

# Economic overview and forecast for **2025 Q2**

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## I. General Economic Overview, Industry Overview and Company Outlook

### Historical Economic Data 2020 – 2024 and Forecasts 2025 – 2034

	Consensus Forecasts											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-2034
Real GDP	-2.2	6.1	2.5	2.9	2.8	1.5	1.6	2.1	2.1	2.0	2.0	1.9
Industrial production	-7.1	4.4	3.4	0.2	-0.3	0.9	0.5	1.9	1.9	1.9	2.0	1.8
Consumer spending	-2.5	8.8	3.0	2.5	2.8	2.1	1.4	2.1	2.1	2.1	2.1	1.9
Real disposable personal income	6.3	3.5	-5.6	5.1	2.7	1.9	2.0	2.4	2.2	2.1	2.0	2.0
Business investment	-4.6	6.0	7.0	6.0	3.6	1.7	0.7	3.3	3.3	3.2	3.3	3.0
Nominal pretax corp. profits	-2.4	27.6	7.8	6.9	7.9	0.5	3.9	4.7	3.9	3.8	3.8	3.7
Total government spending	3.4	-0.3	-1.1	3.9	3.4	1.2	0.5	N/A	N/A	N/A	N/A	N/A
Consumer Price Index	1.2	4.7	8.0	4.1	3.0	3.0	2.8	2.3	2.2	2.2	2.2	2.3
Core PCE	1.3	3.6	5.4	4.1	2.8	3.1	2.7	N/A	N/A	N/A	N/A	N/A
3-month Treasury bill rate	0.1	0.1	4.3	5.3	4.2	3.8	3.1	3.2	3.1	3.2	3.1	3.2
10-year Treasury bond yield	0.9	1.6	3.9	3.9	4.6	4.3	4.1	4.1	4.1	4.0	4.0	4.0
Unemployment rate	8.1	5.3	3.6	3.6	4.0	4.3	4.6	N/A	N/A	N/A	N/A	N/A
Housing starts (millions)	1.4	1.6	1.6	1.4	1.4	1.4	1.4	N/A	N/A	N/A	N/A	N/A

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau and The Federal Reserve Board.

Source of forecasts: Consensus Forecasts - USA, June 2025.

### Summary of General Economic Overview – United States<sup>1</sup>

Overall, the U.S. economy sent softening signals in the 2nd quarter of 2025, with the outlook for inflation increasing, sluggish payroll growth, and signs of a weakening housing market. The GDP growth was primarily attributed to lower net imports (which have a negative impact on GDP), likely reversing the Q1 2025 temporary surge in imports following a pulled-forward demand for imported goods amid concerns about tariff-related price increases. While the GDP growth was positive, the short-term inflation outlook increased, leading the Federal Reserve Board to leave the interest rate unchanged and take a cautious stance on future interest rate cuts.

Domestic production growth was positive in the quarter. A decrease in imports and an increase in consumer spending contributed to the GDP growth, partially offset by a decline in federal government spending and a decrease in private investment.

Inflation was in line with the expectations despite higher prices in most categories compared to the previous quarter. Trade wars and concerns about softening U.S. and global economies led to lower crude oil prices. In response, the Federal Reserve left the target interest rate unchanged and signaled that future cuts would depend on the economic data.

A frequent bright spot for the economy in recent years, the job market sent mixed signals in the 2nd quarter of 2025, with unemployment rate steady, slightly lower labor force participation, and sluggish nonfarm employment growth. Still, the labor market remains well within the bounds of full employment.

Capital markets posted sharp gains in the 2nd quarter, shaking off economic uncertainty, a rising inflation outlook, and expectations of higher import tariffs. The tech-heavy NASDAQ indexes overperformed the broader S&P 500 and Dow Jones Industrial indexes.

Housing market data showed signs of losing momentum, with a slower price growth in several metro areas. As sales continued to be constrained by elevated interest rates, unsold housing inventory increased compared to the previous year. Still, prices in most major cities continued to rise year-over-year.

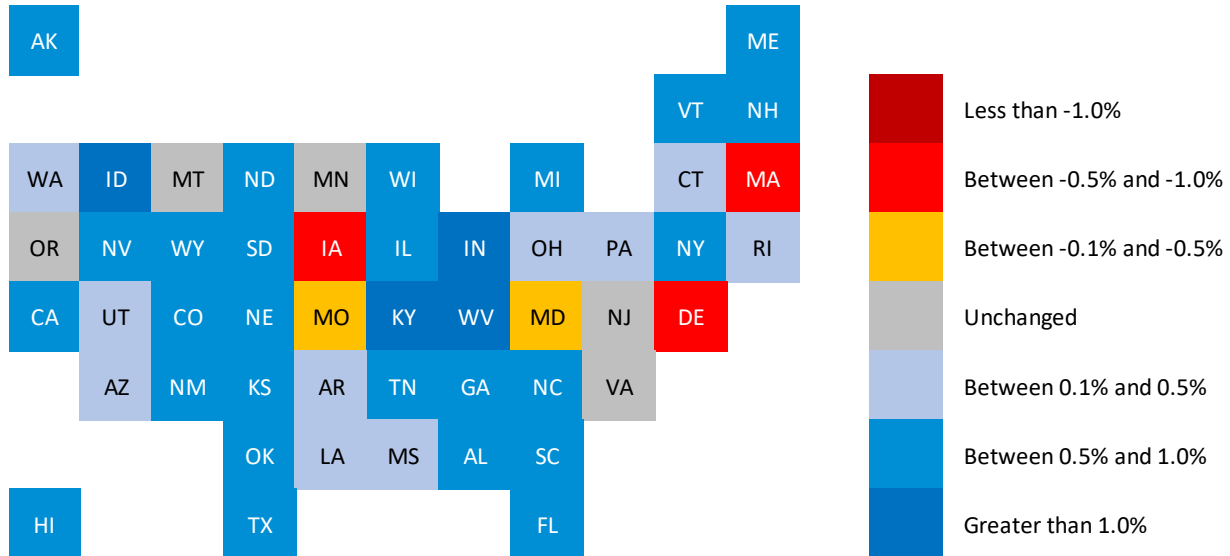
FOMC members' short-term domestic production outlook was revised slightly downward. Unemployment expectations and inflation projections were revised slightly upward, while forecasts of longer-term economic performance were minimally changed.

<sup>1</sup> Economic Outlook Update™ Q2 2025 published by TagniFi, LLC, © 2025.



A multifactor indicator of economic strength, the Philadelphia Fed's coincident index<sup>2</sup> of economic activity in the U.S. rose 0.3% in June 2025 and 0.7% during the 2nd quarter. For the quarter, the index increased in forty states, decreased in five, and remained unchanged in five. Coincident indexes reflect unemployment, payroll employment, manufacturing hours, and wages and salaries.

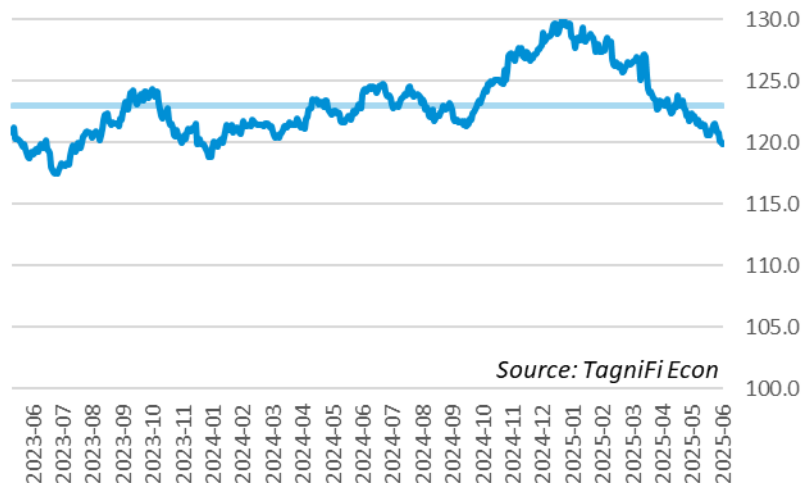
### June 2025 State Coincident Indexes: 3-Month Change



Source: TagniFi Econ

The U.S. dollar index for goods and services<sup>3</sup> declined 5.6% during the 2nd quarter of 2025, reflecting the expectation of slower growth in the U.S. economy compared to other developed markets amid concerns about the economic slowdown caused by the trade wars. The dollar index was down 4.0% over the prior year.

### Trade Weighted U.S. Dollar Index



Source: TagniFi Econ

<sup>2</sup> Federal Reserve Bank of Philadelphia, Coincident Economic Activity Index for the United States [USPHCI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/USPHCI>, August 4, 2025.

<sup>3</sup> Board of Governors of the Federal Reserve System (US), Trade Weighted U.S. Dollar Index: Broad, Goods and Services [DTWEXBGS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DTWEXBGS>, August 4, 2025.

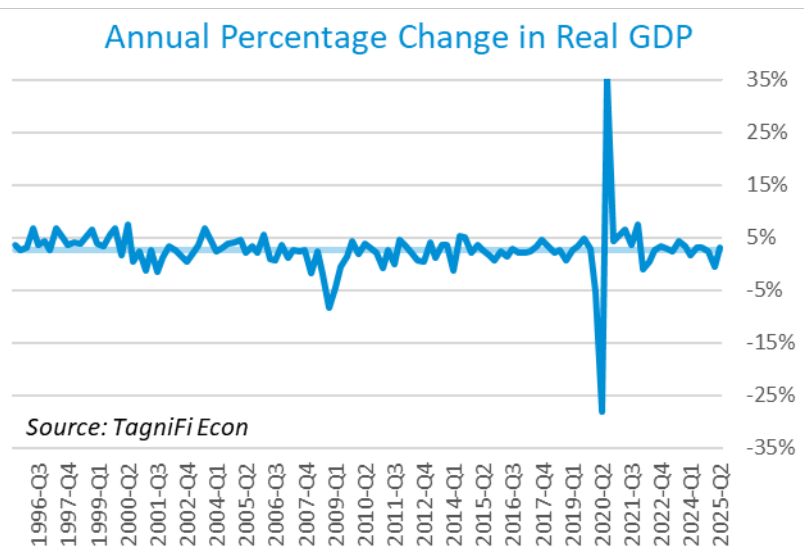


## Economic Highlights

- The Philadelphia Fed's coincident index of economic activity in the U.S. rose 0.3% in June 2025 and 0.7% during the 2nd quarter.
- The U.S. dollar index declined 5.6% during the 2nd quarter of 2025 and was down 3.8% from the prior year.
- Real GDP expanded at an annualized rate of 3.0% during the 2nd quarter of 2025.
- The effective federal funds rate remained unchanged at 4.33% in the 2nd quarter.
- The 1-year and 2-year annual treasury yields ended the 2nd quarter at 3.96% and 3.72%, respectively. The benchmark 10-year treasury yielded 4.24% at the end of the quarter, while the 30-year treasury yielded 4.78%.
- The unemployment rate ended the 2nd quarter at 4.1%, slightly down from the prior quarter. Nonfarm payrolls grew by 0.2 million jobs in the 2nd quarter.
- The Consumer Price Index for all items rose 2.7% for the year ended June 2025. Excluding volatile energy prices, the annual increase was 2.9%.
- Crude oil prices ended the 2nd quarter at \$66.30 per barrel, down 7.8% from the prior quarter and down 20.0% year-over-year.
- New home starts decreased 2.5% during the 2nd quarter to 1.3 million in June. Total new home starts were down 0.5% year-over-year.
- The NASDAQ Composite soared 17.7% during the 2nd quarter. The S&P 500 gained 10.6%, and the Dow Jones Industrial Average reported a more moderate gain of 5.0%, while the Dow Jones Transportation and Composite Averages were up 4.4% and 4.6%, respectively, during the quarter. The Dow Jones Utility Average was up 3.0% during the quarter.

## Business Activity

Real gross domestic product (GDP)<sup>4</sup> increased at a stronger-than-expected annualized rate of 3.0% during the 2nd quarter of 2025, rebounding from a contraction of 0.5% in the first quarter. The increase in the 2nd quarter GDP reflects declining imports and increasing consumer spending, partially offset by decreasing investment and exports. The decline in Q2 imports likely reflects the reversal of pulled-forward demand in Q1 amid concerns about higher tariffs. The positive 2nd quarter GDP growth somewhat mitigated the Q1 concerns about the economic slowdown or reversal of the economic expansion.



<sup>4</sup> U.S. Bureau of Economic Analysis, Real Gross Domestic Product [GDPC1], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1>, August 4, 2025.





Personal consumption expenditures<sup>5</sup> (PCE) had a positive 1.0% effect on real GDP in the 2nd quarter. A rise in spending on services, especially health care (including hospital and outpatient services), food services and accommodations, and financial services and insurance (such as portfolio management and investment advice services) contributed to PCE growth. Spending on both durable and nondurable goods rose during the second quarter of 2025, with the increase in durable goods primarily driven by spending on motor vehicles and parts.

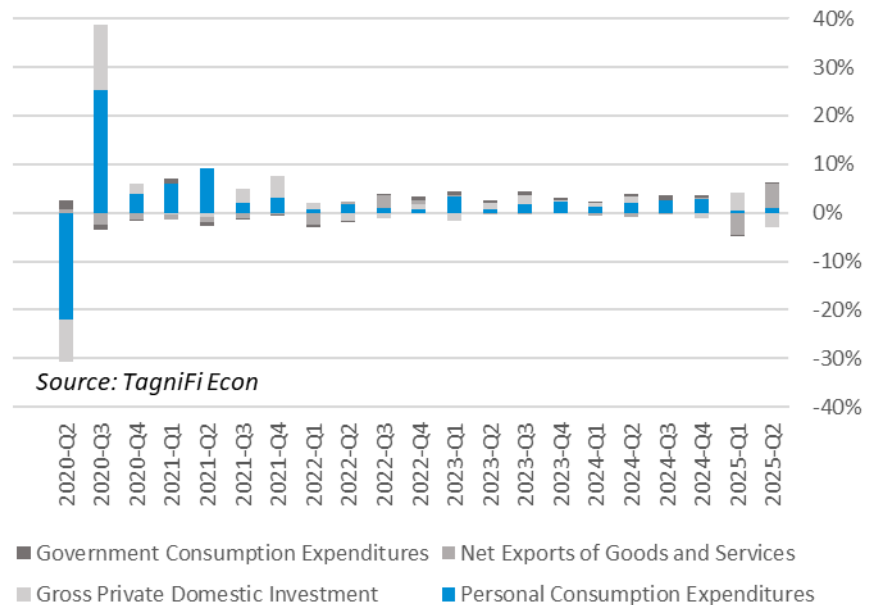
Gross domestic private investment<sup>6</sup> had a negative impact on the GDP, decreasing the 2nd quarter real GDP estimate by 3.1%. Investment in inventories declined during the quarter, reflecting a contraction in manufacturing inventories (in particular, chemical manufacturing). The wholesale inventories declined during the quarter, with the decline in durable goods industries partially offset by an increase in inventories in the nondurable goods sectors. Retail inventories increased slightly during the quarter. The increase in nonresidential fixed investment reflected robust growth in the information processing equipment, computers and peripheral equipment, intellectual property, and software categories. Residential fixed investment declined in the 2nd quarter.

Government expenditures<sup>7</sup> increased slightly in the 2nd quarter, adding 0.1% to real GDP. The federal nondefense spending declined for the second consecutive quarter, likely due to the government efficiency initiative. State and local government consumption increased during the 2nd quarter, offsetting the decline in federal spending.

Net exports<sup>8</sup> increased in Q2, contributing 5.0% to real GDP, as imports (which have a negative impact on GDP) decreased sharply, partially offset by lower exports. The decrease in exports was led by lower exports of automotive vehicles, engines, and parts. The decrease in imports was primarily explained by lower imports of consumer goods, except food and automotive (such as medicinal, dental, and pharmaceutical preparations, including vitamins).

Economists polled by the Livingston Survey<sup>9</sup> in December 2024 projected real GDP to rise to an annual rate of 2.5% in the 2nd half of 2024, moderating to an annual rate of 1.9% in the 1st and 2nd half of 2025.

### Contributions to Percent Change in Real GDP



<sup>5</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Personal consumption expenditures [DPCERY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DPCERY2Q224SBEA>, August 4, 2025.

<sup>6</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Gross private domestic investment [A006RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A006RY2Q224SBEA>, August 4, 2025.

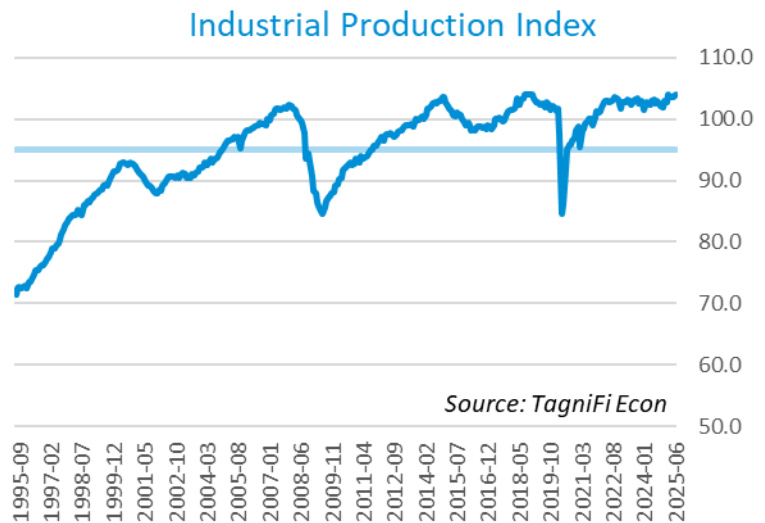
<sup>7</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Government consumption expenditures and gross investment [A822RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A822RY2Q224SBEA>, August 4, 2025.

<sup>8</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Net exports of goods and services [A019RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A019RY2Q224SBEA>, August 4, 2025.

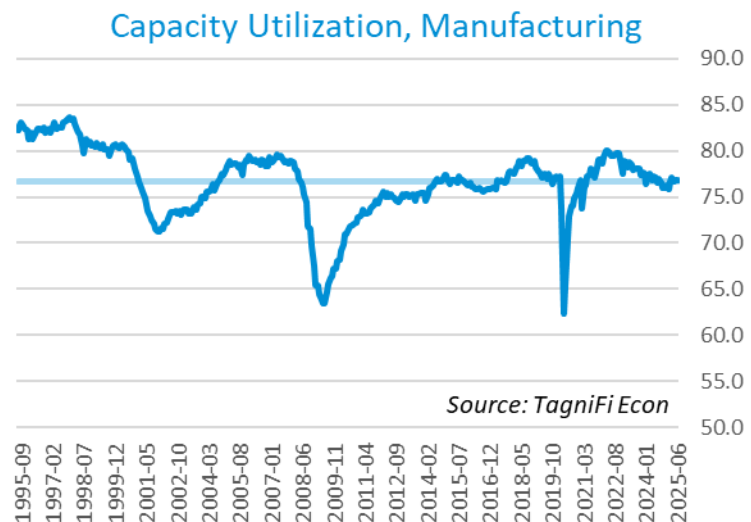
<sup>9</sup> Federal Reserve Bank of Philadelphia, The Livingston Survey December 2024, [economic release], retrieved from <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/livingston-survey>, August 4, 2025.



The Industrial Production Index<sup>10</sup> is an economic indicator that measures real output for all facilities located in the United States manufacturing, mining, and electric and gas utility sectors. The index stood at 104.0 at the end of the 2nd quarter, up 0.3% from the 1st quarter.



The Capacity Utilization Index<sup>11</sup>, which attempts to capture industrial output as a percentage of the economy's maximum production capacity, ended the 2nd quarter at 76.8%. June's level was on par with the 30-year average of 76.7% for this metric and down slightly from the previous quarter.



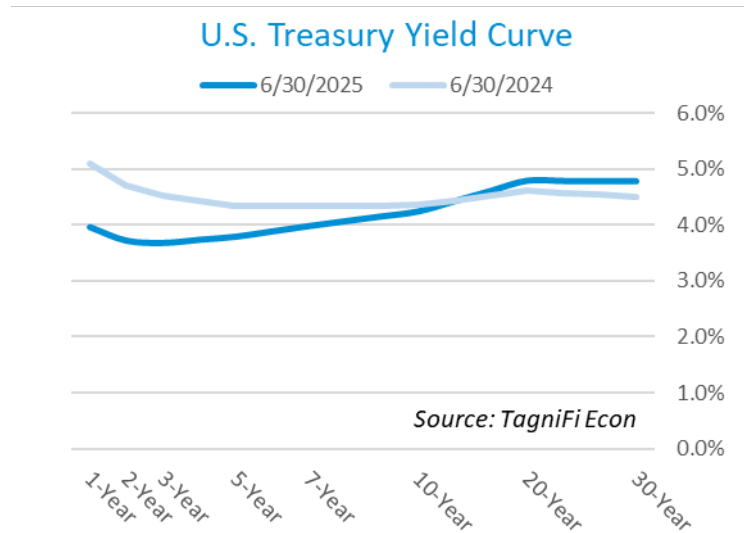
<sup>10</sup> Board of Governors of the Federal Reserve System (US), Industrial Production Index [INDPRO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/INDPRO>, August 4, 2025.

<sup>11</sup> Board of Governors of the Federal Reserve System (US), Capacity Utilization, Manufacturing (NAICS), retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MCUMFN>, August 4, 2025.

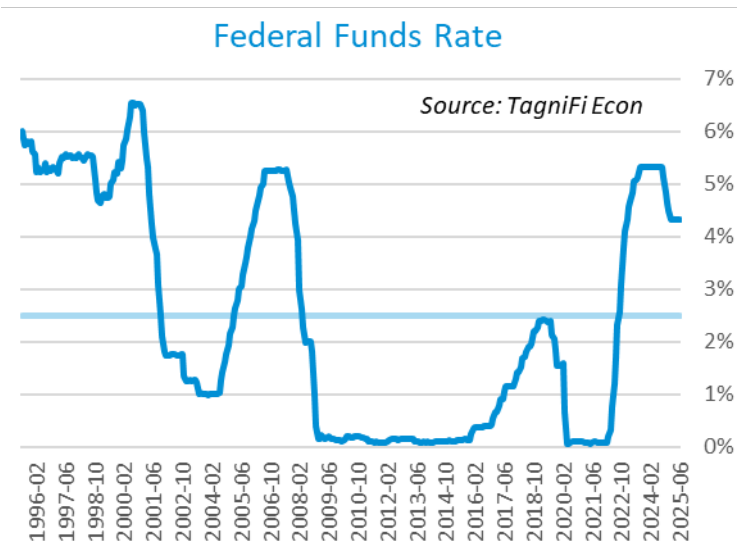


## Interest Rates

Treasury yields<sup>12</sup> for periods of one year and up showed mixed readings during the 2nd quarter, with the shorter-term 1-year and 2-year annual treasury yields declining and the long-term 30-year treasury yield increasing over the quarter. The closely watched two-year yield remained below the ten-year rate for the fourth consecutive quarter, signaling the end of the inverted yield curve that was observable between July 2022 and the first half of 2024. The 1-year and 2-year annual treasury yields ended the 2nd quarter at 3.96% and 3.72%, respectively. The benchmark 10-year treasury yielded 4.24% at the end of the quarter, while the 30-year treasury yielded 4.78%.



In the 2nd quarter of 2025, the Federal Reserve held the federal funds target rate<sup>13</sup> steady at a range of 4.25% to 4.50%, pausing the emerging trend of the interest rate cuts of the second half of 2024. Still, the Q2 interest rate range reflects a moderate decline from the 23-year high of 5.25% to 5.50%. With the economic outlook softening amid economic uncertainty and the inflation outlook remaining above the Fed's optimal rate of 2%, the FOMC signaled that it may take a more cautious approach to additional rate cuts in the upcoming months compared to the second half of 2024. The effective federal funds rate remained steady at 4.33% in the 2nd quarter.



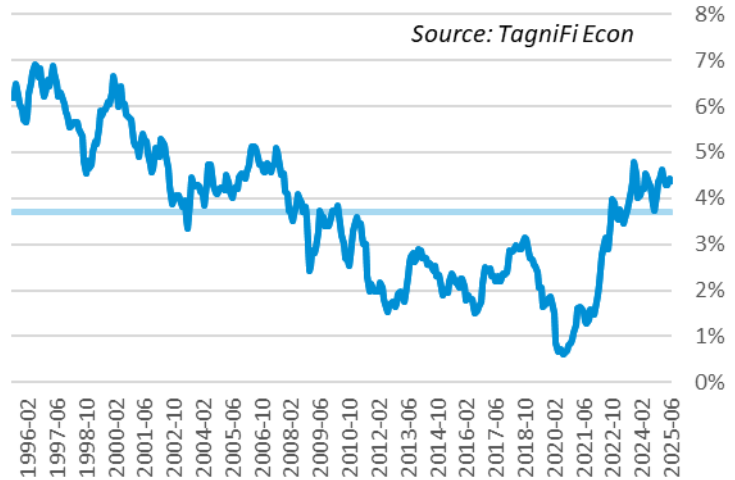
<sup>12</sup> Selected Interest Rates Instruments, Yields in percent per annum, *retrieved from FRED, Federal Reserve Bank of St. Louis;* <https://fred.stlouisfed.org/release/tables?rid=18&eid=289&od=2025-03-31#>, August 4, 2025.

<sup>13</sup> Board of Governors of the Federal Reserve System (US), Federal Funds Target Range - Upper Limit [DFEDTARU], *retrieved from FRED, Federal Reserve Bank of St. Louis;* <https://fred.stlouisfed.org/series/DFEDTARU>, August 4, 2025.



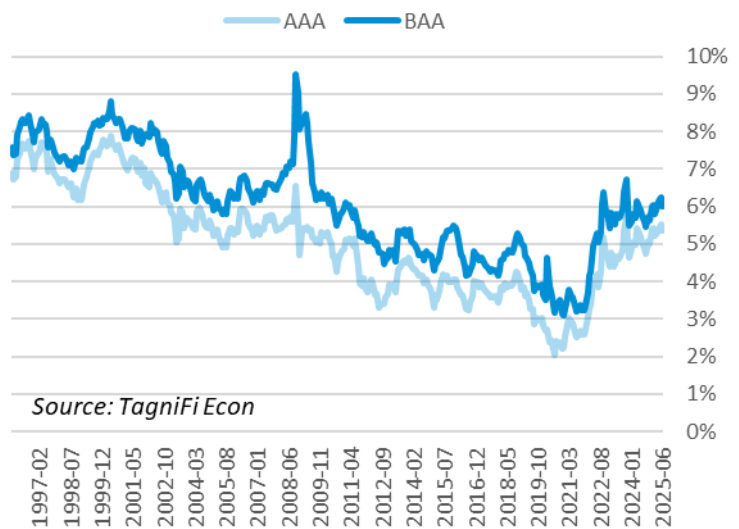
The yield on the benchmark 10-year U.S. treasury<sup>14</sup> ended the 2nd quarter at 4.24%, up 0.01% from the previous quarter and above the average yield of 3.71% over the last 30 years.

### 10-Year US Treasury Yield



Moody's Baa Corporate Bond Yield Index<sup>15</sup> ended the 2nd quarter of 2025 at 5.99%, effectively unchanged from the previous quarter. Moody's less-risky Aaa<sup>16</sup> Bond Yield Index increased slightly by 0.03% during the quarter to 5.34%.

### Moody's Corporate Bond Yields



<sup>14</sup> Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DGS10>, August 4, 2025.

<sup>15</sup> Moody's, Moody's Seasoned Baa Corporate Bond Yield [DBAA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DBAA>, August 4, 2025.

<sup>16</sup> Moody's, Moody's Seasoned Aaa Corporate Bond Yield [DAAA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DAAA>, August 4, 2025.



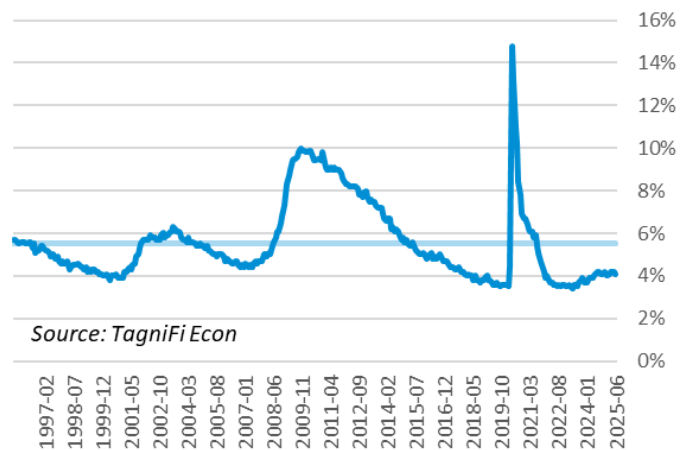


## Employment

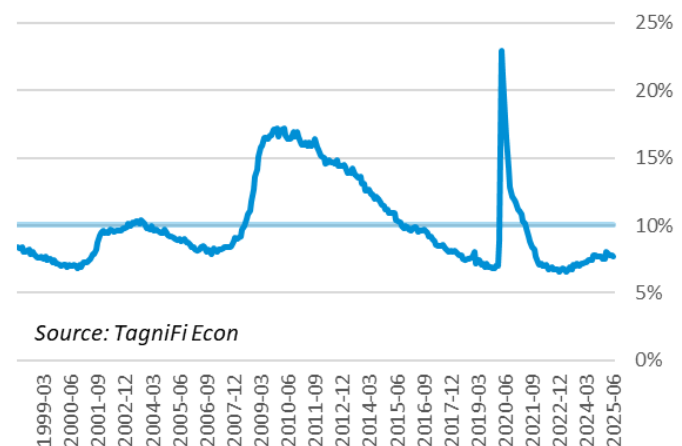
The jobs market, a bright spot in the US economy throughout the pandemic recovery, showed mixed results in the 2nd quarter. The official unemployment rate<sup>17</sup> ended the quarter at 4.1%, slightly down from the prior quarter's unemployment rate of 4.2% and well below the 30-year historical average of 5.5%. The unemployment rate remained within the 4.0% to 5.0% range accepted as an equilibrium level of "full employment."<sup>18</sup> The labor force<sup>18</sup> declined by 0.2 million workers during the quarter, while the labor force participation rate<sup>19</sup> declined slightly to 62.3% in June 2025, 1.0 percentage points below its pre-pandemic level. Economists polled by the Livingston Survey in December 2024 projected the unemployment rate to be 4.2% in December, rising slightly to 4.3% in June 2025 and remaining steady at 4.3% in December 2025.

In June 2025, nonfarm worker quits<sup>20</sup> stood at 3.1 million, down 3.9% over the month and down 4.3% over the year. Job openings<sup>21</sup> totaled 7.4 million in June 2025, 2.4 times the number of resignations. The job openings count decreased by 3.6% from May 2025 and inched up by 0.3% from June 2024.

### Civilian Unemployment Rate



### U-6 Unemployment Rate



The U-6 unemployment rate<sup>22</sup> is an alternative measure of unemployment with a broader definition, including such groups as discouraged workers who are not actively searching for jobs but want full-time work and part-time workers who want full-time work. The U-6 unemployment rate has generally followed the same pattern as the official rate and stood at 7.7% in June.

<sup>17</sup> U.S. Bureau of Labor Statistics, Civilian Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATE>, August 4, 2025.

<sup>18</sup> U.S. Bureau of Labor Statistics, Civilian Labor Force Level [CLF16OV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CLF16OV>, August 4, 2025.

<sup>19</sup> U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CIVPART>, August 4, 2025.

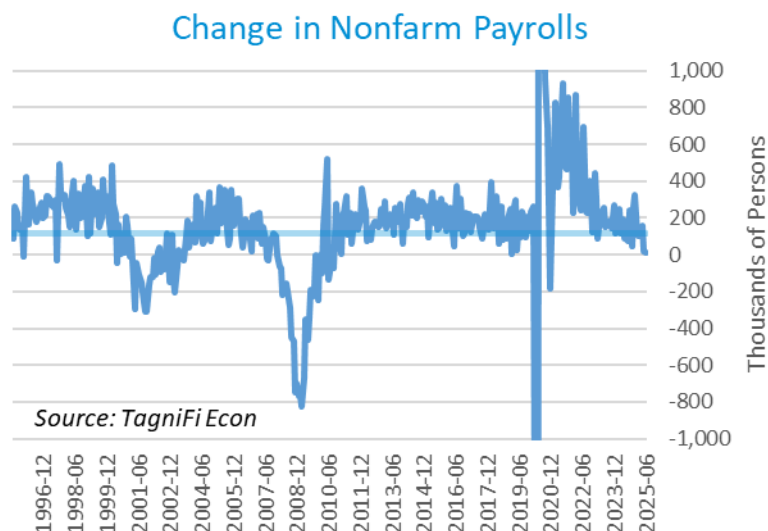
<sup>20</sup> U.S. Bureau of Labor Statistics, Quits: Total Nonfarm [JTSQUL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSQUL>, August 4, 2025.

<sup>21</sup> U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm [JTSJOL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSJOL>, August 4, 2025.

<sup>22</sup> U.S. Bureau of Labor Statistics Total Unemployed, Plus All Persons Marginally Attached to the Labor Force, Plus Total Employed Part Time for Economic Reasons, as a Percent of the Civilian Labor Force Plus All Persons Marginally Attached to the Labor Force (U-6) [U6RATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/U6RATE>, August 4, 2025.

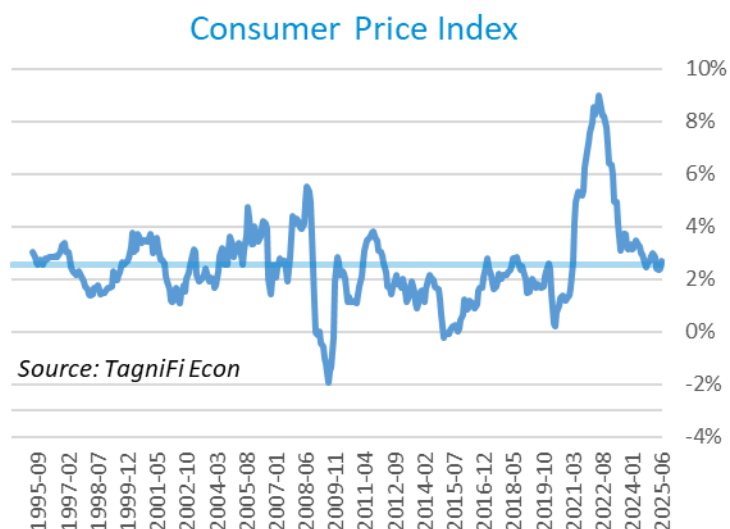


Nonfarm payrolls<sup>23</sup> grew by 0.2 million jobs in the 2nd quarter and remained practically unchanged for the month of June, suggesting that the employment market might be cooling off. U.S. nonfarm payrolls in June totaled 159.5 million jobs, up 1.6 million from the prior June. June's job market growth was primarily concentrated in health care and social assistance. Federal government jobs declined during the quarter, reflecting the Department of Government Efficiency (DOGE) initiatives to reduce the federal government workforce.



## Inflation

In the 2nd quarter of 2025, inflation kept a more moderate pace compared to previous years with significant inflationary pressures. The Consumer Price Index<sup>24</sup> for all items rose 2.7% for the year ended June 2025. Since last June, notable price increases have included shelter, medical care (including medical care services), transportation services, utilities, and food. Prices for gasoline and fuel declined, and prices for new vehicles remained unchanged year-over-year. Excluding volatile energy prices<sup>25</sup>, the annual increase was 2.9%. The average price of a gallon of gas<sup>26</sup> in the U.S. increased 2.3% during the 2nd quarter to \$3.31. June's average price was 8.2% lower than one year prior.



The Consumer Price Index increased by 0.3% in June 2025 compared to May 2025. In the month of June, prices increased in most categories, including energy prices (including gasoline and fuel), utility prices, food at home and away from home, shelter, transportation services, and medical care services. Prices for new vehicles and used cars and trucks were a notable exception and declined during the month.

The Federal Reserve, which had been taking aggressive action to curb inflation with a series of target interest rate hikes totaling 5.25 percentage points from March 2022 to July 2023, cut the target rate in both November and December, bringing the total rate cut to 1.00% in 2024. However, the Fed left the interest rate unchanged in the first half of 2025, signaling that the size of the future cuts would depend on the inflation and economic data readings.

<sup>23</sup> U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm Payrolls [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS>, August 4, 2025.

<sup>24</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, August 4, 2025.

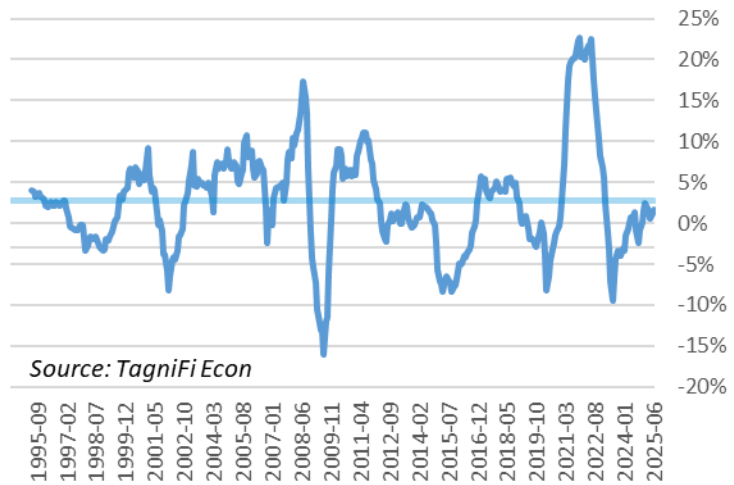
<sup>25</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Energy in U.S. City Average [CPILEGSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPILEGSL>, August 4, 2025.

<sup>26</sup> U.S. Bureau of Labor Statistics, Average Price: Gasoline, Unleaded Regular (Cost per Gallon/3.785 Liters) in U.S. City Average [APU000074714], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/APU000074714>, August 4, 2025.



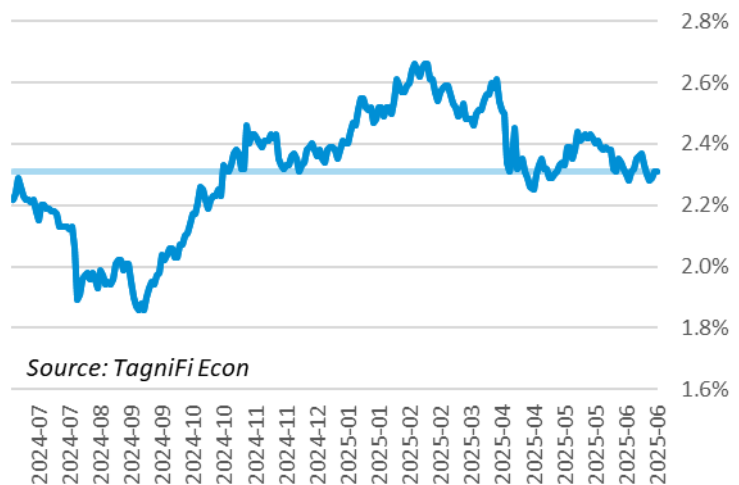
Wholesale inflation has been quicker to regulate than consumer inflation. The Producer Price Index<sup>27</sup> increased 0.6% in the 2nd quarter and 1.7% since June 2024. The average annual increase over the last 30 years was 2.7%.

### Producer Price Index



The 5-year breakeven inflation rate<sup>28</sup>, an indicator of the market's inflation expectations for the period, decreased to 2.3% at the end of the 2nd quarter from 2.6% at the end of the 1st quarter.

### 5-Year Breakeven Inflation Rate



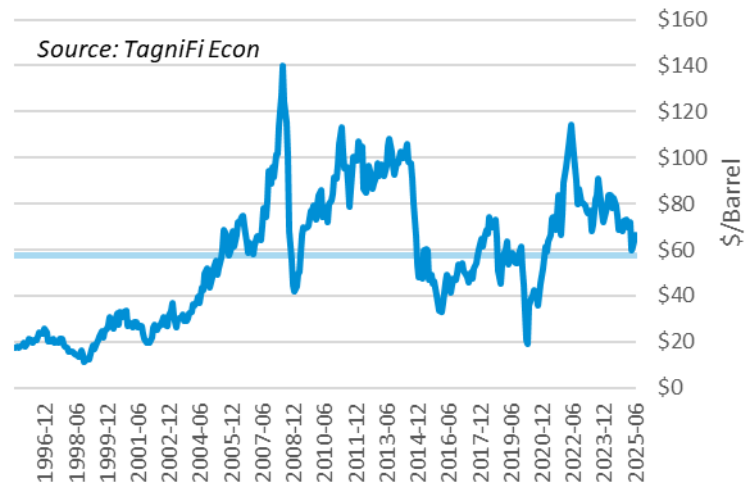
<sup>27</sup> U.S. Bureau of Labor Statistics, Producer Price Index for All Commodities [PPIACO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PPIACO>, August 4, 2025.

<sup>28</sup> Federal Reserve Bank of St. Louis, 5-Year Breakeven Inflation Rate [T5YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T5YIE>, August 4, 2025.



U.S. crude oil<sup>29</sup> prices decreased sharply in the 2nd quarter, settling at \$66.30 per barrel at the end of the volatile quarter amid trade wars and concerns about softening U.S. and global economies. Crude prices ended the 2nd quarter down 7.8% from the prior quarter and down 20.0% year-over-year.

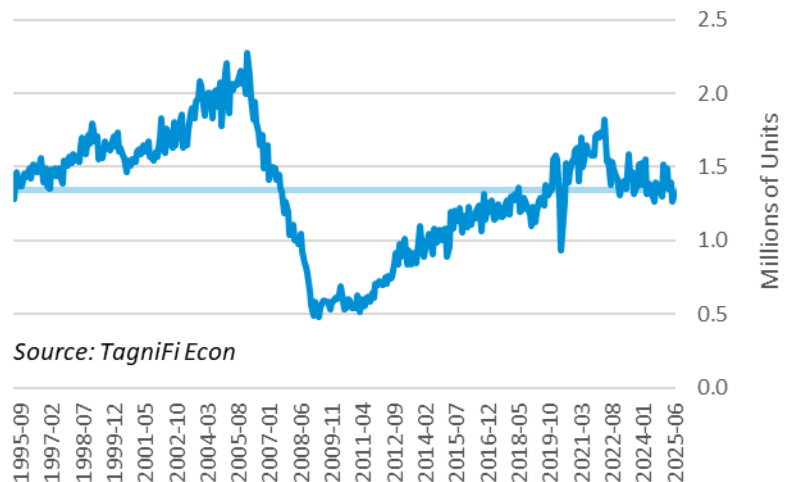
### West Texas Intermediate (WTI)



### Housing

The inventory of unsold homes decreased by 0.6% in June compared to the previous month and increased by 15.9% from June 2024. The median existing home sales price was up 2.0% compared to last year. The median sales price increased year-over-year in all four US regions.<sup>30</sup> New home starts<sup>31</sup> declined 2.5% during the 2nd quarter to 1.3 million in June, reflecting a decrease in both multifamily and single-family home starts during the 2nd quarter. Total new home starts were down 0.5% year-over-year and remained on par with their 30-year average of 1.3 million.

### New Housing Starts



<sup>29</sup> U.S. Energy Information Administration, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma [DCOILWTICO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DCOILWTICO>, August 4, 2025.

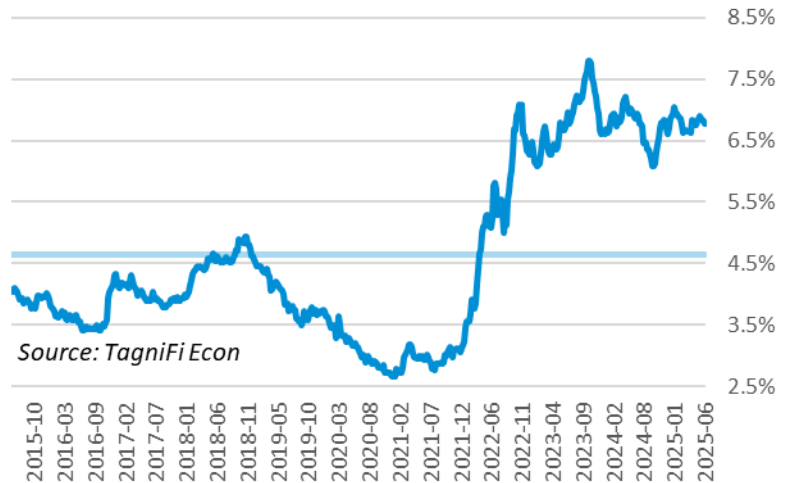
<sup>30</sup> NAR Existing-Home Sales Report Shows 2.7% Decrease in June, retrieved from NAR <https://www.nar.realtor/newsroom/nar-existing-home-sales-report-shows-2-7-decrease-in-june>, August 4, 2025.

<sup>31</sup> U.S. Bureau of the Census, Housing Starts: Total: New Privately Owned Housing Units Started [HOUST], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/HOUST>, August 4, 2025.



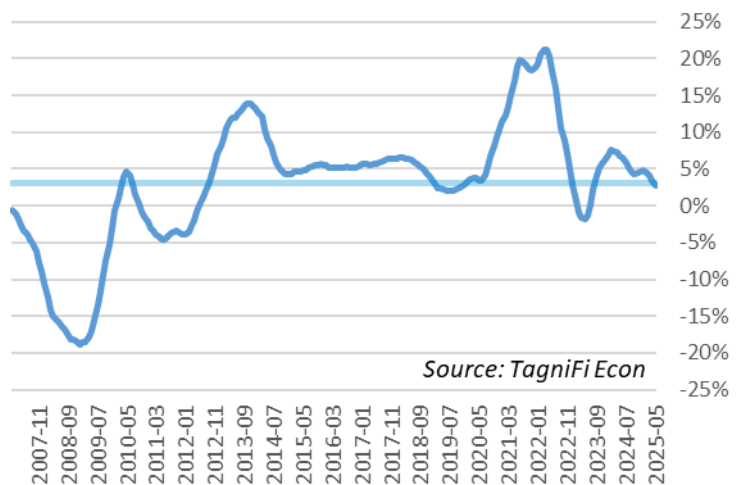
The cost of financing for would-be homebuyers increased during the 2nd quarter, with the 30-year fixed-rate mortgage<sup>32</sup> up 0.12 percentage points to an average of 6.77% at the end of June 2025. The average rate was 1.0% lower than its peak of 7.79% in late October 2023.

### 30-Year Mortgage Rate



The S&P Case-Shiller Home Price Index (20-city)<sup>33</sup> for May 2025 was 0.9% lower compared to February 2025 and 2.7% higher since May 2024. While 16 of the 20 cities recorded a year-over-year increase, the Tampa, San Francisco, and Dallas indexes fell 2.4%, 0.6%, and 0.6%, year-over-year, respectively. The Denver index remained almost unchanged year-over-year. New York, Chicago, and Detroit reported the highest annual gains of 7.3%, 6.1%, and 4.9%, respectively. According to S&P Dow Jones Indices (S&P DJI), the housing data signals a broad weakening of the housing market, due to high interest rates, low transaction volume, and tighter financial conditions.<sup>34</sup>

### S&P Case-Shiller Home Price Index



<sup>32</sup> Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MORTGAGE30US>, August 4, 2025.

<sup>33</sup> S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index [SPCS20RSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SPCS20RSA>, August 4, 2025.

<sup>34</sup> S&P CORELOGIC CASE-SHILLER INDEX RECORDS 2.3% ANNUAL GAIN IN MAY 2025; <https://press.spglobal.com/2025-07-29-S-P-CORELOGIC-CASE-SHILLER-INDEX-RECORDS-2-3-ANNUAL-GAIN-IN-MAY-2025>, August 4, 2025.

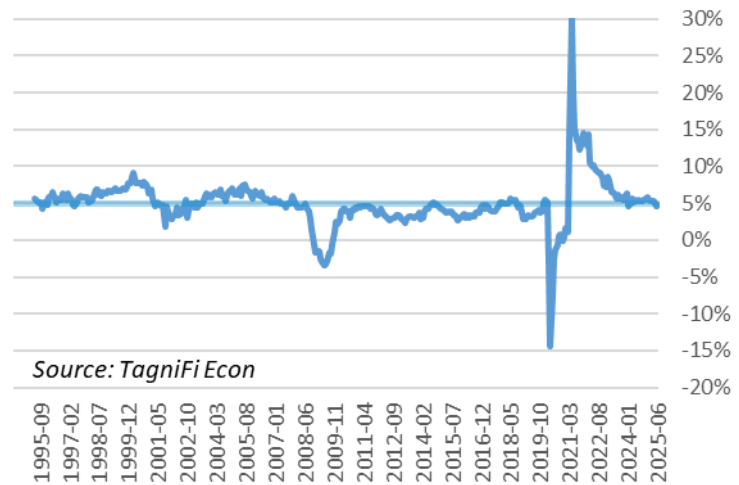




## Consumer Spending

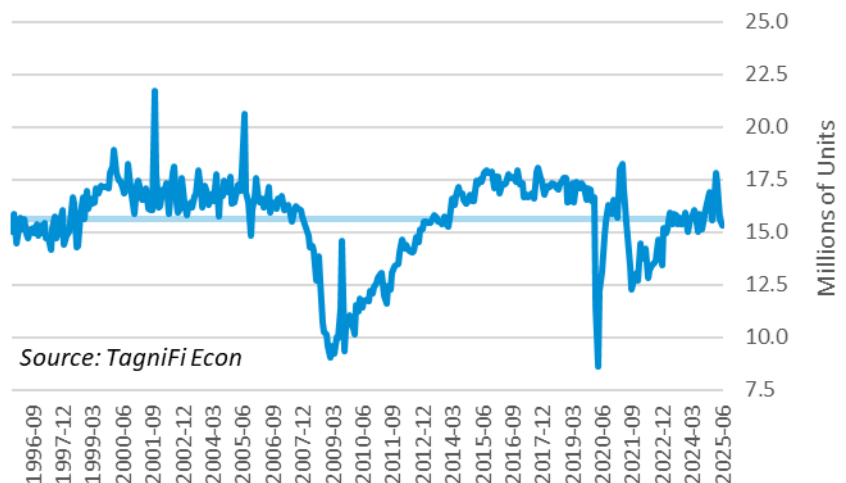
Personal Consumption Expenditures (PCE)<sup>35</sup> rose 0.5% in the 2nd quarter to \$20.7 trillion and 4.7% over the same quarter last year. Spending increased in June for services such as healthcare services, financial services and insurance, and housing and utilities.<sup>36</sup> Goods spending also increased, especially for gasoline and other energy goods, partially offset by a decline in motor vehicles and parts.

## Personal Consumption Expenditures



Auto manufacturers reported autos and light trucks sold<sup>37</sup> at an annual rate of 15.3 million in June, down 14.1% from March. New vehicle prices<sup>38</sup> increased 0.2% during the 2nd quarter, remaining near their record high. Used car prices<sup>39</sup> declined 1.7% from March to June.

## Auto and Light Truck Sales



<sup>35</sup> U.S. Bureau of Economic Analysis, Personal Consumption Expenditures [PCE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCE>, August 4, 2025.

<sup>36</sup> U.S. Bureau of Economic Analysis, Personal Income and Outlays, June 2025; <https://www.bea.gov/news/2025/personal-income-and-outlays-june-2025>, August 4, 2025.

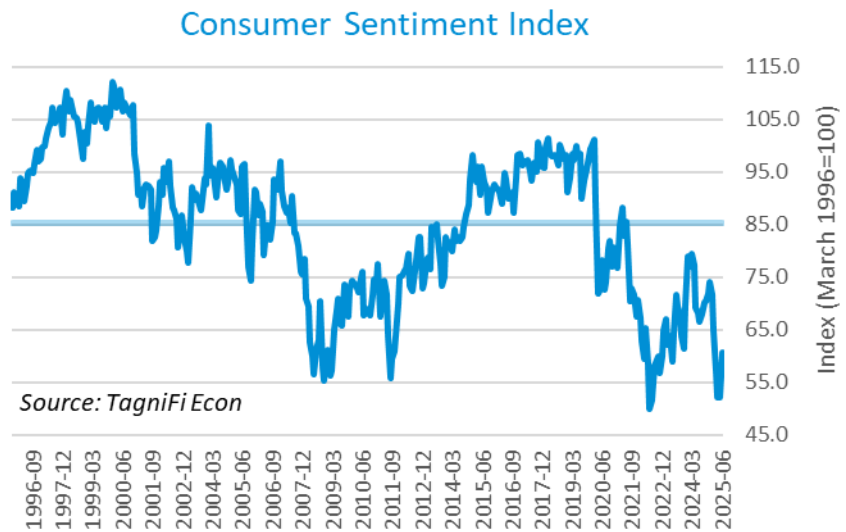
<sup>37</sup> U.S. Bureau of Economic Analysis, Light Weight Vehicle Sales: Autos and Light Trucks [ALTSALES], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/ALTSALES>, August 4, 2025.

<sup>38</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average [CUUR0000SETA01], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUUR0000SETA01>, August 4, 2025.

<sup>39</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average [CUSR0000SETA02], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUSR0000SETA02>, August 4, 2025.

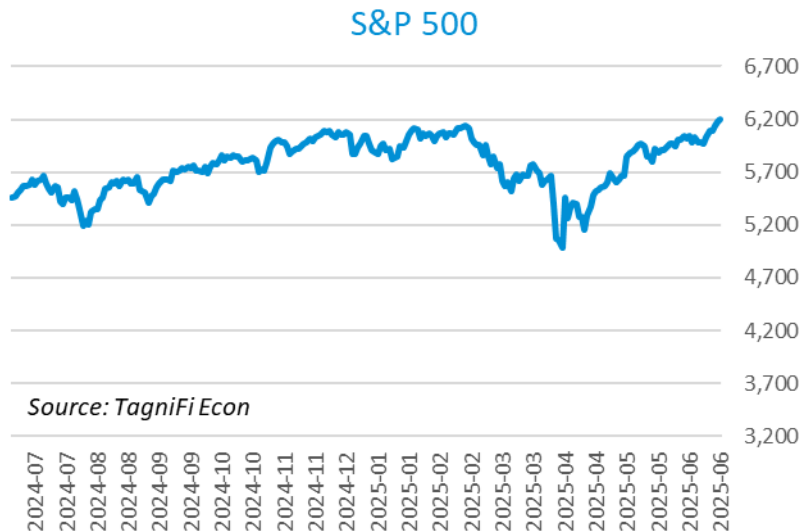


The University of Michigan's consumer sentiment index<sup>40</sup> stood at 60.7 in June, a steep decline from 74.0 in December 2024. The index dropped to 52.2 in April and May, before recovering in June. The index bottomed at its all-time low of 50.0 in June 2022. The economic uncertainty amid trade wars, inflation concerns related to higher tariffs, and a cooling labor market likely weighed on consumer sentiment and contributed to a sharp downturn in the sentiment index since its December high. The index was down 11.0% year-over-year and well below its 30-year average of 85.2.



### Capital Markets

The table below shows major U.S. equity indices' quarterly, year-to-date, and 12-month performance. The stock market ended the quarter on a sharply positive note, shaking off economic uncertainty and rebounding from the heavy first-quarter losses.



<sup>40</sup> University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UMCSENT>, August 4, 2025.



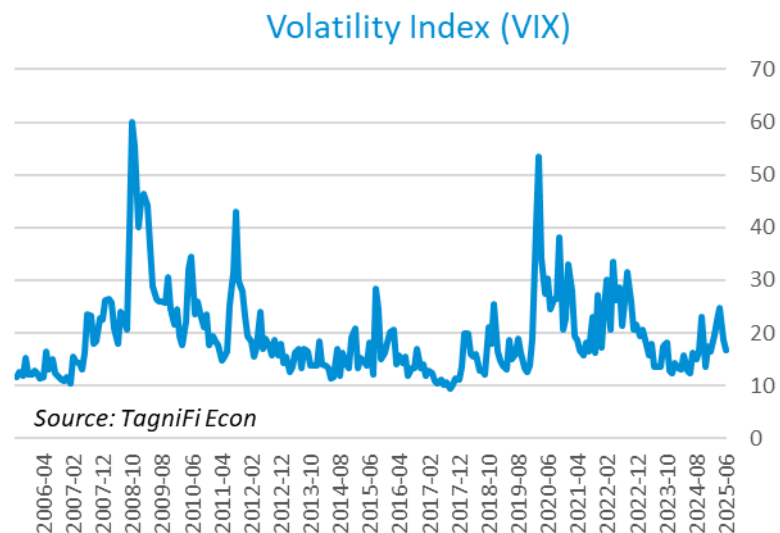
While the second quarter market gains were broad-based, with all major indexes increasing compared to the 1st quarter of 2025, the tech-heavy NASDAQ indexes significantly outperformed the Dow indexes. During the quarter, the NASDAQ Composite and NASDAQ 100 soared 17.7% and 17.6%, respectively, with AI-focused stocks leading the gains. The broader S&P 500 added 10.6%, while the Dow Jones Industrial Average registered a more moderate increase of 5.0%. Other blue-chip-focused Dow Jones averages—Transportation and Composite—were up 4.4% and 4.6%, respectively, during the 2nd quarter. Dow Jones Utility rose 3.0% during the quarter.

Equity Index	Closing Value	% Change		
		Quarter	YTD	12-Mo.
S&P 500	6,204.95	10.6%	5.5%	13.6%
Dow Jones Industrial Average	44,094.77	5.0%	3.6%	12.7%
Dow Jones Composite Average	13,730.30	4.6%	2.5%	10.1%
Dow Jones Transportation Average	15,394.51	4.4%	-3.2%	-0.1%
Dow Jones Utility Average	1,054.45	3.0%	7.3%	16.3%
NASDAQ Composite	20,369.73	17.7%	5.5%	14.9%
NASDAQ 100	22,679.01	17.6%	7.9%	15.2%

The corporate bond indexes gained during the 2nd quarter, with the ICE BofA US Corporate Index<sup>41</sup> gaining 1.8% and the ICE BofA US High Yield Index<sup>42</sup> adding 3.6%, reflecting a strong quarter for corporate bonds.

Bond Index	Closing Value	% Change		
		Quarter	YTD	12-Mo.
ICE BofA US Corporate Bond Index	3,468.01	1.8%	4.2%	7.0%
ICE BofA US High Yield Bond Index	1,799.02	3.6%	4.5%	10.2%

As measured by the VIX<sup>43</sup>, stock market volatility ended the 2nd quarter of 2025 at 16.7, down 24.9% over the prior quarter and up 34.5% year-over-year. The VIX Index climbed sharply in the first week April before reaching its peak of 52.3 in the second week of April and receding to 16.7 at the end of the quarter.



<sup>41</sup> Ice Data Indices, LLC, ICE BofA US Corporate Index Total Return Index Value [BAMLCC0A0CMTRIV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLCC0A0CMTRIV>, August 4, 2025.

<sup>42</sup> Ice Data Indices, LLC, ICE BofA US High Yield Index Total Return Index Value [BAMLHYH0A0HYM2TRIV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLHYH0A0HYM2TRIV>, August 4, 2025.

<sup>43</sup> Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/VIXCLS>, August 4, 2025.



## Outlook

The FOMC left the interest rate unchanged in the 2nd quarter while signaling a more cautious, data-driven approach to future interest rate cuts. The Fed revised the near-term PCE inflation and unemployment projections slightly upward. The median projection for real GDP was revised slightly downward. Minimal adjustments were made to longer-term projections for any of the three indicators.

The FOMC revised the projections for Personal Consumption Expenditures (PCE) inflation<sup>44</sup> to 3.00% in 2025. The updated 2026 and 2027 projections stood at 2.45% and 2.10%, respectively. Real GDP<sup>45</sup> projections stood at 1.35% for 2025 and 1.65% and 1.85% for 2026 and 2027, respectively. The forecast unemployment rate<sup>46</sup> stood at 4.45% for 2025 and 2026 and 4.40% for 2027. The Board reiterated projections of future target rates<sup>47</sup> to stand at 4.15% in 2025 and 3.50% and 3.25% in 2026 and 2027, respectively. The committee emphasized its long-term goal of maximal employment and 2% inflation but cautioned that future cuts are contingent on the economic data, with elevated inflation remaining a concern.

FOMC Summary of Economic Projections				
Year	Real GDP	PCE	Unemployment	Fed Funds
2025	1.35%	3.00%	4.45%	4.15%
2026	1.65%	2.45%	4.45%	3.50%
2027	1.85%	2.10%	4.40%	3.25%
2028	1.85%	2.10%	4.40%	3.25%

<sup>44</sup> Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Personal Consumption Expenditures Inflation Rate, Central Tendency, Midpoint [PCECTPICTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCECTPICTM>, August 4, 2025.

<sup>45</sup> Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product [GDPC1CTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1CTM>, August 4, 2025.

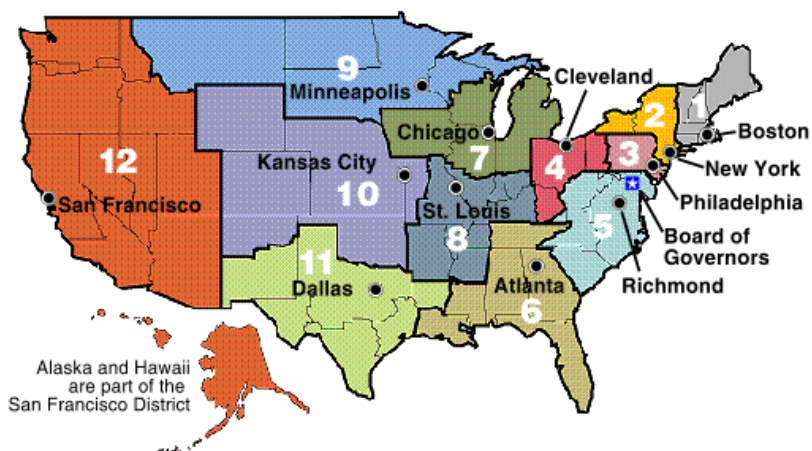
<sup>46</sup> Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Central Tendency, Midpoint [UNRATECTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATECTM>, August 4, 2025.

<sup>47</sup> U.S. Federal Open Market Committee and Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Fed Funds Rate, Range, Midpoint [FEDTARCTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FEDTARCTM>, August 4, 2025.



## Midwest Economy<sup>48</sup>

Economic activity in the Seventh District increased slightly over the reporting period, while contacts expected a slight decline in activity over the next year. Employment increased modestly; consumer spending, business spending, and construction and real estate activity were flat; manufacturing declined slightly; and nonbusiness contacts saw no change in activity. Prices rose moderately, wages rose modestly, and financial conditions loosened slightly. Prospects for 2025 farm income were unchanged.



## Labor Markets

Employment rose modestly over the reporting period, and contacts expected a similar pace of growth over the next 12 months. Some manufacturing contacts continued to report difficulty finding skilled workers, and contacts from staffing agencies noted a slight increase in demand for their services from manufacturers. However, several other manufacturers indicated that they were hiring only for replacement, some had cancelled plans to add staff due to low demand, and a few had instituted layoffs. And many contacts said hiring conditions were stable or easing, with one noting that improved labor availability was allowing them to extend operating hours. Wages and benefits costs were up modestly overall.

## Prices

Prices rose moderately in late May and June, and contacts expected a similar pace of growth over the next 12 months. Nonlabor input costs were up moderately, with contacts highlighting higher costs for raw materials. Several manufacturers cited increases in costs of materials due to tariffs, including for steel, aluminum, tungsten, and magnets. Overall, producer prices increased moderately while consumer prices rose modestly. One retail industry analyst said that they expected tariffs to be felt broadly at the consumer level in late July and early August although they were not yet materially impacting retail prices.

## Consumer Spending

Consumer spending was flat on balance over the reporting period. Nonauto spending increased slightly. Some categories where there was a significant pull-forward of spending ahead of higher tariffs saw sales decline, and others, like appliances and computers, saw slower growth. There were robust overall sales gains at discount stores and warehouse clubs, while spending on apparel and footwear softened noticeably. Leisure and hospitality spending was little changed: while restaurant sales increased slightly, spending on air travel and at hotels decreased slightly. Sales of new light vehicles fell noticeably. Dealers noted that the recent shortfall in sales roughly offset the gains in early spring when customers sought to buy ahead of tariffs.

## Business Spending

Business spending was unchanged in late May and June. Capital expenditures were flat, and expectations were for little change in spending over the coming year. Several contacts said that they had paused capital spending due to economic uncertainty. Demand for truck transportation decreased modestly and freight rates declined slightly. Retail inventories were at comfortable levels. Despite earlier concerns about the potential for supply chain overload due to a surge in orders after the 90-day pause on tariff increases was announced, retailers reported relatively few issues with importing goods. New and used vehicle inventories decreased noticeably due to the sales spike ahead of higher tariffs and the recent decline in production; the lower stocks contributed to upward pressure on prices. Manufacturing inventories were slightly elevated. One contact at an economic development agency noted that inquiries for space in the Foreign Trade Zone they manage had risen dramatically.

<sup>48</sup> Primary Source: Federal Reserve, Beige Book – July 16, 2025, “Summary of Commentary on Current Economic Conditions” Extracted wholly or largely verbatim and/or substantially paraphrased.





## Construction and Real Estate

Construction and real estate activity was unchanged over the reporting period. Residential construction declined slightly. One contact in the Des Moines area noted that single family starts were down significantly, while construction of townhomes and multifamily units aimed at the rental market was up. Residential real estate activity decreased slightly. Growth was concentrated in the luxury segment where showings and sales were up compared with year-ago levels. Overall, prices rose slightly and rents increased modestly. Nonresidential construction increased slightly. Commercial real estate demand was unchanged as were prices, rents, and vacancy rates. Lower occupancy rates in the industrial and multifamily sectors were counterbalanced by higher occupancy rates in the office and retail sectors.

## Manufacturing

Manufacturing demand decreased slightly overall in late May and June. Orders for chemicals and plastics declined a bit. Steel production increased slightly. Fabricated metals demand edged up, in part because of stronger sales to the defense and residential construction industries. Machinery sales increased modestly, with growth in demand from the oil and gas industry more than off-setting lower demand from the automotive sector. Light vehicle production decreased, with some auto manufacturers reporting supply chain disruptions for heavy rare earth elements. Heavy truck production declined slightly.

## Banking and Finance

Financial conditions loosened slightly in late May and June. Bond and equity values rose moderately while volatility fell slightly. Business loan demand was up slightly from the prior reporting period, though several contacts noted that demand continued to be at a weak level due to uncertainty. M&A volumes and valuations were lower than last reporting period. Business loan quality decreased slightly, with one contact noting deterioration in the small business space. Business loan rates edged down, and terms tightened slightly. Demand for consumer loans remained flat, though one contact noted a decrease in demand for auto and home insurance. Consumer loan quality, rates, and terms remained flat.

## Agriculture

Expectations for 2025 farm income were little changed over the reporting period, with an improved outlook for livestock operations offsetting worse prospects for crop operations. Corn and soybean crops got off to good starts in most of the District, although progress lagged in much of the southern part of the District due to late planting. Costs for agricultural services, such as spraying, were higher, and as a result, contacts expected to use less fertilizer and pesticides during the growing season. Contacts noted that even though trade uncertainty had eased, they continued to be concerned about the potential for losing some export opportunities. Corn and soybean prices fell over the reporting period. Hog, cattle, and milk prices increased, while egg prices decreased again.

## Community Conditions

Community, nonprofit, and other nonbusiness contacts reported no change in economic activity over the reporting period, reflecting a "pencils down" response to ongoing tariff and budget negotiations. State government contacts saw declines in income tax withholding and sales tax revenue. Contacts working with small businesses reported hesitancy around investment decisions amid efforts to cut costs to preserve margins. Leaders of nonprofit and social service organizations said they were confused about how to navigate changes to federal funding, in particular for programs related to food, housing, and small business. Organizations serving low-income communities noted that prices of daily necessities had stabilized, while food pantry contacts continued to report unprecedented levels of demand.