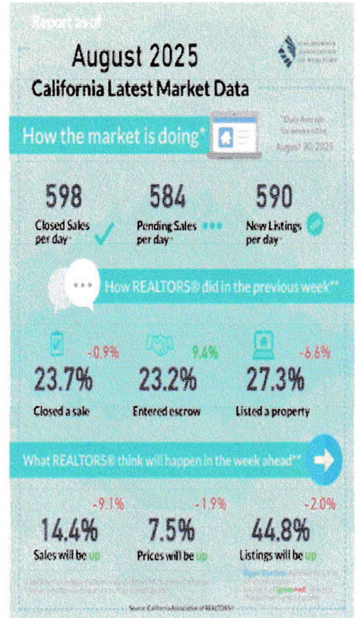
September 01, 2025 – The latest economic indicators continue to suggest a general slowdown in the economy, with unemployment claims falling slightly, but consumers, nevertheless, remain concerned over the labor market and their income growth. On this Labor Day holiday when we pay tribute to the contributions and achievement of American workers, these trends underscore the ongoing challenges and uncertainties faced by the workforce. Despite some positive signs, such as a decline in mortgage delinquencies, the overall outlook implies that the pace of new rehiring may remain slow, and economic headwinds could continue to impact consumer sentiment and housing market activity.

Jobless claims fall but remain in tight range: Fewer workers filed for new unemployment insurance claims in late August but nearly two million remained unemployed, according to the latest jobless claims report released by the U.S. Department of Labor. For the week ending August 19, initial claims for unemployment benefits declined 5k to 229k, an improvement from the prior week after reaching the highest level in two months. At the state level, initial filings for unemployment in California increased on a week-over-week basis, with new jobless claims rising to 38,190 from 38,115 recorded in the week before. Meanwhile, continuing claims also declined in the week ending August 16, with seasonally adjusted insured unemployment falling 7k to 1.954 million. The latest reading staying near the 3 ½ year high attained in mid-June, however, suggests that the pace of new rehiring could continue to be slow even as new layoffs remain subdue.

Consumer confidence eases in August, erasing some gains from the prior month: Americans felt slightly less confident in August compared to a month ago, as worries about a weakening job market and concerns over income growth continued to drive down sentiment despite stronger views of current and future business conditions. According to the latest report from the Conference Board, the U.S. consumer confidence index declined 1.3 points last month to 97.4 from the revised 98.7 in July. The pullback was driven by dips in both the consumers' current assessment of and their short-term expectations on business and labor market conditions. Consumers remained concerned about the job market outlook in August, as 26.8% expected fewer jobs to be available in the next six months, compared to 25.1% in July. They were also less positive about their income outlook, with 12.6% expecting their income to decrease, an upward movement from 11.8% from the prior month. The share of consumers who believed interest rates would rise also inched up to 54% from 53.1% in July, but those who planned to purchase a home stabilized after declining in July.

New home sales dip as homebuyers remain on the sideline: Sales of new U.S. single-family homes fell slightly by 0.6% month-over-month in July after a sharp upward revision in June. The decline to 652k units came in higher than the consensus expectations of 630k units nevertheless but remained below the year-ago level by 8.2%. Sales activity decreased from the prior month in the Mid-west (-6.6%) and the South (-3.5%), unchanged in the North-east (0%) but up solidly in the West (+11.7%). With mortgage rates down 25 basis points (bps) since the beginning of August, the drop in borrowing costs could motivate some homebuyers to reenter the market. As such, sales activity on new housing units could see a slight pickup in August and September. Macro headwinds, however, will continue to weigh on new home sales for the rest of the year. New houses for sale, meanwhile, inched down to 499k and dropped for the third time in four months. At the current sales pace, it would take 9.2 months to clear the inventory if no new housing units were added. Despite the monthly decline in new home listings, inventory remained well above last year's 7.9 months and will continue to be a challenge for builders in the near term.

Mortgage delinquencies decline but foreclosure activity edges up: Mortgage



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delinquency rate in July dipped and remained well below the pre-pandemic level, according to the latest release on delinquencies from Intercontinental Exchange (ICE). Mortgages that were late in payment by at least 30 days or more fell by eight basis points (bps) to 3.27% in July and were down nine bps from the same month of last year. The national delinquency rate was 58 bps below where it was before the onset of the pandemic in 2020. Foreclosure starts, on the other hand, increased 4.3% month-over-month to 32k and jumped 7.61% from July 2024. Foreclosure sales also increased 9.68% from June and surged 25% year-over-year to 6.9k. Foreclosure sales have been up from the year-ago level in each of the past five months, while foreclosure starts have been climbing annually for eight consecutive months. Despite the increases, the U.S. foreclosure rate remains 35% below pre-pandemic norms. California was ranked one of the bottom five states by non-current percentage, with a delinquency rate of 2.16% last month, a decrease from 2.21% in February 2024. With mortgage rates expected to ease slightly before the end of the year and the probability of a recession remaining low in 2025 and 2026, mortgage delinquencies should stay low throughout the next 18 months.

Fed's preferred inflation gauge inches up again: The personal consumption expenditure price index (PCE) – the Fed's favorite inflation indicator – increased 0.2% on a month-over-month basis in July and was up 2.6% from a year ago, according to the Department of Commerce. Excluding food and energy, the core PCE recorded a 2.9% year-over-year increase and reached the highest level since February. The moderate increase in overall prices was driven mostly by cost of services as service inflation climbed 0.3%, the highest since February. More tariff-induced price growth is expected to surface in the months ahead as businesses begin to slowly pass on some of the import duties to consumers. With the latest PCE inflation data mostly in line with expectations, mortgage rates were unchanged and remained at the lowest level since October 2024 after the release.

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.*