

*December 15, 2025*— As 2026 approaches, the U.S. economy is at a crossroads—marked by a cautious Federal Reserve, resilient small businesses, and shifting consumer moods. From surprising optimism on Main Street to rising jobless claims and mounting foreclosure rates, news from last week unpacks the forces shaping America's financial outlook and reveals how uncertainty and adaptation are defining the path forward.

**Fed delivers another rate cut but signals a pause on future reductions:** The Federal Open Market Committee cut the federal funds rate by 25 basis points to a target range of 3.50%–3.75% at its December meeting, but projections from central bank officials suggest only one cut in 2026. The Fed's decision to reduce the key overnight borrowing rate was split over whether their priority should be on the weakening labor market or the tariffs-induced inflation expected to come. Two committee members who cast votes against the rate cut cited inflation risk as the reason for a pause, especially since there is a lack of recent official data to provide a sense of how fast prices are growing. Fed Chair Jerome Powell signaled that the central bank will likely pause on further movement on rate, as it waits for more inflation and job market data now that the policy rate was close to neutral. Mortgage rates remained stable after the cut and have been moving sideways in the last few days since after the announcement.

**Small business optimism surprises to the upside in November:** The NFIB Small Business Optimism Index unexpectedly climbed last month with the index ticking up 0.8 points (ppts) and reaching 99 in November. The increase in optimism was due primarily to higher sales expectations, which could be attributed to both the reopening of the government and an anticipation for great holiday sales. More small business owners planned on expanding their payroll, with hiring plan rising four ppts to 19%. Despite the optimism, expectations for better business conditions dropped last month with the net percent of owners expecting better business conditions falling five ppts from the prior month to a net 15%. Nearly two-thirds (64%) of the respondents mentioned that supply chain disruptions were affecting their businesses, an increase of 13 ppts from the October survey and it was the highest level since March 2023. The uncertainty index also climbed three ppts from the prior month to 91, despite the reopening of the government. The uptick in uncertainty could be a reflection of the ongoing concerns about the trade policy changes, which have an adverse impact on firms' planning on capital expenditure.

**Jobless claims post largest increase due partly to seasonal volatility:** U.S. initial jobless claims increased by 44k to a seasonally adjusted 236k for the week ending December 6th, reversing the sharp decline that had pushed filings to a three-year low in the prior week. The surge was the biggest jump in nearly 4 ½ years, but the larger-than-expected rise was not likely an indication of any material weakening in the labor market, but a reflection of volatility at the start of a holiday season. Meanwhile, continuing unemployment claims fell for the week ending November 29th by 99k to 1.838 million, the lowest level since mid-April. The plunge was due partly to seasonal factors, but the ineligibility for benefits after 26 weeks may also have played a role in the decline. At the state level, initial filings for unemployment benefits rose from the prior week in California, with new jobless claims climbing to 48,041 from 33,542 the week before. Continuing claims in the state also rose 97,157 to 410,337 for the week ending November 29th. With jobless claims remaining elevated, softness in the labor market will continue to be a concern as we enter 2026.

**Consumers feel more pessimistic about their financial situations:** Results from the New York Fed's Survey of Consumer Expectations indicate that while consumers' expectations about the labor market conditions improved slightly in



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November, their perceptions and expectations about their current and future financial situation deteriorated further. 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 0.2 ppts to 13.8% in November. Meanwhile, the odds of finding a job in the next three months if one's current job was lost also improved 0.5 ppts to 47.3% last month. Consumers have become more concerned about their finances, however, as the share of respondents who believed that they are financially worse off than a year ago climbed to 39% from 34.4% recorded a month ago. The share who believed that they will be better off a year from now also dipped slightly by 1 ppt to 26.5%. With the economy showing signs of slowing down and a K-shaped economy becoming more apparent, Americans' expectations of their financial well-being could get worse before they get better in the coming year.

**Foreclosure activity climbs annually for ninth straight month:** November's foreclosure filings on U.S. properties decreased on a month-over-month basis but increased from 12 months ago for the nine consecutive months, as homeowners continued to contend with higher housing costs amid a slowing economy. According to ATTOM, there were a total of 35,651 U.S. properties with foreclosure filings last month, a decline of 3% from October 2025 but a surge of 21% from November 2024. At the national level, one in every 3,992 housing units had a foreclosure filing last month, while California had one foreclosure in every 4,112 homes. The Golden State was the 19th highest in foreclosure rates among all states, with Delaware (1 in 1,924) topping the chart of foreclosures. Lake, Madera, Shasta, and Butte were the counties in California that had the highest foreclosure rate last month. With the economy expected to slow in the coming months, homeowners could experience added financial strain which may result in higher foreclosure rates at the start of 2026.

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