

# U.S. Economic Update

## January 12, 2026

William T. Chittenden, Ph.D.  
President & CEO  
SW Graduate School of Banking



## SWGSB

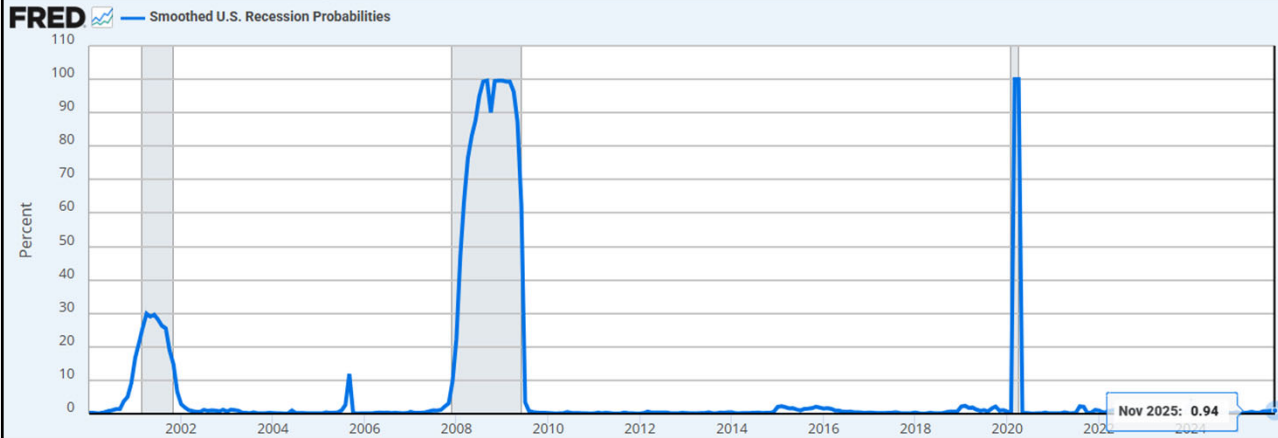
- **SW Graduate School of Banking**
- **Commercial Lending School (with TBA)**
- **Assemblies for Bank Directors**
- **Certified Community Bank Director's Program**
- **Bank Operations Institute (with IBAT)**





Your trusted data source since 1991.

## Are we in a recession?



Source: <https://fred.stlouisfed.org/series/RECPROUSM156N>



## The "Economy"



## Gross Domestic Product

• <b>Personal Consumption:</b>		<b>69.0%</b>
• <b>Goods:</b>	<b>23.6%</b>	
• <b>Services:</b>	<b>45.5%</b>	
• <b>Business Investment:</b>		<b>18.2%</b>
• <b>Fixed Investment</b>	<b>18.3%</b>	
• <b>Change in Inventories</b>	<b>-0.1%</b>	
• <b>Government Spending:</b>		<b>16.7%</b>
• <b>Net Exports:</b>		<b>-4.0%</b>



## U.S. GDP

4<sup>th</sup> Quarter 24: GDP  
↑ 1.9%

1<sup>st</sup> Quarter 25: GDP  
↓ 0.6%

2<sup>nd</sup> Quarter 25: GDP  
↑ 3.8%

3<sup>rd</sup> Quarter 25: GDP  
↑ 4.3%

Consumer Spending

+2.39%

Business Investment

-0.02%

Federal Spending

0.19%

State & Local Spending

+0.20%

Exports 0.92%

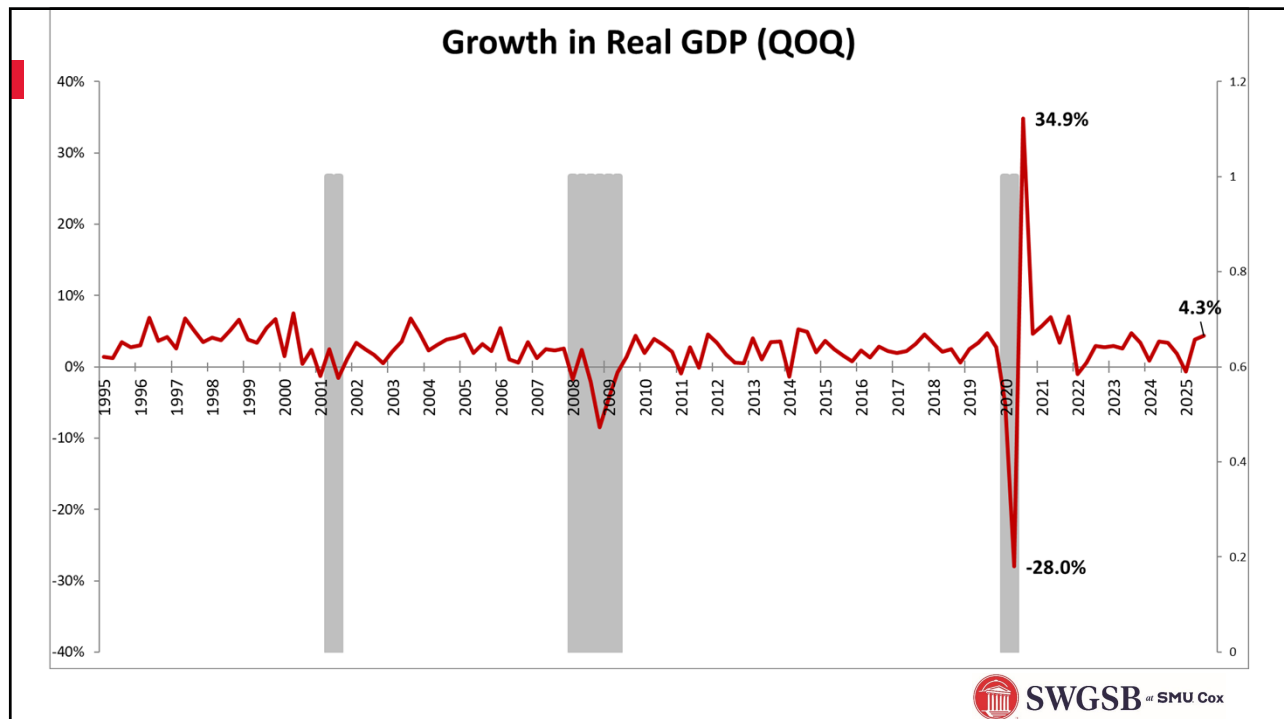
Imports 0.67%

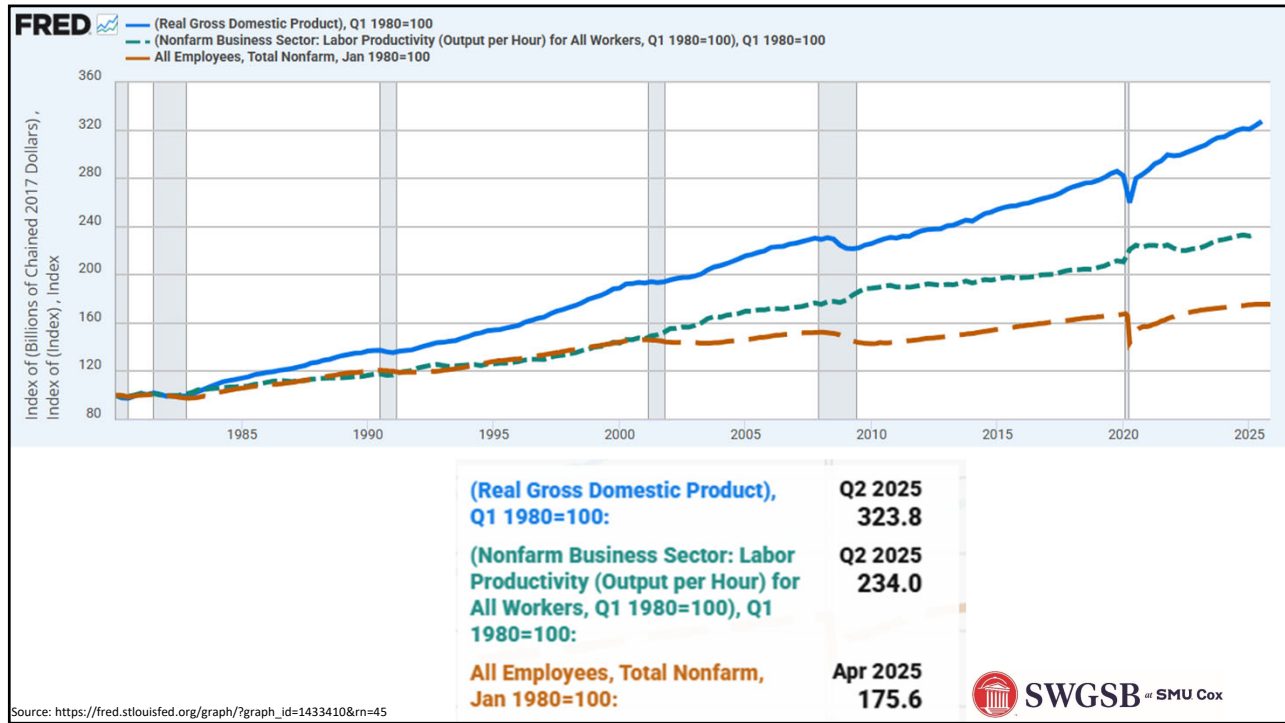
Source: <https://www.bea.gov/sites/default/files/2025-12/gdp3q25-ini.xlsx> & calculations by author



## Recessions Since 1995

- March 2001 – November 2001
- December 2007 – June 2009
- March 2020 – April 2020







# Federal Reserve Bank of Atlanta

## GDPNow™

Latest estimate: 2.7 percent — January 05, 2026

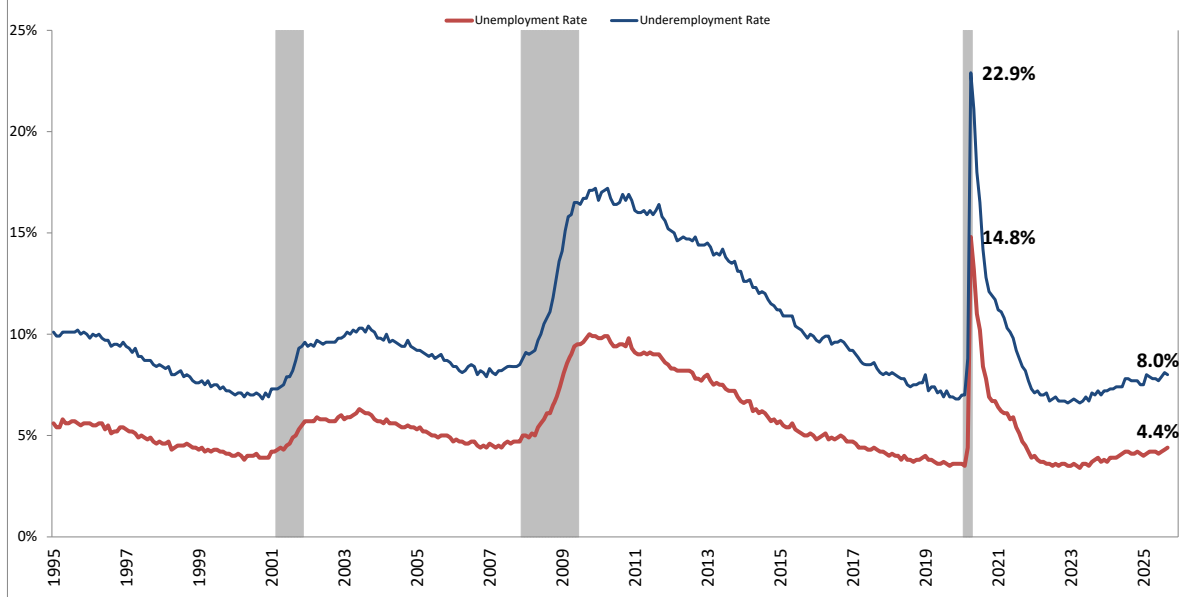


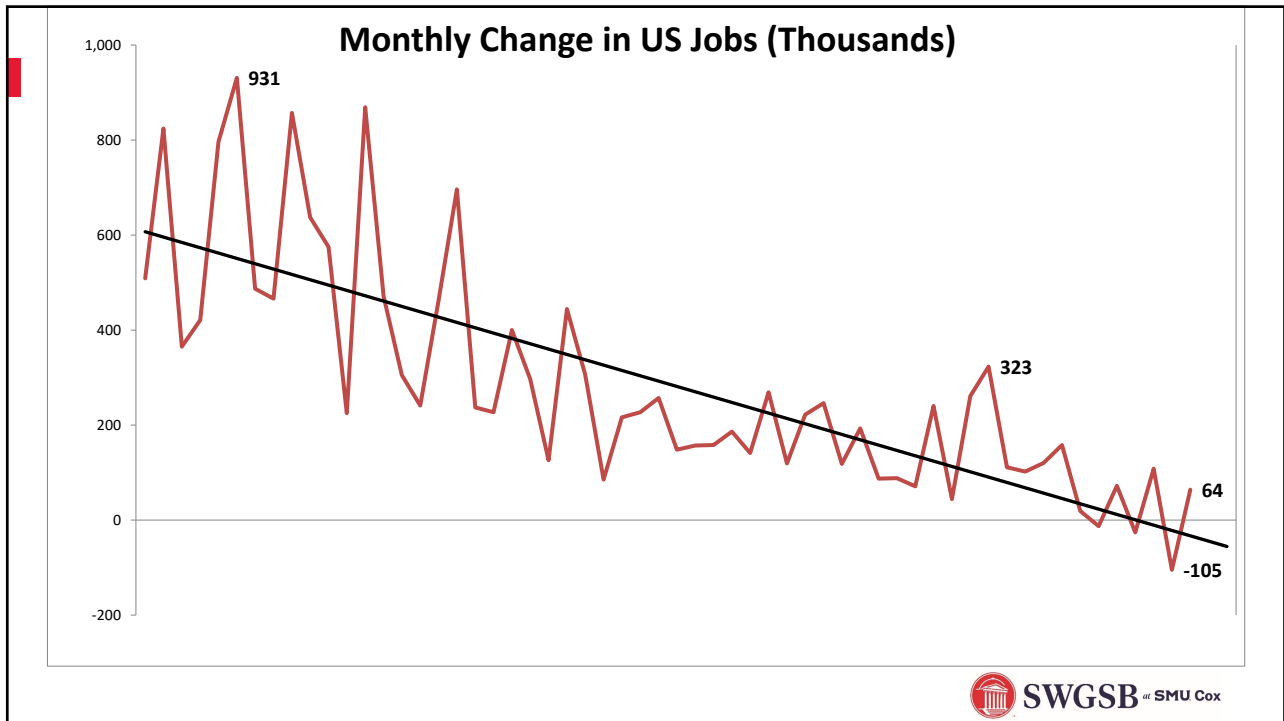
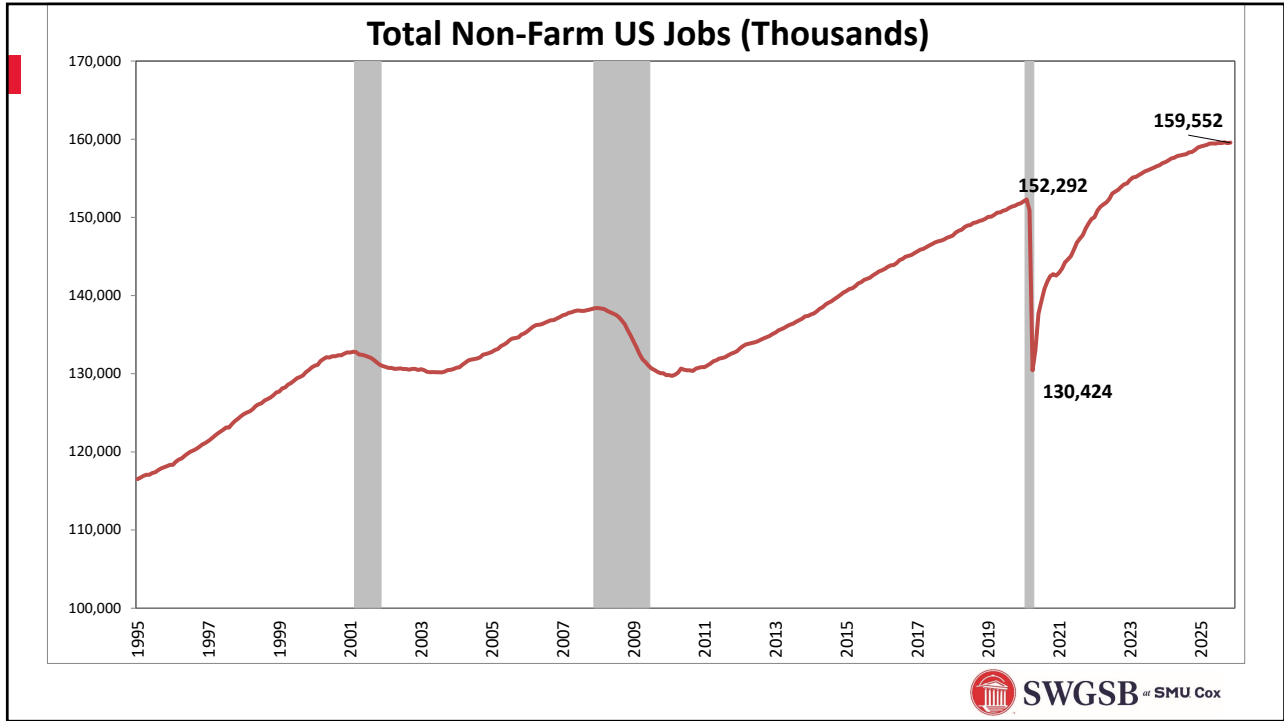
Source: <https://www.atlantafed.org/cqer/research/gdpnow>

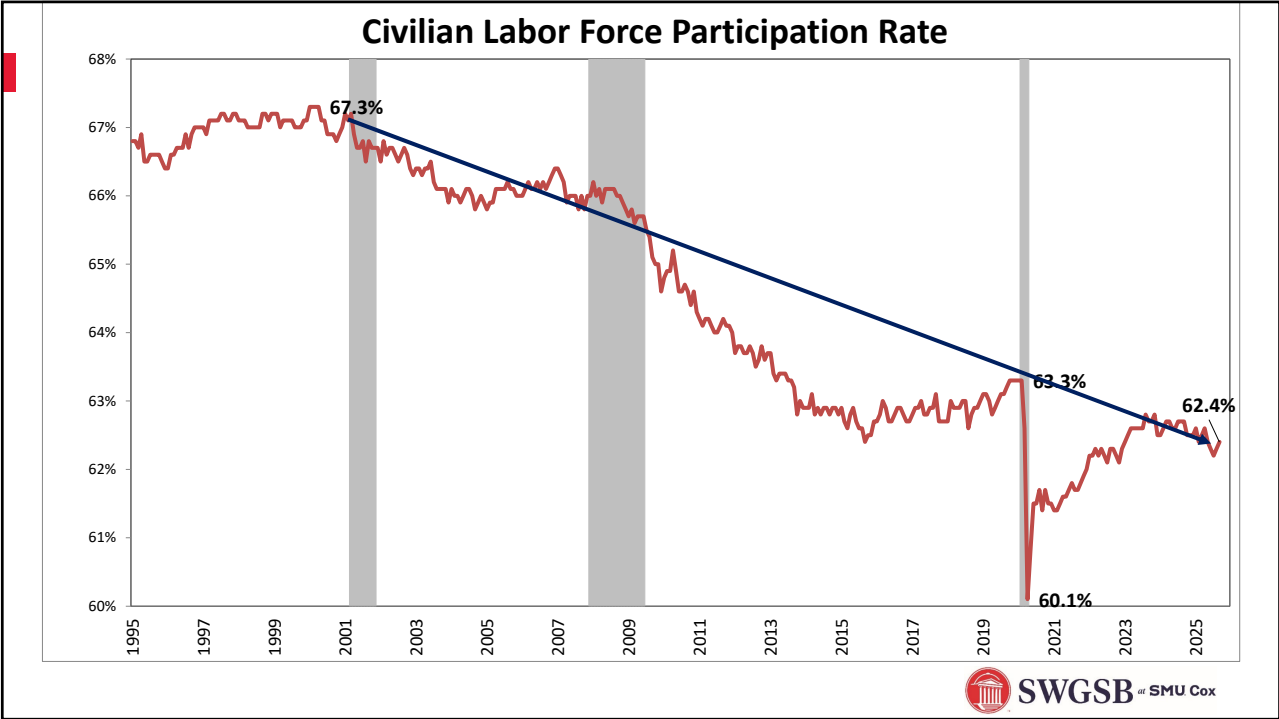
# Employment



### Unemployment and Underemployment Rate







# Price Levels

SWGSB at SMU Cox

# THE WALL STREET JOURNAL.

## Inflation Eased to 2.7% in Report Distorted by Government Shutdown

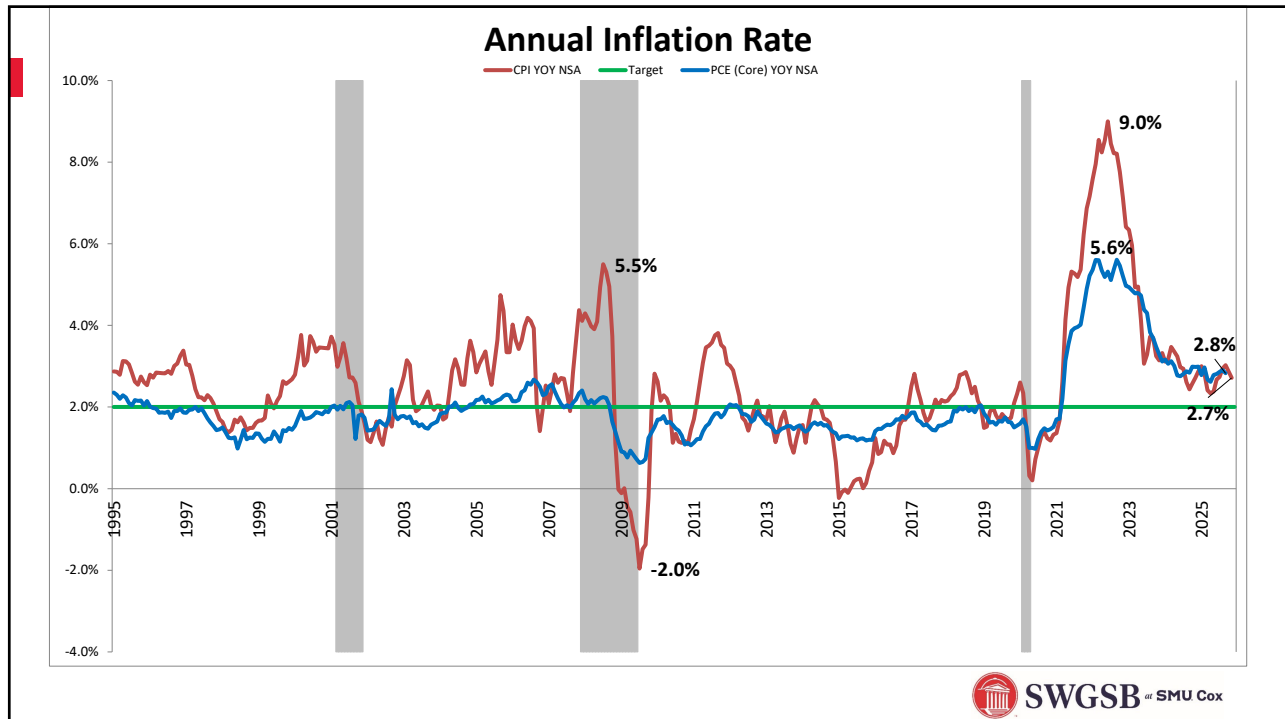
Year-over-year consumer inflation cooled in November from 3% in September

By [Chao Deng](#) [Follow](#) and [Matt Grossman](#) [Follow](#)  
Updated Dec. 18, 2025 4:12 pm ET

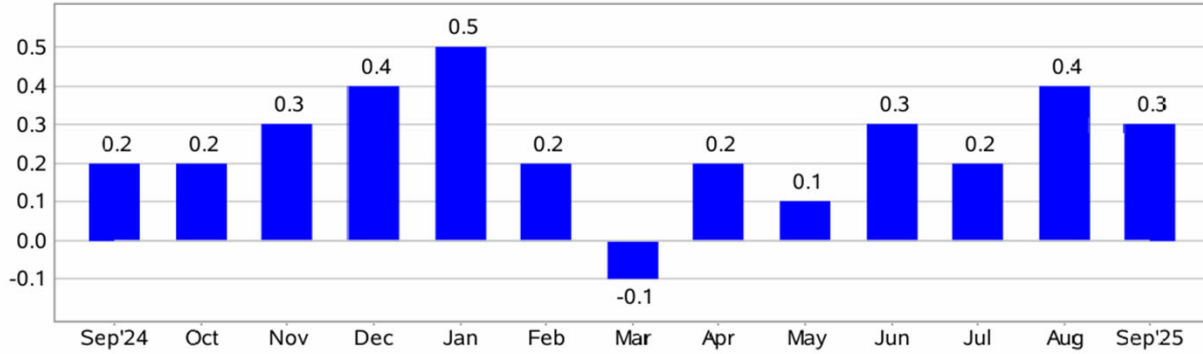
## The Data Problems in Thursday's Inflation Report Will Linger for Months

Calculating housing costs presented one of the thorniest challenges—and they make up a huge portion of the price index

By [Matt Grossman](#) [Follow](#) and [Chao Deng](#) [Follow](#)  
Dec. 18, 2025 5:24 pm ET



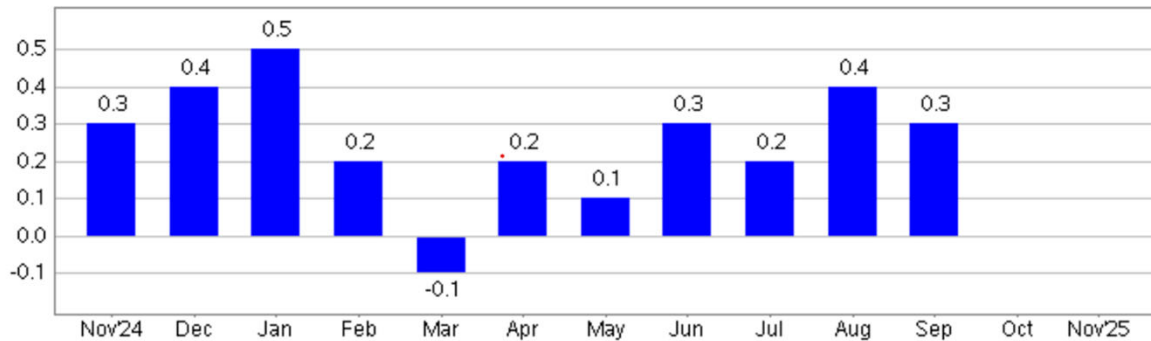
**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Sep. 2024 - Sep. 2025**  
Percent change



Source: <https://www.bls.gov/news.release/pdf/cpi.pdf>



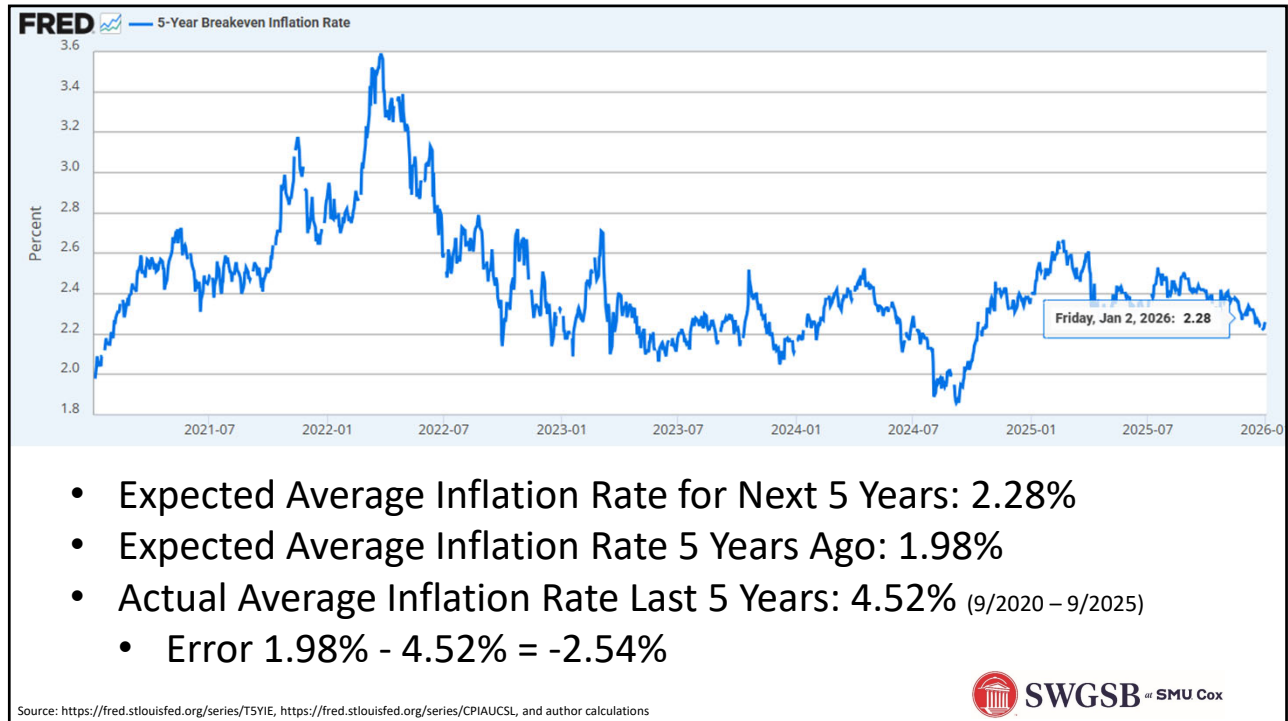
**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Nov. 2024 - Nov. 2025**  
Percent change



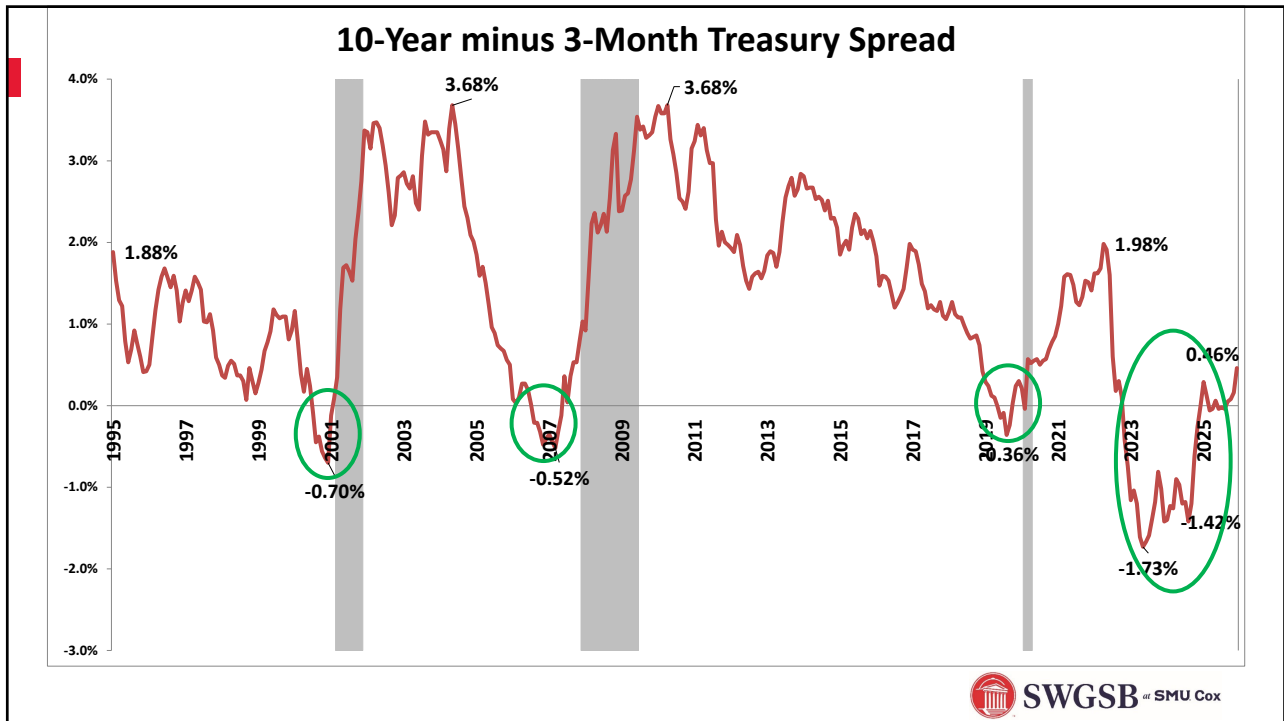
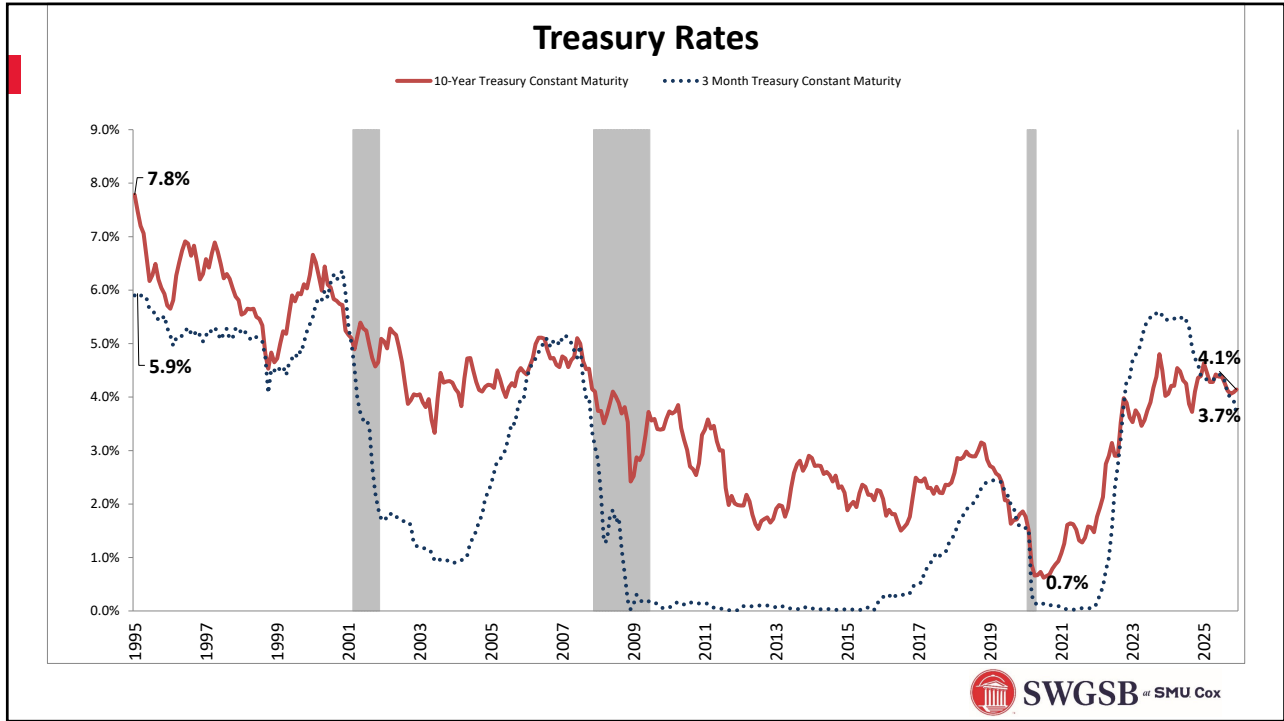
Note: The Oct and Nov 2025 data values are not available due to the 2025 lapse in appropriations.

Source: <https://www.bls.gov/news.release/pdf/cpi.pdf>





## Interest Rates

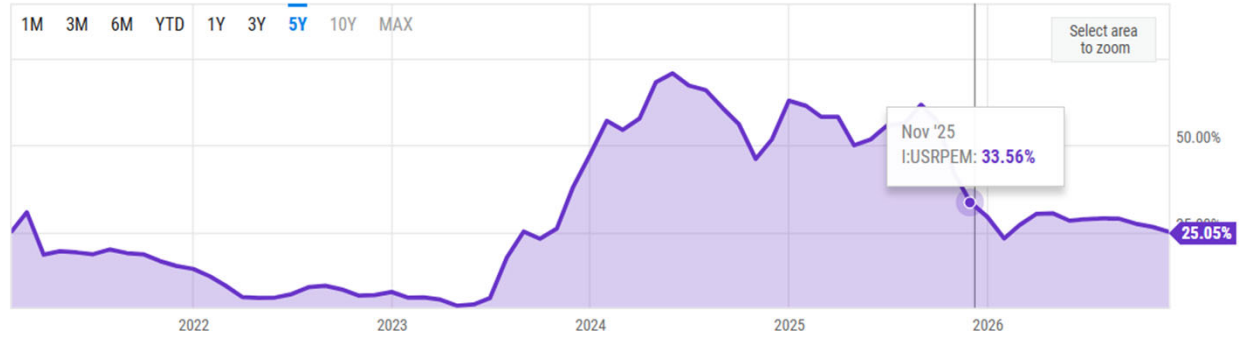


# US Recession Probability (I:USRPEM)

25.05% for Nov 2026

Level Chart

VIEW FULL I



Based on the yield curve

Source: [https://ycharts.com/indicators/us\\_recession\\_probability](https://ycharts.com/indicators/us_recession_probability)



# Monetary Policy



# THE WALL STREET JOURNAL.

## Fed Cuts Rates Again, Signals It May Be Done for Now

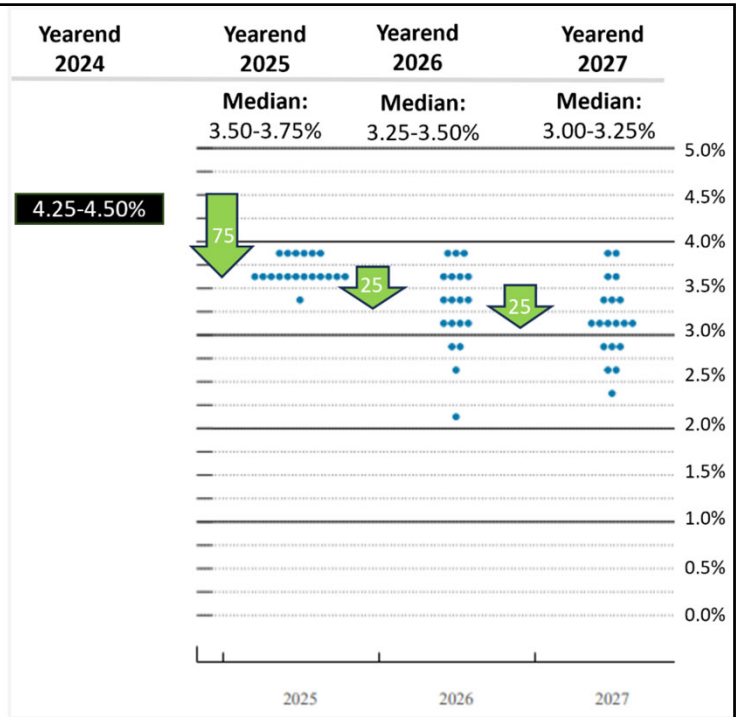
Three officials dissented in opposite directions. Stalled progress on inflation and a cooling job market made for one of the most divided meetings in years.

By Nick Timiraos [Follow](#)

Updated Dec. 10, 2025 6:18 pm ET



## Fed's December Dot Plot



Source: <https://www.bondsavvy.com/fix-income-investments-blog/fed-dot-plot>

# Fiscal Policy



# Trade Deficits & Tariffs



## International Trade

- **U.S.**
  - **2<sup>nd</sup> Largest Exporter in the World**
    - **\$3.2 Trillion (2024)**
      - \$2.1 Trillion in goods, \$1.1 Trillion in services
  - **Largest Importer in the World**
    - **\$4.1 Trillion (2024)**
      - \$3.3 Trillion in goods, \$0.8 Trillion in services

Source: [https://www.census.gov/foreign-trade/Press-Release/ft900/ft900\\_2412.pdf](https://www.census.gov/foreign-trade/Press-Release/ft900/ft900_2412.pdf)



## Top Trading Partners

- **Mexico (16.2% of Total U.S. Trade)**
- **Canada (12.5%)**
- **China (5.9%)**
- **Top 3 = 34.6% of total international trade**



## Causes of Trade Deficits

- **Factors Impacting Trade Imbalances**
  - **Relative Growth Rates of Economies**
    - Faster growth → Ability to buy more imports
  - **Relative Value of Currencies**
    - ↑ value of the U.S \$ makes U.S. exports more expensive, thus ↓ demand for our exports
  - **Savings and Investment Rates**
    - If Savings < Investment, U.S. will attract foreign capital

Source: <https://www.cato.org/publications/commentary/are-trade-deficits-really-bad-news>



## What is a Tariff?


- **Tax paid by the importer of goods to the United States**
  - **May be:**
    - Absorbed by the Exporter
    - Absorbed by the Importer
    - Passed on to American consumers in the form of higher prices



# THE WALL STREET JOURNAL.

## **Arguments Over Trump's Tariffs Begin at the Supreme Court**

Justices weigh whether the president lawfully levied sweeping tariffs without Congress's approval

 Last Updated: Nov. 5, 2025 at 10:36 AM ET



# **It's Not Politics, It's Math!**



## U.S. Government Income and Spending (FY 2025)

**\$5,235,000,000,000 Income**

**\$7,010,000,000,000 Spending**

**\$1,775,000,000,000 Deficit**

**\$54,200,000,000 DOGE Claimed Savings**

**\$1,400,000,000 DOGE Verified Savings**



## U.S. Government Income and Spending (FY 2025)

**\$5,235 Income**

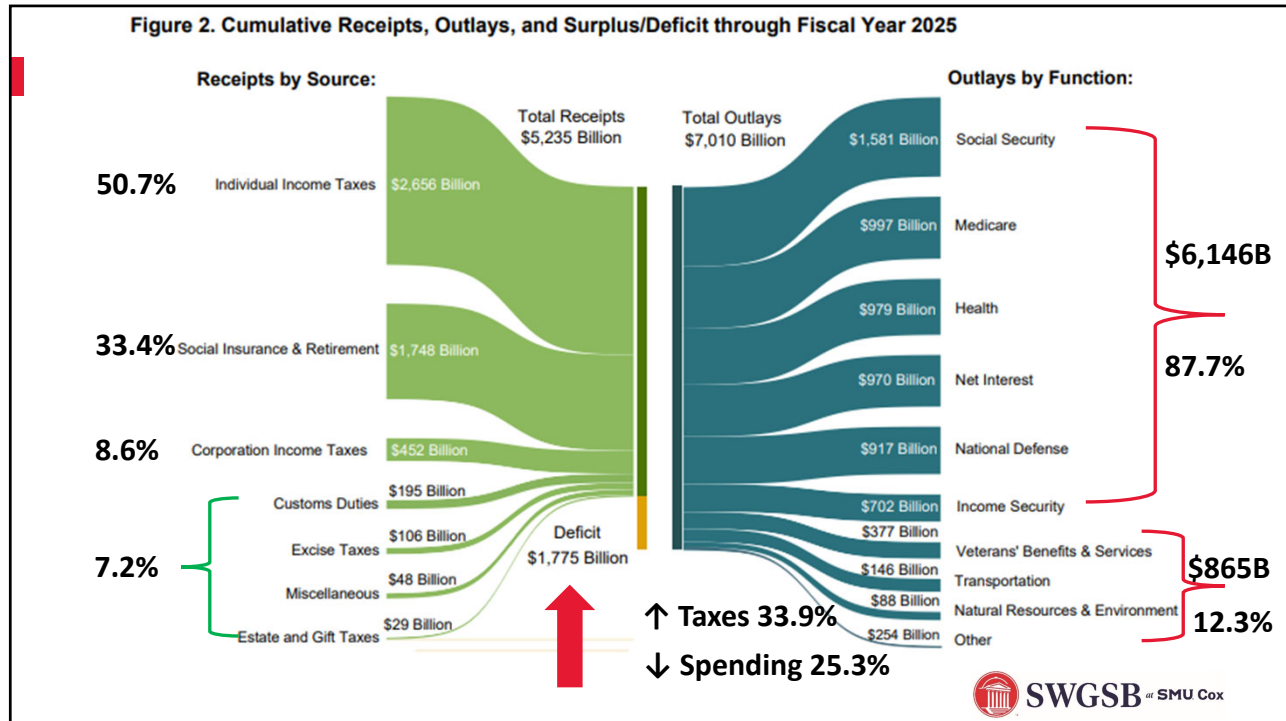
**\$7,010 Spending**

**\$1,775 Deficit**

**\$54.20 DOGE Claimed Savings**

**\$1.40 DOGE Verified Savings**





## Other

- Administration of Justice
- Community and Regional Development
- Education, Training, Employment, and Social Services
- Agriculture
- International Affairs
- General Science, Space, and Technology
- General Government
- Energy


**TEXPO**  
 JW Marriott San Antonio Hill Country Resort & Spa  
 April 27 to 29, 2025  
 Texpoconference.org

**Keynote John Quiñones**  
 "What Would You Do?"



*"Be a hero"*  
 It doesn't matter where you begin; it matters where you finish.

*Live your life as if John Quiñones were watching.*



**TEXPO**  
 JW Marriott San Antonio Hill Country Resort & Spa  
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**Keynote Pam Nemeč**  
 "All-In: The Communications Framework for High Performance and Happy People."



*"People emulate what you Show and celebrate"*



**TEXPO**  
 JW Marriott San Antonio Hill Country Resort & Spa  
 April 27 to 29, 2025  
 Texpoconference.org

**Keynote William Chittenden**  
 "US and Texas Economic Update"



*"The Math isn't Mathing"*

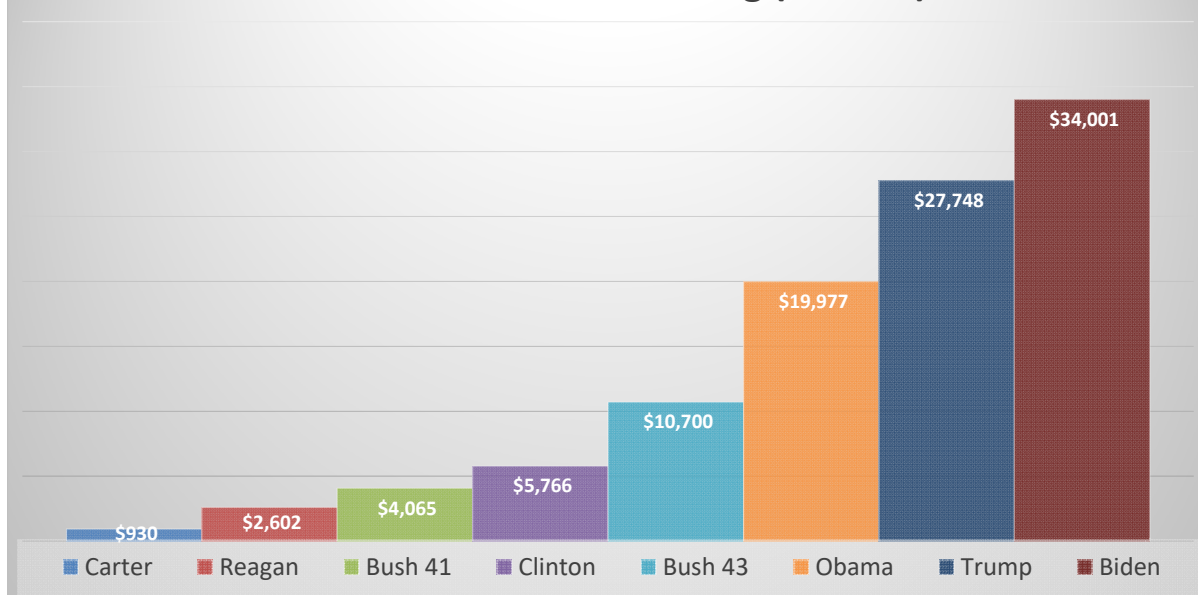


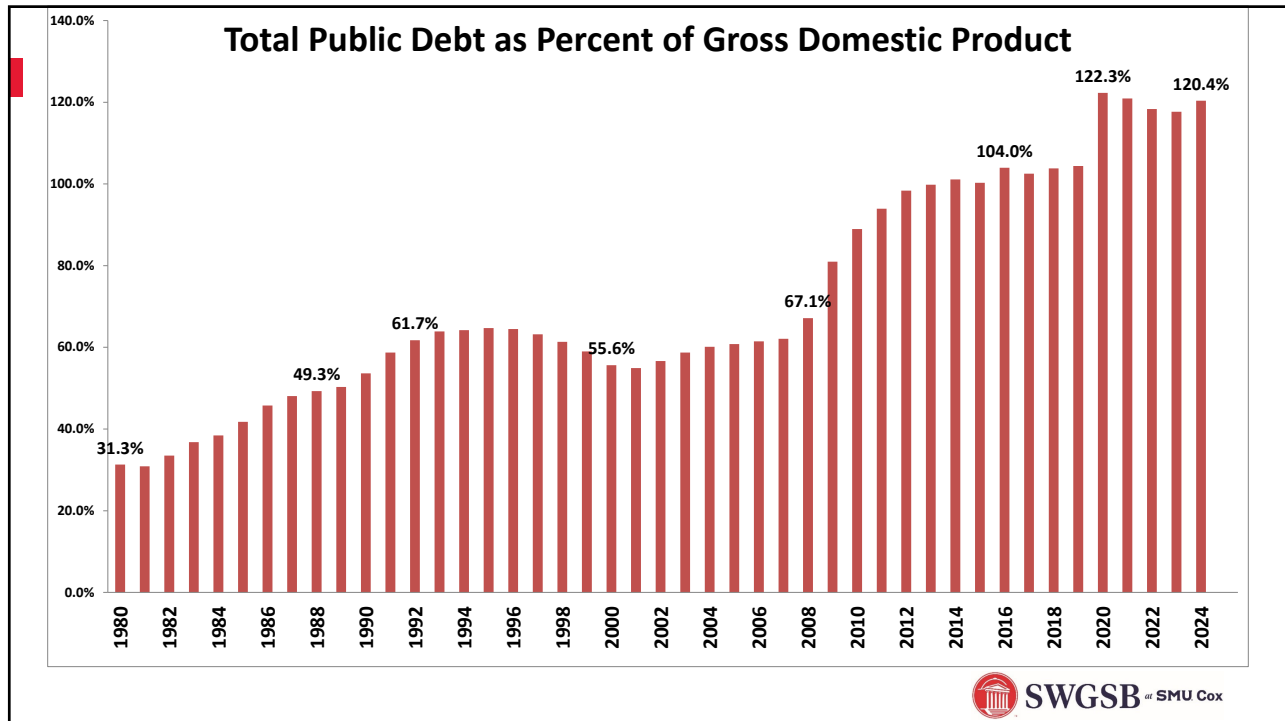
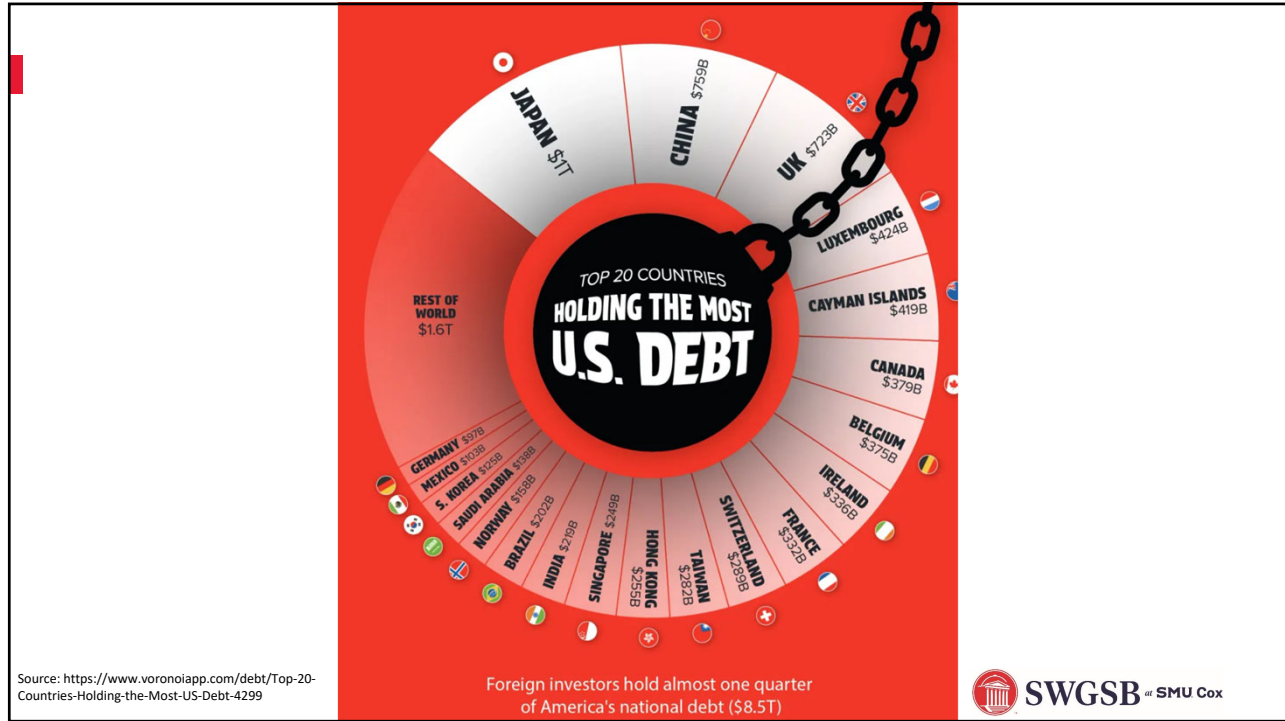

## Reducing the Deficit

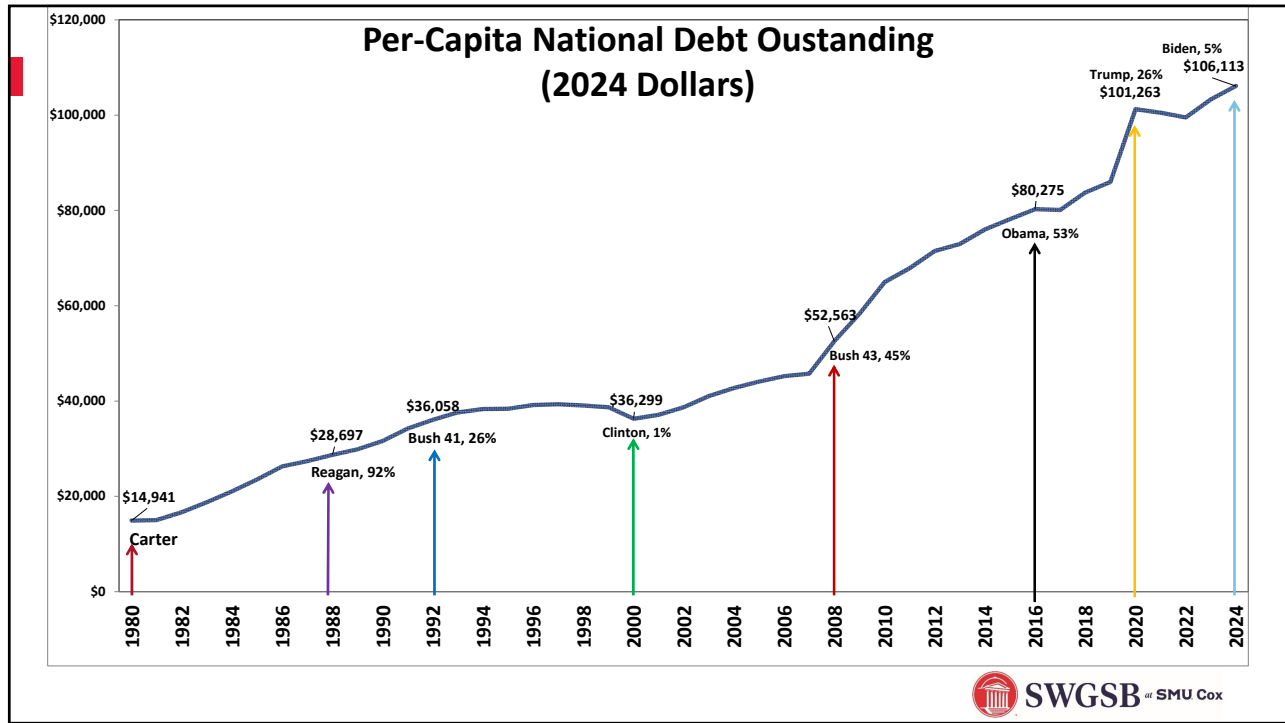
- **Decreasing Government Spending is Inherently Contractionary**
  - Good in the long-term, tough in the short-term
- **Reducing the Federal Workforce is Inherently Contractionary**
  - Good in the long-term, tough in the short-term



## National Debt Outstanding (Billions)



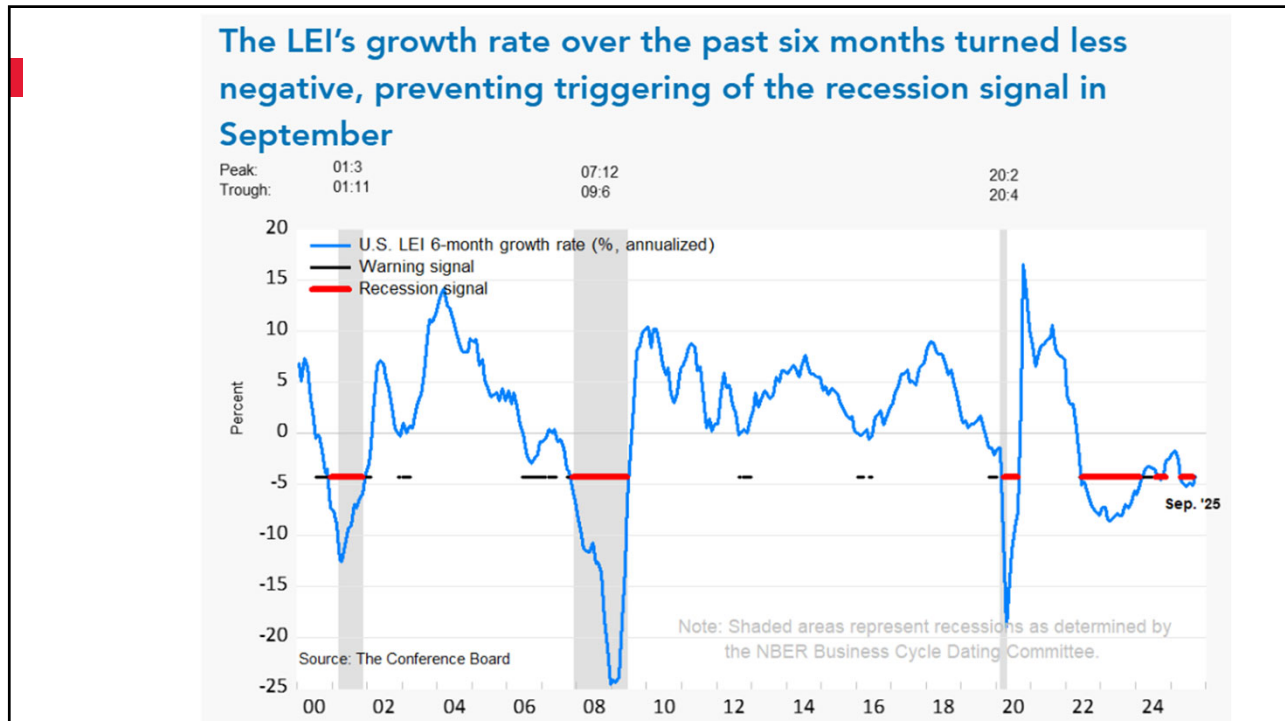
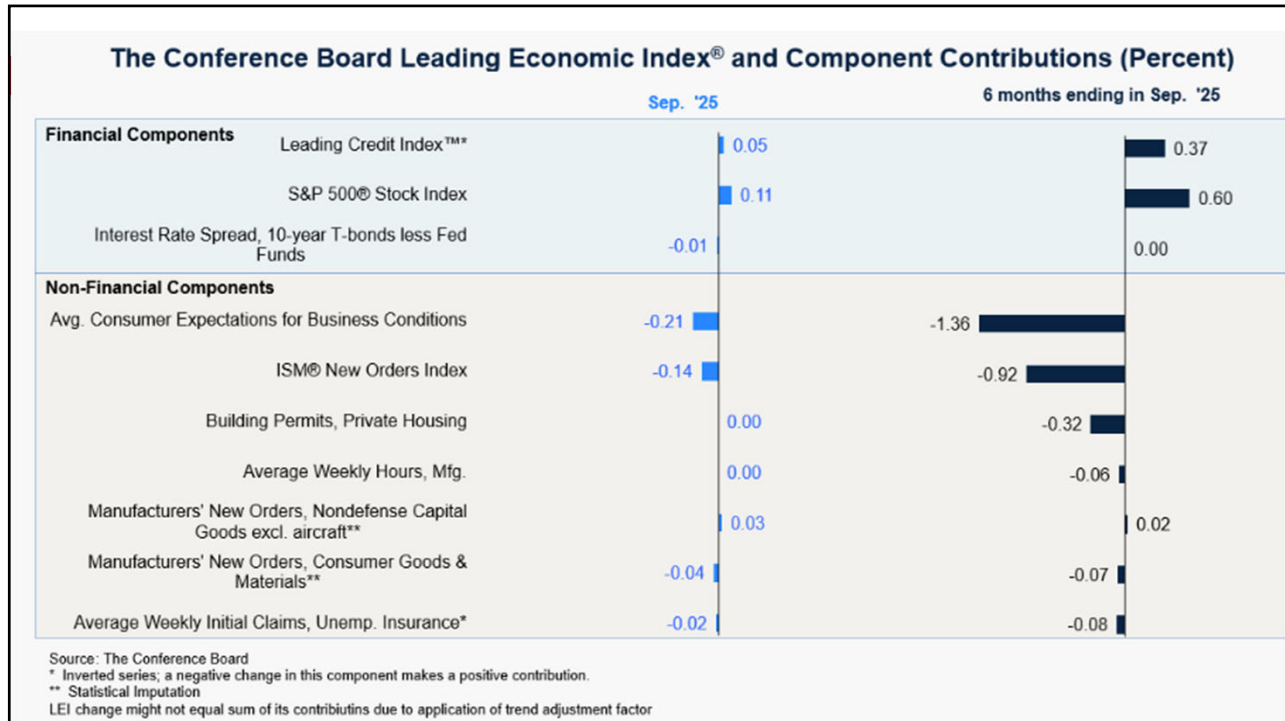


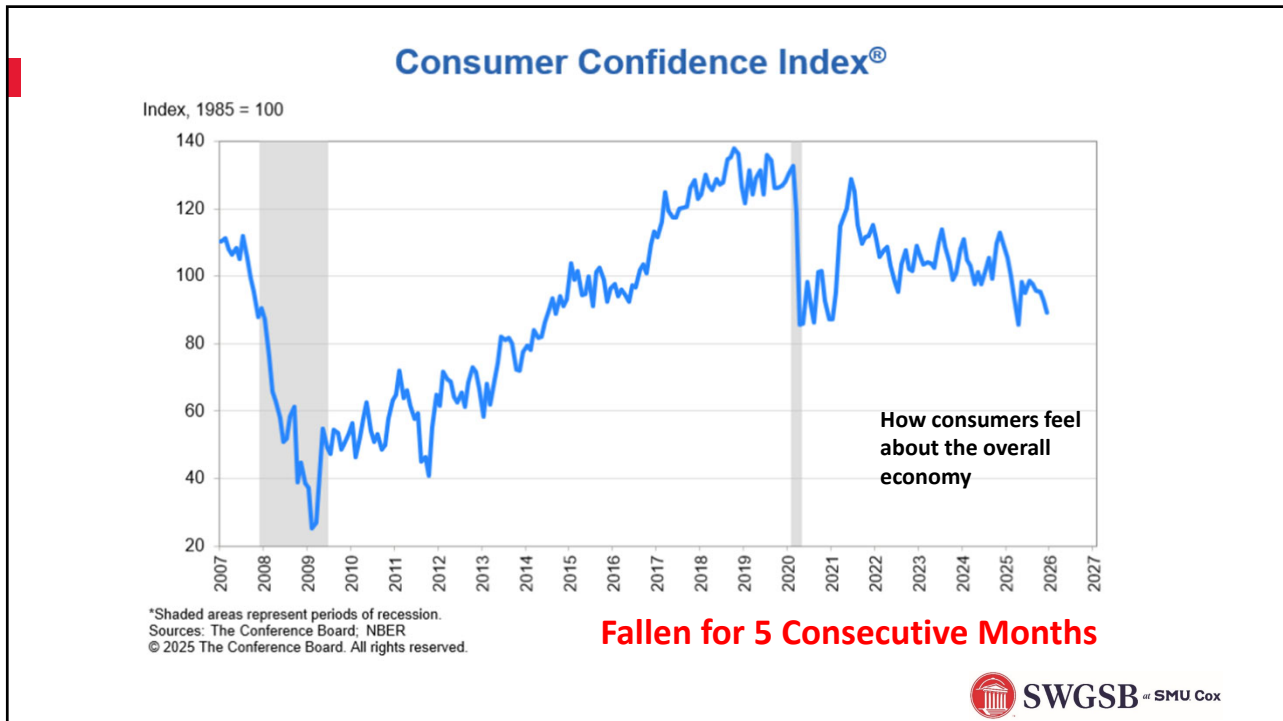
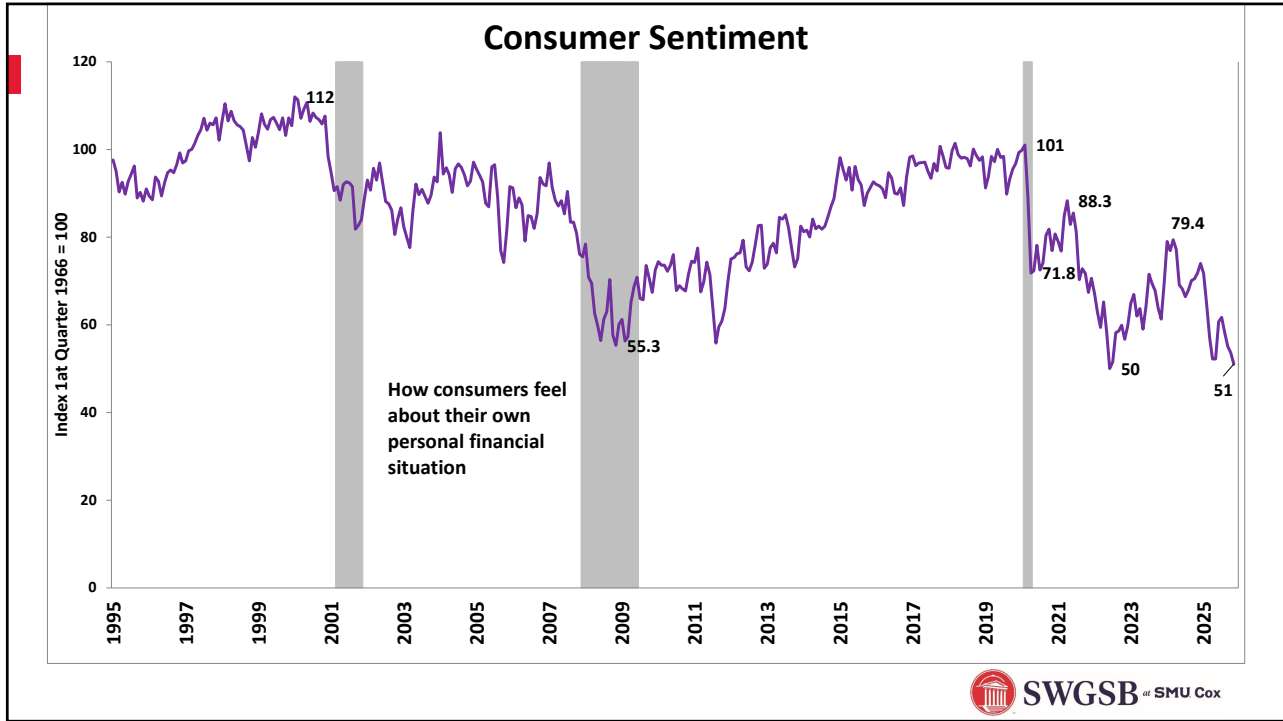


# Are we headed for a recession?

SWGSB at SMU Cox







## Summary

- **Consumer Sentiment and Confidence are Slipping**
- **Business Investment on Hold Due to Uncertainty**
- **Tariff Uncertainty**
- **Lower Government Spending is Contractionary**
- **Potential for Stagflation**



## Questions?

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