SUMMARY & OVERVIEW

This note takes a look at the state of the U.S. economy in the third quarter of 2025. We'll do this by using *The Curb Economist's* proprietary GNI model, which looks at the U.S. revenues from publicly traded companies listed on U.S. stock exchanges. As of this writing, our model includes U.S. revenue figures from almost 900 companies, which combined amount to about $3T on a quarterly basis, and about $13T on an annual basis.

As always, the hope here is to use hard data from publicly traded firms to get a better sense of what's really happening in the U.S. economy than what the government survey data might be telling us. Given the government has been shut down for the last 40 days though, who knows when government data will be restored and how long it will take for collection and data quality to be "normal" again. *The Curb Economist* is here to fill this void, and ignoring all the other issues with government economic data even when the government is open, government shutdowns lengthening in duration makes data from America's publicly traded companies increasingly important.

We're now through about four weeks of reporting season, and we have data for 3Q on 689 companies. More than 689 companies have reported, of course, so why doesn't our model include more data than this? The answer is because many companies don't provide U.S. specific revenues (or something akin to that) in their press releases, and thus, we need to wait for their 10-Q's and 10-K's to come out to get the specific datapoints that we need. At this point, however, a large enough chunk of our dataset has reported their financial results for the third quarter to draw pretty firm conclusions about what happened with economic activity in the last few months.

The bottom line takeaway from the data so far is that 3Q25 was not only the strongest growth quarter of the year so far, it was the best growth the American economy has seen since late 2022. So far, we estimate 7.5% year-on-year nominal GDP growth, and using government inflation indices (both of which indicate about 3% inflation for the third quarter), this puts real GDP growth for 3Q around 4.5%. This is not only well above our final 3.5% estimate for 2Q25 GDP, but by our count, it's the best since 3Q22 as well (where we estimate real GDP grew 6-8% year-on-year depending on which gov't metric you use for inflation).

More significantly, using TCE's latest inflation estimate, which was 1.4% in September and roughly similar for 3Q25 in total (note that both of these are less than half of what the government is telling us inflation is), **we believe real GDP growth was closer to 6.0% this quarter**. This too is well above what our last estimate was for 2Q in August (4.6%), and the best since 3Q22 (where we estimate real GDP grew 8.4%, again, using TCE inflation estimates this time). Lastly, it's also well above what we were expecting for 3Q25 following our last Off-Cycle Reporters Update for 3Q in late October as well, where we were predicting something closer to 4.3% nominal and 3.0% real growth. **3Q25 reporting season has been a major upward surprise for American economic activity.**

Below is a table synthesizing all of this and showing estimated economic growth rates using different proxies for inflation. As a reminder, *TCE's* Gross National Income (GNI) model data serves as a proxy for nominal GDP *growth* (not the dollar amount), so we tend to use these interchangeably.

Date	Q3-2022	Q4-2022		Q1-2025	Q2-2025	Q3-2025
TCE Nominal GNI Growth	14.6%	9.3%		5.2%	5.9%	7.5%
Gov't Inflation - CPI	8.3%	7.1%		2.7%	2.5%	2.9%
Gov't Inflation - PCE	6.7%	6.0%		2.5%	2.4%	3.1%
Curb Economist Inflation	6.2%	3.9%		1.4%	1.3%	1.4%
Real GNI Growth - CPI	6.3%	2.2%		2.5%	3.5%	4.6%
Real GNI Growth - PCE	7.9%	3.3%		2.7%	3.5%	4.4%
Real GNI Growth - TCE	8.4%	5.3%		3.9%	4.6%	6.1%

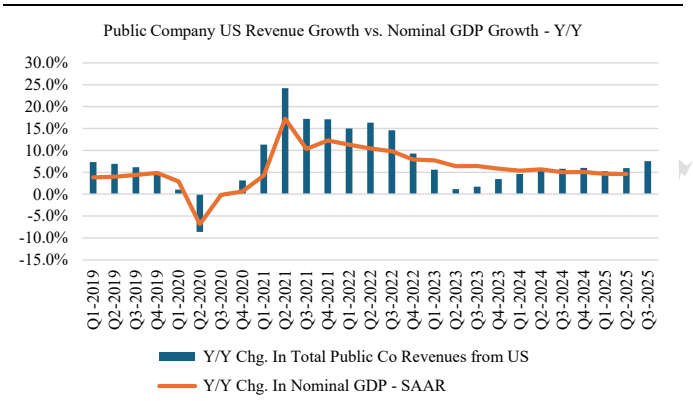
Source: SEC Filings, *The Curb Economist*

For a more detailed review of *The Curb Economist's* GNI model, as well as the model's 2023 recession call, see the Appendix.

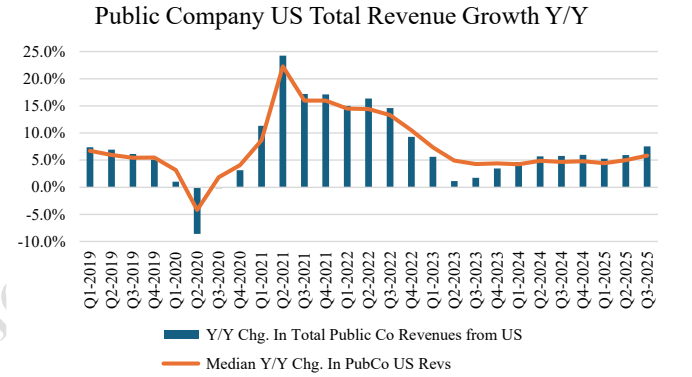
WHAT DOES THE DATA SAY SO FAR ABOUT 3Q ECONOMIC GROWTH?

As noted above, as of this writing, 689 companies from our model have filed their 10-Q's or 10-K's, which has allowed us to pull the geographical revenue they earned from the United States (or something akin to this, say, "United States and Canada") in 3Q25. We'll keep track of this each month through the quarter until all of our companies have filed their 10-Q's or 10-K's. So far, our 689 companies have produced cumulative year-over-year U.S. revenue growth of 7.5%. The median and average figures are 5.8% and 8.6% respectively.

In the two charts below, the blue bars are represented by total U.S. revenue growth from publicly traded companies on a cumulative basis, year-over-year. For 3Q, this is the 7.5% cited above. The lines, on the other hand, represent reported (nominal) GDP in the first chart (again, on a year-over-year basis), and the median year-over-year growth rate in the second (this represents the 5.8% median from our public company data noted above). The median growth rates can be compared to the growth rates of the sum to help paint a picture of growth by firm size, which we'll discuss in more detail later on when we look at growth rates by both revenue and market capitalization. As of this writing, we don't yet have GDP estimates from the U.S. government for the third quarter (due to the government shutdown). We'll (hopefully) update the charts once the 3Q data comes out. For now, our data can hopefully serve as your guide, but the apparent agreement between almost all the different ways we cut our data suggest our conclusions here should be pretty sound.



Source: SEC Filings, *The Curb Economist*



Source: SEC Filings, *The Curb Economist*

The next table shows some of the latest data in a table format instead, for clarity's sake. As we put out more estimates throughout the quarter, we'll also show a table that shows the progression of these estimates at different dates as well.

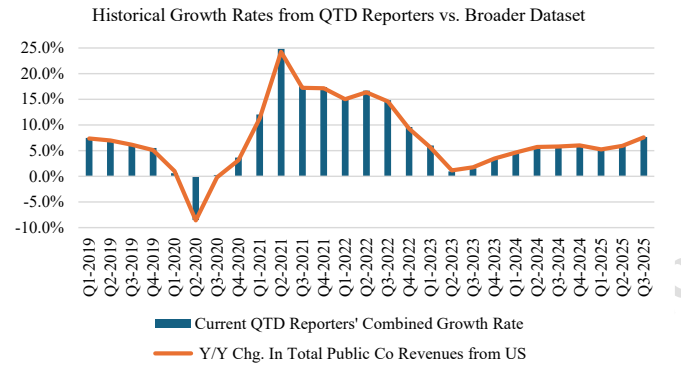
Date	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025
# of Companies With Data	884	881	865	881	869	690
Cumulative Growth Rate	5.7%	5.8%	6.0%	5.2%	5.9%	7.5%
Median Growth Rate	4.9%	4.7%	4.8%	4.4%	5.0%	5.8%
Correlation vs All PubCo's	99.9%	99.9%	99.9%	99.9%	99.9%	

Source: SEC Filings, *The Curb Economist*

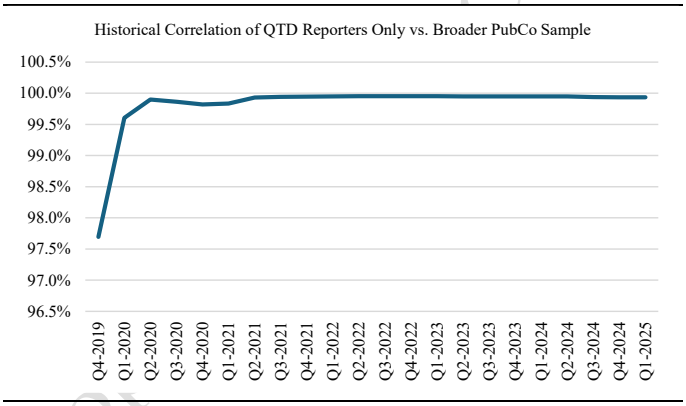
Included in the previous table is a line item "Correlation vs. All PubCo's." What this line seeks to do is to measure the correlation between U.S. revenues from the now 689 companies that we have data from so far relative to the U.S. revenues from all companies in our entire dataset historically. So in this case, it looks at the 689 companies we have, takes their cumulative revenue growth going back

in time, and then compares that to the combined growth of the roughly 900 total companies in the model. Similar to what we try to do with our Off-Cycle Reporting Company note, this should help give us an idea of the predictive power of the companies that have reported so far.

As of the most recent week, the correlation between our 689 companies and the broader data set was ~99.9% through 2Q25, so about as good as it gets. This tells us we're about as close to our final answer for the quarter as we're going to get, and thus can feel better about the conclusions we're drawing. For more insights into how many companies we need to draw firm conclusions, see the Appendix.



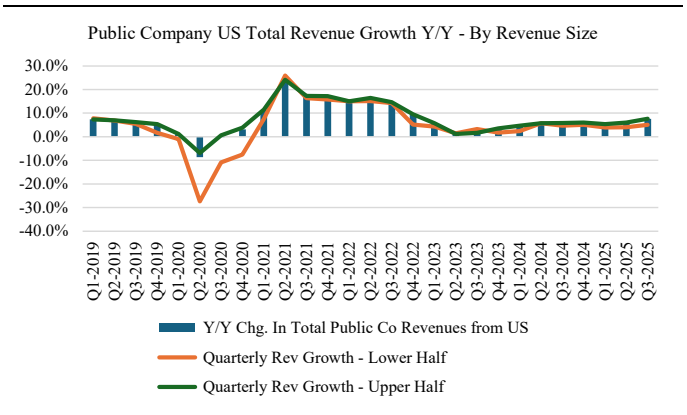
Source: SEC Filings, *The Curb Economist*



Source: SEC Filings, *The Curb Economist*

Let's now briefly turn to growth by firm size. First let's start with growth rates by firm revenue. For perspective, over the last four quarters, the average firm's U.S. revenue in our model is about $3.5 billion, while the median firm's U.S. revenue has been about $1 billion. Annualized then these figures produce about $14B on average, and $4B on median.

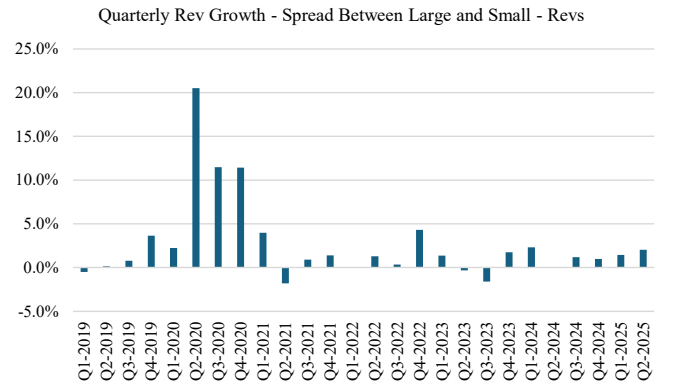
The next chart has growth rates for firms both above and below the median revenue size (green and orange lines), as well as the growth rates for our total sample (blue bars). As the chart shows, firms with revenue above the median (larger firms) have been growing faster than smaller firms over almost the entirety of our sample (which goes back to 1Q19). This perhaps shouldn't be a surprise given a good chunk of our sample includes both COVID (which was particularly hard on small businesses), and a high interest rate environment (also harder on small businesses). This discrepancy feels likely to continue as larger companies are able to capitalize on the benefits of AI, but time will tell if that's true or not. This quarter so far, larger firms are growing revenues about 2.6% faster than smaller firms, which is above last quarter's 2% spread, as well as above the previous three quarters' 1.0-1.4% spread. Towards the end of last year and the first part of 2025, small cap firms seemed like they were catching up in terms of growth with large cap firms, but that spread is widening again.



Source: SEC Filings, *The Curb Economist*

Importantly though, when evaluating growth by firm size on a revenue basis, the spread between large and small firms isn't widening because smaller firms are doing worse. On the contrary, the opposite seems to be true in this regard: smaller

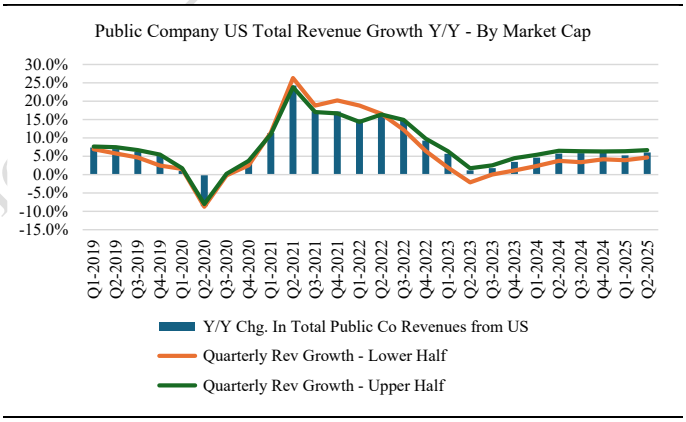
firms are seeing their growth rates *accelerate,* and back to levels we last saw in the last three quarters of 2024. This quarter smaller firms grew their revenue by 5% compared to 4.0% in 2Q and 3.9% in 1Q (and for reference, the average of the last three quarters of 2024 was 5.1% as well). The spread between large and small firms widened, however, because large firms grew their revenue by 7.6% this quarter, the fastest since 4Q22. Small firms are doing better then, it's just that bigger firms are doing even better on a relative basis.



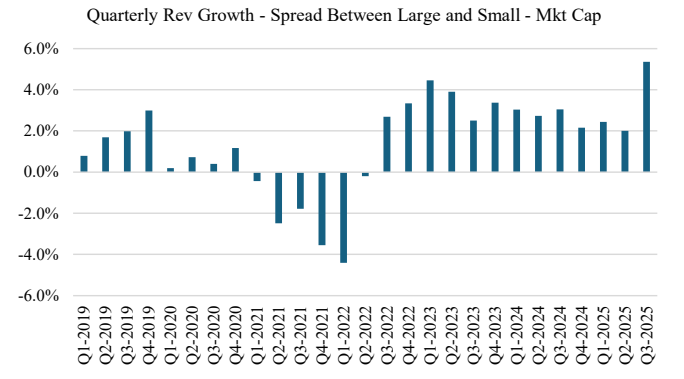
Source: SEC Filings, *The Curb Economist*

Let's now turn to growth rates by market cap. For the sake of clarity here, the growth rates referenced in this section will be for companies whose market caps fall within a certain bandwidth *today.* It does not mean that each quarter's growth rates are for companies with market caps as they stood at that time. Going forward, however, this will be different, as we're tracking this on a quarterly basis, and thus the data *will* reflect growth rates for firms' market caps at that current point in time. For now, however, the historical figures represent growth rates by market cap as the market caps stand today.

The chart showing U.S. revenue growth by firm size based on market cap actually shows a contradiction to the chart breaking down firms by revenue: small firm growth actually slowed down this quarter, and appreciably so. Using firm size predicated on market cap, small firms grew their revenue only slightly better than 3% this quarter, down from 4.7% last quarter and 3.9% in 1Q. Large firm growth, however, went in the opposite direction, accelerating to the fastest pace since 3Q22. The trajectory of large firm growth therefore did not change depending on whether we evaluated firm size by revenue or market cap, but as we've noted, for small firms it did. This consequently caused the spread between the growth at large firms and small firms to widen to its largest in our dataset when broken down by market cap. We'll see if this quarter ends up being an exception or not, however, as the previous three quarters had seen the growth spread between large and small firms based on market cap tighten compared to where they were in the last three quarters of 2024.



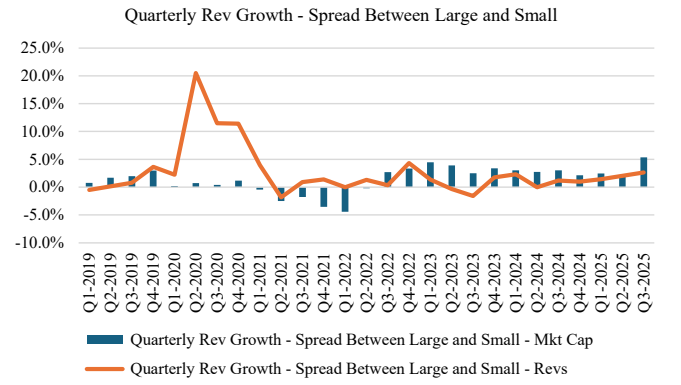
Source: SEC Filings, *The Curb Economist*



Source: SEC Filings, *The Curb Economist*

Overlying the two spreads on top of one another produces the below chart, which attempts to show what we talked about on the previous page more clearly:

1) Large firms have been generally growing faster than small firms
2) Prior to this quarter, that spread has been narrowing
3) This quarter, the spread between large firm and small firm top line growth considerably widened out again, particularly when basing firm size on market cap

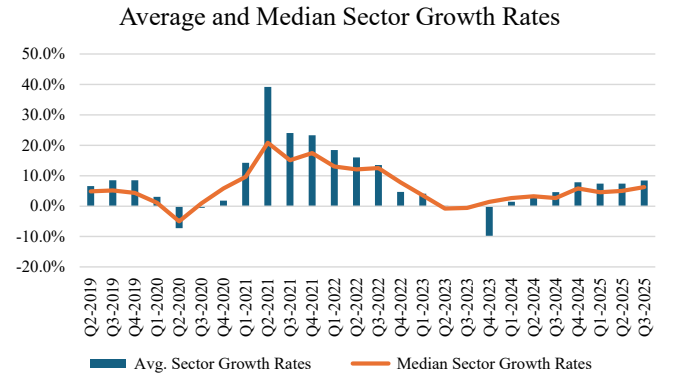


Source: SEC Filings, *The Curb Economist*

Let's lastly look at several Diffusion Indexes that we've created from our GNI model.

Our roughly 900 companies in our Gross National Income model happen to consist of 51 unique sectors. We'll do three things with this data: first, we'll calculate average and median sector growth rates. Second, we'll calculate the percentage of those 51 sectors that in aggregate are seeing accelerating revenue growth compared to the previous quarter. Third, we'll do the same thing as we did in our second index, except now we'll look at the percentage of our 689 *companies* who are seeing accelerating versus decelerating revenue growth each quarter.

The first chart below, which looks at average and median sector growth rates, shows several things: First, both median and average sector growth rates accelerated this quarter to 8.4% and 6.3% respectively (up from 7.4% and 5.0% respectively in 2Q25). Second, these rates were the fastest since 3Q and 4Q of 2022. This helps substantiate our earlier claim that the US economy grew the fastest in 3Q25 since late 2022. It also helps dispute the notion that the economy may be becoming "top heavy" by being overly leveraged to AI construction. If more sectors are growing at faster rates, this probably isn't the case, and economic growth may be broader than it might feel.

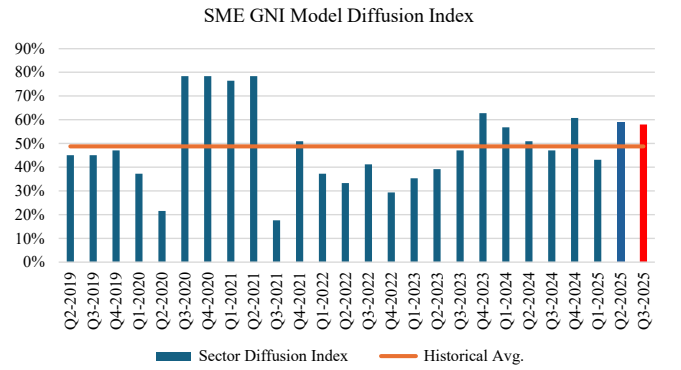


Source: SEC Filings, *The Curb Economist*

Now let's turn to the accelerator and decelerator Diffusion Indices. For sake of clarity, these next two indices (and their respective charts) examine the directional trajectory of the economy by looking at what percentage of both sectors and companies are reporting accelerating or decelerating revenue growth compared to the previous quarter (again, only for their revenues in the United States). While this doesn't give us any particular insight into what the *absolute* growth levels in the economy were in the 3rd quarter, it does tell us if the economy is slowing down or picking up. Recessions can only happen if the economy is slowing down, so in that sense, our Diffusion Indexes are at least partially useful. And they appear to firmly indicate that the economy accelerated in the 3rd quarter.

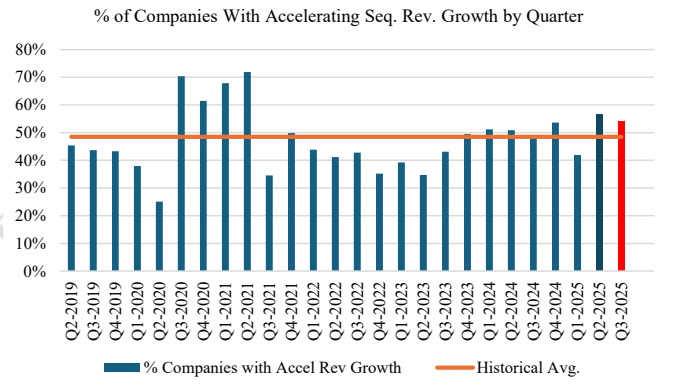
At this point in the reporting cycle, 29 of 50 sectors are seeing accelerating revenue growth, representing 58% of the total. This is above the historical average of 49%. Even if the remaining sector we don't have data for yet eventually showed decelerating growth, this would still produce 57%

of sectors with accelerating growth, which is still also above our historical average.



Source: SEC Filings, *The Curb Economist*

Let's close by looking at a similar chart predicated on individual companies rather than sectors. This quarter, 54% of companies in our dataset reported accelerating year-over-year U.S. revenue growth in the third quarter compared to the second quarter. So said differently, if Company A reported 5% revenue growth year-over-year in the second quarter, it reported something greater than 5% in the third quarter, and this happened with 54% of companies. While this is below 2Q's 56%, it's still nicely above the historical average (which coincidentally also happens to be 49%, similar to our Sector Diffusion Index historical average). We should also point out that 2Q's 56% was the highest rate for this metric since 2Q21 (when it was a very high 72%). This should be another sign that economic growth was very solid in the third quarter.



Source: SEC Filings, *The Curb Economist*

CONCLUSION

The main takeaway from 3Q25 data so far is that economic growth in the third quarter was very robust, and likely the best since late 2022. Multiple aspects of our data support this conclusion:

- First, our aggregate model suggests nominal year-over-year growth of 7.5%, which was the highest since 4Q22 (9.3%). In inflation adjusted terms, using *TCE's* private market shelter adjusted inflation index, *real* growth in the third quarter was north of 6%, which was by far the best growth we've seen this year, and the best since 3Q22 (8.4%).
- The median firm growth rate ticked up to 5.8% in 3Q25 vs. 5.0% in 2Q25 and 4.4% in 1Q25. This was also the highest figure since 1Q23.
- The percent of companies reporting accelerating revenue growth in 3Q was 54%, which was the second best figure since 2Q21 (second only to last quarter's 56%). This was again significantly above the historical average of 49%.
- Our Sector Diffusion Indexes remained above historical levels, both in terms of average and median growth rates, as well as with the percentage of sectors that saw accelerating revenue growth.
- Lastly, both large and small firms saw their revenue growth rates sequentially improve in 3Q. Larger firms reported the best revenue growth since 4Q22.
- Larger firms then are carrying a bigger portion of the economic load these days, but that has generally been true for some time now. And the sector breadth we saw this quarter helps dispel the notion that the economy is increasingly "top heavy."

All this said, we might not want to rest on our laurels. As we'll discuss in future notes, 3Q

reporting season has also brought with it a significant number of negative surprises and guidance cuts, many of which are predicated on a notable softening in economic activity after Labor Day, and particularly into October. Going from the kind of robust growth we saw in 3Q25 to a recession one quarter later would seem to be particularly surprising, but with job cut announcements piling up, and consumer sentiment falling to close to record lows, it does feel like the economy may be showing further cracks here in the last six weeks. The job side of the equation remains a key wild card, but our latest check-in on the labor market suggested things might be slightly worsening in October, but not completely falling out of bed either.

We'll be back with our next update soon with more to say on all these important questions.

APPENDIX

A REVIEW OF THE GNI MODEL

As noted above, our proprietary GNI model takes the U.S. based revenues of roughly 900 publicly traded companies from U.S. stock markets. GNI, which stands for "Gross National Income," is a sanity check on the traditional measure of "GDP," which stands for "Gross Domestic Product." While GDP attempts to estimate the value of goods and services *produced* in the U.S. economy, GN-*I* comes at the same goal but from a different angle. By adding up as many firms' revenues as we can, we should be able to get a good sense of the same thing GDP is after. Why is this? Because a business's revenues can logically be viewed as the economic equivalent to its "product," since this is exactly what they receive *for* that product. Thus, by adding up the U.S. revenues from enough businesses, we can get a pretty good sense of the *growth* in the "product" of the U.S. economy. We also shouldn't forget that one business's costs are often another's revenues.

Some other items are also worth noting. Our GNI model does several things. First, it calculates the median and average growth rates of U.S. revenues for publicly traded firms in our sample. Second, and more significantly, the model adds up all of the revenues for companies where we have data for both this year's quarter *and* last year's quarter and then calculates a combined growth rate. Companies who we do not have data for yet this quarter, or who we might not have data for last quarter are not counted. Since companies will sometimes fall in and out of the model, or change disclosures, this allows us to look at things on an apples-to-apples basis each quarter. Ultimately, the cumulative growth figure is more important, since we care about the growth rate in the total dollar value of U.S. domestic product, not the *median* growth rate, though the latter is certainly useful. We don't, after all, estimate GDP based on the growth rate of the median firm, but based on the growth rate of what all firms produce combined together.

That being said, what our model is trying to estimate is not the actual dollar amount of GDP or GNI, but rather the *growth* rates. The reason for this is because a lot of companies we track are in the same ecosystem as one another, and therefore simply adding up the dollar value of revenues would produce significant double counting. A good example of this would be Cummins (Ticker: CMI) who makes truck engines, and Paccar (Ticker: PCAR) who makes trucks. CMI engines are part of the same PCAR truck that gets sold to the buyer, but PCAR's truck price incorporates the cost of its components (which of course includes the engine). Thus, by adding up the dollar revenue CMI makes from the engine *plus* the dollar revenue PCAR makes from selling the truck, we'd be double counting the value of the engine, when in reality all

we really want is to count the final value of the truck itself. The truck in this case is "final" GDP.

The *growth* rates of these two companies' revenues, however, does not double count their product, nor does adding them together and then calculating a combined growth rate either (which is what our model does). By adding the firms' revenues together and then calculating the growth rate, we capture the proportionately different value each receives for their contributions to the truck's supply chain. By doing this across all of the companies in our sample set, we should get a very good sense of the growth rate of US gross domestic product then (but again, not the dollar amount). We can then adjust this nominal growth rate for inflation to get to a "real" growth rate thereafter.

Lastly, it's worth highlighting that this model's components will constantly be changing. New companies will go public, or existing companies might change their disclosures, which depending on what those changes are, could result in a new company being added to the model or a one falling out. The hope is that we continue to grow the dataset to include more and more companies to increase the model's accuracy so that it gives us the best representation of the U.S. economy possible. For the most part, losing a few companies here or there and adding a few more here or there isn't going to change the dataset all that much. That said, if someone like NVDA or TSLA stops disclosing U.S. revenues, we'll certainly let you know.

THE MODEL'S 2023 RECESSION CALL

If you look closely at the above two charts, you'll notice that the blue bars got quite close to zero in the 2nd and 3rd quarters of 2023. The median growth rates remained elevated, but the cumulative growth rate for public company U.S. revenues was only 1.0% in 2Q23, and 2.0% in 2Q23. Again, this should not only be viewed as comparable to *nominal* GDP growth (rather than *real* GDP growth), but also, *nominal* GDP growth on a *year-over-year* basis. The actual GDP statistics for those periods, again, on a year-over-year basis, indicated that the economy grew 6.4% and 6.5% in 2Q25 and 3Q25, respectively. So materially different.

Why does this matter? Because using either CPI, PCE, or my "Private Market Shelter" Adjusted CPI (which we'll discuss more in a moment), the growth rate of *real* Gross National Income in 2Q and 3Q of 2023 was very likely to actually be negative. And since the traditional definition of a recession is two quarters in a row of negative GDP growth, then by definition, we actually had a recession in 2023. The stock market told you that of course, but the economists didn't. Why not?

Most economists will tell you that a recession can't really happen without job losses, and to be fair, this is supported by a lot of historical evidence. But every recession is both the same and different at once. History doesn't exactly repeat itself, but it rhymes, the old saying goes. It might be more true than ever in this case.

In this instance, (most) economists believe that the lack of job losses is exactly what kept the economy from slipping into recession during the Fed's aggressive hiking cycle in 2022 and 2023. No job losses kept income flowing to consumers' pockets, and since consumption is 70% of the U.S. economy, this allowed them to keep spending, and this kept GDP from turning negative.

Why didn't job losses happen in 2023 if we actually had a recession though, as our GNI model indicates? The conventional wisdom is because firms' reluctance to fire workers in 2022 and 2023 was so great, simply because they had to exert so much time and effort to bring them back after COVID. Said differently, even though they probably would have in prior business cycles, companies decided to hold onto their workers to a

greater and longer degree than they would have in prior economic slowdowns because of how bad they struggled to get workers back from COVID in the first place.

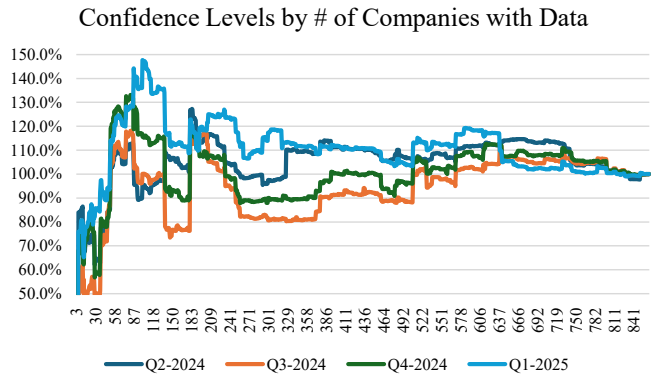
Ironically, we may be going through the opposite today, where the labor market starts to crack, the memory of the disastrous post-COVID labor market fades, and businesses become more comfortable letting people go. The difference in this case, however, would be that actual product of the U.S. economy remains robust. We'll see if this actually transpires of course, but the setup for this looks quite possible. We may therefore be dealing with three unprecedented economic situations in a matter of 5 years:

- First, COVID, where almost everyone agrees we had a recession in the 2nd and 3rd quarters of 2020
- Second, a "recession" where the economy's actual gross domestic product went negative (at least according to our GNI model), but where no actual job losses happened
- Third, the reverse of that today, where job losses start to occur but GDP growth remains positive because of substantial investment in AI and other construction industries.

Again, history doesn't repeat itself, but it rhymes. What rhyme will it give us this time? Let's look at what the data from 2Q earnings season from America's publicly traded companies is saying about the economy to help us get a better sense.

HOW MANY COMPANIES DO WE NEED DATA FROM?

With this in mind, it's worth asking the following question: how many companies do we need data from to have a *really* good idea of how the economy performed in a given quarter? The number seems to be a couple hundred firms. The below chart shows the cumulative growth rate in revenues relative to the final number for all PubCo's (the Y-axis), all against the number of companies that we have data for (the X-axis). So if there is a data point of 120% on the Y-axis over 205 on the X-axis, that means that after receiving data from 205 companies, the cumulative growth rate for those 205 companies was 120% of what the final number for the quarter ended up being. As you can see from the chart, the more companies we get data from, the closer the bands get to 100%, which should make intuitive sense (bigger sample = more accurate results). But given the bands tend to get into a range of 80-120% after a couple hundred companies, this indicates that if nominal growth was 4.0% in the sample, we can have pretty good confidence that the final nominal growth figure for the quarter when all our data is in will be in the range of 3.2% (80% of 4.0%) and 5.0% (120% of 4.0%). The way the math works, as the numbers get smaller, the ranges get smaller as well, and vice-versa for larger numbers. But all that said, this should hopefully give us some idea of confidence intervals as the quarter progresses each calendar cycle.



Source: SEC Filings, *The Curb Economist*