



# Are Consumers Having Second Thoughts About Trump's Agenda?

[According to think tank The Conference Board](#), the initial burst of enthusiasm by consumers following the election of Donald Trump in November has faded. The Board's "present situation" index — in which consumers are asked how they currently feel about their financial condition — dropped slightly in December. But its "expectations" index — which reflects consumers' outlook over the next six months — plunged precipitously. It dropped 12.6 points to 81.1, where 80 is the threshold that often signals the start of a recession. That is the sharpest decline in over four years.



## Deloitte's Outlook

However, Deloitte came to the rescue with its own [economic forecast](#). Deloitte is one of the Big Four accounting firms, and the largest professional services firm in the world.

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Published just days ago, the firm's forecasting unit created three scenarios for consumers to consider. First is its "baseline" scenario (which anticipates that most of Trump's declared policies will not be implemented). That is followed by an "upside" scenario (which reflects consumers' reaction to new tax cuts, increased investment in capital goods domestically, and a minimum of what Deloitte calls "harmful" tariffs being implemented). And finally there is a "downside" scenario. That's one in which most of Trump's promises are successfully implemented during the first two years of his second administration.

## The "Downside"

The "downside" scenario assumes that Trump successfully implements a wide range of tariffs against the country's trading partners, especially China. It also assumes that there will be "significant" deportations of "undocumented" workers, and "sweeping" cuts to government spending.

Also under the "downside" scenario (some would characterize it as the "best case" scenario), Deloitte forecasts a recession of considerable magnitude no later than 2026, due partly to tariffs slowing the economy and the reduction in the workforce. The recession, said Deloitte, would be similar in magnitude to those suffered in 2020 (Covid) and 2008-9 (the Great Recession). Wrote Deloitte:

The economy is expected to run weaker for longer as rising trade tensions and the sustained enforcement of the [incoming Trump administration's] immigration policy will keep consumption growth in the red for most of [our] forecast.



Written by [Bob Adelman](#) on December 27, 2024

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Inflation will also move higher initially, to perhaps four percent, as the tariffs begin to bite, said the firm.

Deloitte focused on the economic implications of mass deportations of illegals and huge cuts to government programs:

The policy of mass deportations would likely have a profound effect on industries like agriculture and hospitality, where undocumented workers make up a significant share of the total workforce.

Likewise, making deep cuts to government spending and transfer [payments] will always be a net negative to the macroeconomy in the short term.

There were bright spots, however, according to Deloitte:

We expect housing starts to continue falling in the last quarter of this year before rising again in 2025 to 1.4 million [starts], as interest rates fall, encouraging more construction.

Starts will continue to move higher as the economy gains momentum and interest rates fall further, said the firm.

As for green subsidies (the misnamed [Inflation Reduction Act](#) and the [CHIPS and Science Act](#)), Deloitte considers them safe:

Although House Speaker Mike Johnson [R-La.] has floated the possibility of repealing these pieces of legislation, we do not expect that to happen. Both pieces are popular, and their benefits are skewed toward Republican districts, making it unlikely they will be able to get enough votes for a repeal with their slim majority in the House.

### **Promises, Promises**

All three of Deloitte's scenarios assume that Trump's [Tax Cuts and Jobs Act](#) (which expires in 2025) will be extended. They also assume that Trump's promise of lowering the corporate tax rate further will easily pass the new Congress. As a result, wrote Deloitte:

Non-residential business investment is projected to increase 3.9% this year, 3.7% in 2025, and another 4.7% in 2026. Growth in business investment is expected to rise even further in 2027 and remain elevated in the outer years of [our] forecast.

The firm is far less sanguine about cuts to government promised by the new [Department of Government Efficiency](#) (DOGE). The low-hanging fruit to be cut, according to Deloitte, includes

- Government subsidies related to Obamacare (\$120 billion a year);
- The Department of Education (DOE, saving \$255 billion annually); and
- "Other ... discretionary spending" (\$24 billion).

This \$400 billion (far less than the \$2 trillion promised by the incoming managers of the DOGE) "would," wrote Deloitte, "be implemented over the course of fiscal 2026 and 2027."



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The employment situation would be negatively impacted, said the company, with the removal of an estimated 75 percent of the two-million-plus federal labor force consisting of illegals. In fact, assuming Trump is able to deport the millions promised, Deloitte forecasts a reduction in the country's overall population by 2028. This would naturally keep the unemployment rate at record lows as job demand would continue to increase as the economy rebounds under Trump.

Surprisingly, despite its warnings that tariffs will be inflationary, Deloitte expects "inflation to continue falling into 2025." Farther out, the firm expects inflation to remain in the two-percent annual range for the rest of the decade.

In sum, then, consumer nervousness reflected by The Conference Board is more than likely to fade as the economy rebounds. That will happen as the Trump administration applies the remedies of less government, fewer regulations, the firing of millions of government "workers," and the rejuvenation of the energy sector.



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