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Economic Commentary

First Affirmative FINANCIAL NETWORK

Invest for a Sustainable Future

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- Section 2: US Gross Domestic Product (GDP)
- Section 3: US Unemployment
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Section 1: Current Government Economic Statistic Situation

In this section, the current situation within the Bureau of Labor Statistics (BLS) will be explored and elaborated on, explaining why current government collected economic data should not necessarily be taken at face value. Facts will be presented here, along with general conclusions on their effects; the reader may infer their own conclusions they reach from this section.

After President Trump called the Bureau of Labor Statistics' (BLS) data "rigged" in August of 2025, some major changes in the institution have taken place. The former commissioner, Erika McEntafar was fired after President Trump accused her of rigging data to look bad to Republican leadership. With Senate confirmation, the President appointed conservative economist E. J. Antoni as the new BLS commissioner. Whether this move skews data in favor of the current administration or not will not be commented on and will be left to the reader to decide.

The following issue is much more likely to directly skew collected data, however; President Trump terminated multiple advisory committees within the BLS which were essential to providing independent advice on statistics collected by the BLS and keeping said statistics impartial. This was executed directly by the President on February 19, 2025, and March 14, 2025, via executive orders 14219 and 14238 respectively. The stated purpose of both aforementioned executive orders was to "reduce federal bureaucracy". The BLS was not the only government entity affected by these executive orders, but only their effects on the BLS and partially the Bureau of Economic Analysis (BEA) will be discussed herein. The BLS advisory committees disbanded by these executive orders include the following:

- Technical Advisory Committee (TAC)
    - Advised the BLS on statistical methodologies and evolving economic conditions.

- Data Users Advisory Committee (DUAC)
    - Provided input on data user needs for economic statistics.
- Federal Economic Statistics Advisory Committee (FESAC)
    - Advised the Commerce Department (which includes BLS) on federal economic data collection.
- Bureau of Economic Analysis Advisory Committee (BEAAC)
    - Advised the BEA on GDP and other economic indicators.

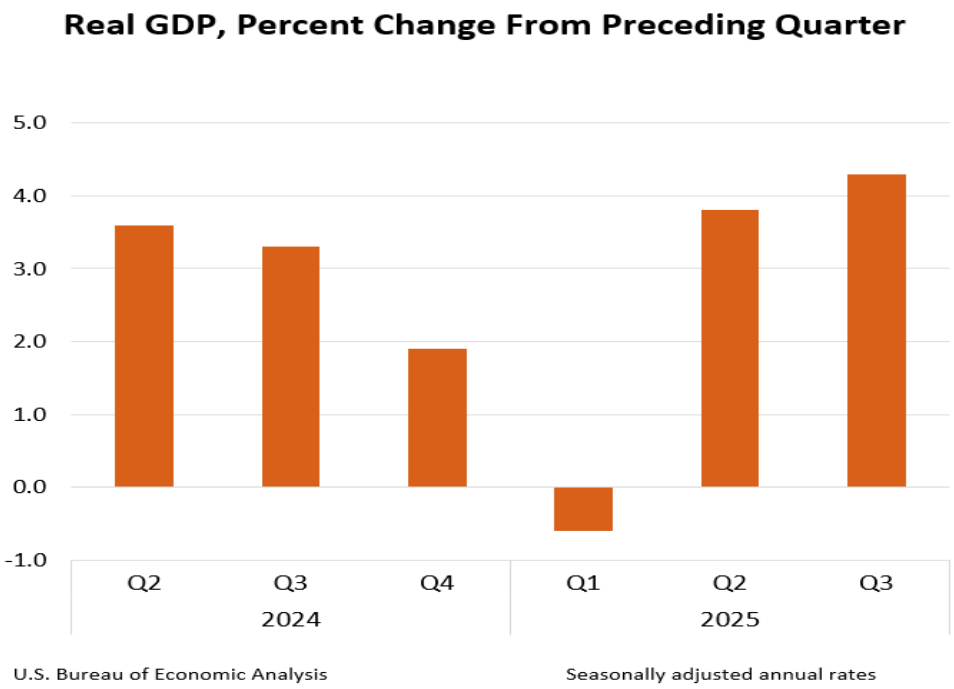
The termination of these advisory committees is highly likely to affect current and future data reliability. Without these panels' crucial, independent advice on maintaining accurate economic figures and reliable data collection methodologies, it is likely that economic data has become and will remain skewed away from its true numbers.

Furthermore, in the Fiscal Year for 2026, President Trump has proposed budget cuts within the BLS of ~8% leading to staffing constraints, reduced data collection, and erosion of trust of the BLS for economists who rely on their data to make informed decisions and analyses. This budget reduction, among previously mention factors, has led to a reduction in collected data (American Community Survey, Food Security Surveys, etc.), scaling back of key reports (Job Openings and Labor Turnover Survey (JOLTS), Time Use Survey, etc.), and higher required focus on core economic indicators like the Consumer Price Index (CPI). Other Bureaus that utilize data collected by the BLS, such as the Bureau of Economic Analysis (BEA) are likely to have their data and statistics affected by the BLS changes and budget cuts as well.

Section 2: US Gross Domestic Product (GDP)

Figure 1: US Real GDP (Percent Change per Quarter) – US Bureau of Economic Analysis (BEA) – 12-23-2025

https://www.bea.gov/data/gdp/gross-domestic-product



According to the BEA, as of December 23, 2025, US GDP had risen 4.3% from the preceding quarter. This is up from 3.8% from 2Q25. Average GDP growth between Q1 and Q3 in 2025 was 2.5%, lower than both Q2 and Q3, due to the GDP growth in Q1 of -0.6%. 2025 was a volatile year for GDP growth, but if the current numbers provided by the BEA are accurate, GDP growth is now on an upward trend.

Figure 2: Components of US GDP Growth – JPM Guide to the Markets – 12-31-2026

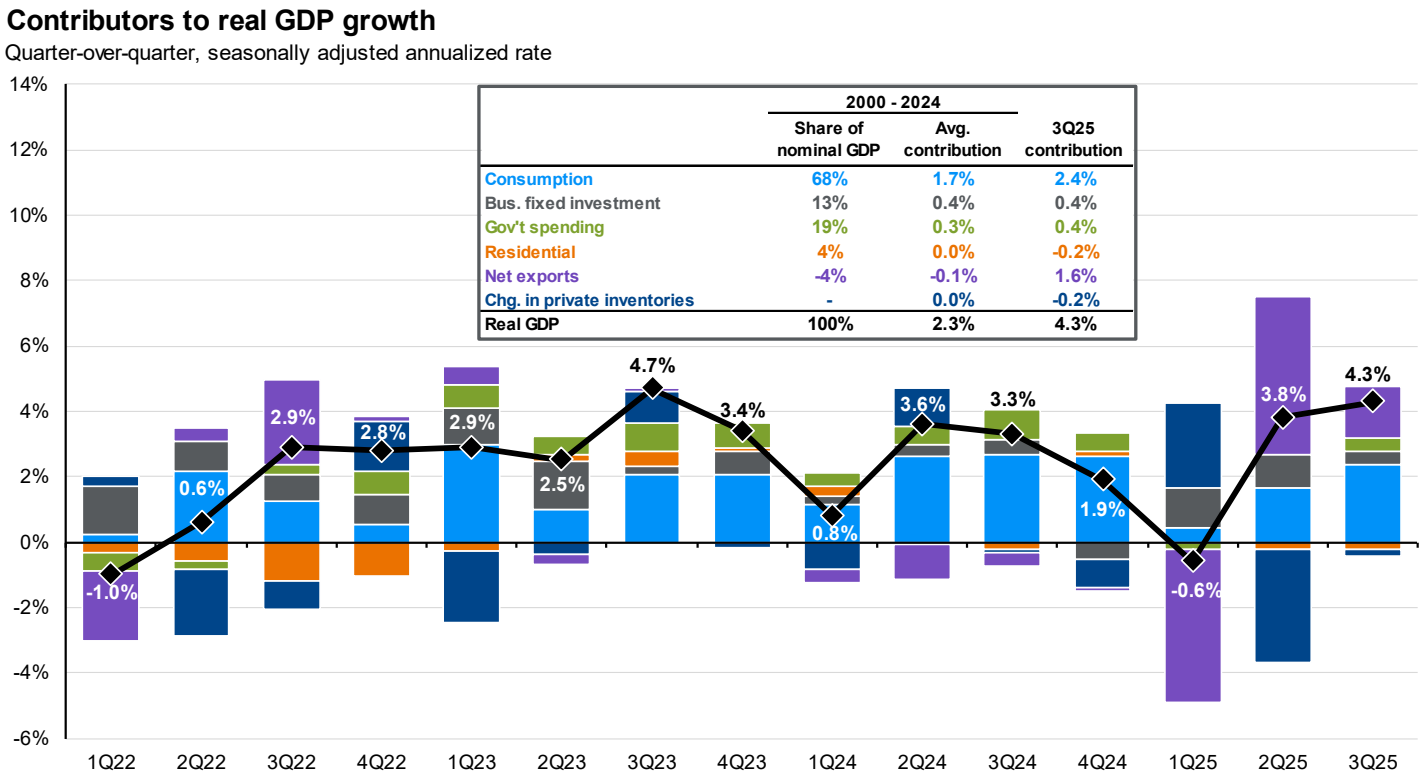


Figure 2 shows the breakdown in contributors to GDP growth on a quarter-by-quarter basis utilizing data provided by the BEA and compiled by JP Morgan. These components include consumption, business fixed investment, government spending, residential spending, net exports, and changes in private inventories. 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 3Q25 (2.4%) was up by 0.7% from 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 3Q25 (0.4%) was equal to its average growth rate for the period (0.5%).
  - **US Residential Spending** in 3Q25 (4.0%) was up 4.0% from its average growth rate for the period (0.0%).
- **US Government Spending** in 3Q25 (0.3%) was down 0.4% from its average growth rate for the period (0.3%).
- **US Net Exports in 2Q25** (1.6%) were up 1.7% 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 in the first three quarters of 2025 average a 2.5% growth trend. Again, 2025 was a volatile year for GDP growth, seeing large ups and downs throughout the year, but if the current numbers provided by the BEA are accurate then GDP growth is now on an upward trend.

Section 3: US Unemployment

Figure 3: US Nonfarm Payroll Gains, Civilian Unemployment Rates v. Annual Wage Growth – JPM Guide to the Markets – 12-31-2026

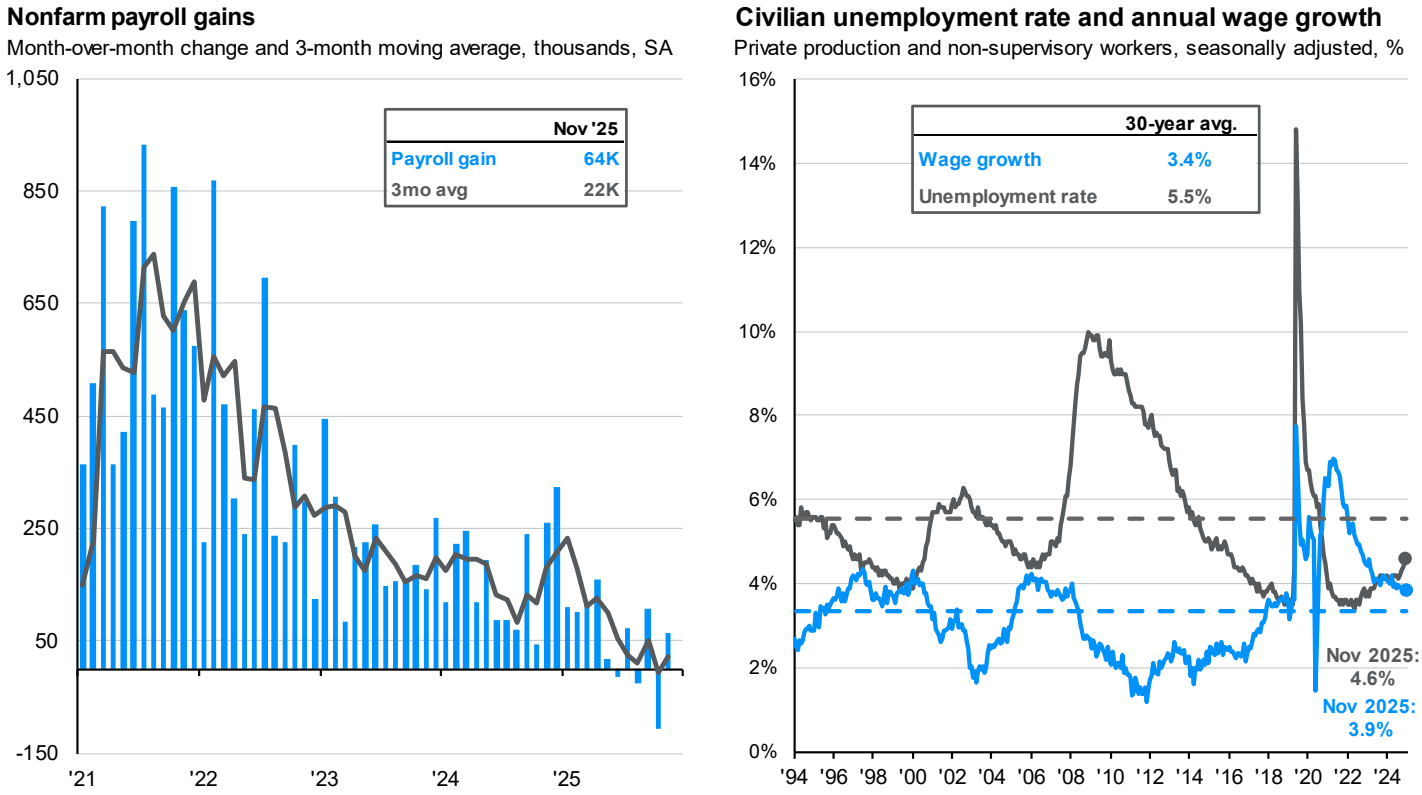


Figure 3 shows a chart plotting nonfarm payroll gains in the US between 2021 and 2025 next to a chart plotting civilian unemployment rate alongside annual wage growth rate between 1994 and 2025. These charts utilize BLS data compiled by JP Morgan.

Shown in the chart on the left, nonfarm payroll gains are the monthly increase in jobs in the U.S. economy, excluding farm workers, private household employees, the self-employed, and unpaid volunteers, representing a key indicator of labor market health and economic growth. A positive gain signifies more jobs being created than lost, suggesting a strong, growing economy, while losses point to contraction, with the figures heavily influencing financial markets like stocks, bonds, and currencies. At present non-farm payroll gains appear to be on the rise in November 2025 according to BLS data, rising by 64,000. This rise, however, comes against a backdrop of massive declines over the course of 2025 for non-farm payroll and its 3-month moving average. In February 2025 nonfarm payroll gains moving average sat around ~240,000; this moving average fell to ~0 by October 2025, with the reported number for nonfarm payroll gains hitting -173,000, marking a massive collapse in this statistic from December 2024 when the number reported for Nonfarm payroll gains was 256,000. The current state of this statistic

signifies a massive decrease in jobs being created in the US over the course of 2025, pointing to the likely existence of economic contraction in the US in 2025.

Shown in the chart on the right are civilian unemployment rate alongside annual wage growth rate in the US. As of November 2025, unemployment is rising while wage growth is stagnant. In 3Q25, as of August, the US unemployment rate was 4.3% and the US wage growth rate was 3.9%. As of 3Q25 (November) the US unemployment rose to 4.6% while the US wage growth rate remains at 3.9%. While both statistics are doing better than their 30-year averages (as shown in the chart by the dashed lines), increasing unemployment rates alongside stagnant or negative wage growth rate often signal economic contraction and instability.

Figure 4: Civilian Unemployment Rate By Ethnicity - US Bureau of Labor Statistics (BLS) - December 2025

https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm

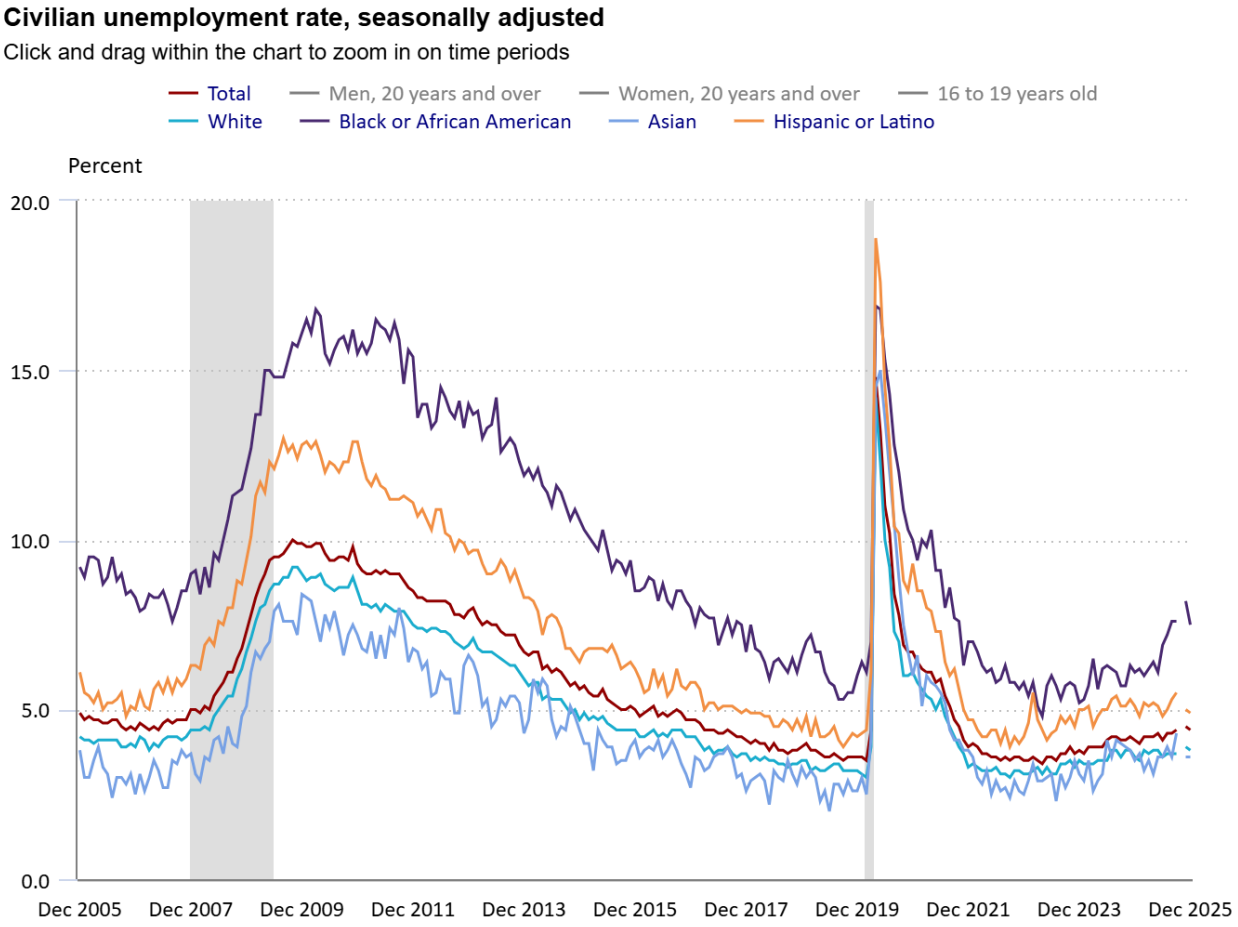


Figure 4 shows the US civilian unemployment rate by ethnicity from August 2005 through August 2025, with the total unemployment rate in red, the unemployment rate for White citizens in teal, the unemployment rate for black or African American citizens in purple, the unemployment rate for Asian citizens in light blue, and the unemployment rate for Hispanic or Latino citizens in yellow. The short blank area on the line in 2025 represents the government shutdown when data could not be reliably collected by the BLS. As of December 2025, total unemployment is 4.4% as shown on this chart. The unemployment rates for White and Asian

citizens remains steadily below the total unemployment historically, currently sitting at 3.8% and 3.6% respectively at present. 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 4.9% 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 December 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 4: US Consumer Opinions

Figure 5: US Consumer Confidence Index – The Conference Board – 12-23-2025

https://www.conference-board.org/topics/consumer-confidence/

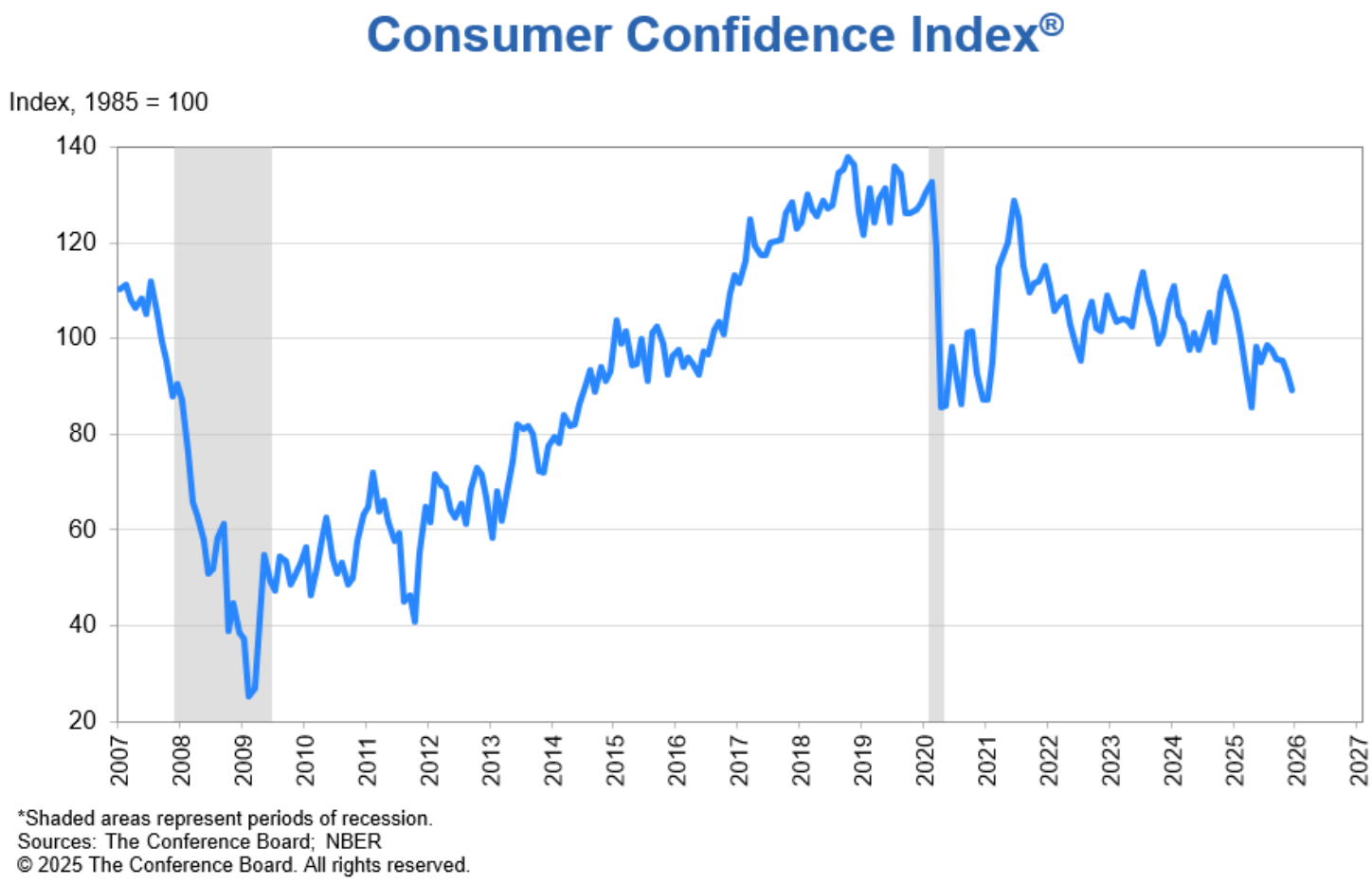


Figure 5 shows the US consumer confidence index, which is created by The Conference Board and utilizes data compiled by them. This index represents consumer's outlook on future economic outlook and spending plans and is essentially a measure of economic optimism/pessimism that focuses on US consumers' outlooks on current economic conditions as well as their personal finances. Figure 5 shows the US Consumer Confidence from 2007 through December 2025. In December 2025, the consumer confidence index declined by 3.8 points to 89.1 and had been on a downward trend for months prior to that. 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 very pessimistic about current US economic conditions and their financial prospects.

Figure 6: US Consumer Confidence by Generation (6mo Moving Average) – The Conference Board – 12-23-2025

https://www.conference-board.org/topics/consumer-confidence/

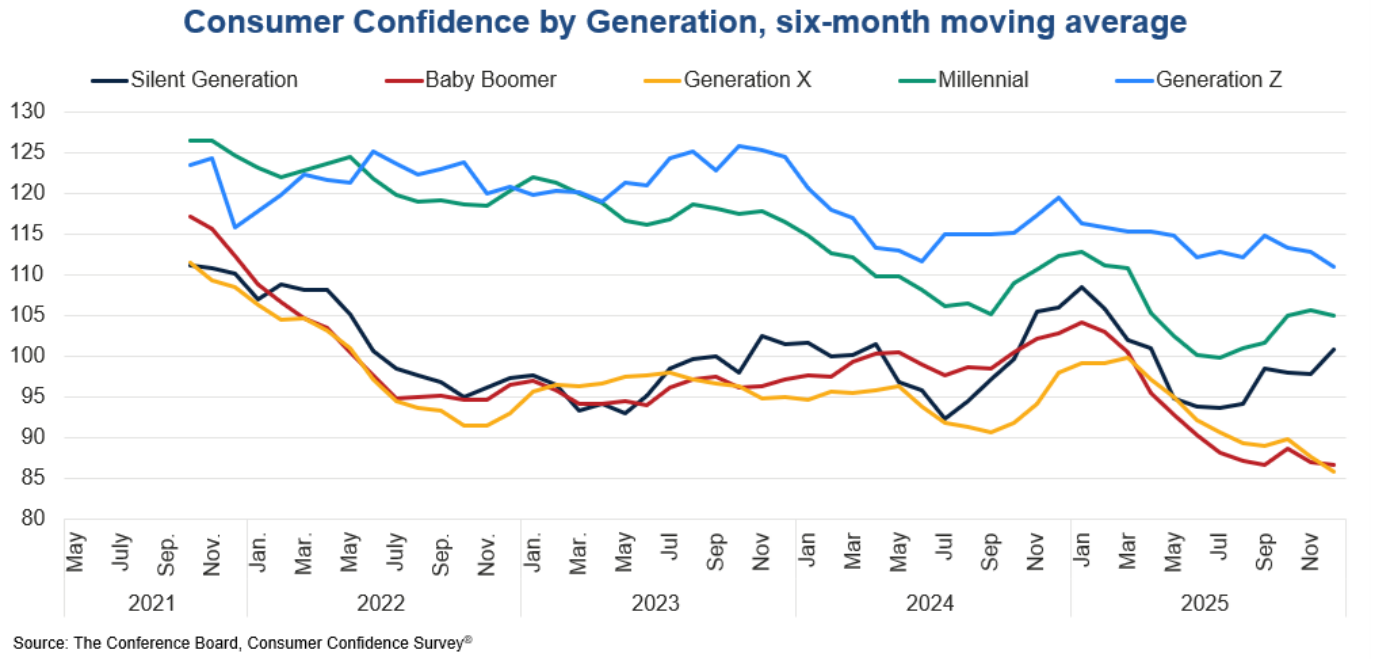


Figure 6 shows consumer confidence by generation as of December 2025, listing the six-month moving average for consumer confidence for the Silent Generation, Baby Boomers, Generation X, Millennials, and Generation Z. Presently, with nearly equal confidence in present economic conditions, Baby Boomers and Generation X are the most pessimistic age groups. They are followed by the Silent Generation, the third most pessimistic group as well as the only age group presently gaining confidence in economic conditions. Following them are Millennials, the second most optimistic group although their optimism appears to be falling with their consumer confidence. Finally, the most optimistic age group at present is the youngest age group on the list, Generation Z, although like Millennials their confidence is waning at a steady pace. Overall, every age group on this chart is losing confidence in economic conditions aside from the Silent Generation, and if this trend continues it is likely that overall consumer confidence will continue declining in the coming months.

Figure 7: US Present Situations and Expectations Index – Conference Board – 12-23-2025

https://www.conference-board.org/topics/consumer-confidence/

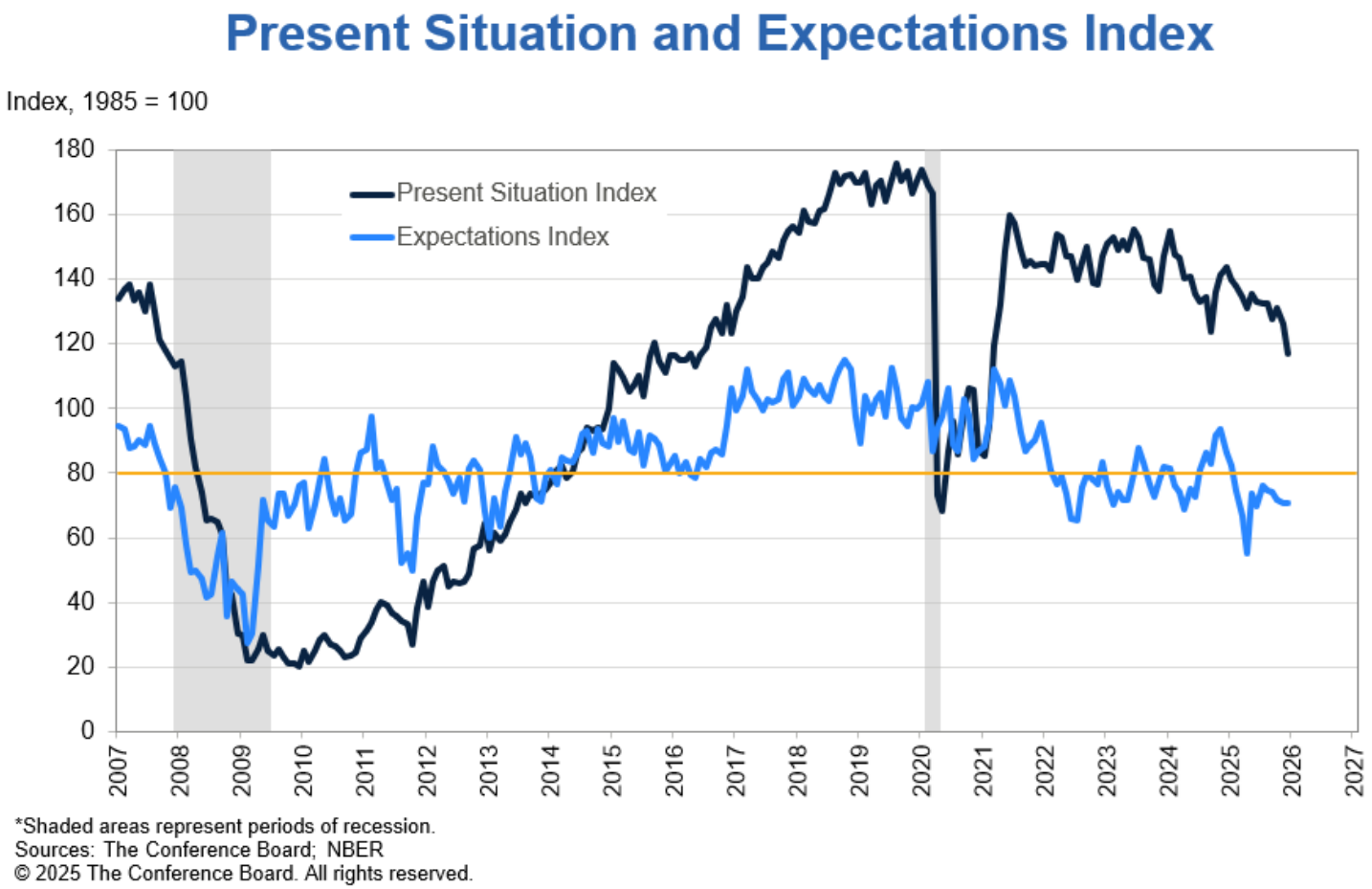


Figure 7 shows the US Present Situation Index alongside the US Expectation Index as of September 2025. The Present Situation Index (dark blue line in Figure 7), which is based on consumers' assessment of current business and labor market conditions, has been declining at a steady pace since the beginning 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, falling to levels not seen since the economic rebound in 2021 from the pandemic recession. In December 2025 this index plummeted by 9.5 points to 116.8. This shows that US consumers have developed an extremely 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 7), 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 5 for the Consumer Confidence Index. In December 2025, this index sat at 70.7. 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 (yellow line on chart) for 11 consecutive months. Falling below this threshold often marks a time before a period of economic slowdown, decline, or recession within the US economy.

Figure 8: US Family's Current Financial Situation – The Conference Board – 12-23-2025

https://www.conference-board.org/topics/consumer-confidence/

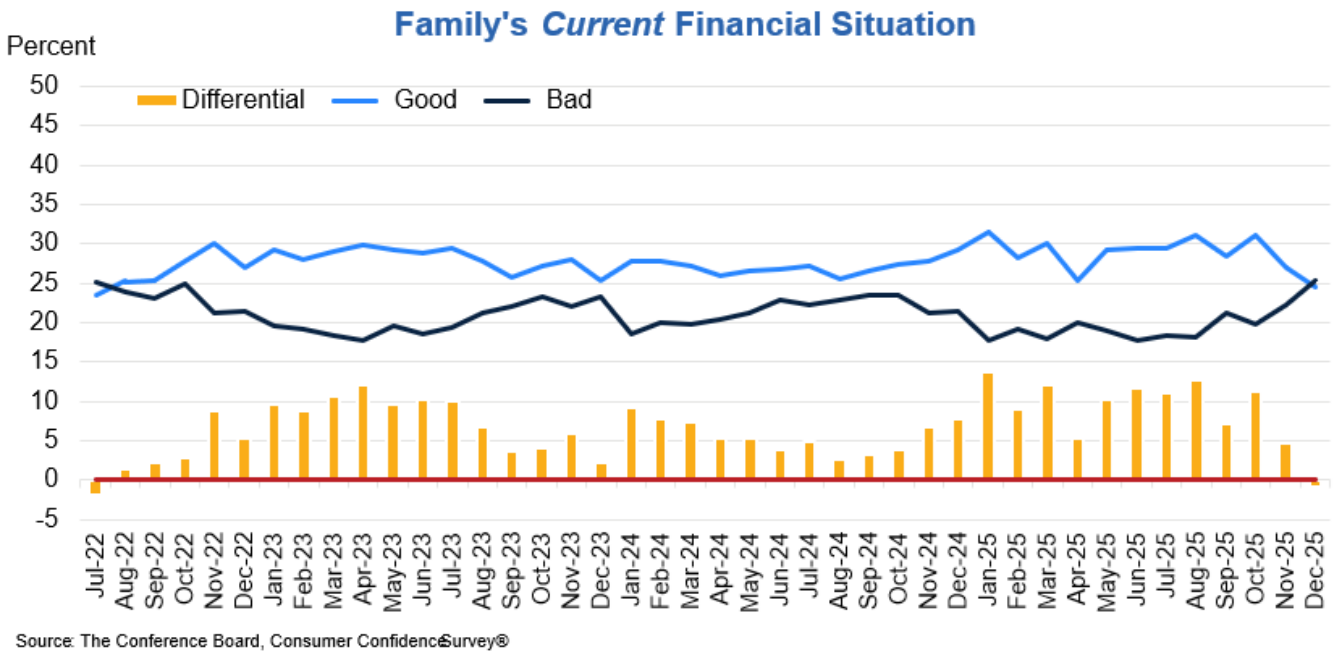


Figure 8 shows the US Family's Current Financial Situation index measures consumer sentiment about how they are currently doing within the economy, i.e. whether they are doing good or bad based on how well they can afford their needs and wants within the present economic conditions. Consumer assessments of their Family's Current Financial Situation weakened notably over the course of 2025, specifically after September, showing over a 5% increase in consumers saying they were doing badly and over a 5% decrease in consumers saying they were doing well. Currently, based on these consumer responses, there are more consumers in the US that are struggling in the US to afford their needs and wants than are not. This represents a period where consumers are finding it difficult to thrive based on their financial wellbeing within the current economic climate.

Section 5: US Inflation

Figure 9: 12mo Percentage Change, Consumer Price Index (CPI) – US Bureau of Labor Statistics – January 2026

https://www.bls.gov/cpi/

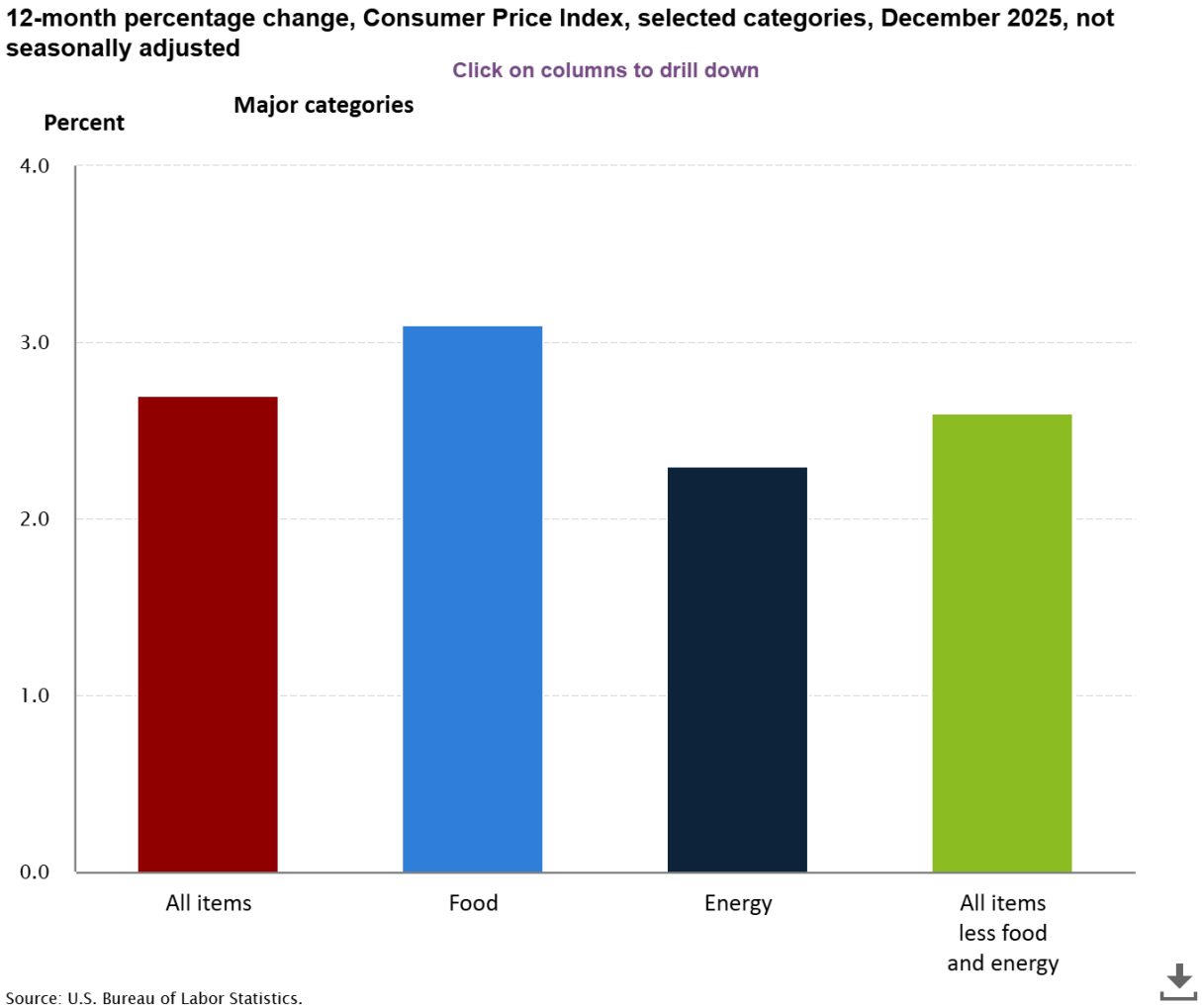


Figure 9 shows the 12-month percentage change for the US Consumer Price Index (CPI), showing the change in prices for all items, food, energy, and all items less food and energy. CPI is a measure for inflation and tracks how much the prices of items have risen over a specific period, this period being from December 2024 through December 2025. As of December 2025, the CPI for all items has risen 2.7% over the past year, CPI for food has risen 3.1%, CPI for energy has risen 2.3%, and CPI for all items less food and energy has risen 2.6%. The Fed's target for CPI, and for inflationary metrics in general, is 2.0%, meaning inflation is currently higher than the Fed's goal. CPI for all items is 0.7% higher than the target, CPI for food 1.1% higher than the target, CPI for energy is 0.3% higher than the target, and CPI for all items less food and energy is 0.6% higher than the target. Inflation is currently higher than the goal of 2% in all areas presented in this chart provided by the BLS. It is also worth noting that the 12-month percentage change in CPI for energy has risen to 2.3% from 0.2% between August 2025 and December 2025, marking extreme inflation in the category which will be further explored in the analysis of figure 11.

Figure 10: 12mo Percentage Change, Consumer Price Index (CPI) (Dec 2005 – Dec 2025) (All Items, Food, Food at Home, Food away from Home, All Items less Food and Energy) – US Bureau of Labor Statistics – January 2026

https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm

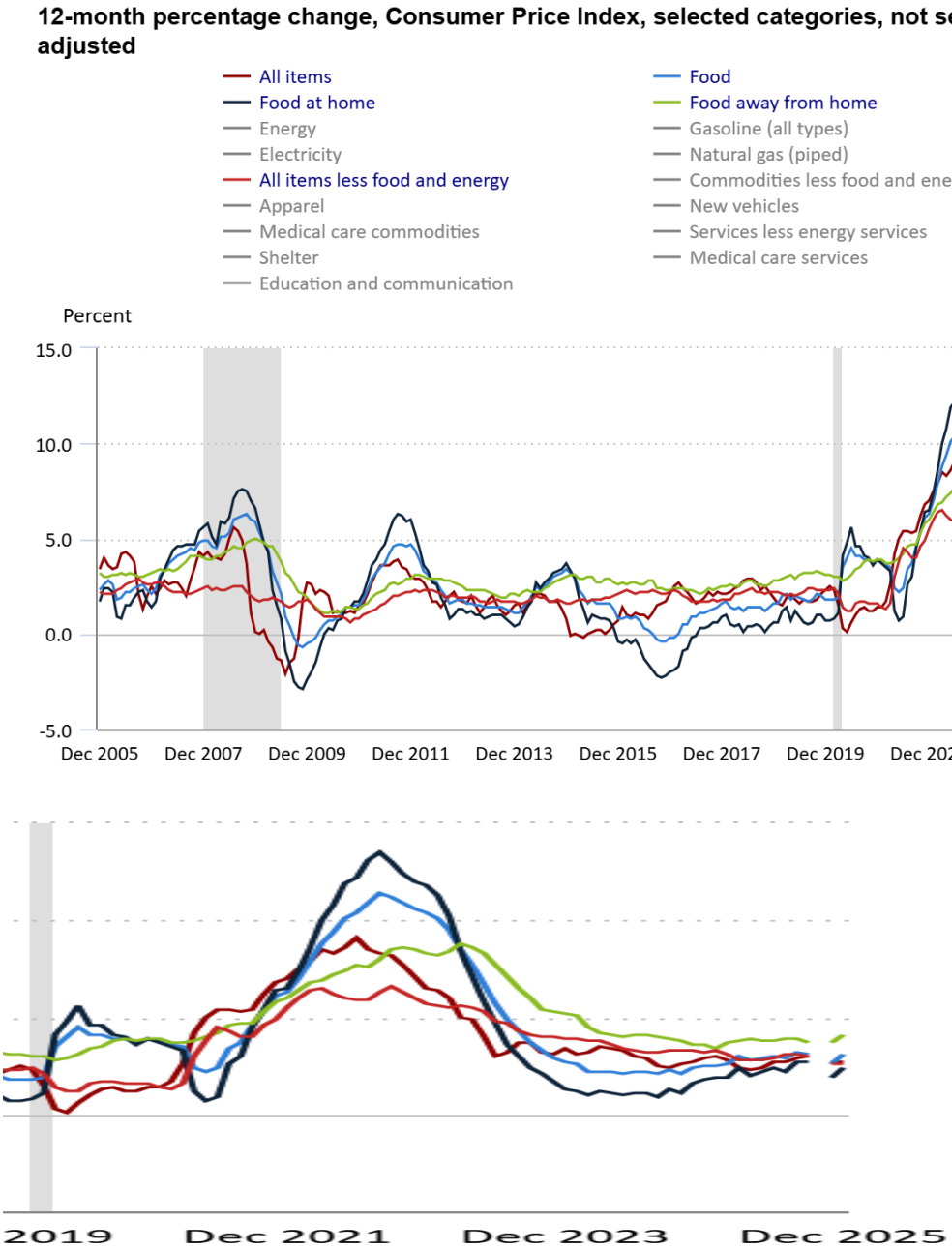


Figure 10 shows CPI in all items, food, food at home, food away from home and all items less food and energy historically over the past 20 years (December 2005 through December 2025). After inflationary measures spike in the post-pandemic recession climate, as seen in its climax in 2022, CPI for these categories stabilized and lowered moving through 2025. However, since the beginning of 2025 these CPI categories have been volatile, rising for most of the year. The gap in the data shown represents the government shutdown of 2025. This data is also from the BLS, and as such should be viewed with a speculatory lens at this point in time. As of December 2025:

- CPI for All Items: 2.7%
- CPI for Food: 3.1%
- CPI for Food at Home: 2.4%
- CPI for Food Away from Home: 4.1%
- CPI for All Items Less Food and Energy: 2.6%

Figure 11: 12mo Percentage Change, Consumer Price Index (CPI) (Dec 2005 – Dec 2025) (All Items, Energy, Electricity, Gasoline (All Types), Natural Gas (Piped)) – US Bureau of Labor Statistics – January 2026

https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm

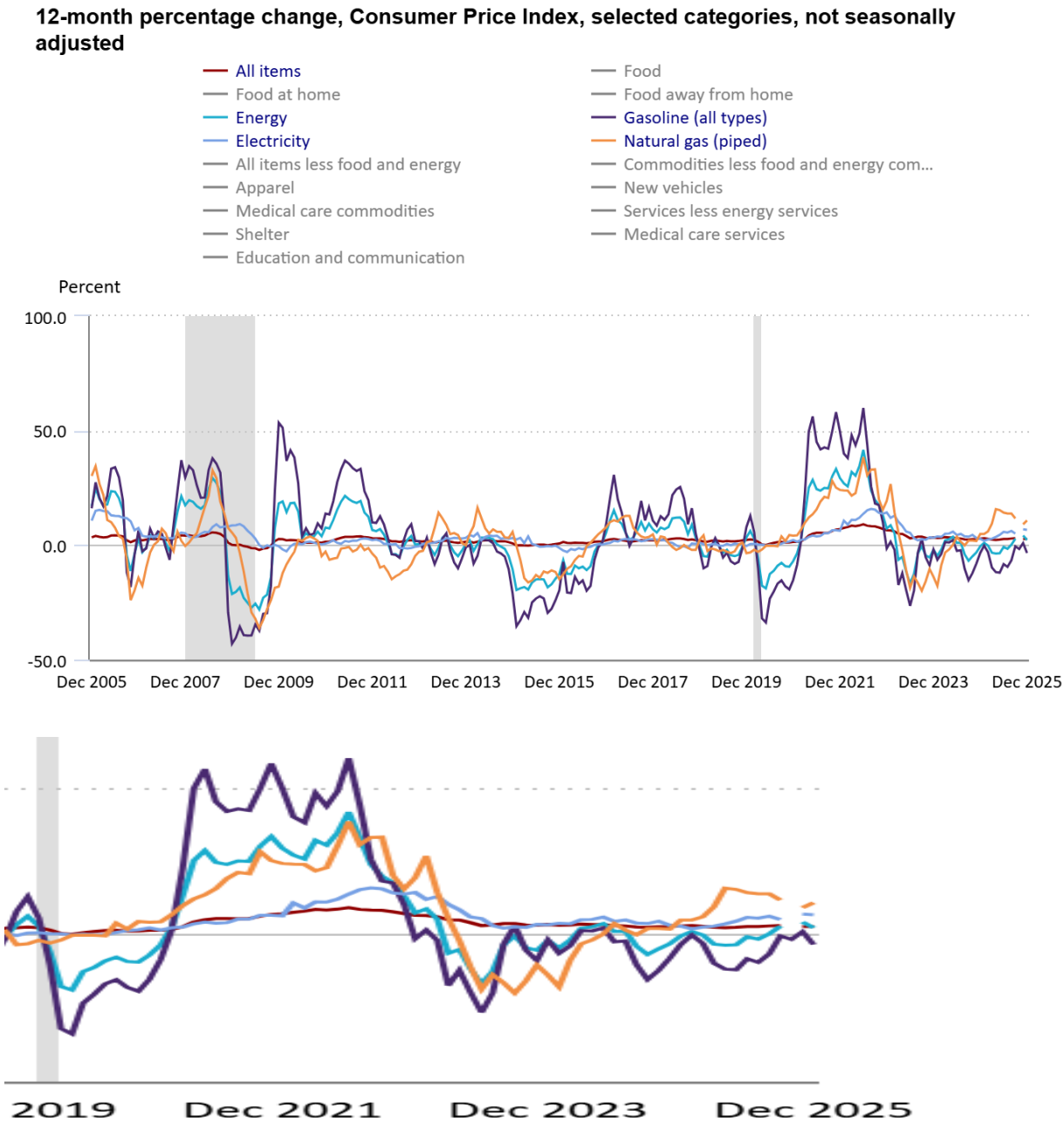
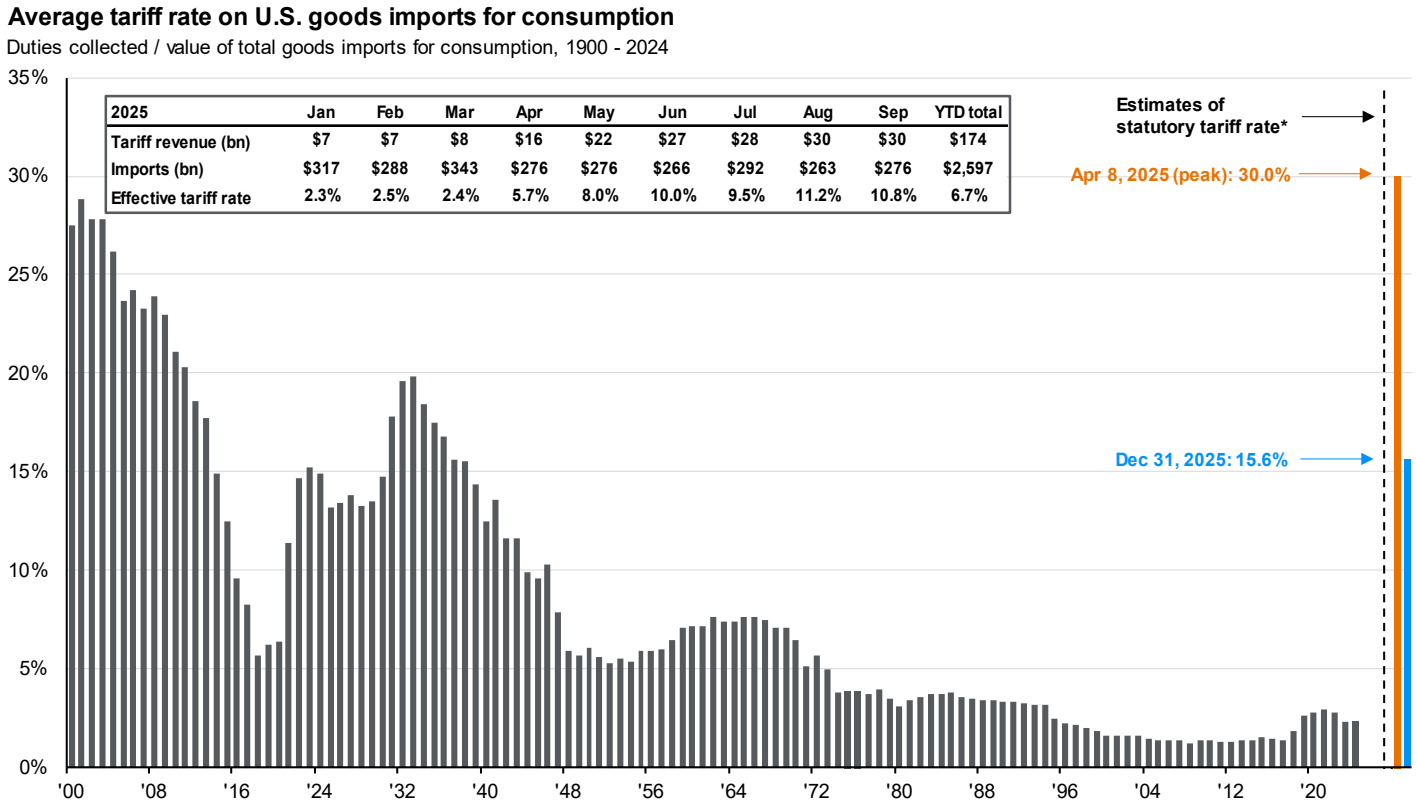


Figure 11 shows historic CPI over the past 20 years for All Items, Energy, Gasoline, Electricity, and Natural Gas to show what is going on in the energy sector at present. As of December 2025, inflation for all items was at 2.7%, inflation for energy was at 2.3%, inflation for gasoline was at -3.4%, inflation for electricity hit 6.7%, and inflation for natural gas hit 10.8%. Essentially, most inflation components for energy are extremely high at present, but are being offset entirely by the single component, gasoline, that is negative at present. This makes the category very misleading without looking at what makes of the energy category, which is only lower than the "all items" category thanks to gasoline deflation. Much of the massive inflation within the natural gas and electricity 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 (that aren't gasoline) 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.

Section 6: Current US Tariff Situation

Figure 12: Tariffs on US Imports (Historic) – JPM Guide to the Markets – 12-31-2026



The chart in figure 12 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 December 2025, the average tariff rate for US trade partners is 15.6%, which compares most closely to the average tariff level seen in 1937 of close to ~15%. 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.

Section 7: Conclusions

Section 1: Current Government Economic Statistic Situation

- Due to drastic internal changes within the BLS and BEA, government statistics may be skewed at present and in the future.

Section 2: US Gross Domestic Product (GDP)

- According to government data, US GDP rose in 3Q25, leaving the average GDP growth for the year at 2.5%.

Section 3: US Unemployment

- US unemployment is currently on the rise while wage growth is stagnant.

Section 4: US Consumer Opinions

- US consumers are currently very pessimistic about the current state of the economy, their present financial situations, and their future economic prospects. More consumers are pessimistic about their present situations than are optimistic.

Section 5: US Inflation

- According to government data, overall CPI is down at present from last quarter.
- Certain overall categories for CPI, like energy, can be misleading, as many of their underlying factors (Natural Gas, Electricity) have faced higher inflation but are being offset by a singular factor (Gasoline) within the category.

Section 6: Current US Tariff Situation

- US tariffs on imported goods are currently at levels not seen since the Great Depression.

Sources:

Section 1: Current Government Economic Statistic Situation

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Section 3: US Unemployment

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