

Economic outlook: Life during (trade) wartime

Michael S. Hanson
Senior Economist
Global Economic Research
+1 (212) 622-8603
michael.s.hanson@jpmorgan.com

www.jpmorganmarkets.com/economics

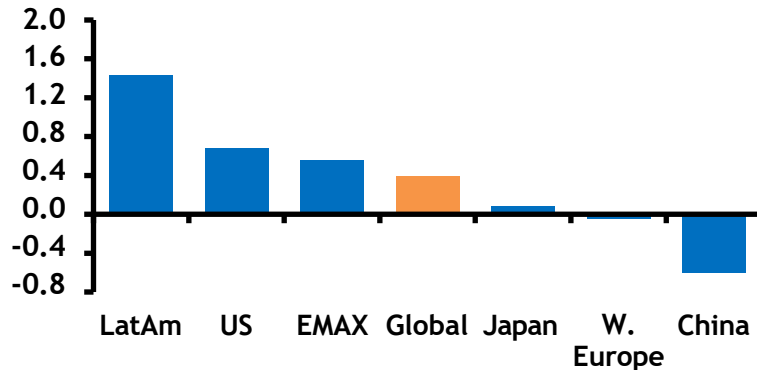
JPMorgan Chase Bank NA

See the end pages of this presentation for important disclosures.

2024: The year of US exceptionalism

Real 2024 GDP growth

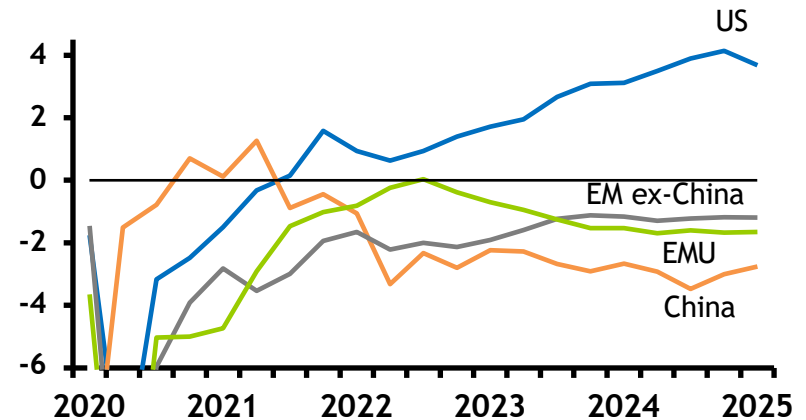
%-pt deviation, 4Q/4Q less pre-pandemic potential est.



Source: J.P. Morgan Global Economics

GDP dev. from pre-pandemic potential path

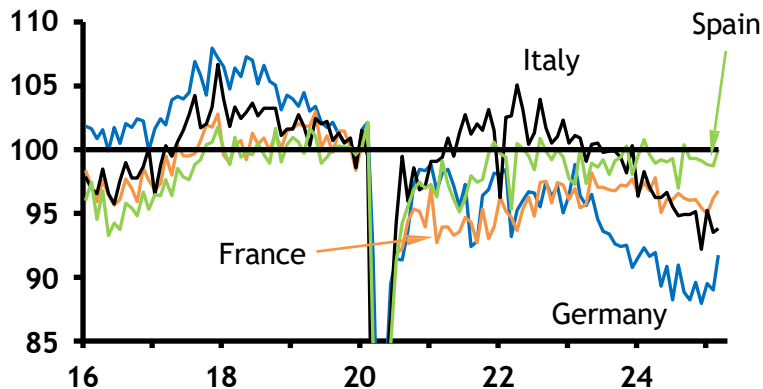
% deviation; thru 1Q25



Source: J.P. Morgan Global Economics

Euro area manufacturing output

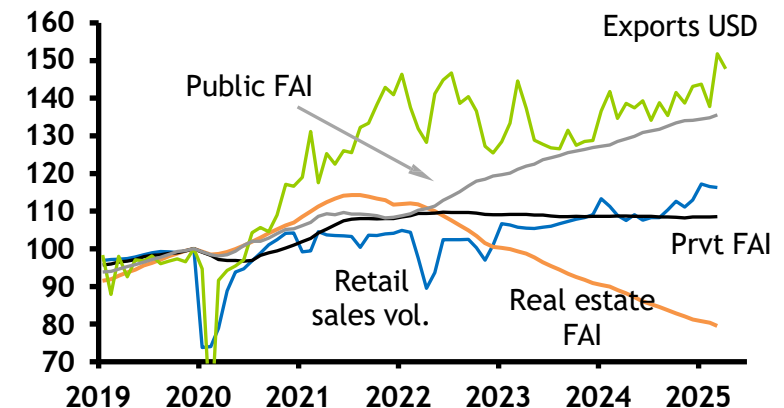
Index, 4Q19 avg. = 100



Source: National sources, J.P. Morgan. Details on request.

China demand indicators

Index, Dec 2019=100

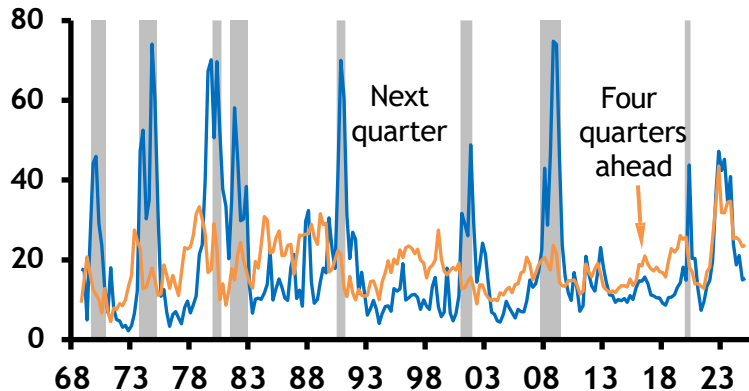


Source: NBS, J.P. Morgan

Dude, where's my recession?

SPF probability of decline in US real GDP

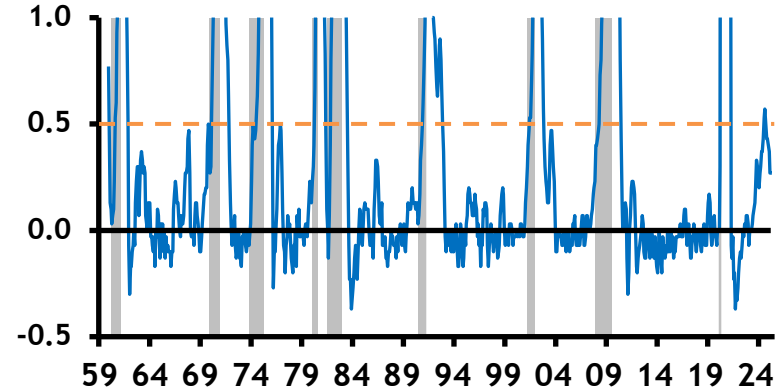
% likelihood



Source: Philadelphia Fed, J.P. Morgan

Real-time Sahm Rule

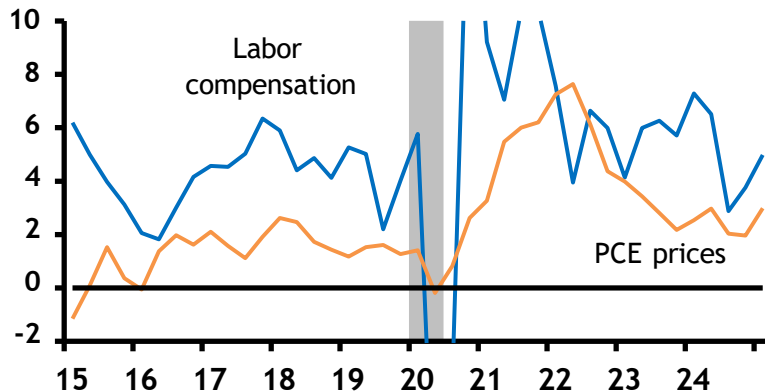
% deviation of 3mma u-rate from prior 12-month low



Source: St. Louis Fed, J.P. Morgan

US labor income and PCE prices

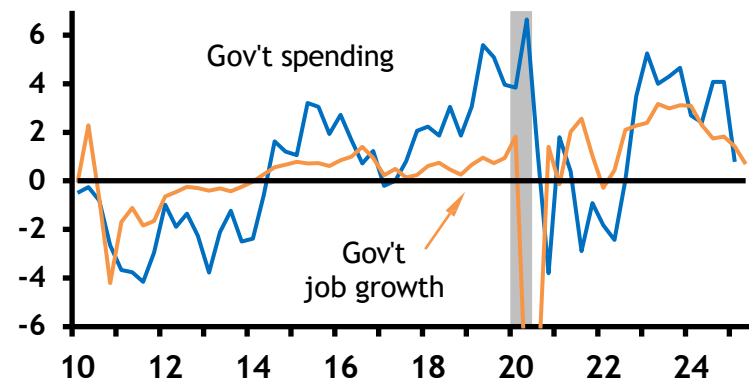
% change over 2 qtrs, saar



Source: BEA, BLS, J.P. Morgan

US gov't spending and job growth

% change over 2 qtrs, saar

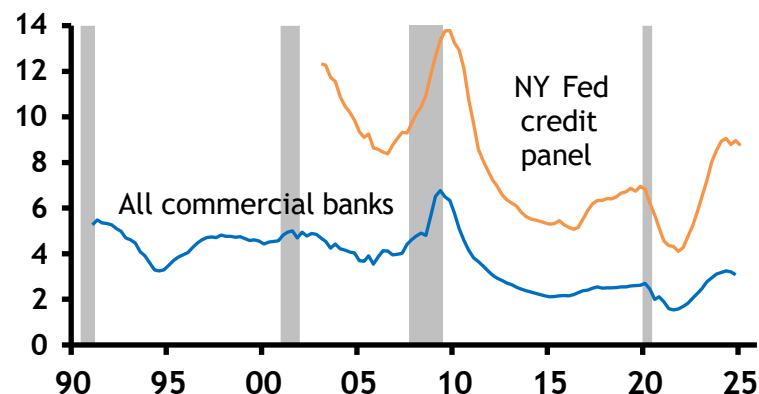


Source: BEA, BLS, J.P. Morgan. Incl. 2Q job tracking est.

Supports: household and corporate resiliency

Delinquency rates on credit cards

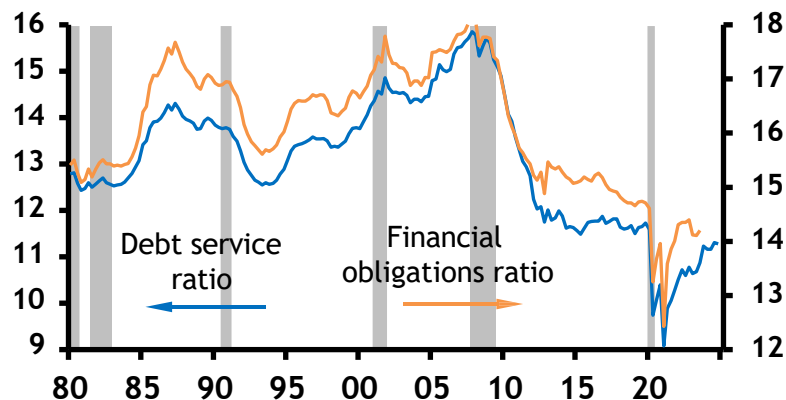
%, 30 days or more in arrears



Source: Federal Reserve Board, FRBNY, J.P. Morgan

US household financial obligations

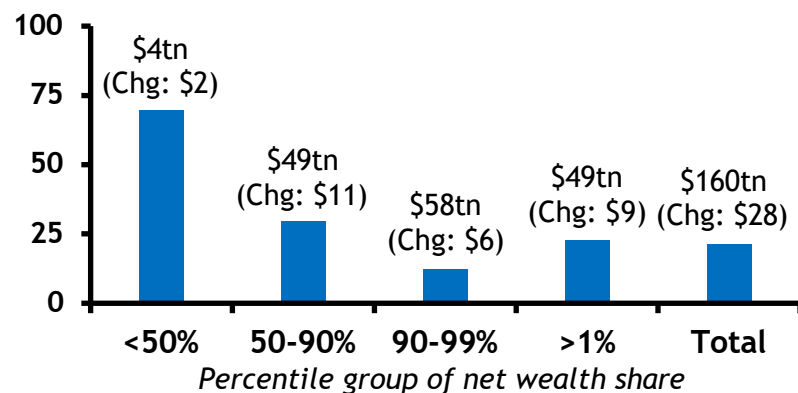
%, sa; both scales



Source: FRB, J.P. Morgan

US real rise in wealth across the distribution

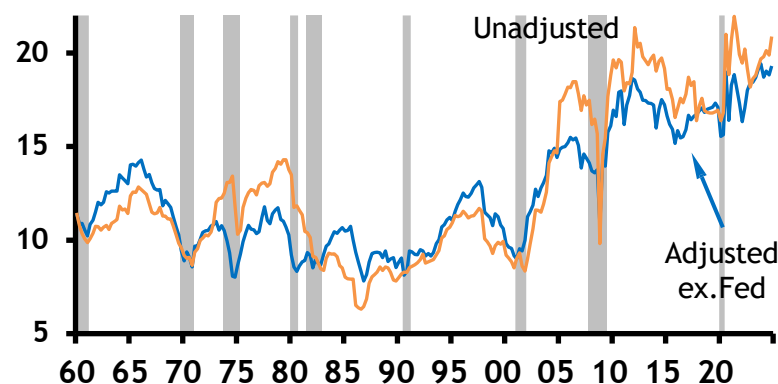
%Chg 4Q19 to 4Q24, real 4Q24\$ (\$ level/change labeled)



Source: FRB, J.P. Morgan; Fed DFA data scaled to PCE deflator

US corporate profit margins

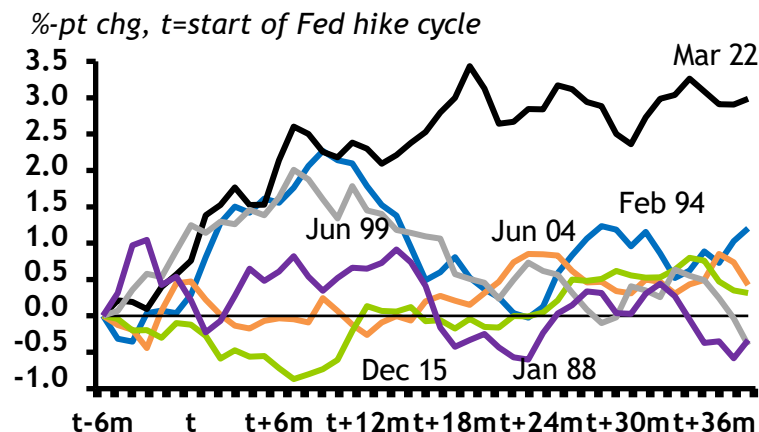
% of gross value added, after tax



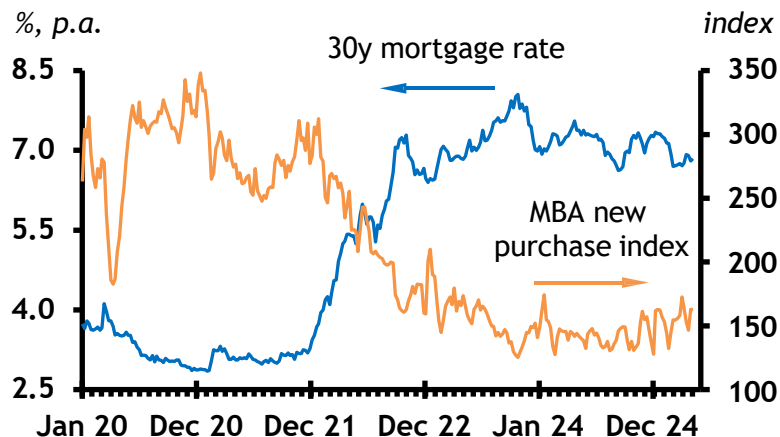
Source: BEA, J.P. Morgan

Supports: Tight Fed but easy financial conditions

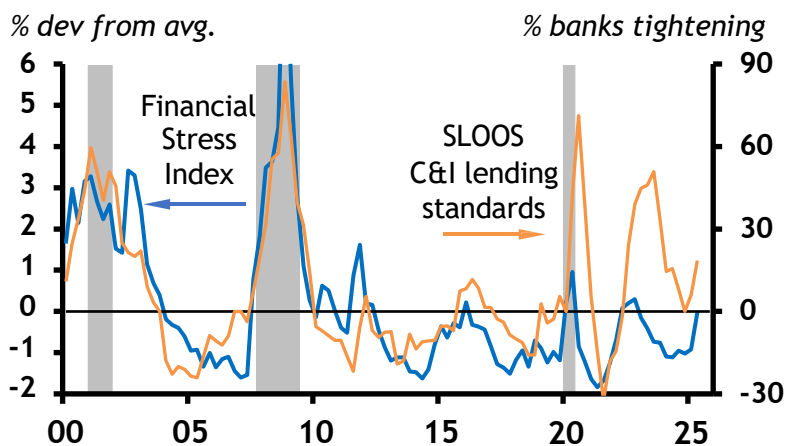
US 10y yield around Fed tightening



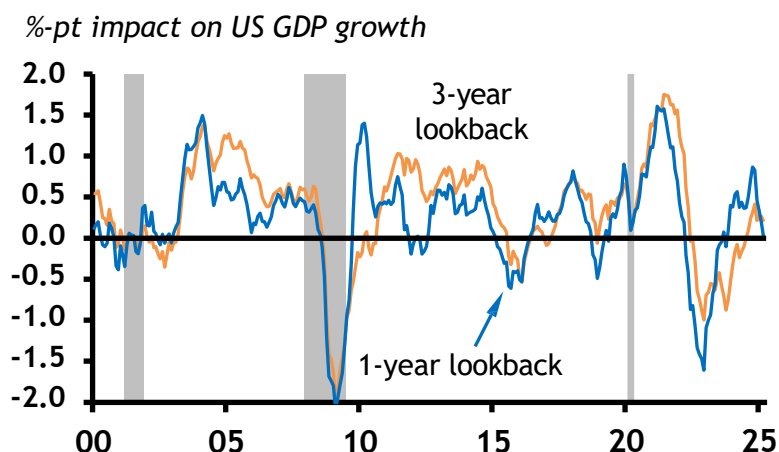
US mortgage rates and new purchases



Lending standards and financial stress



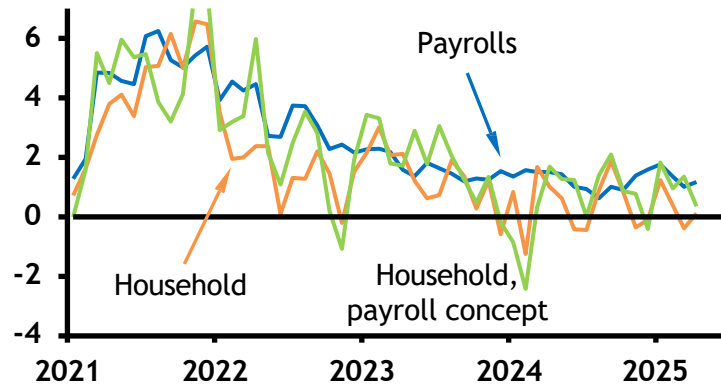
US financial conditions GDP impulse (FCI-G)



Signs of labor market cooling...

Growth in employment

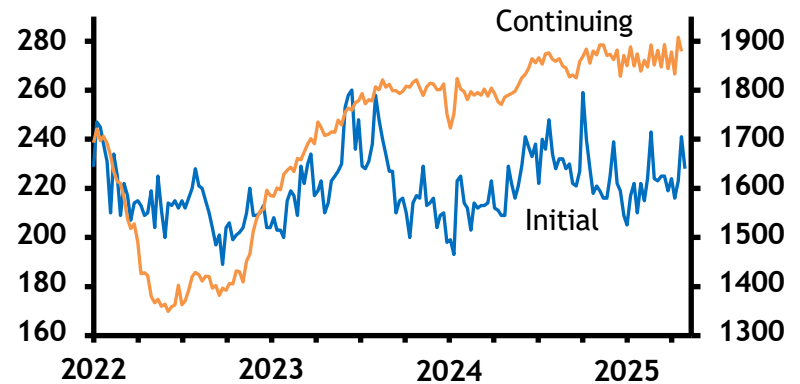
% ch, 3-mo saar



Source: BLS, J.P. Morgan. Household data is population smoothed.

Jobless claims

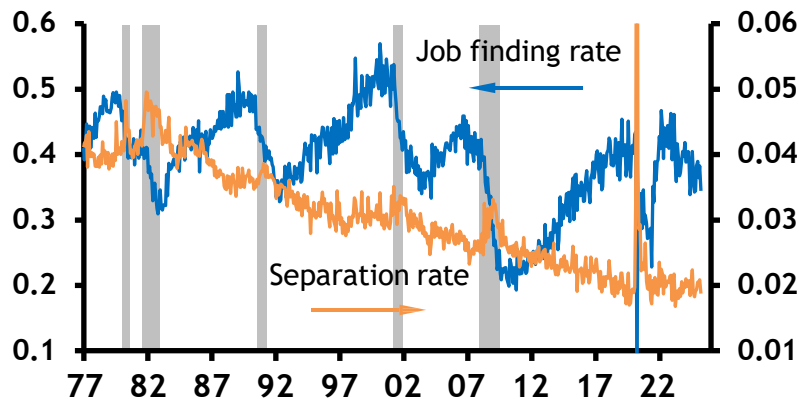
Thousands, sa; both axis



Source: Department of Labor, J.P. Morgan

Labor market flow rates

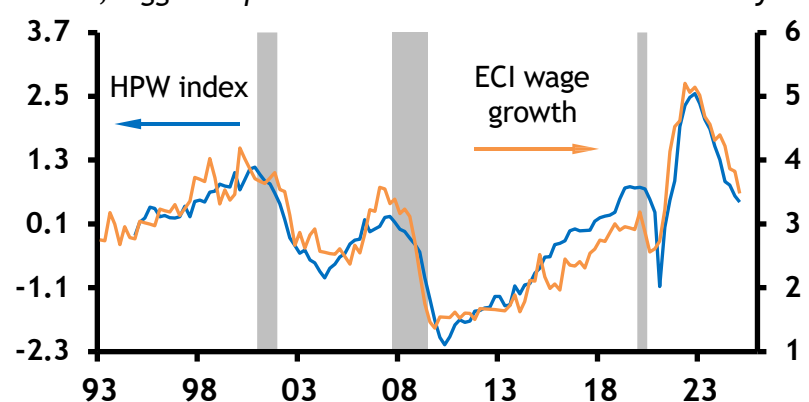
%, both axes



Source: J.P. Morgan

Labor market tightness and wage growth

Index, lagged 3 qtrs

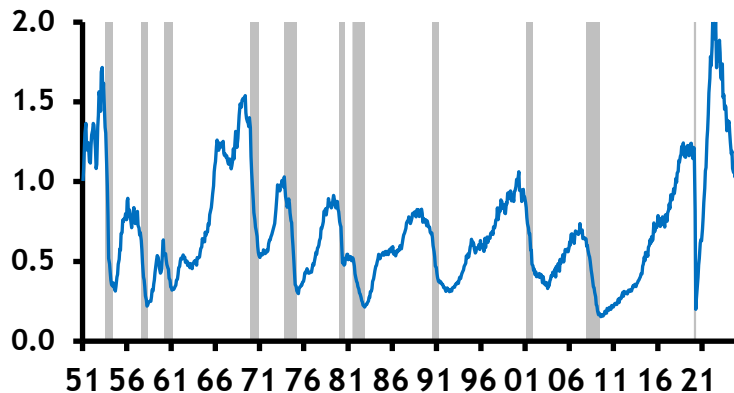


Source: BLS, New York Fed, J.P. Morgan

... mostly reflecting a better balance

Vacancies per unemployed

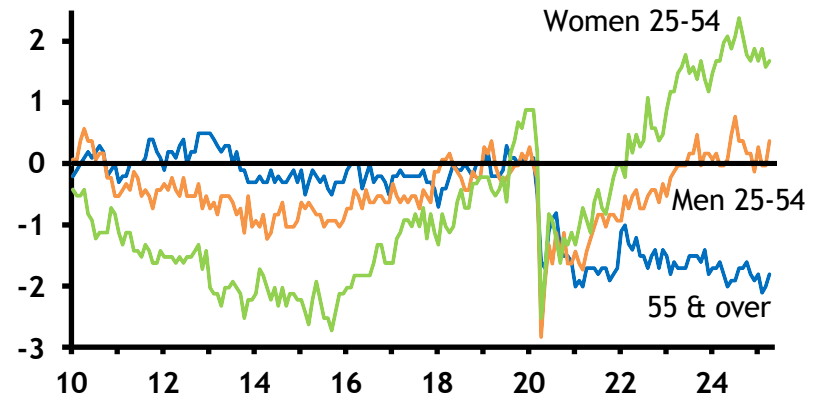
ratio



Source: BLS, Barnichon (2010), NBER, J.P. Morgan

Participation rate changes

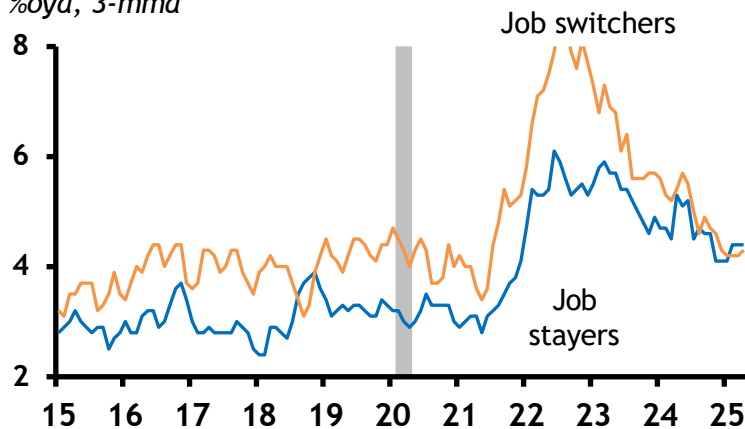
%pt change from 2019 average



Source: BLS, J.P. Morgan

US: Atlanta Fed wage tracker

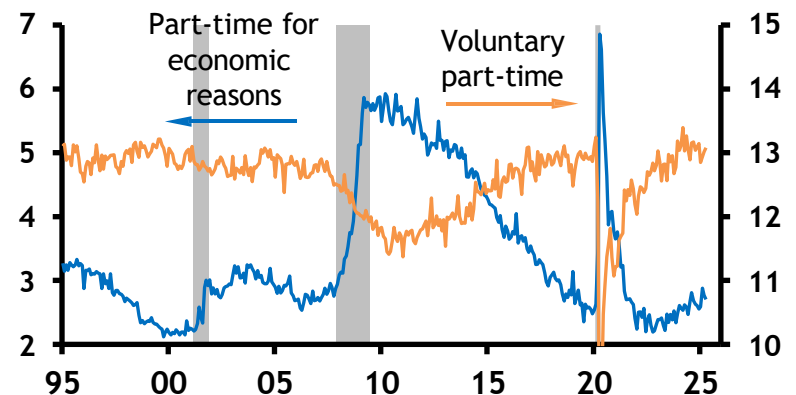
%oya, 3-mma



Source: Atlanta Fed, BLS, J.P. Morgan

Part-time employment

% of labor force, both axes

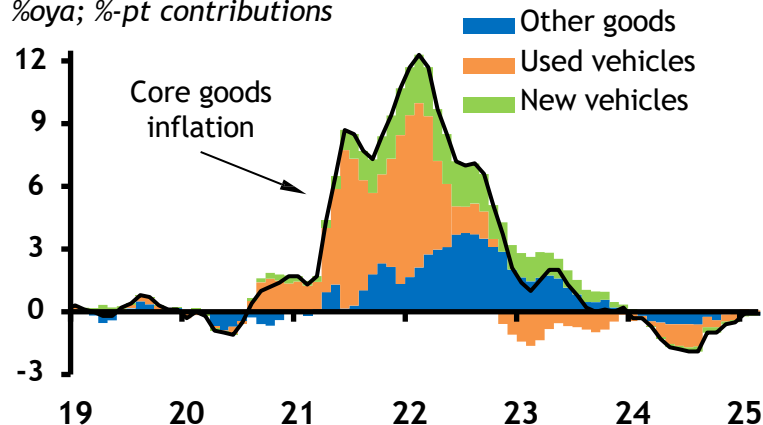


Source: BLS, J.P. Morgan

Slowing inflation might be getting a little sticky

Core goods CPI decomposition

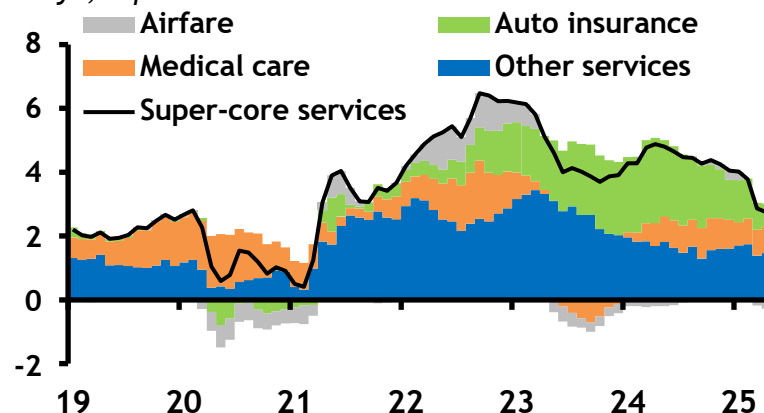
%oya; %-pt contributions



Source: Bureau of Labor Statistics, J.P. Morgan

Core services ex shelter CPI decomposition

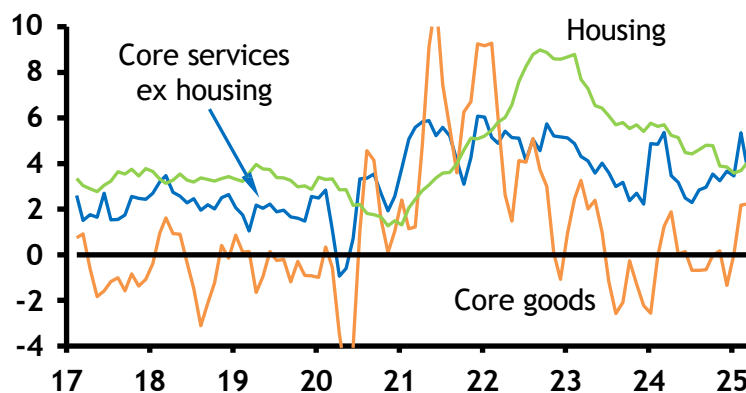
%oya; %-pt contributions



Source: Bureau of Labor Statistics, J.P. Morgan

Core PCE inflation

%ch, 3mo saar

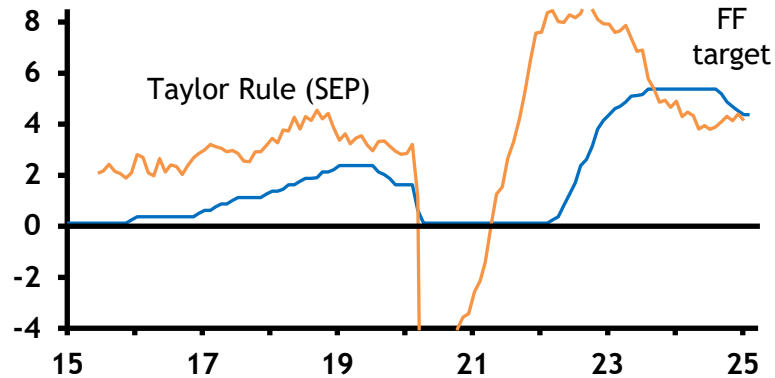


Source: BEA, J.P. Morgan

Fed: Not going anywhere for a while

Taylor Rules and Fed policy

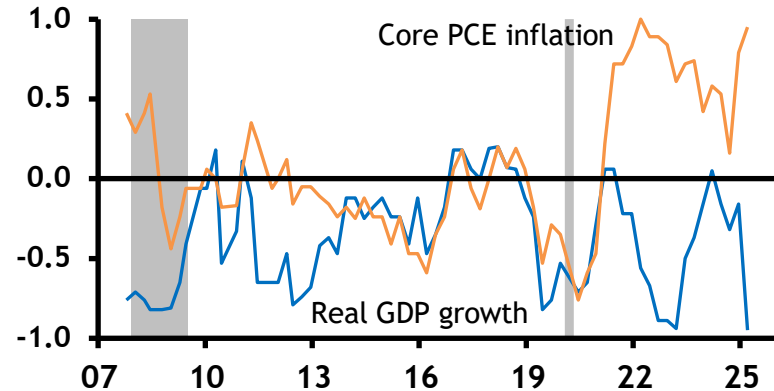
% p.a.



Source: Federal Reserve, FRBNY, CBO, J.P. Morgan

FOMC participants' risk weightings

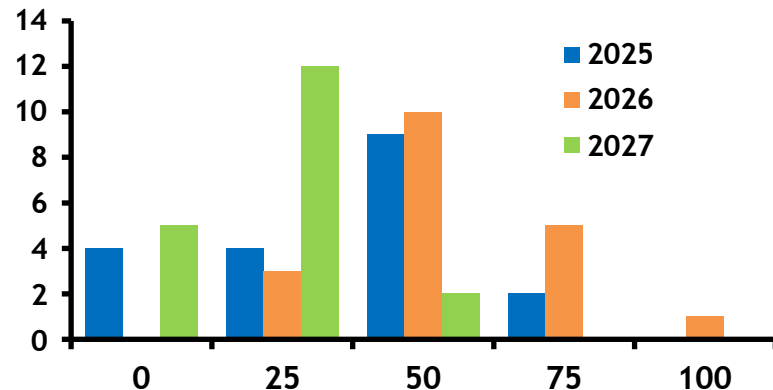
DI, positive values = upside risks



Source: Federal Reserve, J.P. Morgan

Distribution of FOMC rate cut projections

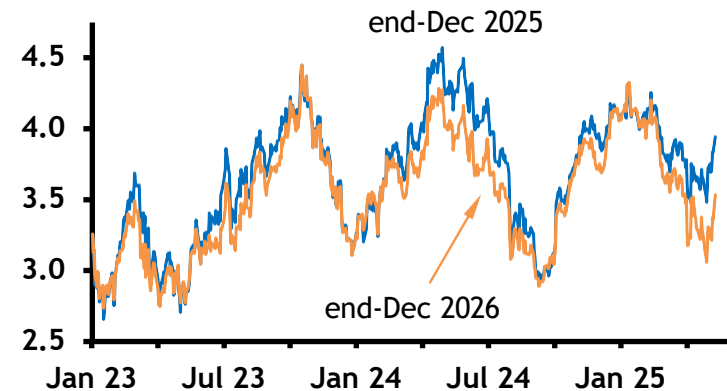
Number; bp size of cut implied by rank order of Mar. SEP



Source: Federal Reserve, J.P. Morgan

Market pricing of Fed policy rates

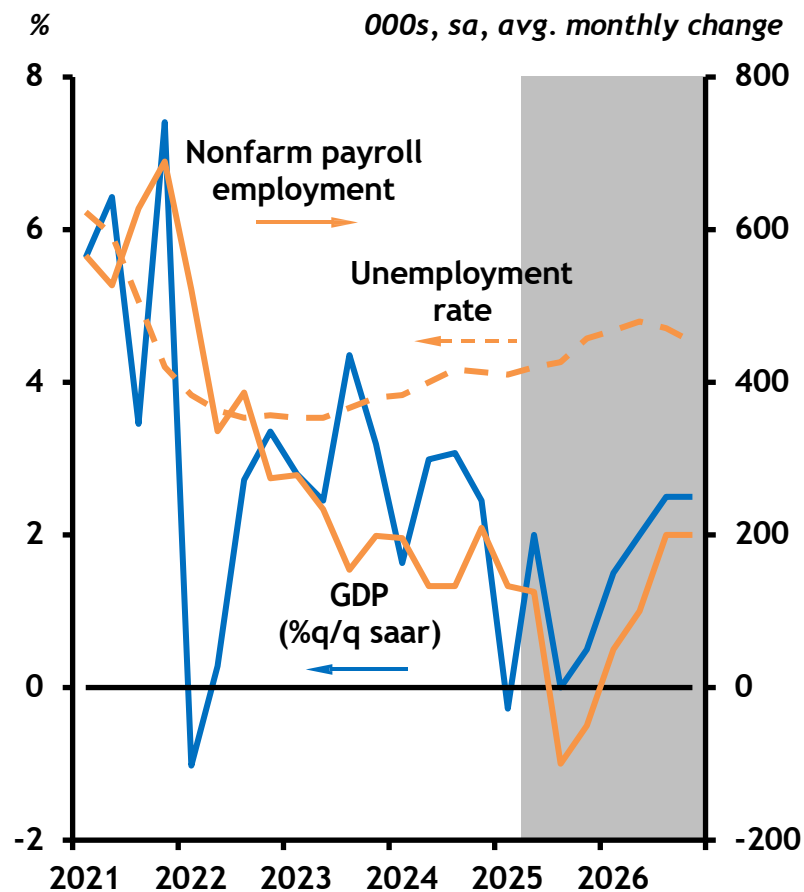
% p.a.



Source: J.P. Morgan

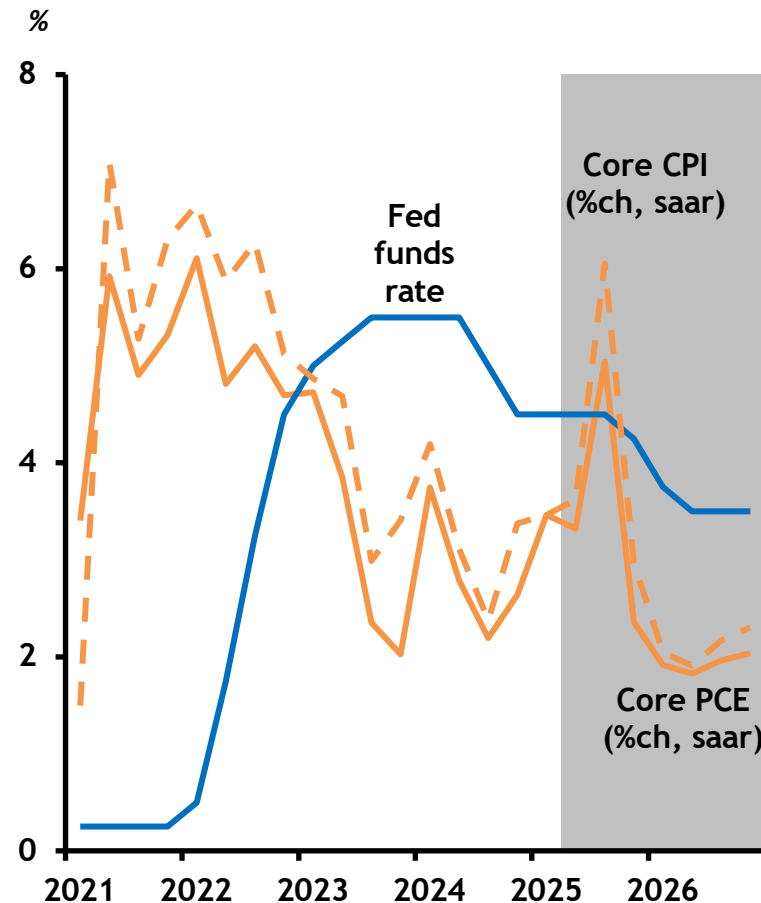
Baseline outlook: policy-induced “stagflation”

Real GDP and labor market



Source: BEA, BLS, J.P. Morgan

Inflation and interest rates

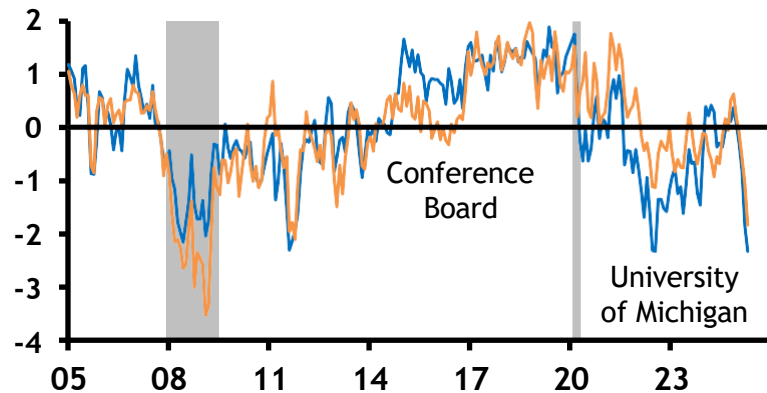


Source: BLS, FRB, J.P. Morgan

Sentiment sours as shocks surface

Consumer confidence: future expectations

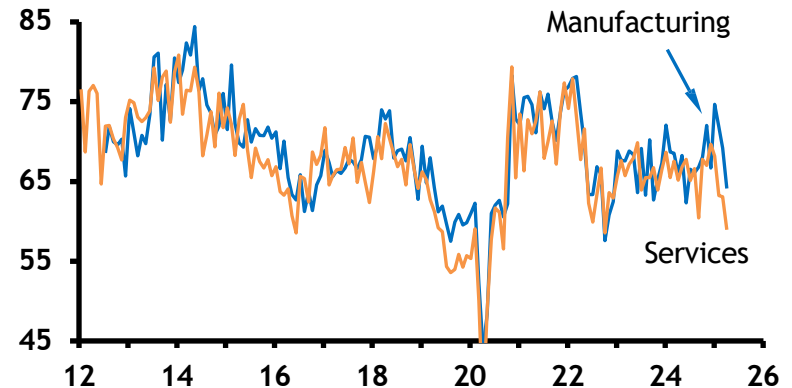
Std. dev.



Source: University of Michigan, Conference Board, J.P. Morgan

Future output PMI

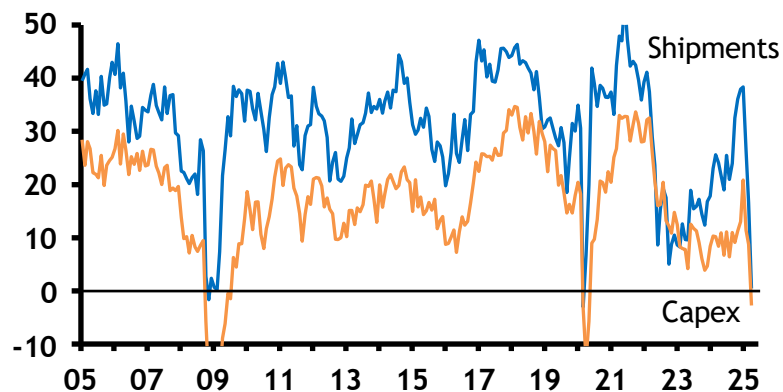
DI, nsa



Source: S&P Global, J.P. Morgan

Expectations of regional Fed mfg surveys

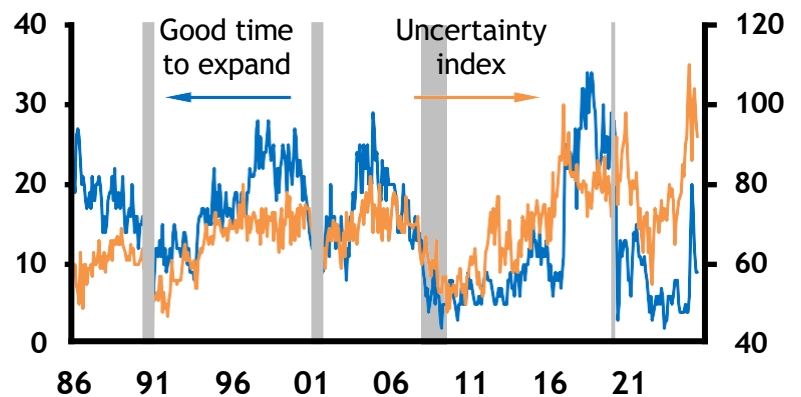
DI, sa



Source: Fed Reserve Banks of NY, Phil, Dallas, Richmond, KC; J.P. Morgan

NFIB small business survey

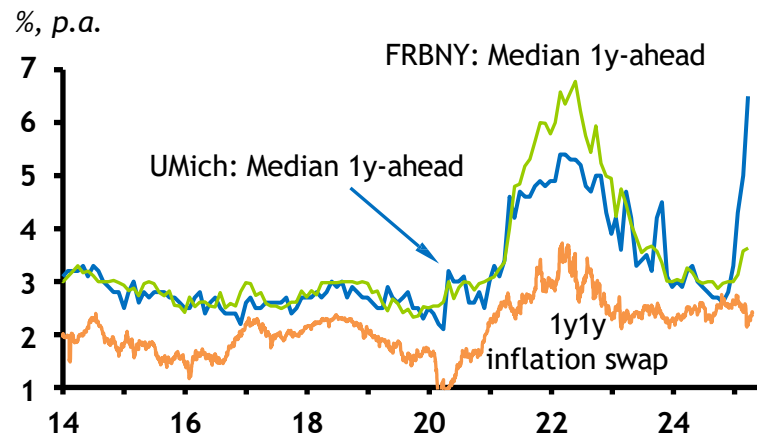
% balance



Source: NFIB, J.P. Morgan

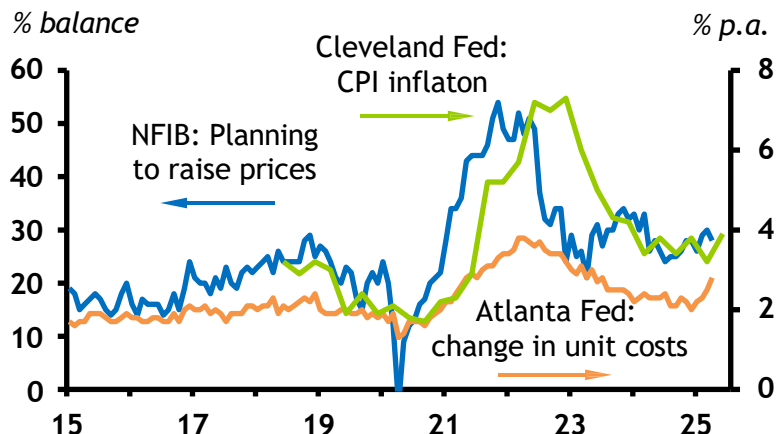
Some inflation expectations have moved higher

Short-term inflation expectations



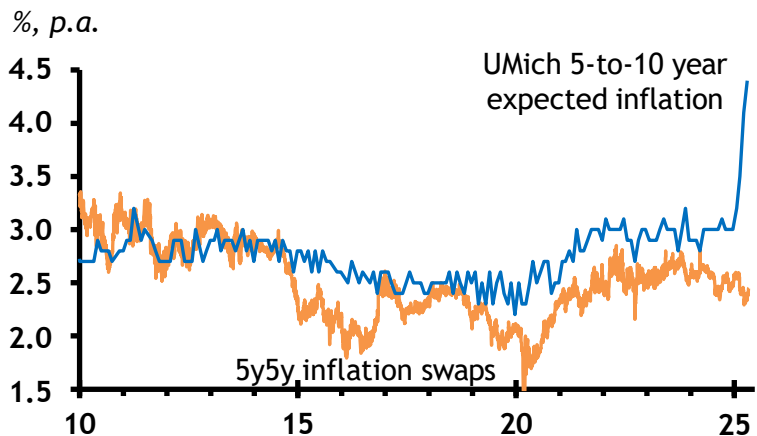
Source: UMich, FRBNY, J.P. Morgan

Business inflation expectations



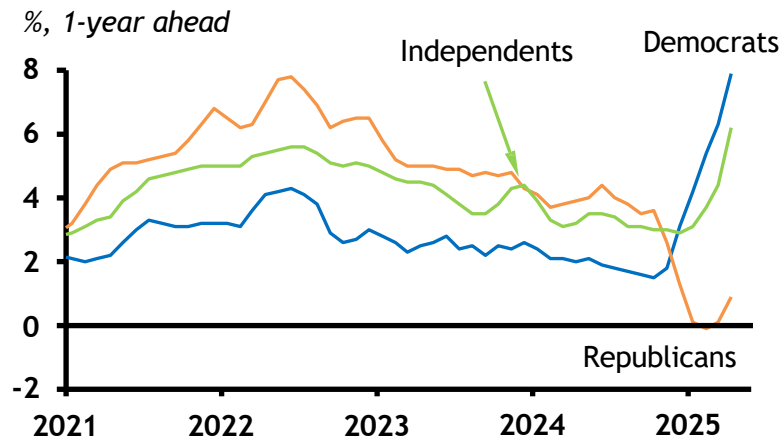
Source: NFIB, Federal Reserve Banks of Cleveland and Atlanta, J.P. Morgan

Longer-term inflation expectations



Source: University of Michigan, Bloomberg Finance L.P., J.P. Morgan

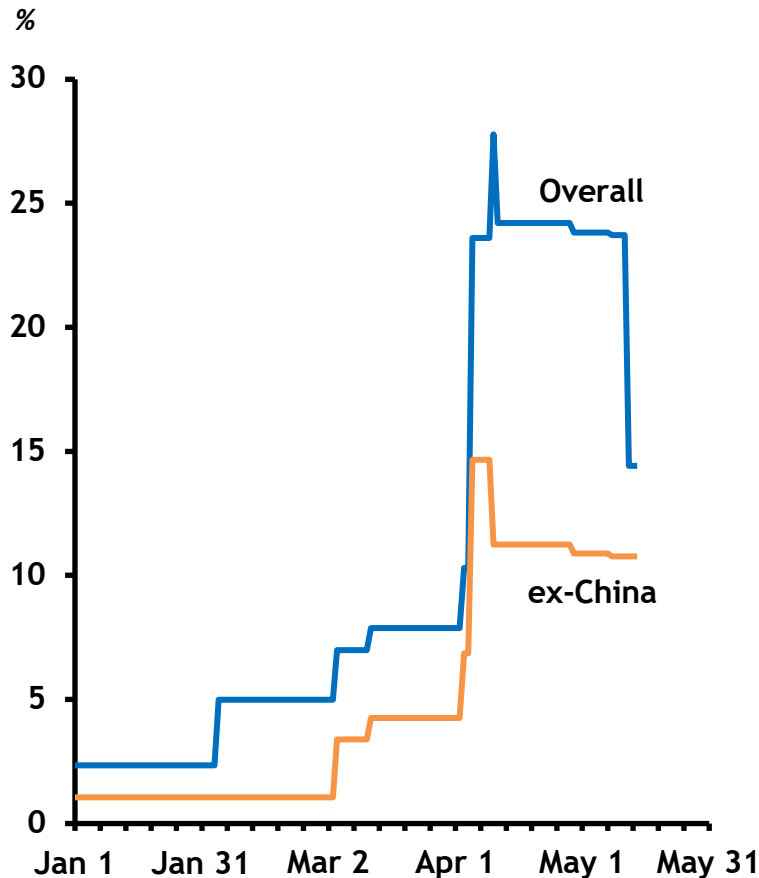
Expected inflation by political affiliation



Source: University of Michigan, J.P. Morgan

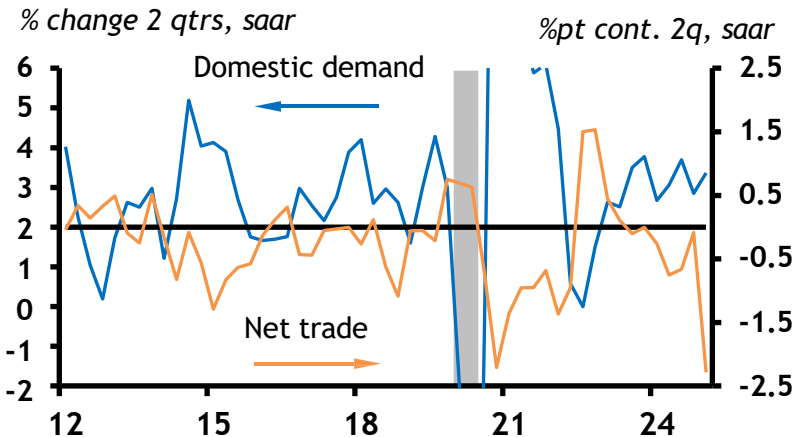
Policy uncertainty: trade and tariffs

Evolution of effective tariff rate, 2025



Source: PIIE, USITC, J.P. Morgan

US domestic demand and net trade



Source: BEA, J.P. Morgan

Estimated tariff impact (2025-2026)

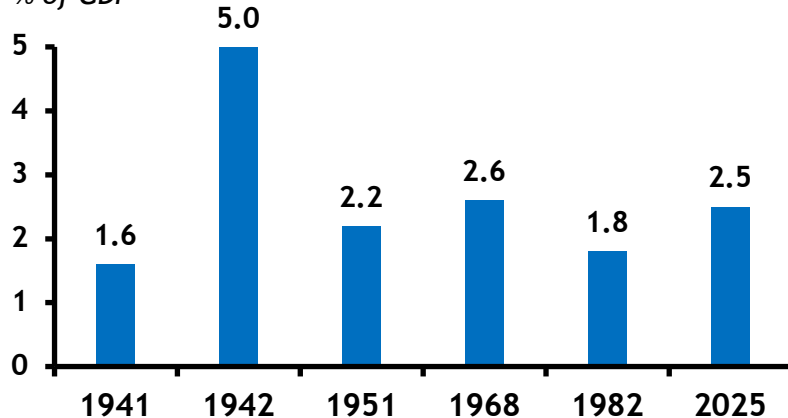
	GDP	Prices
IMF (10% universal)		
10% universal	-0.6	0.0
w/ trade policy uncertainty	-1.0	-0.1
Yale Budget Lab		
10% universal/60% China	-0.5	1.6
w/ retaliation	-0.6	1.7
Peterson Institute		
10% universal	-0.4	0.9
w/ retaliation	-0.9	1.9

Source: IMF, Yale Budget Lab, PIIE, J.P. Morgan

Policy uncertainty: trade and tariffs

Large US tax hikes

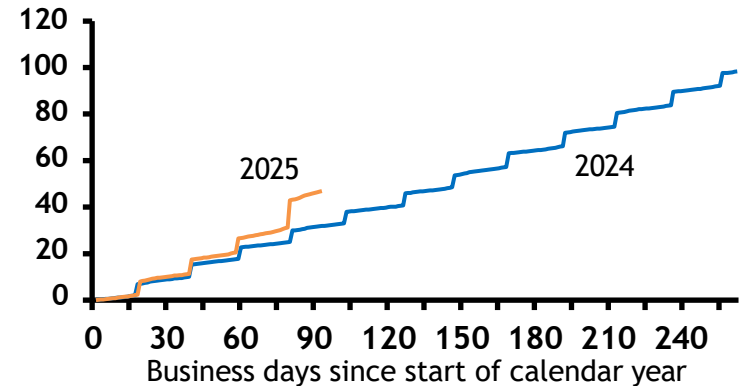
% of GDP



Source: Tax Foundation, J.P. Morgan

Federal gov't net customs revenue

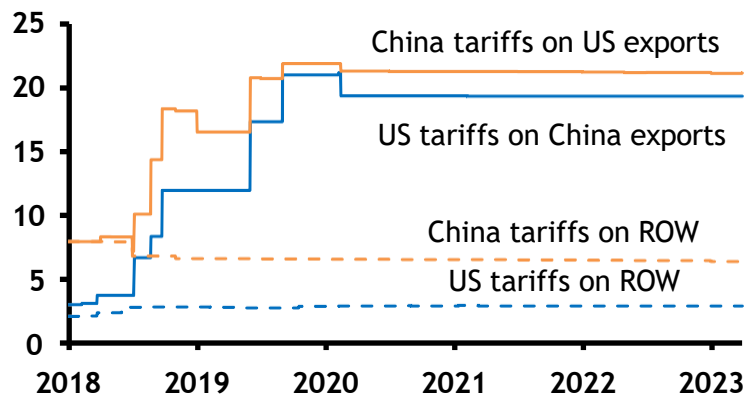
\$ bn, cumulative



Source: US Treasury Department, J.P. Morgan

US-China trade war

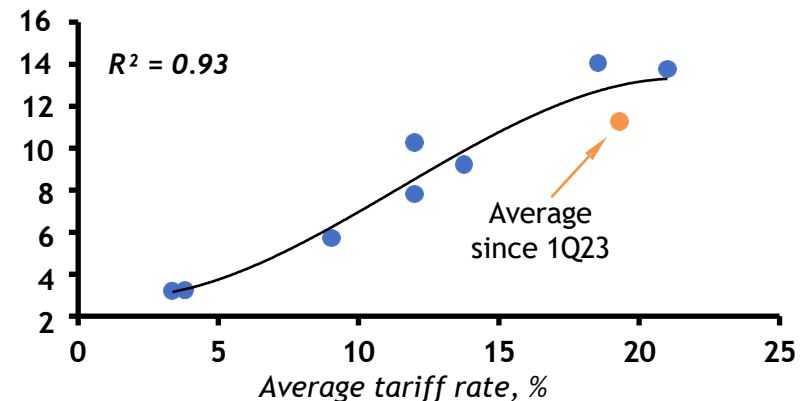
%, trade-weighted average tariff rate



Source: PIIE, J.P. Morgan

Laffer curve for 2018-19 tariffs on China

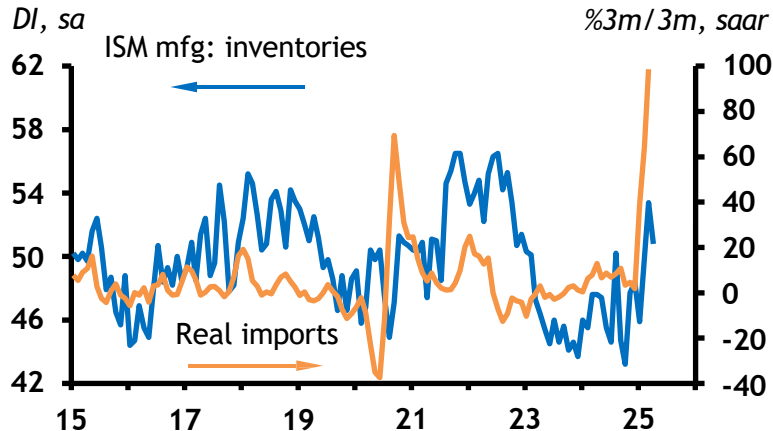
\$bn qrtly revenue; deflated by China import price index



Source: Census Bureau, PIIE, J.P. Morgan

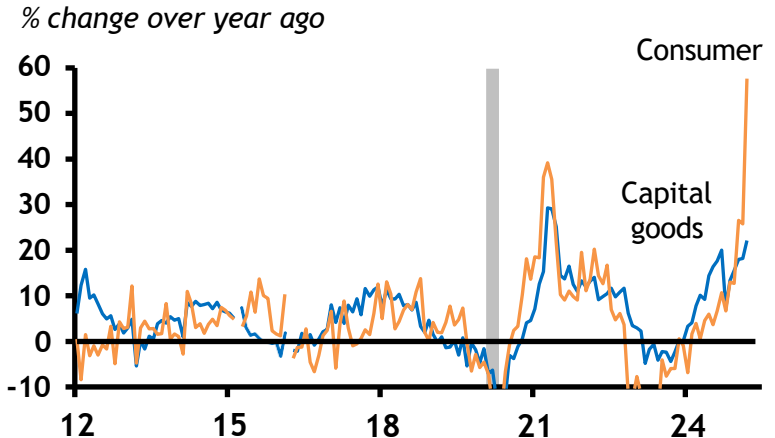
Policy uncertainty: trade and tariffs

ISM inventories and real imports



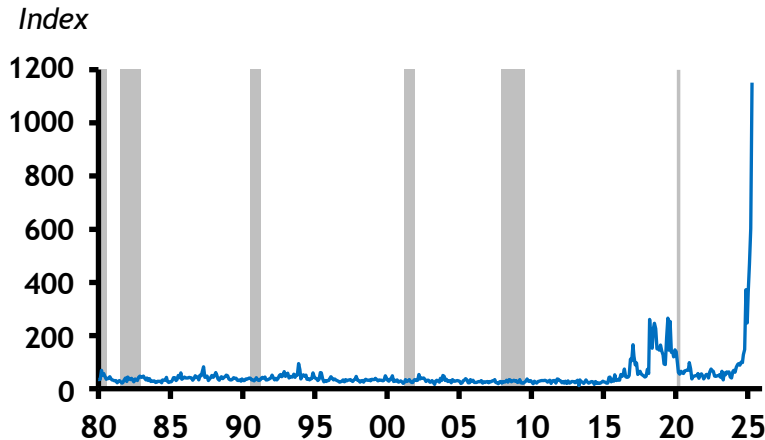
Source: ISM, Census Bureau, J.P. Morgan

US import volumes



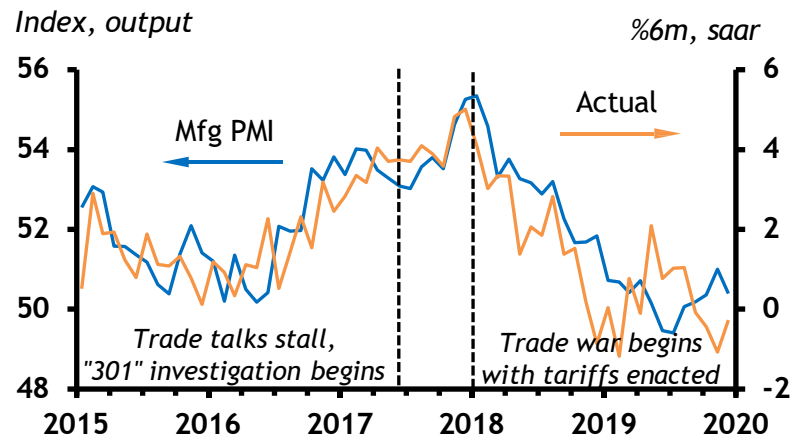
Source: Census Bureau, J.P. Morgan

US Trade Policy Uncertainty Index



Source: Caldara, et al.; J.P. Morgan

Global mfg output, actual and PMI

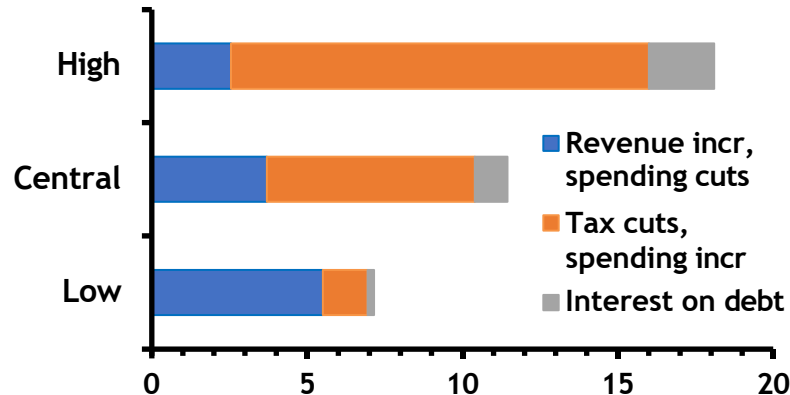


Source: National sources, S&P Global, J.P. Morgan. Details on request.

Policy uncertainty: deficits and debt

CRFB estimates of Trump fiscal plans

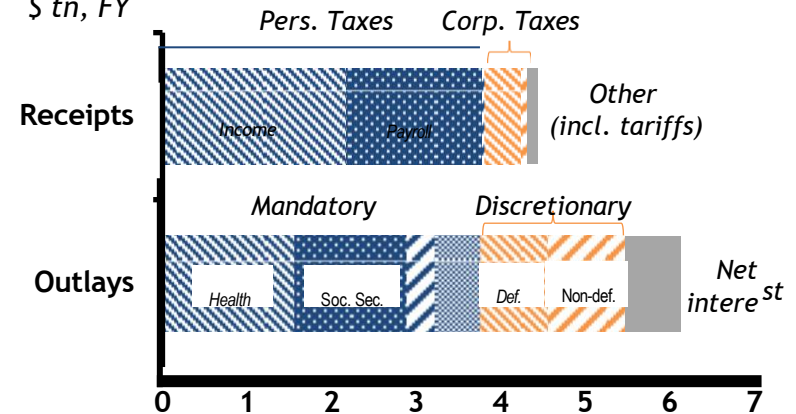
US\$, trillions



Source: Committee for a Responsible Federal Budget, J.P. Morgan

2023 US federal budget composition

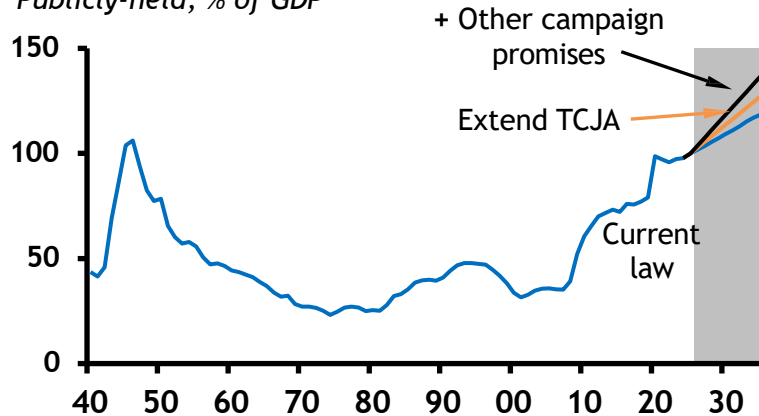
\$ tn, FY



Source: CBO, J.P. Morgan

Federal debt with projections

Publicly-held, % of GDP

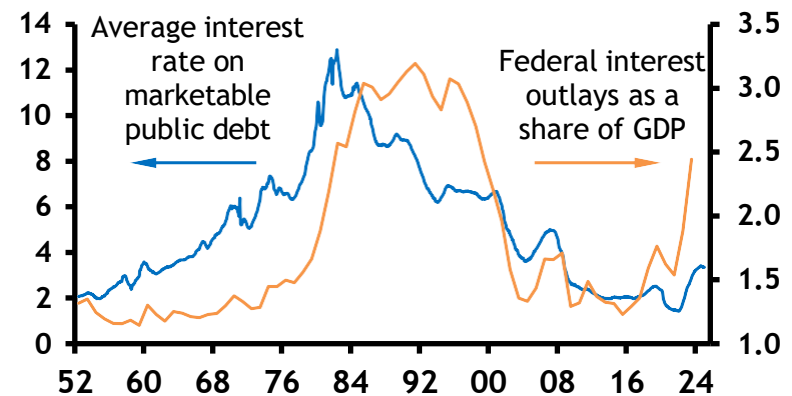


Source: CRFB, J.P. Morgan

Interest on the federal debt

% p.a.

% of GDP

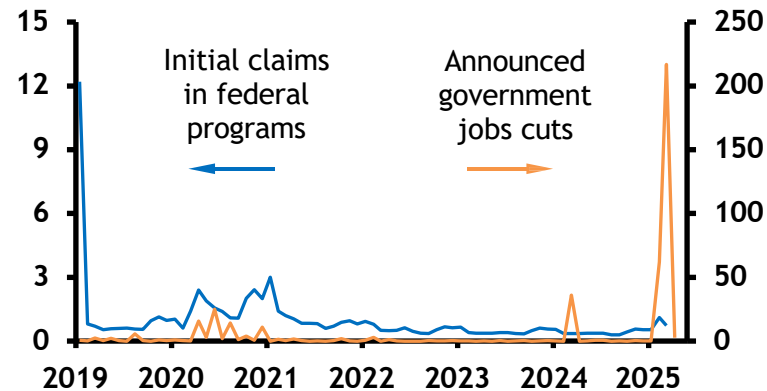


Source: US Treasury, OMB, J.P. Morgan

Policy uncertainty: DOGE-y austerity

Indicators of government layoffs

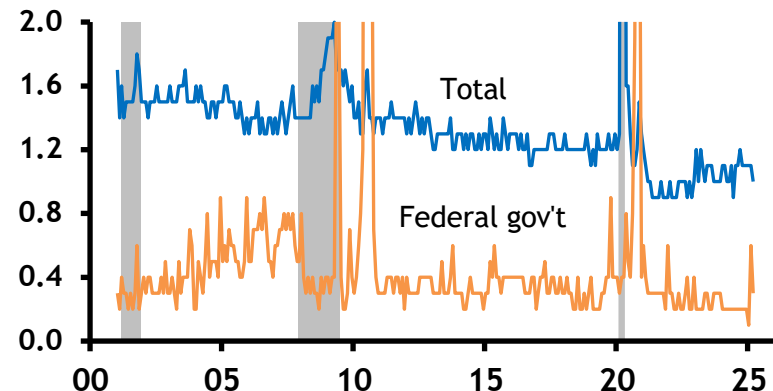
nsa, thds; both scales



Source: DOL, Challenger, Gray and Christmas, J.P. Morgan

JOLTS layoff and discharge rates

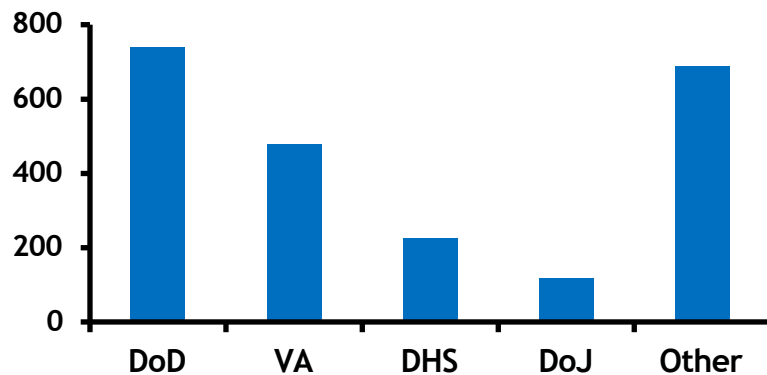
%, sa. Includes census workers



Source: BLS, J.P. Morgan

Federal civilian employment by agency

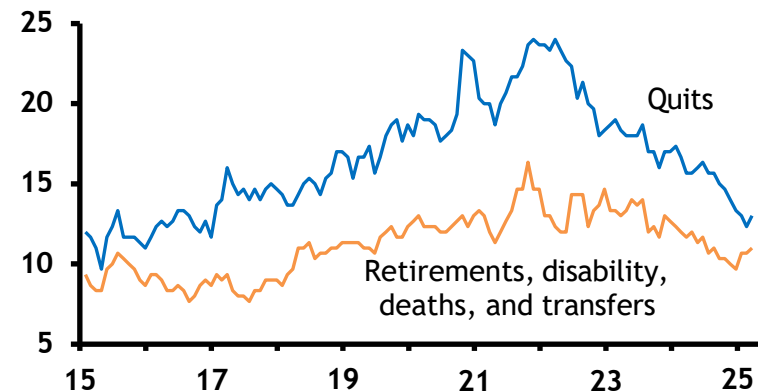
000s, as of Sep 2024; excluding Postal Service



Source: OPM, J.P. Morgan

Federal employment flows

000s of employees per month, 3mma



Source: BLS, J.P. Morgan

J.P. Morgan US forecast

	%q/q, saar								%q4/q4			%y/y		
	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2024	2025	2026	2024	2025	2026
Gross domestic product														
1. Real GDP	3.1	2.5	-0.3	2.0	0.0	0.5	1.5	2.0	2.5	0.6	2.1	2.8	1.4	1.4
2. Final sales	3.3	3.3	-2.5	3.0	2.0	1.4	1.3	1.3	2.7	0.9	1.5	2.7	1.4	1.6
3. Domestic	3.7	3.0	2.3	1.0	-0.6	-0.3	1.4	1.4	3.0	0.6	1.6	3.0	1.8	0.9
4. Consumer spending	3.7	4.0	1.8	2.0	-0.5	-0.3	1.0	1.0	3.1	0.8	1.2	2.8	2.1	0.7
5. Business investment	4.0	-2.9	9.8	-4.4	-3.5	-1.9	3.1	3.1	2.3	-0.1	3.4	3.6	1.1	0.9
6. Equipment	10.8	-8.7	22.5	-12.0	-8.0	-5.0	3.0	3.0	2.8	-1.5	4.0	3.4	1.5	-0.6
7. Structures	-5.0	2.9	0.4	-2.0	-2.0	0.0	1.0	1.0	1.0	-0.9	1.0	3.5	-0.6	0.2
8. Intellectual property products	3.1	-0.5	4.1	2.0	0.0	0.0	4.0	4.0	2.6	1.5	4.0	3.9	1.7	2.6
9. Residential investment	-4.3	5.5	1.3	4.0	4.0	3.0	2.0	2.0	2.8	3.1	2.0	4.2	2.0	2.6
10. Government	5.1	3.1	-1.4	1.0	0.5	0.5	1.4	1.4	3.2	0.1	1.4	3.4	1.3	1.1
11. Net ex ports (\$bn, chained \$2009)	-1069	-1053	-1374	-1259	-1104	-1007	-1016	-1025	-	-	-	-	-	-
12. Exports (goods and services)	9.6	-0.2	1.8	-2.5	0.0	0.0	0.0	0.0	3.0	-0.2	0.0	3.3	1.1	-0.2
13. Imports (goods and services)	10.7	-1.9	41.3	-12.5	-15.0	-10.0	1.0	1.0	5.5	-1.4	1.0	5.3	5.0	-4.2
14. Inventories (ch \$bn, chained \$2009)	57.9	8.9	140.1	82.5	-33.4	-84.9	-72.5	-30.9	-	-	-	-	-	-
Contribution to real GDP growth (% pts):														
15. Domestic final sales	3.8	3.0	2.3	1.0	-0.7	-0.3	1.4	1.4	3.0	0.6	1.6	3.1	1.8	0.9
16. Net ex ports	-0.4	0.3	-4.8	2.0	2.6	1.7	-0.2	-0.2	-0.3	0.4	-0.1	-0.3	-0.4	0.7
17. Inventories	-0.2	-0.8	2.3	-1.0	-1.9	-0.9	0.2	0.7	-0.2	-0.4	0.6	0.0	-0.1	-0.2
Income and profits (NIPA basis)														
18. Adjusted corp profits	-1.6	23.3	-2.9	-12.3	12.9	9.8	7.0	2.2	8.2	1.4	5.1	7.9	3.6	5.8
19. Real disposable personal income	0.2	1.9	2.7	2.3	-1.2	-0.4	0.8	2.6	2.2	0.8	2.0	2.7	1.4	1.0
20. Nominal disposable personal income		4.3	6.3	4.6	2.7	1.9	2.5	4.3	4.6	3.9	3.8	5.2	4.1	3.2
21. Saving rate ¹	4.1	3.7	4.0	4.1	3.9	3.9	3.8	4.2	-	-	-	4.5	4.0	4.2
Prices and labor cost														
22. Consumer price index	1.4	3.0	3.8	2.7	4.8	2.7	1.9	1.9	2.7	3.5	2.1	3.0	3.1	2.5
23. Core	2.4	3.4	3.5	3.6	6.1	3.0	2.0	1.9	3.3	4.0	2.1	3.4	3.6	2.8
26. PCE deflator	1.5	2.4	3.6	2.3	3.9	2.4	1.7	1.6	2.5	3.0	1.9	2.5	2.8	2.2
27. Core	2.2	2.6	3.5	3.3	5.0	2.4	1.9	1.8	2.8	3.5	1.9	2.8	3.2	2.5
28. GDP chain-type price index	1.9	2.3	3.7	2.1	4.0	2.0	1.8	1.7	2.5	3.0	1.9	2.4	2.8	2.2
29. S&P/C-S house price index (%oya)	4.4	3.7	3.4	1.6	2.4	3.0	3.0	3.0	3.7	3.0	3.0	5.1	2.6	3.0
30. Employment Cost Index	3.4	3.6	3.6	3.2	2.5	2.5	2.5	2.5	3.8	3.0	2.7	3.9	3.3	2.6
31. Productivity	2.9	1.7	-0.8	0.7	1.8	1.4	2.0	0.3	2.1	0.8	1.4	2.7	1.0	1.4
Other indicators														
32. Housing starts (mn units, saar) ¹	1.33	1.39	1.39	1.35	1.35	1.35	1.35	1.35	-	-	-	1.37	1.36	1.35
33. Industrial production, mfg.	-0.8	-1.5	5.1	1.0	0.0	1.0	3.0	3.0	-0.5	1.7	4.0	-0.5	1.2	2.5
35. Light vehicle sales (mn units, saar) ¹	15.6	16.5	16.4	16.4	14.0	14.0	15.5	15.5	-	-	-	15.8	15.2	15.5
36. Unemployment rate ¹	4.2	4.1	4.1	4.2	4.3	4.6	4.7	4.8	-	-	-	4.0	4.3	4.7
37. Pay roll employment (ch, '000s, samr) ¹	133	209	133	125	-100	-50	50	100	-	-	-	168	27	138
38. Nominal GDP	5.0	4.8	3.5	4.1	4.0	2.5	3.3	3.7	5.0	3.5	4.1	5.3	4.2	3.6
39. Current account balance (\$bn) ¹	-310	-304	-331	-302	-288	-284	-285	-290	-	-	-	-1134	-1205	-1170
40. % of GDP	-4.2	-4.1	-4.4	-4.0	-3.8	-3.7	-3.7	-3.7	-	-	-	-3.9	-4.0	-3.7
41. Federal budget balance (\$bn) ¹	-	-	-	-	-	-	-	-	-	-	-	-1833	-1820	-2250
42. % of GDP	-	-	-	-	-	-	-	-	-	-	-	-6.3	-6.0	-7.1

Global Economic Outlook Summary

	Real GDP				Real GDP						Consumer prices			
	% over a year ago				% over previous period, saar						% over a year ago			
	2024	2025	2026		4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	4Q24	2Q25	4Q25	2Q26
United States	2.8	1.4 h	1.4 h		2.5	-0.3	<u>2.0</u>	0.0 h	0.5 h	1.5	2.7	2.7	3.5 i	2.8 i
Canada	1.5	0.9	0.4		2.6	<u>1.8</u>	-1.5	-1.0	-0.5	1.0	1.9	2.5	1.6	1.3
Latin America	2.0	1.4	1.5		0.6	<u>3.1</u>	0.4	-0.6	-0.1	2.2	4.6	4.6	4.5	3.9
Argentina	-1.7	5.0	3.7		5.7	<u>3.6</u>	3.8	4.0	0.5	5.5	158.7	42.1	27.6	15.9
Brazil	3.4	1.9	1.2		0.7	<u>5.0</u>	1.0	-0.2	-0.5	1.0	4.8	5.5	5.6	4.4
Chile	2.6	1.7	1.7		1.5	<u>2.2</u>	3.0	-1.2	-0.2	2.8	4.5	5.3	3.9	2.7
Colombia	1.7	1.6	2.0		2.5	<u>4.0</u>	2.4	-2.5	-2.2	3.0	5.3	4.7	4.5	3.8
Ecuador	-2.0	1.5	1.3		5.1	<u>5.0</u>	3.0	2.0	1.5	0.5	1.1	0.6	1.6	2.2
Mexico	1.5	-0.7	0.7		-2.5	0.6	<u>-3.1</u>	-2.0	0.5	2.0	4.5	3.9	3.5	3.6
Peru	3.3	2.3	2.3		3.2	<u>1.6</u>	2.6	-2.5	0.0	4.0	2.1	1.7	2.3	2.7
Uruguay	3.1	1.9	2.0		1.4	<u>2.5</u>	1.7	-1.4	0.8	3.0	5.2	5.7	5.3	4.4
Asia/Pacific	4.1	3.8 h	3.2 h		5.5	<u>5.1</u>	2.6 h	2.4 h	2.6 h	4.2	1.5	1.2 h	1.4	1.6 i
Japan	0.1	1.3	0.7		2.2	<u>1.0</u>	0.5	0.6	0.6	0.8	2.9	3.3	3.0	2.4
Australia	1.0	1.6	2.4		2.4	<u>1.4</u>	1.4	1.3	2.3	2.6	2.4	2.1	3.3	3.1
New Zealand	-0.5	0.9	2.3		2.6	<u>2.4</u>	1.1	2.3	1.8	2.5	2.2	2.0	1.6	1.5
EM Asia	4.9	4.4 h	3.7 h		6.3	<u>6.0</u>	3.0 h	2.8 h	3.0 h	4.8	1.2	0.8 h	1.0	1.4 i
China	5.0	4.8 h	3.6 h		7.6	6.6	<u>3.0</u> h	3.0 h	3.0 h	4.9	0.2	-0.2 h	0.0	0.6 i
India	6.5	6.0	6.3		5.2	<u>8.0</u>	5.5	5.4	5.6	6.6	5.6	4.2	3.9	4.8
Ex China/India	3.7	2.4	2.5		3.1	<u>3.0</u>	1.5	0.7	1.4	3.5	1.6	1.8	2.1	1.6
Hong Kong	2.5	2.8	1.9		3.6	8.2	<u>0.6</u>	0.2	0.8	2.4	1.4	1.9	1.3	1.6
Indonesia	5.0	4.5	4.5		5.0	4.8	<u>3.8</u>	3.5	3.5	5.2	1.6	2.2	3.2	2.2
Korea	2.0	0.5	1.9		0.3	-1.0	<u>2.5</u>	1.0	1.5	2.0	1.6	2.2	2.2	1.2
Malaysia	5.1	2.8	3.0		3.1	<u>4.4</u>	0.5	1.0	1.0	5.0	1.8	1.6	3.1	2.7
Philippines	5.7	5.3	5.5		6.1	5.1	<u>3.0</u>	4.0	5.0	7.0	2.6	1.6	1.6	2.3
Singapore	4.4	0.7	1.2		2.0	<u>-3.0</u>	-2.0	-2.0	0.0	3.5	1.4	1.0	1.5	1.7
Taiwan	4.6	3.3	0.6		6.6	<u>9.7</u>	<u>-0.5</u>	-3.5	-2.2	2.0	2.0	2.2	1.5	1.3
Thailand	2.5	1.0	1.3		1.5	<u>2.4</u>	-2.0	-2.0	0.0	3.5	1.0	0.1	0.6	0.1
Western Europe	0.8	1.0	0.9		0.9	<u>1.6</u>	0.5	0.3	0.5	1.0	2.2	2.1	1.7	1.6
Euro area	0.8	0.9	0.9		1.0	1.4	<u>0.5</u>	0.3	0.5	1.0	2.2	1.9	1.4	1.4
Germany	-0.2	0.3	1.1		-0.8	0.8	<u>0.8</u>	0.5	0.8	1.0	2.5	1.9	1.3	1.5
France	1.1	0.4	0.7		-0.3	0.5	<u>0.0</u>	0.0	0.5	0.8	1.7	0.7	0.8	1.7
Italy	0.5	0.5	0.5		0.7	1.0	<u>0.0</u>	0.0	0.3	0.5	1.3	2.0	2.3	1.5
Spain	3.2	2.3	1.7		2.9	2.3	<u>2.0</u>	1.3	1.8	1.8	2.4	2.2	1.9	1.7
Norway	0.6	0.9	1.5		-1.6	<u>2.0</u>	0.8	1.3	1.5	1.5	2.4	2.7	2.9	3.2
Sweden	0.9	1.4	1.9		3.1	<u>0.3</u>	0.5	1.5	1.5	2.3	1.3	0.4	0.7	0.8
United Kingdom	1.1	1.0	0.6		0.4	<u>2.5</u>	0.6	0.4	0.2	0.6	2.5	3.1	2.8	2.2
EMEA EM	2.7	2.1	2.2		4.7	<u>0.7</u>	2.7	1.5	1.7	2.4	14.0	12.6	10.3	8.2
Czech Republic	1.1	1.9	1.5		2.6	2.0	<u>1.8</u>	1.3	1.3	1.5	2.9	2.3	2.5	2.5
Hungary	0.5	0.6	2.1		2.6	-0.8	<u>2.3</u>	1.8	2.0	2.5	3.8	5.2	4.8	4.5
Israel	1.0	3.9	3.5		2.1	<u>6.0</u>	4.3	3.5	3.3	3.0	3.4	3.3	2.6	2.0
Poland	2.9	3.0	2.7		5.3	<u>2.0</u>	3.5	2.5	2.8	2.8	4.8	4.3	3.1	3.6
Romania	0.8	1.3	2.5		2.2	<u>-1.0</u>	4.7	-1.3	5.2	1.2	5.0	5.7	6.1	5.1
Russia	4.1	1.3	1.5		5.3	<u>-4.0</u>	3.5	0.8	1.5	1.0	9.0	10.2	7.9	5.6
South Africa	0.6	1.3	1.4		3.1	<u>1.4</u>	1.7	1.2	1.2	1.3	2.9	2.6	3.9	4.5
Turkey	3.2	2.9	3.0		6.9	<u>6.0</u>	0.3	2.0	0.0	5.5	46.6	37.6	30.4	23.9
Global	2.8	2.2 h	2.0 h		3.2	<u>2.3</u>	1.8 h	1.0 h	1.3 h	2.4	2.9	2.7	2.8 i	2.4 i
Developed markets	1.8	1.2 h	1.2 h		1.9	<u>0.6</u>	1.2	0.2 h	0.5 h	1.3	2.5	2.5	2.7 i	2.3 i
Emerging markets	4.2	3.6 h	3.1 h		5.2	<u>4.8</u>	2.6 h	2.1 h	2.3 h	4.1	3.6	3.1 h	2.8	2.7 i
Emerging ex China	3.4	2.7	2.8		3.2	<u>3.2</u>	2.2	1.3	1.8	3.4	6.5	6.0	5.3	4.6
Global — PPP weighted	3.2	2.7 h	2.4 h		3.7	<u>2.9</u>	2.1 h	1.4 h	1.7 h	2.9	3.7	3.3 h	3.1 i	2.8 i

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