



Economic Update

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NEED
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Outline

- **Economic Indicators**
- **Big Picture: Uncertainty**



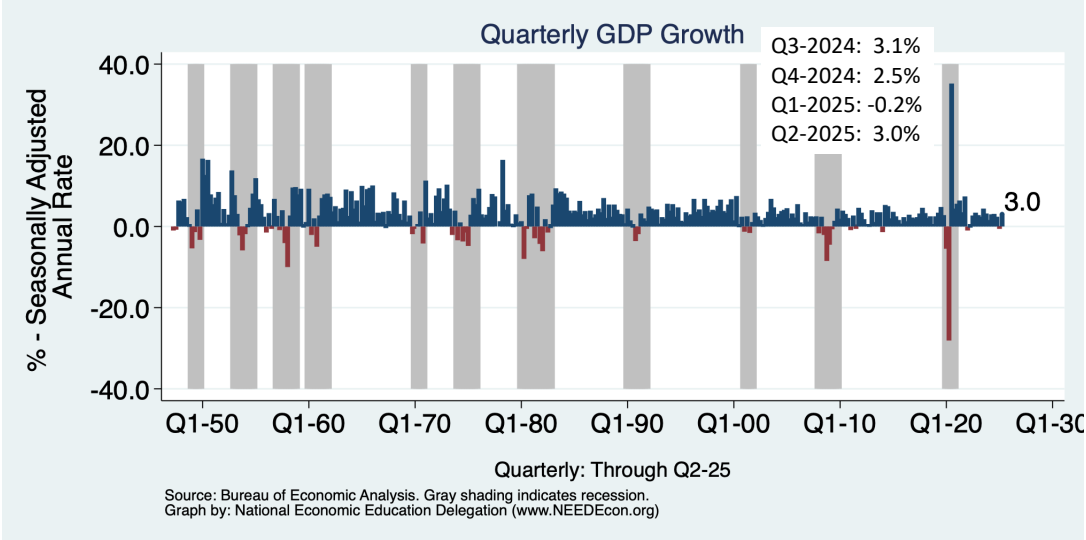
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Economic Indicators

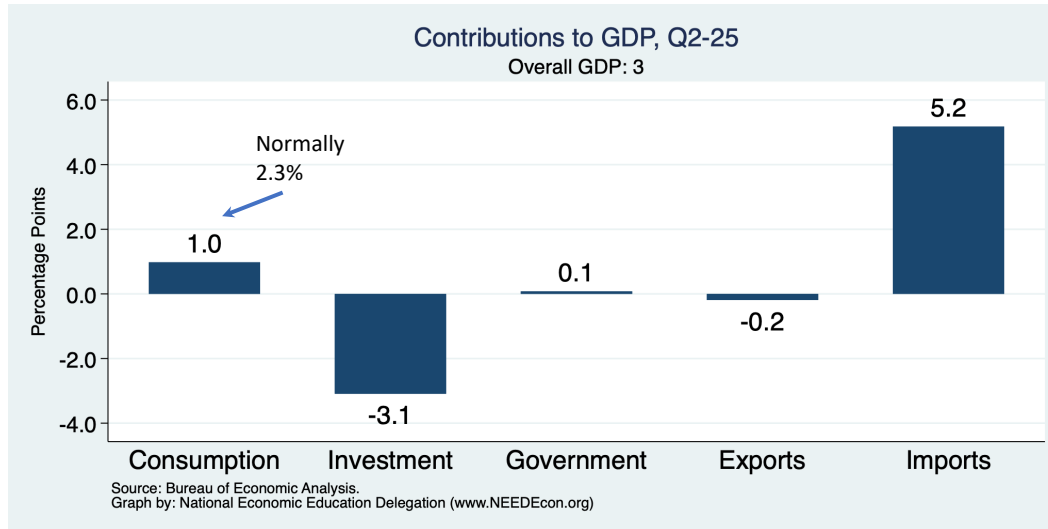
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GDP: Quarterly Growth



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What Drove GDP to Such Growth?

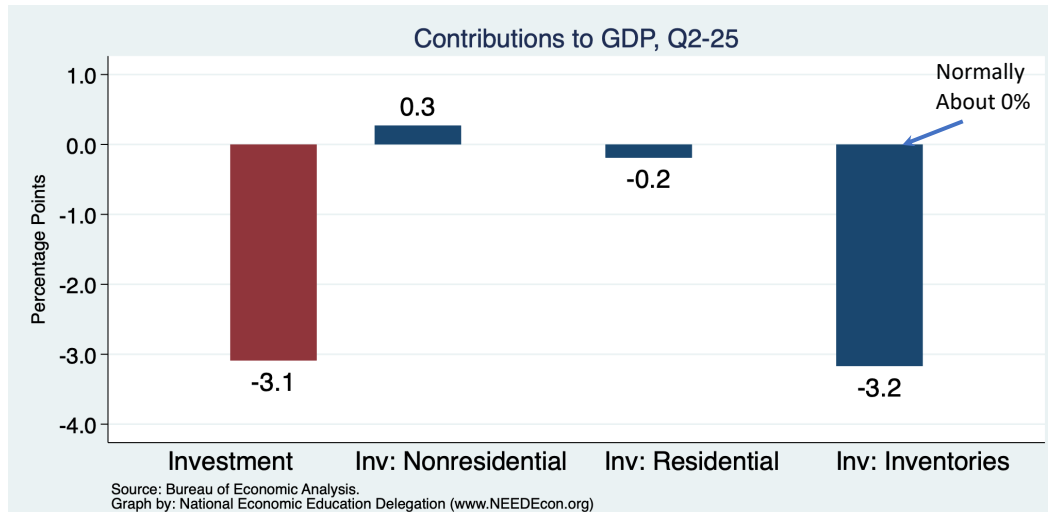


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Imports Went Into Inventories

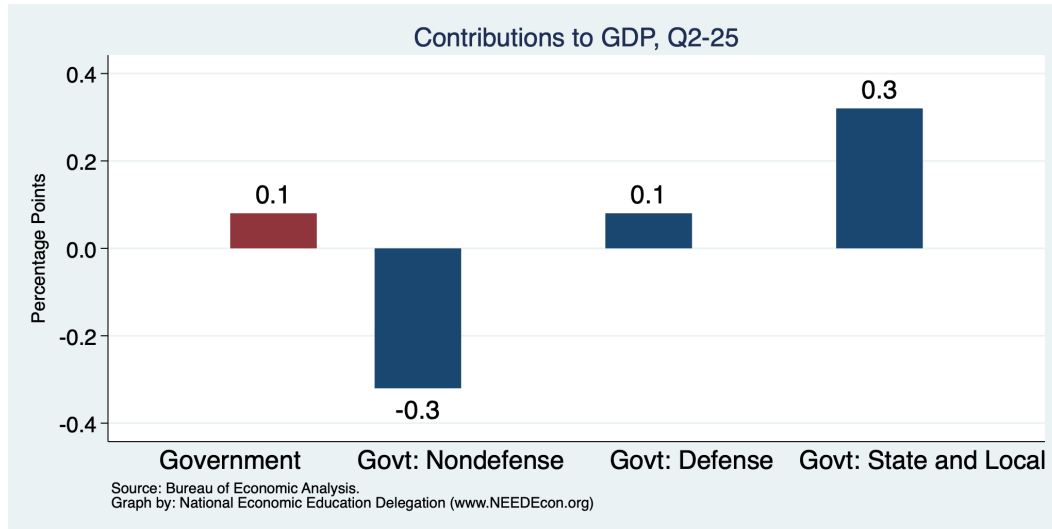


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Government Spending Didn't Help

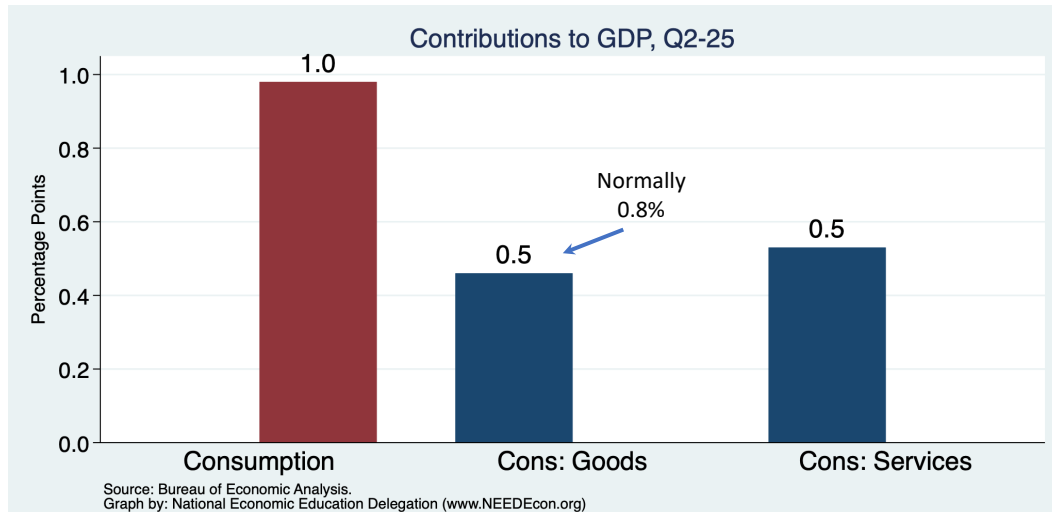


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Consumers Also Tightened

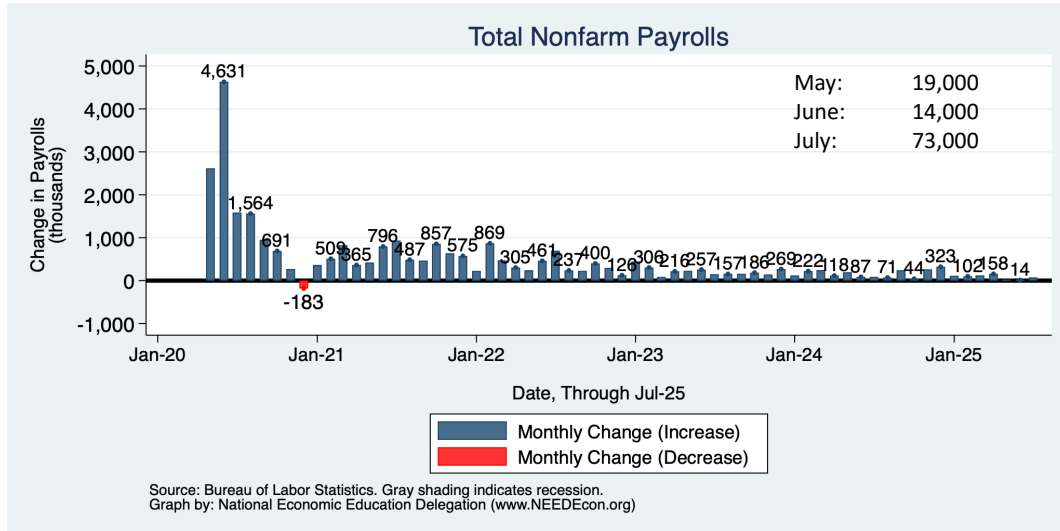


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Monthly Changes in Nonfarm Employment

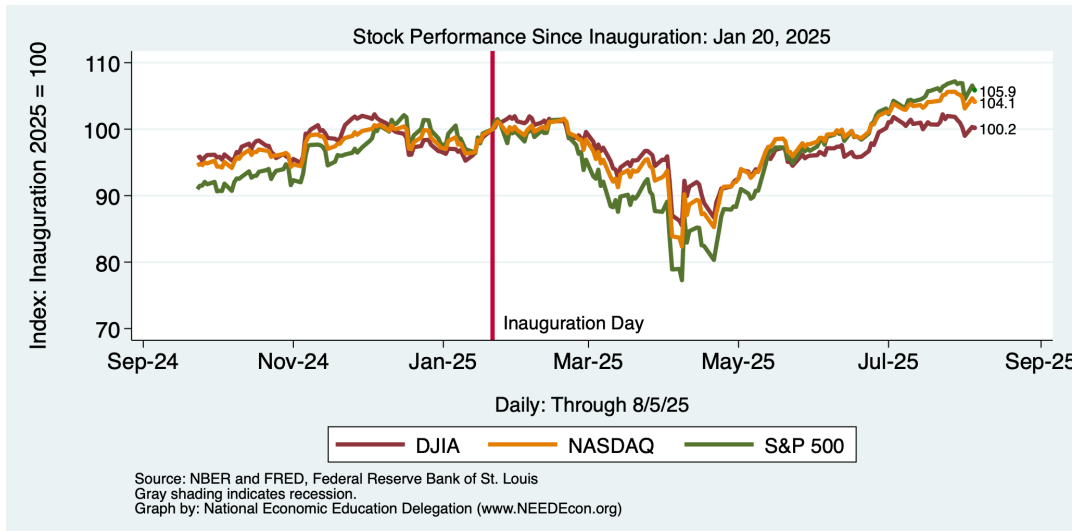


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And Stocks?



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Inflation

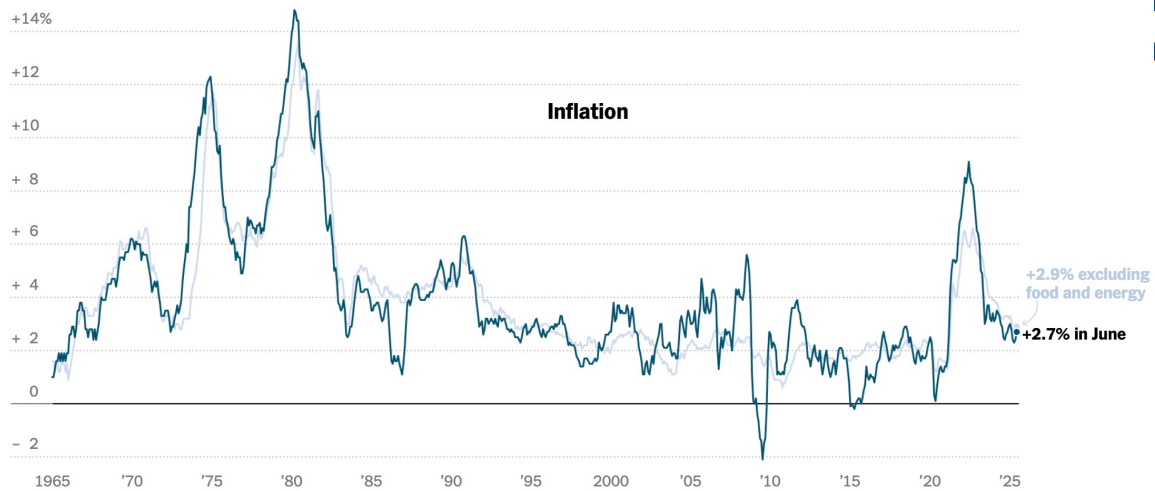


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Inflation: Latest Figures



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Source: NYTimes.com

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The Fed: Conservative

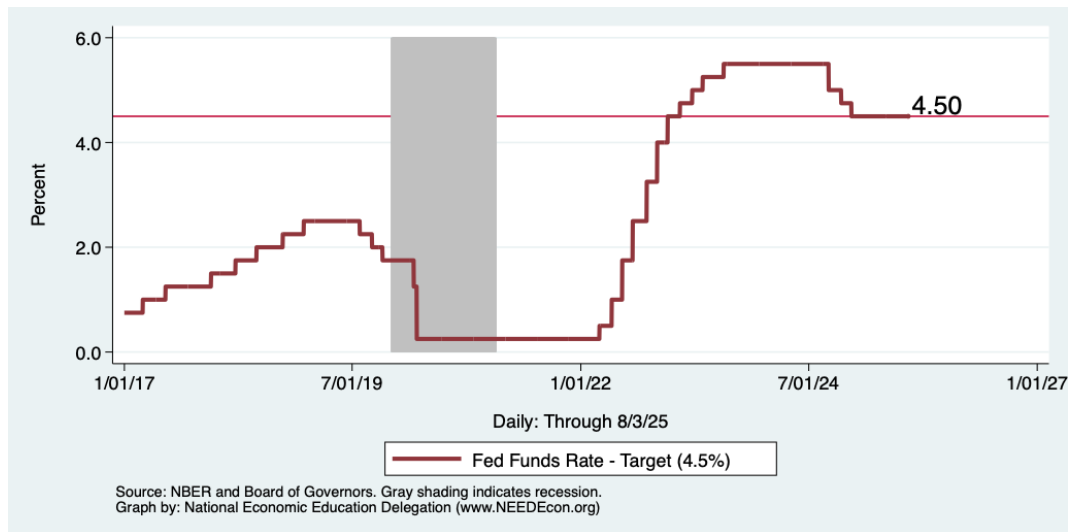


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Federal Funds Rate



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Takeaways

- **Is a recession on the horizon?**

- I wouldn't be surprised.
- Many indicators are in the black.
 - 2024 2nd half GDP growth was pretty good – 2.8% YoY.
 - 2025 Q1 < 0 is almost meaningless.
 - 2025 Q2 = 3 is artificial.

- **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 Statistics



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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



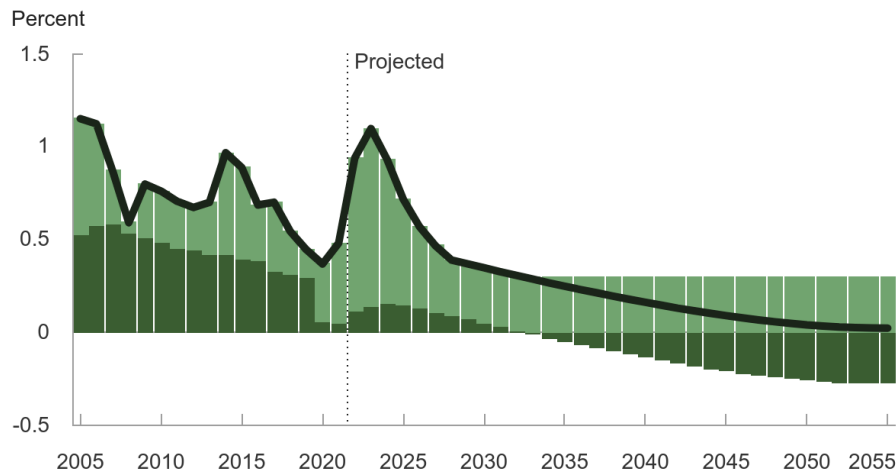
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Is Immigration Saving the Day?

Population Growth and Contributing Factors



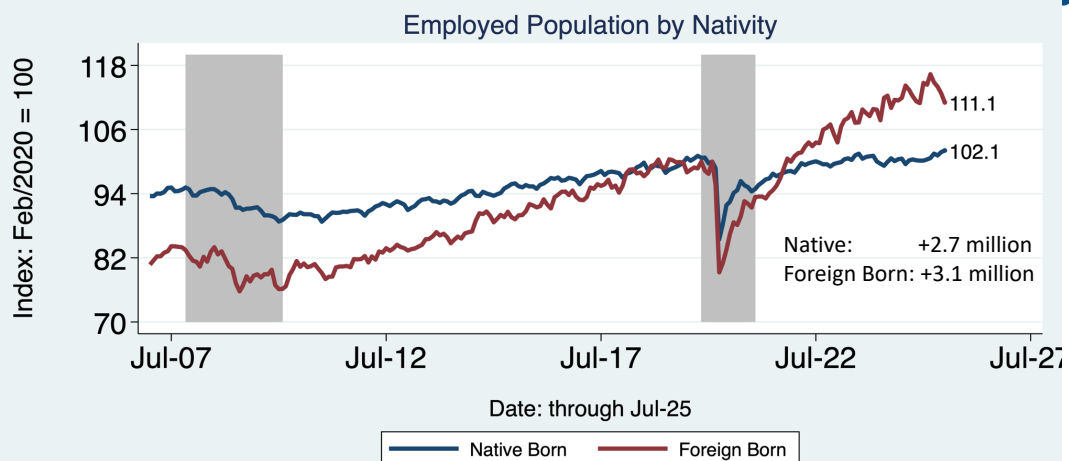
Population growth Net immigration Births minus deaths

Source: CBO – The Demographic Outlook, 2025-2055

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Immigrants to the Rescue?



Source: Bureau of Labor Statistics. Gray shading indicates recession.
Graph by: National Economic Education Delegation (www.NEEDEcon.org)



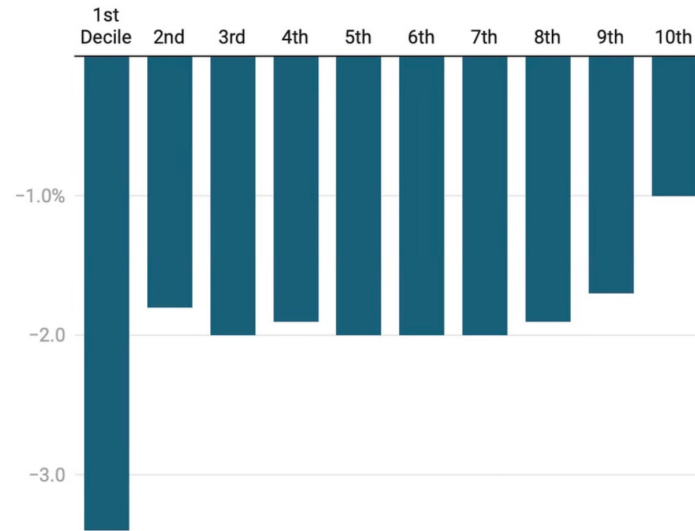
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Tariffs: Inequitable Way to Raise Revenues

Percentage points of disposable income by household income decile

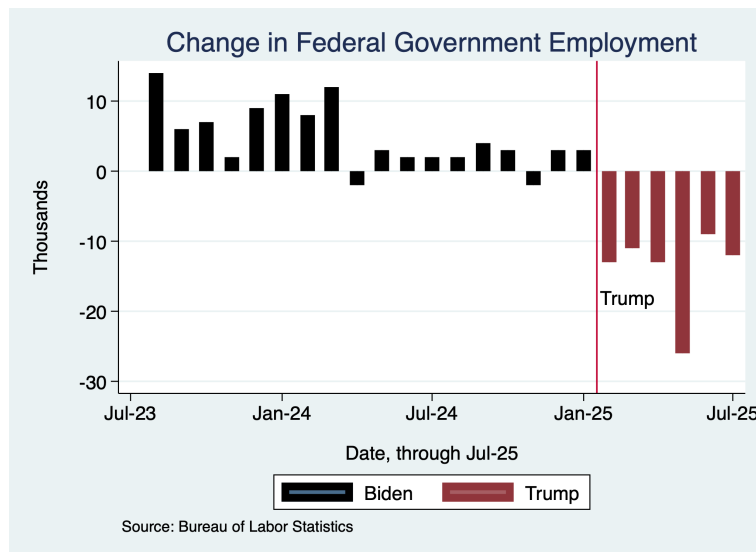


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Monthly Changes in Federal Gov't Employment



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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: close to Fed's 2% target, but a little stubborn.**
 - This is changing. 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.
- **Tariffs: are a tax.**
 - Taxes raise prices. Period. Full Stop.
 - Taxes often cost jobs. Tariffs likely will.



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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.



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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.**



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Thank you!

Any Questions?

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