

The U.S. Economy: The World's Economic Superpower Under Pressure *by Pierre Vercueil — Updated Edition 2025–2026*

Hello everyone and welcome to a new episode of EconoMag. Today, we take an updated look at the U.S. economy—still the largest in the world, but facing unprecedented turbulence in recent decades, amid a renewed trade war, record budget deficits, and growing questions about its global leadership.

The World's Largest Economy — But for How Long?

The United States remains the world's leading economic power, with a GDP of \$29.168 trillion in 2024, representing roughly one quarter of global GDP.

To put this figure into perspective, the U.S. economy is six times larger than Japan's and nine times larger than France's. GDP per capita reached \$86,600 in 2024, placing the country eighth in the world.

The American economy maintained strong momentum throughout 2024, with GDP growth of 2.8%, following 2.9% in 2023. By the fourth quarter, GDP stood 1.8 percentage points above its potential, the highest level since the early 2000s.

This performance is particularly notable because it clearly outperforms other major economies. By comparison, real GDP in the euro area grew by only 0.7% in 2024.

2025: The Trump Shock and a Sudden Slowdown

The return of Donald Trump to the White House in January 2025 significantly altered the trajectory of the U.S. economy.

After contracting by 0.2% in the first quarter of 2025, U.S. GDP rebounded to +0.9% in the second quarter, then accelerated sharply to +4.4% in the third quarter, before slowing again to +1.4% in the fourth quarter.

For the full year 2025, the U.S. economy grew by 2.2%, below the 2.8% recorded in 2024.

Several factors explain this turbulence. The new trade war launched by the United States is weakening global trade and U.S. growth, while increased uncertainty about economic policy is weighing on household consumption and corporate investment decisions.

Adding to these challenges was the longest government shutdown in U.S. history—43 days, whose economic impact could reach 2 percentage points of annualized real GDP in the fourth quarter of 2025.

On the labor market front, although unemployment remains relatively stable at around 4.1%–4.3%, job creation has slowed significantly. Major downward revisions

were made for the period from April 2024 to March 2025, revealing 911,000 fewer jobs than previously estimated.

Inflation: A Persistent Threat

Inflation, after declining during the first quarter of 2025, has begun to rise again since the summer, reaching 3.0% in September, largely due to the impact of new tariffs.

The Federal Reserve responded by cutting its key interest rates twice by 25 basis points, bringing them to a range of 3.75% to 4.00%.

During its March 2025 meeting, Fed officials revised their 2025 growth forecast downward to 1.7%, compared with 2.1% expected in December 2024.

A Still Diversified and Innovative Economy

Despite these challenges, the fundamentals of the U.S. economy remain strong.

The United States remains the world's leading producer of oil and natural gas and maintains its global leadership in financial services, technology, aerospace, and pharmaceuticals.

The artificial intelligence boom, largely concentrated in Silicon Valley, is strongly supporting investment in equipment and intellectual property.

The country continues to rank first in the world for industrial production, services, and foreign investment.

The New York Stock Exchange also remains by far the largest financial market in the world. Foreign investors currently hold around \$18 trillion in U.S. equities, representing roughly 20% of the market, and about \$7 trillion in U.S. Treasury bonds, or approximately 25% of that market.

The Dollar: Still King, but Its Reign Is Being Challenged

The U.S. dollar remains the world's primary reserve currency, but its dominance is increasingly being questioned.

The dollar is still involved in nine out of ten foreign exchange transactions, accounts for about half of global trade invoicing, and represents nearly 60% of global foreign exchange reserves.

According to the International Monetary Fund, the United States is expected to represent 26% of global GDP in 2025, and the dollar continues to play a crucial role in cross-border lending, with nearly 50% of international loans denominated in dollars.

However, the dollar's share of global reserves stood at 57.7% in the first quarter of 2025, slightly down from 57.8% at the end of 2024, while the euro's share rose to 20.1%, its highest level since late 2022.

More symbolically, during the first half of 2025, the U.S. dollar experienced its largest decline in more than five decades, with the DXY index falling by around 11% between January and June, partially reversing a ten-year rally that had produced cumulative gains of nearly 40%.

Although financial media frequently highlight the idea of “de-dollarization,” a broad consensus suggests that any such shift would occur very gradually, as no credible alternative to the dollar currently exists.

Public Finances Under Strain

The federal budget deficit remains high, at around 6.5% of GDP.

In May 2025, the credit rating agency Moody’s downgraded the United States to Aa1, arguing that successive administrations and Congress have failed to agree on measures to reverse the trend of large budget deficits and rising interest costs.

Conclusion

The United States remains—by a wide margin—the world’s leading economic power.

However, 2025 marks a historic turning point. The economic policies of the Trump administration—massive tariffs, budget cuts, and pressure on the Federal Reserve—introduce unprecedented uncertainty about the future trajectory of the American economy.

Slower growth, declining advantages in equity markets, and growing fiscal concerns could reduce the attractiveness of U.S. assets, weakening foreign capital inflows or even triggering capital outflows.

The question now is no longer whether the United States is the world’s largest economy—it is—but whether it will remain so at the same cost.

Join us for the next episode of EconoMag!

Vocabulary :

United States / U.S. – États-Unis

Economic superpower – Superpuissance économique

GDP – PIB (Produit Intérieur Brut)

GDP per capita – PIB par habitant

Global leadership – Leadership mondial

Growth – Croissance

Trade war – Guerre commerciale

Budget deficit – Déficit budgétaire

Unemployment rate – Taux de chômage

Labor market – Marché du travail

Inflation – Inflation

Federal Reserve / Fed – Réserve fédérale (Fed)

Interest rates – Taux d'intérêt

Oil production – Production de pétrole

Natural gas production – Production de gaz naturel

Financial services – Services financiers

Technology sector – Secteur technologique

Aerospace – Aérospatial

Pharmaceutical industry – Industrie pharmaceutique

Artificial intelligence – Intelligence artificielle

Industrial production – Production industrielle

Services sector – Secteur des services

Foreign investment – Investissements étrangers

New York Stock Exchange – Bourse de New York

U.S. dollar – Dollar américain

Reserve currency – Monnaie de réserve

DXY index – Indice DXY

De-dollarization – Dé-dollarisation

Fiscal policy – Politique budgétaire

Credit rating – Notation de crédit