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# The U.S. Economy Strengthens, Driven by The Private sector



The most recent economic data from the U.S. makes a strong case for American exceptionalism.

While Germany, France, Canada, Japan and other developed economies are in stagnation and governments try to disguise poor growth with rising government spending, the United States economy is growing faster than its peers and does it by recovering the private sector and reducing government spending.

The mainstream concerns about President Trump's tariff policies and recession predictions were unfounded, as the numbers demonstrate robust growth, rising real wages, and controlled inflation.

In the second quarter of 2025, real U.S. GDP **grew** by 3.8% annually, which was significantly above consensus estimates, proving that the U.S. economy is the most dynamic among advanced economies. Consumer spending is strong, investment is soaring, and the trade deficit is narrowing.

The U.S. economy is growing in a more sustainable way. In countries like the UK, Germany, Canada, Japan or France, government spending financed with more debt is one of the top drivers of GDP.

However, in the United States, growth is higher with a decrease in government spending.

## Inflation under control and close to Fed's target

In the United States, core private consumption grew by 2.5% annually, with leisure, health, and retail as the largest contributors.

More importantly, private business investment also rose sharply, especially in industrial equipment and intellectual property, bringing gross private domestic investment up 10% in the first half of 2025. Investments in infrastructure, technology, and AI reached all-time highs.

The most important factor is that federal government spending dropped more than 5% for two quarters in a row, which shows the shift from public to private sector-led growth.

## The Atlanta Fed estimates indicate that momentum in the U.S. economy is accelerating in 2025

The Atlanta Fed's GDPNow model **changed** its estimate for real GDP growth in the third quarter from 3.3% to 3.9% on 26 September. The Atlanta Fed acknowledged a stronger personal spending estimate while the trade deficit is improving.

In the U.S., net consumer activity is the main driver of growth, while manufacturing and durable goods orders prove that the risks of recession are exaggerated.

As a comparison, in the UK, Germany and France, government spending drives GDP figures.

The Atlanta Fed estimates indicate that momentum in the U.S. economy is accelerating in 2025, especially considering that inflation is under control and close to the Fed's target.

## “Main Street's turn”

The private job market remains healthy and should benefit from the expected rate cuts. Between January and August 2025, the private sector added more than 350,000 jobs, which made up for the loss of 97,000 government jobs, and employer confidence, especially among small businesses, reached an eight-month high.

The Personal Income and Outlays report for August, **considered** the most important monthly consumer health report, showed that personal income rose by \$95.7 billion (0.4% month over month).

Disposable personal income, which is a better way to measure real purchasing power, also rose 0.4% in August, which means an \$86.1 billion monthly gain. Real disposable income went up by 0.1%, showing that real wages have been going up all year.

Unlike in the UK, where government spending drives a stagnant GDP and inflation is rising at the fastest pace in thirteen months, the U.S. economy is growing in a solid way with a reduction in government spending and inflation under control.

**Value-added production and technology dominate American industry, positioning the US as a global leader in productivity growth**

The Federal Reserve's favourite **measure** of inflation, the Personal Consumption Expenditures (PCE) Price Index, was 0.3% in August. The core PCE index, excluding food and energy, was 0.2%. The headline PCE inflation rate remains at 2.7% in the past twelve months, while the core PCE rate was 2.9%.

This means that tariffs have had no discernible impact on inflation, as the monthly inflation figure and the annual one are the same as a year ago.

Scott Bessent said in an interview that it was "Main Street's turn", and wages show it: real wages rose 4.2% compared with the same period last year.

Imports **fell** by almost 29% in the second quarter, which helped GDP but didn't cause the inflationary burst that critics predicted. Instead, consumer prices are stable, and real wages are improving for the first time in years.

Investment in AI and digital infrastructure reached an all-time high. Value-added production and technology dominate American industry, positioning the US as a global leader in productivity growth.

## U.S. economy growing faster than any of its peers

The mainstream pessimism at the beginning of 2025 was biased and incorrect. The US economy is now growing faster than any of its peers and from a more sustainable base.



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Supply-side reforms, tariff management, and deregulation have ignited a rapid recovery from a private sector recession seen in 2023 and 2024, and now the private sector is leading a stronger and more productive growth.

All these figures indicate that consumer spending, job growth, and income growth are rising at a pace not seen in years, thanks to controlled inflation.

France, Germany, the UK, Canada and Japan are all in debt-fuelled, bloated-government stagnation.

The United States stands apart by a mile and is proving that supply-side reforms deliver sustainable and productive economic development with real wage growth.