Nationwide Economics
Weekly Economic Review & Outlook
September 26, 2025

Consumers continue to spend despite headwinds

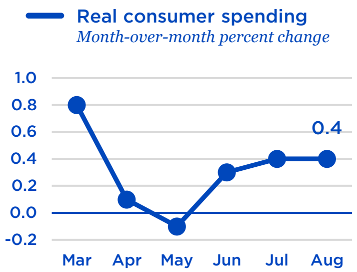
This week's highlights

Spending has accelerated since the second quarter despite slowing job and income gains, as a buoyant equity market and a decrease in economic uncertainty bolster spending.

The robust consumer spending data could give the Fed some pause about cutting the fed funds rate another 50 bps this year as we expect, but labor market data will be key.

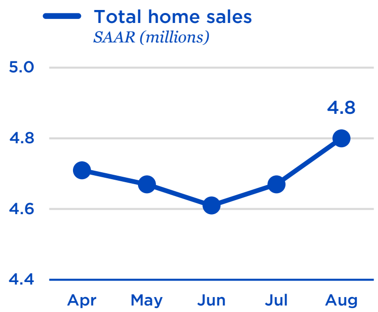
Home sales were improved in August, but it's too early to assume this is the start of improved conditions in the housing market.

Consumers accelerate spending since spring dip



Real consumer spending was robust again in August despite consumers dealing with soft employment and income gains.

New home sales drive rise in total home sales



Total home sales climbed to a six-month high in August due to a spike in new home sales.

Sources: (top chart) Bureau of Economic Analysis, (bottom chart) National Association of Realtors, Census Bureau

Consumers power GDP growth despite soft labor market

Personal consumptions expenditures climbed in August by a strong 0.6 percent or 0.4 percent after adjusting for inflation — both were even with July's gains. Consumer spending has accelerated in Q3 despite stagnant employment and real disposable income growth, following a pullback in spending in the spring. This continued strength in spending and economic growth could lead the Fed to cut the fed funds rate less than the additional 50bps we have been forecasting. However, a key determining factor will be the outcome of the September employment report released next week.

Ebullient gains in the equity market look to be fueling a strong wealth effect that is propelling consumer spending, especially among mid and upper income households that tend to be the largest holders of stocks. Further, despite the consistently gloomy sentiment surveys, the pick-up in spending signals greater confidence from consumers in the overall economy since April when there was peak uncertainty surrounding tariffs and the economic outlook. The combination of the wealth effect and greater consumer enthusiasm is evident in the complete unwind (and more) of the precautionary savings that were built up this spring.

On the inflation front, the PCE price index rose 0.3 percent at the headline and 0.2 percent at the core level, placing the year-on-year pace at 2.7 percent overall and 2.9 percent at the core level. The passthrough of tariffs into consumer prices remains modest overall and should not preclude the Fed from continuing to lower interest rates at upcoming meetings.

Home sales climbed in August, but the market remains weak

Total home sales were moderately stronger in August due to a faster pace of new home sales, which spiked to the highest level in nearly four years. The jump in sales, which coincided with a small decline in mortgage rates was mostly concentrated in the South, so it's too early to call this a revival on the new side of the housing market. New home sales are historically prone to large revisions.

However, existing homes were virtually unchanged at a slow annualized pace of 4.00 million units. Sales are expected to continue to struggle in the coming months as poor housing affordability should keep many potential buyers on the sidelines into 2026. On the plus side, while supply remained low from a historical perspective, the slow-but-steady buildup of home listings over the past few years is helping to keep price growth low and is gradually shifting the market in favor of buyers. In the meantime, homeowners have begun to take advantage of the dip in mortgage rates as mortgage refinancing activity surged to its highest since early 2022.

What we're watching next week

Here's our outlook for the week ahead. Subscribe to the **Economic Pulse** for updates.

Consumer Confidence
Oct 1

Consumer confidence to deteriorate

We expect another retreat in The Conference Board's Consumer Confidence Index to 96.0 in September. Concerns about the labor market should dominate and be reflected through increased pessimism over current and future job and income growth trends. We will pay close attention to the differential between the "jobs plentiful" and "jobs hard to get" measures for clues on where the unemployment rate may be headed. Consumers should also report concerns about higher prices as the survey's 12-month inflation expectations measure climbed to 6.2 percent in August, after three straight months of declines.

ISM Manufacturing
Oct 1

ISM manufacturing index to rise, but still contractionary

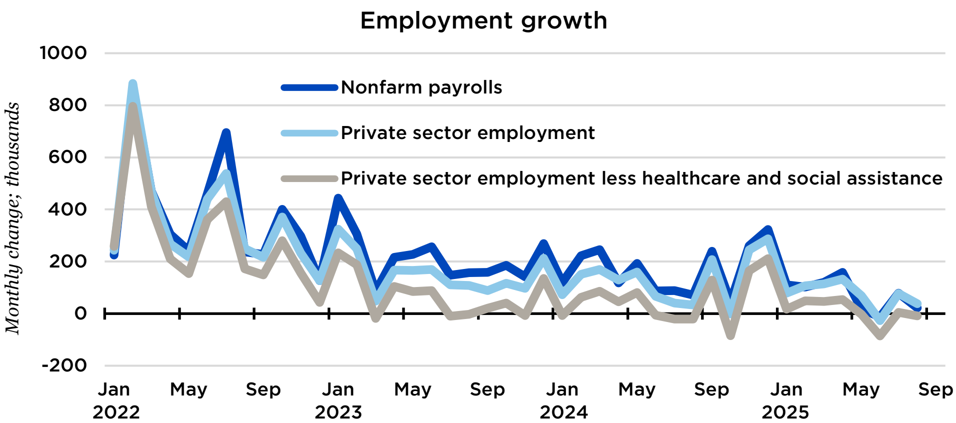
The ISM Manufacturing Index is estimated to edge slightly higher in September but remain in contraction territory with a 49.0 reading. Many manufacturers remain challenged by rising prices for production and tentative demand for their products. As a result, manufacturing employment has flatlined as most firms are hesitant to add to costs. On the brighter side, an increase of new orders in August suggests sector growth is unlikely to deteriorate sharply in coming months.

Employment Report
Oct 3

"Low hire, low fire" environment to persist

We estimate the economy added only 45,000 net new jobs in September. While a pickup from the meager 22,000 added in August, it is still a lackluster increase that reflects only marginal job creation at the end of Q3. Cyclical employment growth in the private sector likely continued to be flattish. We see downside risks to our forecast from an acceleration in government layoffs and restrictions on labor supply stemming from immigration policies. At the same time, favorable seasonal factors could overstate the underlying pace of job creation.

We expect the unemployment rate held at 4.3 percent as the reduction in the labor supply due to stricter immigration should offset the impact of softer labor demand. Absent the decline in labor supply since April, the unemployment rate would have been a higher 4.8 percent in August. Average hourly earnings are anticipated to rise a steady 0.3 percent, keeping wage inflation at 3.7 percent year-over-year.



Source: BLS, Haver Analytics, Nationwide Economics

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Economic Indicators

This Week's Indicators	Release Day	Period	Actual	Previous
New Home Sales	Wednesday	August	800k	664k
Advance Goods Trade Balance	Thursday	August	-$85.5b	-$102.8b
GDP	Thursday	Q2-25, 3rd est	3.8%	3.3%
Durable Goods Orders	Thursday	August	2.9%	-2.7%
Durable Goods Orders Ex Transportation	Thursday	August	0.4%	1.0%
Capital Goods Orders Nondefense Ex Aircraft	Thursday	August	0.6%	0.8%
Initial Jobless Claims	Thursday	Week ending Sept 20	218k	232k
Existing Home Sales	Thursday	August	4.00m	4.01m
Personal Income	Friday	August	0.4%	0.4%
Personal Spending	Friday	August	0.6%	0.5%
Real Personal Spending	Friday	August	0.4%	0.4%
Headline PCE Price Index	Friday	August	0.3%	0.2%
Core PCE Price Index	Friday	August	0.2%	0.3%
U. Of Michigan Consumer Sentiment	Friday	September F	55.1	55.4

Next Week's Indicators	Release Day	Period	Forecast	Previous
S&P Cotality CS 20-City HPI	Tuesday	July	-0.3%	-0.3%
JOLTS Job Openings	Tuesday	August	7050k	7181k
Consumer Confidence	Tuesday	September	96.0	97.4
ISM Manufacturing	Wednesday	September	49.0	48.7
Construction Spending	Wednesday	August	0.0%	-0.1%
Motor Vehicle Sales	Wednesday	September	16.10m	16.07m
Initial Jobless Claims	Thursday	Week ending Sept 27	228k	218k
Nonfarm Payrolls	Friday	September	45k	22k
Unemployment Rate	Friday	September	4.3%	4.3%
Labor Force Participation Rate	Friday	September	62.2%	62.3%
Average Hourly Earnings	Friday	September	0.3%	0.3%
ISM Services	Friday	September	51.8	52.0

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