



United States Economic Overview



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Summary



Consumers & Macro Economy Executive Summary



Positive Trends

- Total nonfarm payroll employment rose by 228,000 (+1.2%) in March, the unemployment rate remained stable at 4.2%.
- Both hourly and weekly wage rate increases continue to exceed the change in inflation.
- CPI showed a cooling of inflation compared to the previous month, with the first monthly decrease in nearly five years. The annual inflation rate also saw a slight moderation. Declines in energy and some transportation costs contributed to this slowdown, and core inflation showed the smallest annual increase in two years.



Key Headwinds

- Consumer sentiment is a significant red flag as it reached its lowest level since June 2022. This pessimism, fueled by concerns about trade wars and the broader economic outlook, can translate into reduced consumer spending, which is a major driver of the U.S. economy, potentially leading to a slowdown or even recessionary pressures.
- Ongoing trade disputes and anticipated tariffs are a major concern, as they distort markets, increase costs (evident in March 2025's vehicle sales surge), and risk retaliatory actions, harming economic activity and trade.



Concerns

- Even with a slight easing of inflation, cost of living remains a major concern; elevated prices for essential goods and services continue to strain household budgets, potentially leading to decreased consumer spending and impacting overall economic growth.
- Uncertainty among businesses and consumers re: economic impacts from added tariffs.
- U.S. GDP grew at an annualized rate of 2.3%, marking the slowest growth in three quarters, based on 3rd estimate from the Bureau of Economic Analysis.
- The Fed remains committed to approach rate cuts cautiously in 2025 due to continued inflation concerns.

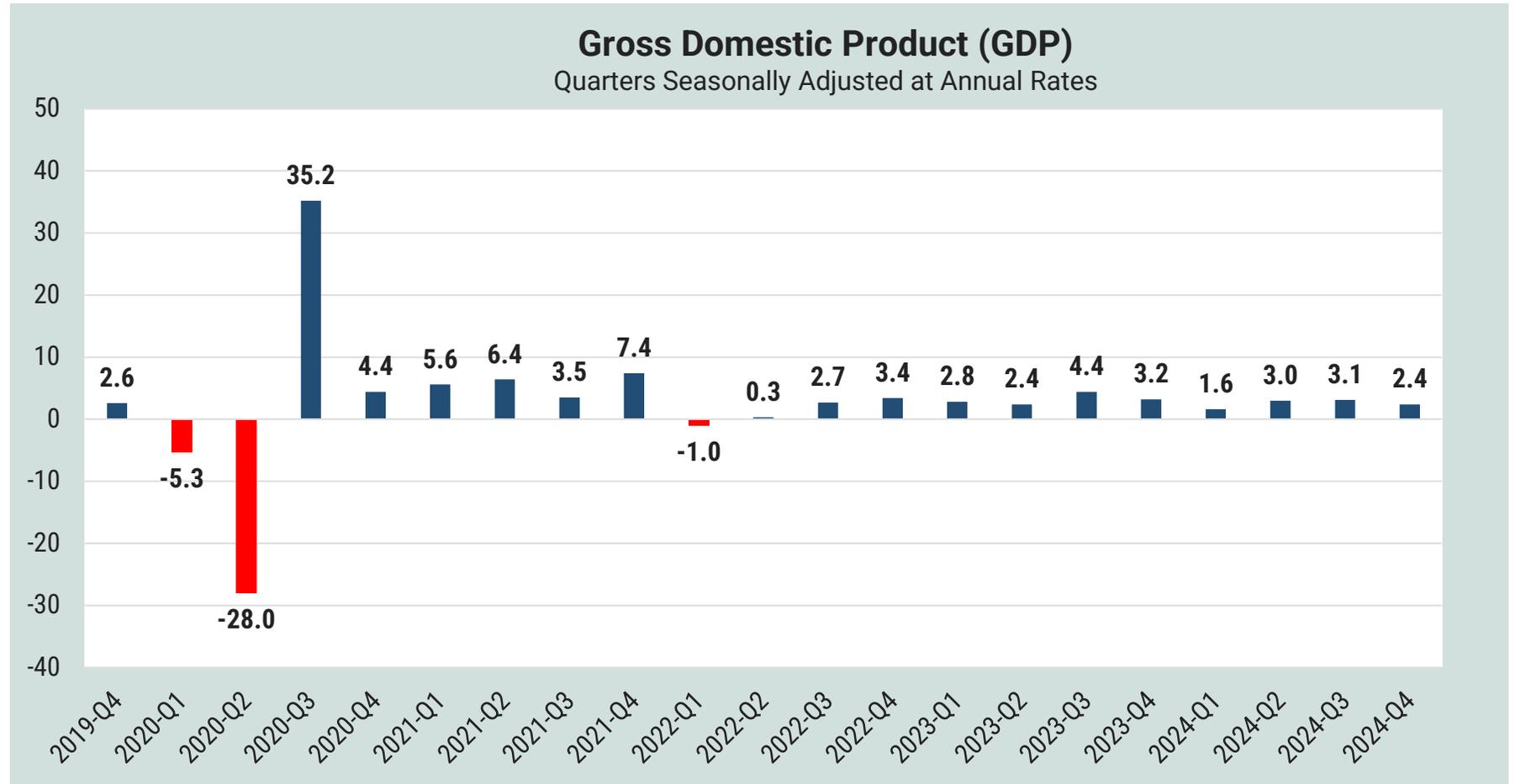
Key U.S. Economic Indicators



Gross Domestic Product

In the fourth quarter of 2024, the U.S. real GDP grew at an annualized rate of 2.4%, according to the third estimate from the Bureau of Economic Analysis (BEA).

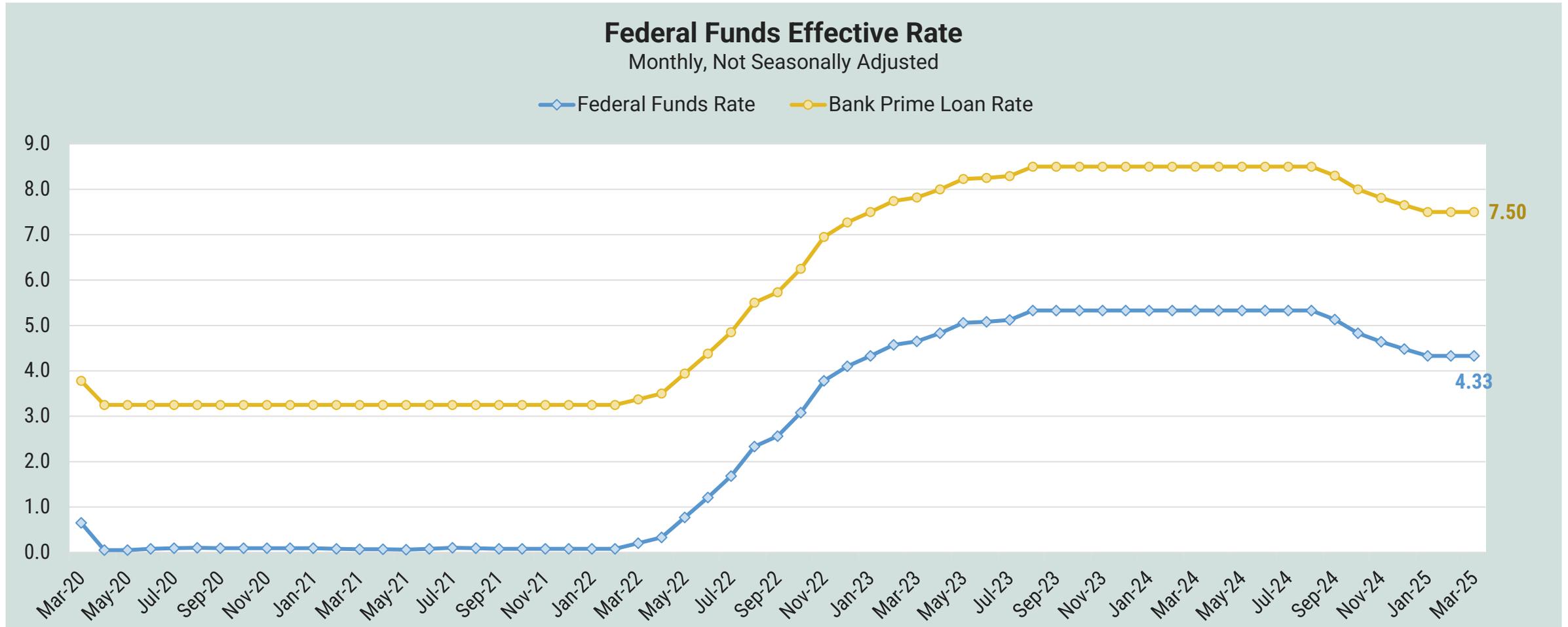
Real gross domestic product increased at an annual rate of 2.4 percent in the fourth quarter of 2024, according to the third estimate released by the U.S. Bureau of Economic Analysis. The increase in real GDP in the fourth quarter primarily reflected increases in consumer spending and government spending that were partly offset by a decrease in investment. Imports, which are a subtraction in the calculation of GDP, decreased.





Federal Funds Rate

Economic uncertainty has led Fed policymakers to advocate a cautious stance on additional monetary policy changes – the Federal Funds rate showed no change month-over-month.

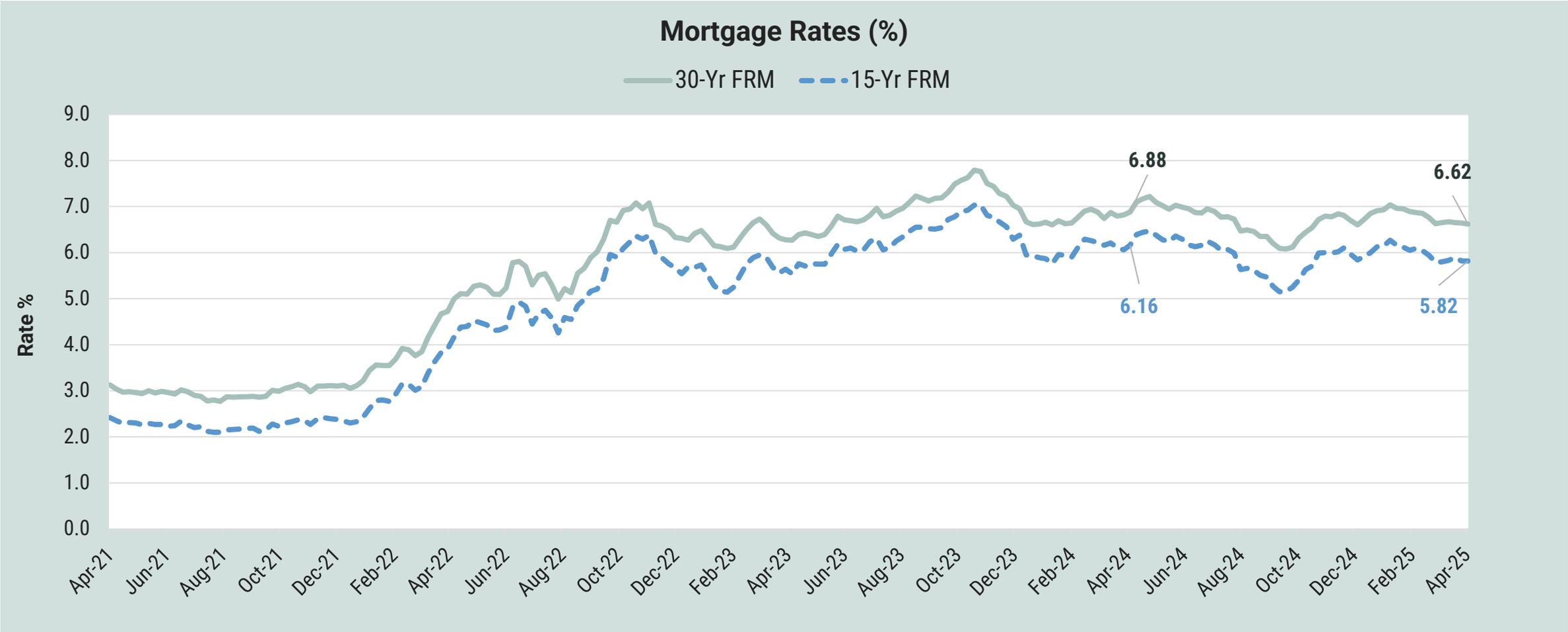


Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

Mortgage Rates



Mortgage rates through early April remain slightly below 7%.



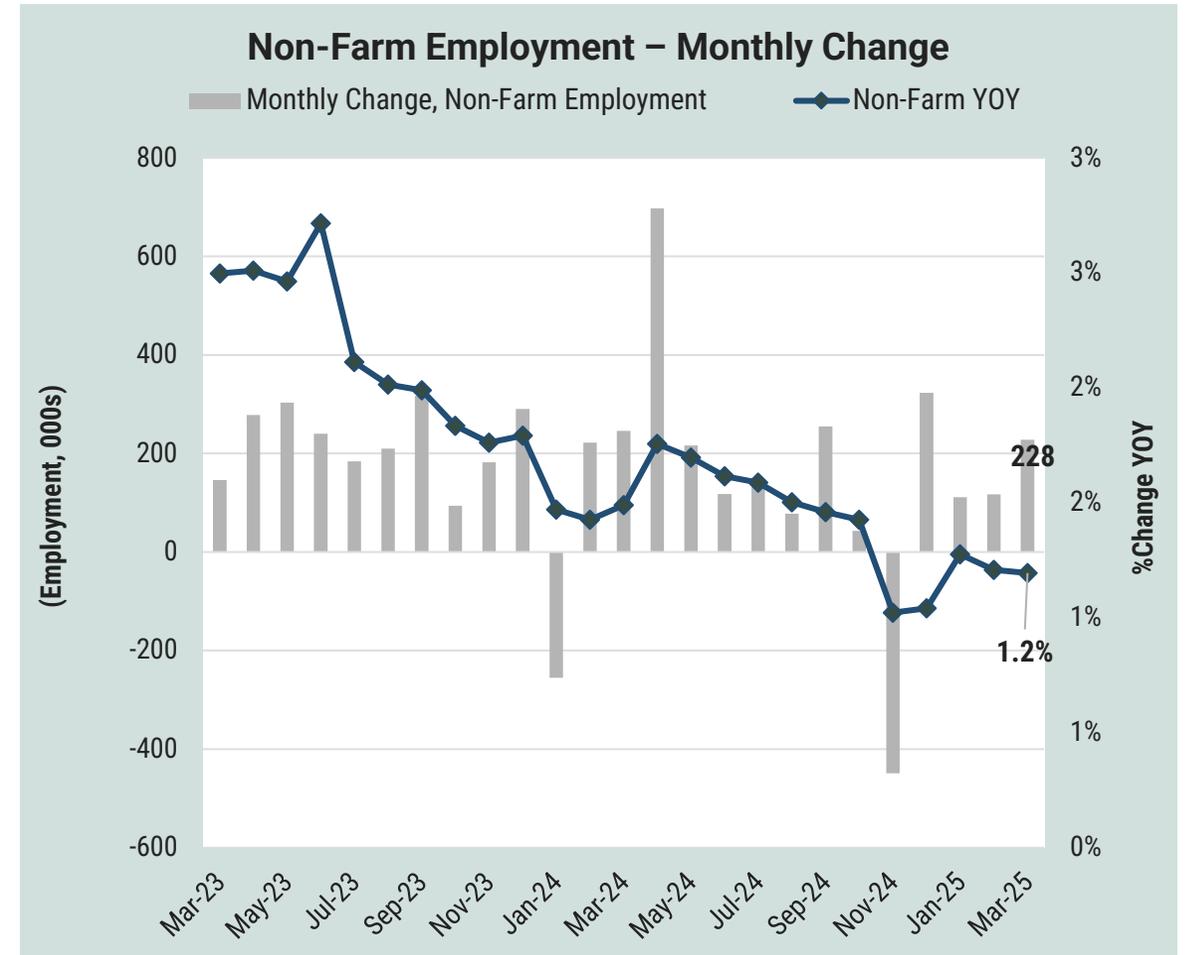
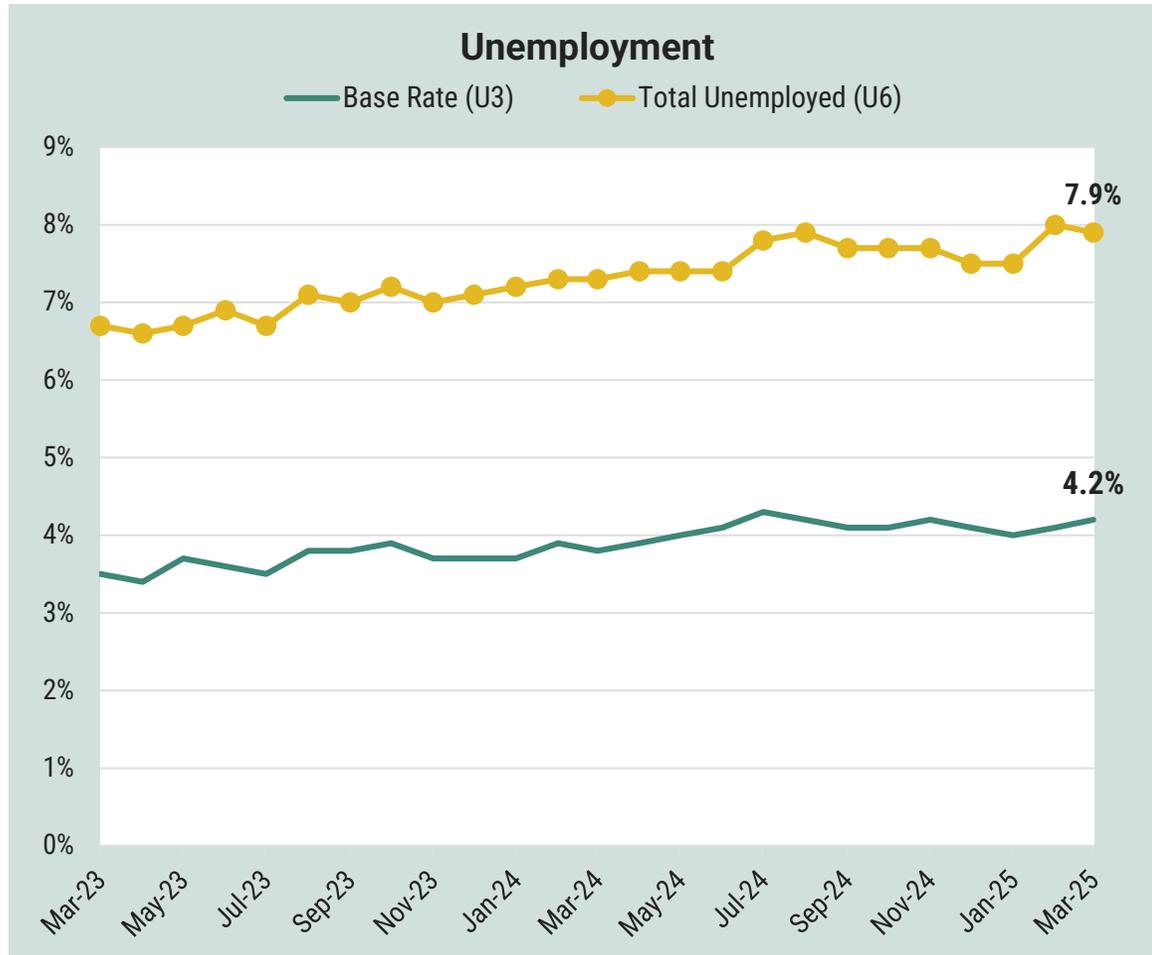
* Source: FreddieMac Mortgage Market Survey

U.S. Labor, Employment, Wages



Labor – U.S. Employment

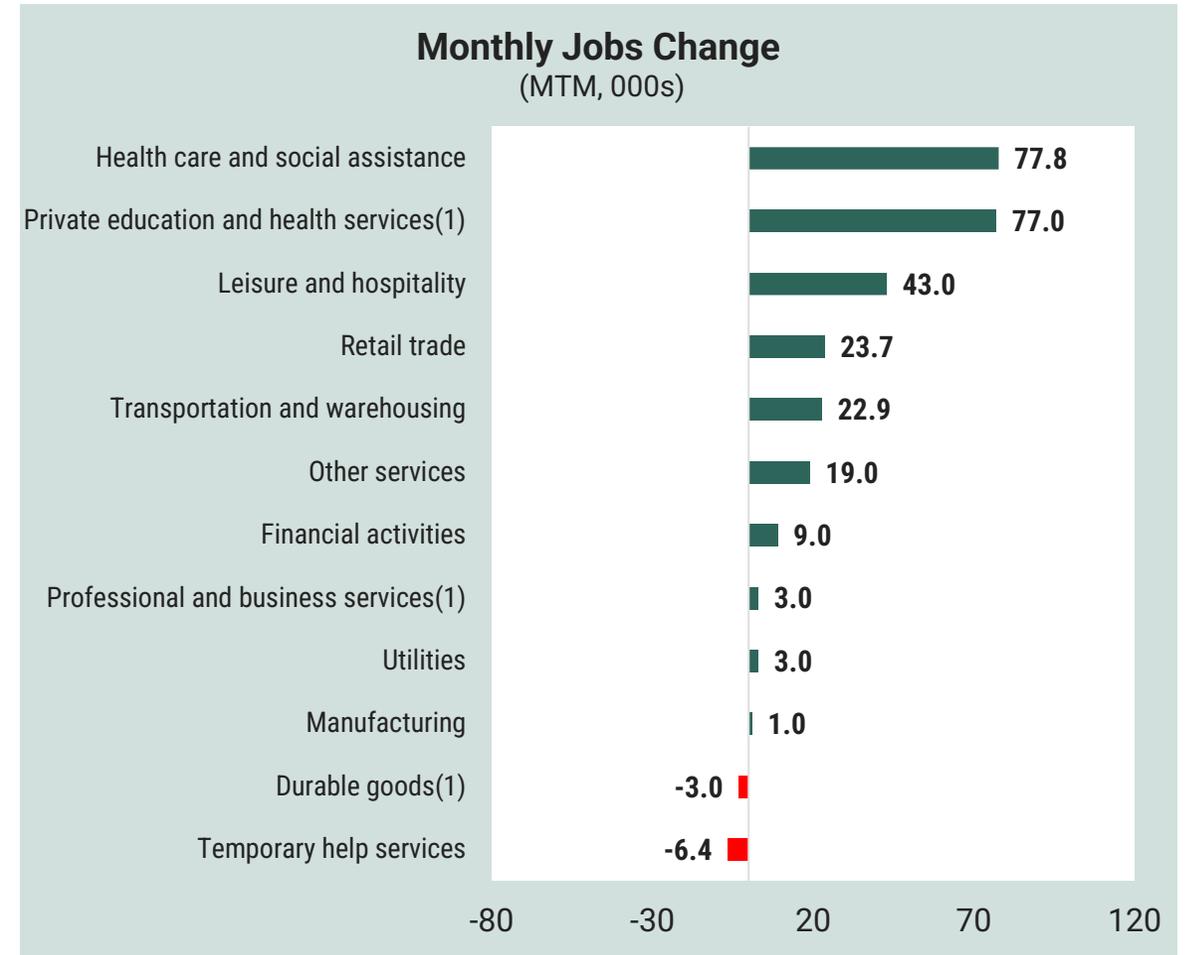
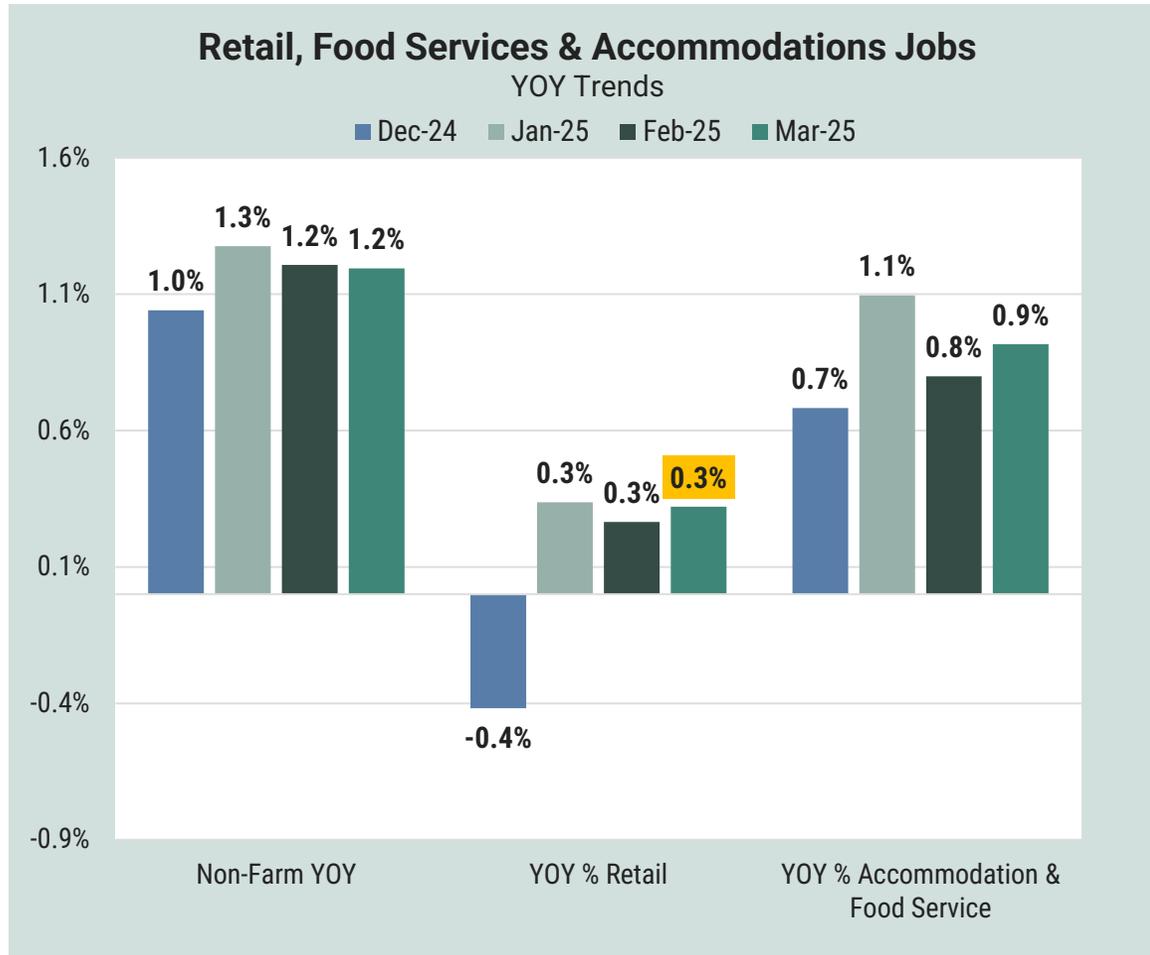
Total nonfarm payroll employment rose by 228,000 (+1.2%) in March, and the unemployment rate rose slightly to 4.2%.





Labor – Industry Employment Trends

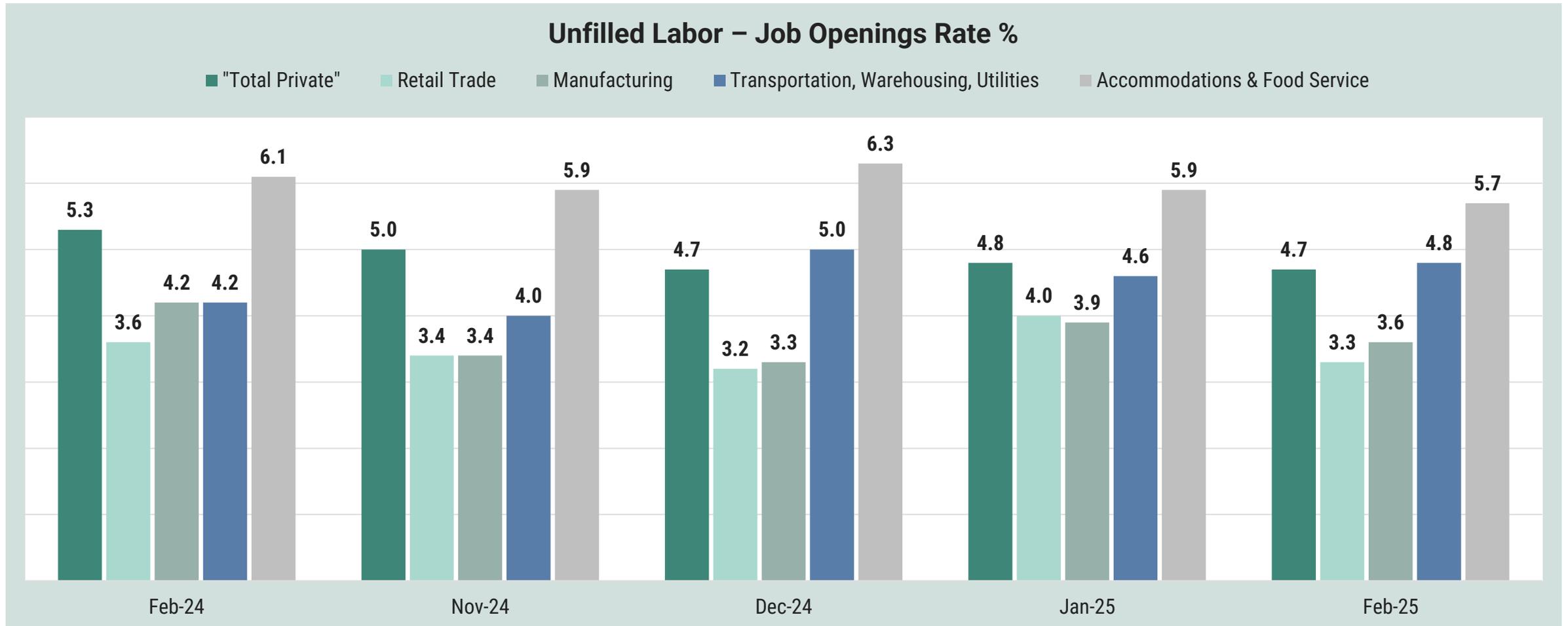
Most sectors saw employment gains, with strong growth in Health Services and Healthcare & Social Services.





Labor Private Industry Job Openings (2-month lag)

Unfilled job openings rate rose about 6% YOY across all key sectors.



Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings



Wages – YOY % Change vs. Inflation

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

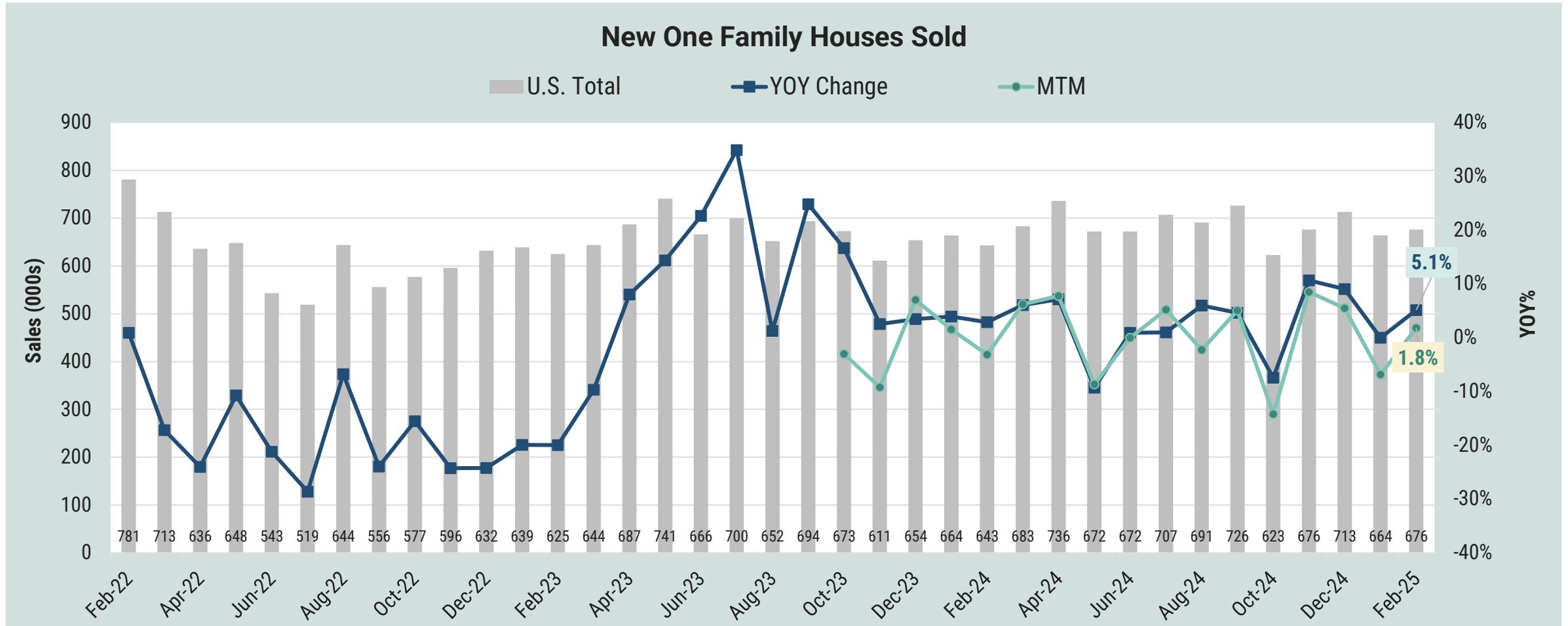


U.S. Housing



Housing – New Home Sales (2-month lag)

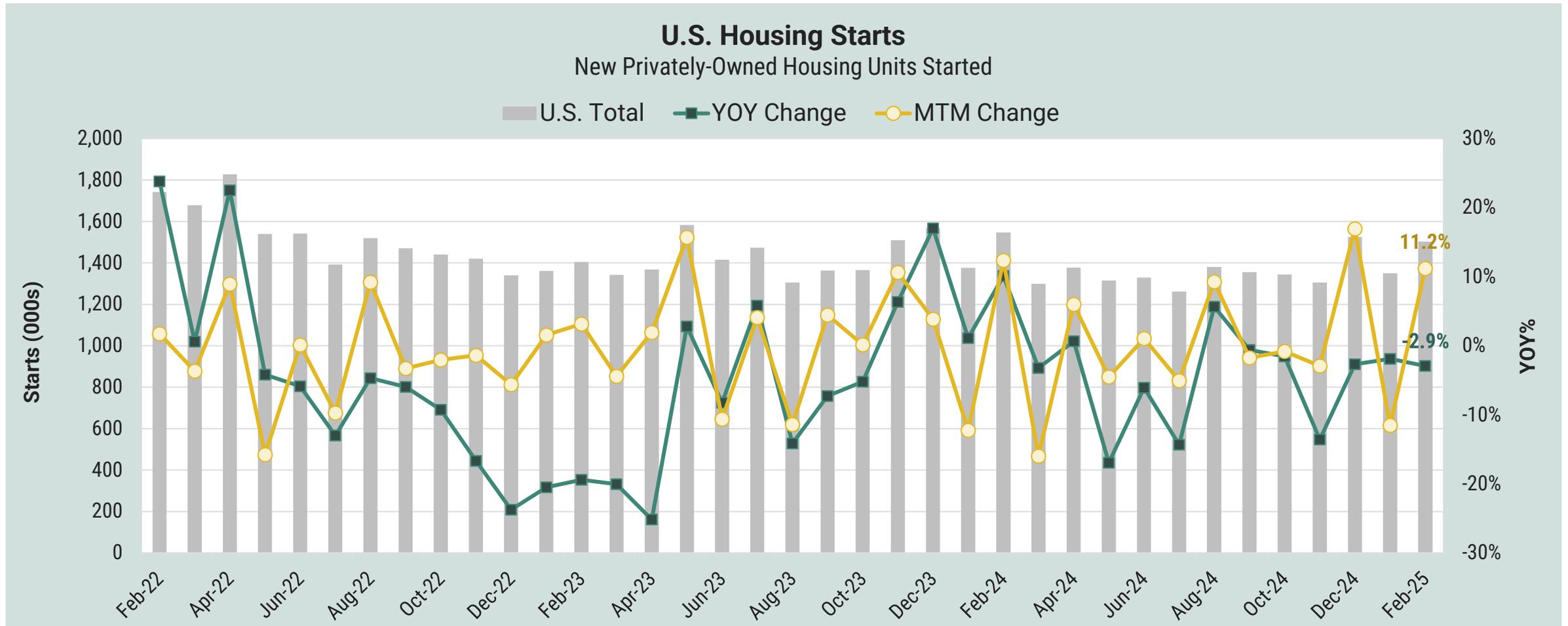
The housing market showed an uptick in sales activity, despite high mortgage rates, largely driven by increased inventory; February 2025 new home sales (one family homes) increased 5.1% and nearly 2% vs. previous month.





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

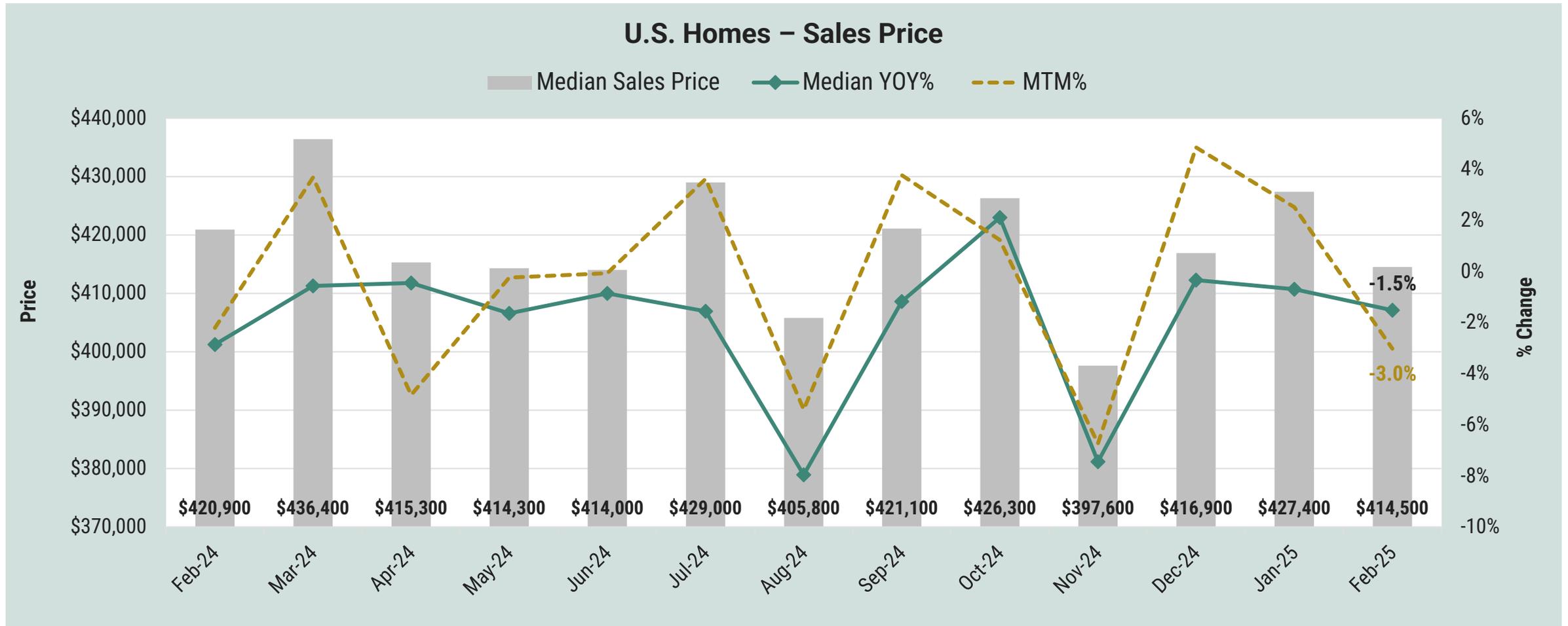
Privately-owned housing starts declined nearly 3% YOY in February but increased vs. previous month (+11.2%).





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

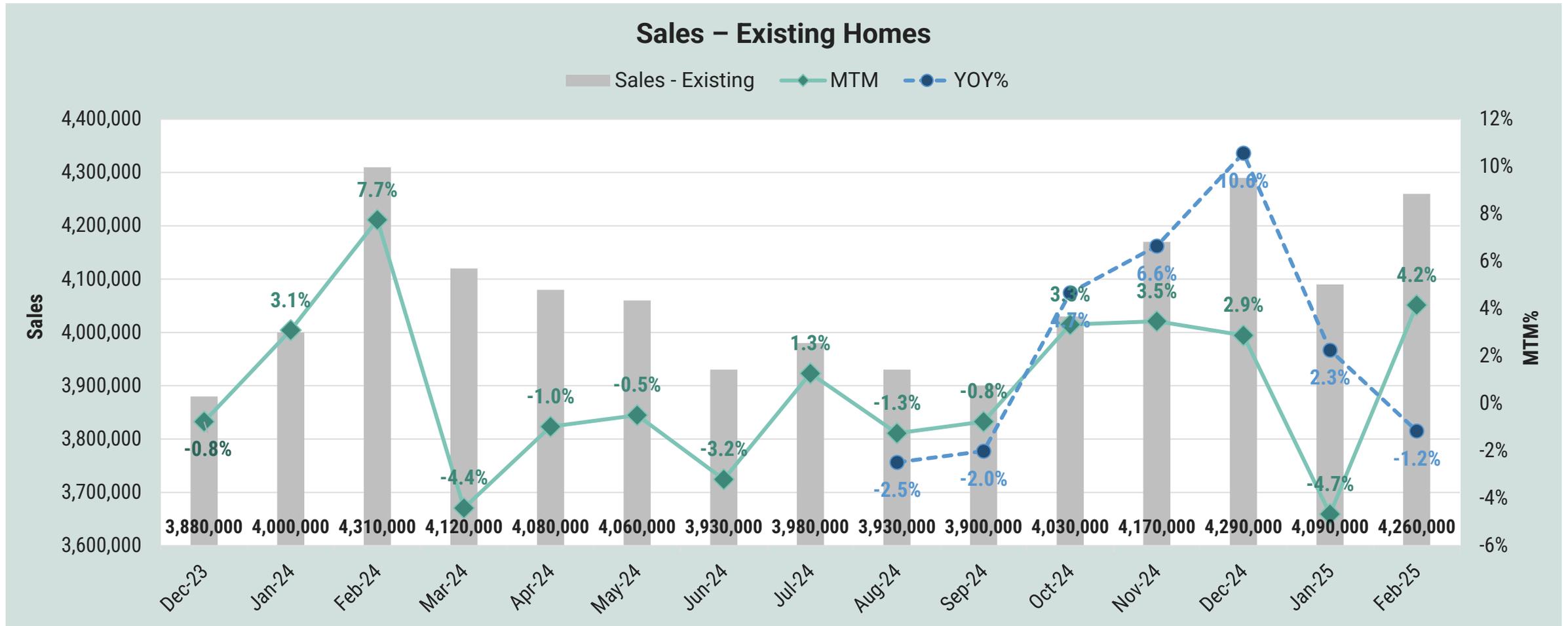
February 2025 median U.S. new home price declined 1.5% YOY to \$414,500.





Housing – Existing Home Sales (2-month lag)

February existing home sales rose 4.2% from the previous year; MTM sales dropped 1.2%.

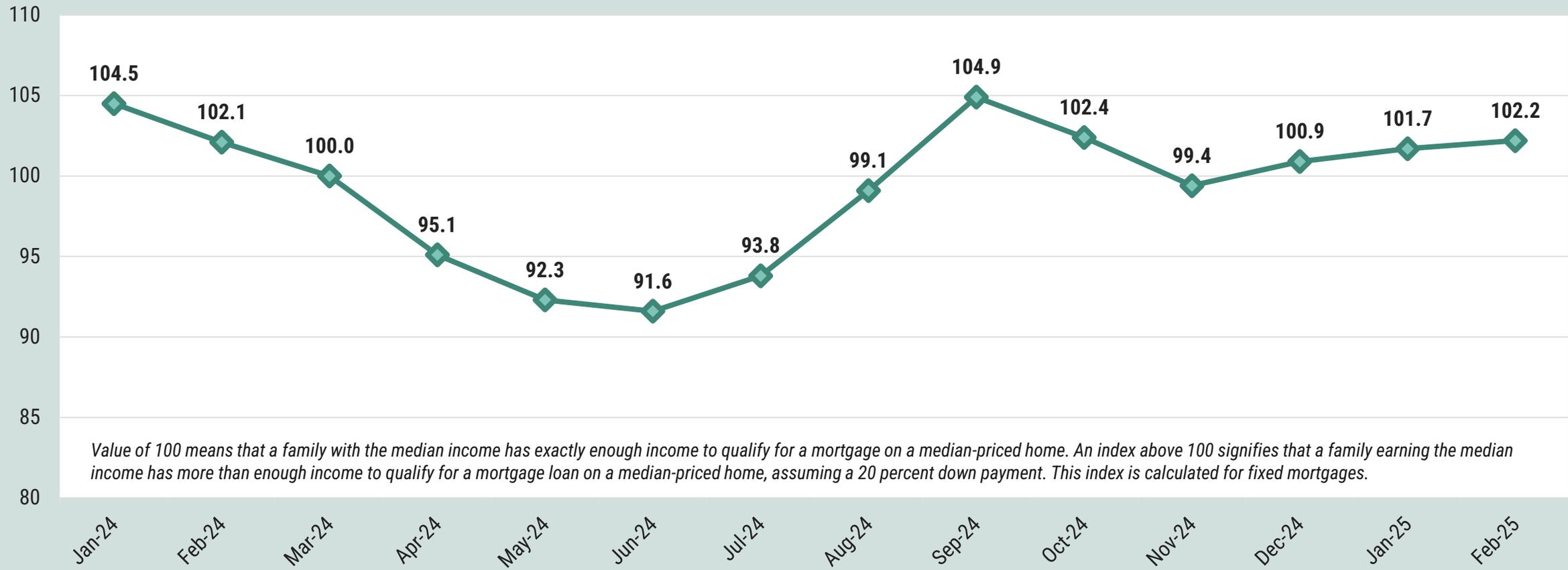




National Association of Realtors: Housing Affordability Index (2-month lag)

February housing affordability remained steady, but the potential for a pause in interest rate cuts and overall inflation could pose challenges for homebuyers in the coming months.

Housing Affordability Index



Consumer Prices & Inflation

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



March 2025 CPI showed a cooling of inflation compared to the previous month, with the first monthly decrease in nearly five years. The annual inflation rate also saw a slight moderation. Declines in energy and some transportation costs contributed to this slowdown, while food prices continued to rise. Core inflation showed the smallest annual increase in two years, suggesting a broader easing of price pressures.

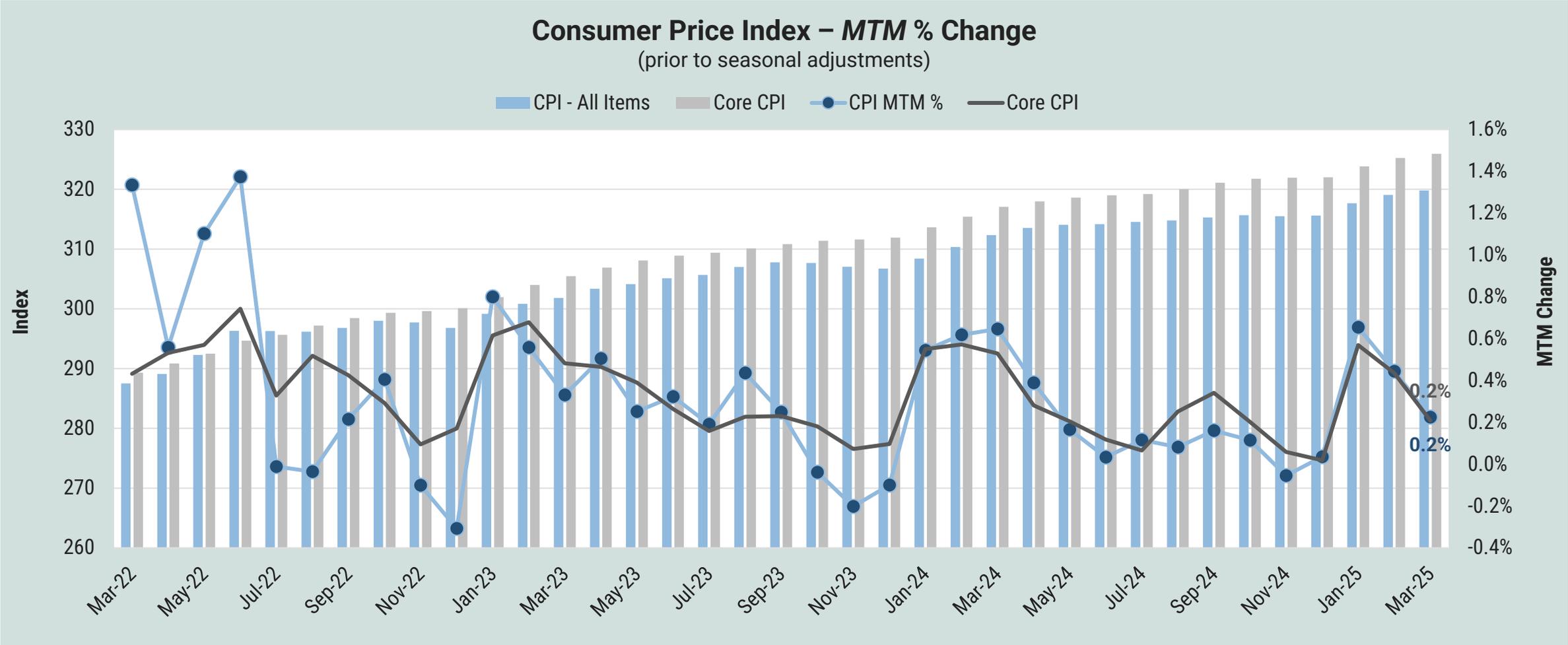
	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Total CPI	2.6%	2.7%	2.9%	3.0%	2.8%	2.4%
All Items Less Food & Energy (Core CPI)	3.3%	3.3%	3.2%	3.3%	3.1%	2.8%
Food at Home	1.1%	1.6%	1.8%	1.9%	1.9%	2.4%
Food Away From Home	3.8%	3.6%	3.6%	3.4%	3.7%	3.8%
Motor Fuel	-12.5%	-8.4%	-3.8%	-0.4%	-3.2%	-9.8%
Apparel	0.3%	1.1%	1.2%	0.4%	0.6%	0.3%
Housing	4.2%	4.1%	4.1%	3.9%	3.9%	3.7%
Education	3.8%	4.2%	4.0%	3.8%	3.7%	3.9%
Medical Care	3.3%	3.1%	2.8%	2.6%	2.9%	2.6%
Transportation	-0.1%	0.5%	1.6%	3.2%	1.7%	-0.9%
Air Fare	4.2%	4.8%	7.8%	7.1%	-0.7%	-5.2%

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%.

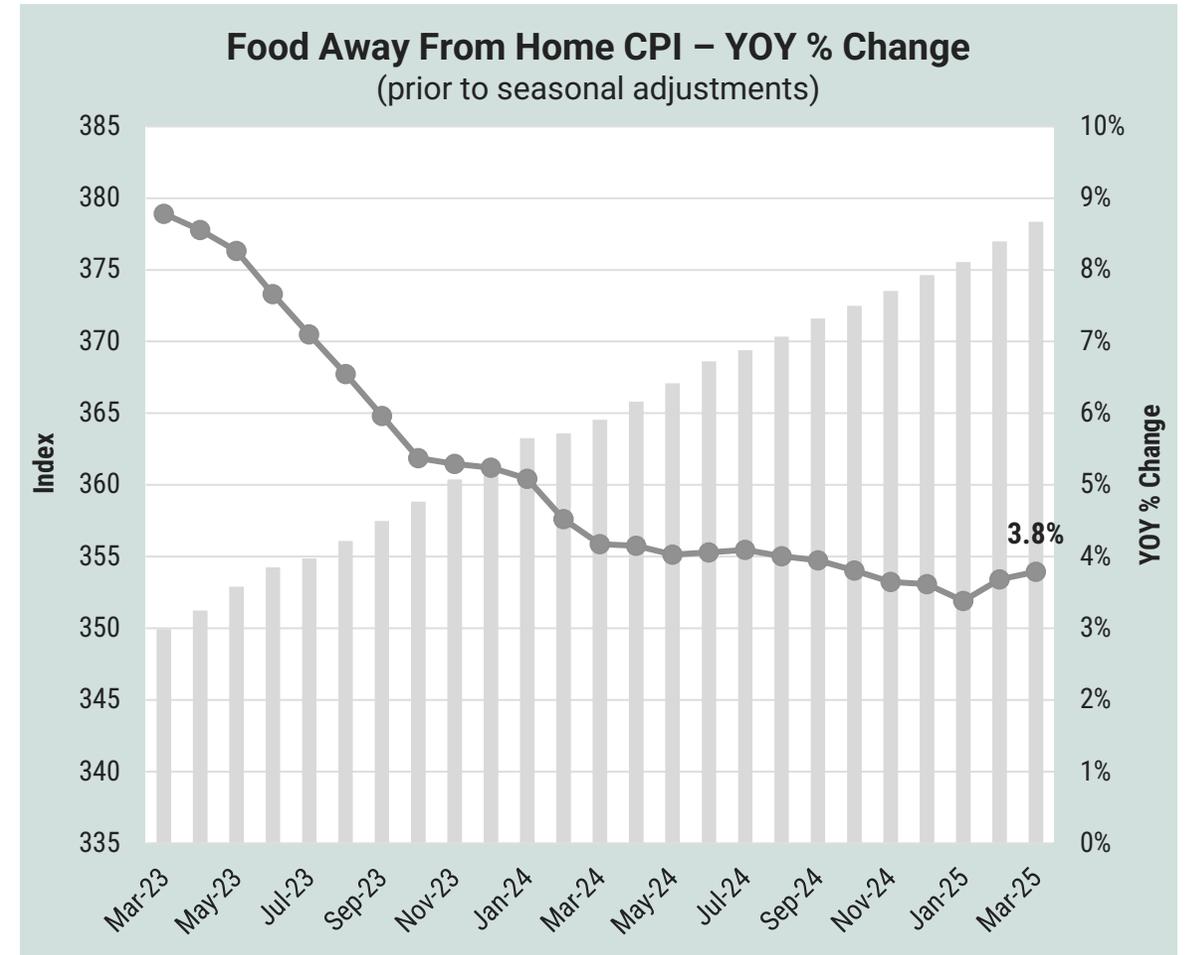
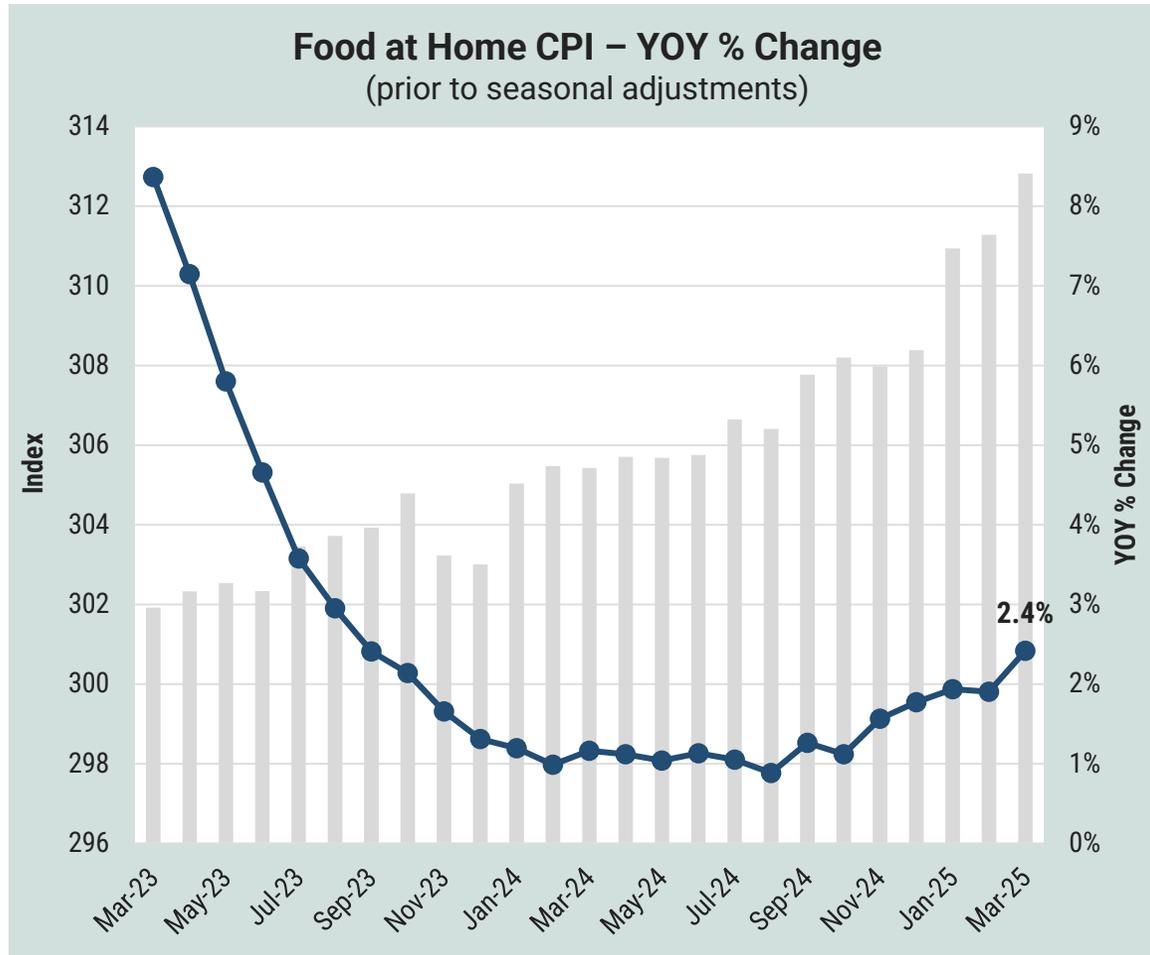


Source: U.S. Bureau of Labor Statistics



Inflation – U.S. Food Prices

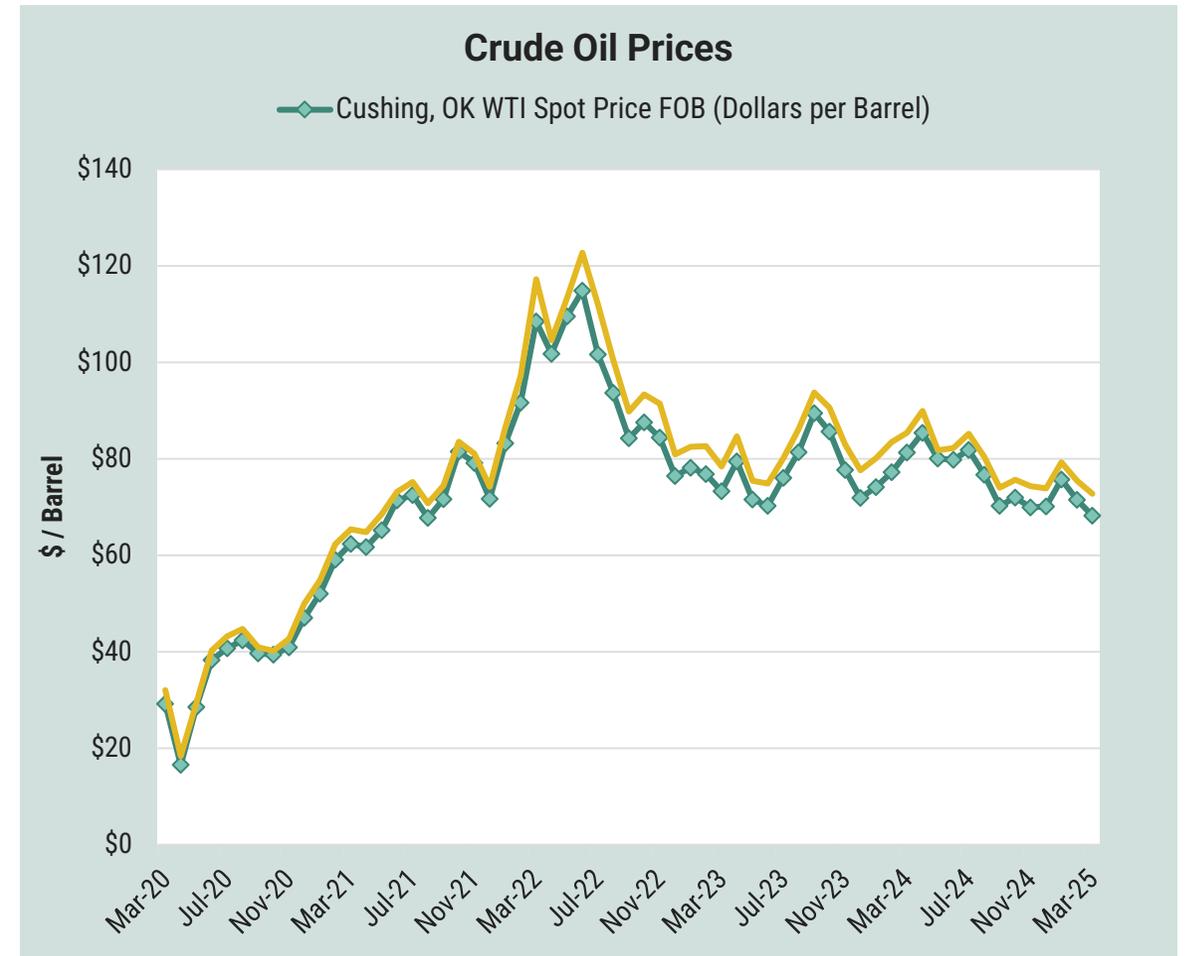
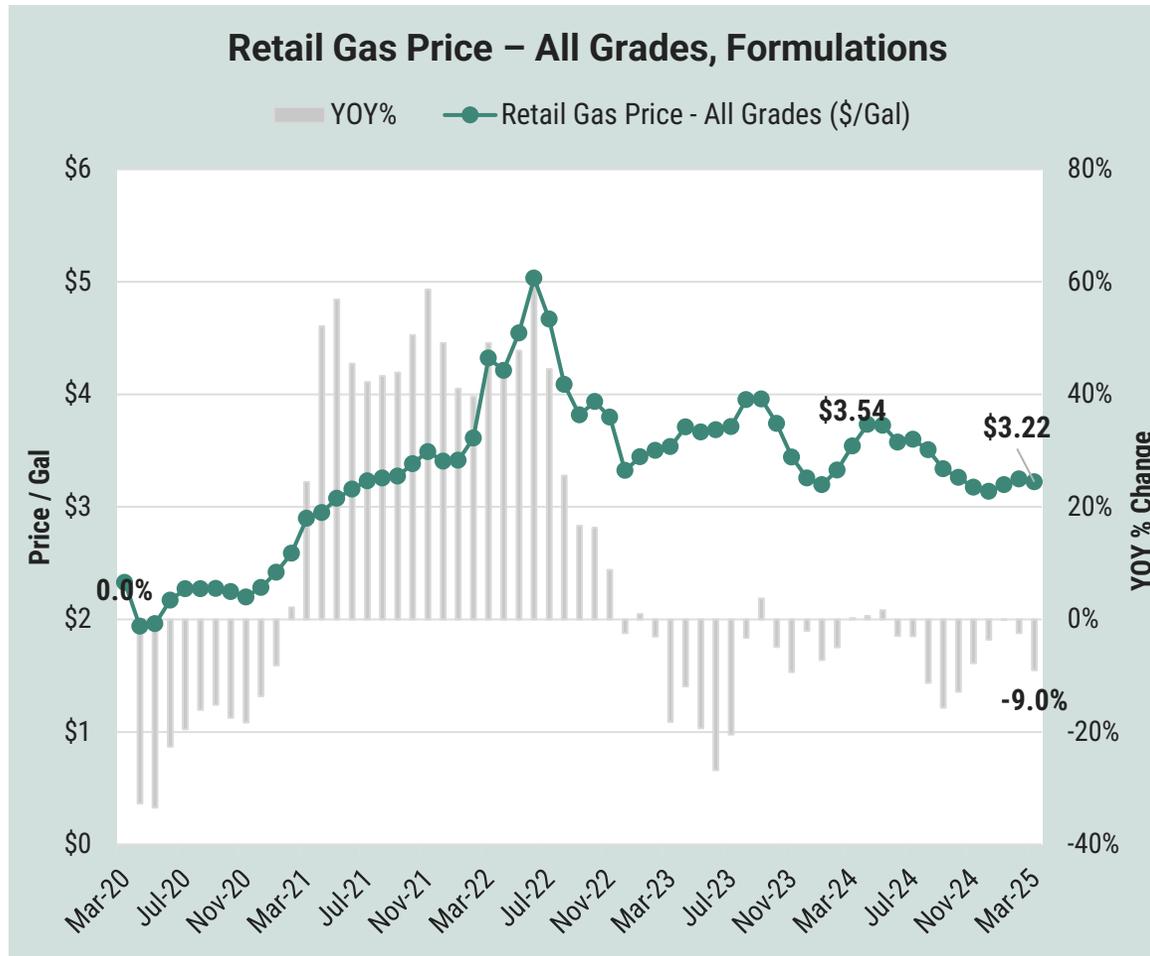
In March 2025, the CPI for food at home rose 2.4% over last year; food away from home rose 3.8%.





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

Average U.S. retail gas price was \$3.22/gallon, down 9% YOY.



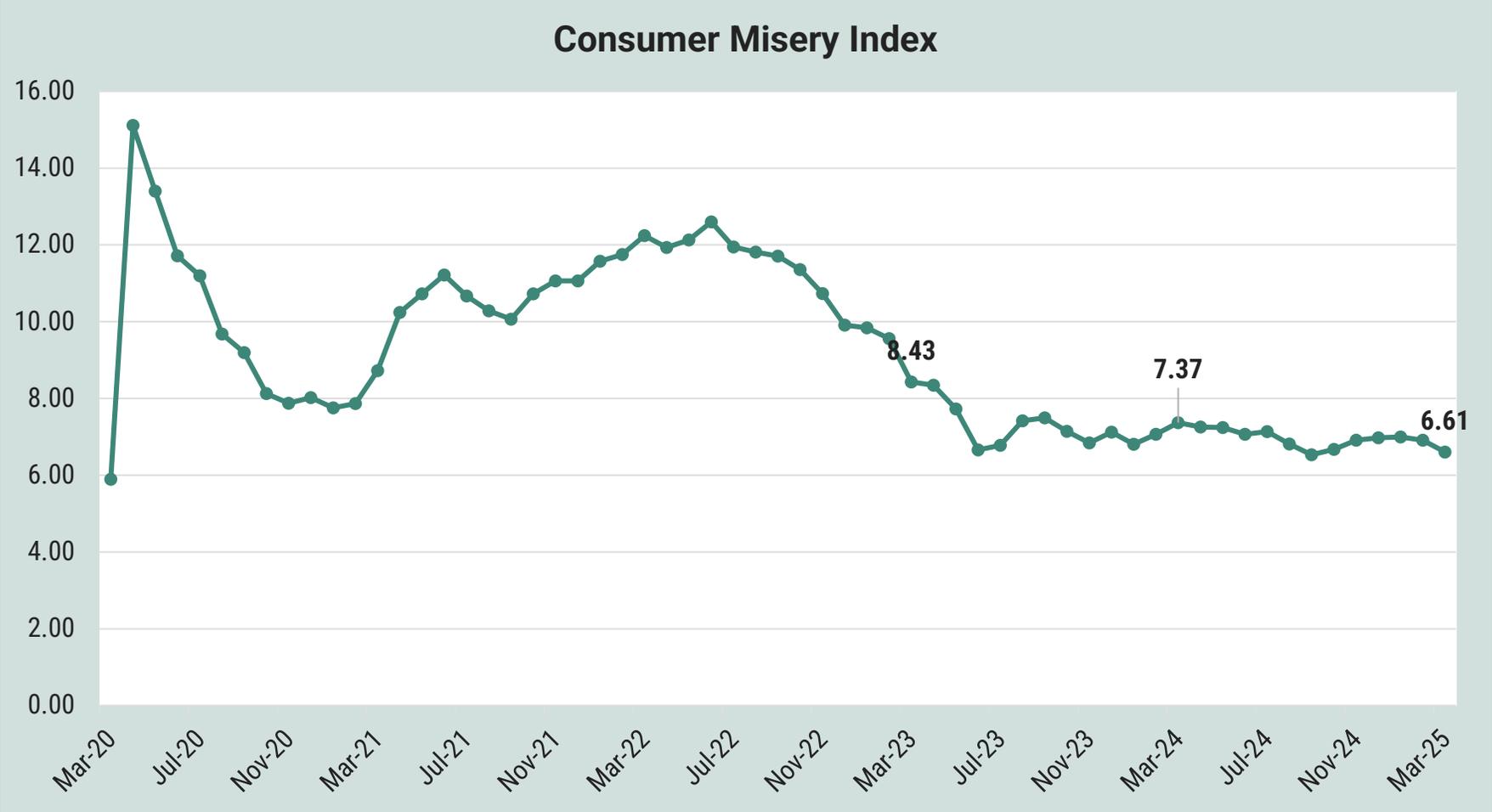
U.S. Consumers – Sentiment, Spending, & Debt



Consumer Misery Index

The Consumer Misery Index for March 2025 was 6.6, down YOY and 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.

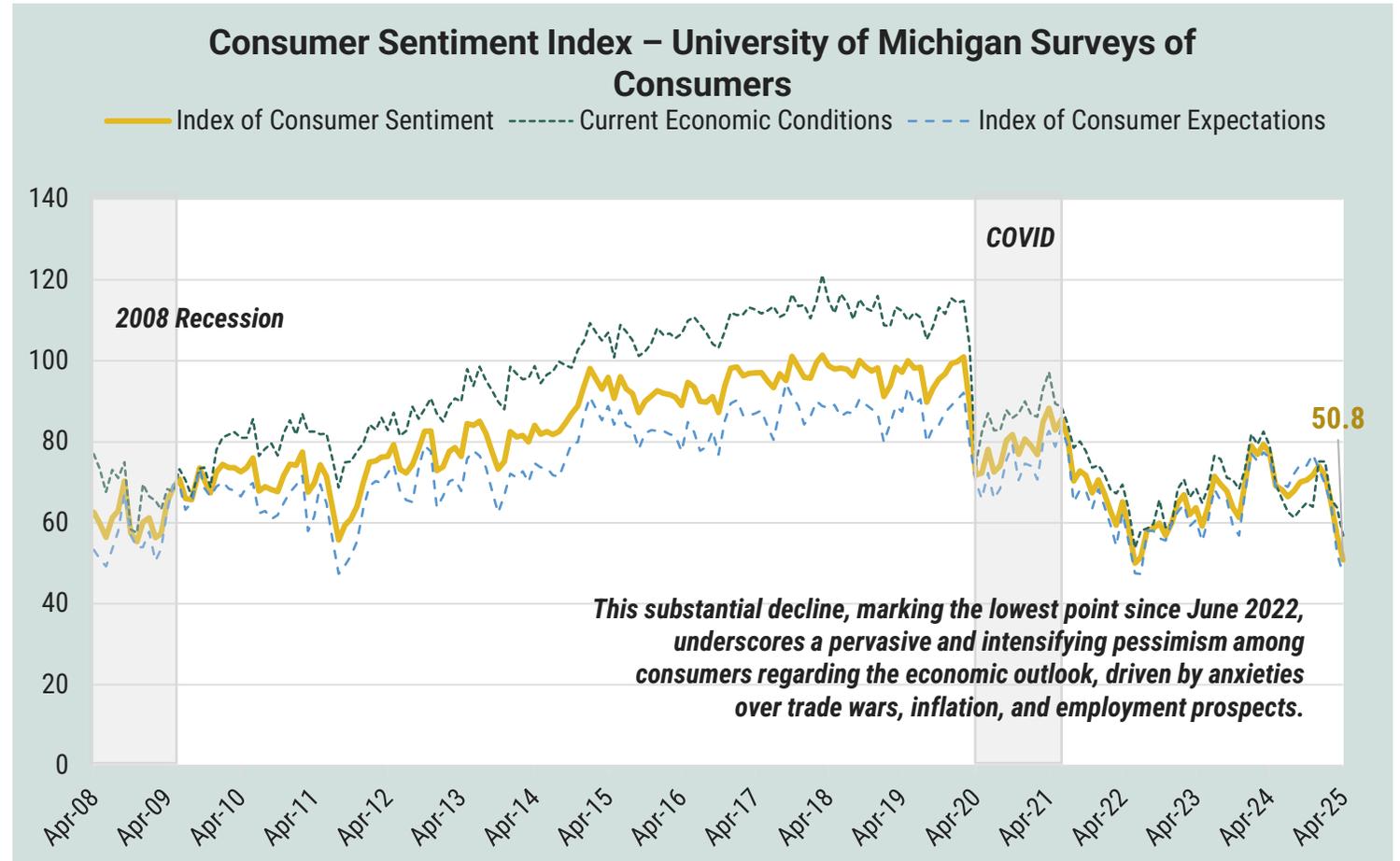




Consumer Sentiment Index

April 2025 consumer sentiment registered dropped to 50.8, a level significantly lower than the troughs experienced during the economic turmoil of the Great Recession and the initial shock of the COVID-19 pandemic.

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.	68.2	69.9	67.1
2-Year Low	50.8	56.8	47.2
Current	50.8	56.8	47.2
LY	77.2	79.0	76.0
YOY % Change	-34.2%	-28.1%	-37.9%
Previous Month	57.0	63.8	52.6
MTM % Change	-10.9%	-11.0%	-10.3%

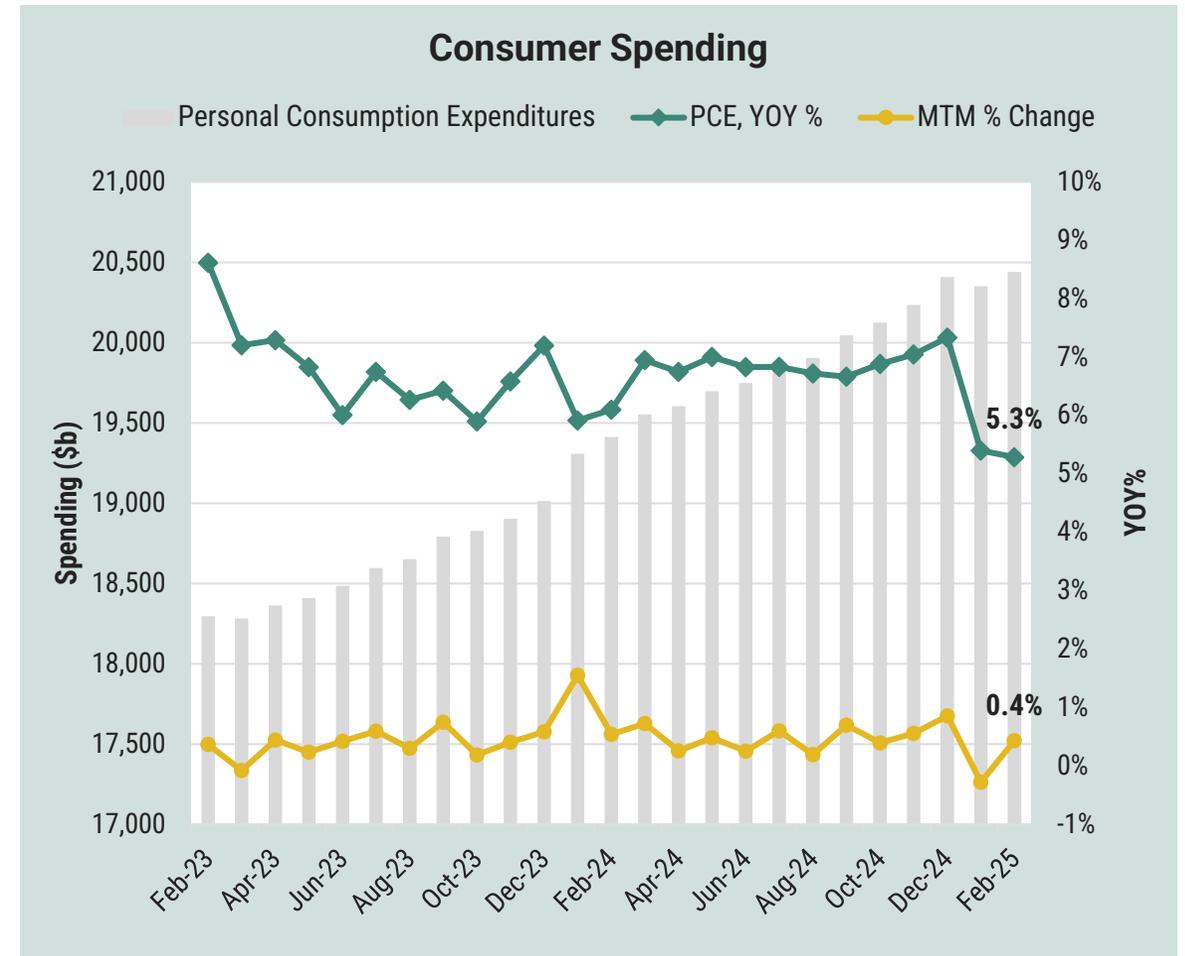
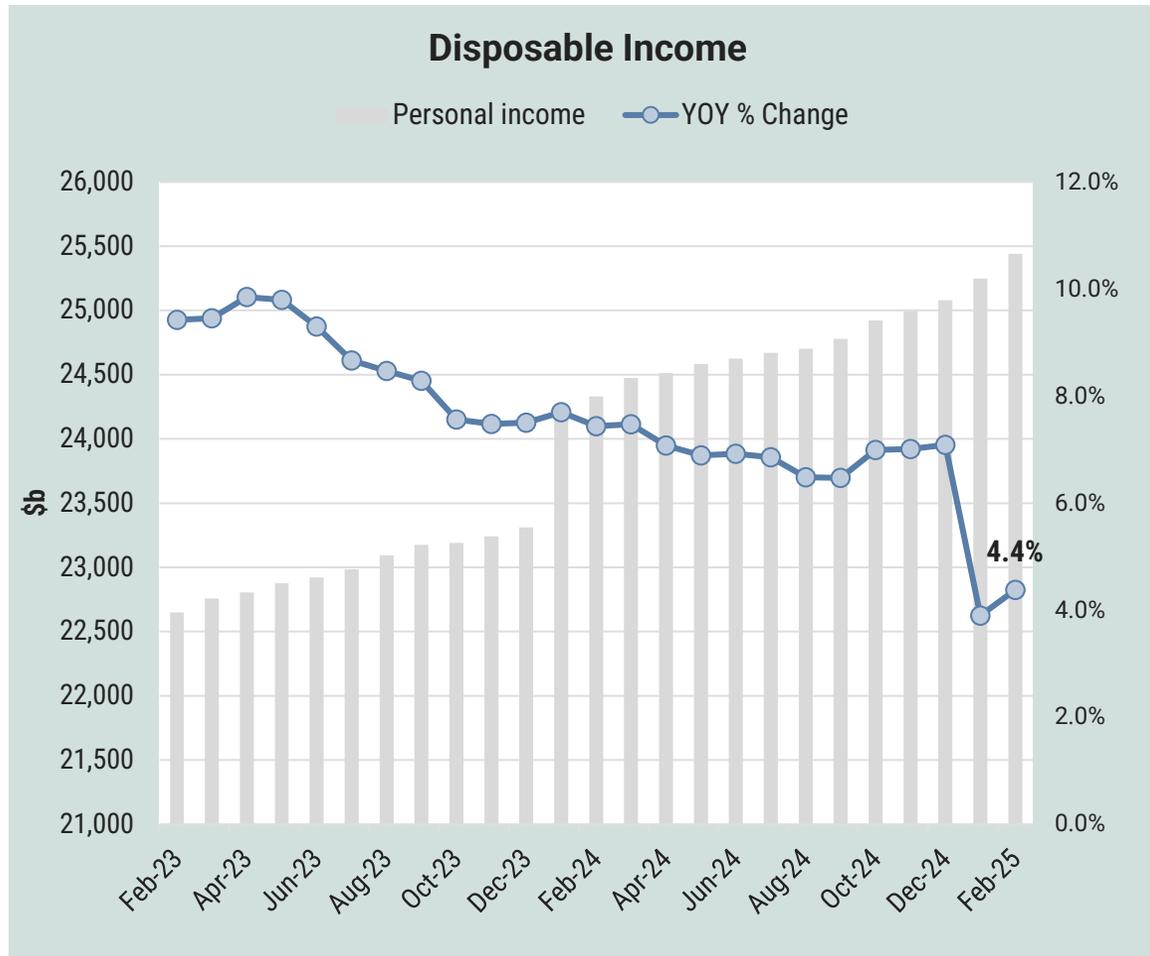


Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



Consumer Income and Spending (2-month lag)

Disposable income rose 4.4%, consumer expenditures increased 5.3% YOY.

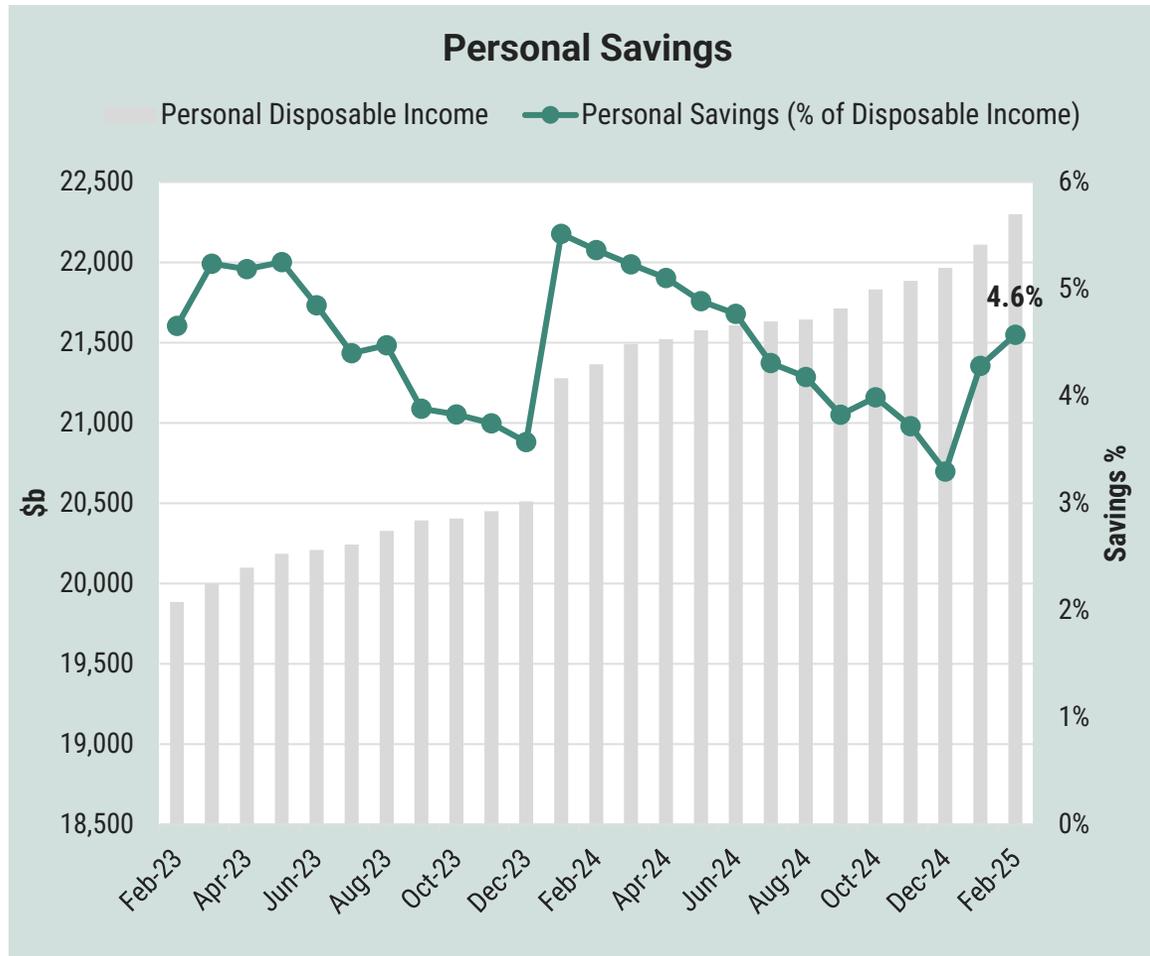


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

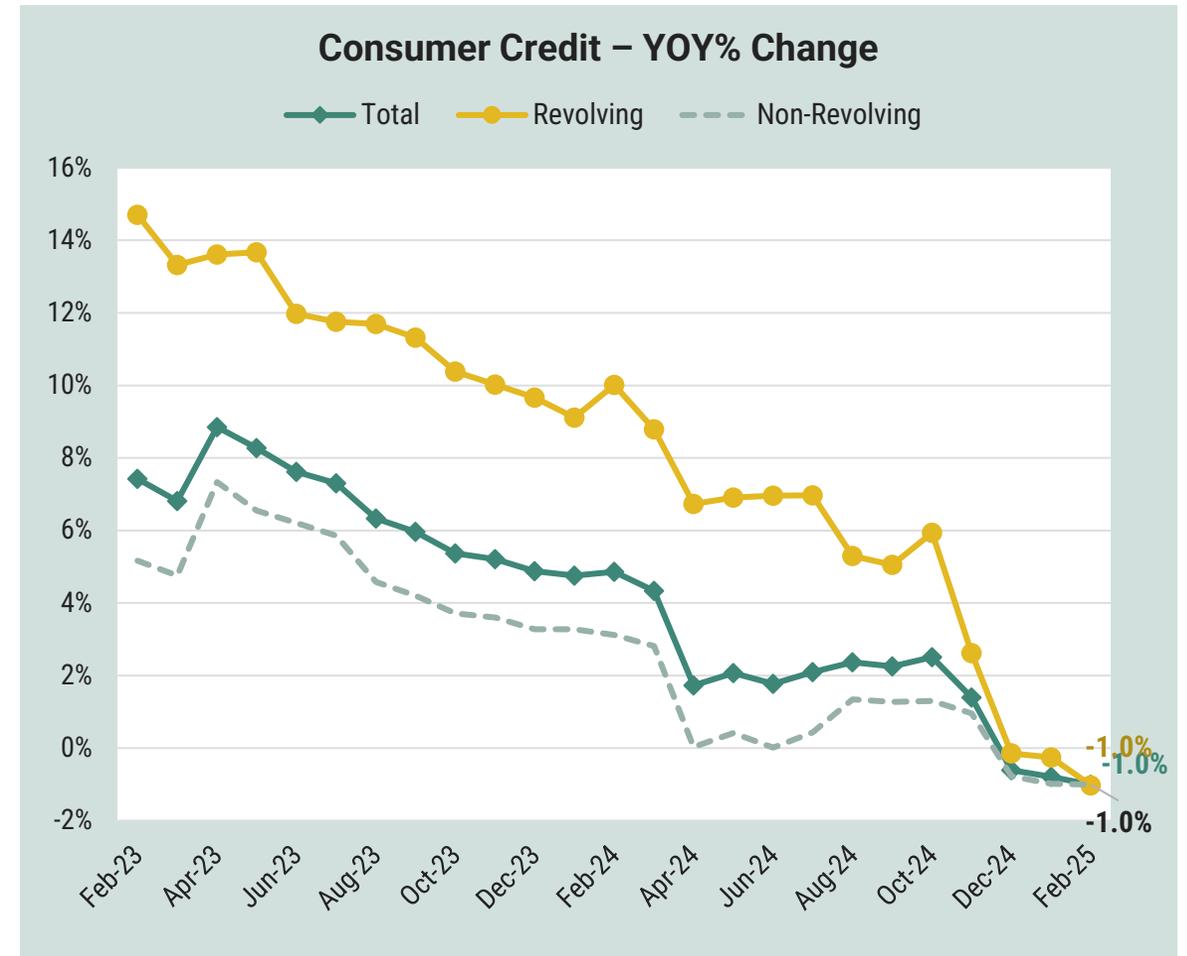


Personal Savings & Consumer Credit (2-month lag)

Personal savings rate through February 2025 increased 4.6%; revolving credit and total consumer credit dropped 1%.



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



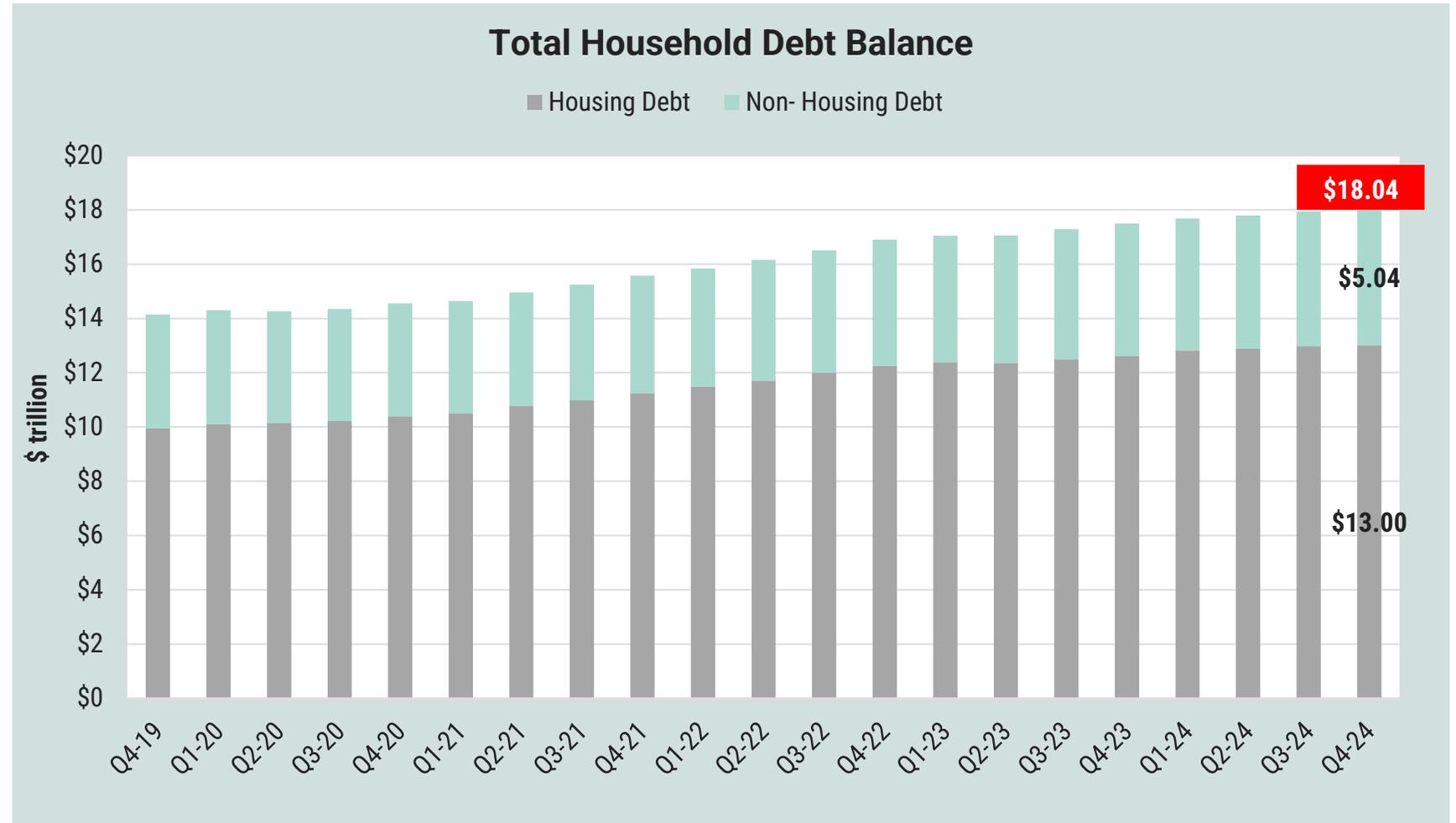
Source: U.S. Federal Reserve, 2-month lag in reporting



Total Consumer Debt

Total household debt is \$18.04 trillion through Q4-2024, an increase of \$93 billion over Q3.

In the fourth quarter, total household debt rose by \$93 billion to \$18.04 trillion. Delinquency rates increased by 0.1 ppt to 3.6%. Mortgage balances grew by \$11 billion to \$12.61 trillion. Serious delinquency rates remained stable for mortgages but rose for auto loans, credit cards, and HELOCs. Auto loan balances increased by \$11 billion to \$1.66 trillion, and credit card balances grew by \$45 billion to \$1.21 trillion.





Student Loan Debt Default

As the pandemic-related payment pause ends and collections resume, student loan default rates are expected to rise in 2025, leading to defaults that could impact the credit rating of millions of consumers

More than 9 million at risk of severe impact to credit score and 2 million likely to fall into subprime status

~Wall Street Journal
Feb 2025

After the three-year pandemic pause and resumption of federal student loan repayments, delinquency rates have doubled in just a few months, according to Education Department data obtained by The Washington Post. Millions of borrowers are struggling to keep up with their monthly bills now that payments are required again.

~Forbes.com
March 2025

KEY CHALLENGES TO DEBTORS

- **End of Payment Pause:** The pandemic-related payment pause ended in late 2023
- **On-Ramp Period Over:** The "on-ramp" period, which provided borrowers with a grace period to get back on track, ended in October 2024.
- **Resuming Collections:** Collection activity expected to resume in 2025, with delinquent accounts reported to credit bureaus and potentially seizing wages, tax refunds, and Social Security benefits.



IMPACTS TO DEBTORS

- **Higher Default Rates:** Default rates could rise in 2025.
- **Financial Strain:** Resuming payments may cause financial hardship and debt management issues for many borrowers.
- **Credit Score Decline:** Defaults can lower credit score and impact ability to obtain loans / credit lines.
- **Wage Garnishment and Tax Refund Seizures:** Wage and tax seizures, from resumed collections, will intensify borrower financial hardship.

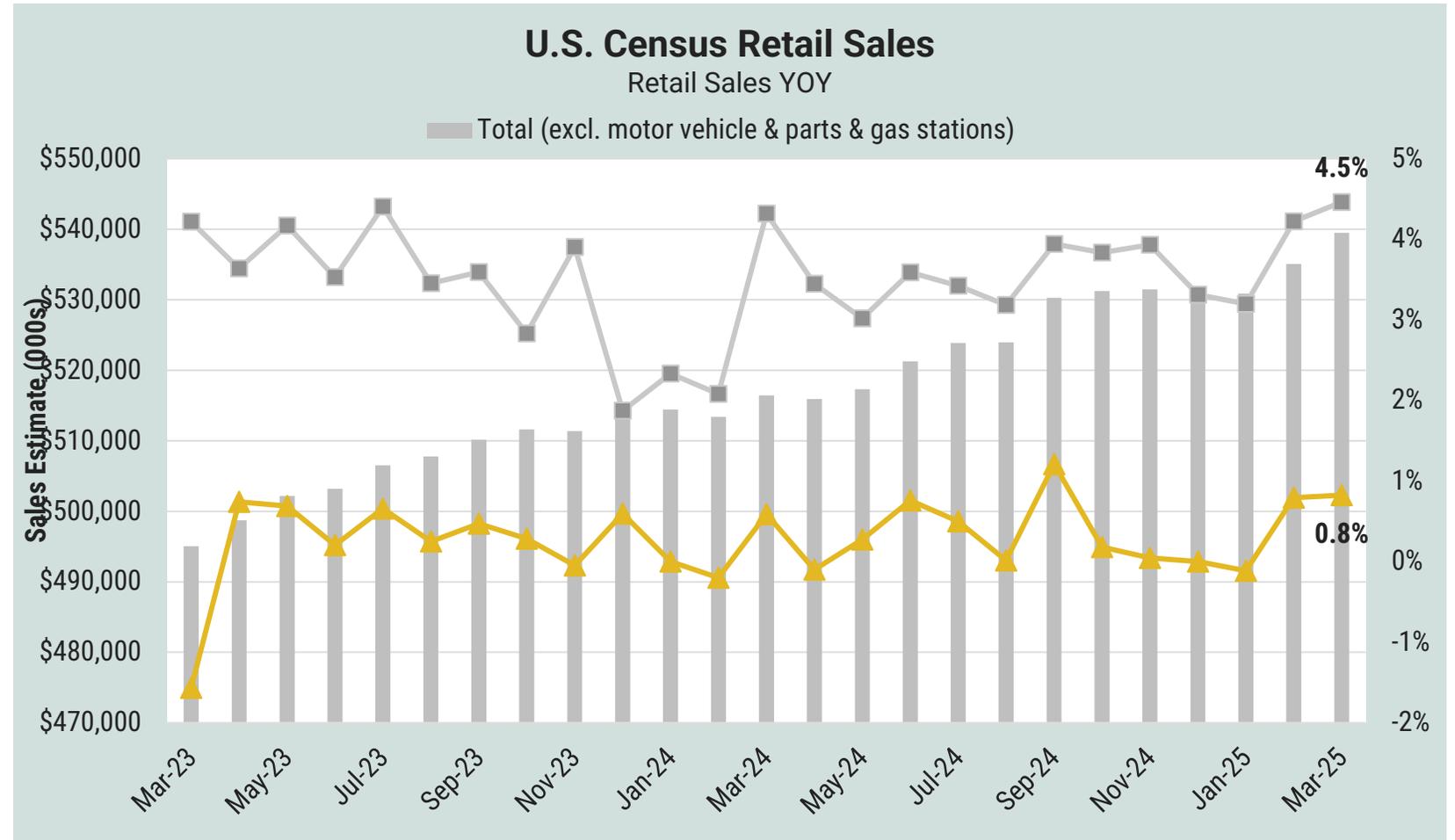
U.S. Retail Sales



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

March retail sales were up 4.5% YOY and .8% MTM.

U.S. retail sales in March 2025 saw a robust increase, significantly higher than expected, as consumers, motivated by the anticipation of impending tariffs, particularly on vehicles, accelerated their purchases to avoid future price hikes. This surge suggests a proactive consumer response to the expected rise in the cost of imported goods, creating a temporary boost in spending on durable goods.

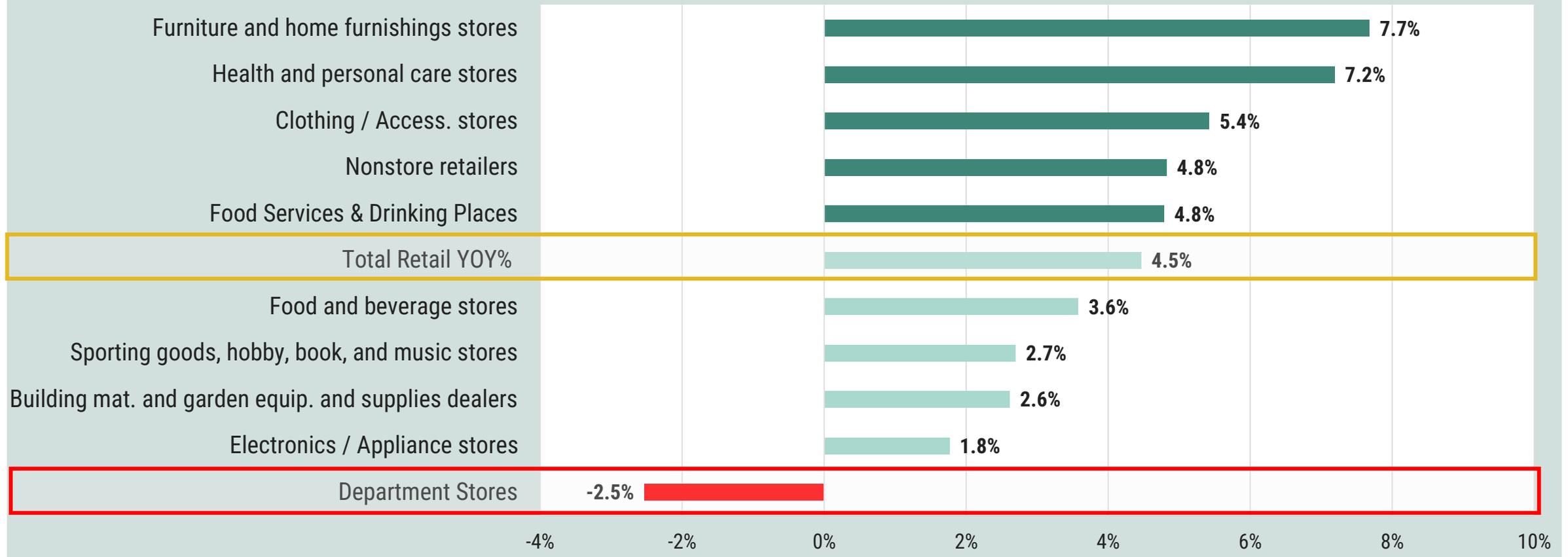


U.S. Retail Sales by Retail Category



March retail sales increased across most segments – the lone exception being department stores.

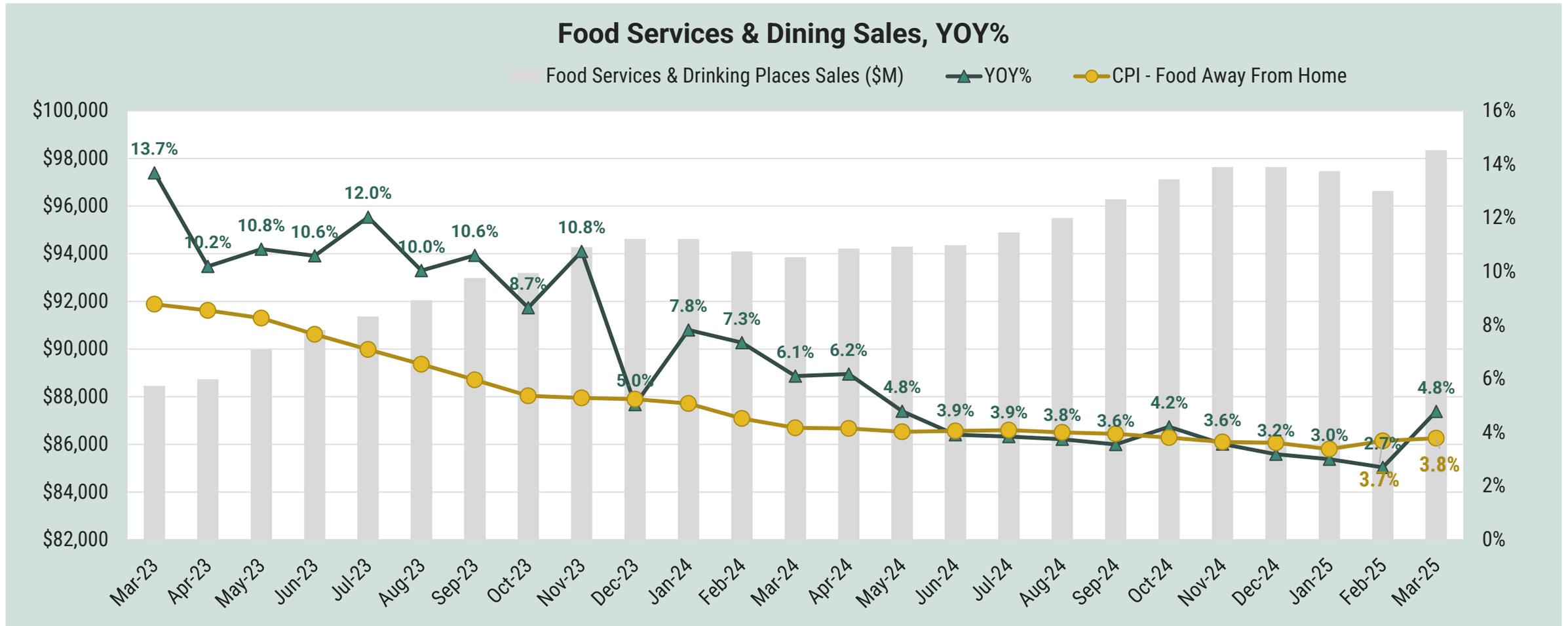
Retail Trade Sales - YOY % Change by Category





U.S. Retail Sales – Food Services & Dining

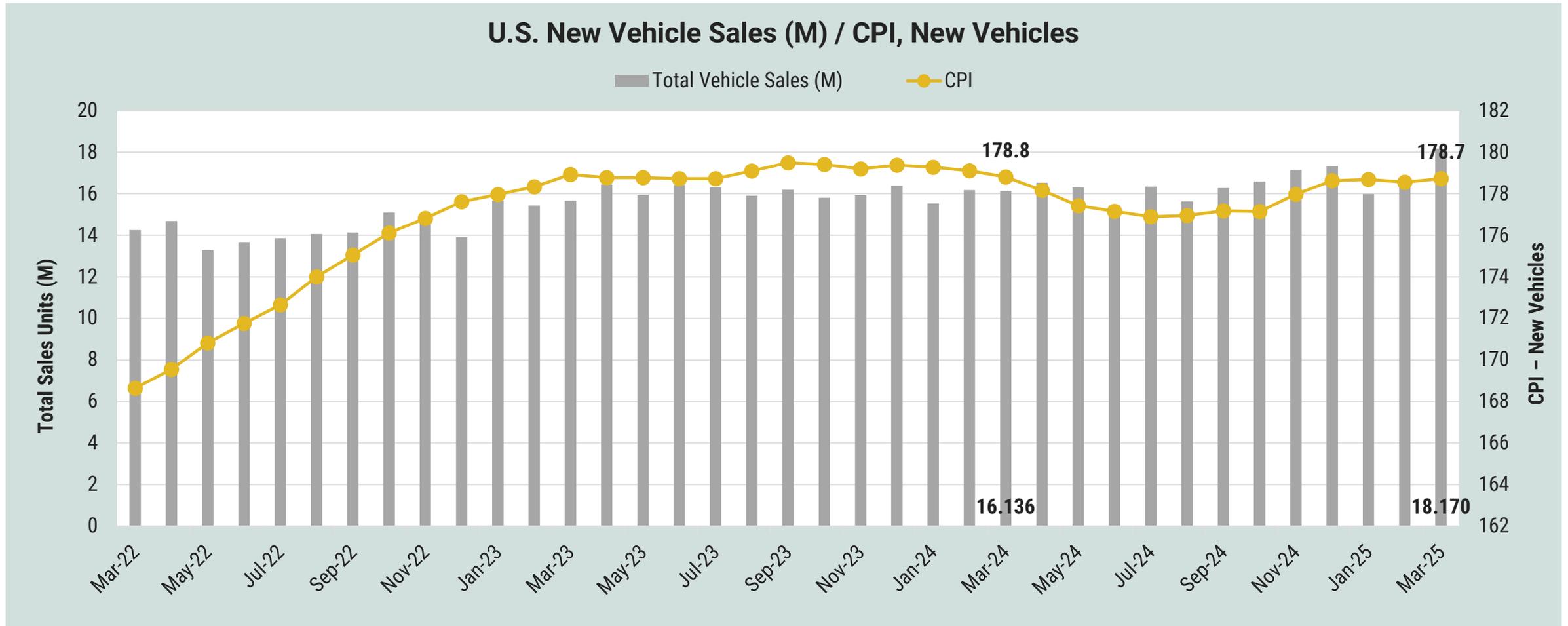
Food Services / Dining increased 4.8% in March – above the 3.8% inflation rate for Food Away From Home.



U.S. Vehicle Sales



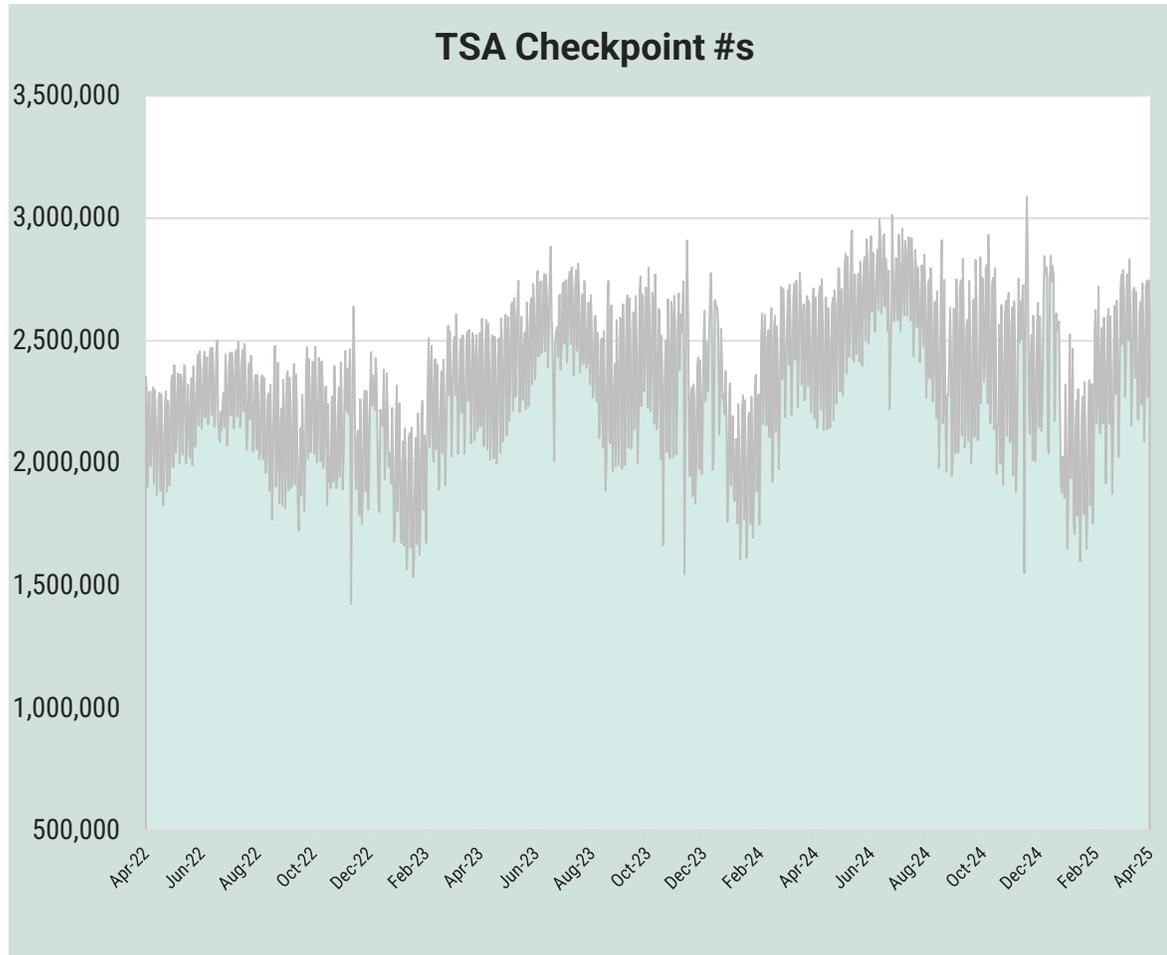
U.S. new vehicle sales in March 2025 saw a significant surge to a seasonally adjusted annual rate of 17.8 million units, the highest in nearly four years, as consumers rushed to purchase vehicles ahead of anticipated import tariffs.



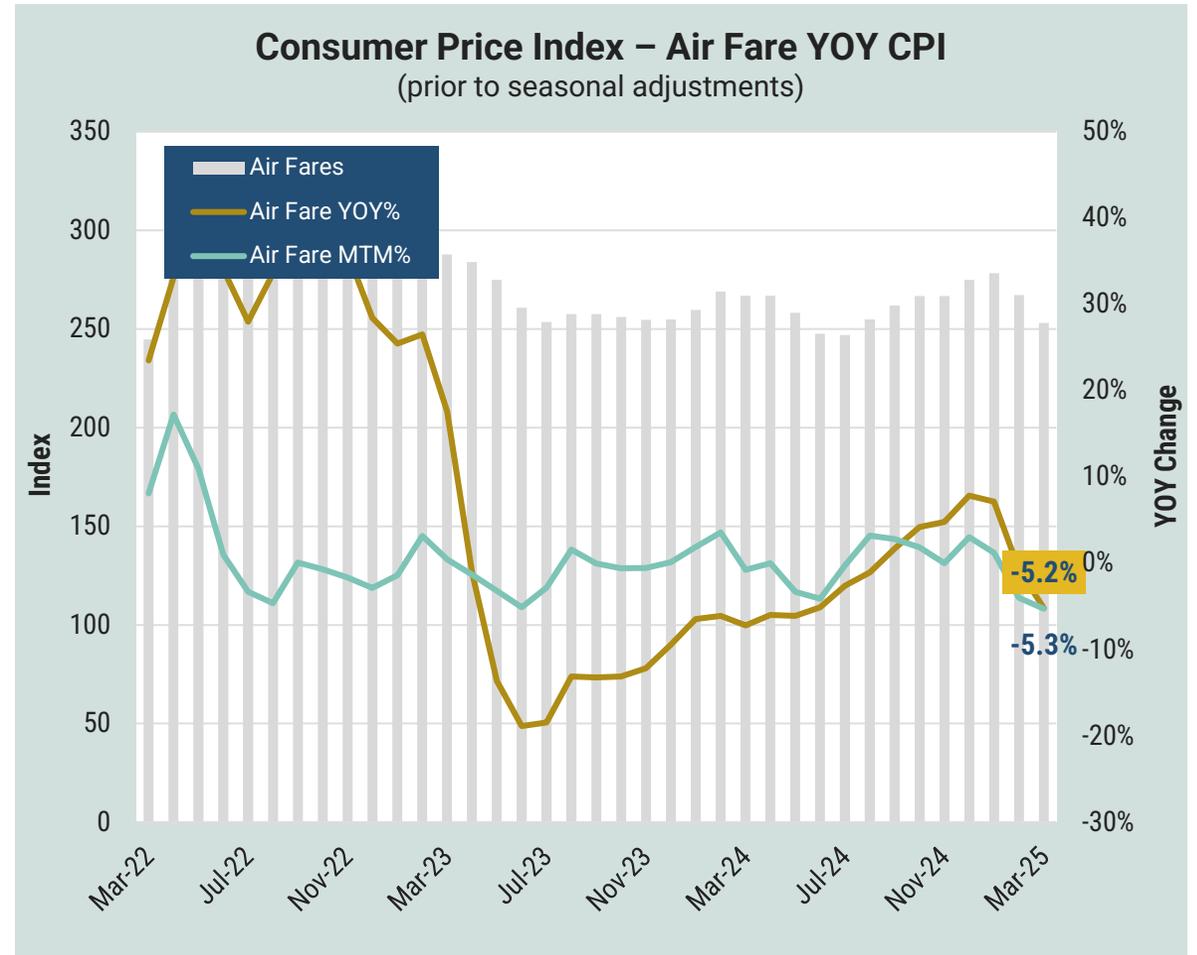


Air Travel – TSA Checkpoint Numbers

Air travel volume increased 0.8% YOY; the price of air travel is down 5.2% from 2024 and 5.3% lower than previous month.



Source: U.S. Transportation Security Administration



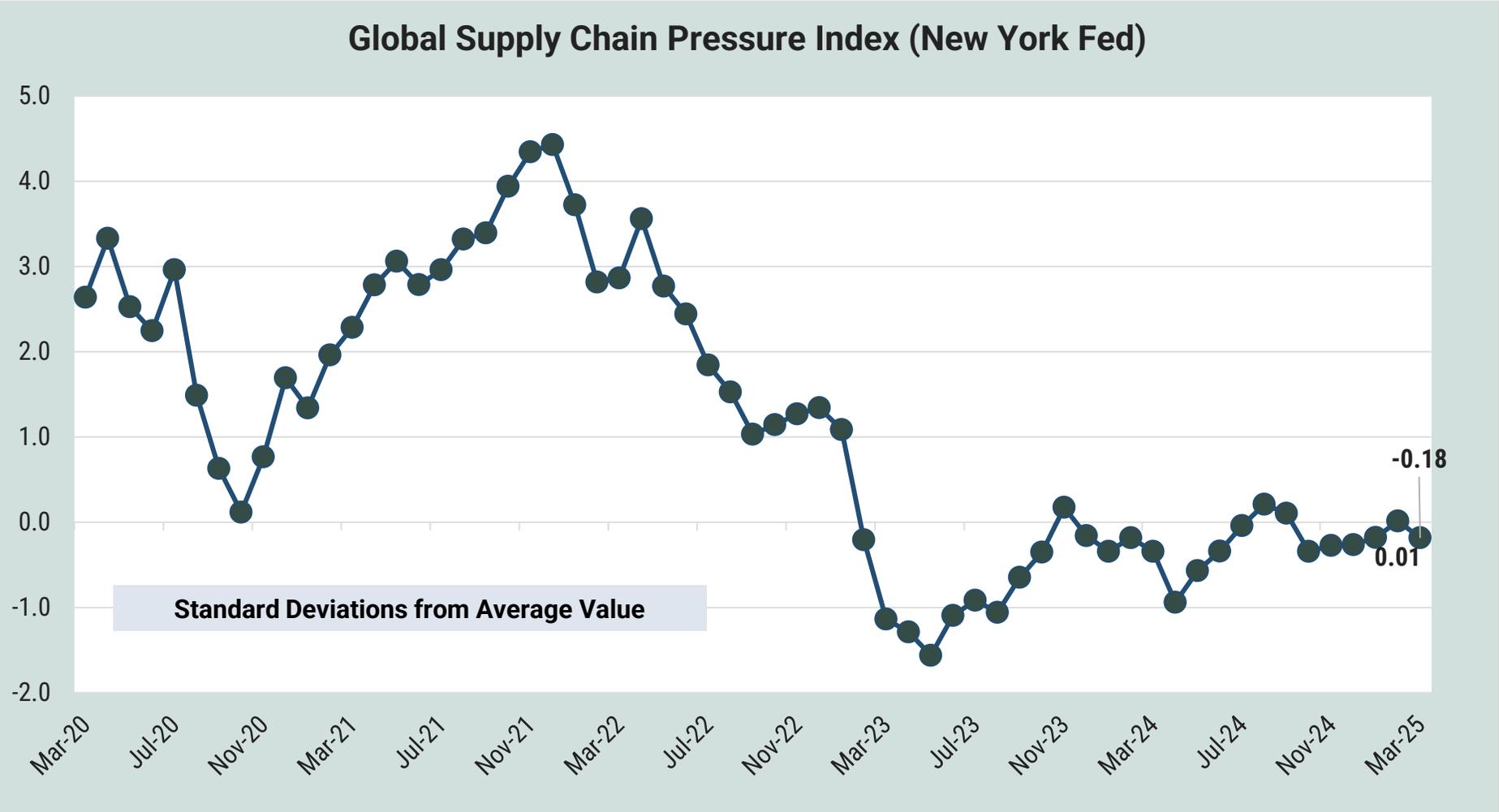
Source: U.S. Bureau of Labor Statistics

Supply Chain



Global Supply Chain Index

The GSCPI fell to -0.18 in March, down from 0.01 in February.



The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

The GSCPI is not an official estimate of the Federal Reserve Bank of New York, its President, the Federal Reserve System, or the Federal Open Market Committee.

The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

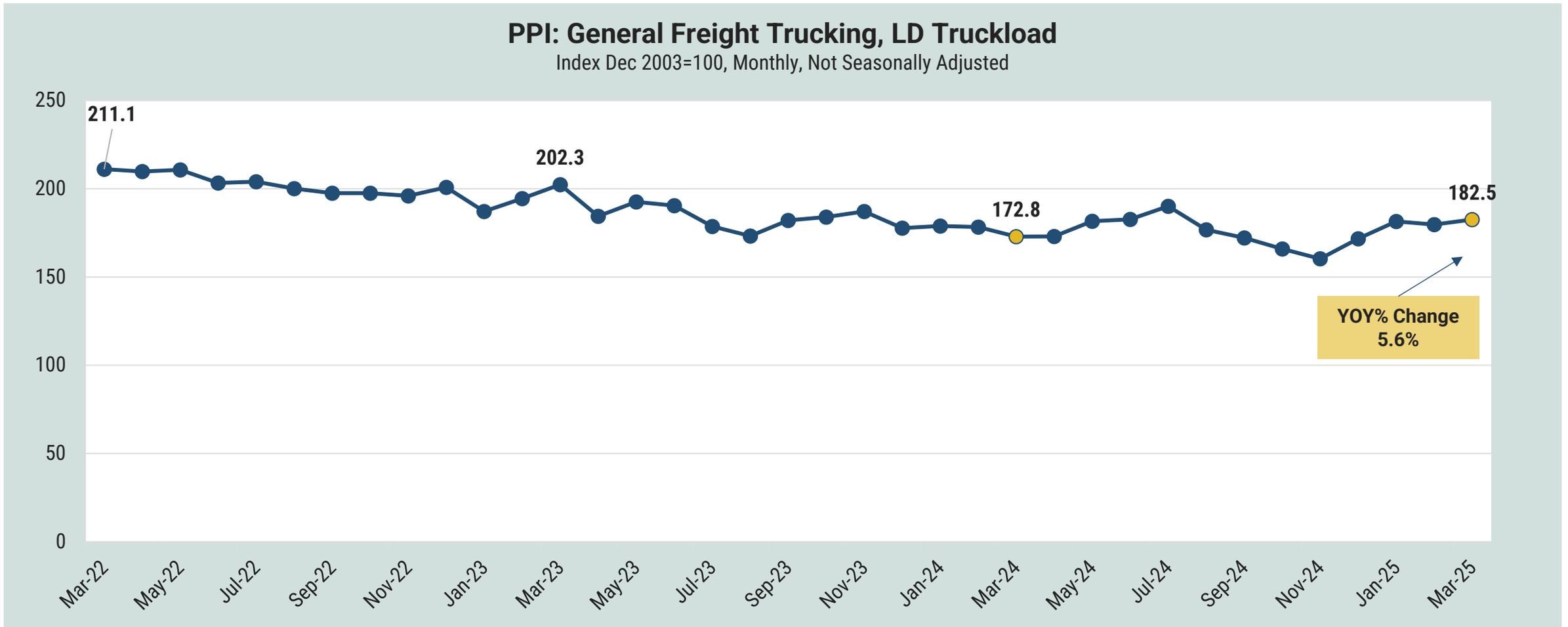
<https://www.newyorkfed.org/research/policy/gscpi#/overview>

Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



Freight Inflation - Trucking

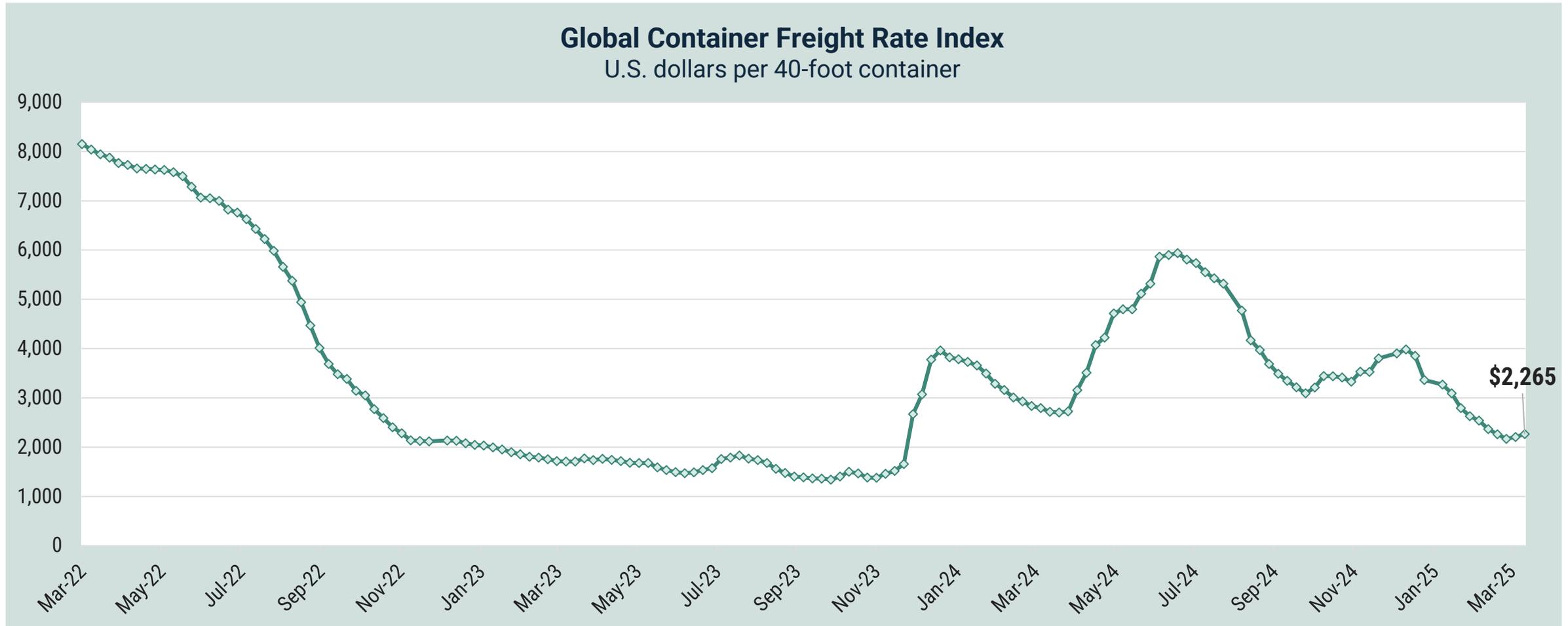
The general freight trucking index increased 5.6% YOY.





Deep Sea Freight

The Drewry WCI composite index remains steady and stands at \$2,265 (thru 4/10) per 40ft; shippers continue to watch for potential impacts resulting from tariffs and other global supply chain disruptions.



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Keith Jelinek
Senior Managing Director
1.248.894.8264
keith.jelinek@ankura.com



Mike Casey
Managing Director
+1.216.312.7702
michael.casey@ankura.com



Rick Maicki
Senior Managing Director
+1.216.906.1580
rick.maicki@ankura.com



Juliana Malhotra
Managing Director
+1.281.515.3081
juliana.malhotra@ankura.com



David Tait
Managing Director
+1.917.209.3489
david.tait@ankura.com



Joe Ghesquiere
Senior Managing Director
+1.682.321.0096
joe.ghesquiere@ankura.com



Chris Ventry
Managing Director
+1.646.413.9352
chris.ventry@ankura.com





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