

The State of the Economy for October 2025

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Dana Peterson: Welcome to C-Suite Perspectives, a signature series by the conference board. I'm Dana Peterson, center Leader of the Economy Strategy and Finance Center at the conference board and guest host of today's episode. Joining me today is Stephanie Rashard, senior Economist of Global Indicators here at the conference board.

In today's conversation, we're gonna be talking about the US consumer confidence measure that was just released as well as the ongoing US shutdown or federal government shutdown. That is welcome, Stephanie. Good to be here. Excellent. Let's just dive right in. How are consumers feeling in October and how do this month's results compare to the last few months?

Stephanie Guichard: So this month we didn't see much change in the consumer confidence. It decrease a little bit, but, it's really moving sideways and in fact, when we look back we can see that since June it has been moving in a relatively narrow range, which is below the level where it was last year and even 20 22, 20 23.

And it's, so we didn't see much action this month.

Dana Peterson: Okay. Talk about the present situation. What were consumers thinking?

Stephanie Guichard: So consumer were a bit more positive about the present this month. So we saw some slight improvement in how they view the business conditions right now. And we also saw some improvement in how they assess the labor market.

And this is quite interesting because the assessment of the labor market had been declining since. The beginning of the year. So that's the first months when we saw a slightly more positive views about the labor market.

Dana Peterson: Great. Maybe that'll keep up over the next few months. What about expectations?

What were the larger influences on how consumers viewed? The future. So expectation

Stephanie Guichard: Regarding expectations. So expectations were weaker in the months than they were in September, and this is what has driven the index overall consumer confidence down this month. So consumer were a bit more pessimistic about business conditions going forward.

They were also a bit more pessimistic about the labor market going forward. And then regarding income, they are still optimistic, but a bit less than they were in September.

Dana Peterson: So given all these feelings and perceptions that consumers have, are they still anticipating a recession within the next 12 months in the survey?

Stephanie Guichard: So if we focus on the share that I, that thinking that a recession is extremely likely key, now this share has been declining. And slowly, however, what's interesting is that we see a slight increase. It's not huge, but we still see an increase of the share of consumers that are thinking that the economy is already in a recession.

So that, that's quite interesting. Some people are really stressed out about the current situation,

Dana Peterson: but for the most part they're just suggesting there could be one, but not Yes.

Stephanie Guichard: Yeah.

Dana Peterson: Not one that's severe. And very few people are saying we're already in it. Okay, so have consumers inflation expectations improved or worsened recently?

What are we looking at here?

Stephanie Guichard: So they ticked up a little bit in, in October, so they were at 5.8 in September. Now it's 5.9. So overall it's not changed much. It's still way higher than where it was last year. However they reached a peak at 7% in April and since then it has been cooling down.

So we are in this kind of cool on phase where they are. And not as high as during the peak, but still above the level of last year.

Dana Peterson: I think some of that easing has come from the fact that many of the worst of the tariffs were delayed. And we still have tariff deals being made. So there still could be some pickup in inflation above what we're seeing now that might cause consumers to raise their inflation expectations again.

Do you think that's possible?

Stephanie Guichard: Yeah, that's possible. And when we look at, what's on top of mind of consumers first is inflation and prices. We are still very unhappy with the level of prices and the current pace of inflation. And second is tariff. They are still very concerned about tariff and the tariff impact on the economy.

So tariff was the main topic on their mind. Between April and June now, it has receded a little bit, but they're still watching out what's happening on the tariff front. And as you mentioned, there are some deals and they're looking at what's happening and how this is going to affect prices going forward.

Dana Peterson: Absolutely. So in terms of buying plans, given their concerns about future job prospects more importantly future job prospects, but still expect their incomes to be positive as well as their future financial situation. So there's a dichotomy here going on in the minds of consumer.

Were there any recent trends in buying plans that are notable that support this idea that they're still gonna have money to spend?

Stephanie Guichard: Yeah, so when we look at the big things like buying a car or home, that these are massive decisions. We still see some uptick in the plans to buy cars.

Mostly used cars, but still people are considering buying a car maybe because, their interest rates have gone down a little bit in recent months, so they may be thinking that's a good time to buy. For homes there was a slight decrease in the months, but overall we can see that buying intentions for home goods.

So on an overall trend so let's start with big ticket items. For big ticket items. There was a dip earlier in the year, like around April when people were already concerned about the impact of tariffs already inflating the prices of those goods.

They were also worried that there would be potentially some shortages, so they were not planning to buy so much at the time. And since then we have seen some. Overall a trend that is favorable to buying plans for big ticket items for services. It's, there is no clear trend. We see some months where consumers are getting a bit more concerned.

They plan to cut more on, discretionary services. But this was not necessarily the case this month. And we saw a slight increase in intentions to buy services after a drop last month. So it's kind of on services. There is a lot of fluctuation month to month, we may reflect that the fact that consumers are not very clear of where the economy is going.

So they, they are not sure what they're gonna do with buying services.

Dana Peterson: I have definitely been watching the services data, and these are new data by the way that we've had, that we have now. And I did notice something, I noticed that consumers, are still going to restaurants and doing streaming.

Other kind of cheap luxury things, right? So they still wanna have fun, but they wanna do

it using less money. And I've also noticed that in terms of services that are, I would say, more vital or necessary, they're also shying away from the ones that are very expensive. Definitely while there's a mix, as you said, in terms of, month to month changes, each month it seems like the same set of four or five services that are at the bottom and are at the top, and certainly at the top it's cheap thrills. And at the bottom it's things that we need, but it's expensive. So we're gonna try to hold off on those things. And so it'll be important for us to take a look at that in the real data. And I think definitely we are seeing some of that where consumers are.

Most consumers that you know aren't making, over, two oh or \$300,000 are shifting away from things that are less expensive and more necessary. Let's move on to the next question. You have some preliminary results on holiday shopping. And that's a big deal here in the us.

But I there's a really curious question. Did tariffs cause people. To advance their holiday shopping. So did people buy all their sweaters and gifts in January of 2025 or even February after announcements of tariffs?

Stephanie Guichard: Yeah.

Dana Peterson: So

Stephanie Guichard: that's something we were wondering and I'm sure other retail industry is really wondering if you know how much shopping people did earlier in the year.

So overall, we don't have much evidence that people have started their shopping very early this year. We have about 9% of the consumers we survey who said they had been doing some holiday shopping in the first half of 2025. I think there is, there won't be much of a change in terms of the buying patterns.

They are telling us they're gonna buy mostly in the last quarter of the year and the month, where you could see most of that. Purchases is gonna be November, but there will be still some continuing their shopping in, in into December.

60, 60% are saying they're gonna do some shopping in November. Yes. 40% say they're gonna do some shopping in December. They can be, they are spreading their shopping over about over a few months. That's pretty normal. Yeah, exactly.

So we don't see these people freaking out about not being able to buy fake Christmas trees in, in March. We don't seem to see this impact. Okay.

Dana Peterson: I definitely do have a fake Christmas tree, but growing up we always had live ones. But anyway. In terms of what consumers are thinking about as they're heading into the holiday season, what is top of mind?

Stephanie Guichard: So it's really getting as much value as they can for their dollars. And they're gonna be looking for promotions, any type of rebates, discount. This is clearly

like 50% of the consumer we surveyed said among the two top priorities, it's getting as much value as they can for money.

And then 50% say. Looking for discounts and promotions so that this is really gonna drive their spending decisions because they need to fit, all this presence into tighter budgets. Because we had some, increasing prices in the level of prices overall. So consumer are already trying to get everything to fit into their budget so that this is gonna be top of their minders.

They enter the stores or they open their browser and start buying online.

Dana Peterson: Okay, so compared with last year, are consumers planning to buy more or less? And I'm wondering if you have that in terms of, in nominal terms, which is how people think, but also real terms after adjusted for inflation, which gives you a sense of the volume.

Stephanie Guichard: So in, in nominal terms, we are gonna see a decline already in buying intention. So when we. When we compare the amount of dollar they're gonna be spending this year it's 7% overall lower than what they were spending last year. So we get a 4% decline in nominal dollars set aside to buy gifts, and 12% decline in nominal dollars set aside to buy.

non-GI items. So it could be like Christmas decorations and nothing. And maybe we were talking about the tires before, maybe they thought, okay, I won't be able to buy this very cheap new Christmas decoration, so I'm just gonna use the one from last year. We don't really know exactly what's on their mind, but we.

See a dip in non-GI items this year. So that, that's the first thing in nominal in real terms. You need to remove a couple of percentage points from this numbers. So overall we would see. Close to 10% increase in decline in in buying plans for the holidays in 2017 US dollars.

So that's, and just to, that's a substantial decline and the overall amount they're gonna spend is lower than what they were spending not only last year, but also in the few years before.

Dana Peterson: Excellent. That's really good to know. We are going to take , a short break, and we'll be, right back with you in a few more moments to continue our conversation.

Welcome back to C-Suite Perspectives. Again. I'm Dana Peterson, center leader of the Economy Strategy and Finance Center at the conference board. I'm still joined by Stephanie Ard, our Senior Economists of Global Indicators, and we are actually going to flip the tables. So Stephanie will ask me questions about what's happening in terms of the shutdown in the United States.

Stephanie. Yes,

Stephanie Guichard: Dana. So I think it's, it's really great. We are releasing this CCI data today because otherwise, we are a bit in the dark regarding what's happening in the economy. I just wanted to mention, I forgot to mention it earlier we don't see so much of any impact of the she down currently in our data.

They are, were just collected during the first three weeks of the she down. And also we see some pickup of consumers mentioning the shutdown and something affecting their views of the economy. But it's still marginal compared with the other topics we discussed earlier today, like inflation and tariff.

But, so what I'm wondering is how is the Fed and other observer, how they looking at the US economy, what are they doing to understand what's happening currently in the us?

Dana Peterson: That's a great question. Indeed there is little to no federal government data. And whatever data we are getting has been linked to emergency.

Indeed the consumer price index data were released last week so that the social se security administration could use inflation to raise the cola for social security.

And the cola is the cost of living adjustment that, our senior citizens are always looking for to lean against inflation. But that's about it in terms of federal government data. However, there are lots of private organizations that are producing data as well as the federal. The Federal Reserve Board, the board itself, and also many of the banks throughout the system.

And as well as some of the private entities include ourselves, the conference board, but also the National Association of Realtors published pending home sales and also the k Schiller s and p K Schiller. Index of existing home sales was ALS is also gonna be published. So we'll get some concept of what's happening in housing.

Some of the Fed's data are not going to be released because they depend upon other data. But still not, we do have a little bit of information and also just like we do many. Private sector organizations as well as the Federal Reserve system in general, can talk to executives and owners of companies and consumers and get a sense of what people are feeling and thinking, even though we don't have this hard data.

So that's good enough for now, but should this shut down progress or persist, it's gonna be much more difficult for the government to actually collect the data. In order to clean it and then produce it. And so right now we do think that the Fed is going to go ahead and cut interest rates this week because they do have some private, actual, data especially data about sentiment and confidence from business and con and consumers, but also because they have these contacts that they can speak with.

Stephanie Guichard: Okay, so that's great. Still we are, it's great to have at least some

information about what's happening. And so what does it tell us about the impact up to now? We are in the fourth week of the shutdown, so what has been doing impact so far on the economy and what industries are the most affected right now?

Dana Peterson: Sure, absolutely. Typically, this isn't the first shutdown we've had. And it certainly isn't the longest, but we're getting close. The longest was 35 days back in I think 2018. And so we're just about we're almost at a month. And then, so basically this week and the next week, once we get beyond that, then we'll be, we'll have the longest shutdown.

Ever and but still all, most of the time government shutdowns have a slight impact and then it's almost completely reversed later. So prior shutdowns would be anywhere, would cut anywhere from a. A 10 to three tenths of a percentage point off of real GDP on a quarterly annualized basis in that quarter.

And then typically it's made up once the government reopens goods and services permits, all those things start moving. There is some lost. GDP lost from people who, didn't get paid once the government opened back up. Sometimes it's contractors or the newsstand in the government building.

And also people are not gonna go get two haircuts to make up for the haircut that they didn't make while the, while they were on furlough. A longer shutdown could maybe cut a half of a percentage point, but even still that was, going back to the 35 day one. But if this keeps going there will be greater effects.

But so far what we've seen is a lot of discomfort. Certainly. There are over 700,000 government workers that are on the sidelines. Some many have been furloughed, which means that they are still employed, but they're just not getting paid. But there's also been potentially another a hundred thousand or so that are still getting paid and working without getting who are not getting paid and working, and those who are actually let go.

And there's still the risk that, the administration may take this opportunity to release more government workers and indeed several hundred thousand. Government workers were let go at the end of September because they took the buyout package more or less. But I think that, for the most part it's a major inconvenience, certainly for the people who were being impacted directly, but it's also causing issues in terms of paying for key things like paying for.

Soldiers to continue working making sure that, T-S-A-T-S-A and air traffic controllers are still showing up to work and not calling in sick. And certainly for any business that's reliant on federal government data or reliant on serving the federal government has been challenged.

Stephanie Guichard: Okay, great. What needs to be done so that this shutdown ends

Dana Peterson: well? Right now the understanding is that both sides of the aisle and

Congress have very strong views. And one side is saying that we are not going to agree to lifting the shutdown until we discuss, payments that people have to make for Obamacare or the, affordable Care Act.

And that's through Medicaid. And so many of those subsidies that lowered the price of Medicaid for many Americans are going to rise. And certainly right now, enrollments beginning and many insurance companies are. Are saying we don't know what to do, so we're gonna start passing on the higher cost of these pro of these these programs.

So that's one camp. And the other camp is saying we don't wanna talk about this until you reopen the government. So in the meanwhile, there's some important dates that are coming up, right? So the first date is November 1st. And that's probably the day when. Many persons in the armed forces should be getting paid, but, and there was already a provision made to find money in the Department of Defense to pay those workers.

There were a lot of questions around the legality of that or whether it's okay or not, but the point is that we were able to pay them. In mid-October, but we may not have the money to pay them on November 1st. And even if there is money on November 1st, there probably won't be enough money November 15th, which is the next paycheck.

The other significant thing is SNAP benefits will run out. November 1st there was a provision to help fund wic which helps young mothers, young or old, with children newborns and babies. But when it comes to snap is essentially, for those of us who are pretty old including myself used to be called food stamps.

So it's food aid and there are millions of Americans who depend upon that of all ages, children. People who are, in the middle, a lot of seniors. And so that's gonna go away. And so these things, soldiers not getting paid and people potentially going hungry are huge pressures that could actually force both sides of the aisle to come together to try to end this next week.

But there's also the risk that it continues. Most people, certainly have strong views within Congress. But I think once both constituents see how it's impacting their voters, we could see some movement there. And also, oh, also one thing is, like I mentioned earlier, we are starting to see. Delays at airports because, folks who work at airports are calling in sick.

They're overworked, they're tired, they're not getting paid, and they're just, some of them probably are sick and some are maybe not. But the point is that, sick FAA and TSA workers, quote unquote were what stopped the last shutdown. So that's a key signpost that we need to pay attention to in addition to these key dates, November 1st and November 15th.

Stephanie Guichard: So as I mentioned earlier, we don't see so much of an impact of the shutdown, at least explicitly in our survey for October. And again, it was collected just during the first three weeks of the shutdown. So what should be looking for going forward

if this continues? What would be important to look at regarding both consumer and business confidence in the middle of a shutdown?

Dana Peterson: Sure. Absolutely. And I think that the longest this lasts, the more uncomfortable both businesses and consumers are gonna get outside of the people who are being directly impacted. 'cause indeed there are lots of industries and lots of people working for industries that depend upon gov government data.

So for example, subsidies to farmers. There was one outlay, during this whole, impasse. But again, there may not be any place to find another outlay. And certainly you're not getting patents approved. They're being delayed. Permits are being delayed. So that affects the sciences, professional services, financial, healthcare, construction, real estate, transportation.

It's just, a lot of different industries are negatively impacted because of this. And certainly if you're a contractor for the government, you may never get paid at all. And if this continues to subsist agencies, like the Small Business Association, the USDA. Federal Housing Association, either the Department of Energy are responsible for issuing loans and the Department of Education is responsible for issuing student loans.

And we're coming up towards the end of the year. Next semester starts soon, and some trimesters are already starting and students are gonna need that money. Many businesses are also. Gonna be negatively impacted due to reduced traffic. And certainly, for even consumers, if we saw that there's a been a pickup in consumers looking to buy homes and they're probably going to need mortgages, but you can't get that mortgage.

Permitted by the federal government if it's closed. And then there are also, there's still a lot of regulatory uncertainty for agencies like the SEC the CFTC, the FTC they've had to furlough most of their staff. And also things as serious as flooded, federal flood insurance. With still hurricane season, we can still have severe storms and people may not be able to tap into those resources.

If they're negatively affected. And so there's a lot here where just this can just metastasize into something much worse. And then finally, I would say it's very difficult for policy makers and also financial markets to operate and from policy makers to conduct monetary policy and financial markets to buy and sell off of data if there is no data.

And that gets more and more difficult as this drags on.

Stephanie Guichard: Okay. Thank you, Dana. If it lasts it's really gonna be good, especially if it lasts into 2026.

Dana Peterson: Indeed we're gonna see a pretty sizable debt in real GDP growth and some of that, again, will not be recovered because, for example, if you cannot collect employment data because everyone is furloughed, then you're going to.

Have difficulty, the government's gonna have difficulty catching up and making sure that we don't have breaks in series that are important for businesses and consumers to understand as they go about their activities.

Stephanie Guichard: Okay. Any ways we could finish on a happy note or.

Dana Peterson: Sure. I have to say that despite all of what's going on, geopolitically politically domestically abroad, is that there's still.

A really strong sense of resiliency in the us. We still have a lot of capital that can be spent. Consumers still have decent finances, even if they may say they're concerned. And I think most importantly, most consumer consumers are still working. There's not been a much firing, but there's also, there hasn't been much hiring, but there's also been very little firing.

Even though businesses are in stasis. Most of them are not letting people go, even though you may hear about certain industries cutting workers, especially over the last few days, but even still, there are 163 million people working and if there's 10,000 here or 5,000 there.

It's terrible for those individuals, but still in all, most Americans are working and their wages are still growing at a pace that exceeded anything we saw between the great financial crisis and also the pan and the pandemic. And also, some consumers do have assets and stock market is still doing quite well and the dollars started to recover.

After weakness. And so there are many consumers who are gonna benefit certainly from those financial assets. And we're probably gonna make it through with, some slowing in the US economy. Some rise in inflation, in uptick in the unemployment rate. But the Fed is going to continue to cut interest rates because inflation has come off of, extreme highs and it's only about one percentage point or so above their target.

But they're also cutting rates because they're concerned. About downside risks to the labor market. And so those rate cuts are going to make financial conditions a little bit looser. And hopefully continue to. Lower mortgage rates so that we can get the housing market, back started. And certainly I think once we get past the shutdown tariff negotiations and also whatever new things come up or crop up next year, that we're gonna see the economy pick up.

And indeed, while we have, I think the fourth quarter of this year and the first quarter of next year is being. We can nadir we expect growth to pick up to, around two, two and a quarter, two, maybe even two and a half percent by the end of next year. So this is a soft patch and it's gonna hurt but I think we're gonna get through it.

Stephanie Guichard: Okay. Thank you Dana. That was a great conversation. Thanks for being here with me today.

Dana Peterson: Thanks for having me and thanks for you also being with me today.

Stephanie Guichard: And thanks to all of you for listening to our C-Suite perspectives, I hope this series has been brought to board.

AUTHORS



Dana M. Peterson
Chief Economist
The Conference Board



Stephanie Guichard, PhD
**Former Senior Economist,
Global Indicators**
The Conference Board

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