

# Executive Summary

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# Forecast overview

## Stronger growth, lower unemployment, higher tariffs, and the OBBBA

- S&P Global Market Intelligence forecasts 1.7% GDP growth in 2025, followed by 2.4% growth in 2026 and 1.7% growth in 2027.<sup>1</sup> Growth in 2025 and 2026 is revised up from last month by 0.3 and 0.4 percentage point, respectively.<sup>2</sup>
- With near-term GDP growth stronger in this month's forecast, the unemployment rate peaks at a lower level than last month. Following a reading of 4.2% in July, the unemployment rate rises to 4.5% by mid-2026, where it remains for about two years. In last month's forecast, the unemployment rate peaked 0.1 percentage point higher at 4.6%.
- The average effective tariff rate is higher in this month's forecast than in the July baseline. Last month, in addition to various sector-specific (Section 232) tariffs, we assumed that a 10% universal baseline tariff would apply to all countries outside of North America and mainland China. Since we published last month's forecast, various trade deals were reached that included tariff rates of 15% or higher, and the universal baseline tariff was raised for many countries from 10% to 15%. With all of these new rates now in effect, the statutory average effective tariff rate on nonpetroleum imports is 21%, four percentage points higher than the 17% rate assumed in last month's forecast.
- With marginally tighter labor markets and a higher average effective tariff rate, core PCE<sup>3</sup> inflation rises from 2.7% in the second quarter to a peak of 3.8% in the fourth quarter of 2025 (measured on a four-quarter percent change basis), 0.2 percentage point higher than the peak in last month's forecast.
- With core inflation reaching a (higher) peak late this year, we continue to expect the Federal Reserve to maintain the funds rate target range at the current range, 4.25% - 4.50%, until December of this year.

### The One Big Beautiful Bill Act

In this month's forecast, we replaced our placeholder assumption for fiscal policy with provisions in the One Big Beautiful Bill Act (OBBBA). There are similarities and some important differences between our placeholder assumption and the OBBBA. First, the OBBBA extended indefinitely the cuts to marginal personal tax rates enacted in the 2017 Tax Cuts and Jobs Act. This was included in our placeholder assumption. However, the additional personal tax relief in the OBBBA (e.g., relief on tip income and overtime pay) was smaller than we had assumed. As a result, beginning in 2026, personal tax payments are higher and disposable personal income is lower than in our July baseline forecast.

### Expensing provisions have modest impact

The OBBBA includes expensing provisions for business capital that were not included in our placeholder assumption. But these provisions, in our estimation, will have only a modest impact on investment spending. With full expensing, businesses can write off the full cost of new investment in the current tax year, reducing their taxable income. But this also means businesses will lose tax deductions in future years that were scheduled under prior law. What matters for business behavior is the present value of current and future tax deductions, which is boosted by a switch to full expensing, but not by much.

### Average corporate tax rate is higher

The OBBBA did not include reductions in the marginal and average tax rates on corporate income, as we assumed in our placeholder assumption. Rather, it left the marginal tax rate unchanged and introduced several new provisions that, in our estimation, will marginally raise the average corporate tax rate. This, in turn, reduces after-tax profits and dividends, which weigh on projected equity values.

### Fiscal restraint is different than expected

OBBBA includes fiscal restraint that is considerably different from the fiscal restraint included in our placeholder assumption. We had assumed federal direct spending would be reduced relative to baseline. Instead, federal direct spending was increased, and fiscal restraint came in the form of reduced outlays for Medicaid, Affordable Care Act insurance premium tax credits, Supplemental Nutrition Assistance Program benefits, and student loan forgiveness. The largest of these provisions are those surrounding Medicaid. In our forecast, we assume that states assume a larger role in the provision of Medicaid benefits, mitigating the impact of reduced federal outlays. Increased federal spending is a boost to GDP growth in the early portion of the forecast, while reduced outlays for Medicaid and other programs are a new source of drag.

1. This forecast was issued on August 6, 2025. Unless otherwise noted, all quarterly growth rates are stated as compound annual rates, all expenditure components of GDP are in chained 2017 dollars, and all annual growth rates are full-year over full-year percent changes.

2. Our [Forecast Flash](#) expands on the source of upward revisions to the forecast.

3. PCE is the acronym for personal consumption expenditures.

# Forecast at a glance

## Base forecast (August 2025) 2025:Q3 - 2029:Q4

	Major economic indicators																	
	% ch. from prior quarter, annual rate						% ch. from prior year, or annual average						% ch. from fourth quarter of prior year, or fourth-quarter average					
	2025.1	2025.2	2025.3	2025.4	2026.1	2026.2	2024	2025	2026	2027	2028	2029	2024.4	2025.4	2026.4	2027.4	2028.4	2029.4
<b>Key indicators of real activity</b>																		
Real gross domestic product	-0.5	3.0	1.1	1.9	2.9	3.0	2.8	1.7	2.4	1.7	1.6	1.7	2.5	1.4	2.5	1.5	1.6	1.7
Contributions to growth (% points):																		
Final sales to domestic purchasers	1.5	1.1	-0.2	0.6	1.9	2.1	3.1	1.8	1.3	1.7	1.9	2.0	3.1	0.8	1.8	1.7	1.9	2.0
Net exports of goods & services	-4.6	5.0	-0.1	0.9	0.8	0.5	-0.4	-0.2	0.8	0.1	-0.2	-0.3	-0.4	0.3	0.5	-0.1	-0.2	-0.3
Change in private inventories	2.6	-3.2	1.4	0.4	0.2	0.5	0.1	0.1	0.2	0.0	-0.1	0.0	-0.2	0.3	0.2	-0.1	-0.1	0.0
<b>Major components of real GDP</b>																		
Personal consumption expend.	0.5	1.4	1.0	0.8	2.4	2.1	2.8	1.9	1.7	2.1	2.4	2.4	3.1	0.9	2.0	2.2	2.5	2.4
Nonres. fixed investment	10.3	1.9	-2.9	-2.1	0.1	2.7	3.6	2.5	0.2	1.3	1.5	2.1	2.3	1.7	1.5	1.1	1.8	2.3
Residential investment	-1.3	-4.6	-10.0	-2.2	3.5	3.3	4.2	-2.3	-0.1	2.5	2.1	2.0	2.8	-4.6	3.0	2.2	2.2	1.8
Change in private inventories *	160.5	-26.0	55.2	78.2	89.3	120.2	39.0	67.0	118.3	111.4	90.2	82.3	8.9	78.2	131.7	99.2	86.4	80.3
Exports of goods & services	0.4	-1.8	-1.6	1.9	3.8	5.7	3.3	0.9	3.1	4.2	3.4	3.1	3.0	-0.3	5.0	3.6	3.3	2.9
Imports of goods & services	37.9	-30.3	-0.5	-5.2	-3.4	1.0	5.3	2.4	-3.7	2.8	4.6	4.8	5.5	-2.4	0.2	3.9	4.8	4.7
Govt consump. & gross invest.	-0.6	0.4	-0.2	2.4	0.8	0.7	3.4	1.4	0.8	0.1	-0.3	-0.2	3.2	0.5	0.6	-0.1	-0.3	-0.2
<b>Prices, Productivity, &amp; Costs</b>																		
Pvt. housing starts (thous. units)	1401	1327	1309	1330	1316	1311	1371	1342	1315	1321	1334	1341	1387	1330	1319	1323	1342	1340
Light vehicle sales (mil. units)	16.4	16.1	15.8	14.9	14.6	14.8	15.8	15.8	15.0	15.6	15.8	16.1	16.5	14.9	15.4	15.7	15.9	16.1
Industrial production, total	4.3	1.1	0.1	-1.7	-1.3	1.7	-0.3	1.0	-0.3	-0.1	-0.2	0.6	-0.3	0.9	0.1	-0.4	0.2	0.7
Industrial production, mfg	3.7	2.1	0.1	-1.3	0.5	1.4	-0.5	0.9	0.5	0.4	0.0	0.5	-0.5	1.1	1.1	-0.2	0.2	0.6
Capacity utilization (mfg, %)	76.6	76.8	76.6	76.1	75.9	75.9	76.8	76.5	75.9	75.1	74.1	73.6	76.2	76.1	75.8	74.6	73.9	73.4
Nonfarm payroll employ. (mil.)	159.2	159.5	159.6	159.7	160.0	160.2	158.0	159.5	160.3	161.0	161.3	161.9	158.6	159.7	160.7	161.1	161.5	162.1
Average monthly chg. (thous.)	111	64	82	38	85	80	168	74	75	34	36	53	209	38	68	22	43	56
Private nonfarm hours	1.3	2.5	-0.1	0.3	0.7	0.7	0.2	1.1	0.6	0.2	0.1	0.3	0.6	1.0	0.5	0.1	0.1	0.3
Civilian unemployment rate (%)	4.1	4.2	4.3	4.4	4.4	4.5	4.0	4.2	4.5	4.5	4.5	4.4	4.2	4.4	4.5	4.5	4.4	4.3
<b>Selected Financial Variables</b>																		
Federal funds rate (%)	4.33	4.33	4.35	4.30	3.90	3.58	5.14	4.33	3.47	2.87	2.92	3.13	4.65	4.30	3.07	2.87	3.06	3.13
Yield on 10-Yr Treasury Notes (%)	4.45	4.36	4.36	4.27	4.14	4.04	4.21	4.36	4.02	3.89	3.92	3.97	4.28	4.27	3.93	3.88	3.94	3.98
Baa corporate bond yield (%)	6.06	6.29	6.15	6.17	6.20	6.22	5.81	6.17	6.22	6.20	6.15	6.11	5.82	6.17	6.23	6.18	6.13	6.10
Broad trade-wtd US\$ (Jan 2006=100)	127.9	122.7	120.3	119.7	119.5	119.5	123.2	122.6	119.5	119.6	119.9	120.7	126.1	119.7	119.6	119.6	120.1	121.0
S&P 500 stock index, period end	5612	6205	6332	6287	6134	6016	5882	6287	5849	5774	5790	5817	5882	6287	5849	5774	5790	5817
S&P 500 stock index, average	5901	5737	6290	6309	6210	6075	5427	6059	6036	5786	5781	5802	5911	6309	5889	5769	5788	5814
<b>Incomes &amp; Related Measures</b>																		
Corporate profits w/ IVA & CCAdj	-8.7	-2.4	-13.4	6.2	8.7	8.1	7.9	0.4	3.5	0.6	0.2	2.7	6.9	-4.8	5.7	-1.0	1.1	3.2
Real disposable personal income	2.5	3.0	-1.4	0.4	8.4	3.4	2.7	1.6	3.3	2.9	2.6	2.4	2.3	1.1	4.5	2.6	2.5	2.4
Personal saving rate (%)	4.3	4.7	4.1	4.1	5.4	5.7	4.6	4.3	5.9	6.6	6.8	6.8	3.8	4.1	6.3	6.7	6.7	6.7
Fed. surplus (unified, FY, bil. \$)	-2385	-121	-1555	-1888	-2595	-803	-1832	-1726	-1788	-1953	-2120	-1844	-2844	-1888	-2247	-2407	-2171	-2274

\* billions of chained 2017 \$

\*\* % change, not annualized, HPI = house price index

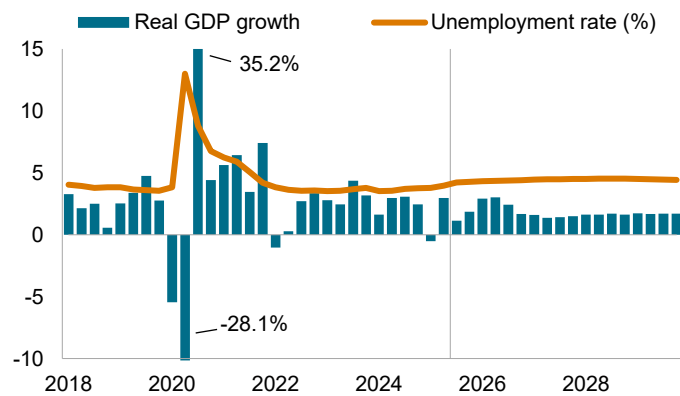
Source: S&P Global Market Intelligence

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## Forecast at a glance

### Growth rebounded in Q2, forecast revised up thru 2026

Percent change, annual rate



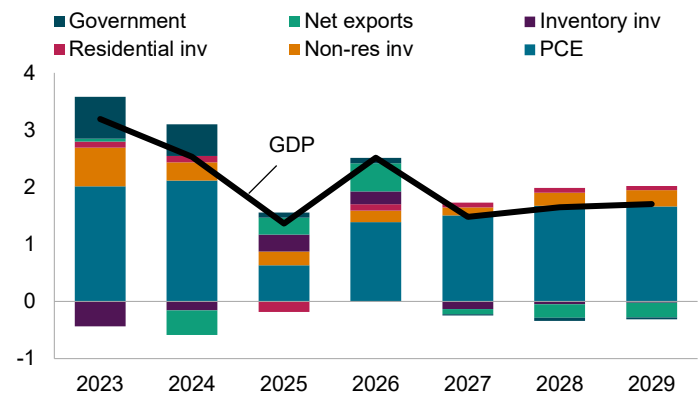
As of Aug. 6, 2025.

Sources: S&P Global Market Intelligence; BEA; BLS.

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### Contributions to GDP growth (Q4/Q4)

Percentage points



As of Aug. 6, 2025.

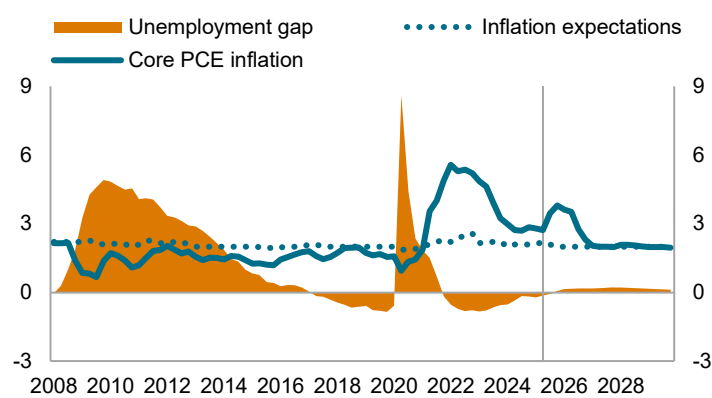
Sources: S&P Global Market Intelligence; BEA.

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### Core PCE inflation rises to 3.8% in 2025 due to tariffs

4-quarter percent change

Percentage points



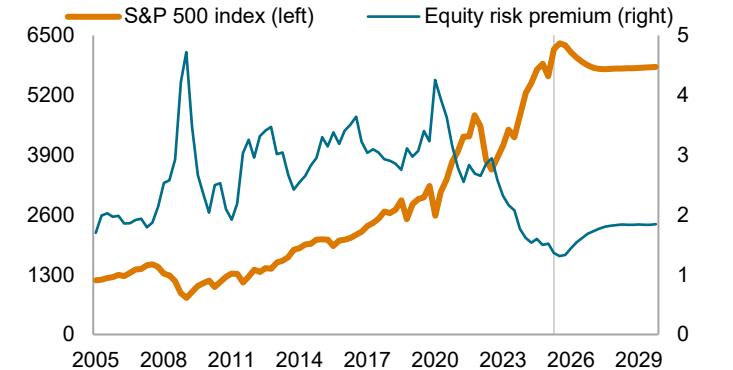
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### Following Q2 rebound, equities decline 7% through mid-2027, roughly flat thereafter

Index



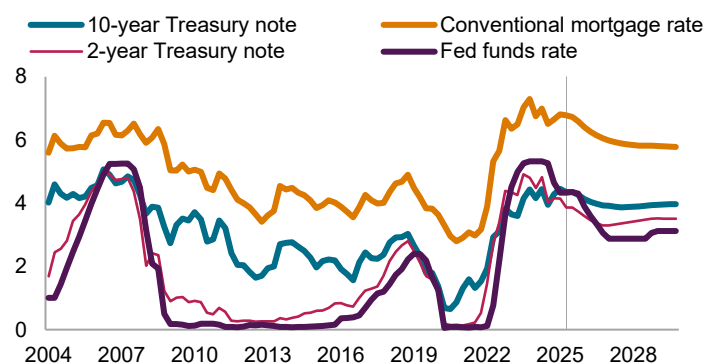
As of Aug. 6, 2025.

Sources: S&P Global Market Intelligence; S&P.

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### Fed on pause until December 2025, cuts five times in 2026 as unemployment rate rises to 4.5%

Percent



As of Aug. 6, 2025.

Sources: S&P Global Market Intelligence; FRB.

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### Price of Brent crude oil

Dollars per barrel



As of Aug. 6, 2025.

Source: S&P Global Market Intelligence.

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## Consumer spending soft in Q2 as tariffs emerge in June prices; payrolls revised lower

**Consumer markets:** Spending rose 0.1% in June, following a 0.2% decline in May, as growth remained stuck in low gear. Real PCE rose a modest 1.4% in the second quarter, up from 0.5% in the first. Growth in the first two quarters of 2025, however, averaged a lackluster 1.0%, down from 3.1% in 2024. PCE prices excluding food and energy (core) firmed 0.3% in June, leaving the 12-month change at 2.8%, little changed from January. Core inflation slowed to 2.5% in the second quarter, after surging 3.5% in the first. In our forecast, core inflation jumps to 5.1% in the third quarter (quarterly basis) and to 3.8% this year on a four-quarter basis, as the impact of higher tariffs cannot be delayed indefinitely. The leading edge of those price hikes was visible in June, as evidenced by the 0.4% rise in goods inflation. Personal income rebounded 0.3% in June, after falling 0.4% in May. June's 0.1% monthly rise in wages and salaries was the slowest in a year and was well below recent averages. Income growth slowed from 6.7% in the first quarter to 5.3% in the second. The rise in the second quarter was helped by gains in wages and salaries, up 4.9%, and personal transfer receipts, up 12.6%. Income growth continued to outpace inflation, offering modest support to spending. Growth of real disposable personal income (DPI) rose to 3.0% in the second quarter, up from 2.5% in the first, and has now grown for twelve consecutive quarters. Taken together, slowing income gains and rising prices have demand in the third quarter looking soft, while volatile trade policy and consumer fears remain risks to growth this year.

**Labor markets:** The labor market remains in a delicate balance with some cracks starting to emerge. Nonfarm payroll employment rose by 73,000 jobs and the unemployment rate ticked up to 4.2% in July. The increase in payrolls was below expectations, and gains in the prior two months were revised lower by a combined 258,000 jobs. Payroll gains over the three months ending in July averaged just 35,000 jobs, well below the average of 150,000 over the prior 12 months (ending in April 2025). Employment in the household survey fell by 260,000; the labor force dipped by 38,000 people, outpaced by a 221,000 rise in the number of unemployed. The participation rate ticked down to 62.2% in July and has fallen 0.5 percentage point over the last 12 months, with most of that decline happening over the last four months. The wheels could still fall off later this year, but for now, employment continues to chug along in a low gear. We expect the labor market will continue to soften over the near-term, with payroll gains slowing to an average of 57,000 over the balance of the year and the unemployment rate rising to a peak of 4.5% by mid-2026.

**Business investment:** Growth of business fixed investment (BFI) slowed from 6.0% in 2023 to 3.6% in 2024 and is forecast to slow further to 2.5% in 2025 and 0.2% in 2026. After that, growth of BFI firms. Growth of BFI is stronger over the next few years than in last month's forecast. This is partly due to new expensing provisions in the One Big Beautiful Bill Act. More importantly, though, it reflects the markup to GDP growth, which feeds back as increased demand for business capacity. Focusing on the near term, we continue to expect declines in equipment spending over the second half of this year, as the jump in imports of capital goods early in 2025 unwinds.

**Housing and construction:** The number of new single-family homes for sale has surged to half a million, its highest level since 2007. Builders have responded by cutting prices and offering non-price incentives to keep completed home inventory from rising further. Meanwhile, tariffs and labor shortages resulting from deportations are raising costs. As a result, homebuilders will scale back housing starts. Housing starts are expected to slow from 1.37 million in 2024 to 1.34 million in 2025 and further to 1.32 million in 2026. Home sales will also struggle due to the locked-in effect: homeowners with low-interest-rate mortgages feel stuck, as buying a new home would mean borrowing at today's high rates. We expect existing home sales to slide from 4.07 million sales in 2024, the lowest tally in 29 years, to 4.00 million in 2025 and bounce back to 4.39 million in 2026 as homes become more affordable due to lower mortgage rates and lower real home prices.

**International trade:** The US trade deficit as a percent of GDP decreased from 4.2% in the first quarter to 2.9% in the second. Imports surged at a 37.9% rate in the first quarter but subsequently dropped 30.3% in the second. Tariff revenues are accumulating. Revenues from customs duties generated \$26.6 billion in June, up from \$6.3 billion in June 2024, according to the Monthly Treasury Statement. The effective tariff rate on goods climbed to 9.1%, up from 2.2% in June 2024. Generally, tariffs tend to strengthen the dollar, while uncertainty tends to weaken it. This year, uncertainty has played a stronger role: the dollar is down 6.1% from December 31. In the forecast, the broad dollar index is expected to fall from its second-quarter level of 122.7 to 119.7 by late 2025 and stabilize around that level thereafter. We expected net exports to contribute 0.1 percentage point to third-quarter GDP growth after deducting 5.0 percentage points in the second. Net exports deduct 0.2 percentage point from growth this year, but add 0.8 percentage point in 2026.

## Key forecast assumptions

### OBBBA and higher tariffs in the August forecast while the Fed remains on hold until Dec. 2025

**Federal fiscal policy:** This month we folded the One Big Beautiful Bill Act (OBBBA) into our forecast. The OBBBA extends indefinitely the cuts to marginal personal tax rates enacted in the 2017 Tax Cuts and Jobs Act and includes new deductions for tip income and overtime pay, among other personal tax provisions. The OBBBA includes new expensing provisions for business capital and new and expanded deductions for corporations, but rescinds most of the clean-energy tax credits previously introduced in the Inflation Reduction Act. The OBBBA includes increased federal direct spending, but reduces outlays for Medicaid, ACA insurance premium tax credits, and SNAP benefits. We assume federal employment falls by 255,000 through October 2025.

**State & local fiscal policy:** Unspent pandemic-era funds as well as monies authorized under the Infrastructure Investment & Jobs Act (IIJA) mitigate pressures to reduce state and local spending. States take on a larger share of provisions for Medicaid benefits, as federal grants are reduced, but still trim Medicaid rolls over 2027 and 2028.

**Population:** Our net international migration assumptions are 500,000 lower per year, relative to Census projections, for the next four years.

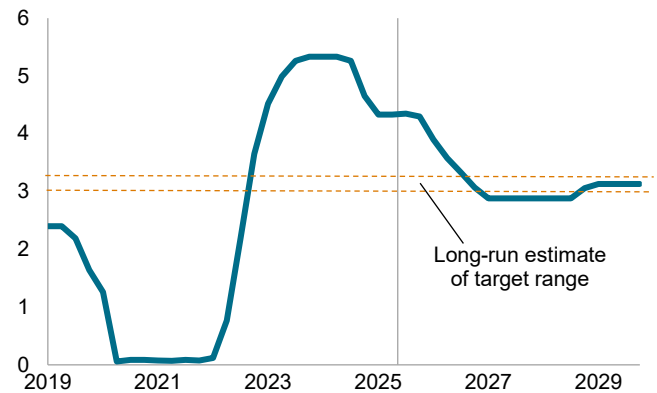
**Monetary policy:** We assume the Fed holds the funds rate at the current level until December 2025. The Fed then cuts by 25 basis points at three consecutive meetings through March 2026 before slowing to a pace of every other meeting over the rest of 2026, bringing the federal funds rate target to a range of 2.75%-3.00%, 25 basis points below our estimate of the long-run “neutral” range. The Fed raises the funds rate back to neutral in late 2028.

**Tariffs and trade:** In addition to the Section 232 tariffs already in place, our August forecast includes new Section 232 tariffs on lumber, semiconductors, pharmaceuticals, and critical minerals, ranging from 10% to 25%, effective in fourth quarter 2025. We include International Emergency Economic Powers Act tariffs tied to fentanyl flows and immigration on imports from China (20%), Canada (35%) and Mexico (25%). The latter two step down to 12% by mid-2026. For “reciprocal” tariffs, this forecast assumes rates that were announced on Aug. 1, which range from 10% to 50%.

**Global outlook:** Growth of real trade-weighted foreign GDP edges down from 2.1% in 2024 to 1.8% in 2025 before rising to 2.3% on average over 2026-2029. Foreign CPI inflation receded to 3.2% in 2024 and eases further to 2.3% in 2025 where it remains in 2026. Foreign sovereign bond yields average 2.8% from 2025-2029.

#### Federal funds rate

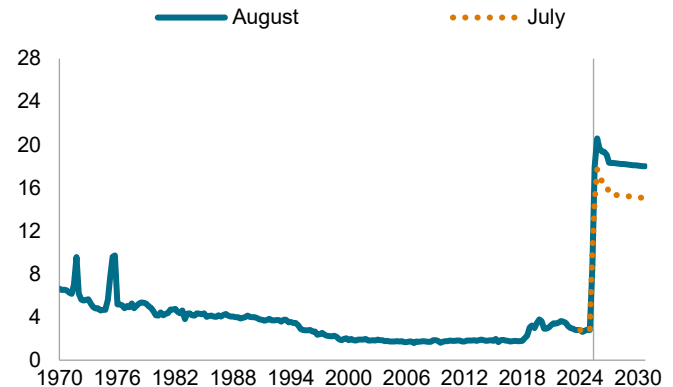
Percent



Sources: S&P Global Market Intelligence; Federal Reserve Board.  
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#### Average effective tariff rate

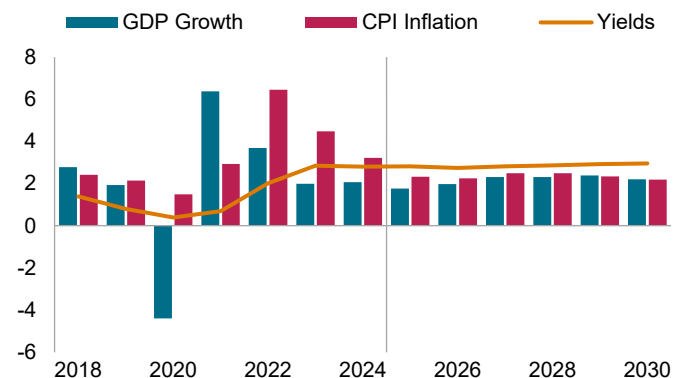
Percent



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#### Foreign growth, inflation, term govt bond yields

Percent



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## Alternative scenarios

### Two alternative outcomes for the US economy

*Our assessment of the economic risks around the baseline forecast has changed from last month. Relative to our base forecast, we now view risks as being slightly tilted to the downside. Downside risks stem from tariff-induced inflationary pressures, more restrictions on immigration resulting in more deportations, and a deterioration of financial conditions relative to the baseline. Posing upside risks are favorable financial conditions due to more lenient trade policy along with less restrictions on immigration resulting in less deportations than in the baseline. As a result, we assign a 50% probability to our base forecast, 30% to the Pessimistic, and 20% to the Optimistic scenario.*

#### **Pessimistic Scenario: Strict trade/immigration policy and mild near-term financial stress lead to economic weakness (30% probability)**

The pessimistic scenario is characterized by higher tariffs across the board and more pronounced countermeasures by trading partners. Underlying this narrative is the assumption that higher tariffs cause higher inflation, while financial conditions deteriorate further, hampering economic activity and leading to a decline in consumer and business confidence. Furthermore, the scenario assumes that deportations happen faster and on a larger scale relative to the baseline. As a result, GDP is essentially flat in the third quarter of this year and declines in the fourth, with a cumulative, non-annualized decline of 0.1% over the second half.

GDP growth remains consistently below baseline through mid-2028 as a result of the tariff-induced inflationary pressures, slower population growth, and a negative response in financial markets to the trade and immigration policy assumptions included in this scenario. On an annual basis, GDP growth averages an unimpressive 1.1% over 2025-2027, versus trend-like growth of 1.9% in the base.

Declining consumer demand and deteriorating financial conditions lead businesses to scale back investment plans. Business fixed investment declines at an average rate of 0.4% over 2025-2027, versus average growth of 1.3% in the base case.

The unemployment rate in this scenario rises from 4.2% in the second quarter of 2025 to 6.3% by late 2027, before easing to 6.0% by the end of the forecast horizon, 1.7 percentage points above the baseline.

PCE inflation is initially higher than the base due to higher tariffs, but subsequently falls below baseline in early 2027 following the weakness in the economy, and remains well below target through 2029 as a result of the additional slack in labor markets. The Fed begins an aggressive series of rate cuts in fall 2025 due to the economic weakness and takes the funds rate down to a range of 1.75%-2.00% by late 2026. It begins normalization back towards baseline in mid-2029 once the unemployment rate and inflation are on a sustainable track towards baseline.

#### **Optimistic Scenario: Lenient trade/immigration policy and improved financial conditions boost growth (20% probability)**

The optimistic scenario is characterized by lower tariffs across the board and less pronounced countermeasures by trading partners than in the base. Underlying this narrative is the assumption that lower tariffs lead to faster moderation in inflation and lower the neutral fed funds rate by 25 basis points. Lower interest rates, along with improved financial conditions, are an additional source of strength in the economy. Furthermore, the scenario assumes that deportations happen slower and on a lesser scale than in the base. Looser trade policy implies less downward pressure on imports of goods and pushes net exports lower than in the baseline. The more lenient immigration policy is less of a drag on population growth, and, by extension, economic output.

GDP growth remains consistently above baseline through 2028 as a result of the joint effect of favorable financial conditions due to the lower tariffs and faster population growth. On an average annual basis, GDP growth averages an above trend 2.4% over 2025-2027, versus trend-like growth of 1.9% in the base case.

Modestly stronger consumer demand and improved financial conditions lead businesses to expand investment plans. Business fixed investment rises over 2025-2027 at an average annual growth rate of 2.1%, versus an unimpressive average increase of 1.3% in the base.

The unemployment rate in this scenario edges up to 4.3% by late 2025, 0.2 percentage point below the peak in the baseline, where it remains through 2029.

PCE inflation is lower than the baseline early on due to the lower tariffs, but subsequently moves above baseline in mid-2026 and remains above baseline through 2029 as a result of the economic strength and the tightness in labor markets. The Fed continues the current easing cycle at a faster pace than in the baseline, cutting three times in 2025 and four more in 2026 until the funds rate reaches a range of 2.50-2.75% in late 2026, 25 basis points below the baseline range.



## US Macro Forecast Snapshot

	Baseline (50%)	Pessimistic (30%)	Optimistic (20%)
<b>GDP growth</b>	Real GDP rose 2.8% in 2024. Growth continues at 1.7% in 2025 and 2.4% in 2026.	Real GDP growth comes in at 1.4% in 2025 and slows to 0.9% in 2026.	Real GDP growth falls to 1.9% in 2025 and rises to 3.3% in 2026.
<b>Consumer spending</b>	Consumption rose from 2.5% in 2023 to 2.8% in 2024. Growth continues at 1.9% in 2025 and 1.7% in 2026.	Spending growth drops to 1.7% in 2025 and decelerates to 0.2% in 2026.	Spending comes in at 2.2% in 2025 and rises to 2.9% in 2026.
<b>Business fixed investment</b>	Rose 3.6% in 2024 and rises 2.5% in 2025, then falls 0.2 in 2026.	Rises 2.1% in 2025 before contracting 2.7% in 2026.	Rises 2.7% in 2025 and 1.5% in 2026.
<b>Housing</b>	Housing starts fell from 1.42 million in 2023 to 1.37 million in 2024 then nudge up to 1.34 million in 2025 before declining to 1.32 million in 2026.	Housing starts will drop to 1.33 million in 2025 and 1.19 million in 2026.	Housing starts will increase to 1.35 million in 2025 and pick up to 1.37 million in 2026.
<b>Exports</b>	Rose 3.3% in 2024; rise 0.9% in 2025 and 3.1% in 2026.	Rise 0.7% in 2025 and 1.5% in 2026.	Will rise 1.0% in 2025 and 3.6% in 2026.
<b>Fiscal policy</b>	Personal tax cuts under 2017 TCJA made permanent. Additional personal and corporate tax cuts enacted.	Average effective tariff rate is 22%, roughly 4% higher than in the baseline	Average effective tariff rate is 13%, roughly 5% lower than in the baseline
<b>Monetary policy</b>	We expect the federal funds rate target to remain unchanged until December 2025 when the Fed resumes the easing cycle. Five cuts over 2026 bring the range to 2.75%- 3.00% by yearend	The federal funds rate target is lowered sooner and more rapidly than in the baseline, reaching a range of 1.75%-2.00% by late 2026, then picks up in late 2029 to 3.00%-3.25 in 2030	The federal funds rate target range is cut more rapidly than in the base, settling at a range of 2.50%-2.75% by late-2026 before rising to 2.75%-3.00% in early 2029
<b>Credit conditions</b>	Loosened slightly in 2024; conditions similar amidst steady interest rates in 2025.	Remain slightly tighter than in baseline.	Remain slightly looser than in baseline.
<b>Productivity growth</b>	Rose 2.7% in 2024, and will rise 0.8% in 2025 and 2.2% in 2026.	Rises 0.6% in 2025 and 1.9% in 2026.	Rises 1.0% in 2025 and 2.7% in 2026.
<b>Consumer confidence</b>	Rises steadily until early-2029, then at a slower clip through the end of the forecast.	Remains consistently below the baseline.	Outperforms the baseline through 2032, then remains roughly inline over the rest of the forecast interval.
<b>Oil prices (Dollars/barrel)</b>	Average price of Brent crude oil fell from \$83/barrel in 2023 to \$81 in 2024. It falls to \$68 in 2025 before declining to \$56 in 2026.	Brent crude oil averages \$67 in 2025 and \$51 in 2026.	Brent crude oil averages \$68 in 2025 and \$60 in 2026.
<b>Stock markets</b>	The year-end value of the S&P 500 rose 23.3% over 2024, and rises 6.9% in 2025 before contracting 7.0% over 2026.	The year-end value of the S&P 500 increases 0.6% in 2025 and drops 7.1% in 2026.	The year-end value of the S&P 500 jumps 9.3% in 2025 and contracts 4.9% in 2026.
<b>Inflation (PCE)</b>	Core personal consumption (PCE) price inflation was 2.8% in 2024, and rises to 3.2% in 2025 and decelerates to 3.0% in 2026.	Core PCE price inflation rises to 3.2% in 2025 and ticks up to 3.3% in 2026.	Core PCE price inflation rises to 3.0% in 2025 and falls to 2.8% in 2026.
<b>Foreign growth</b>	Eurozone GDP growth will edge up to 0.9% over in 2025, while China's growth will fall from 5.0% in 2024 to 4.5% in 2025.	Induced effect from higher tariffs than baseline	Induced effect from lower tariffs than baseline
<b>US dollar</b>	The broad real dollar decreases slowly and steadily until 2027, picking up over the rest of the forecast.	Falls below baseline early on but rises above base in early 2027 and remains above through the rest of the forecast.	Decreases steadily through 2027 but remains above baseline through the forecast.

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## Alternative Scenarios of the US Economy

	Annual rates							Annual averages					Q4/Q4						
	2025.2	2025.3	2025.4	2026.1	2026.2	2026.3	2024	2025	2026	2027	2028	2029	2024	2025	2026	2027	2028	2029	
Pessimistic Scenario: Strict trade/immigration policy and mild near-term financial stress lead to economic weakness (Prob. = 30%)																			
Composition of Real GDP, Percent Change																			
Gross Domestic Product	3.0	0.3	-0.7	1.2	1.7	1.2	2.8	1.4	0.9	0.9	1.3	1.8	2.5	0.5	1.2	0.9	1.5	1.9	
Total Consumption	1.4	0.3	-0.8	0.4	0.3	0.2	2.8	1.7	0.2	0.8	1.9	2.6	3.1	0.3	0.3	1.2	2.3	2.8	
Nonresidential Fixed Investment	1.9	-3.9	-5.7	-3.9	-0.8	-1.0	3.6	2.1	-2.8	-0.6	0.8	2.0	2.3	0.5	-1.7	-0.2	1.3	2.3	
Residential Fixed Investment	-4.6	-11.3	-4.2	-2.6	-1.0	-0.7	4.2	-2.7	-3.5	0.6	1.7	1.3	2.8	-5.4	-1.0	1.4	1.7	1.0	
Exports	-1.8	-2.1	-0.2	1.1	4.0	5.8	3.3	0.7	1.5	3.9	3.3	3.1	3.0	-0.9	3.6	3.5	3.2	3.0	
Imports	-30.3	-1.4	-7.7	-7.9	-3.4	-2.1	5.3	2.1	-6.8	0.5	4.0	5.0	5.5	-3.3	-3.7	2.3	4.6	5.1	
Federal Government	-3.7	-0.9	5.6	2.8	2.2	1.6	2.6	0.4	2.0	0.4	-0.8	-0.4	4.2	-1.0	1.7	-0.3	-0.6	-0.6	
State & Local Government	3.0	0.2	0.5	-0.4	-0.1	-0.1	3.9	2.1	0.2	0.0	-0.1	-0.1	2.7	1.4	-0.1	0.0	-0.2	0.0	
Prices & Wages, Percent Change																			
Consumer Prices	1.6	3.7	2.5	3.6	2.3	2.1	3.0	2.8	2.7	2.2	1.9	1.9	2.7	2.9	2.4	2.2	1.9	1.9	
Producer Prices, Finished Goods	-2.5	4.7	2.1	2.0	-1.2	0.4	1.2	1.9	1.2	1.8	1.7	1.3	1.8	2.1	0.4	2.6	1.3	1.4	
Compensation per hour	4.3	4.5	5.2	7.2	4.4	3.0	5.2	4.2	5.0	3.9	3.7	3.0	4.4	4.8	4.6	3.9	3.4	3.0	
Other Key Measures, Percent Change																			
Productivity	1.2	0.6	0.2	2.5	3.3	2.8	2.7	0.6	1.9	2.2	1.9	1.5	2.1	0.0	2.7	2.0	1.7	1.3	
Total Industrial Production	1.1	-0.7	-4.6	-3.7	0.0	-1.3	-0.3	0.7	-2.0	-0.8	-0.4	0.7	-0.3	0.0	-1.4	-0.8	0.2	0.9	
Payroll Employment	0.7	0.2	-0.6	-0.6	-0.8	-0.9	1.3	0.9	-0.5	-0.7	-0.2	0.5	1.2	0.4	-0.8	-0.6	0.0	0.7	
Incomes, Percent Change																			
Personal Income	5.3	3.6	3.2	6.5	3.8	3.2	5.4	4.8	4.4	4.0	3.9	4.0	5.2	4.7	4.4	4.1	3.9	4.2	
After-Tax Profits (Four-qr.% change)	-2.4	-15.9	-7.8	2.5	4.4	4.5	7.9	-0.8	-1.8	0.6	1.0	3.4	6.9	-8.8	3.1	-0.4	1.9	3.9	
	Levels							Annual averages					Q4 values						
Other Key Measures																			
Brent Crude, Spot Price (\$/bbl)	67.87	67.89	56.26	51.51	52.96	51.52	80.50	66.95	51.47	64.28	70.91	75.68	74.53	56.26	49.88	68.28	72.56	77.50	
Nonfarm Inven. Chg. (Bil.2017 \$)	-30.1	40.5	4.5	21.4	60.3	78.9	37.2	43.8	61.7	80.2	78.2	84.6	4.9	4.5	86.4	76.2	80.7	86.3	
Light Vehicle Sales (Mil. units, saar)	16.1	15.7	14.5	13.6	13.5	13.7	15.8	15.7	13.7	14.1	14.6	15.1	16.5	14.5	13.8	14.2	14.8	15.3	
Housing Starts (Mil. units, saar)	1.327	1.296	1.287	1.228	1.194	1.176	1.371	1.328	1.190	1.152	1.145	1.130	1.387	1.287	1.164	1.147	1.142	1.124	
Unemployment Rate (%)	4.2	4.3	4.6	5.0	5.3	5.5	4.0	4.3	5.4	6.1	6.3	6.2	4.2	4.6	5.7	6.3	6.3	6.0	
Federal Surplus (Unified, FY, bil. \$)	-121.0	-1561.7	-1871.8	-2546.1	-754.7	-1836.1	-2033.4	-1484.8	-1841.9	-1995.1	-2062.4	-1847.2	-2843.8	-1871.8	-2230.6	-2419.4	-2167.3	-2245.8	
Financial Markets, NSA, Quarter Average																			
Federal Funds Rate (%)	4.33	4.28	3.63	3.15	2.66	2.33	5.14	4.14	2.55	1.88	1.88	1.97	4.65	3.63	2.07	1.88	1.88	2.20	
10-Year Treasury Note Yield (%)	4.36	4.31	3.92	3.60	3.48	3.46	4.21	4.26	3.50	3.50	3.64	3.79	4.28	3.92	3.45	3.54	3.71	3.83	
	Annual rates							Annual averages					Q4/Q4						
Optimistic Scenario: Lenient trade/immigration policy and improved financial conditions boost growth (Prob. = 20%)																			
Composition of Real GDP, Percent Change																			
Gross Domestic Product	3.0	2.0	3.6	4.2	3.7	2.8	2.8	1.9	3.3	2.0	1.7	1.6	2.5	2.0	3.2	1.7	1.7	1.6	
Total Consumption	1.4	2.2	3.1	3.8	2.9	2.6	2.8	2.2	2.9	2.6	2.6	2.3	3.1	1.8	2.9	2.6	2.5	2.2	
Nonresidential Fixed Investment	1.9	-2.1	-0.2	2.0	4.0	2.8	3.6	2.7	1.5	1.9	1.9	2.2	2.3	2.4	2.7	1.6	2.1	2.2	
Residential Fixed Investment	-4.6	-9.2	-0.5	5.6	5.4	4.7	4.2	-2.1	1.6	3.7	2.6	2.3	2.8	-4.0	5.0	3.0	2.6	2.0	
Exports	-1.8	-1.0	2.4	4.5	6.0	6.8	3.3	1.0	3.6	4.5	3.5	3.1	3.0	0.0	5.3	3.8	3.4	2.8	
Imports	-30.3	0.6	-2.6	-0.6	3.6	3.9	5.3	2.7	-1.5	4.4	5.0	4.6	5.5	-1.5	2.6	4.9	4.9	4.4	
Federal Government	-3.7	-0.9	5.6	2.8	2.2	1.6	2.6	0.4	2.0	0.4	-0.8	-0.4	4.2	-1.0	1.7	-0.3	-0.6	-0.6	
State & Local Government	3.0	0.2	0.5	-0.4	-0.1	-0.1	3.9	2.1	0.2	0.0	-0.1	-0.1	2.7	1.4	-0.1	0.0	-0.2	0.0	
Prices & Wages, Percent Change																			
Consumer Prices	1.6	2.9	3.0	2.9	2.1	3.1	3.0	2.7	2.6	3.0	2.5	2.2	2.7	2.8	2.5	3.2	2.3	2.2	
Producer Prices, Finished Goods	-2.5	3.4	1.6	2.1	-1.1	1.6	1.2	1.7	1.1	2.6	2.2	1.5	1.8	1.6	0.8	3.3	1.7	1.6	
Compensation per hour	4.3	3.6	3.1	5.3	3.3	3.6	5.2	4.0	4.0	4.9	4.9	3.9	4.4	4.0	4.2	5.4	4.5	3.8	
Other Key Measures, Percent Change																			
Productivity	1.2	1.8	2.9	3.5	3.1	2.5	2.7	1.0	2.7	1.9	1.8	1.7	2.1	1.0	2.7	1.7	1.9	1.6	
Total Industrial Production	1.1	0.7	-0.3	0.1	2.7	0.4	-0.3	1.2	0.7	0.1	-0.1	0.6	-0.3	1.5	0.9	-0.3	0.2	0.6	
Payroll Employment	0.7	0.7	0.7	1.1	1.0	0.7	1.3	1.0	0.8	0.5	0.2	0.3	1.2	0.8	0.9	0.4	0.2	0.3	
Incomes, Percent Change																			
Personal Income	5.3	3.7	5.1	8.5	6.4	6.3	5.4	5.0	6.2	6.1	5.1	4.4	5.2	5.2	6.8	5.8	4.8	4.3	
Corporate profits w/ IVA & CCAj	-2.4	-11.9	18.0	15.5	11.2	8.3	7.9	1.3	8.3	1.4	0.2	2.3	6.9	-1.9	8.5	-0.5	1.1	2.6	
	Levels							Annual averages					Q4 values						
Other Key Measures																			
Brent Crude, Spot Price (\$/bbl)	67.87	67.89	61.72	60.62	61.14	59.71	80.50	68.32	59.81	69.98	73.64	75.92	74.53	61.72	57.79	72.77	74.38	77.50	
Nonfarm Inven. Chg. (Bil.2017 \$)	-30.1	51.7	80.9	106.1	147.5	160.5	37.2	65.8	142.7	128.8	99.4	84.6	4.9	80.9	156.8	112.3	93.4	79.6	
Light Vehicle Sales (Mil. units, saar)	16.1	16.0	15.4	15.2	15.4	15.8	15.8	16.0	15.6	16.2	16.4	16.6	16.5	15.4	16.0	16.3	16.5	16.6	
Housing Starts (Mil. units, saar)	1.327	1.320	1.353	1.353	1.363	1.378	1.371	1.350	1.371	1.403	1.425	1.434	1.387	1.353	1.391	1.410	1.434	1.432	
Unemployment Rate (%)	4.2	4.2	4.3	4.3	4.3	4.3	4.0	4.2	4.3	4.3	4.3	4.3	4.2	4.3	4.3	4.3	4.3	4.3	
Federal Surplus (Unified, FY, bil. \$)	-121.0	-1549.4	-1931.6	-2654.4	-880.5	-1937.2	-2033.4	-1496.7	-1944.1	-2022.6	-2071.8	-1874.9	-2843.8	-1931.6	-2304.2	-2419.3	-2176.4	-2279.8	
Financial Markets, NSA, Quarter Average																			
Federal Funds Rate (%)	4.33	4.28	3.80	3.40	3.08	2.83	5.14	4.19	2.99	2.63	2.68	2.88	4.65	3.80	2.63	2.63	2.81	2.88	
10-Year Treasury Note Yield (%)	4.36	4.31	4.17	3.95	3.79	3.70	4.21	4.32	3.77	3.64	3.67	3.73	4.28	4.17	3.66	3.63	3.70	3.74	

Source: S&P Global Market Intelligence

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## Monthly Economic Indicators

	Oct. 2024	Nov. 2024	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May. 2025	Jun. 2025	Jul. 2025	2022	2023	2024
<b>Industrial Markets</b>													
Industrial Prod. Total (2017=100.0)	103.3	102.5	103.0	102.9	103.9	103.7	103.7	103.7	104.0		102.7	102.9	102.6
Percent Change	0.3	-0.7	1.1	-0.2	1.0	-0.3	0.0	0.0	0.3		3.4	0.2	-0.3
Percent Change Year Earlier	0.9	-0.5	0.4	1.4	1.2	1.1	1.3	0.7	0.7				
Capacity Utilization, Manufacturing (%)	77.2	76.6	76.3	75.9	76.8	77.1	76.7	76.8	76.9		79.4	78.2	76.8
Unemployment Rate (%)	4.1	4.2	4.1	4.0	4.1	4.2	4.2	4.2	4.1	4.2	3.6	3.6	4.0
Payroll Employment (Mil.)	157.915	158.003	158.942	159.053	159.155	159.275	159.433	159.452	159.466	159.539	152.536	155.879	157.960
Change (Mil.)	0.1	0.1	0.3	0.1	0.1	0.1	0.2	0.0	0.0	0.1	6.3	3.3	2.1
Leading Indicator (2016=1.000)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0		1.2	1.1	1.0
Percent Change	-0.2	-0.5	-0.1	-0.2	-0.2	-0.7	-1.4	0.0	-0.3		0.4	-7.5	-4.8
New Orders, Mfg. (Bil. \$)	579.1	593.9	592.3	594.1	597.3	617.4	593.5	642.5	611.7		588.6	590.5	587.3
Percent Change	-1.1	2.6	0.4	0.3	0.5	3.4	-3.9	8.3	-4.8		12.2	0.3	-0.5
Inv. Chg., Mfg. & Trade (Bil. \$)	6.5	10.4	-7.0	9.6	4.7	2.2	0.4	0.6			327.2	-2.0	48.2
Merchandise Trade Bal. (Bil. \$)	-98.8	-103.9	-122.3	-155.2	-147.9	-162.0	-85.9	-96.2	-84.9		-1167.1	-1056.3	-1204.7
<b>Consumer Markets</b>													
Disposable Income (Bil. 2017\$)	17516	17505	17639	17648	17703	17815	17934	17811	17809		16229	17052	17517
Percent Change	0	-0.1	0.1	0.1	0.3	0.6	0.7	-0.7	0.0		-5.6	5.1	2.7
Personal Income (Bil. \$)	24626.72	24669	25139	25275	25456	25619	25823	25723	25794		22089	23403	24669
Percent Change	0.2	0.2	0.4	0.5	0.7	0.6	0.8	-0.4	0.3		3.1	5.9	5.4
Personal Saving Rate (%)	4.8	4.3	3.5	4.2	4.4	4.4	5.0	4.5	4.5		3.0	4.7	4.6
Consumer Expenditures (Bil. \$)	19747	19866	20408	20370	20436	20578	20622	20615	20685		17691	18823	19825
Percent Change	0.3	0.6	0.9	-0.2	0.3	0.7	0.2	0.0	0.3		9.8	6.4	5.3
Retail Sales (Bil. \$)	692.9	699.1	717.7	711.5	711.8	722.6	721.8	715.5	720.1		7871.7	8149.3	8363.8
Percent Change	0.0	0.9	0.8	-0.9	0.0	1.5	-0.1	-0.9	0.6		9.1	3.5	2.6
Non-Auto. Retail Sales (Bil. \$)	564.4	566.4	576.7	575.1	577.4	581.0	581.3	580.4	583.3		6375.0	6586.3	6769.7
Percent Change	0.8	0.4	0.7	-0.3	0.4	0.6	0.0	-0.2	0.5		10.6	3.3	2.8
New Light-Vehicle Sales (Mil.)	15.0	15.8	16.9	15.5	16.0	17.8	17.3	15.6	15.3	16.4	13.8	15.5	15.8
Housing Starts (Mil.)	1.3	1.3	1.5	1.4	1.5	1.4	1.4	1.3	1.3		1.6	1.4	1.4
New Home Sales (Mil.)	0.671	0.710	0.718	0.662	0.642	0.660	0.705	0.623	0.627		0.637	0.665	0.685
Existing Home Sales (Mil.)	3.930	3.980	4.290	4.090	4.270	4.020	4.000	4.040	3.930		5.083	4.103	4.067
Chg. Consumer Install. Credit (Bil. \$)	1.8	18.1	-110.9	9.0	-1.3	66.1	16.9	5.1			345.7	130.1	-36.6
<b>Prices and Wages</b>													
CPI, All Urban Consumers	3.131	3.136	3.176	3.191	3.198	3.196	3.203	3.206	3.215		2.926	3.047	3.137
Percent Change Year Earlier	2.970	2.9	2.9	3.0	2.8	2.4	2.3	2.4	2.7		8.0	4.1	3.0
Core Cons. Price Defl. (2017=100.0)	122.5	122.7	124.0	124.4	125.0	125.1	125.3	125.6	125.9		114.5	119.3	122.6
Percent Change Year Earlier	2.6	2.7	2.9	2.7	2.9	2.7	2.6	2.8	2.8		5.4	4.1	2.8
PPI, Finished Goods	2.565	2.573	2.614	2.629	2.633	2.600	2.596	2.604	2.614		2.508	2.547	2.578
Percent Change Year Earlier	1.7	1.9	2.7	3.0	2.1	0.9	0.5	1.4	1.9		13.4	1.6	1.2
PPI, Industrial Commodities (NSA)	2.562	2.579	2.522	2.564	2.577	2.574	2.574	2.573	2.591		2.659	2.564	2.549
Percent Change Year Earlier	0.9	1.4	0.6	1.5	0.5	0.6	-0.2	0.7	1.1		16.4	-3.6	-0.6
Avg. Private Hourly Earnings (\$)	30.07	30.17	30.67	30.80	30.91	30.97	31.05	31.14	31.26	31.34	27.57	28.92	30.13
Percent Change Year Earlier	4.1	4.0	4.0	4.0	4.2	3.9	4.0	3.9	4.0	3.9	6.4	4.9	4.2
Brent Crude, Spot Price (\$/bbl.)	82.25	85.15	73.84	79.27	75.38	72.73	67.79	64.37	71.44	71.04	100.72	82.50	80.50
Percent Change Year Earlier	9.9	9.9	-5.0	-0.9	-9.7	-14.8	-24.5	-21.4	-13.1	-16.6	42.5	-18.1	-2.4
Henry Hub Spot Natural Gas (\$/mmbtu)	2.54	2.08	3.01	4.13	4.20	4.12	3.43	3.12	3.02	3.20	6.42	2.54	2.17
Percent Change Year Earlier	16.5	-18.6	19.1	52.8	143.9	176.0	114.7	47.1	19.3	54.2	64.2	-60.5	-14.5
<b>Financial Markets, Period Average</b>													
Federal Funds Rate (%)	5.33	5.33	4.48	4.33	4.33	4.33	4.33	4.33	4.33	4.33	1.68	5.02	5.14
3-Month T-Bill Rate (%)	5.24	5.20	4.27	4.21	4.22	4.20	4.21	4.25	4.23	4.25	2.02	5.07	4.97
Commercial Bank Prime Rate (%)	8.5	8.50	7.65	7.50	7.50	7.50	7.50	7.50	7.50	7.50	4.85	8.19	8.31
10-Year Treasury Note Yield (%)	4.31	4.25	4.39	4.63	4.45	4.28	4.28	4.42	4.38	4.39	2.95	3.96	4.21
Conv. Mortgage Rate, FHLMC (%)	2.87	3.06	4.05	4.92	5.23	5.48	5.47	5.22	6.11	6.90	3.72	2.96	3.17
M1 Money Supply (Bil. \$)	18039	18037	18359	18441	18501	18525	18648	18693	18803		20397	18502	18093
Percent Change	0.2	0.0	0.2	0.4	0.3	0.1	0.7	0.2	0.6		5.4	-9.3	-2.2
M2 Money Supply (Bil. \$)	21066	21098	21442	21511	21584	21657	21805	21884	22021		21571	20825	21106
Percent Change	0.3	0.2	0.1	0.3	0.3	0.3	0.7	0.4	0.6		5.1	-3.5	1.3

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## Summary of the US Economy

	2025.1	2025.2	2025.3	2025.4	2026.1	2026.2	2026.3	2026.4	2027.1	2027.2	2027.3	2027.4	2028.1
<b>Composition of Real GDP, Percent Change, Annual Rate</b>													
Gross Domestic Product	-0.5	3.0	1.1	1.9	2.9	3.0	2.4	1.7	1.6	1.4	1.4	1.5	1.6
Final Sales of Domestic Product	-3.1	6.3	-0.3	1.5	2.7	2.5	2.2	1.7	1.7	1.6	1.6	1.6	1.7
Gross Domestic Income	0.2	3.1	1.3	2.0	3.0	3.1	2.5	1.7	1.6	1.4	1.5	1.5	1.7
Avg. of GDP and GDI	-0.1	3.0	1.2	1.9	3.0	3.1	2.5	1.7	1.6	1.4	1.4	1.5	1.6
Total Consumption	0.5	1.4	1.0	0.8	2.4	2.1	1.9	1.8	2.0	2.2	2.3	2.4	2.5
Durables	-3.7	3.7	-1.6	-4.0	6.4	6.2	6.0	5.8	6.7	6.1	6.1	6.1	6.1
Nondurables	2.1	1.3	1.0	0.9	1.5	1.2	0.9	0.9	0.8	1.1	1.4	1.4	1.5
Services	0.6	1.1	1.5	1.5	2.0	1.7	1.5	1.5	1.6	1.9	2.0	2.1	2.2
Nonresidential Fixed Investment	10.3	1.9	-2.9	-2.1	0.1	2.8	2.0	1.2	1.0	0.9	1.0	1.3	1.6
Equipment	23.7	4.8	-8.3	-4.8	0.1	5.8	4.3	2.9	2.5	2.1	1.8	2.0	2.4
Information Processing Equipment	72.9	5.4	-9.8	-5.8	-4.5	1.3	-0.1	-0.9	-0.8	-1.4	-1.7	-1.2	-0.6
Industrial Equipment	4.7	4.5	4.6	3.0	0.7	7.4	6.3	5.8	5.5	5.2	4.0	3.5	3.1
Transportation equipment	6.8	11.9	-27.3	-18.2	11.1	10.7	6.2	4.8	1.6	-0.1	3.1	2.6	3.7
Aircraft	68.7	114.3	-67.6	1.5	7.8	1.5	1.5	2.7	3.8	3.1	4.1	2.0	2.3
Other Equipment	-2.1	-3.5	5.4	3.6	-3.1	6.9	8.1	4.5	6.1	7.2	4.0	5.2	4.8
Intellectual Property Products	6.0	6.4	4.0	2.0	1.0	1.8	1.4	1.0	1.0	0.8	0.9	1.0	1.1
Structures	-2.4	-10.3	-5.2	-4.6	-1.8	-1.0	-1.2	-1.7	-1.6	-1.3	-0.4	0.6	1.4
Commercial & Health Care	-3.4	-7.4	-11.0	11.8	5.7	3.7	5.7	10.1	9.3	2.7	3.2	6.5	4.9
Manufacturing	-5.2	-5.5	-3.9	-29.1	-24.4	-18.7	-18.1	-23.5	-21.4	-12.9	-11.1	-16.1	-14.1
Power & Communication	8.1	-5.3	-1.6	-25.9	-1.9	-4.9	-6.5	-5.0	-9.3	-15.5	-0.4	22.9	12.9
Mining & Petroleum	-1.3	-35.6	0.9	37.7	35.2	28.3	17.5	12.3	13.5	16.6	3.5	-11.3	-3.6
Other	-6.6	-9.1	-4.2	12.7	-1.8	0.4	0.9	-1.3	-1.4	3.4	0.4	-0.7	3.6
Residential Fixed Investment	-1.3	-4.6	-10.0	-2.2	3.5	3.3	2.7	2.7	2.5	2.4	1.7	2.1	2.1
Exports	0.4	-1.8	-1.6	1.9	3.8	5.7	6.8	3.8	4.4	3.3	3.3	3.4	3.9
Imports	38.0	-30.3	-0.4	-5.3	-3.4	1.0	1.6	1.7	2.9	3.9	4.3	4.4	4.8
Federal Government	-4.6	-3.7	-0.9	5.6	2.8	2.2	1.6	0.4	0.3	0.0	-0.5	-1.1	-1.2
State & Local Government	2.0	3.0	0.2	0.5	-0.4	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	-0.1
<b>Billions of Dollars</b>													
Real GDP	23512.7	23685.3	23752.6	23863.6	24035.3	24215.8	24361.0	24463.1	24560.4	24644.6	24732.2	24824.9	24925.4
Nominal GDP	29962.0	30331.1	30767.9	31171.2	31627.2	32023.7	32387.8	32720.9	33024.8	33335.6	33629.9	33960.5	34310.5
<b>Prices &amp; Wages, Percent Change, Annual Rate</b>													
GDP Deflator	3.8	2.0	4.7	3.4	3.0	2.0	2.2	2.5	2.1	2.4	2.1	2.4	2.5
Consumer Prices	3.8	1.6	3.5	2.9	2.7	2.5	2.3	2.2	3.1	2.7	2.1	2.3	2.3
Producer Prices, Finished Goods	4.2	-2.5	4.0	1.5	1.6	-0.9	0.8	1.2	3.2	3.6	2.1	2.2	2.3
Employment Cost Index - Total Comp.	3.4	3.9	3.5	3.3	5.0	4.3	3.9	4.1	4.2	4.5	4.6	4.6	4.3
<b>Other Key Measures</b>													
Brent Crude, Spot Price (\$/bbl)	75.8	67.9	67.9	59.7	55.5	56.8	56.0	55.0	63.5	67.8	70.4	71.6	72.0
Productivity (%ch., saar)	-1.8	1.2	1.2	1.8	2.7	2.9	2.4	1.6	1.6	1.4	1.6	1.7	1.8
Total Industrial Production (%ch., saar)	4.3	1.1	0.1	-1.7	-1.3	1.7	0.0	0.1	-0.3	-0.2	-0.3	-0.7	-0.6
Factory Operating Rate	76.6	76.8	76.6	76.1	75.9	75.9	75.9	75.8	75.6	75.2	74.9	74.6	74.4
Nonfarm Inven. Chg. (Bil. 2017 \$)	160.5	-30.1	53.4	77.2	87.7	120.0	132.9	133.4	127.4	117.1	108.9	101.6	96.7
Consumer Sentiment Index	64.5	55.0	61.3	62.0	63.3	65.2	66.2	66.9	66.1	65.7	66.5	69.9	71.2
Light Vehicle Sales (Mil. units, saar)	16.44	16.07	15.80	14.94	14.63	14.80	15.11	15.35	15.43	15.53	15.61	15.66	15.71
Housing Starts (Mil. units, saar)	1.401	1.327	1.309	1.330	1.316	1.311	1.315	1.319	1.321	1.321	1.319	1.322	1.324
Exist. House Sales (Total, Mil. saar)	4.127	3.990	3.941	3.960	4.158	4.367	4.477	4.575	4.661	4.804	4.826	4.817	4.869
Unemployment Rate (%)	4.1	4.2	4.3	4.4	4.4	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Payroll Employment (%ch., saar)	1.3	0.7	0.4	0.3	0.7	0.6	0.5	0.5	0.5	0.3	0.2	0.2	0.2
Federal Surplus (Unified, nsa, bil. \$)	-596.2	-30.2	-375.6	-409.4	-540.1	-247.6	-439.0	-491.6	-560.0	-267.5	-450.2	-496.2	-570.6
Current Account Balance (Bil. \$)	-1800.7	-1429.6	-1013.7	-924.0	-818.3	-768.5	-711.9	-668.9	-647.7	-634.1	-627.2	-615.1	-597.9
<b>Financial Markets, NSA, Quarter Average</b>													
Federal Funds Rate (%)	4.33	4.33	4.35	4.30	3.90	3.58	3.33	3.07	2.88	2.88	2.88	2.88	2.88
3-Month Treasury Bill Rate (%)	4.21	4.23	4.31	4.19	3.76	3.42	3.15	2.88	2.68	2.66	2.64	2.63	2.62
10-Year Treasury Note Yield (%)	4.45	4.36	4.36	4.27	4.14	4.04	3.98	3.93	3.92	3.89	3.87	3.88	3.89
30-Year Fixed Mortgage Rate (%)	6.79	6.79	6.73	6.59	6.40	6.26	6.15	6.05	5.99	5.93	5.89	5.86	5.84
S&P 500 Stock Index	5901	5737	6292	6311	6212	6076	5972	5888	5820	5784	5769	5768	5775
(Four-Quarter % change)	18.1	9.2	13.4	6.8	5.3	5.9	-5.1	-6.7	-6.3	-4.8	-3.4	-2.0	-0.8
Exchange Rate, Broad Index of Partners	1.133	1.087	1.066	1.060	1.059	1.059	1.059	1.059	1.059	1.059	1.060	1.060	1.060
(% change, annual rate)	5.9	-15.2	-7.7	-2.0	-0.5	-0.2	0.1	0.2	0.0	0.0	0.2	0.0	0.0
<b>Incomes</b>													
Personal Income (% ch., saar)	6.7	5.3	3.7	4.1	7.7	5.6	5.0	5.4	5.9	5.0	4.7	4.5	5.2
Real Disposable Income (%ch., saar)	2.5	3.0	-1.3	0.4	8.4	3.4	3.0	3.2	2.8	2.7	2.6	2.3	3.0
Saving Rate (%)	4.3	4.7	4.1	4.1	5.4	5.7	6.0	6.3	6.5	6.6	6.7	6.7	6.8
After-Tax Profits (Billions of \$)	3603	3574	2984	3048	3102	3134	3184	3200	3215	3217	3192	3198	3207
(Four-quarter % change)	8.7	4.7	-12.3	-16.1	-13.9	-12.3	6.7	5.0	3.7	2.6	0.3	-0.1	-0.3

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## Summary of the US Economy

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Composition of Real GDP, Percent Change</b>													
Gross Domestic Product	3.0	2.6	-2.2	6.1	2.5	2.9	2.8	1.7	2.4	1.7	1.6	1.7	1.8
Final Sales of Domestic Product	2.9	2.5	-1.7	5.8	1.9	3.3	2.7	1.6	2.2	1.8	1.7	1.7	1.8
Gross Domestic Income	3.0	2.6	-2.4	6.6	2.8	1.7	3.0	2.2	2.5	1.8	1.6	1.7	1.8
Avg. of GDP and GDI	3.0	2.6	-2.3	6.3	2.7	2.3	2.9	1.9	2.4	1.8	1.6	1.7	1.8
Total Consumption	2.7	2.1	-2.5	8.8	3.0	2.5	2.8	1.9	1.7	2.1	2.4	2.4	2.4
Durables	6.6	3.3	7.1	16.6	-1.9	3.9	3.3	2.7	3.1	6.2	6.1	6.2	6.1
Nondurables	2.6	3.0	3.4	8.6	0.1	0.8	1.9	2.2	1.2	1.0	1.4	1.4	1.4
Services	2.2	1.7	-5.8	7.5	5.0	2.9	2.9	1.7	1.6	1.7	2.1	2.1	2.2
Nonresidential Fixed Investment	6.9	3.8	-4.6	6.0	7.0	6.0	3.6	2.5	0.2	1.3	1.5	2.1	2.5
Equipment	5.9	1.0	-10.1	6.7	4.4	3.5	3.4	5.1	0.1	2.8	2.3	2.9	3.4
Information Processing Equipment	8.0	2.9	0.8	10.7	7.3	-4.3	5.3	15.2	-3.0	-0.9	-0.6	1.5	2.9
Industrial Equipment	4.8	1.8	-8.9	6.7	3.1	0.8	1.8	3.0	4.1	5.4	3.0	1.9	2.4
Transportation equipment	6.1	-4.2	-27.7	2.8	0.4	27.6	5.5	-0.4	-1.6	3.2	3.7	5.3	5.0
Aircraft	-2.7	-49.0	41.3	-12.4	5.4	28.9	17.2	21.6	-6.9	3.0	2.5	2.3	2.8
Other Equipment	3.5	3.9	-7.5	3.7	4.1	-0.5	0.0	-2.6	2.9	6.0	4.5	3.2	3.2
Intellectual Property Products	8.9	8.2	4.5	10.2	11.2	5.8	3.9	3.6	2.1	1.1	1.1	1.4	1.8
Structures	5.8	2.3	-9.2	-2.6	3.6	10.8	3.5	-3.6	-3.1	-1.2	1.0	2.0	2.0
Commercial & Health Care	1.4	1.5	3.2	-3.7	-2.8	-0.1	-5.2	-4.2	3.6	6.4	4.7	3.9	4.2
Manufacturing	-1.7	5.6	-9.5	3.3	24.2	45.0	20.4	-3.6	-19.9	-18.2	-12.5	-5.4	-0.6
Power & Communication	5.5	8.0	-1.4	-4.7	-6.9	3.6	7.0	0.8	-8.4	-6.3	8.6	8.4	2.2
Mining & Petroleum	27.0	-0.3	-38.4	18.2	21.6	4.9	-6.0	-8.7	20.1	12.0	-0.9	-3.7	-3.2
Other	1.2	-0.8	-10.7	-11.9	2.4	11.9	1.3	-3.8	0.8	0.2	1.7	2.7	2.4
Residential Fixed Investment	-0.7	-0.9	7.7	10.9	-8.6	-8.3	4.2	-2.3	-0.1	2.5	2.1	2.1	1.7
Exports	2.9	0.5	-13.1	6.5	7.5	2.8	3.3	0.9	3.1	4.2	3.4	3.1	2.6
Imports	4.0	1.2	-9.0	14.7	8.6	-1.2	5.3	2.4	-3.7	2.9	4.6	4.8	4.3
Federal Government	3.5	3.8	6.3	1.8	-3.2	2.9	2.6	0.4	2.0	0.4	-0.8	-0.4	-0.1
State & Local Government	1.1	3.9	1.7	-1.6	0.2	4.4	3.9	2.1	0.2	0.0	-0.1	-0.1	0.0
<b>Billions of Dollars</b>													
Real GDP	20193.9	20715.7	20267.6	21494.8	22034.8	22671.1	23305.0	23703.6	24268.8	24690.5	25079.6	25502.4	25957.5
Nominal GDP	20656.5	21540.0	21354.1	23681.2	26006.9	27720.7	29184.9	30558.1	32189.9	33487.7	34806.8	36172.9	37623.3
<b>Prices &amp; Wages, Percent Change</b>													
GDP Deflator	2.3	1.7	1.3	4.5	7.1	3.6	2.4	2.9	2.9	2.3	2.3	2.2	2.2
Consumer Prices	2.4	1.8	1.3	4.7	8.0	4.1	3.0	2.8	2.6	2.5	2.3	2.2	2.2
Producer Prices, Finished Goods	3.1	0.8	-1.3	8.9	13.4	1.6	1.2	1.8	1.0	2.1	2.0	1.5	1.7
Employment Cost Index - Total Comp.	2.9	2.7	2.6	3.6	5.1	4.4	3.8	3.5	4.1	4.3	4.4	3.8	3.3
<b>Other Key Measures</b>													
Brent Crude, Spot Price (\$/bbl)	70.96	64.34	41.77	70.70	100.72	82.50	80.50	67.81	55.83	68.34	72.69	75.82	81.02
Productivity (%ch.)	1.4	2.1	5.3	2.0	-1.5	1.9	2.7	0.8	2.2	1.7	1.7	1.6	1.6
Total Industrial Production (%ch.)	3.2	-0.7	-7.1	4.4	3.4	0.2	-0.3	1.0	-0.3	-0.1	-0.2	0.6	0.7
Factory Operating Rate	78.4	77.2	72.7	77.2	79.4	78.2	76.8	76.5	75.9	75.1	74.1	73.6	73.3
Nonfarm Inven. Chg. (Bil. 2017 \$)	61.6	87.0	-18.7	13.6	128.2	35.5	37.2	65.2	118.5	113.7	92.7	84.9	82.1
Consumer Sentiment Index	98.4	96.0	81.5	77.6	59.0	65.4	72.5	60.7	65.4	67.0	72.5	75.0	76.1
Light Vehicle Sales (Mil. units)	17.22	16.96	14.47	14.95	13.75	15.50	15.80	15.81	14.97	15.56	15.83	16.08	16.05
Housing Starts (Mil. units)	1,247	1,292	1,394	1,603	1,552	1,421	1,371	1,342	1,315	1,321	1,334	1,341	1,340
Exist. House Sales (Total, Mil. units)	5,334	5,325	5,636	6,133	5,083	4,103	4,067	4,005	4,394	4,777	4,931	5,024	5,075
Unemployment Rate (%)	3.9	3.7	8.1	5.4	3.6	3.6	4.0	4.2	4.5	4.5	4.5	4.4	4.3
Payroll Employment (%ch.)	1.6	1.4	-5.8	2.9	4.3	2.2	1.3	1.0	0.5	0.4	0.2	0.3	0.5
Federal Surplus (Unified, FY, bil. \$)	-873.0	-1022.0	-3348.2	-2580.4	-1419.2	-1783.8	-2033.4	-1411.5	-1718.3	-1774.0	-1797.5	-1759.6	-1848.5
Current Account Balance (Bil. \$)	-439.0	-442.0	-593.5	-858.6	-993.1	-928.0	-1185.3	-1292.0	-741.9	-631.0	-589.9	-561.8	-530.3
<b>Financial Markets, NSA, Quarter Average</b>													
Federal Funds Rate (%)	1.83	2.16	0.38	0.08	1.68	5.02	5.14	4.33	3.47	2.88	2.92	3.13	3.1
3-Month Treasury Bill Rate (%)	1.94	2.06	0.37	0.04	2.02	5.07	4.97	4.24	3.30	2.65	2.65	2.82	2.81
10-Year Treasury Note Yield (%)	2.91	2.14	0.89	1.44	2.95	3.96	4.21	4.36	4.02	3.89	3.92	3.97	3.97
30-Year Fixed Mortgage Rate (%)	4.65	4.07	3.16	3.04	5.43	6.81	6.72	6.73	6.21	5.92	5.83	5.80	5.74
S&P 500 Stock Index	2745	2912	3219	4267	4101	4284	5427	6060	6037	5785	5780	5801	5846
(Percent change)	12.1	6.1	10.5	32.6	-3.9	4.5	26.7	11.7	-0.4	-4.2	-0.1	0.4	0.8
Exchange Rate, Broad Index of Partners	0.993	1.026	1.043	1.002	1.070	1.068	1.092	1.087	1.059	1.060	1.062	1.069	1.076
(% change, annual rate)	-0.7	3.3	1.7	-3.9	6.7	-0.2	2.3	-0.5	-2.5	0.1	0.2	0.7	0.6
<b>Incomes</b>													
Personal Income (% ch.)	5.2	4.8	6.8	9.2	3.1	5.9	5.4	4.9	5.5	5.3	4.7	4.4	4.4
Real Disposable Income (%ch.)	3.6	3.1	6.3	3.5	-5.6	5.1	2.7	1.6	3.3	2.9	2.6	2.4	2.4
Saving Rate (%)	6.4	7.3	15.2	11.1	3.0	4.7	4.6	4.3	5.9	6.6	6.8	6.8	6.8
After-Tax Profits (Billions of \$)	2020	2078	2212	2888	2951	3069	3441	3302	3155	3206	3210	3689	3780
(Percent change)	1.1	2.9	6.4	30.6	2.2	4.0	12.1	-4.0	-4.5	1.6	0.1	14.9	2.5

Source: S&P Global Market Intelligence

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