

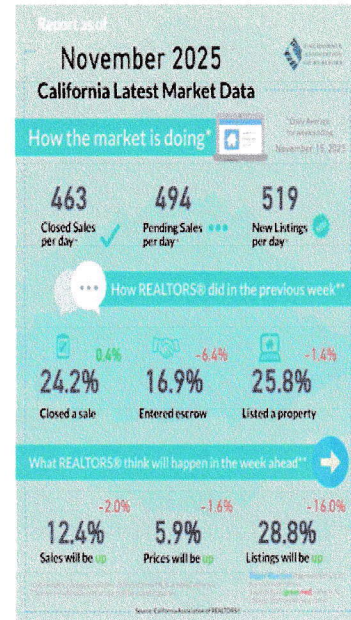
November 17, 2025 – The federal government is back in business after the longest shutdown in history ended last week. The disruption of government services and programs has triggered ripple effects across the nation, and the adverse economic impact will likely continue in the near term. While some losses may be recouped as federal employees receive back pay, permanent economic impacts and lingering uncertainty remain. Key indicators—from consumer expectations to small business optimism—reflect both immediate concerns and long-term challenges that set the stage for a cautious outlook in the months ahead.

Government reopens after longest shutdown in U.S. history: The federal government reopened last Wednesday after a record 43-day shutdown. The longest government shutdown in the U.S. history resulted in 730k federal employees working without pay, 42M SNAP recipients losing their benefits in the first couple weeks of the month, and thousands of flights being canceled or delayed due to air-traffic disruptions. Analysts estimated the shutdown shaved about 0.8 percentage points (ppts) off GDP, with much of the losses expected to recover when government workers receive and spend their back pay, but \$11 billion will be permanently lost due to fewer paid hours for furloughed government employees. Inflation and jobs reports released by the government were also delayed and the October data may be permanently lost, which could create more economic uncertainty and complicate the Fed's rate-cut deliberations. For housing, the return of FHA, VA, USDA loan processing and the National Flood Insurance Program will unclog stalled transactions, though backlogs may cause short-term delays.

Small business optimism declines to six-month low: The NFIB Small Business Optimism Index dropped for the second consecutive month and reached its lowest level since April. The level of optimism for small business owners fell 0.6 ppts to 98.2 in October but continued to stay above the historical average of 98. The decline in October was attributed mostly to lower sales and reduced profit. Fewer small business owners reported higher nominal sales in the past three months as the net percent of owners with an increase in sales volumes fell six points to a net -13%. The frequency of reports of positive profit trend also fell nine points from the prior month, reaching a net percent of -25% for actual earnings changes. The uncertainty index surprisingly dropped 12 points to 88 and was at the lowest level since December of last year. Lower-than-expected September inflation rate released in late October could be a factor. The economic outlook of small business owners remained dimmed, however, as the share of firms expecting the economy to improve over the next six months dipped three ppts to 20% in October.

Foreclosure activity climbs again but remains well below historic highs: October's foreclosure filings on U.S. properties increased both on a month-over-month and a year-over-year basis, as homeowners continue to navigate higher costs of owning a property. According to ATTOM, there were a total of 36,766 U.S. properties with foreclosure filings in October, an increase of 3% from September 2025 and a jump of 19% from October 2024. At the national level, one in every 3,871 housing units had a foreclosure filing last month, while California had one foreclosure in every 3,407 homes. The Golden State was ranked the 10th highest in foreclosure rates among all states, with Florida (1 in 1,829) topping the chart of foreclosures. Shasta, Mendocino, and Kings were the counties in California that had the highest foreclosure rate in the state last month. Despite the increases, overall foreclosure activity remains low compared to historic highs. With the economy expected to slow in the near term, homeowners will experience added financial strain which could result in higher foreclosure rates in the next six months.

Consumers' employment outlook follows the "low-fire, low-hire" job market



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trend: Results from the New York Fed's *Survey of Consumer Expectations* indicate that consumers' expectations on the labor market in October were mixed, but their perception on short-term inflation has improved. Fewer survey respondents believed that they will be fired within the year as the mean perceived probability of losing one's job in the next 12 months declined by 0.9 ppts to 14.2% in October. However, the odds of finding a job in the next three months if one's current job was lost dropped 0.6 ppts to 46.8% last month. Meanwhile, consumers showed more optimism on inflation, as the October median expectations on overall price growth decreased by 0.2 ppts from the prior month to 3.2% at the one-year-ahead horizon. The September's inflation report released in late October, which shows lower-than-expected price increases, may have contributed to the uptick in consumer optimism as well. With the labor market likely to slow further, a cooler inflationary measure provides more breathing room for the Fed and may have increased the rate-cut odds in December a tad more.

Construction spending picked up over the summer: U.S. construction spending unexpectedly inched up in August and extended its upward trend for the third straight month, according to the Commerce Department's latest report. Total outlays ticked up 0.2% month-over-month in August and rose 1.6% year-over-year from the same month of last year. Private residential construction spending also climbed 0.8% from the prior month's revised figure but recorded a 1.8% decline from the same month of last year. Both single-family (-1.1%) and multifamily (-7.1%) remained on a declining trend from their year-ago levels, despite the two different property types going in opposite directions on a month-to-month basis. While the improvement in construction spending over the summer could be a sign that building activity may have begun to recover, elevated interest rates and high building costs will remain headwinds for developers. Furthermore, part of the increase in construction spending could be attributed to the increase in costs in construction since the figures were reported in nominal terms.

Note: *This summary report gets updated every Monday by 6:00 pm PST. Feel free to email us at research@car.org if you have any questions and/or feedback.*