



# US Chartbook

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*Open source notes on the United States economy*

## Warning

Likely contains errors, use with caution!

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🔗 [bdecon/US-chartbook](https://github.com/bdecon/US-chartbook)

## About the Chartbook

The US chartbook is a collection of notes describing economic and social developments in the United States since 1989. The notes are grouped into sections, each covering one macroeconomic sector or one major aspect of the economy. Each section contains charts, tables, descriptive text, and links to relevant materials.

The chartbook connects to public data sources to stay up to date. The latest version of the chartbook is located at [uschartbook.com](https://uschartbook.com). The [source code](#) is posted on GitHub.

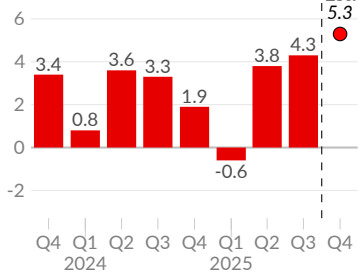
Ultimately, the chartbook aims to be useful for macroeconomic analysis, to inspire researchers and students, and to facilitate research and exploration.

## Key Economic Indicators

The following six charts summarize recent economic developments. Each topic—output, prices, productivity, employment, wage growth, and job growth—is covered in more depth in the chartbook. Click the chart icon [\[icon\]](#) to go to the relevant chartbook section.

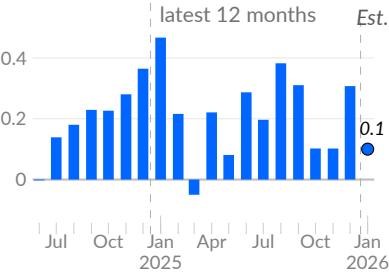
### Real GDP Growth [\[icon\]](#)

seasonally-adjusted annual rate



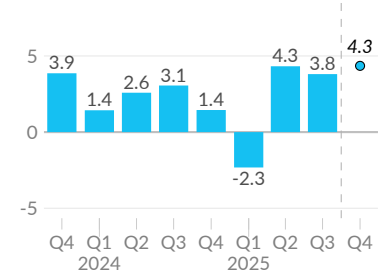
### Consumer Price Index [\[icon\]](#)

percent change from previous month



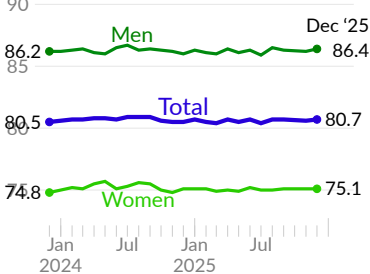
### Productivity Growth [\[icon\]](#)

total economy, annual rate



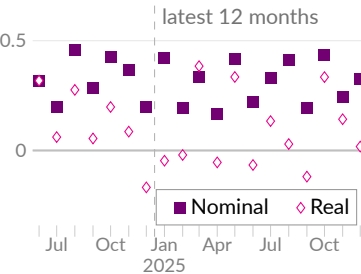
### Employment Rate [\[icon\]](#)

age 25 to 54, percent



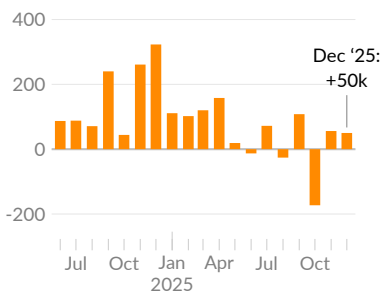
### Average Hourly Earnings [\[icon\]](#)

percent change from previous month



### Private Nonfarm Payrolls [\[icon\]](#)

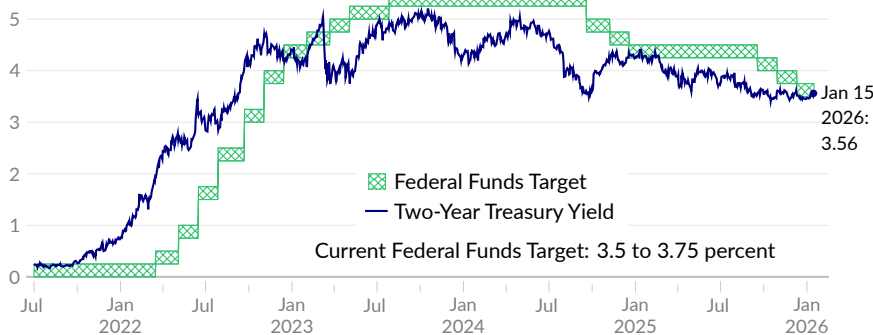
change from previous month, thousands



Additionally, interest rates offer a high-frequency summary of expected inflation, output, and risk. Comparing the two-year treasury yield to the federal funds rate suggests interest rates will remain unchanged in the near term.

### Short-Term Interest Rates [\[icon\]](#)

annual rate, percent



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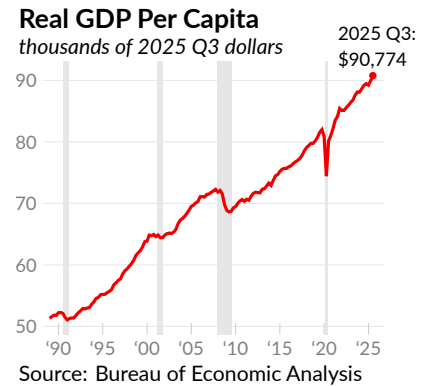


## Overall Economic Activity

This analysis of the United States economy begins with the most popular measure of overall economic activity, **gross domestic product** (GDP). GDP is the value of goods and services produced in the US during a given time period.

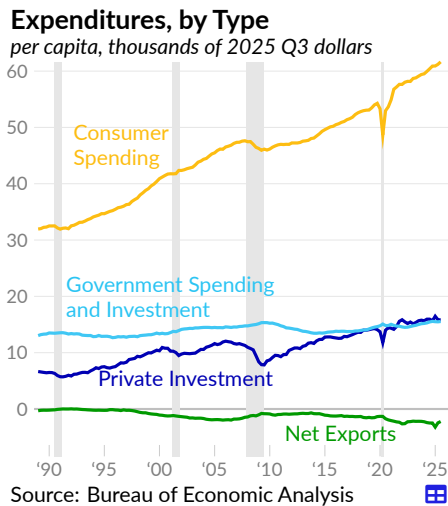
The Bureau of Economic Analysis report seasonally-adjusted annualized GDP of \$31.1 trillion in the third quarter of 2025, compared to an inflation-adjusted equivalent of \$27.2 trillion in 2019 Q4, and \$12.1 trillion in the first quarter of 1989.

The US population is growing by about six-tenths of a percent per year. Real GDP per person (see —), in 2025 Q3 dollars, is currently \$90,774, compared to \$82,005 in 2019 Q4, and \$49,647 in 1989 Q1. Next, we examine types of economic activity using three approaches to calculating GDP.



## Types of Economic Activity

The **expenditures approach** to calculating GDP starts with the sum of major types of domestic spending on finished goods and services: consumer spending, private investment, and government spending and investment. To capture only domestic production, foreign spending on US produced goods and services is added, while imports (spending on non-US-produced goods and services) are subtracted.



Much of the increase in GDP over the past 30 years comes from consumer spending. Consumer spending (see —) is equivalent to \$61,639 per person in 2025 Q3, a price-adjusted increase of \$29,683 since 1989.

Gross private domestic investment (see —) is equivalent to \$15,818 per person in 2025 Q3. Government spending and investment (see —) totals \$15,539 per person. The trade deficit, equivalent to \$2,223 per person, is subtracted, to capture only domestic production (see —).

Each of these spending categories is discussed in more detail in subsequent sections of the chartbook.

## Expenditures, by Type

per capita, seasonally-adjusted annualized rate, 2025 Q3 dollars

|                                     | 2025 Q3  | 2025 Q2 | 2019 Q4 | 2000 Q1 | 1989 Q1 |
|-------------------------------------|----------|---------|---------|---------|---------|
| — Gross Domestic Product            | \$90,774 | 89,951  | 82,006  | 63,854  | 51,316  |
| — Consumer Spending                 | 61,639   | 61,199  | 54,283  | 40,902  | 31,956  |
| — Gross Private Domestic Investment | 15,818   | 15,853  | 14,084  | 10,341  | 6,656   |
| — Government Spending & Investment  | 15,539   | 15,477  | 14,630  | 13,347  | 13,035  |
| — Net Exports                       | -2,223   | -2,461  | -1,350  | -1,077  | -308    |
| Exports                             | 9,814    | 9,624   | 9,303   | 5,662   | 2,956   |
| Less: Imports                       | 12,037   | 12,202  | 10,337  | 6,654   | 3,114   |

Source: Bureau of Economic Analysis

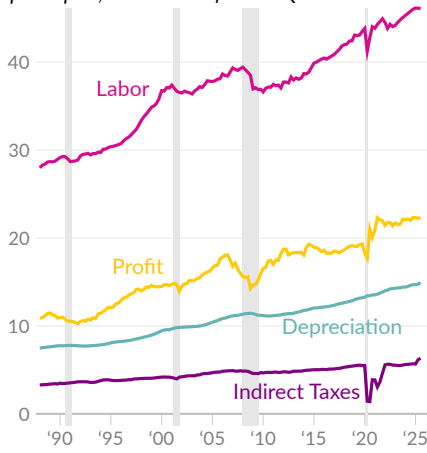
The [income approach](#) calculates total economic activity as the sum of production income and certain production expenses. Production income is the payment for labor and capital. Labor income, or “compensation of employees” in the national accounts, includes wages and salaries as well as supplements such as employer-paid health insurance premiums and retirement account contributions. Capital income, or profit, is listed as the “net operating surplus” in national accounts and includes interest payments, rental profits, business proprietor profits, and corporate profits.

Not all revenue from production provides income directly to people. Tariffs, sales tax, property tax, and licensing fees are indirect business taxes that are not levied directly on income but considered part of the cost of production. Government subsidies, which are income payments for production that did not occur, are subtracted from income measures of production. Lastly, replacing and maintaining buildings and equipment is a growing portion of production costs. This depreciation expense is recorded as “consumption of fixed capital” in national accounts.

The Bureau of Economic Analysis [report](#) seasonally-adjusted annualized [gross domestic income](#) (GDI) of \$30,707 billion in 2025 Q3, which is \$89,640 per capita. [Net domestic income](#) (NDI), equal to GDI less depreciation, is \$25,592 billion in 2025 Q3, or \$74,711 per capita.

### Income, by Type

per capita, thousands of 2025 Q3 dollars



Source: Bureau of Economic Analysis

Labor receives 61.6 percent of NDI in 2025 Q3. Gross labor income per capita is \$46,058 in 2025 Q3 (see —) and \$43,475 in 2019 Q4, on an annualized, seasonally-adjusted, and inflation-adjusted basis.

Profits comprise 29.9 percent of NDI in 2025 Q3. Profits per person total \$22,331 in 2025 Q3 (see —) and \$19,318 in 2019 Q4, following the same adjustments. Indirect taxes less subsidies per capita total \$6,321 in 2025 Q3 (see —) and \$5,495 in 2019 Q4.

Lastly, depreciation per capita is \$14,929 in 2025 Q3 (see —) and \$13,195 in 2019 Q4. Depreciation makes up 16.7 percent of GDI in 2025 Q3.

### Income, by Type

per capita, seasonally-adjusted annualized rate, 2025 Q3 dollars

|                           | 2025 Q3  | 2024 Q3 | 2019 Q4 | 2012 Q1 | 2000 Q1 | 1989 Q1 |
|---------------------------|----------|---------|---------|---------|---------|---------|
| Gross Domestic Income     | \$89,640 | 88,017  | 81,484  | 72,546  | 64,836  | 51,155  |
| — Labor Income            | 46,058   | 45,761  | 43,475  | 37,730  | 36,748  | 28,680  |
| Wages and Salaries        | 37,936   | 37,728  | 35,478  | 30,509  | 30,379  | 23,668  |
| Supplements               | 8,122    | 8,033   | 7,998   | 7,222   | 6,369   | 5,012   |
| — Profit                  | 22,331   | 21,981  | 19,318  | 18,721  | 14,474  | 11,474  |
| — Indirect Taxes          | 6,321    | 5,662   | 5,495   | 4,781   | 4,172   | 3,380   |
| Production & Import Taxes | 6,684    | 5,942   | 5,804   | 5,041   | 4,460   | 3,641   |
| Less: Subsidies           | 362      | 281     | 309     | 260     | 288     | 260     |
| — Depreciation            | 14,929   | 14,613  | 13,195  | 11,315  | 9,442   | 7,621   |

Source: Bureau of Economic Analysis

The **production approach** to GDP identifies how individual industries contribute to domestic production by calculating the **value added** by each industry during the production process. The value added by an industry or sector group is its sales or gross output minus any **intermediate inputs** used in production. The Bureau of Economic Analysis [report](#) GDP by industry, which is summarized briefly in this subsection by grouping the various private industries into broad categories.

The first category combines private goods producing industries: agriculture, forestry, fishing, and hunting (0.9 percent of GDP in 2025 Q2); mining (1.2 percent of GDP); construction (4.4 percent); and manufacturing (9.4 percent), with trade, transportation, and utilities (TTU, combined 17.3 percent of GDP). The second category is finance, insurance, and real estate (FIRE, 21.7 percent of GDP in 2025 Q2) combined with the information industry (5.5 percent of GDP), labeled as FIRE+.

The remaining private services-providing industries include: professional and business services (13.1 percent of GDP in 2025 Q2); education, health care, and social services (8.8 percent of GDP); and arts, entertainment, and recreation (4.3 percent). Separately, public-sector value added in production, at the federal, state, and local levels, is captured by the government category (11.3 percent of GDP).

### Production, by Type



Source: Bureau of Economic Analysis

In 2025 Q2, private goods-producing industries and the trade, transportation, and utilities industries add \$29,595 per person in domestic production, on an annualized basis, compared to \$28,635 in 2019 Q4 (see —). Private finance, insurance, real estate, and information industry services add \$24,229 in combined value, per capita in 2025 Q2 and \$20,276 in 2019 Q4 (see —).

All other private services-producing industries combined value added per person is \$25,266 in 2025 Q2 and \$22,422 in 2019 Q4 (see —). Government value added is \$10,040 per person in 2025 Q2 and \$10,063 in 2019 Q4 (see —).

### Production, by Type

per capita, annualized, 2025 Q2 dollars

|                         | 2025 Q2  | 2025 Q1 | 2019 Q4 | 2005 Q1 | 1997 (A) |
|-------------------------|----------|---------|---------|---------|----------|
| — Goods and TTU         | \$29,595 | 29,368  | 28,635  | 25,815  | 21,799   |
| Manufacturing           | 8,361    | 8,137   | 8,009   | 7,491   | 5,998    |
| Construction            | 3,918    | 3,886   | 4,009   | 4,823   | 4,493    |
| Retail Trade            | 5,575    | 5,704   | 5,082   | 4,292   | 3,380    |
| — FIRE+                 | 24,229   | 23,839  | 20,276  | 15,852  | 12,369   |
| Finance & Insurance     | 7,013    | 6,866   | 6,787   | 6,224   | 4,622    |
| Information             | 4,872    | 4,733   | 3,342   | 1,595   | 971      |
| — Other Services        | 25,266   | 25,087  | 22,422  | 17,107  | 14,284   |
| Education & Healthcare  | 7,886    | 7,824   | 6,820   | 5,122   | 4,402    |
| Professional & Business | 11,637   | 11,525  | 9,274   | 6,553   | 5,287    |
| — Government            | 10,040   | 10,135  | 10,063  | 10,533  | 10,280   |

Source: Bureau of Economic Analysis

## Household Inputs to Production

It is useful to consider household inputs when analyzing economic output. For example, is the population growing? Are more people working? Are people working more hours? Is the economy more productive in its use of labor? These household inputs are summarized below and covered in more depth in subsequent chartbook sections.

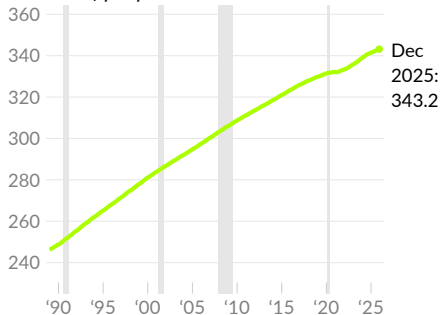
First, the US **population** is 343 million, as of December 2025 (see —), an increase of almost 97 million since 1989. Since 1989, the population has grown at an average annual rate of 0.9 percent; the current rate is around 0.3 percent. To maintain a constant standard of living, real GDP would need to increase by the same amount.

Next, the **employment rate** (see —) measures the share of the population that is working. The rate climbs during economic expansions and falls during recessions. Separately, population aging has gradually reduced the potential employment rate. The current rate is 0.9 percentage point above the 30-year average.

Trends in the length of the **average workweek** (see —) are more complicated. Economic output is typically correlated with work hours. However, as workers become more productive, they may increase their leisure time, resulting in shorter workweeks. In December 2025, the average workweek is 36.9 hours.

### Population

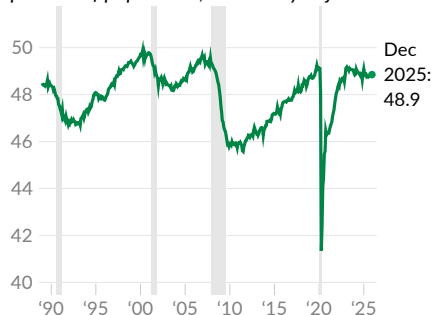
millions of people



Source: BEA, Census

### Employment Rate

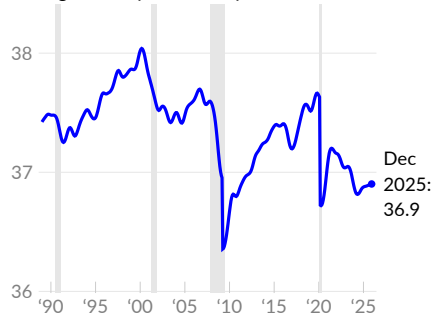
percent of population, seasonally adjusted



Source: CPS Microdata

### Average Workweek

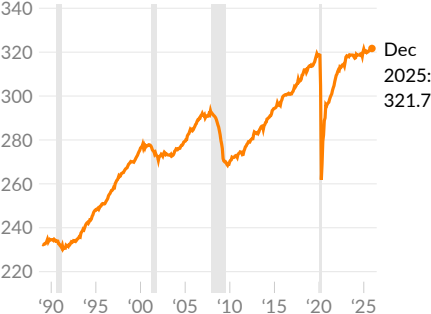
average hours per worker per week, trend



Source: CPS Microdata

### Total Hours Worked

annualized hours, in billions



Source: Author's Calculations

Combining the population, employment rate, and average workweek, we can estimate **total hours worked** (see —). Total hours worked represent all households' labor dedicated to production—the total hours of labor that create GDP. Since 1989, total hours worked have increased at an average annual rate of 1.2 percent. Since the pre-pandemic peak in October 2019, hours worked have increased by a total of 0.8 percent.

After estimating household inputs to production as the total hours worked, we can calculate the **productivity of labor**. The productivity of labor is the relationship between household inputs to production (labor, or hours of work) and economic output (GDP). Specifically, labor productivity is calculated as real GDP divided by hours of work.

An increase in labor productivity means more output is produced per hour of work. As such, labor productivity is a major determinant of income levels and quality of life. Labor productivity is discussed in more depth in the labor markets section, but this subsection provides an estimate that is useful for examining the connection between GDP and labor.

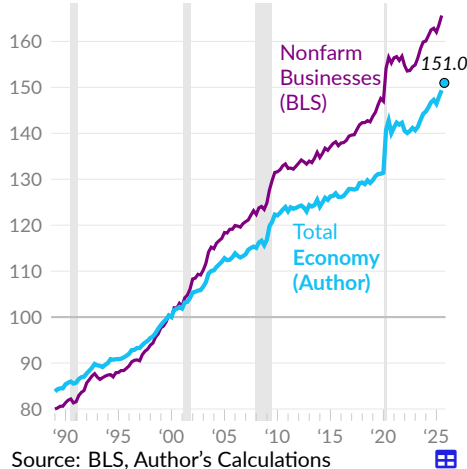
Dividing GDP by the previously calculated total hours worked yields an estimate for labor productivity (see —) for the entire economy that is reasonably methodologically consistent with the official estimate of nonfarm business labor productivity (see —). Nonfarm businesses are about three-quarters of the economy and exclude general government, non-profits, and household services.

Labor productivity has increased substantially over the long term. From 1989 to 1999, labor productivity for the total economy increased 17.2 percent. From 1999 to 2009, labor productivity increased 18.9 percent, and from 2009 to 2019, labor productivity increased 11.1 percent.

From 1989 to 2019, total economy productivity growth averaged 1.5 percent per year; GDP growth averaged 2.5 percent per year and work hours increased one percent per year. Since 2019, total economy labor productivity growth averages 2.3 percent per year, with average GDP growth of 2.4 percent and virtually no change in work hours.

### Labor Productivity

Real GDP per hour of work, index, 2000=100



More-recent data show annualized total economy productivity growth of 3.8 percent in 2025 Q3. The estimate for 2025 Q4 (see ●), based on the Federal Reserve Bank of Atlanta GDPNow, suggests annualized productivity growth of 4.3 percent.

### Household Inputs to Production

index, January 2000=100, or as noted

|                                     | 2025<br>Q4 Est. | 2025<br>Q3 | 2025<br>Q2 | 2024<br>Q4 | 2019<br>Q4 | 2014  | 1989  |
|-------------------------------------|-----------------|------------|------------|------------|------------|-------|-------|
| — Labor Productivity (index)        | 151.0           | 149.4      | 148.0      | 147.3      | 131.2      | 125.1 | 84.3  |
| Real GDP (index)                    | 175.4           | 173.1      | 171.3      | 170.0      | 151.2      | 131.6 | 71.1  |
| Total Hours Worked (index)          | 116.2           | 115.9      | 115.7      | 115.4      | 115.3      | 105.2 | 84.4  |
| Population (millions)               | 343.0           | 342.6      | 342.0      | 341.2      | 331.2      | 319.6 | 247.4 |
| Employment Rate (percent)           | 48.8            | 48.8       | 48.8       | 48.8       | 49.2       | 46.9  | 48.4  |
| Average Workweek (hours)            | 36.9            | 36.9       | 36.9       | 36.9       | 37.7       | 37.3  | 37.5  |
| Labor Productivity Growth (percent) | 4.3             | 3.8        | 4.3        | 1.4        | 0.2        | 0.0   | 1.1   |

Source: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta, and Author's Calculations. Growth is the quarterly annualized rate.



## Economic Growth

Economists are particularly concerned with economic growth, measured as changes in the level of economic activity. This subsection discusses economic growth, recessions, and their contributors.

### Real GDP Growth

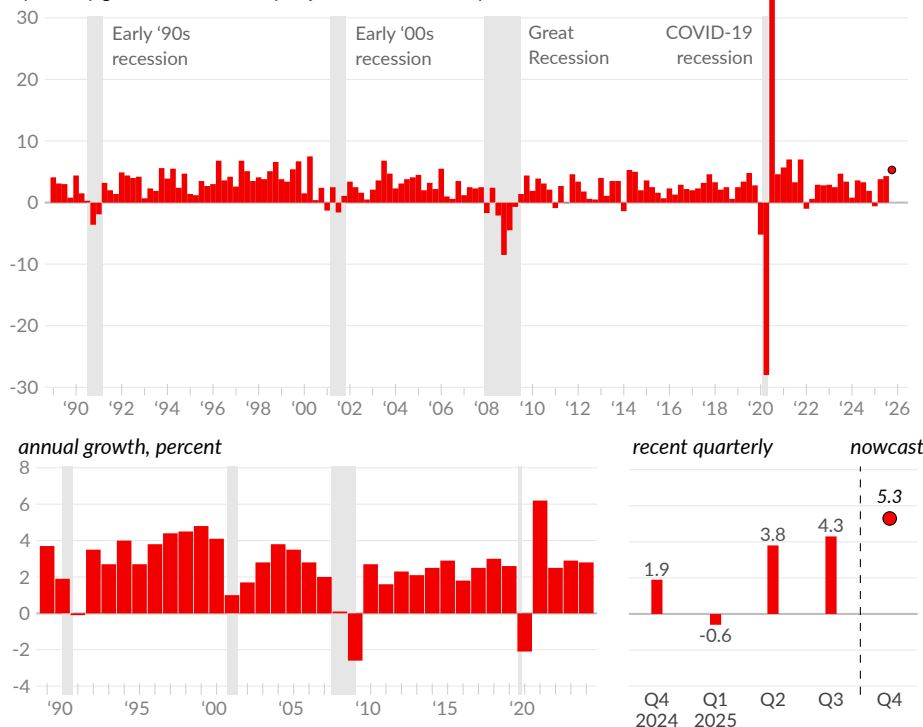
Real GDP growth [measures](#) changes in economic activity. As seen in the previous subsection, real GDP has increased steadily over the long-term. Since 1989, growth averages 2.5 percent per year (see ■). Growth rates were relatively high during the mid-to late-1990s, averaging 3.9 percent from 1993 to 2000.

In the 2000s, the housing bubble boosted GDP but then collapsed, leading to average growth of only 1.9 percent from 2001 to 2013. Growth was slightly stronger from 2014 to 2019, averaging 2.8 percent per year.

In 2020, COVID-19 caused an economic shutdown, followed by monetary and fiscal stimulus, resulting in large swings in GDP. Annualized real GDP decreased 28.0 percent in Q2, and increased by 34.9 percent in Q3, by far the largest changes in recent history. Since 2019 Q4, real GDP has grown at an average annual rate of 2.4 percent.

### Real Gross Domestic Product Growth

*quarterly growth at seasonally adjusted annual rate, percent*



Source: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta

The bottom-left chart shows annual growth, to make trends more visible. The bottom-right chart shows the most-recent four quarters and the estimate for the current quarter. In the **latest data**, covering the third quarter of 2025, real GDP increased at an annual rate of 4.3 percent, compared to an increase of 3.8 percent in Q2, and a decrease of 0.6 percent in Q1.

The Federal Reserve Bank of Atlanta uses available economic indicators to **nowcast** the current growth rate. The latest nowcast for 2025 Q4 is 5.3 percent, as of January 14, 2026 (see ●).

## Recessions

The long-term pattern in economic growth is often described as the business cycle. Typically, periods of economic growth lasting 7–12 years are interrupted by an **economic recession**—a period where economic activity decreases. The National Bureau of Economic Research (NBER) [identifies](#) four recessions since 1989.

During the early 1990s recession, output contracted for eight months and unemployment was higher than its pre-recession average for 63 months. The drop in output was smaller during the early 2000s recession, but unemployment rates took almost 16 years to recover.

The 2008–2009 Great Recession, caused by the collapse of a housing bubble, was very severe. The recession lasted 18 months, with higher rates of unemployment lasting 89 months. The most-recent COVID-19 recession was extremely severe and also extremely short-lived, lasting only two months, but with output reduced 9.1 percent.

### US Recessions since 1989

|                      | Recession   |           |                  | GDP            | Unemp. Rate |                    |
|----------------------|-------------|-----------|------------------|----------------|-------------|--------------------|
|                      | Start Month | End Month | Duration, Months | Percent Change | Change*     | Recovery, Months** |
| Early '90s Recession | Aug 1990    | Mar 1991  | 8                | -1.4           | +2.4        | 63                 |
| Early '00s Recession | Apr 2001    | Nov 2001  | 8                | -0.1           | +2.1        | 191                |
| Great Recession      | Jan 2008    | Jun 2009  | 18               | -3.8           | +5.2        | 89                 |
| COVID-19 Recession   | Mar 2020    | Apr 2020  | 2                | -9.1           | +10.9       | 20                 |

Sources: NBER, BEA, BLS

\*Percentage point change from average unemployment rate during three years prior to recession to peak unemployment rate. \*\*Months from recession start until unemployment rate returns to pre-recession three-year average.

## Sahm Rule

The most-reliable indication that the US has entered a recession (see ■) was identified by [Claudia Sahm](#), and is called the **Sahm Rule**. The Sahm Rule indicates the start of a recession (see ♦) when the three-month moving average unemployment rate rises by half a percentage point or more above its low during the previous twelve months (see —). In effect, the Sahm rule identifies increases in unemployment that are significant enough to cause or indicate a recession.

### The Sahm Rule

*three-month moving average of unemployment rate, percentage points above one-year low*



Source: Claudia Sahm

## Nominal GDP

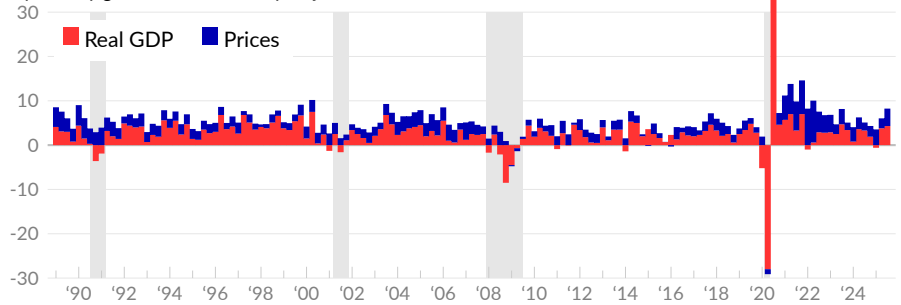
Thus far, the chartbook uses *real* GDP, to distinguish changes in activity from changes in prices. There are, however, instances where **nominal GDP**, the market price of economic activity, is useful.

**Nominal GDP growth** is a barometer for overall demand. For example, if demand for goods and services increases and supply is able to keep up, both real and nominal GDP will increase. If supply is not able to keep up with higher demand, prices will rise, increasing nominal GDP without increasing real GDP.

In the third quarter of 2025, nominal GDP increased at an annual rate of 8.2 percent, following increases of six percent in Q2 and 2.9 percent in Q1. From 1989 to 2019 Q4, nominal GDP increased at an annual rate of 4.6 percent. Since 2019 Q4, the annualized growth rate is 6.3 percent.

### Nominal GDP Growth

quarterly growth at seasonally-adjusted annualized rate



Source: Bureau of Economic Analysis

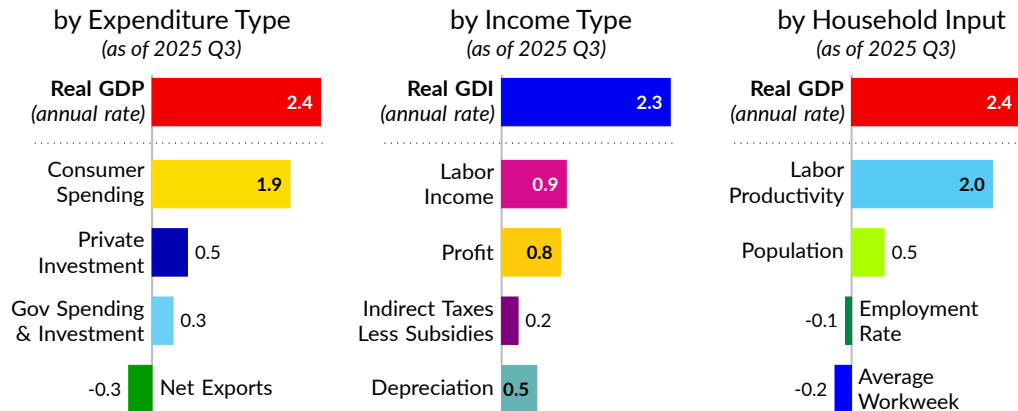
## Components of Growth

This subsection examines how different activities contribute to economic growth. The percent change in real GDP is decomposed, using the categories from previous subsections, to show each category's importance to the overall increase or decrease.

First, an overview of contributions to economic growth since 2019. This is followed by an examination of longer-term trends and recent developments for each approach to calculating overall economic activity. Subsequent sections of the chartbook dig deeper into the contributions from subcategories, such as consumer spending on goods.

### Contribution to Growth Since 2019 Q4

percentage point contribution to annualized cumulative growth rate



Source: BEA, Author's Calculations

## Expenditure Approach

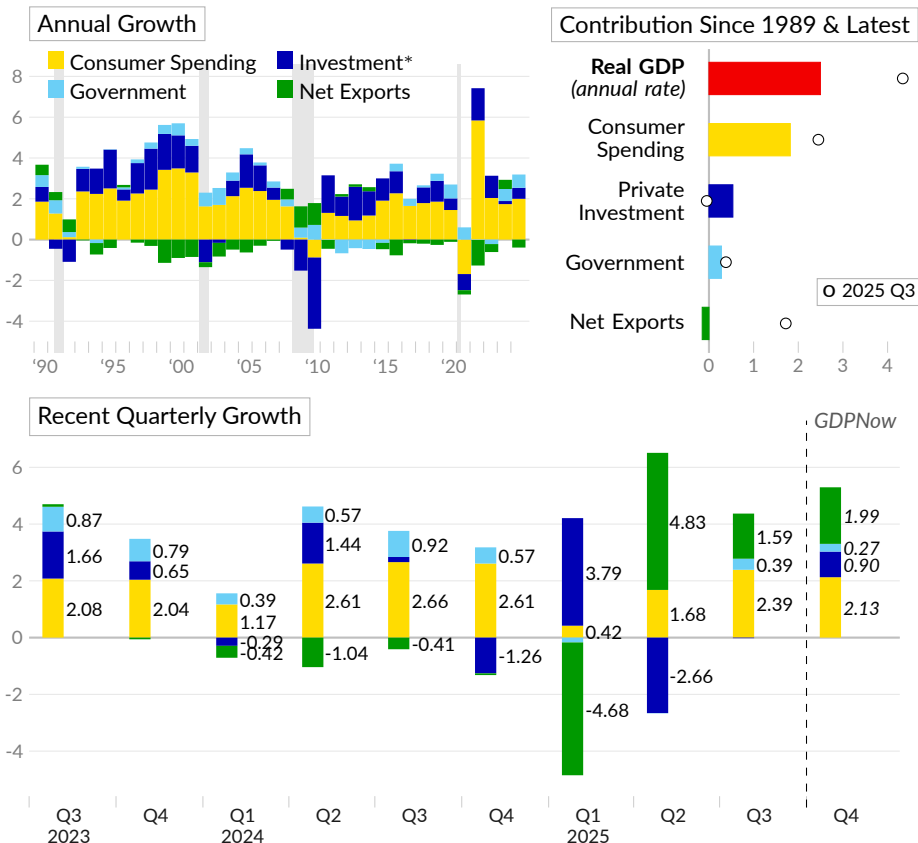
The **expenditures approach** to calculating overall economic activity gives insight into changes in activity. The Bureau of Economic Analysis publish the contribution to GDP growth for each major category of spending. Long-term patterns in these data can provide context for recent developments.

Since 1989, real GDP has grown 2.5 percent per year. Over this period, consumer spending contributed 1.8 percentage points to the annualized change, gross private domestic investment added 0.5 percentage point, government spending and investment added 0.3 point, and net exports subtracted 0.2 point.

In the latest full year of data, covering 2024, GDP growth of 2.8 percent is the result of contributions from consumer spending of two percentage points, private investment of 0.5 percentage point, government spending and investment of 0.7 percentage point, and net exports of negative 0.4 point.

## Real GDP Growth by Expenditure Type

percentage point contribution to GDP growth



Source: BEA, FRB Atlanta; \*includes change in private inventories

In 2025 Q3, consumer spending (see ■) contributed 2.39 percentage points to real GDP growth. Private domestic investment (see ■) did not contribute, government spending and investment (see ■) contributed 0.39 percentage point, and net exports (see ■) added 1.59 percentage points.

The Federal Reserve Bank of Atlanta GDPNow estimate for 2025 Q4 of 5.3 percent is based on a contribution of 2.13 percentage points from consumer spending, a contribution of 0.90 percentage point from private investment, a contribution of 0.27 point from government, and a contribution of 1.99 points from net exports.

## Income Approach

The **income approach** to calculating overall economic activity enables decomposing annualized growth into labor income (see ■), profit (see ■), indirect taxes less subsidies (see ■), and depreciation (see ■). This decomposition shows the destination of the gross domestic income (GDI) generated by increased production.

Since 1989, real GDI has grown at an annualized rate of 2.5 percent. Labor receives 1.2 percentage points of this growth, profit claims 0.7 percentage point, indirect taxes minus subsidies receive 0.2 point, and 0.4 point go to depreciation.

In the latest full year of data, 2024, real GDI increased three percent. Labor income contributed 1.7 percentage points, profit added 0.7 percentage point, indirect taxes less subsidies added 0.2 point, and 0.4 point went to depreciation.

## Real GDI Growth by Income Type

percentage point contribution to real GDI growth



Source: Bureau of Economic Analysis

In the third quarter of 2025, real GDI increased at an annual rate of 2.4 percent, following increases of 2.6 percent in Q2 and one percent in Q1. In the latest quarter, labor income contributed 0.00 percentage point to annualized growth, profit added 0.62 percentage point, changes in indirect tax revenue and subsidies added 0.83 point, and 0.97 point went to depreciation growth.

## Production Approach

The **production approach** calculates GDP as the sum of value added–gross output minus intermediate inputs–in each sector. The broad groupings discussed above are used to identify contributions from: goods-producing sectors combined with trade, transportation, and utilities (see ■), finance, insurance, and real estate plus information (see ■), other service-providing sectors (see ■), and government (see ■).

In 2025 Q2, the combined contribution to GDP growth from private goods-producing industries and trade, transportation, and utilities is 1.2 percentage points, following a subtraction of 1.73 percentage points in 2025 Q1. The group of private service-providing industries that include finance, insurance, real estate, as well as the information industry, contributed 1.79 percentage points in 2025 Q2 and added 1.11 percentage points in 2025 Q1.

Other private services-providing industries, which are wide-ranging and described above, contributed 1.15 percentage points to real GDP growth in 2025 Q2, following virtually no contribution in 2025 Q1. Combined federal, state, and local government subtracted 0.35 percentage point in 2025 Q2 and added 0.13 percentage point the prior quarter.



Source: Bureau of Economic Analysis

Private goods-producing industries combined with trade, transportation, and utilities added 0.4 percentage point to annualized real GDP growth of 2.3 percent since 2019 Q4. Finance, insurance, real estate, and information industries added 1.1 percentage points. Other private service-providing industries added 0.8 point, and the government sector added 0.1 point.

## Household Inputs

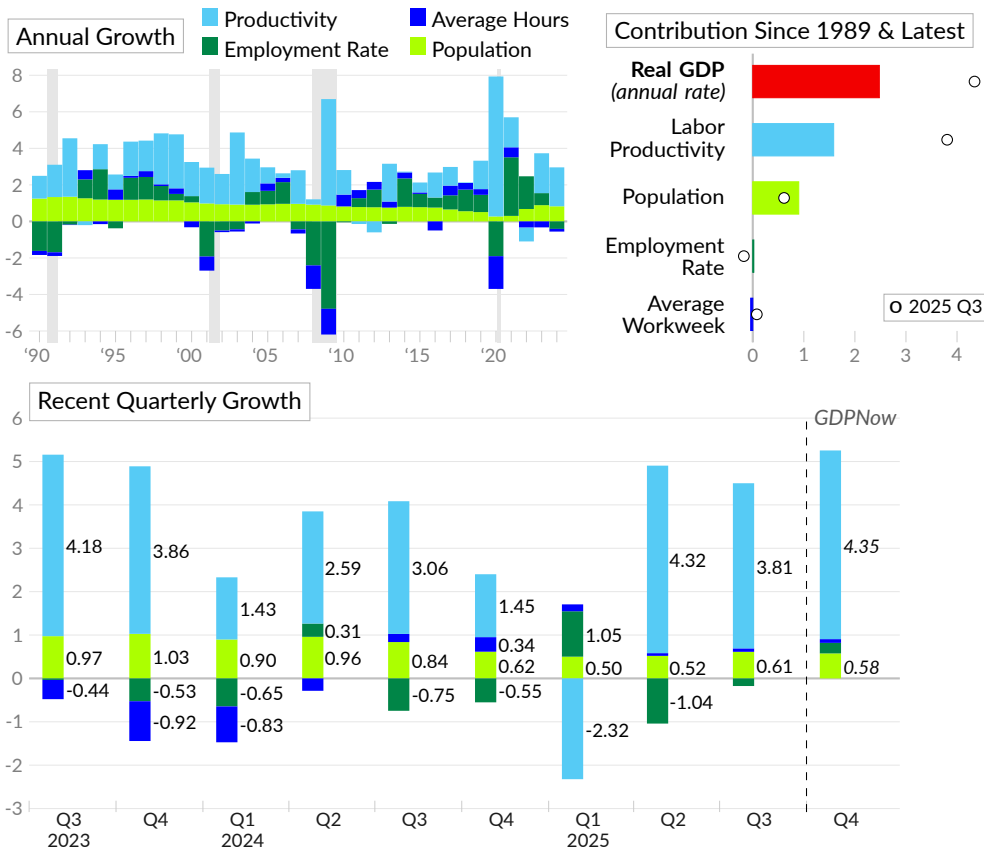
Changes to GDP can also be assigned to changes in **household inputs**: population (see ■), employment rates (see ■), average hours worked (see ■), and total economy productivity (see ■). A key distinction is whether economic growth involves more labor or higher productivity.

Since 1989, and in the long-run, in general, real GDP growth is explained by population growth and labor productivity. The employment rate and average workweek have large swings during any given business cycle, but remain relatively constant since 1989. Real GDP growth of 2.5 percent per year since 1989 is explained by annualized productivity growth of 1.6 percent and population growth of 0.9 percent.

In 2024, the latest full year of data, 2.4 percent GDP growth is driven largely by an increase in labor productivity, and supported by an increase in population. Labor productivity added 2.1 percentage points, population growth added 0.8 point, and a lower employment rate subtracted 0.4 point from overall growth.

## Real GDP Growth by Household Inputs

percentage point contribution to real GDP growth



In 2025 Q3, labor productivity contributed 3.81 percentage points to GDP growth of 4.3 percent. Population growth added 0.61 point in the period. The employment rate and average hours worked were little changed in the period.

Using the Atlanta Fed GDPNow and the latest available population and labor force data, we can estimate contributions to growth for 2025 Q4. Real GDP is estimated to increase by 5.3 percent, with contributions of 4.3 percentage points from labor productivity and 0.6 percentage point from population growth.

## Components of Economic Growth

annualized percentage point contribution to real GDP/GDI growth

moving averages

|                                 | 2025<br>Q3 | 2025<br>Q2 | 2025<br>Q1 | 2024<br>Q4 | 2024<br>Q3 | 3-<br>year | 10-<br>year | 30-<br>year |
|---------------------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| ■ <b>Gross Domestic Product</b> | 4.3        | 3.8        | -0.6       | 1.9        | 3.3        | 2.8        | 2.7         | 2.6         |
| ■ Consumer Spending             | 2.39       | 1.68       | 0.42       | 2.61       | 2.66       | 1.85       | 1.94        | 1.87        |
| Durable Goods                   | 0.12       | 0.17       | -0.26      | 0.92       | 0.61       | 0.29       | 0.41        | 0.45        |
| Non-Durable Goods               | 0.54       | 0.30       | 0.30       | 0.52       | 0.66       | 0.32       | 0.42        | 0.37        |
| Services                        | 1.74       | 1.21       | 0.37       | 1.17       | 1.38       | 1.24       | 1.11        | 1.05        |
| ■ Gross Investment              | -0.02      | -2.66      | 3.79       | -1.26      | 0.18       | 0.40       | 0.59        | 0.66        |
| Residential                     | -0.21      | -0.21      | -0.04      | 0.17       | -0.20      | -0.07      | 0.04        | 0.03        |
| Non-Residential                 | 0.40       | 0.98       | 1.24       | -0.51      | 0.48       | 0.64       | 0.55        | 0.58        |
| Change in Inventories           | -0.22      | -3.44      | 2.58       | -0.91      | -0.11      | -0.17      | 0.00        | 0.05        |
| ■ Net Exports                   | 1.59       | 4.83       | -4.68      | -0.06      | -0.41      | 0.02       | -0.15       | -0.19       |
| Exports                         | 0.92       | -0.20      | 0.02       | -0.10      | 0.95       | 0.23       | 0.24        | 0.41        |
| Imports                         | 0.67       | 5.03       | -4.70      | 0.03       | -1.36      | -0.21      | -0.40       | -0.60       |
| ■ Government                    | 0.39       | -0.01      | -0.17      | 0.57       | 0.92       | 0.52       | 0.34        | 0.27        |
| Federal                         | 0.19       | -0.35      | -0.37      | 0.28       | 0.54       | 0.17       | 0.14        | 0.12        |
| State and Local                 | 0.20       | 0.33       | 0.20       | 0.29       | 0.38       | 0.35       | 0.20        | 0.15        |
| ■ Goods and TTU                 | -          | 1.20       | -1.73      | 0.05       | 1.44       | 1.04       | 0.66        | -           |
| Manufacturing                   | -          | 1.11       | -0.58      | -0.24      | 0.36       | 0.17       | 0.16        | -           |
| Construction                    | -          | 0.18       | 0.04       | 0.16       | 0.04       | 0.10       | 0.07        | -           |
| Retail Trade                    | -          | -0.54      | -0.27      | -0.17      | 0.74       | 0.42       | 0.23        | -           |
| ■ FIRE+                         | -          | 1.79       | 1.11       | 0.82       | 0.54       | 0.78       | 0.85        | -           |
| Information                     | -          | 0.66       | 0.44       | 0.17       | 0.35       | 0.38       | 0.41        | -           |
| ■ Other Services                | -          | 1.15       | -0.08      | 0.71       | 1.03       | 0.73       | 0.94        | -           |
| Education & Healthcare          | -          | 0.34       | 0.31       | 0.36       | 0.40       | 0.38       | 0.28        | -           |
| Professional & Business         | -          | 0.58       | 0.14       | 0.35       | 0.48       | 0.36       | 0.59        | -           |
| ■ Government                    | -          | -0.35      | 0.13       | 0.28       | 0.30       | 0.13       | 0.10        | -           |
| ■ Population                    | 0.61       | 0.52       | 0.50       | 0.62       | 0.84       | 0.78       | 0.61        | 0.83        |
| ■ Employment Rate               | -0.18      | -1.04      | 1.05       | -0.55      | -0.75      | 0.10       | 0.73        | 0.21        |
| ■ Average Hours                 | 0.08       | 0.06       | 0.16       | 0.34       | 0.19       | -0.16      | -0.13       | -0.06       |
| ■ Productivity                  | 3.81       | 4.32       | -2.32      | 1.45       | 3.06       | 2.08       | 1.77        | 1.72        |
| <b>Gross Domestic Income</b>    | 2.4        | 2.6        | 1.0        | 3.7        | 1.9        | 2.2        | 2.6         | 2.6         |
| ■ Labor                         | 0.00       | 0.24       | 0.88       | 1.42       | 1.52       | 1.10       | 1.15        | 1.25        |
| ■ Profit                        | 0.62       | -0.24      | 0.09       | 1.71       | -0.60      | 0.43       | 0.69        | 0.72        |
| ■ Depreciation                  | 0.97       | 0.34       | 0.05       | 0.45       | 0.72       | 0.41       | 0.45        | 0.44        |
| ■ Indirect Taxes                | 0.83       | 2.24       | -0.05      | 0.12       | 0.22       | 0.31       | 0.28        | 0.20        |

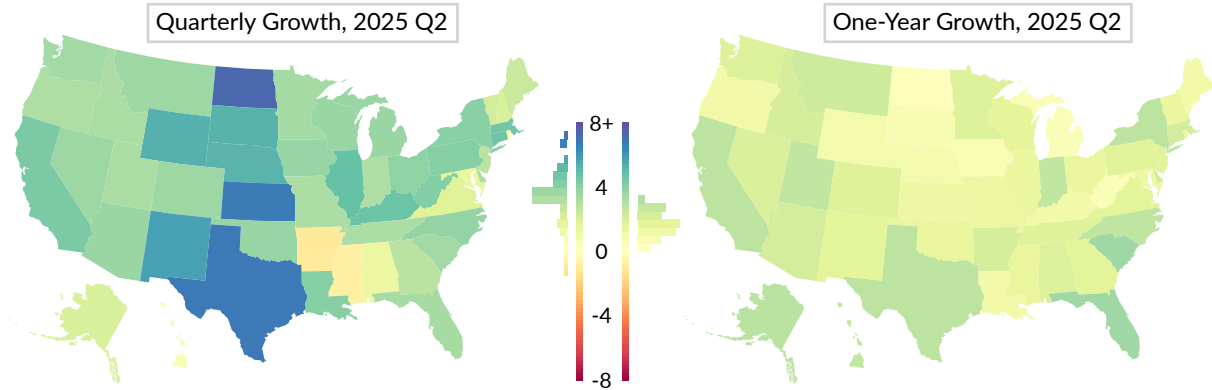
Source: Bureau of Economic Analysis and Author's Calculations

TTU is trade, transportation and utilities; FIRE+ includes the finance, insurance, real estate, and information industries.



## Real GDP Growth by State

percentage point change in real GDP



Source: Bureau of Economic Analysis

Finally, the Bureau of Economic Analysis also [report](#) real GDP growth by state. Over the year ending 2025 Q2, growth is between zero and five percent in all 50 states and the District of Columbia, and no states had a decrease in output. The fastest growth is in Florida (3.5 percent), South Carolina (3.5 percent), and Alaska (2.8 percent).

## Real GDP Growth by State

quarterly growth at seasonally adjusted annualized rate

annual growth, as of 2025 Q2

|                           | 2025<br>Q2 | 2025<br>Q1 | 2024<br>Q4 | 2024<br>Q3 | 2024<br>Q2 | 1-<br>year | 2-<br>year | 6-<br>year | 10-<br>year |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| <b>United States</b>      | 3.8        | -0.6       | 1.9        | 3.3        | 3.6        | 2.1        | 2.6        | 2.4        | 2.4         |
| <b>Pacific</b>            | 4.0        | -0.4       | 2.6        | 3.8        | 2.9        | 2.5        | 3.0        | 2.4        | 3.0         |
| Alaska                    | 2.0        | 1.8        | 2.4        | 5.1        | 6.5        | 2.8        | 3.0        | 1.7        | 0.7         |
| California                | 4.3        | 0.0        | 2.5        | 4.3        | 1.2        | 2.7        | 2.9        | 2.3        | 2.8         |
| Hawaii                    | 0.4        | 4.1        | 1.4        | 4.2        | 3.9        | 2.5        | 2.4        | 1.0        | 1.1         |
| Washington                | 3.4        | -1.0       | 3.4        | 1.5        | 9.4        | 1.8        | 3.9        | 3.4        | 4.2         |
| Oregon                    | 3.1        | -5.7       | 2.6        | 3.5        | 5.9        | 0.8        | 1.7        | 1.8        | 2.6         |
| <b>West South Central</b> | 5.9        | -2.7       | 2.0        | 4.7        | 5.2        | 2.4        | 3.3        | 3.5        | 2.9         |
| Texas                     | 6.8        | -3.0       | 2.3        | 5.1        | 5.7        | 2.7        | 3.5        | 4.1        | 3.4         |
| Arkansas                  | -1.1       | 0.8        | 3.5        | 4.9        | 3.3        | 2.0        | 2.9        | 2.8        | 2.1         |
| Oklahoma                  | 3.6        | -1.8       | 0.5        | 3.5        | 2.2        | 1.4        | 1.6        | 1.1        | 1.1         |
| Louisiana                 | 4.0        | -2.3       | 0.2        | 1.5        | 4.4        | 0.8        | 2.7        | 0.9        | 0.8         |
| <b>South Atlantic</b>     | 2.8        | 0.2        | 2.9        | 3.8        | 2.6        | 2.4        | 2.8        | 3.0        | 2.8         |
| Florida                   | 3.3        | 2.6        | 2.6        | 5.4        | 1.9        | 3.5        | 3.4        | 4.3        | 4.0         |
| South Carolina            | 3.4        | 0.3        | 6.3        | 4.0        | 4.1        | 3.5        | 4.2        | 3.2        | 3.0         |
| North Carolina            | 3.7        | 0.0        | 2.8        | 4.2        | 3.9        | 2.7        | 3.3        | 3.1        | 2.6         |
| Delaware                  | 3.2        | 0.8        | 1.3        | 3.4        | 5.1        | 2.2        | 3.3        | 2.7        | 1.1         |
| Georgia                   | 2.8        | -0.9       | 2.3        | 2.5        | 3.1        | 1.7        | 2.2        | 2.3        | 2.7         |
| Virginia                  | 1.7        | -0.6       | 3.1        | 2.4        | 3.1        | 1.7        | 2.1        | 2.5        | 2.2         |
| District of Columbia      | 0.0        | -2.5       | 6.8        | 0.8        | 1.3        | 1.2        | 1.0        | 0.9        | 1.2         |
| Maryland                  | 1.4        | -2.1       | 1.0        | 4.3        | 0.3        | 1.1        | 2.1        | 1.4        | 1.4         |

continued on next page . . .

■ Overall Economic Activity

|                                    | 2025<br>Q2 | 2025<br>Q1 | 2024<br>Q4 | 2024<br>Q3 | 2024<br>Q2 | 1-<br>year | 2-<br>year | 6-<br>year | 10-<br>year |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| continued from previous page . . . |            |            |            |            |            |            |            |            |             |
| West Virginia                      | 4.1        | -4.7       | 2.7        | -0.6       | 0.5        | 0.3        | 1.5        | 1.2        | 1.1         |
| <b>Middle Atlantic</b>             | 3.8        | 0.9        | 1.4        | 3.0        | 4.4        | 2.3        | 2.5        | 1.6        | 1.6         |
| New York                           | 4.0        | 2.0        | 1.5        | 3.4        | 5.9        | 2.7        | 2.9        | 1.7        | 1.8         |
| New Jersey                         | 2.8        | 0.4        | 1.4        | 2.3        | 2.2        | 1.7        | 2.2        | 1.8        | 1.7         |
| Pennsylvania                       | 4.1        | -1.1       | 1.0        | 2.9        | 3.0        | 1.7        | 1.9        | 1.0        | 1.1         |
| <b>Mountain</b>                    | 3.7        | -2.1       | 3.0        | 3.5        | 4.6        | 2.0        | 2.8        | 3.5        | 3.5         |
| Utah                               | 3.2        | 2.6        | 2.2        | 2.3        | 3.7        | 2.6        | 3.4        | 4.0        | 4.5         |
| Montana                            | 3.5        | -4.0       | 5.8        | 4.0        | 4.7        | 2.3        | 2.9        | 3.6        | 2.6         |
| Arizona                            | 3.6        | -3.8       | 4.3        | 4.4        | 4.5        | 2.1        | 3.3        | 4.1        | 3.9         |
| Idaho                              | 3.2        | -3.7       | 3.2        | 5.7        | 9.0        | 2.0        | 3.6        | 3.9        | 4.1         |
| Nevada                             | 3.5        | -2.2       | 3.1        | 3.4        | 1.6        | 1.9        | 2.6        | 3.2        | 3.4         |
| Colorado                           | 3.5        | -1.1       | 2.1        | 2.6        | 5.0        | 1.8        | 2.0        | 3.1        | 3.3         |
| New Mexico                         | 5.7        | -4.9       | 2.6        | 3.6        | 6.5        | 1.7        | 3.0        | 3.3        | 2.6         |
| Wyoming                            | 5.3        | -5.6       | -1.2       | 5.2        | 4.3        | 0.8        | 0.2        | 0.8        | 0.1         |
| <b>New England</b>                 | 3.9        | 2.0        | -0.5       | 2.1        | 3.1        | 1.9        | 2.1        | 1.9        | 1.8         |
| Connecticut                        | 4.6        | 0.3        | 1.4        | 2.1        | 3.0        | 2.1        | 1.6        | 1.0        | 0.8         |
| Massachusetts                      | 4.5        | 4.2        | -2.2       | 2.0        | 4.1        | 2.1        | 2.5        | 2.2        | 2.2         |
| New Hampshire                      | 2.0        | 2.0        | 1.2        | 0.5        | 2.2        | 1.4        | 1.6        | 2.3        | 2.0         |
| Vermont                            | 2.1        | -2.3       | 1.6        | 3.8        | 4.1        | 1.3        | 2.0        | 1.8        | 1.4         |
| Rhode Island                       | 0.5        | -0.3       | 0.9        | 3.5        | 0.0        | 1.1        | 1.9        | 1.1        | 0.9         |
| Maine                              | 2.4        | -4.6       | 2.9        | 2.9        | -0.7       | 0.8        | 2.0        | 2.8        | 2.6         |
| <b>East South Central</b>          | 2.5        | -0.7       | 0.7        | 3.7        | 4.5        | 1.5        | 2.4        | 2.6        | 2.2         |
| Alabama                            | 1.2        | -0.7       | 1.9        | 5.0        | 5.7        | 1.9        | 2.6        | 2.5        | 2.2         |
| Tennessee                          | 3.1        | 0.3        | 0.3        | 3.3        | 5.1        | 1.8        | 2.7        | 3.3        | 2.9         |
| Mississippi                        | -0.9       | 0.6        | 1.7        | 4.3        | 4.2        | 1.4        | 2.5        | 2.1        | 1.3         |
| Kentucky                           | 4.6        | -3.3       | -0.3       | 2.5        | 2.3        | 0.9        | 1.6        | 1.6        | 1.5         |
| <b>East North Central</b>          | 4.0        | -1.1       | 0.9        | 1.7        | 3.0        | 1.4        | 1.9        | 1.4        | 1.4         |
| Indiana                            | 3.1        | 2.3        | 1.7        | 3.3        | 0.4        | 2.6        | 2.9        | 2.2        | 2.1         |
| Wisconsin                          | 3.6        | -1.8       | 0.2        | 4.2        | 2.8        | 1.5        | 2.0        | 1.3        | 1.3         |
| Ohio                               | 3.9        | -1.6       | 1.4        | 2.1        | 3.7        | 1.4        | 2.0        | 1.5        | 1.4         |
| Illinois                           | 4.8        | -1.1       | 0.3        | 1.4        | 2.7        | 1.3        | 1.7        | 1.0        | 1.0         |
| Michigan                           | 3.6        | -2.5       | 1.3        | -0.9       | 4.9        | 0.4        | 1.2        | 1.5        | 1.4         |
| <b>West North Central</b>          | 4.2        | -1.9       | 0.5        | 1.9        | 3.1        | 1.1        | 1.8        | 1.8        | 1.5         |
| Minnesota                          | 3.4        | -1.1       | 0.0        | 5.2        | 3.0        | 1.8        | 2.2        | 1.6        | 1.6         |
| Missouri                           | 3.1        | -2.2       | 1.2        | 2.9        | 1.6        | 1.2        | 1.6        | 1.9        | 1.4         |
| Kansas                             | 6.7        | -2.6       | 1.4        | -0.9       | 6.2        | 1.1        | 1.4        | 1.4        | 1.5         |
| Nebraska                           | 5.2        | -1.7       | 0.6        | -1.1       | 3.9        | 0.7        | 1.1        | 2.9        | 2.3         |
| South Dakota                       | 5.2        | -3.1       | 0.9        | -0.8       | 2.9        | 0.5        | 1.3        | 1.9        | 1.4         |
| Iowa                               | 3.7        | -1.2       | -0.8       | 0.3        | 3.1        | 0.4        | 2.3        | 1.7        | 1.2         |
| North Dakota                       | 7.3        | -5.0       | 0.4        | -1.7       | 1.8        | 0.1        | 1.4        | 1.1        | 0.8         |

Source: Bureau of Economic Analysis

# Financial Accounts

While the previous section looks at economic activity during a period of time, we now turn to **financial accounts**, which keep stock of what exists at a point in time. Additionally, this section looks at the structure of ownership in the economy and also covers the lending and borrowing between sectors of the economy.

## Overview

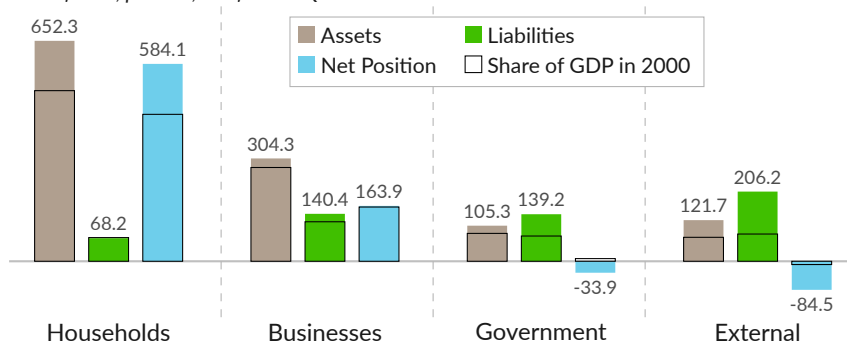
Financial accounts report the accumulated value of assets and liabilities in each major sector. Assets (see ■) include tangible assets like buildings and equipment, as well as financial assets, such as holdings of stock and bonds. Liabilities (see ■) cover financial obligations to others, including loans and debt securities like bonds. The net position of a sector is assets minus liabilities (see ■).

Private households control most of the US economy, with assets equal to 652.3 percent of GDP in 2025 Q3, and wealth equal to 584.1 percent of GDP. Both increased considerably since 2000. Private nonfinancial businesses hold 304.3 percent of GDP in assets and 140.4 percent of GDP in liabilities, with equity of 163.9 percent of GDP.

Government assets, excluding land, are 105.3 percent of GDP, while liabilities are 139.2 percent of GDP. The US holds 121.7 percent of GDP in foreign financial assets, while the rest of the world has 206.2 percent of GDP in financial claims on the US.

## Balance Sheets of Major Sectors

share of GDP, percent, as of 2025 Q3



Source: Federal Reserve, Bureau of Economic Analysis

Household sector includes nonprofits; businesses are private nonfinancial; government consolidates federal, state, and local; external covers financial claims with the rest of the world.

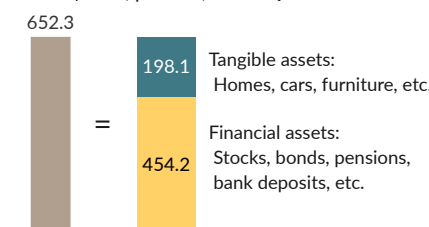
Household assets include business equity, government and corporate bonds, and foreign assets. Categories discussed above overlap each other because they include financial claims sectors hold on each other. Total wealth of the US instead equals domestic *tangible* assets plus the net international investment position.

Households own tangible assets (see ■), like homes and cars, but also own a large amount of financial assets (see ■). Financial assets are claims on other sectors, often through intermediaries.

In 2025 Q3, household assets total \$202.8 trillion, or 652.3 percent of GDP. This includes 198.1 percent of GDP in tangible assets and 454.2 percent of GDP in financial assets.

## Household Assets

share of GDP, percent, 2025 Q3



Source: Fed, BEA

## Wealth

Total US **wealth** is the sum of domestic tangible assets, such as land (excluding public land), structures, and equipment, minus foreign financial claims on these assets, plus US claims on foreign assets. US wealth totals \$166.8 trillion in 2025 Q3, equivalent to \$486,900 per capita or 536.4 percent of GDP.

As discussed above, financial claims between domestic sectors cancel out when measuring national wealth. The following table derives total US wealth from the tangible assets of each sector, then adjusts for cross-border financial claims.

### Derivation of US Wealth by Sector

share of GDP, percentage

|                          | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q3 | period average |              |       |
|--------------------------|------------|-----------|-----------|-----------|----------------|--------------|-------|
|                          |            |           |           |           | 2019           | 2005<br>-'07 | 1989  |
| Total US Wealth          | 536.4      | 530.1     | 513.6     | 526.8     | 468.6          | 478.8        | 383.6 |
| Households & Nonprofits  | 198.1      | 202.5     | 201.3     | 204.4     | 177.7          | 217.8        | 169.2 |
| Noncorporate Businesses  | 62.1       | 62.9      | 63.7      | 64.5      | 67.5           | 73.1         | 71.1  |
| Domestic Corporations    | 290.0      | 273.0     | 253.5     | 264.8     | 199.7          | 130.4        | 74.9  |
| Federal Government       | 15.7       | 15.8      | 15.9      | 15.8      | 16.7           | 18.3         | 25.7  |
| State & Local Government | 55.0       | 55.6      | 55.8      | 55.7      | 55.3           | 48.7         | 41.9  |
| Net Claims on ROW        | -84.5      | -79.8     | -76.6     | -78.4     | -48.3          | -9.6         | 0.8   |
| US Claims on ROW         | 121.7      | 118.8     | 111.8     | 112.9     | 112.4          | 95.9         | 35.1  |
| Less: ROW Claims on US   | 206.2      | 198.6     | 188.4     | 191.3     | 160.7          | 105.6        | 34.3  |

Source: Federal Reserve, Bureau of Economic Analysis

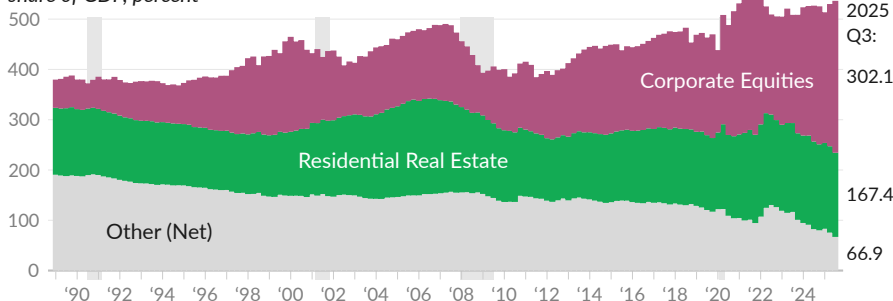
The ratio of US wealth to GDP increased 152.8 percentage points since 1989, driven largely by increases in the market value of corporate equities and residential real estate. The market value of corporate equities is equivalent to 302.1 percent of GDP in 2025 Q3, compared to 170.5 percent in 1999–2000, during the tech bubble, and to 60.1 percent in 1989 (see ■).

The market value of domestic residential real estate is equivalent to 167.4 percent of GDP in 2025 Q3, compared to 185.0 percent in 2005–2007, during the housing bubble, and 134.2 percent in 1989 (see ■).

On a net basis, all other US wealth is equal to 66.9 percent of GDP in 2025 Q3 and 189.2 percent in 1989 (see ■). The other category includes tangible assets of noncorporate businesses and governments, and domestic financial claims on foreign assets. The category also subtracts foreign financial claims on US assets, for example foreign holdings of US corporate equities and Treasury bonds.

### Selected Components of US Wealth

share of GDP, percent



Source: Federal Reserve

## Liabilities

The Federal Reserve US Financial Accounts **cover liabilities**, both in levels and transactions. Using these accounts, we can summarize US financial obligations to others in a few different ways.

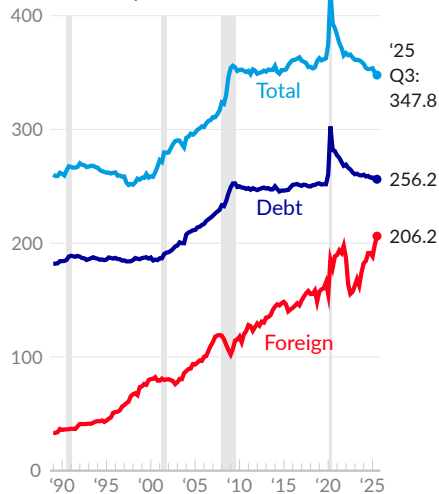
The first and most-common approach to analyzing US liabilities looks at **debt**, encompassing loans and debt securities like bonds. This approach aggregates the debt across all nonfinancial sectors—households, businesses, and government. As of the third quarter of 2025, the total debt for the sectors stands at \$79.7 trillion, which is 256.2 percent of GDP, or \$232,578 per capita.

The second approach considers **total liabilities**, which extend beyond debt to encompass all financial commitments, such as accounts payable, tax obligations, pensions, intercompany debts, and various other liabilities. The aggregate liabilities for nonfinancial sectors reach \$108.2 trillion in 2025 Q3, or 347.8 percent of GDP.

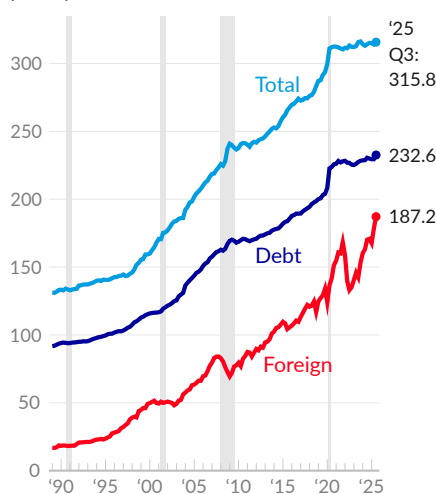
The last approach looks at **foreign financial claims** on the US. From a net US wealth perspective, domestic liabilities to domestic creditors net out. It is therefore of interest to look at what is owed to foreign creditors. Foreign financial claims on the US total \$64.1 trillion in 2025 Q3, translating to 206.2 percent of GDP, or \$187,183 per capita.

### Liabilities

share of GDP, percent



per capita, thousands of 2025 Q3 US dollars



Source: Federal Reserve, Bureau of Economic Analysis



### Liabilities

share of GDP, percent

|                              | 2025 Q3 | '25 Q2 | '24 Q3 | '19 Q4 | 2010  | 1989  |
|------------------------------|---------|--------|--------|--------|-------|-------|
| Total Liabilities (—)        | 347.8   | 349.9  | 353.1  | 362.6  | 351.8 | 260.1 |
| Debt (—)                     | 256.2   | 255.7  | 259.1  | 251.8  | 248.9 | 182.6 |
| Debt Securities              | 135.2   | 134.0  | 134.5  | 123.0  | 104.4 | 72.1  |
| Loans                        | 120.1   | 120.6  | 123.7  | 128.8  | 143.9 | 110.0 |
| Foreign Financial Claims (—) | 206.2   | 198.6  | 191.3  | 165.5  | 118.4 | 34.3  |

Source: Federal Reserve, Bureau of Economic Analysis



Note: Domestic figures are for nonfinancial sectors and foreign financial claims on the US do not include US claims on the rest of the world.

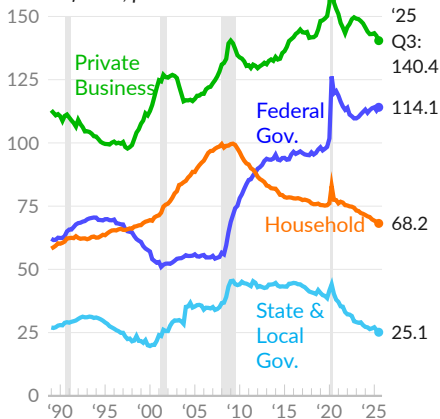
Liabilities vary **by sector** and vary over time within sectors. Households and nonprofits (see —) have \$20.7 trillion in debt in 2025 Q3, equivalent to 66.5 percent of GDP. During the collapse of the housing bubble, in 2010, household and nonprofit debt was equivalent to 92.1 percent of GDP.

In 2025 Q3, private nonfinancial businesses (see —), corporate and noncorporate, have total liabilities of \$43.7 trillion and debt of \$22.1 trillion. In 2025 Q3, nonfinancial business debt is equivalent to 71.0 percent of GDP, slightly below the pre-COVID ratio of 76.9 percent. Nonfinancial corporations have \$30.7 trillion in total liabilities and \$14.1 trillion in debt.

Federal government debt (see —) is equivalent to 106.9 percent of GDP in the latest data and 86.8 percent in 2019 Q4. Federal government debt has increased substantially since the Great Recession. State and local government debt (see —) is equivalent to 11.8 percent of GDP in 2025 Q3 and 21.4 percent of GDP in 2010. Total liabilities for the sector, which include pensions, are 25.1 percent of GDP in the latest data and 44.5 percent in 2010.

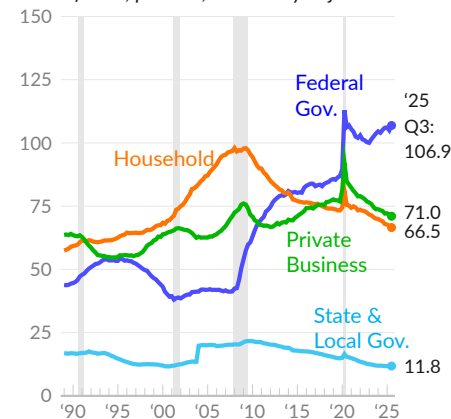
### Liabilities by Sector

share of GDP, percent



### Debt by Sector

share of GDP, percent, seasonally adjusted



### Debt by Sector

share of GDP, percent

|                              | 2025 Q3 | '25 Q2 | '24 Q3 | '19 Q4 | 2010  | 1989  |
|------------------------------|---------|--------|--------|--------|-------|-------|
| Debt of Nonfinancial Sectors | 256.2   | 255.7  | 259.1  | 251.8  | 248.9 | 182.6 |
| Households & Nonprofits (—)  | 66.5    | 67.2   | 69.0   | 73.3   | 92.1  | 58.1  |
| Home Mortgages               | 45.6    | 46.1   | 46.7   | 49.0   | 68.7  | 39.7  |
| Consumer Credit              | 16.2    | 16.4   | 17.0   | 19.1   | 16.8  | 13.8  |
| Nonfinancial Businesses (—)  | 71.0    | 71.7   | 73.1   | 76.9   | 69.2  | 63.7  |
| Corporate                    | 45.4    | 45.8   | 46.9   | 49.6   | 42.7  | 42.8  |
| Debt Securities              | 28.1    | 28.4   | 28.9   | 31.9   | 26.6  | 20.7  |
| Loans                        | 17.2    | 17.3   | 17.9   | 17.7   | 16.0  | 22.2  |
| Noncorporate                 | 25.6    | 25.9   | 26.2   | 27.3   | 26.6  | 20.9  |
| Commercial Mortgages         | 7.1     | 7.2    | 7.4    | 8.3    | 9.6   | 8.6   |
| Government                   | 118.7   | 116.8  | 117.0  | 101.7  | 87.6  | 60.8  |
| State & Local (—)            | 11.8    | 11.8   | 11.9   | 14.8   | 21.4  | 16.8  |
| Federal (—)                  | 106.9   | 105.0  | 105.1  | 86.8   | 66.2  | 44.0  |

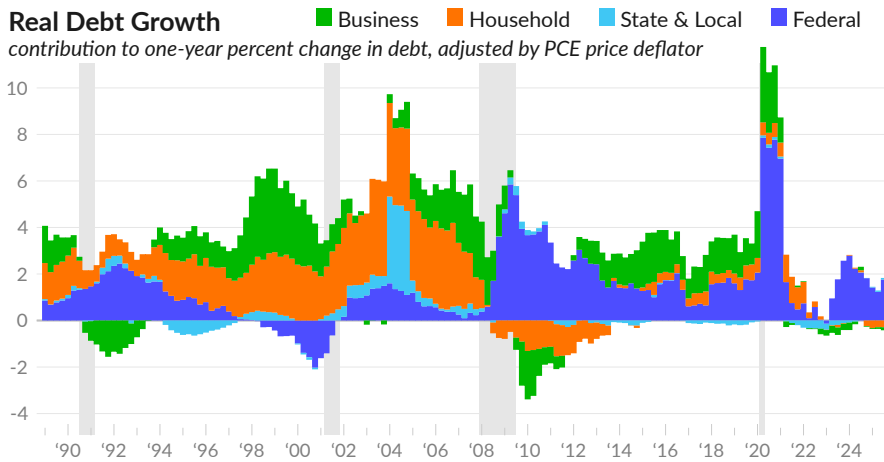
Source: Federal Reserve, Bureau of Economic Analysis



Higher rates of **real debt growth** may highlight economic risks. For example, the tech bubble that popped in 2001 shows up as an increase in corporate borrowing, and the housing bubble that popped in 2008 shows up as an increase in mortgage debt.

Since the third quarter of 2019, inflation-adjusted US debt increased at an annualized rate of 2.9 percent, slightly below the long-term rate of 3.7 percent. Over this six-year period, debt growth is driven largely by an increase in federal government debt. Federal government debt contributed 2.3 percentage points to annualized growth, and nonfinancial business debt contributed 0.3 percentage point.

Over the year ending 2025 Q3, real debt increased 1.4 percent, far below the long-term average. Federal government borrowing (see ■) contributed 1.8 percentage points to the overall change, while the state and local government did not contribute (see ■). Households and nonprofits subtracted 0.3 percentage point (see ■), and nonfinancial businesses subtracted 0.1 percentage point (see ■).



### Real Debt Growth by Sector

contribution to one-year real growth, percentage points

long-term, annualized

|                          | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q4 | '24<br>Q3 | 6-<br>year | 10-<br>year | 30-<br>year |
|--------------------------|------------|-----------|-----------|-----------|-----------|------------|-------------|-------------|
| Total Real Debt Growth   | 1.41       | 0.93      | 1.08      | 1.55      | 2.32      | 2.89       | 3.01        | 3.69        |
| Household & Nonprofit    | -0.29      | -0.29     | -0.32     | -0.24     | 0.09      | 0.28       | 0.34        | 0.82        |
| Home Mortgages           | 0.02       | 0.07      | 0.05      | 0.03      | 0.05      | 0.26       | 0.24        | 0.55        |
| Consumer Credit          | -0.16      | -0.14     | -0.16     | -0.22     | -0.03     | 0.01       | 0.09        | 0.21        |
| Business                 | -0.13      | -0.07     | -0.04     | -0.03     | 0.15      | 0.34       | 0.70        | 0.98        |
| Corporate Business       | -0.16      | -0.11     | -0.06     | -0.03     | 0.17      | 0.20       | 0.42        | 0.58        |
| Debt Securities          | -0.05      | 0.03      | 0.10      | 0.06      | 0.15      | 0.05       | 0.19        | 0.38        |
| Loans                    | -0.11      | -0.14     | -0.16     | -0.09     | 0.02      | 0.15       | 0.23        | 0.20        |
| Noncorporate Business    | 0.02       | 0.04      | 0.02      | -0.00     | -0.02     | 0.14       | 0.28        | 0.40        |
| Commercial Mortgages     | -0.03      | -0.03     | -0.05     | -0.05     | -0.04     | -0.02      | 0.02        | 0.10        |
| State & Local Government | 0.07       | 0.06      | 0.03      | 0.01      | 0.01      | -0.07      | -0.09       | 0.11        |
| Federal Government       | 1.76       | 1.23      | 1.42      | 1.82      | 2.06      | 2.34       | 2.05        | 1.78        |

Source: Federal Reserve, Bureau of Economic Analysis



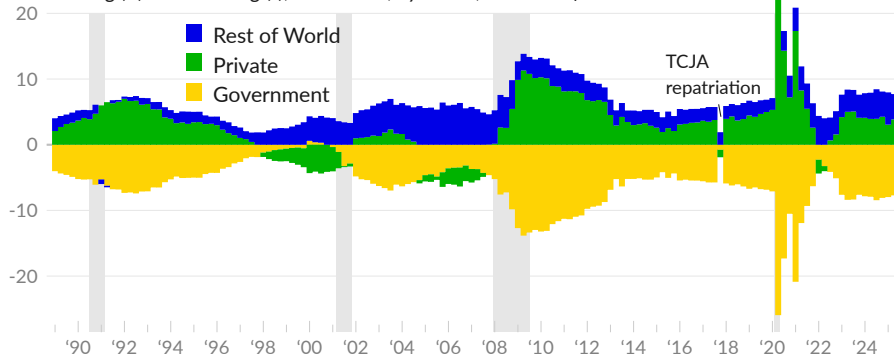
## Sectoral Balances

The **sectoral financial balances** provide a high-level summary of US financial activities, by dividing the world into three sectors: the US private sector (see ■), the US government (see ■), and the rest of the world (see ■). This framework analyzes the net lending and borrowing among these sectors. Since one sector's borrowing is another's lending, the sum of all sectors' balances is always zero.

A sector runs a surplus for a given accounting period when its income exceeds its expenditures, allowing it to lend out the resulting savings. Conversely, a sector that spends more than its income must borrow to cover the shortfall. For instance, when the public sector incurs a deficit, it becomes a net borrower, effectively generating a surplus for other sectors by spending beyond its tax revenues.

### Sectoral Financial Balance

*net lending (+) or borrowing (-), NIPA basis, by sector, as share of GDP*



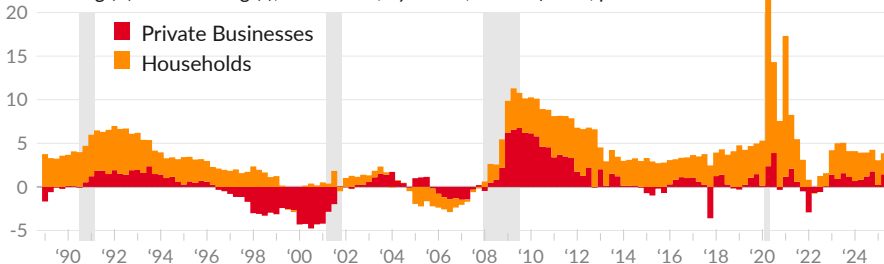
Source: Bureau of Economic Analysis

In 2025 Q2, the US private sector is a net lender (running a surplus) of the equivalent of 3.9 percent of GDP, slightly below the 4.6 percent surplus in 2019. The rest of the world is a net lender to the US to the equivalent of 3.9 percent of GDP in 2025 Q2, compared to 2.1 percent in 2019. Balancing these transactions, the government (federal, state, and local combined) is a net borrower (running a deficit) of the equivalent of 7.7 percent of GDP in 2025 Q2, compared to 6.7 percent in 2019.

Breaking out the two main categories in the private sector, households are net lenders (running a surplus) of the equivalent of 2.4 percent of GDP in 2025 Q2 (see ■), while private businesses—corporate and noncorporate—are net lenders of the equivalent of 1.4 percent of GDP (see ■). In 2019, households are net lenders of 4.0 percent, and private businesses are net lenders of 0.6 percent.

### Domestic Private Sector Financial Balance

*net lending (+) or borrowing (-), NIPA basis, by sector, share of GDP, percent*



Source: Bureau of Economic Analysis



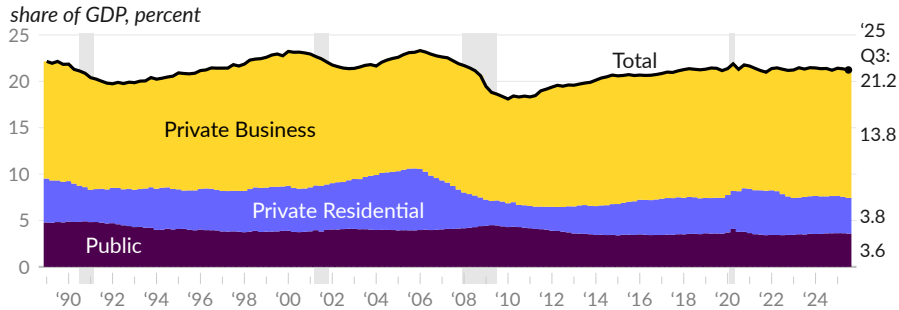
## Investment

**Investment** is the process that creates and improves tangible assets. In the national accounts, investment assets have a useful life of more than one year and do not include consumer durable goods such as cars, furniture, or appliances. As such, investment is considered an exchange of assets, and distinguished from consumer spending.

In the third quarter of 2025, annualized US **gross fixed investment**, both public and private, totals \$6.6 trillion, or 21.2 percent of GDP (see —). Gross fixed investment is equivalent to 21.4 percent of GDP one year prior, in 2024 Q3, and averages 21.3 percent of GDP in 2019.

In 2025 Q3, private nonresidential (business) fixed investment comprises 65 percent of the total and translates to 13.8 percent of GDP (see ■). Private residential makes up 18 percent of the total and 3.8 percent of GDP (see ■). Public investment is 17 percent of the total and 3.6 percent of GDP (see ■).

### Gross Domestic Fixed Investment

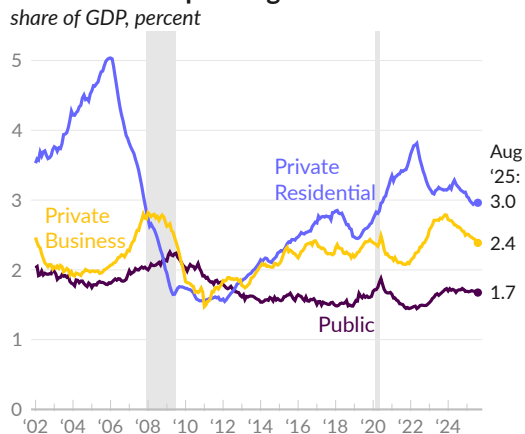


Source: Bureau of Economic Analysis

### Construction Spending

Traditionally, **construction spending** makes up a large portion of fixed investment, and a substantial portion of GDP. Each month, the Census Bureau [reports](#) the dollar value of construction work done in the US. In August 2025, the annualized value of construction put-in-place is \$2.2 trillion, equivalent to seven percent of GDP.

### Construction Spending



Source: Census, BEA

Broken down by sector, private residential construction is three percent of GDP (see —) in August 2025, private nonresidential construction is 2.4 percent (see —), and government construction is 1.7 percent (see —).

Over the past year, construction spending subtracted 0.12 percentage point from nominal GDP growth. Private residential construction subtracted 0.06 percentage point, private nonresidential subtracted 0.11 point, and public construction added 0.05 point.

### Investment Contribution to Growth

As gross investment usually represents a fifth of GDP or more, investment tends to also represent a sizable **contribution to GDP growth**. During periods of particularly strong investment, the category explains nearly half of overall economic growth. For example, from 1996 to 1999, gross domestic fixed investment added an average of 1.75 percentage points to annual real GDP growth.

In the third quarter of 2025, gross domestic fixed investment contributed 0.23 percentage point to annualized real GDP growth, following a contribution of 0.89 point in the second quarter. Over the past year, gross fixed investment contributed 0.98 percentage point to real GDP growth.

In 2025 Q3, by type of gross fixed investment, private nonresidential contributed 0.4 percentage point to annualized real GDP growth (see ■), private residential subtracted 0.21 percentage point (see ■), and public contributed 0.04 percentage point (see ■). Over the past year, nonresidential or business gross fixed investment contributed 0.75 percentage point, residential contributed 0.06 point, and public contributed 0.17 point.

### Domestic Investment Contribution to Growth

percentage point contribution to real GDP growth



Source: Bureau of Economic Analysis



Gross domestic investment includes fixed investment, discussed above, and also the **change in private inventories**. Inventories are goods that were produced but not sold. While periods with low inventories balance out periods of overstock in the long-term, changes in private inventories can swing GDP growth in a given quarter.

In 2025 Q3, changes in private inventories subtracted 0.22 percentage point from annualized real GDP growth (see ■), following a subtraction of 3.44 percentage points in 2025 Q2. Over the past year, changes in private inventories subtracted 0.51 percentage point from real GDP growth.

Each of these categories of investment is discussed further, in the chartbook section for the relevant sector. The next subsection examines net fixed investment, which adjusts for the depreciation of assets over time, in order to capture new or expanded investment.

## Net Fixed Investment

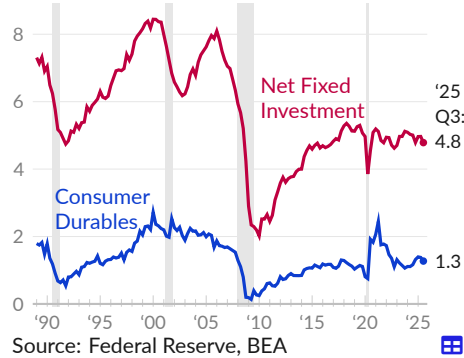
Gross investment includes new fixed investment as well as depreciation, the wearing down of existing assets. Gross investment less depreciation is referred to as **net investment**, and represents new or expanded investment. The net investment figures below are derived from the US [financial accounts](#).

In 2025 Q3, gross fixed investment is \$6.6 trillion, depreciation is \$5.1 trillion, and net fixed investment is \$1.5 trillion, equivalent to 4.8 percent of GDP (see —). In 2019, net fixed investment is 5.2 percent of GDP.

The financial accounts also tabulate net spending on consumer durable goods, such as autos, furniture, and appliances. Net spending on consumer durables is \$395 billion in 2025 Q3, or 1.3 percent of GDP (see —). Net consumer durable goods spending is 1.1 percent of GDP in 2019.

### Net Fixed Investment

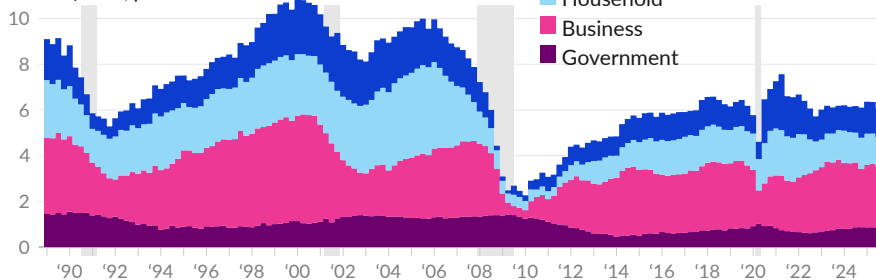
share of GDP, percent



Levels of net fixed investment vary by sector and over time. In 2025 Q3, household sector net fixed investment, excluding consumer durables, is 1.3 percent of GDP, compared to 1.5 percent in 2019 (see ■). From 2003 to 2006, during the housing bubble, household net fixed investment averaged 3.5 percent of GDP. Business sector net fixed investment is equivalent to 2.7 percent of GDP in 2025 Q3, and 2.9 percent in 2019 (see ■). Government net fixed investment is 0.8 percent of GDP in 2025 Q3 and 0.8 percent in 2019 (see ■).

### Net Fixed Investment by Sector or Type

share of GDP, percent



|                           | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q3 | 2019 | 2003<br>-'06 | 1999<br>-'01 |
|---------------------------|------------|-----------|-----------|-----------|------|--------------|--------------|
| — Net Fixed Investment    | 4.79       | 4.97      | 4.96      | 5.01      | 5.19 | 7.33         | 8.03         |
| ■ Business                | 2.68       | 2.78      | 2.73      | 2.83      | 2.88 | 2.55         | 4.27         |
| Nonfin. Noncorp. Business | 0.35       | 0.38      | 0.41      | 0.41      | 0.46 | 0.58         | 0.61         |
| Nonfin. Corporations      | 2.08       | 2.15      | 2.10      | 2.25      | 2.15 | 1.72         | 3.15         |
| ■ Government              | 0.84       | 0.87      | 0.87      | 0.87      | 0.82 | 1.31         | 1.10         |
| State & Local Gov.        | 0.67       | 0.68      | 0.67      | 0.65      | 0.66 | 1.08         | 1.13         |
| Federal Gov.              | 0.17       | 0.18      | 0.20      | 0.22      | 0.15 | 0.23         | -0.03        |
| ■ Household & Nonprofit   | 1.26       | 1.32      | 1.37      | 1.31      | 1.49 | 3.46         | 2.67         |
| — / ■ Consumer Durables   | 1.27       | 1.38      | 1.40      | 1.16      | 1.09 | 1.97         | 2.27         |

Source: Federal Reserve, Bureau of Economic Analysis

# Households

This section covers the household sector of the economy. Households are the source of labor for production and the source of saving for investment. Households are also the primary source of demand. Topics in the section include demographics, personal and household income and outlays, consumer sentiment, residential investment, household balance sheets, home ownership, housing, and poverty.

## Demographics

Demographics provide a foundation for examining US households. Demographics measure the structure and characteristics of the population. The demographics subsection covers population, population growth, household formation and headship, age, life expectancy, and education.

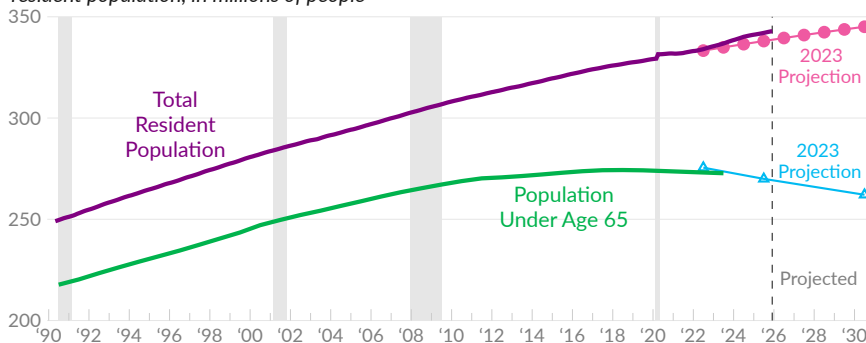
### Population

The Census Bureau provides [estimates](#) and [projections](#) of the **US population**. Population levels and growth rates affect the economy and are critical pieces of information in determining and evaluating economic policies and outcomes. Population projections are based on assumptions, for example about the future level of net migration to the US, but are useful for thinking about future US demographics.

The US resident population is 342.9 million in December 2025, from the latest population estimates, released in December 2024 (see [—](#)). The 2023-based projections of the future US resident population show a 2030 population of 345.1 million people (see [●](#)). The resident population under age 65 was estimated to be 272.7 million in 2023 (see [—](#)) and is projected to be 262.1 million in 2030 (see [▲](#)).

### Population Estimates and Projections

resident population, in millions of people



Source: Census Bureau

### Population Estimates and Projections

resident population, in millions of people

|                           | Dec 2025 | 2023  | 2019  | 2010  | 2000  | 1990  | projected 2030 |
|---------------------------|----------|-------|-------|-------|-------|-------|----------------|
| Total Resident Population | 342.9    | 336.8 | 328.2 | 309.3 | 282.2 | 249.6 | 345.1          |
| Under Age 65              | –        | 272.7 | 274.2 | 268.8 | 247.1 | 217.7 | 262.1          |
| Age 65 Plus               | –        | 64.1  | 54.1  | 40.5  | 35.1  | 31.9  | 83.0           |

Source: Census Bureau

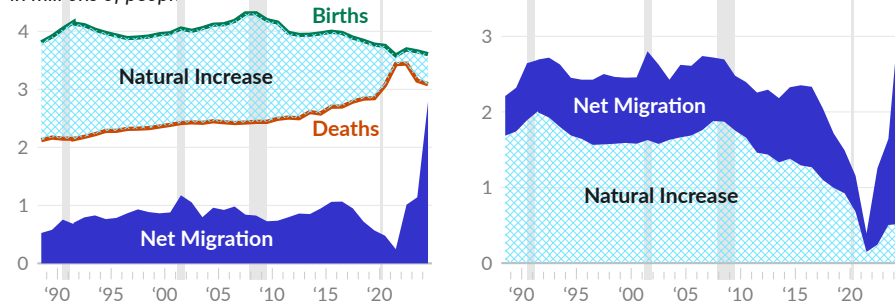
## Population Growth

Population growth comes from two sources: natural increases and net migration. Natural increases are calculated as the number of births minus the number of deaths. Net migration is the number of people moving to the US (immigrants) minus the number of people moving out of the US (emigrants).

In the latest estimate, the US added 3.3 million people over the year ending July 2024, a population growth rate of one percent. There were a total of 3.6 million births (see —), and 3.1 million deaths (see —), resulting in a natural increase of 520,000 people (see ■). In the same period, net migration from abroad increased the resident population by 2.8 million people (see ■). For comparison, in 1989, there were 3.9 million births, 2.2 million deaths, and 580,000 net migrants to the US.

### Components of Population Growth

in millions of people



Source: Census Bureau



### Related Measures

There are multiple measures of population, based on different definitions. As of December 2025, the **resident** population is 342.9 million, while the more-comprehensive resident population **including armed forces overseas** is 343.2 million, and the more-narrow **civilian noninstitutionalized** population, which is used in labor statistics, is 338.2 million. The Bureau of Economic Analysis (BEA) use midyear resident population estimates from the Census Bureau for per capita measures. In the chartbook, per capita figures related to the national accounts use the resident population, while labor market figures use the civilian noninstitutionalized population.

The Census Bureau further divides the population into those living in households and those living in group quarters. As of December 2025, the **household** population is 334.5 million, or 97.6 percent of the total resident population. The **group quarters** population is **measured** in depth as part of the 2020 Census. The 2020 group quarters population is 8.2 million, of which 3.8 million are institutionalized. Of these, two million are in prisons and jails, and 1.6 million are in nursing and skilled-care facilities. An additional 2.8 million people live in dormitories or student housing, 328,000 live in barracks, and 1.4 million live in other noninstitutional facilities such as shelters and group homes.

Lastly, an important related concept, **households**, are **measured** as occupied housing units. The number of households varies over time, separately from the population, as people make changes in their living arrangements. Over the year ending 2025 Q2, there were an average of 132.3 million households, compared to 94.2 million in 1990.

## Household Formation

Households are measured as **occupied housing units**, whether occupied by the owner or rented. Over the year ending 2025 Q2, there were an average of 132.3 million total occupied housing units in the US, of which 45.9 million (34.7 percent) were rented, and 86.5 million (65.3 percent) were owner-occupied. Since 1989, the US has experienced the boom and bust of a major housing bubble. By 2016, the end result of the bubble bursting was a shortage of housing, as housing units per capita fell from 1995 to 2016.

### Housing by Type

one-year moving averages  
millions of units



Source: Census Bureau

change since 1989, units per capita, percentage points

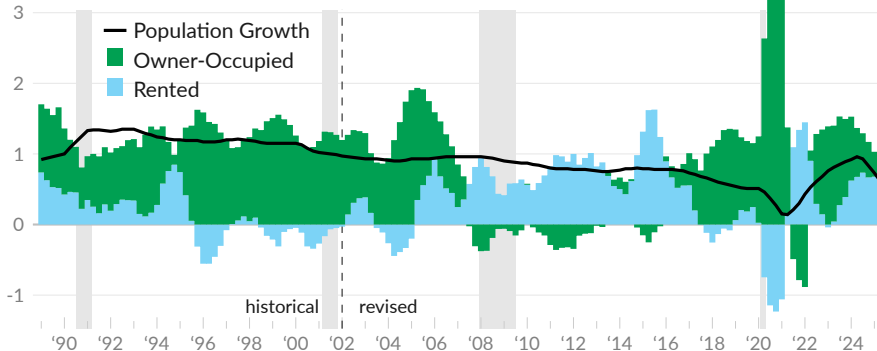


**Household formation** measures the change in occupied housing units. During the housing bubble, housing construction exceeded population growth and the homeownership rate increased. Following the collapse of the housing bubble, household formation was below population growth and homeownership decreased as foreclosures converted homeowners into renters.

From 2019 Q4 to 2025 Q2, the average annual **household formation rate** was 1.4 percent, while annual population growth averaged 0.6 percent. Changes in the number of owner-occupied households contributed 1.1 percentage points on an average basis (see ■), and changes in rented households contributed 0.3 percentage point (see ■). Over the year ending 2025 Q2, the household formation rate averaged one percent, of which owner-occupied households contributed 0.2 percentage point, and rented households contributed 0.7 percentage point.

### Contributions to Household Formation

one-year moving average of annual growth rates, percent



Source: Census Bureau, Housing Vacancies and Homeownership



## Headship Rate

Individual decisions about starting a household or living with family are influenced by economic conditions. The ratio of households to people age 16 and older is referred to as the [aggregate headship](#) rate. The headship rate is higher when people are more likely to head their own household.

The headship rate fell following the collapse of the housing bubble and during the COVID-19 pandemic, as more people moved in with family. The headship rate reached a low of 49.15 percent during May 2020, and is currently 49.59 percent, as of December 2025 (see [-](#)).

### Aggregate Headship Rate

people age 16 and older, percent, seasonally adjusted



## Living with Family

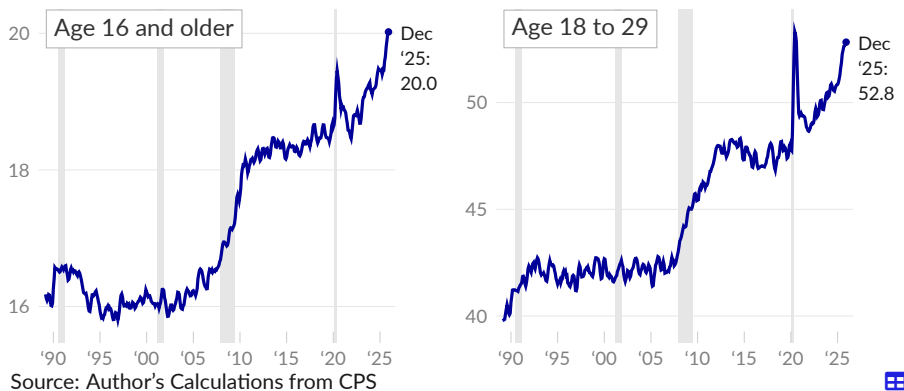
Underneath changes in headship are changes in living arrangements, including in the rate at which adults live with family members who are not their spouses. Specifically, **living with family**, in this context, measures the share of people age 16 and older who are living with their parents, grandparents, kids, or other nonspouse relative.

Living with family became more common after the collapse of the housing bubble. An additional two percent of adults, or roughly 4.8 million people, live with family in 2010 compared to 2003. Rates of living with family spiked early in the COVID-19 pandemic, particularly for young adults.

Over the three months ending December 2025, 20.0 percent of those age 16 and older, and 52.8 percent of those age 18 to 29, are living with family. Relative to 2019, an additional 2.6 million young adults now live with family, equivalent to 5.0 percent of the age group.

### Living with Family

share of age group population, percent, seasonally-adjusted, 3-month moving average

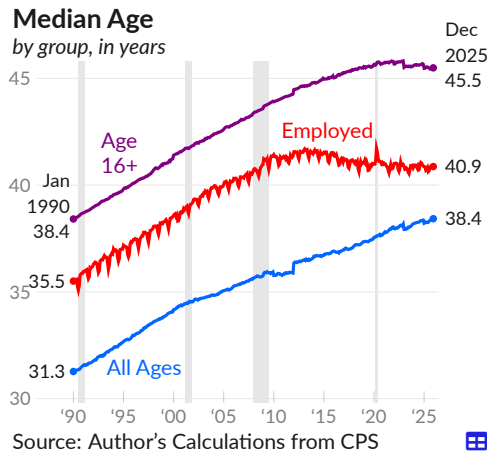


## Age

Researchers describe **aging** as a headwind to economic growth in major advanced economies. A larger retirement-age population means a smaller share of people are working and borrowing and a larger share are receiving pension benefits and lending to the financial system. These conditions can strain retirement systems such as Social Security. A more-productive economy helps to overcome this demographic trend.

The **median age** is the midpoint for the age of a group; half of the group is older and half is younger. Tracking this point over time summarizes the age composition of the group. As a population ages, the median age will increase.

The median age of the overall civilian noninstitutionalized population, calculated from the Current Population Survey (CPS), is 38.4, as of December 2025, compared to 31.3 in January 1990 (see —). The median worker is 40.9 in December 2025, and 35.5 in January 1990 (see —).



Dividing the population into **age groups** helps to summarize the distribution. Further, economic indicators may include or exclude specific age groups. As examples, labor statistics generally exclude those under age 16, retirement statistics may include only those over age 64, while the age 25 to 54 employment rate serves as a key indicator of labor market slack. Examining changes to the age distribution over time can add context to these indicators.

## Age Groups

share of population, percent



The noninstitutionalized civilian population used in most labor statistics totals 338.2 million in December 2025. Of this, 18.7 percent are under the working age of 16, equivalent to 63.4 million people. In 1989, the under-16 population was 23.4 percent of the total. The juvenile population, those under 18, is 72.8 million, equivalent to 21.5 percent of the population in December 2025, and compared to 26.3 percent in 1989.

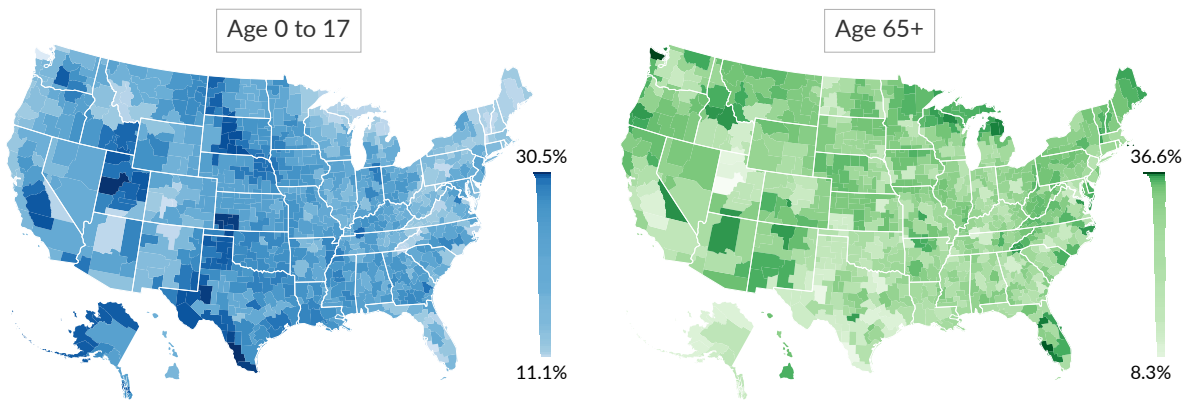
Traditionally, the prime working age is between 25 and 54. In December 2025, 131.4 million people, 38.9 percent of the population, are age 25 to 54. In 1989, 42.3 percent of the population is age 25 to 54. The age 55 to 64 group is 12.1 percent of the population in the latest data and 8.9 percent in 1989. Those above the age of 65 comprise 18.5 percent in December 2025 and 11.9 percent in 1989.



Mapping American Community Survey data to commuter zones gives insight on the **age composition of local areas**. In 2024, among commuter zones with a population of at least 100,000, the commuter zone (listed by largest city) with the highest share of its population under 18 is Laredo, TX (30.5 percent), followed by Provo, UT (30.3 percent), and Odessa, TX (29.5 percent). The commuter zones with the lowest share of the local population under 18 were Port Angeles, WA (13.7 percent), Sarasota, FL (14.9 percent), and Pittsfield, MA (15.5 percent).

The age 65 and older population is disproportionately concentrated in Florida. The commuter zone with the highest share of its population over 64 is Port Angeles, WA (36.6 percent), followed by Sarasota, FL (34.6 percent), and Ocala, FL (31.1 percent). The commuter zones with the lowest local over-64 population share were Provo, UT (8.3 percent), Odessa, TX (10.7 percent), and Laredo, TX (10.8 percent).

### Age Group Share of Commuter Zone Population, 2024



Source: American Community Survey, Dorn

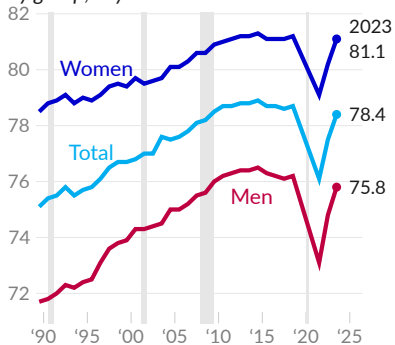


### Life Expectancy

**Life expectancy** at birth summarizes the health and mortality of a population. The measure indicates the number of years a newborn is expected to live if mortality rates do not change. Life expectancy estimates are **produced** by the National Center for Health Statistics.

#### Life Expectancy at Birth

by group, in years



Source: NCHS



In 2023, US life expectancy at birth is 78.4 years (see —), a decrease of 0.5 year since 2014, but an increase of 3.3 years since 1989. Life expectancy for men is 75.8 years in 2023, compared to 76.5 years in 2014 and 71.7 years in 1989 (see —). Women born in 2023 are expected to live 81.1 years, based on current mortality rates, compared to estimates of 81.3 years for 2014 and 78.5 years for 1989 (see —).

Falling life expectancy from 2014 to 2018 is generally associated with increased overdose deaths and the opioid epidemic. Life expectancy fell further during the COVID-19 pandemic, **according** to early estimates.

## Education

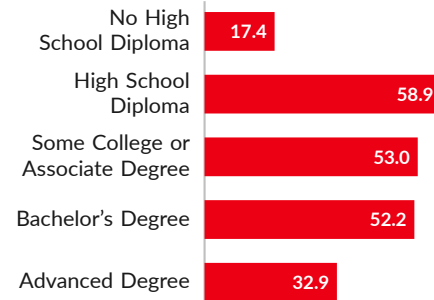
Education is central in many discussions of the future of the US economy. In recent decades, there has been a significant rise in both college tuition fees and enrollment rates. Households may be spending more on education as a response to changing job opportunities from globalization and other policy decisions. Consequently, the population is now more educated but also bears greater student debt burdens.

Over the year ending December 2025, 85.1 million people over the age of 25, or 39.7 percent of the total, have at least a bachelor's degree, with 32.9 million of those, or 15.4 percent of the total, holding an advanced degree such as a master's degree, medical or law degree, or PhD.

An additional 53.0 million people have some college coursework but no degree or have an associate degree. A total of 58.9 million have a high school diploma but no college, while 17.4 million have no high school diploma.

### Highest Level of Education

millions of people, age 25+, December 2025  
12-month moving average



Source: Author's Calculations from CPS

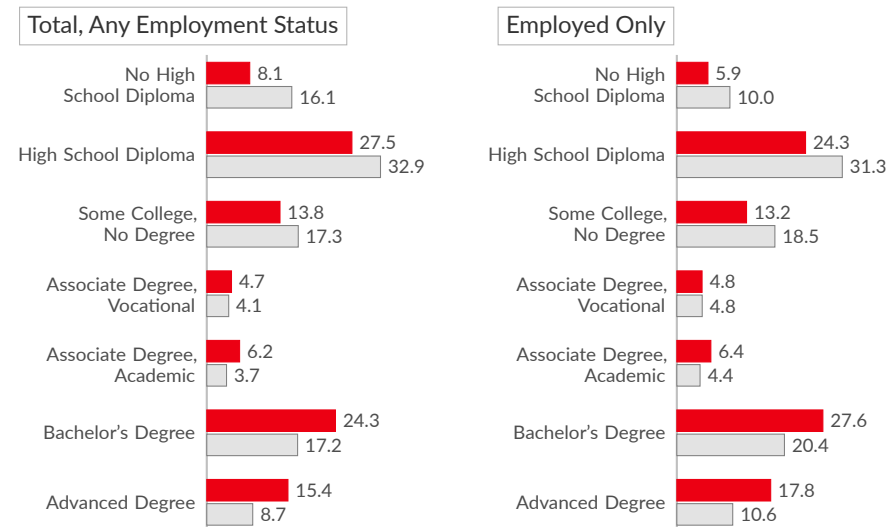
The share of the population with a bachelor's degree or advanced degree increased by 13.8 percentage points since 2000. The increase is even more pronounced among those who are employed; 45.4 percent have a college degree or advanced degree during the year ending December 2025, an increase of 14.5 percentage points since 2000.

Increased education may be connected to a changing labor market and lack of worker bargaining power. Behind the increase in education is a large increase in student debt. The burden of this debt is severe for many, as the more-educated workforce is not necessarily receiving the historical wage premium from education.

### Education Distribution

share of age 25+ population, percent

■ December 2025 ■ 2000 Average



Source: Author's Calculations from CPS

## Income, Spending, and Saving

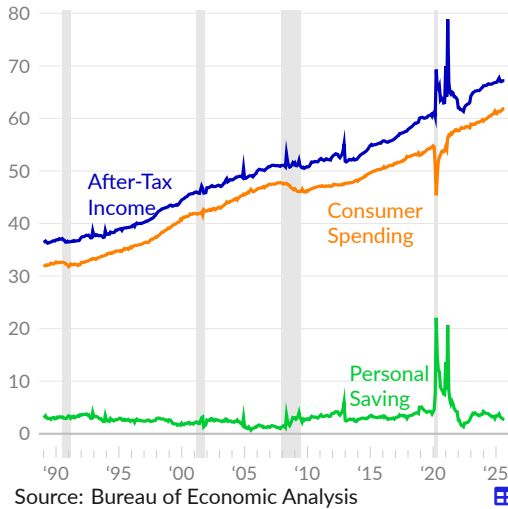
The next subsections cover household and personal income, consumer spending, and personal saving. This subsection offers an overview, with mean and median per capita measures, adjusted for inflation to September 2025 dollars.

In the national accounts, disposable personal income, or **after-tax income**, totals \$23.0 trillion, on an annualized basis, in September 2025, equivalent to \$67,171 per person (see —). Personal consumption expenditures, or **consumer spending**, totals \$21.2 trillion in September 2025, or \$61,874 per person (see —). **Personal saving**, calculated as after-tax income minus consumer spending and other outlays such as interest payments, totals \$0.93 trillion, or \$2,710 per person (see —).

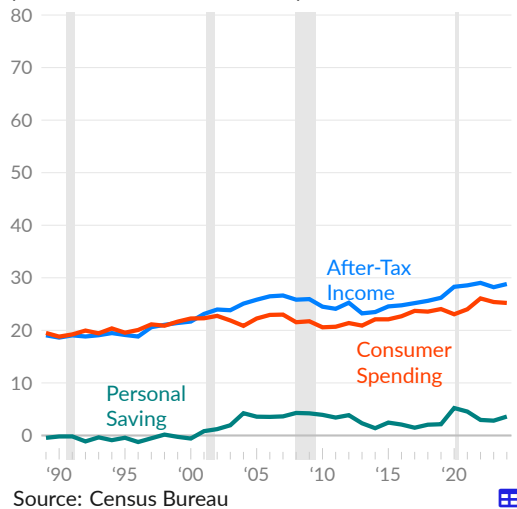
The Consumer Expenditure Surveys [report](#) spending by income level, including for the median household. The median is not affected by the activities of the highest income households, which skew the average (mean). Personal saving is calculated as after-tax income minus spending, excluding spending on pensions.

In 2024, inflation-adjusted after-tax income is \$28,819 per person for the middle fifth of households (see —). Spending for these households is \$25,218 per person (see —), and saving is \$3,601 per person (see —).

**Average Income, Spending, and Saving**  
per capita, thousands of September 2025 US dollars



**Median (Middle Quintile Average)**  
per householder, thousands of September 2025 US dollars



**Average Income, Spending, and Saving**  
per capita, seasonally-adjusted annualized rate, September 2025 US dollars

|                        | Sep '25  | Aug '25 | Jul '25 | Jun '25 | Sep '24 | Sep '19 |
|------------------------|----------|---------|---------|---------|---------|---------|
| Personal Income        | \$76,720 | 76,696  | 76,639  | 76,437  | 75,702  | 68,700  |
| Personal Current Taxes | 9,549    | 9,524   | 9,503   | 9,450   | 9,165   | 8,160   |
| — After-Tax Income     | 67,171   | 67,172  | 67,136  | 66,987  | 66,537  | 60,541  |
| Personal Outlays       | 64,461   | 64,410  | 64,234  | 63,924  | 63,316  | 56,318  |
| — Consumer Spending    | 61,874   | 61,840  | 61,691  | 61,408  | 60,763  | 54,249  |
| Interest Payments      | 1,739    | 1,715   | 1,690   | 1,664   | 1,709   | 1,300   |
| — Personal Saving      | 2,710    | 2,761   | 2,903   | 3,063   | 3,221   | 4,222   |

Source: Bureau of Economic Analysis

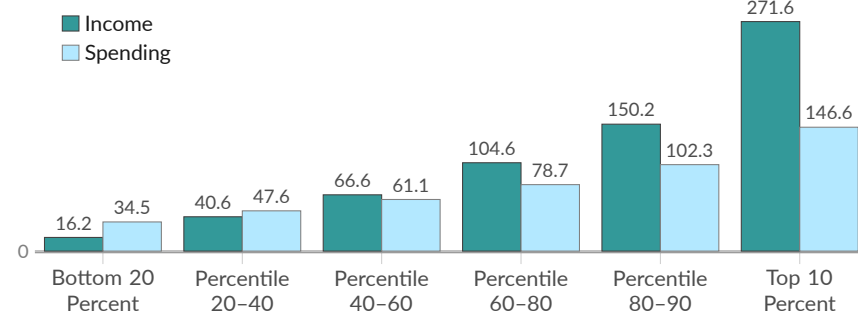
## Distribution by Income

Income varies massively by household. While some spending is non-discretionary, spending increases with income. The bottom 40 percent of households, by total money income, have expenses exceeding after-tax income. This includes retirees who are dissaving and low-income families taking on debt to cover expenses. Meanwhile, the top ten percent of households save nearly half of their income.

In 2024, after-tax household income (see ■) ranges from \$16,200 for the bottom 20 percent to \$271,600 for the top 10 percent. Spending, excluding pensions, (see ■) ranges from \$34,500 for the bottom 20 percent by income, to \$146,600 for the top 10 percent income group.

### Household Income and Spending, by Income Percentile

average, thousands of 2024 dollars



Income is after taxes; spending does not include spending on pensions

Source: Consumer Expenditure Surveys



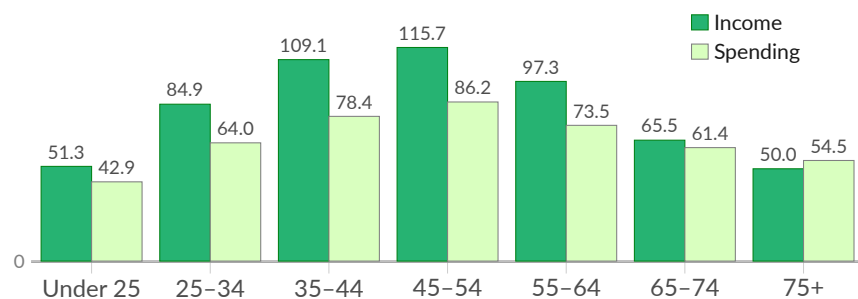
## Distribution by Age

Income and spending vary by age and tend to peak between ages 45 and 54. Saving, the difference between income and spending, also varies by age and generally peaks during ages 45 to 54. In 2019, the oldest and youngest age groups in the data have income near or below their expenses, resulting in low or negative saving rates. In contrast, during the pandemic in 2020, income was above average and spending was below average, and saving rates were positive and far above average.

In 2024, after-tax household income (see ■) ranges from \$50,000 for the oldest age group to \$115,700 for the 45 to 54 age group. Spending, excluding pensions, (see ■) ranges from \$42,900 for the youngest age group to \$86,200 for the 45 to 54 age group.

### Household Income and Spending, by Age of Reference Person

average, thousands of 2024 dollars



Income is after taxes; spending does not include spending on pensions

Source: Consumer Expenditure Surveys

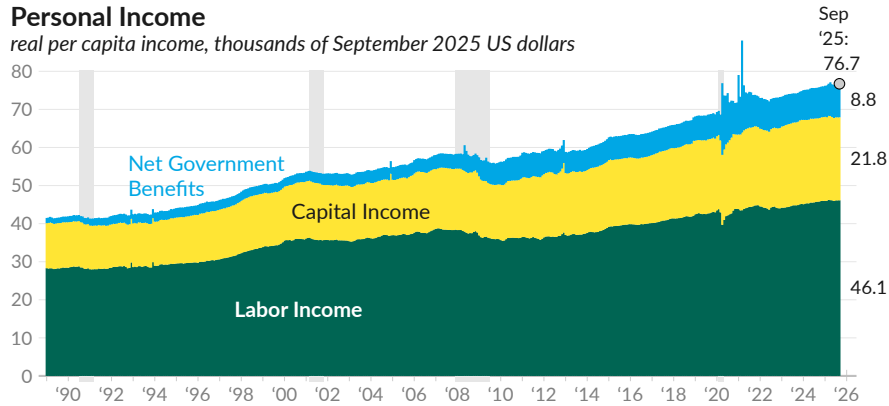


## Personal Income

**Personal income**—the income people get—can be **grouped** into three major categories: labor income, capital income, and net government benefits. Labor income (see ■) encompasses wages and salaries and other job benefits, and is measured as compensation of employees in the national accounts. Capital income (see ■) sums proprietor, rental, dividend, and interest income. Net government social benefits (see ■) are measured as government social benefits less contributions to social insurance.

### Personal Income

real per capita income, thousands of September 2025 US dollars



Source: Bureau of Economic Analysis, Author

In September 2025, annualized personal income is \$76,720 per capita (see ○). Labor income totals \$46,128 per person, capital and proprietor income is \$21,798 per person, and net government benefits total \$8,794 per person.

### Personal Income by Source

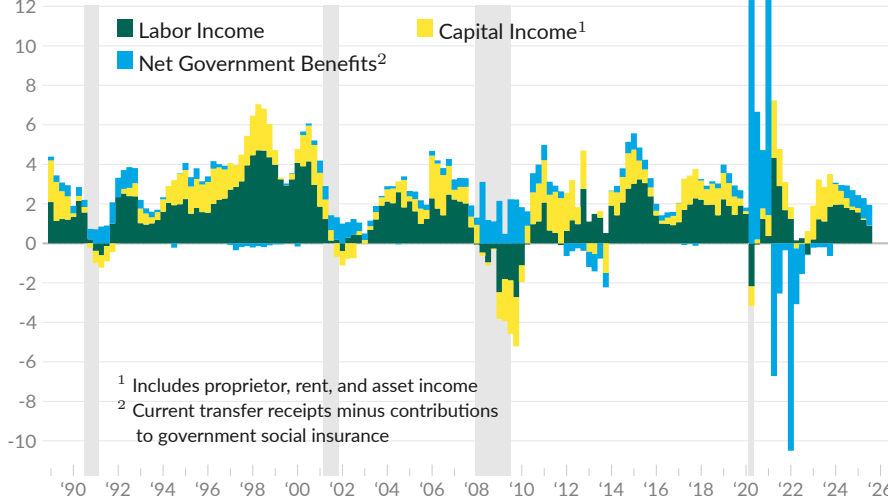
per capita, annualized, September 2025 US dollars

|                                      | Sep '25  | Aug '25 | Jul '25 | Sep '24 | Sep '19 |
|--------------------------------------|----------|---------|---------|---------|---------|
| Personal Income                      | \$76,720 | 76,696  | 76,639  | 75,702  | 68,700  |
| Labor (■)                            | 46,128   | 46,109  | 46,104  | 45,773  | 42,732  |
| Wages & Salaries                     | 37,981   | 37,965  | 37,965  | 37,731  | 34,819  |
| Supplements to Wages & Salaries      | 8,148    | 8,143   | 8,139   | 8,042   | 7,912   |
| Capital (■)                          | 21,798   | 21,803  | 21,836  | 21,872  | 19,492  |
| Proprietors' Income                  | 6,182    | 6,208   | 6,179   | 6,132   | 5,894   |
| Rental Income                        | 3,236    | 3,253   | 3,267   | 3,269   | 2,576   |
| Personal Interest Income             | 5,792    | 5,788   | 5,784   | 5,801   | 5,920   |
| Personal Dividend Income             | 6,588    | 6,554   | 6,605   | 6,670   | 5,102   |
| Net Government Benefits (■)          | 8,794    | 8,785   | 8,699   | 8,057   | 6,476   |
| Government Social Benefits           | 14,357   | 14,364  | 14,317  | 13,632  | 11,585  |
| Social Security                      | 4,586    | 4,621   | 4,623   | 4,400   | 3,857   |
| Medicare                             | 3,642    | 3,623   | 3,602   | 3,380   | 2,975   |
| Medicaid                             | 3,088    | 3,064   | 3,021   | 2,872   | 2,321   |
| Unemployment Insurance               | 112      | 113     | 114     | 111     | 96      |
| Veterans' Benefits                   | 882      | 875     | 867     | 722     | 492     |
| Other                                | 2,046    | 2,068   | 2,090   | 2,148   | 1,845   |
| Less: Social Insurance Contributions | -5,915   | -5,914  | -5,916  | -5,860  | -5,316  |

Source: Bureau of Economic Analysis

## Personal Income

percentage point contribution to one-year real personal income growth



Source: Bureau of Economic Analysis

Aggregate real personal income increased 1.94 percent over the year ending 2025 Q3. Labor income contributed 0.89 percentage point to overall growth, capital income contributed 0.01 percentage point, and net government benefits contributed 1.05 percentage points.

## Personal Income by Source

percentage point contribution to one-year real personal income growth

moving averages

|                                      | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q4 | '24<br>Q3 | 1-year | 10-<br>year | 30-<br>year |
|--------------------------------------|------------|-----------|-----------|-----------|-----------|--------|-------------|-------------|
| Personal Income (Pre-Tax Income)     | 1.94       | 2.29      | 2.44      | 2.69      | 2.93      | 2.34   | 2.70        | 2.73        |
| ■ Labor                              | 0.89       | 1.19      | 1.57      | 1.69      | 1.79      | 1.34   | 1.38        | 1.52        |
| Wages & Salaries                     | 0.69       | 0.95      | 1.31      | 1.39      | 1.38      | 1.09   | 1.21        | 1.26        |
| Supplements to Wages & Salaries      | 0.21       | 0.23      | 0.26      | 0.30      | 0.41      | 0.25   | 0.17        | 0.26        |
| ■ Capital                            | 0.01       | 0.07      | 0.22      | 0.17      | 0.50      | 0.12   | 0.82        | 0.80        |
| Proprietors' Income                  | 0.11       | 0.17      | 0.28      | 0.22      | 0.17      | 0.19   | 0.15        | 0.25        |
| Rental Income                        | 0.02       | 0.09      | 0.08      | 0.15      | 0.16      | 0.09   | 0.14        | 0.16        |
| Personal Interest Income             | -0.02      | -0.06     | -0.00     | -0.07     | 0.14      | -0.04  | 0.11        | 0.07        |
| Personal Dividend Income             | -0.10      | -0.14     | -0.13     | -0.13     | 0.02      | -0.13  | 0.42        | 0.32        |
| ■ Net Government Benefits            | 1.05       | 1.03      | 0.65      | 0.83      | 0.64      | 0.89   | 0.50        | 0.42        |
| Government Social Benefits           | 1.12       | 1.26      | 0.91      | 1.15      | 1.00      | 1.11   | 0.68        | 0.59        |
| Social Security                      | 0.32       | 0.52      | 0.26      | 0.24      | 0.25      | 0.34   | 0.19        | 0.17        |
| Medicare                             | 0.37       | 0.36      | 0.30      | 0.24      | 0.21      | 0.32   | 0.17        | 0.15        |
| Medicaid                             | 0.28       | 0.13      | 0.09      | 0.33      | 0.25      | 0.21   | 0.13        | 0.13        |
| Unemployment Insurance               | 0.00       | 0.00      | 0.00      | 0.00      | 0.01      | 0.00   | 0.03        | 0.01        |
| Veterans' Benefits                   | 0.23       | 0.23      | 0.21      | 0.16      | 0.12      | 0.21   | 0.07        | 0.04        |
| Other                                | -0.08      | 0.01      | 0.04      | 0.18      | 0.16      | 0.04   | 0.10        | 0.09        |
| Less: Social Insurance Contributions | -0.13      | -0.18     | -0.25     | -0.29     | -0.31     | -0.21  | -0.20       | -0.19       |

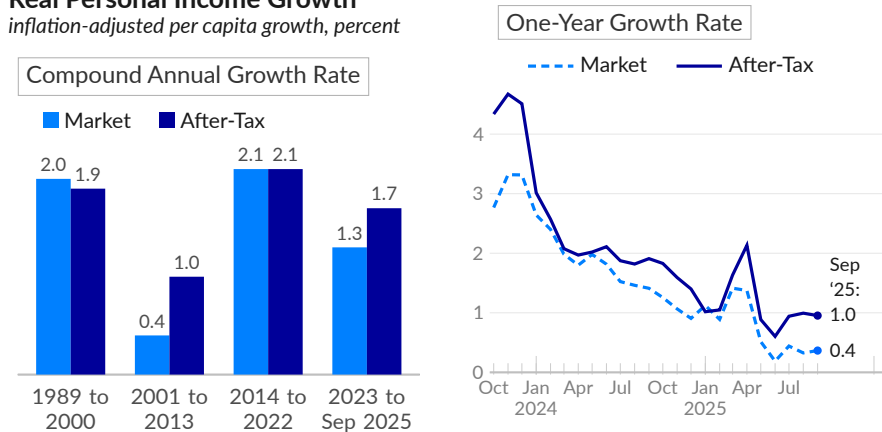
Source: Bureau of Economic Analysis

Next, we distinguish changes in market income from income changes after taxes and transfers. Market income is labor and capital income, excluding transfer payments. Income including transfer payments and taxes is after-tax income or disposable personal income. Additionally, adjusting for inflation and population helps isolate income growth.

The Bureau of Economic Analysis [report](#) real per capita market income growth of 0.4 percent over the year ending September 2025 (see [—](#)). Real per capita income after taxes and transfers increased one percent (see [—](#)). Since 2023, market income increased at an annual rate of 1.3 percent and after-tax income grew at an annual rate of 1.7 percent.

### Real Personal Income Growth

*inflation-adjusted per capita growth, percent*



Source: Bureau of Economic Analysis

### Distribution of Personal Income

Labor income, which includes wages and salaries as well as self-employment income, is the vast majority of personal income. Over calendar year 2024, 51 percent of people have any labor income (see [■](#)). Only 43 percent of people have labor income above the single-person poverty threshold of \$15,060.

Total income, which includes after-tax labor income plus welfare and capital income, (see [■](#)) reaches 71 percent of people in 2024. People who did not receive any income by the total income measure typically live with people who receive income.

In 2024, 6.6 percent of people have total income of more than \$150,000. Note that the chart cuts off income above \$150,000.

### Distribution of Personal Income, 2024

*by percentile of income, thousands of US dollars*



Source: Author's Calculations from CPS ASEC

## Personal Income

number of recipients in thousands,  
income in 2024 US dollars

|                              | 2024                 |                  |                | 2019                 |                  |                |
|------------------------------|----------------------|------------------|----------------|----------------------|------------------|----------------|
|                              | Total with<br>Income | Median<br>Income | Mean<br>Income | Total with<br>Income | Median<br>Income | Mean<br>Income |
| <b>Total</b>                 | 246,500              | \$45,140         | \$67,080       | 235,292              | \$44,277         | \$66,617       |
| Earnings                     | 175,800              | 51,370           | 71,930         | 169,802              | 51,120           | 71,092         |
| Social Security              | 59,250               | 19,670           | 20,700         | 54,985               | 19,104           | 20,302         |
| Supplemental Security Income | 5,653                | 10,530           | 10,380         | 5,715                | 10,370           | 10,415         |
| Public Assistance            | 1,759                | 3,467            | 4,894          | 1,383                | 3,336            | 4,989          |
| Veterans' Benefits           | 5,519                | 19,500           | 23,960         | 4,406                | 16,927           | 21,701         |
| Survivor Benefits            | 3,138                | 11,570           | 21,000         | 3,197                | 11,980           | 21,094         |
| Disability Benefits          | 2,876                | 10,710           | 15,120         | 2,729                | 10,899           | 17,079         |
| Unemployment Compensation    | 3,567                | 4,423            | 6,936          | 3,345                | 4,588            | 6,490          |
| Workers' Compensation        | 1,429                | 7,084            | 13,720         | 1,485                | 9,888            | 17,536         |
| Property Income              | 158,900              | 1,834            | 8,113          | 146,025              | 2,092            | 7,654          |
| Retirement Income            | 31,790               | 16,940           | 30,280         | 30,731               | 17,866           | 31,758         |
| Pension Income               | 21,560               | 17,250           | 26,920         | 20,850               | 19,590           | 31,450         |
| Alimony                      | 206                  | 13,830           | 22,000         | 216                  | 16,375           | 22,740         |
| Child Support                | 3,336                | 4,441            | 7,061          | 3,788                | 5,120            | 7,241          |
| Educational Assistance       | 7,794                | 6,218            | 10,450         | 7,848                | 6,430            | 10,685         |
| Outside Financial Assistance | 3,514                | 5,500            | 11,370         | 2,587                | 4,950            | 11,078         |

Source: Census Bureau, Bureau of Labor Statistics



## Contributions to Personal Income Growth

Annual data on personal income [describe](#) the number of people receiving various categories of income, and the average payment. As a result, changes in aggregate personal income can be matched to changes in payment amounts (see ■) and changes in how many people are receiving payments (see ■).

From 2019 to 2024, aggregate pre-tax personal income increased by a total of 5.49 percent, after adjusting for changes in prices. Compared to 2019, average amounts received are down across nearly all categories. Property, pension, and retirement income were hit by higher inflation and a weak stock market. Earnings barely kept up with inflation over this period, though more people are working.

## Sources of Personal Income Growth, 2019 to 2024

percentage point contribution to real aggregate growth



Source: Census Bureau, Bureau of Labor Statistics





## Household Income

Given the variance in personal income, with many people receiving no income at all, individuals often live together and combine their income and expenses. This subsection covers household income, the combined income of all people in a given housing unit.

When calculated using national accounts (NIPA), after-tax income per household is \$167,040 in 2024 (see - -). However, as with personal income, household income is distributed very unevenly in the US. The Census Bureau [report](#) the distribution of household income, which adds a more-complete picture.

### Real Household Income

thousands of 2024 US dollars



Source: Census Bureau, BEA

Real median household income (see —), the price-adjusted midpoint among household incomes, is \$83,730 in 2024, \$82,690 in 2023, and \$79,500 in 2022. For comparison, real median household income was \$71,790 in 2000. Since 2000, real median income increased by a total of 16.6 percent.

The price-adjusted 90th percentile income limit is \$251,000 in 2024 (see —), \$241,000 in 2023, \$230,200 in 2022, and \$191,500 in 2000. Ten percent of households make more than this level.

On the opposite end of the income distribution, the 10th percentile income limit is \$19,900 in 2024 (see —), \$19,470 in 2023, \$18,230 in 2022, and \$18,090 in 2000. Ten percent of households make less than this level.

The Census Bureau also report household income based on the race or ethnicity of the householder. Household income varies substantially by race, in the US, and the racial income gap has been persistent, over time.

### Real Median Household Income

thousands of 2024 US dollars



Source: Census Bureau

Black median household income is \$56,020 in 2024, compared to an inflation-adjusted equivalent of \$57,950 in 2023 (see —). Non-Hispanic white median household income is \$92,530 in 2024 and \$91,360 in 2023 (see —).

Hispanic (any race) median household income is \$70,950 in 2024 and \$67,240 in 2023 (see —). Asian median household income is \$121,700 in 2024 and \$115,800 in 2023 (see —).

Two values are shown for 2013 and 2017 to mark revisions to the survey design (2013) and the processing of survey data (2017). These data are not perfectly comparable over time.

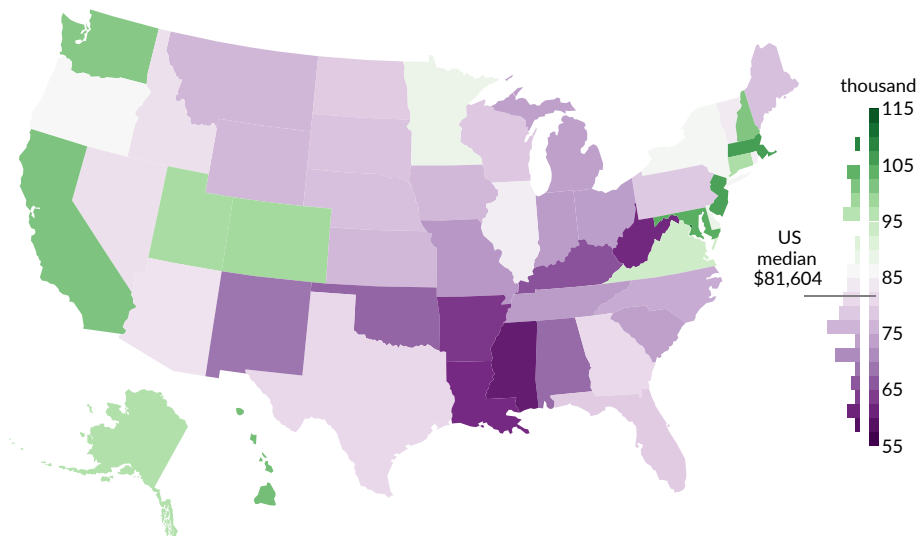
Finally, the Census Bureau [report median household income by state](#) from the American Community Survey. In 2024, the median US household income, using this measure, is \$81,604. In the same year, the median income in 19 states and the District of Columbia is above the national median, and the median income in 31 states is below the national median.

In 2024, the District of Columbia tops the list, with a median household income of \$109,707. Massachusetts has the second highest income (\$104,828), followed by New Jersey (\$104,294). Other high-income states include Maryland (\$102,905), Hawaii (\$100,745), California (\$100,149), New Hampshire (\$99,782), Washington (\$99,389), Colorado (\$97,113), and Utah (\$96,658).

The state with the lowest 2024 median household income is Mississippi (\$59,127), followed by West Virginia (\$60,798), Louisiana (\$60,986), Arkansas (\$62,106), Kentucky (\$64,526), and Oklahoma (\$66,148). Median household income in Puerto Rico is \$27,213.

### Household Income, 2024

*median household income by state, 2024 US dollars*



Source: Census Bureau, American Community Survey



## Household Spending and Saving

The preceding subsection focused on household income, whereas this subsection covers household **spending and saving**. **Consumer spending** encompasses household outlays on goods and services, including government-provided benefits like Medicare and Medicaid, and imputed services such as the assumed rental value of owner-occupied housing.

**Personal saving** occurs when households have income in excess of their expenses. Savings are invested, often providing additional income, and are used for future expenses, such as costs incurred during retirement. Both topics are covered in more depth below.

### Consumer Spending

Over the last three decades, the expansion of **consumer spending** has been a primary driver of economic growth. Consumer spending usually increases when households have more income and falls when households have less income. This effect is visible in both the long-run and during the course of a business cycle, with consumer spending generally falling or slowing during a recession. Some categories of spending fell sharply during COVID-19 business closures and restrictions.

Consumer spending is comprised of two broad expenditure types: goods and services. Spending on goods includes durable goods (goods with a useful life of at least three years), such as cars, furniture, or recreational goods, and nondurable goods, such as groceries, clothing, and gasoline. Spending on services includes housing, health care, restaurants and bars, transportation services, financial services, and other services.

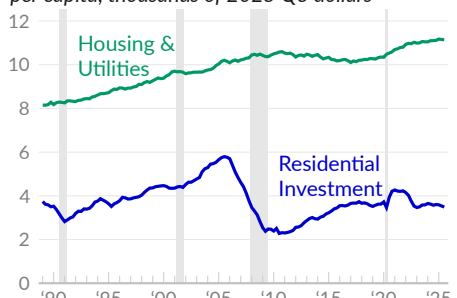
**Expenditures, by Type**  
per capita, thousands of 2025 Q3 dollars



Source: Bureau of Economic Analysis

Consumer spending totals \$21.1 trillion in 2025 Q3, compared to a price-adjusted \$20.9 trillion in 2025 Q2 and \$18.0 trillion in 2019 Q4. On a per person basis, consumer spending is \$61,639 in 2025 Q3, of which \$19,111 are spent on goods (see —) and \$42,528 on services (see —). In the fourth quarter of 2019, before the pandemic, consumer spending on goods was \$15,948 per person, and spending on services was \$38,390 per person, after adjusting for inflation.

**Shelter Costs**  
per capita, thousands of 2025 Q3 dollars



Source: Bureau of Economic Analysis

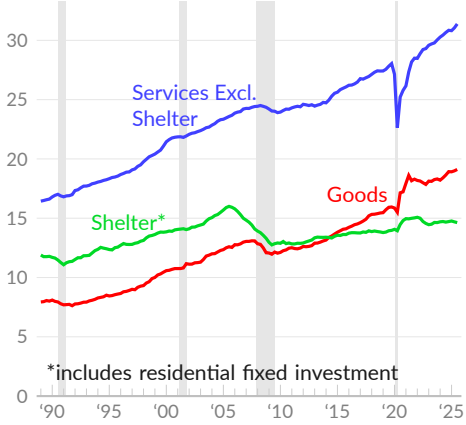
Within consumer spending on services, housing and utilities spending totals \$11,145 on an annualized and per person basis in 2025 Q3 (see —) and \$10,350 in 2019 Q4. Construction or improvement of housing is considered residential fixed investment, not consumer spending, but can be combined with spending to analyze patterns in shelter costs. In 2025 Q3, residential investment totals \$3,487 per person (see —), compared to \$3,624 in the pre-COVID data covering 2019 Q4.

## Consumer Spending and Residential Fixed Investment

The previous two charts cover spending on goods, spending on services other than shelter, and spending on housing, utilities, and residential fixed investment. Investment is not typically grouped with spending, as investment is a form of saving. Spending reduces a household's cash balance, while investment exchanges cash for another asset. The two categories are grouped in the following charts to provide a more broad overview of what households do with their income.

### Expenditures, by Type

per capita, thousands of 2025 Q3 dollars



Source: Bureau of Economic Analysis

Consumer spending on services other than housing and utilities totals \$31,383 per person, on an annualized basis, in 2025 Q3 (see —), compared to an inflation-adjusted \$31,051 in 2025 Q2, and \$28,040 in 2019 Q4. Spending on non-housing services has increased 11.9 percent since 2019 Q4.

Shelter costs, which combine housing, utilities, and residential fixed investment, are \$14,632 per person in 2025 Q3 (see —), \$14,693 in 2025 Q2, and \$13,974 in 2019 Q4. Shelter spending peaked at \$15,999 per person in the third quarter of 2005, during the housing bubble.

### Expenditures, by Type

per capita, seasonally-adjusted annualized rate, 2025 Q3 dollars

|                                | 2025<br>Q3 | 2025<br>Q2 | 2024<br>Q3 | 2019<br>Q4 | 2000<br>Q1 | 1989<br>Q1 |
|--------------------------------|------------|------------|------------|------------|------------|------------|
| Consumer Spending              | \$61,639   | 61,200     | 60,405     | 54,283     | 40,902     | 31,956     |
| — Goods                        | 19,111     | 18,994     | 18,644     | 15,948     | 10,578     | 7,937      |
| Motor Vehicles & Parts         | 2,220      | 2,263      | 2,196      | 2,101      | 1,767      | 1,330      |
| Furniture & HH Equipment       | 1,483      | 1,501      | 1,481      | 1,219      | 607        | 420        |
| Recreational Durable Goods     | 2,055      | 1,985      | 1,931      | 1,233      | 257        | 75         |
| Groceries                      | 4,491      | 4,476      | 4,456      | 4,213      | 3,417      | 3,394      |
| Clothes & Shoes                | 1,659      | 1,635      | 1,559      | 1,332      | 957        | 710        |
| — Services Excluding Shelter   | 31,383     | 31,051     | 30,662     | 28,040     | 21,447     | 16,440     |
| Health Care Services           | 10,494     | 10,339     | 10,100     | 8,861      | 5,819      | 5,268      |
| Transportation                 | 2,075      | 2,062      | 2,024      | 1,974      | 1,750      | 1,215      |
| Recreational                   | 2,409      | 2,374      | 2,365      | 2,281      | 1,757      | 1,254      |
| Food & Accommodations          | 4,400      | 4,394      | 4,338      | 4,078      | 3,150      | 2,893      |
| Financial & Insurance          | 4,984      | 4,960      | 4,886      | 4,591      | 4,708      | 2,790      |
| — Shelter Including Investment | 14,632     | 14,693     | 14,673     | 13,974     | 13,849     | 11,894     |
| Housing Services & Utilities   | 11,145     | 11,155     | 11,102     | 10,350     | 9,384      | 8,155      |
| Residential Fixed Investment   | 3,487      | 3,538      | 3,571      | 3,624      | 4,466      | 3,738      |

Source: Bureau of Economic Analysis

## Contribution to Economic Growth

Next, we examine the effect on GDP growth from consumer spending on goods (see ■), services excluding housing and utilities (see ■), and shelter and residential fixed investment (see ■). These categories are 71.7 percent of GDP in 2025 Q3.

The categories contribute 2.4 percentage points to growth in 2025 Q3, after adding 1.7 percentage points in 2025 Q2. In 2019, consumer spending and residential investment added 1.9 points to GDP growth. The Atlanta Fed GDPNow estimates a contribution of 1.9 percent in 2025 Q4.

### Consumer Spending and Residential Investment

percentage point contribution to real GDP growth, one-year moving average



Source: Bureau of Economic Analysis

In the third quarter of 2025, consumer spending on goods contributes 0.7 percentage point to GDP growth, consumer spending on services other than housing and utilities adds 1.7 points, and shelter spending and investment subtracts 0.2 point.

### Consumer Spending and Residential Investment

percentage point contribution to real GDP growth

|                                | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q3 | moving average |             |             |
|--------------------------------|------------|-----------|-----------|-----------|----------------|-------------|-------------|
|                                |            |           |           |           | 1-<br>year     | 10-<br>year | 30-<br>year |
| Consumer Spending              | 2.39       | 1.68      | 0.42      | 2.66      | 1.77           | 1.94        | 1.87        |
| Goods ■                        | 0.66       | 0.47      | 0.04      | 1.27      | 0.65           | 0.84        | 0.82        |
| Motor Vehicles & Parts         | -0.17      | 0.23      | -0.31     | 0.29      | 0.04           | 0.06        | 0.09        |
| Furniture & HH Equipment       | -0.07      | -0.03     | 0.04      | 0.15      | 0.01           | 0.08        | 0.09        |
| Recreational Durable Goods     | 0.33       | -0.06     | 0.02      | 0.14      | 0.16           | 0.21        | 0.22        |
| Groceries                      | 0.10       | 0.01      | 0.05      | 0.13      | 0.07           | 0.12        | 0.10        |
| Clothes & Shoes                | 0.12       | 0.10      | 0.14      | 0.05      | 0.12           | 0.08        | 0.08        |
| Services Excluding Shelter ■   | 1.71       | 1.24      | 0.04      | 1.26      | 1.01           | 0.93        | 0.86        |
| Health Care Services           | 0.76       | 0.54      | 0.33      | 0.72      | 0.51           | 0.40        | 0.33        |
| Transportation                 | 0.07       | 0.16      | 0.01      | -0.05     | 0.07           | 0.06        | 0.05        |
| Recreational                   | 0.17       | 0.10      | -0.18     | 0.06      | 0.06           | 0.06        | 0.06        |
| Food & Accommodations          | 0.06       | 0.28      | -0.04     | 0.08      | 0.10           | 0.12        | 0.10        |
| Financial & Insurance          | 0.14       | 0.26      | -0.01     | 0.14      | 0.14           | 0.06        | 0.11        |
| Shelter Including Investment ■ | -0.18      | -0.24     | 0.29      | -0.08     | 0.04           | 0.22        | 0.22        |
| Housing Services & Utilities   | 0.03       | -0.03     | 0.33      | 0.12      | 0.12           | 0.18        | 0.19        |
| Residential Fixed Investment   | -0.21      | -0.21     | -0.04     | -0.20     | -0.07          | 0.04        | 0.03        |

Source: Bureau of Economic Analysis

## Consumer Spending Growth

While the previous charts are inflation- and population-adjusted, actual transactions in the economy are not. The following charts consider changes in all three factors: real per capita consumer spending (see ■), inflation (see ■), and population growth (see ■).

Since 1989, total US consumer spending increased at an annual rate of 5.1 percent. Real per capita spending increased by 1.8 percent per year, inflation added 2.3 percentage points, and population growth added 0.9 percentage point. In the latest full year of data, 2024, nominal consumer spending growth is 5.6 percent, real per capita growth is two percent, inflation is 2.7 percent, and population growth is 0.9 percent.

### Consumer Spending Growth

contributions to annual growth, percent

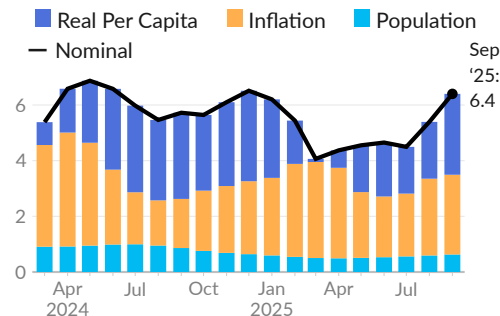


Next, recent growth is calculated as the latest three months growth from the previous three (3M/3M). This measure reflects newer data than annual growth rates and is steadier than monthly rates.

Using this measure, nominal consumer spending increased at an annual rate of 6.4 percent in September 2025. Real per capita growth was 2.9 percent, inflation contributed 2.9 percent, and population growth added 0.6 percent.

### Recent Consumer Spending Growth

last 3 months growth from prev. 3 months, annualized



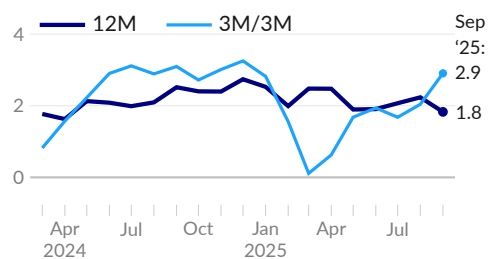
Real per capita consumer spending is the core of consumer spending. Recent growth rates can be an important economic indicator, and are presented below, as both 12-month growth (12M) and the last three months growth from the prior three (3M/3M).

Over the 12 months ending September 2025, real per capita consumer spending increased 1.8 percent, following increases of 2.2 percent in August and 2.5 percent in September 2024 (see —).

The three month growth rate (3M/3M) is 2.9 percent in September, two percent in August, and 3.1 percent one year prior (see —).

### Recent Real Per Capita Growth

real per capita consumer spending growth, percent



## Sources of Consumer Spending Growth

Researchers typically decompose changes in spending based on categories of spending, but we can also view **spending as the result of income and saving**. Ultimately, spending comes from income. Income, however, is more volatile than spending, and households use saving to smooth their consumption across spikes in income and across their lifespan.

To see this pattern, the following charts show the contribution to changes in real per capita consumer spending (see —) from changes in income (see ■), changes in personal saving (see ■), and changes in other outlays (see ■) such as interest payments, fines, fees, and charitable giving. Changes in spending and other outlays are negations in this approach, as increased saving means reduced spending. In the charts below, a *reduction* in saving or other outlays positively contributes to spending.

Since 1989, annualized real per capita consumer spending growth of 1.8 percent is explained by a 1.9 percent increase in disposable income. Saving was virtually unchanged, while increases in other outlays subtracted 0.1 percentage point per year.

Spending increased at an average rate of 2.1 percent over the four quarters ending 2025 Q3. Higher income added 1.1 percentage points, decreased saving added one percentage point, and decreases in other outlays didn't affect the total.

### Contributions to Consumer Spending Growth

percentage point contribution to real per capita PCE growth, one-year moving average

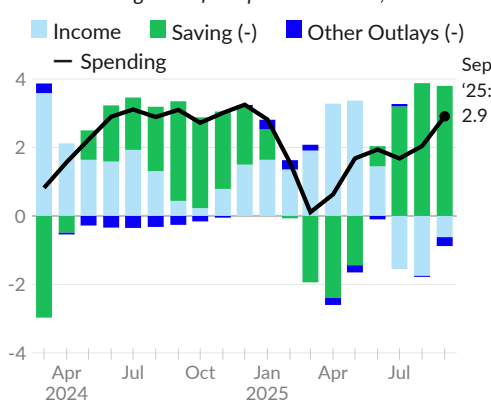


Real per capita consumer spending over the past three months compared with the previous three months shows annualized growth of 2.9 percent in September 2025. Lower income subtracted 0.6 percentage point, reduced saving contributed 3.8 percentage points, and increases in other outlays subtracted 0.3 percentage point.

Higher interest rates, which count as other outlays, can eat into consumer spending. Since the start of 2022, increases in other outlays have reduced consumer spending by 0.4 percentage point per year.

### Recent Contributions

last 3 months growth from prev. 3 months, annualized



## Personal Saving

The after-tax income that people do not spend is **considered personal saving**, from an economic accounting perspective. People's savings are invested through the financial system and become the current fixed investment or consumption activities of other groups in the economy. Savers generally receive a return from this investment.

In September 2025, the Bureau of Economic Analysis [report](#) a personal saving rate of four percent (see —), following 4.1 percent in August 2025, and 4.8 percent in September 2024. The personal saving rate decreased by a total of 3.5 percentage points since February 2020.

### Personal Saving Rate

saving as a share of after-tax income, percent



## Distribution of Saving

With such a wide distribution of after-tax income, **saving rates vary massively between households**. Some households dissave and others save more than two typical incomes. Saving by income quintile is calculated using the [Consumer Expenditure Surveys](#) (CE) as after-tax income minus spending (other than spending on pensions). The following chart shows the average saving of each group divided by the US median personal income, thus reporting saving, or dissaving, in terms of a typical annual US income.

### Saving Rate by Income Quintile

income quintile average saving, as share of US median personal income, percent



The 20 percent of households with the least income dissave the equivalent of 38.2 percent of the US median personal income in 2024 (see —). This group includes people going into debt and retirees dissaving. In the same period, the top 20 percent of households save the equivalent of 191.9 percent of the median income (see —).

The middle fifth of households by income, percentiles 40–60, saved the equivalent of 19.3 percent of the median income (see —). The fifth of households below the middle group, in percentiles 20–40, did not save in 2024, but dissaved less than in previous years (see —).



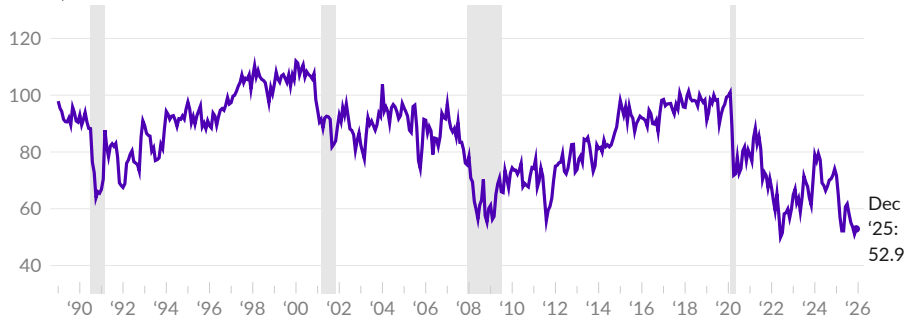
## Consumer Sentiment

The University of Michigan conducts a monthly [survey](#) of **consumer sentiment** (see [—](#)). The survey asks about personal finances, business conditions, and buying conditions. An increase in consumer sentiment means individuals feel more confident about economic conditions and are more willing to make large purchases or take on debt.

As of December 2025, the latest value of the consumer sentiment index is 52.9, following 51.0 in November 2025, and compared to 74.0 one year prior, in December 2024. As a pre-COVID baseline, the index average value was 97.3 during the year ending February 2020; the consumer sentiment index is currently 45.6 percent below this level.

### Consumer Sentiment

index, 1966=100



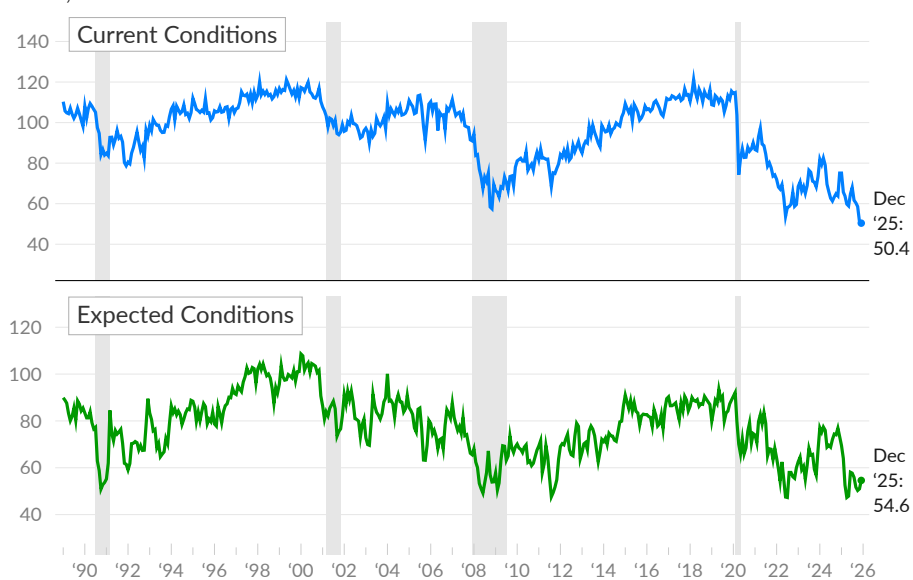
Source: University of Michigan

The consumer sentiment index combines views on current and future economic conditions. In December 2025, the index tracking views on current economic conditions was 50.4, compared to 51.1 in November 2025, and 110.8 in 2019 (see [—](#)).

In December 2025, the index tracking consumer expectations for future economic conditions was 54.6, compared to 51.0 in November 2025, and 86.5 in 2019 (see [—](#)).

### Consumer Sentiment Index Components

index, 1966=100



Source: University of Michigan

Household Balance Sheets

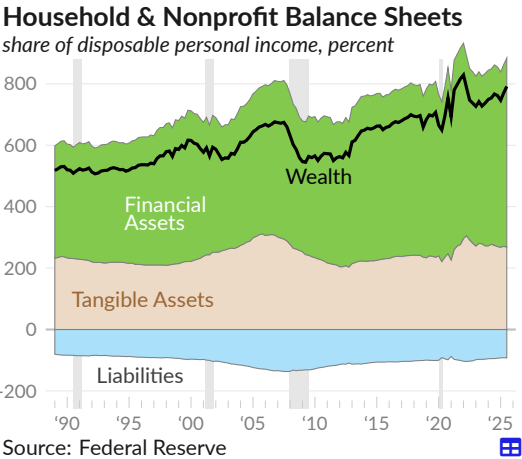
The vast majority of US wealth is found on private **household balance sheets**. Households own residential real estate and consumer durable goods, but also own equity in businesses, directly and indirectly, and hold financial claims on businesses and on the public sector. This subsection discusses household liabilities, assets, and wealth.

Overview

According to the US financial accounts, the combined household and nonprofit sectors have \$202.8 trillion in assets and \$21.2 trillion in liabilities, resulting in a net worth of \$181.6 trillion, as of 2025 Q3.

Household balance sheets have grown relative to income. In 2025 Q3, assets are equivalent to 884.0 percent of disposable personal income, compared to 607.8 percent in 1989. Household liabilities are currently 92.4 percent of income, compared to 82.3 percent in 1989 (see [■](#)).

Household wealth—assets minus liabilities—is equivalent to 791.6 percent of DPI in 2025 Q3, 696.2 percent in 2019, and 525.5 percent in 1989 (see [→](#)).



Household averages can add context to aggregate household sector balance sheets. In 2025 Q3, average wealth, across all households, is \$1.28 million per household. Assets per household are \$1.42 million and liabilities per household are \$145,600.

Using the distributive financial accounts from the Federal Reserve, households are split into a higher-income group, containing the top 40 percent of households by income, and a lower-income group, containing the bottom 60 percent of households by income. Wealth averages \$2.72 million for the higher income group, compared to \$314,900 for the lower income group.

| Household Balance Sheets, 2025 Q3<br><i>per household, thousands of USD</i> | Average, by Income Group |                |                   |
|---|--------------------------|----------------|-------------------|
|   | Average, All Households  | Top 40 Percent | Bottom 60 Percent |
| Household Assets  | \$1,421.8                | \$2,986.7      | \$378.5           |
| Real Estate   | 354.5                    | 666.4          | 146.6             |
| Consumer Durables   | 63.0                     | 106.3          | 34.1              |
| Corporate Equity & Mutual Funds   | 416.5                    | 977.9          | 42.2              |
| Defined Contribution Pensions   | 97.5                     | 221.6          | 14.8              |
| Defined Benefit Pensions  | 134.5                    | 260.2          | 50.7              |
| Household Liabilities   | 145.6                    | 268.5          | 63.6              |
| Home Mortgages  | 100.7                    | 194.0          | 38.5              |
| Consumer Credit   | 37.2                     | 56.8           | 24.1              |
| Household Wealth (Assets minus Liabilities)                                 | 1,276.2                  | 2,718.2        | 314.9             |
| Excluding Home Equity   | 1,022.4                  | 2,245.8        | 206.8             |

Source: Federal Reserve

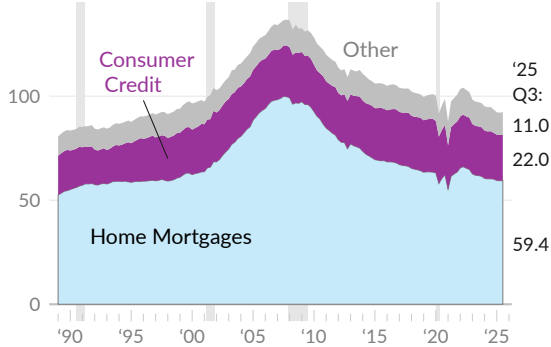
## Liabilities

**Household liabilities** affect consumer behavior and can signal potential economic risks. The main type of household debt is home mortgages, but consumer credit is also important to the US economy. This subsection examines household debt using the financial accounts and the Federal Reserve Bank of New York's consumer credit panel.

Starting with the financial accounts, household and nonprofit liabilities **total** \$21.2 trillion in 2025 Q3. Home mortgages are \$13.6 trillion (see ■). Consumer credit, which includes auto loans, credit card debt, student loans, and other personal loans, totals \$5 trillion (see ■). Remaining liabilities primarily belong to nonprofits (see ■).

### Household and Nonprofit Debt by Type

share of disposable personal income, percent



Source: Federal Reserve

The ratio of household and nonprofit debt to disposable personal income has fallen to 92.4 percent in 2025 Q3 from the housing bubble peak of 136.8 percent in 2007.

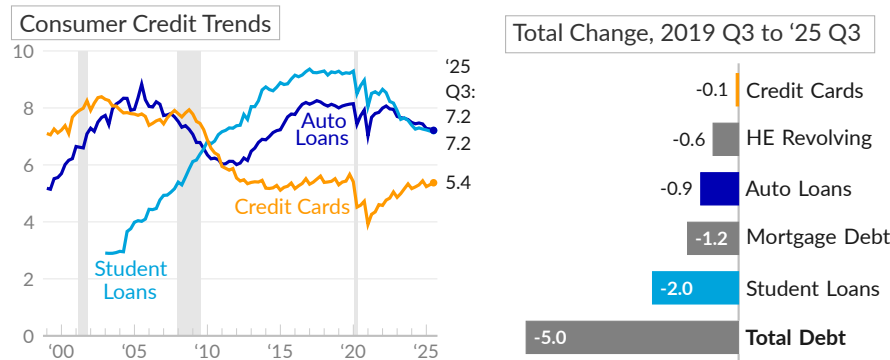
Since 2019, household and nonprofit debt increased 33.1 percent while disposable personal income increased 43.4 percent. As a result, the debt-to-income ratio fell by 7.2 points. Over the past year, the ratio fell by 2.4 points.

Next, the consumer credit panel **samples** credit reports to offer more detail on household debt, including by category. According to this measure, household debt totals \$18.6 trillion in 2025 Q3, equivalent to 81 percent of disposable personal income. Mortgages, including credit lines, total \$13.5 trillion, or 58.8 percent of income.

Consumer credit totaling \$5.1 trillion includes \$1.7 trillion in student loans, equal to 7.2 percent of income (see ■), \$1.7 trillion in auto loans (7.2 percent of income, see ■), and \$1.2 trillion in credit card debt (5.4 percent of income, see ■).

### Household Debt

share of disposable personal income, percent



Source: Federal Reserve Bank of New York and Bureau of Economic Analysis

Over the past six years, the ratio of total mortgage and home equity debt to disposable personal income fell by 1.8 percentage points, compared to a decrease of two percentage points for student loans, a decrease of 0.9 percentage point for auto loans, and virtually no change for credit card debt. Total debt fell by five points over the period.

The following table summarizes both measures of household debt. The financial accounts are a long-standing measure that integrate with data from other sectors. The consumer credit panel is timely and offers more detail on types of consumer credit. To gauge ability to repay, liabilities are presented as a share of disposable personal income.

## Household Debt Outstanding

trillions of US dollars

share of disposable personal income

|                             | 2025 Q3  | 2025 Q2  | '25<br>Q3 | '25<br>Q2 | '19<br>Q3 | '13<br>Q1 | '03<br>Q1 |
|-----------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| Financial Accounts Total    | \$21.20T | \$20.97T | 92.4      | 92.0      | 100.7     | 113.0     | 109.1     |
| ■ Mortgage Debt Total       | \$13.64T | \$13.53T | 59.4      | 59.4      | 63.6      | 77.1      | 74.7      |
| ■ Consumer Credit           | \$5.04T  | \$5.00T  | 22.0      | 21.9      | 25.4      | 23.8      | 24.0      |
| ■ Other                     | \$2.52T  | \$2.44T  | 11.0      | 10.7      | 11.6      | 12.0      | 10.4      |
| Consumer Credit Panel Total | \$18.59T | \$18.39T | 81.0      | 80.7      | 86.0      | 91.7      | 87.3      |
| Mortgage Debt Total         | \$13.49T | \$13.35T | 58.8      | 58.6      | 60.6      | 69.2      | 62.6      |
| Mortgage                    | \$13.07T | \$12.94T | 57.0      | 56.8      | 58.2      | 64.7      | 59.6      |
| Home Equity Revolving       | \$0.42T  | \$0.41T  | 1.8       | 1.8       | 2.4       | 4.5       | 2.9       |
| Consumer Credit             | \$5.09T  | \$5.04T  | 22.2      | 22.1      | 25.4      | 22.4      | 24.7      |
| ■ Auto Loan                 | \$1.66T  | \$1.66T  | 7.2       | 7.3       | 8.1       | 6.5       | 7.7       |
| ■ Credit Card               | \$1.23T  | \$1.21T  | 5.4       | 5.3       | 5.4       | 5.4       | 8.3       |
| ■ Student Loan              | \$1.65T  | \$1.64T  | 7.2       | 7.2       | 9.2       | 8.0       | 2.9       |
| Other                       | \$0.55T  | \$0.54T  | 2.4       | 2.4       | 2.6       | 2.5       | 5.8       |

Source: Federal Reserve, Federal Reserve Bank of New York, Bureau of Economic Analysis  
Financial Accounts include debt of nonprofit institutions and the Consumer Credit Panel does not include people without a social security number.

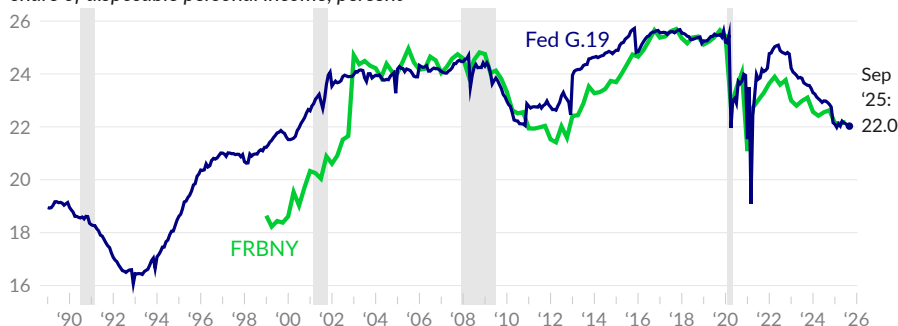
## Consumer Credit

The Federal Reserve also [report consumer credit](#) on a monthly basis. Consumer credit totals \$5.08 trillion on a seasonally-adjusted and annualized basis in November 2025. Over the past year, consumer credit increased by 0.5 percent, while after-tax income increased by 4.4 percent. As a result, the ratio of consumer credit to disposable income decreased by a total of 0.9 percentage point. In September 2025, consumer credit equals 22.0 percent of disposable income (see —).

The latest comparable figure from the FRBNY data discussed in the previous section, which covers 2025 Q3, shows consumer credit equal to 22.2 percent of annual disposable personal income (see —). Over the past year, the ratio decreased by a total of 0.4 percentage point.

## Consumer Credit

share of disposable personal income, percent



Source: Federal Reserve, FRBNY

## Assets

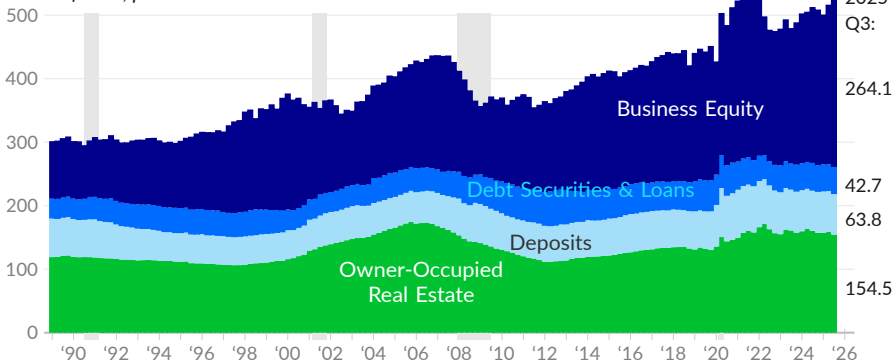
According to the US Financial Accounts produced by the Federal Reserve, the market value of **household and nonprofit assets** is \$202.8 trillion in 2025 Q3, equivalent to 652 percent—or 6.52 years—of GDP. Of this, \$61.6 trillion, or 30.4 percent of the total, are tangible (non-financial) assets and \$141.2 trillion, or 69.6 percent, are financial assets.

Tangible assets include peoples' homes as well as consumer durable goods, such as cars, furniture, and appliances. Owner-occupied real estate is valued at \$48.0 trillion in 2025 Q3, equal to 154 percent of GDP (see ■). The replacement value of consumer durable goods is \$8.5 trillion, or 27 percent of GDP.

Financial assets include equity in businesses—corporate and non-corporate—with a market value of \$82.1 trillion, or 264 percent of GDP (see ■), in 2025 Q3. Debt securities and loan assets total \$13.3 trillion, or 43 percent of GDP (see ■). Cash and deposits, including money market accounts, total \$19.9 trillion, or 64 percent of GDP (see ■). Other financial assets total \$26.0 trillion.

### Selected Household and Nonprofit Assets

share of GDP, percent

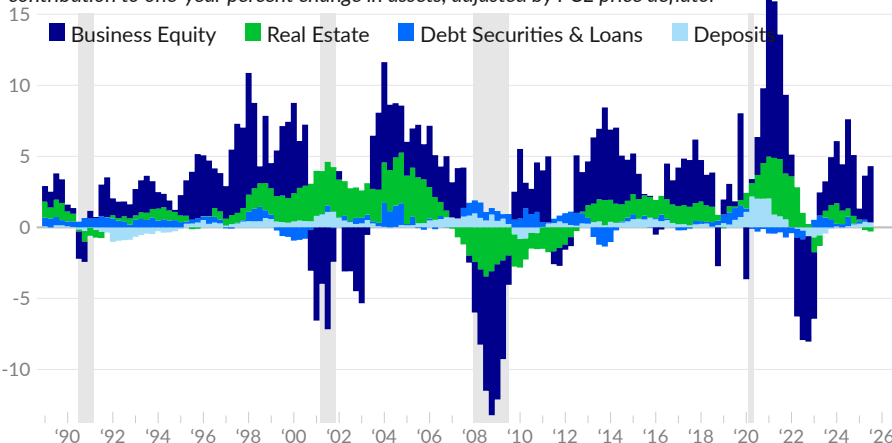


Source: Federal Reserve, Bureau of Economic Analysis

The inflation-adjusted value of household and nonprofit assets grew 4.2 percent over the year ending 2025 Q3. The growth is driven largely by an increase in the market value of business equity.

### Contributions to Real Growth in Household and Nonprofit Assets

contribution to one-year percent change in assets, adjusted by PCE price deflator



Source: Federal Reserve, Bureau of Economic Analysis

## Household and Nonprofit Assets

| various measures:              | trillions of USD | share of GDP |         | real annual growth rate |            |         |
|--------------------------------|------------------|--------------|---------|-------------------------|------------|---------|
|                                | 2025 Q3          | 2025 Q3      | 2024 Q3 | One-year                | Three-year | 20-year |
| Total Assets                   | \$202.8          | 652.3        | 642.4   | 4.2                     | 4.7        | 2.9     |
| Nonfinancial Assets            | 61.6             | 198.1        | 204.4   | -0.6                    | 0.5        | 1.6     |
| ■ Owner-Occupied Real Estate   | 48.0             | 154.5        | 160.3   | -1.2                    | 0.9        | 1.6     |
| Consumer Durable Goods         | 8.5              | 27.4         | 27.2    | 3.7                     | 1.2        | 1.6     |
| Nonprofit Assets               | 5.0              | 16.2         | 16.9    | -2.0                    | -4.5       | 1.7     |
| Financial Assets               | 141.2            | 454.2        | 438.0   | 6.4                     | 6.7        | 3.6     |
| ■ Deposits, Incl. Money Market | 19.9             | 63.8         | 63.3    | 3.5                     | 0.1        | 3.6     |
| ■ Debt Securities & Loans      | 13.3             | 42.7         | 43.8    | -0.1                    | 6.9        | 2.9     |
| ■ Business Equity              | 82.1             | 264.1        | 245.5   | 10.4                    | 11.4       | 4.7     |
| Corporate Equities             | 66.5             | 213.8        | 192.7   | 13.8                    | 17.0       | 6.0     |
| Noncorporate Business Equity   | 15.6             | 50.3         | 52.8    | -2.2                    | -4.4       | 1.5     |

Source: Federal Reserve, Bureau of Economic Analysis

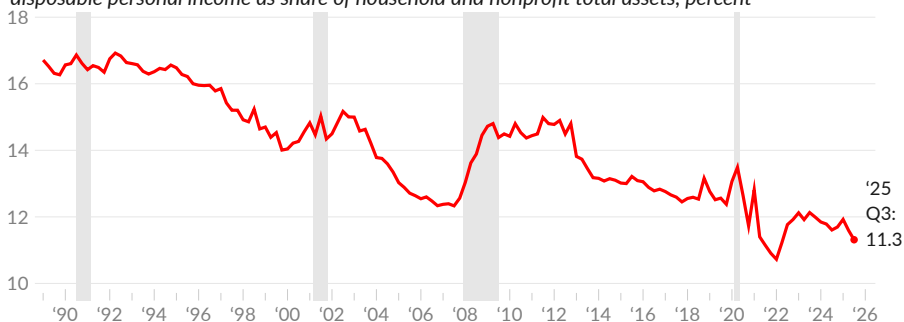


## Return on Assets

Asset prices rising faster than income can be viewed as a decrease in the expected rate of return on total household assets. This can be measured by disposable income as a share of household assets. In 2025 Q3, disposable income is equivalent to 11.3 percent of the market value of US assets (see —), compared to an average of 16.0 percent during the 1990s.

## Return on Household Assets

disposable personal income as share of household and nonprofit total assets, percent



Source: Federal Reserve, Bureau of Economic Analysis

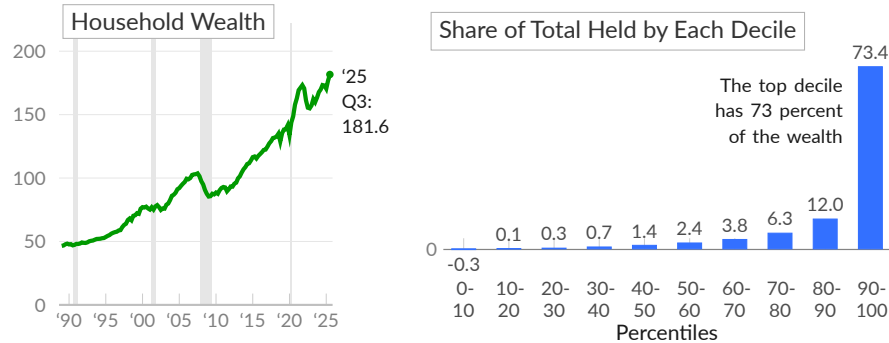


## Household Wealth

In the aggregate, US households are very wealthy. **Household wealth**, calculated as assets minus liabilities, totals \$181.6 trillion in 2025 Q3 (see —), equivalent to \$530,200 per capita or \$1.4 million per household. The vast majority of this wealth, however, is held by the wealthiest families. In the 2022 [Survey of Consumer Finances](#), 73.4 percent of wealth is held by the wealthiest ten percent of families (see ■).

### Household Wealth Summary

trillions of 2025 Q3 US dollars (left), and percent of US wealth held by each decile, 2022 (right)



Source: Federal Reserve, Survey of Consumer Finances

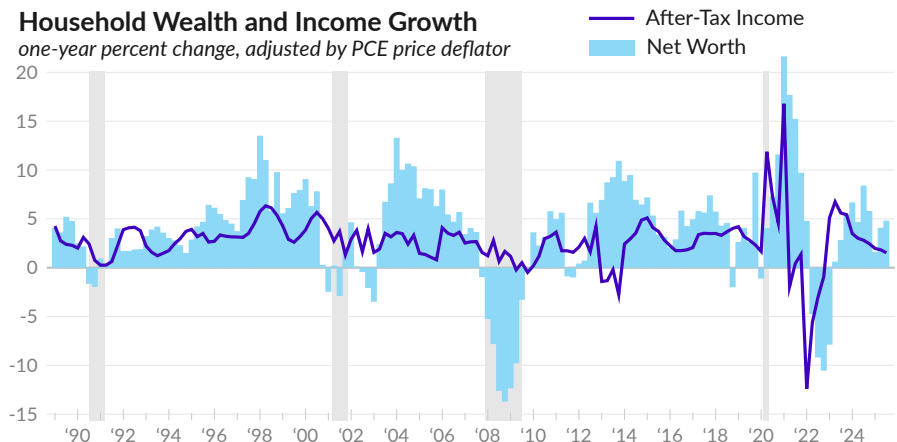
## Household Wealth Growth

The large increase in wealth is mechanically the result of the market value of household assets rising much faster than the total level of household debt. Over the past 30 years, the market value of household and nonprofit assets increased at an inflation-adjusted rate of 3.9 percent per year, while liabilities increased 2.8 percent per year. Wealth grew 4.1 percent per year, over the period.

Wealth has also, typically but not always, grown faster than income. Over the past 30 years, real income grew 2.7 percent per year. In 2025 Q3, inflation-adjusted wealth increased by 4.8 percent (see ■), and inflation-adjusted income increased by 1.5 percent (see —). Over the past three years, inflation-adjusted wealth grew at an annual rate of 5.3 percent, while real income rose by 3.3 percent per year.

### Household Wealth and Income Growth

one-year percent change, adjusted by PCE price deflator



Source: Federal Reserve, Bureau of Economic Analysis

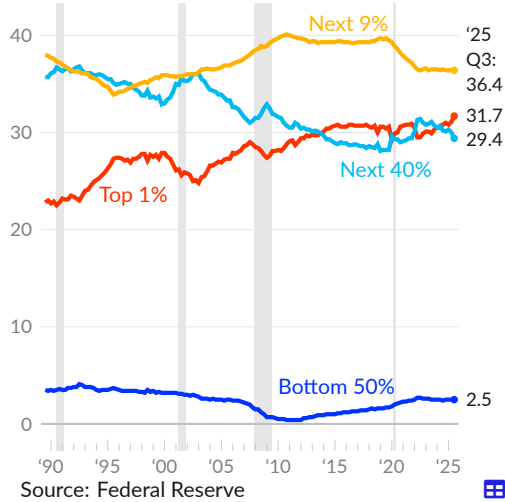
## Distribution of Wealth

The Federal Reserve [report net worth by percentile](#). The top one percent of households by wealth own 31.7 percent of US wealth, as of 2025 Q3 (see —), while the top 10 percent of households own 68.1 percent. The bottom half of households own 2.5 percent of US wealth (see —).

Since 1989, the wealth share of the top one percent increased 8.8 percentage points, while the share held by the bottom 50 percent decreased one percentage point. The wealth share of the 40 percent of households in wealth percentiles 50 through 90 decreased 6.3 percentage points since 1989.

### Share of US Wealth

share of total net worth, by percentile, percent



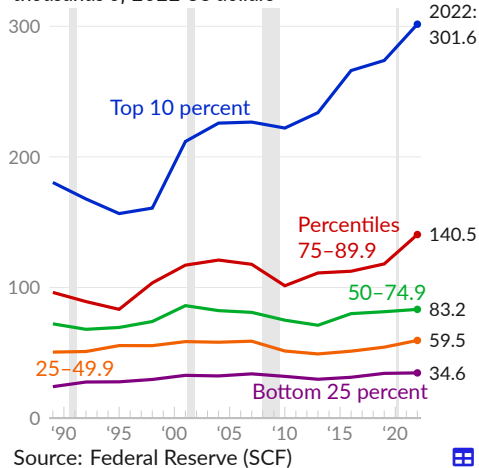
## Wealth and Income

While wealth can be a source of income, wealth does not correspond perfectly to income. For example, early-career professionals with student debt may have a negative net worth and a high income. Despite corner cases, data on **family income by wealth percentile** clearly shows that income tends to increase with wealth.

Additionally, the before-tax income of the wealthiest ten percent of families (see —) has [increased](#) substantially more than the income of other groups. The top ten percent of families by wealth, percentiles 90 to 100 with a mean wealth of \$7.8 million and a median wealth of \$3.8 million in 2022, have a typical annual income of \$301,600 in 2022 and \$180,400 in 1989, after adjusting for inflation. Income for the group increased \$121,200, or 20.5 percent per year, over the 33-year period.

### Pre-Tax Income by Wealth Percentile

median inflation-adjusted annual family income  
thousands of 2022 US dollars



Families in the third wealth quartile (50th to 74.9th percentiles, mean wealth of \$373,800 in 2022), have a typical income of \$83,200 in 2022 and \$72,200 in 1989 (see —), an increase of \$11,100 (5.3 percent per year).

Second quartile (25th to 49.9th percentile, mean wealth of \$98,800) family income increased \$8,900 (6.1 percent per year) to \$59,500 in 2022, from \$50,500 in 1989 (see —).

For the bottom quarter of families by wealth (see —), typical income increased \$10,500 or 14.1 percent per year to \$34,600, over the 33 years ending 2022. The bottom quarter of families have no wealth.



## Wealth and Race

In the US, wealth **varies** substantially by race and ethnicity. In 2022, white non-Hispanic families' average net worth was \$1,361,800, compared to \$211,600 for black non-Hispanic families, and \$227,500 for Hispanic families of any race. Additionally, typical (median) family wealth is much lower than average (mean) family wealth, as the result of a concentration of wealth among the wealthiest families.

### Racial Wealth Gap

net worth by race/ethnicity, thousands of US dollars, 2022



Source: Federal Reserve, Survey of Consumer Finances

White families have substantially more financial assets, including stocks, and are much more likely to receive inheritance and in vivo transfers. Income for black families is also substantially lower—about half of white family income. Persistent structural inequalities are seen in income data, but are also evident from measures of wealth and assets.

### Measures of Wealth and Income by Race or Ethnicity

by family, mean, thousands of 2022 USD



Source: Federal Reserve

In 2022, among the 65.6 percent of white families who own stocks, the average value of stock holdings is \$568,136. The return on these assets is a source of income and the assets themselves provide cushion against unexpected expenses. Meanwhile, black families have relatively few financial assets; only 39.2 percent of black families own stocks, with average stock holdings of \$80,400.

### Stock Holdings

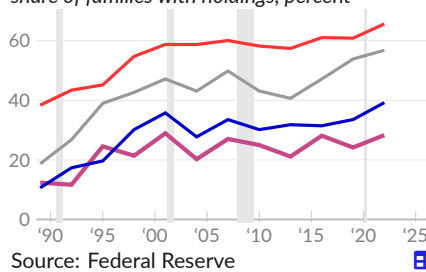
mean value, thousands of 2022 USD



Source: Federal Reserve

### Stock Holdings

share of families with holdings, percent



Source: Federal Reserve

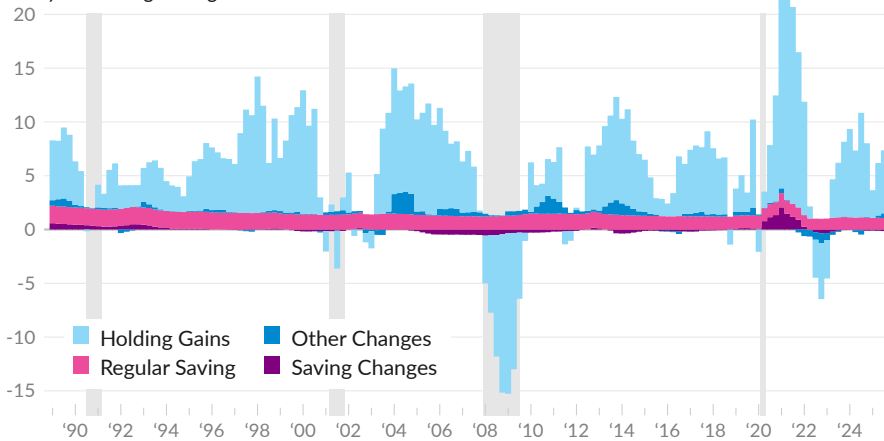
## Changes in Wealth

**Household wealth growth** is largely determined by capital gains (see ■), but is also the result of new saving. The portion of aggregate household income that isn't consumed by the household sector becomes net investment in the economy and adds to household wealth. Since 1989, household net investment averages about eight percent of after-tax income.

In the following chart, income invested at the historical-average rate (see ■) is shown separately from above- or below-trend investment (see ■). The separation distinguishes changes in disposable personal income from changes in decisions about how to use that income. Separately, changes in data sources or from natural disasters are identified as other volume changes (see ■).

### Net Worth Growth

*contribution to one-year percent change in net worth, nominal,  
one-year moving average*



Over the year ending 2025 Q3, holding gains contribute 5.9 percentage points to the 7.7 percent change in household net worth. Income invested at the 1989-onward average rate of 8.0 percent would have contributed 1.1 percentage points, but 0.1 percentage points were subtracted as household net investment is 6.9 percent of disposable personal income over the year ending 2025 Q3. Other volume changes contributed 0.4 percentage point.

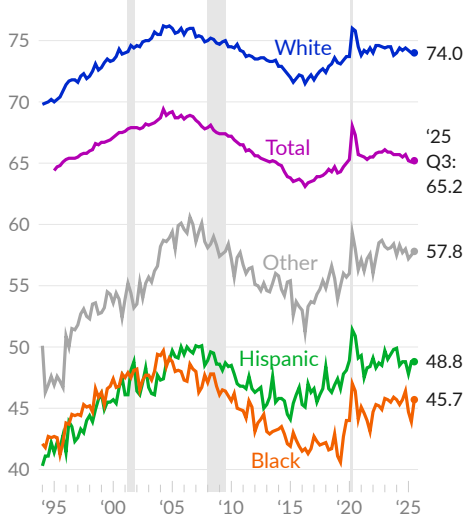
Over the past six years, net worth grew at an average annual rate of 8.3 percent. Holding gains contribute 6.6 percentage points to this total, on average. Net investment of income contributes 1.4 percentage points and other volume changes subtract 0.1 percentage point.

## Homeownership

The **homeownership rate** measures the share of occupied housing units that are owner-occupied, as opposed to rented. In 2004, near the peak of the housing bubble, homeownership reached 69.2 percent. As of 2025 Q3, the Census Bureau [report](#) a homeownership rate of 65.2 percent (see —). Over the past year, the rate fell by 0.3 percentage point.

### Homeownership Rate

share of households occupied by owners, percent



Census data show large differences in homeownership by race and ethnicity. Around three-quarters (74 percent in 2025 Q3) of non-Hispanic white households own their home (see —), compared to fewer than half of black and Hispanic households.

During the housing bubble, the homeownership rate for black households increased by nearly ten percentage points. Black homeownership peaked at 49.7 percent in the second quarter of 2004 but fell to 40.6 percent in 2019 Q2. The 2025 Q3 rate is 45.7 percent (see —).

The 2025 Q3 rate for Hispanic households is 48.8 percent, substantially below the 50.1 percent rate in 2007 Q1 (see —).

Use caution when interpreting homeownership data during the COVID-19 pandemic. These data count heads of households; during the pandemic, some renters, such as college students, moved in with their family, losing their status as a head of household. Renters who move in with family are no longer counted by the measure, causing the homeownership rate to spike.

## Homeowners' Equity

As seen during the collapse of the housing bubble, it is possible for a homeowner to have no equity in their home, for example if the market price of the home falls below the principal remaining on the mortgage. Owners' equity in their homes has increased substantially since the collapse of the housing bubble.

As of 2025 Q3, the Federal Reserve [report](#) owners' equity is 71.6 percent of residential real estate (see —). Over the past three years, the owners' equity share increased by a total of 0.7 percentage point.

Over the past year, the share decreased by a total of 0.4 percentage point. The current share is substantially above the 1989 average of 67.9 percent.

### Owners' Equity Share of Real Estate

owners' equity as percent of real estate



## Housing Construction

The Census Bureau [tracks](#) the issuance of **new residential building permits**, which offer insight into planned residential construction. In October 2025, a seasonally-adjusted annual rate of 1,411,000 new residential housing units were authorized by building permits (see —). Permits issued decreased by 4,000 (-0.3 percent) (annualized) over the previous month, decreased by 17,000 (-1.2 percent) over last October, and decreased by 202,000 (-12.5 percent) total over the past five years.

In addition to data on permits, the Census Bureau also report how many residential construction projects are started and completed. Not all permitted projects are built and completion can be affected by economic conditions. In October 2025, a seasonally-adjusted annual rate of 1,386,000 new residential units were completed (see —), compared to 1,371,000 in September and 1,556,000 in October 2024.

The Census Bureau distinguishes between single-family homes and multi-unit housing. In October 2025, a seasonally-adjusted annual rate of 878,000 new single-family residential units were permitted and 1,009,000 were completed. In the same month, an annual rate of 478,000 new multi-family residential units were permitted and 367,000 were completed.

### Residential Construction Permits and Completions

*number of housing units permitted or completed, seasonally-adjusted annual rate, in thousands*



Source: Census Bureau



## New Residential Sales

In October 2025, seasonally-adjusted **annualized sales** of new single-family homes total 737,000 (see —), as **reported** by the Census Bureau. Over the past year, new home sales increased 0.2 percent. Pre-COVID, in February 2020, the annualized rate of single family new home sales was 707,000. Since February 2020, new home sales have increased 4.2 percent.

### New Home Sales

*new single family homes sold, in thousands, seasonally adjusted annual rate*

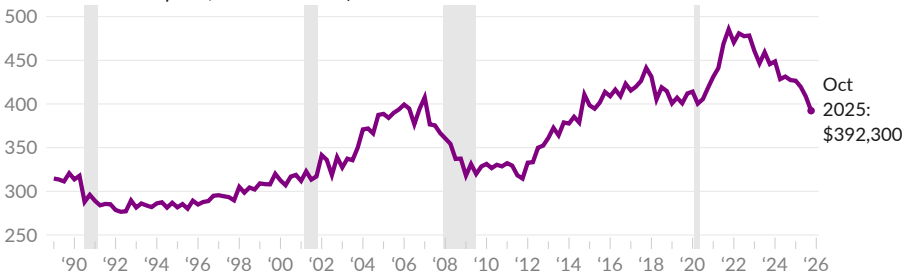


Source: Census Bureau

The Census Bureau also tracks the **sales price** of new single-family homes. In October 2025, the median new home sold for \$392,300 (see —), and the average sales price was \$498,000. The inflation-adjusted median sales price has decreased 10.5 percent over the past year, and decreased six percent over the past five years. Since 1989, the inflation-adjusted median new home sales price increased 29.6 percent.

### Real New Home Sales Price

*real median sales price, in thousands of October 2025 dollars*



Source: Census Bureau, Bureau of Labor Statistics

The **inventory** of new homes for sale affects housing prices. The Census Bureau **report** a seasonally-adjusted total of 488,000 new houses for sale in October 2025, an increase of 8,000 since October 2024. At the current pace of new home sales, it would take 7.9 months to exhaust the supply of unsold homes (see —). Current inventory levels are slightly below the year-prior supply of 9.3 months and substantially above the long-term average supply of six months.

### New Homes, Months of Supply

*new single family homes for sale divided by monthly sales, in months*

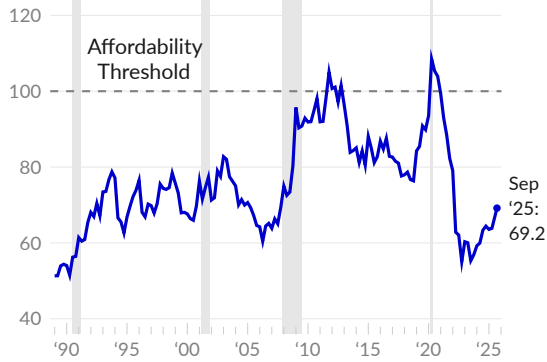


Source: Census Bureau

The monthly payment associated with new single-family home sales typically reflects both the sales price and the current mortgage interest rate. The monthly principal and interest payment for a 30-year fixed-rate mortgage on the median new home sold is \$2,175, as of October 2025, compared to an average of \$2,332 over the prior three months, and an average of \$1,361 in 2019.

### New House Affordability

index, new house monthly principal and interest payment relative to 1/3rd median usual full-time earnings



Source: Author's Calculations

The affordability of a new house depends on both the monthly payment and people's ability to make the payment, usually determined by their income. New homes are affordable when the monthly payment is a third of income, or less.

The new house affordability index (see —) compares the monthly payment with one-third of the median full-time wage. The median full-time wage is sufficient to afford the median new home when index values are 100 or greater.

### New House Affordability

index components

|                              | Dec '25 | Nov '25 | Oct '25 | Sep '25 | Sep '24 | 2019    |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Affordability Index          | –       | –       | –       | 69.2    | 66.2    | 87.6    |
| Monthly Payment (\$)         | –       | –       | 2,175   | 2,273   | 2,316   | 1,361   |
| Median Home Price (\$)       | –       | –       | 392,300 | 405,800 | 421,100 | 319,267 |
| Mortgage Rate (%)            | 6.19    | 6.24    | 6.25    | 6.35    | 6.18    | 3.93    |
| Median Monthly Earnings (\$) | 5,180   | 5,271   | –       | 5,236   | 5,105   | 3,964   |

Source: Author's Calculations, Census Bureau, Freddie Mac, CPS

See also the more-comprehensive [Home Ownership Affordability Monitor](#) from the Federal Reserve Bank of Atlanta.

## Housing Prices

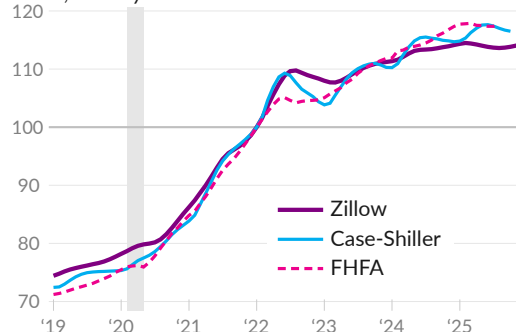
Housing prices are a particularly important topic in the US. To get a sense of recent trends, we can compare the results from different housing price indices. Measures include the Zillow Home Value Index (see —), Case-Shiller Home Price Index (see —), and the Federal Housing Finance Authority House Price Index (see - -).

Despite differences in methods and data sources, the three measures return similar results. All three measures show a sharp increase from mid-2020 to early 2022, with annual growth between 17.3 and 19.3 percent.

Since mid-2022, the indices have increased at an annualized rate of between 1.8 and 3.7 percent, per year. The Zillow measure was virtually unchanged over the year ending December 2025.

### Housing Price Indices

index, January 2022=100



Source: Zillow, S&P CoreLogic, FHFA

The Federal Housing Finance Agency (FHFA) **house price index** **measures** changes in the price of the same home. The seasonally-adjusted index increased 2.5 percent over the year ending August 2025 (see —), following an increase of 2.5 percent in July, and an increase of 4.5 percent in August 2024. The average of the latest three months compared to the previous three months shows an annualized decrease of 0.4 percent in August 2025 and a decrease of 1.1 percent in July (see - -).

House prices in the Middle Atlantic region, which includes New Jersey, New York, and Pennsylvania, increased 6.4 percent over the year ending August 2025, the highest one-year growth rate.

### House Price Index

seasonally-adjusted, one-year change and three-month change, percent



Source: Federal Housing Finance Agency

### House Price Growth by Region

seasonally adjusted, one-year percent change

| House Price Growth by Region                 |         |         |         |         |         |         |         | period average |           |
|--|---------|---------|---------|---------|---------|---------|---------|----------------|-----------|
| seasonally adjusted, one-year percent change | Aug '25 | Jul '25 | Jun '25 | May '25 | Aug '24 | Aug '23 | Aug '22 | 2003 -'05      | 2009 -'12 |
| Middle Atlantic                              | 6.4     | 5.4     | 7.0     | 5.9     | 6.1     | 8.8     | 10.0    | 11.3           | -2.3      |
| East North Central                           | 5.1     | 4.4     | 5.0     | 5.7     | 6.9     | 8.0     | 9.9     | 4.2            | -2.4      |
| New England                                  | 4.9     | 4.5     | 5.1     | 6.0     | 6.4     | 8.7     | 11.2    | 10.3           | -2.3      |
| West North Central                           | 3.4     | 4.2     | 4.6     | 3.9     | 4.6     | 6.4     | 9.8     | 5.4            | -1.2      |
| United States                                | 2.5     | 2.5     | 2.8     | 3.2     | 4.5     | 5.6     | 11.3    | 9.1            | -2.5      |
| East South Central                           | 2.4     | 2.8     | 3.3     | 4.7     | 5.4     | 5.1     | 13.6    | 5.1            | -1.7      |
| South Atlantic                               | 1.3     | 0.9     | 0.7     | 1.7     | 3.9     | 6.3     | 15.2    | 11.3           | -3.7      |
| Mountain                                     | 1.3     | 1.3     | 1.8     | 1.8     | 3.5     | 2.4     | 9.7     | 11.0           | -4.2      |
| West South Central                           | 1.0     | 1.6     | 1.2     | 1.2     | 2.2     | 3.0     | 12.9    | 4.3            | 0.3       |
| Pacific                                      | -0.5    | 0.5     | 0.7     | 1.0     | 3.2     | 2.5     | 7.1     | 18.3           | -3.9      |

Source: Federal Housing Finance Agency

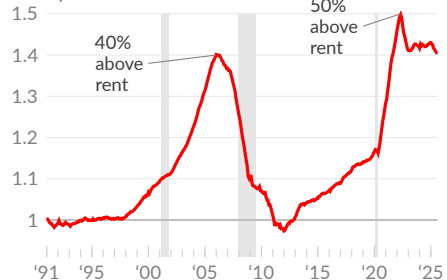
### Housing Price to Rent Ratio

The purchase price of housing should move with the rental price. When housing prices exceed the rental equivalent, it suggests that housing is overvalued.

During the housing bubble that caused the Great Recession, housing prices reached more than 40 percent above the rental equivalent. As of August 2025, housing prices are 40.7 percent above the rental equivalent (see —).

### Housing Price to Rent Ratio

index, 1991=1



Source: FHFA, BLS

## Poverty

In 2024, market income, or total payments from working and investment, is below the poverty line for about one quarter (23.7 percent) of US households. Government programs reduce the poverty rate to 12.9 percent, [pulling](#) 36.3 million people out of poverty in 2024. This subsection discusses poverty definitions, who is in poverty, and trends over time.

### Definitions

For purposes of program eligibility and economic statistics, poverty is defined by having income below the poverty threshold. The Official Poverty Measure (OPM) defines poverty as cash income below three times a price-adjusted 1963 minimal food budget. Under this definition, 35.9 million people are in poverty in the US in 2024.

The more-comprehensive Supplemental Poverty Measure (SPM) is based on food, shelter, clothing, and utilities costs and additionally captures program benefits and taxes, along with other adjustments. The SPM poverty level in 2024 is 43.7 million people.

### In Poverty, 2024

millions of people



Source: CPS ASEC

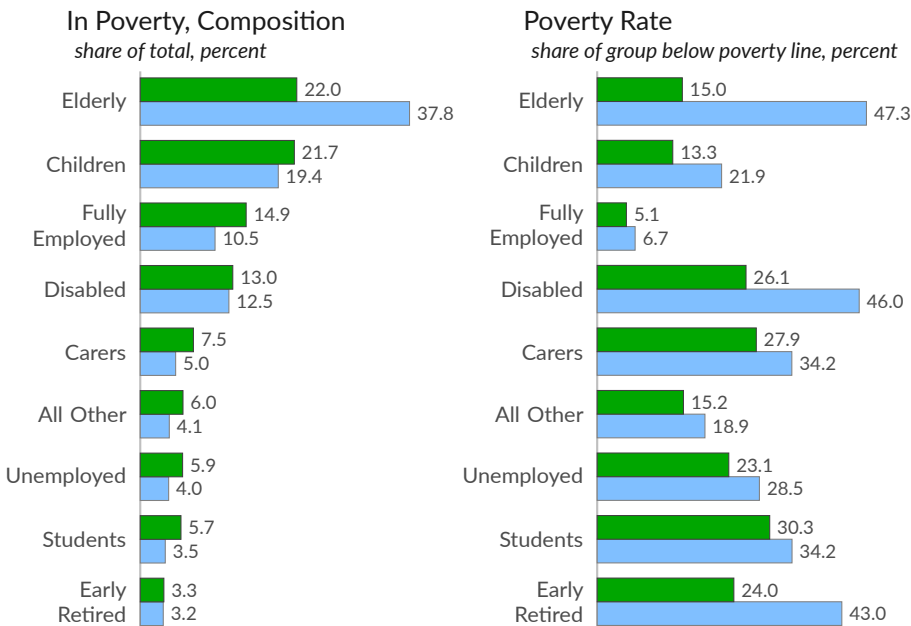
### Who is in poverty?

While some fully-employed people are in poverty, **the vast majority of poor people are either children, elderly, disabled, caregivers, or students**. Groups that are work-limited in some way cannot rely on labor markets and must rely on others and government programs to avoid poverty. These groups make up roughly 50 percent of the population but roughly 80 percent of those in poverty before taxes and transfers.

While poverty is far more likely for some groups than others, government programs also reduce market poverty for some groups more than others. These trends are summarized in the following charts, which show the breakdown of poverty by group (left) and the poverty rates for each group (right).

### Poverty Measures, 2024

■ Poverty (SPM) ■ Market Income Poverty



Source: CPS ASEC, Author's Replication of Bruenig, see [link](#)  
 SPM = Supplemental Poverty Measure; Market Income Poverty = excluding taxes and transfers.

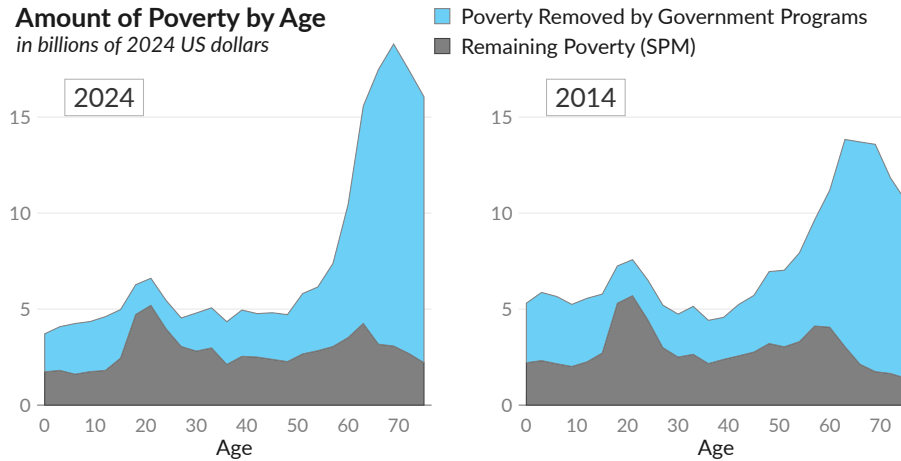


## Poverty by Age

The share of a group whose combined labor, capital, and welfare income is below the poverty line is the poverty rate for the group. In 2024, students, caregivers, and the disabled had the highest poverty rates. The poverty rate is low for the fully-employed.

By age, market income (see ■) leaves older people particularly vulnerable to poverty, as they are not as likely to have labor income or to live with those who do. After government social benefits (see ■), the elderly have lower rates of poverty than other age groups. Young people and those just below social security and medicare age (late 50s and early 60s) remain particularly vulnerable to poverty, relative to other ages.

**Amount of Poverty by Age**  
in billions of 2024 US dollars



Source: CPS ASEC, 2014 adjusted for inflation with CPI-U-RS

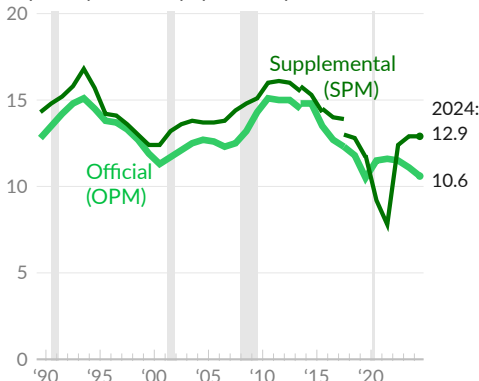


## Poverty Rate

Since 1989, the official poverty measure (see —) shows between 10.5 percent and 15.1 percent of people in poverty each year, with an average poverty rate of 12.8 percent during the period. Poverty rates were above average after the recession of 1991 and after the Great Recession, and below average around 2000.

**Poverty Rate**

in poverty, share of population, percent



Source: Census Bureau



In 2019, both the official US poverty rate and the more-comprehensive supplemental rate (SPM, see —) reached new lows of 10.5 percent and 11.8 percent, respectively.

In 2021, the official rate increased to 11.6 percent, while the SPM fell further, to a new low of 7.8 percent. The official poverty rate does not include stimulus checks, housing assistance, or tax credits, while the supplemental rate does. In 2022, the SPM bounced back to 12.4 percent, as stimulus expired, followed by 12.9 percent in 2023 and 2024.

## Businesses

The factories, offices, and equipment that workers use to produce goods and services are all important to the economy. This section looks at the private business sector, with data covering business investment, retail sales, industrial production, corporate profits, and the financial activities of private businesses.

### Investment

Private business production relies on capital goods, such as buildings, equipment, and software. These items, with a useful life exceeding one year, are categorized as **fixed investment**, or investment in fixed assets. From an accounting perspective, these transactions are considered an exchange of assets—cash in exchange for capital goods—rather than expenses.

Over time, capital goods deteriorate, a process known as consumption of fixed capital or depreciation. From an accounting standpoint, depreciation represents the cost associated with the use of capital goods. Businesses must decide whether to replace or add to the existing stock of capital goods, and their new purchases of capital goods and inventory investment are considered **gross investment**. Net investment, which is gross investment minus depreciation, measures whether the stock of capital goods is expanding.

Net investment is important for many reasons. In the short run, the production and installation of capital goods adds directly to GDP and boosts economic activity. In the long run, **investments in fixed assets make workers more productive**, as they allow businesses to produce more goods and services with the same hours of work.

#### Investment and Depreciation

share of GDP, percent



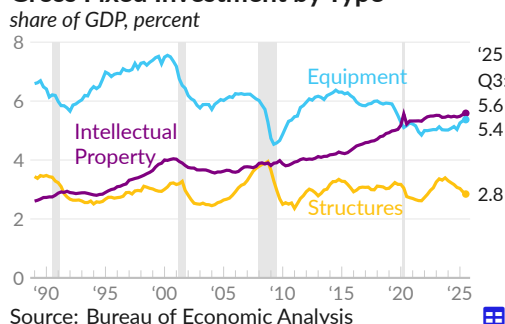
In the third quarter of 2025, gross private business investment totals \$4,104 billion on a seasonally-adjusted annualized basis, which is 13.2 percent of GDP (see —). Private business investment in fixed assets totals \$4,292 billion, or 13.8 percent of GDP (see —). Private business depreciation totals \$3,337 billion in the quarter, or 10.7 percent of GDP (see —). As a result, net fixed investment is \$954 billion, or 3.1 percent of GDP (see —).

In 2019 Q4, prior to the COVID-19 pandemic, private business gross investment was \$2,926 billion. Since 2019 Q4, gross investment increased at an annual rate of 6.1 percent. Net fixed investment was \$711 billion in 2019 Q4, and increased at an annual rate of 5.2 percent from 2019 Q4 to 2025 Q3, as growth of depreciation costs outpaced the increase in gross investment.

Note that gross investment includes fixed investment and inventory investment, or the **change in private inventories**. Changes to private inventories capture the difference between sales and production. Reduced production of new inventory explains much of the overall reduction in gross investment during the COVID-19 pandemic.

Business fixed investment encompasses structures, equipment, and intellectual property, such as software and R&D. Annualized investment in structures is \$885 billion in 2025 Q3, representing 2.8 percent of GDP (see —). Equipment investment is \$1,670 billion or 5.4 percent of GDP (see —), and intellectual property investment is \$1,737 billion, which is 5.6 percent of GDP (see —).

### Gross Fixed Investment by Type



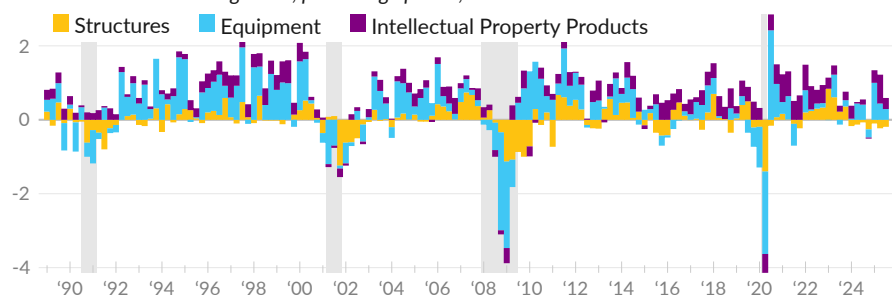
### Contribution to Growth

Business fixed investment plays an **outsized role in GDP growth**. From 1992 to 2000, business fixed investment contributed an average of 1.1 percentage points to GDP growth. Over the past three decades, the category contributed 0.6 percentage point, on average. Business investment added an average of 0.5 percentage point since 2019, and contributed 0.5 percentage point over the past year.

Private business gross fixed investment contributed 0.4 percentage point to annualized GDP growth in 2025 Q3. Within the category, investment in structures subtracted 0.19 percentage point from growth (see ■), equipment investment contributed 0.29 percentage point (see ■), and investment in intellectual property added 0.3 percentage point (see ■).

### Business Gross Fixed Investment

contribution to real GDP growth, percentage points, annualized



### Business Gross Fixed Investment

contribution to real GDP growth, percentage points, annualized

moving average

|                                  | 2025 Q3 | '25 Q2 | '25 Q1 | '24 Q3 | '23 Q3 | 1-year | 10-year | 30-year |
|----------------------------------|---------|--------|--------|--------|--------|--------|---------|---------|
| Total                            | 0.40    | 0.98   | 1.24   | 0.48   | 0.25   | 0.53   | 0.55    | 0.58    |
| Structures ■                     | -0.19   | -0.23  | -0.10  | -0.07  | 0.22   | -0.20  | 0.03    | 0.03    |
| Equipment ■                      | 0.29    | 0.44   | 1.00   | 0.41   | -0.13  | 0.38   | 0.15    | 0.29    |
| Information Processing           | 0.16    | 0.22   | 0.89   | 0.24   | -0.03  | 0.32   | 0.12    | 0.20    |
| Computers & Peripherals          | 0.33    | 0.38   | 0.48   | 0.17   | -0.02  | 0.29   | 0.06    | 0.10    |
| Industrial Equipment             | 0.02    | 0.07   | 0.05   | 0.06   | -0.06  | 0.04   | 0.02    | 0.02    |
| Transportation Equipment         | -0.03   | 0.27   | 0.05   | 0.14   | -0.03  | 0.03   | 0.00    | 0.04    |
| Intellectual Property Products ■ | 0.30    | 0.78   | 0.34   | 0.14   | 0.16   | 0.35   | 0.38    | 0.27    |
| Software                         | 0.07    | 0.58   | 0.41   | 0.06   | 0.14   | 0.28   | 0.23    | 0.16    |
| Research & Development           | 0.23    | 0.22   | -0.05  | 0.08   | 0.01   | 0.07   | 0.14    | 0.10    |

Source: Bureau of Economic Analysis

Productive business investments also show up as **new orders for core capital goods**. The category excludes the more-volatile aircraft orders as well as defense-related orders, and is derived from the Census Bureau [survey](#) of shipments, inventories, and orders.

New orders for manufactured core capital goods excluding aircraft total \$78 billion in October 2025, equivalent to 3.0 percent of GDP (see —). New orders increased 6.2 percent over the past year, and increased by 24.4 percent since February 2020.

**New Orders for Core Capital Goods**  
nondefense capital goods ex-aircraft, share of GDP



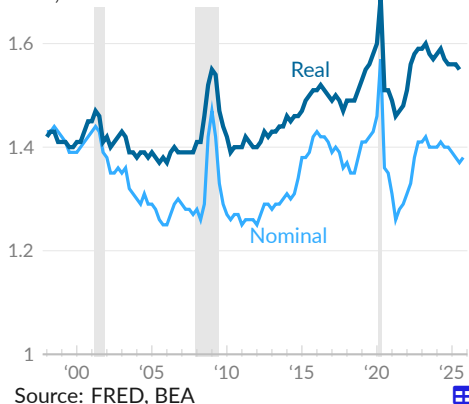
## Inventories

In the national accounts, **inventories** are the stock of goods held by firms, encompassing goods for sale, goods used in production and sales, and goods requiring further processing prior to sale. When economic activity is measured using spending on final goods, it must be adjusted for changes in inventories. For example, a rise in inventories indicates goods were produced but not sold, and therefore were not measured by consumer spending or investment.

One tool for measuring changes in inventories is the inventories-to-sales ratio. The Bureau of Economic Analysis [report](#) an inflation-adjusted ratio of inventories to sales in manufacturing and trade sectors (see —).

When examining trends in the ratio, note that business sales include services, whereas inventories account only for goods. In the three decades before the COVID-19 pandemic, a shift towards service-based sales led to a naturally lower inventories-to-sales ratio. Post-COVID-19, a rebound in goods sales, in turn, pushed this ratio higher, all else equal, masking some of the inventory shortages of the period.

**Inventories to Sales Ratio**  
ratio, total business sector



The Census Bureau [report](#) the nominal **ratio of inventories to sales** for the total business sector (see —). In October 2025, the ratio of total business inventories to sales was 1.38, compared to 1.37 in September 2025, 1.41 in October 2024, and 1.43 in February 2020.

The inflation-adjusted version from BEA shows inventories at 1.55 times sales in September 2025, following a ratio of 1.54 in August 2025, and 1.57 one year prior, in September 2024. In 2019, real monthly inventories were 1.55 times real monthly sales, on average.

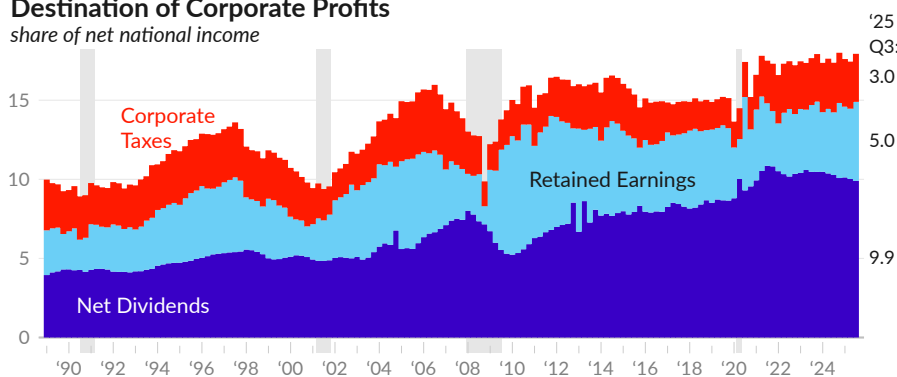
## Corporate Profits

The national accounts include detailed information on **aggregate corporate profits**. In the third quarter of 2025, corporate profits were \$4.10 trillion, equivalent to 17.9 percent of the income paid to US nationals after depreciation costs (net national income). Of this, \$2.26 trillion, equivalent to 9.9 percent of net national income, were paid out as dividends (see ■), \$1,142 billion were retained (corporate saving, see ■), and \$693 billion, 16.9 percent of corporate profits, went to corporate income tax (see ■).

In 2019, corporate profits were 15.1 percent of net national income. Dividends were equivalent to 8.6 percent, corporate savings were 4.6 percent, and corporate income taxes were 1.8 percent of net national income and 12 percent of corporate profits.

### Destination of Corporate Profits

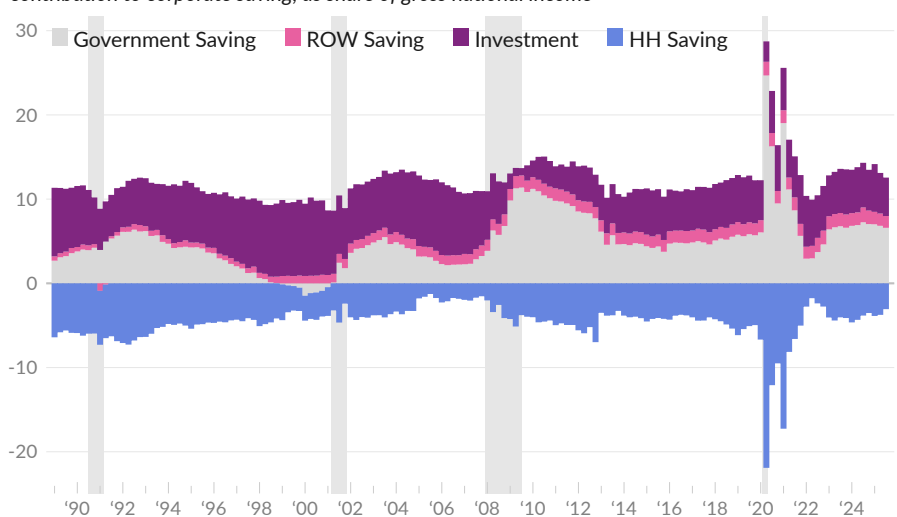
share of net national income



**Aggregate corporate savings** (corporate profits less dividends and corporate profit tax) are the result of net investment and non-business saving. Investment (see ■) is a source of aggregate profit because it is revenue for one party but not an expense for the other. Non-business saving, which includes household (see ■), government (see ■), and rest of world saving (see ■), necessarily reduces aggregate corporate profits because it is money that did not return to businesses as revenue.

### Sources of Corporate Saving

contribution to corporate saving, as share of gross national income



## Business Balance Sheets

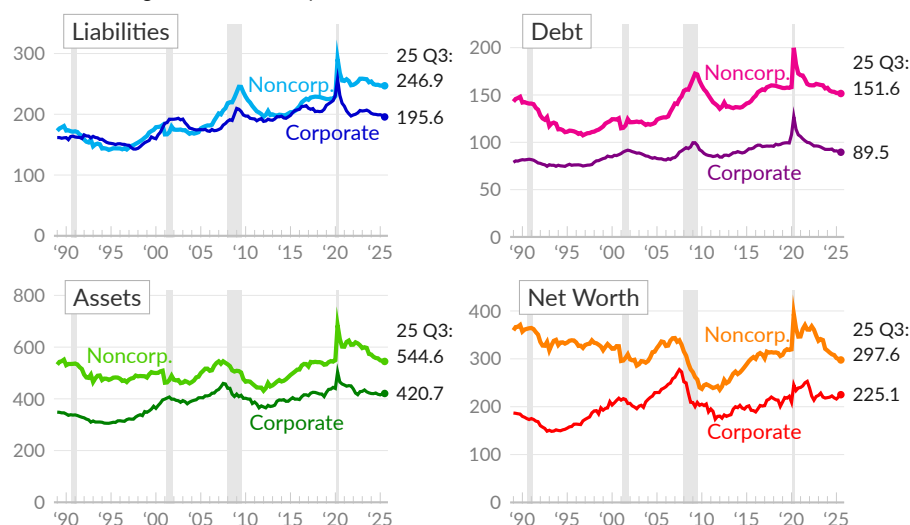
Next, we look at the **balance sheets** of US private businesses. The Financial Accounts [report](#) assets, liabilities, and net worth for corporate and noncorporate businesses, each of which is discussed in this subsection.

The following charts cover nonfinancial businesses and show the ratio of balance sheet components to sector production, measured as the gross value added by the sector. The gross value added is essentially the GDP of the sector. For example, the corporate liabilities-to-sector-GDP ratio is 195.6 percent in 2025 Q3 (see —), as corporate liabilities total \$30.7 trillion and corporate sector gross value added is \$15.7 trillion. Noncorporate business liabilities equal 246.9 percent of the sector GDP (see —).

Corporate assets are equivalent to 420.7 percent of sector GDP in 2025 Q3 (see —), and corporate sector net worth, assets minus liabilities, is equivalent to 225.1 percent of sector GDP (see —). Noncorporate assets are equal to 544.6 percent of sector GDP (see —), and noncorporate business net worth equates to 297.6 percent of sector GDP (see —).

### Nonfinancial Business Balance Sheets

share of sector gross value added, percent



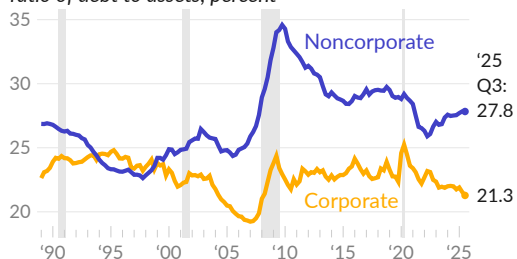
Source: Federal Reserve



Analysis of private business balance sheets can help researchers understand risks in the sector. A high ratio of debt to assets, for example, can suggest businesses are over-leveraged. The following chart shows the **ratio of debt to assets** for nonfinancial businesses, separated by corporate and noncorporate businesses.

### Nonfinancial Business Debt-to-Asset Ratio

ratio of debt to assets, percent



Source: Federal Reserve



The ratio of corporate business debt to assets is 21.3 percent in 2025 Q3 (see —). One year prior, in 2024 Q3, the ratio was 22.0 percent, and, in 2019, the ratio averaged 22.8 percent.

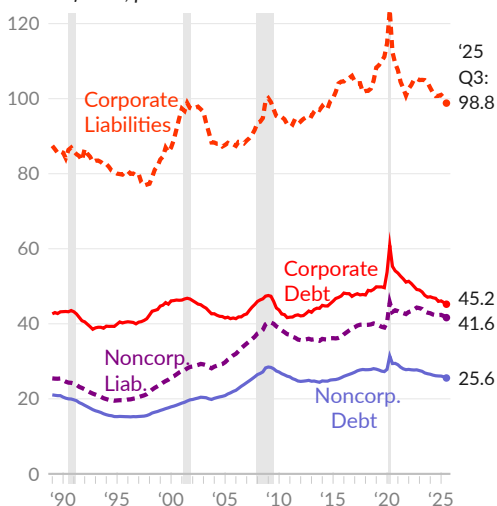
The noncorporate business debt to asset ratio is 27.8 percent in 2025 Q3 (see —), and 27.5 percent, one year prior. In 2019, the ratio was 29.1 percent.

## Business Liabilities

This subsection looks at types of **business liabilities**. Corporate nonfinancial businesses issue bonds, and have loans and mortgages, pension liabilities, and accounts payable. Noncorporate businesses primarily have mortgages and other loans. Both sectors have substantial miscellaneous liabilities, calculated as the unidentified residual of other aggregate balance sheet measures.

### Nonfinancial Business Liabilities

share of GDP, percent



Source: Federal Reserve

Corporate liabilities total \$30.7 trillion in the third quarter of 2025, equivalent to 98.8 percent of GDP (see ---). Of this, corporate debt is equivalent to 45.2 percent of GDP (see —). In 2019, corporate liabilities are 109.6 percent of GDP and corporate debt is 49.8 percent.

Noncorporate business sector liabilities are equivalent to 41.6 percent of GDP in the third quarter of 2025 and 39.4 percent in 2019 (see ---). Noncorporate business debt is 25.6 percent of GDP in the latest data and 27.6 percent in 2019 (see —).

The following table provides more details on the size of nonfinancial business liabilities relative to the overall economy.

### Nonfinancial Business Liabilities

share of GDP, percent

|                                | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q3 | '19<br>Q4 | 2010 | 1989 |
|--------------------------------|------------|-----------|-----------|-----------|-----------|------|------|
| Corporate Liabilities (---)    | 98.8       | 100.3     | 101.0     | 100.7     | 111.2     | 94.4 | 86.4 |
| Corporate Debt (—)             | 45.2       | 45.7      | 46.1      | 46.8      | 49.6      | 42.6 | 42.9 |
| Corporate Bonds                | 23.5       | 23.7      | 24.3      | 24.4      | 26.6      | 22.0 | 16.5 |
| Bank Loans & Mortgages         | 8.3        | 8.3       | 8.3       | 9.0       | 9.6       | 9.3  | 15.3 |
| Nonbank Loans                  | 8.9        | 9.0       | 8.9       | 8.9       | 8.2       | 6.7  | 6.9  |
| Trade & Taxes Payable          | 14.5       | 14.5      | 14.8      | 14.0      | 14.5      | 11.5 | 11.1 |
| Miscellaneous Liabilities      | 38.0       | 38.9      | 38.9      | 38.7      | 45.2      | 37.6 | 30.7 |
| Noncorporate Liabilities (---) | 41.6       | 42.1      | 42.4      | 42.3      | 39.0      | 38.0 | 25.4 |
| Noncorporate Debt (—)          | 25.6       | 25.9      | 26.1      | 26.2      | 27.3      | 26.6 | 20.9 |
| Mortgages                      | 18.4       | 18.6      | 18.7      | 18.7      | 19.3      | 19.0 | 16.3 |
| Other Loans                    | 7.1        | 7.3       | 7.4       | 7.4       | 7.9       | 7.6  | 4.7  |
| Trade & Taxes Payable          | 3.7        | 3.8       | 3.8       | 3.8       | 3.2       | 3.4  | 1.7  |
| Miscellaneous Liabilities      | 12.3       | 12.4      | 12.5      | 12.4      | 8.5       | 8.0  | 2.8  |

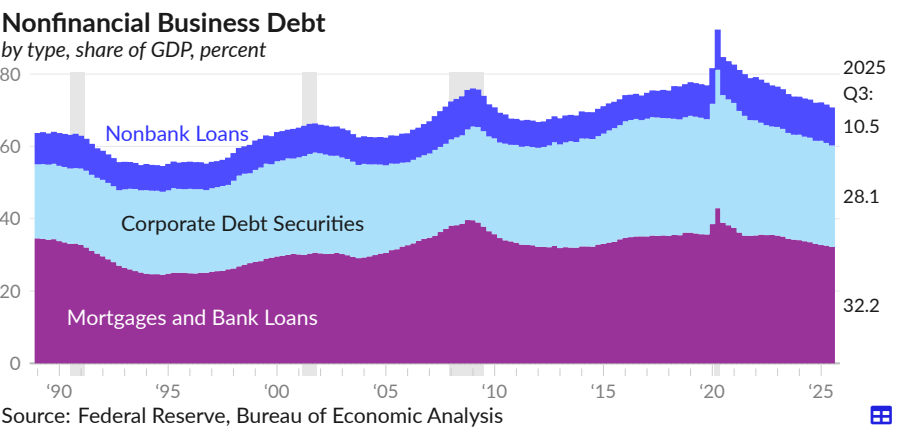
Source: Federal Reserve, Bureau of Economic Analysis

Business Debt

Depending on market conditions, businesses may want to expand output without committing or redirecting existing resources. In this case, businesses finance expansion by borrowing or issuing debt securities, such as corporate bonds. The ratio of business debt to output measures the extent of business leverage.

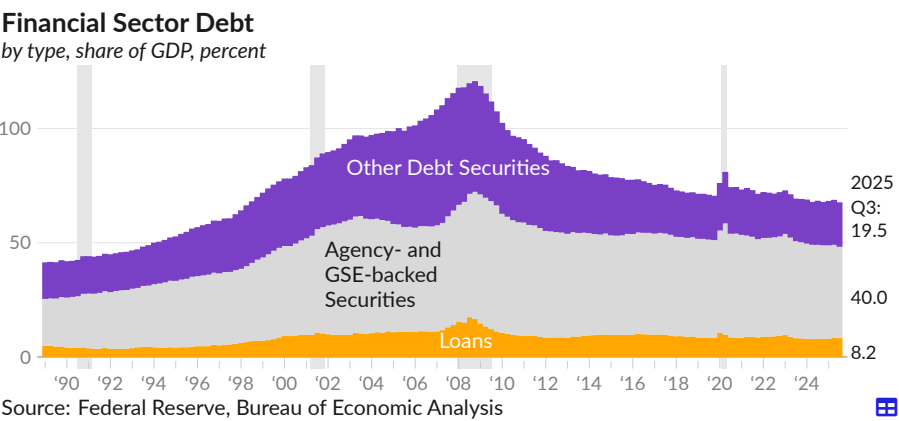
As of 2025 Q3, **nonfinancial business debt**—the debt security and loan liabilities of nonfinancial private businesses—totals \$22 trillion. Of this, \$14.1 trillion, or 63.9 percent of the total, is held by corporate businesses. The remaining \$7.9 trillion is held by noncorporate businesses.

Over the past three years, nonfinancial business debt has fallen relative to overall economic activity. As a share of GDP, nonfinancial business debt fell by 6.8 percentage points to 70.8 percent in 2025 Q3 from 77.6 percent in 2022 Q3. The overall change was partially driven by a decrease of 1.2 percent of GDP in nonbank loans (see ■).



The debt of financial businesses includes agency and government-sponsored enterprise (GSE) backed securities (see ■), corporate and foreign bonds, loans (see ■), and open market paper. The long-term increase in financial sector debt reflects the emergence and growth of various asset-backed securities. In addition to home-mortgage-backed securities, the financial sector issues debt securities based on commercial mortgages, auto loans, credit cards, student debt, and more.

Financial business debt has fallen as a share of GDP to 67.7 percent in 2025 Q3 from a housing-bubble peak of 120.7 percent in 2008 Q4. Agency and GSE mortgage-backed securities are valued at \$12.4 trillion, or 40 percent of GDP, in 2025 Q3.





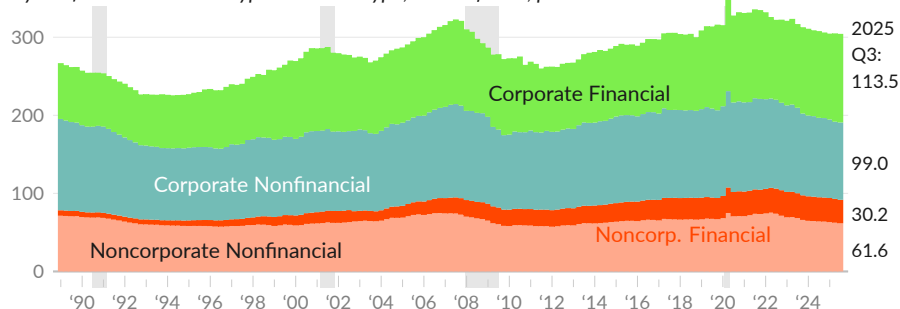
## Business Assets

Combined **assets of private nonfinancial businesses** are valued at \$94.6 trillion in the third quarter of 2025, which is 304.3 percent of GDP. These include financial and nonfinancial assets. Financial assets include cash and deposits, equity in other businesses, trade receivables, and other financial assets, and total \$44.7 trillion. Nonfinancial, or tangible, assets include real estate, equipment, inventories, and intellectual property products, and total \$50.0 trillion.

Nonfinancial corporations have assets valued at \$66.1 trillion, or 212.5 percent of GDP. These include nonfinancial assets (see ■) valued at 99.0 percent of GDP and financial assets (see ■) valued at 113.5 percent, as of 2025 Q3. Noncorporate business assets are valued at \$28.6 trillion, equivalent to 91.8 percent of GDP. Tangible assets (see ■) are equivalent to 61.6 percent of GDP, and include \$10.4 trillion in rental housing. Financial assets for the sector (see ■) total 30.2 percent of GDP.

### Business Assets

by nonfinancial business type and asset type, share of GDP, percent



share of GDP, percent

|                         | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q3 | '19<br>Q4 | 2010  | 1989  |
|-------------------------|------------|-----------|-----------|-----------|-----------|-------|-------|
| Corporate Total         | 212.5      | 211.9     | 210.5     | 212.8     | 222.0     | 191.6 | 185.8 |
| Nonfinancial Assets (■) | 99.0       | 98.8      | 100.6     | 101.7     | 112.3     | 97.9  | 114.8 |
| Real Estate             | 49.9       | 49.7      | 51.3      | 52.8      | 63.1      | 49.5  | 61.7  |
| Equipment               | 22.8       | 22.8      | 22.8      | 22.9      | 24.3      | 25.1  | 29.9  |
| IP Products             | 14.4       | 14.3      | 14.3      | 14.1      | 12.9      | 11.4  | 7.7   |
| Inventories             | 11.9       | 12.0      | 12.2      | 12.0      | 12.1      | 11.9  | 15.4  |
| Financial Assets (■)    | 113.5      | 113.1     | 109.9     | 111.1     | 109.7     | 93.7  | 71.0  |
| Noncorporate Total      | 91.8       | 93.0      | 94.1      | 95.0      | 94.1      | 79.9  | 77.9  |
| Nonfinancial Assets (■) | 61.6       | 62.4      | 63.2      | 64.0      | 66.9      | 58.9  | 71.0  |
| Real Estate             | 55.0       | 55.8      | 56.5      | 57.4      | 60.2      | 51.7  | 62.0  |
| Residential             | 33.4       | 34.3      | 34.5      | 34.9      | 34.9      | 29.7  | 34.9  |
| Equipment               | 3.7        | 3.8       | 3.8       | 3.9       | 4.1       | 4.5   | 5.8   |
| IP Products             | 1.6        | 1.6       | 1.6       | 1.6       | 1.5       | 1.3   | 0.7   |
| Inventories             | 1.3        | 1.2       | 1.2       | 1.1       | 1.2       | 1.5   | 2.5   |
| Financial Assets (■)    | 30.2       | 30.6      | 30.9      | 31.0      | 27.2      | 20.9  | 6.9   |

Source: Federal Reserve, Bureau of Economic Analysis

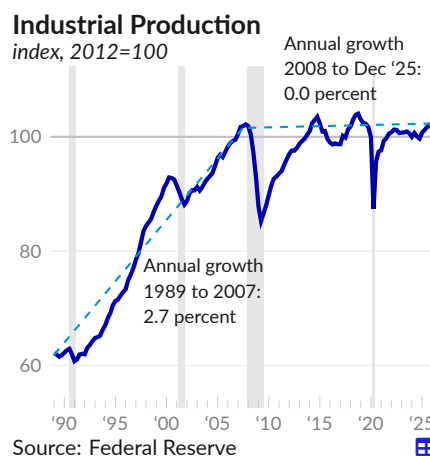
Notes: Includes only nonfinancial businesses. Tangible assets are market values or current replacement values.

## Industrial Production

The Federal Reserve industrial production index [measures](#) the real output of the industrial sector, which includes manufacturing, mining, and electric and gas utilities. Industrial production growth slowed since the 2000s.

**Industrial production** increased two percent over the year ending December 2025, following an increase of 2.7 percent in November. The manufacturing-only index grew two percent over the year ending December, and contributed 1.5 percentage points to the growth of the total index. Mining added 0.2 percentage point, and utilities contributed 0.3 point.

By market group, finished consumer goods added 0.2 percentage point to growth in December. Business equipment contributed one percentage point, non-industrial supplies contributed 0.1 point, and materials added 0.7 point.



### Industrial Production Growth

| one-year growth,<br>seasonally-adjusted | contribution to total |         |         |         | rate, percent |         |         |         |
|---|-----------------------|---------|---------|---------|---------------|---------|---------|---------|
|   | Dec '25               | Nov '25 | Oct '25 | Dec '24 | Dec '25       | Nov '25 | Oct '25 | Dec '24 |
| Total Index                             | 2.0                   | 2.7     | 2.1     | -0.3    | 2.0           | 2.7     | 2.1     | -0.3    |
| Manufacturing                           | 1.5                   | 1.7     | 1.6     | -0.9    | 2.0           | 2.2     | 2.1     | -1.2    |
| ■ Durable Manufacturing                 | 1.2                   | 1.3     | 1.6     | -1.0    | 3.1           | 3.4     | 4.0     | -2.5    |
| Motor Vehicles & Parts                  | -0.2                  | -0.3    | -0.1    | -0.4    | -2.8          | -5.1    | -2.1    | -7.7    |
| ■ Nondurable Manufacturing              | 0.4                   | 0.4     | 0.2     | 0.2     | 1.0           | 1.2     | 0.4     | 0.4     |
| ■ Mining                                | 0.2                   | 0.5     | 0.2     | 0.0     | 1.7           | 3.9     | 1.4     | -0.3    |
| ■ Utilities                             | 0.3                   | 0.6     | 0.3     | 0.7     | 2.3           | 4.5     | 2.7     | 5.9     |
| ■ Consumer Goods                        | 0.2                   | 0.2     | -0.1    | -0.2    | 0.7           | 0.8     | -0.5    | -0.8    |
| Consumer Durables                       | -0.2                  | -0.3    | -0.3    | -0.4    | -3.5          | -5.3    | -4.4    | -7.2    |
| Automotive Products                     | -0.2                  | -0.3    | -0.2    | -0.3    | -5.8          | -8.5    | -6.6    | -9.6    |
| Consumer Nondurables                    | 0.4                   | 0.5     | 0.1     | 0.2     | 1.8           | 2.5     | 0.5     | 1.1     |
| Foods & Tobacco                         | 0.2                   | 0.3     | 0.1     | -0.1    | 2.1           | 2.4     | 0.7     | -0.9    |
| Chemical Products                       | 0.2                   | 0.1     | 0.1     | 0.2     | 3.6           | 2.1     | 2.2     | 3.4     |
| Consumer Energy Products                | 0.1                   | 0.2     | 0.0     | 0.3     | 1.1           | 4.7     | 0.4     | 4.9     |
| ■ Business Equipment & Supplies         | 1.1                   | 1.5     | 1.5     | -0.3    | 3.9           | 5.1     | 5.2     | -1.1    |
| Equipment                               | 1.0                   | 1.1     | 1.3     | -0.4    | 8.5           | 9.7     | 10.9    | -4.1    |
| Industrial Equipment                    | 0.1                   | 0.1     | 0.1     | -0.1    | 3.3           | 1.8     | 3.1     | -3.6    |
| Nonindustrial Supplies                  | 0.1                   | 0.3     | 0.2     | 0.1     | 0.7           | 2.0     | 1.4     | 0.7     |
| Construction Supplies                   | 0.1                   | 0.2     | 0.2     | 0.0     | 1.3           | 3.3     | 2.7     | 0.7     |
| Business Supplies                       | 0.0                   | 0.1     | 0.1     | 0.1     | 0.4           | 1.3     | 0.8     | 0.7     |
| Materials                               | 0.7                   | 1.1     | 0.8     | 0.3     | 1.7           | 2.5     | 1.8     | 0.7     |
| Consumer Parts                          | 0.0                   | -0.1    | 0.0     | -0.2    | -1.0          | -2.6    | -1.0    | -7.8    |
| Equipment Parts                         | 0.4                   | 0.5     | 0.4     | 0.2     | 6.8           | 8.2     | 7.9     | 3.0     |
| Chemical Materials                      | 0.0                   | 0.1     | 0.1     | 0.2     | 0.2           | 1.2     | 2.6     | 3.9     |
| ■ Energy Materials                      | 0.4                   | 0.6     | 0.3     | 0.3     | 2.6           | 3.4     | 1.7     | 1.7     |

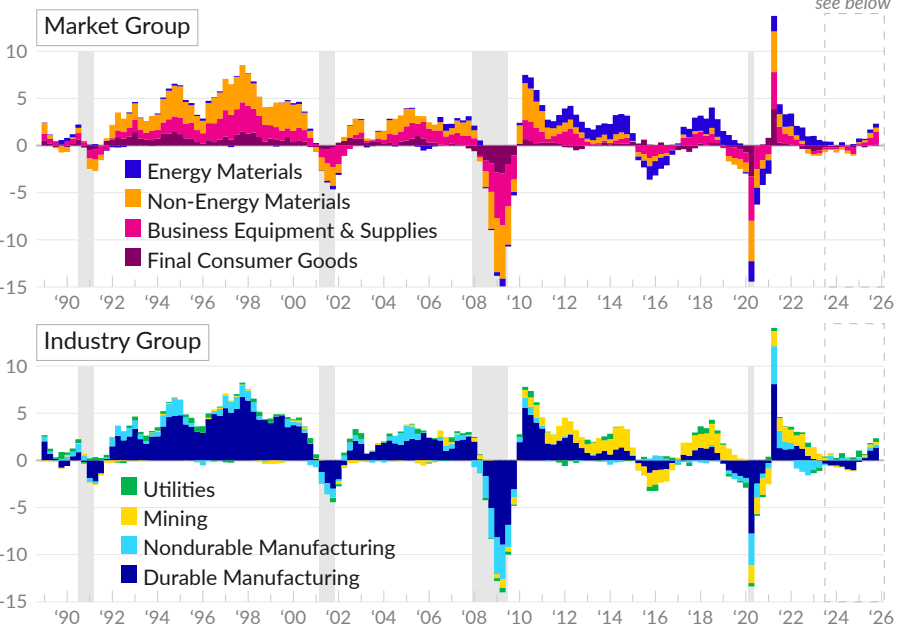
Source: Federal Reserve

Economic conditions and shifts in how production is organized affect industrial growth over the past 30 years. Much of industrial growth over the period is attributed to the production of materials, such as parts, chemicals, and energy, and to the production of business equipment and supplies. In contrast, there has been virtually no growth in domestic production of finished consumer goods, particularly from 2000 to 2020.

While the manufacturing industry dominated industrial growth in the 1990s, mining and utilities have played a relatively larger role since 2010. Manufacturing growth was relatively weak from 2013 to 2020, but increased starting in 2021.

Contributions to Industrial Production Growth

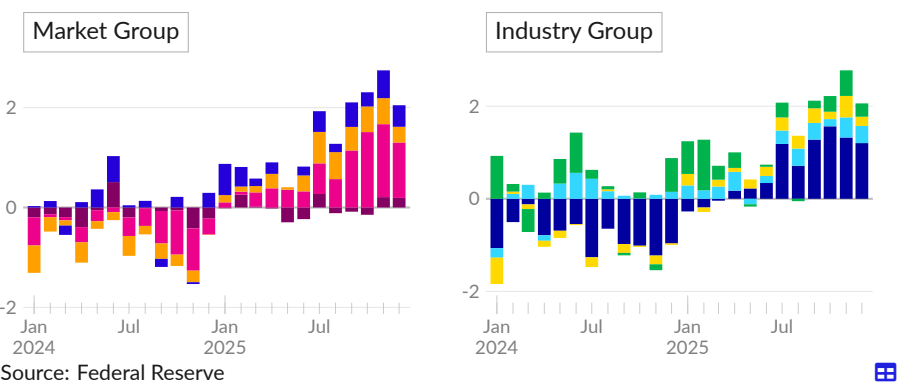
percentage point contribution to one-year growth, quarterly average



Looking more closely at recent industrial production growth, the latest one-year growth rate, covering December 2025, is slightly above the five-year average, and slightly below the November growth rate.

By market group, the latest growth is broad-based, with categories contributing relatively evenly. By industry group, the latest growth is relatively broad-based. The main contribution is an increase in durable manufacturing.

Recent Data in Detail



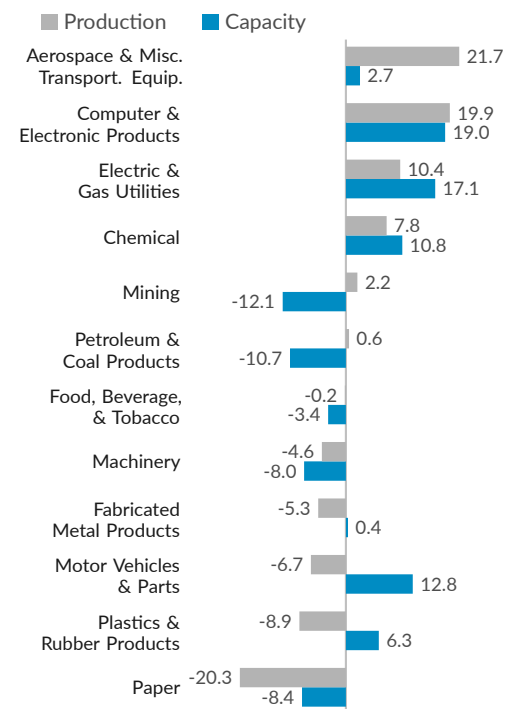
As of December 2025, of a subset of 12 industries that contribute the majority of industrial production, six increased **production** since February 2020, five decreased production, and one was unchanged (see ■).

Since February 2020, aerospace and miscellaneous transportation equipment production increased by 21.7 percent, paper production decreased by 20.3 percent, production of computer and electronic products increased by 19.9 percent, and electric and gas utilities production increased by 10.4 percent.

Since February 2020, seven of the 12 industries increased **capacity**, five decreased capacity, and none were virtually unchanged (see ■). Production capacity for computer and electronic products increased by 19.0 percent, electric and gas utilities capacity increased by 17.1 percent, and motor vehicles and parts capacity increased by 12.8 percent.

### Industrial Production and Capacity

As of December 2025, percent change since February 2020



Source: Federal Reserve



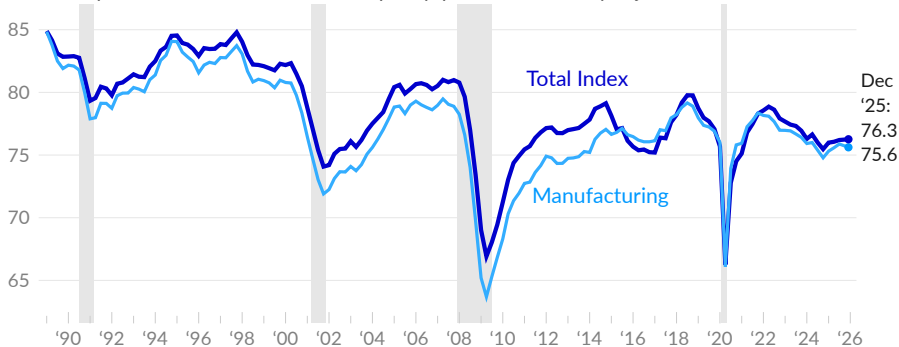
### Capacity Utilization

The Federal Reserve also [report](#) the US industrial capacity, based on estimates of the maximum sustainable output. Industrial production as a share of total capacity is called **capacity utilization**. From the 1990s to the 2010s, capacity utilization fell substantially, as many domestic industrial facilities reduced output or closed.

In December 2025, the US utilizes 76.3 percent of total industrial capacity (see —), and 75.6 percent of manufacturing capacity (see —). In 2019, the total capacity utilization rate averaged 77.9 percent, and the manufacturing capacity utilization rate averaged 77.4 percent. Total capacity utilization has decreased by 1.6 percentage points since 2019, and decreased by 7.5 percentage points since 1989.

### Capacity Utilization

industrial production as a share of total capacity, percent, seasonally adjusted



Source: Federal Reserve



Energy Production and Use

The US is a major energy producer, and energy is critical to the economy as an intermediate input to production. This subsection looks at the energy sector, and covers oil production and electricity generation and sales.

Crude Oil Production

The Energy Information Administration [report](#) a large increase in US **crude oil production**, from around five million barrels per day in 2007 to nearly 13 million barrels per day at the end of 2019. Much of the increase comes from either Texas (see ■), or New Mexico, North Dakota, and Colorado (see ■).

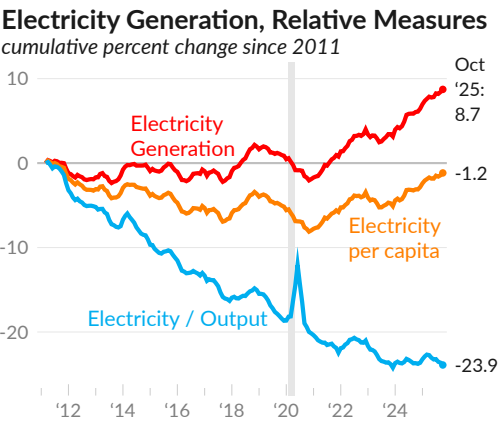
During October 2025, the US produced 13.9 million barrels of crude oil per day, compared to 13.5 million barrels per day in October 2024. Over the past year, production decreased by 79,000 barrels per day in Texas, and increased by 268,000 barrels per day in New Mexico.



Source: Energy Information Administration

Electricity Generation

The production of electricity can provide insight into the structure of the economy, recent growth, and overall efficiency. Over the past 100 years, electricity production has increased roughly in line with industrial production and GDP. Beginning in the late 2000s, electricity production and industrial production both plateaued.



Source: EIA, BEA

Since 2011, annualized US **electricity generation** has increased 8.7 percent (see —), rising from 4,128 billion kilowatt hours in 2011 to 4,487 billion kilowatt hours over the year ending October 2025.

Over the same period, the population has increased by 10.1 percent and real GDP has increased by 42.7 percent. As a result, electricity generated per person is below the 2011 level (see —). Moreover, the electricity used to produce a unit of GDP fell by 23.9 percent (see —).

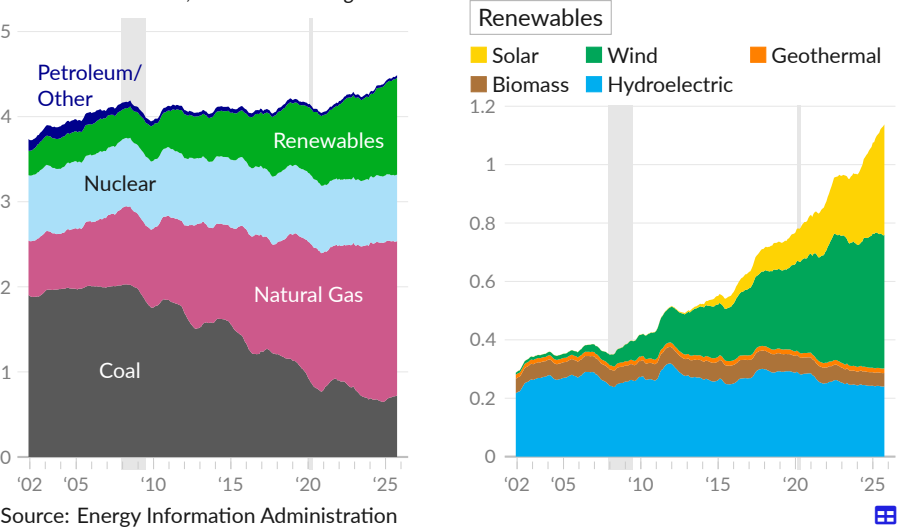
Electricity Generation by Source

The source of electricity has evolved over time. Over the past 20 years, electricity production has shifted away from coal and towards natural gas, wind, and solar.

During the year ending October 2025, the US generated 4,487 billion kilowatt hours of electricity. By source, 1,813 billion kilowatt hours were generated using natural gas (see ■), 724 billion kilowatt hours were generated from coal (see ■), 782 billion from nuclear (see ■), and 1,138 billion from renewable sources (see ■).

Electricity Generation by Source

trillion kilowatt hours, 12-month moving sum



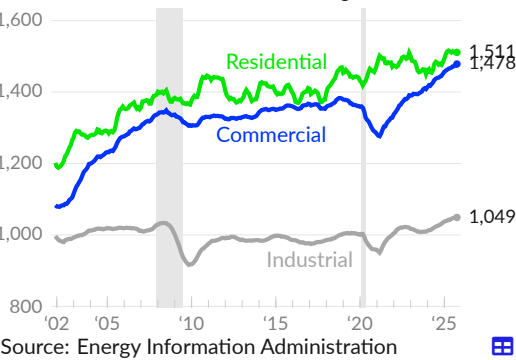
Among renewable energy sources, over the year ending October 2025, 241 billion kilowatt hours of electricity were generated with conventional hydroelectric (see ■), 46 billion kilowatt hours were generated from biomass (see ■), 16 billion were generated from geothermal (see ■), 456 billion from wind (see ■), and 379 billion from solar (see ■).

Electricity Sales by Sector

The Energy Information Administration [report](#) the **retail sales of electricity** to each major sector. Electricity sales to the commercial and industrial sectors fell during the pandemic, and were partially offset by increased electricity sales to the residential sector.

Electricity Retail Sales by Sector

billion kilowatt hours, 12-month moving sum



Over the year ending October 2025, retail sales of electricity to the residential sector total 1,511 billion kilowatt hours, compared to 1,440 billion during 2019 (see —).

Commercial sector electricity sales total 1,478 billion kilowatt hours over the year ending October 2025, and 1,361 billion in 2019 (see —). Industrial sector sales total 1,049 billion kilowatt hours in the latest 12 months of data and 1,002 billion in 2019 (see —).

## Retail Sales

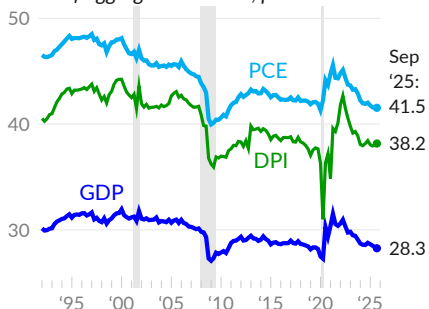
The Census Bureau [report](#) the monthly sales of retail businesses, restaurants, and bars. These retail trade figures can be a useful economic indicator. Retail trade includes brick and mortar stores as well as e-commerce and other nonstore sales to the general public.

In September 2025, **retail and food services sales** total \$735.9 billion. On an annualized basis, this is equivalent to 38.2 percent of disposable (after-tax) income (see —), 41.5 percent of consumer spending (see —), and 28.3 percent of GDP (see —). During the first two months of the US COVID-19 pandemic, retail sales were a smaller portion of overall economic activity, as many businesses were closed. After the initial reopening, retail sales comprised a larger share of economic activity, in part as other activities, like transportation, recovered less.

Retail and food service sales, **adjusted for population growth and inflation**, provide additional context on economic developments. Per capita retail and food services sales, adjusted by the personal consumption expenditure (PCE) price index, are \$2,136 during September 2025 (see —). Prior to the pandemic, in 2019, real per capita retail and food service sales averaged \$1,885 per month. Excluding automotive and gasoline sales, per capita sales were \$1,575 in September 2025 and \$1,347 per month in 2019, after adjusting for inflation (see —).

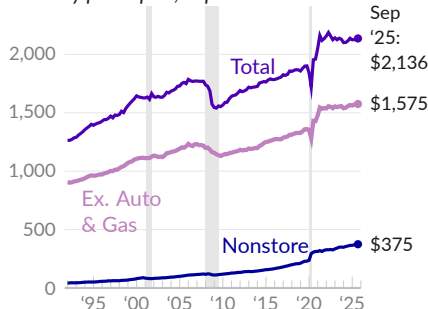
### Retail and Food Services Sales

share of aggregate measure, percent



Source: Census Bureau, Bureau of Economic Analysis

monthly per capita, September 2025 dollars\*

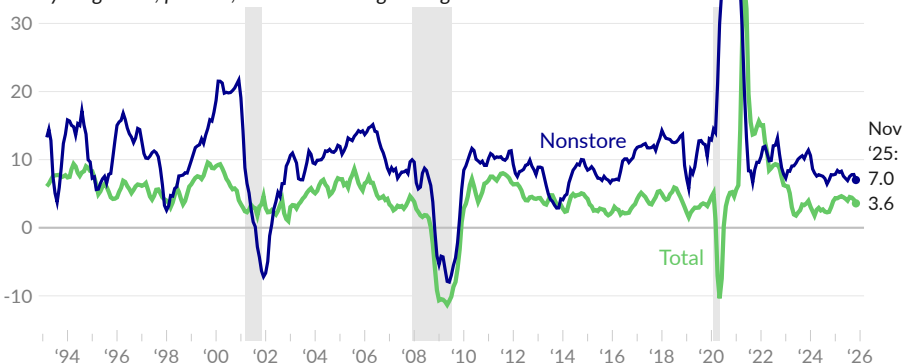


\*Adjusted by PCE price index

Changes in retail and food services sales can indicate shifts in consumer behavior. One-year retail and food services **sales growth** is 3.3 percent in November 2025, and averages 3.6 percent over past three months (see —). Nonstore sales, for example from online retailers, have increased at a faster rate than other sales, since 1992. Over the past three months, one-year nonstore sales growth averages seven percent (see —).

### Retail and Food Services Sales Growth

one-year growth, percent, 3-month moving average



Source: Census Bureau

Since 1992, the share of after-tax income spent at different **kinds of businesses** has diverged wildly. In large part, this is due to the growth of e-commerce, with online sales replacing brick and mortar sales. However, there have also been shifts in other consumer preferences and relative prices.

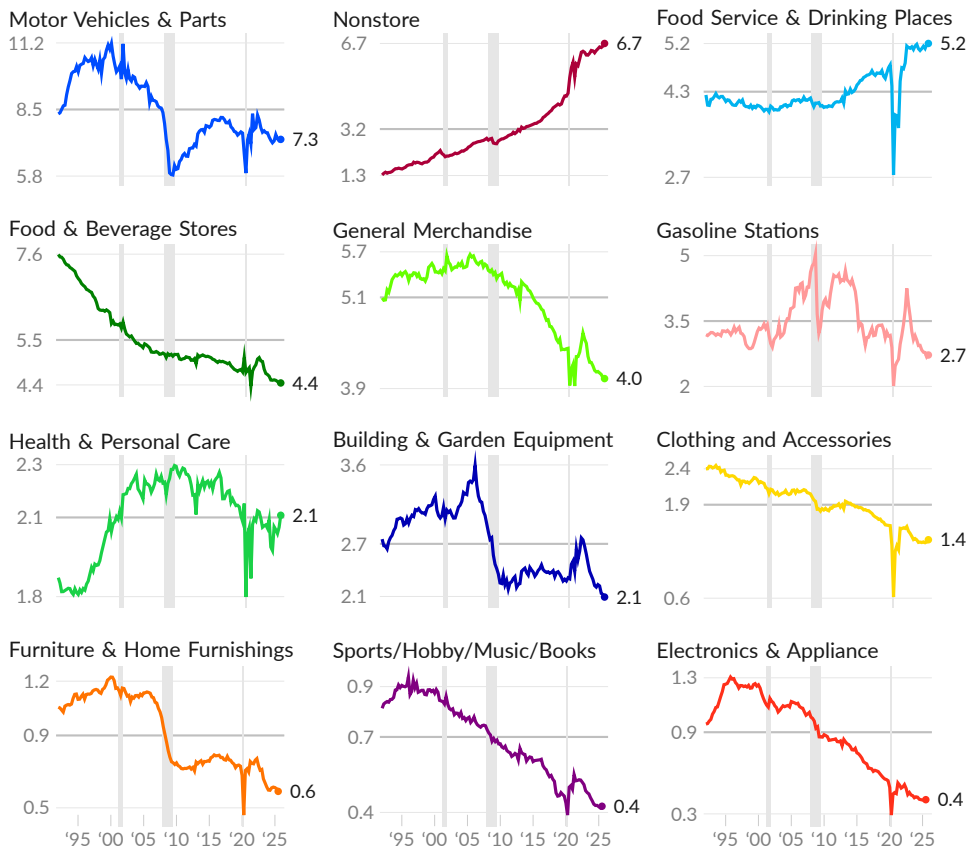
Nonstore sales were 1.4 percent of after-tax income in January 1992 and 6.7 percent in September 2025, a shift that is equivalent to \$1.2 trillion per year. Since 1992, sales as a share of after-tax income have decreased in food and beverage stores (-3.2 percentage points), motor vehicles and parts stores (-1.1 percentage points), and general merchandise stores (-1.1 percentage points).

Some sales categories were boosted by the housing bubble during the 2000s and its associated wealth effects, then fell sharply following the collapse of the bubble. Building and garden equipment, furniture and home furnishings stores, and motor vehicle sales all claimed a larger share of income during the 1990s and 2000s than during the 2010s. Meanwhile, food service and drinking places and health and personal care stores received a relatively stable share of income from 2000 until the COVID-19 pandemic, which hit restaurants and bars particularly hard.

Finally, some categories are more affected by changes in relative prices. Sales at gasoline stations, for example, move with gasoline prices. Likewise, an increase in building material prices during the pandemic partially boosted the share of income spent at building and garden equipment stores.

### Retail Sales by Kind of Business

share of disposable personal income, percent, January 1992 to September 2025, quarterly average



Source: Census Bureau, Bureau of Economic Analysis





# Government

Public institutions are collectively referred to as the *public sector* or the *government*. In the United States, the government operates many critical pieces of the economy and has the authority to spend, tax, and create money, as well as to regulate economic and financial activity. The government also enforces and determines the ownership of property. These activities are all extremely important to production and distribution in the economy.

This chartbook section covers government contributions to current economic activity, receipts and expenditures, assets and liabilities, and government jobs.

## Current Economic Activity

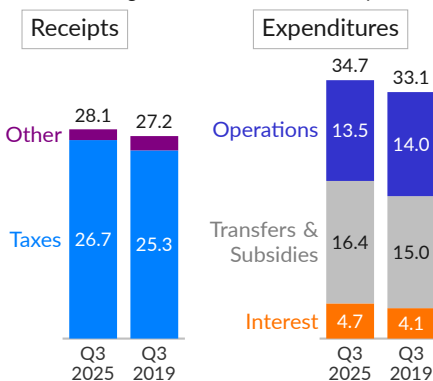
There are multiple ways to interpret the government contribution to *current* economic activity. Methods include: 1) government receipts and expenditures; 2) government production minus intermediate inputs used in production (value added); 3) government income payments to people less taxes and social insurance contributions; or 4) the sum of government consumption and investment.

As an overview of the consolidated government's effect on GDP, government receipts are equivalent to 28.1 percent of GDP in 2025 Q3, compared to 27.2 percent in 2019 Q3. The vast majority of these receipts are taxes, including social insurance contributions.

Government spending is equivalent to 34.7 percent of GDP in the latest data and 33.1 percent in 2019. This includes consumption expenditures, which are the government's operating costs, transfers and subsidies, and interest payments. These are covered in more detail in the following subsections.

### Government Receipts and Spending

consolidated government, share of GDP, percent



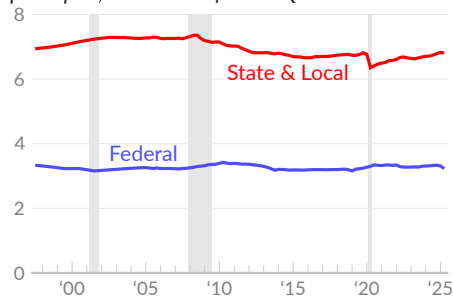
Source: Bureau of Economic Analysis

## Government Production

Governments provide many services, including education, health care, transportation, utilities, sanitation, and administration. For purposes of national accounting, the production value added by government is primarily measured as the compensation of government employees, and also includes the government [gross operating surplus](#).

### Government Production

per capita, thousands of 2025 Q2 dollars



Source: Bureau of Economic Analysis

In the second quarter of 2025, the federal government value added in domestic production is \$1,106 billion, equivalent to \$3,232 per capita (see —). In 2019 Q4, the federal government added \$3,242 in value to domestic production, per capita, after adjusting for inflation.

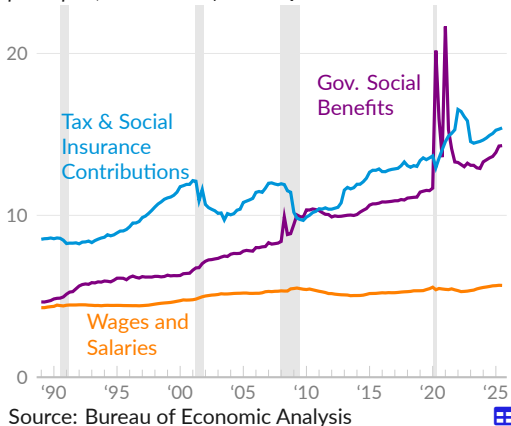
State and local governments added \$2,329 billion in production value in 2025 Q2 and \$1,851 billion in 2019 Q4, equivalent after inflation to \$6,808 and \$6,814 per capita, respectively (see —).

## Income Approach

Payments from the government to people include both the wages and salaries of government workers and transfer payments, also referred to as government social benefits or welfare.

Over the past thirty years, total spending on government social benefits has mostly kept pace with consumer spending, while tax collection lagged behind income growth. Increased social benefits payments on a per capita basis reflect expanded access to health insurance, as well as a larger share of the population receiving social security benefits. During the COVID-19 pandemic, the federal government expanded social benefits, reducing poverty rates to all-time lows in 2021.

**Personal Income and Outlays**  
per capita, thousands of 2025 Q3 dollars



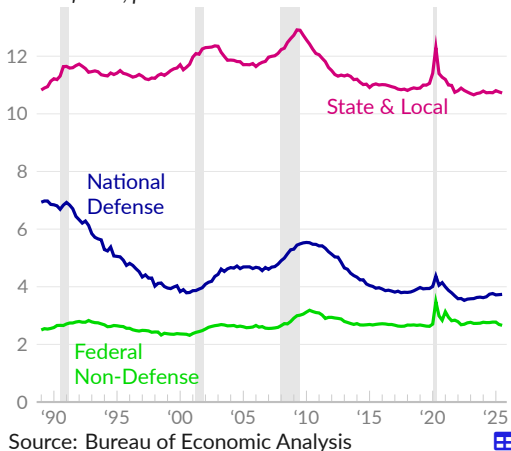
In 2025 Q3, government worker wages and salaries were equivalent to \$5,673 per capita, following a price-adjusted \$5,473 in 2019 Q4 (see —). Net government benefits were equivalent to \$14,308 per capita in 2025 Q3, compared to \$11,526 per capita in 2019 Q4 (see —). In 1989 Q1, net benefits were equivalent to \$4,653 per person.

Personal current taxes and social insurance contributions total \$15,400 per capita in 2025 Q3, \$13,549 in 2019 Q4, and \$8,523 in 1989 (see —).

## Consumption and Investment

Another approach to calculating the government sector effect on current economic activity is to add up spending on final goods and services. Government consumption and investment tends to be more stable than consumer spending or private investment, and thus tends to rise as a share of economic activity during recessions. This category does not include government transfer payments, which mostly become consumer spending.

**Consumption and Investment**  
share of GDP, percent



In 2025 Q3, federal non-defense spending and investment was \$827.2 billion, equivalent to 2.7 percent of GDP (see —), compared to 2.6 percent of GDP in 2019 Q4. Federal spending on national defense was equivalent to 3.7 percent of GDP in the latest quarter and 3.9 percent in 2019 Q4 (see —). National defense spending was 6.9 percent of GDP in 1989 Q1.

In 2025 Q3, state and local government spending and investment was equivalent to 10.7 percent of GDP, compared to 11.1 percent in 2019 Q4 (see —).

### Contribution to Growth

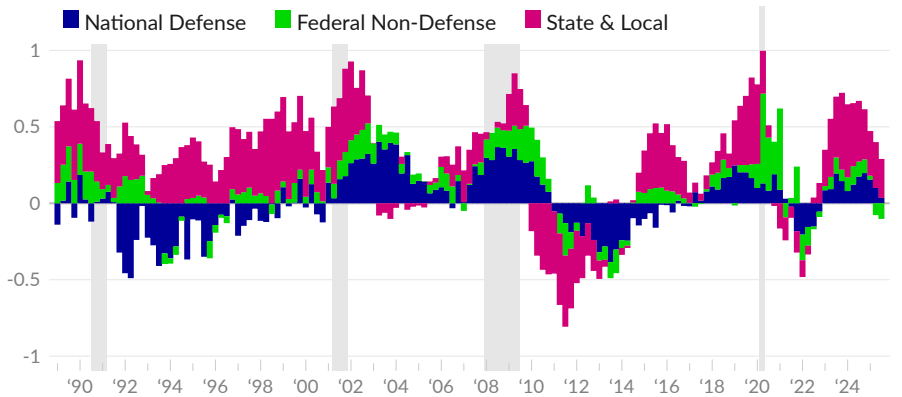
Government spending and investment directly affect economic growth in the short-term. Government spending and investment are traditionally steady sources of demand in the economy, with some exceptions. Government austerity during the early 2010s delayed recovery from the Great Recession.

In the third quarter of 2025, government consumption spending and investment contributed 0.39 percentage point to the real GDP growth rate of 4.3 percent. Over the last four quarters, government consumption and investment contributed 0.19 percentage point to economic growth, on average. Since 1989, the average contribution has been 0.26 percentage point.

Over the four quarters ending 2025 Q3, by level of government, national defense contributed 0.03 percentage point (see ■), federal non-defense subtracted 0.10 percentage point (see ■), and state and local government added 0.26 percentage point (see ■).

### Government Consumption and Investment

percentage point contribution to real GDP growth, one-year moving average



Source: Bureau of Economic Analysis

### Government Consumption and Investment

percentage point contribution to real GDP growth

|                               |         |        |        |        |        | annual contribution |        |         |
|-------------------------------|---------|--------|--------|--------|--------|---------------------|--------|---------|
|                               | 2025 Q3 | '25 Q2 | '25 Q1 | '24 Q3 | '23 Q3 | 1-year              | 6-year | 15-year |
| Consolidated Government Total | 0.39    | -0.01  | -0.17  | 0.92   | 0.87   | 0.19                | 0.29   | 0.16    |
| Federal Total                 | 0.19    | -0.35  | -0.37  | 0.54   | 0.42   | -0.07               | 0.12   | 0.03    |
| ■ National Defense            | 0.21    | 0.03   | -0.27  | 0.47   | 0.26   | 0.04                | 0.05   | -0.00   |
| Consumption Expenditures      | 0.19    | 0.03   | -0.31  | 0.31   | 0.24   | 0.02                | 0.02   | -0.01   |
| Gross Investment              | 0.03    | 0.00   | 0.04   | 0.17   | 0.02   | 0.02                | 0.03   | 0.01    |
| ■ Federal Non-Defense         | -0.03   | -0.38  | -0.11  | 0.07   | 0.16   | -0.10               | 0.07   | 0.04    |
| Consumption Expenditures      | -0.02   | -0.37  | -0.08  | 0.05   | 0.18   | -0.09               | 0.04   | 0.02    |
| Gross Investment              | -0.01   | -0.01  | -0.03  | 0.02   | -0.02  | -0.02               | 0.03   | 0.02    |
| ■ State & Local Total         | 0.20    | 0.33   | 0.20   | 0.38   | 0.44   | 0.25                | 0.17   | 0.13    |
| Consumption Expenditures      | 0.18    | 0.20   | 0.16   | 0.25   | 0.26   | 0.17                | 0.14   | 0.10    |
| Gross Investment              | 0.02    | 0.13   | 0.05   | 0.13   | 0.18   | 0.07                | 0.04   | 0.02    |

Source: Bureau of Economic Analysis

## Government Receipts and Expenditures

Government current expenditures include consumption, current transfers, such as government social benefits to persons, interest payments, and subsidies. Government spending provides services and income to people. Government current receipts come primarily from taxes. When government expenditures exceed receipts, it is referred to as a *government deficit*, and corresponds to a private sector surplus. A large government deficit, relative to GDP, increases current household income and corporate profits.

Federal government expenditures total \$7.6 trillion, or 24.4 percent of GDP, in 2025 Q3. Receipts for the same period total \$5.8 trillion or 18.6 percent of GDP. In 2025 Q3, the federal government deficit was \$1,810 billion or 5.8 percent of GDP.

Combined state and local government expenditures total \$4.2 trillion, or 13.5 percent of GDP, in 2025 Q3. Receipts for the same period total \$4.0 trillion or 12.8 percent of GDP. In 2025 Q3, the combined state and local government deficit was \$241 billion or 0.8 percent of GDP.



### Government Receipts and Expenditures

percent of GDP

|                                     |        |        |        |        |        |        | moving average |         |         |
|-------------------------------------|--------|--------|--------|--------|--------|--------|----------------|---------|---------|
|                                     | '25 Q3 | '25 Q2 | '25 Q1 | '24 Q3 | '23 Q3 | '19 Q3 | 4-year         | 10-year | 30-year |
| <b>Federal Government</b>           |        |        |        |        |        |        |                |         |         |
| Receipts                            | 18.6   | 18.4   | 18.0   | 17.7   | 17.2   | 17.1   | 18.3           | 18.0    | 18.0    |
| Expenditures                        | 24.4   | 24.6   | 24.3   | 24.3   | 23.4   | 22.0   | 23.9           | 24.5    | 22.2    |
| Surplus (+) / Deficit (-)           | -5.8   | -6.2   | -6.4   | -6.6   | -6.1   | -4.9   | -5.7           | -6.5    | -4.2    |
| <b>State &amp; Local Government</b> |        |        |        |        |        |        |                |         |         |
| Receipts                            | 12.8   | 12.9   | 12.9   | 12.9   | 12.8   | 12.9   | 13.4           | 13.4    | 13.1    |
| Expenditures                        | 13.5   | 13.5   | 13.5   | 13.6   | 13.5   | 13.9   | 13.6           | 13.9    | 14.0    |
| Surplus (+) / Deficit (-)           | -0.8   | -0.6   | -0.6   | -0.6   | -0.7   | -1.0   | -0.3           | -0.5    | -1.0    |

Source: Bureau of Economic Analysis

## Government Receipts

The national accounts report the combined revenue of the federal, state, and local governments as government current receipts. This subsection describes government current receipts by level of government and by type.

At an aggregate level, the vast majority of government receipts are tax receipts and contributions for social insurance programs. Government receipts total \$8.7 trillion in 2025 Q3, representing 28.1 percent of GDP (see —). Taxes and social insurance contributions comprise 94.9 percent of receipts and are equivalent to 26.7 percent of GDP in 2025 Q3 (see —).

### Government Current Receipts

consolidated government, share of GDP, percent



Source: Bureau of Economic Analysis

### Federal Government Receipts

Taxes and social insurance contributions are the main federal government receipts, and total \$5.6 trillion in 2025 Q3, equivalent to 18 percent of GDP. These receipts include personal current taxes, primarily individual income taxes, taxes on corporate income, and other taxes such as the federal excise tax on gasoline. Tax receipts are grouped with social insurance contributions, such as payroll taxes for Social Security and Medicare.

### Federal Gov. Current Tax Receipts

share of GDP, percent



Source: Bureau of Economic Analysis

As of 2025 Q3, federal personal current tax receipts are equivalent to 8.4 percent of GDP (see —). Some volatility in these receipts comes from swings in yearly capital gains. Since 1989, these tax receipts average eight percent of GDP.

Social insurance contributions are relatively stable over time and comprise 6.4 percent of GDP in 2025 Q3 (see —), compared to an average of 6.6 percent since 1989.

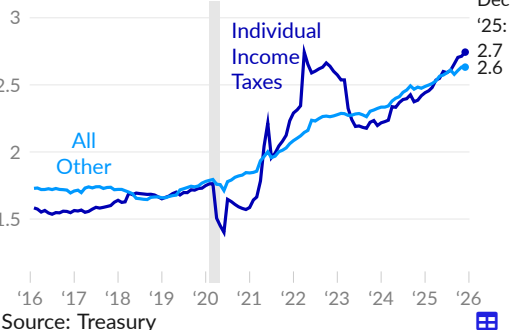
Corporate income tax receipts are typically two percent of GDP during economic expansions, but were cut to one percent in 2019. In 2025 Q3, these receipts are equivalent to 1.6 percent of GDP (see —).

Other tax receipts, including excise taxes and customs duties total 1.5 percent of GDP in the latest data (see —).

The United States Treasury [report](#) federal government current receipts and outlays, by type, in the Monthly Treasury Statement. To smooth seasonal patterns in tax payments, the receipts from the previous 12 months are combined, in each month, below.

### Federal Government Receipts

trillions of USD, one-year moving sum



Source: Treasury

Over the 12 months ending December 2025, **federal government receipts** total \$5.4 trillion, compared to \$4.9 trillion one year prior, in December 2024.

Over the past 12 months, 51 percent of receipts, totaling \$2.7 trillion, are from individual income taxes (see —). The remaining receipts (see —) are largely social insurance contributions (\$1.8 trillion) and corporate income taxes (\$0.4 trillion).

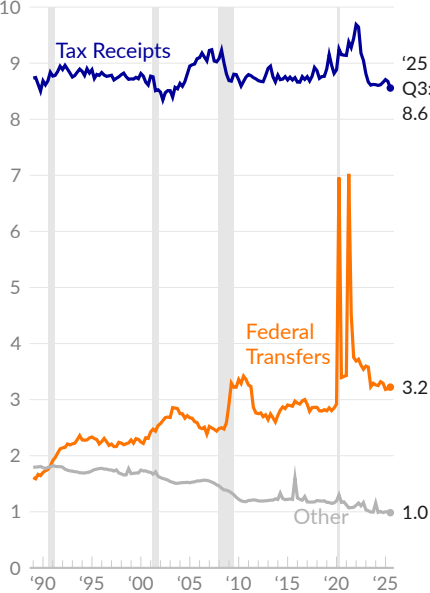
### State and Local Government Receipts

State and local government current receipts are a combination of taxes, transfers from the federal government, and other receipts, such as fines and fees. In 2025 Q3, combined state and local government tax receipts total 8.6 percent of GDP (see —), following 8.6 percent of GDP one year prior. Since 2019, these tax receipts decreased by 0.4 percent of GDP. State and local government income tax receipts fell by 0.2 percent of GDP over the same period.

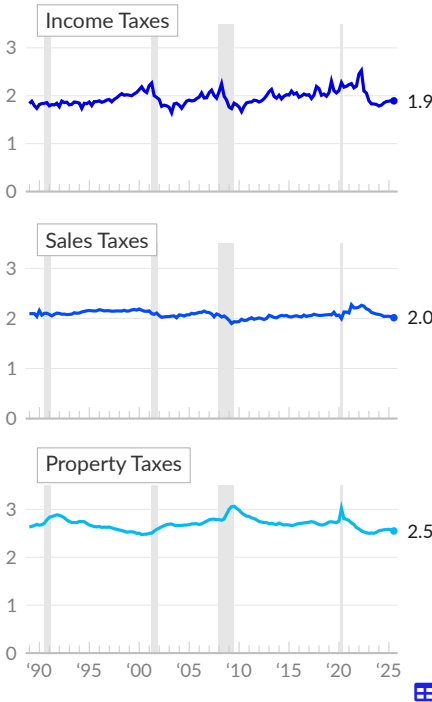
Federal government transfers to state and local governments total 3.2 percent of GDP in 2025 Q3 (see —), and 3.3 percent one year prior. These transfers peaked during COVID-19 relief efforts, but have been climbing over time, from 1.6 percent of GDP in 1989. Other receipts are equivalent to one percent of GDP in 2025 Q3 (see —).

### State & Local Government Receipts

share of GDP, percent



Source: Bureau of Economic Analysis

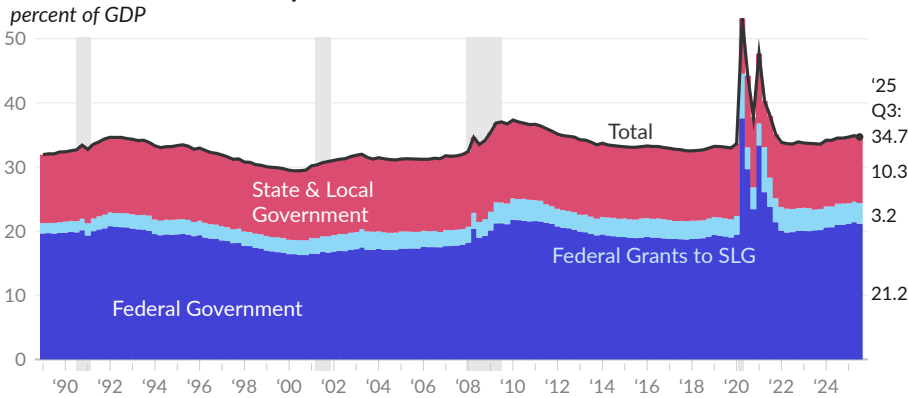


## Government Expenditures

Consolidated government current expenditures combine federal, state, and local levels of government, and include consumption expenditures, government social benefits, interest payments, subsidies, and other transfers. Federal government grants to state and local governments are separated to avoid double counting.

As of 2025 Q3, government current expenditures total \$10.8 trillion, which is 34.7 percent of GDP (see —). One year prior, in 2024 Q3, government current expenditures total 34.5 percent of GDP. Government spending peaked during the COVID-19 pandemic, averaging 41.2 percent of GDP from 2020 to 2021. Since 1989, government spending averages 33.4 percent of GDP.

### Government Current Expenditures



By level of government, federal current expenditures are equivalent to 21.2 percent of GDP in 2025 Q3, and 21.0 percent in 2024 Q3 (see ■). Federal government transfers to state and local governments comprise 3.2 percent of GDP in the latest data (see ■). State and local government current expenditures, excluding transfers from the federal government, are equivalent to 10.3 percent of GDP in 2025 Q3 (see ■).

By category, consumption expenditures represent 13.5 percent of GDP in 2025 Q3, and 13.6 percent of GDP one year prior. Over the past 30 years, consumption expenditures average 14.7 percent of GDP. Current transfer payments, which are largely government social benefits, total 16 percent of GDP in 2025 Q3, compared to 15.7 percent one year prior, and a long-term average of 13.8 percent.

Consolidated government interest payments are 4.7 percent of GDP in the latest data, compared to 4.8 percent one year prior. Interest payments comprise 4.3 percent over the past 30 years, on average. Government subsidies to businesses total 0.4 percent of GDP in 2025 Q3 and 0.3 percent in 2024 Q3.

### Government Current Expenditures

share of GDP, percent

|                           | 2025 Q3 | '25 Q2 | '25 Q1 | '24 Q3 | '23 Q3 | moving averages |         |         |
|---------------------------|---------|--------|--------|--------|--------|-----------------|---------|---------|
|                           |         |        |        |        |        | 1-year          | 10-year | 30-year |
| Current Expenditures (—)  | 34.7    | 34.9   | 34.7   | 34.5   | 33.6   | 34.7            | 35.0    | 33.4    |
| Consumption Expenditures  | 13.5    | 13.6   | 13.7   | 13.6   | 13.6   | 13.6            | 14.0    | 14.7    |
| Current Transfer Payments | 16.0    | 16.2   | 15.9   | 15.7   | 15.2   | 16.0            | 16.1    | 13.8    |
| Interest Payments         | 4.7     | 4.7    | 4.7    | 4.8    | 4.5    | 4.7             | 4.1     | 4.3     |
| Subsidies                 | 0.4     | 0.4    | 0.4    | 0.3    | 0.4    | 0.4             | 0.9     | 0.6     |

Source: Bureau of Economic Analysis

## Composition of Federal Government Spending

Over the long-term, there have been important shifts in the **composition of federal spending**. The ways federal spending varies from these long-term trends, in the short-term, are also important.

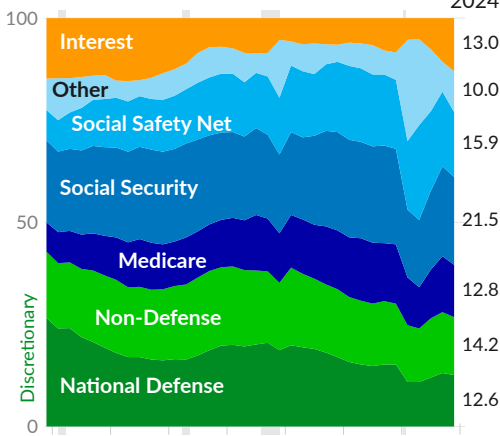
Over the long-term, Office of Management and Budget (OMB) data [show](#) national defense spending fell to 15.2 percent of outlays in 2019 from 26.6 percent in 1989 (see ■). Discretionary non-defense spending maintained a relatively stable share of spending over the period (see ■). Net interest expense, the cost of federal borrowing, fell along with long-term interest rates, to 8.4 percent of outlays in 2019 from 14.8 percent in 1989 (see ■).

Offsetting reduced discretionary spending, Medicare and Social Security now make up a larger share of federal spending, as a larger share of people are retirement age. Likewise, spending on the social safety net (means-tested benefits and Medicaid) increased as employment-to-population ratios fell and Medicaid was expanded. Medicare (see ■), Social Security (see ■), and the social safety net (see ■) combine to comprise 54.8 percent of federal spending in 2019, compared to 34.7 percent in 1989.

## Composition of Federal Government Outlays

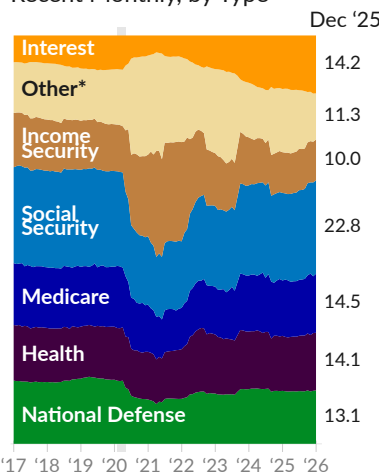
*share of total, percent*

Since 1990, by Budget Enforcement Act Type 2024



Source: Office of Management and Budget

Recent Monthly, by Type\*



Source: Treasury

\* The two charts use different data sources with different categories and therefore do not match.

The Treasury Bureau of Fiscal Service [report](#) federal outlays by type on a monthly basis (see right chart above). The categories used in the Treasury monthly report are not the same as those used in the OMB data, so the two charts above should not be compared. The higher-frequency Treasury data, however, are helpful for showing short-term changes, and **recent changes in the composition of federal spending**.

Income security, which includes economic impact payments, the child tax credit, unemployment compensation, food and nutrition assistance, federal employee retirement and disability, and housing assistance, was ten percent of federal spending over the 12 months ending December 2025 (see ■). At its peak, over the 12 months ending March 2021, income security comprised 26.0 percent of federal spending. Pre-pandemic, in 2019, the category comprised 11.5 percent.



The category labeled “other” in the above-right chart includes several subcategories worth examining. The category decreased to 11.3 percent of federal spending during the 12 months ending December 2025, from 24.2 percent during the 12 months ending March 2021 (see ■). Prior to the pandemic, in 2019, the category was 12.8 percent of spending.

Within the “other” category, the biggest changes during the pandemic came from business and housing subsidies (commerce and housing credit) and transfers to state and local governments (general government). The category is described in the following table.

### Composition of Federal Government Outlays

share of total, percent

|   | Dec<br>2025 | Nov<br>2025 | Oct<br>2025 | Dec<br>2024 | Mar<br>2021 | 2017<br>to '19 |
|---|-------------|-------------|-------------|-------------|-------------|----------------|
| ■ Income Security                           | 10.0        | 10.0        | 10.1        | 10.0        | 26.0        | 12.3           |
| ■ Health                                    | 14.1        | 14.1        | 13.8        | 13.5        | 10.9        | 13.1           |
| ■ Medicare                                  | 14.5        | 13.9        | 15.0        | 13.6        | 10.4        | 14.8           |
| ■ Social Security                           | 22.8        | 23.0        | 22.3        | 21.4        | 14.7        | 23.7           |
| ■ National Defense                          | 13.1        | 13.0        | 12.8        | 13.0        | 9.7         | 15.6           |
| ■ Net Interest                              | 14.2        | 14.2        | 13.8        | 13.1        | 4.1         | 7.5            |
| ■ Other:                                    | 11.3        | 11.8        | 12.1        | 15.5        | 24.2        | 13.1           |
| Administration of Justice                   | 1.2         | 1.3         | 1.2         | 1.2         | 1.0         | 1.5            |
| Agriculture                                 | 0.7         | 0.7         | 0.7         | 0.5         | 0.7         | 0.6            |
| Commerce & Housing Credit                   | -0.4        | -0.4        | -0.4        | -0.5        | 9.8         | -0.5           |
| Community & Regional Development            | 1.0         | 1.1         | 1.1         | 1.4         | 1.3         | 0.8            |
| Educ., Training, Employment, & Social Serv. | 0.8         | 0.9         | 0.9         | 4.4         | 3.2         | 2.9            |
| Energy                                      | 0.3         | 0.3         | 0.3         | 0.2         | 0.1         | 0.1            |
| General Government                          | 0.4         | 0.4         | 0.5         | 0.4         | 2.4         | 0.5            |
| General Science, Space, & Technology        | 0.6         | 0.6         | 0.6         | 0.6         | 0.5         | 0.8            |
| International Affairs                       | 0.5         | 0.8         | 0.6         | 1.0         | 0.9         | 1.2            |
| Natural Resources & Environment             | 0.9         | 1.0         | 1.2         | 1.2         | 0.5         | 0.9            |
| Transportation                              | 2.0         | 2.1         | 2.0         | 2.0         | 2.2         | 2.3            |
| Undistributed Offsetting Receipts           | -2.2        | -2.2        | -2.2        | -2.2        | -1.5        | -2.3           |
| Veterans Benefits & Services                | 5.5         | 5.3         | 5.6         | 5.1         | 3.0         | 4.5            |

Source: Treasury Bureau of Fiscal Service

## Major Federal Programs

The three main federal government social benefits in the US are [Social Security](#), [Medicare](#), and [Medicaid](#). Social Security provides income in old age and to disabled people. Medicare provides health insurance in old age, and Medicaid provides health insurance to many low income people.

As discussed in the household section, Social Security is by far the main anti-poverty program in the US, removing 28.6 million people from poverty in 2024. The number of Social Security beneficiaries has increased from 53.4 million in 2010, or 17.2 percent of the population, to 70.5 million in December 2025, equivalent to 20.5 percent of the population.

Medicare enrollment has grown from 15.3 percent of the population in 2010 to 20.2 percent. Total Medicare enrollment is 69.4 million in September 2025. Medicaid, which was expanded in 2014, and the Children's Health Insurance Program (CHIP), increased enrollment from 17.4 percent of the population in 2010 to 22.5 percent in September 2025. The total enrollment for Medicaid and CHIP is 77.1 million people.

### Enrollment / Beneficiaries

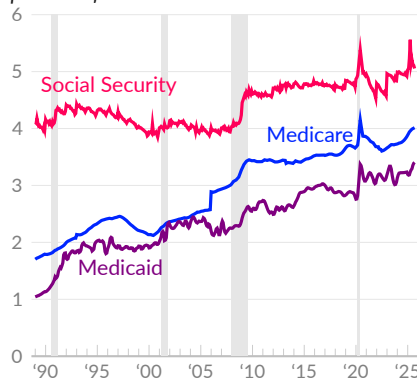
percent of population



Source: CMS, SSA, Census

### Expenditures

percent of GDP



Source: BEA

The overall increase in the cost of these programs since 2010 has been modest, despite the aging of the population and the major expansion of Medicaid. Payments to Social Security beneficiaries, combined with government spending on Medicare and Medicaid, comprise 10.7 percent of GDP in 2010. In the latest data, covering September 2025, these programs combined are equivalent to 12.5 percent of GDP. Social Security benefits are 5.1 percent of GDP, and government spending on Medicare and Medicaid are four percent and 3.4 percent of GDP, respectively.

Effect of Government Programs on Poverty

The Census Bureau [report the number of people taken out of poverty by various government programs](#), along with how many people are put in poverty by various expenses. In 2024, Social Security payments lift income above the poverty line for 28.6 million people, by far the most effective program for reducing poverty.

Refundable tax credits, which include the refundable portion of the child tax credit and the earned income tax credit, remove 6.8 million people from poverty, including 3.9 million children. Supplemental nutrition assistance (SNAP) removes 3.6 million people from poverty, while school lunch programs remove 1.2 million. Public assistance and welfare programs take 331,000 people out of poverty.

Several elements add to the number of people in poverty. Medical expenses are the most significant, and push 7.4 million people into poverty. Federal payroll taxes for Social Security and Medicare put 4.5 million people in poverty. Work expenses additionally put 3.5 million people in poverty.

Effect of Individual Elements on Poverty Headcount

*individual element effect on number of people in poverty, in millions of people, 2024*



Refundable tax credits include the refundable portion of the child tax credit and the earned income tax credit. SNAP is the Supplemental Nutrition Assistance Program, SSI is Supplemental Security Income, TANF is Temporary Assistance for Needy Families, WIC is special supplemental nutrition assistance for women, infants, and children, and FICA is Federal Insurance Contributions Act payroll taxes.

Source: Author's Replication of Census Bureau Report



## Government Jobs

Government workers provide public services to the population. As examples, federal government jobs include mail carriers and park rangers; state government jobs include teachers and social workers; and local governments employ firefighters, police, and utilities workers. Additionally, government employment is traditionally a relatively-stable source of aggregate household income. Government jobs are also disproportionately likely to provide health insurance and retirement benefits.

### Government Employment

*government jobs per 100 people*



Source: Bureau of Labor Statistics

In December 2025, there were 23.4 million **government jobs**, equivalent to 6.8 for every 100 people (see —). The previous year, in December 2024, there were 23.6 million government jobs, equivalent to 6.9 per 100 people. During the 1990s, there were 7.3 government jobs per 100 people. If the rate was the same today, there would be 1.7 million additional government jobs.

By level of government, there were 15.2 million local government jobs in December 2025, equivalent to 4.4 per 100 people (see —). In the same period, there were 5.5 million state government jobs (1.6 per 100 people, see —), and 2.7 million federal government jobs (0.8 per 100 people, see —).

Since 2019, the US has gained 685,000 total government jobs. During the same period, local governments added 568,000 jobs, state governments added 216,000 jobs, and the federal government lost 99,000 jobs.

### Government Employment

*in thousands of employees*

|                       | Dec '25 | Nov '25 | Dec '24 | Dec '23 | 2019   | 2005   |
|-----------------------|---------|---------|---------|---------|--------|--------|
| Government Total      | 23,411  | 23,398  | 23,560  | 23,107  | 22,612 | 21,804 |
| Federal               | 2,738   | 2,736   | 3,012   | 2,966   | 2,831  | 2,732  |
| Federal Hospitals     | –       | 360     | 376     | 385     | 355    | 248    |
| Department of Defense | –       | 490     | 558     | 555     | 544    | 487    |
| US Postal Service     | 593     | 593     | 599     | 602     | 607    | 775    |
| State Government      | 5,467   | 5,474   | 5,512   | 5,378   | 5,202  | 5,032  |
| State Education       | 2,577   | 2,582   | 2,630   | 2,593   | 2,511  | 2,260  |
| State Hospitals       | –       | 489     | 474     | 439     | 387    | 350    |
| General Admin.        | –       | 1,916   | 1,922   | 1,868   | 1,824  | 1,862  |
| Local Government      | 15,206  | 15,188  | 15,036  | 14,763  | 14,580 | 14,041 |
| Local Education       | 8,261   | 8,258   | 8,186   | 8,077   | 8,003  | 7,856  |
| Utilities             | –       | 264     | 260     | 253     | 247    | 238    |
| Transportation        | –       | 307     | 304     | 294     | 290    | 252    |
| Local Hospitals       | –       | 738     | 716     | 693     | 682    | 654    |
| General Admin.        | –       | 4,494   | 4,457   | 4,350   | 4,255  | 4,013  |

Source: Bureau of Labor Statistics

## Government Balance Sheets

The scope of the public sector and how the government funds and organizes itself are reflected in **government balance sheets**. This subsection describes selected components of government balance sheets, at the federal level, and for combined state and local governments. First, the combined balance sheet of federal, state, and local governments is summarized. Next, public wealth is discussed, followed by liabilities, interest expense, and debt sustainability. The subsection also covers assets and net investment.

Assets other than public lands, liabilities, and net worth (public wealth), are the main components of government balance sheets, and are summarized below for the combined federal, state, and local governments. Since 1989, government assets have remained stable as a share of GDP, while liabilities have increased, driving down public wealth.

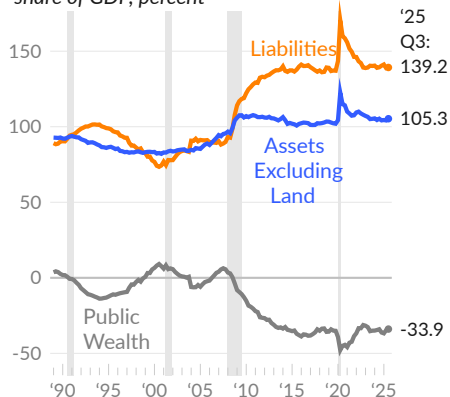
Combined government liabilities total \$43.3 trillion in 2025 Q3, equivalent to 139.2 percent of GDP (see —). Liabilities are 139.4 percent of GDP one year prior, in 2024 Q3, and 137.5 percent in 2019.

Government assets, excluding public land, are valued at \$32.7 trillion in 2025 Q3, or 105.3 percent of GDP (see —). Assets are 105.3 percent of GDP one year prior, and 102.6 percent in 2019.

Public wealth is government assets minus liabilities, and is equivalent to negative 33.9 percent of GDP in the latest data (see —). Each balance sheet component is discussed in the following subsections.

### Government Balance Sheet

combined federal, state, and local governments  
share of GDP, percent



Source: Federal Reserve

### Public Wealth

Government balance sheets can be summarized and put into broader context by examining the **government share of US wealth**, calculated from the Federal Reserve [financial accounts](#). Wealth, or net worth, is calculated as assets minus liabilities, and summarizes an overall financial position. The wealth of an individual group is then divided by total US wealth to determine the group's share of the total.

Excluding public land, the federal government's sizable debt exceeds the market value of its assets, therefore its financial position is negative. At an aggregate level, state and local governments own a small portion of US wealth, as the value of assets is greater than the amount of debt.

### Government Share of US Wealth

government share of US net worth, percent



Source: Federal Reserve

The consolidated government net worth is negative \$10.5 trillion, as of 2025 Q3, equivalent to negative 6.3 percent of national wealth (see —). Federal government net worth (excluding land) equals negative 15 percent of national wealth (see —), while state and local governments own 8.7 percent of US wealth (see —).

## Liabilities

Federal government public debt **totals** \$36.2 trillion in 2025 Q2, equivalent to 118.8 percent of GDP. This debt is **held by a mixture of investors**, including private domestic investors, overseas investors, the Federal Reserve, and government agencies and trusts (referred to as intragovernmental holdings).

Breaking down federal debt by holder, \$15.6 trillion, or 43.1 percent of the total, is held by private domestic investors (see ■). An additional \$9.1 trillion, or 25.2 percent of the total, is held by foreign investors (see ■). The remainder is held by the Federal Reserve (see ■) and various government agencies and trusts (see ■), such as the Social Security Trust Fund.



## Interest Expense

The ratio of public debt to GDP increased during the COVID-19 response, while the typical interest income from holding public debt initially fell because of lower interest rates. Treasuries and other government debt securities provide a safe asset for the balance sheets of domestic households and businesses, and for foreign investors. The Federal Reserve also initially absorbed some of the newly issued treasuries. More recently, the Federal Reserve has raised interest rates and reduced the size of its balance sheet, which has increased interest income in the economy.

The Office of Management and Budget **report federal interest outlays** of \$970 billion in fiscal year 2025 (the year beginning October 1, 2024), compared to \$881 billion in fiscal year 2024.

Put into the context of the size of the economy, federal interest outlays in fiscal year 2025 were equivalent to 3.20 percent of GDP (see —), following 3.04 percent of GDP in FY2024 and 2.41 percent in FY2023, and compared to an average of 2.9 percent in the 1990s, when interest rates were substantially higher.



## Debt Sustainability

Changes in the ratio of federal government debt to GDP can be [decomposed](#) to understand how various economic forces affect the trajectory of the debt relative to our ability to service it. Specifically, **debt sustainability** is affected not only by borrowing but also by changes in real interest rates and economic growth.

In a mechanical way, government debt is the result of the accumulation of past deficits. When the government spends more than it takes in through taxes, it borrows the difference, which adds to the debt. Importantly, some government spending is interest payments on the debt. The *primary balance* measures the gap between spending, excluding interest payments, and revenue. Interest payments are a product of the interest rate and the existing debt. Higher real interest rates mean larger interest payments which increase deficits and, in turn, increase debt.

Federal debt is often divided by GDP as a way to capture the ability to repay the debt. The basic idea is that **a growing economy gradually erodes the burden of its debt**. As the economy grows, it is better able to produce the resources needed to repay its debt. Finally, there are often discrepancies between when borrowing occurs and when spending occurs, and the account balances at the Treasury vary over time. For example, the Treasury Secretary made more cash available to cover any potential short-term needs during the peak of the COVID-19 pandemic. Stock-flow adjustments correct for the difference between the change in liabilities (the stock) and the current federal deficit or surplus (the flow).

In 2024, the debt to GDP ratio increased by 1.9 percentage points (see ○). The primary balance added 2.6 percentage points to the debt to GDP ratio (see ■), economic growth subtracted 2.9 percentage points (see ■), and real interest rates added 1.3 percentage points (see ■). These combined factors were less than the actual change in liabilities; the adjustment to reconcile stocks and flows added one percentage point (see ■).

### Federal Government Debt Dynamics

contribution to change in debt to GDP ratio, percentage points



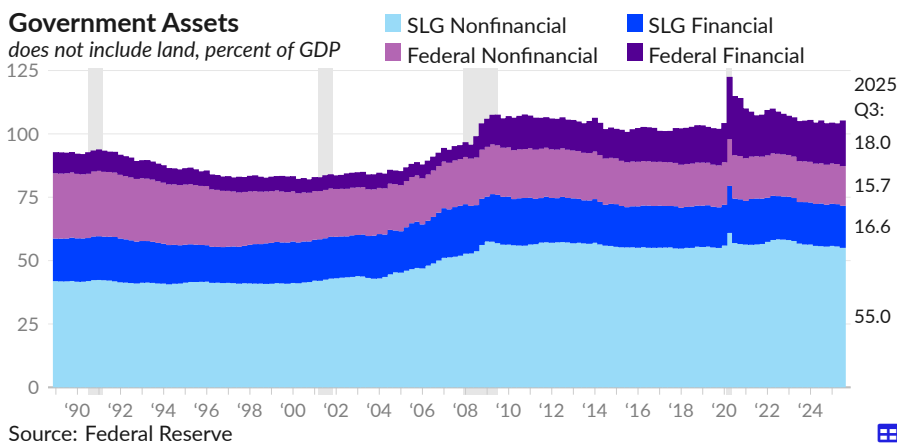
Source: Author's Calculations, Federal Reserve, Bureau of Economic Analysis

## Assets

US government assets include financial assets but are mostly comprised of the non-financial assets of state and local governments (SLG), such as buildings and equipment. Land is not included in US measures of government assets.

In the third quarter of 2025, the market value of government assets, excluding land, is \$32.7 trillion, equivalent to 105.3 percent of GDP. Of this, state and local government nonfinancial assets, such as buildings and equipment, are equivalent to 55.0 percent of GDP (see ■), and state and local government financial assets, such as insurance trust funds, equate to 16.6 percent of GDP (see ■).

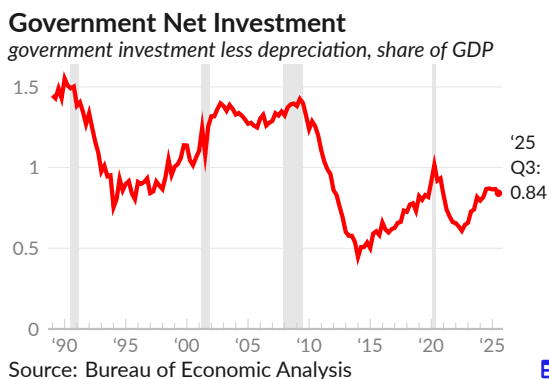
The market value of federal government nonfinancial assets is equivalent to 15.7 percent of GDP in 2025 Q3 (see ■). Federal government financial assets are valued at 18.0 percent of GDP (see ■).



## Government Net Investment

Government gross investment, less depreciation, is the government's net investment in the tangible assets that make the economy more productive. Government investment includes infrastructure, buildings, equipment, intellectual property, and other capital goods.

In the latest data, covering 2025 Q3, annualized government net investment is \$261.6 billion, the result of gross investment of \$1,116.1 billion and \$854.5 billion in depreciation. Government net investment is equivalent to 0.84 percent of GDP in 2025 Q3 (see —), compared to 0.87 percent in 2024 Q3, and 0.74 percent in 2023 Q3.





## External Sector

Transactions between US residents and the rest of the world are recorded in two main categories: the current account, which tracks nonfinancial transactions with economic value, and the financial account, which records financial transactions like lending and borrowing. This section delves into both accounts, with a focus on the balance of payments, the difference between payments from residents and payments to residents. The section also covers international trade and discusses trends in exchange rates.

### Balance of Payments

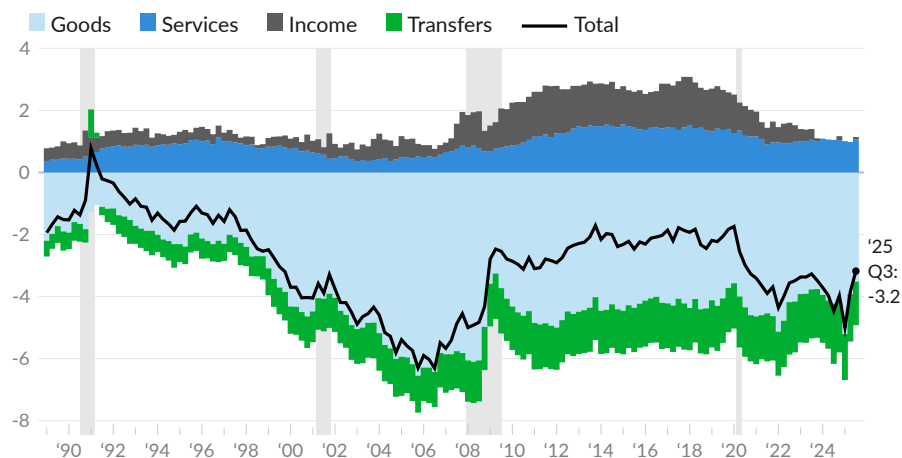
The **current account balance** reflects international transactions for goods and services, transfers such as remittances, and ownership income from foreign assets. It comprises current receipts—payments to US residents primarily for exports of goods and returns on foreign assets—and current payments—payments from US residents to the rest of the world for imports, returns on foreign investment in the US, and transfers such as remittances.

This balance is further broken down into four components: the trade balance for goods (see ■), the trade balance for services (see ■), the primary income balance (covering wages and asset income, see ■), and the secondary income balance (including remittances and taxes, see ■).

As of 2025 Q3, the US runs a current account deficit of 3.2 percent of GDP, primarily as the result of a trade deficit on goods of 3.5 percent of GDP. In 2025 Q2, the current account deficit was equivalent to 3.8 percent of GDP, and the trade deficit was equivalent to 3.9 percent.

#### Current Account Balance

balance on individual current account component, as percent of GDP



Source: Bureau of Economic Analysis

US current payments exceed current receipts and the US runs a persistent current account deficit. Economic theory suggests that capital flows towards countries with lower labor costs and less capital per worker, as they have higher marginal productivity from additional capital. However, in the case of the US, the opposite is happening. Capital is flowing from less-developed countries with lower wages into the US, largely to finance additional US consumer spending on imported goods.

## Components of Current Account

share of GDP, percent

|                         | 2025<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q4 | '24<br>Q3 | '24<br>Q2 | moving averages |             |
|-------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------------|-------------|
|                         |            |           |           |           |           |           | 3-<br>year      | 10-<br>year |
| Current Account Balance | -3.18      | -3.83     | -5.00     | -3.97     | -4.47     | -3.96     | -3.78           | -2.94       |
| Current Receipts        | 16.53      | 16.36     | 16.49     | 16.73     | 16.58     | 16.76     | 16.67           | 17.12       |
| Exports                 | 10.81      | 10.72     | 10.96     | 10.89     | 11.03     | 10.95     | 10.96           | 11.39       |
| Goods                   | 6.85       | 6.83      | 7.04      | 6.88      | 7.06      | 7.05      | 7.09            | 7.47        |
| Durable                 | 3.89       | 3.88      | 3.99      | 3.83      | 3.98      | 3.93      | 3.95            | 4.35        |
| Non-Durable             | 2.96       | 2.94      | 3.05      | 3.05      | 3.08      | 3.13      | 3.14            | 3.12        |
| Services                | 3.97       | 3.89      | 3.92      | 4.01      | 3.98      | 3.90      | 3.88            | 3.92        |
| Income Receipts         | 5.11       | 5.00      | 4.84      | 5.19      | 4.90      | 5.14      | 5.03            | 4.98        |
| Transfer Receipts       | 0.60       | 0.64      | 0.68      | 0.66      | 0.65      | 0.66      | 0.68            | 0.75        |
| Current payments        | 19.70      | 20.19     | 21.49     | 20.70     | 21.05     | 20.71     | 20.45           | 20.06       |
| Imports                 | 13.26      | 13.67     | 15.17     | 14.04     | 14.21     | 14.02     | 13.98           | 14.40       |
| Goods                   | 10.37      | 10.76     | 12.25     | 11.07     | 11.29     | 11.18     | 11.13           | 11.68       |
| Durable                 | 6.89       | 7.06      | 7.68      | 7.15      | 7.35      | 7.23      | 7.21            | 7.58        |
| Non-Durable             | 3.48       | 3.70      | 4.57      | 3.92      | 3.93      | 3.95      | 3.92            | 4.10        |
| Services                | 2.90       | 2.91      | 2.92      | 2.96      | 2.93      | 2.84      | 2.85            | 2.71        |
| Income Payments         | 5.04       | 5.07      | 4.84      | 5.05      | 5.07      | 5.18      | 4.93            | 4.16        |
| Transfer Payments       | 1.40       | 1.46      | 1.48      | 1.61      | 1.76      | 1.51      | 1.55            | 1.50        |

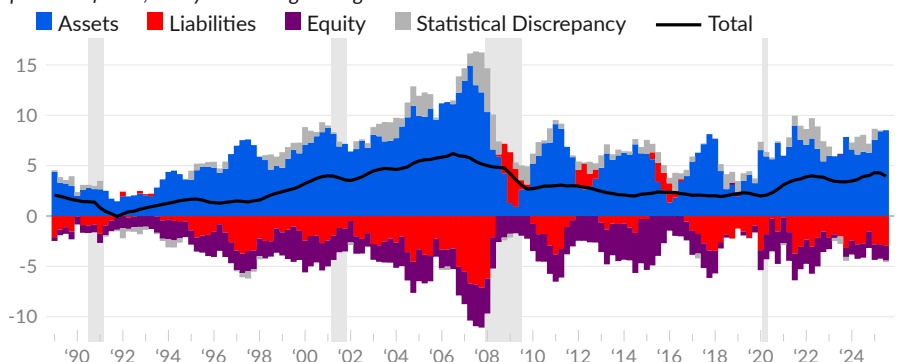
Source: Bureau of Economic Analysis

The financial account measures transactions between the US and the rest of the world that result in changes in the ownership of assets. The **financial account balance** captures the difference between capital inflows and capital outflows, and offsets the current account balance. Each quarter, the US acquires foreign goods and services, and the rest of the world acquires US assets, on a net basis.

In the third quarter of 2025, the rest of the world acquired \$3.03 trillion in US assets, equivalent to 8.5 percent of GDP (see ■). The rest of the world incurred the equivalent of negative three percent of US GDP in liabilities (see ■) and issued negative 1.5 percent of US GDP of equity in foreign businesses (see ■).

## Financial Account Balance

percent of GDP, one-year moving average



Source: Federal Reserve

## International Trade

Each month, the Census Bureau [reports goods and services trade](#) between the US and the rest of the world. US purchases of foreign goods and services are classified as imports and foreign purchases of US goods and services are exports. The trade of goods includes consumer goods, industrial equipment, and agricultural products. Services trade includes travel and tourism, business services, and charges for the use of intellectual property, among other services.

### US Imports and Exports

*goods and services,  
billions of US dollars, seasonally adjusted*



US goods and services imports total \$331.4 billion in October 2025, following \$342.4 billion in September (see —). Imports average \$337.8 billion over the latest three months of data, and \$348.6 billion during the same months, one year prior. In 2019, monthly US imports average \$259.4 billion. For additional context, imports are equivalent to \$999 per capita, in the latest month.

The US exported \$302.0 billion of goods and services in October 2025, following \$294.2 billion in September (see —). The three-month average was \$293.4 billion in October, and \$273.0 billion one year prior. Exports were \$212.8 billion per month, on average, in 2019. In the latest month, exports are equivalent to \$858 per capita or \$1,845 per worker.

Spending on imports exceeds payments received for exports, resulting in a trade deficit. In October, the trade deficit was \$29.4 billion, following \$48.1 billion in September (see —). Over the past three months, the average trade deficit is \$44.4 billion, compared to \$75.7 billion one year prior. In 2019, the average monthly trade deficit is \$46.6 billion.

### International Trade

*billions of US dollars, seasonally adjusted*

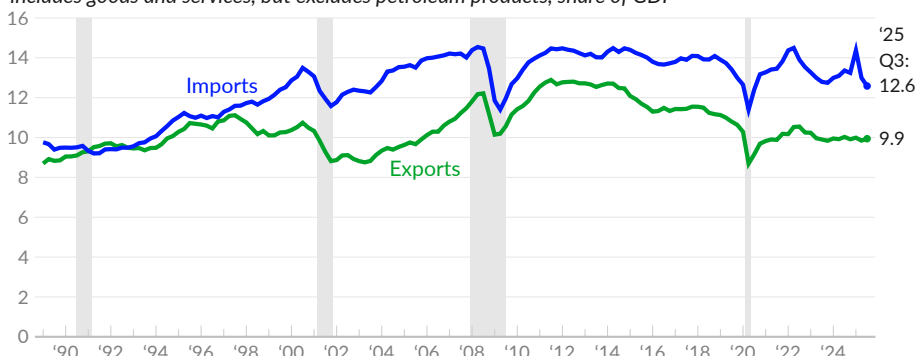
|                   | quarterly average |          |          |          |          |         |         |         |
|-------------------|-------------------|----------|----------|----------|----------|---------|---------|---------|
|                   | Oct 2025          | Sep 2025 | Aug 2025 | Oct 2024 | Oct 2023 | 2025 Q3 | 2025 Q2 | 2025 Q1 |
| Total Balance (—) | -29.4             | -48.1    | -55.6    | -74.2    | -64.1    | -59.4   | -63.3   | -128.5  |
| Goods Balance     | -59.1             | -78.3    | -86.0    | -100.1   | -87.2    | -89.1   | -90.1   | -155.3  |
| Services Balance  | 29.8              | 30.2     | 30.4     | 25.8     | 23.1     | 29.7    | 26.9    | 26.8    |
| Total Exports (—) | 302.0             | 294.2    | 284.1    | 269.5    | 262.5    | 287.4   | 284.1   | 279.5   |
| Goods Exports     | 195.9             | 188.8    | 178.8    | 170.9    | 174.3    | 182.7   | 183.3   | 179.6   |
| Services Exports  | 106.1             | 105.4    | 105.3    | 98.6     | 88.1     | 104.7   | 100.8   | 99.8    |
| Total Imports (—) | 331.4             | 342.4    | 339.7    | 343.8    | 326.6    | 346.8   | 347.4   | 408.0   |
| Goods Imports     | 255.0             | 267.1    | 264.8    | 271.0    | 261.6    | 271.8   | 273.5   | 334.9   |
| Services Imports  | 76.3              | 75.3     | 74.9     | 72.7     | 65.0     | 75.0    | 74.0    | 73.1    |

Source: Census Bureau

Nonpetroleum goods and services imports (see —) were equivalent to 12.6 percent of GDP in the third quarter of 2025, while exports of nonpetroleum goods and services (see —) were equivalent to 9.9 percent of GDP. In 2019 Q4, nonpetroleum imports were 13 percent of GDP, and exports were 10.6 percent.

### Imports and Exports, Nonpetroleum

*includes goods and services, but excludes petroleum products, share of GDP*



Source: Bureau of Economic Analysis

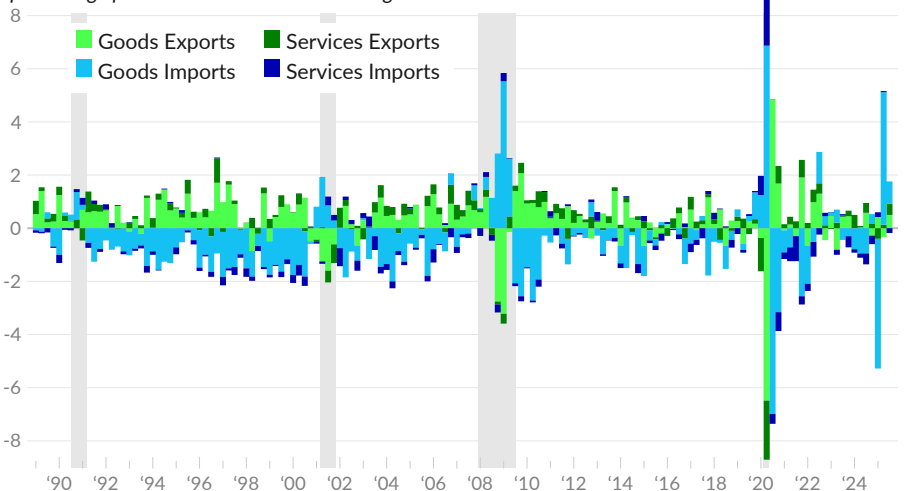
### Contribution to Overall Growth

The **trade balance** (exports of goods ■ and services ■ minus imports of goods ■ and services ■) acts as an adjustment to consumption and investment when calculating domestic production using the expenditure approach. A country with a positive trade balance, or trade surplus, produces more exports than its residents purchase in imports, therefore its trade balance is added to domestic purchases to calculate domestic production. The US runs a persistent trade deficit, which is instead subtracted from spending data to calculate domestic production.

Goods exports contributed 0.50 percentage point to GDP growth in the third quarter of 2025 while services exports contributed 0.42 percentage point. Goods imports contributed 0.84 percentage point to GDP growth and services imports subtracted 0.18 percentage point.

### International Trade

*percentage point contribution to real GDP growth*



Source: Bureau of Economic Analysis

## Trade by Type

Many factors influence trade, including shifts in domestic and foreign preferences and incomes, fluctuations in exchange rates, and changes in trade policy. The table below shows major types of trade as a share of GDP in selected time periods. Patterns in trade by type can help explain overall trends.

In 2025 Q3, US exports of goods are equivalent to 6.8 percent of GDP while services exports total four percent of GDP. Goods imports are 10.4 percent of GDP while services imports are 2.9 percent. Imports of capital goods, excluding autos, equal 3.6 percent of GDP in 2025 Q2 and 3.4 percent of GDP one year prior.

### Exports and Imports by Type

share of GDP, percent

|                                  | '25<br>Q3 | '25<br>Q2 | '24<br>Q3 | period averages |             |             |             |             |
|----------------------------------|-----------|-----------|-----------|-----------------|-------------|-------------|-------------|-------------|
|                                  |           |           |           | 2016            | 2012<br>-13 | 2005<br>-06 | 1998<br>-99 | 1989<br>-93 |
| Exports of Goods & Services      | 10.81     | 10.72     | 11.03     | 11.89           | 13.60       | 10.31       | 10.41       | 9.42        |
| Exports of Goods                 | 6.85      | 6.83      | 7.06      | 7.70            | 9.34        | 7.30        | 7.52        | 6.84        |
| Foods, Feeds, & Beverages        | 0.54      | 0.53      | 0.56      | 0.69            | 0.81        | 0.46        | 0.50        | 0.60        |
| Industrial Supplies & Materials  | 2.21      | 2.26      | 2.42      | 2.06            | 2.94        | 1.92        | 1.55        | 1.65        |
| Petroleum & Products             | 0.87      | 0.88      | 1.01      | 0.53            | 0.89        | 0.28        | 0.11        | 0.12        |
| Capital Goods, Except Automotive | 2.35      | 2.34      | 2.30      | 2.77            | 3.21        | 2.84        | 3.27        | 2.61        |
| Automotive Vehicles, & Parts     | 0.50      | 0.50      | 0.58      | 0.80            | 0.90        | 0.77        | 0.79        | 0.67        |
| Consumer Goods, Ex. Food & Auto  | 0.89      | 0.87      | 0.89      | 1.03            | 1.11        | 0.91        | 0.86        | 0.74        |
| Durable Goods                    | 0.34      | 0.35      | 0.38      | 0.55            | 0.61        | 0.49        | 0.44        | 0.39        |
| Nondurable Goods                 | 0.55      | 0.51      | 0.51      | 0.47            | 0.50        | 0.41        | 0.42        | 0.35        |
| Exports of Services              | 3.97      | 3.89      | 3.98      | 4.19            | 4.26        | 3.01        | 2.90        | 2.58        |
| Transport                        | 0.35      | 0.35      | 0.34      | 0.43            | 0.54        | 0.46        | 0.49        | 0.59        |
| Travel                           | 0.67      | 0.71      | 0.73      | 1.03            | 0.98        | 0.71        | 0.93        | 0.90        |
| Intellectual Property Charges    | 0.61      | 0.59      | 0.58      | 0.60            | 0.67        | 0.50        | 0.40        | 0.29        |
| Other Business Services          | 2.24      | 2.15      | 2.18      | 2.00            | 1.92        | 1.19        | 0.92        | 0.60        |
| Imports of Goods & Services      | 13.26     | 13.67     | 14.21     | 14.56           | 16.71       | 15.99       | 12.65       | 10.38       |
| Imports of Goods                 | 10.37     | 10.76     | 11.29     | 11.80           | 13.85       | 13.48       | 10.59       | 8.45        |
| Foods, Feeds, & Beverages        | 0.67      | 0.72      | 0.74      | 0.70            | 0.69        | 0.54        | 0.46        | 0.43        |
| Industrial Supplies & Materials  | 1.91      | 1.97      | 2.22      | 2.32            | 4.24        | 4.24        | 2.22        | 2.16        |
| Petroleum & Products             | 0.68      | 0.68      | 0.85      | 0.85            | 2.49        | 2.15        | 0.65        | 0.87        |
| Capital Goods, Except Automotive | 3.58      | 3.60      | 3.45      | 3.16            | 3.35        | 3.00        | 3.03        | 2.04        |
| Automotive Vehicles, & Parts     | 1.31      | 1.38      | 1.60      | 1.87            | 1.84        | 1.84        | 1.74        | 1.46        |
| Consumer Goods, Ex. Food & Auto  | 2.31      | 2.54      | 2.77      | 3.11            | 3.17        | 3.20        | 2.47        | 1.83        |
| Durable Goods                    | 0.97      | 1.04      | 1.25      | 1.63            | 1.70        | 1.75        | 1.29        | 0.97        |
| Nondurable Goods                 | 1.34      | 1.49      | 1.52      | 1.48            | 1.47        | 1.46        | 1.18        | 0.86        |
| Imports of Services              | 2.90      | 2.91      | 2.93      | 2.77            | 2.86        | 2.51        | 2.06        | 1.93        |
| Transport                        | 0.50      | 0.52      | 0.52      | 0.49            | 0.59        | 0.60        | 0.54        | 0.55        |
| Travel                           | 0.61      | 0.62      | 0.60      | 0.58            | 0.55        | 0.57        | 0.63        | 0.61        |
| Intellectual Property Charges    | 0.16      | 0.18      | 0.20      | 0.22            | 0.21        | 0.18        | 0.13        | 0.06        |
| Other Business Services          | 1.53      | 1.50      | 1.49      | 1.32            | 1.32        | 0.91        | 0.57        | 0.38        |

Source: Bureau of Economic Analysis



## Import Penetration

Goods can be produced domestically, imported, or some combination of the two. The import share of the total US demand for goods, measured as US produced goods and imported goods less exported goods, is also referred to as **import penetration**. This measure has risen considerably over the past thirty years. The majority of the long-term increase involves consumer goods, while the decrease after 2011 comes primarily from petroleum and related products.

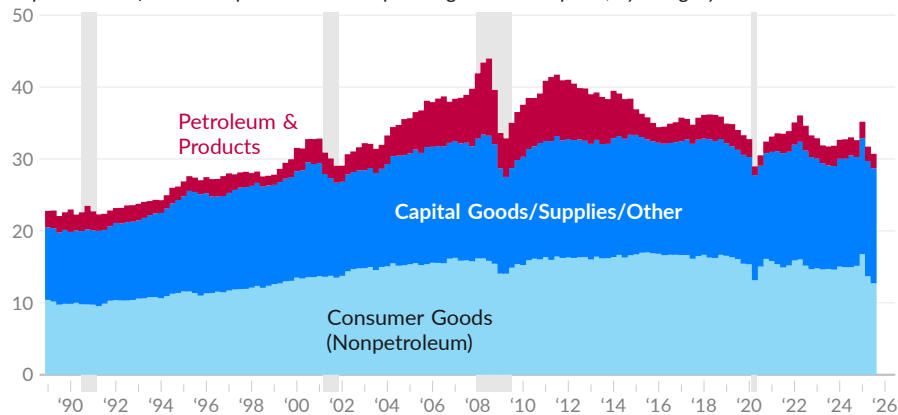
From 1989 to 2011, imports of consumer goods excluding petroleum increased by the equivalent of 5.9 percent of domestic consumption of goods, petroleum-related imports increased by the equivalent of 6.1 percent, and all other goods imports increased by the equivalent of 6.1 percent.

Since 2011, imports of consumer goods decreased by the equivalent of 3.6 percent of domestic goods demand, imports of petroleum products decreased by the equivalent of 6.3 percent, and other imports decreased by the equivalent of 0.2 percent.

In 2025 Q3, the US imported nonpetroleum consumer goods equivalent to 12.7 percent of domestic consumption of goods (see ■). Petroleum-related imports claim 2.0 percent (see ■), and imports of all other goods, primarily capital goods, industrial supplies, and materials, are equivalent to 16.0 percent (see ■).

## Import Share of Goods

*import share of domestic-produced and imported goods less exports, by category*



Source: Bureau of Economic Analysis



## Trade by Partner

The US Census Bureau [reports](#) international **trade in goods by partner country**, each month. In October 2025, trade with the top 25 trading partners (see table) comprises 86.5 percent of total US trade in goods. The top three US trading partners are Mexico, Canada, and China. These three countries account for 35.9 percent of US goods trade in October 2025 and 41.7 percent in October 2024.

### US Trade in Goods

*census basis, millions of USD,  
not seasonally adjusted*

|                      | October 2025 |         |         | October 2024 |         |         |
|----------------------|--------------|---------|---------|--------------|---------|---------|
|                      | Imports      | Exports | Total   | Imports      | Exports | Total   |
| Total, All Countries | \$274,189    | 202,782 | 476,972 | 288,844      | 176,745 | 465,589 |
| Mexico               | 48,524       | 29,575  | 78,099  | 45,483       | 29,057  | 74,540  |
| Canada               | 31,120       | 29,207  | 60,327  | 34,476       | 30,238  | 64,714  |
| China                | 23,887       | 8,950   | 32,837  | 41,444       | 13,368  | 54,813  |
| Taiwan               | 22,252       | 4,832   | 27,084  | 10,701       | 3,363   | 14,064  |
| Vietnam              | 17,802       | 1,547   | 19,350  | 12,819       | 1,187   | 14,007  |
| Japan                | 11,993       | 7,159   | 19,153  | 14,000       | 6,710   | 20,711  |
| Germany              | 12,083       | 6,957   | 19,040  | 12,763       | 6,764   | 19,528  |
| United Kingdom       | 5,030        | 11,699  | 16,730  | 5,961        | 7,643   | 13,604  |
| Switzerland          | 3,849        | 12,682  | 16,531  | 5,729        | 1,930   | 7,659   |
| South Korea          | 9,100        | 6,349   | 15,449  | 10,129       | 5,355   | 15,484  |
| India                | 7,430        | 4,524   | 11,955  | 8,102        | 3,075   | 11,177  |
| Thailand             | 9,249        | 1,795   | 11,045  | 6,185        | 1,354   | 7,539   |
| Italy                | 5,672        | 5,086   | 10,759  | 6,350        | 2,636   | 8,987   |
| France               | 5,997        | 4,359   | 10,356  | 4,935        | 4,316   | 9,251   |
| Netherlands          | 2,452        | 7,526   | 9,979   | 3,081        | 7,533   | 10,615  |
| Brazil               | 2,743        | 5,304   | 8,048   | 3,329        | 3,937   | 7,267   |
| Malaysia             | 4,823        | 2,510   | 7,334   | 5,194        | 2,293   | 7,488   |
| Ireland              | 4,966        | 1,802   | 6,769   | 10,217       | 1,267   | 11,484  |
| Singapore            | 2,201        | 4,037   | 6,239   | 3,233        | 3,680   | 6,914   |
| Belgium              | 2,394        | 3,316   | 5,711   | 2,212        | 2,663   | 4,875   |
| Australia            | 1,866        | 3,509   | 5,376   | 1,592        | 2,488   | 4,080   |
| Indonesia            | 2,885        | 950     | 3,835   | 2,769        | 751     | 3,521   |
| United Arab Emirates | 729          | 3,075   | 3,804   | 984          | 2,347   | 3,331   |
| Turkey               | 1,350        | 2,199   | 3,550   | 1,354        | 1,319   | 2,674   |
| Spain                | 1,651        | 1,782   | 3,433   | 1,593        | 1,924   | 3,517   |

Source: Census Bureau

Over the year ending October 2025, nominal total trade increased among 15 of the top 25 trading partners. The largest one-year increase in total trade was with Taiwan. Monthly trade with Taiwan rose by \$13.0 billion, or 92.6 percent. The largest one-year decrease is with China, with monthly trade falling by \$22.0 billion, which is a drop of 40.1 percent. Total trade with all countries grew 2.4 percent over the year.

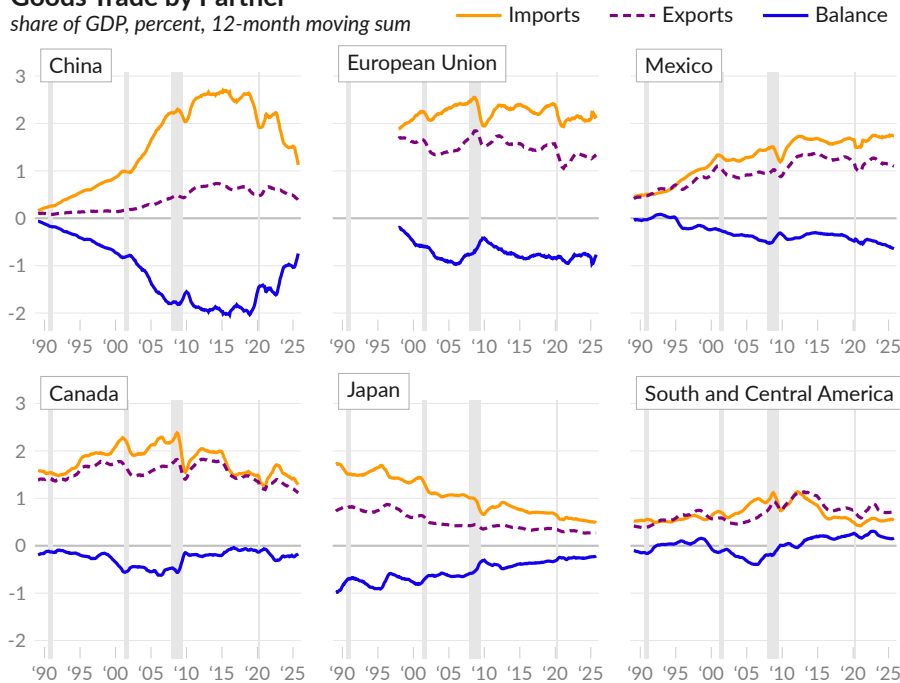
Trade follows seasonal patterns and can swing from month to month for various reasons. The next subsection sums trade in goods by partner over the trailing 12 months to smooth seasonal and short-term factors and display medium-term trends.

Imports of goods have increased from 8.4 percent of GDP in 1989 to 11.3 percent of GDP in the year ending October 2025. Goods imports from China increased by 2.5 percent of GDP from 1989 to 2015, and have since fallen by 1.6 percentage points to 1.1 percent of GDP. Goods imports from Mexico have increased by 1.3 percent of GDP since 1989. Goods imports from Japan have fallen by 1.2 percent of GDP.

Exports of goods have increased by 0.6 percent of GDP since 1989. The largest buyers of US-made goods are Canada, Mexico, and China. Exports to these three countries make up 36.5 percent of exports and are equivalent to 2.6 percent of GDP over the year ending October 2025. Exports to the European Union currently total 1.3 percent of GDP.

### Goods Trade by Partner

share of GDP, percent, 12-month moving sum



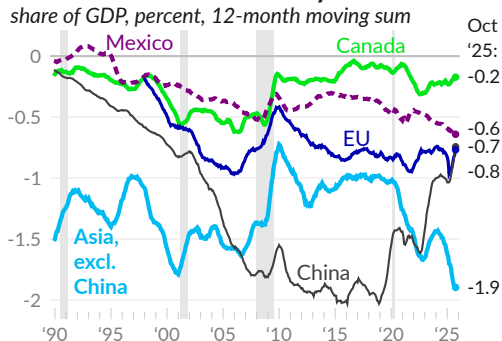
Source: Census Bureau



The trade balance, exports minus imports, has particular economic significance, and the breakdown by trading partner is no less interesting. Since 1989, the US goods trade deficit has increased by 2.2 percent of GDP, to 4.2 percent of GDP. In 2018, the deficit with China was two percent of GDP, but it has fallen to 0.7 percent of GDP.

### Trade Balance on Goods by Partner

share of GDP, percent, 12-month moving sum



Source: Census Bureau



The US also runs a trade deficit with the European Union. In 1997, trade between the EU and US was relatively balanced. In the latest data, the goods trade deficit with the EU is 0.8 percent of GDP.

The US trade deficit with Mexico is currently 0.6 percent of GDP. In the early 1990s, the US had a trade surplus with Mexico. The US has a surplus with south and central American countries, equivalent to 0.2 percent of GDP.





## International Investment Position

The **international investment position (IIP)** offers a snapshot of US residents' foreign assets and liabilities. The Bureau of Economic Analysis [report](#) the end of quarter value of cross-border financial positions; data are reported annually prior to 2006.

In 2025 Q2, domestic holdings of foreign assets total \$39.6 trillion, or 129.8 percent of GDP (see [—](#)). These assets translate to 122.8 percent of GDP in 2025 Q1, and 128.7 percent in 2019. Domestic liabilities to the foreign sector total \$65.7 trillion, or 215.5 percent of GDP, in 2025 Q2, following 204.9 percent in 2025 Q1, and 180 percent in 2019 (see [—](#)).

The overall result of these financial positions, net IIP, or holdings of foreign assets minus liabilities, identifies the US as a net debtor to the rest of the world, to the equivalent of 85.8 percent of GDP in 2025 Q2, following 82.1 percent in 2025 Q1, and 51.4 percent in 2019 (see [—](#)).



Source: Bureau of Economic Analysis

The following table shows types of international investment, relative to the size of the economy. Direct investment is defined by having control of 10 percent or more of the voting shares of an entity. Other investment primarily includes currency, deposits, and loans. Reserve assets are the external assets of the Fed.

### International Investment

share of GDP, percent

|                                      | 2025 Q2 | '25 Q1 | '24 Q2 | '23 Q2 | '22 Q2 | 2019  | 2006  |
|--------------------------------------|---------|--------|--------|--------|--------|-------|-------|
| Net Position ( <a href="#">—</a> )   | -85.8   | -82.1  | -79.6  | -66.5  | -64.4  | -51.4 | -12.9 |
| US Assets ( <a href="#">—</a> )      | 129.8   | 122.8  | 122.1  | 120.6  | 119.5  | 128.7 | 110.3 |
| Direct Investment                    | 41.1    | 38.2   | 38.3   | 36.6   | 34.4   | 38.5  | 33.1  |
| Portfolio Investment                 | 57.8    | 54.3   | 53.7   | 53.4   | 53.4   | 58.0  | 39.1  |
| Derivatives                          | 7.1     | 6.8    | 7.8    | 9.0    | 9.3    | 8.3   | 8.9   |
| Other Investment                     | 20.2    | 19.9   | 19.3   | 18.9   | 19.7   | 21.7  | 27.6  |
| Reserve Assets                       | 3.6     | 3.5    | 2.9    | 2.7    | 2.7    | 2.3   | 1.5   |
| US Liabilities ( <a href="#">—</a> ) | 215.5   | 204.9  | 201.7  | 187.1  | 183.9  | 180.0 | 123.2 |
| Direct Investment                    | 61.1    | 56.5   | 57.4   | 50.7   | 46.8   | 45.4  | 25.5  |
| Portfolio Investment                 | 115.9   | 110.1  | 106.2  | 97.4   | 96.5   | 96.7  | 58.9  |
| Derivatives                          | 7.1     | 6.9    | 7.9    | 8.9    | 9.0    | 8.2   | 8.4   |
| Other Investment                     | 31.5    | 31.4   | 30.3   | 30.1   | 31.6   | 29.7  | 30.3  |

Source: Bureau of Economic Analysis

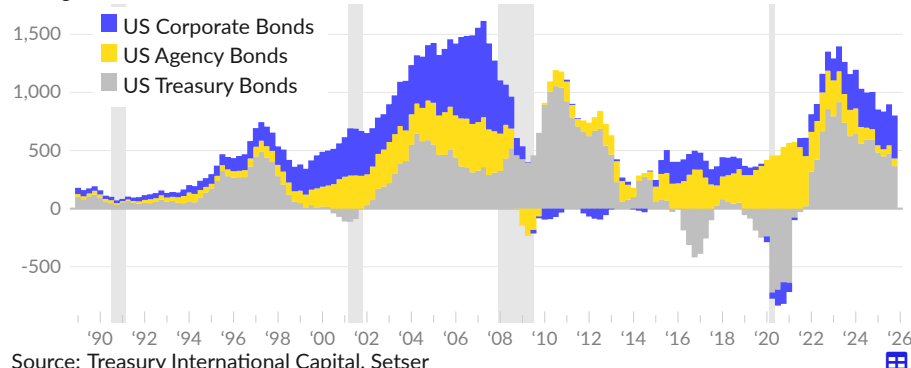
## Capital Flows

The **purchases and sales** of US bonds by the rest of the world give insight into overall **capital flows** and appetite for different types of debt. During the 2000s, other countries were accumulating US corporate and government bonds, as the US was borrowing from the rest of the world and running a very wide trade deficit. In 2020, the rest of the world was a net purchaser of US government agency bonds but a net seller of treasuries.

Over the year ending November 2025, the rest of the world was a net buyer of \$422 billion of US treasury bonds, equivalent to 1.4 percent of US GDP (see ■). Over the same period, the rest of the world was a net buyer of \$59 billion of US agency bonds, (see ■), and a net buyer of \$399 billion of US corporate bonds, (see ■).

### Long-Term Bond Flows

*purchases by foreigners minus sales by foreigners*  
trailing 12-month sum, billions of November 2025 US dollars



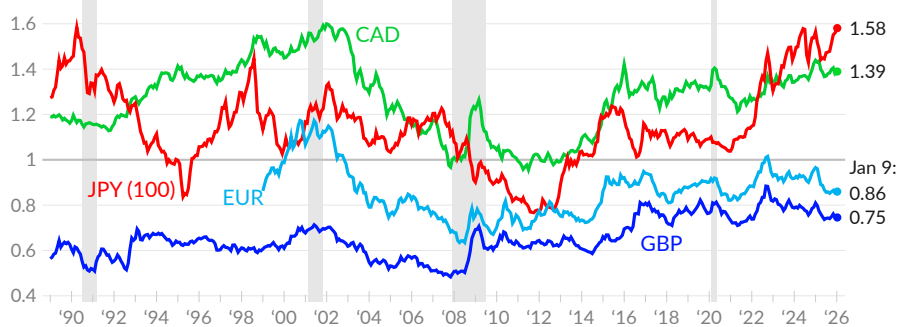
## Exchange Rates

Changes in the strength or weakness of the US dollar (USD) can affect trade and financial flows. The dollar is said to be relatively strong when more units of foreign currency, for example Japanese yen (JPY), British pounds (GBP), euros (EUR), or Canadian dollars (CAD), are required to buy one USD.

As of January 9, 2026, one US dollar buys approximately: 1.39 Canadian dollars (see —), 158 Japanese yen (see —), 0.86 euros (see —), and 0.75 British pounds (see —). Over the past three years, the nominal exchange rate between the US dollar and the Canadian dollar decreased 3.4 percent, the USD-JPY rate decreased 0.2 percent, the USD-EUR rate decreased 11.4 percent, and the USD-GBP rate decreased 7.8 percent.

### Selected Exchange Rates

units of foreign currency required to purchase one US dollar

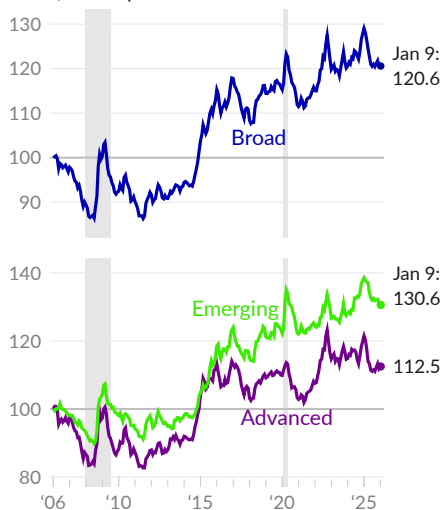


Source: Federal Reserve

The Federal Reserve **trade-weighted dollar** indices **track** weighted-average foreign exchange rates based on 26 currencies that are important to US trade. The **weight** of each currency in the index is based on the bilateral trade share of total trade in goods and services. These US dollar indices can simplify analysis of the overall role of foreign exchange rates on US trade.

### Dollar Indices

trade-weighted foreign exchange rate, index, January 2006=100



Source: Federal Reserve

The **broad dollar index** (see —) summarizes foreign exchange rates between the US and trading partners by weighting foreign currencies in the index by the total amount of goods and services trade with the relevant countries.

As of January 9, 2026, the broad dollar index is 20.6 percent above its value at inception in 2006. Over the past three years, the index value has averaged 122.2, compared to an average of 117.0 over the previous three years.

The Fed separately calculates the trade-weighted exchange rate with **advanced economies**, and with **emerging markets**. Since 2006, the dollar has increased 30.6 percent against emerging market currencies (see —), and increased 12.5 percent against advanced economy currencies (see —).

Shifts in relative consumer prices between the US and trading partners complicate analysis of exchange rates. For example, the US dollar-Japanese yen exchange rate is relatively stable from 2000 to 2020, but Japan has less inflation in consumer prices over the period. At the end of the period, 100 yen buys more consumer goods in Japan than one dollar will buy in the US.

**Real effective exchange rates** incorporate the inflation rate in the US and in trading partners, and are again weighted by the amount of trade with each partner. The real effective exchange rate captures the basket of goods that can be purchased by a unit of currency, as opposed to capturing the basket of other currencies that can be purchased.

### USD Real Effective Exchange Rate

trade-weighted foreign exchange rate,  
index, January 2020=100



The Bank for International Settlements (BIS) calculates real effective exchange rates for many countries. As of November 2025, the US dollar real effective exchange rate has increased 9.1 percent since 2020, and decreased three percent over the past year. In 2019, the index average was 98.6. The average over the past three months is 108.7.

### Selected Exchange Rates

units of foreign currency required to buy one US dollar, January 9, 2026

| Currency | latest | moving average |        | period average |        | percent change |         |         |
|----------|--------|----------------|--------|----------------|--------|----------------|---------|---------|
|          | Jan 9  | 1-month        | 1-year | 2019           | 2015   | 1-month        | 1-year  | 5-year  |
| EUR      | 0.860  | 0.853          | 0.887  | 0.893          | 0.902  | -0.1           | ▼-10.3  | ▲ 1.1   |
| GBP      | 0.746  | 0.744          | 0.759  | 0.784          | 0.654  | ▼ -0.7         | ▼ -6.2  | ▼ -3.7  |
| JPY      | 158.1  | 156.3          | 149.9  | 109.0          | 121.0  | ▲ 1.4          | ▲ 1.3   | ▲ 49.2  |
| CAD      | 1.389  | 1.376          | 1.398  | 1.327          | 1.279  | ▲ 0.3          | ▼ -3.2  | ▲ 4.6   |
| MXN      | 17.98  | 17.99          | 19.20  | 19.25          | 15.87  | ▼ -1.4         | ▼ -10.4 | ▼ -16.5 |
| CNY      | 6.98   | 7.02           | 7.19   | 6.91           | 6.28   | ▼ -1.3         | ▼ -4.4  | ▲ 2.8   |
| CHF      | 0.801  | 0.795          | 0.831  | 0.994          | 0.963  | ▼ -0.8         | ▼ -10.3 | ▼ -12.6 |
| HKD      | 7.79   | 7.78           | 7.79   | 7.84           | 7.75   | ▲ 0.2          | ▲ 0.3   | ▲ 0.6   |
| INR      | 90.16  | 90.08          | 87.17  | 70.38          | 64.11  | 0.0            | ▲ 6.0   | ▲ 23.0  |
| AUD      | 1.496  | 1.499          | 1.551  | 1.439          | 1.332  | ▼ -0.9         | ▼ -6.3  | ▲ 6.8   |
| NZD      | 1.745  | 1.727          | 1.720  | 1.518          | 1.434  | ▲ 0.7          | ▼ -1.2  | ▲ 15.0  |
| BRL      | 5.35   | 5.46           | 5.60   | 3.94           | 3.34   | ▼ -1.6         | ▼ -12.0 | ▼ -4.6  |
| KRW      | 1458.6 | 1459.7         | 1423.1 | 1165.8         | 1131.0 | ▼ -0.7         | ▲ 1.0   | ▲ 25.9  |
| MYR      | 4.07   | 4.07           | 4.28   | 4.14           | 3.90   | ▼ -1.0         | ▼ -9.6  | ▼ -2.0  |
| DKK      | 6.42   | 6.37           | 6.62   | 6.67           | 6.73   | 0.0            | ▼ -10.2 | ▲ 1.6   |
| NOK      | 10.10  | 10.09          | 10.40  | 8.80           | 8.07   | ▼ -0.3         | ▼ -11.0 | ▲ 8.5   |
| SEK      | 9.21   | 9.23           | 9.82   | 9.46           | 8.44   | ▼ -2.1         | ▼ -16.3 | ▲ 3.5   |
| ZAR      | 16.48  | 16.67          | 17.87  | 14.45          | 12.76  | ▼ -3.3         | ▼ -10.0 | ▼ -1.4  |
| SGD      | 1.287  | 1.287          | 1.307  | 1.364          | 1.375  | ▼ -0.9         | ▼ -5.0  | ▼ -5.3  |
| TWD      | 31.61  | 31.40          | 31.21  | 30.90          | 31.74  | ▲ 1.4          | ▼ -3.3  | ▲ 10.3  |

Source: Federal Reserve. Percent change as of January 9, 2026. ▲ = stronger USD.

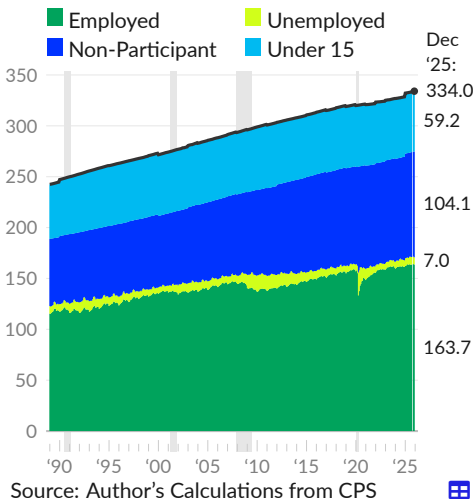
## Labor Markets

Labor is the primary source of income for US households and essential to the production of goods and services. The labor household members provide to others outside of the household or to other households is considered *employment*. As of December 2025, 163.7 million people are employed (including self-employment).

The number of people who are employed divided by the total population is the employment rate or employment-to-population ratio, which is 49.0 percent as of December 2025. Note that these values are not seasonally adjusted and include children, while BLS published values refer to those 16 or older.

### Labor Force Status of Population

millions of people, not seasonally adjusted

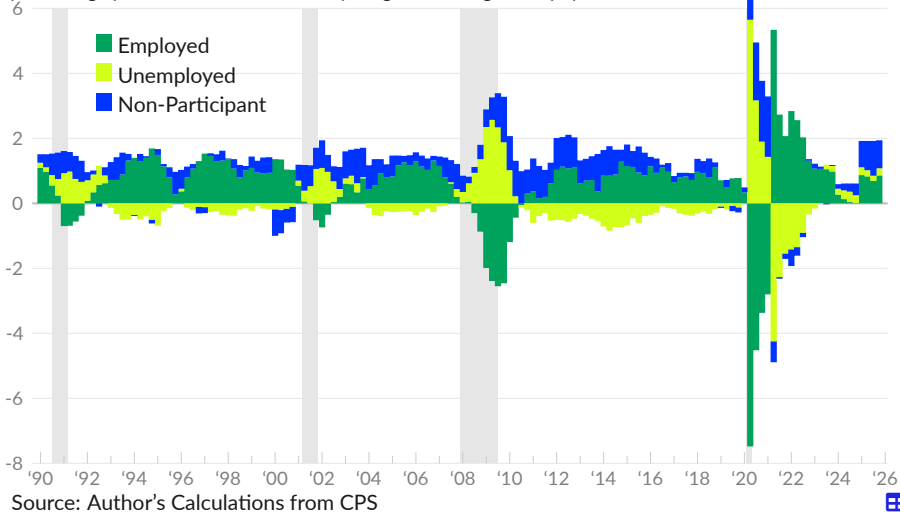


When a member of a household is not employed but looked for a job during the past four weeks or is on temporary layoff, they are considered **unemployed**. As of December 2025, there are 7.0 million unemployed people. The combined group of employed and unemployed people is the labor force. The unemployment rate, unemployed people as a share of the labor force, is currently 4.1 percent. The labor force as a share of the population is the labor force participation rate, currently 51.1 percent.

People who are neither employed nor unemployed are *outside of the labor force*. Non-participants usually comprise about half of the population, and total 163.3 million in December 2025. The category includes children (59.2 million), students (15.2 million), unpaid caregivers (11.7 million), those unable to work due to disability or illness (14.1 million), those who want a job but have given up looking (6 million), and retirees and the elderly (55.4 million).

### Labor Force Status Changes

percentage point contribution to one-year growth of age 15+ population



The labor force status of the US population varies by age, sex, and over time. Employment is the main source of income in the economy and is particularly important to overall levels of economic activity.

### Labor Force Status

*December 2025, thousands of people, not seasonally adjusted*

| Age group:         | Total   | Men    |        |        | Women  |        |        |
|--------------------|---------|--------|--------|--------|--------|--------|--------|
|                    | 16+     | 16-29  | 30-59  | 60+    | 16-29  | 30-59  | 60+    |
| Population         | 274,816 | 31,118 | 64,196 | 38,732 | 30,776 | 65,299 | 44,695 |
| Employed           | 163,720 | 18,827 | 54,882 | 12,663 | 18,259 | 48,395 | 10,694 |
| Multiple Jobs      | 8,975   | 718    | 2,944  | 552    | 1,101  | 3,161  | 500    |
| Full-Time          | 140,428 | 15,558 | 53,220 | 10,214 | 12,562 | 41,587 | 7,287  |
| Part-Time          | 30,295  | 4,821  | 3,512  | 2,874  | 7,002  | 8,420  | 3,667  |
| Economic Reasons   | 5,447   | 879    | 1,573  | 330    | 997    | 1,443  | 224    |
| Unemployed         | 7,003   | 1,551  | 1,851  | 425    | 1,304  | 1,612  | 260    |
| Not in Labor Force | 104,094 | 10,740 | 7,464  | 25,644 | 11,213 | 15,293 | 33,741 |
| Discouraged        | 5,958   | 1,292  | 931    | 641    | 1,085  | 1,336  | 673    |
| Disabled/Ill       | 14,149  | 1,090  | 3,588  | 2,438  | 762    | 3,553  | 2,718  |
| Family/Care        | 11,654  | 479    | 793    | 117    | 1,940  | 7,541  | 783    |
| School             | 15,235  | 7,417  | 387    | 6      | 6,919  | 478    | 29     |
| Retirement         | 55,395  | 91     | 1,403  | 22,309 | 224    | 1,975  | 29,393 |

Source: Author's Calculations from CPS

Changes in labor force status can highlight both structural and cyclical trends in the economy. The following table presents the net six-year change in labor force status, in number of people, from November 2019 to December 2025.

### Labor Force Changes

*Change from November 2019 to December 2025, thousands of people*

| Age group:         | Total  | Men   |       |       |       | Women |       |  |
|--------------------|--------|-------|-------|-------|-------|-------|-------|--|
|                    | 16+    | 16-29 | 30-59 | 60+   | 16-29 | 30-59 | 60+   |  |
| Population         | 14,635 | 709   | 2,824 | 4,661 | 594   | 1,613 | 4,234 |  |
| Employed           | 5,216  | -277  | 2,532 | 650   | 71    | 1,988 | 253   |  |
| Multiple Jobs      | 915    | -74   | 344   | -30   | 119   | 502   | 55    |  |
| Full-Time          | 4,852  | -48   | 2,390 | 607   | -310  | 2,059 | 155   |  |
| Part-Time          | 1,864  | -14   | 559   | 206   | 746   | 252   | 116   |  |
| Economic Reasons   | 1,198  | 85    | 473   | 34    | 244   | 311   | 51    |  |
| Unemployed         | 1,499  | 215   | 417   | 162   | 365   | 323   | 17    |  |
| Not in Labor Force | 7,919  | 771   | -125  | 3,849 | 158   | -698  | 3,964 |  |
| Discouraged        | 1,328  | 350   | 87    | 107   | 250   | 404   | 130   |  |
| Disabled/Ill       | -635   | 82    | -207  | -19   | 108   | -661  | 61    |  |
| Family/Care        | -565   | 114   | 82    | 24    | -233  | -408  | -145  |  |
| School             | -169   | 186   | -115  | -21   | -120  | -92   | -7    |  |
| Retirement         | 7,766  | -17   | 19    | 3,749 | 87    | 34    | 3,894 |  |

Source: Author's Calculations from CPS

The next table provides the net one-year change in labor force status, in number of people. The table summarizes more-recent changes in labor force status.

### Labor Force Changes

*Change from November 2024 to December 2025, thousands of people*

| Age group:         | Total | Men   |       |     |       | Women |      |  |
|--------------------|-------|-------|-------|-----|-------|-------|------|--|
|                    | 16+   | 16-29 | 30-59 | 60+ | 16-29 | 30-59 | 60+  |  |
| Population         | 5,178 | 735   | 1,033 | 823 | 645   | 1,188 | 755  |  |
| Employed           | 2,426 | -4    | 1,128 | 109 | 369   | 878   | -54  |  |
| Multiple Jobs      | 365   | 0     | 47    | 22  | 64    | 179   | 53   |  |
| Full-Time          | 2,196 | 287   | 998   | 17  | 233   | 751   | -90  |  |
| Part-Time          | 781   | -206  | 317   | 73  | 333   | 255   | 9    |  |
| Economic Reasons   | 983   | -3    | 290   | 94  | 226   | 339   | 37   |  |
| Unemployed         | 550   | 85    | 187   | -18 | 196   | 127   | -26  |  |
| Not in Labor Force | 2,202 | 654   | -282  | 732 | 80    | 183   | 835  |  |
| Discouraged        | 674   | 350   | -112  | 28  | 201   | 191   | 17   |  |
| Disabled/III       | 417   | 97    | 54    | 69  | 139   | -17   | 75   |  |
| Family/Care        | -294  | 103   | -89   | 33  | -151  | -52   | -138 |  |
| School             | 28    | 140   | 22    | -24 | -205  | 96    | -0   |  |
| Retirement         | 1,577 | -7    | -3    | 629 | 105   | -1    | 855  |  |

Source: Author's Calculations from CPS

Finally, long-term changes in labor force status can be summarized by comparing the tight labor market of 2000 with the most recent data. The following table presents the net change in labor force status, in number of people, from December 2000 to December 2025.

### Labor Force Changes

*Change from December 2000 to December 2025, thousands of people*

| Age group:         | Total  | Men   |       |        |       | Women |        |  |
|--------------------|--------|-------|-------|--------|-------|-------|--------|--|
|                    | 16+    | 16-29 | 30-59 | 60+    | 16-29 | 30-59 | 60+    |  |
| Population         | 61,080 | 4,636 | 7,355 | 19,510 | 4,260 | 5,853 | 19,467 |  |
| Employed           | 25,875 | 135   | 5,382 | 7,518  | 1,465 | 4,833 | 6,542  |  |
| Multiple Jobs      | 1,184  | -206  | 107   | 347    | 84    | 532   | 320    |  |
| Full-Time          | 22,592 | 11    | 4,494 | 6,480  | 993   | 5,687 | 4,926  |  |
| Part-Time          | 5,021  | 221   | 1,329 | 1,304  | 720   | -362  | 1,809  |  |
| Economic Reasons   | 2,145  | 234   | 618   | 191    | 457   | 491   | 155    |  |
| Unemployed         | 1,739  | 98    | 442   | 266    | 248   | 492   | 193    |  |
| Not in Labor Force | 33,467 | 4,403 | 1,531 | 11,726 | 2,547 | 528   | 12,732 |  |
| Discouraged        | 1,750  | 421   | 270   | 365    | 105   | 230   | 360    |  |
| Disabled/III       | 4,129  | 610   | 442   | 1,275  | 359   | 341   | 1,102  |  |
| Family/Care        | -248   | 362   | 454   | 85     | -674  | -355  | -122   |  |
| School             | 5,578  | 2,890 | 138   | 6      | 2,468 | 53    | 24     |  |
| Retirement         | 21,930 | 65    | 223   | 9,910  | 183   | 230   | 11,319 |  |

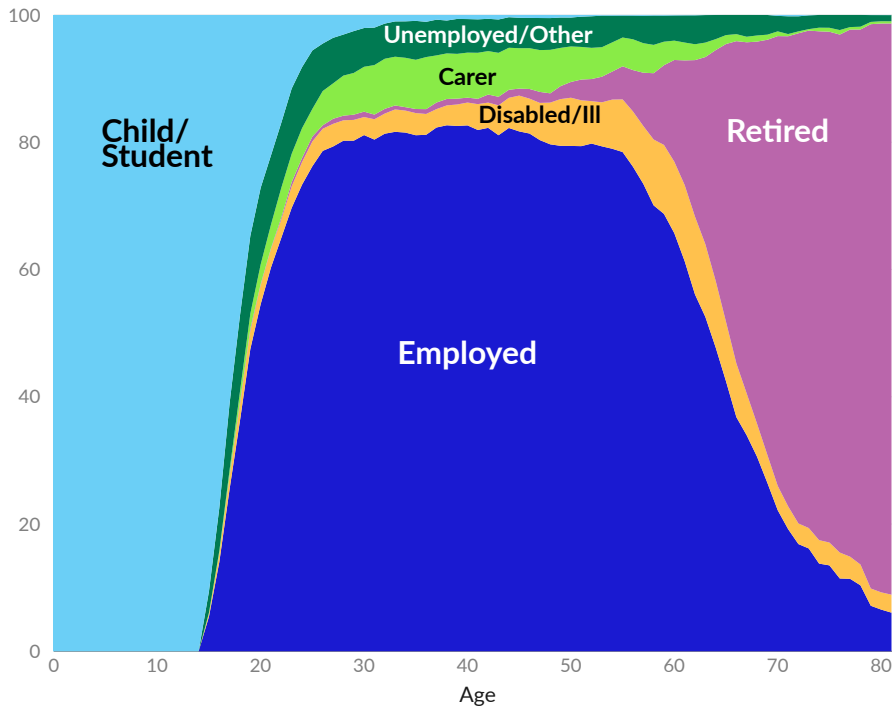
Source: Author's Calculations from CPS

## Labor Force Status and Age

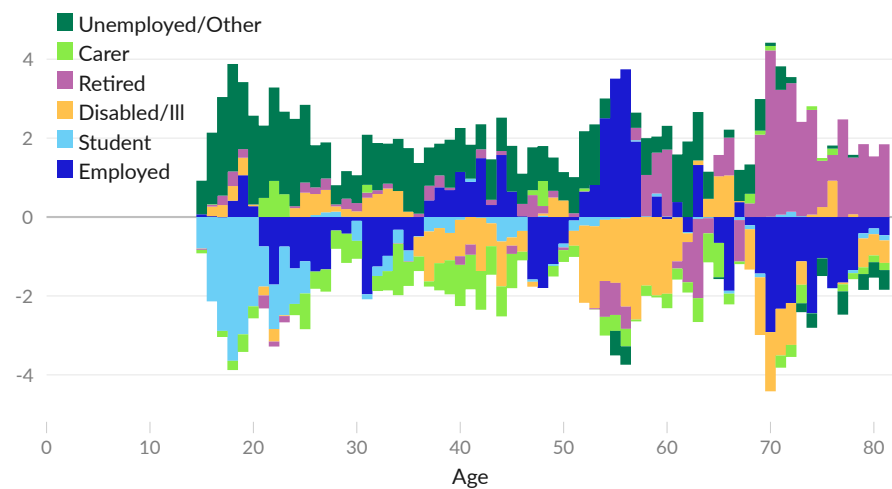
There is a strong relationship between employment and age. Children are not permitted to work, and many young people attend school full time. During ages 25 to 54, around 80 percent of the population is employed. The remaining 20 percent include caregivers and those unable to work due to disability or illness. Retirement becomes more likely as workers reach their 60s and 70s; less than 10 percent of people continue to work into their 80s.

### Labor Force Status, by Age

share of same-age population, percent, December 2025



change since December 2019 in share of age group, percentage points



Source: Author's Calculations from CPS, Bruenig





## Gross Labor Income

Businesses do not usually cut wages in response to an economic downturn, and will instead typically employ fewer workers and/or cut hours. As a result, wage data give only a partial picture of the labor income received by households.

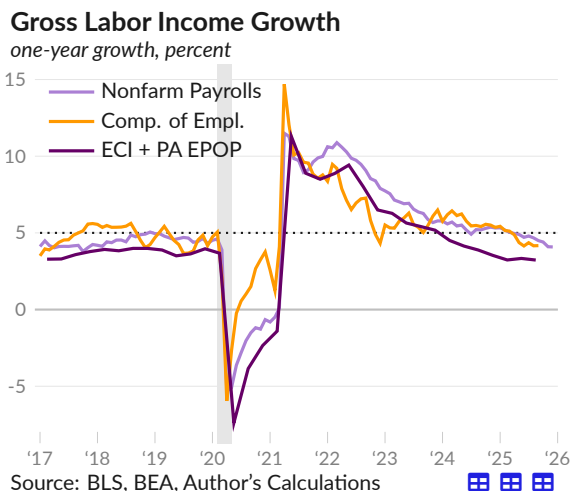
**Gross labor income** (compensation of employees in the national accounts), which captures both the amount of employment and the rate of compensation, increased at an average annualized rate of 4.2 percent over the year ending 2025 Q3. Changes in wages contributed 2.3 percentage points, and changes in total hours worked contributed 1.9 percentage points.



Historically, the US economy can sustain gross labor income of at least five percent. For example, assuming a stable labor share of income, this could be inflation of two percent and real output growth of three percent. Gross labor income growth of under five percent may indicate weak aggregate demand.

Among measures of overall economic activity, gross labor income has the added benefit that it can be calculated using multiple independent data sources. The measure can be calculated from timely measures such as nonfarm payrolls and average earnings, from compensation of employees data from BEA, or from more-comprehensive measures that reduce effects of composition, such as the employment cost index combined with the prime-age employment rate.

Using the nonfarm payrolls approach (see —), the one-year growth rate of gross labor income is 4.1 percent in December 2025, following 5.3 percent one year prior, in December 2024.



The monthly data on compensation of employees from BEA (see —) shows one-year gross labor income growth of 4.2 percent in September 2025 and 5.4 percent in September 2024.

Calculating gross labor income from the employment cost index for private industries and the prime age employment rate (see —), one-year growth is 3.2 percent in 2025 Q3, following 3.9 percent one year prior.

## Labor Share of Income

The **labor share** measures the portion of available income that is paid to workers. Labor income is measured in the national accounts as employee compensation, and net income is measured as employee compensation plus the net operating surplus. Net income, or income after depreciation, is used instead of gross income because depreciation expenses are not available to labor or capital.

### Labor Share of Net Income

percent, one-year moving average



Source: Bureau of Economic Analysis

Over the year ending 2025 Q3, labor receives 67.4 percent of net domestic income (see —). Labor's share increased 0.1 percentage point over the past year. For context, one percent of net domestic income translates to \$234 billion per year, which is \$1,470 per worker.

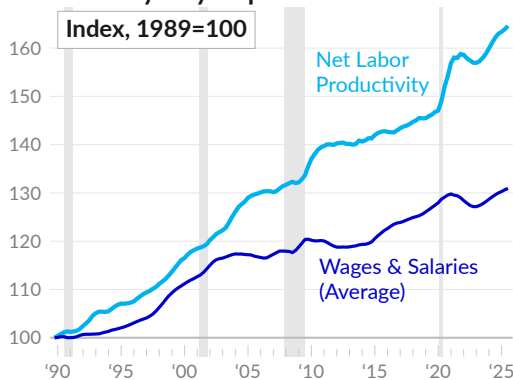
Labor's share in the corporate sector is 72.1 percent in 2025 Q3 (see —). The corporate sector has well-defined accounting, which is useful for this analysis. The corporate labor share is currently 10.9 percentage points below its 30-year high of 83 percent in 1993 Q1.

## Productivity-Pay Gap

When analyzing the fall in labor share of income, it is useful to consider the **gap between labor productivity and pay**. Behind long-term output growth is productivity growth and population growth. Since 1989, annualized net output growth is 2.3 percent, net productivity growth is 1.4 percent, and population growth is 0.9 percent.

While the US has moderate labor productivity growth over the past few decades, wages have not kept pace. The average wage rose by 0.8 percent per year since 1989, and the median wage has increased by 0.4 percent per year.

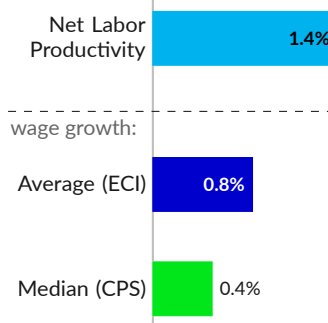
### Productivity-Pay Gap



Source: BEA, BLS, Author

Data notes: Net labor productivity is real net domestic product divided by total hours worked from the CPS. Average wages and salaries is from the ECI, and covers all civilian workers. Median usual weekly earnings from the CPS cover full-time civilian wage and salary workers. Average wages are deflated using the PCE price index and median wages are deflated with the CPI.

#### Annual Growth Since 1989



More-complete [analysis](#) finds that the productivity-pay gap emerged around 1979; between World War II and 1979, employee compensation kept pace with productivity growth. Researchers argue that the post-1979 gap is tied to policies that weaken unions and reduce bargaining power for the typical worker.

## Employment

Employment is critical to production and as a source of income. This subsection covers payrolls and employment rates for different groups and places. Related topics, such as work arrangements, hours worked, and wages, are covered in later subsections.

### Overview

Two primary sources of employment data are households and employers. Households report activities, including employment and self-employment, while employers report payrolls.

In December 2025, establishments report 160.4 million **nonfarm payroll employees** (see —). The pre-COVID peak was 153.1 million in November 2019. Households report 163.7 million employed people, including the self-employed but not including armed forces, in the latest month, compared to a pre-COVID peak of 159.1 million (see —).

Private production and non-supervisory workers are engaged in production, including working supervisors, or in other activities but not above the working supervisor level. In December 2025, this group totals 111.6 million, compared to a pre-COVID peak of 106.9 million (see —). Production and non-supervisory workers comprise 81.6 percent of private nonfarm payrolls in December 2025.

### Employment Level

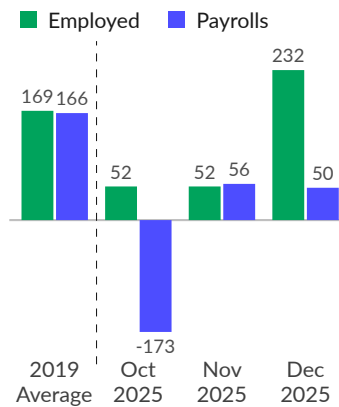
millions, not seasonally adjusted



Source: Bureau of Labor Statistics

### Monthly Change

thousands, seasonally adjusted



In December 2025, seasonally-adjusted civilian employment increased by 232,000 (see ■), substantially above the 2019 average increase of 169,000 jobs per month. The US added a net total of 50,000 nonfarm payroll jobs in December 2025 (see ■), compared to a monthly average of 165,500 in 2019. The average of both surveys over the past three months shows an increase of 44,800 employees per month.

### Employment Level

millions

|                          | seasonally adjusted |          | not seasonally adjusted |          |           |           |           |
|--------------------------|---------------------|----------|-------------------------|----------|-----------|-----------|-----------|
|                          | Dec 2025            | Nov 2025 | Dec 2025                | Nov 2025 | 2019 Avg. | 2017 Avg. | 2000 Avg. |
| Employed                 | 164.0               | 163.8    | 163.7                   | 164.1    | 157.5     | 153.3     | 136.9     |
| Nonfarm Payrolls         | 159.5               | 159.5    | 160.4                   | 160.6    | 150.9     | 146.6     | 132.0     |
| Private Nonfarm Payrolls | 136.1               | 136.1    | 136.8                   | 136.8    | 128.3     | 124.3     | 111.2     |
| Production & Non-superv. | 111.0               | 111.0    | 111.6                   | 111.7    | 105.6     | 102.4     | 90.5      |

Source: Bureau of Labor Statistics

## Payroll Employment

The Current Employment Statistics Program [surveys](#) around 130,000 businesses and government agencies each month. Payroll data from this survey provide insight into the overall health of the economy by indicating the pace of job growth.

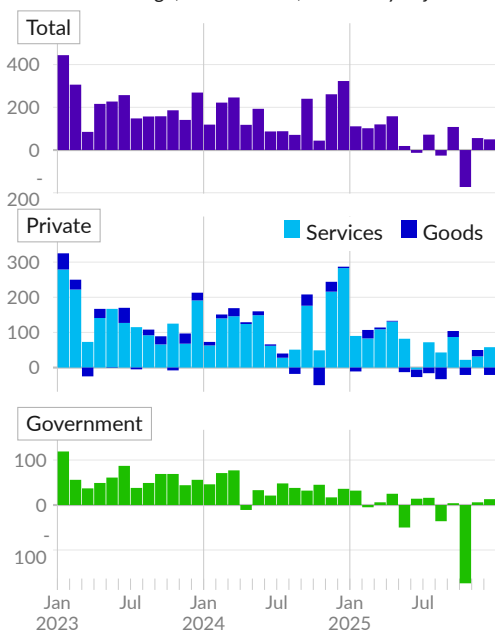
Nonfarm payrolls increased by 50,000 in December 2025, following 56,000 jobs added in November, and 173,000 lost in October (see ■). Average payroll growth was -22,300 over these three months, slightly below the average of 51,300 during the previous three months.

To keep pace with population growth, the US needs to add around 250,000 jobs per month. Over the past three years, the US added an average of 144,200 jobs per month.

Over the past three months, private service-providing industries, which make up 71.8 percent of payroll employment, added an average of 37,300 jobs per month. Private goods-producing industries lost 8,000 jobs per month, and the government lost 51,700 jobs per month.

### Nonfarm Payroll Growth

one-month change, in thousands, seasonally adjusted



Source: Bureau of Labor Statistics

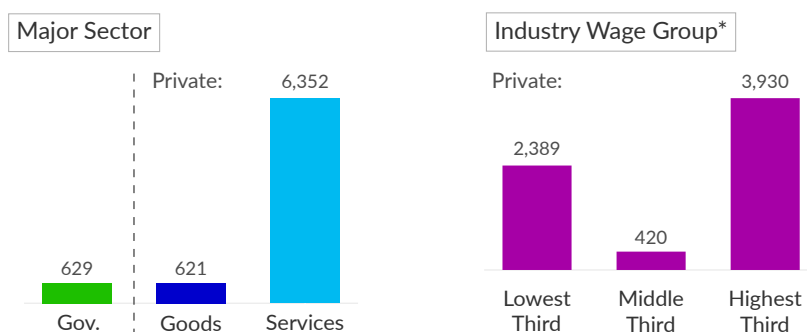


Over the six years ending December 2025, nonfarm payrolls increased by a total of 7,602,000. By sector, combined government payrolls rose by 629,000 (see ■), and private payrolls increased by a total of 6,973,000 over the six-year period. Private goods-producing industries added 621,000 jobs (see ■), and private service-providing industries added 6.4 million jobs (see ■).

Dividing the private industries into three wage groups, the lowest-wage industries added 2,389,000 jobs since December 2019, the middle-wage industries gained 420,000 jobs, and the highest-wage industries added 3.93 million jobs (see ■).

### Six-Year Change in Payrolls (December 2019 to December 2025)

not seasonally adjusted, thousands of jobs



\*Wage groups are derived from 2019 average hourly earnings by 3-digit NAICS industry. Private industries without wage information added 248,600 jobs over the period.

Source: Bureau of Labor Statistics, Zipperer



The establishment survey [provides](#) reliable industry-level estimates of payroll employment. Household surveys have a higher potential to misclassify industries and are considered less-reliable for industry-level estimates of payroll employment.

Over the six years ending December 2025, the industry groups with the largest increase in payrolls were health care (+1,956,300), professional and technical services (+1,228,700), social assistance (+1,044,400), and transportation and warehousing (+937,900). The private industry groups with the least job growth were administrative and support (-401,400), accommodation (-154,400), and retail trade (-95,000).

### Nonfarm Payrolls by Industry Group

| <i>in thousands</i>               | <i>seasonally adjusted</i> |                |                         |                         | <i>not seas. adjusted</i> |               |
|-----------------------------------|----------------------------|----------------|-------------------------|-------------------------|---------------------------|---------------|
|                                   | December 2025              | 1-month change | Oct '25–Dec '25 average | Jul '25–Sep '25 average | December 2025             | 6-year change |
| Total nonfarm                     | 159,526                    | 50             | -22                     | 51                      | 160,448                   | 7,602         |
| Total Private                     | 136,115                    | 37             | 29                      | 57                      | 136,762                   | 6,973         |
| Goods-Producing                   | 21,603                     | -21            | -8                      | -11                     | 21,548                    | 621           |
| Mining & Logging                  | 608                        | -2             | -1                      | -3                      | 606                       | -87           |
| Construction                      | 8,303                      | -11            | -1                      | 1                       | 8,231                     | 781           |
| Manufacturing                     | 12,692                     | -8             | -6                      | -8                      | 12,711                    | -73           |
| Private Service-Providing         | 114,512                    | 58             | 37                      | 67                      | 115,214                   | 6,352         |
| Wholesale Trade                   | 6,161                      | -2             | -2                      | -1                      | 6,184                     | 271           |
| Retail Trade                      | 15,539                     | -25            | -22                     | 12                      | 15,945                    | -95           |
| Transportation & Warehousing      | 6,665                      | -7             | -13                     | -12                     | 6,975                     | 938           |
| Information                       | 2,914                      | 0              | -3                      | -5                      | 2,932                     | 26            |
| Financial Activities              | 9,244                      | 7              | 3                       | -3                      | 9,274                     | 435           |
| Real Estate & Rental & Leasing    | 2,498                      | 6              | 2                       | -3                      | 2,509                     | 165           |
| Professional & Technical Services | 10,863                     | -8             | 1                       | 4                       | 10,905                    | 1,229         |
| Management                        | 2,633                      | 1              | 0                       | 0                       | 2,641                     | 108           |
| Administrative & Support          | 8,502                      | -2             | -4                      | -15                     | 8,540                     | -401          |
| Educational Services              | 3,988                      | 2              | -2                      | 0                       | 4,048                     | 194           |
| Health Care                       | 18,354                     | 21             | 32                      | 40                      | 18,440                    | 1,956         |
| Social Assistance                 | 5,298                      | 17             | 17                      | 16                      | 5,306                     | 1,044         |
| Arts, Entertainment, & Recreation | 2,708                      | 17             | -5                      | 4                       | 2,549                     | 229           |
| Accommodation                     | 1,945                      | 3              | 2                       | -2                      | 1,889                     | -154          |
| Food Services & Drinking Places   | 12,514                     | 27             | 28                      | 23                      | 12,422                    | 312           |
| Other Services                    | 6,064                      | 5              | 5                       | 6                       | 6,042                     | 146           |
| Utilities & Waste Management      | 1,121                      | 1              | 1                       | -1                      | 1,120                     | 114           |
| Government                        | 23,411                     | 13             | -52                     | -5                      | 23,686                    | 629           |

Source: Bureau of Labor Statistics



Summarizing employment changes by grouping industries can hide changes within these industry groups. Additionally, industry groups can be vague or overly broad. The government and business chartbook sections contain more information on industry-level employment trends.



## Employment Rates

The **employment rate**, or the employment-population ratio, is the share of a group that is employed. Employment rates can provide useful insight into macroeconomic conditions. A high employment rate means available labor is being utilized in the productive process. All else equal, higher employment results in both increased supply, as the result of more labor being used for production, and increased demand, as the result of higher levels of income.

Economists are interested in both the overall employment rate and in the employment rates for individual groups of people. The overall employment rate provides insight into the overall utilization of labor of a society and is affected by demographic and macroeconomic factors. Employment rates for individual groups can tell us about macroeconomic conditions and even tell us about differences in local economic conditions.

As of December 2025, the Bureau of Labor Statistics [report](#) an overall (age 16 and older) employment rate of 59.7 percent (see —), a one-year decrease of 0.2 percentage point, and a 1.1 percentage point decrease since 2019.

### Employment Rate, Age 16 and Older

*employed share of age 16 and older population, percent, seasonally adjusted*

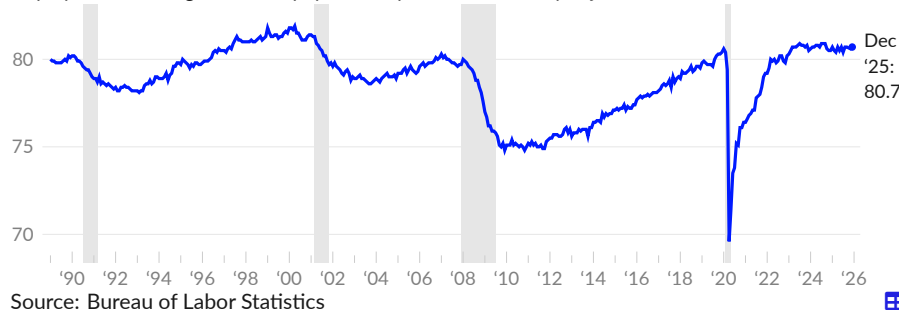


As discussed in the household section, population aging reduces the US employment rate. To examine macroeconomic conditions separate from demographic developments, BLS [report](#) the employment rate for a more-narrow age group, specifically, those age 25 to 54. This group has the highest employment rate and is sometimes referred to as the “prime” age for employment.

The **age 25 to 54 employment rate** is an important measure of labor market utilization. In a tight labor market, the age group is employed at a very high rate. In December 2025, 80.7 percent of 25- to 54-year-olds were employed (see —), the highest level since September 2025. Over the past year, the age 25 to 54 employment rate increased 0.2 percentage point. The December 2025 rate is 0.7 percentage point (equivalent to 970,000 workers) below the average rate of 81.4 during the tight labor market of 1999–2000.

### Employment Rate, Age 25 to 54

*employed share of age 25 to 54 population, percent, seasonally adjusted*



Employment rates vary over time, but also by age, gender, and education, among other factors. Over the three months ending December 2025, the employment rate for most subgroups is about the same as it was before the pandemic. At a given point in time, employment rates tend to increase with education and tend to peak during ages 25 to 54. Within most age groups, employment rates are higher for men, though the gap has narrowed over the long run.

**Employment Rates** ■ December 2025 ■ November 2019  
employed share of age group, percent, three-month average



Source: Author's Calculations from CPS

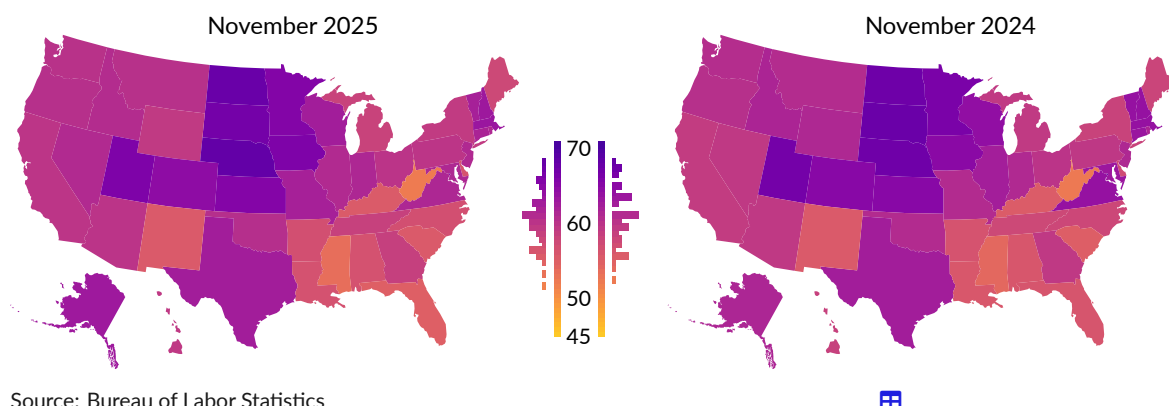


Next, we examine how employment rates vary across states. In November 2025, the age 16 and older employment rate is below 60 percent in 23 states. One year prior, in November 2024, the employment rate was below 60 percent in 22 states. The rate is above 65 percent in eight states, in the latest month, and in six states in November 2024.

The states with the highest employment rates in November 2025 are Nebraska (68.0 percent), North Dakota (67.4 percent), and South Dakota (66.5 percent). The states with the lowest employment rates are West Virginia (51.9 percent), Mississippi (53.3 percent), and Florida (54.8 percent).

### Employment Rate by State

*employed share of age 16+ population, percent, not seasonally adjusted*



Source: Bureau of Labor Statistics

### Employment Rate and One-Year Change

*age 16 and older employment rate, percent, not seasonally-adjusted, as of November 2025 and one-year change, percentage points*

|                    |             |              |             |                |             |
|--------------------|-------------|--------------|-------------|----------------|-------------|
| Nebraska           | 68.0 (+1.1) | Virginia     | 61.2 (-2.4) | Wyoming        | 59.0 (-2.1) |
| North Dakota       | 67.4 (+0.3) | Indiana      | 61.2 (+0.3) | New York       | 58.9 (+0.9) |
| South Dakota       | 66.5 (-0.8) | Maryland     | 61.1 (-1.9) | Georgia        | 58.4 (-0.7) |
| Utah               | 65.7 (-0.9) | Rhode Island | 61.0 (-0.4) | Tennessee      | 58.2 (+0.9) |
| Iowa               | 65.7 (+1.0) | New Jersey   | 60.9 (-0.2) | Michigan       | 58.0 (-1.0) |
| Distr. of Columbia | 65.5 (-2.9) | Illinois     | 60.8 (-1.4) | Maine          | 57.3 (-0.5) |
| Minnesota          | 65.3 (-0.8) | Nevada       | 60.8 (+1.7) | Arkansas       | 56.6 (+0.4) |
| Kansas             | 65.2 (+0.4) | Idaho        | 60.6 (-0.8) | North Carolina | 56.6 (-0.9) |
| Colorado           | 64.2 (-0.6) | Oklahoma     | 60.3 (-0.4) | Louisiana      | 56.4 (+0.7) |
| Massachusetts      | 63.1 (-0.5) | Oregon       | 60.2 unch   | Alabama        | 56.3 (+0.5) |
| New Hampshire      | 62.9 (-0.7) | Montana      | 60.0 (-0.5) | Delaware       | 56.1 (-0.9) |
| Alaska             | 62.7 (+1.4) | Washington   | 59.9 (-0.5) | South Carolina | 55.5 (+0.6) |
| Texas              | 62.4 unch   | Ohio         | 59.7 unch   | New Mexico     | 55.4 (-0.1) |
| Wisconsin          | 62.4 (-1.6) | Arizona      | 59.6 (+0.4) | Kentucky       | 55.3 (+0.1) |
| Missouri           | 61.9 (+1.2) | California   | 59.5 (+0.7) | Florida        | 54.8 (-1.1) |
| Vermont            | 61.9 (-1.7) | Pennsylvania | 59.5 (+0.2) | Mississippi    | 53.3 (-0.6) |
| Connecticut        | 61.6 (-1.6) | Hawaii       | 59.1 (+0.9) | West Virginia  | 51.9 (-0.2) |

Source: Bureau of Labor Statistics

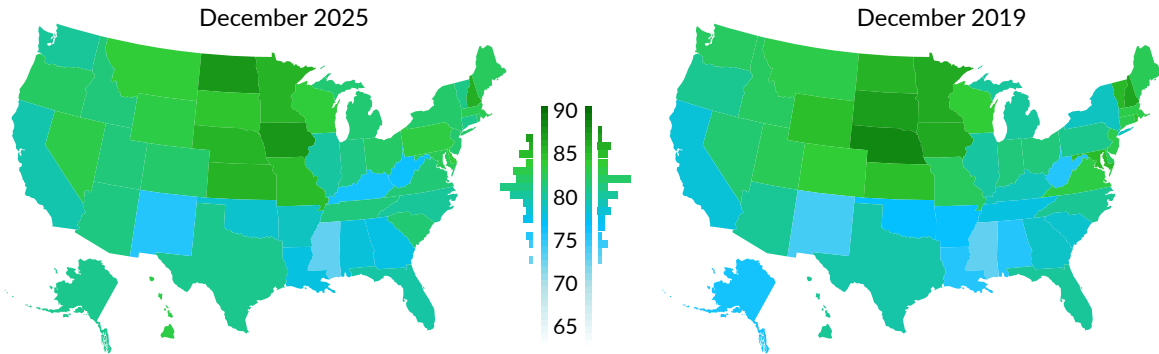


A tight local labor market will employ those ages 25 to 54 at a very high rate, barring any local labor supply constraints, for example availability or cost of child care or high rates of disability. In December 2025, the states with the highest employment rates for 25 to 54 year olds are Iowa (87.0 percent), North Dakota (87.0 percent), and New Hampshire (85.4 percent).

The age 25 to 54 employment rate is lower in December 2025 than it was in December 2019 in 26 states, and higher in 25 states. Comparing the latest three months to the previous three months, the seasonally-adjusted age 25 to 54 employment rate decreased in 26 states, and increased in 25 states.

### Age 25 to 54 Employment Rate by State

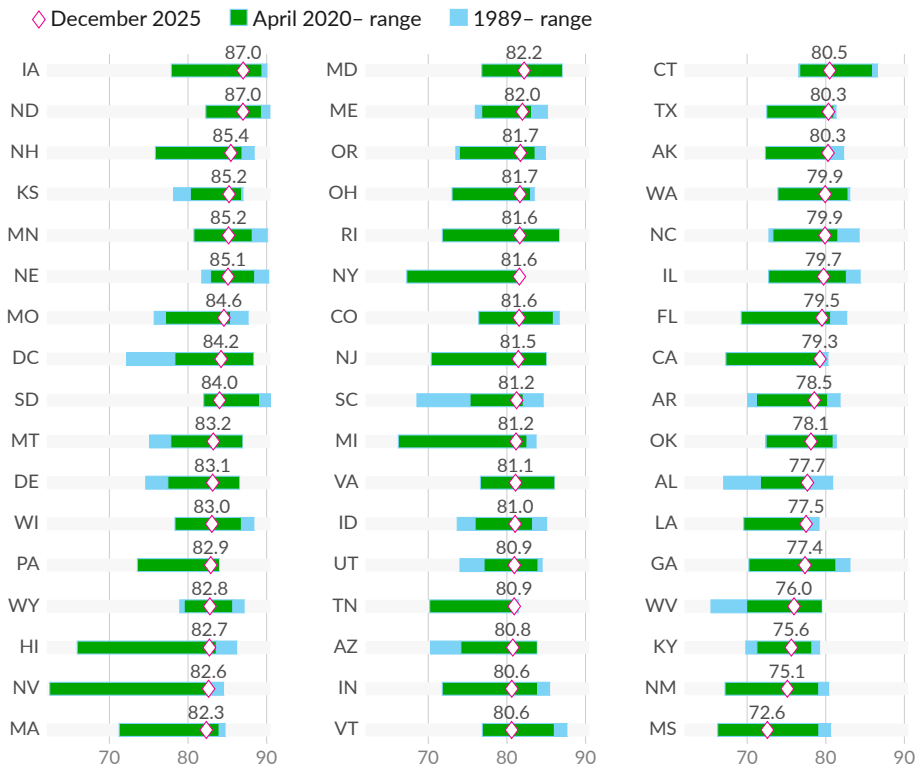
*employed share of age 25 to 54 population, percent, seasonally adjusted, three-month moving average*



Source: Author's Calculations from CPS

### Employment Rate by State

*employed share of age 25 to 54 population, percent, seasonally adjusted, three-month moving average*



Source: Author's Calculations from CPS

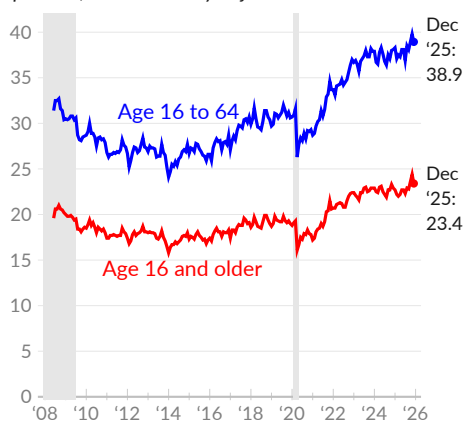


The Bureau of Labor Statistics (BLS) also [report](#) the **employment rate for people with disabilities**. People with disabilities may be limited in their ability to participate in labor markets and can also face discrimination during hiring. Labor market prospects for the group are also affected by economic conditions. A tight labor market pushes businesses to accommodate disabilities and to discriminate less in hiring.

Beginning in June 2008, the Current Population Survey (CPS) asks respondents age 16 and older whether they have difficulty with any of the following: hearing, seeing (even while wearing glasses), walking or climbing stairs, concentrating, remembering, making decisions, dressing or bathing, or running errands alone. In December 2025, 36.2 million people age 16 and older report at least one such disability, of which 18.2 million are under age 65.

### Employment Rate, with Disability

*employed share of age group, with disability, percent, not seasonally adjusted*



Source: BLS; Author

As of December 2025, BLS reports a 23.4 percent employment rate for individuals aged 16 and over with at least one disability (see —). This marks a 0.5 percentage point increase over the past year, and an increase of 2.8 percentage points since December 2021.

For those age 16 to 64 with disabilities, the employment rate is 38.9 percent in December 2025 (see —), a one-year increase of one percentage point, and a 4.4 percentage point increase since 2021.

In 2013, during the sluggish recovery from the Great Recession, the employment rate for those age 16 to 64 with a disability averaged 26.8 percent.

## Unemployment

The headline unemployment rate, also known as the U3 unemployment rate, measures people who do not have a job but are looking for one or are on temporary layoff, as a share of the labor force (the employed and unemployed). BLS [report](#) 7.5 million unemployed people in December 2025, and an unemployment rate of 4.4 percent (see —), in line with the November 2025 rate of 4.5 percent, but slightly above the December 2024 rate of 4.1 percent.

BLS also [report](#) a broader unemployment measure, known as U6 or labor under-utilization. The U6 measure includes U3 unemployment, as well as those who have given up looking for work and part-time workers who want full-time work. In December 2025, U6 is 8.4 percent (see - - -).

### Unemployment Measures



Periods of unemployment are more common for disadvantaged groups. The black or African American unemployment rate is typically double the white unemployment rate. Employment opportunities for disadvantaged groups depend more on current labor market conditions. Tight labor markets reduce racial discrimination in hiring, while disadvantaged groups are more likely to lose jobs in downturns. The black unemployment rate is 7.5 percent, 1.4 percentage points above the February 2020 rate (see —).

### Unemployment Rate



### Unemployment Measures

seasonally adjusted, percent

|                             | Dec '25 | Nov '25 | Sep '25 | Dec '24 | Dec '23 | Dec '22 | Great Recession |            |
|-----------------------------|---------|---------|---------|---------|---------|---------|-----------------|------------|
|                             |         |         |         |         |         |         | Peak rate       | Peak month |
| Under-utilization Rate (U6) | 8.4     | 8.7     | 8.1     | 7.6     | 7.2     | 6.6     | 17.2            | Dec '09    |
| Unemployment Rate (U3)      | 4.4     | 4.5     | 4.4     | 4.1     | 3.8     | 3.5     | 10.0            | Oct '09    |
| Unemployed 15+ Weeks (U1)   | 1.8     | 1.8     | 1.8     | 1.6     | 1.4     | 1.1     | 5.9             | Mar '10    |
| by race/ethnicity:          |         |         |         |         |         |         |                 |            |
| White                       | 3.8     | 3.9     | 3.7     | 3.6     | 3.5     | 3.1     | 9.2             | Oct '09    |
| Black or African American   | 7.5     | 8.2     | 7.6     | 6.1     | 5.2     | 5.8     | 16.8            | Mar '10    |
| Hispanic or Latino          | 4.9     | 5.0     | 5.5     | 5.1     | 5.0     | 4.2     | 13.0            | Aug '09    |
| Asian                       | 3.6     | 3.6     | 4.3     | 3.5     | 3.1     | 2.5     | 8.4             | Dec '09    |

Source: Bureau of Labor Statistics

## Reasons for Unemployment

There are several **reasons for unemployment**. In December 2025, 3.5 million people, or 2.0 percent of the labor force, were unemployed from losing their job (see ■). An additional 0.5 percent voluntarily left a job (see ■). Re-entrants, people who left the labor force but are looking for a new job, comprised 1.4 percent (see ■). Lastly, 0.5 percent of the labor force were new entrants to the labor market, looking for their first job (see ■).

The mixture of reasons for unemployment may reflect the existing economic conditions. In a downturn, workers who lose jobs are a larger share of the unemployed. A downturn also makes it harder for young people to find their first job, increasing their share of the total. In contrast, an economic boom reduces job losses and improves job-finding.

Other reasons for unemployment claim a larger share of the total during a boom. An economic boom can entice people to re-enter the job market, and encourage workers to quit and look for a new job. The overall prevalence of these categories, however, is also *reduced* during a boom, by an improved job-finding rate.



Many job losses are temporary, particularly during the COVID-19 recession. Other job separations are permanent. In December 2025, temporary layoffs were 0.5 percent of the labor force. Permanent job losses were 1.1 percent of labor force.

| Unemployment by Reason | share of labor force, percent |         |         |         |         |         | period average |          |
|------------------------|-------------------------------|---------|---------|---------|---------|---------|----------------|----------|
|                        | Dec '25                       | Nov '25 | Oct '25 | Dec '24 | Dec '23 | Apr '20 | 2017-'19       | 2009-'11 |
| Unemployed, Any Reason | 4.4                           | 4.5     | 4.5     | 4.1     | 3.8     | 14.8    | 4.0            | 9.3      |
| ■ Job Loser            | 2.0                           | 2.1     | 2.1     | 1.9     | 1.8     | 13.2    | 1.9            | 5.7      |
| Temporary Layoff       | 0.5                           | 0.6     | 0.5     | 0.5     | 0.5     | 11.6    | 0.5            | 0.9      |
| Permanent Separation   | 1.1                           | 1.1     | 1.2     | 1.0     | 0.9     | 1.3     | 0.9            | 3.9      |
| ■ Re-entrant           | 1.4                           | 1.5     | 1.4     | 1.2     | 1.1     | 0.9     | 1.2            | 2.2      |
| ■ New entrant          | 0.5                           | 0.5     | 0.5     | 0.4     | 0.4     | 0.2     | 0.4            | 0.8      |
| ■ Job Leaver           | 0.5                           | 0.5     | 0.5     | 0.6     | 0.5     | 0.4     | 0.5            | 0.6      |
| See also:              |                               |         |         |         |         |         |                |          |
| Employed, Not at Work* | 2.7                           | 2.6     |         | 2.7     | 2.8     | 7.4     | 3.3            | 3.3      |

Source: Bureau of Labor Statistics, Author

\* During the COVID-19 shutdowns some unemployed were incorrectly counted as employed but not at work.

## Duration of Unemployment

US unemployment benefits are available for a relatively short duration, compared with other advanced countries. Therefore, the long-term unemployed risk running out of unemployment benefits, causing a sharp reduction in income. Additionally, long periods of unemployment can make re-entering the workforce more challenging.

As of December 2025, BLS [reports](#) that 1.08 percent of the labor force have been unemployed for 27 weeks or longer, compared to 0.87 percent in December 2024 (see —). This measure of **long-term unemployment** peaked at 4.54 percent of the labor force in April 2010, but had fallen to 0.67 percent in December 2019.

In December 2025, three million people, equivalent to 1.74 percent of the labor force, have been unemployed for at least 15 weeks (see —), following 1.74 percent in both November and October. One year prior, in December 2024, 1.54 percent are unemployed for 15 weeks or more.

### Long-Term Unemployed

share of labor force, percent



Among those who are unemployed in December 2025, the average (mean) **duration of unemployment** is 24.4 weeks (see —), and the typical (median) duration of unemployment is 11.4 weeks (see —). Over the year prior to COVID-19, ending February 2020, the average duration of unemployment was 21.7 weeks and the typical duration was 9.2 weeks.

### Duration of Unemployment

in weeks



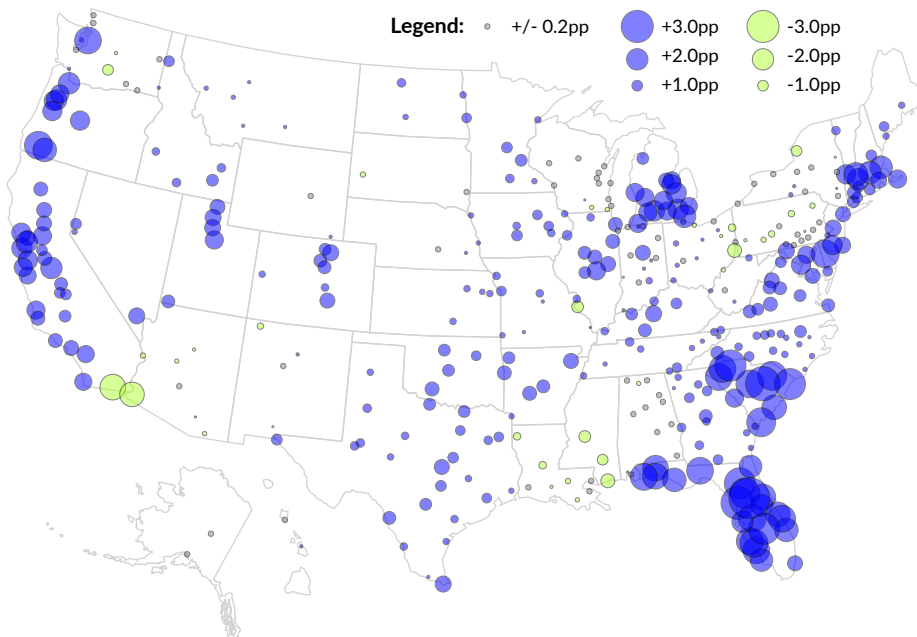
## Unemployment by Metro Area

The Bureau of Labor Statistics [produce](#) local area estimates of unemployment, including the **unemployment rate for metro areas**. The following map shows changes since 2019 in metro area unemployment rates. An increase in the unemployment rate is shown by a blue circle and a decrease is shown by a light green circle; circle size is the magnitude of the change.

From November 2019 to November 2025, unemployment rates fell by 0.2 percentage point or more in 38 metro areas, and increased by 0.2 percentage point or more in 284 metro areas. Unemployment rates are virtually unchanged from the pre-pandemic level in 64 metro areas.

## Change in Unemployment Rate by Metro Area

from November 2019 to November 2025, percentage points



## Largest MSAs:

|       | Core City          | Nov 25 | Nov 19 | Labor Force | Pct Ch* |
|-------|--------------------|--------|--------|-------------|---------|
| +1.4  | ● New York, NY     | 4.8    | 3.4    | 10,369,900  | 3.0     |
| +1.4  | ● Los Angeles, CA  | 5.3    | 3.9    | 6,863,500   | 0.5     |
| +1.3  | ● Chicago, IL      | 4.5    | 3.2    | 4,985,200   | 2.4     |
| +0.9  | ● Dallas, TX       | 4.0    | 3.1    | 4,592,700   | 16.2    |
| +0.9  | ● Houston, TX      | 4.5    | 3.6    | 3,929,400   | 12.6    |
| +1.8  | ● Washington, DC   | 4.5    | 2.7    | 3,490,600   | -0.9    |
| +1.4  | ● Miami, FL        | 4.1    | 2.7    | 3,330,000   | 5.1     |
| +0.5  | ● Philadelphia, PA | 4.2    | 3.7    | 3,323,500   | 2.7     |
| +0.9  | ● Atlanta, GA      | 3.9    | 3.0    | 3,302,200   | 5.3     |
| +2.1  | ● Boston, MA       | 4.4    | 2.3    | 2,852,800   | 2.2     |
| unch. | ● Phoenix, AZ      | 3.8    | 3.8    | 2,801,000   | 14.3    |

Source: Bureau of Labor Statistics; Full Table: [Table](#)

\*Pct Ch is percent change in labor force from November 2019 to November 2025

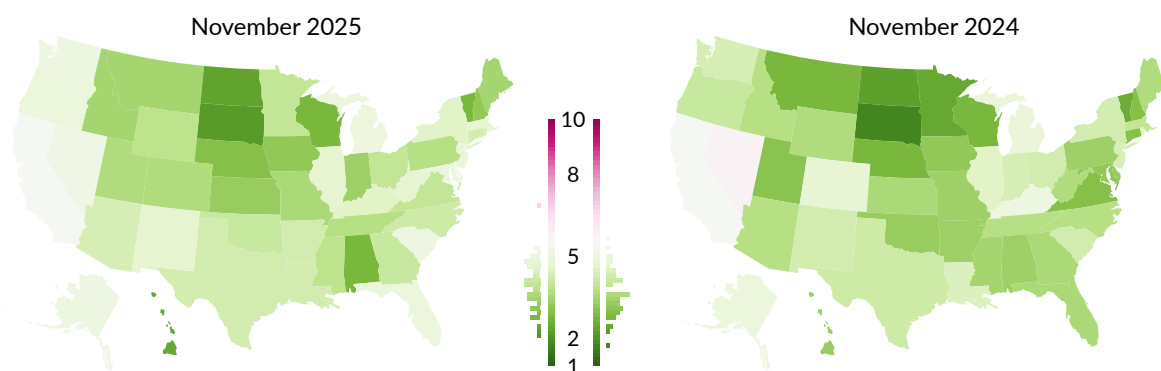
## Unemployment by State

The Bureau of Labor Statistics [report](#) the **state unemployment rate**—unemployed people as a share of the state labor force—each month, around three weeks after reporting the national unemployment rate. In November 2025, all 50 states and DC had unemployment rates below eight percent, and the unemployment rate was above five percent in four states. Three months prior, in August 2025, no states had an unemployment rate above eight percent, and six states were above five percent. In the peak of the COVID-19 pandemic shutdowns, in April 2020, the unemployment rate was above eight percent in 48 states, and above five percent in every state.

The states with the highest unemployment rates in November 2025 are the District of Columbia (6.9 percent), Delaware (5.4 percent), and California (5.4 percent). The states with the lowest unemployment rates are South Dakota (2.1 percent), North Dakota (2.3 percent), and Hawaii (2.4 percent).

### Unemployment Rate by State

*unemployed share of labor force, percent, not seasonally adjusted*



### Unemployment Rate and One-Year Change

*age 16 and older unemployment rate, percent, not seasonally-adjusted, as of November 2025 and one-year change, percentage points*

|               |            |                |            |                    |            |
|---------------|------------|----------------|------------|--------------------|------------|
| South Dakota  | 2.1 (+0.4) | Tennessee      | 3.7 unch   | New York           | 4.5 (+0.3) |
| North Dakota  | 2.3 (+0.1) | Pennsylvania   | 3.7 (+0.4) | New Mexico         | 4.6 (+0.4) |
| Hawaii        | 2.4 (-0.8) | Wyoming        | 3.8 (+0.2) | Illinois           | 4.6 (+0.1) |
| Alabama       | 2.7 (-0.6) | Mississippi    | 3.8 (+0.4) | West Virginia      | 4.6 (+1.0) |
| Wisconsin     | 2.7 unch   | Minnesota      | 3.9 (+1.5) | Massachusetts      | 4.7 (+0.8) |
| Vermont       | 2.7 (+0.2) | Virginia       | 3.9 (+1.0) | New Jersey         | 4.8 (+0.5) |
| Nebraska      | 2.9 (+0.2) | Ohio           | 3.9 (-0.3) | Maryland           | 4.8 (+1.7) |
| Iowa          | 3.1 unch   | Georgia        | 4.0 (+0.5) | Oregon             | 4.9 (+0.9) |
| New Hampshire | 3.1 (+0.2) | Oklahoma       | 4.0 (+0.8) | Florida            | 4.9 (+1.4) |
| Kansas        | 3.2 (-0.3) | North Carolina | 4.1 (+0.4) | Michigan           | 4.9 (+0.1) |
| Indiana       | 3.3 (-1.0) | Texas          | 4.2 (+0.1) | Alaska             | 5.0 (+0.1) |
| Idaho         | 3.4 (-0.3) | Louisiana      | 4.2 (-0.2) | South Carolina     | 5.0 (+0.8) |
| Maine         | 3.4 (-0.2) | Arkansas       | 4.2 (+0.9) | Washington         | 5.0 (+0.7) |
| Montana       | 3.4 (+0.7) | Connecticut    | 4.2 (+1.3) | Nevada             | 5.1 (-0.6) |
| Missouri      | 3.5 (+0.2) | Arizona        | 4.3 (+0.6) | California         | 5.4 unch   |
| Colorado      | 3.6 (-1.1) | Rhode Island   | 4.3 (-0.2) | Delaware           | 5.4 (+2.2) |
| Utah          | 3.6 (+0.6) | Kentucky       | 4.5 (-0.5) | Distr. of Columbia | 6.9 (+1.9) |

Source: Bureau of Labor Statistics

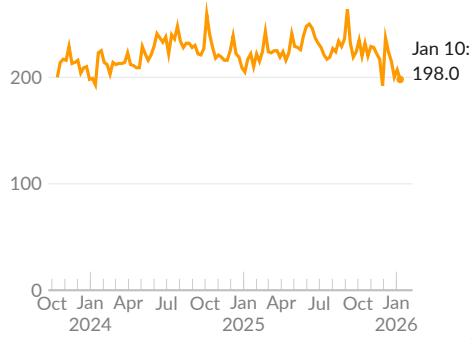


## Jobless Claims

Each week, the Department of Labor [present](#) the unemployment insurance (UI) claims reported by state unemployment offices. An initial claim for UI is filed by an unemployed person, after a separation from an employer, to determine eligibility for benefits.

### New Jobless Claims

*initial claims per week, thousands, seasonally adjusted*



Source: Department of Labor

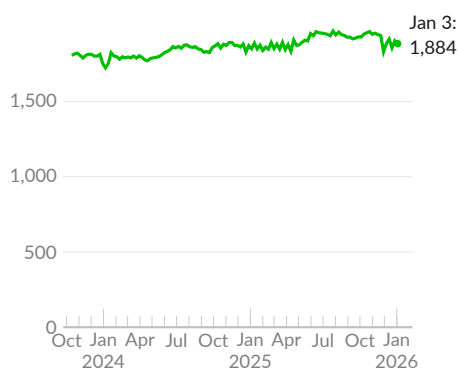
In the week ending January 10, 2026, seasonally-adjusted initial claims for UI total 198,000 (see —), virtually no change from the previous week. Initial claims average 205,000 per week over the past four weeks, 225,800 per week over the past year, and 217,700 per week during 2019.

Initial claims for unemployment insurance are a leading indicator of labor market conditions. An increase in jobless claims suggests a deterioration in economic conditions.

The Labor Department additionally report continued claims for UI, also referred to as insured unemployment. Insured unemployment is the number of people receiving UI benefits during a given week.

### Insured Unemployed

*continuing claims, thousands, seasonally adjusted*



Source: Department of Labor

During the week ending January 3, 2026, seasonally-adjusted insured unemployment totals 1,884,000 (see —), a decrease of 19,000 from the previous week. These continued claims average 1,889,200 over the past four weeks, 1,908,700 over the past year, and 1,682,300 during 2019.

UI only covers some workers. In December 2025, the Bureau of Labor Statistics classify 7.5 million people as unemployed, and identify another 6.0 million who want a job but do not count as unemployed.

## Jobless Claims

*thousands per week*

|                        | Jan 10, 2026 | Jan 3, 2026 | Dec 27, 2025 | period averages |          |          |          |
|------------------------|--------------|-------------|--------------|-----------------|----------|----------|----------|
|                        |              |             |              | Dec 2025        | Nov 2025 | Jan 2025 | Jan 2024 |
| Initial Claims (SA)    | 198          | 207         | 200          | 219             | 218      | 214      | 210      |
| Initial Claims (NSA)   | 331          | 299         | 271          | 277             | 223      | 293      | 281      |
| Continued Claims (SA)  | –            | 1,884       | 1,903        | 1,890           | 1,922    | 1,865    | 1,775    |
| Continued Claims (NSA) | –            | 2,309       | 2,183        | 1,977           | 1,773    | 2,235    | 2,122    |

Source: Department of Labor



## Labor Force Participation

Those who are employed, actively seeking employment, or on temporary layoff participate in the labor force. The **participation rate** is the share of the age 16 and older population that is either employed or unemployed. Participation is affected by many factors, including economic conditions and demographics.

In December 2025, the US labor force has 171.5 million participants, and the participation rate is 62.4 percent. One year prior, in December 2024, labor force participants total 168.5 million, or 62.5 percent of the age 16 and older population.

### Labor Force Participation Overview

share of age 16 and older population, percent, seasonally adjusted



Source: Bureau of Labor Statistics

Participation has fallen over the past three decades. Much of the trend is explained by demographics. Population aging has lowered participation, with a larger share of the population retired. Adjusting the population to match the age composition in 2000 shows aging of the US population since 2000 reduced participation by 4.5 percentage points, or 12.4 million workers.

The next chart shows labor force participation rates overall and for men and women. Adjusted rates show participation without the effect of population aging. Participation is lower for women but has fallen more since 2000 for men.

### Labor Force Participation Rates

labor force as share of age 16 and older population, percent, seasonally adjusted



Source: BLS (December 2025); CPS (December 2025) Adjusted: Weighted to January 2000 demographics

As of December 2025, 62.4 percent of those aged 16 and over are in the labor force (see —), following 62.5 percent in both November and October. The 2024 average participation rate of 62.6 percent is 1.7 percentage points above the December 2015 forecast. Pre-pandemic, in February 2020, the rate stood at 63.3 percent.

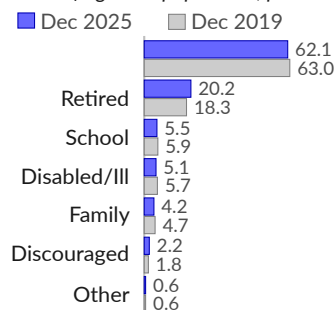
In December 2025, 67.7 percent of men age 16 and older are in the labor force (see —), compared to 57.3 percent of women (see —). Since February 2020, participation has decreased 1.5 percentage points among men, and decreased 0.5 percentage point among women.

## Reasons for Labor Force Non-Participation

The Current Population Survey (CPS) asks those who are not employed or looking for work about their major activities and **reasons for not participating in the labor market**. [Answers](#) vary by age in intuitive ways, and are influenced by labor market conditions.

### Nonparticipants

share of age 16+ population, percent



Source: Author's CPS Calculation

Nonparticipants age 16 and older total 104.1 million in December 2025, and make up 37.9 percent of the age 16+ population, compared to 37.0 percent in December 2019. About half of nonparticipants, and 20.2 percent of the population, are retirees in December 2025 (see ■), compared to 18.3 percent in December 2019 (see ■).

Disability or illness keeps 5.1 percent of people out of the labor force in December 2025, compared to 5.7 percent in 2019. Students who are out of the labor force make up 5.5 percent in December 2025 and 5.9 percent in December 2019, while unpaid caregivers are 4.2 percent this December and 4.7 percent in 2019.

While the recession of 2001 appears mild by expenditure measures, it initiated a major decrease in labor force participation. The economy was losing jobs at an alarming rate long after the 2001 recession had officially ended, though labor market weakness was [partially masked](#) by a major housing bubble. Seven years after the recession of 2001, the housing bubble collapsed, causing the Great Recession and pushing many more people out of the labor force.

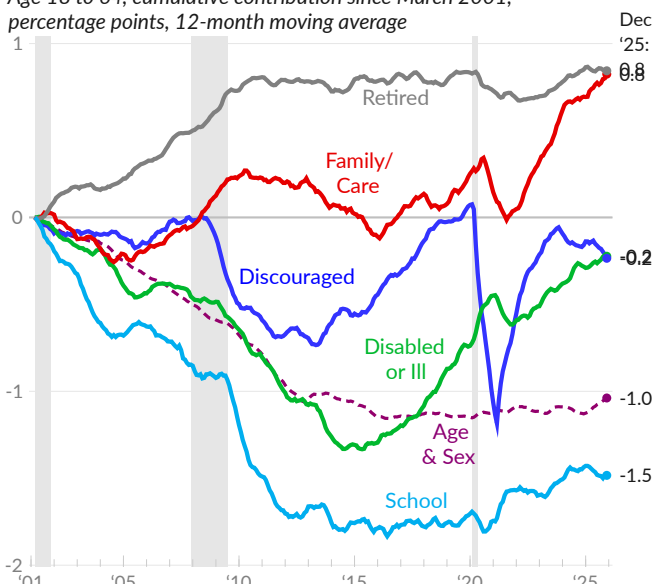
From March 2001 to 2015, four percent of people age 18 to 64 left the labor force. Conditions have since improved. As of December 2025, the labor force participation rate for those age 18 to 64 is 1.5 percentage points below its March 2001 peak.

Demographic shifts partially account for the trend. Notably, the sizable post-World War II birth cohort enters retirement age during this timeframe. Changes in the age and sex distribution within the age group explain 1.0 percentage points of the cumulative decrease in participation since March 2001 (see - -).

Beyond demographics, young people are staying in school longer, on average, reducing the age 18 to 64 labor force by 1.5 percent (see —). Disability and illness reduce the labor force by another 0.2 percent (see —). Less retirement among those age 18 to 64 increases participation by 0.8 percent, over the period (see —).

### Contribution to Labor Force Participation

Age 18 to 64, cumulative contribution since March 2001, percentage points, 12-month moving average



Source: Author's Calculations from CPS

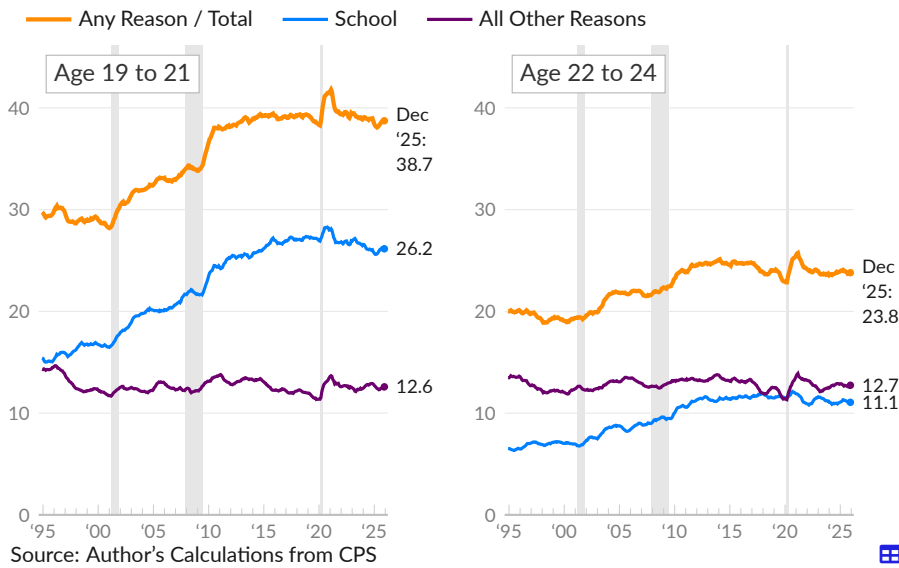
Series in the chart are adjusted so that the distribution of the age 18 to 64 population by age and sex is constant and equal to its March 2001 value. The total effect of this adjustment on labor force participation is included separately in the chart, as [Age/Sex](#).

Young people's participation in the labor market, by working or looking for work, is affected by trends in educational attainment and by economic conditions. From 1994 to 2000, labor force participation among young people increased slightly. Following the recession of 2001, and carrying through the Great Recession, participation rates dropped sharply. From 2000 to 2014, labor force non-participation increased from 28.2 percent to 39.3 percent for 19 to 21 year olds and from 19.3 percent to 24.6 percent for 22 to 24 year olds (see —). The overall increase is nearly entirely accounted for by increased college enrollment (see —).

By February 2020, the labor market had improved and the annual non-participation rate was 38.3 percent for 19 to 21 year olds and 22.9 percent for 22 to 24 year olds. In the latest data, covering the 12 months ending December 2025, the rate of non-participation is 38.7 percent for 19 to 21 year olds and 23.8 percent for 22 to 24 year olds.

### Reason for Labor Force Non-Participation, by Age

share of age group population, percent, 12-month moving average



### Non-Participation Due to School

share of age group population, percent, 12-month moving average

|                 | Dec 2025 | Nov 2025 | Sep 2025 | Nov 2024 | 2019 | 2015 | 2010 | 1994 |
|-----------------|----------|----------|----------|----------|------|------|------|------|
| Total, 19 to 21 | 26.2     | 26.3     | 26.2     | 26.1     | 27.1 | 27.0 | 24.5 | 15.4 |
| Men             | 25.5     | 25.8     | 25.8     | 25.7     | 26.6 | 27.0 | 24.2 | 15.8 |
| Women           | 26.8     | 26.8     | 26.7     | 26.4     | 27.5 | 27.0 | 24.7 | 15.1 |
| Total, 22 to 24 | 11.1     | 11.2     | 11.1     | 11.0     | 11.5 | 11.7 | 10.6 | 6.5  |
| Men             | 11.0     | 11.0     | 10.9     | 11.3     | 11.7 | 12.0 | 10.8 | 6.7  |
| Women           | 11.1     | 11.3     | 11.3     | 10.6     | 11.4 | 11.3 | 10.4 | 6.4  |
| Total, 25 to 27 | 4.6      | 4.6      | 4.6      | 4.7      | 4.6  | 5.2  | 4.6  | 2.9  |
| Men             | 4.4      | 4.4      | 4.3      | 4.3      | 4.7  | 5.0  | 4.4  | 2.5  |
| Women           | 4.8      | 4.8      | 4.9      | 5.2      | 4.4  | 5.4  | 4.7  | 3.2  |

Source: Author's Calculations from CPS

## Labor Force Flows

Previous subsections cover labor force status, looking at the labor market activities of the population. This subsection looks at the movement of people between different labor market activities, referred to as **labor force flows**. The subsection discusses job openings and hires, separations, including layoffs and quits, and job switching.

### Hires and Separations

*in millions, three-month moving average*



Source: Bureau of Labor Statistics

Flows into and out of employment provide an overview of labor force flows. Each month, employers hire new workers while some existing workers leave jobs. The November 2025 Job Openings and Labor Turnover Survey (JOLTS) shows a three-month average of 5.3 million new hires (see —) and 5.1 million job separations (see —), compared to 5.4 million hires and 5.2 million separations in November 2024.

The Current Population Survey (CPS), which includes self-employment among other differences, shows 6.7 million newly employed people (see —) in December 2025, and 6.5 million job leavers (see ---). One year prior, in December 2024, there were 5.8 million newly employed and 5.9 million job leavers.

### Job Openings and Turnover

Labor market **turnover** enables workers to find a new job if they are dissatisfied. Moreover, job opportunities outside a firm can improve the bargaining power of employees. Measures of turnover include job openings, hires, and separations. Separations cover layoffs, voluntarily leaving a job (quits), and other separations such as retirements, transfers to other locations, or separations due to death or disability.

In November 2025, there are 7.1 million open nonfarm jobs (see —) and 5.1 million hires completed (see —). In the same month, there are 5.1 million separations, including 1.7 million layoffs (see —), 3.2 million quits (see —), and 232,000 other separations. In 2019, there were a monthly average of 5.8 million hires and 5.7 million separations.

### Job Turnover

*job openings, hires, quits, and layoffs per month, in millions*



Source: Bureau of Labor Statistics

A high ratio of **job openings to unemployment** indicates a tight labor market. In November 2025, there were 7.8 million unemployed people and 7.1 million job openings, therefore the ratio of job openings per unemployed person is 0.91 (see —). One year prior, in November 2024, the ratio is 1.13. The ratio averages 1.19 in 2019.

### Job Openings Per Unemployed Person

*job openings divided by total unemployment*



Source: Bureau of Labor Statistics

The **quits rate** measures the share of workers who voluntarily separate from a job in a given month. The rate typically increases when workers are confident enough to leave one job for another, and a high quits rate, particularly in low-paying industries, can be a sign of a tight labor market.

### Quits Rate

*voluntary separations as share of workforce*



Source: Bureau of Labor Statistics

The quits rate is cyclical within the accommodations and food services industries (which includes restaurants), and tends to rise when a tight labor market pulls people out of restaurant jobs and into higher paying jobs in other industries.

In November 2025, the total quits rate in all industries is 2.0 percent (see —). The accommodations and food services quits rate is 4.8 percent (see —); the series high for the industry group was 6.4 percent in November 2021.

### Job Finding

Next, we examine trends in **job finding**. Among newly-employed workers, some were considered unemployed the month prior, while others were not in the labor force. More job finders bypassing unemployment indicates a tight labor market.

### Job Finders Bypassing Unemployment

*not looking for work the month prior  
share of newly employed, percent*



Source: Bureau of Labor Statistics

Of those newly employed in December 2025, 72.8 percent were out of the labor force the month prior (see —), compared to 70.4 percent in December 2024; the rest were previously unemployed.

When unemployment is low, the newly employed are more likely to come from outside of the labor force. In April 2023, when the unemployment rate was 3.4 percent, 74.6 percent of the newly employed had not looked for work the previous month.

The Great Recession worsened job-finding prospects for people without jobs. As an example, the flow into employment for those out of the labor force due to a disability or illness slowed considerably. These prospects took over a decade to recover.

Over the year ending December 2025, 8.6 percent of 25 to 54 year olds who were out of the labor force due to disability or illness one year prior became employed (see —).

In 2019, eight percent of those in the category found a job. The one-year job-finding rate rebounded from a 2010–2013 average of 5.8 percent.

For those age 16 and older, the comparable rate is 6.4 percent in December 2025 (see —), and 5.5 percent in 2019.

### Flow, Disability to Work

one-year moving average, percent



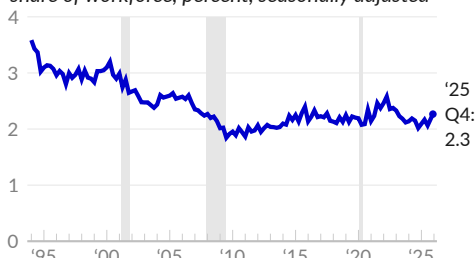
Employed share of individuals out of the labor force from disability or illness one year prior  
Source: Author's Calculations from CPS

### Job Switching

Job switching can improve productivity when workers move to a more productive industry or switch from a less-productive firm to a more-productive firm.

#### New Employer

different employer than prior month  
share of workforce, percent, seasonally adjusted



Source: Author's Calculations from CPS

The CPS asks whether workers have the same employer as the previous month. The rate at which people **change employers** fell below two percent after the Great Recession, from an average of around three percent during the late 1990s.

In December 2025, 2.3 percent of the workforce had a different employer than the previous month (see —), compared to 2.1 percent in December 2024, and 2.1 percent in December 2023.

### Expected Separations

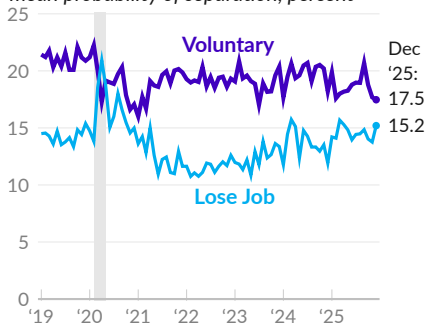
Each month, the Survey of Consumer Expectations asks how likely people are to **lose or leave a job**. **Expected separations** are the average perceived likelihood of separating from a job in the next 12 months.

In December 2025, the perceived likelihood of leaving one's job voluntarily in the next 12 months is 17.5 percent, compared to 21 percent in 2019 (see —). In the latest month, the perceived probability losing one's job is 15.2 percent, compared to 14.3 percent in 2019 (see —).

During the pandemic, in April 2020, job loss expectations exceeded job leaving expectations. In December 2025, job leaving expectations exceed job loss expectations by 2.3 percentage points, compared to 6.8 points in 2019.

#### Expected Separations

mean probability of separation, percent



Source: FRB of New York

## Nonstandard Work Arrangements

Many workers do not have standard work arrangements, either by choice or as the result of not being able to find standard work arrangements. Many workers are employed part-time, part-year, or both. Some workers have more than one job. Additionally, a portion of the workforce is considered self-employed.

### Part-Time Work

Around 28 million people work part-time, defined as fewer than 35 hours per week, and the reasons for doing so vary. The Bureau of Labor Statistics classify part-time workers who would prefer full-time work as involuntary or **part time for economic reasons**. This group is comprised of people who don't have enough hours because of slack business conditions or who are unable to find full-time work.

Voluntary part-time workers, or those **part-time for non-economic reasons**, do not necessarily want more hours of work. The category includes those who work fewer hours for health, childcare, personal or family reasons, those who are retired or have a limit on earnings, and those with jobs where full-time is less than 35 hours per week.

#### Part Time, by Reason

percent of labor force



Source: Bureau of Labor Statistics

In December 2025, 5.3 million people worked part-time for economic reasons, equivalent to 3.1 percent of the labor force (see —). In 2019, an average of 2.7 percent of the labor force worked part-time for economic reasons. In 2010, following the Great Recession, the rate was 5.8 percent.

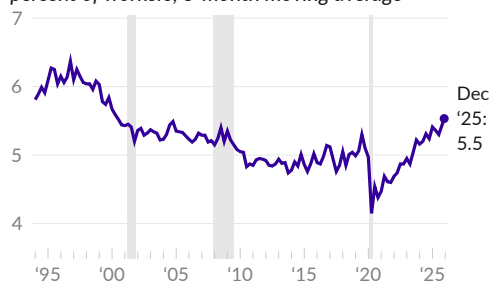
Voluntary part-time workers total 22.3 million in December 2025, or 13.0 percent of the labor force (see —). The category is 13.1 percent of the labor force in 2019, on average.

### More Than One Job

Over a given period of time, some people work more than one job. The household survey identifying people with more than one job asks about employment during a specific reference week. Respondents who work more than one job during the reference week are considered multiple jobholders; those who work multiple jobs over a month or year, but work one job in the survey reference week, are not.

#### Multiple Jobholders

percent of workers, 3-month moving average



Source: Bureau of Labor Statistics

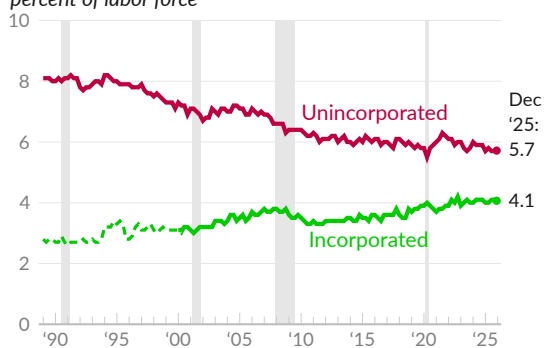
In December 2025, a seasonally-adjusted total of 8.8 million people **worked more than one job** during the survey reference week, equivalent to 5.4 percent of workers. Over the three months ending December 2025, an average of 5.5 percent of workers were multiple jobholders (see —). In 2019, an average of 5.1 percent of workers had more than one job during the survey reference week.

## Self-Employment

Workers are considered **self-employed** if they work for profit or fees in their own business, profession, trade, or farm. Some self-employed have incorporated their business, and are similar to wage and salary workers in that they are paid by their business. Self-employment can offer more flexibility than traditional jobs, in some cases, but can also be less stable. The category includes people who work for profit but do not make any profits, for example.

As of December 2025, there are 9.8 million **unincorporated self-employed**, equivalent to 5.7 percent of the labor force (see —). Over the past year, the unincorporated self-employed made up an average of 5.8 percent of the labor force, compared to an average of 5.8 percent in 2019. From 1989 to 1994, the category made up an average of eight percent of the labor force.

### Self-Employed percent of labor force



Source: Bureau of Labor Statistics, Author



The **incorporated self-employed** total 6.9 million in December 2025, equivalent to 4.1 percent of the labor force (see —). In 2019, the category made up 3.8 percent of the labor force.

Incorporated self-employed are not reported by BLS prior to 2000, but can be calculated from the CPS, and make up an average of three percent of the labor force from 1989 to 1999.



## Wages

Economists view wages as an important economic indicator. Wages are the majority of personal income and the main expense of businesses. Wage growth is particularly closely monitored as it affects quality of life and can affect inflation rates.

The US measures wages in several ways. As two examples, average hourly earnings comes from the monthly establishment survey, and usual weekly earnings are derived from three combined months of household surveys. This subsection first provides an overview of wage measures and recent results, and then discusses individual measures.

### Overview

The various US wage measures each have advantages; average hourly earnings from the payroll survey are timely and cover detailed industry groups, while median earnings from the household survey are unaffected by outliers and cover demographic groups.

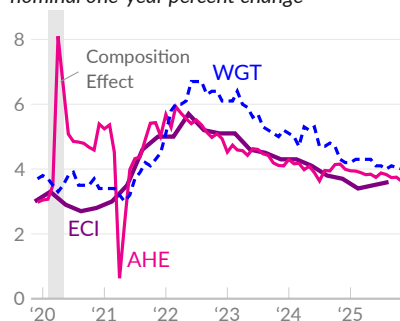
Likewise, wage measures come with caveats. For example, both average and median wages are [subject to composition effects](#) during and after a recession. Low-wage workers are more likely to lose a job during a recession, and therefore move out of (and later into) the sample of a wage survey. This drives up the central tendency of wages during a recession and drives down the central tendency after a recession.

Illustrating the composition effect, several measures show nominal one-year wage growth of three to four percent during 2018 and 2019. During the COVID-19 recession in 2020, average hourly earnings (AHE) growth (see —) jumps to eight percent, while wage growth is stable when tracked (WGT) at the level of individuals (see - -), or calculated from the industry- and occupation-adjusted employment cost index (ECI, see —).

In the latest data, key measures show one-year nominal wage growth that is stable and in line with the pre-pandemic rate.

### Wage Growth Measures

*nominal one-year percent change*



Source: BEA, BLS, Atlanta Fed



The following tables consolidate recent wage growth rates from different measures. In addition to measures discussed above, the table includes average wages and salaries per worker, calculated as national accounts aggregate wages and salaries divided by the number of employees on nonfarm payrolls.

### Wage Growth Measures

*nominal one-year percent change*

|  | Dec '25 | Nov '25 | Oct '25 | Sep '25 | Aug '25 | Jul '25 | Dec '24 | Dec '23 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Average Hourly Earnings (AHE), Private | 3.8     | 3.6     | 3.7     | 3.7     | 3.8     | 3.9     | 4.0     | 4.1     |
| Production & Nonsupervisory            | 3.6     | 3.8     | 3.7     | 3.8     | 3.9     | 3.9     | 4.0     | 4.4     |
| Goods-Producing Industries             | 4.3     | 4.4     | 4.1     | 4.0     | 4.3     | 4.4     | 4.2     | 5.9     |
| Service-Providing Industries           | 3.4     | 3.6     | 3.7     | 3.7     | 3.9     | 3.8     | 4.0     | 4.1     |
| Usual Weekly Earnings, Median          | 1.5     | 3.1     | –       | 2.6     | 6.2     | 3.1     | 4.6     | 8.7     |
| Usual Weekly Earnings, Median (3M Avg) | –       | –       | –       | 4.0     | 3.3     | 3.5     | 4.7     | 5.7     |
| Wage Growth Tracker, Median (3M Avg)   | 3.7     | 4.0     | –       | 4.1     | 4.0     | 4.1     | 4.2     | 5.2     |
| Wages & Salaries, Average (NIPA)       | –       | –       | –       | 3.2     | 3.1     | 3.3     | 4.1     | 4.5     |
| Wages & Salaries, Average (3M Avg)     | –       | –       | –       | 3.2     | 3.2     | 3.2     | 4.2     | 4.0     |

Source: BLS, BEA, Federal Reserve Bank of Atlanta, Author



The second wage growth summary table captures quarterly measures, such as the ECI discussed above, which is particularly high quality. Lastly, unit labor costs measure the cost a business pays to produce one unit of output.

### Wage Growth Measures

| <i>nominal one-year percent change</i> | '25<br>Q3 | '25<br>Q2 | '25<br>Q1 | '24<br>Q4 | '24<br>Q3 | '23<br>Q3 | '22<br>Q3 | '21<br>Q3 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Wages & Salaries (ECI)                 | 3.6       | 3.6       | 3.5       | 3.8       | 3.9       | 4.6       | 5.1       | 4.2       |
| Usual Weekly Earnings, Median          | 4.2       | 4.8       | 5.0       | 4.0       | 4.2       | 4.5       | 6.9       | 0.7       |
| Unit Labor Cost                        | 1.2       | 2.0       | 3.0       | 2.6       | 2.2       | 1.0       | 5.3       | 6.2       |

Source: BLS



### Usual Weekly Earnings

The Bureau of Labor Statistics (BLS) [report](#) the **usual wages of full-time workers** at various points in the income distribution, including by decile and by quartile. The most commonly used of these measures is median usual weekly earnings, which represents the middle wage; half of wages are above and half are below.

In the third quarter of 2025, median usual earnings of full-time wage and salary workers are \$1,214 per week, compared to \$1,165 per week in 2024 Q3, a nominal one-year increase of 4.2 percent (see —). In 2025 Q2, the median full-time worker receives \$1,196 per week, a one-year increase of 4.6 percent.

### Median Usual Weekly Earnings

*one-year growth, percent, full-time, wage and salary earners, age 16+*



Source: Bureau of Labor Statistics, Author's Calculations



The primary source for BLS quarterly estimates of usual weekly earnings is the [Current Population Survey](#) (CPS). Using the CPS, more-volatile monthly estimates can be calculated before the next BLS quarterly estimate (see ■) is available.

In December 2025, the median full-time worker receives \$1,195 per week, following \$1,216 per week in November and \$1,208 per week in September. The average over these three months is \$1,207 per week, a 2.4 percent increase over the same three months, one year prior (see —).

Median usual weekly earnings increased 1.5 percent over the year ending December 2025 (see ■), following increases of 3.1 percent in November and 2.6 percent in September.

### Median Usual Weekly Earnings

*one-year growth, percent*



Source: BLS, Author

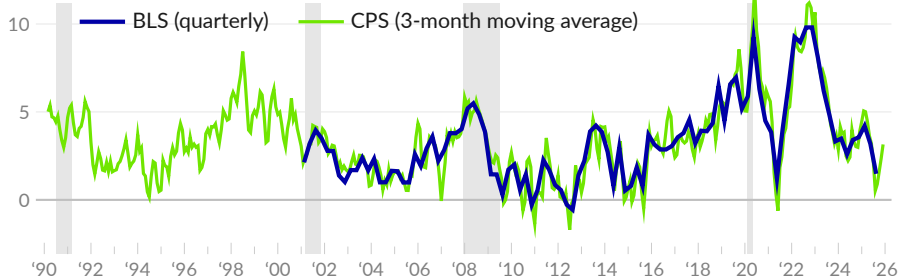


The income distribution also tells us the earnings of low-wage workers, represented here by the first decile. Ten percent of workers earn less than the first-decile wage. BLS [report](#) first decile usual earnings for full-time workers of \$616 per week in 2025 Q3 and \$607 per week in 2024 Q3, a nominal one-year increase of 1.5 percent (see —). Over the year ending 2025 Q2, first decile usual weekly earnings increased 3.2 percent.

The more-volatile CPS-based monthly measure shows first decile usual earnings of \$620 per week in December 2025, \$637 per week in November 2025, and \$617 per week in September 2025. The three-month average is \$625 per week; first decile earnings increased 3.2 percent over the same months, one year prior (see —). By month, over the year ending December 2025, first decile earnings increased 2.1 percent, following increases of 4.5 percent in November and 2.8 percent in September.

### First Decile Usual Weekly Earnings

one-year nominal growth, percent, full-time, wage and salary earners, age 16+



The following tables present the BLS published estimates for usual weekly earnings of full-time wage and salary earners. The first table presents the earnings in levels, and the second table shows the one-year percent change.

### Usual Weekly Earnings

full-time, wage and salary earners, age 16+, nominal USD

|                | 2025<br>Q3 | 2025<br>Q2 | 2025<br>Q1 | 2024<br>Q4 | 2024<br>Q3 | 2023<br>Q3 | 2022<br>Q3 | 2021<br>Q3 | 2020<br>Q3 |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| First Decile   | \$616      | 615        | 619        | 611        | 607        | 587        | 560        | 510        | 490        |
| First Quartile | 818        | 806        | 814        | 805        | 790        | 754        | 724        | 683        | 667        |
| Median         | 1,214      | 1,196      | 1,194      | 1,192      | 1,165      | 1,118      | 1,070      | 1,001      | 994        |
| Third Quartile | 1,898      | 1,887      | 1,895      | 1,876      | 1,858      | 1,767      | 1,696      | 1,577      | 1,575      |
| Ninth Decile   | 2,903      | 2,901      | 2,905      | 2,884      | 2,892      | 2,781      | 2,583      | 2,412      | 2,383      |

Source: Bureau of Labor Statistics

### Weekly Earnings Growth

full-time, wage and salary earners, age 16+, one-year nominal growth, percent

|                | 2025<br>Q3 | 2025<br>Q2 | 2025<br>Q1 | 2024<br>Q4 | 2024<br>Q3 | 2023<br>Q3 | 2022<br>Q3 | 2021<br>Q3 | 2020<br>Q3 |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| First Decile   | 1.5        | 3.2        | 4.2        | 3.6        | 3.4        | 4.8        | 9.8        | 4.1        | 6.3        |
| First Quartile | 3.5        | 3.9        | 5.4        | 3.7        | 4.8        | 4.1        | 6.0        | 2.4        | 9.2        |
| Median         | 4.2        | 4.6        | 4.8        | 4.1        | 4.2        | 4.5        | 6.9        | 0.7        | 8.2        |
| Third Quartile | 2.2        | 2.8        | 4.6        | 6.3        | 5.1        | 4.2        | 7.5        | 0.1        | 7.7        |
| Ninth Decile   | 0.4        | 3.2        | 3.0        | 5.2        | 4.0        | 7.7        | 7.1        | 1.2        | 4.7        |

Source: Bureau of Labor Statistics

## Wages and Education

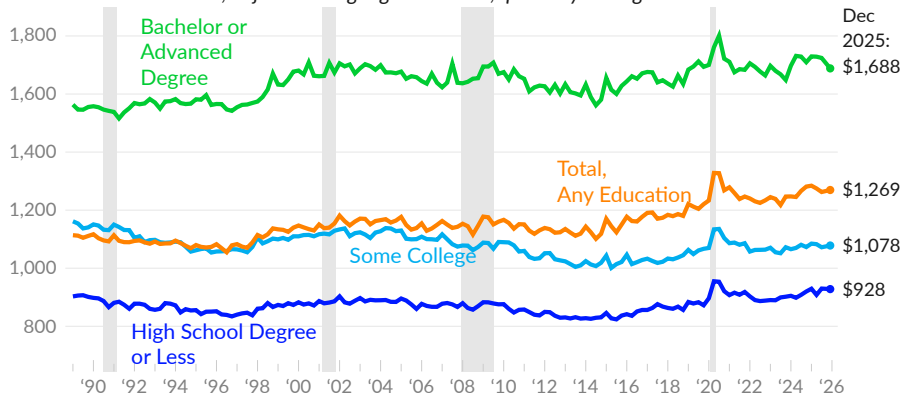
The US has increasingly invested in education, boosting productivity and earnings. This subsection discusses the relationship between **wages and education**, over the long-term and in recent data.

Over the three months ending December 2025, the median usual earnings of full-time wage and salary workers age 25 to 54 average \$1,269 per week. After adjusting for inflation, median earnings have increased by 14.0 percent, in total, since 1989. Over this same period, which features a sharp increase in education in the US, labor productivity increased by 107.1 percent.

Not only is the long-term increase in median wages low, but some of the increase is explained by the median person having more education. Wage growth within education groups is lower than overall wage growth. Real median wages increased eight percent over the same period for workers with a bachelor's degree or more, decreased 7.2 percent for workers with some college or an associate degree, and increased 2.8 percent for those with a high school degree or less.

### Real Earnings by Level of Education

*median usual weekly earnings, full-time wage and salary workers age 25 to 54  
December 2025 dollars, adjusted using regional CPI-U, quarterly average*



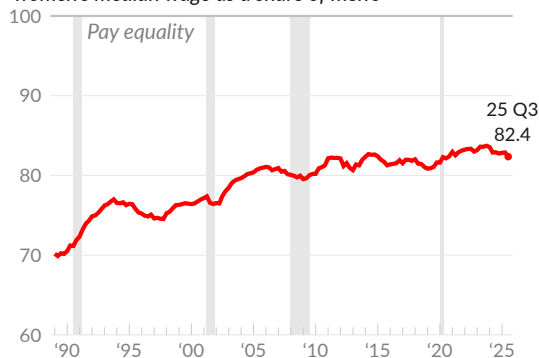
Source: Author's Calculations from CPS

## Gender Wage Gap

Men are paid significantly more than women, both in general, and for a given job. The US **gender wage gap** has narrowed but is large and persistent. The US is not **expected** to achieve gender pay equality until 2053.

### Gender Wage Gap

*women's median wage as a share of men's*



Source: Bureau of Labor Statistics

In 1989, the gender wage gap was 30 percent; women were paid 70 cents for each dollar men were paid. From 1989 to 2006, the gap closed at a rate of 0.74 percentage point per year. From 2006 to 2019 Q4, the gap closed at a rate of only 0.04 percentage point per year.

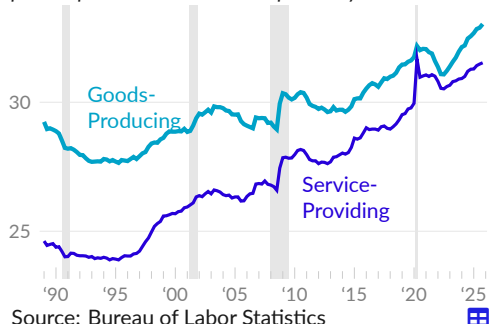
Over the year ending 2025 Q3, the gender wage gap is 17.6 percent; women are paid 82.4 cents on the dollar. Pre-pandemic, in 2019 Q4, the gap was 18.4 percent.

## Average Hourly Earnings

Each month, the Bureau of Labor Statistics [report](#) wages of employees on private nonfarm payrolls. Earnings are also reported by industry and major sector, and for production and non-supervisory workers, who make up about four in every five workers.

### Real Wages by Major Sector

*average hourly earnings, December 2025 dollars  
private production and non-supervisory workers*



Source: Bureau of Labor Statistics

Hourly wages for production and non-supervisory workers in private goods-producing sectors average \$33.07 in December 2025 (see —). In December 2019, the average hourly wage for the sector is \$31.62, after adjusting for inflation.

Private service-providing industry wages average \$31.50 for production and non-supervisory workers in December 2025. The inflation-adjusted equivalent is \$29.74 in December 2019 (see —).

## Growth Rate

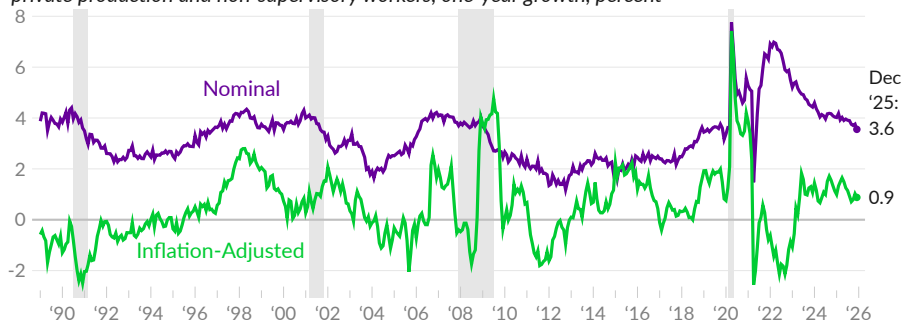
As with other measures of wages, economists are interested in the rate of wage growth. The following chart presents the one-year change in seasonally-adjusted average hourly earnings for private production and non-supervisory employees on nonfarm payrolls. The chart includes both nominal, or unadjusted, wage growth and real, or inflation-adjusted wage growth, which is adjusted using the CPI-U.

Over the year ending December 2025, nominal average hourly earnings increased 3.6 percent for production and non-supervisory workers (see —), following increases of 3.8 percent in November and 3.7 percent in October. Comparing the latest three months to the previous three months, nominal earnings increased at an annual rate of 3.4 percent.

Real average hourly earnings increased 0.9 percent in December 2025 (see —), following increases of one percent in November and 0.8 percent in October. Real wages increased at an annual rate of 0.9 percent over the latest three months, compared to the previous three months.

### Average Hourly Earnings Growth

*private production and non-supervisory workers, one-year growth, percent*

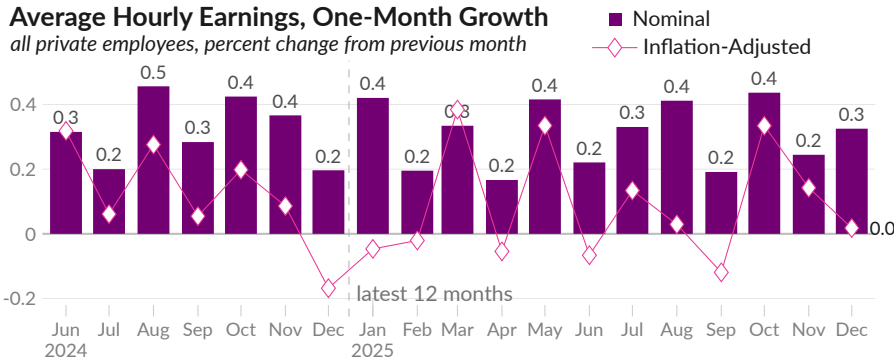


Source: Bureau of Labor Statistics

While one-year wage growth rates are relatively less volatile, the latest month of data only represents one-twelfth of the data that determines the rate. To help identify trends during recent months, the one-month growth rate is presented next.

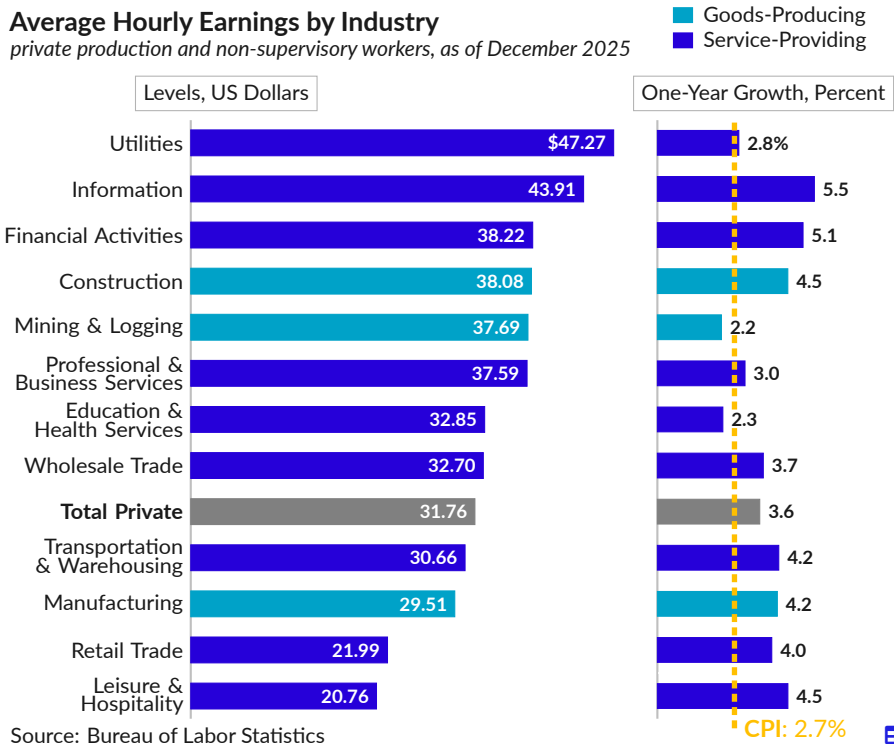
Turning to **one-month growth**, in December 2025, nominal average hourly earnings for all private sector employees increased by 0.3 percent, following increases of 0.2 percent in November and 0.4 percent in October (see ■).

Adjusting for inflation shows one-month growth of 0.0 percent in December, increases of 0.1 percent in November and 0.3 percent in October (see ◇).



The average wage varies between **industry groups**. For production and nonsupervisory workers, the highest average hourly earnings in December 2025 are in the utilities industry (\$47.27), followed by the information industry (\$43.91), and the financial activities industry (\$38.22). The lowest wage industries in the latest data, by average hourly earnings, are leisure and hospitality (\$20.76) and retail trade (\$21.99).

Over the past year, 10 of the 12 industry groups have wage growth above the increase in prices indicated by the consumer price index (see —). The information industry had the fastest nominal growth rate, at 5.5 percent, followed by 5.1 percent in financial activities and 4.5 percent in leisure and hospitality.



## Employment Cost Index

The Bureau of Labor Statistics [report](#) the overall hourly labor costs faced by employers, using an index that is not influenced by short-term changes in the industry and occupation composition of the US workforce. This **Employment Cost Index (ECI)** covers total compensation, wages and salaries, and benefits.

Benefits include health insurance, retirement, vacation, sick leave, and transportation benefits. Benefits access and participation vary, even within the same firm. The benefits costs in the index are averages [computed](#) across all workers, including the workers who do not have benefits.

### Employment Cost Index

*private industry wage and salary workers  
nominal one-year growth, percent*



Over the year ending 2025 Q3, private industry wage and salary costs increased 3.6 percent (see —), following increases of 3.5 percent in Q2 and 3.4 percent in Q1. In 2019, private wages and salaries increased by three percent.

The cost of private sector benefits increased 3.5 percent (see —) over the year ending 2025 Q3, following an increase of 3.4 percent in 2025 Q2. In 2019, private-sector benefits costs increased by two percent.

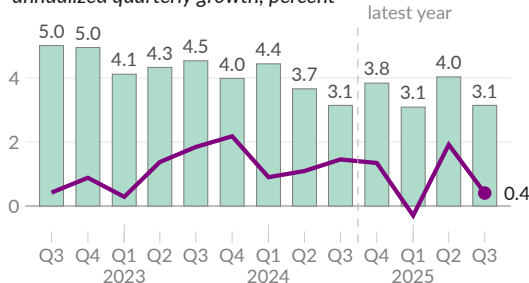
Quarterly ECI growth can highlight recent developments. Next, we examine seasonally-adjusted annualized quarterly wage and salary growth for all civilian workers.

In 2025 Q3, wages rose by an annual rate of 3.1 percent, following increases of four percent in Q2 and 3.1 percent in Q1 (see ■).

Adjusted for inflation using the PCE deflator, annualized growth is 0.4 percent in 2025 Q3, following an increase of 1.9 percent in Q2, and a decrease of 0.3 percent in Q1 (see —). Real wage growth is below the long-term average.

### Employment Cost Index

*wages and salaries, all civilian workers  
annualized quarterly growth, percent*



Longer-term trends in ECI wage growth add context to recent developments. Prior to 2001, ECI growth is calculated using a different industry classification (SIC). The next chart combines both classifications to present one-year growth since 1989.

### Employment Cost Index

*nominal wages and salaries, all civilian workers, one-year growth, percent*



## Wage Growth Tracker

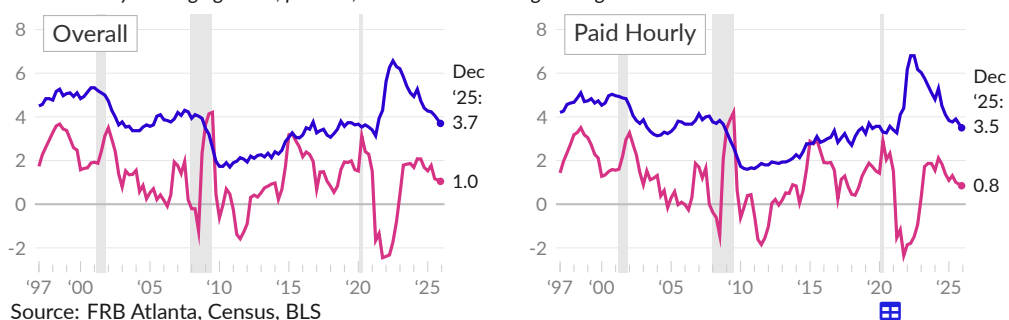
The Federal Reserve Bank of Atlanta [publish](#) a **wage growth tracker** that captures the distribution of one-year changes in the wages of the same people. This approach avoids some of the compositional changes that affect aggregate wage growth measures, though the sample used to calculate the data is affected by changes to respondents' employment status, and by survey response rates.

The wage growth tracker shows matched-observation nominal median wage growth of 3.7 percent over the three months ending December 2025, and 3.5 percent for workers paid hourly (see —). One year prior, in December 2024, three-month moving average nominal median wage growth was 4.2 percent, overall, and 3.9 percent for hourly workers.

The inflation-adjusted one-year median wage growth (see —) can also be calculated using the wage growth tracker approach. Real wages are deflated using the CPI-U. In December 2025, inflation-adjusted median wage growth is one percent overall, and 0.8 percent for hourly workers.

### Wage Growth Tracker, Median

median one-year wage growth, percent, three-month moving average



## Zero Wage Change

By observing the same person's wage at two points in time, one year apart, we see how many people do not receive a wage increase. The Atlanta Fed measures this as the share of individuals who have one-year hourly wage growth of between -0.5 and 0.5 percent. The Atlanta Fed approach is replicated using CPS data, and smoothed with a three-month moving average.

In December 2025, 13.0 percent of hourly workers receive no wage increase, compared to 13.0 percent in November 2025 (see —). One year prior, in December 2024, 12.6 percent of individuals had no wage growth.

### Zero Wage Change

share of individuals with one-year wage growth between -0.5 and 0.5 percent, three-month average





## Hours Worked

The Bureau of Labor Statistics (BLS) track how much people work. BLS calculates **hours worked** per week from establishment data and household surveys. Business establishments report average hours worked per job, while households report average hours per worker. Some workers have more than one job, increasing household measures relative to establishment measures.

The next charts show four measures of average hours worked. Two measures, Current Employment Statistics (CES), which **measures** private nonfarm payrolls, and Labor Productivity and Costs (LPC), a **calculation** of average hours across all jobs, come from establishment data. Two measures come from household data: the Labor Force Survey (LFS) **capturing** employees in all nonagricultural industries, and a Current Population Survey (CPS) calculation of hours of all workers.

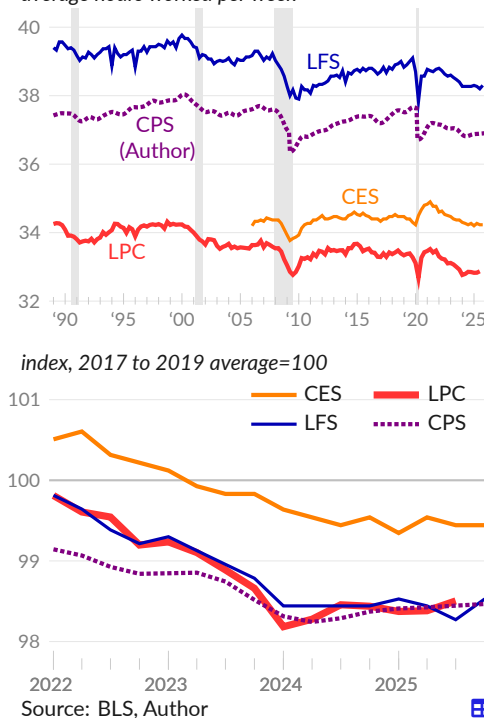
Actual hours worked by people at work during the household survey reference week average 38.3 in December 2025 (see —), slightly below the 38.9 hour average during 2017 to 2019. Hours worked average 39.6 from 1998 through 2000, and fell to a Great Recession low of 37.4 in February 2010.

The CPS-based measure for all workers (see ...) averages 36.9 hours per week in December 2025, following 36.9 in December 2024, and compared to 37.5 hours during 2017–2019.

In December 2025, establishment data show employees on private nonfarm payrolls (see —) worked 34.2 hours per week on average, slightly below the 34.4 average weekly hours during 2017 to 2019.

The average hours for all jobs (see —) is 32.9 per week in 2025 Q3, following 32.9 in 2024 Q3. In 1989, 34.3 hours are worked per week per job.

**Hours Worked Measures and Trend**  
average hours worked per week



### Hours Worked Measures

average hours per week,  
seasonally adjusted

|                                  | period average |        |        |        |           |           |           |
|----------------------------------|----------------|--------|--------|--------|-----------|-----------|-----------|
|                                  | '25 Q4         | '25 Q3 | '24 Q4 | '23 Q4 | 2017 –'19 | 2009 –'10 | 1998 –'99 |
| Private Nonfarm Jobs, CES (—)    | 34.2           | 34.2   | 34.3   | 34.4   | 34.4      | 34.0      | –         |
| Production & Non-Supervisory     | 33.7           | 33.7   | 33.7   | 33.8   | 33.7      | 33.3      | 34.4      |
| Total, All Jobs, LPC (—)         | –              | 32.9   | 32.8   | 32.9   | 33.4      | 33.0      | 34.2      |
| Nonagricultural Workers, LFS (—) | 38.3           | 38.2   | 38.3   | 38.4   | 38.9      | 38.1      | 39.5      |
| Part-Time for Economic Reasons   | 22.5           | 22.7   | 22.7   | 23.1   | 23.2      | 22.6      | 23.0      |
| Services Occupations             | 34.6           | 34.4   | 34.5   | 34.6   | 35.1      | 34.2      | –         |
| Total, All Workers, CPS (—)      | 36.9           | 36.9   | 36.9   | 36.9   | 37.5      | 36.7      | 37.9      |

Source: Bureau of Labor Statistics, Author

## Aggregate Hours Worked

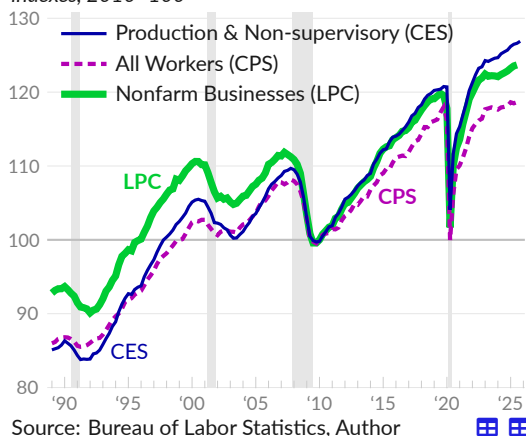
In addition to tracking the average hours that people work, economists are interested in **aggregate hours worked**, which combine the average workweek with the number of workers. The aggregate hours worked represent the total labor input of a sector. This subsection examines three measures of total hours worked.

First, the Bureau of Labor Statistics (BLS) [publish](#) a quarterly index of aggregate hours worked in nonfarm businesses (see [—](#)). The official productivity figures in the Productivity and Costs (LPC) report use this measure, which shows an annualized 0.8 percent increase in aggregate hours since 1989.

Next, the establishment survey (CES) can be used to calculate aggregate hours worked as average hours worked multiplied by the total number of workers. Aggregate hours for private production and non-supervisory workers calculated using this method have increased 1.2 percent per year since 1989 (see [—](#)).

### Aggregate Hours Worked

indexes, 2010=100



Third, the Current Population Survey (CPS) can be used to estimate hours of all workers, which increased 0.9 percent per year since 1989 (see [—](#)).

Trends emerge when comparing between the aggregate hours measures. Production and non-supervisory workers have the most growth. In contrast, public sector hours have not kept up since the Great Recession, driving a wedge between hours for all workers and hours for private workers. This trend continued after the COVID-19 recession.

The next chart highlights growth patterns in aggregate hours worked (see [■](#)) and output (see [□](#)) at private nonfarm businesses. Hours rise in expansions and fall during recessions. Comparing two recent expansions, from 1994 to 1999, aggregate hours increased by 2.5 percent per year; from 2014 to 2019, hours increased 1.7 percent per year.

In 2024, hours worked increased 0.2 percent, following growth of one percent in 2023. Hours increased at an annual rate of 0.9 percent, year to date, in 2025.

### Aggregate Hours Worked Growth

nonfarm businesses, annual growth, percent



Importantly, the gap between output growth and hours growth is productivity growth. This topic is discussed in the next subsection.

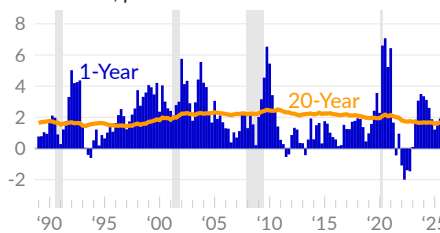
## Labor Productivity

Labor productivity is [reported](#) by the Bureau of Labor Statistics and measured as **real output per hour of work**. The measure captures the rate at which people, with all of the resources and equipment and infrastructure available to them, are able to work together to produce goods and services. Labor productivity growth means real wages can increase without putting upward pressure on inflation. Alternatively, an increase in productivity means a society can meet its material needs with less work.

Over the longer-term, US labor productivity growth averages 1.9 percent per year. The trailing 20-year average growth rate is 1.7 percent in 2025 Q3 (see —). During the 1990s and early 2000s, labor productivity growth was above its long-term average. In contrast, from 2010 to 2017, productivity growth was below average. Over the year ending 2025 Q3, growth averages 1.9 percent (see —).

### Labor Productivity Growth

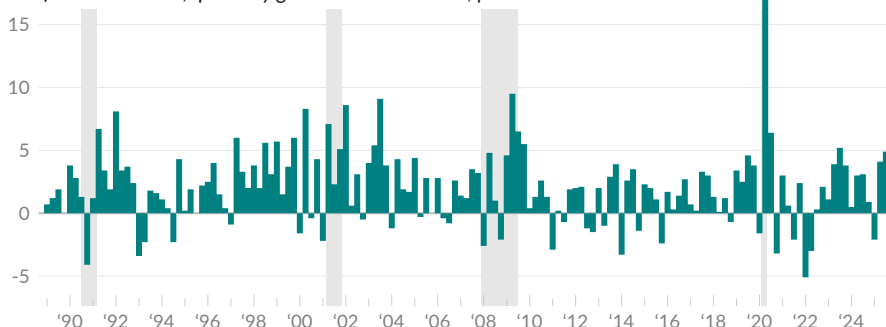
annual rate, percent



In 2025 Q3, nonfarm business labor productivity increased at an annual rate of 4.9 percent (see ■), as the result of an increase of 5.4 percent in real output and an increase of 0.5 percent in hours worked. In the prior quarter, 2025 Q2, labor productivity increased at an annual rate of 4.1 percent, as real output increased 5.2 percent and hours of work increased one percent. Productivity has increased at an annual rate of 1.4 percent over the past five years, substantially below the 1989-onward rate of two percent.

### Labor Productivity Growth

nonfarm businesses, quarterly growth at annual rate, percent



In the short-term, productivity growth is affected by changes in the composition of the workforce, and by volatility in both the number of hours worked and in production. In the longer-term, the level of business net investment in equipment and other capital goods, particularly relative to the size of the workforce, affects productivity growth. Such investment allows more goods and services to be produced by the same hours of work. Yet efforts to stimulate business investment directly through reducing corporate income taxes do not seem to have worked.

One theory of what drives medium-term trends, called the *Kaldor-Verdoorn Law*, states that demand, and the capacity to meet that demand, determine productivity growth. An economy facing real resource constraints, where demand for goods and services exceeds the capacity to provide these services, is more likely to find ways to produce goods and services more efficiently. As one example, businesses invest more in labor-saving technologies when faced with a tight labor market.

## Productivity Growth Decomposition

The Bureau of Labor Statistics [reports contributions to nonfarm business labor productivity growth](#). Some portion of productivity growth can be explained by businesses adding capital such as equipment and IT improvements. Additionally, the age, education, and gender composition of the labor force changes over time, which affects the average output per hour of work.

In 2024, labor productivity increased by 2.7 percent (see ○). Capital intensity contributed 1.1 percentage points (see ■), and labor composition contributed 0.3 percentage point (see ■). The remainder, called total factor productivity, added 1.3 percentage points (see ■).

### Decomposition of Labor Productivity Growth

contribution to labor productivity, percentage points



Source: Bureau of Labor Statistics

## Union Membership

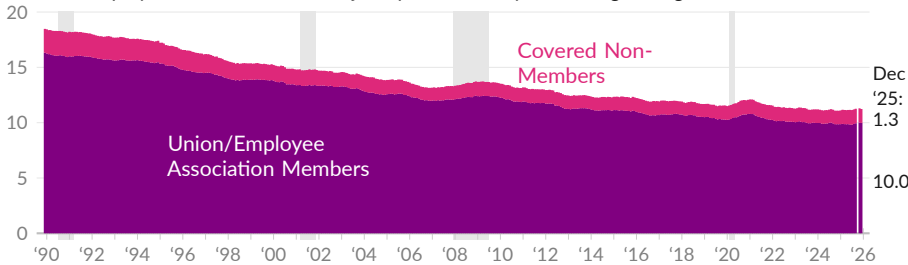
Membership in **unions and employee associations** has **diminished** in the United States over the past fifty years. Unionized jobs typically offer higher wages and better benefits and union membership tends to increase wages and benefits even in nonunion jobs. Research shows that lower union membership increases income inequality.

Over the 12 months ending December 2025, the union membership rate averaged ten percent (see ■). The coverage rate, which includes nonmembers that are covered under a union contract, was 11.2 percent. During the 12-month period, an average of 131.9 million workers were not represented by a union, 14.6 million workers were union members, and an additional 1.8 million workers, or 1.3 percent of the workforce, reported no union affiliation but were covered by a union contract (see ■).

One year prior, over the 12 months ending November 2024, the union membership rate was 9.9 percent, and the coverage rate was 11.1 percent. From November 2024 to December 2025, the 12-month average number of nonunion workers increased by 1.6 million, while the number of workers represented by unions increased by 442,000.

### Union Membership and Coverage

union or employee association share of jobs, percent, one-year moving average

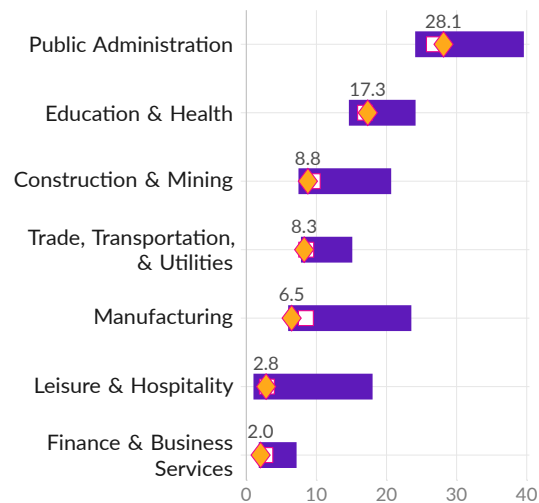


Source: Author's Calculations from Current Population Survey

### Union Membership Rate by Industry

union or employee association member, percent

■ 30-year range ■ Nov 2024 ◆ Dec 2025



Source: Author's Calculations from CPS

Union membership rates vary by industry. Public administration has the highest rate, at 28.1 percent as of December 2025, followed by education and health with 17.3 percent, and construction and mining with 8.8 percent.

The manufacturing industry experienced the largest drop in union membership over the past 30 years, and is currently 17.1 percentage points below its February 1989 rate of 23.5 percent.

The lowest union membership rate is in finance and business services (two percent). The union membership rate of the industry was 7.2 percent in March 1992.

# Financial Markets

The US financial markets provide funding for borrowers' activities and offer potential income to lenders. The US equity and bond markets are the largest in the world, with daily trading volumes of several hundred billion dollars.

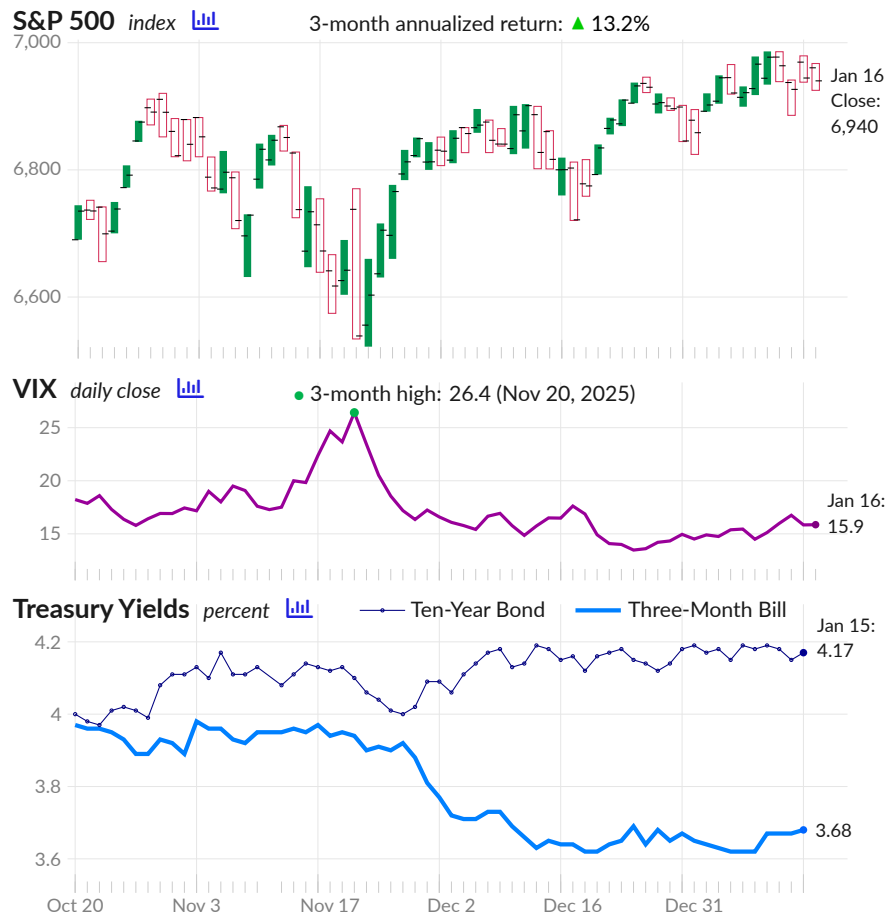
The US financial markets also provide information that is helpful for macroeconomic analysis. This section discusses equity markets, interest rates and bond markets, and money and monetary policy.

## High-Frequency Indicators

Relative to most economic indicators, financial markets provide a higher frequency of information. **High-frequency indicators**, summarized daily, can show developments before typical economic measures report the changes.

The next charts show the most recent three months of developments. The top chart shows the S&P 500 stock market index open, close, daily high, and daily low. The middle chart is the stock market volatility index (VIX), which will spike when people expect swings in stock prices.

Finally, treasury yields indicate expected future interest rates, which themselves capture expected future inflation and growth. Each of these indicators is discussed in more depth later in this chartbook section.



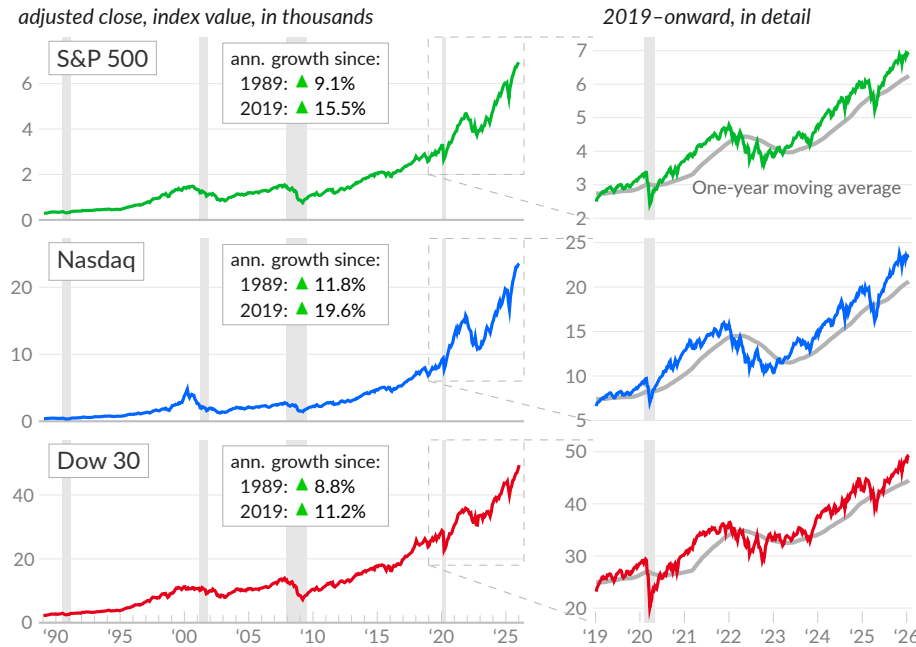
## Equity Markets

Equity markets, or **stock markets**, provide a method for businesses to raise capital by selling shares, which represent ownership claims on the business. Equity markets also provide a place for people to buy and sell existing shares. Investors purchase shares in hopes that the price will go up, allowing them to sell the shares at a higher price and receive capital gains, or to gain access to a stream of dividends, which are payments from businesses to shareholders.

In the US, several stock market indices track the share price of a basket of companies. Most measures are weighted by the market capitalization of the companies in the basket, which is the market value of each company. The following charts and table are adjusted to include stock splits, dividends, and capital gains distributions.

### Stock Market Indices

adjusted close, index value, in thousands



The **S&P 500** (see —) is a market-cap-weighted stock market index based on 500 large companies listed on US exchanges. As of January 16, 2026, the S&P 500 has increased at an annual rate of 9.1 percent since 1989, and 15.5 percent since 2019. The **Nasdaq** composite index (see —) includes the tech-heavy companies listed on the Nasdaq stock exchange. The Nasdaq index increased at an annual rate of 11.8 percent since 1989, and 19.6 percent since 2019.

The **Dow 30** industrial average (see —) is an index based on 30 large and prominent companies listed on US exchanges. The price-weighted measure captures the long-term performance of established companies, and increased at an annual rate of 8.8 percent since 1989 and 11.2 percent since 2019.

### Stock Market Indices

adjusted close

annual index returns, including dividends

|           | Jan 16, 2026 | 1-year average | 2026 YTD | 2025 | 2024 | 2023 | 2022  | 2021 |
|-----------|--------------|----------------|----------|------|------|------|-------|------|
| — S&P 500 | 6,940        | 6,260          | 1.4      | 16.4 | 23.3 | 24.2 | -19.4 | 26.9 |
| — Nasdaq  | 23,515       | 20,674         | 1.2      | 20.4 | 28.6 | 43.4 | -33.1 | 21.4 |
| — Dow 30  | 49,359       | 44,578         | 2.7      | 13.0 | 12.9 | 13.7 | -8.8  | 18.7 |

Source: STOOQ

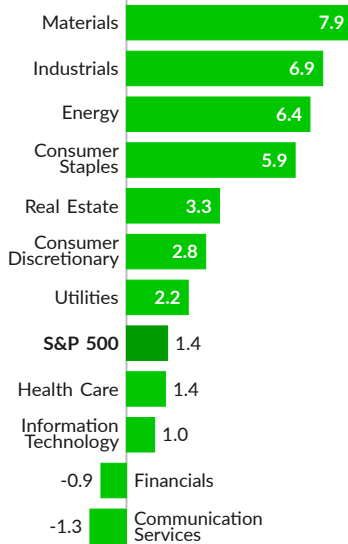


## Sector Returns

The S&P 500 companies are broadly categorized into 11 industrial sectors, which are tracked independently. The largest sector is information technology, which makes up 34.4 percent of the index, by market cap, as of December 31, 2025. The financials sector makes up 13.4 percent, the communication services sector makes up 10.6 percent, and the consumer discretionary sector makes up 10.4 percent.

### S&P 500 Sector Returns

year to date, percent, as of Jan 15, 2026



Source: STOQQ

In the latest full year of data, 2025, the S&P 500 adjusted gain was 16.4 percent. The information technology sector returned 23.8 percent, the communication services sector returned 21.6 percent, and the industrials sector gained 17.7 percent. The largest loss in 2025 was in the consumer staples sector, with a total decrease of 1.2 percent.

As of January 15, 2026, the **year-to-date total return** for the S&P 500 is 1.4 percent. The materials sector returned 7.9 percent, the industrials sector returned 6.9 percent, and the energy sector gained 6.4 percent. The largest loss is in the communication services sector, with a total decrease of 1.3 percent.

Over the past month, the S&P 500 has returned 1.9 percent. The materials sector returned 10.2 percent, the industrials sector gained 9.7 percent, and the energy sector returned 5.1 percent.

## Real Return

Next, for the typical investor saving for retirement, long-term and inflation-adjusted returns are particularly important. Over the long-term, US equities markets have traditionally returned around seven percent per year, after adjusting for inflation.

Historical stock market [data](#) from Robert Shiller show the **inflation-adjusted trailing twenty-year annual return** of the S&P 500 is 8.0 percent as of December 2025 (see —). Ultra-long-term real returns are currently low relative to the average trailing twenty-year real annual return of 10.1 percent during 1995–2005. The trailing ten-year real return was 11.0 percent, as of December 2025, and 10.7 percent during 1995–2005 (see —).

### S&P 500 Real Return

trailing period annualized real return



Source: Shiller, Baker, Author's Calculations



## Dividends

One component of total returns is **dividend payments to shareholders**. The dividend payments per share over the previous four quarters divided by the share price is the dividend yield. The S&P 500 dividend yield has averaged around two percent, over the past few decades.

In December 2025, the dividend yield for the S&P 500 is 1.15 percent (see —), compared to 1.17 percent in November 2025, and 1.24 percent in December 2024. From 1990 to 2015, the dividend yield averaged 2.09 percent.

### S&P 500 Dividend Yield

annual dividend per share divided by share price, percent



Source: Shiller

## Corporate Equity Payout

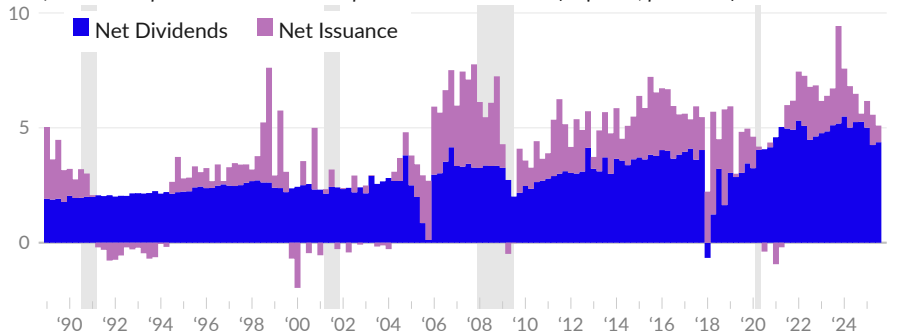
As seen above, investors achieve returns through price appreciation and dividends. Corporations, likewise, can return money to shareholders with dividends, or by repurchasing shares of their own stock. These share buybacks increase the share price, allowing investors to sell their shares at the higher price.

Investors like that share buybacks allow flexibility on the timing of tax payments. Dividends generate tax liabilities when the dividend is issued; share buybacks generate tax liabilities when the shares are sold. Additionally, corporations may prefer share buybacks over higher dividends because cutting dividends in the future would be viewed negatively.

The financial accounts [track](#) the **total payout from corporate equities**, which includes dividends and share buybacks. In the third quarter of 2025, nonfinancial corporation net dividends are equivalent to 4.4 percent of GDP (see ■) and net equities issuance is equivalent to 0.7 percent of GDP (see ■). In 2019, net dividends were 3.1 percent of GDP and net issuance was 1.6 percent. From 1990 to 2015, net dividends averaged 2.6 percent of GDP and net issuance averaged 1.1 percent.

### Corporate Equity Payout

nonfinancial corporation net dividends paid and net issuance of equities, percent of GDP



Source: Federal Reserve, Bureau of Economic Analysis

## Valuation

The [cyclically-adjusted price to earnings](#) (CAPE) ratio compares the current price of the S&P 500 to the previous ten years of total S&P 500 returns, including dividends and buybacks (treated as dividends). Valuations often use recent or forecasted earnings. Robert Shiller's CAPE ratio covers ten years (a normal business cycle) so that valuations are less-affected by the idiosyncrasies of current economic conditions.

In January 2026, the Shiller total return CAPE ratio was 42.7, compared to 42.8 in December 2025 and 39.9 in January 2025 (see [—](#)). In 2019, the Shiller CAPE ratio was 32.1, on average. In 2000, during the stock market bubble, the ratio averaged 45.1.

### Price to Earnings Ratio

ratio of market value to trailing 10-year returns



Source: Shiller

### Tobin's Q

ratio of market value to replacement cost



Source: Federal Reserve

A second measure, Tobin's Q, is the ratio of market value to replacement value. A ratio below 100 means the market value is below the replacement value and stocks may be undervalued. A ratio above 100 means the market value is above the replacement cost and stocks may be overvalued. As of 2025 Q3, the ratio is 247.8 (see [—](#)), following 235.6 in 2025 Q2, and compared to an average of 170.7 in 2019.

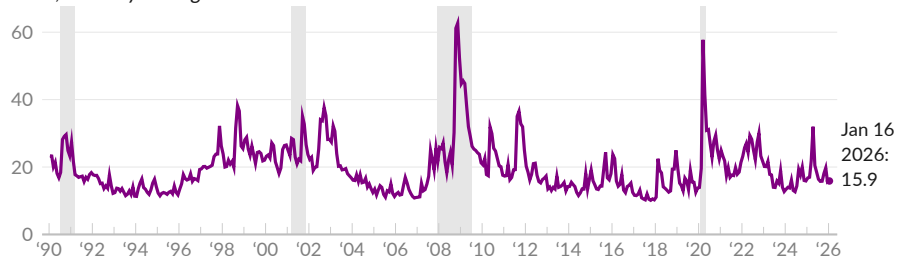
## Volatility

The Chicago Board Options Exchange uses S&P 500 options data to [identify](#) expectations of future volatility. When investors are uncertain about the future, they will pay a premium for the insurance-like qualities of options. The CBOE volatility index, popularly known as the VIX, captures overall changes in options prices to identify the market-implied volatility in the S&P 500 index over the following 30 days.

The latest value for the VIX is 15.9 on January 16, 2026 (see [—](#)), in line with the average index value of 17.1 over the past three years, and in line with the typical index value of 17.6 since 1990. The VIX increased by 1.4 points over the past week.

### CBOE Volatility Index

index, monthly average and latest value



Source: Chicago Board Options Exchange

## Interest Rates

Interest rates influence the cost of borrowing money and economic activity broadly, and have an important role in economic policy. Spending and investing activities are affected in part by changes in interest rates, which affect borrowing costs and investment returns. Changes in interest rates also result in changes in asset prices and exchange rates, which in turn influence demand.

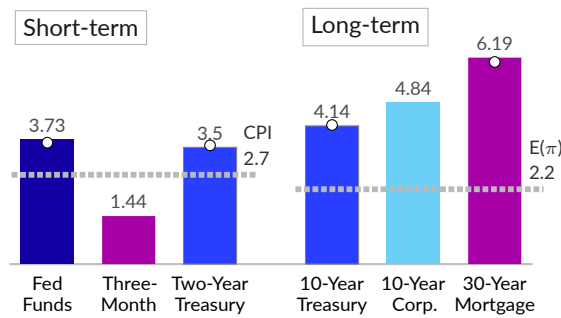
Because of the effect interest rates have on demand, monetary policy in the US uses interest rates to influence economic conditions. **The Federal Reserve sets a base interest rate which affects other interest rates.** Interest rates tend to move together alongside the interest rate policy of the Federal Reserve, though the spread between different types of interest rates is also important. The following chart compares recent interest rates for selected assets and markets.

In December 2025, the effective Federal Reserve overnight interest rate, known as the Fed Funds Rate, is 3.73 percent. Short-term treasury yields track this rate closely. Corporate bonds pay a risk premium over comparable treasuries.

Banks pay lower rates on deposits and charge higher rates for loans. The gap between the two is the net interest margin. Expected future changes in inflation also affect the premium or discount for longer-term borrowing.

### Selected Interest Rates, December 2025

annual rate, percent



Source: Treasury, FDIC, Freddie Mac  
More-recent market data, from January 15, 2026, are available for some series (see o).

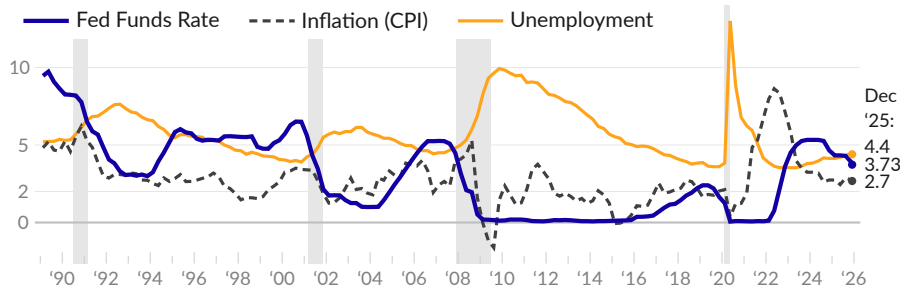
This subsection discusses interest rate policy and reports rates for various assets and markets. Related concepts are also discussed, including real interest rates, interest rate spreads, and the yield curve.

## Federal Funds Rate

The Federal Reserve (Fed) has a congressional [mandate](#) to promote price stability and maximum employment. In practice, a Fed committee (the FOMC) determines the **federal funds rate**, the overnight interest rate used to influence other interest rates and the broader economy. Fed interest rate policy can aim to be neutral or to stimulate or slow the economy, in response to changes in unemployment and inflation.

### Fed Funds Rate, Unemployment, and Inflation

annual rate, percent

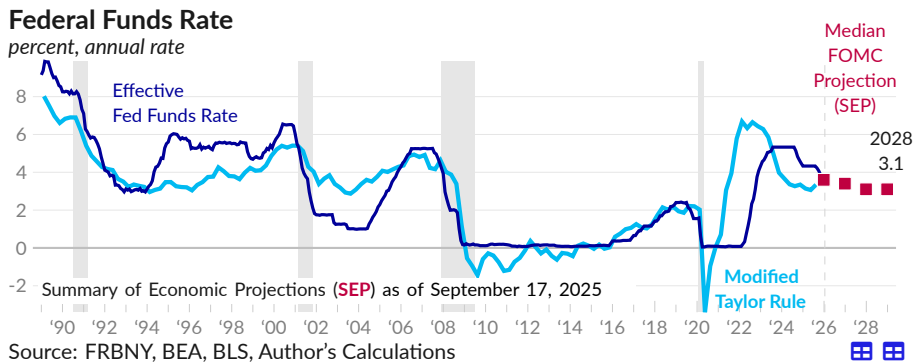


Source: Federal Reserve, Bureau of Labor Statistics

The FOMC has raised and lowered interest rates several times since 1989. Typically, rates are higher when inflation is above the two percent target, and rates are cut during economic recessions, to stimulate demand and boost employment.

Rules can be useful for interest rate policy. For example, former Fed Chairs Bernanke and Yellen used a variation of the **Taylor rule** to guide interest rate policy. The Taylor Rule, from economist John Taylor, sets the fed funds rate based on inflation and output. Policy rates are adjusted when inflation moves away from the target or output moves away from its stable potential. There are many formulations of the rule.

One formulation of the Taylor rule is shown below (see —), alongside the fed funds rate (see —). This version uses the core PCE inflation rate and puts more weight on the goal of maximum employment. During the pandemic, rules were less useful, as public health concerns took priority.



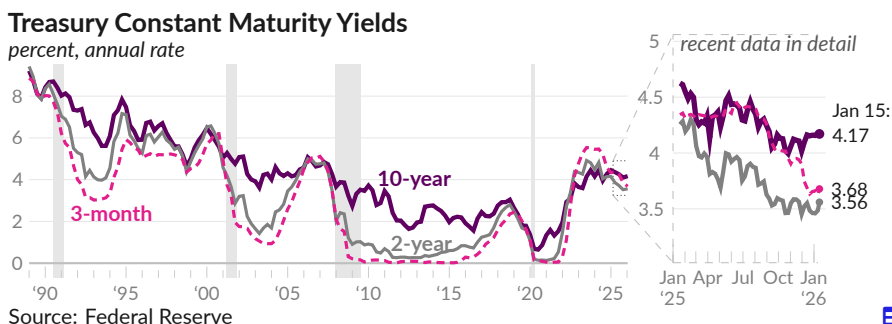
FOMC meeting participants provide **projections** which can be used to summarize policymaker views on the future path of the federal funds rate, as seen by the people who set it. As of September 17, 2025, the median projected federal funds rate is 3.6 percent for year-end 2025, 3.4 percent for 2026, and 3.1 percent for 2027 (see ■).

## Treasuries

United States Treasury securities, or **treasuries**, are the asset created by federal government borrowing. The treasuries market is traditionally considered both very low-risk and highly liquid. As of December 2025, the public holds \$30.3 trillion in marketable treasuries.

From the 1980s to 2021, treasury yields fell considerably. The annual yield on ten-year treasuries (see —) fell from 8.49 percent in 1989 to 0.65 percent in July 2020. As of January 15, 2026, ten-year treasury bonds yield 4.17 percent, a decrease of 0.60 percentage point from the year prior.

Short-term treasuries more closely track the fed funds rate. Three-month bills (see —) return an annual rate of 8.39 percent in 1989 but pay virtually no interest from 2009 to 2016. As of January 15, 2026, three-month treasuries yield 3.68 percent, a decrease of 0.68 percentage point from the year prior.



## Selected US Treasury Rates

constant maturity yield, percent

period averages

|             | Jan 15,<br>2026 | Jan 14,<br>2026 | Jan 9,<br>2026 | Dec<br>2025 | Jan<br>2025 | 2019 | 2010<br>–'13 | 1998<br>–'00 | 1989 |
|-------------|-----------------|-----------------|----------------|-------------|-------------|------|--------------|--------------|------|
| One-month   | 3.75            | 3.72            | 3.70           | 3.77        | 4.42        | 2.12 | 0.07         | –            | –    |
| Three-month | 3.68            | 3.67            | 3.62           | 3.68        | 4.34        | 2.11 | 0.08         | 5.23         | 8.39 |
| Six-month   | 3.60            | 3.58            | 3.57           | 3.63        | 4.26        | 2.11 | 0.13         | 5.38         | 8.48 |
| One-year    | 3.54            | 3.50            | 3.52           | 3.54        | 4.18        | 2.05 | 0.20         | 5.42         | 8.53 |
| Two-year    | 3.56            | 3.51            | 3.54           | 3.50        | 4.27        | 1.97 | 0.43         | 5.61         | 8.57 |
| Three-year  | 3.62            | 3.56            | 3.59           | 3.55        | 4.33        | 1.94 | 0.70         | 5.62         | 8.55 |
| Five-year   | 3.77            | 3.72            | 3.75           | 3.70        | 4.43        | 1.95 | 1.35         | 5.62         | 8.50 |
| Seven-year  | 3.96            | 3.92            | 3.95           | 3.90        | 4.53        | 2.05 | 1.93         | 5.76         | 8.52 |
| Ten-year    | 4.17            | 4.15            | 4.18           | 4.14        | 4.63        | 2.14 | 2.54         | 5.65         | 8.49 |
| Twenty-year | 4.74            | 4.73            | 4.76           | 4.76        | 4.92        | 2.40 | 3.33         | 6.05         | –    |
| Thirty-year | 4.79            | 4.79            | 4.82           | 4.80        | 4.85        | 2.58 | 3.63         | 5.80         | 8.45 |

Source: Federal Reserve

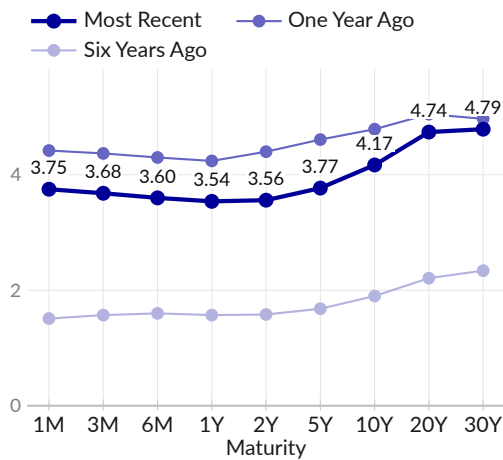
## Yield Curve

The **yield curve** arranges the **interest rates** of US Treasury bills and bonds in a line, from shortest duration to longest duration. This process summarizes the term structure of interest rates—how much it costs to borrow for different periods of time—and is considered an indicator of how markets view short-term economic conditions relative to longer-term conditions.

The yield curve is normally upward sloping as investors expect to be compensated for lending for a longer period of time. The shape of the yield curve changes over time and is affected by several factors, including the term premium, Federal Reserve policy, and expectations about future inflation. The curve can become steeper, for example, if interest rates or inflation is expected to be higher in the future.

## Treasury Yield Curve

constant maturity yield, percent, **January 15, 2026**



Source: Federal Reserve

The yield curve can also become *inverted* when yields on shorter-term debt are higher than yields on longer-term debt. An inverted yield curve can signal worsening economic conditions. For example, short-term rates may exceed longer-term rates if the Federal Reserve is expected to lower interest rates in the future, or if inflation is expected to fall due to weakened economic conditions.

Since 1989, the US has entered into four recessions and the 10-year to 2-year segment of the yield curve has newly inverted four times. The most recent such inversion started on September 1, 2019.

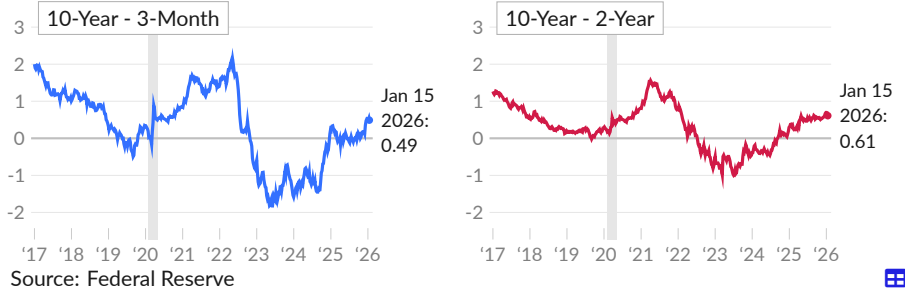
## Yield Spread

Another summary measure of the term structure of interest rates is the difference, or *spread*, between interest rates of treasuries with different maturities. **Yield spreads** can be used to track changes in the term structure of Treasuries, over time.

As of January 15, 2026, the spread between a 10-year treasury bond and a three-month treasury bill is 0.49 percentage point (see —), compared to 1.63 percentage points one year prior. The spread between 10-year and 2-year treasuries (see —) is 0.61 percentage point on January 15, 2026, and 1.50 percentage points one year prior.

### Treasury Yield Spreads

percentage points



## Changes in Treasury Yields

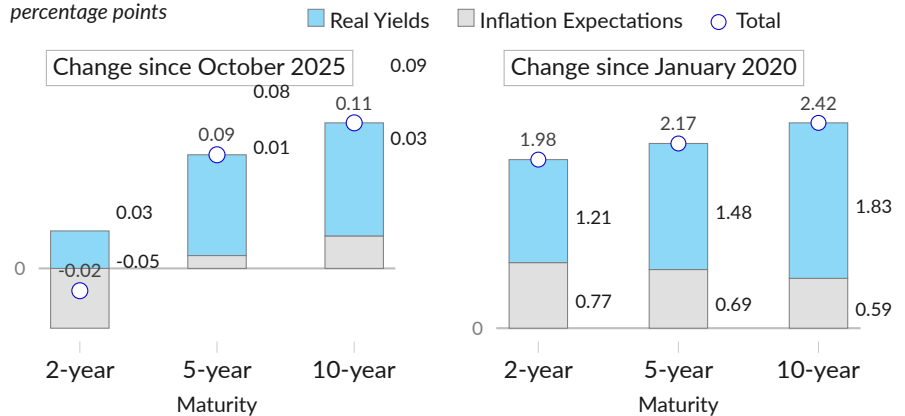
Changes in nominal treasury yields can be **decomposed into changes in expected inflation and changes in real yields**. Changes in real yields reflect changes in the expected path of the federal funds rate and the economic outlook. Federal Reserve Bank of Cleveland models **identify** inflation expectations across the term structure, which can be used to identify changes in real yields.

Over the three months ending January 2026, two-year treasury yields decreased 0.02 percentage point, real yields increased 0.03 percentage point, and inflation expectations fell 0.05 point. Ten-year treasury yields increased 0.11 percentage point, real yields grew 0.09 point, and inflation expectations grew 0.03 point.

Over the five years ending January 2026, the yield on two-year treasuries increased 1.98 percentage points, the real yield grew 1.21 points, and inflation expectations grew 0.77 point. For ten-year treasuries, the yield increased 2.42 percentage points, the real yield grew 1.83 points, and expected inflation increased 0.59 percentage point.

### Decomposition of Recent Changes in Treasury Yields

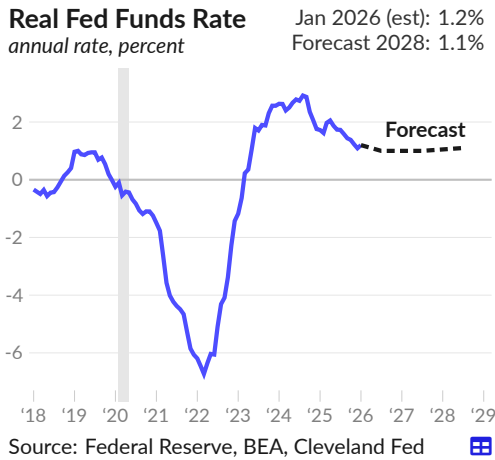
percentage points



Latest data from model as of: January 2026  
Source: Federal Reserve, Federal Reserve Bank of Cleveland

## Real Interest Rates

Real interest rates, which are adjusted for inflation, offer insight into economic and financial conditions. Low real interest rates encourage borrowing and consumption and increased economic activity, while high real interest rates discourage borrowing and encourage saving.



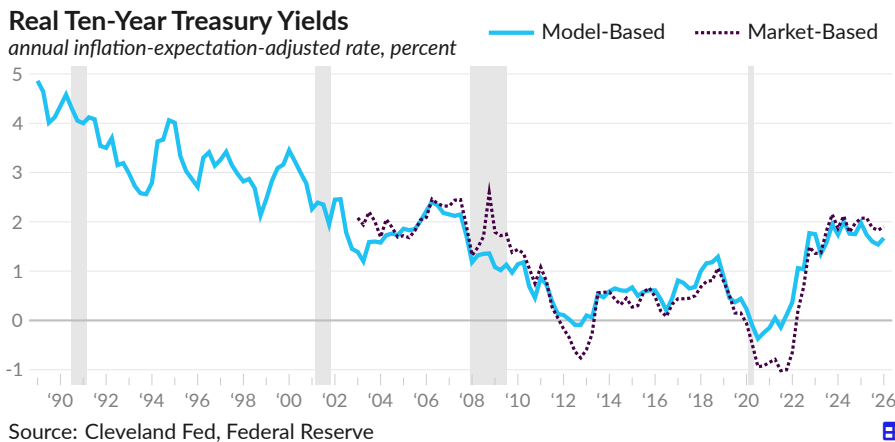
To gauge the overall effect of Fed interest rate policy, the **real federal funds rate** is calculated as the effective fed funds rate minus the all-item PCE inflation rate. In September 2025, the real Fed funds rate is 1.44 percent (see —); the estimated rate for January 2026 is 1.20 percent.

The Federal Reserve Board publishes a Summary of Economic Projections, which can be used to calculate the median board-member forecast for the real Fed funds rate. The September 17, 2025 forecast is one percent in 2027 and 1.1 percent in 2028 (see - -)

Next, two techniques are used to identify real yields for longer-term treasury bonds. First, Treasury inflation-indexed securities are used as a proxy for the interest rate investors would charge for treasuries, without inflation. As of January 15, 2026, the real yield on ten-year treasuries is 1.88 percent (see ····), compared to 1.76 percent three months prior, in October 2025, and 2.23 percent one year prior, in January 2025. Real yields average negative 0.76 percent during 2020–2021.

The market-based approach has limitations, as the market for treasury inflation-indexed securities is relatively small and can be influenced by monetary policy. The Cleveland Fed model estimates real yields across the term structure, using a model based on treasury yields, inflation, and financial-market- and survey-based information.

The model-based real yield on ten-year treasuries is 1.67 percent, as of January 2026 (see —), and 2.06 percent in January 2025. Real ten-year treasury yields averaged 3.3 percent during the 1990s. From 2011 to 2016, real ten-year treasury yields average 0.4 percent.



## Corporate Bonds

The Treasury [reports](#) yields of **corporate bonds** based on the market-weighted average of bonds rated AAA, AA, and A. The yield on high-quality corporate bonds with 10 years to maturity is 4.84 percent in December 2025, following 4.85 percent in November (see [—](#)). One year prior, in December 2024, the yield was 5.10 percent, and five years prior, in December 2020, it was 1.98 percent.

### High-Quality Corporate Bonds, 10-Year

par yield, percent, and spread over 10-year treasury, percentage points, monthly averages



Source: Treasury, FRED

Corporate bonds rated below investment grade (a rating below BBB) are [tracked](#) by the ICE BofA high yield index.

As of January 15, 2026, the effective yield for **high-yield corporate bonds** in the index is 6.45 percent (see [—](#)). Yields average 6.59 percent in December 2025 and 7.02 percent in December 2024. In 2021, yields average 4.26 percent.

### ICE BofA High Yield Index Effective Yield



Source: ICE Data Indices, FRED

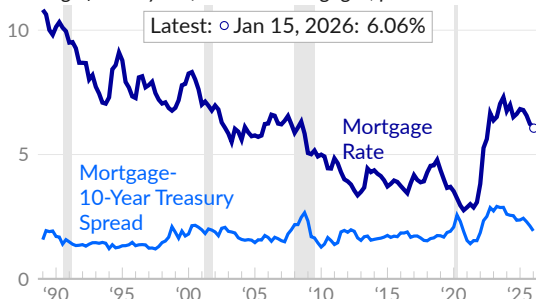
## Mortgage Rates

The **mortgage rate** [available](#) to homebuyers affects housing markets, which in turn affects economic demand, more broadly. As of January 15, 2026, the average 30-year mortgage rate is 6.06 percent, compared to 6.19 percent in December 2025, and 6.96 percent in January 2025 (see [—](#)). In 2021, the average rate was 2.96 percent.

Mortgage rates tend to move with other long-term interest rates and with the premiums charged by primary lenders (see [■](#)) and mortgage-backed securities (see [■](#)). Since 1989, the spread between 30-year mortgages and 10-year treasuries averages 1.77 percentage points (see [—](#)). As of January 15, 2026, the spread is 1.89 percentage points.

### Mortgage Rate and Spread

average for 30-year fixed rate mortgages, percent



Source: Freddie Mac, Fannie Mae, Treasury

### Decomposition





## Money and Monetary Policy

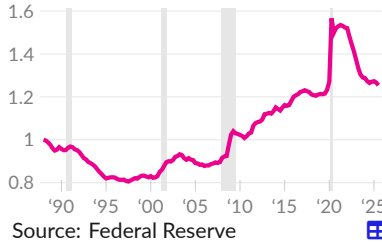
The Federal Reserve [publish](#) data on the **money supply**. A broad measure of the amount of money, called M2, includes cash and deposits such as savings accounts and checking accounts, as well as time deposits smaller than \$100,000, and retail accounts in money market funds.

In November 2025, the M2 money stock totals \$22.3 trillion. Put into the context of overall economic activity, M2 is equivalent to 70.9 percent of GDP.

During the 1990s, the ratio of money to economic activity was falling (see —). Following the Great Recession, the money supply has expanded relative to activity. Since 1989, the ratio has increased by a total of 25.4 percent.

### M2 to GDP Ratio

index, 1989=1



A large increase in the amount of money held by individuals and institutions can be the result of a higher rate of saving, a larger government sector financial deficit, an increase in the money supply, a change in preferences for liquidity, or something else.

The M2 money stock increased 0.5 percent in November 2025, over the previous month, following increases of 0.4 percent in October and 0.5 percent in September. Over the past 12 months, the money stock increased 4.3 percent (see —). The M2 money stock has increased 46.1 percent, in total, over the past six years.

### M2 Money Stock Growth

not seasonally adjusted, one-year percent change



### Selected Money Stock Components

share of GDP, percent, not seasonally adjusted

annual average

|                  | Nov 2025 | Nov 2024 | Nov 2023 | Nov 2022 | 2019 | 2010 | 2000 | 1989 |
|------------------|----------|----------|----------|----------|------|------|------|------|
| M2               | 70.9     | 72.1     | 73.1     | 80.3     | 69.1 | 57.7 | 47.0 | 54.4 |
| Monetary Base    | 16.8     | 18.9     | 20.2     | 20.4     | 15.4 | 13.4 | 5.7  | 5.1  |
| Currency         | 7.7      | 7.9      | 8.2      | 8.6      | 8.1  | 6.3  | 5.6  | 4.4  |
| Reserve Balances | 9.1      | 11.0     | 12.0     | 11.7     | 7.6  | 7.4  | 0.4  | 1.1  |
| Demand Deposits  | 19.7     | 18.0     | 17.4     | 19.1     | 7.1  | 3.1  | 3.2  | 5.0  |

Source: Federal Reserve

## Fed Asset Purchases

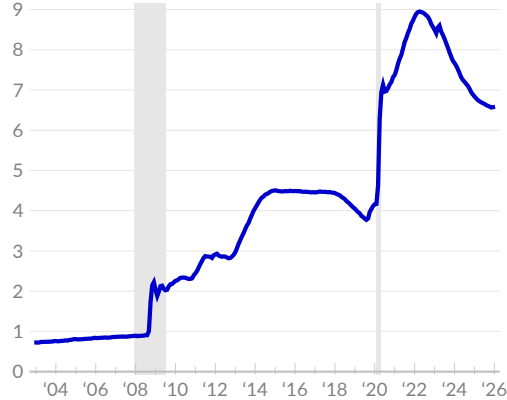
During periods where the Fed funds rate is at or near zero the Fed has engaged in **large scale asset purchases** in an effort to further improve financial market conditions. These asset purchases show up on the Fed balance sheet, which is [reported](#) weekly.

In response to the collapse of the housing bubble, the Fed purchased US Treasury bonds and mortgage-backed securities. Total assets held by the Federal Reserve (see —) increased from \$0.9 trillion in August 2008 to \$2.2 trillion in November 2008. Additional rounds of asset purchases, referred to as quantitative easing, increased the balance sheet to \$4.5 trillion by January 2014. The Fed replaced maturing bonds until balance sheet normalization began in October 2017. By August 2019, total assets fell below \$3.8 trillion.

Balance sheet normalization ended in September 2019 when the Fed increased operations in overnight and term repurchase agreement (repo) markets, following a sharp increase in rates in these markets. The Fed balance sheet increased to \$4.1 trillion by December 2019.

### Federal Reserve Balance Sheet

total assets, trillions of US dollars



Source: Federal Reserve

During the COVID-19 pandemic, the Fed offered lending to businesses and currency swaps to major US trading partners, began to purchase commercial bonds, and expanded purchases of treasuries and mortgage-backed securities.

The Fed balance sheet increased from \$4.2 trillion in February 2020 to \$9 trillion in April 2022. As of the latest data, covering January 14, 2026, the Fed balance sheet is \$6.6 trillion, or 20.7 percent of GDP. The Fed currently holds \$4.2 trillion in Treasuries and \$2.0 trillion in mortgage-backed securities.

### Federal Reserve Assets

billions of US dollars

|                              | Jan 14,<br>2026 | Jan 7,<br>2026 | Dec 17,<br>2025 | Jan 15,<br>2025 | Jan 17,<br>2024 |
|------------------------------|-----------------|----------------|-----------------|-----------------|-----------------|
| <b>Total (see —)</b>         | \$6,581.7       | 6,573.6        | 6,556.9         | 6,834.1         | 7,673.7         |
| US Treasury Securities       | 4,243.2         | 4,235.5        | 4,204.2         | 4,274.6         | 4,724.0         |
| Mortgage-Backed Securities   | 2,039.0         | 2,039.0        | 2,053.5         | 2,233.2         | 2,431.7         |
| Central Bank Liquidity Swaps | 0.1             | 0.5            | 0.1             | 0.1             | 0.2             |
| Repurchase Agreements        | 0.0             | 0.0            | 0.0             | 0.0             | 0.0             |
| Loans                        | 5.4             | 7.3            | 8.9             | 5.9             | 167.2           |
| Payroll Protection Program   | 0.1             | 0.1            | 0.1             | 1.9             | 3.4             |
| Net Unamortized Premium      | 200.4           | 200.7          | 202.5           | 224.5           | 251.9           |
| Other                        | 93.4            | 90.5           | 87.6            | 93.7            | 95.3            |

Source: Federal Reserve

# Prices

The price of goods and services determines what can be purchased by a given income, affecting quality of life and the distribution of resources. Researchers are interested in overall purchasing power, as well as the price of individual goods and services.

## Overview and Target

To summarize changes in purchasing power, researchers create a representative “basket” of relevant goods and services, and then track changes in the basket, and changes in the price of the basket, over time. The end result is a **price index**, which can be used to calculate the rate of inflation.

Inflation is typically calculated as the one-year percent change in a price index. This annual inflation rate measures how prices in a given month compare to prices during the same month, one year prior. The following table presents the one-year inflation rate for various price indices, each discussed in more detail later in the section.

### Inflation Rate, Various Measures

one-year change, percent

|                        | Dec '25 | Nov '25 | Oct '25 | Sep '25 | Dec '24 | Dec '23 | Dec '22 | 2017 –'19 | since 2000 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|-----------|------------|
| CPI, All Items         | 2.7     | 2.7     | 2.8     | 3.0     | 2.9     | 3.4     | 6.5     | 2.1       | 2.6        |
| CPI, ex. Food & Energy | 2.6     | 2.6     | 2.8     | 3.0     | 3.2     | 3.9     | 5.7     | 2.1       | 2.4        |
| PPI, Final Demand      | –       | 3.0     | 2.8     | 3.0     | 3.5     | 1.1     | 6.4     | 2.3       | 2.6        |
| Imports Price Index    | –       | 0.1     | –       | 0.0     | 2.2     | -2.4    | 3.2     | 1.6       | 1.8        |
| Exports Price Index    | –       | 3.3     | –       | 3.9     | 2.0     | -2.9    | 4.6     | 1.6       | 1.8        |
| PCE, All Items         | –       | –       | –       | 2.8     | 2.7     | 2.8     | 5.5     | 1.7       | 2.2        |
| PCE, ex. Food & Energy | –       | –       | –       | 2.8     | 3.0     | 3.1     | 5.0     | 1.7       | 2.1        |
| PCE, Trimmed Mean      | –       | –       | –       | 2.7     | 3.0     | 3.3     | 4.9     | 1.9       | 2.2        |

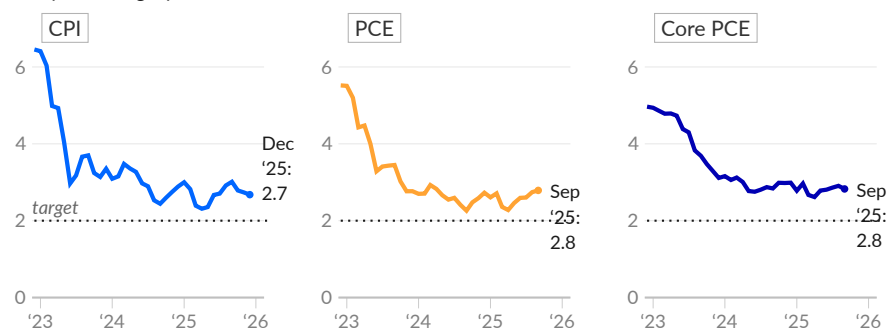
Source: BLS, BEA, Federal Reserve Bank of Dallas

Economists argue that some inflation is ideal. Inflation creates incentives to spend and invest, which sustain economic growth. Too much inflation, however, acts as a drag on the economy and creates hardship for people. The Federal Reserve **two percent inflation target** balances stable prices with economic growth.

The next charts show inflation relative to the two percent target, using the Consumer Price Index (CPI) and Personal Consumption Expenditure (PCE) price index.

### Inflation Rates and Target

one-year change, percent



Source: Bureau of Labor Statistics, Bureau of Economic Analysis  
Core PCE excludes the more-volatile food and energy categories

## Monthly Inflation Rate

The one-year inflation rate is smoothed, relative to the one-month rate, by combining a full year of price changes. As such, most of the information contained in the one-year rate is known in advance. The **one-month rate** is useful for examining near-term trends, for example by eliminating the base effects from changes in prices a year ago.

In December 2025, the one-month change in the consumer price index (CPI) is 0.3 percent (see ■), following 0.1 percent in November. The Cleveland Fed [nowcasts](#) current inflation by combining recent inflation data with current oil and gasoline prices. As of January 16, the January 2026 nowcast is 0.1 percent (see ●).

### CPI One-Month Change

percent change from previous month

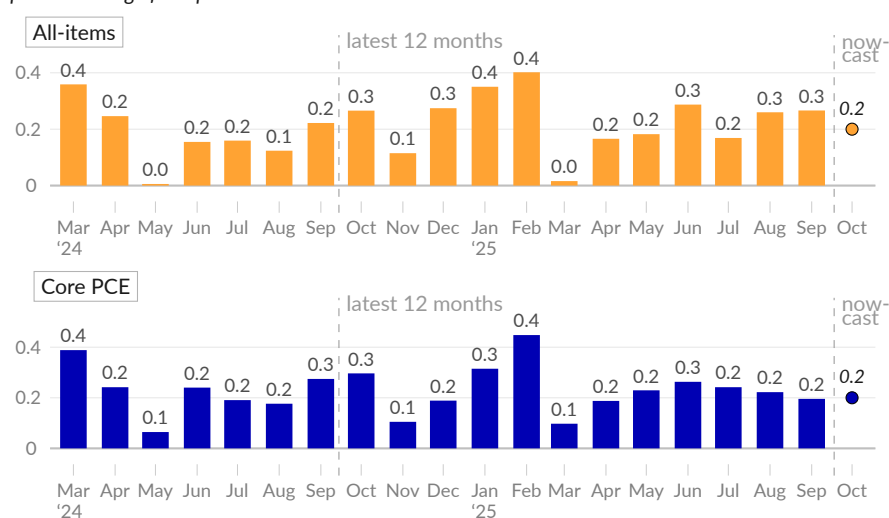


Source: Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

In September 2025, the monthly change in the all-items PCE price index is 0.3 percent (see ■), following 0.3 percent in August. As of January 16, the Cleveland Fed [nowcast](#) for October 2025 is 0.2 percent (see ●). Core PCE inflation, which excludes food and energy, is 0.2 percent in September 2025, following 0.2 percent in August (see ■).

### PCE Price Index One-Month Change

percent change from previous month



Source: Bureau of Economic Analysis, Federal Reserve Bank of Cleveland

A basic estimate for the next one-year inflation print combines the nowcast with the last 11 months. The above charts separate the latest 12 months of published data between two dashed lines. This 12-month group combines to create the widely-used one-year inflation rate. Each month, one new bar is added to the group and one bar is dropped. One-year inflation is determined by whether the new bar is larger than the dropped bar.

Consumer Price Index

The Consumer Price Index (CPI) **measures** changes in the price of goods and services purchased by urban households. The one-year change in the CPI is the most popular measure of inflation.

Consumer prices increased 2.7 percent over the year ending December 2025 (see —), according to the CPI. The core CPI, which does not include the more-volatile food and energy prices, increased 2.6 percent over the same period (see —).



Recent changes in prices can be broad-based—derived from many prices changing at roughly the same rate—or narrow-based—driven by large changes in a subset of prices. Identifying each major spending category's **contribution to overall inflation** gives insight into whether inflation is broad-based and also into which groups of people face higher or lower rates of inflation.

In December 2025, housing prices contributed 1.6 percentage points to the CPI one-year inflation rate of 2.7 percent, slightly below the category's December 2024 contribution of 1.8 percentage points.

Food prices added 0.4 percentage point to December 2025 inflation, slightly above the year-prior contribution of 0.3 percentage point. Medical care prices increased the inflation rate by 0.3 percentage point in the latest data, compared to 0.2 percentage point in December 2024.

Recreation prices increased the inflation rate by 0.2 percentage point in December 2025, slightly above the year-prior contribution of 0.1 percentage point. Transportation prices make up 16.6 percent of the CPI basket and contributed 0.1 percentage point to overall inflation in the latest data, slightly below a contribution of 0.3 percentage point one year prior.



The prices of some items are more volatile than others. Food and energy prices, for example, are sometimes separated from the rest of the CPI basket, which is referred to as the *core*, because swings in food and energy prices are larger and more frequent.

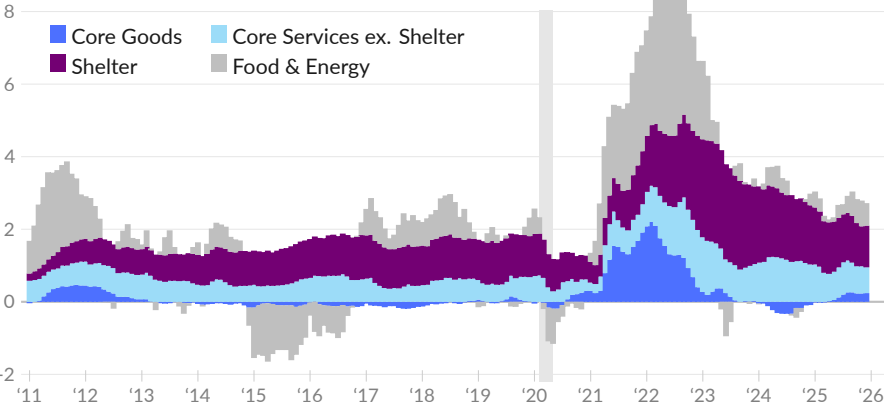
Core inflation can be broken down into core goods, core services other than shelter, and shelter. Core goods inflation was near zero from 2013 to 2020. Core goods prices are disproportionately affected by import prices and by changes in quality, for example from technological improvement. Core services inflation corresponds more closely with domestic wages. The cost of shelter, a major component of recent inflation, is affected by housing supply and construction.

In December 2025, core goods contributed 0.2 percentage point to the one-year non-seasonally-adjusted CPI inflation rate of 2.7 percent (see ■), while core services excluding shelter contributed 0.7 percentage point (see ■). Shelter added 1.1 percentage points (see ■), and food & energy added 0.6 percentage point (see ■).

One year prior, in December 2024, the corresponding CPI inflation rate was 2.9 percent; core goods subtracted 0.1 percentage point, core services excluding shelter contributed one percentage point, shelter contributed 1.6 percentage points, and food and energy added 0.3 percentage point.

CPI Decomposition

contribution to one-year change in CPI-U, percentage points



Source: Bureau of Labor Statistics, Federal Reserve Bank of San Francisco

Relative Prices

Some prices increase faster or slower than others. Additionally, the basket of goods used to calculate the CPI is based on average spending patterns across individuals. At a given point, individuals may dedicate a large share of spending to certain categories or have no expenses at all in a category. For example, day care costs are paid generally only for a few years of a child's life and only some households contain day-care-age children. But within those households, day care is a large share of overall spending.

One-year inflation rates for different categories of goods and services, including some smaller categories, are captured in the following section and table. The table also shows cumulative price changes since February 2020, the last month of data before the COVID-19 pandemic shutdown in the US. Additionally, the weight that a category has in the overall index—the category's share of the basket of goods and services used to calculate the CPI—is included as the last column in the table. This weight comes from each category's share of overall consumer spending during the most recent reference period, and is updated by changes in prices since the reference period.

Housing prices increased 3.6 percent over the year ending December 2025, slightly above the pre-COVID rate of 2.9 percent (the average monthly rate during 2019). Medical care prices increased 3.2 percent; these prices grew at an average rate of 2.8 percent during 2019. Prices of food consumed at home (groceries) increased 2.4 percent in the year ending December 2025 compared to 0.9 percent during 2019.

Transportation prices increased 0.4 percent over the year ending December 2025, slightly above the pre-COVID 0.3 percent decrease. Energy prices increased 2.3 percent over the year, compared to an average 2.1 percent decrease in 2019. Energy prices are historically more volatile than other categories.

### Selected CPI Categories

*one-year growth, percent*

|                              | Dec<br>'25 | Nov<br>'25 | Oct<br>'25 | Dec<br>'24 | 2019 | Since<br>Feb '20 | Weight,<br>Dec '25 |
|------------------------------|------------|------------|------------|------------|------|------------------|--------------------|
| All Items                    | 2.7        | 2.7        | 2.8        | 2.9        | 1.8  | 25.3             | 100.0              |
| All Items Less Food & Energy | 2.6        | 2.6        | 2.8        | 3.2        | 2.2  | 23.7             | 80.065             |
| Housing                      | 3.6        | 3.5        | 3.7        | 4.1        | 2.9  | 29.9             | 44.597             |
| Owners' Equivalent Rent      | 3.4        | 3.4        | 3.5        | 4.8        | 3.3  | 30.7             | 26.455             |
| Rent of Primary Residence    | 2.9        | 3.0        | 3.1        | 4.3        | 3.7  | 30.1             | 7.517              |
| Lodging Away from Home       | -0.8       | -4.1       | -0.8       | 2.6        | 3.0  | 7.0              | 1.248              |
| Household Furnishings & Ops. | 4.0        | 4.6        | 4.4        | 0.7        | 1.8  | 23.1             | 4.463              |
| Household Energy             | 7.4        | 7.2        | 6.6        | 2.8        | -0.4 | 42.7             | 3.381              |
| Transportation               | 0.4        | 1.6        | 1.4        | 1.6        | -0.3 | 29.3             | 16.201             |
| New Vehicles                 | 0.3        | 0.6        | 0.9        | -0.4       | 0.4  | 20.5             | 4.290              |
| Used Cars & Trucks           | 1.6        | 3.6        | 4.6        | -3.3       | 1.0  | 33.3             | 2.367              |
| Gasoline (All Types)         | -3.4       | 0.9        | -1.7       | -3.4       | -3.5 | 19.7             | 2.730              |
| Public Transportation        | -2.0       | -4.0       | -3.0       | 5.7        | 0.3  | 0.2              | 1.402              |
| Medical Care                 | 3.2        | 2.9        | 3.0        | 2.8        | 2.8  | 14.2             | 8.311              |
| Professional Services        | 2.5        | 2.2        | 2.4        | 2.8        | 1.1  | 15.3             | 3.694              |
| Hospital & Related Services  | 6.7        | 6.0        | 5.7        | 4.0        | 2.1  | 28.4             | 2.340              |
| Health Insurance             | -0.5       | 0.6        | 2.2        | 4.8        | 14.5 | -17.7            | 0.768              |
| Food                         | 3.1        | 2.6        | 2.8        | 2.5        | 1.9  | 31.3             | 13.743             |
| Food at Home                 | 2.4        | 1.9        | 2.2        | 1.8        | 0.9  | 29.3             | 8.018              |
| Food Away from Home          | 4.1        | 3.7        | 3.7        | 3.6        | 3.1  | 34.5             | 5.725              |
| Full-Service                 | 4.9        | 4.3        | 4.3        | 3.6        | 3.2  | 34.1             | 2.487              |
| Limited-Service              | 3.3        | 3.0        | 3.1        | 3.7        | 3.1  | 37.4             | 2.861              |
| Recreation                   | 3.0        | 1.8        | 2.3        | 1.1        | 1.3  | 16.7             | 5.309              |
| Communication                | -1.5       | 0.3        | -0.9       | -1.8       | -0.9 | -2.7             | 3.022              |
| Wireless Telephone Services  | -4.1       | -0.8       | -2.1       | -0.6       | -2.5 | -2.6             | 1.197              |
| Internet Services            | 2.8        | 3.9        | 1.8        | -0.4       | 1.5  | 9.8              | 0.927              |
| Education                    | 2.9        | 2.9        | 3.0        | 4.0        | 2.7  | 16.7             | 2.588              |
| College Tuition & Fees       | 1.5        | 1.7        | 1.4        | 2.6        | 2.9  | 10.5             | 1.309              |
| Day Care & Preschool         | 4.8        | 4.7        | 5.1        | 5.9        | 2.8  | 27.2             | 0.739              |
| Apparel                      | 0.6        | 0.2        | -0.4       | 1.2        | -1.3 | 3.0              | 2.430              |
| Personal Care                | 3.7        | 3.3        | 3.3        | 2.5        | 1.3  | 23.8             | 2.468              |

Source: Bureau of Labor Statistics

Turning to one-month growth, the core CPI, which excludes food and energy, increased 0.2 percent in December 2025, or 2.9 percent annualized, slightly above the one-year core CPI inflation rate of 2.6 percent. The core CPI increased 0.1 percent in both November 2025 and in October 2025.

In December, housing prices increased 0.4 percent (4.3 percent annualized). Over the past three months, housing prices increased at an average annualized rate of 2.9 percent, substantially below the 12-month rate of 3.6 percent. Food prices increased 0.7 percent in December, or 8.9 percent, annualized, compared to a three-month average of 3.2 percent.

Transportation prices decreased at an annualized rate of 0.5 percent in December, and increased at an average annualized rate of 0.4 percent over the past three months. Energy prices increased at an annualized rate of 3.6 percent in December, and increased at an average annualized rate of 5.7 percent over the past three months.

### Selected CPI Categories, Monthly Rate

*one-month growth, percent,  
seasonally adjusted*

|                              | Dec<br>'25 | Nov<br>'25 | Oct<br>'25 | Sep<br>'25 | Aug<br>'25 | Jul<br>'25 | Jan<br>'25 | Dec<br>'24 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| All Items                    | 0.3        | 0.1        | 0.1        | 0.3        | 0.4        | 0.2        | 0.5        | 0.4        |
| All Items Less Food & Energy | 0.2        | 0.1        | 0.1        | 0.2        | 0.3        | 0.3        | 0.4        | 0.2        |
| Housing                      | 0.4        | 0.2        | 0.2        | 0.2        | 0.4        | 0.2        | 0.3        | 0.3        |
| Owners' Equivalent Rent      | 0.3        | 0.1        | 0.1        | 0.1        | 0.4        | 0.3        | 0.3        | 0.3        |
| Rent of Primary Residence    | 0.3        | 0.1        | 0.1        | 0.2        | 0.3        | 0.3        | 0.3        | 0.3        |
| Lodging Away from Home       | 2.9        | -0.6       | -0.6       | 1.3        | 2.3        | -1.0       | 1.4        | -0.5       |
| Household Furnishings & Ops. | -0.5       | 0.5        | 0.5        | 0.4        | 0.2        | 0.4        | -0.2       | 0.0        |
| Household Energy             | 1.0        | 0.7        | 0.7        | -0.7       | -0.3       | -0.2       | 0.5        | 0.8        |
| Transportation               | 0.0        | 0.1        | 0.1        | 0.8        | 0.9        | 0.0        | 1.2        | 1.2        |
| New Vehicles                 | 0.0        | 0.2        | 0.1        | 0.2        | 0.3        | 0.0        | 0.0        | 0.4        |
| Used Cars & Trucks           | -1.1       | 0.3        | 0.7        | -0.4       | 1.0        | 0.5        | 2.2        | 0.8        |
| Gasoline (All Types)         | -0.5       | 3.0        | -2.1       | 4.1        | 1.9        | -2.2       | 1.8        | 4.0        |
| Public Transportation        | 4.5        | -1.8       | -1.7       | 1.6        | 3.6        | 3.0        | 0.7        | 2.4        |
| Medical Care                 | 0.4        | 0.0        | 0.0        | 0.2        | -0.2       | 0.7        | 0.2        | 0.1        |
| Professional Services        | 0.3        | 0.2        | 0.2        | -0.4       | 0.1        | 0.7        | -0.2       | 0.1        |
| Hospital & Related Services  | 0.9        | 0.3        | 0.3        | 0.8        | 0.0        | 0.4        | 0.9        | 0.2        |
| Health Insurance*            | -1.1       | -1.5       | -1.4       | 0.3        | 0.1        | 0.4        | 0.7        | 0.0        |
| Food                         | 0.7        | 0.0        | 0.0        | 0.2        | 0.5        | 0.0        | 0.4        | 0.3        |
| Food at Home                 | 0.7        | -0.1       | -0.1       | 0.3        | 0.6        | -0.1       | 0.5        | 0.3        |
| Food Away from Home          | 0.7        | 0.2        | 0.2        | 0.1        | 0.3        | 0.3        | 0.2        | 0.3        |
| Full-Service                 | 0.8        | 0.3        | 0.3        | 0.0        | 0.4        | 0.5        | 0.1        | 0.2        |
| Limited-Service*             | 0.6        | 0.2        | 0.2        | 0.2        | 0.1        | 0.1        | 0.3        | 0.4        |
| Recreation                   | 1.2        | -0.3       | -0.3       | 0.4        | -0.1       | 0.4        | 1.0        | 0.0        |
| Communication                | -1.9       | 0.3        | 0.3        | -0.2       | -0.1       | -0.3       | 0.4        | -0.1       |
| Wireless Telephone Services* | -3.3       | 1.1        | 0.0        | 0.0        | -1.1       | 0.0        | 0.0        | 0.0        |
| Internet Services            | -0.7       | 0.4        | 0.4        | -0.1       | 1.2        | 0.0        | 1.1        | 0.4        |
| Education                    | 0.2        | 0.3        | 0.3        | 0.2        | 0.2        | 0.4        | 0.2        | 0.2        |
| College Tuition & Fees       | 0.0        | 0.3        | 0.3        | -0.1       | -0.1       | 0.3        | -0.1       | 0.2        |
| Day Care & Preschool         | 0.0        | -0.1       | -0.1       | 1.7        | 0.7        | 0.5        | 0.8        | -0.1       |
| Apparel                      | 0.6        | -0.4       | -0.4       | 0.7        | 0.5        | 0.1        | -1.4       | 0.1        |
| Personal Care                | 0.4        | 0.2        | 0.2        | 0.4        | 0.1        | 0.4        | -0.5       | 0.0        |

Source: Bureau of Labor Statistics; \*not seasonally adjusted

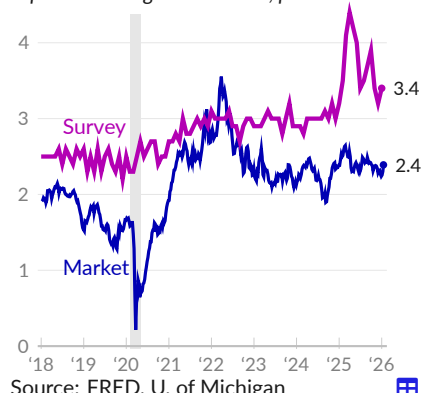


## Inflation Expectations

Researchers estimate expected inflation through **surveys** and through **market data**. One market-based measure is the **inflation breakeven**, calculated as the difference in yield between a nominal treasury bond and a treasury inflation-protected bond of the same maturity. This difference is the inflation markets have priced in, on average, over the maturity of the bond. Surveys ask how much inflation consumers expect.

### Five-Year Expected Inflation

expected average annual rate, percent



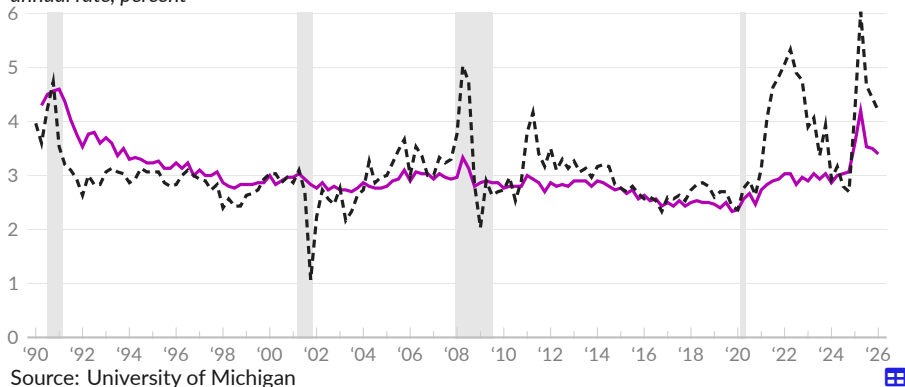
As of January 2026, surveyed consumers expect inflation to average 3.4 percent over the next five years (see —), compared to an expected rate of 3.2 percent in January 2025. Consumers had expected inflation to average 2.7 percent over the past five years, while actual inflation over the period was 4.5 percent.

As of January 16, 2026, markets expect an average inflation rate of 2.4 percent over the next five years (see —), compared to an expected rate of 2.5 percent on January 14, 2025. Markets had expected inflation to average 2.0 percent per year over the past five years, five years ago.

Both survey- and market-based estimates of expected inflation distinguish between near-term inflation and expected medium-term inflation. The survey-based measure asks about inflation over the next year. Respondents expect consumer prices to increase 4.2 percent over the year starting January 2026 (see --).

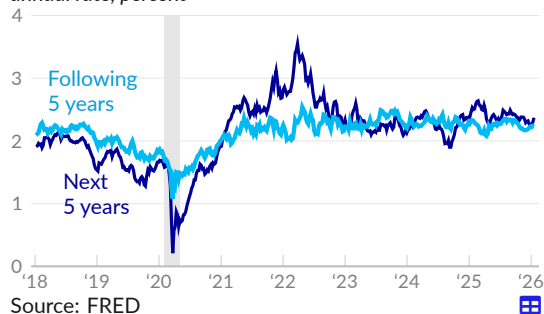
### Survey of Expected Inflation

annual rate, percent



### Market Expected Inflation

annual rate, percent



Finally, the market-based measure can be used to **calculate** expected inflation over the five years starting five years from now (see —).

Over this five-year period, markets suggest 2.3 percent inflation per year, as of January 16, 2026. Inflation rates in the near-term are therefore expected to exceed inflation rates in the longer-term.

## PCE Price Index

The Personal Consumption Expenditure (PCE) price index from the Bureau of Economic Analysis [captures](#) not only changes in the prices of goods and services but also monthly shifts in consumer behavior. Unlike the CPI, which is reweighted annually, the weight of each item in the PCE price index is adjusted monthly to match actual consumer spending. Additionally, the index is regularly updated to incorporate the latest methodologies.

As of September 2025, **PCE inflation**, measured as the one-year percent change in the overall index, is 2.8 percent (see —), compared to 2.7 percent in August, and 2.3 percent in September 2024. Core PCE inflation, which excludes food and energy, is 2.8 percent in September 2025 (see —), 2.9 percent in August, and 2.8 percent in September 2024.

### Personal Consumption Expenditure Price Index



The Federal Reserve Bank of Dallas [publishes](#) a variation of the PCE price index called the trimmed-mean index. The most volatile categories in the current month's index are removed, or *trimmed*, to smooth the data. As a result, the most extreme categories, which vary from month-to-month, do not affect inflation rates calculated using the trimmed-mean index.

The trimmed-mean PCE price index increased 2.7 percent over the year ending September 2025 (see —). By excluding top and bottom categories, the trimmed-mean rate is 0.11 percentage point below the all-items PCE rate. In September 2024, the trimmed-mean inflation rate is 2.8 percent, 0.54 percentage point above the all-items rate. From 2017–2019, the average trimmed-mean rate is 1.9 percent, 0.12 percentage point above the all-items rate.

### Personal Consumption Expenditure Price Index, Trimmed Mean



Prices in individual spending categories can increase faster or slower than the Fed target rate of two percent. The next chart compares the one-year price change in major categories of spending to the price change consistent with two percent inflation. Consumer spending, excluding food and energy, is grouped into core goods (see ■), shelter (see ■), and other core services (see ■). Positive values are above target; negative values are below target.

In September 2025, core PCE inflation is 0.8 percentage point above target. Shelter adds 0.30 percentage point to the gap between actual inflation and target inflation. Other core services add 0.72 percentage point, and core goods subtract 0.19 point. One year prior, in September 2024, shelter added 0.55 percentage point, other core services added 0.86 point, and core goods subtracted 0.57 point.

### Core PCE Components Relative to Fed Target

percentage points above or below contribution consistent with two percent target



Source: BEA, Author's Calculations

### Destination of Inflation

Inflation creates winners and losers and affects the distribution of resources in society. Detailed accounting in the corporate sector sheds light on the destination of recent inflation, relative to the past. The next chart compares the destination of inflation during 1989–2019 (see ■) and from 2020 onward (see ■).

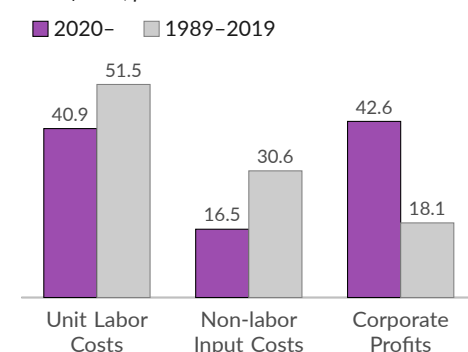
When corporations increase prices on goods and services, the increased revenue can end up as higher wages, go towards non-labor inputs such as materials, equipment, and energy costs, or become higher corporate profits. In the past, economists associated inflation with higher unit labor costs, as workers were more likely to have contractual cost of living adjustments through unions.

From 1989 to 2019, more than half of corporate price increases go toward unit labor costs—only 18.1 percent goes toward corporate profits. Non-labor input costs claim a little less than a third of the higher prices.

In the recent period, more of the increase goes to corporate profits. Since 2020, 42.6 percent of corporate price increases become corporate profits. Labor gets 40.9 percent of the increase. Non-labor input costs claim 16.5 percent of the total.

### Destination of Corporate Price Increases

share of total, percent



Source: BEA

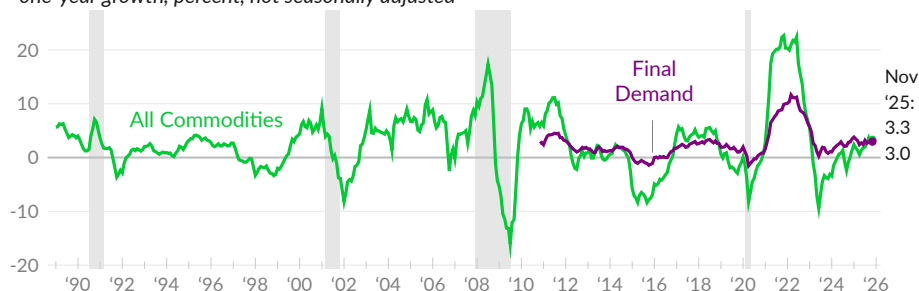
## Producer Prices

The Bureau of Labor Statistics [report prices producers receive](#). The goods-only producer price index (PPI) for all commodities (see —) increased 3.3 percent over the year ending November 2025, substantially above the 12-month growth rate of 0.1 percent in November 2024. The index for final demand goods, services, and construction increased three percent over the year ending November 2025 (see —).

Note that the all commodities index includes goods at various stages of production and can count inflation multiple times in the production of the same goods. As a result, this measure can send an exaggerated inflation signal.

### Producer Price Index

one-year growth, percent, not seasonally adjusted

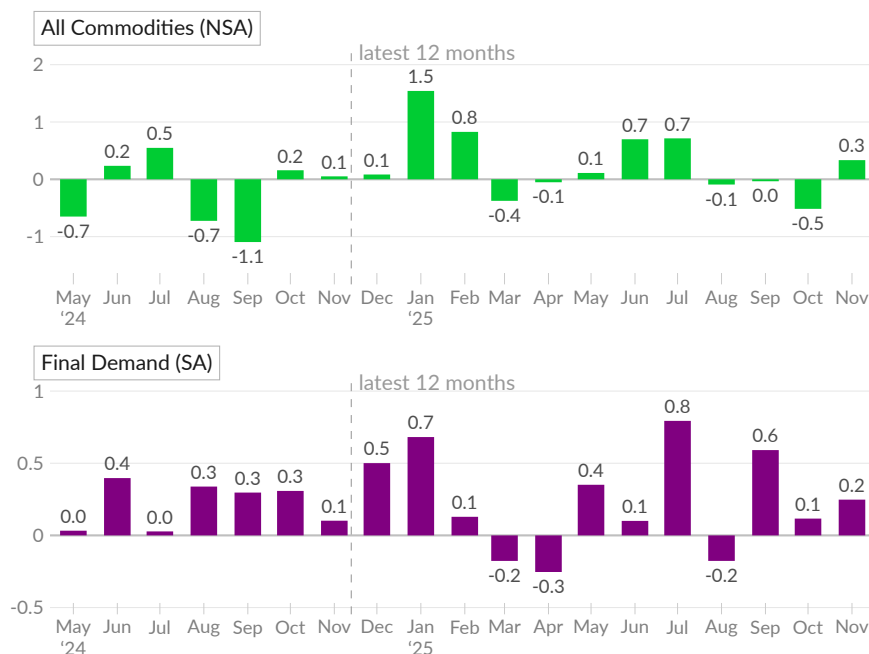


Source: Bureau of Labor Statistics

The one-month change in producer prices highlights recent trends. Producer final demand prices increased 0.2 percent in November 2025 (see ■), following an increase of 0.1 percent in October, and an increase of 0.6 percent in September. The all commodities index increased 0.3 percent (see ■) in November 2025 and decreased 0.5 percent in October.

### PPI One-Month Growth

change from previous month, percent



Source: Bureau of Labor Statistics

## Import and Export Prices

The Bureau of Labor Statistics [report](#) changes in the prices of imports and exports. Over the year ending November 2025, **US import prices** were unchanged (see —), following virtually no change in September and decreases of 0.3 percent in August. Excluding fuels, US import prices increased 0.7 percent in November 2025 and grew 0.4 percent in September. In 2019, US import prices decreased at an average rate of 1.3 percent. Excluding fuels, import prices decreased at an average rate of 1.1 percent in 2019.

**Prices of US exports** grew 3.3 percent over the year ending November 2025 (see —), following increases of 3.9 percent in September, and 3.2 percent in August. In 2019, export prices decreased at an average rate of 0.8 percent.

### Import/Export Price Index

one-year growth, percent



## Commodity Prices

Commodities can have macroeconomic importance. Oil, which is a major input to production and transportation, has a particularly volatile history. Commodity prices can also send a signal to domestic producers. Higher prices encourage more production and lower prices discourage production.

Two important commodities for the construction and manufacturing industries are lumber and steel. From the producer price index, cold-rolled steel sheet and strip prices (see —) have increased 6.4 percent over the year ending November 2025, and increased 63.8 percent total since December 2019. Lumber prices (see —) decreased 1.6 percent over the year ending November 2025, and increased 23.5 percent total since 2019.

### Steel

cold-rolled steel sheet and strip, index 1989=1



### Lumber

lumber and wood products, index, 1989=1



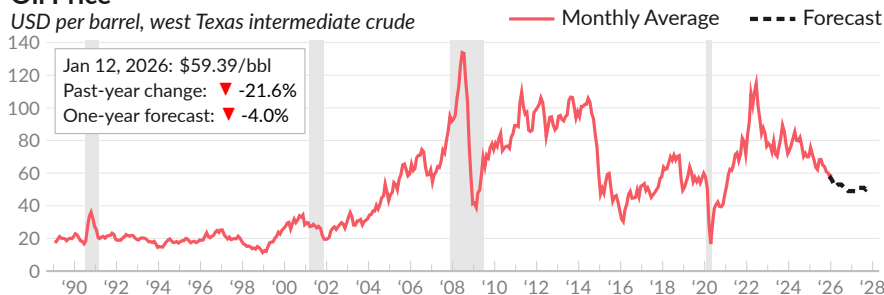
## Crude Oil

On January 12, 2026, the [spot price](#) for a barrel of west Texas intermediate (WTI) **crude oil** is \$59.39 (see —). Over the past year, this measure of oil prices decreased 21.6 percent. Over the past five years, the price increased 14.2 percent. The WTI price is currently \$74 below its peak monthly average price of \$134 per barrel in June 2008.

As of January 8, 2026, the EIA [forecasts](#) oil prices will decrease to \$51 per barrel in December 2027 (see --).

### Oil Price

USD per barrel, west Texas intermediate crude



Source: Energy Information Administration

## Gasoline

On January 12, 2026, the US average [price](#) for a gallon of **gasoline** is \$2.91 (see —), a decrease of \$0.02 from the week prior. This gas price measure, which is the average across formulations, grades, and locations, was \$3.16 one year prior, and averaged \$2.69 in 2019. During 2011–2013, the average gas price was \$3.61.

### Gasoline Price

dollars per gallon, all grades



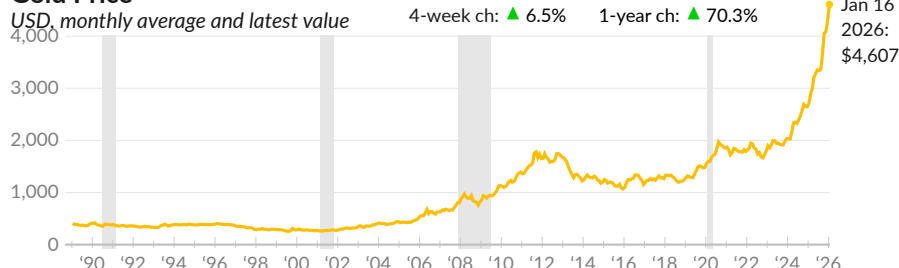
Source: Energy Information Administration

## Gold

As of January 16, 2026, one troy ounce of **gold** [sells](#) for \$4,607 (see —), compared to an average of \$2,708 one year prior. Following the Great Recession, the monthly average price of gold reached \$1,781 per ounce, in September 2011. Gold has recently traded at all-time highs.

### Gold Price

USD, monthly average and latest value



Source: London Bullion Market Association

## Acknowledgments

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Additionally, the chartbook benefits immensely from other researchers who have shared their work in the public domain or provided me with guidance, including: Dean Baker, Matt Bruenig, Eileen Appelbaum, John Schmitt, Mark Weisbrot, Ben Zipperer, Alberto Rodelgo, Yevgeniya Korniyenko, Magali Pinat, Robert Blecker, Teasri Thiruvadhanthai, Rainer Köhler, Gersenda Varisco, Venkat Josyula, Tom Augspurger, Claudia Sahm, Mike Sieferling, Andrew Paciorek, David Dorn, Skanda Amarnath, Josh Bivens, Ernie Tedeschi, Brad Setser, Joseph Politano, Arin Dube, Valerie Wilson, Mike Konczal, J.W. Mason, and Vikas Sharma.

# Glossary

**aggregate demand** — The total demand for all goods and services in an economy at a given time. It combines spending by consumers, businesses, the government, and foreign buyers.

**annualized / annualized rate** — A way of expressing a short-term change (such as monthly or quarterly) as if it continued for a full year. For example, if GDP grew 0.5% in one quarter, the annualized rate would be about 2%—the growth you'd see if that pace held for four quarters.

**average hourly earnings (AHE)** — The average amount workers earn per hour, calculated from employer payroll data. This measure helps track wage growth but can be misleading when the mix of jobs changes (e.g., if low-wage workers lose jobs, the average rises even without anyone getting a raise).

**balance of payments** — A record of all financial transactions between a country and the rest of the world over a period of time, including trade in goods and services, investments, and financial transfers.

**basis points** — A unit of measurement equal to one-hundredth of a percentage point (0.01%). Used to describe changes in interest rates; for example, a rate increase from 3.00% to 3.25% is a rise of 25 basis points.

**BEA (Bureau of Economic Analysis)** — A federal agency within the Commerce Department that produces official statistics on the U.S. economy, including GDP, personal income, and international trade data.

**business cycle** — The recurring pattern of expansion and contraction in economic activity over time, typically measured by changes in real GDP. A full cycle includes periods of growth followed by recession.

**capital flows** — The movement of money across national borders for investment purposes, such as foreigners buying U.S. stocks or Americans investing in overseas factories.

**capital gains** — The profit earned when an asset (like a stock or house) is sold for more than its purchase price. Capital gains are typically taxed at lower rates than regular income.

**composition effect** — A statistical phenomenon where changes in average wages can be influenced by shifts in who is working, not just changes in individual pay. For example, if many low-wage workers lose their jobs during a recession, the average wage may rise even though no one received a raise—simply because the remaining workforce skews toward higher earners.

**consumer spending** — The total amount of money households spend on goods and services. It is the largest com-

ponent of GDP in the United States, typically accounting for about two-thirds of economic activity.

**contribution to GDP growth** — The portion of overall GDP growth attributable to a specific component (like consumer spending or business investment). If GDP grew 3% and consumer spending contributed 2 percentage points, that means consumer spending alone would have produced 2% growth.

**core inflation** — A measure of inflation that excludes food and energy prices, which tend to be volatile. Economists use core inflation to identify underlying price trends without the noise of short-term swings in gas or grocery prices.

**corporate profits** — The earnings companies have left after paying their costs, including wages, materials, and interest. This measure helps gauge business health and can signal future hiring or investment.

**CPI (Consumer Price Index)** — A measure of the average change over time in the prices paid by consumers for a basket of common goods and services, such as food, housing, and transportation. It is one of the most widely used measures of inflation.

**CPS (Current Population Survey)** — A monthly survey of about 60,000 households conducted by the Census Bureau and Bureau of Labor Statistics. It provides the official unemployment rate and other labor market data based on asking people directly about their work status.

**current account** — A component of the balance of payments that tracks a country's trade in goods and services, income from foreign investments, and direct transfers. A deficit means the country is importing more than it exports.

**current account deficit** — When a country imports more goods and services than it exports and pays more to foreigners in investment income than it receives. The U.S. has run a current account deficit for decades, meaning it consumes more than it produces.

**debt-to-income ratio** — The percentage of a person's or household's income that goes toward paying debts. A ratio of 30% means 30 cents of every dollar earned goes to debt payments.

**deflated** — Adjusted to remove the effects of inflation, allowing for meaningful comparisons of economic values across different time periods. Also referred to as being expressed in "real" or "constant" dollars.

**depreciation** — The decline in value of an asset over time due to wear, age, or obsolescence. In the context of currency, it refers to a decrease in a currency's value relative to other currencies.



**discretionary spending** — Government spending that Congress decides on each year through the appropriations process, as opposed to mandatory spending (like Social Security) that continues automatically. It includes defense, education, and transportation.

**disposable personal income** — The amount of money households have available for spending or saving after paying taxes. It is calculated as total personal income minus personal taxes.

**durable goods** — Products designed to last three years or more, such as cars, appliances, and furniture. Spending on durable goods tends to fluctuate more than spending on other goods during the business cycle.

**ECI (Employment Cost Index)** — A quarterly measure of how much employers pay for labor, including both wages and benefits. Unlike average hourly earnings, the ECI holds the mix of jobs constant, giving a cleaner picture of whether compensation is actually rising.

**economic expansion** — A period when the economy is growing—GDP is rising, jobs are being added, and business activity is increasing. Expansions end when a recession begins.

**economic growth** — An increase in the production of goods and services in an economy over time, typically measured as the percentage change in real GDP.

**employment rate** — The percentage of the working-age population that is employed. It is calculated by dividing the number of employed people by the total working-age population.

**employment-to-population ratio** — The percentage of the working-age population (usually ages 16 and older) that has a job. Unlike the unemployment rate, this measure captures people who have stopped looking for work.

**equity** — Ownership value in an asset after subtracting what is owed. For a home worth \$400,000 with a \$250,000 mortgage, the equity is \$150,000. For stocks, equity represents ownership shares in a company.

**establishment survey** — A monthly survey of about 670,000 business locations that provides data on jobs, hours, and earnings. It produces the widely reported nonfarm payrolls number and is considered more reliable for job counts than the household survey.

**exchange rate** — The price of one country's currency expressed in terms of another country's currency. For example, if one U.S. dollar equals 0.85 euros, that is the dollar-to-euro exchange rate.

**Fed Funds Rate** — The interest rate banks charge each other for overnight loans. The Federal Reserve uses this rate as its main tool for influencing the economy—lowering it to encourage borrowing and spending, raising it to cool inflation.

**Federal Reserve** — The central bank of the United States, responsible for conducting monetary policy, supervising banks, and maintaining financial stability. Often called “the Fed.”

**financial accounts** — A comprehensive record of the assets, liabilities, and net worth of all sectors in the economy—households, businesses, government, and the rest of the world. These accounts track who owns what and who owes what to whom. Also called the “flow of funds.”

**fiscal stimulus** — Government actions to boost the economy through increased spending or tax cuts. During recessions, stimulus puts money in people's pockets to encourage spending and support businesses.

**fiscal year** — A 12-month period used for government accounting and budgeting purposes. The U.S. federal fiscal year runs from October 1 through September 30.

**FOMC (Federal Open Market Committee)** — The Federal Reserve committee that sets interest rate policy. It meets eight times a year and includes the Fed's Board of Governors plus regional Fed bank presidents.

**GDP (Gross Domestic Product)** — The total market value of all goods and services produced within a country during a specific period, usually a year or quarter. It is the most commonly used measure of an economy's size.

**GDPNow** — A real-time estimate of U.S. economic growth published by the Federal Reserve Bank of Atlanta. Unlike official GDP figures, which are released quarterly with a delay, GDPNow updates frequently as new economic data becomes available, giving an early read on how the economy is performing.

**government deficit** — The amount by which government spending exceeds government revenue in a given period. When the government collects more than it spends, it has a surplus.

**Great Recession** — The severe economic downturn from December 2007 to June 2009, triggered by the housing market collapse and financial crisis. It was the worst U.S. recession since the 1930s, with unemployment peaking at 10%.

**gross domestic income (GDI)** — The total income earned producing goods and services in a country—wages, profits, and other income combined. In theory, GDI should equal GDP since every dollar spent becomes someone's income, but measurement differences cause small gaps.

**home equity** — The portion of a home's value that the owner actually owns—the market value minus the remaining mortgage balance. Home equity often represents the largest asset for middle-class families.

**homeownership rate** — The percentage of households that own their home rather than rent. The U.S. rate has

historically hovered around 65%.

**household survey** — The monthly survey of individuals and families (the Current Population Survey) that produces the official unemployment rate by asking people directly whether they are working or looking for work.

**income inequality** — The extent to which income is distributed unevenly among a population. Higher inequality means a larger gap between what high earners and low earners receive.

**income quintile** — One of five equal groups when all households are ranked by income from lowest to highest. The bottom quintile is the poorest 20% of households; the top quintile is the richest 20%.

**inflation** — A general increase in prices across the economy over time, which reduces the purchasing power of money. When inflation occurs, each dollar buys fewer goods and services than before.

**inflation expectations** — What people and businesses think inflation will be in the future. These expectations matter because they influence wage negotiations, pricing decisions, and interest rates.

**inflation rate** — The percentage change in the price level over a specific period, usually measured annually. It indicates how quickly prices are rising or falling.

**initial claims** — The number of people filing for unemployment insurance benefits for the first time each week. A leading indicator of labor market health—rising claims often signal upcoming job losses.

**insured unemployed** — People who are currently receiving unemployment insurance benefits. This count is smaller than total unemployment because not everyone who loses a job qualifies for benefits, and benefits eventually expire for those who remain unemployed.

**inverted yield curve** — When short-term interest rates are higher than long-term rates, the opposite of normal. An inverted yield curve has preceded every U.S. recession in recent decades, making it a closely watched warning sign.

**job openings** — Positions that employers are actively trying to fill. High job openings relative to unemployed workers indicate a tight labor market where workers have bargaining power.

**JOLTS (Job Openings and Labor Turnover Survey)** — A monthly survey tracking job openings, hiring, and separations (quits, layoffs, and other departures). It provides insight into labor market dynamics beyond simple job counts.

**labor force** — The total number of people who are either employed or actively seeking employment. It does not include people who are not working and not looking for

work.

**labor force participation rate** — The percentage of the working-age population that is in the labor force (either employed or actively seeking work). It indicates how many people are engaged in or available for work.

**labor productivity** — The amount of goods and services produced per hour of work. Higher productivity means workers are producing more output in the same amount of time.

**labor share of income** — The portion of national income that goes to workers as wages and benefits, as opposed to capital owners as profits. A declining labor share means workers are capturing less of the economy's gains.

**liabilities** — What a person, company, or government owes—debts and other financial obligations. On a balance sheet, assets minus liabilities equals net worth.

**liquidity** — How easily an asset can be converted to cash without losing value. A savings account is highly liquid; a house is not, since selling takes time and involves costs.

**M2** — A measure of the money supply that includes cash, checking accounts, savings accounts, and other easily accessible funds. The Federal Reserve tracks M2 to gauge how much money is available for spending in the economy.

**market capitalization** — The total value of a company's outstanding stock, calculated by multiplying share price by number of shares. A company with 1 million shares at \$100 each has a market cap of \$100 million.

**means-tested benefits** — Government programs that only provide assistance to people below certain income or asset thresholds, such as Medicaid, food stamps (SNAP), and housing assistance.

**median** — The middle value in a set of numbers arranged in order. Half of all values fall above the median and half fall below. Unlike an average, the median is not skewed by extremely high or low values.

**monetary policy** — Actions taken by the Federal Reserve to influence the availability and cost of money and credit in the economy. The Fed's primary tools include setting interest rates and buying or selling securities.

**net exports** — Exports minus imports. When negative (imports exceed exports), the country has a trade deficit; when positive, a trade surplus.

**net worth** — The total value of assets (such as homes, savings, and investments) minus total liabilities (such as mortgages and debts). It represents overall financial wealth.

**NIPA (National Income and Product Accounts)** — The official accounting system for the U.S. economy, maintained by the BEA. It includes GDP, national income, personal income, and related measures.

**nominal GDP** — The total value of goods and services produced in an economy measured at current prices, without adjusting for inflation. Comparing nominal GDP across years can be misleading because price changes are included.

**nonfarm payrolls** — The total number of paid workers in the U.S. economy, excluding farm workers, private household employees, and nonprofit workers. The monthly change in nonfarm payrolls is the most-watched indicator of job growth.

**owners' equivalent rent** — A component of the inflation measure that estimates what homeowners would pay to rent their own homes. It's used because the costs of owning (like maintenance) are considered consumption, while the home purchase itself is investment.

**payroll taxes** — Taxes deducted from workers' paychecks to fund Social Security and Medicare. Employers also pay a matching amount, making the combined rate about 15% of wages up to certain limits.

**PCE (Personal Consumption Expenditures)** — A measure of consumer spending on goods and services that is used to track price changes and calculate inflation. The Federal Reserve prefers the PCE price index over the CPI for setting monetary policy.

**percentage point** — A unit for describing the difference between two percentages. If unemployment falls from 5% to 4%, it dropped by 1 percentage point (not 1%, which would be a much smaller change to 4.95%).

**percentile** — A value indicating the percentage of a distribution that falls below it. For example, a household at the 75th percentile of income earns more than 75% of all households.

**personal saving rate** — The percentage of after-tax income that households save rather than spend. A rate of 5% means households save 5 cents of every dollar of disposable income.

**poverty threshold** — The income level below which a family is officially considered poor. The thresholds vary by family size and are updated yearly for inflation—in 2024, about \$31,000 for a family of four.

**PPI (Producer Price Index)** — A measure of inflation at the wholesale level, tracking prices received by producers for their output. It's often seen as a leading indicator of consumer inflation.

**prime age / prime working age** — Adults aged 25 to 54, the years when people are most likely to be working. This group excludes younger workers still in school and older workers approaching retirement, giving a cleaner picture of labor market health.

**producer prices** — The prices businesses receive for their goods and services at various stages of production.

Changes in producer prices can signal future changes in consumer prices.

**productivity-pay gap** — The growing divide between how much workers produce per hour and how much they are paid. Since the 1970s, productivity in the U.S. has risen significantly faster than typical worker compensation, meaning the economic gains from increased efficiency have not been evenly shared with workers.

**public debt** — The total amount of money the government owes to creditors, accumulated from past deficits. Also called the national debt or government debt.

**quantitative easing** — A Federal Reserve policy of buying large amounts of bonds to push down long-term interest rates and stimulate the economy when short-term rates are already near zero. The Fed used this tool extensively after the 2008 financial crisis and during the COVID-19 pandemic.

**quintile** — One-fifth of a group when ranked from lowest to highest. See income quintile.

**real GDP** — The value of goods and services produced in an economy, adjusted for inflation to reflect changes in actual output rather than price changes. It allows for meaningful comparisons across time.

**real interest rates** — Interest rates adjusted for inflation, representing the true cost of borrowing or return on saving. If a bond pays 5% and inflation is 3%, the real interest rate is about 2%.

**recession** — A significant decline in economic activity lasting more than a few months, typically visible in falling real GDP, rising unemployment, and reduced consumer spending. In the United States, the National Bureau of Economic Research (NBER) officially determines when recessions begin and end.

**residential investment** — Spending on housing, including new home construction, home improvements, and brokers' fees. It's a component of GDP that tends to lead the broader economy—declining before recessions and recovering before expansions.

**S&P 500** — A stock market index tracking 500 large U.S. companies, widely used as a benchmark for overall stock market performance. It represents about 80% of U.S. stock market value.

**Sahm Rule** — A recession indicator that signals an economic downturn when the three-month average unemployment rate rises at least 0.5 percentage points above its lowest point in the previous 12 months. Named after economist Claudia Sahm, this rule has reliably identified every U.S. recession since 1970.

**seasonally adjusted** — Data that has been modified to remove predictable seasonal patterns, such as holiday shopping or summer hiring. This adjustment makes it

easier to identify underlying economic trends.

**sectoral balances** — The financial positions of the major parts of the economy—households, businesses, government, and the foreign sector—showing whether each is spending more than it earns (deficit) or earning more than it spends (surplus). Because one sector's deficit must be matched by surpluses elsewhere, these balances always sum to zero across the entire economy.

**shelter (as CPI category)** — The housing component of the Consumer Price Index, including rent and owners' equivalent rent. Shelter is the largest single category in CPI, making up about one-third of the index.

**trade balance** — The difference between the value of a country's exports and imports. A trade deficit occurs when imports exceed exports; a trade surplus occurs when exports exceed imports.

**trade deficit** — When a country imports more goods and services than it exports. The U.S. has run a trade deficit since the 1970s, meaning Americans buy more from abroad than they sell.

**transfer payments** — Government payments to individuals that are not in exchange for goods or services, such as Social Security, unemployment benefits, and food assistance. Transfers redistribute income but don't directly produce GDP.

**Treasury yields** — The interest rates on U.S. government bonds. Yields vary by maturity—short-term bills might yield 4% while 30-year bonds yield 5%—and serve as benchmarks for other interest rates throughout the economy.

**U3 unemployment rate** — The official unemployment

rate, measuring the percentage of the labor force that is jobless and actively looking for work. It does not count people who have given up searching or those working part-time who want full-time jobs.

**U6** — A broader measure of unemployment that includes the officially unemployed plus discouraged workers (who stopped looking) and part-time workers who want full-time work. U6 is typically several percentage points higher than the official rate.

**unemployment rate** — The percentage of the labor force that is jobless and actively seeking work. It is one of the most closely watched indicators of economic health, reported monthly.

**unit labor costs** — The labor cost to produce one unit of output, calculated as total labor compensation divided by total output. Rising unit labor costs can signal inflation pressure; falling costs suggest productivity gains.

**value added** — The increase in value a business creates over and above the cost of inputs it purchases. A furniture maker's value added is the difference between what it pays for wood and what it sells furniture for. GDP is essentially the sum of value added across all businesses.

**yield** — The income earned from an investment, usually expressed as an annual percentage of the investment's value. For bonds, the yield represents the return an investor receives from interest payments.

**yield curve** — A chart showing interest rates on bonds of different maturities, typically Treasury securities. Normally, longer-term bonds pay higher rates; when short-term rates exceed long-term rates, the curve is inverted—a recession warning signal.

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