U.S. Economic Conditions

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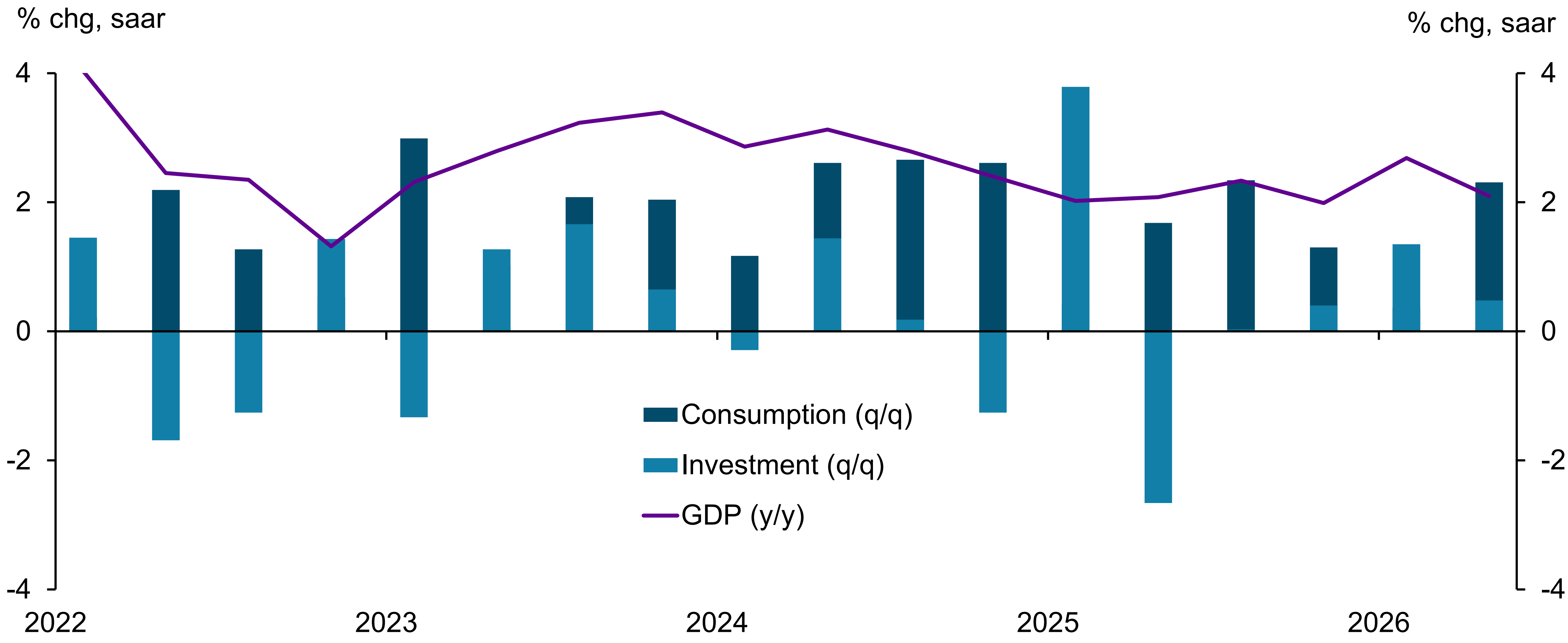
Outlook Themes

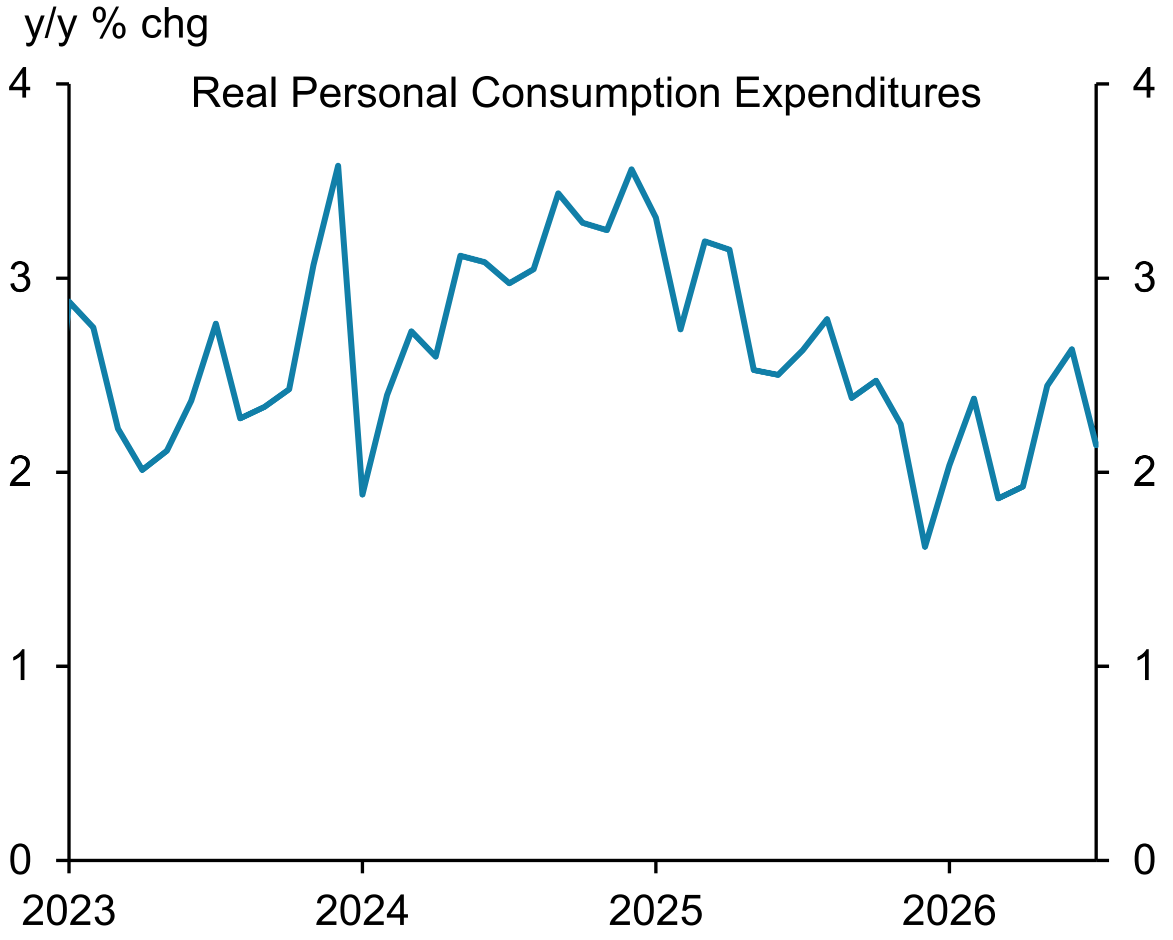
- Overall U.S. economic growth remains steady.
- The labor market is generally in balance in aggregate.
- Wage growth has returned to historical norms, but some indications point to higher expected wage growth.
- AI technologies appear to be oriented toward the more volatile aspects of the U.S. economy.
- Inflation remains elevated, driven by broad price increases for consumers.

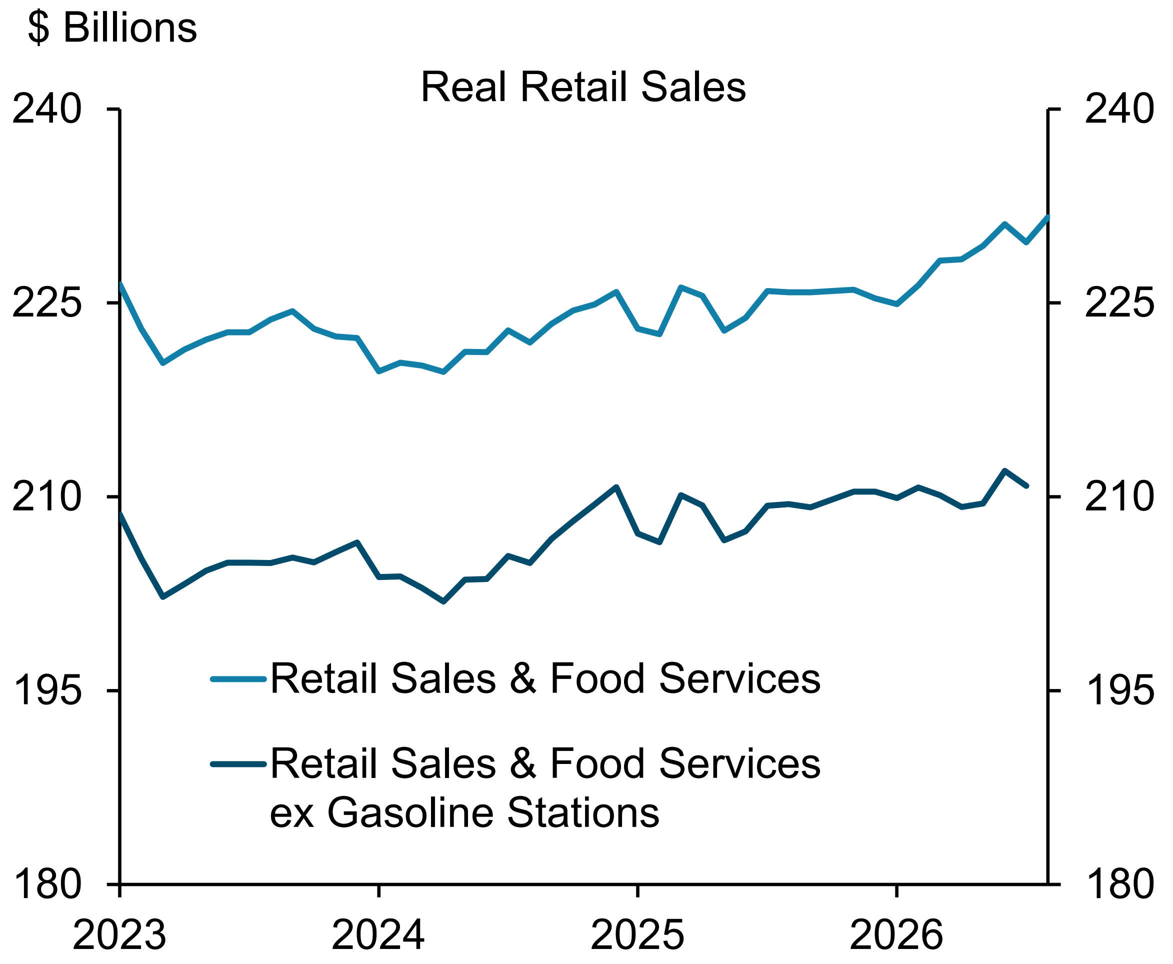
Economic growth remains steady, driven by private investment and consumption



Sources: Bureau of Economic Analysis, Haver Analytics.

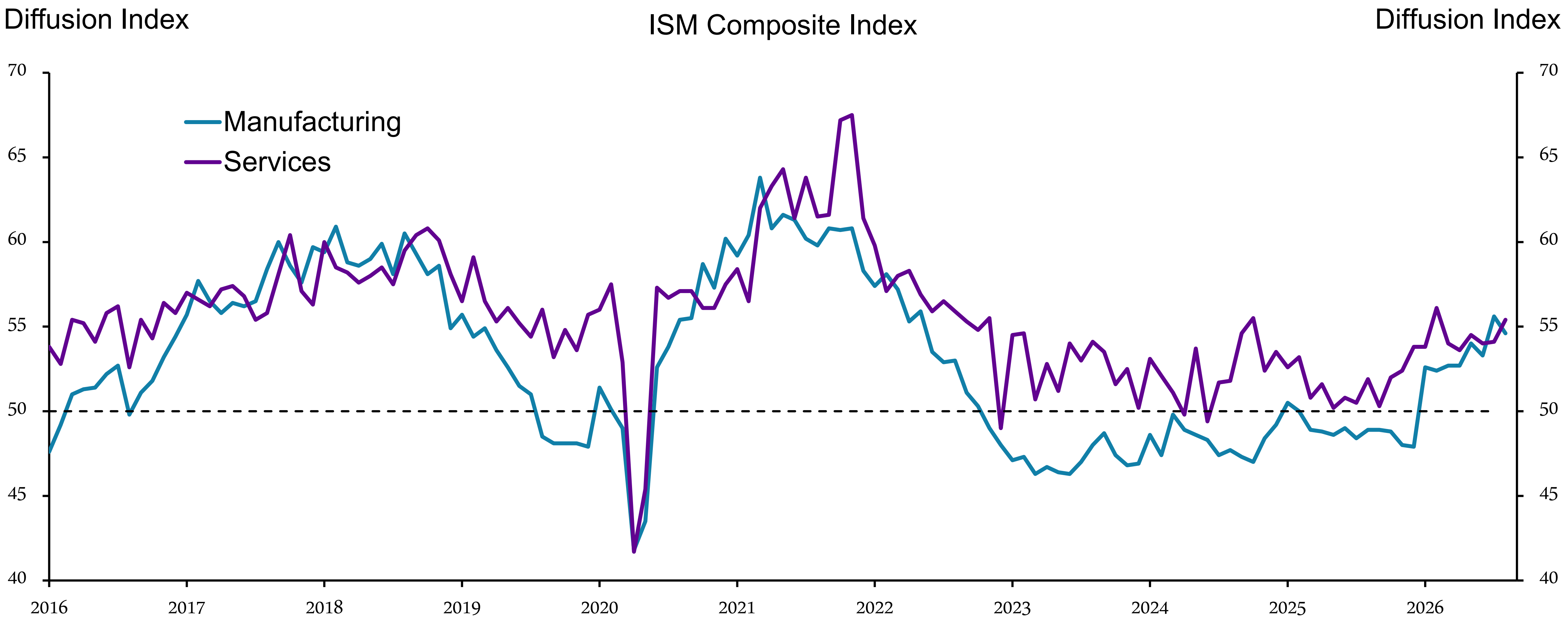
Consumption growth has been steady





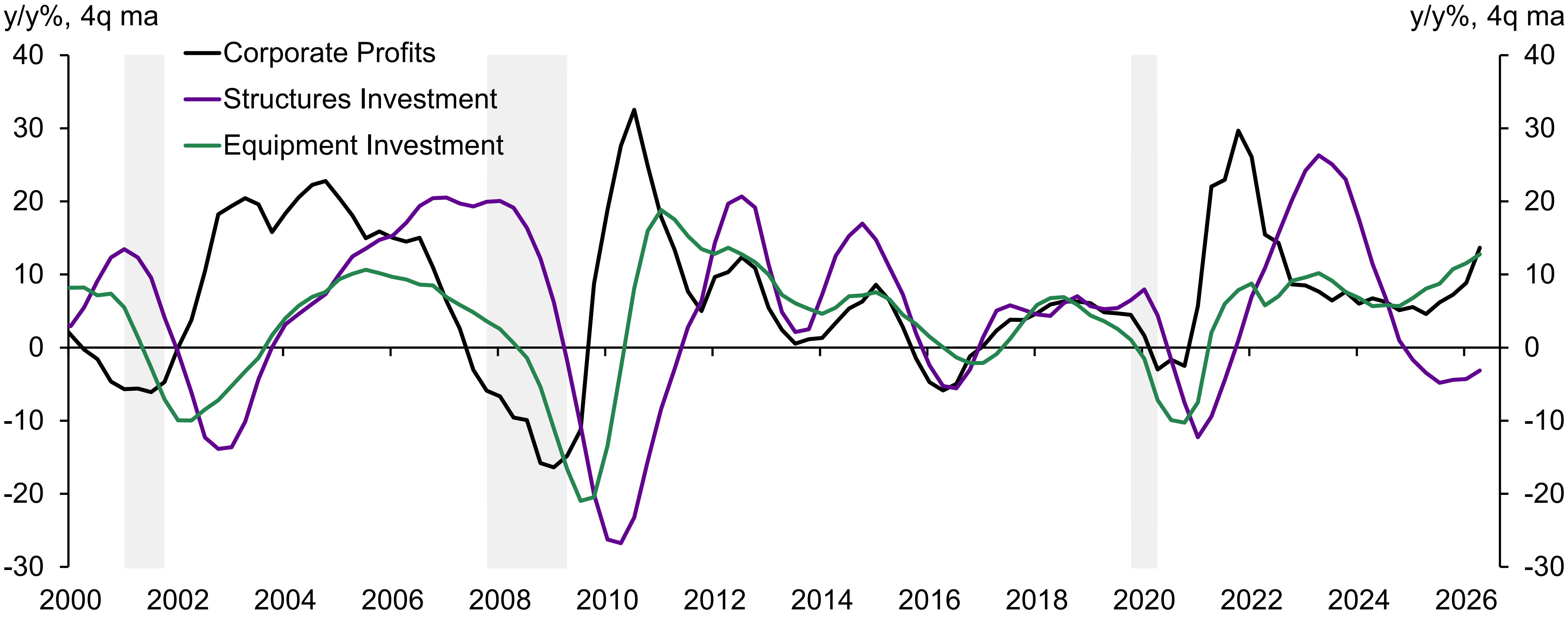
Sources: Bureau of Economic Analysis, Census Bureau, Bureau of Labor Statistics, Haver Analytics.

Broader industrial activity picked up recently



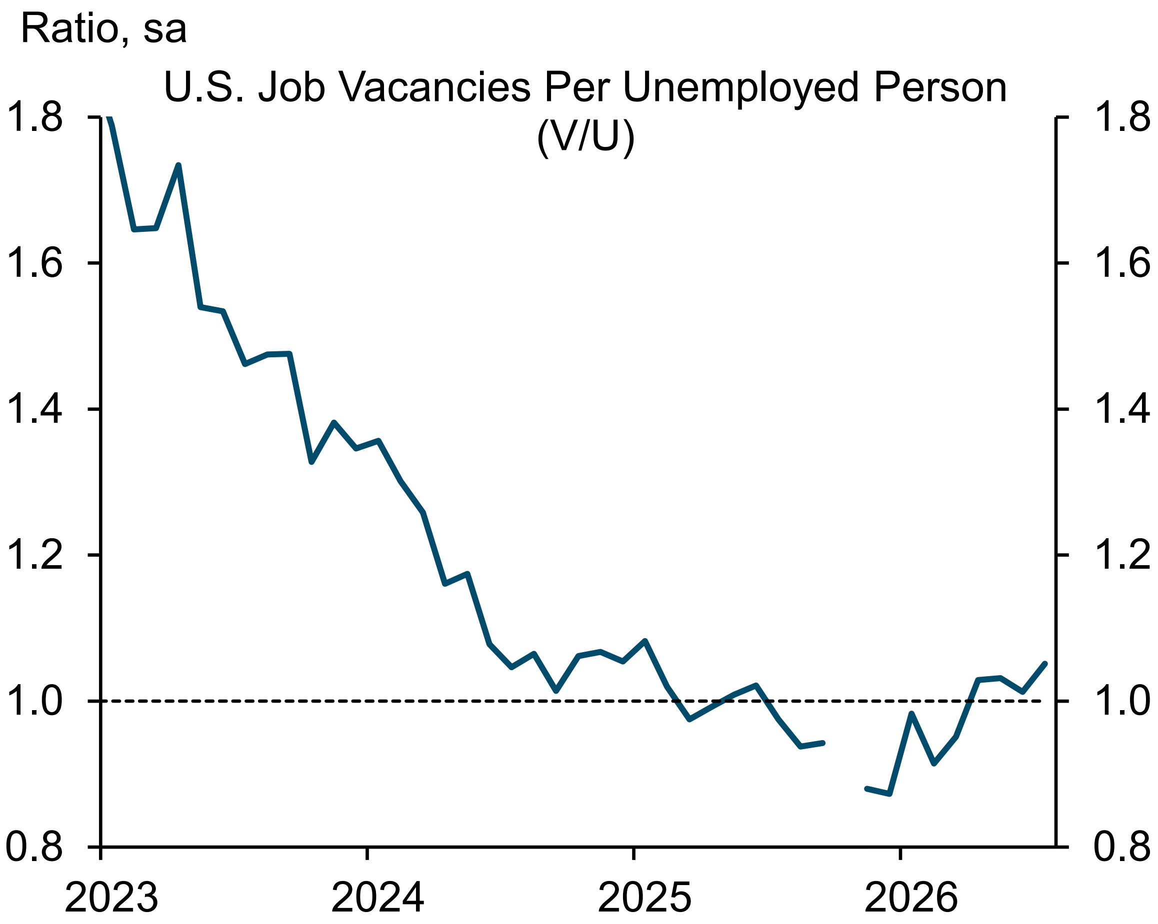
Sources: Institute for Supply Management, Haver Analytics.

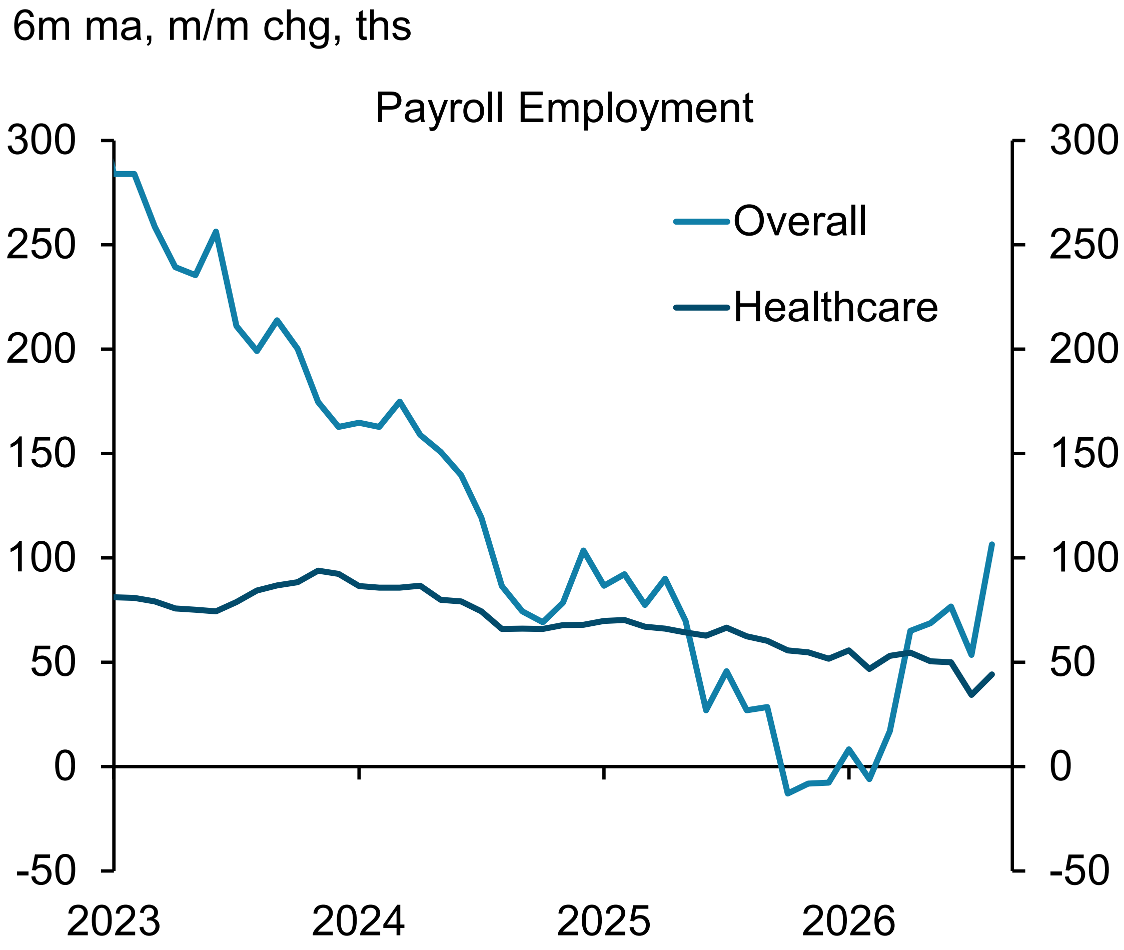
Ongoing growth in corporate profits points to sustained growth in investment



Sources: Bureau of Economic Analysis, Haver Analytics.

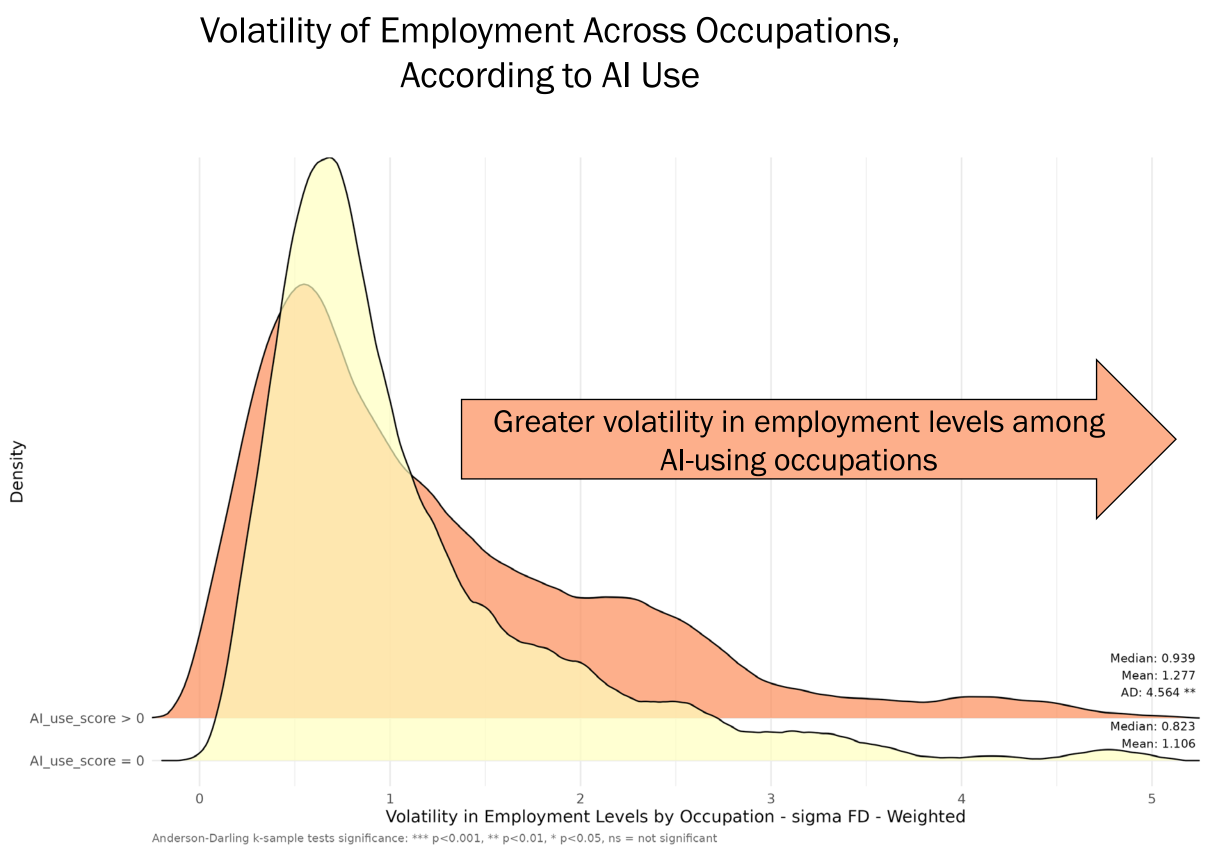
Labor markets remain in balance even as job growth has cooled

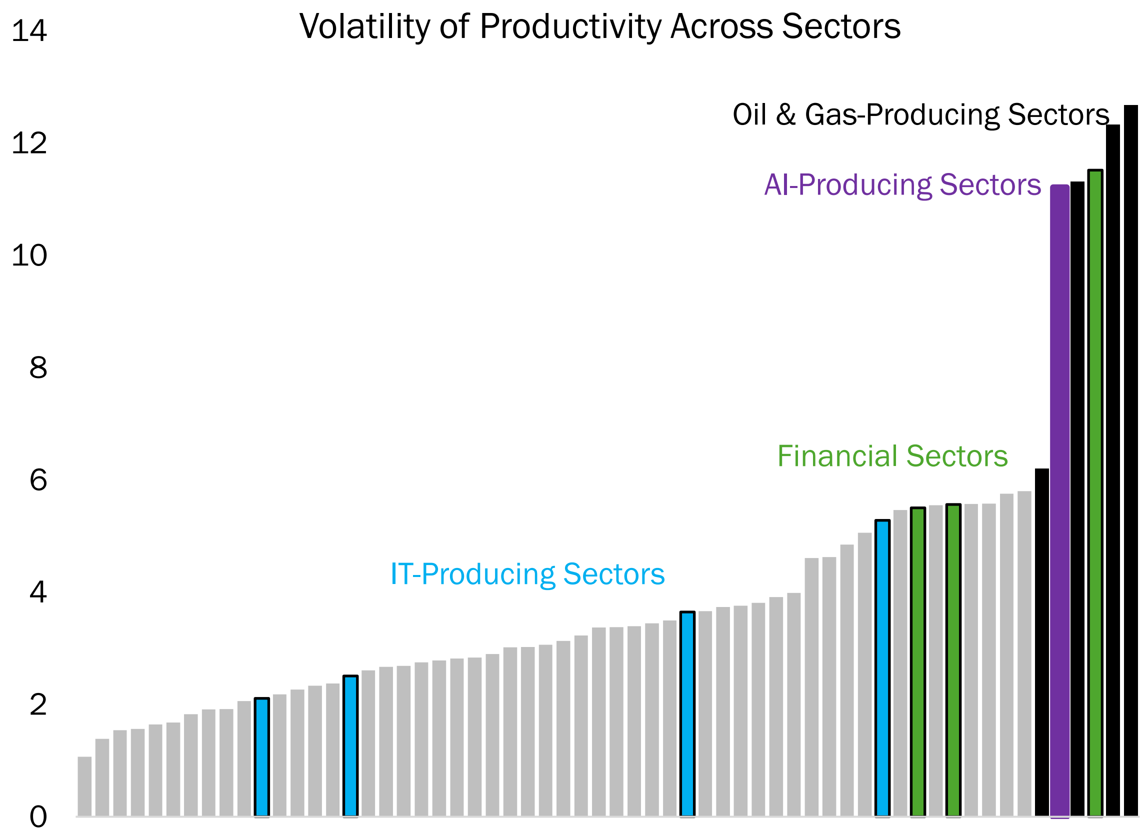




Sources: Bureau of Labor Statistics, Haver Analytics.
Note: October 2025 V/U data not published by the BLS.

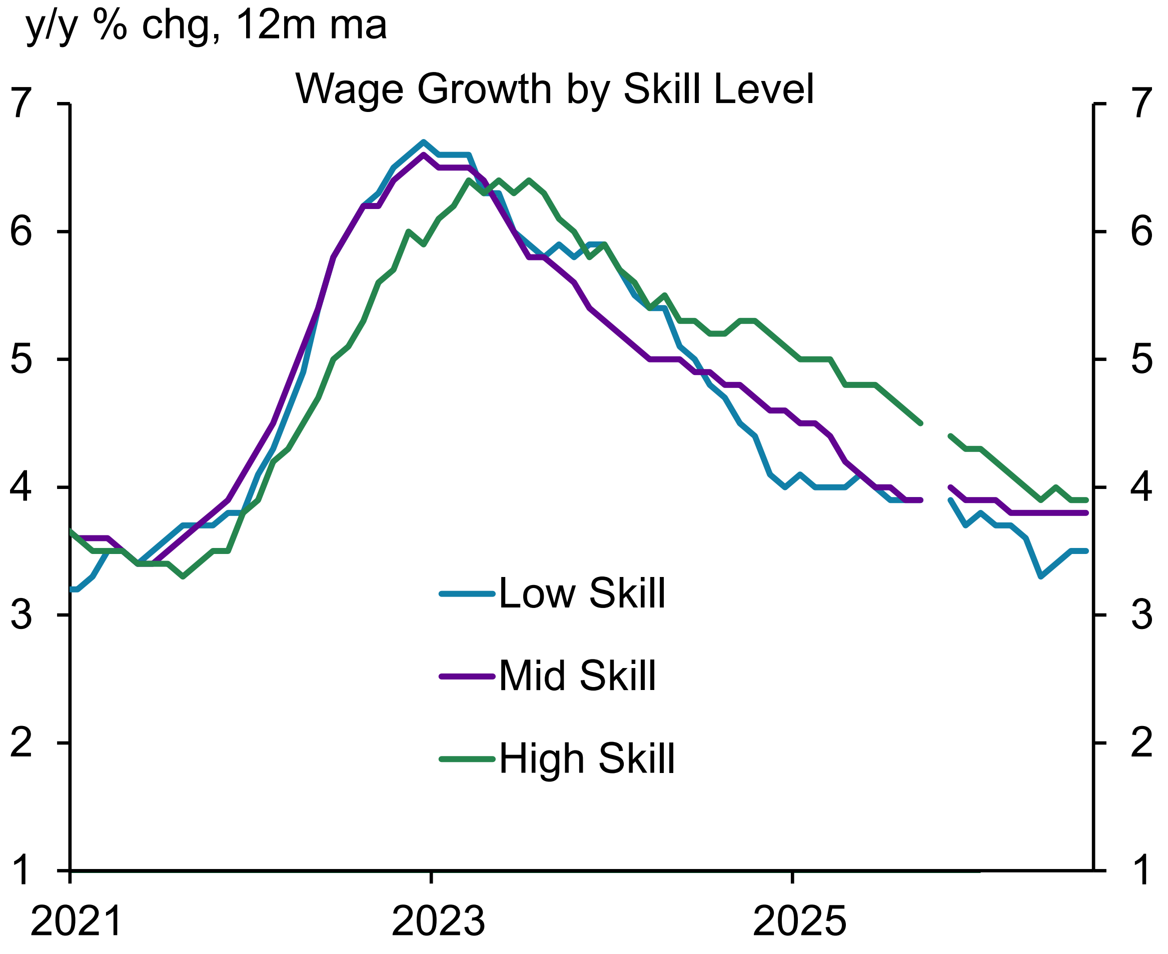
The use of AI in the workplace and the production of AI technologies are concentrated in more volatile jobs and sectors of the U.S. economy





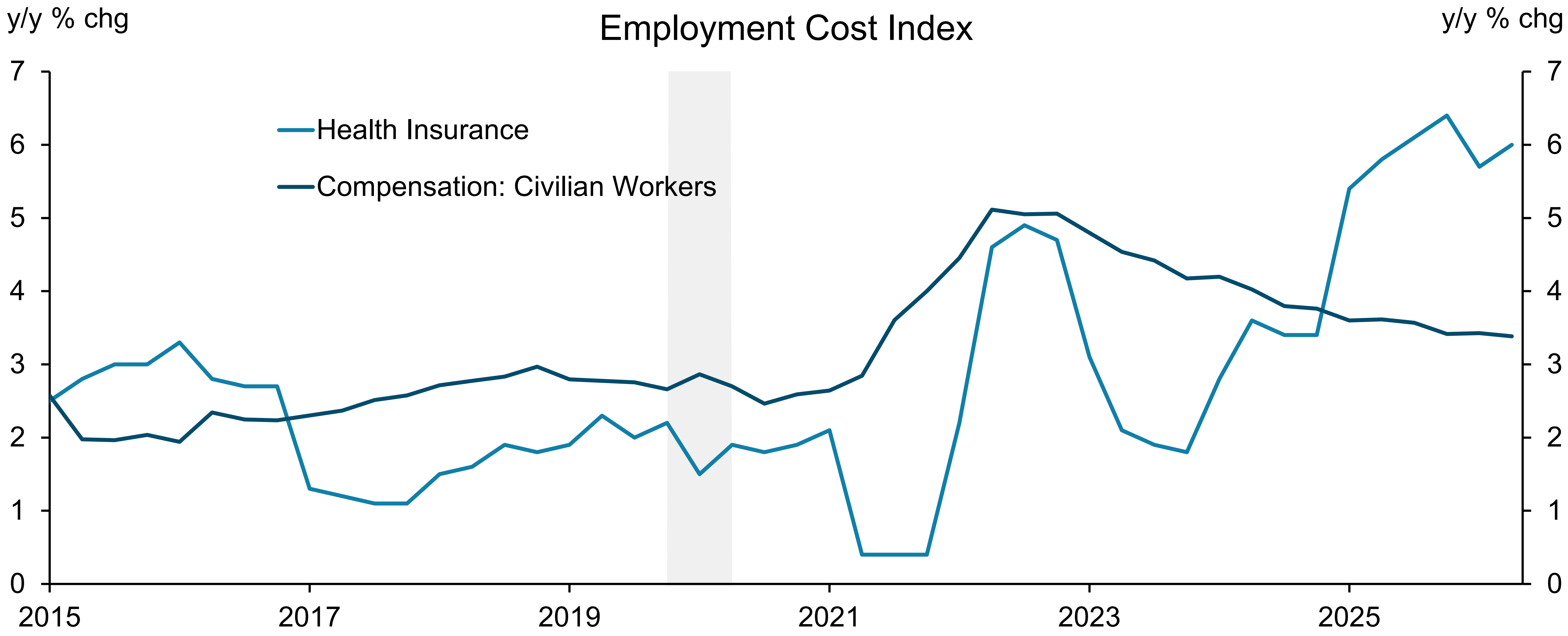
Sources: Munoz and Sly (2026), Bureau of Economic Analysis.
Note: Air transportation and government sectors excluded from sector-specific volatility chart.
Sector-specific volatility measured as std. dev. in annual growth in total factor productivity.

Wage growth has stabilized recently, though expectations for wage growth increased slightly



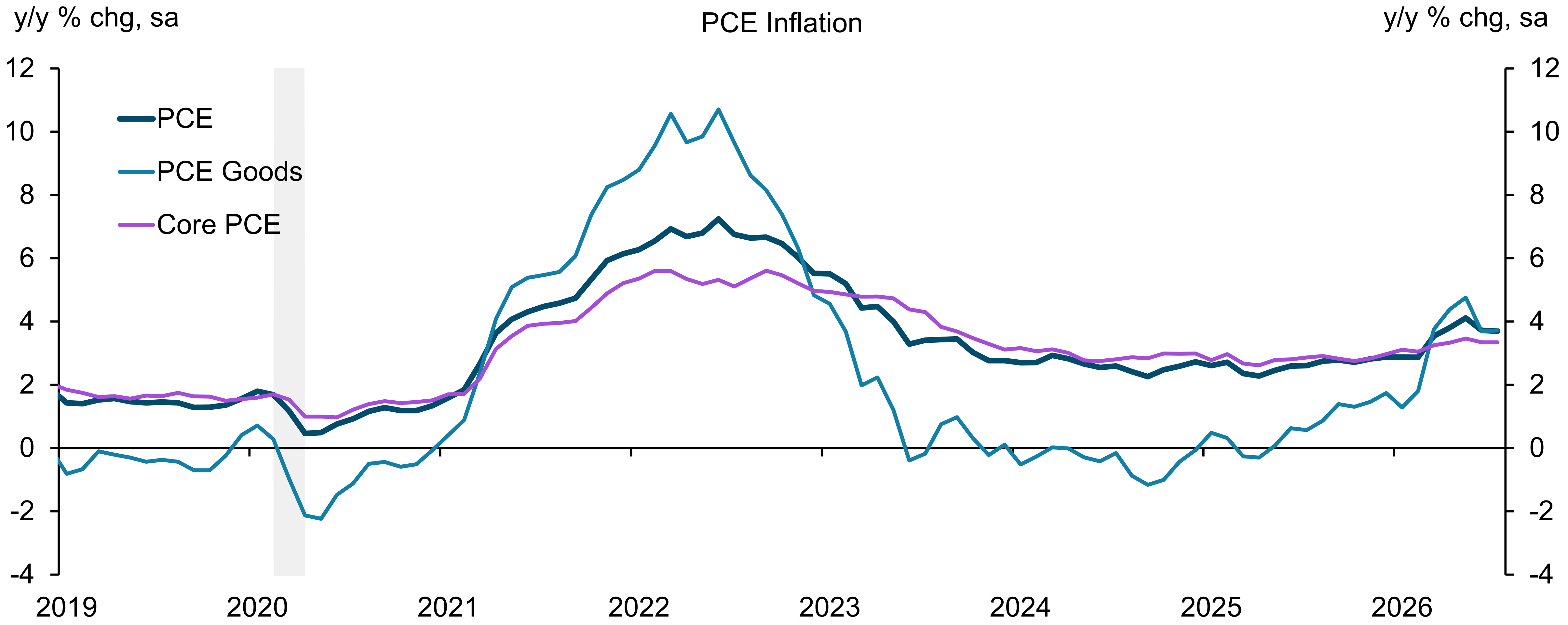
Sources: Federal Reserve Bank of Atlanta, Federal Reserve Bank of Kansa City, Haver Analytics.
Notes: Expected wage growth indicates survey respondents' 6mo expectations for wage and benefit cost growth.

Growth in non-wage compensation continues to surge, raising labor costs



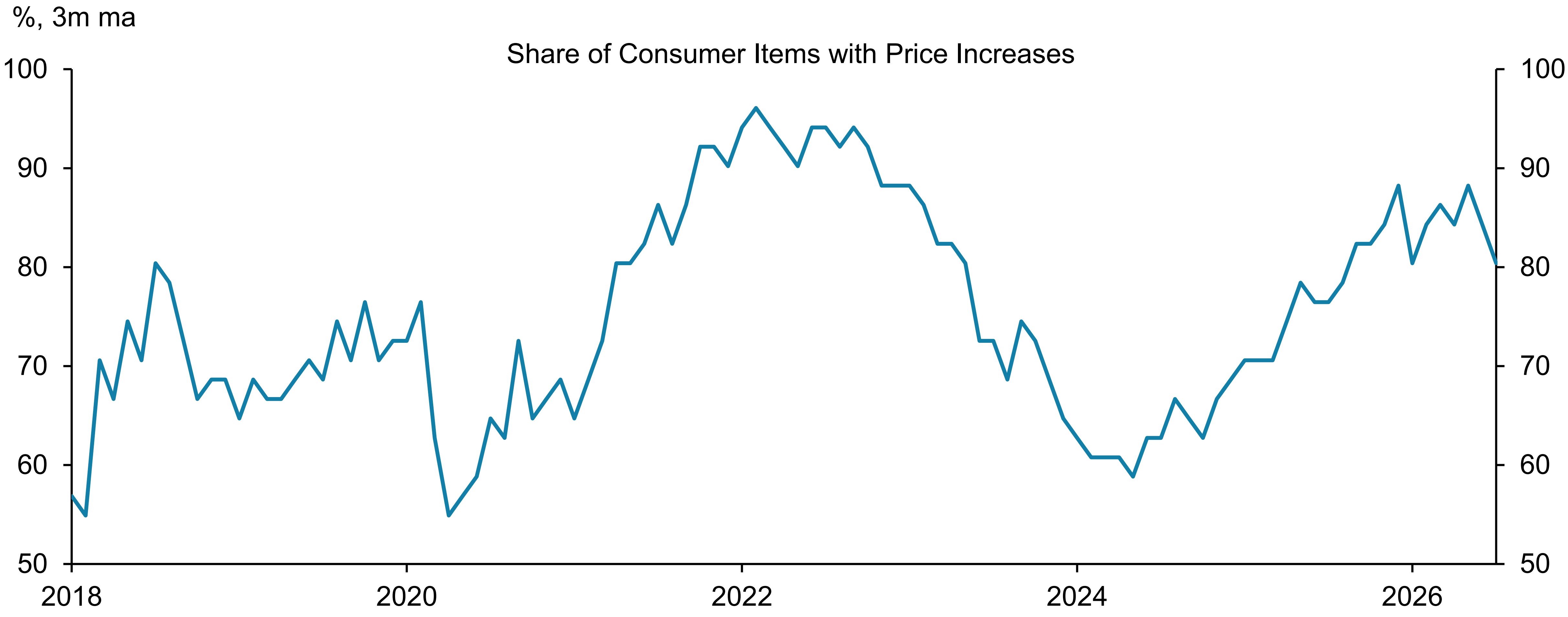
Sources: Bureau of Labor Statistics, Haver Analytics.

Headline inflation remains above target, core inflation is above its norm, and goods inflation continues to be elevated



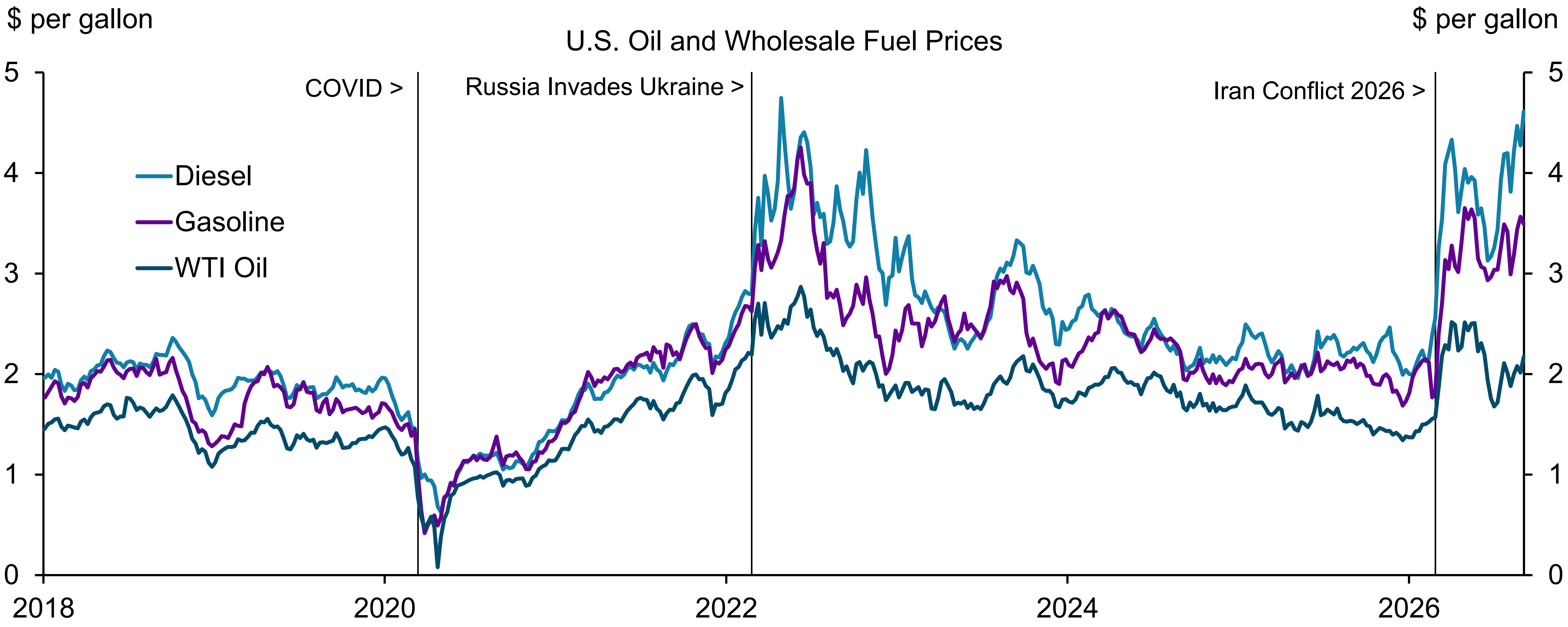
Sources: Bureau of Economic Analysis, Haver Analytics.
Note: Inflation values correspond to the Personal Consumption Expenditure (PCE) measure.

Though gas prices drove much of the recent fluctuations in inflation data, the extent of consumer items showing price increases is elevated



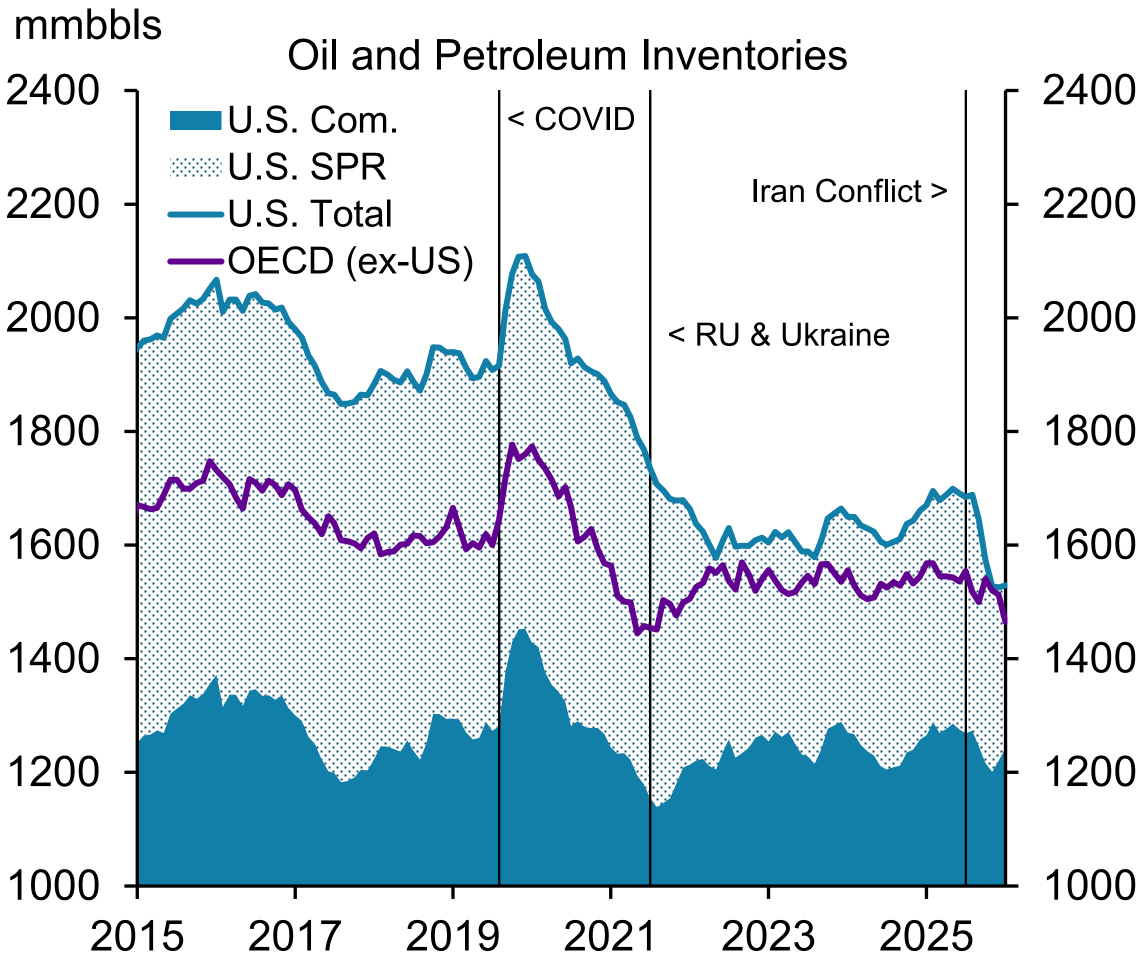
Sources: Federal Reserve Bank of San Francisco, Haver Analytics.
Note: Share of PCE Items with higher prices year over year.

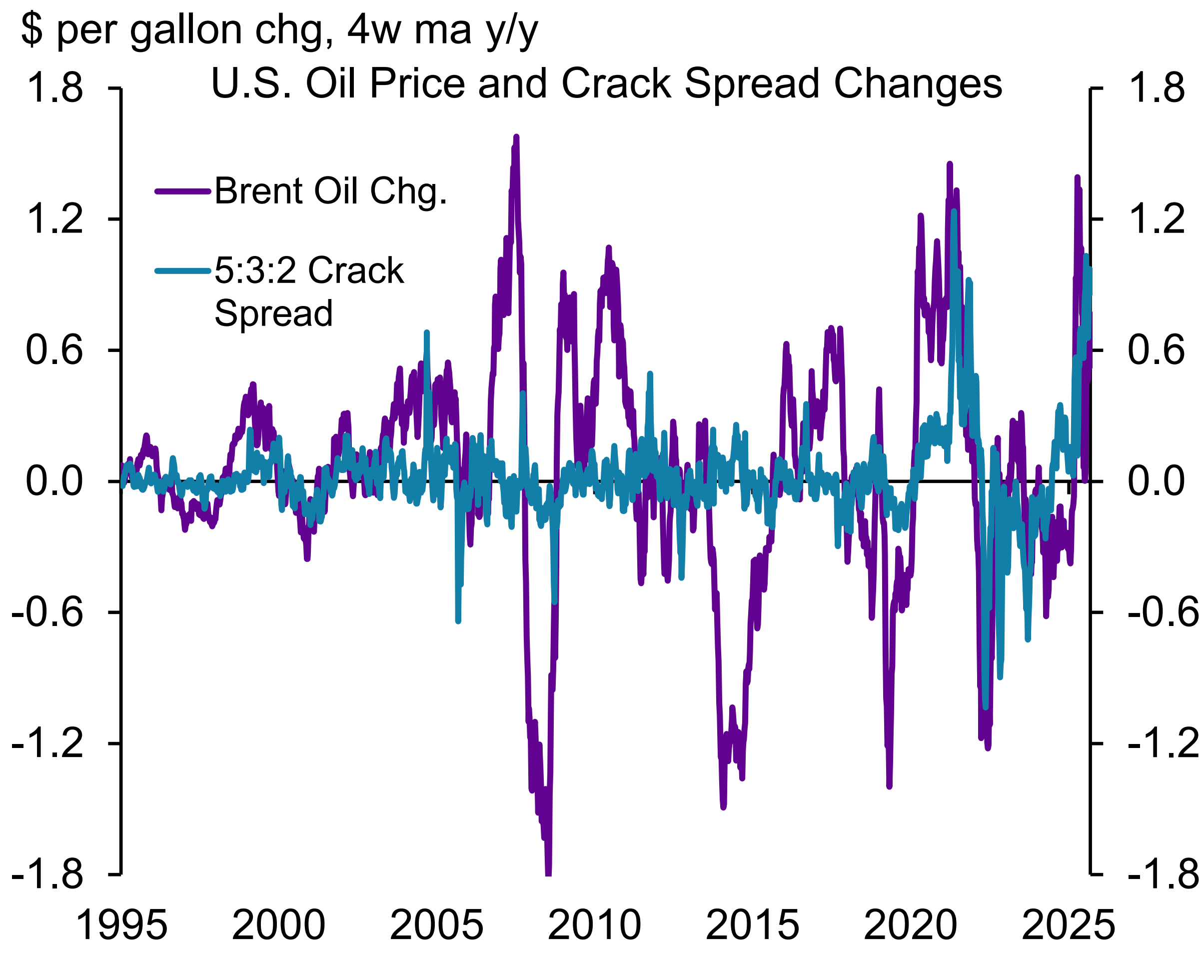
Higher gas and diesel prices reflect both higher oil prices and higher spreads on refined products



Sources: Energy Information Administration, Haver Analytics.
Note: Share of PCE Items with higher prices year over year.

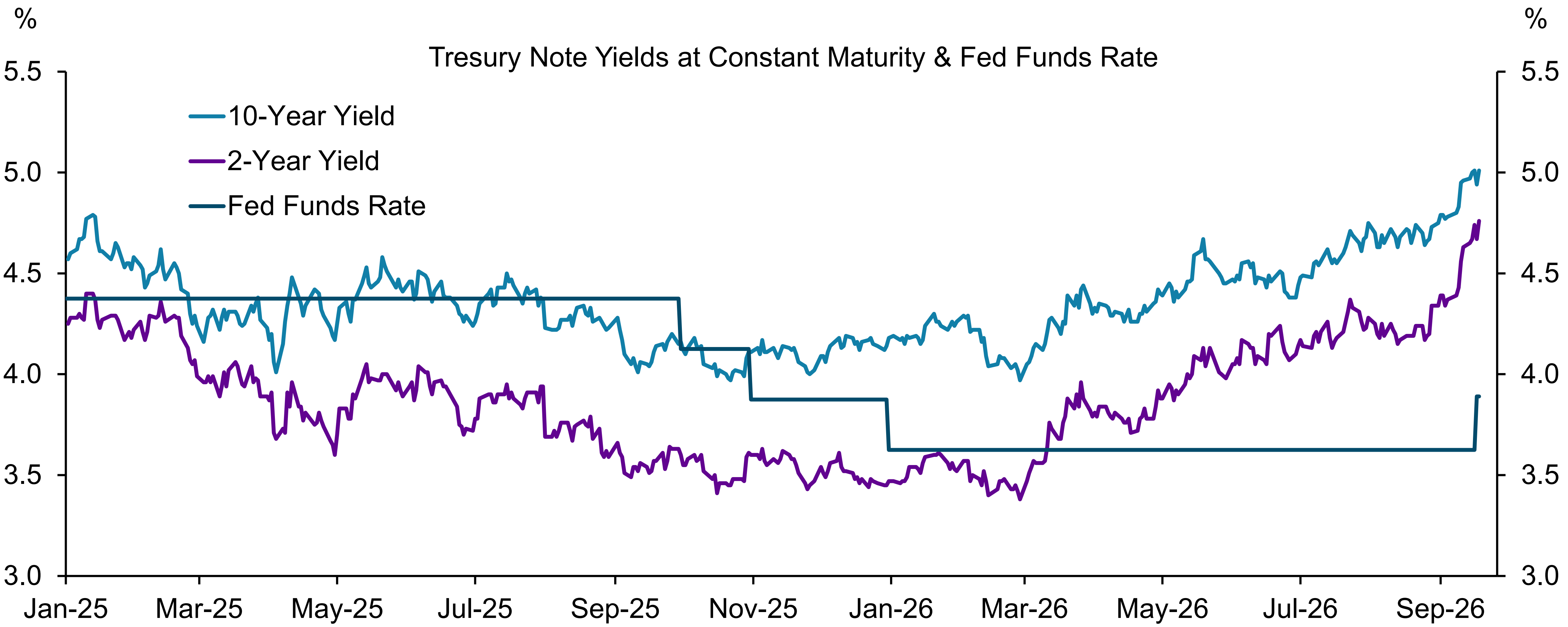
Tighter inventory and higher crack spreads support outlook for longer duration of elevated energy costs





Sources: Energy Information Administration, Haver Analytics.
Note: Share of PCE Items with higher prices year over year.

Interest rates have risen since the beginning of the year



Sources: Federal Reserve Board, Haver Analytics.

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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