

Forecasting the future: How shifting policies are reshaping growth in the US and Arizona

Experts from PNC Bank, ASU and the Federal Reserve discuss inflation, workforce trends and innovation at economic outlook event

By Molly Loonam, ASU News
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This year, the nation has faced the effects of a government shutdown, widespread inflation and rapidly changing trade and immigration policies. Economists addressed these uncertainties and their impact on the Valley and U.S. economy last week during the 62nd annual Economic Forecast Luncheon, sponsored by ASU's W. P. Carey School of Business and PNC Bank.

"When I look at the economy at the end of 2025, it looks pretty solid," said [Augustine Faucher](#), chief economist at PNC Bank. "We've been through a lot over the past year, but people are generally feeling good about the way things are going."

Faucher was unable to comment on the Bureau of Labor Statistics' most recent employment data due to the government shutdown, but noted that the nation has experienced weaker job growth this year, possibly due to slower growth in the labor force, increased deportations and slower labor demand. Americans have also seen increased prices on imported goods due to tariffs reaching rates of up to eight times higher than in 2024.

"To some extent, businesses have tried to hold the line on price increases and not pass along their higher tariff costs to consumers, but we are seeing more and more businesses passing their tariff costs along to consumers, and that does raise concerns about inflation," Faucher said.

The global economy is also at risk of a recession, making the U.S. economy more vulnerable to other shocks.

However, Faucher said the labor market is "in good shape," with the U.S. economy approximately 13% larger than it was before the pandemic. According to the [PNC small business survey](#), while

small business owners are concerned about inflation caused by higher tariffs, they ultimately remain optimistic about the state of the nation's economy.

"Our forecast is for weaker GDP growth in late 2025 and 2026 ... but no outright recession in the U.S. economy. Not a contraction in U.S. economic activity," Faucher said.

The luncheon, which is Arizona's longest-running economic forecast event, included opening remarks from [Ohad Kadan](#), Charles J. Robel Dean and W. P. Carey Distinguished Chair in Business, and [Kyle Steinbuch](#), regional president and head of corporate banking at PNC Bank.

Following Faucher's presentation on the U.S. economic outlook, [Dennis Hoffman](#), director of the Office of the University Economist and Center for Competitiveness and Prosperity Research, discussed the outlook for Arizona metro economies, and [Kartik Athreya](#), director of research and head of the Research and Statistics Group at the Federal Reserve Bank of New York, delivered the keynote address.

Hoffman touched on job growth in Arizona — the state fell from 10th to 47th in the nation this year — and addressed the “no fire, no hire” trend that has led to a decline in job growth without a significant increase in unemployment, except for the health care and social assistance sectors, which are growing rapidly. Migration in and out of Arizona has also slowed, possibly due to increased home prices and extreme heat and water issues that have attracted national attention.

But there are still reasons for optimism: Arizona's business taxes, costs and labor structure are competitive. The state also has a quality workforce, is evolving into a hub for technology and regional distribution, and is among the leading states for domestic in-migration, according to Hoffman.

"There are reasons to be cautious, reasons to be optimistic... Uncertainty is a caution. That's the theme: What could go wrong?" Hoffman said. "Every one of our public utilities says capacity has to expand. We've unmet demands, and those going forward are remarkable. So, how will this work? What's it going to look like? Who is going to pay for it?"

Those questions are to be determined, Hoffman said.

Athreya echoed Faucher and Hoffman's observations on the labor market and job growth before delving into meta-policy — the policy by which the government formulates economic policies — and unpacking the major policy changes of the past year. Uncertainty surrounding immigration policies has significantly impacted labor and job creation.

While referencing one of Faucher's presentation slides, Athreya described rapidly changing tariff policies as novel and unprecedented. The more novel the change, the more difficult it is to predict economic outcomes.

"More generally, these policy shifts are heavily distributional," Athreya said. "In some sense, it's really an attempt to move who gains and loses in world trade ... not an attempt to do things as plainly. It's definitely about making sure that certain industries, and so on, get different treatment than before."

Athreya weighed in on how the integration of artificial intelligence brings up questions around information flow, power and water use, implications for evolving policy related to AI risk, and how it

might impact the labor market by slowing hiring as organizations implement AI into some tasks and upskill current workers.

While there is significant uncertainty surrounding widespread implementation of AI and its impact on jobs, Athreya reminded the audience that historically, even when humanity has faced new technologies that have revolutionized how we live and work — from the printing press to electricity to the computer and the smartphone — there have been no mass unemployment periods, and those whose jobs were made obsolete found new roles in the economy.

"It's not because people have checked out wholesale from the labor force. ... People have been participating in high rates in the labor force, and we've absorbed massive amounts of technology," Athreya said. "Life is incredibly better than it used to be 100 years ago, because of these enormous shifts in technology."

Athreya categorized today's economic climate as a time of meta-policy uncertainty.

"Trade and immigration, AI is advancing... We really need to think about (if) meta-policy change is well suited for us in a time of this broader disruption," he said.

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Main image



Kartik Athreya, director of research and head of the Research and Statistics Group at the Federal Reserve Bank of New York, presented the keynote address at the 62nd annual Economic Forecast Luncheon. Photo by Charlie Leight/ASU News

Text image(s)



Dennis Hoffman, director of the Office of the University Economist and Center for Competitiveness and Prosperity Research, presented the outlook for Arizona metro economies. Photo by Charlie Leight/ASU News