Economic Outlook

March 5, 2026

FEDERAL RESERVE BANK OF KANSAS CITY

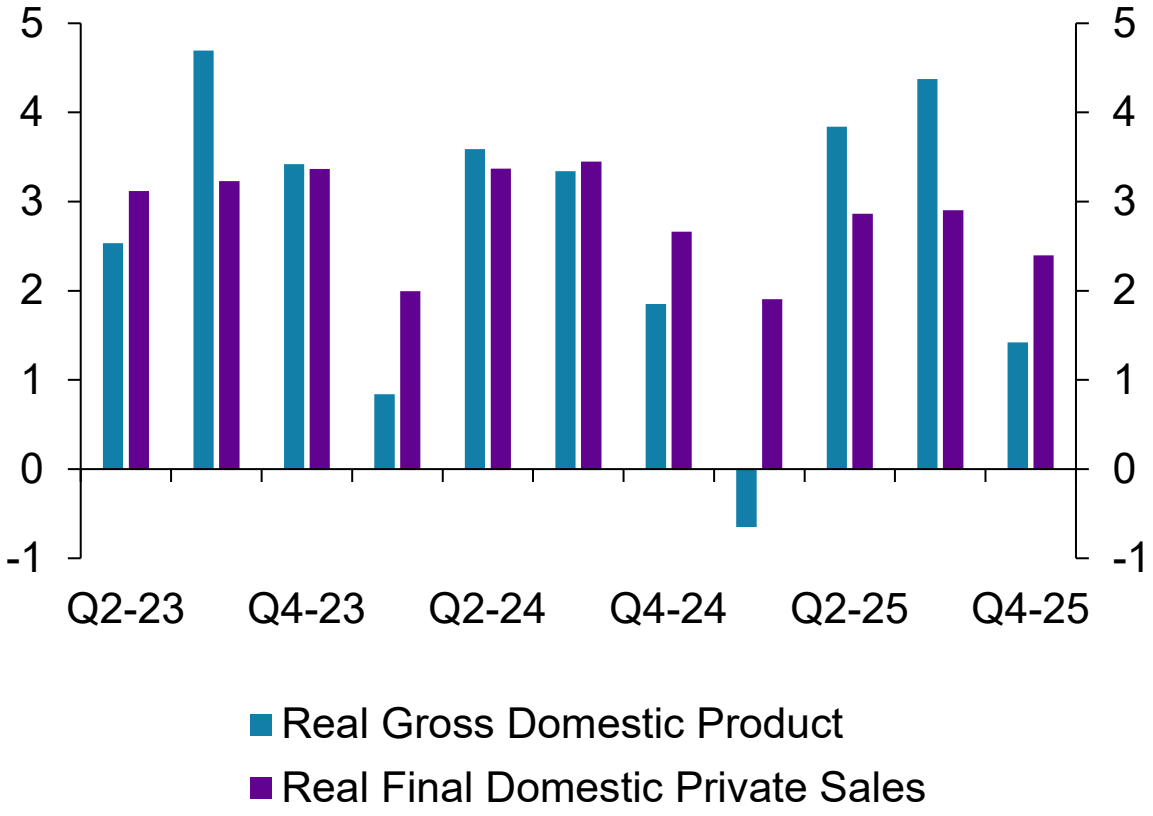
Denver / Oklahoma City / Omaha

Outlook Themes

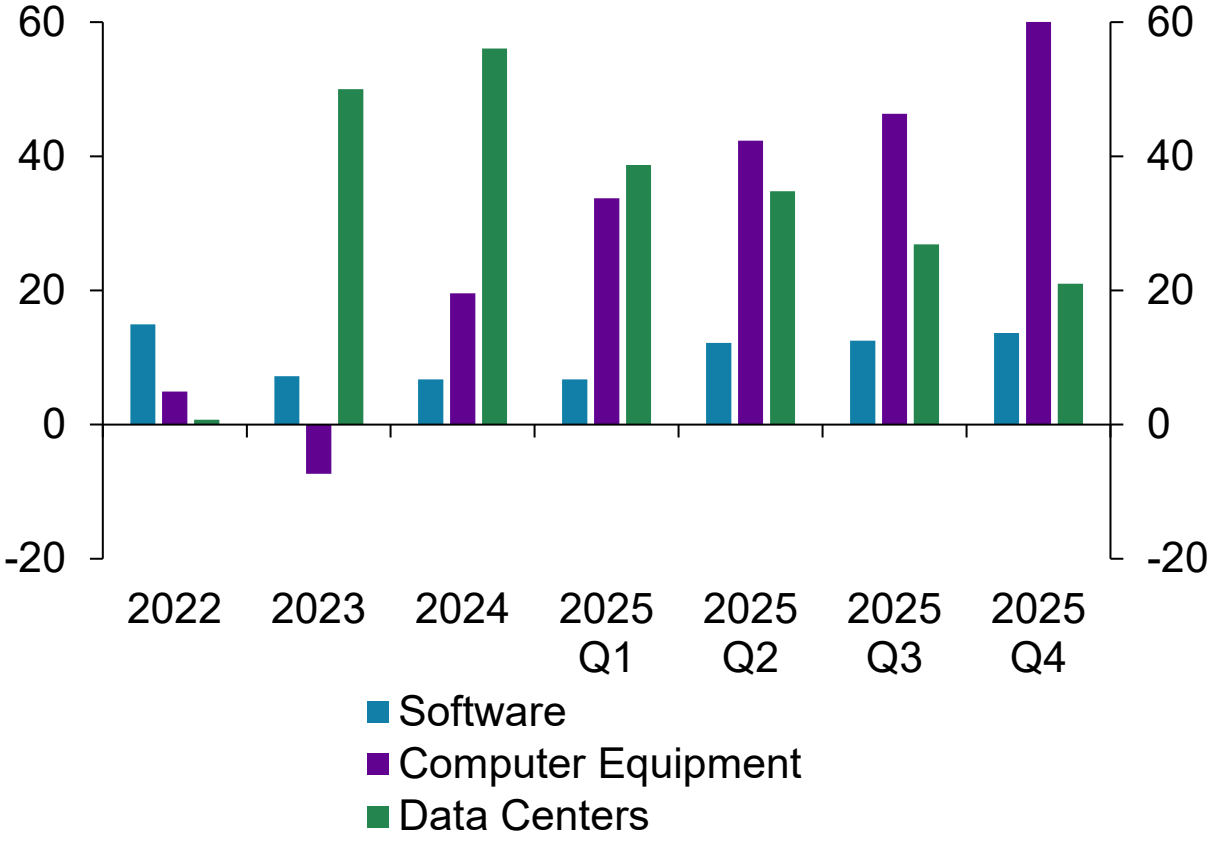
- Overall economic activity is solid.
- Inflation remains above target.
- Though job gains were weak in 2025, broader measures suggest some stabilization in the labor market.
- Given still elevated inflation and signs of a stabilizing labor market the FOMC decided to hold rates steady in January.

The economy is showing momentum.

Annualized quarter/quarter percent change, seasonally adjusted

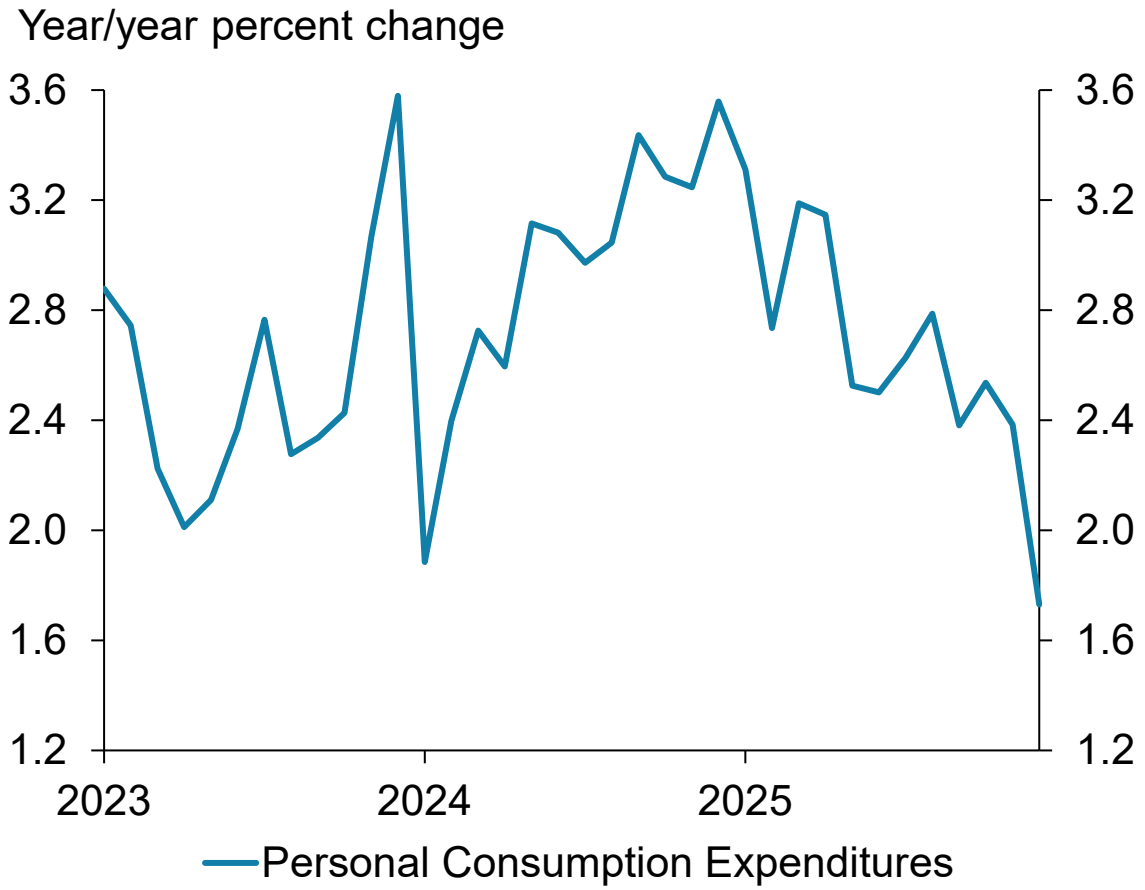


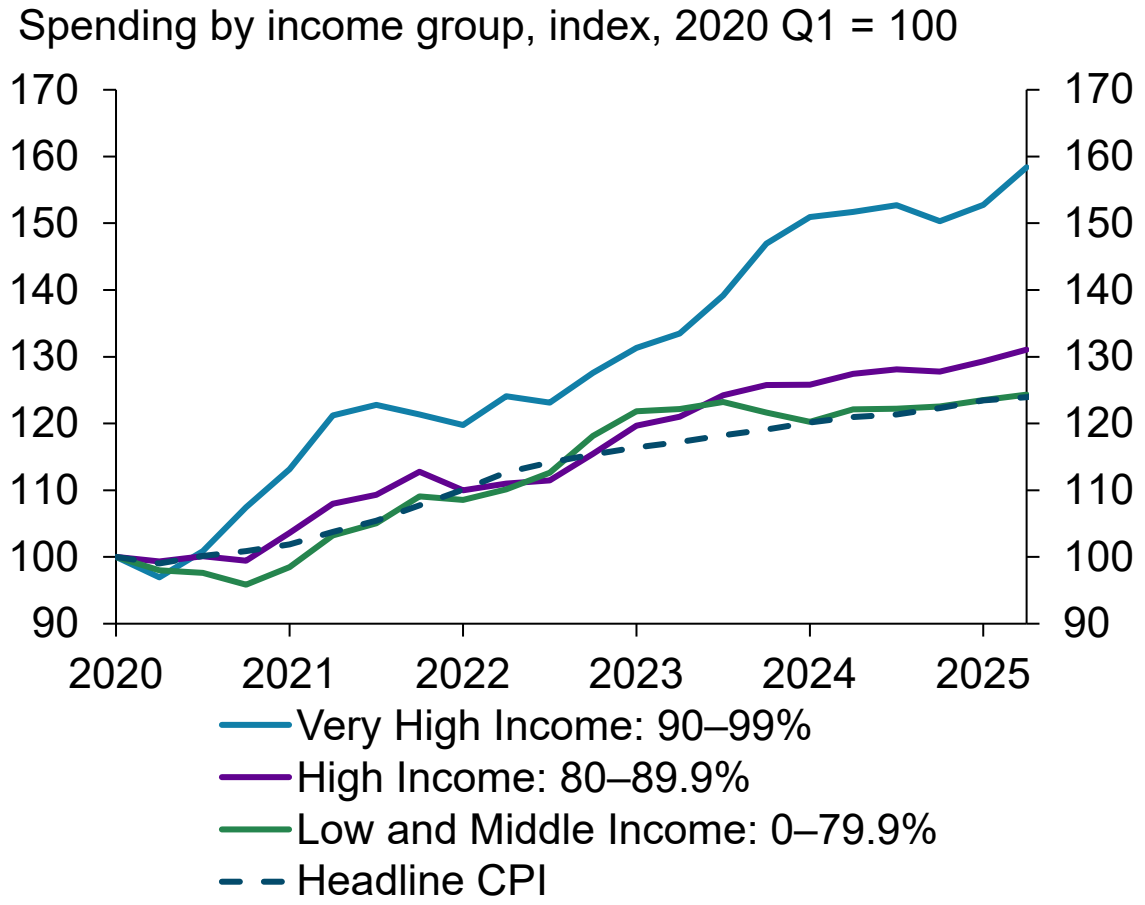
Real AI-related investment, year/year percent change



Sources: Bureau of Economic Analysis, Haver Analytics

Consumption is strong but uneven.

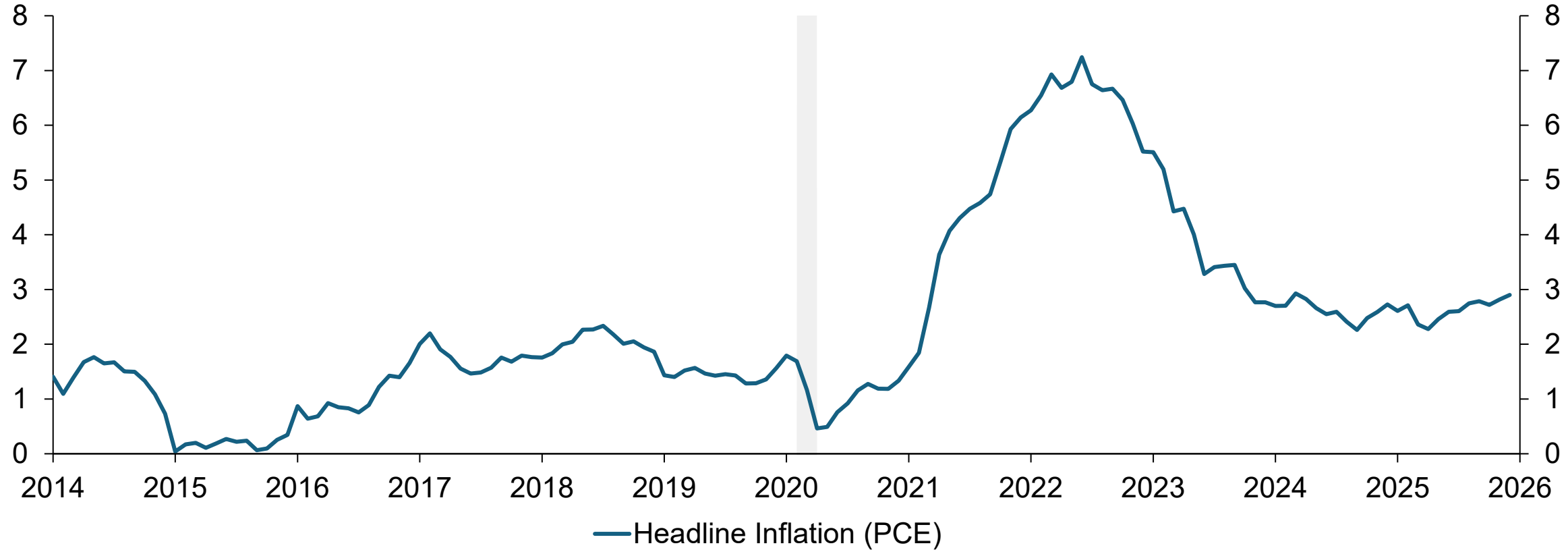




Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Moody's Analytics, Haver Analytics

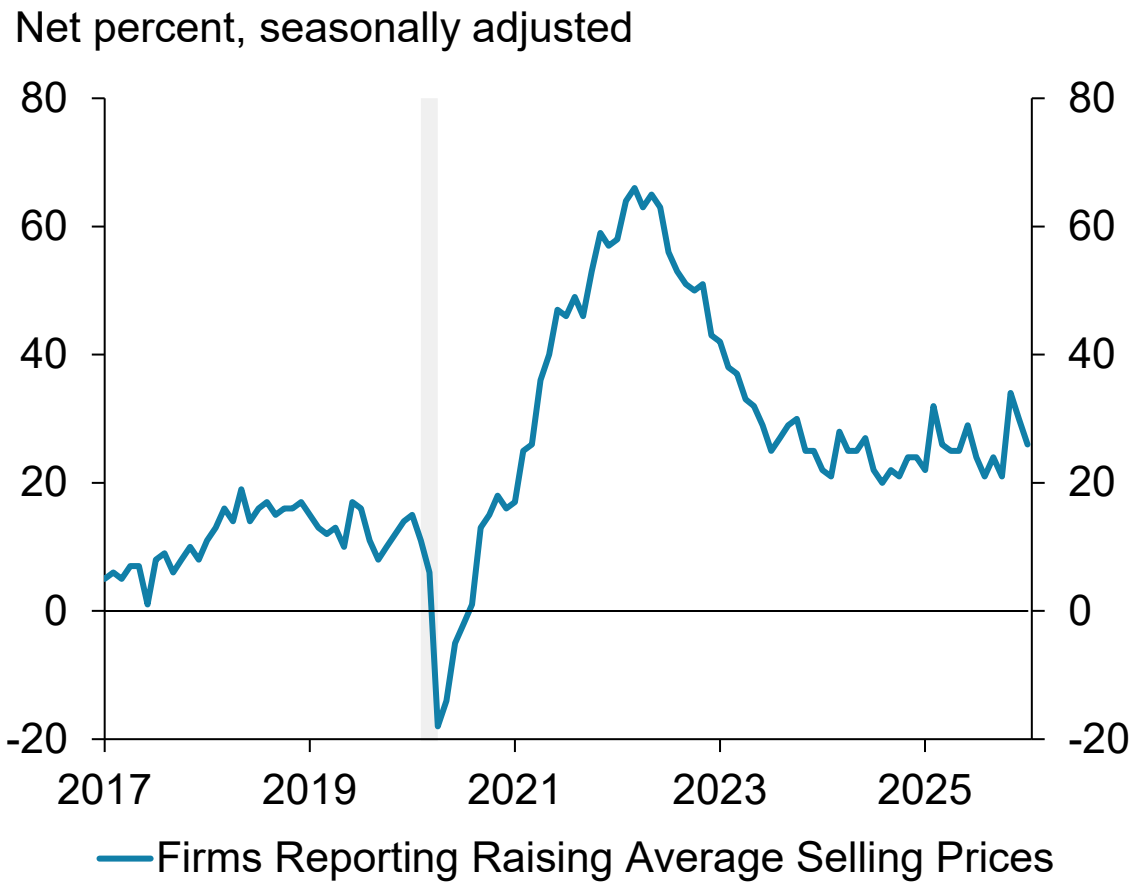
Inflation remains elevated.

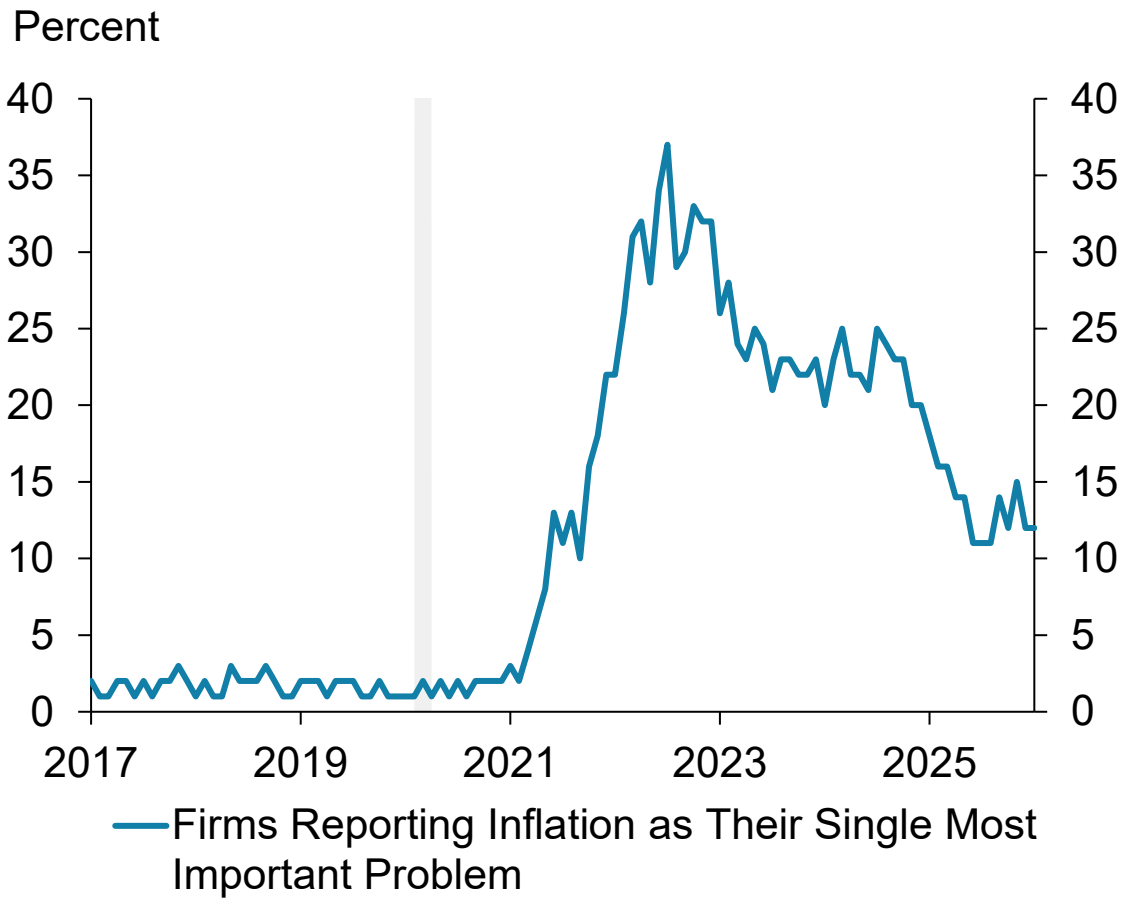
Year/year percent change



Sources: Bureau of Economic Analysis, Haver Analytics

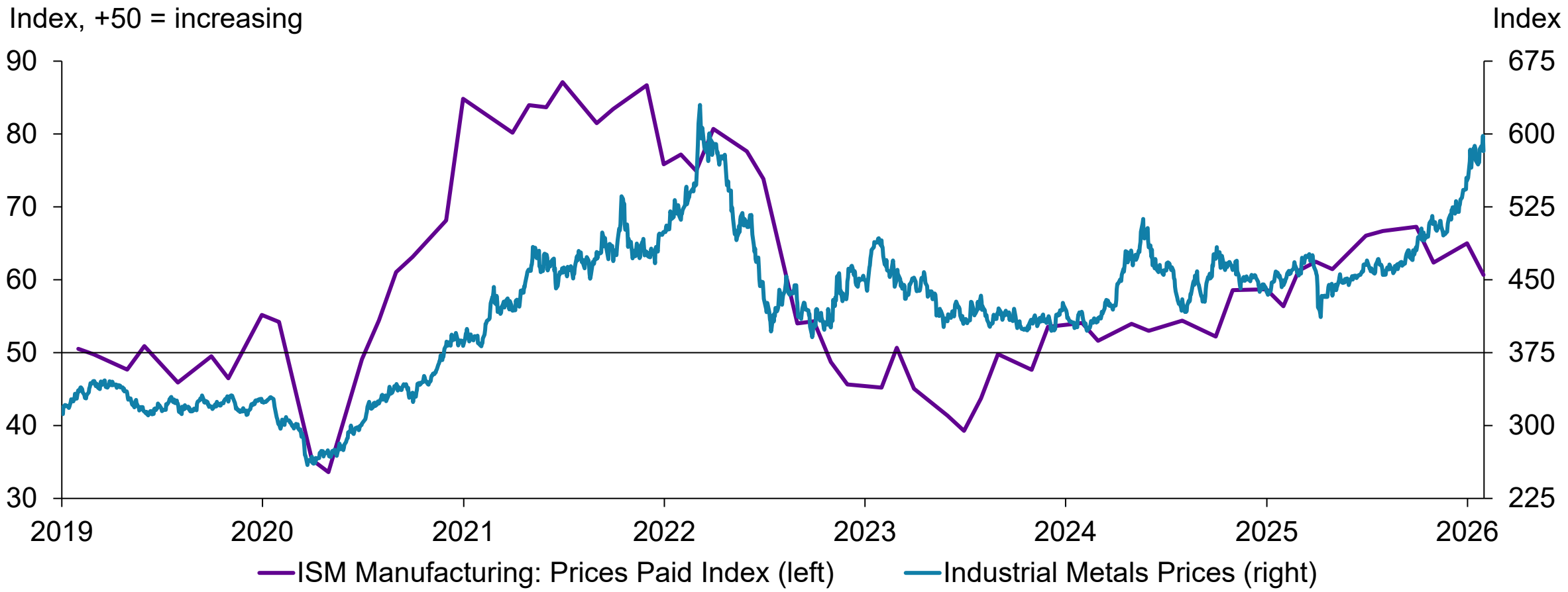
Additionally, firm pricing behaviors may have changed post-pandemic.





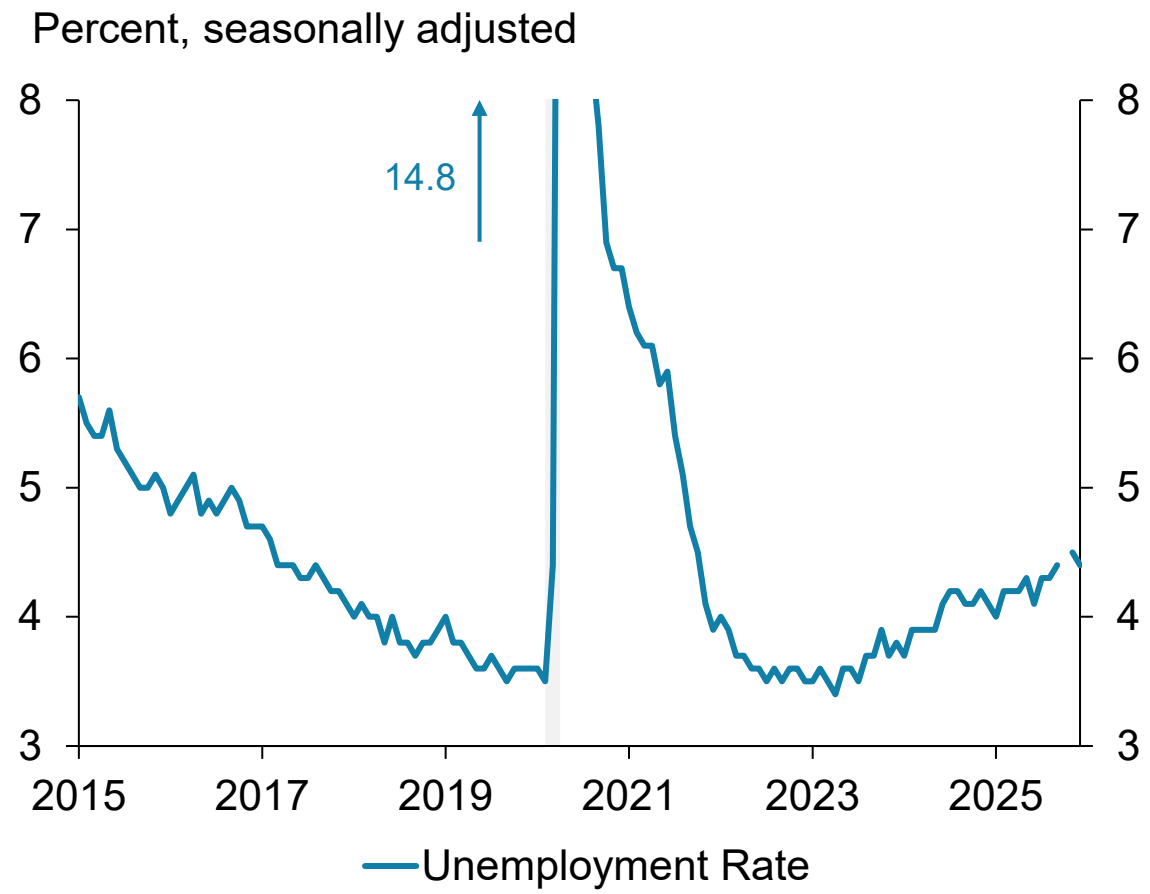
Sources: NFIB, Haver Analytics

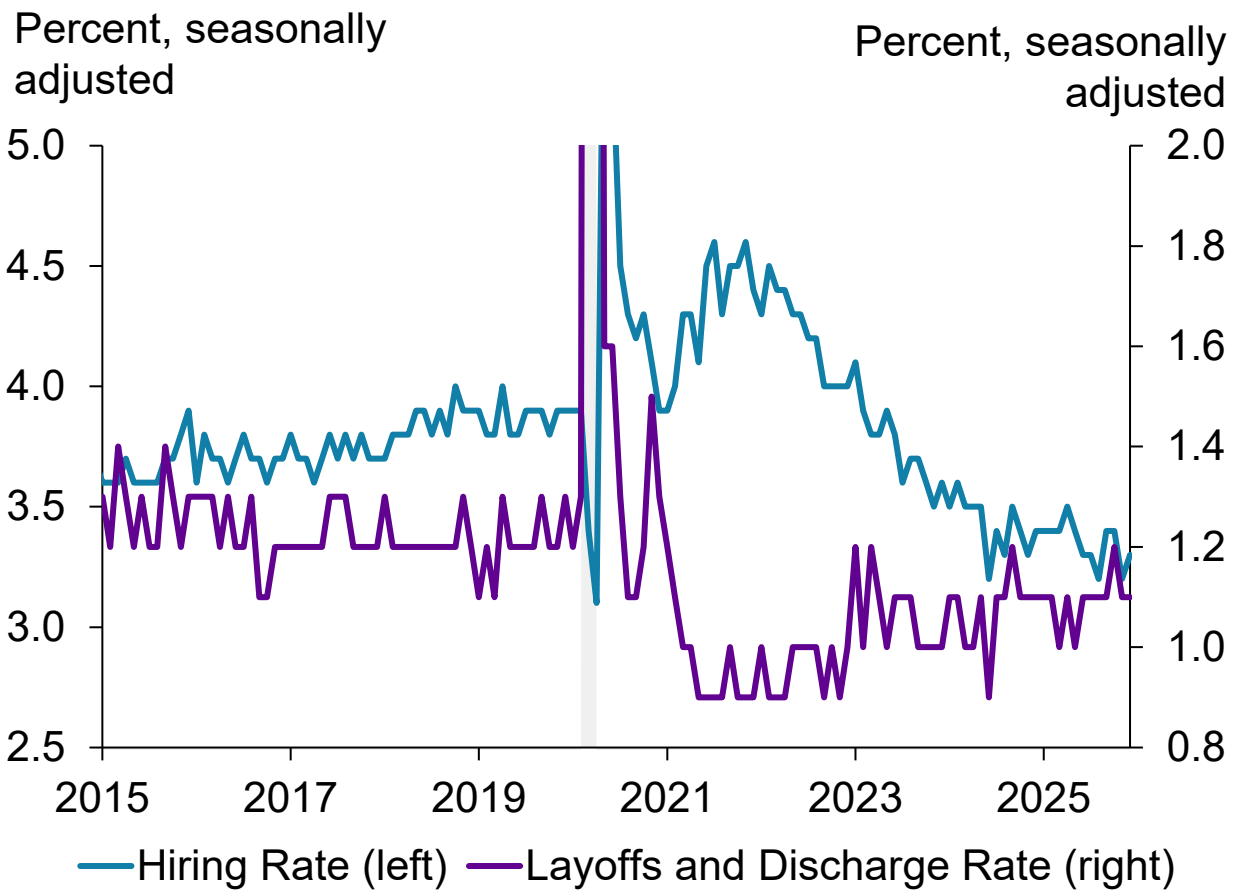
They are also facing rising input costs.



Sources: Institute for Supply Management, Standard & Poor's, Haver Analytics

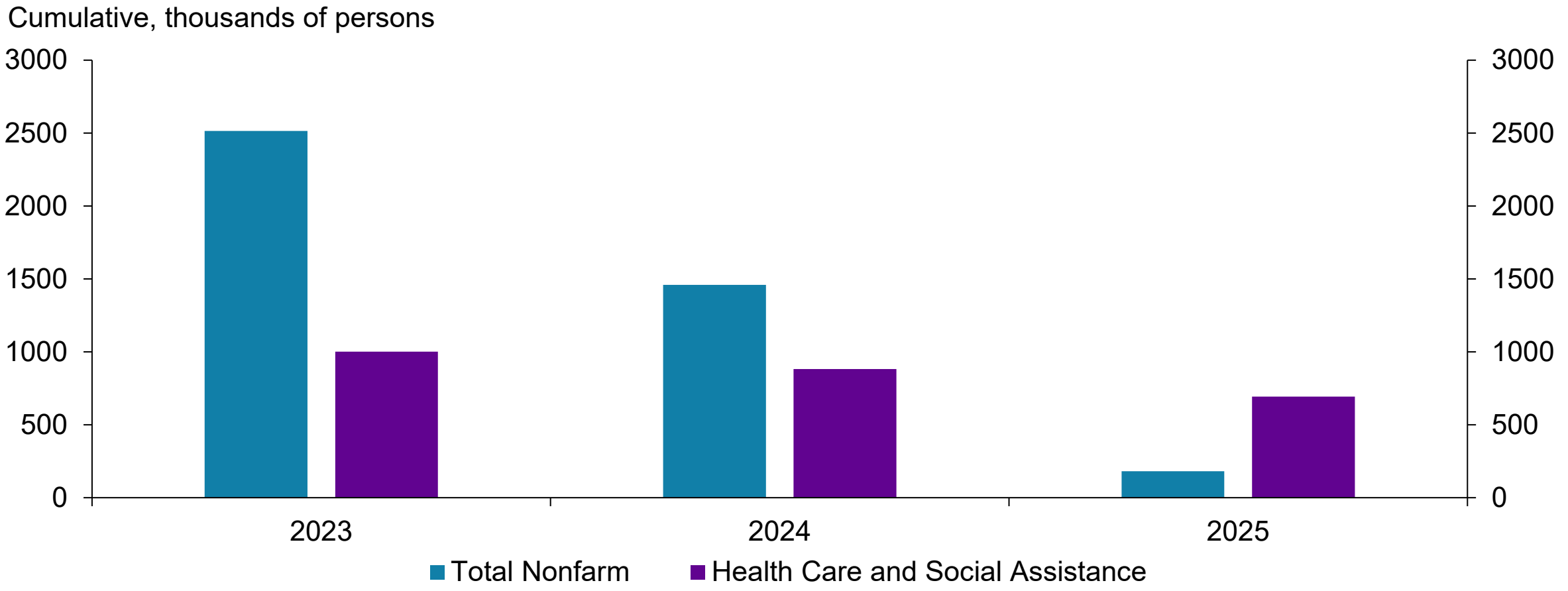
The cooling in the labor market has been orderly with lower hiring and lower firing.





Sources: Bureau of Labor Statistics, Haver Analytics

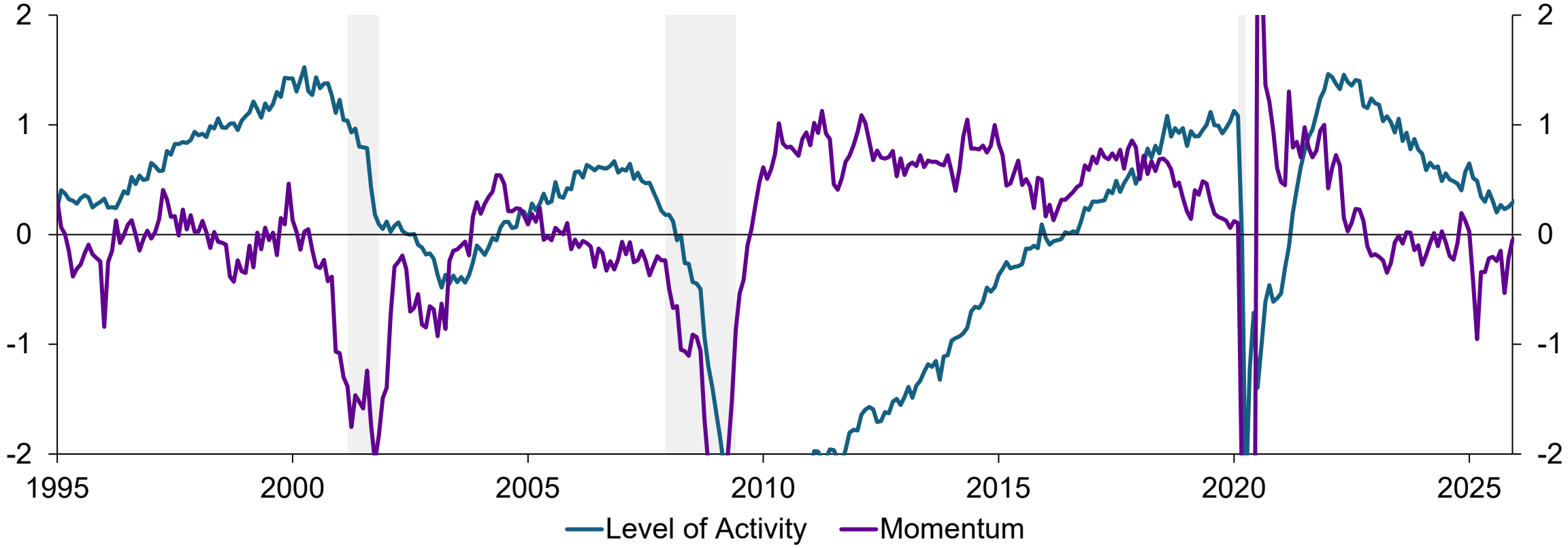
However, payroll growth has slowed and is increasingly being driven by health care.



Sources: Bureau of Labor Statistics, Haver Analytics

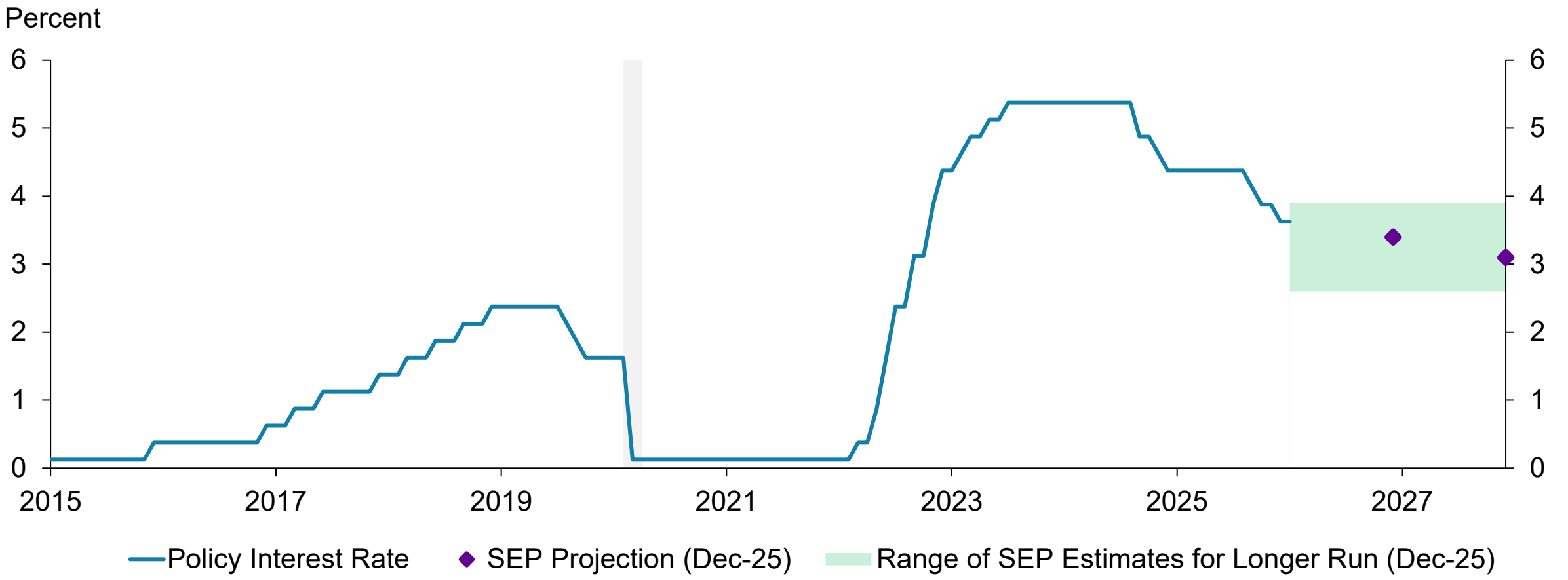
Broad measures like the KC Fed Labor Market Conditions Indicators suggest a stabilizing labor market.

Index, Positive = Above long-run average



Sources: Federal Reserve Bank of Kansas City, Haver Analytics

Given the stabilization of the labor market and elevated inflation, the FOMC held rates steady in January.



Sources: Federal Reserve Board, Haver Analytics

KC Fed Research

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Resources from the Kansas City Fed's Economic Research Department

- Charting the Economy
  Timely economic content curated by research staff at the Federal Reserve Bank of Kansas City.

- Labor Market Conditions Indicators
  Two monthly measures of labor market conditions based on 24 labor market variables.

- 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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