

KEDA Annual Luncheon

The Fog of Uncertainty

Hart Hodges

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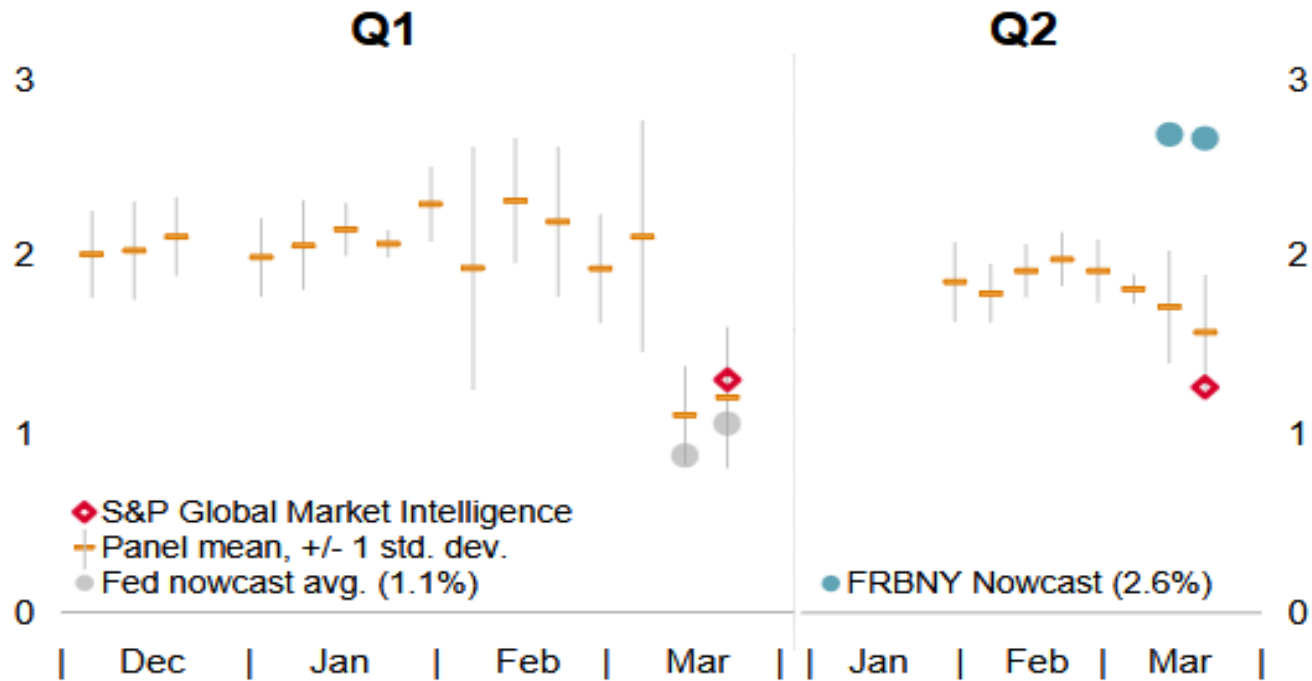
James McCafferty

March 26, 2025



National Outlook

Current-quarter GDP forecasts Consensus panel mean & std. deviation



From above trend growth to something much slower

Slowing inflation, but not very fast

Labor market a bright spot (or so they say)



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The Tariff Game

Tariff Details by Targets

Targets
World

Effective Date 3/12/25

Goods Targeted Steel, aluminum

Tariff Rate 25%

Tariff Impact on US

Affected Trade	\$200B
Average Effective Tariff Rate	+1.1%
GDP	-0.2%
Inflation	+0.1%

Bloomberg Economics Forecast
Marginal impact on US. Canada exposed

Read more: [Trump Vows US Will Respond to Europe's Metal Tariff Retaliation](#) →

- 🔍 for details Timber and lumber 11/26/25
- Copper 11/22/25
- Cars, chips, pharma 4/2/25
- Undetermined goods 4/2/25
- Food imports 4/2/25

Targets
EU

Effective Date 4/2/25

Goods Targeted All

Tariff Rate 25%

Tariff Impact on US

Affected Trade	\$606B
Average Effective Tariff Rate	+4.6%
GDP	-0.7%
Inflation	+0.4%

Bloomberg Economics Forecast
Risks 70% cut in EU exports to the US — hitting 1.5% of EU GDP

Targets
China

Effective Date 3/4/25

Goods Targeted All

Tariff Rate Another 10%

Tariff Impact on US

Affected Trade	\$445B
Average Effective Tariff Rate	+1.4%
GDP	-0.2%
Inflation	+0.1%

Bloomberg Economics Forecast
Overall, 20% tariff hike is close to twice Trade War I, risks 65% drop in China exports to US

Read more: [Trump Tariffs Spark China Retaliation on US Agricultural Exports](#) →

🔍 for details All 2/4/25

Targets
Canada, Mexico

Effective Date 3/4/25

Goods Targeted USMCA noncompliant goods from March 7 (all goods from March 4–6)

Tariff Rate 25%; 10% for Canadian energy; and potash 10% from March 7 versus 25% before

Tariff Impact on US

Affected Trade	\$64B
Average Effective Tariff Rate	+0.5%
GDP	-0.1%
Inflation	0%

Bloomberg Economics Forecast
90% of imports from Mexico and close to 80% from Canada entered the US free of duty in 2024, of which about half as USMCA compliant. We expect most of the other half, as well as most Canadian crude oil, will be registered as compliant too.

Read more: [Trump Escalates Global Trade War, Sparking Tit-for-Tat Tariffs](#) →

🔍 for details USMCA compliant goods, excluding potash and Canadian energy 11/22/25

USMCA compliant potash, Canadian energy 11/22/25

Targets
EU, UK, Canada

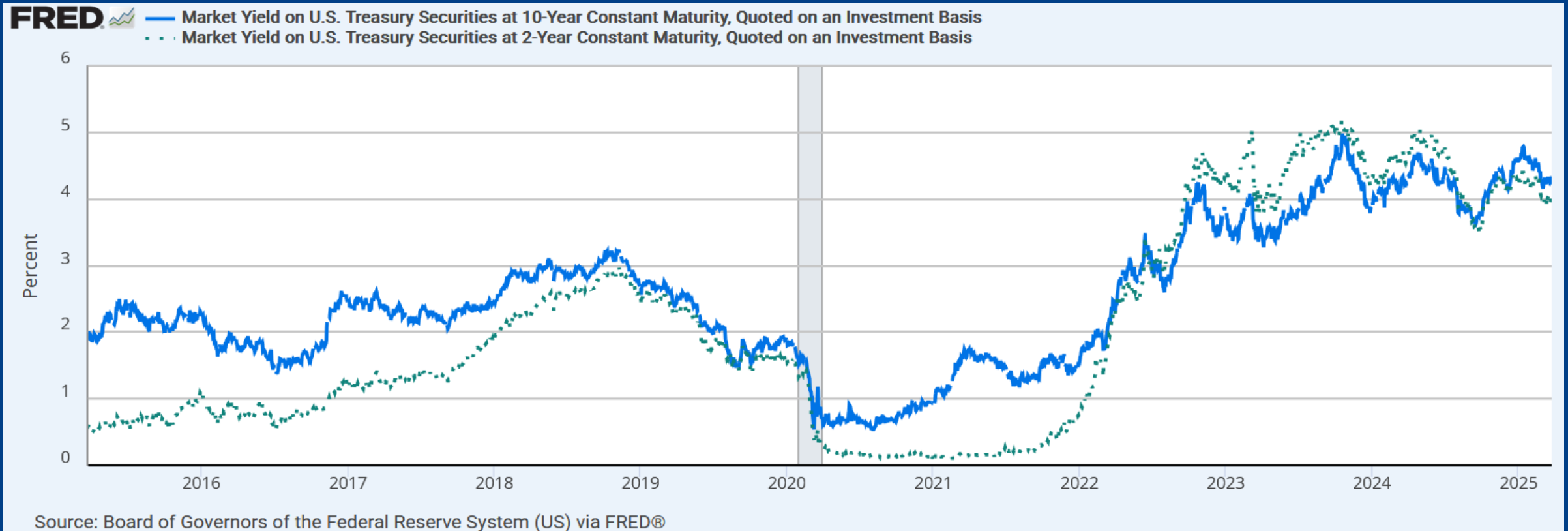
Effective Date 12/31/25

Goods Targeted Undetermined

Tariff Rate Unspecified vs digital taxes

Bloomberg Economics Forecast
Awaiting details

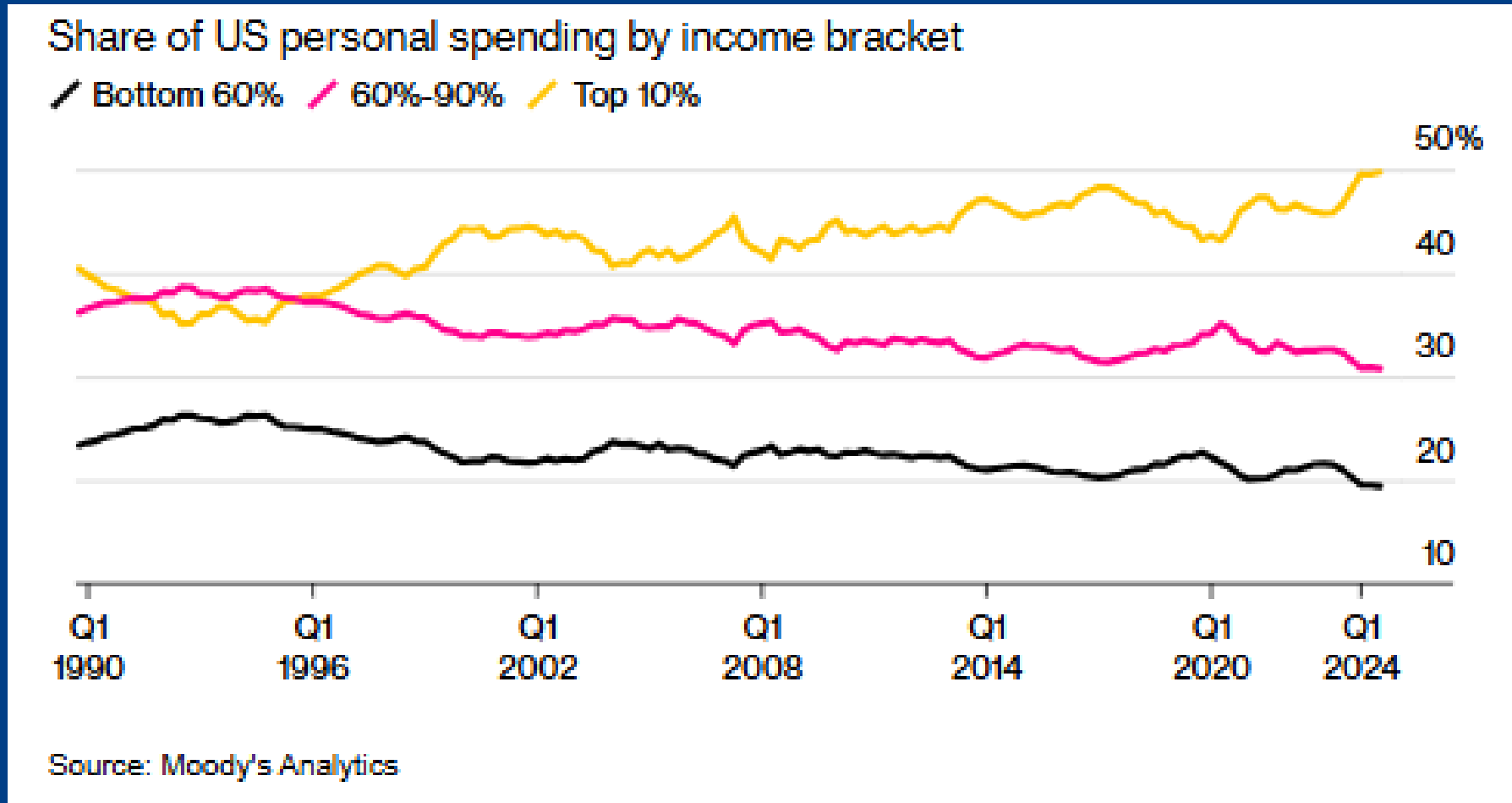
Treasury Yields



Growth will slow if interest rates remain elevated...

Last year's growth was based on the belief rates (and inflation) would fall...

The Economic Driver since 2022



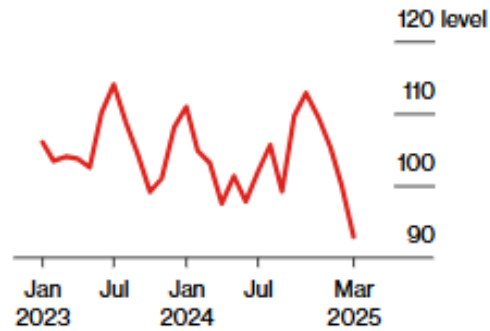
Bloomberg: "Rich People are Firing a Cash Cannon at the Economy" 2/28/25

A Few Things to Consider

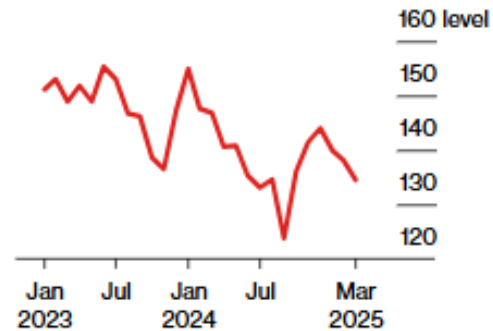
US Consumer Confidence Declines Again in March

Gauge of confidence falls to the lowest in four years

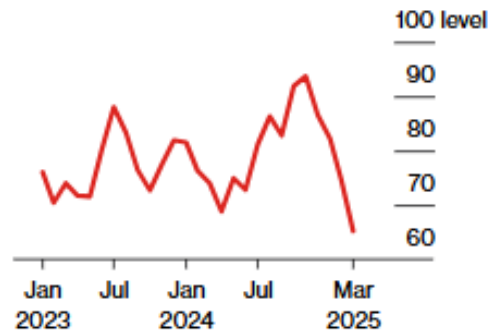
Consumer confidence



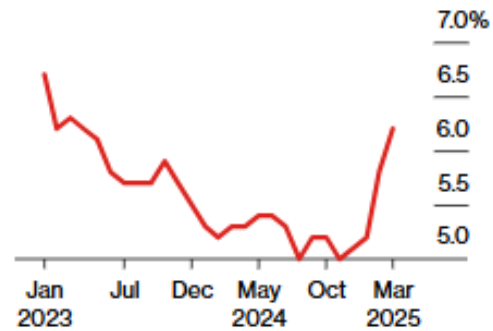
Present situation



Expectations



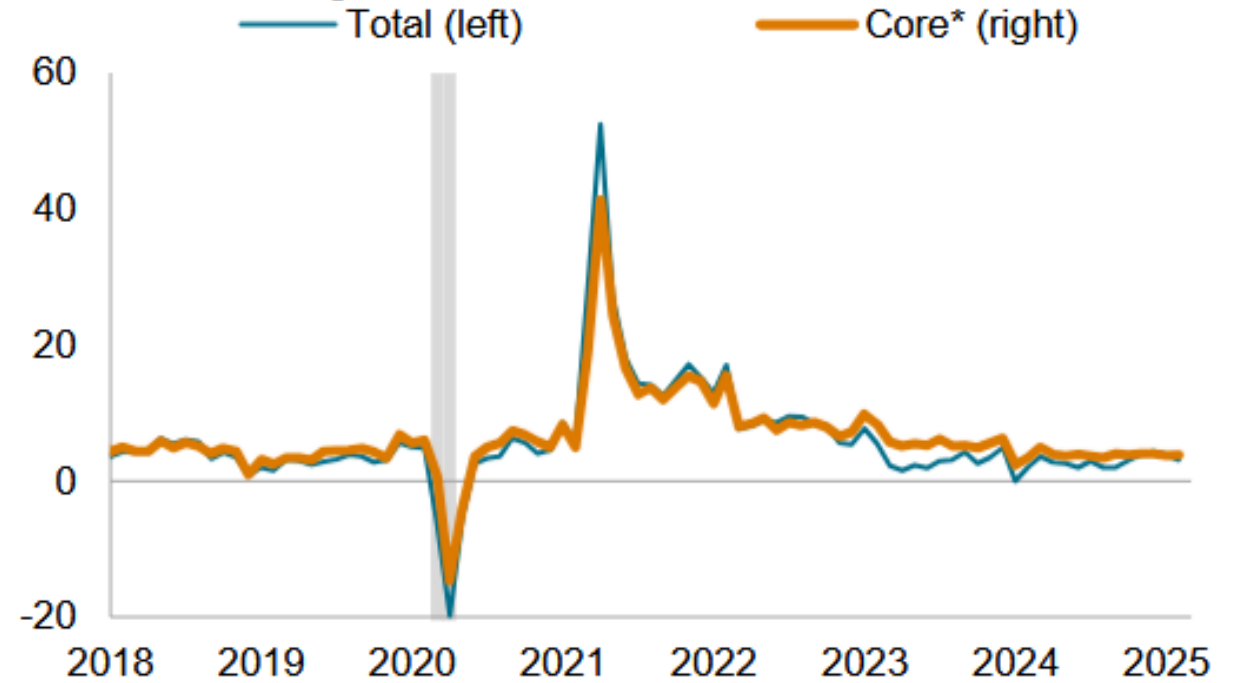
Inflation expectations



Source: The Conference Board

Retail sales

12-month % change



Data accessed March 21, 2025.

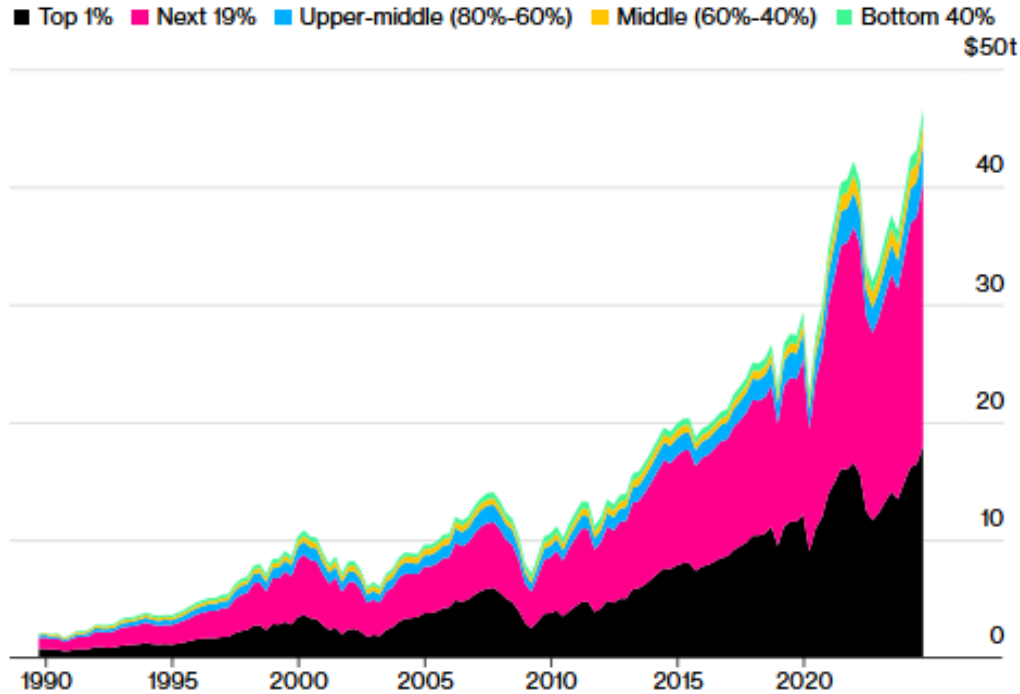
*Total excluding auto, gas stations & building materials.

Source: Census Bureau.

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Wealth Effects...

US stock ownership by income percentile



Source: Federal Reserve Distributional Financial Accounts
Note: Data for equities and mutual funds

S&P500 10Year P/E Ratio: #Std Devs from Average

www.currentmarketvaluation.com

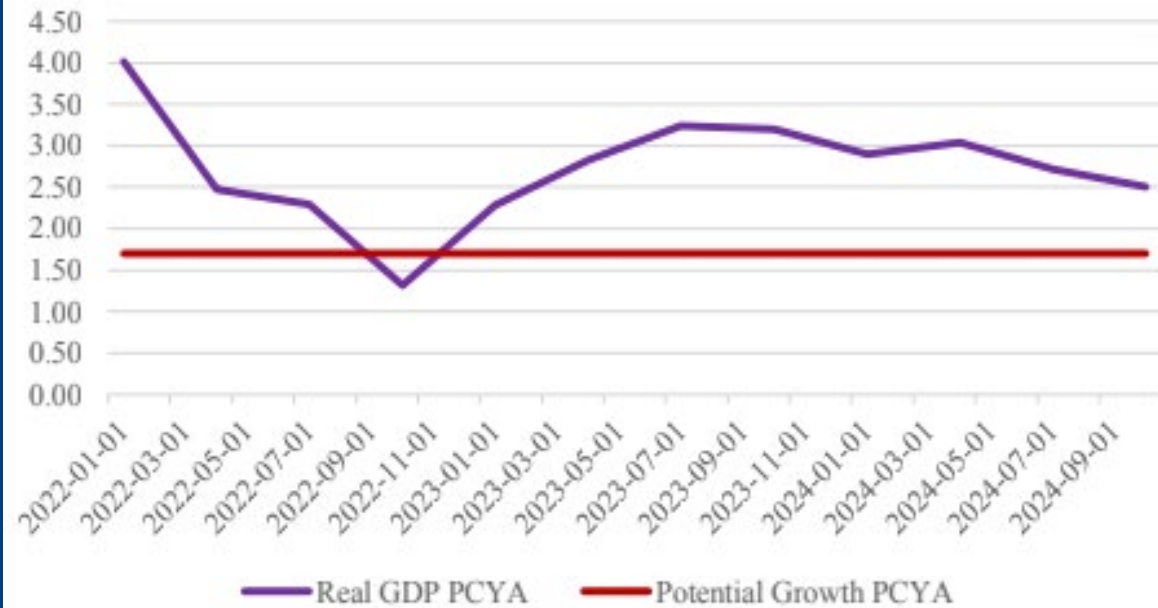


CURRENT MARKET VALUATION

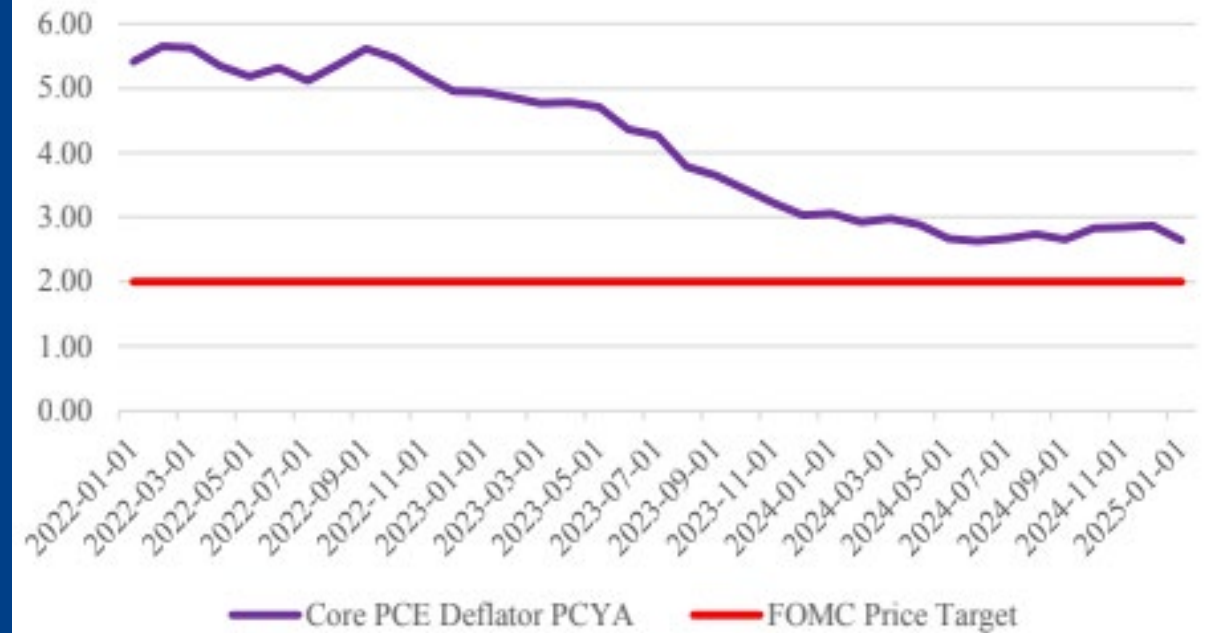


Overall

Slower Growth Ahead



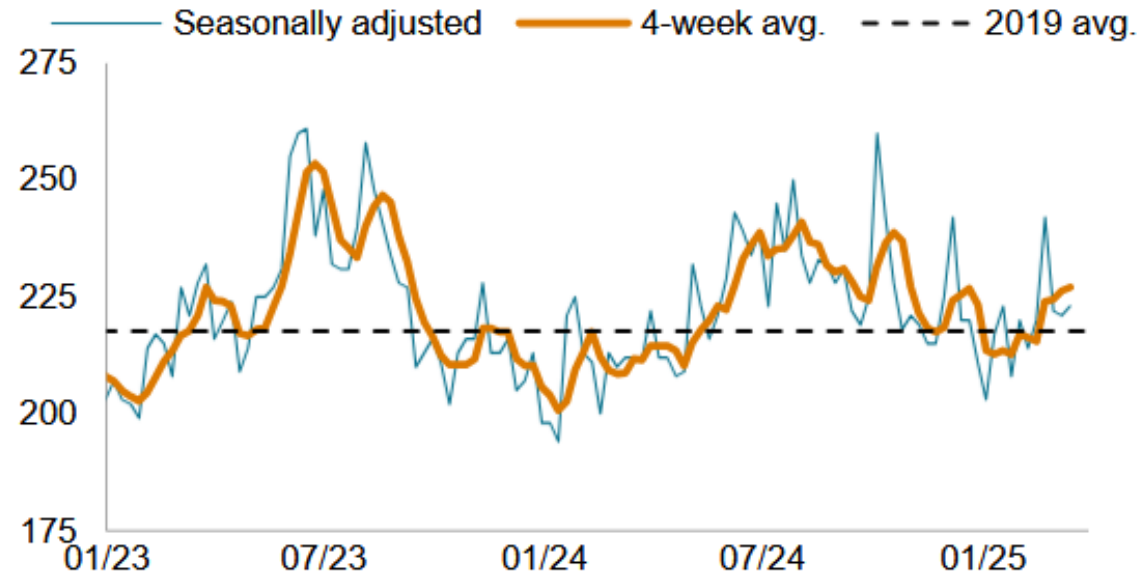
Slower Inflation: But Still Above Target



The Labor Market...

Initial claims for unemployment insurance

Seasonally adjusted, thousands



Data accessed March 21, 2025.

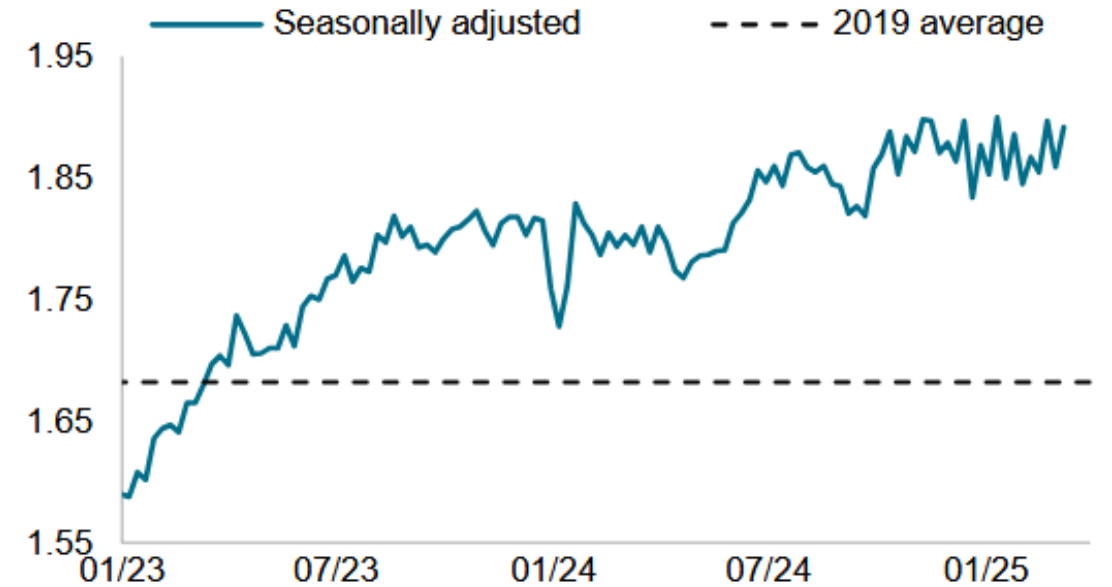
2019 average is 218,000.

Source: Department of Labor.

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Continuing claims for unemployment insurance

Millions



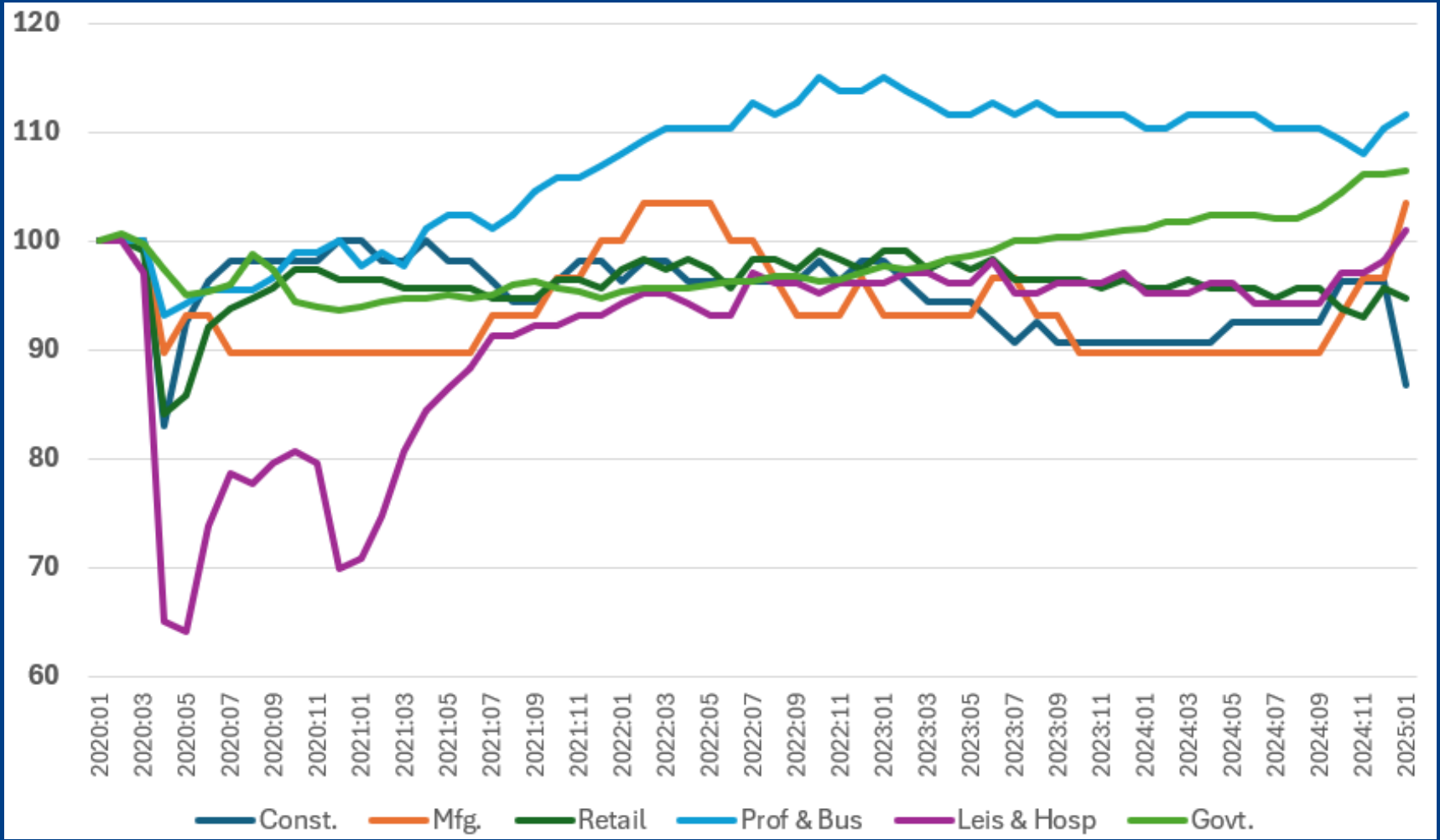
Data accessed March 21, 2025.

2019 average is 1.7 million.

Source: Department of Labor.

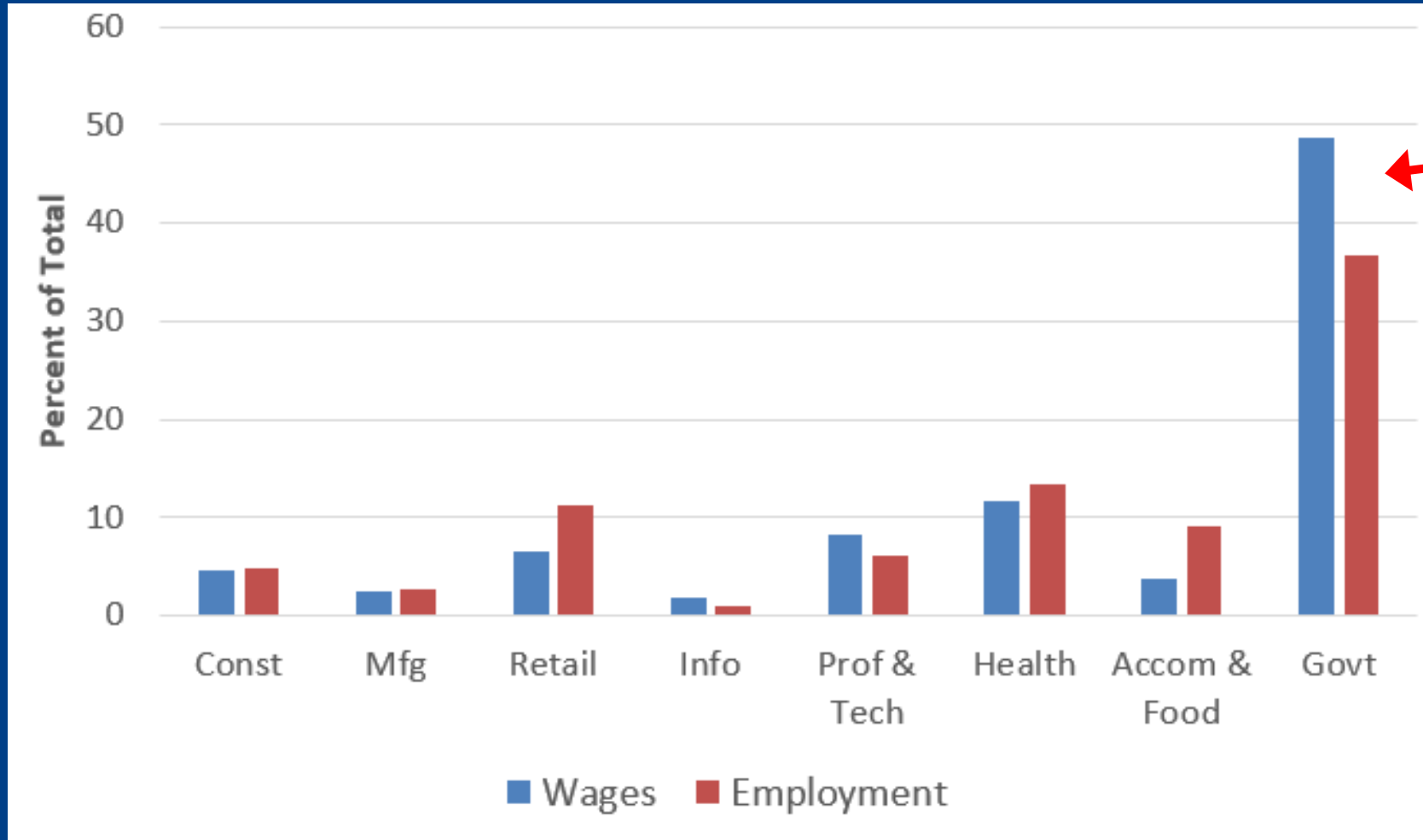
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A Positive Difference



Source: Washington ESD and CEBR

Kitsap Labor Market



Pay attention to cuts at the federal level and the state budget...

Housing in the Region

County	Avg Annual Wage (2024 Q2)	Housing: Median (2024 Q4)	Affordability Index – Median Buyer (2024 Q4)
Kitsap	\$68,976	\$551,000	57.5
Snohomish	\$75,916	\$785,900	69.1
King	\$130,384	\$943,100	53.8
Whatcom	\$62,860	\$618,700	51.0

Data Sources: WA Employment Security and UW Real Estate Research Center

Keep an Eye on:

- 10-year Treasury yields
 - Higher for longer will present real challenges
 - They will/should increase if debt problems increase
- Consumer spending
 - Can the top earners continue to carry the day?
- Government budgets
- Possible cuts to Medicaid and Medicare
- Labor market data – especially jobless claims
 - Top level metrics look fine; digging deeper makes us worry
 - Looking long term – watch productivity growth (it may slow)

Thank you!

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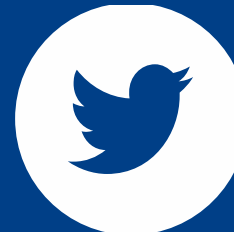
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MAKE WAVES.

Puget Sound

Summary Forecast

Annual Percent Change

	2023	2024	2025	2026
Puget Sound Region				
Employment	1.2	0.9	1.3	1.9
Personal income (cur. \$)	2.8	5.5	9.5	5.7
Consumer price index	5.3	2.6	2.4	2.4
Housing permits	-29.7	-2.2	40.7	9.8
Population	0.7	1.0	1.5	1.6
United States*				
GDP (2012 \$)	3.9	2.7	2.1	2.1
Employment	2.4	1.6	0.6	0.5
Personal income (cur. \$)	7.2	4.7	6.9	4.1
Consumer price index	4.1	2.9	2.2	2.2
Housing starts	-8.4	-5.9	5.2	5.2

*Source: Blue Chip Economic Indicators

Source: Center for Economic and Business Research, Puget Sound Economic Forecaster

Blue Chip figures to be revised in this month's newsletter.