

Economists are starting to worry about a serious Trump recession

[Ambrose Evans-Pritchard](#)

25 February 2025 4:00pm GMT

Donald Trump's assault on the US federal government and the world's interlinked manufacturing system have together reached an economic tipping point.

"It seems almost unavoidable that [we are headed for a deep, deep recession](#)," said Jesse Rothstein, Berkeley professor and former chief economist at the US labour department.

Once the pace of job losses crosses a critical line, the multiplier effects can snowball suddenly.

Prof Rothstein said monthly non-farm payrolls – the barometer of US economic health watched closely by markets – could turn viciously negative by late spring, contracting at rates surpassed only during the worst months of Covid and the Lehman crisis in 2008.

"I think we're going to see historically large drops. Losses of 400,000 a month are not implausible because people are getting nervous out there.

"It is not just the federal employees being fired: it's all the other people worried they could be next, so they are cutting back too," he told The Telegraph.

Torsten Slok, of Apollo Global, said layoffs could approach 1m after factoring in the likely chain reaction through contractors. "We are starting to worry about the downside risks to the economy and markets," he said.

Mr Slok said it is a mystery as to why credit spreads and equities are still so well-behaved when the US Economic Policy Uncertainty Index was now higher than at any time during the great recession. Prof Rothstein said the damage would not show up immediately due to lag effects. The ugly months will be in April and May, but by then secondary shocks will have spread far and wide.

"There are all kinds of spillovers. Contracts for external contractors are being cut. Nobody knows how much imports are going to cost next month, or if we are even going to have accurate weather forecasts any more.

"How could you hire in these conditions? This is going to be very, very bad," he said.

Markets are implicitly betting that Trump's trade wars are just bluster, but he restated on Monday night that his 25pc tariffs against Mexico and Canada would go ahead next week, which would instantly snarl up the North American auto industry.

"It would be devastating," said Ford's Jim Farley.

Trump has a particular loathing for the National Oceanic and Atmospheric Administration (NOAA) and its weather service, deemed the spearhead of "the climate change alarm industry" by Maga's Project 2025.

Officials at NOAA have already been told that "climate change", and "pollution" are henceforth banned terms. The office of management and budget plans to cut 38pc of their funding as part of its campaign to root out "woke agendas". Commerce secretary Howard Lutnick wants to abolish the agency entirely.

The surprise is that Elon Musk's army of zoomer zealots are taking on everybody, even the US defence department. It will fire 5,400 civilian staff next week as the first stage of a 5pc to 8pc cull of the Pentagon staff to "cut the fat and grow the [warrior] muscle."

It is hard to gauge the macroeconomic intensity of the fiscal cuts because judges are trying to jam on the brakes. We do not know what is mere theatre. I incline to the view that the culture war is deadly serious.

Orville Schell, director of the Asia Society, says Trump is uncannily like his fellow agent of insurrection, Mao Zedong, who also revelled in permanent havoc as a governing method.

Under Mao, a student shock force of 5,000 Red Guards was raised to crush resistance Credit: ChinaFotoPress via Getty Images

The Great Proletarian Cultural Revolution launched in 1966 weaponised the fanaticism of indoctrinated youth, urging them to rise up and “bombard the headquarters” of the deep state. Character-posters incited them to do their worst: “World in great disorder: excellent situation!” or “Without destruction, there can be no construction”, writes Schell on Project Syndicate.

Musk, meanwhile, does a passingly good imitation of Mao’s enforcer Kuai Dafu, who raised a student shock force of 5,000 Red Guards to crush resistance in the Communist hierarchy.

A young princeling called Xi Jinping was sent off to “eat bitterness” in the coal fields of Shaanxi.

[What does China’s leader now make of this strange spectacle](#) in Washington? Quiet satisfaction that America is tearing itself apart? Or alarm that the madness will spin out of control? A regime that sacks staff in charge of America’s nuclear weapons, without realising who they are, is a planetary danger. But I digress.

Trump hopes to overwhelm any contractionary shock by slashing taxes with his “ONE BIG BEAUTIFUL BILL” now heading for Congress.

But the risk for him is that a) his ideological stunts will send the economy into a tailspin months before any stimulus kicks in, and b) it will be thin gruel in any case.

You only have to read [the details of Executive Order 14154](#) to see that there will be real economic consequences. Section 7, Terminating the Green New Deal, reads: “All agencies shall immediately pause the disbursement of funds appropriated through the Inflation Reduction Act or the Infrastructure Investment and Jobs Act.”

Judges have intervened but almost \$300bn (£240bn) left from the Infrastructure Act remains in limbo. Freyr Battery has cancelled a \$2.6bn plant in Georgia linked to the IRA. Kore Power has dropped its \$1.2bn energy storage project in Arizona. Heliene has shelved a \$200m solar-cell facility. Nel has halted its \$200m gigafactory in Detroit. Prysmian will not be making undersea cables for offshore wind after all.

The US economy has been displaying late-cycle fatigue for some time, which is no doubt why Warren Buffett more than doubled his holding of cash and treasury bills to \$334bn last year. We can only guess at his real reasons for battening down the hatches: perhaps he fears the delayed effects of past Fed tightening; or perhaps he dislikes anarchy.

Last week’s US data ought to be a warning.

Home sales fell 4.9pc in January. S&P Global’s survey of services tipped into contraction, and manufacturing held up only because of “front-running” ahead of trade wars. “February saw the US expansion falter to near-stall pace,” it said.

Is Wall Street showing the same pathological complacency seen in late 1999, or late 2007, or in early 2020, when it was already clear to anybody paying scientific attention that Covid meant havoc wherever it hit, progressing in staggered shocks over seven weeks from China, to Korea, to Iran, to

Lombardy (blithely dismissed as an “Italian issue) before investors reacted? Markets then went mad.

The deeper question we have to ask is what is the equilibrium value of equities and financial assets in a world where the US declares trade war against the democracies, and aligns itself with Russia and North Korea in geopolitics. Perhaps DeepSeek AI can furnish the answer.