



## Economic Update

August 2025

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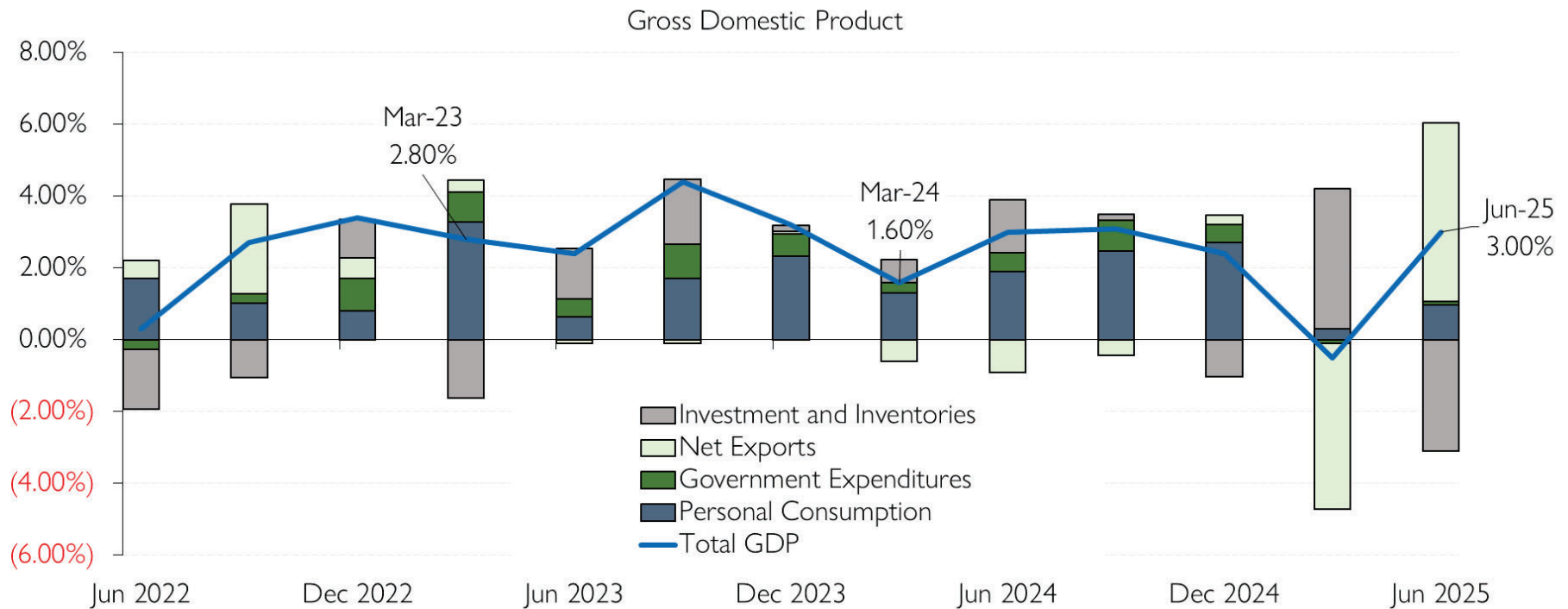
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# Gross Domestic Product

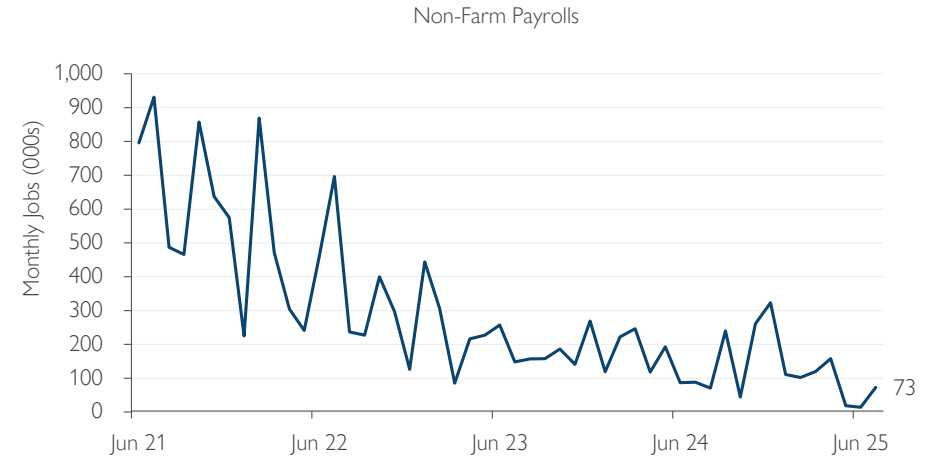
- According to the first GDP reading, the U.S. economy grew at an annualized rate of 3.0% during the second quarter of 2025. As the chart below presents, two of the four components of GDP reversed, with Net Exports contributing to the growth, while Investments and Inventories contracted during the period. This was primarily due to a reduction in few imports and less domestic investments during the second quarter when compared to the first quarter. Consumer spending also improved, although much lower than the quarterly average during 2024.



# Jobs

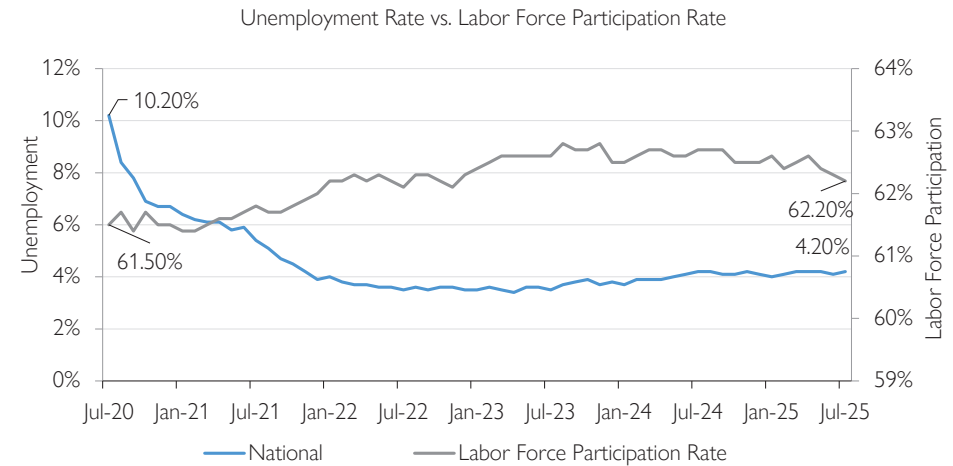
## Job Growth continues

- The July jobs report was disappointing with just 73k jobs created, compared with 105k estimated.
- The bigger labor market related news on August 1<sup>st</sup> was the downward revision of more than 250k jobs in May and June, reducing the number of jobs for those two months to just 35k.



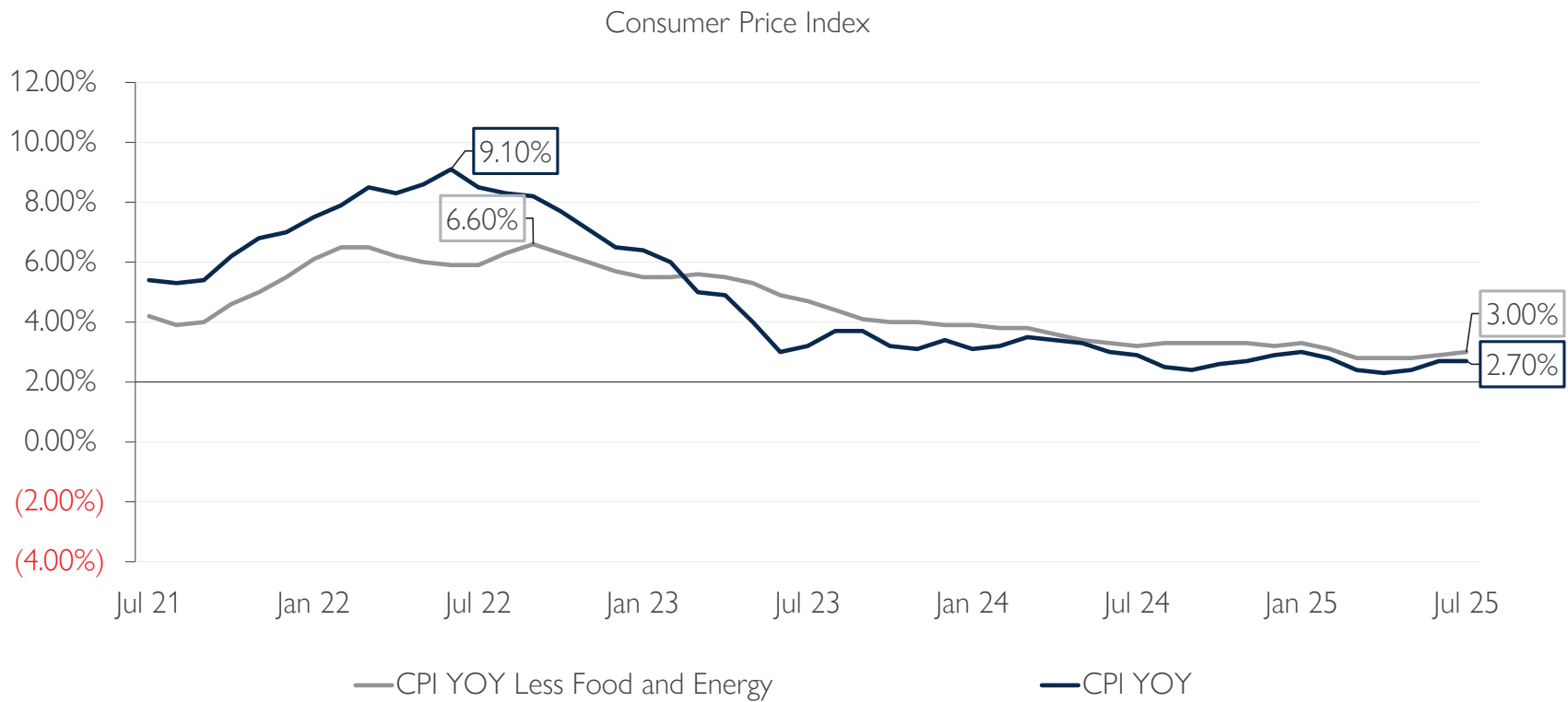
## Unemployment Levels Remain Favorable

- The national unemployment rate increased slightly to 4.2% remaining at a low, favorable rate from an historical perspective.
- The labor force participation rate decreased for the third consecutive month, to 62.2%, indicating a continuing trend of fewer individuals actively working or seeking employment.



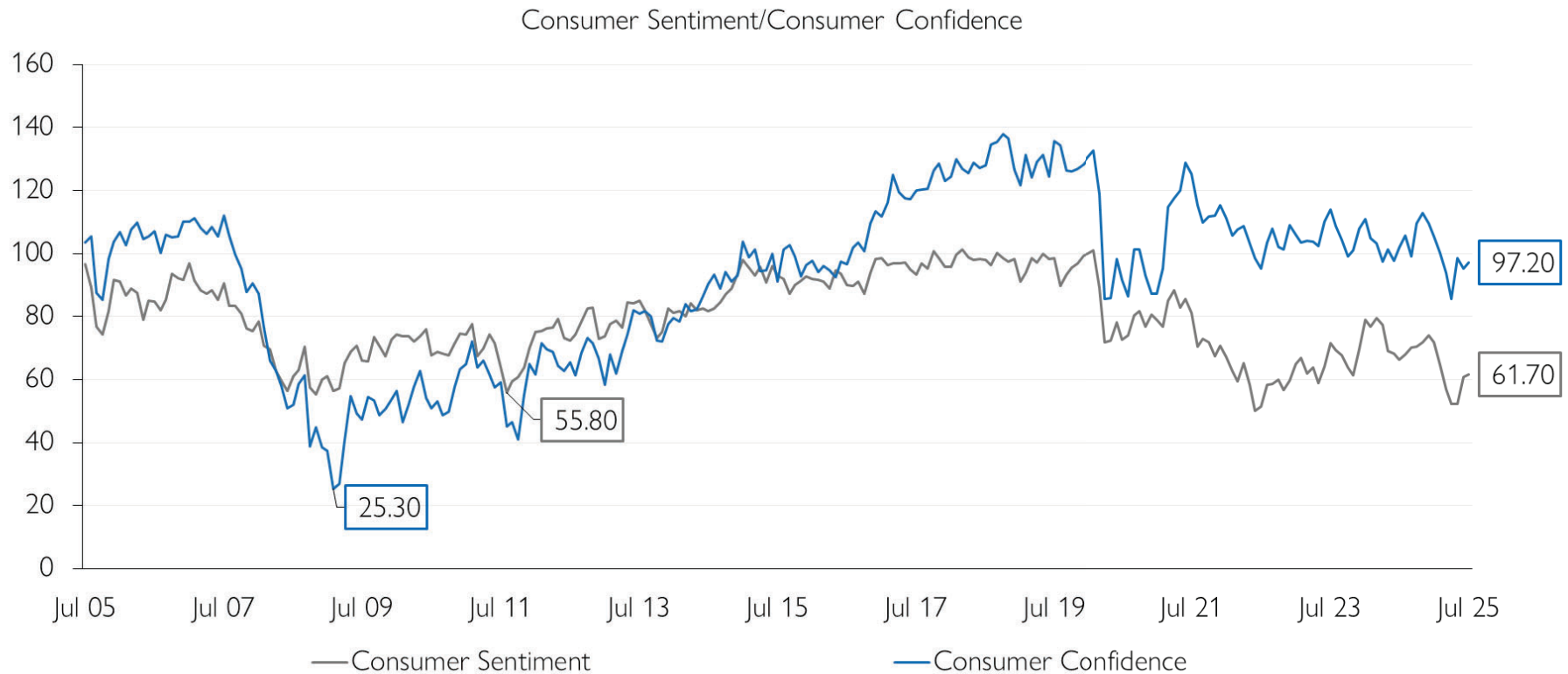
## Inflation - CPI

- Consumer prices inflation remained at 2.7% during July., while Core CPI, which excludes Food and Energy inflation, increased +.1% to 3.0%. Food and transportation costs increased 2.9% and 3.5%, respectively. Shelter costs increased 3.7%, the lowest annual increase since 2021.



# Consumer Confidence

- Consumer confidence and sentiment rebounded during the second quarter of 2025. While tariff uncertainty remains a concern, expectations of significantly higher costs have subsided, at least for now.



# FOMC Dot Plot – June 2025 Meeting





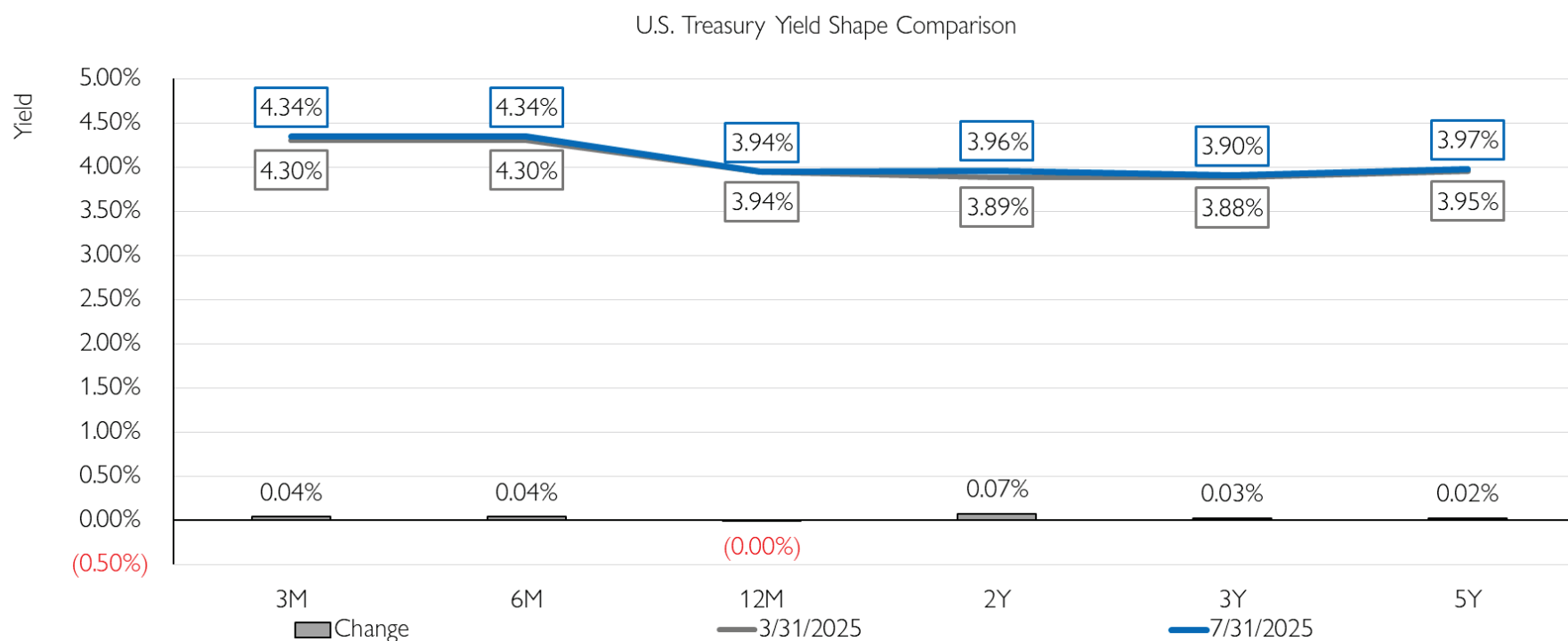
# Federal Funds Rate Expectations

Region: United States »			Instrument: Fed Funds Futures »		
Target Rate	4.50		Pricing Date	08/08/2025	
Effective Rate	4.33		Cur. Imp. O/N Rate	4.326	
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/17/2025	-0.933	-93.3%	-0.233	4.093	0.250
10/29/2025	-1.595	-66.2%	-0.399	3.927	0.250
12/10/2025	-2.408	-81.3%	-0.602	3.724	0.250
01/28/2026	-2.875	-46.7%	-0.719	3.608	0.250
03/18/2026	-3.381	-50.6%	-0.845	3.481	0.250
04/29/2026	-3.675	-29.4%	-0.919	3.408	0.250
06/17/2026	-4.189	-51.4%	-1.047	3.279	0.250
07/29/2026	-4.505	-31.6%	-1.126	3.200	0.250
09/16/2026	-4.853	-34.8%	-1.213	3.113	0.250
10/28/2026	-5.035	-18.2%	-1.259	3.068	0.250
12/09/2026	-5.213	-17.8%	-1.303	3.023	0.250



# U.S. Treasury Yield Curve

- U.S. Treasury yields with maturities between three months and five years have declined year over year with short term rates lower as a result of Federal Funds rate cuts during the second half of 2024, and longer term rates declining primarily based on economic growth uncertainty.



## Interest Rates Rebound from Recent Lows

- While less volatile in recent months, U.S. Treasury rates continue to fluctuate as fears of persistent inflation and more recently, uncertainty about the labor market.

