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Diverse impact of the new US fiscal legislation

Market Comment, November/December 2025

In the third quarter, the US Congress passed a new fiscal law known as the One Big Beautiful Bill Act (OBBBA). This legislation encompasses a range of fiscal decisions that are not only significant for the United States, but also at a global level. The effects of the OBBBA are multifaceted and a distinction must be made between short- to medium-term and long-term impacts. While precise quantification is not possible due to uncertainties such as changes in consumer behaviour, several indicators suggest the following: the new fiscal orientation is likely to have a positive impact on the US economy, potentially offsetting the dampening effects of US trade policy. However, US government debt is also set to increase, which could weigh on the US dollar in the medium term. For US companies, the effects are likely to be profit-enhancing, while US government bonds may become less attractive compared to US equities in the long term.

The new fiscal law passed by the US Congress at the beginning of the third quarter has a complicated name: the One Big Beautiful Bill Act (OBBBA). Its contents also pack a punch. On the one hand, tax provisions from President Trump's first term in office are extended, while on the other, it introduces sweeping changes to deductions and government spending. The key individual provisions are as follows:

Most notably, the tax cuts for private households, and especially for businesses, introduced in 2017 have now been made permanent and will not expire. Compared to a scenario in which the OBBBA had not been enacted, this should be a positive factor for US companies, as permanent tax cuts are known to increase corporate profits.

New tax reductions will also come into force that did not apply during Trump's first term in office, including tax relief for overtime pay and tips (an important component of income in the US hospitality sector).

Further measures include tax deductions for senior citizens and increased deductions for state and local taxes. The latter change, in particular, will now allow Americans to deduct property taxes from their income taxes.

Had the OBBBA not been enacted, the 2017 tax cuts would have expired at the end of the current year, negatively impacting US household incomes and US corporate profits. Thanks to the narrow passage of this bill in the US Congress, that outcome has fortunately been avoided. As a result, and due to the additional tax cuts, the OBBBA is expected to have a positive, growth-enhancing impact on the US economy in the short to medium term.

“The bill known as the OBBBA will provide growth stimulus for the US economy and US firms, but will also increase national debt.”

Gérard Piasko, Chief Investment Officer

US companies will benefit from renewed tax exemptions for corporate investments, which should lead to an increase in investment activity on the other side of the Atlantic. In addition to the massive investments in artificial intelligence and data centres already announced by the major technology and communications firms, medium-sized US companies will now also be able to support the US economy with greater investments.

Equally important is the increase in spending on improving national security and defence, namely through the military – together amounting to more than USD 300 billion in additional government spending. These measures, financed through cuts to Medicaid (public healthcare benefits), are also set to support US economic growth and offset the negative impact of US tariff increases.

However, it is not only corporate profits and economic growth that are set to be boosted by the new fiscal legislation under the OBBBA. US debt could also increase, at least in the long term. Analysts are predicting a possible increase of approximately USD 3 trillion over a 10-year horizon, which could push the US federal government debt to GDP ratio to a new high. This would likely be less favourable for US government bonds and the greenback, while the increase in earnings and economic growth will boost US equities in the medium term.

G rard Piasko

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