Subject: Fiscal week #44 - 2025
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Fiscal week #44 - 2025

SPAGHETTILISBON
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Good afternoon,

It is time to review the fiscal impulse through week 44 of the fiscal year. Total fiscal impulse stood at 113.3bn. A major portion of the spending came on the last day of the month, when around 30bn in interest payments were sent out. Before that, month-to-date we were standing at just 10.3bn. Payments exploded into month-end, with Friday's 128bn paid out, driven by Interest on Securities, HHS Medicare Prescription Drugs, and VA Benefits.

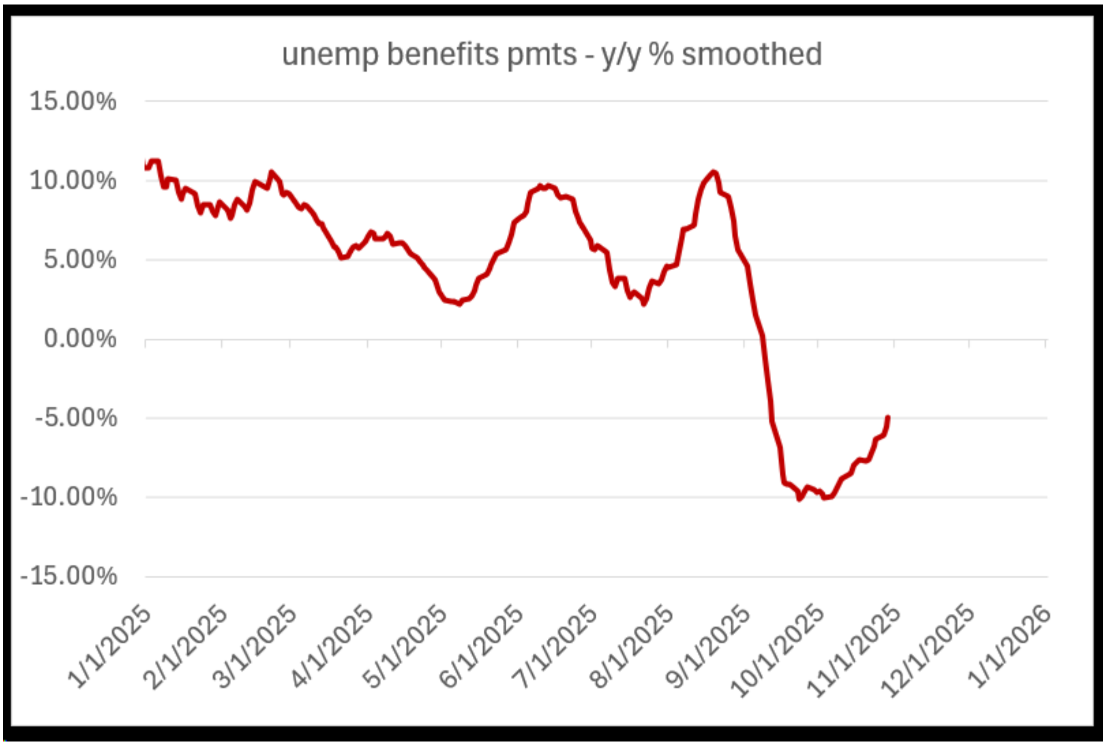
Still, the impulse was down 1.8bn versus a year ago, falling short of the 4.53bn implied value. The 4-week average eased to 20.8bn, and the cumulative balance is now 83.2bn below last year. The government shutdown continues to play a big role in that shortfall.

W&Y	2021	2022	2023	2024	2025	y/y	4w - mu	3y avg	delta 3y	4w - mu	implied	net diff	surplus
1	89.4	9.6	17.5	78.3	78.3	(0.1)	(0.2)	39.24	39.03		22.50	55.77	-0.05
2	18.4	38.9	20.5	43.8	28.2	(15.6)	(7.2)	26.44	1.75		33.00	-4.82	-15.62
3	46.7	3.8	-40.6	-1.4	-31.7	(30.4)	(13.5)	2.52	-34.26		0.33	-32.07	-46.01
4	11.9	25.2	24.0	43.2	7.8	(35.4)	(20.4)	21.18	-13.39		26.54	-18.74	-81.44
5	35.5	100.3	127.7	115.0	113.3	(1.8)	(20.8)	84.61	28.67		117.80	-4.53	-83.20

On a GDP-adjusted basis, fiscal impulse stands at 0.64% of GDP, down 31bps year-over-year and 9bps below the 3-year average. Late-month spending gave some short-term lift, but the broader trend keeps weakening. We stay defensive here.

Unemployment benefits remained in line with expectations. Total payments for the week were 714mln, 52mln above the same period last year, a 7.85% YoY increase. The 1-month average now sits at 22mln.

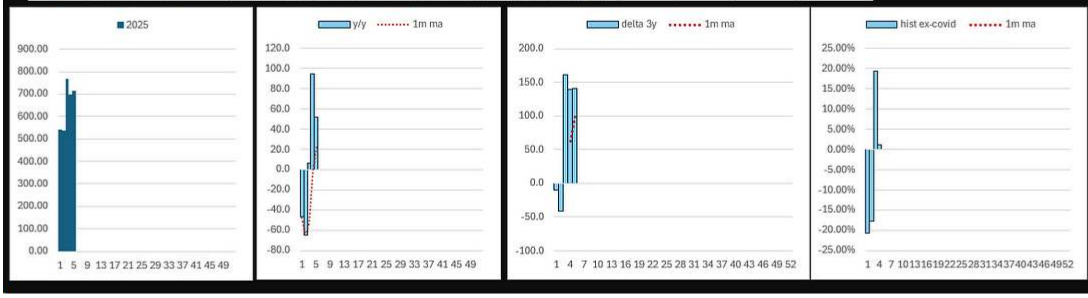
FY_W	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	y/y	1m ma	y/y	1m ma
1	561.00	506.00	677.00	385.00	6704.00	1653.00	383.00	687.00	590.00	543.00	-47.0	-48.00	-7.97%	
2	583.75	822.50	501.25	486.00	6004.00	1346.00	456.25	673.75	601.00	536.00	-65.0	-65.25	-10.82%	
3	504.00	459.00	418.00	443.75	7530.00	1378.75	411.00	645.00	760.00	766.25	6.3	-53.19	0.82%	-8.56%
4	504.00	466.00	433.00	418.00	6014.00	1098.00	417.00	653.00	602.00	697.00	95.0	-2.69	15.78%	-0.54%
5	592.00	518.00	424.00	444.00	6432.00	1056.00	448.00	610.00	662.00	714.00	52.0	22.06	7.85%	3.41%



On a monthly basis, the average payout was 651.25mln, 13mln higher YoY and 78mln above the 3-year average, though still 10.9mln below historical prints. Overall, the trend picked up into month-end on a YoY basis. The labor market remains steady but softening at the margin, consistent with what we see in fiscal aggregates.

UNEMPLOYMENT BENEFITS (MLN USD)

FY_M	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	y/y	vs 3y	vs hist	y/y %	3y %
1	538.19	563.38	507.31	433.19	6536.80	1306.35	416.81	664.69	638.25	651.25	13.0	78.0	-10.9	2.04%	13.61%
2	578.50	509.94	489.65	501.45	6495.44	893.19	478.25	662.31	736.70						
3	662.25	605.35	574.81	592.00	6423.63	733.80	586.35	720.60	776.06						
4	822.44	787.63	821.50	758.95	8498.90	737.19	762.06	909.25	979.30						
5	808.69	743.88	715.75	790.06	11651.19	802.19	771.44	886.69	933.38						
6	695.20	655.00	647.40	737.75	10298.25	654.50	718.00	790.80	844.75						
7	621.00	577.00	557.50	8116.75	9042.80	554.20	621.25	736.25	762.50						
8	623.50	504.75	510.55	23272.25	8770.50	502.00	593.50	689.90	753.10						
9	602.90	480.35	479.25	25336.00	8793.38	438.31	611.50	723.25	730.88						
10	579.63	529.50	519.38	24754.60	7183.50	436.90	664.69	759.44	766.44						
11	604.25	541.80	497.80	12529.00	6379.00	461.50	698.75	797.00	797.80						
12	512.10	457.00	465.56	8873.44	4567.06	586.60	625.40	667.56	646.94						



Tax flows gave bad signals this week. Total collections came in at 65.33bn, down 16.6% versus last year, pulling the 4-week growth rate down to 7.8% from 14.92% the week before. On a GDP-adjusted basis, total taxes stand at 1.4% of GDP, up 6.7bps from a year ago. We bounced back recently, but last week marked a clear slowdown. Withholding income taxes flashed red, 55.6bn collected, down 25% YoY, with a 4-week average of -3.51%.

W&Y	2023	2024	2025	y/y	4w avg
1	73.98	81.78	86.89	6.24%	
2	48.04	47.53	49.94	5.06%	
3	67.17	70.63	67.70	-4.15%	
4	46.15	46.79	51.94	11.01%	4.54%
5	78.29	75.20	55.66	-25.98%	-3.51%

On a GDP basis that’s 1.02% of GDP, down 8.1bps and weak over the last three weeks. Total tax flows point to nominal GDP running near 2–2.13%, meaning the economy is slowing but not contracting.

The weak fiscal impulse is now feeding into economic activity in our view, especially through the income side of tax flows. 2% GDP growth is still acceptable, but if the shutdown continues, activity will pay the price and could lead to another Fed cut in December.

Liquidity injection will materialize in Q1 with a lag into private sector balance sheets, so we stay constructive looking forward. We keep a cautionary stance on equities for now, but if we get news on the fiscal side, we'll be inclined to buy the dip, buybacks should be enough to sustain the market.

Take care,
spaghettilisbon
