



U.S. Economic Overview



CONSUMERS AND THE MACRO ECONOMY | JUNE 2025

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Summary



Consumers & Macro Economy Executive Summary



Positive Trends

- Nonfarm payroll employment increased 139,000 in May, with unemployment rate unchanged at 4.2%.
- Both hourly (+3.9%) and weekly wage (+3.9%) rate increases continue to exceed the change in inflation.
- The Consumer Price Index (CPI) for May 2025 increased by 0.1% month-over-month and 2.4% year-over-year, which was generally cooler than expected.
- U.S. new home sales in April 2025 rose to a seasonally-adjusted annual rate of 743,000, representing a 10.9% increase from March 2025.
- April 2025 median U.S. new home price declined 2.0% YOY to \$407,200.



Key Headwinds

- The Global Supply Chain Stress Index (GSCSI) results for May 2025 indicate an increase in supply chain pressure compared to previous month.
- Deep sea freight rates have shown significant volatility in the last 30 days, with some major trade lanes experiencing substantial increases followed by recent dips.
- Despite a recent 16% increase from historic lows, consumer sentiment remains cautious, as it is still significantly below December 2024 levels, reflecting ongoing concerns about the economy's future trajectory and various downside risks.
- Real gross domestic product (GDP) decreased at an annual rate of 0.2% in the first quarter of 2025.



Concerns

- Current fuel prices remain relatively stable but potential for rising price due to global unrest, particularly in oil-producing regions such as Iran, could significantly disrupt supply chains and lead to a rapid surge in prices at the pump.
- The US housing market in June 2025 is more balanced, with increased inventory and slowing price growth, but affordability remains a challenge due to high mortgage rates.
- Uncertainty remains among businesses and consumers re: economic impacts from added tariffs.
- The Fed remains committed to approach rate cuts cautiously in 2025 due to continued inflation concerns.

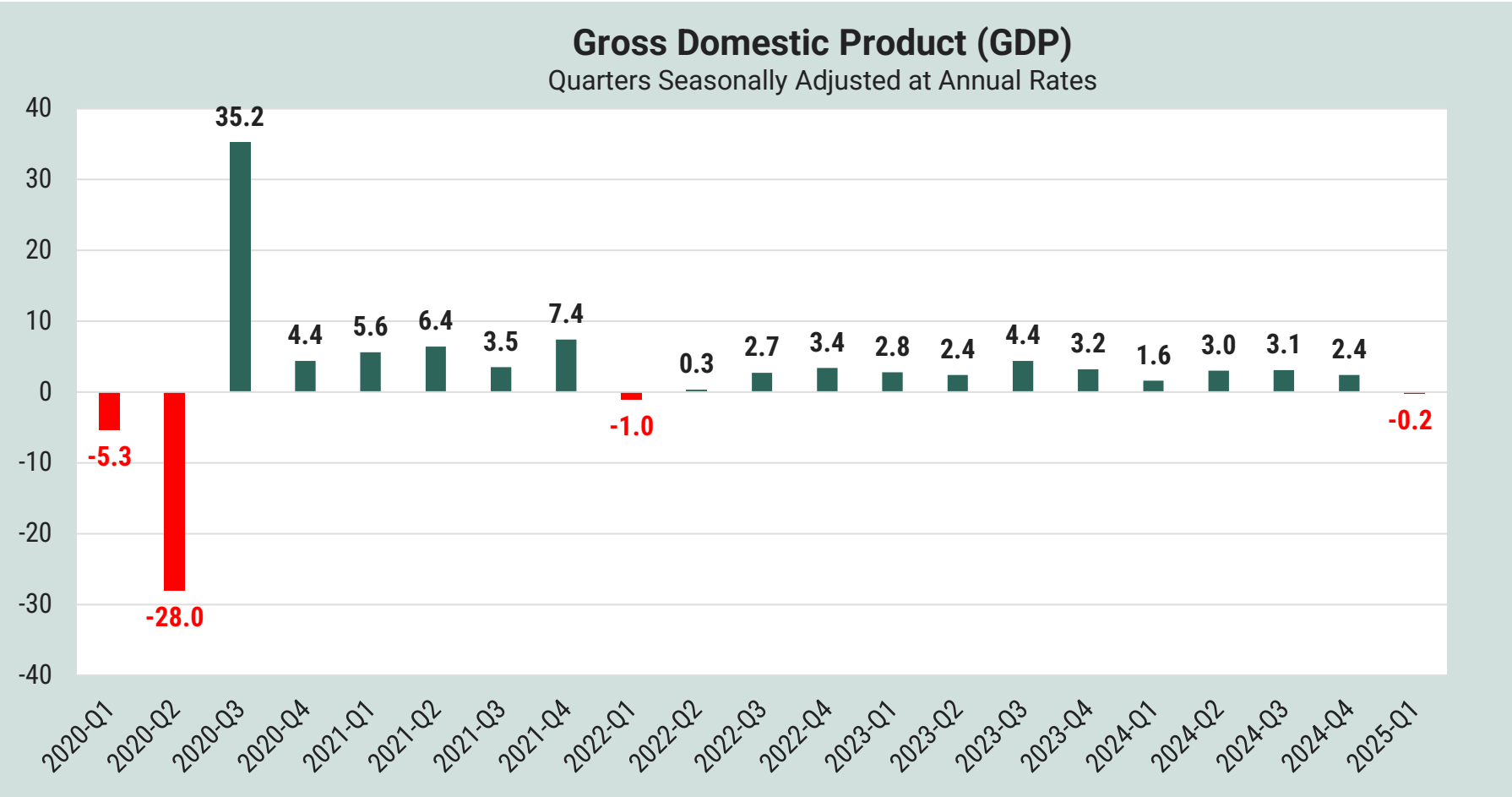
Key U.S. Economic Indicators

Gross Domestic Product



Real gross domestic product (GDP) decreased at an annual rate of 0.2% in the first quarter of 2025, according to the second estimate released by the U.S. Bureau of Economic Analysis

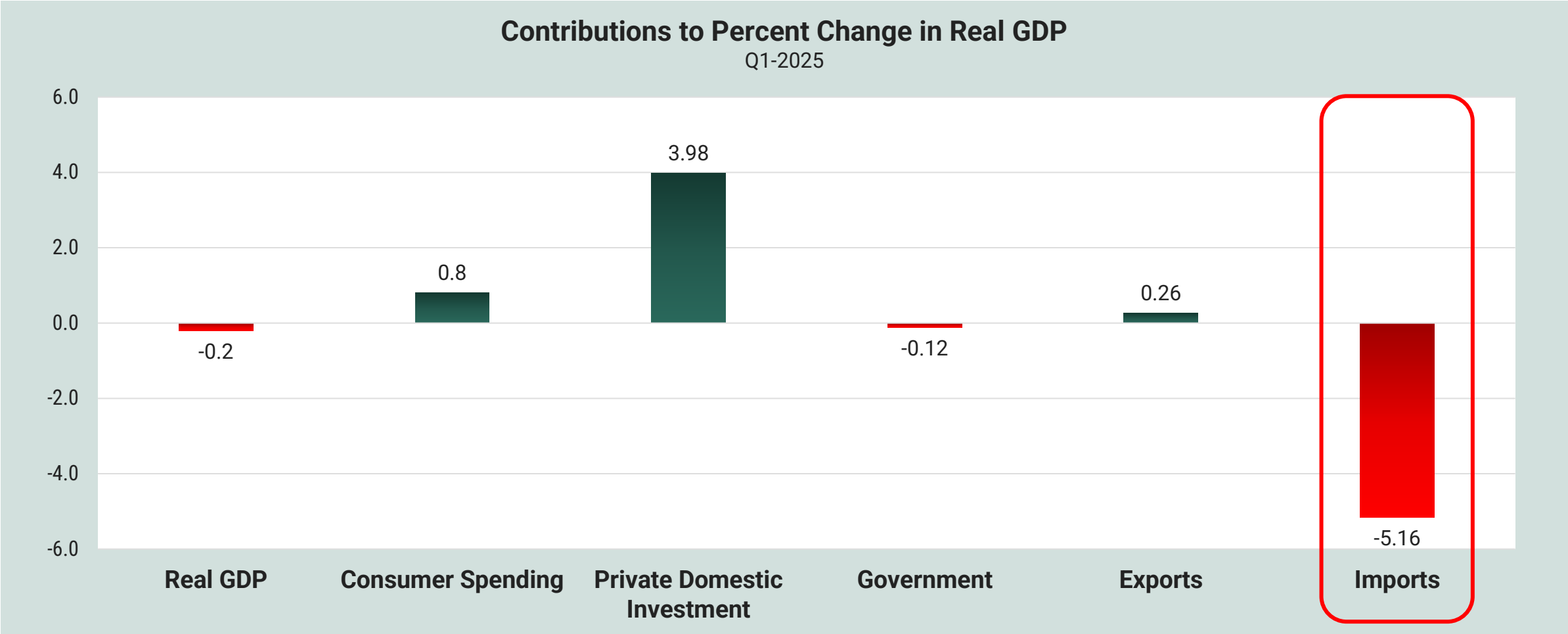
GDP decreased 0.2% in the first quarter of 2025. This decline follows a 2.4% increase in the fourth quarter of 2024, according to the second estimate released by the U.S. Bureau of Economic Analysis. The Q1 decrease was driven by a rise in imports, which subtract from GDP calculations, and a reduction in government spending.



Gross Domestic Product



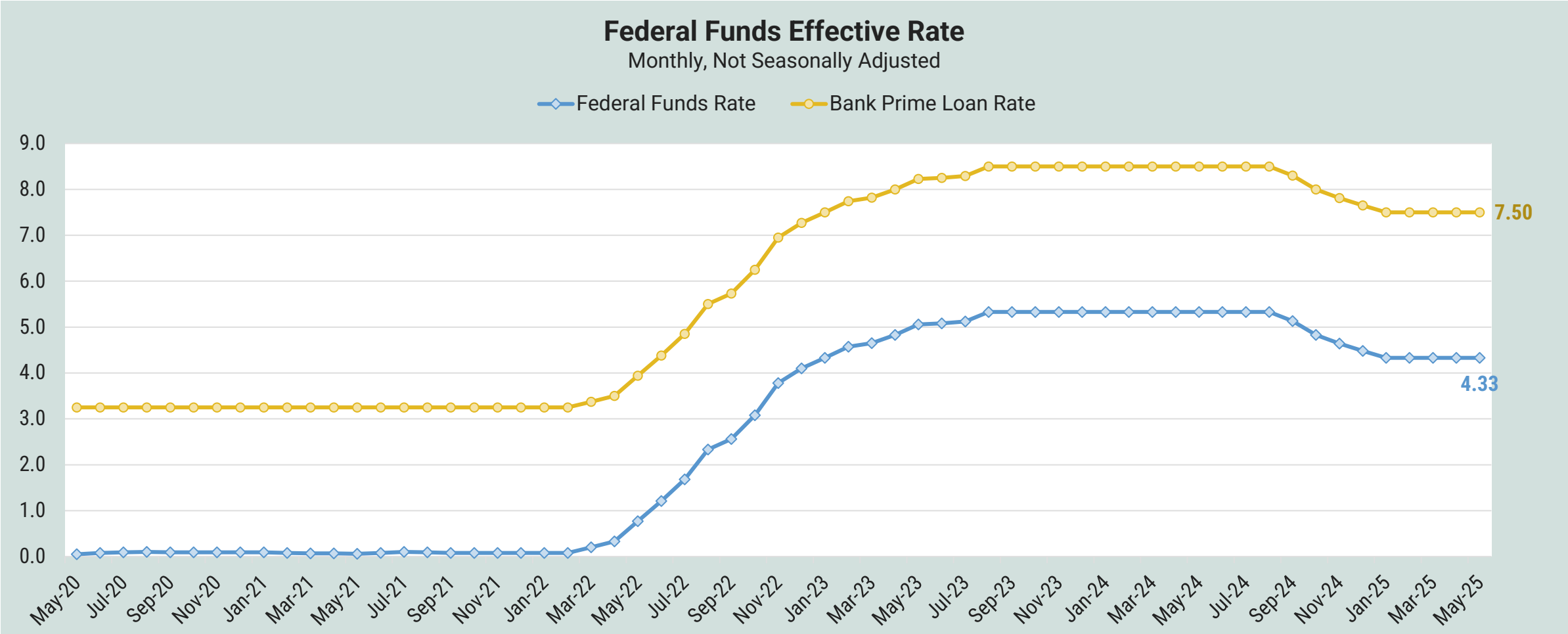
The Q1 GDP decrease reflected an increase in imports, which are a subtraction in the calculation of GDP; this increase in imports was driven by businesses accelerating purchases to get ahead of anticipated or recently enacted tariffs



Federal Funds Rate



Elevated economic uncertainty continues to compel Federal Reserve policymakers to advocate for a cautious stance regarding further adjustments to monetary policy – the Federal Funds rate remained unchanged



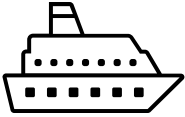
Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

Supply Chain



Tariffs are Having Significant Impact on Supply Chains

Evolving trade policy has created significant economic uncertainty



Summary of Current State

- **Baseline Tariffs:** A 10% tariff applies to most imported goods, effective since April 5, 2025. The implementation of higher "reciprocal" tariffs targeting countries with U.S. trade deficits has been largely postponed or moderated.
- **U.S.-China Trade Relations:** A bilateral agreement initiated on May 12, 2025, has led to a 90-day moratorium on escalating tariffs. U.S. tariffs on Chinese imports have been reduced from a maximum of 145% to 30%, while China's retaliatory measures have decreased from 125% to 10%. However, certain additional tariffs, including those under Sections 301 and 232, remain in effect resulting in higher rates for some imports.
- **U.S.-EU Trade Tensions:** The U.S. currently imposes 25% tariffs on EU steel, aluminum, and automobiles, with a 10% tariff on most other EU products. Absent a trade agreement by July 8, the latter may increase to 20%. The EU has temporarily suspended some retaliatory measures until July 14 to facilitate negotiations.
- **North American Trade:** A 25% tariff applies to most Canadian and Mexican imports, excluding USMCA-exempt goods. Both nations have implemented reciprocal measures.
- **Steel and Aluminum Sector:** To address global overcapacity, tariffs on steel and aluminum imports were raised to 50% on June 4, 2025, with certain exceptions and quotas based on trade agreements.
- **Automotive Industry:** A 25% tariff on imported vehicles took effect on April 3, 2025, followed by similar measures on auto parts on May 3. A rebate system has been established to partially mitigate tariffs on components for U.S.-assembled vehicles.
- **Legal Challenges:** The tariff regime faces ongoing legal scrutiny, with a court ruling against certain measures currently under appeal. Oral arguments are scheduled for July 31, 2025, with the tariffs remaining in force due to a stay on the ruling.

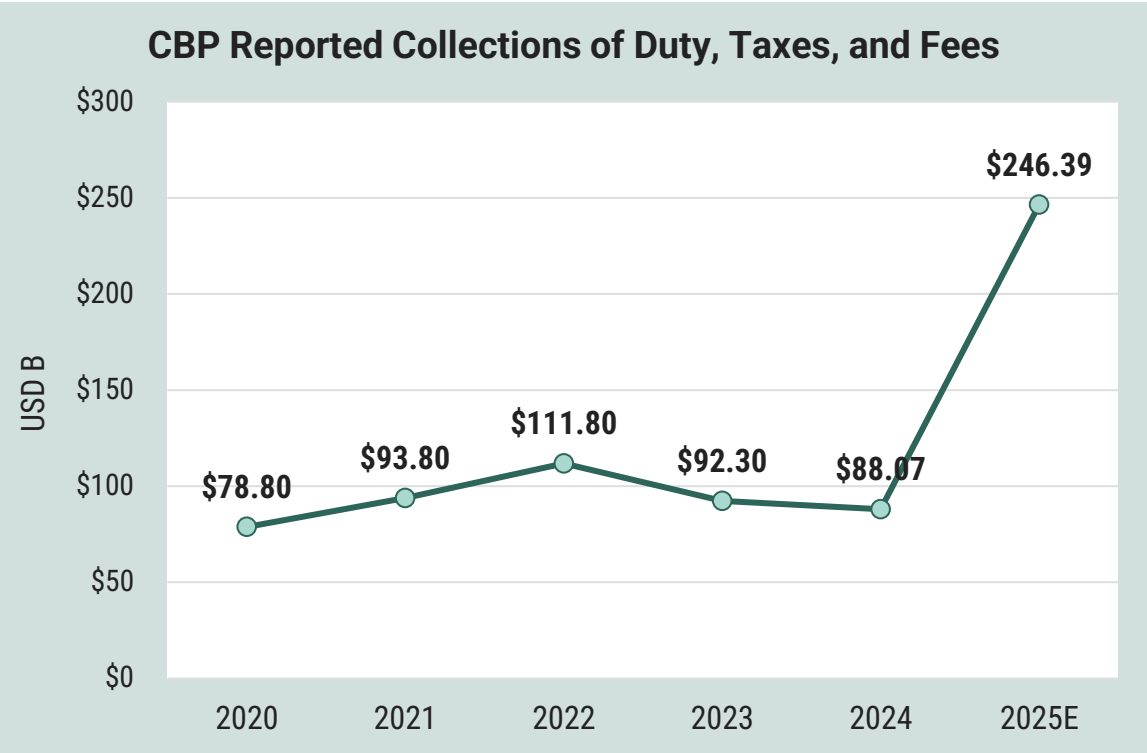
Pending Tariff Milestones and CBP Revenue from Duties, Taxes, and Fees

While the Administration has forecast dates for upcoming decisions, the environment remains highly volatile and uncertain



PENDING DEVELOPMENTS

- **July 8, 2025:** Expiration of the 90-day moratorium on reciprocal tariffs for multiple countries (excluding China), potentially leading to tariff escalations absent new trade agreements.
- **July 14, 2025:** Conclusion of the EU's suspension of select retaliatory tariffs against the U.S.
- **August 12, 2025:** Termination of the 90-day pause on China's reciprocal tariff, currently set at 10%.
- **July 31, 2025:** Scheduled oral arguments for the appeal against the court ruling on IEEPA tariffs, which could significantly impact the tariff regime's future.



Source: U.S. Customs and Border Protection Trade Statistics
Note 2025 full year estimate based on \$82.13 Billion collected as at 4/30/2025

<https://www.newyorkfed.org/research/policy/gscpi#/overview>

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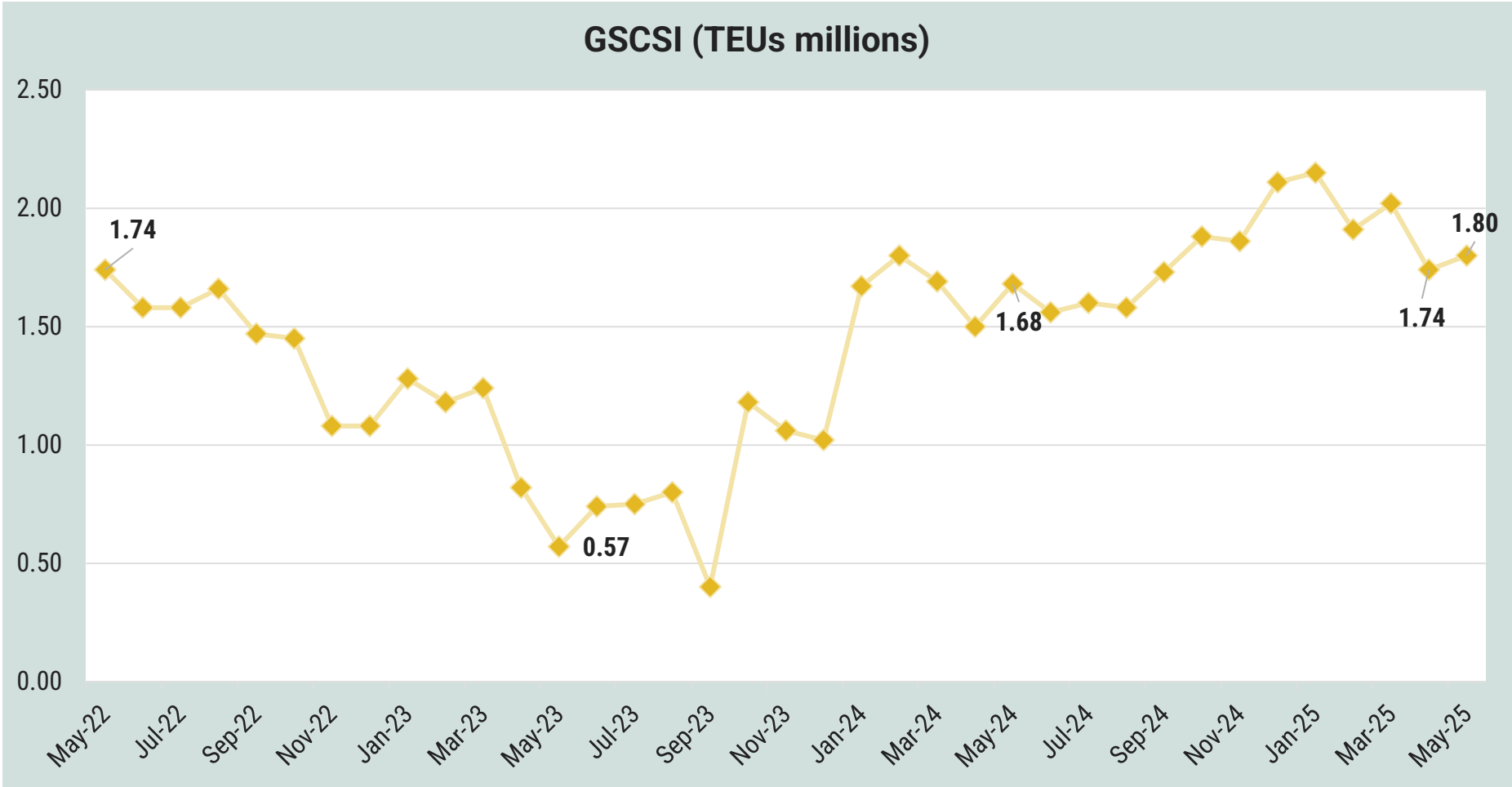
Global Supply Chain Stress Index



The Global Supply Chain Stress Index (GSCSI) results for May 2025 indicate an increase in supply chain pressure compared to previous month

The World Bank Global Supply Chain Stress Index (GSCSI) measures the magnitude of container shipping disruptions affecting global supply chains.

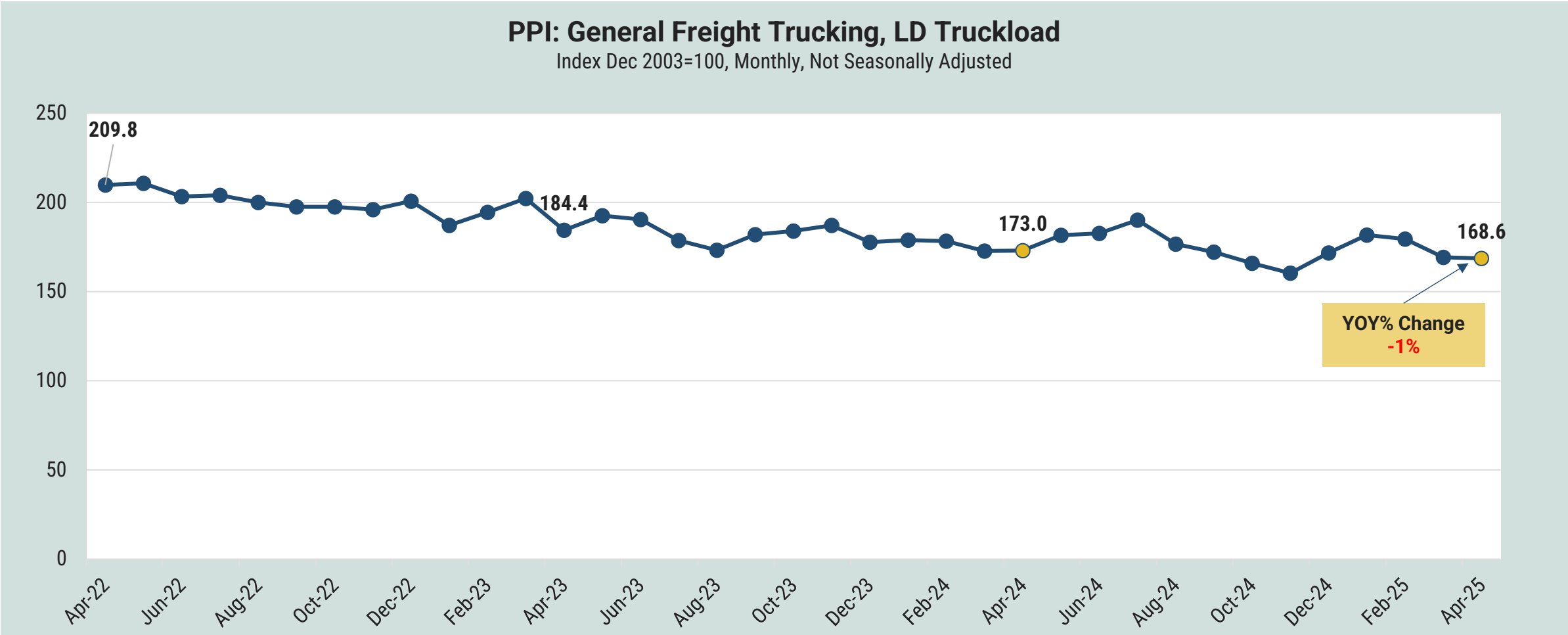
The index focuses on container shipping capacity that is tied up when ports are congested, closed, or when vessels are rerouted, and is expressed in millions of 20-foot equivalent units (TEUs)



Source: The World Bank, <https://www.worldbank.org/en/data/interactive/2025/04/08/global-supply-chain-stress-index>.

Freight Inflation - Trucking

The general freight trucking index decreased 1.0% YOY

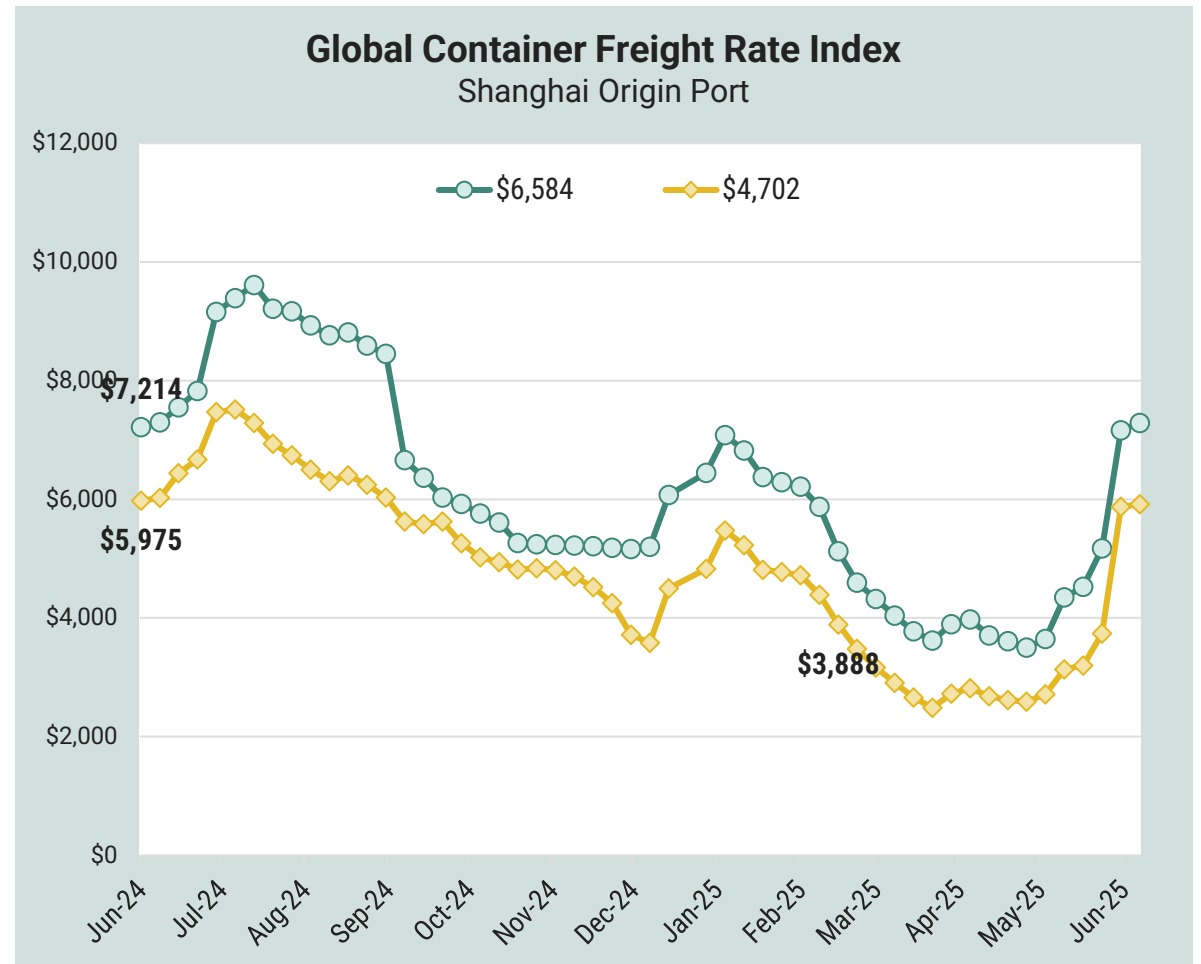
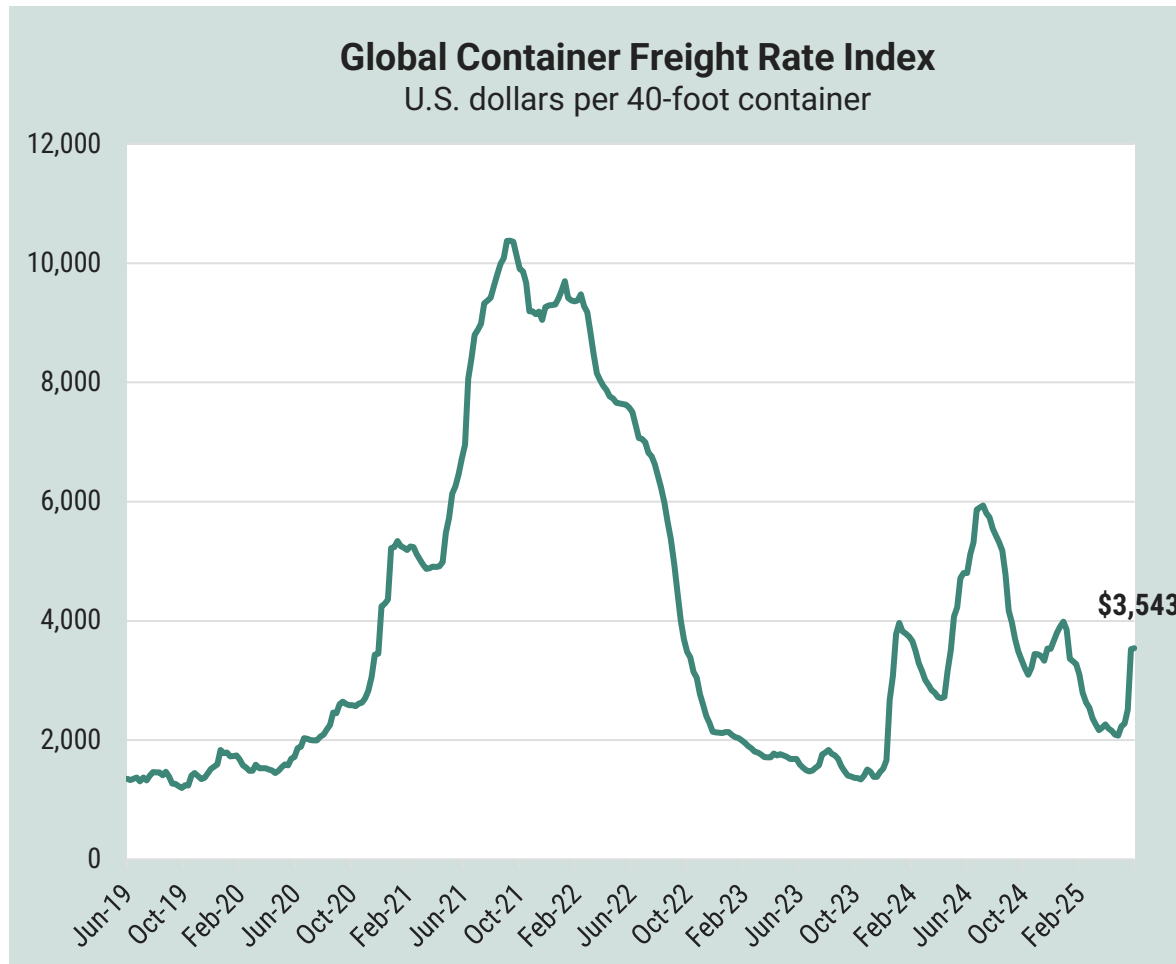


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis



Deep Sea Freight – Spot Rates on Routes from Shanghai Jumped

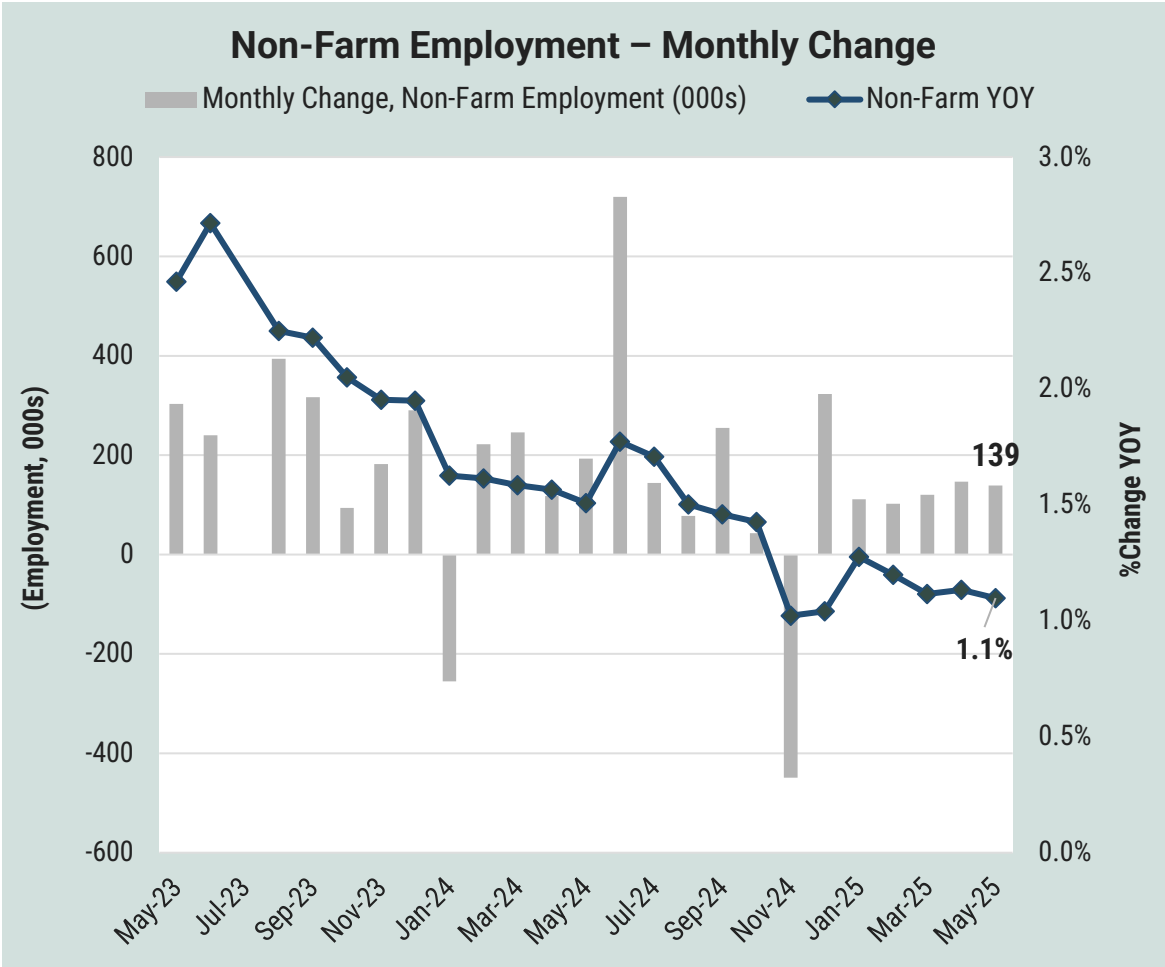
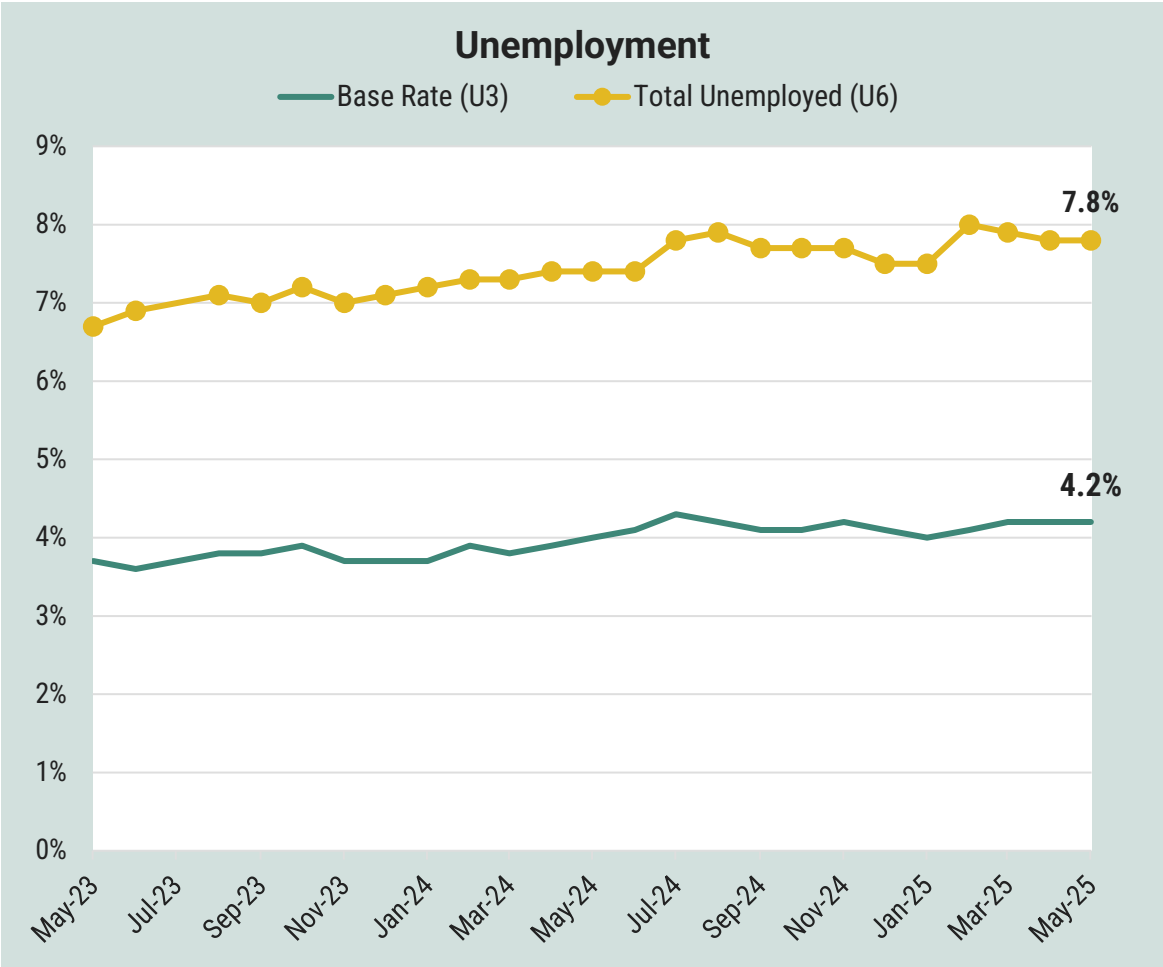
Deep sea freight rates have shown significant volatility in the last 30 days, with some major trade lanes experiencing substantial increases followed by recent dips



U.S. Labor

Labor – U.S. Employment

Nonfarm payroll employment increased 139,000 in May, with unemployment rate unchanged at 4.2%

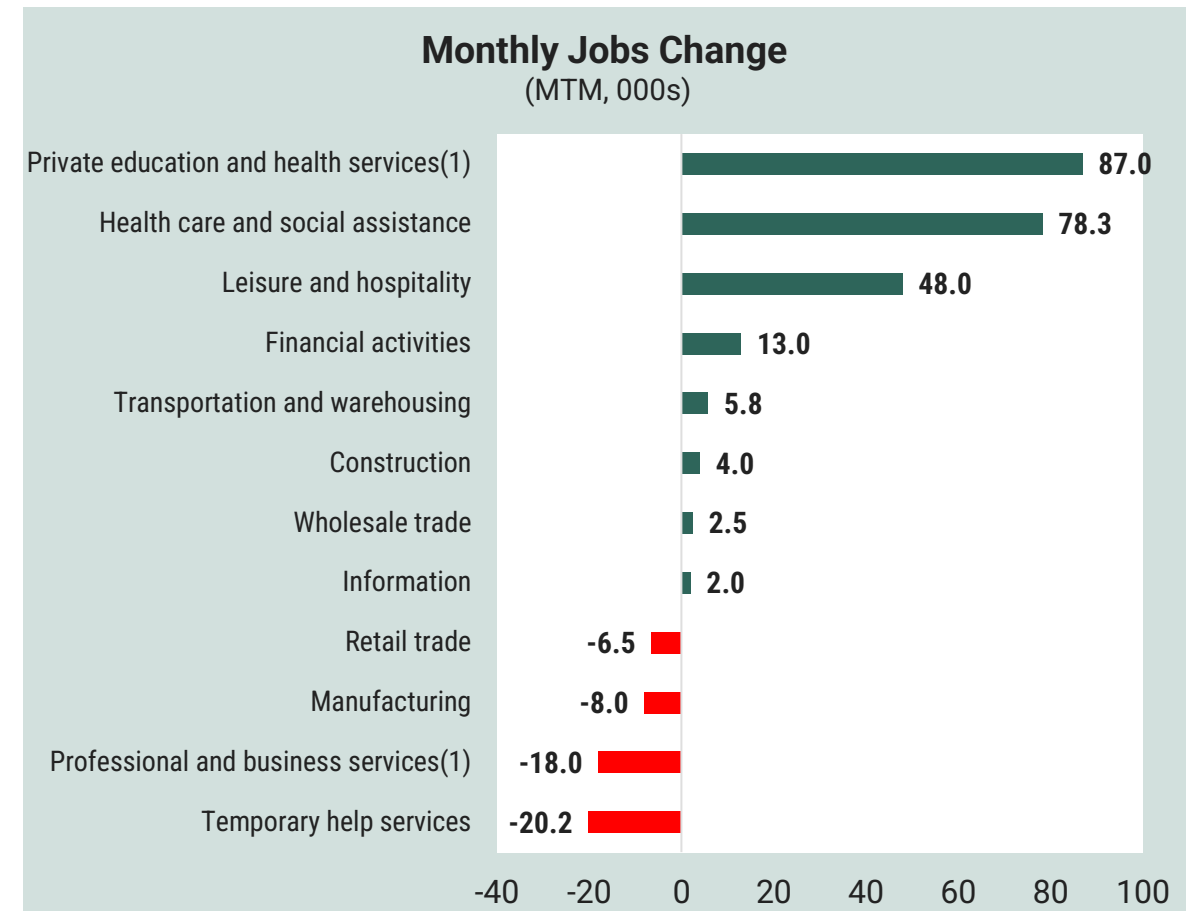
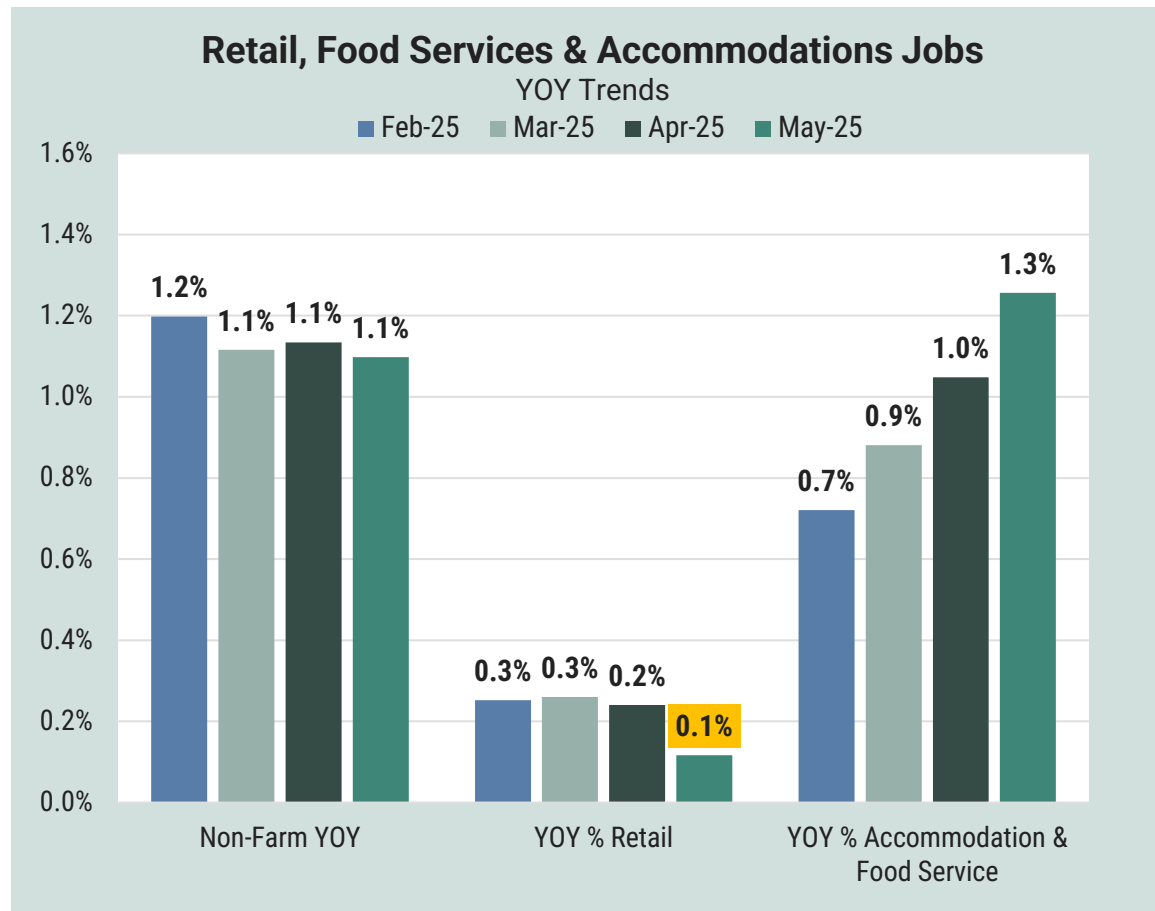


Source: U.S. Bureau of Labor Statistics



Labor – Industry Employment Trends

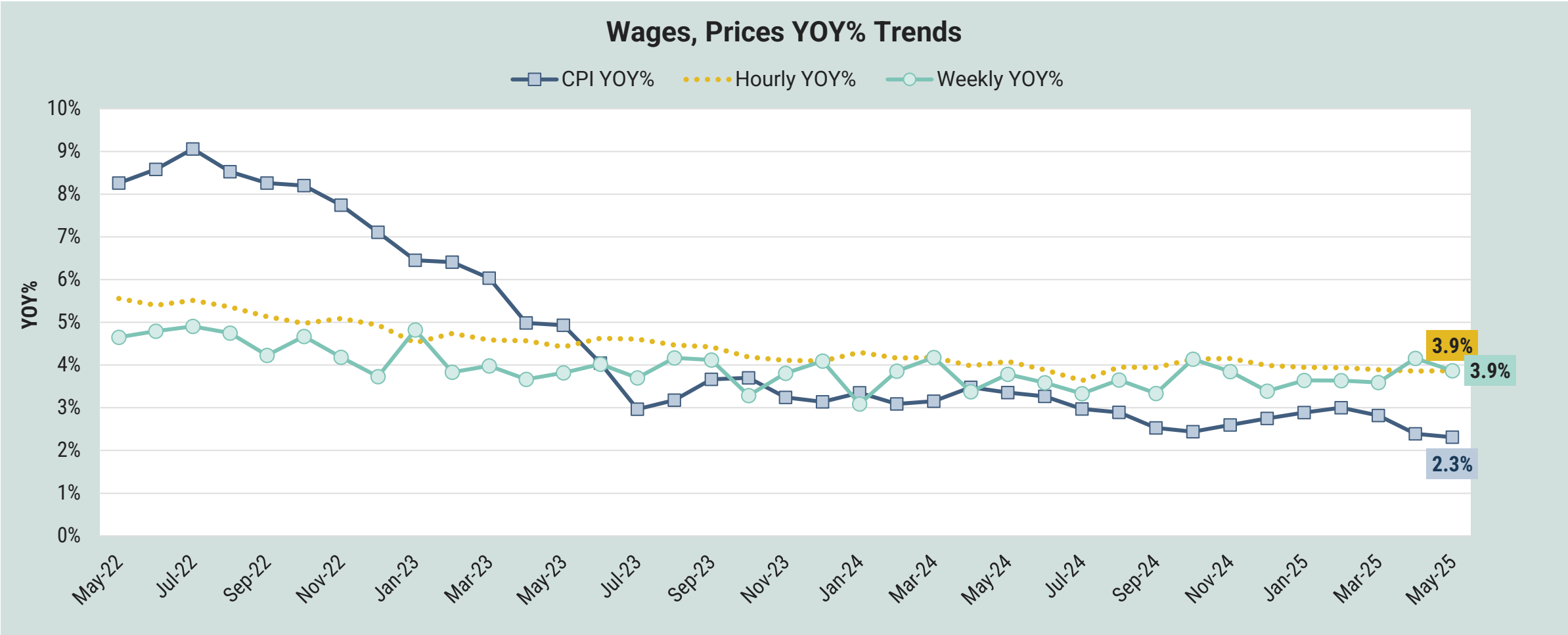
In May, most sectors saw modest year-over-year gains, but Private Education, Health Services and Social Assistance, and Leisure/Hospitality showed strong month-to-month job growth, largely due to persistent consumer demand, ongoing recovery in leisure and hospitality, and the sustained needs of an aging population in healthcare and social assistance





Wages – YOY % Change vs. Inflation

Both hourly and weekly wage rate increases continue to exceed the change in inflation



Source: U.S. Bureau of Labor Statistics

Consumer Prices & Inflation



Inflation – Consumer Price Index *(non-seasonally adjusted)*

The Consumer Price Index (CPI) for May 2025 increased by 0.1% month-over-month and 2.4% year-over-year, which was generally cooler than expected.

- Food Away From Home **+3.8%**
- Housing **+4.0%**
- Education **+3.6%**
- Air Fare **(7.3%)**
- Motor Fuel **(11.9%)**
- Apparel **(0.9%)**

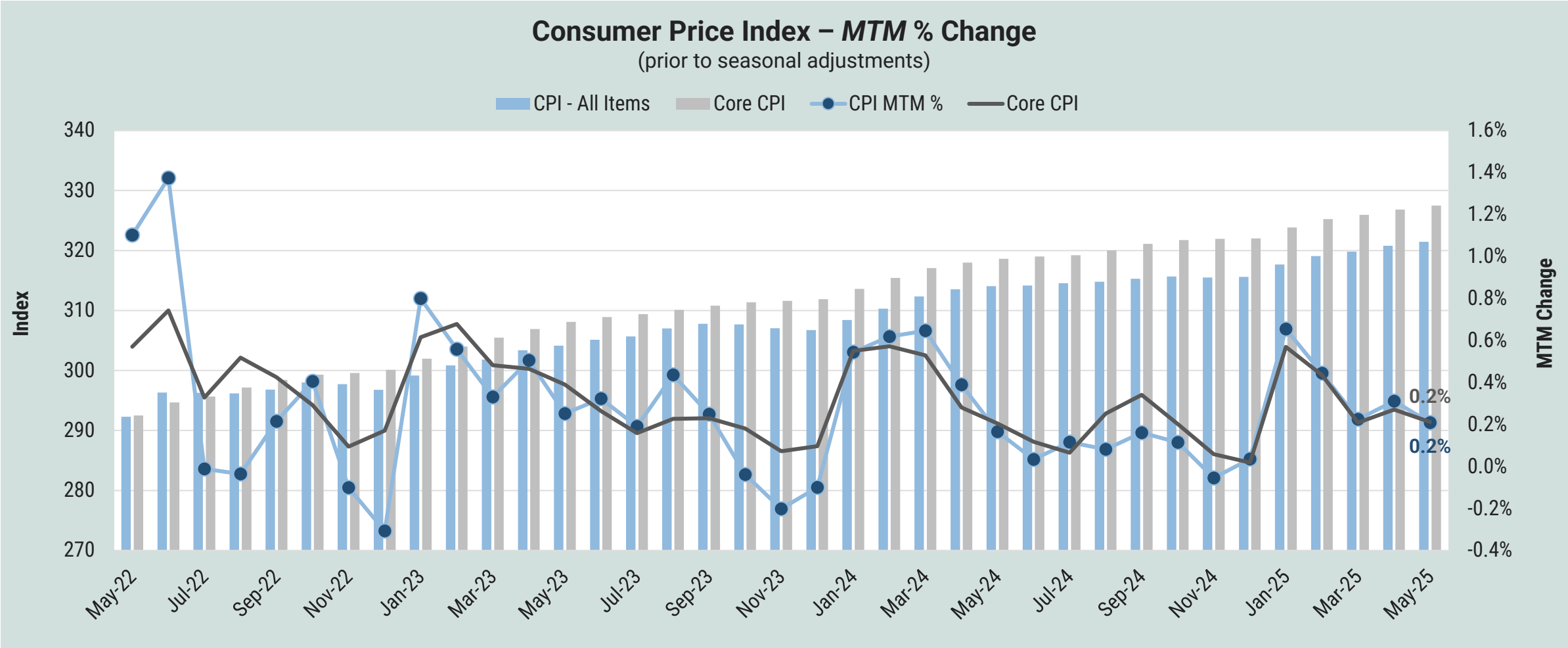
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Total CPI	2.9%	3.0%	2.8%	2.4%	2.3%	2.4%
All Items Less Food & Energy (Core CPI)	3.2%	3.3%	3.1%	2.8%	2.8%	2.8%
Food at Home	1.8%	1.9%	1.9%	2.4%	2.0%	2.2%
Food Away From Home	3.6%	3.4%	3.7%	3.8%	3.9%	3.8%
Motor Fuel	-3.8%	-0.4%	-3.2%	-9.8%	-11.7%	-11.9%
Apparel	1.2%	0.4%	0.6%	0.3%	-0.7%	-0.9%
Housing	4.1%	3.9%	3.9%	3.7%	4.0%	4.0%
Education	4.0%	3.8%	3.7%	3.9%	3.8%	3.6%
Medical Care	2.8%	2.6%	2.9%	2.6%	2.7%	2.5%
Transportation	1.6%	3.2%	1.7%	-0.9%	-1.5%	-1.3%
Air Fare	7.8%	7.1%	-0.7%	-5.2%	-7.9%	-7.3%

Source: U.S. Bureau of Labor Statistics

Inflation – Consumer Price Index – Month-to-Month Trends



Compared to the previous month, CPI for All Urban Consumers (CPI-U) and Core CPI rose .2%

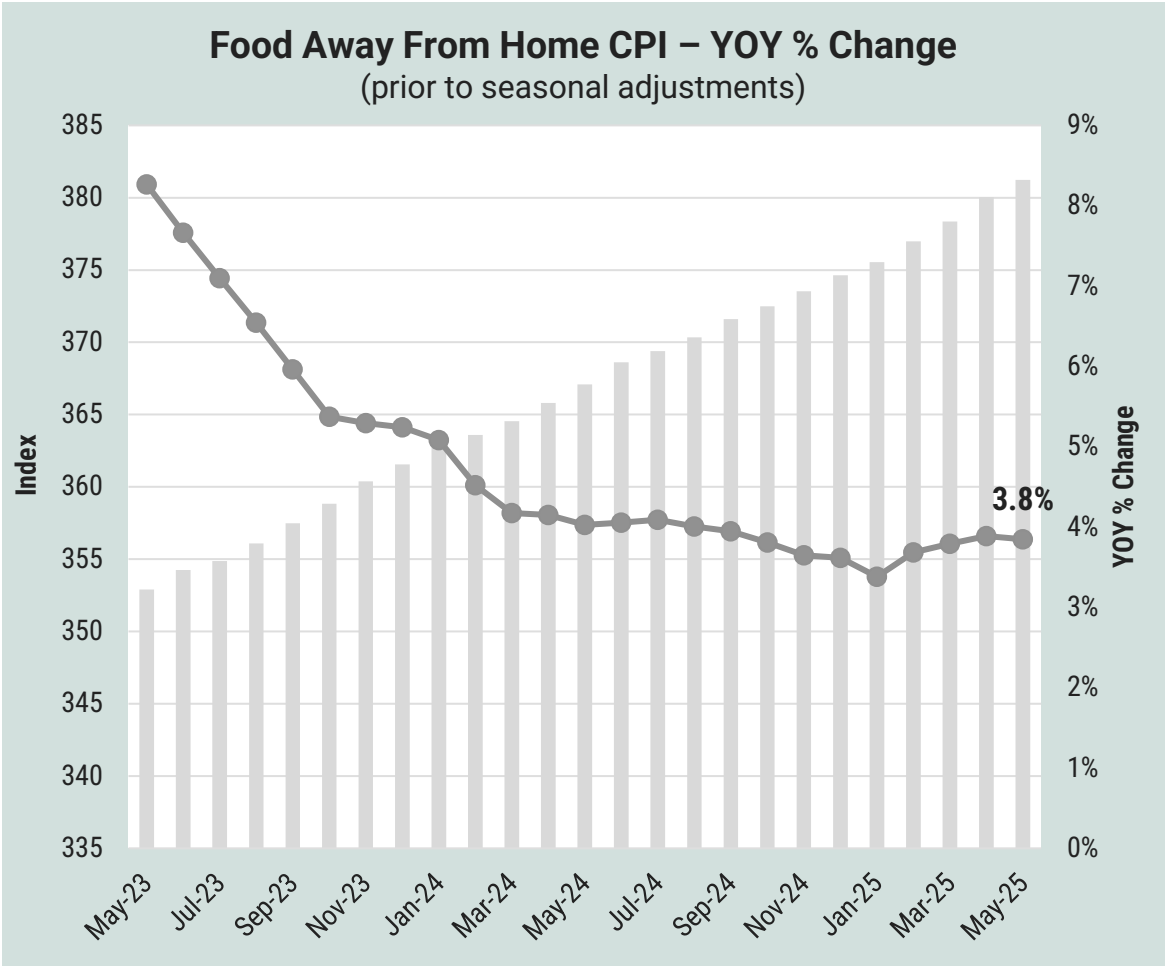
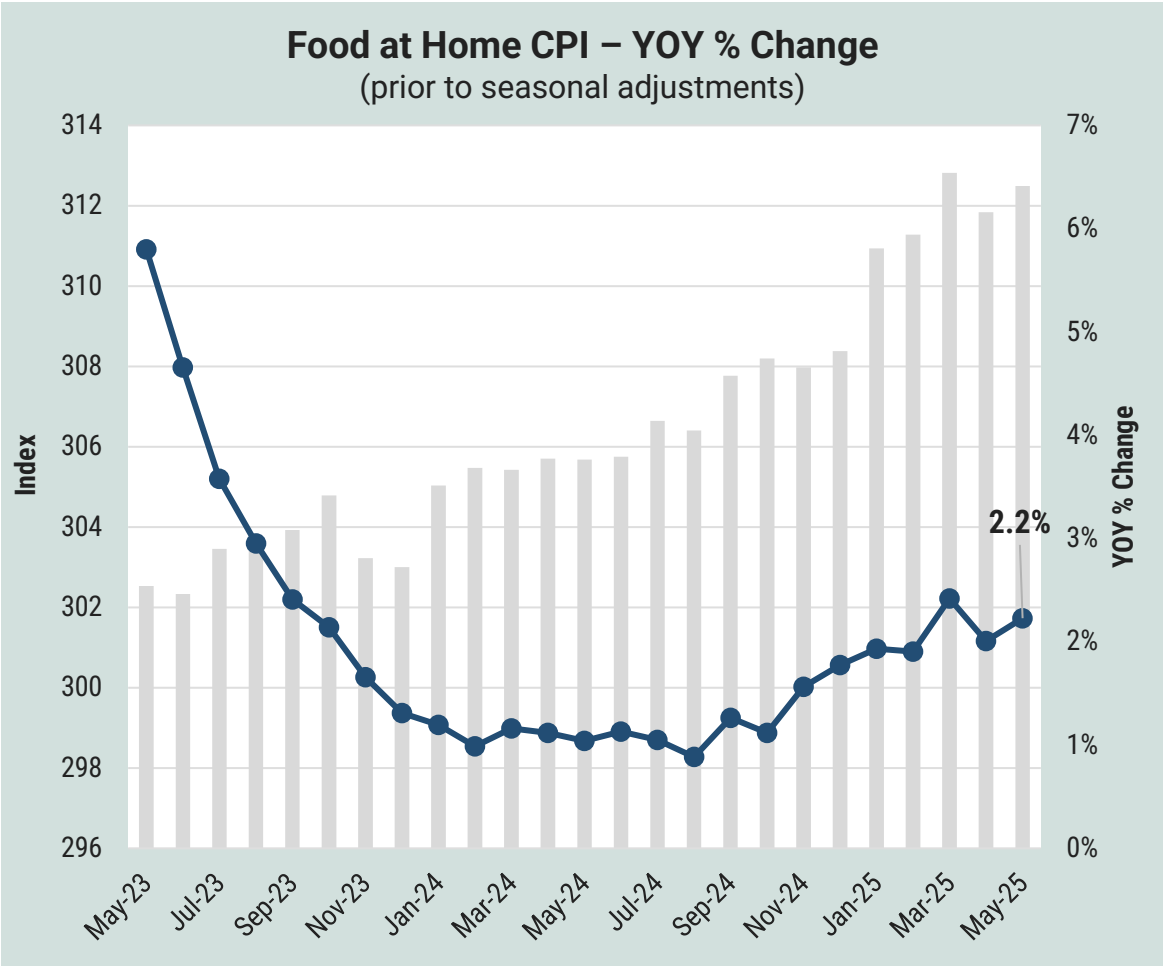


Source: U.S. Bureau of Labor Statistics

Inflation – U.S. Food Prices



In May 2025, the CPI for food at home rose 2.2% over last year; food away from home rose 3.8%

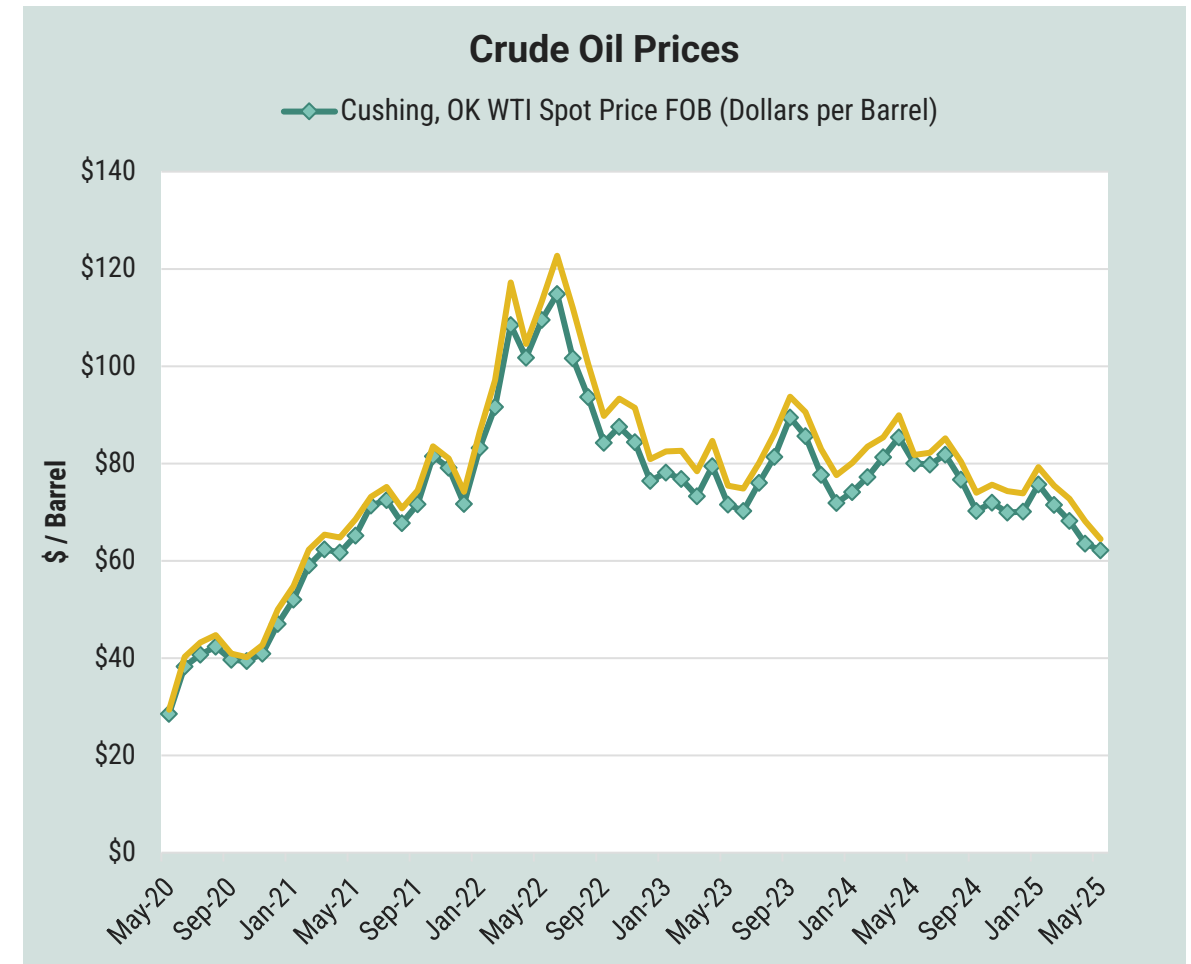
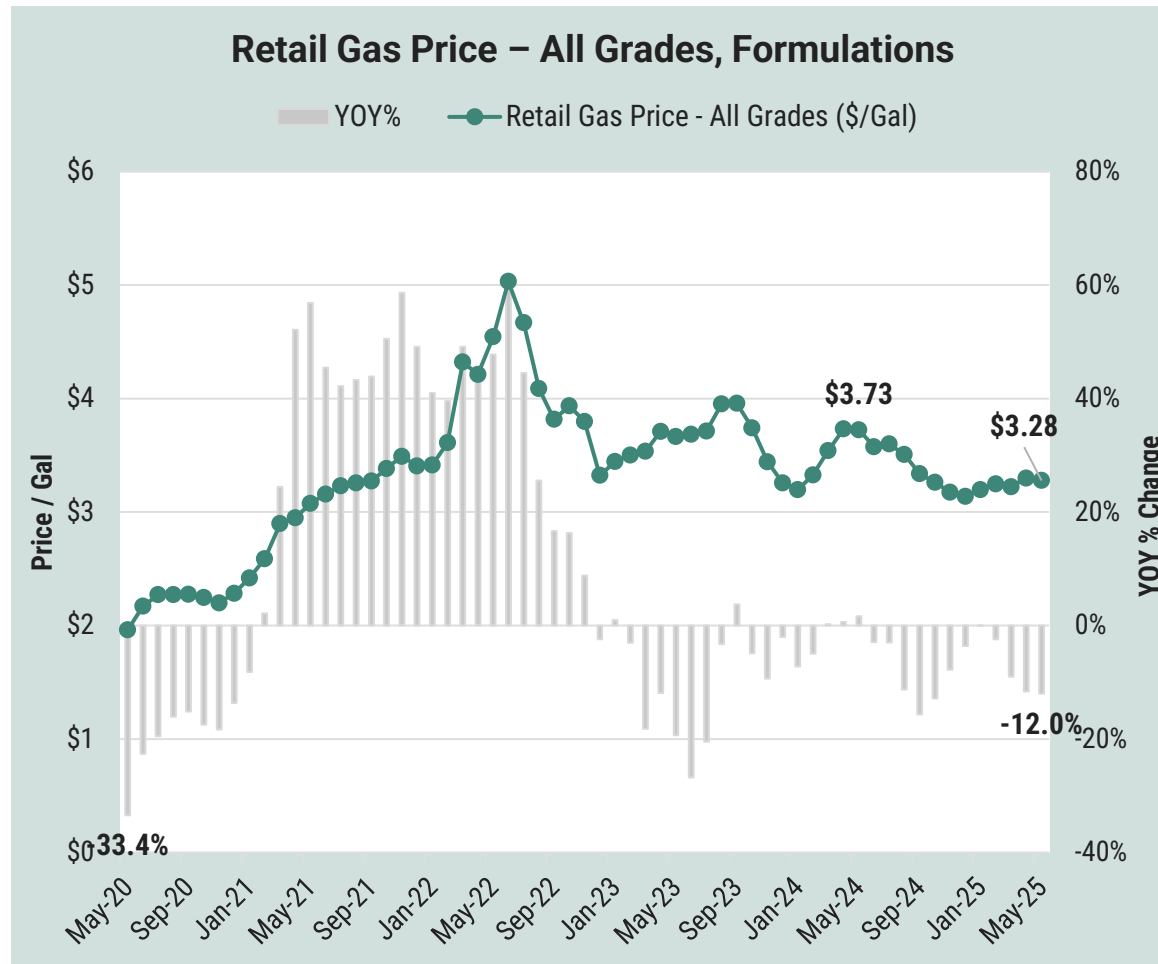


Source: U.S. Bureau of Labor Statistics



Consumer Prices – Gasoline (Avg. Retail) & Crude Oil

Current fuel prices remain relatively stable but potential for rising price due to global unrest, particularly in oil-producing regions such as Iran, could significantly disrupt supply chains and lead to a rapid surge in prices at the pump

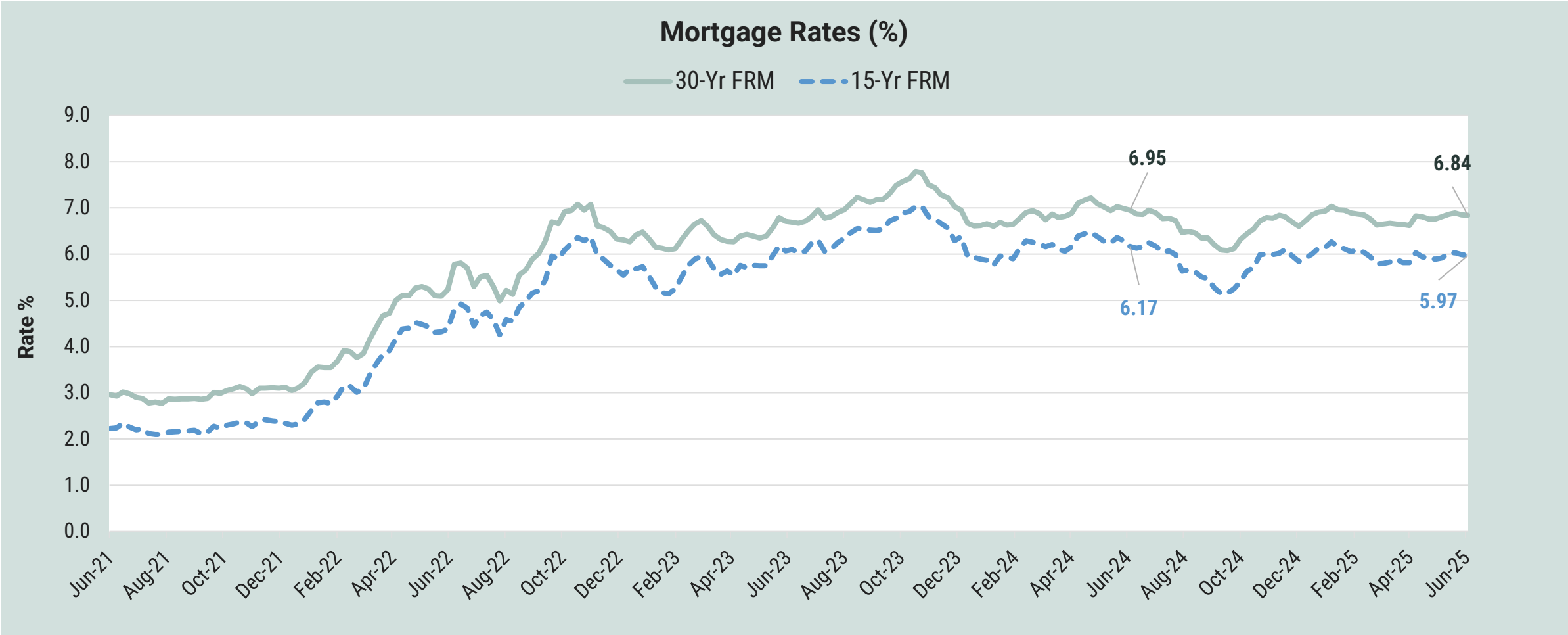


U.S. Housing

Mortgage Rates



Mortgage rates through early June remain slightly below 7%

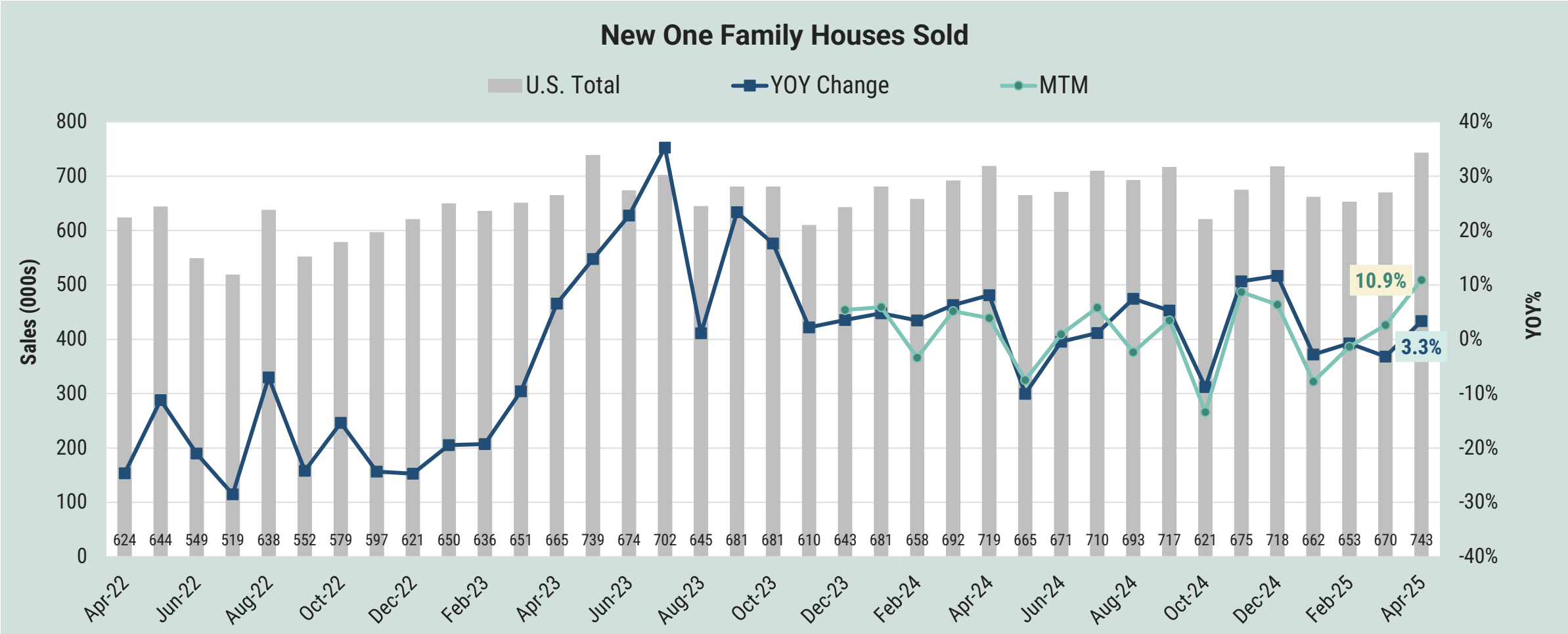


* Source: FreddieMac Mortgage Market Survey

Housing – New Home Sales (2-month lag)

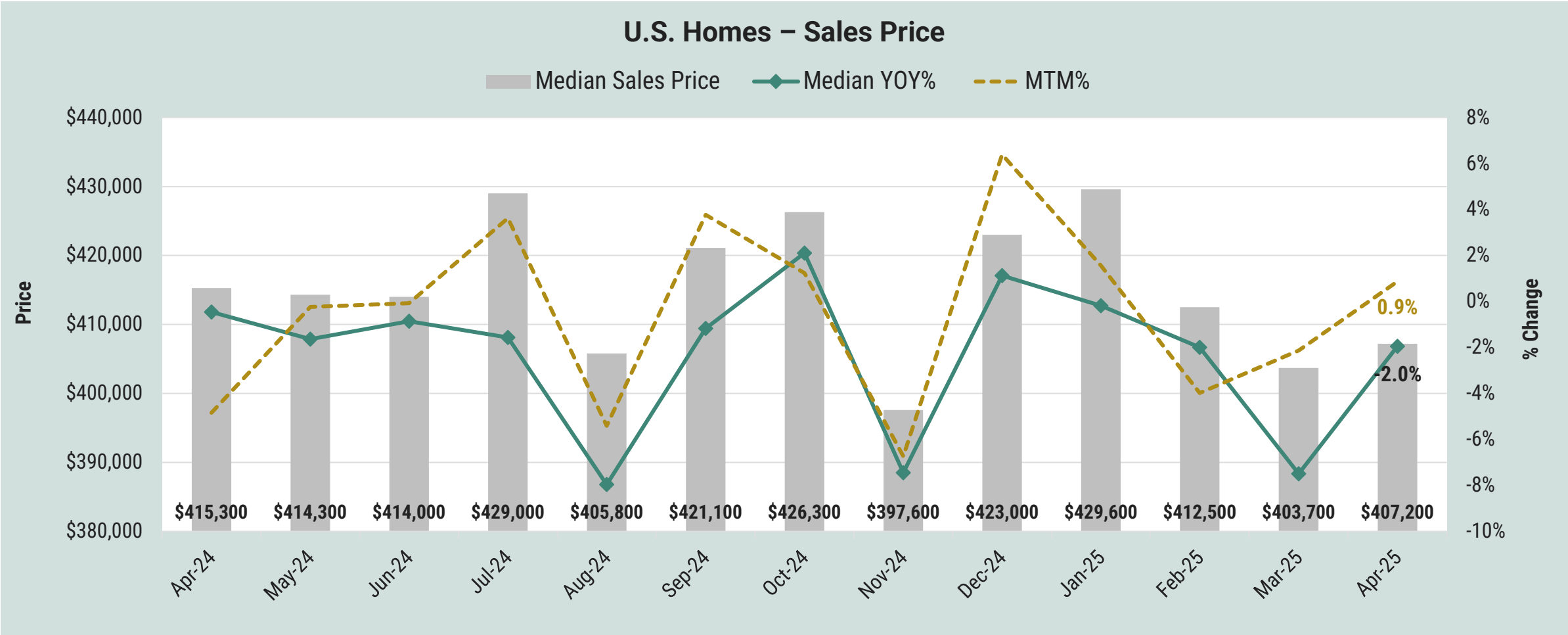


U.S. new home sales in April 2025 rose to a seasonally-adjusted annual rate of 743,000, representing a 10.9% increase from March 2025 and a 3.3% increase from April 2024



U.S. Housing – New Home Prices *(two-month lag)*

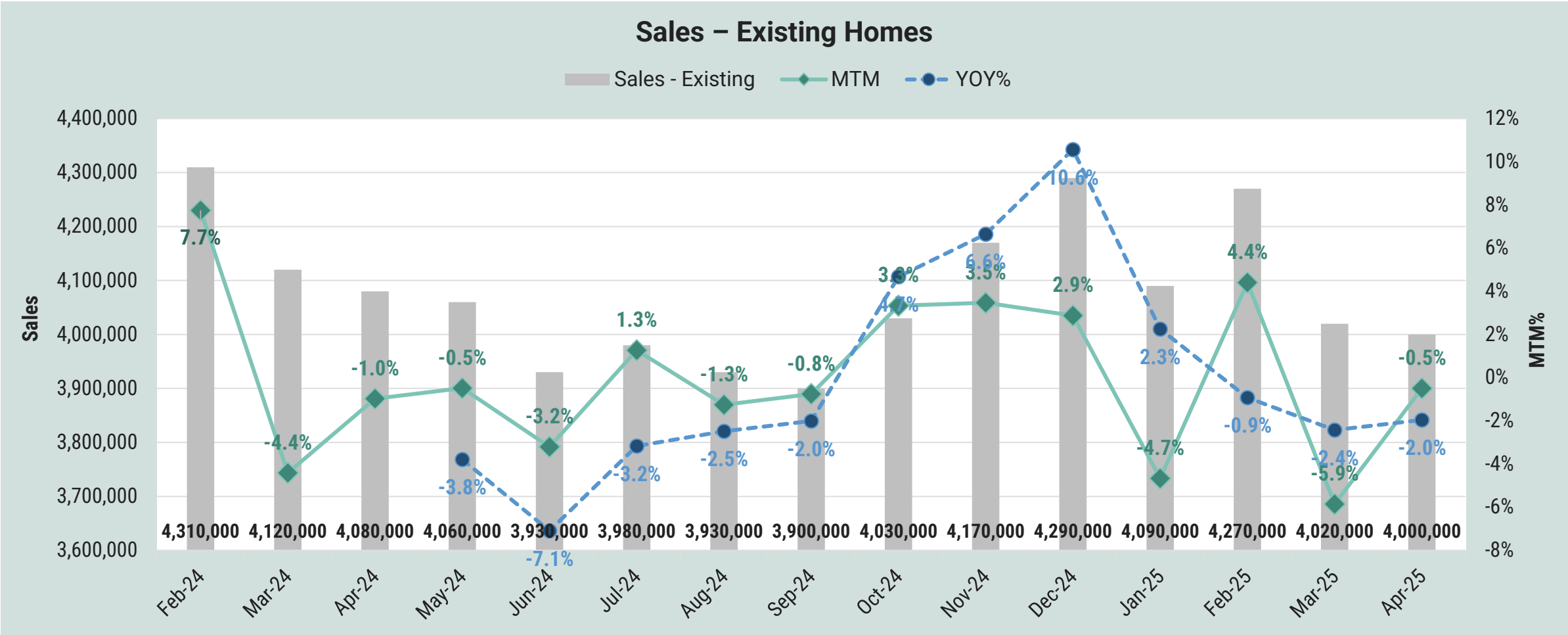
April 2025 median U.S. new home price declined 2.0% YOY to \$407,200



Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis, Economic Research Division

Housing – Existing Home Sales (2-month lag)

April existing home sales fell 0.5% from previous month, and 2.0% YOY

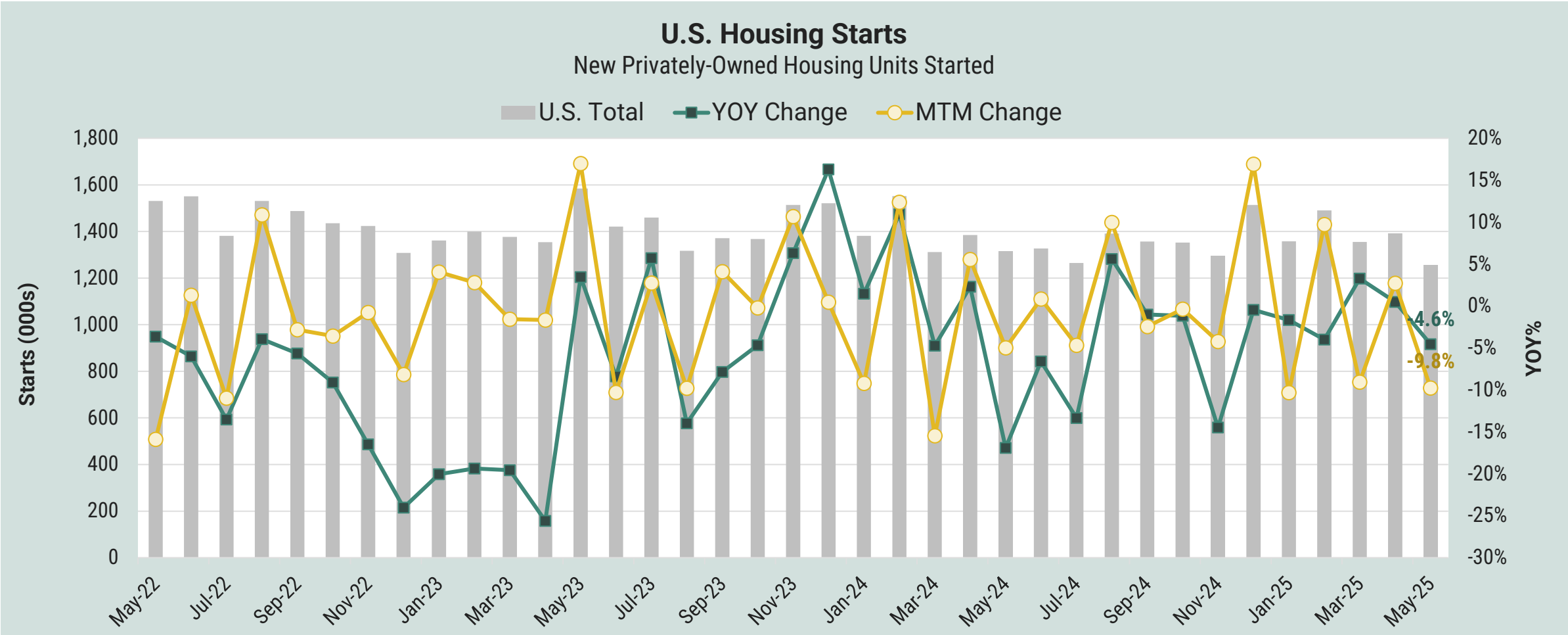


Source: National Association of Realtors

U.S. Housing Starts (2-month lag)



Privately-owned housing starts decreased 4.6% YOY and nearly 10% vs. previous month

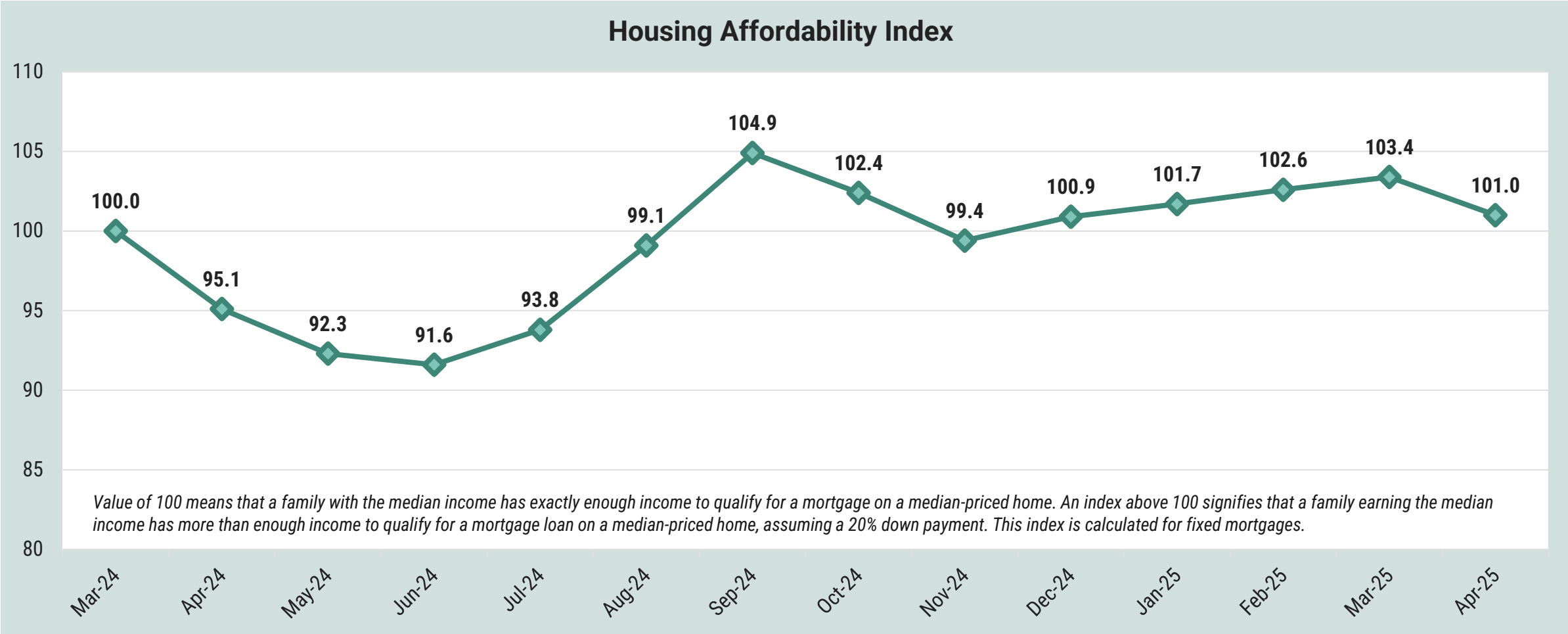


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis

National Association of Realtors: Housing Affordability Index (2-month lag)



April housing affordability dropped; continued pause in interest rate cuts and overall inflation continues to challenge some homebuyers



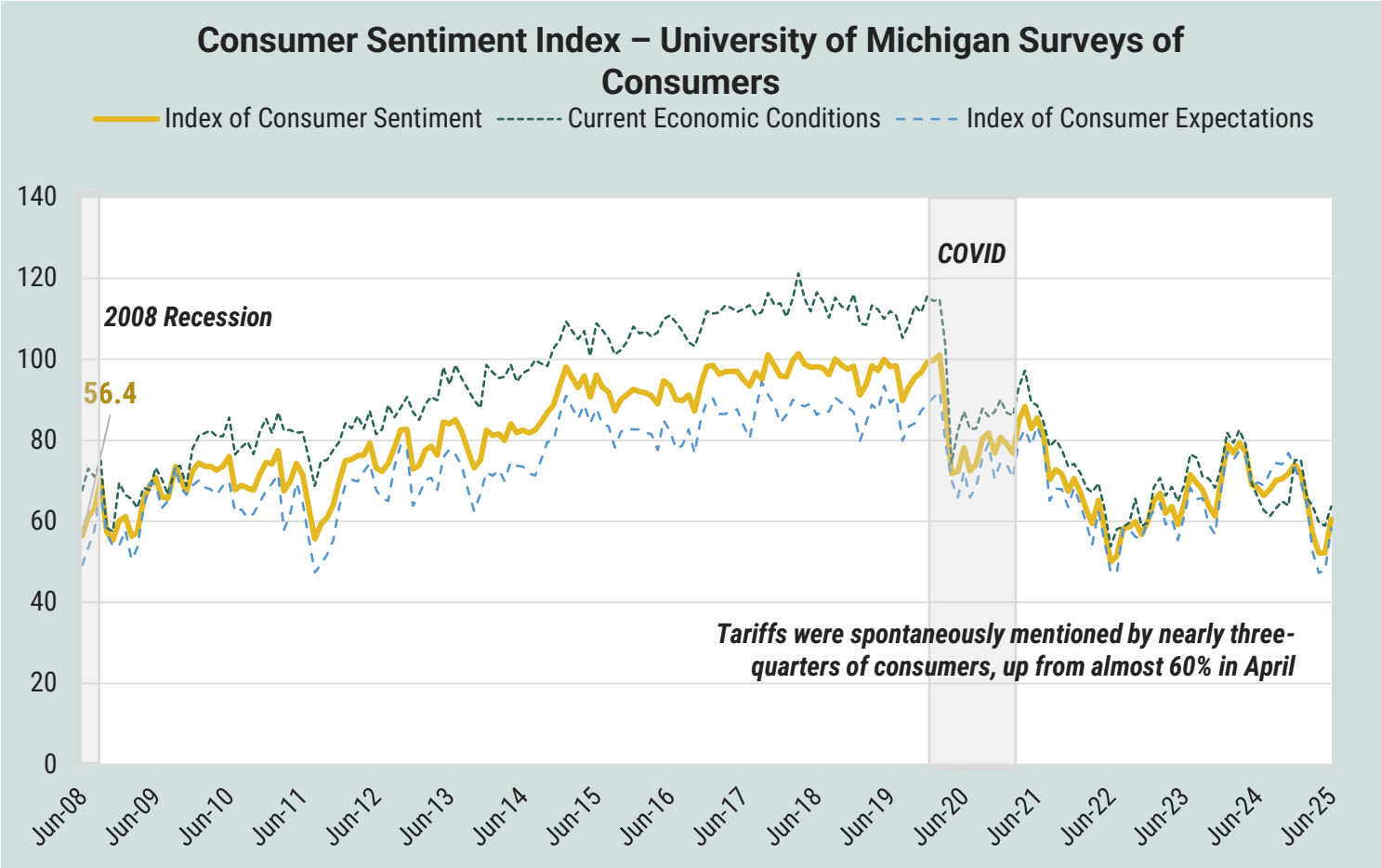
U.S. Consumers

Consumer Sentiment Index

Despite a recent 16% increase from historic lows, consumer sentiment remains cautious, as it is still significantly below December 2024 levels, reflecting ongoing concerns about the economy's future trajectory and various downside risks

APRIL 2025	Index of Consumer Sentiment	Current Economic Conditions	Index of Consumer Expectations
2-Year High	79.4	82.5	77.4
2-Year Avg.	67.9	69.6	66.7
2- Year Low	52.2	58.9	47.3
Current	60.5	63.7	58.4
LY	68.2	65.9	69.6
YOY % Change	-11.3%	-3.3%	-16.1%
Previous Month	52.2	58.9	47.9
MTM % Change	15.9%	8.1%	21.9%

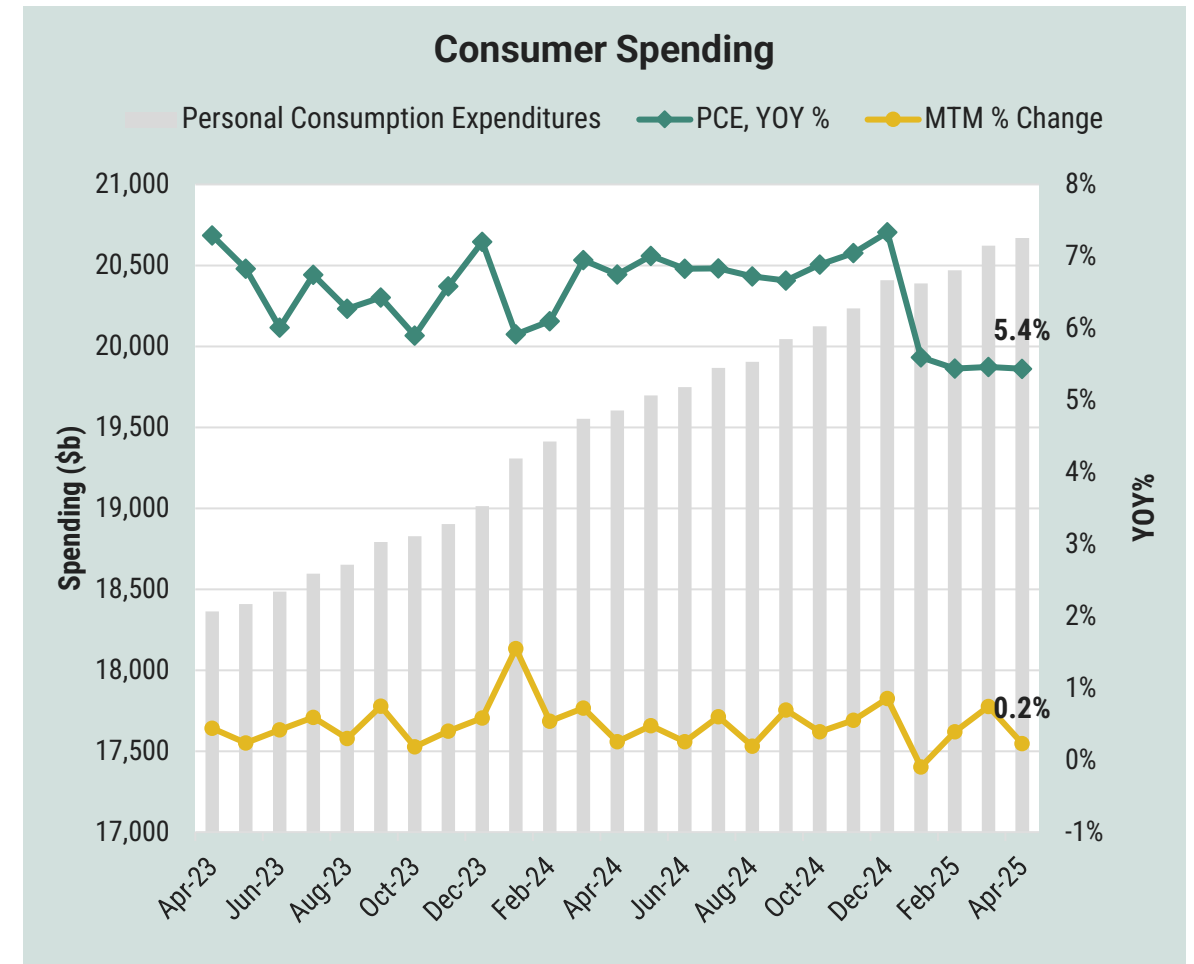
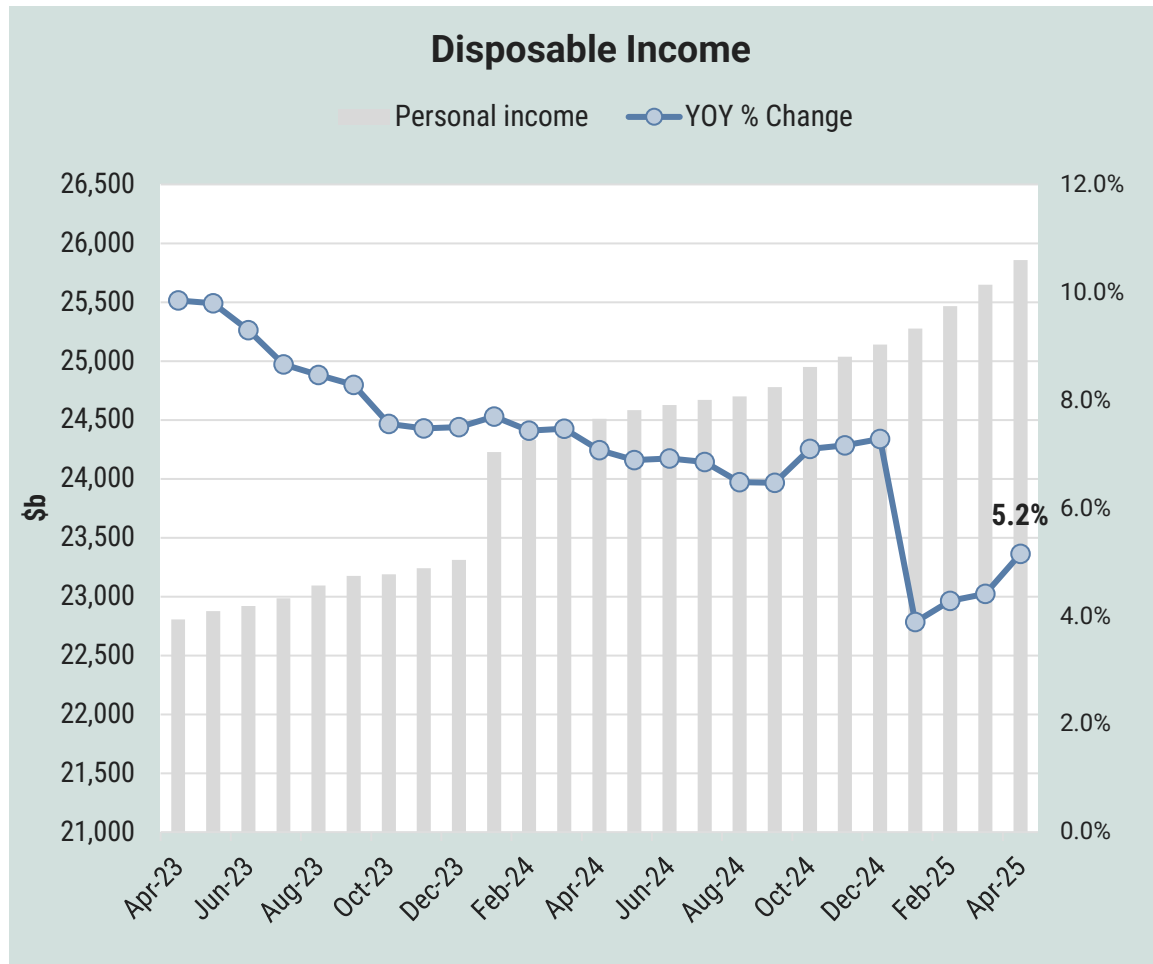
Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)





Consumer Income and Spending (2-month lag)

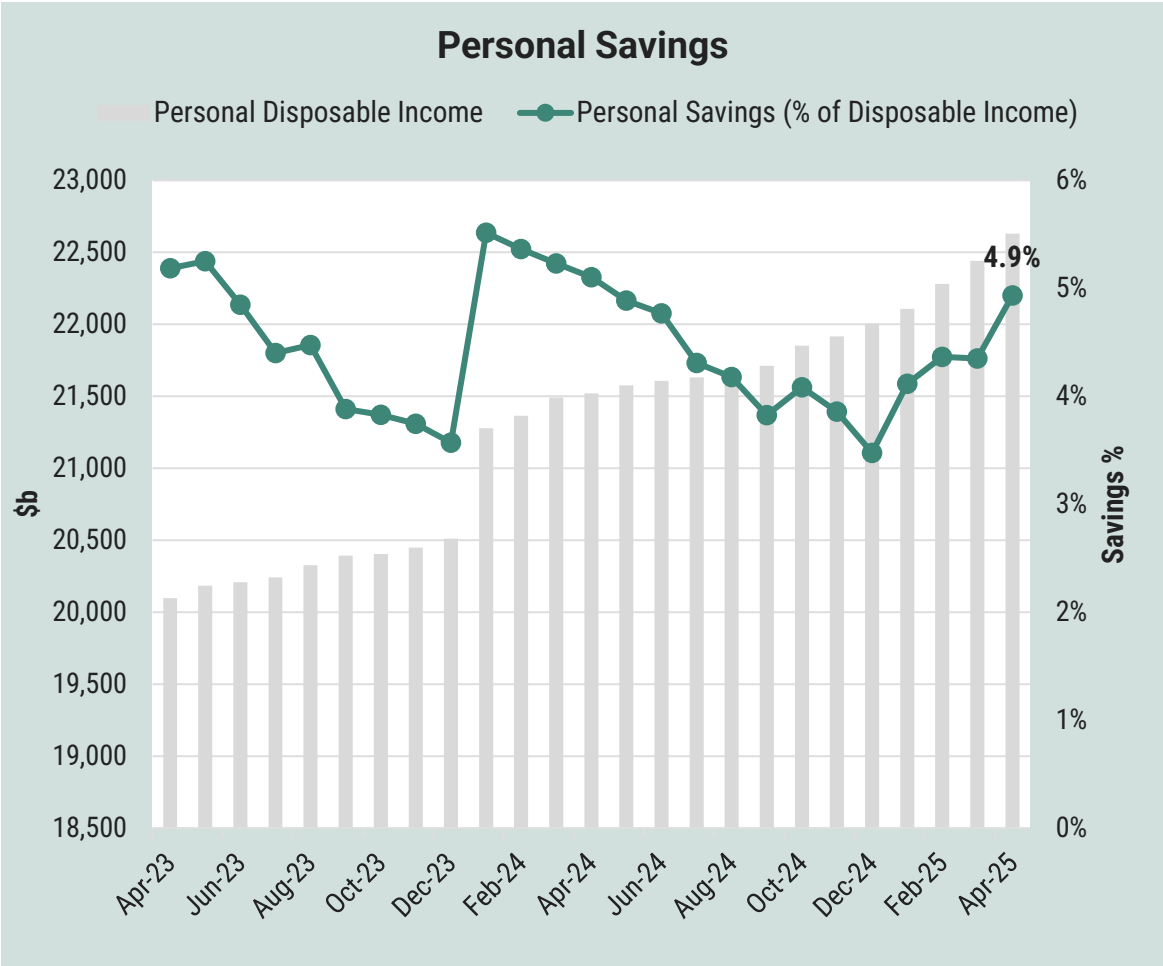
Disposable income rose 5.2% in April 2025; consumer expenditures increased 5.4% YOY



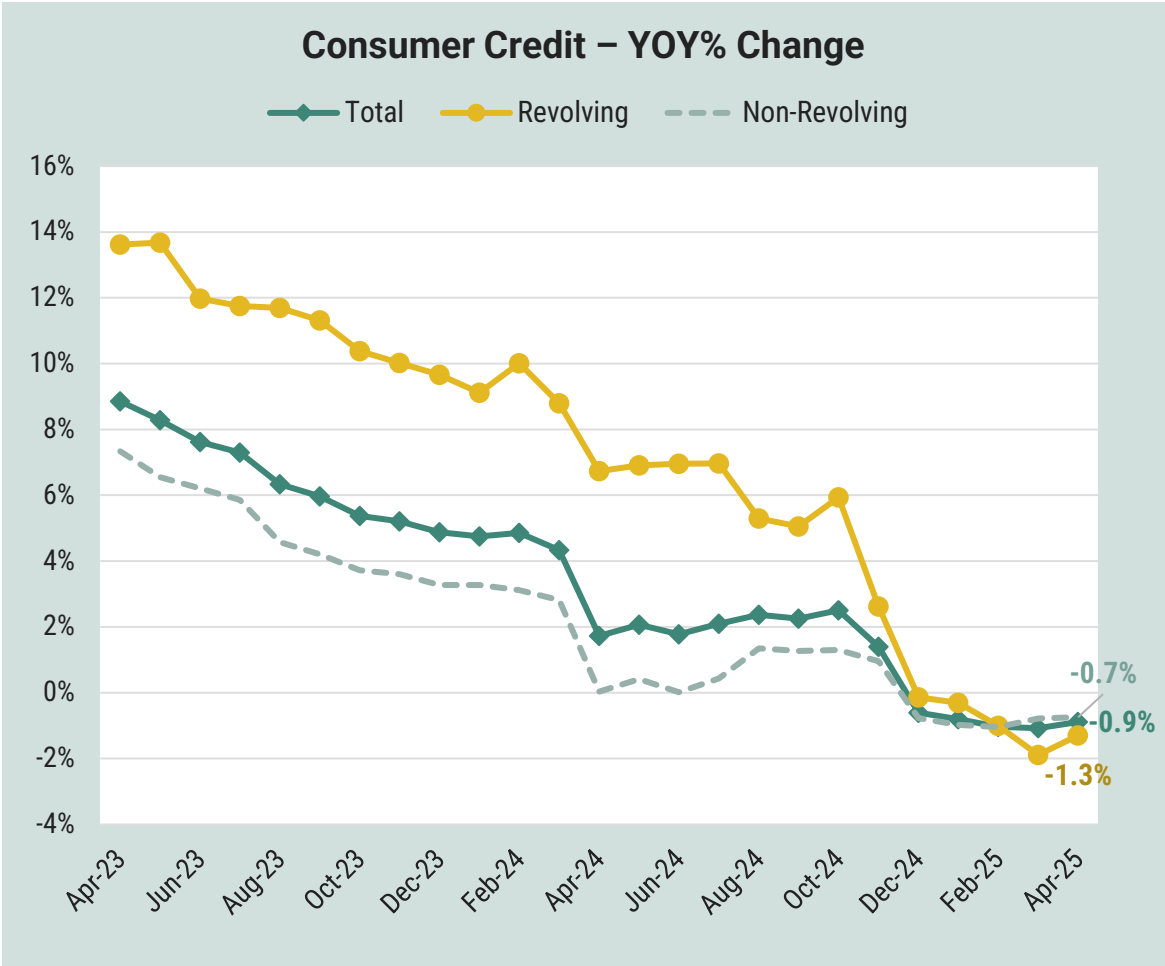
Personal Savings & Consumer Credit (2-month lag)



Personal savings rate through April 2025 increased 4.9%; total consumer credit dropped 1%



Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting



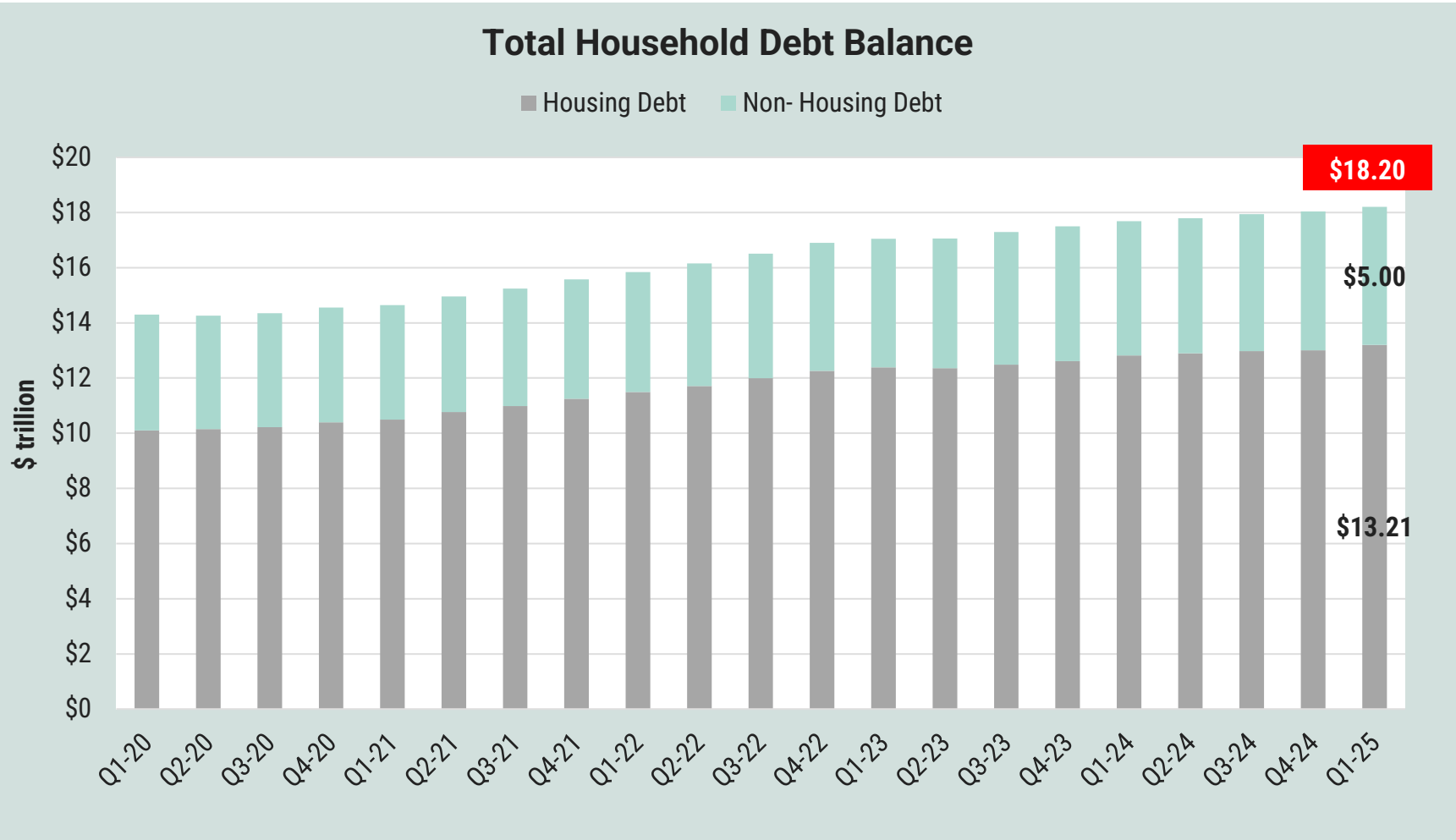
Source: U.S. Federal Reserve, 2-month lag in reporting

Total Consumer Debt



Total household debt increased by \$167 billion to reach \$18.20 trillion in Q1-2025

Credit card balances fell by \$29 billion, and auto loan balances dropped by \$13 billion (only the second quarterly decline since 2011). Student loan debt increased by \$16 billion to \$1.63 trillion, accompanied by a significant rise in delinquency rates due to the resumption of reporting. Mortgage balances grew by \$199 billion, and HELOC balances increased by \$6 billion. Overall delinquency rates rose to 4.3%, while the transition to serious delinquency remained stable for most debt types.

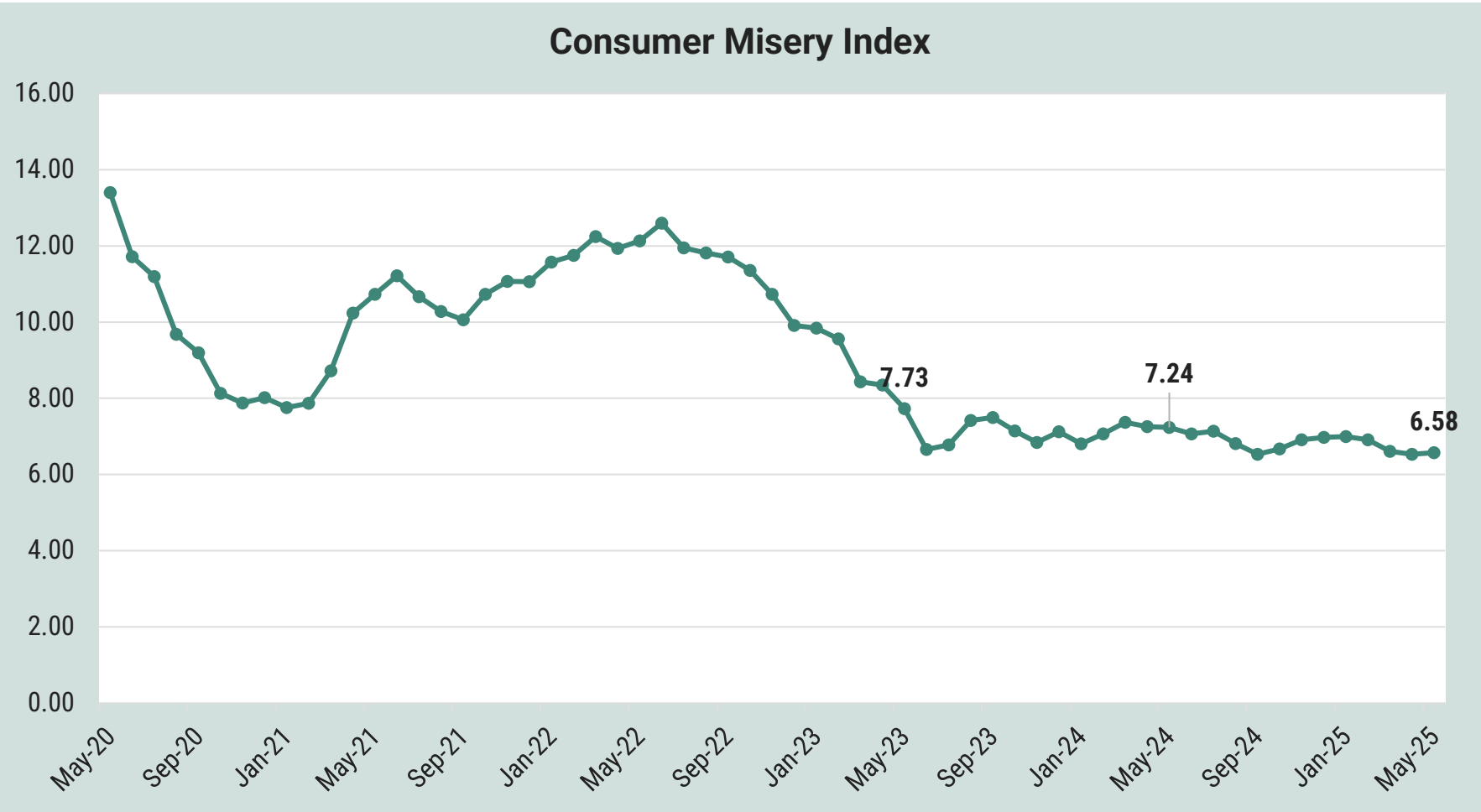


Consumer Misery Index



The Consumer Misery Index for May 2025 was 6.58, down YOY and flat MTM

The consumer misery index combines unemployment and inflation rates to gauge economic hardship. The index is calculated by simply adding the unemployment rate to the inflation rate. A higher misery index suggests a greater level of economic hardship for the average consumer.



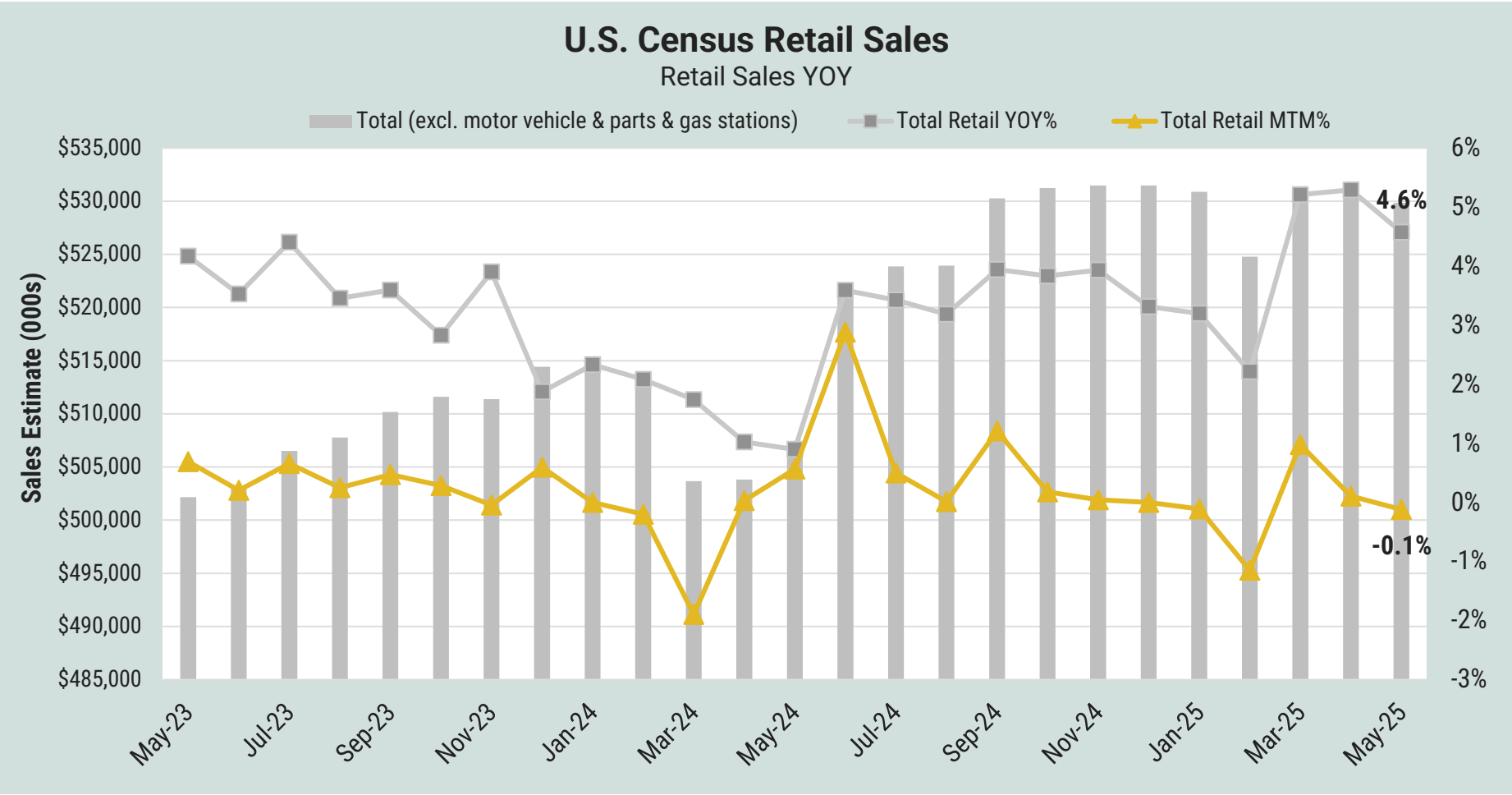
U.S. Retail Sales

U.S. Retail Sales (excl. motor vehicles and gas stations)



May retail sales were up 4.6% YOY and down slightly MTM

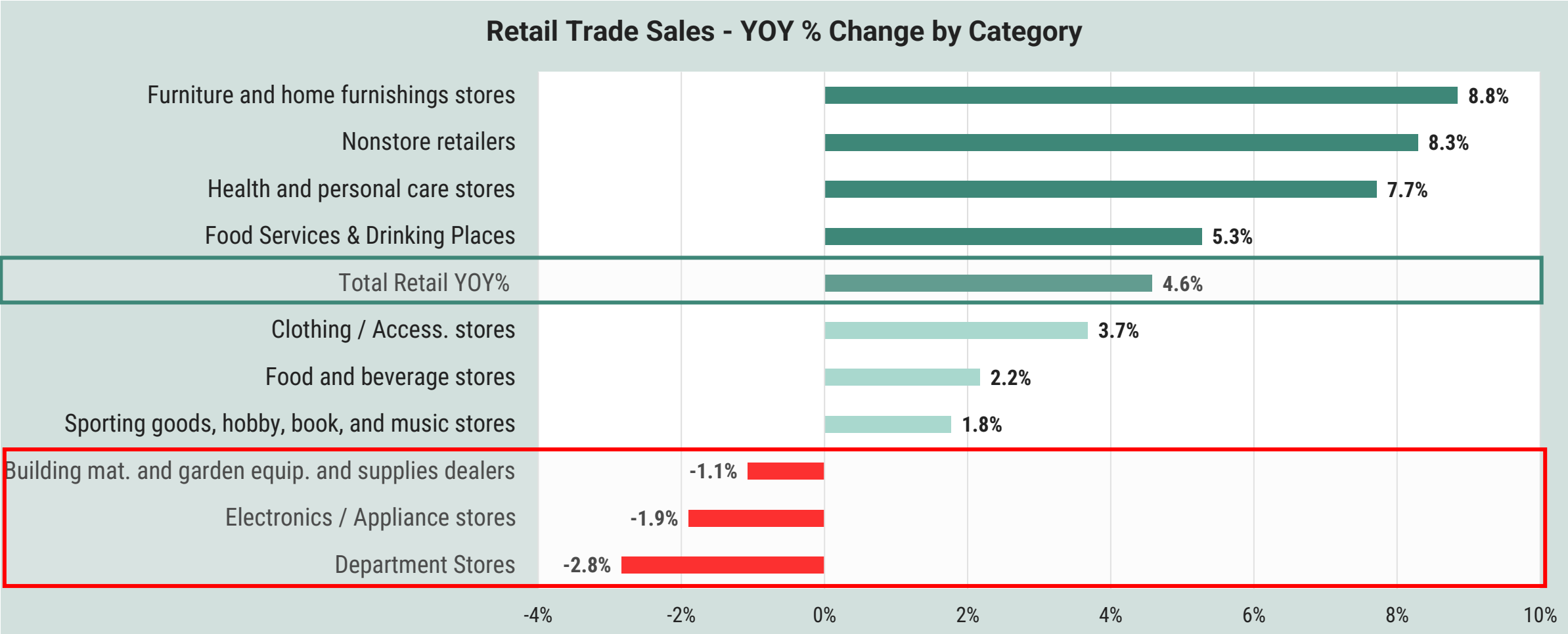
Total Retail sales (excl. motor vehicles & gas stations) were down -.1%) from April 2025, and up 4.6% from last year. Non-store retailers were up 8.3%, while food service and drinking places were up 5.3% from May 2024.



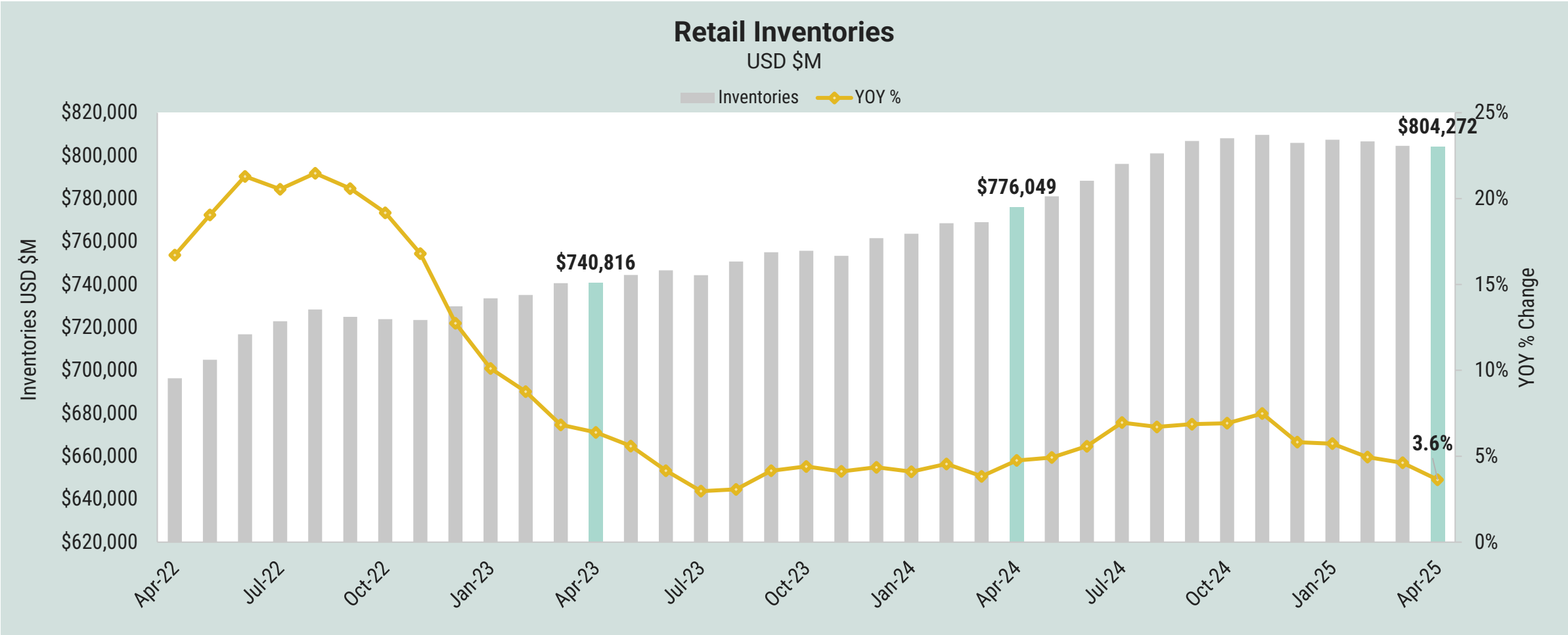
U.S. Retail Sales by Retail Category



May retail sales increased across most segments – several key segments (DIY retailers, Electronics / Appliances, and Department stores) showed declines



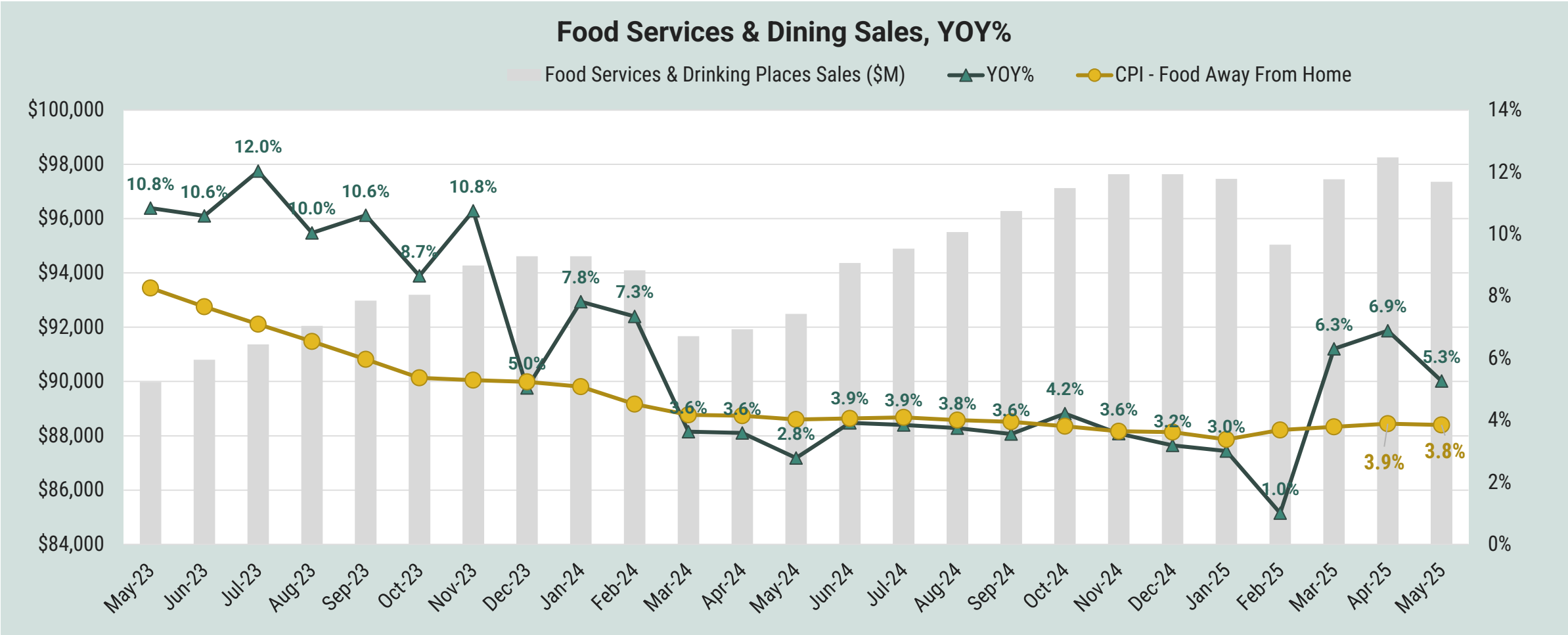
U.S. retail inventories in April 2025 were estimated at \$803.5 billion, representing a slight decrease of 0.1% from March 2025 but an increase of 3.5% compared to April 2024 – likely a result of retailers stocking inventory ahead of tariffs



U.S. Retail Sales – Food Services & Dining



Food Services / Dining increased 5.3% in May – well above the 3.8% inflation rate for Food Away From Home

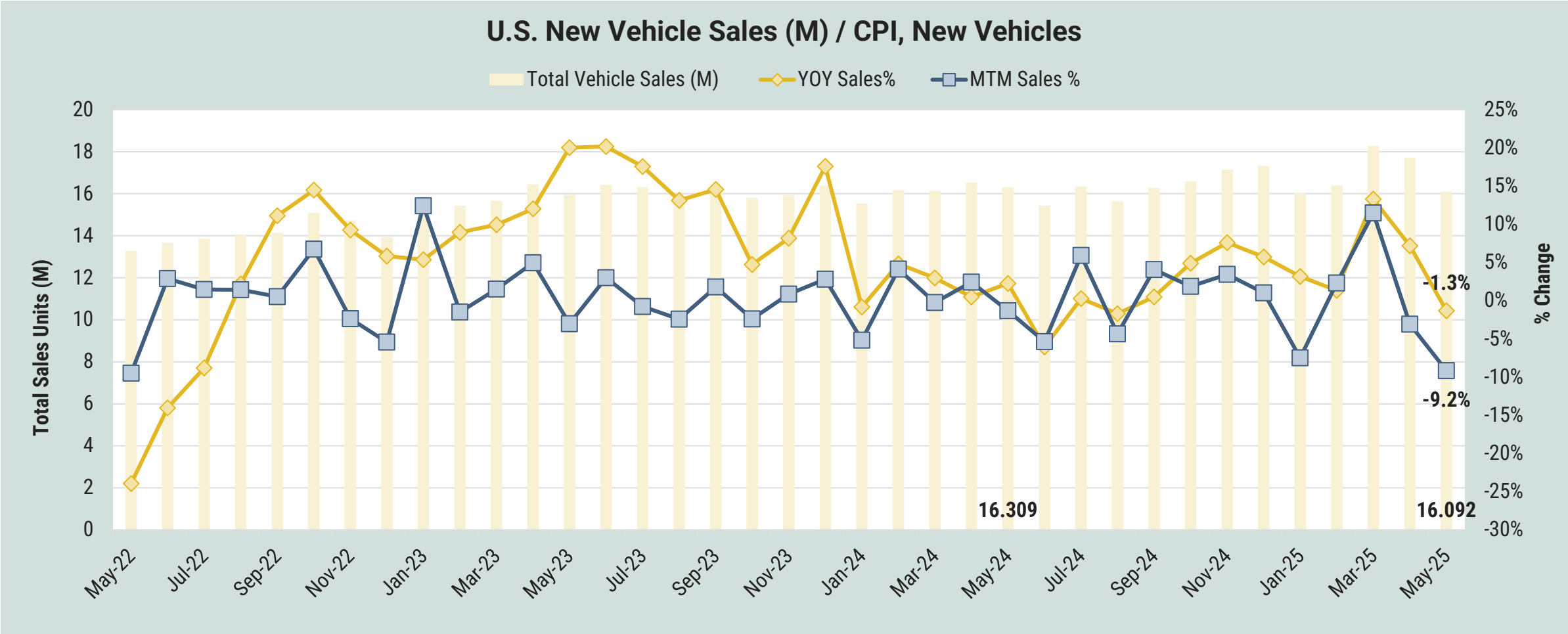


Source: U.S. Census Bureau

U.S. Vehicle Sales



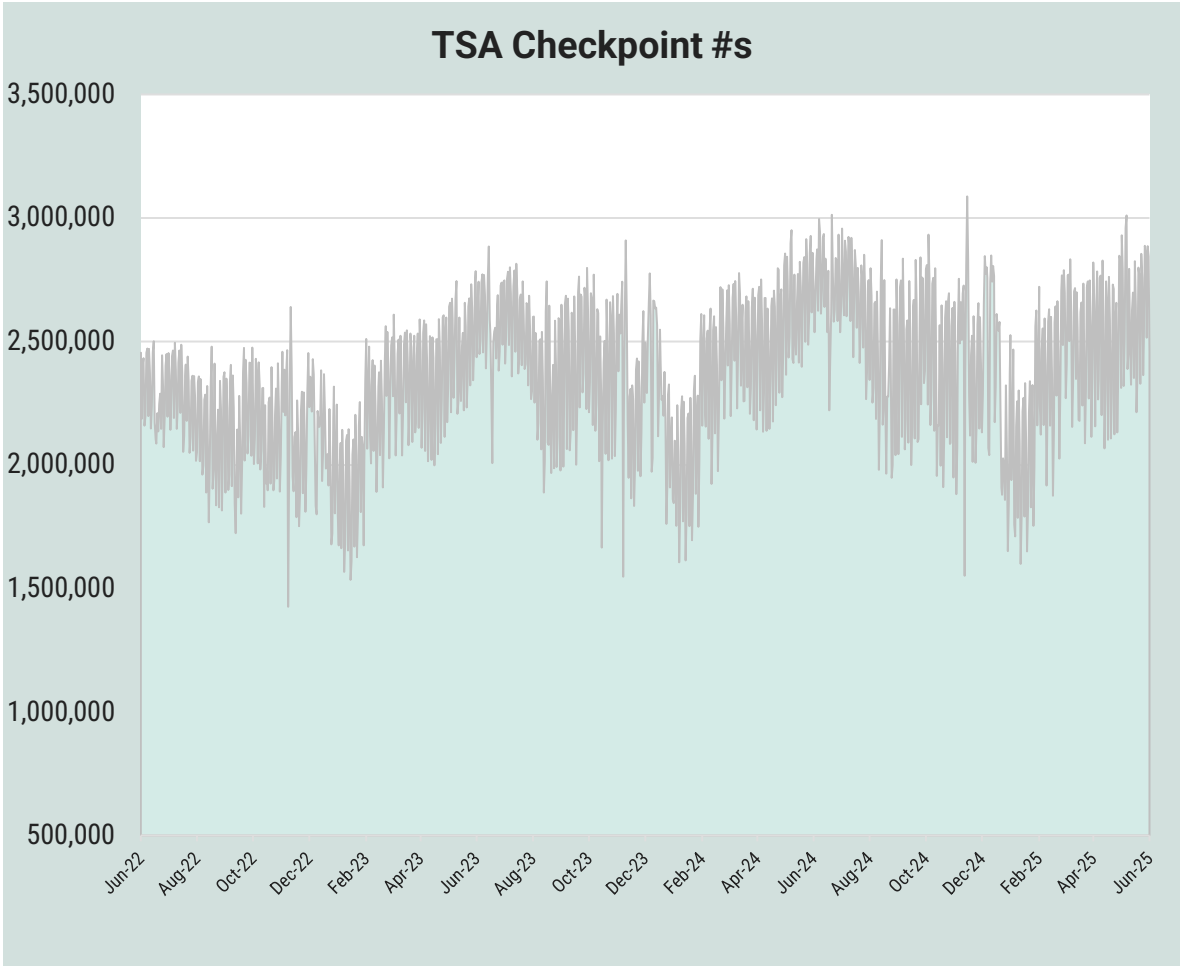
U.S. new vehicle sales in May 2025 declined 1.3% year-over-year and 9.2% versus the previous month, likely influenced by the impact of recently implemented tariffs that have led to increased vehicle prices



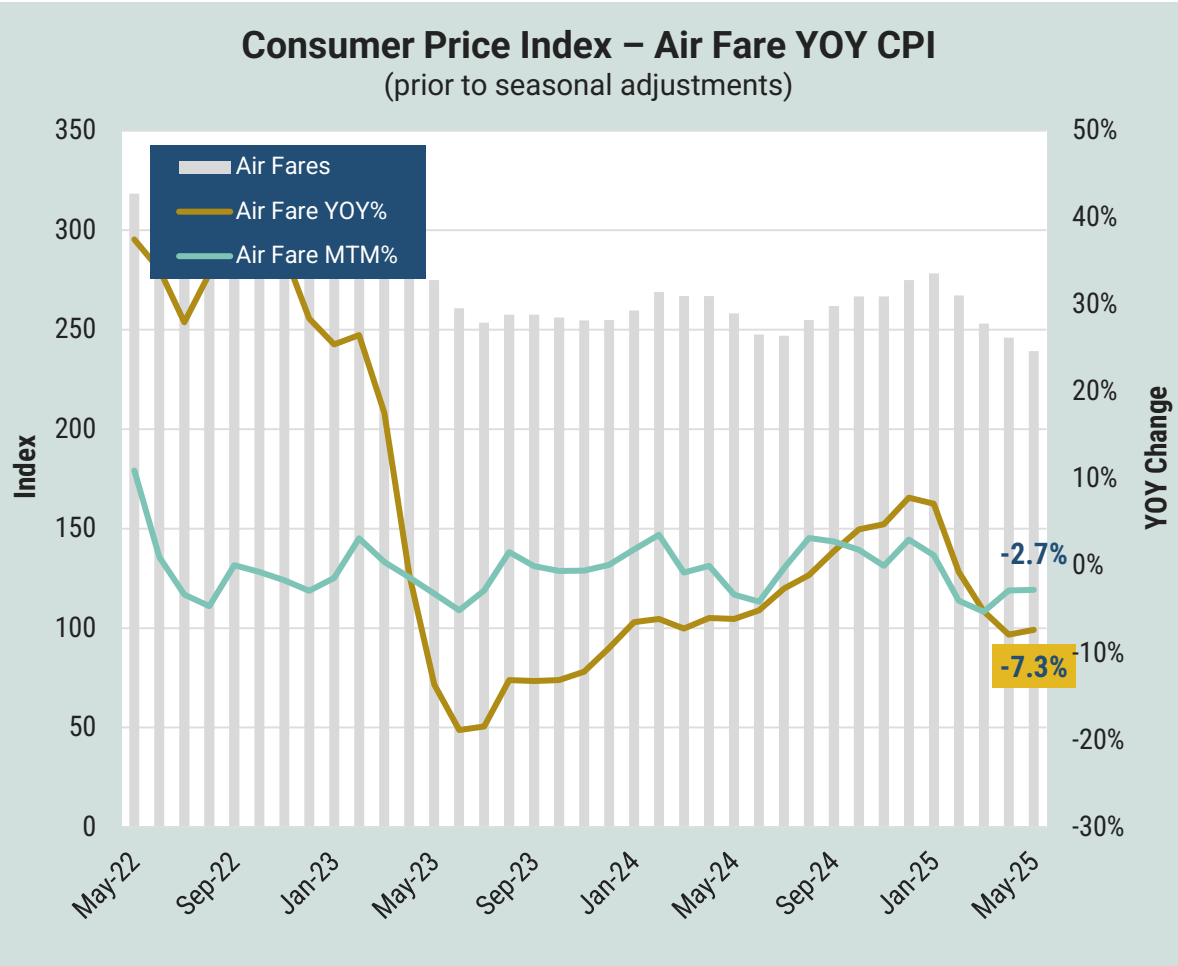
Air Travel – TSA Checkpoint Numbers



Air travel volume YTD has increased steadily at about 1% YOY; the price of air travel is down 7.3% from 2024 and 2.7% lower than previous month.



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

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