WEEKLY ANALYSIS

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2026 START VERY UNCERTAIN IN THE UNITED STATES

GDP slows in Q3. Soft landing in Q4 and Q1 2026 highly uncertain. High underemployment at 8.7%. Key interest rates close to neutral. Risks of inflation rebound in Q1. Reduced outlook for bonds. Consolidation of equity markets.

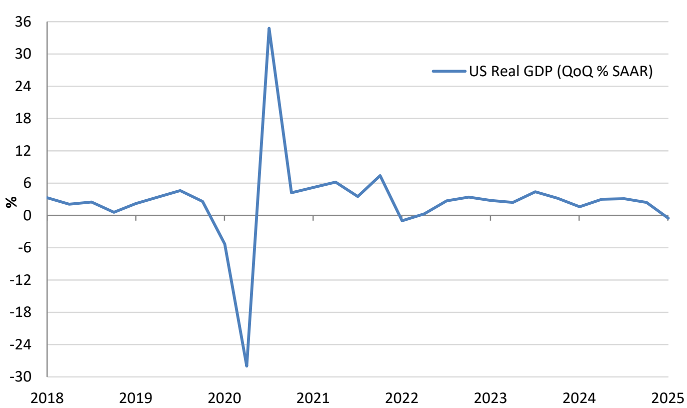
Key points

- Growth slows in Q3 after Q2 euphoria
- Soft landing in Q4 for US GDP
- Leading indicators remain positive in services
- Unemployment rises to 4.6% and underemployment to 8.7%
- Fed cuts rates close to neutral level
- Risks of sharp rebound in inflation in Q1 2026
- Less clear outlook for bond market
- New paradigm for the dollar
- Risk/return ratio unfavorable for US equities

Growth slows in Q3 after Q2 euphoria

Under normal circumstances, the US GDP estimate would have already been published and known since October. However, the 43-day federal shutdown significantly disrupted the Bureau of Economic Analysis's release schedule. This initial estimate will finally be published on December 23. That said, to date, the main estimates point to a sharp economic slowdown after growth of +3.8% in Q2. The consensus view is centering on annualized growth of +1.5% to +2%. These forecasts anticipate a sharp slowdown in growth, particularly due to a likely decline in consumption linked to lower household purchasing power and persistently high inflation relative to wage growth. Foreign trade is running at a monthly deficit of around $53 billion, and net exports ultimately contributed slightly to GDP. The length of the federal shutdown weighed on economic activity, although statistical models suggest that consumers are continuing to spend. The growth mix probably changed significantly in Q3. Q2 had been boosted by massive anticipation among businesses ahead of the announcement of tariffs, which artificially inflated the investment component of GDP. This trend did not repeat itself in Q3. During the six-week shutdown, federal employee consumption and government operating expenses fell. The Congressional Budget Office (CBO) estimates that each week of the shutdown reduced annualized growth for the quarter by 0.2 percentage points, or approximately 1.2 percentage points for Q3. Uncertainty probably froze some private investment unrelated to AI, with the lack of statistical data (employment and retail sales reports not published on time) prompting companies to exercise caution. Job creation also slowed sharply to around 50,000 during the summer. Finally, tariff-related inflation began to materialize on everyday consumer goods (furniture, equipment). While wealthy households continue to spend (on services and luxury goods), middle- and low-income households have likely reduced their discretionary spending, resulting in a lower contribution from consumption to GDP than in Q2. Capital investment in artificial intelligence has undoubtedly remained one of the few segments experiencing robust growth, preventing GDP from falling below +1%, while the manufacturing sector has probably continued to contract and residential investment (real estate) has suffered from persistently high real interest rates, despite the Fed's rate cut later in September. Growth in Q3 is therefore logically expected to slow, but the economy is proving remarkably resilient at this stage, with value creation potentially reaching +2%.

Quarterly GDP growth — United States



Sources: Bloomberg, BBGI Group SA