



Q3 2025 Economic Overview

Presented by Amwins & Prestige Economics

A number of U.S. economic indicators have weakened in recent months, while trade and tariff risks continue to add uncertainty to the economic outlook and financial markets. On the upside, the July 2025 IMF growth forecasts were revised up to reflect that global GDP is likely to rise by 3% in 2025 and 3.1% in 2026 after growing 3.3% in 2024.

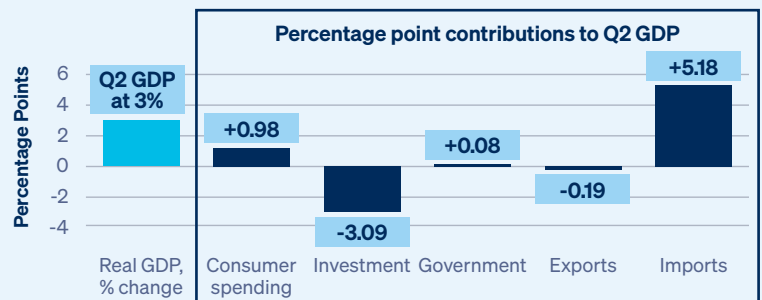
U.S. Real GDP growth expanded in Q2 2025 by 3%, following a contraction of -0.5% in Q1. The contraction in Q1 and rebound in Q2 were driven largely by import swings, as companies boosted imports in Q1 to front-run the U.S. tariff announcements on April 2, but then allowed imports to fall sharply in Q2. Consumption was 69% of Q2 2025 GDP, but it added only around one percentage point of the 3% Q2 growth rate. The U.S. labor market has been supporting growth, but job growth has slowed, with the three-month average of net nonfarm payroll gains falling to just 35,000 in July 2025. On the upside, wages have been strong and are up over \$8 per hour since January 2020, while the unemployment rate was a low 4.1% in July, and there were over 7.4 million open jobs in June. U.S. consumer debt delinquencies rose to 4.41% in Q2 2025, which was the highest percentage since Q1 2020. However, it is still a relatively low percentage.

Year-on-year consumer inflation remains elevated.

July 2025 year-on-year inflation rates were 2.7% for Total CPI and 3.1% for Core CPI. Both CPI and PCE inflation rates are well above the Fed's 2% target, and tariffs present upside risks to inflation. While the Fed has been taking a wait-and-see approach, labor market weakness could push the Fed to cut interest rates despite elevated inflation. FOMC projections imply two to three rate cuts by the end of 2025, but the reality will depend on forthcoming data.

Q2 2025 U.S. Real GDP Impacted by Trade Distortions

Contributions to percent change in Real GDP, 2nd quarter 2025, Real GDP increased 3%



Note: Imports are a subtraction in the calculation of GDP; thus, a decrease in imports results in a positive contribution to GDP. Sources: Bureau of Economic Analysis, Prestige Economics

Economic data and Prestige Economics forecasts

	Quarterly Forecasts								Annual Historical Data						Annual Forecasts		
	25 Q1	25 Q2	25 Q3	25 Q4	26 Q1	26 Q2	26 Q3	26 Q4	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP (Year-on-Year)	2.0	2.0	1.5	1.3	1.9	1.8	2.3	2.6	2.6	-2.2	6.1	2.5	2.9	2.8	1.7	2.2	2.8
Real GDP (Quarter-on-Quarter)	-0.5	3.0	1.1	1.6	2.1	2.4	2.8	3.2									
Unemployment Rate	4.1	4.2	4.3	4.4	4.5	4.4	4.4	4.4	3.7	8.1	5.4	3.6	3.6	4.0	4.3	4.5	4.4
Consumer Price Index	2.7	2.4	2.7	2.9	2.4	2.2	2.2	2.3	1.8	1.3	4.7	8.0	4.1	3.0	2.7	2.3	2.5
Core Consumer Price Index	3.1	2.8	2.9	2.7	2.3	2.1	2.1	2.1	2.2	1.7	3.6	6.2	4.8	3.4	2.9	2.1	2.2
Fed Funds Rate (Upper Limit)	4.50	4.50	4.25	4.00	3.75	3.50	3.50	3.50	1.75	0.25	0.25	4.50	5.50	4.50	4.00	3.50	3.50



Housing overview

Relatively high interest rates and high real estate prices are holding back the housing sector. Falling interest rates could bolster sales and prices later this year, in 2026 and 2027.

Total housing starts and building permits fell in Q2 2025 to the slowest pace since Q4 2020.

Meanwhile, multifamily housing starts (with 5 or more units) improved in Q2 2025, rising to the highest level since Q4 2023. This is a noteworthy improvement because multifamily housing starts in 2024 were at the lowest annual level since 2013.

Multifamily building permits (with 5 or more units) rose in Q2 2025 to the highest level since Q1 2024, which is a positive development after the 2024 total annual level of multifamily permits fell to the lowest level since 2018.

Construction spending decreased in Q2 2025 to \$2.14 billion, which is the lowest seasonally adjusted annual rate since Q3 2023. Moreover, at \$2.14 billion, Q2 2025 construction spending is down year-on-year by -2.8%.

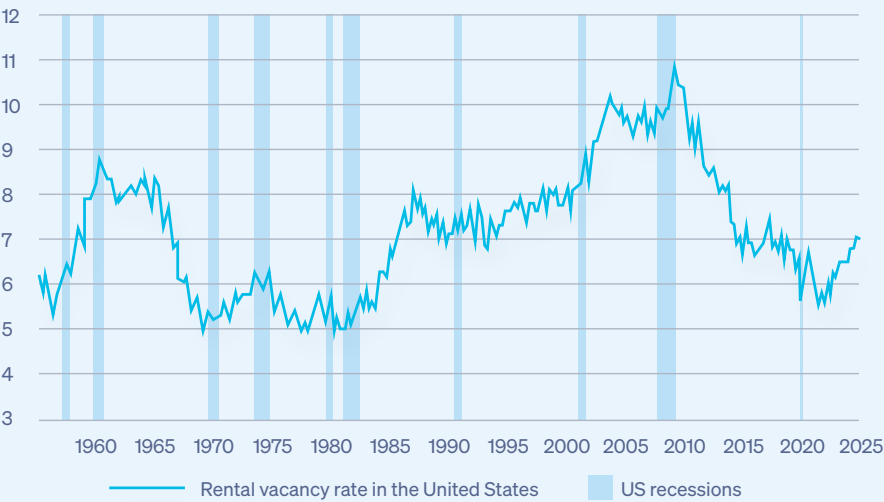
New single-family home sales fell in Q2 2025 to the lowest level since Q4 2023, and the monthly supply of new single-family homes in inventories rose to 9.3 months — the highest pace since Q3 2022.



The rental vacancy rate for Q2 2025 fell to 7.0% from 7.1% in Q1 2025.

Rental vacancy rates have been on the rise over the past few years, including the annual vacancy rate in 2024 of 6.8%, the highest since 2019. The rise in vacancy rates suggests a softening for rental markets after a period of low vacancies in the post-pandemic housing boom. If rental vacancies rise further, rents are likely to come under additional pressure.

Rental Vacancies at 7.0% in Q2 2025



Source: US Census Bureau via FRED®

Housing data

	Quarterly Historical Data				Annual Historical Data					
	24 Q3	24 Q4	25 Q1	25 Q2	2019	2020	2021	2022	2023	2024
Rental Vacancies Percentage vacant	6.9%	6.9%	7.1%	7.0%	6.8%	6.3%	6.1%	5.8%	6.5%	6.8%
Total Housing Starts Thousands, seasonally adjusted annual rate	1338	1387	1401	1327	1292	1394	1603	1552	1421	1371
Housing Starts, 5 Units or More Thousands, seasonally adjusted annual rate	339	354	364	388	390	381	462	531	460	337
Total Building Permits Thousands, seasonally adjusted annual rate	1449	1472	1465	1403	1386	1478	1735	1684	1516	1474
Building Permits, 5 Units or More Thousands, seasonally adjusted annual rate	434	442	424	452	480	442	566	653	541	431
New Single-Family Home Sales Thousands, seasonally adjusted annual rate	707	671	655	652	685	830	769	637	665	685
New Single-Family Home Sales Inventories Monthly supply	8.0	8.7	9.2	9.3	5.8	4.6	5.5	8.5	7.9	8.3

Sources: U.S. Census Bureau, Prestige Economics



Spending & cost overview

Personal spending was up in Q2 2025 by 4.9% year on year, which was the slowest year-on-year pace since Q4 2020. This slowing pace of consumer demand is likely to support future Fed interest rate cuts, especially if payroll gains slow further.

Personal income was up in Q2 2025 by 4.9% year on year. This pace represented an acceleration, following the Q1 2025 year-on-year rate of 4.5%, which was the slowest pace since Q2 2022.

Average hourly wages continued rising in Q2 2025 to \$36.21 per hour for all private sector workers. Despite the continued rise in absolute wages, there was a deceleration in the year-on-year pace of wage growth, which slowed to 3.8% year on year in Q2 2025 from 3.9% in Q1 2025.

Construction materials costs (PPI) rose by +3.2% year on year in Q2 2025, following a year-on-year decline of -1.3% in Q1 2025. Construction cost pressures continue to reflect significant swings. Price dynamics could change swiftly depending on the future of tariffs and interest rates.

The positive expansion in Q2 2025 GDP by 3% was driven by positive contributions in net exports, consumption and government spending. The biggest factor supporting growth was the drop in Q2 imports, which boosted net exports significantly. Meanwhile, consumption added almost one percentage point to GDP. However, the investment component of GDP fell due to significant declines in inventories, which had risen ahead of the U.S. tariff announcement on April 2. Structures and residential investments also detracted from the investment component of GDP, although non-residential, non-structures investments (e.g., equipment) contributed positively to Q2 GDP growth.



Spending and cost data

Quarterly Historical Data

Annual Historical Data

	24 Q3	24 Q4	25 Q1	25 Q2	2019	2020	2021	2022	2023	2024
Personal Spending Year-on-year percent change	5.3%	5.7%	5.3%	4.9%	3.6%	-1.5%	13.3%	9.8%	6.4%	5.3%
Personal Income Year-on-year percent change	5.0%	5.2%	4.5%	4.9%	4.8%	6.8%	9.2%	3.1%	5.9%	5.4%
Average Hourly Wages, Total Private US Dollars	\$35.21	\$35.59	\$35.92	\$36.21	\$28.00	\$29.36	\$30.62	\$32.27	\$33.70	\$35.06
Average Hourly Wages, Total Private Year-on-year percent change	3.8%	4.1%	3.9%	3.8%	3.3%	4.9%	4.3%	5.4%	4.4%	4.0%
Construction Spending Billions, seasonally adjusted annual rate	\$2.20	\$2.19	\$2.16	\$2.14	\$1.39	\$1.50	\$1.65	\$1.90	\$2.07	\$2.19
Construction Spending Year-on-year percent change	4.5%	1.2%	-0.5%	-2.8%	4.2%	7.9%	10.2%	14.9%	9.1%	5.7%
30-Year Mortgage Fixed Rates Average percent	6.51%	6.63%	6.83%	6.79%	3.94%	3.11%	2.96%	5.34%	6.81%	6.72%
Construction Materials Costs (PPI) Year-on-year percent change	-2.6%	-0.6%	-1.3%	3.2%	0.0%	1.5%	26.9%	12.6%	-2.9%	-1.0%

Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Prestige Economics



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