Economy shrinks for first time in 3 years

First-quarter growth slows as imports surge in anticipation of Trump's massive tariffs

By Paul Wiseman and Christopher Rugaber
ASSOCIATED PRESS

The U.S. economy shrank at a 0.3% annual pace from January through March, the first drop in three years, as President Donald Trump's trade wars disrupted business. First-quarter growth was slowed by a surge in imports as companies in the United States tried to bring in foreign goods before Trump imposed massive tariffs.

The January-March drop in gross domestic product — the nation's output of goods and services — reversed a 2.4% gain in the last three months of 2024. Imports grew at a 41% pace, fastest since 2020, and shaved 5 percentage points off first-quarter growth. Consumer spending also slowed sharply — to 1.8% growth from 4% in October-December last year. Federal government spending plunged 5.1% in the first quarter.

Forecasters surveyed by the data firm FactSet had, on average, expected the economy to eke out 0.8% growth in the first quarter, but many expected GDP to fall.

Financial markets sank on the report. The Dow Jones tumbled 400 points at the opening bell shortly after the GDP numbers were released. The S&P 500 dropped 1.5% and the Nasdaq composite fell 2%.

The surge in imports — fastest since 1972 outside COVID-19 economic disruptions — is likely to reverse in the second quarter, removing a weight on GDP. For that reason, Paul Ashworth of Capital Economics forecasts that April-June growth will rebound to a 2% gain.

Trade deficits reduce GDP. But that's mainly a matter of mathematics. GDP is supposed to count only what's produced domestically. So imports — which the government counts as consumer spending in the GDP

Economy continues on B12

Michael Hsu Office of Architecture

Native plants and pedestrian pathways are planned in the future Greenside development in Memorial City. The 35,000-square-foot complex is expected to open in 2026.

Construction starts on Greenside

Project to transform warehouses into family-friendly retail, dining hub in Memorial City

By Marissa Luck
STAFF WRITER

A pair of prominent real estate developers have broken ground on a 35,000-square-foot retail complex in Memorial City, the start of a project converting a trio of warehouses into a modern mixed-use center flanked with outdoor spaces.

MetroNational and Radom Capital launched the project, called Greenside, at 1085 Gessner across Interstate 10 from Memorial City Mall near Mia's Table, Kirby Ice House and Torchy's Tacos.

Expected to open in 2026, Greenside is conceived as a family-friendly community hub featuring an acre of green space lined by mix of retail, restaurant, wellness, beauty and office tenants.

The design includes a central lawn framed by festoon string lighting, large canopy trellises and seating alongside native plants and a children's play structure. New walkways will be installed to allow pedestrians to connect Gessner Road and Mathewson Lane, according to MetroNational.

Greenside is the first partnership between MetroNational, which owns Memorial City Mall, and Radom, developer behind Montrose Collective and M-K-T. Radom Capital is also converting the former Tower Theatre building into a jazz club anchoring a broader retail development in Montrose.

"We've been eager to interject more unique moments and outdoor spaces into the Memorial City user experience, and Radom Capital and Michael Hsu Office of Architecture both exceed in creating those environments," said Jason Johnson, CEO of MetroNational.

Michael Hsu Office of Architecture, which has previously worked with Radom on projects

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CultivateLAND

Greenside is conceived as a family-friendly community hub, including a playground area and a central lawn. The retail project is the first partnership between MetroNational and Radom Capital.

Water flow promise is a 'major win' for Texas farmers in Mexico dispute

By James Osborne
WASHINGTON BUREAU

U.S. Agriculture Secretary Brooke Rollins announced Monday the Trump administration had achieved a "major win for American agriculture" in the country's ongoing dispute with Mexico over water deliveries from the Rio Grande.

The Agriculture Department said Mexico had "committed to transfer water from international reservoirs" and increased the U.S. share of water from six tributaries flowing into the Rio Grande from Mexico.

"We secured an agreement to give Texas producers the water they need to thrive," Rollins said in a statement. "While this is a significant step forward, we welcome Mexico's continued cooperation to support the future of American agriculture."

Mexico has fallen markedly behind on its deliveries, and the Trump administration, along with politicians in Texas, have been pressing them to increase water flows.

Under a water treaty signed in 1944 by then-President Franklin D. Roosevelt, Mexico is required to deliver 1.75 million acre feet of water to U.S. reservoirs every five years — the equivalent to more than 500 billion gallons. But more than four years into the current cycle, which ends in October, Mexico has only delivered a quarter of that amount, leaving farmers in Texas without vital water supplies.

A spokesperson for the Agriculture Department did not immediately respond to a request for details on the deal Monday, including exactly how much water Mexico planned to deliver over the next six months.

The announcement drew ap-

Water continues on B12

Billionaire Fertitta confirmed by Senate as U.S. ambassador to Italy

By Erica Grieder
STAFF WRITER

Houston's Tilman Fertitta has been confirmed as United States ambassador to Italy and San Marino.

The billionaire businessman, who was nominated to the post by then President-elect Donald Trump in December, was approved by the Senate on Tuesday evening by a vote of 83-14.

Fertitta

Fertitta, who was born in Galveston and is of Sicilian descent, described himself as a longtime admirer of Italy's culture, food and patriotic spirit in his testimony before the Senate Foreign Relations committee earlier this month.

"If confirmed, I take the responsibility of being an am-

Fertitta continues on B12

Wall Street storms back from early losses

By Stan Choe
ASSOCIATED PRESS

NEW YORK — Much like its wild month of April, a scary Wednesday for Wall Street found a gentler ending as U.S. stocks stormed back from steep early losses to continue their manic swings amid uncertainty about what President Donald Trump's trade war will do to the economy.

The S&P 500 rose 0.1% to extend its winning streak to a seventh day. The Dow Jones Industrial Average added 141 points, or 0.3%, while the Nasdaq composite edged down by 0.1%.

It was a stunning reversal after the S&P 500 dropped as much as 2.3% and the Dow fell 780 points in early trading. Stocks initially tumbled after a report suggested the U.S. economy may have shrunk at the start of the year, falling well short of economists' expectations, in a sharp turnaround from the economy's solid growth at the end of last year.

Importers rushed to bring products into the country before tariffs could raise their prices, which helped drag on the country's overall gross domestic product.

Such data raised the threat of a worst-case scenario called "stagflation," one where the economy stagnates yet inflation remains high. Economists fear it because the Federal Reserve has no good tools to fix both problems at the same time. If the Fed were to try to help one problem by adjusting interest rates, it would likely make the other worse.


Seth Wenig/Associated Press
Anthony Matesic works on the floor at the New York Stock Exchange in New York on Wednesday, which started scarily for traders but ended gently.

"Even if today's weak GDP may have partially reflected companies trying to get ahead of tariffs, it was still a stagflation warning shot over the bow of the economy," according to Ellen Zentner, chief economic strategist for Morgan Stanley Wealth Management.

But some better news came later in the day when a report said the measure of inflation that the Fed likes to use slowed in March. Inflation decelerated to 2.3%, closer to the Fed's goal of 2%, from February's reading of 2.7%. Stocks began paring their losses almost immediately after the report.

If inflation keeps trending lower, it would give the Fed more leeway to cut interest rates in order to juice the economy. Expectations are building for the Fed to cut its main interest rate at least four times by the end of this year, according to data from CME Group, though it likely won't begin at its next meeting next week.

Much of Wednesday's economic data raised concerns about a weakening economy. A report on the job market from ADP suggested employers outside the government may have hired far fewer workers in April than economists expected, less than half.

It's discouraging because a relatively solid job market has been one of the linchpins keeping the U.S. economy stable. A more comprehensive report on the job market from the U.S. government will arrive on Friday.

Wednesday's reports add to worries that Trump's trade war may drag the U.S. economy into a recession. The president's on-again-off-again rollout of tariffs has created deep uncertainty about what's to come, which could cause damage by itself.

"I'm not taking a credit or discredit for the stock market," Trump said Wednesday. "I'm just saying we inherited a mess."

Uncertainty around Trump's tariffs has already triggered historic swings for financial markets, from stocks to bonds to the value of the U.S. dollar, that battered investors through April. The S&P 500 briefly dropped nearly 20% below its all-time high set earlier this year, with scary headlines at one point warning of the potential for the worst April since the Great Depression.

But the uncertainty has been two-sided, and hopes that Trump may relent on some of his tariffs helped the S&P 500 claw back a chunk of its losses. It ended April with a decline of just 0.8%, much milder than March's, and it's only 9.4% below its record.

Stronger-than-expected profit reports from big U.S. companies have helped support the market, and Seagate Technology jumped 11.6% for one of Wednesday's biggest gains after the maker of data storage joined the parade.

Gains for other storage makers also helped to offset drops for stocks within the artificial-intelligence industry, which have been pulling back on worries their prices shot too high in prior years.

Super Micro Computer warned that some customers delayed purchases in the latest quarter, which caused the maker of servers used in AI and other computing to slash its forecast for sales and profit. Its stock tumbled 11.5% for the largest loss in the S&P 500.

Starbucks sank 5.7% after the coffee chain fell short of analysts' forecasts for revenue and profit in the latest quarter. Starbucks did log its first quarterly sales increase in more than a year, but acknowledged that its turnaround effort is far from complete.

All told, the S&P 500 rose 8.23 points to 5,569.06. The Dow Jones Industrial Average rose 141.74 to 40,669.36, and the Nasdaq composite fell 14.98 to 17,446.34.

It still marked the close of a third straight losing month for the S&P 500. Stocks in the energy industry took some of the hardest hits, dropping over three times more than any of the other 11 sectors that make up the index.

Halliburton, an oil services company, lost nearly 22% in April as the price of crude slid on worries that tariffs will weaken the global economy.

In the bond market, Treasury yields fell as investors ratcheted up their expectations for cuts to interest rates by the Fed. The yield on the 10-year Treasury eased to 4.17% from 4.19% late Tuesday.

As inflation cools, Americans step up spending ahead of tariffs

By Christopher Rugaber
ASSOCIATED PRESS

WASHINGTON — A closely watched inflation gauge cooled last month in a sign that prices were steadily easing before most of President Donald Trump's tariffs were implemented.

At the same time, consumers accelerated their spending, particularly on cars, likely in an effort to get ahead of the duties.

Wednesday's report from the Commerce Department showed that consumer prices rose just 2.3% in March from a year earlier, down from 2.7% in February. Excluding the volatile food and energy categories, core prices rose 2.6% compared with a year ago, below February's 3%. Economists track core prices because they typically provide a better read on where inflation is headed.

The slowdown in inflation could be a temporary respite until the widespread duties imposed by Trump begin to push up prices in many categories. Most economists expect inflation to start picking up in the coming months.


Andy Bao/Associated Press
Shoppers move through a market in the Chinatown neighborhood of Los Angeles on April 21.

"Core inflation will inevitably rebound sharply in the coming months," Harry Chambers, assistant economist at Capital Economics, said in an email. "Goods prices will rise much more strongly."

Chambers expects core inflation will near 4% by late this year.

Wednesday's report also showed that consumer spending increased 0.7% from February to March, a healthy gain. Much of the increase appeared to be driven by efforts to get ahead of duties, such as Trump's 25% duty on imported cars, which took effect April 3. Spending on autos surged 8.1% in March. Still, that means auto sales are likely to fade in the coming months because those assets have already been secured.

But spending on restaurants and hotels also jumped after falling in February, a sign Americans are still willing to splurge a little on travel and dining out.

The spending increase is noteworthy because consumer confidence surveys have plunged for several months, suggesting Americans have grown increasingly worried about the economy. Yet so far, that hasn't translated into a noticeable slowdown in spending.

Yet many economists expect it will come soon. Some businesses are already seeing it, including some airlines.

And Sheryl Tubbs, an Idaho-based creator behind DenimFelt, which converts secondhand denim into stuffed animals and puppets, opened her Etsy shop in late 2019 as a way to supplement her husband's income. She buys supplies like boxes, buttons and thread from Chinese sellers on Amazon and benefited from the fact that small shipments from overseas have been exempt from tariffs, under what's known as the " de minimis exemption." But the Trump administration has now closed that loophole.

Prices for the supplies she buys from China are already rising. On top of that, sales dropped 50% over the past month as her customers pulled back. She will have to raise prices by a dollar or two on her items, which average about $50. But she's also coming up with new ways to market her business like selling at a local festival and digitizing her patterns so she can sell them.

"I definitely have to be more creative and come up with better ways of doing it to compete," she said.

Earlier Wednesday, the government reported that consumer spending slowed in the first three months of the year, compared with last year's final quarter, as bad weather depressed shopping and Americans took a breather after healthy spending over the winter holidays.

The nation's economy actually shrank 0.3% in the January-March quarter as imports surged as companies sought to get ahead of Trump's tariffs.

Trump benefited in last year's election from broad dissatisfaction among voters about the steep rise in prices that began in 2021 and that, on average, pushed prices up about 25% by the middle of last year. Grocery costs shot up nearly 30%. As a candidate, Trump said he would immediately lower prices if elected.

Yet the president has slapped 25% duties on steel and aluminum, as well as cars, and a 10% tariff on nearly all other imports. And China, the United States' third-largest trading partner, now faces a 145% duty on its exports.

The inflation-fighters at the Federal Reserve target a 2% inflation rate and pay close attention to Wednesday's inflation gauge, known as the personal consumption expenditures price index. The better-known consumer price index was released earlier this month and also showed a steady decline.

Inflation figures were revised higher for January and February, leaving price increases in the first quarter higher than previously estimated. The higher figures would likely leave Fed officials wary of cutting rates soon even before taking tariffs into account.

Trump has pushed the Fed to cut its key short-term interest rate because inflation has cooled. But Fed Chair Jerome Powell has underscored that the central bank is likely to remain on the sidelines as officials gauge how tariffs will impact the economy. The Fed isn't expected to lower its rate at its policy meeting next week.

GREENSIDE

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such as Heights Mercantile and Montrose Collective, is overseeing Greenside's design.

Barton Kelly, the vice president at Radom Capital leading leasing efforts at the project, said the development team is negotiating leases with several potential tenants. If all those leases pan out, they could take up about 75% of the available space in the project. Kelly did not disclose any tenant names but said the prospective tenants represent "some fantastic food, fitness and wellness operators."

General contractor Endurance Builders is expected to turn spaces over to tenants by the first quarter of 2026, with the first tenants potentially opening that summer. MetroNational would own the development once construction is completed.


Michael Hsu Office of Architecture
The future development of Greenside features an acre of green space lined by a mix of retail, restaurant, wellness, beauty and office tenants.