

3 Predictions for the U.S. Economy in 2025, According to a Chief Economist

In 2024, a Pew Research poll found that only 23% of Americans viewed the U.S. economy in positive terms, as excellent or good.

But the U.S. economy grew last year, according to data from the U.S. Commerce Department's Bureau of Economic Analysis (BEA). The United States' gross domestic product (GDP) increased from \$27.72 trillion in 2023 to \$29.17 trillion in 2024. The GDP growth arose from Americans earning more and spending more, per BEA.

Now, looking ahead to 2025, EY's chief economist Gregory Daco says that he expects the U.S. economy to continue to grow and lead the global economy.

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"Different policies that can affect economic activity in the U.S. have effects on the rest of the world," Daco told *Entrepreneur*.

Here are some predictions Daco shared for the U.S. economy this year.

1. The U.S. will be the global

growth leader – and disruptor.

Daco said that the U.S. economy will be the global growth leader in 2025 due to income growth, productivity growth, and easing monetary policy. It will continue to be the largest economy in the world.

At the same time, the U.S. is poised to be a major global growth disruptor, with a September KPMG survey of 600 U.S. leaders showing that nearly seven in 10 U.S. companies expressed concern about market disruptors on their company's growth.

Daco says that disruption could come from the incoming administration's pro-business policies, including tax cuts and deregulation, which could lead the U.S. economy to grow at a faster pace. The positive effects, he says, will ripple out to economies that depend on the U.S. for their own growth.

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On the other hand, if the U.S. economy grows at a slower pace due to higher inflation, Daco said it "would be a big drag on global economic activity."

2. Federal rate cuts will slow down.

In December, the Federal Reserve cut the federal funds rate, which is the interest rate range set by the Federal Reserve that banks charge each other to borrow money, by 0.25% to a range of 4.25% to 4.5%. The move followed two prior rate cuts, one in September and another in November.

This year carries the risk of higher inflation in the second half of the year following potential tariffs enacted by the

new administration, which could lead to higher prices for imported goods.

“In that environment, we think that Fed policymakers will be more gradual in easing monetary policy,” Daco stated.

Daco predicts that the Fed will cut interest rates by 0.75% total this year, for a 0.25% rate cut at every other meeting. So the Fed will cut rates in March, June, and September.

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3. The unemployment rate will rise.

For the final seven months of 2024, the unemployment rate has stayed steady at 4.1% or 4.2%. Daco expects weaker labor demand to push the unemployment rate above 4.5% in 2025.

He says the reason is a slowdown in labor demand, observed over the past two years. Job website Indeed reported on this slowdown in July 2024, noting that after about two years of a slowdown, wage growth has become more consistent.

“Business leaders are being much more cautious as to who they hire, how much they hire, and at what salary,” Daco said. “The combination of these factors has led to a very slow hiring rate.”

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He pointed out that the hiring rate is currently at a 10-year low, which means that employers are being more selective now than ever.

According to the latest Employment Situation Summary from the U.S. Bureau of Labor Statistics, the U.S. economy added an average of 186,000 new jobs per month in 2024 for a total of 2.2 million jobs.

Daco predicts that weaker demand will cut job growth in half in 2025, averaging 75,000 to 100,000 new jobs added per month this year.

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