

US Economic Weekly

Tariffs: passing the buck to the consumer

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The week ahead

In the absence of the Oct jobs report and Sep JOLTS due to the shutdown, we will be watching next week's alt data releases (ADP, Univ. of Michigan job loss probability and state claims) to assess the state of the labor market. We will also get data on auto sales (Mon: we expect a sharp drop due to the expiration of EV tax credits), PMIs (Mon & Wed) and sentiment (Fri). In terms of Fedspeak, we will hear from Cook (Mon), Bowman (Tue), Williams (Thu & Fri), Musalem (Thu), Jefferson (Fri) and Miran (Fri).

Trump-Xi agreement diminishes left-tail risks

Presidents Trump and Xi reached a wide-ranging deal in South Korea, which reduces tail risks for both economies. The US agreed to halve fentanyl tariffs on China: this would reduce the effective tariff rate and annualized customs revenues by a little over 1% and 0.1% of GDP (\$40bn), respectively. The US will also postpone tech restrictions for a year. China agreed to delay its rare earths export controls by a year and increase its purchases of US energy and agricultural products, which had collapsed in recent months (see [China Watch: Xi-Trump meeting leads to trade agreements and April state visit](#)).

Powell spooks the bond market

Markets went into the Oct Fed meeting pricing a Dec cut as a done deal. But Chair Powell noted in his prepared remarks that it is "far from a foregone conclusion." He also said that if there are no more official data releases until the Dec meeting, there would be a strong case to pause if the alt data stay solid. That could mean the onus is on the data to justify a Dec cut, rather than to refute it. We remain comfortable with our view that the Fed will not cut rates again under Powell (see [US Watch: Clear the Dec](#)).

Data preview: Sentiment down amid tariff uncertainty

For the PMI data, after seeing a rise in the S&P Global US manufacturing PMI for Oct, we expect ISM Manufacturing to also edge up to 49.6 in Oct. This would be in line with improvements in the regional PMI data in Oct. However, the sector remains in contractionary territory as uncertainty and the effects of higher tariffs persist. ISM services are likely to be unchanged at 50.0. Meanwhile, University of Michigan consumer sentiment is expected to edge down to 53.0 due to continued tariff uncertainty and the government shutdown.

31 October 2025 Corrected

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See Team Page for List of Analysts

GlossaryJOLTS: Job Openings and Labor
Turnover Survey

EV: Electronic Vehicle

ADP: Automatic Data Processing

PMI: Purchasing Managers' Index

ISM: Institute for Supply
ManagementPCE: Personal Consumption
Expenditure

CPI: Consumer Price Index

FOMC: Federal Open Market
Committee

QT: Quantitative tightening

MBS: Mortgage-backed securities

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Tariffs: passing the buck to the consumer

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- In total, we estimate tariffs account for about 30-50bp of core PCE inflation, which is 50-70% of the total tariff cost to date.
- This suggests tariffs can continue to put upward pressure on inflation in coming months, especially since the effective tariff rate should climb further.

Consumers are paying (some of) the tariffs

There have been some questions in recent months as to whether tariffs have led to higher inflation for consumers. We think there’s no debate—tariffs have pushed consumer prices higher. In total, we assess that tariffs account for 30-50bp of core PCE (Personal Consumption Expenditures) inflation.

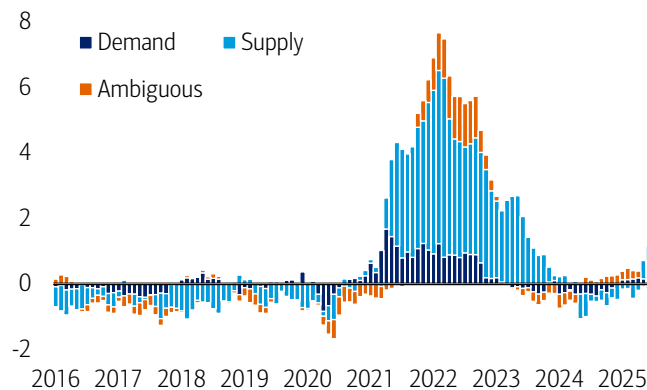
While consumers are paying for tariffs, they likely aren’t bearing the full cost. We estimate consumers are bearing 50-70% of the tariff cost to date. That suggests a couple possibilities: 1) pass-through still has more room to run, or 2) businesses will absorb more of the cost. We believe the former is more likely than the latter and further inflation pressures are in the pipeline. One near-term risk to our inflation outlook is the Supreme Court’s decision on the fate of tariffs imposed by International Emergency Economic Powers Act (IEEPA).

Goods prices show clear evidence of tariff pass through

The clearest sign of tariff costs being passed onto consumers is the recent change in goods prices, in our view. Based on the September CPI report, we estimate core goods PCE prices rose by 0.2% m/m. If our forecast proves correct, core goods PCE will have risen by 1.3% over the past year and 2.2% annualized since March, compared to a decline of 0.3% y/y in September 2024. The increase has been mostly driven by supply-side factors, providing further evidence of tariffs being the culprit (Exhibit 1). A simple comparison of core goods PCE inflation against a linear trend based on 2024 data also shows core goods PCE is 1.8% above its trend (Exhibit 2).

Exhibit 1: The increase in core goods prices has been driven by supply-side factors, which suggests it is likely due to tariffs

Drivers of PCE core goods inflation (% y/y)

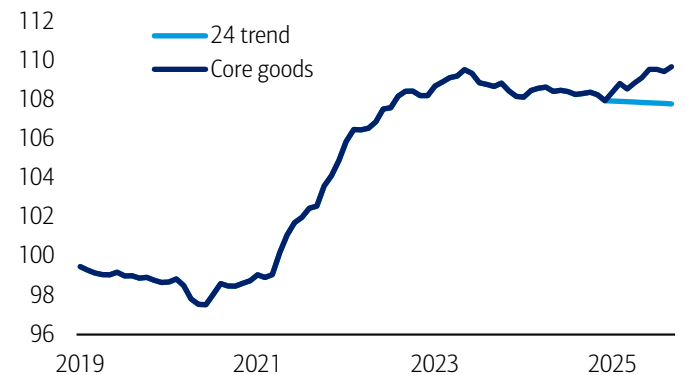


Source: BofA Global Research, BEA, SF Fed

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Exhibit 2: Core goods prices are running well above a linear trend based on last year’s price changes

PCE core goods price index vs. a 2024 linear trend



Source: BEA, BofA Global Research

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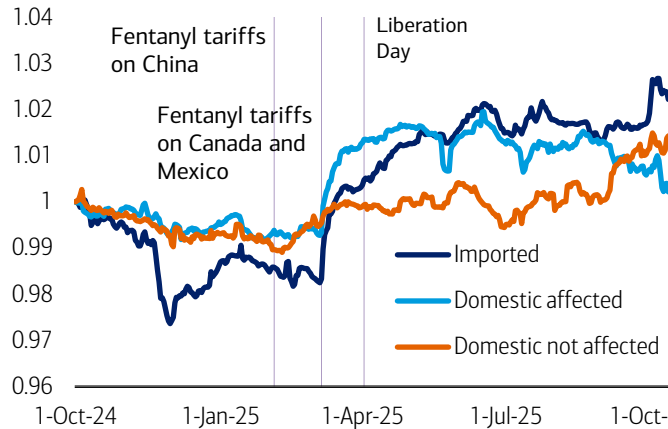
Alternative data also point to higher goods prices

Alt-data on inflation corroborate the signal from the official data. One data source that we and others have been closely tracking is research from the Harvard Pricing Lab and the ongoing research project: *Tracking the Short-Run Price Impact of U.S. Tariffs* (Cavallo, Llamas, Vazquez, 2025). The data show that prices of goods have risen since October 1, 2024, especially for imported goods (Exhibit 3).

Additionally, our research team has been scraping prices for 101 commonly purchased items from Walmart.com since mid-April. The measure is not representative of what a consumer buys on a regular basis and excludes groceries, since most groceries are sourced domestically. With that in mind, it shows that prices have on average risen by roughly 3.4% from April 17 to October 22. Increases have been broad-based but the category that stands out the most is toys, which may be due to many toys being made in China, which currently faces the highest effective tariff rate of any country. (For more, please see the [methodology](#) in the appendix and the report: [Food Retailers: A look into grocery and general merchandise pricing trends](#)).

Exhibit 3: Goods prices have risen since October, especially for imported goods

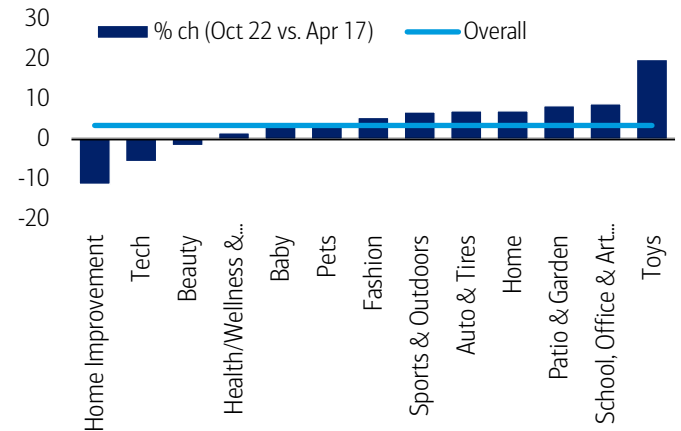
Daily price indices for imported goods, domestic goods unaffected by tariffs, and domestic goods affected by tariffs (October 1 2024 = 1)



Source: *Tracking the Short-Run Price Impact of U.S. Tariffs* (Cavallo, Llamas, Vazquez, 2025)
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Exhibit 4: Prices of 101 general merchandise items have generally risen since April 17, led by a significant increase in toys

Cumulative change in prices from April 17, 2025 to October 22, 2025 based on an average weekly indexed prices of 101 general merchandise items at a large US Retailer, start date 4/17/25=100



Source: Walmart.com, BofA Global Research

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The upshot is that the official and alternative data show that tariffs are pushing prices higher. The bigger questions are 1) how much are tariffs adding to inflation, 2) how does this compare to expectations given the current effective tariff rate, and 3) how much more inflation should we expect?

Tariffs have likely added 30-50bp to core inflation

To assess how much tariffs are adding to inflation, we return to our comparison of actual prices vs. a linear trend based on 2024 price changes for each major category of goods inflation. We start our trend estimate in January since we assume price hikes in January and February were made in anticipation of tariffs.

As of September, five of six major core goods categories have seen prices realize higher than their 2024 trend, led by furnishings & durable household equipment (Exhibit 7). Surprisingly clothing and footwear prices are below trend. That may have been due to frontloading inventory and a sharp initial drop in import prices. But this is unlikely to remain the case if the recent trend of strong increases in apparel prices continues.

Using these cumulative changes as of September, we estimate that tariffs have contributed close to 50bp to core PCE inflation. Since we estimate core PCE will come in at 2.9% y/y in September, that means core PCE would be around 2.4% absent tariffs.

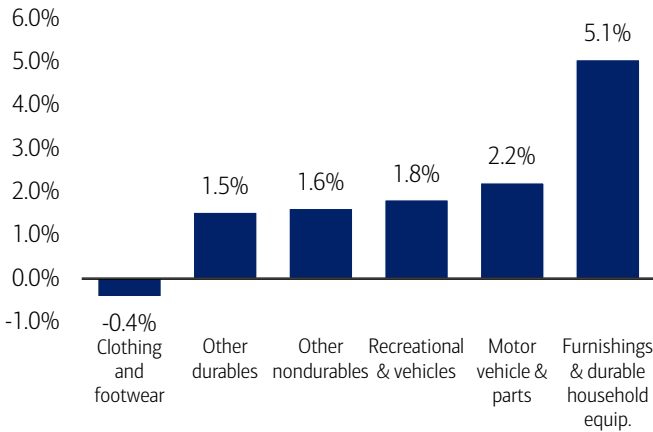


Admittedly, it is a strong assumption that the goods price hikes in January and February were entirely due to tariffs. Therefore, we estimate a lower bound for the tariff impact using the same approach, but starting the trend estimate in March 2025. This suggests that tariffs have added just 30bp to core PCE inflation so far.

Our estimates are within the range of others. Indeed, a recent note from the St. Louis Fed – *How Tariffs Are Affecting Prices in 2025* (Dvorkin, M., Leibovici F., Santacreu A.) – also finds tariffs have contributed about 40bp to June-Aug 2025 annualized core PCE inflation.

Exhibit 5: Most major goods categories have risen this year compared to a simple linear trend counterfactual.

Cumulative price change compared to a 2024 linear trend based on expectations for September PCE inflation

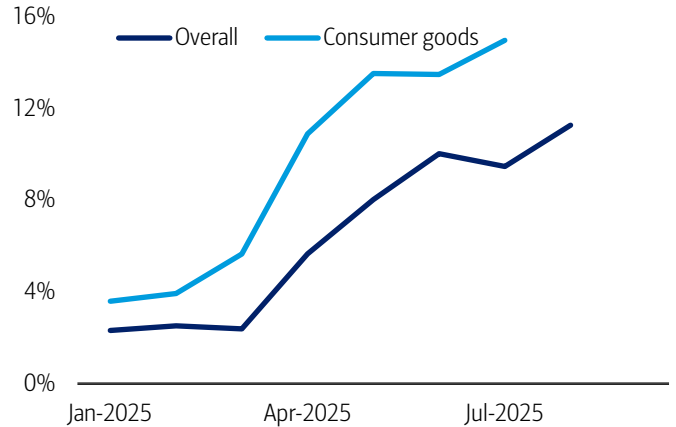


Source: BEA, BofA Global Research

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Exhibit 6: The overall tariff rate and tariff rate on consumer goods have risen by 9pp and 11pp respectively this year

Effective tariff rate for all imports and for consumer good imports



Source: Census Bureau, Peterson Institute for International Economics, BofA Global Research
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Tariffs have not been fully passed through (yet)

While 30-50bp of tariff inflation is significant, it is less than what we would expect if the costs of tariffs were fully passed through to consumers. Assuming tariffs are fully passed onto consumers, our rule of thumb is that headline and core PCE inflation would rise by 7bp and 6bp respectively, for each 1pp rise in the effective tariff rate.

Given this rule of thumb, the increase in the effective tariff rate from ~2% to ~11% would be consistent with about a 55bp increase in core PCE inflation. That said, the overall tariff rate understates the impact on consumer prices, as tariffs on consumer goods, according to the Peterson Institute, have risen by closer to 11% since January. That would be consistent with a 66bp increase in core inflation based on our rule of thumb. Based on the change in consumer goods tariffs, we estimate that consumers are paying around 50-70% of the tariffs to date.

One other caveat to these estimates is that our rule of thumb might be too conservative if there is more spillover to services inflation than we expect, and/or if domestic substitutes raise prices aggressively. These factors could ultimately mean that each 1pp rise in the effective tariff rate increases inflation by 10bp or more. If that is the case, the extent of tariff pass-through to date would be smaller: roughly 30-40%.

More tariff inflation is likely

We expect tariff-related price pressures to persist over the coming months for two reasons. First, companies will continue to shift more of the tariff burden to consumers to protect margins, especially if the economy continues to outperform expectations. Second, the effective tariff rate is likely to rise further, as the full effect of the measures announced by the administration in recent months sets in.



The case on IEEPA tariffs poses a potential downside risk

One potential risk to the outlook for inflation is the Supreme Court's decision on the IEEPA tariffs. These tariffs represent about 9pp of our theoretical 14-15% overall effective tariff rate. Should the Supreme Court side with the lower courts and find them illegal, then inflation could realize lower than we predict.

We, however, do not think an adverse ruling would justify a significant mark down of our current inflation outlook because the administration will likely limit the decline in the effective tariff rate by imposing tariffs through other trade authorities. Moreover, refunds of IEEPA tariffs and any potential reduction in the effective tariff rate would equate to a positive fiscal impulse, potentially boosting demand-side inflationary pressures alongside the effects of the One Big Beautiful Bill.

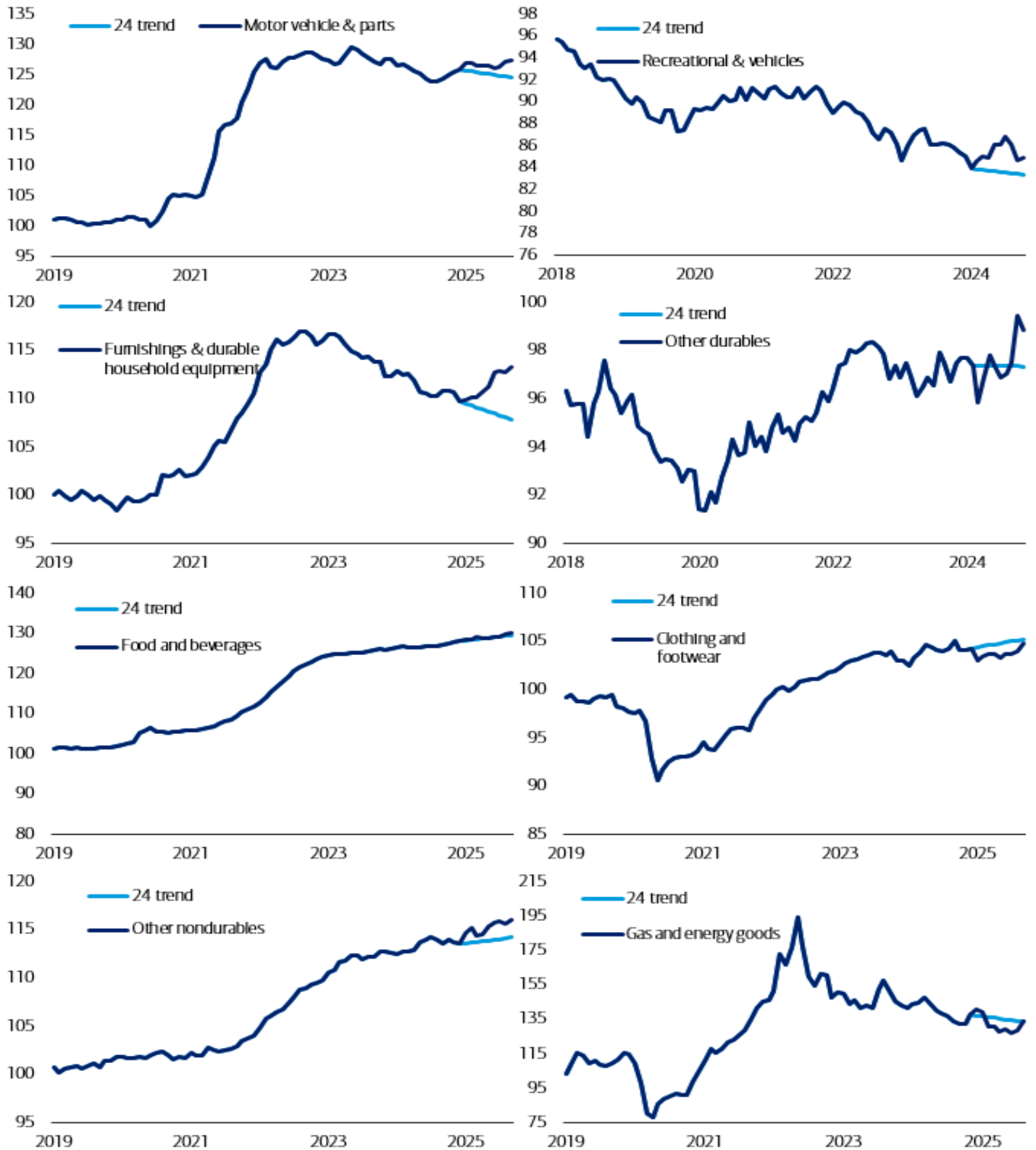
For now, we leave this case in risk space, but we'll be closely watching next week's hearings for any indication of the direction that the Supreme Court may be leaning.



Appendix

Exhibit 7: Most categories of goods PCE inflation have seen prices rise faster this year than a simple linear trend would have projected

Components of goods PCE inflation – realized price level compared to a 2024 trend that begins in January 2025



Source: BEA, BofA Global Research

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101 general merchandise items at Walmart.com

Methodology: These prices should apply to a general Walmart.com customer who is not logged into any membership account on the site. Some sequential price changes could be seasonal (including around the Back-to-School shopping season in July/August). This is not meant to be a basket that is representative of what a consumer typically buys on a regular basis (i.e., replicating a CPI basket) but is rather meant to reflect a sampling of items across the many general merchandise categories that Walmart sells online. We note that prices at Walmart are typically the same online and in-store, and regardless of which fulfillment method a customer chooses for an online order (i.e., pickup or delivery). This basket of 101 items is small relative to, and may not be fully representative of, prices across the hundreds of millions of general merchandise products sold across Walmart.com. We believe the majority of items in the basket are imported but note that not all pricing movements are necessarily related to/indicative of tariff costs. We do not include grocery products, as the vast majority of US grocery is sourced domestically (we est. ~90% for the industry), but groceries comprise roughly 60% of Walmart revenues in the US. This analysis is not indicative of Walmart results or operations. We attempted to exclude third-party seller items from the basket. To avoid disproportionate impact from price changes that may be occurring with higher priced goods, we looked at indexed values for every product tracked, averaged them, and then observed changes based on the average indexed values.



US GDP Tracking

3Q tracking remains at 2.8%

Since our last weekly publication, 3Q GDP tracking remains unchanged at 2.8% q/q saar. Here are the changes to our tracking estimate.

Oct CPI (Consumer Price Index) came in a little below our expectations. CPI is used as a deflator in our PCE (personal consumption Expenditure) tracking which saw a slight increase for 3Q.

Other than this, there were no updates to our 3Q GDP tracking estimate due to the government shutdown. Next week, vehicle sales will impact our GDP tracking.

Exhibit 7: 3Q GDP tracking remains at 2.8% q/q saar as Oct CPI came in only slightly below expectations

BofA US GDP tracking estimate (% q/q saar)

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
9/25/25	Durable Goods and Advance Goods Trade Balance	2.6	1.4	2.4	-4.0	-4.0	-3.5	4.0	0.0	-0.1	-5.1	-1015.1	7.9
9/26/25	Personal Income & Outlays	2.8	1.9	3.2	-4.0	-4.0	-3.5	4.0	0.0	-0.1	-5.1	-1015.1	-7.1
10/23/25	Existing Home Sales	2.8	2.0	3.2	-3.5	-4.0	-3.5	4.0	0.0	-0.1	-5.1	-1015.1	-7.1
10/24/25	CPI	2.8	2.0	3.2	-3.5	-4.0	-3.5	4.0	0.0	-0.1	-5.1	-1015.1	-7.1
	GDP tracking	2.8	2.0	3.2	-3.5	-4.0	-3.5	4.0	0.0	-0.1	-5.1	-1015.1	-7.1
	Contribution to GDP growth (pp)			2.2	-0.1	-0.1	-0.2	0.2	0.0			0.7	0.2
	BofA official GDP forecast	2.7	2.0	3.2	-6.0	-4.0	0.0	4.0	0.0	-0.5	-5.0	-1014.1	-18.3

Source: BofA Global Research. Our GDP tracking estimate reflects the mechanical aggregation of incoming data that directly informs the BEA's GDP calculations. The process is distinct from our official published GDP forecast. Boldface cells indicate where data have implications for tracking estimates.

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Exhibit 8: ISM manufacturing is expected to edge up in Oct

ISM manufacturing (mfg) index tracker

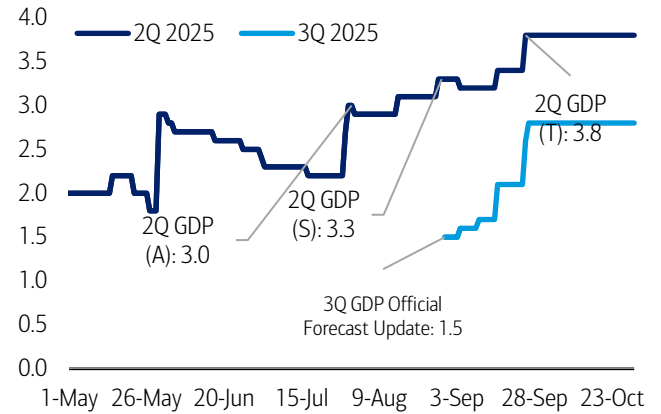
	Print	m/m ch
ISM Manufacturing Index (Sep)	49.1	
Empire ISM adj.	52.7	7.0
Phil. ISM adj.	53.5	-1.5
Richmond Fed*	46.0	13.0
KC ISM adj.	52.8	0.4
Dallas ISM adj.	48.7	0.6
ISM Manufacturing tracker (Oct)	49.6	

Source: Haver Analytics, BofA Global research

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Exhibit 10: 3Q GDP tracking remains unchanged at 2.8%

US GDP tracking (% q/q saar)



Source: BofA Global Research

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Data in the past week

Exhibit 2: This week the focus was on the Oct FOMC meeting

Data in the past week

Date	Time	Indicator	Period	Actual	Consensus	Previous
10/27/25	8:30	Durable Goods Orders	Sep P	Delayed	-0.1%	2.9%
10/28/25	10:00	Consumer Confidence	Oct	94.6	93.4	94.2
10/28/25	9:00	Case-Shiller HPI (yoy)	Aug	1.51%	—	1.7%
10/29/25	10:00	Pending Home Sales	Sep	0.0%	1.2%	4.0%
10/29/25	14:00	FOMC Rate Decision (mid-point)	Oct 29	3.875%	3.875%	4.125%
10/29/25	8:30	MBA Mortgage Applications	Oct 24	7.1%	--	-0.3%
10/29/25	8:30	Wholesale Inventories	Sep P	Delayed	-0.2%	-0.2%
10/29/25	8:30	Advance Goods Trade Balance	Sep	Delayed	-\$90.0bn	-\$85.5b
10/30/25	8:30	Initial Jobless Claims	Nov 01	Delayed	—	218k
10/30/25	8:30	GDP (qoq saar)	3Q A	Delayed	3.0%	3.8%
10/31/25	8:30	PCE Core Prices (mom)	Sep	Delayed	0.3%	0.2%
10/31/25	8:30	Personal saving rate	Sep	Delayed	—	4.6%
10/31/25	8:30	PCE Headline Prices (mom)	Sep	Delayed	0.3%	0.3%
10/31/25	8:30	PCE Core Prices (yoy)	Sep	Delayed	2.9%	2.9%
10/31/25	8:30	PCE Headline Prices (yoy)	Sep	Delayed	2.8%	2.7%
10/31/25	8:30	Personal Spending	Sep	Delayed	0.4%	0.6%
10/31/25	8:30	Personal Income	Sep	Delayed	0.4%	0.4%
10/31/25	8:30	Employment Cost Index	3Q	Delayed	0.9%	0.9%
10/31/25	9:45	Chicago Purchasing Managers	Oct	NR	42.0	40.6

Source: Bloomberg, BofA Global Research

Note: NR = Not released and Delayed = Delayed due to the government shutdown

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Data in the week ahead

Exhibit 3: Next week the focus will be on claims, ISM, ADP and sentiment data

Data in the week ahead

Date	Time	Indicator	Period	BofA		
				Estimate	Consensus	Previous
11/03/25	9:45	S&P Global US manufacturing PMI	Oct F	--	—	52.2
11/03/25	10:00	Construction Spending (mom)	Sep	*	—	-0.1%
11/03/25	10:00	ISM Manufacturing	Oct	49.6	49.2	49.1
11/03/25	End of day	Total Vehicle Sales	Oct	15.5M	15.5M	16.4M
11/04/25	10:00	Durable Goods Orders	Sep F	--	—	2.9%
11/04/25	10:00	Durables Ex Transportation	Sep F	--	—	0.4%
11/04/25	10:00	Core Capital Goods Shipments	Sep F	--	—	-0.3%
11/04/25	10:00	Core Capital Goods Orders	Sep F	--	—	0.6%
11/04/25	10:00	JOLTS Job Openings	Sep	*	—	7227k
11/04/25	10:00	Factory Orders	Sep	--	—	-1.3%
11/04/25	8:30	Trade Balance	Sep	*	—	-\$78.3b
11/05/25	8:15	ADP Employment	Oct	--	25k	-32k
11/05/25	8:30	MBA Mortgage Applications	Oct 31	--	—	7.1%
11/05/25	9:45	S&P Global US services PMI	Oct F	54.0	—	55.2
11/05/25	10:00	ISM Services	Oct	50.0	51.0	50.0
11/06/25	8:30	Initial Jobless Claims	Nov 01	224k*	—	218k
11/06/25	8:30	Nonfarm Productivity	3Q P	*	—	3.3%
11/06/25	8:30	Unit Labor Costs	3Q P	--	—	1.0%
11/06/25	10:00	Wholesale Inventories	Sep F	--	—	-0.2%
11/07/25	8:30	Private Payrolls	Oct	*	—	38k
11/07/25	8:30	Change in Nonfarm Payrolls	Oct	*	—	22k
11/07/25	8:30	Unemployment Rate	Oct	*	—	4.3%
11/07/25	8:30	Average Hourly Earnings mom	Oct	*	—	0.3%
11/07/25	8:30	Average Weekly Hours	Oct	*	—	34.2
11/07/25	8:30	Labor Force Participation Rate	Oct	*	—	62.3
11/07/25	10:00	U. of Michigan Sentiment	Nov P	53.0	54.0	53.6
11/07/25	15:00	Consumer Credit	Sep	*	—	\$0.4b

Source: Bloomberg, BofA Global Research

* Likely delayed by the government shutdown

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Federal Reserve Speakers

Exhibit 4: There are a slew of Fed speakers next week

Upcoming Policy speakers

Date	Time	Speaker
3-Nov	12:00	Fed's Daly in Moderated Conversation
3-Nov	14:00	Fed's Cook Speaks on Economy and Monetary Policy
4-Nov	6:35	Fed's Bowman Speaks on Supervision and Monetary Policy
6-Nov	11:00	Fed's Williams speaks at Goethe University Frankfurt
6-Nov	11:00	Fed's Barr Participates in Moderated Discussion
6-Nov	12:00	Fed's Hammack Speaks at the Economic Club of New York
6-Nov	15:30	Fed's Waller in Panel on Central Banking and Payments
6-Nov	16:30	Fed's Paulson speaks on Consumer Finance Institute
6-Nov	17:30	Fed's Musalem Speaks at a Fireside Chat on Monetary Policy
7-Nov	3:00	Fed's Williams Speaks in Frankfurt
7-Nov	7:00	Fed's Jefferson Speaks on AI and Economy
7-Nov	15:00	Fed's Miran Speaks on Stablecoins and Monetary Policy

Source: Bloomberg

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Exhibit 5: Below is a summary of key quotes from Fed speakers over the past weeks

Summary of Fed speak in the previous week

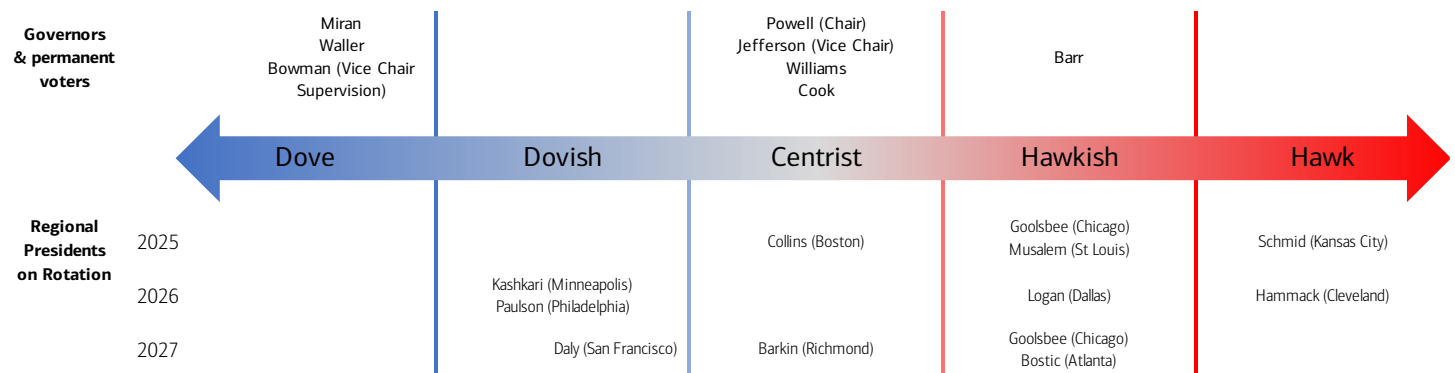
Speaker	Date	Quote
Powell (Chair)	29-Oct	"A further reduction in the policy rate at the December meeting is not a foregone conclusion (...) What do you do if you're driving in the fog? You slow down."
Miran (Governor)	15-Oct	"There's now more downside risks than there was a week ago, and I think it's incumbent upon us as policymakers to recognize that should get reflected in policy." Higher uncertainty around trade policies between China and the US have introduced a "new tail risk," he added.
Collins (Boston)	14-Oct	"With inflation risks somewhat more contained, but greater downside risks to employment, it seems prudent to normalize policy a bit further this year to support the labor market."
Powell (Chair)	14-Oct	He signaled the US central bank is on track to deliver another quarter-point interest-rate cut later this month, even as a government shutdown significantly reduces its read on the economy. He said "nothing has changed the perspective that there's still downside risks to the labor market."
Paulson (Philadelphia)	13-Oct	She favors two more quarter-point rate cuts this year, adding she doesn't see conditions that would turn tariff-induced price increases into sustained inflation.
Musalem (St. Louis)	10-Oct	"Looking ahead, I am open-minded about a potential further reduction in interest rates to provide further insurance against labor market weakening. I believe that we have to tread with caution, because there's limited room for further easing before monetary policy could become overly accommodative."

Source: Bloomberg, BofA Global Research

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Exhibit 6: This year the regional presidents voting on the FOMC (Federal Open Market Committee) are Collins, Goolsbee, Musalem and Schmid

BofA US Economics Dove-Hawk chart



Source: BofA Global Research

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Weekly spending update

Exhibit 7: Total card spending per household (HH) was up 0.8% year-over-year (y/y) in the week ending Oct 18

Aggregated daily card spending growth per HH by major category, Oct 18–Oct 25 (y/y % change of the 7-day moving average (ma) of spending levels) according to BAC aggregated credit and debit card data

	10/25	10/24	10/23	10/22	10/21	10/20	10/19	10/18
Total card spending	0.8%	0.5%	0.2%	0.2%	0.7%	0.3%	0.4%	0.3%
Retail ex-autos	0.6%	0.1%	-0.2%	-0.4%	-0.3%	-1.3%	-0.4%	-0.5%
Airlines	-3.1%	-3.5%	-3.5%	-3.3%	-2.4%	-3.0%	-3.2%	-2.7%
Lodging	-2.6%	-2.8%	-2.7%	-2.9%	-2.4%	-3.5%	-0.7%	-0.2%
Entertainment	-19.4%	-17.2%	-14.2%	-13.1%	-8.3%	-5.1%	-2.7%	-2.1%
Restaurants & bars	0.5%	-0.2%	-0.6%	-0.3%	-0.2%	-1.1%	-0.7%	-0.4%
Transit	8.7%	10.5%	10.6%	12.3%	15.3%	15.8%	13.4%	12.6%
Gas	-3.7%	-3.3%	-3.1%	-3.1%	-2.6%	-3.1%	-3.0%	-3.1%
Clothing	1.7%	1.0%	0.4%	0.4%	1.4%	-0.4%	0.6%	1.6%
Furniture	-1.8%	-2.9%	-3.3%	-3.9%	-3.7%	-5.8%	-5.0%	-4.1%
Department store	0.3%	-0.7%	-0.1%	-1.2%	-1.6%	-3.7%	-3.3%	-2.7%
Home improvement	-5.4%	-5.2%	-4.6%	-5.2%	-4.5%	-5.9%	-6.9%	-7.2%
Electronics	5.2%	4.0%	4.7%	3.9%	3.8%	3.4%	3.5%	3.0%
Grocery	1.0%	0.6%	0.4%	0.2%	0.2%	-1.2%	-0.6%	-1.0%
General Merchandise	4.6%	3.9%	4.0%	4.1%	4.3%	2.2%	3.1%	3.3%
Total B&M retail	-1.5%	-2.0%	-2.2%	-2.1%	-1.8%	-3.2%	-2.8%	-2.7%
Total online retail	5.6%	5.0%	4.6%	3.8%	3.4%	3.4%	5.2%	4.8%

Source: BAC internal data. Note: The 1-yr % change shows the change between the current date at the head of the table column and its comparable date a year ago. Total card spending includes total BAC card activity, which captures retail sales and services that are paid with cards. Does not include ACH payments. B&M (Brick & Mortar) retail means retail purchases at the store. Total online retail corresponds to purchases in which the card was not present. These are largely online purchases but could include purchases made over the phone. Gas includes some convenience store purchases at gas stations. Home Improvement series has been restated due to subsector classification changes.

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See the report [BofA on USA: Weekly spending update through Oct 25 30 October 2025](#) for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data.



Core views

Growth: green shoots in activity

- We remain constructive on the US economy. While we have been flagging green shoots in activity in 3Q, the data suggests they may have sprouted in 2Q. To be sure, activity in 1H 25 slowed compared to 2H 24 but only modestly. As a result, 2025 growth has increased to 1.8% from 1.7%. So far, the US has muddled through the tariff uncertainty shock. As uncertainty diminishes and fiscal stimulus kicks in, we expect growth to continue moving towards trend.

Inflation: tariff pressures to keep inflation elevated though 1H 25

- Inflation should continue to climb as input pressures from tariffs squeeze margins and force businesses to at least partially pass the tariffs through to consumers. We now forecast core PCE to hover around 3% y/y from 4Q 25 through 2Q 26. While tariff inflation should be mostly temporary, we think underlying inflation ex of tariffs is a few tenths above target.

Labor market: moderation to be more supply driven rather than demand

- The labor market is currently being buffeted by shocks to supply (immigration restrictions) and demand (tariff uncertainty, AI, DOGE). We have lowered our payroll forecasts to an average of about 50k in 2H25 and 70k in 2026. But we expect most of the slowdown to be due to supply rather than demand however downside risks to labor demand have increased. Given the QCEW downward revisions, breakeven is likely even lower than previously expected. We expect the u-rate to climb by only about a tenth per quarter for three quarters, reaching 4.4% in 4Q 2025 and peaking at 4.5% in 1Q-3Q 2026.

Fed: cautious cuts

- The Fed cut rates by 25bp to 3.75-4.0% at its October meeting, as expected. Markets went into the Oct meeting pricing a Dec cut as a done deal. But Chair Powell noted in his prepared remarks that it is “far from a foregone conclusion.” He also said that if there are no more official data releases until the Dec meeting, there would be a strong case to pause if the alternate data stay solid. That could mean the onus is on the data to justify a Dec cut, rather than to refute it. We remain comfortable with our view that the Fed will not cut rates again under Powell. We look for another 75bp of cuts (Jun, Sep & Dec) in 2H26 under a dovish Fed Chair, for a terminal rate of 3.00-3.25%.



Economic forecast summary

Exhibit 8: Our revised forecasts show slightly stronger growth and moderately higher inflation. We expect Fed to cut again in June, September and December 2026 by 25bp at each meeting.

BofA US economic outlook

	1Q 25	2Q 25	3Q 25	4Q 25	1Q 26	2Q 26	3Q 26	4Q 26	2025	2026	2027
Real Economic Activity, % SAAR											
Real GDP	-0.6	3.8	2.7	1.6	1.6	1.7	1.7	1.8	2.0	1.9	1.9
% Change, Year Ago	2.0	2.1	1.9	1.9	2.4	1.9	1.7	1.7			
Final Sales	-3.2	7.3	2.7	1.4	1.6	1.7	1.5	1.6	2.1	2.1	1.8
Domestic Demand	1.4	2.4	2.0	1.4	1.6	1.6	1.6	1.6	2.3	1.6	1.7
Consumer Spending	0.6	2.5	3.2	1.8	1.8	1.8	1.8	1.7	2.6	2.0	1.9
Residential Investment	-1.0	-5.1	-6.0	-1.0	1.5	1.5	2.0	2.0	-2.0	-0.3	2.0
Nonresidential Investment	9.5	7.3	0.7	1.6	1.7	1.7	1.7	1.7	3.7	1.9	1.8
Structures	-3.1	-7.5	-4.0	0.0	1.5	1.5	1.5	1.5	-4.7	-0.1	1.8
Equipment	21.3	8.5	0.0	1.0	1.5	1.5	1.5	1.5	7.4	1.6	1.8
Intellectual Property	6.5	15.0	4.0	3.0	2.0	2.0	2.0	2.0	5.3	3.2	1.7
Government	-1.0	-0.1	0.0	0.0	0.4	0.4	0.4	0.4	1.2	0.2	0.4
Exports	0.2	-1.8	-0.5	0.5	1.0	2.0	1.0	2.0	0.6	0.8	1.9
Imports	38.0	-29.3	-5.0	0.0	0.5	1.0	1.0	1.0	2.7	-2.4	1.0
Net Exports (Bil 12\$)	-1381	-1058	-1014	-1011	-1009	-1005	-1007	-1002	-1116	-1006	-990
Contribution to growth (ppts)	-4.7	4.8	0.6	0.1	0.0	0.1	0.0	0.1	-0.3	0.4	0.1
Inventory Accumulation (Bil 12\$)	172.0	-18.3	-18.3	-8.3	-8.3	-7.8	2.2	12.0	31.8	-0.5	37.0
Contribution to growth (ppts)	2.6	-3.4	0.0	0.2	0.0	0.0	0.2	0.2	0.0	-0.1	0.1
Nominal GDP (Bil \$, SAAR)	30042	30486	30853	31197	31533	31857	32174	32507	30645	32018	33384
% SAAR	2.9	6.0	4.9	4.5	4.4	4.2	4.0	4.2	4.6	4.5	4.3
Key Indicators											
Fed Funds Rate (midpoint, % EOP)	4.375	4.375	4.125	3.875	3.875	3.625	3.375	3.125	3.875	3.125	3.125
Industrial Production (% SAAR)	4.0	1.5	0.5	1.0	1.0	1.0	1.0	1.5	1.3	1.1	1.3
Capacity Utilization (%)	77.5	77.5	77.5	77.5	77.5	78.0	78.0	78.0	77.5	77.9	78.6
Nonfarm Payrolls (Avg mom ch, 000s)	111	55	55	30	60	70	70	85	63	71	100
Civilian Unemployment Rate (%)	4.1	4.2	4.3	4.4	4.5	4.5	4.5	4.4	4.2	4.5	4.2
Civilian Participation Rate (%)	62.5	62.4	62.3	62.2	62.2	62.2	62.1	62.1	62.4	62.1	62.0
Housing Starts (Thous. SAAR)	1400	1355	1345	1310	1330	1350	1370	1370	1355	1355	1365
Current Account (% of GDP)									-4.2	-3.8	-3.7
US Budget Balance (\$bn, Fiscal Year)									1775	1875	1925
Inflation											
GDP Price Index (% SAAR)	3.6	2.1	2.2	2.9	2.7	2.4	2.3	2.4	2.6	2.5	2.3
% Change, Year Ago	2.6	2.5	2.6	2.7	2.5	2.6	2.6	2.5			
PCE Chain Prices (% SAAR)	3.4	2.1	2.6	3.1	2.8	2.4	2.2	2.3	2.6	2.6	2.3
% Change, Year Ago	2.6	2.4	2.7	2.8	2.7	2.7	2.6	2.4			
Core PCE Chain Prices (% SAAR)	3.3	2.6	2.9	3.3	3.2	2.6	2.3	2.3	2.9	2.9	2.4
% Change, Year Ago	2.8	2.7	2.9	3.0	3.0	3.0	2.9	2.6			
CPI, Consumer Prices (% SAAR)	3.8	1.6	3.1	3.3	3.4	1.8	2.6	2.3	2.8	2.8	2.4
% Change, Year Ago	2.7	2.5	2.9	3.0	2.9	2.9	2.8	2.5			
CPI ex Food & Energy (% SAAR)	3.5	2.1	3.3	3.4	3.1	2.6	2.3	2.4	3.0	2.9	2.5
% Change, Year Ago	3.1	2.8	3.1	3.1	3.0	3.1	2.8	2.6			

Source: BofA Global Research estimates

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Rates and dollar forecast

Exhibit 16: We expect Fed to cut again in June, September and December 2026 by 25bp at each meeting.

Rates and dollar forecast

	Spot	25-Dec	26-Mar	26-Jun	26-Sep	26-Dec
Interest rates						
Fed Funds	4.12	3.75-4.00	3.75-4.00	3.50-3.75	3.25-3.50	3.00-3.25
Fed Effective Rate	4.12	3.875	3.875	3.625	3.375	3.125
2-Year T-Note	3.61	3.30	3.30	3.30	3.35	3.45
5-Year T-Note	3.72	3.50	3.55	3.55	3.60	3.70
10-Year T-Note	4.10	4.00	4.05	4.10	4.15	4.25
30-Year T-Bond	4.65	4.70	4.75	4.80	4.90	5.00
Dollar						
EUR-USD	1.16	1.20	1.20	1.22	1.23	1.25
USD-JPY	153.91	155.00	154.00	153.00	152.00	150.00
USD-CAD	1.40	1.36	1.35	1.35	1.35	1.35
AUD-USD	0.66	0.68	0.69	0.69	0.70	0.71
NZD-USD	0.57	0.59	0.58	0.58	0.59	0.60
GBP-USD	1.32	1.40	1.41	1.44	1.46	1.51
USD-CHF	0.80	0.80	0.80	0.80	0.80	0.80
USD-SEK	9.44	8.92	8.92	8.69	8.62	8.40
USD-NOK	10.05	9.42	9.33	9.10	8.94	8.72
USD-CNY	7.11	7.10	7.00	6.90	6.80	6.80
USD-MXN	18.53	18.75	18.85	19.00	19.25	19.50

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Rolling calendar of business indicators

Next week the focus will be on claims, ISM, ADP and sentiment data

Key economic data over the next three weeks

Monday	Tuesday	Wednesday	Thursday	Friday
November 3 9:45 am: S&P Global US Manufacturing PMI – Oct F 10:00 am: ISM manufacturing – Oct 10:00 am: Construction Spending – Sep 2:00 pm: Senior Loan Officer Survey All Day: Vehicle Sales – Oct	November 4 8:30 am: Trade Balance – Sep 10:00 am: Factory Orders – Sep 10:00 am: JOLTS – Sep	November 5 7:00 am: MBA Mortgage –week ending 10/31/2025 8:15 am: ADP Employment – Nov 9:45 am: S&P Global US Services PMI – Oct F 10:00 am: ISM services– Oct	November 6 8:30 am: Initial Jobless Claims – week ending 11/1/2025 8:30 am: Productivity & Costs - 3Q (P) 10:00 am: Wholesale Inventories – Sep	November 7 8:30 am: Employment Report – Oct 10:00 am: U of Mich Sentiment– Nov (P) 3:00pm: Consumer Credit – Sep
November 10	November 11 Veteran’s Day 6:00 am: NFIB Small Bus. Optimism – Oct	November 12 7:00 am: MBA Mortgage –week ending 11/07/2025	November 13 8:30 am: Initial Jobless Claims – week ending 11/8/2025 8:30 am: Consumer Price Index – Oct 2:00 pm: Monthly Budget Statement - Oct	November 14
November 17 8:30 am: Empire Manufacturing – Nov	November 18 8:30 am: Import Price Index – Oct 9:15 am: Industrial Production – Oct 10:00 am: NAHB Housing Index – Nov	November 19 7:00 am: MBA Mortgage –week ending 11/14/2025 8:30 am: Housing Starts & Permits – Oct 2:00 pm: FOMC Minutes	November 20 8:30 am: Initial Jobless Claims – week ending 11/15/2025 8:30 am: Philly Fed – Nov 10:00 am: Existing Home Sales – Oct	November 21 9:45 am: S&P Global US Manufacturing and Services PMI – Nov (P) 10:00 am: U of Mich Sentiment– Nov (F)

*Projections- subject to revision as additional data become available. P - preliminary reading, S - second reading, T - third reading, F - final reading

Source: Bloomberg

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CPI and PCE Forecast tables

Exhibit 10: We now expect core CPI inflation to be higher throughout our forecast horizon, including a longer period above 3%
CPI monthly forecast table

	Non-seasonally Adjusted						Seasonally Adjusted									
	Headline CPI			Energy			Headline CPI					Core CPI				
	Level	m/m	y/y	Level	m/m	y/y	Level	m/m	y/y	q/q saar	y/y (quarterly)	Level	m/m	y/y	q/q saar	y/y (quarterly)
2024: Jan	308.42	0.54	3.1	270.42	0.39	-4.6	309.79	0.34	3.1			314.39	0.37	3.9		
2024: Feb	310.33	0.62	3.2	276.33	2.19	-1.9	311.02	0.40	3.2			315.56	0.37	3.8		
2024: Mar	312.33	0.65	3.5	285.00	3.14	2.1	312.11	0.35	3.5	3.7	3.2	316.76	0.38	3.8	4.2	3.8
2024: Apr	313.55	0.39	3.4	290.76	2.02	2.6	313.02	0.29	3.4			317.60	0.26	3.6		
2024: May	314.07	0.17	3.3	290.14	-0.21	3.7	313.14	0.04	3.2			318.05	0.14	3.4		
2024: Jun	314.18	0.03	3.0	286.68	-1.19	1.0	313.13	0.00	3.0	2.8	3.2	318.34	0.09	3.3	3.1	3.4
2024: Jul	314.54	0.12	2.9	287.87	0.42	1.1	313.57	0.14	2.9			318.93	0.19	3.2		
2024: Aug	314.80	0.08	2.5	282.61	-1.83	-4.0	314.13	0.18	2.6			319.84	0.28	3.3		
2024: Sep	315.30	0.16	2.4	275.74	-2.43	-6.8	314.85	0.23	2.4	1.4	2.7	320.84	0.31	3.3	2.4	3.3
2024: Oct	315.66	0.12	2.6	272.81	-1.06	-4.9	315.56	0.23	2.6			321.69	0.27	3.3		
2024: Nov	315.49	-0.05	2.7	268.21	-1.68	-3.2	316.45	0.28	2.7			322.62	0.29	3.3		
2024: Dec	315.61	0.04	2.9	267.96	-0.09	-0.5	317.60	0.36	2.9	3.0	2.7	323.30	0.21	3.2	3.4	3.3
2025: Jan	317.67	0.65	3.0	273.05	1.90	1.0	319.09	0.47	3.0			324.74	0.45	3.3		
2025: Feb	319.08	0.44	2.8	275.87	1.03	-0.2	319.78	0.22	2.8			325.48	0.23	3.1		
2025: Mar	319.80	0.22	2.4	275.73	-0.05	-3.3	319.62	-0.05	2.4	3.8	2.7	325.66	0.06	2.8	3.5	3.1
2025: Apr	320.80	0.31	2.3	279.89	1.51	-3.7	320.32	0.22	2.3			326.43	0.24	2.8		
2025: May	321.47	0.21	2.4	280.10	0.07	-3.5	320.58	0.08	2.4			326.85	0.13	2.8		
2025: Jun	322.56	0.35	2.7	284.31	1.50	-0.8	321.50	0.29	2.7	1.6	2.5	327.60	0.23	2.9	2.1	2.8
2025: Jul	323.05	0.15	2.7	283.40	-0.32	-1.6	322.13	0.18	2.7			328.66	0.32	3.0		
2025: Aug	323.98	0.29	2.9	283.25	-0.05	0.2	323.36	0.39	2.9			329.79	0.35	3.1		
2025: Sep	324.80	0.26	3.0	284.15	0.32	3.1	324.42	0.33	3.0	3.2	2.9	330.61	0.25	3.0	3.4	3.1
2025: Oct	324.87	0.02	2.9	277.48	-2.35	1.7	324.88	0.14	3.0			331.55	0.28	3.0		
2025: Nov	324.21	-0.20	2.8	268.36	-3.29	0.1	325.32	0.14	2.9			332.47	0.28	3.0		
2025: Dec	324.73	0.16	2.9	271.22	1.07	1.2	326.94	0.50	3.0	3.0	3.0	333.41	0.28	3.1	3.4	3.1
2026: Jan	326.40	0.51	2.7	276.07	1.79	1.1	327.93	0.30	2.8			334.25	0.25	2.9		
2026: Feb	327.88	0.45	2.8	278.63	0.93	1.0	328.68	0.23	2.8			335.08	0.25	2.9		
2026: Mar	329.11	0.38	2.9	280.64	0.72	1.8	328.97	0.09	3.0	3.5	2.9	335.86	0.23	3.1	3.1	3.0
2026: Apr	329.93	0.25	2.8	282.60	0.70	1.0	329.46	0.15	2.9			336.52	0.20	3.1		
2026: May	330.70	0.23	2.9	283.55	0.34	1.2	329.82	0.11	2.9			337.19	0.20	3.1		
2026: Jun	331.84	0.34	2.9	289.94	2.25	2.0	330.80	0.30	2.9	1.8	2.9	337.85	0.20	3.1	2.6	3.1
2026: Jul	332.51	0.20	2.9	293.61	1.27	3.6	331.44	0.19	2.9			338.48	0.19	3.0		
2026: Aug	333.11	0.18	2.8	295.37	0.60	4.3	332.30	0.26	2.8			339.11	0.19	2.8		
2026: Sep	333.30	0.06	2.6	291.92	-1.17	2.7	332.89	0.18	2.6	2.7	2.8	339.73	0.19	2.8	2.3	2.8
2026: Oct	333.27	-0.01	2.6	287.02	-1.68	3.4	333.27	0.11	2.5			340.42	0.20	2.7		
2026: Nov	332.78	-0.15	2.6	282.89	-1.44	5.4	333.92	0.20	2.6			341.11	0.20	2.6		
2026: Dec	333.05	0.08	2.6	285.59	0.96	5.3	335.31	0.42	2.5	2.4	2.5	341.81	0.20	2.5	2.4	2.6

Source: BEA, BofA Global Research estimates

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Exhibit 11: We now expect core PCE inflation to be higher throughout our forecast horizon, including a longer period above 3%.

PCE inflation monthly forecast table (Seasonally adjusted)

	%y/y				% m/m			
	Headline	Core	Core goods	Core services	Headline	Core	Core goods	Core services
2022: Jan	6.3%	5.4%	6.9%	4.8%	0.55%	0.50%	0.94%	0.34%
2022: Feb	6.5%	5.6%	7.7%	4.9%	0.59%	0.44%	0.57%	0.39%
2022: Mar	6.9%	5.6%	7.5%	4.9%	0.88%	0.40%	-0.02%	0.55%
2022: Apr	6.7%	5.3%	6.4%	5.0%	0.30%	0.35%	0.08%	0.44%
2022: May	6.8%	5.2%	5.7%	5.0%	0.62%	0.35%	0.31%	0.37%
2022: Jun	7.2%	5.3%	5.7%	5.2%	0.96%	0.59%	0.61%	0.59%
2022: Jul	6.8%	5.1%	5.5%	5.0%	-0.01%	0.22%	0.06%	0.28%
2022: Aug	6.6%	5.4%	5.6%	5.3%	0.28%	0.57%	0.55%	0.57%
2022: Sep	6.7%	5.6%	5.7%	5.6%	0.35%	0.44%	0.23%	0.52%
2022: Oct	6.5%	5.5%	4.7%	5.7%	0.47%	0.36%	0.01%	0.48%
2022: Nov	6.0%	5.2%	3.9%	5.7%	0.26%	0.29%	-0.21%	0.46%
2022: Dec	5.5%	5.0%	3.2%	5.6%	0.14%	0.35%	0.00%	0.47%
2023: Jan	5.5%	4.9%	2.7%	5.7%	0.54%	0.47%	0.45%	0.48%
2023: Feb	5.2%	4.9%	2.3%	5.8%	0.29%	0.36%	0.19%	0.42%
2023: Mar	4.4%	4.8%	2.5%	5.6%	0.14%	0.33%	0.21%	0.37%
2023: Apr	4.5%	4.8%	2.5%	5.6%	0.35%	0.35%	0.07%	0.45%
2023: May	4.0%	4.7%	2.5%	5.5%	0.17%	0.29%	0.30%	0.29%
2023: Jun	3.3%	4.4%	1.7%	5.3%	0.27%	0.26%	-0.18%	0.41%
2023: Jul	3.4%	4.3%	1.2%	5.4%	0.11%	0.14%	-0.44%	0.34%
2023: Aug	3.4%	3.8%	0.6%	5.0%	0.30%	0.11%	-0.07%	0.17%
2023: Sep	3.4%	3.7%	0.2%	4.9%	0.37%	0.31%	-0.10%	0.45%
2023: Oct	3.0%	3.5%	0.4%	4.6%	0.05%	0.15%	0.16%	0.15%
2023: Nov	2.8%	3.3%	0.2%	4.4%	0.01%	0.11%	-0.37%	0.27%
2023: Dec	2.8%	3.1%	0.0%	4.2%	0.14%	0.18%	-0.26%	0.33%
2024: Jan	2.7%	3.2%	-0.5%	4.4%	0.47%	0.52%	-0.04%	0.70%
2024: Feb	2.7%	3.1%	-0.4%	4.3%	0.30%	0.26%	0.31%	0.25%
2024: Mar	2.9%	3.1%	-0.5%	4.4%	0.36%	0.39%	0.10%	0.48%
2024: Apr	2.8%	3.0%	-0.5%	4.2%	0.25%	0.24%	0.06%	0.30%
2024: May	2.7%	2.8%	-1.0%	4.1%	0.01%	0.06%	-0.21%	0.15%
2024: Jun	2.5%	2.8%	-0.8%	4.0%	0.15%	0.24%	0.05%	0.30%
2024: Jul	2.6%	2.8%	-0.4%	3.9%	0.16%	0.19%	-0.06%	0.27%
2024: Aug	2.4%	2.9%	-0.5%	4.0%	0.12%	0.18%	-0.13%	0.28%
2024: Sep	2.3%	2.8%	-0.3%	3.9%	0.22%	0.27%	0.04%	0.35%
2024: Oct	2.5%	3.0%	-0.4%	4.1%	0.27%	0.30%	0.06%	0.37%
2024: Nov	2.6%	3.0%	-0.2%	4.0%	0.11%	0.10%	-0.12%	0.18%
2024: Dec	2.7%	3.0%	-0.2%	4.1%	0.27%	0.19%	-0.28%	0.34%
2025: Jan	2.6%	2.8%	0.2%	3.6%	0.35%	0.31%	0.40%	0.29%
2025: Feb	2.7%	3.0%	0.3%	3.8%	0.40%	0.45%	0.41%	0.46%
2025: Mar	2.4%	2.7%	0.0%	3.6%	0.02%	0.10%	-0.26%	0.22%
2025: Apr	2.3%	2.6%	0.2%	3.4%	0.17%	0.19%	0.29%	0.16%
2025: May	2.5%	2.8%	0.6%	3.5%	0.18%	0.23%	0.25%	0.22%
2025: Jun	2.6%	2.8%	1.0%	3.4%	0.29%	0.26%	0.39%	0.22%
2025: Jul	2.6%	2.9%	1.1%	3.4%	0.16%	0.24%	0.00%	0.31%
2025: Aug	2.7%	2.9%	1.1%	3.5%	0.26%	0.23%	-0.11%	0.34%
2025: Sep	2.8%	2.8%	1.3%	3.4%	0.27%	0.22%	0.28%	0.20%
2025: Oct	2.8%	2.9%	1.6%	3.3%	0.26%	0.30%	0.38%	0.28%
2025: Nov	2.9%	3.0%	2.1%	3.3%	0.24%	0.29%	0.37%	0.27%
2025: Dec	3.0%	3.2%	2.8%	3.3%	0.39%	0.29%	0.37%	0.27%
2026: Jan	3.0%	3.1%	2.6%	3.3%	0.27%	0.25%	0.16%	0.28%
2026: Feb	2.8%	2.9%	2.3%	3.1%	0.24%	0.25%	0.15%	0.28%
2026: Mar	2.9%	3.0%	2.7%	3.1%	0.16%	0.24%	0.10%	0.28%
2026: Apr	2.9%	3.0%	2.4%	3.2%	0.17%	0.20%	0.05%	0.25%
2026: May	2.9%	3.0%	2.2%	3.3%	0.16%	0.20%	0.05%	0.25%
2026: Jun	2.9%	2.9%	1.9%	3.3%	0.24%	0.20%	0.05%	0.25%
2026: Jul	2.9%	2.9%	1.9%	3.2%	0.19%	0.19%	0.00%	0.25%
2026: Aug	2.8%	2.9%	2.0%	3.2%	0.22%	0.19%	0.00%	0.25%
2026: Sep	2.8%	2.8%	1.7%	3.2%	0.18%	0.19%	0.00%	0.25%
2026: Oct	2.6%	2.7%	1.3%	3.2%	0.14%	0.19%	0.00%	0.25%
2026: Nov	2.6%	2.6%	0.9%	3.2%	0.19%	0.19%	0.00%	0.25%
2026: Dec	2.5%	2.5%	0.6%	3.1%	0.29%	0.19%	0.00%	0.25%

Source: BEA, BofA Global Research estimates



Federal Reserve Balance Sheet

Exhibit 12: Factors affecting reserve balances of depository institutions (H.4.1 Table 1)

The balance sheet of the Federal Reserve (\$bn, Wednesday, end of period values)

	29 Oct	7-day chg	4 week chg	Chg since June 1, 2022
Supplying reserve funds (Federal Reserve assets)				
Reserve Bank credit outstanding	6538.8	-3.3	0.0	-2339.8
Securities held outright	6269.0	-12.4	-15.7	-2211.5
US Treasuries	4196.7	0.3	0.4	-1574.0
Federal Agency	2.3	0.0	0.0	0.0
Mortgage-backed securities	2070.0	-12.6	-16.0	-637.5
Mortgage-backed securities	228.7	-0.6	-1.8	-108.4
Unamortized discounts on securities held outright	228.7	-0.6	-1.8	-108.4
Repurchase agreements	10.3	10.3	10.3	10.3
Foreign official (FIMA repo facility)	0.0	0.0	0.0	0.0
Others	10.3	10.3	10.3	10.3
Loans	8.0	0.5	0.7	-12.7
<i>of which:</i>				
Discount window (primary and secondary credit)	7.9	0.5	0.7	7.0
Paycheck protection program (PPPLF)	0.1	0.0	0.0	-19.7
Bank Term Funding Program (BTFP)	0.0	0.0	0.0	0.0
Other credit extensions	0.0	0.0	0.0	0.0
Other factors supplying reserve funds	-206.0	-0.5	8.2	90.8
Total factors supplying reserve funds	6637.2	-3.2	-0.2	-2327.2
Absorbing reserve funds (Federal Reserve liabilities)				
Currency in circulation	2418.2	0.6	5.7	138.2
Reverse repo agreements	367.4	13.0	-17.4	-1863.1
Foreign official accounts	347.9	-2.5	-26.7	82.4
Others (ON RRP)	19.5	15.5	9.3	-1945.5
Treasury cash holdings	0.3	0.0	-0.1	0.2
Other deposits with Federal Reserve Banks	1209.5	82.6	163.7	181.1
<i>of which:</i>				
Treasury General Account	983.9	78.8	164.5	203.3
Treasury contributions to credit facilities	2.0	0.0	0.0	-15.9
Other Federal Reserve liabilities and capital	-188.2	2.3	-0.5	-238.2
Factors absorbing reserves, other than reserves	3809.3	98.5	151.5	-1797.7
Reserve balances with Federal Reserve banks	2827.9	-101.7	-151.7	-529.5

Source: Federal Reserve, Haver Analytics, BofA Global Research. Note: Quantitative tightening began on June 1, 2022.

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