

## Marine Index Dips on Latest Data

Briefing Date: May 2026

### Leading Index Falls on Fuel Pressures

**BLUF (Bottom Line Up Front):** The Marine Leading Index fell in the latest data. The adjusted demand index was 106.6, down from 107.6 last month. Sales in this industry can be volatile, but this index is a leading indicator of future demand (over the next 6 months), and it was still in a historically optimistic range and in-line with the long-term trend despite showing some near-term weakness. The impact from the war in Iran finally started to pull data downward. All of the headwinds are interest rate, fuel, and material price inflation related.

### Favorable Economic Conditions:

- **Economic Activity Show Consumers Remain Resilient.** The Bureau of Economic Analysis confirmed Q1 2026 real GDP growth at 2.0% annualized, above Q4 2025's weak 0.5% reading and ahead of many economist expectations. Q2 advanced readings have it as high as 3.8%, being driven heavily by consumer spending, nonresidential investment (data centers, power generation, etc.), and inventory building activity. Consumer spending is still the primary driver. This is a meaningful positive for discretionary retail categories including marine sales, as it confirms that the household sector is not contracting yet despite tariff and geopolitical uncertainty. The forward risk, however, is real: tariff-related cost increases and shortages of supply are still working through the supply chain, and their full impact on household budgets will be more visible in Q2 and Q3 data.
- **Mixed Consumer Sentiment Readings.** Headline consumer sentiment indexes are weak. But consumers are broadly stable about current conditions but persistently uncertain about what comes next. For the marine sector, this matters because boat purchases are made on future confidence, not present conditions. A buyer who feels financially stable today but uncertain about the next six months does not walk into a showroom. The data offered one encouraging signal: the share of consumers planning a major purchase in the next six months increased, with more respondents saying "yes or maybe" and fewer saying "no." That shift is marginal but directionally important as a leading indicator for showroom traffic through Q3.
- **Getting Generation Alpha Interested.** Gen Alpha (2010-2024) is a concern across many discretionary segments of the economy because they were not initially outdoor types. They were spending more time in front of screens than any generation in history (40% had a tablet by age 2). But the opportunity could be great. Many Alpha's are showing a tendency to want to be outside perhaps more than prior generations. They are valuing health and fitness and are starting to realize that there is more to life than a phone or tablet screen. But marketing to them involves removing the fear of operating a vessel, adding high-tech amenities, and making it essentially turn-key and relatively maintenance-free (but also knowing that they know how to get to information and DIY boating upgrades). It could be one of the most exciting generations for ownership...over time.

### Risks Creating Headwinds for Sales

- **Watching Bond Rates for Marine Loan Interest Rate Direction.** Marine loans are fixed-rate, long-duration products priced off bond market yields, not the Federal Reserve's overnight policy rate. The 10-Year Treasury, sitting at 4.45% as of May 28, is nearly 50 basis points above the 4.0% threshold that historically unlocks meaningful consumer borrowing relief. A 1% rate reduction translates to approximately \$100–\$200 per month in payment relief on a standard marine loan — enough movement to bring meaningful numbers of marginal buyers back above qualification thresholds and back into showrooms. In addition, in February when the 10Y Treasury rate went below 4%, refinancing activity on household debt surged by 128% Y/Y, funds that could be used to help support a boat or PWC payment. The path back below 4.0% on the 10-Year requires a genuine geopolitical resolution in the Middle East.
- **Some Buyers Getting Squeezed From Both Ends.** A parallel and underappreciated development: lender credit qualification thresholds are tightening without any formal policy change. Higher unit prices for boats and elevated rates are pushing monthly payments above qualification thresholds for marginal buyers, screening them out of the approved pool. The financing pool for new boats is narrowing from both ends at the same time, from the rate side (higher bond rates) and from the price side without any single institution making a visible decision to tighten.

### Conclusions:

1. The NCM Marine Leading Index at 106.6 reflects a sector navigating a genuine and multi-source compression — not a structural breakdown, but not a temporary soft patch either. The Q1 2026 GDP confirmation at 2.0% is a real positive that establishes a floor under consumer spending.
2. Inflation Adjusted Personal Disposable income just came in at -1.1%. A healthy figure is typically 2.5%. It bears watching whether this is heavily Strait of Hormuz impacted or is related to other underlying factors.
3. Still watching bond rates and need to see them retreat into the 4% range before meaningful changes in buyer behavior occur.

### Related Macro Items We are Watching:

1. **Demographics Never More Important?** Demographic trends may have never played a bigger role in shaping consumer purchasing than what we see now across the discretionary retail level (all NCM segments except farm equipment). It creates great opportunities, challenges, and is critical in understanding how to market into it. Here are just a few of the big, cyclical changes coming from demographic factors:
  - A. Retiring Baby Boomers (10,000 a day) will see more than 23 million hit retirement age by 2031. Many will retire, and will be looking for new hobbies, travel, and outdoor activities. And they are retiring as one of the wealthiest generations in history.
  - B. Gen X and Millennials are starting to get unprecedented "wealth benefits" as estates transfer to them (\$38T globally over the next decade). Many of those households will go from average or above average household incomes to having access to 7-figure lump-sum funds. Many will upgrade old equipment or purchase their first discretionary big-ticket item.
  - C. Boomers, X-ers, and older Millennials are also seeing the benefits of years of 401K building activity and can now tap savings for discretionary spending (because they have the 401K to fall back on for retirement). Many X-ers are retiring early as a result (at a younger age) and have much discretionary income to work with. That is especially the case for a Gen X family that inherits from a Boomer.
  - D. New generations (Alpha and Beta) are a concern because they are more "screen oriented" but have recently shown some interest in outdoor activity.

## Index Drops M/M and Y/Y

### Yet Demand for Next 6 Months Remains Optimistic

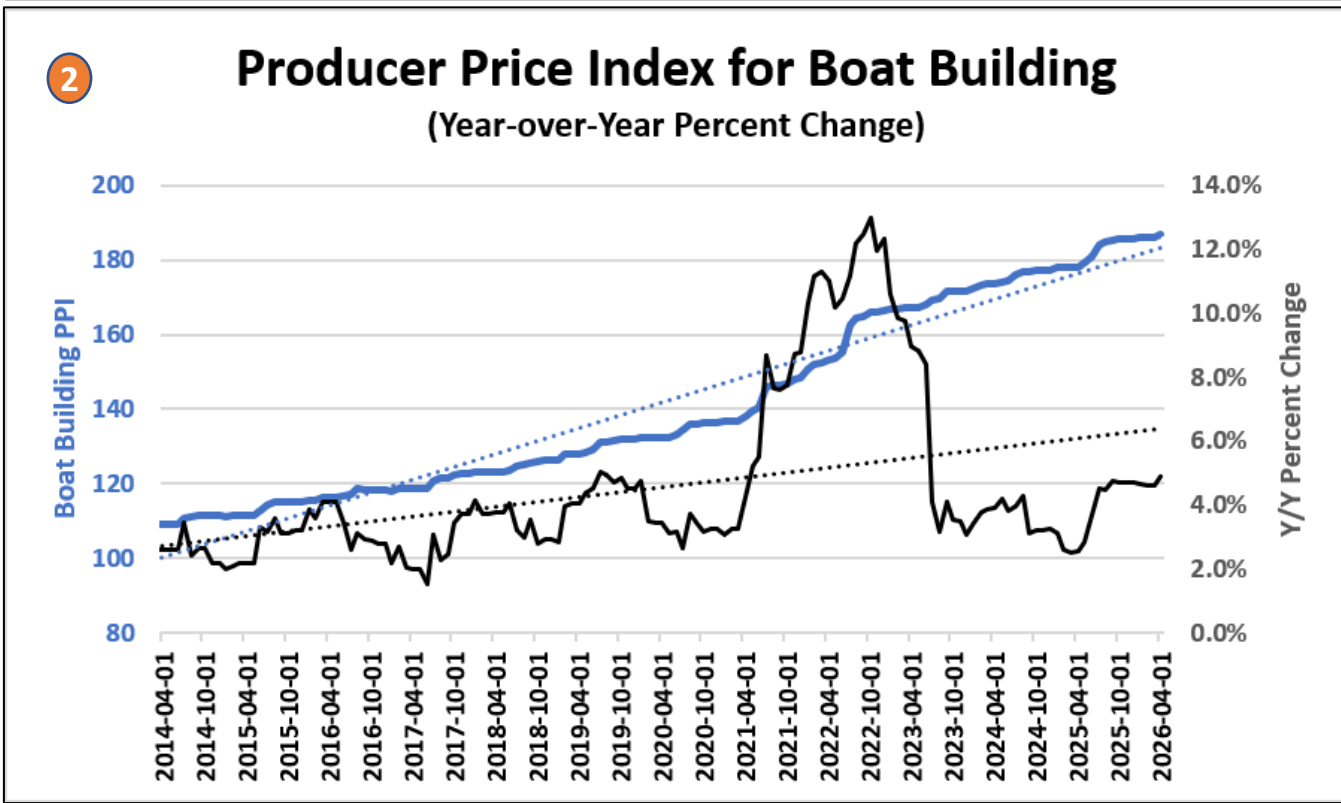
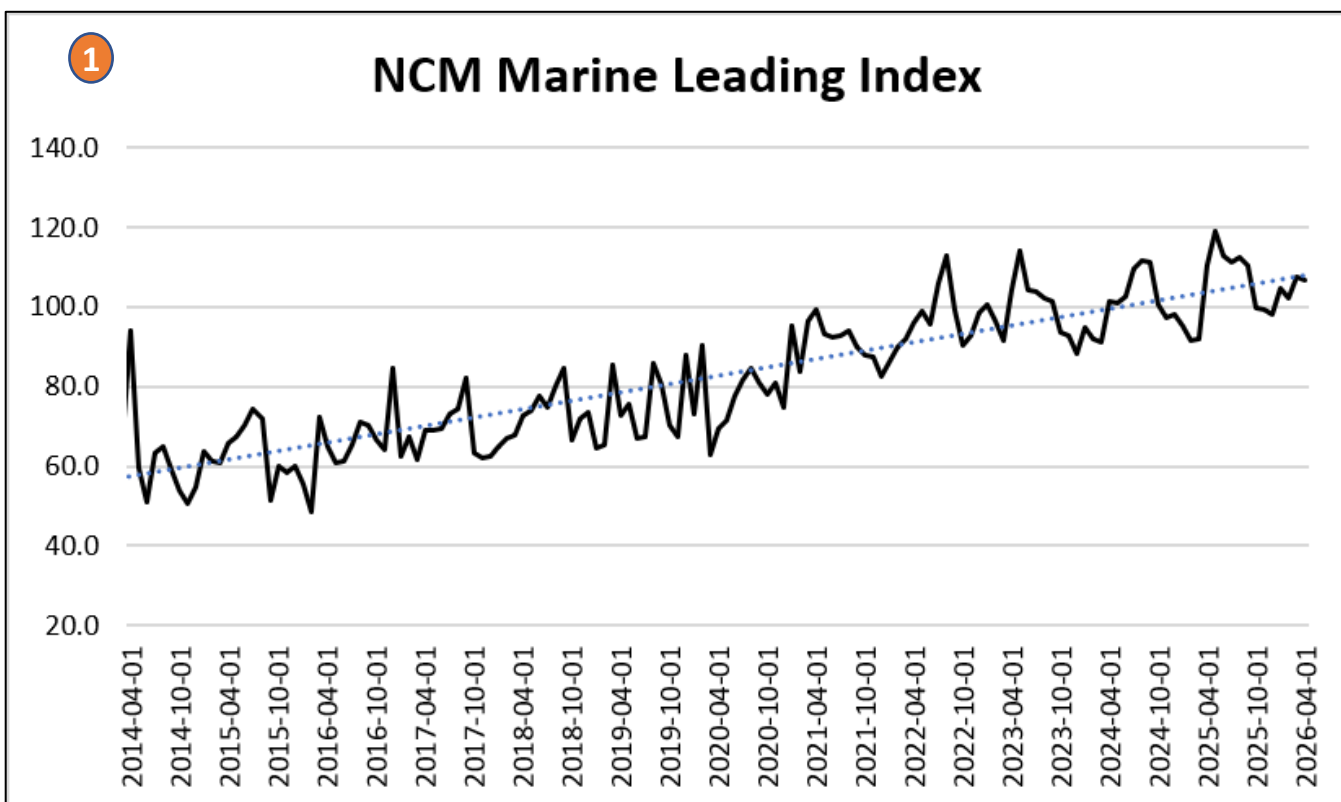
**BLUF (Bottom Line Up Front):** the NCM Marine Leading Index was lower; falling by 1.0% M/M and 3.4% Y/Y. This is a leading index; it provides an indication of what is likely to come in the next six months. A rising index signals that economic conditions are getting better whereas a declining index would suggest a weakening economic environment. Some of the headwinds coming out of the conflict in the Middle East and subsequent increase in fuel and material prices was weighing on the index. Not all customer segments will get hit the same, many upper-income segments are still doing very well.

**Leading Index:**

- April 106.6
- March 107.6
- February 102.3
- January 104.6
- December 98.1
- November 99.3

### Marine Leading Index:

- 1. **Leading Index at 106.6.** The Marine Leading Index came in lower at 106.6, below the adjusted April reading of 107.6. This is down 1.0% month-over-month. Removing seasonality, it was 3.4% lower vs. April of 2025. The blue dotted line in the chart on the right shows that the index is still in-line with the long-term trend.
- 2. **Producer Price Index.** Prices for boat building (shown in the Producer Price Index) are a good barometer of the balance between inventory supply and demand for new units. The estimated index was 4.9% higher versus April of 2025 (and was 0.4% higher M/M). Input prices for boat building are volatile, with some items being pushed up in price while global wholesale prices are generally inflating.
- **What Pushed on the Index?** The Leading index uses a variety of variables to gauge the environment for boat sales and production demand in the months ahead. Despite some headwinds (many of which are temporary), the demand index is reading the wealth transfer, stable jobs and wage growth, a willingness by consumers to continue to spend. Again, concerns are surfacing that increases in input costs and higher fuel costs (operating costs) may become a hindrance to actual performance and could be fighting against this demand curve.



### Looking Forward:

- **Areas in the Marine Sector to Watch.** Looking forward in the Marine sector, there are several items that will shape the sector in the next six months:
  - **The Strait of Hormuz resolution timeline remains the single most consequential item for the look forward:** a credible agreement moves fuel prices, bond yields, consumer confidence, and input costs in a favorable direction simultaneously. It could create a surge in activity in Q3 and even headed into Q4 if the global market is able to resume some semblance of normal in the next 30 days.
  - **Likewise, if it lasts longer, it could start to affect parts and unit availability.** The closure of the Strait is still having an impact on global supply chains. More than 50% of global petrochemical supplies are currently in short supply, unavailable, or surging in price. Any plastic materials could be under pressure as a result. OEM boat manufacturers will begin having issues getting materials for new unit construction, and input costs are likely to be rising regardless.

### Looking Forward Continued:

- **A Macroeconomic Factor To Watch.** There is a measurement used in consumer spending related to inflation-adjusted discretionary personal income. This is the amount of discretionary funds available to consumers after they have paid their taxes, basic utilities, housing costs, etc. to use on non-essential items. A normal, healthy annual rate of growth is 2.5% and anything above that is typically a strong signal for purchases of boats, PWC, and other watercraft.

The latest figure showed it in contraction by 1.1%. If this does not reverse in the next few months, it would become a considerable headwind for purchases. Again, we don't know how much of the Strait of Hormuz situation is at the core.