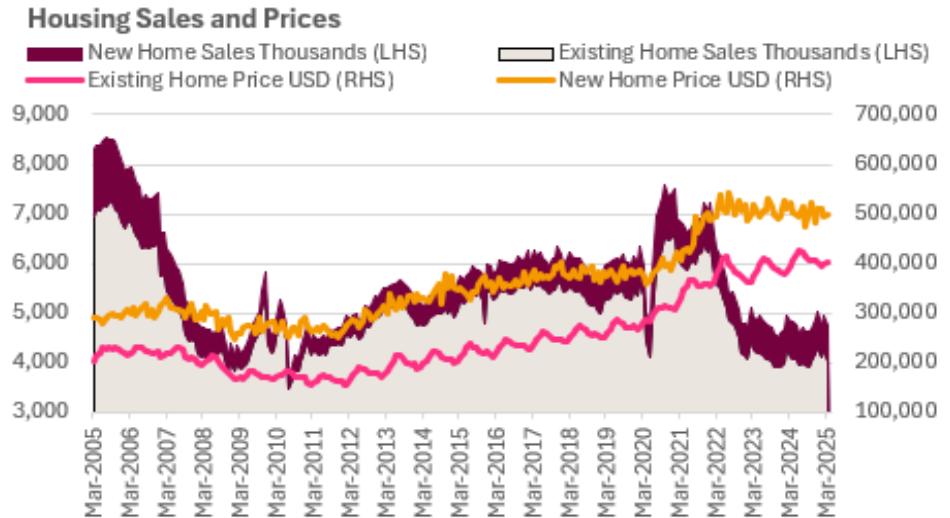


Source: National Association of Home Builders/Wells Fargo, Haver Analytics

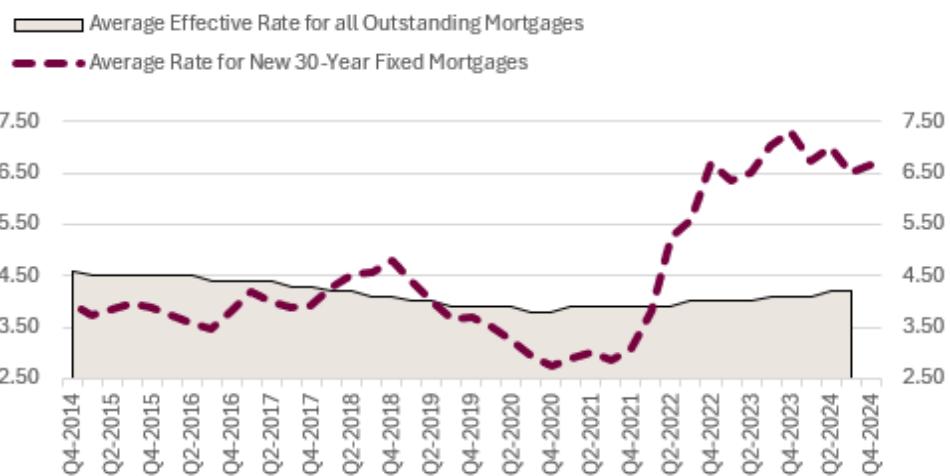
Housing Affordability: Cause for concern

Home prices are high, mortgage rates are elevated, and many homeowners aren't selling.

- New and existing home price **increased significantly** after the pandemic.
- New home sales levels have remained steady at higher price levels.
- Existing home sales are **down** from pandemic and pre pandemic levels.
- Many current homeowners bought or refinanced at record low mortgage rates in 2020/2021. With rates now much higher, many are reluctant to sell, reducing supply.

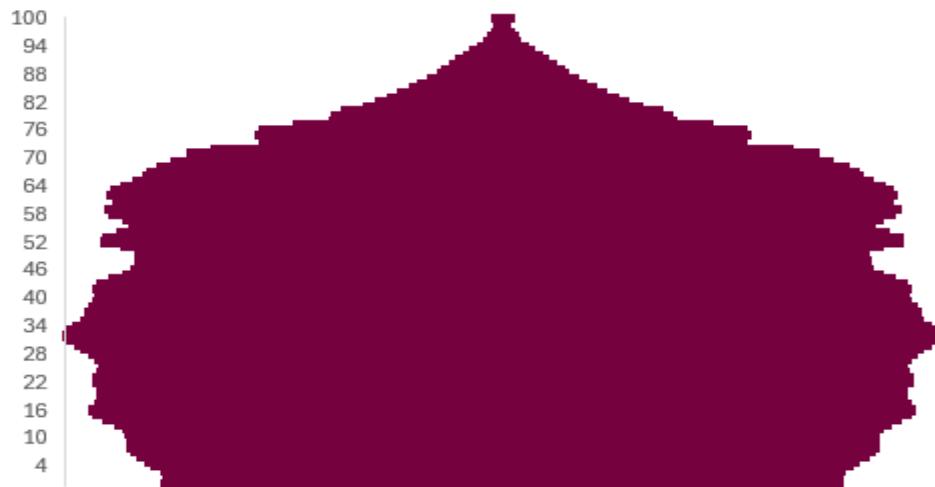


Average Locked In Versus New Mortgage Rates (%)



Demand for Housing: Slowdown likely on the way as America ages

United States Age Distribution



Source: United Nations, Haver Analytics, The Hartford's Global Insights Center

China Age Distribution



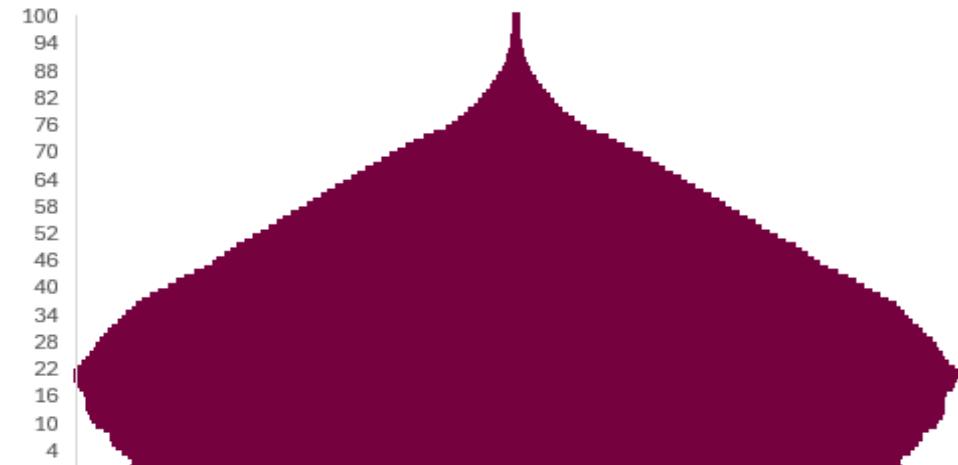
Source: United Nations, Haver Analytics, The Hartford's Global Insights Center

Germany Age Distribution



Source: United Nations, Haver Analytics, The Hartford's Global Insights Center

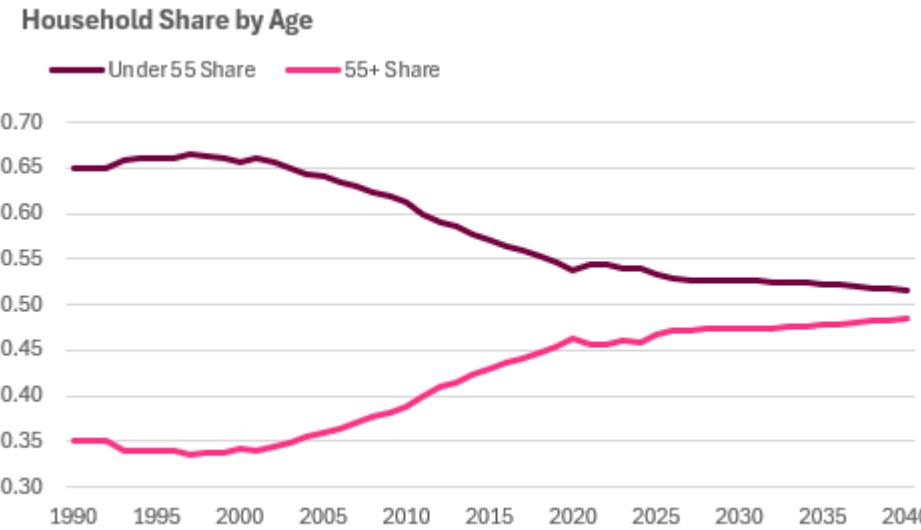
India Age Distribution



Source: United Nations, Haver Analytics, The Hartford's Global Insights Center

Demand for Housing: Slowdown expected

- Demand for new housing is driven in large part by the growth in the number of households.
- Household growth is expected to slow as population growth slows.
- The share of households headed by individuals aged 55 and above grew rapidly from 2000 to 2020 as the baby boomers aged.
- By 2040, nearly half of households will be 55 and above.

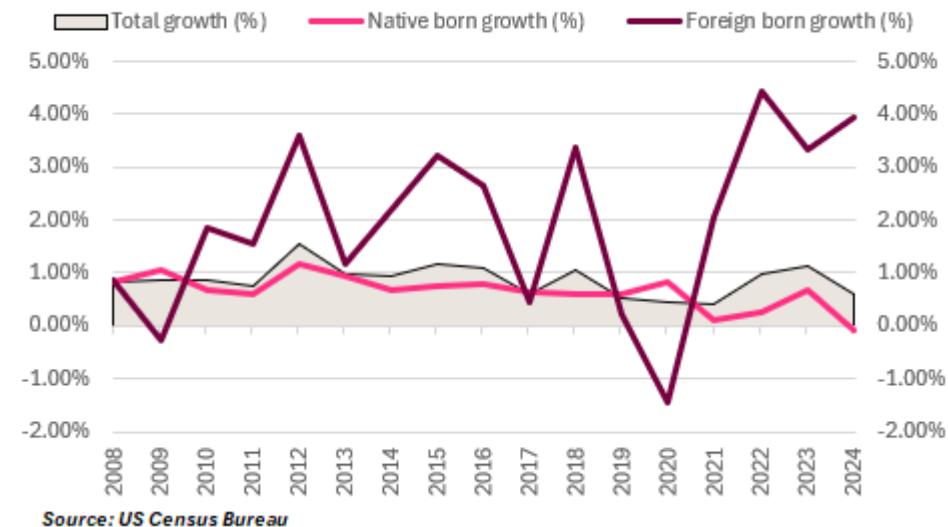


29

Source: Bureau of Labor Statistics, The Hartford's Global Insights Center, Haver Analytics

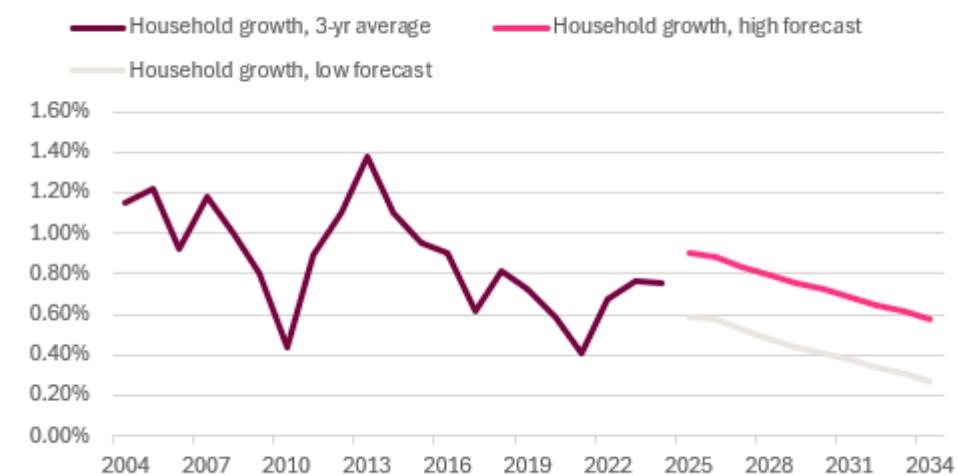
© 2025 The Hartford. Confidential. No part of this document may be reproduced, published or posted without the permission of The Hartford.

US Civilian Population Growth, Age 16+



Source: US Census Bureau

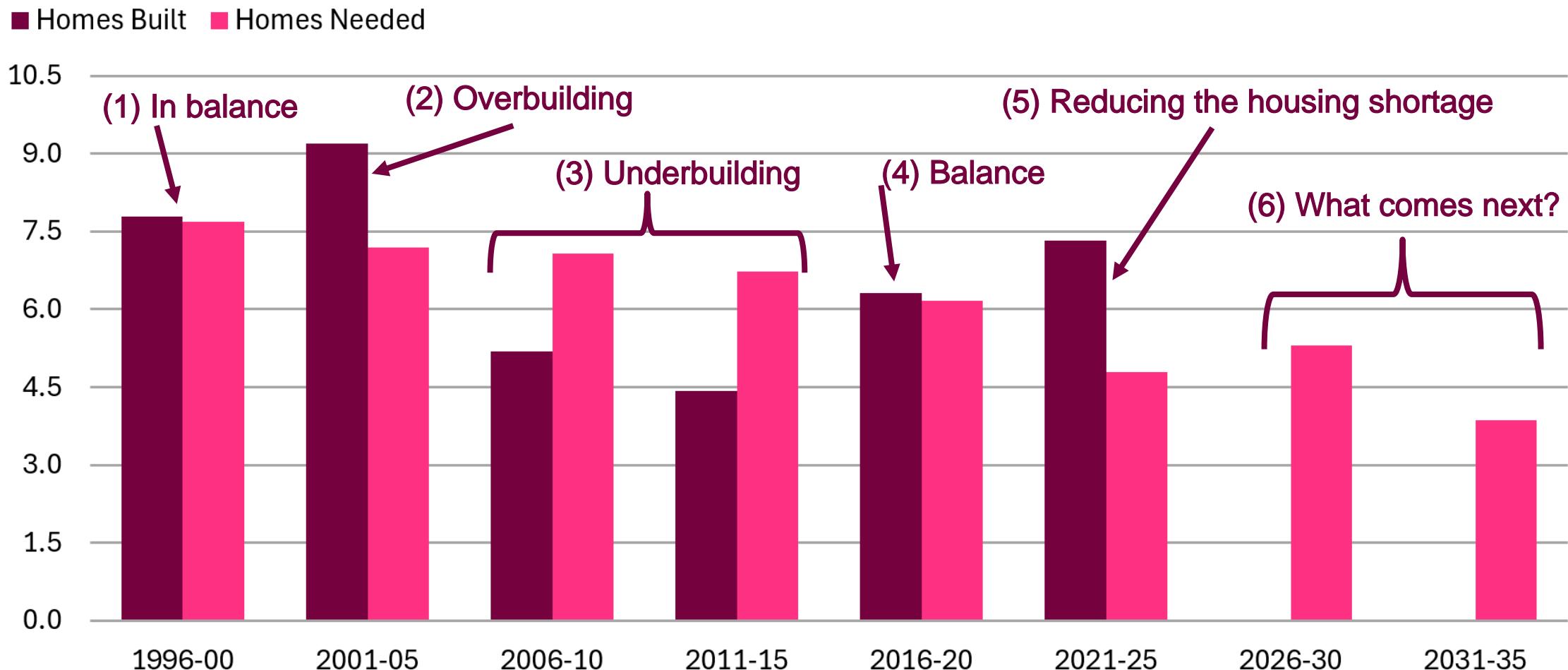
Household Growth Rate



Source: Bureau of Labor Statistics, The Hartford's Global Insights Center, Haver Analytics

Residential Construction: Long-term outlook

Homes Built vs. Homes Needed (Millions)

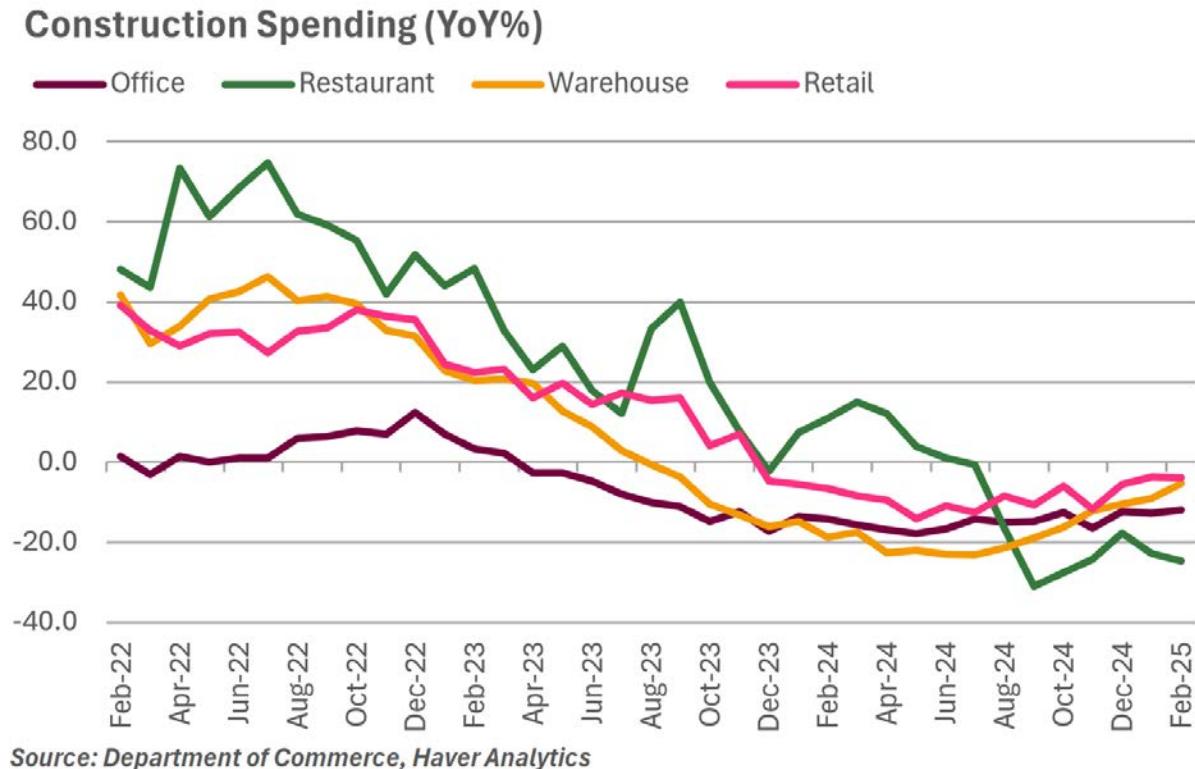


Source: US Department of Commerce, US Census Bureau, The Hartford's Global Insights Center

Nonresidential Construction: Headwinds emerging in some asset classes

Headwinds

- **Office**: Work from home
- **Warehouse**: Global trade slowdown
- **Retail**: Ecommerce
- **Restaurant**: Saturation reached

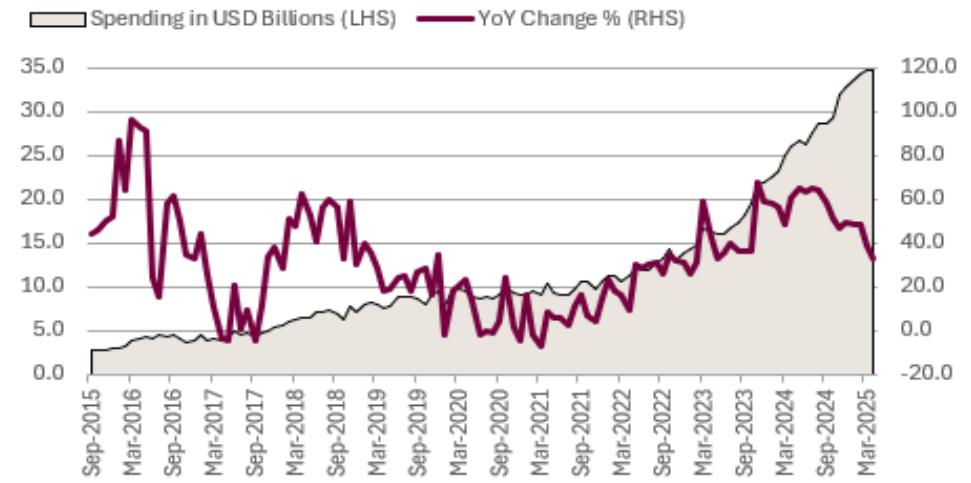


Nonresidential: Computers and AI sector are strong, but there is some uncertainty

The CHIPS act and developments in AI spurred growth in data center and semiconductor manufacturing.

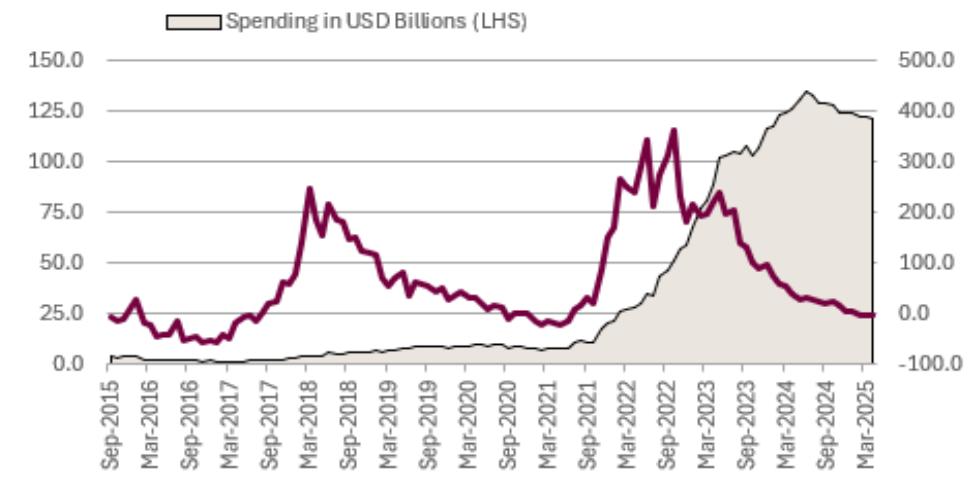
- From nearly nothing, spending on construction of computer-related (mostly semiconductor) manufacturing plants has grown to **\$125 billion** per year.
- TSMC, the world's largest chip manufacturer, began construction of its first US fab in 2021 and has \$165 billion in planned investment in the US.
- Congress passed the CHIPS and Science Act in 2022, which provided incentives for **domestic manufacturing** of semiconductors, although the future of these incentives is uncertain.

Data Center Construction



Source: US Census Bureau, Haver Analytics

Private Spending on Computer, Electronics, Electrical Manufacturing Construction (Annualized)

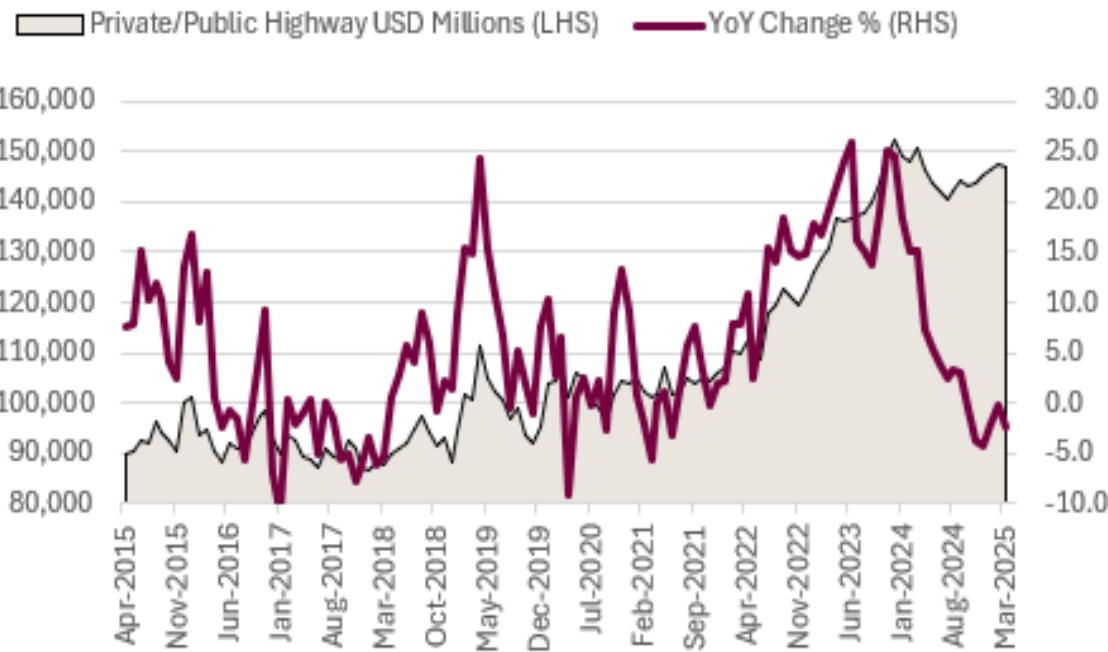


Source: US Census Bureau, Haver Analytics

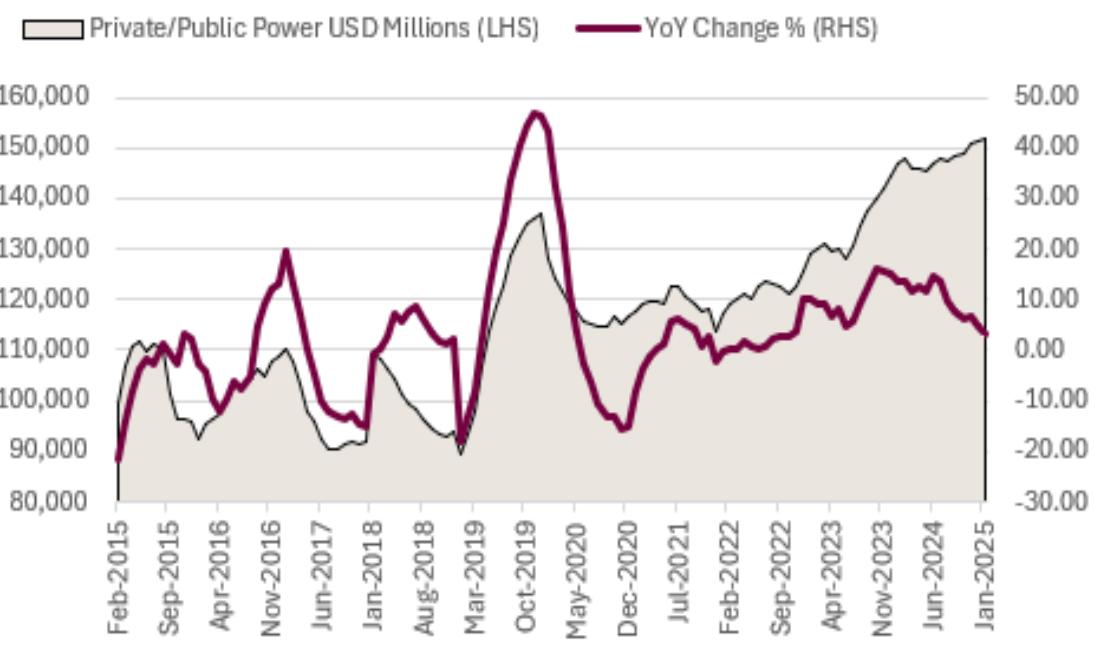
Nonresidential: Infrastructure growth is lagging

Fiscal stimulus provided a boost to infrastructure spending, but the outlook is cloudy.

Value of Highway Construction in Place (Annualized)



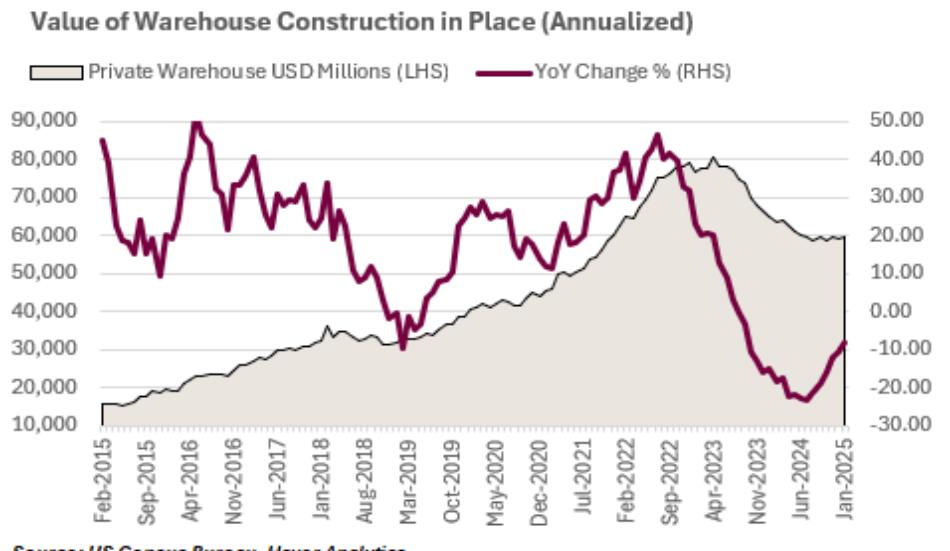
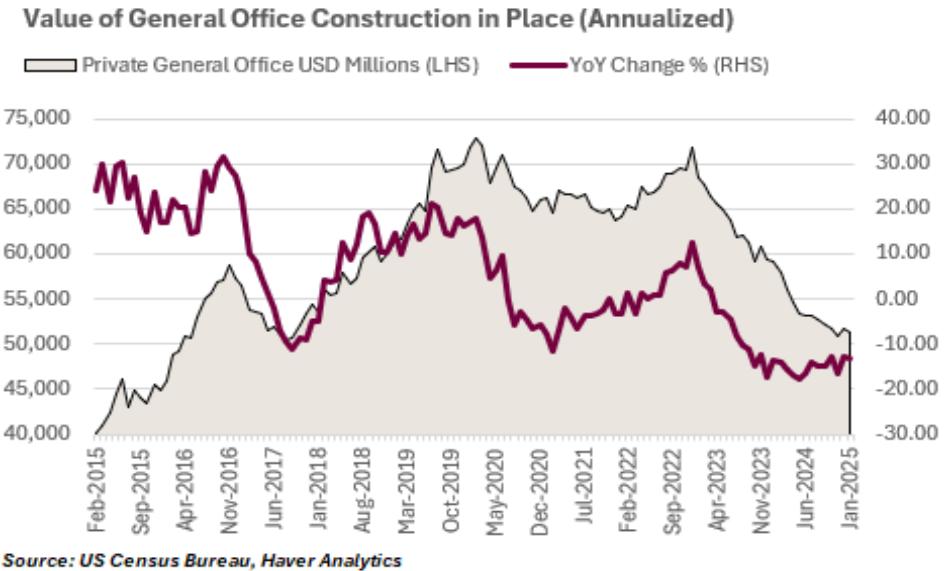
Value of Power Construction in Place (Annualized)



Nonresidential: Office and warehouse exhibit weakness

Weakness in office and warehouse construction showcases nonresidential volatility.

- Spending on general office building construction has **fallen significantly** since 2022 as vacancy rates remains high.
- Warehouse construction saw tremendous growth through 2023, driven by **e-commerce**.
- While still high historically, warehouse spending is 25% below peak levels.
- Warehousing is a sector of concern as tariffs may cause consumption of goods to fall.

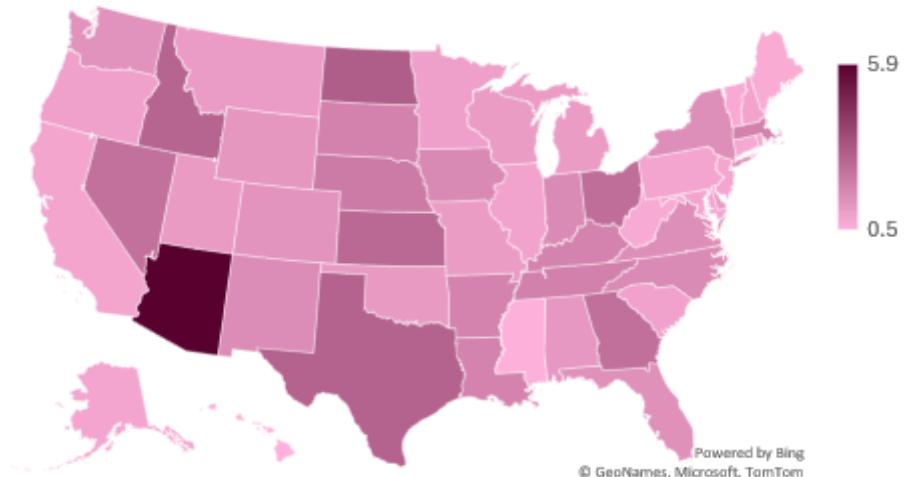


Regional Differences: Location matters

Construction intensity differs markedly across the country.

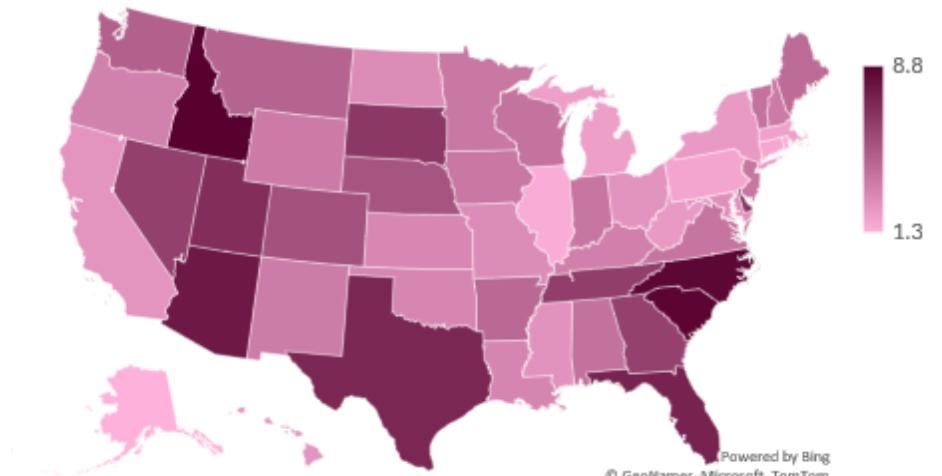
- While Texas and Florida are building the most housing, on a per capita basis, Idaho, North Carolina, and South Carolina are top builders.
- Nonresidential construction is more uniform than residential but is driven by **megaprojects** : semiconductors in Arizona and Ohio, autos and batteries in Georgia.
- Texas, with 9% of US population, accounts **15%** of building permits and **16%** of private nonresidential construction spending.

Private Nonresidential Construction: Thousand USD per capita



Source: US Census Bureau, The Hartford's Global Insights Center

Residential Building Permits per Thousand People



Source: US Census Bureau, The Hartford's Global Insights Center

Construction Labor: Wages for construction workers have stabilized

Labor costs have stabilized but immigration restrictions loom.

- Wage inflation has started to come down and **4.0%** YoY is now running at the economywide average.
- 28.6% of workers in the construction industry are **foreign born**, the highest share of any industry. **Policy changes that limit the supply of new workers could stoke wage inflation**.
- Unlike in the broader economy, labor productivity in construction has been **declining**.
- When higher wages are not offset by higher productivity, companies must pass costs on to customers or suffer lower profits (or both).



Construction Labor: Wages for construction workers have stabilized

Labor costs have stabilized but immigration restrictions loom.

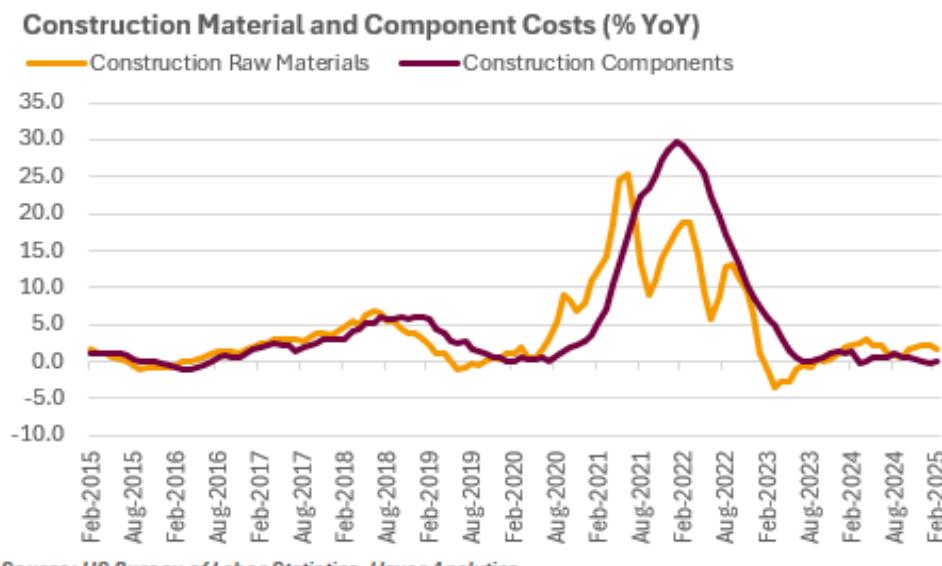
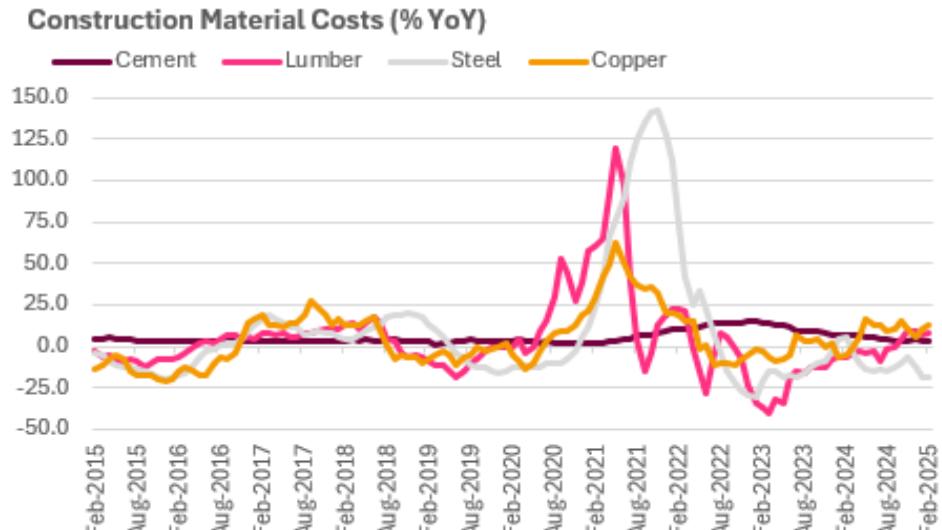
- Wage inflation has started to come down and **4.0%** YoY is now running at the economywide average.
- 28.6% of workers in the construction industry are **foreign born**, the highest share of any industry. **Policy changes that limit the supply of new workers could stoke wage inflation**.
- Unlike in the broader economy, labor productivity in construction has been **declining**.
- When higher wages are not offset by higher productivity, companies must pass costs on to customers or suffer lower profits (or both).



Construction Materials: Prices in check for now

Materials costs have stabilized but tariffs loom.

- Construction material costs spiked in 2021, particularly for lumber and steel, but have stabilized.
- Raw material inflation is running ahead of component inflation.
- Canada and Mexico are major suppliers of construction materials, making the industry susceptible to **tariffs**.
- While tariffs may cause material prices to rise, they are unlikely to cause significant supply chain disruptions.



Your Global Insights Center Team



Shailesh Kumar

Head of Global Insights Center
Washington, D.C.



Ben Wright

Principal US Economist
San Francisco, CA



Michael Wolf

Principal US Economist
San Diego, CA



Puneet Bhasin

Senior Economist
New York, New York

Recently published research

- 2025 YearAhead Outlook
- Tariffs: The Crossroads of Economics and Geopolitics
- Navigating the Global Electric Vehicle Revolution
- Business Formation Outlook: Growth May Slow but Remain Healthy
- A Generational Divide Emerges in the Post Pandemic Housing Market

Disclaimers

The information, views, opinions, and recommendations provided in these materials is intended to be general and advisory. The Hartford is not providing investment advice, tax advice, legal advice, business advice, or other professional advice. The Hartford does not guarantee or warrant accuracy, completeness or timeliness of, or otherwise endorse, the information, views, opinions, and recommendations provided in these materials. You should always seek the assistance of a professional for advice on investments, tax, business, the law, or other professional matters. © The Hartford 2025