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, 2nd Quarter 2025

Textos para Discussão

No. 29 – julho, 2025.

O GPEF é um grupo de pesquisa criado na Universidade Federal do Rio de Janeiro (UFRJ) com foco em gestão financeira, economia empresarial, administração pública, e planejamento econômico-financeiro.

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Título

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Autor

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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

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.”
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Introduction

After the negative rate of change observed at the beginning of the year, the GDP presented a robust growth in the second quarter of 2025, and there was also a recovery, with less intensity, in the trajectory of private consumption. Still, the most striking phenomenon in the first half of this year was the rather irregular behavior of the trade deficit, which, on the one hand, contributed to the reduction of GDP in the first quarter, but had the effect of stimulating aggregate output in the second. In addition, these changes in the trade balance also affected private investment, since part of the imports is linked to capital expenditures.

With regard to inflation rates, the most recent information indicates a slight reduction in annual rates in the case of the CPI, although, according to the GDP deflator, the inflation pattern has been more stable. The present inflationary pressures result, on the one hand, from higher increases in commodity prices (PPI) and, more importantly, from the stronger expansion of the money supply (M1).

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

Regarding the Federal Government's financial results, for some items the most recent information corresponds to the first quarter of 2025. In this case, there was a greater growth in tax revenues and, more markedly, a reduction in the deficit of the federal government. Informations on general expenditure (consumption) and public transfers for the second quarter of this year are available. These data show a moderate increase in expenditure and a stronger variation in transfers. Public debt maintains its high growth trajectory, but with the most recent year-on-year rate of change well below those of previous quarters.

1. GDP growth and its main factors

After the strong expansion rates that occurred in the second half of last year, private consumption has been showing a much more moderate growth path in 2025, which points to a more contained GDP expansion trend. In the second quarter of this year, private consumption grew by only 0.36%, after a revised rate of 0.11% in the previous quarter.

The behavior of the GDP was quite irregular this year, with a change of 0.73% in the second quarter, after the drop observed in the previous period – a revised rate of -0.13. The GDP trajectory was affected by the behavior of the trade deficit, which fell by 24.5% in the second quarter of the year, after growing by 29.1% in the first. Given that part of the imports is directed to capital expenditures, the irregular trend of the trade balance also affected the data of private investment, which contracted 4.2% in the second quarter of 2025 after growing 5.5% in the first. On the other hand, real interest rates (Aaa corporate bond yields) remained relatively stable at around 2.7%.

1. GDP growth and its main factors

	Units	Last	Previous	Change (%)											
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
Real net exports	Bil. 2017 USD	-1,026.2	-1,358.9	-0.24	4.30	6.01	3.24	-1.55	29.10	-24.48					
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
Real private consumption	Bil. 2017 USD	16,350.2	16,291.8	0.86	0.48	0.70	0.91	0.99	0.11	0.36					
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
Real private investment	Bil. 2017 USD	4,363.0	4,551.9	0.18	0.89	2.02	0.20	-1.43	5.49	-4.15					
				Real Rate (%)							Forecast (%)				
Real interest rates		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
Moody's Aaa yield	% (GDP Deflator)	2.76	2.59	2.11	2.54	2.48	2.37	2.68	2.59	2.76	2.12	1.78	1.56	1.30	1.15
				Change (%)											
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
Real GDP	Bil. 2017 USD	23,685.2	23,512.7	0.79	0.40	0.74	0.76	0.61	-0.13	0.73	2.26	1.95	2.04	2.03	2.03

2. Inflation and monetary aggregates

Inflation measured by the CPI (annual rates of change) maintained an overall downward trend in the second quarter of this year, decreasing to 2.11% compared to the year-on-year rate of 2.41% in the previous period. However, in the case of the GDP deflator, there was a more irregular trajectory. After increasing by 2.63% in the first quarter, the annual rate of change fell to 2.49% in the second – practically the same rate as in the last quarter of 2024.

This pattern of stability, or even decrease, of inflation rates is in contradiction with the trend of the average price of commodities (PPI), which after showing mostly negative variations until the third quarter of 2024, is currently on an upward trend, with an annual rate of 1.67% in the second quarter, after reaching 1.34% in the first. Moreover, an even more important factor contributing to stronger inflationary pressures is the evolution of the money supply. The M1 aggregate, after several quarters with negative variation, returned to an expansion trend since the third quarter of last year.[*] In mid-2025, the annual rate of change of M1 was 4.2%. In addition, the M1 income velocity remained at a relatively high level.

[*] One major issue with data for monetary variables was the change in the M1 definition 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 (%)											
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
Consumer Price Index (CPI)	1982-84 = 100	321.5	319.61	3.32	3.47	3.54	2.43	2.87	2.41	2.11					
				Annual Change (%)							Forecast (%)				
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
GDP Deflator	2017 = 100	128.05	127.42	2.57	2.40	2.58	2.25	2.45	2.63	2.49	2.44	2.62	2.71	2.82	2.73
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
Monetary base	Bil. USD	5,748.6	5,775.2	7.79	5.59	2.20	0.38	-3.83	-1.83	0.29	2.14	3.42	4.84	4.70	4.58
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
M1*	Bil. USD	4,522.0	4,494.4	-8.95	-4.95	-2.13	0.14	2.53	3.25	4.24	3.54	4.62	4.64	4.50	4.38
				M1 Velocity											
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
M1 income velocity	N.A.	4.983	4.985	4.820	4.928	4.981	4.972	4.932	4.985	4.983					
				Annual Change (%)											
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
Producer Price Index (PPI) All commodities	1982 = 100	260.18	258.50	-3.11	-0.77	0.81	-2.41	1.42	1.34	1.67					

* See the previous page.

3. Broad sectors in the economy

The trajectory of nominal income in the main sectors of the economy showed a significant recovery in the last quarter of 2024, and this trend continued in the first quarter of this year (latest information available), albeit in a more moderate fashion. 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, since the end of last year, the data has been much more favorable.

In the Utilities, Construction and Manufacturing segment, which is strongly linked to the cyclical pattern of the economy, the growth rate in the first quarter was close to zero, after reaching 1.76% in the previous period. In the case of the Financial Services sector, the growth rate was close to 1.7% – similar to the performance of the Trade and Transportation segment.

3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)							Forecast (real rate, %)				
Utilities, Construc.		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25	2025	2026	2027	2028	2029
and Manufactur.	Bil. USD	3,896	3,891	2.10	1.74	1.16	0,0	-0.09	1.76	0.12	0.30	1.60	1.58	1.49	1.41
Trade and		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25	2025	2026	2027	2028	2029
Transportation	Bil. USD	4,108	4,040	1.08	1.62	0.87	0.68	0.70	1.17	1.70	0.70	1.00	2.25	2.02	1.92
		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
Financial services	Bil. USD	4,296	4,227	1.68	2.55	2.36	1.29	0.63	3.45	1.64					
Professional and		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25					
business services	Bil. USD	4,047	4,002	1.40	1.03	3.14	1.21	0.87	2.40	1.12					

4. Labor market

The growth of total employment in the private sector (annual rates of change) has mostly shown a downward trend since the beginning of 2023, which has remained persistent although not too strong. In the case of the Construction sector, the pattern of reduction in growth rates is more pronounced and has been occurring since the middle of last year.

The Private Services segment, by far the largest employer among the main sectors, has also shown a downward trend in employment growth, but with some recovery, albeit irregular, since the end of last year. On the other hand, the Manufacturing segment has experienced a reduction in employment levels since the end of 2023, and the rates have become more negative.

With the labor market losing dynamism, the productivity of employees tends to grow and, accordingly, the productivity index in the private sector has consistently shown positive rates of change.

4. Labor market

Employment	Units	Last II-25	Previous I-25	Annual Change (%) IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
Total non-farm	Thousands	159,724	159,275	1.68	1.51	1.31	1.27	1.28	1.12	1.15

Employment	Units	II-25	I-25	Annual Change (%) IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	Forecast (%) 2025	2026	2027	2028	2029
Total private	Thousands	136,026	135,682	1.41	1.23	1.11	1.09	1.16	1.09	1.08	1.20	1.32	1.57	1.48	1.40

Employment		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
Construction	Thousands	8,324	8,303	2.62	3.01	2.46	2.71	2.35	1.63	1.48

Employment		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
Manufacturing	Thousands	12,750	12,764	-0.19	-0.40	-0.30	-0.54	-0.82	-0.58	-0.69

Employment		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
Private services	Thousands	114,331	113,991	1.51	1.30	1.20	1.18	1.33	1.26	1.26

Labor productivity		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25
in private sector	2012=100	115.49	116.01	2.89	3.05	3.30	3.06	2.48	2.12	1.24

5. Government budget

In the first quarter of 2025 (latest data available), the Federal Government's tax collection had a growth rate of 2.62%, 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.

Further, in the second quarter of this year, the consumption (general expenses) of the Federal Government increased by 0.28% after displaying a negative rate of change in the previous period (a revised rate of –0.26%) – a strong contrast with the rate of the last quarter of 2024 (growth of 1.70%). In turn, the Government's net transfers showed a very steep rate of change (4.68%).

In the first quarter of this year (most recent official data), the deficit of the federal administration decreased by 3.01%, after a rate of –3.2% in the previous period. Moreover, the growth of the public debt diminished to 4.71% – a reduction of 1.8 percentage point in comparison to the last quarter of 2024.

5. Government budget

	Units	Last	Previous	Change (%)						
Federal Govmt.		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25
tax revenue	Bil. USD	3,262.9	3,179.6	1.12	1.11	2.63	1.62	1.04	2.21	2.62
Federal Govmt.		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
consumption	Bil. USD	1,447.1	1,443.1	0.78	1.51	1.39	2.62	1.70	-0.26	0.28
Federal Govmt. net		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
transfer payments	Bil. USD	2,688.9	2,568.8	0.28	3.07	1.70	5.20	-0.09	1.06	4.68
Federal Govmt.		I-25	IV-24	III-23	IV-23	I-24	II-24	III-24	IV-24	I-25
net saving	Bil. USD	-1,810,9	-1,867,1	1.07	0.85	3.24	2.60	7.67	-3.20	-3.01

				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
Total Federal debt	Bil. USD	36,214.3	36,218.6	7.24	8.22	9.94	7.73	6.93	6.52	4.71	6.54	6.42	6.44	6.40	6.28