October 2025

Economic Commentary

First Affirmative
FINANCIAL NETWORK
Invest for a Sustainable Future

By Richard Frankel

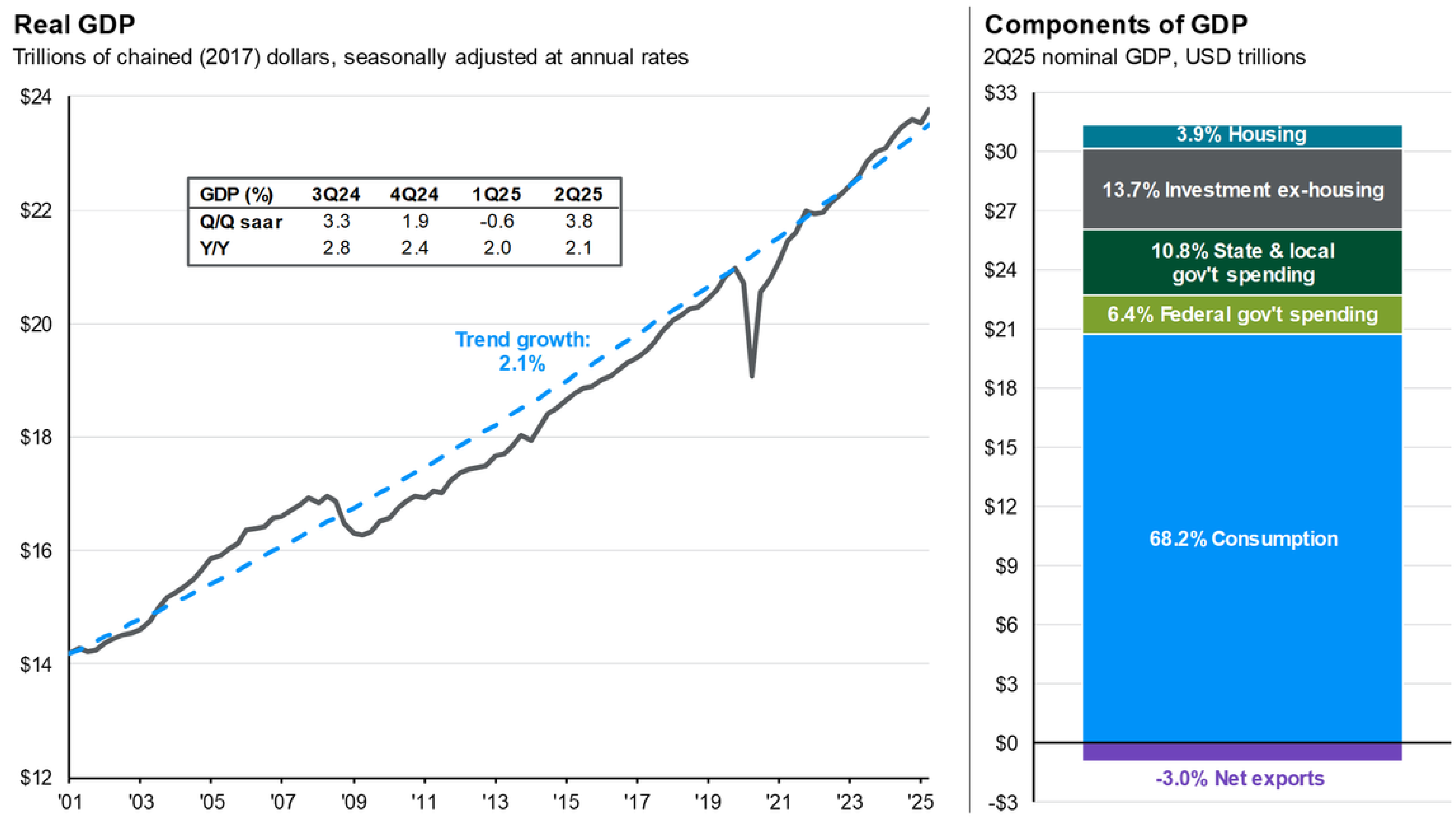
Note: Due to the extended government shutdown, a lot of the data in the commentary is from August instead of September. Many September numbers have yet to be released from statistics compiled by government sources. If releases are available, they are used.

Section Overview:

- Section 1: US Gross Domestic Product (GDP)
- Section 2: US Unemployment
- Section 3: US Consumer Opinions
- Section 4: US Inflation
- Section 5: Current US Tariff Situation
- Section 6: Conclusions - Things to Watch Out For

Section 1: US Gross Domestic Product (GDP)

Figure 1: Real GDP - JPM Guide to Markets - September 2025



Source: BEA, Factset, J.P. Morgan Asset Management

Real gross domestic product (GDP) growth is a variable that can be used to determine how well an economy is currently performing when compared to its levels in the past. As shown in figure 1, the growth of GDP in the second quarter of 2025 was very positive in comparison to its growth trend of 2.1, sitting at 3.8% growth in the quarter. This is in stark contrast to its growth in the first quarter of 2025, where growth sat at a low of -0.6%. Due to the negative growth seen at the beginning of the year, real GDP's current year over year trend growth falls lower than the third and fourth quarters of 2024, which were 2.8% and 2.4% respectively; this is attributable to the volatility of real GDP growth throughout this year.

Figure 2: Real GDP (Percent Change per Quarter) - US Bureau of Economic Analysis (BEA) 9/25/2025

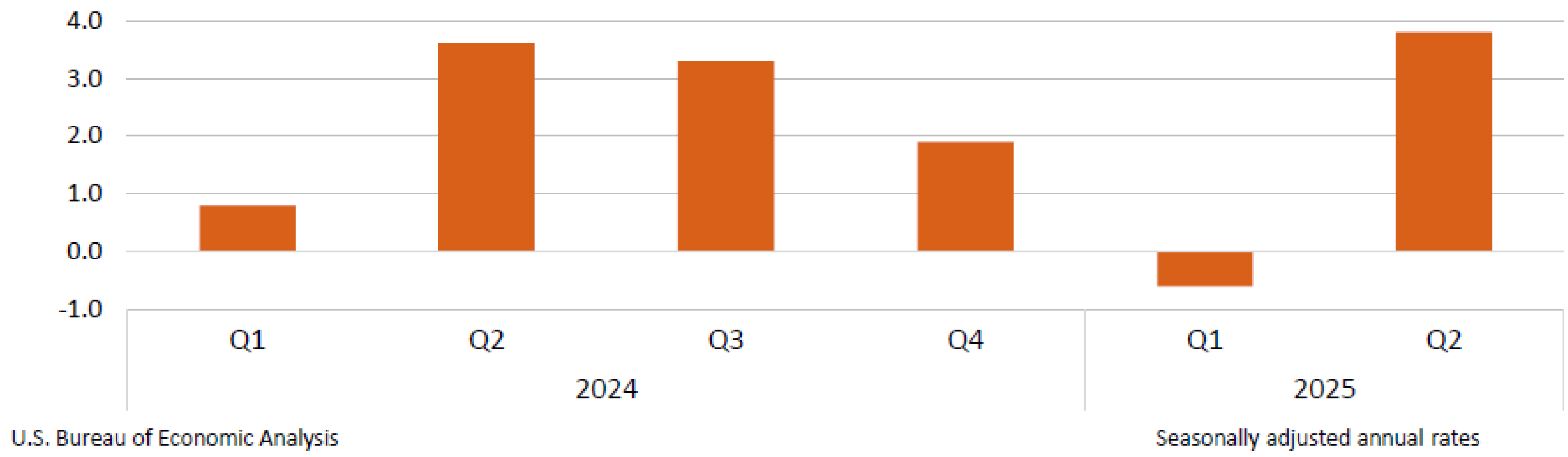
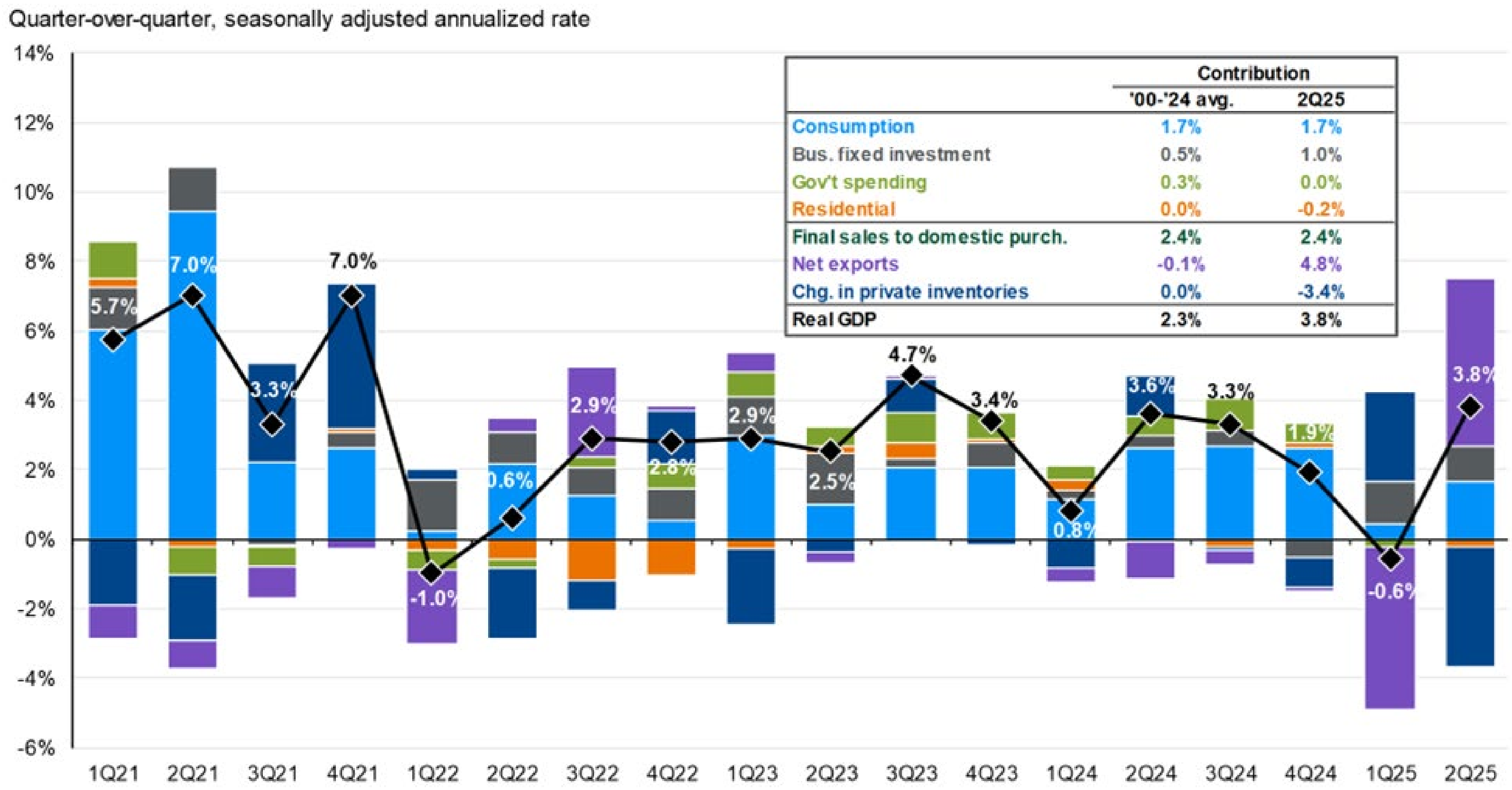


Figure 2 shows a more "zoomed in" view of quarterly GDP growth rates, spanning from quarter one of 2024 through quarter two of 2025. Viewing this, it is easy to see the drastic offset between quarter one and quarter two of 2025, with a difference of 4.4% real GDP growth between the quarters. This sort of volatility in real GDP growth, which has not been seen in the past few years since the pandemic recession, marks a period of uncertainty for the US economy which will hopefully stabilize in the future. As will be discussed in later sections of this commentary, consumers are feeling this uncertainty and reactions to it can be seen in consumer sentiment surveys.

Figure 3: Components of GDP Growth - JPM Guide to Markets - September 2025



Source: BEA, FactSet, J.P. Morgan Asset Management.

Figure 3 shows the components of real GDP growth in the US from the first quarter of 2021 through the second quarter of 2025. These components include consumption, business fixed investment, government spending, residential spending, final sales to domestic purchases, net exports, and changes in private inventories. The equation for calculating Gross Domestic Product = Consumption + Investment + Government Spending + Net Exports, where Net Exports = Exports – Imports. All averages listed in the table of figure 3 that are referenced below are from the period ranging from the first quarter of 2000 through the fourth quarter of 2024.

- **US Consumption** in 2Q25 (1.7%) was equal to its average growth within the time period shown (1.7%).
- **Investment factors** include **business fixed investment**, **change in private inventories**, **final sales to domestic purchases**, and **residential spending**.
  - **US Business Fixed Investment** in 2Q25 (1.0%) was up by 0.5% from its average growth rate for the period (0.5%).
  - **US Change in Private Inventories** in 2Q25 (-3.4%) was down 3.4% from its average growth rate for the period (0.0%).
  - **US Final Sales to Domestic Purchases** in 2Q25 (2.4%) were equal to their average growth rate for the period (2.4%).
  - **US Residential Spending** in 2Q25 (-0.2%) was down 0.2% from its average growth rate for the period (0.0%).
- **US Government Spending** in 2Q25 (-0.1%) was down 0.4% from its average growth rate for the period (0.3%).
- **US Net Exports in 2Q25** (-4.6%) were down -4.5% from their average growth rate for the period (-0.1%).

Real GDP over the period from 2000 through 2024 averaged a 2.3% growth trend, while the first two quarters of 2025 average a 1.6% growth trend. This can be interpreted as an overall decline in GDP so far this year; despite the relatively high GDP growth rate seen in the second quarter of 2025, it does not fully offset the negative growth seen in the first quarter of 2025.

Figure 4: Contributors to Percent Change in Real GDP by Industry Group - US Bureau of Economic Analysis (BEA) 9/25/2025

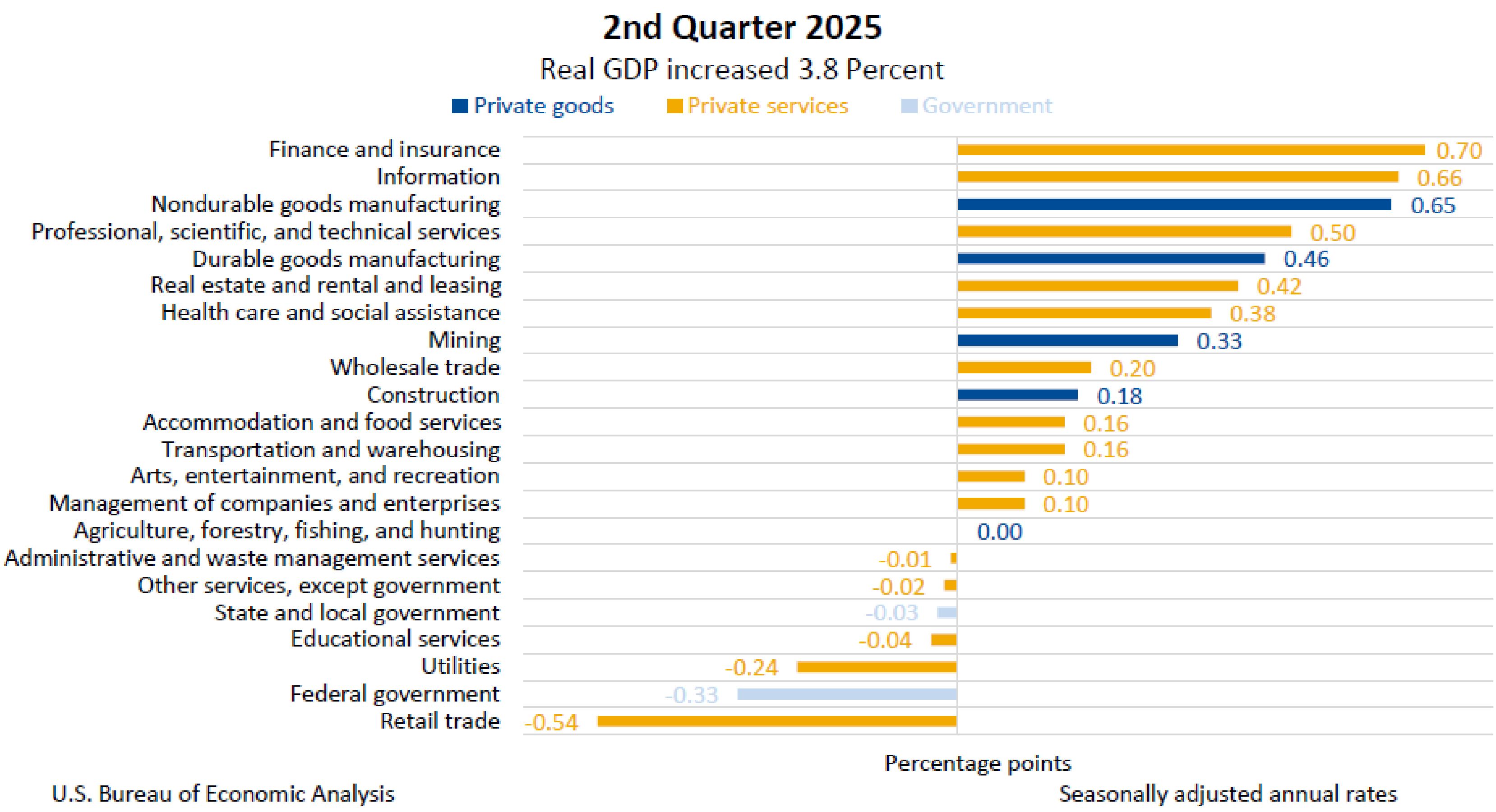


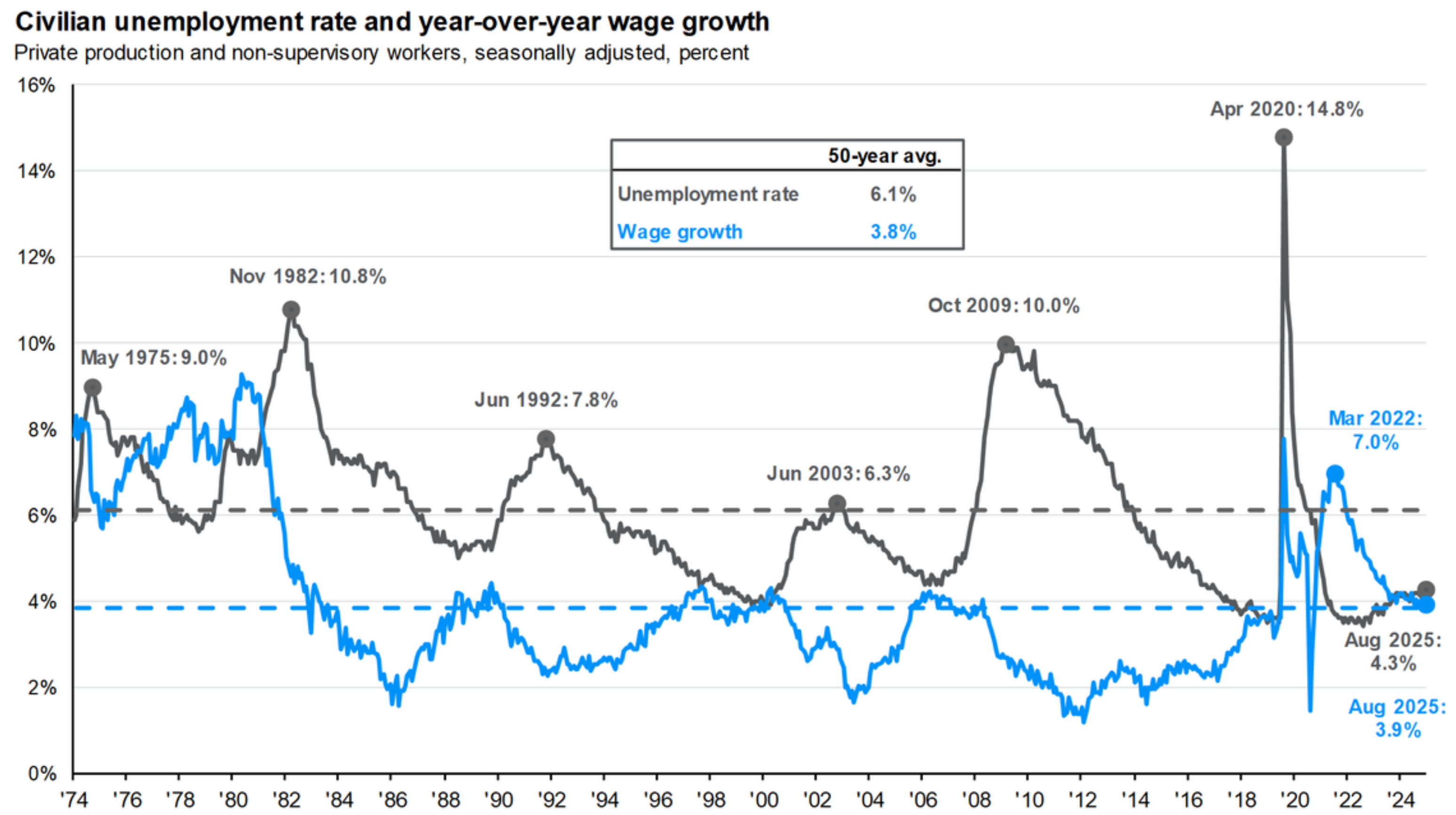
Figure 4 shows the contributions to percent change in US real GDP by industry group via a bar chart format, with government factors in light blue, private goods in dark blue, and private services in yellow. In the following bullet points, each of these groups will be summarized via their overall contribution to US real GDP. The addition of each group's total contribution equates to 3.79%, which is the current US GDP growth rate.

- **Private Goods:** Overall contribution US real GDP growth is equal to 1.62%
  - US Nondurable Goods Manufacturing saw an increase in growth of 0.65%.
  - US Durable Goods Manufacturing saw an increase in growth of 0.46%.
  - US Mining saw an increase in growth of 0.33%.
  - US Construction saw an increase in growth of 0.18%
  - US Agriculture, Forestry, Fishing, and Hunting saw stagnant growth of 0.0%.
- **Private Services:** Overall contribution US real GDP growth is equal to 2.53%
  - US Finance and Insurance services saw an increase in growth of 0.70%.
  - US Information Technology services saw an increase in growth of 0.66%.
  - US Professional, Scientific, and Technical Services saw an increase in growth of 0.50%.
  - US Real Estate and Rental and Leasing services saw an increase in growth of 0.42%.
  - US Health Care and Social Assistance services saw an increase in growth of 0.38%.
  - US Wholesale Trade Saw an increase in growth of 0.20%.
  - US Accommodation and Food Services saw an increase in growth of 0.16%.
  - US Transportation and Warehousing services saw an increase in growth of 0.16%.
  - US Arts, Entertainment, and Recreation services saw an increase in growth of 0.10%.
  - US Management of Companies and Enterprises services saw an increase in growth of 0.10%.
  - US Administrative and Waste Management services saw a decrease in growth of -0.01%.
  - Other US Services, Except Government saw a decrease in growth of -0.02%.
  - US Educational Services saw a decrease in growth of -0.04%.
  - US Utilities services saw a decrease in growth of -0.24%.
  - US Retail Trade Services saw a decrease in growth of -0.54%.
- **Government Factors:** Overall contribution US real GDP growth is equal to -0.36%
  - US State and Local Government saw a decrease in growth of -0.03%.
  - US Federal Government Saw a decrease in growth of -0.33%.

ANALYSIS PLACEHOLDER FOR FIGURE 4

Section 2: US Unemployment

Figure 5: Unemployment and Wage Growth - JP Morgan Guide to the Markets August 2025



Source BLS, FactSet, J.P. Morgan Asset Management

Figure 5 shows US civilian unemployment rate and year-over-year adjusted wage growth rate from 1974 through August 2025. Currently, the US wage growth rate (3.9%) has been on a slow slope downward from previous heights and has been relatively stable throughout the year. Wage growth currently remains above the 50-year average of 3.8% by 0.1%. The US civilian unemployment rate, currently at 4.3%, is up from last quarter's 4.1% by 0.2%; this is, however, still considerably lower (1.8%) than the 50-year average for US civilian unemployment of 6.1%. These figures signify a relatively strong job market at present in comparison to the 50-year averages, with fair wage growth and low unemployment as compared with past values.

Figure 6: Civilian Unemployment Rate By Ethnicity - US Bureau of Labor Statistics (BLS) - August 2025

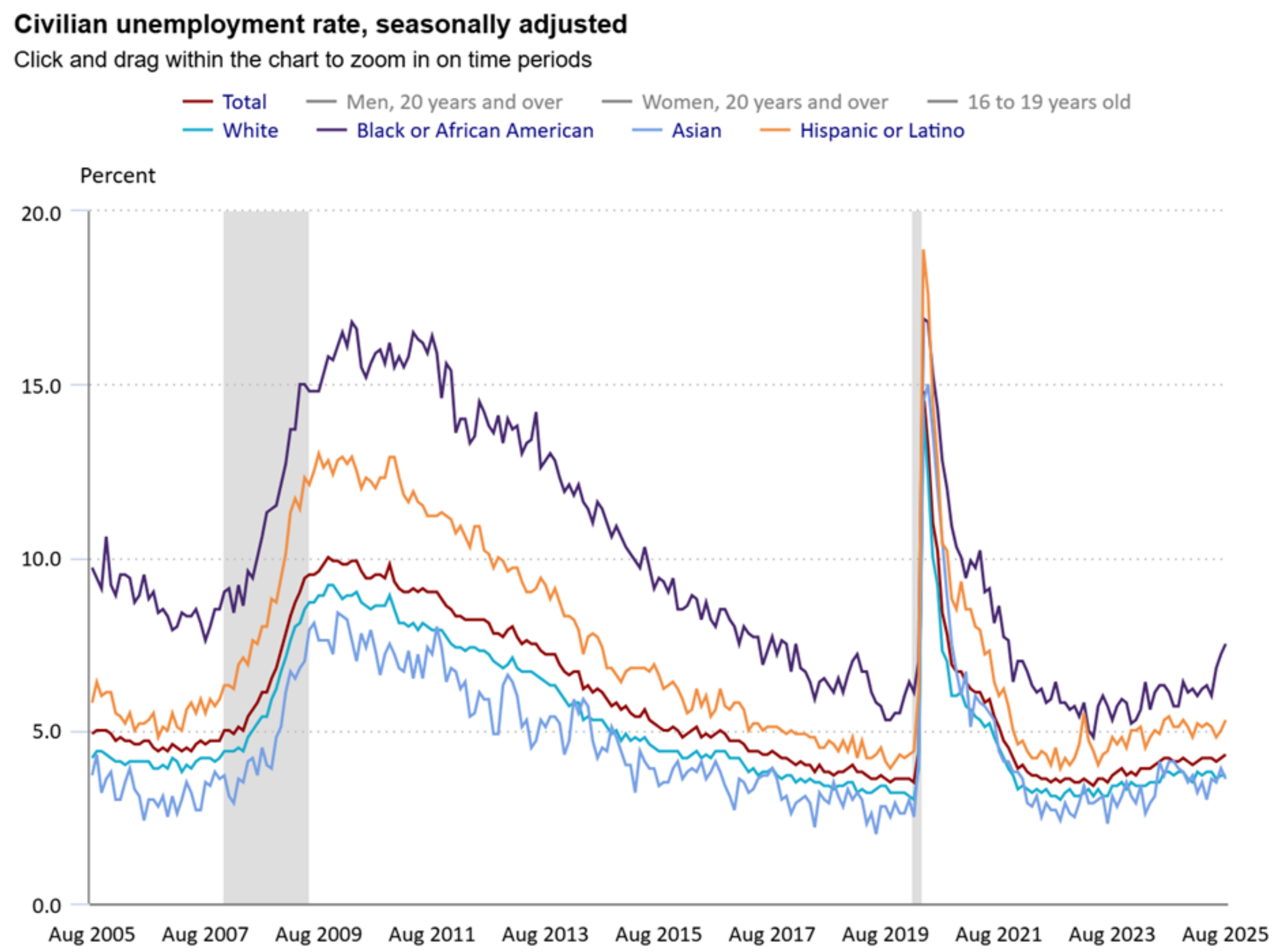
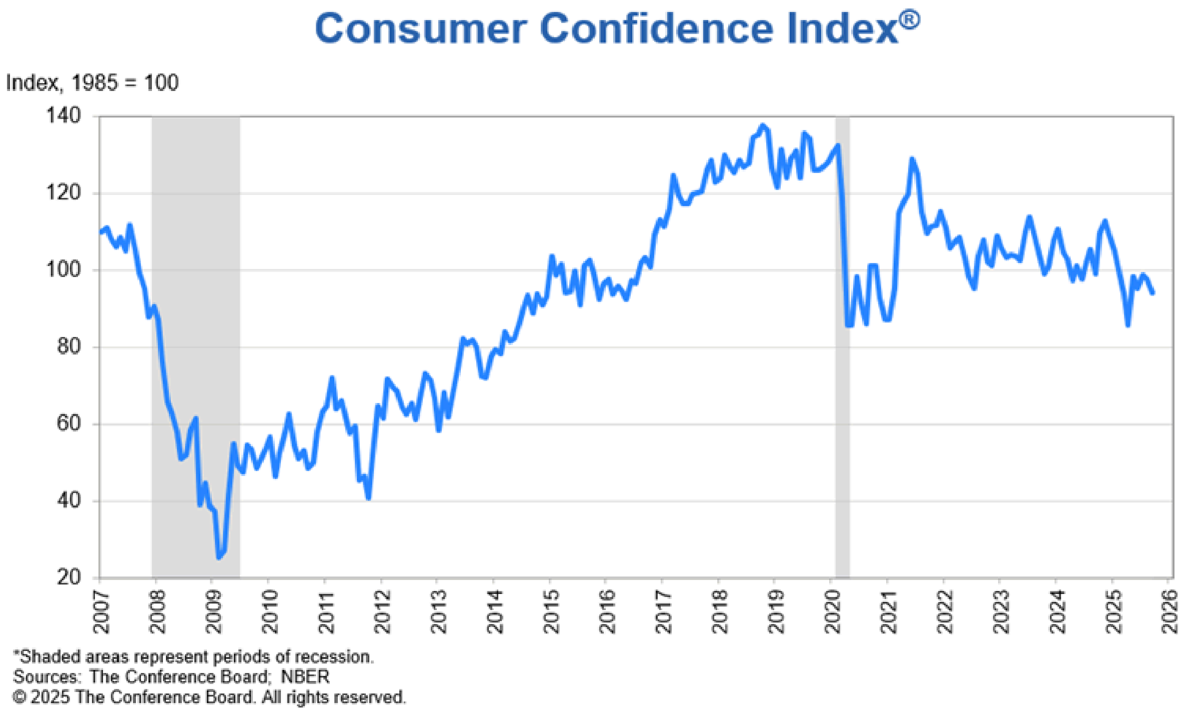


Figure 6 shows the US civilian unemployment rate by ethnicity from August 2005 through August 2025, with the total unemployment rate in red, the unemployment rate for White citizens in teal, the unemployment rate for black or African American citizens in purple, the unemployment rate for Asian citizens in light blue, and the unemployment rate for Hispanic or Latino citizens in yellow. The unemployment rates for White and Asian citizens remains steadily below the total unemployment historically, currently sitting at 3.7% and 3.6% respectively.

Meanwhile, the unemployment rates for Black/African American and Hispanic/Latino citizens fluctuate above the total unemployment rate historically, currently sitting at 7.5% and 5.3% respectively. While the unemployment rates of citizens of White, Asian, and Hispanic/Latino descent have remained relatively stable with minor fluctuation over the past few years since the pandemic recession (seen in the large spike on the graph in 2020), the Black/African American citizen unemployment rate has been on a fluctuating rise with its largest movement occurring this year. At the start of the year, the unemployment rate for Black/African American citizens sat at 6.2%, while currently in August 2025 it sits at 7.5%. This significant increase in Black/African American unemployment can likely be attributed to anti-DEI (Diversity, Equity, and Inclusion) initiatives becoming more commonplace in companies in the US after pushes from the current US administration deemed them unnecessary and possibly illegal citing that many of these practices involved “reverse discrimination” and that this initiative to end DEI practices would result in "ending illegal discrimination and restoring merit-based opportunity". Whether this is what will occur from these practices has yet to be seen; what is clear is that they are contributing to disproportionate unemployment rates across racial lines.

Section 3: US Consumer Opinions

Figure 7: US Consumer Confidence Index - The Conference Board 9/30/2025



The Consumer Confidence Index, as measured by The Conference Board, represents consumer’s outlook on future economic outlook and spending plans, and is essentially a measure of economic optimism/pessimism that focuses on US consumers’ outlooks on current economic conditions. Figure 7 shows the US Consumer Confidence from 2007 through September 2025. The Consumer Confidence Index presently sits at 94.2 points, which is down 3.6 points from August 2025. This is the lowest level seen since April 2025, which was at lows not seen since the pandemic recession as seen on the chart by the shaded gray area in 2020. This represents a period where consumers are incredibly uncertain and are overall pessimistic about current US economic conditions.

Figure 8: US Present Situation and Expectations Indices - The Conference Board 9/30/2025

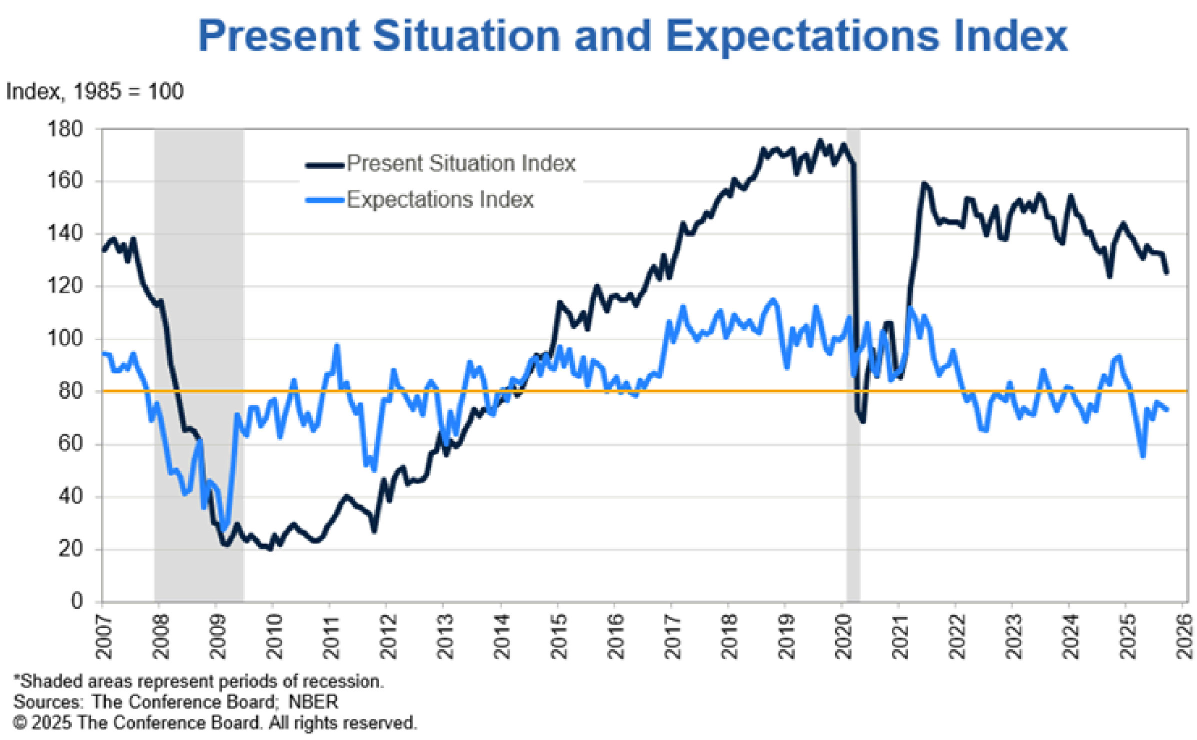


Figure 8 shows the US Present Situation Index alongside the US Expectation Index as of September 2025. The Present Situation Index (dark blue line in Figure 8), which is based on consumers’ assessment of current business and labor market conditions, has been lowering at a steady pace since the beginning of 2025 and continues to do so. In the past month, it has begun showing a sharper decline than has been seen so far this year. This represents that US consumers are developing a pessimistic view of the present situation for current business and labor market conditions which is accelerating as the year moves forward. The US Expectations Index (light blue line in Figure 8), which is based on consumers' short-term outlook for income, business, and labor market conditions, has moved a lot like the chart shown in Figure 8 for the Consumer Confidence Index. During the beginning of 2025, this index saw lows not seen in the past 13 years. Presently the index is at a low not seen since 2022 following the pandemic recession. This, like the Consumer Confidence Index at present, represents a time when consumers are incredibly uncertain, and overall becoming more pessimistic about current US economic conditions. Furthermore, as seen by the horizontal yellow line on the chart, the expectations index has been below the threshold of 80 for the entirety of 2025. This threshold often marks periods of economic slowdown, decline, or recession within the US economy.

Figure 9: Family's Current Financial Situation - The Conference Board 9/30/2025

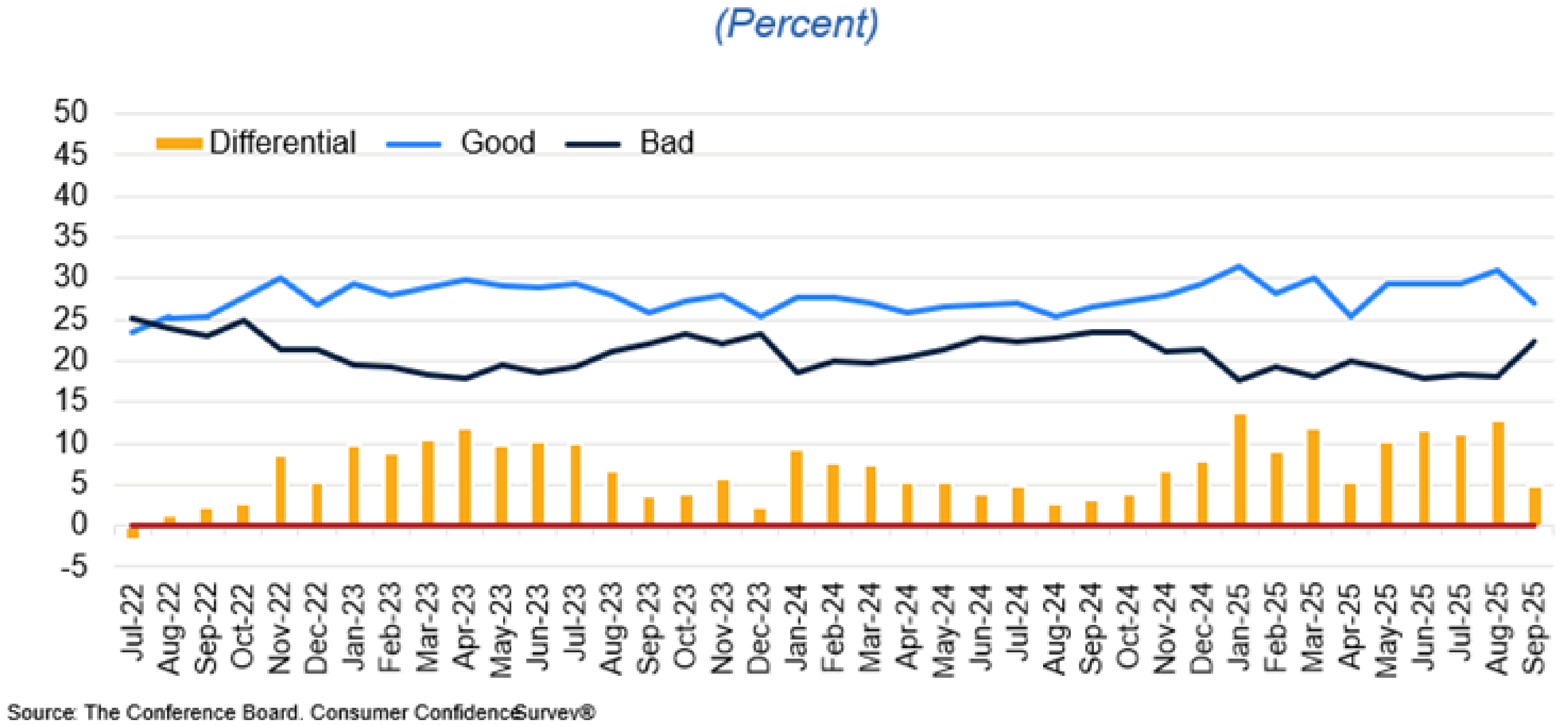


Figure 9 shows the US Family's Current Financial Situation index measures consumer sentiment about how they are currently doing within the economy, i.e. whether they are doing good or bad based on how well they can afford their needs and wants within the present economic conditions. Consumer assessments of their Family's Current Financial Situation weakened notably in September, showing around a 5% increase in consumers saying they were doing badly and a 5% decrease in consumers saying they were doing well. This represents a period where consumers are finding it difficult to thrive based on their financial wellbeing within the current economic climate.

Figure 10: Perceived Likelihood of a US Recession in the Next 12 Months - The Conference Board 9/30/2025

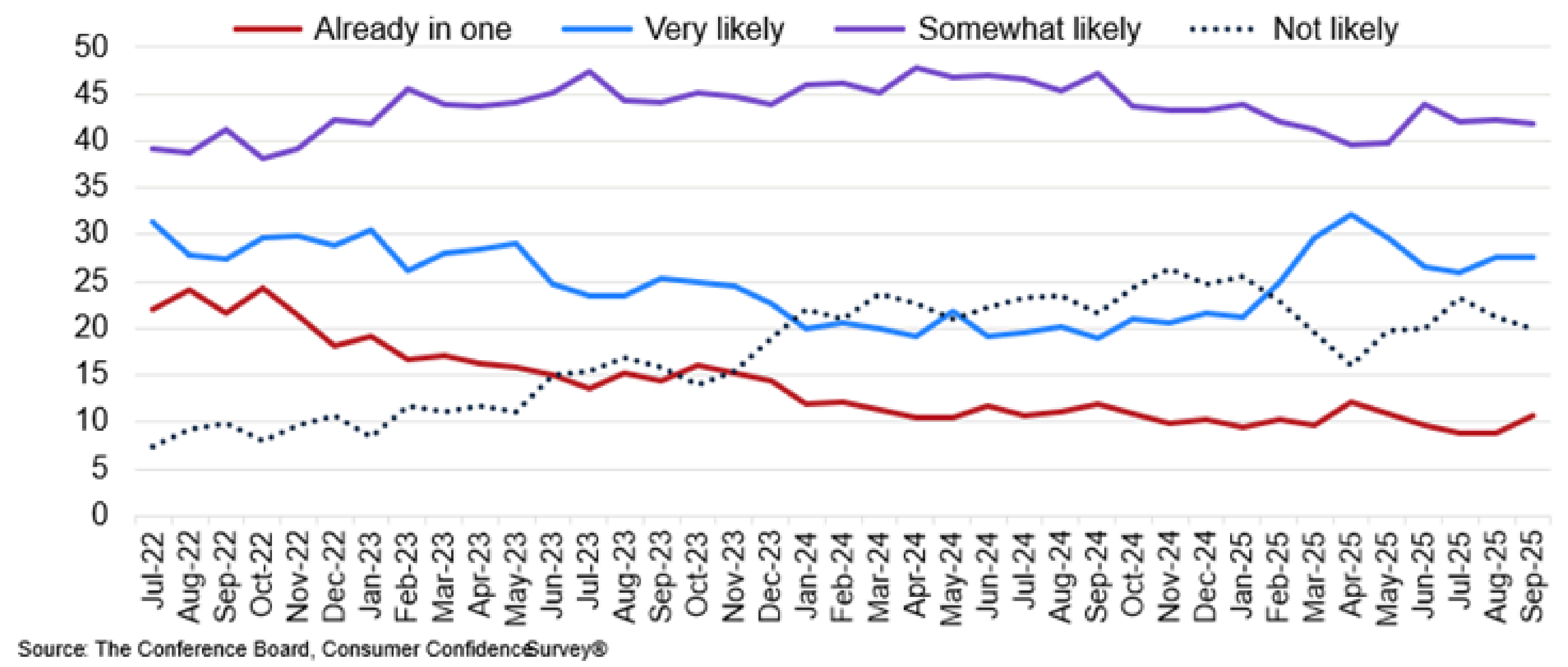


Figure 10 shows consumers' perceived likelihood of a recession occurring within the next six months in the US. Consumers' stating one was somewhat likely to occur, the largest segment on the chart fell to around 42%. Consumers stating that one was very likely to occur, the second largest segment on the chart fell to around 28%. Consumers stating that one is not likely to occur fell around 20% on the chart. Consumers stating that we are already in one fell at around 10% on the chart. While the numbers in the "very likely" and "somewhat likely" groups have remained relatively stable over the past few months, something interesting is occurring within the "not likely" and "already in one" groups; the "not likely" group has seen a decline in consumers subscribing to it, while the "already in one" group is seeing an increase in consumers subscribing to it. This is indicative of a relatively poor economic climate, where the perception of 80% is skewed towards the reality that another recession is somewhat likely (42%), very likely (28%), or that we are already in one (10%).

Section 4: US Inflation

Figure 11: 12-Month Percentage Change, Consumer Price Index - US Bureau of Labor Statistics (BLS) - August 2025

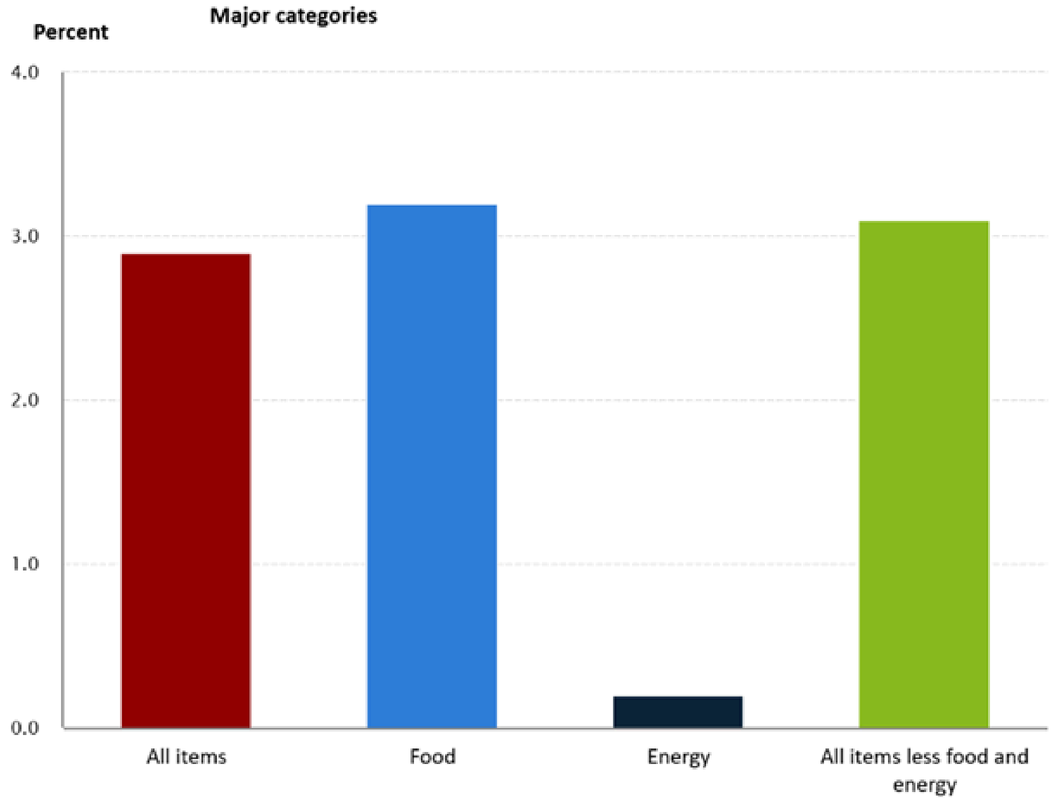


Figure 11 shows the 12-month percentage change for the US Consumer Price Index (CPI), showing the change in prices for all items, food, energy, and all items less food and energy. CPI is a measure for inflation and tracks how much the prices of items have risen over a specific period, this period being from August 2024 through August 2025. As of August 2025, the CPI for all items has risen 2.9% over the past year, CPI for food has risen 3.2%, CPI for energy has risen 0.2%, and CPI for all items less food and energy has risen 3.1%. The government target for CPI, and for inflationary metrics in general, is 2.0%, meaning inflation is currently higher than the government goal. CPI for all items is 0.9% higher than the target, CPI for food 1.2% higher than the target, and CPI for all items less food and energy is 1.1% higher than the target. The only item shown here that is below the government target for inflation is energy by 1.8%. Inflation is currently higher than the goal of 2% in all areas but energy.

Figure 12: 12 Month Percentage Change (CPI) - US Bureau of Labor Statistics (BLS) 9/17/2025

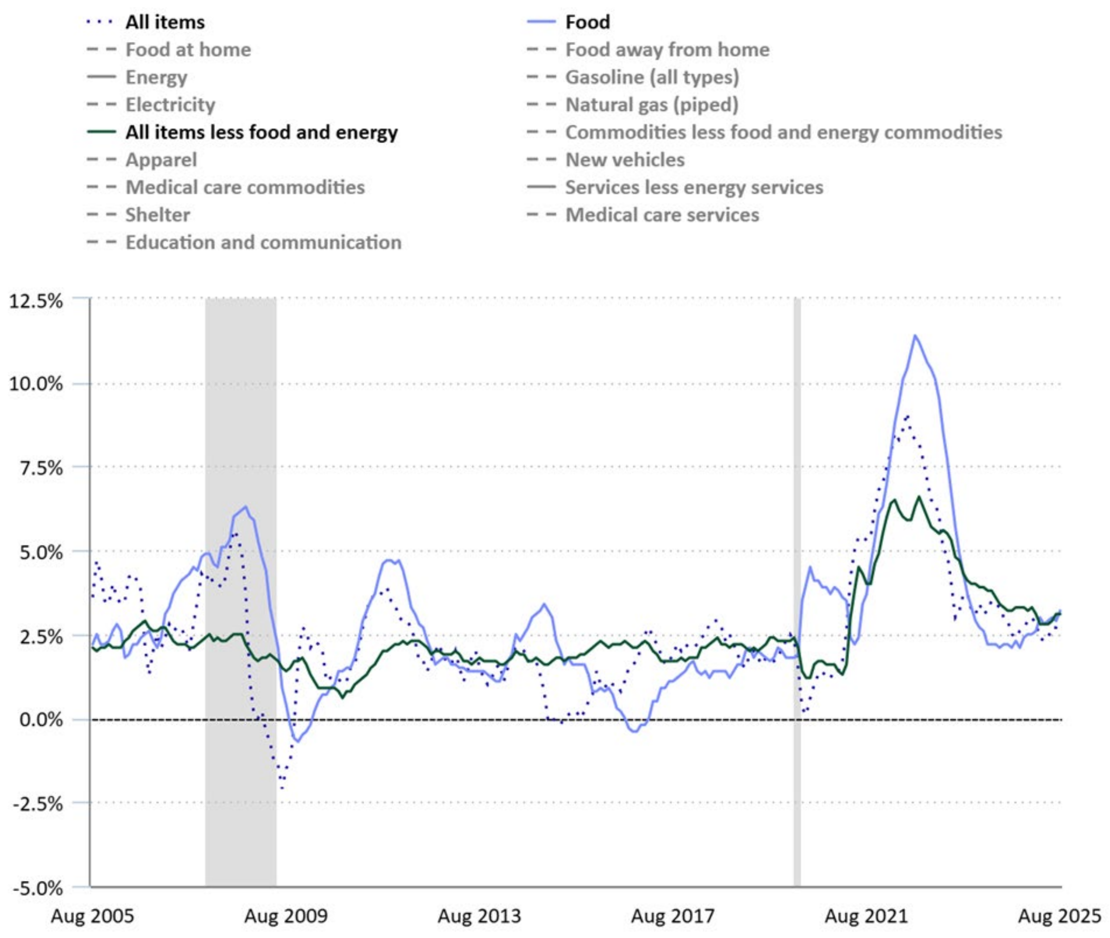


Figure 12 shows CPI in all items, food, and all items less food and energy historically over the past 20 years (August 2005 through August 2025). After inflationary measures spike in the post-pandemic recession climate, as seen in its climax in 2022, CPI for these categories stabilized and lowered moving into 2025. However, since the beginning of 2025 these CPI categories have been on the rise with food costs inflating the most out of these categories.

Figure 13: 12 Month Percentage Change (CPI) (+Electricity, Natural Gas) - US Bureau of Labor Statistics (BLS) 9/17/2025

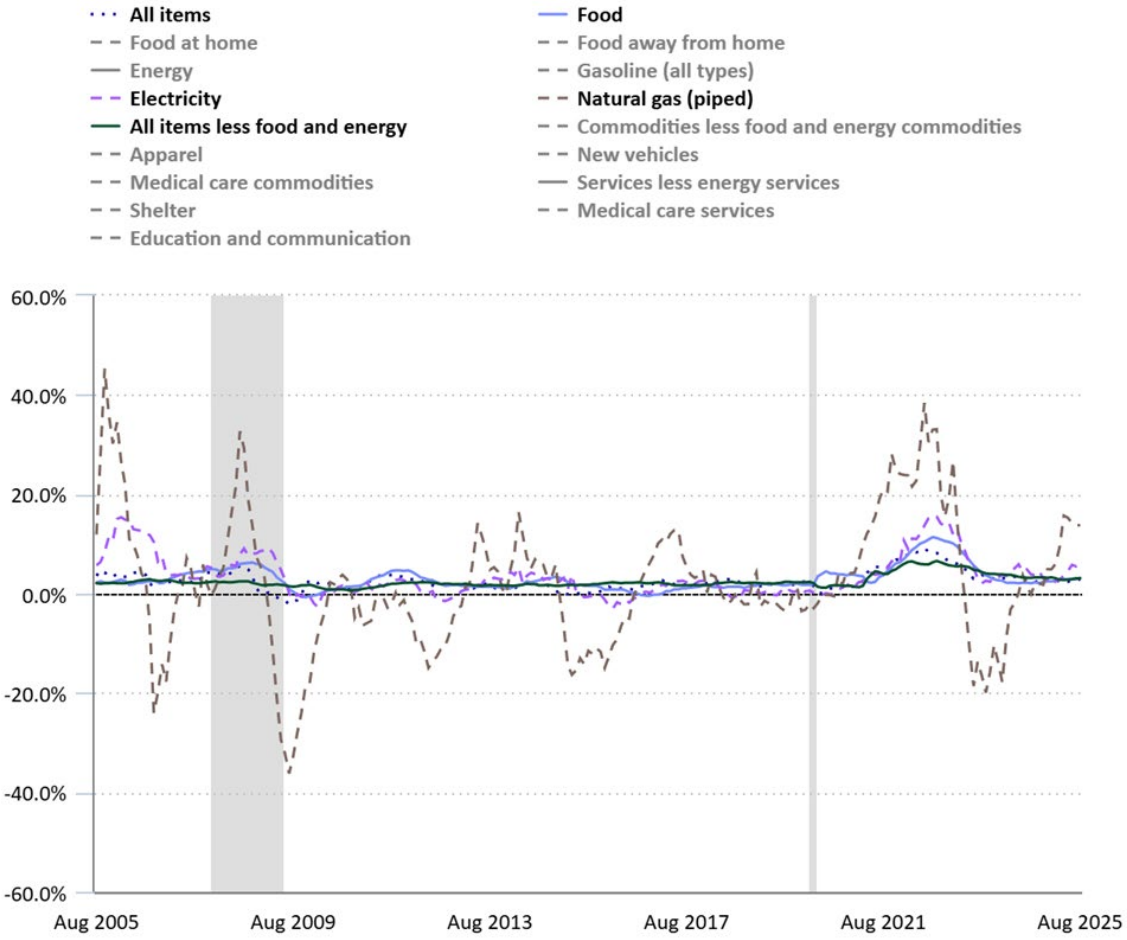
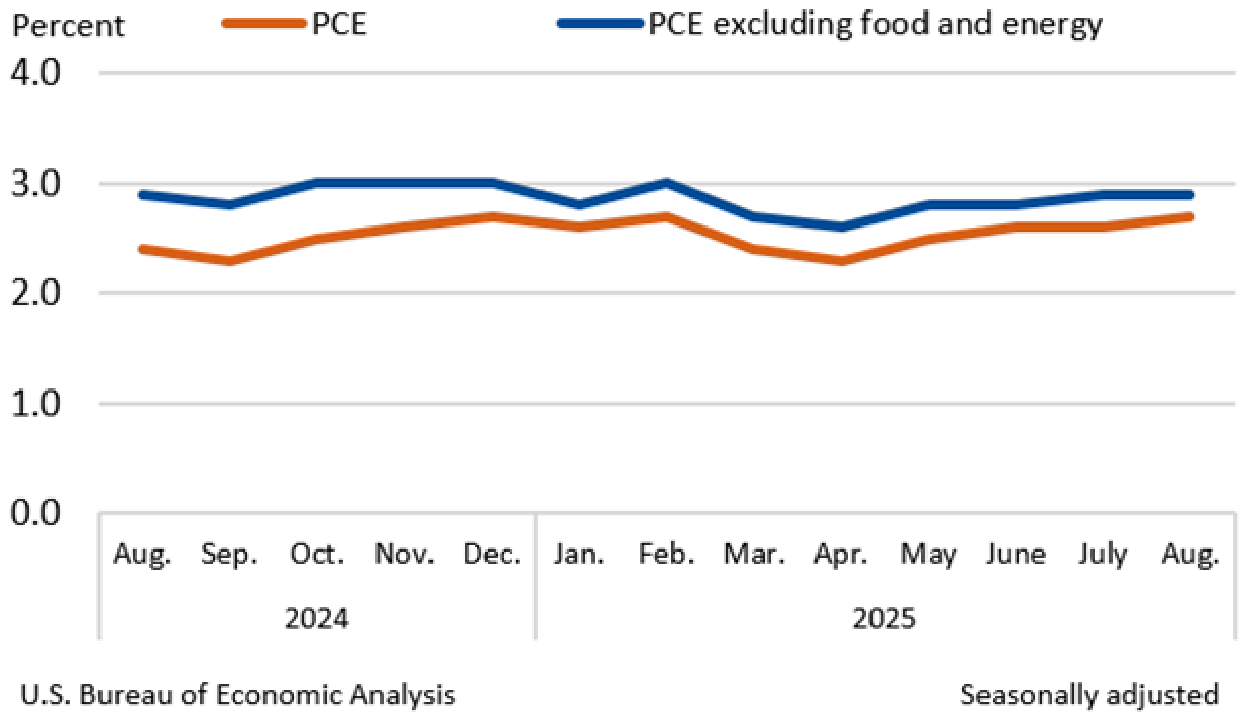


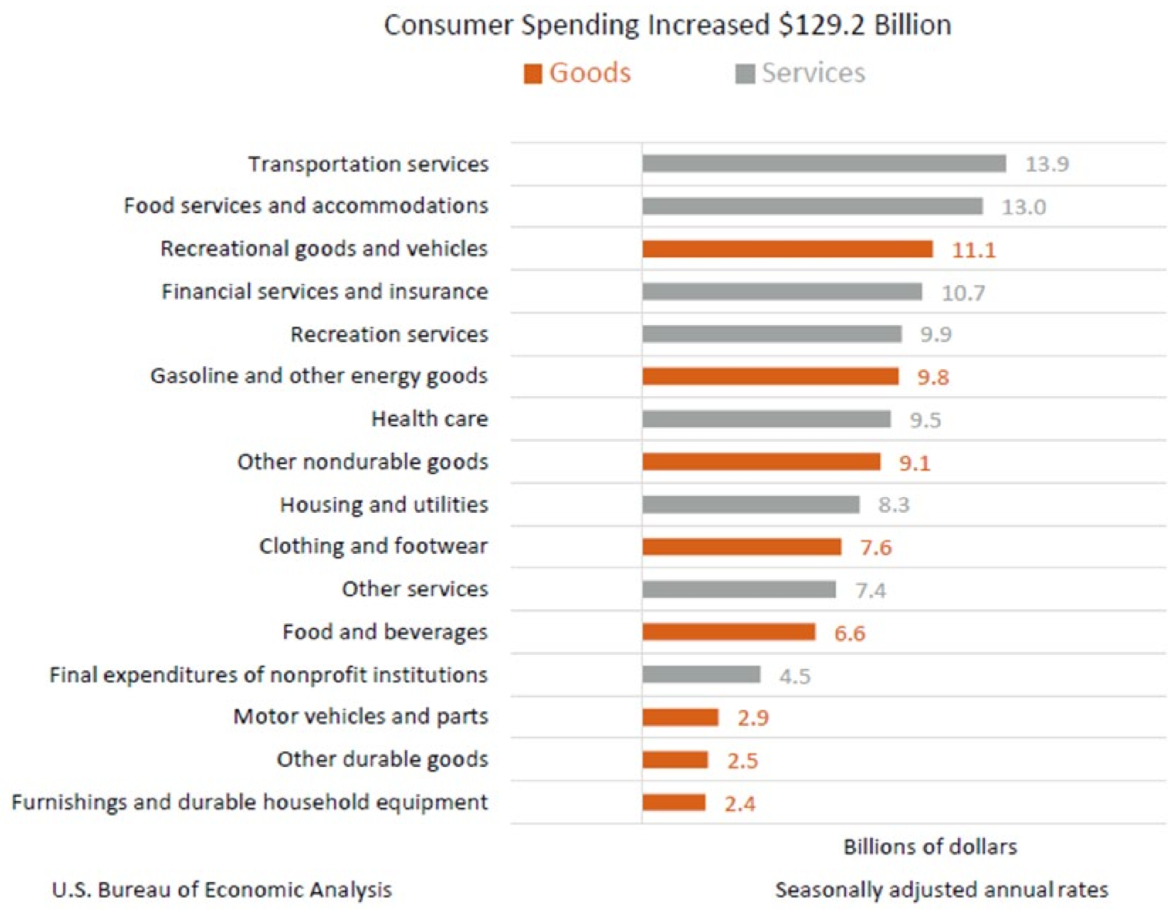
Figure 13 shows historic CPI over the past 20 years for the same metrics shown in figure 12 plus electricity and natural gas CPI for comparison. As of August 2025, inflation for electricity hit 6.2%, and inflation for natural gas 13.8%. This means that electricity inflation is 4.2% higher than the 2.0% government target for inflation, and natural gas inflation is 11.8% higher than the government target for inflation. Much of this massive inflation within these categories can be attributed to AI data centers being created throughout the US, which are putting massive strain on the electric grid and causing demand for energy resources to skyrocket while supply remains the same. Beyond use of electricity and natural gas, it is worth noting that these data centers use large amounts of fresh water for cooling purposes. These practices are not only unsustainable, but they are also becoming detrimental to citizens and the environment due to their massive resource usage. Water usage by data centers is causing detrimental changes to aquatic environments and their surroundings via the intake of billions of gallons of water daily out of ecosystems, followed by the output of this water at high temperatures back into said ecosystems. Further environmental pollution is being caused by the high energy demand of these facilities. Citizens are being negatively affected by the pollution created by these facilities, as well as the quickly rising prices of utilities caused by the high inflation of natural gas and electricity.

Figure 14: Percent Change in PCE Price Indexes from Month 1 Year Ago (Inflation 0 PCE) - US Bureau of Economic Analysis (BEA) - August 2025



Above is a chart showing the 12-month change in US personal consumption expenditure (PCE) price indexes from August 2024 through August 2025. This chart shows the PCE increase for all items and for all items excluding food and energy. PCE for all items has increased by 2.7% over the past 12 months, meaning all items cost 2.7% on average than they cost 12 months ago. PCE for all items excluding food and energy has increased by 2.9%, meaning all items minus food and energy cost 2.9% more on average than they cost 12 months ago. Like with CPI, the government target for PCE is also 2.0% as it is also an inflationary measure. This means that PCE for all items is 0.7% higher than the target, and PCE for all items excluding food and energy is 0.9% higher. Both measures are 0.1% higher than they were at the start of 2025, where they lowered through April then rose to these levels since then.

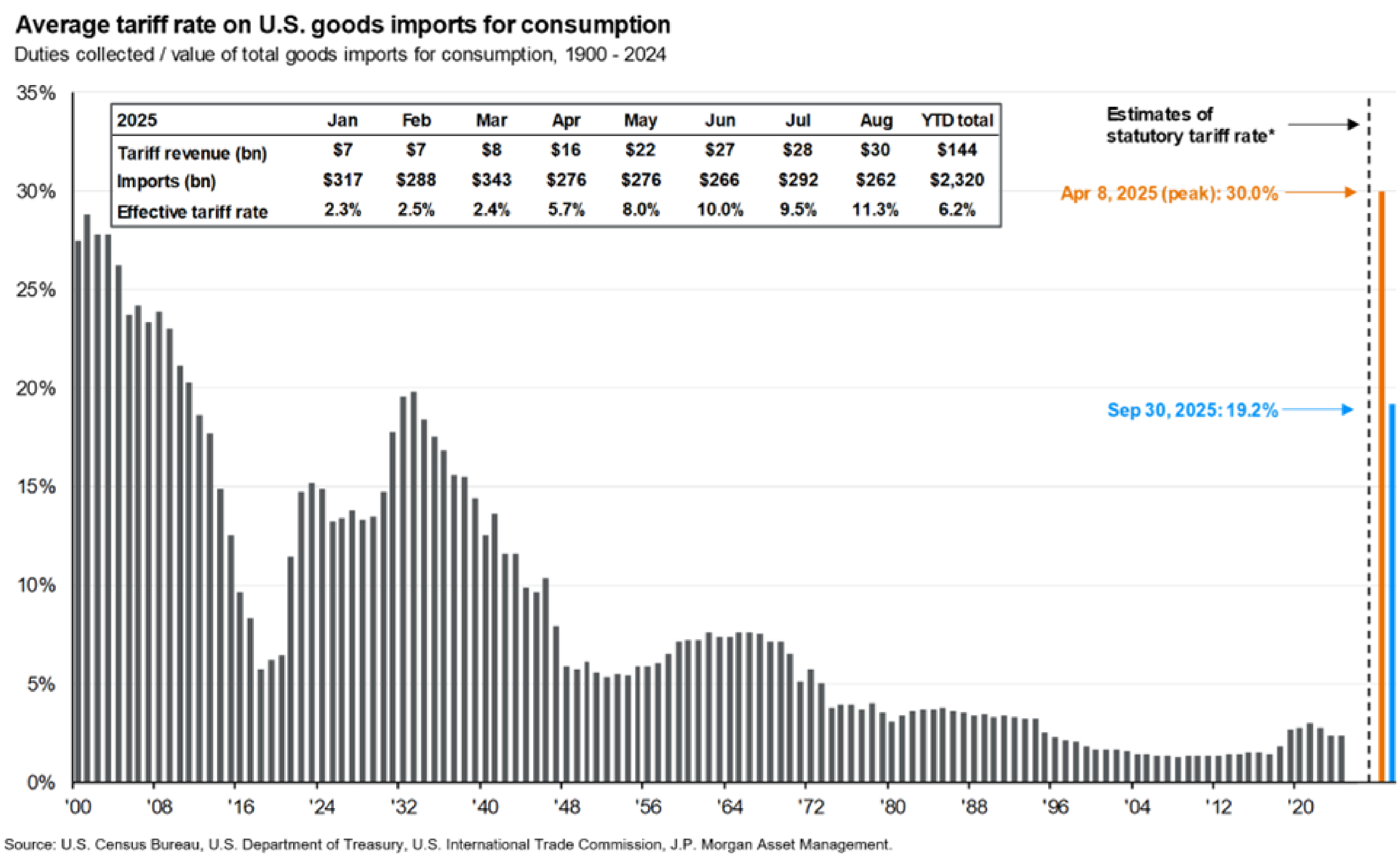
Figure 15: Changes in Monthly Consumer Spending - US Bureau of Economic Analysis (BEA) - August 2025



The chart in figure 15 shows the change in consumer spending in the month of August 2025 by industry, which directly relates to PCE, as it shows how much more consumers spent in each area this month. Overall US consumers spent $129.2 billion more this month than they did in September. Within that total, consumers spent $77.2 billion more on services, and $52 billion more on goods.

Section 5: Current US Tariff Situation

Figure 16: Tariffs on US Imports (Historic) - JPM Guide to the Markets - September 2025



The chart in figure 16 shows average US tariff levels across all trade partners from 1900 to the present (September 2025). At their peak, as of April 8, 2025, US tariffs were higher on average than any level in the past 125 years at 30% and were most comparable to the average tariff level of 1901 which was ~28%. At present, as of September 2025, the average tariff rate for US trade partners is 19.2%, which compares most closely to the average tariff level seen in 1933 of close to 20%. This means that the present tariff levels on US trade partners have not been seen since the height of the Great Depression, which occurred from 1929 through 1941. These tariffs were placed in effect by the Smoot-Hawley Act of 1930 and had the opposite effect of generating government revenue, instead fueling the Great Depression to disastrous proportions. They triggered retaliatory tariffs from other countries, causing a dramatic decrease in international trade with US exports and imports falling by around 67% between 1929 and 1934.

PLACEHOLDER: Current Tariff Summary Tables To Be Added

Section 6: Conclusions - Things to Watch Out For

- Section 1: US Gross Domestic Product (GDP):
  - US GDP growth has been volatile this year, with its average thus far falling to 1.6%, which is 0.7% lower than the growth trend over the past 25 years.
- Section 2: US Unemployment:
  - US Unemployment rate for this quarter is 4.3%, which is lower than the 50-year average by 1.8%.
  - US Wage Growth Rate for this quarter is 3.9%, which is higher than the 50-year average by 0.1%.
- Section 3: US Consumer Opinions:
  - Consumer Sentiment is weakening, and consumers overall are in a pessimistic mindset regarding the US economy.
- Section 4: US Inflation:
  - Both CPI and PCE are higher than the government target for them of 2.0%.
    - Average CPI for all items is 2.9% at present.
    - Average PCE for all items is 2.7% at present.
- Section 5: Current US Tariff Situation:
  - Current US tariffs in place are at comparable levels to those put in place by the Smoot-Hawley Act of 1930 at the beginning of the Great Depression.
  - PLACEHOLDER: To be added with current tariff summary tables.

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