



# U.S. Economic Overview

CONSUMERS AND THE MACRO ECONOMY | AUGUST 2025

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# Summary

# Consumers & Macro Economy Executive Summary



## Positive Trends

- Real gross domestic product (GDP) increased at an annual rate of 3.0% in the second quarter of 2025, a rebound from the 0.5 percent decrease in Q1.
- National average gasoline prices are down 9.7% YOY and average \$3.25 / gallon nationwide.
- U.S. new car sales in July 2025 exceeded expectations, with strong increases over both the previous month and the same period last year.
- U.S. retail and food services sales (excluding motor vehicles and gas stations) in July 2025 were \$535.9 billion, a 0.2% increase from the previous month and a 4.4% increase compared to July 2024.
- Overall inflation rate remained steady at 2.7% - though core inflation accelerated to a five-month high of 3.1%.



## Key Headwinds

- New home sales in June 2025 were down 6.6% compared to a year ago; the supply of available homes continued to outpace demand.
- While the Bureau of Labor Statistics (BLS) reported a slight increase of 16,000 retail jobs in July – a broader look at the market reveals a cooling trend.
  - Major retailers are facing significant challenges, resulting in a dramatic increase in layoffs and store closures. This trend, which includes a reported 274% jump in retail job cuts, is largely due to a slowing economy and changing consumer habits.
- Consumer sentiment index for August 2025 dropped to 58.6, a decline from 61.7 in July; the drop was driven by rising concerns about inflation, with both year-ahead and long-run inflation expectations increasing for the first time in several months.
- Tariffs are having significant impact on supply chains – evolving trade policy has created significant economic uncertainty



## Concerns

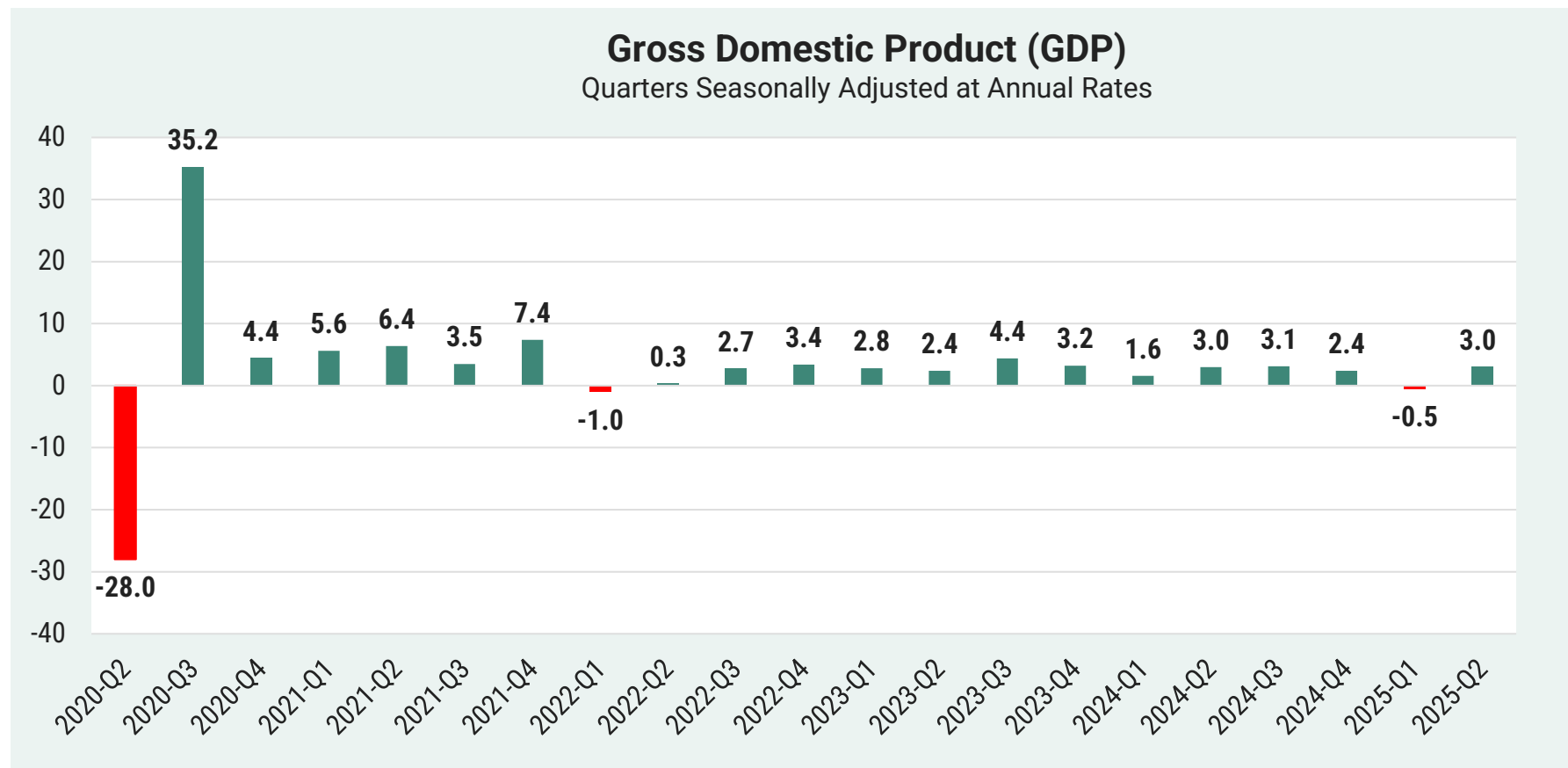
- U.S. imports dropped 30.3%, a reversal of the significant Q1 surge caused by businesses stockpiling goods ahead of new tariffs.
- Household debt reached a record high of \$18.39 trillion in Q2-2025, an increase of \$185 billion from the previous quarter.
- The Housing Affordability Index dropped to 94.4 in June, continuing a trend of worsening affordability; the decline was driven by high home prices and elevated mortgage rates, which have made it increasingly difficult for a typical family to afford a home.
- U.S. labor market is showing signs of cooling, with job growth slowing considerably; significant downward revisions to job numbers in the preceding months of May and June further reinforce this trend, suggesting that the economy is adding workers at a much slower pace than previously thought.

# Key U.S. Economic Indicators

# Gross Domestic Product

Real gross domestic product (GDP) increased at an annual rate of 3.0% in the second quarter of 2025, according to the advance estimate released by the U.S. Bureau of Economic Analysis

*The U.S. economy's real gross domestic product (GDP) grew at an annual rate of 3.0 percent in the second quarter of 2025, according to the advance estimate from the U.S. Bureau of Economic Analysis. This marks a rebound from the 0.5 percent decrease in the first quarter, with the increase primarily driven by a decrease in imports and a rise in consumer spending.*

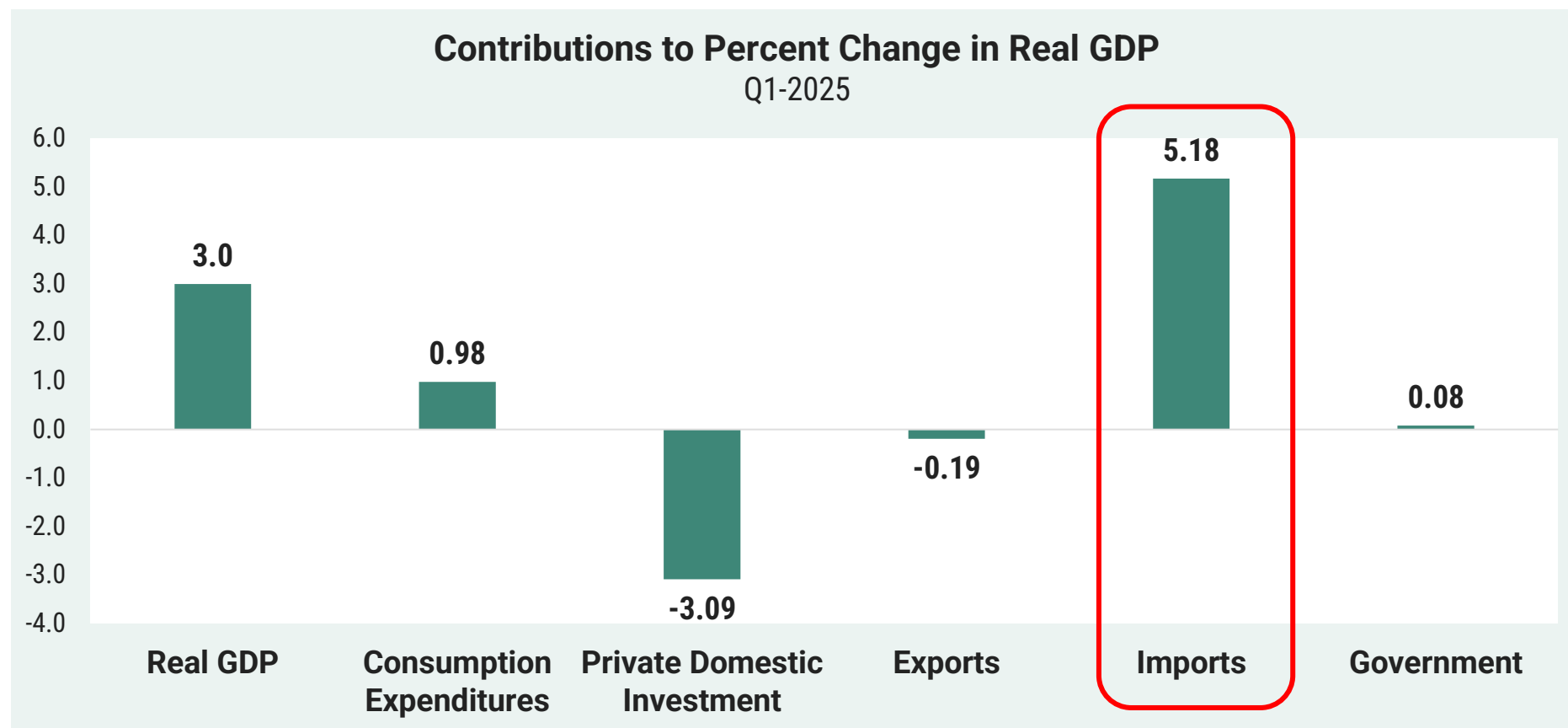




# Gross Domestic Product

The increase in real GDP in the second quarter primarily reflected a decrease in imports, which are a subtraction in the calculation of GDP, and an increase in consumer spending. These movements were partly offset by decreases in investment and exports.

According to the U.S. Bureau of Economic Analysis's (BEA) advance estimate, the decline in imports was a primary driver of the increase in real GDP in the second quarter of 2025. A **sharp 30.3% drop in imports** contributed 5.18 percentage points to the total 3.0% GDP growth. This was largely a reversal of the significant import surge in the first quarter, which was caused by businesses stockpiling goods ahead of new tariffs.

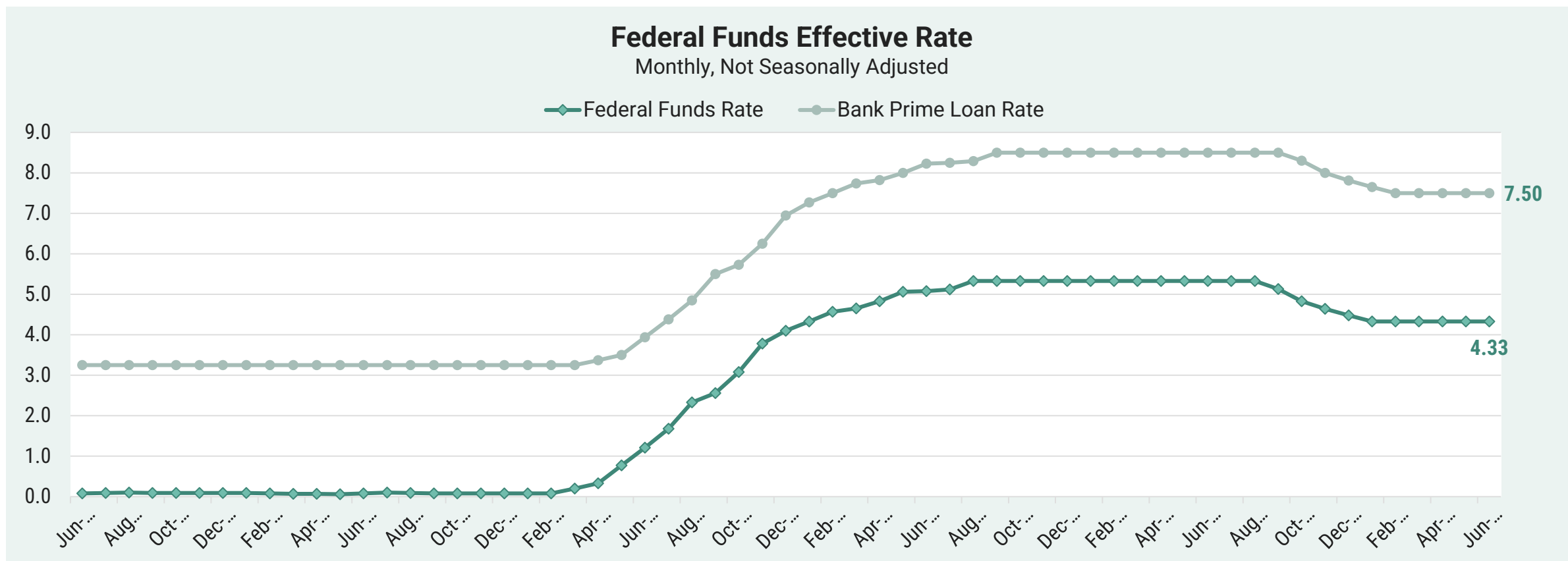


Source: U.S. Bureau of Economic Analysis



# Federal Funds Rate

Facing a divided Federal Reserve, policymakers are currently debating rate cuts, with some advocating for an earlier move due to a weakening labor market while others remain cautious, citing concerns over inflation and new tariffs



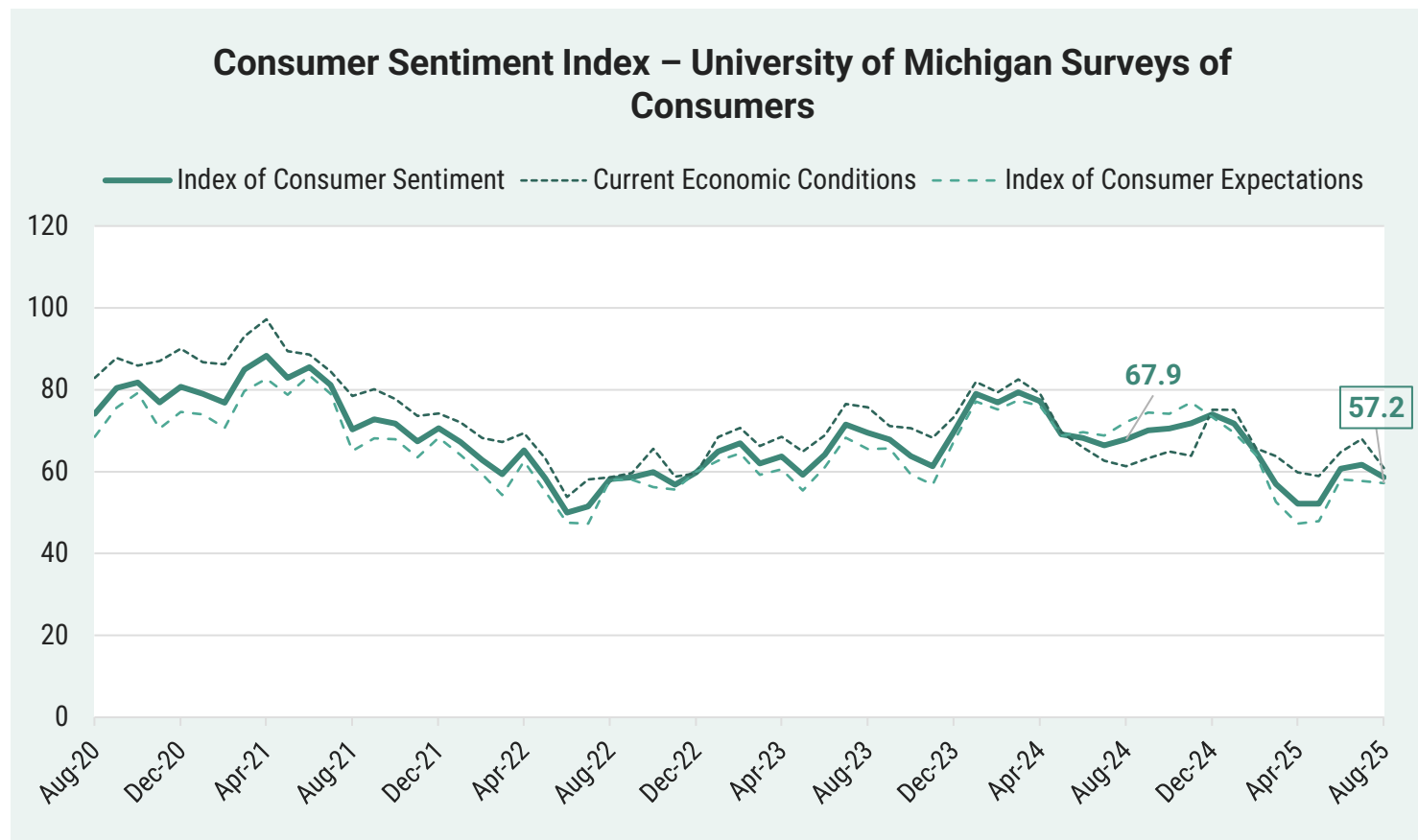
Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

## U.S. Consumers

# Consumer Sentiment Index

The University of Michigan's preliminary consumer sentiment index for August 2025 dropped to 58.6, a decline from 61.7 in July and falling short of analysts' expectations; the drop was driven by rising concerns about inflation, with both year-ahead and long-run inflation expectations increasing for the first time in several months

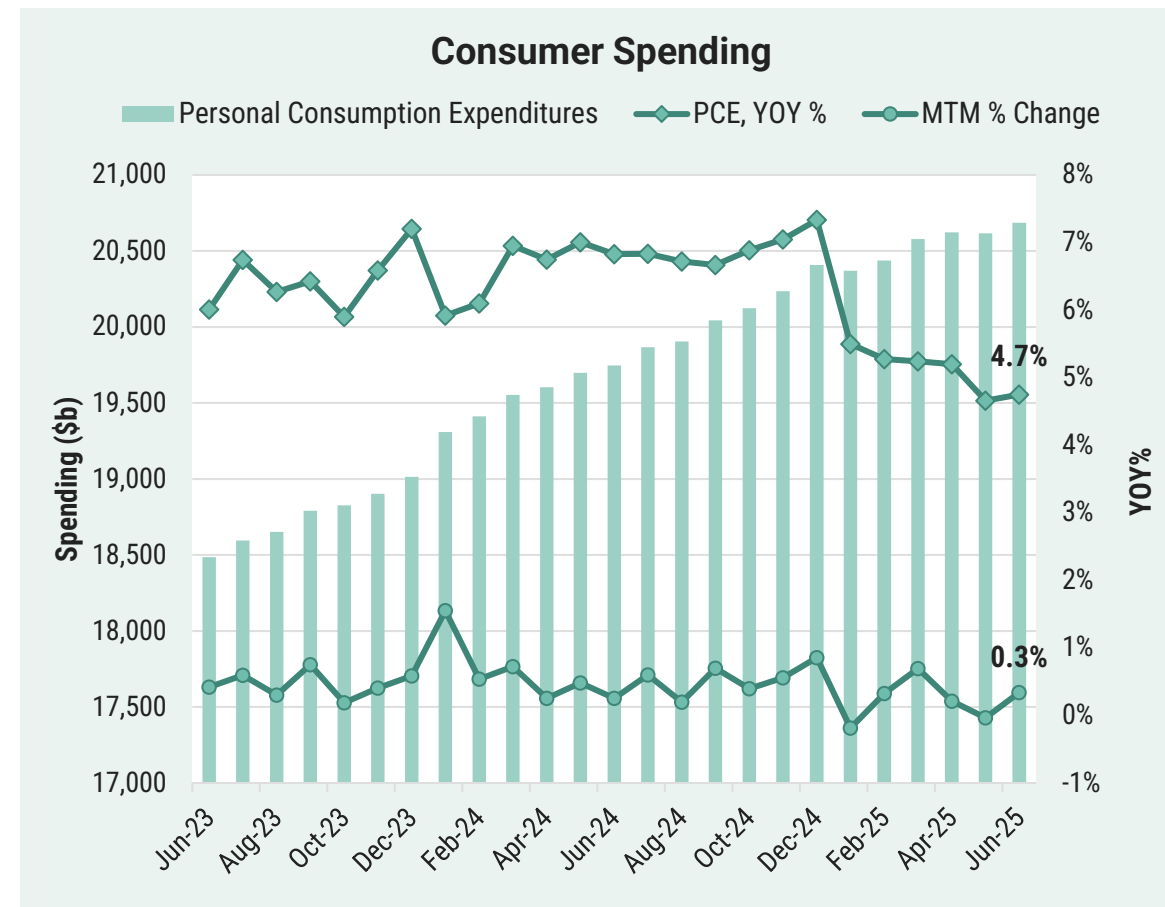
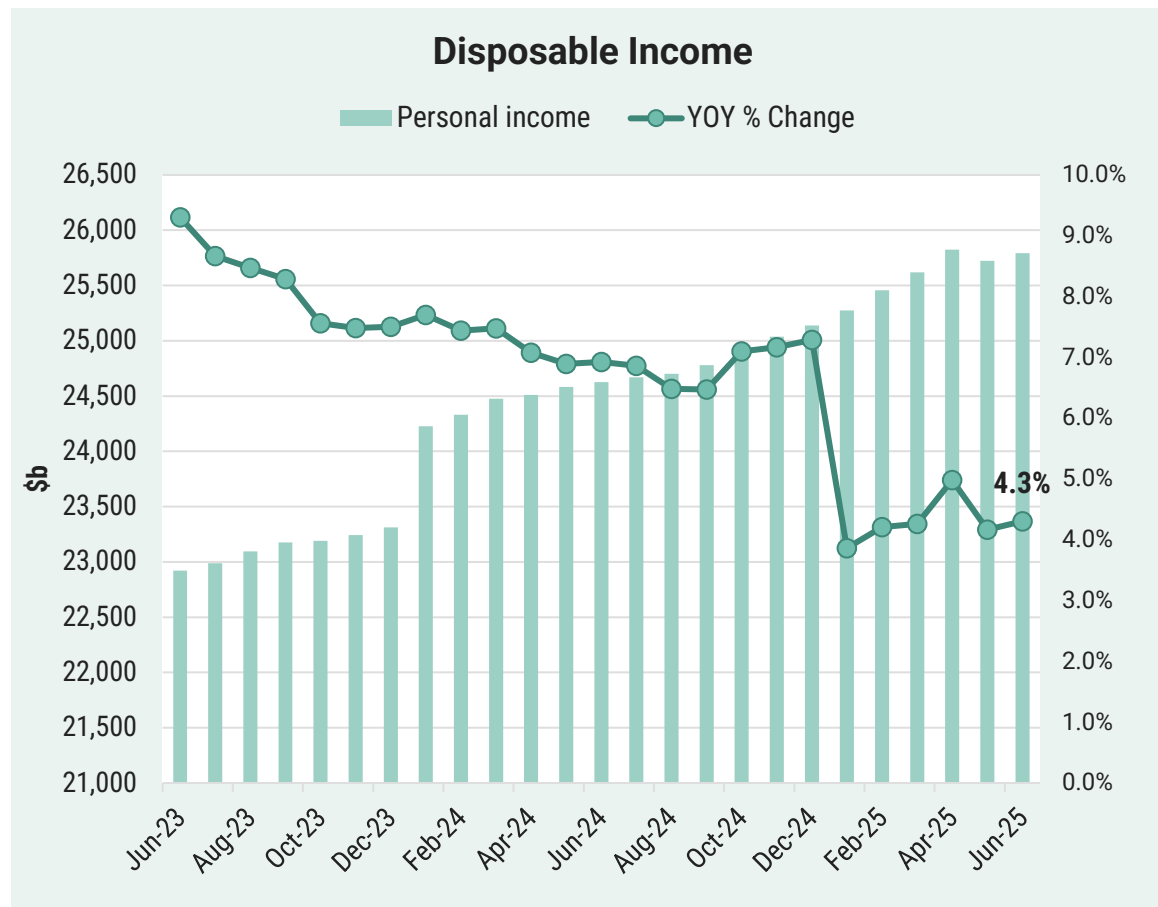
APRIL 2025	Index of Consumer Sentiment	Current Economic Conditions	Index of Consumer Expectations
2-Year High	79.4	82.5	77.4
2-Year Avg.	67.3	69.0	66.1
2- Year Low	52.2	58.9	47.3
Current	<b>58.6</b>	<b>60.9</b>	<b>57.2</b>
LY	67.9	61.3	72.1
YOY % Change	<b>-13.7%</b>	<b>-0.7%</b>	<b>-20.7%</b>
Previous Month	61.7	68.0	57.7
MTM % Change	<b>-5.0%</b>	<b>-10.4%</b>	<b>-0.9%</b>



Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)

# Consumer Income and Spending (2-month lag)

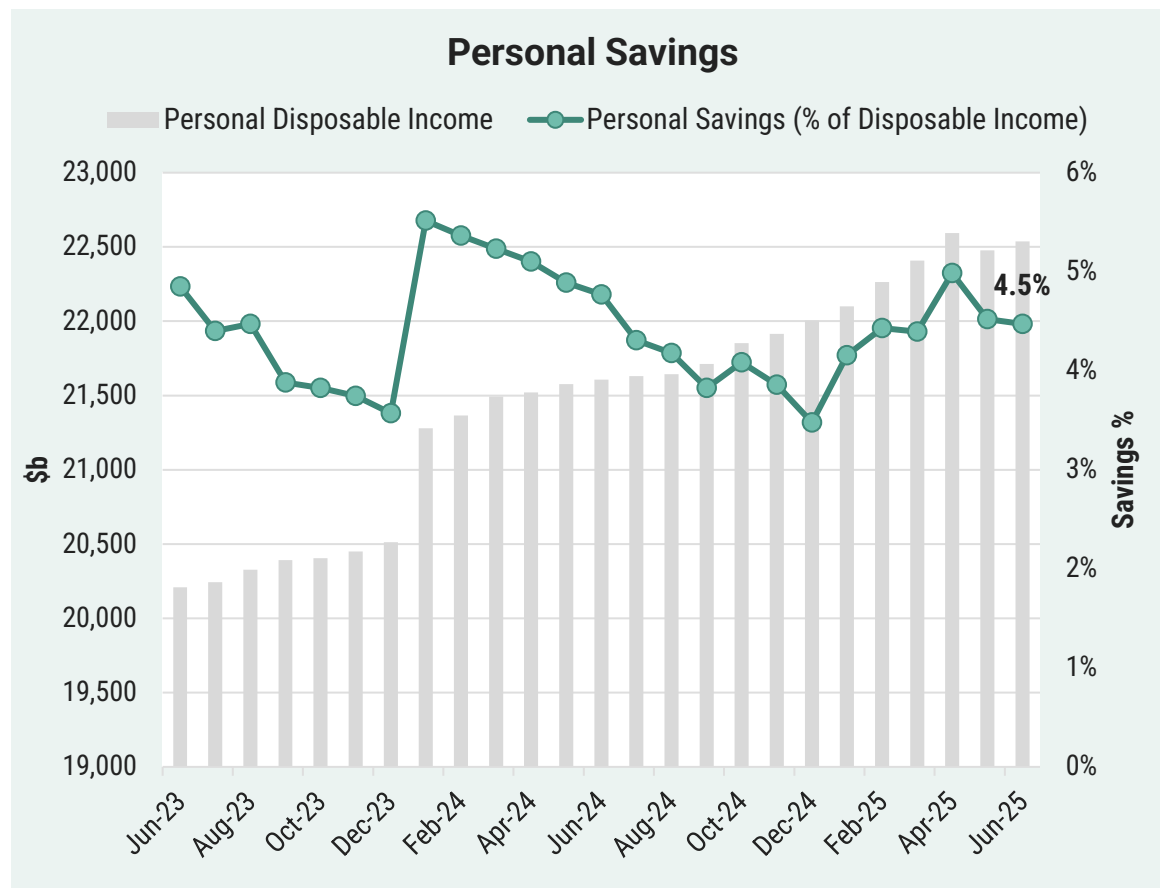
Disposable income rose 4.3% in June 2025; consumer expenditures increased 4.7% YOY



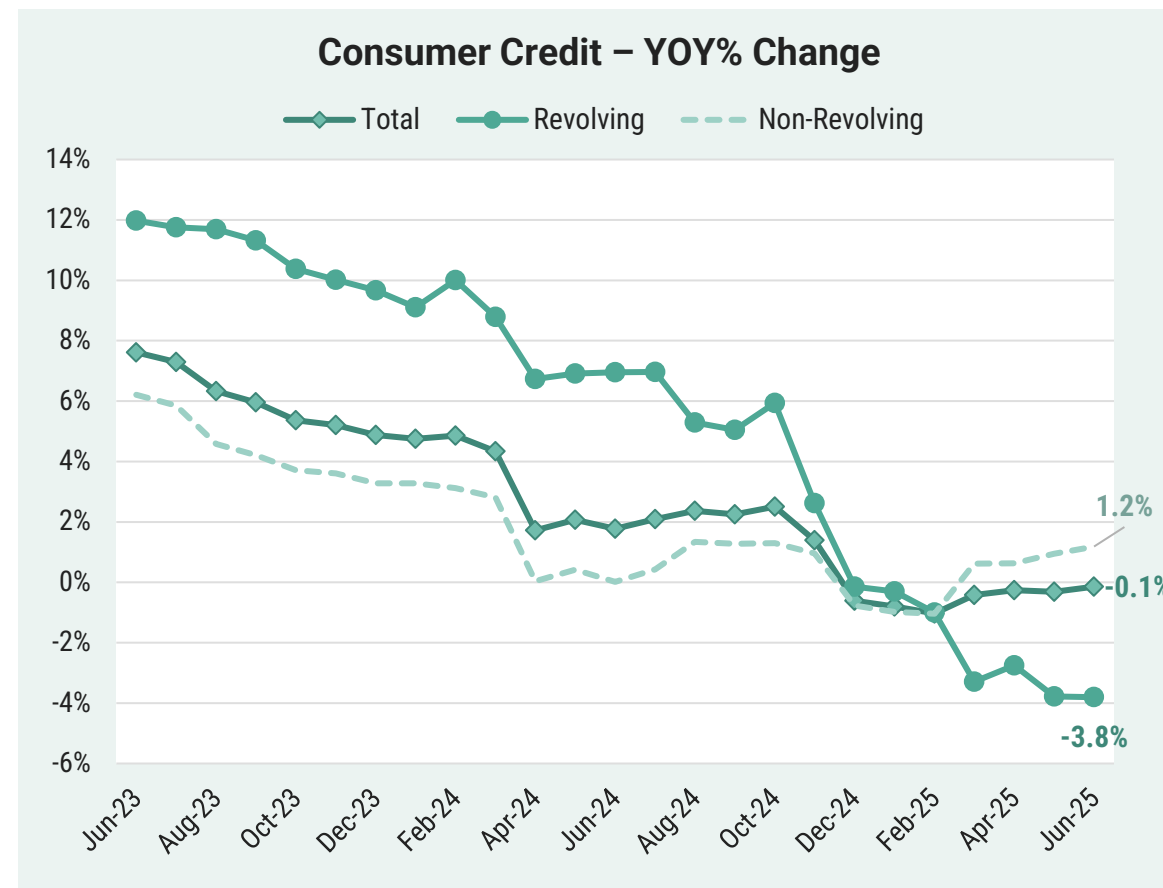
Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

# Personal Savings & Consumer Credit *(2-month lag)*

Personal savings rate through June 2025 increased 4.5%; total consumer credit dropped .1%, revolving credit was down 3.8% YOY



Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting



Source: U.S. Federal Reserve, 2-month lag in reporting

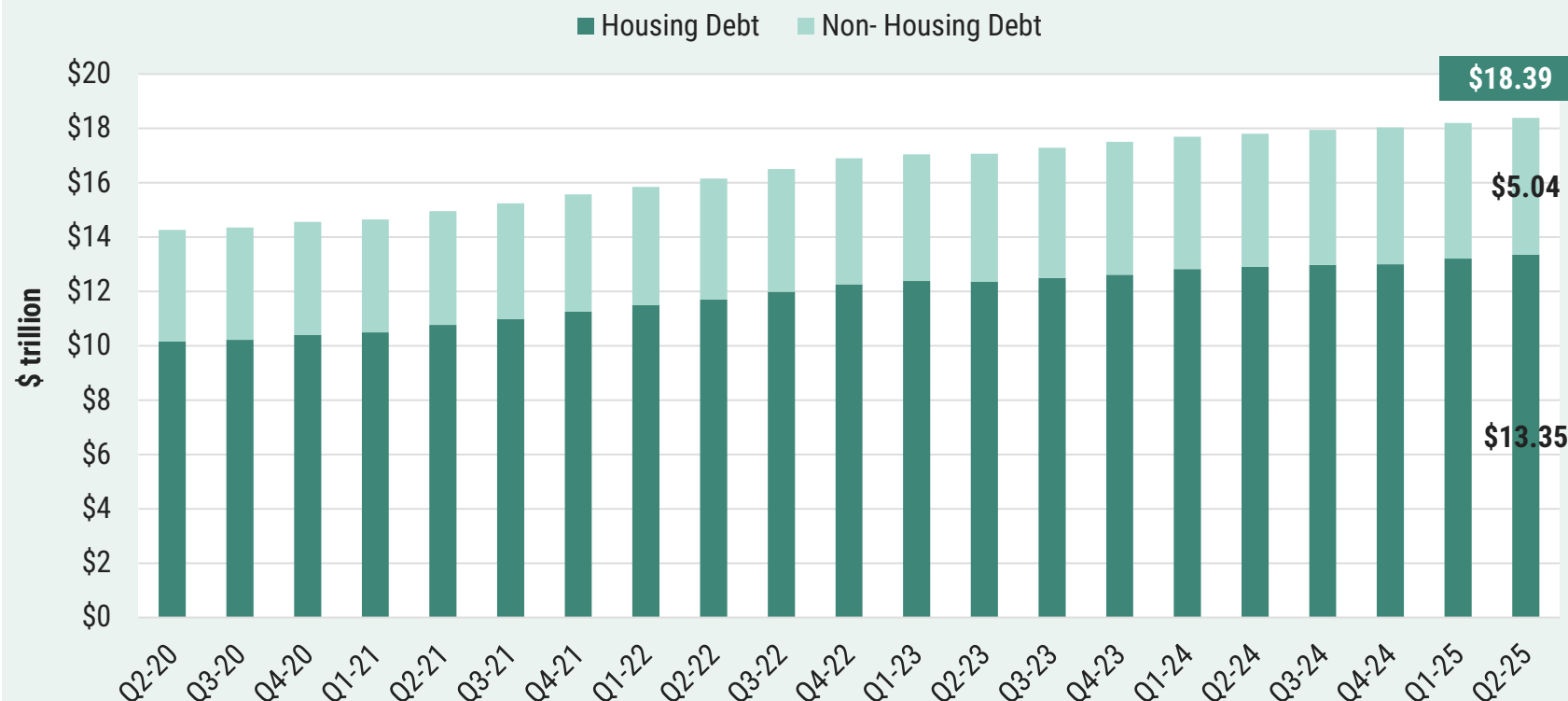
# Total Consumer Debt

Household debt reached a record high of \$18.39 trillion in Q2-2025, an increase of \$185 billion from the previous quarter; the rise was driven by increases in mortgage balances, with additional contributions from credit card, auto loan, and student loan debt

## Key Drivers of Household Debt Q2-2025

- Mortgage balances grew by \$131 billion, totaling \$12.94 trillion at the end of June
- Home equity lines of credit (HELOC) rose by \$9 billion, the thirteenth consecutive quarterly increase; there is now \$411 billion in outstanding HELOC balances, \$94 billion above the low reached in the first quarter of 2022
- Credit card balances rose by \$27 billion and now total \$1.21 trillion outstanding, 5.87% above the level a year ago
- Auto loan balances rose by \$13 billion, and now stand at \$1.66 trillion
- Other balances were roughly unchanged at \$540 billion
- Student loan balances increased by \$7 billion and now stand at \$1.64 trillion

## Total Household Debt Balance

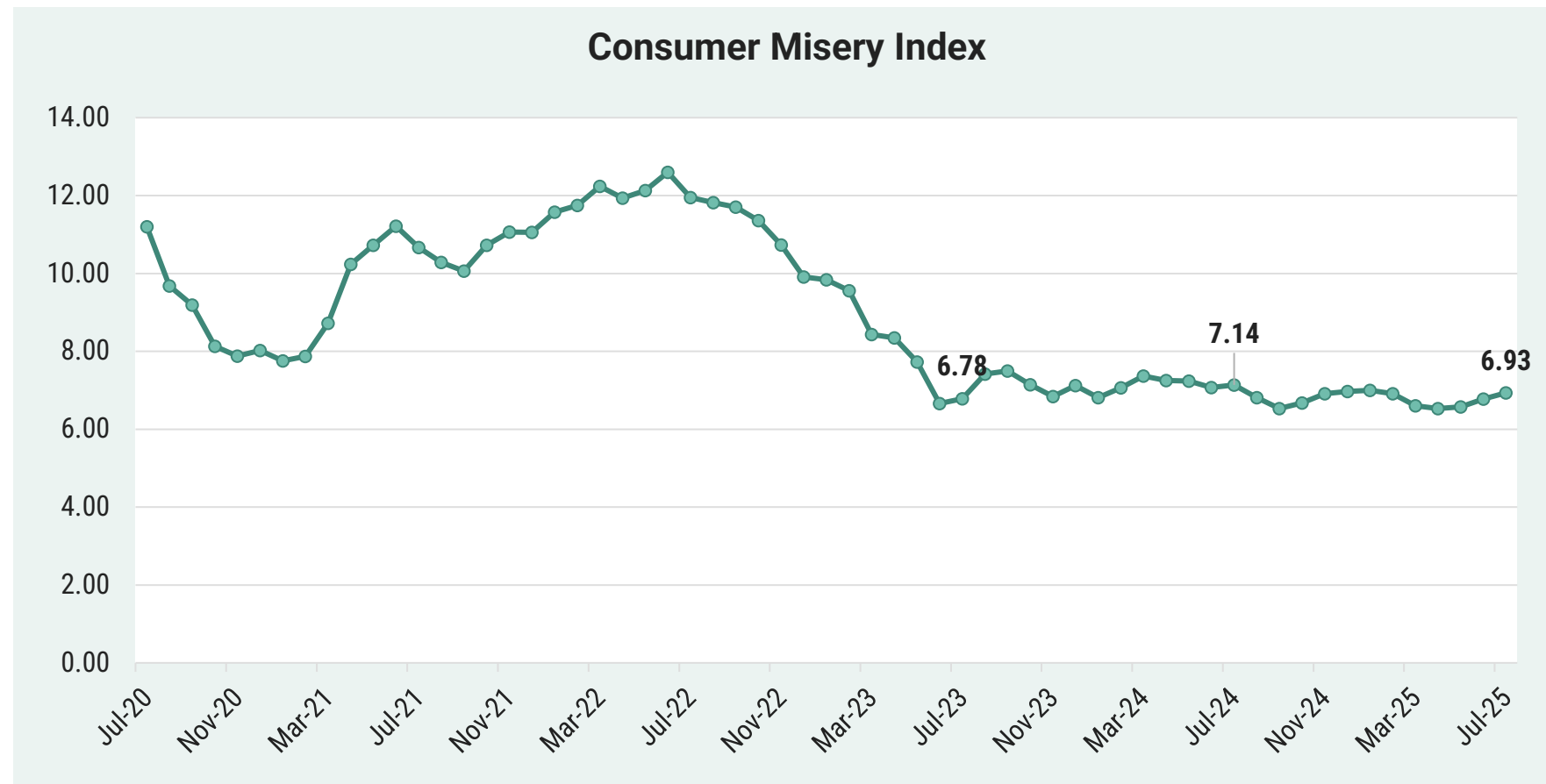


<https://www.newyorkfed.org/microeconomics/hhdc.html>

# Consumer Misery Index

The Consumer Misery Index for July 2025 rose to 6.93, down YOY and slightly higher MTM

*The consumer misery index combines unemployment and inflation rates to gauge economic hardship. The index is calculated by simply adding the unemployment rate to the inflation rate. A higher misery index suggests a greater level of economic hardship for the average consumer.*

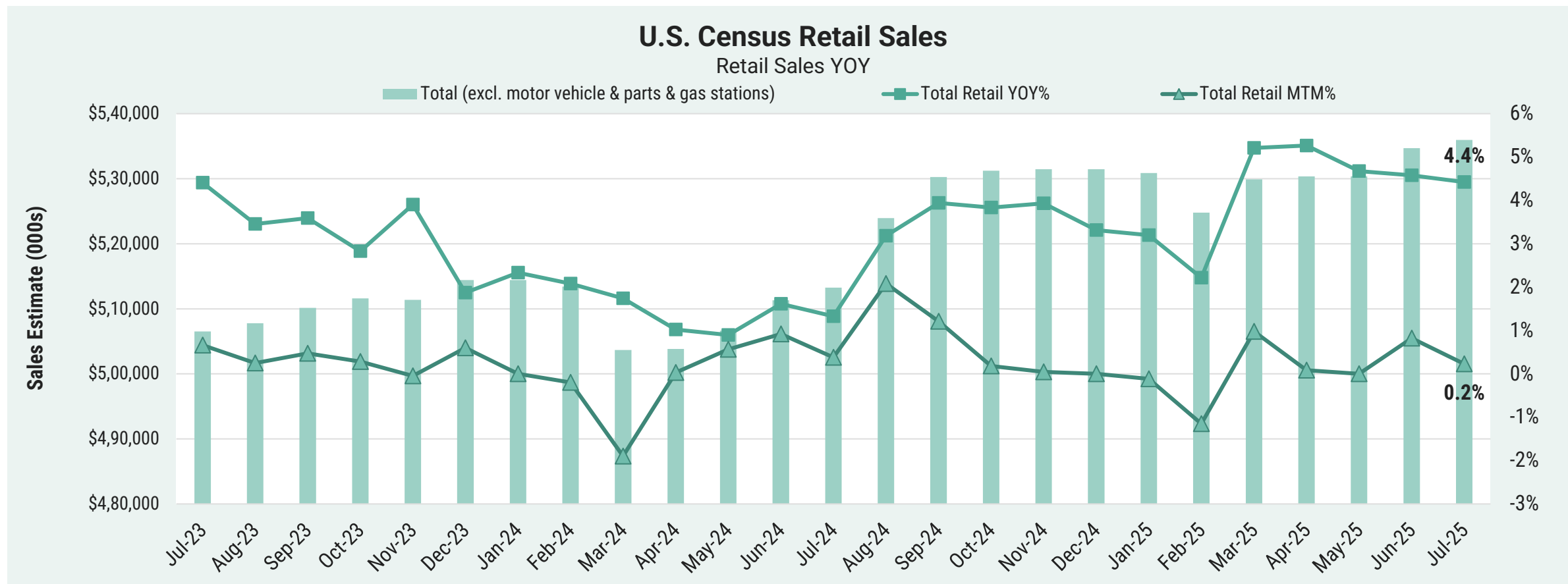




## U.S. Retail Sales

# U.S. Retail Sales *(excl. motor vehicles and gas stations)*

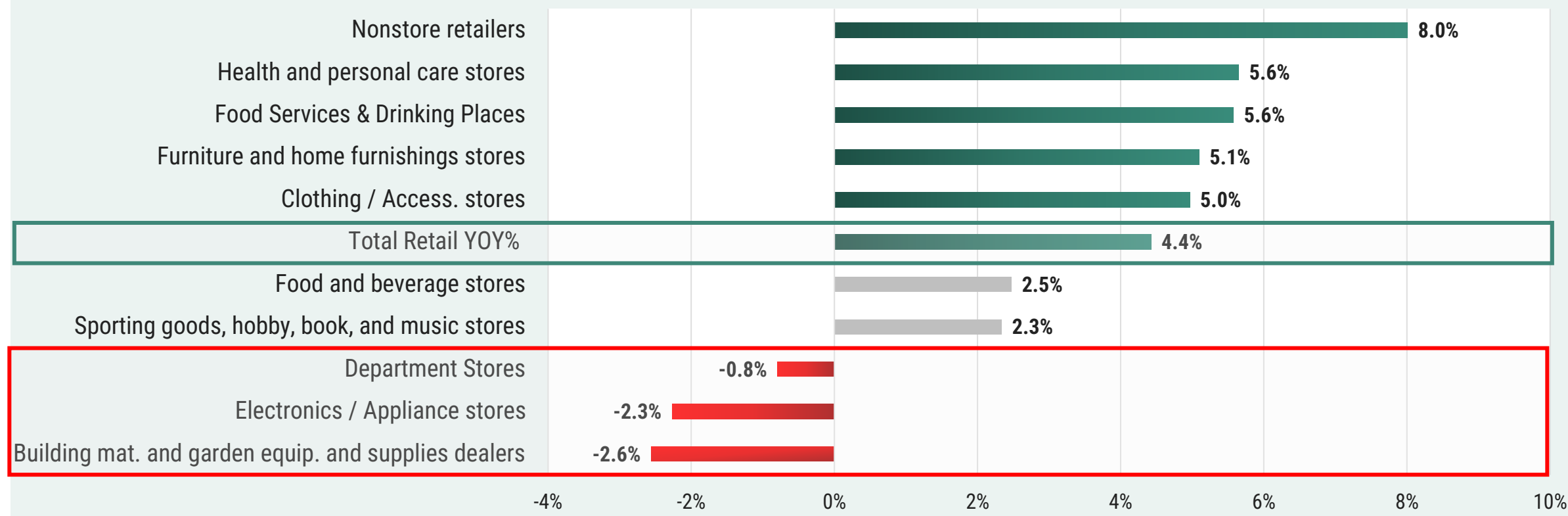
U.S. retail and food services sales (excluding motor vehicles and gas stations) in July 2025 were \$535.9 billion, a 0.2% increase from the previous month and a 4.4% increase compared to July 2024



# U.S. Retail Sales by Retail Category

July retail sales increased across most segments – several key segments (DIY retailers, Electronics / Appliances, and Department stores) show continued declines

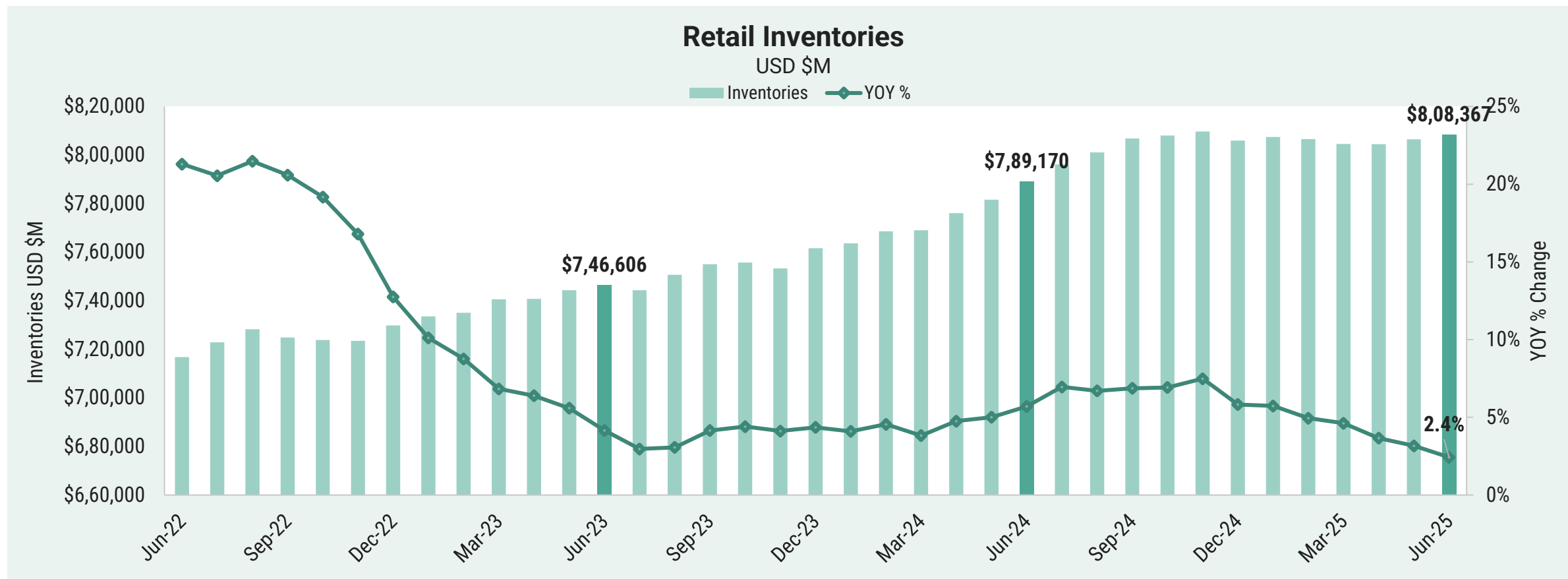
**Retail Trade Sales - YOY % Change by Category**



Source: U.S. Census Bureau

# Retail Inventories (2-month lag)

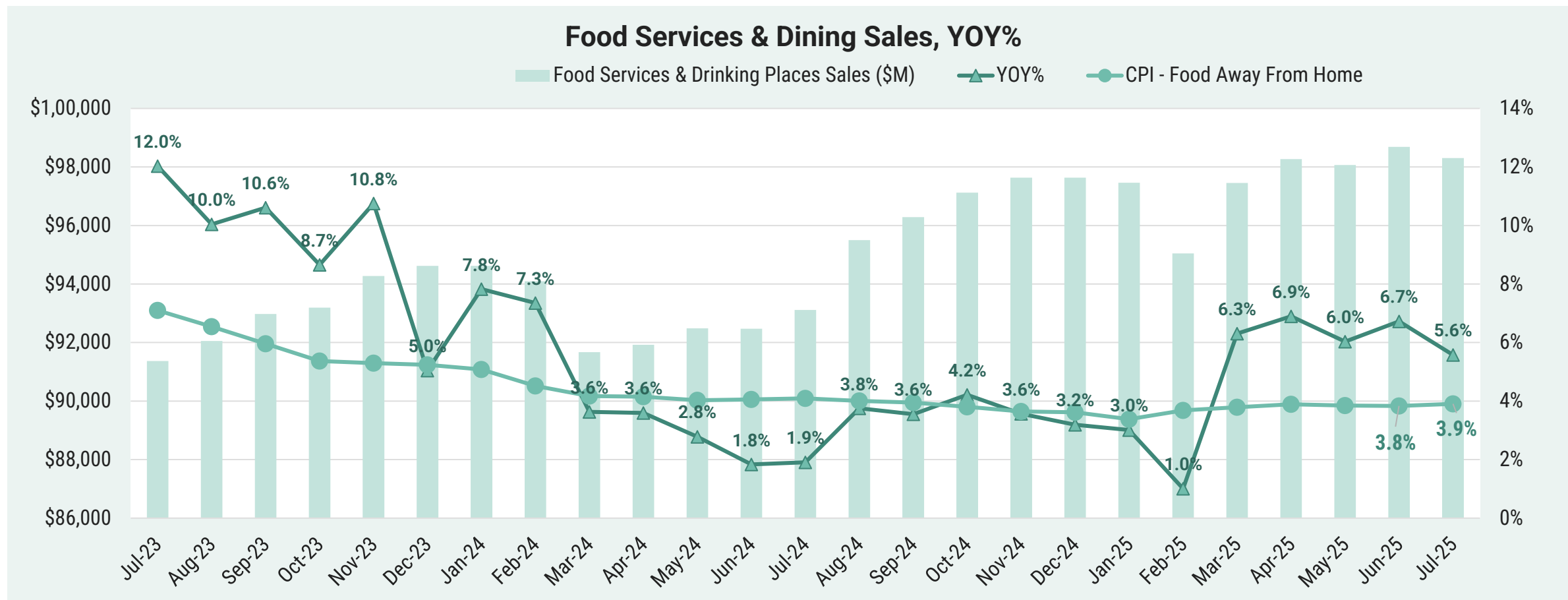
U.S. retail inventories for June increased 0.3% from May 2025 and 2.5% increase June 2024; inventories grew at a slightly faster pace than sales, suggesting that retailers may be holding slightly more stock relative to consumer demand



U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

# U.S. Retail Sales – Food Services & Dining

Food Services / Dining increased 5.6% in July – well above the 3.9% inflation rate for Food Away From Home

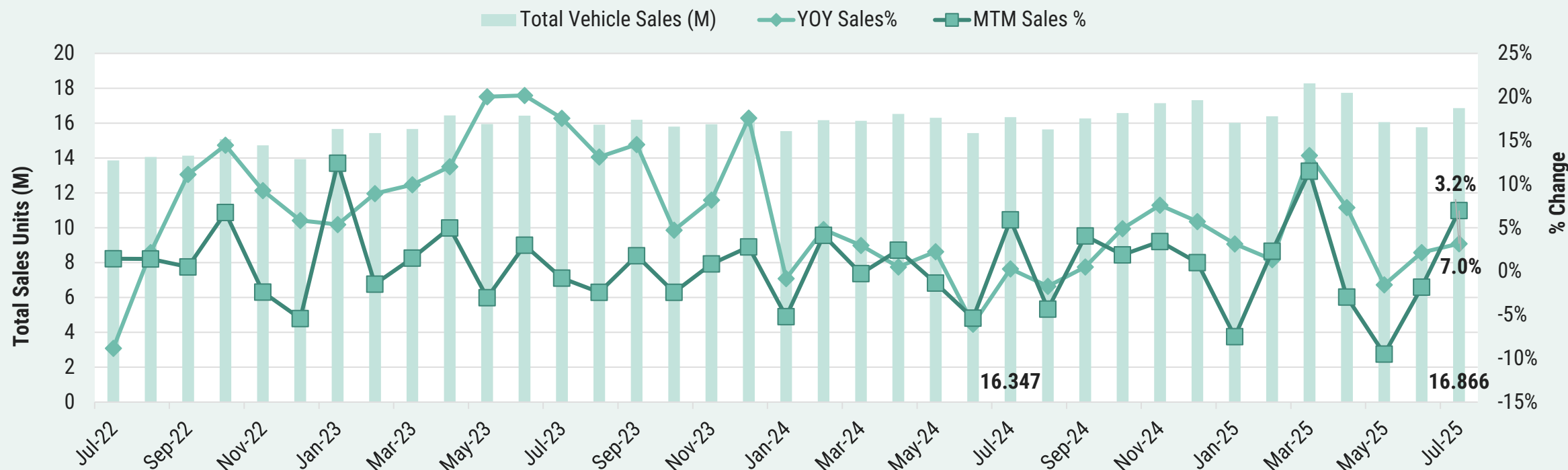


Source: U.S. Census Bureau

# U.S. Vehicle Sales

U.S. new car sales in July 2025 exceeded expectations, with strong increases over both the previous month and the same period last year; this was largely driven by robust sales of light trucks, including SUVs and pickups, as well as a notable surge in demand for hybrid vehicles

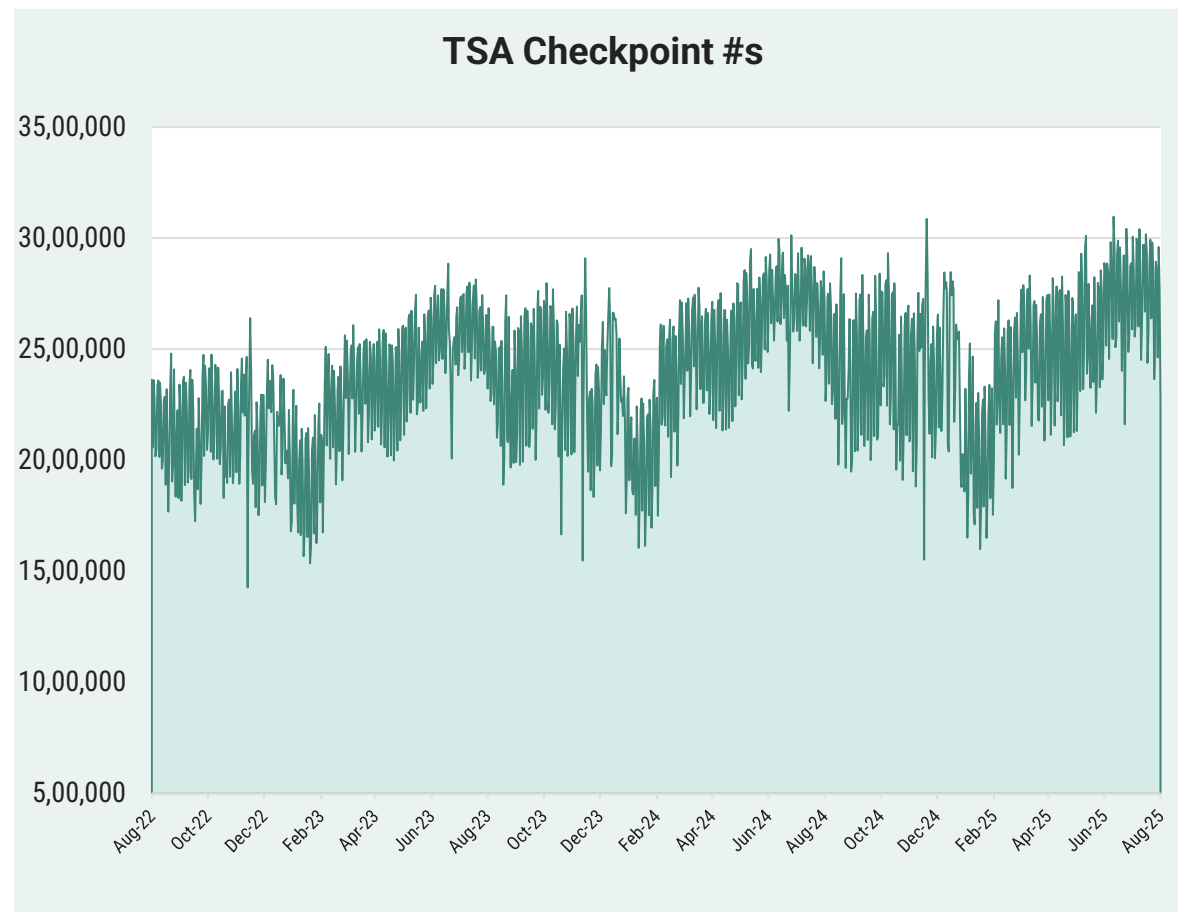
U.S. New Vehicle Sales (M) / CPI, New Vehicles



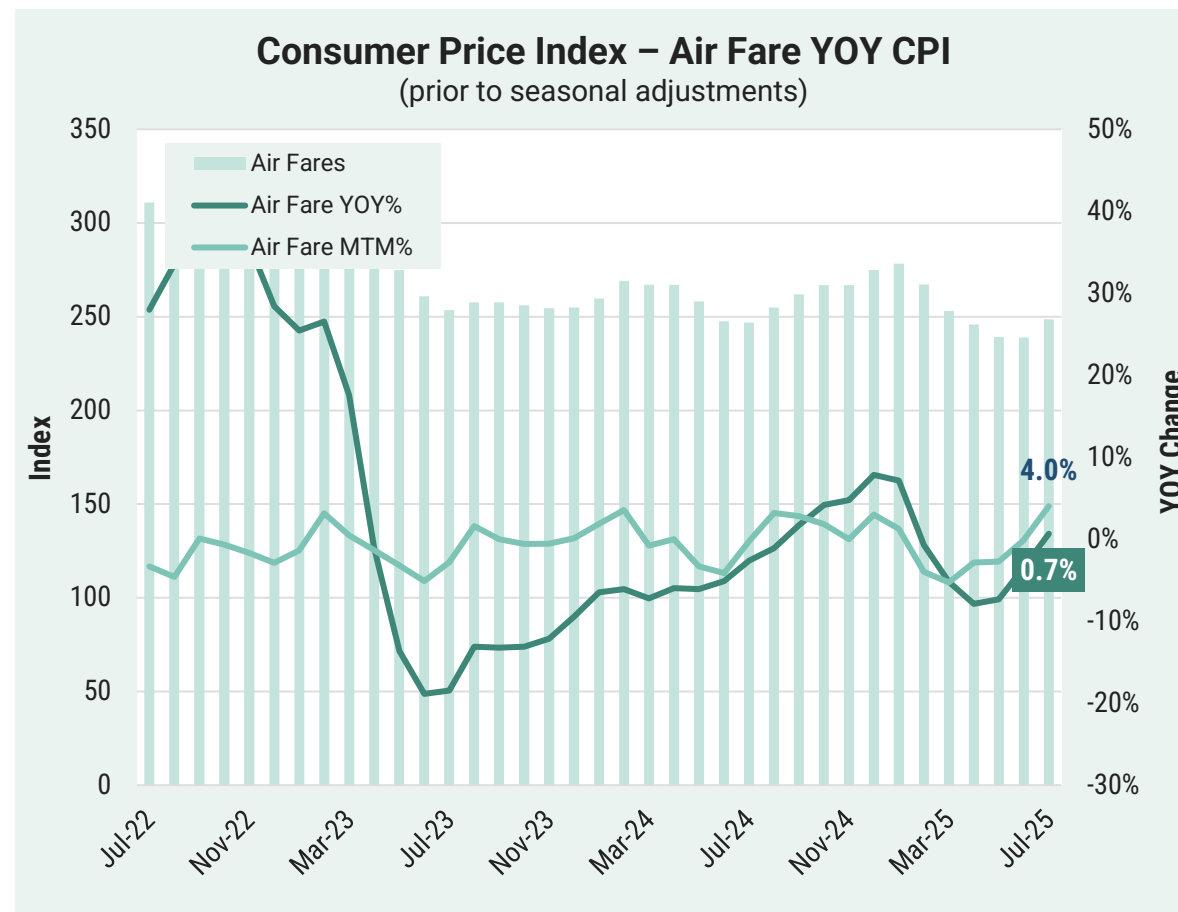
U.S. Bureau of Economic Analysis, Total Vehicle Sales [TOTALSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/TOTALSA>

# Air Travel – TSA Checkpoint Numbers

Air travel volume YTD has increased steadily at about 1% YOY; the price of air travel is up 4% MTM and .7% higher than 2024



Source: U.S. Transportation Security Administration



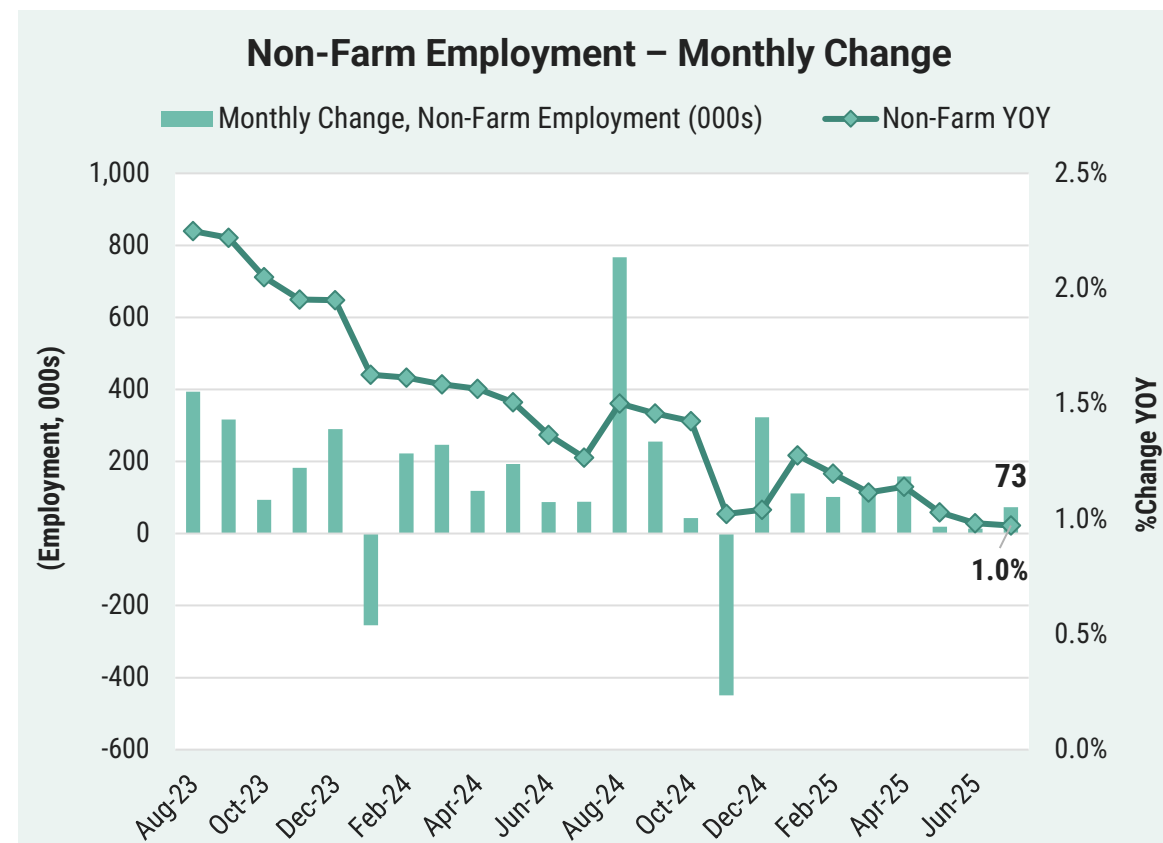
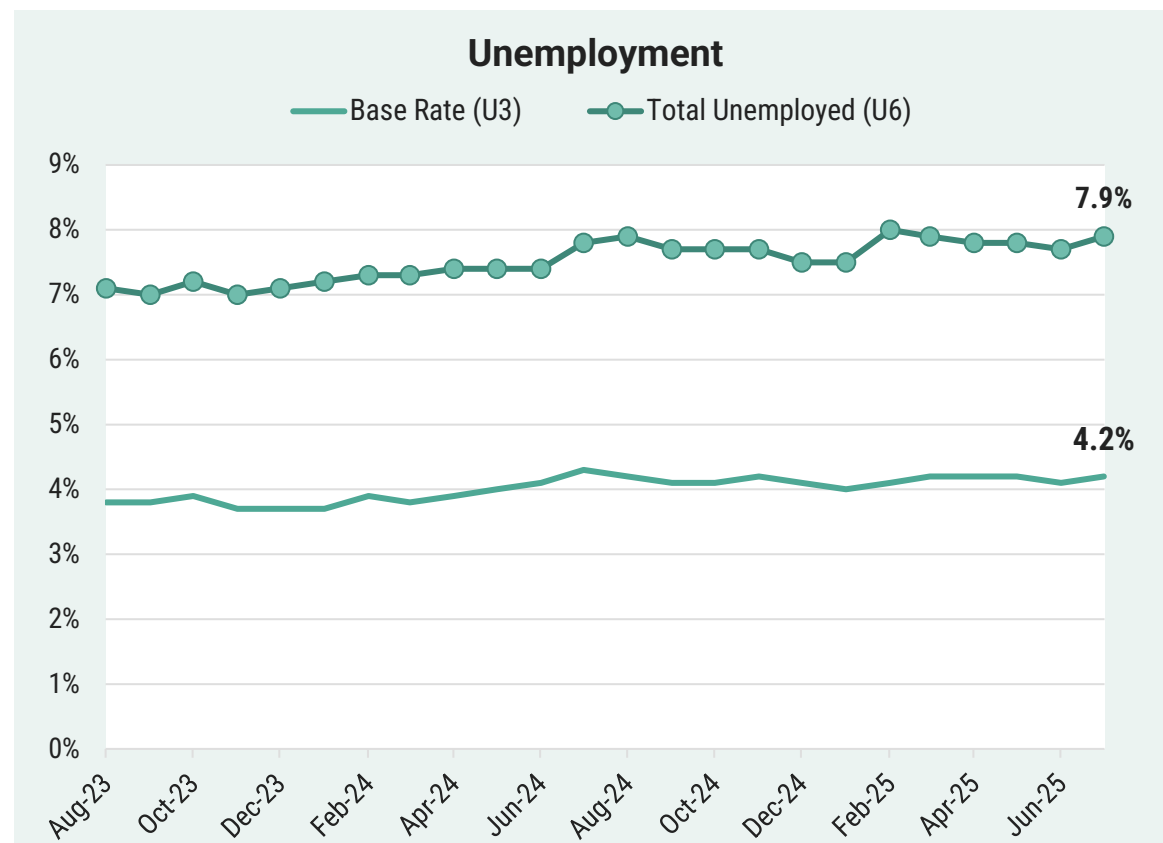
Source: U.S. Bureau of Labor Statistics



# U.S. Labor & Unemployment

# Labor – U.S. Employment

The U.S. labor market is showing signs of cooling, with job growth slowing considerably and the unemployment rate inching up to 4.2% in July. Significant downward revisions to job numbers in the preceding months of May and June further reinforce this trend, suggesting that the economy is adding workers at a much slower pace than previously thought



Source: U.S. Bureau of Labor Statistics

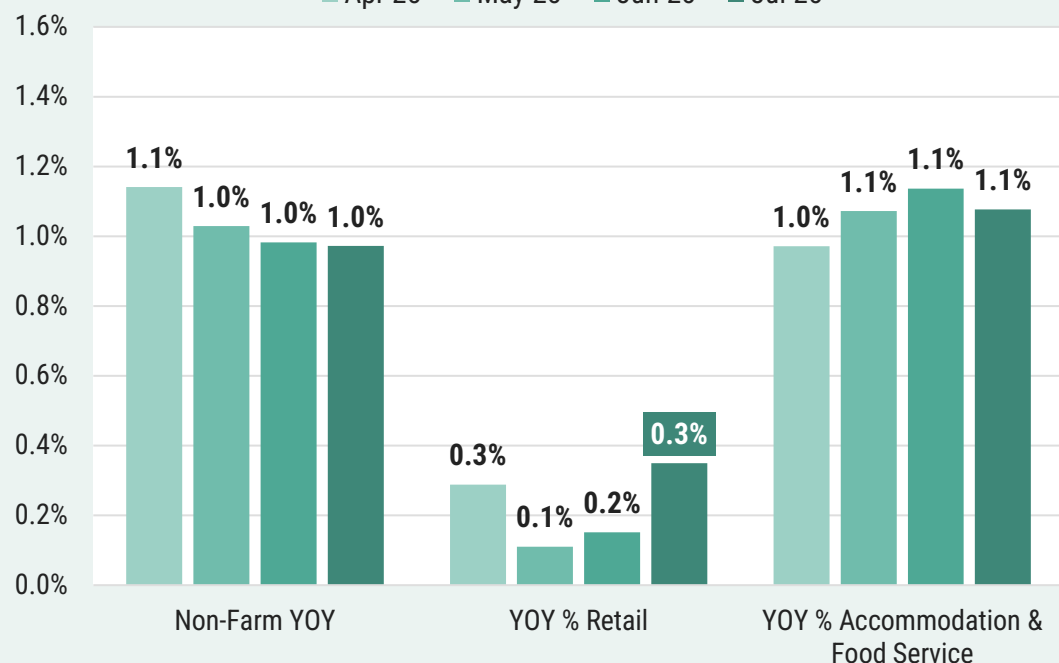
# Labor – Industry Employment Trends

In July, job gains were primarily concentrated in the healthcare and social assistance sectors, which continued their upward trend. In contrast, several other major industries, including professional and business services, manufacturing, and government, experienced job losses

## Retail, Food Services & Accommodations Jobs

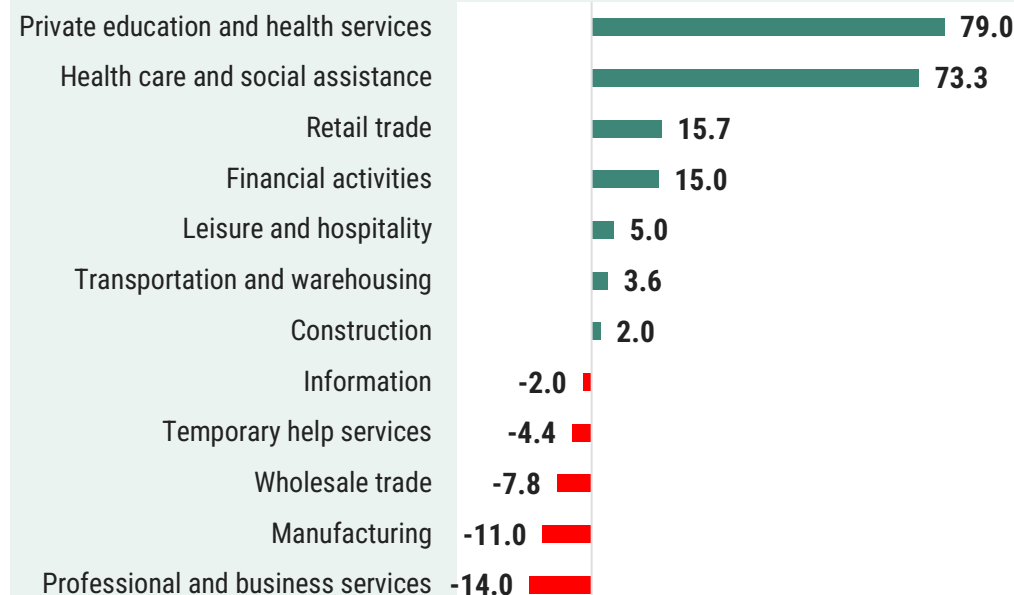
YOY Trends

■ Apr-25 ■ May-25 ■ Jun-25 ■ Jul-25



## Monthly Jobs Change

(MTM, 000s)



Source: U.S. Bureau of Labor Statistics

# The Retail Sector: A New Wave of Workforce Contraction

Retail Job Cuts Spike 249% Year-over-Year, Driven by Economic Uncertainty and Changing Consumer Habits

Based on the latest Bureau of Labor Statistics report (previous page), retail trade employment showed little change in July, with a gain of 16,000 jobs MTM; a recent study by Challenger & Gray (Retail Dive, August 4, 2025) however, notes that retail job cuts climbed 249% from last year

## Reconciling Job Market Data

**BLS JOBS REPORT**

- BLS Jobs Report (July 2025 Data)Net Jobs Added:** The U.S. economy added just 73,000 nonfarm payroll jobs in July, a significant slowdown from previous months.
- Downward Revisions:** The report included substantial downward revisions for May and June, removing a combined 258,000 jobs from previous estimates.
- Key Sectors:** While healthcare continued to add jobs (+55,000), other sectors like manufacturing and government saw declines.

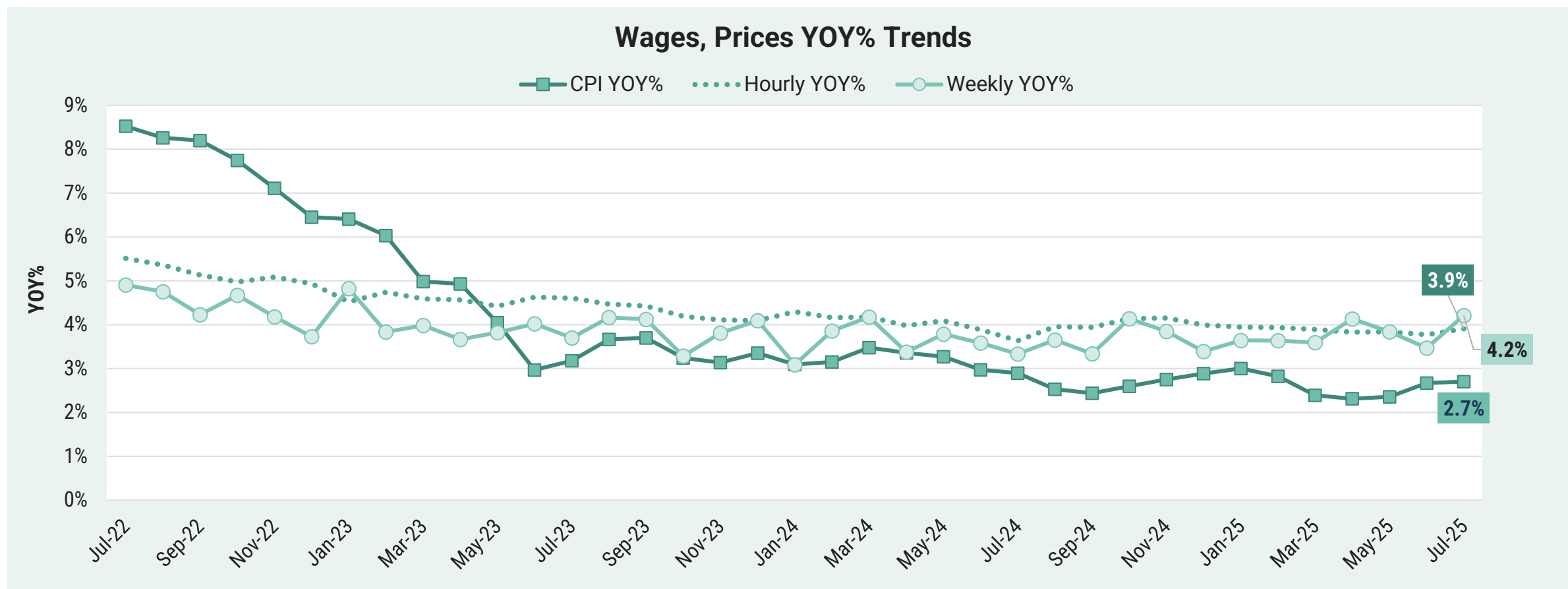
**CHALLENGER, GRAY & CHRISTMAS JOB CUTS REPORT (July 2025 Data)**

- Total Cuts:** U.S. employers announced 62,075 job cuts in July, a 29% increase from June and a 140% jump from the same time last year.
- Retail Sector Impact:** Retail announced 80,487 job cuts year-to-date through July; a 249% increase compared to the same period in 2024.
- Drivers of Cuts:** The report cites tariffs, a decline in consumer spending, and technological updates like AI and automation as key reasons for the cuts.
- The Reconciliation:** The difference in these two reports comes down to methodology and what each one measures.

Metric	Challenger, Gray & Christmas Labor Report	U.S. Bureau of Labor Statistics (BLS)
What it measures	Announced job cuts by U.S.-based employers.	Net change in nonfarm payrolls (Establishment Survey) and employment/unemployment (Household Survey).
Scope of Data	Focuses on large-scale, public layoff announcements. It counts planned job cuts, regardless of when they actually happen. It does not track hires.	Provides a comprehensive look at the entire labor market, including new hires, quits, layoffs, and people entering or leaving the workforce. It tracks both job gains and losses.
Timing	Tracks announcements, which can precede actual layoffs by weeks or months.	Measures jobs on the payroll for the pay period that includes the 12th of the month. The full impact of layoffs announced late in a month may not be reflected until the following month's report.

# Wages – YOY % Change vs. Inflation

Both hourly and weekly wage rate increases continue to exceed the change in inflation



Source: U.S. Bureau of Labor Statistics

# Consumer Prices & Inflation

# Inflation – Consumer Price Index *(non-seasonally adjusted)*

The overall inflation rate remained steady at 2.7%; Core Inflation accelerated to a five-month high of 3.1%, driven by rising costs in housing, medical care, and transportation services.

- Food Away From Home **+3.9%**
- Housing **+3.9%**
- Education **+3.7%**
- Motor Fuel **(9.3%)**
- Apparel **(0.2%)**

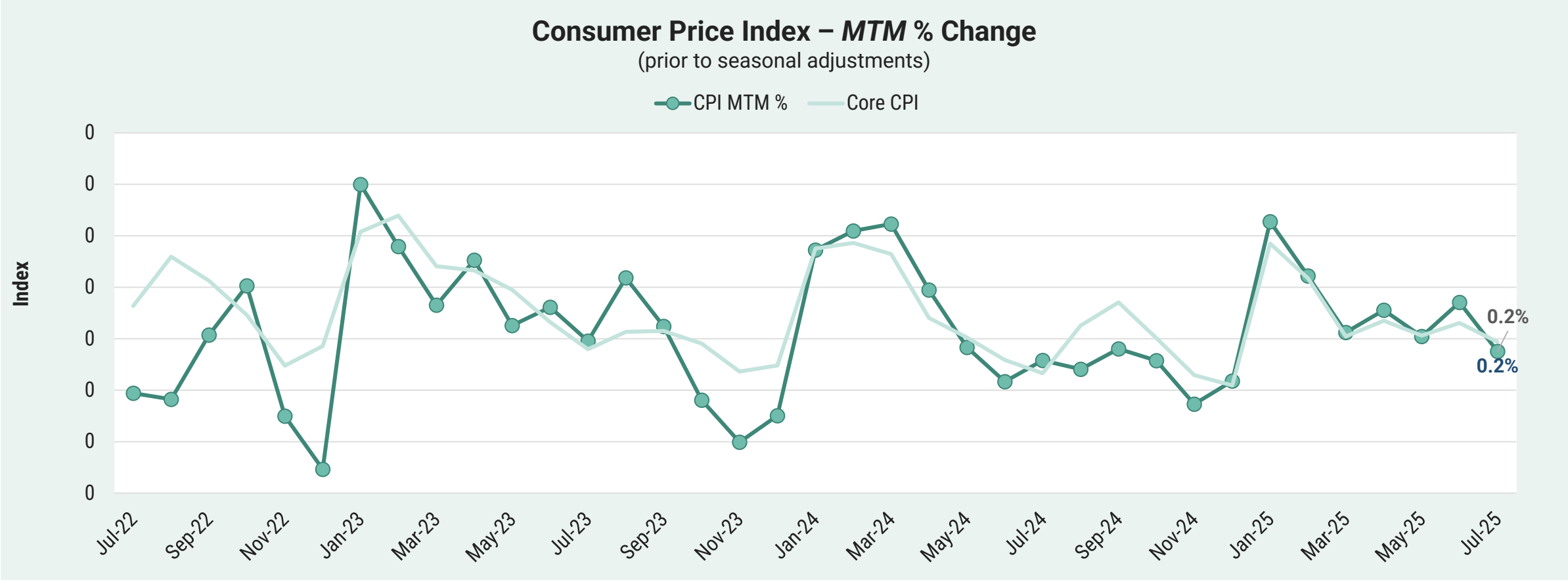
	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
<b>Total CPI</b>	<b>2.8%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>2.7%</b>
<b>All Items Less Food &amp; Energy (Core CPI)</b>	<b>3.1%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.9%</b>	<b>3.1%</b>
Food at Home	1.9%	2.4%	2.0%	2.2%	2.4%	2.2%
Food Away From Home	3.7%	3.8%	3.9%	3.8%	3.8%	3.9%
Motor Fuel	-3.2%	-9.8%	-11.7%	-11.9%	-8.2%	-9.3%
Apparel	0.6%	0.3%	-0.7%	-0.9%	-0.5%	-0.2%
Housing	3.9%	3.7%	4.0%	4.0%	4.0%	3.9%
Education	3.7%	3.9%	3.8%	3.6%	3.6%	3.7%
Medical Care	2.9%	2.6%	2.7%	2.5%	2.8%	3.5%
Transportation	1.7%	-0.9%	-1.5%	-1.3%	-0.1%	0.0%
Air Fare	-0.7%	-5.2%	-7.9%	-7.3%	-3.5%	0.7%

Source: U.S. Bureau of Labor Statistics



# Inflation – Consumer Price Index – Month-to-Month Trends

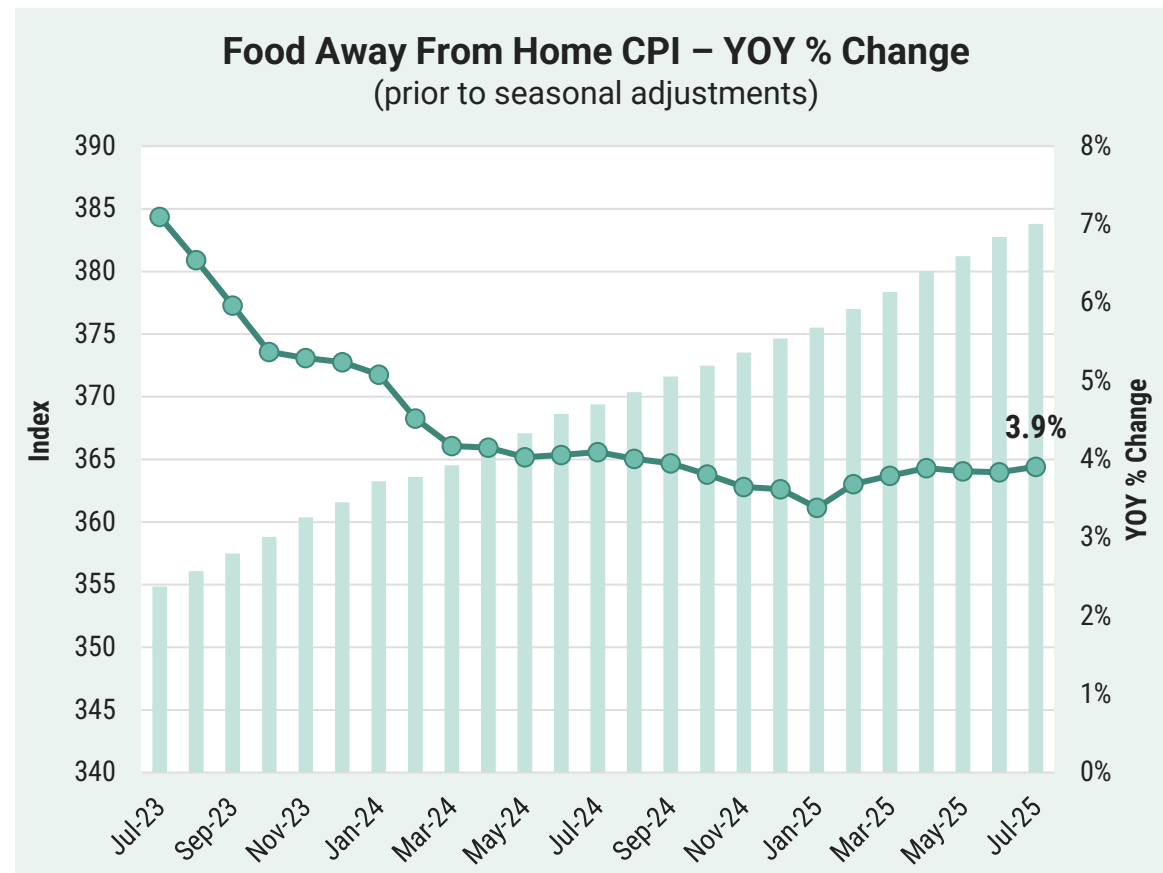
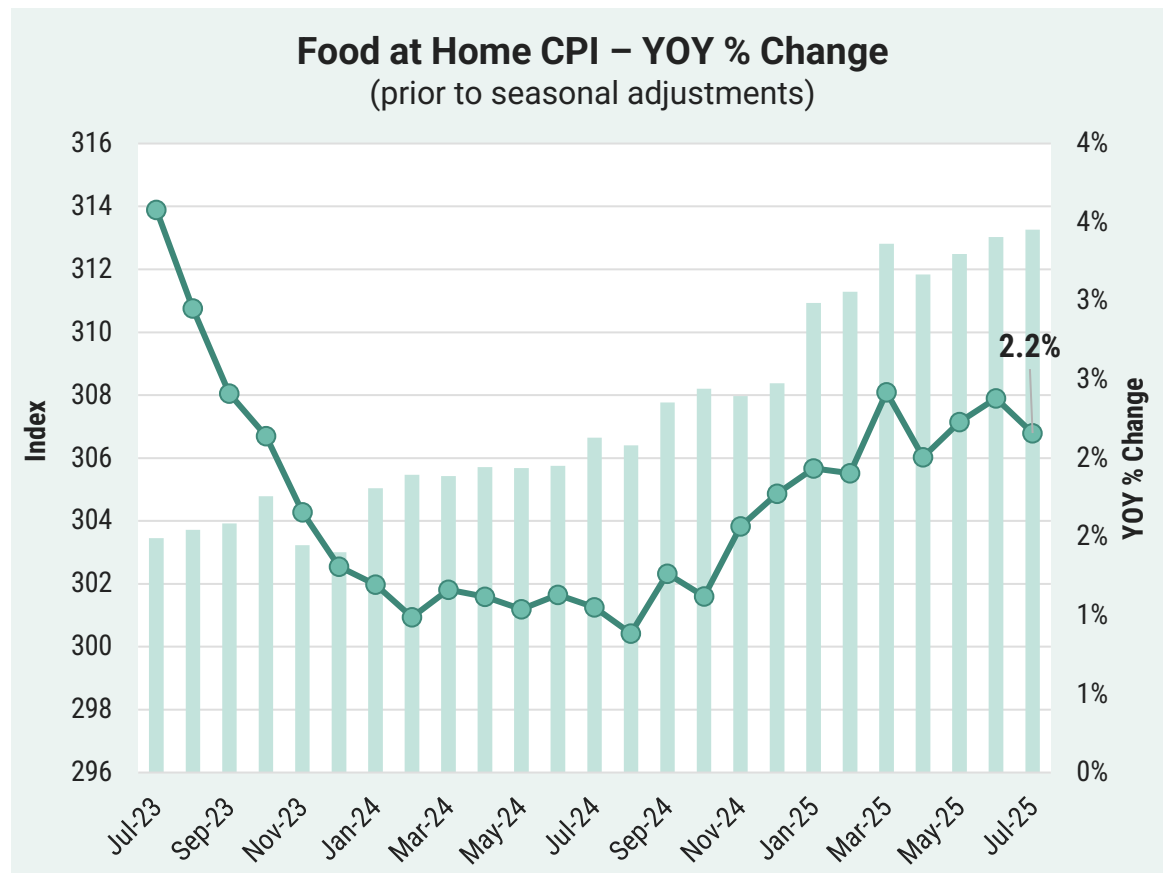
Compared to the previous month, CPI for All Urban Consumers (CPI-U) and Core CPI rose .2%



Source: U.S. Bureau of Labor Statistics

# Inflation – U.S. Food Prices

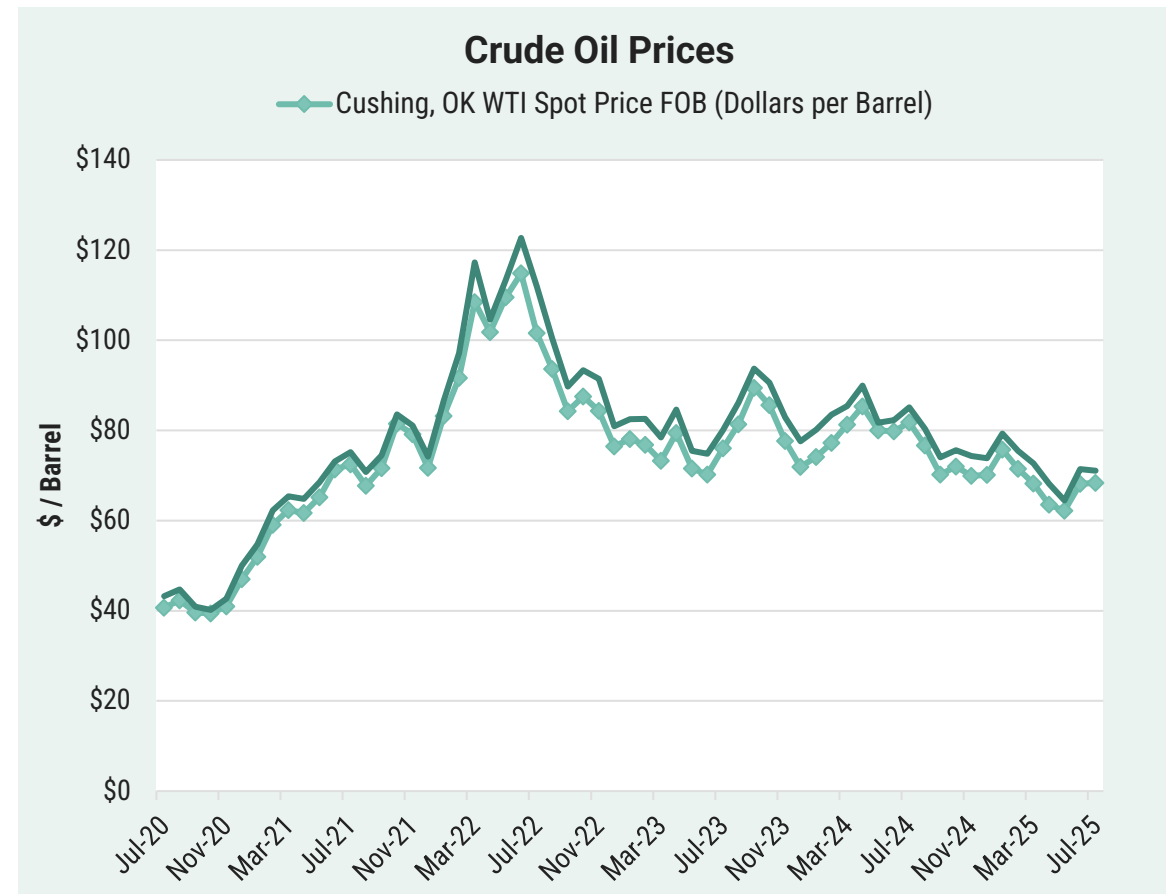
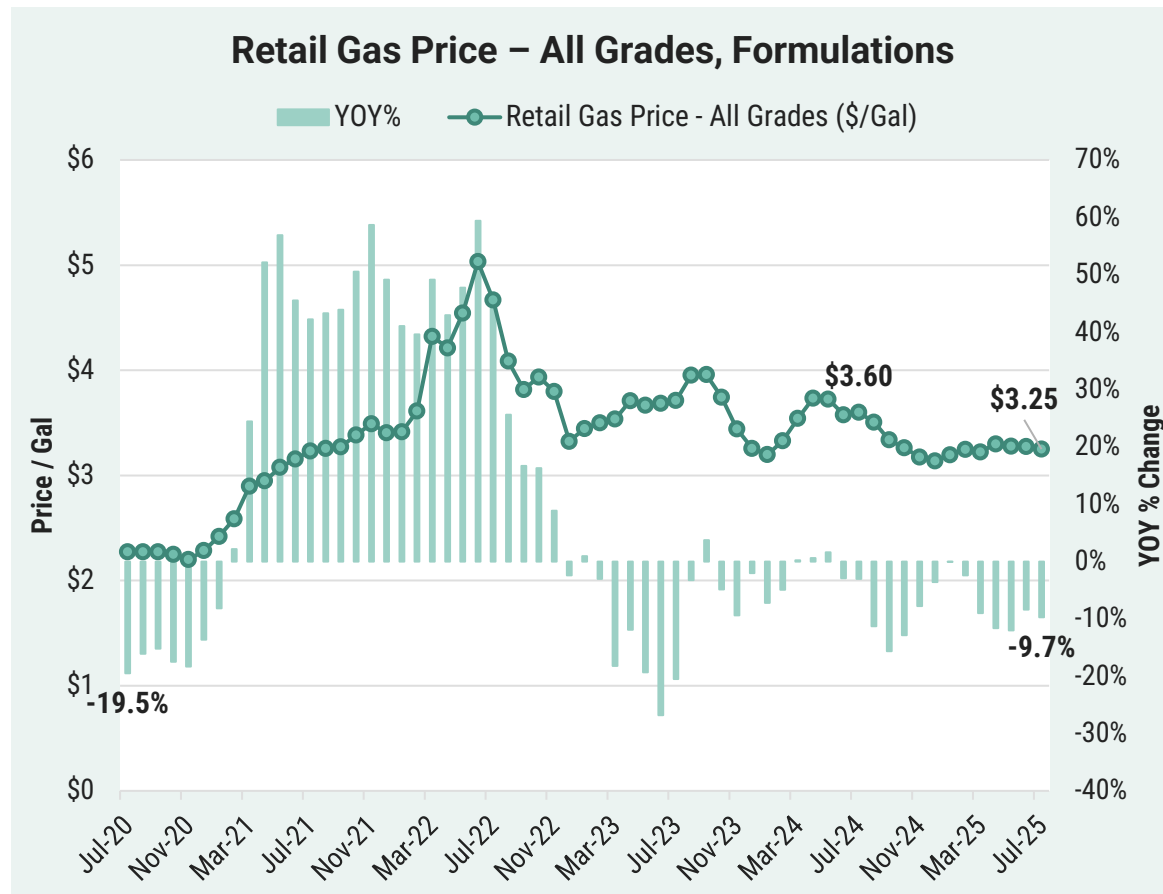
In July 2025, the CPI for food at home rose 2.2% over last year; food away from home rose 3.9%



Source: U.S. Bureau of Labor Statistics

# Consumer Prices – Gasoline (Avg. Retail) & Crude Oil

National average gasoline prices are down 9.7% YOY and average \$3.25 / gallon nationwide

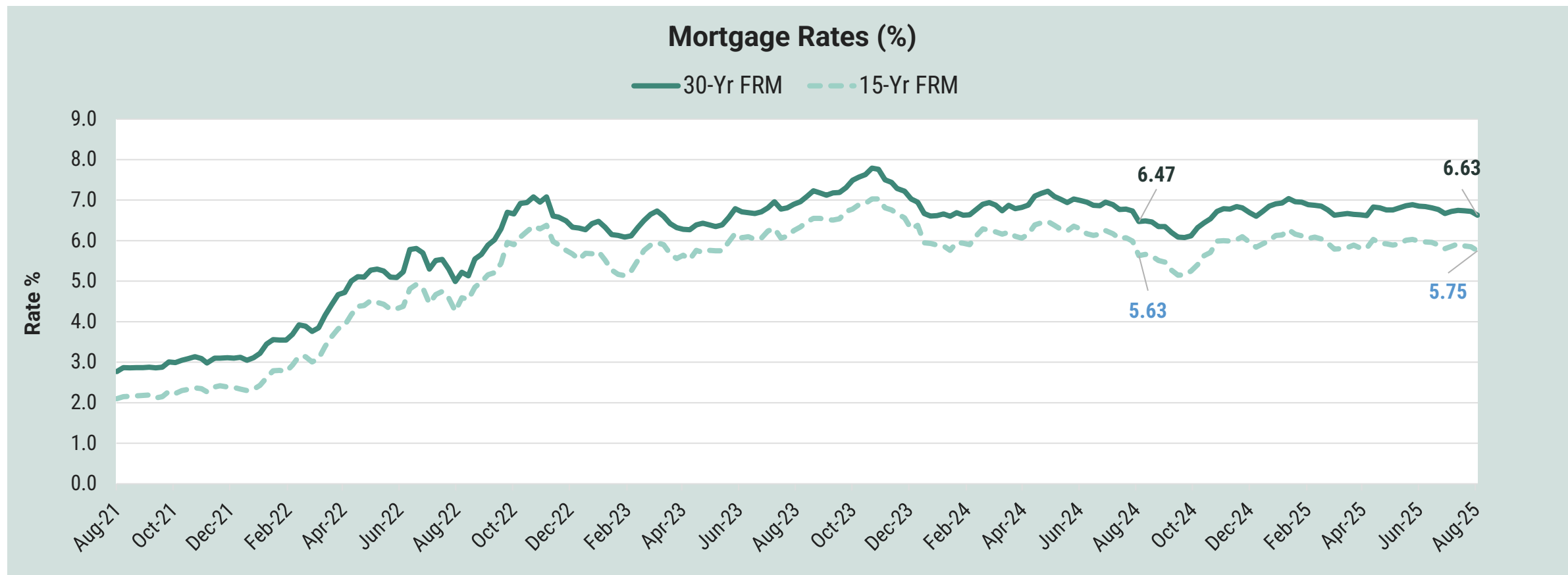


Source: U.S. Energy Information Administration

# U.S. Housing

# Mortgage Rates

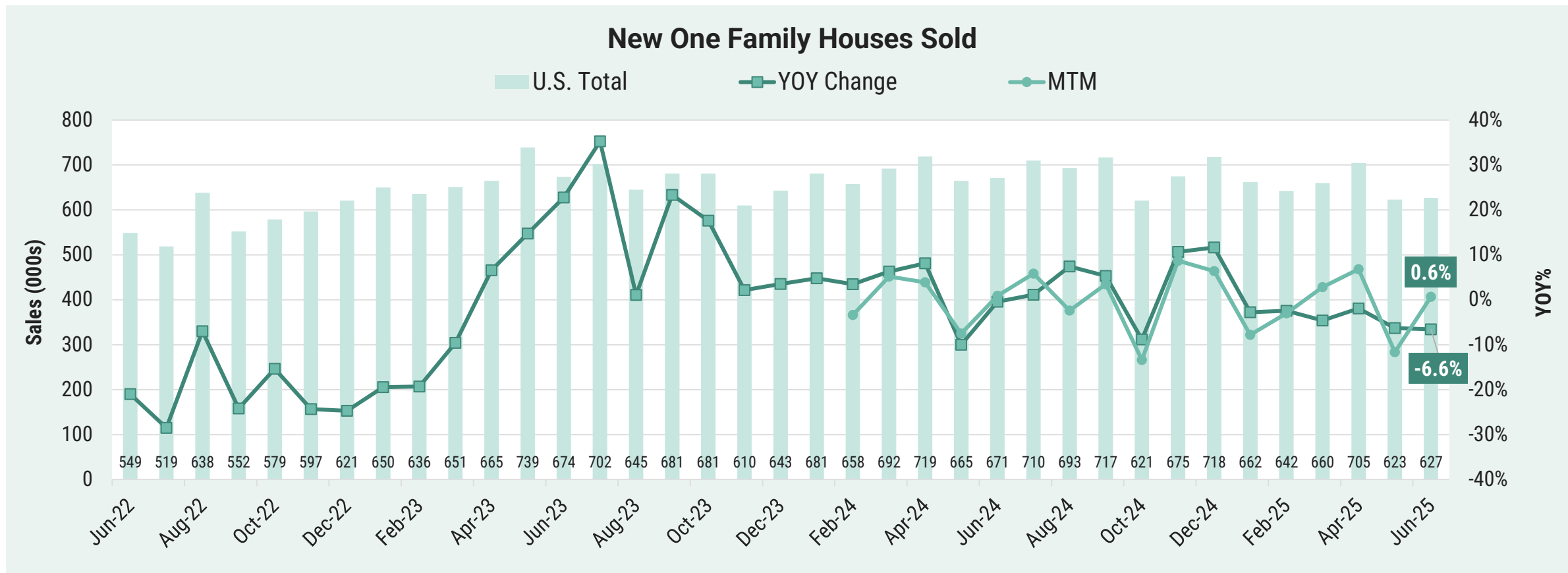
The average 30-year fixed mortgage rate has fallen to its lowest level since April, currently sitting around 6.63% amid a weakening labor market and hopes for a future Federal Reserve rate cut



\* Source: FreddieMac Mortgage Market Survey

# Housing – New Home Sales *(2-month lag)*

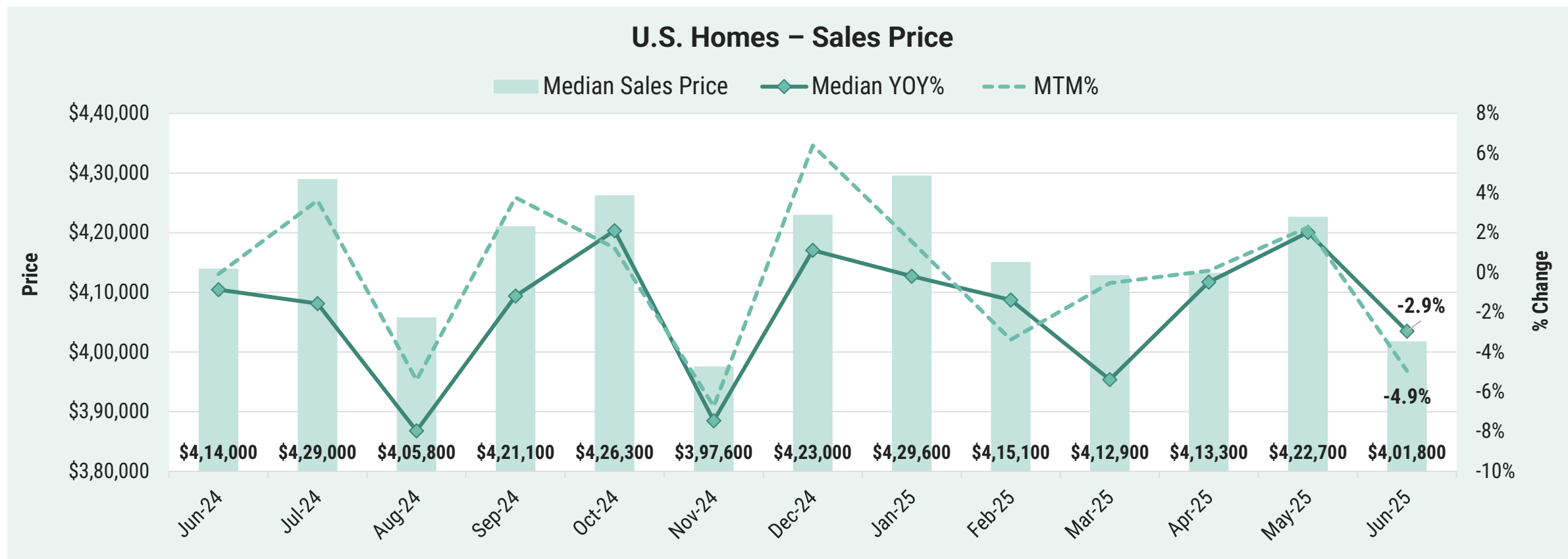
Despite a marginal 0.6% increase from May, new home sales in June 2025 were down 6.6% compared to a year ago; the supply of available homes continued to outpace demand



U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis

# U.S. Housing – New Home Prices *(two-month lag)*

In June 2025, the median sales price of new homes in the US fell to \$401,800, a significant 4.9% drop from the previous month. This marks a continued cooling of the housing market, with prices also down 2.9% from the same time last year

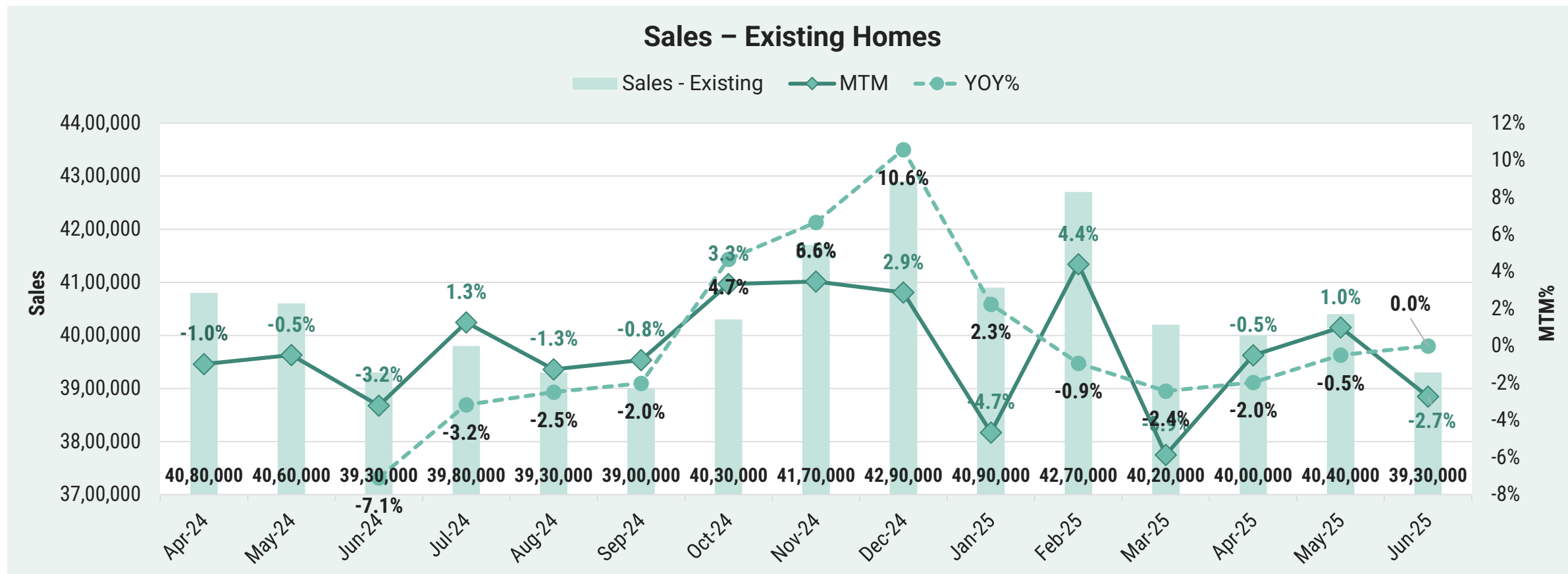


Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis, Economic Research Division



# Housing – Existing Home Sales (2-month lag)

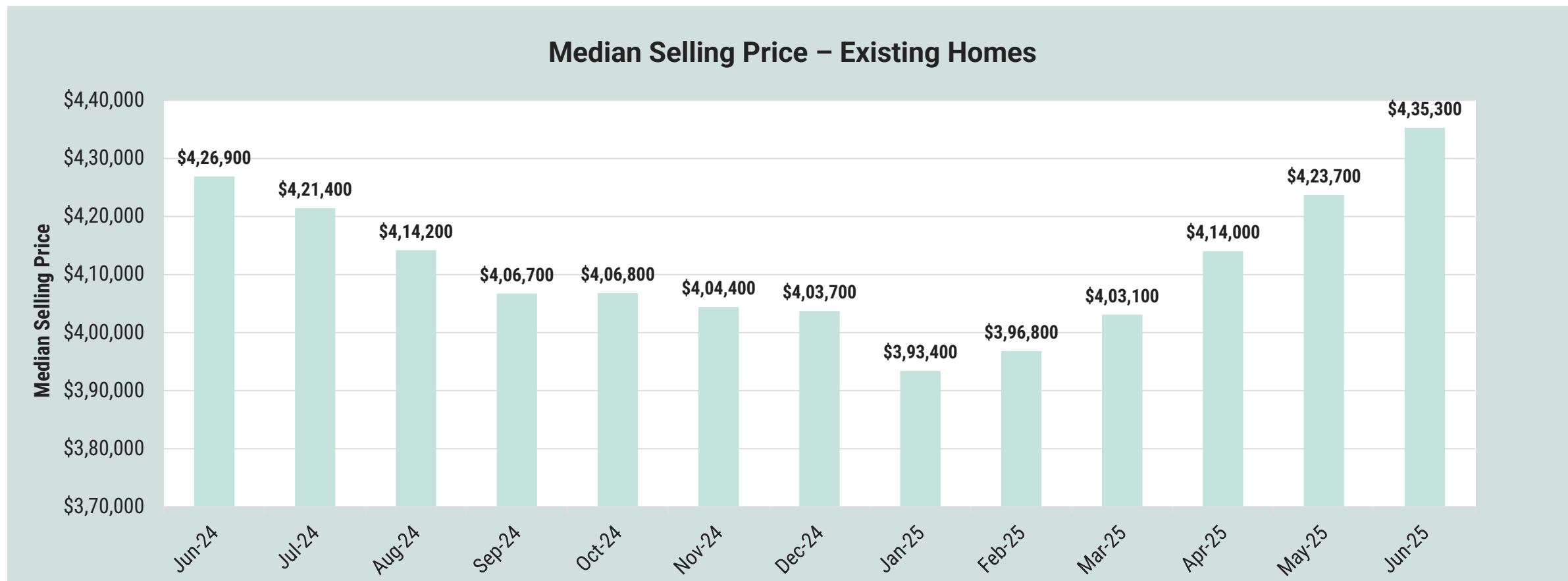
Existing home sales in the U.S. fell in June 2025 by 2.7% from the previous month, reaching a seasonally adjusted annual rate of 3.93 million units



Source: National Association of Realtors

# Housing – Existing Home Median Sales Price *(2-month lag)*

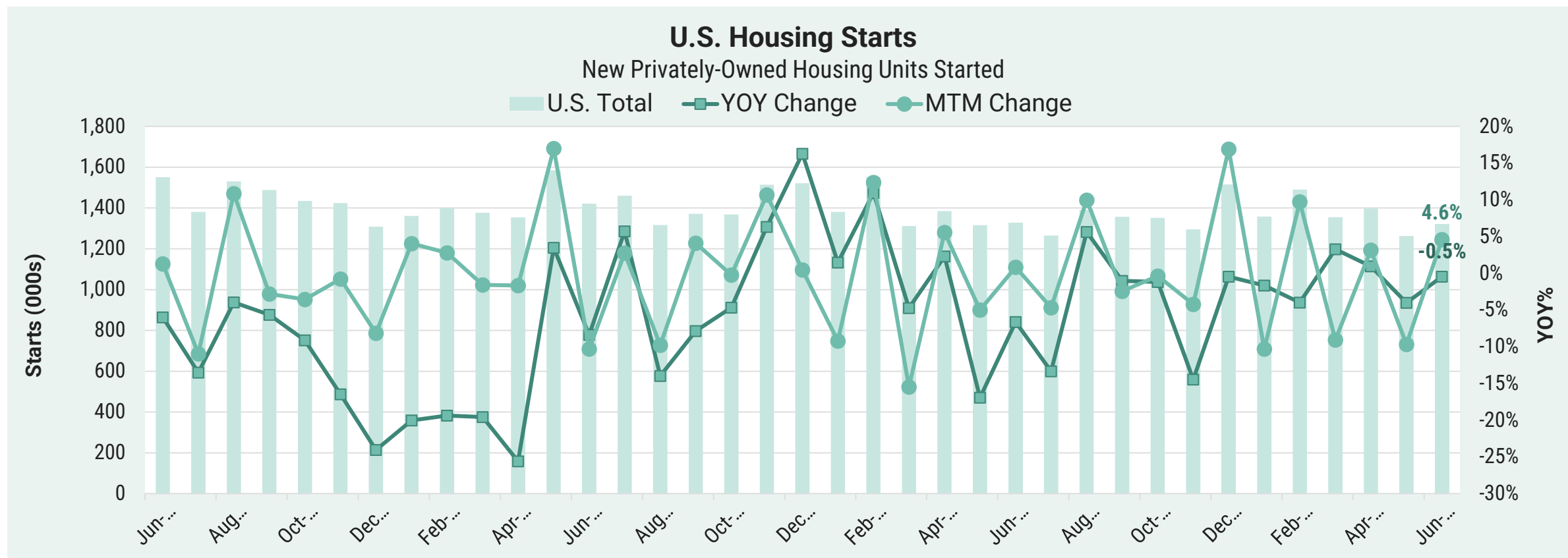
The median existing-home sales price rose to a new all-time high of \$435,300, a 2% increase from a year ago



Source: National Association of Realtors

# U.S. Housing Starts (2-month lag)

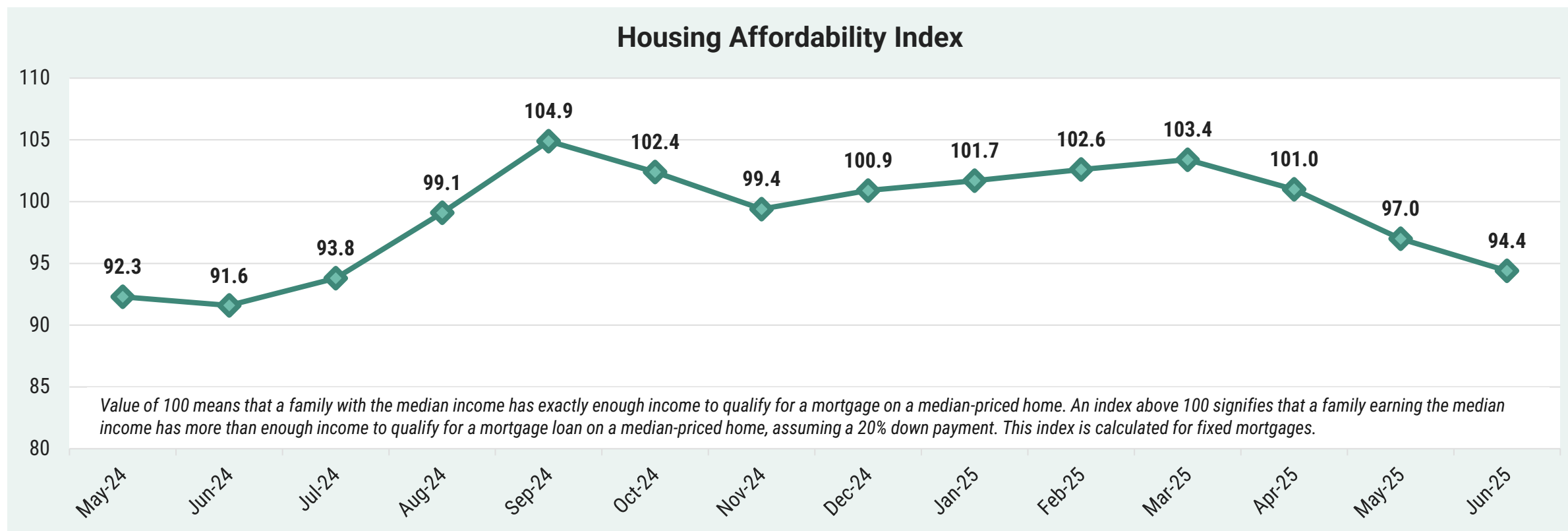
June housing starts increased 4.6% increase from May; the increase was driven entirely by a rebound in multifamily construction, as single-family starts declined for the third consecutive month



U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis

## National Association of Realtors: Housing Affordability Index (2-month lag)

The Housing Affordability Index dropped to 94.4 in June, continuing a trend of worsening affordability; the decline was driven by high home prices and elevated mortgage rates, which have made it increasingly difficult for a typical family to afford a home



Source: National Association of Realtors, Housing Affordability Index (Fixed) [FIXHAI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FIXHAI>

Note: Measures the degree to which a typical family can afford the monthly mortgage payments on a typical home.

# Supply Chain

# Tariffs are Having Significant Impact on Supply Chains

Evolving trade policy has created significant economic uncertainty



## Summary of Current State

- **Baseline Tariffs:** A 10% tariff applies to most imported goods, effective since April 5, 2025. The implementation of higher "reciprocal" tariffs targeting countries with U.S. trade commenced in earnest on August 7, with the 10% minimum imposed on most countries, while others such as Brazil (50%), India (25%, increasing to 50% on August 27th), and for non-USMC compliant goods, Canada (35%), and Mexico (30%).
- **U.S.-China Trade Relations:** The "truce" in tariffs has led to a stable tariff rates of 30% on Chinese imports, with a 10% tariff on U.S. goods moving into China. However, certain additional tariffs, including those under Sections 301 and 232, remain in effect resulting in higher rates for some imports. The temporary agreement reached in May expires mid-August and U.S. officials have indicated that the 30% rate is a "floor" and rates could rise again if talks fail. On August 12, the President issued a new Executive Order extending the "truce" to November 10, 2025. There are ongoing discussions about a Trump-Xi summit later in 2025 to finalize a broader trade agreement.
- **U.S.-EU Trade Tensions:** The U.S. announced a 30% tariff on all imports effective August 1st. The EU paused its 25% retaliatory tariffs on U.S. wine, cheese, and pharmaceuticals to August 1st in anticipation of further negotiations.
- **North American Trade:** On August 18, Canada confirmed implementation of ~C\$30B in retaliatory tariffs on U.S. imports which will remain in place until the U.S. lifts duties on Canadian steel and aluminum
- **Semiconductors:** A 100% tariff on semiconductors was announced on August 5, but no effective date has been confirmed. There are broad exemptions for companies such as Apple and Broadcom that manufacture in the U.S.. The President has threatened increasing this rate to 300%. In a new policy, the administration is applying a 15% export tax on the sale of chips from Nvidia and AMD to China ending an export ban on these products
- **Legal Challenges:** The tariff regime faces ongoing legal scrutiny, with a court ruling against certain measures currently under appeal. Oral arguments on the appeal took place on July 31, but the court has not yet issued a ruling. It is expected that this case will head to the Supreme Court regardless of the outcome.

# Pending Tariff Milestones and CBP Revenue from Duties, Taxes, and Fees

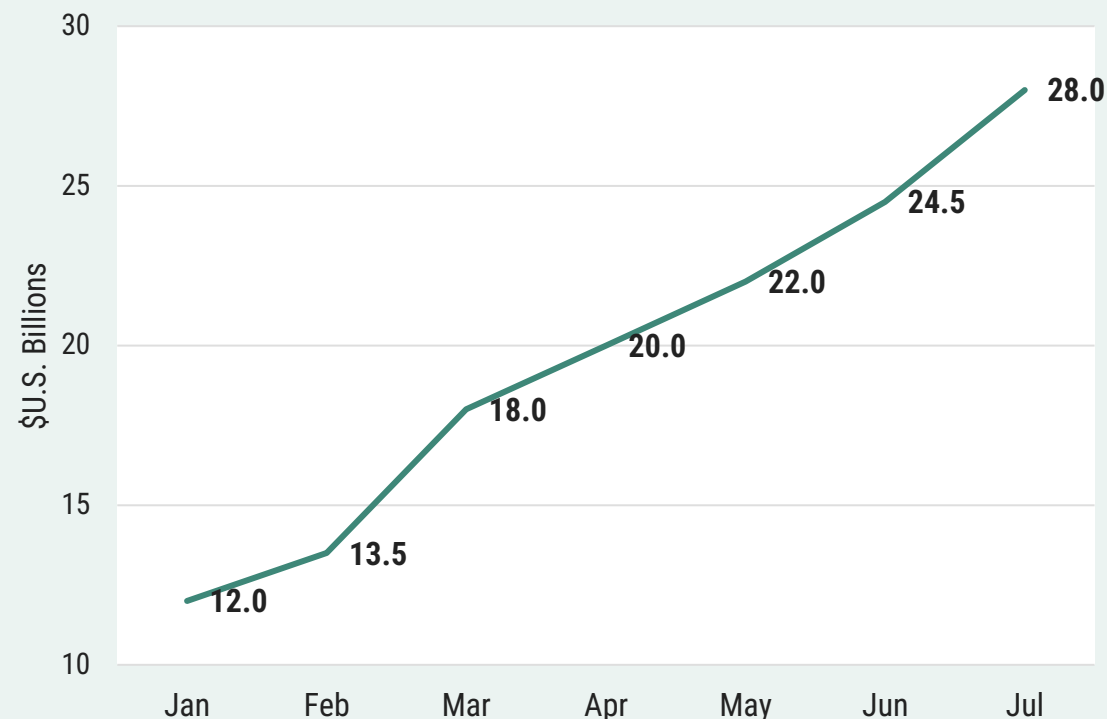
As of July 31, 2025, CBP has collected \$138B of duty, taxes, and fees and is on-track to collect an estimated \$246B in 2025



## PENDING DEVELOPMENTS

- **July 31, 2025:** During oral arguments for the appeal against the court ruling on IEEPA tariffs, the general sentiment is that judges were skeptical about the legality of implementing tariffs under the IEEPA.
- **August 6:** Implementation of the 15% export tax on chips from Nvidia and AMD
- **August 7:** Implementation of broad based “reciprocal” tariffs on most countries
- **August 8:** Sector specific tariffs come into effect at 50% on steel, aluminum, and copper, 25% on vehicles from the EU once a quota of 100,000 units has been exceeded
- **August 29:** Official end of the de minimis exemption which will now impose duties on import shipments under \$800.
- **November 10:** New deadline for a trade deal with China

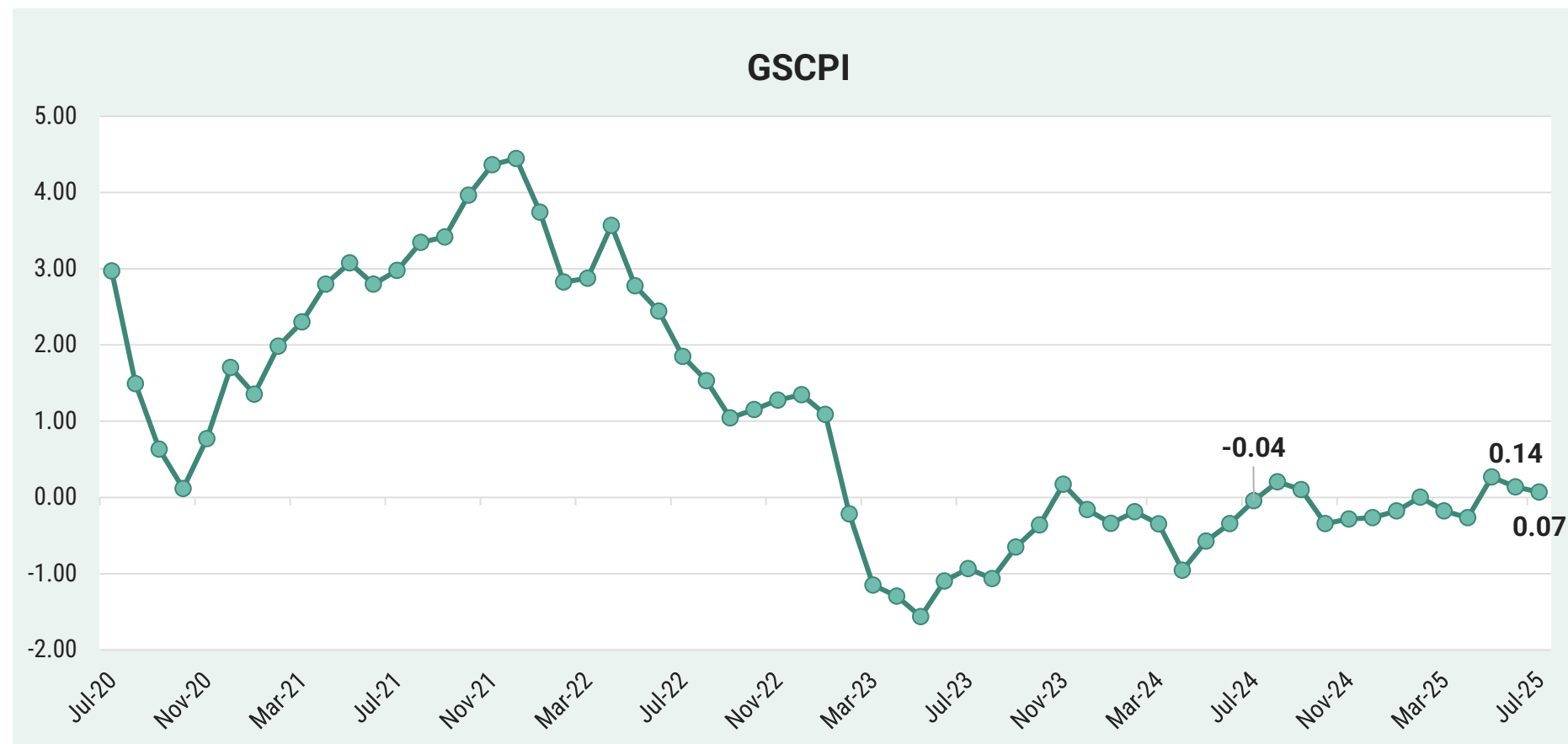
CBP Monthly Collections of Duties, Taxes, and Fees  
2025



Source: U.S. Customs and Border Protection Trade Statistics

## Global Supply Chain Pressure Index

The GSCPI fell to 0.07 in July, down from 0.14 in June (revised up from an initial reading of 0.00)



Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.

*The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.*

*The GSCPI is not an official estimate of the Federal Reserve Bank of New York, its President, the Federal Reserve System, or the Federal Open Market Committee.*

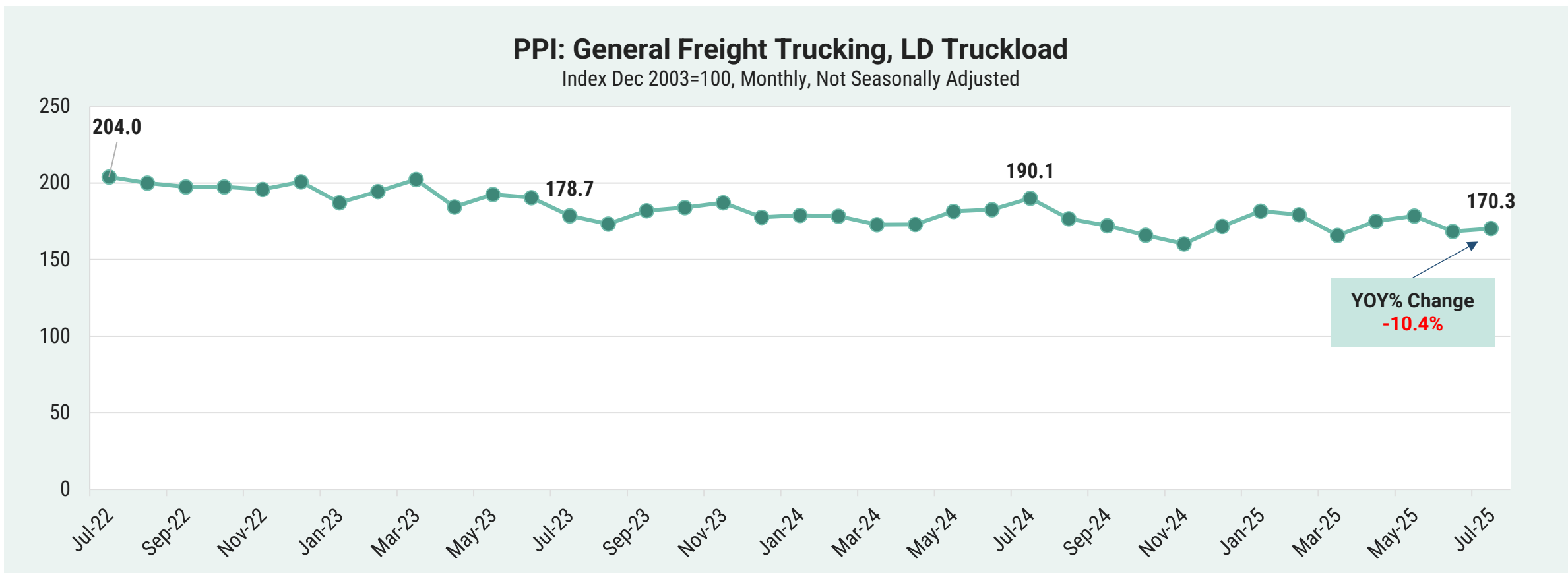
*The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).*

<https://www.newyorkfed.org/research/policy/gscpi#/overview>



# Freight Inflation - Trucking

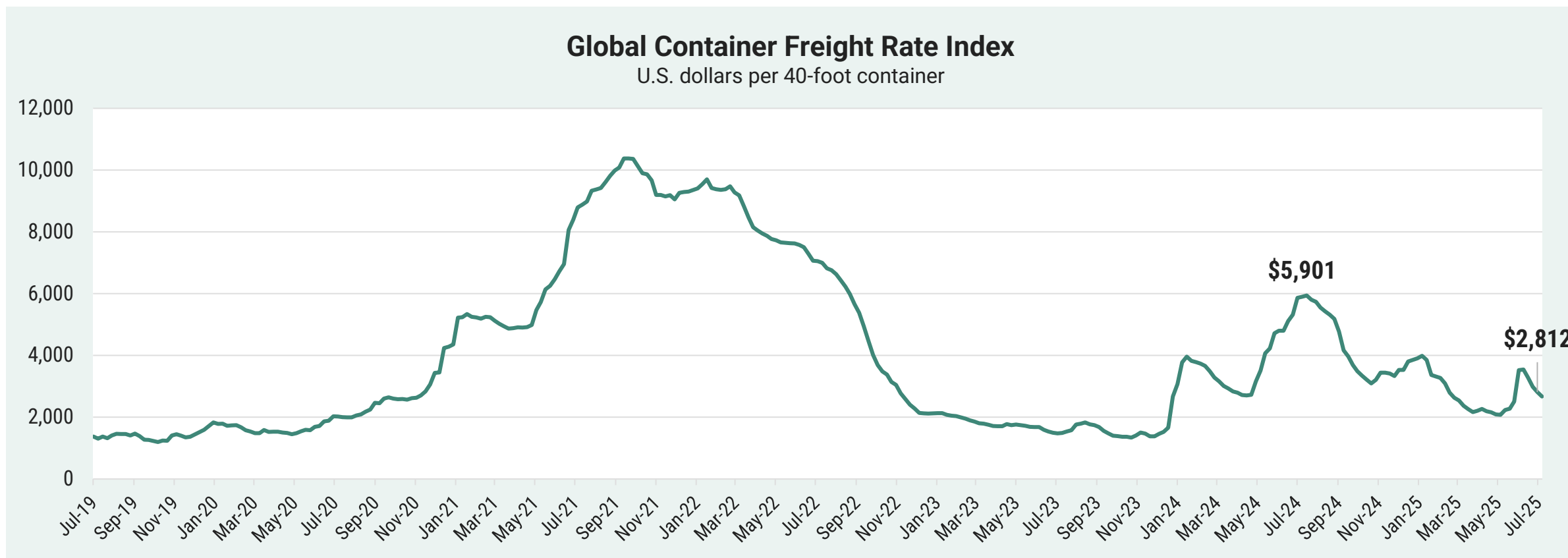
The general freight trucking index decreased 10.4% YOY



Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

## Deep Sea Freight – Drewry WCI

Drewry's World Container Index (WCI) has been declining for several consecutive weeks due to low demand for US-bound cargo and excess capacity, with further declines expected

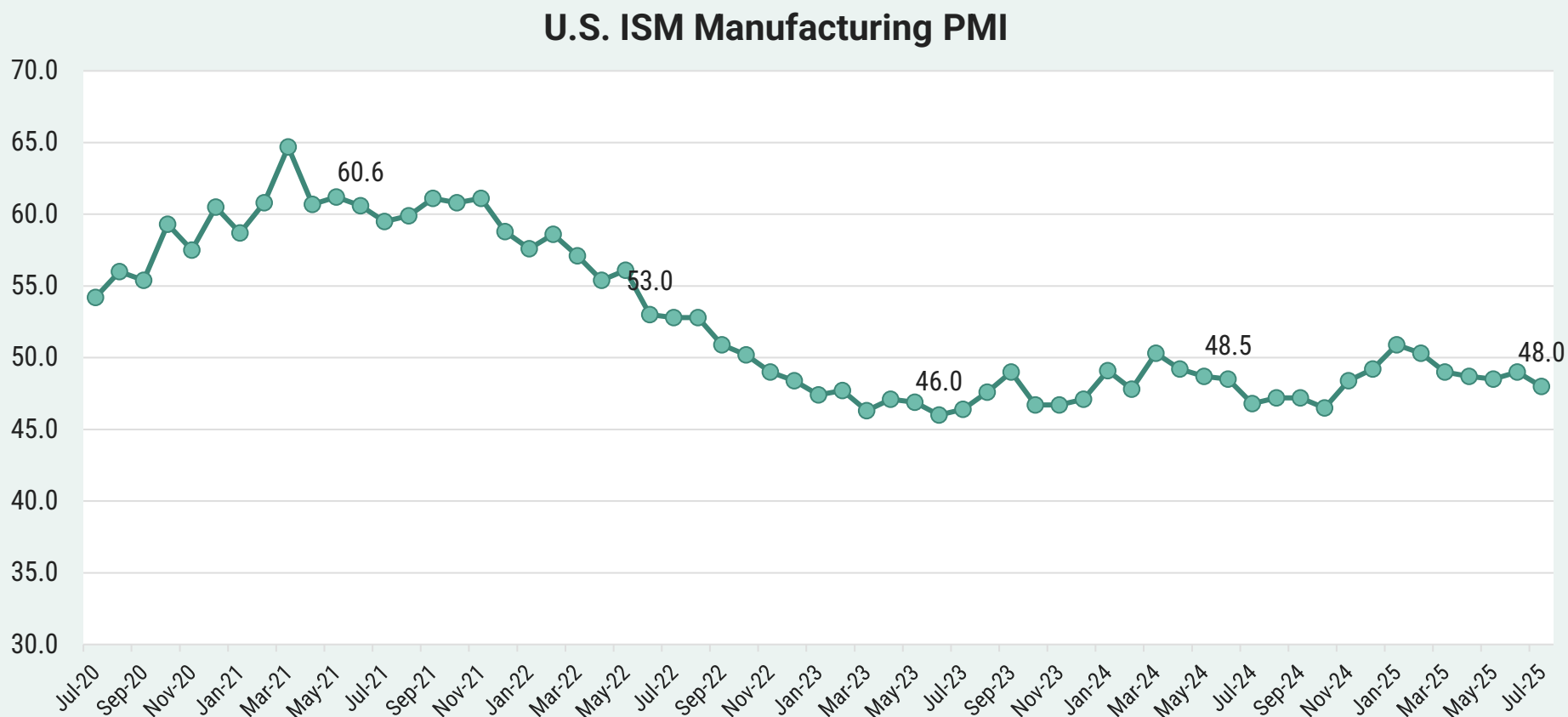


Source: <https://www.drewry.co.uk/>

# U.S. Manufacturing

# Manufacturing PMI (Purchasing Managers' Index)

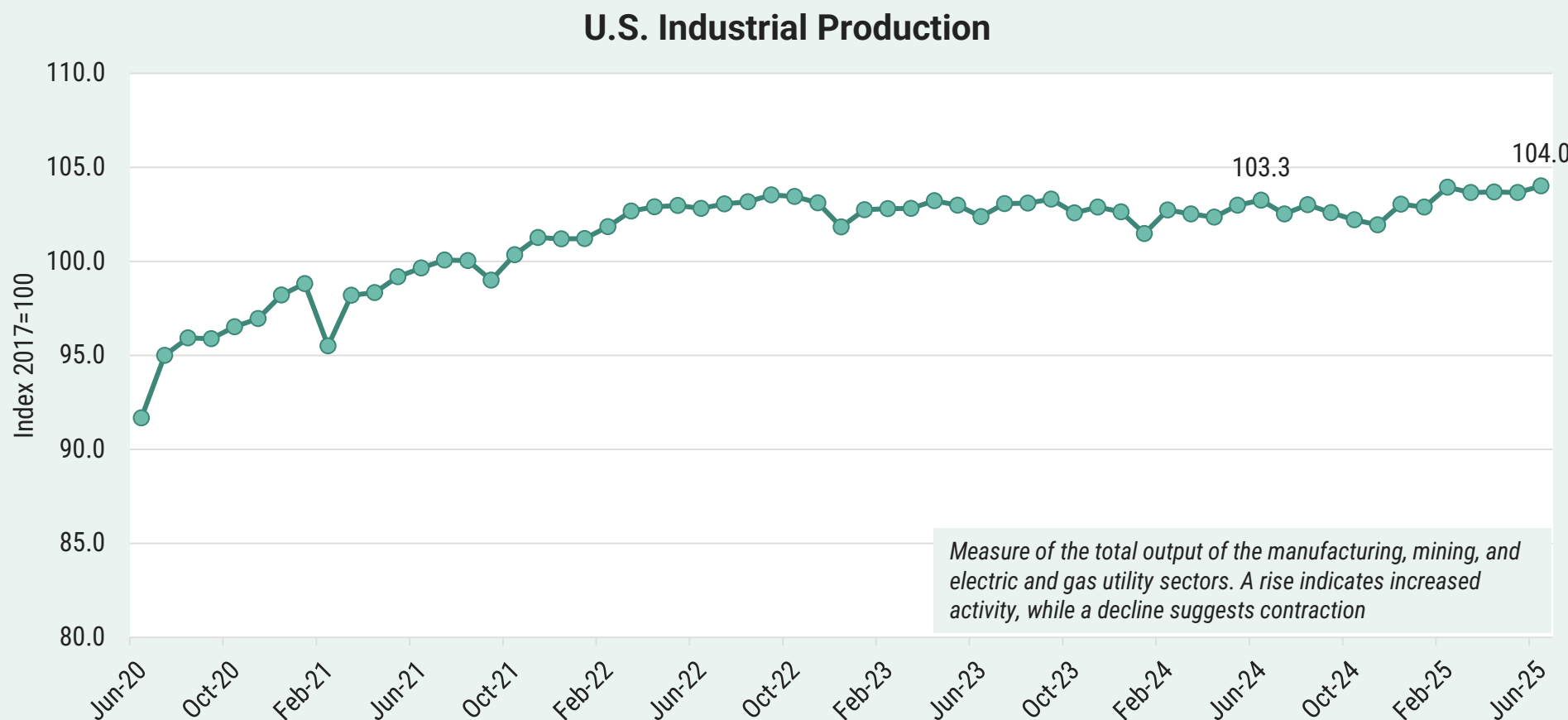
*The Manufacturing Purchasing Managers' Index (PMI) for July 2025 indicated a fifth consecutive month of contraction for the U.S. manufacturing sector, with the index falling to 48%. While production showed a slight increase, the decline was driven by a faster rate of contraction in employment and supplier deliveries. Furthermore, new orders continued their downward trend, signaling ongoing weakness in the sector.*



Source: ISM - Institute for Supply Management  
Retrieved from [https://ycharts.com/indicators/us\\_pmi](https://ycharts.com/indicators/us_pmi)

# Industrial Production and Capacity Utilization - G.17 (2-month lag)

*In June 2025, industrial production saw a 0.3% increase, the first gain after remaining unchanged for two consecutive months. The rise was largely driven by a significant 2.8% jump in utilities output, which offset a 0.3% decline in the mining sector. Manufacturing output also edged up by a modest 0.1%. As a result, capacity utilization rose slightly to 77.6%.*



\*Board of Governors of the Federal Reserve System (US), Industrial Production: Total Index [INDPRO]  
Retrieved from FRED, Federal Reserve Bank of St. Louis

# Durable Goods Manufacturers' Orders (2-month lag)

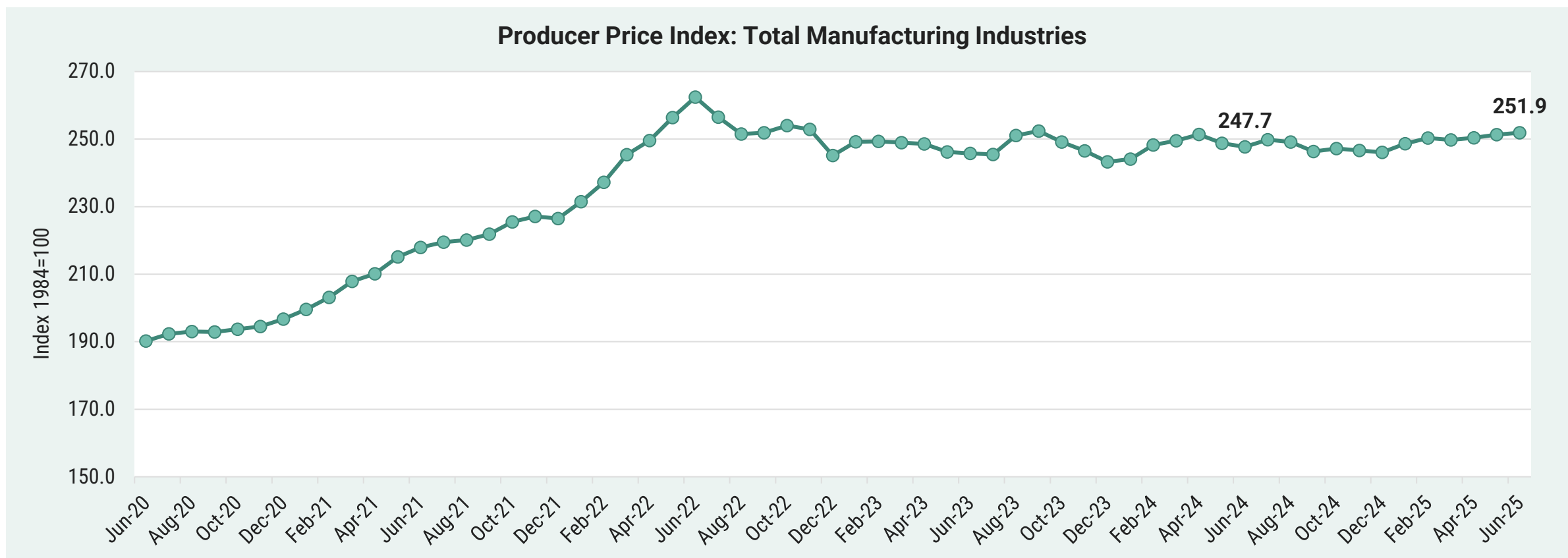
New orders for durable goods decreased 9.4% in June, a drop primarily driven by a sharp decline in transportation equipment orders. Excluding the volatile transportation sector, new orders actually increased by 0.2%, suggesting a more stable, albeit modest, demand for other manufactured goods. This data point is a significant reversal from the strong growth seen in May.



\*Source: U.S. Census Bureau, Manufacturers' New Orders: Durable Goods [DGORDER]  
Retrieved from FRED, Federal Reserve Bank of St. Louis

## Producer Price Index by Industry: Total Manufacturing (2-month lag)

In June 2025, the Producer Price Index for final demand was unchanged, with a 0.3% increase in final demand goods prices being offset by a 0.1% decrease in final demand services.



U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Total Manufacturing Industries [PCUOMFGOMFG], retrieved from FRED, Federal Reserve Bank of St. Louis

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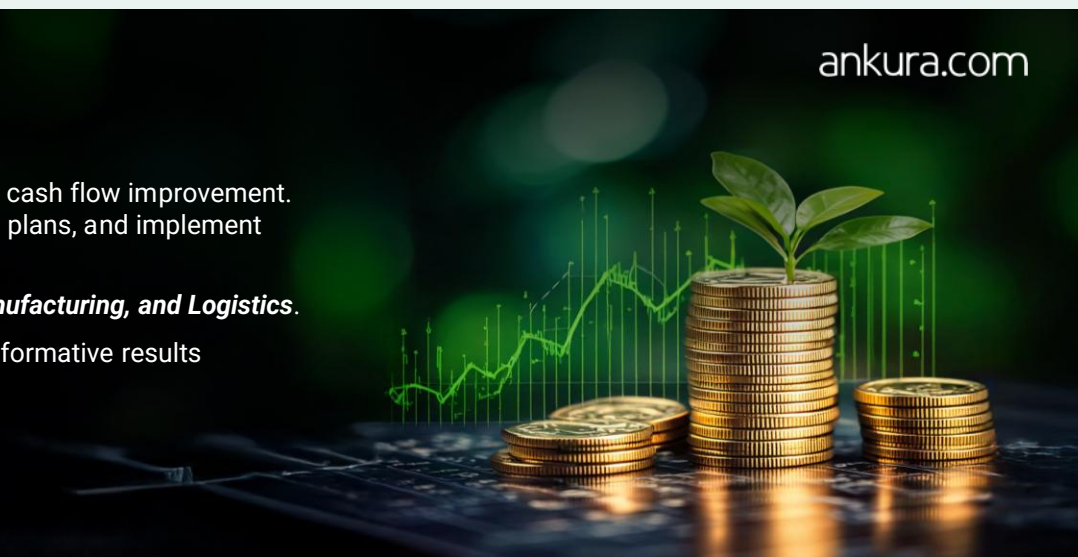
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**Keith Jelinek**  
Senior Managing Director  
1.248.894.8264  
[keith.jelinek@ankura.com](mailto:keith.jelinek@ankura.com)



**Mike Casey**  
Managing Director  
+1.216.312.7702  
[michael.casey@ankura.com](mailto:michael.casey@ankura.com)



**Rick Maicki**  
Senior Managing Director  
+1.216.906.1580  
[rick.maicki@ankura.com](mailto:rick.maicki@ankura.com)



**David Tait**  
Managing Director  
+1.917.209.3489  
[david.tait@ankura.com](mailto:david.tait@ankura.com)



**Joe Ghesquiere**  
Senior Managing Director  
+1.682.321.0096  
[joe.ghesquiere@ankura.com](mailto:joe.ghesquiere@ankura.com)



**Chris Ventry**  
Managing Director  
+1.646.413.9352  
[chris.ventry@ankura.com](mailto:chris.ventry@ankura.com)





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