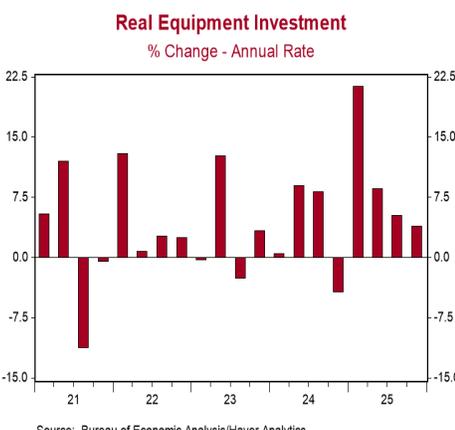
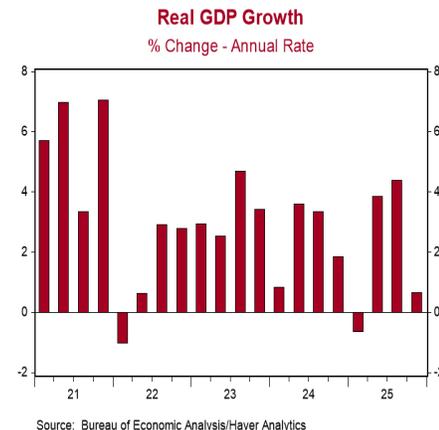


4th Quarter GDP (Preliminary)

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- Real GDP growth in Q4 was revised lower to a 0.7% annual rate, lagging the prior reported and consensus expected 1.4%.
- Downward revisions to net exports, personal consumption, business investment, and government spending more than offset an upward revision to inventories.
- Personal consumption, business investment, and home building, combined, rose at a 1.9% annual rate in Q4. We refer to this as “core” GDP.
- The GDP price index was revised higher to 3.8% from a prior estimate of 3.6%. Nominal GDP growth – real GDP plus inflation – was revised downward to a 4.5% annualized rate from a prior estimate of 5.1%.

Implications: Real GDP for the fourth quarter was revised lower to a 0.7% annualized rate, with downward revisions to net exports, personal consumption, business investment, and government spending more than offsetting an upward revision to inventories. For a clearer picture of underlying growth, we focus on “core” GDP – consumer spending, business fixed investment, and residential construction – excluding more volatile components like inventories, government outlays, and trade. Core GDP was revised down to a 1.9% annual rate from the initial 2.4%. The revision lower was driven by weaker consumer spending on services as well as less commercial construction and business investment in intellectual property. Consumer spending is now estimated to have grown at a 2.0% rate, revised down from 2.4%, while business investment is estimated to have grown at a 2.3% rate, down from an initial estimate of 3.7%. So why did headline GDP grow significantly more slowly than Core GDP? Primarily because government purchases shrank at a 5.8% annual rate, led by the federal government, where purchases dropped at a 16.7% rate. As a result, government purchases reduced the pace of real GDP growth by 1.0 percentage points, the largest drag for the category since Q3 2020. Net exports – which was initially estimated to contribute 0.1 percentage points to fourth quarter GDP – was revised lower, now shaving off 0.2 percentage points from the headline. We expect volatility in this category to continue given the Supreme Court ruling against much of the Trump Administration’s tariffs in February. The more troublesome part of the report comes from the inflation front, where the GDP price index was revised higher to a 3.8% annualized rate from an initial estimate of 3.6%. GDP prices were up 3.3% in 2025, above the 2.5% increase in 2024. At the same time, real GDP rose 2.0% in 2025, down from the 2.4% increase in 2024. Core GDP grew 2.4% in 2025 versus 2.9% in 2024. In other words, the U.S. experienced slightly slower growth, paired with higher GDP inflation in 2025. Not a desirable mix.



4th Quarter GDP Seasonally Adjusted Annual Rates	Q4-25	Q3-25	Q2-25	Q1-25	4-Quarter Change
Real GDP	0.7%	4.4%	3.8%	-0.6%	2.0%
GDP Price Index	3.8%	3.8%	2.1%	3.6%	3.3%
Nominal GDP	4.5%	8.3%	6.0%	2.9%	5.4%
PCE	2.0%	3.5%	2.5%	0.6%	2.1%
Business Investment	2.3%	3.2%	7.3%	9.5%	5.5%
Structures	-7.1%	-5.0%	-7.5%	-3.1%	-5.7%
Equipment	3.9%	5.2%	8.5%	21.3%	9.5%
Intellectual Property	5.6%	5.6%	15.0%	6.5%	8.1%
Contributions to GDP Growth (p.pts.)	Q4-25	Q3-25	Q2-25	Q1-25	4Q Avg.
PCE	1.3	2.3	1.7	0.4	1.4
Business Investment	0.3	0.4	1.0	1.2	0.7
Residential Investment	0.0	-0.3	-0.2	0.0	-0.1
Inventories	0.3	-0.1	-3.4	2.6	-0.2
Government	-1.0	0.4	0.0	-0.2	-0.2
Net Exports	-0.2	1.6	4.8	-4.7	0.4

Source: Bureau of Economic Analysis

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