

# Economic Update for LFMA

April 10, 2025



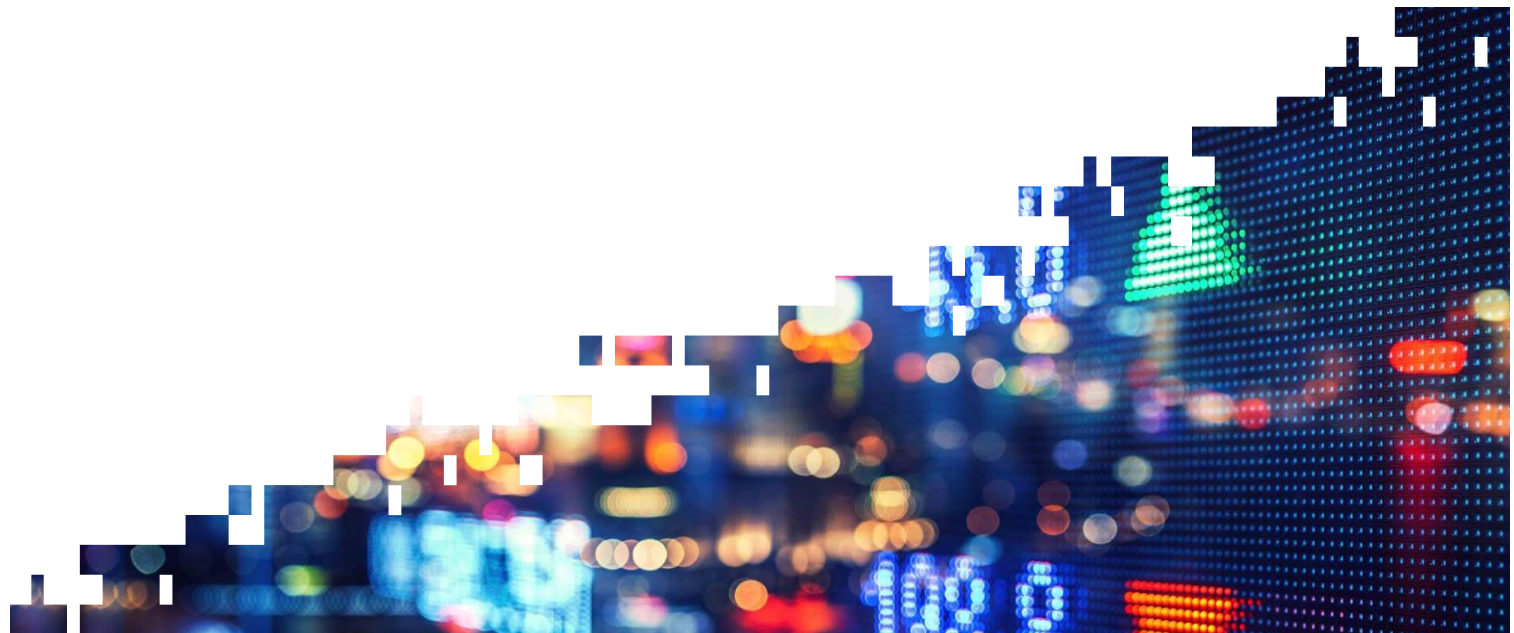
# Presenter introduction

## Carla Contreras

Sr. Analyst, Nonprofit and Education Industry

Senior Manager, Assurance

San Antonio, Texas



# Breaking News: Tariffs



## The Day Trump's Tariffs Shook Corporate America

Executives scrambled to grasp the scope and size of the president's trade barriers.

By [Theo Francis](#), [Inti Pacheco](#) and [Alistair MacDonald](#)

3,598 April 3, 2025 7 min read

Opinion | [Bill Dudley](#)

## Stagflation Is Now America's Best-Case Scenario

Trump's tariffs risk a brutal combination of recession and inflation.

## Markets Tumble as Three-Day Selloff Wipes Out \$9.5 Trillion



## Initial U.S. Jobless Claims Fell Last Week

The week through March 29 brought 219,000 initial jobless claims, compared with 225,000 a week earlier and economists expectations of 228,000 claims.

By [Matt Grossman](#)

April 3, 2025 2 min read



The New York Stock Exchange on Monday, April 7.

## How Might Central Banks React to Trump's New Tariffs?

By [Paul Hannon](#)

April 3, 2025 4 min read

### Central Banking



## Powell Warns of Higher Prices, Weaker Growth After Tariff Plan

By [Nick Timiraos](#)

2,284 April 4, 2025 4 min read



# Our task: separate signal from noise

Signal



Noise



# Executive summary

- The underlying strength of the economy had until recently been rock solid; rising incomes, increasing investment and productivity were acting as key drivers
- However, risks of stagnation or worse—stagflation—have become heightened due to policy uncertainties: government spending, tariffs and federal worker layoffs
- Uncertainties have caused financial conditions to deteriorate in March and April, potentially affecting spending and overall sentiment
- Therefore, we have upgraded the 12-month recession probability base case to 55% from 20% and downgraded the US growth rate in the first quarter to a contraction of -0.8% from 1.5%, with a steeper hit of -1.5% in Q2.
- The Fed's wait-and-see mode with rates will continue to keep borrowing costs restrictive, with all options on the table, including a rate hike if inflation reaccelerates significantly

# Outlook scenarios for 2025

The U.S. economy is undergoing structural change, with faster growth, low unemployment, higher inflation, and rising interest rates driven by fiscal expansion, productivity gains, and foreign capital.

Scenario probability	GDP growth	Unemployment rate	PCE inflation	Fed Funds rate (upper)	10-year yield
Baseline (55%)	2.1%	4.1%	2.5%	4.25%	4.5%
Alternative (25%)	3% or higher	3.5% to 4%	3% to 3.5%	4.5%	5% or higher
Recession (20%)	Below 1% or negative	5% or higher	High if stagflation; low, otherwise	High if stagflation; near zero, otherwise	High if stagflation; low, otherwise

# Three outlooks: Scenario one

Policy uncertainty changes the outlook

<b>Scenario 1: Current Tariffs Remain Until End of 2025</b>  <b>Recession Probability: 55%</b>	Main Indicator	Q1 2025	Q2 2025	Q3 2025	Q4 2025
	GDP Growth Q/Q	-0.8%	-1.2%	-0.5%	1.7%
	Unemployment Rate	4.2%	4.7%	5.0%	5.5%
	PCE Inflation Y/Y	2.6%	4.0%	3.5%	3.3%
	PCE Core Inflation Y/Y	2.8%	4.5%	4.0%	3.7%
	10-year yield	4.2%	3.75%	3.0%	3.0%
	Fed Funds Rate (Upper)	4.5%	4.5%	4.0%	3.5%

# Three outlooks: Scenario two

Policy uncertainty changes the outlook

<b>Scenario 2:</b> <b>Tariffs reduced to 10% blanket, except for China</b>  <b>Recession Probability: 40%</b>	Main Indicator	Q1 2025	Q2 2025	Q3 2025	Q4 2025
	GDP Growth Q/Q	-0.8%	-0.5%	1.0%	2.0%
	Unemployment Rate	4.2%	4.5%	4.7%	4.7%
	PCE Inflation Y/Y	2.6%	3.0%	3.0%	3.0%
	PCE Core Inflation Y/Y	2.8%	3.5%	3.5%	3.5%
	10-year yield	4.2%	3.5%	3.5%	4.0%
	Fed Funds Rate (Upper)	4.5%	4.5%	4.25%	4.0%



# Three outlooks: Scenario three

Policy uncertainty changes the outlook

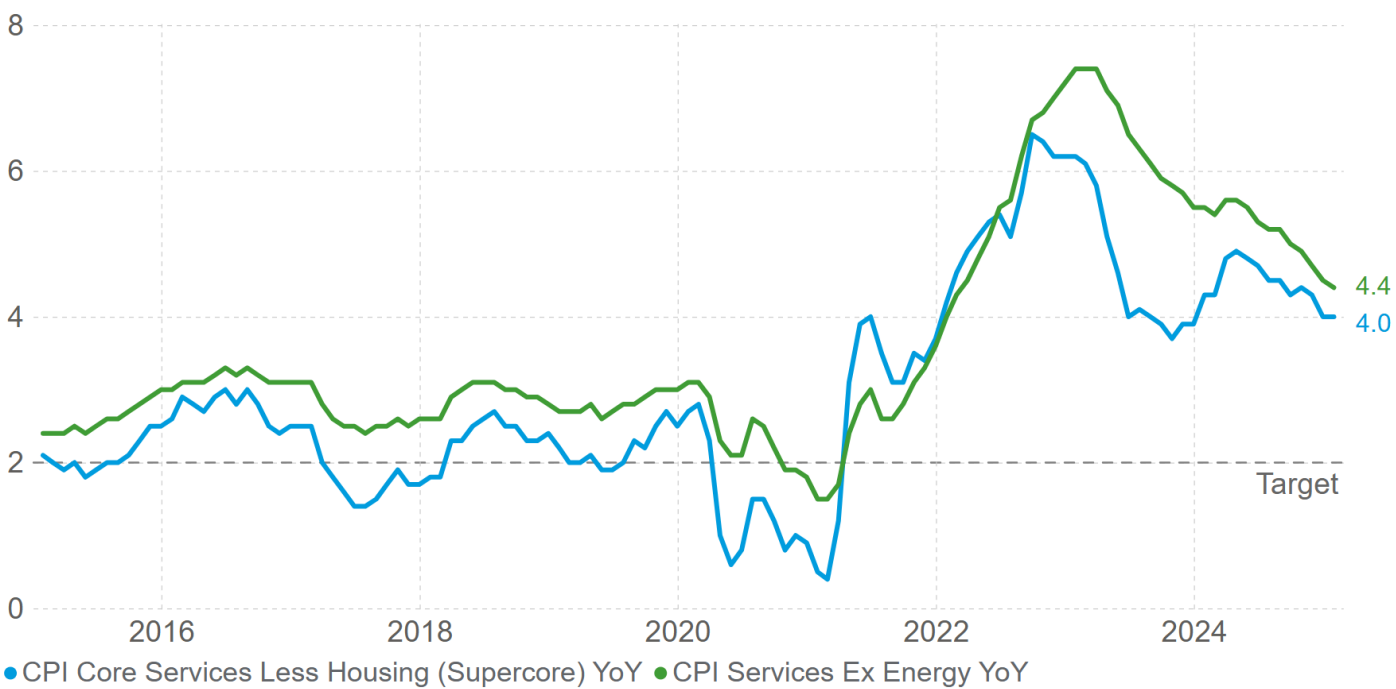
<b>Scenario 3:</b> <b>90 days delay,</b> <b>Tariffs reduced</b> <b>to 10% blanket,</b> <b>except for China</b>  <b>Recession</b> <b>Probability: 40%</b>	Main Indicator	Q1 2025	Q2 2025	Q3 2025	Q4 2025
	GDP Growth Q/Q	-0.8%	-0.8%	-0.5%	1.0%
	Unemployment Rate	4.2%	4.2%	4.4%	4.7%
	PCE Inflation Y/Y	2.6%	2.6%	3.0%	3.0%
	PCE Core Inflation Y/Y	2.8%	2.8%	3.5%	3.5%
	10-year yield	4.2%	4.0%	4.0%	4.0%
	Fed Funds Rate (Upper)	4.5%	4.5%	4.25%	4.0%

# Risk of stagnation, stagflation and slower growth

As economic growth slows and service sector inflation remains elevated, conditions are coalescing around risks to the economic outlook of stagnation at best and stagflation at worst.

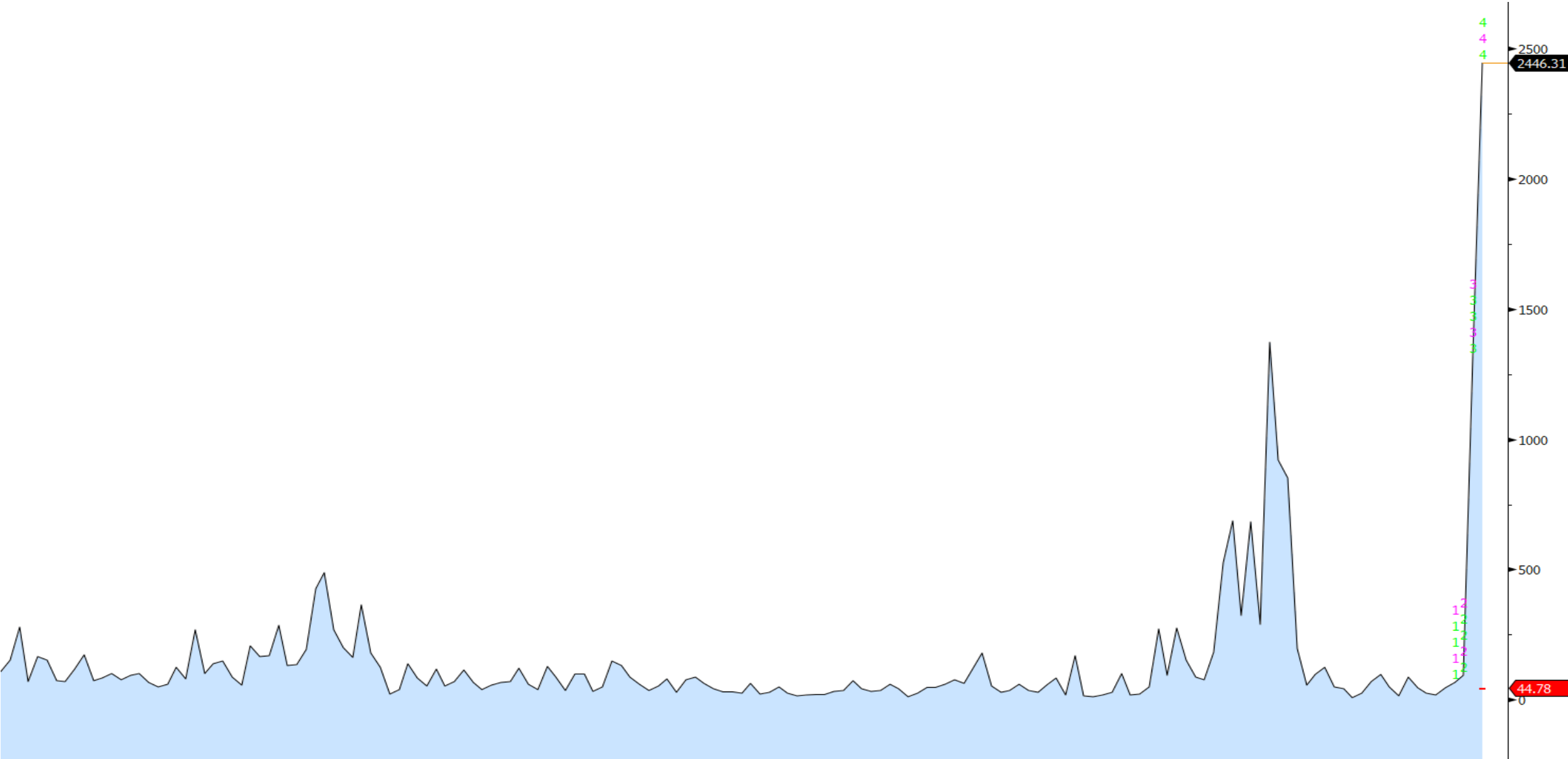
## Sticky inflation

Percentage 12-month change



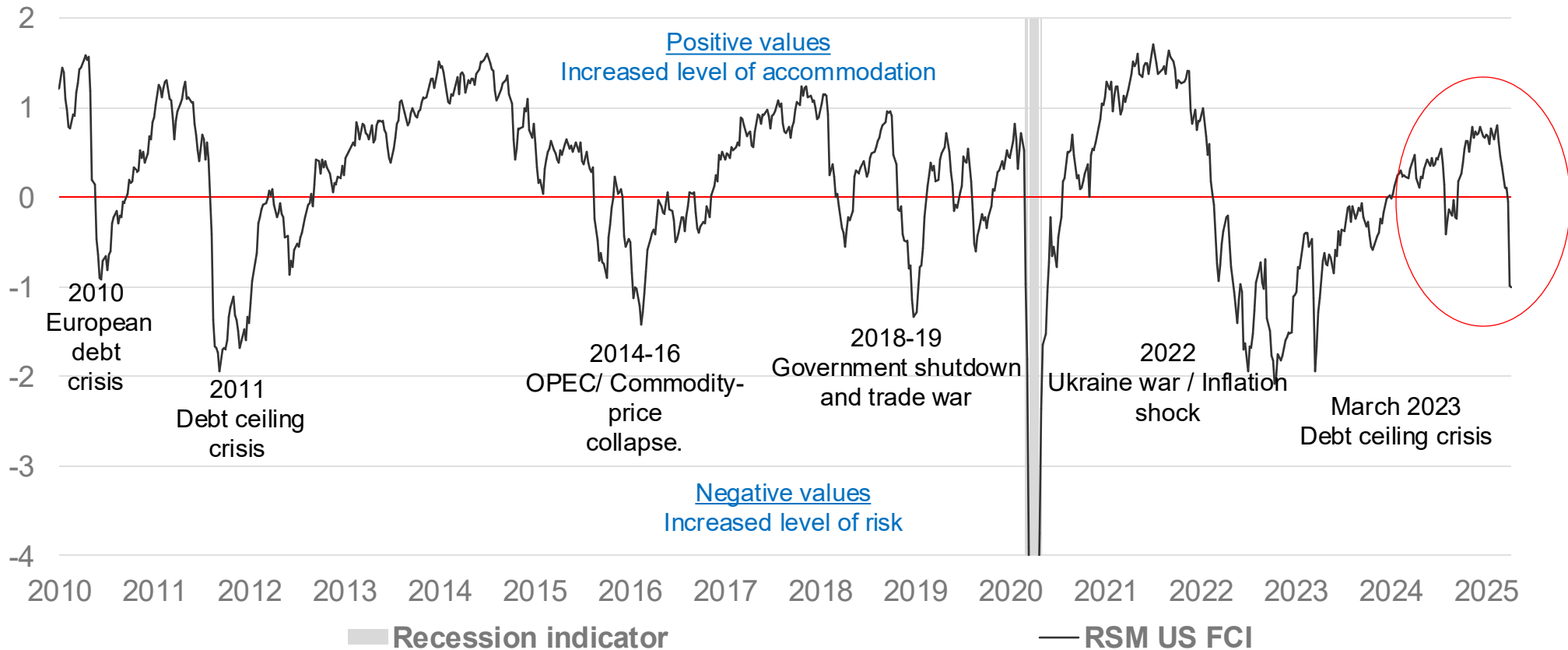
Source: BLS, RSM US

# Economic Trade Policy Uncertainty Index (Baker, Davis & Bloom)



# Financial conditions have turned restrictive...

## RSM Financial Conditions Index (Z-scores)

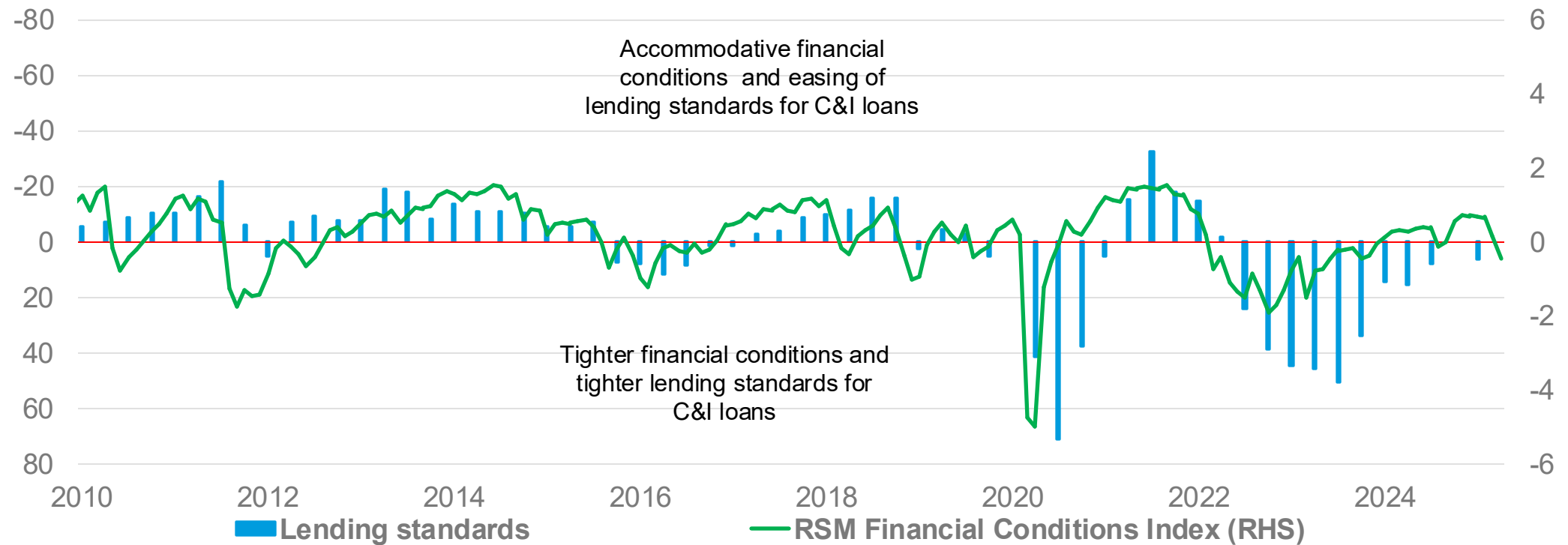


Source: Bloomberg; RSM US LLP calculations

...which has negative implications for the willingness to borrow and lend and therefore economic growth.

## Lending standards for C&I loans for large and middle-market firms

## Financial conditions index



Source: Federal Reserve SLOOS; Bloomberg; RSM US LLP



# Employment outlook

01

US added 151,000 jobs in February, true trend near 175,000

02

Tight Labor Market: Unemployment rose to 4.1%, but full employment persists. Wages 4.1% year-over-year

03

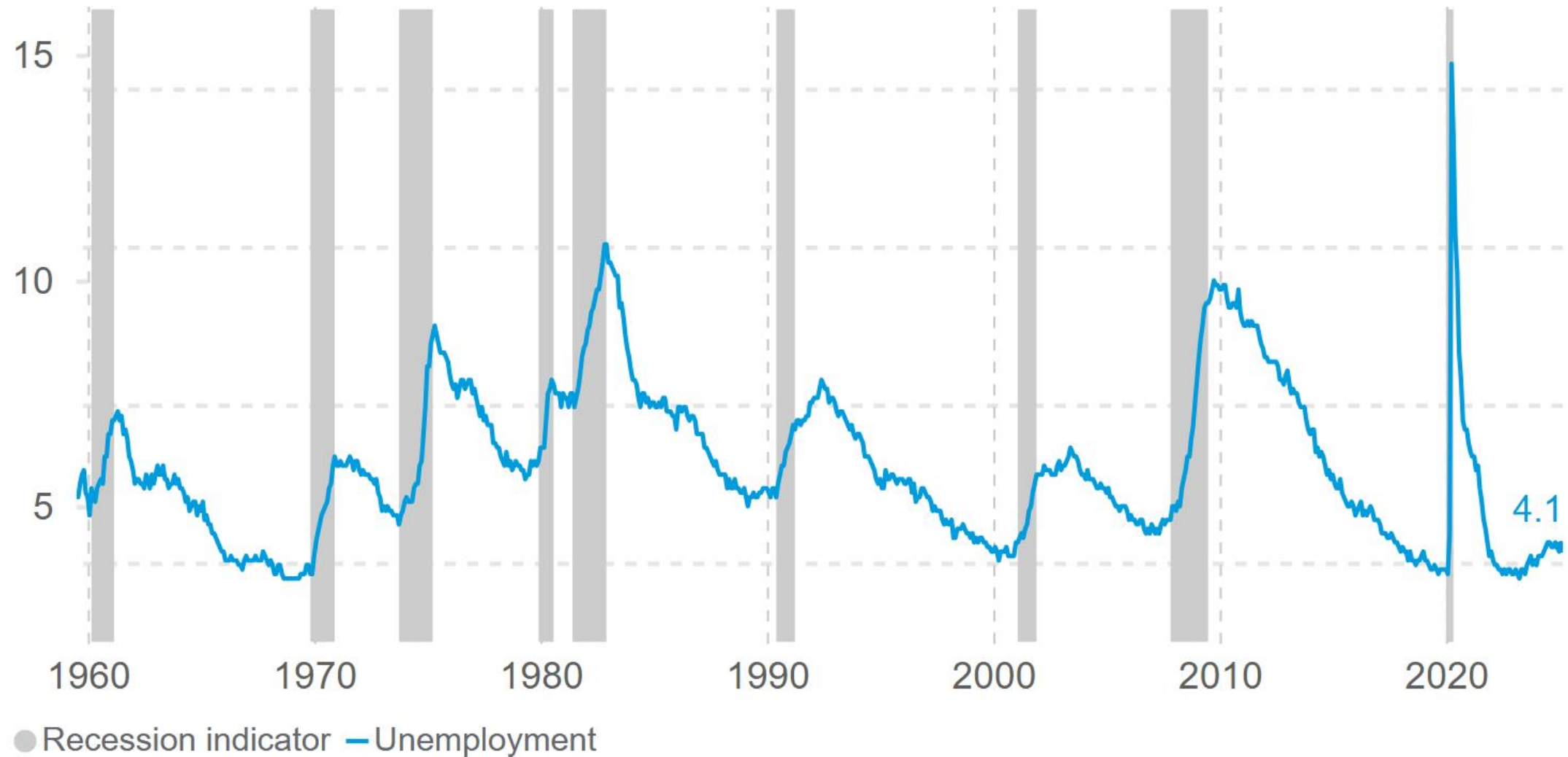
Government Hiring Slowdown: Federal job cuts and reduced state/local hiring signal budget control efforts

04

Policy & Inflation: Strong labor demand and rising wages challenge expected Fed rate cuts as inflation concerns grow

# Unemployment rate

In percentages



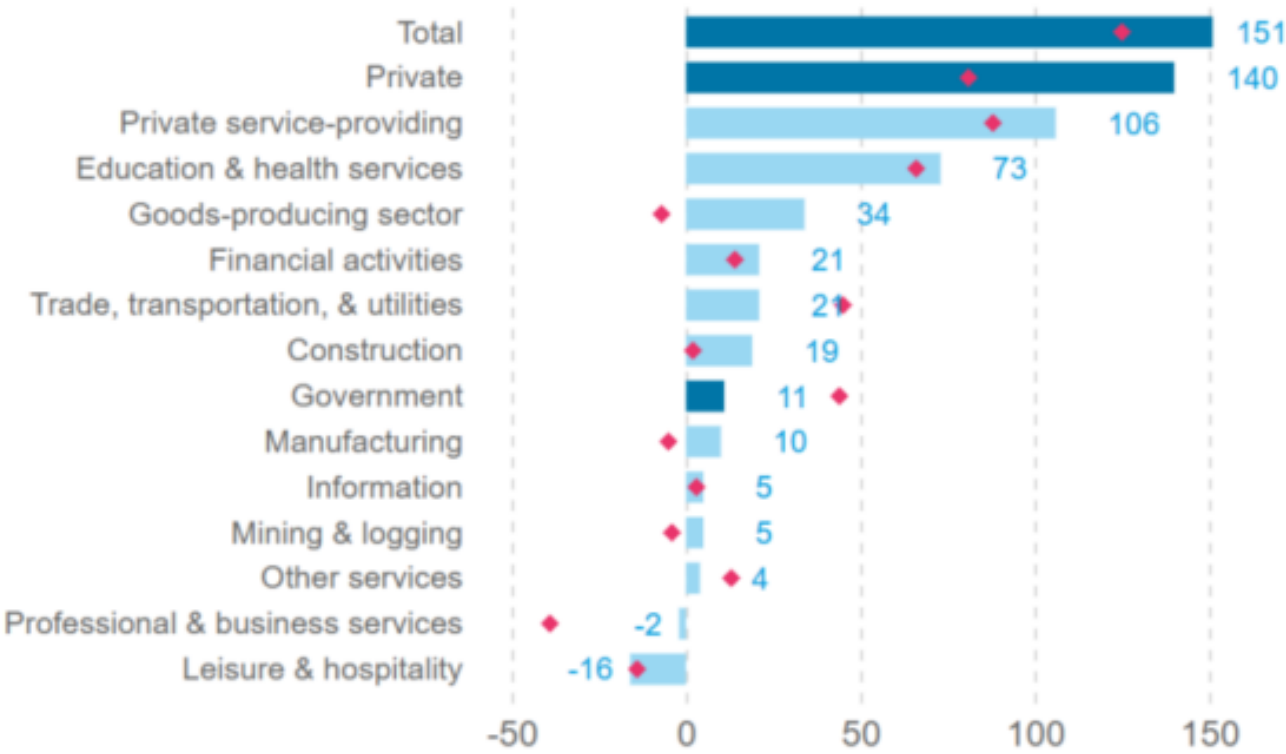
Source: BLS, RSM US

# Labor market remains strong despite policy shift

The U.S. added 151,000 jobs in February, with the true trend near 175,000

## By category

In thousands; red dots represent previous month values



# Inflation outlook

01

Inflation Cooling: CPI rose 0.2% in February, 2.8% annual increase

02

Services & Housing Inflation: Services inflation remains high at 4.1%, with housing costs up 3.9% annually; limits Fed's flexibility on rate cuts

03

Tariff Impact: Used car prices signal rising costs ahead of 25% steel and aluminum tariffs, threatening positive goods disinflation

04

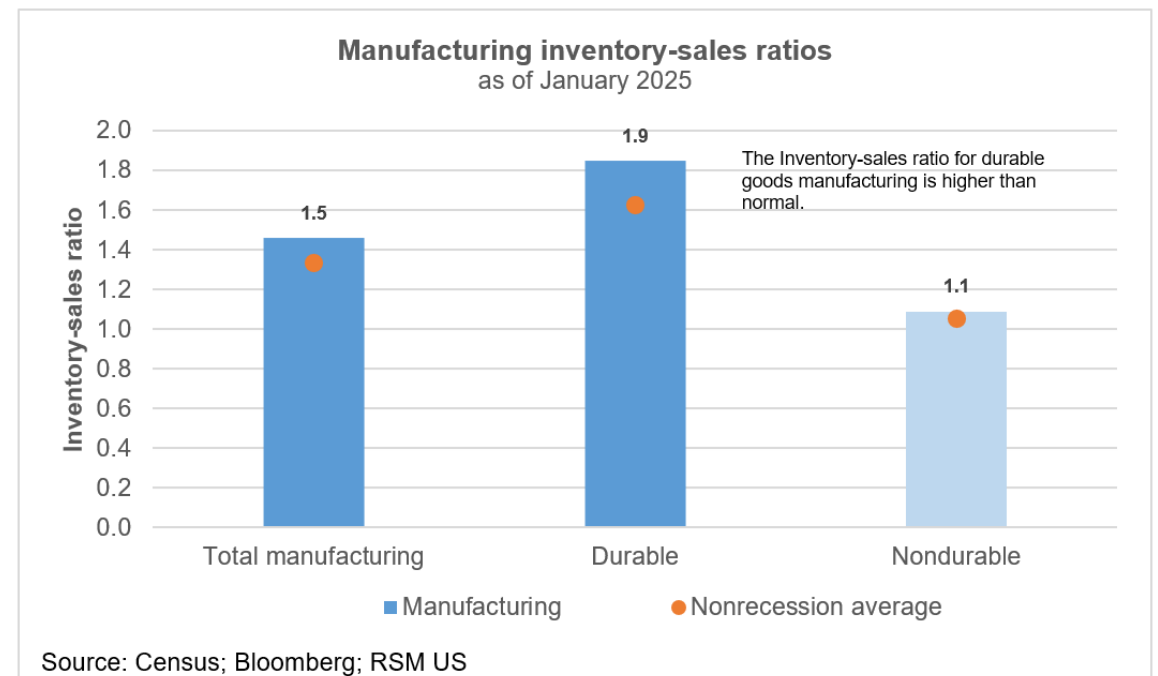
Future Inflation Pressure: Trade taxes on imports (40%-45% used in U.S. production) will push prices higher, ending a multiyear disinflation trend

05

Inflation expectations have moved up quite noticeably, adding more pressure on the Fed to keep pausing interest rate as stagflation risks mount

# The risk of an inventory correction is rising

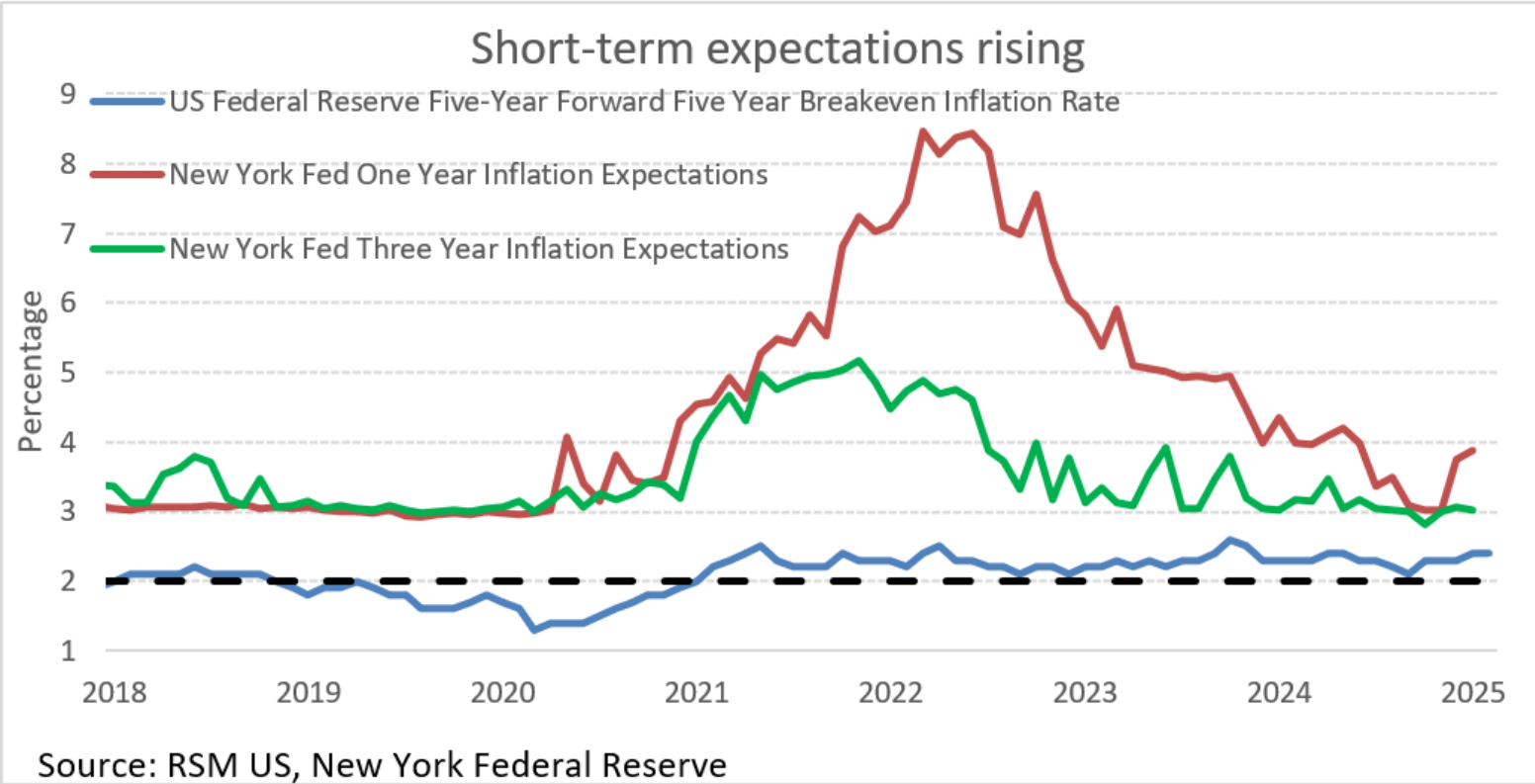
Producers and wholesalers have prepared for higher tariffs by buying goods in advance, which is creating the conditions for a modest inventory correction should demand slow.





# Rising short-term inflation expectations

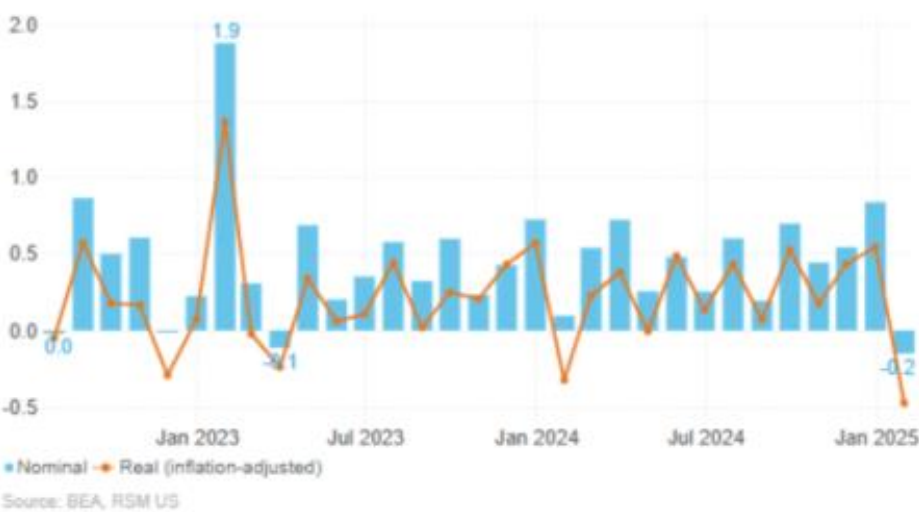
Rising prices in services, housing and groceries—those egg prices are clearly playing a part in souring public inflation expectations—all matter in whether inflation expectations serve as a transmission mechanism for tariffs to turn into inflation.



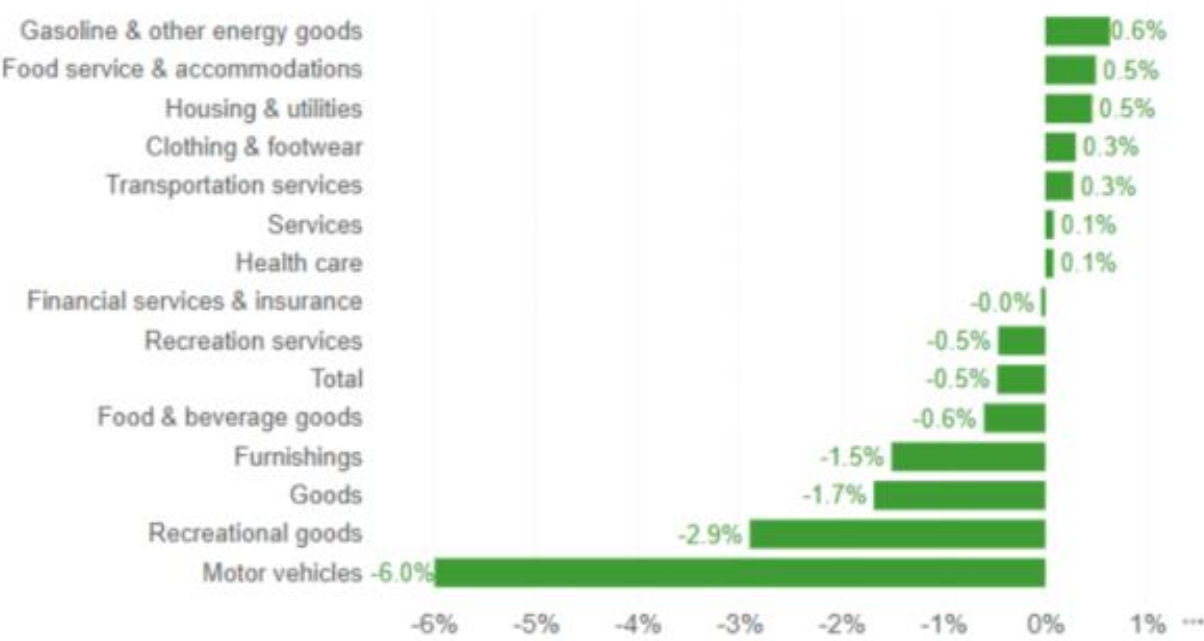
# Spending falls for the first time since early 2023

Due to spending hangover after strong November and December

Personal spending, monthly growth



Real spending monthly changes

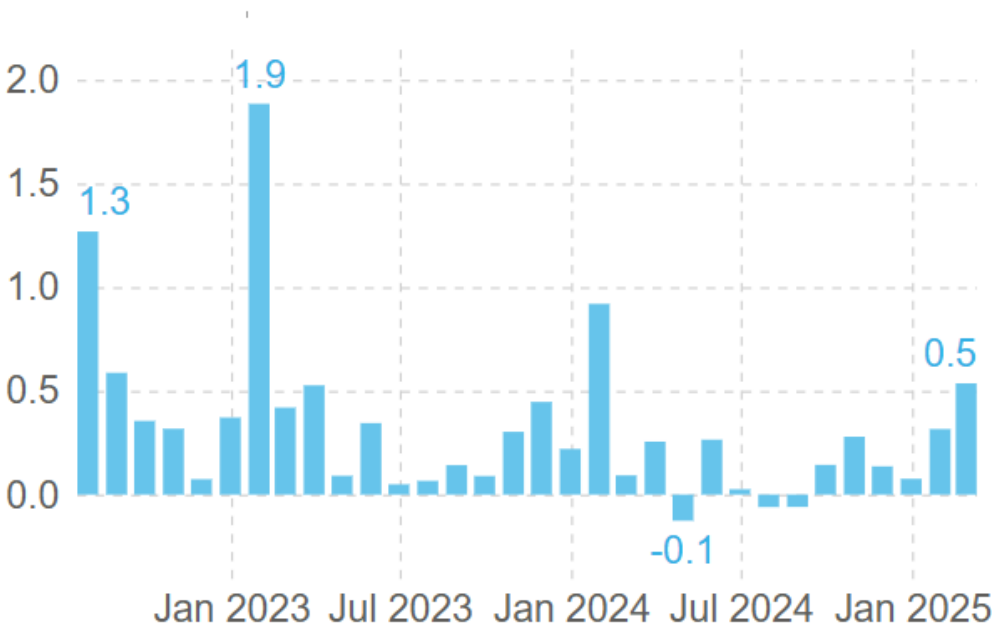


Source: BEA, RSM US

# Income growth stays strong

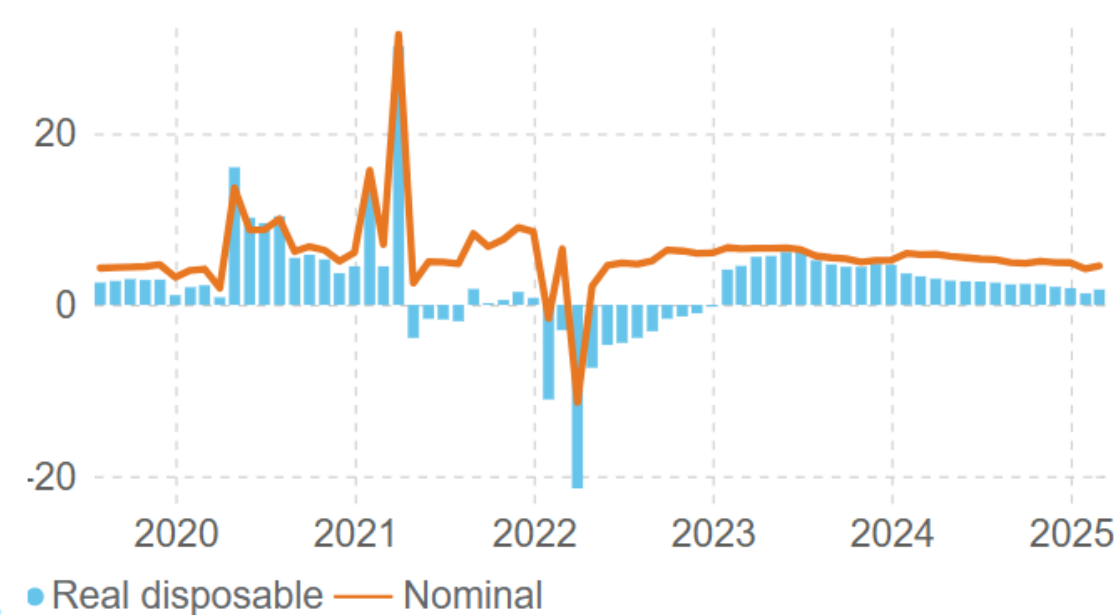
Household income rose 0.9% in January, driven by Social Security (+2.8%), transfer payments (+1.8%), and dividends (+1.7%).

Real disposable income monthly change



Source: BEA, RSM US

Year-over-year change in income



# Housing market outlook

01

Housing starts dropped 9.8% in January after a December spike, with declines in both single-family and multifamily homes. December's figure was revised up to 16.1%.

02

Elevated mortgage rates and severe weather contributed to the decline, suggesting it was more than just a pullback from December's surge. However, building permits rose 0.1%, indicating resilience.

03

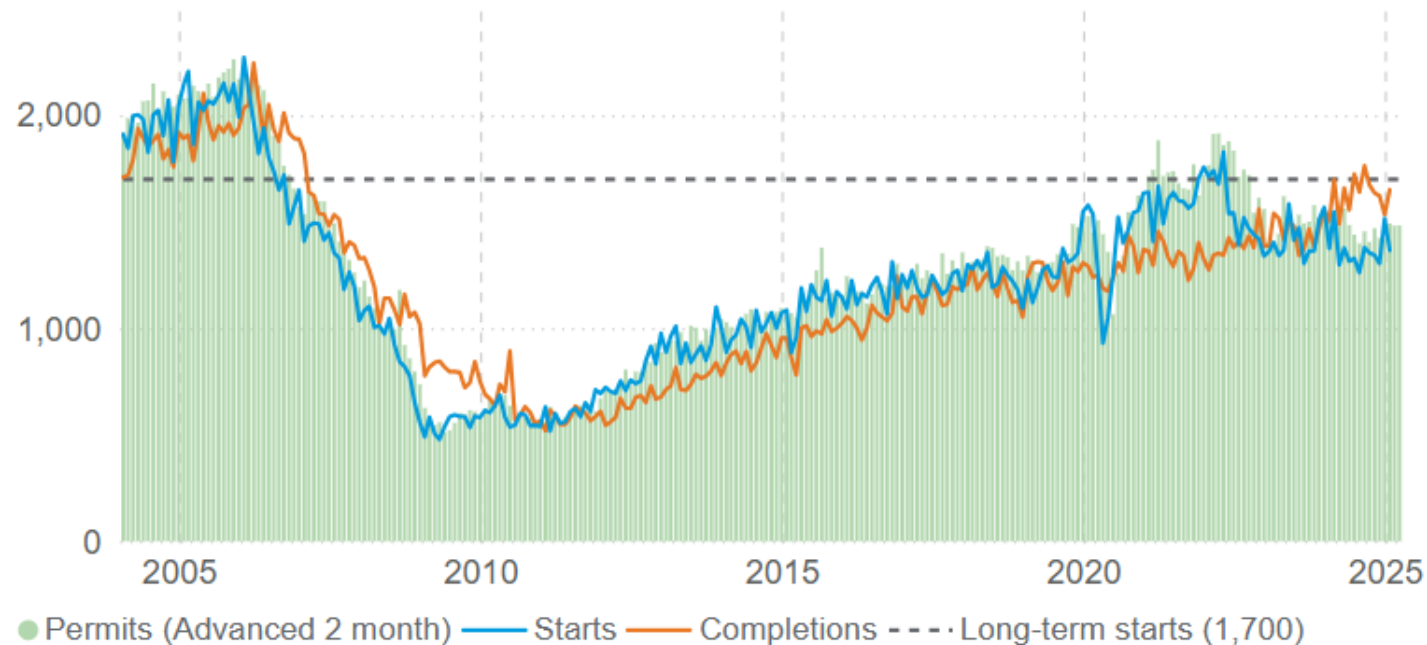
The slowdown in new starts allowed builders to complete more projects, with completions rising 7.6% to 1.65 million annualized. However, new housing supply remains below the 1.7 million needed annually to balance demand.

04

Housing supply shortages will persist due to limited policy focus, inflation concerns, and rising costs from tariffs and tighter immigration policies. Elevated mortgage rates will continue to challenge affordability.

# Housing starts dropped 9.8% in January after a December spike

Housing starts, permits and completions

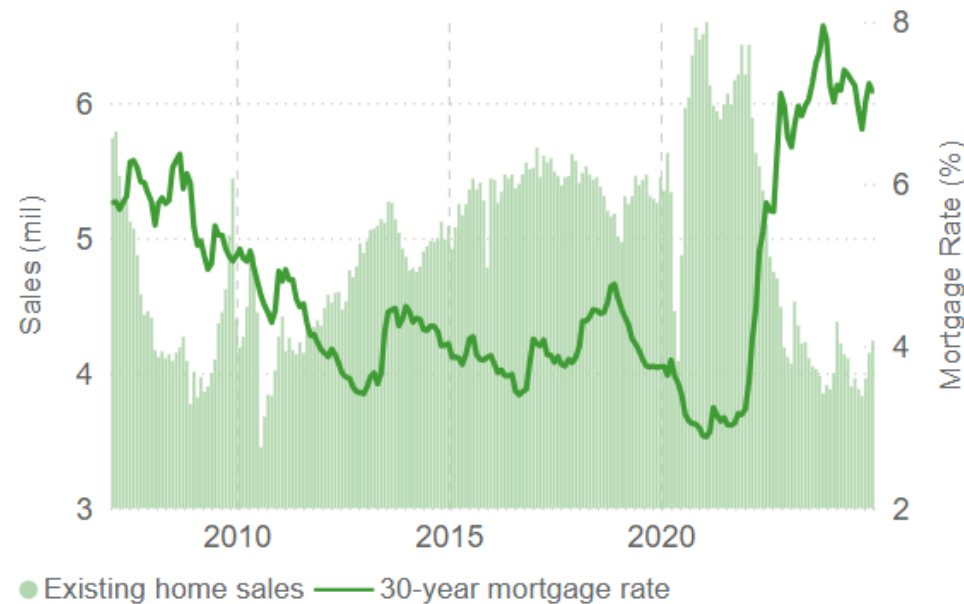


Source: Census Bureau, RSM US



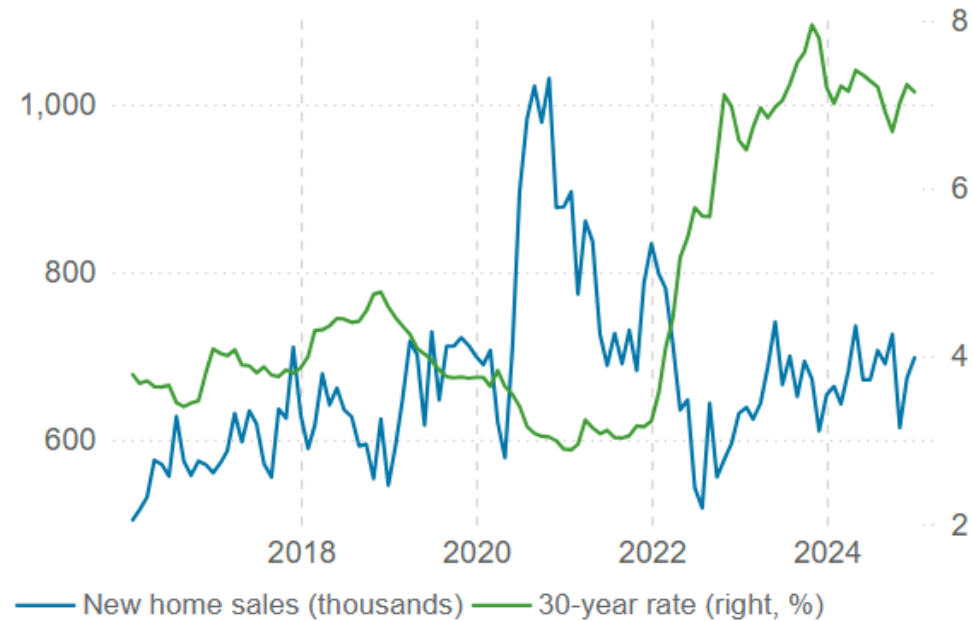
# Existing sales remain near bottom while new home sales pick up

Existing home sales

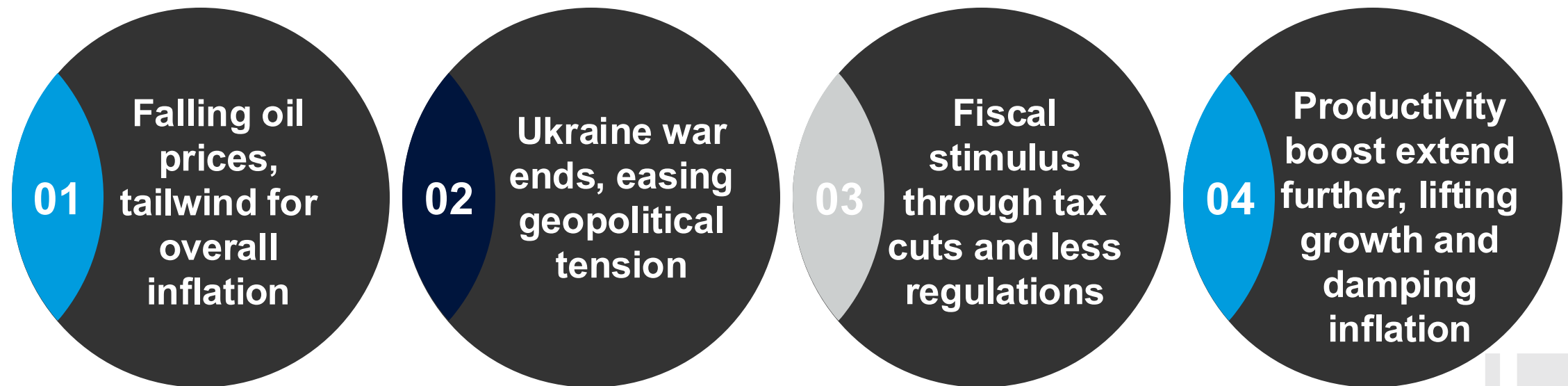


Source: BEA, RSM US

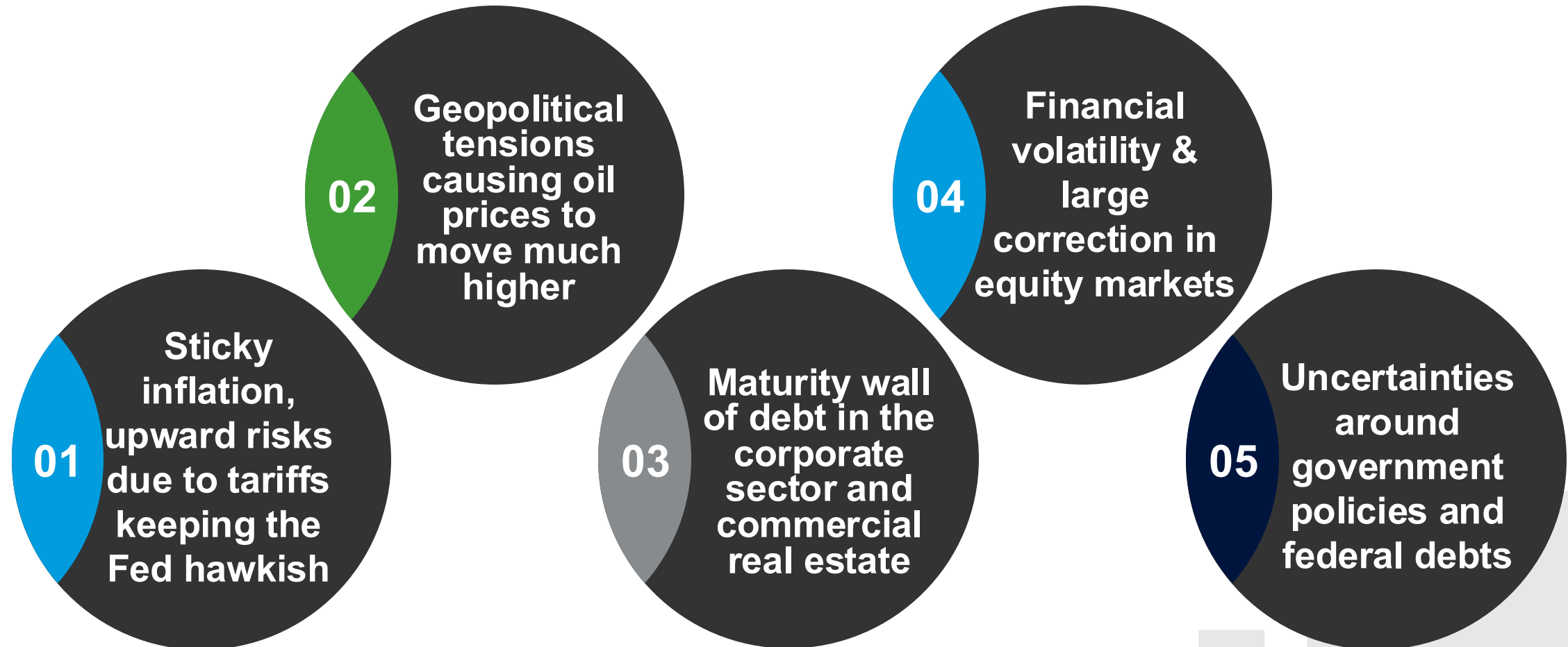
New home sales



# Positive risks to the outlook



# Negative risks to the outlook



# Cyber Security Trends

# Cybersecurity Trends

## Nation-state threat activity by the numbers



State-affiliated threat actors played a persistent supporting role in broader geopolitical conflicts.

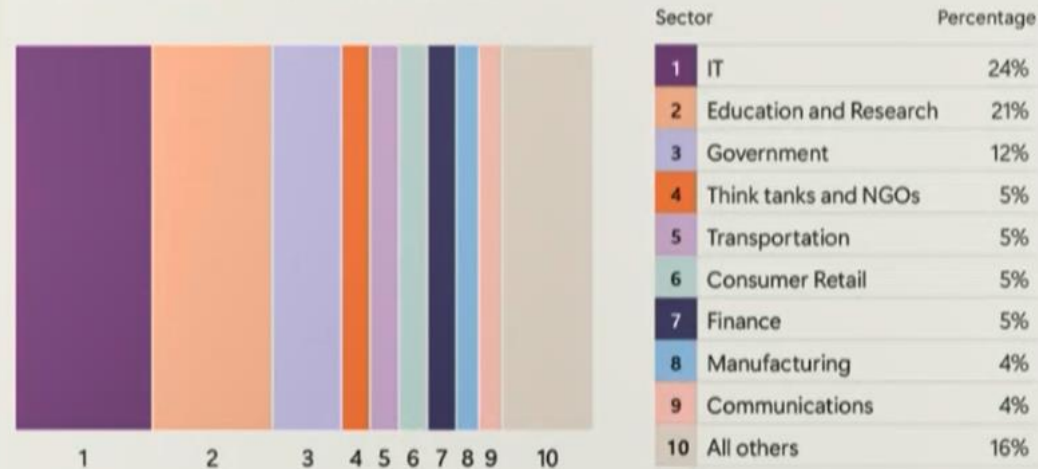


The Education and Research sector became the **second most targeted** by nation-state threat actors.



Think tanks and NGOs became the **fourth most targeted** by nation-state threat actors.

Top 10 targeted sectors worldwide



Threat actors from Russia, China, Iran, and North Korea pursued access to IT products and services, in part to conduct supply chain attacks against government and other sensitive organizations.

Source: Microsoft Threat Intelligence, nation-state notification data



# Cybersecurity Trends

## Ransomware trends and insights



**2.75x**

Increase year over year in human-operated ransom-linked encounters



**92%**

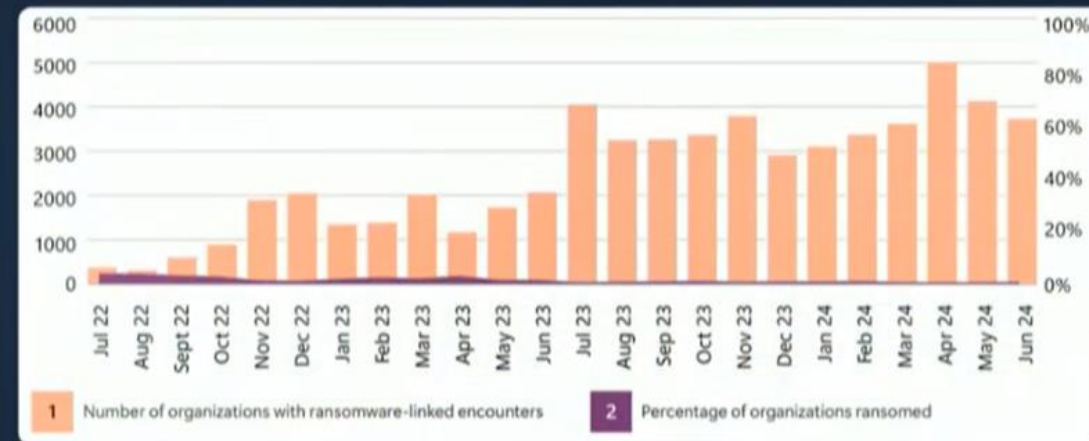
Of successful ransom attacks leveraged an unmanaged device in the network



**3x**

Threefold decrease in ransom Attacks reaching encryption stage over the past two years

Organizations with ransom-linked encounters continues to increase while the percentage of those ransomed is decreasing (July 2022–June 2024)



Although organizations with ransom-linked encounters continues to increase, the percentage that are ultimately ransomed (reaching encryption stage) decreased more than threefold over the same time period.

# Cost of Cybersecurity Incidents

Sector	Claims	Minimum	Average	Maximum	Total	% of Total	Rank by Claims	Rank by Cost
Agriculture	1	11K	11K	11K	11K	0.0%	20	21
Education	254	2K	131K	2.0M	33.2M	2.0%	10	18
Energy	37	10K	853K	13.0M	24.1M	1.4%	13	3
Entertainment	38	4K	343K	2.6M	13.0M	0.8%	14	8
Financial Services	575	1K	207K	4.8M	119.2M	7.0%	5	14
Gaming & Casino	4	20K	160K	532K	639K	0.0%	18	16
Health services	1	267K	267K	267K	267K	0.0%	20	9
Healthcare	738	1K	261K	17.6M	192.5M	11.3%	4	10
Hospitality	116	2K	165K	2.6M	19.1M	1.1%	12	15
Manufacturing	751	1K	250K	13.6M	187.5M	11.1%	3	11
Media	52	2K	182K	5.1M	24.8M	1.4%	13	6
Nonprofit	368	1K	117K	2.9M	43.0M	2.5%	8	19
Professional Services	1,630	1K	235K	30.0M	383.3M	22.6%	2	12
Public Entity	314	2K	147K	2.3M	46.1M	2.7%	9	17
Restaurant	19	2K	579K	5.2M	11.0M	0.6%	17	4
Retail	452	1K	224K	7.5M	101.1M	6.0%	6	13
Technology	399	1K	656K	17.6M	261.7M	15.4%	7	2
Telecommunications	28	18K	934K	8.7M	26.2M	1.5%	16	1
Transportation	130	1K	418K	15.0M	54.3M	3.2%	11	7
Other	2,368	1K	65K	5.2M	154.9M	9.1%	1	20
Unknown	3	174K	537K	959K	1.6M	0.1%	19	5

1. Nonprofit organization's ranked 8<sup>th</sup> and Educational institutions ranked 10<sup>th</sup> in total claims by sector

2. There is a large proportion of NGOs included in Nonprofit claims, which often are the focus on nation-state threat actors

Avg Cost per Incident:

**\$117k**

Source:  
NETDILIGENCE® CYBER CLAIMS STUDY  
2024 REPORT

# Cybersecurity Trends in 2025



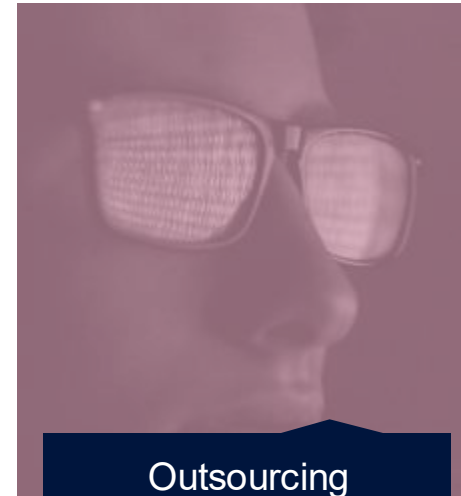
## Zero Trust Security Model

- Cloud adoption changes area to protect
- Assume that no user or device is trusted
- Continually verify



## Cyber Resiliency

- Establish incident response, disaster recovery, and business continuity plans
- And test them!!



## Outsourcing Security Services

- Take advantage of tech advances to protect your environment (AI)
- Difficult to source and keep cybersecurity professionals

# Nonprofit Updates and Trends

# Breaking News: Pause on federal grants

THE WALL STREET JOURNAL.

Latest World Business U.S. **Politics** Economy Tech Markets & Finance Opinion Arts Lifestyle

## Judge Blocks Trump's Federal-Assistance Freeze After Chaos Over Medicaid, Other Funding

White House sought to pause trillions of dollars in federal assistance

By [Ken Thomas](#) [Follow](#), [Kristina Peterson](#) [Follow](#), [Liz Essley Whyte](#) [Follow](#) and [Patience Haggin](#) [Follow](#)

Updated Jan. 28, 2025 5:26 pm ET

[Share](#) [AA](#) [Resize](#) [4024](#)

[Listen](#) (2min)



White House press secretary Karoline Leavitt answered questions about the Trump administration's decision to suspend federal aid to several assistance programs. Photo: Roberto Schmidt/AFP/Getty Images

## A freeze on federal grants and loans has been paused. But many facets of American life are left mired in uncertainty

By [Karina Tsui](#), CNN  
© 2 minute read · Updated 6:53 AM EST, Wed January 29, 2025

[f](#) [X](#) [e](#) [c](#)



## Trump White House reverses course, rescind freeze on federal grants

The budget office came under immense pressure over the impacts of a sudden pause in key government spending

Updated January 29, 2025 at 1:13 p.m. EST

[1 min](#) [Share](#) [Bookmark](#) [1237](#)





# New Administration Update

## National Council of Nonprofits – Executive Orders Affecting Charitable Nonprofits [Chart of Executive Orders](#)

### Executive Orders Affecting Charitable Nonprofits



Updated January 24, 2025

After his January 20th inauguration, President Trump signed dozens of Executive Orders (EOs) covering a broad range of issues, including diversity, equity, and inclusion programs; government grants and contracts; civic engagement; immigration; and certain nonprofit subsectors. **Some of the EOs won't take effect immediately, and many are expected to be immediately challenged in court.** This chart outlines some of the EOs that may affect nonprofits directly or indirectly.

This document will be updated frequently, so please use this link to see the most up-to-date version: <https://www.councilofnonprofits.org/files/media/documents/2025/chart-executive-orders.pdf>

### Background Resources

- [Presidential Actions](#), White House.
- [What Is an Executive Order?](#), American Bar Association, Jan. 25, 2021.

### Table of Contents

- [Diversity, Equity, and Inclusion](#)
- [Federal Government](#)
- [Immigration](#)
- [LGBTQ+](#)
- [Environment](#)
- [Census and Community Engagement](#)
- [Other](#)

# Current nonprofit trends

1. Public policy changes
2. Emerging philanthropy opportunities





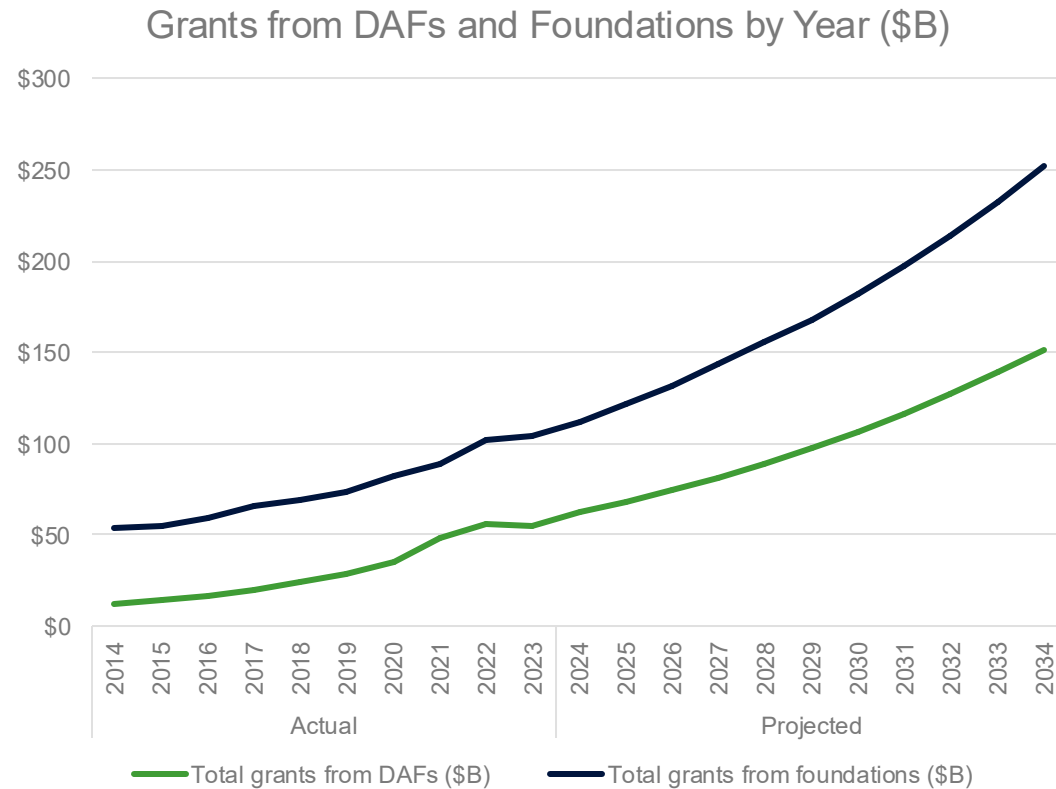
# Public policy changes

1. Trade policy, including tariffs
2. Immigration policy
3. Tax policy
4. Regulatory changes



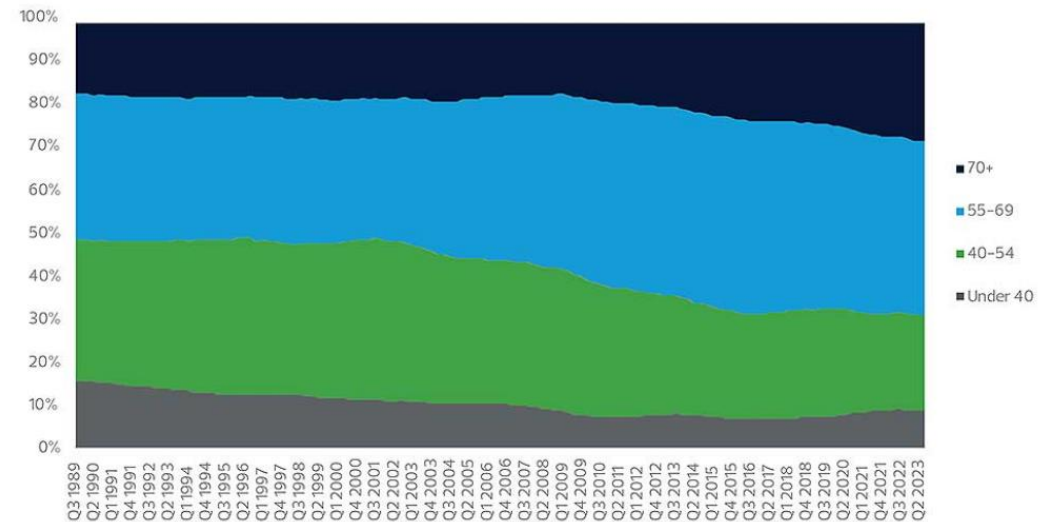
# Emerging philanthropy opportunities

## Donor-advised funds



## The “great wealth transfer”

Distribution of household wealth in the U.S. by age group



Source: Federal Reserve

# Wealth transfers through 2045

## Cerulli Anticipates \$84 Trillion in Wealth Transfers Through 2045

JANUARY 20, 2022 — BOSTON

Financial service providers must adapt their business models to retain walletshare

Multigenerational wealth transfer is one of the most significant factors affecting the high-net-worth (HNW) and ultra-high-net-worth (UHNW) segment—its impact in the coming decades is set to increase substantially. Shifting wealth into next-gen's hands will reward firms that are able to sustainably establish advisory relationships with younger clients in the years to come, according to Cerulli's latest report, [U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021](#).

Cerulli projects that wealth transferred through 2045 will total \$84.4 trillion—\$72.6 trillion in assets will be transferred to heirs, while \$11.9 trillion will be donated to charities. Greater than \$53 trillion will be transferred from households in the Baby Boomer generation, representing 63% of all transfers. Silent Generation households and older stand to transfer \$15.8 trillion, which will primarily take place over the next decade. \$35.8 trillion (42%) of the overall total volume of transfers is expected to come from high-net-worth and ultra-high-net-worth households, which together only make up 1.5% of all households.

Source: Cerulli Associates

# Report: 2024 DAF Fundraising Report

## Key Findings:

1. DAFs are incredibly valuable for nonprofits
2. DAFs are the fastest-growing vehicle in philanthropy.
3. DAF donors are bucking the trend of declining donor participation.
4. DAF donors are “hiding” in donor files.
5. DAF donors are loyal supporters.

Source: K2D Strategies, Chariot



Questions?

## **RSM US LLP**

30 South Wacker Dr  
STE 3300  
Chicago, IL 60606

**T 312.634.3400**  
[rsmus.com](https://rsmus.com)

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit [rsmus.com/aboutus](https://rsmus.com/aboutus) for more information regarding RSM US LLP and RSM International.

RSM, the RSM logo and The power of being understood are registered trademarks of RSM International Association, used under license.

© 2025 RSM US LLP. All Rights Reserved.