

Forecasting challenges in turbulent times

Ben Herzon, Executive Director, Co-head US Economics

October 12, 2025



Unusually uncertain times for economic forecasting



Uncertainty surrounding the GDP source data

Gold in the trade data
Imports and inventories



Uncertainty surrounding tariffs

How high will they go?
How long will they last?
What will the economic fallout be?



Uncertainty surrounding the impact of uncertainty

Are businesses pausing capital investment plans?
How can we quantify this in the forecast?



Uncertainty surrounding the government shutdown

How long will it last?
What is the GDP impact?
What challenges are posed from a lack of government data?

Uncertainty surrounding the GDP source data

Gold in the trade data

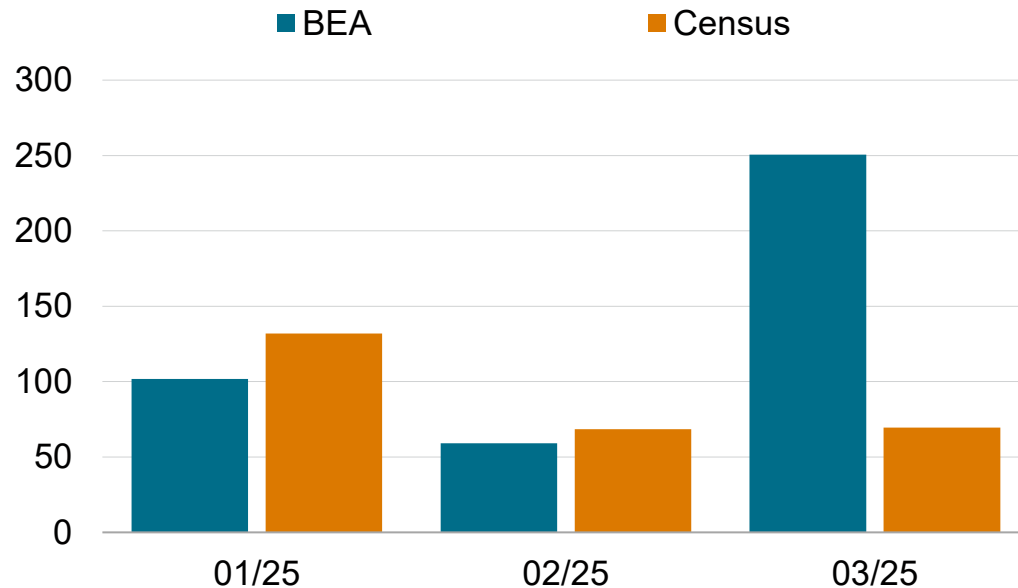
- Trade in gold was distorting the data early in the year, but it was not in the category we expected.
- Gold is excluded from exports and imports when calculating net exports and GDP.
 - Most trade in gold is not associated with current production.
- Until recently, it was sufficient to remove “nonmonetary gold.”
- In early 2025, there was a dramatic surge in goods imports outside of nonmonetary gold.
 - Would have suggested very weak reading on Q1 GDP growth.
- We learned about an arbitrage-related surge in imports of gold that was in a different category of imports:
 - “Finished metal shapes”
- We had to quickly adjust our GDP tracking methodology to exclude trade in “finished metal shapes.”

Uncertainty surrounding the GDP source data

Imports and inventories

Change in manufacturing and trade inventories

Billions of dollars, SAAR



As of Apr. 30, 2025.
Source: BEA; Census.
© 2025 S&P Global.

- There was a surge in non-gold imports in early 2025.
 - Probably a front-running of tariffs.
- Should have no impact on GDP.
 - Should have showed up in inventories.
- The source data on inventories showed no increase.
 - This did not make any sense.
- We assumed BEA would make an adjustment to the source data.
 - They did, but it was impossible to know in advance what adjustment would be made.

Uncertainty surrounding tariffs

How high will they go? How long will they last?

- When Donald Trump was elected president, we knew tariffs were coming.
 - Tariff rates cited would have represented historic increases.
 - Should the cited rates be taken at face value?
- Will the tariffs withstand legal scrutiny?
 - New tariffs are sector specific (Section 232: autos, parts, copper, etc.) and country specific (IEEPA: fentanyl, immigration, reciprocal).
 - IEEPA tariffs were ruled illegal by the Court of International Trade.
 - Appellate court upheld the CIT ruling.
 - How will the Supreme Court rule?
- We are assuming tariffs remain in place in some form regardless of Supreme Court ruling.
 - There are other statutes that can potentially support tariffs.
- Future administrations may find it difficult to remove tariffs
 - Tariffs create winner and losers; the winners will be vocal.
 - Tariff revenues prevent what would otherwise be fiscal deterioration.

Uncertainty surrounding tariffs

What will the economic fallout be?

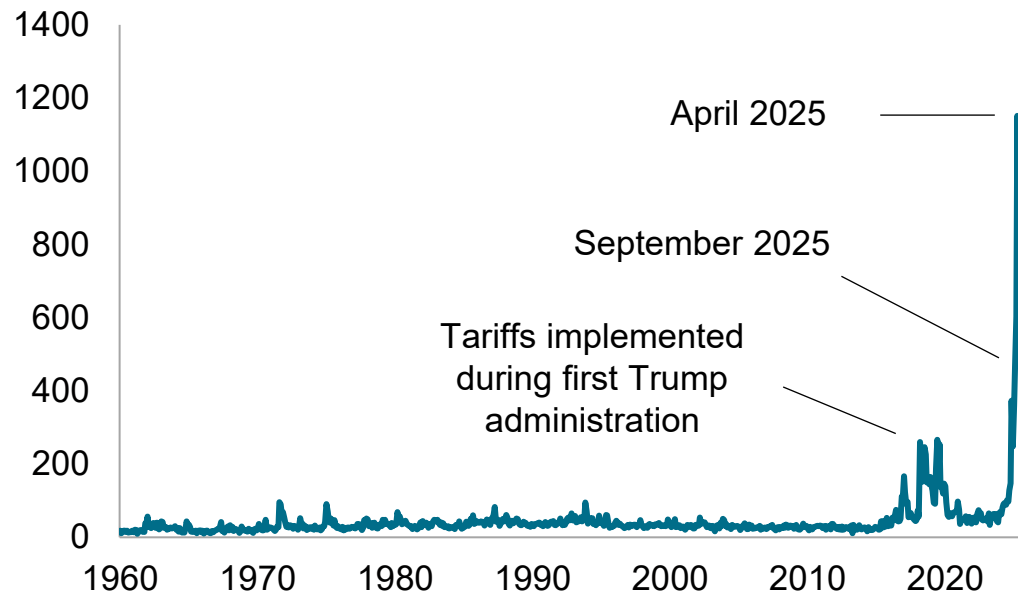
- Inflation: how will domestic prices respond to tariffs?
 - There are many factors affecting the pass-through of tariffs to domestic prices.
 - Will imports be re-sourced to lower-tariffed countries?
 - Will foreign producers elect to reduce their prices and margins?
 - Will the US dollar strengthen, as theory suggests, reducing the pre-tariff imports price?
 - Will domestic producers elect to absorb tariff costs in profit margins?
- Financial conditions: how will markets react?
 - Markets reacted very poorly to the first round of “reciprocal” tariffs announced in early April.
 - When re-introduced in August at similar levels, markets were unfazed.
 - Is a market reaction yet to come?
- Federal Reserve: will the Fed “look through” tariff-induced inflation?
 - If so, this implies easier Fed policy and more supportive financial conditions.
 - If not, this implies tighter Fed policy and more restrictive financial conditions.

Uncertainty surrounding the impact of uncertainty

How do we quantify the impact of trade policy uncertainty?

Trade policy uncertainty

Index = 100 when 1% of articles reference trade policy uncertainty



As of Oct. 8, 2025.

Note: Data are monthly.

Source: International Finance Division of the Federal Reserve Board.

© 2025 S&P Global.

- Objective measures of trade policy uncertainty are “off the charts.”
- Anecdotal reports of businesses pausing investment plans.
 - How do we quantify this?
- We ran regressions of investment spending on
 - Conventional drivers.
 - Measures of trade policy uncertainty.
- We used the results to adjust our investment forecast.

Uncertainty surrounding the government shutdown

The GDP impact is hard to predict; reduced data flow will complicate interpretation of state of the economy

- The GDP impact has two parts
 - Direct impact on GDP of government services.
 - Indirect impact on private activity supported by government services.
- Direct impact is relatively easy to measure
 - About 0.13 percentage point of annualized Q4 GDP growth per week of shutdown.
 - But we still have to take a stand on how long we think it will last.
- Indirect impact is hard to measure
 - What is the GDP impact of reduced flight volumes if/when air traffic controllers start to call in sick?
 - We don't have an explicit assumption in our forecast.
- Reduced flow of government data will complicate matters
 - Most economic indicator reports will be delayed while government is shut down.
 - For us, this limits the accuracy of the near-term portion of our forecast.
 - The Federal Reserve may have to decide on rates (Oct. 29) without two important data point: September employment and CPI

Contact us

PRIMARY CONTACTS

Ben Herzon

Ben.Herzon@spglobal.com

Patrick Newport

Patrick.Newport@spglobal.com

CONTACT US

Americas	+1 800 447 2273
Japan	+81 3 6262 1887
Asia-Pacific	+60 4 291 3600
Europe, Middle East, Africa	+44 (0) 134 432 8300

www.spglobal.com/en/enterprise/about/contact-us.html

www.spglobal.com/marketintelligence



© 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not endorse companies, technologies, products, services, or solutions.

S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its websites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.