



Grupo de Pesquisa em  
**Gestão e Planejamento Econômico-Financeiro**  
Universidade Federal do Rio de Janeiro – UFRJ

The Quarterly Observatory of the  
U.S. Economy:  
Macroeconomic Trends,  
1<sup>st</sup> Quarter 2025

## **Textos para Discussão**

**No. 26 – abril, 2025.**

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## Textos para Discussão

No. 26 – abril, 2025.

### Título

The Quarterly Observatory of the U.S. Economy:  
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### Autor

GPEF \*

\* Grupo de Pesquisa em Gestão e Planejamento Econômico-Financeiro

### Resumo:

O principal objetivo do Observatório Trimestral é avaliar a evolução da economia norte-americana em uma perspectiva de mais longo prazo, e levando em conta um referencial macroeconômico bem definido. Este referencial, assim como as previsões elaboradas no texto, segue material disponível em outro Texto para Discussão:

“A macro-econometric model containing income distribution, price changes and Government financing: Updates and forecasts for the US, 2025-29.”

[https://modelosfinanceiros.com.br/assets/documentos/gpef\\_-\\_texto\\_para\\_discusso\\_no\\_22\\_-\\_2025.pdf](https://modelosfinanceiros.com.br/assets/documentos/gpef_-_texto_para_discusso_no_22_-_2025.pdf)

### Abstract:

The main objective of the Quarterly Observatory is to evaluate the path of the U.S. economy in a longer-term perspective and considering a well-defined macroeconomic framework. This framework, as well as the predictions elaborated in the text, follow material available in another Text for Discussion:

“A macro-econometric model containing income distribution, price changes and Government financing: Updates and forecasts for the US, 2025-29.”

[https://modelosfinanceiros.com.br/assets/documentos/gpef\\_-\\_texto\\_para\\_discusso\\_no\\_22\\_-\\_2025.pdf](https://modelosfinanceiros.com.br/assets/documentos/gpef_-_texto_para_discusso_no_22_-_2025.pdf)

# **The Quarterly Observatory of the U.S. Economy: Macroeconomic Trends, 1<sup>st</sup> Quarter 2025**

April 2025

GPEF

Grupo de Pesquisa em Gestão e Planejamento  
Econômico-Financeiro

## **Introduction**

After a long period of relatively robust growth, GDP showed a negative rate of change in the first quarter of the year, and this reversal of the previous trend was also observed, with less intensity, in the trajectory of private consumption. Still, the most striking result at the beginning of 2025 was the sharp expansion of the trade deficit, which, on the one hand contributed to the reduction of GDP, but also had the effect of stimulating private investment, since part of the imports is linked to capital expenditures.

Regarding inflation rates, the most recent information indicates stabilization of the annual rates in the case of the CPI, although, according to the GDP deflator, a resurgence of inflation can already be observed. The larger inflationary pressures result, on the one hand, from the greater increases in commodity prices (PPI), and even more importantly, from the stronger expansion of the money supply (M1 stock).

Labor market data indicate that employment continues to expand, although the Manufacturing sector has been consistently showing reductions in the level of employment. There has also been a reduction in the pace of job growth in the Construction sector.

Regarding the Federal Government's financial results, for some items the most recent information corresponds to the last quarter of 2024. In this case, a higher growth in tax revenues was observed and, more markedly, a reduction in the deficit of the federal administration. Information on general expenditure (consumption) and government transfers is available for the first quarter of this year. These data show a reduction in expenses, and a positive variation in transfers, although at a moderate level. Public debt maintains its high growth trajectory, but with lower annual rates of change than in previous quarters.

## 1. GDP growth and its main factors

As expected, the GDP growth pattern has followed generally the changes in private consumption. The main difference is that, in the last quarter of 2024, the change in GDP showed a deceleration, while household consumption recorded stronger growth. However, in the first quarter of this year, the deceleration of GDP was more pronounced, with a negative rate of change (-0.07%). In turn, the change in aggregate consumption was only 0.44%.

In the first quarter, the most surprising result by far was the growth of the trade deficit, which varied by more than 30% with the anticipation of orders for products from abroad. This phenomenon also affected private investment data, since part of the imports corresponded to capital expenditures. In the first quarter of the year, the change in private investment was 5.07%. On the other hand, real interest rates (Aaa corporate bond yield) remained at a relatively stable level, around 2.5%.

## 1. GDP growth and its main factors

	Units	Last I-25	Previous IV-24	Change (%)		I-24	II-24	III-24	IV-24	I-25					
Real net exports	Bil. 2017 USD	-1,374.3	-1,052.7	1.00	-0.24	4.30	6.01	3.24	-1.55	30.56					
Real private consumption	Bil. 2017 USD	16,345.6	16,273.2	0.63	0.86	0.48	0.70	0.91	0.99	0.44					
Real private investment	Bil. 2017 USD	4,533.7	4,315.1	2.43	0.18	0.89	2.02	0.20	-1.43	5.07					
Real interest rates		I-25	IV-24	Real Rate (%)		I-24	II-24	III-24	IV-24	I-25	Forecast (%)				
Moody's Aaa yield	% (GDP Deflator)	2.59	2.68	1.95	2.11	2.54	2.48	2.37	2.68	2.59	2.07	1.77	1.54	1.32	1.10
		I-25	IV-24	Change (%)		I-24	II-24	III-24	IV-24	I-25	2025	2026	2027	2028	2029
Real GDP	Bil. 2017 USD	23,526.1	23,542.3	1.07	0.79	0.40	0.74	0.76	0.61	-0.07	1.86	1.95	2.24	2.33	2.43

## 2. Inflation and monetary aggregates

Inflation measured by the CPI (annual rates of change), which showed an overall trend of reduction until the third quarter of last year, apparently stabilized at a level around 2.5%. In the first quarter of this year, the annual rate was 2.41%. However, in the case of the GDP deflator, there are already signs of a resumption of rate hikes after reaching a lower level in the third quarter of 2024. At the beginning of this year, the average price change, according to the GDP deflator, was 2.63%, which represents an increase of 0.18 percentage points in relation to the previous quarter.

This pattern of stability, or even increase, in inflation rates is in line with the trajectory of the average price of commodities (PPI), which after displaying mostly negative variations until the third quarter of 2024, is currently stabilized, with an annual rate of around 1.5% – in the first quarter, this rate was 1.47%. One of the main factors explaining the higher inflationary pressures is the path of the money supply. The M1 stock, after several quarters with negative variation, returned to an expansion trend since the third quarter of last year.\* At the beginning of 2025, the annual change in M1 was 3.25%. In addition, the currency income velocity (M1) has remained at a relatively high level.

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\* One major issue with data for monetary variables was the change in the definition of M1 adopted by the Fed in May 2020, which caused a fourfold increase in the figure for that month. To deal with this change, an adjustment has been made to bring recent data in line with the original series.

## 2. Inflation and monetary aggregates

	Units	Last	Previous	Annual Change (%)											
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Consumer Price Index (CPI)	1982-84 = 100	319.62	317.60	3.70	3.32	3.47	2.97	2.43	2.87	2.41					
		Annual Change (%)									Forecast (%)				
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25	2025	2026	2027	2028	2029
GDP Deflator	2017 = 100	127.42	126.26	3.12	2.57	2.40	2.58	2.25	2.45	2.63	2.54	2.62	2.51	2.42	2.35
Monetary base	Bil. USD	5,775.2	5,604.1	2.88	7.79	5.59	2.20	0.38	-3.83	-1.83	3.14	4.42	4.34	4.60	4.38
M1*	Bil. USD	4,503.1	4,465.9	-10.64	-8.95	-4.95	-2.13	0.14	2.53	3.25	3.84	4.82	4.54	4.30	4.08
		M1 Velocity													
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
M1 income velocity	N.A.	4.965	4.918	4.760	4.820	4.928	4.981	4.972	4.918	4.965					
		Annual Change (%)													
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Producer Price Index (PPI) All commodities	1982 = 100	258.84	253.43	-3.35	-3.11	-0.77	0.81	-2.41	1.43	1.47					

\* See the previous page.

### **3. Broad sectors in the economy**

The trajectory of nominal income of the main sectors of the economy showed a significant recovery in the last quarter of last year (latest information available). In general, these sectors had been showing a downward trend in the growth rate – in the case of Utilities, Construction and Manufacturing sector, this rate was negative in the third quarter of 2024. However, the data for the last quarter proved to be much more favorable.

In the case of the Financial Services sector, the increase in the growth rate was close to 3 percentage points. In the Utilities, Construction and Manufacturing segment, which is strongly linked to the cyclical pattern of the economy, the growth rate in the last quarter of 2024 was 1.76%, which represents an increase of almost 2 percentage points.



### 3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)			Forecast (real rate, %)									
		IV-24	III-24	II-23	III-23	IV-23	I-24	II-24	III-24	IV-24	2025	2026	2027	2028	2029	
Utilities, Construc. and Manufactur.	Bil. USD	3,891	3,824	-0.62	2.10	1.74	1.16	0,0	-0.09	1.76	-0.09	1.40	1.48	1.44	1.36	
Trade and Transportation	Bil. USD	4,040	3,993	1.85	1.08	1.62	0.87	0.68	0.70	1.18	-1.29	0,80	2.20	1.97	1.87	
Financial services	Bil. USD	4,224	4,086	1.19	1.69	2.55	2.36	1.29	0.63	3.38						
Professional and business services	Bil. USD	3,982	3,909	0.77	1.41	1.04	3.14	1.21	0.88	1.85						

#### **4. Labor market**

The growth (annual rate) of total employment in the private sector, which had been on a downward trend since the beginning of 2023, had this general pattern changed in the last quarter of 2024, and this performance was repeated in the beginning of this year – the annual rates were, respectively, 1.16 and 1.17%. Further, this general trend was also present in the Private Services sector.

Further, there has been a downward trend in employment in the Manufacturing sector since the end of 2023 and, in the first quarter of this year, a negative rate of change was also present (-0.58%).

As the labor market loses momentum to a certain extent, the level of productivity in the private sector tends to rise – a pattern that has indeed been observed in recent years. In the first quarter of 2025, the labor productivity index increased by 2.08% (annual rate of change).

#### 4. Labor market

	Units	Last	Previous	Annual Change (%)											
Employment		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Total non-farm	Thousands	159,398	158,942	1.84	1.68	1.51	1.31	1.27	1.28	1.19					
		I-25	IV-24	Annual Change (%)							Forecast (%)				
Employment		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25	2025	2026	2027	2028	2029
Total private	Thousands	135,786	135,382	1.65	1.41	1.23	1.11	1.09	1.16	1.17	1.38	1.31	1.82	1.70	1.61
Employment		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Construction	Thousands	8,313	8,289	2.84	2.62	3.01	2.46	2.71	2.35	1.75					
Employment		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Manufacturing	Thousands	12,764	12,760	0.16	-0.19	-0.40	-0.30	-0.54	-0.82	-0.58					
Employment		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Private services	Thousands	114,086	113,709	1.72	1.51	1.30	1.20	1.18	1.33	1.35					
Labor productivity in private sector	2012=100	IV-24	III-24	II-23	III-23	IV-23	I-24	II-24	III-24	IV-24					
		115.96	115.38	1.76	2.90	3.05	3.30	3.04	2.456	2.08					

## 5. Government budget

In the last quarter of 2024 (latest data available), the Federal Government's tax collection had a growth rate of 1.82%, which was the best result since the first quarter of last year. In fact, the Federal Government's tax revenues have shown positive rates of change since the third quarter of 2023.

However, in the first quarter of this year, the consumption (general expenses) of the Federal Government fell by 0.45% – a strong contrast with the rate of the previous quarter (growth of 1.70%). In turn, the Government's net transfers showed a relatively low rate of change (0.59%).

In the last quarter of last year (most recent official data), the deficit of the federal administration decreased by 2.24%, but despite this, public debt remained with relatively high growth rates (6.52% by the end of last year).

## 5. Government budget

	Units	Last	Previous	Change (%)											
		IV-24	III-24	II-23	III-23	IV-23	I-24	II-24	III-24	IV-24					
Federal Govmt. tax revenue	Bil. USD	3,167.5	3,111.0	-0.60	1.12	1.11	2.63	1.62	1.04	1.82					
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Federal Govmt. consumption	Bil. USD	1,440.4	1,446.9	2.84	0.78	1.51	1.39	2.62	1.70	-0.45					
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Federal Govmt. net transfer payments	Bil. USD	2,563.3	2,548.1	-2.39	0.28	3.07	1.70	5.20	0.16	0.59					
		IV-24	III-24	II-23	III-23	IV-23	I-24	II-24	III-24	IV-24					
Federal Govmt. net saving	Bil. USD	-1,885,7	-1,928,9	1.34	1.07	0.85	3.24	2.60	7.67	-2.24					
		Annual Change (%)								Forecast (%)					
		IV-24	III-24	II-23	III-23	IV-23	I-24	II-24	III-24	IV-24	2025	2026	2027	2028	2029
Total Federal debt	Bil. USD	36,218.6	35,464.7	5.77	7.24	8.22	9.94	7.73	6.93	6.52	6.64	6.32	6.54	6.30	6.08