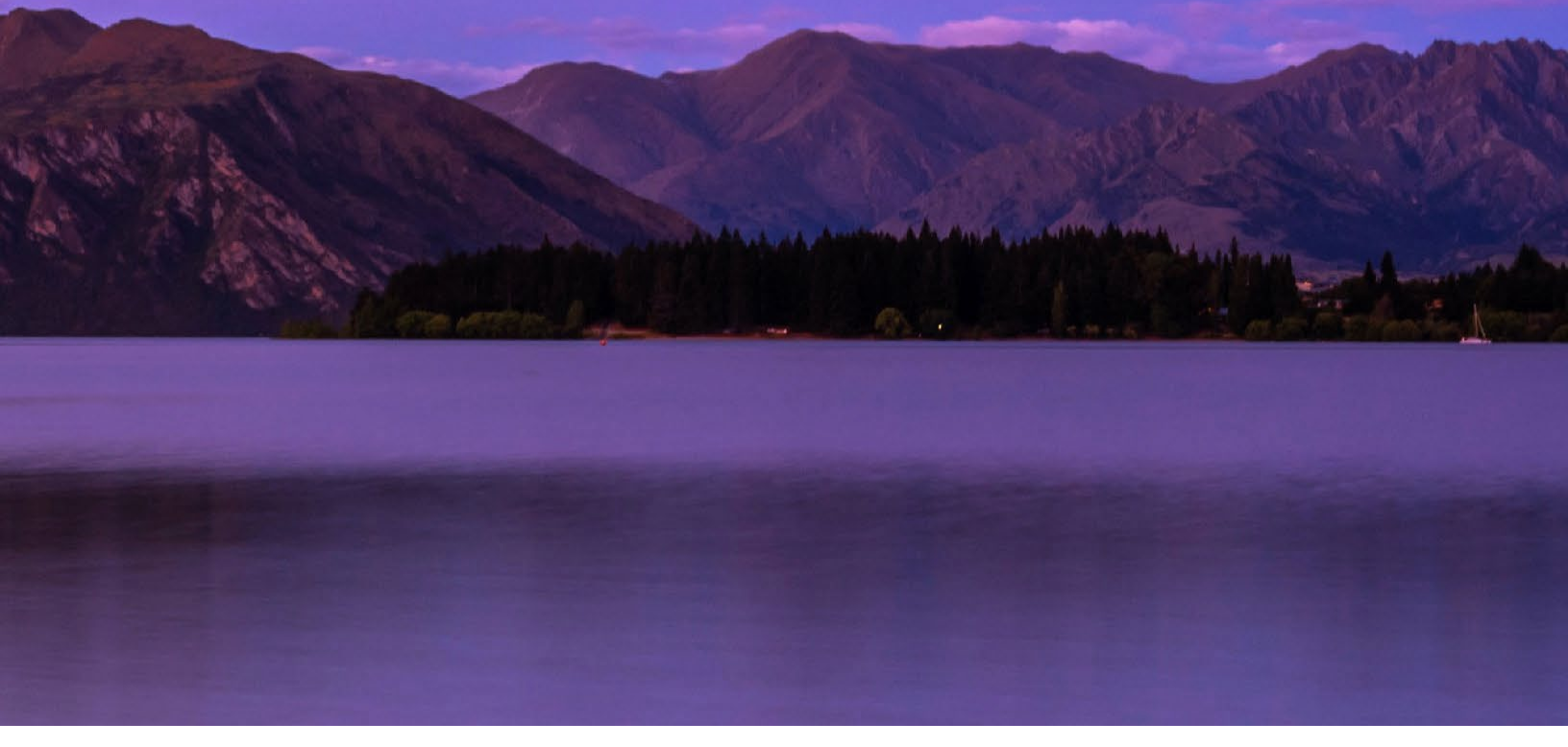


JUNE 2025

# Market Perspectives: Household Health





## MARKET PERSPECTIVES: HOUSEHOLD HEALTH

*"Too many people spend money they haven't earned to buy things they don't want to impress people they don't like."*

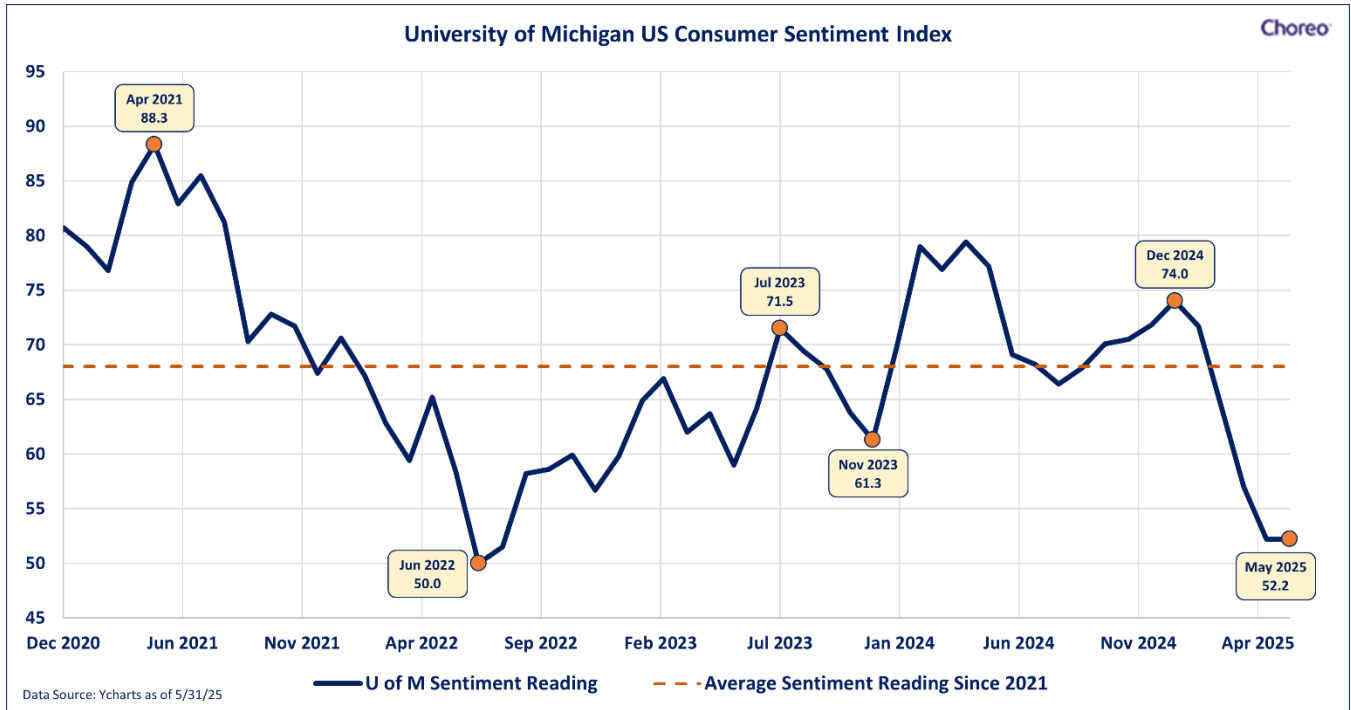
*~ Will Rogers*

- Consumer spending remains generally sound, continuing to provide a steady backbone for the U.S. economy despite headline-driven uncertainty.
- Mixed signals are starting to emerge, however, with softening consumer confidence and rising loan delinquency rates hinting at potential pressures ahead.
- Labor markets remain solid, with low unemployment and wage growth outpacing inflation – key pillars for continued consumer strength.
- Still, consumer resilience is constantly tested – understanding how households are navigating the evolving crosscurrents is key to gauging the path ahead.

Summer has arrived and with it, schools are out, families take more vacations, enjoy the outdoors, and tend to spend time on leisure activities. The health of consumer households serves as the heartbeat of the economy, shaping market trends and daily financial decisions. From disposable income levels and credit access to job stability and consumer confidence, these factors weave a complex web that defines households' purchasing power and resilience. In today's fast-paced world, shifting habits – fueled by technology, generational attitudes, and cultural dynamics – are reinventing what it means to manage a financially robust household. The backdrop of economic uncertainties casts a shadow, as households juggle the delicate act of saving for the future while spending in the present. This ever-changing landscape highlights the adaptability and creativity of households in navigating the financial highs and lows of our times. Understanding consumer health is critical to understanding the strength of the broader economy, hence a detailed annual "check-up" report is warranted.

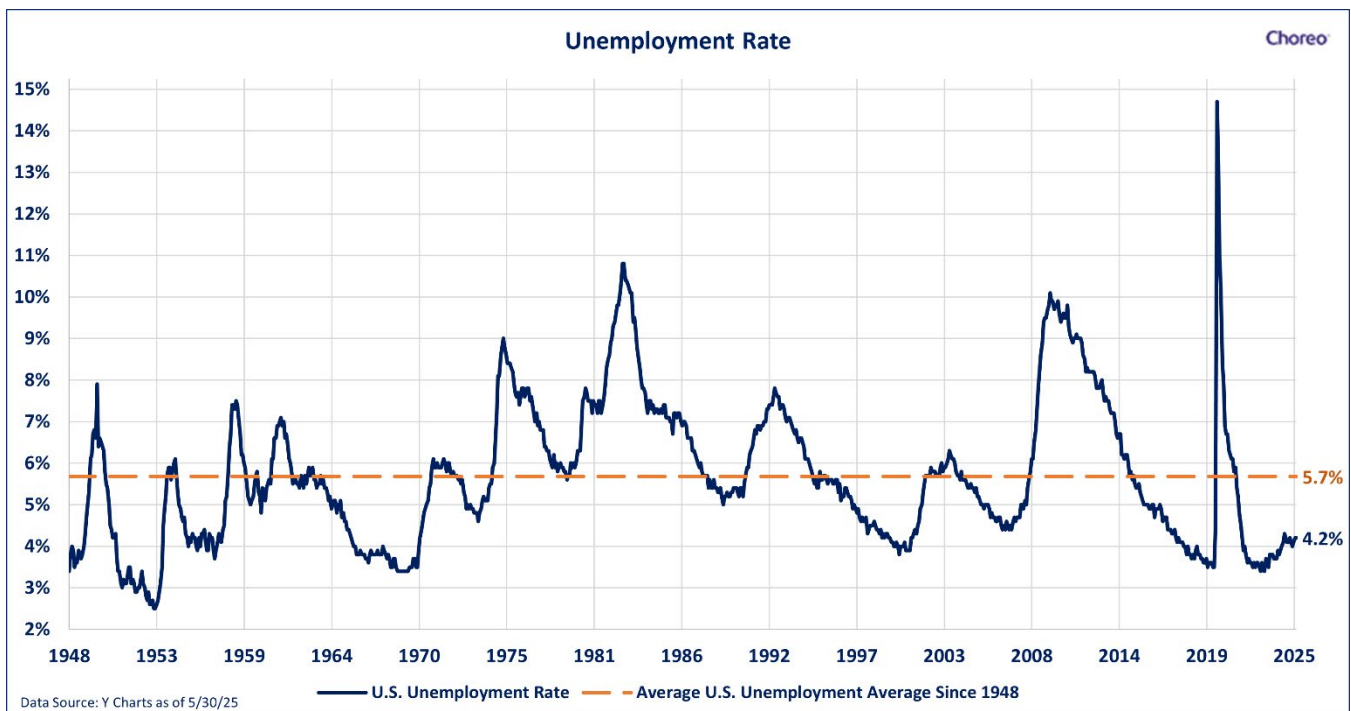
The health of consumer households has long been viewed as a cornerstone of economic vitality. These households are the lifeblood of our domestic economy, driving consumer spending, influencing fiscal and monetary policies, and determining the trajectory of markets across various sectors. However, household health is not a static indicator; it is shaped by a myriad of factors ranging from income levels and employment stability to access to credit and ultimately to consumer confidence.

Consumer confidence serves as a barometer for household health and the broader economy. This psychological factor reflects households' perceptions of their financial well-being and the overall economic environment. High consumer confidence typically translates to increased spending, while low confidence often leads to cautious financial behavior, such as delaying major purchases or increasing savings. External factors, such as economic uncertainties, geopolitical tensions, and natural disasters, can significantly impact consumer confidence. For instance, inflationary pressures may erode purchasing power, causing households to tighten their budgets. Similarly, the prospects of a looming recession or volatile stock market can create an atmosphere of financial uncertainty. Strong employment trends and a strong stock market can create a sense of stability and encourage spending. As shown in the graph below, consumer confidence has been low in recent months, likely due to a variety of the previously stated factors.

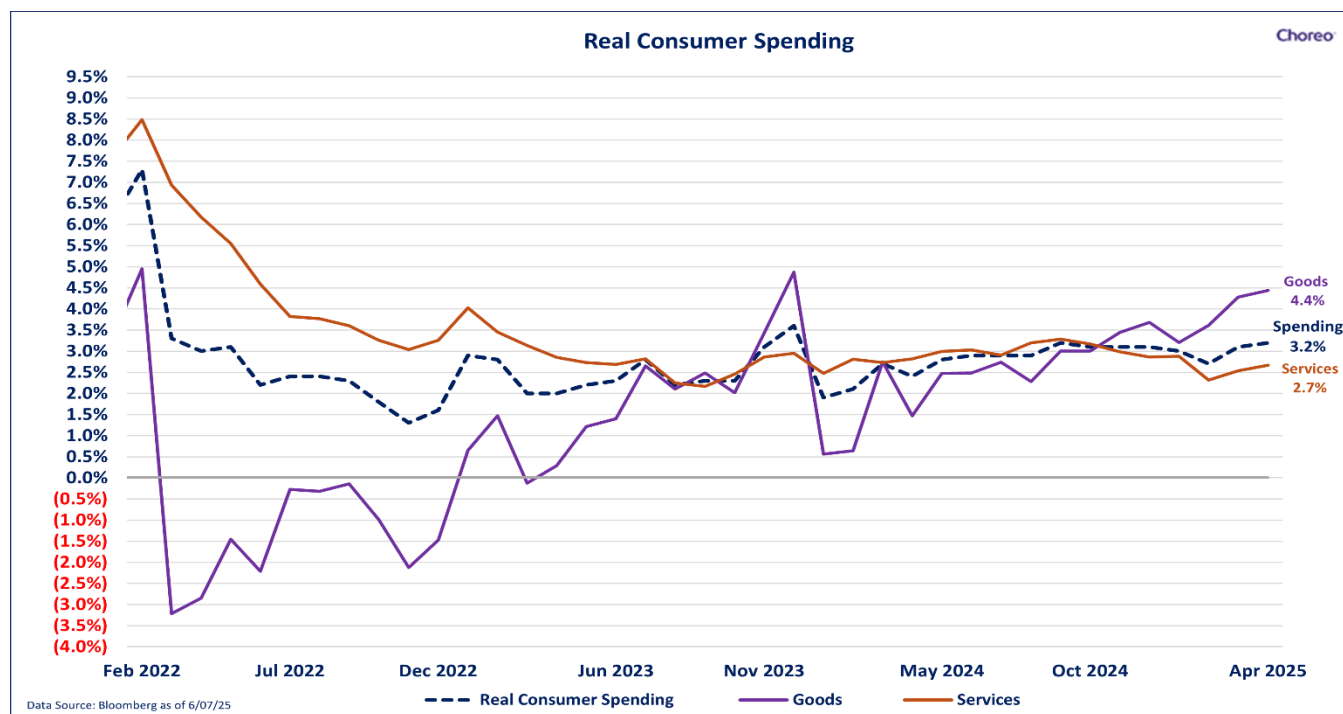


At its core, the financial health of a household is determined by its ability to balance income with expenses while maintaining savings and managing debt. Disposable income – the portion of earnings left after taxes and other mandatory expenses – plays a pivotal role in defining households' purchasing power. For most families, income is allocated to essential expenditures such as housing, food, transportation, and healthcare. The remainder, if any, often goes toward discretionary spending, savings, or investments.

Job stability and employment opportunities are equally critical. A robust job market with steady wage growth not only bolsters household income but also instills confidence in future financial prospects. Conversely, high unemployment rates or stagnant wages can erode this confidence, leading to reduced spending and heightened financial insecurity. The jobs picture remains generally strong, as shown in the graph below.

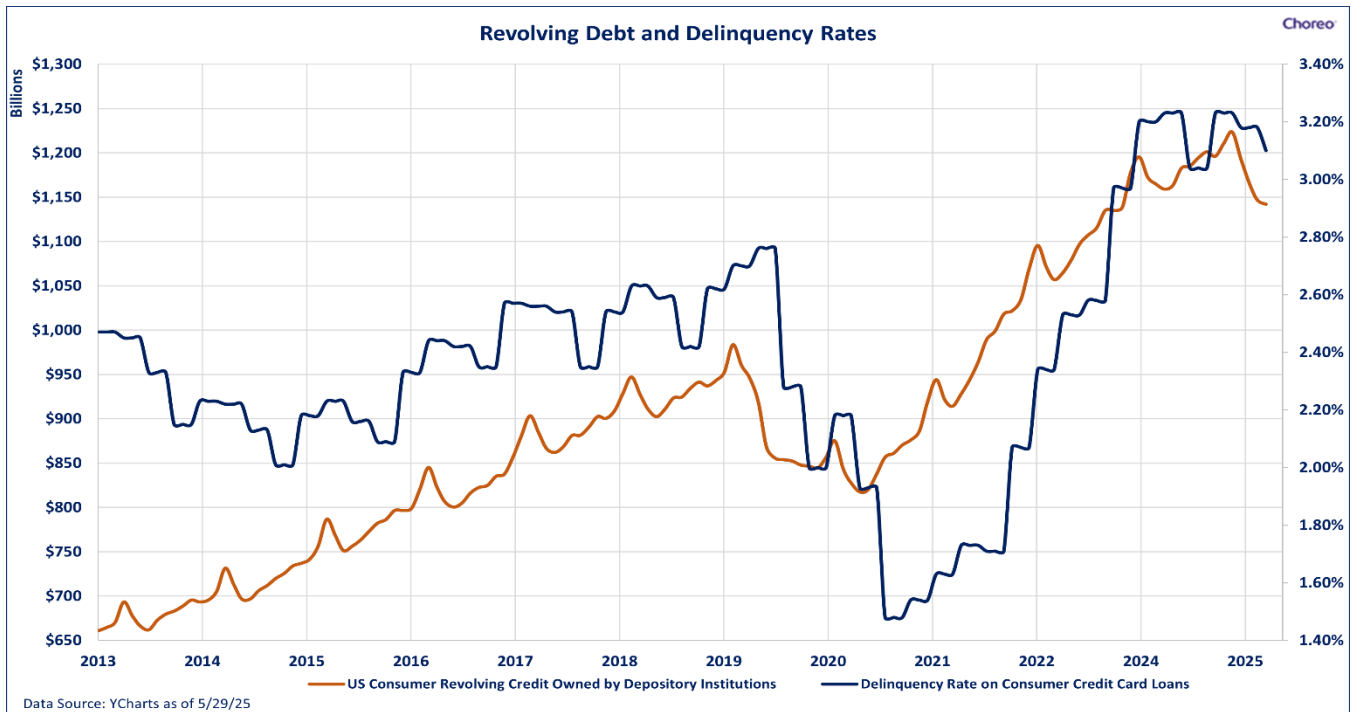


At a more granular level, there are specific factors worth watching to provide greater insights as to the health and confidence of the consumer. Summer travel has become a staple of American lives. The summer of 2025 may be different as referenced in a Wall Street Journal article titled “Europe Is Out. Road Trips Are In. Welcome to the Scaled-Back Vacation.” from May 16, 2025<sup>1</sup>. Consumers may not be cancelling vacations, but as referenced above, with confidence waning, an increasing number are scaling back travel plans. More broadly, consumer spending remains relatively stable with shifts between goods and services as shown in the graph below.

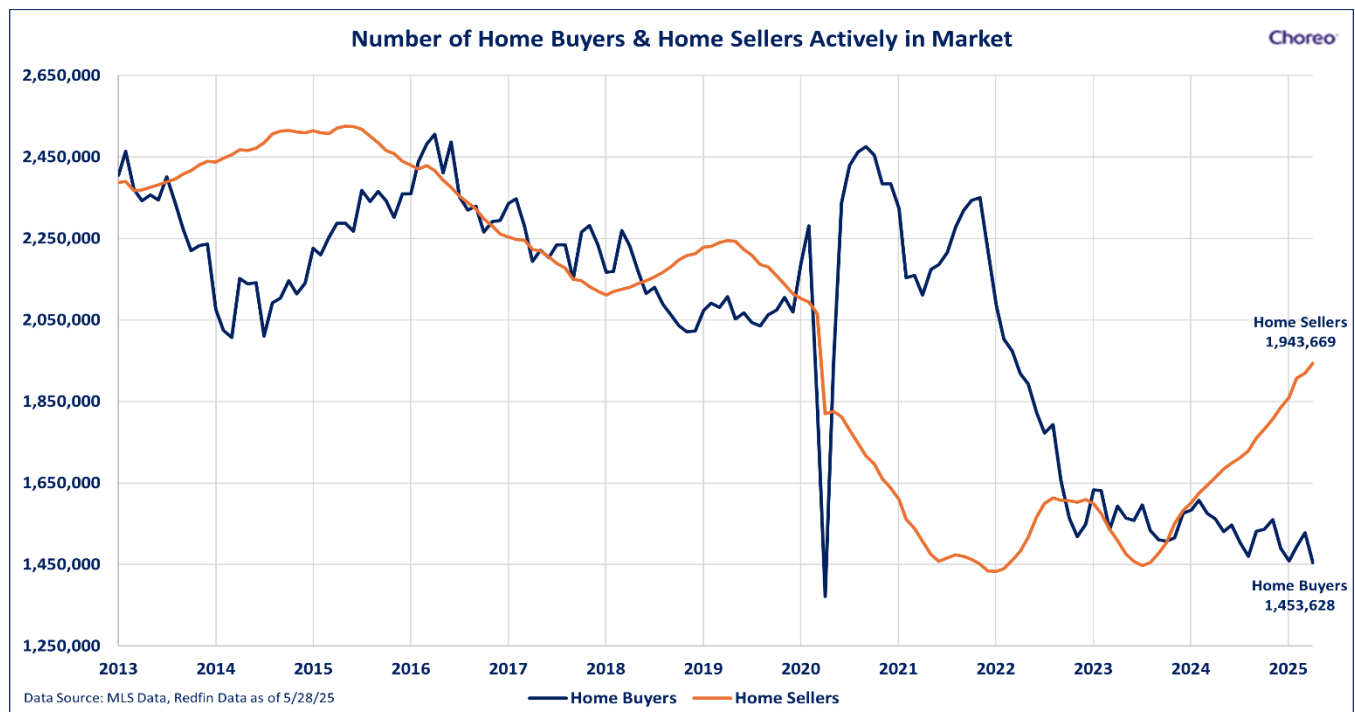


Other issues at play are fiscal and monetary policy changes. Most prominently, changes in monetary policy can have a significant impact on interest rates, which in turn can influence consumer behavior. Everything from mortgages and car loans to student and credit card debt is influenced by overall interest rate levels. As interest rates have risen over the past several years, we have begun to see credit card delinquency rates rise modestly as shown in the graph below, although delinquency levels overall still remain subdued.

<sup>1</sup> [https://www.wsj.com/economy/summer-vacation-economy-confidence-55fef21c?mod=consumers\\_trendingnow\\_article\\_pos2](https://www.wsj.com/economy/summer-vacation-economy-confidence-55fef21c?mod=consumers_trendingnow_article_pos2)



Another major contributor to the health of the consumer is the housing market. Home ownership is one of, if not the largest asset, for most consumers. As home prices increase, families tend to spend more money. Conversely, when prices fall, spending decreases. The housing market has been strong for some time, albeit regional differences certainly do exist. At a national level, we have begun to see sellers and buyers imbalanced in their transaction desires, and for the first time in a while, sellers significantly outnumber buyers. This could create an extended period of housing market weakness, which by extension may harm consumer confidence. If this situation persists, spending may slow.



Despite these challenges, the consumer's resiliency has been remarkable. The adaptability of households in the face of numerous challenges has been one of the primary drivers of a sound economic picture in the post-Covid era (and pre-Covid for that matter). Economic uncertainties, such as inflation, unemployment, and rising interest rates, can strain household budgets. Rising costs of living, particularly in areas like housing and healthcare, further compound these difficulties. Nonetheless, households have demonstrated remarkable resilience in navigating these challenges. This resilience underscores the importance of adaptability and resourcefulness in maintaining household health. Warren Buffett once said: "It's never paid to bet against America. We come through things, but it's not always a smooth ride."

## **Conclusion**

In today's ever-changing world, the health of consumer households remains a critical component of economic stability and progress. By understanding the factors that influence household health and addressing the challenges families face, we can foster a more resilient and equitable economy. Whether through innovative financial tools or supportive policies, empowering households to thrive is essential for a strong economy. We are closely monitoring the consumer for signs of overall economic health with a long-term focus in mind. We hope you and your families are enjoying the summer and as always please reach out with any questions or comments.

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