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THE FUTURE OF GLASS
FABRICATION HAPPENS HERE

JUN 14-17, 2026

CHICAGO

MAPPING THE K-SHAPED CONSTRUCTION MARKET

2026 & 2027 Economic Outlook

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RICHARD BRANCH
Chief Economist
Free Agent Economist

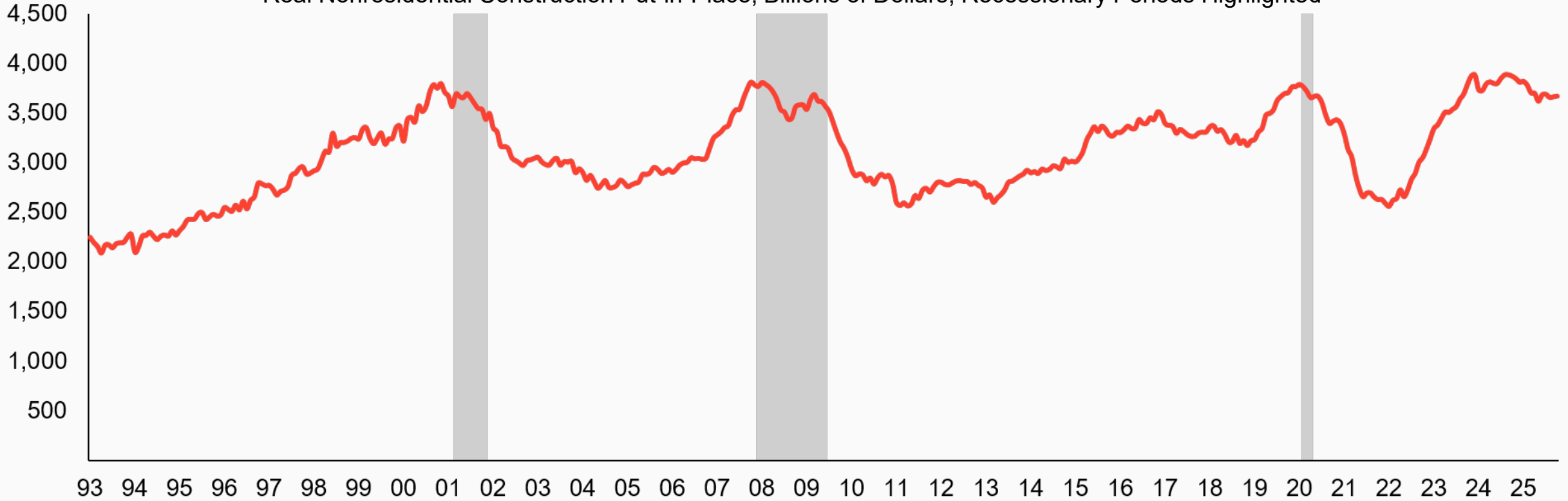
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Construction Has Been Underperforming

Real Nonresidential Construction Put-in-Place, Billions of Dollars; Recessionary Periods Highlighted



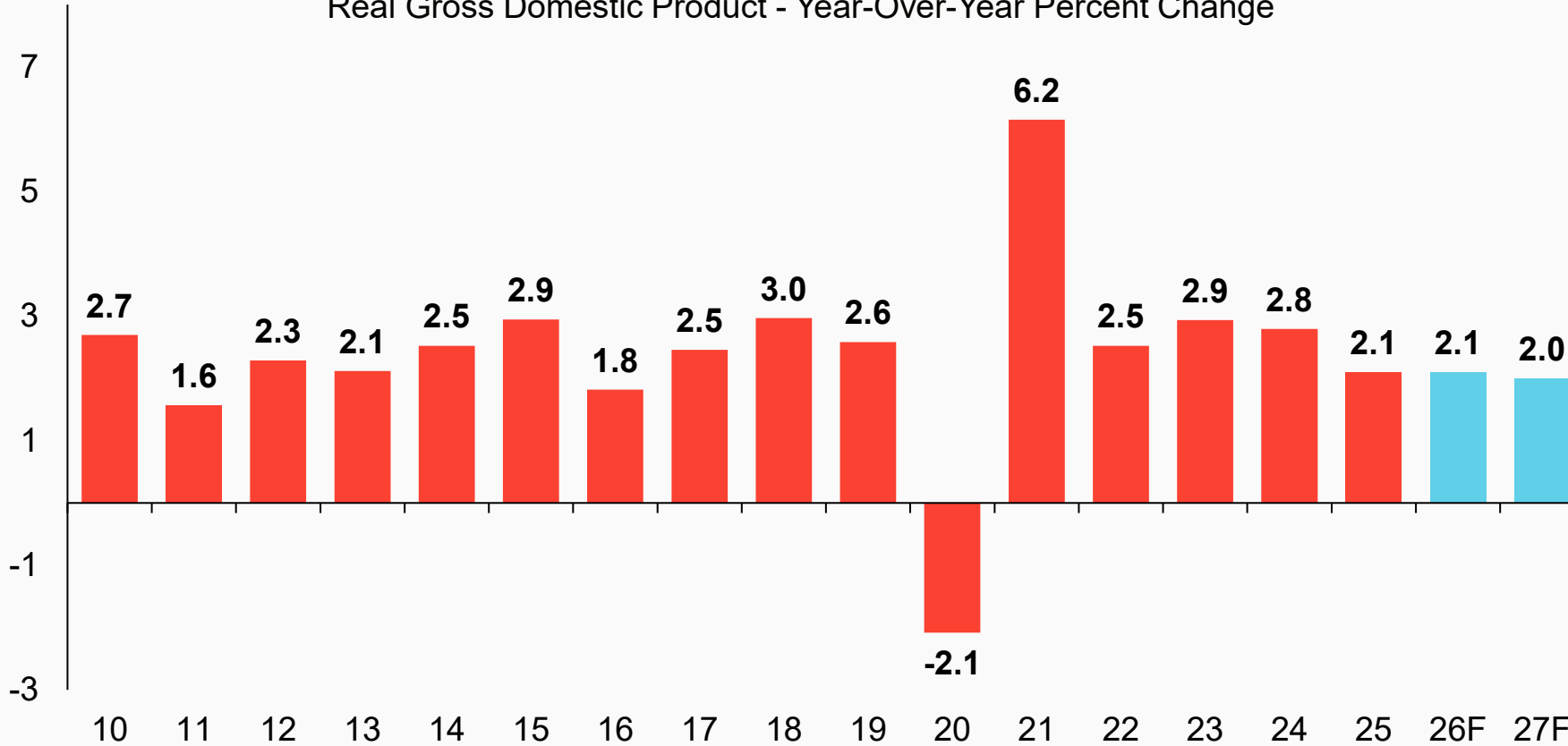
WHY?

- Cyclical shifts
 - High rates, slow economic growth
- Structural shifts
 - Demographics, mobility, WFH
- Political shifts
 - Tariffs, immigration



U.S. Economy: Surviving, But Not Thriving

Real Gross Domestic Product - Year-Over-Year Percent Change



TAILWINDS

- › OBBBA tax break
- › Less regulatory burden
- › AI productivity gains
- › Rising investment in tech

HEADWINDS

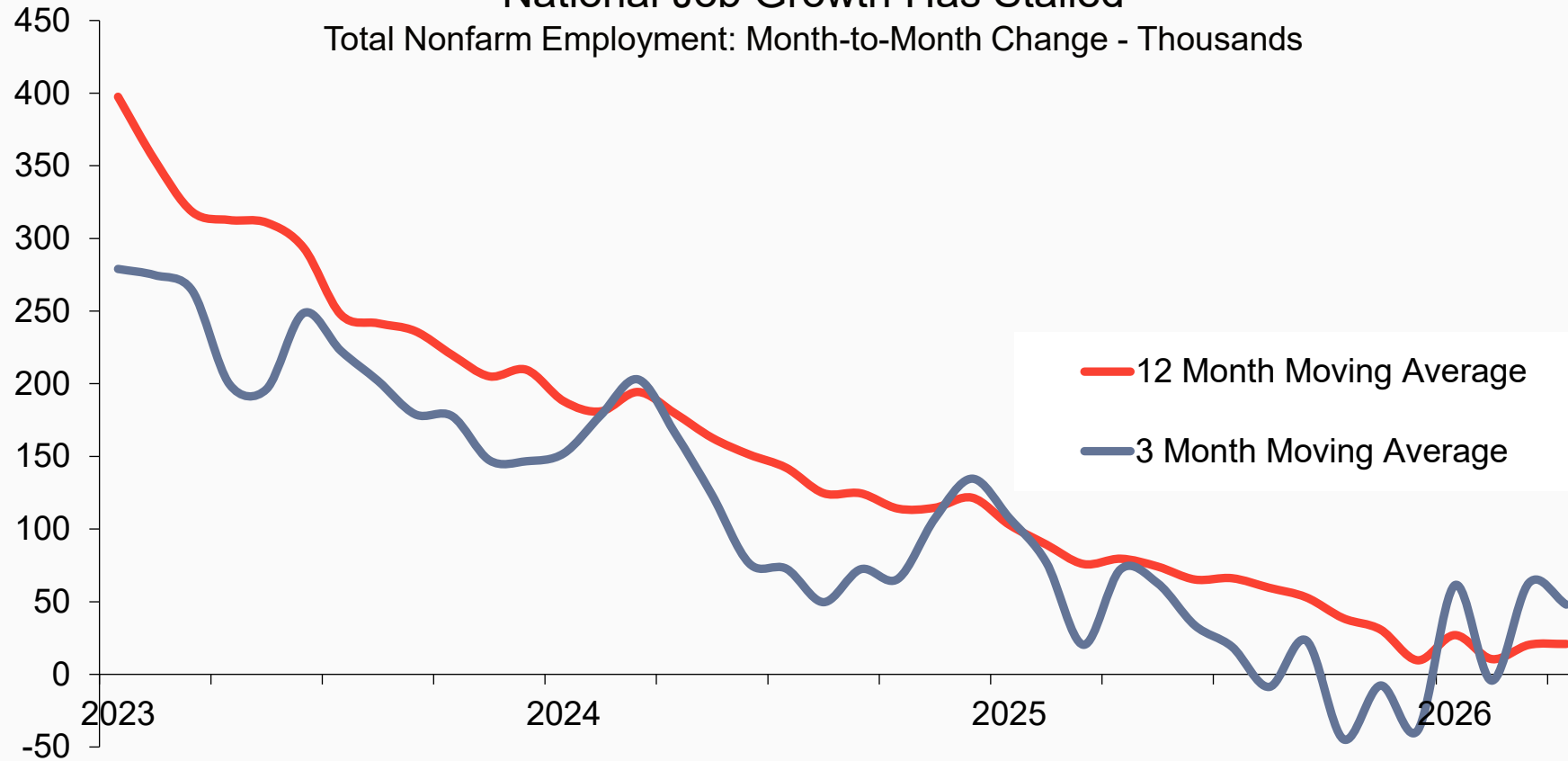
- › Weak consumer confidence
- › Eroding labor market
- › Iran conflict / oil prices
- › Uncertain tariff policy

"Rate relief is real — but it's a 2027 story. Don't structure your 2026 plan around it."

RICHARD BRANCH · FREE AGENT ECONOMIST

National Job Growth Has Stalled

Total Nonfarm Employment: Month-to-Month Change - Thousands



KEY STAT

1 in 3

fabricators found it harder to hire in 2025

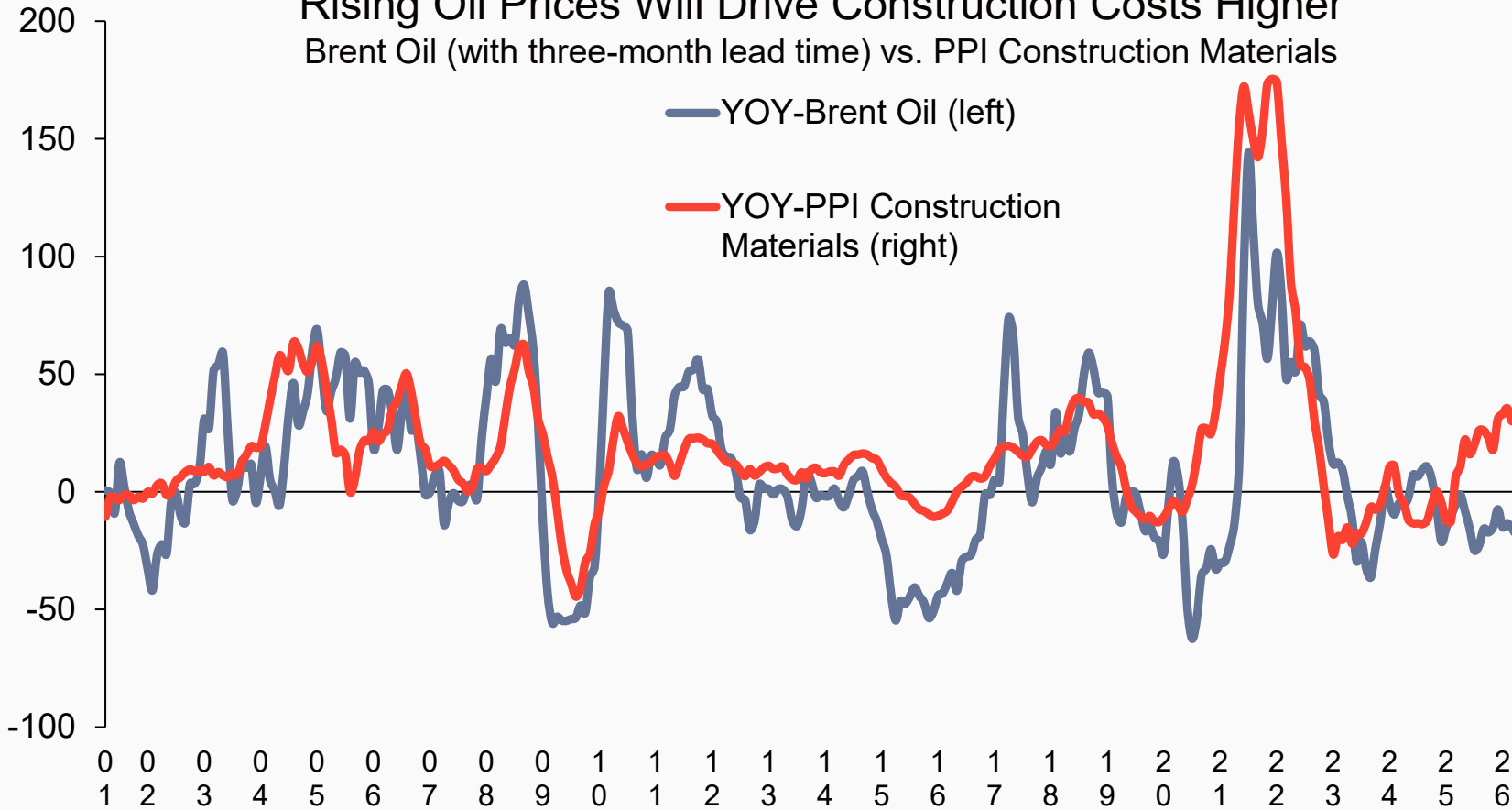
FROM THE INDUSTRY

"The cost of living for shop workers is still very high, so they need to move far from work where they can afford rent — and aren't even thinking of buying a house."

— Nelson Morello, CEO
L.A. Glass and Mirror

Rising Oil Prices Will Drive Construction Costs Higher

Brent Oil (with three-month lead time) vs. PPI Construction Materials



THE RELATIONSHIP

A 10% Y/Y increase in Brent oil produces a 4–5% Y/Y increase in construction material prices three months later.

CURRENT READING

+72%

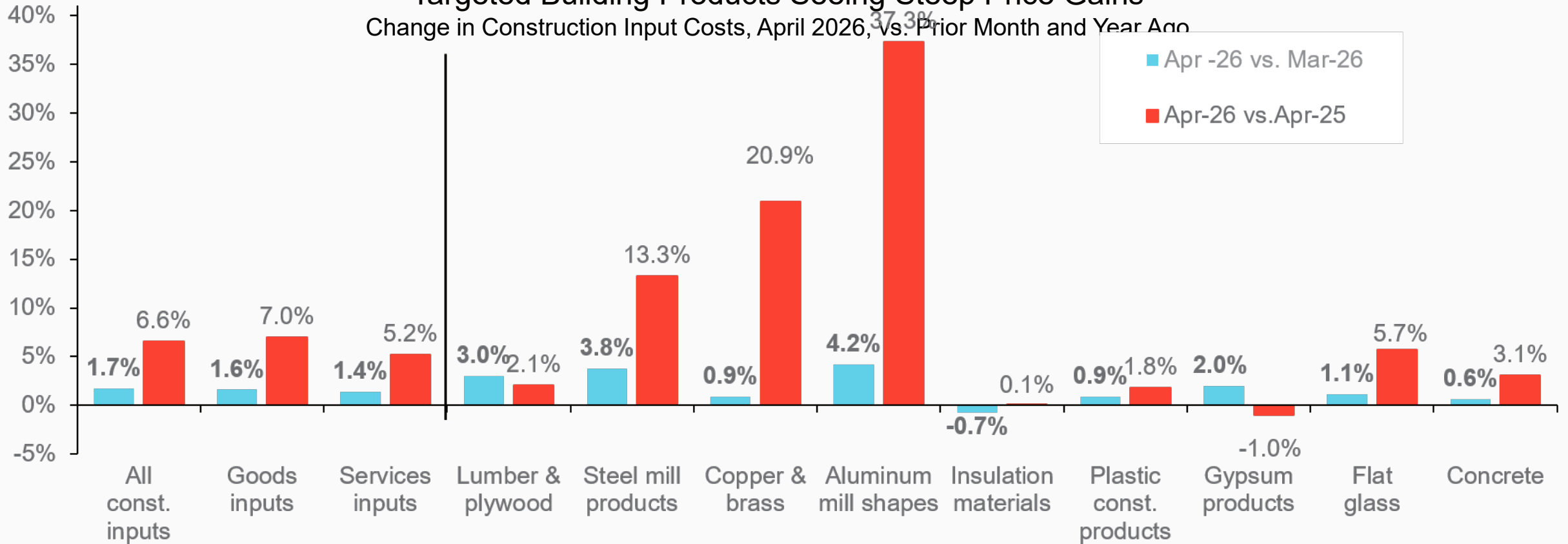
Brent oil Y/Y — April 2026

WHAT IT MEANS

Material prices could rise 15–20% Y/Y by summer 2026 if oil prices are sustained.

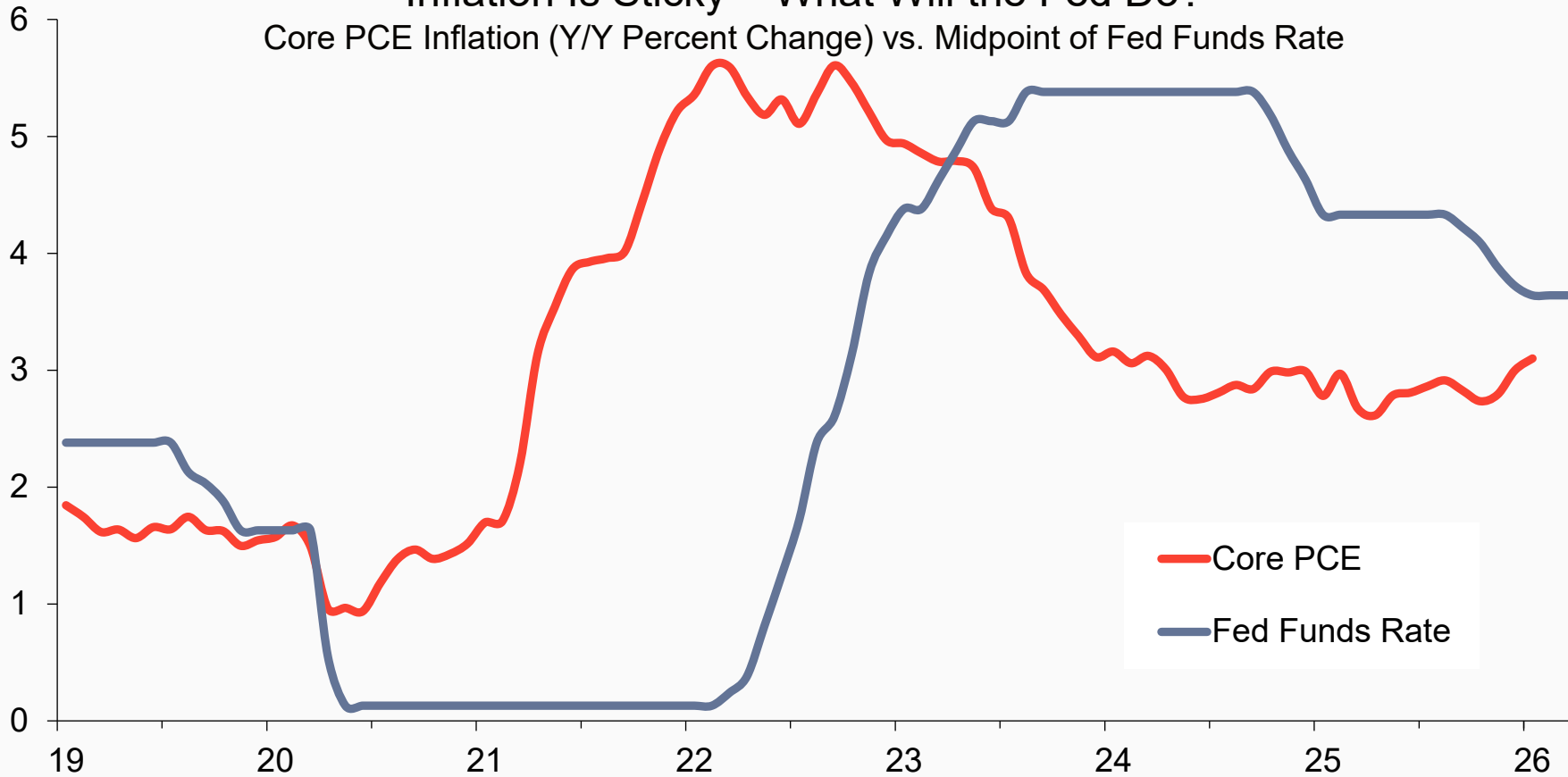
Targeted Building Products Seeing Steep Price Gains

Change in Construction Input Costs, April 2026, vs. Prior Month and Year Ago



Inflation Is Sticky – What Will the Fed Do?

Core PCE Inflation (Y/Y Percent Change) vs. Midpoint of Fed Funds Rate



THE FED'S DILEMMA

Inflation at 3% — still above the 2% target. The Fed wants to cut but can't afford to re-ignite inflation.

WHAT IT MEANS

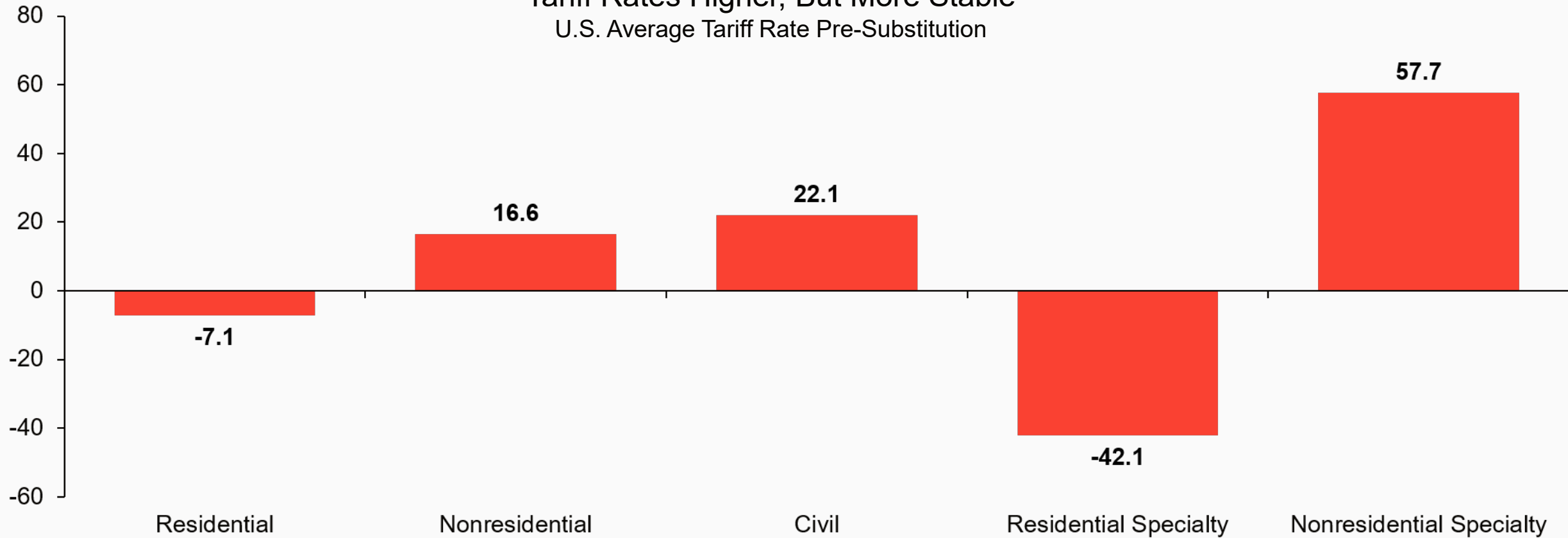
Project financing stays expensive. Owners defer decisions. This is the single biggest structural brake on construction in 2026.

WHEN DOES IT CHANGE?

Watch for Core PCE sustained below 2.5%. That's when the Fed has cover to cut.

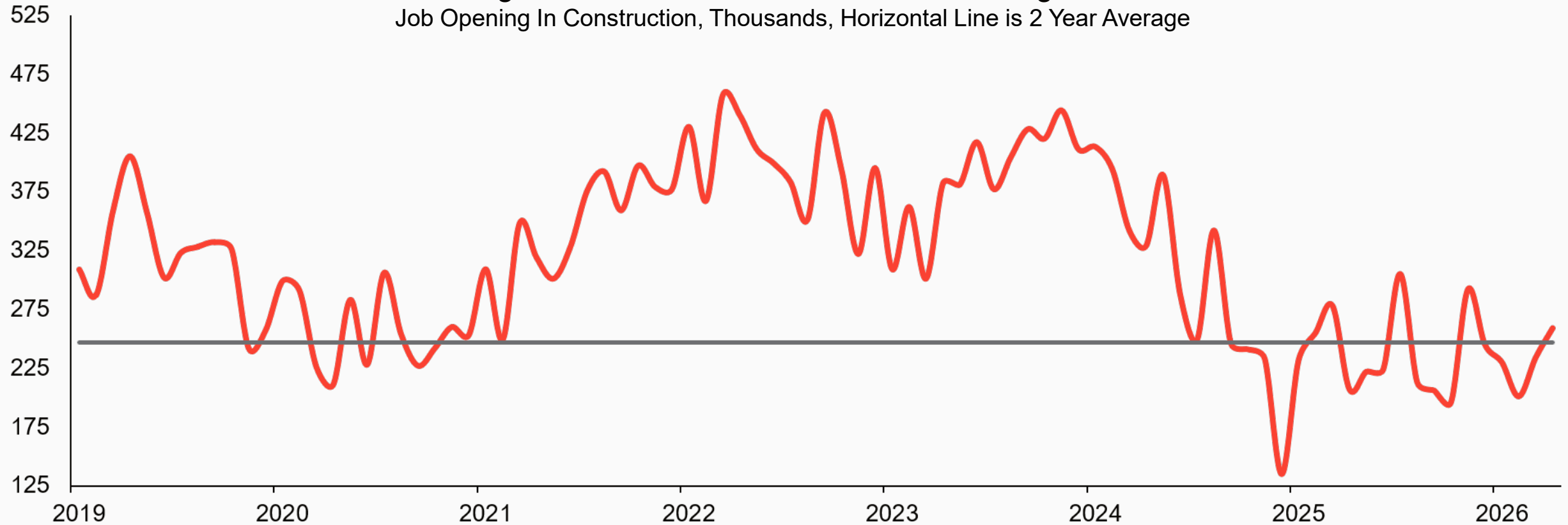
Tariff Rates Higher, But More Stable

U.S. Average Tariff Rate Pre-Substitution



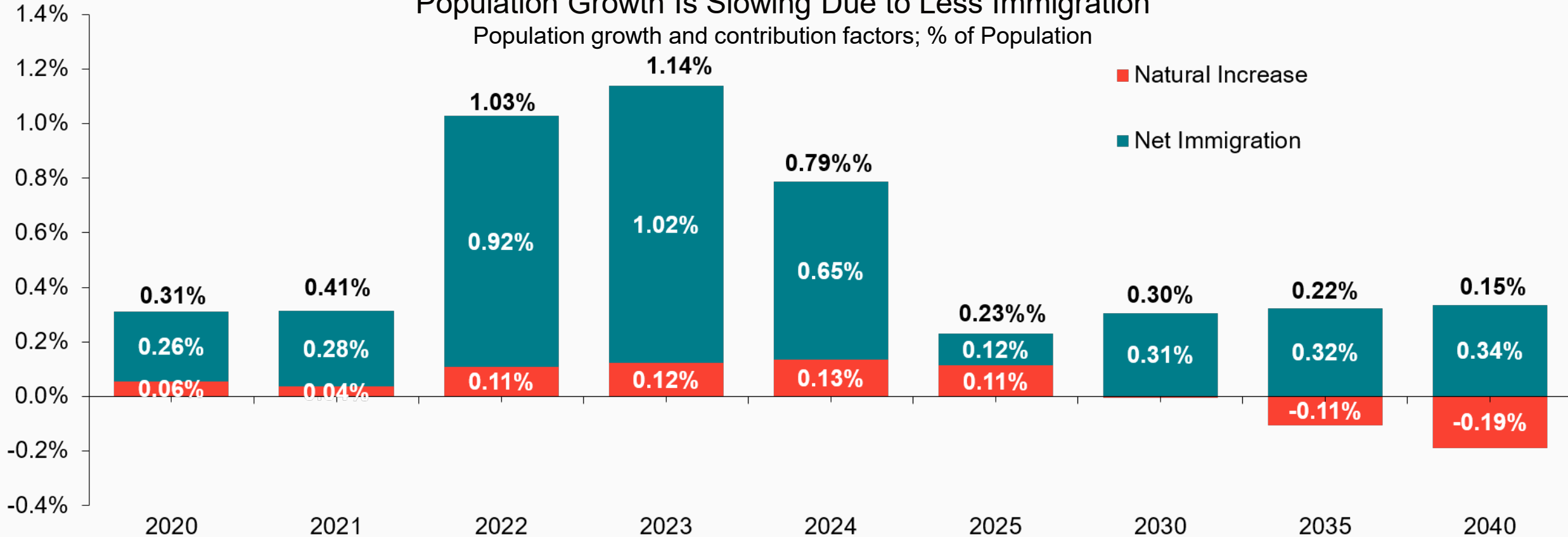
But Wages Continue To Rise As Worker Shortages Persist

Job Opening In Construction, Thousands, Horizontal Line is 2 Year Average



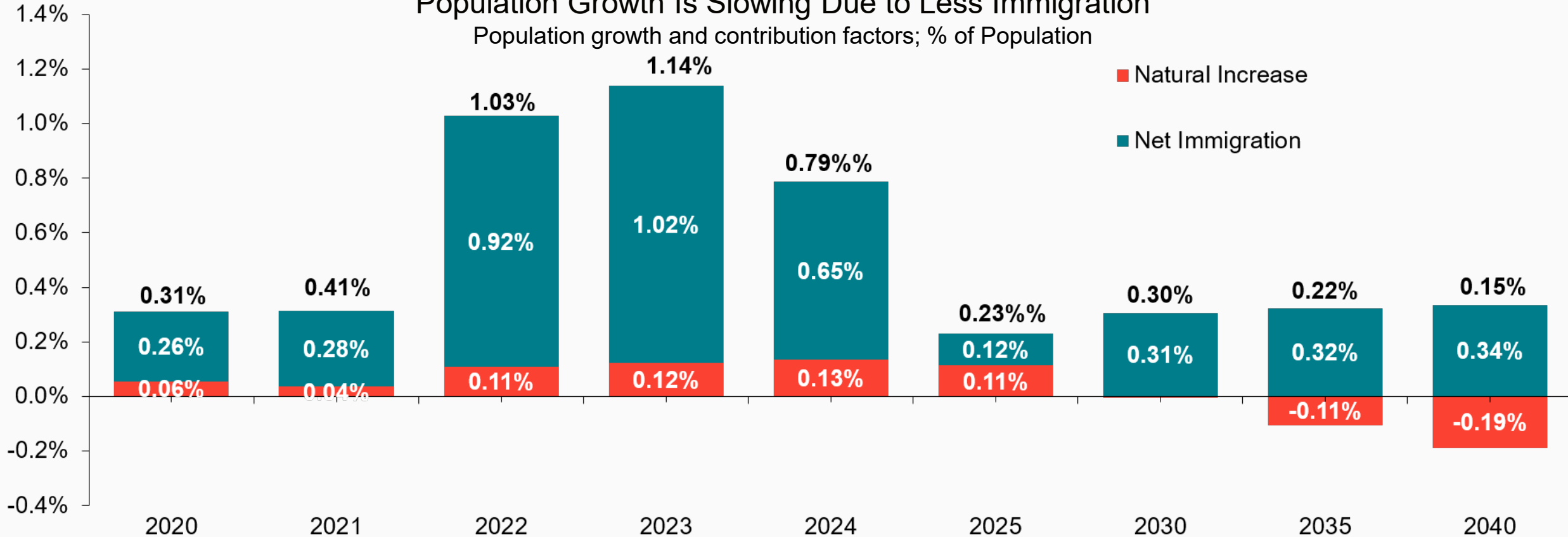
Population Growth Is Slowing Due to Less Immigration

Population growth and contribution factors; % of Population



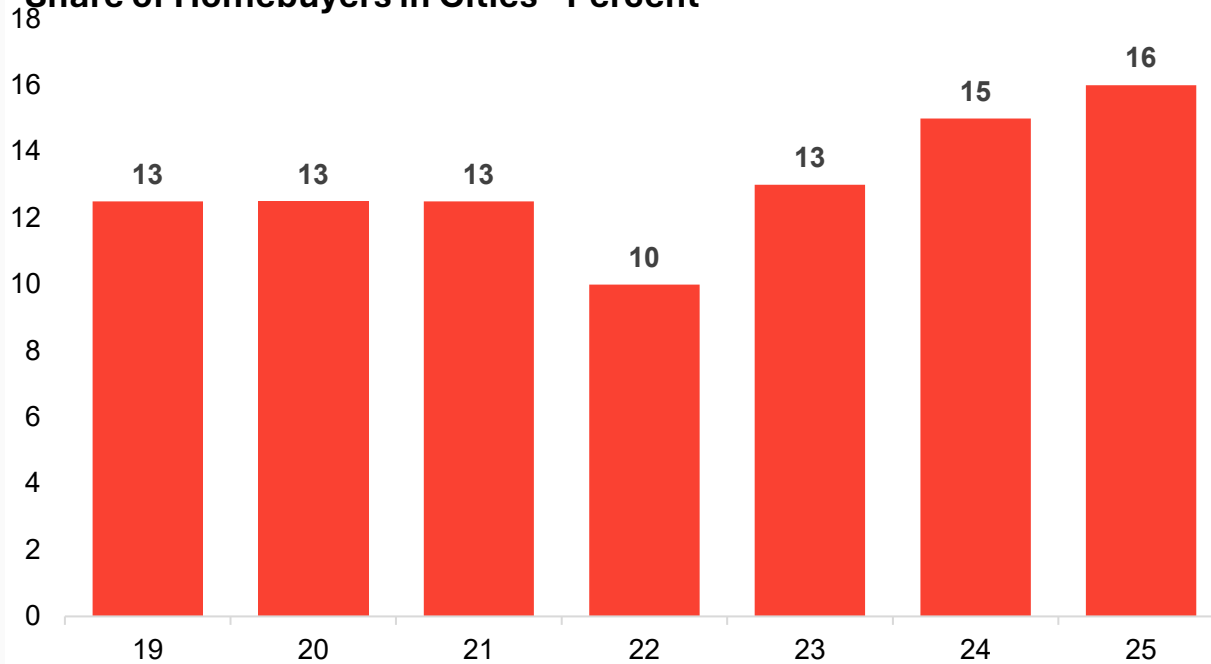
Population Growth Is Slowing Due to Less Immigration

Population growth and contribution factors; % of Population



POPULATION SHIFT CREATES OPPORTUNITIES

Share of Homebuyers in Cities - Percent



State Population Growth 2020-2025

Top 5

1. Idaho +10.4%
2. Florida +8.9%
3. South Carolina +8.8%
4. Texas +8.8%
5. Utah +8.2%

Bottom 5

1. West Virginia -1.5%
2. Hawaii -1.5%
3. New York -1.0%
4. Louisiana -0.9%
5. Illinois -0.8%

THE RESIDENTIAL OUTLOOK

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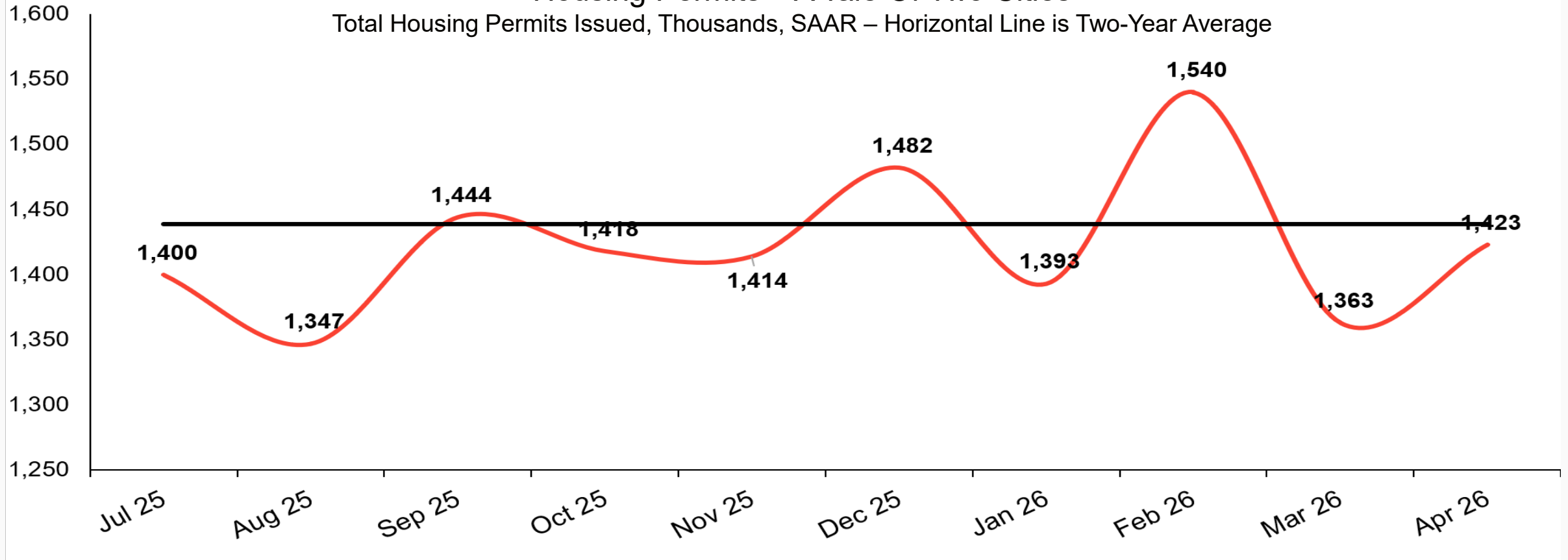
Single family is a leading indicator

Correlation and timing analysis done with census data 2002–2025



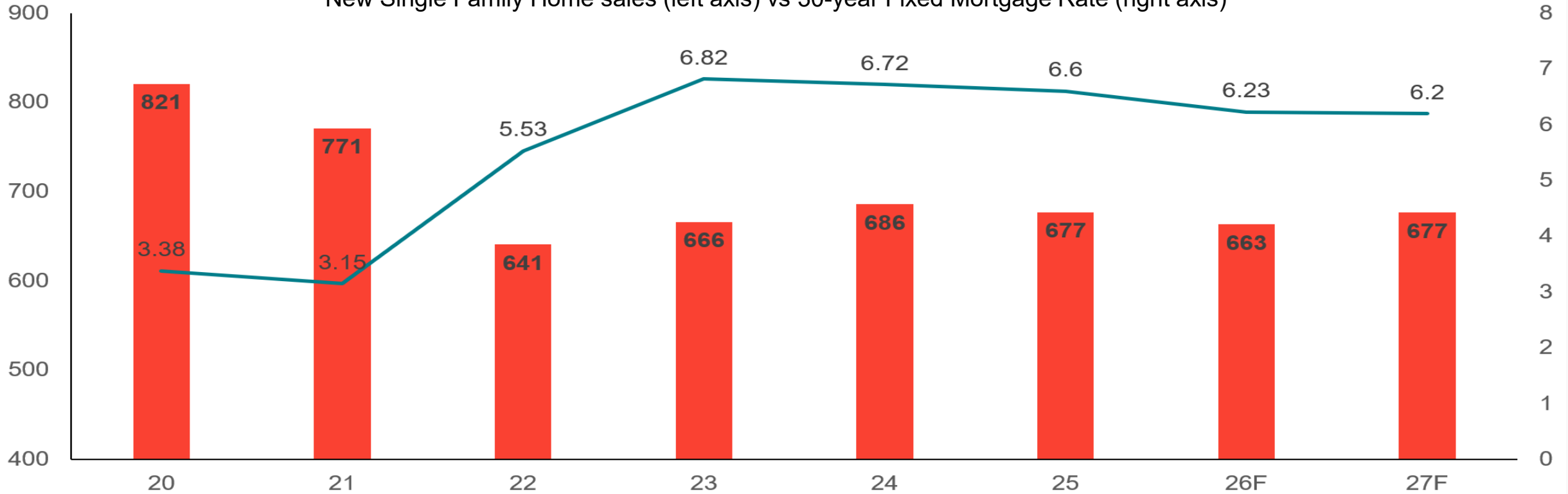
Housing Permits – A Tale Of Two Cities

Total Housing Permits Issued, Thousands, SAAR – Horizontal Line is Two-Year Average



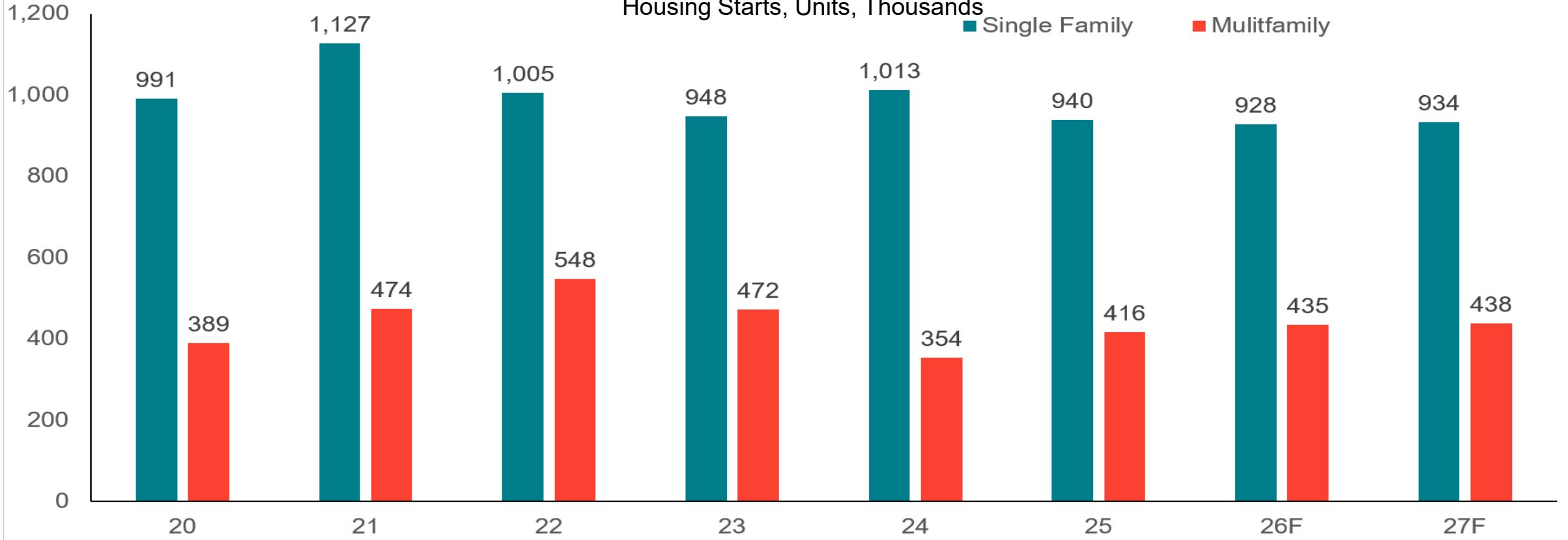
New Home Sales Will Remain Suppressed

New Single Family Home sales (left axis) vs 30-year Fixed Mortgage Rate (right axis)



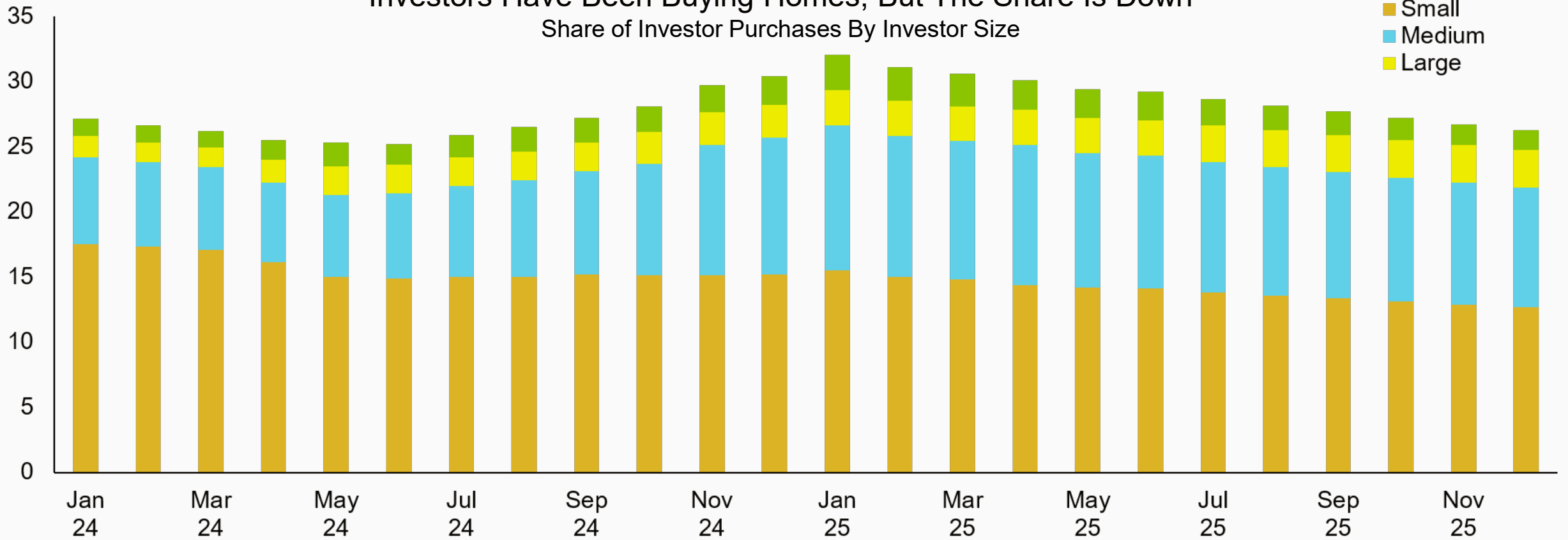
Uneven Housing Recovery On Tap

Housing Starts, Units, Thousands



Investors Have Been Buying Homes, But The Share Is Down

Share of Investor Purchases By Investor Size



THE NONRESIDENTIAL OUTLOOK

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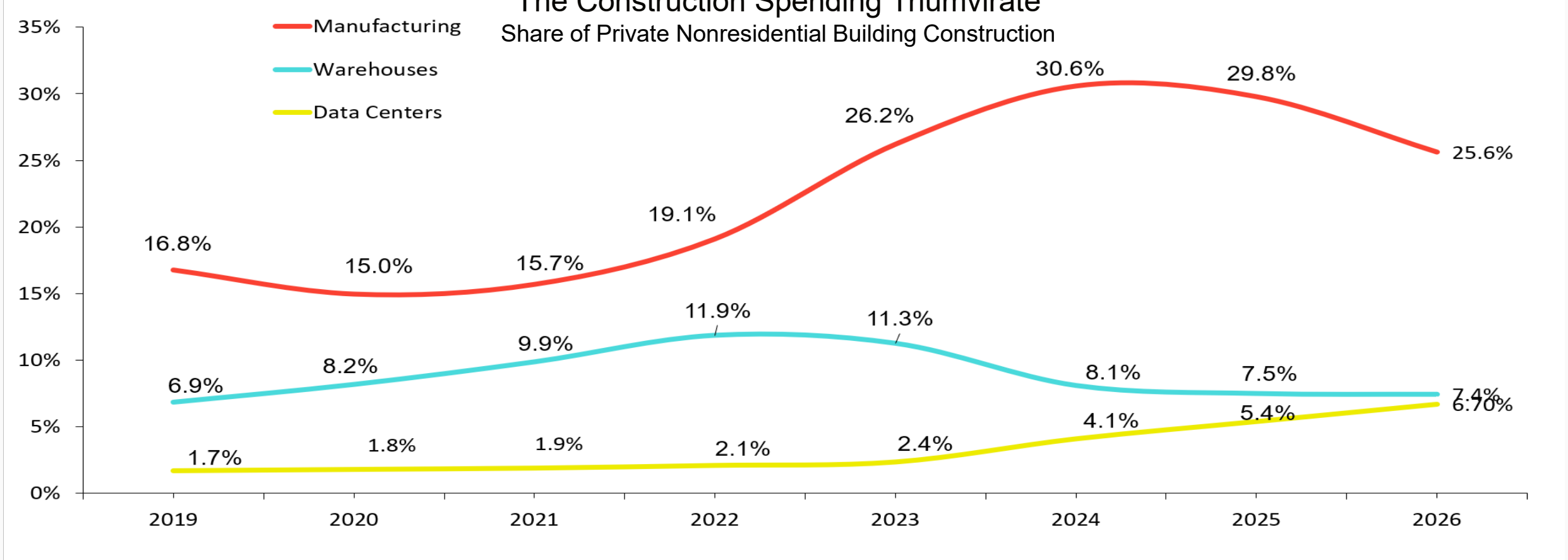


Nonresidential Building Flat To Start 2026

Billions of Nominal \$; Four Monts 2026 vs 2025

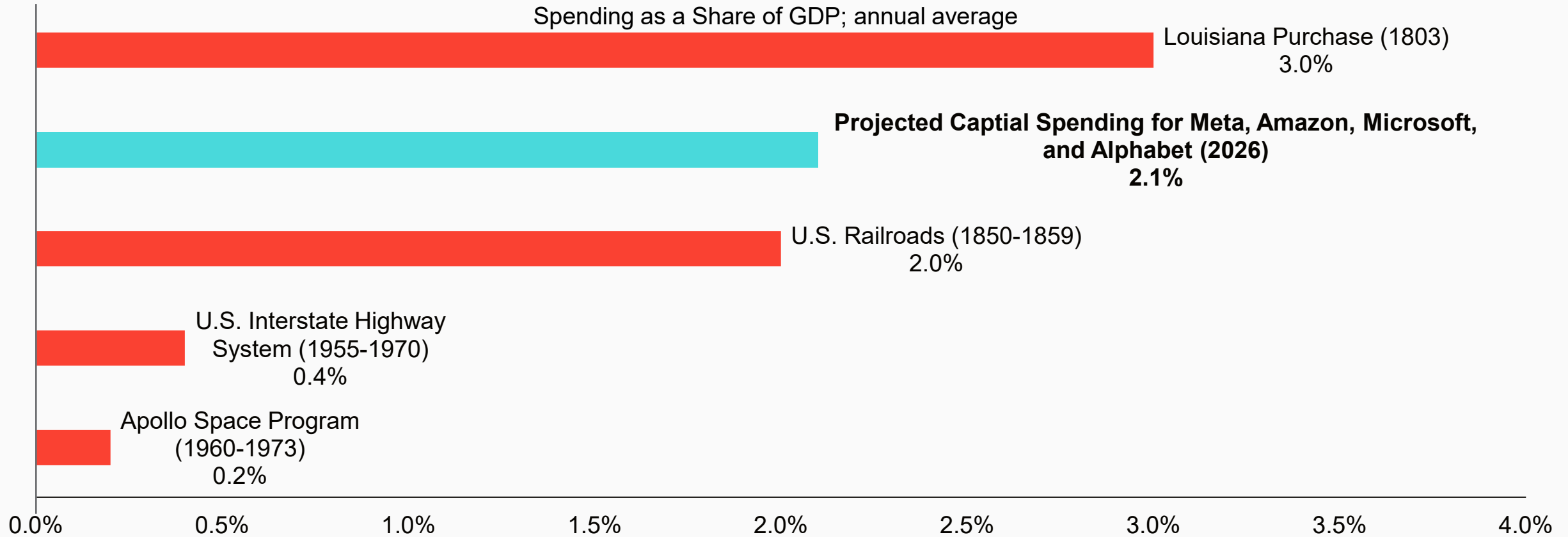
	2025	2026	% Change
Total Nonresidential Building Construction	\$380	\$379	+0%
Commercial/ Industrial	\$153	\$143	-7%
Lodging	\$7.6	\$8.0	5%
Office	\$34	\$36	7%
Commercial (retail & other)	\$39	\$39	1%
Manufacturing	\$74	\$61	-18%
Institutional	\$116	\$113	3%
Healthcare	\$22	\$23	2%
Education	\$40	\$41	2%
Religious	\$1.5	\$1.8	17%
Public Safety	\$6.1	\$6.1	1%
Amusement & Recreation	\$12.9	\$14.2	10%
Transportation	\$20.2	\$21.0	4%
Communication	\$9.2	\$9.4	2%

The Construction Spending Triumvirate Share of Private Nonresidential Building Construction



Data Centers: The Next Moonshot

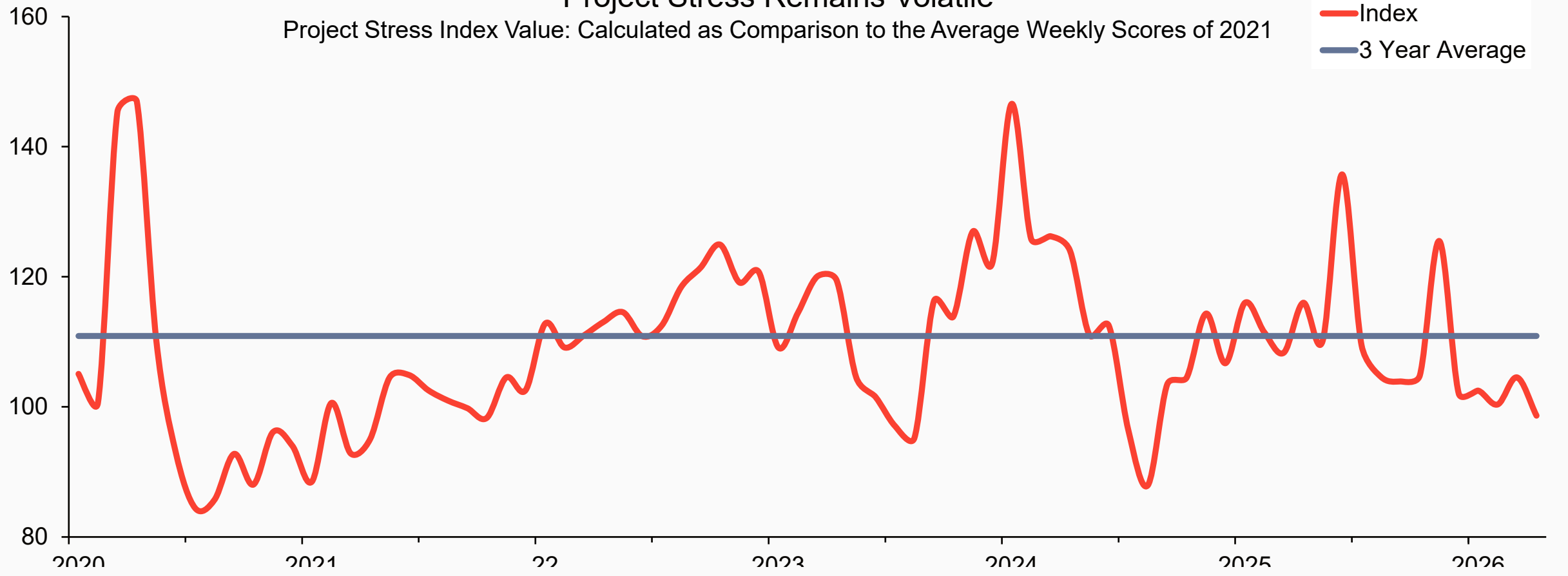
Spending as a Share of GDP; annual average



Project Stress Remains Volatile

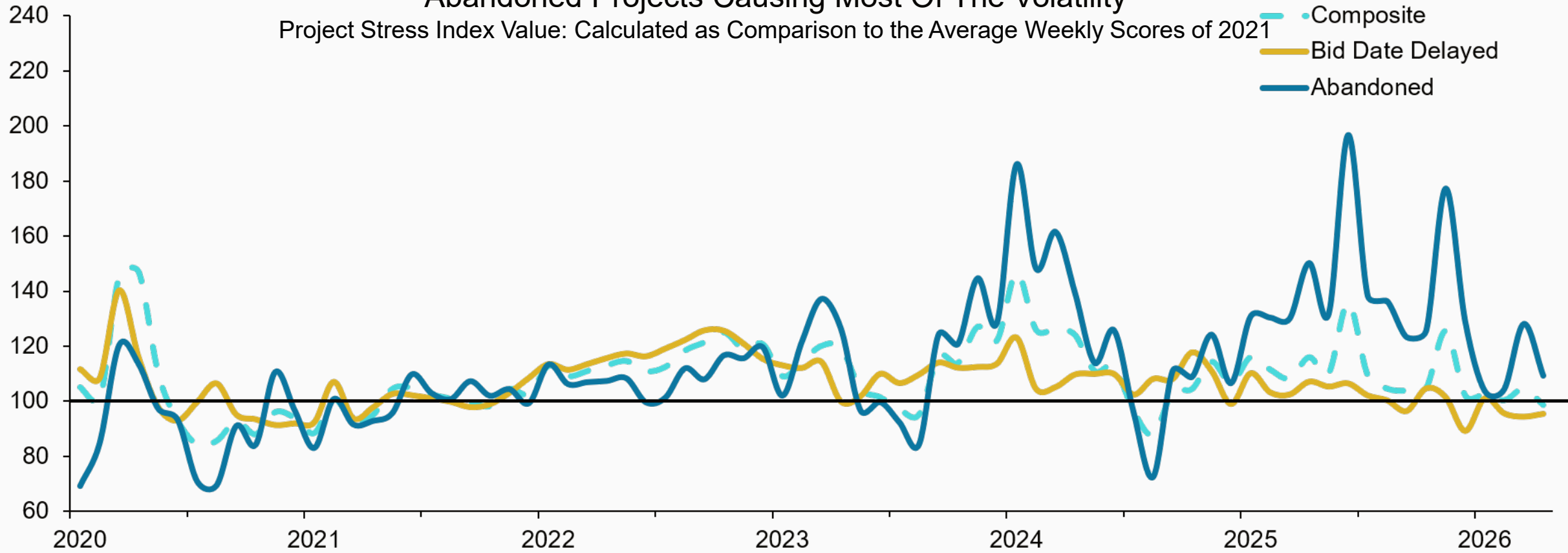
Project Stress Index Value: Calculated as Comparison to the Average Weekly Scores of 2021

- Index
- 3 Year Average



Abandoned Projects Causing Most Of The Volatility

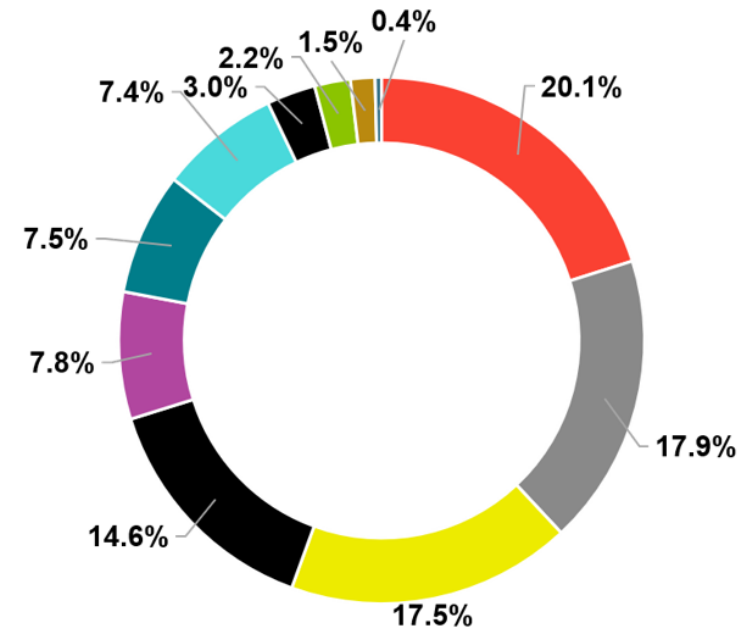
Project Stress Index Value: Calculated as Comparison to the Average Weekly Scores of 2021



What Is the Main Cause of Project Delays

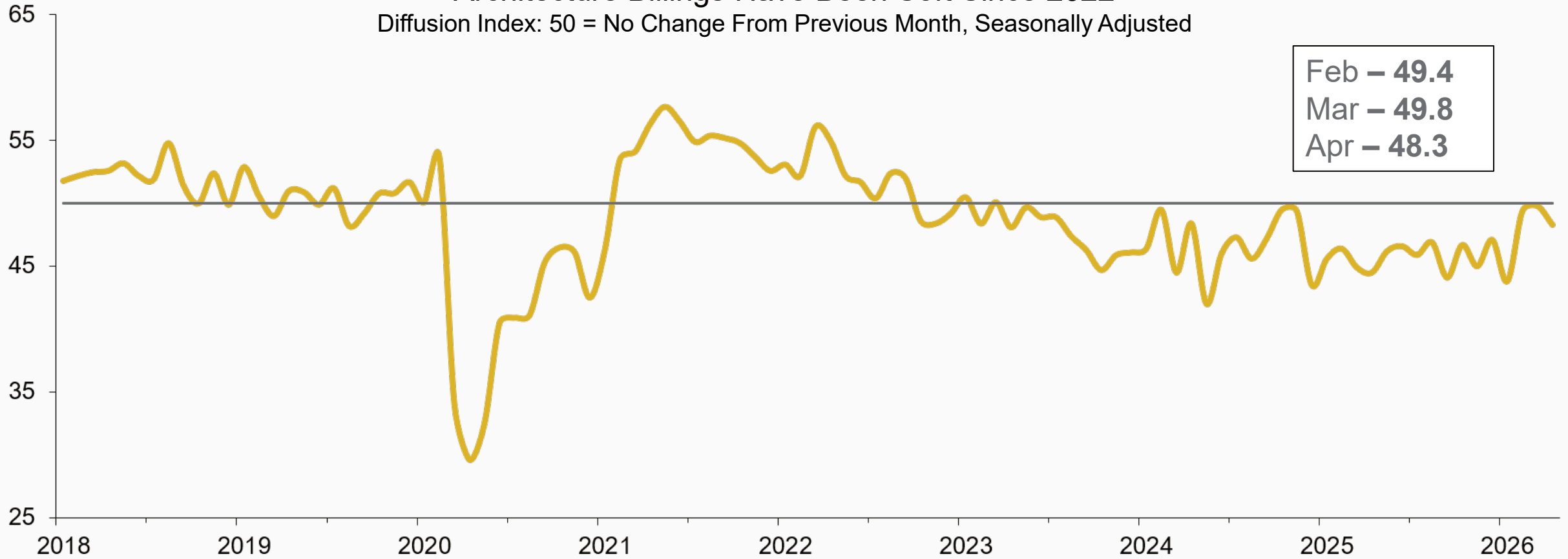
Percent of Firms Indicating One Most Significant Factor Contributing to Projects Being Delays/Stalled/Cancelled

- Client delays / indecision on key issues
- Changing market conditions making clients nervous
- Construction budget insufficient
- Financing problems
- Permitting / zoning / approvals delays
- Contractor bids too high / schedule issues
- Other
- Material prices
- High interest rates
- Firm too busy / design schedules slipped
- Supply chain / materials availability



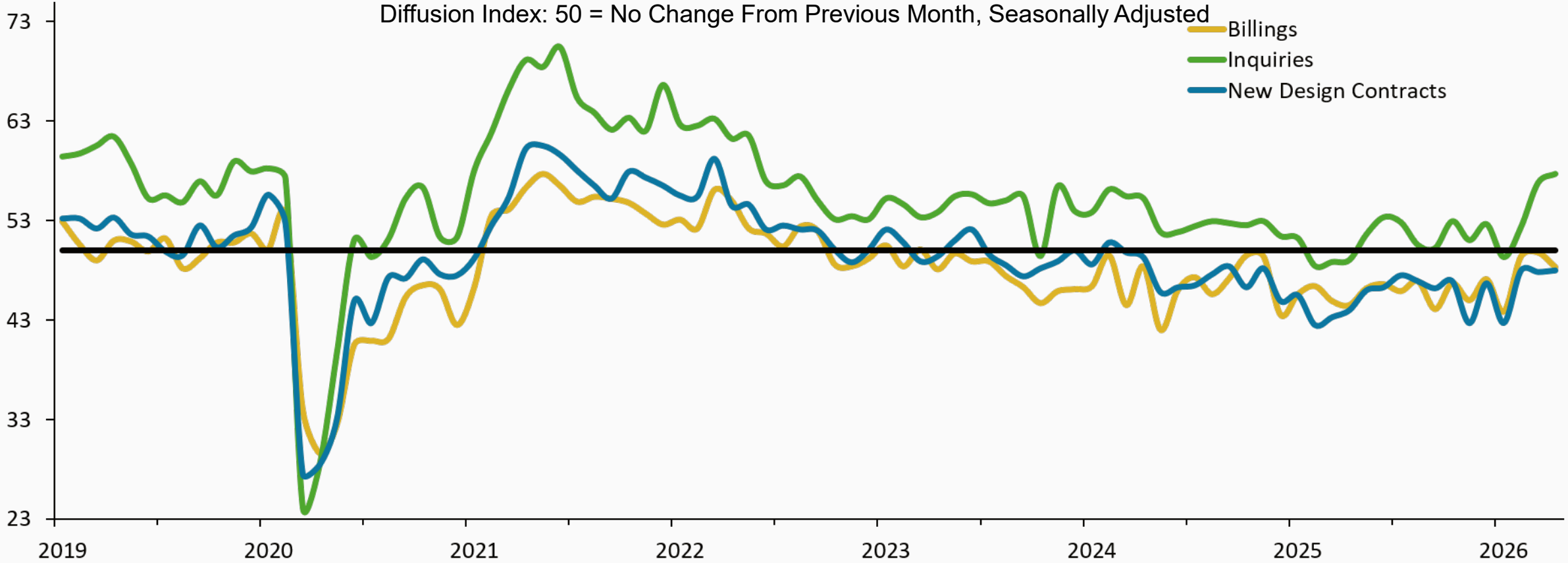
Architecture Billings Have Been Soft Since 2022

Diffusion Index: 50 = No Change From Previous Month, Seasonally Adjusted



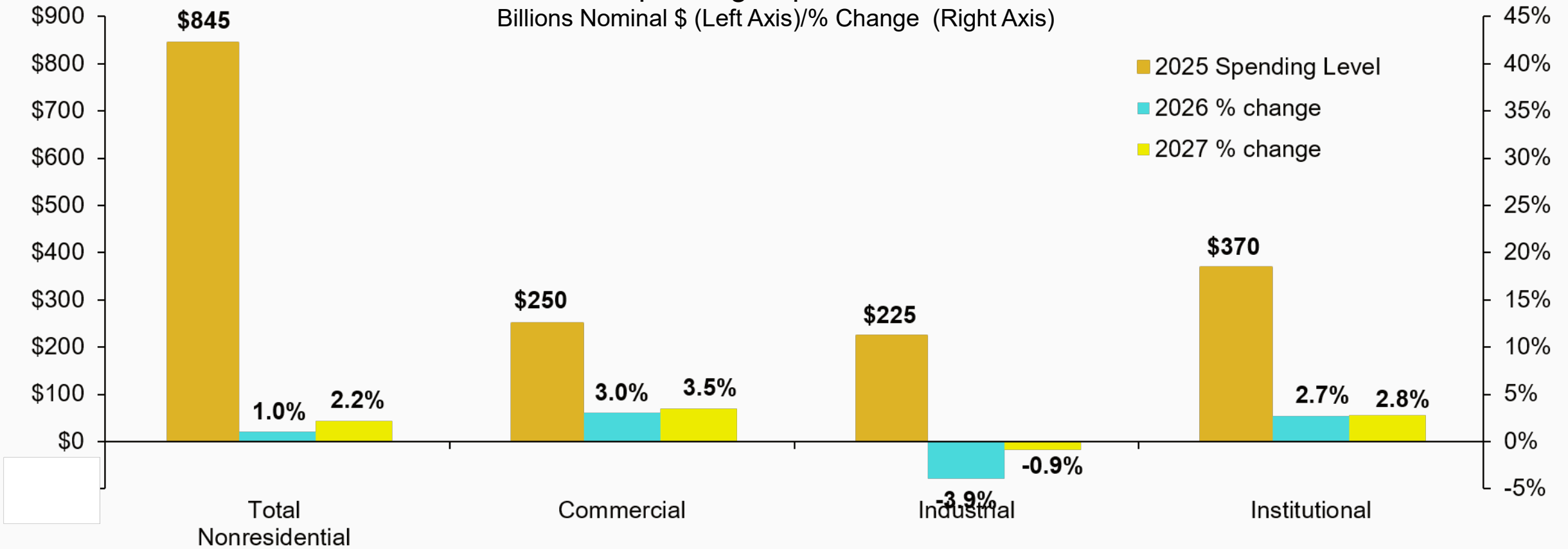
Billings And Contracts Have Remained Weak; Inquiries Up A Bit

Diffusion Index: 50 = No Change From Previous Month, Seasonally Adjusted



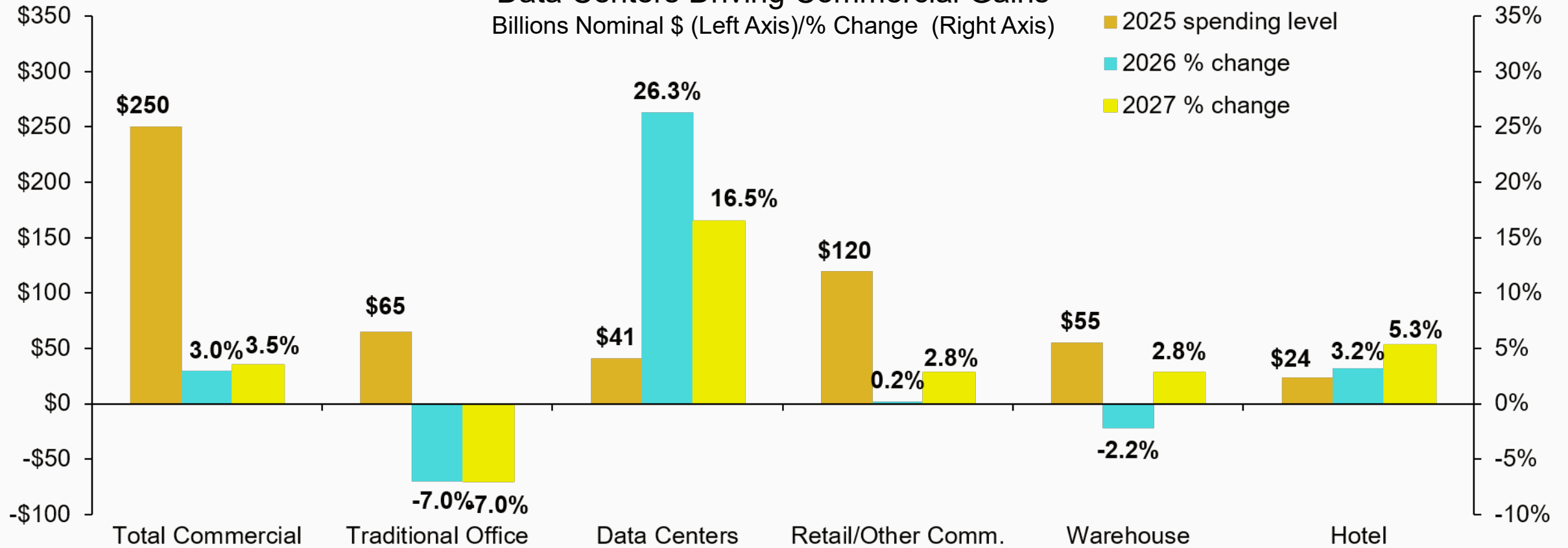
Construction Spending Expected To Remain Slow

Billions Nominal \$ (Left Axis)/% Change (Right Axis)



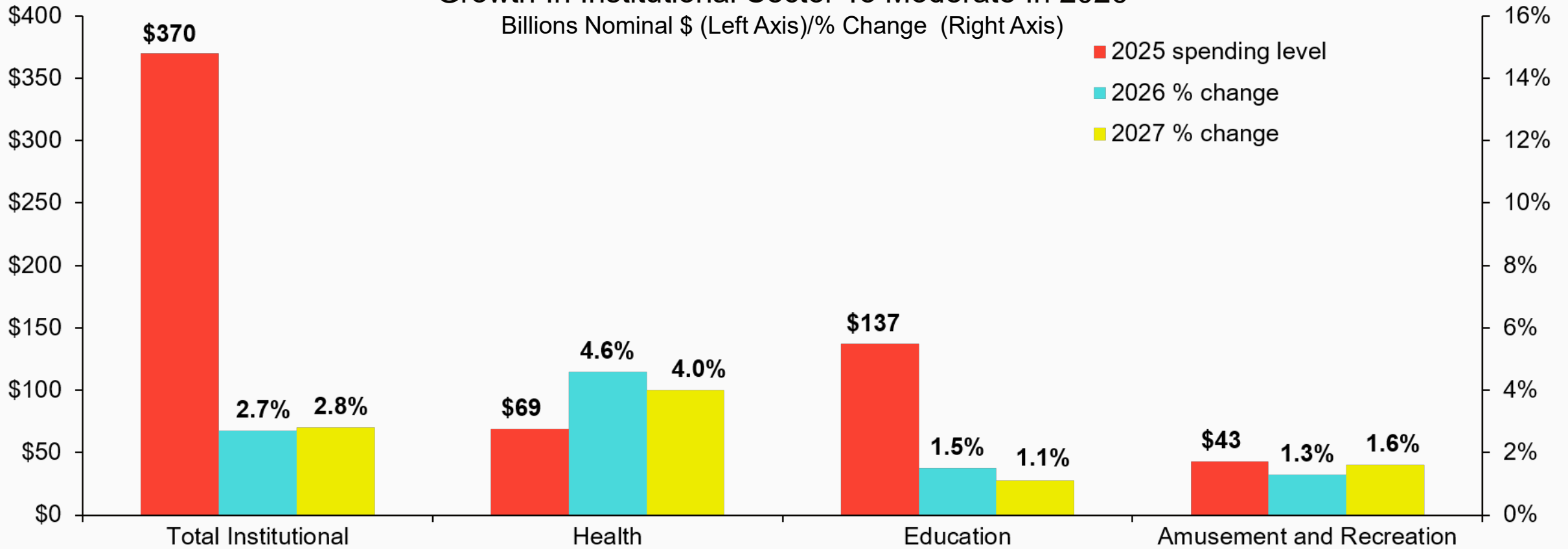
Data Centers Driving Commercial Gains

Billions Nominal \$ (Left Axis)/% Change (Right Axis)

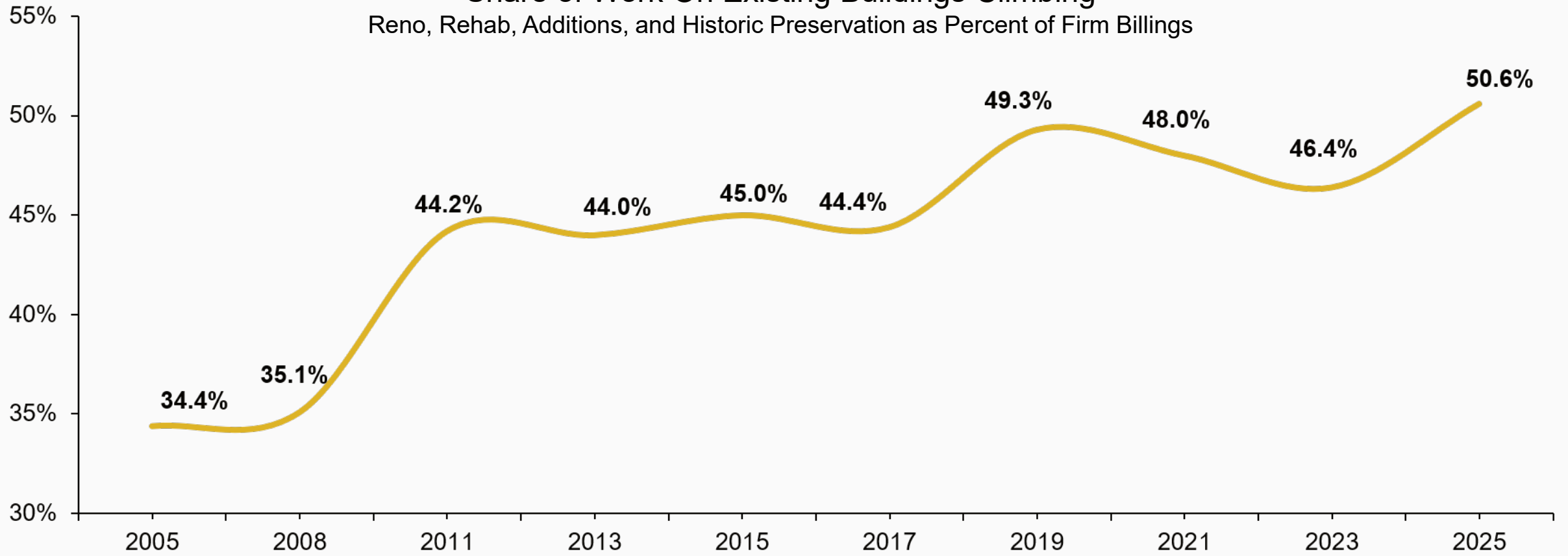


Growth In Institutional Sector To Moderate In 2026

Billions Nominal \$ (Left Axis)/% Change (Right Axis)

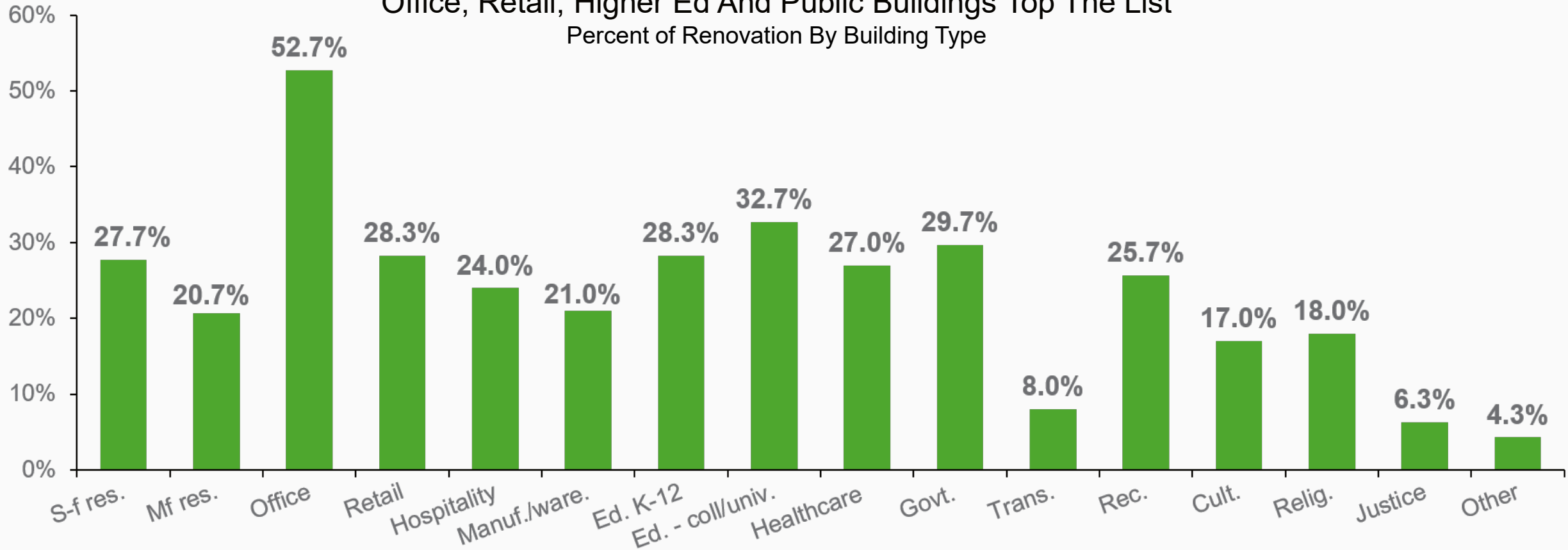


Share of Work On Existing Buildings Climbing
Reno, Rehab, Additions, and Historic Preservation as Percent of Firm Billings



Office, Retail, Higher Ed And Public Buildings Top The List

Percent of Renovation By Building Type



Plan For Three Scenarios

BASE CASE

2026: +4% (-3% real) 2027: +2% (-2% real)

- › Fed on hold till Q4
- › Oil remains high until Q4
- › Tariff policy remains as-is
- › No recession

Plan for slow. Build top-arm exposure.

UPSIDE

2026: +6% (+2% real) 2027: +4% (+2% real)

- › Fed cuts rates as inflation abates
- › Oil prices come down in Q2
- › Tariffs fall
- › No recession

Those positioned now capture disproportionate share.

DOWNSIDE

2026: -1% (-5% real) 2027: -2% (-4% real)

- › Fed raises rates to combat inflation
- › Oil remains high until 2027 Q2
- › Tariffs increase
- › Higher recession odds

Margin protection and sector mix are your buffer.

THREE NUMBERS TO WATCH — CHECK MONTHLY

01 ABI Score

Sustained above 50 = the turn is real.
Currently 48–49. Track at aia.org/abi.

02 Single-Family Permits

13–14 month lead on education and retail.
SF above 1,100K = pipeline coming.

03 Brent Oil Price

10% Y/Y rise = ~4–5% PPI rise 3 months later.
Currently elevated — price accordingly.



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