GRAPHS and LAUGHS

ELLIOT'S ECONOMIC EXPRESS

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MACROECONOMIC DATA	LATEST	A YEAR AGO	TREND
Real GDP Growth (Q4)	**2.40%**	3.40%	Good, but expect weaker growth in 25Q1
CPI Inflation (March)	**2.40%**	3.40%	Slow, steady improvement, nearing target
Unemployment rate	**4.20%**	3.90%	Good, but steady, slow weakening
Real personal spending	**$16.3T**	$15.8T	Consumer spending remains healthy, but sentiment crumbles recently

Elliot Eisenberg, Ph.D.

HOUSING DATA	LATEST	A YEAR AGO	TREND
Median single-family home price (Feb)	**$398.4K**	$384.5K	Growing inventories reduce price appreciation
Single-family home starts	**1.1M**	1.1M	Slightly above 18-month trend
30-Year fixed-rate mortgage (4/10)	**6.62%**	6.88%	Interest rates largely flat since October 2022

DATA SOURCES: ***GDP:*** *BEA,* ***CPI:*** *BLS,* ***Spending:*** *BEA,* ***Home Prices:*** *NAR,* ***Starts:*** *Census/HUD,* ***Unemployment:*** *BLS,* ***Mortgage Rates:*** *Freddie Mac*

As we look at the national economy, it's a battle between uncertainty and unpredictability for the daily headlines. The primary concern in the near term is the impact of the Trump administration's tariffs, which have surprised markets with their breadth and depth. Coupled with retaliatory actions from other countries, especially China, they are expected to dampen economic growth and in the short run, boost inflation. The recent wild stock market gyrations have shaken the confidence of many as 401(k)s and college funds took big hits. Consumer sentiment has declined meaningfully, and households are pulling back on spending, especially discretionary purchases. If the wealthy, particularly the top 20% of earners, who hold 87% of equities and do a stunning 60% of all spending, start to pull back as portfolios decline, that will have an outsized impact on consumer spending. While a moving target, the latest forecasts for 2025 GDP growth range anywhere between -0.5% and 1.5%, and many economists are now placing the odds of a recession in 2025 at 60% or higher.

The housing market remains sluggish. Existing home sales remain at or near record lows, dragged down by relatively high interest rates, and while inventory is rising, it is still low by historical standards. In terms of new construction, there will be an added burden as tariffs, particularly on supplies, appliances, and materials from countries like China, Canada, and Mexico, are expected to increase the cost of new home construction. Builders are also likely to face labor shortages due to tightening immigration policies. The impact will vary depending on the price of the home, with cheaper houses potentially being less affected. The Fed will still likely cut rates at least two and possibly three times this year. Lower interest rates will certainly help, but for now, fears of a weakening economy and shrinking stock portfolios are probably discouraging buying activity. The overall outlook for the housing market in the near term is more of the same, with factors like a very volatile stock market doing little to aid in the recovery.

THE TAKEAWAY

The macroeconomic situation is complicated by the limited availability of traditional economic stabilizers. Fiscal policy is contractionary, with the government focused on cutting spending rather than providing stimulus, and the Fed is hesitant to cut rates quickly due to concerns about inflation. The uncertainty around the duration and extent of the tariffs further clouds the outlook. The Fed is boxed in, because tariffs are likely to raise both inflation and unemployment, and their toolbox only allows them to solve one problem at a time. It may come down to a painful choice between trying to control inflation or address increases in the unemployment rate.