Labor & Inflation Outlook

Global Insights Center

Q3 2025

Key Takeaways

The unemployment rate is healthy, and wage inflation is elevated. However, it's taking longer to find a job and some industries are losing jobs.

Inflation is increasing again. Tariffs are starting to cause inflation to move higher, though the full impact has been delayed. Energy and housing inflation have improved, but auto parts and healthcare services are facing upward pressure.

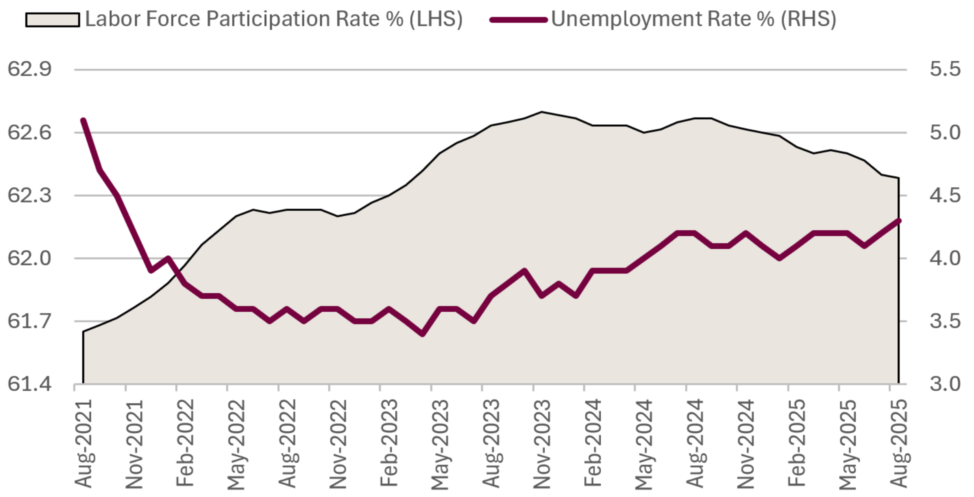
The outlook for both labor and inflation is uncertain. Labor market could soften, while at the same time immigration policy keep wage inflation under pressure while tariff policy could increase goods inflation.

Labor Market: Unemployment Rate

Job market is in balance though conditions are softening.

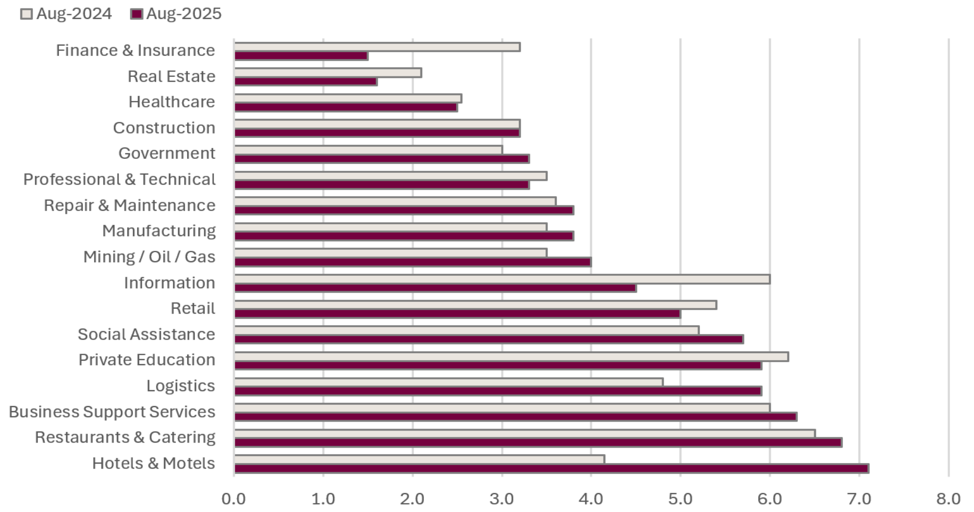
- Labor market is "in balance" when unemployment is between 4.0% and 4.5%. Lower unemployment rates indicate tight labor conditions and higher indicates weakness.
- Unemployment rate of 4.3% in August 2025 remains within a healthy range, though it is trending up.
- Unemployment rates are highest in hotels & motels, restaurants & catering, and business support services (which is mostly staffing firms and maintenance/landscaping services).
- Labor force participation (share of population in the workforce) is declining as more workers retire.

Unemployment Rate and Participation (%)



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Industry Unemployment Rate (%)



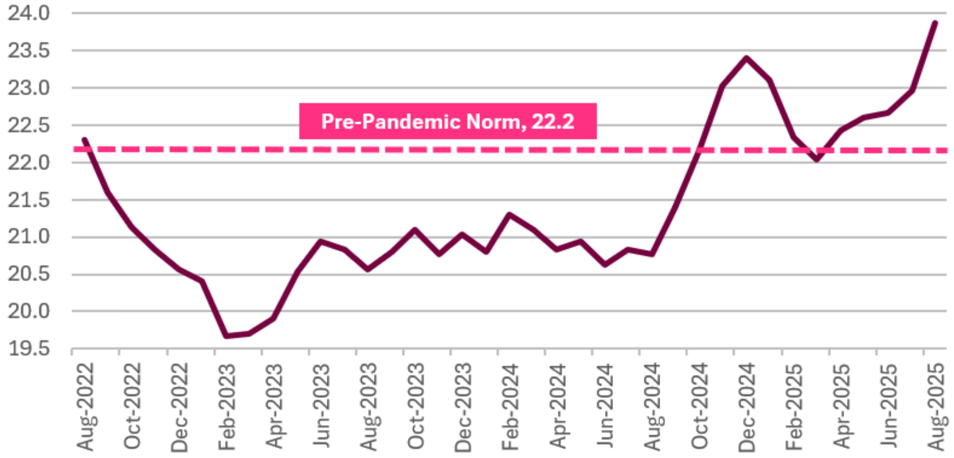
Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Labor Market: Length of Unemployment

Average length of unemployment is above pre-pandemic norm.

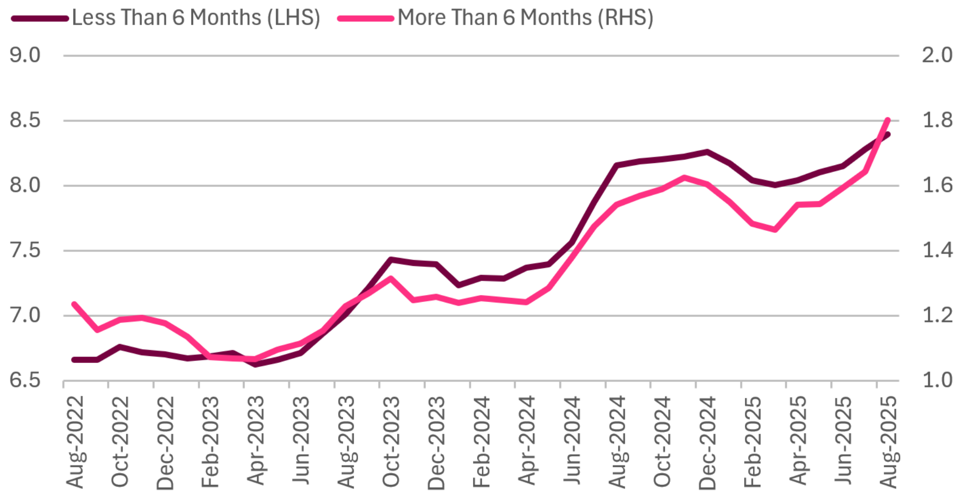
- Average unemployment is 23.9 weeks. This is how long it takes unemployed people to find a job, on average.
- Average unemployment is increasing. It was low when job market was tight from 2022-2024. Now it's elevated.
- Average unemployment is longest in finance & real estate (44.3 weeks) and lowest in leisure & hospitality (18.2 weeks).
- 8.40 million people have been unemployed less than 6 months, up from 8.15 million a year ago.
- 1.80 million people have been unemployed 6+ months, up from 1.54 million a year ago.

Length of Unemployment: Avg. Weeks Unemployed (3-Month Trend)



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Length of Unemployment: Number of Workers Unemployed for more/less than 6 Months (Millions, 3-Month Trend)



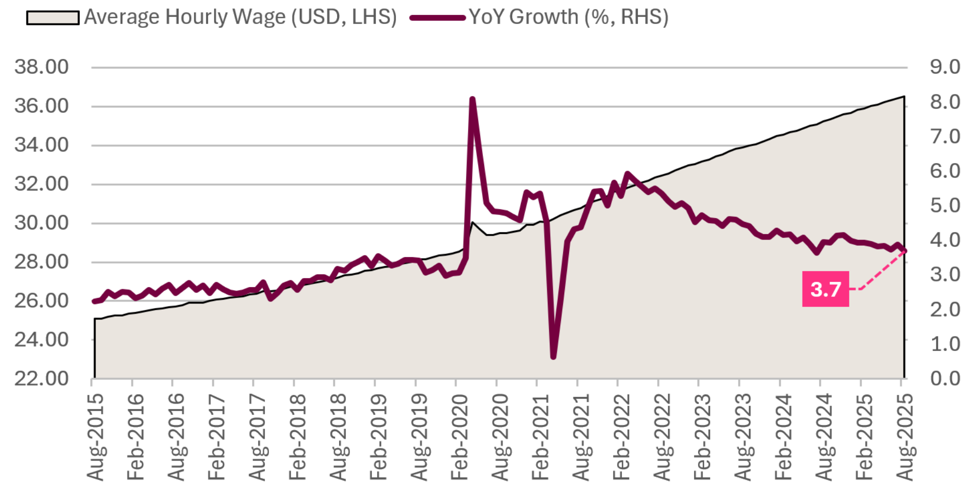
Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Labor Market: Wage Inflation

Wage inflation remains elevated in most industries, though it's slowly softening.

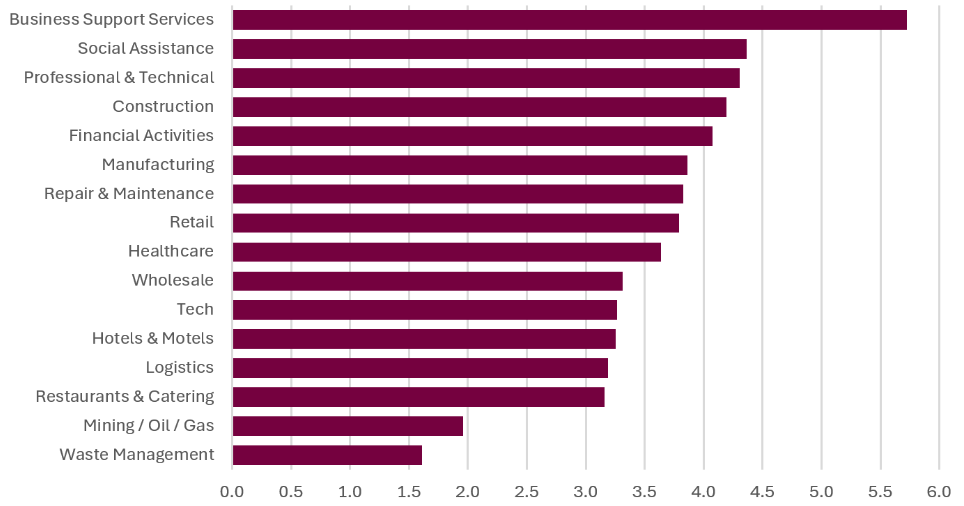
- August wage inflation was 3.7% year-over-year (YoY), slightly below 4.0% a year prior but still above 2018-2019 norm.
- Wage growth has decelerated because unemployment rate has increased. Wages and unemployment are correlated.
- Wage growth is still above 3.0% in most sectors, indicating wage pressures across economy.
- Fastest wage inflation was 5.7% in business support services. This industry is cutting lower wage jobs and likely facing labor shortages in maintenance/landscaping subsector.

Wages and Wage Growth



Source: Bureau of Labor Statistics, Haver Analytics, The Hartofrd's Global Insights Center

Industry Wage Growth (YoY%)



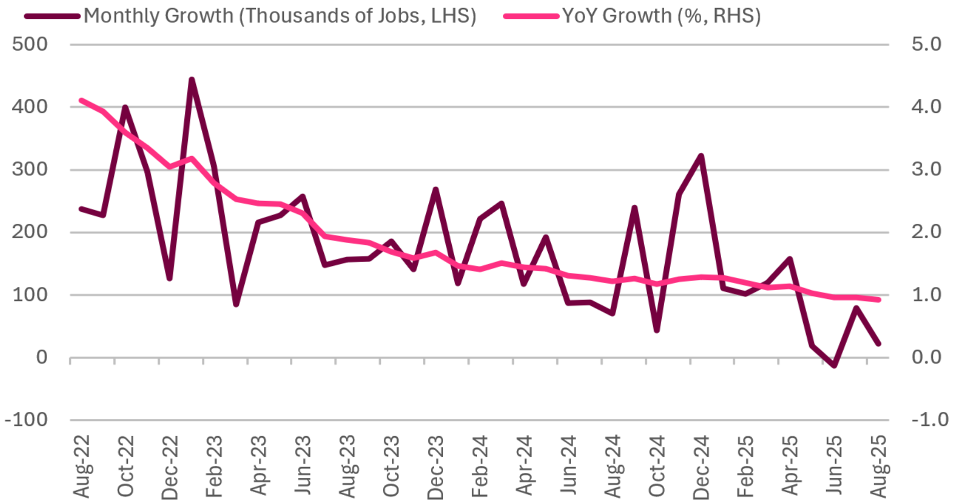
Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Labor Market: Job Growth

Job growth has been slow in most industries. Some sectors are losing jobs.

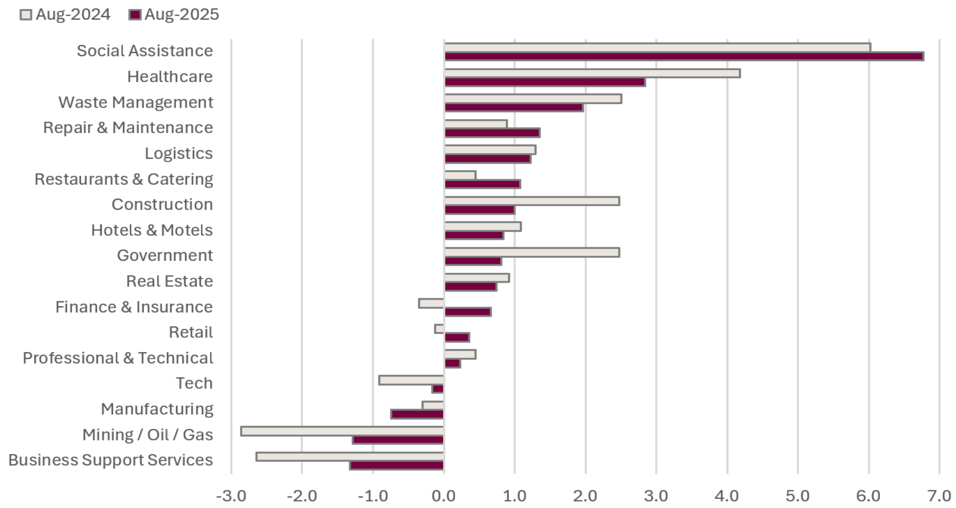
- Job growth averaged 123,000 per month from January-April 2025, per official data (more about this on next page).
- Growth was just 27,000 jobs per month during May-August 2025, according to Bureau of Labor Statistics. This translates to 0.9% YoY.
- Most sectors grew slowly. Growth decelerated sharply in construction and government, compared to year ago.
- Though some sectors grew quickly. Fastest were social assistance (6.8%), healthcare (2.8%), waste management (2.0%).
- Manufacturing, oil & gas, business support, & tech declined.

Job Growth



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

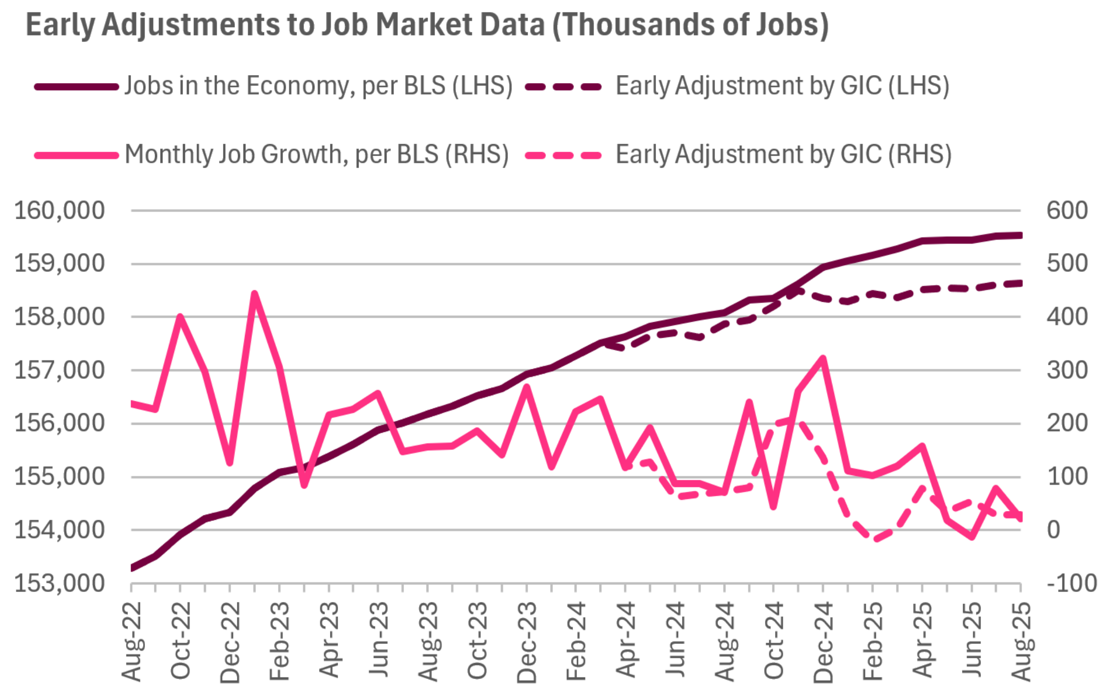
Industry Job Growth (%YoY)



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Labor Market: Data Adjustments

Official government data is likely overstating job growth. Global Insights Center thinks growth has been slower.



Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

- The Bureau of Labor Statistics provides job market statistics. After its initial calculations, it eventually adds more inputs into the final numbers.
  - It starts with monthly surveys of businesses.
  - A year later, it adds data from the taxes that businesses pay on their employees.
  - Using both sources, surveys and tax data, makes the job growth calculations more accurate.
- We sped up the process, combining survey data and tax data ahead of schedule, to calculate more accurate numbers now.
- Per these calculations, we believe job growth slowed down earlier than current BLS numbers indicate.
- Official BLS calculations show an average of 74,500 job additions per month in 2025 YTD. Our adjustments show only 29,000 job additions per month, on average.
- This means the market is likely weaker than BLS data shows.

Labor Market: Low hire, low fire environment

Job growth has been weak due to a reluctance to hire, among other factors.

- Layoffs are low. They're above 2021-2022, when companies struggled to retain talent. But they're still below 2018-2019 norm.
- Layoffs happen in all market phases. They're usually low when job growth is rapid, and high during weak spots.
- 2025 is an anomaly. Job growth is weak, but layoffs are low. This means job market sluggishness is from something else, not layoffs.
- Sluggishness is partly due to a reluctance to hire. Hires are below 2018-2019 norm. They're low because economy is in "atmosphere of uncertainty," along with other factors.

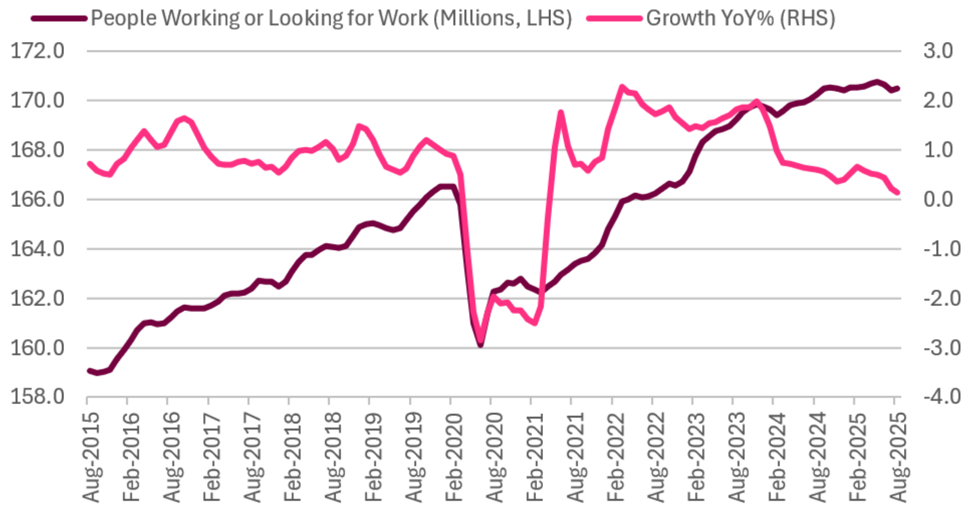
Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Source: Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Labor Market: Talent pool growing slowly

Retirements and immigration have become headwinds to workforce growth.

- There are 170.8 million people currently in workforce. This is the number of people working or looking for work.
- Workforce growth was only 0.1% year-over-year in August. Workforce growth has slowed due because:
    - Retirements are increasing.
    - Fewer people are moving to US and getting work permits. Some workers are leaving US.
    - Some people stopped looking for work because they are discouraged.
- Slow workforce growth is partly responsible for sluggish job creation. It's hard for companies to expand headcounts when talent pool isn't growing.



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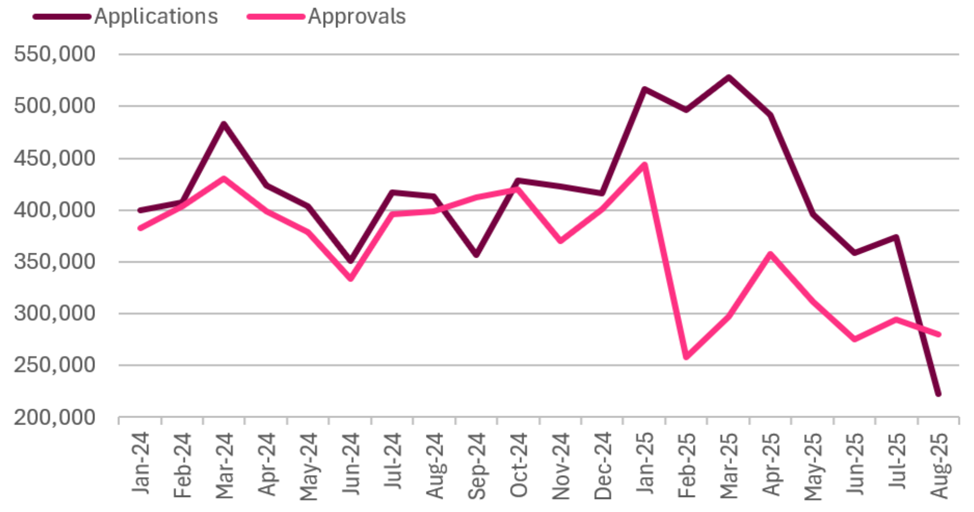
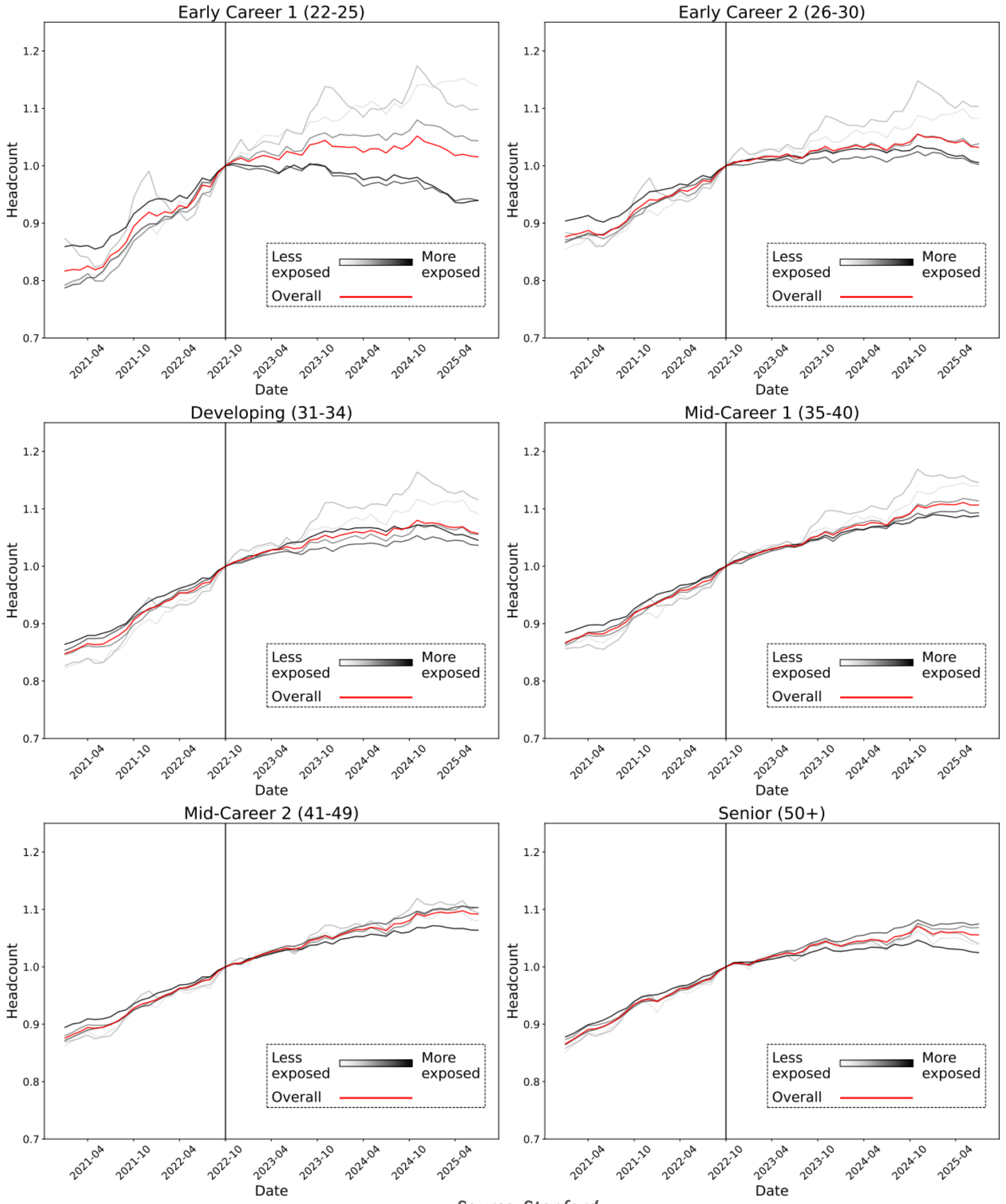


Source: US Citizenship and Immigration Services, The Hartofrd's Global Insights Center

Labor Market: AI

AI may be reducing demand for talent, though evidence is preliminary at best.

- AI may be impacting job market ***slightly***. It could be reducing demand for ***some*** workers.
- A Stanford study looked at company headcounts by age of employee and exposure to AI disruption.
- It says headcounts are falling for “early career” employees in jobs exposed to AI disruption (top left chart).
- Impact is smaller for “senior” employees (bottom right chart).
- Study gives evidence of AI disruption but is preliminary and not yet conclusive. It can be [found here](#).

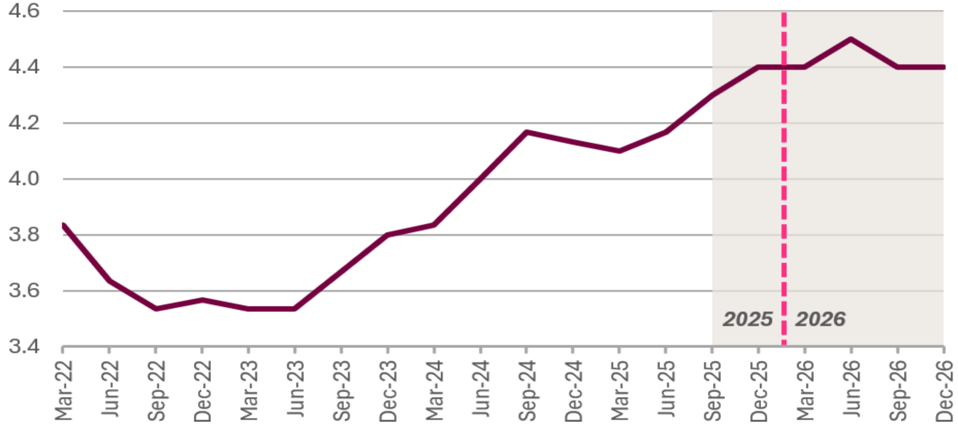


Source: Stanford

Labor Market: Outlook

- Unemployment could increase. Bloomberg consensus forecast is 4.3% average in 2025 and 4.4% in 2026.
- Wage growth is expected to slow down. Bloomberg consensus is 3.7% average in 2025 and 3.4% in 2026.
- Job growth will likely be slow, but some forecasters expect it to pick up next year. Bloomberg consensus is 71,000 jobs created per month in 2025 and 91,000 in 2026.

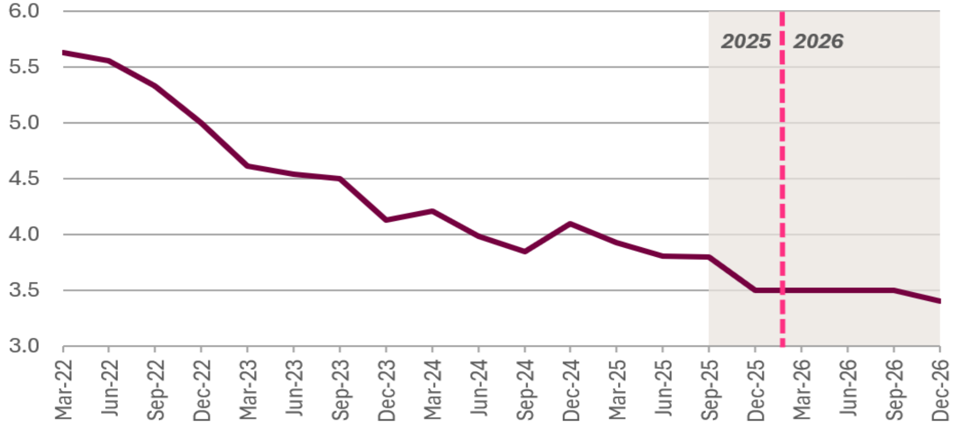
Unemployment Rate (%)
Bloomberg Consensus Forecast



Source: Bloomberg

2024 Avg: 4.0 2025 Avg: 4.3 2026 Avg: 4.4

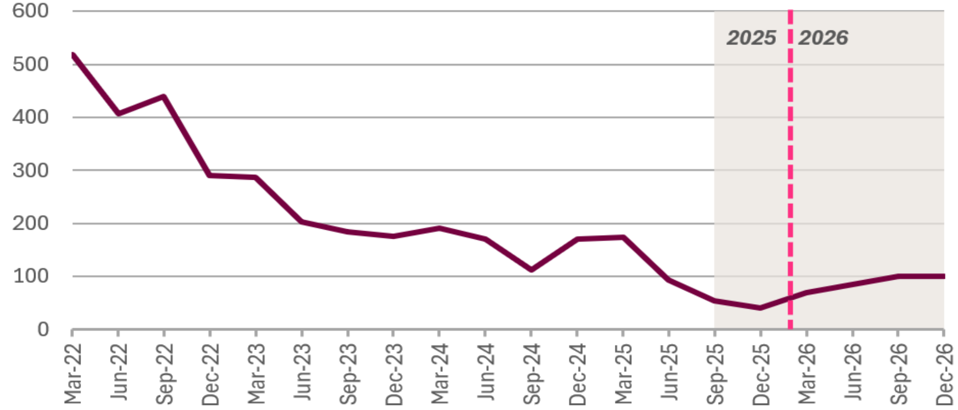
Wage Inflation (YoY%)
Bloomberg Consensus Forecast



Source: Bloomberg

2024 Avg: 4.0 2025 Avg: 3.7 2026 Avg: 3.4

Job Growth (QoQ Thousands)
Bloomberg Consensus Forecast



Source: Bloomberg

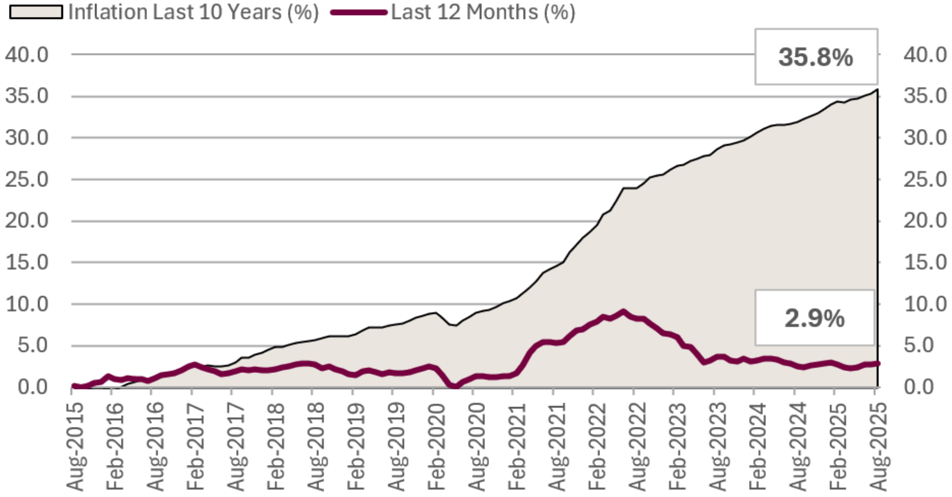
2024 Avg: 168 2025 Avg: 71 2026 Avg: 91

Inflation: Cost of Living

Inflation is rising again, partially due to tariffs.

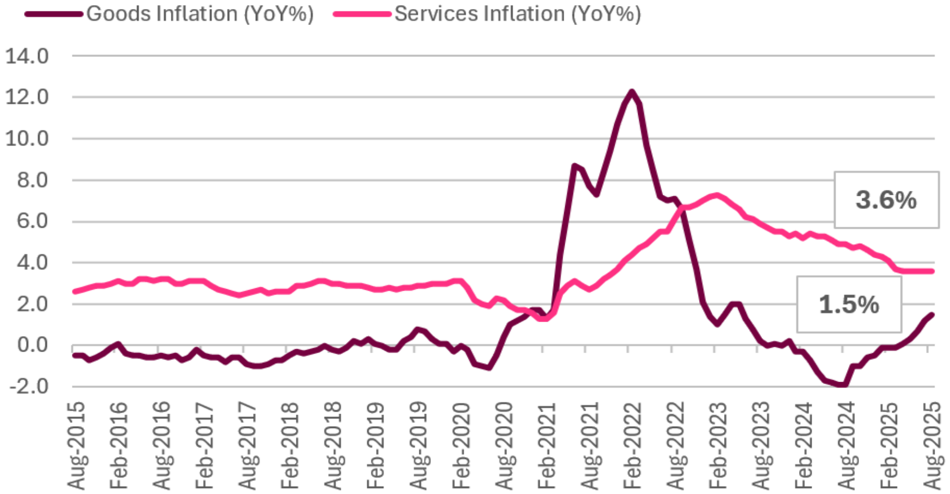
- Headline inflation was 2.9% over last 12 months. Federal Reserve's inflation target is 2.0%; current inflation is well above this threshold.
- Goods inflation (physical products like furniture) was 1.5%, well above the pre-pandemic norm of 0.2%.
- Aside from supply chain disruptions of 2021-2022, goods inflation was flat for years. US imported many products from low-cost nations, which kept goods inflation low. Exposure to imports is now pushing inflation up, due to tariffs.
- Services inflation stopped improving. It has been sticky at 3.6% for several months.

Consumer Price Index



Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Goods and Services Inflation



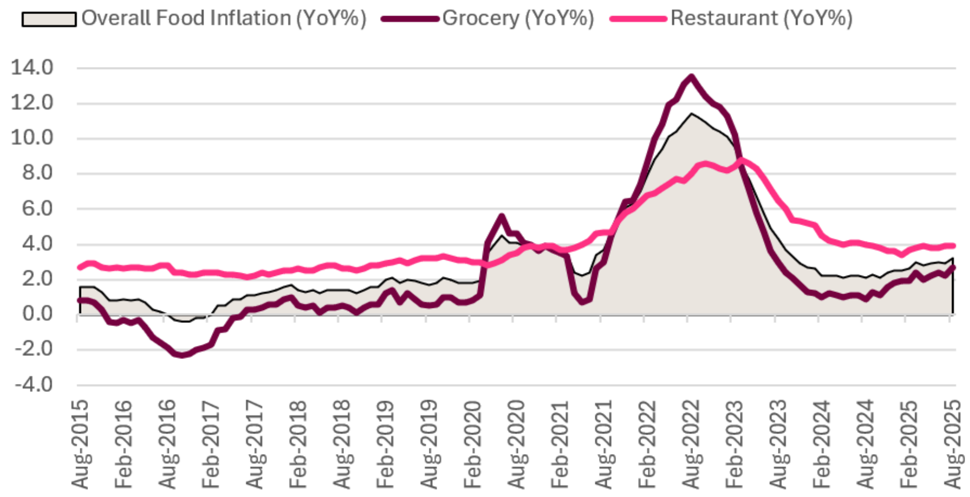
Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Inflation: Food and Energy

Food inflation is increasing; energy costs are flat.

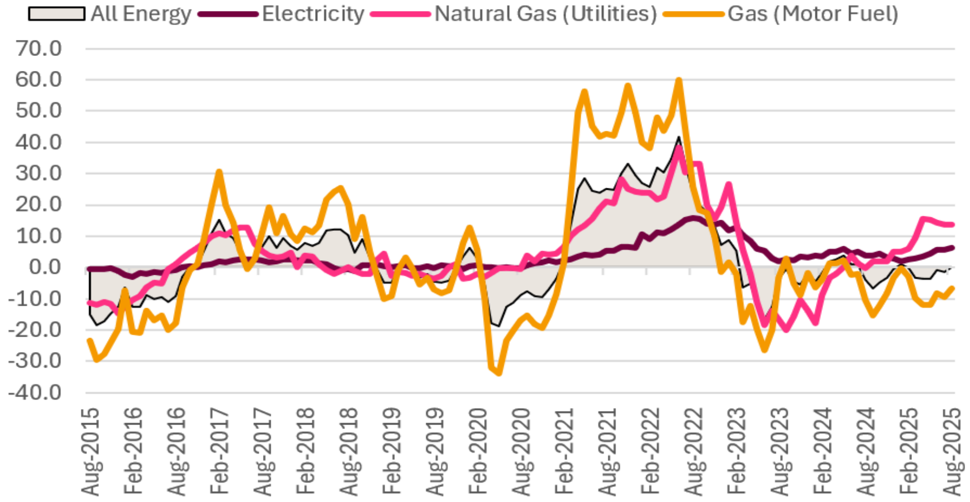
- Food inflation was 3.2% in August. Grocery was 2.7% and rising, partially due tariffs pushing up coffee, bananas, other items. Restaurant was high but stable at 3.9%.
- Overall energy was 0.2%, with offsetting subsector trends.
- Electricity was high at 6.2% due to strong demand, partially from AI data centers that require a lot of energy.
- Natural gas was high at 13.8%. Europe's need for natural gas has increased, raising cost of natural gas in the US.
- Gas (motor fuel) averaged USD 3.03 per gallon in August, down -6.6% from year prior, offsetting other energy inflation.

Food Inflation



Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Energy Inflation (YoY%)

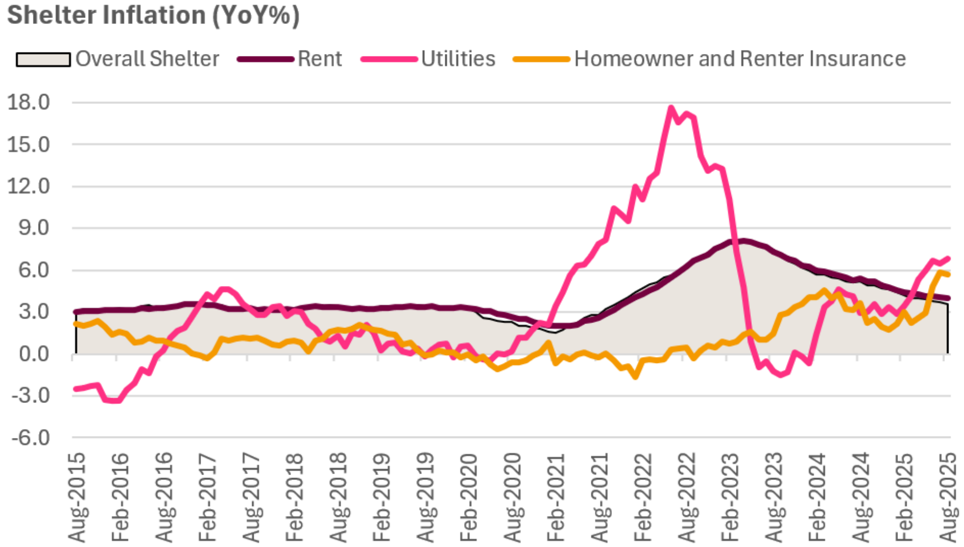


Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

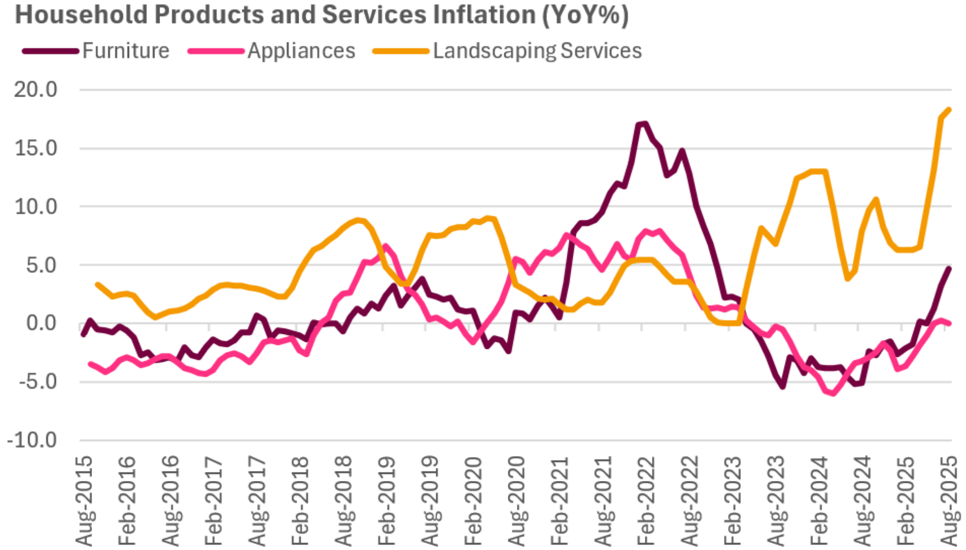
Inflation: Shelter

Overall shelter inflation is improving, though certain aspects are increasing.

- Shelter inflation was slightly elevated at 3.6% in August but trended down.
- Rent inflation was 4.0% and going lower. Housing and apartment construction have outpaced population growth in last few years. This extra supply has started rent inflation down, though it's not back to normal yet.
- Some housing costs are increasing quickly. Utilities were 6.9% and insurance (homeowner and renter) was 5.7%.
- Some household products and services are rising, like furniture (4.7%) and landscaping (18.3%). Appliance inflation declined in 2024 but starting going higher recently.



Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center



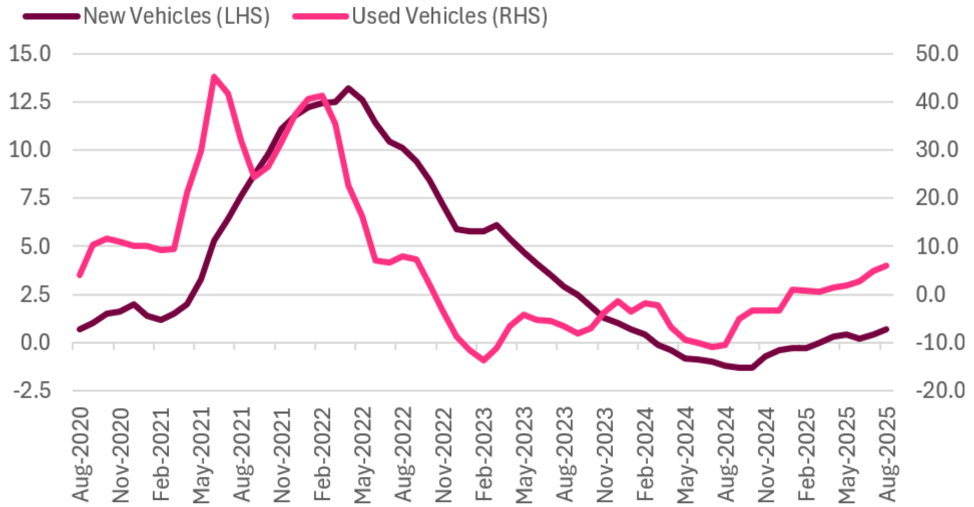
Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Inflation: Autos and Parts

Prices are increasing again. Tariffs could raise costs further.

- New vehicle prices increased 0.7% in August 2025 after declining in 2024. Used vehicle inflation was high at 6.0%.
- Some auto brands are passing tariffs to consumers, but many are not, preventing new auto inflation from rising more quickly.
- Some brands are cutting prices due to non-tariff factors, like muted demand for electric vehicles.
- Meaning, the full tariff impact on new autos has been delayed.
- Auto parts and equipment were up 3.4%, partially due to tariffs.

New and Used Vehicle Inflation (YoY%)



Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Vehicle Parts Inflation (YoY%)

Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Inflation for New Autos: Tariff Analysis

Some brands are raising prices rapidly

- Volkswagen, Mazda, and other international brands.
- Cadillac, Mercedes, Porsche, and other luxury models.

Some are reducing prices, pulling down the market average

- Acura & Tesla, due to market conditions for electric vehicles.
- Dodge, Ram, Chrysler.

Market share has shifted

- Japanese, Korean, EU imports gained market share early in 2025, before tariffs went into effect.
- North American models gained market share after tariffs took effect, and they have lower effective tariffs on average.
- So, shifts in market share have reduced the market-wide tariff impact, with buyers choosing lower-tariff models.

Auto brands are taking less profit, but this may not last

- Tariff collections on autos & parts increased USD 13.8 billion in H1-2025. Profits reportedly shrank USD 12.0 billion.

Average Transaction Price by Brand (New Autos)

Brand	August 2024 (USD)	August 2025 (USD)	YoY% Change
Cadillac	70,504	79,922	13.4
Volkswagen	37,215	40,497	8.8
Mercedes-Benz	70,416	75,381	7.1
Mazda	35,290	37,582	6.5
Porsche	112,923	119,529	5.9
Buick	33,512	35,372	5.6
BMW	68,269	71,947	5.4
MINI	39,233	41,088	4.7
Jeep	49,923	52,090	4.3
Genesis	62,132	64,766	4.2
Hyundai	36,756	38,218	4.0
Infiniti	63,876	66,352	3.9
Mitsubishi	32,458	33,704	3.8
Subaru	34,716	36,006	3.7
Lincoln	66,157	68,432	3.4
Chevrolet	47,065	48,638	3.3
Honda	37,138	38,308	3.2
Audi	65,356	67,068	2.6
Lexus	59,566	61,132	2.6
Average	47,851	49,077	2.6
Kia	36,563	37,443	2.4
Land Rover	99,232	100,712	1.5
Ford	55,332	56,109	1.4
GMC	64,554	65,128	0.9
Nissan	34,437	34,525	0.3
Toyota	42,319	42,389	0.2
Chrysler	47,929	47,804	-0.3
Ram	63,585	63,212	-0.6
Dodge	50,379	49,908	-0.9
Tesla	57,632	54,468	-5.5
Acura	52,819	49,409	-6.5

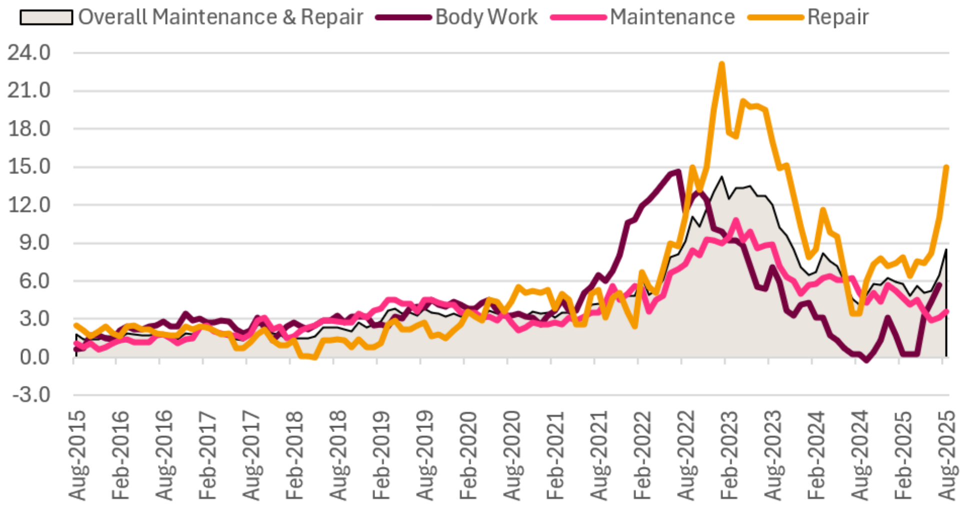
Source: Cox Automotive, The Hartford's Global Insights Center

Inflation: Auto Services

Maintenance and repair costs are increasing. Insurance premium inflation is trending lower.

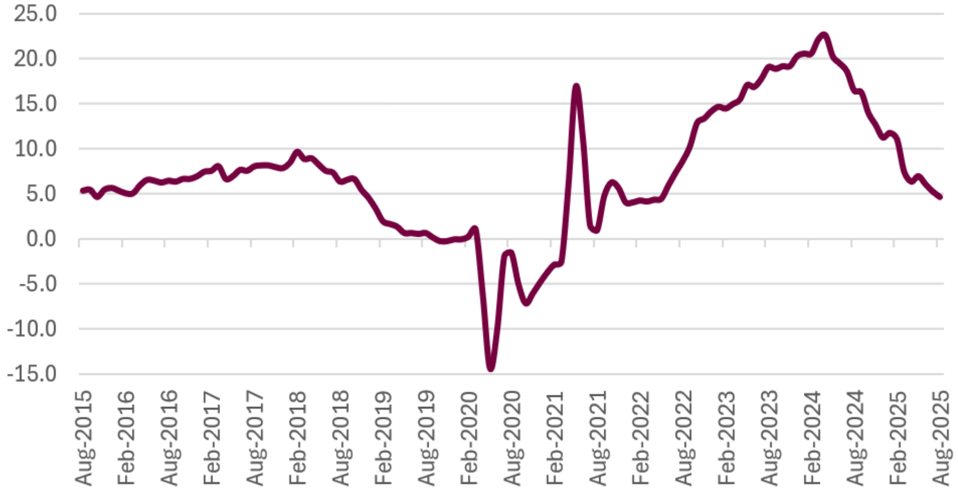
- Overall repair & maintenance inflation was 8.5% in August 2025, up from 4.1% year prior.
- Repair services were elevated at 15.0% due to higher parts prices and wages at repair shops.
- Maintenance service inflation was 3.6% and has improved this year.
- Body work has been volatile, increasing to 5.7% in August.
- Personal auto insurance premium inflation has trended down. It peaked at 20.6% in March 2024 due to high auto, parts, and repair costs. It slowed to 4.7% by August 2025.

Auto Repair and Maintenance Inflation (YoY%)



Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Personal Auto Insurance Premium Inflation (YoY%)

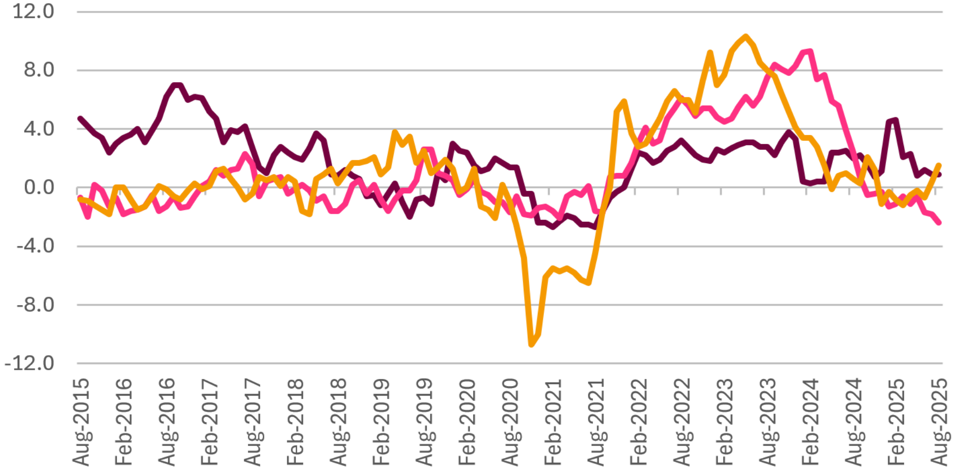


Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

Inflation: Healthcare

Healthcare inflation is mixed. Equipment and medication are low; services are high and rising.

- Medical equipment & supplies was 1.5%, is in-line with pre-pandemic norm. Prescription drugs trended down to 0.9% in August. Non-prescription fell -2.4%.
- Tariffs are a risk to drug prices. Tariffs began on some pharmaceutical imports in August 2025. More tariffs could be added, though outlook is uncertain.
- Though changes to domestic pricing could lower drug costs. Some firms might sell drugs in US at international prices; international prices are often lower.
- Physician services (3.5%) and hospital services (5.8%) are rising. Home health has improved but is still high (5.6%).



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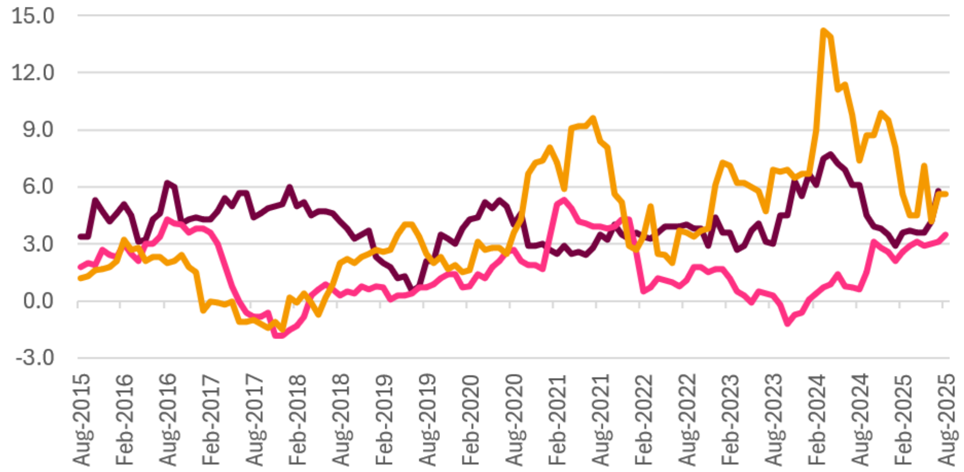
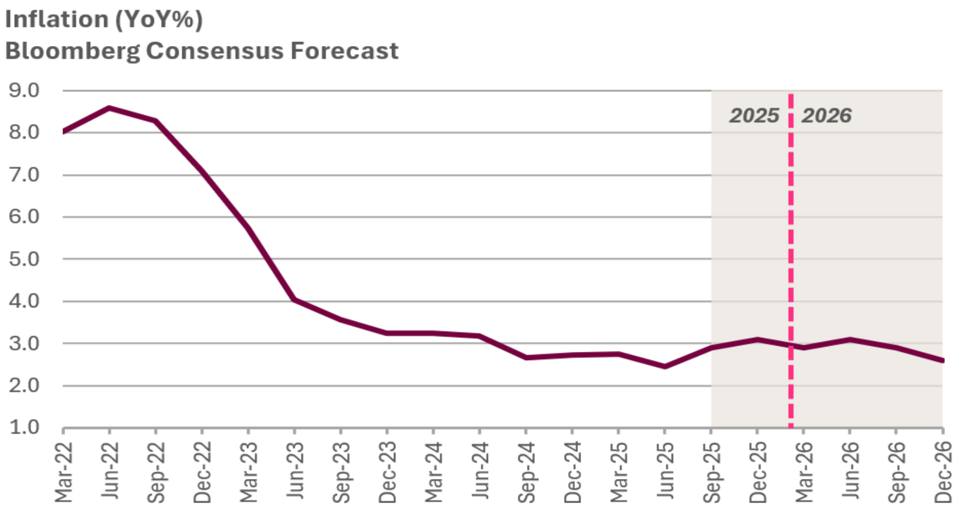


Source: US Bureau of Labor Statistics, Haver Analytics, The Hartford's Global Insights Center

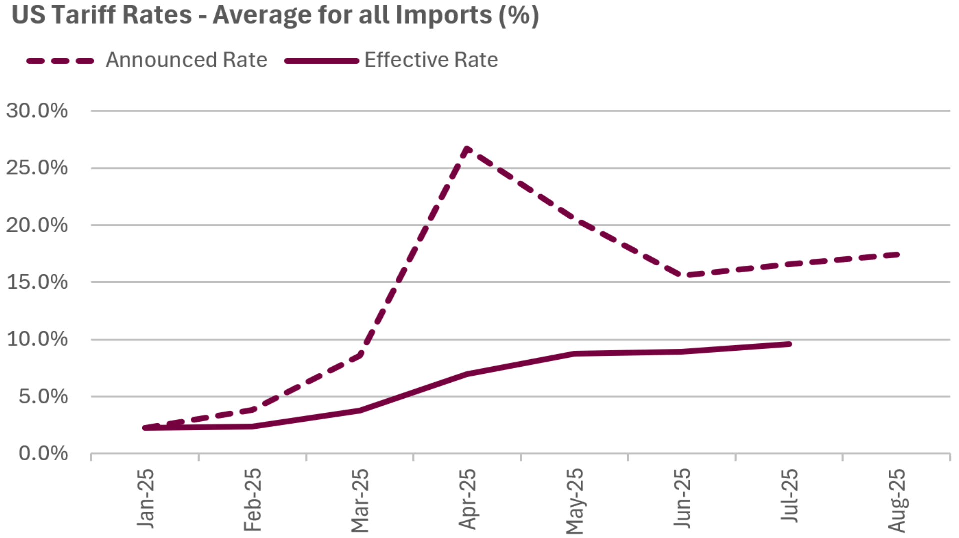
Inflation: Outlook

- Outlook is highly uncertain. Bloomberg consensus is 2.8% average inflation in 2025 and 2.9% in 2026.
- Tariffs are putting upward pressure on inflation.
- Though effective tariffs (the tariffs actually collected) have been below the rates initially announced.
- Announced rates started increasing in February. They exceeded 25% in April, fell between 15% and 20% since. Effective rates are lower, reaching 9.6% in August.
- So, tariffs are pushing inflation up, but less than expected.
- Tariffs will continue placing upward pressure on inflation through end of 2025 and into 2026.
- And new trends, like potentially lower interest rates, could also push up inflation.
- But offsetting factors may emerge, like lower gas prices and apartment rents.
- Meaning, actual inflation could be higher or lower than Bloomberg consensus.



Source: Bloomberg

2024 Avg: 3.0 2025 Avg: 2.8 2026 Avg: 2.9



Source: Department of Commerce, Yale, Haver Analytics, The Hartford's Global Insights Center

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