



CIO maintains a preference for high-quality fixed income to provide durable income and diversification amid ongoing volatility. (UBS)

US economic activity slows amid tariff concerns

5 June 2025, 17:17 UTC, written by US Editorial Team UBS Editorial Team

According to the latest Federal Reserve Beige Book, economic activity edged down slightly across the US in recent weeks. All 12 districts reported elevated economic and policy uncertainty, with businesses and households showing growing hesitation around spending and hiring decisions.

Tariffs remain a key source of concern—mentioned 122 times in the report—up from 107 in the prior edition—as President Trump continues to expand import levies, including doubling tariffs on steel and aluminum this week. While price growth was described as moderate overall, many contacts across districts now expect costs and prices to rise more quickly, with several forecasting “significant” increases. Some companies planning to pass on tariff-related costs to consumers expect to do so within three months, while others are considering temporary fees or reduced profit margins to offset rising input costs. Additionally, labor demand softened, with most districts reporting flat employment and modest wage growth.

Our view: While the report shows only a slight pullback in activity for now, the tone has become more cautious, with uncertainty around trade policy weighing on investment and hiring. We believe the inflationary effects of tariffs will become more apparent over the coming months as inventories unwind and firms begin passing higher input costs to consumers. But despite elevated risks to growth, recent economic data has been solid—inflation has been moderating and the labor market remains resilient.

Investor attention will likely turn to Friday’s May jobs report for further insights into the health of the labor market.

Against this backdrop, we expect US economic growth to slow to around 1.5% in 2025, down from 2.8% in 2024. Fed rate cuts likely later this year could help support economic stability. We maintain a preference for high-quality fixed income to provide durable income and diversification amid ongoing volatility.

Original report - [Put cash to work amid lower returns, 5 June 2025.](#)

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