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, 3rd Quarter 2025

Textos para Discussão

No. 33 – dezembro, 2025.

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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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December 2025

GPEF
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Introduction

In the third quarter, GDP maintained, even more strongly, the recovery trend observed in the previous quarter. The factors that most directly contribute to this tendency are the continued and robust expansion of private consumption and the performance of the trade balance. In the first case, the solid growth pattern that has prevailed since the beginning of 2023 was sustained. In relation to the second, the trade deficit continued to decline, albeit at a much slower pace than in the second quarter. On the other hand, the lower weight of imports, which is also related to capital expenditures, contributed to the small reduction observed in private investment.

Since the beginning of the year, major inflation indicators have captured a trend of accelerating price increases. Data for the CPI and GDP deflator show that the annual inflation rate was around 3% at the end of the third quarter. However, the latest information for the CPI indicates that a reversal of this trend occurred in November. Current 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).

Employment data have clearly shown a loss of dynamism in the labor market, with a very noticeable reduction in growth rates in the last two years. This year, this trend accentuated, and in the case of the Manufacturing sector, the rates of change have remained negative since the end of 2023.

Federal Government’s fiscal data show that there has been a reduction in the deficit since the end of last year. This tendency is mainly explained by the consistent growth of federal revenue, which had very high rates of change in the last two quarters. On the other hand, government expenditures are also growing, and so are net transfer payments. Even so, the reduction in the deficit has affected in a positive way the trajectory of the federal debt, which has shown diminishing rates of change in the last two years (data available until July).

1. GDP growth and its main factors

Recently released GDP data show that private consumption has resumed the stronger pace of expansion observed in 2024. In the third quarter, the rate of change was 0.87%, surpassing by a significant margin the growth that occurred in the second quarter (revised rate of 0.61%). This trend contributed to the strong GDP growth in the penultimate quarter of the year – rate of change of 1.07% – exceeding the revised rate of the previous quarter by more than 0.1 percentage point.

One factor that contributed to the favorable performance of the GDP was the reduction in the trade deficit (rate of change of –9.53%), which followed the sharp drop observed in the second quarter of this year (–23.37%). Given that part of total imports is related to capital expenditures, the reduction of the trade deficit is linked to a negative rate of change in private investment, which contracted 0.07% in the third quarter of 2025. Another beneficial factor for GDP was a significant downward movement in real interest rates.

1. GDP growth and its main factors

	Units	Last	Previous	Change (%)											
		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25					
Real net exports	Bil. 2017 USD	-957.2	-1,058.0	3.21	7.06	3.16	0.38	29.16	-23.37	-9.53					
Real private		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25					
consumption	Bil. 2017 USD	16,589.1	16,445.6	0.43	0.96	0.98	0.96	0.15	0.61	0.87					
Real private		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25					
investment	Bil. 2017 USD	4,379.7	4,382.8	-0.39	2.00	0.23	-1.74	5.38	-3.63	-0.07					
				Real Rate (%)							Forecast (%)				
Real interest rates		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25	2025	2026	2027	2028	2029
Moody's Aaa yield	% (GDP Deflator)	2.17	2.92	2.40	2.40	2.36	2.66	2.64	2.92	2.17	2.06	1.92	1.87	1.83	1.73
				Change (%)											
		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25	2025	2026	2027	2028	2029
Real GDP	Bil. 2017 USD	24,024.9	23,770.9	0.21	0.89	0.82	0.46	-0.16	0.95	1.07	2.30	1.93	1.92	1.97	2.00

2. Inflation and monetary aggregates

Inflation measured by the CPI (annual rate of change) maintained a general upward trend in the last two quarters, increasing by 0.26 percentage point in the second and by 0.35 in the third quarter – the annual rate was 3.02%. However, the latest information indicates a reversal of this trend, given that the inflation rate in November was 2.71%. The GDP deflator, in turn, has mostly remained in an upward trajectory since the end of 2024 – the latest inflation figure is 2.97%, which represents an increase of 0.51 percentage point compared to the previous quarter.

This general pattern of higher inflation rates is consistent with developments in average commodity prices (PPI), which have been mostly on an upward trend this year. In the third quarter, the rate of change accelerated by 2.04 percentage points and is currently at 3.82% (September data). Moreover, an even more important factor contributing to stronger inflationary pressures is the behavior of the money supply. The M1 aggregate has maintained a robust expansion trend since the end of last year.[*] In addition, M1's income-velocity remained at a relatively high level.

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[*] 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 (%)												
Consumer Price Index (CPI)		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25						
	1982-84 = 100	324.37	321.50	3.47	2.97	2.43	2.87	2.41	2.67	3.02						
				Annual Change (%)							Forecast (%)					
		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25	2025	2026	2027	2028	2029	
GDP deflator	2017 = 100	129.43	128.25	2.54	2.66	2.26	2.47	2.58	2.46	2.97	2.83	2.82	3.03	2.94	3.06	
		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25	2025	2026	2027	2028	2029	
Monetary base	Bil. USD	5,478.0	5,748.2	5.58	2.19	0.37	-3.83	-1.83	0.29	-1.96	-0.07	1.98	3.86	4.04	4.15	
		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25	2025	2026	2027	2028	2029	
M1*	Bil. USD	4,548.0	4,508.2	-4.95	-2.20	0.06	2.34	2.94	3.99	4.23	4.31	4.48	4.66	4.74	4.75	
				M1 Velocity												
M1 income velocity		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25						
	N.A.	5.083	5.070	4.969	5.058	5.056	5.009	5.057	5.070	5.083						
				Annual Change (%)												
Producer Price Index (PPI) All commodities		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25						
	1982 = 100	262.34	260.48	-0.77	0.81	-2.41	1.42	1.34	1.78	3.82						

* See the previous page.

3. Broad sectors in the economy

The paths of real income in the main sectors of the economy have shown distinct patterns since the end of last year. There was a downward trend in the case of Utilities, Construction and Manufacturing sector, which is strongly linked to the cyclical behavior of the economy, with negative rates of change until the first quarter of 2025, but there was a significant reversal in the second (most recent data). On the other hand, the opposite development has occurred in Trade and Transportation, with negative rates in the last two quarters.

In the case of the sectors Financial Services and Professional and Business Services, as expected, growth patterns have been more stable and, in both cases, rates of change increased in a major way in the second quarter of 2025.

3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)							Forecast (%)				
Utilities, Construc.		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
and Manufactur.	Bil. 2017 USD	3,636	3,574	1.56	-0.89	1.90	0.58	-0.01	-1.06	1.72	1.61	1.89	1.32	1.40	1.45
Trade and		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25	2025	2026	2027	2028	2029
Transportation	Bil. 2017 USD	3,342	3,353	1.23	1.61	0.32	1.89	0.12	-1.08	-0.33	2.34	1.69	2.20	2.12	2.12
		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
Financial services	Bil. 2017 USD	4,931	4,868	0.33	-0.36	1.00	0.16	0.73	0.78	1.30					
Professional and		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25					
business services	Bil. 2017 USD	3,555	3,516	0.65	0.30	0.49	0.92	0.67	0.26	1.10					

4. Labor market

The growth of total employment in the private sector (annual rates of change) has mostly been on a downward trend since the beginning of 2023, and this tendency has persisted this year. In the case of the Construction sector, the pattern of reduction in growth rates is more pronounced and has occurred since the middle of last year.

The Private Services segment, by far the largest employer among the major sectors, has also predominantly shown a downward trend in job growth, but with some recovery, since the end of last year. On the other hand, the Manufacturing segment has had a consistent pattern of reduction in employment levels since the end of 2023.

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

4. Labor market

	Units	Last	Previous	Annual Change (%)						
Employment		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
Total non-farm	Thousands	159,626	159,439	1.51	1.31	1.27	1.28	1.12	0.97	0.83

				Annual Change (%)							Forecast (%)				
Employment		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25	2025	2026	2027	2028	2029
Total private	Thousands	136,028	135,857	1.23	1.11	1.09	1.16	1.09	0.96	0.87	0.92	0.94	1.12	1.17	1.20

Employment		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
Construction	Thousands	8,305	8,303	3.01	2.46	2.71	2.35	1.63	1.22	0.46
Employment		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
Manufacturing	Thousands	12,706	12,736	-0.40	-0.30	-0.54	-0.82	-0.58	-0.80	-0.73
Employment		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
Private services	Thousands	114,407	114,198	1.30	1.20	1.18	1.33	1.26	1.14	1.10
Labor productivity		II-25	I-25	IV-23	I-24	II-24	III-24	IV-24	I-25	II-25
in private sector	2012=100	116.44	115.42	3.04	3.30	3.05	2.47	2.12	1.17	1.50

5. Government fiscal data

In the second quarter, the Federal Government's tax collection registered a significant increase compared to the previous trend – growth rate of 6.44% – and this pattern continued in the third quarter, although with less intensity (growth of 4.17%). This recent information is in line with the earlier trend, given that the Federal Government's tax revenues have registered positive rates of change since the second half of 2023.

In addition, the consumption (general expenditure) of the Federal Administration increased by 1.88% in the third quarter, after registering a negative rate of change in the first and only moderate growth in the second. In contrast, the Government's net transfers recorded a slight decrease according to the most recent data (–0.09%) after the very sharp rate of change of the previous quarter.

In addition, the growth of the public debt diminished to 3.96% in the second quarter (most recent official data) and, in the third, the Federal Government’s deficit decreased considerably (–4.36%) – in fact, the public deficit has been reducing since the end of 2024.

5. Government fiscal data

	Units	Last	Previous			Change (%)				
Federal Govmt.		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
tax revenue	Bil. USD	3,599.0	3,455.0	2.52	2.14	1.37	1.94	1.37	6.44	4.17
Federal Govmt.		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
consumption	Bil. USD	1,515.7	1,487.6	1.70	1.54	2.42	1.99	-0.26	0.39	1.88
Federal Govmt. net		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
transfer payments	Bil. USD	2,743.3	2,745.7	3.23	1.22	4.67	0.71	1.23	5.33	-0.09
Federal Govmt.		III-25	II-25	I-24	II-24	III-24	IV-24	I-25	II-25	III-25
net saving	Bil. USD	-1,810,1	-1,892,6	3.37	0.40	8.19	-1.08	-0.70	-1.47	-4.36

						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
Total Federal debt	Bil. USD	36,211.5	36,214.3	8.21	9.94	7.73	6.93	6.52	4.71	3.96	4.32	4.98	5.46	5.74	5.85