

U.S. ECONOMIC RECAP

SECOND QUARTER 2025

CURRENT ECONOMIC CONDITIONS COMMENTARY

The Federal Reserve publishes a report (known as the *Beige Book*) eight times per year that summarizes current economic conditions throughout the 12 U.S. Federal Reserve Districts. The fifth *Beige Book* publication in 2025, which was released on July 16, 2025, highlighted:

- Economic activity has increased slightly since the previous report;;
- Five Districts reported slight or modest gains, five had flat activity, and the remaining two Districts noted modest declines;
- Uncertainty remained elevated, contributing to ongoing caution by businesses;
- Non-auto consumer spending, manufacturing, construction, and energy sector activity were slightly lower;
- Loan volume increased slightly in most Districts;
- Home sales, real estate activity and agriculture were flat;
- The outlook was neutral to slightly pessimistic, as only two Districts expected activity to increase, and others foresaw flat or slightly weaker activity.



CONSUMER CONFIDENCE – THE BACKBONE OF THE U.S. ECONOMY

Consumers influence the U.S. economy immensely through their spending and savings decisions. As such, measures of consumer confidence may provide valuable information in discerning the economic outlook.

In the University of Michigan's *June 2025 Surveys of Consumers*, Chief Economist, Joanne Hsu opined:

"Expectations about the anticipated effects of tariffs have shaped consumers' views of the economy this year, and this month's results are no different. In June, about 61% of consumers provided unsolicited comments about tariffs, down from 66% last month but still higher than any other month since the election. This month saw a modest reduction in the share of consumers who spontaneously cited tariffs as a negative factor for buying durable goods or cars, both of which improved this month but remain worse than last December."

The share of consumers expecting business conditions to worsen in the year ahead fell from 64% in May but now stands at a still-high 57%, compared with just 29% in November 2024. Prices and cost of living remain the top factor for consumers. At this time, they are still bracing for a resurgence of inflation. If that comes to pass, most consumers expect to alter their spending patterns."



CONSUMER PRICE INDEX (CPI)



The June 2025 Consumer Price Index (CPI) rose by 0.3% month-over-month. An EY CPI report states:

"We estimate that roughly one-third of the monthly CPI advance in June can be attributed to a tariff-induced impulse. Prices for household equipment and furnishings, appliances, window and floor coverings, and toys experienced their largest gains since the early 2020s, while prices for computers, audio and video equipment, and apparel posted notable gains. Still, these were partially offset by declines in new and used car prices owing to strong seasonal adjustments, ongoing disinflation for shelter cost as well as lower hotel and airfare prices – suggesting cooler travel demand. We expect headline and core CPI inflation to accelerate toward 3.2% year-over-year by year-end – entirely a function of the administration's tariff-centric trade agenda."

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MONETARY POLICY

Determined by the Federal Reserve's Federal Open Market Committee (FOMC):

In the June 2025 Statement, the FOMC noted:

- Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace;
- The unemployment rate remains low, and labor market conditions remain solid; and
- Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. Uncertainty about the economic outlook has diminished but remains elevated.

The FOMC is attentive to the risks to both sides of its dual mandate. In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4.0-4.5%.



INTEREST RATES (PRIME RATE)

The prime rate is often used as a base rate to price short-term business loans.

As of June 30, 2025, the prime interest rate is 7.5%. The prime rate has held steady at 7.5% since December 20, 2024. The prime rate is posted by a majority of the top 25 (by assets in domestic offices) insured U.S. chartered commercial banks. The Federal Reserve does not control the prime rate, but many banks base their prime rates partly on the target level of the federal funds rate.



PUBLIC MARKETS

In public markets, asset prices fluctuate with changes in future expectations.

Stock indices have expanded since the first quarter of 2025. The S&P 500 closed June 30, 2025 at 10.6% or 593.1 points higher than Q1 2025. The Dow followed suit, increasing by 2,093.01 points or 5.0% from Q1 2025. Finally, the NASDAQ experienced the greatest rally during 2Q 2025, increasing by 17.7% or 3,070.44 points.

FORECAST BASED ON ECONOMIC INDICATORS

In June 2025, members of the FOMC submitted projections of the most likely outcomes for real gross domestic product (GDP) growth, the unemployment rate, and inflation for each year from 2025-2027 and over the longer run. These projections were based on information available at the time, assessment of appropriate monetary policy, and assumptions about other factors likely to affect economic outcomes.

The FOMC's June 2025 Summary of Economic Projections includes the following highlights:

- Real GDP growth is expected to be 1.4% in 2025, 1.6% in 2026, and 1.8% in 2027;
- Federal funds rate, unemployment and PCE inflation rates are projected to edge down from 2025 to 2027;
- Long-term real GDP growth is expected to average 1.8%;
- The median projections of Federal Reserve data suggest longer-run PCE inflation is expected to be approximately 2.0%, consistent with the FOMC's inflation target.

The FOMC will continue to monitor these metrics as they could directly affect the Committee's decision making related to maintaining a 2% inflation rate.

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MARKET IMPLIED INFLATION

The [Federal Reserve Bank of St. Louis](#) posts nominal and inflation-indexed constant maturity treasuries. Taking the difference between nominal yield and inflation-indexed yields provides a market-based estimate for inflation compensation over each maturing period. Below are the June 2025 results:

	5 Year	7 Year	10 Year	20 Year	30 Year
Nominal Treasuries	3.84%	4.05%	4.30%	4.84%	4.84%
Treasury Inflation Protected Securities	-1.54%	-1.78%	-2.01%	-2.38%	-2.57%
Market Implied Inflation	2.30%	2.27%	2.29%	2.46%	2.27%

Source: [FRED: Selected Interest Rates Instruments, June 27, 2025](#)



PRESIDENT TRUMP'S FIRST 100 DAYS

April 29, 2025, marked 100 days of the president's second term in the White House, which has been viewed with uncertainty in respect to certain policy decisions. [In this term](#), President Trump has signed 143 executive orders, the most signed by any president during their first 100 days. Financial markets saw volatility throughout this period, mostly in reaction to statements made by the president related to tariffs, foreign policy, and domestic markets. The [Chicago Board Options Exchange Volatility Index \(VIX\)](#) reached 52.33 on April 8, 2025, the highest level since March 31, 2020, six days after "Liberation Day."

Selected Executive Orders

- On January 20, a [hiring freeze](#) on federal civilian employees was enacted. No open federal government positions can be filled, and no new positions will be created. As of June 30, the freeze remains in effect.
- Signed April 15, [Lowering Drug Prices by Once Again Putting Americans First](#) aimed to reduce prescription drug costs through more Medicare and Medicaid, oversight and increasing competition in the industry.
- On June 13, a [Presidential Order](#) was made under the Defense Production Act of 1950, to allow the proposed acquisition of United States Steel Corporation by Nippon Steel Corporation, with certain provisions attached. The deal was finalized on June 18.

Massive Legislation Package

The "One Big Beautiful Bill Act" (as legally named by President Trump) was received in the [U.S. Senate](#) on June 27, after being passed by the House of Representatives. Among other things, the bill is expected to [increase the federal deficit by \\$2.4 trillion](#) over the next 10 years, driven by a combination of increased spending and additional tax cuts and exemptions. As of June 30, the bill had not yet passed through the Senate.

Tariffs

Seemingly, the primary topic of discussion for the new administration, various [tariffs went into effect](#) during Q2 2025. Most notably, on April 2, dubbed "Liberation Day," a 10% baseline tariff was placed on all countries, with some countries facing further elevated tariffs.

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CURRENT EMPLOYMENT CONDITIONS – ALL INDUSTRIES

The U.S. labor market, a key indicator of the strength of the economy, remains in a healthy state, but is showing signs of slowing. The FOMC will keep an eye on these trends to review economic conditions.

The Bureau of Labor Statistics (BLS) reported little change from May 2025. The June 2025 unemployment rate was 4.1%, the number of unemployed persons was 7.0 million, and the number of people not in the labor force who wanted a job remained at 6.0 million. BLS data reflected notable gains in state government and healthcare.

The Federal Reserve also noted employment levels as flat across the Districts:

“Employment increased very slightly overall, with one District noting modest increases, six reporting slight increases, three saw no change, and two noting slight declines. Hiring remained generally cautious, which many contacts attributed to ongoing economic and policy uncertainty. Labor availability improved for many employers, with further reductions in turnover rates and increased job applications. A growing number of Districts cited labor shortages in the skilled trades. Several noted reduced availability of foreign-born workers, attributed to changes in immigration policy.

Employers in a few Districts ramped up investments in automation and AI aimed at reducing the need for additional hiring. Wages increased modestly overall, extending recent trends, with reports that ranged from flat wages to moderate growth. Though reports of layoffs were limited in all industries, they were somewhat more common among manufacturers. Looking ahead, many contacts expected to postpone major hiring and layoff decisions.”



HOUSING & NONRESIDENTIAL CONSTRUCTION

The Dodge Momentum Index (DMI) is issued monthly by Dodge Data & Analytics to measure the initial report for nonresidential building projects in planning, which have been shown to lead non-residential construction spending by a full year.

Key statistics for June 2025 include:

- The DMI rose 20% from June 2024. The commercial segment was up 11%, while the institutional segment increased 46% from year-ago levels.
- The DMI includes 40 projects valued at \$100M+. The institutional projects that entered planning in June 2025 included data centers in VA, AZ and TX.



INDUSTRIAL PRODUCTION & MANUFACTURING

The Institute for Supply Management's (ISM) Purchasing Managers Index (PMI) can be used as an indication as to whether the manufacturing sector of the economy is expanding or contracting. A PMI of 49.0% in June 2025 marked 62 consecutive months of economic growth. A PMI reading above 42.3% indicates that the manufacturing economy is generally expanding, while an index below 42.3% denotes general contraction.

The Global Supply Chain Pressure Index (GSCPI), which gauges issues by integrating transportation cost data and manufacturing indicators, fell from 0.3 to 0.0 from May to June 2025. However, when compared to the June 2024 level of -0.34, the index shows improvement towards a neutral position in the near future.



Meet the Author: Clayton Hammond

A rising Senior at West Virginia University, Clayton is double majoring in Finance & Accounting with a Business Data Analytics minor. Following graduation, he plans to pursue both the CPA and CVA credentials. As an intern in GYF's Business Valuation Group, Clayton performs financial statement analysis, economic and industry research, and financial modeling. He is involved in the process of valuing privately held companies for various purposes.