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COMMERCIAL REAL ESTATE SERVICES

Q3 2025 ECONOMIC REPORTS

GDP GROWTH
EMPLOYMENT
MONETARY POLICY
GLOBAL ECONOMY

GDP GROWTH: TRENDING IN Q3 2025

Despite recent labor market weakness that has made headlines along with the government shutdown that began Oct. 1 – stalling release of the Commerce Department's third-quarter gross domestic product readings – there are several signs that point to continued economic vigor through the end of the year.

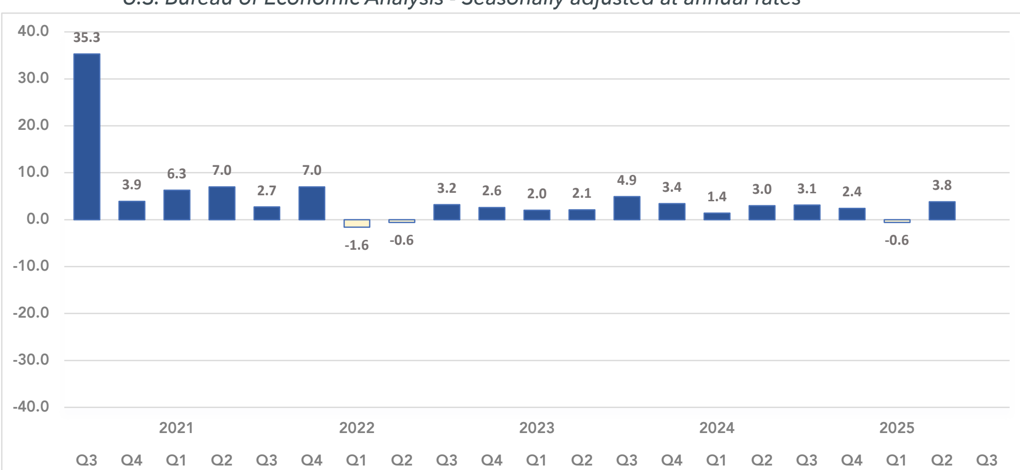
For example, the Federal Reserve Bank of Atlanta's real-time gross domestic product growth tracker, GDPNow, is estimating that GDP in the third quarter grew 3.9%, based on currently available economic data. While that estimate likely will change as new data is released, it clearly reflects continued strength.

Consumers once again remain the driving force behind the still-robust economy, opening their wallets more than expected in August, boosting spending on travel, hotels and restaurants. Additionally, second-quarter GDP growth was revised upward from 3.3% to 3.8%, the fastest pace in nearly two years.

Retail sales in August rose more than expected, marking the third consecutive monthly increase. The existing-home sales report from the National Association of Realtors for the third quarter showed that annualized real residential investment growth increased from -4.6% to -4.4%. Personal income also rose in August.

Real GDP: Percent Change from Prior Quarter

U.S. Bureau of Economic Analysis - Seasonally adjusted at annual rates



Data for Q3 2025 is unavailable due to the Government Shutdown

'Something's got to give' – Fed Governor Christopher Waller.

Nevertheless, there are concerning signs, such as a string of weaker-than-expected employment data and announcements of tens of thousands of layoffs by a raft of major national companies. Private payrolls fell by 32,000 in September, according to ADP, reflecting the hiring slowdown. Though weekly jobless claims have remained largely steady, announced layoffs this year are at their highest level since the Covid lockdown year in 2020. But the latest evidence suggests that households still are spending at levels consistent with a healthy economy. "Something's got to give," Fed Governor Christopher Waller told CNBC last week.

Waller said there is a major contradiction between economic growth estimates getting revised higher—nearing 4% for the third quarter – and a job market in the doldrums.

"You can't have negative job growth and 4% GDP growth. Either the labor market rebounds to match the GDP growth, or GDP growth is going to pull back," Waller said. He added that although he favors further rate cuts to protect the job market, those should come in cautious, quarter-point moves to avoid error. Growth in the U.S. has been on an upward trajectory over the past two quarters after the economy stumbled through the early part of the year. GDP recovered to rise at a 3.8% annualized pace in the second quarter.

Previous government shutdowns have produced little impact on growth. But a prolonged closure could cause some damage. Additionally, ongoing trade disputes and tariffs continue to create uncertainty for businesses and investors. With several tariffs not yet fully implemented, investor uncertainty has grown. Moreover, there's concern that when all the tariffs take effect, inflation could rise quickly and increase market volatility. Trump Administration officials said it has completed a first round of interviews of candidates to replace Jerome Powell when his term as Federal Reserve chairman expires in May 2026.

EMPLOYMENT: TRENDING IN Q3 2025

The U.S. economy added approximately 22,000 jobs in August, a substantial reduction from recent monthly gains, according to the last employment report from the U.S. Commerce Department before the government shut down that began Oct. 1. Other data collected and studied by a host of private bankers, investors and analysists found that labor weakness continued throughout the third quarter.

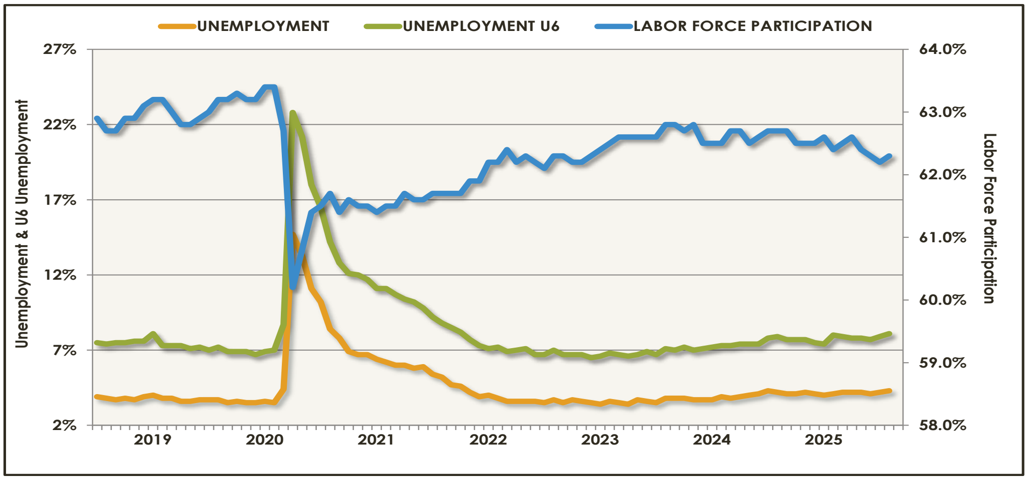
In the August government report, the unemployment rate was 4.3%. Economists say the U.S. jobless rate can hold steady even though fewer jobs are added than last year. This is due to more people aging out of the workforce, an increase in discouraged job seekers, a reduced flow of immigrants and rising worker deportations.

Brett Ryan, senior economist at Deutsche Bank, told CNN, "Last year, it probably took about 130,000 jobs per month to keep the unemployment rate steady. This year it's probably more like 50,000 or below."

The last national jobless rate reported by Commerce's Bureau of Labor Statistics is low by historical standards. But Wall Street's need for quality information beyond the government routinely demands that firms cross-validate data derived from alternative sources. And in September the set of economists and analysts from various investment firms who form the Dow Jones consensus forecast said the labor market will continue slowing with a modest rise in the unemployment rate.

GDP GROWTH
EMPLOYMENT
MONETARY POLICY
GLOBAL ECONOMY

United States Unemployment



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'Last year, it probably took about 130,000 jobs per month to keep the unemployment rate steady. This year it's probably more like 50,000 or below"– Brett Ryan, Deutsche Bank senior economist.

Among alternative sources followed closely is payroll servicer ADP, which validated the sharp hiring slowdown cited by the BLS report a month earlier. ADP reported that the U.S. shed 32,000 private-sector jobs in September and that the leisure and hospitality sector lost 19,000 jobs. Education and health care services were bright spots, collectively gaining 33,000 jobs. Besides ADP, other sources respected by those who track jobs and the economy include hiring platform Indeed and the workforce analytics of Revelio Labs.

The Federal Reserve Bank of Chicago also publishes a twice-monthly update on labor conditions based on a mix of public and private data, including from Bloomberg, The Conference Board, Google, Haver Analytics, Lightcast, Morning Consult and the U.S. Bureau of Labor Statistics.

Bank of America said it was seeing signs of rising unemployment and slowing job growth in its customers' data. Goldman Sachs said its index of labor-market tightness has fallen to levels not seen in a decade. Private-equity firm Carlyle Group says its data shows that hiring has slowed significantly with 17,000 jobs added in September. Carlyle draws its estimates from head-count and business volumes data among the firms where it has some ownership.

The trends that are common among the Bureau of Labor Statistics data and private-source data show a significant tilt in job openings in favor of health-care related professions followed by business and professional services and leisure and hospitality. The Institute for Supply Management reported that September was the seventh straight month of manufacturing sector contraction.

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MONETARY POLICY: TRENDING IN Q3 2025

Even though inflation remains above its target, worries about the labor market forced the Federal Reserve Board in late October to approve a quarter-point reduction in the federal funds rate. But Chairman Jerome Powell cast doubt on whether the central bank would approve another rate cut at the Fed's December meeting. The reduced federal funds rate is 3.75% to 4%.

The Fed said that available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year. The unemployment rate has edged up but remained low through August. Other recent indicators were consistent with these developments, the central bank said, adding that inflation has moved up since earlier in the year and remains somewhat elevated.

Fed policymakers are concerned because the Fed's two mandates – the maintenance of stable prices and conditions for full employment – are moving in contrary directions and straining the economy. Employment is falling and prices are rising.

"A further reduction in the policy rate at the December meeting is not a foregone conclusion. Far from it. Policy is not on a preset course," Powell said.

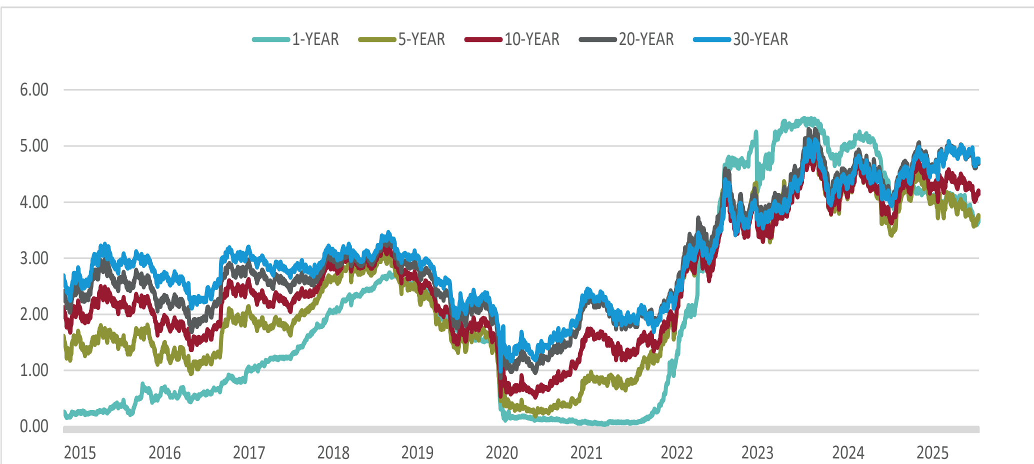
GDP GROWTH

EMPLOYMENT

MONETARY POLICY

GLOBAL ECONOMY

Daily Treasury Yield Curve Rates (Decade Trend)



'A further reduction in the policy rate at the December meeting is not a foregone conclusion. Far from it. Policy is not on a preset course' – Fed Chair Jerome Powell

Nevertheless, there has been a drumbeat of political pressure this year on the Fed to reduce the benchmark federal funds rate – a move that normally stimulates hiring and investment. But economists warn that cheaper money also is inflationary, counter to the Fed's mandate.

There were two dissents among the 12 members of the Fed's Open Market Committee to approve the rate cut as the economy shows signs of stagflation that bedeviled most Americans for a decade from the early 1970s.

Fed Governor Stephen Miran called for a deeper reduction and Kansas City Fed President Jeffrey Schmidt favored none at all because rate of inflation was above the Fed's 2% target. According to data from the St. Louis Fed, it was only the third time since 1990 that policymakers had dissented in different policy directions, a sign of the split opinion at the central bank about where the economy is headed. After the meeting, Powell said the central bank was monitoring changes in the employment landscape "very, very carefully," especially following a spate of recent layoffs by American companies of thousands of their domestic and global workers.

Just prior to Powell's remarks, UPS and Amazon said pink slips would go to 62,000 workers. Paramount, Target, Nestle, Intel, Microsoft, Proctor & Gamble, Meta and Google also have made layoff announcements this year totaling some 60,000 workers. A number of companies cited redundancies they anticipate will be created by the growth of artificial intelligence.

"You see a significant number of companies either announcing that they are not going to be doing much hiring or actually doing layoffs, and much of the time they're talking about AI and what it can do. We're watching that carefully," Powell said.

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EMPLOYMENT

MONETARY POLICY

GLOBAL ECONOMY

GLOBAL ECONOMY: TRENDING IN Q3 2025

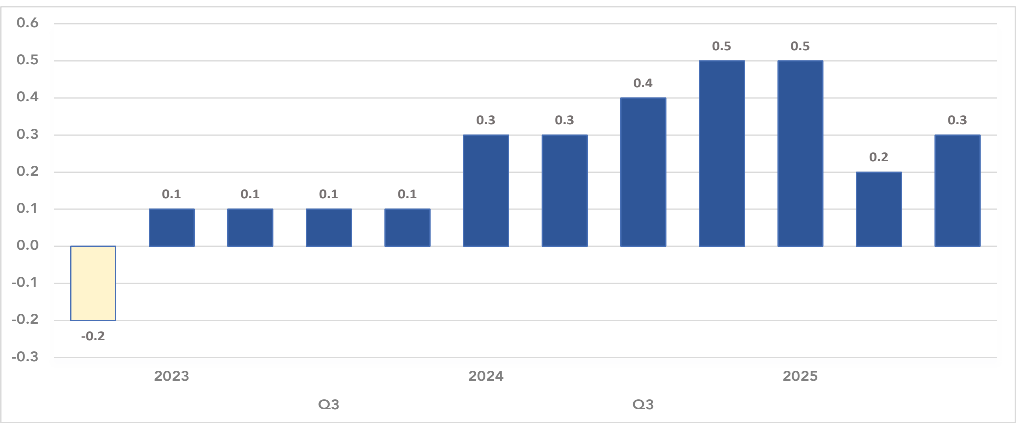
As details of newly introduced trade and policy measures come into focus and growth prospects shift along with them, it has become clear that the rules of the global economy are in flux, the International Monetary Fund said in a third-quarter report.

"Despite subsequent deals and resets having tempered some extremes after the United States introduced higher tariffs early this year, uncertainty about the stability and trajectory of the global economy remains acute," the IMF said, Additionally, substantial cuts to international development aid and new restrictions on immigration have been rolled out by a number of Western nations. Several major economies have adopted a more stimulative fiscal stance, raising concerns about the sustainability of public finances and potential cross-border ripple effects.

Global growth is projected to slow from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026. This is a slight improvement from the IMF's second-quarter update but below forecasts even though the tariff shock has worn off somewhat since the original announcements.

Advanced economies are forecast to grow about 1.5% in 2025-26 with the United States slowing to 2%, the IMF said. Inflation is expected to fall to 4.2% globally in 2025 and 3.7% in 2026. The notable variation in the

European Union GDP Annual Growth Rate



'…uncertainty about the stability and trajectory of the global economy remains acute' – IMF

IMF's report is the above-target inflation in the U.S. with risks tilted to the upside and subdued inflation in much of the rest of the world. World trade is projected to grow at an average rate of 2.9% in 2025-26, boosted by front-loading in 2025 but still much slower than the 3.5% growth rate of 2024, the IMF said. Risks to the outlook remain as prolonged policy uncertainty could dampen consumption and investment. Further escalation of protectionist measures, including nontariff barriers, could suppress investment, disrupt supply chains and stifle productivity growth.

Larger-than-expected shocks to labor supply, notably from restrictive immigration policies, could reduce growth, especially in economies facing aging populations and skill shortages. The IMF said fiscal vulnerabilities and financial market fragilities may interact with rising borrowing costs and increased rollover risks for sovereigns.

China, meanwhile, says its gross domestic product expanded 4.8% in the third quarter, down from 5.2% growth in the second quarter. Through the first three quarters of this year, China's economy expanded 5.2% from a year ago, according to the National Bureau of Statistics of China. That means that Beijing still is on track to hit its 5% growth target this year.

Trade tensions that were heightened this year between China and the U.S. cooled slightly after the leaders of the two nations met in late October. China premier Xi Jinping announced a one-year pause in tightening export controls of rare earths, the group of 17 chemical elements essential for production of high-strength magnets used in electronics, including electric vehicles and wind turbines. The chemical elements are dispersed in low concentrations throughout the earth's crust but are considered rare because they are difficult to mine. President Trump said Xi's decision also would benefit manufacturing around the world.

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