

Special Update

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Expectations for Q1 2025 U.S. Gross Domestic Product

As of March 31, 2025, expectations for U.S. Gross Domestic Product (GDP) growth in the first quarter of 2025 reflect a complex mix of optimism and caution, shaped by economic data, policy uncertainty, and external pressures. The Bureau of Economic Analysis (BEA) has not yet released its advance estimate for Q1 2025—typically issued in late April—but real-time nowcasts and analyst forecasts provide a preliminary outlook. The Atlanta Fed's GDPNow model, a widely watched tracker, projects a contraction of -1.8% as of March 26, down sharply from +2.3% on February 19, driven by weak consumer spending and a widening trade deficit (Atlanta Fed, 2025). In contrast, the New York Fed's Nowcast estimates a more robust +2.72% growth as of March 23, buoyed by resilient services and manufacturing data (NY Fed, 2025). This divergence underscores the uncertainty clouding the quarter's economic trajectory.

Analysts attribute the Atlanta Fed's bearish revision to a -0.5% inflation-adjusted drop in January personal spending—missing Dow Jones' +0.1% forecast—and a steep decline in net exports, shaving 3.7 points off GDP (CNBC, 2025). Posts on X highlight fears of a recession, with some noting two consecutive negative quarters would confirm it, though March data could still shift the outcome (X Post, @GlobalMktObserv, 2025). Conversely, the White House remains optimistic, with adviser Kevin Hassett predicting +2% to +2.5% growth, citing tax cuts and tariff-driven manufacturing gains (Reuters, 2025a). Goldman Sachs, however, trimmed its 2025 forecast to below consensus, reflecting tariff-related drags, while still expecting positive growth (Reuters, 2025b).

Policy looms large, with Trump’s “Liberation Day” tariffs set for April 2 threatening to disrupt Q2 more than Q1, though front-loading of imports may have already widened January’s trade gap (Invesco, 2025). Inflation, at 2.6% core PCE in February, and a softening labor market—February payrolls at 151,000 versus 200,000 expected—add further headwinds (BEA, 2025; Nasdaq, 2025). The Congressional Budget Office (CBO) projects a full-year 2025 growth of 1.9%, implying a modest Q1 if early weakness persists (CBO, 2025). With the S&P 500 down 5.1% YTD and consumer sentiment at a two-year low of 57, market sentiment leans cautious (Reuters, 2025c). Expectations thus range from mild contraction to moderate growth, hinging on March data and policy clarity.

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