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# Economic Outlook: Fasten Your Seatbelts

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# Digesting Trump's Tariff Plan

Trump's Tariffs Will Raise Effective Rate Rate To 1909 Levels

JOB  
GROWTH

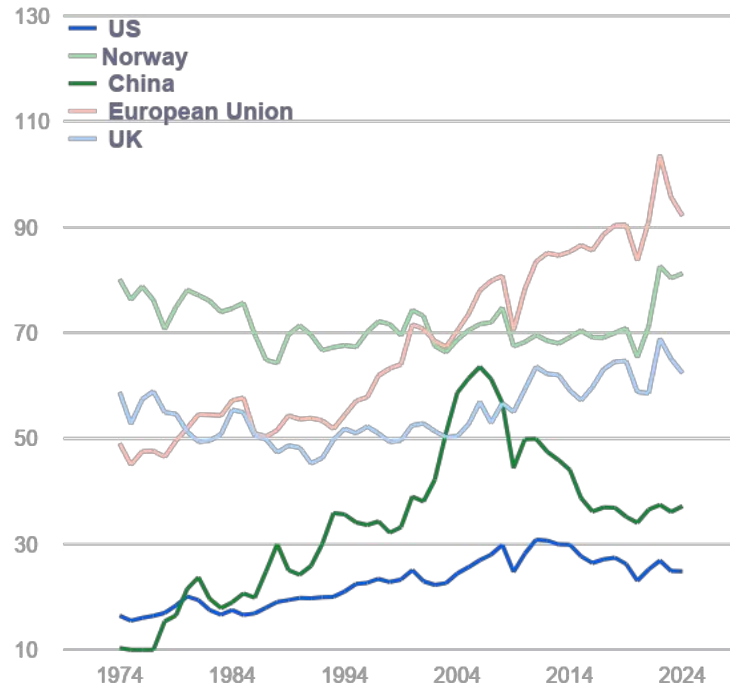
WORKER  
DEMAND GAP

Tariffs Weaken World Economy

China-US Tensions Mount

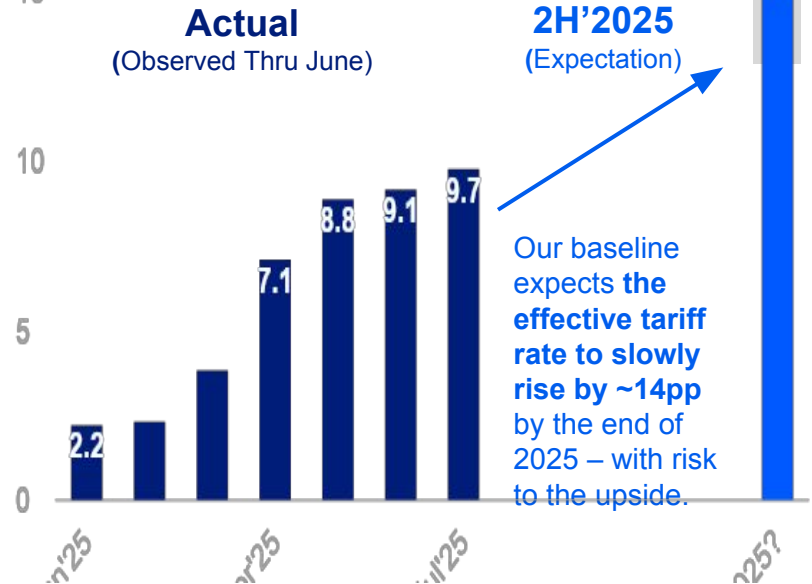
Trade/Inventory Distorts GDP

TRADE AS % OF GDP

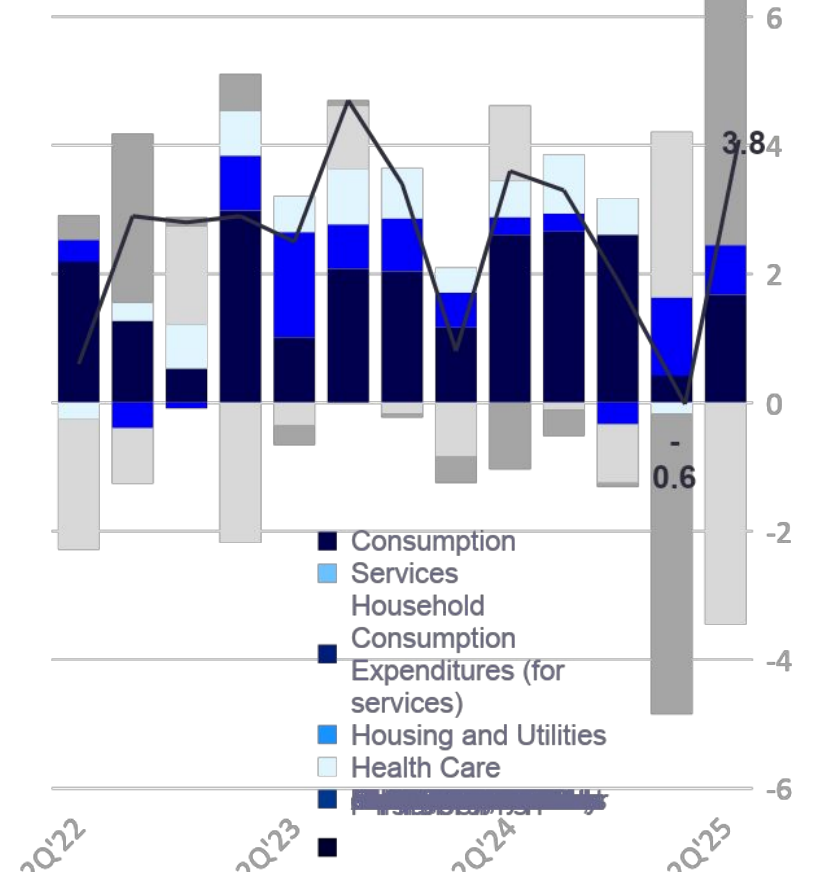


CUSTOMS DUTY REVENUE AS % OF IMPORTS, APPROXIMATE

U.S. EFFECTIVE TARIFF RATE



CONTRIBUTIONS TO ANNUAL % CHG IN REAL GDP



# Tariffs Squeeze Budgets, Particularly Lower-Income Households

Price Growth Outpace Wages

The Tariff Tax Makes It Worse

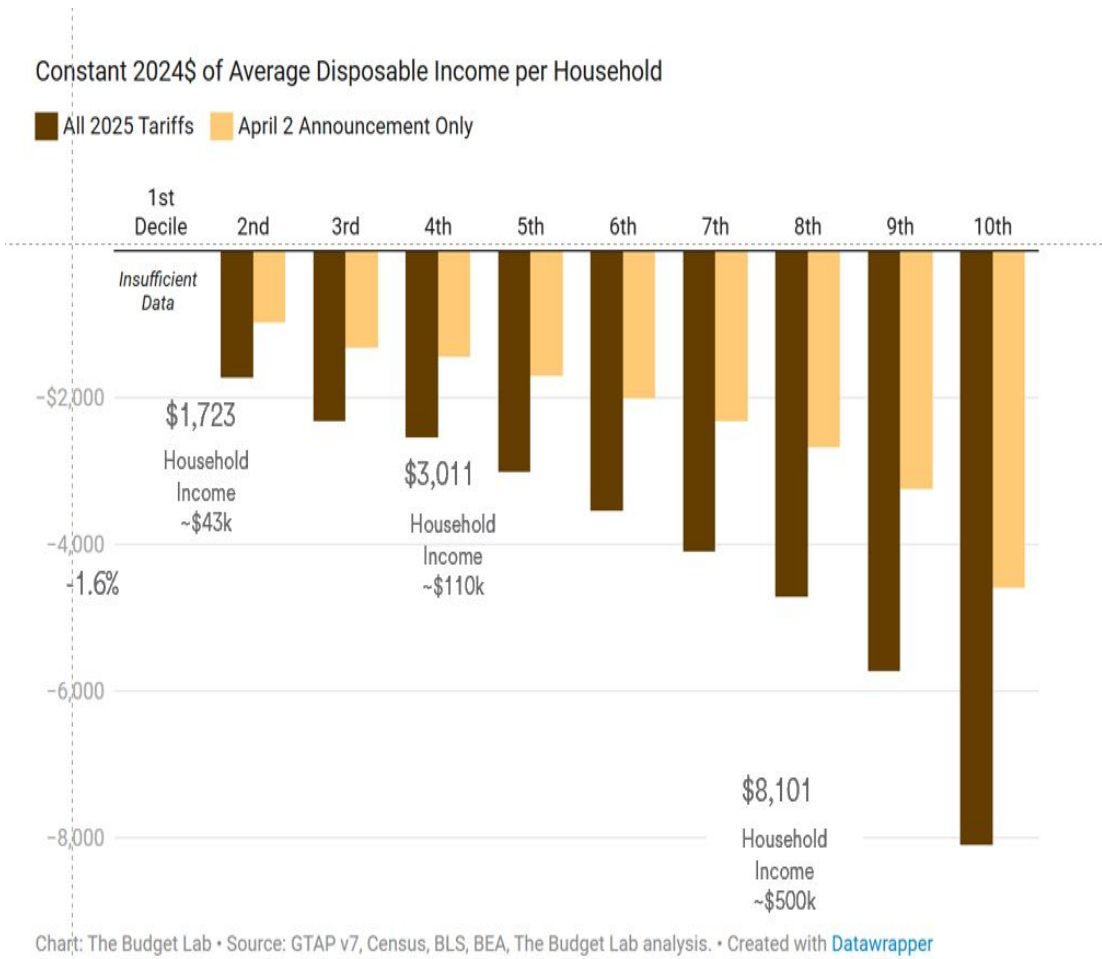
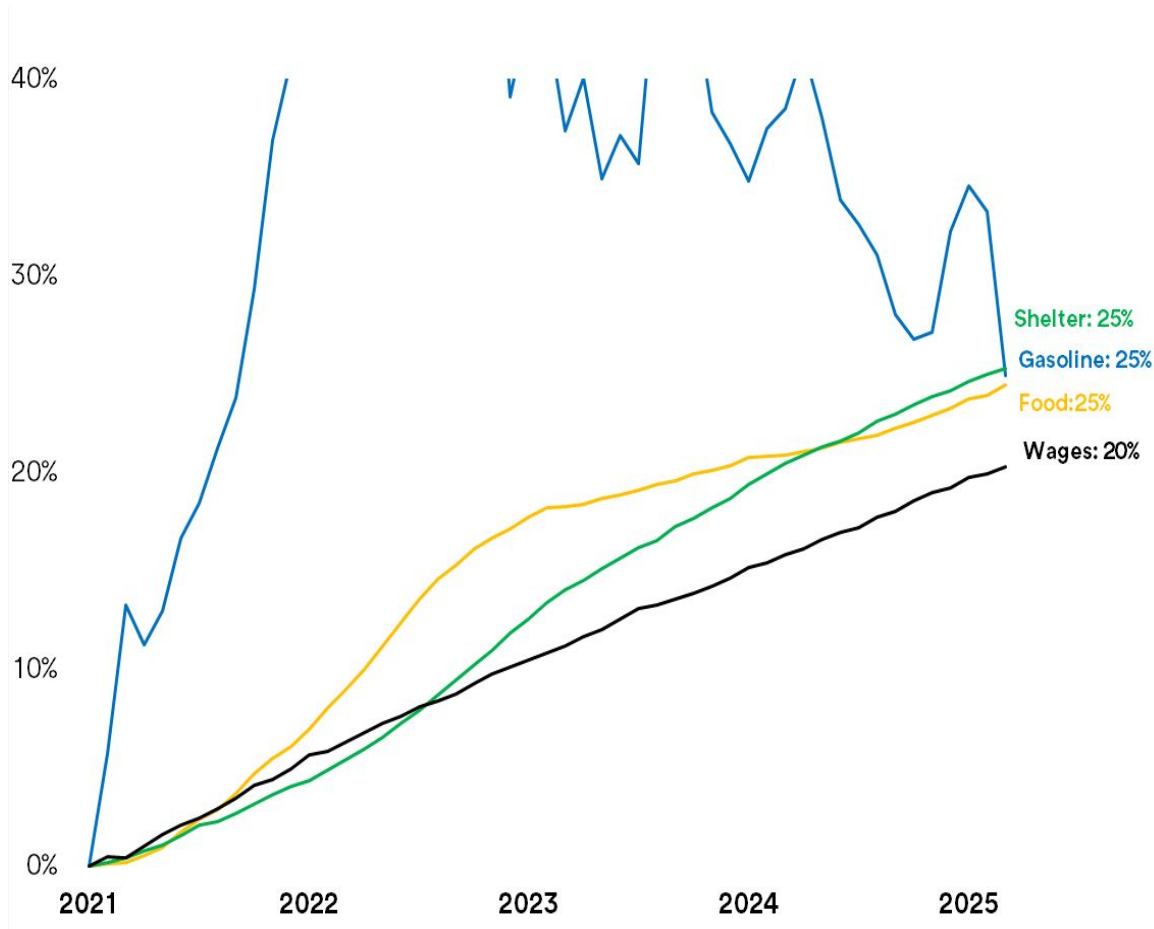
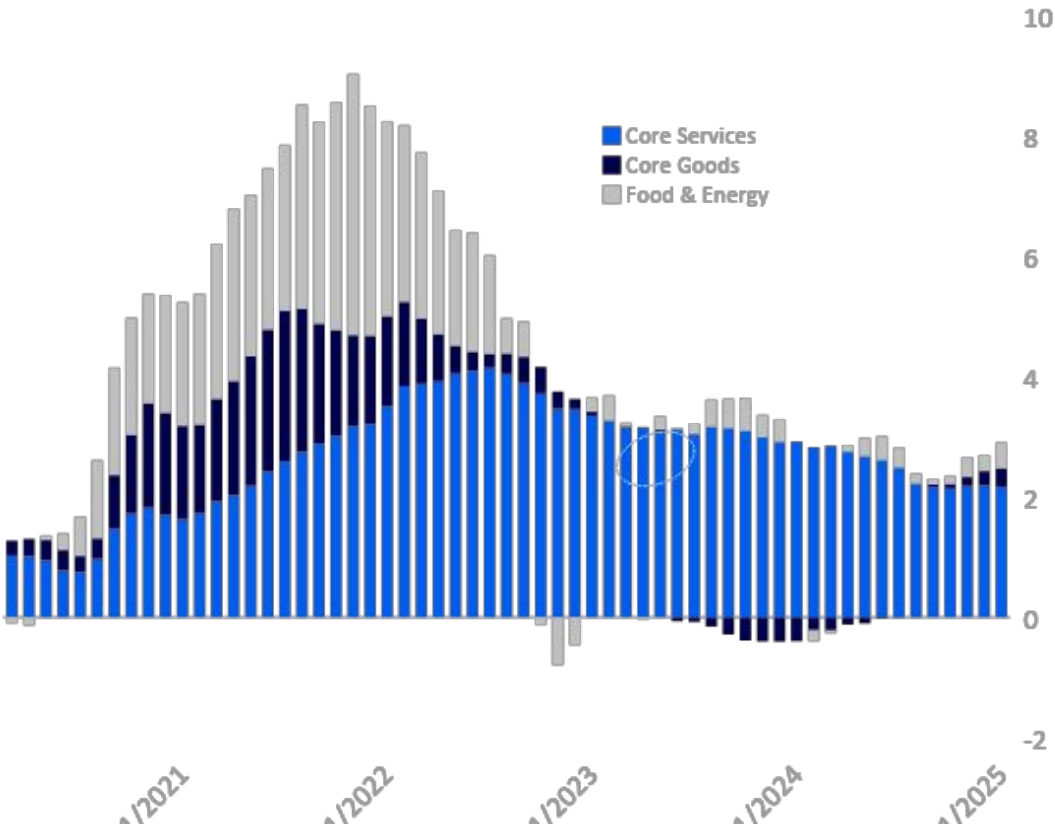


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

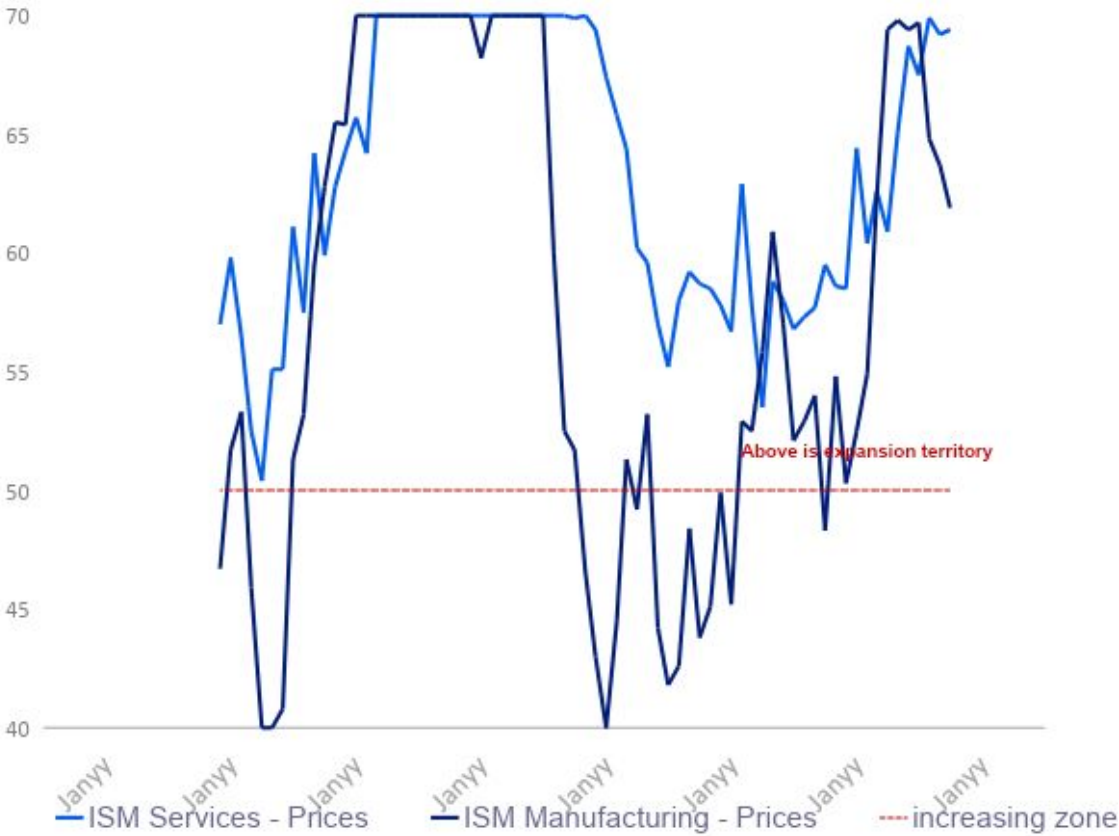
# Inflation (Mandate I) : Elevated; Tariff Pressures Building

Tariff-Related Price Increases Will Continue to Impact Inflation

## Consumer Price Edging Higher



## ISM Surveys Expect Price Increases



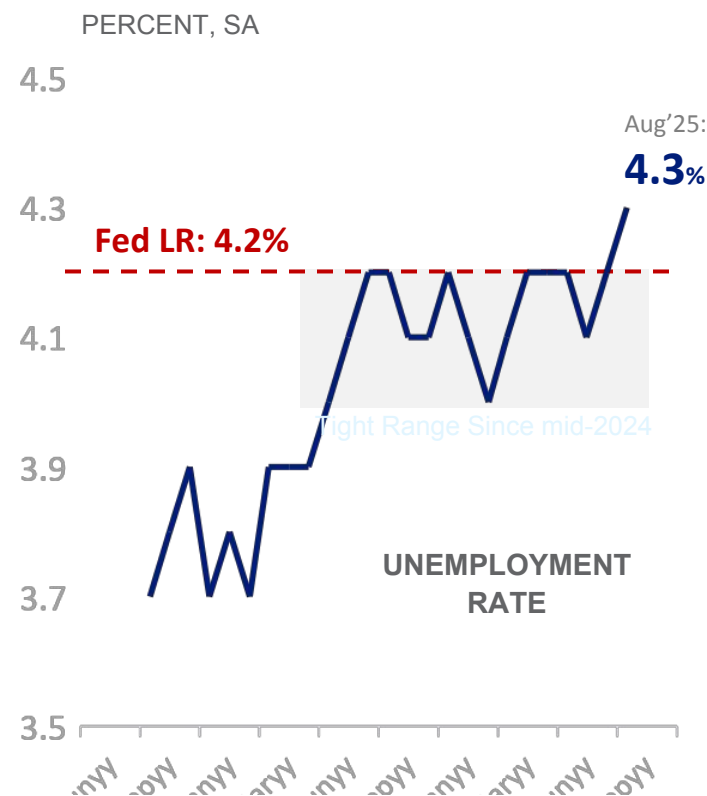
# Labor Market (Mandate II): 'Low-Hire, Low-Fire'

Both the Demand and Supply for Labor are Slowing, Amid Less Hiring and Stricter Immigration

Job Creation Has Hit the Skids

Unemployment Edging Up

Job Openings Trend Lower

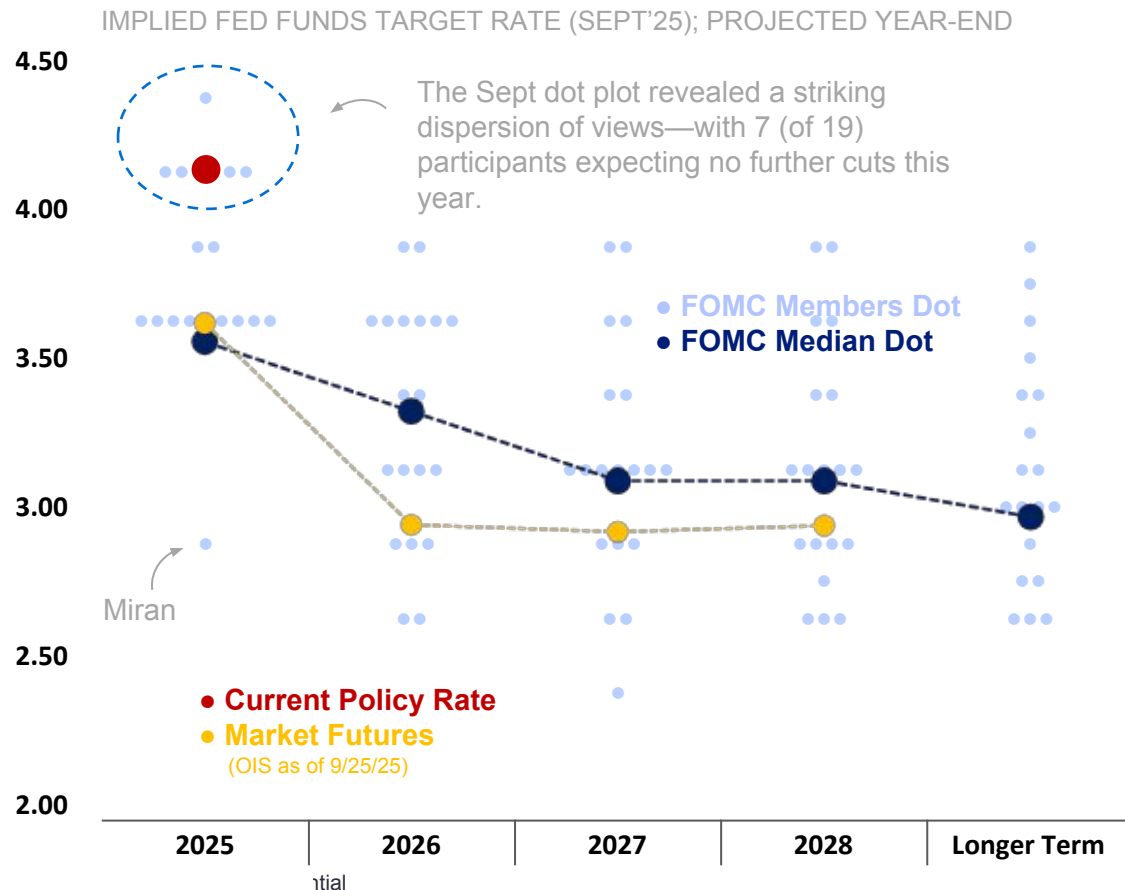


# Fed Crystal Ball: Cloudy w/ Chance of Rate Cuts

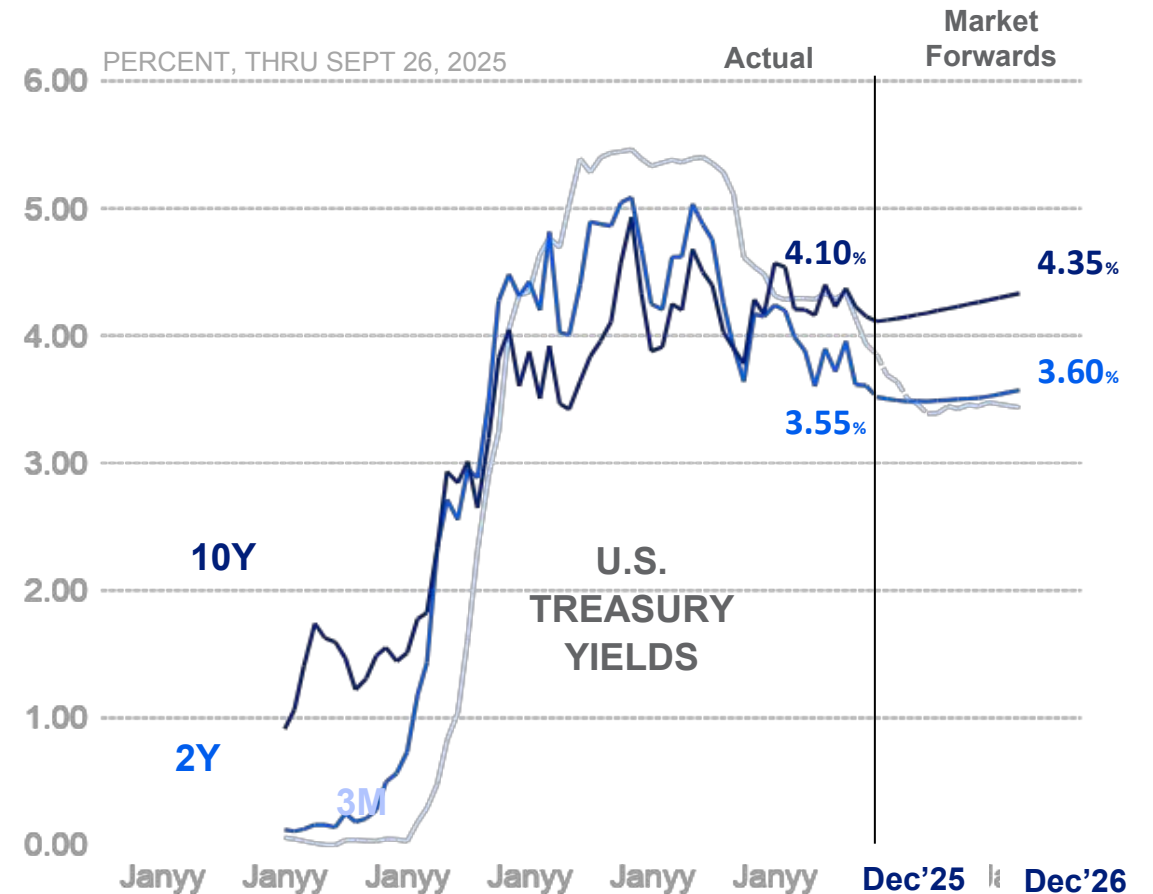
“Near-term risks to inflation are tilted to the upside and risks to employment to the downside—a **challenging situation**.” Powell 9/23/25

“I **view policy as very restrictive**, (and) believe it poses material risks to the Fed’s employment mandate.” Miran 9/22/24

## Uncertainty Creates Division on FOMC



## Markets Expect Yield Curve to Steepen

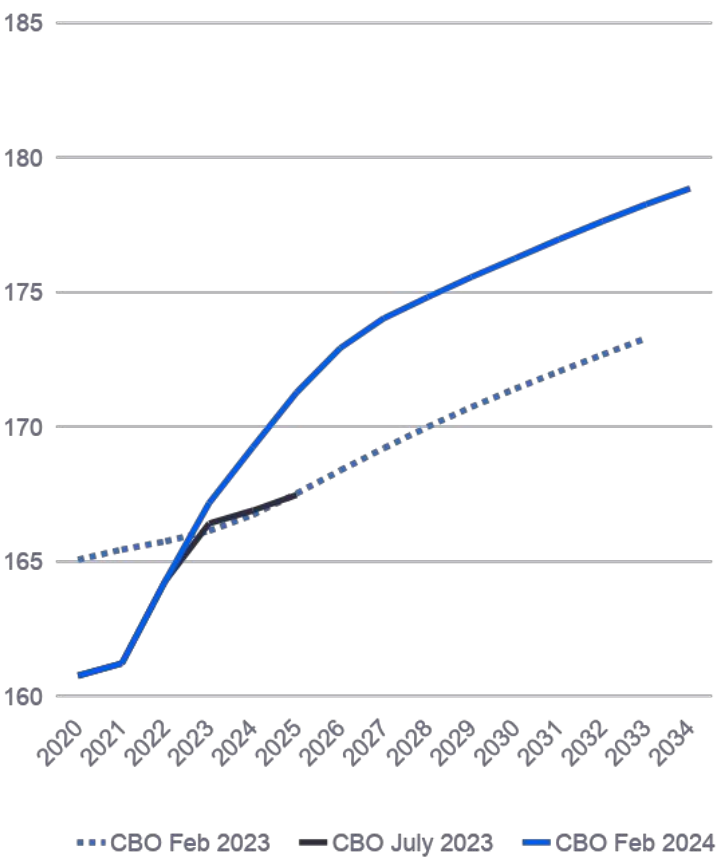


# Larger Labor Force Projections Had Driven Growth Higher

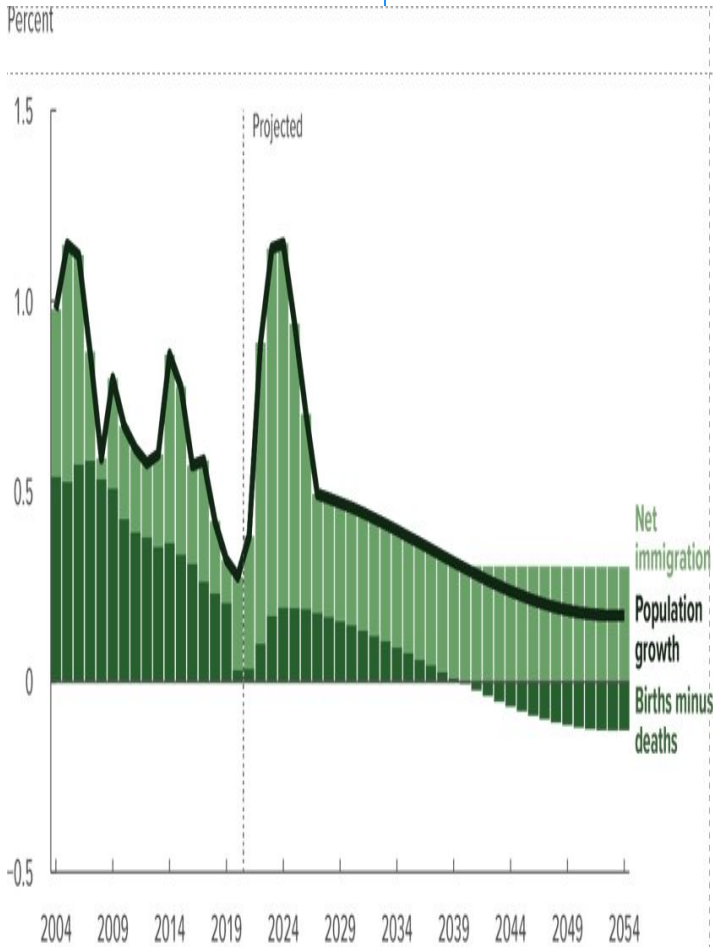
Tighter immigration now slows growth of the labor force, and a drag on growth

## Larger Labor Projections

Labor Force Growth Projections

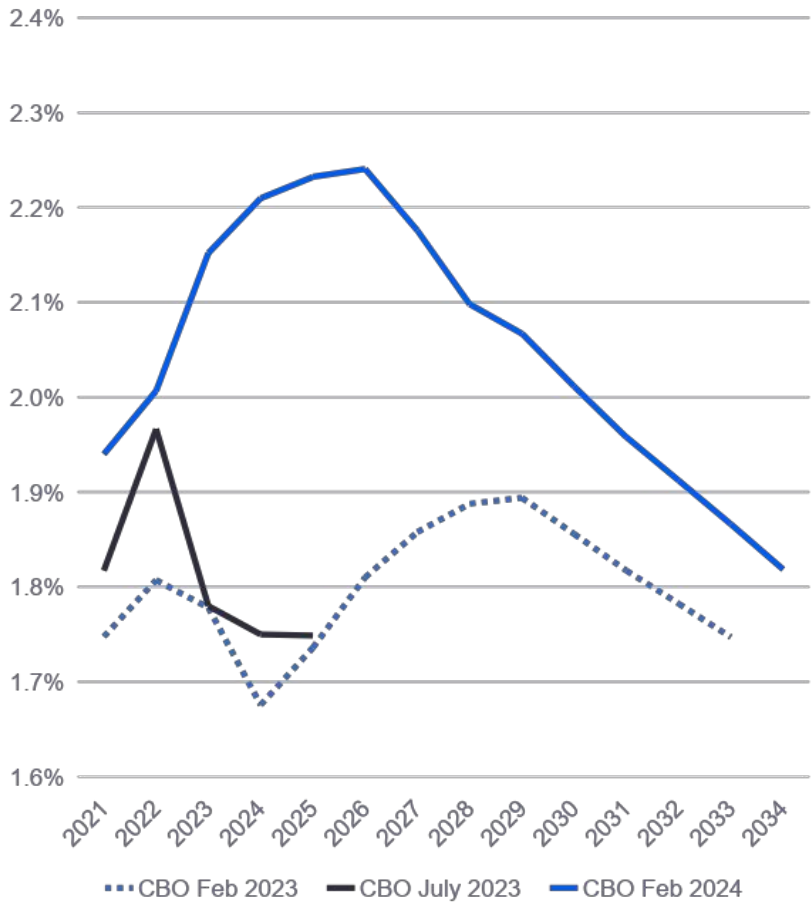


## On Higher Immigration



## Drives GDP Growth Higher

Potential GDP Growth Estimates

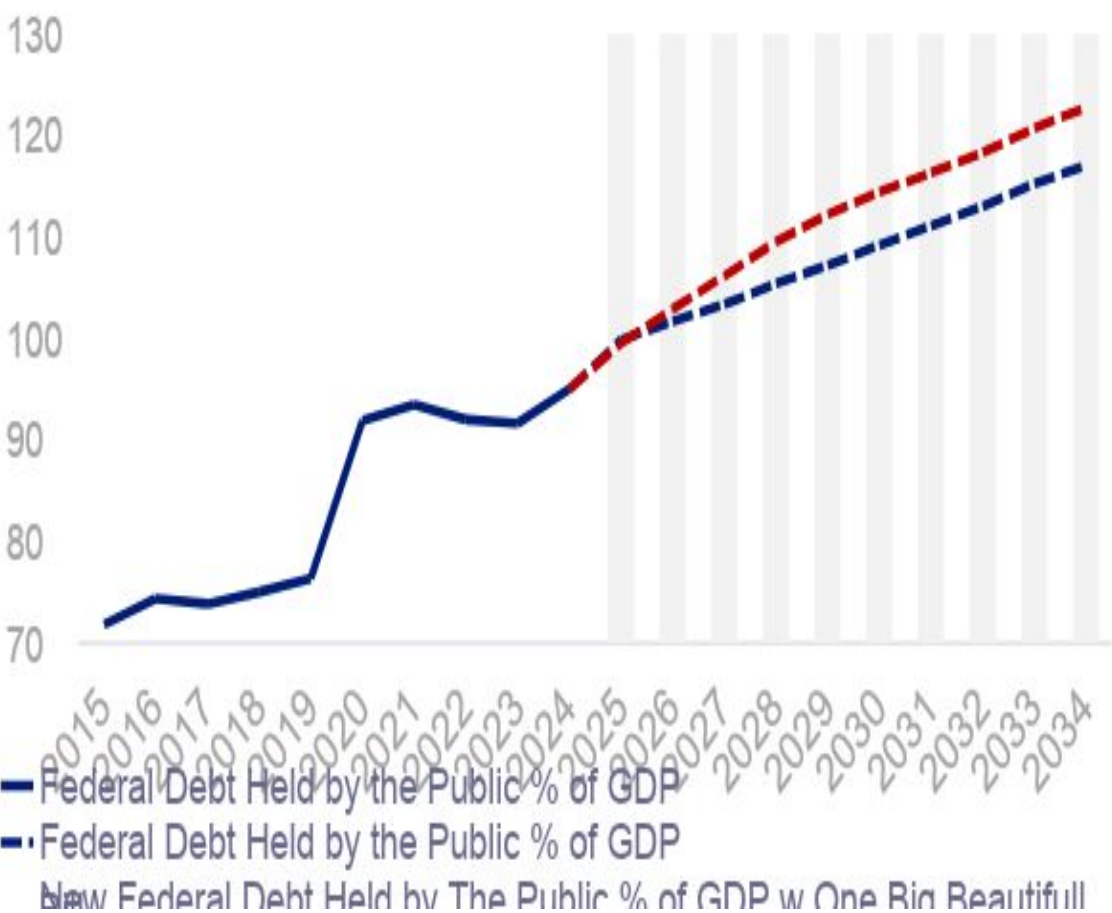




# Economic Policy Debate: Growth Implications

## Federal Debt: A Factor In BBB

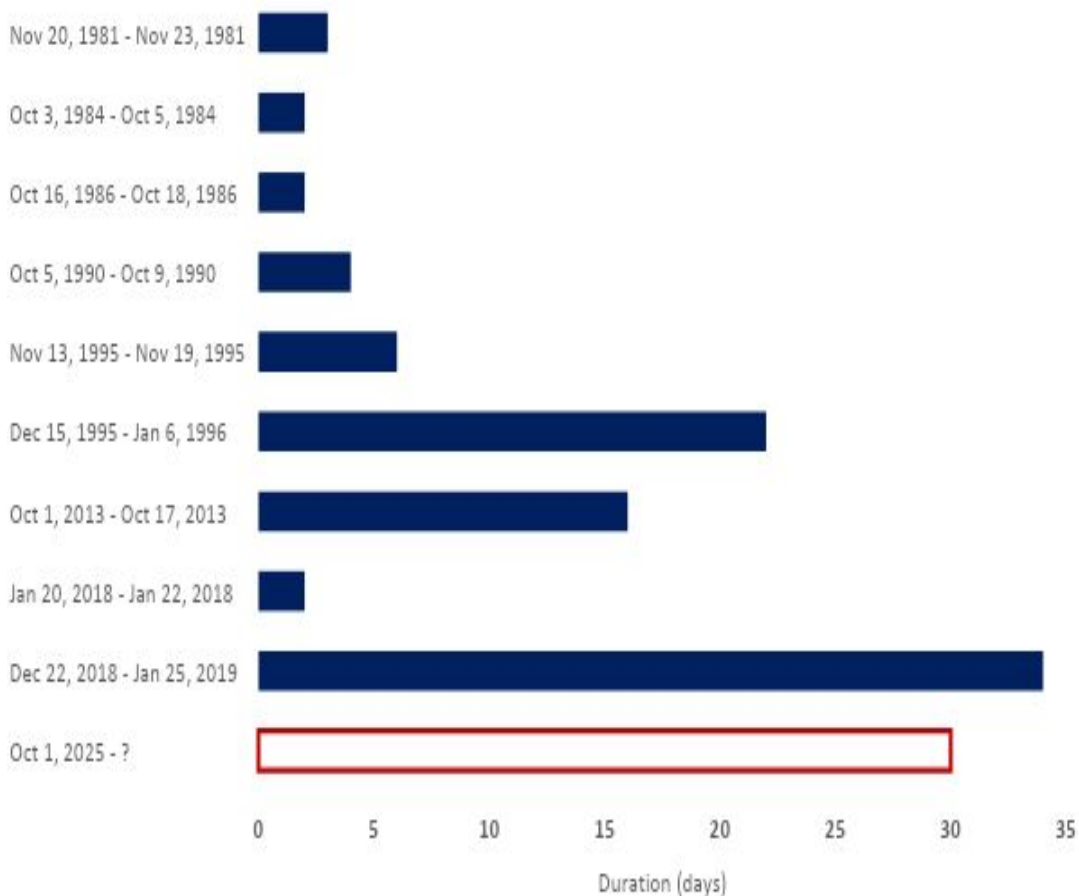
PERCENT OF GDP, ANNUAL CBO PROJECTIONS



## Not a Solution

### U.S. GOVERNMENT SHUTDOWNS

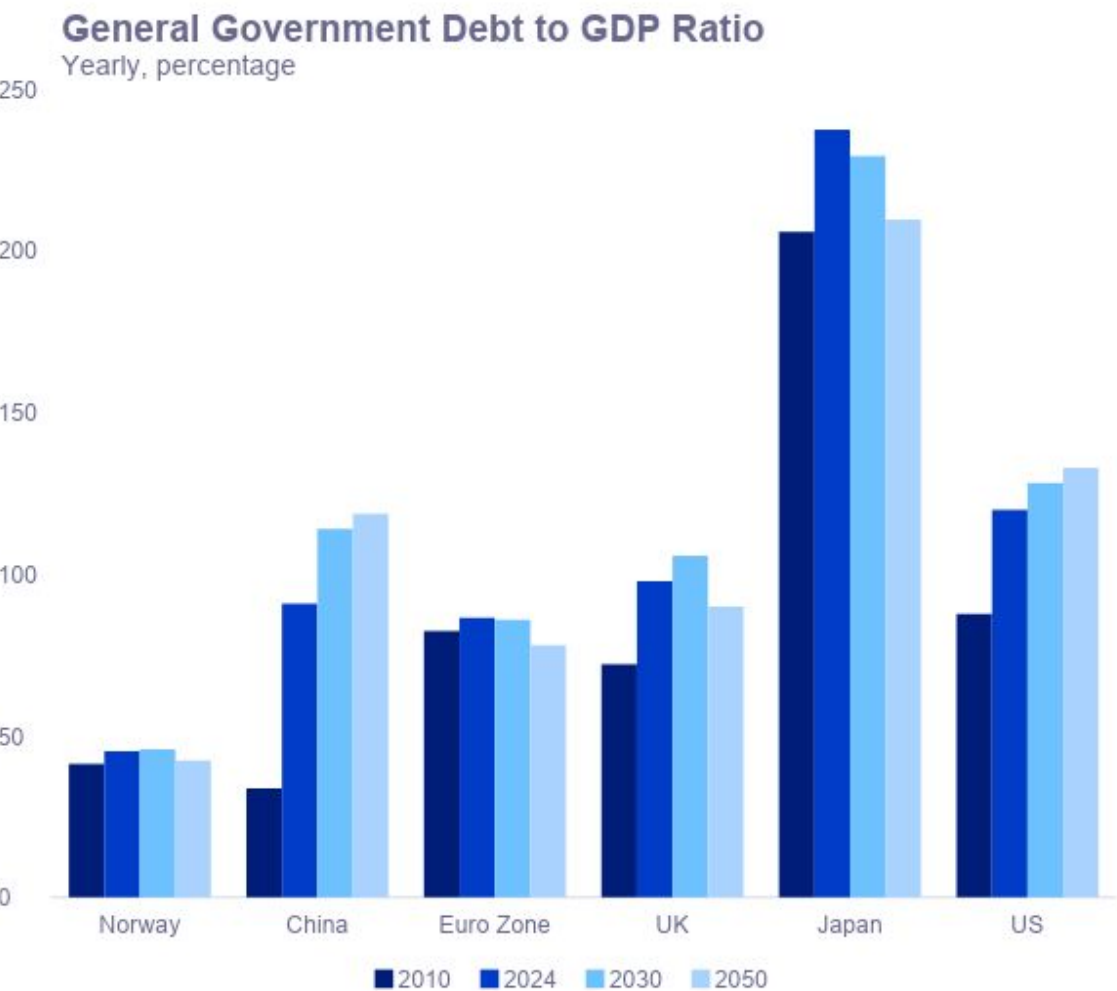
INVOLVING FURLOUGHS AND LASTING AT LEAST ONE DAY - AS OF OCT 31ST, 2025



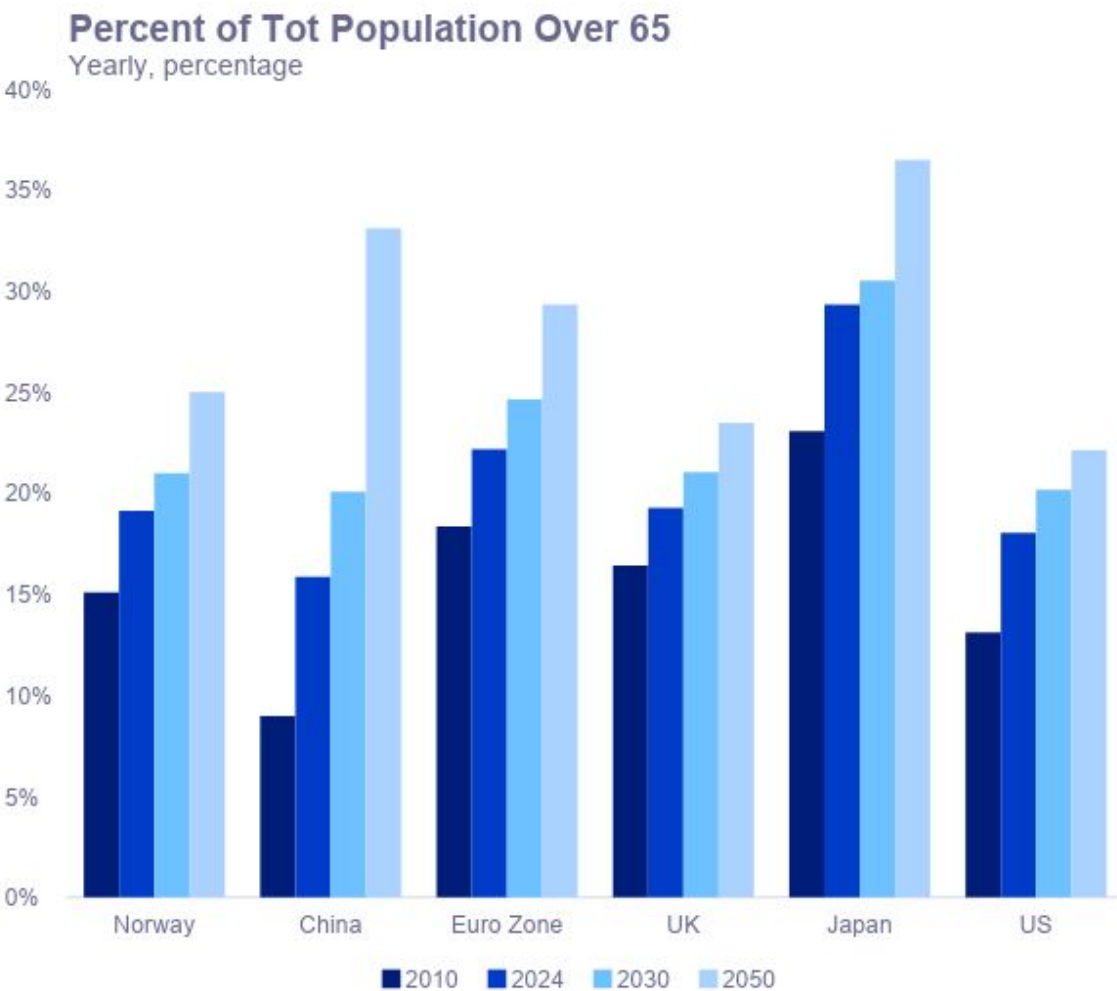


# Government Debt: Growing Everywhere

## Government Debt Rising



## Because We're All Getting Old



# Economic Risk Watch

Economic risks we are watching that may impact the baseline outlook in the next 12 months

## Key Risks to Watch

Risk	Description	Economic Impact	Economic Impact Drivers
1. Fed misstep	Central bank mistake in either direction, government shutdown results in data loss	HIGH	Rates decline too quickly, fueling inflation, forcing Fed to hike rates, leading to recession. Rates remain too high for too long, forcing a recession.
2. Tariffs/Trade War escalates	Significantly escalating tariffs/trade war (U.S. tariffs and foreign retaliation)	HIGH	Increase input costs for manufacturers in U.S, higher consumer prices (reduced consumer purchasing power), Fed response can reduce affordability
3. Federal Reserve independence	Federal Reserve Bank loses credibility	HIGH	Inflation accelerates significantly, dollar devalues, loss of credit worthiness (higher credit costs)
4. Tighter immigration or foreign travel bans	Decline net migration and travel to U.S., rise in visa cancellations, fewer visa issuances, travel bans, and increased deportations	MODERATE	Labor shortages and wage pressure increase, notably in construction, hospitality, agriculture, and healthcare. Slower GDP growth
5. Economic Data Integrity	Politicizing of the federal government's data collection process	LOW	Presents risks to the conduct of monetary policy, to financial stability, and to the economic outlook.

↑ = Moved to 1<sup>st</sup> from 5<sup>th</sup>

## Economic Impact Descriptions

**HIGH** – If risk materializes and persists, expect significant broad economic impact; material revision to baseline forecasts required

**MODERATE** – If risk materializes and persists, expect material regional- or sector-specific impacts; baseline forecast adjustments expected

**LOW** – If risk materializes and persists, expect limited economic impact, sector or regional impacts with limited adjustments to baseline forecast

# **Resilience Meets New Challenges**

Heightened Policy Uncertainty Threatens Lower Growth + Elevated Prices

## **High Rates/Prices + Added Uncertainty Weigh on Spending/Investment**

Labor Market, Inflationary Pressure Will Be Key Drivers of Activity

## **Slower But Still Positive Economic Growth**

Households and Businesses Still have Economic Horsepower to Support Broader Economy

## **Consumer spending to Provide Support For Travel**

Stable jobs market to provide cushion for spending. Retirees add support

## **Inflation Slowly Decelerates this Year**

Political Uncertainty + Mandate Tension Leaves Central Banks In A 'Lose-Lose' Situation

## **Recession Risk Rising Amid Worsening Uncertainty**

Trade Tensions Risk Weighing on Product/Financial Markets and a More Significant Deterioration in Activity

# Thank you

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