

# 2026

## ECONOMIC FORECAST

### FOR THE DOOR AND ACCESS INDUSTRY

#### Mixed signals highlight an uncertain year ahead

By Phillip M. Perry



#### Editor's note:

*In the 2026 Economic Forecast, award-winning author Phillip M. Perry delivers mixed signals. While higher profits and improved lead times are projected, sluggish consumer spending and housing challenges add uncertainty. Read on to prepare for what could be an unpredictable year.*

The door and access control industry can look forward to a generally supportive operating environment in 2026. "The US economy is holding up admirably well despite a major trade shock caused by tariffs," said Bernard Yaros Jr., lead U.S. economist at Oxford Economics. "We look for an acceleration in growth in 2026 as stimulus from the One Big Beautiful Bill gets underway."

Oxford Economics expects real Gross Domestic Product (GDP) to grow by 2% in 2026 — up slightly from the 1.7% expected for end-of-year numbers for 2025. Both years, among the most sluggish growth environments of the past decade, are underperforming the 2.8% increase of 2024.

Vendors of more advanced equipment should see particularly strong growth. "We see a noticeable increase in interest for more sophisticated access systems, incorporating technologies such as biometrics, as the world becomes a lot less safe than it was 10 or 20 years ago," said Andrew Petryk, head of industrials at Brown, Gibbons, Lang & Company. "We don't expect that trend to subside."

#### Higher profits on the horizon

The nation's economic growth depends largely on the launch of new business initiatives. Unfortunately, companies are holding back for several reasons. Interest rates, while declining, are still at their highest levels since 2022. Costs for materials and supplies are increasing. There is uncertainty about the nation's future trade policy. Lower- and middle-income consumers, nervous about inflation, are tapped out and closing their wallets. Against such headwinds,

a host of otherwise attractive projects can look less promising.

One might also expect business profitability to suffer. Yet Oxford Economics expects it to follow the same general pattern as the GDP. "We look for corporate profits to rise by 4.9% in 2026," said Yaros. "That's up substantially from the 0.5% expected when 2025 numbers are finalized." Even so, the 2026 pace remains slower than the 7.9% clocked in 2024.

The expected 2026 rebound in profitability stems from a belief that stimulus from Washington will lift all boats. "We believe the passage of the One Big Beautiful Bill, with its tax cuts for businesses and households, should help the economy regather some steam in early 2026," said Anirban Basu, chairman and CEO of Sage Policy Group. The legislation's 100% bonus depreciation should help fuel business investment while large tax refunds should invigorate consumer spending. Both activities are important drivers of the nation's economy.

## Tariff turbulence

The stimulus from Washington is arriving at the same time as companies are getting a more solid footing on the nation's shifting trade policy. "There has been a bit of a shock to the system in and around tariffs over the past year, and it is taking some time for many operators to understand their impact," said Petryk.

Specifically, importers have responded to the China tariffs by sourcing from other countries — a move which has also lent succor to the nation's recent supply chain ills. "Lead times have diminished as companies have found alternative or additional suppliers," said Petryk. "Those that relied on one or two vendors now have three, four, or five."

## Rate trends

Companies should also benefit from a decline in the cost of money over the coming months as the Federal Reserve shifts its focus from fighting inflation to bolstering employment. "We look for inflation to peak at just above 3% when 2025 numbers are finalized and for the Fed to cut interest rates into 2026 until the federal funds rate falls to about 3%," said Yaros. That rate, while much higher than the rates of early 2022, is a considerable improvement over the 4.3% of mid-2025.

Declining interest rates, which encourage businesses to launch new initiatives, are also a reflection of looser pockets on the part of the nation's lenders. "Credit conditions have improved significantly for businesses," said Basu. "Companies with strong balance sheets will find bankers very willing to supply debt. We also know that equity investors, including private equity, remain quite aggressive in supplying capital."

## Housing doldrums

Speaking of lower interest rates, they can't come soon enough for a major driver of the nation's economic health: the housing sector. "Housing is in a funk," said Yaros. "Single-family homebuilders are contending with a growing supply of unsold completed new homes, as well as greater competition from the resale market and falling home prices in a rising number of regions."

The high cost of money is not helping

matters. "A significant increase in interest rates since the summer of 2022 has increased the monthly payments required from buyers of new or existing homes," said Petryk. "They have also led to a significant market shortage because families who bought homes three to five-plus years ago are loath to surrender their sub-3% mortgages."

Mortgage rates have an important impact on consumer attitudes, which are vital drivers of the economy. While lower short-term rates may be coming from the Federal Reserve, it's unclear how much effect they will have on the longer-term ones that apply to the funding of new homes. "I do not forecast mortgage rates coming down enough to make a big difference in single-family construction," said Bill Conerly, principal of his Lake Oregon consulting firm.

## Triple whammy

Wary builders. Reluctant sellers. Sluggish buyers. They are all influencing the housing market. Oxford Economics expects housing starts to fall by 4.3% in 2025 and decline by another 2.3% in 2026 after dropping by 3.5% in 2024. Prices for existing homes are expected to increase by only 1.5% in 2025 and 2.3% in 2026 after rising by 4.4% in 2024.

Concerned about the rising cost of living, consumers are cutting back on all spending, especially the retail sector, which is an important driver and bellwether of the economy. "Our forecast for year-over-year retail sales growth is 3.8% for 2026, down from the 4.5% of 2025," said Scott Hoyt, senior director of consumer economics for Moody's Analytics.

Much of the increase in both years is due to inflation. "High prices are a bit of a mixed bag," said Hoyt. "They undermine consumer purchasing power and confidence, but they also support nominal sales by lifting the prices of the goods retailers are selling."

## Construction woes

Outside of the single-family home market, contractors are having problems of their own. Multifamily builders, working through a backlog of units under construction, are hesitant to break ground on new properties. "I think we'll see less multifamily construction in 2026," said Conerly. "Vacancy rates are going up, and rents have been coming down at the rate of about one percent a year."

Meanwhile, contractors attached to the commercial, office, and hotel markets are feeling the sting of a slowing economy, high interest rates, and an environment rife with uncertainty. "Many areas of nonresidential are trending flat or edging down," said Conerly.

"Even the chip fabs, while still strong, are tapering down."

The one bright construction sector: data centers. They show no signs of diminishing and are big customers for electricians, plumbers, and suppliers of scaffolding and manufactured products of all kinds. "When I look at the detail and the economic statistics of what kind of capital equipment is being bought, I am seeing a lot of data center-related equipment in there," said Conerly. "Data centers also require a lot of garden variety wiring, connectors, and plumbing for cooling."

Every sector of the construction industry shares a common challenge: labor availability. Oxford Economics forecasts an unemployment rate of 4.4% and 4.3% at the end of 2025 and 2026, respectively. That's not much higher than the 4.1% clocked at the end of 2024. Low



THE NATION'S ECONOMIC GROWTH  
DEPENDS LARGELY ON THE LAUNCH  
OF NEW BUSINESS INITIATIVES.



unemployment, largely due to slowing growth in the nation's working age population and aggressive immigration policies, can result in rising labor costs.

## Rising cost of doing business

For all business sectors, money and labor are not the only production factors on the rise. "The real problem is the world has become much more expensive in the last few years," noted Basu. "Construction materials are more expensive. And of course there are tariffs on items like steel, aluminum, and copper."

It's little wonder that the high cost of doing business is top of mind for many operators. "As we head into 2026, the area of most concern for companies is profit margin," said Basu. "Many operators are simultaneously experiencing an increase in costs of delivering services while demand fades."

Given the concerning operating environment, it's no surprise that many projects are being put on hold. "It's hard to engage in cost savings when both materials and labor are becoming more expensive," said Basu.

"Too often, the pro-formas don't pencil out. Many companies are responding by not

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# New Year's Resolutions

1. **Switch to American Spring, Inc.**
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- (April 16 & 17, 2026)

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About the Show

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expanding their operations and trying to trim expenditures at the margins," added Basu. "They are focusing more on cash flow preservation by slowing hiring and being less aggressive in leasing and purchasing equipment, particularly equipment impacted by tariff pricing."

The numbers demonstrate this generalized business hesitation. "We look for business investment to increase by only 1.6% in 2026 after rising by 3% in 2025 and 3.6% in 2024," said Yaros.

## Key indicators ahead

As we enter the early months of 2026, economists suggest watching these key economic indicators for an idea of how the year will turn out:

### **Employment**

"I would pay close attention to the unemployment rate," said Yaros. An unexpected decline in employment would spur faster interest rate cuts as the Fed seeks to reinforce economic expansion.

### **Consumer spending**

Basu recommends evaluating how the consumer is faring, especially because many low- and middle-income people are exhausted financially. "Indebtedness and delinquencies are up for credit cards, mortgages, and loans."

### **Inflation**

"If we get stubbornly high inflation, that will prevent further progress on interest rate," said Basu. Oxford Economics still expects the nation to avoid a recession, and the expected 2% GDP growth is right around the level economists peg as the nation's "natural growth rate" that supports business activity, maintains full employment, and avoids triggering inflation.

### **Productivity**

Perhaps of even greater importance, though, is a little-heralded threat to productivity. "One thing that sort of permeates the whole economic picture right now is the nation's low population growth rate," said Conerly.

"Immigration is down, due to Trump administration policy. The next generation entering their working years is about the same size as the retiring boomers, so there will be no net growth in the labor force."

Responding to this trend, companies in the door and access industry should look for ways to maximize their return on labor by increasing output per worker, noted Conerly. "The focus of businesses in 2026 will be increasing productivity — not by whipping people harder, but by providing them with better tools, better training, and better first-level managers." ■

## POISED FOR A MODEST REBOUND

### U.S. Gross Domestic Product annual percentage change

|             |             |
|-------------|-------------|
| 2015: 2.9%  | 2021: 6.6%  |
| 2016: 1.8%  | 2022: 2.5%  |
| 2017: 2.5%  | 2023: 2.9%  |
| 2018: 3.0%  | 2024: 2.8%  |
| 2019: 2.5%  | *2025: 1.7% |
| 2020: -2.2% | *2026: 2.0% |

A subdued economy will challenge business operations in 2026.

\* = projections by Oxford Economics Source: World Bank