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 2026

Textos para Discussão

No. 41 – julho, 2026.

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Manuel Alcino Ribeiro da Fonseca (mfonseca@facc.ufrj.br).

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Título

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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

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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July 2026

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Introduction

GDP data in the second quarter indicates that the relatively stronger expansion that occurred in the first quarter of the year was an exception in a trajectory, observed since the second half of 2025, in which the reduction in growth predominates. The main factors explaining this trend are lower growth in private investment and stronger expansion of the trade deficit. On the other hand, the higher rate of change in aggregate consumption and the reduction in real interest rates acted in the opposite direction.

Since the end of last year, key price indicators have shown a distinct pattern of accelerating inflation. This trend is most clearly present in the GDP deflator – the rate of change in the second quarter (4.33%) is the highest since the end of 2022. The increase in the prices of goods and services follows the strong expansion of the money supply (M1) during this period and, especially, the significant increase in commodity prices.

The latest labor market data show that, in June, there was a stronger expansion of total employment in the private sector, which recorded the highest rate of change in 12 months since the middle of last year. This favorable trend was led by the Construction sector, and the Private Services segment also showed stronger employment growth. On the other hand, the Manufacturing sector remains with negative rates of change in the annual comparison.

The available data indicates that there was a deterioration in the fiscal situation of the federal government in early 2026. The fiscal deficit, which had been declining since the end of 2024, increased sharply in the first quarter – this is the most recent information for this indicator. This result contributed to the 7.87% growth of the federal debt in 12 months – the largest change since the beginning of 2024. In addition, government revenues fell in the first quarter. In the case of government consumption expenditures, information is available for the second quarter, and the data show that there was a slight decrease.

1. GDP growth and its main factors

After reaching a growth peak in the third quarter of last year, quarterly GDP has maintained a predominantly downward trajectory. In 2026, the rate of change decreased from 0.52% in the first quarter to 0.37% in the second. Regarding the main factors affecting GDP performance, the most important trends are:

◦ Continued expansion of the trade deficit since the end of last year. In the second quarter, the deficit increased 7.27%.

◦ Resumption of stronger growth in aggregate consumption in the second quarter of 2026.

◦ Reduction in private investment growth, which did not follow the path of the trade balance – generally, stronger expansions of the trade deficit and investment occur together, but this did not happen in the second quarter.

◦ Real interest rates (Moody's Aaa corporate rates) declined in the second quarter, a move that is due to rising inflation rather than lower nominal rates.

1. GDP growth and its main factors

	Units	Last	Previous	Change (%)											
		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
Real net exports	Bil. 2017 USD	-1,074.6	-1,001.8	0.38	29.16	-23.37	-9.69	1.38	3.42	7.27					
Real private		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
consumption	Bil. 2017 USD	16,817.9	16,687.7	0.96	0.15	0.61	0.85	0.48	0.14	0.78					
Real private		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
investment	Bil. 2017 USD	4,526.2	4,492.8	-1.74	5.38	-3.63	0.01	0.57	1.92	0.74					
				Real Rate (%)							Forecast (%)				
Real interest rates		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26	2026	2027	2028	2029	2030
Moody's Aaa yield	% (GDP Deflator)	1.13	2.11	2.66	2.64	2.92	2.17	1.94	2.11	1.14	1.48	1.28	1.20	1.11	1.02
				Change (%)											
		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26	2026	2027	2028	2029	2030
Real GDP	Bil. 2017 USD	24,270.5	24,180.4	0.46	-0.16	0.95	1.08	0.12	0.52	0.37	1.36	1.98	2.11	2.01	1.93

2. Inflation and monetary aggregates

Since the end of last year, the 12-month inflation rate from CPI data has mostly shown an upward trend – in June, this rate stood at 3.46%. In turn, the GDP deflator displayed a similar behavior in terms of annual inflation, and in the second quarter of 2026 the rate of change was 4.33%. The main factors that explain the general increase in the prices of final goods and services are:

◦ Strong acceleration of inflation in commodity prices, especially in the energy segment – in June, the Producer Price Index (all commodities) rose 10.11% in 12 months.

◦ High monetary expansion resulting from a larger fiscal deficit and the Fed's accommodative policy for overall liquidity in the economy. In June the money supply (M1) increased 5,83% (annual rate).[*]

◦ Higher demand for liquidity from individuals and firms, which has kept the M1 income-velocity at high levels.

[*] 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 (%)							Forecast (%)				
Consumer Price		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
Index (CPI)	1982-84 = 100	332.56	330.29	2.87	2.38	2.68	3.02	2.65	3.29	3.46					
				Annual Change (%)							Forecast (%)				
		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26	2026	2027	2028	2029	2030
GDP deflator	2017 = 100	133.80	131.78	2.47	2.58	2.46	2.97	3.30	3.30	4.33	4.04	3.82	3.25	2.81	2.46
		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26	2026	2027	2028	2029	2030
Monetary base	Bil. USD	5,488.4	5,458.6	-3.84	-1.83	0.29	-1.96	-4.10	-5.48	-4.52	-1.24	0.77	0.49	0.21	-0.05
		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26	2026	2027	2028	2029	2030
M1*	Bil. USD	4,808.1	4,737.7	2.30	2.83	3.90	4.03	3.87	4.73	5.83	6.14	5.14	4.42	3.83	3.36
				M1 Velocity											
M1 income		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
velocity	N.A.	4.933	4.962	4.967	5.019	5.010	5.045	4.962	4.962	4.933					
				Annual Change (%)											
Producer Price		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
Index (PPI) All commodities	1982 = 100	286.82	276.04	1.42	1.34	1.79	3.71	3.12	6.78	10.11					

* See the previous page.

3. Broad sectors in the economy

Trends in the real income of the main sectors showed different patterns in the second half of last year. In general, the sectors performed favorably in the third quarter of 2025, but in the fourth quarter the Utilities, Construction and Manufacturing segment recorded a negative rate of change (-0.91%), while Trade and Transportation recorded growth (1.09%). However, in the first quarter of this year (the most recent information), there was a reversal in this pattern – solid growth (1.42%) in the first case, accompanied by a significant reduction in activity in the second (-1.36%).

As expected, growth patterns in the Financial Services and Professional and Business Services sectors have been more stable, but in the former case there was a slightly negative rate of change in the first quarter of 2026, while the latter recorded relatively strong growth.

3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)							Forecast (%)				
Utilities, Construc.		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26	2026	2027	2028	2029	2030
and Manufactur.	Bil. 2017 USD	3,695	3,643	0.59	-0.02	-1.06	1.73	1.12	-0.91	1.42	1.91	0.53	0.88	0.92	1.05
Trade and		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26	2026	2027	2028	2029	2030
Transportation	Bil. 2017 USD	3,385	3,432	1.90	0.12	-1.08	-0.33	1.58	1.09	-1.36	-0.46	1.69	1.30	1.01	0.73
		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
Financial services	Bil. 2017 USD	4,975	4,978	0.16	0.73	0.78	1.30	0.79	0.15	-0.05					
Professional and		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
business services	Bil. 2017 USD	3,639	3,605	0.93	0.68	0.27	1.10	1.22	0.20	0.92					

4. Labor market

Total employment growth in the private sector (annual rates of change) has been mostly on a downward trend since the beginning of 2023, and this pattern continued in 2025. However, there were more favorable data in the first two quarters of this year (respectively, 0.37% and 0.53% annual growth). In the Construction sector, the expansion of employment in the first half of 2026 was more pronounced, with a rate of change of 0.77% in June.

The Manufacturing sector, on the other hand, has had a consistent path of reducing employment levels since the end of 2023, and this pattern was maintained in the first two quarters of this year. In the case of the Private Services segment, by far the largest employer among the major sectors, it has also shown an overall downward trend in employment growth in 2025, but with positive rates. However, in the first half of this year there was a reversal in this trend, with higher rates of change in 12 months.

On the other hand, the productivity index in the private sector has consistently shown positive rates of change over the past 12 months – a pattern normally associated with a less dynamic labor market.

4. Labor market

	Units	Last	Previous	Annual Change (%)						
Employment		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26
Total non-farm	Thousands	158,984	158,650	0.93	0.58	0.50	0.40	0.07	0.17	0.32

				Annual Change (%)							Forecast (%)				
Employment		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26	2026	2027	2028	2029	2030
Total private	Thousands	135,613	135,317	0.76	0.48	0.40	0.40	0.22	0.37	0.53	0.40	1.05	1.10	0.99	0.91

Employment		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26
Construction	Thousands	8,331	8,311	2.17	1.34	0.87	0.01	-0.05	0.46	0.77

Employment		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26
Manufacturing	Thousands	12,598	12,598	-1.39	-1.32	-1.39	-1.14	-0.89	-0.54	-0.30

Employment		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26
Private services	Thousands	114,077	113,804	0.93	0.64	0.57	0.62	0.38	0.48	0.62

Labor productivity		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26
in private sector	2012=100	119.72	119.69	2.84	2.34	1.98	2.14	2.64	2.55	2.82

5. Government fiscal data

This year, there was a reversal of the recent trend in the federal government deficit, which had been showing negative rates of change since the end of 2024. In the first quarter (most recent information), the deficit increased by 7.24%. This situation contributed to a 7.87% growth of the federal debt in 12 months.

On the other hand, in the first quarter, federal government revenues fell 1.63%, ending a long period of consistent growth. Regarding the government's consumption (general expenses), data for the second quarter are also known, and there was a reduction of 0.17. However, also in the second quarter, the net transfers from the federal government showed a stronger expansion – an increase of 1.65%.

5. Government fiscal data

	Units	Last	Previous	Change (%)											
Federal Govmt.		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
tax revenue	Bil. USD	3,645.4	3,705.9	1.37	1.94	1.37	6.44	4.56	2.59	-1.63					
Federal Govmt.		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
consumption	Bil. USD	1,509.8	1,512.5	1.99	-0.26	0.39	1.95	-1.24	0.98	-0.17					
Federal Govmt. net		II-26	I-26	IV-24	I-25	II-25	III-25	IV-25	I-26	II-26					
transfer payments	Bil. USD	2,804.0	2,758.4	0.72	1.24	5.34	-0.48	0.35	0.60	1.65					
Federal Govmt.		I-26	IV-25	III-24	IV-24	I-25	II-25	III-25	IV-25	I-26					
net saving	Bil. USD	-1,807,1	-1,685,1	8.19	-1.08	-0.70	-1.47	-5.60	-5.68	7.24					
				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
Total Federal debt	Bil. USD	39,065.4	38,514.0	6.93	6.52	4.71	3.96	6.13	6.34	7.87	5.94	5.59	4.87	4.29	3.81