

# ECONOMY

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## U.S. growth shows slowdown in the final quarter of 2025.

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WASHINGTON · U. S. economic growth slowed in the final three months of last year, dragged down by the sixweek shutdown of the federal government and a pullback in consumer spending.



The nation's gross domestic product — the total output of goods and services — increased at a 1.4% annual rate in the fourth quarter, the Commerce Department reported Friday, down from 4.4% in the July-September quarter and 3.8% in the quarter before that.

The figures point to what could be a more modest pace of growth in the coming quarters, as consumers have taken on more debt and saved less to maintain their spending, a process that may be difficult to sustain. Business investment, other than data centers and equipment dedicated to artificial intelligence, grew at only a moderate pace. Note

Still, a measure of underlying growth that focuses on consumer and business spending was mostly healthy at 2.4%, economists said. The sharp slowdown in government outlays because of the shutdown shaved a full percentage point from growth.

Consumers and companies spent at a “reasonably solid” pace, said Martha Gimbel, executive director of the Budget Lab at Yale and former economist in the Biden White House. “This is not a disastrous report.” Note

Consumer spending also rose 2.4% in the fourth quarter, a solid increase but notably below the third quarter's healthy 3.5% gain. Federal government outlays plunged nearly 17% amid the shutdown. That decline should mostly reverse in the coming quarters, however.

The outsize growth last summer and fall — when the economy expanded at about a 4% annual pace — partly reflected sharply lower imports. Companies ramped up imports in the first quarter of last year to get ahead of

President Donald Trump's tariffs. After boosting growth in the second and third quarters, trade had little impact at the end of last year.

Diane Swonk, chief economist at KPMG, said the report reflected a “onelegged” economy boosted mostly by artificial intelligence, which is fueling business spending and has also lifted wealth for those households that own stocks and have benefited from rising share prices.

Many households, however, have had to take on more debt to fuel their spending. The saving rate dropped to just 3.6% in the fourth quarter, the second-lowest figure since August 2008, when the economy was mired in the Great Recession.

“The economy looks golden on paper, but beneath the surface is lead,” Swonk said.

Early Friday, before the figures were released, President Donald Trump attacked congressional Democrats for shutting down the government last fall. He also reiterated his criticism of Federal Reserve Chair Jerome Powell for not cutting interest rates more quickly.

“The Democrat Shutdown cost the U.S.A. at least two points in GDP,” Trump posted on his social media site. “That’s why they are doing it, in mini form, again. No Shutdowns! Also, LOWER INTEREST RATES. “Two Late” Powell is the WORST!!!”

A separate report Friday showed that inflation, according to the Fed’s preferred measure, accelerated in December, as the cost of goods such as furniture, clothes, and groceries picked up. That makes it less likely the Fed will reduce its key interest rate in the coming months.

Earlier this month, Trump predicted a blowout gain in GDP of more than 5% even if the government shutdown was factored into the figures. Trump has been trying to claim that the economy is at its strongest point in history, even though the new data shows that growth slowed, compared with 2024, following his return to the White House.

The data arrives before Trump delivers the State of the Union address on Tuesday, where he is expected to say that the economy is booming.

The report also underscores an odd aspect of the U.S. economy: It is growing steadily, but without creating many jobs. Growth was a solid 2.2% in 2025, yet a government report last week showed that employers added less than 200,000 jobs last year — the fewest since COVID struck in 2020.

Economists point to several possible reasons for the gap: The Trump administration’s crackdown on immigration has sharply slowed population growth, reducing the number of people available to take jobs. It’s one reason that the unemployment rate rose only slightly — to 4.3% from 4% — last year, even with the nearly non-existent hiring.

Some businesses may also be holding back on adding jobs out of uncertainty about whether artificial intelligence will enable them to produce more without finding new employees. And the cost of tariffs has reduced many companies’ profits, possibly leading them to cut back on hiring.

The economy is also unusual right now because growth is solid, inflation has slowed a bit, and unemployment is low, but surveys show that Americans are generally gloomy about the economy. In January, a measure of consumer confidence fell to its lowest level since 2014, yet consumers have kept spending, propelling growth.

Some of that spending may be disproportionately driven by upper-income consumers, in a phenomenon known as the “K-shaped” economy. Yet data from many large banks suggests lower-income consumers are still raising their spending, even if by not as much.