U.S. Data Review

- Consumer confidence: downtick in headline influenced entirely by drop in expectations; inflation expectations pickup; views on the labor market improve slightly
- New home sales: activity decelerates as mortgage rates tilt higher; median home price shifts lower; inventories elevated

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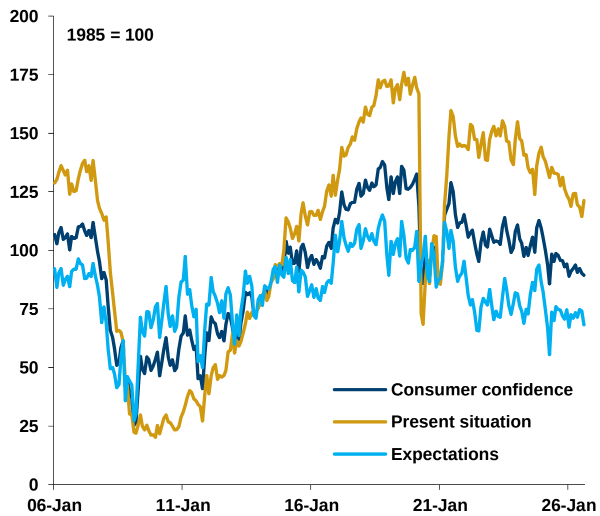
Consumer Confidence

- The Conference Board's index of consumer confidence declined for the third time in the past four months, easing by 0.8 point (-0.9 percent) to 89.4 in August – marginally softer than the median expectation of 90.2 from the Bloomberg economist survey. Following the latest shift, this metric remains mired in the low end of the range displayed over the past decade and only marginally above the 60-month low of 85.7 registered in April of last year – illustrative of persistently downbeat attitudes of households about the state of the U.S. economy. Further parsing the topline results, August's decline was due entirely to deterioration in the expectations component (-5.8 points or -7.8 percent to 68.2), reflecting softening in anticipated business, labor market, and income conditions. Meanwhile, after falling to a 65-month low of 114.4 in July, the present situation component rose by 6.8 points (+5.9 percent) to 121.2.

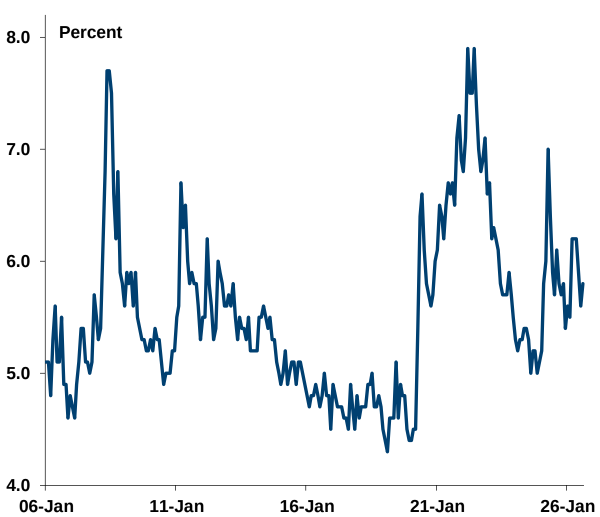
- Similar to recent reports, concerns surrounding the ongoing Iran conflict and the associated pressure in energy prices remained at the forefront of consumers' minds. As mentioned by Dana M Peterson, Chief Economist at the Conference Board, in the official release: "Consumers' write-in responses on factors affecting the economy were slightly more pessimistic in August. References to prices in general—and oil and gas specifically—remain elevated. Comments about war/conflict, food/groceries, trade, and jobs rose in August." In that regard, expectations for inflation 12 months hence increased 0.2 percentage point to 5.8 percent in August. While the latest observation is off the recent high of 6.2 percent recorded earlier in the spring, it is still elevated compared to prevailing levels in early 2025.

Consumer Confidence



Source: The Conference Board via Haver Analytics

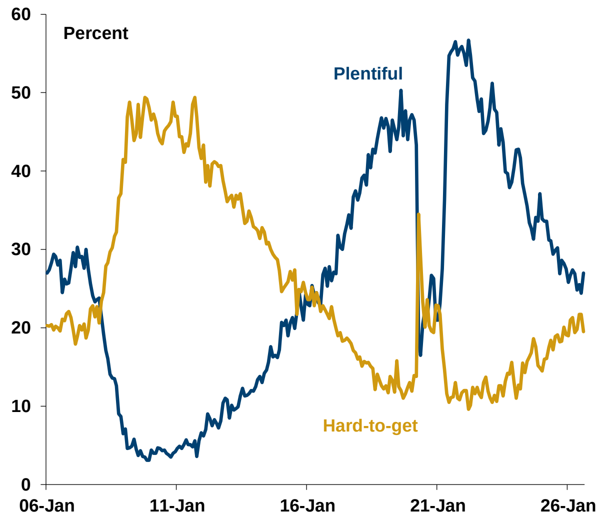
Consumer Inflation Expectations*



** 12 months hence*
Source: The Conference Board via Haver Analytics

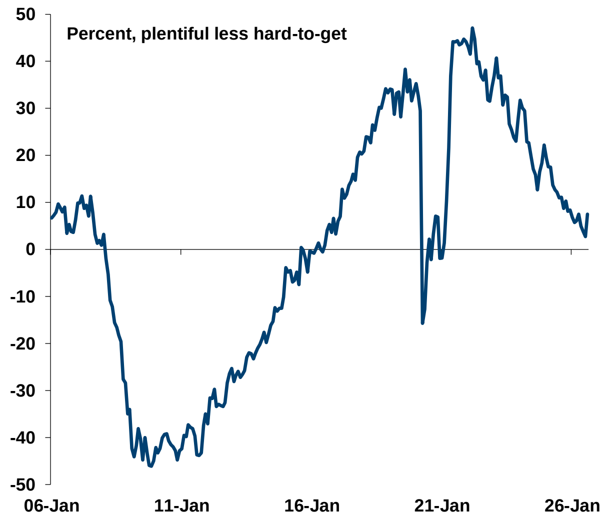
- Although survey responses were generally downbeat, consumers' views on job market conditions improved modestly in August. The share of survey respondents who indicated that jobs were "plentiful" rose 2.6 percentage points to 27.0 percent, a reading still in the low end of the range displayed in the post-pandemic period. Concurrently, the share that said positions were "hard to get" eased 2.2 percentage points to 19.5 percent – dipping from the multi-year high of 21.7 percent recorded in each of the prior two months. Consequently, the labor market differential ("plentiful" less "hard to get") increased 4.8 percentage points to 7.5 percent. Recall, this measure has displayed a pronounced downward trend since early 2022, with the last month's observation of 2.7 percent the lowest observed since February 2021. Thus, despite the modest improvement, survey respondents' views on the labor market are still broadly consistent with a challenging job market characterized by limited hiring.

Consumers' Views on Jobs



Source: The Conference Board via Haver Analytics

Labor Market Differential*

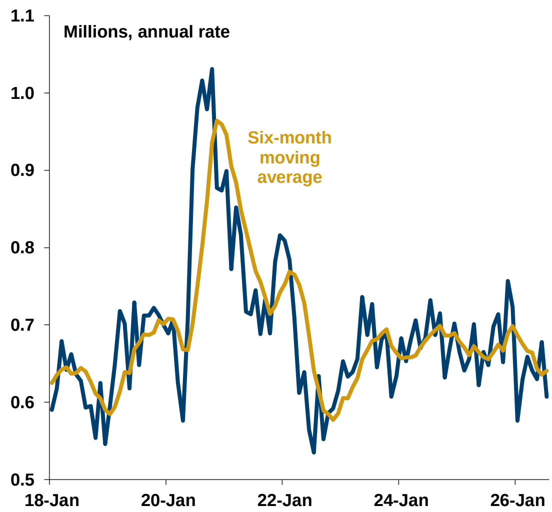


** The share of survey respondents who reported that jobs were "plentiful" less those who said they were "hard to get."*
Source: The Conference Board via Haver Analytics

New Home Sales

- Sales of new homes declined by 10.5 percent to 0.607 million units, annual rate, in July (-6.3 percent year-over-year) – weaker than the median expectation of a downshift to 0.620 million from the Bloomberg survey and the slowest pace of activity since last January (and perhaps reflective, at least in part, of higher mortgage rates exacerbating affordability issues which, in turn, curb demand). As is often the case, we caution that this series is inherently volatile from month to month (range of -20.3 to +9.4 percent in 2026 thus far), with prior results often subject to large revisions. Moreover, a 90-percent confidence interval of ±14.0 percent indicates a relatively high degree of uncertainty with July's estimate. As such, observing this series through a six-month moving average can help to smooth out short-term fluctuations and identify underlying trends (trailing average of 0.636 million units in 26-H1). Broadly speaking, sales have been range-bound in recent years at a pace unlikely brisk enough to work off elevated builder inventories (see below).

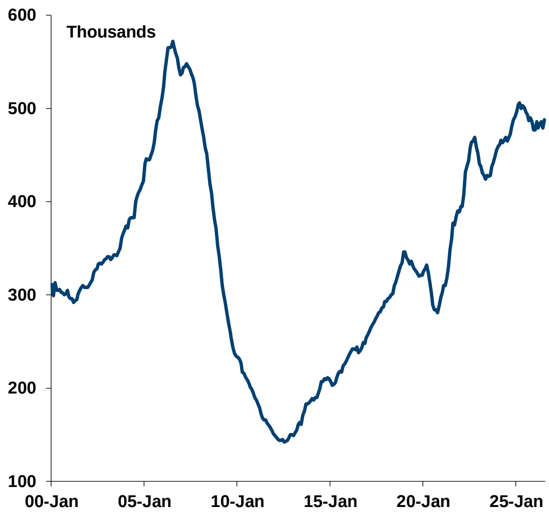
New Home Sales



Source: U.S. Census Bureau via Haver Analytics

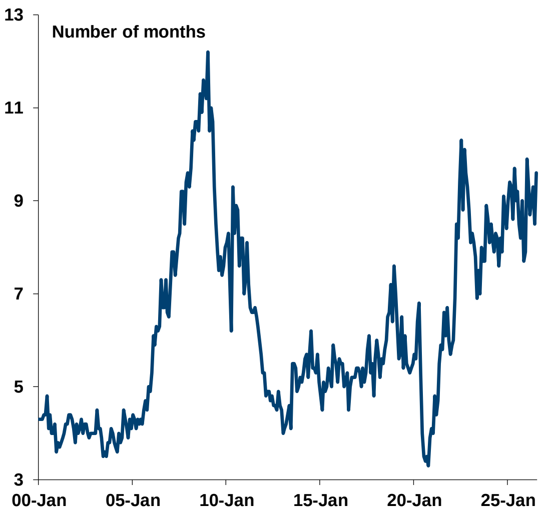
- Turning to inventories, the stock of unsold new homes increased 1.9 percent to 0.607 million units (not annualized; -1.6 percent year-over-year). The latest advance contributed to the months' supply of unsold new homes rising 1.1 months to 9.6 months – an observation only somewhat below the recent cycle high of 10.3 months in July 2022 and elevated from a long-term perspective (indicative of excess supply in this section of the real estate market). Thus, we suspect that builders will continue to manage single-family housing starts cautiously (-15.7 percent year-over-year in July) while possibly introducing modest price cuts to stimulate demand. For reference, the median sales price of new single-family houses has eased in recent years from a record of $460,300 in October 2022 to $393,800 in the latest month (-0.9 percent year-over-year in July).

Inventory of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics