

Weekly — August 1, 2025

Weekly Economic & Financial Commentary

United States: The Week Data Converged to Reveal a Clear Slowing in Activity

- Roughly four months since Liberation Day and after a run of broadly benign initial readings on the economy, data this week revealed broad and unambiguous signals that growth has slowed markedly in the first half of the year.
- Next week: Trade Balance (Tues.), ISM Services (Tues.)

International: Foreign Central Banks at the Forefront

- Foreign central banks were at the forefront this week. Central banks in Japan, Canada, Brazil, Colombia and Singapore held monetary policy steady, while central banks in Chile and South Africa all delivered 25 bps policy rate cuts. In economic data, Eurozone Q2 GDP was firmer than expected, edging up 0.1% quarter-over-quarter, while July core inflation was steady at 2.3% year-over-year. China's July PMIs softened, suggesting slower growth over the second half of this year.
- Next week: NZ Labor Market Data (Wed.), Bank of England Policy Rate (Thu.), Banxico Policy Rate (Thu.)

Interest Rate Watch: To Cut or Not to Cut?

- As widely expected, the FOMC left the fed funds rate unchanged at the conclusion of its meeting on Wednesday. The Committee has now held the policy rate steady at 4.25%-4.50% for five consecutive meetings. A cut at the FOMC's next meeting in September is still up in the air, and upcoming economic data will be critical in determining the future path of monetary policy.

Credit Market Insights: Signs of Consumer Caution in Credit Card Borrowing

- Household finances are looking stronger than they have, but consumers aren't celebrating just yet. While debt levels are cooling and balance sheets are improving, rising savings and lingering uncertainty hint at a more cautious, uneven path ahead for spending.

Topic of the Week: Housing Prices Fall but Affordability Contracts

- Housing affordability remains under pressure despite recent declines in home prices. Although prices have softened slightly, elevated mortgage rates and rising ownership costs—including insurance, taxes and maintenance—continue to make homeownership unaffordable for many families. The Atlanta Fed reports that owning a median-priced home now consumes 53% of median household income, the highest on record.

Wells Fargo U.S. Economic Forecast												
	Actual				Forecast				Actual		Forecast	
	2024				2025				2023	2024	2025	2026
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	1.6	3.0	3.1	2.4	-0.5	3.0	0.9	1.0	2.9	2.8	1.6	2.0
Personal Consumption	1.9	2.8	3.7	4.0	0.5	1.4	0.6	0.4	2.5	2.8	1.9	1.8
Consumer Price Index ²	3.2	3.2	2.7	2.7	2.7	2.6	2.9	3.0	4.1	3.0	2.7	2.8
"Core" Consumer Price Index ²	3.8	3.4	3.3	3.3	3.1	3.3	3.7	3.8	4.8	3.4	3.5	3.0
Quarter-End Interest Rates ³												
Federal Funds Target Rate ⁴	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	5.23	5.27	4.25	3.75
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.82	6.65	6.55	6.80	6.72	6.67	6.51
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.24	4.30	4.25	3.96	4.21	4.26	4.33

Forecast as of: July 10, 2025

¹ Compound Annual Growth Rate Quarter-over-Quarter² Year-over-Year Percentage Change³ Quarterly Data - Period End; Annual Data - Annual Averages⁴ Upper Bound of the Federal Funds Target Range

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

Submit a question to our ["Ask Our Economists"](#) podcast at askoureconomists@wellsfargo.com.

All estimates/forecasts are as of 8/1/2025 unless otherwise stated. 8/1/2025 12:10:47 EDT. This report is available on Bloomberg WFRE

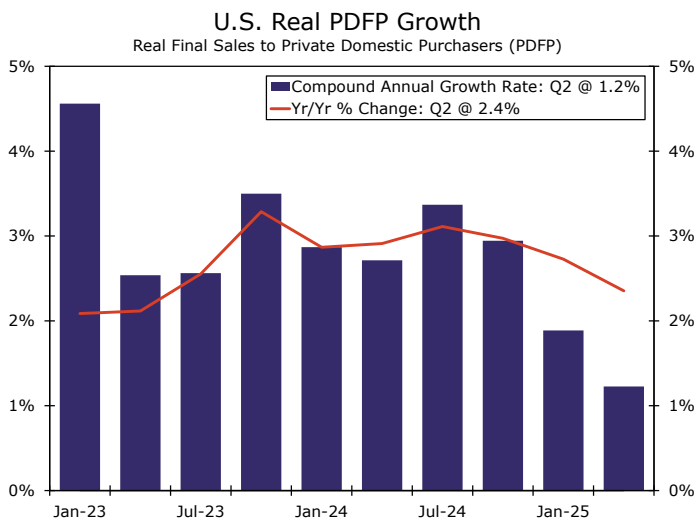
U.S. Review

The Week Data Converged to Reveal a Clear Slowing in Activity

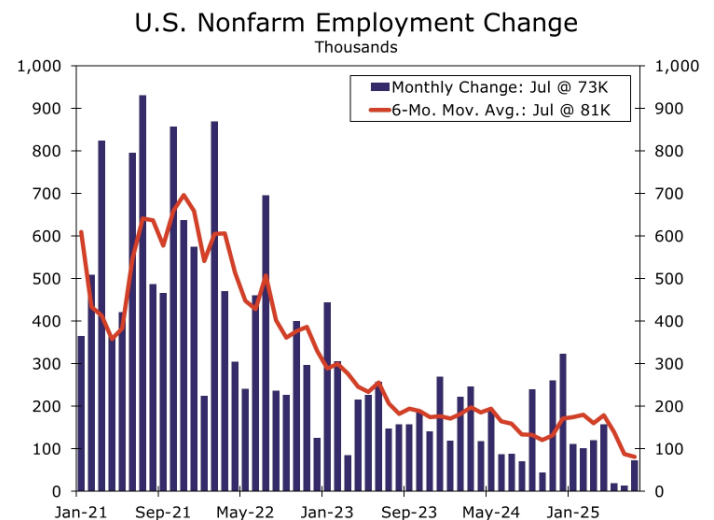
Four months ago, almost to the day, President Trump rolled out his "Liberation Day" tariffs. After financial markets initially recoiled, the implementation of some of the heaviest tariffs were put off until this week. Hours before that self-imposed deadline, the administration rolled out a fresh set of comprehensive tariffs, which, by our estimates, puts the effective tariff rate at roughly 18%.

In the immediate wake of the April announcements, economists said that tariffs risked driving prices higher and employment lower. On April 4, [we wrote](#) that our model-based estimates "point to weaker growth, higher inflation and increased unemployment." It took a little longer than expected for that to pan out. The economic data since the Liberation Day announcements did not reflect that sharp deterioration in economic activity, or at least not in obvious ways. This was the week that changed.

The slowing is also evident in the GDP report. This has not escaped notice by Fed Chair Powell who noted at his press conference this week that "*Private Domestic Final Purchases, which we think is a narrower but better signal for future for where the economy is going, has come down to ... 1.2 percent ... whereas it was two and a half last year. So that has certainly come down.*" Our nearby [chart](#) plots that series and illustrates Mr. Powell's point. Core GDP slowed sharply in the first half of the year.



Source: U.S. Department of Commerce and Wells Fargo Economics



Source: U.S. Department of Labor and Wells Fargo Economics

Data this week also suggest activity continued to slow into the second half of the year. The ISM Manufacturing Index slipped to 48.0, a nine-month low. Measures of current production and demand improved, but supplier deliveries declined sharply. Recall this is an inverse measure, so it is consistent with improved (shorter) delivery times. That's typically a signal of slowing demand as deliveries get faster as production catches up, and while that's still likely true today, it could also partially be some payback after a sharp pull-forward to get inputs ahead of tariffs.

Construction spending continues to moderate under high financing costs. Single-family outlays have taken a decided turn lower alongside elevated new home inventory, high mortgage rates and pronounced economic uncertainty. Residential construction activity tumbled 0.7% in June. Nonresidential construction is also weakening amid a collapse in new commercial projects. Some categories, such as data centers and public infrastructure, are more resilient. Non-residential investment fell 0.1% June, marking the fourth decline in the past five months.

The July jobs report has also shifted the tone on the labor market. While job growth missed in July, with employers adding just 73K net new jobs during the month versus the Bloomberg Consensus expectation for just over 100K, the big miss was in the revisions. Going into this morning's data, hiring was running at a 130K average clip over the past six months through June. Through July, that run rate has slipped to less than 90K. The July data brought with it downward revisions to hiring which reveal over 250K fewer jobs over the past two months than previously expected. Hiring has slowed to a crawl the past few months ([chart](#)).

Chair Powell characterized the labor market as solid and in a good enough position that the Committee could continue to adopt a wait-and-see approach to monetary policy at the end of its monetary policy meeting just this week. While Powell was careful not to commit to anything in terms of the next adjustment to policy come September, we suspect this morning's data alter the Committee's views on the jobs market. We still expect the FOMC to resume easing in September with a 25 bps reduction in rates, though the Fed will have another jobs report and two inflation prints in hand before it makes a decision.

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U.S. Outlook

Weekly Indicator Forecasts

Domestic					
Date	Indicator	Period	Consensus	Wells Fargo	Prior
4-Aug	Factory Orders (MoM)	Jun	-5.0%	-4.8%	8.2%
5-Aug	Trade Balance	Jun	-\$62.3B	-\$60.6B	-\$71.5B
5-Aug	ISM Services Index	Jul	51.5	51.0	50.8
7-Aug	Nonfarm Productivity (QoQ)	Q2	1.9%	3.6%	-1.5%
7-Aug	Unit Labor Costs (QoQ)	Q2	1.5%	1.1%	6.6%

Forecast as of August 1, 2025

Source: Bloomberg Finance L.P and Wells Fargo Economics

Trade Balance • Tuesday

As presaged by this week's stronger-than-expected [GDP report](#), the U.S. international trade deficit narrowed sharply in the second quarter after significantly widening in the first quarter. Next week's monthly trade report will provide more detail on how trade flows ended the quarter.

Advance data show merchandise imports falling for the third straight month, slipping 4.2% in June. The recent slide is largely a reversal from the surge in imports at the beginning of the year when businesses were pulling forward orders to get ahead of tariffs. On the other side of the ledger, merchandise exports slipped 0.6% in June, coming on the heels of a 5.7% decline in May.

While both imports and exports have been weak in recent months, the sharper pullback in imports has led the goods trade deficit to narrow. Assuming services trade has followed a similar pattern, we suspect the overall U.S. trade deficit narrowed to \$60.6 billion in June from \$71.5 billion in May. Where trade flows go from there remains to be seen, given higher tariffs and the fluid nature of trade policy.

U.S. Exports & Imports



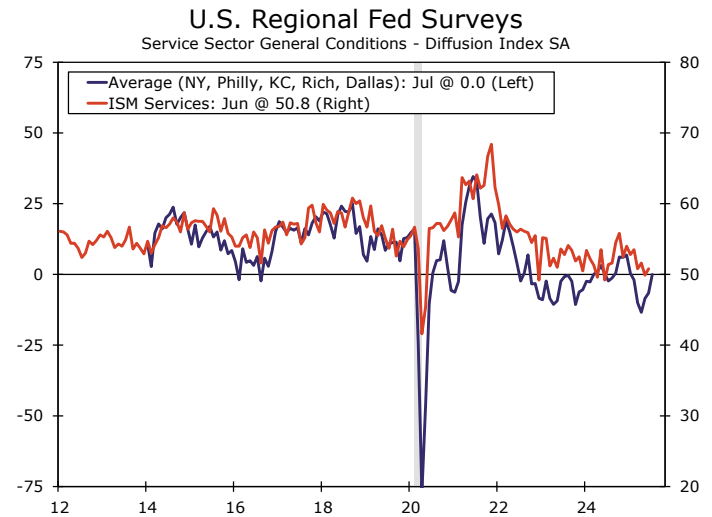
Source: U.S. Department of Commerce and Wells Fargo Economics

ISM Services • Tuesday

Elevated uncertainty and stalled consumer spending has kept a lid on activity in the service sector. While the ISM Services Index nudged back into expansionary territory in June, rising to 50.8, the headline reading suggests the breadth of growth has been narrow. Purchasing manager indices from various Federal Reserve Banks indicate service sector conditions improved slightly in July but were still not broadly expanding. Some of the restraint on activity has stemmed from widening pressure from higher input costs, with the prices paid component of the ISM index climbing back near its post-pandemic highs.

The combination of higher costs and sluggish demand will likely prevent service sector activity from meaningfully expanding in the months ahead. The weak July jobs report also suggests some downward pressure. But the ISM can be volatile month-to-month, and we look for it to inch up to 51.0 in July.

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Source: Federal Reserve System, Institute for Supply Management and Wells Fargo Economics

International Review

Foreign Central Banks at the Forefront

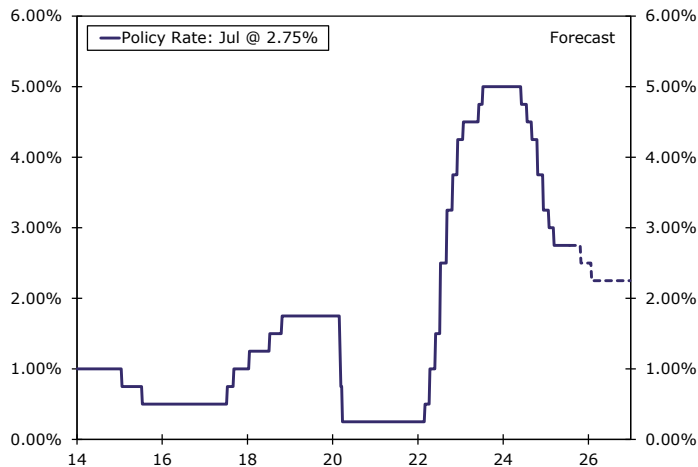
It was a very busy week for foreign central bank policy announcements. The Bank of Japan (BoJ) held its policy rate steady at 0.50% at this week's monetary policy meeting, a widely expected outcome. In terms of its economic projections, we view the central bank's updated forecasts as consistent with some further eventual monetary tightening. The BoJ's GDP growth forecasts were little changed, while the central bank raised its forecasts for core (CPI ex-fresh food) inflation to 2.7% for FY2025, 1.8% for FY2026 and 2.0% for FY2027. Separately, Governor Ueda made a range of comments that were mixed, but careful and cautious overall—perhaps tempering expectations of how soon the BoJ might raise interest rates. Looking forward, we expect the BoJ to hold rates steady at its next meeting in September. Our base case remains for the BoJ to raise its policy rate by 25 bps to 0.75% at its October announcement. That said, if Japan's economy slows especially sharply, or wage growth and domestic inflation trends undershoot, the BoJ's next rate hike could be delayed further, until January next year.

The Bank of Canada (BoC) held its policy rate steady at 2.75% this week for a third straight meeting, while signaling that it still has an overall bias to ease monetary policy further. The BoC said some elements of U.S. trade policy have become more concrete, but that trade negotiations remain fluid and uncertainty remains elevated. In that context, the central bank offered a range of economic scenarios, including a 'current tariff scenario' in which GDP contracts in Q2 before recovering in Q3. In this scenario, Canadian full-year GDP growth is projected at 1.3% in 2025 and 1.1% in 2026. Average core inflation is forecast to remain at 3.1% year-over-year in Q3 and Q4, before gradually slowing to 2.4% by Q4-2026 and 2.0% by Q4-2027. At the same time, the BoC signaled it could ease further, saying if "a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate." We do expect further easing, though slightly later than previously envisaged. We now expect a 25 bps rate cut in October, followed by a 25 bps rate cut at the BoC's first meeting of 2026, which would bring the policy rate to a low of 2.25%.

In other central bank announcements, Chile's central bank resumed its easing cycle with a 25 bps policy rate cut to 4.75%, while signaling further easing at the meetings ahead. With headline inflation slowing more than expected and labor market trends subdued, Chile's central bank said if its outlook from June materializes, the monetary policy rate will approach its neutral range in the quarters ahead. We expect a further 50 bps of rate cuts this year, to a low of 4.25%. South Africa's central bank also lowered its policy rate by 25 bps to 7.00%. Brazil's central bank held its Selic Rate steady at 15.00%, matching the consensus forecast. However, its accompanying comments were relatively hawkish, citing upside inflation risks and saying it continues to monitor fiscal developments. We expect rates to remain on hold for the rest of this year, with monetary easing not expected until 2026. Colombia's central bank held its policy rate steady at 9.25%, saying inflation expectations were above target and

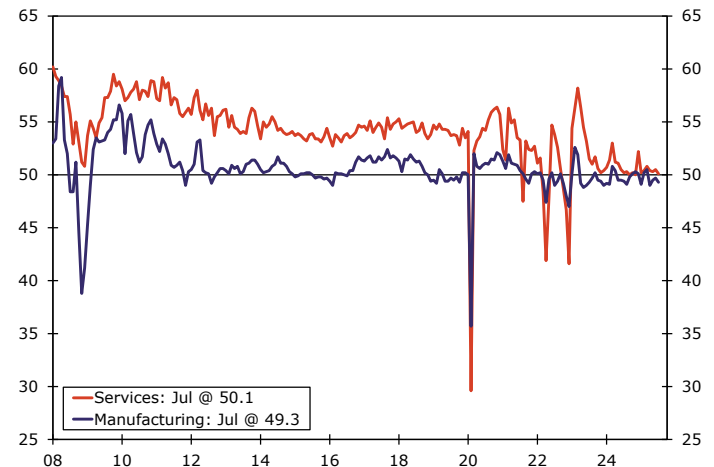
internal economic demand was strong. Finally, in Singapore, the central bank kept monetary policy—that is, the path for the trade-weighted exchange rate—unchanged, saying that economic growth is expected to moderate and that underlying inflationary pressures should remain contained.

Bank of Canada Policy Rate



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Chinese PMI Surveys



Source: Datastream and Wells Fargo Economics

In this week's economic data, Eurozone GDP growth slowed slightly less than expected in the second quarter, although that still represented a marked deceleration in activity from earlier this year. Eurozone Q2 GDP rose 0.1% quarter-over-quarter, modestly above the consensus forecast for a flat reading, but well below the 0.6% gain seen in Q1. On a year-over-year basis Q2 GDP growth eased modestly to 1.4%. The performance among the Eurozone's larger economies were mixed. German Q2 GDP fell by 0.1% quarter-over-quarter and Italian Q2 GDP disappointed with a 0.1% decline. On the flip side, French Q2 GDP rose 0.3%, a bit more than expected, while Spain's Q2 GDP rose a solid 0.7%. While the Eurozone economy held up a bit better than expected in the second quarter, we still anticipate underwhelming growth moving forward as the impact of higher U.S. tariffs bites on activity and sentiment remains subdued. The Eurozone July CPI was benign, and showed only modest hints of a further ebbing of inflation pressures. Headline inflation was steady at 2.0% year-over-year and core inflation was steady at 2.3%, although there was some slight further deceleration in services inflation which eased to 3.1%. While we view subdued overall Eurozone growth and inflation as consistent with one final rate cut from the European Central Bank, the risk of that policy rate cut being delayed from September to December is increasing.

In China, the official PMI indices were softer than expected in July. The manufacturing PMI fell to 49.3, in contrast to expectations for a steady reading, driven by decline in the output, new orders, and new export orders components. The non-manufacturing PMI dropped more than forecast to 50.1, with the details showing a softening in new orders, new export orders and work backlogs. Finally, the composite (or economy-wide) PMI also fell to 50.2, from 50.7 in June. Overall, these results are consistent with our outlook for slower Chinese economic growth over the second half of this year.

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International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
6-Aug	NZ Employment (QoQ)	Q2	-0.1%	—	0.1%
6-Aug	NZ Unemployment Rate	Q2	5.3%	—	5.1%
7-Aug	Bank of England Policy Rate	7-Aug	4.00%	4.00%	4.25%
7-Aug	Banxico Policy Rate	7-Aug	7.75%	7.75%	8.00%

Forecast as of August 01, 2025

Source: Bloomberg Finance L.P. and Wells Fargo Economics

New Zealand Labor Market Data • Wednesday

New Zealand's Q2 labor market data are released next week, containing figures that have the potential to confirm the case for the Reserve Bank of New Zealand (RBNZ) to lower its policy rate 25 bps to 3.00% at its August meeting. At its July announcement, the RBNZ said it expects to lower rates further if inflation pressures continue to ebb, while RBNZ Chief Economist Conway said in recent comments that higher tariffs were a demand shock for the NZ economy, which could reduce medium-term price pressures. The central bank clearly appears open to lowering interest rates further, and a subdued labor market report would be consistent with that view.

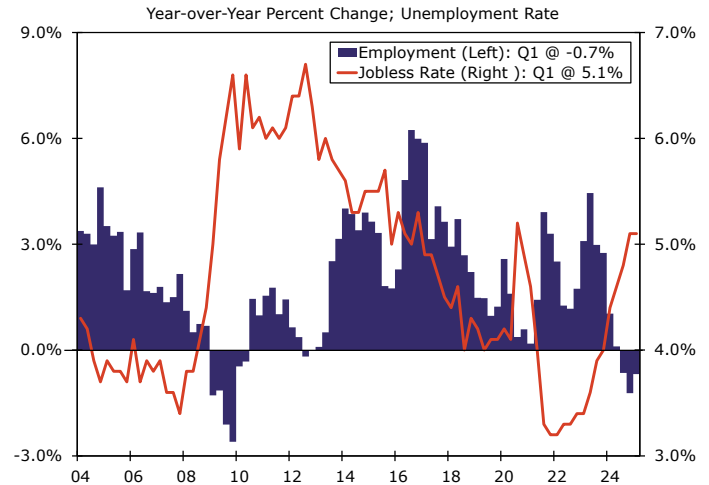
For next week's data, the consensus forecast is for Q2 employment to decline 0.1% quarter-over-quarter which, if realized, would be the third fall in the past four quarters, and would leave employment down 0.9% year-over-year. The Q2 unemployment rate is also forecast to move higher to 5.3%. Market participants will also be watching to see if Q2 wage growth remains relatively subdued. With inflation still within the central bank's inflation target range, and the RBNZ inclined to ease monetary policy further, we believe a subdued labor market report in line with the consensus forecast would confirm the case for a 25 bps rate cut from the RBNZ at its August meeting.

Bank of England Policy Rate • Thursday

The Bank of England (BoE) offers its latest monetary policy assessment next week amid an economic backdrop that is marked by slowing activity growth, but still elevated inflation and wage pressures. We expect the BoE to lower its policy rate by 25 bps to 4.00% (in line with the consensus forecast), but likely signal a continued gradual pace of monetary easing going forward.

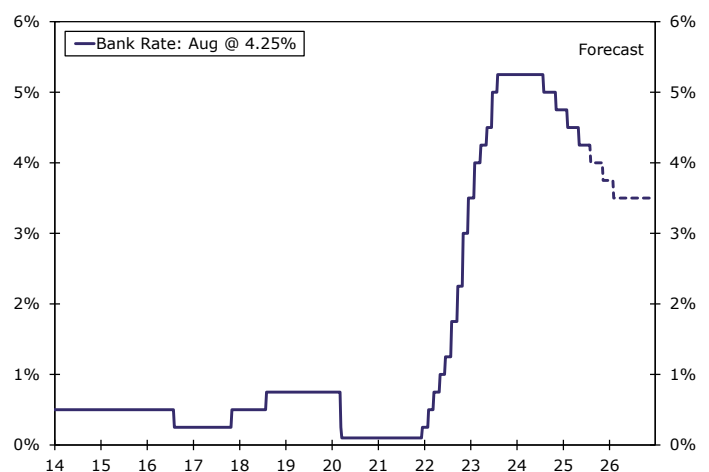
U.K. GDP fell in both April and May, while more timely data showed a drop in the July services and composite PMI, suggesting only a subdued pace of growth going forward. Potential fiscal tightening at the government's budget update later this year reinforces the outlook for sluggish growth. However, even as activity has slowed, inflation pressures have persisted, with June core inflation at 3.7% year-over-year and services inflation at 4.7%. Regular earnings for private sector workers also slowed less than forecast for the three months to May. As a result, we expect that the BoE's updated CPI forecasts (based on market-implied interest rates) will show inflation decelerating toward, but not substantially below, the 2% inflation target over the medium term. In that sense, we expect the central bank's economic outlook, as well as the forward guidance in its policy statement, to be largely consistent with a continued

New Zealand Job Growth & Jobless Rate



Source: Datastream and Wells Fargo Economics

Bank of England Policy Rate



Source: Bloomberg Finance L.P. and Wells Fargo Economics

25 bps per quarter rate cut pace at upcoming monetary policy meetings.

Banxico Policy Rate • Thursday

Mexico's central bank, Banxico, will offer its latest monetary policy assessment next week. At its most recent meeting in June, the central bank cut its policy rate by 50 bps to 8.00%, but signaled the likelihood of a slower easing going forward by removing its reference to additional rate cuts of "similar magnitudes." For next week's announcement, we expect Banxico to lower its policy rate 25 bps to 7.75%, which is in line with the consensus forecast. Headline inflation has slowed in recent months, and indeed should slow further with the July CPI to 3.54% year-over-year, driven in particular by a deceleration in energy prices, as well as fruit and vegetable prices. Core inflation may remain relatively steady, close to the 4.24% reading seen in June, and still above the 2%–4% inflation target range.

The persistence of core inflation, in our view, means the central bank's August rate cut could be the last of the current cycle. That said, we will be assessing any downside CPI surprises, along with Banxico's forward guidance and updated inflation forecasts, to see if there might be potential for one final rate cut even beyond Banxico's August announcement.

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Interest Rate Watch

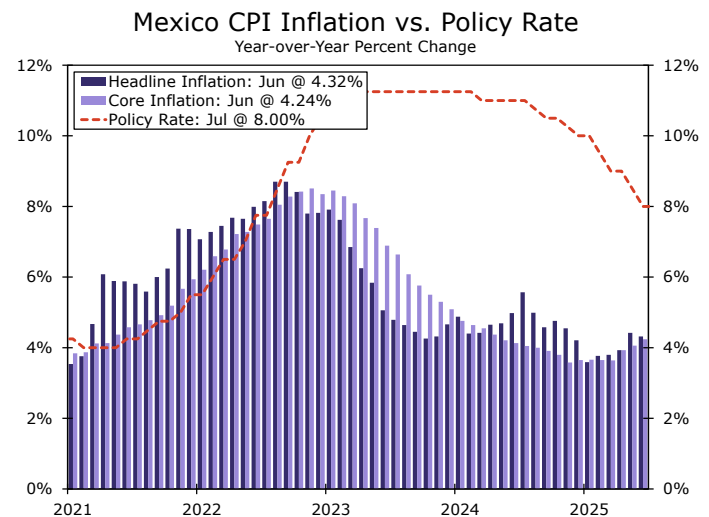
To Cut or Not to Cut?

As widely expected, the FOMC left the fed funds rate unchanged at the conclusion of its meeting on Wednesday. The Committee has now held the policy rate steady at 4.25%-4.50% for five consecutive meetings. The apparent resilience of the economy kept most members on board with a wait-and-see approach to see how inflation and the labor market fare in the face of higher tariffs. However, July's meeting saw a divergence from this approach, with two Governors—Christopher Waller and Michelle Bowman—dissenting in favor of reducing the fed funds rate by 25 bps.

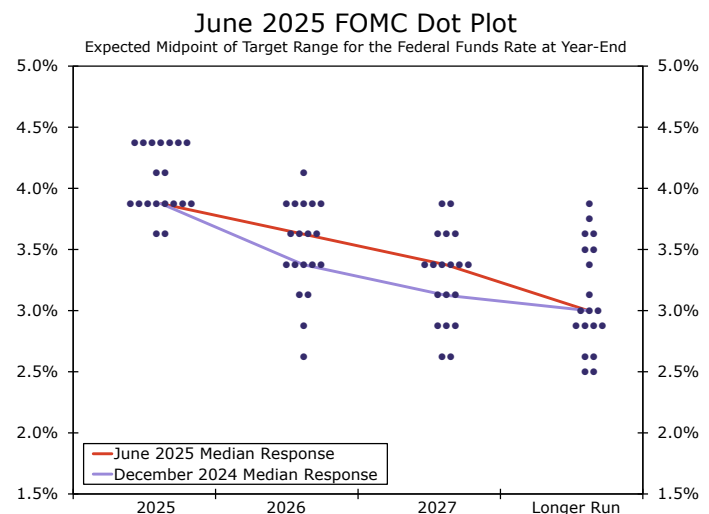
Though the dissents of Governors Waller and Bowman did not come as a surprise, a double dissent by governors is extraordinarily rare, with the last one occurring in 1993. While the breaking of ranks could be viewed as jockeying for position in the race for the next Fed chair, dissents are not uncommon around policy turning points, either. Since the most recent rate reduction in December, the median Committee member has been in favor of lowering rates, though the precise timing and magnitude of rate cuts varies widely ([chart](#)).

Bowman's and Waller's public support for rate cuts could speed up the timing of which the Committee decides to move rates lower, but there were no hints in the statement that other Committee members may soon follow their lead. The statement continued to characterize inflation as "somewhat elevated" and labor market conditions as "solid." The Committee did note some loss of momentum in economic growth recently, which was evident in the details of Q2 GDP. That said, the statement was not overly cautious about current activity, noting it had moderated rather than expanded at a "solid" pace. The only other change to the statement was the removal of uncertainty as "having diminished"; it now simply states that uncertainty remains elevated.

Economic and policy developments before the next FOMC meeting in September will be critical to determining the path forward for monetary policy. Today's employment report revealed clear signs of



Source: Bloomberg Finance L.P. and Wells Fargo Economics



Source: Federal Reserve Board and Wells Fargo Economics

weakness in the labor market, with slower nonfarm payroll growth and higher unemployment. Given both the downside risks to the Fed's employment mandate and the upside risks to inflation, we think the Committee will move monetary policy toward a more neutral stance in the coming months to better reflect the two-way risks to the economy. We look for the FOMC to cut the federal funds rate by 25 bps at its September, October and December meetings, with no additional rate cuts in 2026.

That said, there remains an additional employment report and two more months of inflation data before the FOMC's meeting in September. These will be crucial in determining the extent of both labor market weakness and tariff pass-through effects. If inflation data come in hotter than expected these next few months, the FOMC will be in the ultimate bind, and the split on the Committee likely will get worse. Stay tuned.

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Credit Market Insights

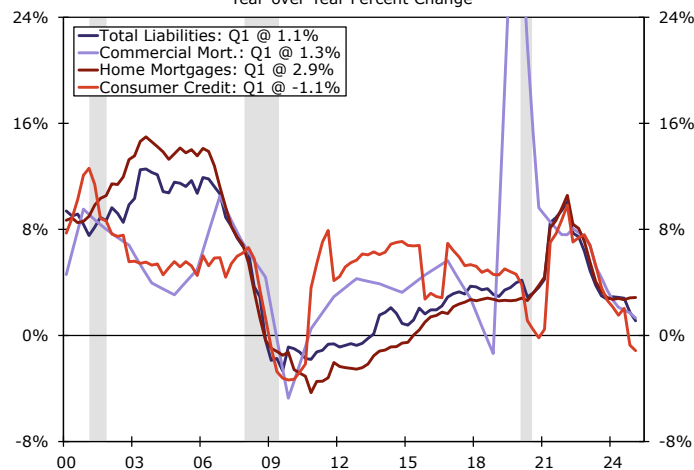
Signs of Consumer Caution in Credit Card Borrowing

Data this week confirm consumers are still spending in the face of macroeconomic headwinds, even if the pace of consumption has slowed. One reason for sustained spending may be the still-sturdy position of household balance sheets. Household net worth rose through the first quarter, up 3.8% year-over-year, driven predominantly by higher home prices and inflationary impulses on asset valuations. However, some signs of cooling are present. Asset valuations rose 3.5% year-over-year in Q1, down from a 9.3% pace a year ago in the first quarter of 2024. At the same time, however, household liabilities have expanded at a slower rate—up just 1.1% over the past year, driven lower by consumer credit [\(chart\)](#).

Separately reported data from the New York Fed indicate that credit card balances contracted 2.4% in the first quarter compared to the end of last year, suggesting that consumers pulled back on revolving credit usage. Overall credit utilization has largely moved sideways over the past year, despite increases in balances and available credit [\(chart\)](#). We can't know for certain what's behind the pullback in borrowing, but it is consistent with other data pointing to a more cautious consumer.

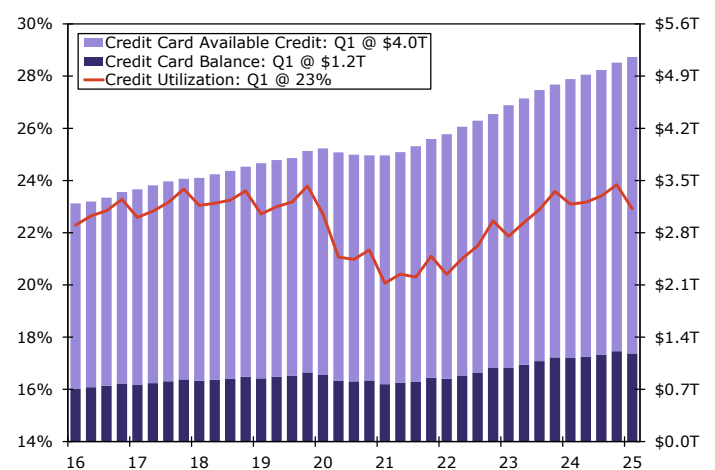
Given that high-income groups account for an outsized share of total consumer spending today, understanding the distribution of the pullback in debt growth could provide an indication of where aggregate demand is headed. If the drop in borrowing is stemming from high-income groups, it may be a harbinger for broadening economic stress. Conversely, if it is lower- to middle-income groups who have pulled back on borrowing, it could reflect some easing in financial strain as this more vulnerable group sheds outstanding liabilities. Delinquency rates have risen the fastest among younger and lower-income groups over the past year, implying that financial strain remains consolidated in historically affected demographics.

Household Liabilities by Type
Year-over-Year Percent Change



Source: Federal Reserve Board and Wells Fargo Economics

Credit Card Balance & Utilization



Source: Federal Reserve Bank of New York and Wells Fargo Economics

The moderation in borrowing has also shown up in other forms of consumer debt. Mortgage debt slowed to a 2.9% annual rate, reflecting a slower pace of home sales amid elevated rates. Student loan and auto loan debt followed similar patterns, rising at only a modest 2.3% and 1.6%, respectively. The deceleration in debt growth across the board, but particularly in the form of credit card borrowing, is a key contributor to strengthening of household balance sheets today.

Given such trends, it is no surprise that household leverage has improved meaningfully. The liabilities-to-disposable personal income (DPI) ratio, currently at 93.3% for Q1, has been on a steady decline since Q3-2022, remaining under 100% since the first quarter of 2023. Similarly, the household assets-to-liabilities ratio has also improved to 9.2 in the first quarter, thereby reinforcing the generally solid position of consumer balance sheets today.

But there are still signs of consumer caution emerging. The personal saving rate moved higher in the first half of the year, which says more about slower spending than robust income growth. Consumers also remain pessimistic amid the uncertainty of tariffs and ongoing inflation. Ultimately, the disconnect between still-sturdy balance sheet data and sentiment suggests that the path forward in spending may remain uneven, particularly if only some groups are benefiting from still-elevated asset values.

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Topic of the Week

Housing Prices Fall, but Affordability Contracts

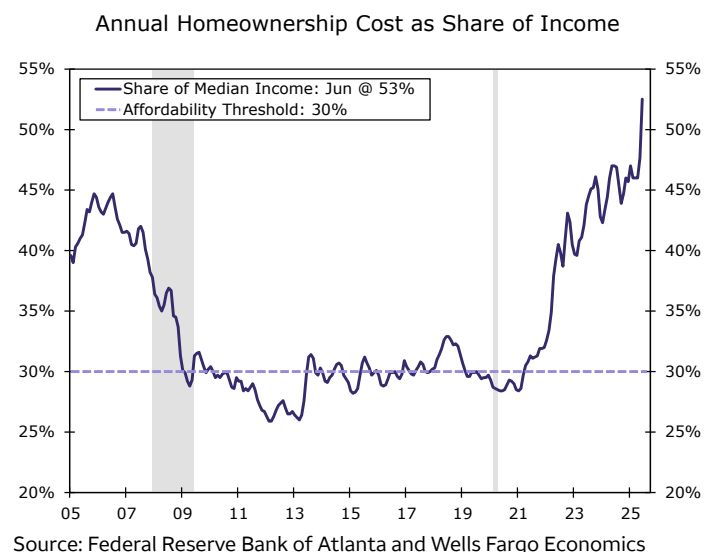
Economic data continue to show poor affordability conditions putting a damper on home sales. Despite softer home price growth in recent months, the overall cost of buying a home outpaces what many families can afford. This raises an important question: What exactly does “housing affordability” mean, and why is it under so much pressure?

Home prices have played a major factor in affordability challenges since they skyrocketed during the pandemic era. However, recent data show promising signs of softening. The S&P Case Schiller National Price Index fell in May for the third straight month, the first time prices have slipped on a seasonally adjusted basis since January 2023. The recent decline in home prices comes as a result of depressed buyer demand and rising home inventories, which you can read more about in our [housing special](#).

Mortgage rates also continue to put pressure on housing demand. While the average 30-year fixed rate is down from a peak of 7.79% in October 2023, it remains highly elevated at 6.72% this week, per Freddie Mac. For context, conventional mortgage rates averaged around 4% in the business cycle before the pandemic, making it a major factor in the affordability plummet.

The Atlanta Fed's affordability monitor reports that total costs associated with homeownership of a median-priced home now consume 53% of median household income—the highest share since this data began in 2005. The June data is the highest month-over-month jump on record, with a five percentage point change, indicating a surge in recent homeownership costs as a share of income ([chart](#)). In further detail, the year-to-date cost of owning a home has risen 2.2% over last year. Costs have risen across all major categories: principal and interest (+1.8%), property insurance (+3.5%), property taxes (+3.4%) and private mortgage insurance (+3.8%). This data highlights that factors like insurance and taxes are continuing to drive the cost of homeownership up, in addition to mortgage rate and sales prices.

In addition to increased weather risks in several states, the uptick in property insurance reflects higher labor costs and building material prices, which in turn increase repair and maintenance costs. Maintenance costs for homeowners are currently 35% above



pre-pandemic levels, according to the Producer Price Index. The combined uptick in insurance and maintenance costs acts as a "hidden" fee that continues to put pressure on affordability.

In short, while the recent slip in home prices suggest stabilization, the reality is that housing costs remain unaffordable for many Americans. High mortgage rates, elevated home prices and rising monthly costs continue to widen the affordability gap, increasing barriers to home buying.

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Market Data • Mid-Day Friday

U.S. Interest Rates			
	Friday 8/1/2025	1 Week Ago	1 Year Ago
SOFR	4.39	4.30	5.38
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.29	4.35	5.25
1-Year Treasury	3.85	3.85	5.24
2-Year Treasury	3.73	3.92	4.15
5-Year Treasury	3.79	3.96	3.83
10-Year Treasury	4.24	4.39	3.98
30-Year Treasury	4.81	4.93	4.28
Bond Buyer Index	5.29	5.29	3.94

Foreign Exchange Rates			
	Friday 8/1/2025	1 Week Ago	1 Year Ago
Euro (\$/€)	1.155	1.174	1.079
British Pound (\$/£)	1.326	1.344	1.274
British Pound (£/€)	0.871	0.874	0.847
Japanese Yen (¥/\$)	147.980	147.690	149.360
Canadian Dollar (C\$/ \$)	1.379	1.370	1.387
Swiss Franc (CHF/\$)	0.807	0.795	0.873
Australian Dollar (US\$/A\$)	0.646	0.657	0.650
Mexican Peso (MXN/\$)	18.897	18.547	18.860
Chinese Yuan (CNY/\$)	7.192	7.170	7.245
Indian Rupee (INR/\$)	87.528	86.520	83.724
Brazilian Real (BRL/\$)	5.547	5.564	5.746
U.S. Dollar Index	98.993	97.645	104.421

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Foreign Interest Rates			
	Friday 8/1/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	1.84	1.82	3.30
3-Month U.K. Govt Bill Yield	4.08	4.11	5.03
3-Month Canadian Govt Bill Yield	2.66	2.67	4.37
3-Month Japanese Govt Bill Yield	0.43	0.40	0.16
2-Year German Note Yield	1.93	1.95	2.45
2-Year U.K. Note Yield	3.80	3.88	3.72
2-Year Canadian Note Yield	2.69	2.81	3.36
2-Year Japanese Note Yield	0.82	0.86	0.47
10-Year German Bond Yield	2.68	2.72	2.24
10-Year U.K. Bond Yield	4.53	4.64	3.88
10-Year Canadian Bond Yield	3.39	3.53	3.11
10-Year Japanese Bond Yield	1.56	1.61	1.04

Commodity Prices			
	Friday 8/1/2025	1 Week Ago	1 Year Ago
WTI Crude (\$/Barrel)	67.37	65.16	76.31
Brent Crude (\$/Barrel)	69.68	68.44	79.52
Gold (\$/Ounce)	3349.31	3337.30	2446.26
Hot-Rolled Steel (\$/S.Ton)	847.00	871.00	688.00
Copper (¢/Pound)	439.75	576.35	408.25
Soybeans (\$/Bushel)	9.90	10.22	10.56
Natural Gas (\$/MMBTU)	3.10	3.11	1.97
Nickel (\$/Metric Ton)	14,736	15,263	16,336
CRB Spot Inds.	567.34	583.40	544.84

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