



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,
1st Quarter 2026

Textos para Discussão

No. 37 – abril, 2026.

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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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April 2026

GPEF
Grupo de Pesquisa em Gestão e Planejamento
Econômico-Financeiro

Introduction

In the first quarter, GDP grew at a stronger pace in comparison with the previous period. The factors that most directly contributed to this performance were the continued expansion of aggregate consumption and, especially, the stronger growth of private investment. On the other hand, the trade deficit widened sharply in the first quarter and therefore acted in the opposite direction to the growth in aggregate output.

Since the beginning of 2025, major inflation indicators have displayed a trend of accelerating price increases in most of this period. Moreover, in this year's first quarter, data for the CPI and GDP deflator show that inflation in 12 months was above 3%. Current inflationary pressures result, on the one hand, from the stronger expansion of the money supply (M1), but in March the main index for commodity prices (PPI) rose above 6%, indicating that this will be the main source of inflationary pressures in the coming months.

Employment data have mostly shown a loss of dynamism in the labor market in the last two years, with a very noticeable reduction in growth rates. However, in this year's first quarter, this trend reversed to a certain extent, and the rates of change of employment improved in comparison with the last quarter of 2025. Nevertheless, in the case of the Manufacturing sector, 12-month 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 2024. This tendency is mainly explained by the consistent growth of revenue, which had very high rates of change in the second and third quarters of last year. On the other hand, government expenditures' rates of change were moderate, or even negative, in most of last year, and the same trend occurred with net transfer payments – nevertheless, these rates increased in the first quarter of 2026. Even so, the deficit reduction has not been sufficient to limit the expansion of the federal debt, which had annual rates of change above 6% in the last two quarters of 2025 (most recent data available).

1. GDP growth and its main factors

The large fluctuations in the trade balance, which have occurred since the end of 2024, have contributed to changes in the trajectory of the GDP. In the middle of last year, due to sharp reductions in the trade deficit, GDP displayed stronger growth rates. On the other hand, in the first quarter of this year the opposite phenomenon happened, and the deficit was accentuated. Still, the relatively robust performance of private investment contributed to a more favorable trend of aggregate output. In the first quarter, the GDP growth rate rose to 0.49%, compared to the expansion of 0.12% in the previous period.

Aggregate consumption maintained the tendency of moderate expansion in the first quarter of 2026 – change of 0.40%, compared to the rate of 0.48% observed in the previous period. The gradual reduction of interest rates in real terms (Moody's Aaa yield) also contributed to the expansion of economic activity.

1. GDP growth and its main factors

	Units	Last I-26	Previous IV-25	Change (%)		I-25	II-25	III-25	IV-25	I-26					
				III-24	IV-24										
Real net exports	Bil. 2017 USD	-1067.5	-968,6	3.16	0.38	29.16	-23.37	-9.69	1.38	10.21					
Real private consumption	Bil. 2017 USD	16,731.1	16,665.2	0.98	0.96	0.15	0.61	0.85	0.48	0.40					
Real private investment	Bil. 2017 USD	4,501.1	4,408.2	0.23	-1.74	5.38	-3.63	0.01	0.57	2.11					
Real interest rates				Real Rate (%)							Forecast (%)				
Moody's Aaa yield	% (GDP Deflator)	I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26	2026	2027	2028	2029	2030
		2.11	1.94	2.36	2.66	2.64	2.92	2.17	1.94	2.11	1.39	1.52	1.42	1.35	1.29
				Change (%)											
Real GDP	Bil. 2017 USD	I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26	2026	2027	2028	2029	2030
		24,174.5	24,055.7	0.82	0.46	-0.16	0.95	1.08	0.12	0.49	1.76	1.88	2.00	1.92	1.92

2. Inflation and monetary aggregates

The data in each quarter for the Consumer Price Index show that the annual inflation rate has fluctuated persistently. Following this pattern, the number for the first quarter of this year (data for March) showed a strong acceleration – 0.64 percentage point above February’s rate. On the other hand, as expected, the GDP deflator has shown a more regular pattern, with rates of change in 12 months following an almost constant upward trend since the end of 2024. In the first quarter, the two indicators had the same result for annual inflation (3.29%).

In any case, the most important development in relation to the path of inflation was observed in the index that evaluates average commodity prices (PPI all commodities), which rose 6.03% in March – in terms of comparison, the annual change in February was 3.13%. Certainly, this trend will have a major impact on prices of final goods in the coming months. Another factor contributing to inflationary pressures was the strong increase in money supply (M1) in March – a rate of change of 4.73% in 12 months.* In addition, the income velocity of the M1 has remained at a 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 (%)											
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Consumer Price Index (CPI)	1982-84 = 100	330.29	326.03	2.43	2.87	2.38	2.68	3.02	2.65	3.29					
				Annual Change (%)							Forecast (%)				
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26	2026	2027	2028	2029	2030
GDP deflator	2017 = 100	131.77	130.62	2.26	2.47	2.58	2.46	2.97	3.30	3.29	3.46	3.68	3.46	3.22	2.98
Monetary base	Bil. USD	5,458.6	5,373.7	0.37	-3.84	-1.83	0.29	-1.96	-4.10	-5.48	1.75	1.77	2.49	2.21	1.94
M1*	Bil. USD	4,737.8	4,668.4	-0.03	2.30	2.82	3.91	4.03	3.87	4.73	4.89	5.77	5.49	5.21	4.94
		M1 Velocity													
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
M1 income velocity	N.A.	4.981	4.976	5.014	4.967	5.019	5.010	5.045	4.976	4.981					
		Annual Change (%)													
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Producer Price Index (PPI) All commodities	1982 = 100	274.10	261.34	-2.41	1.42	1.34	1.79	3.71	3.13	6.03					

* See the previous page.

3. Broad sectors in the economy

The trends in the real income of the main sectors of the economy showed different patterns in the second half of last year. In general, the sectors had a favorable performance in the third quarter of 2025, but in the fourth quarter (latest information available) the Utilities, Construction and Manufacturing segment had a negative rate of change (-0.91%), while Trade and Transportation displayed growth (1.1%).

In the case of the sectors Financial Services and Professional and Business Services, as expected, growth patterns have been more stable but, in both cases, rates of change had major reductions in the last quarter of 2025.

3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)						Forecast (%)					
		IV-25	III-25	II-24	III-24	IV-24	I-25	II-25	III-25	IV-25	2026	2027	2028	2029	2030
Utilities, Construc. and Manufactur.	Bil. 2017 USD	3,643	3,677	1.90	0.58	-0.01	-1.06	1.72	1.11	-0.91	2.76	0.79	1.04	1.29	1.29
Trade and Transportation	Bil. 2017 USD	3,432	3,394	0.32	1.89	0.12	-1.08	-0.33	1.57	1.10	0.68	1.73	2.13	1.86	1.87
Financial services	Bil. 2017 USD	4,978	4,970	1.00	0.16	0.72	0.78	1.30	0.79	0.15					
Professional and business services	Bil. 2017 USD	3,605	3,598	0.49	0.92	0.68	0.26	1.10	1.22	0.20					

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 through 2025. However, there was slightly more favorable data in the first quarter (0,37% annual growth). In the case of the Construction sector, the expansion of employment in this year's first quarter was more pronounced (0,69% rate of change in 12 months).

The Manufacturing sector, on the other hand, has had a consistent path of reduction in employment levels since the end of 2023, and this pattern was maintained at the beginning of this year. In the case of the Private Services segment, by far the largest employer among the major sectors, it has also predominantly shown an overall downward trend in job growth, albeit maintaining positive rates.

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

4. Labor market

	Units	Last	Previous	Annual Change (%)											
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Employment															
Total non-farm	Thousands	158,637	158,432	0.96	0.93	0.58	0.50	0.40	0.07	0.16					
				Annual Change (%)							Forecast (%)				
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26	2026	2027	2028	2029	2030
Employment															
Total private	Thousands	135,320	135,083	0.74	0.76	0.48	0.40	0.40	0.22	0.37	0.64	1.05	1.27	1.27	1.28
Employment		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Construction	Thousands	8,330	8,272	2.50	2.17	1.34	0.87	0.01	-0.05	0.69					
Employment		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Manufacturing	Thousands	12,591	12,580	-0.89	-1.39	-1.32	-1.39	-1.14	-0.89	-0.59					
Employment		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Private services	Thousands	113,796	113,627	0.83	0.93	0.64	0.57	0.62	0.38	0.47					
Labor productivity		IV-25	III-25	II-24	III-24	IV-24	I-25	II-25	III-25	IV-25					
in private sector	2012=100	119.69	119.15	3.29	2.84	2.34	1.96	2.12	2.61	2.58					

5. Government fiscal data

An important trend observed in the federal government's fiscal data is the consistent reduction of the deficit since the end of 2024. In the last two quarters of last year (most recent information available), deficit reductions were around 6%. However, these favorable results were not enough to trim down the expansion of the federal debt (12-month rates of change), and in the last two quarters of 2025 these rates exceeded 6%.

On the other hand, the revenue of the federal administration showed more moderate growth in the fourth quarter of last year compared to previous periods. Regarding government consumption (general expenses), data for the first quarter is also known, and there was an expansion of 1.1% – compared to a drop of 1.2% in the last quarter of 2025. In addition, the total amount of government's net transfers maintained its moderate expansion trend – an increase of 0.5% in the first quarter of the year.

5. Government fiscal data

	Units	Last	Previous	Change (%)						Forecast (%)					
		IV-25	III-25	II-24	III-24	IV-24	I-25	II-25	III-25	IV-25	2026	2027	2028	2029	2030
Federal Govmt. tax revenue	Bil. USD	3,717.8	3,612.5	2.14	1.37	1.94	1.37	6.44	4.56	2.92					
Federal Govmt. consumption	Bil. USD	1,513.7	1,497.8	2.42	1.99	-0.26	0.39	1.95	-1.24	1.06					
Federal Govmt. net transfer payments	Bil. USD	2,746.1	2,732.8	4.67	0.72	1.24	5.34	-0.48	0.01	0.49					
Federal Govmt. net saving	Bil. USD	-1,664.1	-1,786.6	0.40	8.19	-1.08	-0.70	-1.47	-5.60	-6.85					
Total Federal debt	Bil. USD	38,514.0	37,637.5	7.73	6.93	6.52	4.71	3.96	6.13	6.34	5.05	4.97	4.70	4.42	4.15