MAY 2025

APRIL JOBS REPORT HOLDS STEADY.

HIRING BEATS APRIL EXPECTATIONS

The U.S. labor market showed signs of cooling in April, as employers added 177,000 jobs amid growing economic uncertainty tied to trade policy and slowing consumer demand. While the figure beat expectations from economists polled by LSEG, it fell short of the robust 228,000 jobs added in March. The unemployment rate held steady at 4.2%, a historically low level.

UNEMPLOYMENT	JAN	FEB	MAR*
Battle Creek	6.2	6.6	6.2
Kalamazoo	4.9	5.0	4.9
Grand Rapids	4.7	4.9	4.8
Detroit	5.6	5.5	5.3

*PRELIMINARY

April's gains were broad-based but mixed. Health care led the way with 50,600 new jobs, while transportation and warehousing followed closely with 29,000 positions, fueled by pre-tariff consumer buying. Leisure and hospitality expanded by 24,000 jobs, though economists warn that sector could falter if spending tightens.

Meanwhile, government employment rose by 10,000 jobs as declines at the federal level were offset by state and local hiring. Manufacturing, however, slipped by 1,000 jobs — a warning sign as tariffs begin to take a toll on supply chains and business confidence.

Policy-driven uncertainty is becoming a drag. President Trump's sweeping tariffs, combined with efforts to shrink the federal government, have led to cautious hiring practices. Small business job creation plans fell sharply, and companies large and small are signaling hesitation. "*Many firms planned to pause or limit hiring going forward because of policy uncertainty,*" the Fed's latest Beige Book noted.

Other indicators reflect underlying softness. Long-term unemployment rose to 1.7 million, its highest level in over two years. Housing starts also plunged 14.2% in March, driven by tariffs pushing material costs higher, squeezing builders even as mortgage rates eased.

Still, wage growth remained strong in April, rising 3.8% year-over-year, easily outpacing inflation.

The jobs report paints a complex picture - steady, but fragile. The full impact of tariffs, federal cutbacks, and policy shifts may become clearer in the months ahead.

AMID UNCERTAINTY, HIRING REMAINS STEADY WHILE WAGES ARE OUTPACING INFLATION.

MICHIGAN'S UNEMPLOYMENT RATE CREEPS UP FOR THIRD STRAIGHT MONTH.

Michigan's unemployment rate crept up again in March, rising to 5.5 percent. It's the third straight month of increases and now sits well above the national average of 4.2 percent. The latest numbers, released by the Department of Technology, Management & Budget, reflect a softer job market. Michigan shed 3,000 jobs during March, while 5,000 more people joined the ranks of the unemployed. The workforce grew modestly by 3,000.

The declines hit familiar territory: manufacturing and professional services. Both sectors led job losses, according to Wayne Rourke, labor market director at Michigan's Center for Data and Analytics. For a state still deeply connected to the auto industry, the timing couldn't be worse.

Manufacturers have been dealing with higher costs thanks to lingering tariffs on imported auto parts and vehicles. While new federal relief measures announced this week are expected to soften the blow — like exemptions on stacked tariffs for metals and partial reimbursements on imported components — the environment remains tough. Automakers now face an uncertain trade landscape that is likely to keep car prices elevated and hiring restrained.

Industry insiders, including General Motors, welcomed the federal reprieve. Still, many warn that the broader economic pressures and unresolved trade tensions with China will continue to cast a shadow.

For Michigan, the question is whether this relief will be enough to stop the bleeding in the coming months.

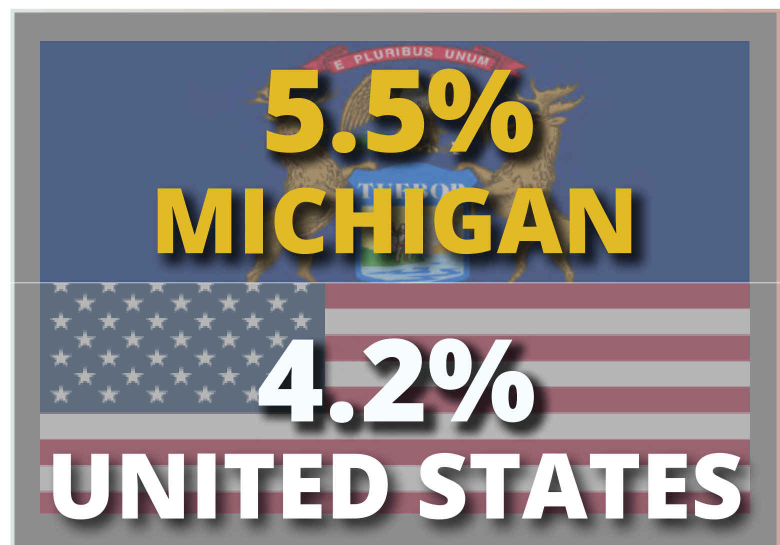
FEDERAL RESERVE STAYING PUT ON RATES

Federal Reserve officials have made it clear that interest-rate cuts will likely hinge on unmistakable signs of higher unemployment.

With April's jobs report showing little evidence of widespread hiring weakness, policymakers can comfortably stick with a wait-and-see approach at next week's meeting. This also gives them cover to offer no meaningful hints that rate reductions are on the table for their mid-June gathering. (WSJ)

UNEMPLOYMENT RATE

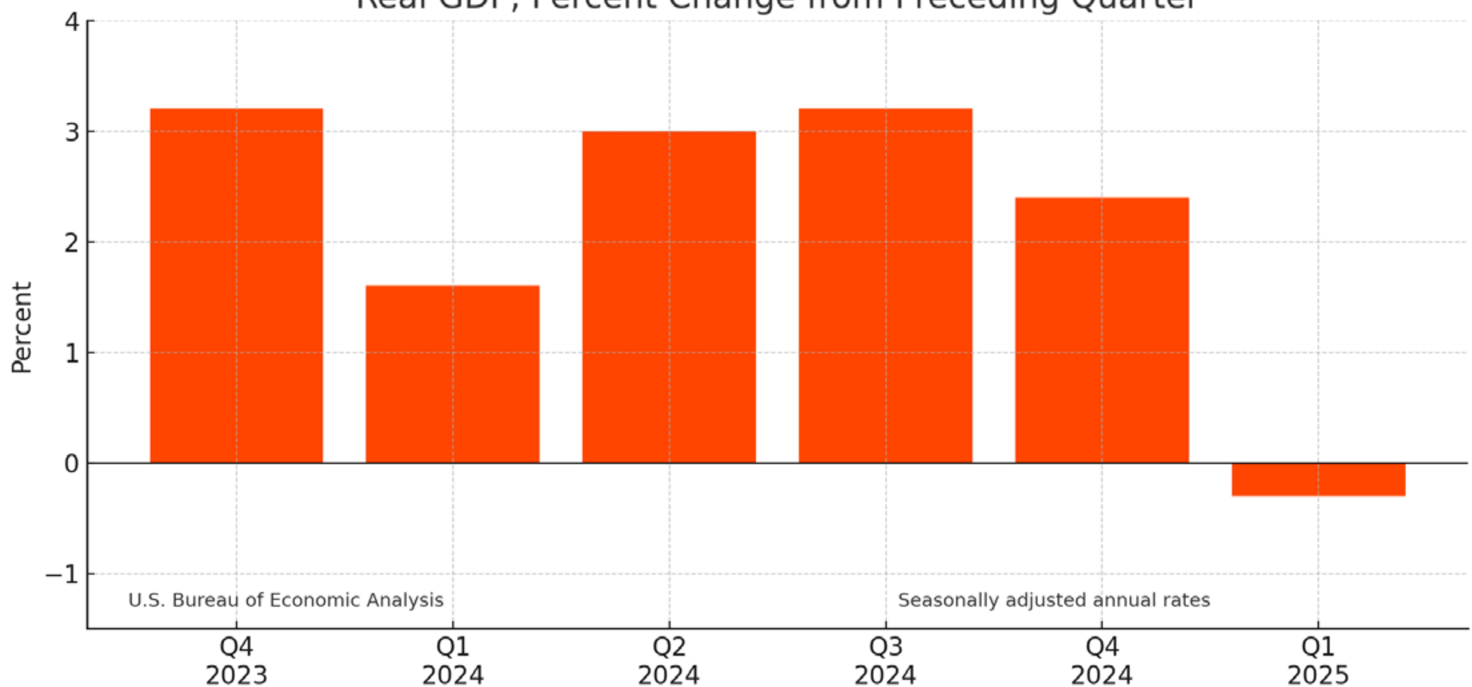
MARCH 2025



NEGATIVE ECONOMIC GROWTH
IN THE 1ST QTR OF 2025

The U.S. economy entered 2025 on uneven footing as first-quarter GDP slipped 0.3 percent at an annual rate, marking a sharp reversal from the 2.4 percent expansion recorded at the end of 2024. For labor market observers, the headline decline conceals both areas of resilience and emerging challenges for American workers.

A surge in imports placed significant pressure on overall output, driven by strong consumer demand for foreign-made goods. Simultaneously, federal government spending declined, led by cuts in defense expenditures, which reduced demand for public-sector employment. While state and local payrolls provided a modest offset as those budgets remained stable, the overall effect on government employment was clearly negative.



Momentum in the private sector remained strong. Businesses increased investments, particularly in wholesale trade inventories, while consumer spending continued to rise. This lifted real final sales to private domestic purchasers by 3.0 percent. Hiring in the service sector is expected to remain solid, supported by ongoing strength in healthcare, housing, and utilities. Manufacturing and durable goods may experience weaker demand, but temporary staffing needs could increase as firms stockpile goods in anticipation of future consumption.

Wage growth is staying slightly ahead of inflation. Year to year, wages are up 3.8%, but the personal consumption expenditures price index rose 3.6 percent in the first quarter, its fastest rate in more than two years, cutting into workers' real earnings. Even after removing food and energy costs, core inflation remained at 3.5 percent, signaling continued strain on household budgets across income levels.

SHIPPING SHOCKWAVES:

How New Port Fees and Tariffs Will Hit U.S. Consumers in the Coming Months.

SHIPMENTS FROM CHINA ARE DRYING UP AS COMPANIES BEGIN LAYOFFS

May 2025 brings major changes to global trade policy that will soon be felt across the U.S. economy. With new tariffs on Chinese imports and significant port fees on Chinese-built and operated vessels, the United States is taking a firmer stance on its trade relationship with China. These moves are designed to promote domestic manufacturing and reduce dependence on foreign supply chains. However, they are already affecting shipping activity, auto suppliers, and product availability for American consumers.

The new fee structure includes charges of up to $1.9 million per voyage for large Chinese cargo ships, alongside tariffs reaching as high as 145 percent on a wide range of goods, including vehicle components. The goal is clear: encourage companies to diversify sourcing and bring production closer to home. In the short term, though, the effects are rippling through ports, assembly plants, warehouses, and transportation networks.

At the Port of Los Angeles, container traffic from China has dropped by more than a third compared to last year. In Long Beach, scheduled ship calls fell nearly 40 percent in just one week. Importers had rushed to bring in goods earlier this year ahead of the tariff deadlines. Now, with orders slowing, the flow of everything from bumpers and brake pads to electronics and toys is thinning out.

This slowdown is being felt far beyond the docks. Retailers are reassessing orders, truckers are seeing fewer routes, and warehouse staffing levels are being reduced. One of the most high-profile developments is UPS's announcement that it will lay off 20,000 workers and close 73 facilities.
The company cited reduced volumes from its largest customer, Amazon, and wider

uncertainty in the market. Many of UPS's small and mid-sized customers, especially auto parts distributors, are now navigating a more complex and costly import environment.

UPS leaders emphasized the company's efforts to remain efficient and adaptable. Union officials signaled concern about protecting jobs. The Teamsters contract requires UPS to maintain a certain number of union positions, and further cuts may prompt more aggressive negotiations.

In the auto sector, the picture is complicated. After heavy pushback from automakers, the White House issued an executive order offering temporary relief. Automakers assembling vehicles in the U.S. can now receive credits worth up to 15 percent of a vehicle's value, offsetting some tariffs on imported parts. However, this does not apply to Chinese components, which still face 145 percent duties. Michigan suppliers dependent on Chinese inputs are already reassessing operations. Companies like Stellantis have warned of potential production disruption and job impacts.

TRADE TURMOIL BY THE NUMBERS

Quick facts behind the unfolding supply chain crisis

$1.9 million Estimated cost per voyage for large Chinese-built ships calling at U.S. ports by 2028 under the new structre.

145% Top toriff rate now applied to a range of Chinese goods, including consumer electronics, toys, and household furni-

35% Year-over-year drop in Chinese container traffic at the Port of Los Angeles

40% One-week decline in vessel calls at the Port of Long Beach as of late April 2025

20,000 Planned lavoffs announced by UPS as it reduces business with Amazon and braces for lower shipping volumes

73 UPS facilities slated for-closure over the next two months in a cost-cutting move expected to save $3.5 billion

25% Port of Oakland cargo volume composed of critainerized agriculture--now vulnerable to port fee hikes and retallatory tariffs

68 Blanked sailings (cancelded export shipments) reported by one U.S, forage exporter after the April tariff announcement

1 in 4 Scheduled ship calls in May that have been canceled at the Port of Los Angeles

$343 billion Total value of Chinese imports into the U.S. In March 2025, a last-minute surge ahead of tariff enforcement

Agriculture is also feeling the heat. As Chinese buyers cancel major orders for pork, hay, and lumber, some exporters have already begun layoffs. One hay exporter in Washington reported cutting a quarter of its staff after redirecting goods to secondary markets like Dubai and Taiwan. These abrupt changes, combined with the risk of abandoned shipments and rising shipping costs, are creating deep uncertainty for U.S. farms that depend heavily on containerized exports to China.

These changes reflect a broader shift toward strengthening U.S. economic independence and rethinking global supply chains. While the long-term goal is increased resilience and domestic investment, the transition period will require adjustment. Consumers and businesses alike can take practical steps now to prepare, such as reviewing supply needs, shopping early, and budgeting for potential increases in costs. With careful planning, households can stay ahead of what may be a bumpy few months in the global goods market.

CONTRACTORS IN THE CROSSFIRE

The construction industry, a vital engine of economic activity, is currently navigating a complex and challenging environment, partly shaped by the impacts of President Donald Trump's tariff policies. These measures, described as a "decisive shift towards economic decoupling through drastic tariff measures", are generating significant structural challenges for the sector. While the full, long-term implications are still unfolding, analysts have already adjusted global construction output forecasts downward, citing US tariff policies as a primary reason.

One of the most immediate and tangible effects for builders is the surge in the costs of building materials. This increase stems directly from the imposition of various tariffs. Among these are a universal 10% tariff, targeted 25% tariffs on all aluminum derivatives and steel imports enacted in March 2025, and escalating tariffs on Canadian softwood lumber imports. Initially set at 14.54% in April 2025, the softwood lumber tariff rate is anticipated to climb further to 34.45% by the end of Q3 2025. The sources note that a proposed additional 25% tariff on lumber, which would have brought the rate to a striking 39.5%, was not enacted, but the expected increase remains substantial.

Given the significant reliance on imports for key materials – for example, 50% of American demand for aluminum is satisfied through imports – these tariffs translate directly into higher supply chain costs for the US construction market. Builders are reporting these rising material costs as a direct consequence of tariffs. Estimates suggest that these increases are adding, on average, $10,900 to the cost of building a new home.

These escalating material costs have direct repercussions for construction projects. For projects operating under variable-rate contracts, the increased material prices are likely to be passed on to consumers, which can reduce the affordability of current projects. Projects with fixed-price contracts place the burden of cost increases squarely on the contractor, and the tariff policy is seen as potentially exacerbating project delays and even impacting the commencement of new construction projects. Even for large-scale infrastructure and energy projects, which often include mechanisms to adjust for supply chain cost changes, the volatility introduced by tariffs may reduce the capacity of businesses to effectively forward plan future projects.

Beyond the impact on individual projects, the tariffs appear to be dampening overall construction activity, particularly in the residential sector. Recent data showed a sharp plunge in single-family housing starts in March 2025, dropping 14.2% to reach their lowest level since July. Permits for future homebuilding also experienced a decline. Overall housing starts also fell by 11.4%. Critically, builders are explicitly linking these declines in housing starts and permits to the rising material costs attributed to the tariffs. While other economic factors are at play, the material cost increases from tariffs are clearly seen as a significant headwind for homebuilding.

Adding another layer of complexity, the tariff policies are accelerating a reorganisation of global supply chains. They are facilitating trade diversification as nations adapt, potentially leading to new trading arrangements that exclude the United States. The sources emphasize that the changeable and unpredictable nature of these tariff policies, compounded by retaliatory measures from other countries, significantly exacerbates uncertainty within the global supply chain. This climate increases the risk of price fluctuations and can lead to supply chain delays and inefficiencies. The difficulty in accurately forecasting demand and planning inventory is anticipated to continue, prompting companies to potentially cancel or pause orders and reroute trade flows to avoid impending tariffs. This environment of escalating retaliation and shifting tariff landscapes is viewed as a monumental factor hindering investor confidence within the global construction sector.

Furthermore, the sources point to the potential for tariffs to be inflationary. By increasing the cost of imported goods, tariffs put upward pressure on general prices. If this leads to significant inflationary pressures, the typical response from monetary policy might involve higher interest rates to curb inflation. Higher interest rates make borrowing more expensive, which can dampen investment. For contractors, the combination of higher interest rates and increased production costs due to tariffs can reduce the overall viability of projects, potentially leading to an increase in projects being cancelled or scaled back.

The tarrifs for the construction industry, present a "plethora of structural challenges". They directly elevate the cost of essential building materials, a burden felt by builders and potentially passed on to consumers. This cost pressure contributes to project delays, reduces the capacity for confident long-term planning, and is explicitly linked by builders to recent declines in housing starts. The broader impact includes the disruption and uncertain reorganisation of global supply chains, while the potential for tariffs to fuel inflation and lead to higher interest rates adds another layer of risk to project viability.

While the labor market has shown some stability, the housing market and the broader construction sector are clearly feeling the weight of rising material costs and trade policy uncertainty. The long-term sustainability of this economic model is questioned, and the challenges introduced by these policies remain a significant concern for those operating within the construction landscape.

CONSUMER EXPECTATIONS SEE LARGEST ONE-MONTH DROP IN THIRTY FIVE YEARS.

Consumer sentiment dropped sharply for the fourth consecutive month in April 2025, declining 8.4% from March and 32.4% from last year, highlighting growing pessimism among consumers.

The University of Michigan's index revealed a notable weakening in both current economic conditions and future expectations. The expectations index alone suffered a steep 10.1% monthly fall, marking its largest three-month decrease since the 1990 recession, driven by concerns about personal finances and business conditions.

Significant declines in sentiment were widespread across various demographics, especially among middle-income households. Consumers cited considerable economic uncertainty, primarily due to recent trade policy shifts and heightened fears about rising inflation. Labor market outlooks remained pessimistic, with consumers increasingly skeptical about their income growth potential over the next year, casting doubt on sustained consumer spending.

Inflation expectations surged notably, hitting 6.5% for the year ahead—the highest level since 1981 - reflecting four consecutive months of substantial increases. Long-term inflation expectations rose from 4.1% to 4.4%, with independents showing particularly pronounced concerns. Although a recent pause in tariff escalations slightly tempered expectations, overall inflation concerns remain elevated, signaling persistent anxiety about the economy's trajectory.

U of M Consumer Sentiment Report | April 2025

	Apr 2025	Mar 2025	Apr 2024	M-M Change	Y-Y Change
Index of Consumer Sentiment	52.2	57.0	77.2	-8.4%	-32.4%
Current Economic Conditions	59.8	63.8	79.0	-6.3%	-24.3%
Index of Consumer Expectations	47.3	52.6	76.0	-10.1%	-37.8%

NOT LEFT. NOT RIGHT. JUST RIGHT.

HOW MODERATES REVEAL THE TRUE STATE OF THE ECONOMY.

Evaluating the economy should be straightforward - considering unemployment, GDP growth, and inflation. Yet, our perception often diverges sharply along political lines. Recent findings from The University of Michigan's Surveys of Consumers underscore that, historically, individuals affiliated with the party in the White House consistently express more favorable economic sentiment than those out of power. This partisan lens, deeply ingrained, significantly shapes our economic perceptions, raising crucial questions about the objectivity of our judgments.

Partisanship significantly shapes individual economic optimism or pessimism, but does not invalidate broader economic metrics.

Data collected since the Reagan administration illustrates a clear pattern: Republican sentiment typically rises when a Republican occupies the presidency and falls when Democrats take over, and vice versa. Notably, the monthly data collection initiated in 2017 provided deeper insights into these partisan perceptions, highlighting that behavioral outcomes - like spending and entrepreneurship - also align with these sentiment shifts. Such patterns underscore the powerful influence political affiliation exerts over personal economic views.

Yet, despite stark partisan divides, independent voters play a crucial role in reflecting a more balanced perspective. Independents consistently position themselves between partisan extremes, aligning closely with national sentiment averages. This suggests that aggregate economic indicators retain validity, reflecting genuine trends rather than merely partisan reactions. During presidential transitions, such as from Trump to Biden and Biden to the recent Republican administration in 2025, independent voters' views remained notably stable and centered, confirming the survey's accuracy beyond partisan noise.

The nuanced aspect of the data shows that while baseline economic perceptions differ significantly based on party affiliation, trends in sentiment and expectations among Republicans, Democrats, and Independents often move in parallel. For instance, sentiment among all three groups simultaneously reached a low point around June 2022, before recovering slightly as the 2024 election approached. This alignment across political groups, despite differing baseline optimism, indicates shared responses to economic realities like inflation and employment rates.

Inflation expectations provide another critical example.

Throughout recent presidencies, independent voters' expectations generally aligned with the party out of power, especially during notable economic shifts. Republicans, for instance, expressed sharper short-term inflation fears during Biden's term, paralleling rising inflation rates in 2021-2022. Conversely, as inflation moderated in 2023, Democrats demonstrated a quicker recovery in expectations. These parallel but level-differing movements reveal a complex interplay between objective economic conditions and subjective partisan perspectives.

Crucially, the 2025 presidential transition highlighted similar patterns: economic expectations and sentiment declined across all political groups. Rather than being a partisan reaction against the newly inaugurated Republican administration, these shifts were broad-based, further supported by independent voters who again closely mirrored national sentiment. Early 2025 also saw rising inflation expectations across the political spectrum, reflecting genuine economic challenges rather than mere partisan dissatisfaction.

This robust evidence underscores a vital distinction: partisanship significantly shapes individual economic optimism or pessimism, but does not invalidate broader economic metrics. The subjective experience of the economy, whether it feels "good" or "bad", is heavily colored by political affiliation, particularly who occupies the presidency. Yet, the underlying economic trends affecting all Americans, regardless of their political stripe, remain clearly discernible and meaningful.

Understanding this distinction is particularly relevant in Michigan, where local economic indicators may either reinforce or moderate these national partisan influences. Businesses, policymakers, and individuals benefit from recognizing these dynamics, looking beyond the immediate partisan lens to focus on enduring economic realities.

Ultimately, while partisanship undeniably shapes perceptions, it does not obscure objective economic realities. Recognizing this allows for a more nuanced interpretation of economic data, encouraging informed decision-making that transcends partisan divisions. By emphasizing shared economic experiences rather than partisan differences, stakeholders can better address the genuine economic concerns impacting communities nationwide.

The shock of the trade war has yet to fully ripple through the economy, but the storm clouds are gathering fast. Chinese tariffs have surged to an unsustainable 145%. DOGE's federal employee cuts signal growing strain, and the prospect of some empty shelves in the weeks ahead threatens the steady growth and stability enjoyed in the last decade. How this plays out long-term remains uncertain.

Yet for now, key indicators suggest resilience. The April unemployment report shows hiring remains steady, with manufacturing hiring holding firm for the time being. Still, cracks are more visible in Michigan, where the pain is sharper than in much of the country. The tariffs have landed especially hard on the auto industry and its parts suppliers, putting pressure on a sector already fighting thin margins global competition and a whipsaw pivot from EV mandates.

Amid these headwinds, there are glimmers of optimism. Watching state and federal administrations work together to ease the burden on auto manufacturers offers some reassurance. Coordinated support during a period of intense pressure is not only helpful, but a welcome sight in uncertain times.

If tariffs ease or interest rates are cut, demand could come roaring back. Manufacturers who plan for this possibility will be in the strongest position to capitalize. Pre-tariff shipment orders and temporary workforces have become essential tools to remain nimble and responsive.

Stay alert. Stay informed. Above all, be ready. When the gates open, those prepared to strike will seize the moment — and the market.

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