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The Possibility of a U.S. Recession in 2025

Overview

The possibility of a U.S. recession remains a topic of intense discussion among economists, with estimates ranging widely from negligible to moderate risk. After a robust 2024, with GDP growth nearing 3% and inflation cooling to 2.7% by November [Web ID: 1], the economy enters 2025 with solid fundamentals but faces mounting uncertainties tied to policy shifts, labor market trends, and consumer sentiment. Forecasts vary, with Goldman Sachs pegging the odds at 20% [Web ID: 15], while others, like BCA Research, predict an inevitable downturn [Web ID: 12].

Economic Indicators and Trends

Recent data presents a mixed picture. The Atlanta Fed's GDPNow model recently slashed its Q1 2025 forecast to -1.5% from 2.3%, signaling potential contraction [Web ID: 15]. If followed by another negative quarter, this could meet the technical definition of a recession—two consecutive quarters of negative GDP growth. Consumer spending, a key growth driver, shows signs of weakness, with flatlining trends and a mortgage delinquency rate surpassing 2008 levels reported in some analyses [Web ID: 9]. The labor market, however, remains resilient, adding 151,000 jobs in February, though the unemployment rate ticked up to 4.1% [Web ID: 2], raising concerns about softening demand. The yield curve, recently uninverted after two years, suggests receding recession risk [Web ID: 3], yet rising layoffs and a 15-month low in consumer sentiment [Web ID: 15] counter this optimism.

Policy and External Risks

The incoming Trump administration's policies—particularly proposed tariffs and immigration restrictions—introduce significant variables. Goldman Sachs estimates a 0.8% GDP hit from tariffs [Web ID: 15], while experts like Torsten Sløk of Apollo highlight a 40% chance of inflation rebounding, potentially forcing Fed rate hikes [Web ID: 7]. Federal Reserve projections anticipate 2.1% growth in 2025 with only two rate cuts [Web ID: 3], but a "detox" from prior government spending, as noted by Treasury Secretary Scott Bessent, could strain the economy [Web ID: 15]. Geopolitical tensions and trade disruptions further cloud the outlook [Web ID: 4].

Expert Forecasts

Optimists argue recession risk is overstated. Goldman Sachs' David Mericle sees a 15% chance, citing strong consumer spending and labor market stability [Web ID: 8], while Apollo's Sløk asserts a 0% probability, emphasizing 2024's momentum [Web ID: 7]. Conversely, BCA Research's Peter Berezin forecasts a 2025 recession akin to 2001, driven by labor market cracks and declining housing starts [Web ID: 12]. J.P. Morgan estimates a 35% chance by year-end, citing slowing growth [Web ID: 2]. Bankrate's economist survey offers a middle ground at 26%, down from prior highs, reflecting fading fears but persistent risks [Web ID: 17].

Conclusion

The U.S. economy in March 2025 stands on a knife-edge. Strong fundamentals—low unemployment, cooling inflation, and prior growth—suggest resilience, yet warning signs like GDP contraction forecasts and policy uncertainty elevate recession odds above historical averages (15% per Goldman Sachs [Web ID: 11]). While a downturn is not certain, the interplay of domestic policy shifts and global pressures warrants close monitoring through 2025.

References:

[Web ID: 1]: U.S. News, "Recession 2025: What to Watch," January 12, 2025.

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[Web ID: 3]: U.S. Bank, "Is the Risk of a Recession Fading?" February 28, 2025.

[Web ID: 4]: J.P. Morgan Private Bank, "Five Factors We Use to Track Recession Risk," January 27, 2025.

[Web ID: 7]: Business Insider, "The Probability of a US Recession in 2025 is 0%," December 23, 2024.

[Web ID: 8]: Goldman Sachs, "The US Economy is Poised to Beat Expectations in 2025," November 19, 2024.

[Web ID: 9]: Forbes, "2025 Recession Risk Is Increasing," March 5, 2025.

[Web ID: 11]: Goldman Sachs, "The Probability of a US Recession in the Next Year Has Fallen to 15%," October 7, 2024.

[Web ID: 12]: Investment Executive, "U.S. Will Enter a Recession in 2025: BCA Research," November 22, 2024.

[Web ID: 15]: Forbes, "Are We Nearing a Recession? The Odds Are Rising," March 8, 2025.

[Web ID: 17]: Bankrate, "Here's What Experts Are Predicting For The U.S. Economy In 2025," January 8, 2025.