WEEKLY COMMENTARY

United States: A Fast-Growing Economy, but Still No Golden Age

By Francis Généreux, Principal Economist

Since taking office just over a year ago, US President Donald Trump has been promising a new golden age for the United States. He repeated that promise this week in Iowa: "We're beginning what will be known as the greatest years in the history of our country. I believe that too. We are entering a period that will be called the Golden Age of America."

In the same speech, he described the current situation as follows: "America is back. Our border is secure, our spirit is restored, inflation is stopped, incomes are up, prices are down. Our economy is roaring. Our workers are thriving. And our country is winning again, winning like never before."

Like so much of what Donald Trump says, this needs to be taken with a grain of salt. Still, we have to acknowledge that part of that statement holds up, especially regarding US economic growth. Despite all the uncertainty of the past year, the US economy is growing at a rapid clip.

To be sure, 2025 got off to a rough start, with real GDP contracting at an annualized rate of 0.6%. This was mostly due to the decline in real consumer spending in January, before the new administration's policies could take effect. But after that, the economy bounced back, posting successive annualized gains of 3.8% and 4.4% for the second and third quarters. Similar increases had been posted in 2023 and 2024, but the 2025 data was still surprising in a more uncertain environment marked by trade tensions.

And more gains are yet to come. The advance estimate of Q4 2025 GDP won't be released until February 20, but growth is expected to be robust. Monthly consumer spending data for October and November point to solid quarterly growth despite the effects of the government shutdown. Right now we're forecasting annualized real GDP growth of 3.8% in the fourth quarter. Other estimates put it above 5%. We also expect a sharp rise in real GDP in early 2026.

Why is growth so robust? Is it because of President Trump's policies? It's worth noting that the US economy was already benefiting from several tailwinds before he took office. Average annualized quarterly growth from mid-2022 to the end of 2024 was 2.9%—about 1% higher than what's considered the US economy's potential growth rate. The Federal Reserve began loosening its monetary policy in the fall of 2024. The effects of investments in artificial intelligence could already be seen before Trump entered the White House. And stock market performance was robust in 2023 and 2024.

But some factors are closely tied to the administration, including the cornerstone of the President's economic policy: higher tariffs. The overall effective tariff on imported goods is lower than was initially feared based on President Trump's announcements, but has still risen sharply: from 2.2% a year ago to 10.9% in October. The economic consequences of this much more protectionist trade policy are still unfolding, but for now the effect on activity remains limited, as expected. In 2025, 68,000 workers lost their jobs, continuing the long-term trend for the manufacturing sector. That said, manufacturing output also regained some momentum last year after two years of decline. But the 1.0% annual gain is nothing remarkable, and one-third of that growth came from high tech, a sector where US imports were largely exempt from the new tariffs.

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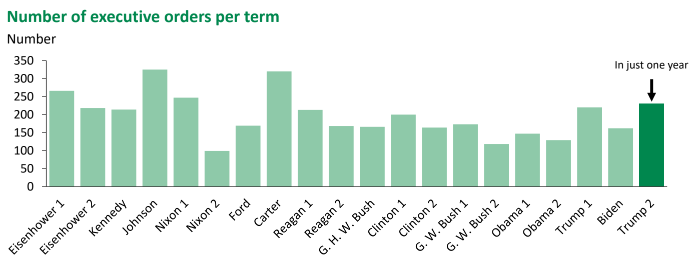
Another key element of the White House's economic policy in 2025 was its intention to give private investment free rein. President Trump often boasts about his deregulation efforts, but the new regulatory environment remains ambiguous. And regulatory change doesn't necessarily offer the kind of clarity needed to spur investment. According to the George Washington University Regulatory Studies Center (GW RSC), the current administration has issued a similar number of new regulations (around 30) as previous administrations did in their first year (an average of 37 since Ronald Reagan). Moreover, its method of governance—through executive order rather than legislative change—raises questions about how long these policies will stay in place. Donald Trump has signed 230 executive orders since returning to the Oval Office. That's more than in his entire first term (graph 1). The GW RSC also reported that in 2025 federal agencies issued 2,441 regulations that were comparable to legislation, while Congress passed only 68 actual laws. And even in industries that saw more deregulation, there was no real revolution. The number of new oil and gas rigs decreased by 7.5% in 2025 and coal-mining production fell by 0.6%.

Graph 1
President Trump Is Mainly Governing by Executive Order

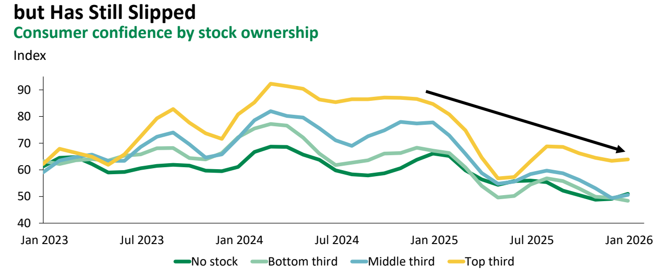


The American Presidency Project and Desjardins Economic Studies

The White House also views shrinking the government's size as a stimulus measure that leaves more space for the private sector. In 2025, 274,000 federal jobs were eliminated. But that was partially offset by the 125,000 employees hired at the state and local levels. Nor can it be said that federal spending was significantly reduced despite these net layoffs. In December 2025, total government spending over the preceding 12 months was 1.9% higher than in December 2024. However, once we exclude the big non-discretionary expenditures—debt service, social security, Medicare and Medicaid—the impact of the government's efforts is much clearer, with spending reduced by 9.0%. Slightly more restricted spending, combined with higher revenues from personal income tax and tariffs, has narrowed the deficit in recent months. The federal shortfall fell to US$1.67 trillion in December, down from more than US$2 trillion at the end of 2024. Whether public finances continue to improve is unclear, in light of the restoration of some spending following the government shutdown and the effects of the tax cuts enacted last summer.

While these factors may have helped boost US economic growth, it's hard to identify the factors behind its strength. This is especially true given that the biggest surprise in 2025 was the resilience of consumer spending, particularly in the third and fourth quarters. The solid growth in household spending contrasts sharply with consumer confidence, which proved relatively muted last year as consumers remained stymied by the high cost of living. Disposable income also didn't grow as quickly as real GDP and consumer spending. Consequently, some of the increase in spending came at the expense of savings. In November, the US household savings rate slipped to 3.5%, a low not seen since October 2022—or since 2008, if we exclude the period that started with the pandemic. The wealth effect stemming from the stock market's strong performance partly explains the resilience of consumer spending. In fact, confidence is markedly higher among households that have substantial stock holdings than among those that don't (graph 2). But even their confidence waned in 2025. It's often said that the US has developed a K-shaped economy, where the wealthiest households almost single-handedly drive growth. It's hard to find definitive evidence of this, and the latest official data from the Bureau of Labor Statistics did not support that hypothesis. But those numbers were for 2024, before Donald Trump was re-elected, and things may have changed since then. Average consumer spending among households in the highest income decile even edged down slightly between 2023 and 2024.

Graph 2
Sentiment Is Higher Among US Households with Large Stock Holdings, but Has Still Slipped



University of Michigan and Desjardins Economic Studies

Overall, the data backs President Trump's claim that the US economy has performed well since his return to the White House. But attributing the stronger-than-expected performance to the policies he's put in place would be hard to justify, if not premature. It could be explained by the confidence effect, but confidence has barely improved over the past year for both consumers and businesses. Public opinion polls also show dissatisfaction with the administration's economic policies, especially among respondents who identify as independents. Perhaps the economy's tailwinds are still blowing strong. Perhaps the United States is experiencing a lasting productivity boost driven by new technologies, just as in the 1990s. But it's also possible that the foundations of the current growth are weak, raising the risk of a sharp slowdown once the momentum from tax cuts and AI investment begins to ebb.

What to Watch For

UNITED STATES

*** Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.**

MONDAY February 2 - 10:00

January	
Consensus	48.5
Desjardins	49.9
December	**47.9**

ISM Manufacturing index (January) – The ISM Manufacturing index fell again in December, hitting its lowest level since October 2024. But the decline was mostly attributable to the inventories components, while the decline in the production component was minimal and the new orders component was up. After several down months, we expect the ISM Manufacturing index to have improved in January as most regional manufacturing indexes published so far this month have come in higher.

WEDNESDAY February 4 - 10:00

January	
Consensus	53.5
Desjardins	54.4
December	**54.4**

ISM Services index (January) – While the ISM Manufacturing index took another step back in December, the ISM Services index hit its highest level in over a year. This performance was mainly due to solid advances in the new orders and employment components. It also lifted the index further above the 50 mark—the dividing line between service sector expansion and contraction—which the index had fallen to in September. For January, the regional indexes look pretty good, but the consumer confidence indexes are more mixed. We expect the ISM Services index to have stayed flat in January. The winter storm that blanketed much of the country late in the month could cloud the picture.

FRIDAY February 6 - 8:30

January	
Consensus	65,000
Desjardins	85,000
December	**50,000**

Change in nonfarm payrolls (January) – After losing a whopping 173,000 jobs in October, the US labour market made positive but modest gains in November (+56,000) and December (+50,000). We expect a slightly better January print. Unemployment claims have been low so far this year, but consumers are quickly losing confidence in their ability to find a job. Meanwhile weekly data from ADP showed modest employment growth between the December and January reference weeks. All told, we expect the US economy to have added 85,000 jobs in January. But remember that the January report will include the annual revision to the establishment survey data, which might change things. We know that total employment for March 2025 will be revised lower, but we don't know the month-over-month figures or the revisions to subsequent months. The unemployment rate likely remained unchanged at 4.4%.

FRIDAY February 6 - 10:00

February	
Consensus	55.0
Desjardins	53.0
January	**56.4**

University of Michigan consumer sentiment index (February – preliminary) – Confidence indexes have been sending mixed messages for several months now. It seems as though the University of Michigan index was still on its post-shutdown trajectory in January, with the figure for that month revised sharply higher (from 54.0 to 56.4) between the preliminary and final versions. But the stock market's uneven performance over the past few weeks and slightly higher gasoline prices and mortgage rates in recent days could halt the index's rise. The TIPP index was down in January and the Conference Board index fell to its lowest level since May 2014, suggesting that consumer sentiment is fragile. We expect the University of Michigan index to drop a few points.

CANADA

FRIDAY February 6 - 8:30

January	
Consensus	7,000
Desjardins	10,000
December	**8,200**

Net change in employment (January) – Employment growth likely remained modest in January. We forecast 10k jobs created over the month. We also anticipate that the unemployment rate remained unchanged at 6.8% after jumping three ticks in December. Population growth has slowed to a crawl, and this is likely to remain the case, as the sharp decline in non-permanent residents throughout 2025 continues to show up in the Labour Force Survey. Wage growth has been weak for several months, and this trend will probably continue. January is also one of the more challenging months to forecast employment as the holiday period causes an increase in seasonal factors.

THURSDAY February 5 - 7:00

February	
Consensus	3.75%
Desjardins	3.75%
December 18	**3.75%**

THURSDAY February 5 - 8:15

February	
Consensus	2.00%
Desjardins	2.00%
December 18	**2.00%**

OVERSEAS

Bank of England meeting (February) – The Bank of England is widely expected to hold the Bank Rate at 3.75% at its February 5 meeting. With the Monetary Policy Committee still deeply divided after December's narrow 5–4 cut, policymakers will likely wait for clearer disinflation signals and more labour market cooling before considering another reduction. New forecasts in the accompanying Monetary Policy Report will be watched closely, as we expect they will lay the groundwork for a cut in March.

European Central Bank meeting (February) – We expect the European Central Bank (ECB) to remain on hold next week and keep the messaging unchanged. The discussion will likely centre around downside risks, focusing on increased trade uncertainty, weaker growth momentum and the exchange rate, as some ECB members appear concerned about the strengthening euro.

Economic Indicators

Week of February 2 to 6, 2026

*** Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.**

Day	Time	Indicator	Period	Consensus	Desjardins	Previous reading
UNITED STATES						
MONDAY 2	10:00	ISM Manufacturing index	Jan.	48.5	49.9	47.9
	12:30	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
TUESDAY 3	---	Total vehicle sales (ann. rate)	Jan.	15,400,000	15,200,000	16,020,000
	8:00	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	9:40	Speech of Federal Reserve Vice Chair M. Bowman				
WEDNESDAY 4	10:00	ISM Services index	Jan.	53.5	54.4	54.4
THURSDAY 5	8:30	Initial unemployment claims	Jan. 26–30	213,000	213,000	209,000
	10:50	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
FRIDAY 6	8:30	Change in nonfarm payrolls	Jan.	65,000	85,000	50,000
	8:30	Unemployment rate	Jan.	4.4%	4.4%	4.4%
	8:30	Average weekly hours	Jan.	34.2	34.2	34.2
	8:30	Average hourly earnings (m/m)	Jan.	0.3%	0.3%	0.3%
	10:00	University of Michigan consumer sentiment index – prel.	Feb.	55.0	53.0	56.4
	15:00	Consumer credit (US$B)	Dec.	8,500	13,000	4,229
CANADA						
MONDAY 2	---	---				
TUESDAY 3	---	---				
WEDNESDAY 4	---	---				
THURSDAY 5	12:40	Speech by Bank of Canada Governor T. Macklem				
FRIDAY 6	8:30	Net change in employment	Jan.	7,000	10,000	8,200
	8:30	Unemployment rate	Jan.	6.8%	6.8%	6.8%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of February 2 to 6, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 1							
Japan	19:30	Manufacturing PMI – final	Jan.	n/a		51.5	
MONDAY 2							
United Kingdom	2:00	Nationwide house prices	Jan.	0.3%	0.7%	-0.4%	0.6%
Germany	2:00	Retail sales	Dec.	-0.2%	n/a	-0.6%	-1.8%
Italy	3:45	Manufacturing PMI	Jan.	48.5		47.9	
France	3:50	Manufacturing PMI – final	Jan.	51.0		51.0	
Germany	3:55	Manufacturing PMI – final	Jan.	48.7		48.7	
Eurozone	4:00	Manufacturing PMI – final	Jan.	49.4		49.4	
United Kingdom	4:30	Manufacturing PMI – final	Jan.	51.6		51.6	
Australia	22:30	Reserve Bank of Australia meeting	Feb.	3.85%		3.60%	
TUESDAY 3							
France	2:45	Consumer price index – preliminary	Jan.	-0.2%	0.6%	0.1%	0.8%
Japan	19:30	Composite PMI – final	Jan.	n/a		52.8	
Japan	19:30	Services PMI – final	Jan.	n/a		53.4	
WEDNESDAY 4							
Italy	3:45	Composite PMI	Jan.	n/a		50.3	
Italy	3:45	Services PMI	Jan.	51.6		51.5	
France	3:50	Composite PMI – final	Jan.	48.8		48.6	
France	3:50	Services PMI – final	Jan.	48.0		47.9	
Germany	3:55	Composite PMI – final	Jan.	52.5		52.5	
Germany	3:55	Services PMI – final	Jan.	53.3		53.3	
Eurozone	4:00	Composite PMI – final	Jan.	51.5		51.5	
Eurozone	4:00	Services PMI – final	Jan.	51.9		51.9	
United Kingdom	4:30	Composite PMI – final	Jan.	53.9		53.9	
United Kingdom	4:30	Services PMI – final	Jan.	54.1		54.3	
Eurozone	5:00	Consumer price index – preliminary	Jan.	-0.5%	-1.7%	0.2%	1.9%
Italy	5:00	Consumer price index – preliminary	Jan.	0.4%	1.0%	0.2%	1.2%
THURSDAY 5							
Germany	2:00	Factory orders	Dec.	-2.4%	1.2%	5.6%	10.5%
France	2:45	Industrial production	Dec.	0.3%	2.3%	-0.1%	2.1%
Eurozone	5:00	Retail sales	Dec.	-0.2%	1.8%	0.2%	2.3%
United Kingdom	7:00	Bank of England meeting	Feb.	3.75%		3.75%	
Eurozone	8:15	European Central Bank meeting	Feb.	2.00%		2.00%	
Mexico	14:00	Bank of Mexico meeting	Feb.	7.00%		7.00%	
India	23:30	Reserve Bank of India meeting	Feb.	5.25%		5.25%	
FRIDAY 6							
Germany	2:00	Trade balance (€B)	Dec.	14.7		13.1	
Germany	2:00	Industrial production	Dec.	-0.3%	1.9%	0.8%	0.8%
France	2:45	Trade balance (€M)	Dec.	n/a		- 4,167	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).