Bearbull Global Investments Group Limited
Al Fattan Currency House – Tower 1 – Unit 702
Dubai International Financial Centre (DIFC) - Dubai - UAE
www.bearbull.ae +971 4 2722719

ECONOMIC RESEARCH – DECEMBER 2025

# INVESTMENT INSIGHT USA

- ✓ Growth slows in Q3 after Q2 euphoria
- ✓ Soft landing in Q4 for US GDP

## 2026 START VERY UNCERTAIN IN THE UNITED STATES

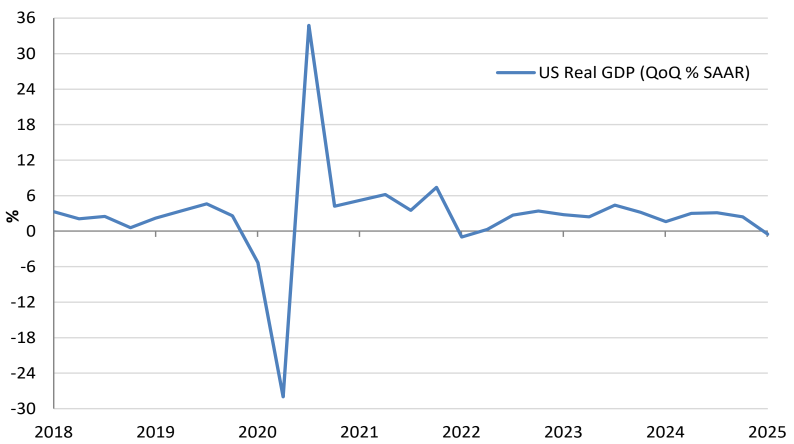
### US growth slowdown and shutdown disruptions in Q3

The US economy decelerated in Q3, with annualized growth expected between +1.5% and +2.0% following Q2's robust +3.8%. A 43-day federal shutdown significantly disrupted this trajectory, reducing quarterly growth by an estimated 1.2 percentage points according to the CBO. This slowdown reflects a cooling in government spending and a normalization of activity after the artificial investment surge seen earlier in the year.

### Diverging consumption patterns and purchasing power erosion

Consumer behavior in Q3 revealed a stark bifurcation along income lines. While affluent households sustained spending on luxury goods and services, middle- and low-income demographics faced eroding purchasing power due to persistent inflation relative to wage growth. High prices for everyday goods, increasingly influenced by the materialization of tariff costs, have forced a contraction in discretionary spending. Despite these headwinds, the broader consumer base has shown remarkable resilience, preventing a more severe collapse in the GDP contribution of private consumption.

Quarterly GDP growth — United States




Sources : Bloomberg, BBGI Group

## Investment climate shift and the AI growth engine

The mix of capital investment underwent a significant transformation during the summer months. Private investment unrelated to Artificial Intelligence (AI) effectively froze due to the lack of timely statistical data and heightened geopolitical uncertainty. However, capital expenditure linked to AI remained a robust outlier, serving as a primary defense against a sub-1% growth scenario. This "AI exceptionalism" continues to mask underlying weaknesses in the manufacturing sector and residential real estate, both of which remain burdened by high real interest rates.

## Labor market cooling and credit constraint risks

The US labor market showed definitive signs of cooling during the third quarter, with job creation slowing to approximately 50,000 monthly additions. This deceleration is now intersecting with increasingly tight credit conditions. The rising cost of consumer credit—specifically car loans and credit cards—is beginning to curb future spending potential. We are observing a concerning uptick in consumer credit default rates and a greater reliance on debt to maintain existing living standards, suggesting that the "cushion" of excess savings has been largely exhausted.

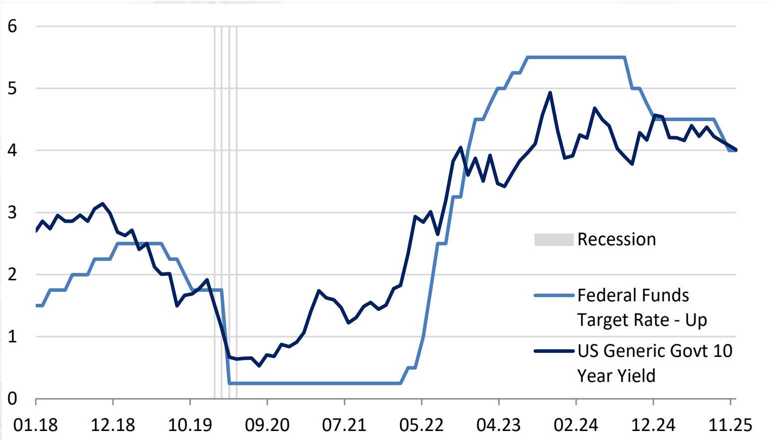
## Expectations for a regulated soft landing in Q4

As the year concludes, the consensus points toward a further slowdown in Q4, which we estimate at a moderate +0.5% to +1.0%. The delayed impact of the Federal Reserve's previous monetary tightening is finally manifesting in the real economy. While the risks of a technical recession have diminished, Q4 is expected to mark a regime change toward fragile resilience. The primary support will likely come from a post-shutdown rebound in public spending and the retroactive payment of federal salaries, which should provide a temporary stimulus for the holiday consumption season.

## Regime change and the 2026 economic horizon

The US economy enters 2026 at a critical juncture. The surprising resilience observed throughout 2025 is transitioning into a phase characterized by lower growth and tighter margins. While the "soft landing" remains the base case, the economy is increasingly vulnerable to exogenous shocks and the cumulative weight of restrictive credit. The sustainability of the recovery will depend on whether the manufacturing sector can find its floor and if AI-driven productivity gains can broaden out to offset the inevitable contraction in traditional discretionary spending.

**US recessions, long-term rates, and Fed funds**




*Sources : Bloomberg, BBGI Group*