Economic Update Report 11.6.2025

Consumer Discretionary Companies Provide Negative Forward Sales Projections in Earnings Calls - Is the Consumer Running out of Money?

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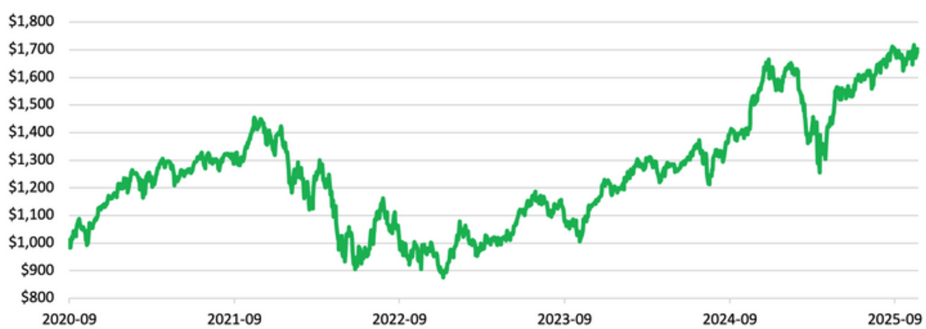
Shrinkflation

Shrinkflation is the practice where companies reduce the size or quantity of a product while keeping its price the same. It's basically downsizing: consumers end up paying more per unit without seeing an obvious price increase. Businesses lean on shrinkflation because they know customers are more sensitive to visible price hikes than to subtle changes in packaging or portion size. By downsizing products instead of raising prices, companies protect their profit margins in a way that feels less noticeable to shoppers.

Much like other strategies companies use to manage higher costs, shrinkflation has become more common in recent years as manufacturers and retailers deal with rising expenses for everything from ingredients and packaging to labor and shipping. In 2025, the examples are everywhere. Ziploc boxes now hold 270 bags instead of 280, Cascade dishwasher pods dropped from 52 to 47 per box, and "mega size" Honey Nut Cheerios shrank from 29.4 ounces to 27.2. These changes may look small, but they add up quickly for households trying to stretch their budgets.

For the average shopper, this means the cost per ounce is going up even if the sticker price seems stable. It can be difficult to notice these changes at first, but over time, consumers catch on, leading to growing frustration for buyers who feel they're getting less value for their money. As shrinkflation trends continue, especially in the grocery and retail sectors, it raises questions about how companies balance cost pressures with customer trust, and whether there will be any broader moves to call out or regulate the practice.

Nasdaq U.S. Consumer Discretionary Index

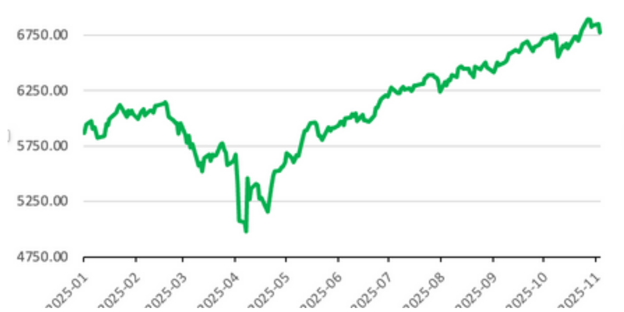


Data from Federal Reserve a/o 11/13/2025

Shrinkflation is front and center in 2025 because persistent inflation and high input costs have made it a widespread strategy across consumer goods. What makes it a major concern today is not just smaller packages, but the broader implications for trust, competition, and governance. Consumers are increasingly aware that groceries run out faster, and watchdogs have begun calling for clearer labeling to make downsizing easier to spot. At the same time, discount retailers and private-label brands are gaining ground by positioning themselves as more transparent and better value. For established brands, relying too heavily on shrinkflation risks eroding loyalty and damaging reputation.

From an ESG perspective, shrinkflation raises governance questions: is quietly reducing package sizes without disclosure a responsible practice? Investors and regulators are paying closer attention, and companies may face pressure to balance cost management with transparency. In this way, shrinkflation is not just a symptom of inflation but a test of how businesses handle accountability in a challenging retail environment.

S&P 500 YTD Performance



Data from Federal Reserve a/o 11/13/2025

US Stock Index Performances

Key Indices	YTD %	Monthly %	Weekly %
S&P 500	14.55%	1.24%	0.26%
Nasdaq	18.43%	0.77%	(0.80%)
Dow Jones	11.55%	3.02%	1.16%

Data from Yahoo Finance a/o 11/13/2025

Government Shutdown Nears Resolution, But Final Approval Still Pending

The longest government shutdown in the history of the United States appears to be nearing a resolution as congressional leaders from both parties have signaled major progress toward a funding deal. Lawmakers have agreed on the broad framework to reopen the government, but the process is not complete: the bill still needs to pass its final votes in Congress, and the President has yet to sign it. Until the legislation is formally approved and enacted, federal agencies remain partially closed and key services continue to face disruption. However, optimism has grown that the shutdown could end within the next few days.

That being said, the effects of the government shutdown were massive. Over one million federal workers will go unpaid for the duration of the shutdown, including TSA agents, National Guard /active-duty personnel/reserve personnel, and members of military branches. November 14th can be the first day in U.S. history where members of all military branches do not receive pay.

Not only are people not getting paid, but many government agencies weren't operating either. The notable agencies are the Department of Education, The Bureau of Labor Statistics, and the USDA. Citizens aren't receiving government agency support, airlines are cutting flights up to 10% (according to Guardian), and people are missing out on pay.

Pressures on Congress have risen every day, and a conclusion is finally on the horizon.

Tech Stocks Slide Sharply Amid Profit-Taking and Higher Yields

Tech stocks delivered the biggest market shock of the day as the sector faced one of its steepest pullbacks in recent weeks. Rising Treasury yields, concerns about downward revisions to Q4 earnings, and widespread profit-taking after a strong AI-driven rally all weighed heavily on mega-cap names. The NASDAQ slid sharply as investors moved away from long-duration growth assets, raising the possibility of a broader sector rotation into value, cyclicals, and defensives. The selloff highlights the continued sensitivity of high-growth tech companies to shifts in interest rates and risk appetite.

Sector Rotation Pushes Energy and Financials Higher

Elsewhere in the market, financials and energy stocks strengthened as investors repositioned amid the tech slump. Oil prices bounced on supply concerns, lifting energy equities, while banks benefited from a steeper yield curve and higher rate expectations. Together with the improving but still-pending outlook for a government funding deal, these cross-currents set the stage for elevated volatility but also open the door to sector-specific opportunities as markets recalibrate.

Disclosures Page

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