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PRESTIGE ECONOMICS®
The world's leading financial market research firm

Q4 2026
Economic Overview

Presented by Amwins & Prestige Economics

The U.S. economy has been experiencing "growthflation," where growth is solid — but inflation is elevated. Many growth indicators and job data have been generally positive. However, relatively high interest rates have been weighing on housing and construction. Looking at the year ahead, there are reasons to be optimistic about the overall U.S. economy. But construction and housing currently appear to be at risk, including due to some recent weakening consumer credit data.

Significant AI investments, expanding manufacturing and a solid job market have been accompanied by high oil prices and elevated inflation, pushing the Fed to raise interest rates, which the FOMC will likely raise again in December. The Fed's hawkish turn has sent the dollar and bond yields higher, while weighing on equities and bond prices.

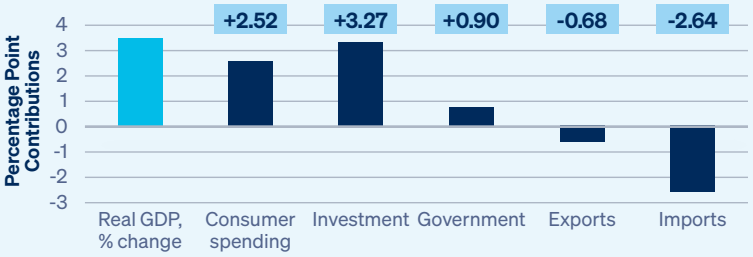
U.S. Real GDP expanded in Q3 2026 by +3.4%, accelerating from +2.2% in Q2 2026. In Q3, 69.1% of GDP was consumption. We expect positive annual GDP growth this year, around +2.4%. Payrolls rose in October by 165,000, along with upward revisions of 84,000 and a low unemployment rate of 4.1%. Plus, recent data reflect that there were over 7.5 million open jobs in September, with continuing jobless claims around just 1.7 million, implying that there are 5.8 million more open jobs than people collecting unemployment benefits. Although jobs data appear solid, credit data has weakened. In Q3 2026, 5% of household debt was delinquent, which was the highest rate since Q1 2016.

The Fed has a dual mandate to support full employment and low stable prices. While jobs data have been generally solid, prices remain elevated. In September 2026, the primary year-on-year measures of consumer inflation were all elevated, with Total CPI up 3.7%, Core CPI up 2.6%, Total PCE up 3.6% and Core PCE up 3.1%. All of these were above the Fed's 2% long-run inflation target. While the Fed raised rates in September, it appears likely to do more to quash inflation. Prestige Economics expects the Fed to raise interest rates again in December 2026. Moreover, if there is little impact from the Fed's latest 0.25% September rate hike by December, the Fed could raise rates by 0.50%.

Q3 2026 U.S. Real GDP Components

Real GDP increased 3.4%

Note: Real GDP growth is shown as a seasonally adjusted annualized quarter-over-quarter percentage change. Component contributions are shown in percentage points.



Consumption at 69.1% of GDP Level

Note: Imports are a subtraction in the calculation of GDP. An increase in imports results in a negative contribution to GDP and a decrease in imports results in a positive contribution to GDP.
Sources: Bureau of Economic Analysis, Prestige Economics

Economic data and economic forecasts

	Quarterly Historical Data				Quarterly Forecasts				Annual Historical Data						Annual Forecasts			
	26 Q1	26 Q2	26 Q3	26 Q4	27 Q1	27 Q2	27 Q3	27 Q4	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Real GDP (Year-over-Year)	2.6	2.2	2.1	2.7	2.4	2.3	2.1	2.0	2.6	-2.2	6.1	2.5	2.9	2.8	2.4	2.4	2.2	2.2
Real GDP (Quarter-over-Quarter)	2.5	2.2	3.4	2.5	1.6	1.9	2.2	2.2										
Unemployment Rate	4.3	4.3	4.1	4.2	4.3	4.3	4.4	4.4	3.7	8.1	5.4	3.7	3.6	4.0	4.3	4.2	4.4	4.5
Consumer Price Index	2.7	3.9	3.5	4.3	3.8	2.4	2.6	2.2	1.8	1.3	4.7	8.0	4.1	3.0	2.6	3.7	2.6	2.2
Core Consumer Price Index	2.5	2.7	2.5	3.0	2.6	2.2	2.4	2.2	2.2	1.7	3.6	6.2	4.8	3.4	2.8	2.8	2.3	2.0
Fed Funds Rate (Upper Limit)	3.75	3.75	4.00	4.25	4.50	4.50	4.50	4.50	1.75	0.25	0.25	4.50	5.50	4.50	3.75	4.25	4.50	4.25

Sources: Federal Reserve, Bureau of Labor Statistics, Prestige Economics



Housing overview

Elevated mortgage rates have been weighing on housing and construction in 2026 and high borrowing costs present additional downside risks to construction and housing in 2027. These risks would likely intensify if interest rates remain high — or rise further, as the Fed's own Federal Open Market Committee members are projecting. Prestige Economics interest forecasts are now higher than the latest FOMC forecasts from September 2026.

The average 30-year fixed mortgage rate rose from 6.41% in Q2 2026 to 6.68% in Q3. It stood at 7.11% on November 12, down from 7.18% the prior week but still above the Q3 average. If borrowing costs remain near current levels, housing affordability and residential construction are likely to remain under pressure. A renewed rise in energy prices could add to inflation and keep borrowing costs elevated for longer.

In Q3 2026, 1.13% of outstanding mortgage balances were 90 or more days past due, the highest share since Q1 2018. The share of auto loan balances 90 or more days past due reached 5.66%, the highest rate on record, according to the New York Fed.

Total housing starts fell to a seasonally adjusted annual rate of 1.293 million in Q3 2026, down from a revised 1.345 million in Q2. Starts in buildings with five or more units also declined, from 432,000 to 403,000. Total starts averaged 1.356 million in 2025, the lowest annual pace since 2019.

Building permits edged higher in Q3 2026, rising to 1.411 million from 1.402 million in Q2. Permits for units in buildings with five or more units increased to 486,000 from 469,000. Total permits averaged 1.431 million in 2025, the lowest annual pace since 2019.

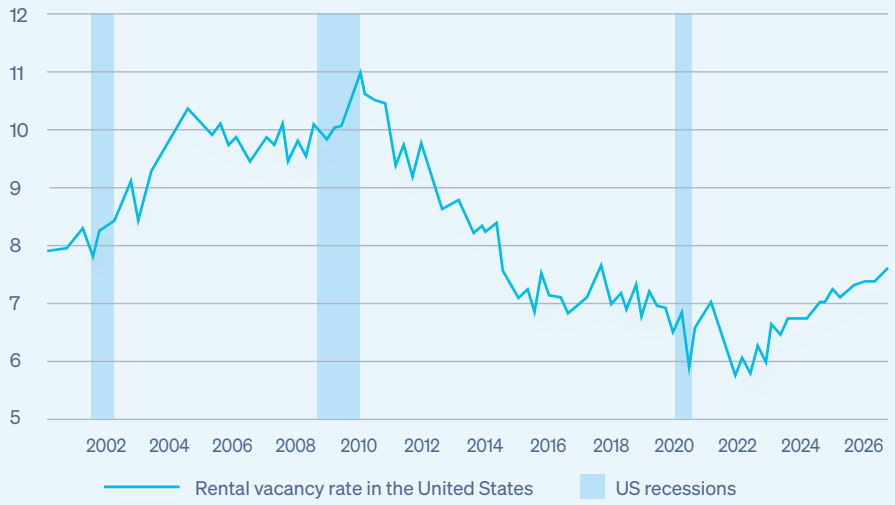
New single-family home sales rose to a seasonally adjusted annual rate of 668,000 in Q3 2026, up from a revised 652,000 in Q2. The supply of new single-family homes for sale fell from an average of 8.9 months in Q2 to 8.6 months in Q3 and reached 8.4 months in September.





The U.S. rental vacancy rate rose to 7.6% in Q3 2026, the highest since Q1 2014. The annual vacancy rate climbed from 5.8% in 2022 to 7.1% in 2025, the highest since 2017. Rising vacancies suggest the rental market has softened since the postpandemic housing boom. If vacancies rise further, landlords may have less room to raise rents and they may need to offer more concessions to attract tenants. With maintenance, labor and financing costs already elevated, those pressures could compress margins.

Rental Vacancies at 7.6% in Q3 2026. Highest rate since Q1 2014.



Source: US Census Bureau via FRED®

Housing data

	Quarterly Historical Data							Annual Historical Data						
	25 Q1	25 Q2	25 Q3	25 Q4	26 Q1	26 Q2	26 Q3	2019	2020	2021	2022	2023	2024	2025
Rental Vacancies Percentage Vacant	7.1%	7.0%	7.1%	7.2%	7.3%	7.3%	7.6%	6.8%	6.3%	6.1%	5.8%	6.5%	6.8%	7.1%
Total Housing Starts Thousands, Seasonally Adjusted Annual Rate	1397	1356	1347	1323	1418	1345	1293	1292	1394	1603	1550	1421	1370	1356
Housing Starts, 5 units or more Thousands, Seasonally Adjusted Annual Rate	363	394	444	380	455	432	403	390	381	462	530	460	337	395
Total Building Permits Thousands, Seasonally Adjusted Annual Rate	1467	1420	1397	1438	1432	1402	1411	1386	1479	1734	1685	1516	1474	1431
Building Permits, 5 Units or More Thousands, Seasonally Adjusted Annual Rate	434	465	462	487	481	469	486	480	443	562	656	540	441	462
New Single-Family Home Sales Thousands, Seasonally Adjusted Annual Rate	654	663	687	711	622	652	668	685	830	769	636	666	684	679
New Single-family home sales Inventories Monthly Supply	9.2	9.1	8.6	8.2	9.3	8.9	8.6	5.8	4.6	5.5	8.5	7.9	8.3	8.8

Sources: U.S. Census Bureau, Prestige Economics



Spending & cost overview

Personal spending, personal income and wages have been supportive for economic activity in 2026. In 2027, they may not be enough to soften the landing for construction and housing at a time of elevated interest rates.

Nominal personal spending rose 6.1% year on year in Q3 2026, easing from a revised 6.2% in Q2.

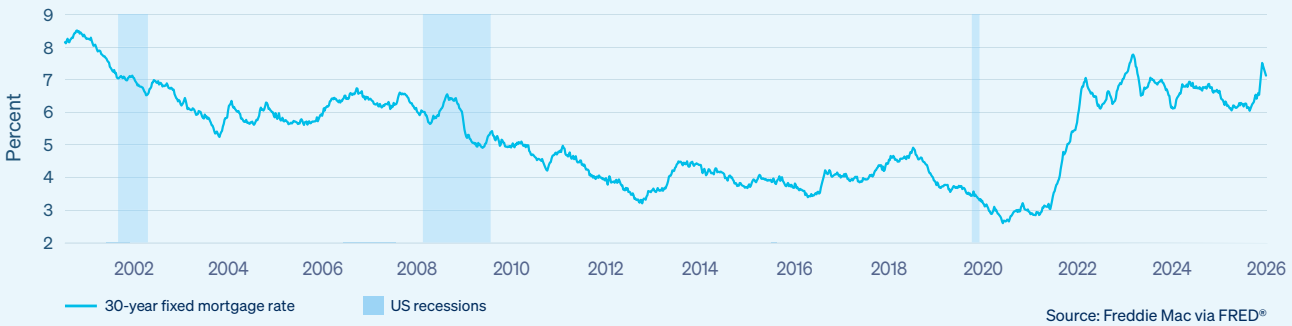
Personal income rose 4.3% year on year in Q3 2026, down from a revised 4.4% in Q2 and 4.6% in Q1. Annual personal income growth slowed from 6.7% in 2023 to 5.9% in 2024 and 5.1% in 2025, the slowest annual pace since 2022.

Average hourly earnings for private-sector workers rose to $37.75 in Q3 2026, up from $37.50 in Q2. Year-on-year wage growth slowed to 3.2% from 3.4% in Q2. Average hourly earnings reached $38.00 in October and we expect them to exceed $40 per hour by mid-2028.

Construction materials prices rose 10.6% year on year in Q3 2026, accelerating from 7.1% in Q2. The construction materials PPI rose 12.1% year on year in October. Rising input costs threaten to compress margins, particularly on projects with fixed-price contracts.

Total construction spending rose to a seasonally adjusted annual rate of $2.20 trillion in Q3 2026, up from $2.17 trillion in Q2. Spending was still down 2.0% year on year, the fifth consecutive quarterly decline on that basis. The decline narrowed from 3.3% in Q2. If borrowing costs remain elevated, residential construction is likely to stay under pressure.

Average 30-Year Fixed Mortgage Rate at 7.11%



Source: Freddie Mac via FRED®



Spending and cost data

	Quarterly Historical Data							Annual Historical Data						
	25 Q1	25 Q2	25 Q3	25 Q4	26 Q1	26 Q2	26 Q3	2019	2020	2021	2022	2023	2024	2025
Personal Spending Year-on-Year Percent Change	5.7%	5.2%	5.4%	4.8%	5.1%	6.2%	6.1%	3.6%	-1.4%	13.2%	9.7%	6.2%	5.6%	5.3%
Personal Income Year-on-Year Percent Change	5.2%	5.2%	5.3%	4.8%	4.6%	4.4%	4.3%	4.8%	6.9%	9.6%	3.0%	6.7%	5.9%	5.1%
Average Hourly Wages, Total Private US Dollars	$35.96	$36.25	$36.60	$36.96	$37.26	$37.50	$37.75	$28.00	$29.36	$30.61	$32.26	$33.70	$35.06	$36.44
Average Hourly Wages, Total Private Year-on-Year Percent Change	4.1%	3.9%	3.9%	3.9%	3.6%	3.4%	3.2%	3.3%	4.9%	4.3%	5.4%	4.5%	4.0%	4.0%
Construction Spending Trillions, Seasonally Adjusted Annual Rate	$2.26	$2.25	$2.24	$2.23	$2.19	$2.17	$2.20	$1.39	$1.50	$1.65	$1.90	$2.07	$2.24	$2.24
Construction Spending Year-on-Year Percent Change	2.4%	0.8%	-0.3%	-1.6%	-2.9%	-3.3%	-2.0%	4.2%	7.9%	10.2%	14.9%	9.1%	7.9%	0.3%
30-Year Mortgage Fixed Rates Average Percent	6.83%	6.79%	6.57%	6.23%	6.11%	6.41%	6.68%	3.94%	3.11%	2.96%	5.34%	6.81%	6.72%	6.60%
Construction Materials Costs (PPI) Year-on-Year Percent Change	-1.3%	3.2%	4.8%	4.8%	6.6%	7.1%	10.6%	0.0%	1.5%	26.9%	12.6%	-2.9%	-1.0%	2.9%

Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Prestige Economics

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