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What Economy Are We Living In? Our Reporters Talk It Out

It's been a wild economic ride lately. Our reporters got together to chew over how things are looking—and what to expect next.

Gunjan Banerji Sam Goldfarb Jeanne Whalen and Rachel Wolfe Aug. 5, 2025 8:00 pm ET



Money and investing reporter in New York.

Gunjan Banerji: So, the economy feels really confusing right now. Stocks are back at records, and a lot of investors I chat with have warmed to the idea that tariffs won't be as painful as many thought. Maybe the U.S. economy can avoid a recession. But some of the recent data has people questioning that again.

Rachel, what do you think? Is the economy still strong, or are we starting to lose steam?



Economics and consumer reporter in New Orleans.

Rachel Wolfe: Friday's jobs report was the first clear sign that the economy isn't as strong as it had seemed. It was a bad report!

But many of the economists I've spoken to don't think it's enough to declaratively say that the economy has turned a corner for the worse. It's still seeming pretty mixed.

Especially since unemployment hasn't really budged from its near-historic lows.

Ordinarily, with such weak job growth, we'd have seen a lot more pain there.

I also think an important element here is that it's such a tale of two economies. If you have a job, you're probably pretty OK. If you're looking for one, you're having a really tough time.



Markets reporter in New York.

Sam Goldfarb: The jobs report definitely mattered for the market. Short-term Treasury yields fell very sharply. That reflected traders suddenly becoming a lot more confident that the Federal Reserve will cut interest rates soon to support a weakening economy.]

Just outside of the big tech stocks—the Magnificent Seven—stocks have been sort of edging lower before enjoying something of a modest bounce on Monday. Stocks of smaller companies, for example, that are more sensitive to the economy. But that doesn't mean that investors think there will be an outright recession. We sometimes fall into the trap of thinking the economy can either be strong or in a recession. But the economy can also be kind of weak but not in a recession.



Economics and trade reporter in Chicago.

Jeanne Whalen: My take is the economy is still fairly OK. It was less than a week ago that Federal Reserve Chairman Jay Powell said it was in "a solid position."

Of course, the next day we had this concerning jobs report, including a downward revision of the reported new job numbers for May and June. So would Powell still have described the economy as in a solid position had he seen those jobs numbers?

But overall, things are far less dire than what many economists predicted when Trump took office. The tariffs haven't (yet) sparked high inflation. Inflation ticked up a bit in June but is still below where many feared it would be. And the unemployment rate is still quite low by historical standards: 4.2%

Rachel Wolfe: I also think that some consumers have kind of given up on trying to understand what the heck is going on, especially with all the tariff whiplash, and that that's leading to some weirdness in spending—which, as we know, is most of the economy. ← Note

Consumers doomspending doesn't necessarily mean the economy is strong, their spending could be giving us a false sense of strength when really it's mostly...stress?

Gunjan Banerji: Well, what did you guys make of the jobs data Friday?

Rachel Wolfe: The biggest thing it showed is just how few jobs the economy needs to create right now to keep unemployment low, with the workforce aging and immigration having slowed so much. Which is not good news for growth long term, but can kind of keep things seeming stable in the meantime. - Note

Sam Goldfarb: There's some real concern though among economists about the economy. The base case is that we're OK, but we're on the knife's edge in the labor market.

Gunjan Banerji: On Wall Street, it seems to have sparked some doom and gloom. I was surprised to see some analysts calling for emergency rate cuts.

Jeanne Whalen: The revisions [to the jobs numbers] really were dramatic. My eyeballs popped a bit when I saw the new figures for May and June. The economy added just 19,000 and 14,000 jobs in those months.

I asked a labor economist yesterday whether tariffs contributed to that meager job growth. She had just gotten off a call with other economists and said they were all fairly confused on that point. But overall she seemed to think it was too soon for tariffs to have caused it.

Jeanne Whalen: Rachel, curious what consumers are saying these days about inflation. Do they still mention it as a top concern? Have they kind of gotten used to higher prices?

Gunjan Banerji: And is there still a wide gap between what they're saying about the economy and how they're actually spending?

Rachel Wolfe: I haven't heard people complaining about inflation so much recently. It's more that they are unnerved by all the policy changes happening in the background, and again have kind of lost the plot on what is even going on in the economy (hence this chat!).

The sentiment gap has stabilized a bit, people have been feeling a little better about the economy (though still really bad by historical standards). And they're still spending, though not as aggressively as they were.

I also don't think we talk enough about how big a factor the housing market is for a lot of people, and how stuck so many of them feel, which changes the way they spend.

Gunjan Banerji: Tell me more about that.

Rachel Wolfe: What consumers, especially young ones, have told me is that they feel like they will never be able to buy a house, so there's no point in saving for a down payment and something similar-ish is happening for people locked into low rates.

Sam Goldfarb: I agree that housing unaffordability really has affected how people feel about the economy. Regardless of what the data says about growth or other metrics.

Jeanne Whalen: Right. Housing and food are the biggies we always hear about.

And the enormous stress of paying those bills makes it harder to pay for things consumers maybe didn't think about as much before. Like utilities or car insurance.

Sam Goldfarb: It's interesting to think what makes for a "good" or a "bad" economy. We tend to think of a bad economy as one where lots of people are losing jobs. But even in a recession, most people still have jobs. People hated the economy in 2021, 2022 and 2023 because everyone was experiencing high inflation.

Jeanne Whalen: One of the biggest concerns I hear about is paralysis. Businesses don't know whether to invest in new factories or warehouses, etc., because they don't know what the trade policies will be next week. So much decision making is paralyzed right now.

Gunjan Banerji: Where are you seeing that in the data? I'm looking at 2Q earnings, which are really strong (although driven a lot by tech). Bankers and CEOs are having a hot deals summer, a sign they're not really expecting things to fall apart anytime soon.

Jeanne Whalen: The recent GDP report contained one clue. In the second quarter, spending on structures including factories dropped significantly.

Economists I've spoken with say that's a symptom of the paralysis out there. One asked me, would you invest \$1 billion in a new factory right now without knowing what the trade policies will be next month?

Sam Goldfarb: Inflation-adjusted spending by consumers and businesses has cooled. Hiring has cooled.

Jeanne Whalen: Powell last week said forecasters have been forecasting consumer spending would slow down for a long time, and now maybe it finally has. He said consumers are still in good shape and still spending but not at such a rapid rate.

Gunjan Banerji: OK, if you had to make a pros/cons list for the U.S. economy. What would it be?

Jeanne Whalen: Pros: Inflation has come way down from its peak in 2022. The unemployment rate is still pretty darn low. GDP is still growing, though that growth has slowed.

Cons: The recent jobs report gave us all reason to worry. The economy is not adding as many jobs as it was previously. Uncertainty is high among businesses and consumers, which will become a problem if it markedly curbs their spending and investment. The Trump administration's dramatic policy changes make it very hard to plan.

Sam Goldfarb: I thought it might be fun to point out all the growth scares we've had in recent years, without a recession materializing.

We had a growth scare in 2022 because the Fed was raising rates so aggressively, in 2023 after Silicon Valley Bank collapsed, in 2024 when the unemployment rate went up for some months in a row.

Each time, the economy has proved stronger than people feared. But that, of course, doesn't mean that the concerns this time are unfounded.

Oh, and we had the scare in April with the tariff announcements.

Gunjan Banerji: I think people are reluctant to bet against the economy, after getting the recession call completely wrong the past few years.

Before we wrap up, what are you guys hearing from your sources on Trump's BLS firing?

Jeanne Whalen: Definitely a lot of worry. The U.S. is an attractive place to invest because the world believes it understands how our economy is doing. If it comes to doubt the data we issue, that's a big problem.

Sam Goldfarb: Investors I've talked to are relatively calm about it. They think it will be hard to compromise the data even if you replace the person at the very top.

It's just also hard for investors to trade this.

Gunjan Banerji: I have a feeling Wall Street will find a way to get the data.

Lastly, what are you guys watching for in the next few weeks?

Jeanne Whalen: The inflation report next week, for sure. CPI. That will give us more info about how tariffs are affecting prices.

Sam Goldfarb: Inflation data. Because right now, investors are feeling pretty confident that weaker jobs data = rate cuts. But if inflation is going up, it makes things more complicated.

Jeanne Whalen: And of course, the next jobs report.

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