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Economics Weekly
Betting on Growth

Please refer to important disclosures on pages 14 and 15. Analyst certification is on page 14.

The United States is pinning its fiscal hopes on growth. The argument is straightforward enough: faster productivity growth driven by artificial intelligence, renewed capital spending, deregulation, and reshoring should allow the economy to expand at a faster rate than growth in the federal debt. This would allow the country to grow its way out of its fiscal challenges. It is also the most appealing solution, because unlike higher taxes or lower spending, faster growth promises to make everyone better off. The problem is that growth today faces a headwind that previous periods of fiscal improvement did not—i.e., demographics. Fertility rates remain below replacement, net immigration has slowed, and the Congressional Budget Office expects deaths to exceed births by the end of the decade. An aging population raises spending obligations through entitlement programs while slowing the growth of the labor force and the tax base that funds them. **In this *Economics Weekly,* we examine whether growth alone can stabilize the nation's finances, how much of that growth the tax system stands to capture, and what happens if it falls short.**

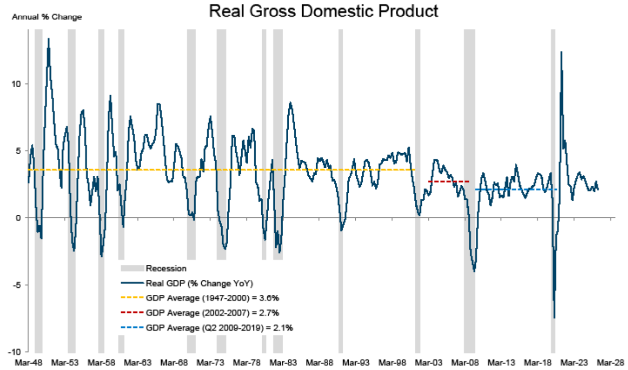
The Growth Solution

"With 3% growth, we grow our way out of this."

That was Treasury Secretary Scott Bessent's response to concerns about the nation's fiscal outlook. Bessent argues that faster economic growth, supported by advances in AI and stronger business investment, would boost incomes and tax revenues and stabilize the debt-to-GDP ratio without requiring politically difficult choices on taxes or spending.

The first question to ask is whether such growth is achievable. Exhibit 1 shows that real GDP growth averaged 3.6% between 1947 and 2000, but it has slowed materially over the past two decades, averaging 2.7% during the 2002-2007 expansion and 2.1% during the long recovery between 2009 and 2019. Growth near 3% would therefore represent a meaningful improvement relative to recent decades, but not one without precedent.

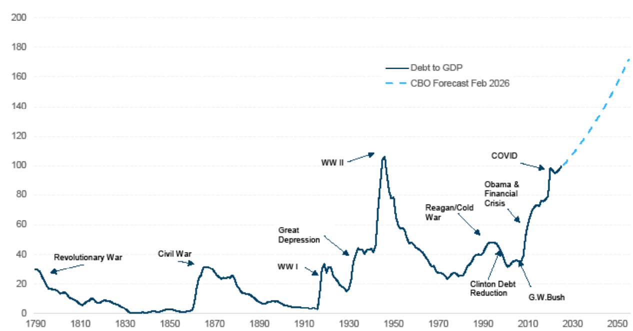
Exhibit 1
Real Gross Domestic Product



Source: Bureau of Economic Analysis, William Blair Equity Research

Exhibit 2 shows that debt outstanding has declined during periods of robust economic growth before. Following World War II, debt fell steadily relative to GDP, as rapid growth, inflation, and fiscal restraint reduced the burden of wartime borrowing. Debt also declined during much of the 1990s, as the internet-driven productivity boom helped lift economic growth and coincided with a period of fiscal consolidation.

Exhibit 2
Federal Debt Held by the Public as a Percentage of Gross Domestic Product, %



Sources: Congressional Budget Office, William Blair Equity Research

The case for growth should not be waved away. In a recent survey of economists, AI experts, forecasters, and the public, the median respondent expected substantial advances in AI capabilities by 2030, small declines in labor force participation, and an annual GDP growth rate of 2.5%. Under this moderate scenario of AI adoption, debt rises much more slowly than current projections. Even after incorporating lower labor force participation, the debt trajectory remains modestly improved. Only when the model assumes a more generous fiscal response to workers displaced by AI does much of the benefit disappear.

Exhibit 3
Federal Debt as % of GDP

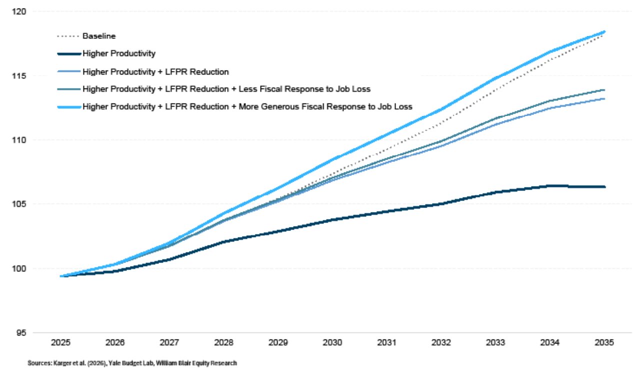
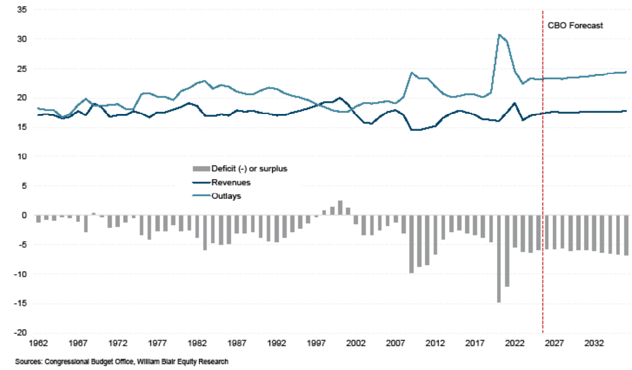


Exhibit 4
Federal Budget Deficit/Surplus as % of Nominal GDP



The fiscal benefit depends on more than the increase in output. It also depends on how the gains are divided between labor and capital, how those forms of income are taxed, and how much of the additional revenue is offset by new spending. Faster AI adoption can improve the debt outlook, but a decline in labor's share of income would weaken the connection between GDP growth and federal revenue.

Historically, the debt burden has fallen during periods of strong productivity and economic growth, including after World War II and during the technology-led expansion of the 1990s. But growth did not act alone in either period. Productivity gains occurred alongside a growing workforce, favorable demographic conditions, and some degree of fiscal restraint. Whether those supporting conditions exist today is the more difficult question.

Why Growth Worked Before

The 1990s are often cited as evidence that an economy can grow its way out of a debt problem. Back then the budget deficit shrank from nearly 5% of GDP in the early 1990s to a 2.3% surplus in 2000, while debt held by the public declined materially as a share of the economy. In fact, Chairman Greenspan in a 2001 testimony to Congress openly worried about what might happen if there was too little debt.

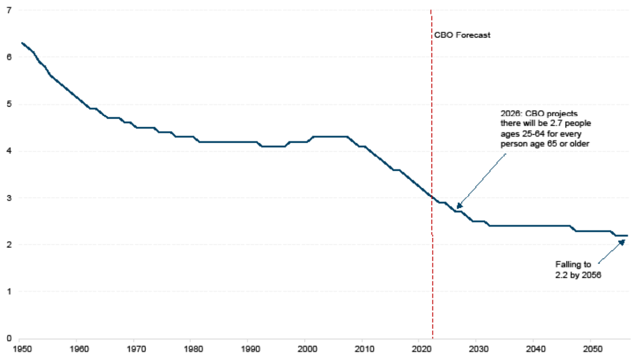
Growth, however, was only part of the adjustment. The internet and the broader adoption of computing technologies lifted productivity, but those gains coincided with fiscal consolidation. Faster growth increased tax receipts, while policymakers reduced deficits. Labor force growth remained strong, globalization expanded the supply of labor and goods, and inflation remained contained. The United States benefited from several favorable forces at the same time.

Today's growth strategy is fundamentally different. It assumes productivity growth can offset demographic pressures while carrying most of the burden of fiscal adjustment. The burden being placed on productivity is therefore considerably greater than during previous episodes of fiscal improvement.

The Demographic Problem

An aging population is difficult to outgrow because the same shift that raises the government's obligations also shrinks the workforce funding them. In 2026, there are roughly 2.7 people ages 25 to 64 for every person age 65 or older. That ratio is projected to fall to about 2.2 by 2056. Faster productivity growth can raise the income produced by each worker, but it cannot increase the number of working-age people relative to the older population they support.

Exhibit 5
Ratio of Population Ages 25-64 Relative to Population 65+

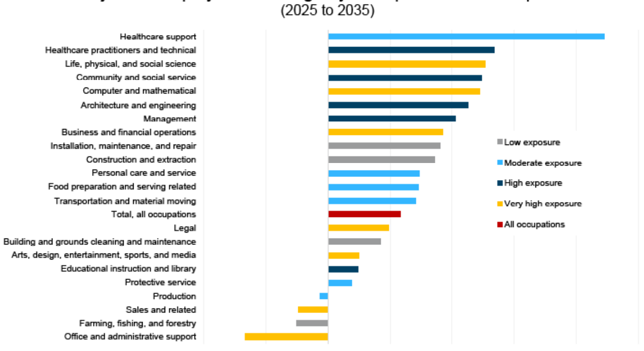


Sources: Congressional Budget Office, William Blair Equity Research

The fiscal consequences of this aging population are approaching. Social Security's retirement trust fund is projected to exhaust its reserves in late 2032, after which continuing income would cover 78% of scheduled benefits. The combined Social Security trust funds would be depleted in 2034, while Medicare's hospital insurance trust fund is projected to exhaust its reserves in 2033. These dates do not mean the programs disappear. They mean lawmakers would have to reduce benefits, raise revenue, redirect general funds, or borrow more.

Increasingly capable AI could ease some of this pressure by raising output per worker, but it cannot eliminate the economy's need for human labor. Employment is projected to grow fastest in healthcare support and practitioner roles, where an aging population is increasing demand and much of the work remains difficult to automate. Employment is also expected to grow in occupations with high AI exposure, suggesting that AI will often complement workers rather than replace them. However, total employment for all occupations is forecast to grow only 3.5% through 2035, compared with 10.9% from 2015 to 2025.

Exhibit 6
Projected Employment Change by Occupation and AI Exposure
(2025 to 2035)



Sources: Bureau of Labor Statistics, William Blair Equity Research

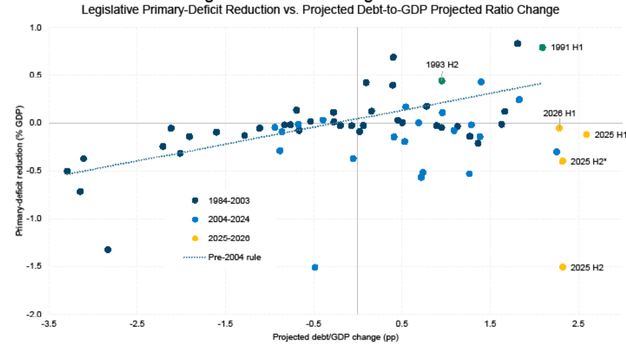
Productivity growth can narrow the fiscal gap, but demographics make it harder to close. The remaining choices involve reducing benefits, raising revenue, or accepting larger deficits, and each ultimately requires political decisions.

The Political Constraint

Addressing the demographic problem will ultimately require legislation—whether to reduce benefits, raise revenue, or accept larger deficits. Historically, fiscal policy responded when the debt outlook deteriorated. The response was not always large, but it typically moved in the right direction. Scoring today's Congressional fiscal management against fiscal management prior to 2004 suggests that the reaction function is broken.

In the first half of 2025, with projected debt-to-GDP rising 2.6 percentage points, the historical rule called for a deficit reduction of roughly 0.5% of GDP; the actual result was a further deterioration of 0.1%. The first half of this year produced much the same (exhibit 7).

Exhibit 7
Yale Budget Lab Deficit Management Scorecard
Legislative Primary-Deficit Reduction vs. Projected Debt-to-GDP Projected Ratio Change



Notes: 2025 H2* treats projected tariff revenues from executive action as if it were legislated
Sources: Yale Budget Lab, Congressional Budget Office, William Blair Equity Research

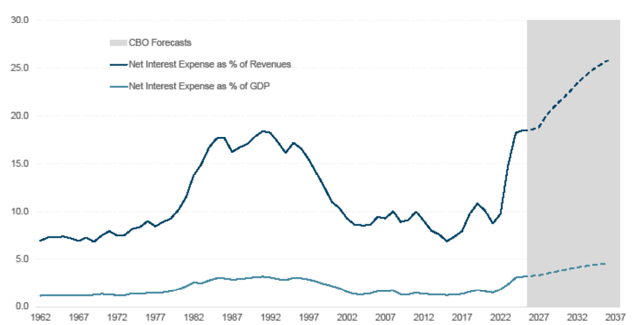
We compare that with the earlier era. In the first half of 1991, lawmakers enacted deficit reduction equal to 0.8% of GDP; in the second half of 1993, they delivered a further 0.4% reduction. Neither adjustment was particularly large, and both carried political costs. But a worsening fiscal outlook still elicited a response.

Historically, governments have reduced large debt burdens through a limited number of channels, such as: faster economic growth, fiscal austerity through higher taxes or lower spending, inflation, financial repression, or some form of default on previously promised obligations. Today, growth appears to be the only solution that enjoys broad political support. The challenge is that today's demographics make that path more difficult than it was during previous episodes of fiscal adjustment.

Outlook for Investors

If stronger growth and legislation fail to stabilize the fiscal outlook, more of the adjustment will fall to financial markets. Rising interest costs would increase borrowing needs and Treasury issuance. At the same time, businesses will likely continue competing for capital as they invest in AI and related infrastructure. Investors may therefore demand greater compensation for inflation, duration, and fiscal risk, keeping long-term interest rates elevated even if inflation moderates and the Fed lowers short-term rates. If policymakers prove unwilling to pursue fiscal adjustment and growth falls short of expectations, market pressure may ultimately force the issue. Higher term premia and rising borrowing costs have historically been among the mechanisms through which financial markets compel fiscal discipline.

Exhibit 8
U.S. Net Interest Expense as % of Revenues and GDP



Sources: Congressional Budget Office, William Blair Equity Research

This also limits the policy response to future downturns. If inflation remains volatile and long-term yields are being pushed higher by fiscal risk and competition for capital, the Fed may have less room to cut rates aggressively without adding to inflation or term-premium pressures. Bonds would then provide less protection against equity weakness than they did during the disinflationary period before the pandemic.

For equities, higher discount rates leave less scope for returns to come from multiple expansion and place more weight on earnings growth, cash generation, and balance sheet strength. Faster productivity growth could support profits, but it would not necessarily restore the low-rate environment of the 2010s. Investors should therefore prepare for a world in which productivity improves, but not necessarily enough or quickly enough to prevent long-term interest rates from remaining elevated.

Conclusion

Faster productivity growth remains the most attractive solution to the nation's fiscal challenges. Advances in AI, capital investment, and innovation could raise output, boost incomes, and generate additional tax revenue. The evidence suggests that growth can improve the debt outlook, and history shows that strong productivity gains have contributed to periods of fiscal repair before.

The comparison, however, has limits. Earlier episodes of fiscal improvement benefited from favorable demographics, a growing labor force, and a political system that was generally willing to respond when fiscal imbalances widened. Today, the United States faces the opposite challenge. The population is aging, labor force growth is slowing, and entitlement obligations are rising, even as policymakers show less willingness to enact meaningful fiscal adjustments.

Growth can help offset those pressures, but it cannot eliminate the underlying arithmetic. Even if AI delivers a substantial productivity boost, the fiscal outcome will depend on how much of those gains reach the Treasury and whether they are large enough to offset mounting demographic costs. If they prove insufficient, the adjustment will ultimately come through some combination of fiscal restraint, inflation, financial repression, or reduced benefit promises. Inflation can lessen the real burden of debt only when it is unexpected; once investors anticipate it, they demand higher yields in return. The alternative is for financial markets to impose the adjustment themselves through higher borrowing costs and greater pressure on long-term interest rates.

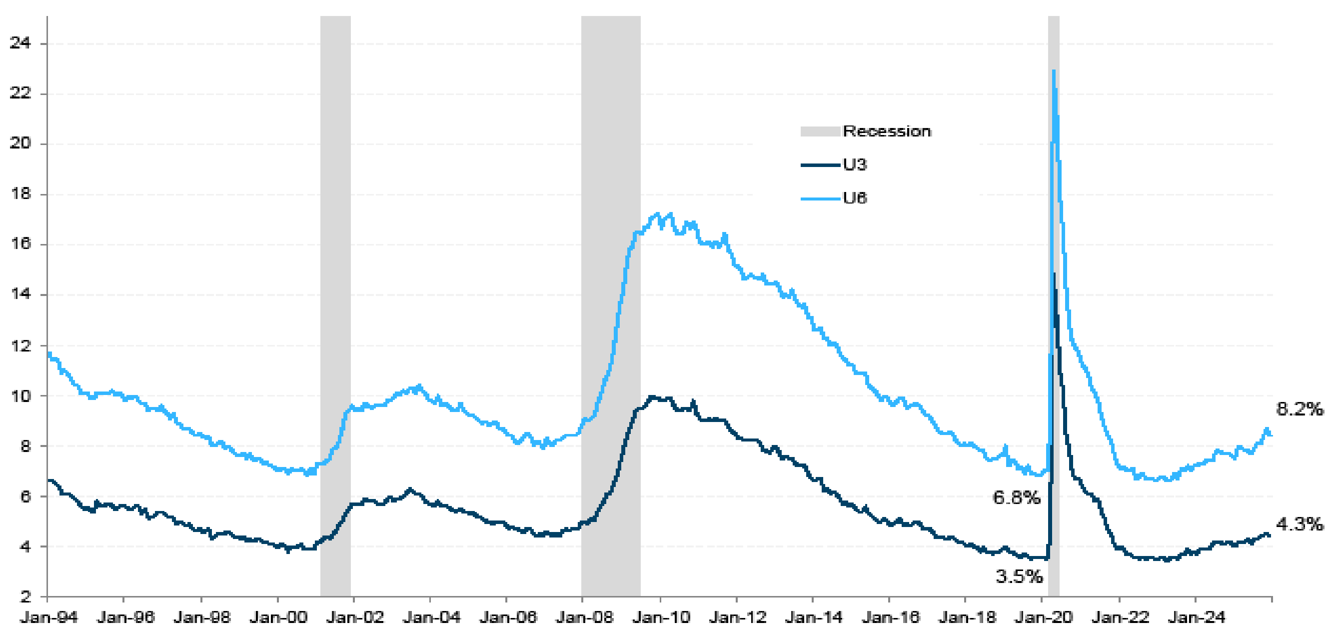
Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
29 Sep.	10:00 a.m.	CB Consumer Confidence (Sep.)	89.4	90.5	90.0	
29 Sep.	10:00 a.m.	JOLTS Job Openings (Aug.)	7271K	7225K	N/A	
30 Sep.	8:30 a.m.	Personal Income (Aug.)	0.4%	0.5%	0.5%	
		Personal Spending	0.2%	0.8%	0.9%	
30 Sep.	8:30 a.m.	GDP Q2 (Second)	1.5%	1.5%	1.5%	
1 Oct.	10:00 a.m.	ISM Manufacturing (Sep.)	54.6	55.0	55.8	
2 Oct.	8:30 a.m.	Nonfarm Payrolls (Sep.)	162K	100K	115K	
		Unemployment Rate	4.1%	4.1%	4.1%	
		Average Hourly Earnings	0.3%	0.3%	0.3%	

Sources: Bloomberg, William Blair Equity Research

Indicators of the Week: Employment Situation

Headline Unemployment Rate vs U-6 Underemployment Rate,%



Source: BLS, Willam Blair Equity Research. U-6 = Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force

Economic Scorecard

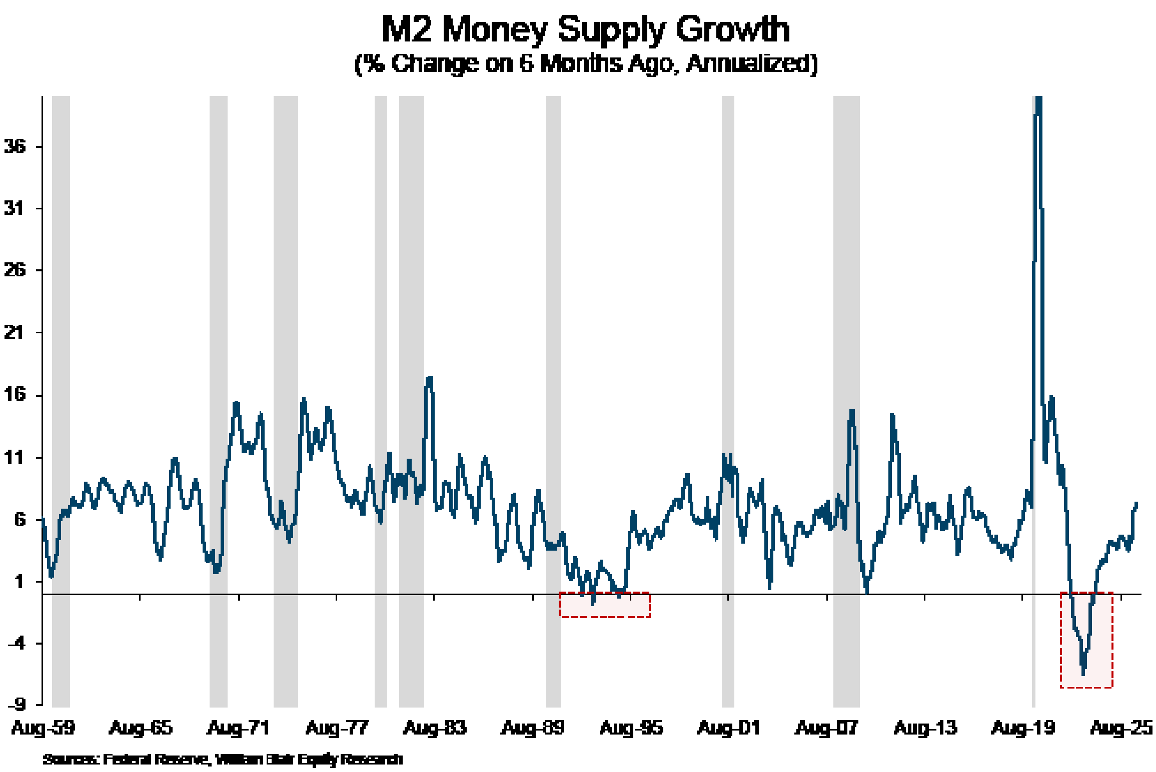
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

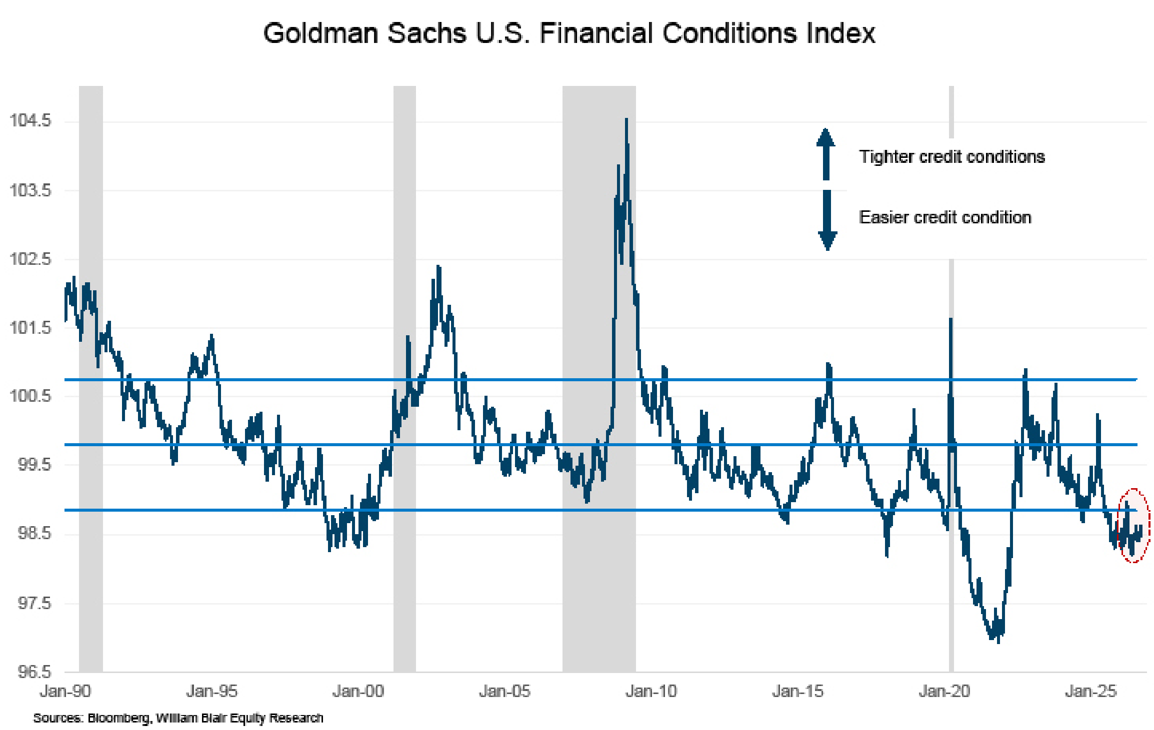
	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Growth																			
US Leading Indicators	-3.3	-4.1	-3.7	-3.8	-3.4	-3.5	-3.2	-3.1	-3.7	-3.7	-3.6	-3.1	-3.0	-1.6	-1.4	-1.1	-1.0	-0.7	
US Coincident Indicators	1.6	1.6	1.1	1.1	1.4	1.2	1.2	1.0	0.6	0.6	0.9	0.6	0.3	0.3	0.6	0.7	0.5	0.7	
US Lagging Indicators	-0.6	-0.8	-0.1	-0.3	-0.5	-0.4	0.2	0.3	0.3	0.7	0.9	0.6	1.1	1.3	0.7	0.8	1.2	1.3	
Consumer																			
Total Retail Sales	5.2	5.1	3.1	3.9	4.2	4.7	4.1	3.2	3.2	2.4	3.3	4.2	4.2	5.1	7.2	6.8	5.0	6.0	
Personal Income	5.2	5.6	4.5	4.3	4.8	5.1	5.1	4.5	4.4	4.2	4.1	3.5	3.3	2.7	4	3.9	3.7		
Real Disposable Personal Income	2.3	2.8	1.5	1.2	1.7	1.8	1.8	1.3	1	0.8	1.4	0.8	0	-1	0.1	0.5	0.5		
Real Personal Consumption	3.2	3.1	2.5	2.5	2.6	2.8	2.4	2.5	2.2	1.6	2	2.4	1.9	1.9	2.4	2.6	2.1		
Personal Saving Rate (%)	5.1	5.5	4.9	4.6	4.5	4.4	4.3	3.9	3.8	3.6	4.4	3.8	3.5	2.9	2.8	2.6	3		
Consumer Confidence (Conference Board)**	93.9	85.7	98.4	95.2	98.7	97.8	95.6	95.5	92.9	94.2	89	91	92.2	93.8	90.6	92.2	90.2	89.4	
Employment																			
Employment Growth	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.3	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.4	
ASA Temporary Staffing Index	-8.7	-6.4	-5.8	-5.3	-0.8	-0.9	0.8	1.5	4.5	7.3	2.3	3.2	6.1	5.4	5.1	6.5	2.5	6.3	
ISM Employment Index: Manufacturing*	44.4	46.2	46.1	45.1	44.9	44.3	45.4	45.6	44.1	44.8	48.1	48.8	48.7	46.4	48.6	49.7	52.8	51.2	
ISM Employment Index: Services*	46	49.2	50.4	47.7	46.9	46.9	47.6	48.1	48.7	51.7	50.3	51.8	45.2	48	47.9	51.2	47.4	47.8	
Unemployment Rate, %	4.2	4.2	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2	4.1	4.1	
Average Hourly Earnings	4.2	3.9	4	3.9	4	4	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.3	3.4	3.2	3.1	
Initial Jobless Claims (avg. wkly. chg. '000s)	223	226	233	239	222	231	234	226	221	219	213	216	208	206	215	223	199	206	
Jop Openings	-15.3	-5.7	-6.1	-2.9	-4.5	-8.0	3.3	-2.8	-9.5	-10.2	-2.6	-4.4	-0.9	6.9	3.1	-0.3	2.6		
Layoff Announcements	204.8	62.7	47	-1.6	139.8	13.3	-25.8	175.3	23.5	-8.3	117.8	-71.9	-78	-20.9	3.4	-4.5	-46.1	-38.5	
Housing Market																			
Housing Starts	3.8	1.5	-3	4.6	12.8	-7.4	-2.8	-7.1	1.5	-7.8	2.4	-9.7	13.1	1	-8.3	4.4	-8.8	-1.2	
New Home Sales	-3.7	-0.7	-7.2	-2.6	-11.5	1.6	-0.1	3.2	13.2	3	-13.4	-1.7	0.5	-6.6	2.3	1.1	-0.8	-2	
Existing Home Sales	-2.7	-1.5	-0.5	0.5	0.8	2.3	4.4	2.2	-1.2	1.9	-1.7	-0.5	-0.3	0.5	3.7	3.8	0.7	-1.2	
Median House Price (Existing Homes)	-5.4	-0.4	2.5	-1.2	-7.4	3	-1	-5.2	1.2	1.4	-3.1	-0.7	-3.4	0.5	-2.5	-0.7	-1.3	-5.8	
Existing Homes Inventory (Mths' supply)	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4	4.2	4.3	4.3	4.3	4.2	4.3	4.3	4.6	
New Homes Inventory (Mths' supply)	9.3	8.6	9.7	9	9.2	8.5	8.2	9	7.7	7.9	9.9	9.3	8.7	9	9.2	8.8	9	8.5	
NAHB Homebuilder Sentiment*	39	40	34	32	33	32	32	37	38	39	37	37	38	34	37	36	34	35	32
Inflation																			
Consumer Price Index	2.4	2.3	2.4	2.7	2.7	2.9	3		2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5	3.4	3.4	
CPI Less-food & energy	2.8	2.8	2.8	2.9	3.1	3.1	3		2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6	2.5	2.4	
Producer Price Index	3.2	2.4	2.7	2.4	3.2	2.7	3	2.8	3.1	3.1	3.1	3.4	4.3	5.7	5.9	5.6	4.8	5.4	
PPI Less-food & energy	3.8	3.1	3.2	2.7	3.5	2.9	3	3	3.2	3.4	3.7	3.8	3.9	4.9	4.5	4.8	4.3	4.6	
PCE Price Index	2.4	2.3	2.5	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	4.1	3.7	3.7		
PCE Prices Less-food & energy	2.7	2.6	2.8	2.8	2.9	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.3	3.3	3.5	3.3	3.3		
Business Activity - US																			
Industrial Production	0.6	0.9	0.1	0.6	1.9	1.2	1.9	1.8	1.8	1.2	1.0	0.8	0.7	1.4	1.7	1.3	1.1	1.4	
New Cap Gds Orders less-aircraft & parts	2.2	0.5	2.2	4.5	4.4	2.5	5.3	6.2	4.1	8	2.9	5.9	10.8	11.1	10	14.9	13.2		
Business Inventories	2.2	2.7	1.8	2.5	2.2	2.5	2.2	1.7	1.6	1.4	1	1.3	1.3	1.2	1.5	1	1.2	2	
ISM Manufacturing PMI*	48.9	48.6	48.6	49	48.4	48.9	48.9	48.8	48	47.9	52.6	52.4	52.7	52.7	54	53.3	55.6	54.6	
Markit US Manufacturing PMI*	50.2	50.2	52	52.9	49.8	53	52	52.5	52.2	51.8	52.4	51.6	52.3	54.5	55.1	53.9	53.9	53.9	57
ISM Services Index*	50.8	51.6	50.2	50.8	50.5	51.9	50.3	52	52.4	53.8	53.8	56.1	54	53.6	54.5	54	54.1	55.4	
Markit US Services PMI*	54.4	50.8	53.7	52.9	55.7	54.5	54.2	54.8	54.1	52.5	52.7	51.7	49.8	51	50.7	51.2	54.6	56.5	58.7
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	48.3	48.4	48.3	49	49.1	49.8	49.5	49.6	48.2	47	49.1	50.9	52.2	51.4	50.1	50.3	52.2	54.3	53.8
Japan Manufacturing PMI Jibun Bank*	48.4	48.7	49.4	50.1	49	49.7	48.5	48.2	48.7	50	51.5	53	51.6	55.1	54.5	54.8	54.5	54.9	54.1
Cabin China Manufacturing PMI*	51.2	50.4	48.3	50.4	49.5	50.5	51.2	50.6	49.9	50.1	50.3	52.1	50.6	52.2	51.8	51.7	50.9	51.5	
China Manufacturing PMI*	50.5	49	49.5	49.7	49.3	49.4	49.8	49	49.2	50.1	49.3	49	50.4	50.3	50	50.3	49.2	49.8	
UK Manufacturing PMI Markit/CIPS*	44.9	45.4	46.4	47.7	48	47	46.2	49.7	50.2	50.6	51.8	51.7	51	53.7	53.9	52.5	51.9	51.7	52
France Manufacturing PMI Markit*	48.5	48.7	49.8	48.1	48.2	50.4	48.2	48.8	47.8	50.7	51.2	50.1	50	52.8	49.7	51.2	49.8	51.1	50.3
Currencies* **																			
Euro (EUR/USD)	0.2	6.2	4.6	10.0	5.4	5.8	5.4	6.0	9.7	13.4	14.4	13.9	6.8	3.6	2.7	-3.1	1.0	-0.6	
Renminbi (USD/CNY)	0.5	0.4	-0.6	-1.4	-0.4	0.6	1.5	0.0	-2.4	-4.3	-4.0	-5.7	-5.0	-6.1	-6.0	-5.3	-6.2	-5.8	
Yen (USD/Yen)	-0.9	-9.3	-6.4	-10.5	0.5	0.6	3.0	1.3	4.3	-0.3	-0.3	3.6	5.6	9.4	10.6	12.9	4.4	8.6	
Sterling (GBP/USD)	2.3	6.7	5.6	8.6	2.7	2.9	0.5	2.0	3.9	7.7	10.4	7.2	2.4	2.1	0.0	-3.4	2.1	0.3	
Canadian $ (USD/CAD)	6.3	0.2	0.8	-0.5	0.3	1.8	2.9	0.5	-0.2	-4.6	-6.4	-5.7	-3.3	-1.6	0.4	4.3	1.2	0.8	
Mexican Peso (USD/MXN)	23.6	14.4	14.3	2.3	1.4	-5.4	-7.0	-7.4	-10.2	-13.5	-15.6	-18.2	-12.4	-11.0	-10.7	-6.7	-6.1	-8.9	
US Equities																			
S&P 500	6.8	10.6	12.0	13.6	14.8	14.4	16.1	19.9	13.5	16.4	14.9	15.5	18.3	29.4	28.2	20.9	18.1	19.0	
S&P 400 Midcap	-4.2	-0.3	0.6	5.9	1.7	5.3	4.5	4.8	-1.7	5.9	6.1	15.5	15.7	27.6	24.1	24.2	19.3	15.6	
S&P 600 Smallcap	-5.0	-3.6	-3.4	2.6	-6.3	1.8	1.9	3.8	-4.0	4.2	7.0	15.9	18.5	36.6	31.2	35.3	31.5	22.1	
Russell 2000	-5.3	-0.5	-0.2	6.2	-1.9	6.7	9.3	12.9	2.7	11.3	14.3	21.7	24.1	42.6	41.3	39.0	32.5	24.9	

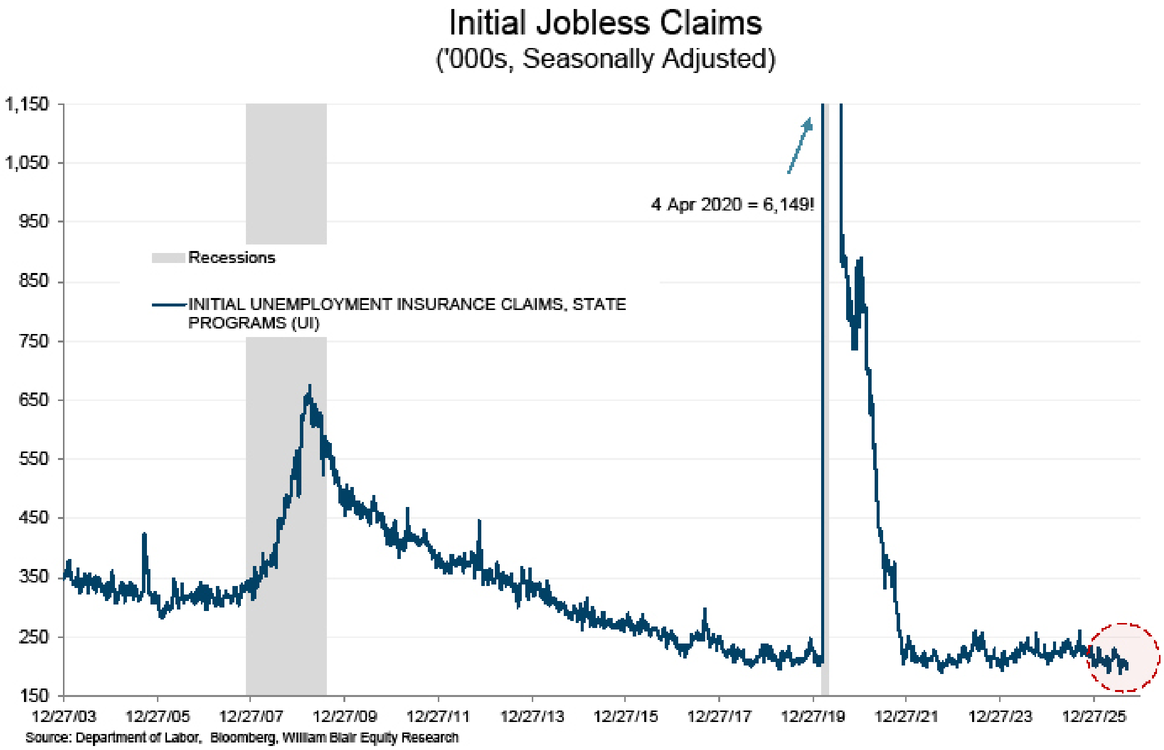
* Diffusion index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

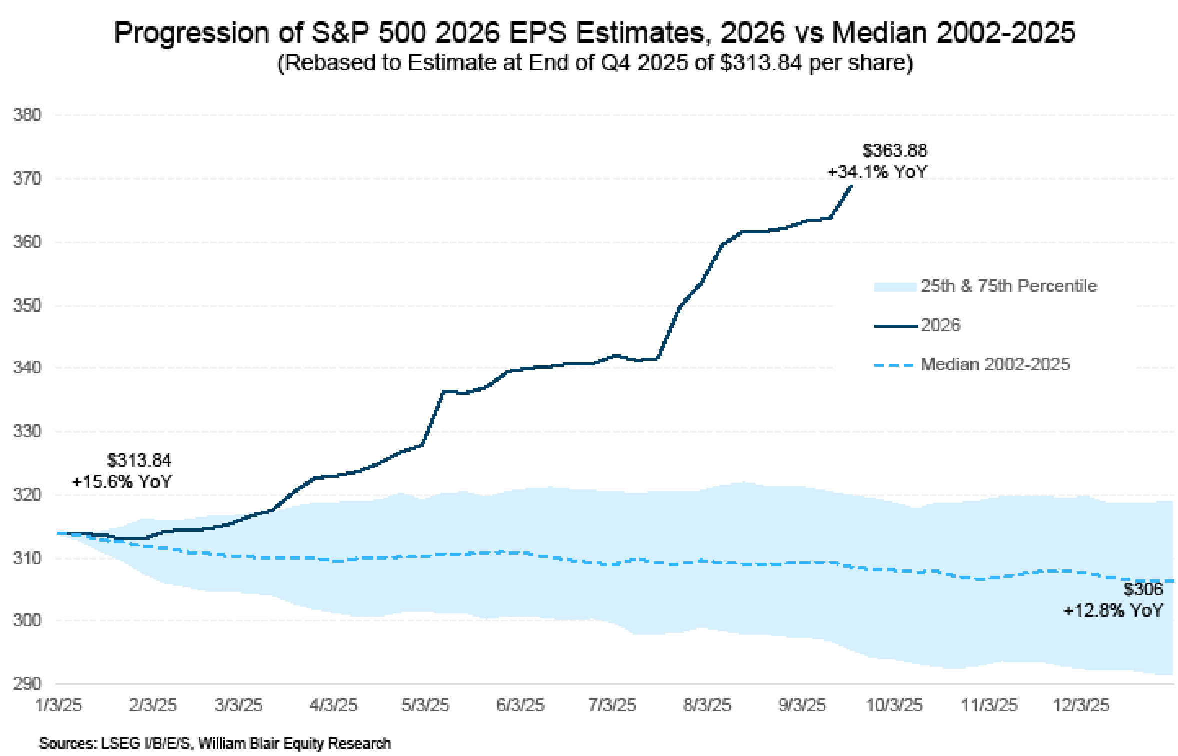
Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

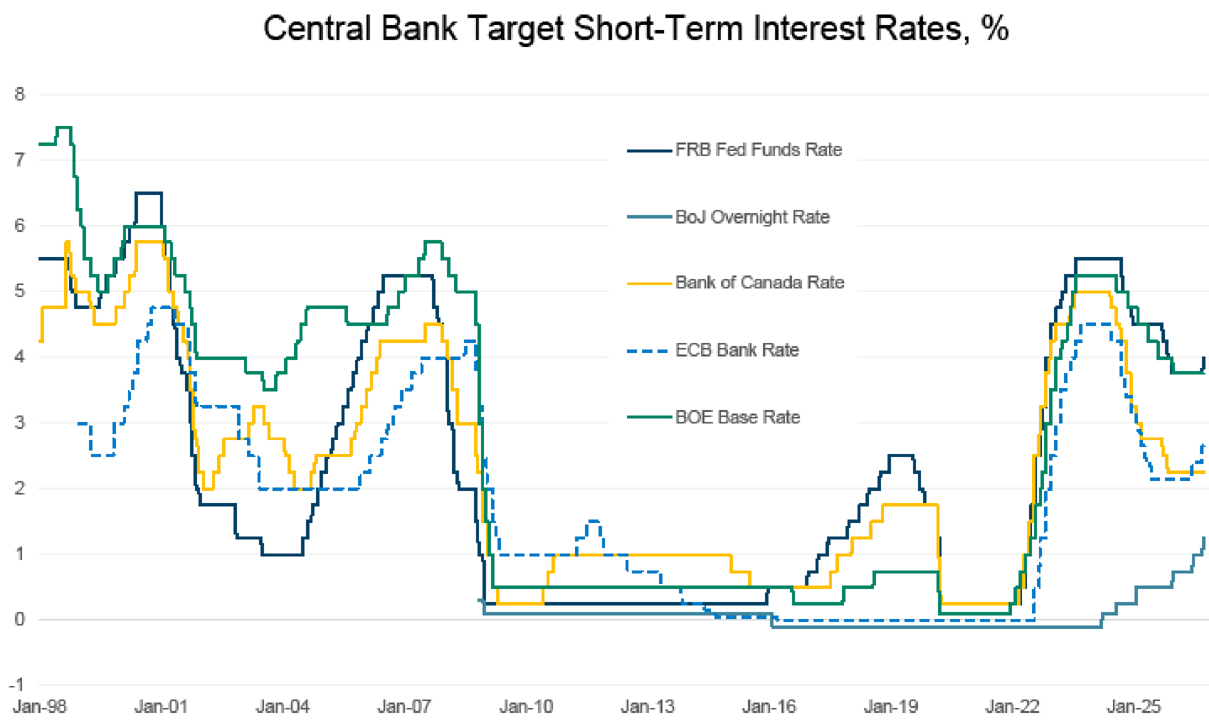
Other Economic Indicators



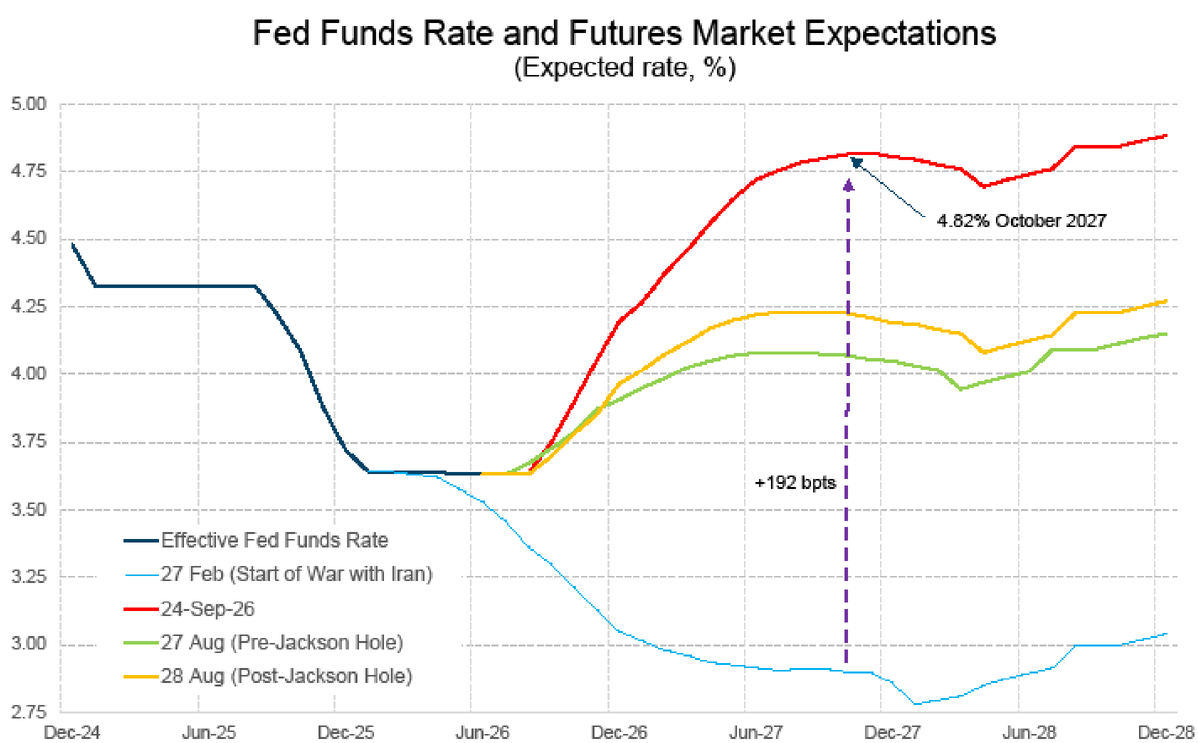



Initial Jobless Claims
('000s, Seasonally Adjusted)
1,150
1,050
950
850
750
650
550
450
350
250
150
4 Apr 2020 = 6,149!
Recessions
INITIAL UNEMPLOYMENT INSURANCE CLAIMS, STATE PROGRAMS (UI)
12/27/03
12/27/05
12/27/07
12/27/09
12/27/11
12/27/13
12/27/15
12/27/17
12/27/19
12/27/21
12/27/23
12/27/25
Source: Department of Labor, Bloomberg, William Blair Equity Research


Progression of S&P 500 2026 EPS Estimates, 2026 vs Median 2002-2025
(Rebased to Estimate at End of Q4 2025 of $313.84 per share)
380
370
360
350
340
330
320
310
300
290
$363.88
+34.1% YoY
$313.84
+15.6% YoY
25th & 75th Percentile
2026
Median 2002-2025
$306
+12.8% YoY
1/3/25
2/3/25
3/3/25
4/3/25
5/3/25
6/3/25
7/3/25
8/3/25
9/3/25
10/3/25
11/3/25
12/3/25
Sources: LSEG I/B/E/S, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research

S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 24-Sep-26	Week Ago 17-Sep-26	Month Ago 24-Aug-26	Qtr-to-Date 30-Jun-26	Year-to-Date 31-Dec-25
S&P 500 Index	**100.00**	**0.87**	**0.67**	**2.73**	**12.54**
S&P 400 MidCap Index		**-0.65**	**-4.30**	**-5.57**	**10.07**
S&P 600 SmallCap Index		**-1.25**	**-5.86**	**-7.02**	**14.30**
Dow Jones Industrials		**-0.83**	**-3.87**	**-1.85**	**6.84**
Nasdaq Composite		**1.97**	**3.69**	**2.77**	**15.91**
Communication Services	**9.98**	**2.06**	**5.19**	**5.55**	**6.02**
Advertising	0.16	-3.17	0.02	-13.76	-36.74
Broadcasting	0.05	-2.15	-6.72	19.39	-14.02
Cable & Satellite	0.04	-8.19	-10.56	-15.73	-33.49
Integrated Telecommunication Services	0.63	-1.43	-6.39	11.07	2.12
Interactive Home Entertainment	0.05	-3.63	-13.07	-16.11	-16.95
Interactive Media & Services	7.91	3.05	8.55	6.23	11.45
Movies & Entertainment	0.86	-1.31	-6.37	4.36	-14.12
Publishing & Printing	0.02	-5.67	-8.20	13.98	8.24
Wireless Telecommunication Svcs	0.25	-0.66	-9.46	-1.42	-18.56
Consumer Discretionary	**9.12**	**-0.57**	**-5.53**	**-3.95**	**-5.01**
Apparel Retail	0.31	3.52	-5.15	-6.23	-2.85
Apparel & Accessories & Luxury Goods	0.07	0.35	-12.98	-17.80	-23.64
Auto Parts & Equipment	0.01	-0.09	-7.94	-29.00	-34.16
Automobile Manufacturers	2.27	2.04	6.33	-9.33	-14.70
Automobile Retail	0.23	0.12	-6.78	-6.56	-14.16
Broadline Retail	3.85	-0.79	-4.74	4.47	8.32
Casinos & Gaming	0.06	-6.60	-19.64	-20.58	-32.32
Computer & Electronics Retail	0.03	-3.77	4.02	19.93	35.96
Consumer Electronics	0.08	7.15	1.30	24.21	45.45
Distributors	0.03	-1.24	-4.74	9.56	4.61
Footwear	0.08	-1.07	-12.28	-14.20	-40.31
Home Furnishings	0.01	-6.95	-10.89	-1.53	9.31
Home Improvement Retail	0.56	-3.29	-13.34	-16.47	-17.00
Homebuilding	0.13	0.19	-6.37	-12.27	-8.11
Hotels, Resorts & Cruise Lines	0.67	-3.41	-17.11	-10.19	-9.95
Leisure Products	0.02	-2.19	-9.01	5.11	5.87
Restaurants	0.65	-3.34	-13.87	-8.21	-12.27
Other Specialty Retail	0.06	-1.24	-4.53	11.51	-23.15
Consumer Staples	**4.75**	**-0.94**	**-4.73**	**-1.14**	**5.50**
Agricultural Products	0.09	-7.23	3.39	6.04	36.71
Brewers	0.01	-6.99	-15.45	-6.70	-22.13
Consumer Staples Merchandise Retail	2.06	0.05	-4.56	-3.41	1.76
Distillers & Vintners	0.04	-5.74	-15.52	-15.00	-14.15
Food Distributors	0.05	-1.16	-6.76	-6.45	6.11
Food Retail	0.08	-2.38	-14.64	-8.74	-7.77
Household Products	0.66	-1.44	-3.55	-2.78	2.12
Packaged Foods & Meats	0.28	-2.47	-9.16	-0.02	-4.26
Personal Care Products	0.08	-0.22	-8.98	2.10	-2.73
Soft Drinks	0.96	-1.71	-7.30	1.03	10.63
Tobacco	0.58	0.05	0.18	2.83	19.42
Energy	**3.27**	**-2.31**	**-0.40**	**18.33**	**39.61**
Integrated Oil & Gas	1.60	-1.51	-0.43	20.47	35.01
Oil & Gas Equipment & Services	0.23	-0.81	-5.88	5.34	27.68
Oil & Gas Exploration & Production	0.60	-1.80	-3.74	12.43	27.05
Oil & Gas Refining & Marketing & Trans	0.45	-7.08	8.13	50.37	124.03
Oil & Gas Storage & Transportation	0.39	-1.23	-1.31	-0.04	24.61

Financials	**10.95**	**-2.05**	**-6.09**	**1.71**	**-0.38**
Asset Management & Custody Banks	0.91	-2.28	-10.23	5.10	-1.21
Consumer Finance	0.49	-2.29	-9.36	-6.46	-17.75
Diversified Banks	2.83	-3.25	-5.45	-0.51	3.08
Diversified Financial Services	6.42	-0.99	-5.71	3.92	-1.58
Financial Exchanges & Data	0.79	1.72	-4.83	13.89	-7.99
Insurance Brokers	0.35	-5.13	-17.18	-3.55	-14.34
Investment Banking & Brokerage	1.29	-1.98	-7.61	-1.27	6.65
Life & Health Insurance	0.28	-0.92	-1.47	5.51	13.05
Multi-Sector Holdings	1.00	-0.79	0.17	0.96	0.50
Property & Casualty Insurance	0.82	-4.79	-6.61	-2.89	0.48
Regional Banks	0.24	-3.38	-8.79	-8.39	-0.53
Reinsurance	0.02	-2.14	-1.28	4.12	9.61
Transaction & Payment Processing	1.84	-0.52	-5.53	8.36	0.36
Health Care	**9.01**	**1.00**	**-2.53**	**7.03**	**9.77**
Biotechnology	1.72	2.63	-0.35	13.99	23.62
Health Care Distributors	0.31	-0.86	-2.56	7.44	2.53
Health Care Equipment	1.25	-0.73	-7.66	4.29	-20.52
Health Care Facilities	0.14	-1.39	-1.13	9.82	-10.62
Health Care Services	0.34	-4.86	-7.41	-8.75	8.55
Health Care Supplies	0.05	0.59	-13.66	-8.30	-11.90
Life Sciences Tools & Services	0.96	4.49	7.43	26.93	15.22
Managed Health Care	0.70	-1.31	-4.77	-6.97	17.69
Pharmaceuticals	3.47	1.21	-3.16	4.97	18.74
Industrials	**7.73**	**0.19**	**-5.49**	**-8.84**	**8.90**
Aerospace & Defense	1.87	-1.07	-8.78	-10.02	-2.92
Agricultural & Farm Machinery	0.26	1.36	7.14	9.55	49.27
Air Freight & Logistics	0.25	-7.29	-10.50	-11.00	5.43
Building Products	0.39	2.42	-3.63	-12.14	7.19
Cargo Ground Transportation	0.11	-2.49	-12.89	-20.87	12.91
Construction & Engineering	0.26	4.16	2.52	-12.51	52.21
Construction Machinery & Heavy Trucks	0.77	0.20	-3.68	-21.15	28.64
Data Processing & Outsourced Services	0.03	-1.00	-12.29	18.77	-27.11
Diversified Support Svcs	0.15	-1.58	-7.88	11.23	-6.62
Electrical Components & Equipment	0.69	5.22	1.83	-6.78	19.28
Environmental & Facilities Services	0.26	-2.42	-7.15	-4.45	-8.31
Heavy Electrical Equipment	0.47	2.97	1.09	-18.94	45.72
Human Resource & Employment Services	0.20	-5.78	-10.29	13.78	-0.04
Industrial Conglomerates	0.24	2.01	-4.34	-0.19	8.09
Industrial Machinery	0.56	1.79	-5.75	-4.83	0.99
Passenger Airlines	0.16	3.63	-0.21	-15.36	8.51
Passenger Ground Transportation	0.20	-2.33	-12.70	-4.07	-15.29
Railroads	0.45	-2.46	-10.74	-0.05	18.84
Research & Consulting Svcs	0.10	-5.93	-14.41	1.51	-23.72
Trading Companies & Distributors	0.32	2.25	-4.13	-6.02	23.77
Information Technology	**37.01**	**2.92**	**7.68**	**6.41**	**27.09**
Application Software	1.74	3.19	1.05	21.59	-14.63
Communications Equipment	1.25	-0.31	1.14	-1.16	42.02
Electronic Components	0.56	4.23	6.33	-22.69	35.97
Electronic Equipment & Instruments	0.15	5.69	7.54	3.47	52.17
Electronic Manufacturing Services	0.19	3.69	4.61	-14.23	-1.28
Internet Software & Services	0.08	-0.02	1.53	8.69	8.36
IT Consulting & Services	0.51	-5.42	-3.53	-1.70	-28.42
Semiconductor Equipment	1.54	12.66	-0.15	-32.63	74.83
Semiconductors	15.61	5.12	11.11	2.93	40.36
Systems Software	7.06	0.17	4.35	29.18	8.28
Technology Distributors	0.02	-6.52	5.24	-0.83	2.39
Technology Hardware, Storage & Peripherals	8.31	0.48	9.33	11.62	37.44
Materials	**1.64**	**-1.08**	**-6.66**	**-1.41**	**9.52**
Commodity Chemicals	0.06	-4.55	-8.54	8.43	28.89
Construction Materials	0.17	-2.56	-11.78	-19.47	-26.27
Copper	0.15	1.74	-7.35	14.61	41.92

Fertilizers & Agricultural Chemicals	0.11	-5.15	-4.82	-1.42	22.56
Gold	0.18	-2.48	-7.99	29.87	21.48
Industrial Gases	0.39	1.49	-5.08	-8.33	10.97
Metal & Glass Containers	0.02	-6.73	-12.05	-9.20	6.97
Paper Packaging	0.14	-0.15	-8.94	-1.96	3.75
Specialty Chemicals	0.30	0.22	-6.68	-4.94	2.72
Steel	0.13	-5.65	1.80	7.97	46.96
Real Estate	**1.63**	**-1.94**	**-7.27**	**-4.39**	**4.85**
Data Center REITs	0.24	-0.16	-2.74	-0.17	27.86
Health Care REITs	0.33	-0.24	-3.88	1.14	22.22
Hotel & Resort REITs	0.02	1.42	-4.23	-6.33	28.99
Industrial REITs	0.18	-1.01	-6.65	-1.22	4.82
Multi-Family Residential REITs	0.00	-2.44	-10.38	-11.41	-6.17
Office REITs	0.01	-2.60	-11.03	-6.10	-7.72
Other Specialized REITs	0.08	-1.48	-9.11	-10.85	7.30
Real Estate Service	0.07	-2.67	-11.31	0.68	-31.47
Retail REITs	0.22	-1.33	-8.86	-9.70	5.64
Self-Storage REITs	0.11	-5.21	-11.41	-9.98	6.39
Single-Family Residential REITs	0.11	-5.21	-11.41	-9.98	6.39
Telecom Tower REITs	0.17	-6.10	-8.09	-2.26	-11.34
Timber REITs	0.02	-7.01	-17.43	-15.87	-14.98
Utilities	**1.75**	**-4.93**	**-8.52**	**-13.16**	**-7.78**
Electric Utilities	1.14	-4.98	-9.60	-13.20	-8.68
Gas Utilities	0.04	-3.46	-6.79	-9.20	-6.69
Independent Power Producers & Traders	0.08	-3.18	1.48	-10.57	-11.49
Water Utilities	0.04	-4.85	-5.99	-0.04	0.79
Multi-Utilities	0.45	-5.18	-7.63	-14.65	-5.49

*Current Weight is market cap based, based on calculations by William Blair Intl. Ltd.

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DOW JONES: 51350.00
S&P 500: 7704.13
NASDAQ: 26939.40

Additional information is available upon request.

Current Rating Distribution (as of September 25, 2026):

Coverage Universe	**Percent**	**Inv. Banking Relationships ***	**Percent**
Outperform (Buy)	72	Outperform (Buy)	15
Market Perform (Hold)	28	Market Perform (Hold)	4
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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