ECONOMIC OUTLOOK

REGIONS

March 2025

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Downside Risks Are Mounting, But We're Not "There" Yet . . .

With "there" being incorporating a recession into our baseline outlook. Sure, we haven't done that in a long, long time, but we do at least remember how it's done which, at some point, will come in handy. That much we can say with absolute iron-clad certainty. Where the uncertainty lies, however, is with where exactly "at some point" is. While we think we're still a ways away from there, we also think the downside risks to our current baseline outlook are clearly mounting. But, while we think the most likely outcome to be a slowing pace of economic activity with inflation stubbornly remaining above the FOMC's 2.0 percent target, we can present what we think to be a plausible narrative in which most, if not all, of what we see as meaningful downside risks hit in rapid sequence, which could push the economy into recession. We're not there yet, but, just in case, it may be time to have those "Gloom, Despair, and Agony" guys start warming up their vocal cords.

Though the economy has clearly lost momentum over recent weeks, we nonetheless think it would take several dominoes falling in relatively short order to push the economy into recession. Still, that we're even entertaining the notion is more than a little jarring, in part because we haven't had recession as our base case since late-2007. It isn't just us, as we're hearing more concerns and fielding more questions around this topic. In part, that reflects much of the data for the month of January coming in on the soft side, including the data on nonfarm employment, consumer spending, home sales, and residential construction. At the same time, consumer confidence has fallen sharply thus far in 2025, particularly around expectations of economic conditions several months out, while businesses are feeling increased uncertainty stemming from a rapidly shifting policy landscape. To the extent flagging consumer and business confidence weigh on consumer spending, capital spending, and hiring decisions, this just adds to the list of downside risks to our current outlook.

Before getting into a more detailed discussion of what we see as the main downside risks, we do think it worth making the following points regarding the recent economic data. First, economic activity in January was impaired by atypically harsh winter weather across much of the U.S., particularly the South region, the key words here being "atypically harsh." Yes, there is a winter every year and, sure, it's always cold in the winter, but the relevant point is that January's weather was far more harsh than is typical, as evidenced by significant snowfall across much of the South and what was a massive spike in utilities output in the January data on industrial production (which entirely accounted for total industrial production rising despite lower mining and manufacturing output). Roughly 1.75 million people either did not work at all or worked only part-time hours rather than their normal full-time hours due to adverse weather, residential construction activity in the South region fell sharply, and spending trackers suggest disruptions in typical spending patterns during January.

That January's winter weather was much harsher than is typical meant that seasonal adjustment could not fully compensate, contributing to the soft tone of much of the January data. This gets us to our second point, which is that the seasonal factors used to adjust much of the raw data were less generous this January than has been the case over the past few years. During this time, we've frequently noted that the pandemic disrupted what for many years had been typical seasonal patterns in economic activity, with some of these shifts expected to reverse and others looking to be more lasting. Either way, we've noted that seasonal adjustment had been slow to catch on which can, and often has, put the seasonally adjusted data from various series being at odds with what the trends in the unadjusted data show. There are, however, signs that in at least some key data series, seasonal adjustment is catching up, which we think came into play with some of the data for the month of January.

Our rule, as our regular readers know, is to always go with the trends in the unadjusted data which can, and often has, put our takes on the various data releases at odds with those of other analysts. As for why this is relevant to this discussion, recall that nonfarm payrolls rose by 143,000 jobs in January and that control retail sales, a direct input into the GDP data on consumer spending on goods, fell by 0.8 percent (original estimate of each), each softer than anticipated and each sparking renewed worries about the state of the U.S. economy. As we noted in our write-up of the data, however, the not seasonally adjusted data show January's decline in private sector payrolls was smaller than both last January's decline and the average January decline over the few years on either side of the pandemic. That this translated into a "soft" seasonally adjusted January job growth print reflects seasonal adjustment being less supportive this January than over recent years. To that point, had last year's January seasonal factor been applied to this January's change in unadjusted payrolls, the headline print would have shown a gain of 301,000 jobs.

We made the exact same point about January control retail sales, i.e., the decline in not seasonally adjusted control sales was in line with January declines of the past few years and easily smaller than typical January declines prior to the pandemic. Less supportive seasonal adjustment this January, however, yielded the 0.8 percent decline reported in the seasonally adjusted data, whereas last January's seasonal factor would have yielded a 0.3 percent decline. Not great by any means but certainly less concerning in the context of how strong 2024 holiday season spending was.

These are just two examples of how a seemingly subtle change in seasonal adjustment can alter perceptions of the economy. It's probably safe to assume that those taking the reported January changes in nonfarm payrolls and control retail sales as cause for concern would have felt differently had last January's seasonal factors been applied to this January's data. This is precisely why our focus is squarely on the patterns in the not seasonally adjusted data. This is also why we didn't see either the January employment report or the report on January retail sales as cause for concern even though that put us at odds with many others, particularly those reacting to no more than the headline numbers.

The third point regarding the recent economic data to keep in mind is that spending on consumer durable goods was notably strong over the final months of 2024. There is evidence, including in the University of Michigan's surveys of consumers, to suggest that consumers were pulling purchases of big-ticket items, including motor vehicles, forward into 2024 to avoid paying higher prices due to expanded tariffs in 2025. To the extent that was the case, there will naturally be payback in the early-2025 data. Our sense is that inventory accumulation, factory orders, and trade flows have been, and remain, similarly impacted by concerns over higher tariffs and, again, to the extent this was the case, there will of course be payback later this year. If we are correct on this point, there will be greater than normal volatility in much of the data over coming months, including measured real GDP growth.

The above few paragraphs may seem hard to reconcile with the heightened concerns we expressed in our first two paragraphs. Rather than attempting to explain away the recent run of "soft" data to make a case that all is well with the U.S. economy, the above few paragraphs are no more than our usual attempt to put the data into proper context. After all, how one feels about the economy should be determined by what is actually going on in the economy and not by, say, the size of a seasonal adjustment factor. Be that as it may, we did not find anything particularly amiss in the unadjusted January data, yet we are increasingly concerned over what we perceive to be mounting downside risks. In what follows we discuss what we see as the main downside risks.

Coming into this year, we pointed to a "higher for longer" interest rate profile as a downside risk to our baseline outlook, in that the longer interest rates remained elevated, the greater the toll that would take on economic activity. The housing market is the primary, but by no means the only, segment of the economy we thought vulnerable to elevated interest rates. Others include spending on consumer durable goods, capital spending amongst smaller-to-mid-sized firms, and those parts of commercial real estate and the nonfinancial corporate sector in which a sizable amount of debt will come due for refinancing in the months ahead.

One might think that the recent sharp decline in yields on longer-term U.S. Treasury securities, which will in turn put downward pressure on market interest rates such as mortgage interest rates, would eliminate worries over a "higher for longer" interest rate profile. We're not so sure. For one thing, the FOMC remains on hold, meaning benchmark interest rates such as the Prime Rate and SOFR have not changed, meaning companies borrowing at rates tied to these benchmarks will have seen no change in financing costs. Additionally, even to the extent that lower yields on U.S. Treasury securities have translated into some relief on mortgage interest rates and rates on consumer loans, such as auto loans, flagging consumer confidence could easily limit the extent to which lower interest rates will trigger an increase in economic activity. Granted, there is considerable debate as to whether, or to what extent, changes in consumer confidence lead to changes in spending decisions, particularly at present when there is such a stark divide in consumer confidence and inflation expectations along political party lines. Moreover, while consumer assessments of current conditions are not exactly upbeat, expectations of future conditions are far worse, which could be more meaningful when it comes to decisions on discretionary spending. While consumers' assessments of labor market conditions are holding up fairly well, that would change in short order were we to see a sharp and sustained increase in layoffs; at present, the rate at which workers are being laid off remains below pre-pandemic norms. In short, anything that makes consumers less confident in their own job and income prospects will, in our view, weigh on their discretionary consumer spending decisions.

One reason many have discounted the premise of links between changes in consumer confidence and consumer spending is the extent to which overall spending growth has been carried by those with higher incomes and higher levels of net worth. Significant asset price appreciation over recent years, including annual total-return increases of over twenty-five percent in the S&P 500 in both 2023 and 2024 and house price appreciation that has yielded the strongest equity positions on record in the Federal Reserve's "*Flow of Funds"* data, have unleashed powerful wealth effects that have been a key support for growth in consumer spending. Coming into this year, we did not flag negative wealth effects as a key downside risk to our baseline outlook. While no one expected, or should have expected, another year of equity returns of twenty-five percent or more, the expectation of more moderate, but nonetheless sustained, economic/earnings growth made returns in the mid-single digits a reasonable expectation. In turn, wealth effects figured to be tamer but nonetheless still supportive of consumer spending. Recent weeks, however, have called that premise into question, with equity prices being battered by concerns over the potential for higher tariffs to lead to flagging growth and higher inflation.

At the same time, house prices have been declining in many of the larger metro areas, particularly those in the Sun Belt, that over recent years had seen the most robust paces of price appreciation. To be sure, thus far declines have been modest, and there is little to suggest declines anywhere near the magnitude seen in the mid-2000s, but the point here is that even modest declines in house prices, particularly in conjunction with sagging equity prices, remove a key source of the positive wealth effects that have driven growth in consumer spending over the past several quarters. Granted, equity prices have, and will likely continue to, respond quickly to shifts in policy, actual or perceived, and recent declines could be reversed by further policy shifts. This suggests we should brace for equity prices to be highly volatile over coming months, which in and of itself could be sufficient to dampen wealth effects. At the same time lower mortgage interest rates are unlikely to trigger a renewed wave of house price appreciation.

It isn't just consumers that are feeling less upbeat about current and expected conditions. For instance, the ISM's February surveys of the manufacturing and services sector show uncertainty and/or concern over tariffs to be impacting decisions on purchases of non-labor inputs and orders for finished goods and services. To the extent tariffs lead to significant increases in input costs, which in many cases were rising in anticipation of higher tariffs, that could lead to substantial increases in prices for finished goods. Motor vehicle manufacturing is a prime example of highly interconnected supply chains across North America that could be disrupted by tariffs, which figures to, at least in the near term, push prices of motor vehicles sharply higher. Though there have been some cases of firms announcing they will bring production to the U.S. in response to higher tariffs, that is not something that happens quickly. Moreover, decisions on adding manufacturing facilities are made on very long-term time horizons, and there could be a sense that even if higher tariffs are not ultimately rescinded by the current administration, they could be by the next administration, and that expectation could lead firms to just ride out a period of higher tariffs. Either way, considerable uncertainty over the policy landscape is impacting capital spending decisions.

Flagging business confidence and concerns over the policy outlook could easily impact more than business capital spending. Coming into this year, we pointed to two main downside risks facing the labor market, one on the demand side, one on the supply side. On the demand side, we noted that should firms sense that demand is deteriorating, they could begin letting workers go, particularly to the extent that softening labor market conditions lessen the rationale for firms to engage in the labor hoarding behavior that we and many others have argued has been practiced in the post-pandemic years. Aside from the recently initiated reductions in the federal government workforce, there had been no evidence of significant and broadly based layoffs through the first two months of 2025, and the rate at which workers were being laid off was still below pre-pandemic norms.

That could change, quickly, given the potential spillover effects from cuts in federal government funding and employment and the potential that tariff wars adversely impact production of and demand for U.S. goods and services. We have for some time noted that the not seasonally adjusted weekly data on initial claims for unemployment insurance benefits was the single most important labor market indicator we were watching. Still, coming into this year, we were more concerned over the potential for changes in immigration policy to trigger an adverse labor supply shock which, in turn, could spark a new round of wage pressures.

That remains a concern, and we still expect to see a meaningfully slower pace of labor supply growth this year than seen over the past few years. While this would mitigate the extent to which the unemployment rate would rise due to mounting layoffs, we now see weakening demand for labor, as opposed to labor supply constraints, to be the more pressing downside risk to the labor market. One reason is that eroding demand for labor would likely be broadly based across a wide range of industry groups, whereas labor supply constraints stemming from immigration reform would be more concentrated amongst a smaller number of industry groups such as agriculture, construction, leisure and hospitality services, and transportation services.

At a time when the downside risks to growth are mounting, so too are the risks that inflation will be higher than we had expected coming into 2025. Our baseline outlook had inflation remaining above the FOMC's 2.0 percent target rate into 2027, and one factor supporting the "higher for longer" interest rate profile we flagged as a downside risk to growth was inflation remaining firmly above the FOMC's 2.0 percent target rate, with the prospect that changes to trade and immigration policy could push inflation even higher. Those fears have materialized fairly quickly. The ISM's February survey of the manufacturing sector showed prices of non-labor inputs to production had been rising in anticipation of higher tariffs, and further increases in prices of raw and intermediate inputs will, to varying degrees, be passed through the pipelines that lead to final goods and services. Should expanded tariffs on imports from Canada and Mexico be implemented, food prices (agricultural imports from Mexico) and energy prices (energy imports from Canada) would rise in short order, with subsequent impacts on prices in part depending on the retaliatory measures those nations may take.

Another downside risk we did not have on our scorecard at the start of 2025 is the fallout from cuts in federal government payrolls and spending and considerable uncertainty about what may come next. In and of itself, the push to streamline the size and scope of the federal government would not be sufficient to push the economy into recession. But, that this push comes at a time when the private sector has clearly lost momentum and consumer and business confidence are flagging could compound the impacts, particularly given the extent to which cuts in things like medical research grants spill over into the private sector. The ISM's February survey of the services sector showed effects along these lines, and it remains to be seen how hiring and spending in areas such as education and health services and professional, scientific, and technical services will fare in the months ahead.

The prospect of sharply slower growth, deteriorating labor market conditions, and higher inflation makes for a most uncomfortable FOMC. Thus far, messaging from many FOMC members is still focused on the need to push inflation closer to their 2.0 percent target, and it could be that they would see slowing growth and softer labor market conditions as having that effect. Moreover, it has been suggested that the FOMC may look through higher prices brought about by higher tariffs on the grounds that one-time price increases would ultimately wash out of the inflation data, though we suspect that consumers already struggling with the effects of cumulative price increases over the past few years would see absolutely no distinction.

Either way, if the economy continues along a path of slowing growth and faster inflation, at some point something will have to give, and we suspect that enough FOMC members becoming sufficiently concerned about deteriorating labor market conditions would pull additional Fed funds rate cuts forward. It is striking that, at least as evidenced by the sharp decline in yields on longer-term U.S. Treasury securities, market participants are thus far much more focused on the downside risks to growth. Then again, we'll reiterate a point we made earlier, which is that it is fair to wonder how much of an effect lower interest rates will have amid flagging consumer and business confidence.

What Lies On The Other Side?

While our baseline 2025 outlook anticipated a meaningfully slower pace of real GDP growth than seen in 2023 and 2024, including slower growth in consumer spending, that would have left the economy nowhere near recession. As things now stand, however, that is a much closer call, coming much sooner, than we and most others anticipated. To be sure, we do not yet know whether, to what extent, or for how long, the latest round of trade spats will stick, particularly to the extent that non-trade issues have been cited as the rationale for higher tariffs against Canada and Mexico. It does, however, seem safe to assume that, when all is said and done, tariffs will be higher and more broadly based, across goods and services as well as across geographies, than was the case at the start of 2025. Either way, the back-and-forth on tariffs and the blunt reductions, or at least the attempts at such, in federal government staffing and spending have fostered considerable uncertainty around the outlook for the economy and have contributed to heightened volatility in financial markets.

While it may seem that there is little, if any, rhyme or reason in what are potentially seismic shifts in policy, it is worth considering what the ultimate objectives may be. Our sense is that one objective is to reorient the economy in a manner that heavily scales down the public sector's influence on resource allocation and investment flows in favor of more market-based outcomes. Another objective, and one that is quite clear, is to exercise greater control over immigration flows. It could be argued that the focus on increasing manufacturing activity within the U.S. is at least in part aimed at restoring middle-class jobs and improving the fortunes of many who have felt increasingly left out of the economy for quite some time. Lower interest rates, a weaker U.S. dollar, a less onerous regulatory environment, and lower tax burdens are all seen as key pillars of this vision, and one additional objective is putting the U.S. on a more sustainable fiscal path.

To the extent our interpretation is on base, that would be a major adjustment, not all of which would happen quickly. That said, the first steps toward implementing that vision have been taken at a dizzying pace, which has contributed to heightened uncertainty amongst consumers and businesses and volatility in the financial markets. Additionally, that the costs of this adjustment, in the form of higher prices stemming from expanded tariffs, cuts in federal government jobs and funding, and an as of yet unclear degree of spillover into the private sector, are being felt immediately while the benefits would come further down the road is contributing to the greater sense of unease and uncertainty that could easily be weighing on spending, hiring, and investment decisions. Indeed, Treasury Secretary Bessent has been making comments seemingly aimed at preparing the public for an adjustment period that may entail short-term pain for longer-term gain.

It is not our place here to offer opinions on either the objectives, at least as we perceive them, or the manner in which they are being pursued. It is, however, our task to interpret the impacts on the economy, a task made more difficult by what remains a low degree of clarity on the ultimate path of policy. We do, however, think it fair to offer a few observations. For instance, while offering a vision of what the economy may ultimately look like may be intended to help make the costs of the transition more tolerable, those being impacted are unlikely to agree. Or as we like to note, it's not the steady states – to the extent there are such things in a dynamic economy – that get you, it's the transitions between steady states that get you every time. We'd also note that it's never a good idea to assume you have more control than you actually have, a general rule clearly applicable to policy making.

As those observations apply here, in the context of an economy that was already slowing, a labor market that was already cooling, and an increasing, and increasingly broad based, degree of financial stress stemming from the cumulative effects of price increases over the past few years, implementing policies that are likely to exacerbate these patterns could easily make consumers and businesses lose sight of whatever may lay on the other side. Significant cuts in federal government employment at a time when job growth has not only been slowing but has also been highly concentrated amongst a small number of industry groups raises the question of whether, or at least when, those displaced workers will be reabsorbed into the workforce. Cuts in grants/research funding pose downside risks to private sector employment in education, research, and health care. Uncertainty over trade policy is weighing on businesses looking to make decisions on hiring and capital spending, meaning such decisions could be deferred until there is more clarity on the policy front. Concerns over the effects of immigration reform on labor supply are making it harder for many businesses to plan. All of this is clearly taking a toll on consumer and business confidence, and while many question the link between confidence and spending/investment/hiring, it could be that those links are stronger in the current environment, given the heightened uncertainty, than would otherwise be the case. Against this backdrop, further declines in equity prices cannot be ruled out which, if to a sufficient degree, could easily trigger negative wealth effects that would act as a meaningful drag on discretionary consumer spending.

This covers much of the list of downside risks we discussed earlier, and if enough of these risks materialize to a sufficient degree, that would pose a threat to the current economic expansion. So, while we do not at present anticipate the economy sliding into recession, we do think the probability of that outcome has risen, and we do expect slower growth and higher inflation than we expected coming into this year. Some are wondering whether recession would be considered an acceptable outcome given that a recession would be accompanied by lower interest rates, a weaker dollar, and a smaller government sector, all of which are considered pillars of the effort to reorient the economy. While we, and probably many others, would prefer to not actually have to, we may ultimately have to find out the answer to that question.

Being Led Astray By Tracking?

At a time of increasing concern over the growth prospects for the U.S. economy, the Federal Reserve Bank of Atlanta's "*GDPNow*" model caused quite a stir when it's tracking estimate of Q1 real GDP took a tumble, with an estimate of 2.3 percent growth turning into an estimate of a 1.5 percent contraction which itself turned into an estimate of a 2.8 percent contraction (annualized rates) in the span of little more than a week. As of the March 6 update, *GDPNow* was tracking Q1 real GDP as declining at an annual rate of 2.4 percent. This has contributed to fears that the economy is heading towards a recession, and while this may seem right in line with the concerns we discussed above, we would not agree with that assessment. Given the considerable attention given to the Atlanta Fed's tracking model in any given quarter, we think it worth making some general points about tracking estimates and pointing out why we think *GDPNow* is meaningfully overstating the drag from trade in the Q1 GDP data.

First and foremost, tracking estimates are not forecasts and, as such, comparing an evolving tracking estimate to a static forecast is not a valid comparison. As the name implies, tracking estimates are running estimates, in this case of real GDP growth, based on the available data for a given period, in this case Q1 2025. Any tracking estimate of real GDP growth in any given quarter will be highly volatile early in that quarter given the limited number of observations available to feed into the model. For instance, as of the end of the first week of March, we have pretty much the full complement of economic data for the month of January, subject to the inevitable revisions, and a few data points for the month of February. As we move through March and into April, the swings in tracking estimates of Q1 real GDP will be much less pronounced than those seen thus far.

Second, pretty much everyone has their own tracking estimate, but that does not mean every tracking estimate yields the same result at the same point in time. For instance, as of their March 7 updates, the St. Louis Fed's *Real GDP Nowcast* was tracking Q1 real GDP growth at 2.5 percent and the New York Fed's *Staff Nowcast* was tracking Q1 real GDP growth at 2.7 percent. So, while tracking estimates incorporate the incoming data, the way they do so and how they extrapolate that out through the remainder of the quarter varies, often considerably as we note here. For whatever reasons, the Atlanta Fed's *GDPNow* gets the most notice but clearly does not reflect any sort of consensus view, or consensus tracking estimate, and there is just as much variance amongst private sector trackers. Moreover, even though tracking estimates tend to come closer the further into the data we get for any given quarter, they still do not yield uniform estimates of real GDP growth upon the final updates.

So, sure, our estimate of GDP growth, or contraction, in any given quarter will evolve along with the flow of the economic data, but we do not feel compelled to note that in each write-up of the data that we put out. Given the extent to which tracking estimates are mistaken for forecasts, and the magnitude of swings in tracking estimates earlier in any given quarter, it isn't clear to us that publishing tracking estimates adds more in clarity than it causes in confusion. And, no, the Atlanta Fed is not forecasting that real GDP will contract at an annual rate of 2.4 percent in Q1, which they state on their web site. Instead, that is the March 6 update of their Q1 tracking estimate.

As to that Q1 tracking estimate, the January data on international trade took a heavy toll, first seen on February 28 with the release of the advance trade data and then refined on March 6 with the release of the final trade data. Imports into the U.S. surged in January, yielding the largest monthly trade deficit on record in the current series. In the *GDPNow* model, the surge in the trade deficit in January knocked 3.84 percentage points off the estimate of Q1 real GDP growth, in other words, more than fully accounting for the estimated contraction in real GDP in Q1. To our point about tracking estimates, the hit to trade will almost surely be softened given that the trade deficit will likely be smaller, considerably so, in the February and March data, but *GDPNow* is making no such assumptions, hence the considerable drag from trade.

We think, however, that *GDPNow* is not accounting for the surge in imports in the manner in which it will be accounted for in the GDP data, and we also think that many private sector analysts are failing to make the same distinction. In both the December 2024 and the January 2025 data, a surge in imports was largely driven by imports of "industrial supplies and materials." The common narrative is that the spikes in imports in this broad category in December and January reflected firms pulling purchases of raw materials and intermediate goods from abroad forward to avoid higher tariffs in the months ahead.

On the surface, that seems highly plausible, and there is evidence of firms engaging in such behavior. But, as our regular readers well know, we simply cannot help ourselves, and upon seeing changes of this magnitude in any data series, we cannot resist the urge to dig into the details of the data. In the case of the trade data, the details show that roughly eighty-eight percent of the combined December-January increase in imports of industrial supplies and materials is accounted for by "finished metal shapes," or, in common parlance, gold, imported from Switzerland, and the increase in January is far larger than that seen in December.

Why this matters is that, as we understand their methodology and their explanation when we queried them on this point, imports of gold held in investment accounts are not included in the BEA's measure of imports in the GDP data. If we are correct on this point, while a wider trade deficit will be a drag on Q1 real GDP growth, the magnitude of that drag will be nowhere near as large as implied by *GDPNow* and as is being assumed in many forecasts of Q1 real GDP. Moreover, even if we are wrong on this point and these imports of gold (what triggered this rush of imports is another story for another day) do make their way into the Q1 GDP data, that would tell us absolutely nothing about underlying economic conditions. So, sure, real GDP contracting, perhaps significantly, in Q1 would add to already mounting fears over the outlook for the U.S. economy, but there would be little in the Q1 GDP data to would warrant that concern.

Under the heading of for what it's worth which isn't much, at present we anticipate real GDP growth of 1.4 percent, annualized, in Q1. To be sure, that forecast will evolve with the flow of incoming economic data, but at this point it would be hard to get to an actual contraction in real GDP in Q1. Subsequent quarters, however, could easily prove to be a different story, which is where we began this discussion.

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REGIONS

March 2025

Q3 '24 (a)	Q4 '24 (p)	Q1 '25 (f)	Q2 '25 (f)	Q3 '25 (f)	Q4 '25 (f)	Q1 '26 (f)	Q2 '26 (f)		2022 (a)	2023 (a)	2024 (p)	2025 (f)	2026 (f)
3.1	2.3	1.4	1.1	0.9	1.4	1.7	2.1	Real GDP[1]	2.5	2.9	2.8	1.8	1.7
3.7	4.2	1.5	1.4	1.0	1.2	1.7	2.0	Real Personal Consumption[1]	3.0	2.5	2.8	2.2	1.7
4.0	-3.2	3.9	0.9	1.3	2.5	3.6	3.5	Real Business Fixed Investment[1]	7.0	6.0	3.6	1.6	3.0
10.8	-9.0	8.0	-1.0	-0.6	1.7	4.7	4.5	Equipment[1]	4.4	3.5	3.3	1.9	3.2
3.1	0.0	3.3	3.8	4.0	4.4	4.6	4.9	Intellectual Property and Software[1]	11.2	5.8	3.9	2.7	4.6
-5.0	1.1	-2.3	-1.4	-1.1	-0.2	-0.9	-1.9	Structures[1]	3.6	10.8	3.4	-1.4	-1.3
-4.3	5.4	2.1	0.6	-1.1	-0.3	-0.1	0.7	Real Residential Fixed Investment[1]	-8.6	-8.3	4.2	0.7	0.0
5.1	2.9	0.4	-0.9	0.1	1.2	1.0	0.8	Real Government Expenditures[1]	-1.1	3.9	3.4	1.3	0.6
-1,069.2	-1,061.4	-1,204.9	-1,078.2	-1,094.1	-1,092.4	-1,097.1	-1,104.7	Real Net Exports[2]	-1,041.7	-932.8	-1,035.8	-1,117.4	-1,106.5
971	1,016	1,004	977	966	956	951	949	Single Family Housing Starts, ths. of units[3]	1,006	948	1,013	976	949
361	372	375	378	382	388	391	393	Multi-Family Housing Starts, ths. of units[3]	546	473	354	381	394
3.6	3.3	3.1	2.8	2.3	1.6	1.1	1.2	CoreLogic House Price Index[5]	13.0	4.1	4.2	2.4	1.4
15.6	16.5	16.0	15.9	15.6	15.6	15.7	15.8	Vehicle Sales, millions of units[3]	13.8	15.5	15.8	15.8	15.9
4.2	4.1	4.1	4.2	4.2	4.3	4.3	4.3	Unemployment Rate, %[4]	3.6	3.6	4.0	4.2	4.3
1.3	1.2	1.2	1.0	0.9	0.7	0.5	0.5	Non-Farm Employment[5]	4.3	2.2	1.3	0.9	0.5
0.2	2.5	3.4	0.8	-0.1	1.6	3.4	2.5	Real Disposable Personal Income[1]	-5.6	5.1	2.7	1.7	2.1
2.3	2.5	2.6	2.7	3.1	3.2	2.9	2.7	GDP Price Deflator[5]	7.1	3.6	2.4	2.9	2.5
2.3	2.5	2.4	2.5	3.1	3.2	3.0	2.8	PCE Deflator[5]	6.6	3.8	2.5	2.8	2.5
2.7	2.7	2.8	3.0	3.6	3.6	3.2	2.9	Consumer Price Index[5]	8.0	4.1	3.0	3.2	2.7
2.7	2.8	2.6	2.6	2.9	2.9	2.8	2.7	Core PCE Deflator[5]	5.4	4.1	2.8	2.8	2.5
3.3	3.3	3.1	3.2	3.4	3.3	3.0	2.8	Core Consumer Price Index[5]	6.2	4.8	3.4	3.3	2.7
5.31	4.69	4.38	4.38	4.20	3.95	3.84	3.63	Fed Funds Target Rate Range Mid-Point, %[4]	1.73	5.07	5.19	4.23	3.68
3.95	4.28	4.47	4.30	4.34	4.40	4.47	4.60	10-Year Treasury Note Yield, %[4]	2.95	3.96	4.21	4.38	4.63
6.51	6.63	6.84	6.65	6.66	6.67	6.71	6.79	30-Year Fixed Mortgage, %[4]	5.34	6.81	6.72	6.70	6.80
-3.8	-4.2	-3.5	-3.2	-3.4	-3.2	-3.1	-3.1	Current Account, % of GDP	-3.9	-3.3	-3.4	-3.3	-3.2

a = actual; f = forecast; p = preliminary

Notes: 1 - annualized percentage change 2 - chained 2017 $ billions 3 - annualized rate 4 - quarterly average 5 - year-over-year percentage change

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