

U.S. Economic and Financial Developments

March 2026

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The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System

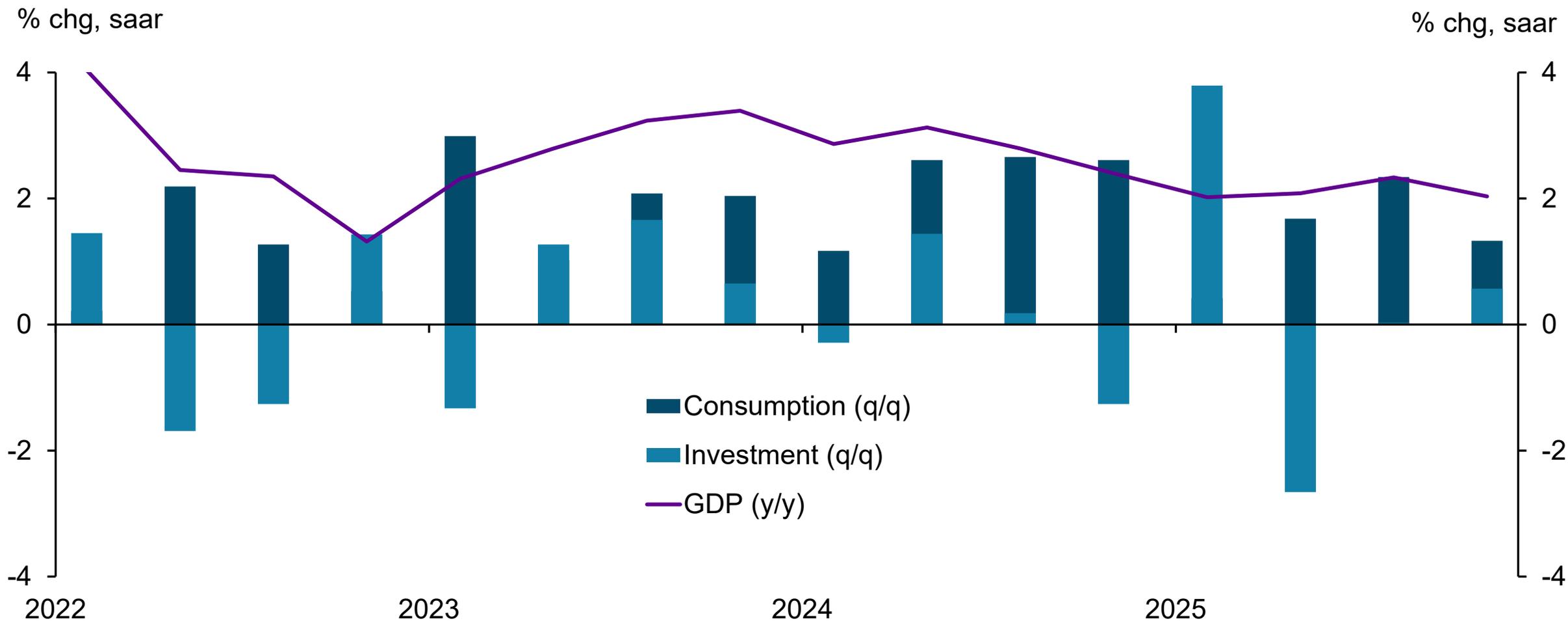


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Outlook Themes

- U.S. economic growth maintained momentum through much of 2025, albeit with some volatility in consumption and business investment.
- Job gains slowed this past year across most sectors of the U.S. economy, and wage gains similarly slowed as challenges attracting and retaining a workforce lessened.
- Inflation remains elevated, with shocks to price pressures that are shifting across spending categories.
- The FOMC assesses the current stance of policy is appropriate, but uncertainty has risen.

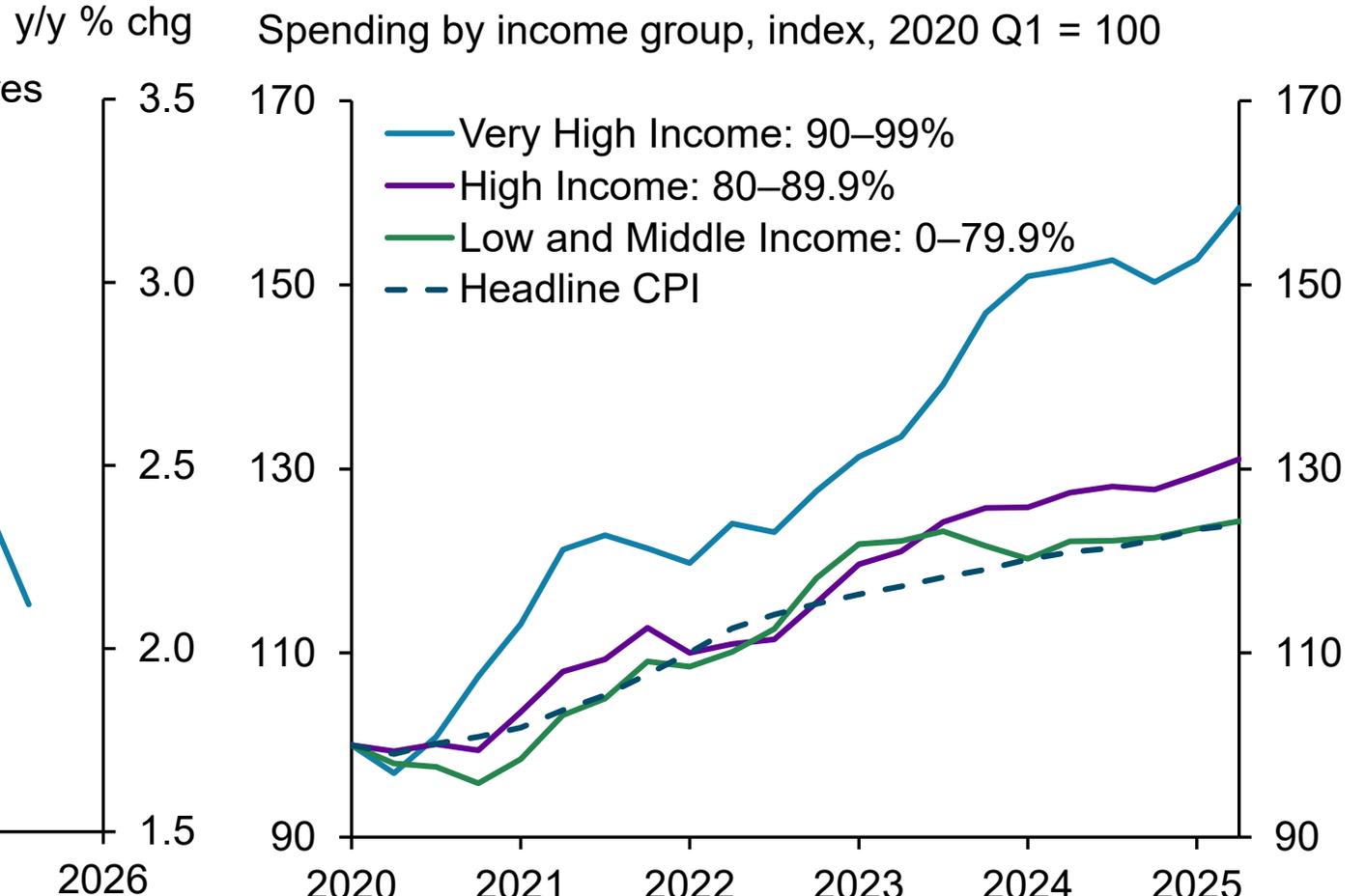
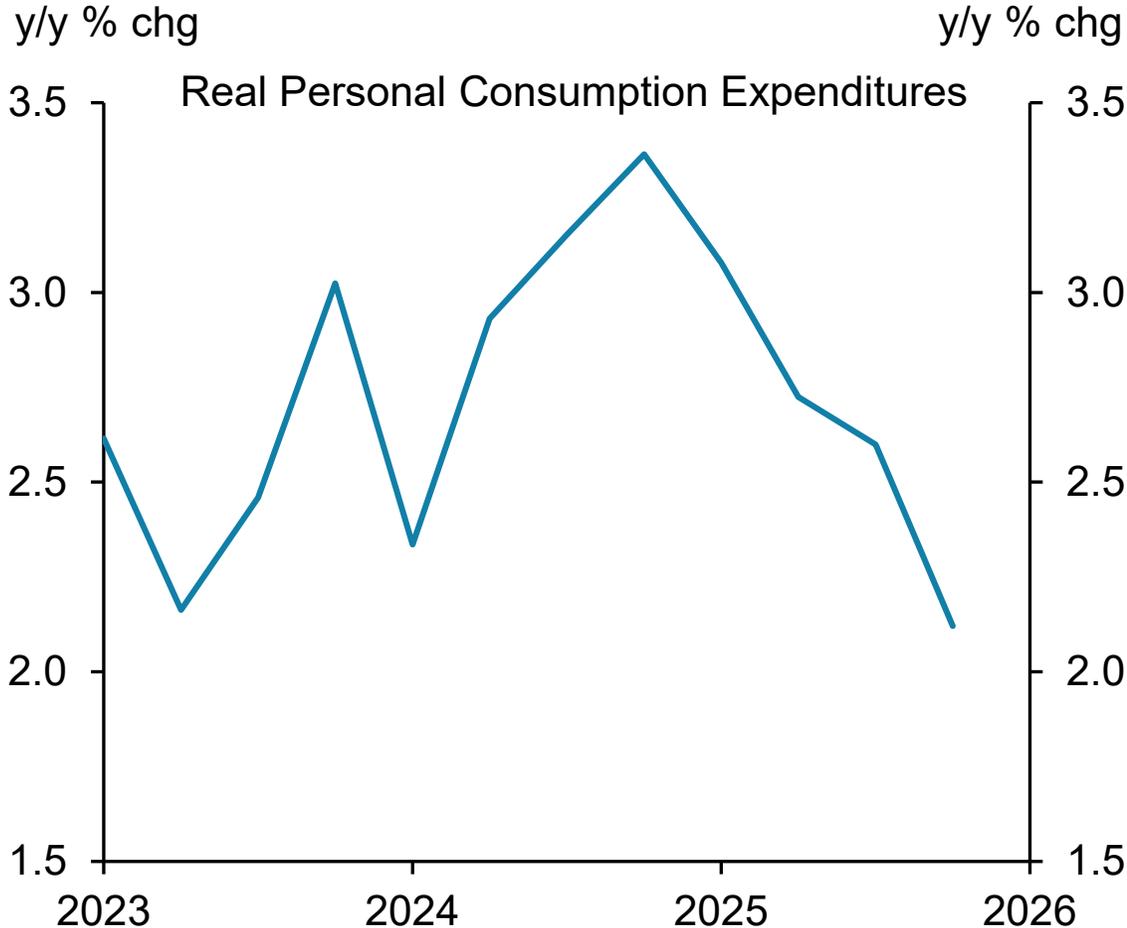
Economic growth remained solid through 2025 despite crosswinds



Source: BEA, Haver.

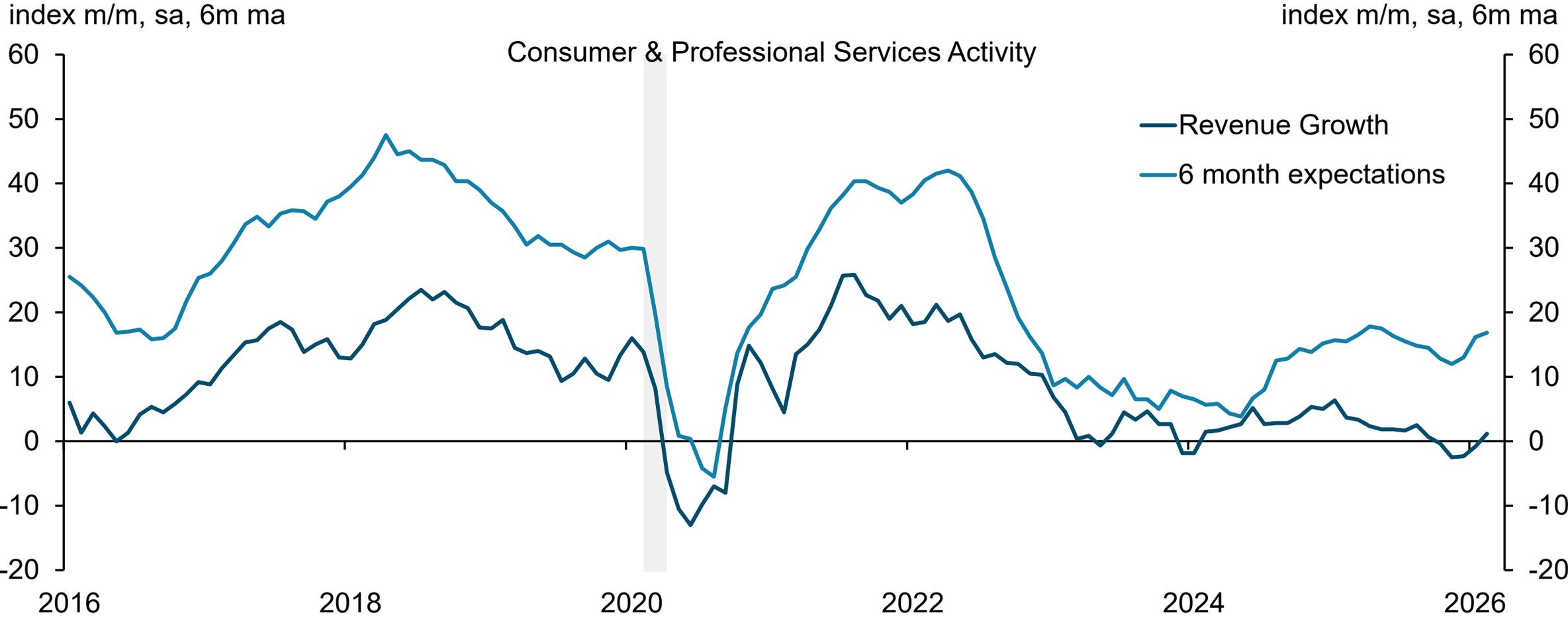
Note: Bars indicated contributions of each component to overall GDP growth in each quarter.

Consumption is strong but uneven



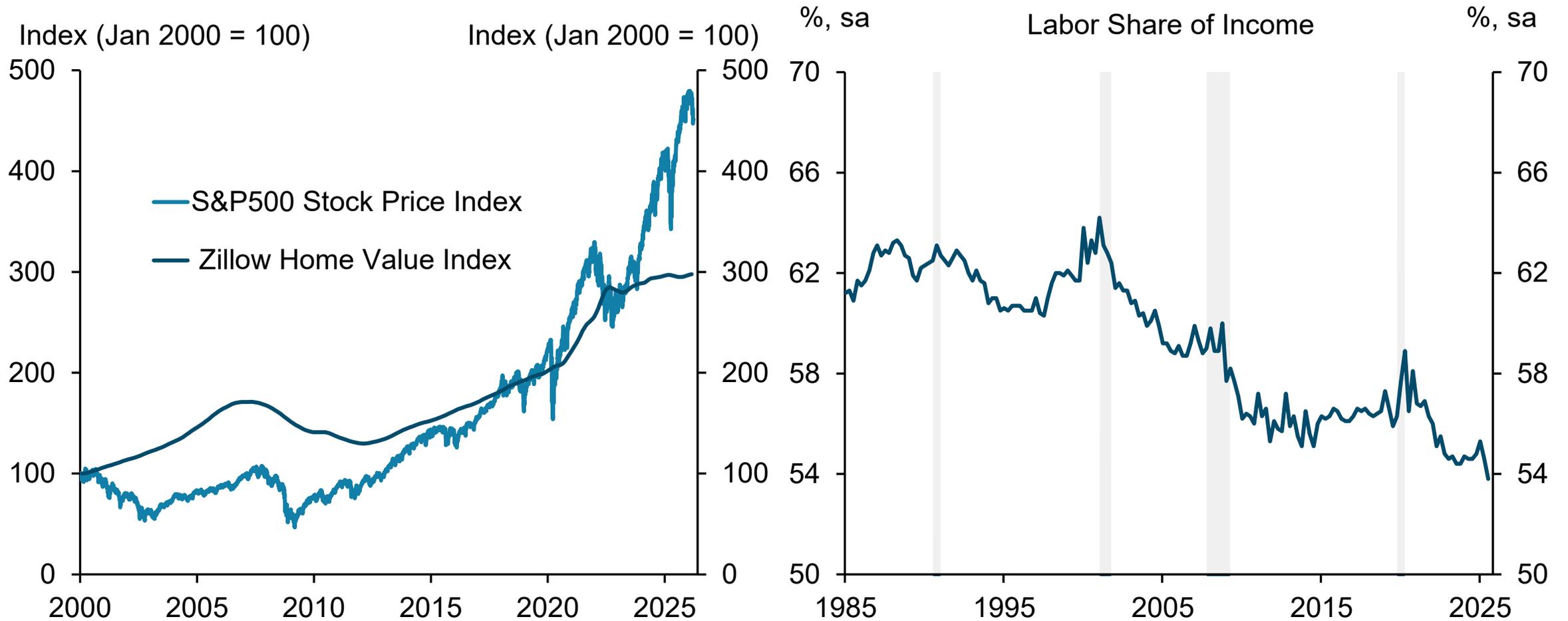
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Moody's Analytics, Haver Analytics

Local and current indicators pointed to some volatility in household spending near year end, but expectations about spending remain firm



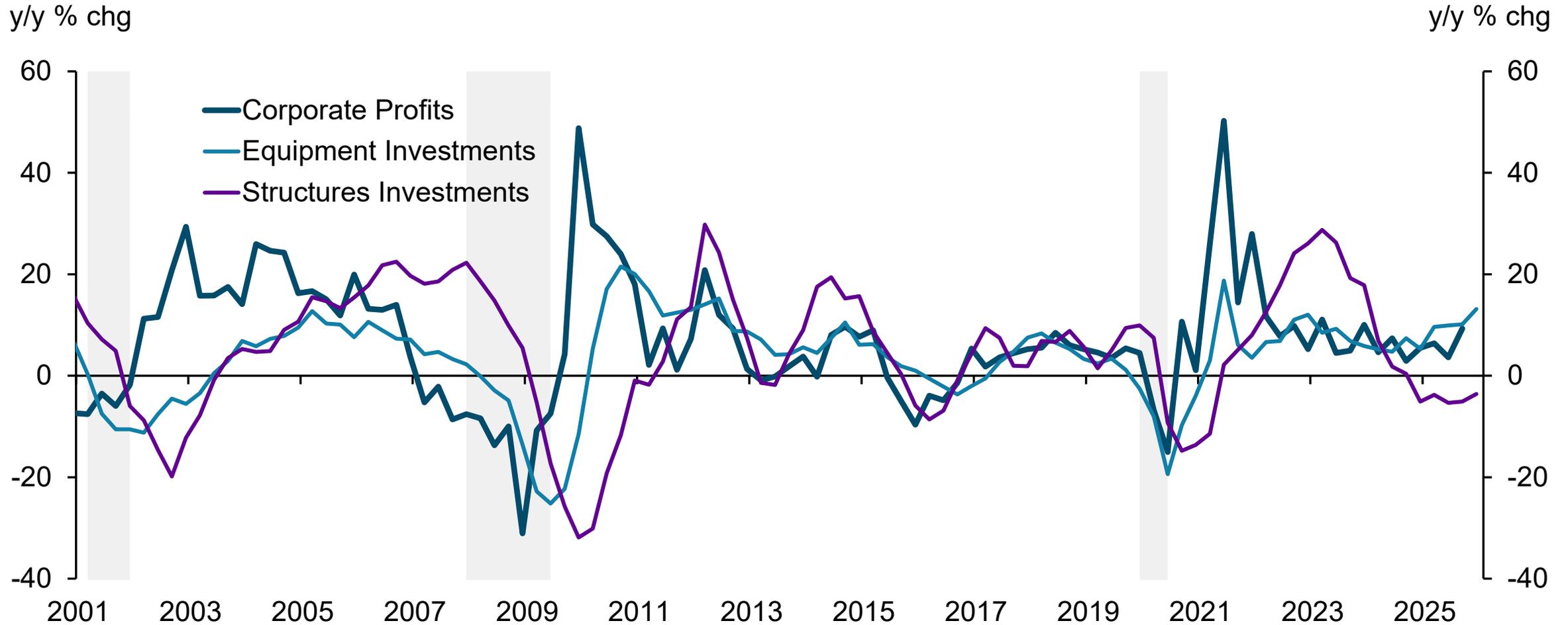
Sources: KC Fed Services Survey, Census Bureau, Haver.
Notes: Gray bars indicate recession periods.

Asset valuations and non-labor earnings are elevated to historic levels



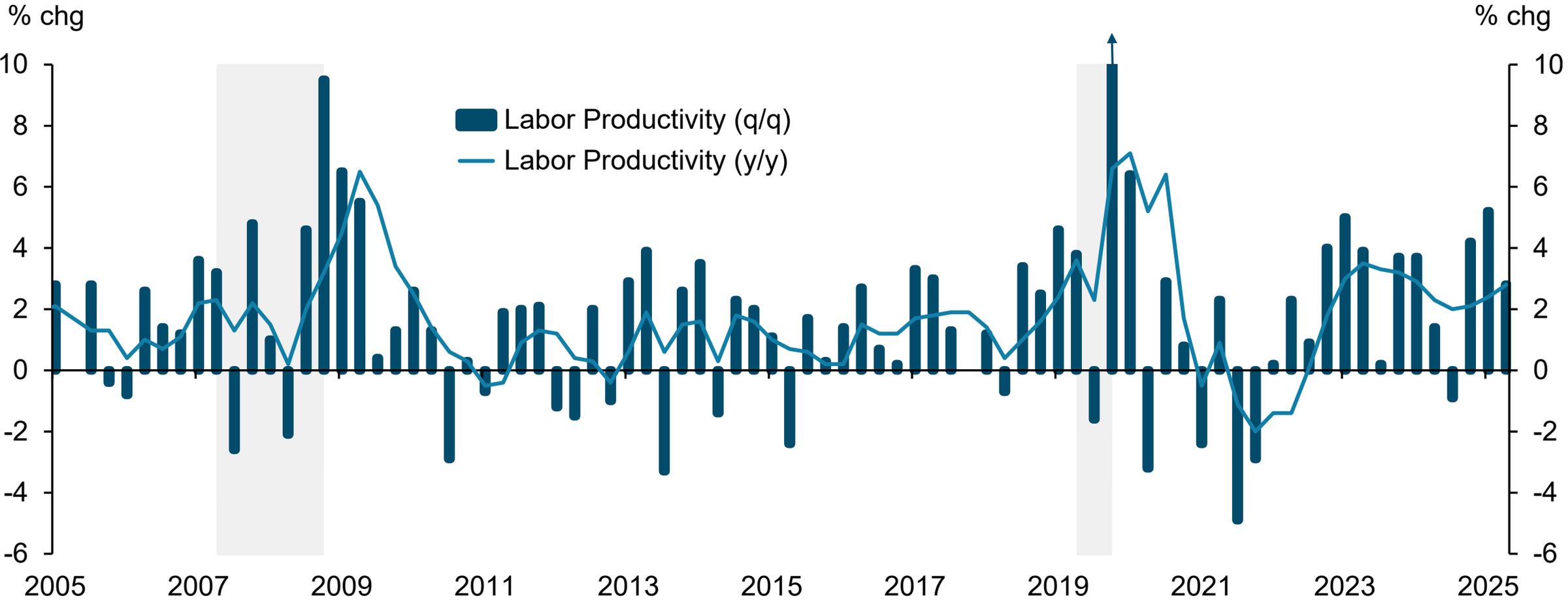
Sources: Standard & Poor's, Zillow, BLS, Haver.
Note: Gray bars indicate recession periods.

Stable corporate profits support the outlook for investment



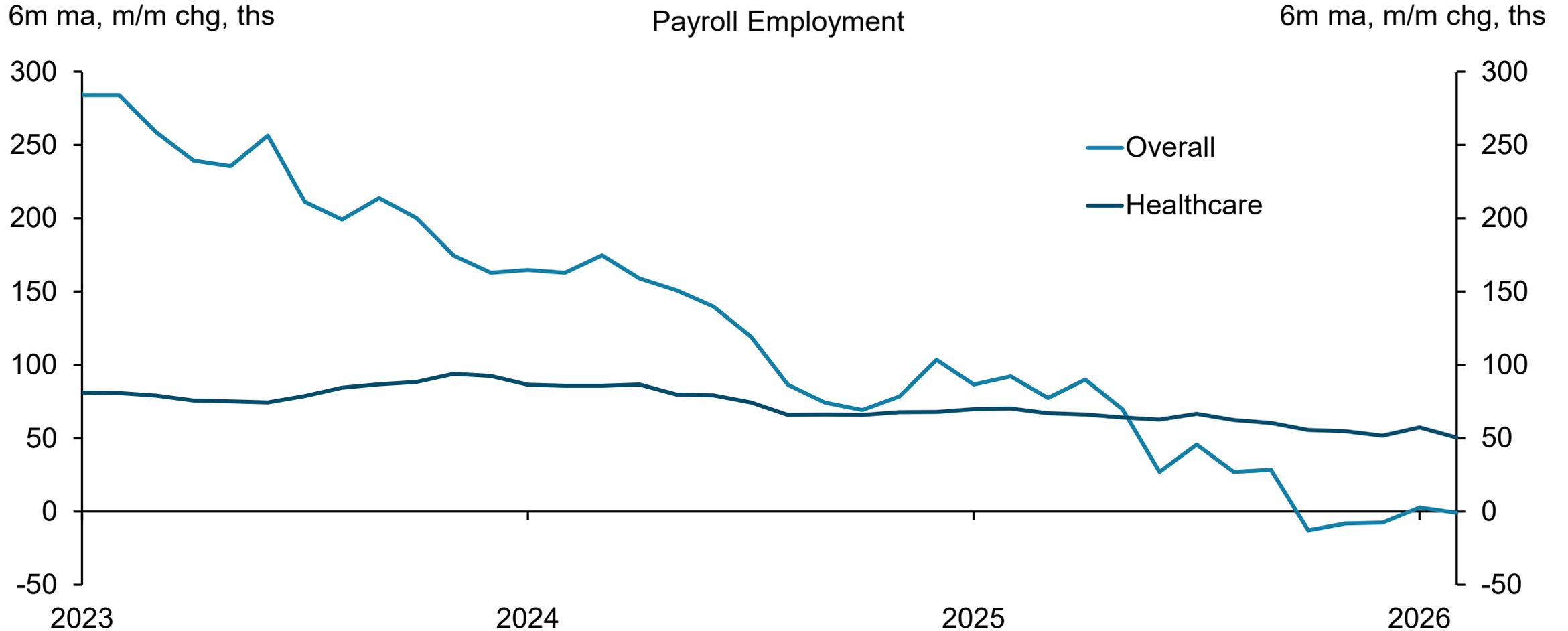
Sources: Bureau of Economic Analysis, Haver.
Note: Gray bars indicate recession periods.

Productivity growth remains firm in aggregate but is more concentrated within certain industries than in recent years



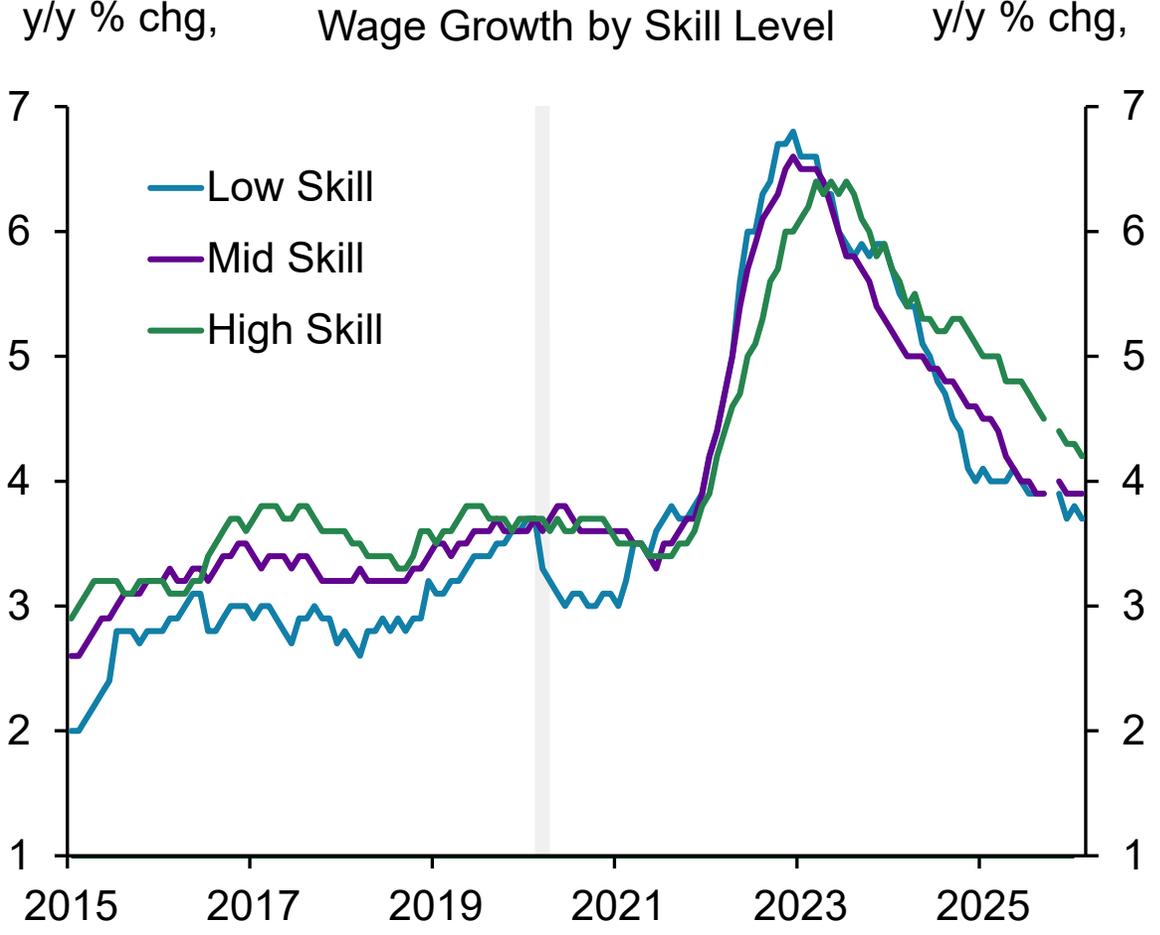
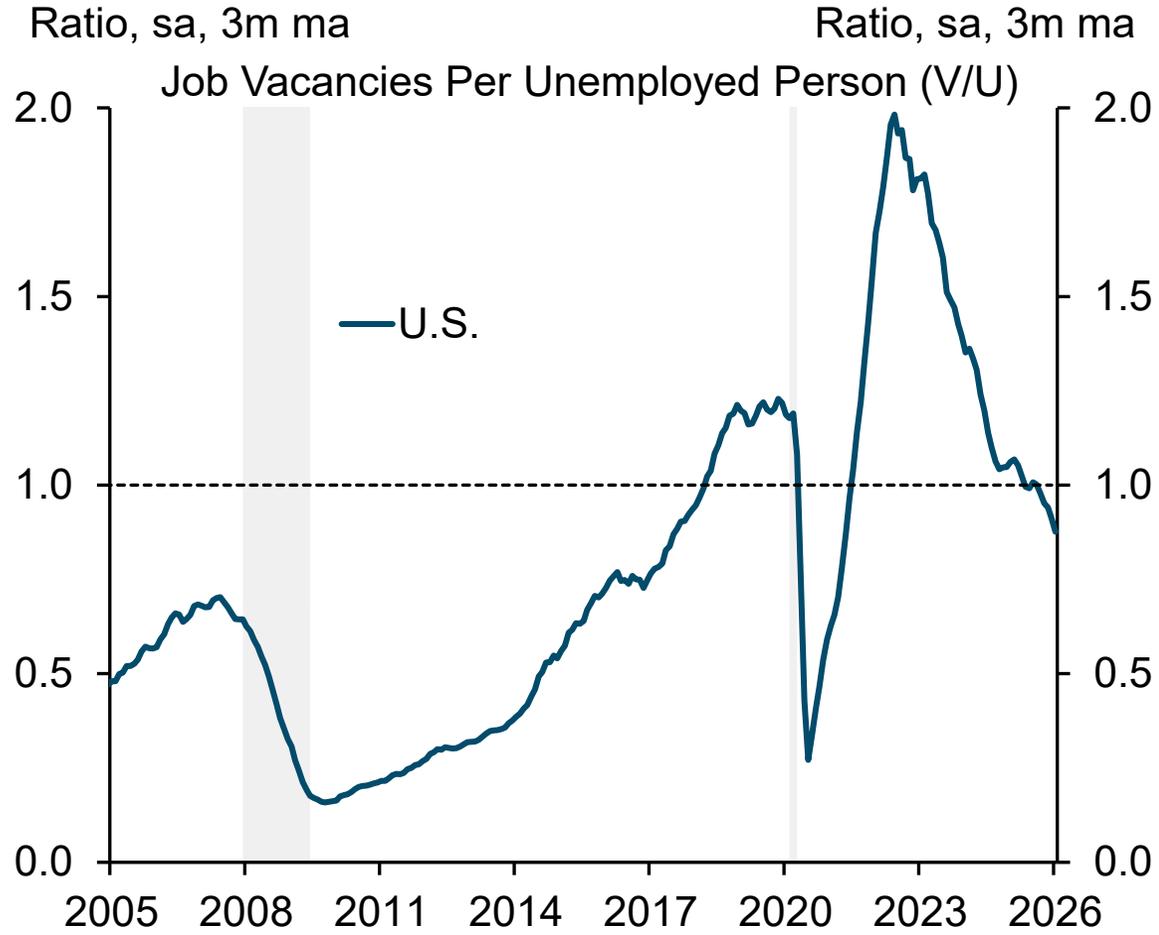
Sources: BLS, Haver.
Notes: Gray bars indicate recession periods.

Job growth slowed significantly this year, but so did the number of new jobs needed to keep the labor market in balance



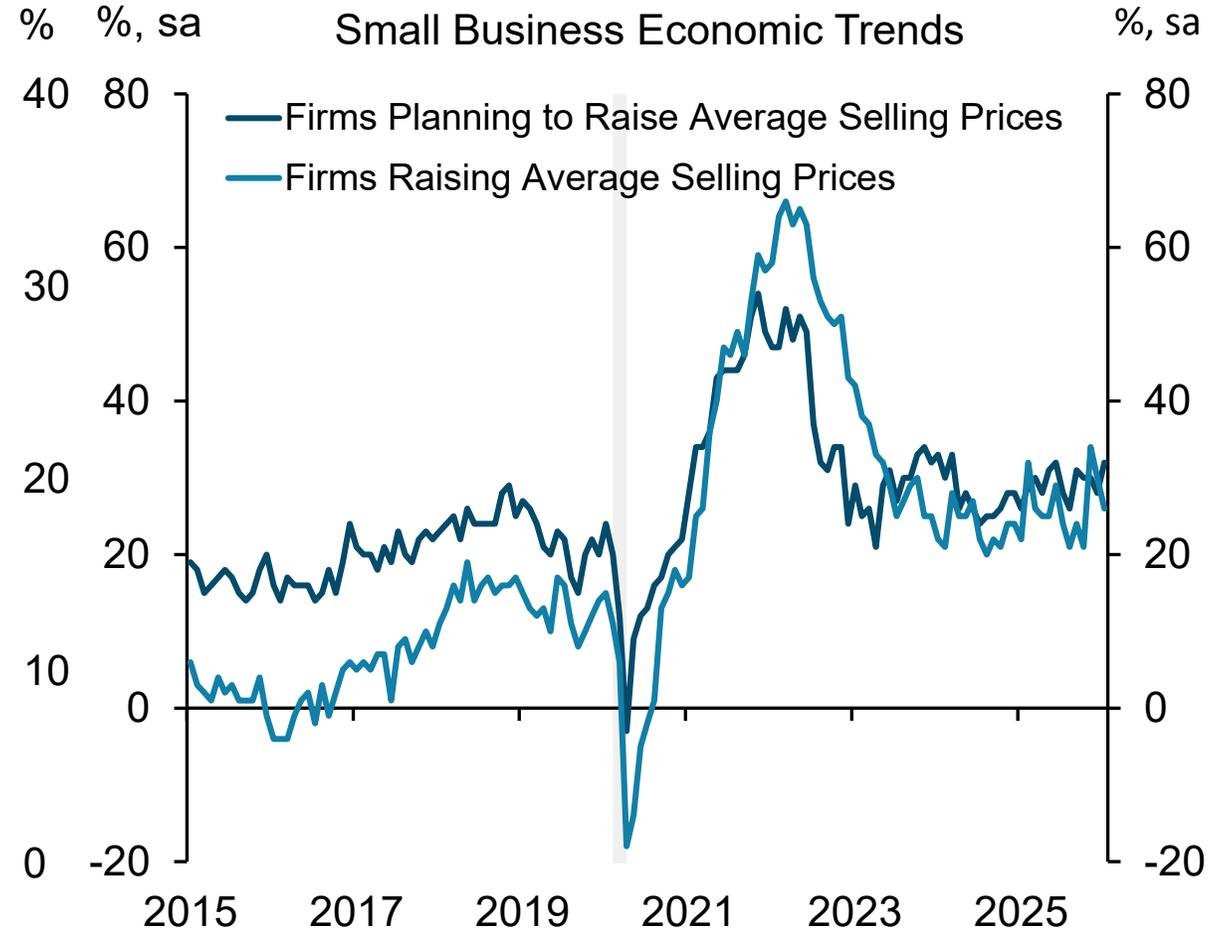
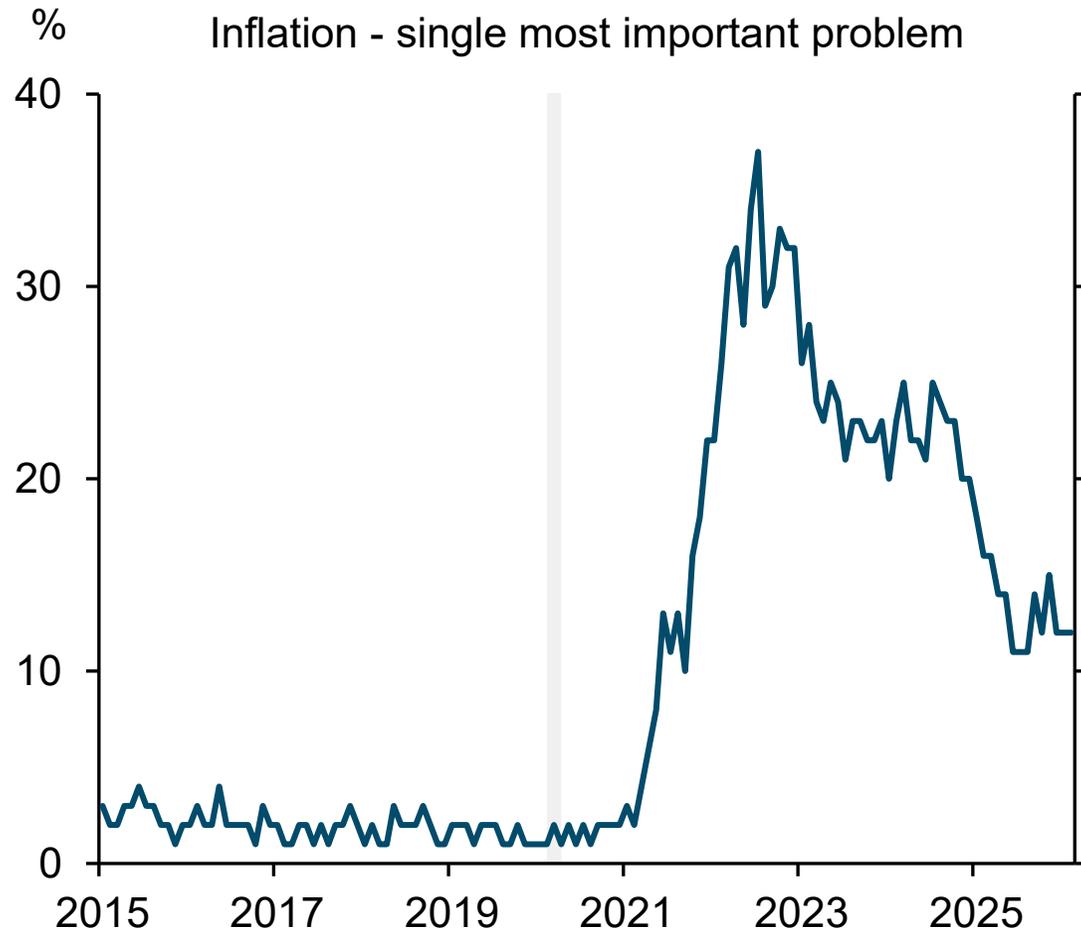
Sources: BLS.

Wage growth has moderated to a level more consistent with productivity and price growth



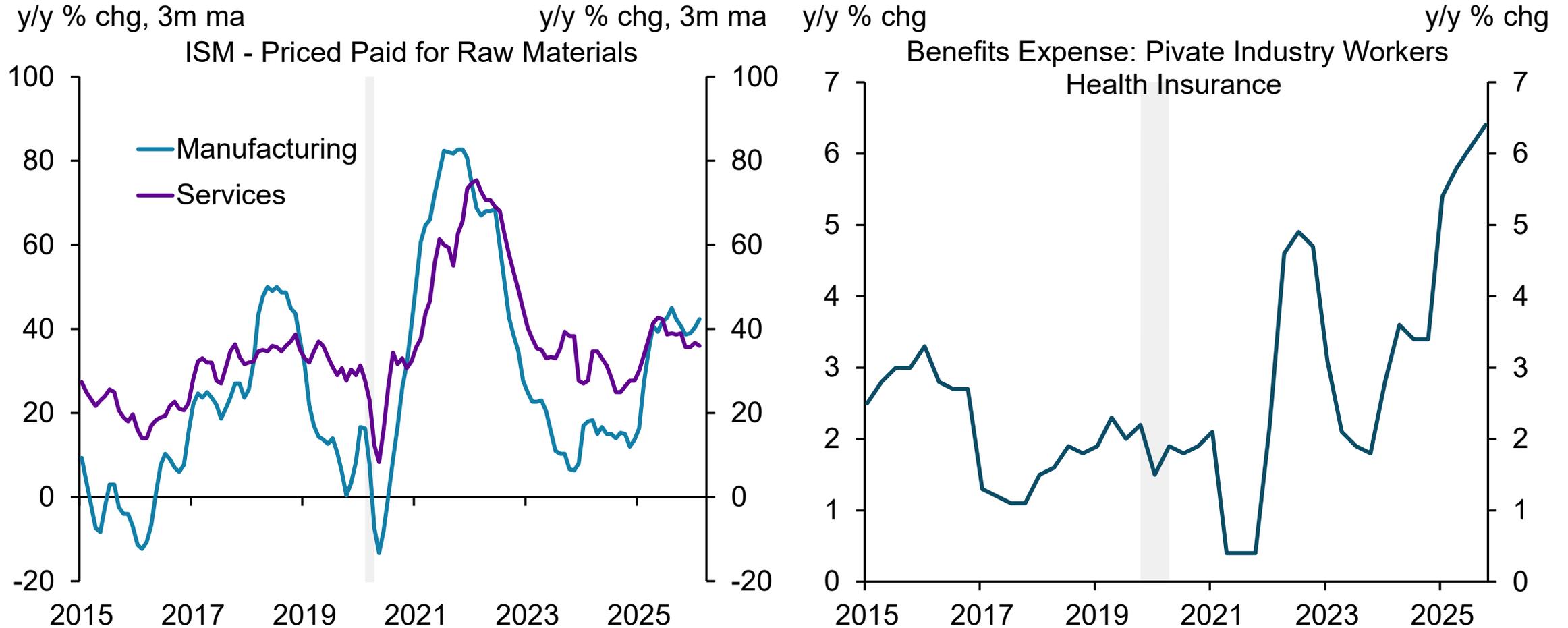
Sources: BLS, Atlanta Fed, Haver.
Notes: Gray bars indicate recession periods. October 2025 data not published.

Businesses continue to point to cost pressures as challenges and a desire to continue raising prices



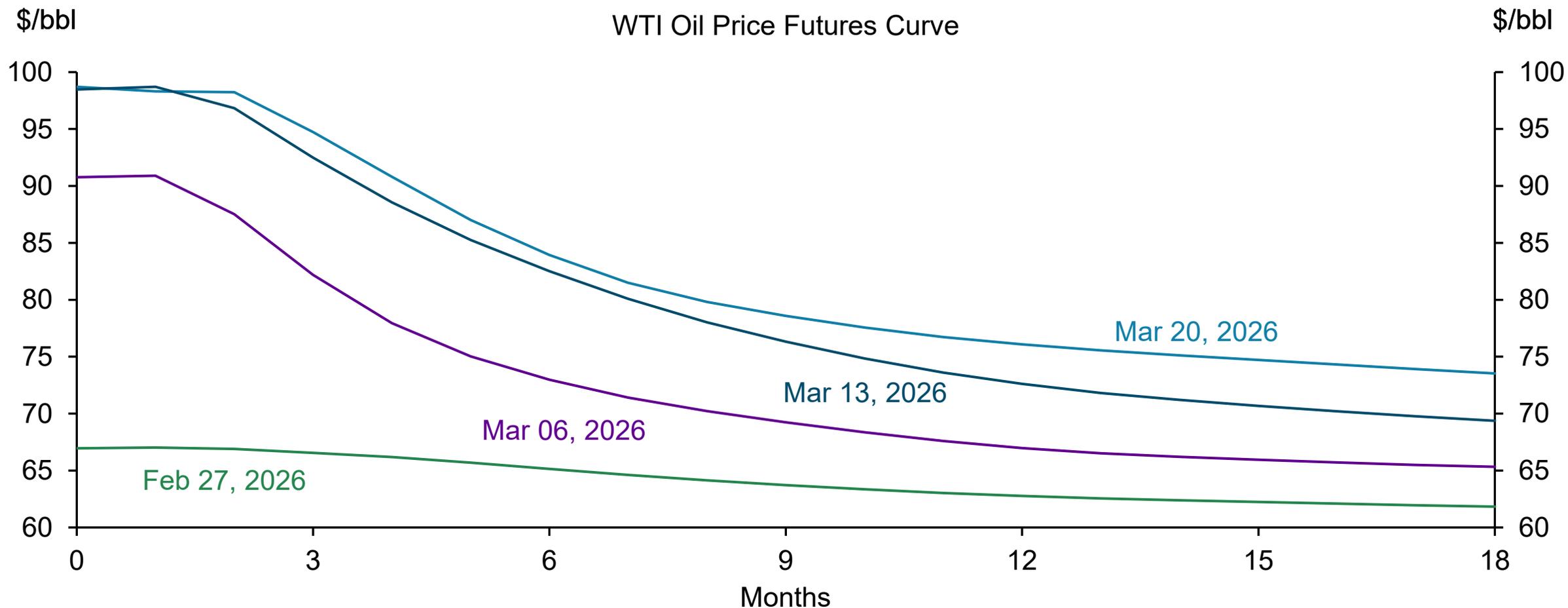
Sources: NFIB, Haver.
Note: Gray bars indicate recession periods.

Although wage growth has moderated, growth in materials costs and healthcare benefits are persistent pressures for employers



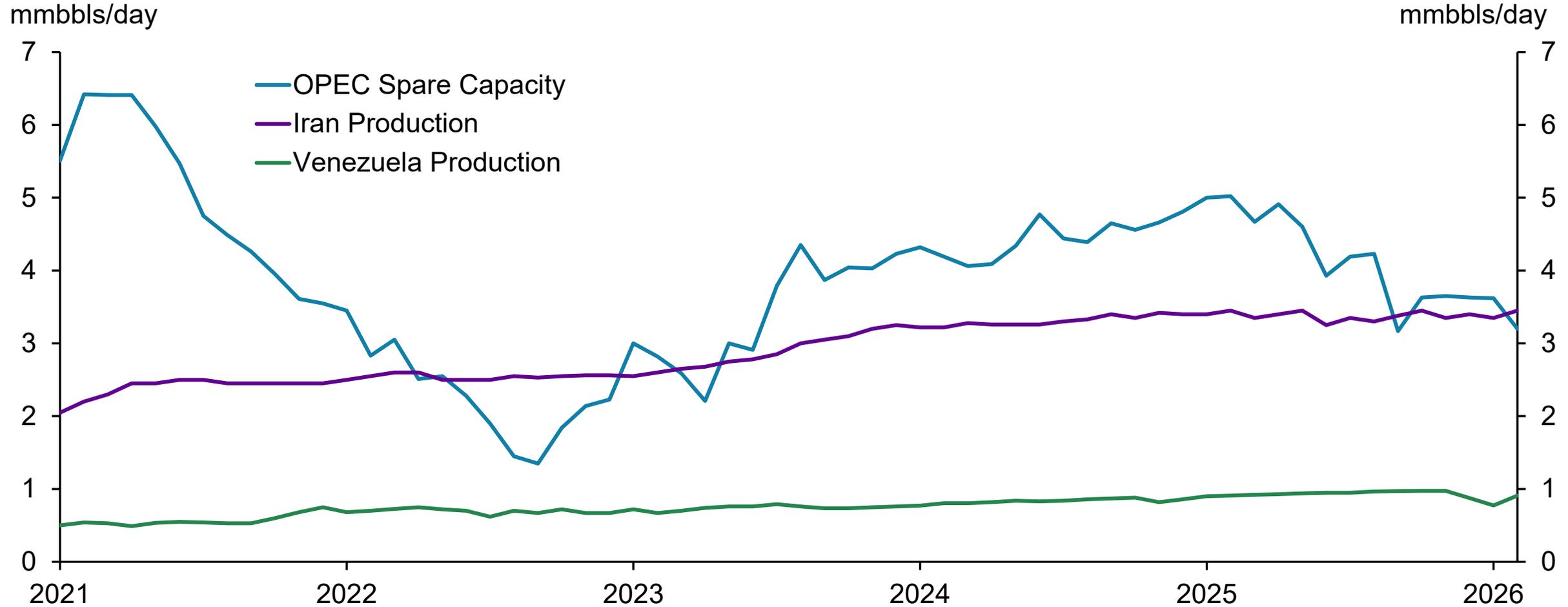
Sources: ISM, BLS, Haver.
 Notes: Gray bars indicate recession periods.

Oil prices rose significantly over the past month, and markets continue to update expectations about the severity and duration of higher prices



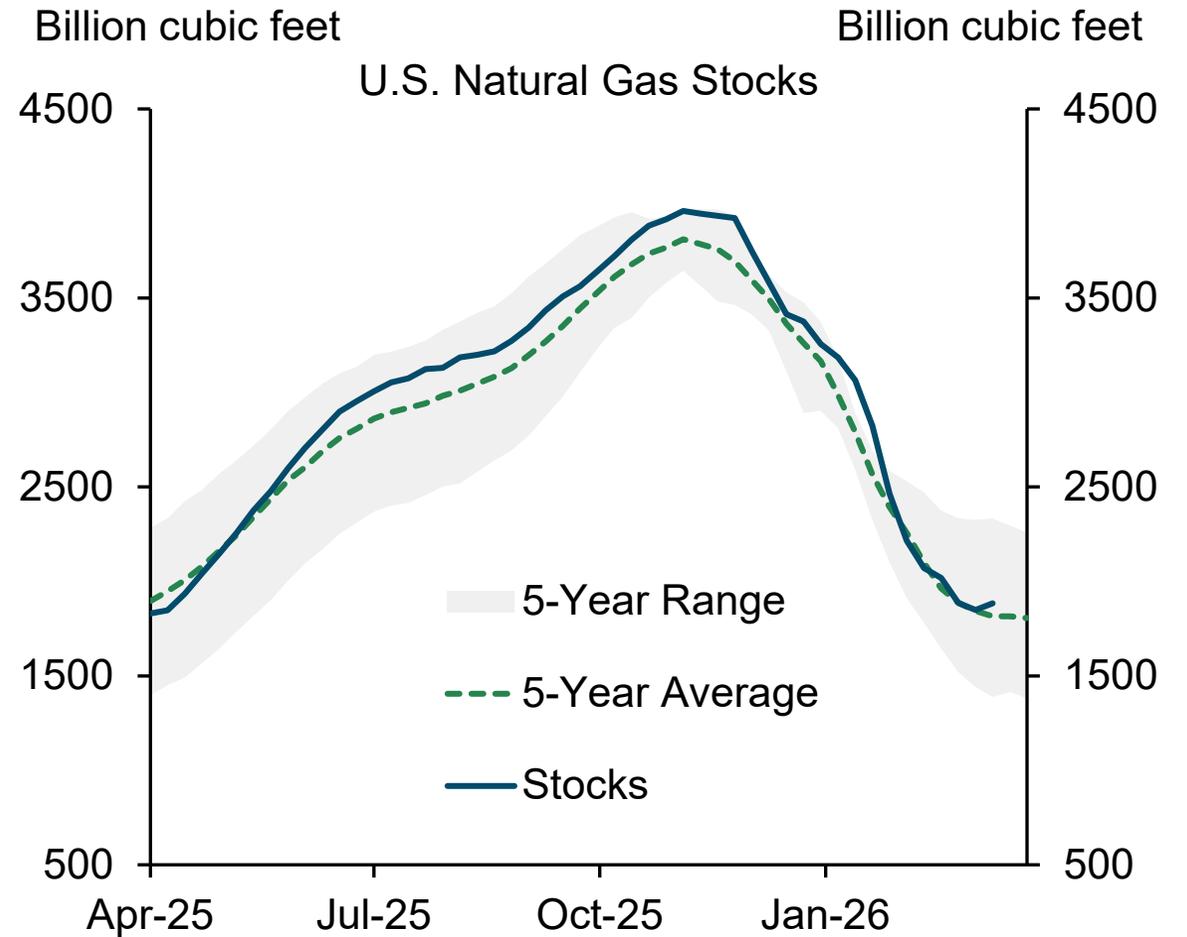
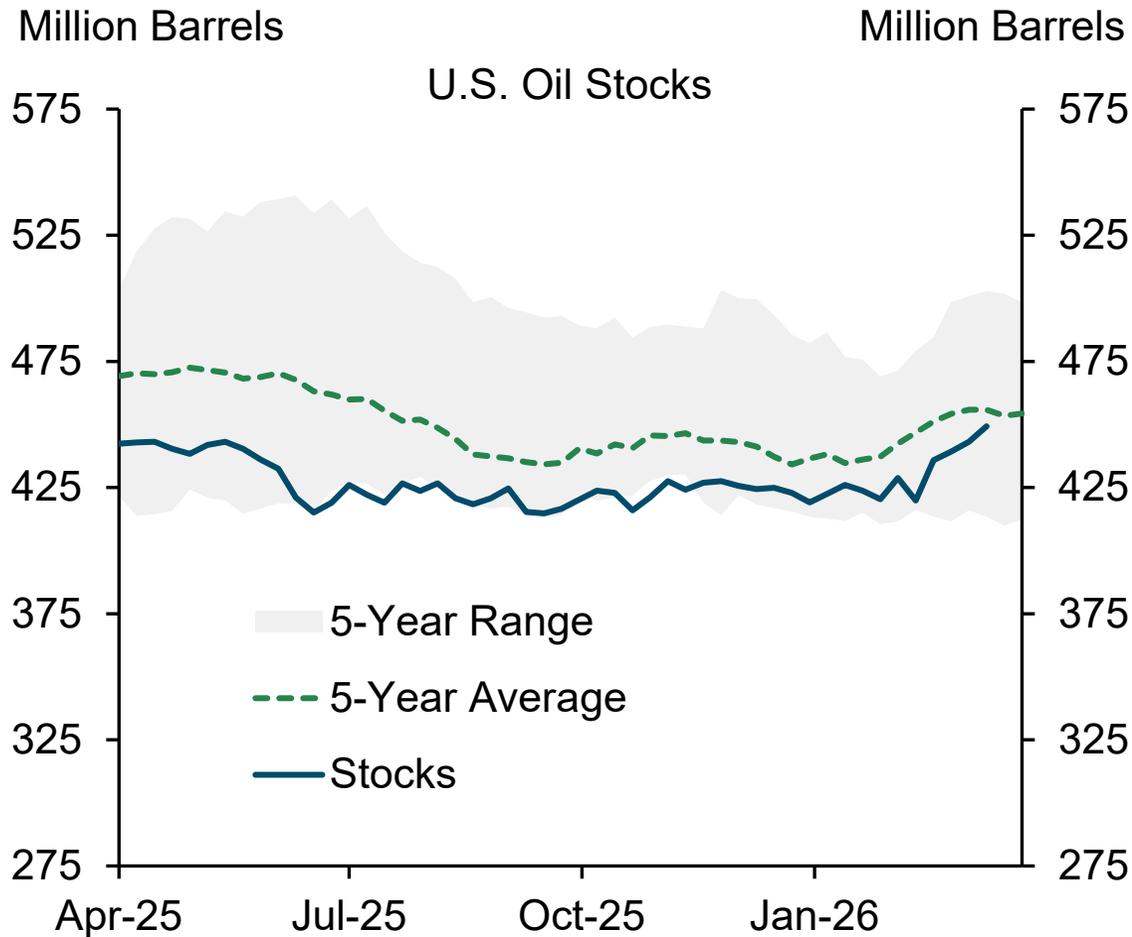
Sources: EIA, Haver.

Global oil production may have difficulty offsetting loses in Iranian production



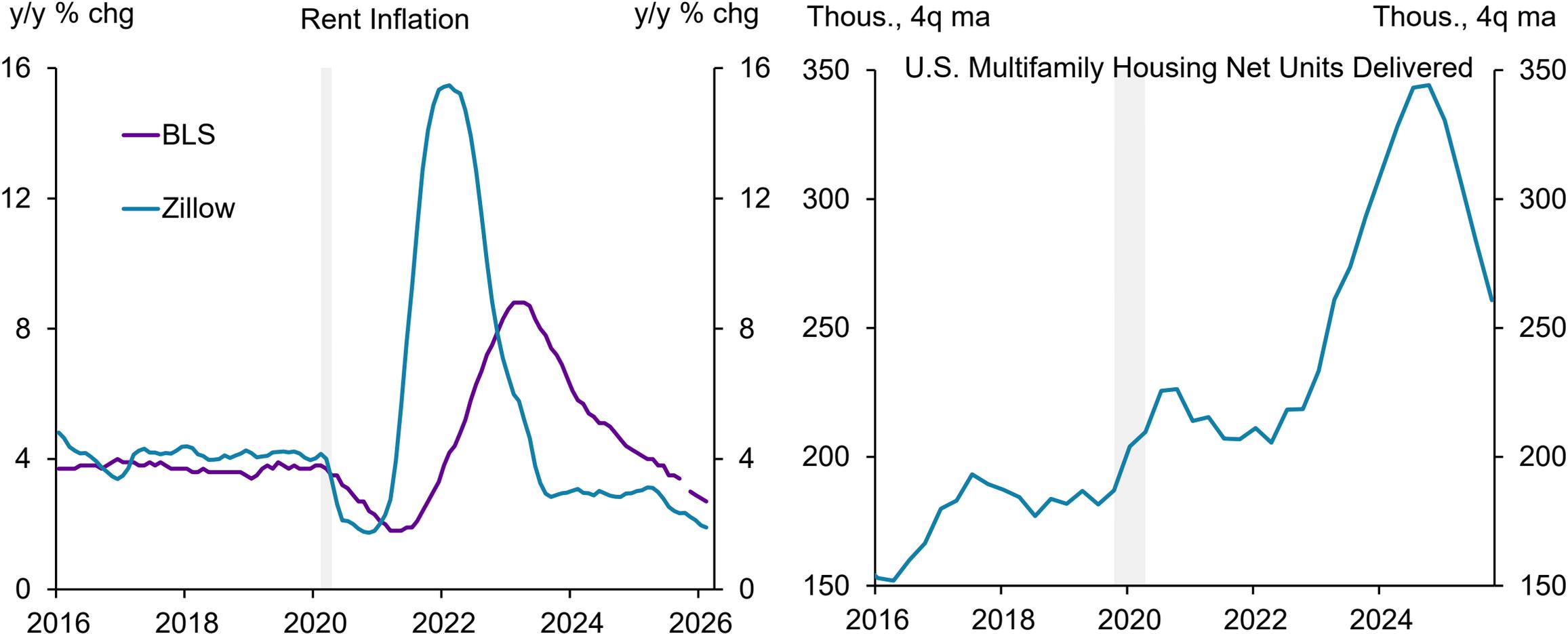
Sources: EIA, Haver.

Yet, oil and gas stocks may help absorb price pressures



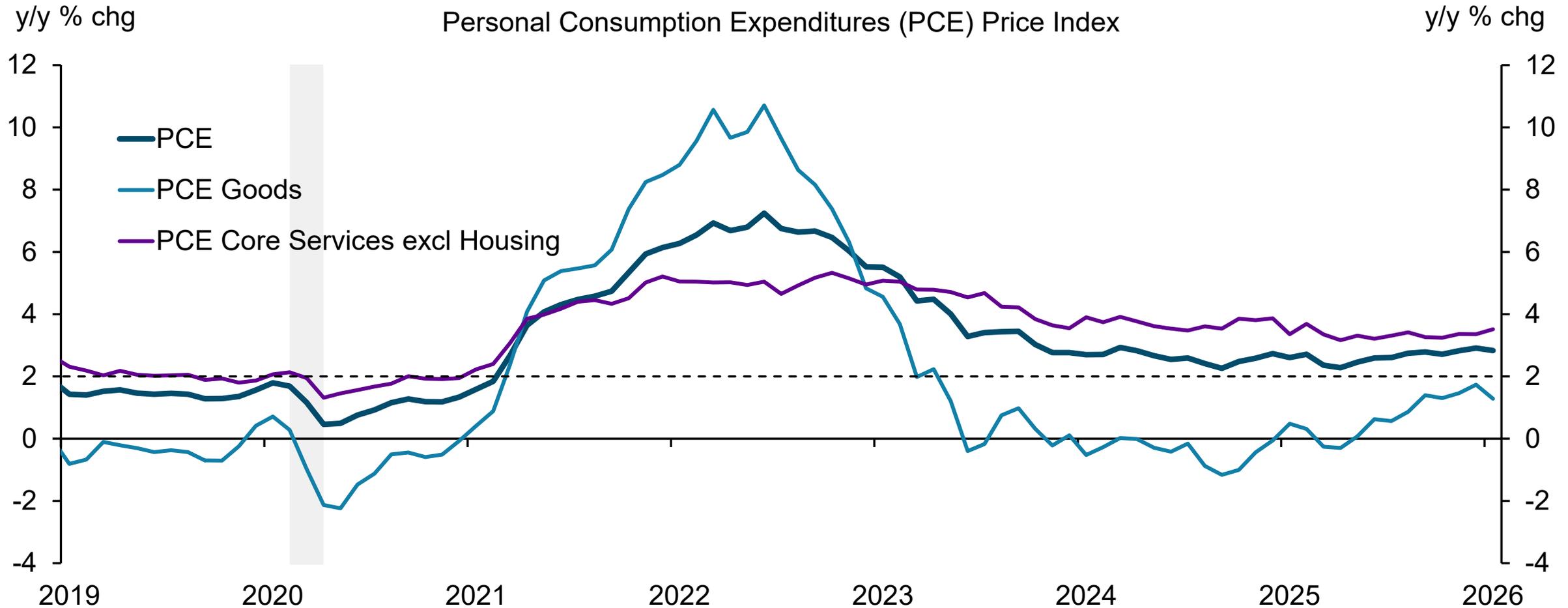
Sources: EIA, Haver.

Housing inflation has cooled



Sources: BLS, Zillow, *Colorado's Distinct Trends in Affordable Housing Development*, KC Fed, Feb 2026. Haver.
 Notes: Rent inflation from Bureau of Labor Statistics is measured with the consumer price index for housing rental units.
 Gray bars indicate recession periods

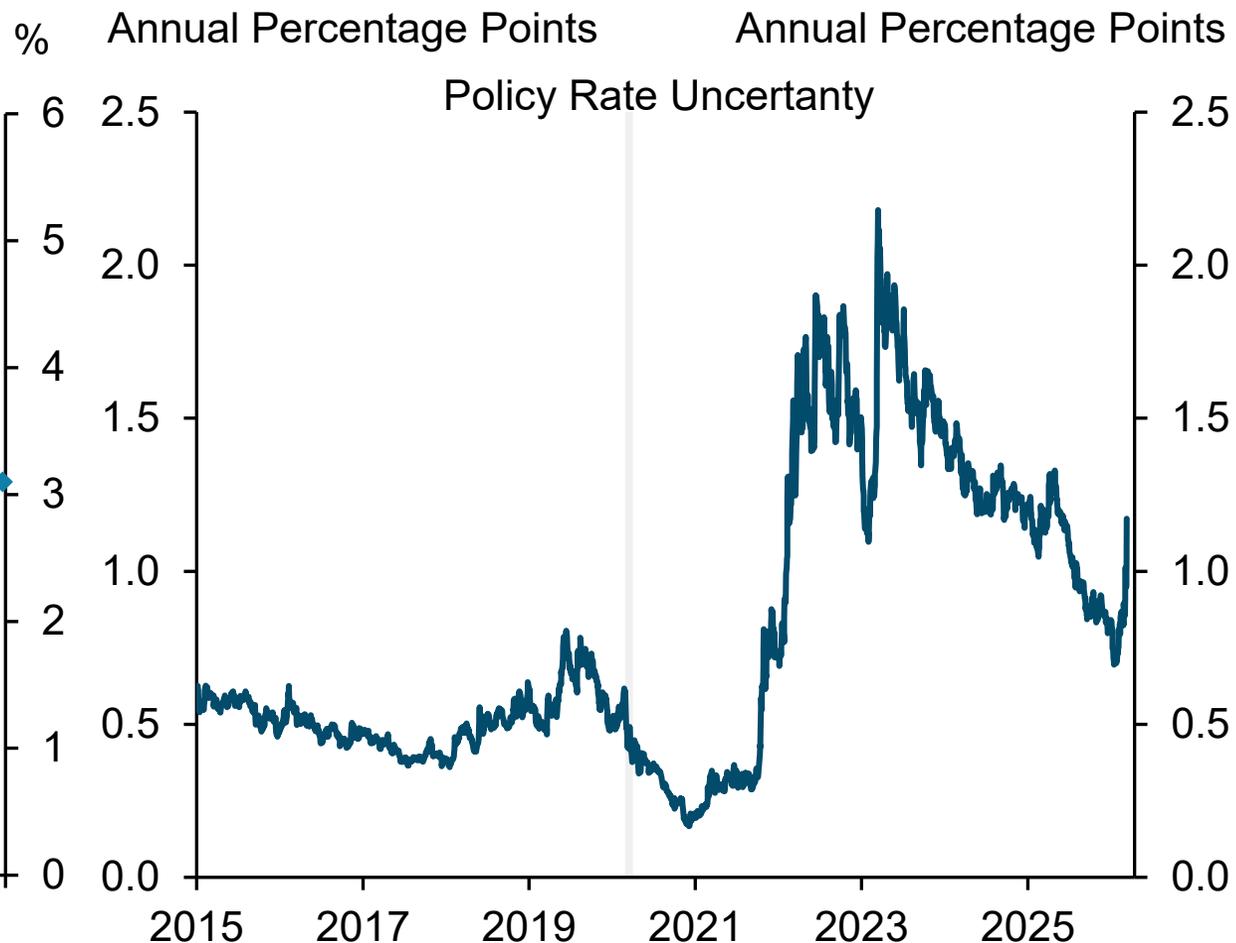
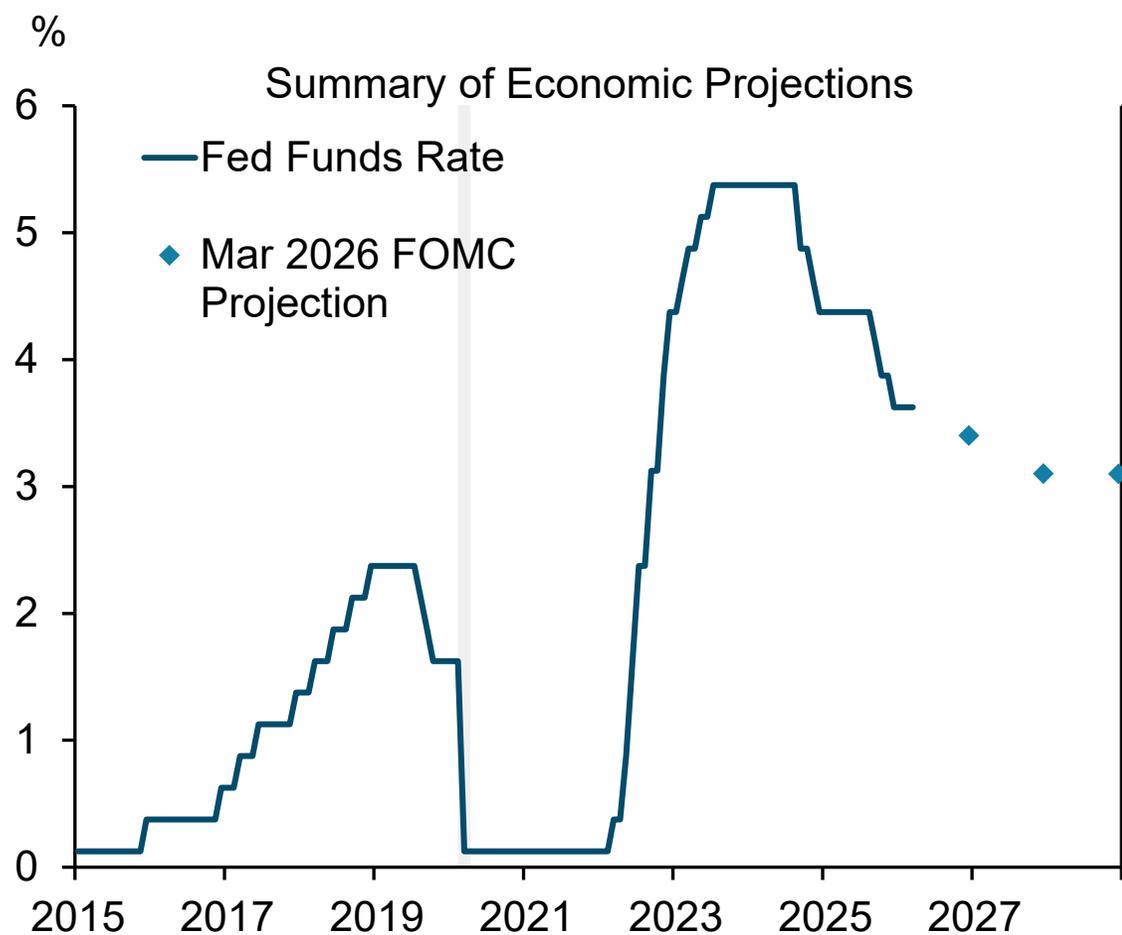
Inflation remains above target, including service prices that historically account for a larger share of price growth in the U.S.



Sources: BEA, Haver.

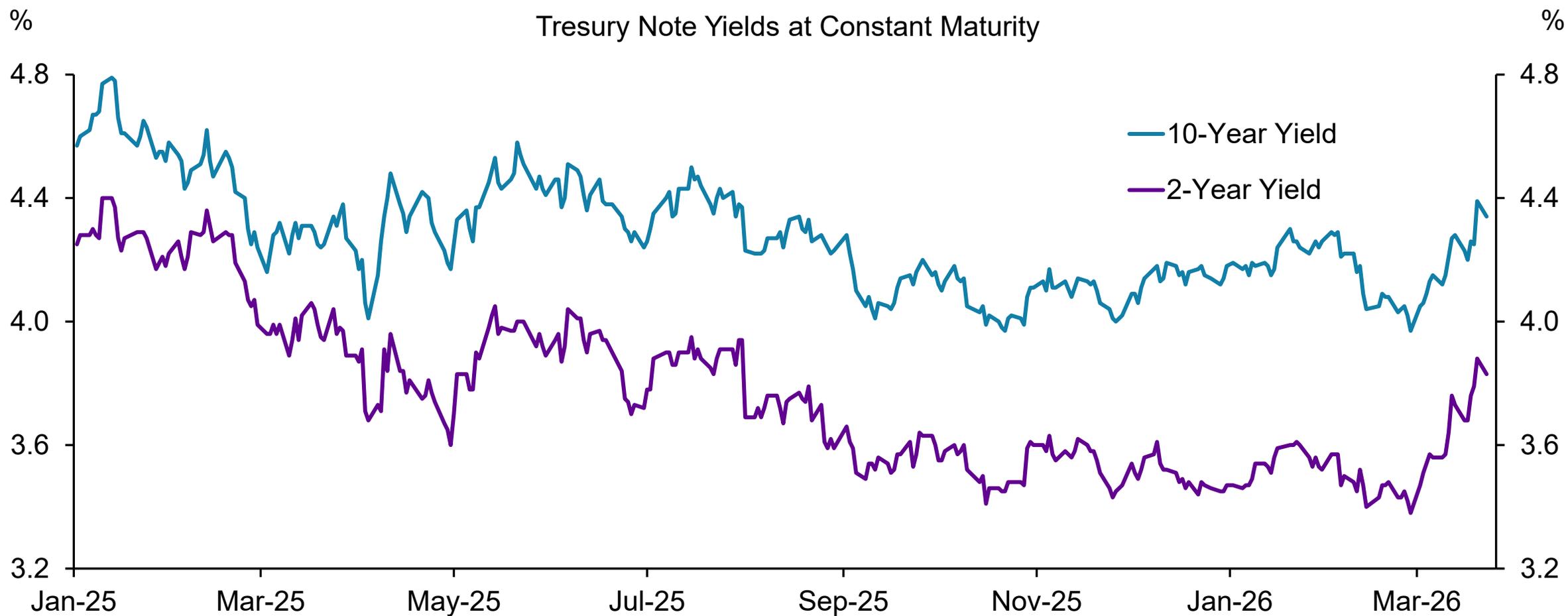
Notes: Gray bars indicate recession periods.

The FOMC assesses the current stance of policy is appropriate, but uncertainty has risen

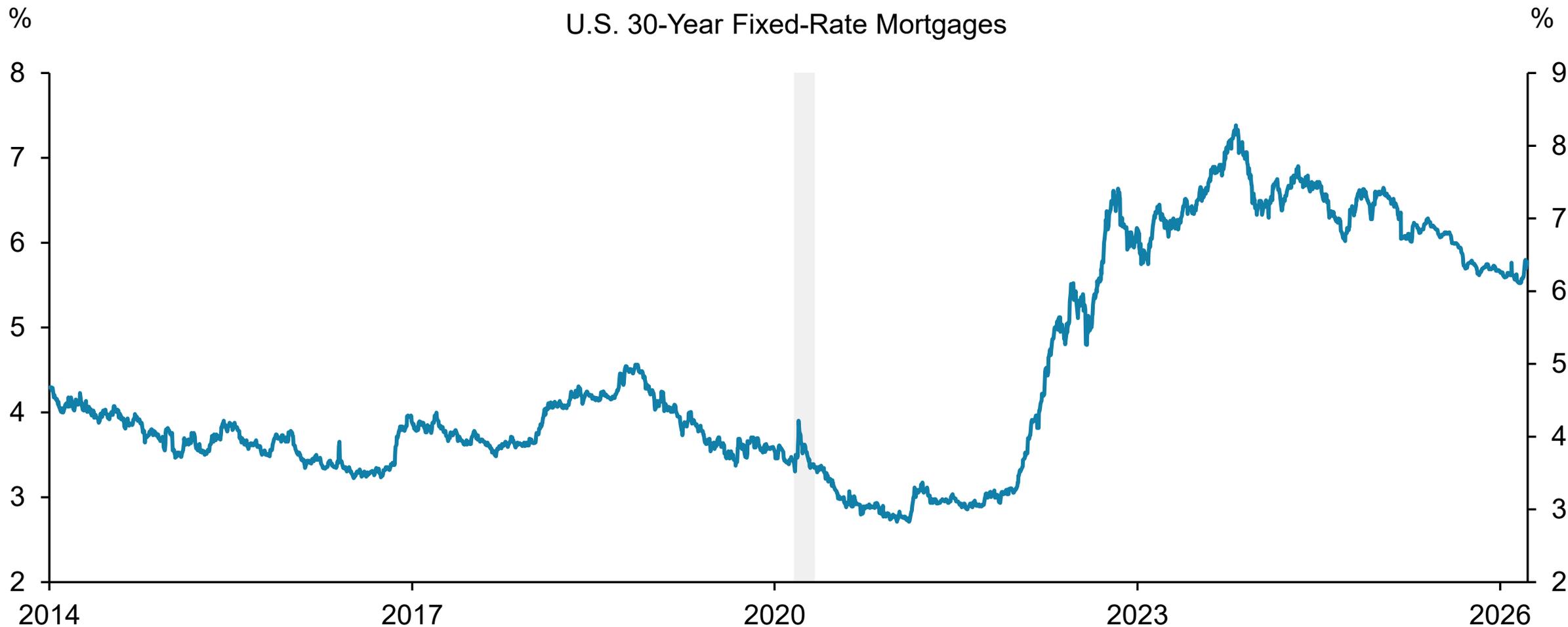


Sources: Federal Reserve Board, KC Fed, Haver.
Note: Gray bars indicate recession periods.

Longer term rates rose over the past month

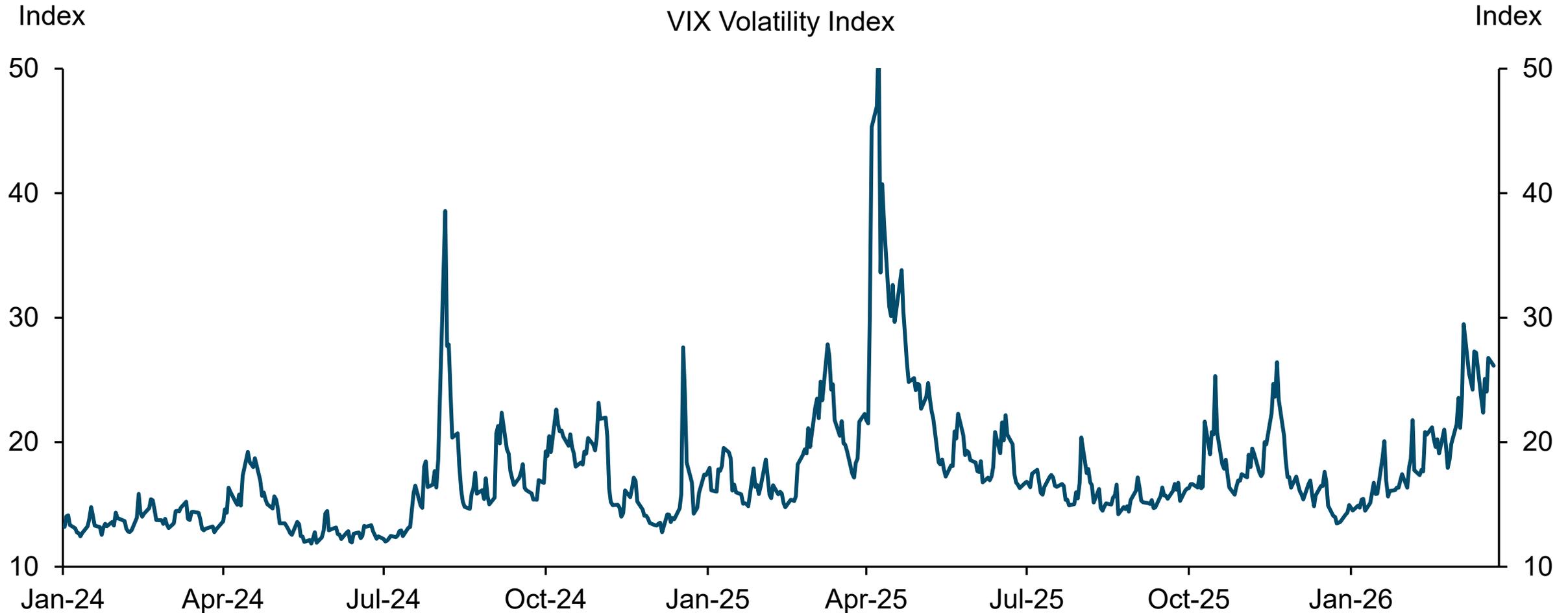


Mortgage rates fell modestly over the past year but have ticked up recently



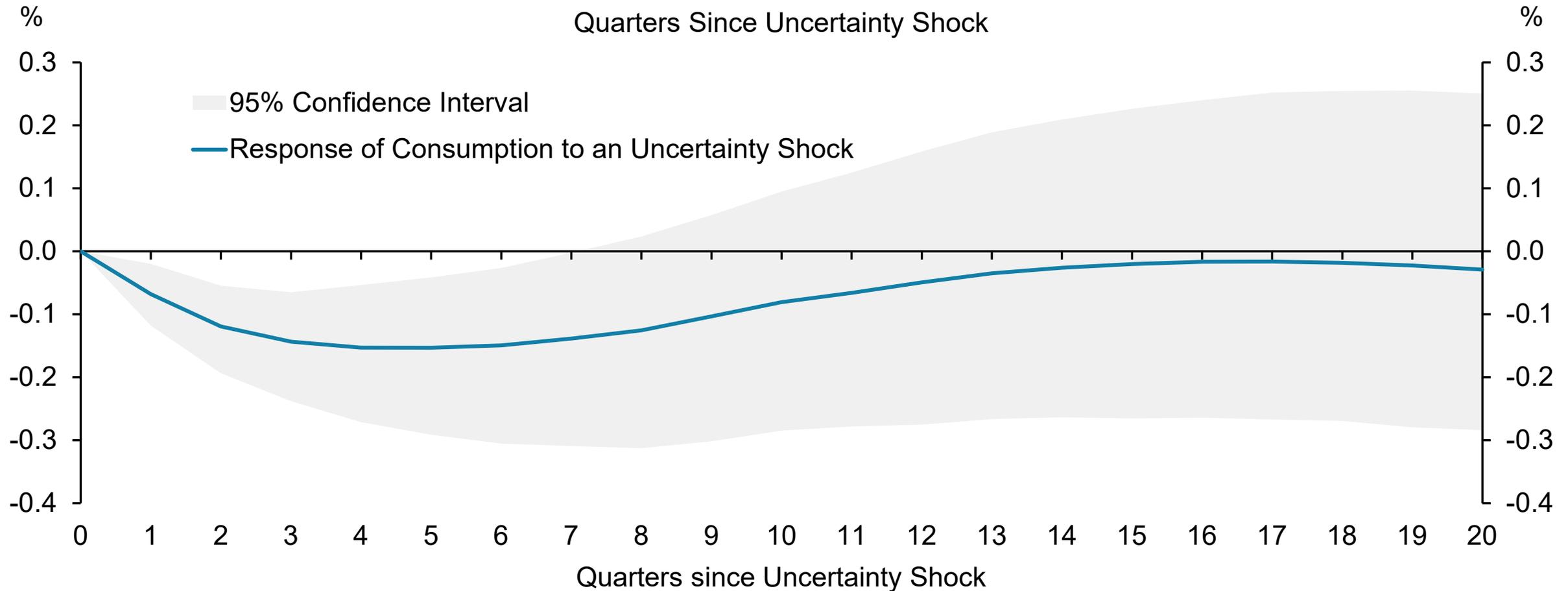
Sources: Federal Home Loan Mortgage Corporation, Haver.
Note: Gray bars indicate recession periods.

Policy developments led brief episodes of financial volatility over the past year and a half



Sources: Chicago Board Options Exchange (CBOE), Haver.

Uncertainty shocks tend to lead to persistent declines in consumption



Sources: *Uncertainty Shocks in a Model of Effective Demand*, Basu and Bundick (2016), KC Fed



Resources from the Kansas City Fed's Economic Research Department

- [Beige Book](#)
Anecdotal information on current economic conditions in the District.
- [Labor Market Conditions Indicators](#)
Two monthly measures of labor market conditions based on 24 labor market variables.
- [Community Connections](#)
Get information on community and economic development trends across the Tenth Federal Reserve District.
- [Kansas City Financial Stress Index](#)
A monthly measure of stress in the U.S. financial system based on 11 financial market variables.

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