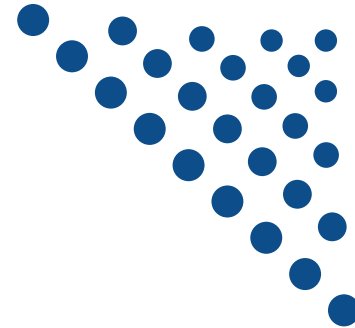
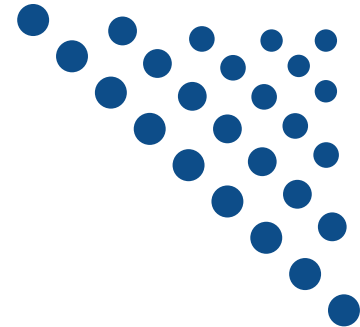




# Outline

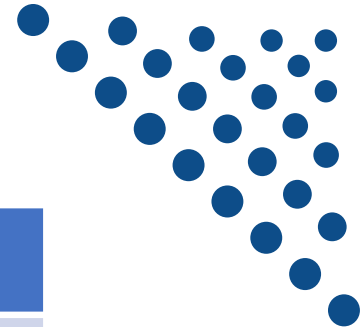


- **U.S. Economy**
- **Economic Indicators**
- **Inflation**
- **Federal Reserve**
- **Big Picture: Uncertainty**



# U.S. Economy

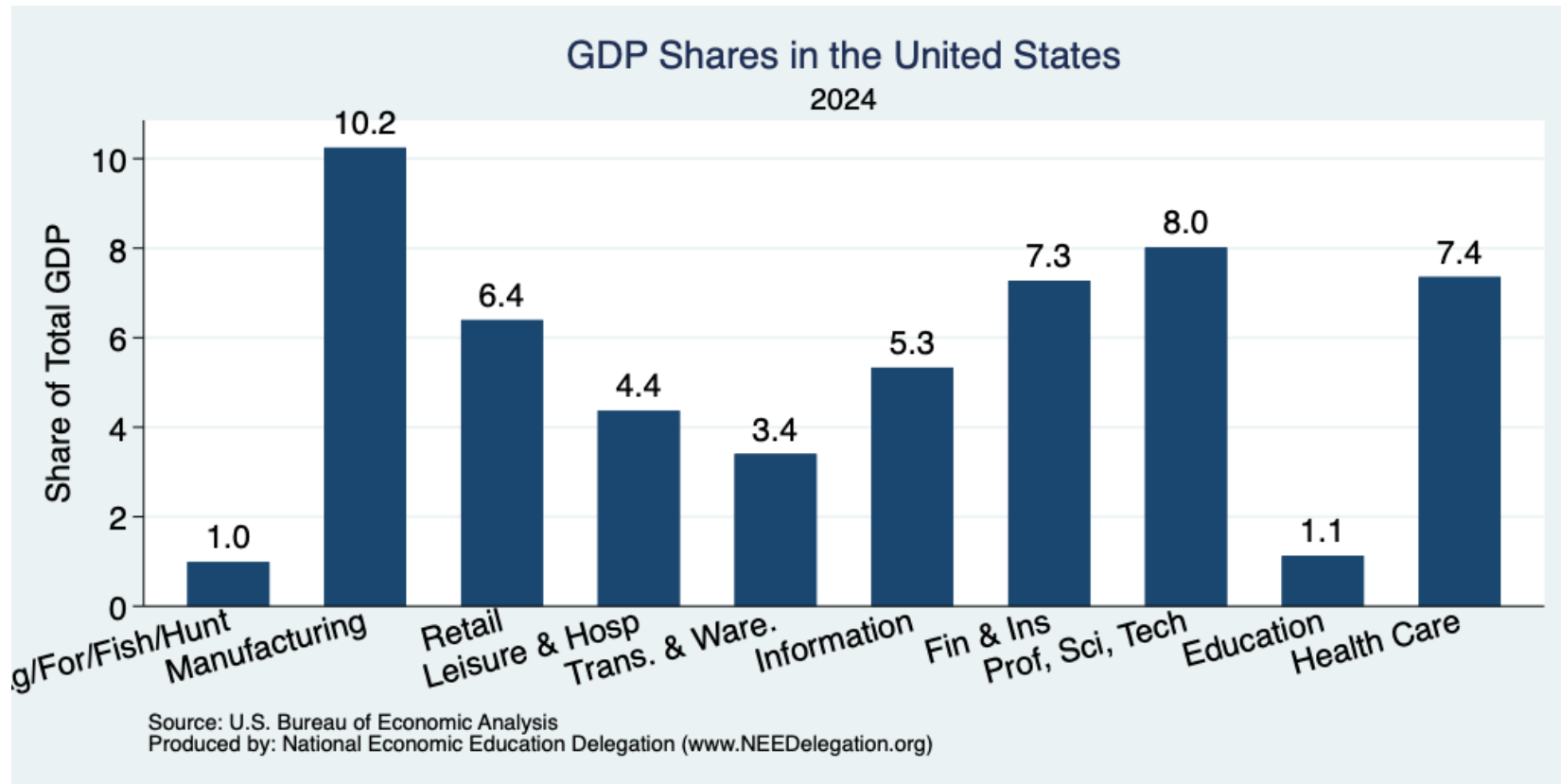
# Some Basic Statistics, April 2026



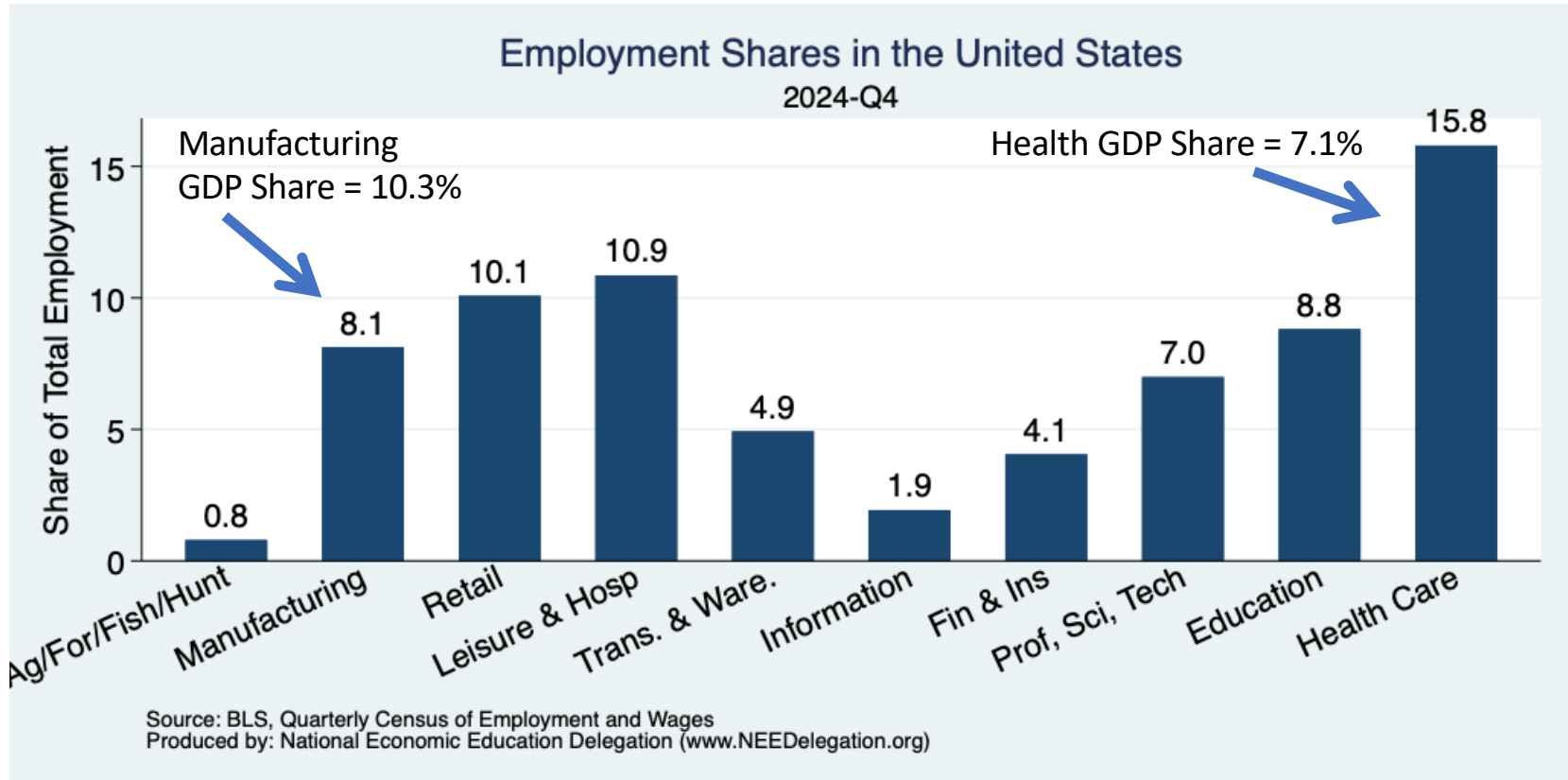
Statistic:	Value
Population	342.5 Million
Labor Force	170.1 Million
Employment	162.8 Million
Gross Domestic Product (GDP)	\$31.4 Trillion
Income per Capita	\$77,354
Ave. Hourly Earnings	\$37.38

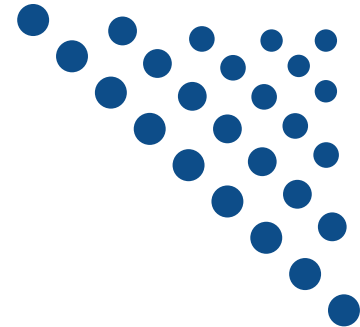


# Composition of the U.S. Economy: GDP



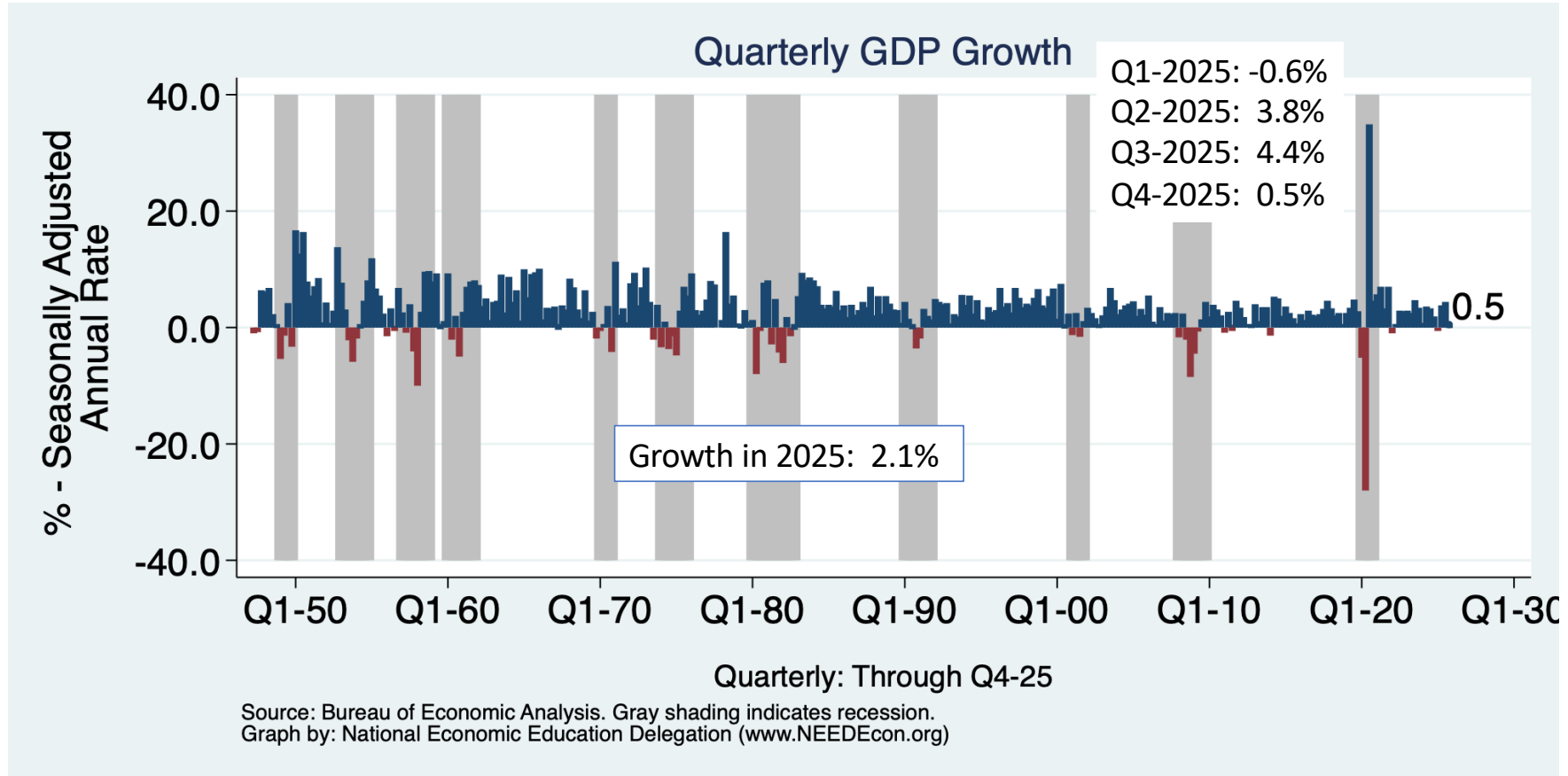
# Composition of the U.S. Economy: Employment



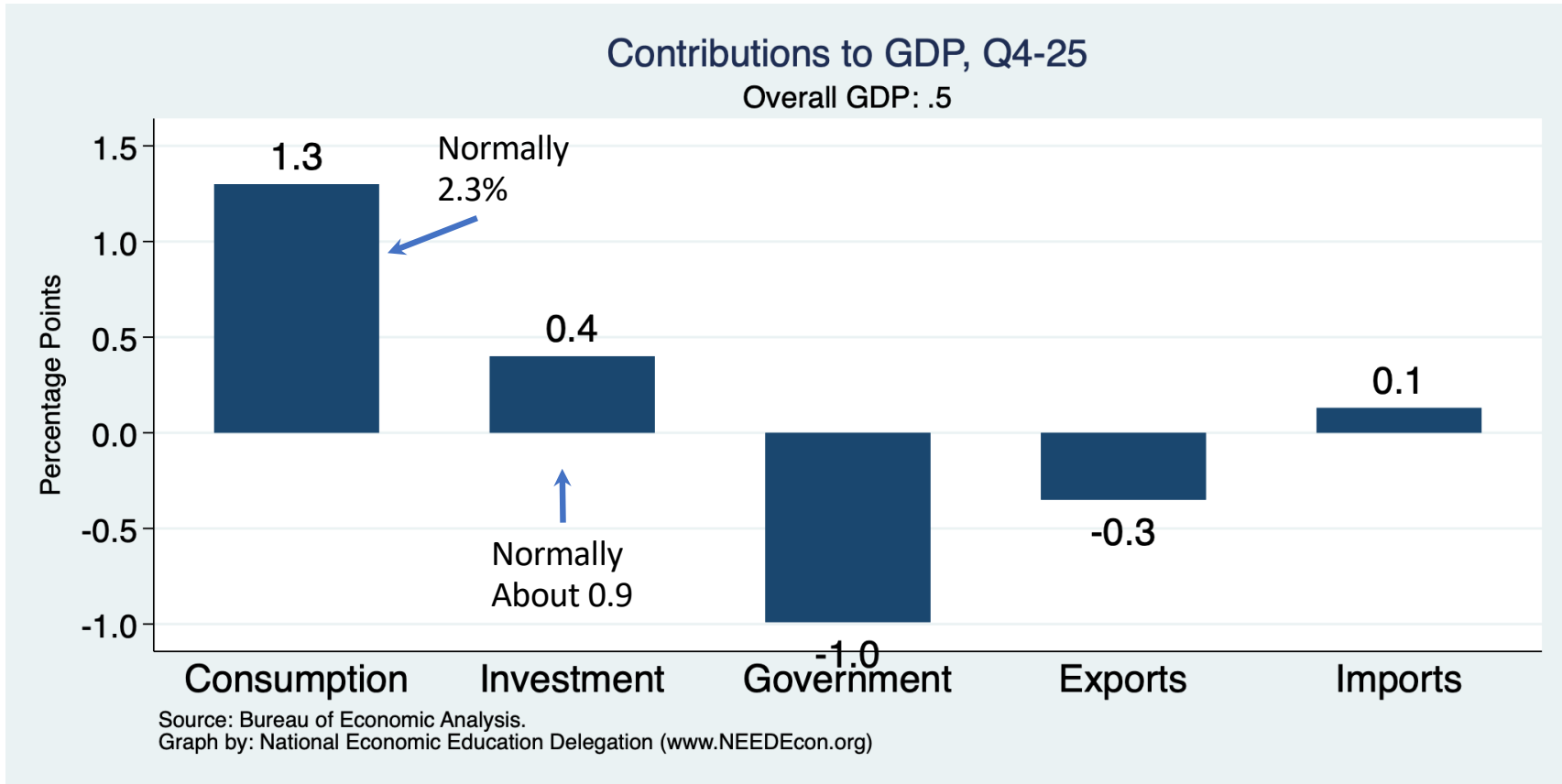


# Economic Indicators

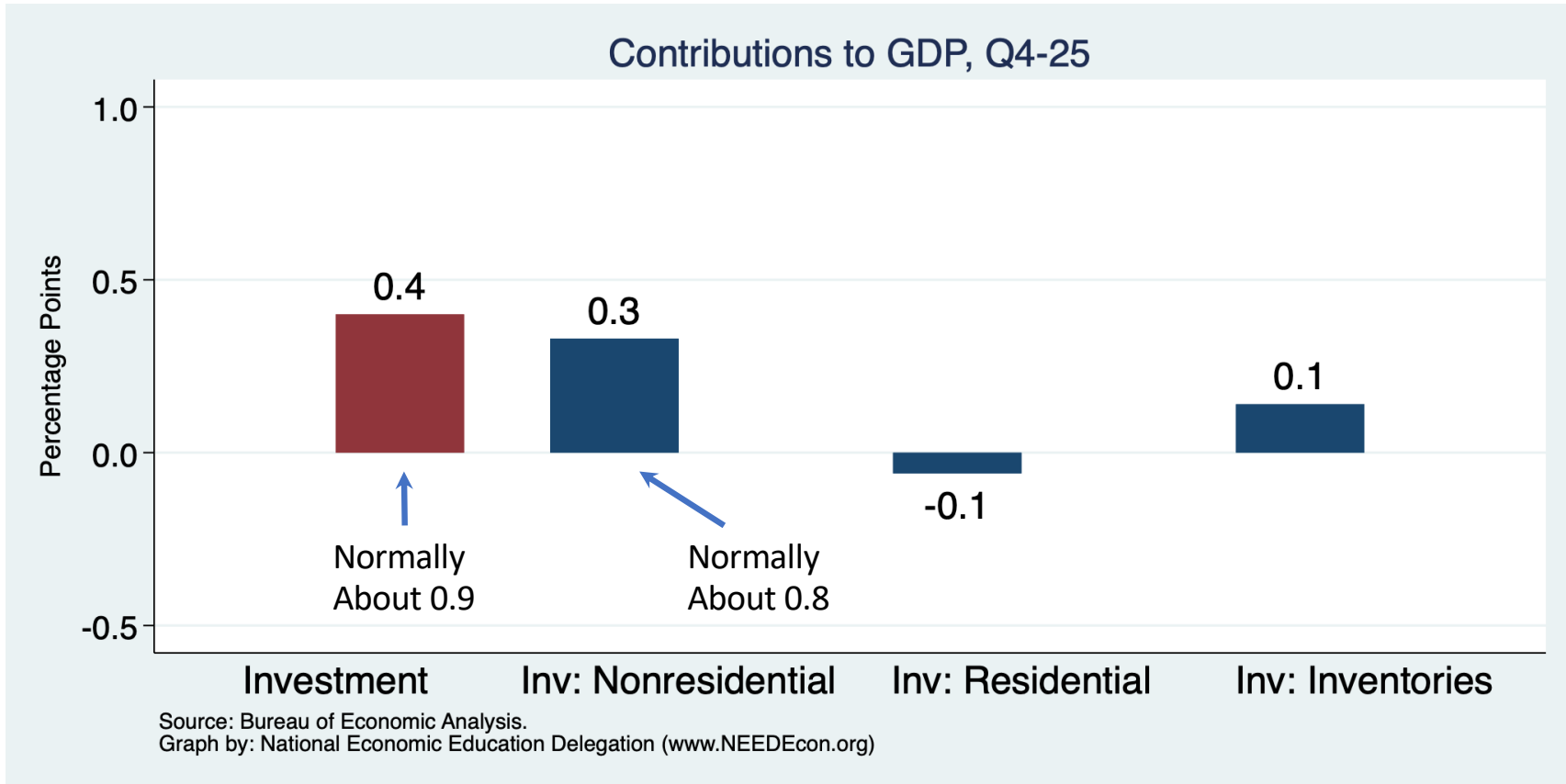
# GDP: Quarterly Growth



# What Drove GDP Growth?

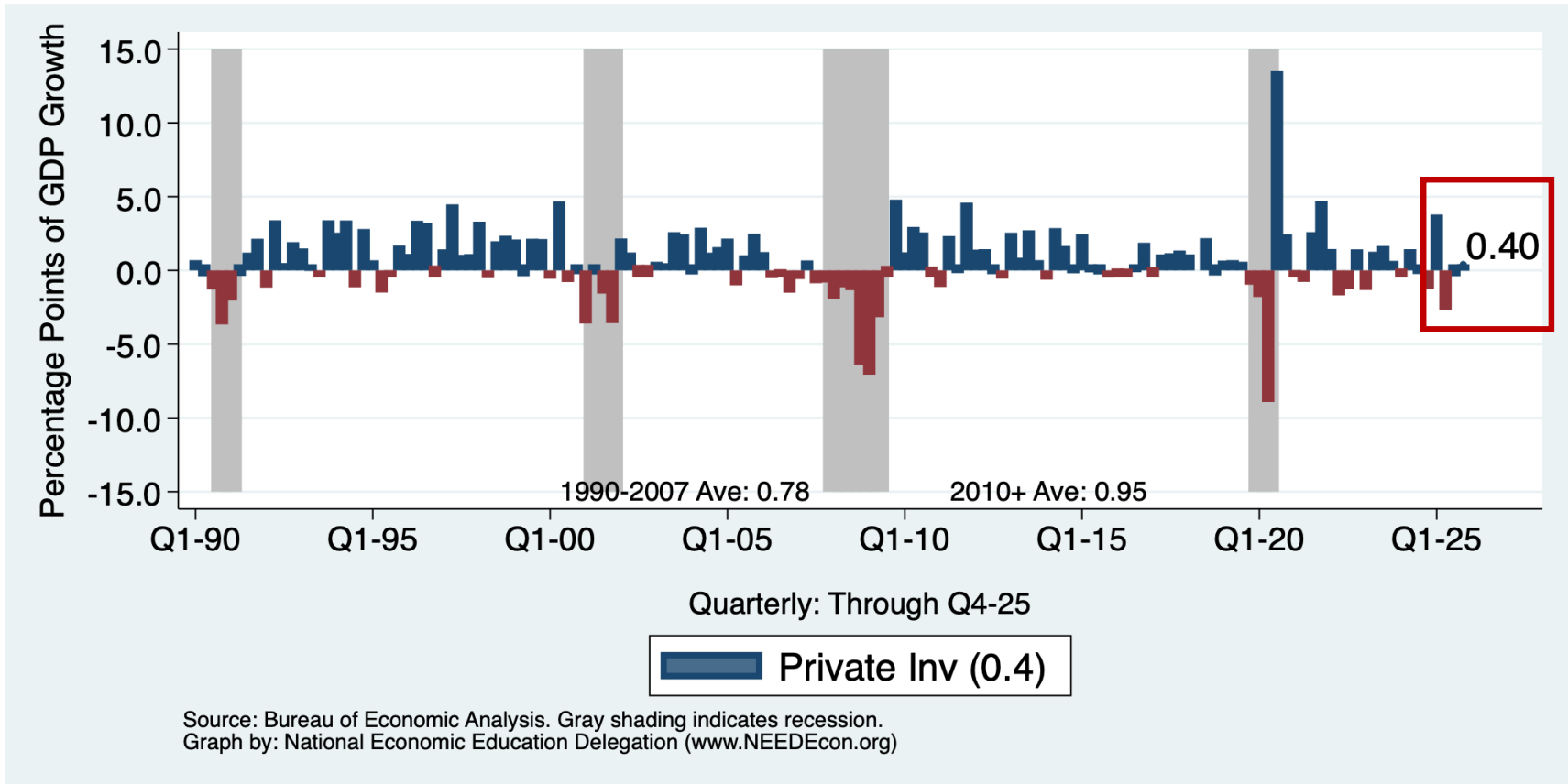


# Investment Levels Are Low

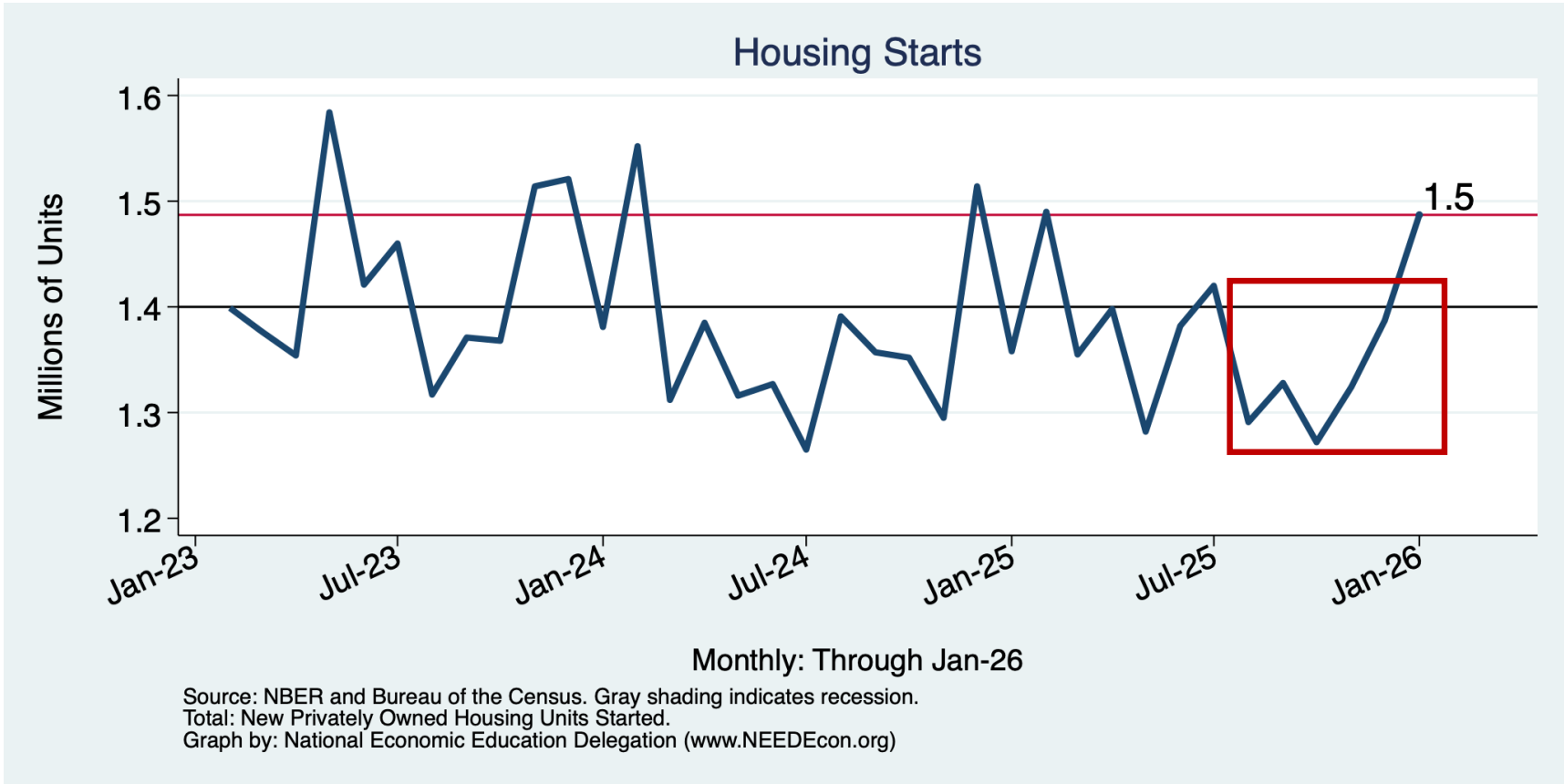




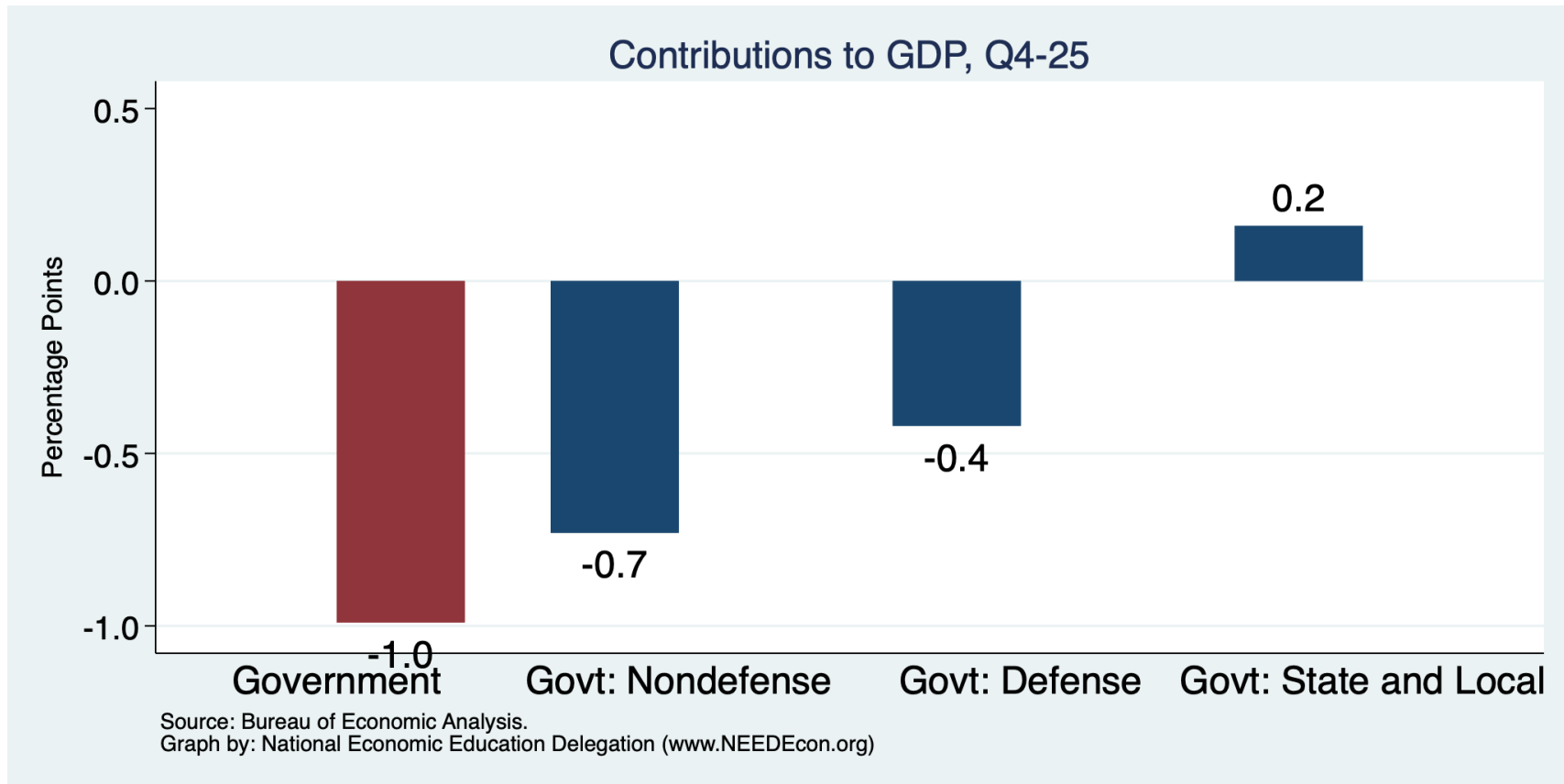
# Investment Levels Are Low



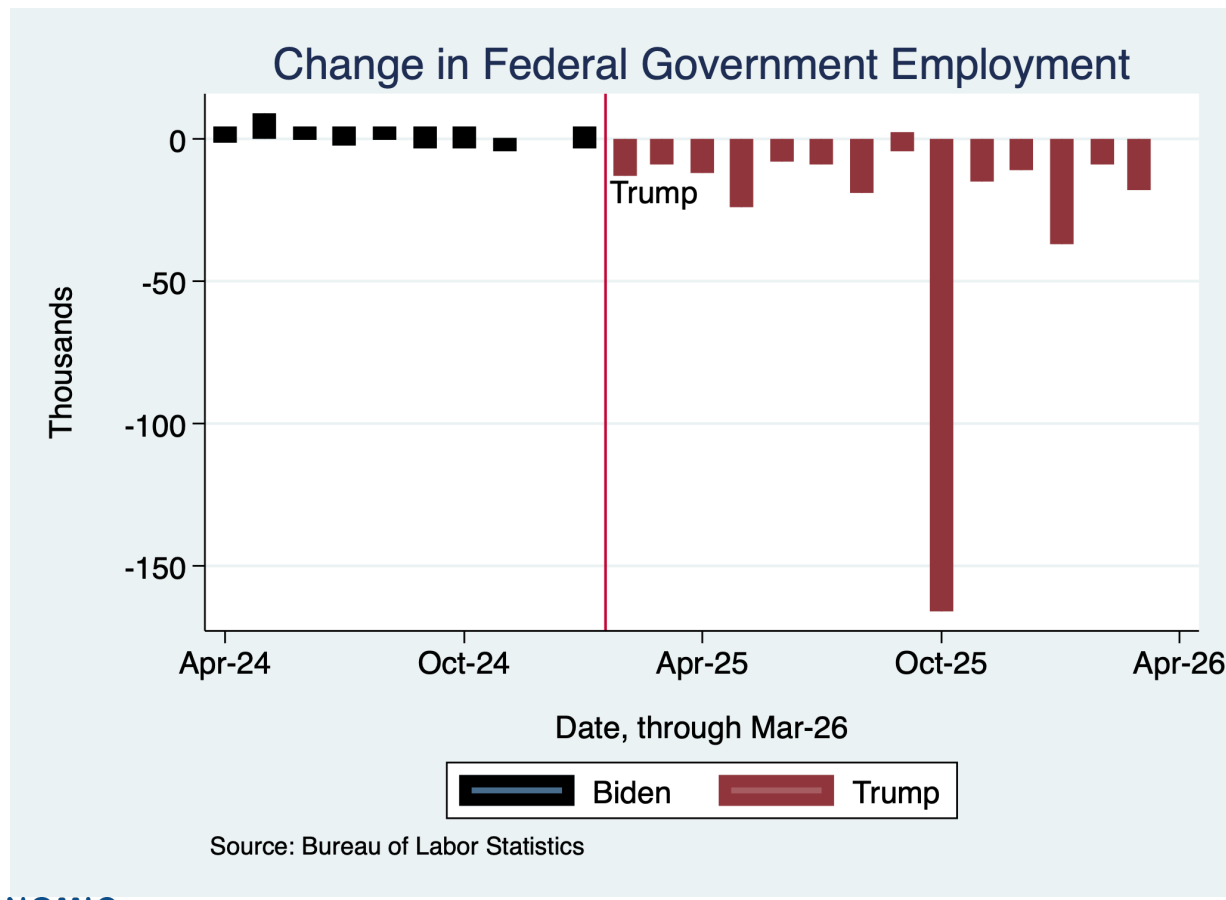
# Housing Starts Were Quite Low



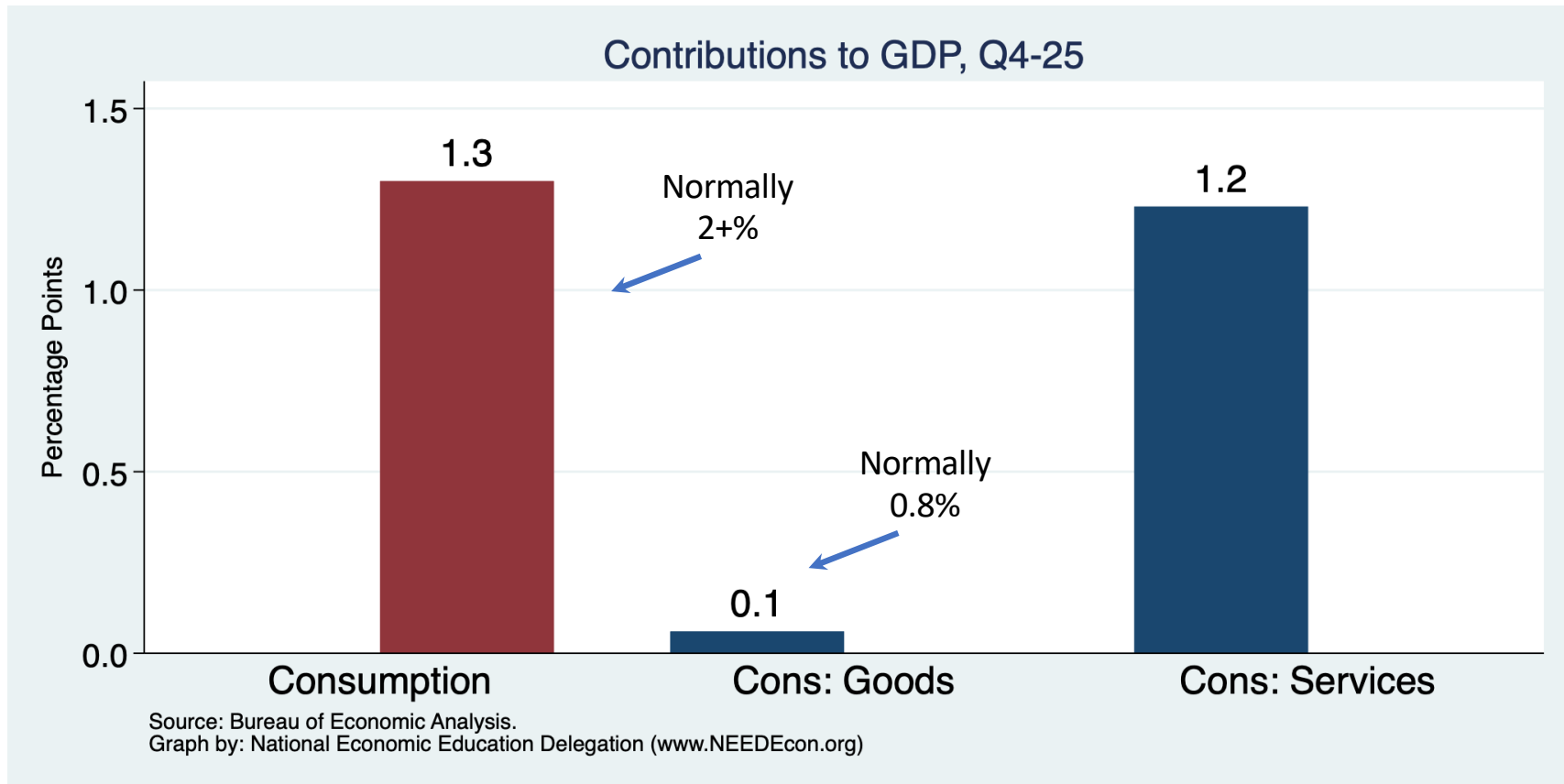
# Government Spending Didn't Help



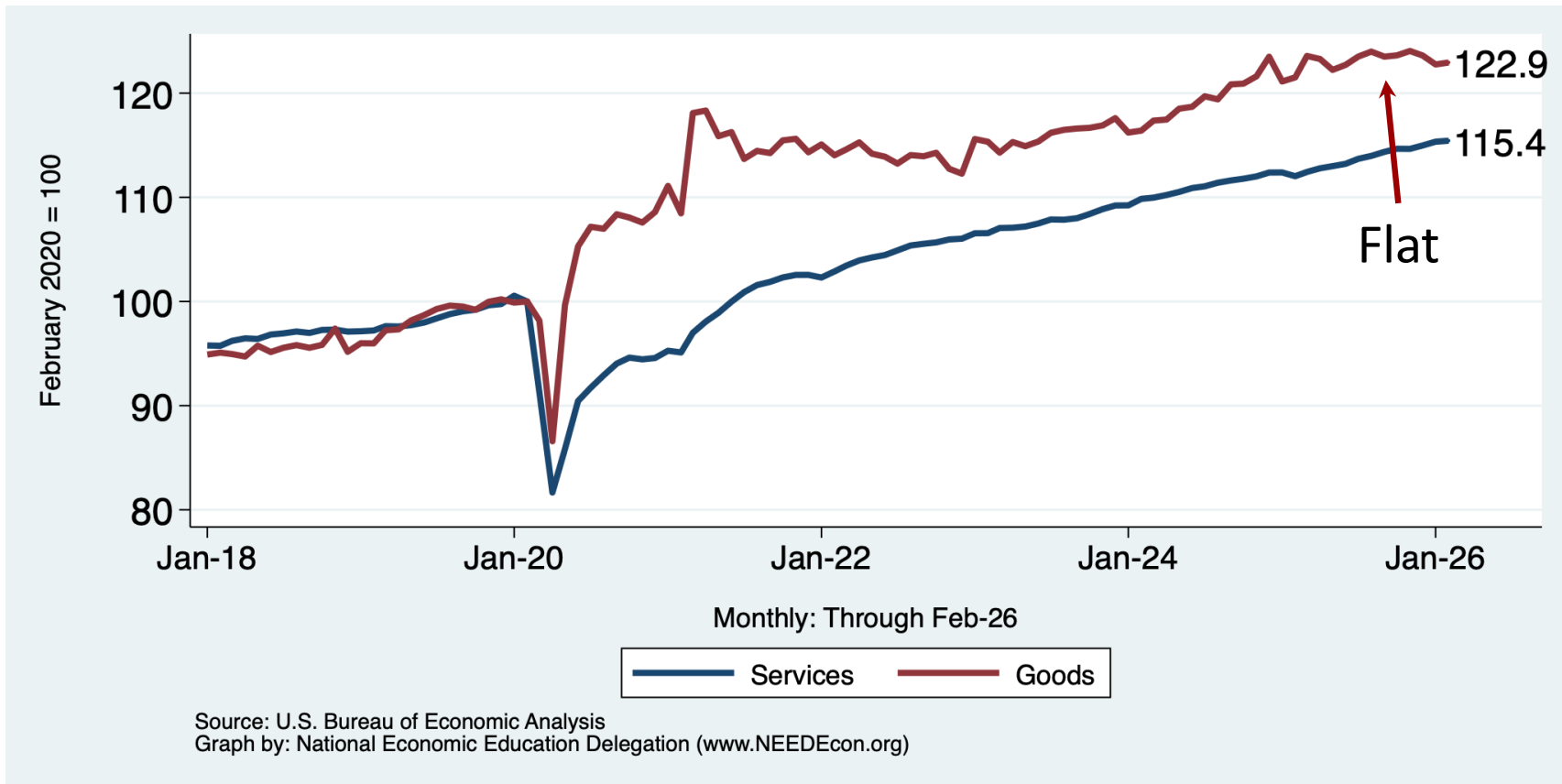
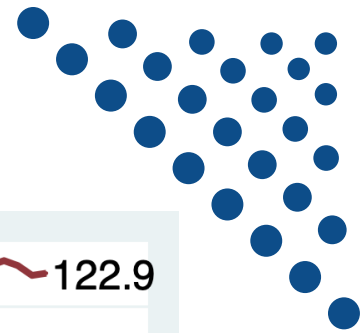
# Monthly Changes in Federal Gov't Employment



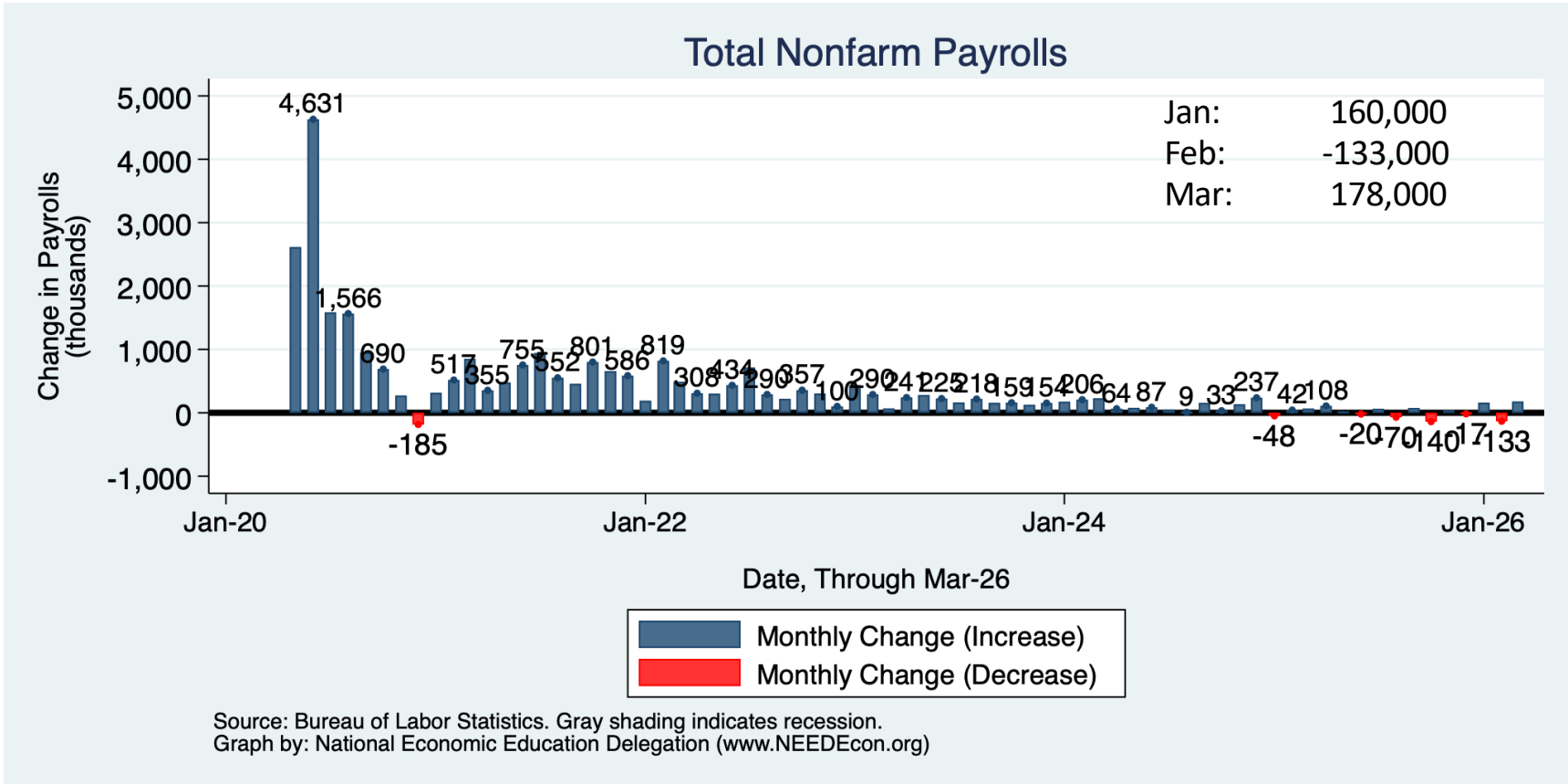
# Consumers Also Tightened



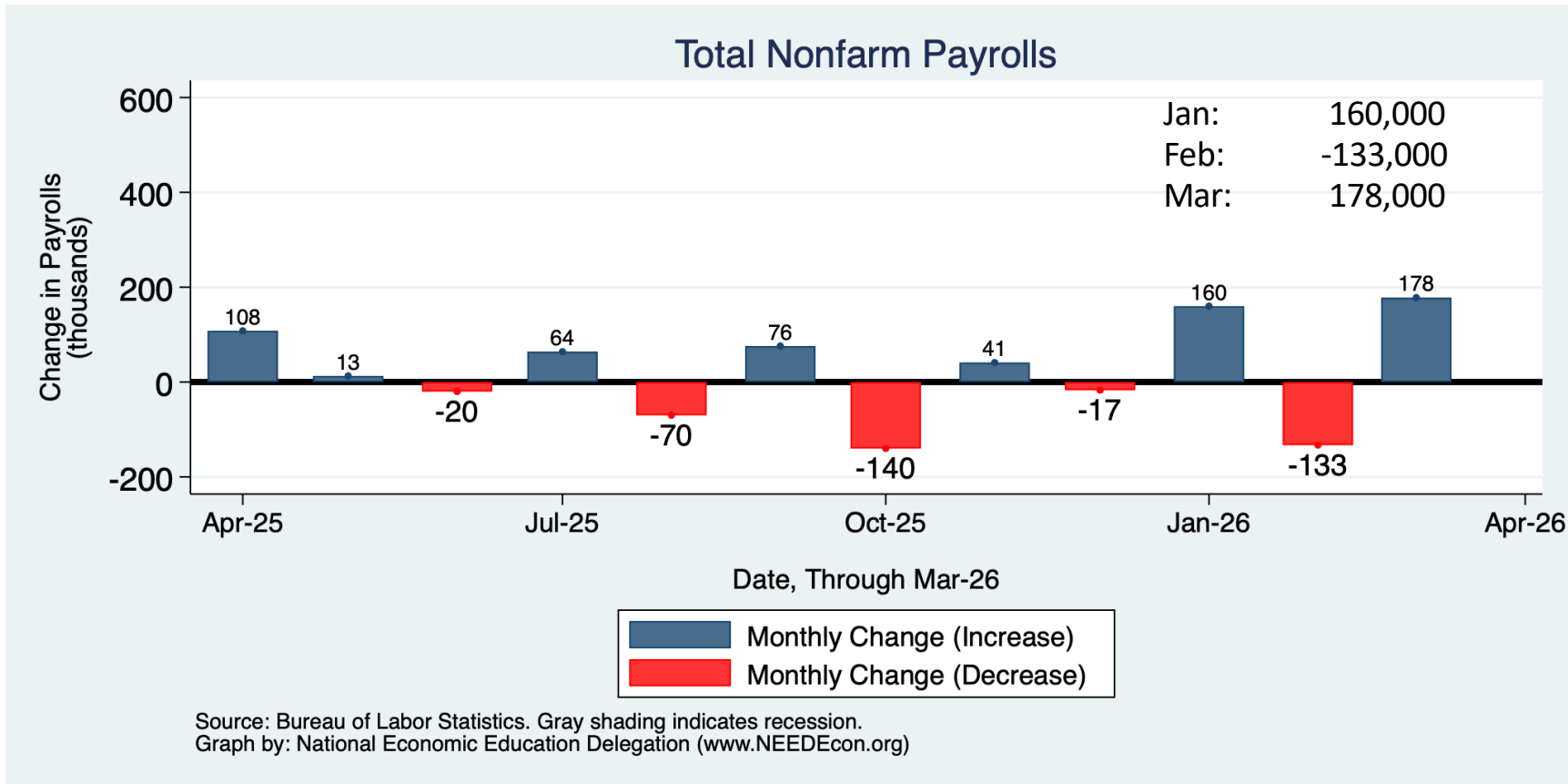
# Consumers Spending Less on Goods



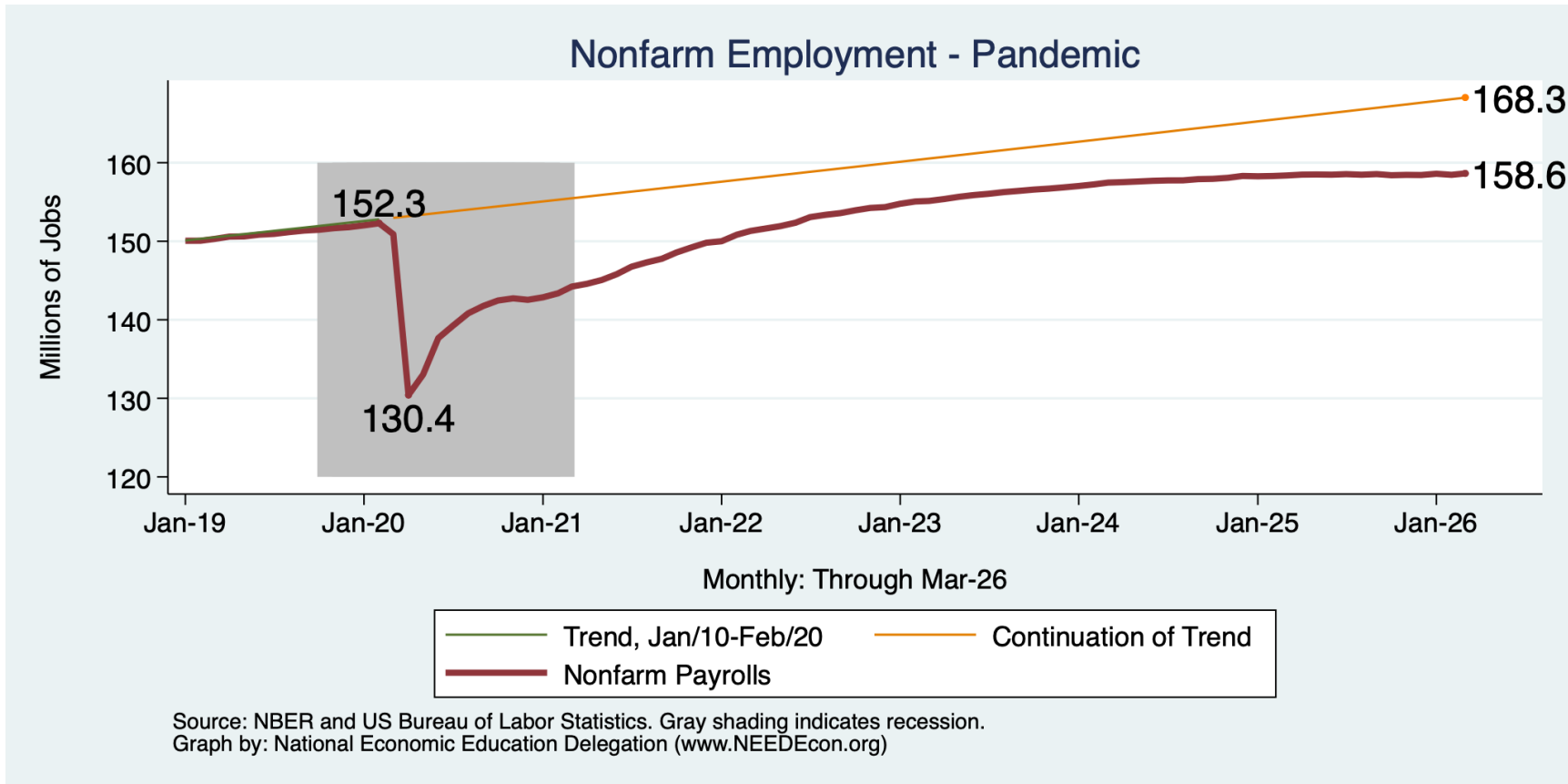
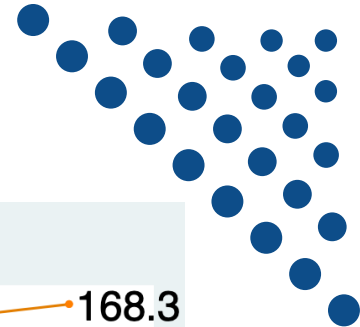
# Monthly Changes in Nonfarm Employment



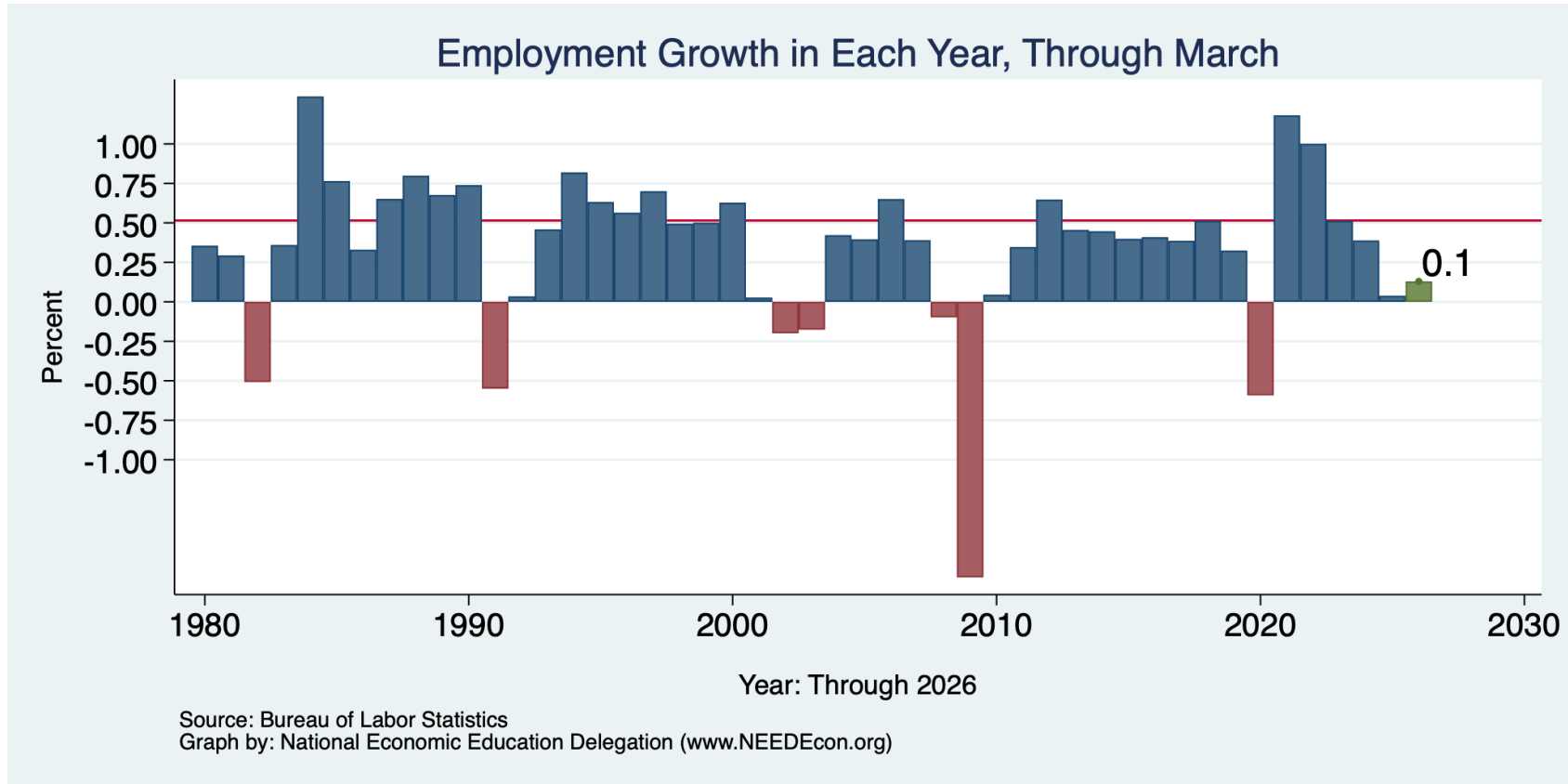
# Monthly Changes in Nonfarm Employment



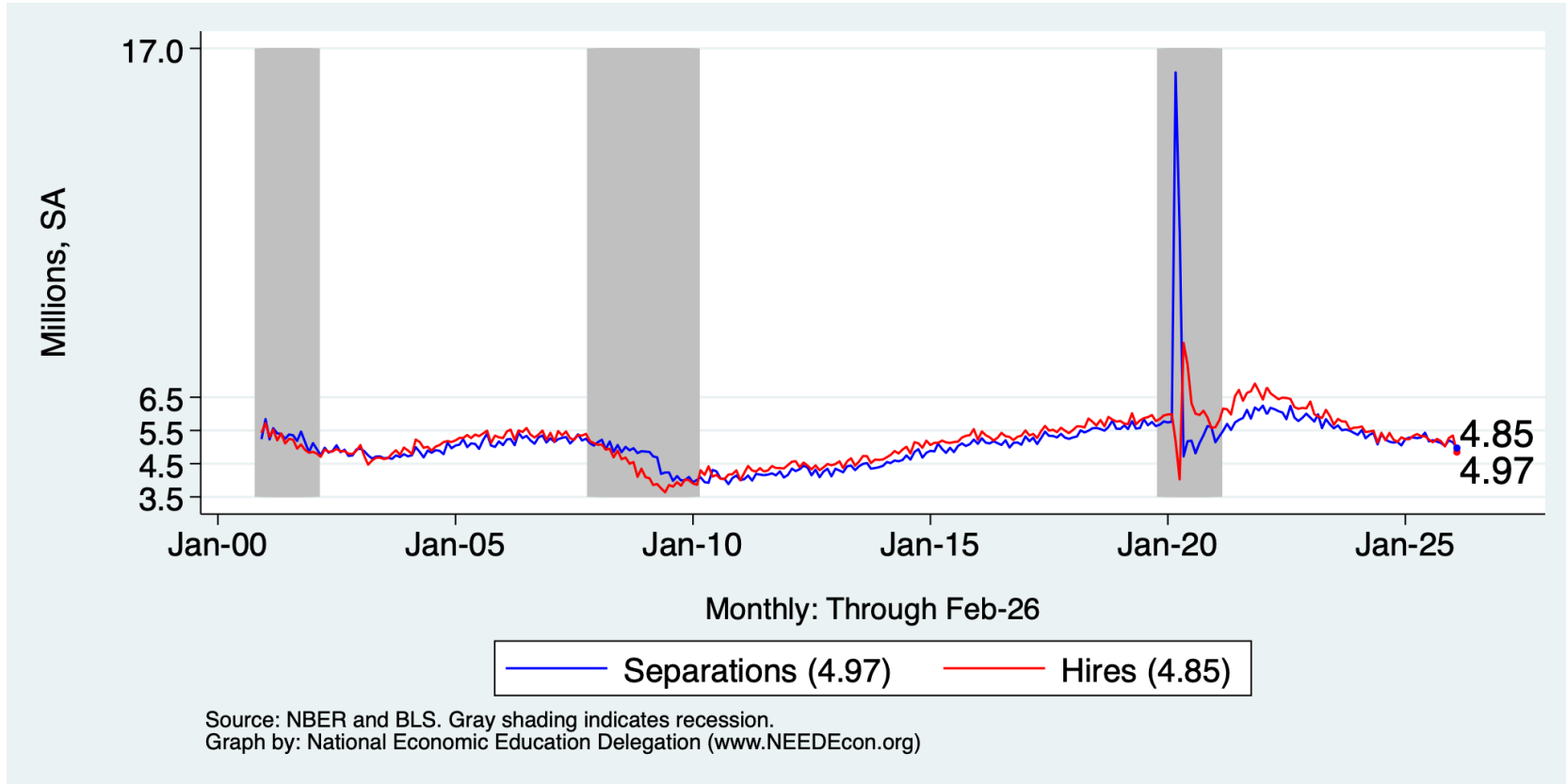
# Monthly Changes in Nonfarm Employment



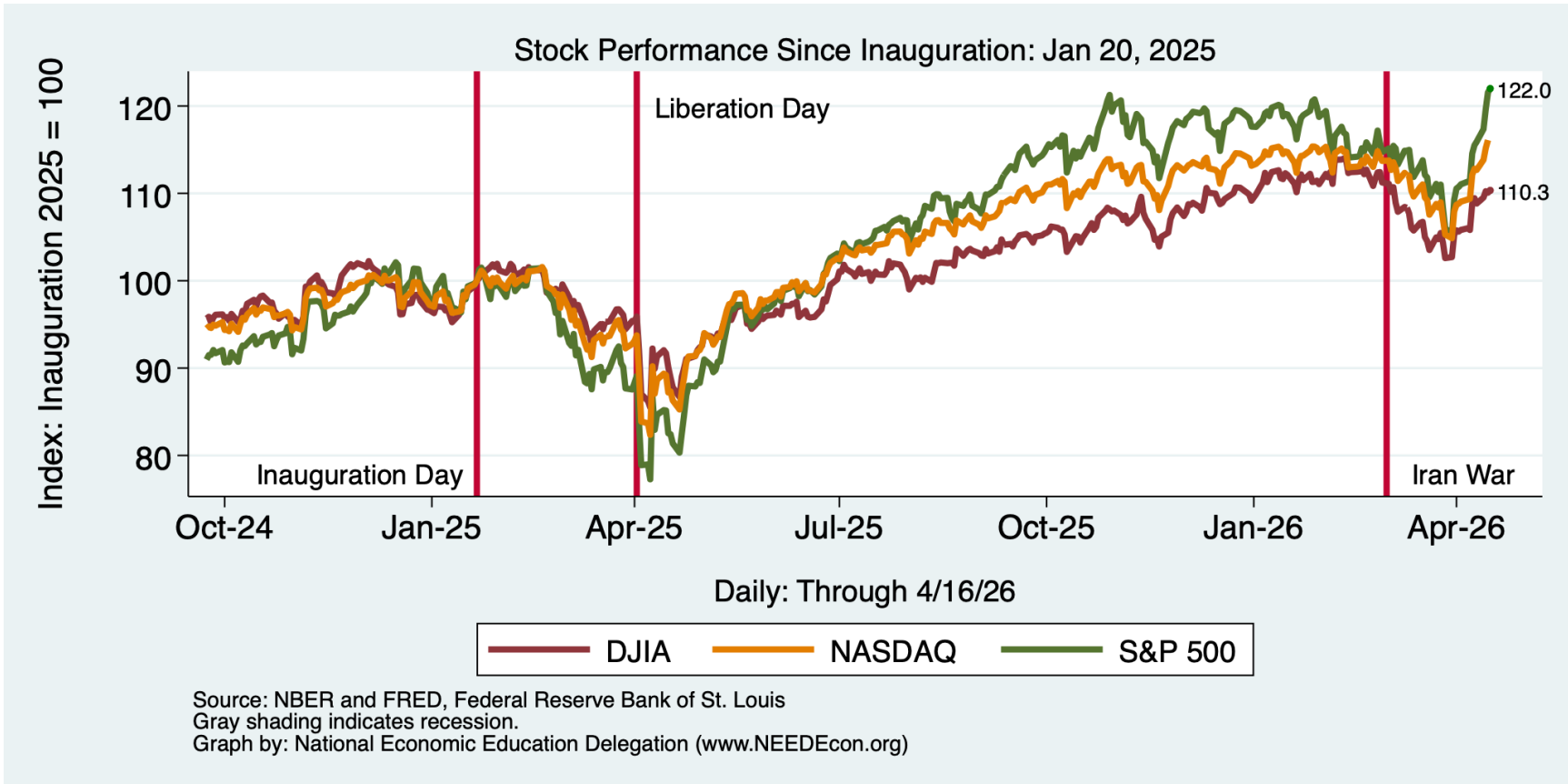
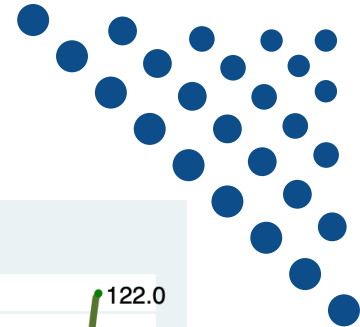
# Annual Changes in Nonfarm Employment

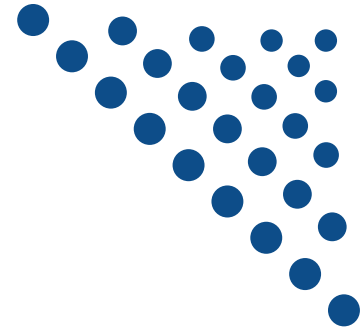


# Great Hesitation



# And Stocks?

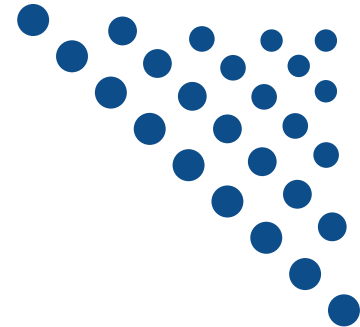




# Inflation



# Inflation: Latest Figures



The uptick is entirely because of the war.

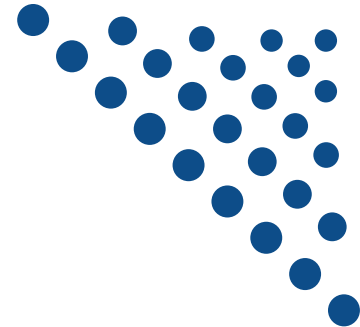
+3.3%  
in Mar.

+2.6%  
minus energy  
and food

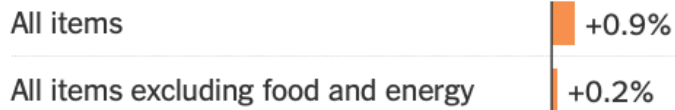
No data for October

Note: Data is seasonally adjusted year-over-year change in the Consumer Price Index. October 2025 is missing because of the government shutdown. Source: Bureau of Labor Statistics. By The New York Times

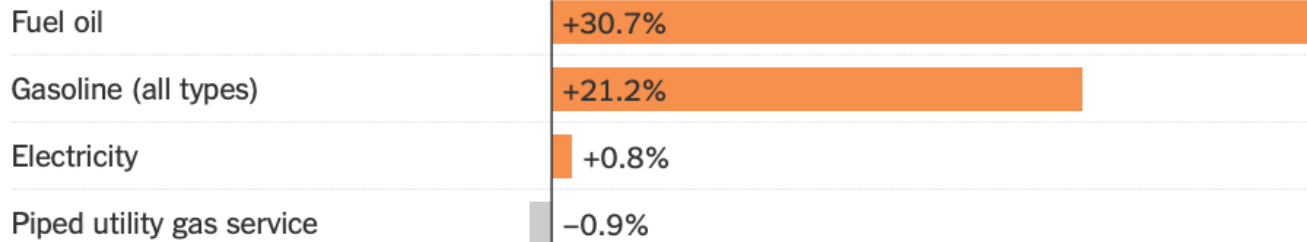
# Inflation: Latest Monthly Figures



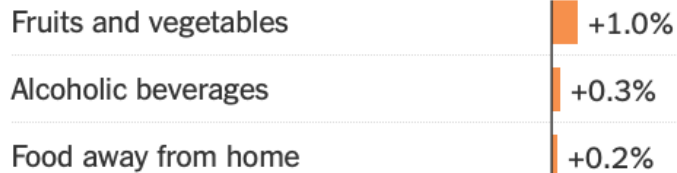
## All



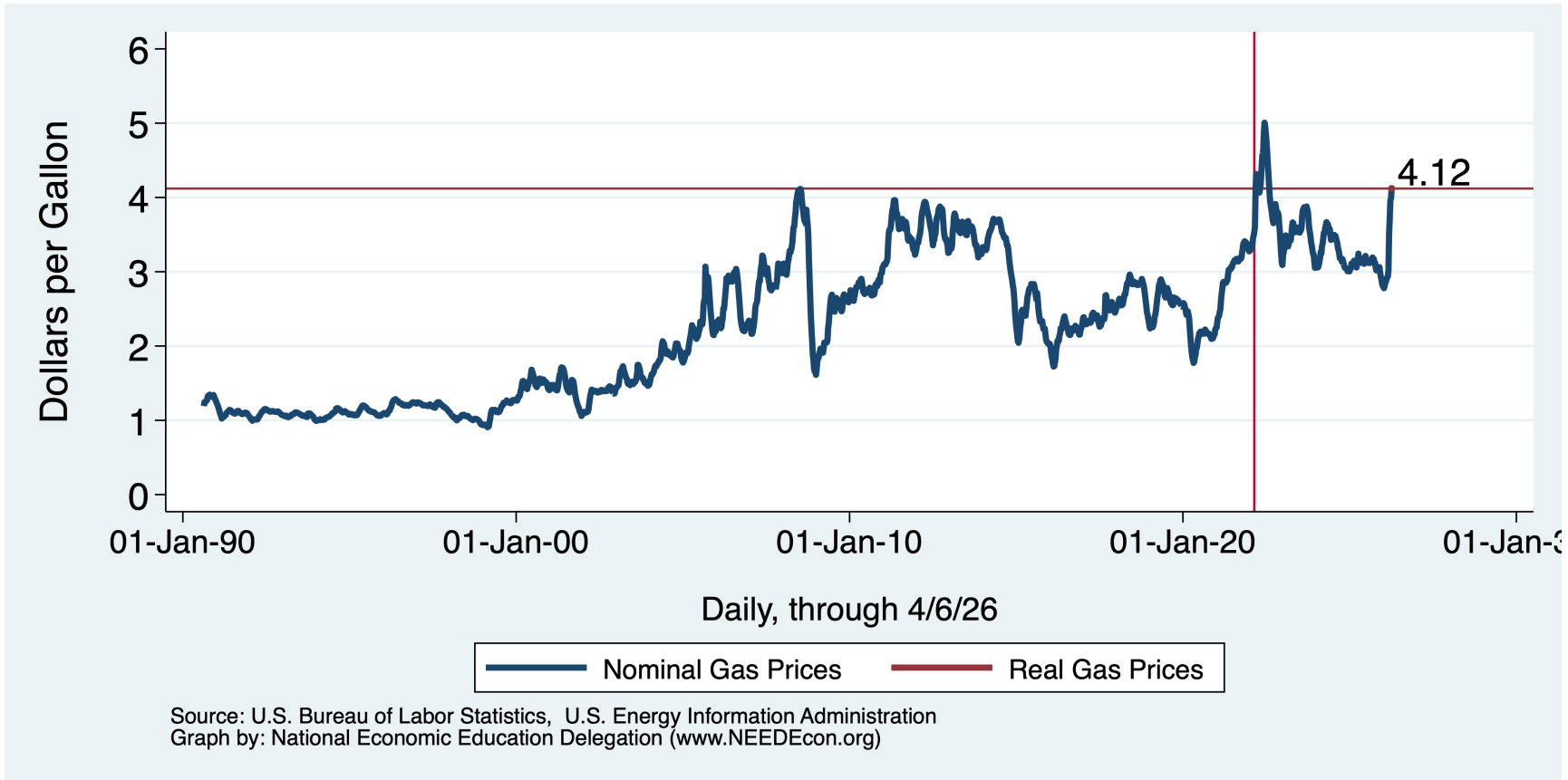
## Energy

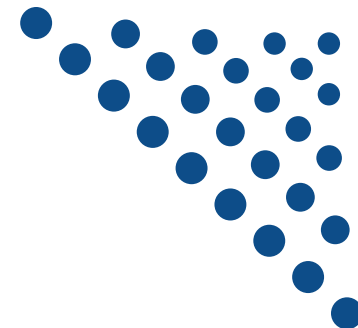


## Food and drink



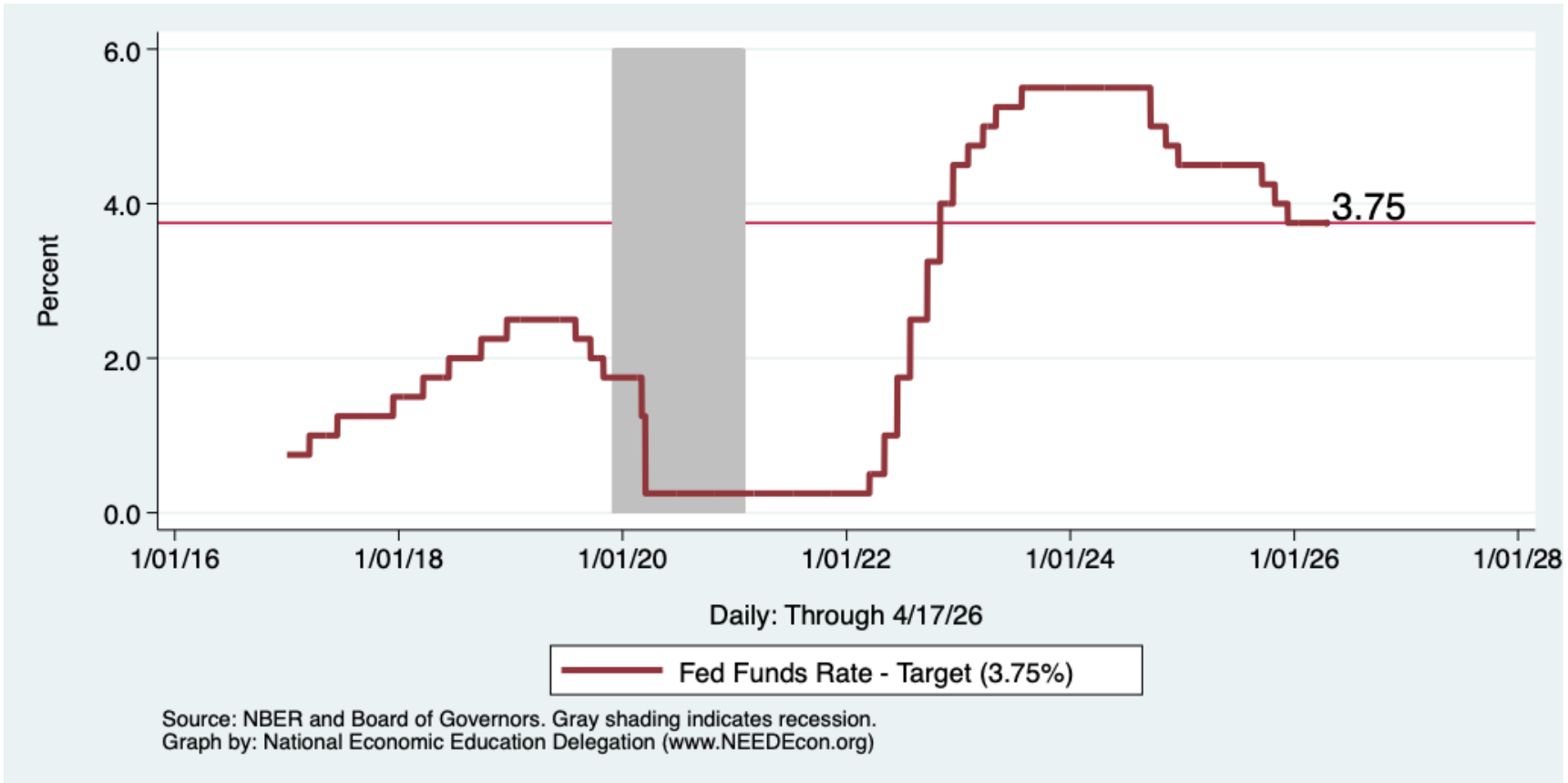
# Inflation: Gas Prices



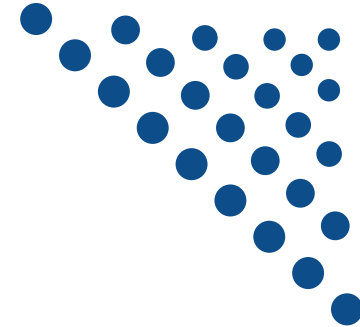


# The Fed: Going to Sit Tight

# Federal Funds Rate



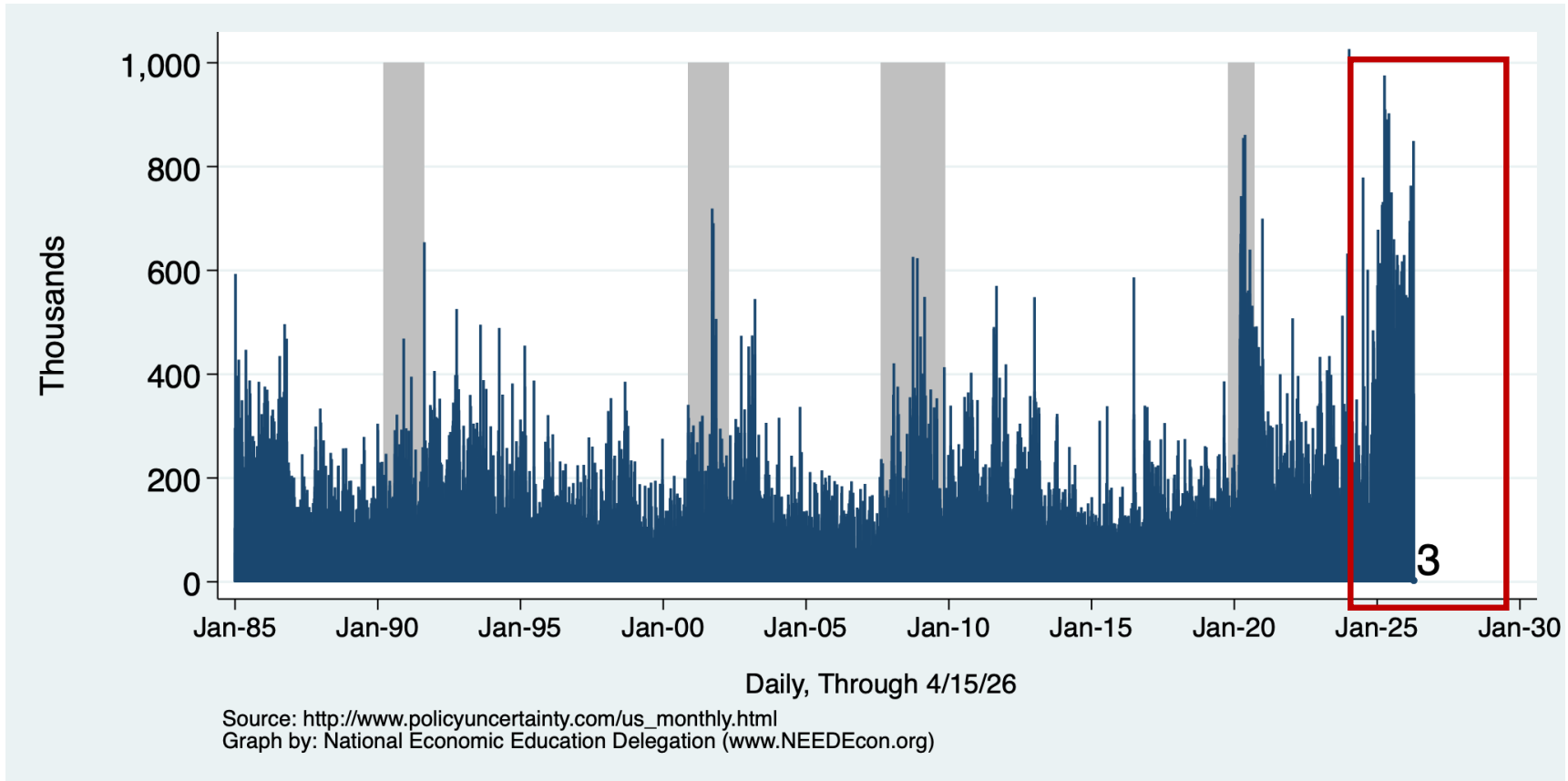
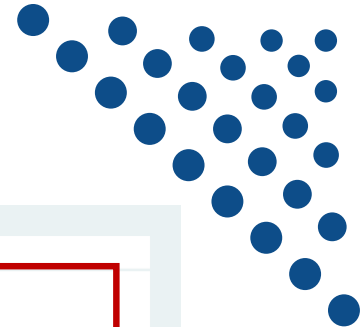
# Takeaways



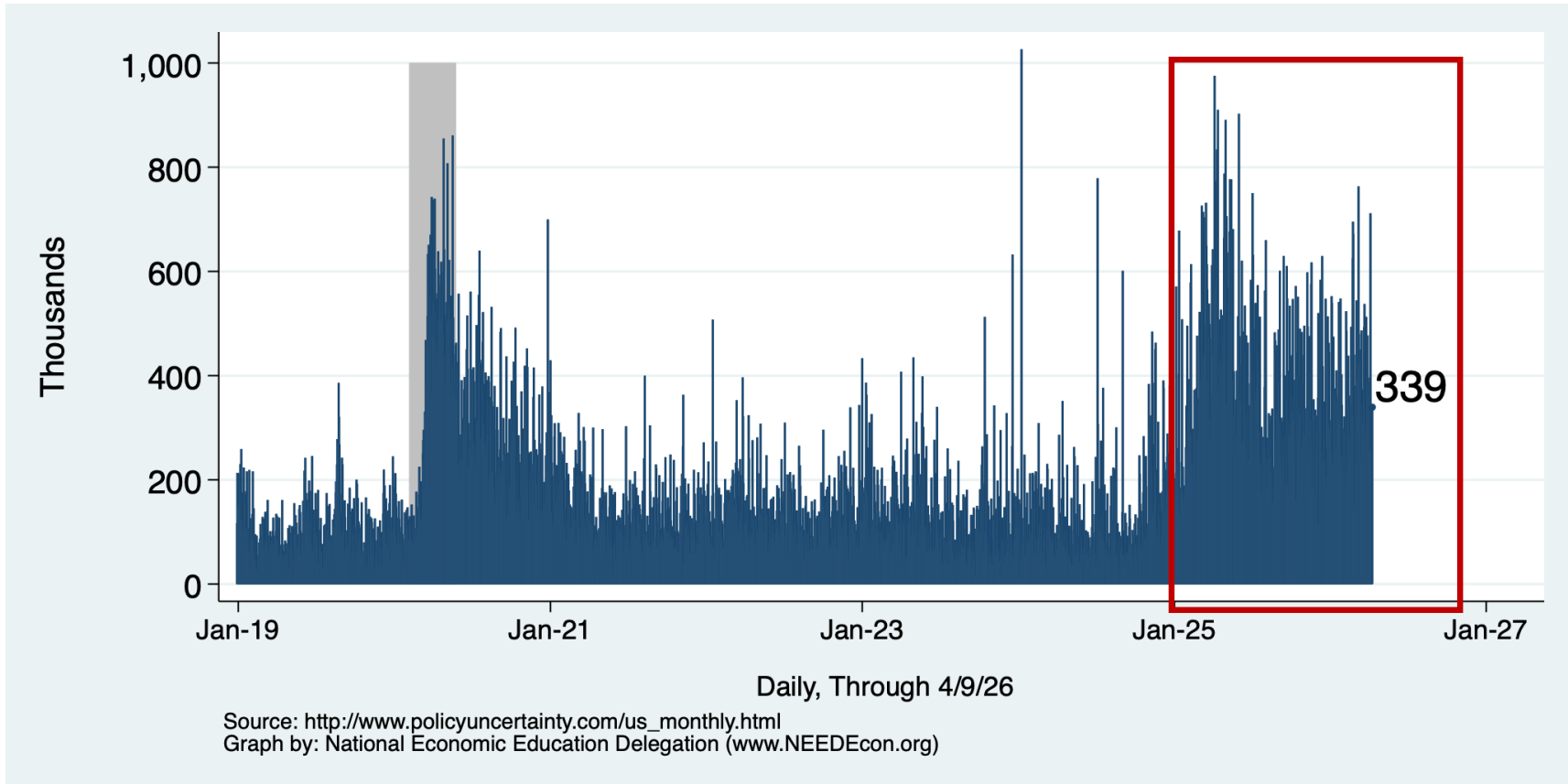
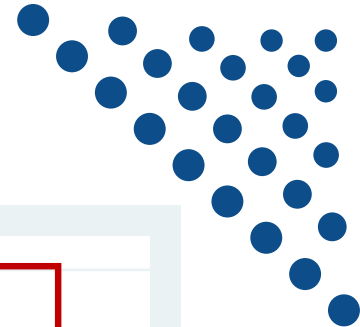
- **Is a recession on the horizon?**
  - I wouldn't be surprised, but not betting on it.
    - Jobs growth is slow.
    - GDP growth is slow – but that was artificial.
    - Inflation has ticked up.
- **Stagflation likely on the horizon.**
- **The problem?**
  - Uncertainties abound!



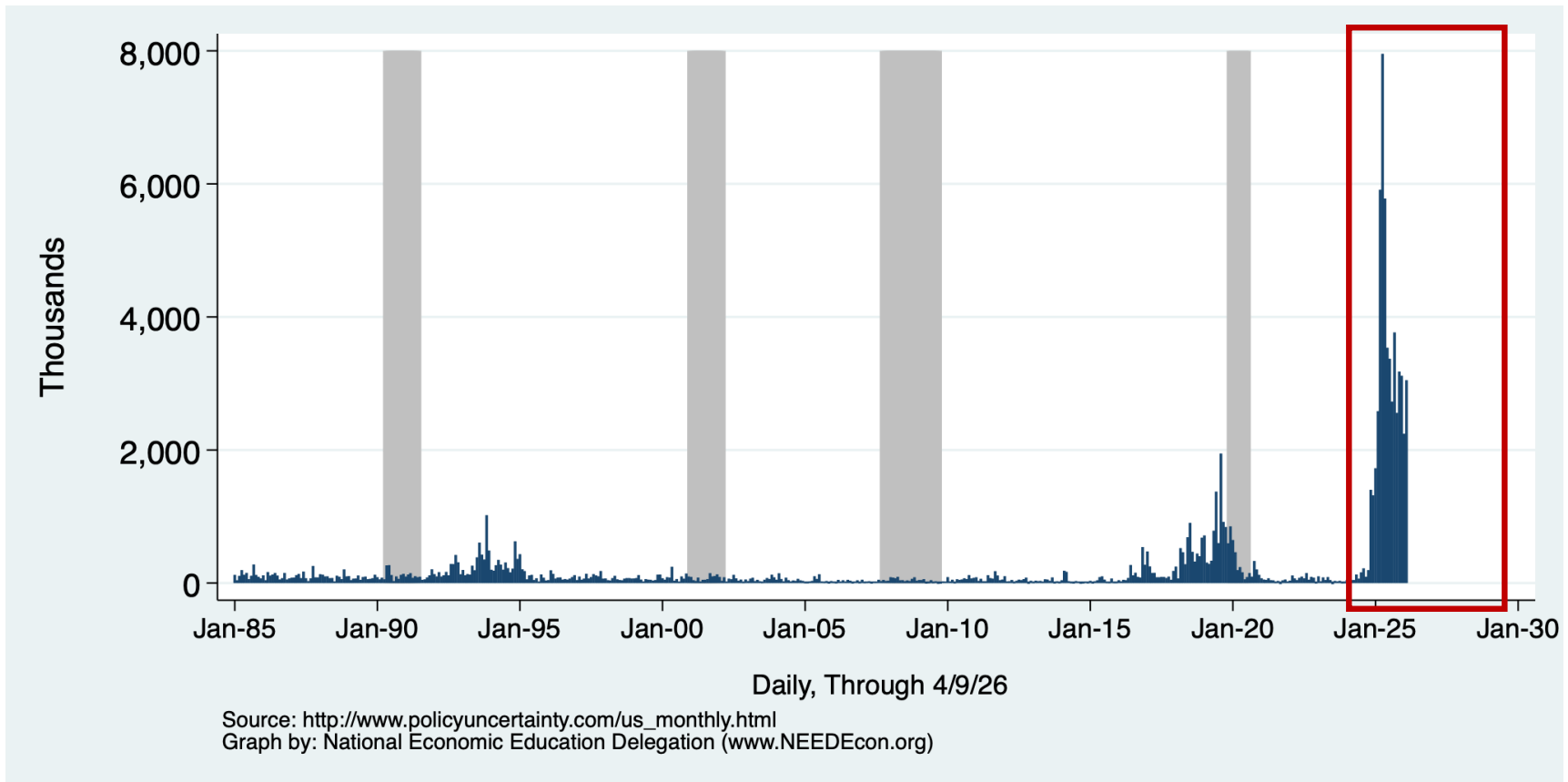
# Policy Uncertainty Index



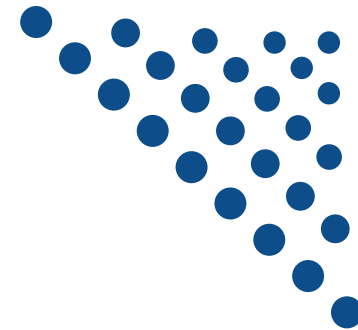
# Policy Uncertainty Index – Last 10 Years



# Policy Uncertainty Index – Trade

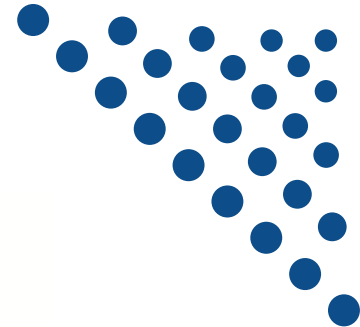


# Uncertainties



- **What effect will continued deportations have?**
- **Will AI continue to drive growth?**
- **Will tariffs continue to drive inflation?**
  - Fed says that ALL of the inflation above 2% is from tariffs, until...
- **Will the war drive inflation beyond fuel prices?**
  - It is clear in fuel prices, but every other sector of the economy depends on fuel. Higher fuel prices drive prices in the rest of the economy up.
- **Will consumers continue to hold up?**
  - Evidence that spending is in decline.
- **What happens to Fed policy once Jerome Powell is gone?**

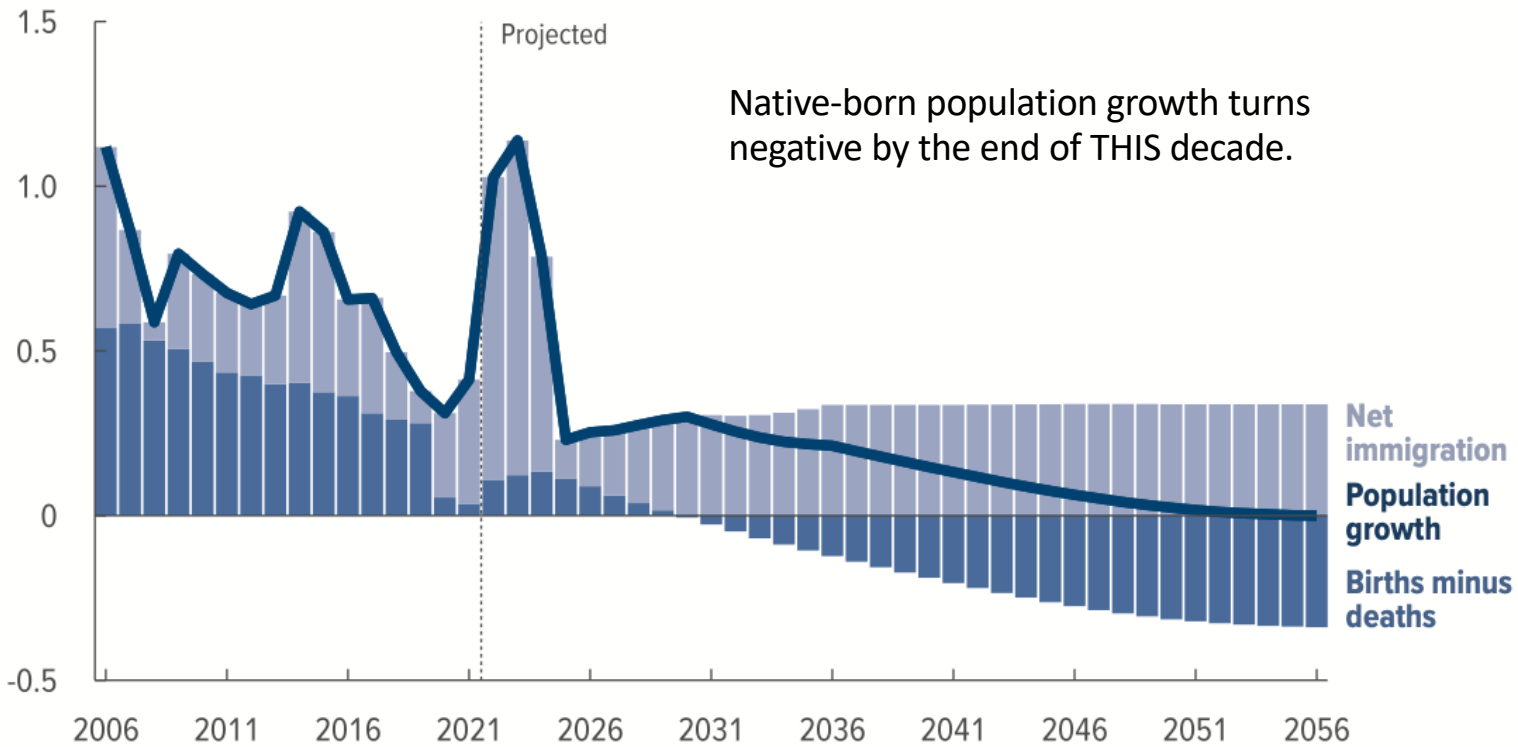




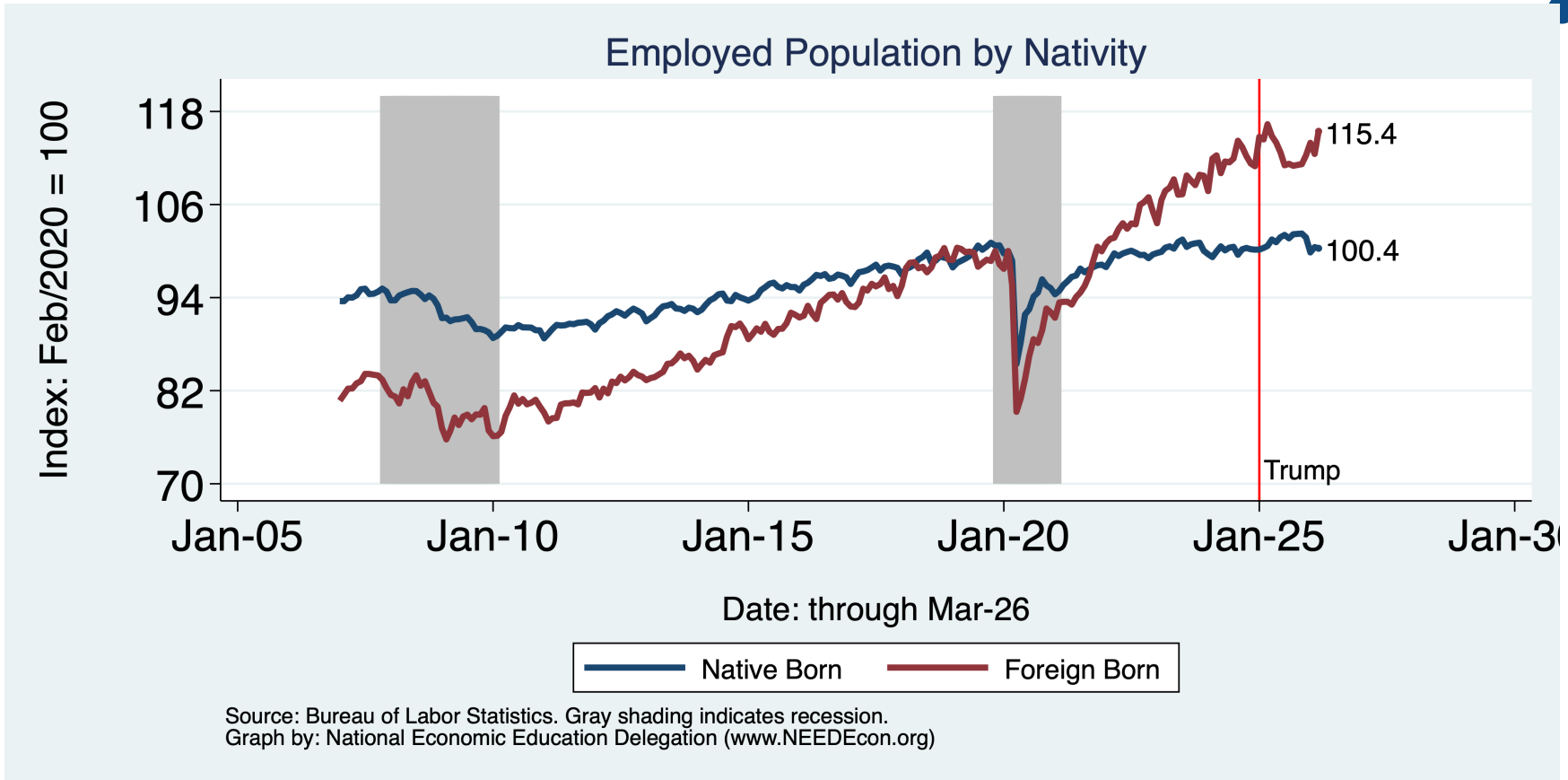
# Is Immigration Saving the Day?

## Population Growth and Contributing Factors

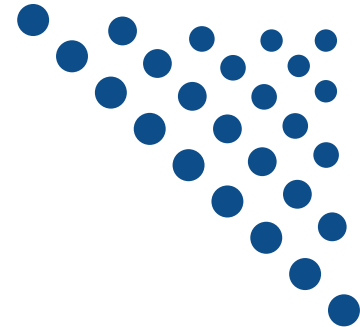
Percent



# Immigrants to the Rescue?

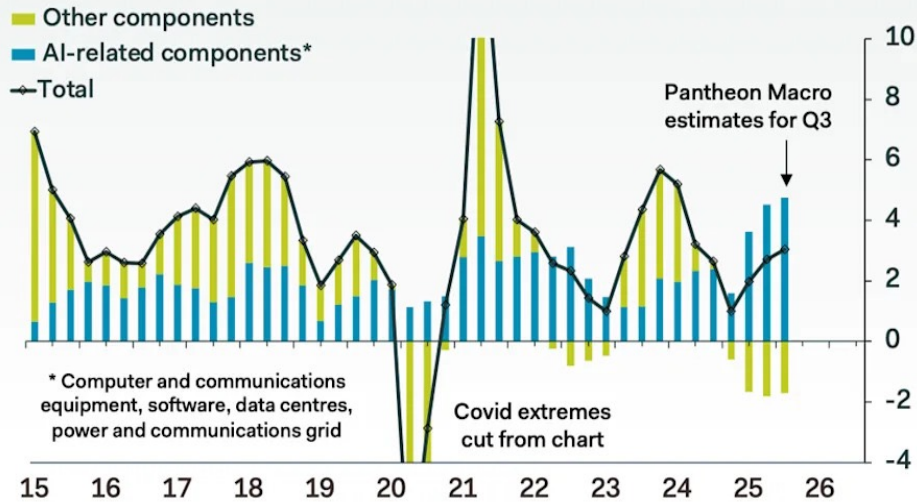


# AI and Investment



## AI-RELATED CAPEX PROBABLY OFFSET WEAKNESS ELSEWHERE

Contributions to y/y% growth in real private fixed investment, percentage points



Source Parthenon: Macroeconomics

AI Investment & GDP Growth			
Period	GDP Growth	AI Contribution	Difference
25Q1	2.0 percent	1.3 percent	0.7 percent
25Q2	2.1	1.2	0.9
25Q3	2.3	0.5	1.8

Source: BEA & <https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth>

# Tariffs and Price Effects



Import-content-weighted index (Dec 2024 = 100) versus local projection with 90% CIs

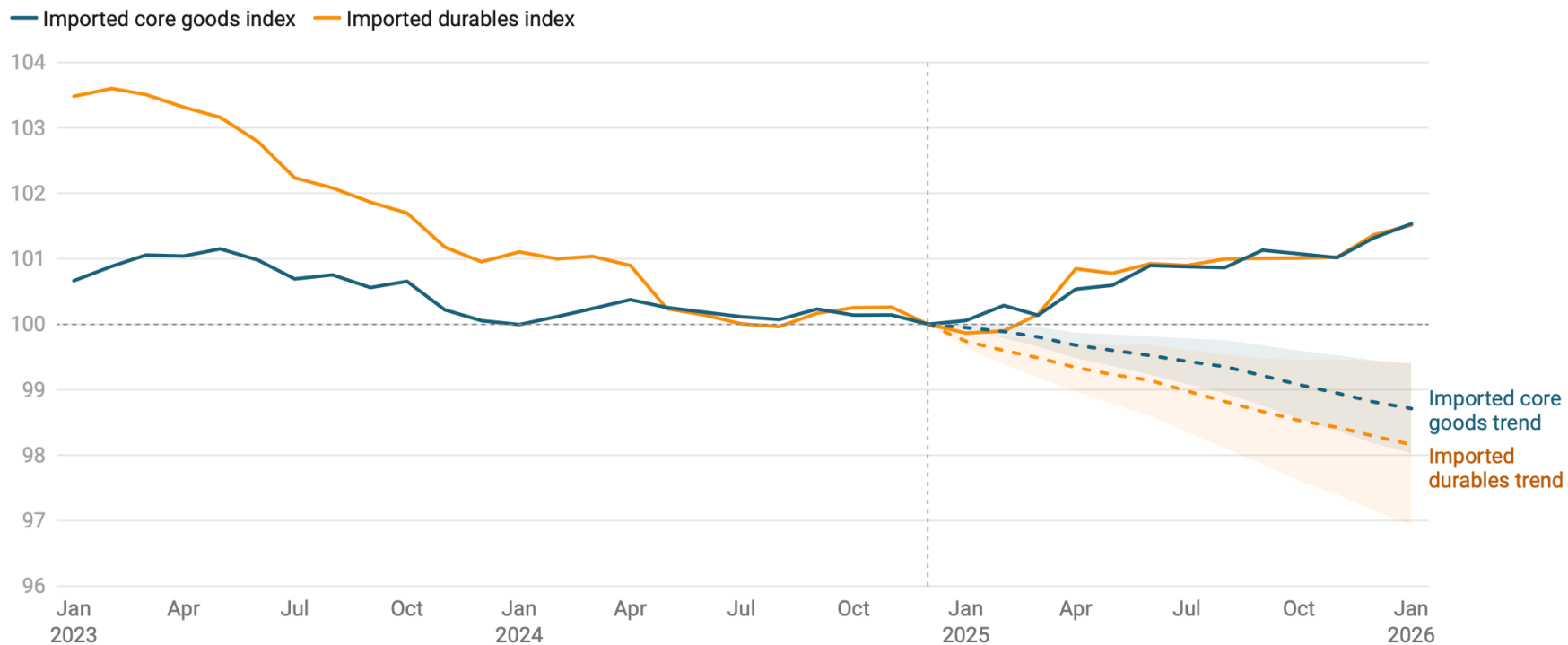
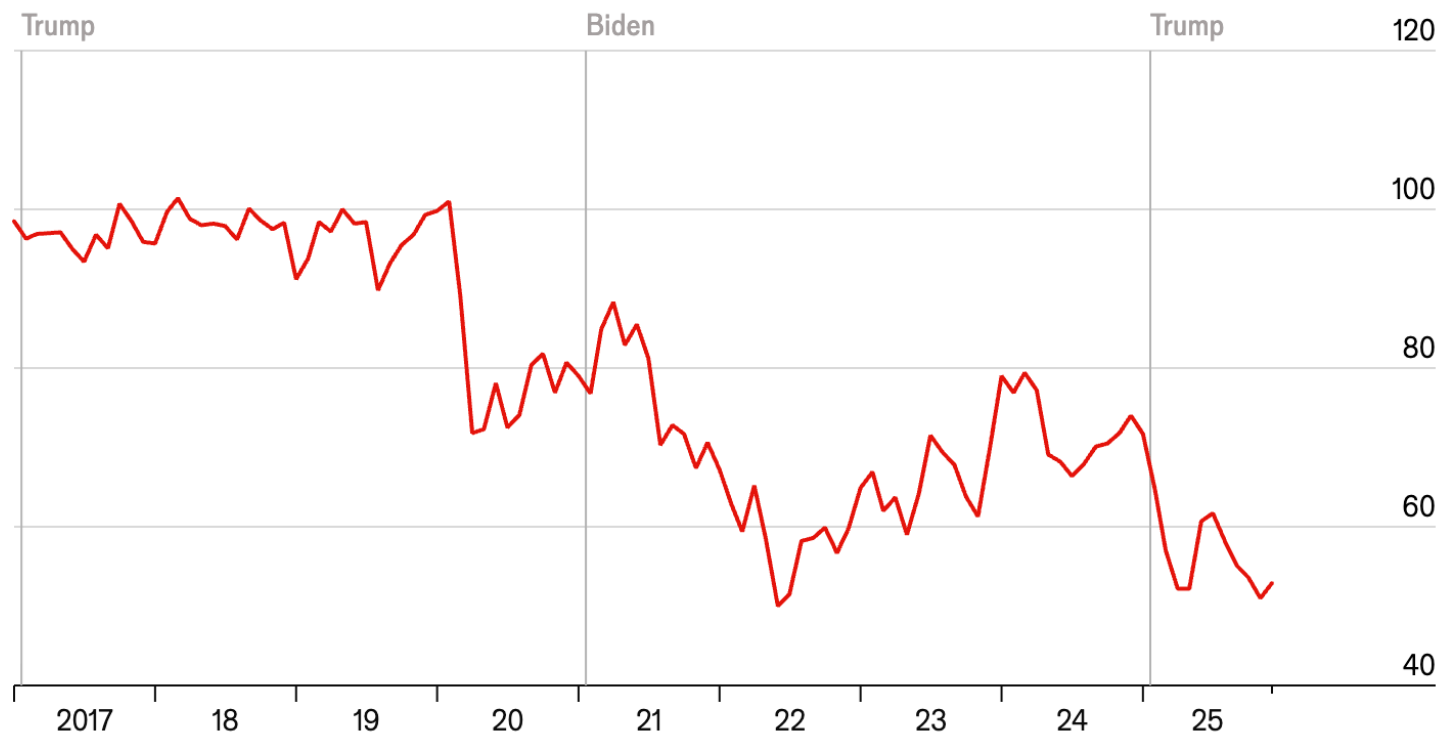


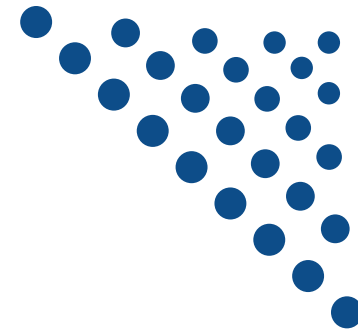
Chart: The Budget Lab • Source: BEA PCE components via Haver Analytics; BEA I-O Tables; and The Budget Lab analysis • [Get the data](#) • Created with [Datawrapper](#)

# Consumer Confidence is Waning

University of Michigan Index, Q1 1966=100

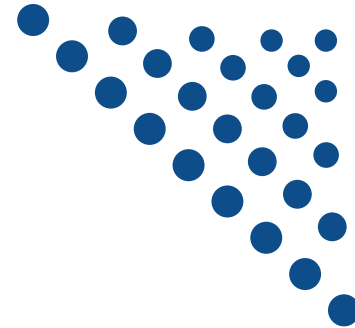


# Monetary Policy after Jerome Powell?



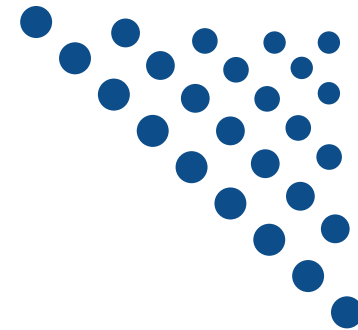
Kevin Warsh: Trump Nominee to replace Jerome Powell as the Chair of the Fed in May

# Summary



- **Inflation: was getting close to Fed's 2% target.**
  - But is now going in the wrong direction
- **Current immigration and trade policies will exacerbate inflation.**
- **Immigration: deportations tax the economy and are expensive.**
  - Many, MANY ag workers are unauthorized immigrants. (50% of Central Valley)
- **Tariffs: are a tax.**
  - Taxes raise prices. Period. Full Stop.
  - Taxes often cost jobs. Tariffs likely will.
- **The war is going to drive up prices and uncertainty.**
  - Nobody invests into uncertainty.
- **What if the AI bubble bursts?**

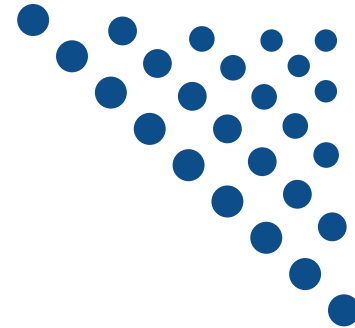
# Are We Headed for A Recession?



- **Uncertain.**
- **Forecasts are all over the place.**
  - IMF forecasting 2.4% in 2026.
  - 30-50% chance of a recession by some models.
- **A slowdown in economic growth seems inevitable.**
- **A bout of stagflation unlikely, but possible.**

**Thank you!**

# Any Questions?



[www.NEEDEcon.org](http://www.NEEDEcon.org)

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