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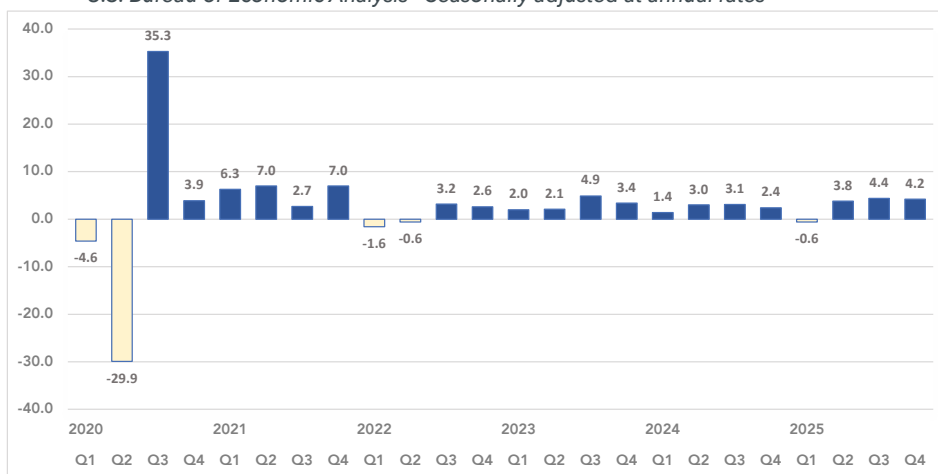
GDP GROWTH: TRENDING IN Q4 2025

Although the Commerce Department postponed its fourth-quarter gross domestic product announcement scheduled for late January, the Federal Reserve Bank of Atlanta's latest model shows the U.S. economy poised to notch the strongest quarterly growth since early 2018. Additionally, the Federal Reserve's Federal Open Market Committee and other economic observers viewed the economy at year's end as being robust, as concerns fade over the impact of tariffs.

Citing strong consumer spending and a narrowing trade deficit, the Atlanta Fed's GDPNow model raised its estimate of fourth quarter GDP growth to 5.4%. That follows the Commerce Department's 4.4% third-quarter GDP reading, also postponed due to the government shutdown. Fourth-quarter 2024 GDP was 2.3%. The Atlanta Fed GDPNow model mimics the methods used by the Commerce Department's Bureau of Economic Analysis to estimate real GDP growth by aggregating statistical model forecasts of 13 subcomponents that comprise GDP. Some analysts say the supercharged growth picture is influenced more by a decrease in imports than a surge in domestic production. Nevertheless, there are government reports of positive moves in productivity and business spending.

The BEA made an upward revision to real personal consumption expenditures growth from 2.4% in October to 3% in November and the contribution from net exports reversed sharply from -0.3% to 1.97%. The BEA

Real GDP: Percent Change from Prior Quarter U.S. Bureau of Economic Analysis - Seasonally adjusted at annual rates



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report found that the U.S. goods-and-services trade deficit fell by 39% month over month to \$29.4 billion in October, marking the lowest level since 2009. Personal income increased \$30.6 billion in October, or about 0.1%, and \$80 billion in November. Personal consumption gained 0.5% in October and in November, reaching \$108.7 billion. The Commerce Department said new orders for key U.S.-made capital goods exceeded expectations in November, suggesting business spending on equipment maintained a steady growth pace in the fourth quarter.

Meanwhile, non-defense capital goods orders excluding aircraft – a closely watched proxy for business spending – rose 0.7% after a downwardly revised 0.3% gain in October. The U.S. Bureau of Labor Statistics reported that Q3 productivity surged 4.9%, the strongest reading in nearly six years. It was well above the 3.3% consensus and up from 4.2% in Q2. At the same time, unit labor costs fell 1.9% even as hourly compensation continued to rise at a 4-5% pace, indicating that productivity gains more than offset wage growth.

The result is strong output growth without meaningful inflationary pressure. This can signal accelerating economic efficiency, often driven by technology, innovation or improved processes and helps explain the Atlanta Fed's bullish forecast.

Business consultant Deloitte, however, cautioned clients that "high tariffs will increasingly show up in consumer prices, raising the core personal consumption expenditure price index 3% in 2026," less than in its September forecast. The business advisory said it now anticipates "that businesses will pass tariff costs on to consumers more gradually," and projects that core inflation will remain above the Fed's 2% target until the end of 2028.

EMPLOYMENT: TRENDING IN Q4 2025

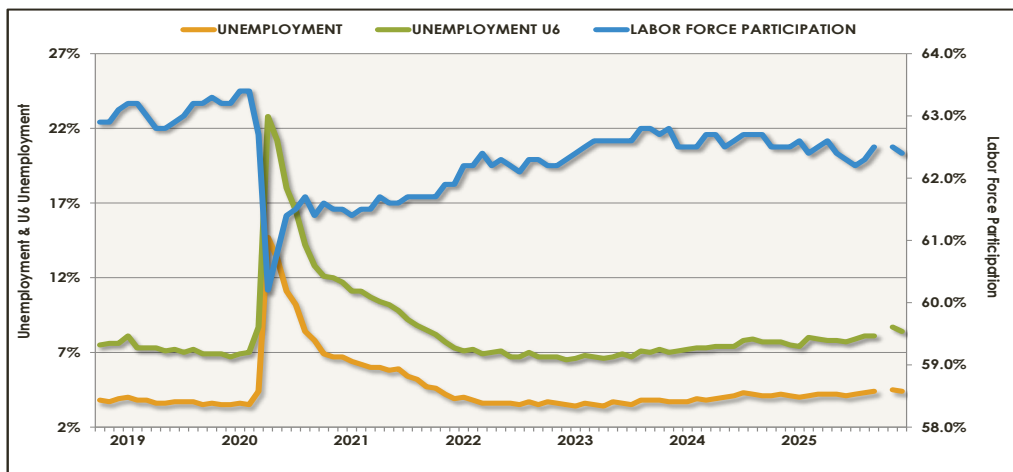
Hiring cooled in the fourth quarter of a pivotal year for the U.S. labor market. There were 50,000 jobs added in December and 584,000 created in 2025 – far less than the 2 million positions added in each of the previous two years and the 4 million jobs in 2022. Hiring was revised downward to 173,000 added jobs for October and 56,000 for November. The 49,000 monthly average of new hires represented the lowest growth rate since 2003, except for the Covid lockdown in 2020 and 2009 recession.

Because 2025's employment gains are far weaker than typically required to support a healthy economy, however, the data should be viewed somewhat paradoxically. The unique factors disrupting the labor picture are the shrinking base of workers and companies looking for predictability on trade – all influenced by government policies.

The government's large-scale deportations and restrictions on immigration have dramatically reduced the supply of workers into the country. The Congressional Budget Office reported that net immigration fell to about 410,000 last year from 2.27 million in 2024. Consequently, required job growth needed to keep unemployment stable is less. The unemployment rate closed slightly lower at 4.4% in 2025.

Additionally, it is estimated that there could be as many as 317,000 fewer workers on the federal government payroll, while uncertainty over President Trump's tariff policies have companies exercising extreme caution with

United States Unemployment



Data for Q3 2025 is unavailable due to the Government Shutdown

plans for expansion and for hiring workers, especially noncitizens.

Employment in food services and drinking places continued to trend up in December, adding 27,000 jobs and an average of 12,000 positions per month in 2025, similar to 2024. The leading category in Q4 and 2025 was health care. In December, hiring totaled 21,000 jobs with 16,000 jobs in hospitals. Health care employment rose by 713,000 positions in 2025, an average of 34,000 jobs per month. Leisure and hospitality grew solidly with 188,000 jobs but manufacturing, transportation, warehousing and temporary help were among sectors reporting declines.

In December, employment in social assistance continued to trend up 17,000, mostly in individual and family services. Retail trade lost 25,000 jobs in December. There also were declines in warehouse clubs, supercenters and other general merchandise retailers by 19,000 positions. Food-and-beverage retailers cut 9,000 jobs in December.

The weak job growth shouldn't be brushed aside, said Olu Sonola, head of U.S. economic research at Fitch Ratings. "Hiring is still stuck in stall speed, and job growth in the cyclical parts of the economy isn't sending a comforting signal," Electronics and appliance merchants added 5,000 jobs. Retail trade employment showed little net change in both 2024 and 2025.

Unemployment rates among younger workers have increased more sharply than for older workers. This is largely due to employers' excess caution when it comes to laying off as well as hiring. Because there is less movement in the labor market, fewer openings occur for the youngest, least skilled workers, who appear fated to lose the redundancy battle with artificial intelligence.

'...job growth in the cyclical parts of the economy isn't sending a comforting signal' - Olu Sonola, Fitch Ratings

MONETARY POLICY: TRENDING IN Q4 2025

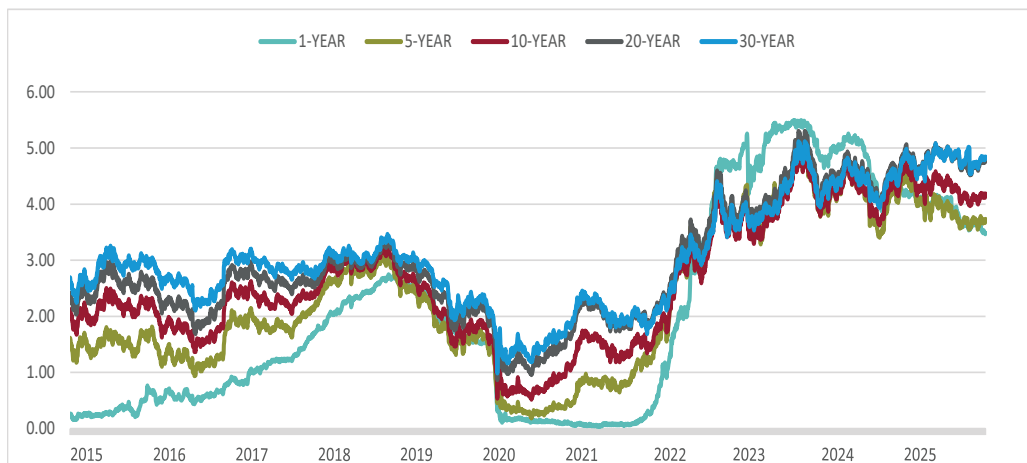
The long-running political drama surrounding the nation's central bank appears to be reaching its denouement as President Donald Trump disclosed his nominee to succeed embattled Federal Reserve Chairman Jerome Powell, whose term expires in May.

All that remains is the Supreme Court's decision, which is expected soon, on whether a president can remove a Fed governor as in the current case of Lisa Cook. Justices did not appear swayed by arguments made by attorneys for the president who critics claim is eroding the Fed's statutory independence.

Initial reactions by the financial markets were mixed to Trump's selection of Kevin Warsh to lead the central bank. He is seen as a pragmatist rather than ideologue and an inflation hawk who argued as a Fed governor that low interest rates and expansive bond purchases fuel rising prices.

He also has been a frequent critic of the Fed since leaving 15 years ago after serving five years on the board of governors during the 2007-08 financial crisis. Warsh has been a fellow at the Hoover Institution and lecturer at Stanford's Graduate School of Business. The Wall Street Journal called Warsh's selection significant and compared it to the appointment of Paul Volker by Jimmy Carter in

Daily Treasury Yield Curve Rates (Decade Trend)



*'Kevin Warsh is a fantastic choice...'-
Mark Carney,
Canada's prime minister and former head of the Bank of Canada.*

1979, when inflation was running at 13%. Volker pushed up the federal funds rate to 20%. He served through the Gerald Ford years and was reappointed by President Ronald Reagan. Alan Greenspan followed Volker in 1987 and stressed continuity. Warsh, however, the Journal said, "has promised a clear rupture - a wholesale rethinking of the Fed's asset holdings, policy framework, role in the economy and relationship with the executive branch."

Although he is seen by many as a safe bet with wide support, while at the Fed during financial crisis, Warsh championed low interest rates, angering conservatives. "Kevin Warsh is a fantastic choice to lead the world's most important central bank at this crucial time," said Mark Carney, Canada's prime minister and former head of the Bank of Canada. Research Affiliates founder Rob Arnott said Warsh will be "calming and soothing to markets."

Warsh, 55, reportedly was edged out by Powell for the job in 2017 because of his relative youth and has been campaigning for the post ever since. In the meantime, he has been a harsh critic of Fed leadership, which won't endear him to some colleagues.

"That's going to be a real issue," Richard Fisher, former president of the Dallas Federal Reserve Bank, told the Journal. "Kevin's going to have to work very hard to overcome what I sense is a feeling amongst Federal Reserve Board staff of his attacking the Fed and almost turning his back immediately after he left."

Appointed by Trump, Powell's decisiveness was praised when the Fed quickly moved to ensure liquidity in financial markets when Covid hit. But early in 2025 Powell came under fire for standing firm on interest rates against pressure from the White House.

GLOBAL ECONOMY: TRENDING IN Q4 2025

The worldwide economy is set to grow slightly faster than previously expected but remains sensitive to trade barriers and geopolitical conflicts, according to an update from the International Monetary Fund.

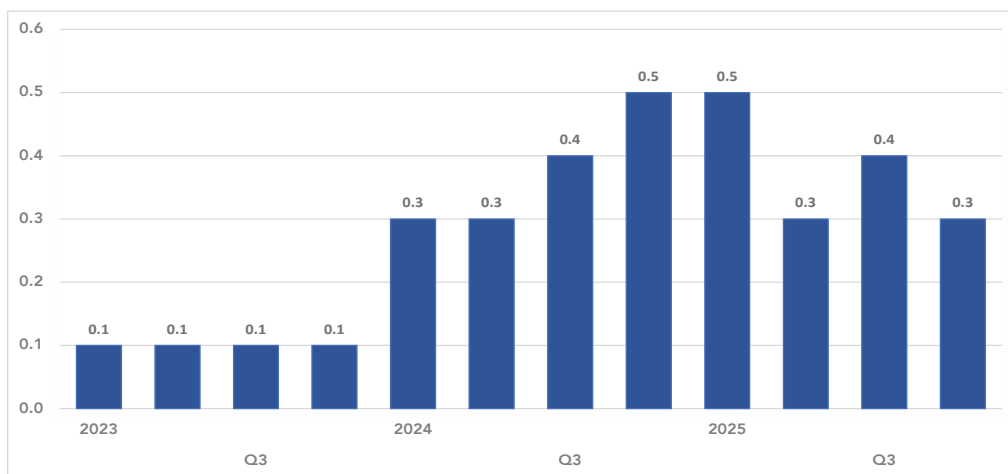
The IMF said the global economy is projected to expand at 3.3% in 2026 and at 3.2% in 2027 – largely unchanged from the predicted 3.3% growth expected for 2025.

Since the IMF's previous economic outlook in October, trade tensions have continued to abate but remain subject to occasional flare-ups. For example, a dispute between China and the United States over semiconductor exports and rare earth minerals was quickly followed by a truce.

U.S. authorities also removed tariffs on some agricultural products, offsetting the higher tariffs on certain sectors that were previously announced and are now in effect. This leaves the overall U.S. effective tariff rate at about the same level as last fall but changes affecting specific nations could be meaningful, the IMF said.

Newly signed bilateral trade and other agreements – often including sizable investment and purchase commitments with limited public disclosure – also add a layer of complexity. Overall, policy uncertainty is lower than it was in October but much higher than it was in January 2025, the IMF said.

European Union GDP Annual Growth Rate



The global economy is projected to expand at 3.3% in 2026 and at 3.2% in 2027 – International Monetary Fund

Because of stabilizing trade tensions and supportive financial conditions, the global economy continues to be resilient, adapting to the shifting landscape and with momentum varying across countries and sectors. In aggregate, global growth in the third quarter decelerated to 2.4% on an annualized basis. A boost from aerospace exports lifted growth to 2.2% in France, but falling exports continued to weigh on activity in Germany, leaving third-quarter real GDP unchanged. Japan's economy contracted by 2.3% with private and government consumption offsetting some of the reversals in private residential investment and exports.

The IMF estimated that China's growth decelerated to 2.4% with weak domestic demand, especially in the housing sector, but was offset by strong exports.

Growth in the United States accelerated to 4.3%, with a pickup in technology investment and expenditure estimated to add a fraction of a point to average annualized GDP growth in the first three quarters of 2025. This was enough to offset the drag from the federal government shutdown in the last quarter of the year. There are also signs that technology-related investment contributed to activity in Spain and the United Kingdom, though not at the same scale as in the U.S. Similar investment in information and technology sectors among Asian economies produced strong exports of semiconductors and other equipment.

The IMF said world trade volume growth is expected to decline from 4.1% in 2025 to 2.6% in 2026 and increase to 3.1% in 2027. These dynamics reflect patterns of front-loading and trade flow adjustments to new policies. Over the medium term, expansionary fiscal packages in economies with current account surpluses are expected to contribute to declining global imbalances. There are downward pressures on oil prices due to tepid demand and excess supply, the IMF said, adding that energy commodities are expected to fall by about 7% in 2026.

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