



# Economic Update

## SIRs, Branch 19

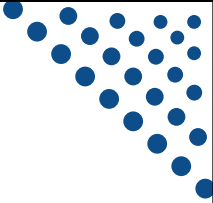
Jon Haveman, Ph.D.  
NEED  
October 2, 2025



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# Outline

- Economic Indicators
- Big Picture: Uncertainty



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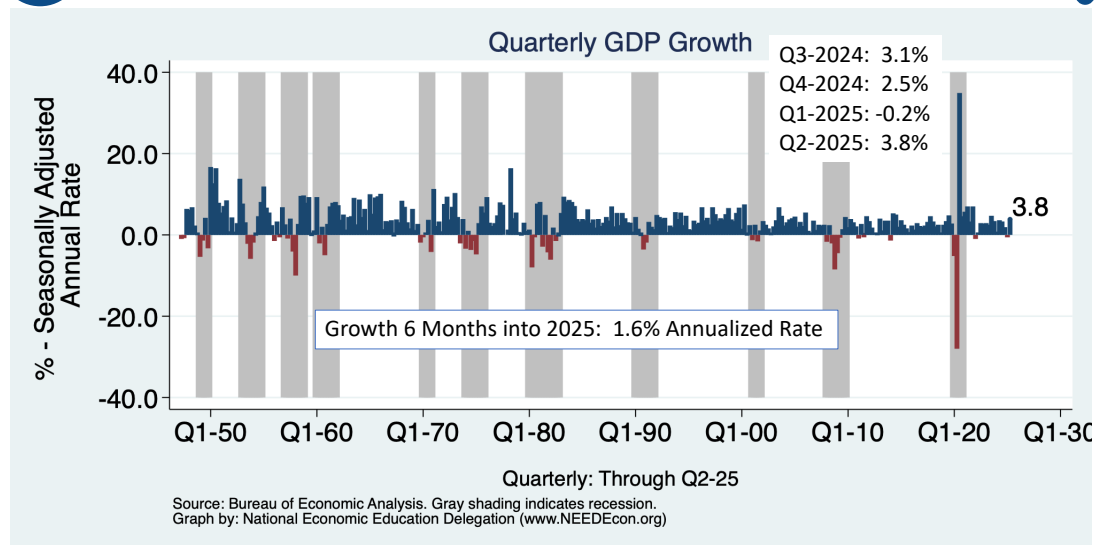
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# Economic Indicators

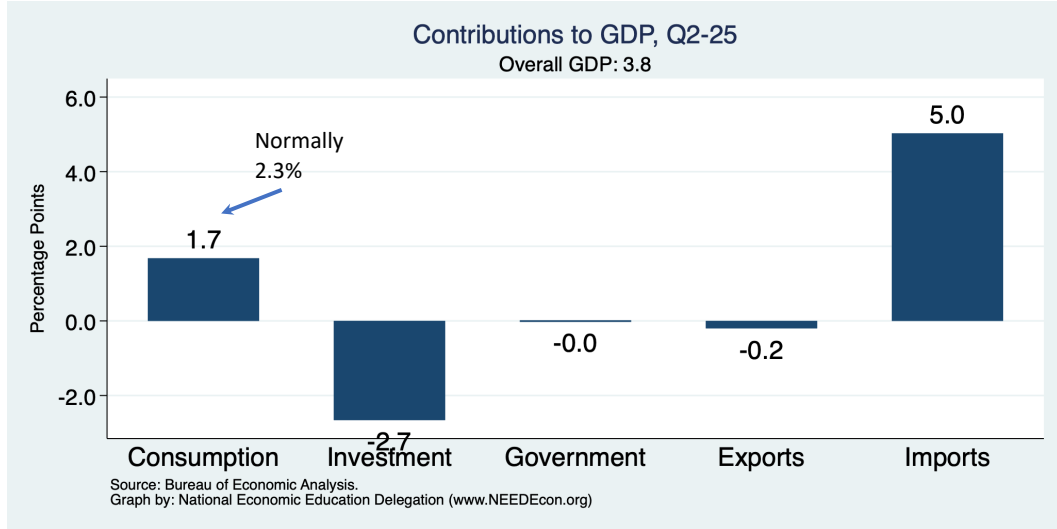
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## GDP: Quarterly Growth



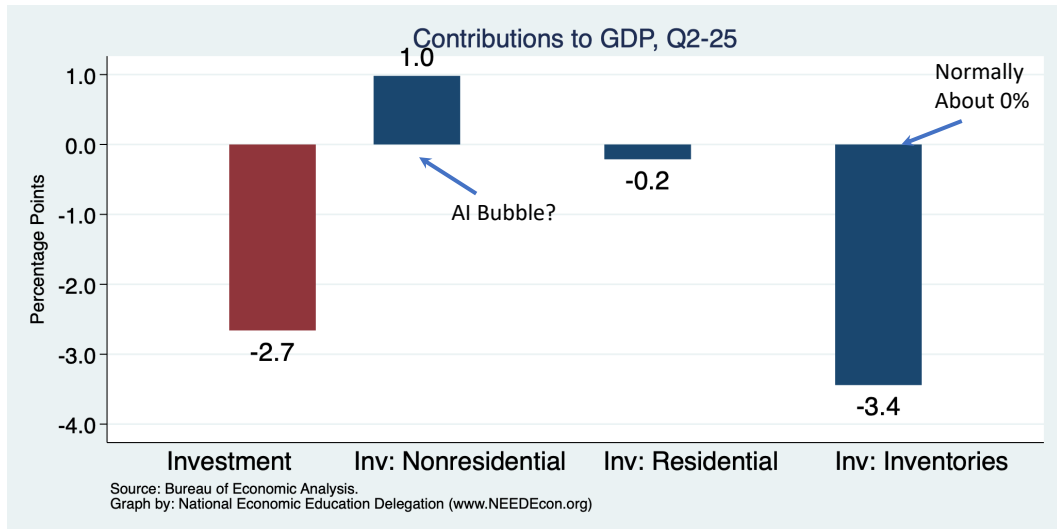
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# What Drove GDP to Such Growth?



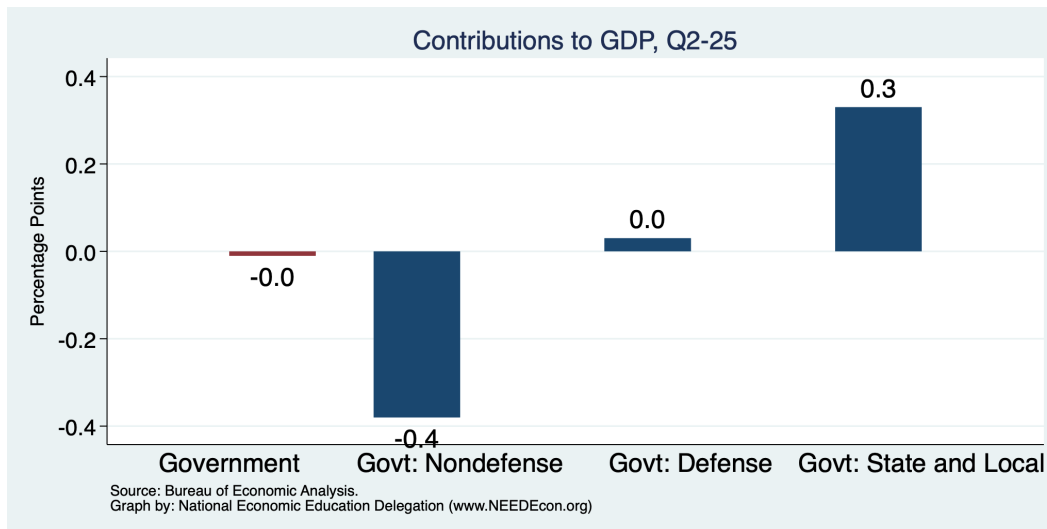
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# Imports Went Into Inventories



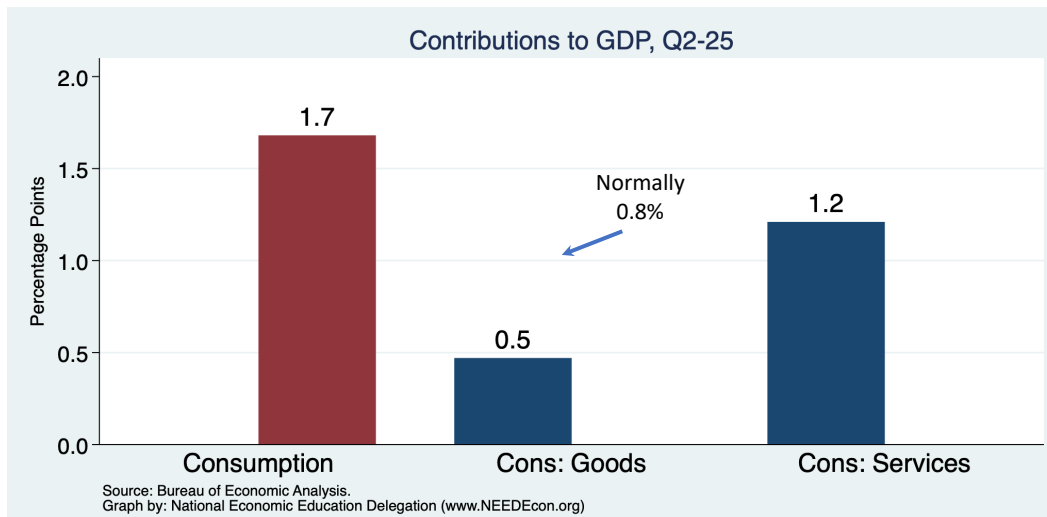
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## Government Spending Didn't Help



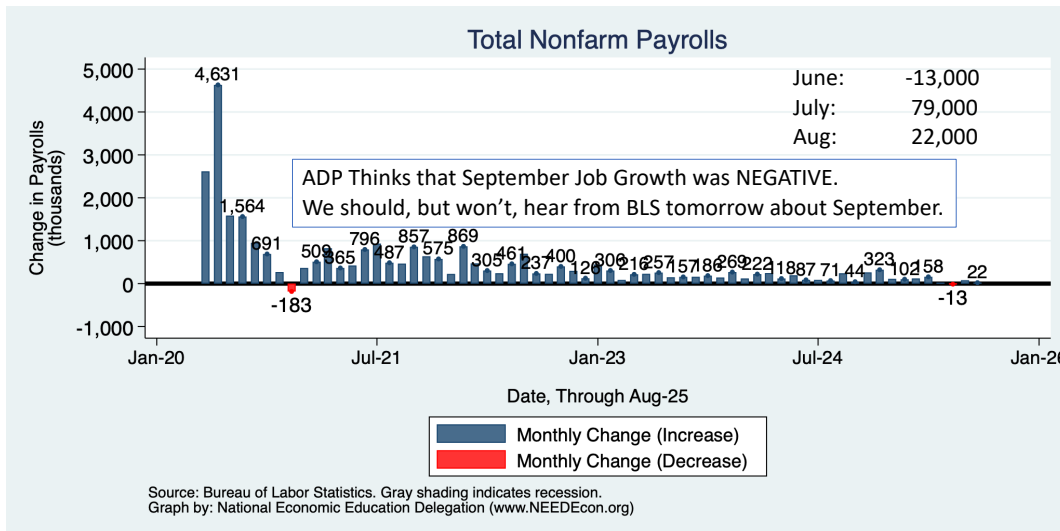
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## Consumers Also Tightened

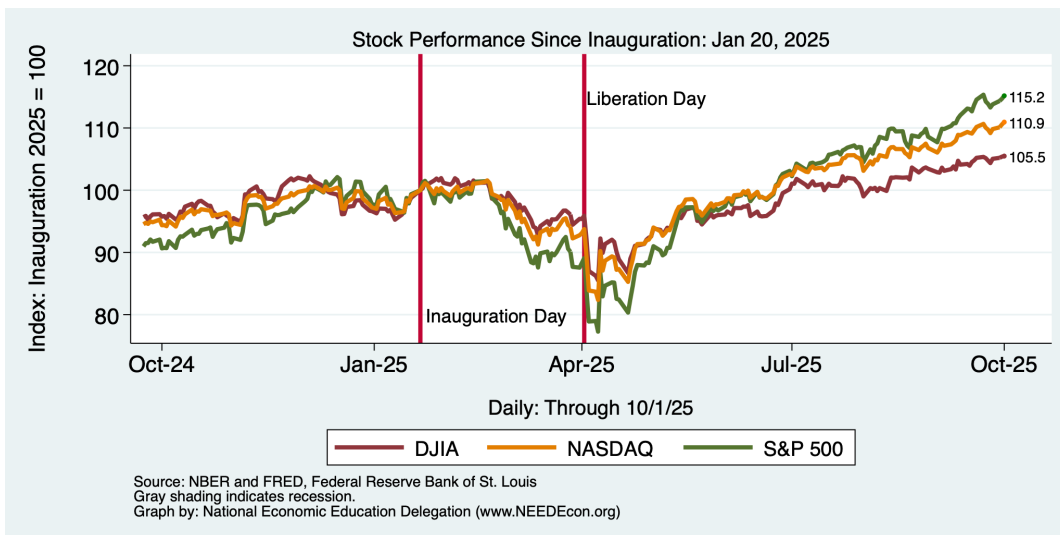


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# Monthly Changes in Nonfarm Employment



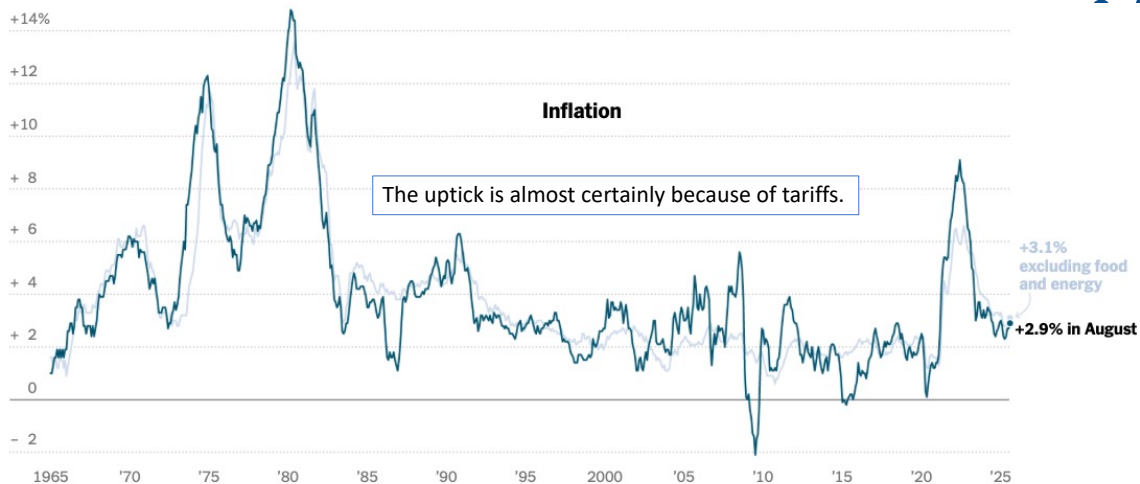
# And Stocks?



# Inflation

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## Inflation: Latest Figures



Year-over-year change in the Consumer Price Index • Source: Bureau of Labor Statistics • By Karl Russell

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# The Fed: Conservative

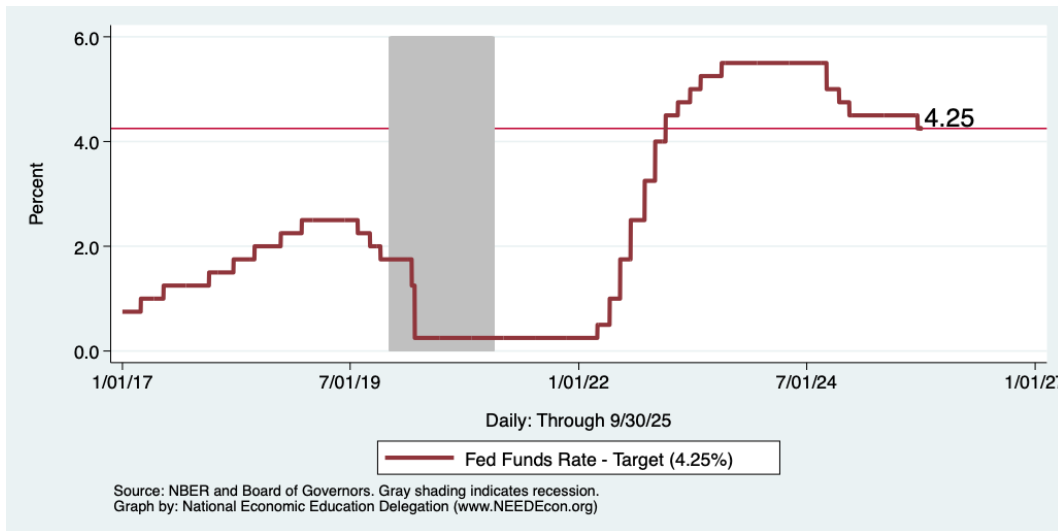


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## Federal Funds Rate



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## Takeaways

- **Is a recession on the horizon?**
  - I wouldn't be surprised.
  - Many indicators are in the black.
    - 2024 2<sup>nd</sup> half GDP growth was pretty good – 2.8% YoY.
    - 2025 Q1 < 0 is almost meaningless.
    - 2025 Q2 = 3.8 is artificial.
- **Stagflation almost assuredly is on the horizon.**
- **The problem?**
  - Uncertainties abound!



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## Uncertainties

- **Federal Government Policies**
  - How far will they go with immigration?
  - How many federal employees will be laid off?
  - How high will tariffs remain?
  - Will Fed Chair Powell be replaced prematurely?
- Increased prominence:**
  - Federal Debt
- New:**
  - Government shutdown



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# Bigger Picture

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## Since Inauguration: Policies = Anti-Growth

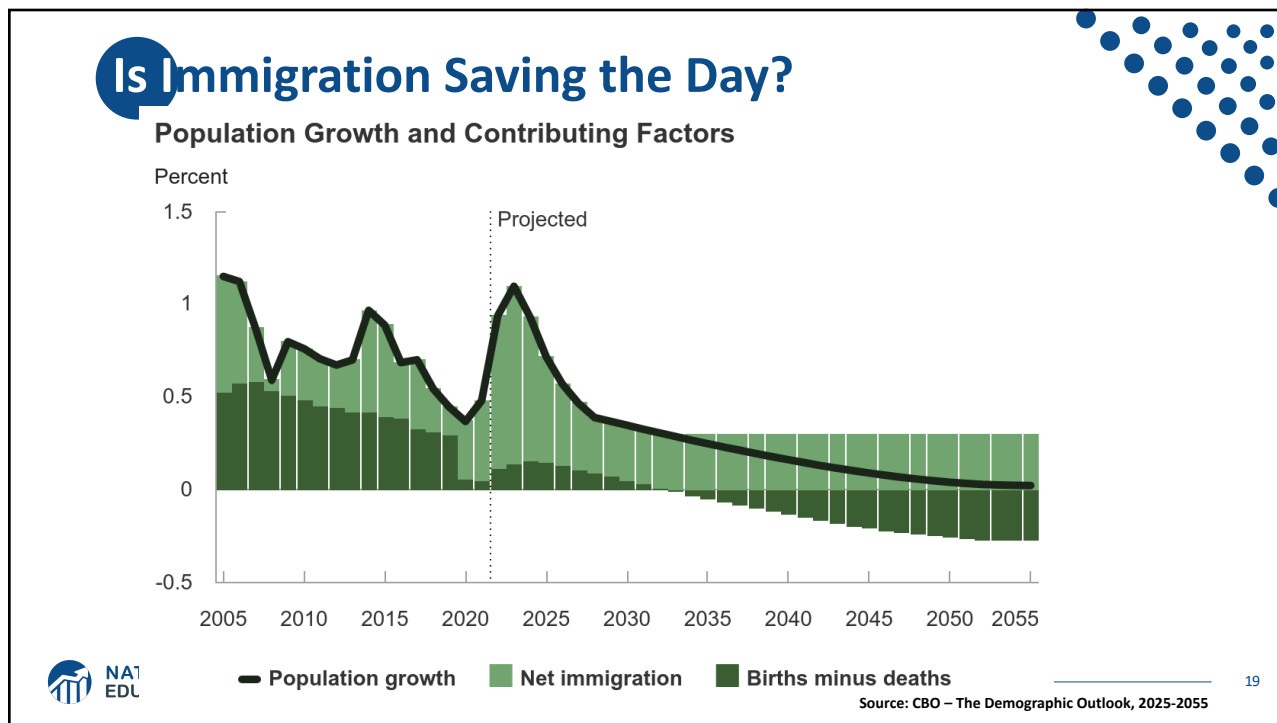
- Deportations
- Tariffs
- Cuts to spending and employment
- Threats to Fed Chair Powell
- Federal Debt
- Federal Shutdown

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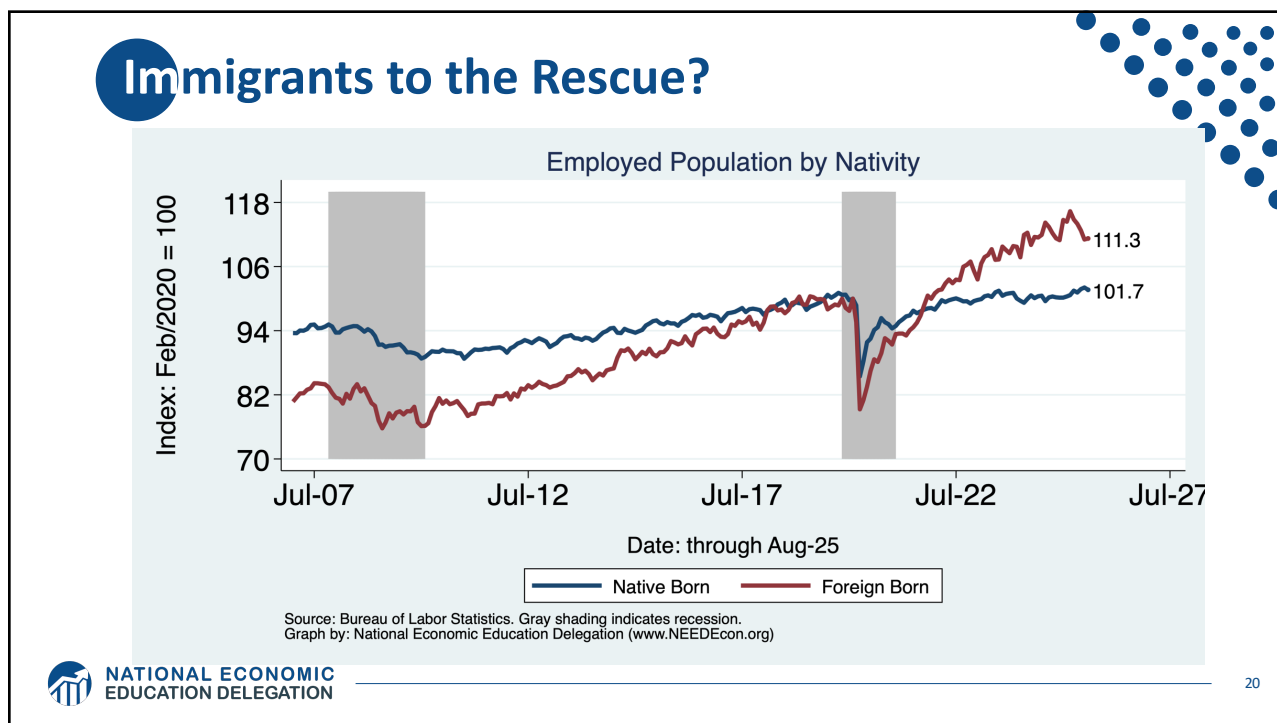
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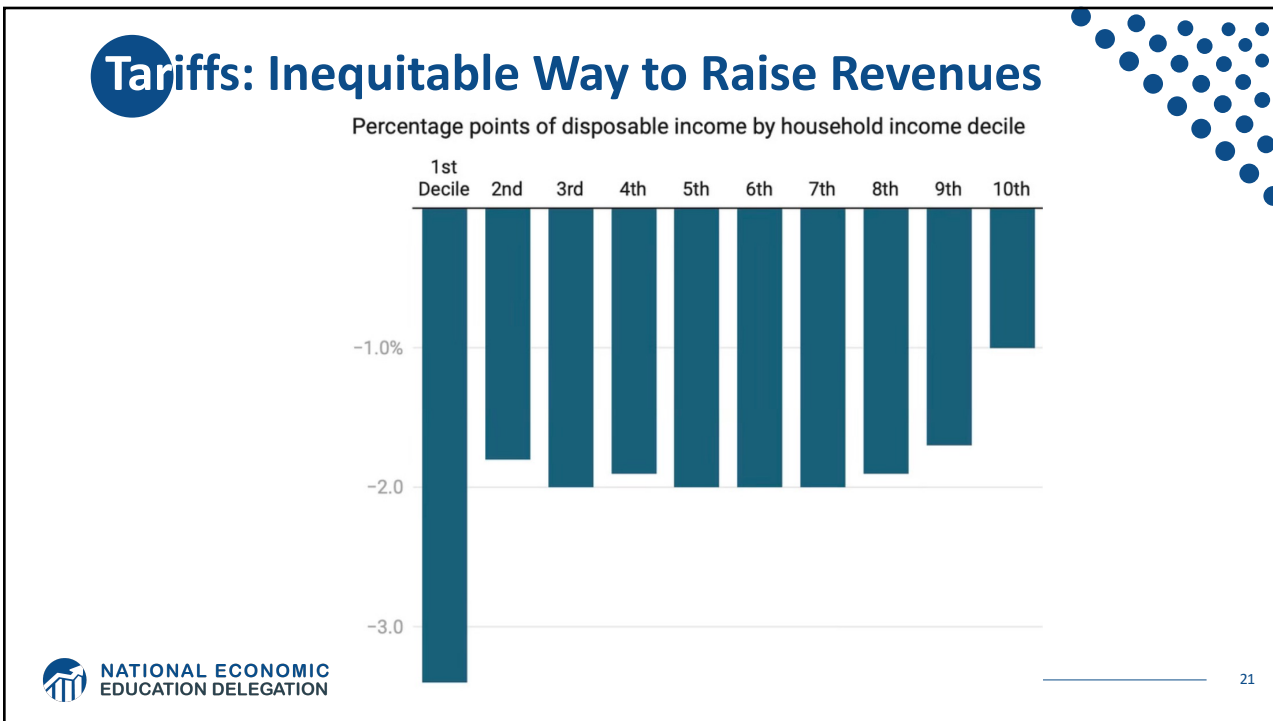
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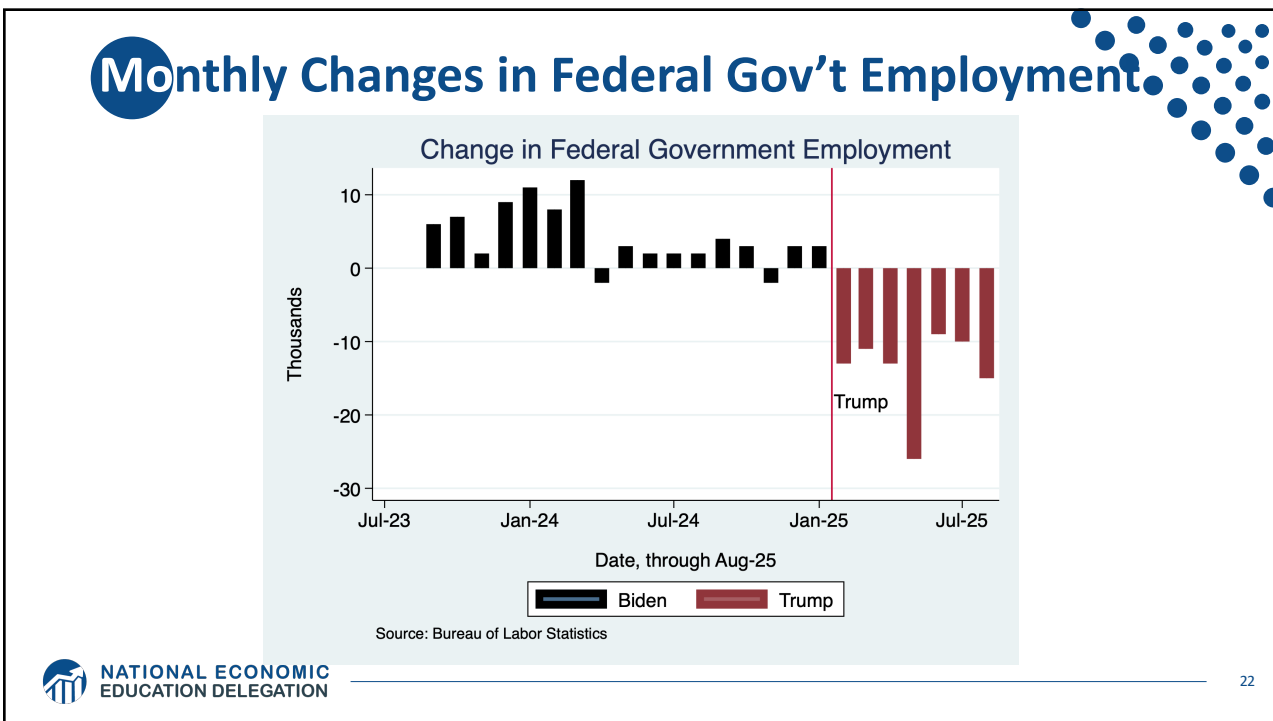
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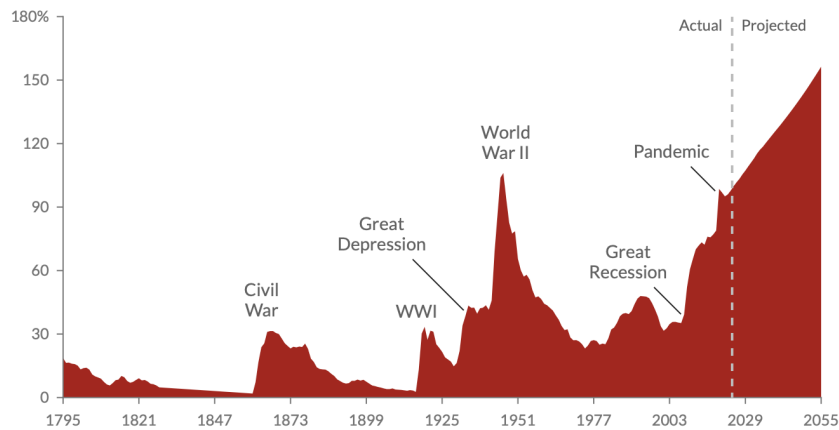
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## Federal Debt is on an Unsustainable Path

Debt Held by the Public (% of GDP)



Source: Congressional Budget Office • [Embed](#) • [Download image](#)

Note: Data includes the [long-term projections](#) and other previous projections.



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## Summary

- **Inflation: was getting close to Fed's 2% target.**
  - This is now going in the wrong direction
- **Current immigration and trade policies will exacerbate inflation.**
- **Immigration: deportations tax the economy and are expensive.**
  - Many, MANY ag workers are unauthorized immigrants. (50% of Central Valley)
- **Tariffs: are a tax.**
  - Taxes raise prices. Period. Full Stop.
  - Taxes often cost jobs. Tariffs likely will.



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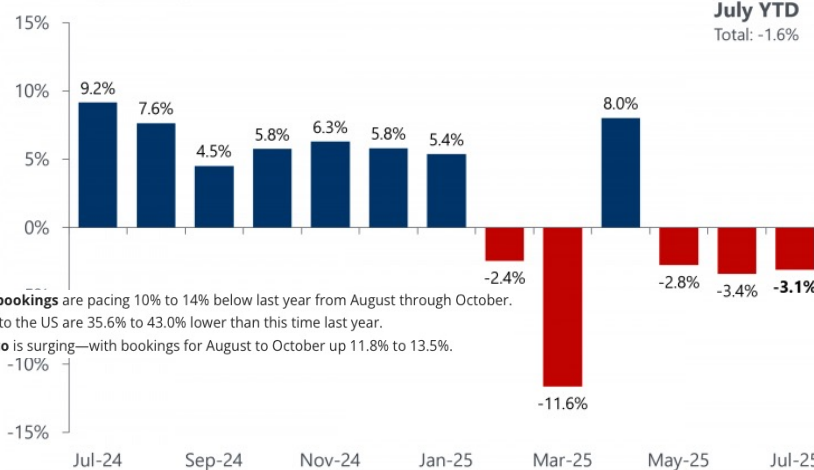
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## Biggest Problem: Uncertainty

- **Nobody knows how to plan into uncertainty.**
  - Business investment is particularly at risk.
- **Hardly anybody increases spending into uncertainty.**
- **Other countries will look elsewhere if the U.S. is volatile.**
  - Tourists already are. 10.3% drop in March/25.
- **Outlook: is not good.**
  - Inflation is inevitable.
  - Job losses are inevitable.

## Tourism Evidence

Overseas visitor arrivals to the US  
Year-over-year change



- **International inbound air bookings** are pacing 10% to 14% below last year from August through October.
- **Air bookings from Canada** to the US are 35.6% to 43.0% lower than this time last year.
- **Canadian interest in Mexico** is surging—with bookings for August to October up 11.8% to 13.5%.

## Are We Headed for A Recession?

- **Uncertain.**
- **Our current path has many forecasters indicating that a recession is more likely than not.**
  - IMF has cut it's U.S. growth forecast to 1.8%, down from 2.8% in 2024.
- **A slowdown in economic growth seems inevitable.**
- **A bout of stagflation is happening.**
- **And then there is the shutdown....**



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## About the Shutdown

- **General effects:**
  - Horribly inconvenient for many. Many of whom are vulnerable.
  - Economics effects: usually business delayed, not destroyed.
  - Delay of important economic data.
- **This time might be different:**
  - Duration: not clear both sides want it to end.
  - Will furloughs turn into layoffs?
  - Huge cuts in government contracts (not normal in a shutdown).
  - The data are particularly important as Fed navigates inflation/growth.



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**Thank you!**

## Any Questions?

[www.NEEDEcon.org](http://www.NEEDEcon.org)

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