

Our ‘Goldilocks’ Economy & What’s Coming Next: An Update with Nasdaq

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A recession averted, inflation rates stabilizing, and low unemployment—all indicators suggest the economy is in solid shape. But there are threats on the horizon. With the highly charged election behind us and a new administration set to take office in 2025, businesses are shifting their focus to emerging concerns. Topics like tariffs, taxes, and the potential impact of upcoming policy changes on the economy and business landscape are now top of mind.

On December 3, 2024, Woodruff Sawyer hosted its fourth annual State of the Economy and Capital Markets webinar. We were once again joined by Nasdaq’s Chief Economist, Phil Mackintosh, and Nasdaq’s Head of Listings, Western Region, Jack Cassel. They provided a useful look back into 2024 and shared key predictions for the economy and markets in 2025.

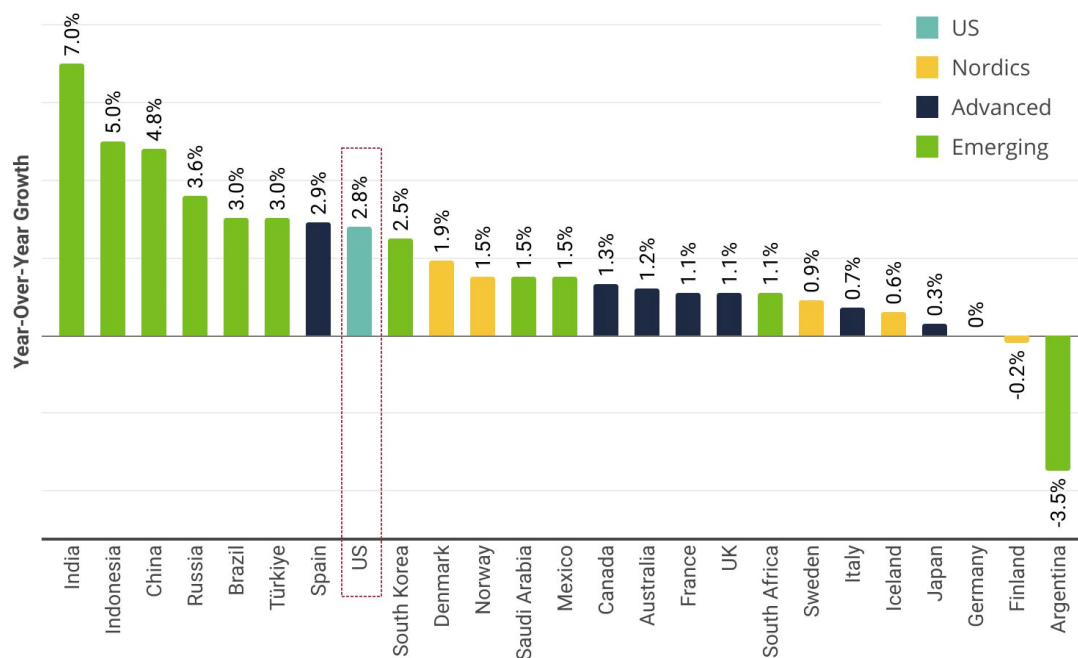
View the [full webinar here](#).

‘Just Right’: We’re in an Economic Sweet Spot

The economy is experiencing a “Goldilocks” moment, where conditions are just right, according to Mackintosh. Inflation is nearing the 2% target, and unemployment remains low. Perhaps against all odds, we’ve successfully avoided a recession.

While inflation has significantly slowed, the public remains largely unimpressed. Perhaps this is unsurprising given that the public tends to focus—understandably so—on current price levels rather than the rate of change. As it happens, however, certain goods, such as energy and used cars, have experienced recent deflation.

2024 Real GDP Growth Estimates



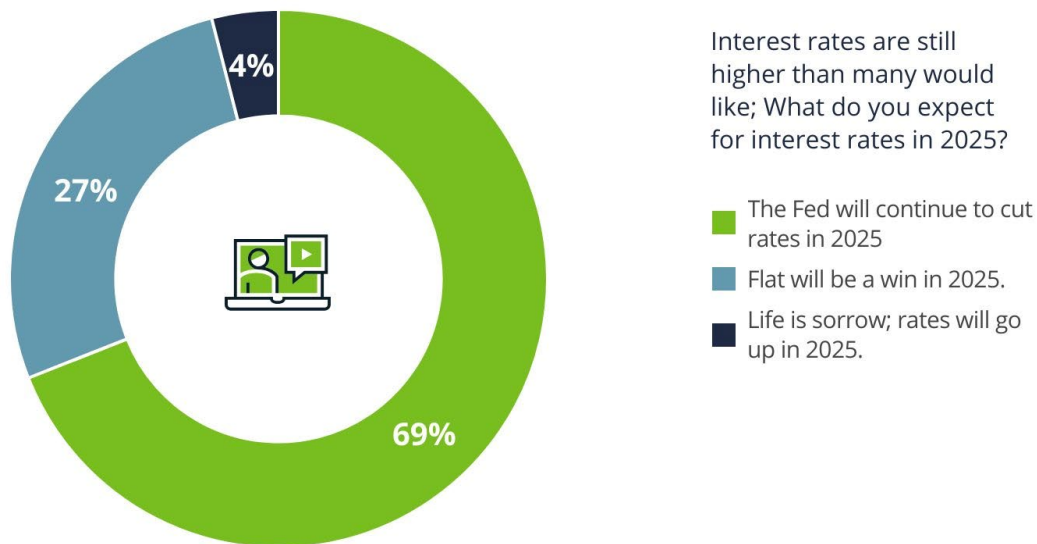
The unemployment rate has started to rise slightly, but it remains historically low. Finally, the US has experienced robust GDP growth. It's true that the manufacturing sector has been sluggish, but the US avoided a recession due to the strength of our large service sector.

Interest Rates Should Come Down

Macintosh believes that interest rates will continue to come down in the next 12 months, which will benefit companies and anyone seeking to borrow money.

Before the webinar, we polled attendees about their outlook on the economy. They too anticipate lower interest rates in 2025 (see graph below).

What Webinar Attendees Said



Source: Woodruff Sawyer/Nasdaq State of the Economy Webinar Poll



What to Expect with the New Administration

We haven't had a non-sequential presidential re-election since Grover Cleveland in 1892. One benefit, of course, is that the first Trump presidency likely offers some clues about how his policies might shape the economy in 2025. Overall, his approach is expected to be "more inflationary than deflationary" and could result in net positive GDP growth.

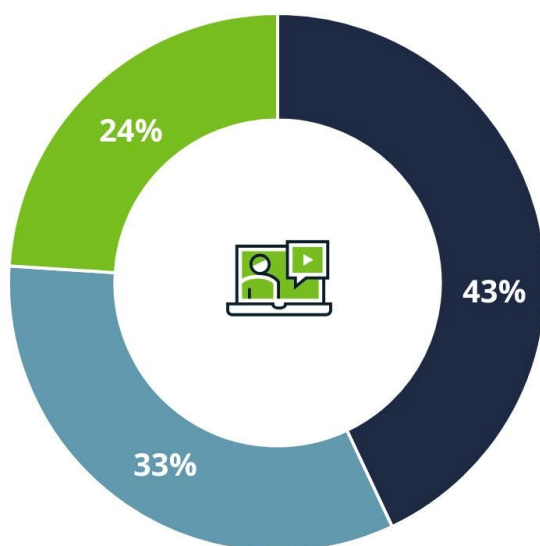
In the economy-slowng category, consider Trump's announced plans to increase tariffs, something that typically leads to higher prices on goods, retaliatory tariffs from targeted countries, and supply chain adjustments by businesses aiming to mitigate the impact. All of this will likely reduce trade, which could slow the economy.

Also in the economy-slowng category are proposed changes in immigration policy, including plans for deportations, which could result in worker shortages. This action would potentially limit the available workforce, reducing productivity.

However, tax cuts are expected to stimulate both consumer and corporate spending, contributing to net GDP growth. Looser regulations may also boost mergers and acquisitions (M&A) activity. This, combined with lower interest rates, could drive an increase in M&A deals.

Webinar attendees were divided in their outlook on how the incoming Trump administration will impact the economy, though more attendees had a positive outlook than not.

What Webinar Attendees Said



What will be the impact of the recent election on the economy?

- New administration, new policies: all great news for the economy for the next 4 years!
- Nothing much will change.
- New administration, new policies: the economy is going to crash within the next 4 years.

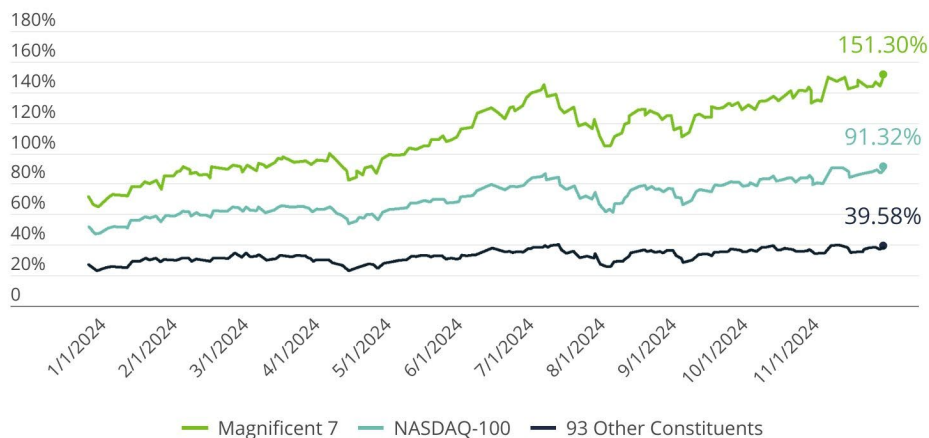
Source: Woodruff Sawyer/Nasdaq State of the Economy Webinar Poll



Stocks Are Up—Especially with AI Companies

Stock earnings in 2024 have been strong—and most of the gains have come from companies working in artificial intelligence (AI). The “Magnificent 7”—Nvidia, Microsoft, Google, Amazon, Meta, Tesla, and Apple—outperformed other stocks.

“Magnificent 7” Performance YTD



Magnificent 7:



Source: FactSet as of 11.12.2024



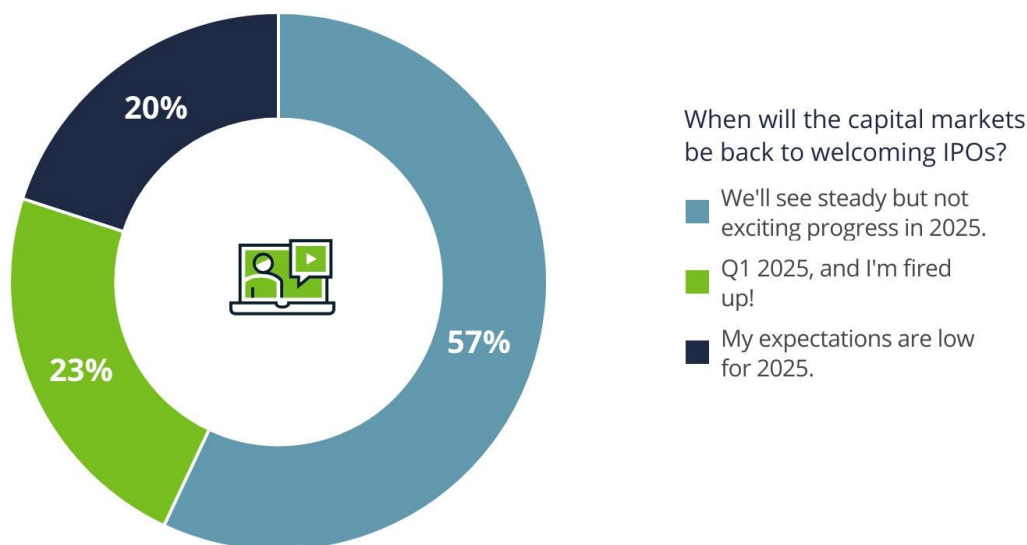
IPO Activity Is Trending Up

A constructive stock market is good news for IPOs. The IPO market started to “heal” in 2024, and activity continues to trend upward. The market should remain supportive of IPOs into 2025.

It's worth noting that, unlike in previous years, investors are no longer focused solely on growth at any cost. Instead, they are prioritizing growth coupled with cash efficiency and a clear path to profitability.

In contrast to the experts from Nasdaq, however, webinar attendees were less optimistic about IPO prospects, with fewer than a quarter expressing excitement about Q1 2025.

What Webinar Attendees Said



Source: Woodruff Sawyer/Nasdaq State of the Economy Webinar Poll



The Economy and Your Insurance Premiums

The State of the Economy and Capital Markets webinar is a terrific briefing on what we are likely to experience from the economy in 2025.

If you're interested in how insurance premiums may change next year, check out our [2025 D&O Looking Ahead Guide](#) and our [2025 P&C Looking Ahead Guide](#) for more information. Both guides include actionable information for you to consider as you gear up for your 2025 insurance renewals.

For more information on what to expect from the economy in 2025, [watch the full recorded webinar](#).