

# **Economic Restructuring is Not as Easy as it Looks**



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# Economic Restructuring is Not as Easy as it Looks

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# The Trump Economic Plan

- US trade with the rest of the world needs to be put on a more level trading field. This is a national and economic security issue.
- Reduce dependence on Chinese economy is core item.
- US needs cheap and plentiful energy for the AI revolution – and it isn't renewables.
- Overhaul fiscal structure by shifting to tariff revenues and away from personal and corporate taxes.
- Deregulation.
- Deportation of millions of illegals will open jobs for Americans.
- Downsizing the US government will save money and force it to become more efficient.

# The Trump Economic Plan

## Ultimate Goal:

**A Fortress America-like economy, less dependent on trade with robust domestic or nearshore supply chains, all of which generate economic growth, jobs for Americans and prosperity.**

# Where Are We Now?

## The U.S. Economy By The Numbers

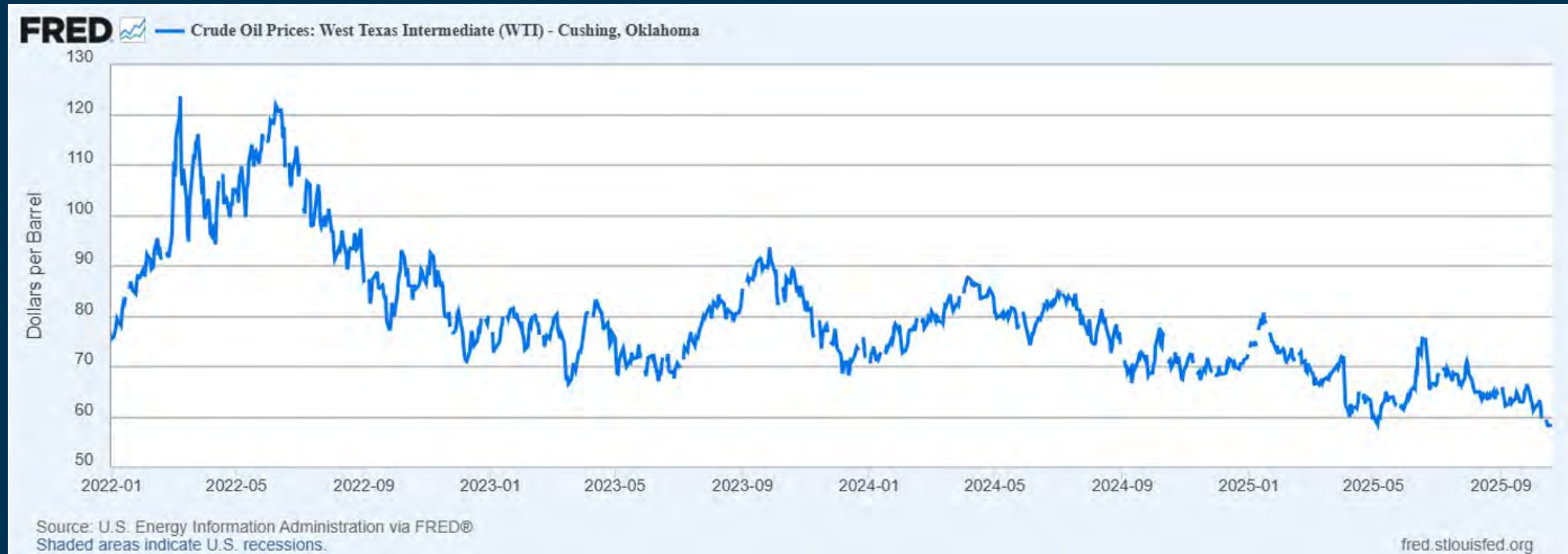
|                            | 2023 | 2024 | 2025 | 2026 |
|----------------------------|------|------|------|------|
| Real GDP Growth Rate %     | 2.5  | 2.8  | 2.0  | 2.0  |
| Consumer Prices %          | 4.1  | 3.0  | 3.0  | 2.7  |
| Unemployment Rate %        | 3.7  | 4.0  | 4.2  | 4.1  |
| Current Acct Balance/GDP % | -3.0 | -4.0 | -4.0 | -3.6 |

Source: International Monetary Fund

<https://www.imf.org/en/Publications/WEO/Issues/2025/10/14/world-economic-outlook-october-2025>.

# Where Are We Now?

## Falling Oil Prices



<https://fred.stlouisfed.org/series/DCOILWTICO#>

# Where Are We Now?

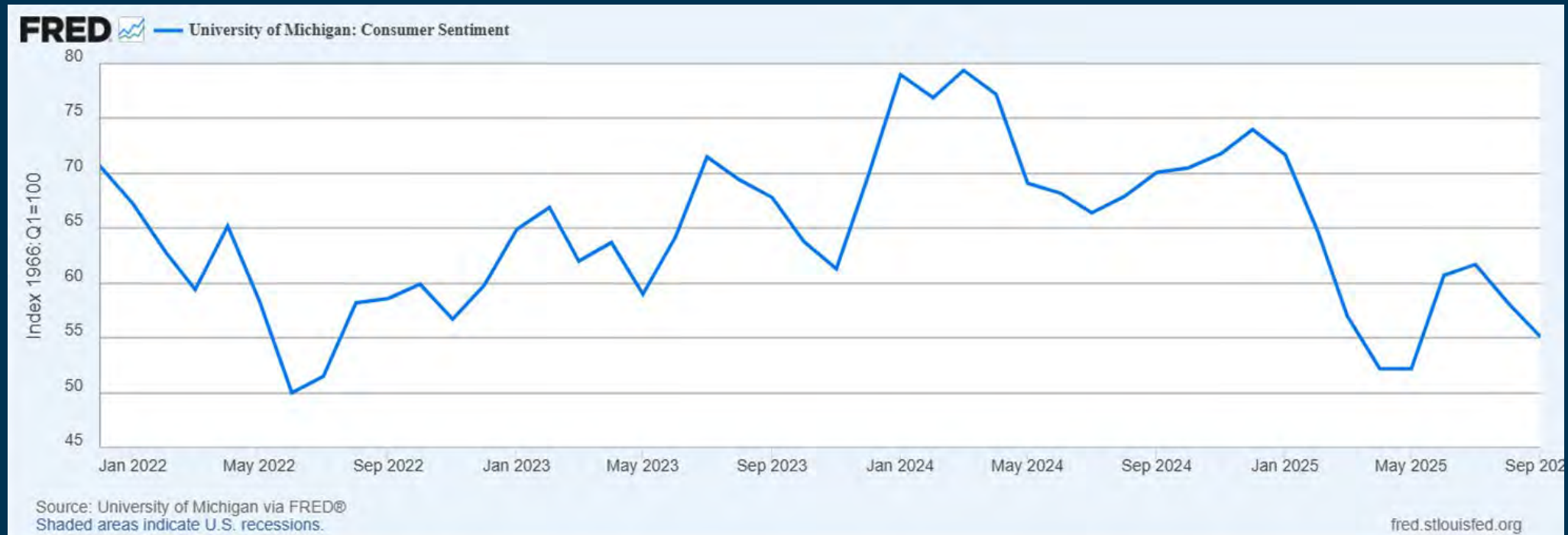
## Cheetah-Like Stock Market

- Record highs, an AI boom, solid earnings and plenty of cash to invest.



# Yet There Are Worries About The Economy

## University of Michigan Consumer Sentiment



<https://fred.stlouisfed.org/series/UMCSENT#>

# The Shutdown — A Few Quick Points

**There is no easy resolution as both sides appear dug in. We lean more towards a lengthy shutdown.**

- The shutdown could shave economic growth via reduced federal government activity and its outlays.
- For financial markets, a prolonged shutdown could have consequences for inflation-linked products, including TIPS.
- The delayed publication of official economic data could impact the Federal Reserve, which is data driven.
- It will also bite into social expenditures, such as SNAP.

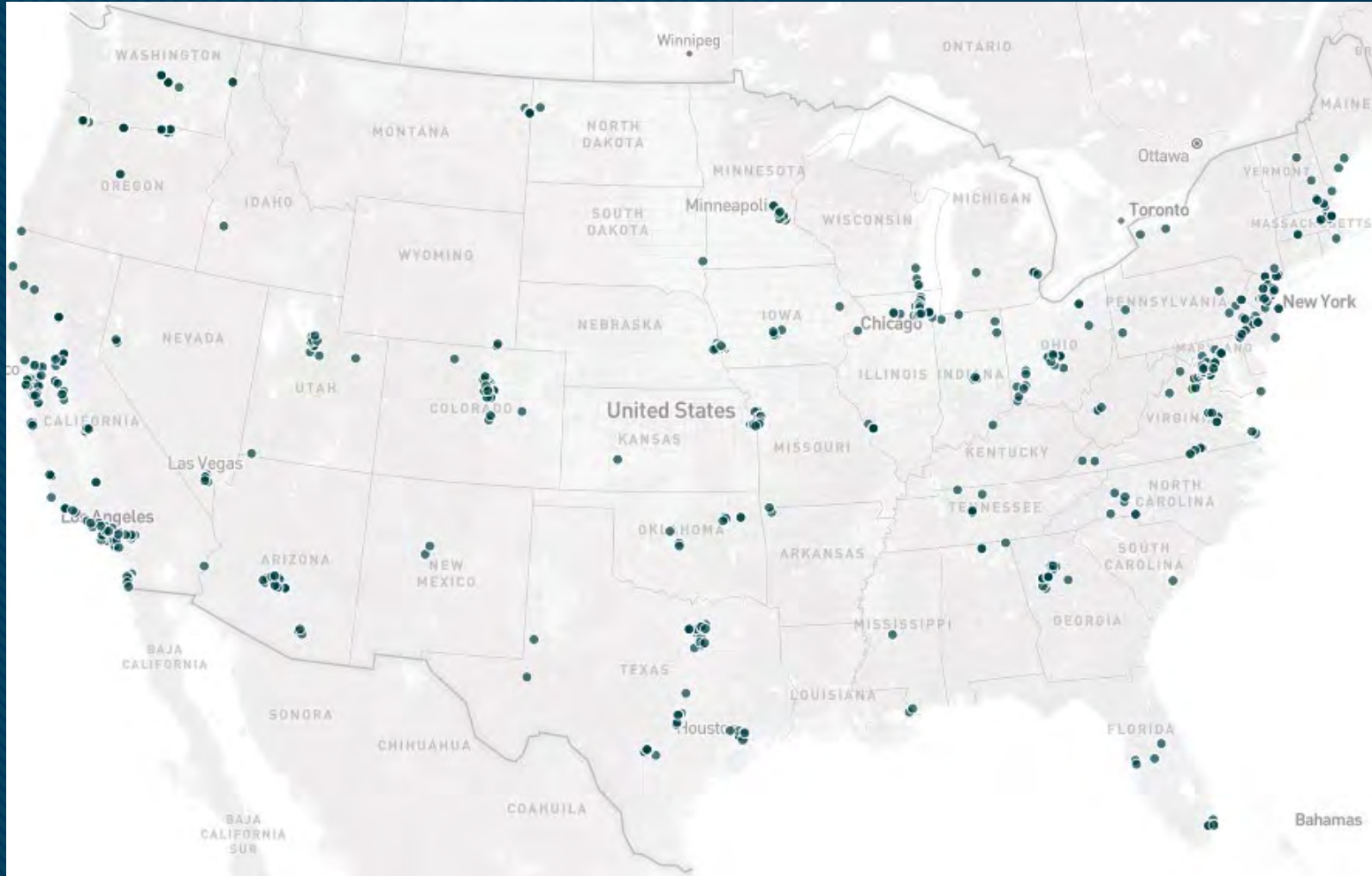


# How is Economic Restructuring Spilling Out into the States?

1. A new economy is emerging, less green and more heavily dependent on fossil fuels, but driven by AI, energy, mining and renewed manufacturing.
2. The fiscal burden for many things is shifting to the states.
3. Some sectors will benefit (AI, manufacturing and mining); others are being hit hard (wind and solar).
4. Tariffs will most likely leave deep uncertainty as to the value of trade as an economic growth factor.

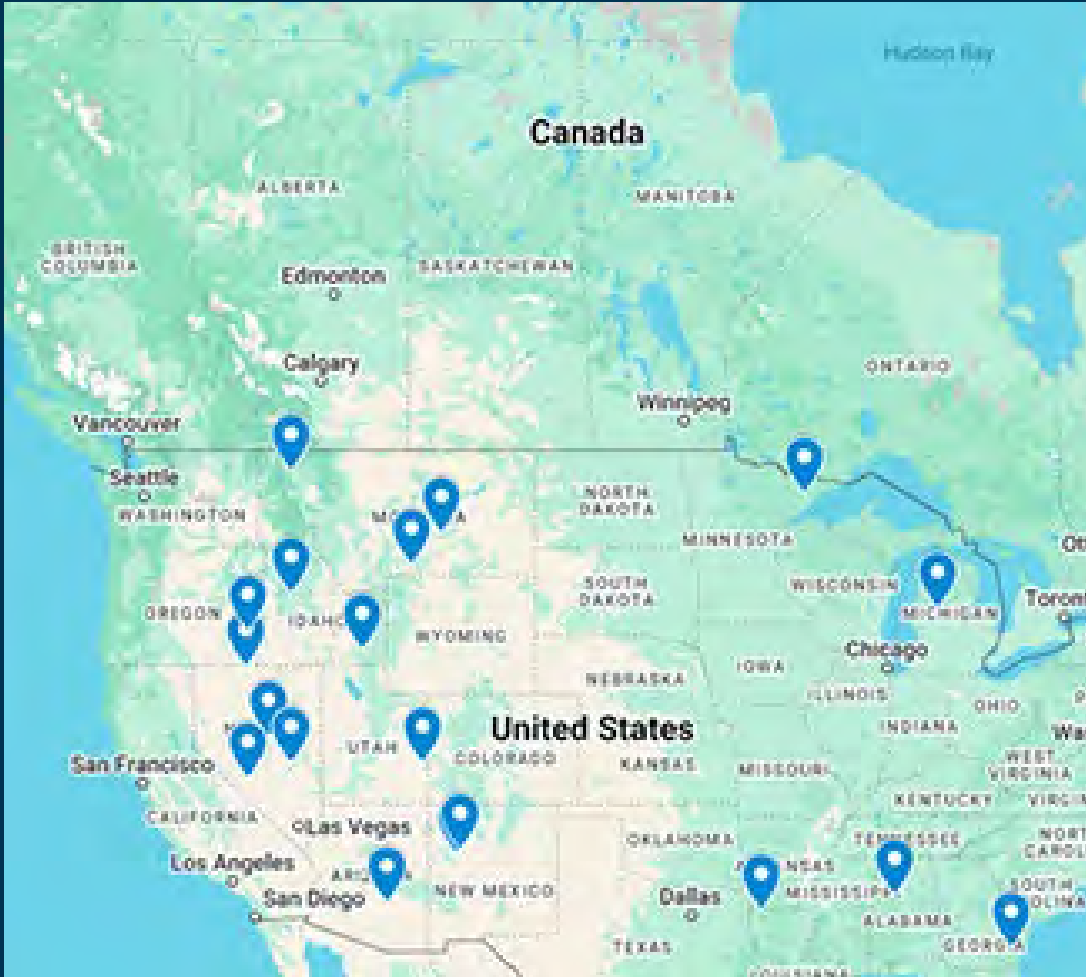


# AI Power Generation – The New Map Data Centers Going Up



Source: Business Insider <https://www.businessinsider.com/data-center-locations-us-map-ai-boom-2025-9>

# Critical Minerals



**The Trump administration is aggressively pursuing development of critical minerals, including rare earths.**

- In Q2 2025 mining accounted for only 1.2% of U.S. GDP. US government is buying shares of key companies, such as MP Materials, Lithium Americas, and Trilogy Metals, regulating laws, loosening environmental rules, and helping finance infrastructure. More to come.

Source: <https://feeco.com/trump-administration-accelerates-domestic-critical-minerals-production/>

# To handle the sectoral growth of AI and critical minerals as well as manufacturing, the national infrastructure needs an upgrade.

- According to Goldman Sachs, by 2030, data center power demand is expected to surge 160% relative to 2023 levels and “the current grid is not designed for this.”
- The critical mining sector needs substantial investment to bring old and new mines into production, including the development of access roads, power grids, and waste facilities.
- US manufacturing will also need access to the US power grid, roads, ports, and rail systems.
- The American Society of Civil Engineers (ASCE)’s 2025 Report Card for America’s Infrastructure assigned an overall grade of C to the nation’s infrastructure. Some of the lowest rated areas included those critical to the above sectors – energy (D+), roads (D+), and transit (D).
- Big questions exist over how these projects will be funded.

# Manufacturing — A Slow-Moving Avalanche

**US manufacturing has struggled over the past several years, but will benefit from large new investments.**

## **Pledged investments - Selected**

| Company                                                                 | Investment Size | Use                                                                                                  |
|-------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------|
| Apple                                                                   | \$600 billion   | For US manufacturing and workforce training for returning supply chain back to US                    |
| Project Stargate (Led by Japan-based Softbank and US OpenAI and Oracle) | \$500 billion   | For US-based AI infrastructure                                                                       |
| Nvidia                                                                  | \$500 billion   | US-based AI infrastructure over the next 4 years                                                     |
| Micron Technology                                                       | \$200 billion   | US-based manufacturing and production of advanced memory chips (Boise, Idaho and Manassas, Virginia) |
| IBM                                                                     | \$150 billion   | Over the next 5 years in its US-based manufacturing operations                                       |

# Risks



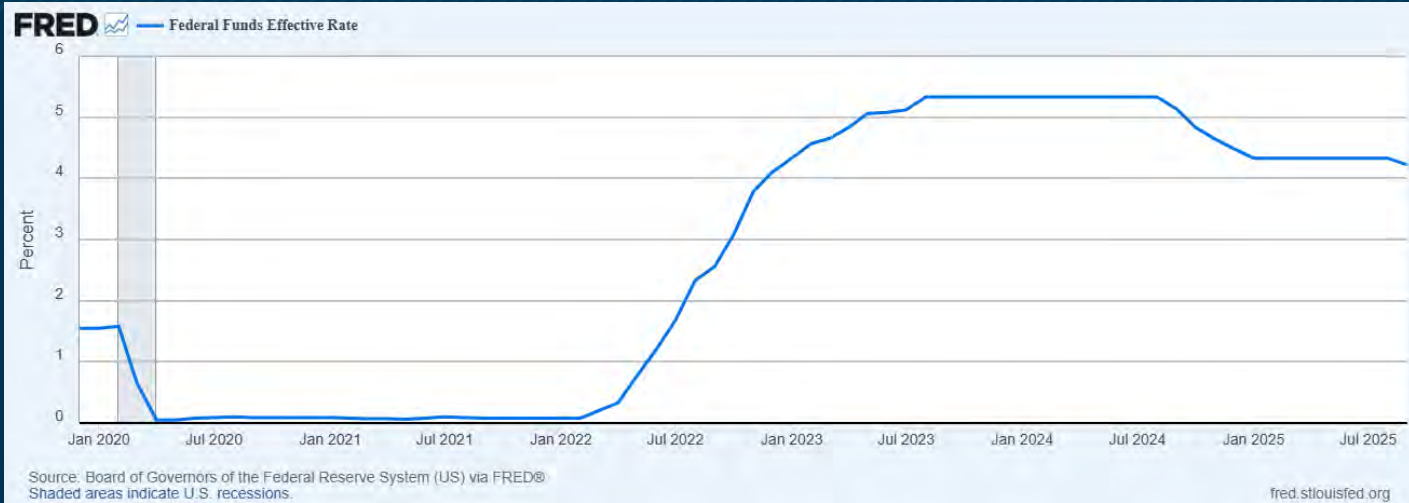
- Government shutdown continues into 2026.
- Stock market bubble – AI driven and dependent.
- \$2 trillion leveraged loan market cracks. Tricolor. First Brands. What's in your portfolio?
- Will tariffs imposed under the IEEPA be upheld by the Supreme Court and will China, Canada, Brazil, India and Mexico be brought to a deal.
- Inflation rises due to higher tariffs and domestic goods costs.
- Geopolitical risks multiply, with China being the major concern.

# Tariff Uncertainty is a Big Issue for Key State Economies

| State      | Goods Exports<br>2024 (\$ billions) | Good exports<br>/state GDP | Supporting<br>numbers of jobs | Major trade partners             |
|------------|-------------------------------------|----------------------------|-------------------------------|----------------------------------|
| Texas      | \$455                               | 17.6%                      | 1.2 million                   | Mexico, Canada, & Netherlands    |
| California | \$183                               | 4.7%                       | 582,000                       | Mexico, Canada, & China          |
| New York   | \$91.2                              | 4.2%                       | 263,000                       | Canada, Switzerland, & Hong Kong |
| Louisiana  | \$86.9                              | 27.6%                      | 238,000                       | China, Mexico, & Netherlands     |
| Illinois   | \$80.8                              | 7.4%                       | 313,000                       | Canada, Mexico, & Australia      |
| Florida    | \$72.2                              | 4.5%                       | 216,000                       | Brazil, Canada, & Mexico         |
| Michigan   | \$61.6                              | 9.1%                       | 226,000                       | Canada, Mexico, & China          |
| Indiana    | \$59.0                              | 12.0%                      | 176,000                       | Canada, Mexico & Italy           |
| Washinton  | \$57.8                              | 7.2%                       | 160,000                       | China, Canada & Japan            |
| Ohio       | \$56.6                              | 7.0%                       | 210,000                       | Canada, Mexico, & China          |

Source: Office of the U.S. Trade Representative

# Fed Outlook — Heading Down



<https://fred.stlouisfed.org/series/FEDFUNDS#>

- Labor market concerns likely to drive Fed actions in the short term through early 2026.
- Inflation remains a concern due to tariffs.
- Chairman Powell will be replaced by a Trump appointee, who is likely to be more dovish. or much lower rates will continue including with a change at the Fed in May.
- Expect two more 25bps cuts in 2025 (October and December) and a drive to around 3.5% in 2026, though a new chairman could force rates lower

# Concluding Thoughts

- Economic growth will continue, driven by strong earnings, investment flows, and a gradual adjustment to tariffs.
- AI is a great catalyst for economic growth, though it contains its own set of challenges.
- Inflation will remain sticky until tariffs deals are concrete.
- Fed policy will probably remain more dovish than hawkish - looking for a more normalized rate environment.
- US consumers will remain worried as economic restructuring causes uncertainty.
- State governments will be increasingly called upon to pick up the tab for services once offered by the federal government.
- Economic restructuring is just getting started and there are time lags between policy implementation and results.

# Thank You