NABE
National Association for Business Economics

Economic Policy Survey

August 2025

NABE Economists Warn on Deficits, Expect Stickier Inflation, Reduce Recession Odds

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The August 2025 NABE Economic Policy Survey summarizes the responses of 159 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered July 31-August 11, 2025. Survey findings may be reprinted in whole or in part with credit given to NABE. Survey results can be viewed online, including complete tabulations, at NABE.com. This is one of three surveys conducted by NABE—the other two are the NABE Outlook Survey and the NABE Business Conditions Survey. ***Sarah Wolfe,*** *Morgan Stanley, Survey Chair;* ***Roberto Coronado,*** *The Federal Reserve Bank of Dallas;* ***Ed Kean,*** *Economic Policy Analyst;* ***Chad Moutray, CBE,*** *National Restaurant Association;* ***Caitlin Patrick,*** *National Association for Business Economics;* ***Courtney Shupert,*** *MacroPolicy Perspectives;* ***Ken Simonson,*** *Associated General Contractors of America; and* ***Ryan Sweet,*** *Oxford Economics, conducted the analysis for this report. Edited by* ***Kate Anderson.***

Summary

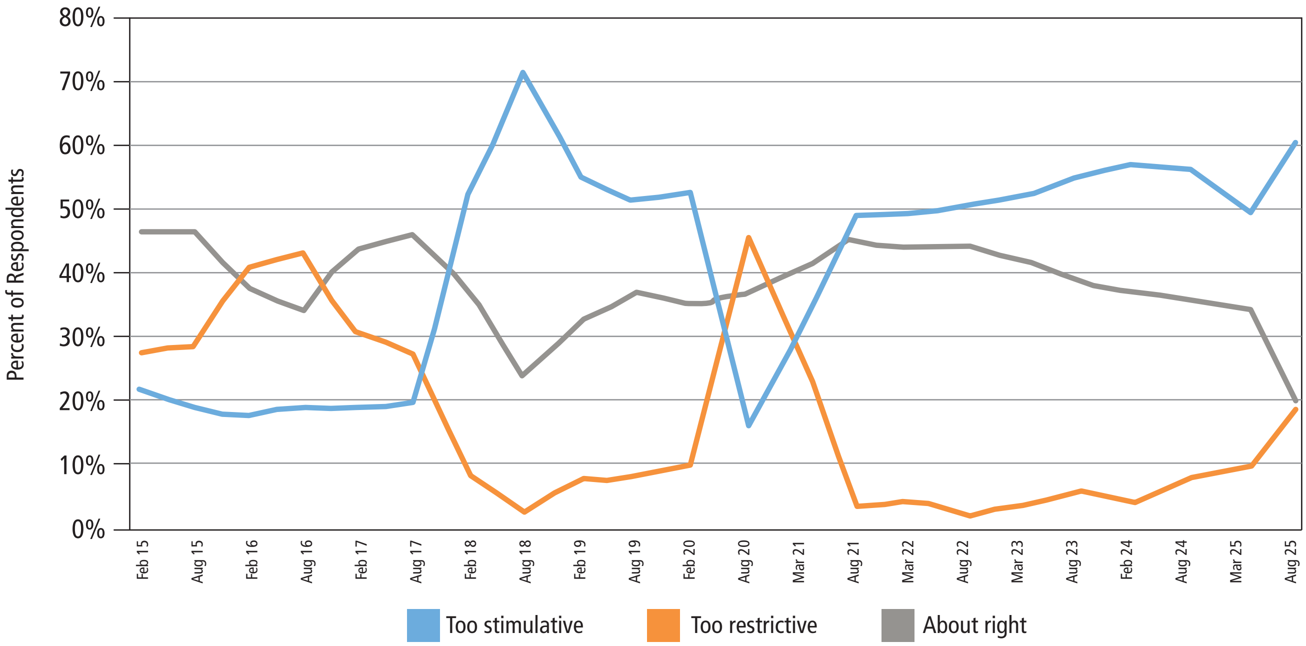
"Participants in the August 2025 NABE Policy Survey expressed less confidence in the current stance of both fiscal and monetary policy than in the March 2025 survey, with fiscal policy now seen as too stimulative by a majority of panelists," said **NABE President Emily Kolinski Morris, CBE,** chief economist, Ford Motor Company. "Supporting longer-term economic growth is still an important goal of fiscal policy for many survey respondents, but a slightly larger share of participants indicates that reducing the deficit should be the top priority. Most respondents expect tariff revenue to provide only a modest or minimal offset to the 10-year deficit impact from the recently passed budget legislation."

"A majority of respondents sees tariffs as one of the three largest risks to growth, as was the case in the March 2025 Policy Survey," added **NABE Policy Survey Chair Sarah Wolfe,** senior economist and strategist, Thematic & Macro Investing, Morgan Stanley Wealth Management. "Fewer participants than in the March 2025 survey think that inflation will settle down to the Federal Reserve's target of 2% before 2027. Nonetheless, most respondents expect the Fed's Federal Open Market Committee to reduce short-term interest rates by half a percentage point or more before the end of 2025."

Fiscal Policy

Sixty percent of respondents now view fiscal policy as "too stimulative," up from the 50% in the March 2025 Policy Survey who held this view, and the largest share in seven years. Over the past six surveys, the percentage having this opinion has averaged 55%. Nineteen percent say that fiscal policy is "about right," down sharply from 34% in March, and marking a record low for the survey. Meanwhile, 16% consider policy "too restrictive," up from 10% in the previous survey, and the highest percentage since the pandemic-era readings of 45% in August 2020 and 25% in March 2021.

Figure 1
Do you consider CURRENT fiscal policy to be:



Notes: "Don't know / no opinion" percentages are omitted.
Percentages may not add to 100 due to rounding.

Panelists remain divided on the primary goal of fiscal policy. Forty-three percent say the priority should be deficit and debt reduction, while 40% favor promoting robust medium-to-long-term economic growth. Addressing income inequality ranks third (11%)—unchanged from the March survey.

In order to shrink the fiscal deficit, panelists recommend a mix of spending cuts, revenue increases, and growth initiatives. The most popular strategies include enacting structural policies to spur stronger economic growth (cited by 60% of respondents), raising tax revenues by increasing existing rates (55%), reducing entitlement spending (48%), cutting discretionary spending beyond defense and entitlements (45%), cutting defense spending (43%), and imposing additional taxes (30%).

Eighty-one percent of panelists expect the Department of Government Efficiency's (DOGE) initiatives to yield only minimal ($100 billion or less) or modest ($100–$500 billion) spending reductions. Meanwhile, 78% believe that the fiscal costs of the One Big Beautiful Bill (OBBB) outweigh its economic benefits, compared with 13% who see the benefits as outweighing the costs, and 8% who view the impacts as roughly balanced.

Additional tariff revenue could partially offset the OBBB's 10-year deficit impact. Forty percent of respondents expect such offsets to be minimal (up to $500 billion), while 38% see them as modest ($500 billion-$1.5 trillion). Nearly one-fifth (19%) anticipates substantial ($1.5–$2.5 trillion) or significant (more than $2.5 trillion) offsets.

On interest rates, respondents were asked about the long-term impact of a 1-percentage-point increase in debt-to-GDP. The Congressional Budget Office estimates this effect at 2 basis points. Forty-one percent of panelists agree, predicting a 1-to-2 basis-point impact, while 23% foresee a 3-to-5 basis-point increase.

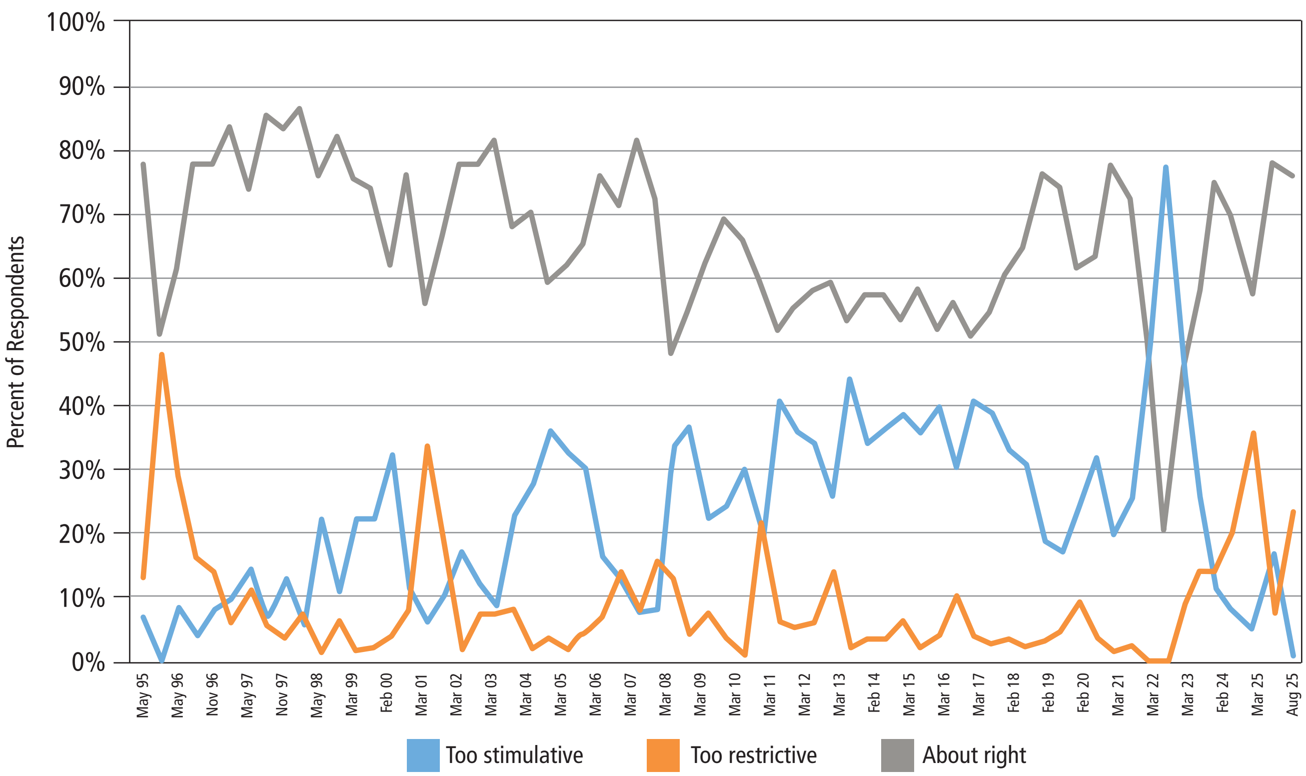
Monetary Policy, Inflation, and Recession Expectations

Although the vast majority of panelists feel current monetary policy is “about right” (75%), the percentage of respondents characterizing current Fed policy as “too restrictive” more than doubled to 23% from 9% in the March 2025 survey. Only 3% think that current monetary policy is too stimulative, down from 15% in the March survey.

About 58% of respondents anticipate that the Fed’s next rate cut will occur at the September 16-17, 2025, Federal Open Market Committee (FOMC) meeting. Another 17% of respondents expect the next rate cut will happen at the October 28-29 FOMC meeting, 9% expect it will occur at the December 9-10 meeting, while an additional 9% think the next rate cut will not happen until the first half of 2026. Only 3% anticipate that the Fed will increase its federal funds target rate before lowering it.

(*Note:* The responses were received between July 31 and August 11. The majority of responses were submitted after August 1, the date the Bureau of Labor Statistics reported a weaker-than-expected employment increase for July, as well as large downward revisions to employment increases for May and June.)

Figure 2
Time Series: Do you consider CURRENT monetary policy to be:



Notes: “Don’t know / no opinion” percentages are omitted.
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Surveys prior to February 2000 phrased the question, “Over the past six months, monetary policy was…”

Regarding the scale of Fed rate cuts for the rest of 2025, the survey responses suggest a broad range of views on the policy outlook by year-end. The largest share of respondents, 47%, expect 4.0% will be the upper end of the federal funds target range at year-end, ½ percentage point below the current target rate. Another 19% think that the year-end target rate will be 4.25%, implying only one ¼-point reduction in the fed funds target rate by year-end, while 14% expect the upper end of the target range will be 3.75% at year-end, 75 basis points below the current target. An additional 6% indicate that the year-end target rate will be 3.50%, or even lower. Alternatively, 9% of respondents suggest that the target rate will not change by year-end, whereas in the March survey, 18% thought the policy rate would remain at its current level through the end of 2025.

Most respondents are either "very" or "somewhat concerned" that the Fed's independence would be compromised by political interference over the next several years. More specifically, 50% of respondents indicate that they are "very concerned" that policy decisions may be significantly influenced by the Trump Administration, while 27% are "somewhat concerned" that political influence could shape the views of multiple FOMC members. Alternatively, 18% say that they are "slightly concerned" that pressure may come from a "few policymakers, but were unlikely to shift" monetary policy outcomes. Only 4% indicate that they are not concerned, and feel that the Fed would remain "fully independent."

Respondents also were asked about what role the President should have in making monetary policy decisions. Slightly more than three-quarters of the panel (76%) think the President should have no role in monetary policy decisions, compared to 74% in the March survey. Another 23% say that some coordination between monetary and fiscal policy would be beneficial, down slightly from 26% in the March survey.

The survey results show a higher percentage of respondents than in the March survey anticipate that inflation—as measured by the Personal Consumption Expenditures Price Index (PCE)—would not reach the Fed's 2.0% target before 2027. More than half of respondents, 56%, think that PCE inflation will not hit the 2.0% target before 2027, up from 45% who held that view in March. Conversely, 12% indicate that the target will be achieved in the first half of 2026 (H1 2026) (compared to 14% in the March survey), and 26% expect the target will be attained in H2 2026 (versus 25% in the March survey). Only 2% think that the target will be reached this year. (As of June—the latest month for which data are available—the 12-month increase in the overall PCE was 2.6%.)

Survey results reflect a growing percentage of respondents who see the start of a recession being pushed further into the future. The largest share of respondents, 35%, think the next recession will commence in 2027 or later, up from 25% in the March survey. Conversely, 17% believe a recession will be underway in the second half of this year (H2 2025), compared with 19% in the March survey. Twenty-five percent of respondents indicate that a recession will begin in H1 2026, the same as in the March survey, while another 9% think a downturn will start in H2 2026, down from 13% in March.

Domestic and International Policy

As to the variety of geopolitical and economic risks that could have the largest probability of impacting the U.S. economy in the next 12 months, survey results highlight restrictive immigration policies that limit labor supply and broad-based U.S. tariffs along with retaliation. Fifty-one percent of respondents assign a more-likely-than-not probability (51% probability or higher) that immigration policies could sharply reduce the labor supply. Separately, 47% believe tariffs could have an adverse effect on the economy over the course of the next 12 months, while 7% of respondents have zero concern/low probability (15% or less) around tariffs and retaliation. Six percent believe it is more likely than not that a stagnant Chinese economy could hurt the U.S. economy, while 24% assign a substantial probability (36% to 50% probability).

In terms of the severity of geopolitical risks, should they occur, there is consensus among panelists that tariffs would be a substantial or large drag on GDP, with most respondents estimating a drag of 0.5 percentage points (ppt), or greater, on U.S. GDP, or adding a similar amount to inflation.

There is a wider range of estimates of the impact of restrictive immigration policies: 28% of panelists estimate such policies would have a large impact on the U.S. economy, while 40% believe they would have a substantial impact on the economy (defined as subtracting 0.3 to 0.4 percentage points [ppt] from GDP, or adding no more than 0.3 to 0.4 ppt to inflation). Eighteen percent of respondents believe that restrictive immigration would have a small impact on the economy (defined as subtracting 0.1 to 0.2 ppt from GDP, or adding 0.1 to 0.2 ppt to inflation). After immigration and tariffs, the potential for the

Russia-Ukraine conflict to expand into other European nations is seen by 23% of respondents as having a large impact on the U.S. economy, while 16% believe a conflict between China and Taiwan would have a similar impact.

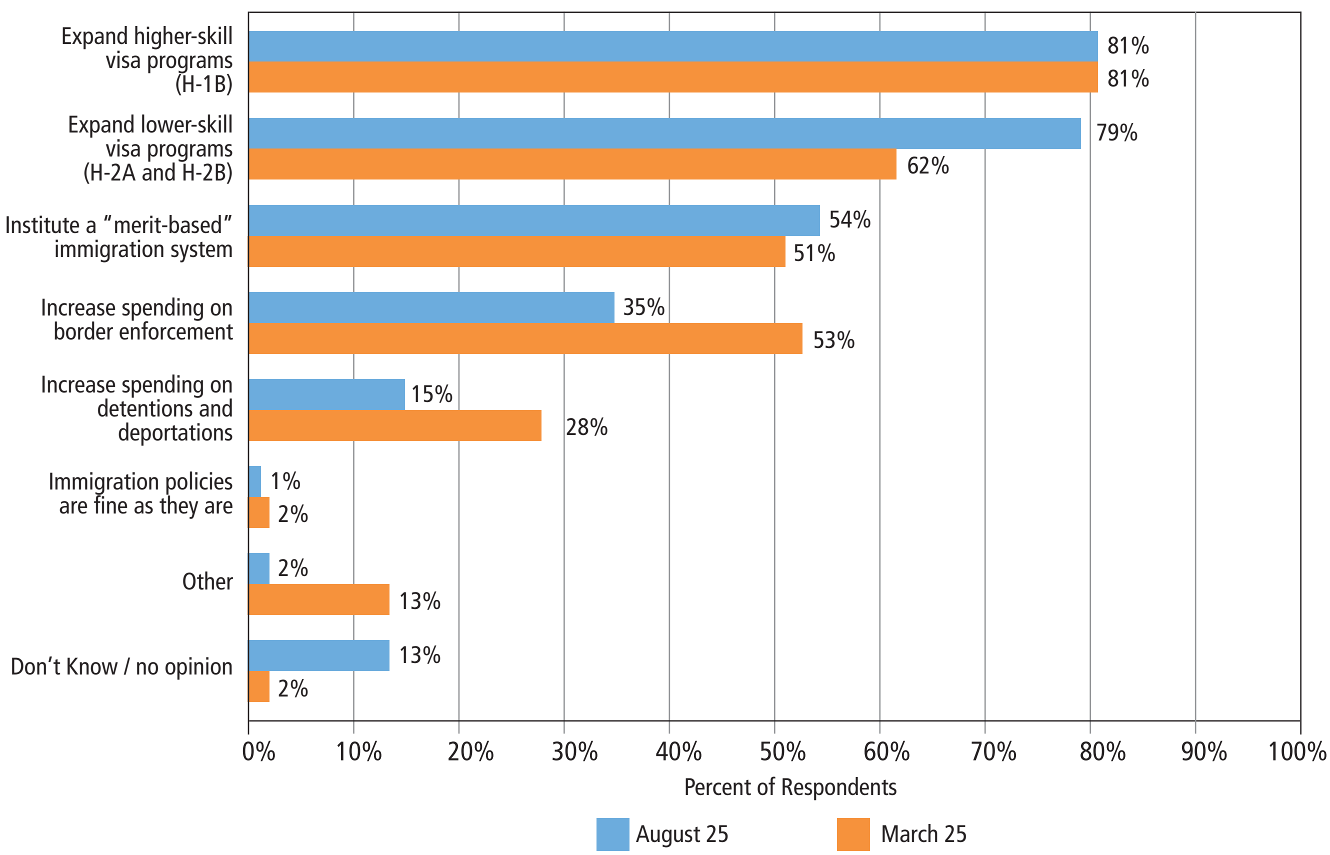
Immigration

Regarding U.S. immigration policy, two-thirds (66%) of respondents believe that the U.S. should increase the number of immigrants legally admitted into the country, while 8% say the number should be reduced. Around a quarter (24%) of respondents thinks that the volume of immigrants legally admitted into the U.S. should stay the same. These responses are similar to the March 2025 survey results.

As to specific immigration policy changes, most respondents (81%) say that the U.S. should expand high-skill visa programs (such as the H-1B), and 79% say the U.S. should expand lower-skill visa programs (such as the H-2A and H-2B). A growing share of respondents (54%) thinks that the U.S. should institute a "merit-based" immigration system. A declining share of respondents (35%) feels that the U.S. should increase spending on border enforcement (down from 53% in March). Similarly, a smaller share of panelists (15%) indicates that the U.S. should increase spending on detentions and deportations (down from 28% in March). Roughly 2% report no opinion or don't know, while just 1% say that "immigration policies are fine as they are."

On a scale of 1 to 10 (non-existent to severe), respondents continue to rank the need for Congressional immigration reform an average of 7.8, unchanged from the March 2025 survey results.

Figure 3
What should be the priorities for U.S. immigration policy? *(select all that apply)*



Trade Policy

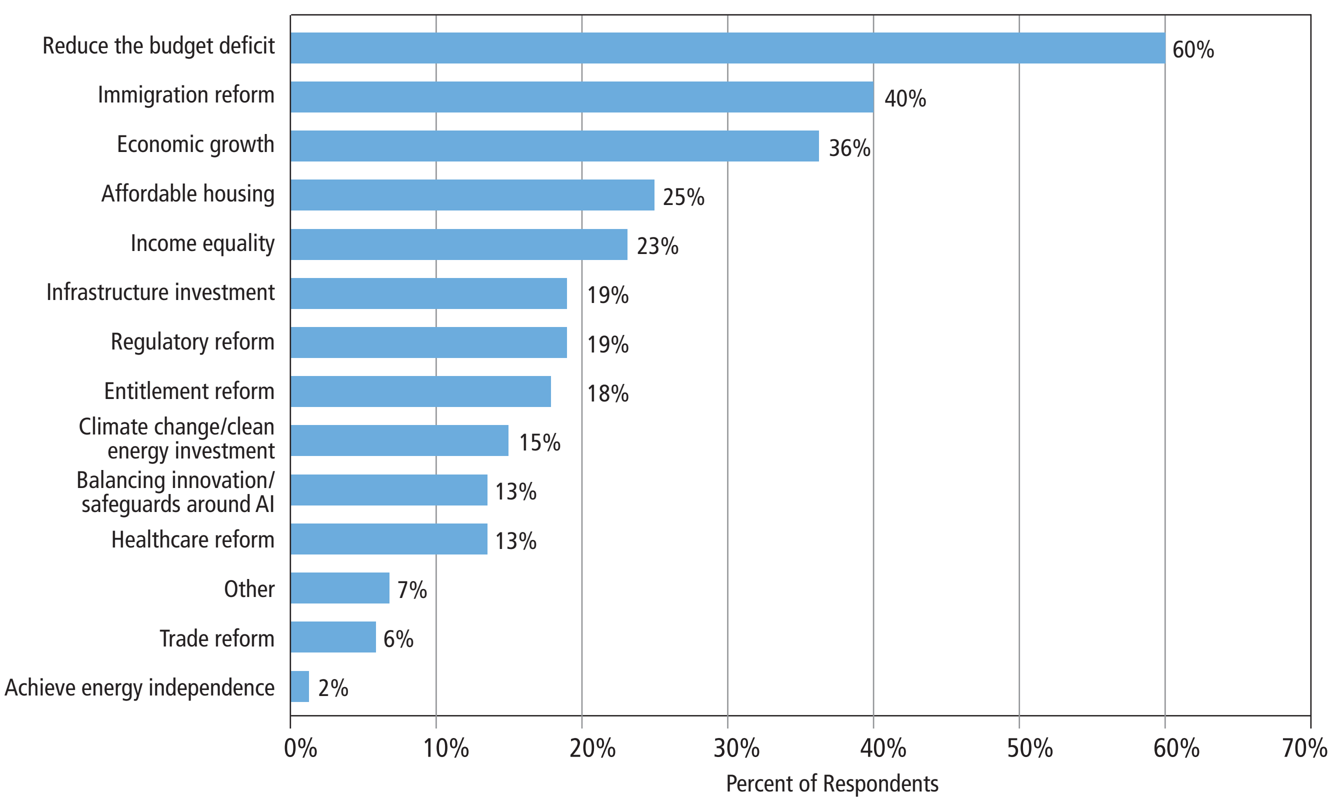
Respondents expect that the current tariffs on Canada, Mexico, EU, and China, and retaliatory tariffs on other nations, will slow growth moderately (54%) or significantly (34%). A higher percentage of panelists than in the March 2025 survey foresee a moderate slowdown than a significant one. Similarly, survey respondents expect current tariffs to increase inflation moderately (62%) or significantly increase inflation (26%). Compared to the previous survey, there is a slight shift to a moderate impact from a significant one.

There is clear consensus among participants that the U.S. should remain in the United States-Mexico-Canada Agreement (USMCA) (cited by 71% of respondents vs. 65% in March 2025) since it is critical to U.S. industries. Fifteen percent of respondents favor staying in the UMSCA, conditional on Mexico and Canada agreeing to further increase border enforcement, reduce Chinese foreign direct investment (FDI), and curtail the import of illegal drugs.

Important Issues for the New Presidential Administration

The survey asked panelists what they consider the three most important policy issues that the Trump Administration should address in the coming years. The most-favored choice, cited by 60% of panelists, is to reduce the budget deficit. Budget deficit reduction was also the top policy issue cited since the question was first asked in August 2024. Forty percent of respondents cite immigration reform, and 36% list economic growth among their three top issues. Other issues that panelists view as one of the three most important are affordable housing (25%) and income inequality (23%).

Figure 4
What are the three most important policy issues that the Trump Administration should address in the coming years?



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Data Concerns

The survey asked panelists about their level of concern (if any) regarding the potential decline in the quality and reliability of U.S. government economic statistics over the next few years. On a 1-to-10 scale—with 1 being least concerned and 10 being most concerned—the average response is 7.5, indicating that the majority of economists is worried about the outlook for the quality of government economic data.

Policy Survey Committee

Sarah Wolfe, Morgan Stanley Wealth Management, *Survey Chair*

Roberto Coronado, The Federal Reserve Bank of Dallas

Ed Kean, Economic Policy Analyst (retired)

Chad Moutray, CBE, National Restaurant Association

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