

# U.S. Economic Outlook

## July 2025



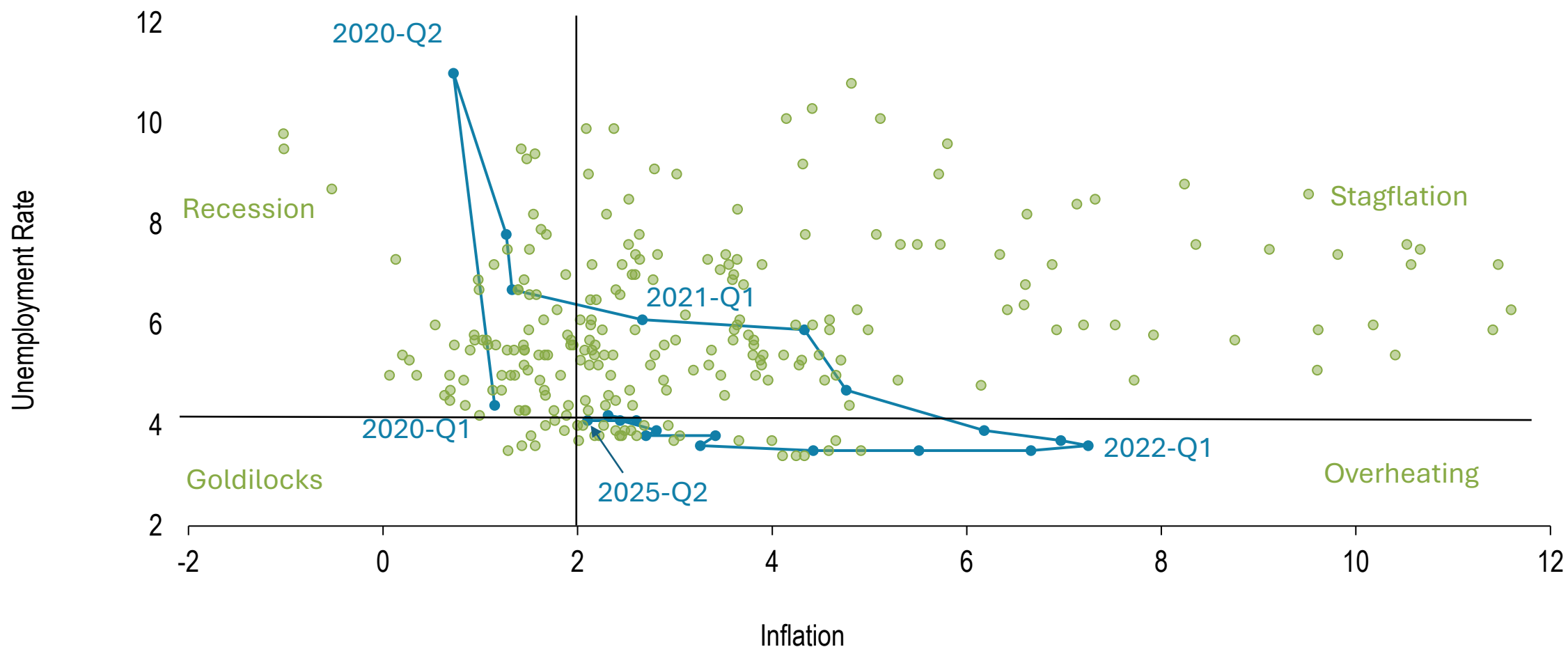
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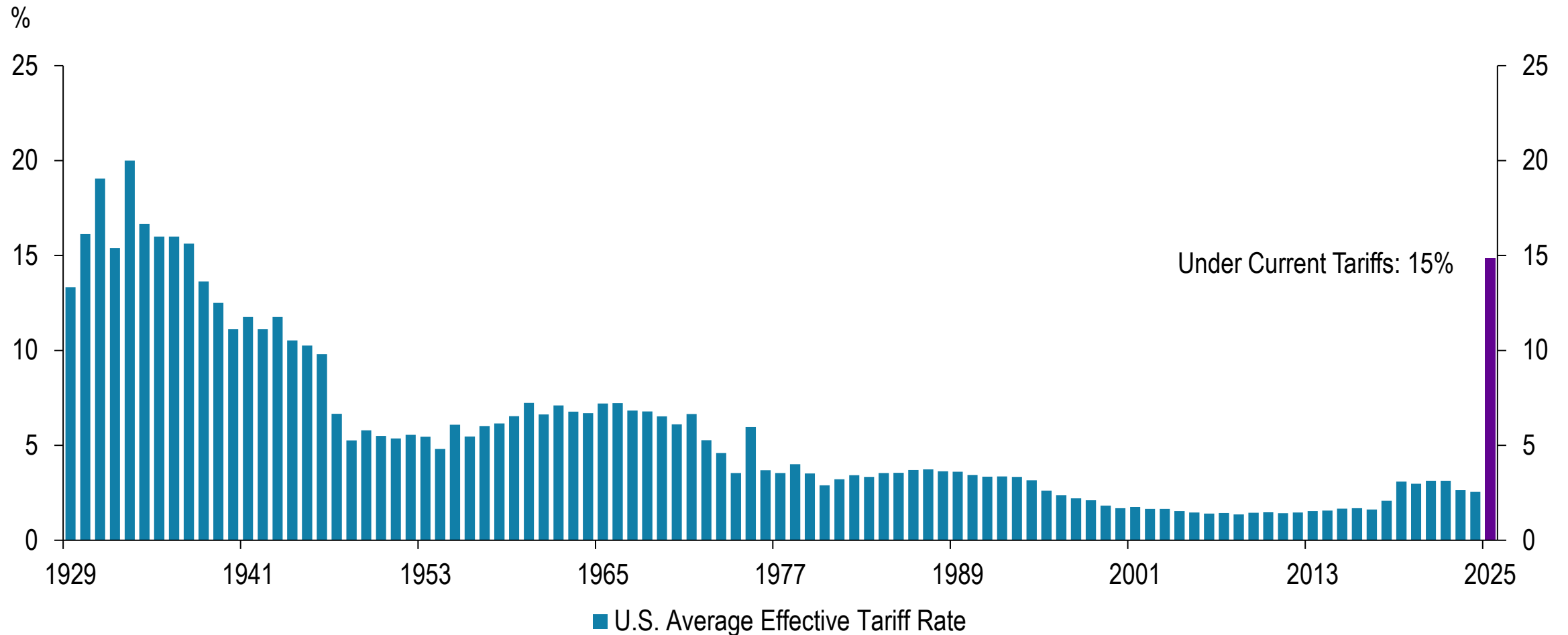
# U.S. Economic Outlook

- The economy is currently operating near the Federal Reserve's dual mandate.
- However, the outlook for the economy remains clouded by uncertainty over recent policy changes, particularly trade policy.
- While tariff rates have increased substantially, the effects on consumer prices have been modest thus far. Instead, it appears that firm profits have absorbed much of the tariff increase.
- The extent to which tariffs raise inflation will depend on the strength of demand and how easily firms can pass through higher costs.

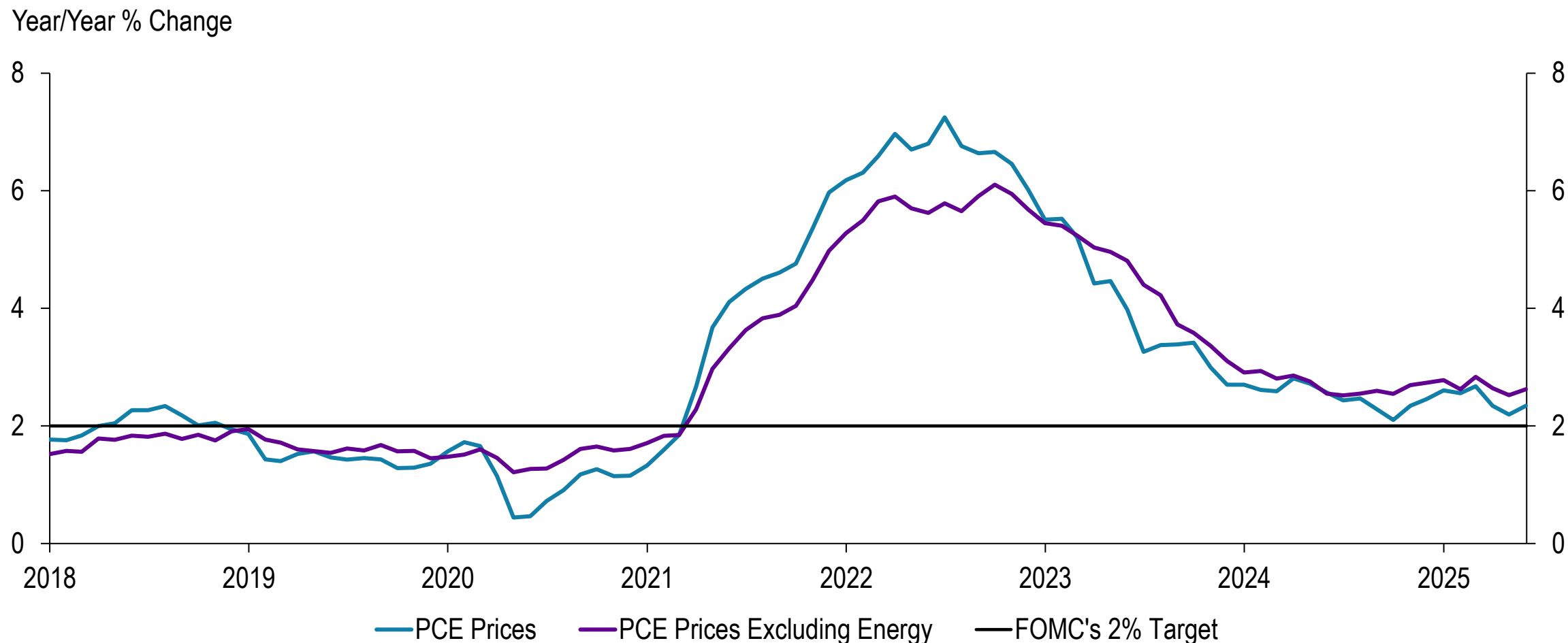
# The economy is currently operating near the Fed's dual mandate



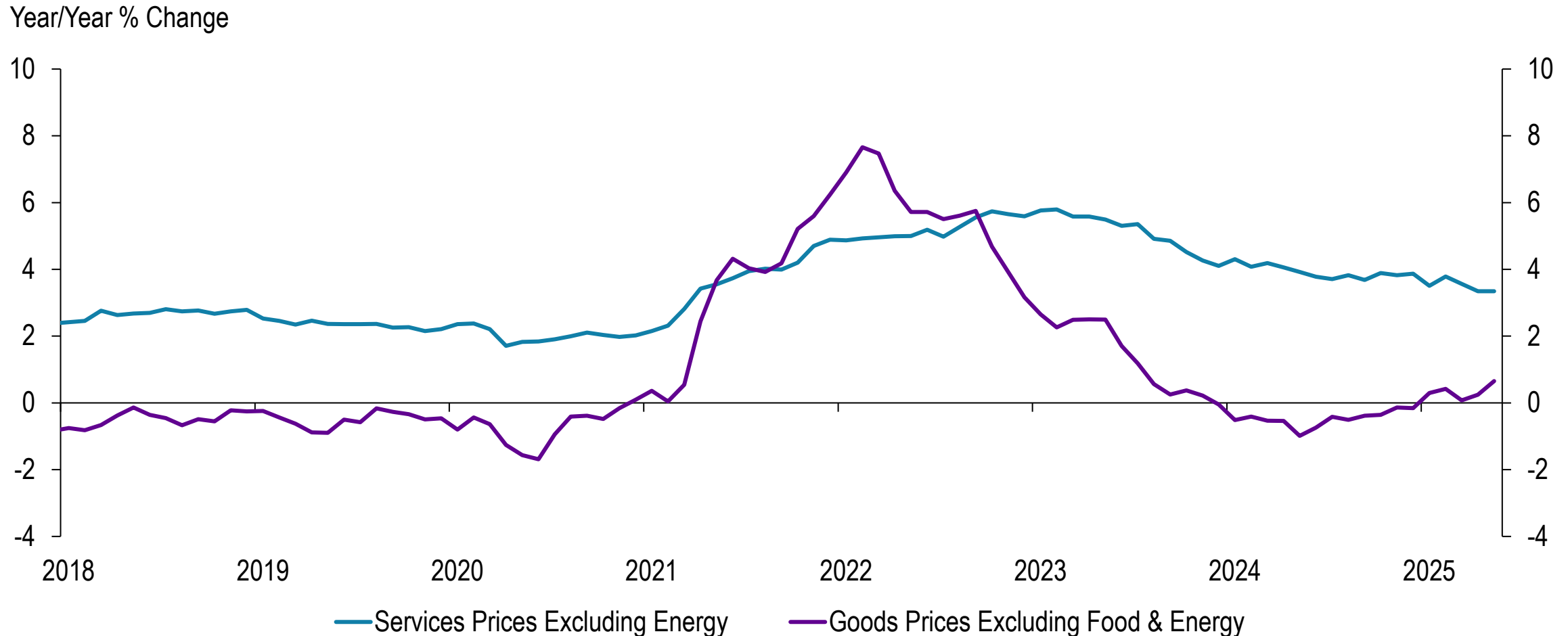
# Tariffs are much higher now



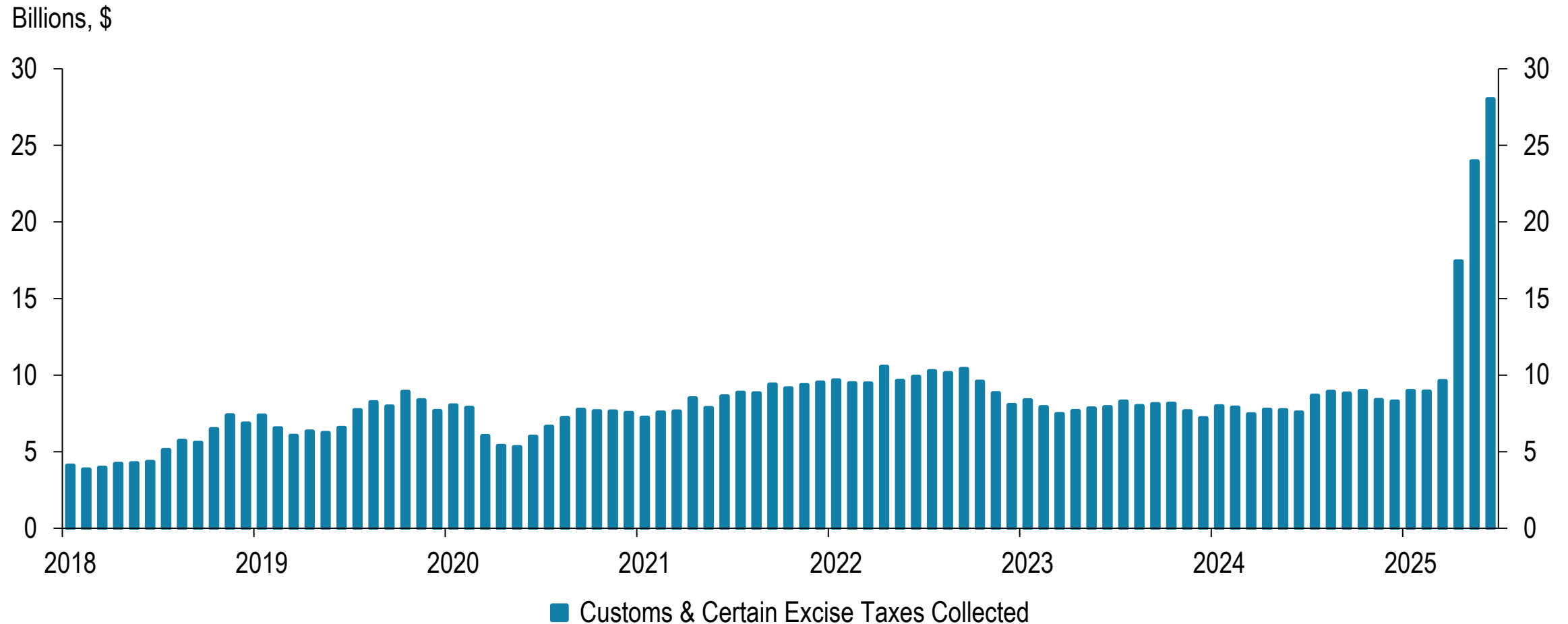
# Not much imprint from tariffs in the inflation data thus far



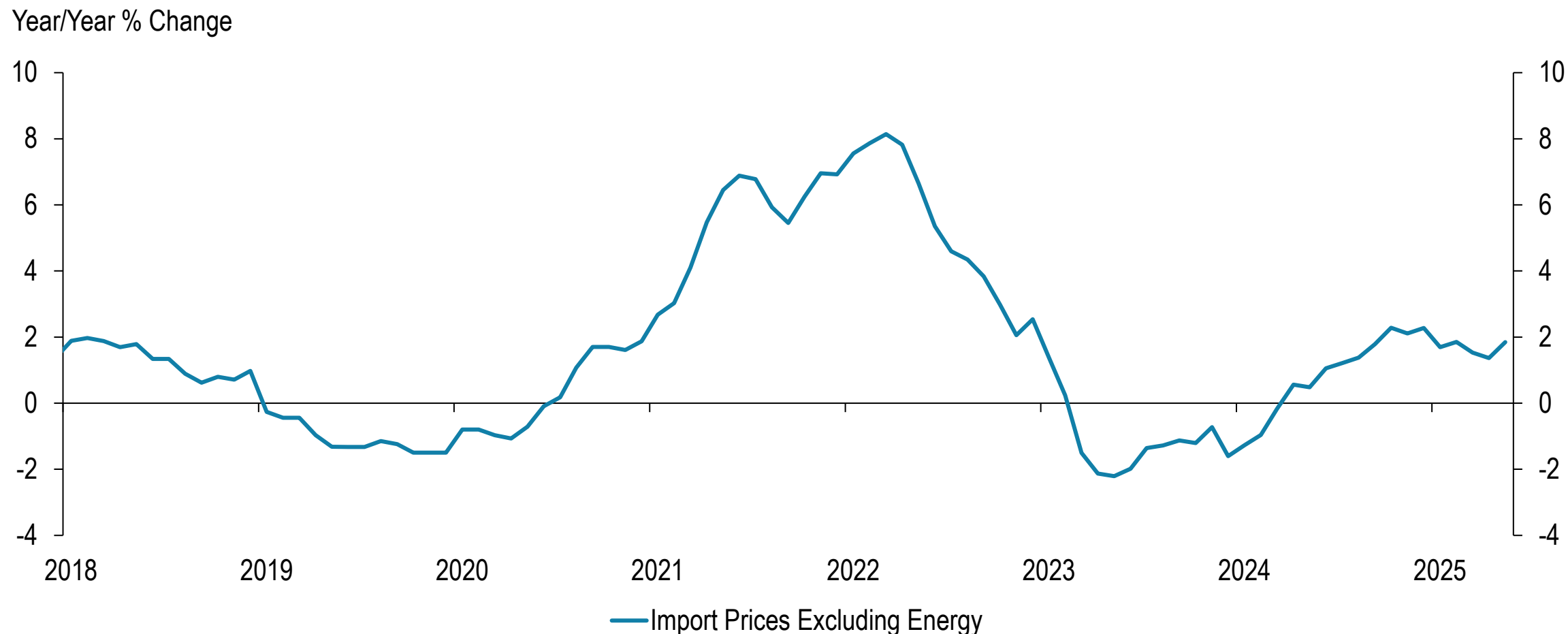
# Even within goods prices, tariff effects are modest so far



# Someone is paying the tariff

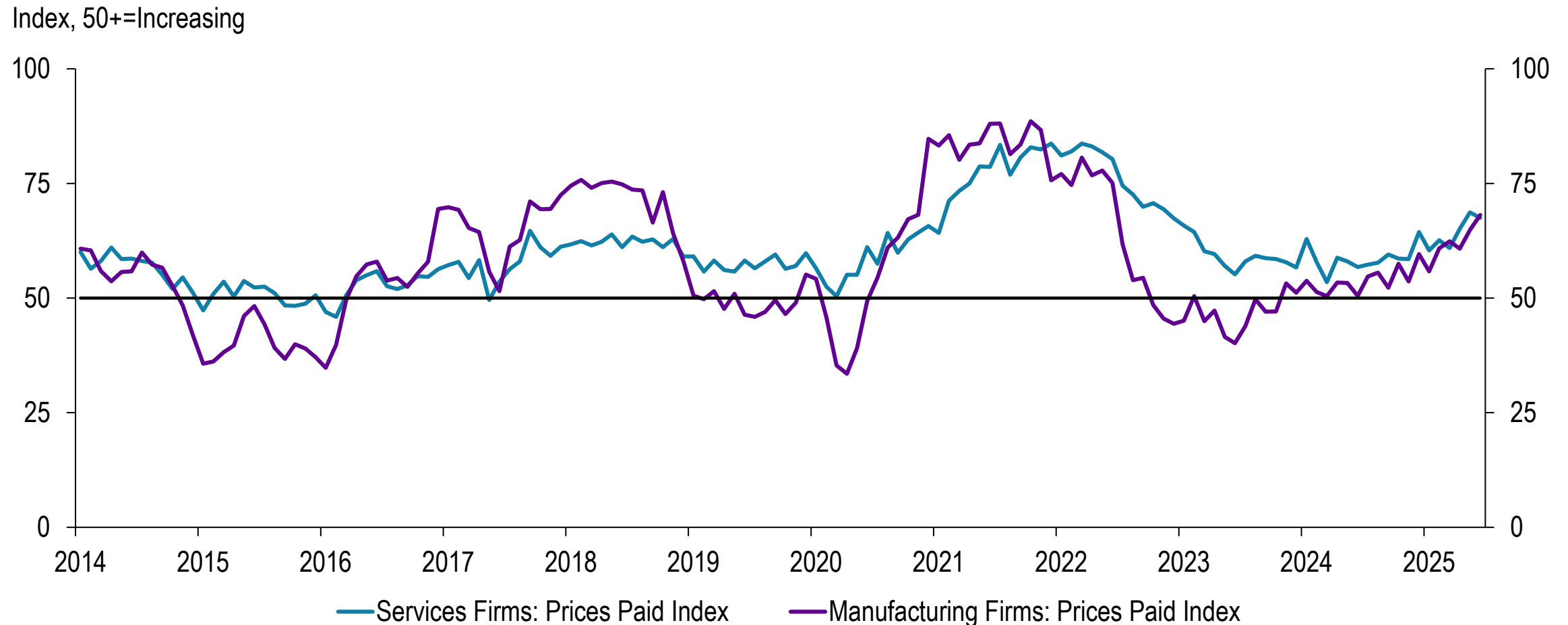


# Little sign that foreign suppliers are paying the tariff

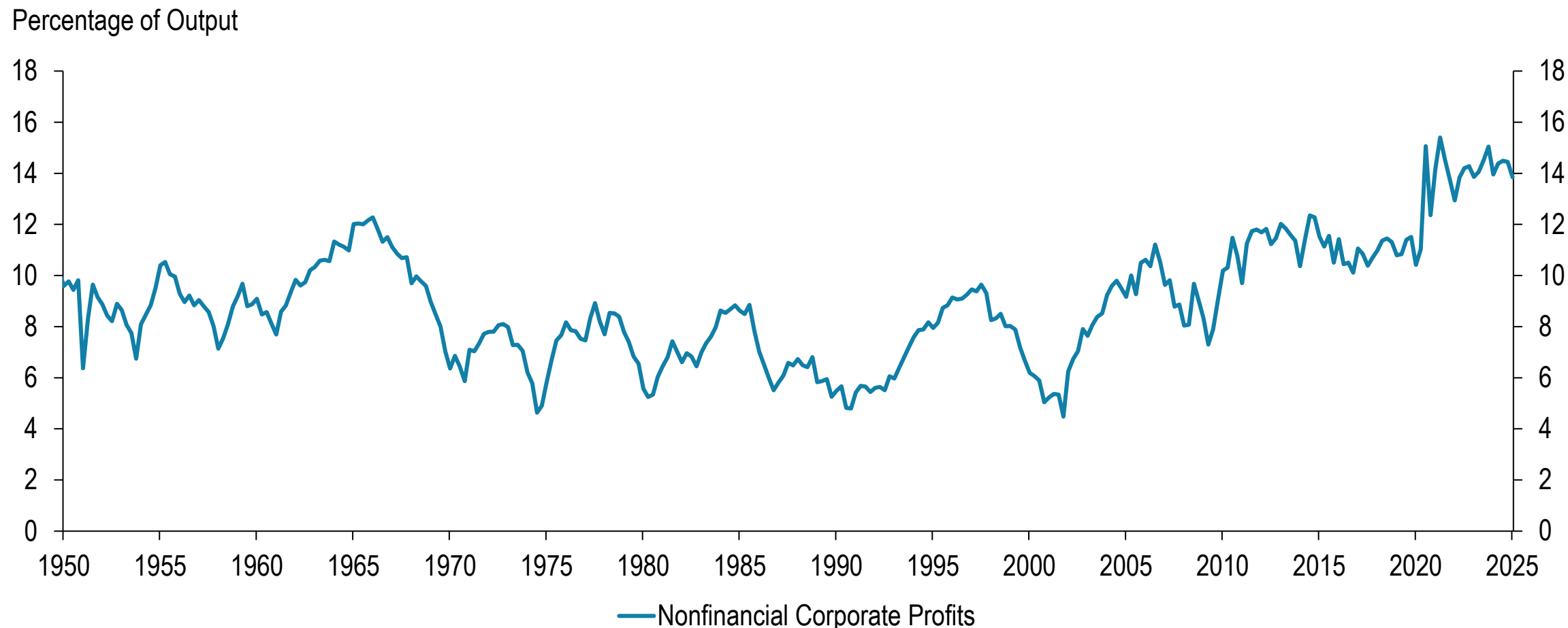




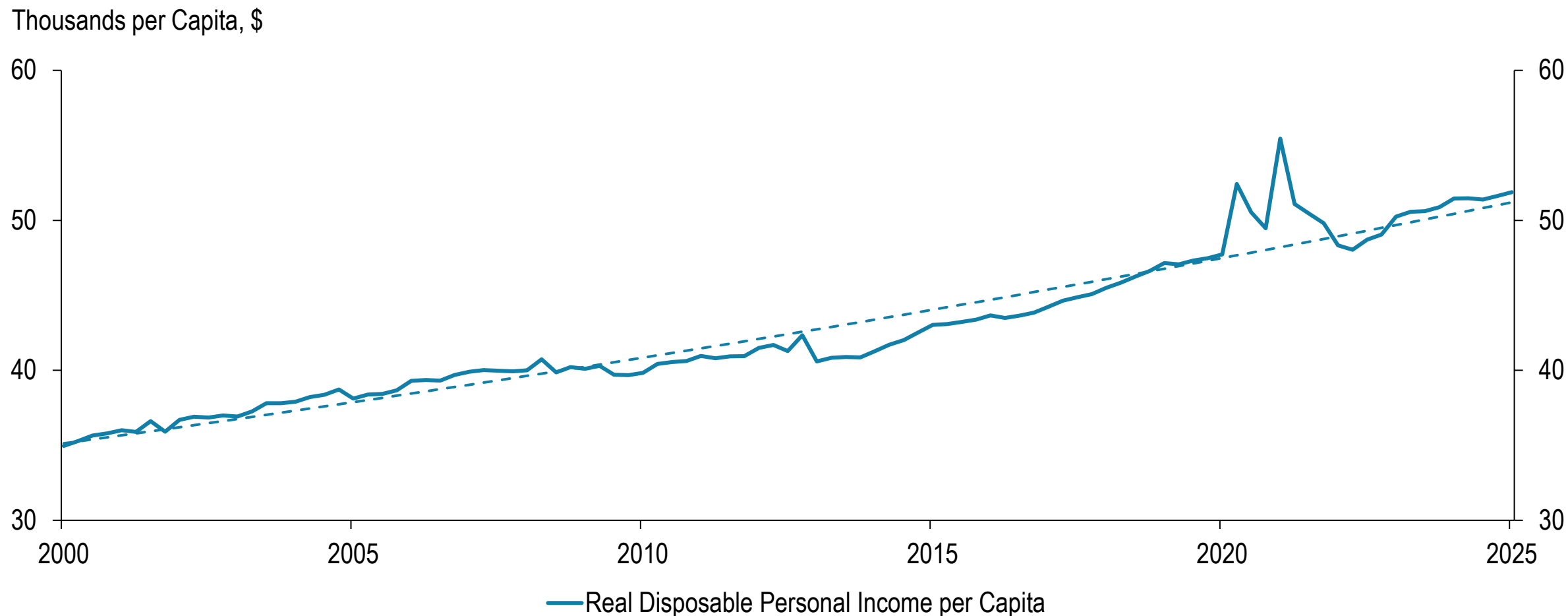
# Firms report paying higher input prices



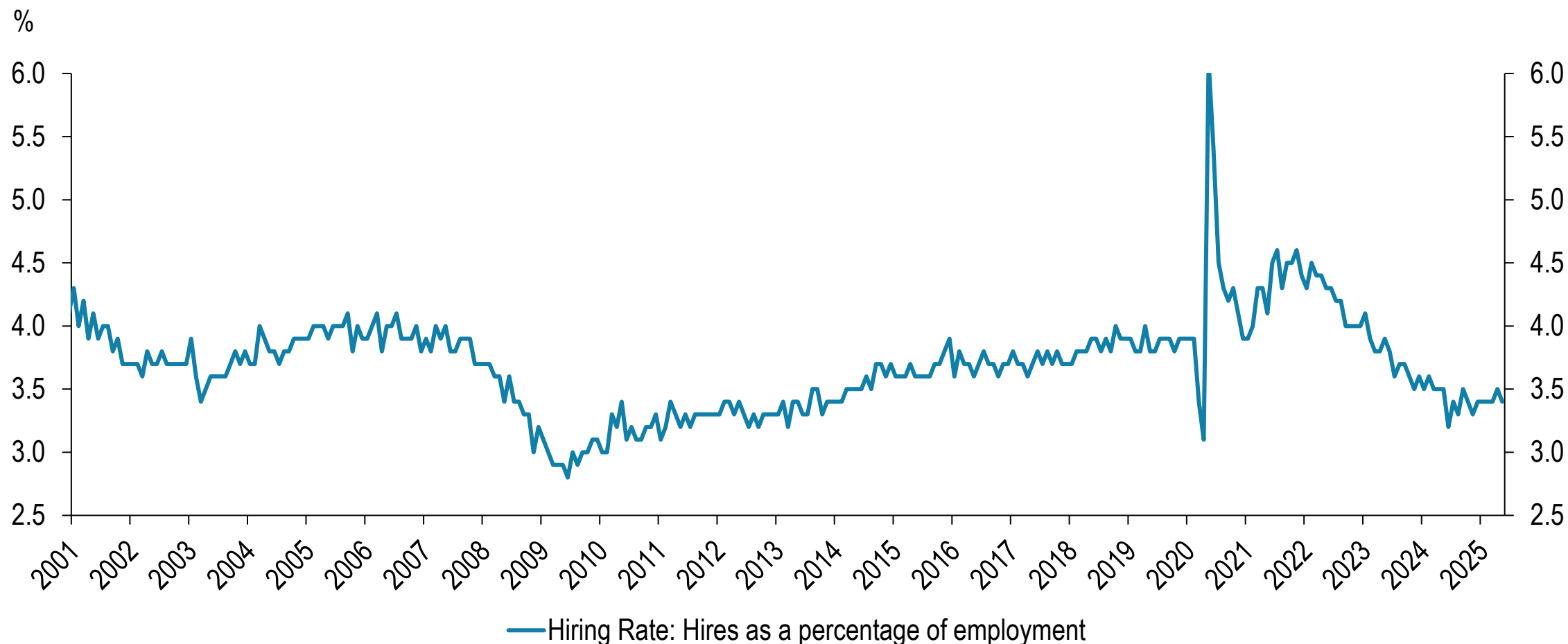
# Profit margins are elevated, giving firms some scope to absorb higher tariffs



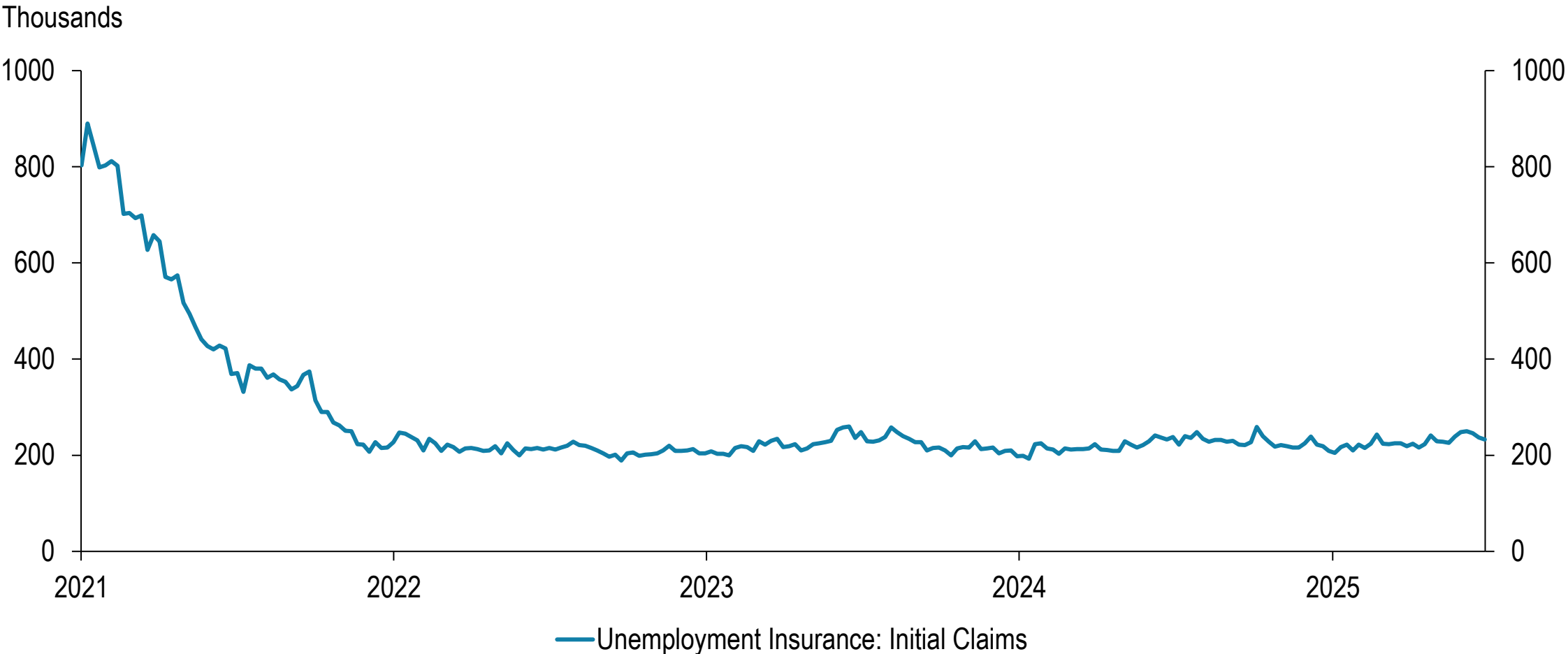
# As we learned in recent years, firms will pass through higher costs when demand is strong



# While the unemployment rate remains low, the labor market is cooling

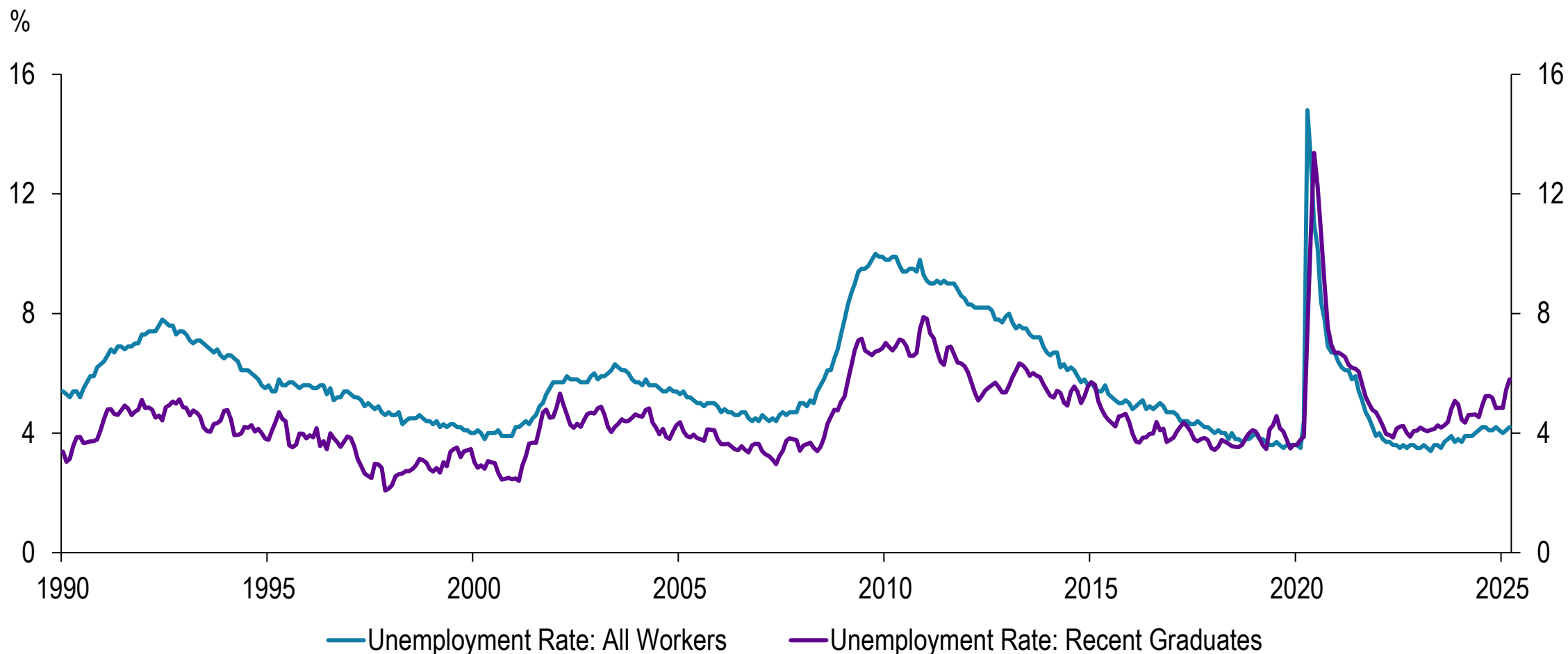


# Firms are reluctant to lay off workers



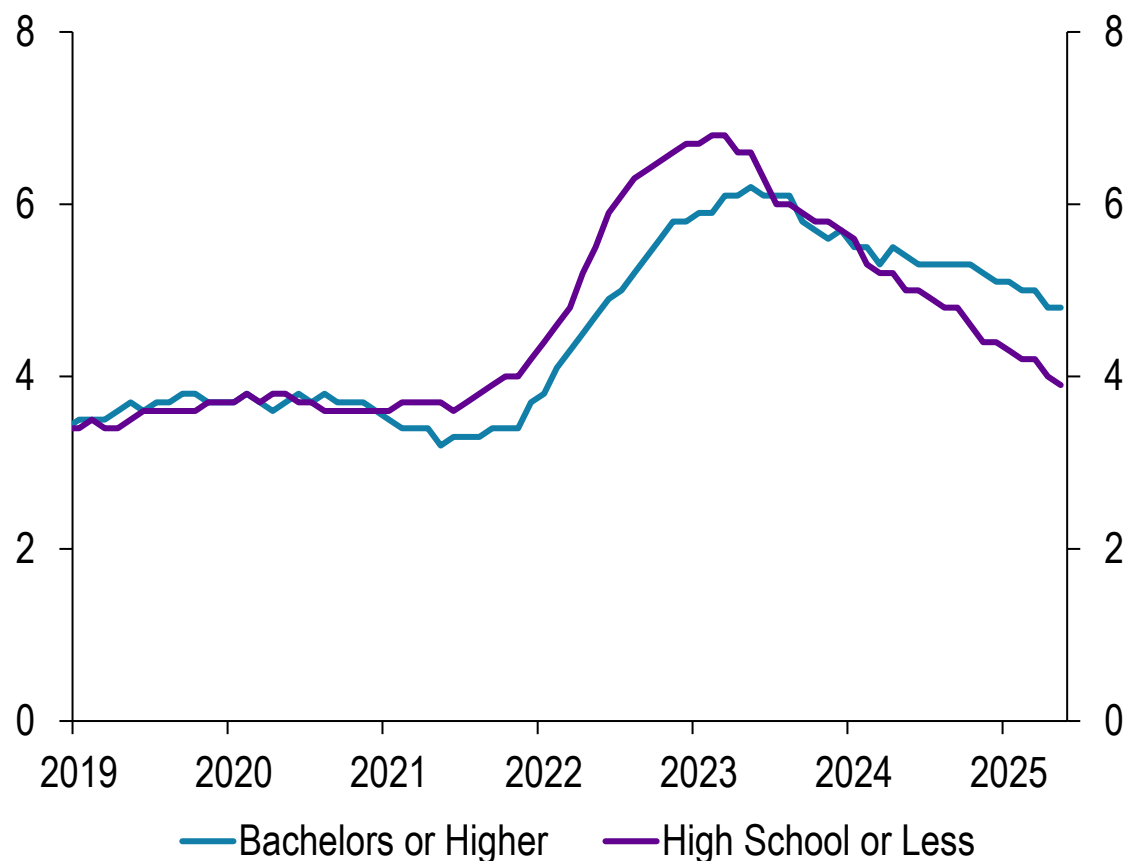
Sources: Department of Labor, Haver Analytics

# The low hiring, low firing labor market is a challenge for those entering the workforce



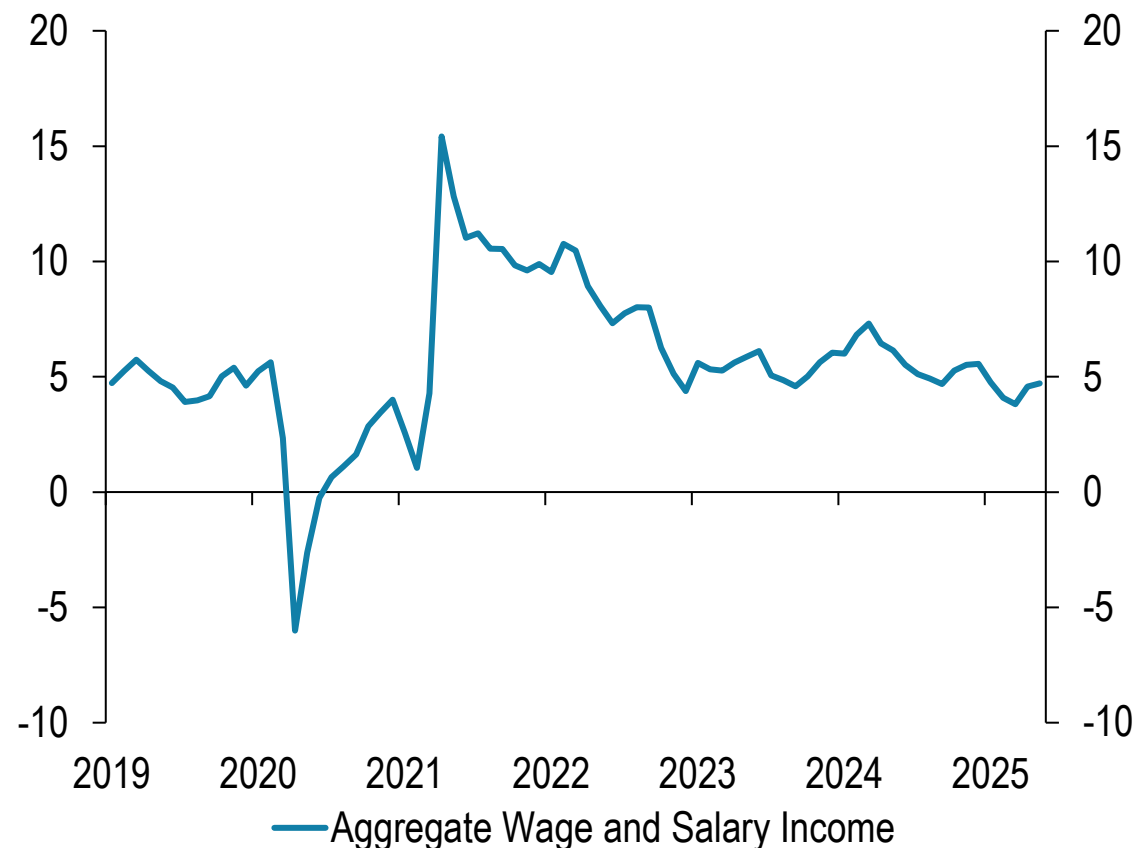
# As hiring slows and wage growth moderates, growth in aggregate labor income is normalizing

Year/Year % Change Wages



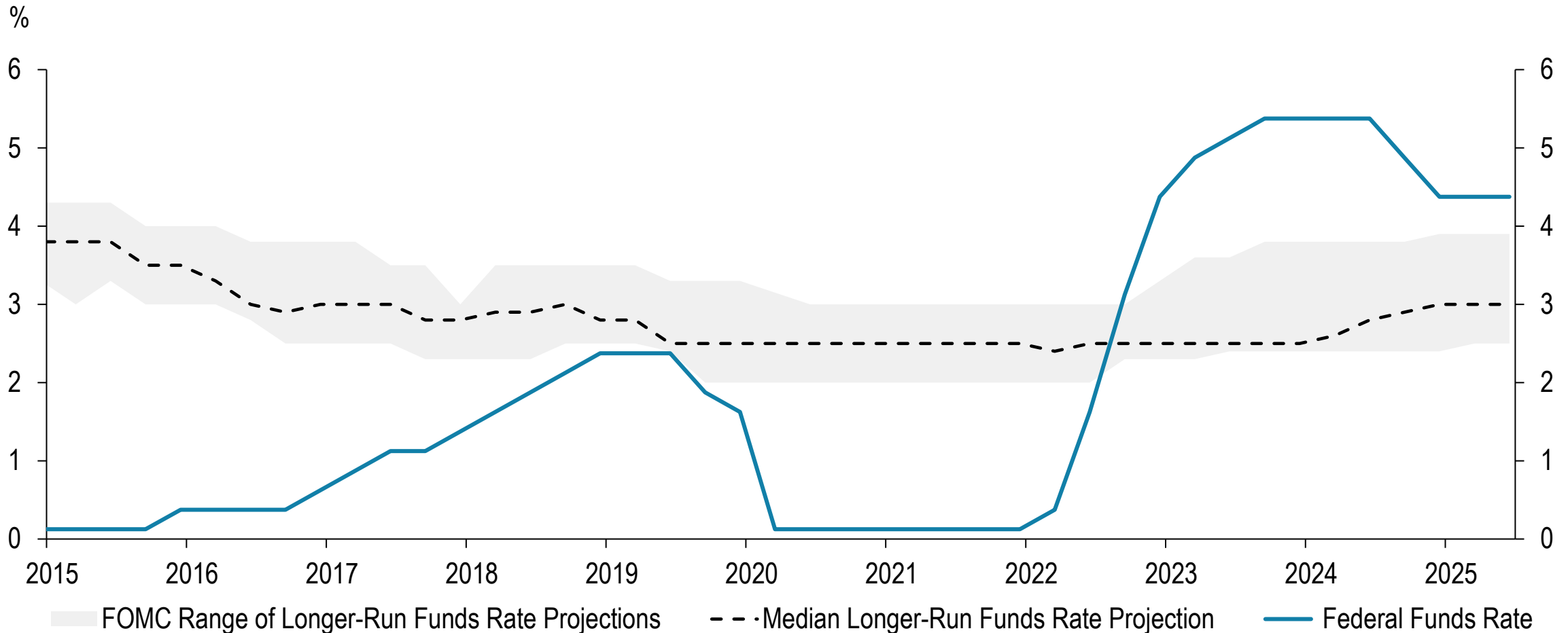
Sources: Federal Reserve Bank of Atlanta, Haver Analytics  
Note: Wage growth is measured as a 12-month moving average.

Year/Year % Change



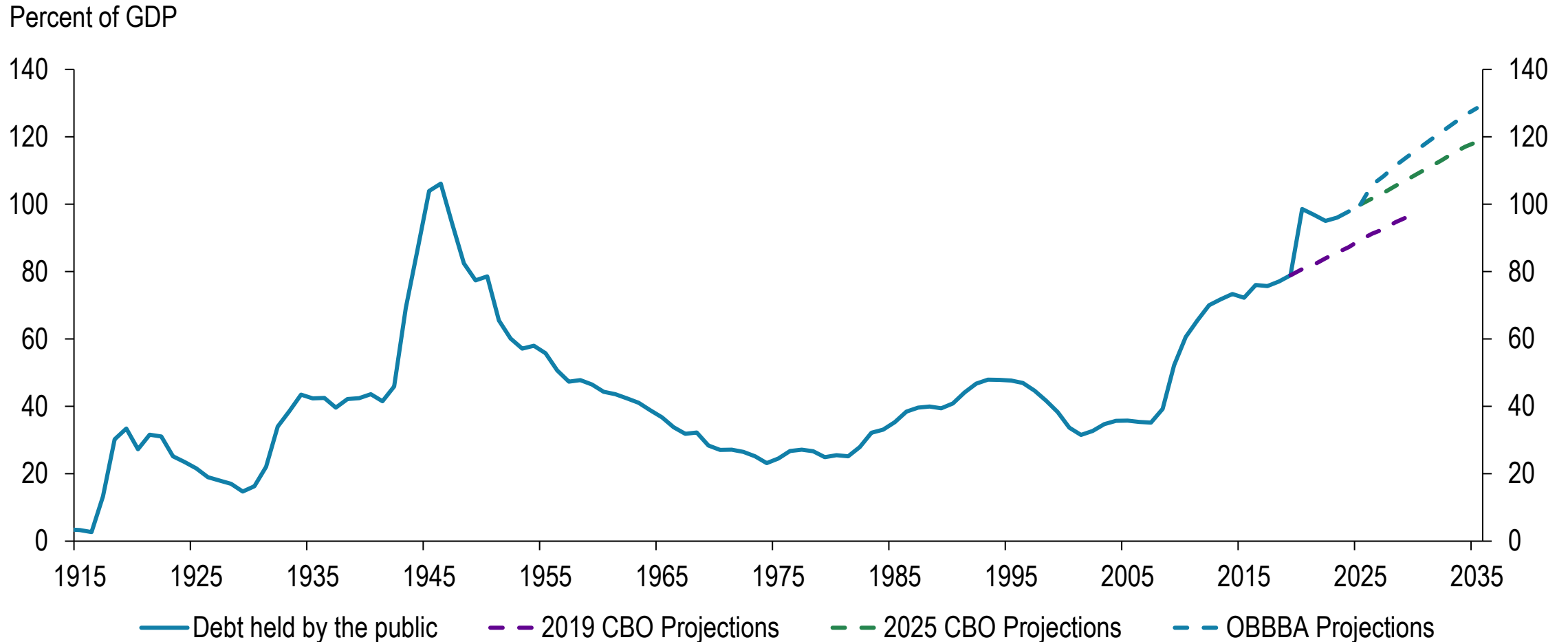
Sources: Bureau of Economic Analysis, Haver Analytics

# Policy is likely restrictive, but perhaps only modestly so

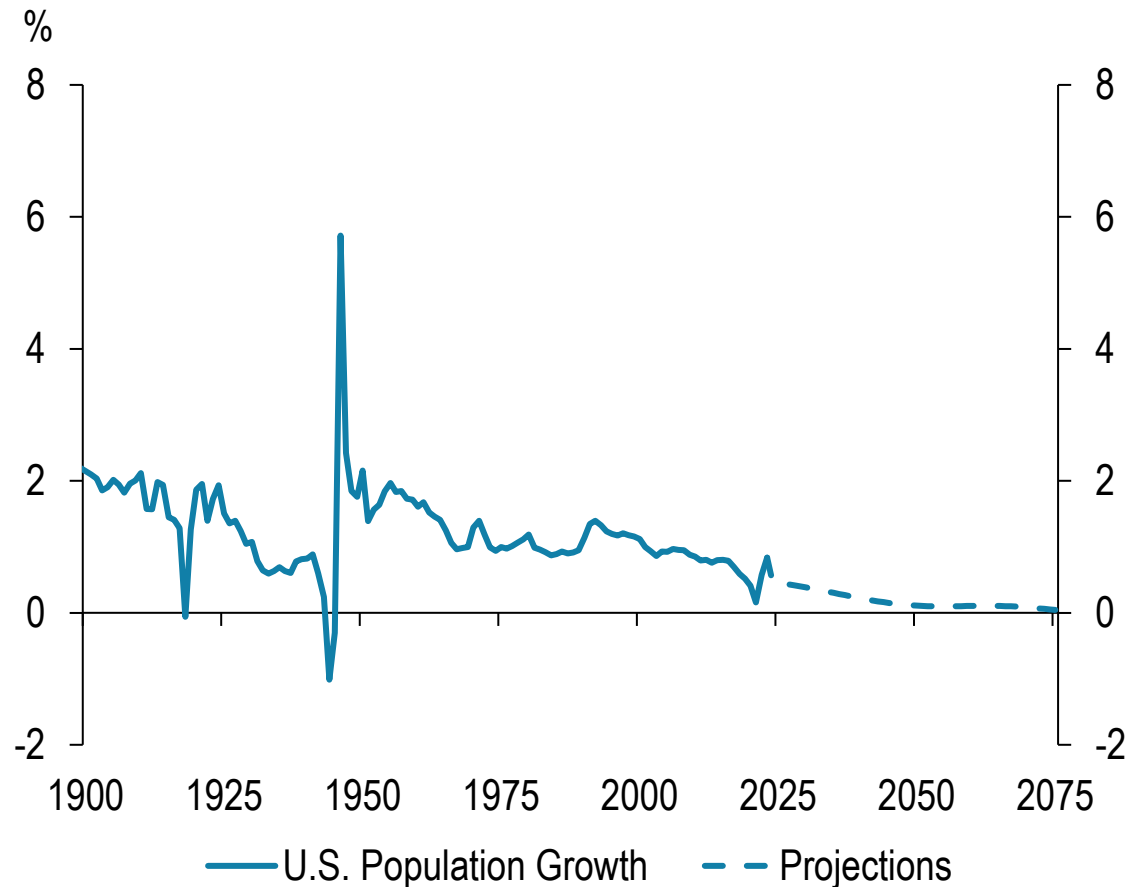




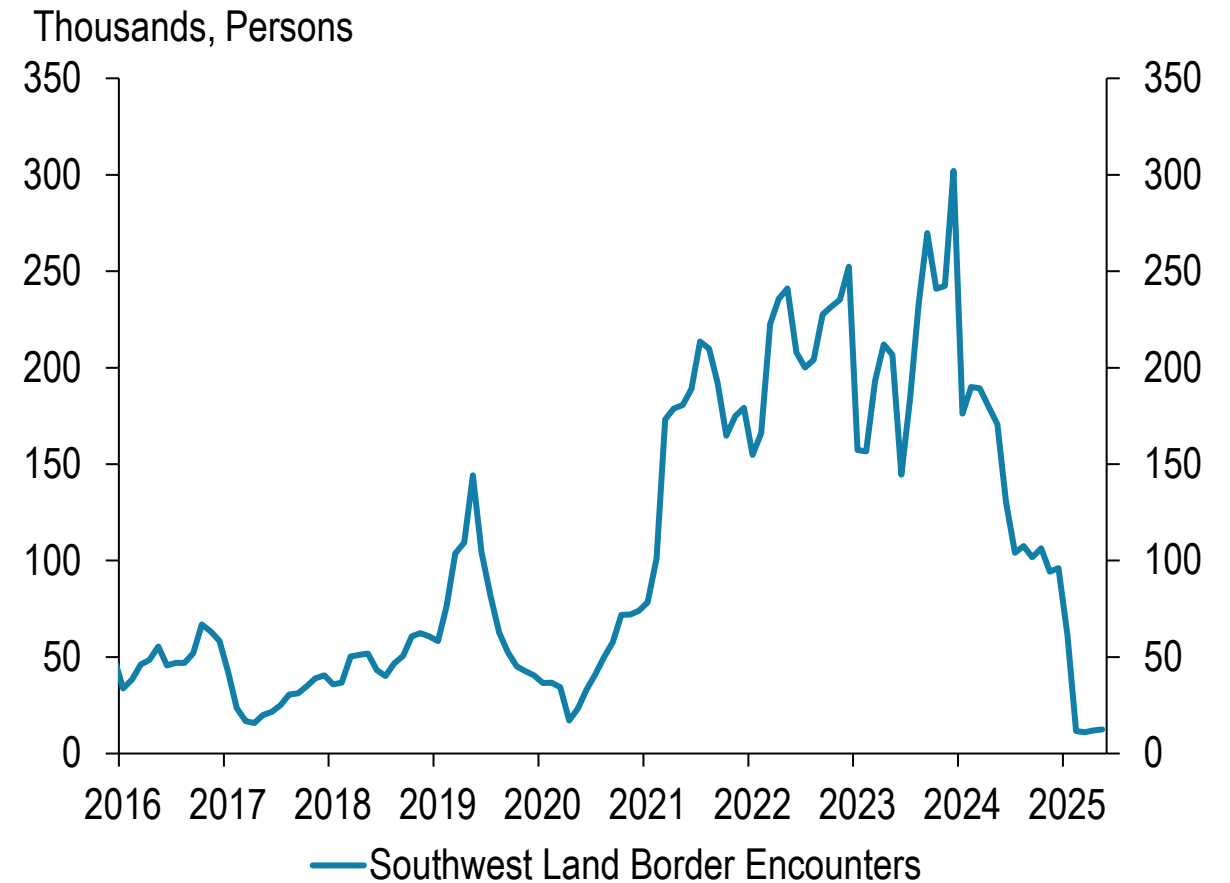
# The supply of government debt continues to grow



# Demographics are likely to depress economic growth and interest rates



Sources: U.S. Census Bureau, Haver Analytics

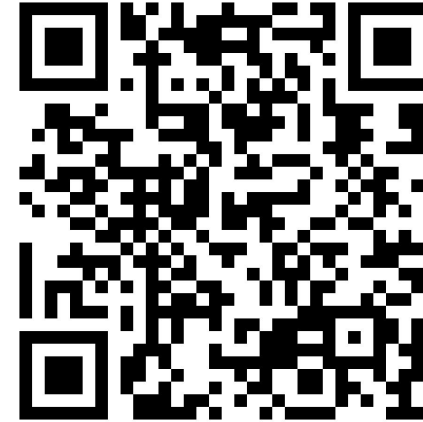


Sources: Customs and Border Protection, Haver Analytics

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