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Debt, Tariffs, and Tax Cuts

Please refer to important disclosures on pages 15 and 16. Analyst certification is on page 15.

One of the many drawbacks of the regime shift from monetary policy dominance to fiscal policy dominance is that we now have to listen to what our politicians are saying. In a world dominated by monetary policy, financial market participants hang on every word and parse every sentence uttered by the central bankers. While statements by fiscal policymakers still mattered during this past regime, they tended to matter far less than what the Fed had to say.

In today's fiscal policy economy, central bankers are being forced to take their cues from fiscal policymakers—what the fiscal policymakers say is suddenly a lot more important and has taken precedence over any monetary policymaker statement. A recent example of this would be the attention given by the market to President Trump's use of the word "flexibility" this past week when discussing his approach to tariffs, as well as any other hints that he might be less strict on their imposition—particularly with the April 2 "Liberation Day" fast approaching.

In this *Economics Weekly,* we again examine the tariff question, but home in on how it relates to the market's next major hurdle, which is extending the 2017 tax cuts, and the ultimate goal of all these changes, which is to bring down debt and restore confidence in U.S. public finances.

Negotiating Tool or Revenue Raiser?

Whether as a concession to financial markets or to growing concerns about the state of the U.S. economy, this week President Trump tentatively scaled back his rhetoric on the severity of the upcoming tariff announcement.

Tariffs are no longer expected to be perfectly reciprocal across all countries, in the sense that they exactly match what the administration's investigation has deemed to be a foreign country's tariff and, importantly, non-tariff barriers. The president has instead discussed allowing some exemptions—"I may give a lot of countries breaks," and "I'll probably be more lenient than reciprocal, because if I was reciprocal, that would be very tough for people."

The president had also suggested that reciprocal tariffs might replace any sector- or industry-specific tariffs, though this seems to exempt the auto industry—and perhaps soon also pharmaceuticals and lumber—where all foreign autos will be tariffed an additional 25% on top of any existing or future tariffs.

If the leaked text messages from Signal offer any clues on tariffs, it is that there is heavy contempt for Europe; and from that perspective, Europe should not expect too many tariff concessions. As it stands, the president has threatened 25% tariffs on all EU goods. This would impact roughly $606 billion in EU goods exports to the U.S., which could result in a sharp drop in EU exports. The president has also threatened an additional 25% tariffs on any country that imports energy products from Venezuela. This would pose a significant problem for the top importers of Venezuelan oil, which are China, India, and Spain—as well as the U.S.

If the president does indeed decide to (mostly) abandon industry-specific tariffs, this could be viewed as a sign that he prefers to use tariffs more as a negotiating tool than a revenue raiser. Bilateral country-specific reciprocal tariffs suggest a degree of flexibility and the ability to reduce or remove tariffs for countries that are deemed to comply with U.S. demands for lower tariffs on their goods. Tariffs as a negotiation tool are by definition not permanent.

There is still some ambiguity here, however, as the *Financial Times* this week quoted an unnamed White House official saying that they are counting on the revenues from tariffs to fund the tax cuts:

> *The revenues we're going to use to give the largest tax cut in American history. Tariffs equal tax cuts.*

Furthermore, when asked what countries could do to have the auto tariffs lifted, the president responded that there was nothing they could do:

> *This is permanent, 100 per cent.*

The issue here, of course, is that tariffs as a negotiating tool are very different from tariffs as a revenue raiser. If tariffs are not going to be permanent, if they come down when countries meet Trump's requirements, then the revenue from those tariffs cannot be used as the major offset for extending the 2017 tax cuts. And just how those tax cuts are going to be extended is a looming issue for the market.

Tariffs Equal Tax Cuts? Extending the TCJA

The 2017 Tax Cuts and Jobs Act (TCJA) included tax cuts for individuals and the corporate sector. The main provisions for individuals, which are due to expire at the end of this year, included: the top rate of income tax being reduced from 39.6% to 37%; the standard deduction doubling from $6,350 to $12,000 for individuals and from $12,700 to $24,000 for married couples; the child tax credit doubling to $2,000; and the estate tax exemption doubling to $11.2 million. These would all be reversed should the cuts not be extended.

For the corporate sector, there is less risk, as the cut in the corporate tax rate from 35% to 21% was permanent and does not expire, though a talked about further cut to 15% looks like a tall order.

Corporate provisions that do expire include the bonus depreciation (which has already been gradually wound down), the global intangible low-taxed income (GILTI) tax rate, which had increased from 10.5% to 13.125% (a tax on multinational foreign earnings); and the tax deduction on foreign-derived intangible income (FDII), where companies were allowed a 37.5% deduction, which would shrink to 21.875% and raise the effective tax rate to 16.406%.

Back in 2017, it was estimated that the TCJA would reduce federal revenue by $1.5 trillion over 10 years (2018-2027). Today, the CBO estimates that it will cost $4.6 trillion over 10 years (2025-2034) to extend the TCJA.

Meanwhile, the Tax Foundation estimates that 10% tariffs imposed across the board on all countries would raise $2 trillion, and 20% across-the-board tariffs would raise $3.3 trillion. Both of these estimates, however, are not dynamic and do not factor in the reduction in import demand, the reduction in GDP growth from the tax increase on domestic consumers, and the retaliatory impacts from foreign economies.

Using a general equilibrium model and dynamic scoring, the Tax Foundation also estimates that 20% across-the-board tariffs would barely be enough to offset the revenue loss of the individual tax cuts, let alone the rest. And, given that 20% across-the-board tariffs are already unlikely, coming up with the revenues to fund the $5 trillion to extend the TCJA is becoming a looming dilemma for the Trump administration and will start to become more of a concern for bond and equity market investors once they get over the tariff hurdle.

This concern may already have started to become evident this week, given the jump in 10-year T-note yields from 4.25% to 4.375% following President Trump's announcement of more flexibility on tariffs. While part of that will be related to inflation fears around tariffs, the increase also likely reflects concerns about how the large and growing debt burden will be funded.

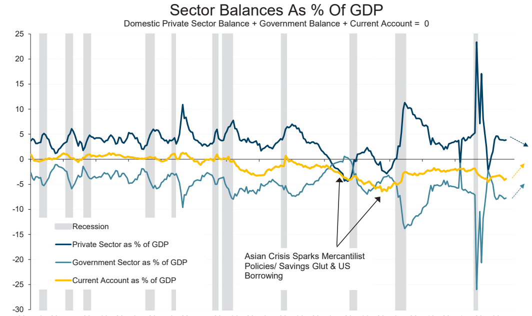
Bringing Down Debt

Deleveraging the Balance Sheet

Treasury Secretary Scott Bessent has made it very clear that one of his main goals in office is to deleverage the public sector's balance sheet and force the private sector to releverage. This is the opposite of what happened following the global financial crisis, when to save the financial system, the government took on the private sectors' debt (exhibit 1).

Exhibit 1

Sector Balances As % Of GDP



Source: Federal Reserve, William Blair Equity Research

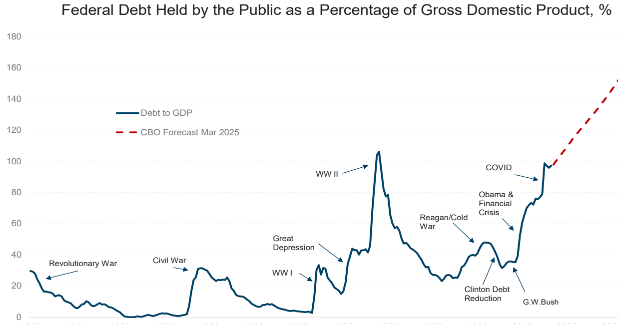
There are only so many ways that a government can achieve this debt swap and reduction in federal debt relative to GDP. These include: austerity, growth, default, asset sales, financial repression, and inflation.

Austerity—Tax Increases or Spending Cuts

Treasury Secretary Bessent has stated that there is not a revenue problem, there is a spending problem in the United States. Hence, for this administration, one key way to lower the unsustainable trajectory of U.S. debt to GDP (exhibit 2) is to cut spending.

Exhibit 2

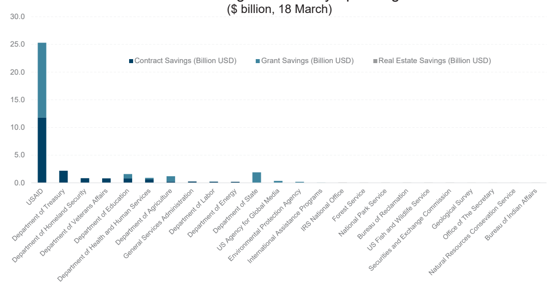
Federal Debt Held by the Public as a Percentage of Gross Domestic Product, %



Sources: Congressional Budget Office, William Blair Equity Research

The DOGE is being viewed as a key source for those spending reductions; however, so far, the efficiencies being reaped do not seem to add up to the rhetoric. Data from the DOGE show that the vast majority of these cuts have so far come from USAID, with very little from elsewhere (exhibit 3). Meanwhile, the reported cuts amounting to $130 billion do not fully tally with the individually reported cuts that are also reported on the DOGE website.

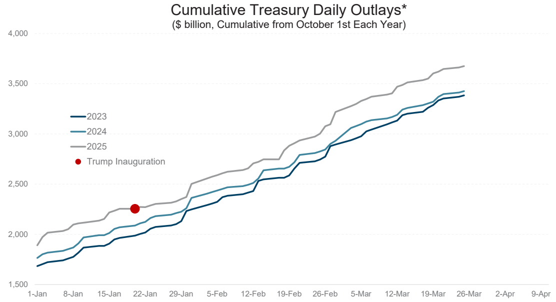
Exhibit 3
Areas of Cost Savings Across Key Spending Sectors
($ billion, 18 March)



Sources: Department Of Government Efficiency (DOGE); William Blair Equity Research

Furthermore, data on U.S. daily outlays presented in the Treasury Department's daily statement show that government outlays are running at an average rate of $29 billion per day, which is notably higher than the $27 billion per day in each of the previous two years. The cumulative increase in outlays from October 1 (the start of the fiscal year) are therefore above where spending was in either of the previous two years (exhibit 4).

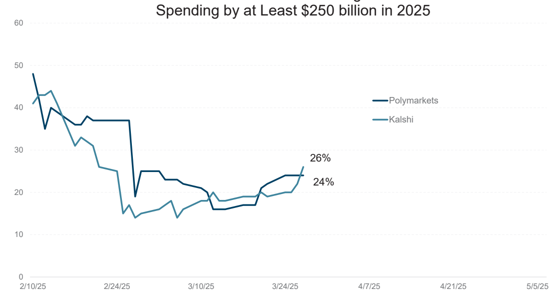
Exhibit 4
Cumulative Treasury Daily Outlays*
($ billion, Cumulative from October 1st Each Year)



*Operating cash withdrawls, minus public debt redemptions
Sources: US Treasury, The Economist, William Blair Equity Research

We can also turn to the prediction markets, which are now open to betting on the probability that Elon Musk will be able to cut federal spending in 2025. Currently the odds of him being able to cut at least $250 billion this year are just 24% (Polymarkets) or 26% (Kalshi, exhibit 5).

Exhibit 5
Prediction Markets Odds on Elon Musk Being Able to Cut Government Spending by at Least $250 billion in 2025



Sources: Bloomberg, William Blair Equity Research

The reality is that the DOGE is only able to tackle discretionary spending, where the General Accounting Office estimates the TAM is somewhere between $233 billion and $521 billion in fraud per year. Unless there are major cuts to entitlement spending—i.e., Social Security and healthcare, areas that the president has promised not to touch—it will be very difficult to achieve the $2 trillion sought in cuts by the middle of next year.

Tariffs, as discussed above, are one other form of austerity. These are tax increases that help draw in more revenues. Though again, these can only be relied on if they are not just being used as a negotiating tool, and even then the amount of revenue they actually raise is questionable.

Grow Your Way Out

Easily the best option for any government is to grow their way out of the debt problem. That is to increase the growth rate of the denominator (nominal GDP growth) above the growth rate of the debt for a sustained period. Unfortunately, this is also the hardest to achieve, particularly in the face of slowing labor force growth due to adverse demographics.

There is some room for optimism with regard to growth in the capital stock. The corporate sector increasingly needs to invest more in capital (plant, equipment, and machinery) in order to offset slower labor force growth and raise productivity. It has the ability to do this and increasingly also the willingness (or forced willingness).

The Trump administration hopes that deregulation will also provide a significant lift here, in addition to lower interest rates and cheaper energy. Nevertheless, the scale of the growth we can expect to be generated still looks unlikely to be enough on its own to make any serious dent in the debt burden.

Default

As modern monetary theory supporters like to remind us, the U.S. can never involuntarily default on its debt, given that all U.S. debt is in dollars that can be printed to pay off creditors. However, there are other ways of defaulting.

The much-talked-about Mar-a-Lago accord, proposed by Council of Economic Advisors Chair Stephen Miran, suggests that one possible avenue is pressuring or "encouraging" U.S. Treasury holders to swap those bonds for 50- or 100-year Treasury ultra-long bonds with zero-interest payments. In exchange, those investors would receive greater access to U.S. markets, while also potentially putting them under the umbrella of defense protection from the U.S.

Yet, to the extent that investors were coerced into extending the duration and accepting a zero interest rate on that new debt, this would be considered a debt restructuring, and therefore effectively a type of default on the previous bond contract. It also just pushes the problem further out into the future.

It is also possible for the government to default on the social contract. This is the unwritten contract between the government and its people to provide certain services in exchange for tax payments that these workers have made previously. The most obvious form of a default here would be to once again increase the age of pensionable retirement or a cutback on any other kinds of benefits to citizens.

Sell Assets

Just like Greece attempted to do during the European financial crisis, a country with debt issues could attempt to sell assets to pay off its debt. Normally, these are one-off events and not usually sustainable forms of debt repayment. However, one form could include the U.S. allowing more energy production on federal land or indeed leasing or selling off federal land for homebuilding.

Financial Repression

Another relatively easy choice for governments to make would be to head down the road of financial repression. This effectively amounts to forcing government entities to fund the government; that is, force entities to purchase government debt with funds that would have gone elsewhere. This might be as direct as forcing all government pension funds to hold more government debt by raising the capital adequacy rules. It might also include capping interest rates and/or forcing the central bank to keep interest rates lower than the rate of inflation. More recent examples of this were when the governments of Greece, Ireland, Portugal, and the U.K. forced their private domestic banks to increase their holdings of public sector debt during the European debt crisis.

The U.S. government in 1933 also issued the Gold Confiscation Order, which forced individuals to turn in their gold to the Federal Reserve and be paid out in dollars, which were then eroded with inflation.

Inflation

One of the most tempting tricks for any government with control of its own monetary policy is to use the "silent thief" of inflation to pick the public sector's pockets and reduce the real value of the debt.

The key here is that inflation is only useful in reducing the debt burden as long as financial market participants do not cotton on to what's happening. Otherwise, interest rates will also start to rise in anticipation of that inflation, raising interest costs and offsetting any benefit to debt reduction.

So What's the Solution?

Ultimately, the government will opt for a mix of all of these strategies. The great post-war government sector debt de-leveraging from 1950 to 1979 occurred via a mix of increased growth rates following the war, a sudden spike of inflation, capping T-bill rates at 0.375% until 1951, introducing capital controls, raising taxes, and trying to maintain budget surpluses for a number of years. This was, of course, also helped by the postwar baby boom.

President Clinton made debt reduction a priority, but was also helped by a booming economy and capital gains taxes.

Canada managed to cut its debt in the 1990s with a series of very painful spending cuts under finance minister Paul Martin; these amounted to an over 20% reduction in spending in three years. In contrast on tariffs, Canada also lowered tariff barriers when it entered the NAFTA in 1994, which created a major lift to economic growth. It also managed to run a series of budget surpluses. Ultimately, it was able to reduce its debt from 69% of GDP in 1995 to around 29% by 2008.

Conclusion

Financial market participants still have tariffs firmly in their line of sight, which is unsurprising with “Liberation Day” fast approaching. However, once some of the noise around those starts to dissipate, two difficult questions pop back up as the new market concern: first, how to pay for an estimated $5 trillion in tax cuts extensions, and second, how to reduce the unsustainable debt burden the U.S. is facing.

The Trump administration has not been clear on how it expects to pay for these extensions, let alone reduce the debt.

Some in the administration see tariffs as the main source of revenue to fund the extension; however, others see tariffs as simply a negotiating tool to extract foreign policy changes. The reality is that they cannot be both. If they are a negotiating tool, they cannot be used as a longer-term revenue raiser to pay for tax reductions. It is also the case that dynamic scoring suggests that even under a very aggressive tariff regime of 20% tariffs on all countries, these taxes would still only raise a small amount of revenue once the impact from inflation and lower GDP growth were taken into account.

In the past governments have relied on six main avenues for debt reduction: austerity, growth, default, selling assets, financial repression, and inflation. The Trump administration has begun with austerity first (via the DOGE and tariffs), and is also attempting to accelerate growth through deregulation and potential tax cuts. However, much more will need to be done, including tackling entitlements (a default on the social contract), and likely some forms of financial repression (a sovereign wealth fund to buy government assets?). Finally, the shift in the inflation regime from a demand-driven regime to a supply-shock regime suggests the unexpected bouts of inflation could also play a significant role.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
1 Apr	10:00 a.m.	JOLTS (Feb)	7740K	7780K	NA	
1 Apr	10:00 a.m.	ISM Manufacturing (Mar)	50.3	49.8	50.0	
2 Apr	10:00 a.m.	Factory Orders (Feb)	1.7%	0.5%	0.1%	
3 Apr	8:30 a.m.	Trade Balance (Feb)	-$131.4bn	-$110.0bn	-$120.0bn	
3 Apr	10:00 a.m.	ISM Services Index (Mar)	53.5	53.2	53.1	
4 Apr	8:30 a.m.	Nonfarm Payrolls (Mar)	151K	135K	120K	
		Average Hourly Earnings	0.3%	0.3%	0.3%	
		Unemployment Rate	4.1%	4.1%	4.1%	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: Nonfarm Payrolls

Nonfarm Payrolls by Industry (Change from previous month, '000s)

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Total	**119**	**222**	**246**	**118**	**193**	**87**	**88**	**71**	**240**	**44**	**261**	**307**	**143**
Mining & Logging	-5	1	4	-7	-6	-1	0	-1	2	-1	2	-3	-7
Construction	14	23	34	3	15	15	11	23	30	1	6	13	4
Manufacturing	1	-13	-15	9	2	-10	1	-40	0	-50	20	-12	3
Wholesale Trade	-9	-7	9	7	-5	4	8	4	7	6	5	13	2
Retail Trade	-23	9	15	0	13	-21	-15	-13	14	-7	-14	36	34
Transportation & Warehousing	-4	30	12	18	10	8	0	2	7	-9	28	22	1
Utilities	2	4	-1	0	2	1	0	1	3	-1	0	-1	0
Information	4	-3	-4	-7	1	0	-17	-7	0	-7	5	16	2
Finance & Insurance	-7	-9	-2	3	8	9	-3	0	2	-2	14	13	3
Real Estate	-4	-1	0	-4	-1	-1	-1	6	2	5	2	6	4
Professional & Business Svcs.	3	-6	-24	8	11	-17	-16	-32	-16	-34	37	31	-11
Education Svcs.	19	7	5	11	-1	5	0	11	20	4	-6	1	-4
Health Care Svcs.	80	89	82	84	79	72	62	54	79	84	79	81	66
Leisure & Hospitality	-8	15	37	-4	23	-8	9	26	51	9	54	49	-3
Government	46	71	77	-11	33	21	48	38	32	45	17	34	32

Sources: Bureau of Labor Statistics, William Blair Equity Research

Economic Scorecard

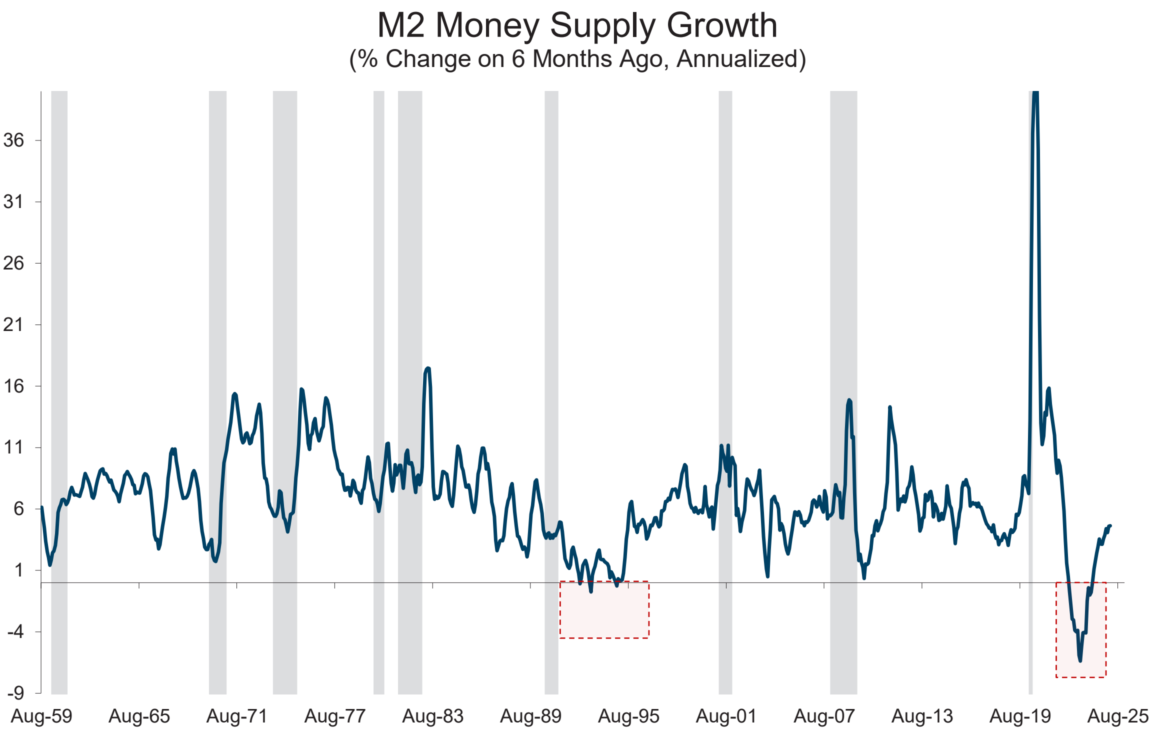
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Growth																			
US Leading Indicators	-7.7	-8.0	-7.5	-6.8	-7.0	-6.5	-5.5	-5.4	-5.0	-4.5	-4.7	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.1	
US Coincident Indicators	1.7	1.6	2.2	2.4	1.6	2.0	2.1	1.7	1.9	2.1	1.7	1.7	1.6	1.6	1.4	1.7	2.0	1.9	
US Lagging Indicators	1.0	1.3	1.3	0.3	1.2	1.2	1.2	1.4	1.2	1.1	1.0	0.8	0.3	0.1	0.0	0.1	-0.3	0.0	
Consumer																			
Total Retail Sales	4.3	2.6	3.5	5	0	2.1	3.6	2.8	2.6	2	2.9	2	2	3	4	4.4	3.9	3.1	
Personal Income	5.4	5	5.2	5.2	6	5.9	5.9	5.7	5.5	5.4	5.3	5	4.8	5.2	5.1	5.1	4.6		
Real Disposable Personal Income	4.5	4.4	4.8	4.7	3.7	3.3	3.1	2.8	2.8	2.7	2.6	2.4	2.4	2.5	2.3	2.2	1.8		
Real Personal Consumption	2.3	2.3	3.1	3.6	1.9	2.1	2.7	2.4	2.8	2.9	2.9	2.9	3.2	3.2	3.2	3.1	3		
Personal Saving Rate (%)	4.4	4.5	4.6	4.4	5.5	5.4	5.2	5.1	4.9	4.8	4.3	4.2	3.8	4	3.8	3.5	4.6		
Consumer Confidence (Conference Board)**	104.3	99.1	101	108	110.9	104.8	103.1	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	
Employment																			
Employment Growth	1.8	1.7	1.6	1.7	1.5	1.4	1.5	1.5	1.4	1.3	1.3	1.2	1.3	1.2	1.3	1.3	1.3	1.2	
ASA Temporary Staffing Index	-5.5	-7.5	-7.6	-5.5	-12.2	-9.4	-8.2	-9.3	-10.2	-9.9	-12.5	-12.2	-12.0	-9.5	-6.6	-21.0	-8.2	-7.5	
ISM Employment Index Manufacturing*	51.7	47.3	46.2	47.6	47.2	46.1	47.5	48.2	50.4	48.4	43.6	45.8	44.6	44.8	48.1	45.4	50.3	47.6	
ISM Employment Index Services*	52.4	49.8	50.1	43.7	50.2	48	48.5	46.6	47.5	46.7	51	49.6	48.2	52.2	50.9	51.3	52.3	53.9	
Unemployment Rate, %	3.8	3.9	3.7	3.8	3.7	3.9	3.9	3.9	4	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4	4.1	
Average Hourly Earnings	4.4	4.2	4.1	4.1	4.3	4.2	4.2	4	4.1	3.9	3.6	4	3.9	4.1	4.2	4	3.9	4	
Initial Jobless Claims (avg. wkly. chg. '000s)	217	210	218	205	210	211	216	210	222	237	237	230	225	236	219	222	218	227	
Jop Openings	-14.2	-18.5	-18.4	-21.1	-18.5	-14.2	-15.5	-23.7	-15.1	-19.4	-12.8	-17.6	-23.5	-10.9	-7.3	-12.5	-8.6	-8.3	
Layoff Announcements	58.2	8.8	-40.8	-20.2	-20	8.8	0.7	-3.3	-20.3	19.8	9.2	1	53.4	50.9	26.8	11.4	-39.5	103.2	
Housing Market																			
Housing Starts	-7.3	-5.2	6.3	17	1.1	10.1	-3.2	0.7	-16.9	-6.1	-14.3	5.7	-0.6	-1.5	-13.6	-2.7	-1.9	-2.9	
New Home Sales	24.8	16.6	2.5	3.5	3.9	2.9	6.1	7.1	-9.3	0.9	1	6	4.6	-7.4	10.6	9	0	5.1	
Existing Home Sales	-15.2	-13.1	-6.9	-5.6	-2.0	-3.4	-3.3	-2.6	-3.1	-5.1	-2.5	-3.7	-3.0	3.1	6.7	9.7	2.3	-1.2	
Median House Price (Existing Homes)	-1.9	-9.3	0.4	-2.2	5.4	-2.9	-0.6	-0.5	-1.6	-0.9	-1.6	-8	-1.2	2.1	-7.4	-0.3	-0.7	-1.5	
Existing Homes Inventory (Mths' supply)	3.2	3.4	3.5	3.5	3.5	3.3	3.5	3.5	3.5	3.8	3.7	3.9	4	3.9	3.8	3.7	3.9	3.8	
New Homes Inventory (Mths' supply)	7.5	7.9	8.8	8.2	8.3	8.7	8.2	7.6	8.4	8.4	7.9	8.2	7.8	9.2	8.6	8.2	9	8.9	
NAHB Homebuilder Sentiment*	44	40	34	37	44	48	51	51	45	43	41	39	41	43	46	46	47	42	39
Inflation																			
Consumer Price Index	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	3.3	3	2.9	2.5	2.4	2.6	2.7	2.9	3	2.8	
CPI Less-food & energy	4.1	4	4	3.9	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.1	
Producer Price Index	1.8	1.1	0.8	1.1	1	1.6	2	2.3	2.5	2.9	2.4	2.1	2.1	2.8	2.9	3.4	3.7	3.2	
PPI Less-food & energy	2.3	2.2	1.9	1.8	2	2.1	2.3	2.5	2.7	3.3	2.6	2.8	3.3	3.6	3.4	3.7	3.8	3.4	
PCE Price Index	3.4	3	2.7	2.7	2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	2.3	2.5	2.6	2.5		
PCE Prices Less-food & energy	3.7	3.4	3.2	3.0	3.1	2.9	3.0	2.9	2.7	2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.6		
Business Activity - US																			
Industrial Production	-0.2	-0.8	-0.2	0.8	-1.2	-0.1	-0.3	-0.8	0.0	0.9	-0.5	-0.1	-0.7	-0.3	-0.8	0.5	1.9	1.4	
New Cap Gds Orders less-aircraft & parts	0.5	0.8	1.4	0.8	-0.2	3.2	-0.9	2.8	-0.5	-2.2	2	-1.5	0.5	1.8	-0.4	2.9	2.1	-1.2	
Business Inventories	0.4	0.7	0.2	-0.1	0.2	0.2	0.7	0.6	1	1.6	2	2.5	2.5	2.1	2.3	2.6	1.9	2.3	
ISM Manufacturing PMI*	48.9	47.3	46.9	46.9	48.9	47.6	49.8	48.8	48.5	48.3	47	47.5	47.5	46.9	48.4	49.2	50.9	50.3	
Markit US Manufacturing PMI*	49.8	50	49.4	47.9	50.7	52.2	51.9	50	51.3	51.6	49.6	47.9	47.3	48.5	49.7	49.4	51.2	52.7	
ISM Services Index*	53.3	51.8	52.6	50.6	53.2	52.2	51.3	49.6	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54	52.8	53.5	
Markit US Services PMI*	50.1	50.6	50.8	51.4	52.5	52.3	51.7	51.3	54.8	55.3	55	55.7	55.2	55	56.1	56.8	52.9	51	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	39.6	40.8	42.6	43.3	45.5	42.5	41.9	42.5	45.4	43.5	43.2	42.4	40.6	43	43	42.5	45	46.5	
Japan Manufacturing PMI Jibun Bank*	48.5	48.7	48.3	47.9	48	47.2	48.2	49.6	50.4	50	49.1	49.8	49.7	49.2	49	49.6	48.7	49	
Caixin China Manufacturing PMI*	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	
China Manufacturing PMI*	50.2	49.5	49.4	49	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1	50.3	50.1	49.1	50.2	
UK Manufacturing PMI Markit/CIPS*	44.3	44.8	47.2	46.2	47	47.5	50.3	49.1	51.2	50.9	52.1	52.5	51.5	49.9	48	47	48.3	46.9	
France Manufacturing PMI Markit*	44.2	42.8	42.9	42.1	43.1	47.1	46.2	45.3	46.4	45.4	44	43.9	44.6	44.5	43.1	41.9	45	45.8	
Currencies* **																			
Euro (EUR/USD)	7.9	7.0	4.6	3.1	-0.4	2.2	-0.5	-3.2	1.5	-1.8	-1.6	1.9	5.3	2.9	-2.9	-6.2	-4.2	-4.0	
Renmimbi (USD/CNY)	2.6	0.2	0.6	2.9	6.1	3.6	5.1	4.7	1.9	0.2	1.2	-2.3	-3.8	-2.7	1.6	2.8	1.1	1.2	
Yen (USD/Yen)	3.2	2.0	7.3	7.6	12.9	10.1	13.9	15.8	12.9	11.5	5.4	0.4	-3.8	0.2	1.1	11.5	5.6	0.4	
Sterling (GBP/USD)	9.2	6.0	4.7	5.4	3.0	5.0	2.3	-0.6	2.4	-0.5	0.2	3.6	9.6	6.1	0.9	-1.7	-2.3	-0.4	
Canadian $ (USD/CAD)	-1.8	1.8	1.1	-2.3	1.0	-0.5	0.2	1.7	0.4	3.3	4.7	-0.1	-0.4	0.4	3.3	8.6	8.2	6.5	
Mexican Peso (USD/MXN)	-13.5	-8.9	-9.8	-13.0	-8.6	-6.8	-8.2	-4.8	-3.8	7.0	11.2	15.8	13.0	11.0	17.2	22.7	20.1	20.5	
US Equities																			
S&P 500	19.6	8.3	12.0	24.2	18.9	28.4	27.9	20.8	26.3	22.7	20.3	25.3	34.4	36.0	32.1	23.3	24.7	16.8	
S&P 400 Midcap	13.6	-2.7	-0.5	14.4	3.0	11.1	21.3	14.9	23.9	11.7	13.5	16.9	24.8	30.9	31.3	12.2	18.6	7.1	
S&P 600 Smallcap	8.1	-9.3	-5.9	13.9	-0.1	4.5	13.8	10.4	18.1	6.6	12.0	15.1	23.5	27.6	30.9	6.8	14.5	4.5	
Russell 2000	7.2	-10.0	-4.1	15.1	0.8	8.3	17.9	11.6	18.3	8.4	12.5	16.7	24.9	32.1	34.6	10.0	17.5	5.3	

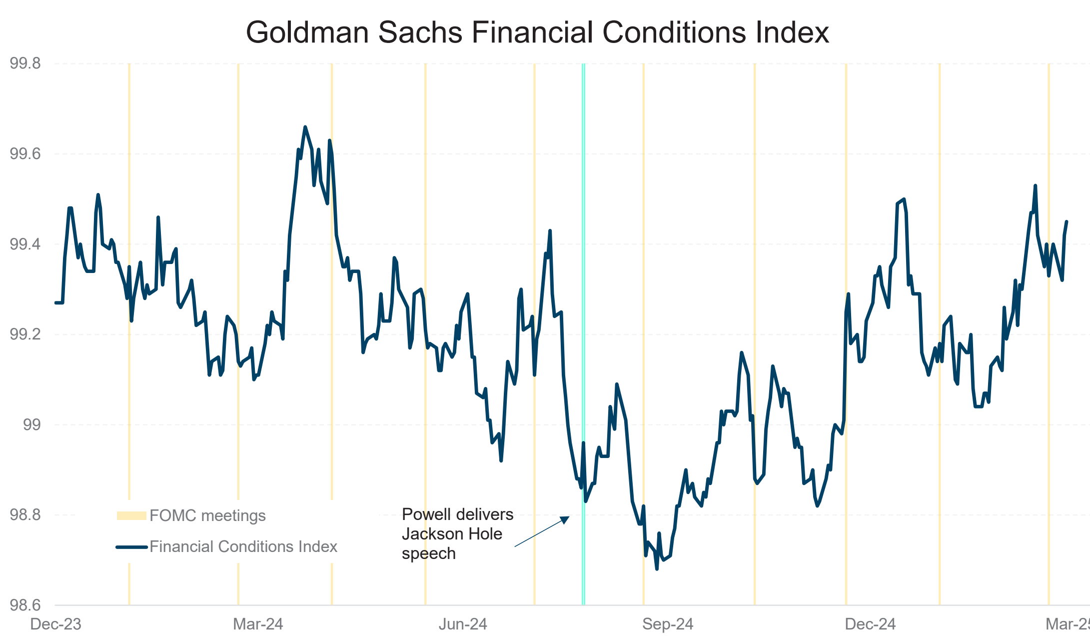
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

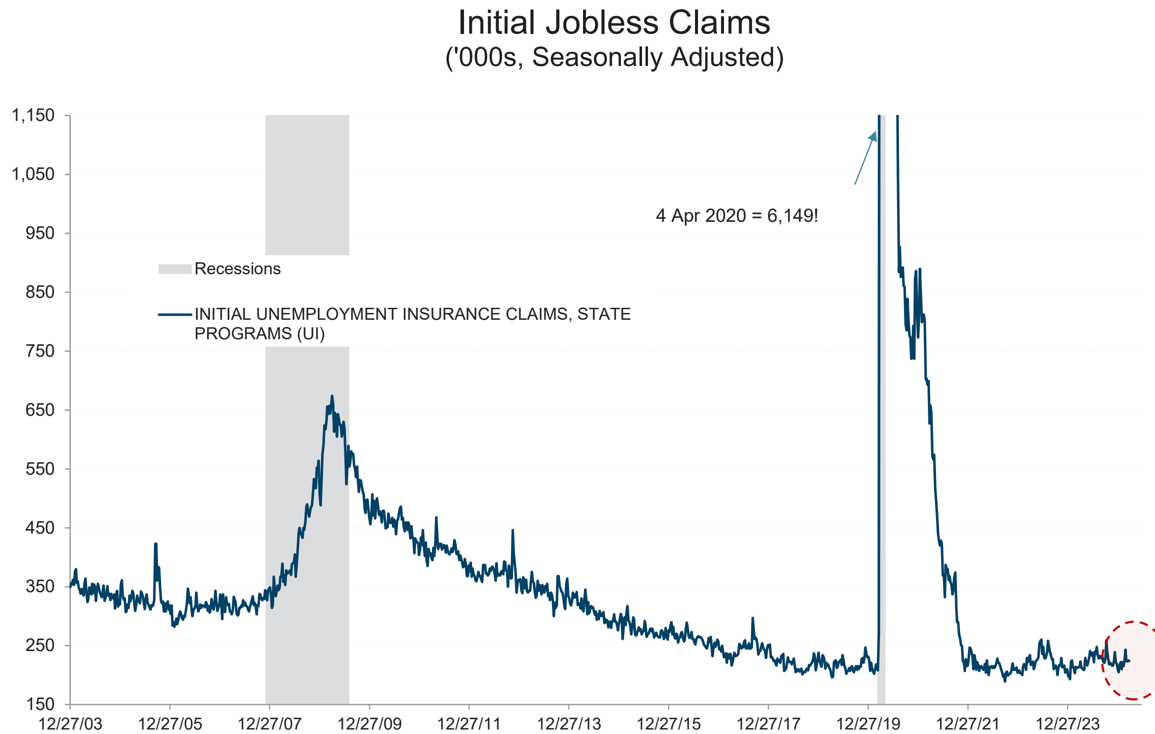
Other Economic Indicators



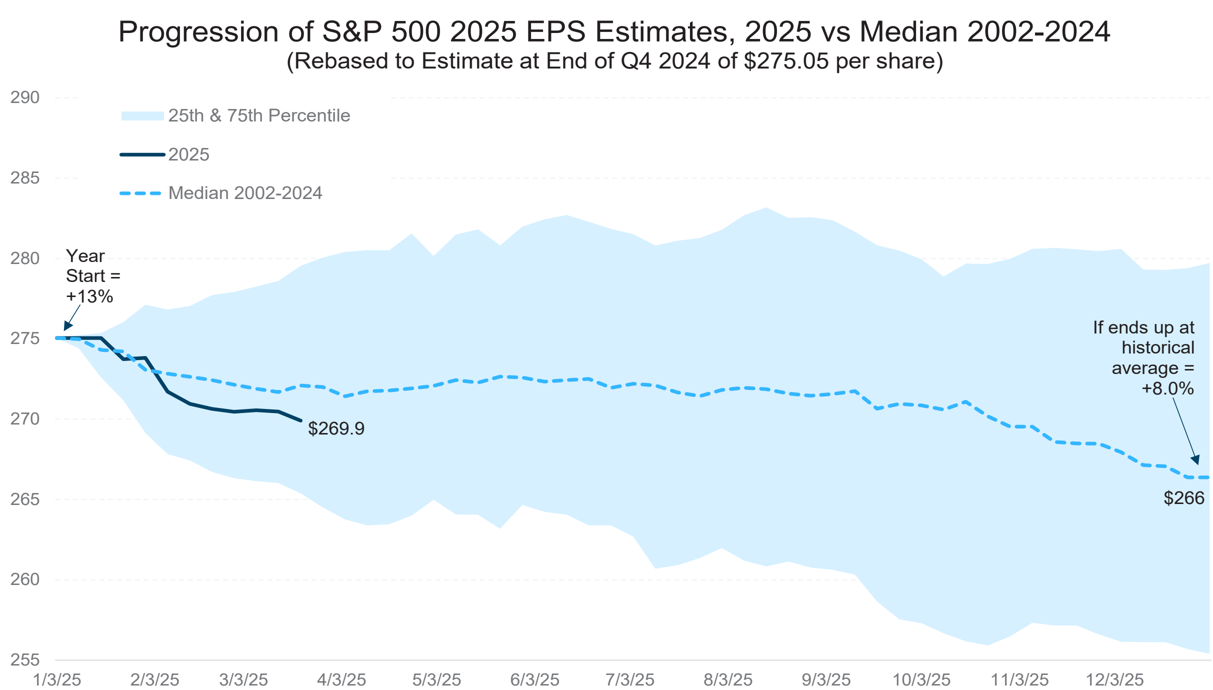
Sources: Federal Reserve, William Blair Equity Research



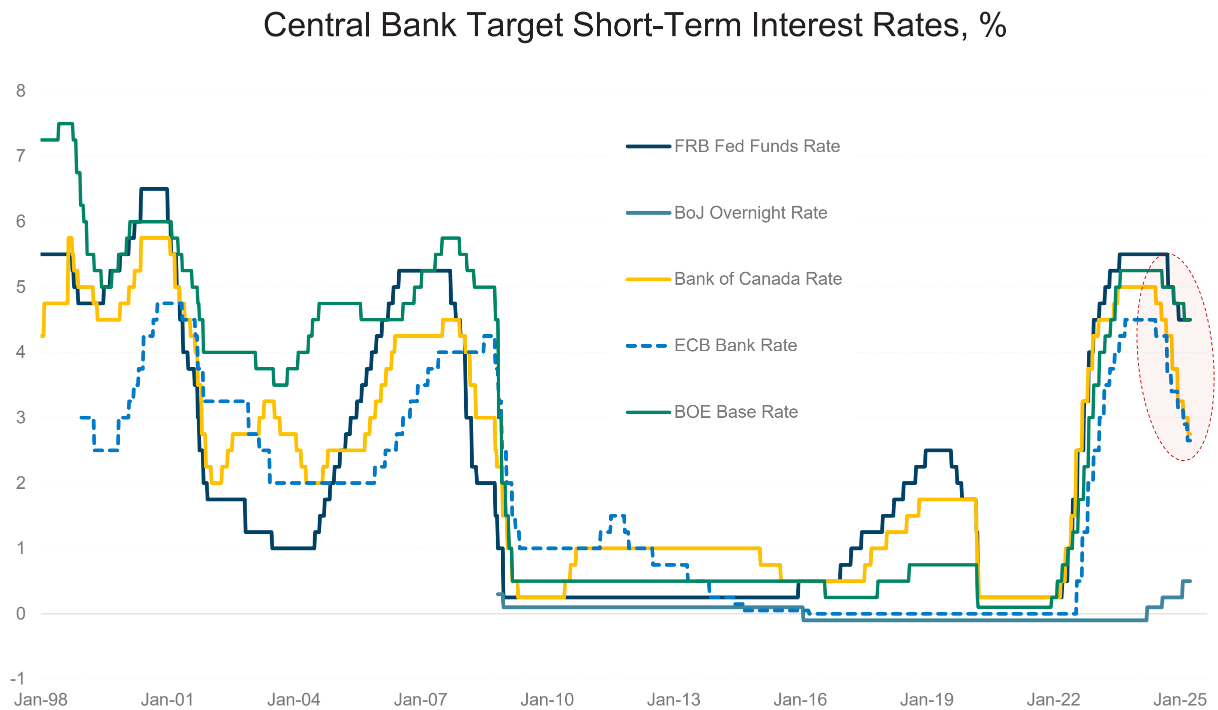
Sources: Bloomberg, William Blair Equity Research



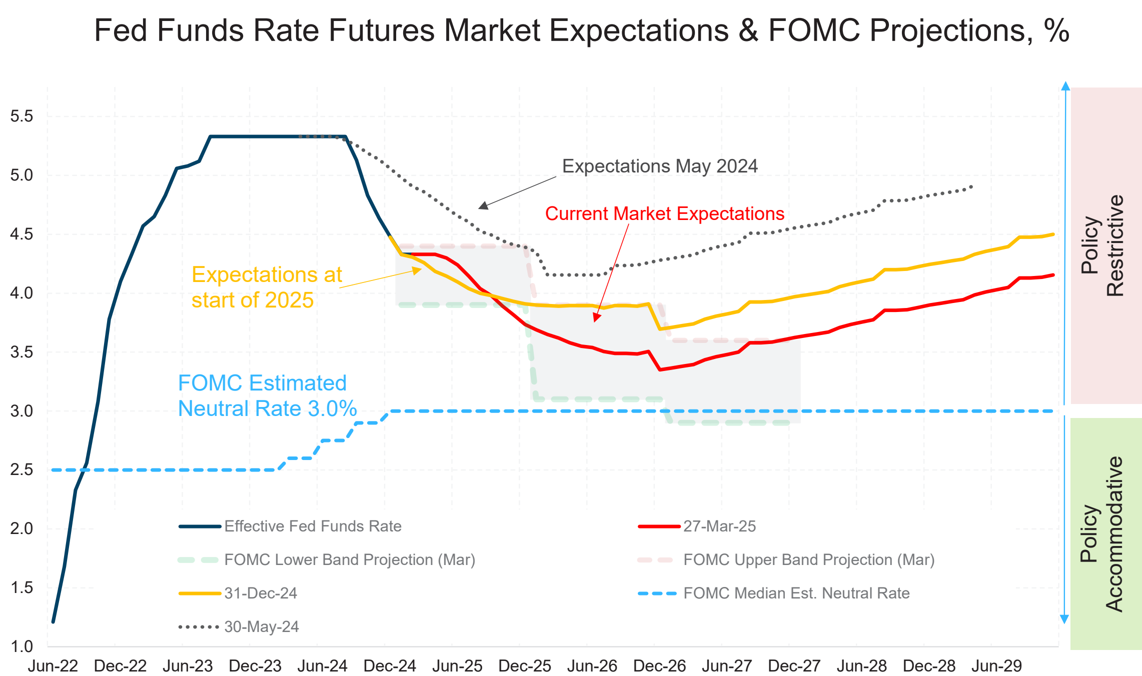
Source: Department of Labor, Bloomberg, William Blair Equity Research



Sources: LSEG, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 27-Mar-25	Week Ago 20-Mar-25	Month Ago 27-Feb-25	Qtr-to-Date 31-Dec-24	Year-to-Date 31-Dec-24
S&P 500 Index	**100.00**	**0.54**	**-2.87**	**-3.20**	**-3.20**
S&P 400 MidCap Index		**0.29**	**-3.12**	**-4.86**	**-4.86**
S&P 600 SmallCap Index		**0.32**	**-3.87**	**-7.72**	**-7.72**
Dow Jones Industrials		**0.83**	**-2.17**	**-0.57**	**-0.57**
Nasdaq Composite		**0.64**	**-3.99**	**-7.80**	**-7.80**
Communication Services	**9.79**	**1.61**	**-3.65**	**-2.94**	**-2.94**
Advertising	0.05	-0.15	-1.72	-6.09	-6.09
Broadcasting	0.06	1.59	-1.36	12.10	12.10
Cable & Satellite	0.39	2.99	5.76	1.81	1.81
Integrated Telecommunication Services	0.78	4.04	4.39	18.06	18.06
Interactive Home Entertainment	0.15	1.83	6.96	7.23	7.23
Interactive Media & Services	6.36	0.95	-5.77	-7.47	-7.47
Movies & Entertainment	1.34	2.49	-2.40	2.79	2.79
Publishing & Printing	0.03	-1.25	-4.27	-1.78	-1.78
Wireless Telecommunication Svcs	0.61	4.38	1.55	21.54	21.54
Consumer Discretionary	**10.99**	**4.08**	**-4.08**	**-10.90**	**-10.90**
Apparel Retail	0.36	3.69	-3.38	-4.09	-4.09
Apparel & Accessories & Luxury Goods	0.13	3.13	-9.50	-4.51	-4.51
Auto Parts & Equipment	0.03	-0.61	-4.31	-1.32	-1.32
Automobile Manufacturers	1.93	13.39	-2.51	-30.28	-30.28
Automobile Retail	0.32	6.55	6.54	17.42	17.42
Broadline Retail	4.34	3.24	-3.40	-7.99	-7.99
Casinos & Gaming	0.11	-3.02	-8.89	-14.47	-14.47
Computer & Electronics Retail	0.03	1.89	-15.52	-12.74	-12.74
Consumer Electronics	0.08	3.95	-3.17	5.19	5.19
Distributors	0.08	0.58	-2.73	2.83	2.83
Footwear	0.19	-6.81	-17.37	-20.53	-20.53
Home Furnishings	0.01	2.56	0.63	-1.63	-1.63
Home Improvement Retail	0.98	2.18	-6.63	-6.53	-6.53
Homebuilding	0.22	-0.71	1.23	-6.23	-6.23
Hotels, Resorts & Cruise Lines	0.89	1.12	-8.19	-7.26	-7.26
Household Appliances	0.01	-1.22	-9.44	-18.76	-18.76
Leisure Products	0.02	1.66	-7.02	9.78	9.78
Restaurants	1.13	1.44	-3.24	4.83	4.83
Other Specialty Retail	0.09	6.00	-0.19	-5.04	-5.04
Consumer Staples	**6.52**	**2.03**	**-2.62**	**3.38**	**3.38**
Agricultural Products	0.07	3.68	3.89	-3.56	-3.56
Brewers	0.02	3.34	-0.94	6.35	6.35
Hypermarkets	2.38	2.74	-9.25	-2.32	-2.32
Distillers & Vintners	0.09	2.24	6.00	-15.37	-15.37
Drug Retail	0.02	0.36	-0.62	19.61	19.61
Food Distributors	0.07	4.00	-0.91	-3.16	-3.16
Food Retail	0.10	2.19	3.46	8.16	8.16
Household Products	1.13	1.02	-1.13	1.14	1.14
Packaged Foods & Meats	0.62	3.34	2.22	3.02	3.02
Personal Products	0.12	-0.06	-1.16	3.85	3.85
Soft Drinks	1.23	1.75	0.31	6.94	6.94
Tobacco	0.68	1.28	2.10	23.24	23.24
Energy	**3.58**	**0.59**	**4.68**	**8.62**	**8.62**
Integrated Oil & Gas	1.70	1.58	6.58	10.94	10.94
Oil & Gas Equipment & Services	0.25	0.33	0.85	5.28	5.28
Oil & Gas Exploration & Production	0.88	0.47	3.96	7.18	7.18
Oil & Gas Refining & Marketing & Transportation	0.28	-2.53	-0.12	7.93	7.93
Oil & Gas Storage & Transportation	0.48	-0.60	4.41	5.30	5.30

Financials	**14.19**	**1.42**	**-1.63**	**3.85**	**3.85**
Asset Management & Custody Banks	1.11	0.28	-4.88	-9.50	-9.50
Consumer Finance	0.64	0.60	-9.26	-6.87	-6.87
Diversified Banks	3.15	1.81	-5.06	0.46	0.46
Financial Exchanges & Data	1.15	0.80	-0.45	5.14	5.14
Insurance Brokers	0.73	2.70	2.13	14.89	14.89
Investment Banking & Brokerage	1.08	-0.22	-5.41	-1.11	-1.11
Life & Health Insurance	0.38	1.74	1.04	3.69	3.69
Multi-line Insurance	0.10	0.85	5.94	15.96	15.96
Multi-Sector Holdings	1.44	1.09	6.39	17.92	17.92
Property & Casualty Insurance	1.23	1.17	2.98	9.69	9.69
Regional Banks	0.29	0.79	-7.64	-5.37	-5.37
Reinsurance	0.03	3.58	5.79	1.40	1.40
Transaction & Payment Processing	2.81	2.60	-1.66	5.46	5.46
Health Care	**10.98**	**-1.02**	**-1.26**	**5.42**	**5.42**
Biotechnology	1.81	-2.15	-0.72	12.97	12.97
Health Care Distributors	0.36	1.00	7.36	16.96	16.96
Health Care Equipment	2.30	0.44	-4.11	5.21	5.21
Health Care Facilities	0.19	2.91	5.67	12.44	12.44
Health Care Services	0.45	-0.29	3.90	25.04	25.04
Health Care Supplies	0.08	1.75	-8.42	-7.56	-7.56
Life Sciences Tools & Services	1.01	-0.84	-1.45	-6.65	-6.65
Managed Health Care	1.30	0.72	9.38	4.35	4.35
Pharmaceuticals	3.49	-2.66	-4.83	2.97	2.97
Industrials	**8.43**	**0.24**	**-1.02**	**0.89**	**0.89**
Aerospace & Defense	2.04	0.66	3.10	8.62	8.62
Agricultural & Farm Machinery	0.26	0.57	-0.17	13.22	13.22
Air Freight & Logistics	0.34	-2.37	-4.31	-10.02	-10.02
Building Products	0.52	-0.69	-0.84	-3.22	-3.22
Construction & Engineering	0.08	-5.98	-1.69	-19.35	-19.35
Construction Machinery & Heavy Trucks	0.58	0.48	-2.92	-5.90	-5.90
Data Processing & Outsourced Services	0.06	2.17	0.62	5.66	5.66
Diversified Support Svcs	0.27	4.93	1.14	5.79	5.79
Electrical Components & Equipment	0.54	-1.65	-5.09	-11.56	-11.56
Environmental & Facilities Services	0.44	1.36	0.93	12.37	12.37
Human Resource & Employment Services	0.40	3.29	-0.65	4.24	4.24
Industrial Conglomerates	0.44	0.27	0.05	1.34	1.34
Industrial Machinery	0.76	0.11	-3.50	-1.49	-1.49
Passenger Airlines	0.15	-1.08	-14.80	-18.45	-18.45
Railroads	0.50	0.39	-4.20	0.15	0.15
Research & Consulting Svcs	0.21	1.59	1.47	-0.68	-0.68
Trading Companies & Distributors	0.27	2.25	1.45	-2.58	-2.58
Information Technology	**29.39**	**-0.76**	**-5.03**	**-10.64**	**-10.64**
Application Software	2.49	1.12	-1.77	-5.64	-5.64
Communications Equipment	0.89	0.17	-5.19	-6.21	-6.21
Electronic Components	0.25	0.48	1.19	-1.89	-1.89
Electronic Equipment & Instruments	0.16	-0.36	-2.67	-5.57	-5.57
Electronic Manufacturing Services	0.12	-0.39	-4.84	1.26	1.26
Internet Software & Services	0.12	2.28	5.88	-0.38	-0.38
IT Consulting & Services	1.01	1.66	-8.56	-2.01	-2.01
Semiconductor Equipment	0.66	-3.41	-3.71	-2.13	-2.13
Semiconductors	9.01	-5.78	-7.12	-16.11	-16.11
Systems Software	7.58	0.31	-2.20	-7.89	-7.89
Technology Distributors	0.04	-2.53	-8.47	-5.86	-5.86
Technology Hardware, Storage & Peripherals	7.05	4.22	-6.13	-10.66	-10.66
Materials	**1.98**	**0.41**	**-1.39**	**3.01**	**3.01**
Commodity Chemicals	0.10	-3.17	-7.60	-9.05	-9.05
Construction Materials	0.12	-0.20	-1.43	-6.97	-6.97
Copper	0.12	-1.77	6.84	4.99	4.99
Fertilizers & Agricultural Chemicals	0.13	0.39	1.06	3.79	3.79
Gold	0.11	1.32	14.89	30.01	30.01
Industrial Gases	0.57	1.35	-0.60	8.74	8.74

Metal & Glass Containers	0.03	0.95	0.00	-5.57	-5.57
Paper Packaging	0.20	1.27	-5.99	-6.32	-6.32
Specialty Chemicals	0.51	0.27	-4.13	-0.50	-0.50
Steel	0.10	-0.59	-4.91	10.33	10.33
Real Estate	**2.20**	**-0.57**	**-3.06**	**1.84**	**1.84**
Data Center REITs	0.26	-3.53	-8.81	-14.66	-14.66
Health Care REITs	0.31	0.71	-1.35	13.71	13.71
Hotel & Resort REITs	0.02	-2.87	-9.19	-17.07	-17.07
Industrial REITs	0.21	-1.18	-9.79	4.77	4.77
Multi-Family Residential REITs	0.00	1.24	-2.08	1.89	1.89
Office REITs	0.02	-0.22	-2.46	-8.12	-8.12
Real Estate Service	0.15	1.23	-0.08	5.28	5.28
Retail REITs	0.28	0.20	-4.96	-1.90	-1.90
Self-Storage REITs	0.16	-1.11	-4.85	-2.69	-2.69
Single-Family Residential REITs	0.16	-1.11	-4.85	-2.69	-2.69
Telecom Tower REITs	0.34	-0.87	5.32	14.14	14.14
Timber REITs	0.04	-1.73	-1.56	5.12	5.12
Utilities	**2.39**	**-1.61**	**-0.35**	**2.25**	**2.25**
Electric Utilities	1.54	-1.49	-0.77	2.41	2.41
Gas Utilities	0.05	0.08	0.87	8.38	8.38
Independent Power Producers & Energy Traders	0.10	-8.86	-4.23	-11.82	-11.82
Water Utilities	0.06	0.88	6.74	14.92	14.92
Multi-Utilities	0.65	-1.05	0.60	2.97	2.97

*Current Weight is market cap based, based on calculations by William Blair Intl. Ltd.

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DOW JONES: 42299.70
S&P 500: 5693.31
NASDAQ: 17804.00

Additional information is available upon request.

Current Rating Distribution (as of March 28, 2025):

Coverage Universe	**Percent**	**Inv. Banking Relationships ***	**Percent**
Outperform (Buy)	71	Outperform (Buy)	10
Market Perform (Hold)	29	Market Perform (Hold)	1
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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