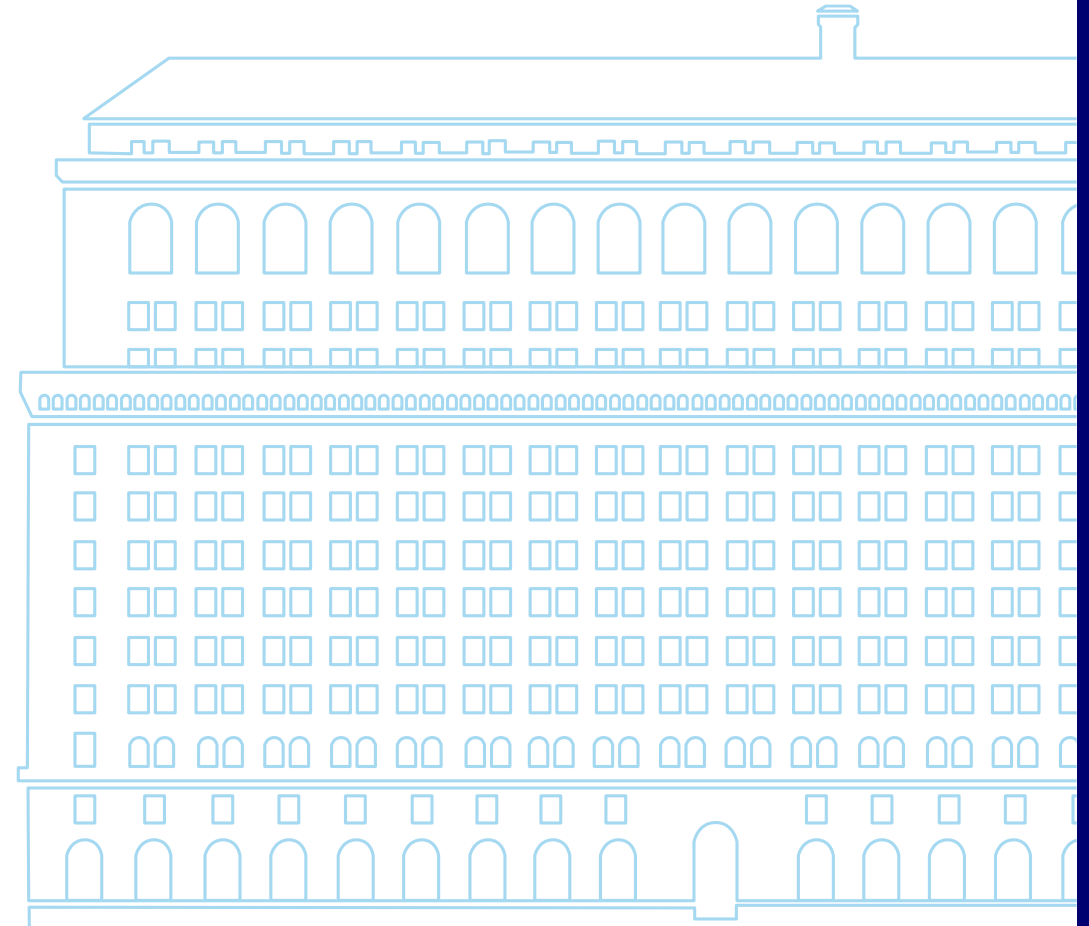


U.S. Economic Outlook

Thomas Klitgaard

May 14, 2025



The views expressed are those of the speakers, and do not necessarily reflect the position of the New York Fed or the Federal Reserve System.

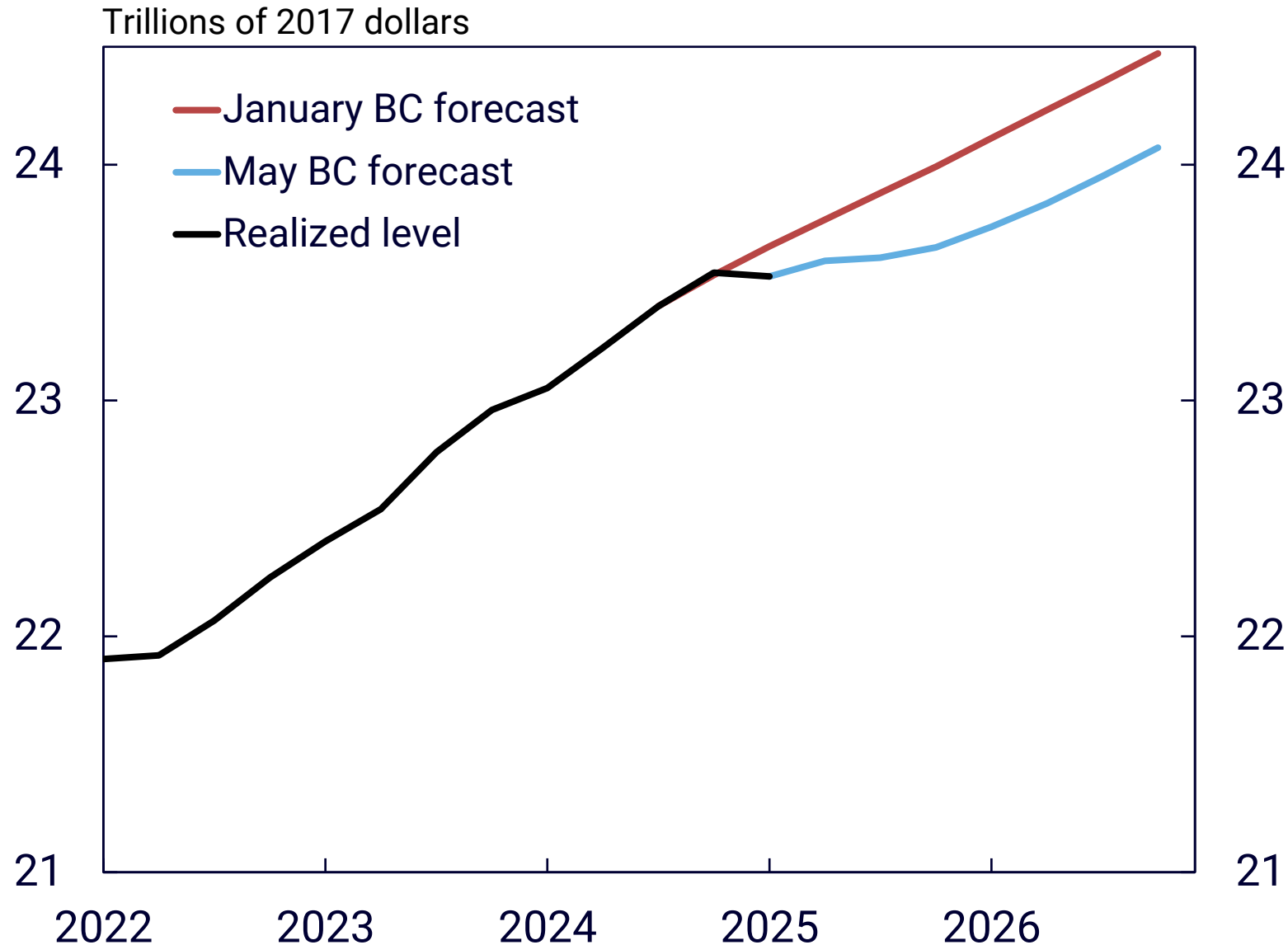
Overview

- Growth is expected to slow significantly.
 - Tariffs will push prices higher.
 - Wait-and-see behavior is a drag on spending.
- The unemployment rate is set to rise.
 - The rate has been stable and low in recent years.
- Tariffs will add to inflation in the near term.
 - Cost-push inflation instead of demand driven.

GDP forecasts have shifted down

Economic activity

- Slower growth is expected this year.
- Higher prices from tariffs and heightened uncertainty are expected to restrain spending.
- Average of private forecasts for 2025 shifted down from 2.0% in January to 0.5%.

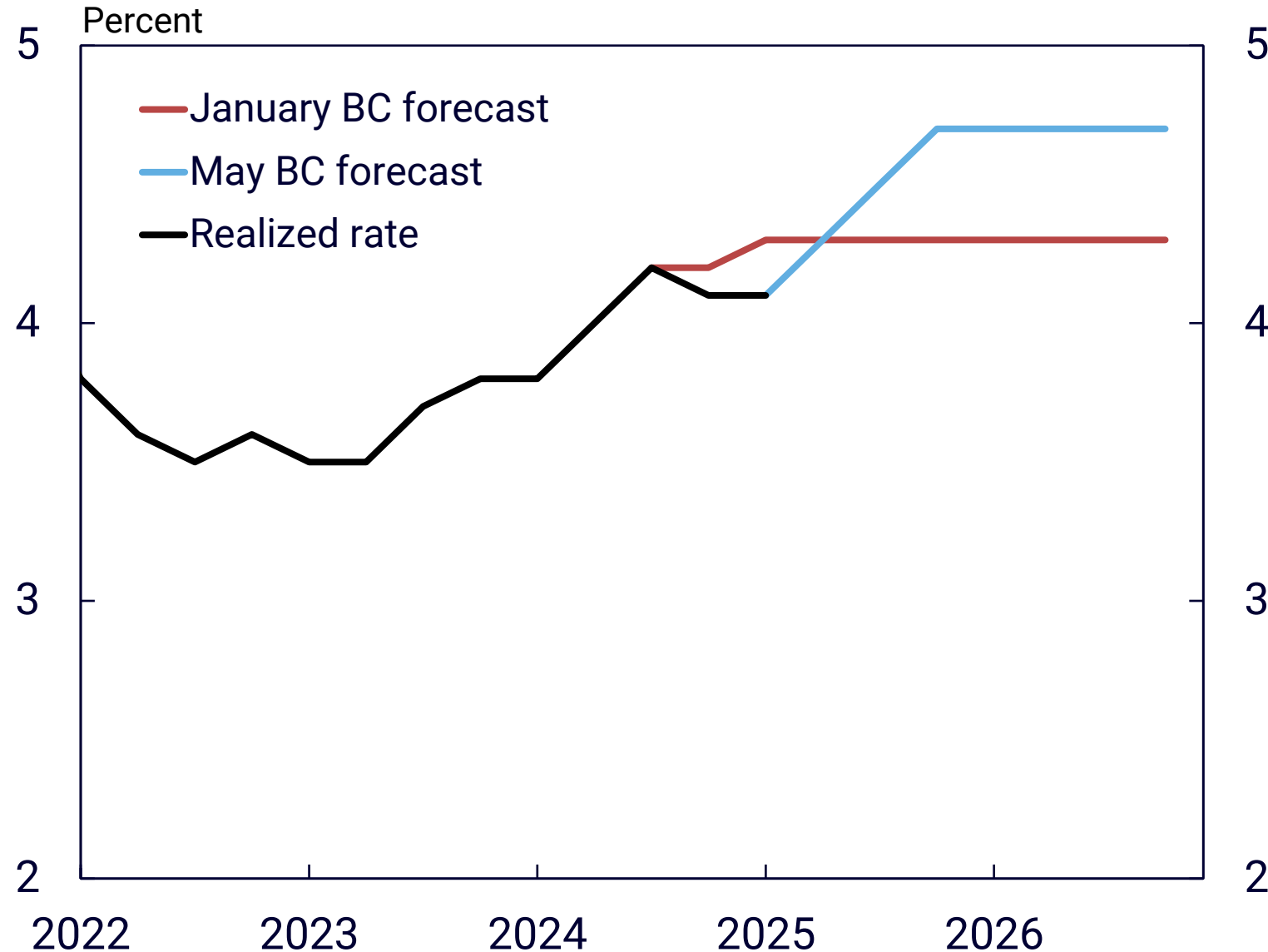


Sources: Blue Chip Economic Indicators, Bureau of Economic Analysis via Haver Analytics

Slower growth pushes the unemployment rate up

Labor market

- Unemployment rate has been near 4 percent since 2021.
- A forecasted slowdown pushes up the expected unemployment rate.
- Business cycle dynamics: A rising rate fosters more weakness in spending.

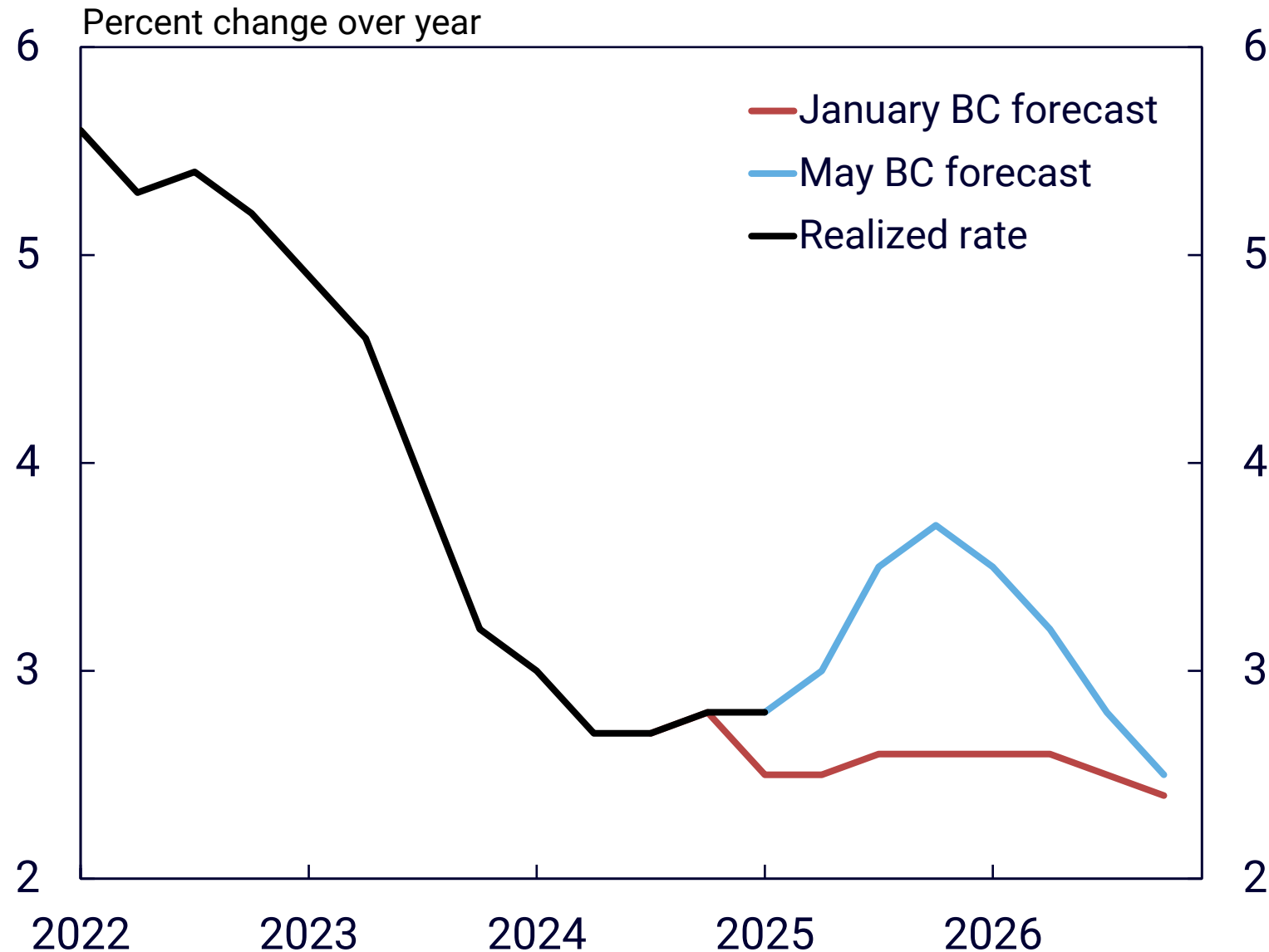


Sources: Blue Chip Economic Indicators, Bureau of Labor Statistics via Haver Analytics

Core PCE inflation set to move higher

Inflation

- Little historical experience to guide inflation forecast.
- How much will be absorbed in the profit margins of foreign and domestic firms?
- Will prices rise for goods and services not relying on imports?



Sources: Blue Chip Economic Indicators, Bureau of Economic Analysis via Haver Analytics

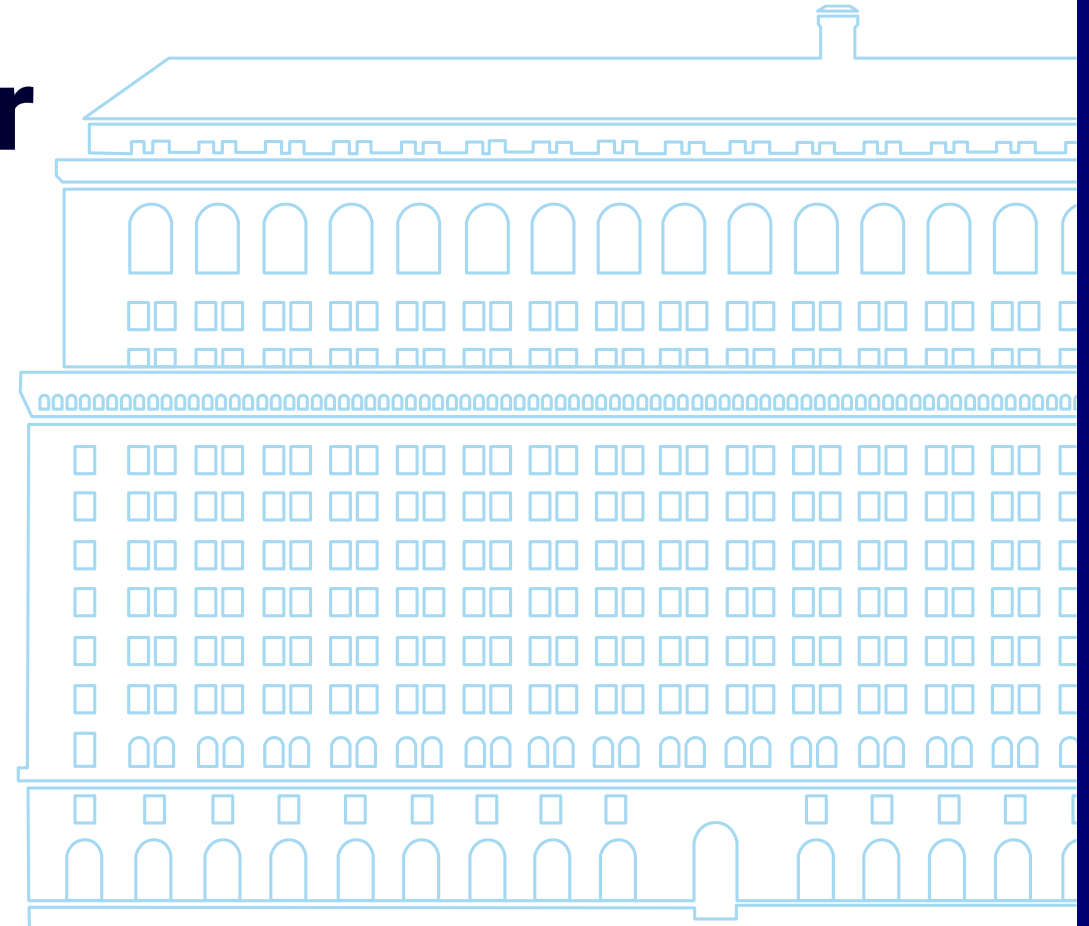
Concluding Observations

- Heightened uncertainty hurts growth by delaying spending.
- Tariffs put upward pressure on prices and downward pressure on spending.
- Slowdown will be moderated if consumers prove resilient to higher prices.

Household Balance Sheets and Consumer Expectations

Wilbert van der Klaauw

May 14, 2025



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Overview of household finances

- Household balance sheets remain solid overall
... but with some signs of weakening
- The consumer near-term outlook has deteriorated in recent months
... in inflation, spending, labor, and credit market expectations
- Longer-term consumer inflation expectations remain well-anchored

Household balance sheets remain solid overall

- Owners' home equity remains near all-time high
- Despite recent decline in stock values, stock wealth remains above year-ago level
- Debt as share of household income remains relatively low and stable
- The rate of unemployment remains low, real earnings growth solid

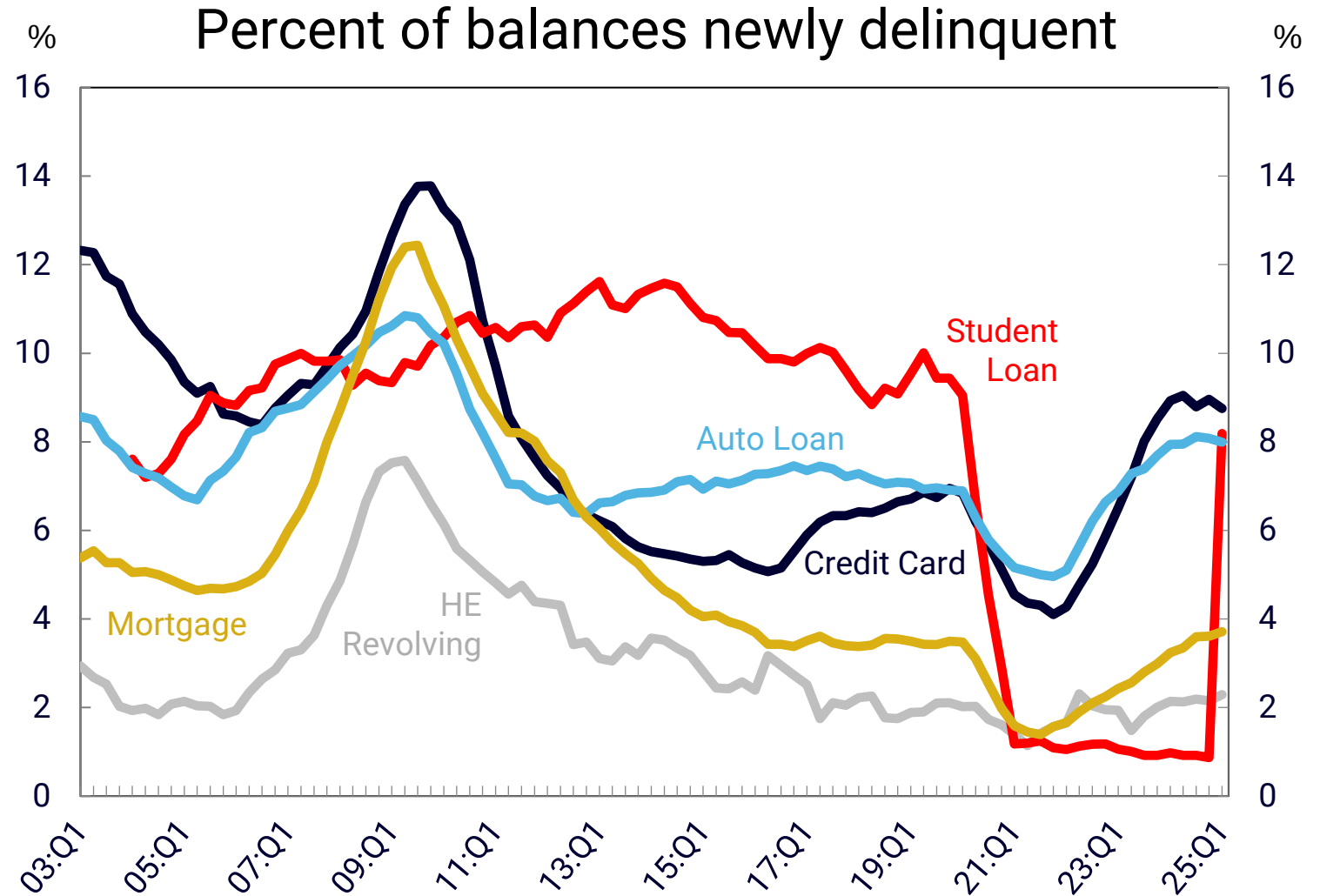
But seeing signs of weakening

Auto loan and credit card delinquency rates stabilizing but much higher than pre-pandemic for:

- Those living in lower income areas
- Millennials

With end of student loan moratorium, student loan delinquency rates are surging

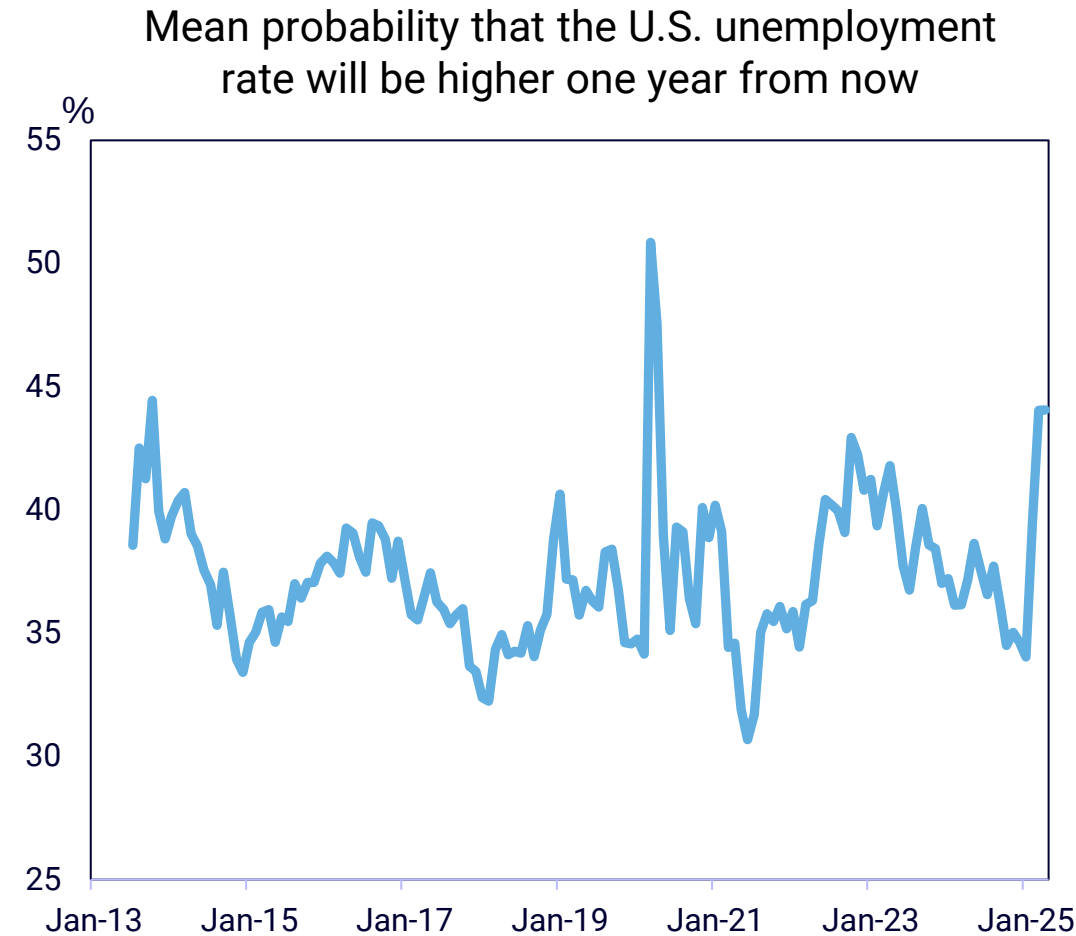
- Likely to see secondary effects on other delinquency rates



Source: New York Fed Consumer Credit Panel/Equifax

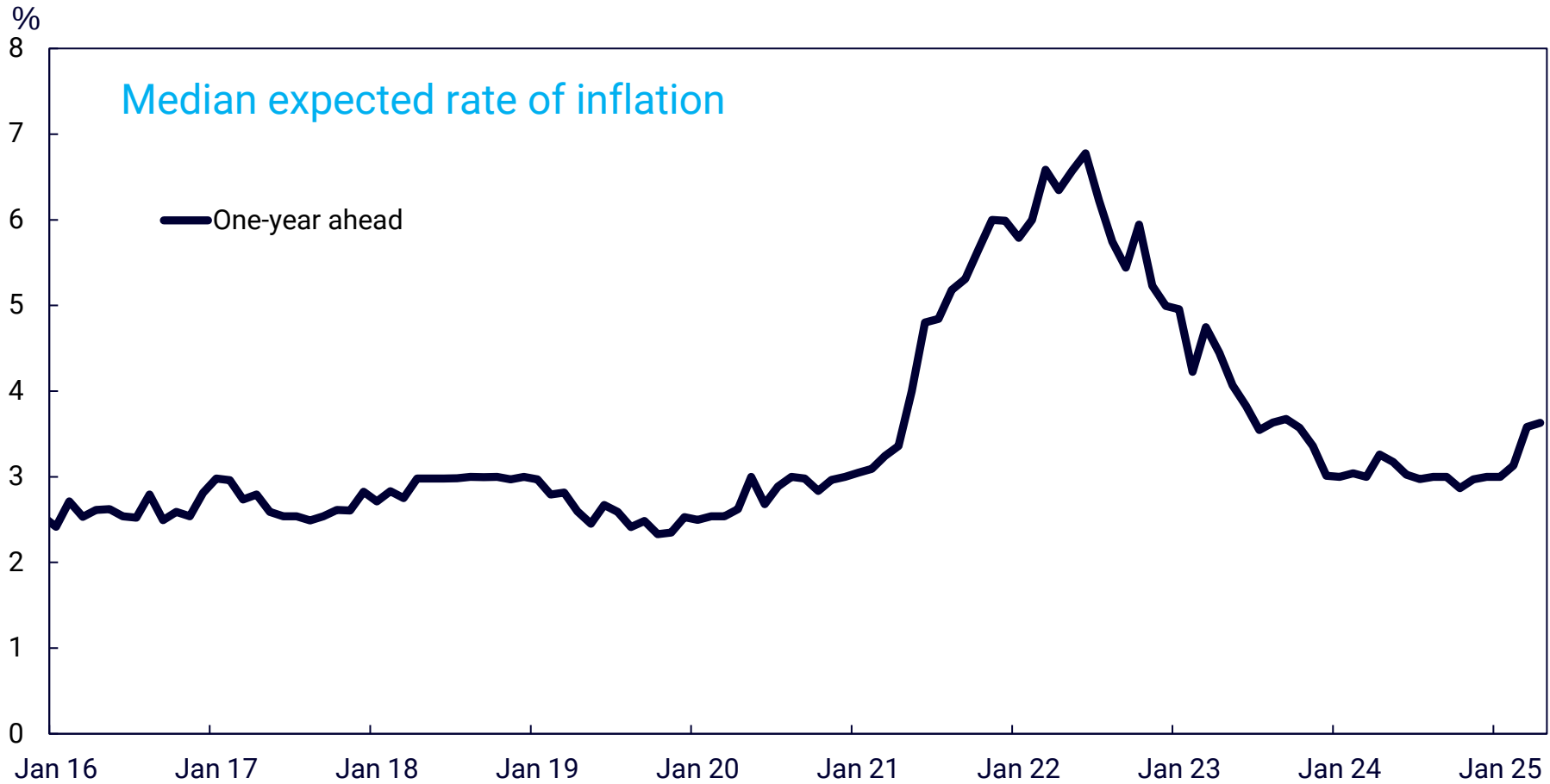
Note: 4 Quarter Moving Sum

Consumer outlook has weakened in recent months



Source: **New York Fed Survey of Consumer Expectations**

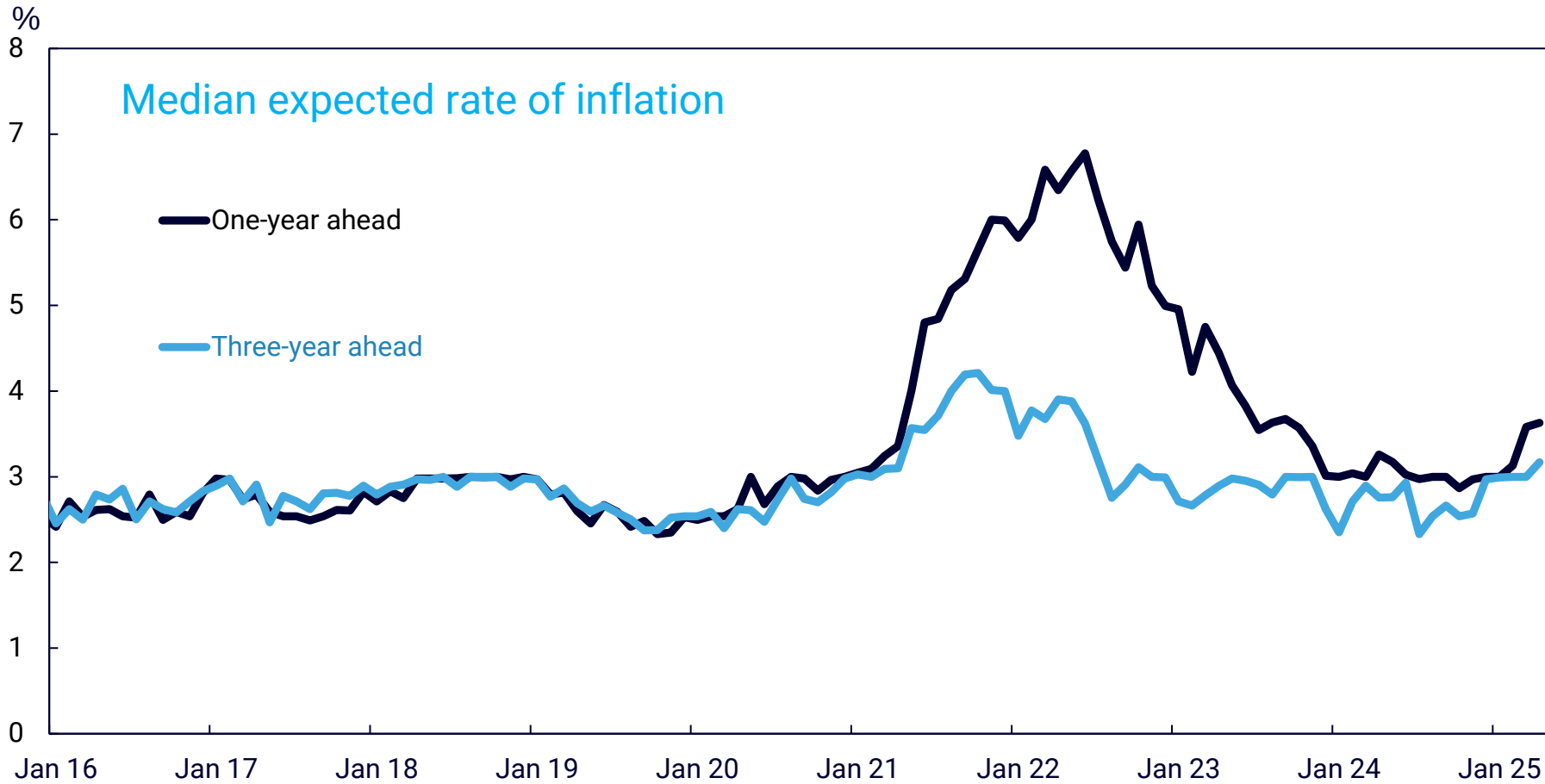
Near-term inflation expectations rising...



Source: **New York Fed Survey of Consumer Expectations**

Near-term inflation expectations rising...

but longer-term inflation expectations remain well-anchored



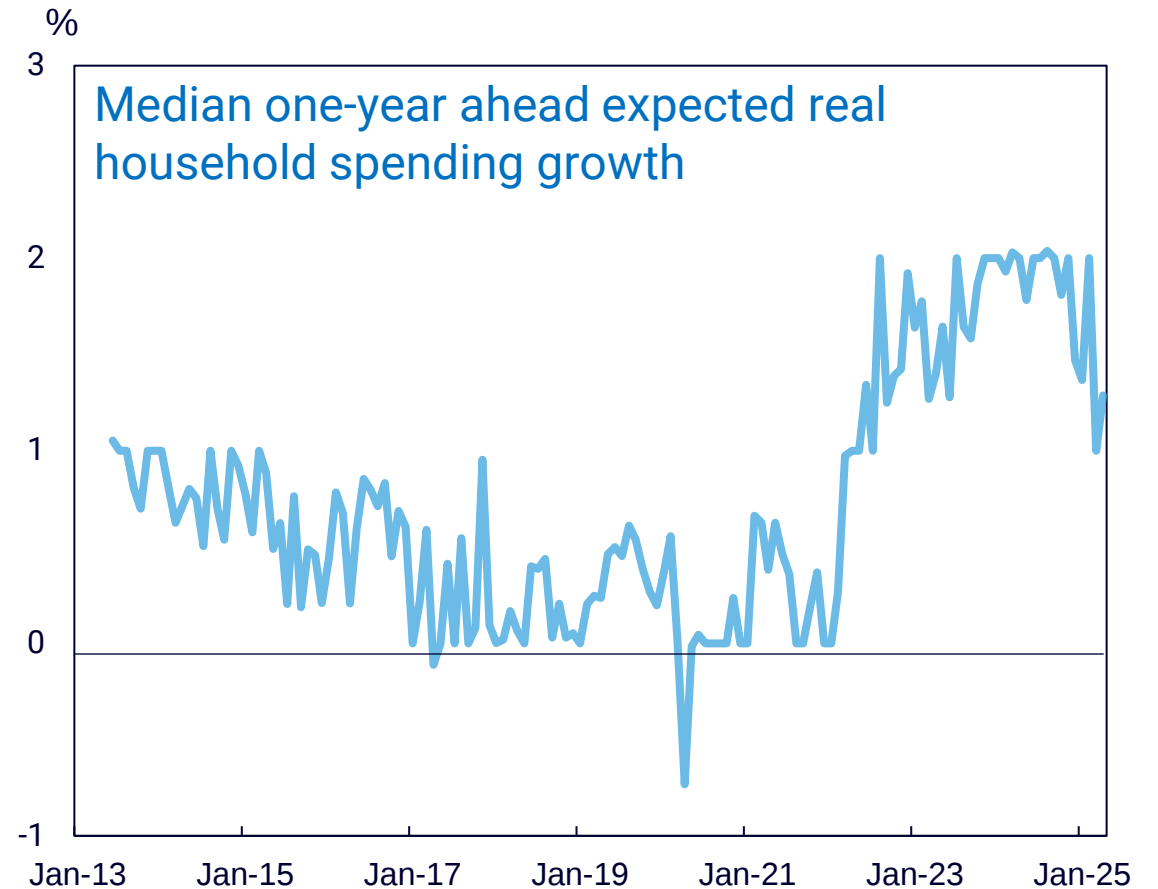
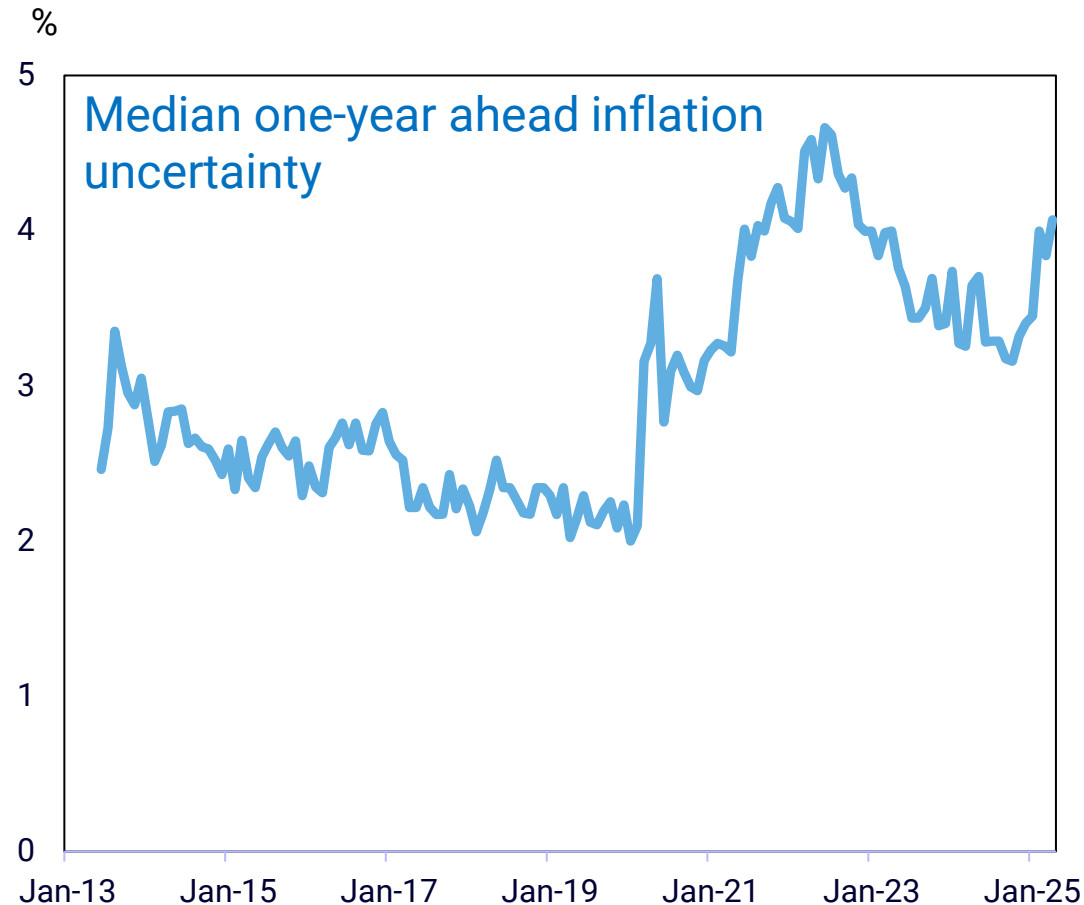
Source: **New York Fed Survey of Consumer Expectations**

...with softening in labor and credit market expectations...



Source: New York Fed Survey of Consumer Expectations

... and increased inflation uncertainty and decreased expected real spending growth.



Source: New York Fed Survey of Consumer Expectations

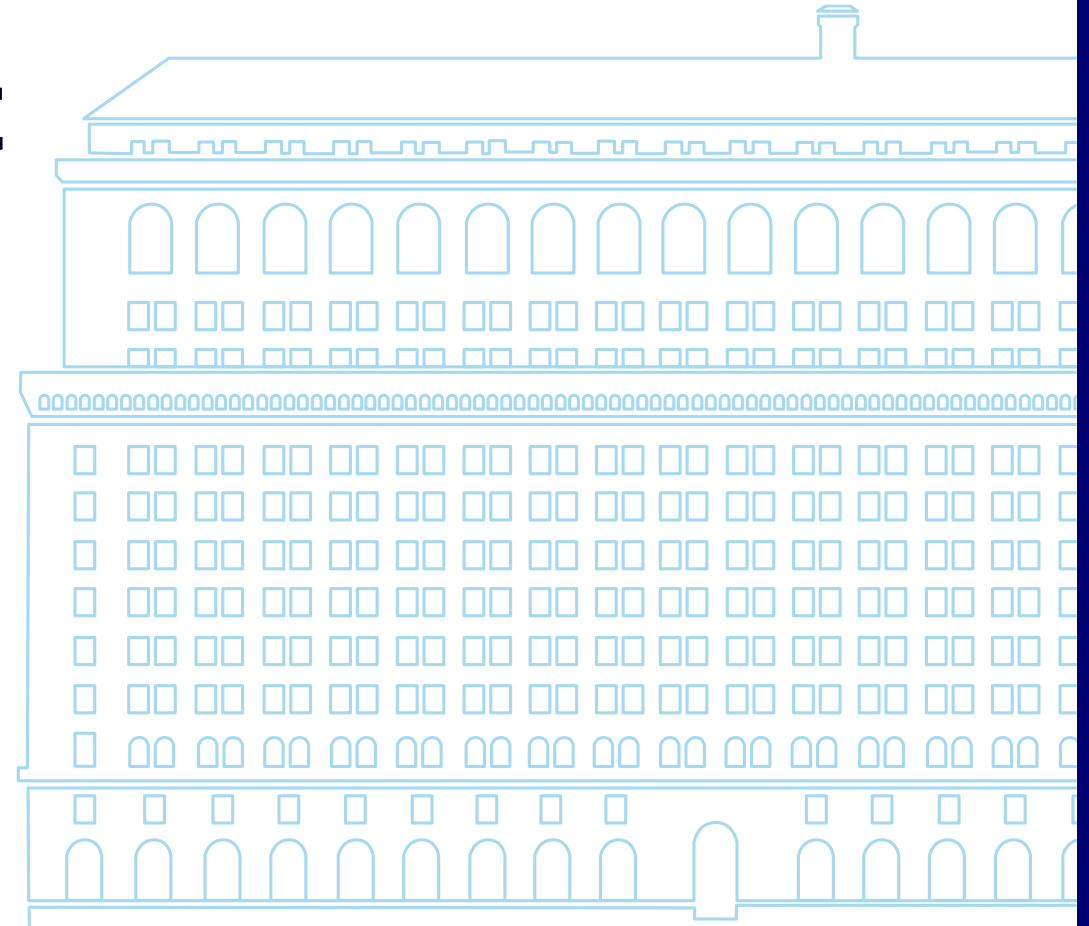
Summary

- Household balance sheets remain solid overall, but elevated loan delinquency rates point to some distress
- The consumer near-term outlook has deteriorated sharply in recent months, while longer-term consumer inflation expectations remain well-anchored
- Will continue to monitor consumer expectations and behavior in months ahead

Economic Conditions in the Second District

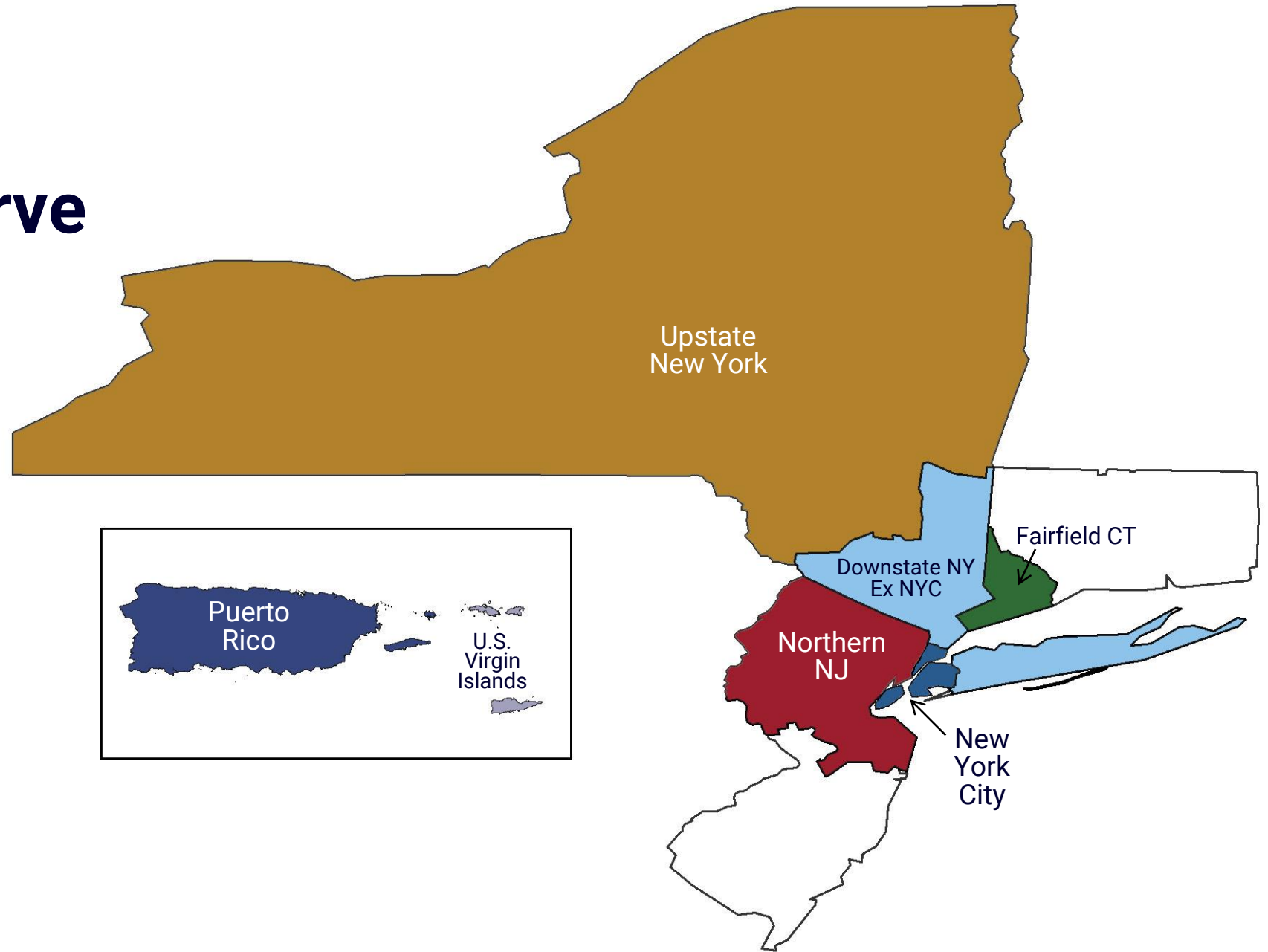
Joelle Scally

May 14, 2025



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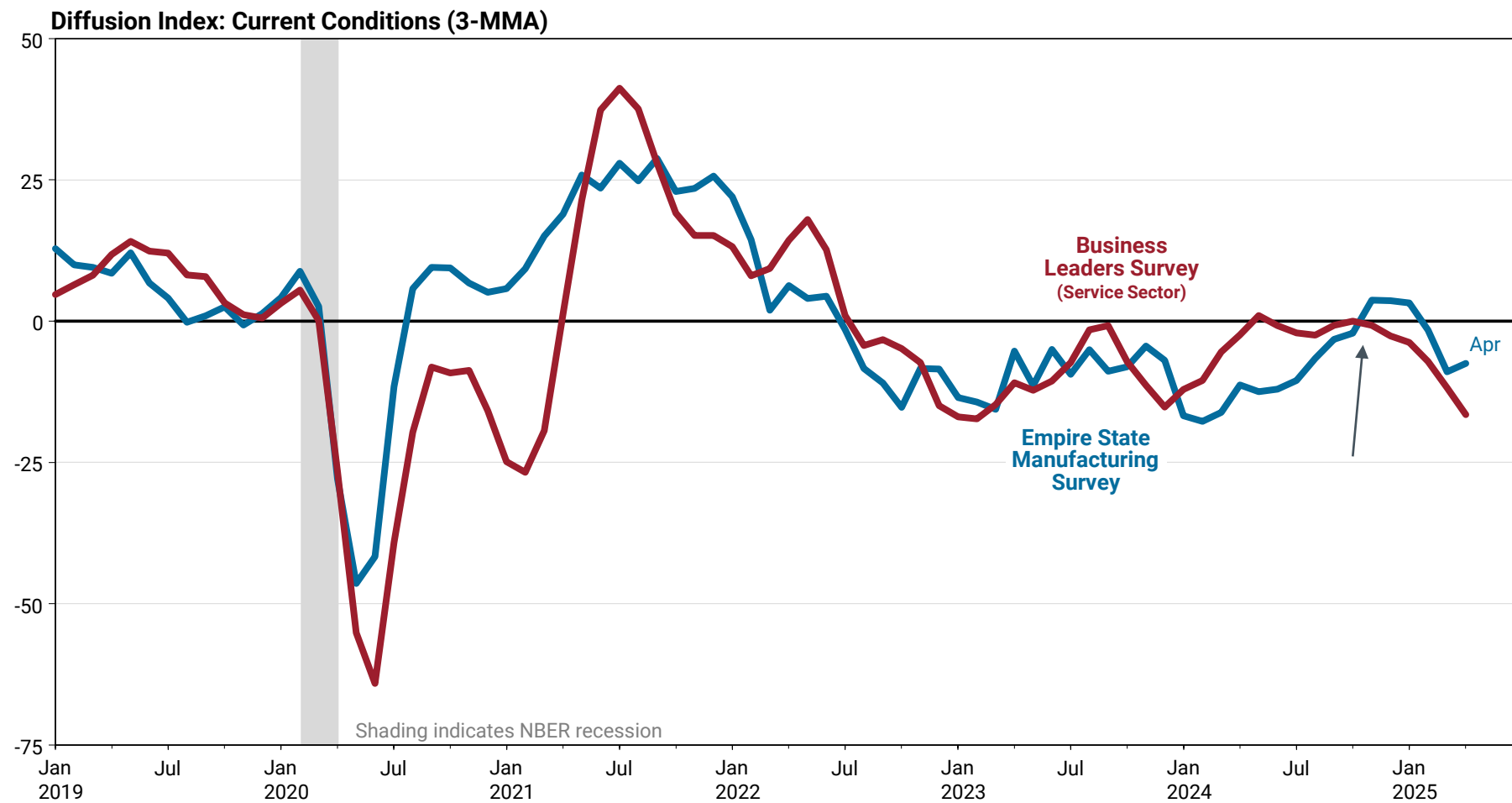
The Second Federal Reserve District



Overview

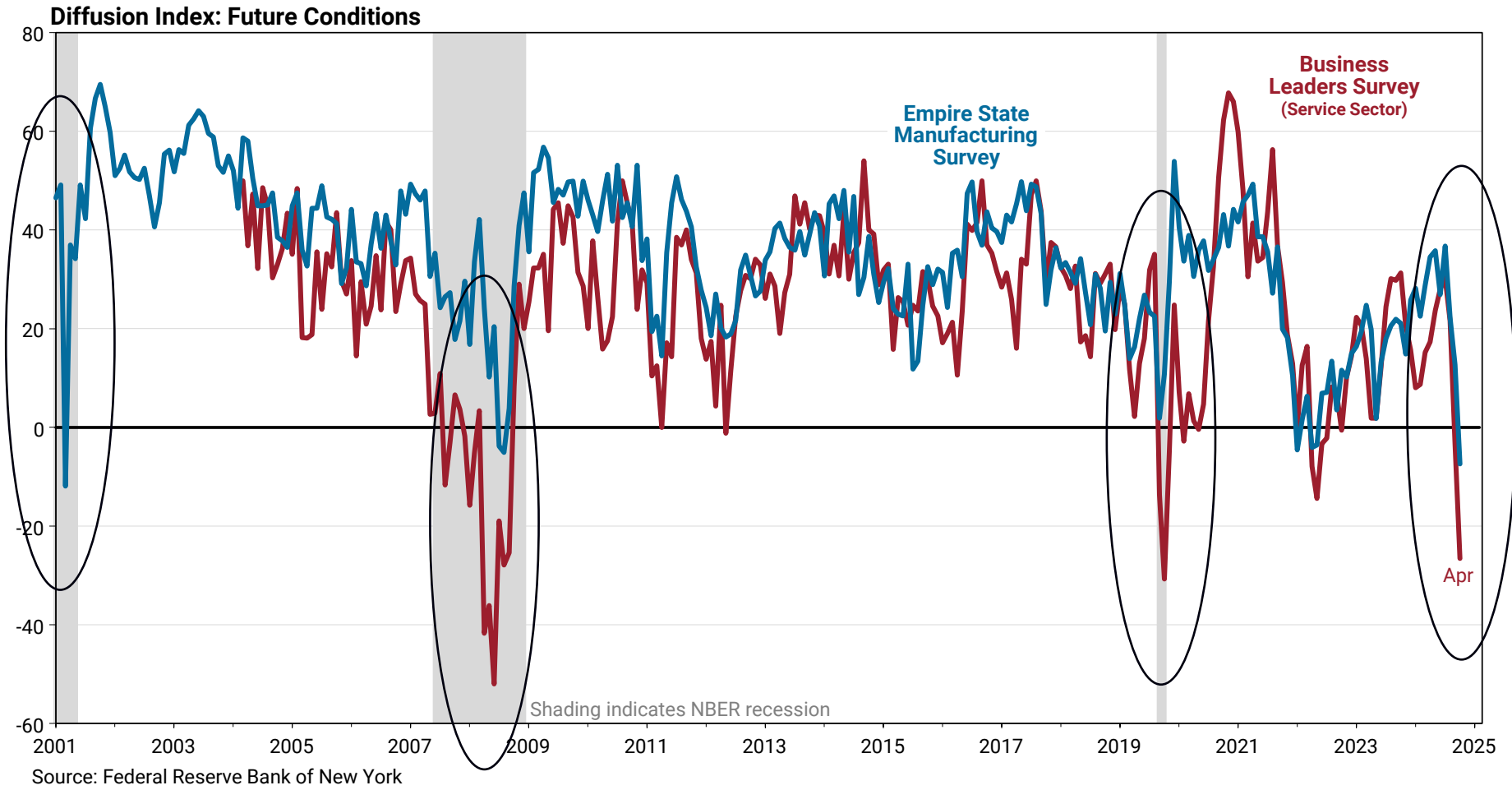
- Business activity in the region has declined modestly
...and firms have turned pessimistic about the outlook.
- Most parts of the District have seen employment growth.
- Delinquencies have mostly leveled off.
- There are signs of rising prices and worsening supply availability.

Regional economic activity has declined recently

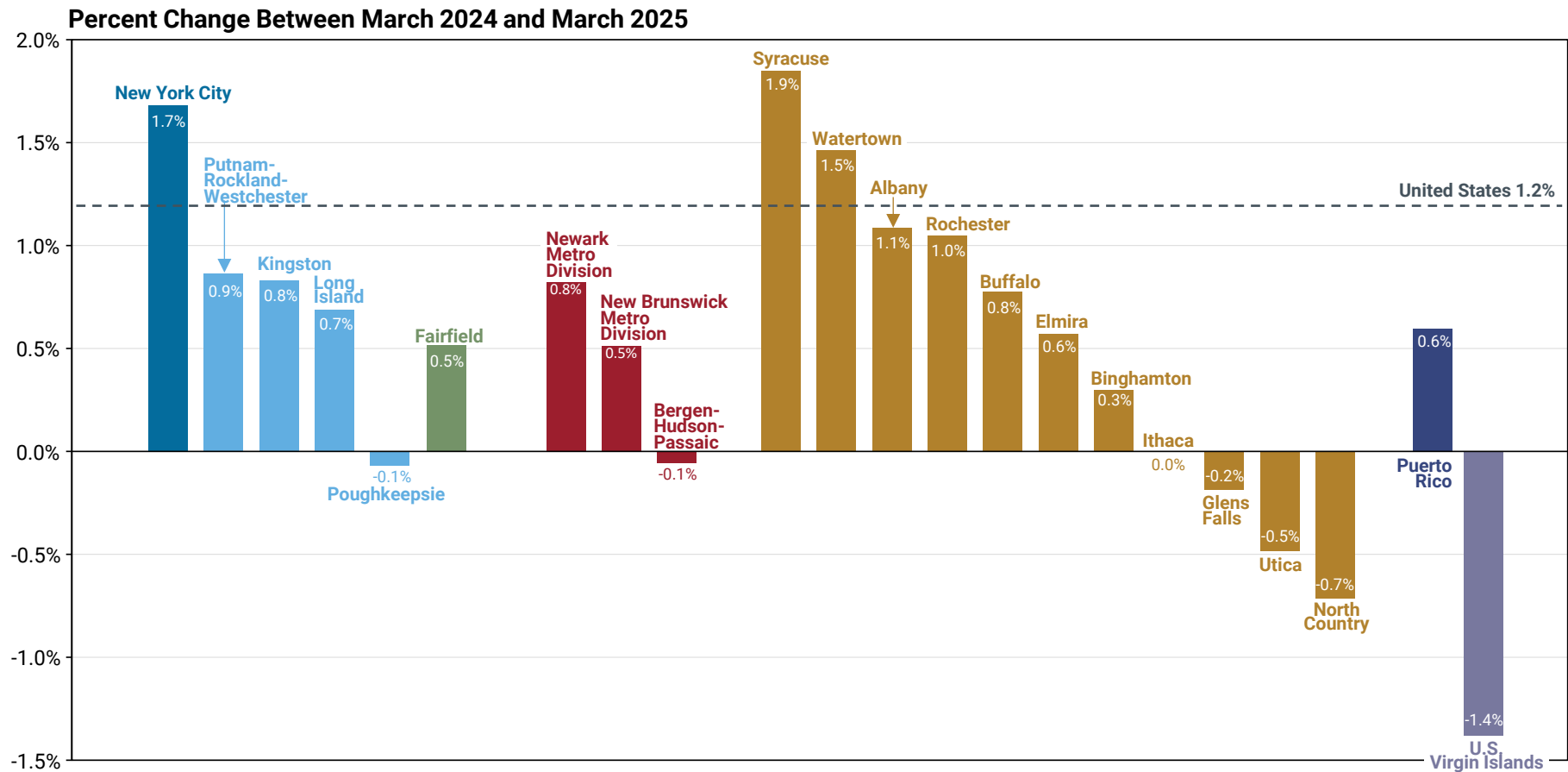


Source: Federal Reserve Bank of New York

Businesses are rarely *this* pessimistic

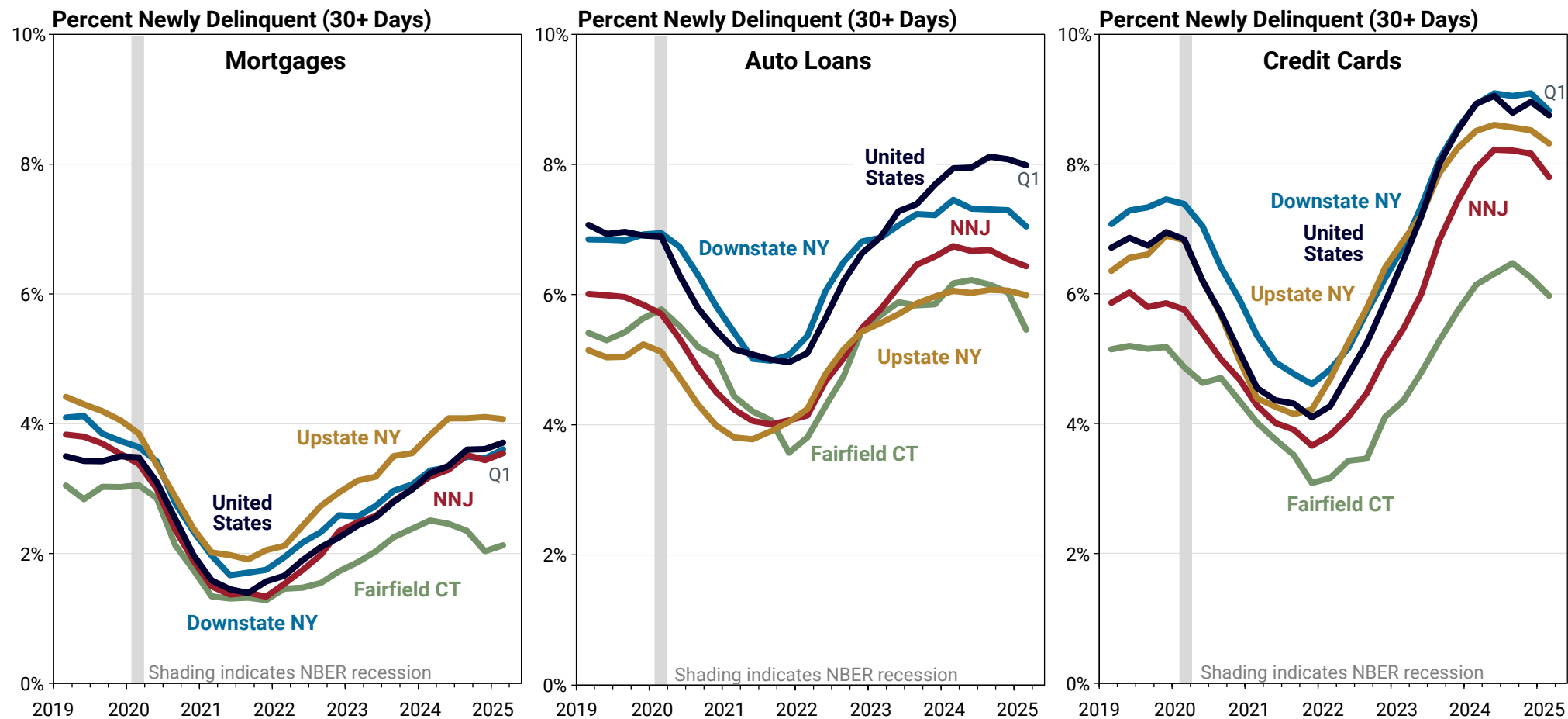


Employment measuring mostly positive growth



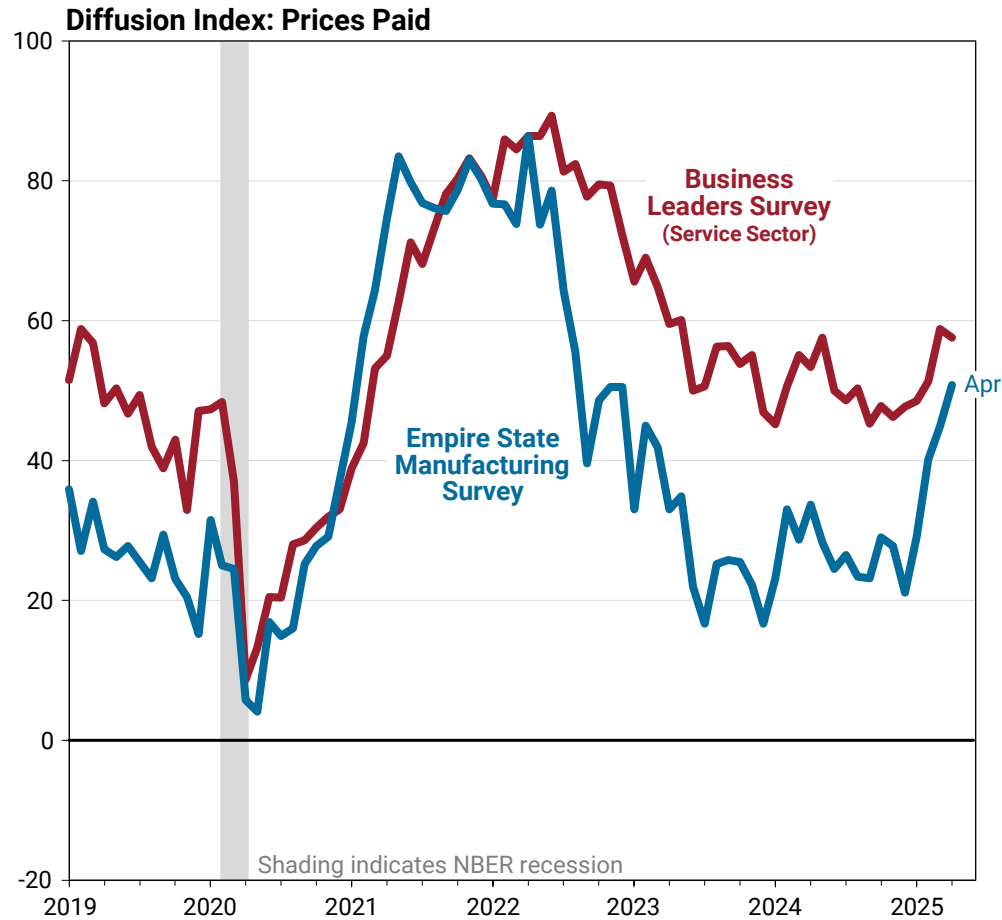
Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; NYS Department of Labor; and NJ Department of Labor and Workforce Development

Delinquencies have mostly leveled off after rising

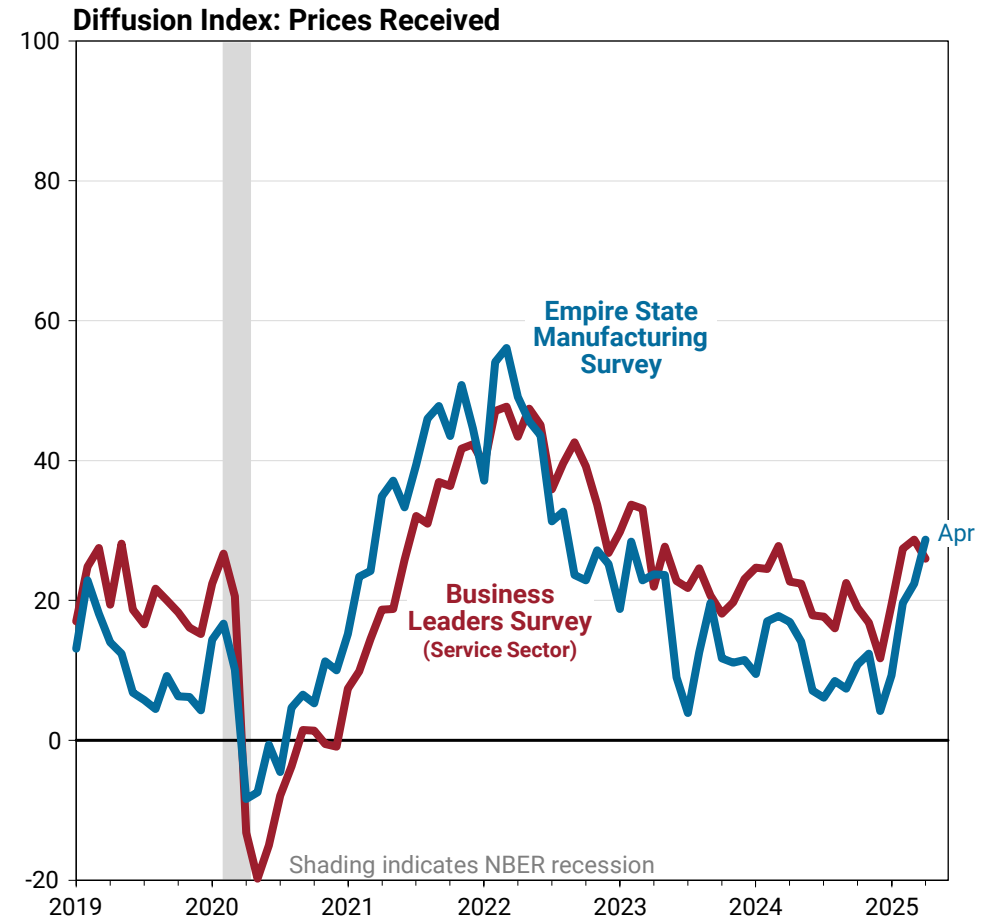


Source: New York Fed Consumer Credit Panel / Equifax

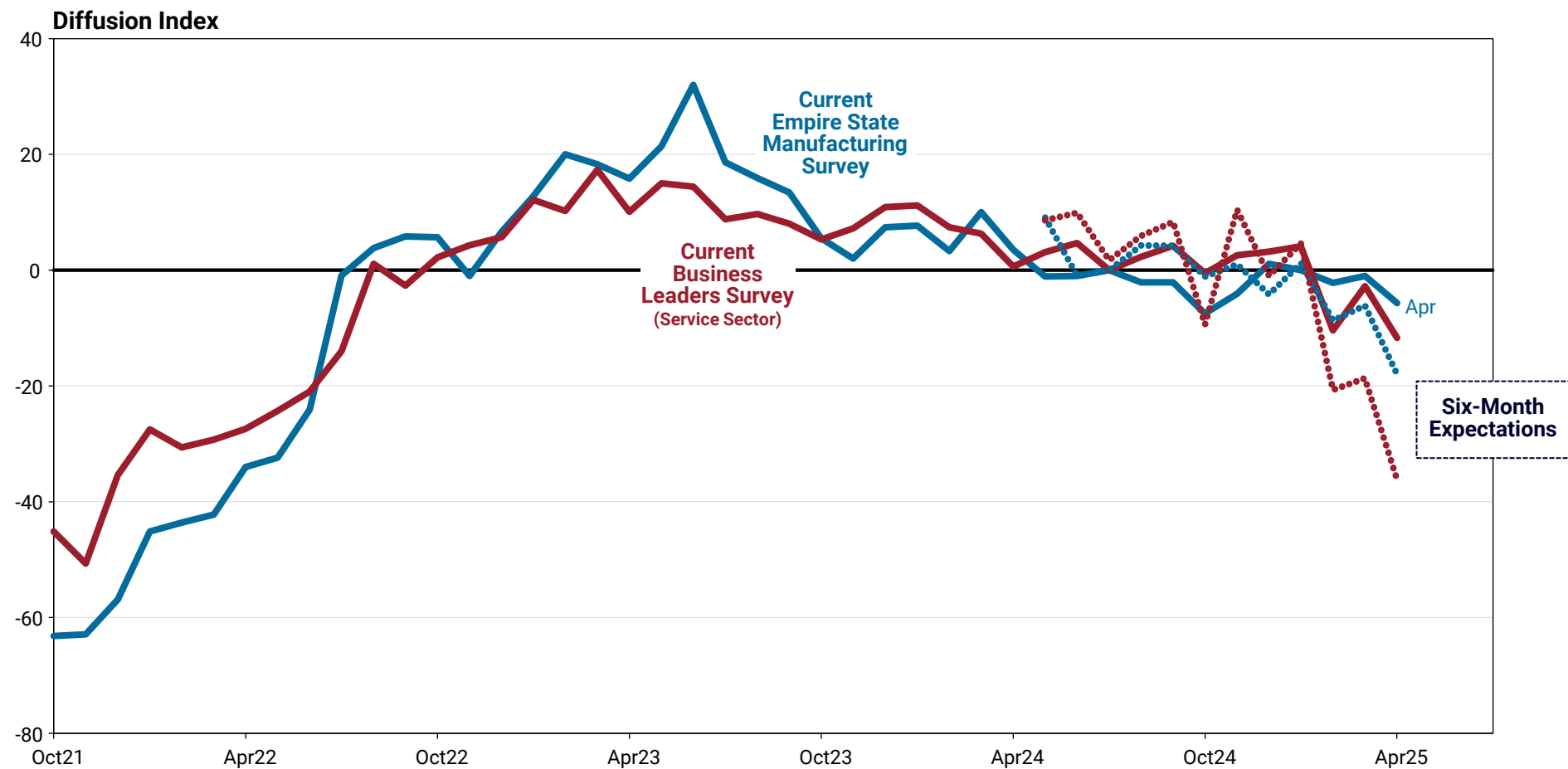
Inflationary pressures have picked up recently



Source: Federal Reserve Bank of New York



Supply availability is worsening, after *finally* normalizing



Source: Federal Reserve Bank of New York