HHM

WEALTH ADVISORS

TRUST MATTERS.

August 2025

Point of View – Economy – Markets

Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.

Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

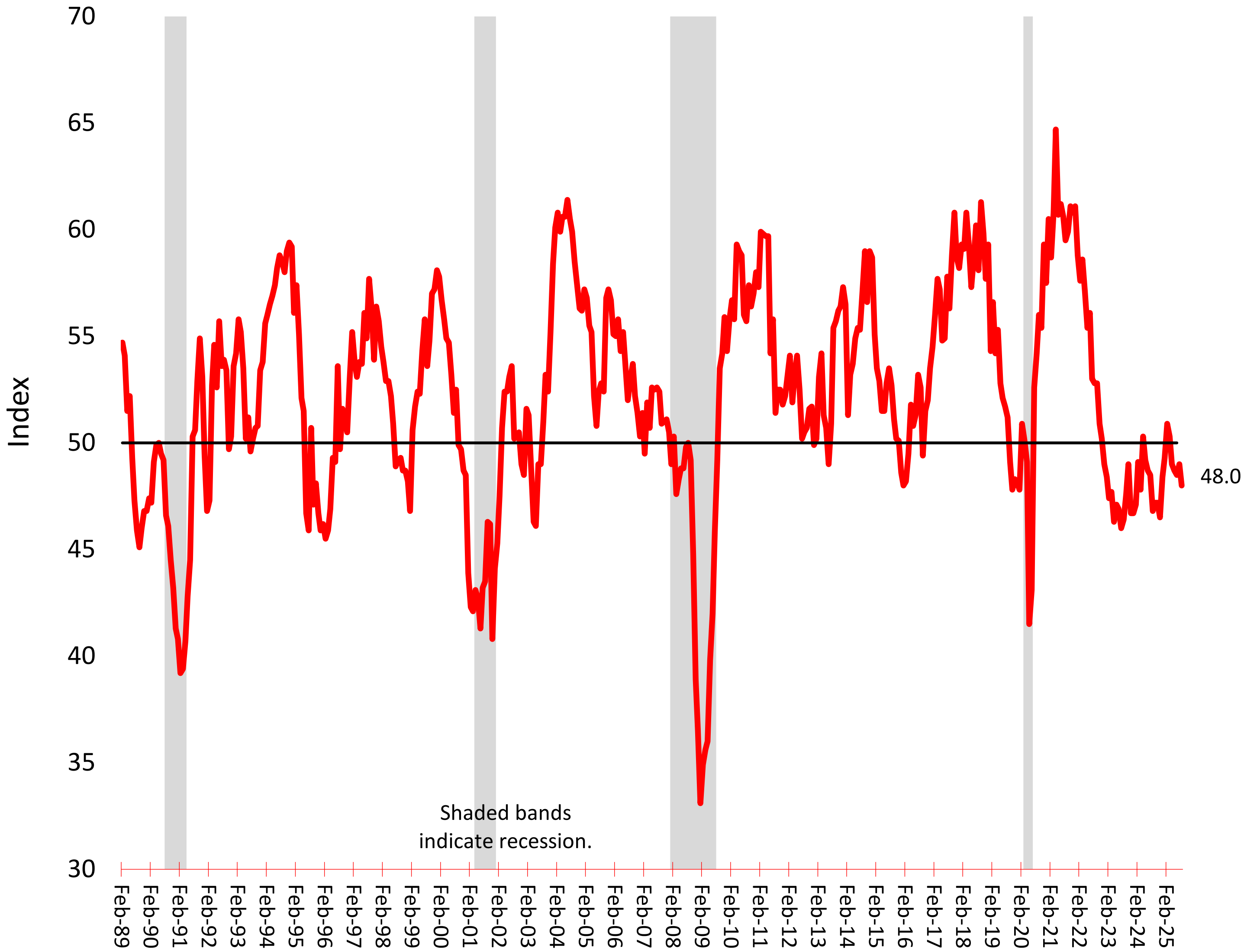
Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

Bullet points for August

- Weak PMIs and jobs data
- Weakening construction
- Healthy July retail sales
- Strong Atlanta Fed Q3 GDP forecast
- 2.6% inflation (PCED); 2.7% (CPI)
- 2026 earnings estimates trending higher
- Record high stock prices
- High P/E ratio
- Fed poised to cut

Economic data

ISM manufacturing PMI – weak



July at 48.0.

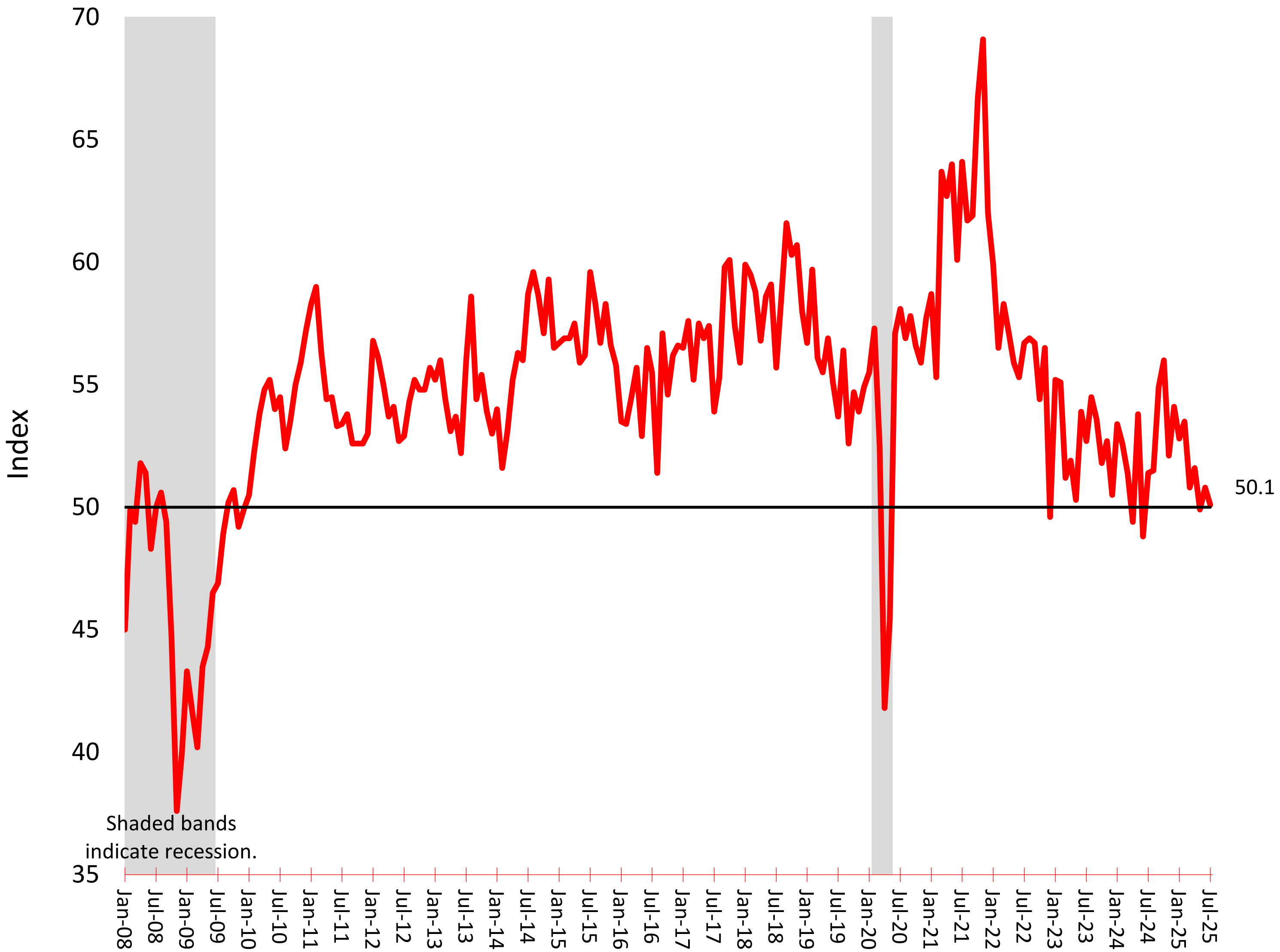
July new orders 47.1.

Note the historic volatility in the manufacturing PMI.

Note how this indicator has slumped well below 50 even during periods of strong economic expansion, eg. 1995, 1999, 2003, 2013, 2016.

Source: Copyright 2025, Institute for Supply Management. Data through July 2025.
ISM: "A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy."

ISM services PMI – weak



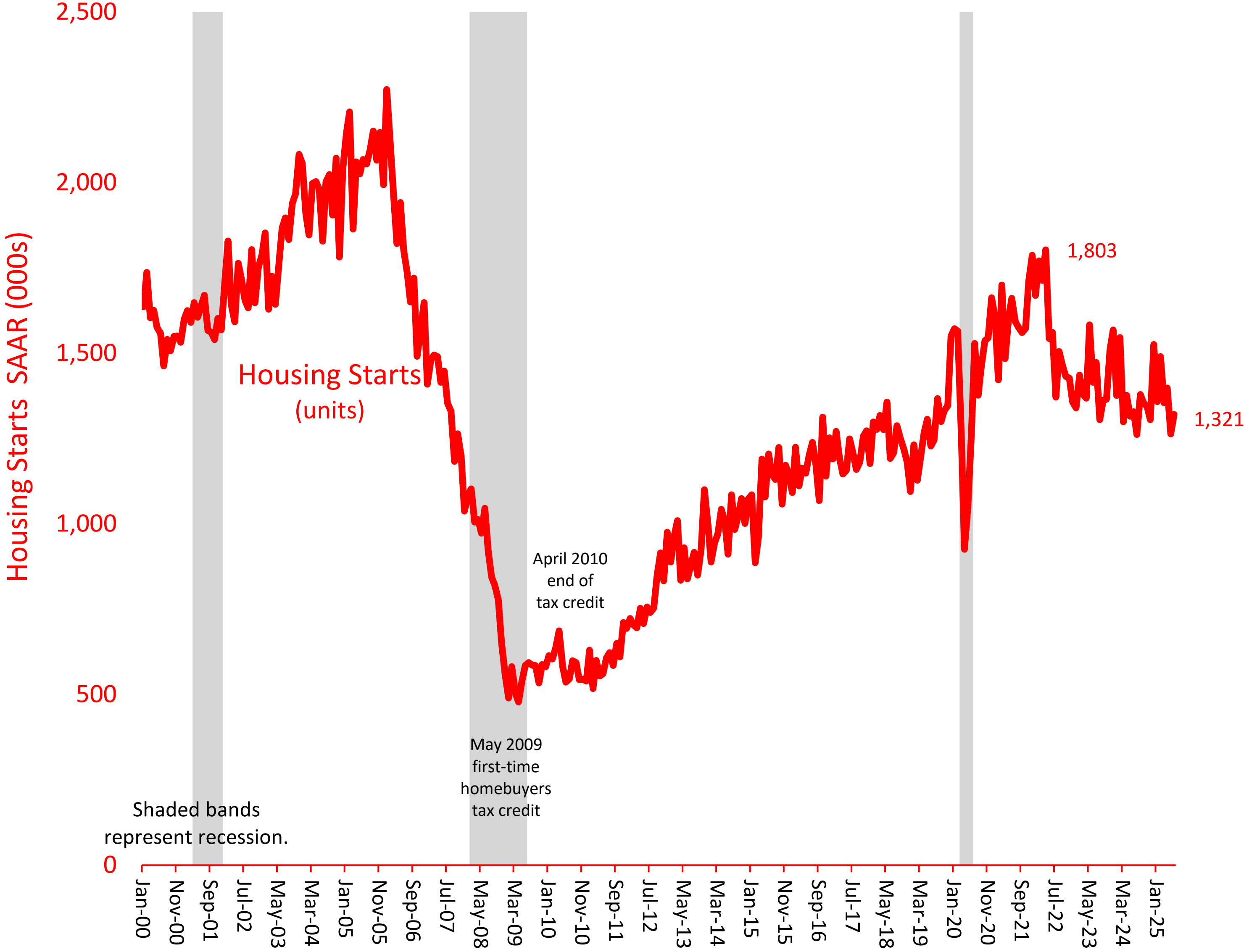
July at 50.1.

July new orders 50.3.

Services comprise 89% of the U.S. economy[1] and 91% of total nonfarm jobs.

Source: Copyright 2025, Institute for Supply Management; data through July 2025. This data series was created in 2008. ISM: "A reading above 50 percent indicates that the services sector economy is generally expanding; below 50 percent indicates that it is generally contracting." "A Services PMI® above 50.1 percent, over time, generally indicates an expansion of the overall economy." [1]Value added as a percent of GDP.

Housing starts



1.321 million starts in June.

June permits at 1.397 million.

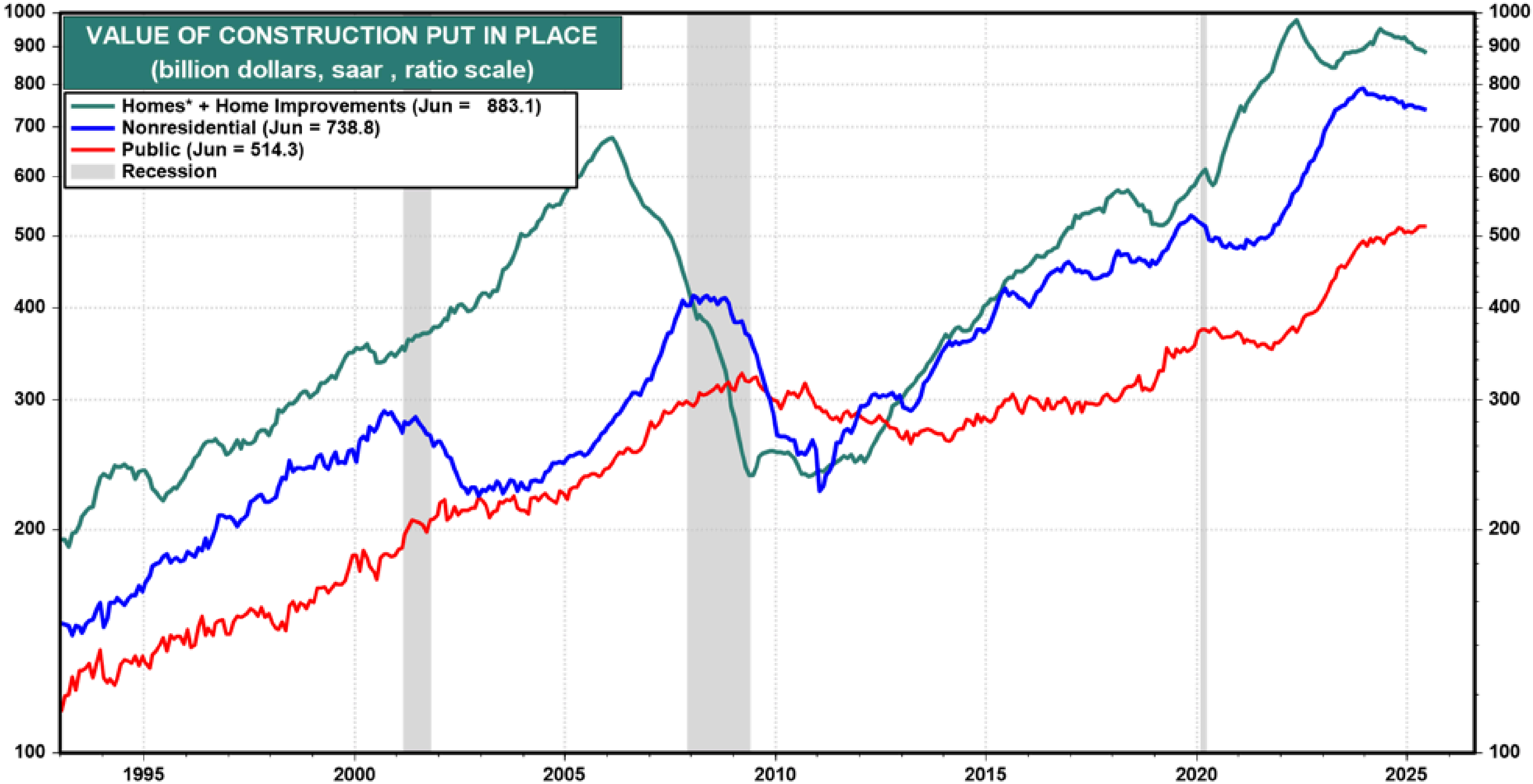
"Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016)." [1]

Sources: BEA and U.S. Census Bureau. Data through June 2025.

[1] *Economic Report of the President*, Council of Economic Advisors, February 2018

Economic data

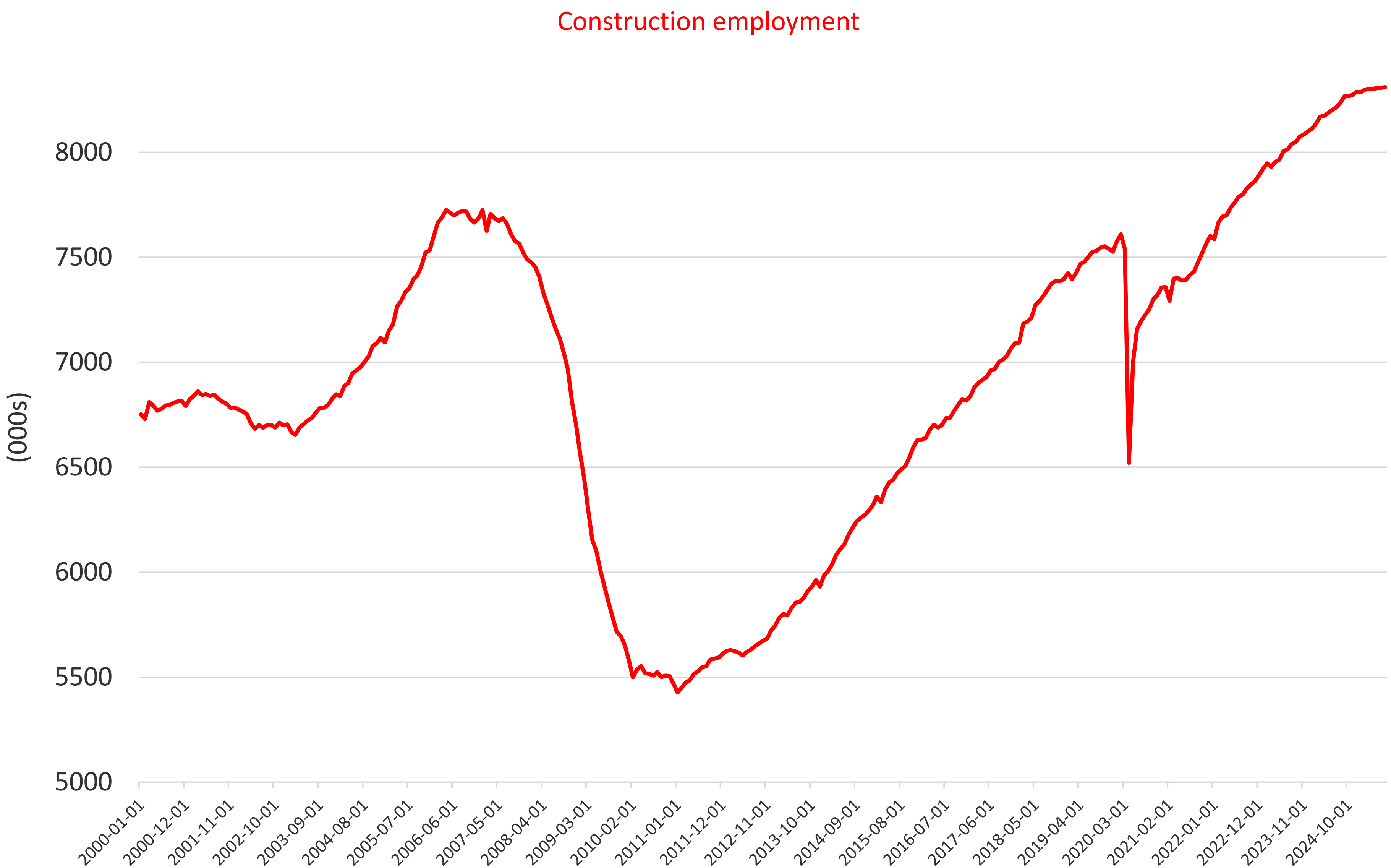
Construction spending – weakening



Source: LSEG Datastream and © Yardeni Research, and US Census Bureau.
*Includes single-family and multi-family homes.

Source: Yardeni Research, Inc., with permission, August 13, 2025

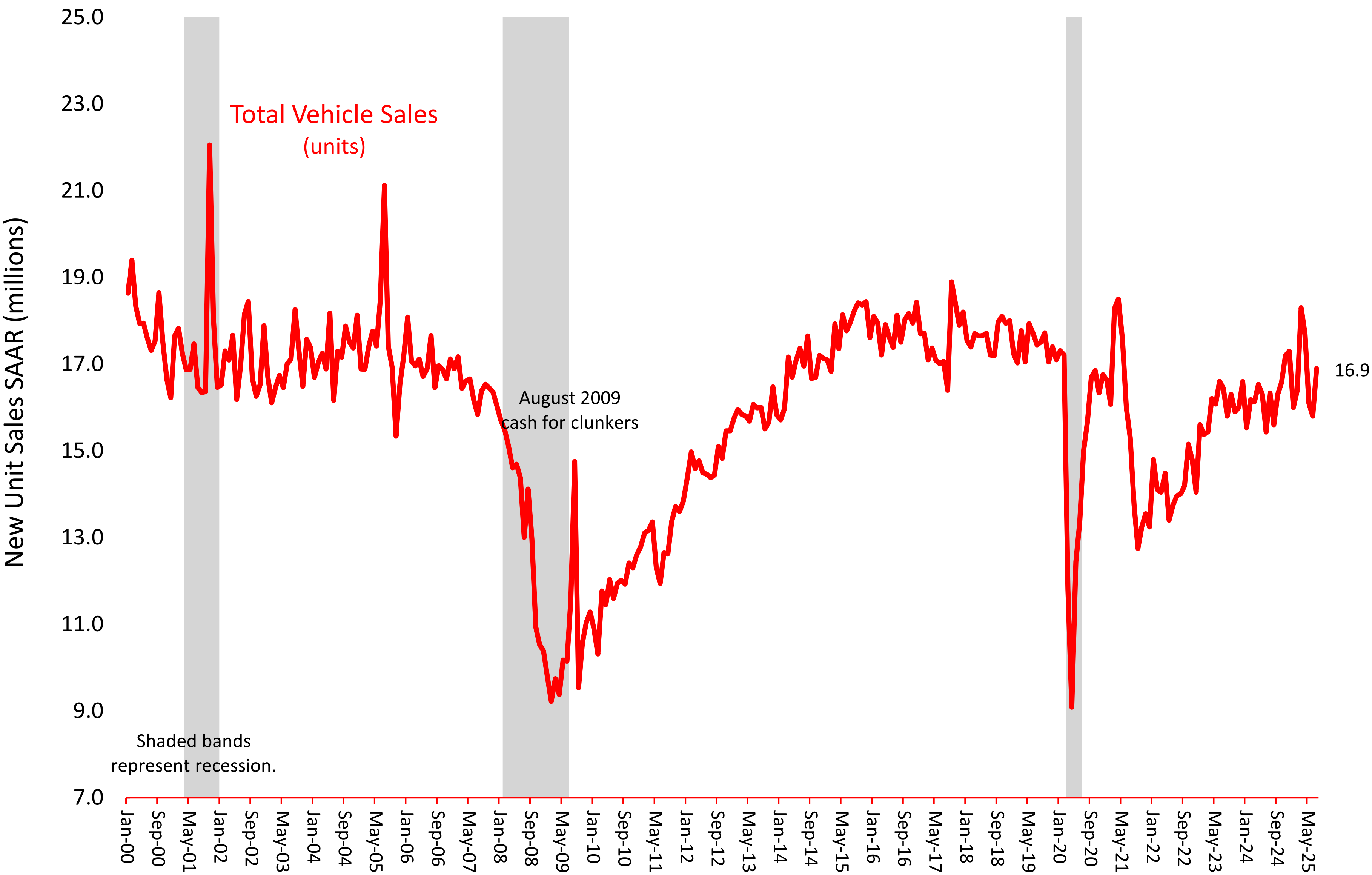
Construction employment – flattening



Source: BLS. Data through July 2025.

Economic data

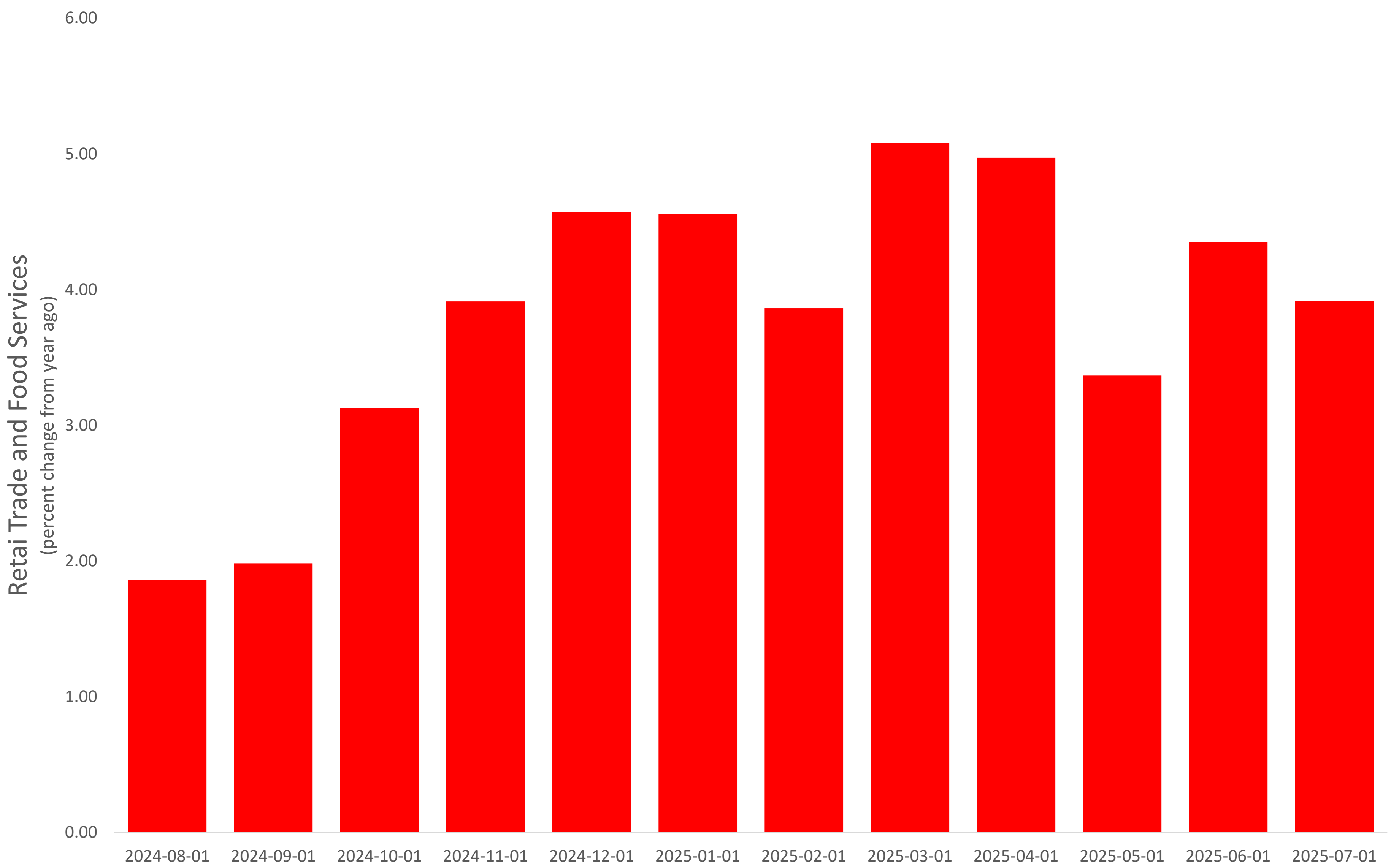
Vehicle sales



Sources: BEA. Data through July 2025.

Economic data

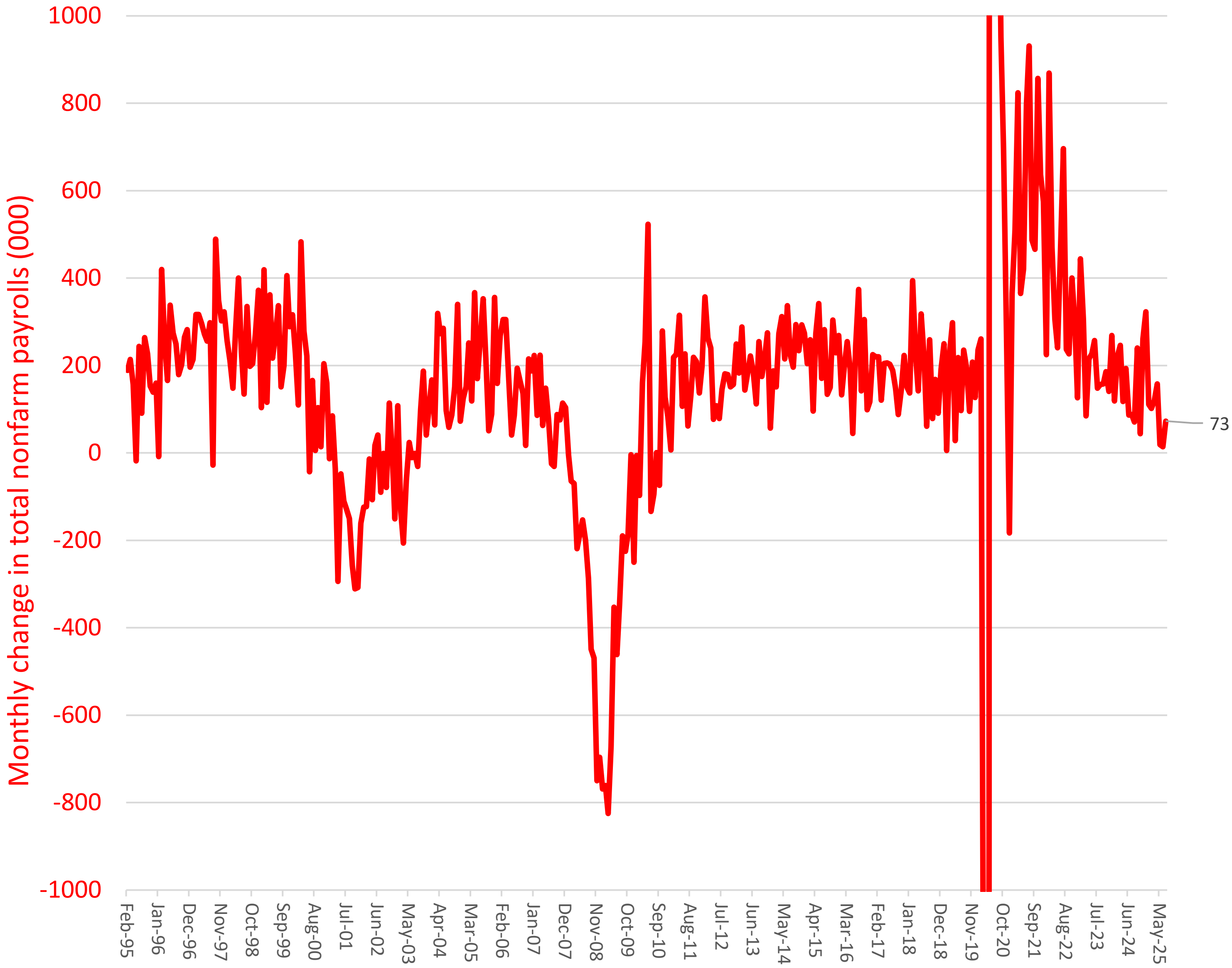
Retail sales



Source: FRBSL, data through July 2025.

Economic data

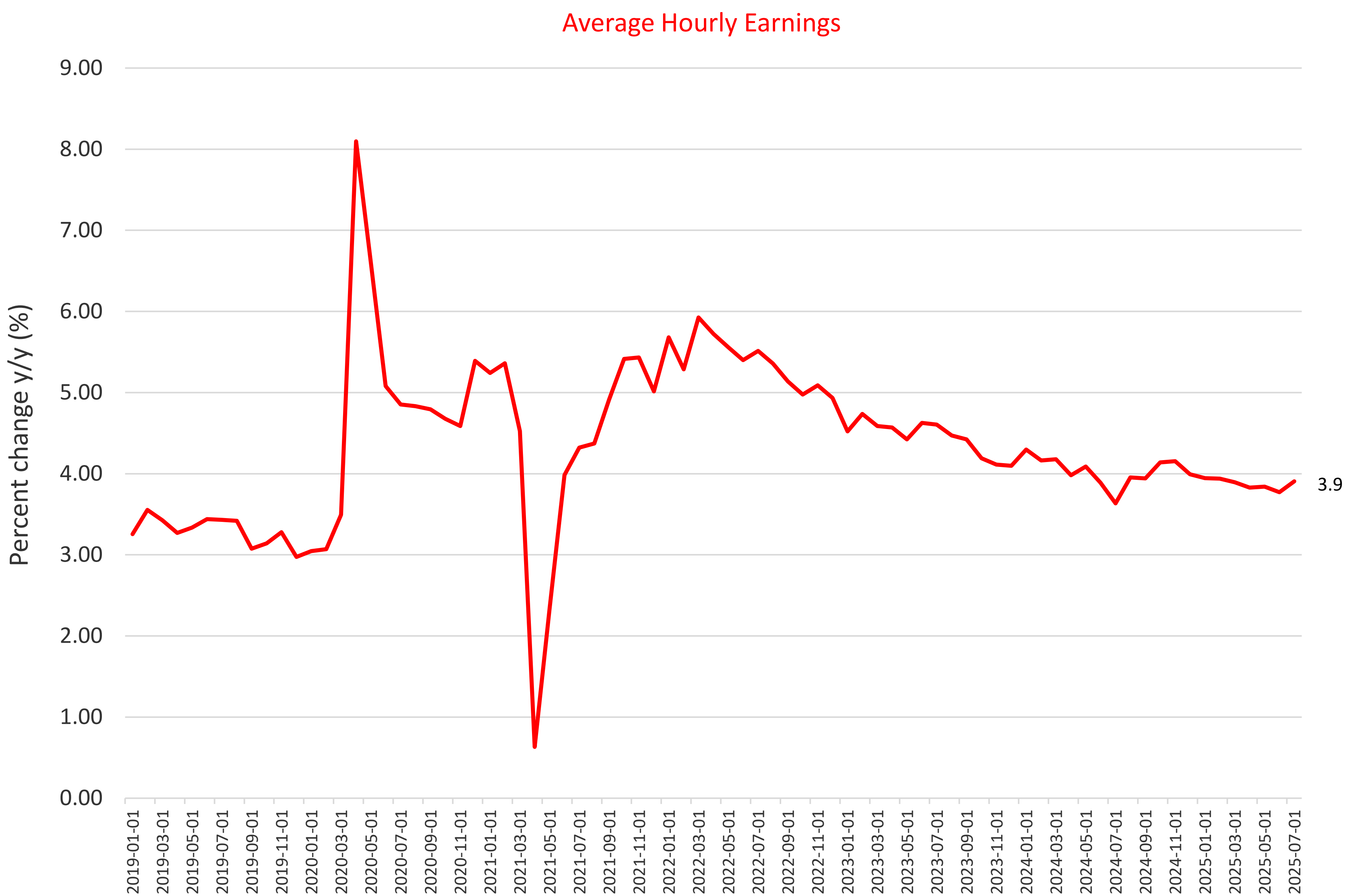
Net new job formation – weak



73,000 jobs gained in July on the establishment survey.

Source: Bureau of Labor Statistics. Data through July 2025.

Average hourly earnings – y/y rate of change

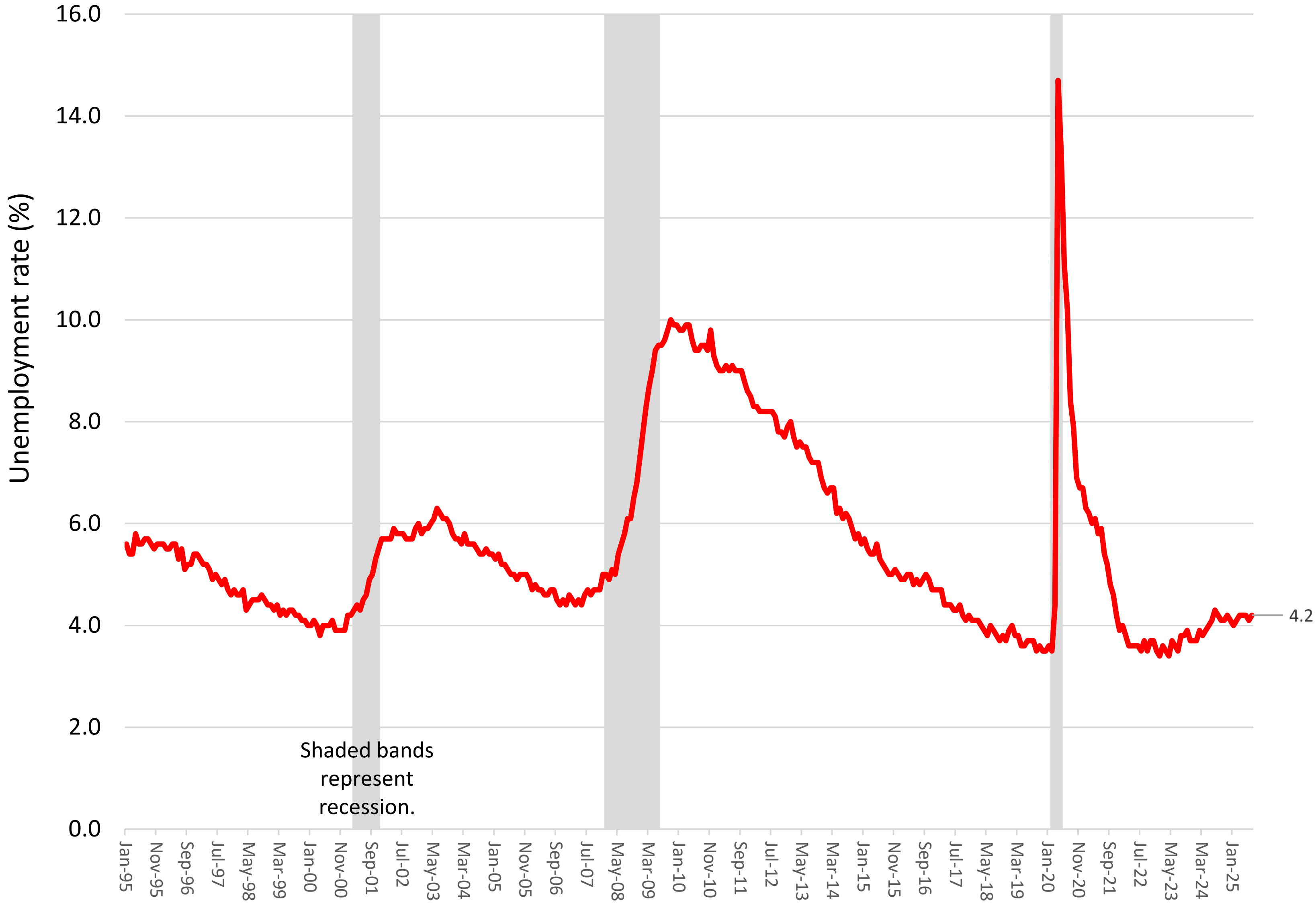


Source: Bureau of Labor Statistics. Data through July 2025.

Economic data

Unemployment rate

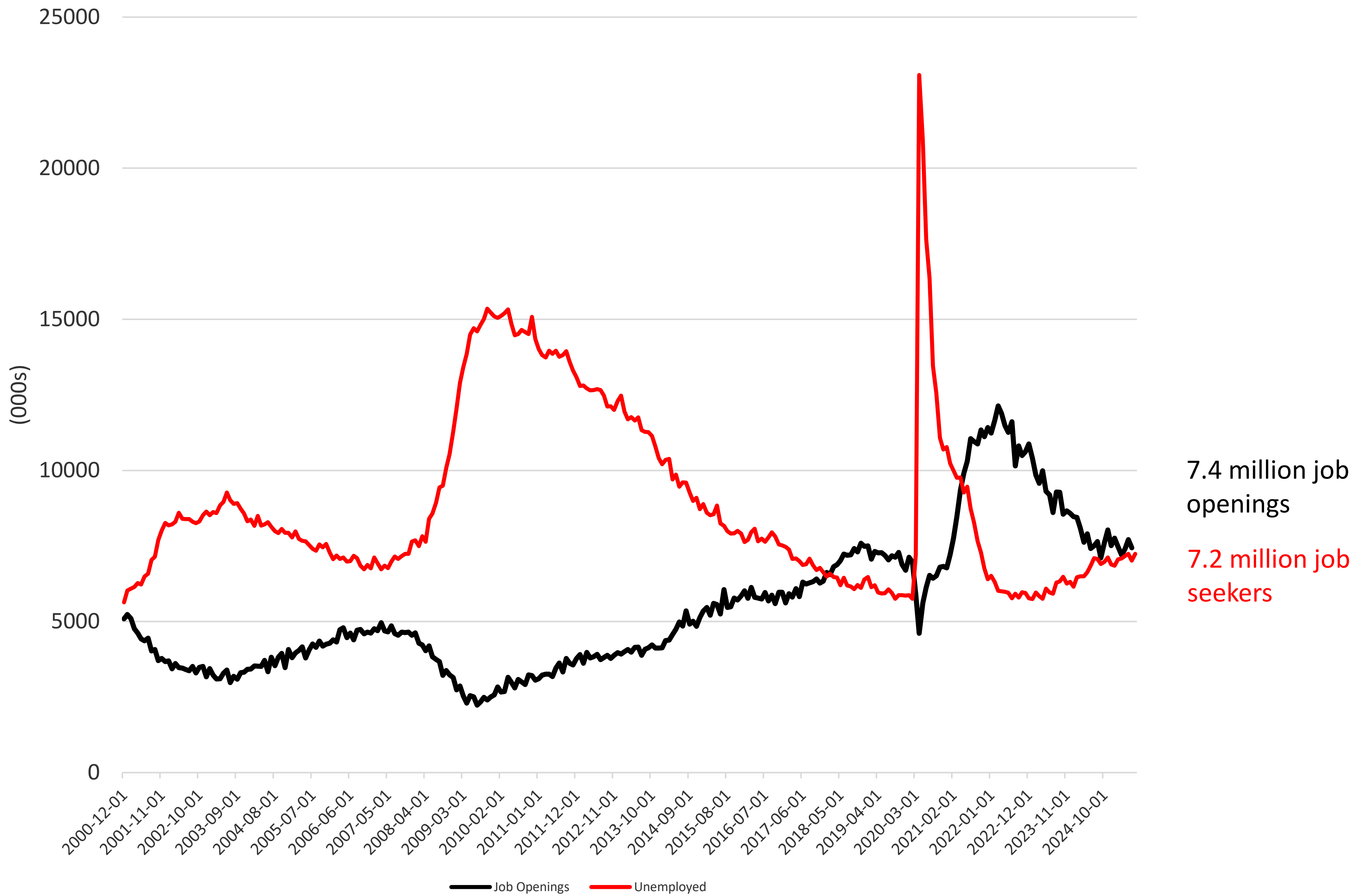
4.2% in July.



Source: Bureau of Labor Statistics. Data through July 2025.

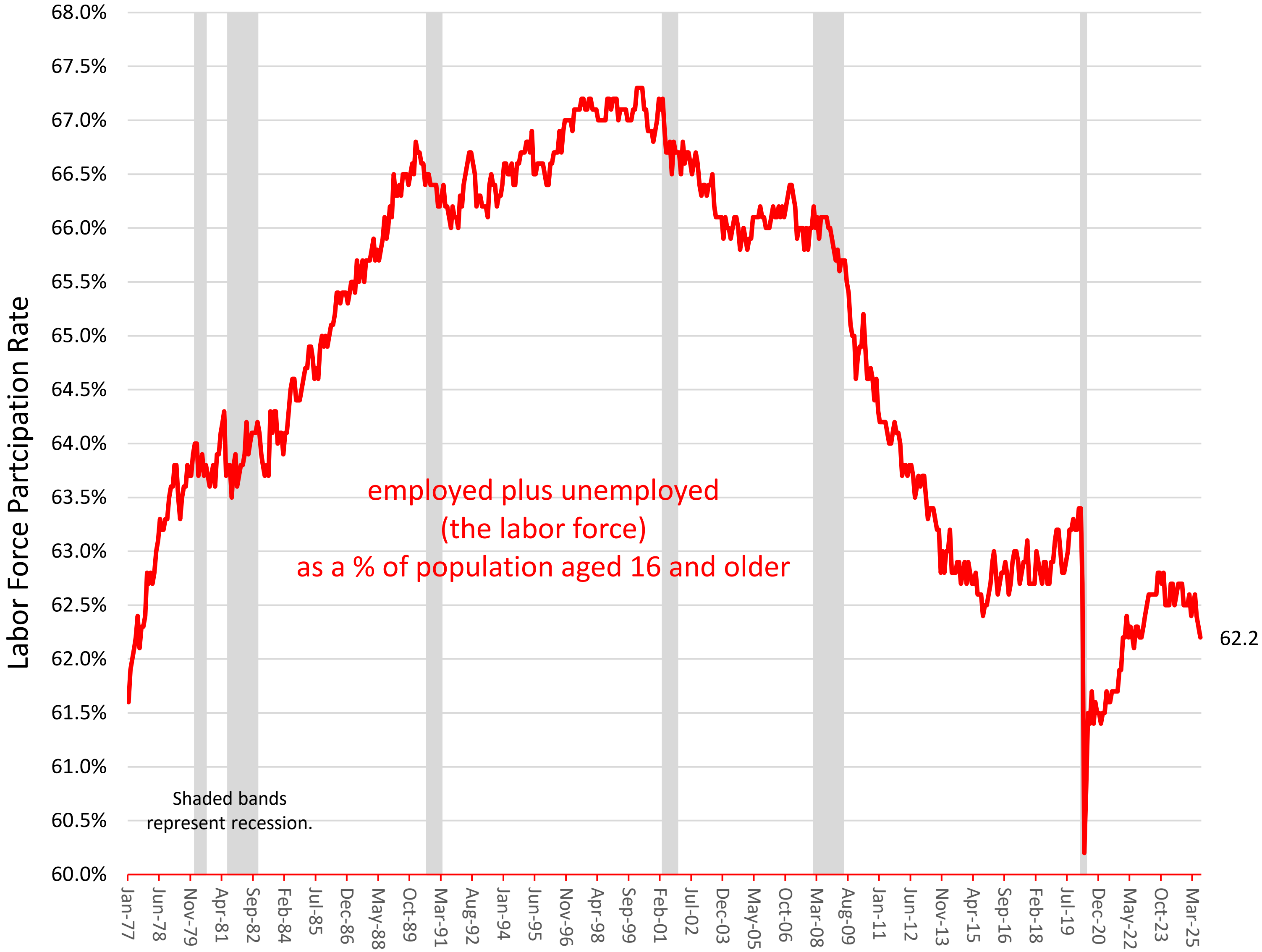
Economic data

"Excess demand" for labor – this time is different



Source: Bureau of Labor Statistics. Data through June 2025 for job openings, July 2025 for unemployed.

Labor force participation rate[1] – sliding lower

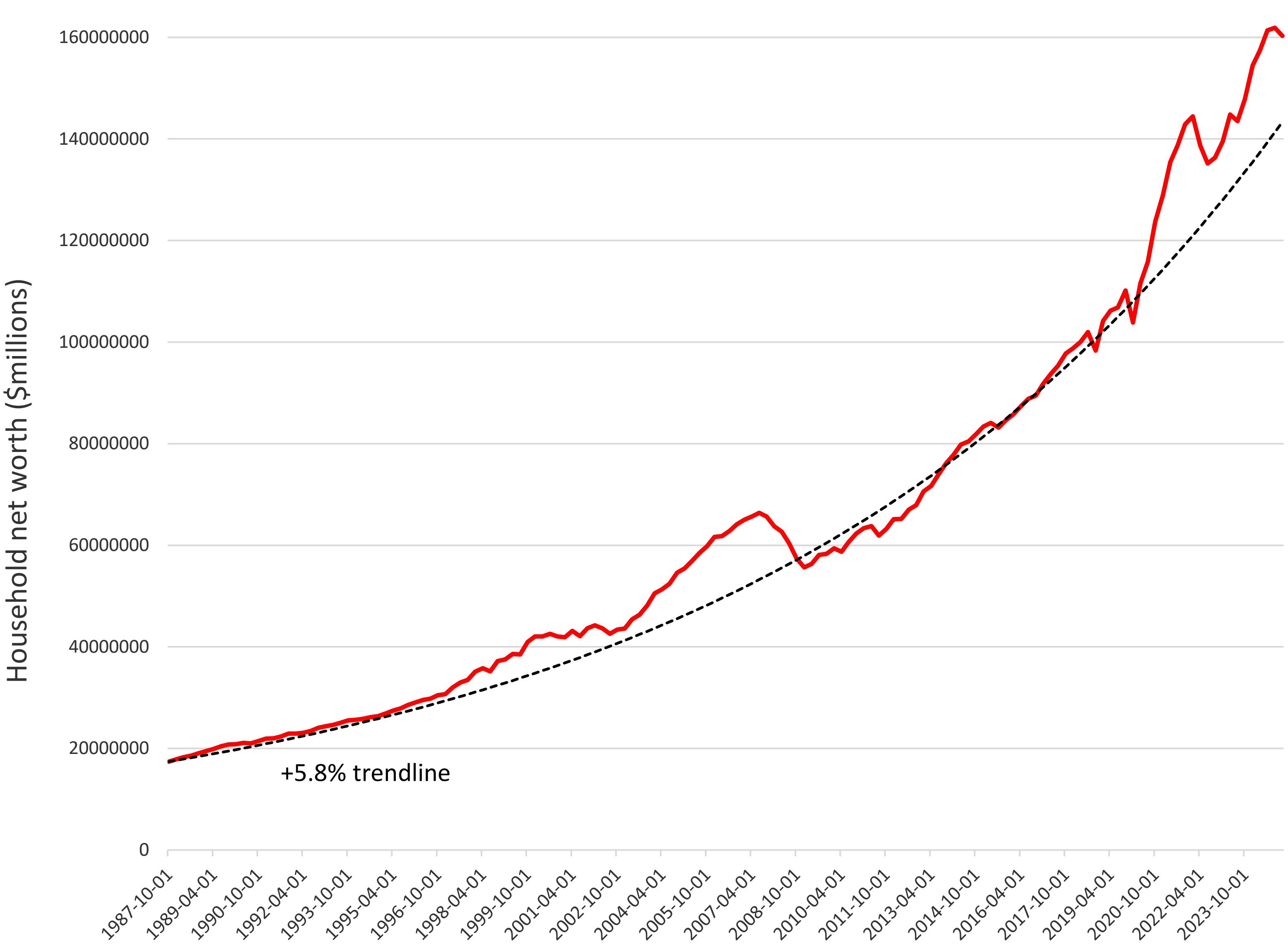


Fewer Americans are joining and staying in the labor force.

Source: BLS. Data through July 2025.

[1]Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

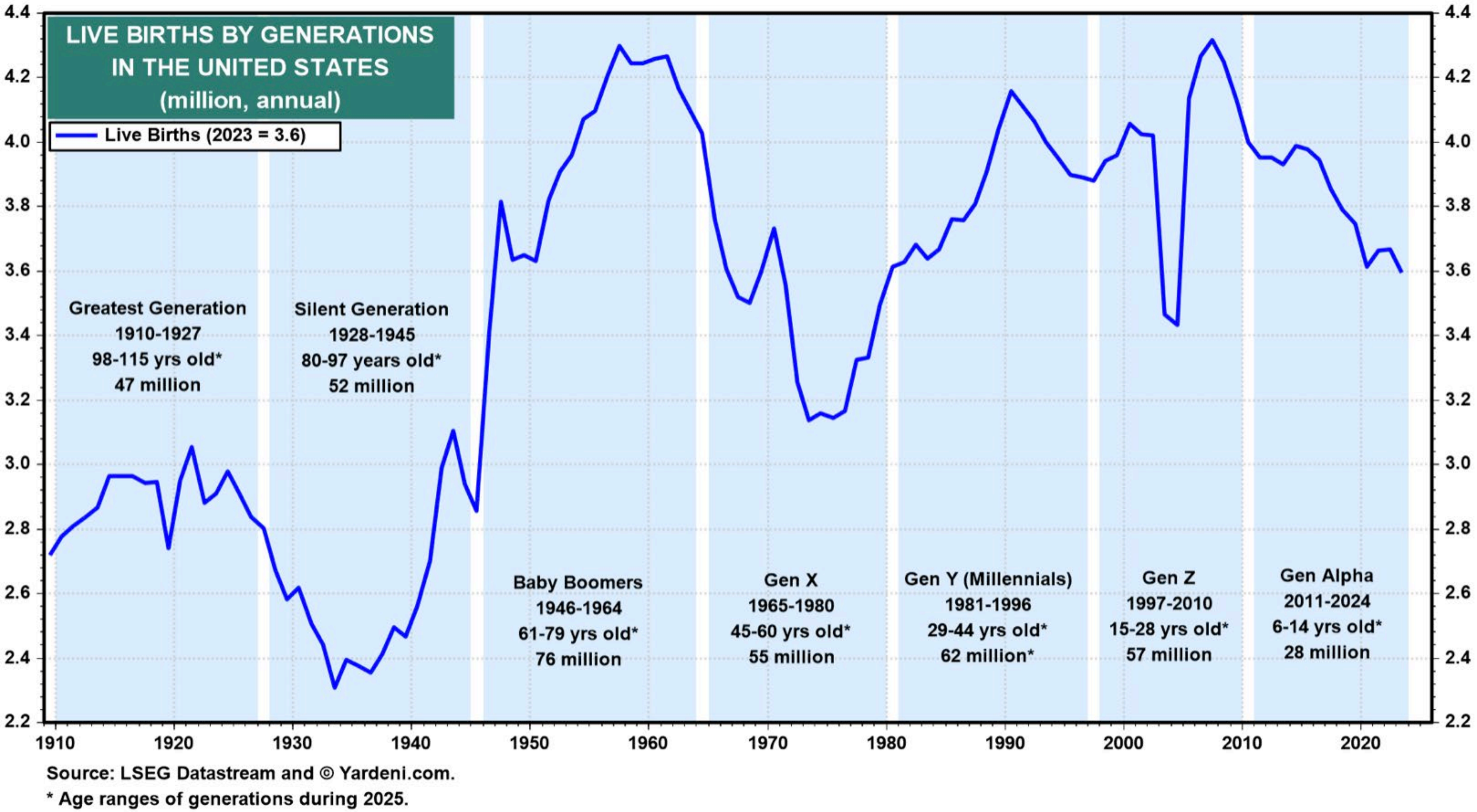
Household net worth – the wealth effect



Household net worth has surged.

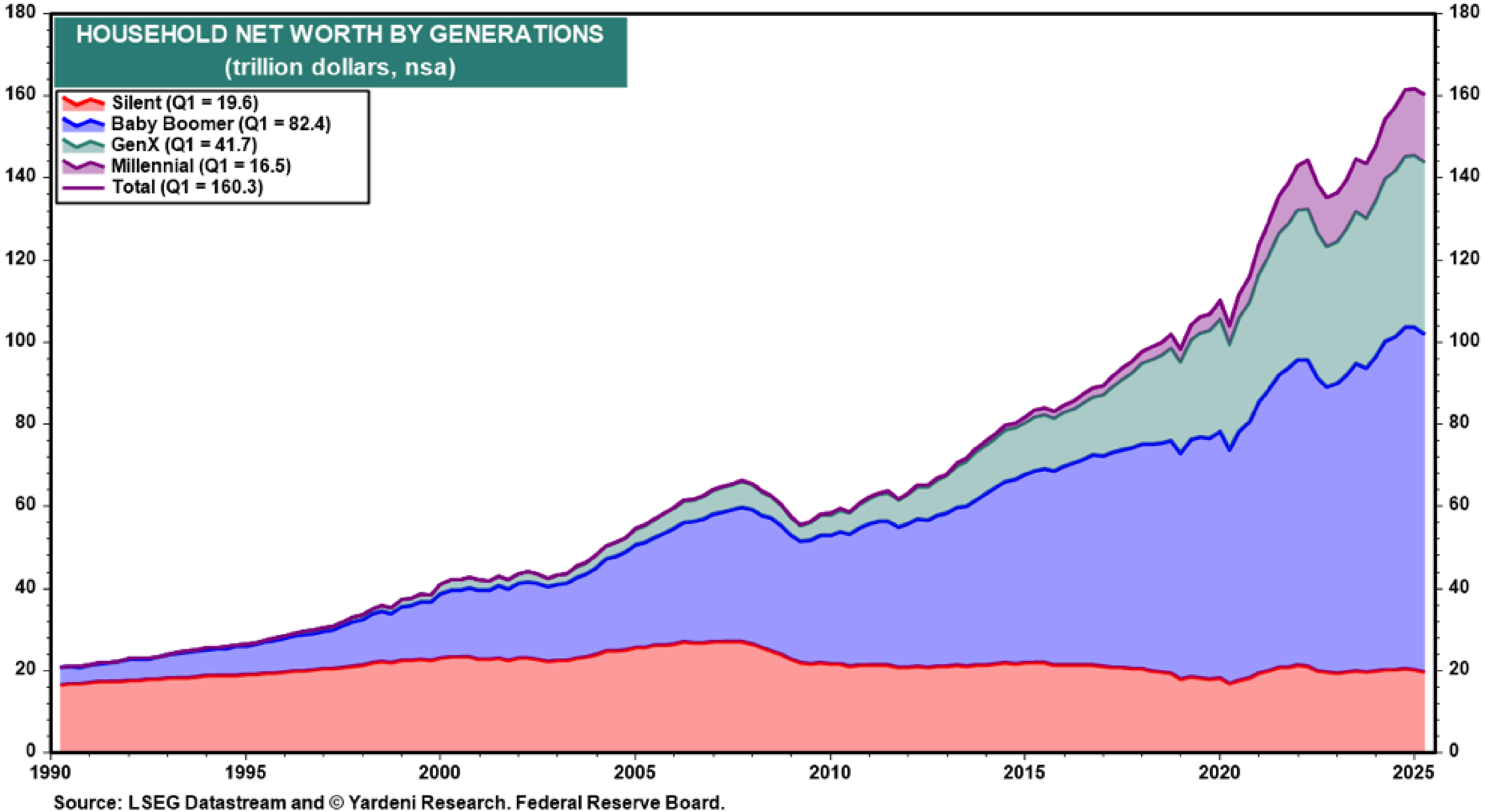
Source: Federal Reserve, FRBSL. Quarterly data through March 2025, released June 2025.

Live births in the U.S.



Source: Yardeni Research, Inc., with permission, February 4, 2025.

Household net worth



Source: Yardeni Research, Inc., with permission, July 2025.

Consumer spending

THE WALL STREET JOURNAL.

The U.S. Economy's Secret Weapon: Seniors With Money to Spend

Why has consumer spending proven so resilient as the Federal Reserve has raised interest rates? An important and little-appreciated reason: Consumers are getting older. In August, 17.7% of the population was 65 or older, according to the Census Bureau, the highest on record going back to 1920 and up sharply from 13% in 2010. The elderly aren't just more numerous: Their finances are relatively healthy, and they have less need to borrow, such as to buy a house, and are less at risk of layoffs than other consumers.

This has made the elderly a spending force to be reckoned with. Americans aged 65 and up accounted for 22% of spending last year, the highest share since records began in 1972 and up from 15% in 2010, according to the Labor Department's survey of consumer expenditures released in September.

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates.

Source: *The Wall Street Journal*, "The U.S. Economy's Secret Weapon: Seniors With Money to Spend", by Gwinn Guilford, October 8, 2023.

Consumer spending

THE WALL STREET JOURNAL.

Wealthier Consumers Bolster U.S. Economy

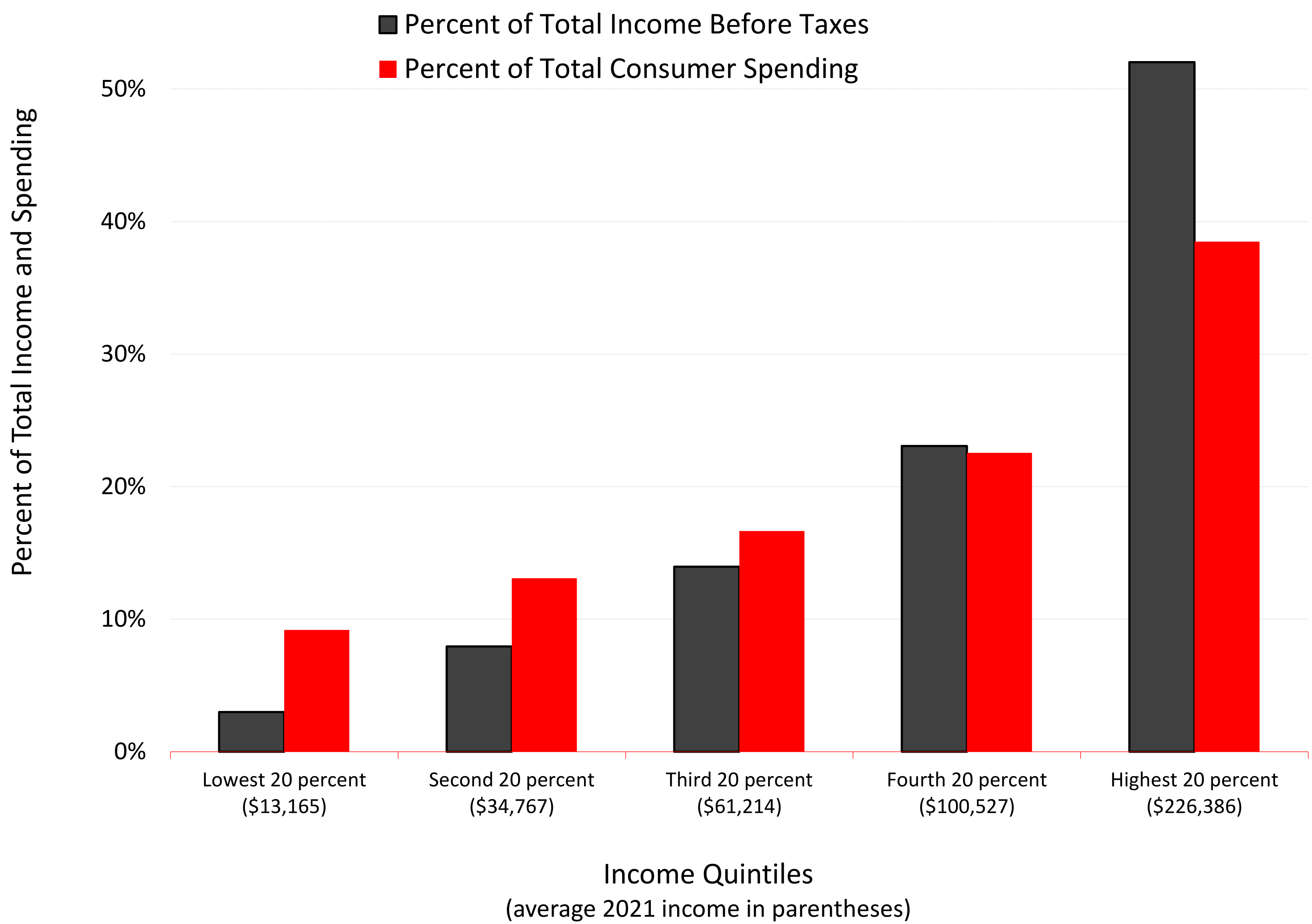
Many Americans are pinching pennies, exhausted by high prices and stubborn inflation. The well-off are spending with abandon.

The top 10% of earners— households making about $250,000 a year or more—are splurging on everything from vacations to designer handbags, buoyed by big gains in stocks, real estate and other assets.

Those consumers now account for 49.7% of all spending, a record in data going back to 1989, according to an analysis by Moody's Analytics. Three decades ago, they accounted for about 36%.

Source: *The Wall Street Journal*, "Wealthier Consumers Bolster U.S. Economy", by Rachel Louise Ensign, February 24, 2025.

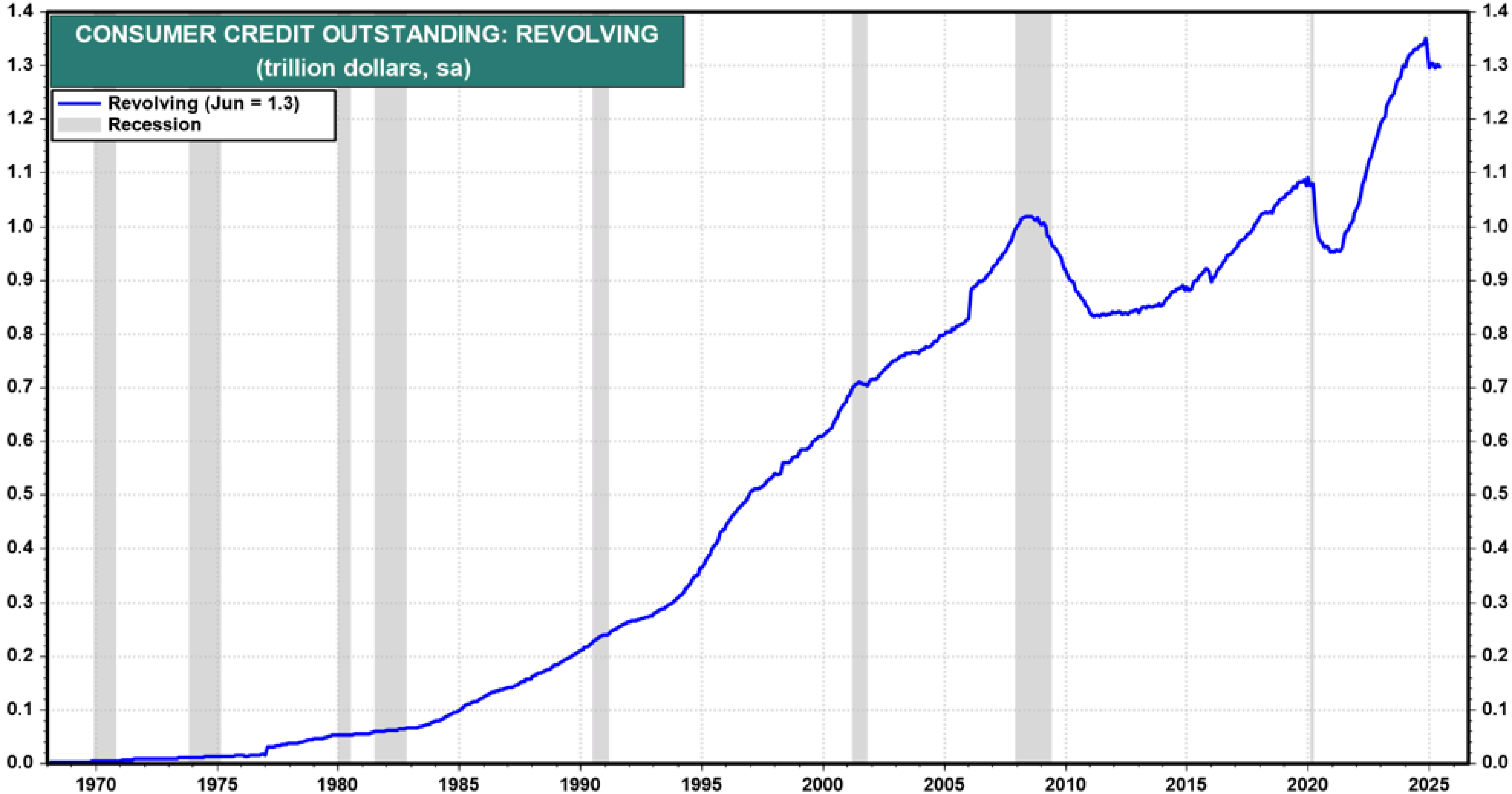
Distribution of consumer income and spending



Consumer spending is heavily skewed toward higher income consumers.

Source: BLS, Consumer Expenditure Survey 2021, released September 2022.

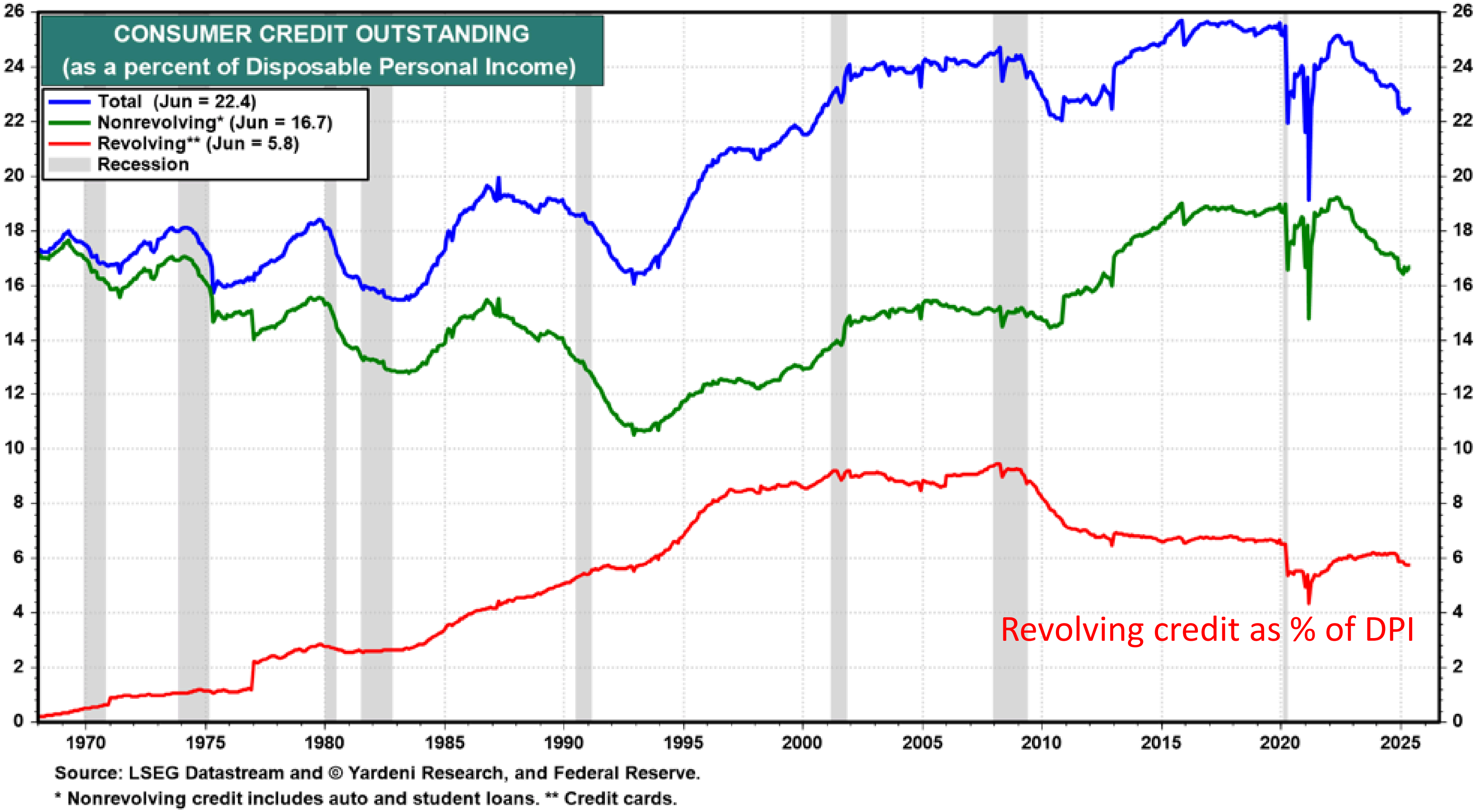
Consumer credit



Source: LSEG Datastream and © Yardeni Research, and Federal Reserve.

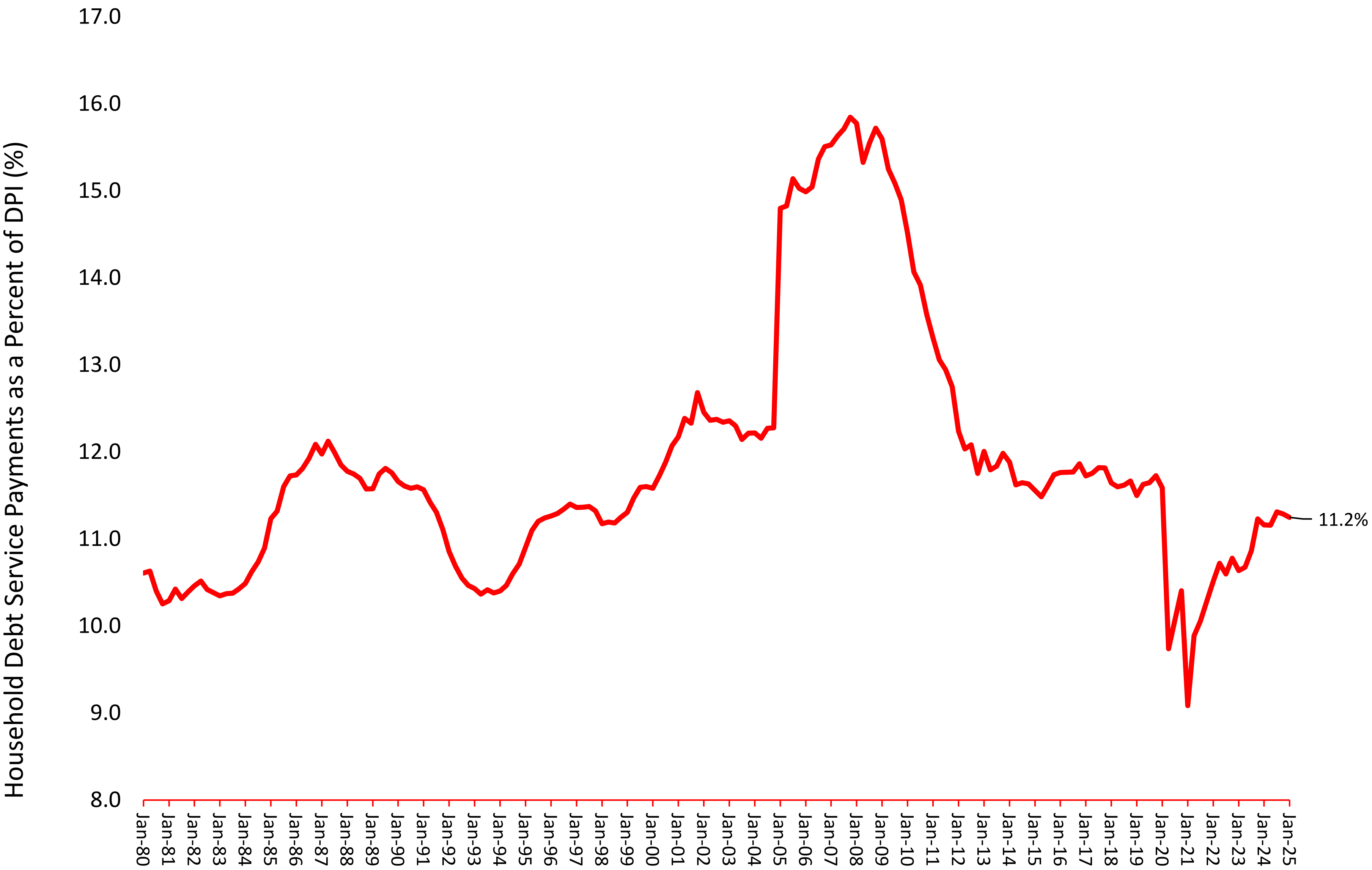
Source: Yardeni Research, Inc., with permission, August 13, 2025.

Consumer credit



Source: Yardeni Research, Inc., with permission, August 13, 2025.

Household debt service payments as a % of DPI



Source: Federal Reserve. Quarterly data through March 2025, released June 2025.

Consumer spending

THE WALL STREET JOURNAL.

Bank Results Show Solid Economy

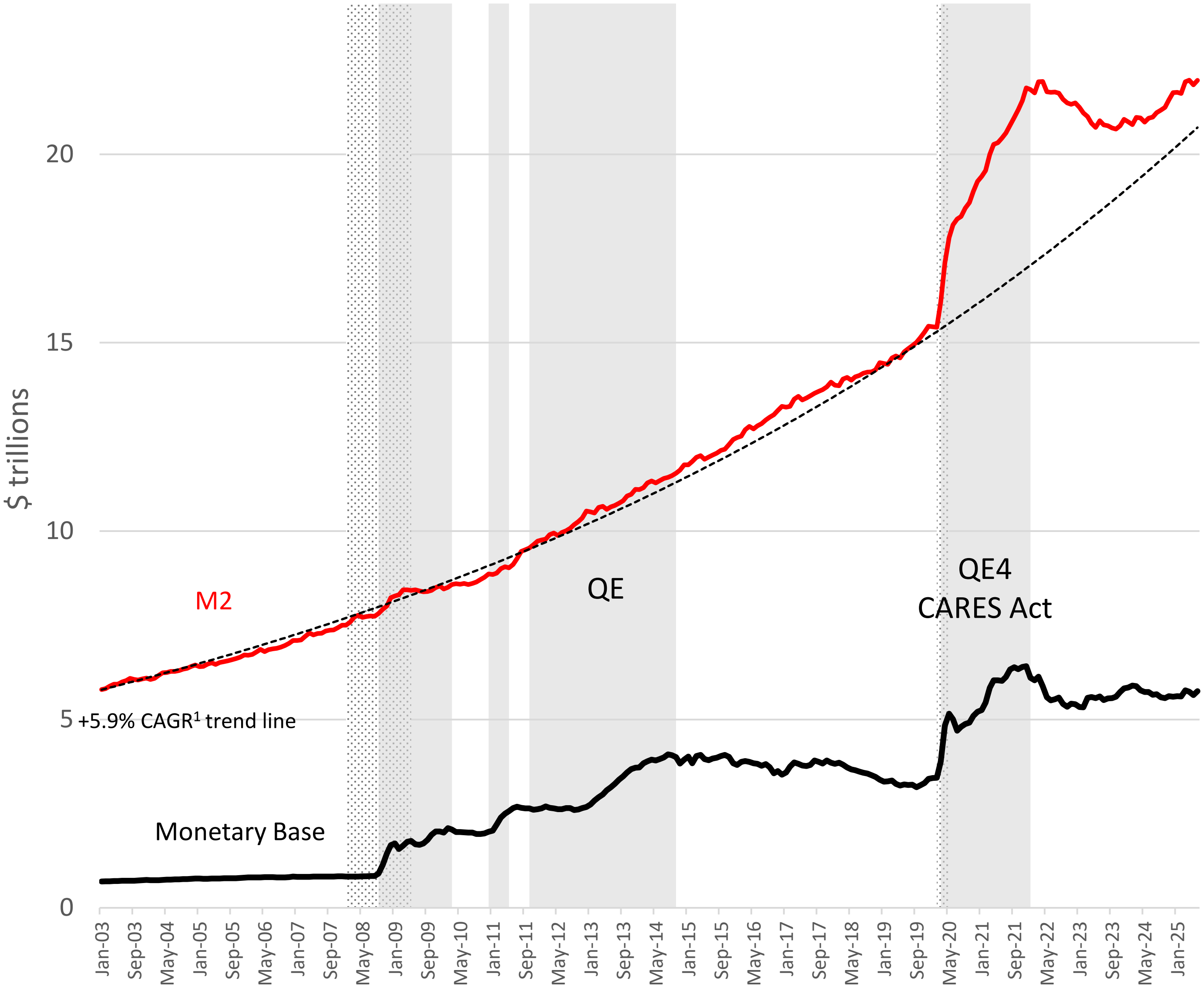
Consumer health also appears resilient, even as some of the first price increases from tariffs filtered through to the economy.

At JPMorgan, card spending rose 7%, while at Citigroup, spending on its branded cards rose 4%. Consumers increased their outstanding balances on their credit cards, also boosting the banks' revenue. Still, bank executives said they aren't concerned about a major deterioration in credit. "The consumer basically seems to be fine," Barnum said.

Overall, the outlook for the U.S. economy appears brighter than the banks were predicting at the beginning of the second quarter. After the tariffs were first announced, JPMorgan's economists said they thought it would lead to a recession. They have since reversed that call as pauses and changes to the regime were announced.

Source: *The Wall Street Journal*, "", by Alexander Saeedy, July 16, 2025.

The monetary base and the money supply



M2: currency held by the public plus checking, savings and money market accounts.

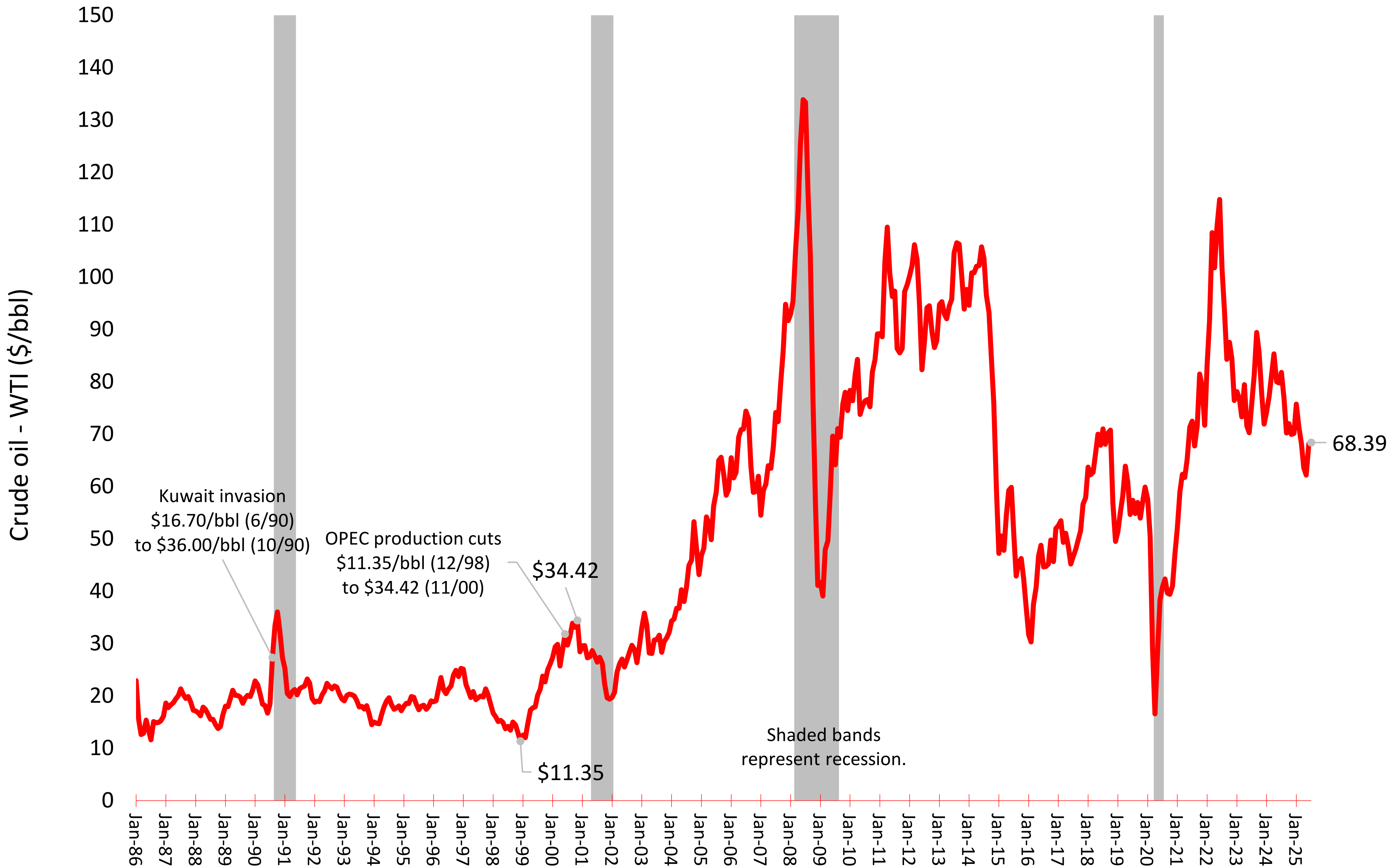
A quadrupling of the monetary base with QE did not affect M2 growth. <u>The CARES Act and subsequent stimulus did</u> … by putting money directly into consumers' and businesses' accounts.

Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Source: Federal Reserve, statistical release H.6. Data through June 2025.
[1]CAGR = compound annual growth rate.

Oil

WTI spot crude oil prices



Source: U.S. Energy Information Agency. Data through July 2025.

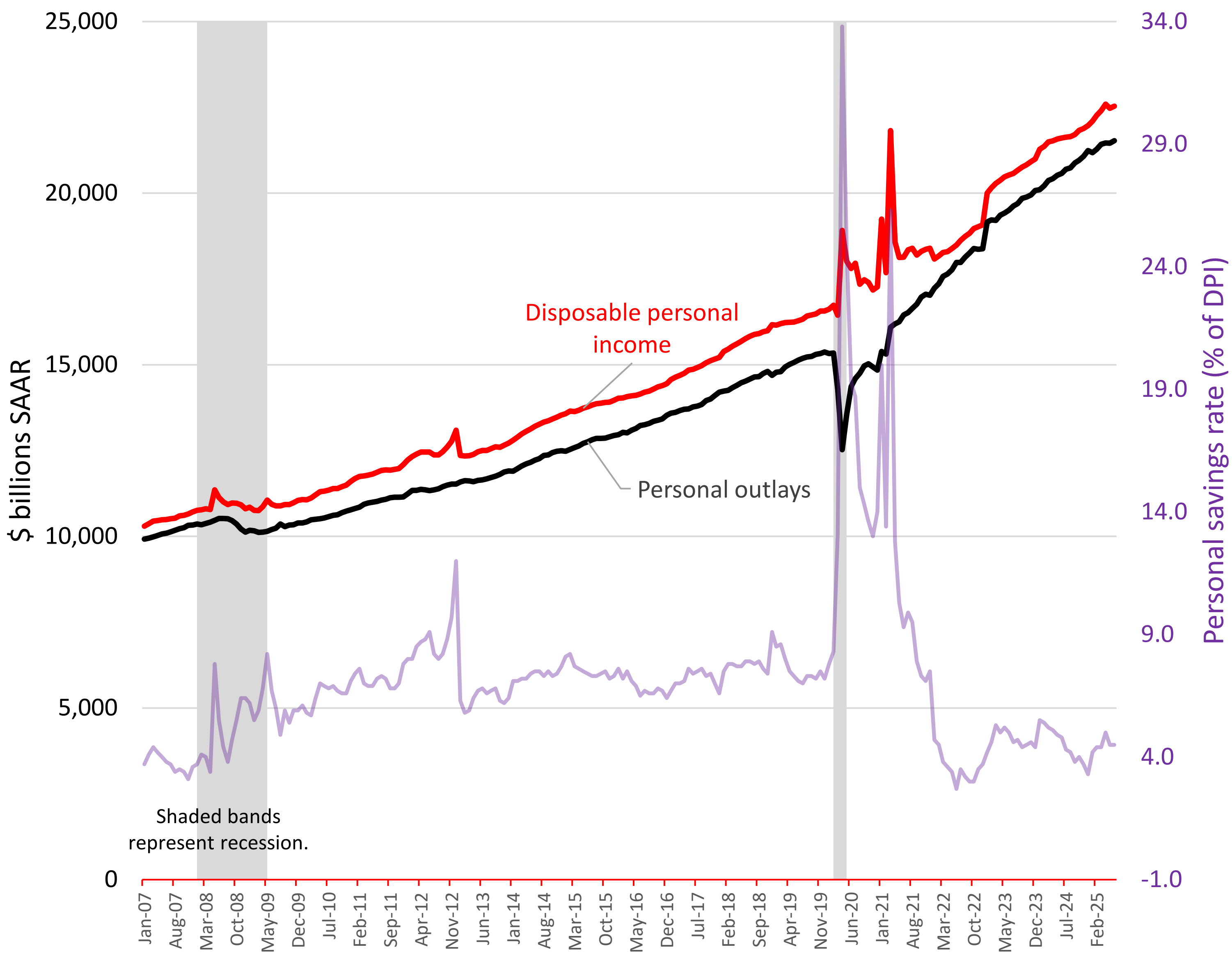
Gasoline prices

Source: LSEG Datastream and © Yardeni Research. New York Mercantile Exchange.
* NYMEX-RBOB Gasoline.

Source: Yardeni Research, Inc., with permission, August 13, 2025.

Consumer income

Disposable personal income, spending and saving



Source: Bureau of Economic Analysis, monthly data through June 2025.

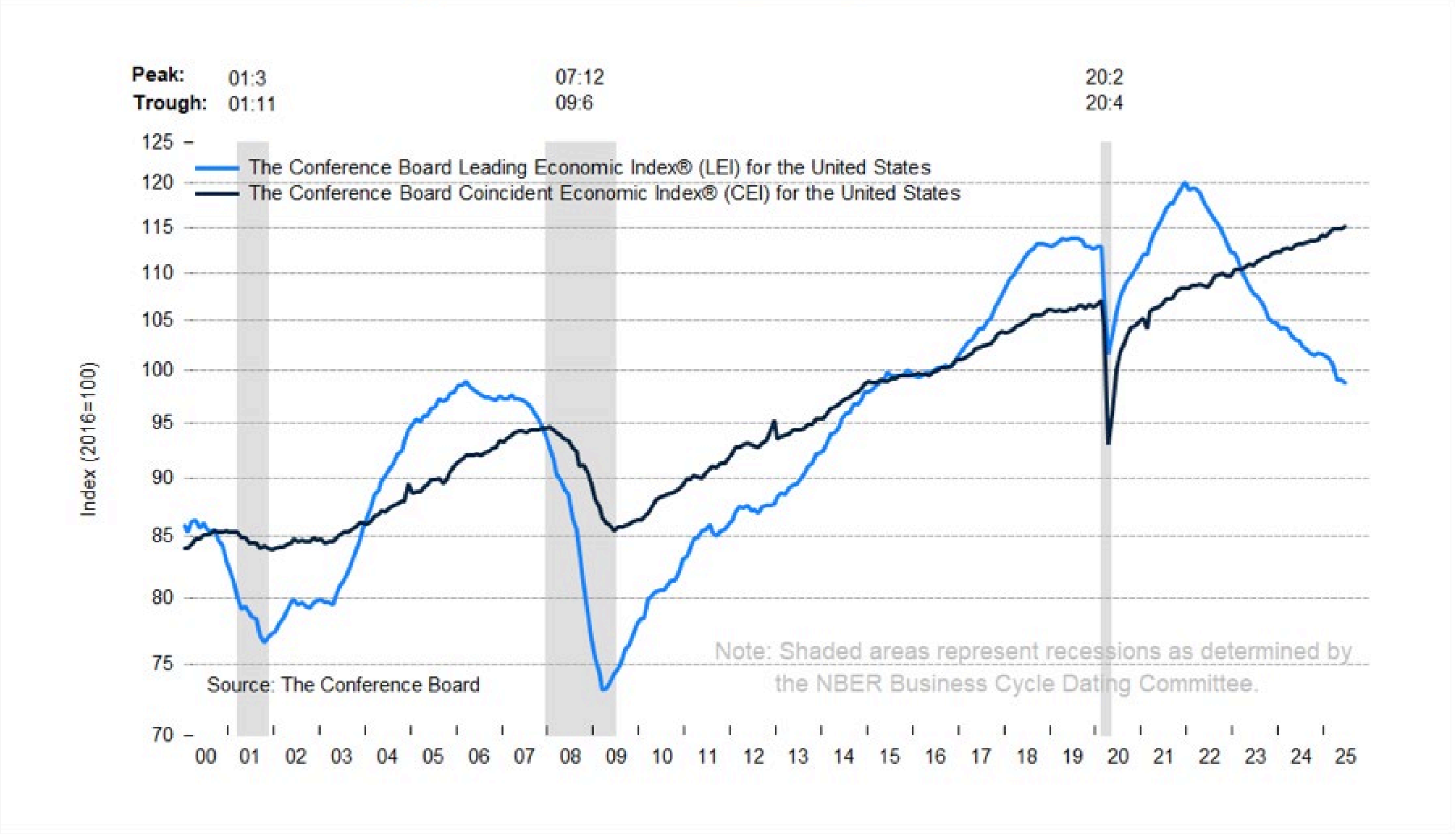
DPI up +4.3% y/y.

Personal outlays up +4.6% y/y.

The savings rate, at 4.5%, is below pre-Covid levels.

U.S. index of leading economic indicators

The LEI declined by a further 0.3% in June



"At this point, The Conference Board does not forecast a recession, although economic growth is expected to slow substantially in 2025 compared to 2024. Real GDP is projected to grow by 1.6% this year…"

The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury minus fed funds; 10) index of consumer expectations.
Source: ©The Conference Board. Data through May, released July 21, 2025.

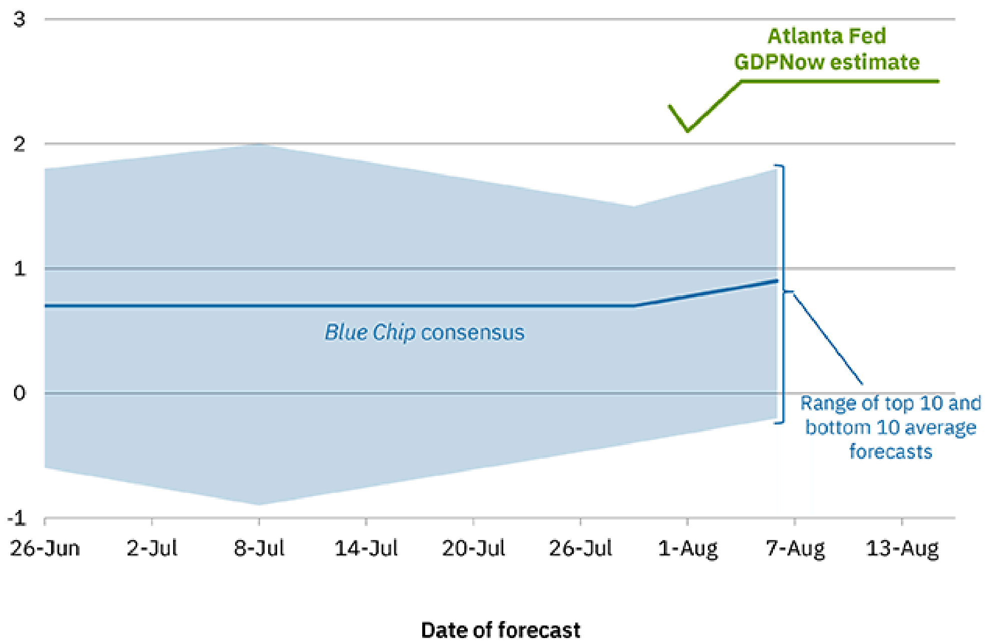
Atlanta Fed's GDPNow forecast – 3rd quarter

Latest estimate: 2.5 percent — August 15, 2025

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2025 is **2.5 percent** on August 15, unchanged from August 7 after rounding. After recent releases from the US Census Bureau, US Bureau of Labor Statistics, Federal Reserve Board of Governors, and Treasury's Bureau of the Fiscal Service, the nowcast of third-quarter real personal consumption expenditures growth increased from 2.0 percent to 2.2 percent, while the nowcast of third-quarter real gross private domestic investment growth decreased from 7.3 percent to 6.6 percent.

*The next GDPNow update is **Tuesday, August 19**. Please see the "Release Dates" tab below for a list of upcoming releases.*

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3
Quarterly percent change (SAAR)

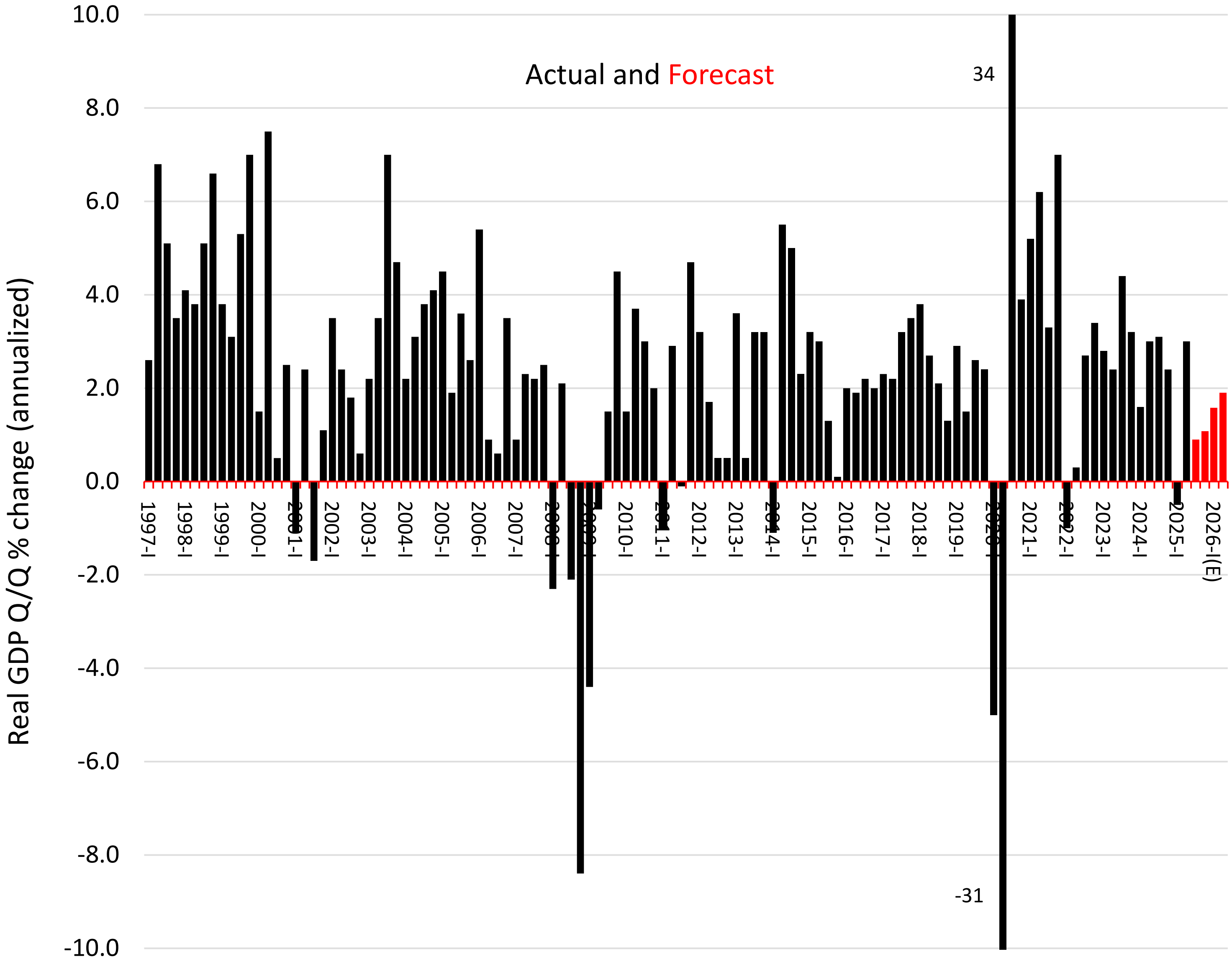


Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Source: Federal Reserve Bank of Atlanta August 15, 2025.

Consensus GDP forecast

GDP

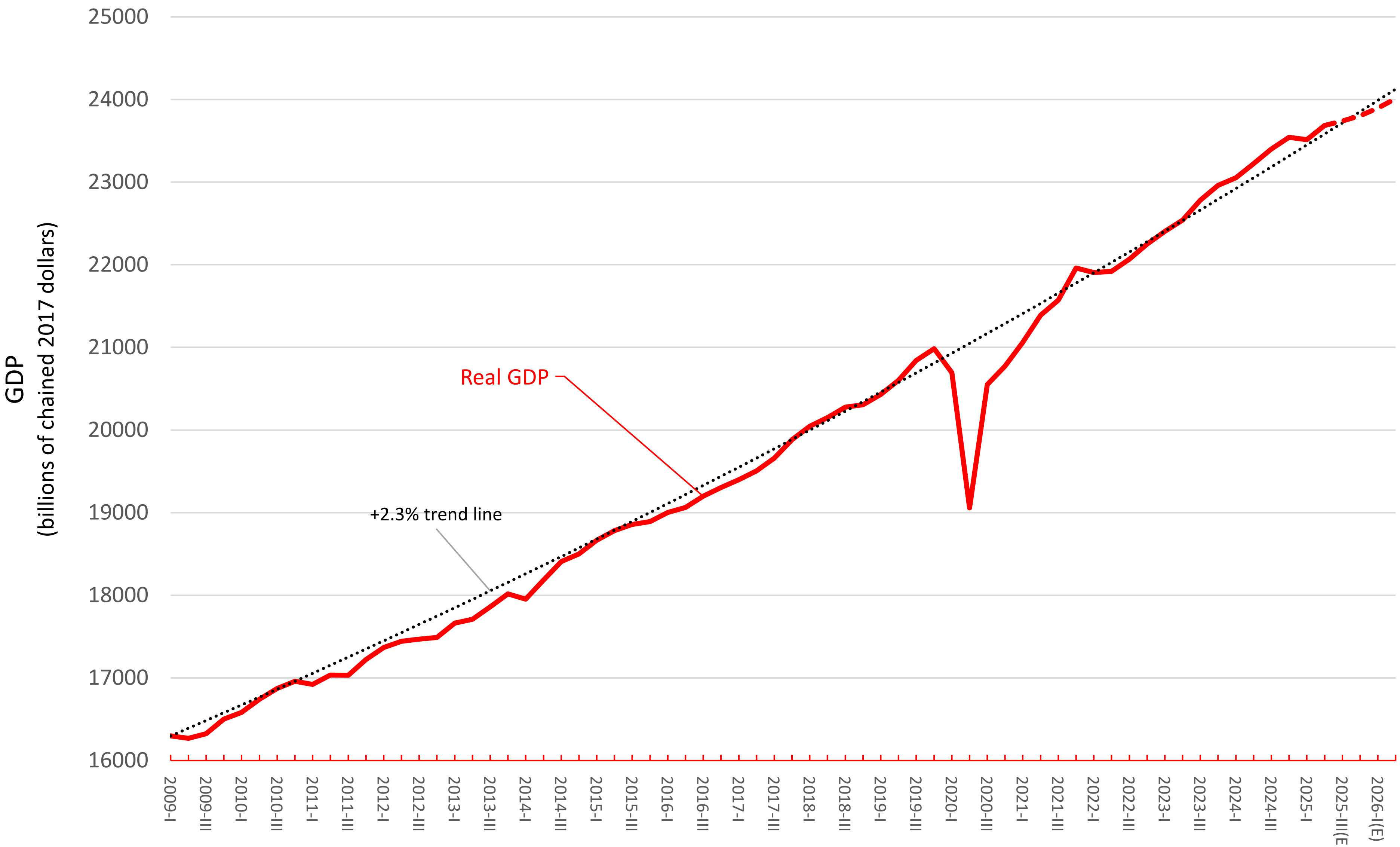


The 69 economists surveyed in July raised their forecasts from the April survey and see continued growth ahead.

Sources: Bureau of Economic Analysis, actual quarterly data through June 2025. *The Wall Street Journal* survey released July 2025.

GDP forecast

2.3% trend rate of growth



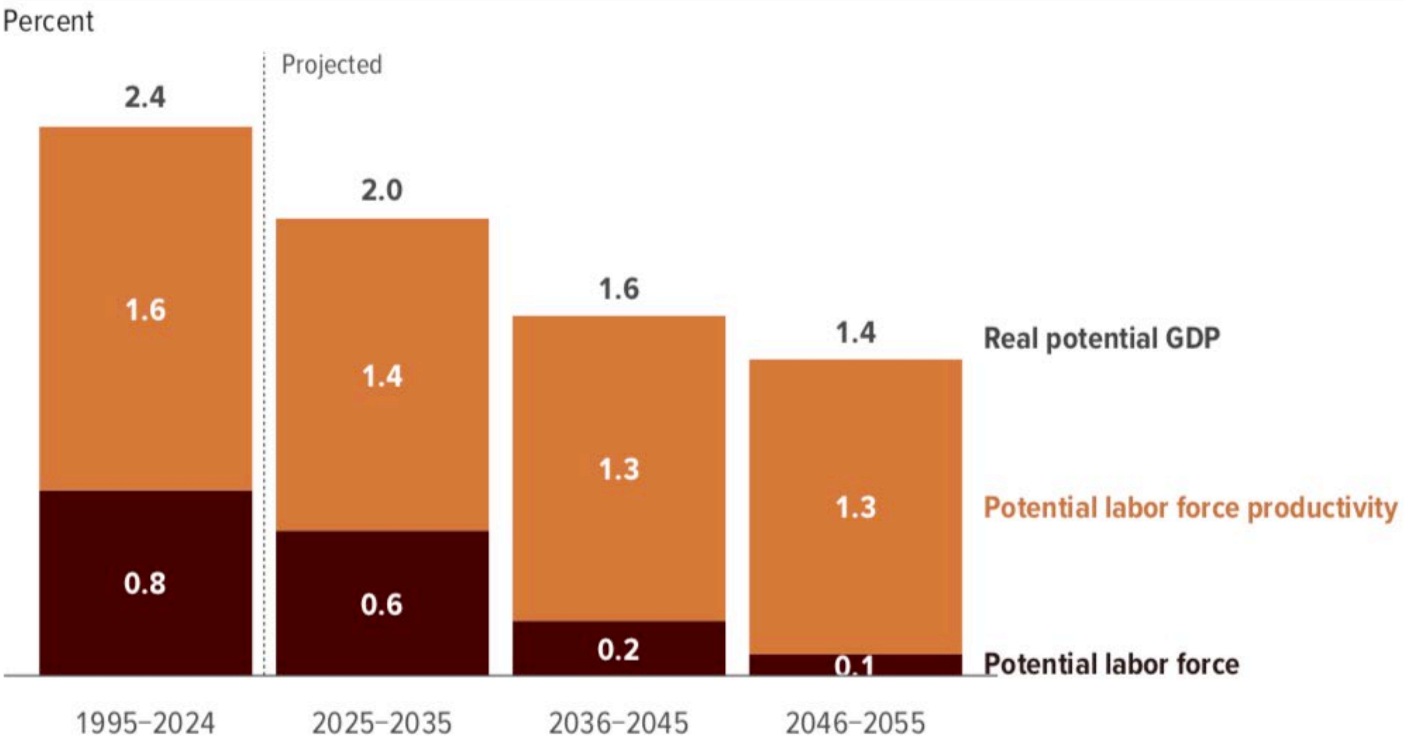
Sources: Bureau of Economic Analysis, actual quarterly data through June 2025. Dotted line represents the forecast from *The Wall Street Journal* survey released July 2025.

GDP growth potential = Δ productivity + Δ labor force

CBO's potential growth calculations

Figure 3-3.

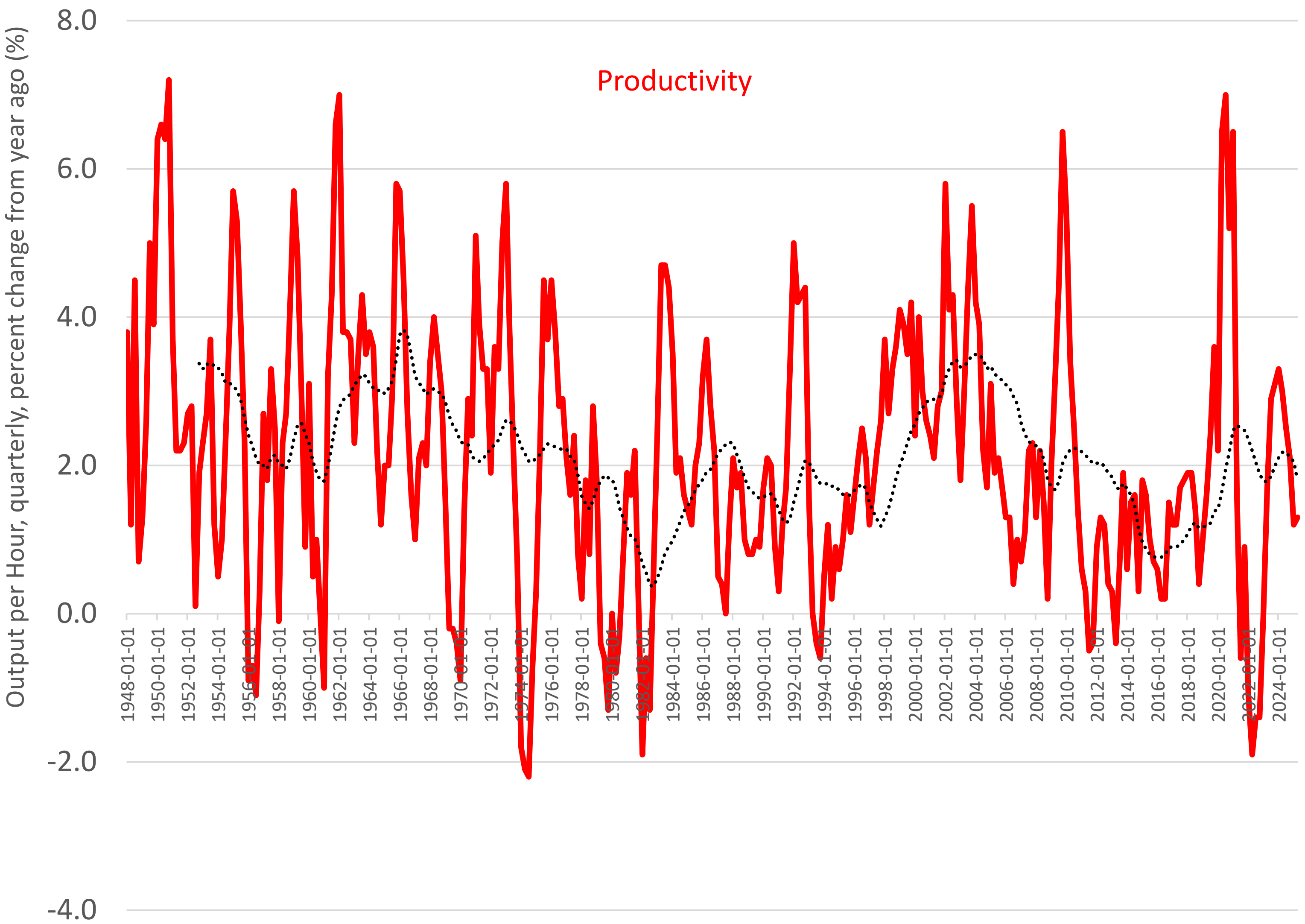
Average Annual Growth of Real Potential GDP and Its Components



Real potential GDP is projected to grow more slowly from 2025 to 2055 than it has, on average, over the past 30 years. That decline is explained by slower projected growth in the size and productivity of the potential labor force.

Source: Congressional Budget Office, *The Long-Term Budget Outlook: 2025 to 2055,* released March 2025.

Productivity



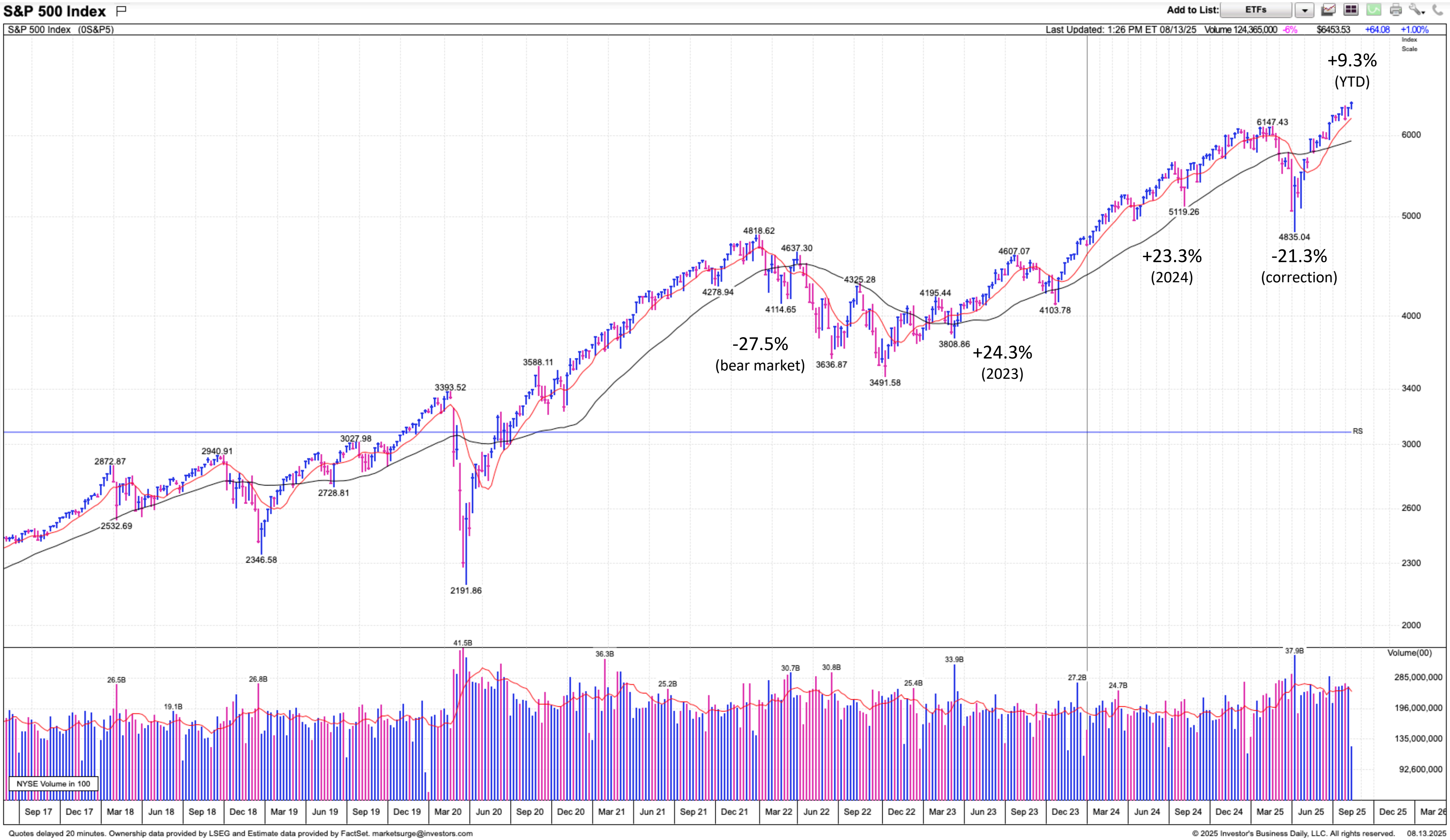
The 5-year moving average is 2%.

Source: FRBSL, quarterly data through June 2025. Dotted line is the 5-year moving average.

Stock Market

- Record highs following sharp sell-off
- EAFE vs. S&P 500
- Stocks vs. recessions
- "Parabolic" is normal
- 2025/2026 earnings estimates
- P/E multiple

Stock market
S&P 500



Source: Standard & Poor's and Investor's Business Daily. Data through August 13, 2025.

Mag-7 vs. S&P 493 – market breadth

Source: Standard & Poor's and Investor's Business Daily. Data through August 13, 2025.

Stock market

EAFE vs. S&P 500 – YTD

Source: Standard & Poor's and Investor's Business Daily. Data through August 15, 2025.

Stock market

EAFE vs. S&P 500 – 1 year

Source: Standard & Poor's and Investor's Business Daily. Data through August 15, 2025.

Stock market

EAFE vs. S&P 500 – 10 years

Source: Standard & Poor's and Investor's Business Daily. Data through August 15, 2025.

THE WALL STREET JOURNAL.

Europe's Firms Fall Far Behind In the Race to Create Big Tech

Investors and entrepreneurs say obstacles to tech growth are deeply entrenched: a timid and risk-averse business culture, strict labor laws, suffocating regulations, a smaller pool of venture capital and lackluster economic and demographic growth.

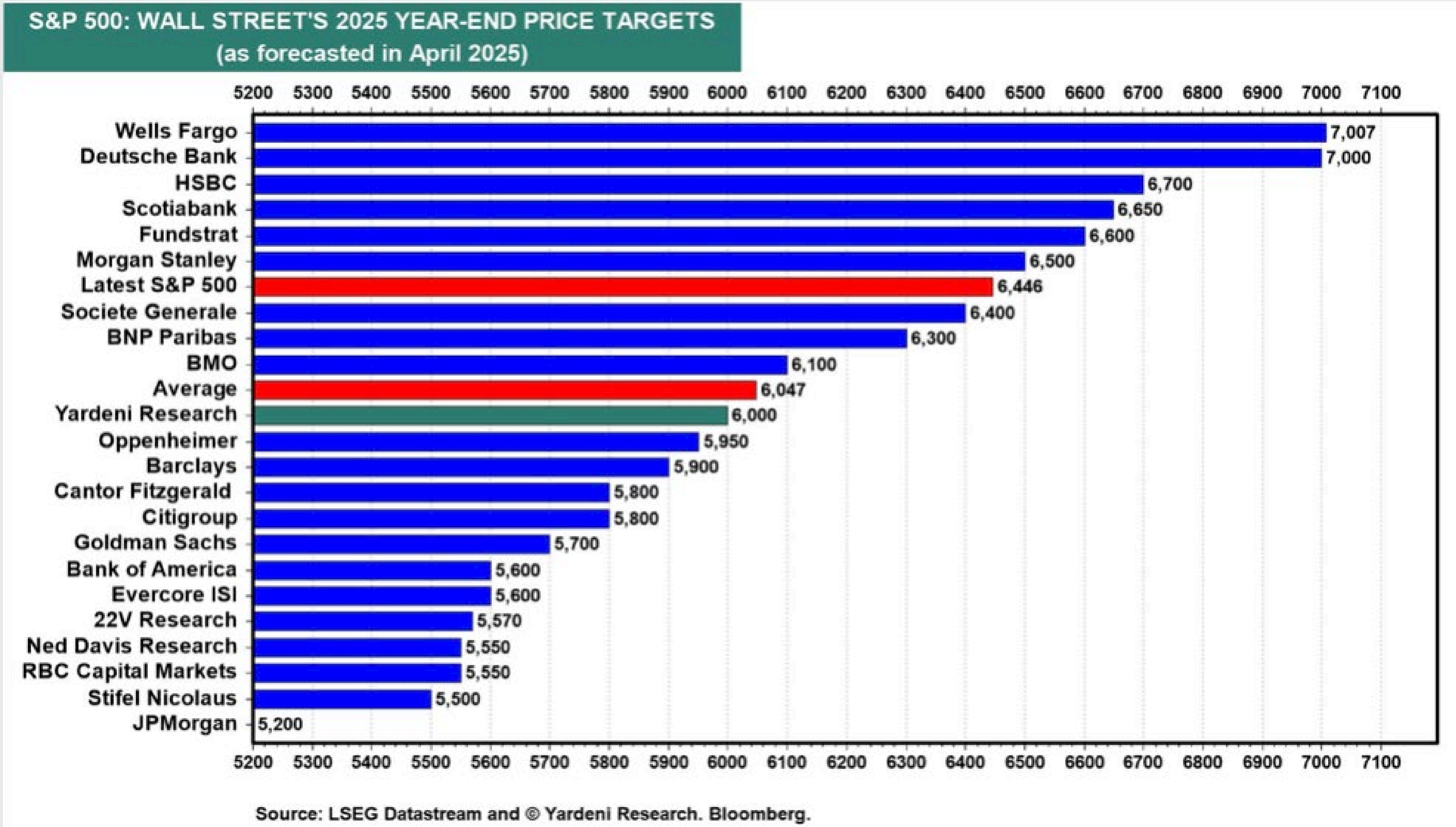
Existential dilemma

Having largely missed out on the first digital revolution, Europe seems poised to miss out on the next wave, too. The U.S. and China, flush with venture capital and government funding, are spending heavily on AI and other technologies that hold the promise of boosting productivity and living standards. In Europe, venture capital tech investment is a fifth of U.S. levels.

Source: *The Wall Street Journal*, "Europe's Firms Fall Far Behind In the Race to Create Big Tech", by Tom Fairless and David Luhnow, May 21, 2025.

Stock market

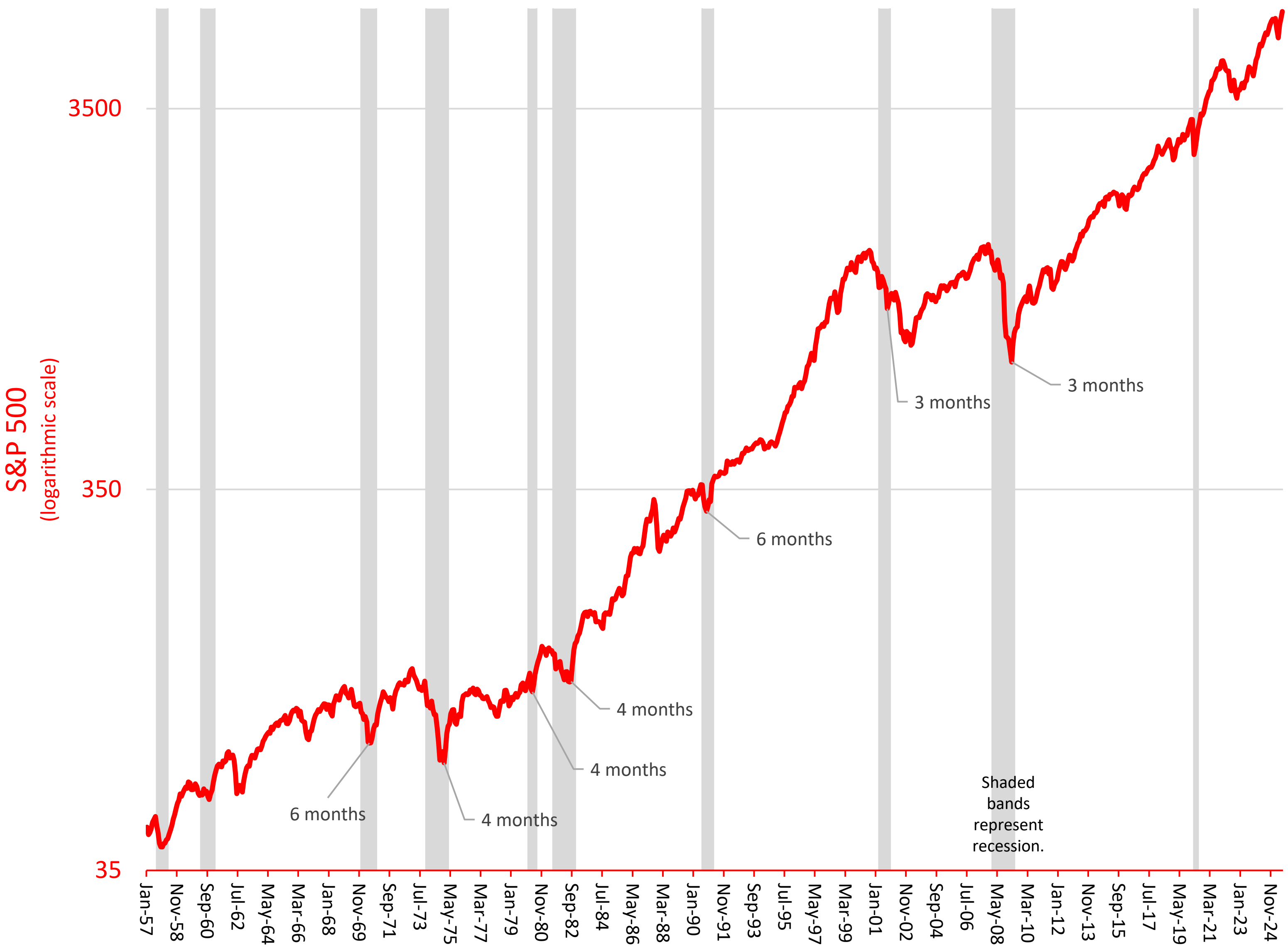
S&P 500 – strategists 2025 targets



Source: Yardeni Research, Inc., with permission, August 13, 2025.

Stock market

S&P 500 vs. recessions



Big declines are associated with recessions.

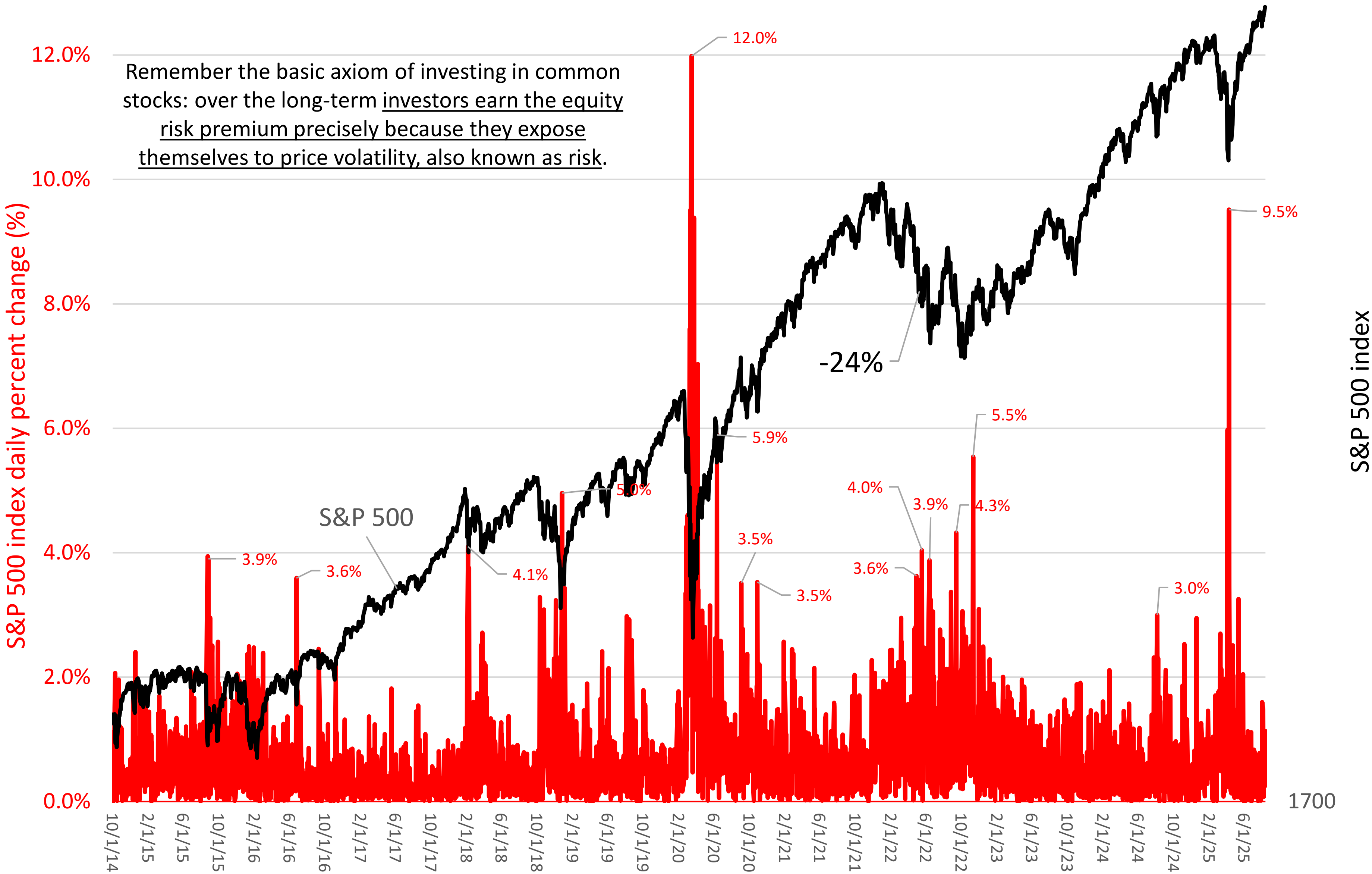
Stocks often bottom months before recession-end.

Source: Standard and Poor's Corporation, National Bureau of Economic Research. Data through July 2025.

S&P 500 and crises

Source: Standard and Poor's. Data through July 2025. [1] Compound annual growth rate.

S&P 500 volatility

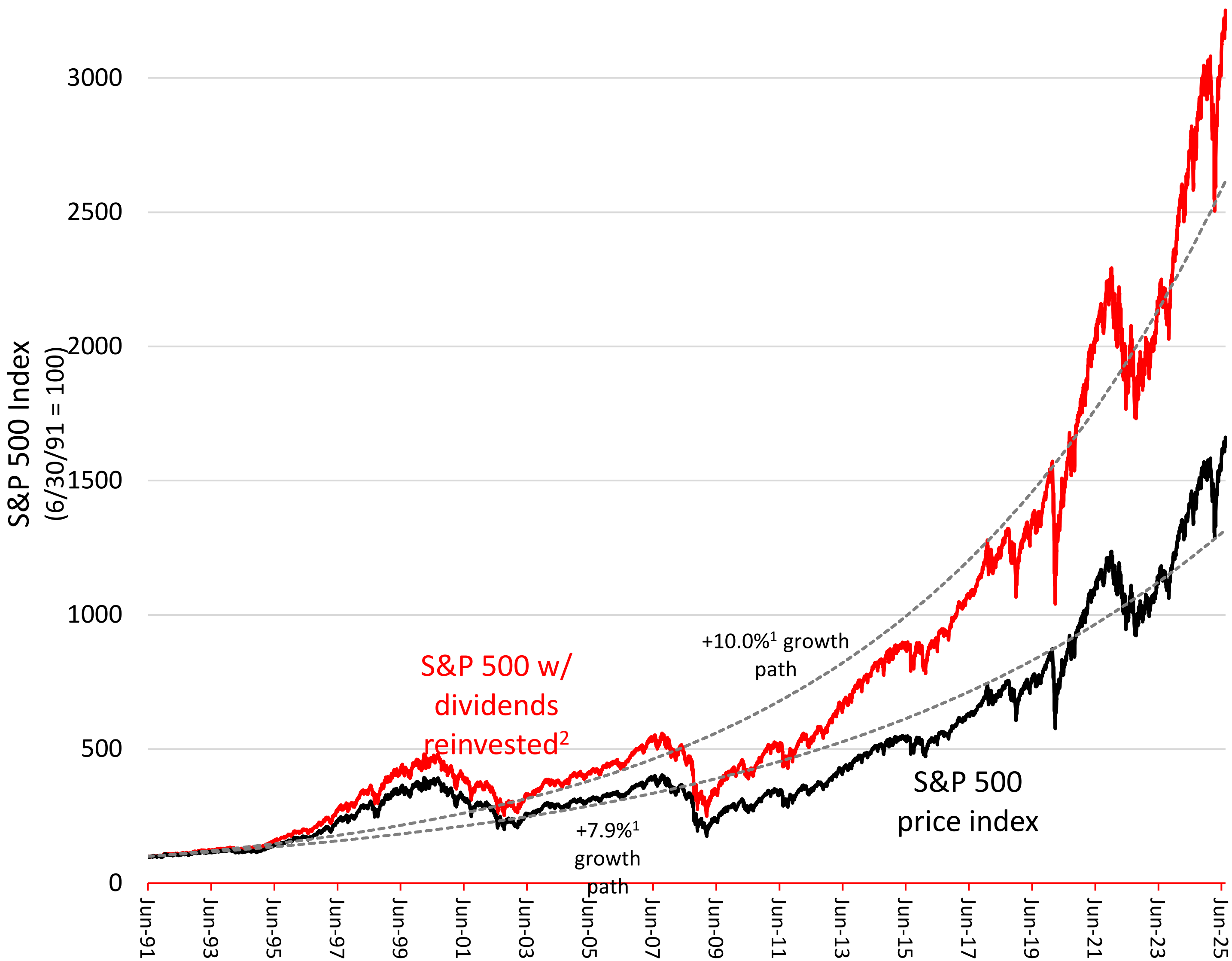


Source: Standard & Poor's, data through August 12, 2025.

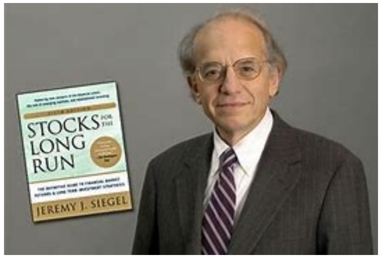
S&P 500 – parabolic

Source: *The Wall Street Journal*, "New Buy-the-Dip Investors Prop Up Market", by Gunjan Banerji, August 12, 2025.

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.[3]



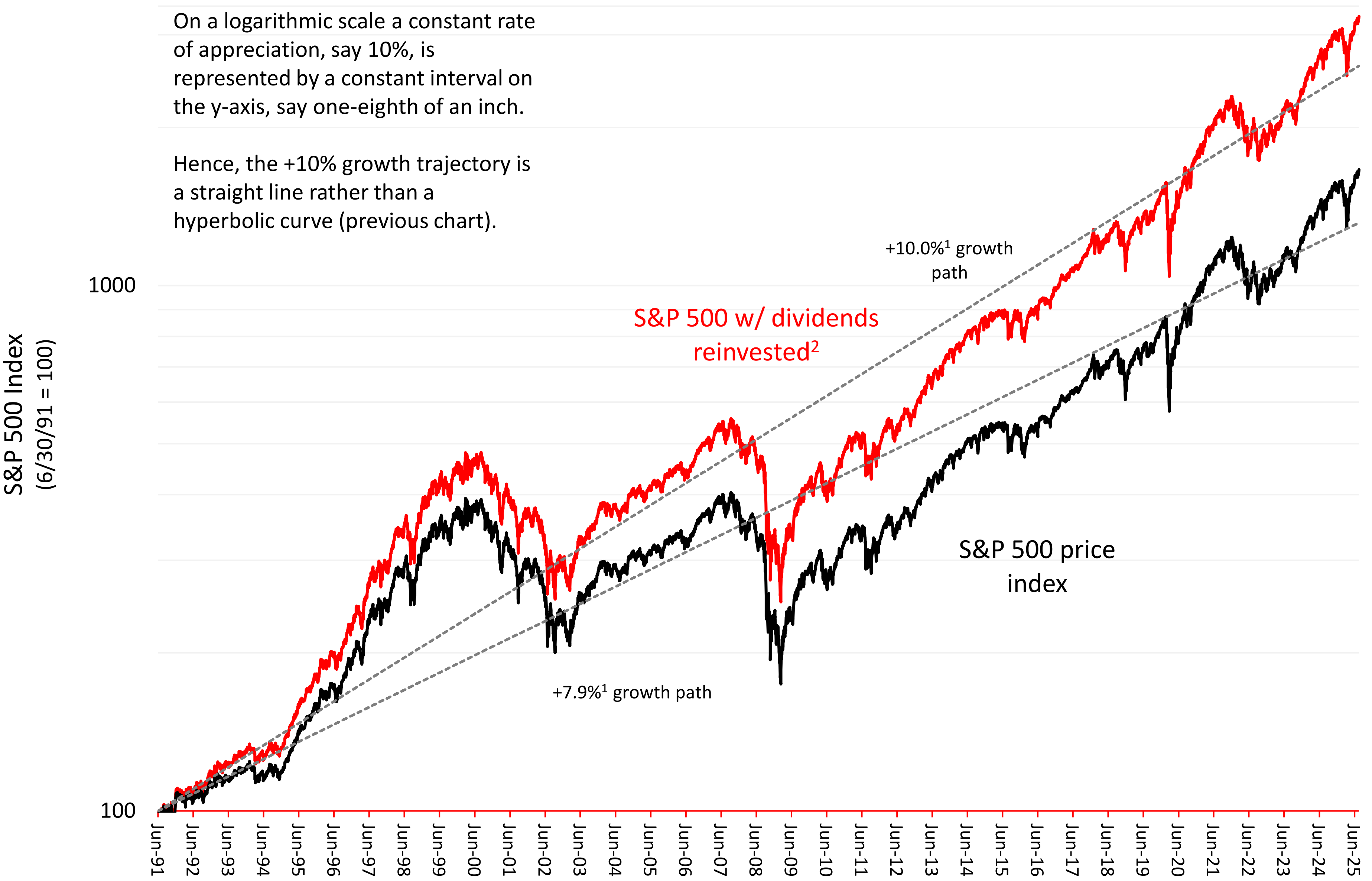
Source: Standard and Poor's. Data through August 12, 2025.[1] Compound annual growth rate. [2] S&P 500 total return index.
[3] per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

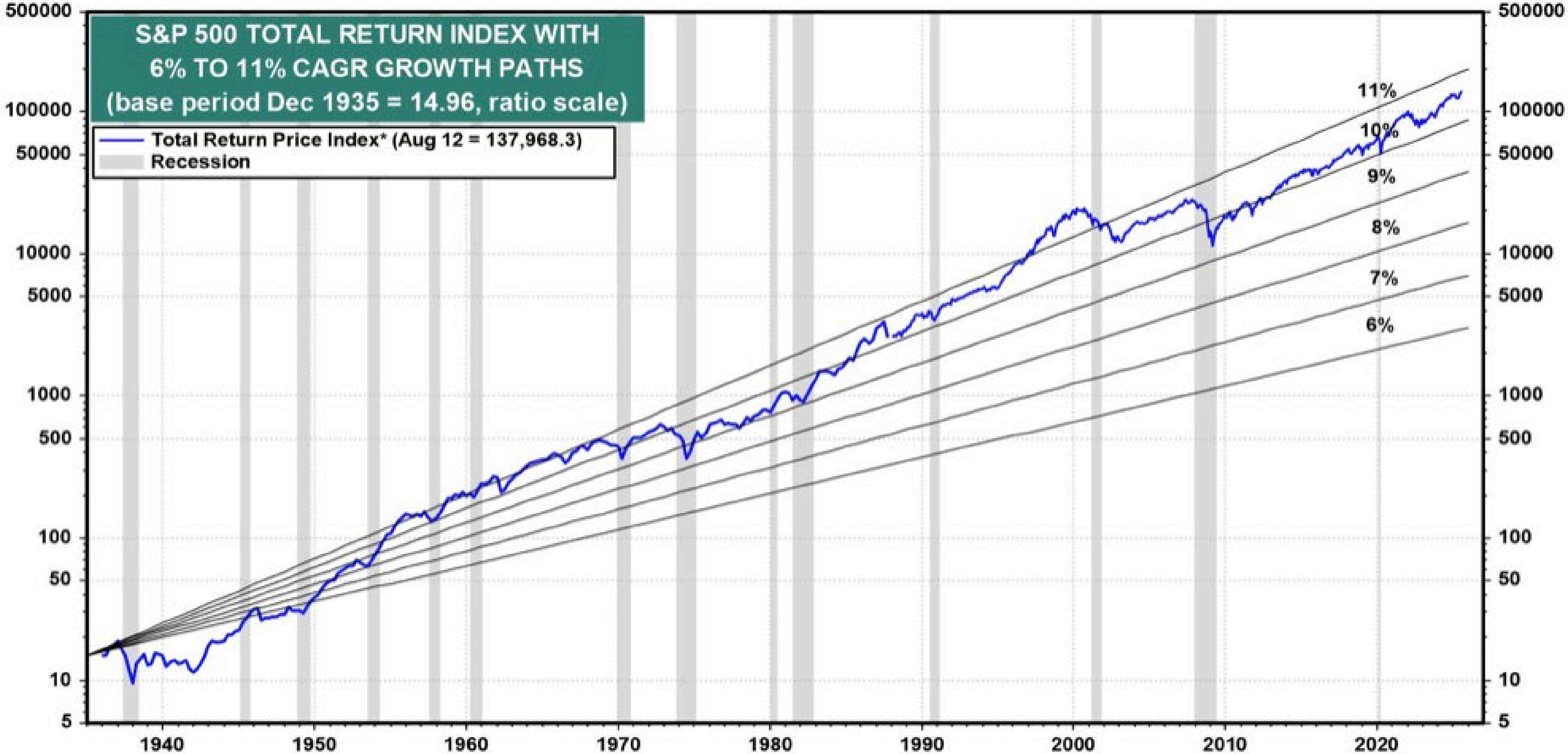
On a logarithmic scale a constant rate of appreciation, say 10%, is represented by a constant interval on the y-axis, say one-eighth of an inch.

Hence, the +10% growth trajectory is a straight line rather than a hyperbolic curve (previous chart).



Source: Standard and Poor's. Data through August 12, 2025. [1] Compound annual growth rate. [2] S&P 500 total return index.

S&P 500 total return

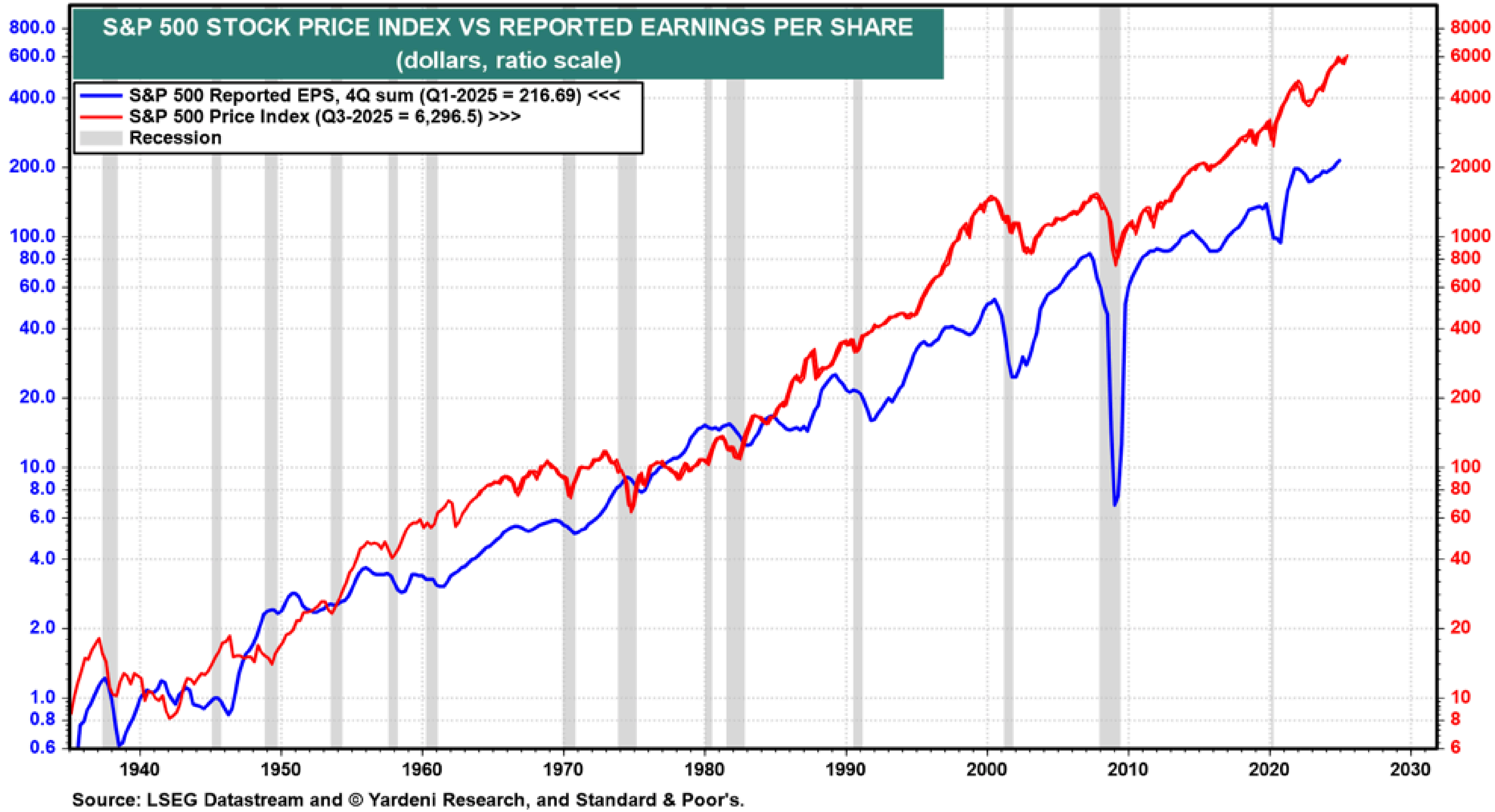


Source: LSEG Datastream and © Yardeni Research, and Standard & Poor's.
* Includes reinvested dividends.
** Using last month of quarter CPI. Compounded monthly using base value.

Source: Yardeni Research, Inc., with permission.

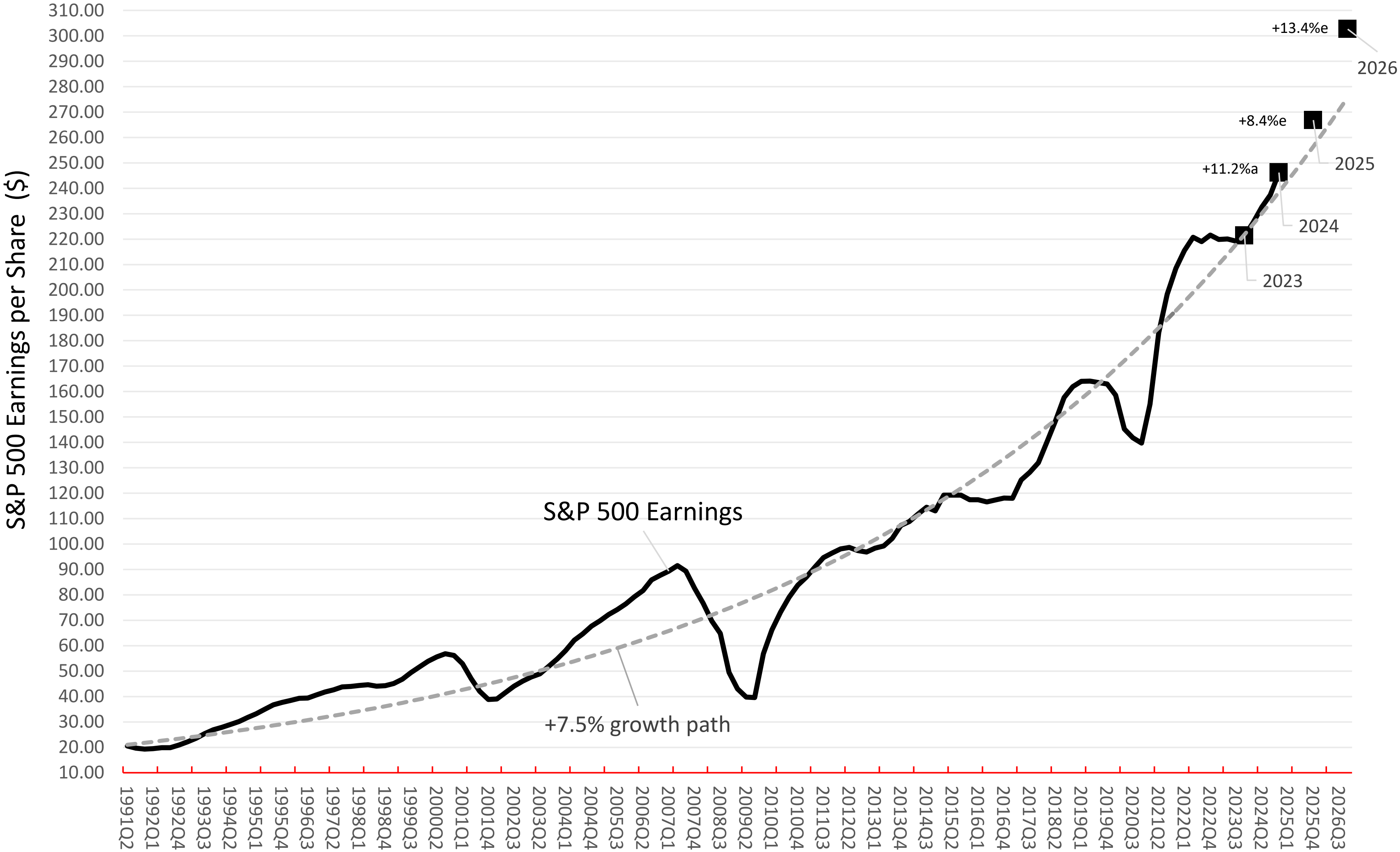
Stock market arithmetic

90 years of S&P 500 earnings growth



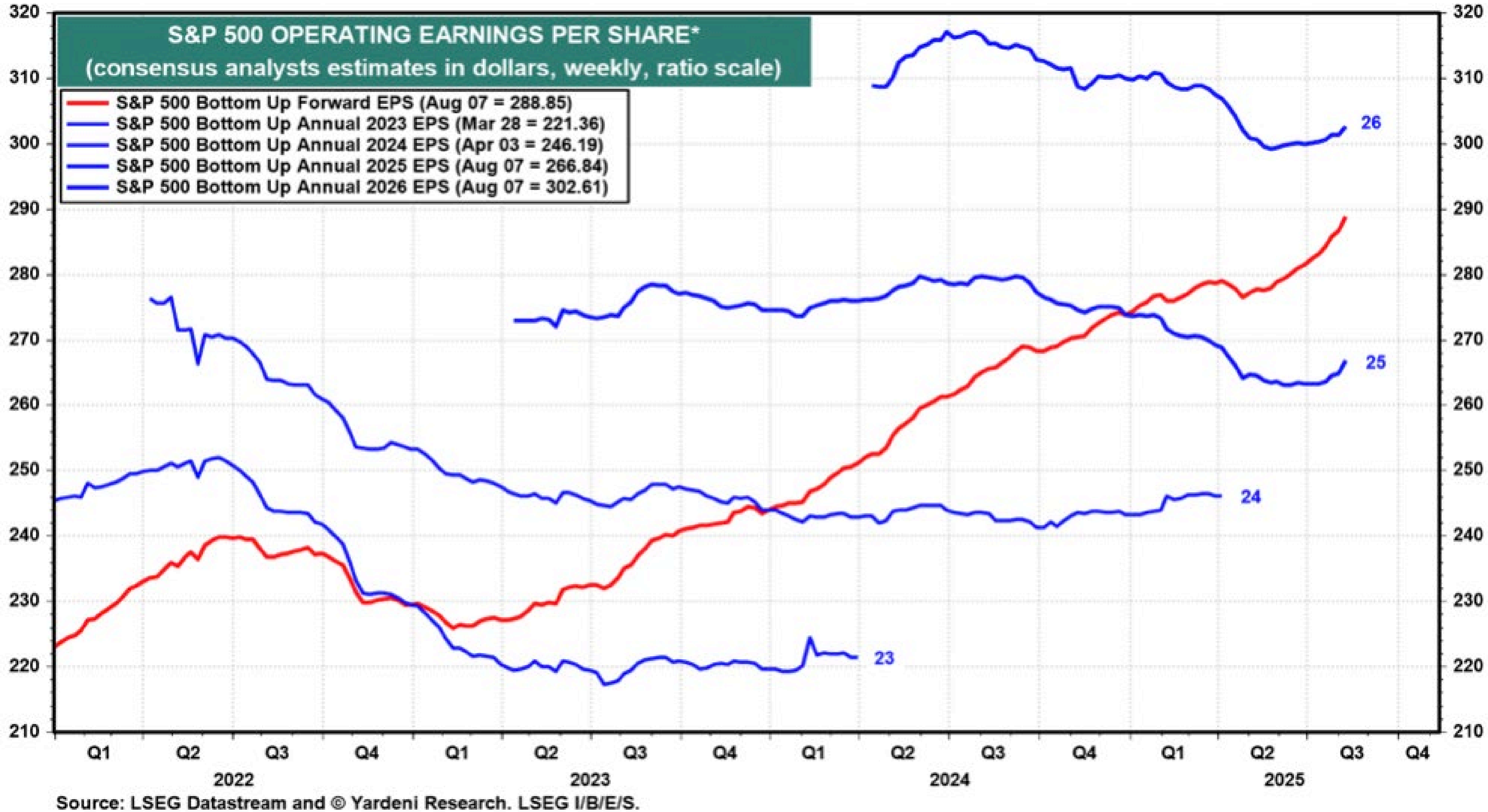
Source: Yardeni Research, Inc. with permission.

S&P 500 earnings – actual and I/B/E/S estimates



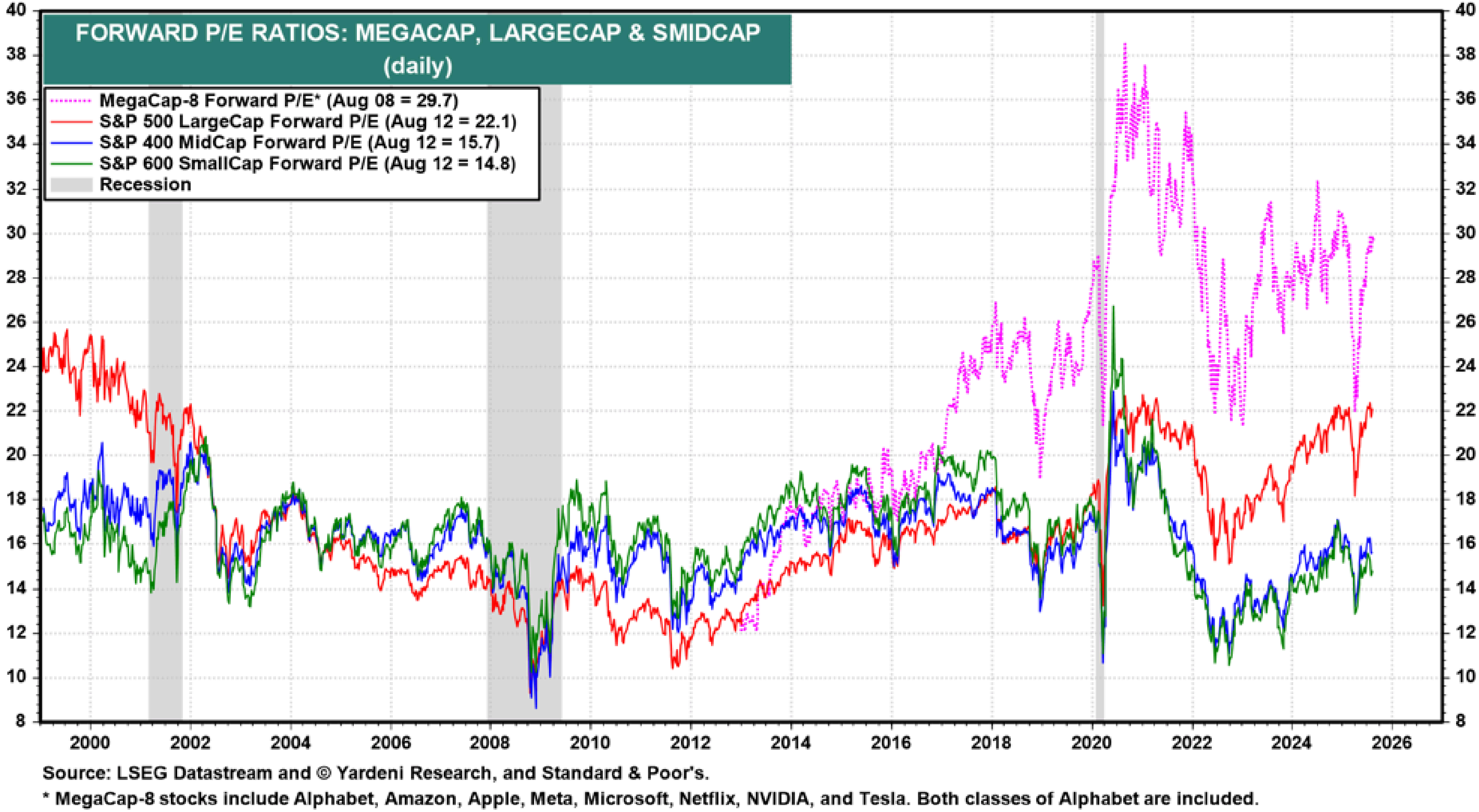
2023 (actual), 2024 (actual), 2025 (estimated) and 2026 (estimated) bottom-up S&P 500 operating earnings per share as of August 13, 2025: for 2023(a), \$221.36; for 2024(a), \$246.19; for 2025(e), \$266.84; for 2026(e), \$302.61. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.

S&P 500 earnings – trend in analysts' estimates



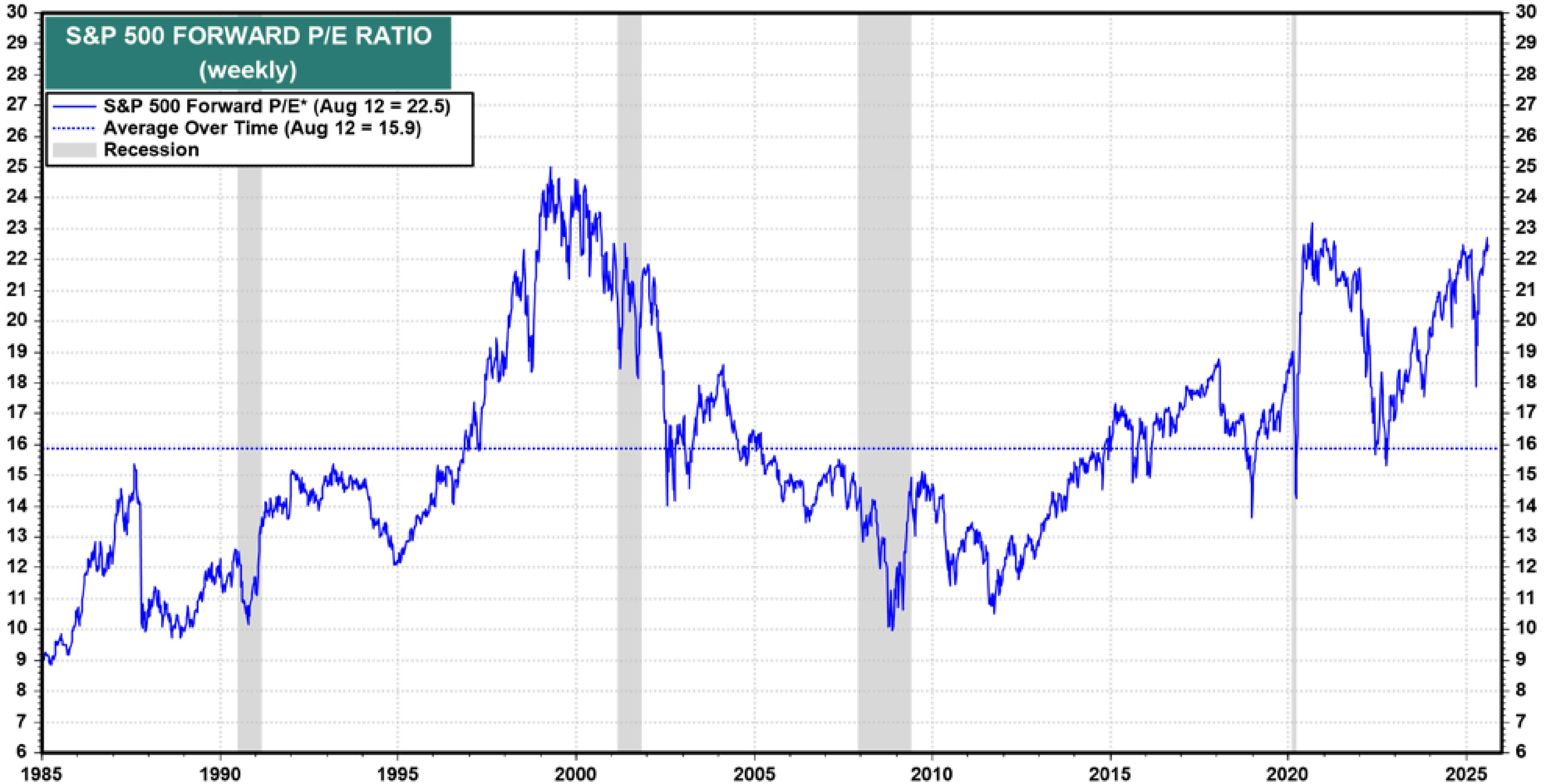
 Source: Yardeni Research, Inc., with permission, August 13, 2025.

S&P 500 index forward P/E ratio



Source: Yardeni Research, Inc., with permission, August 13, 2025.

S&P 500 index forward P/E ratio



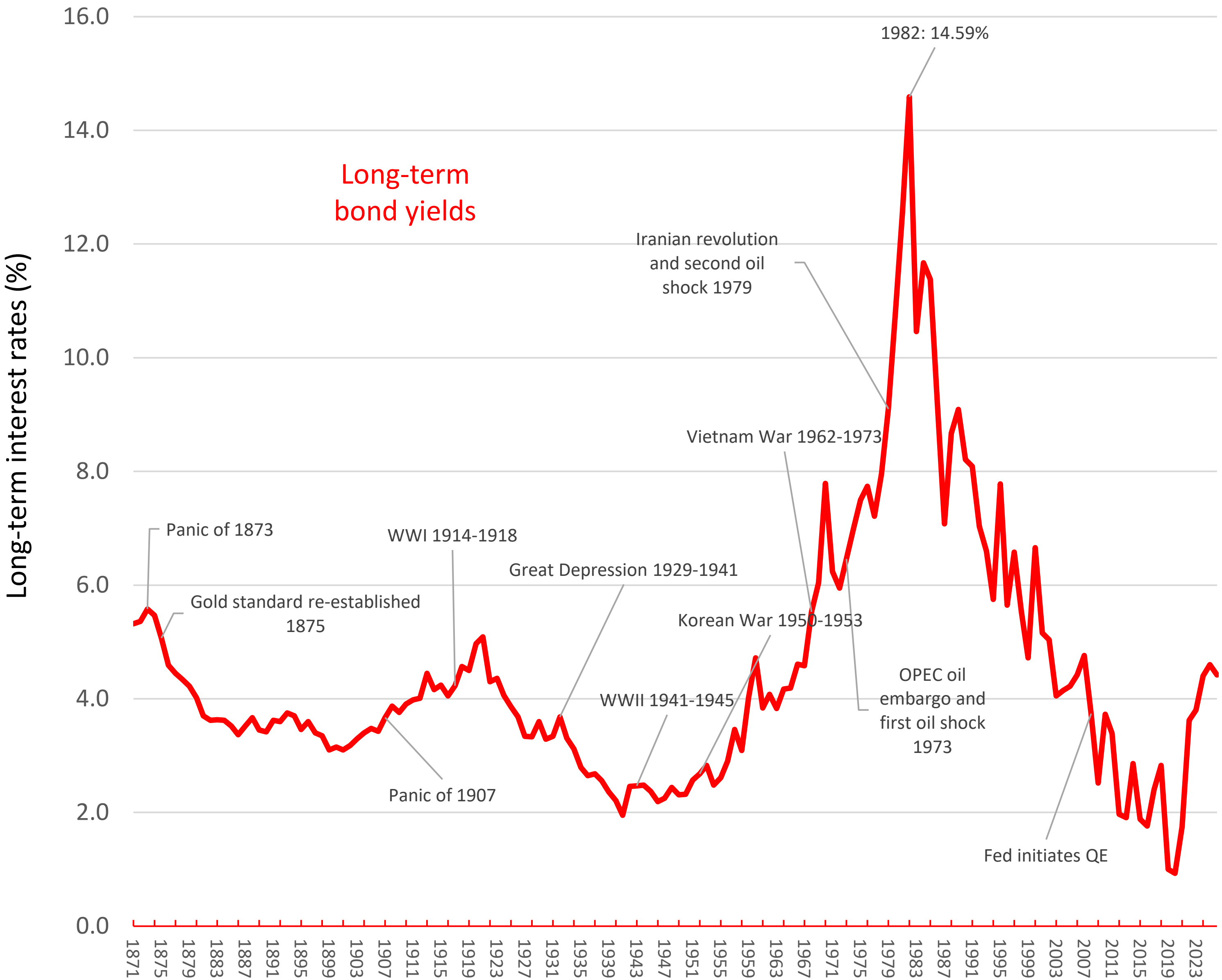
Source: LSEG Datastream and © Yardeni Research and Standard & Poor's.
* Price divided by 52-week forward consensus expected operating earnings per share.

Source: Yardeni Research, Inc., with permission, August 13, 2025.

Bond Yields

- Normal yields by historic comparison

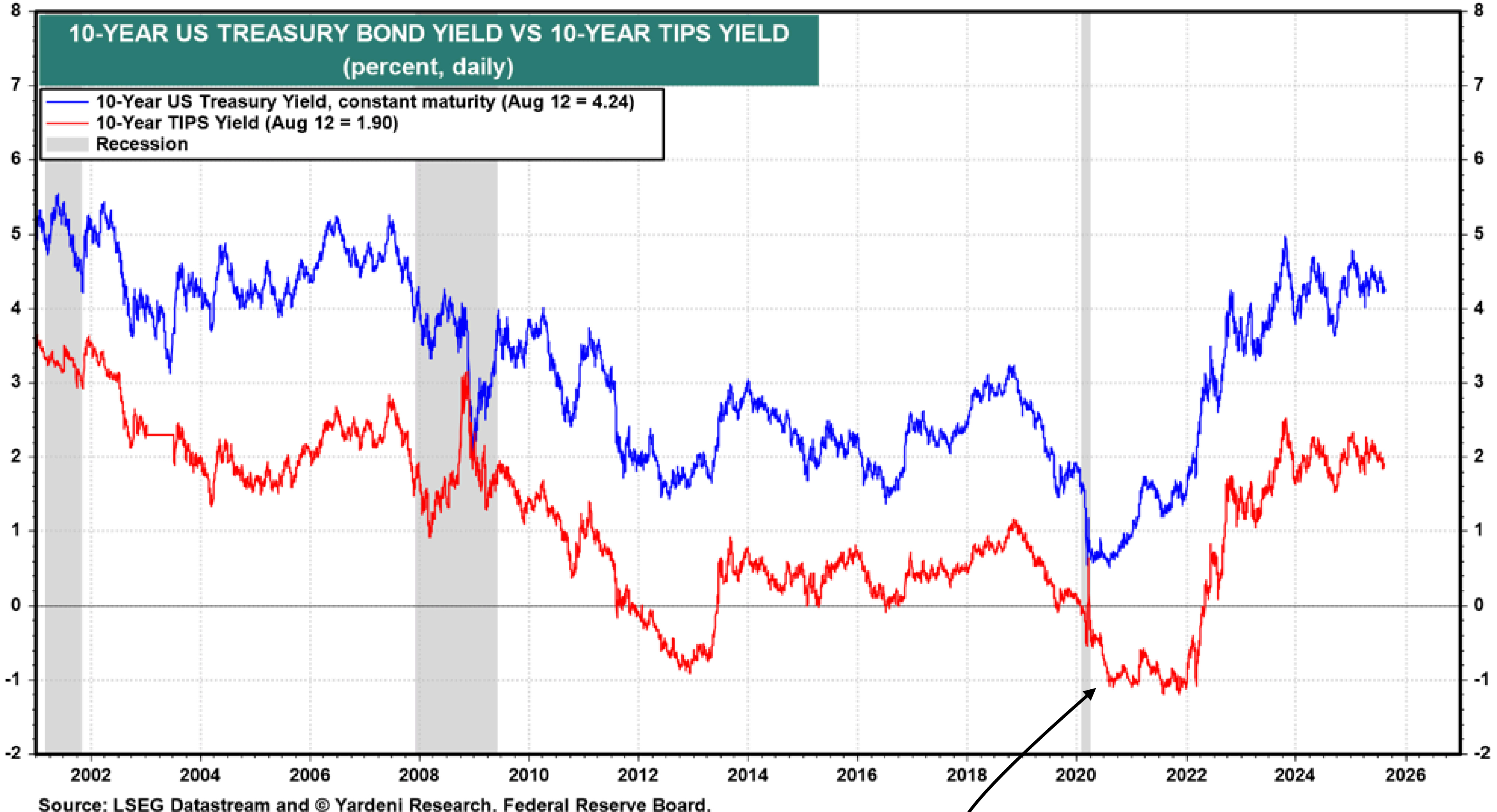
U.S. Treasury bond yields



Rising from the lowest long-term interest rates in U.S. history.

Source: Online Data Robert Shiller, data through 2016; 10-year U.S. Treasury bond yield data from 2017; data through July 2025.

U.S. Treasury bond and TIPS yields



Negative real returns (QE) didn't make sense.

Source: Yardeni Research, Inc., with permission. August 13, 2025.

Federal Reserve

- Poised to cut rates
- Boosted its inflation forecast
- Cut its GDP growth forecast
- Dot plot points to 3-1/4% terminal rate
- Dis-inverting yield curve

Federal Reserve

Central tendency forecasts

For release at 2:00 p.m., EDT, June 18, 2025

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025

Percent

Variable	Median[1]				Central Tendency[2]				Range[3]			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8	1.2–1.5	1.5–1.8	1.7–2.0	1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5	1.5–2.5
March projection	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
Unemployment rate	4.5	4.5	4.4	4.2	4.4–4.5	4.3–4.6	4.2–4.6	4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7	3.5–4.5
March projection	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
PCE inflation	3.0	2.4	2.1	2.0	2.8–3.2	2.3–2.6	2.0–2.2	2.0	2.5–3.3	2.1–3.1	2.0–2.8	2.0
March projection	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
Core PCE inflation[4]	3.1	2.4	2.1		2.9–3.4	2.3–2.7	2.0–2.2		2.5–3.5	2.1–3.2	2.0–2.9	
March projection	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.6	3.4	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9	2.5–3.9
March projection	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9

cut GDP growth forecast

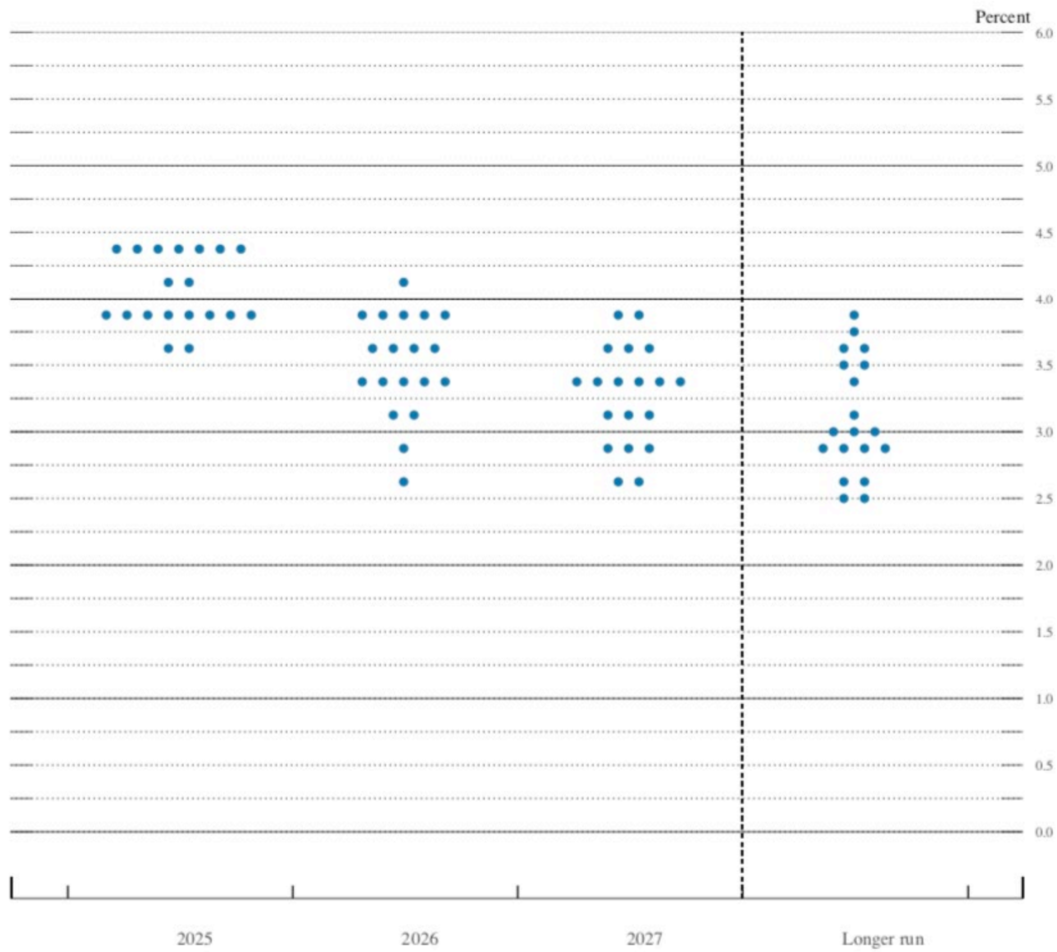
boosted inflation forecast

Source: Federal Reserve, June 18, 2025.

Dot plot

For release at 2:00 p.m., EDT, June 18, 2025

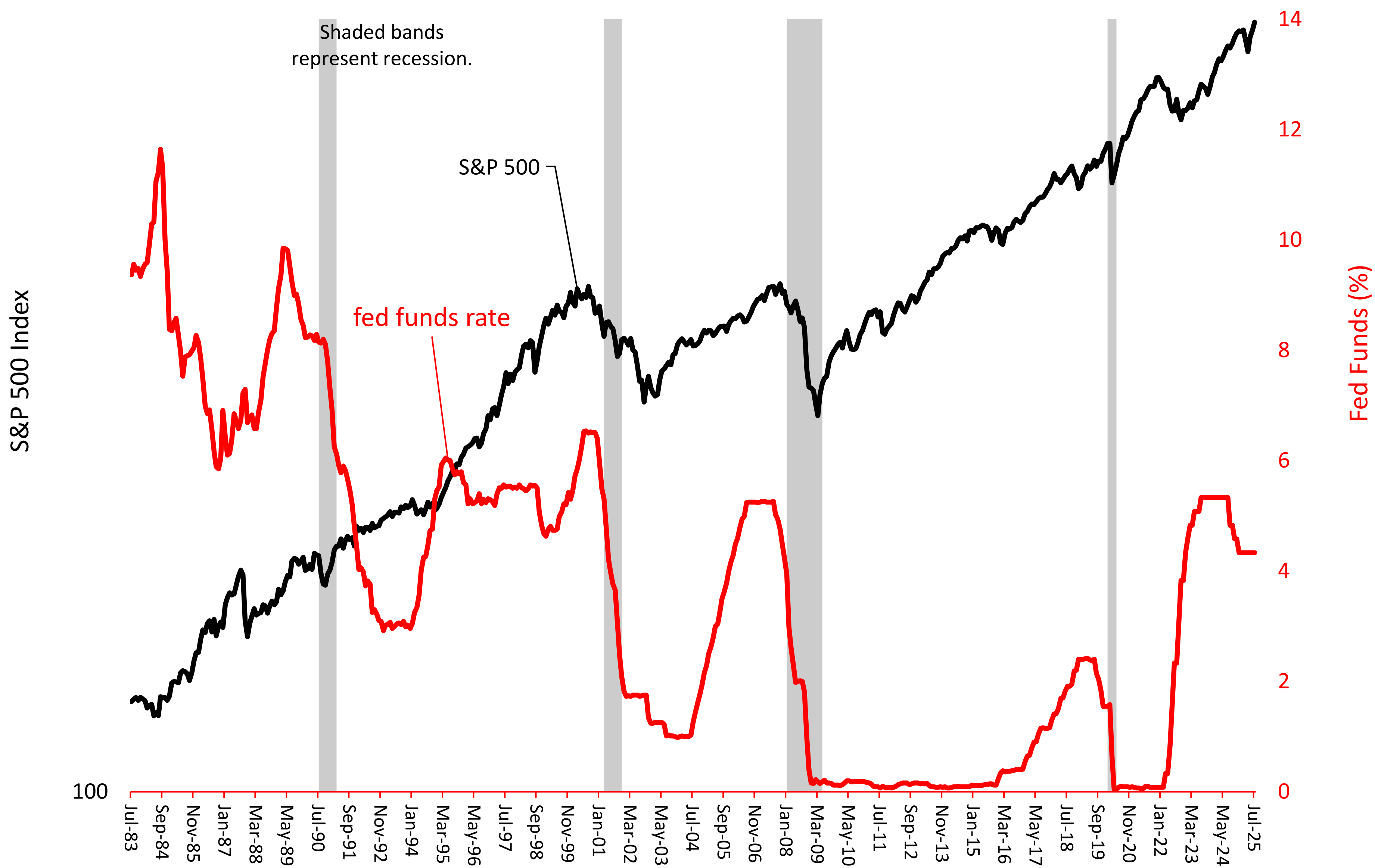
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Federal Reserve, June 18, 2025.

Stock market

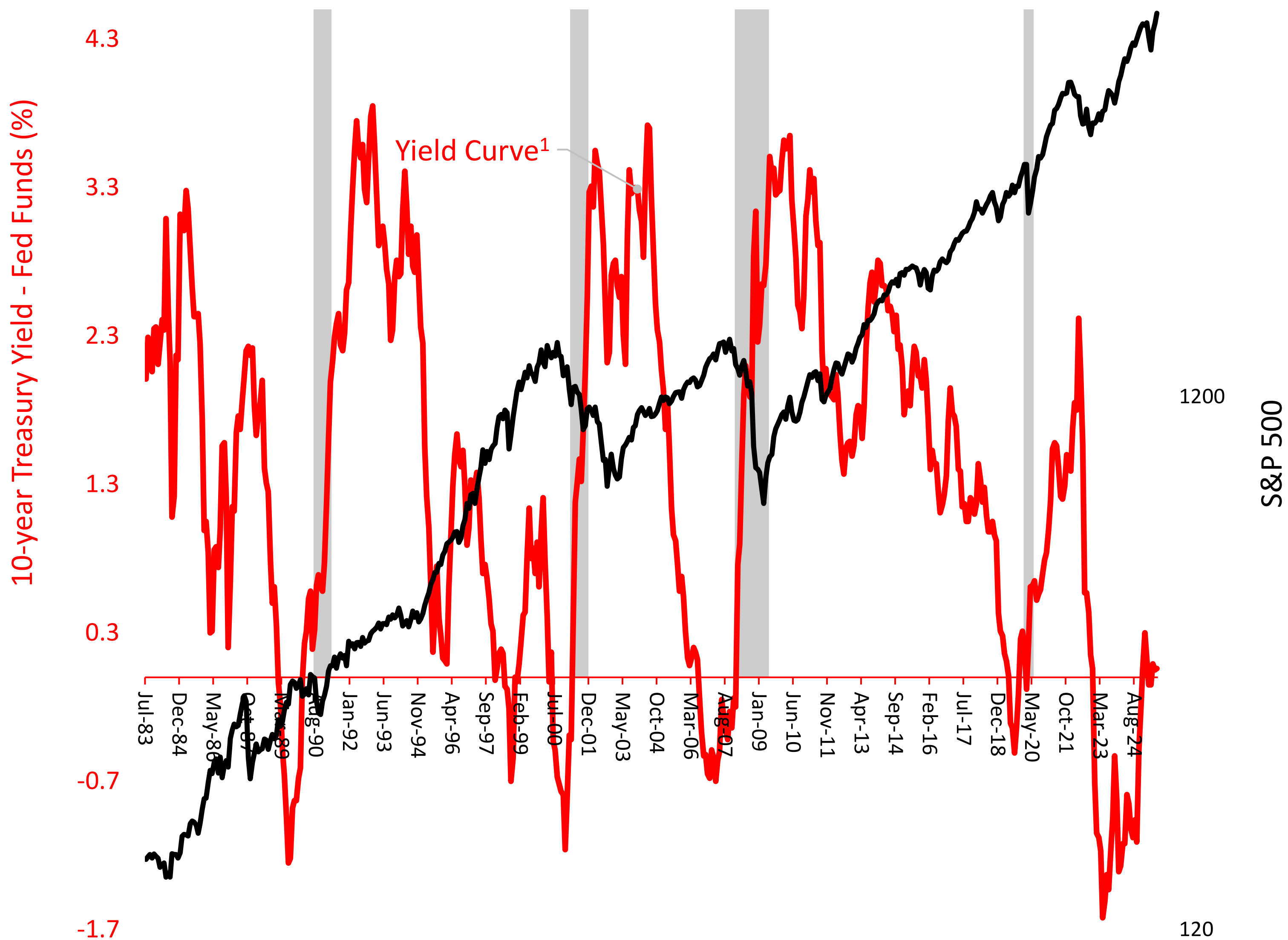
S&P 500 vs. fed funds rate



Sources: Federal Reserve, Standard & Poor's. Data through July 2025.

Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

Today, the yield curve is dis-inverting.

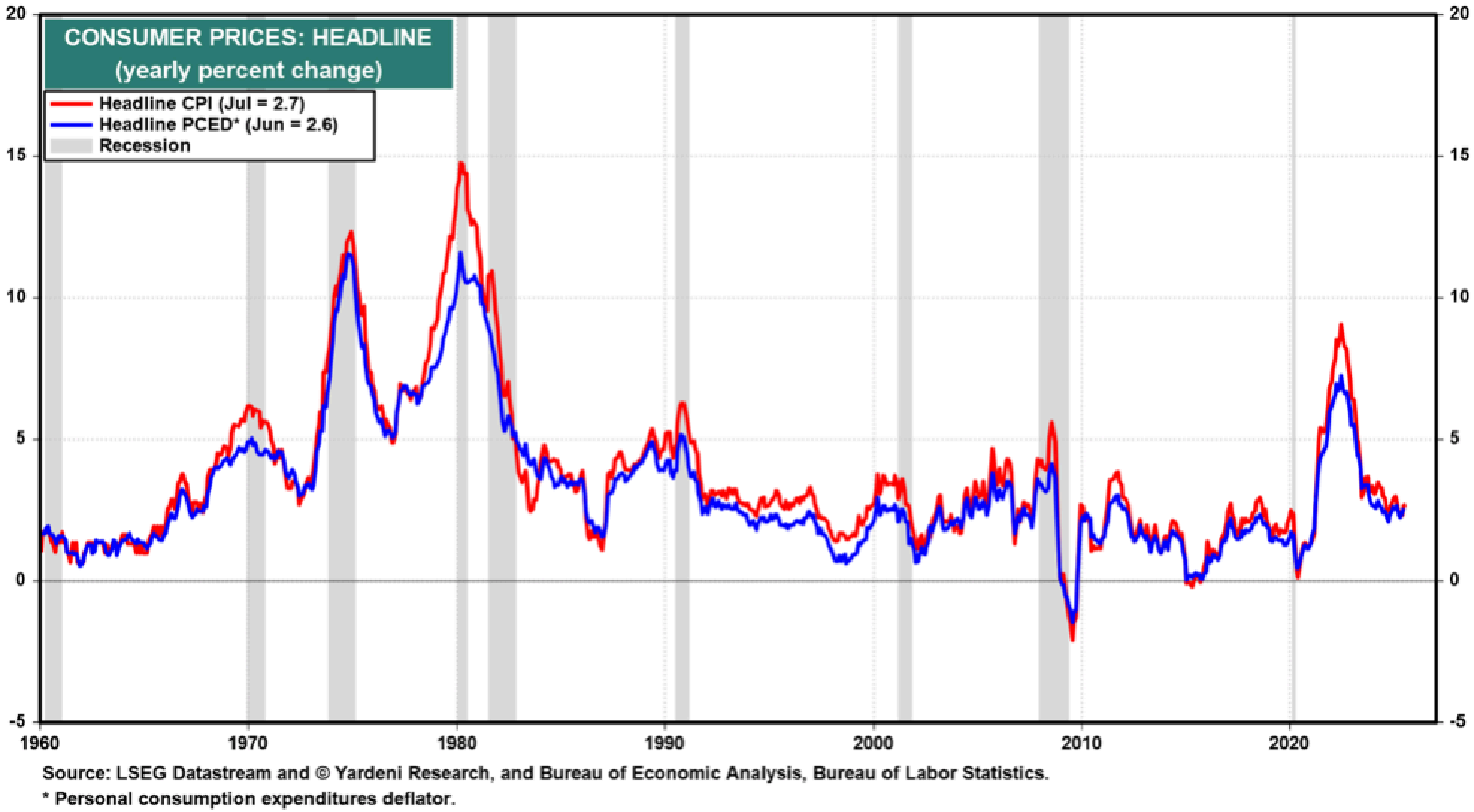
Sources: NBER, Federal Reserve and Standard & Poor's. Data through July 2025.
[1]The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline CPI +2.7%, +3.1% core
- Year-over-year headline PCED +2.6%, +2.8% core
- Inflation expectations (TIPS spread)

Inflation

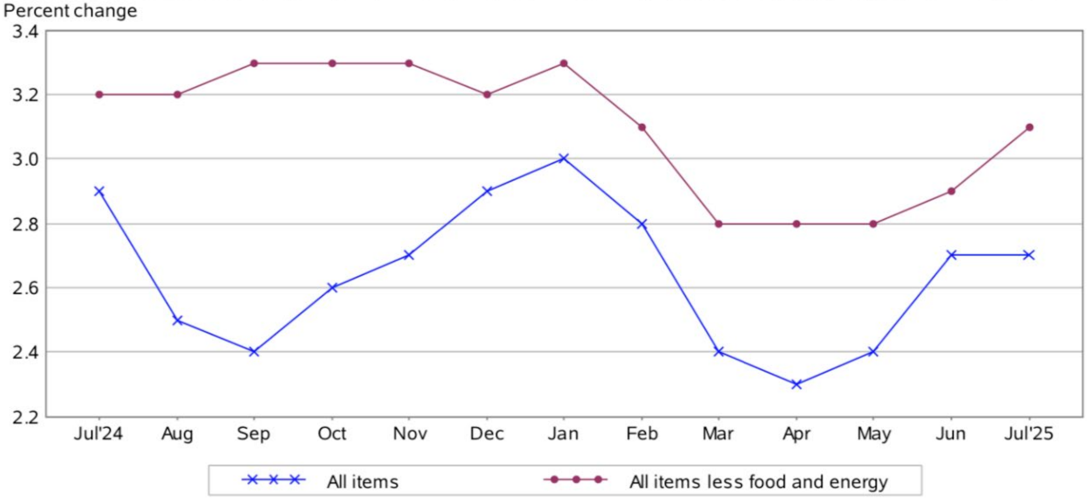
CPI and PCED



Source: Yardeni Research, Inc., with permission. August 13, 2025.

CPI – headline and core

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, July 2024 - July 2025



Core CPI up +3.1% y/y in July.

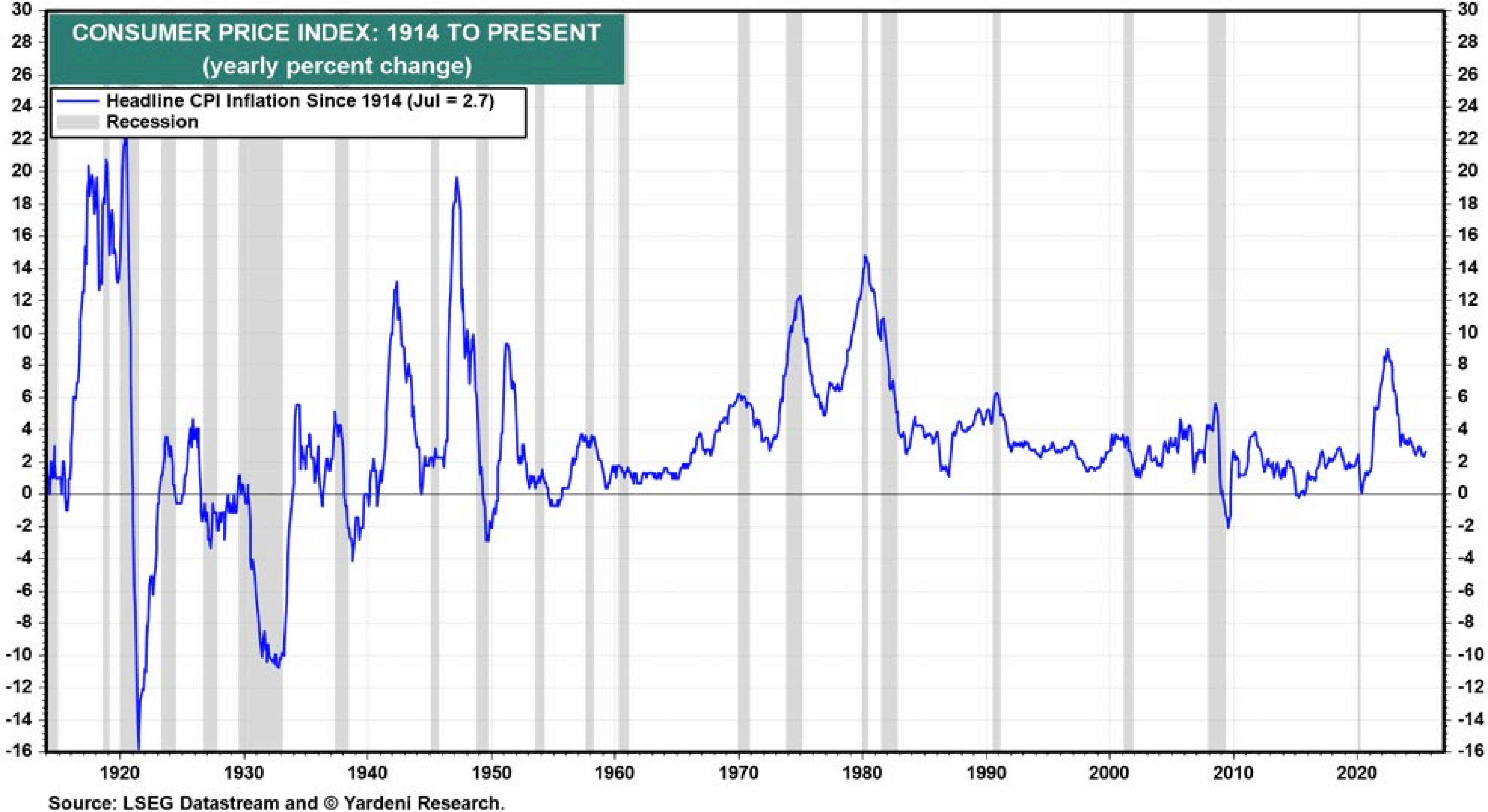
Headline CPI up +2.7% y/y in July.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Jul. 2025
	Jan. 2025	Feb. 2025	Mar. 2025	Apr. 2025	May 2025	Jun. 2025	Jul. 2025	
All items	0.5	0.2	-0.1	0.2	0.1	0.3	0.2	2.7
Food	0.4	0.2	0.4	-0.1	0.3	0.3	0.0	2.9
Food at home	0.5	0.0	0.5	-0.4	0.3	0.3	-0.1	2.2
Food away from home[1]	0.2	0.4	0.4	0.4	0.3	0.4	0.3	3.9
Energy	1.1	0.2	-2.4	0.7	-1.0	0.9	-1.1	-1.6
Energy commodities	1.9	-0.9	-6.1	-0.2	-2.4	1.0	-1.9	-9.0
Gasoline (all types)	1.8	-1.0	-6.3	-0.1	-2.6	1.0	-2.2	-9.5
Fuel oil	6.2	0.8	-4.2	-1.3	0.9	1.3	1.8	-2.9
Energy services	0.3	1.4	1.6	1.5	0.4	0.9	-0.3	7.2
Electricity	0.0	1.0	0.9	0.8	0.9	1.0	-0.1	5.5
Utility (piped) gas service	1.8	2.5	3.6	3.7	-1.0	0.5	-0.9	13.8
All items less food and energy	0.4	0.2	0.1	0.2	0.1	0.2	0.3	3.1
Commodities less food and energy commodities	0.3	0.2	-0.1	0.1	0.0	0.2	0.2	1.2
New vehicles	0.0	-0.1	0.1	0.0	-0.3	-0.3	0.0	0.4
Used cars and trucks	2.2	0.9	-0.7	-0.5	-0.5	-0.7	0.5	4.8
Apparel	-1.4	0.6	0.4	-0.2	-0.4	0.4	0.1	-0.2
Medical care commodities[1]	1.2	0.1	-1.1	0.4	0.6	0.1	0.1	0.1
Services less energy services	0.5	0.3	0.1	0.3	0.2	0.3	0.4	3.6
Shelter	0.4	0.3	0.2	0.3	0.3	0.2	0.2	3.7
Transportation services	1.8	-0.8	-1.4	0.1	-0.2	0.2	0.8	3.5
Medical care services	0.0	0.3	0.5	0.5	0.2	0.6	0.8	4.3

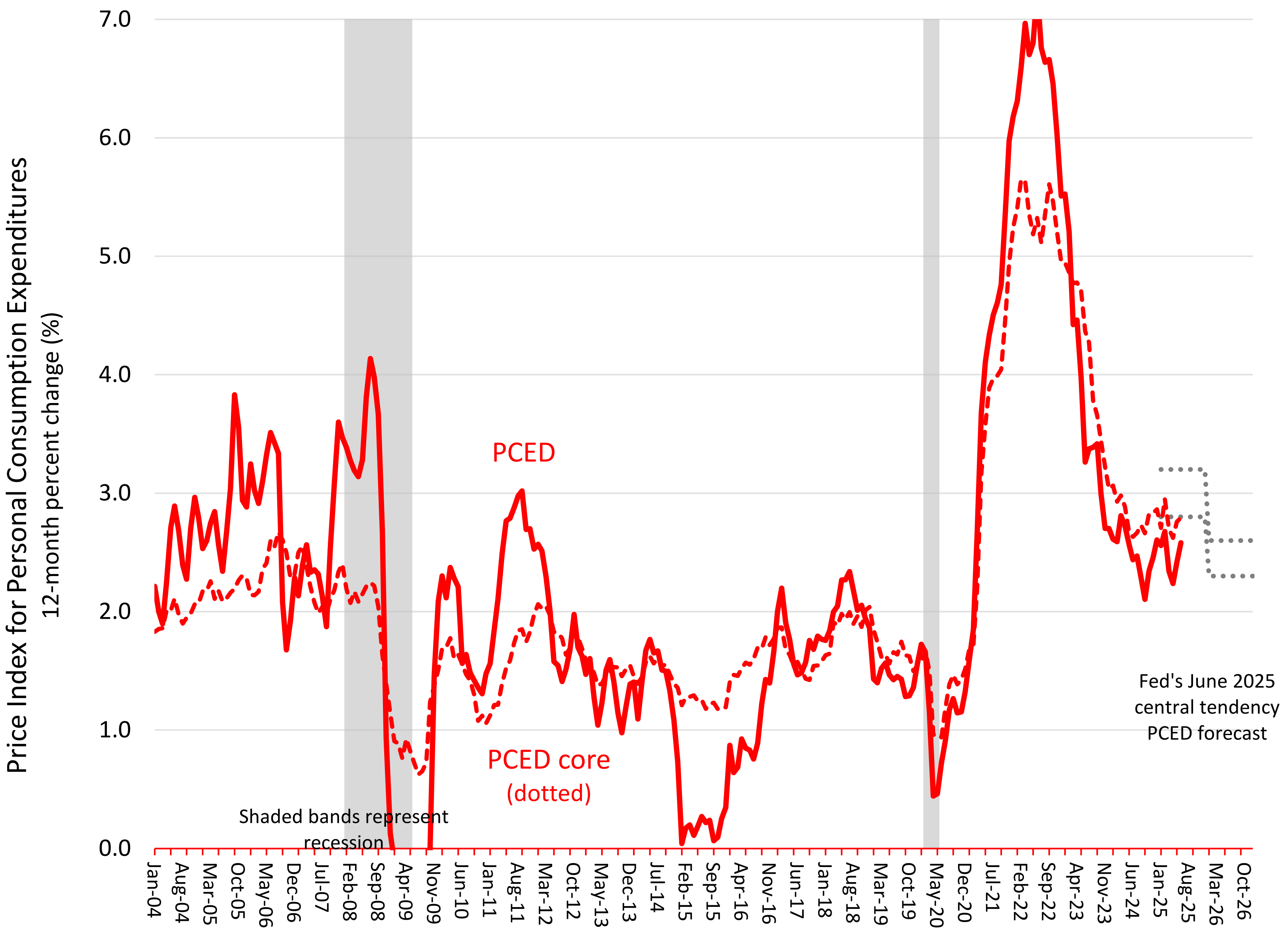
Source: BLS. Data through July 2025.

CPI



Source: Yardeni Research, Inc., with permission. August 13, 2025.

PCED – headline and core

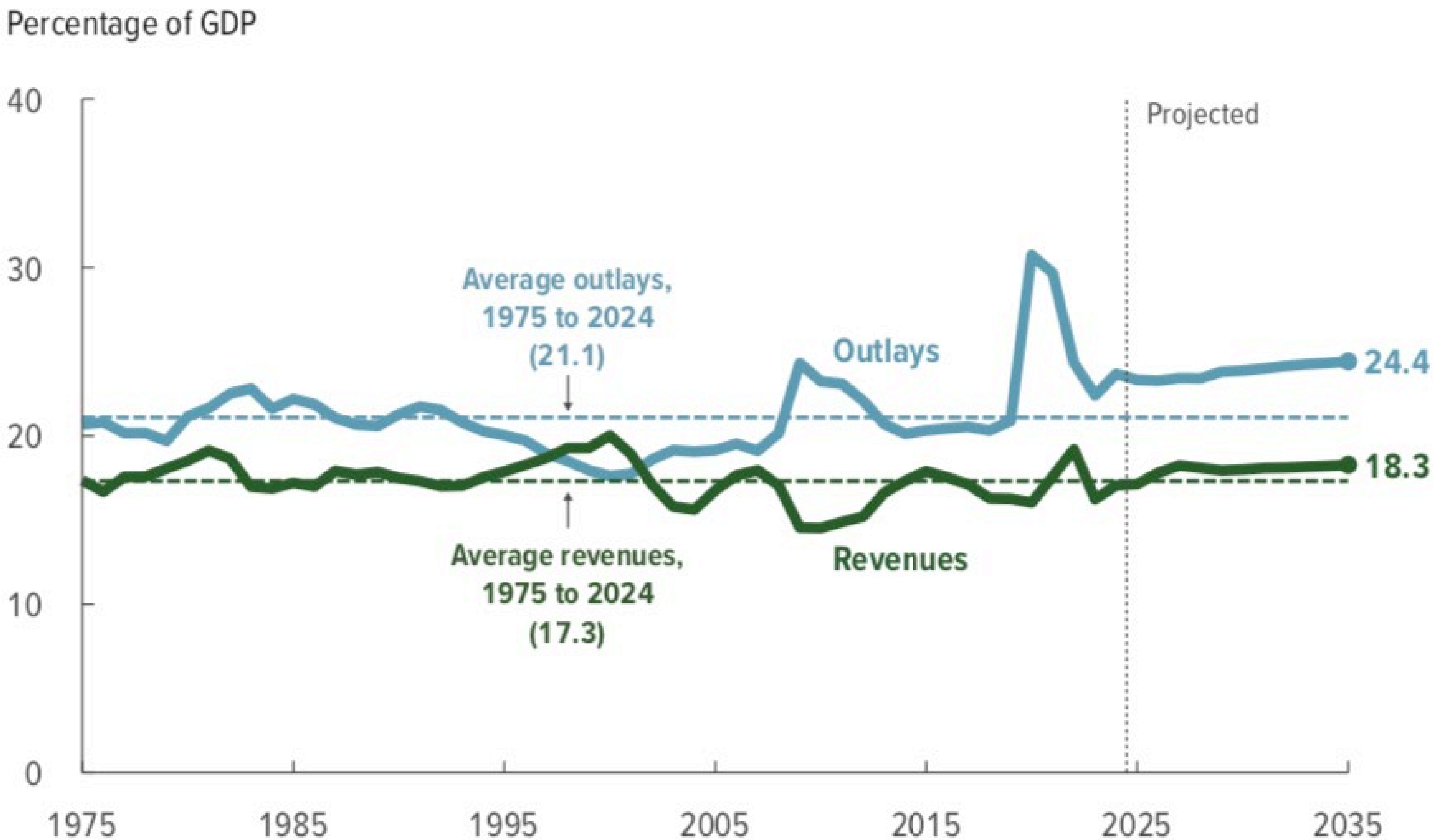


Inflation heading lower following the post-Covid surge.

2.8% core
2.6% PCED

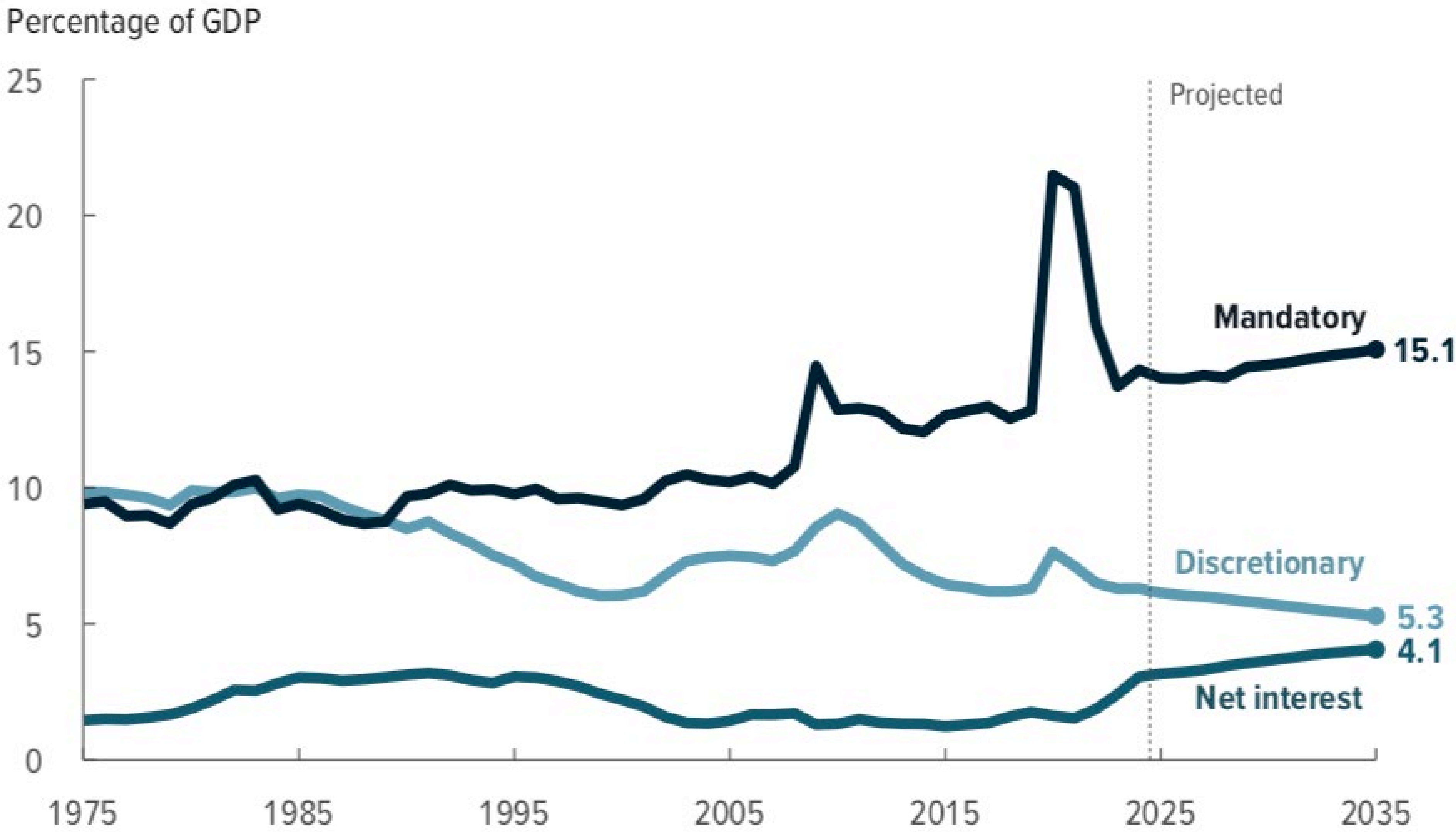
Source: NBER, Federal Reserve Bank of St. Louis. Data through June 2025.

Federal revenues and outlays through 2035



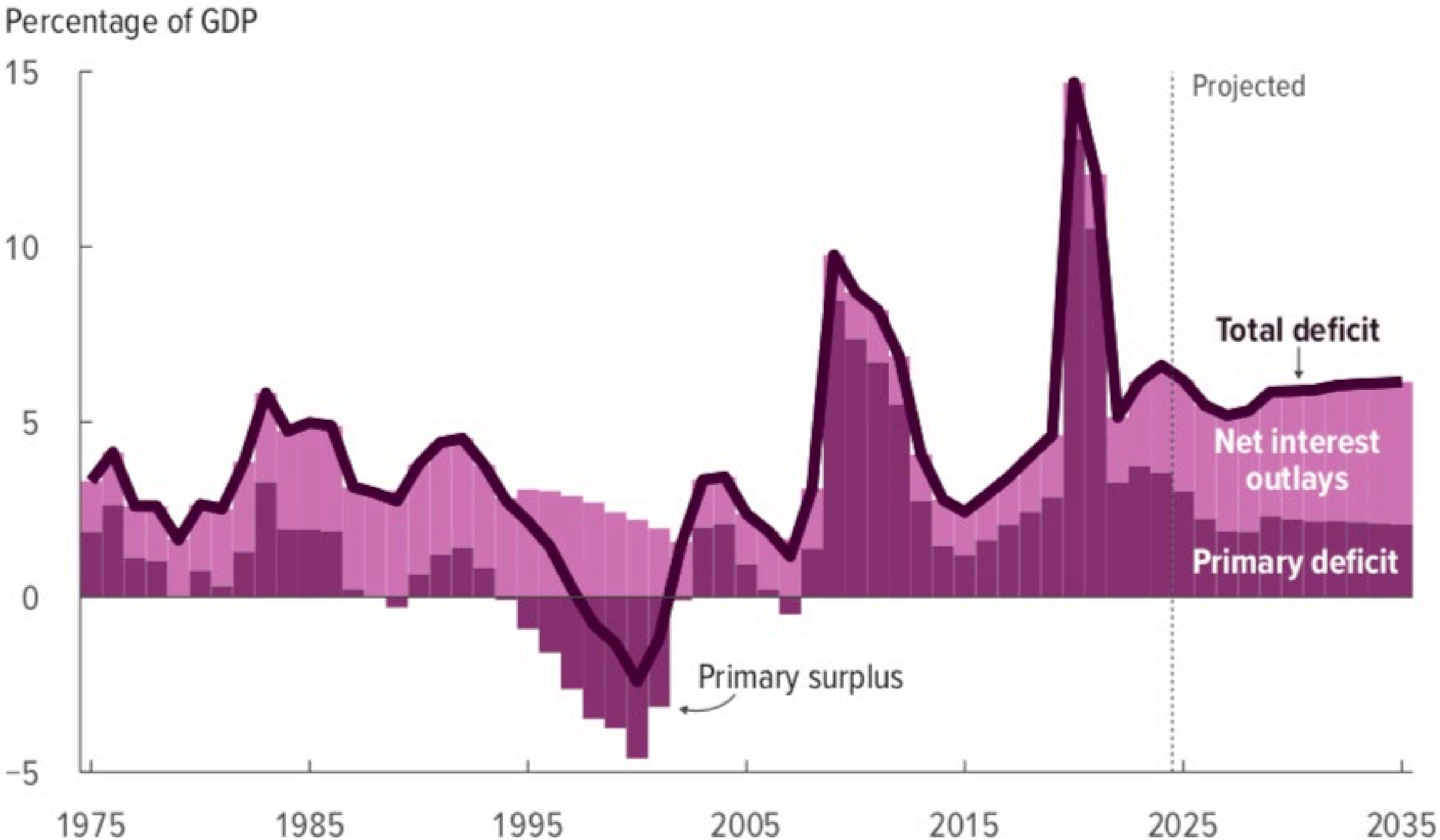
Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

Federal outlays through 2035



Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

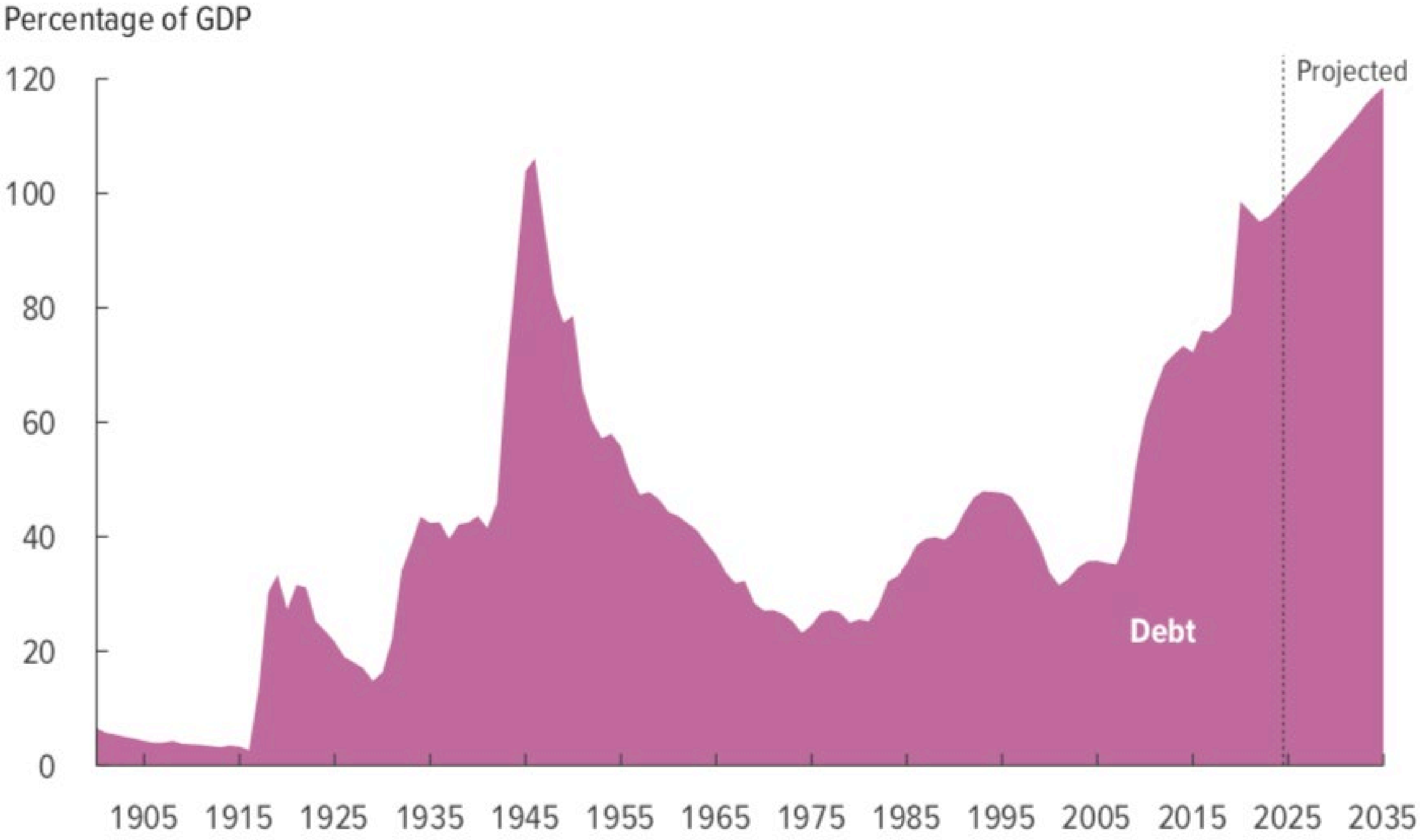
Federal deficits % of GDP though 2035



Net interest becomes the major part of deficits.

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

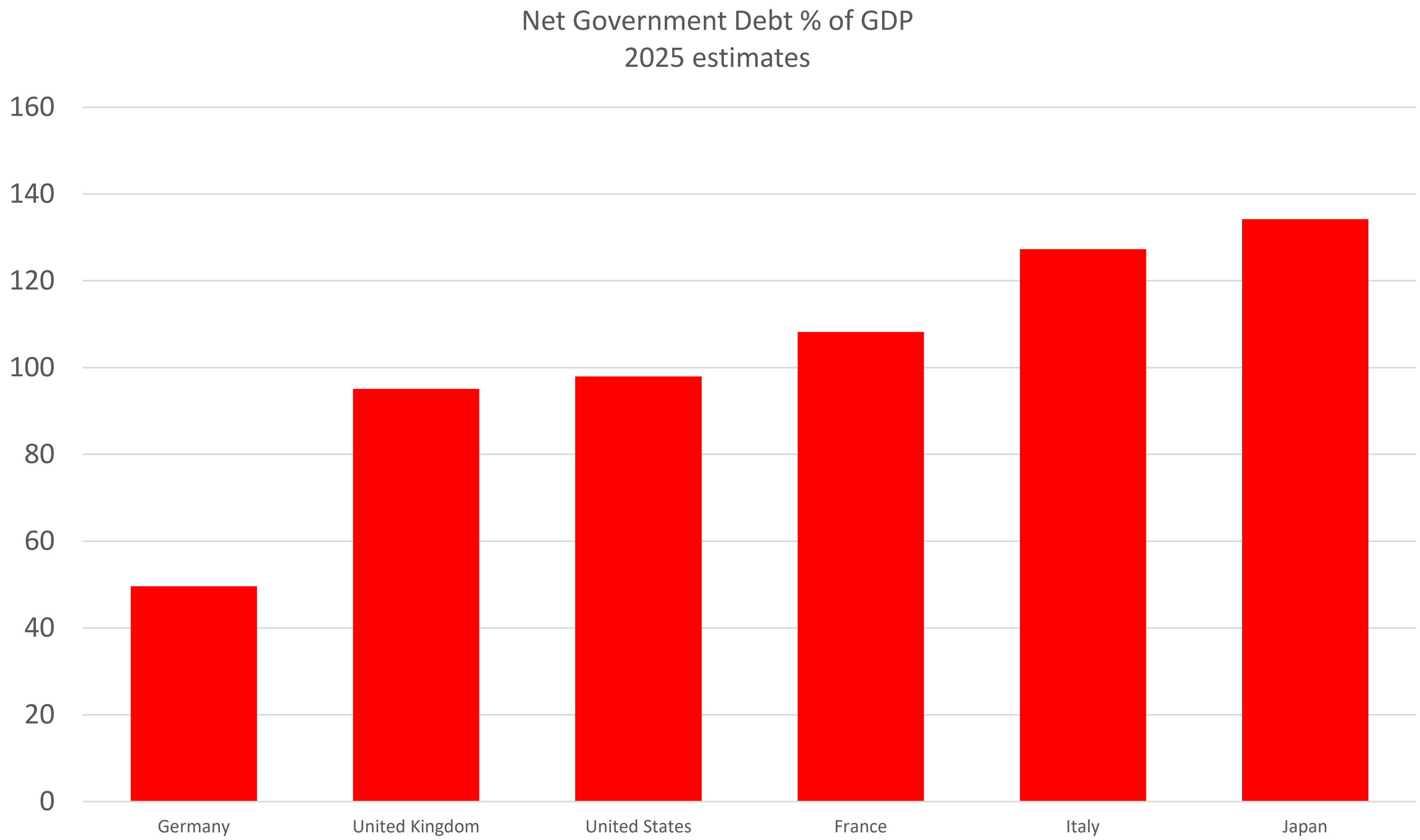
Federal debt % of GDP though 2035



Debt/GDP grows significantly.

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035,* released January 2025.

Net debt % of GDP selected countries



Source: IMF, *World Economic Outlook database: April 2025*.

One Big Beautiful Bill Act

THE WALL STREET JOURNAL.

Economic Fallout Will Be Muted at First

The Committee for a Responsible Federal Budget, which advocates for smaller deficits, estimates if the law's various tax cuts and spending increases are made permanent, it would add $5.5 trillion to deficits through 2034, pushing debt to 127% of GDP.

Source: *The Wall Street Journal*, "Economic Fallout Will Be Muted at First", by Paul Kiernan, July 5-6, 2025.

Economic data

One Big Beautiful Bill Act

"One Big Beautiful Bill Act" Tax Policies: Details and Analysis

July 4, 2025 • 11 min read

By: Garrett Watson, Huaqun Li, Erica York, Alex Muresianu, Alan Cole, Peter Van Ness, Alex Durante

By the end of the budget window, debt-to-GDP would rise by 9.6 percentage points, increasing from 117.1 percent in 2034 without the bill to 126.7 percent in 2034 on a conventional basis with the bill. In the long run, dynamic debt-to-GDP would increase by 13.2 percentage points from 162.3 percent under the baseline to 175.5 percent under the OBBB.

Source: *The Wall Street Journal*, "Economic Fallout Will Be Muted at First", by Paul Kiernan, July 5-6, 2025.

THE WALL STREET JOURNAL.

The Social Security Crisis is Coming

… the Social Security system's trustees in late June sent a signal so alarming that America can't ignore it: Unless lawmakers do something, the system's trust fund will be exhausted in the first quarter of 2033—sooner than earlier reports predicted. The crisis will trigger large cuts in benefits to current and new beneficiaries.

If lawmakers acted tomorrow, restoring Social Security's long-term solvency would require a 22% benefit cut for future beneficiaries, a payroll tax increase to 16%, up from the current 12%, or a combination of benefit cuts and tax hikes.

If we waited until the trust fund was depleted, we would have to cut benefits by nearly 26%, or the payroll tax would have to rise to nearly 17%.

Source: *The Wall Street Journal*, "The Social Security Crisis is Coming" by William A. Galston, July 2, 2025.

Tax hikes coming

THE WALL STREET JOURNAL.

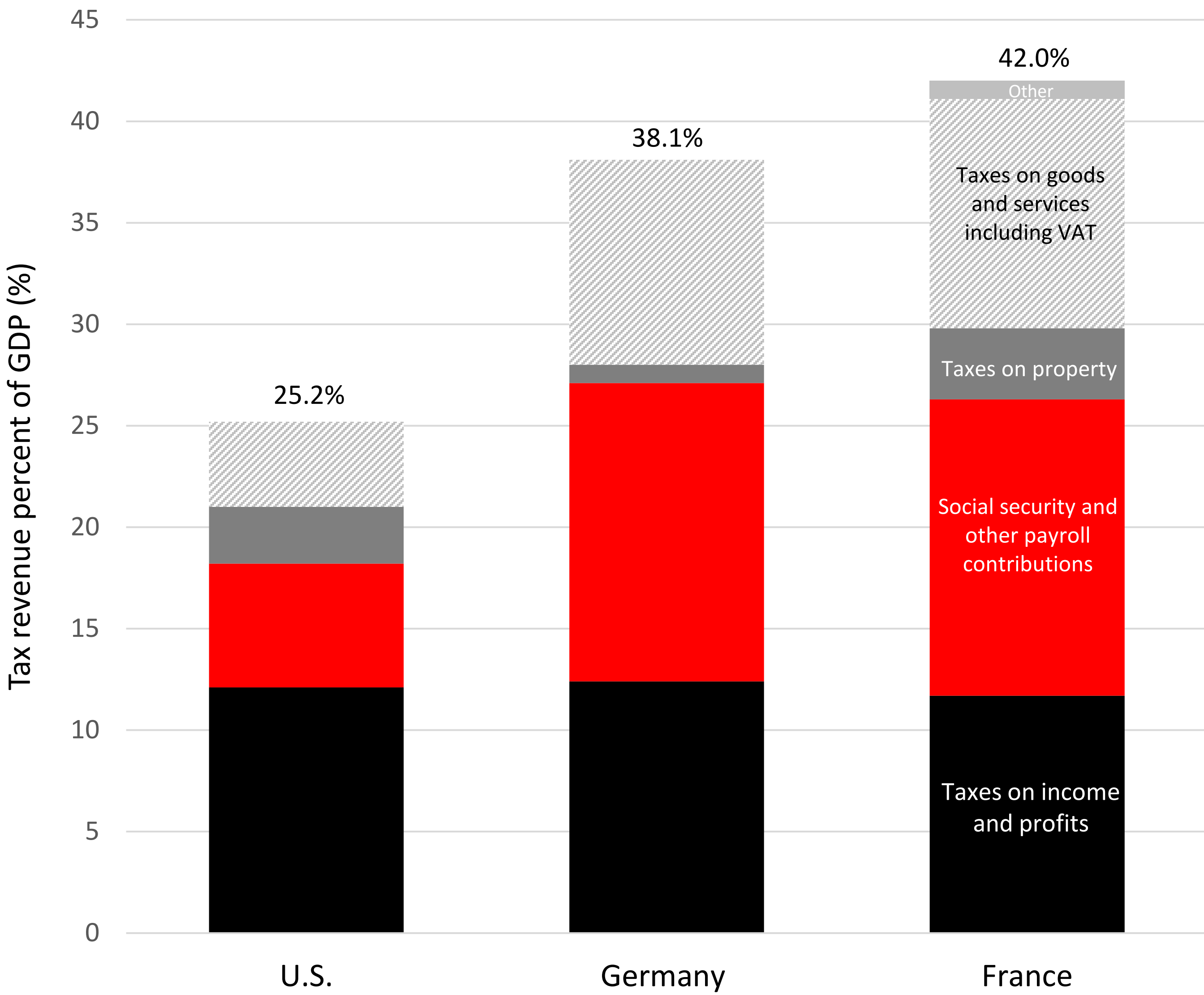
Big Tax Hikes Are Coming

… These demographic and political realities point to the same conclusion: that increased revenue will be needed to secure these programs for the long term. Americans may be reluctant to see their taxes go up, but they will be even less willing to see their Social Security and Medicare benefits go down.

… Unless the actuaries are too pessimistic, the next president will be forced to address this issue, and so will a Congress that by and large has forgotten how to legislate across party lines.

Source: *The Wall Street Journal*, "Big Tax Hikes Are Coming" by William A. Galston, May 21, 2025.

Tax structure U.S. vs. France and Germany



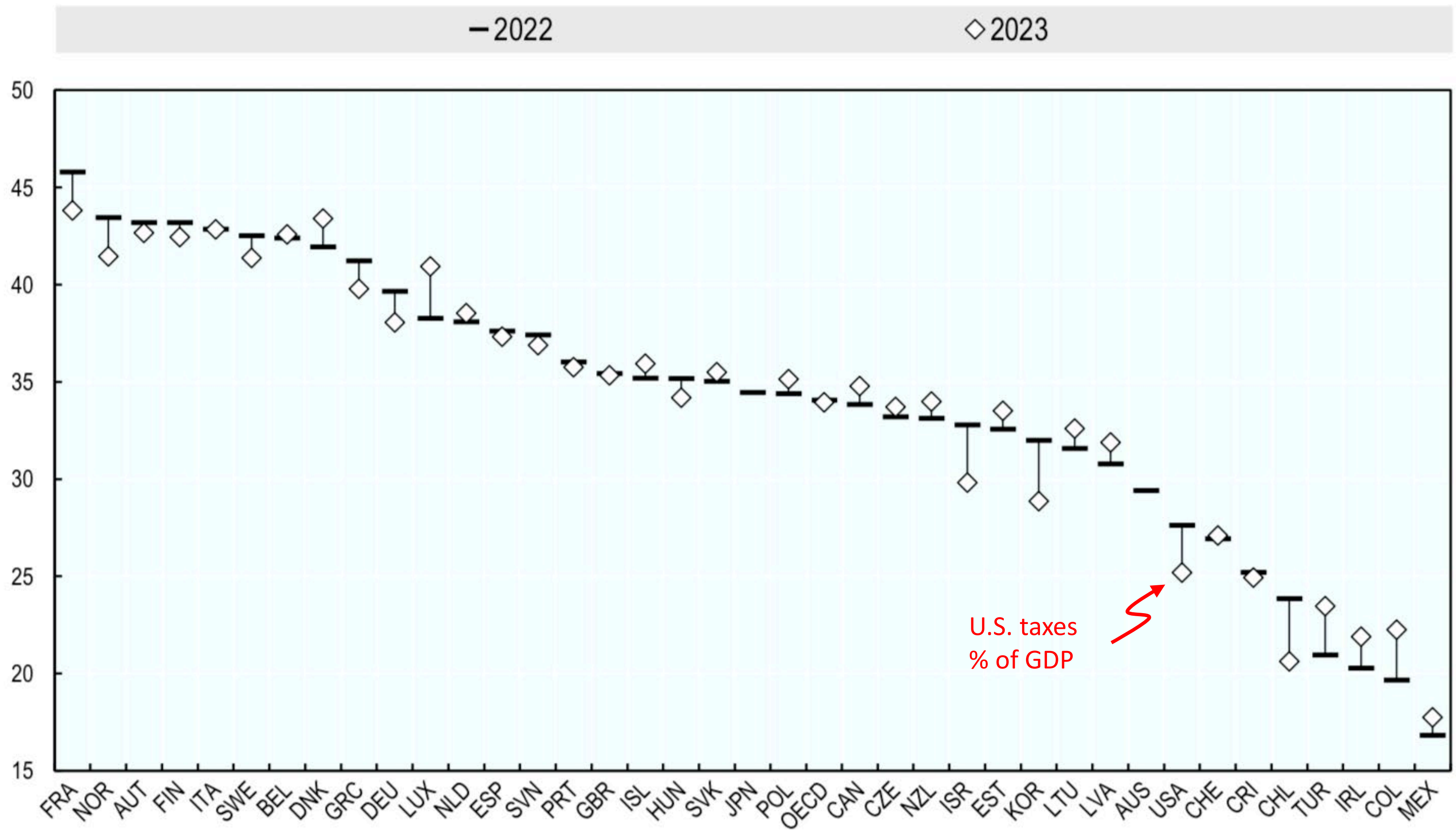
The U.S. has a much lower total tax burden and takes a very different approach to raising tax revenues compared to most other developed economies.

Source: OECD Revenue Statistics 2024. Data for 2023.

Taxes % of GDP – 38 OECD countries

Figure 1.4. Tax-to-GDP ratios in 2022 and 2023p

Percent of GDP



Source: OECD Revenue Statistics 2024.

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