



STRENGTH-OF-CONSUMER FUNDAMENTALS

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LifetimeRetirementPartners



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Consumer activity is the core engine of the U.S. economy, driving roughly two-thirds of total GDP. When households are financially healthy and the labor market is strong, spending tends to rise, supporting business revenues, investment, and overall economic growth. Conversely, when consumers face job insecurity, declining income, or financial strain, spending naturally slows—often becoming one of the earliest signs of economic softening. Therefore, understanding consumer strength provides essential insight into the underlying momentum of the economy.

In our evaluation process, we break consumer strength into two complimentary halves:

LABOR MARKET INDICATORS: The labor market drives consumer income and confidence. Key indicators—such as unemployment rates, job openings, (voluntary) quits, payroll growth, and jobless claims—help identify whether conditions are strengthening or weakening. These measures often provide **early signals** of economic direction.

CONSUMER HEALTH: Financial health reflects the balance-sheet capacity of households: debt levels, delinquency trends, and the real purchasing power of wages. These factors highlight whether consumers are **able** to sustain spending, even if labor conditions are stable. Rising delinquencies or falling real wages, for example, can signal emerging stress that may not yet appear in employment statistics.

In evaluating consumer strength, our process emphasizes **forward-looking, momentum-based indicators** rather than relying solely on static levels. Economic turning points often emerge first through changes in direction—such as slowing job growth, rising claims, improving wage trends, or shifts in delinquency rates—well before headline readings reach historically “high” or “low” thresholds. By focusing on the *trajectory* of key labor and financial-health measures, we capture early signals that help anticipate changes in consumer momentum and, by extension, changes in the broader economic environment.



Current Grade of Consumer Strength:

+ 2
(SCALE - 2 TO +2)

POSITIVE

QUICK LOOK

Unemployment Rate

4.10%

Job Openings vs. # of
Unemployed

1.01

Real Wage Growth (YoY)

-0.26%

Household Debt (YoY)

3.89%

KEY TAKEAWAYS

- During this year, our Strength of Consumer grade has gradually swung from -1 (moderately negative) to +2 (positive). The biggest contributor has been the stability and rebound in recent employment figures.
- Recent labor market data has been increasingly positive. Unemployment has improved during the year and new jobless claims have not climbed.
- The ratio of job openings to unemployed workers has shown recent improvement after gradual erosion in 2025.
- Consumer sentiment regarding the economy continues to be extremely negative.
- Recent wages climbed faster than inflation for twelve consecutive quarters before being slightly outstripped in Q2 (for the first time since 2023).
- Total household debt increased at the slowest rate in a decade from mid-2024 to mid-2025 before returning to historically normal levels. Credit card delinquencies dropped fractionally year-over-year, though they remain above the five-year average.

Our strength-of-consumer analysis measures the health and resilience of the household sector-- the engine that drives roughly two-thirds of U.S. economic activity through personal consumption. We track key indicators to gauge whether consumers are able and willing to sustain growth. A strong consumer base supports a virtuous cycle of spending, employment, and income growth, while weakness can quickly translate into a broader economic slowdown.

U3 Unemployment

Current	4.10%
One Year Ago	4.30%
Trend	Positive
Five Year Average	3.97%
Ten Year Average	4.54%

Quits Rate

Current	1.90%
One Year Ago	2.00%
Trend	Neutral
Five Year Average	2.30%
Ten Year Average	2.27%

Real Wage Growth

Current	-0.26%
One Year Ago	1.80%
Trend	Neutral
Five Year Average	0.01%
Ten Year Average	1.16%

U6 Unemployment

Current	7.70%
One Year Ago	8.10%
Trend	Positive
Five Year Average	7.45%
Ten Year Average	8.42%

Initial Jobless Claims

Current	197,000
One Year Ago	225,000
Trend	Neutral
Five Year Average	215,500
Ten Year Average	221,450

Household Debt (YoY Increase)

Current	3.89%
One Year Ago	2.96%
Trend	Neutral
Five Year Average	4.92%
Ten Year Average	4.17%

Job Openings / # of Unemployed

Current	1.01
One Year Ago	0.94
Trend	Neutral
Five Year Average	1.34
Ten Year Average	1.14

Consumer Confidence

Current	51.7
One Year Ago	65.2
Trend	Negative
Five Year Average	62.6
Ten Year Average	77.0

Credit Card Delinquency Rate

Current	2.85%
One Year Ago	3.04%
Trend	Positive
Five Year Average	2.63%
Ten Year Average	2.51%

Civilian Unemployment Rate (U3)

DEFINITIONS

One of the most commonly quoted data points for economic health is the Civilian Unemployment Rate. As there are many varieties, in "fed speak" this is known as the "U3" unemployment rate. The U3 represents the percentage of the labor force whom are jobless but actively seeking work.

The Federal Reserve Bank of Philadelphia forecasts future unemployment through the **Survey of Professional Forecasters (SPF)**. While projections have recently trended as too conservative (underestimating unemployment), these values have had about a 95% accuracy over the last two years.

CONTEXT

U3 unemployment, slowly inching up over the last two years, is now greater than its five-year average but lower than the ten-year average. The current rate of 4.27% (quarterly average) is still very low historically.

SPF forecasts continue to project a stable labor market. The August survey revised the expected unemployment path lower, forecasting 4.2% in Q3 and 4.3% in Q4, with unemployment remaining near 4.3% through 2027.

Historical Data Source:

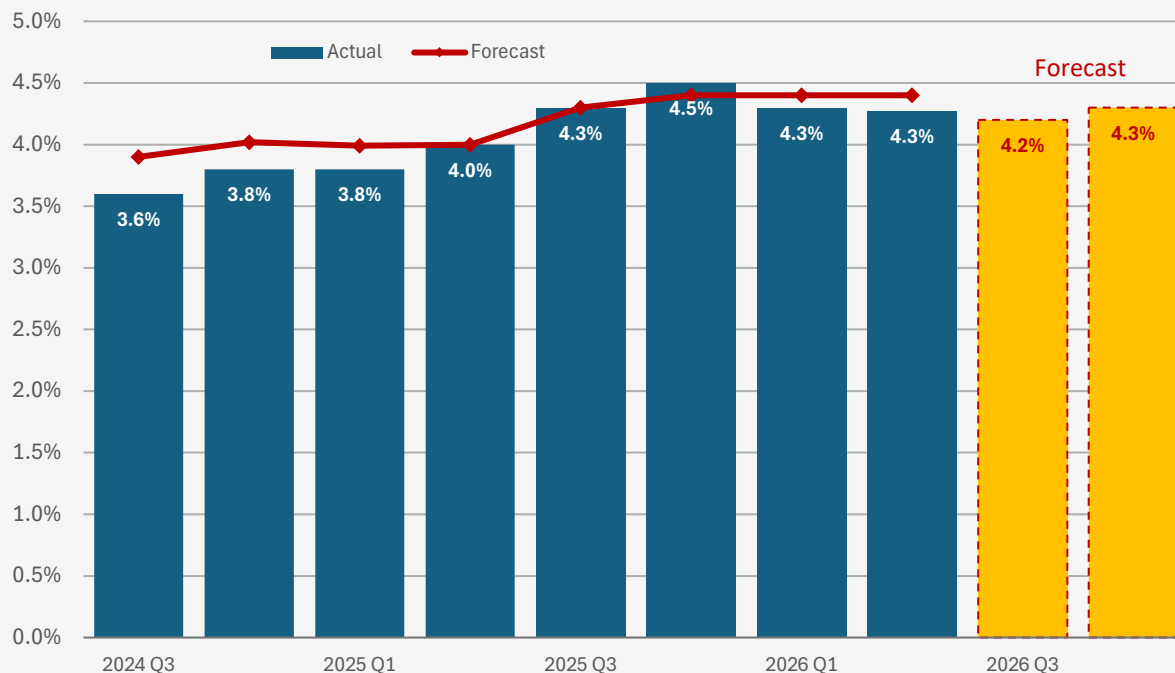
U.S. Bureau of Labor Statistics via FRED Database

SERIES: UNRATE

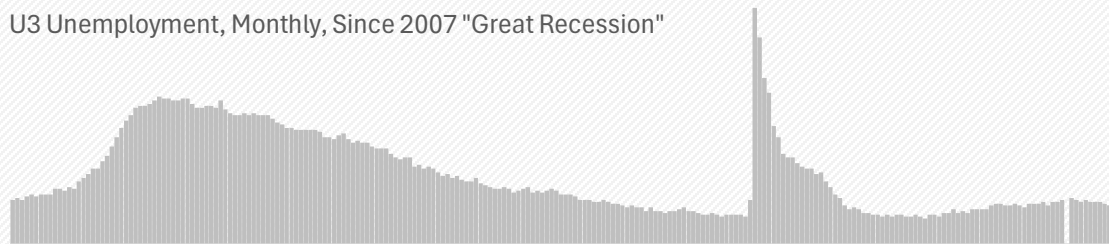
Projection Source:

Philadelphia Federal Reserve (Survey of Professional Forecasters)

Civilian Unemployment Rate (U3), Quarterly Average



U3 Unemployment, Monthly, Since 2007 "Great Recession"



Civilian Unemployment Rate (U6)

DEFINITIONS

In studying unemployment figures, our preferred gauge is the **U6 Civilian Unemployment Rate**. It includes not just core unemployed, but those "**employed part-time for economic reasons**" and "persons marginally attached to the labor force".

Naturally, this index is more sensitive than the more commonly sighted U3 "full unemployment". Before layoffs begin to materialize in full-time workers, movement is seen in the U6, making it more of a "leading" indicator. Likewise, at the beginning of a recovery, a new hiring trend is usually seen first here.

CONTEXT

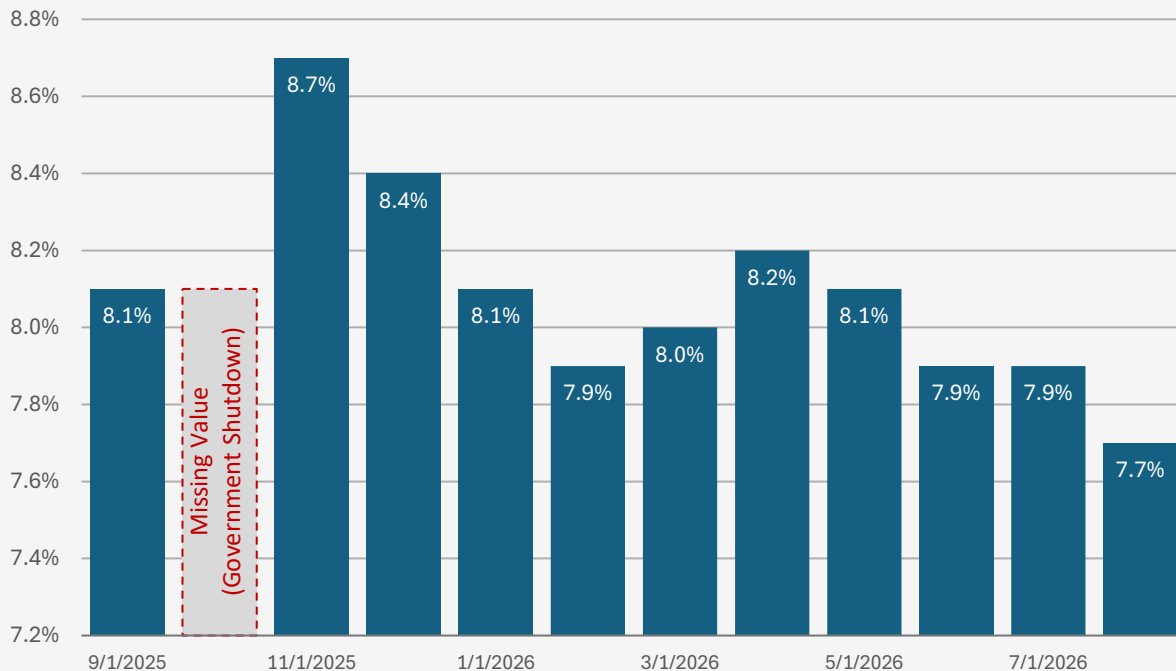
Where U6 unemployment spent 2024 and 2025 in a rough uptrend, it has now staged a surprising reversal and has meaningfully declined year-over-year. It is still higher than its post-Covid low of 6.7% and the average of the last five years (7.45%).

Historical Data Source:

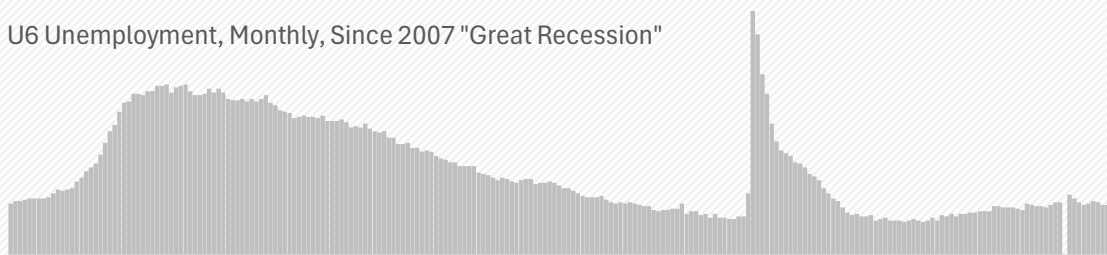
U.S. Bureau of Labor Statistics via FRED Database

SERIES: U6RATE

Civilian Unemployment Rate (U6), Last 12 Months



U6 Unemployment, Monthly, Since 2007 "Great Recession"



Initial Jobless Claims

DEFINITIONS

Initial Jobless Claims measure the number of individuals filing for unemployment benefits for the first time. Reported weekly, it is one of the most timely indicators of labor market conditions.

Because layoffs tend to rise before broader economic weakness becomes visible, Initial Claims are considered a leading indicator. Sustained increases can signal a weakening labor market, while stable/declining claims suggest continued strength.

While the series can be volatile week-to-week, trends over several weeks provide meaningful insight into changes in hiring conditions and business confidence.

CONTEXT

Initial Claims remain near historically low levels, indicating that businesses are generally retaining existing workers. Hiring activity has cooled considerably from the elevated post-pandemic period, however.

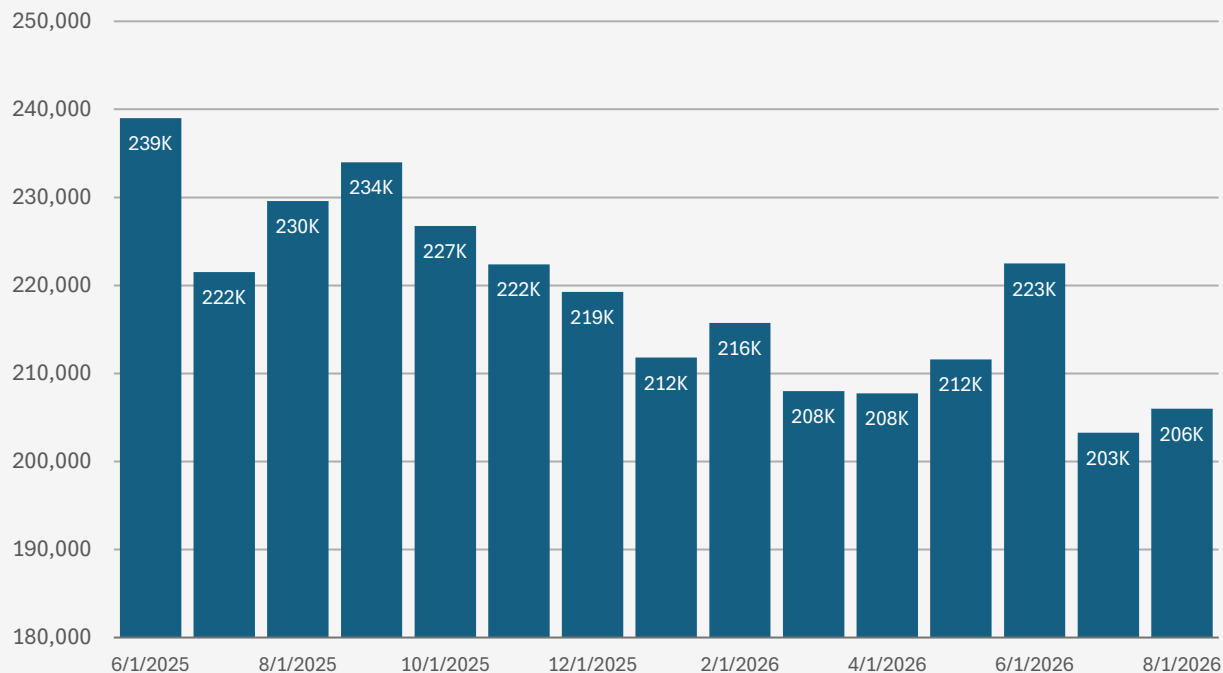
This “low hire / low fire” environment remains broadly consistent with a stable labor market. Recent JOLTS data show subdued hiring and quits alongside low layoffs, while Initial Claims have yet to signal a sustained deterioration in employment conditions.

Historical Data Source:

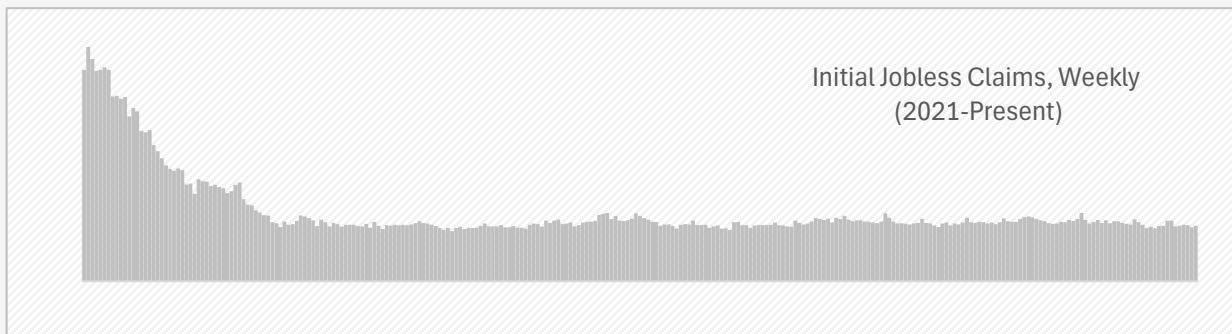
Board of Governors of the Fed via FRED Database

SERIES: ICSA

Initial Jobless Claims (Count), Last 15 Months



Initial Jobless Claims, Weekly
(2021-Present)



Job Openings (Total Nonfarm) to Unemployment Ratio

DEFINITIONS

The **Job Openings to Unemployed Ratio** compares the number of available jobs to the number of people actively seeking work. **A value above 1.0 means there are more job openings than unemployed workers—an indication of a tight labor market where employers must compete for talent. A value below 1.0 means job seekers outnumber available positions, signaling slack in the labor market.**

CONTEXT

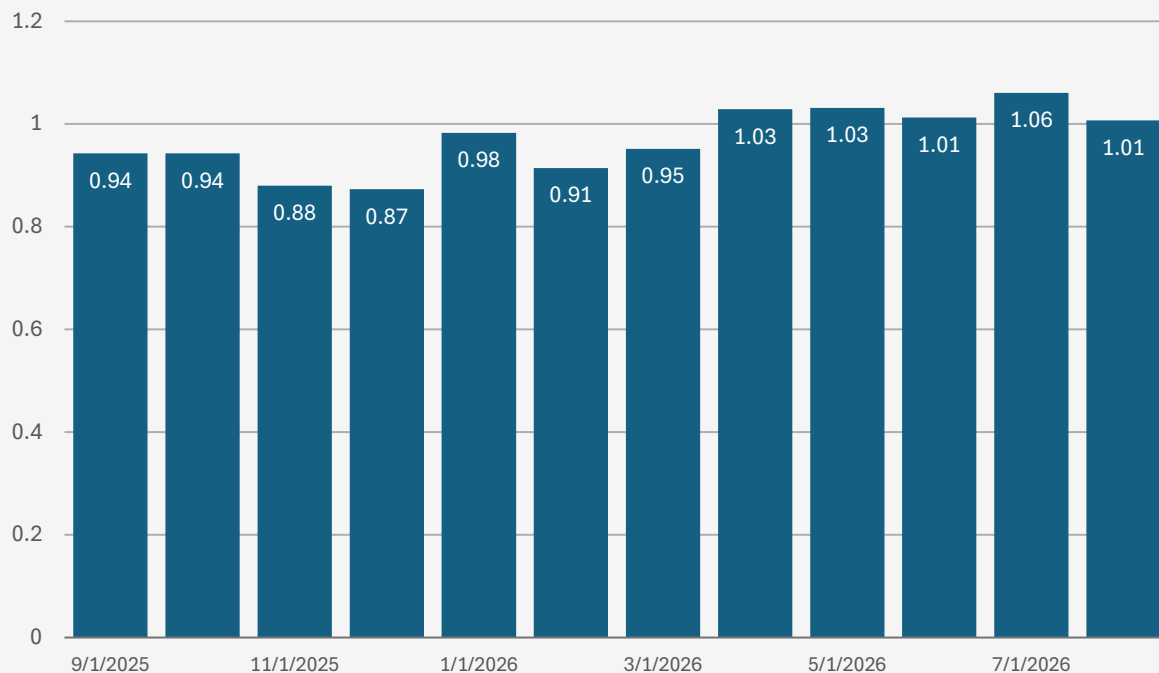
The job openings-to-unemployed ratio declined steadily through much of 2025 before stabilizing and gradually improving over the past six months. The labor market remains less competitive than in prior years, but the recent rebound suggests hiring demand has firmed rather than continued to weaken.

Historically, the current level remains above pre-pandemic norms (typically 0.6–0.8), indicating that labor conditions are still relatively healthy. While the market has largely normalized from its post-pandemic extremes, employers continue to maintain demand for workers, supporting a generally stable employment environment.

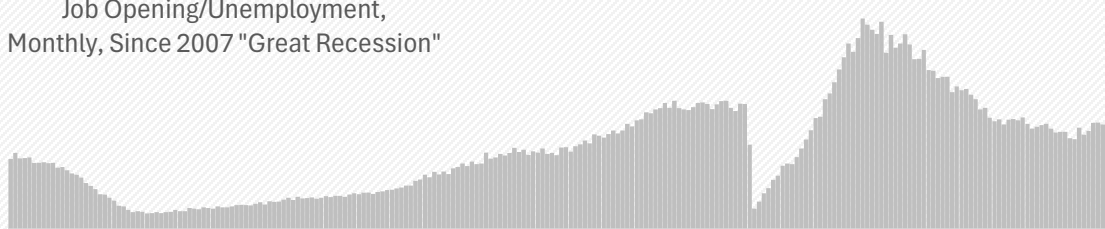
Historical Data Source:

U.S. Bureau of Labor Statistics via FRED Database
 SERIES: JTSJOL, UNEMPLOY

Job Openings / Unemployed, Last 12 Months



Job Opening/Unemployment,
 Monthly, Since 2007 "Great Recession"



Household Debt

DEFINITIONS

Household Debt is fully known by the Federal Reserve category "**Total Liabilities, Households & Nonprofit Organizations**". It represents a culmination of all liabilities of U.S. households and nonprofit organizations. This includes home mortgages, consumer credit, and other loans, and captures the full amount of borrowing owed to creditors across all sectors.

What is of concern is not whether debt is climbing over time: U.S. consumers have finished with more debt than they started with in 77 out of the last 80 years (the three outlying years, all during the Great Recession, were related to foreclosures and debt forgiveness-- not traditional debt reduction). What is key over time is whether debt is expanding faster than wages are climbing.

CONTEXT

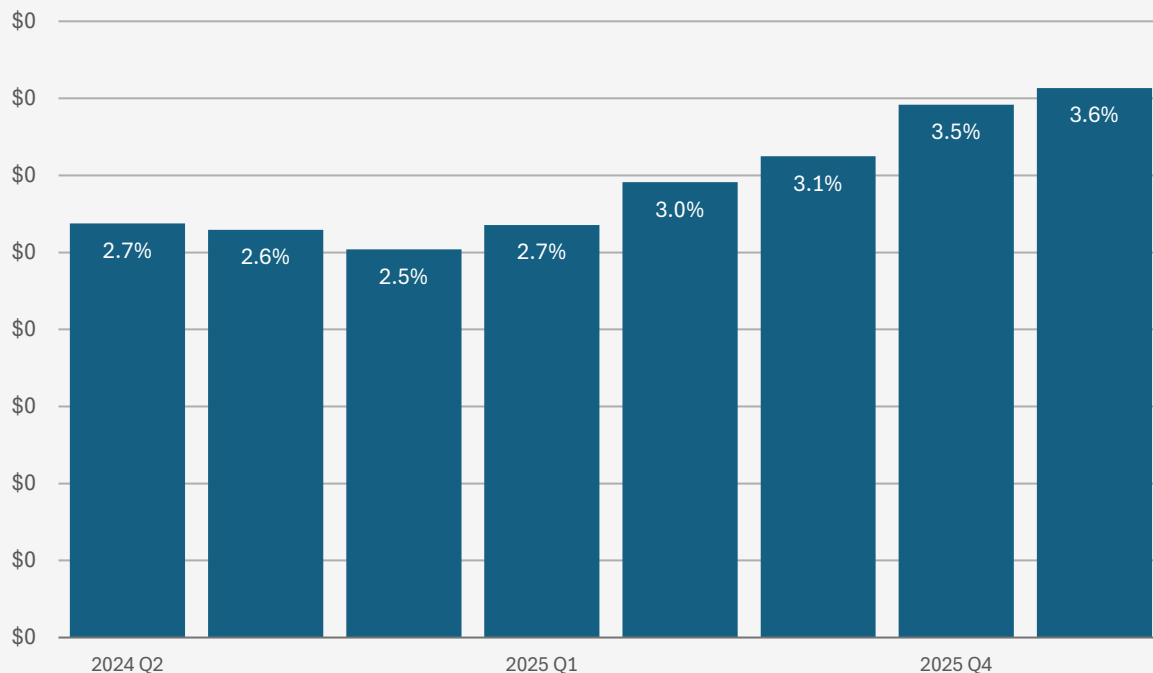
The rate of household debt increase has generally decelerated since Covid. While the media has made much about a "stretched consumer", from mid-2024 to mid-2025, consumers accumulated new debt at the slowest rate in a decade. The more recent uptick of the last few quarters sees the indicator return to more historically normal levels.

Historical Data Source:

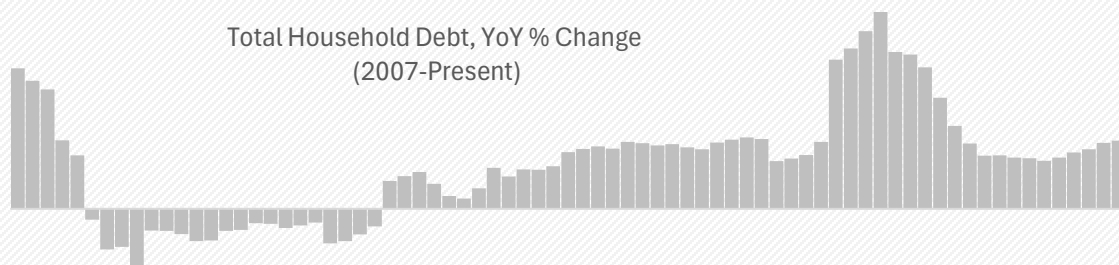
Board of Governors of the Fed via FRED Database

SERIES: TCMILBSHNO

Total Household Debt Outstanding (Percent Change, YoY), Last Two Years



Total Household Debt, YoY % Change (2007-Present)



Real Wage Growth

DEFINITIONS

Real wage growth, as measured by the U.S. Bureau of Labor Statistics (BLS) index **Business Sector: Real Hourly Compensation for All Workers**, measures inflation-adjusted average hourly compensation received by all workers in the business sector (including both nonfarm and farm business, but excluding government and nonprofit institutions).

It reflects total compensation, including wages, salaries, and benefits.

In a healthy economy, over the long term, wages grow faster than inflation. Their failure to do so is a sign of economic stress and decline.

CONTEXT

In 2022 and 2023, wages were outpaced by the surge in inflation; prices were climbing faster than the wages of the workers that paid the prices.

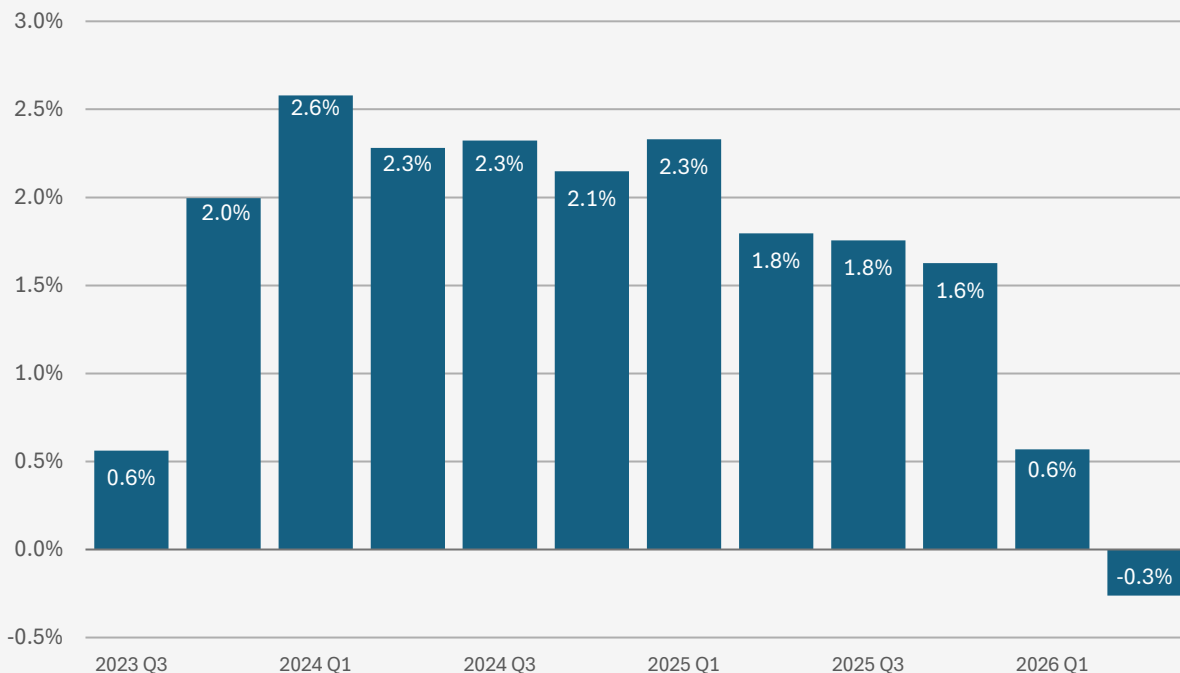
Wages then climbed faster than inflation for twelve consecutive quarters. However, in the second quarter of 2026, inflation slightly outstripped wage growth for the first time since 2023. It will be concerning for the consumer if the third quarter shows a continued erosion.

Historical Data Source:

U.S. Bureau of Labor Statistics via FRED Database

SERIES: RCPHBS

Real Wage Growth, Last 12 Quarters



Real Wage Growth Since 2017

