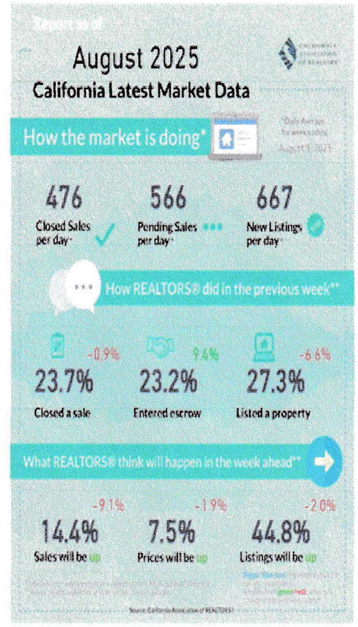
August 11, 2025 – The U.S. labor market continues its "no-fire, low-hire" trend as unemployment stays low but jobless claims tick up. Meanwhile, consumer debt hit another record in Q2 2025, reaching a total of $18.39 trillion, largely driven by increases in mortgage balances. The majority of Fannie Mae's housing sentiment indicators climbed from June to July, suggesting an improving consumer outlook on the housing market. Consumers are expecting a little more inflation in their futures, while also feeling more optimistic about their balance sheets amidst federal tax reform. Survey results suggest that CEOs are increasing their confidence in the economy, but many remain cautious.

U.S. labor market continues its "no-fire, low-hire" trend as jobless claims tick up slightly: The number of people who applied for unemployment benefits for the period ending August 2nd rose to 226,000, up 7,000. This number remains low for the year. The actual, or unadjusted, number of jobless claims stayed below 200,000 for the second consecutive week. The total number of workers collecting unemployment rose to 1.97 million, the highest recorded total since 2021. The elevated level of continued claims shows that the labor market remains difficult for unemployed workers to land a new job. All in all, the data suggests a stable jobs market, one where layoffs are low, but the time needed to find a new job is increasing, likely due to lingering economic uncertainty around tariffs and other trade-related disputes. Indeed, the weekly net change in new jobless claims has been less than 10,000 in either direction for 10 weeks, the longest such streak in three years. The unemployment rate currently sits at 4.2%, still hovering near the historical lows despite slowing job growth.

Consumer debt hits record high in the second quarter of 2025: Total U.S. household debt reached a record high of $18.39 trillion in Q2 2025, an increase of 1% from $185 billion recorded in Q125. Balances grew among most debt categories, while mortgage rates made up the largest share. Mortgage balances grew, rising by $131 billion to a total of $12.94 trillion. Mortgage originations were up slightly, as well, *reaching $458 billion. Home Equity Lines of Credit (HELOCs)* rose by $9 billion, the 13th consecutive quarterly increase. While credit card and auto debt delinquencies remained stable, student loan delinquency rates climbed. Credit card debt was up $27 billion to a total of $1.21 trillion nationwide, with auto loans increasing $13 billion to $1.66 trillion. Student loan debt increased by $7 billion, for a total of $1.64 trillion. Student loan delinquencies are high, with 12.9% in serious delinquency, up from 0.8% a year ago. Mortgage and HELOC delinquencies were 1.29% and 1.15%, respectively, a strong performance by historical standards.

Fannie Mae's Home Purchase Sentiment Index increased in July: The Home Purchase Sentiment Index (HPSI), a composite that tracks consumers' feelings about the U.S. housing market, increased by 2 points to 71.8 in July 2025. The index has six key components: buying conditions, selling conditions, home price outlook, mortgage rate outlook, job loss concern, and change in household income. Of those six, four increased from June to July: job loss concern, home price outlook, mortgage rate outlook, and change in household income. Buying conditions declined while selling conditions remained the same month-over-month. Consumers were less concerned about job loss, with 75% showing no concern of losing their job loss in the next 12 months, a jump of six percentage points from the prior month. Less than half (46%) of respondents expected home prices to increase in the next year, with 18% expecting them to go down. Those who believed mortgage rates will go down in the next 12 months climbed up to 28%, but nearly a third (32%) believed that they will increase. Respondents who said that July was a bad time to buy shot up to 77%, while only 23% see the current housing market condition as a good time to buy.

Inflation expectations tick up, consumers are more optimistic about taxes,



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mixed about the labor market: The Federal Reserve of New York released the July *2025 Survey of Consumer Expectations* on Thursday, August 7. July's median inflation expectations increased to 3.1% from 3.0% at the one-year horizon, as inflation uncertainty declined at both the one- and three-year horizons. Meanwhile, expectations for median home price growth remained positive and stayed at 3%. Consumers surveyed also expected to see a smaller growth in tax payments in the one-year horizon. In fact, the median expectation for change in taxes declined by 0.6 percentage points to 2.9%, the lowest level since October 2020, a reflection of the consumer sentiment about the newly passed tax law. Consumers also were more optimistic in July about their household financial situation, with smaller shares reporting that their households are worse off compared to a year ago or will be worse off a year from now. Expectations for the labor market were mixed, with fewer consumers projecting an increase in unemployment rate while also reporting a higher likelihood of losing a job over the next 12 months.

CEOs report higher confidence in overall economy, but caution remains: The Conference Board released its quarterly survey of CEO confidence, and found that the measure increased to 49, up from 34 in Q2. An index below 50 reflects more negative than positive responses. Progress in trade negotiations played a role, as did the U.S economy's continued resiliency. Fears of a recession in the next 12 to 18 months dropped from 83% in Q2 to 36% in Q3. CEOs reported feeling increased cost pressures from suppliers, materials, and technology (71%, 64%, and 63, respectively). Many of them will manage costs by using productivity-enhancing technology (93%), negotiating with suppliers (89%), and cutting operating costs (73%). Nearly two-thirds of them (64%), however, also planned to pass costs onto consumers, which could mean more inflation in the future.

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.*