

Economic risks and outlook

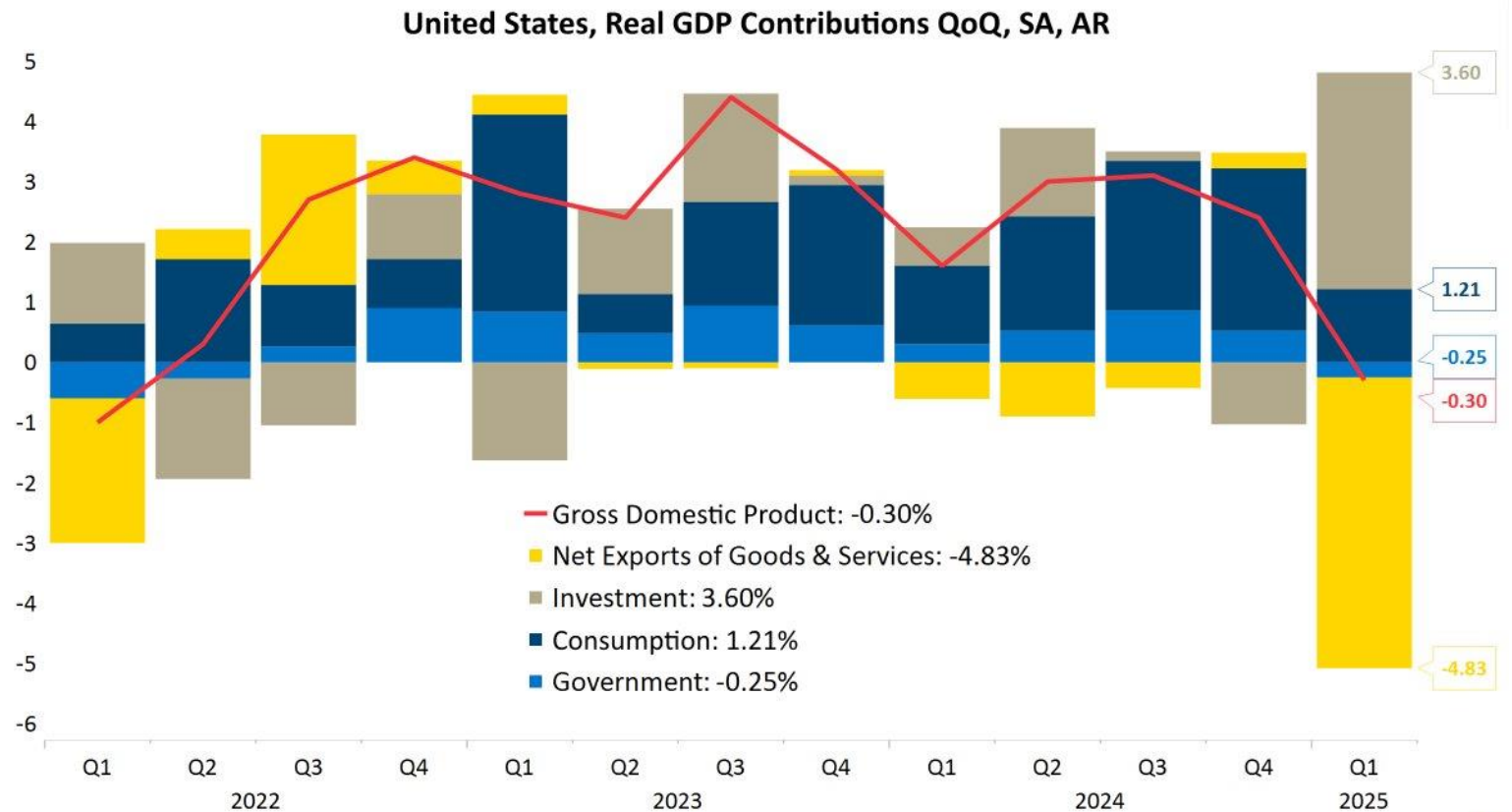
May 15, 2025

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Federal Reserve Bank *of* Atlanta
Nashville Branch

Consumer
spending
remains the
primary
engine for
economic
activity

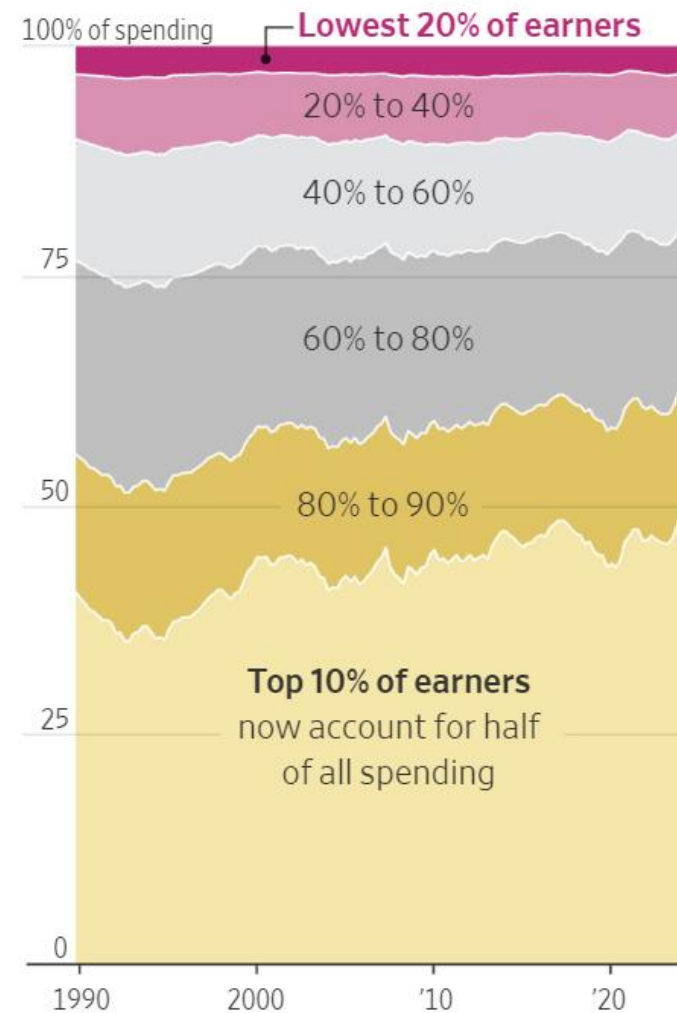


As of 2025 Q1
Source: DoubleLine, U.S. Bureau of Economic Analysis (BEA), Macrobond



However, the source of that spending has become more concentrated among top earners

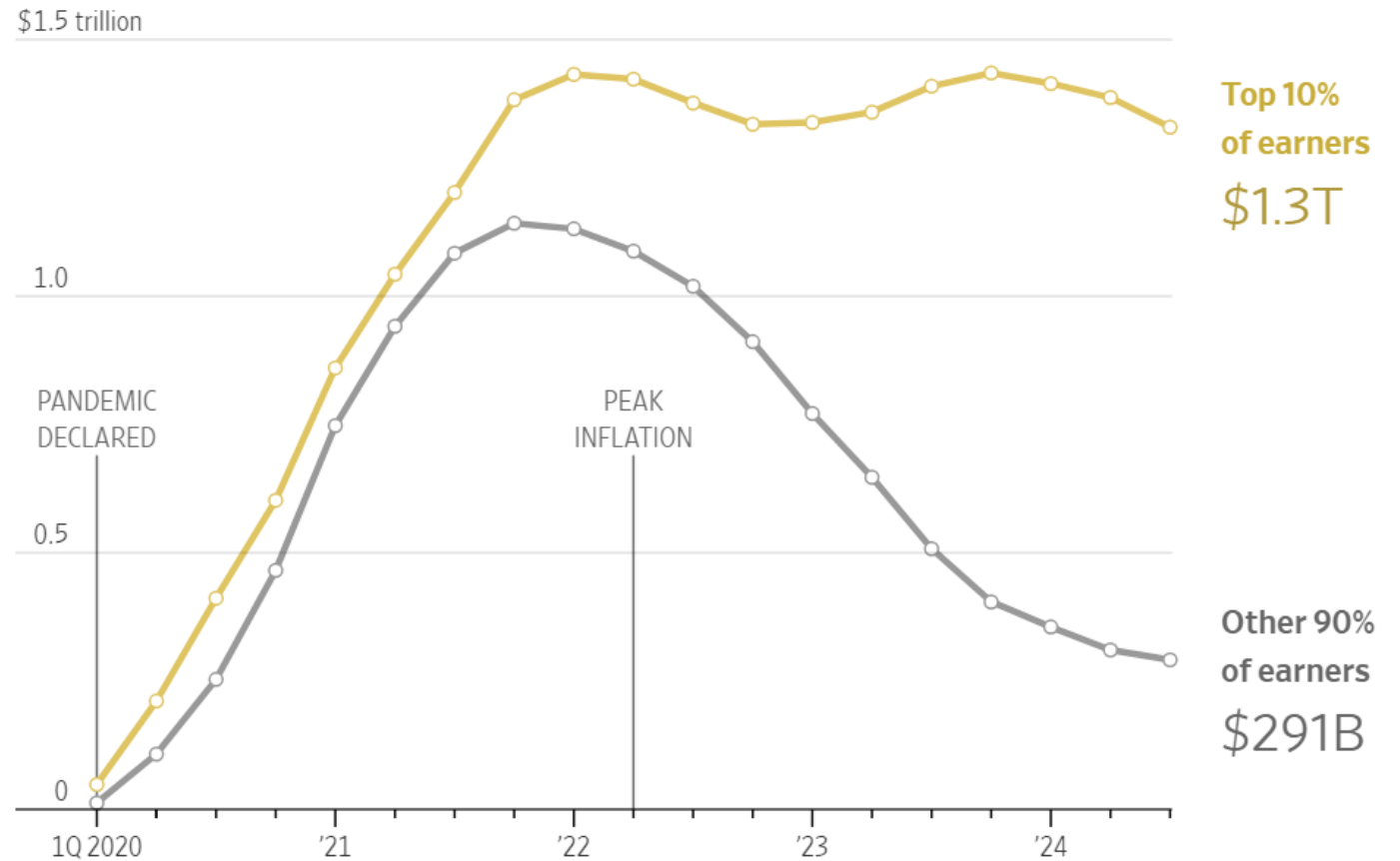
Share of spending, by income group



Source: Moody's Analytics

And wealth among the top 10% of earners has held up, even as inflation depleted pandemic-era savings for the majority of households

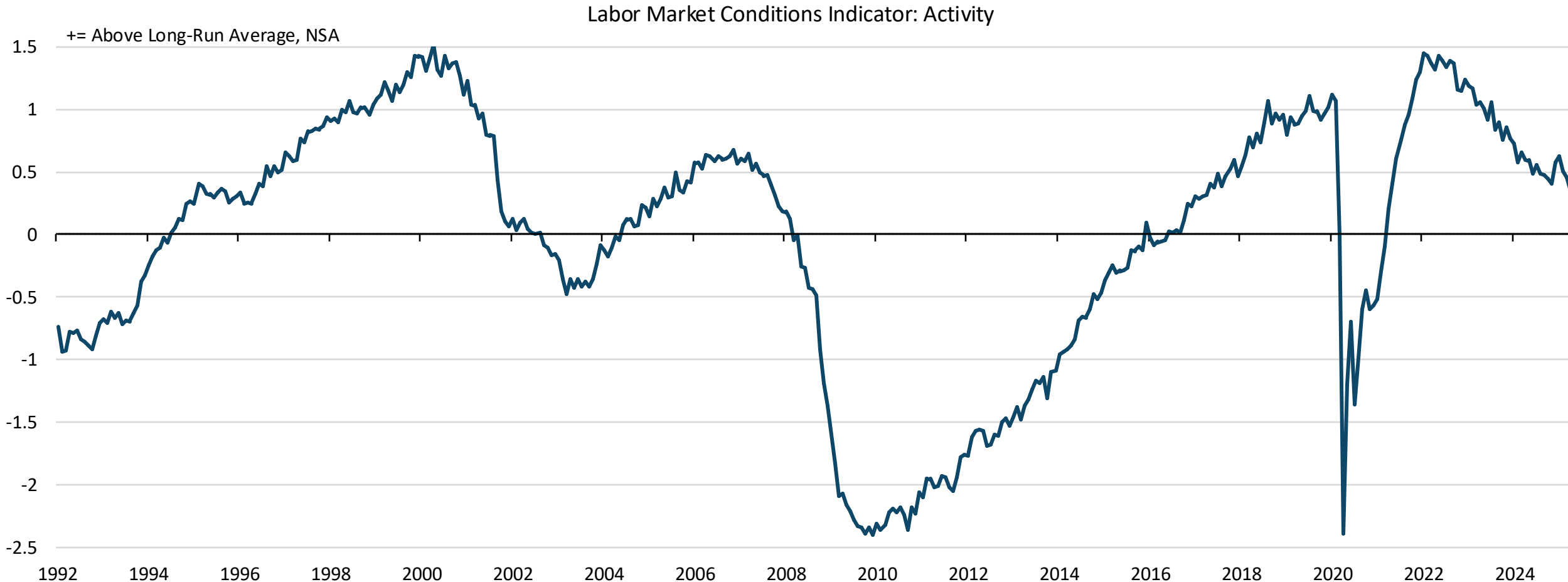
Cumulative excess savings, by income



Note: Chart shows savings above the typical prepandemic saving rate.

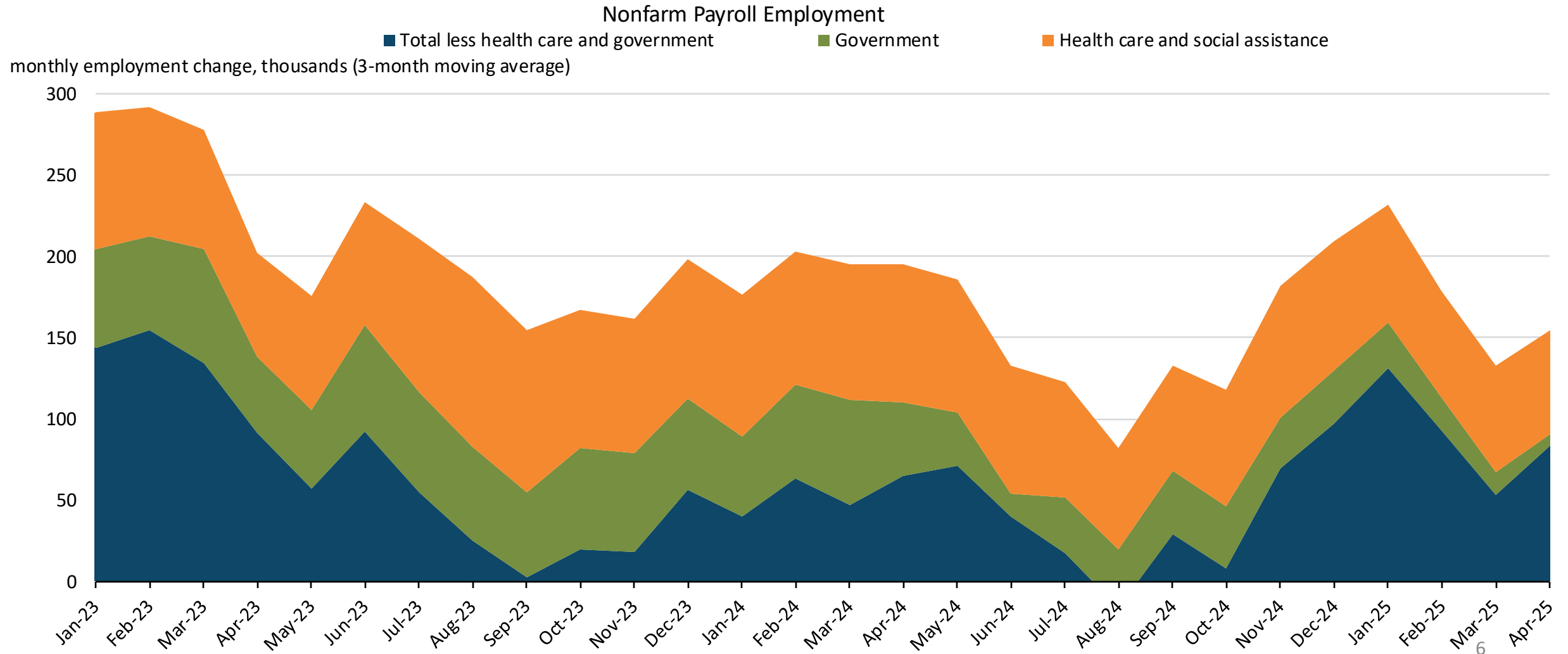
Source: Moody's Analytics

Labor market conditions have eased over the past two years and are currently consistent with conditions in 2017

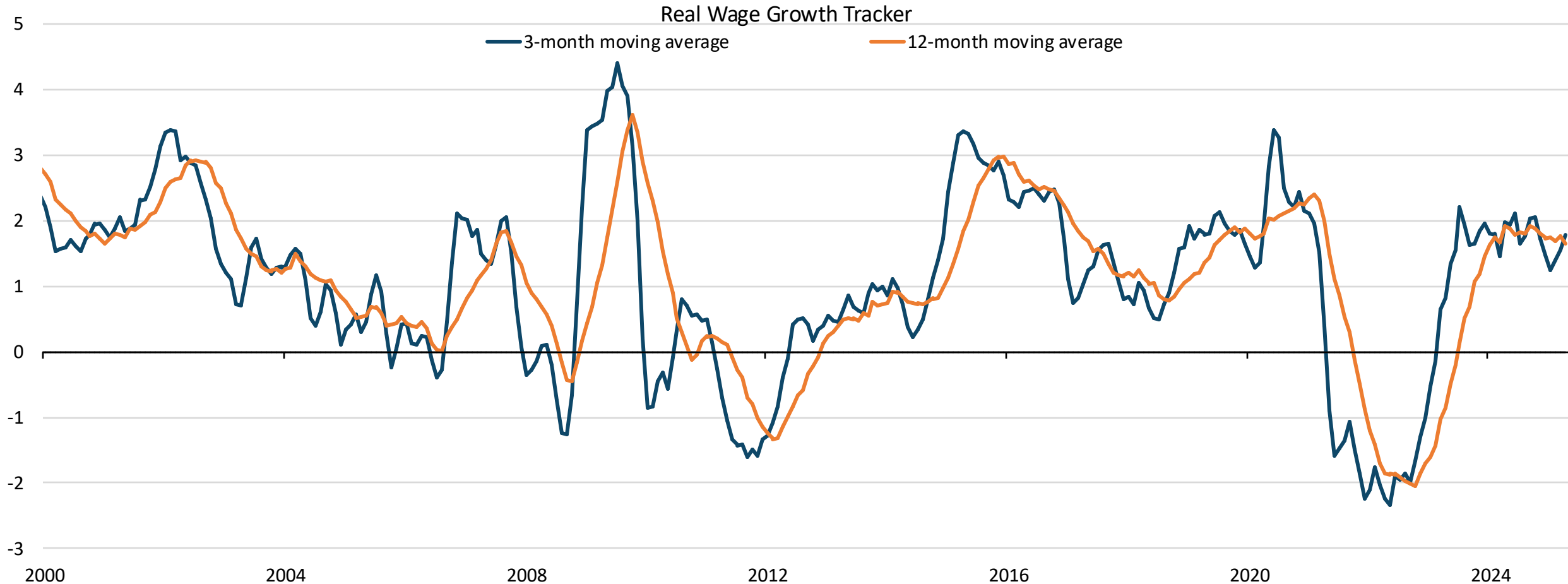


Source: Federal Reserve Bank of Kansas City
Data through April 2025.

Though employment growth has moderated, it's remained solid, thanks in large part to job gains in the healthcare sector



Real wage growth has been positive over the past 18 months



Sources: Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta Calculations

Data updates can be found at <https://www.frbatlanta/chcs/wage-growth-tracker>.

See the 'definitions' tab in this spreadsheet for explanations of series. Wage computed on an hourly basis unless otherwise noted.

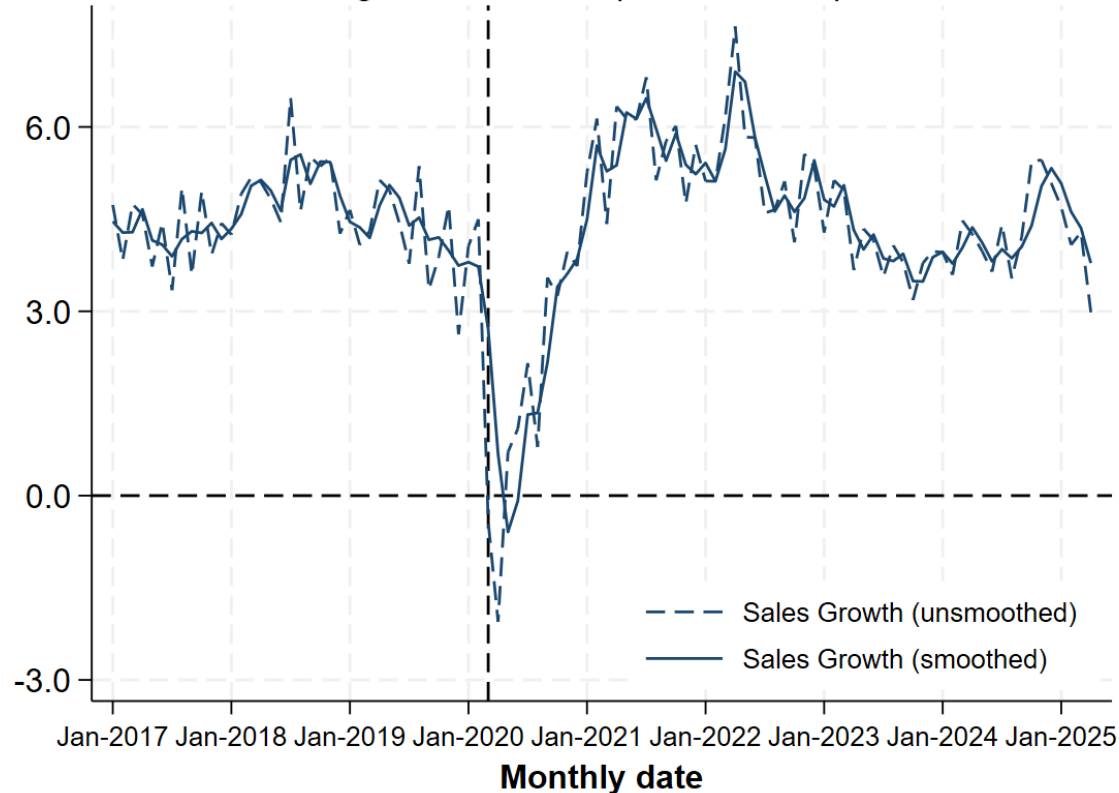
Data through April 2025.

Firms' nominal sales growth expectations dropped in late April. However, uncertainty did not shift meaningfully.

January 2017–April 2025

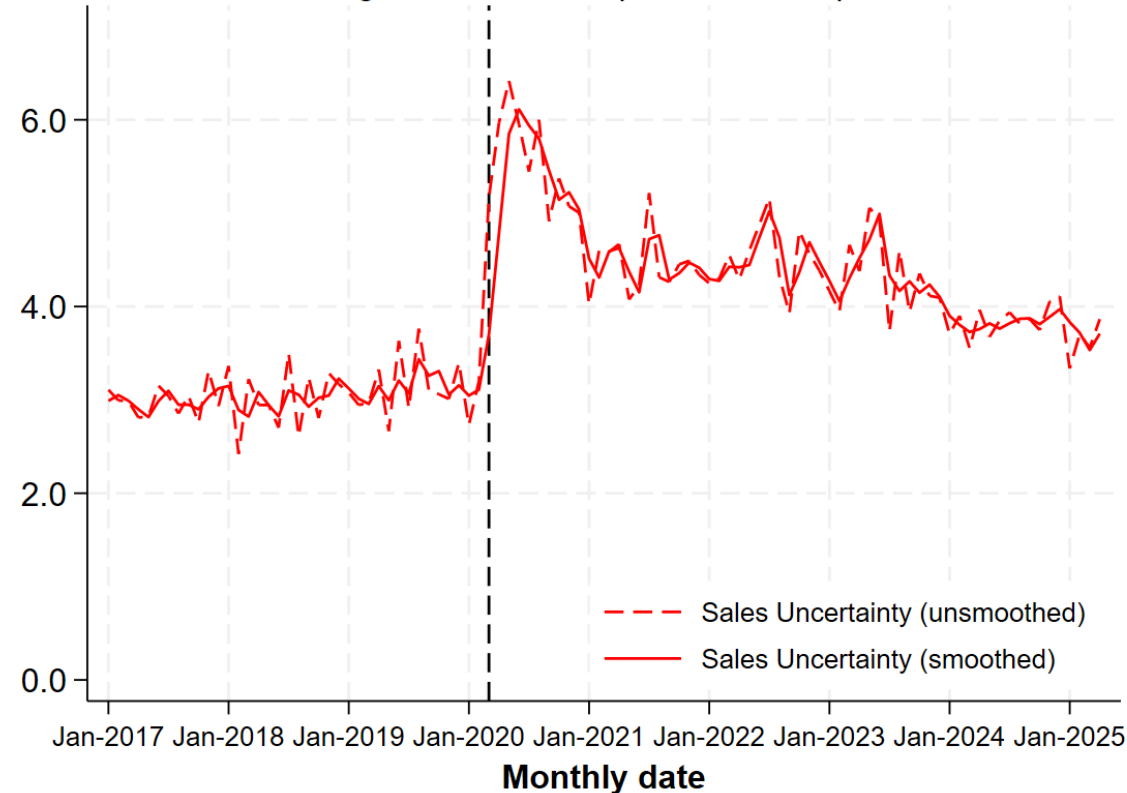
Year-Ahead Sales Growth Rate Expectations

Percent changes from current quarter to four quarters hence



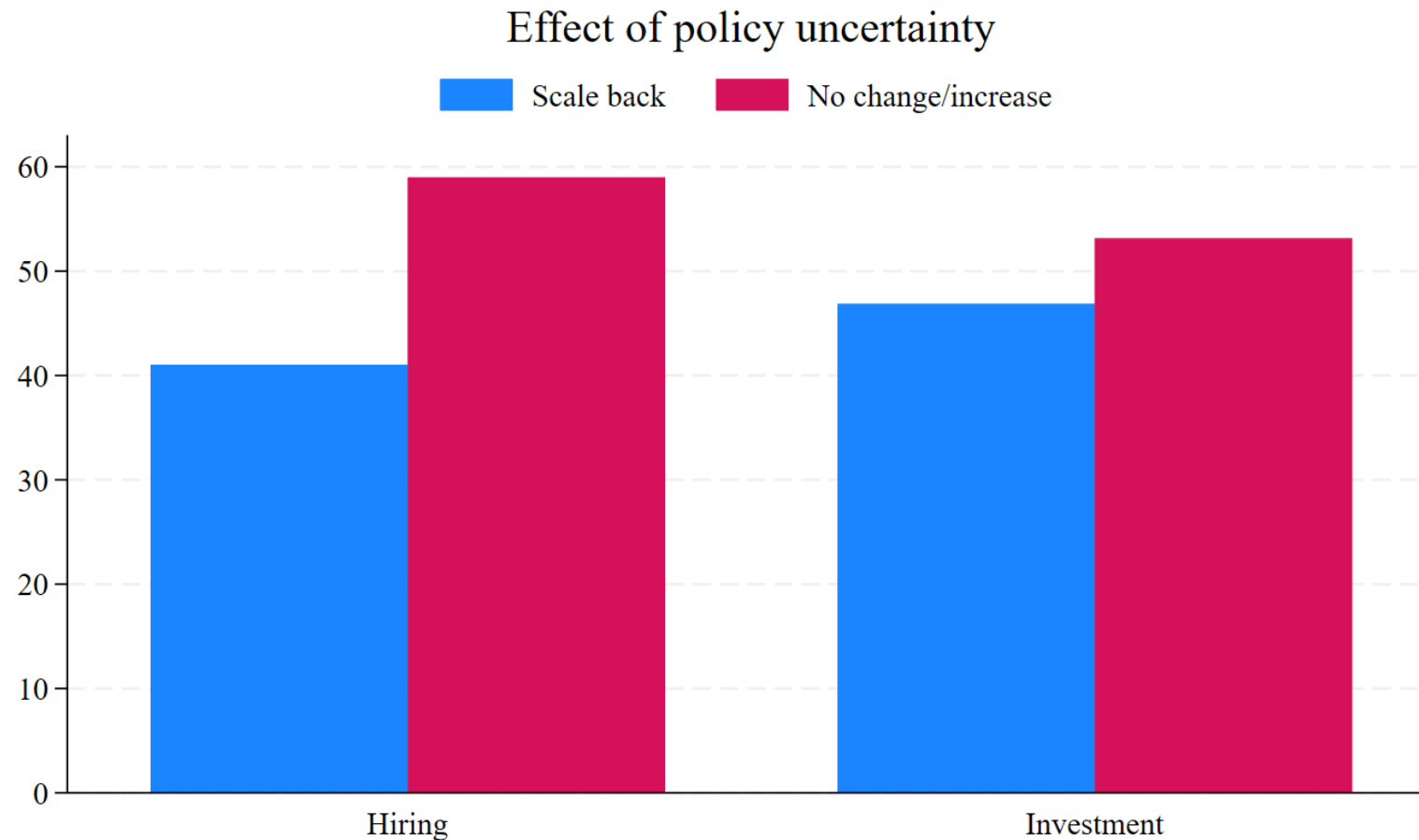
Year-Ahead Uncertainty about Sales Growth Rates

Percent changes from current quarter to four quarters hence



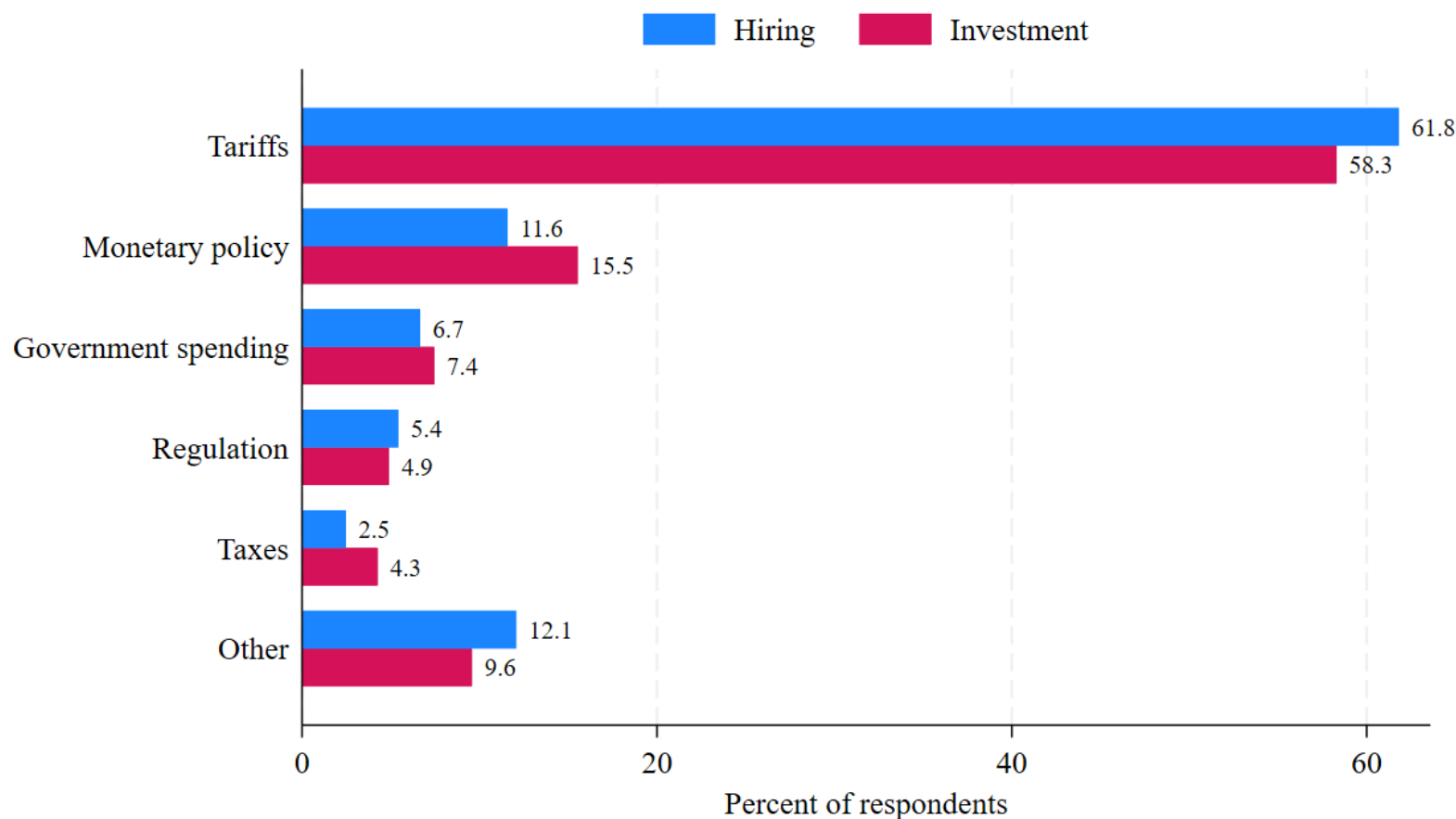
Over 40% of firms reported that they are scaling back hiring due to policy uncertainty, and over 45% of firms reported they are scaling back investment. While not pictured, less than 5% reported increasing hiring or investment.

Question: How has uncertainty about tariffs, taxes, government spending, monetary policy, or regulation affected your firm's plans for [hiring/investment] over the next 6 months?



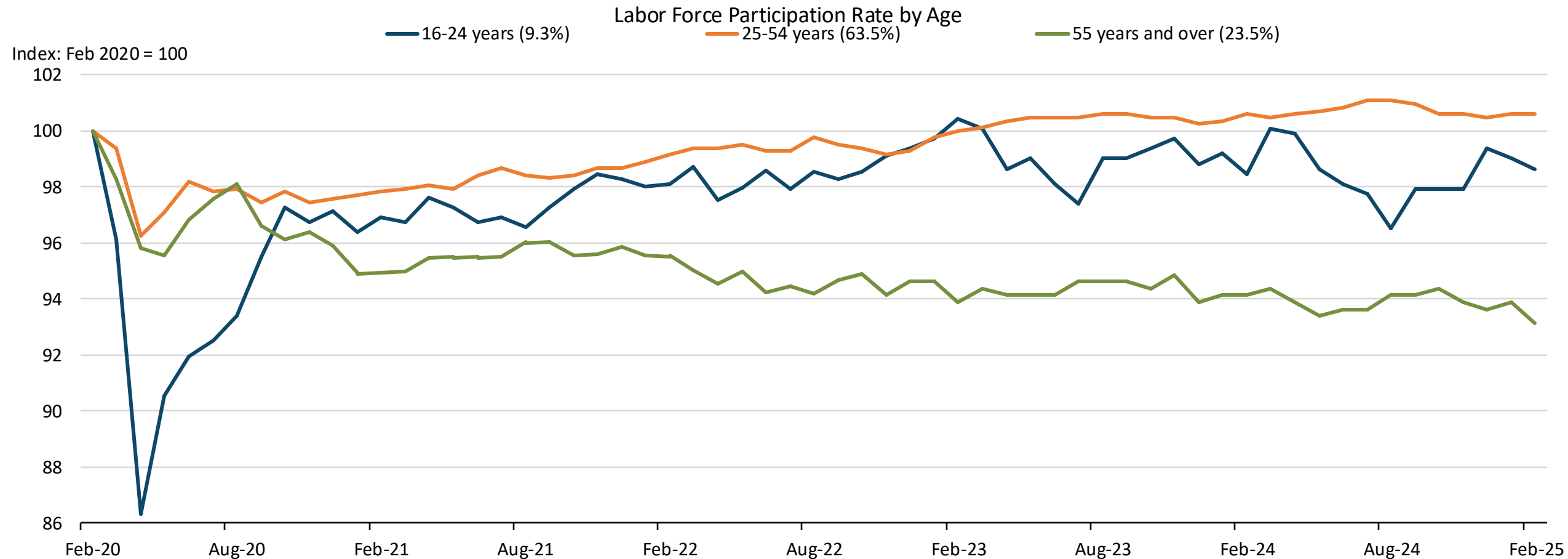
Firms overwhelmingly cite tariffs as their top concern with respect to uncertainty affecting their hiring/investment plans over the next 6 months. This is true across every cut by sector or firm size.

Question: What is your firm's top concern with respect to uncertainty affecting your firm's hiring/investment plans over the next 6 months?



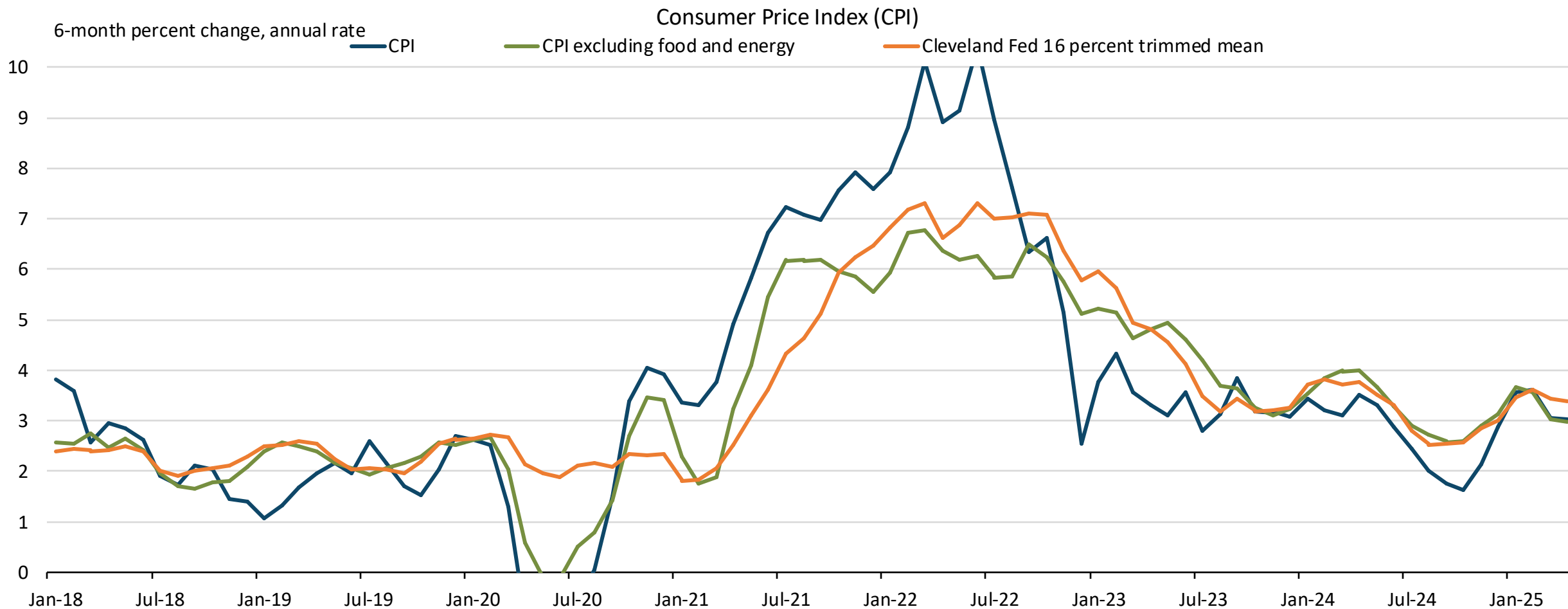
Note: These questions were fielded in the April 2025 SBU survey wave.

Labor force participation has more than fully recovered for people 25-54, while older Americans continue to show less attachment to the workforce

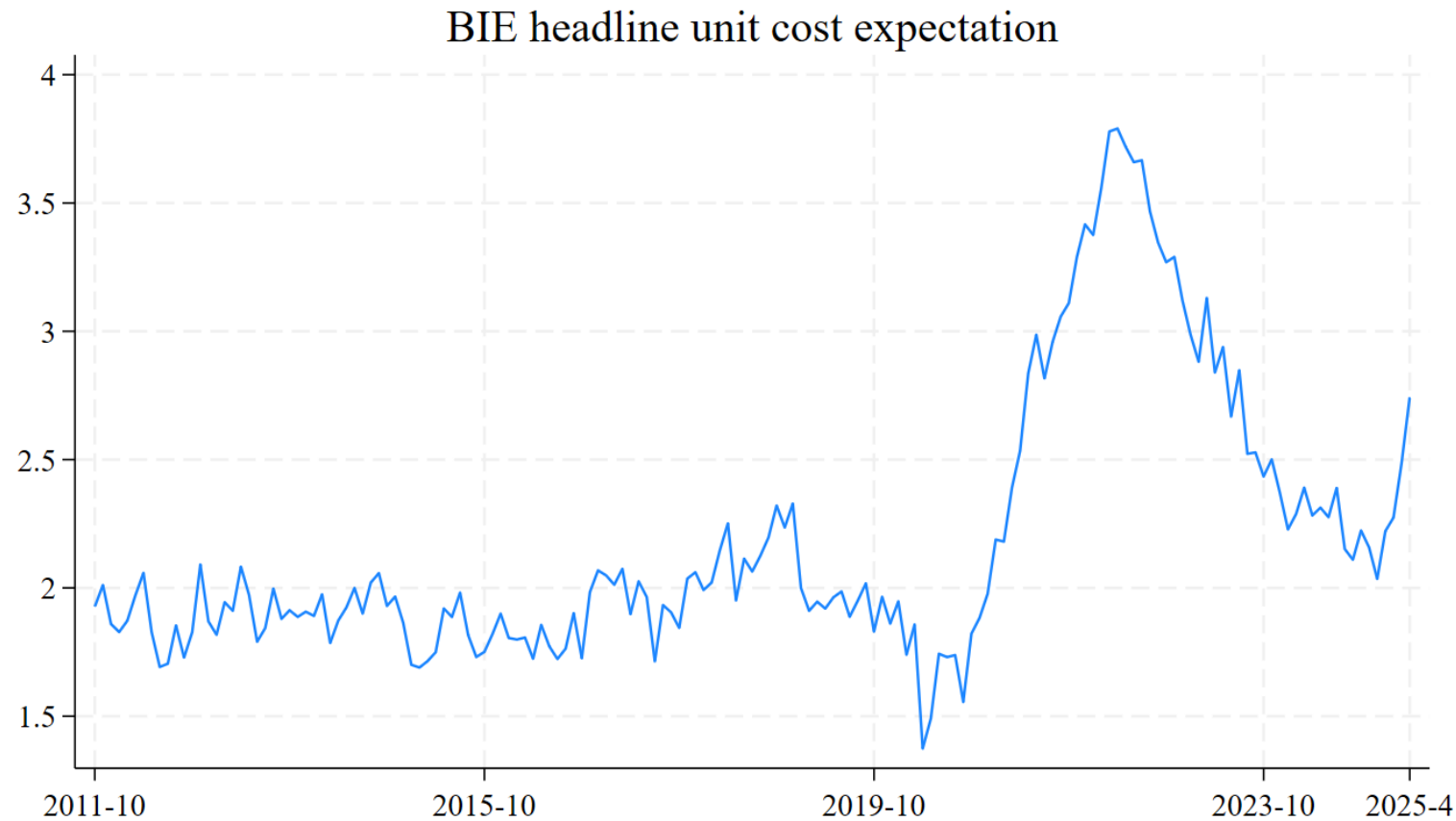


Source: Bureau of Labor Statistics and staff calculations to historically adjust for population controls. Data through February 2025.

Consumer price inflation remains well above the 2 percent long run target level



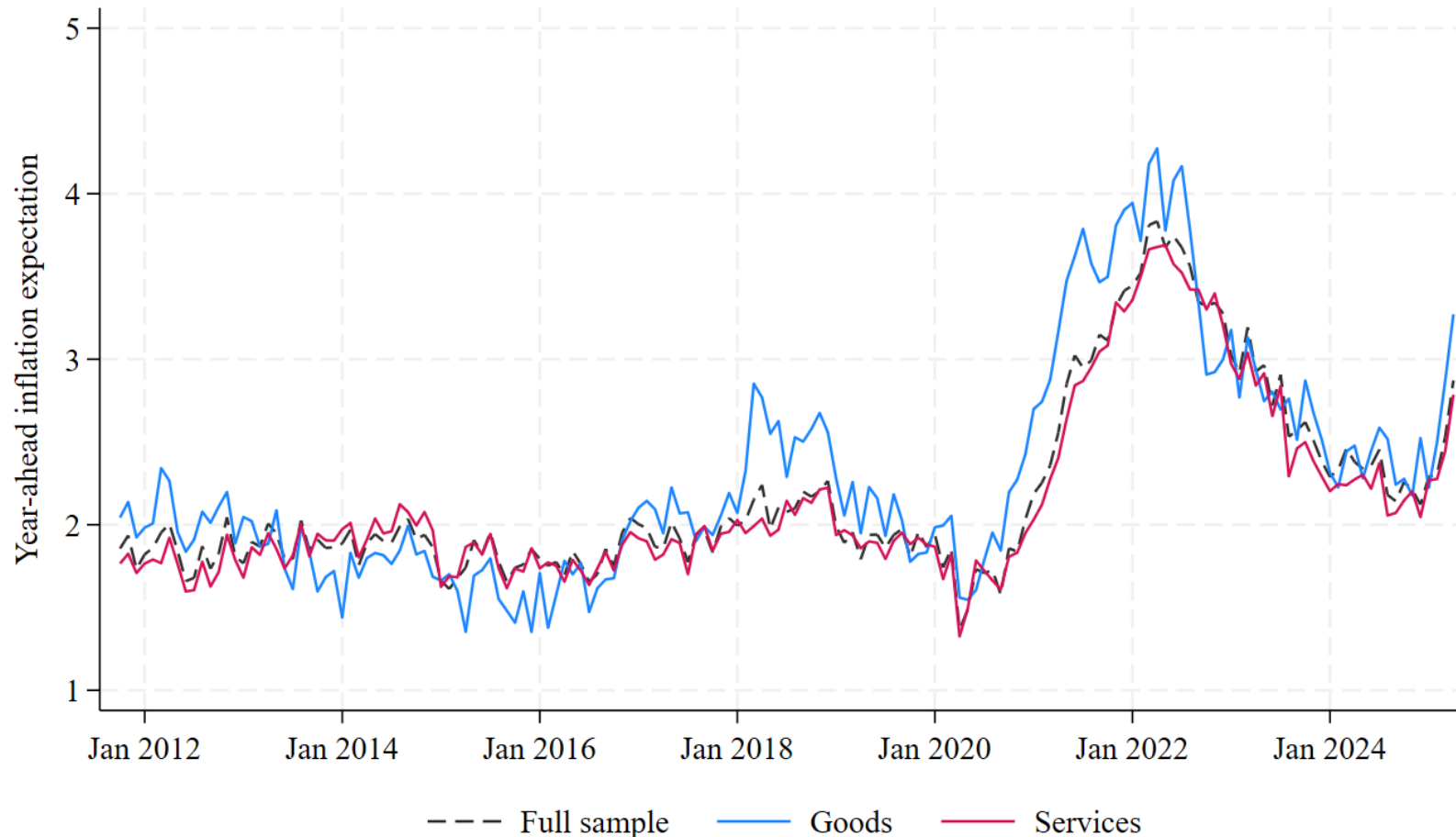
Business unit cost expectations have increased to 2.8 percent (at a rate notably similar to the early inflationary period in 2020-21).



Note: The data are shown monthly.

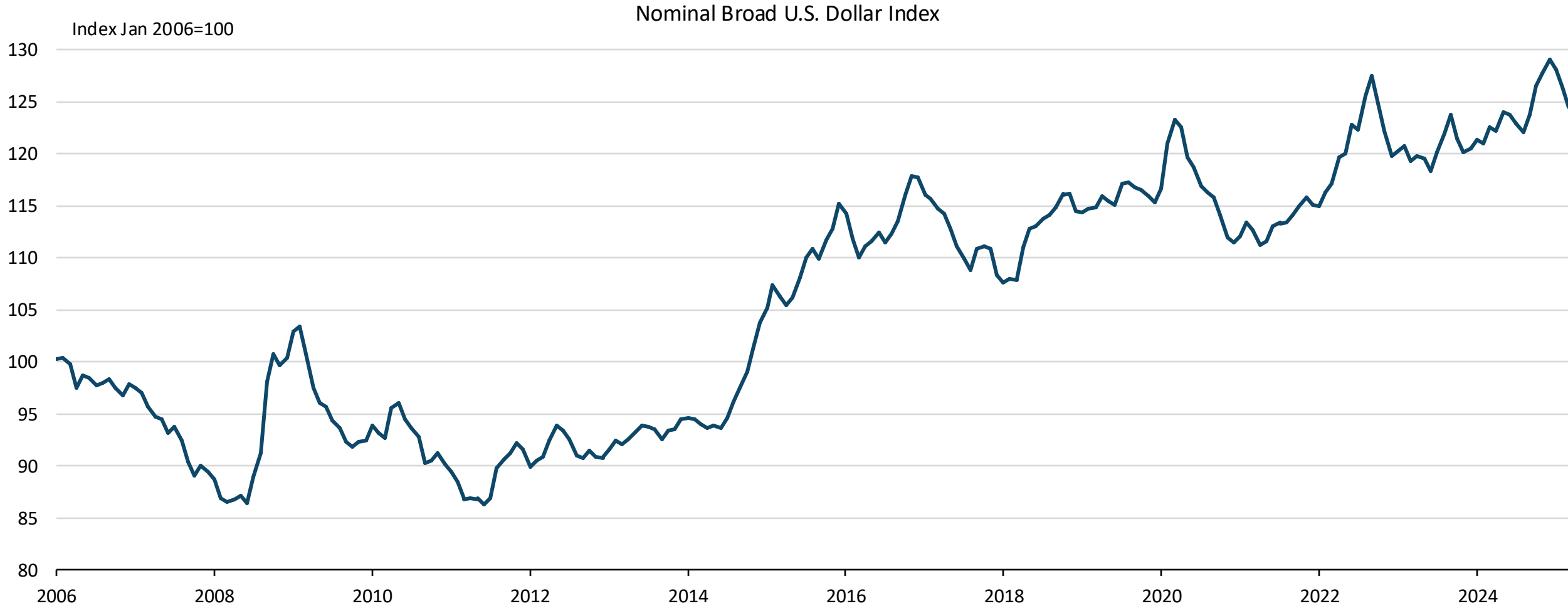
Source: Atlanta Fed Business Inflation Expectations (BIE) survey

The sharp increase in unit cost expectations is not limited to one broad sector. Goods producing firms are expecting steep increases in unit costs, and service producing firms are right behind them.

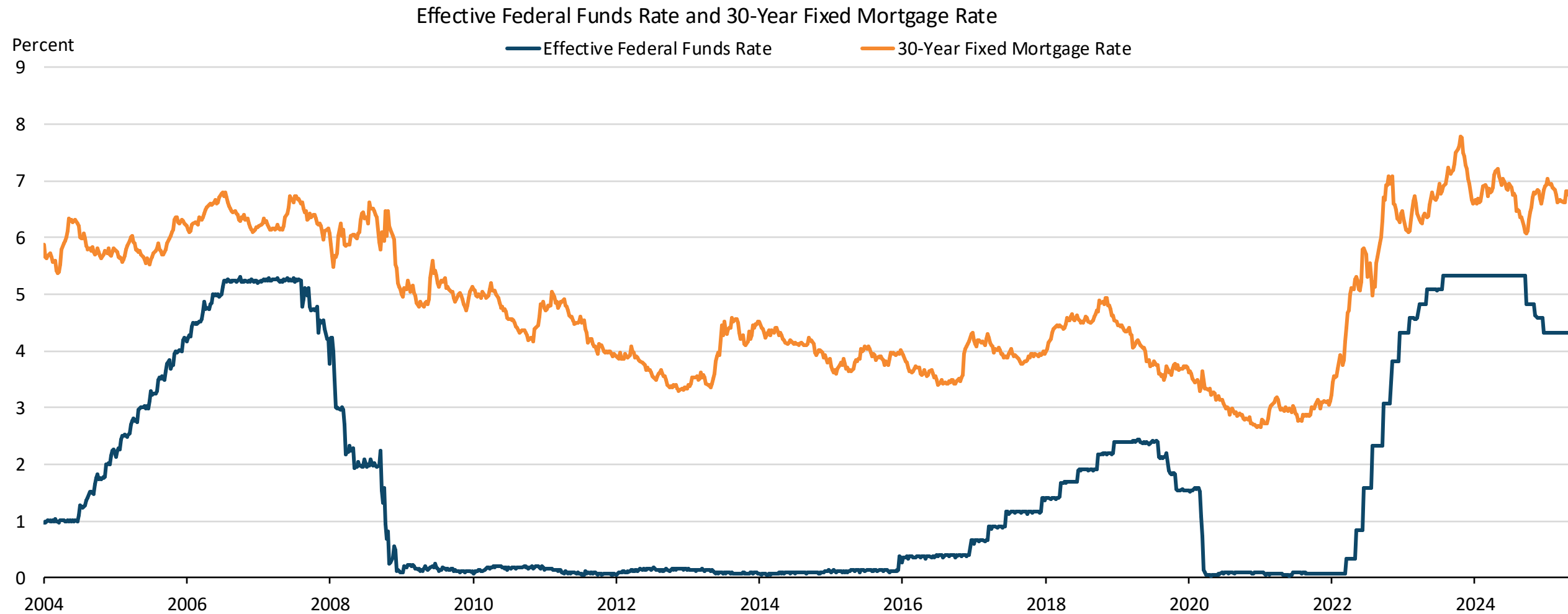


Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

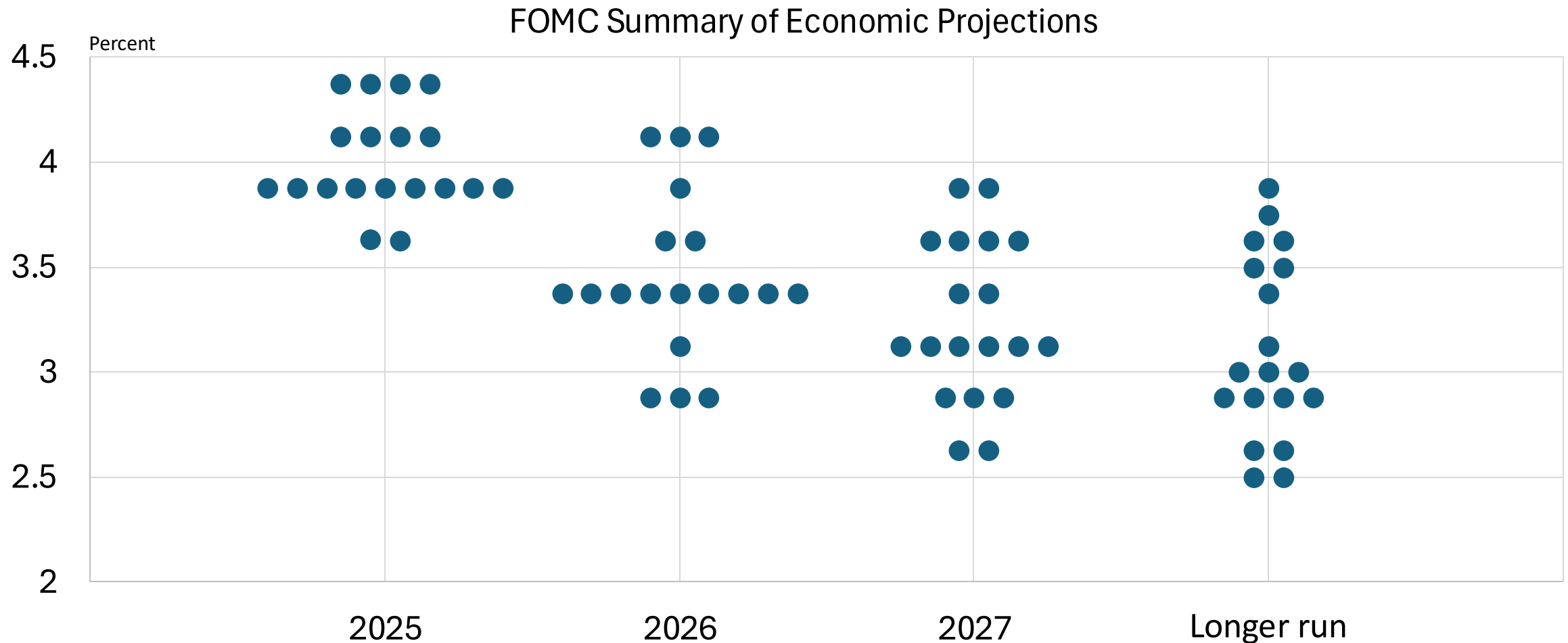
The value of the dollar has ticked down since the start of the year, though it remains at a relatively high level, by historical standards.



The Federal Reserve began the process of normalizing the federal funds rate in 2024



FOMC participants expect to lower the federal funds rate to its longer run level over the next two to three years



Source: Board of Governors of the Federal Reserve System. Data through March 2025