

VIEWS ON US GROWTH, INFLATION AND CHINA

INVESTMENT VIEWS
FROM THE BNY INVESTMENT INSTITUTE

March 2025

The US economy could see growth slow to below trend in 2025 before recovering further out. We examine the data driving our view on this, as well as our views on inflation, markets and more in the latest edition of Vantage Point, the quarterly economic and markets outlook from the BNY Investment Institute (the “institute”).

Growth

The institute’s US outlook is cautious. An economic growth slowdown in 2025, driven by significant policy uncertainty, which could reduce consumer confidence, and a smaller-than-expected lift from US fiscal policy is likely. If growth is better-than-expected, it will likely be due to larger-than-expected US fiscal stimulus and lower tariff rates.

We feel the odds of a US recession remain above average by historic standards.

Inflation & Policy

The institute’s US outlook sees the US Federal Reserve (the “Fed”) cautiously cutting rates twice this year, with inflation still above target. With tariff increases representing a one-off shift in the price level, we do not expect policymakers to engage in tightening of policy.

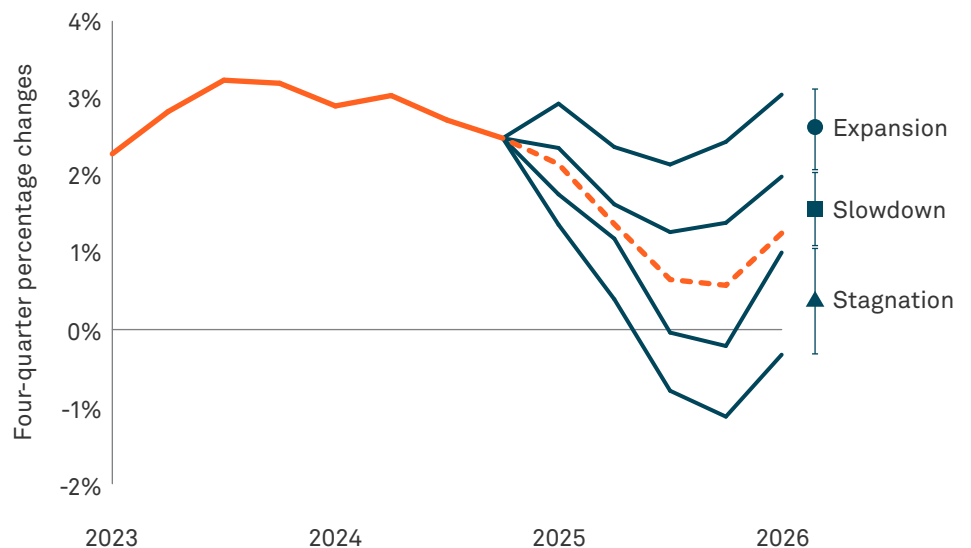
Failing that, rates may reach and remain at 4%, with a modest uptick in inflation.

The Fed would likely cut rates more aggressively in 2026, once inflation worries abate.

US GDP

— Historical — Target — Expansion — Slowdown — Stagnation

Expansion — US fiscal stimulus is larger than we expect, tariffs lower-than-announced, small effect on growth. **Slowdown** — significant policy uncertainty, reduced consumer confidence, and a small lift from US fiscal policy. **Stagnation** — Dramatic fracturing of trade relationships, little near-term policy support, rising inflation, outright shallow contraction in the US economy towards the end of 2025. **Target** — The expected outcome based on the average of our three economic scenarios weighted by how likely they are to occur.



Sources: LSEG Datastream/Fathom Consulting, 2025.

China

In China, the institute anticipates modest, reactive easing of fiscal policy, in response to hikes in US tariffs on Chinese goods. Further, limited, monetary stimulus is also expected, as the People's Bank of China (PBoC) would be mindful of widening interest-rate differentials.

About the BNY Investment Institute

Drawing upon the breadth and expertise of BNY Investments, the Investment Institute generates thoughtful insights on macroeconomic trends, investable markets and portfolio construction.

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Views are based on the belief that financial-market moves largely reflect shifts in growth, inflation and monetary policy. BNY Investment Institute's 2Q25, 12-month economic outlook, [Vantage Point](#), is available *now*.

IMPORTANT INFORMATION

All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.

DEFINITIONS

Gross Domestic Product (GDP) is a monetary measure of the total market value of all final goods and services produced within a country's borders in a specific time period, often used to gauge a country's economic performance. **Shallow Contraction** occurs when some parts of the economy are performing on average while others are struggling. **Stagnation** is a prolonged period of little or no growth in an economy often highlighted by periods of high unemployment.

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