U.S. ECONOMIC DEVELOPMENTS

July 17, 2026

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Vice President and Policy Advisor, Research

FEDERAL RESERVE BANK OF MINNEAPOLIS

TODAY'S KEY POINTS

- Economic activity has been resilient but uneven.
- The labor market is broadly balanced.
- Inflation is above target and has been rising.

DEVELOPMENTS IN THE FIRST HALF OF 2026

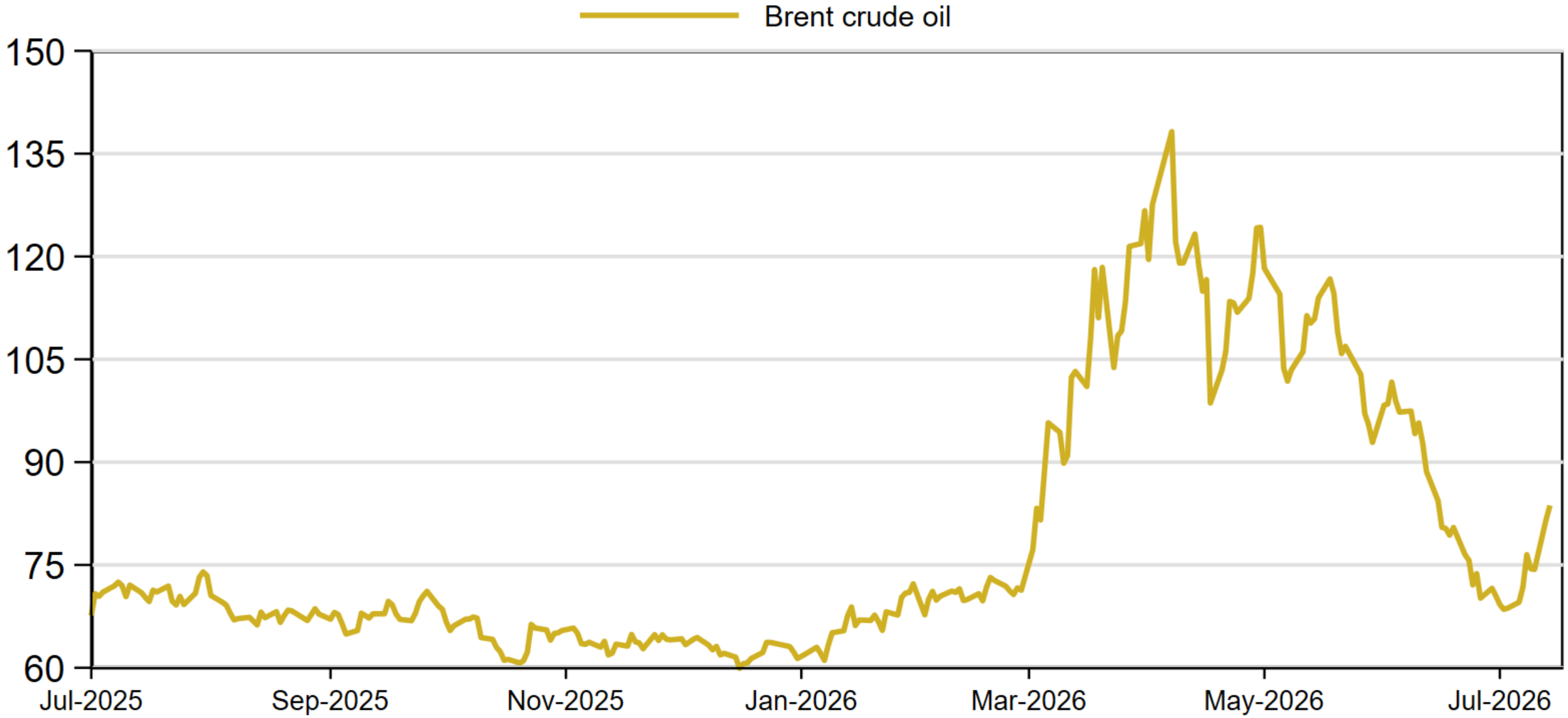
- Key driving forces / shocks
  - Tariffs
  - Technology (AI)
  - Tensions in the Middle East

- Uncertainty remains elevated
  - How will upcoming tariff announcements change the effective rate?
  - How will the AI boom play out?
  - How much traffic will move through the Strait of Hormuz?

ENERGY PRICES DOWN, BUT UNCERTAINTY REMAINS

OIL PRICES

$/BARREL



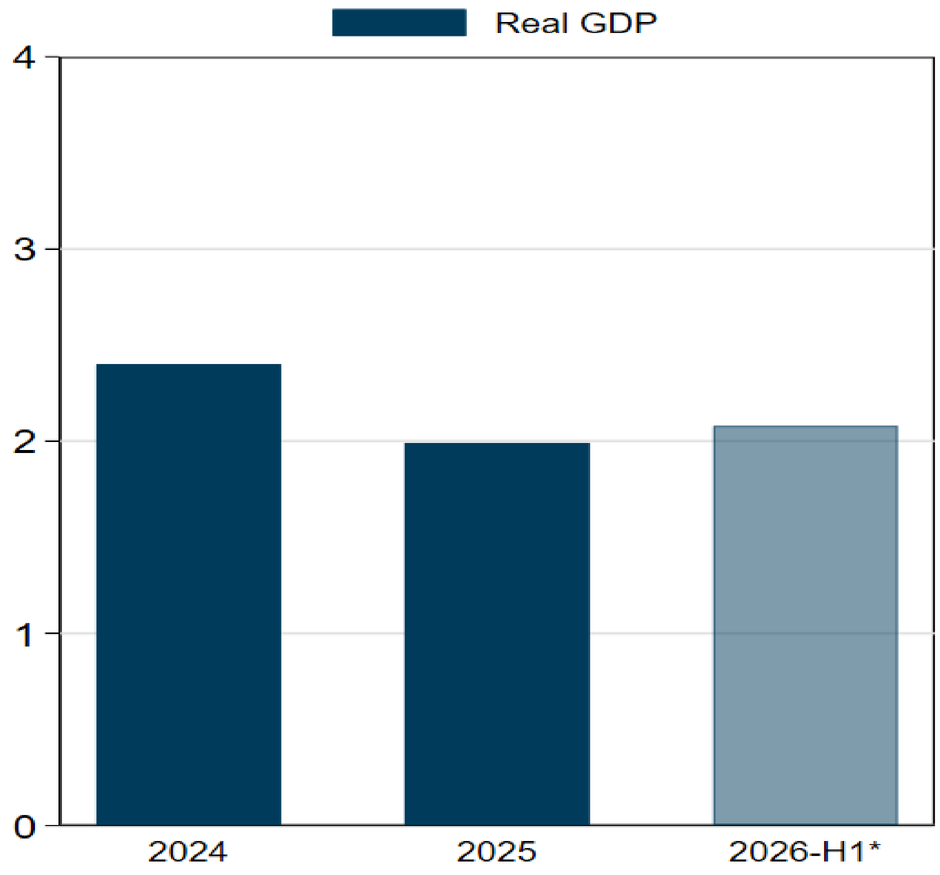
Source: Energy Information Administration

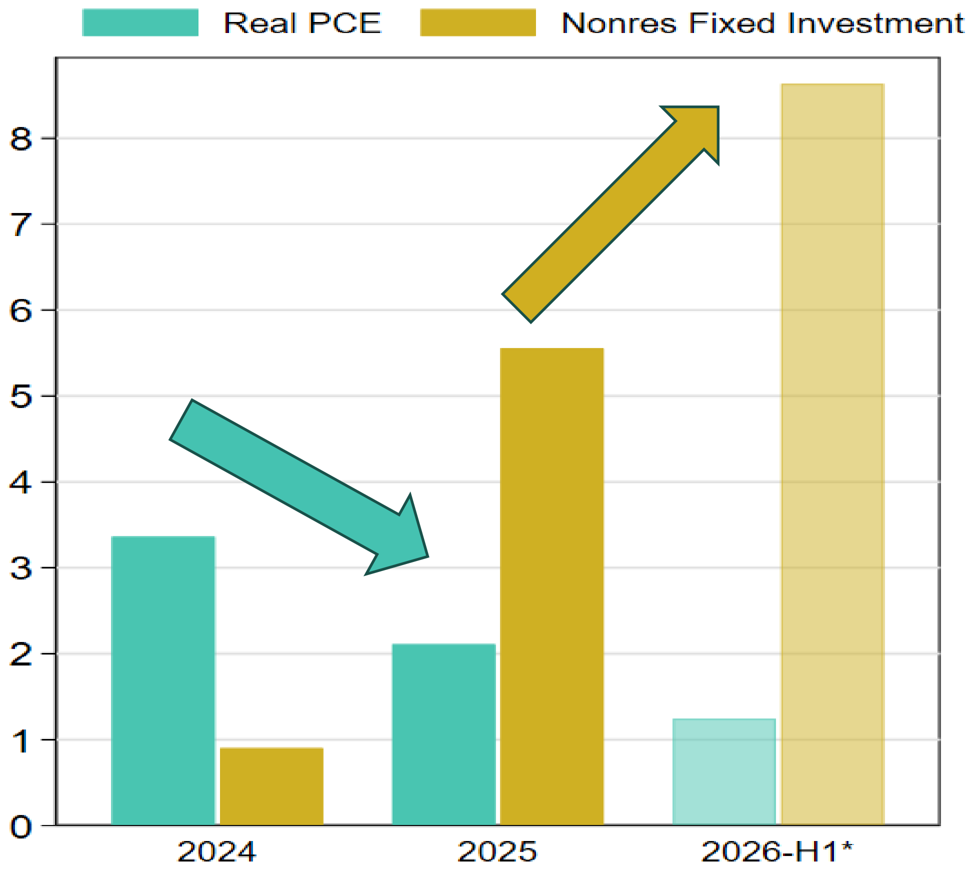
ACTIVITY REMAINS RESILIENT, BUT UNEVEN

OUTPUT

CONSUMPTION & INVESTMENT

PERCENT CHANGE FROM PRIOR Q4 TO END OF PERIOD

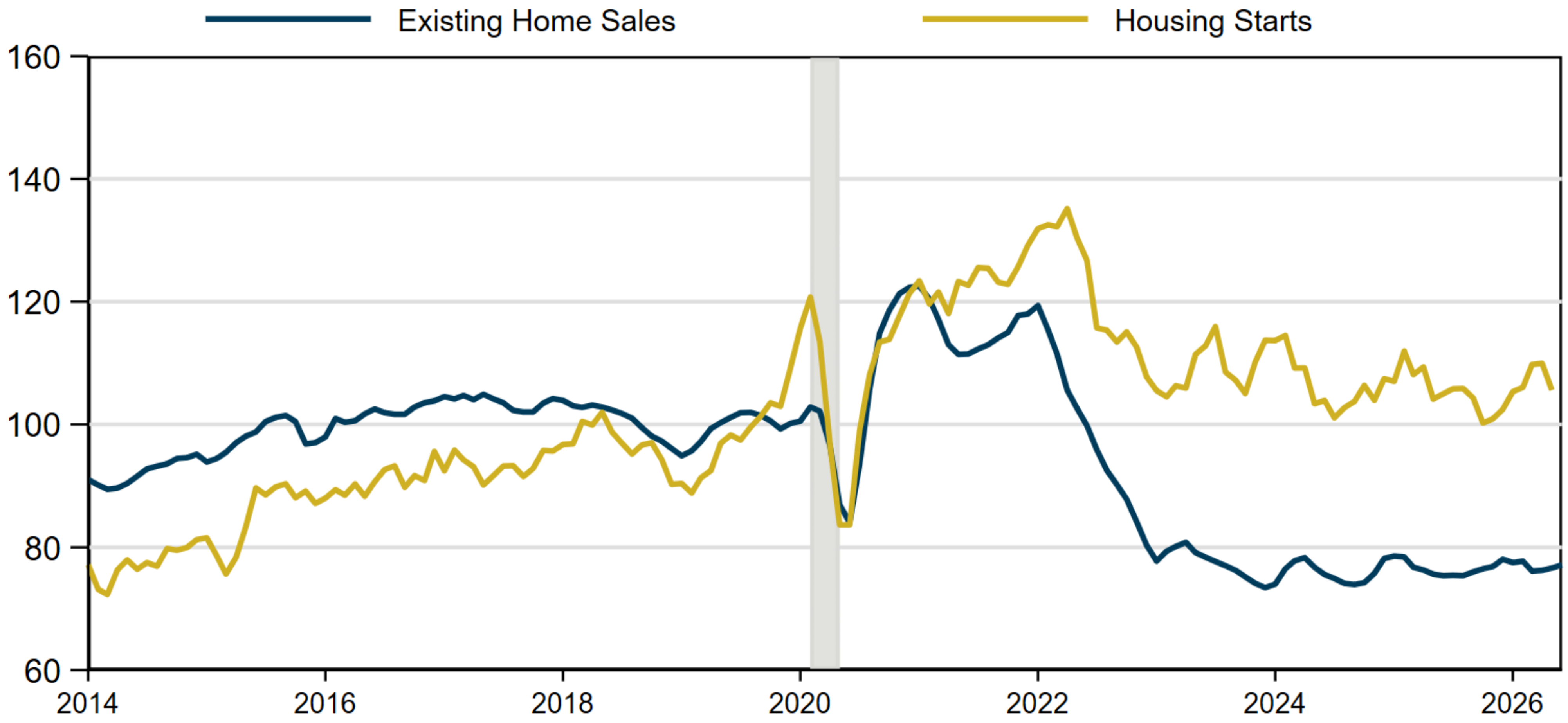




*Note: 2026 represents an estimate.
Source: Bureau of Economic Analysis and Blue Chip.

UNEVEN ACTIVITY: HOUSING HAS REMAINED SOFT

3-MO MOVING AVERAGE, INDEX 2019 = 100, SAAR



Source: National Association of Realtors, Census Bureau.

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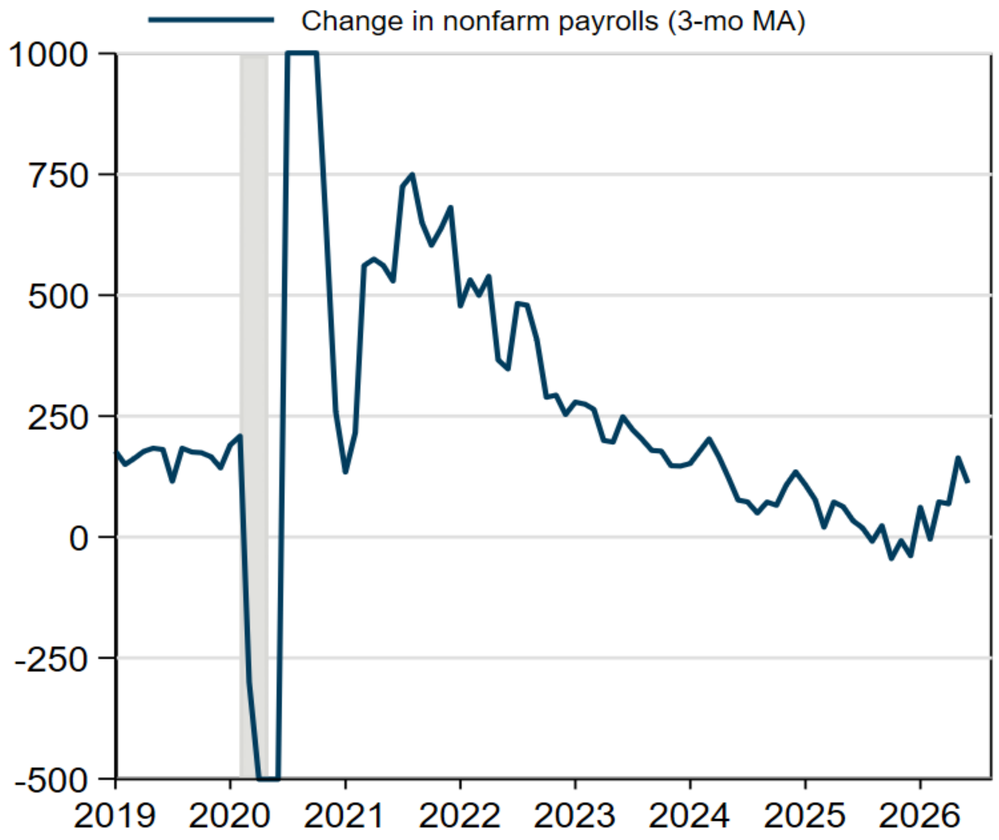
THE LABOR MARKET HAS STABILIZED …

EMPLOYMENT GROWTH

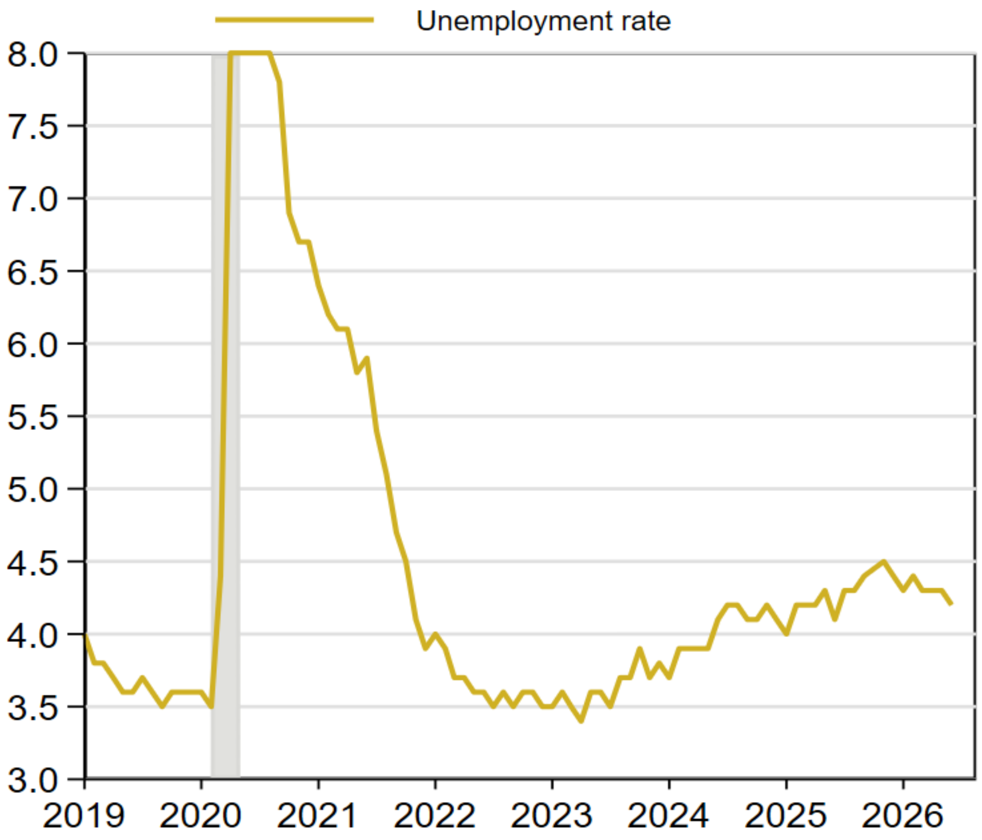
THOUSANDS



Source: Bureau of Labor Statistics.

UNEMPLOYMENT RATE

PERCENT



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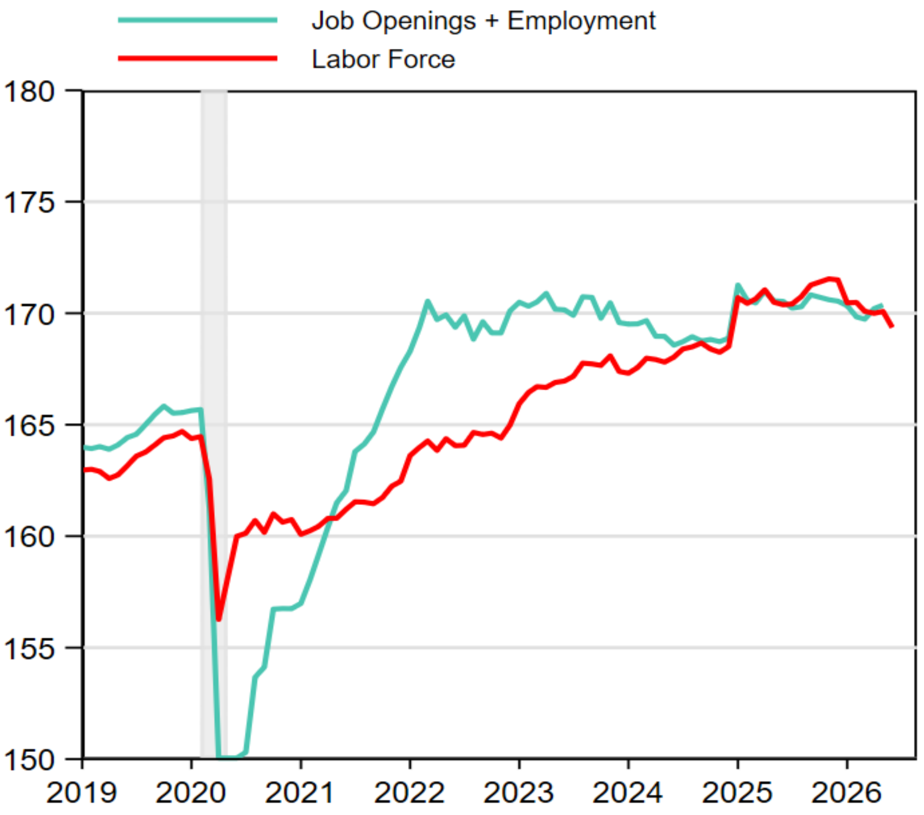
… AND APPEARS BROADLY BALANCED.

JOB-WORKERS GAP

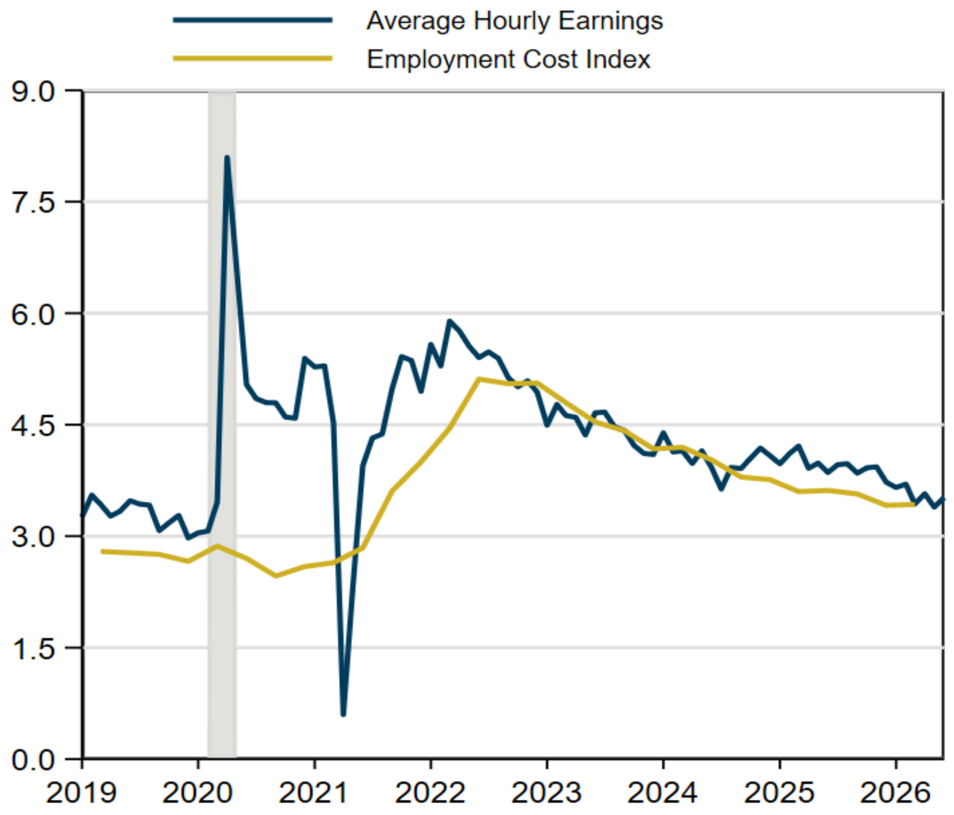
MILLIONS



Note: Job openings + employment is truncated at 150M for readability.
Source: Bureau of Labor Statistics.

WAGES

12-MONTH PERCENT CHANGE



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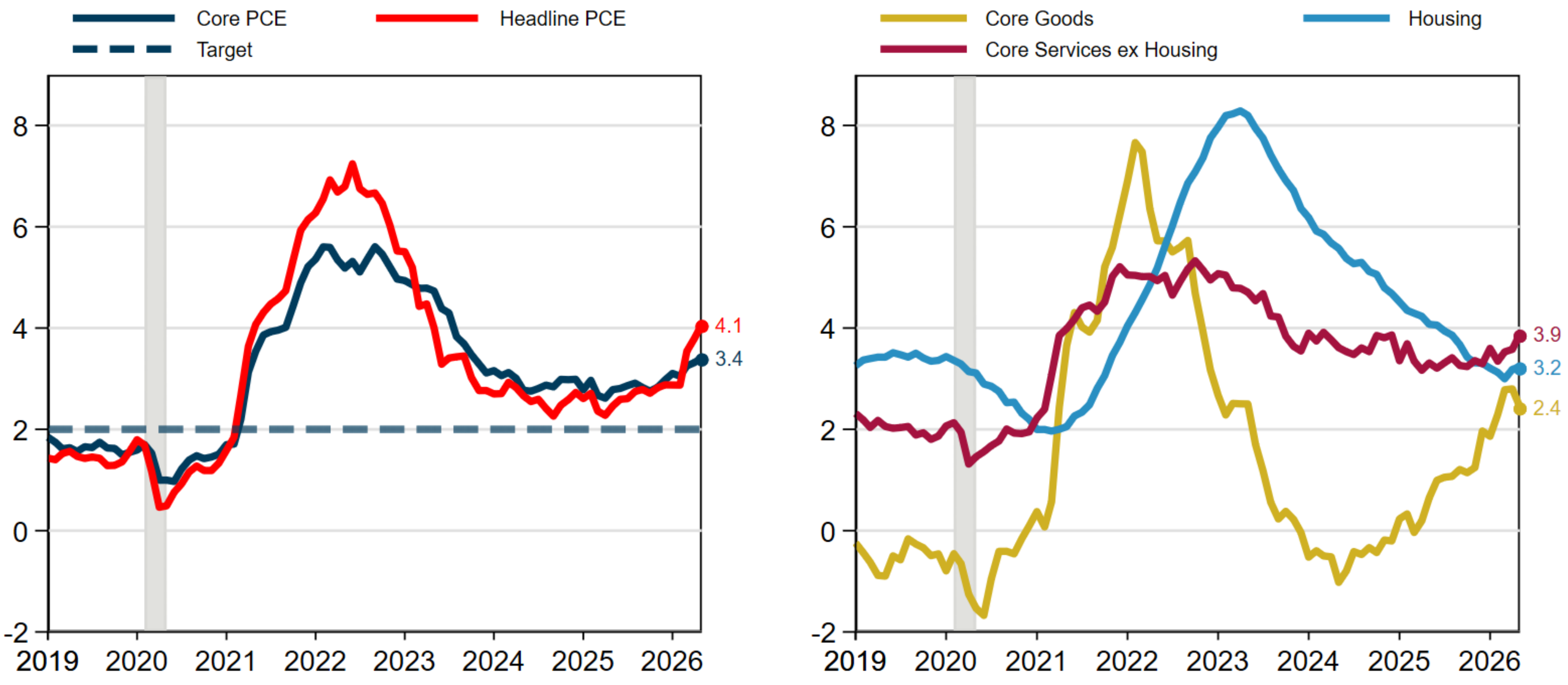
INFLATION HAS MOVED FURTHER ABOVE TARGET

PCE INFLATION

12-MONTH PERCENT CHANGE

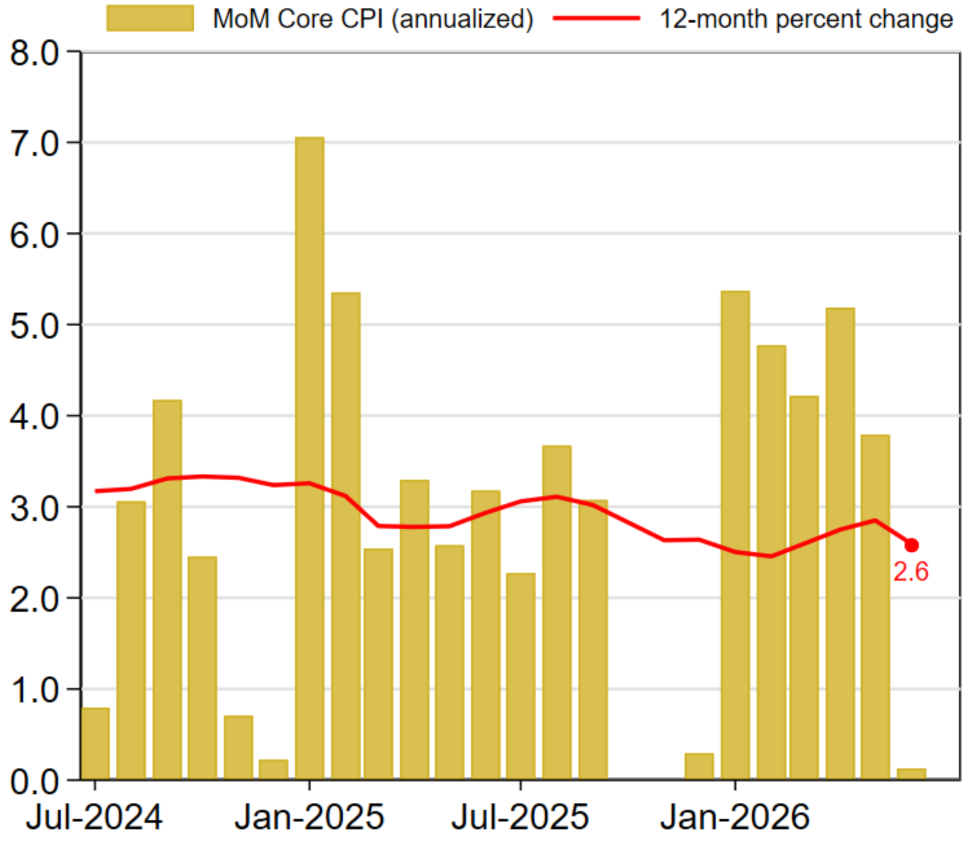


Source: Bureau of Economic Analysis.

THIS WEEK'S INFLATION DATA FOR JUNE WERE SOFT

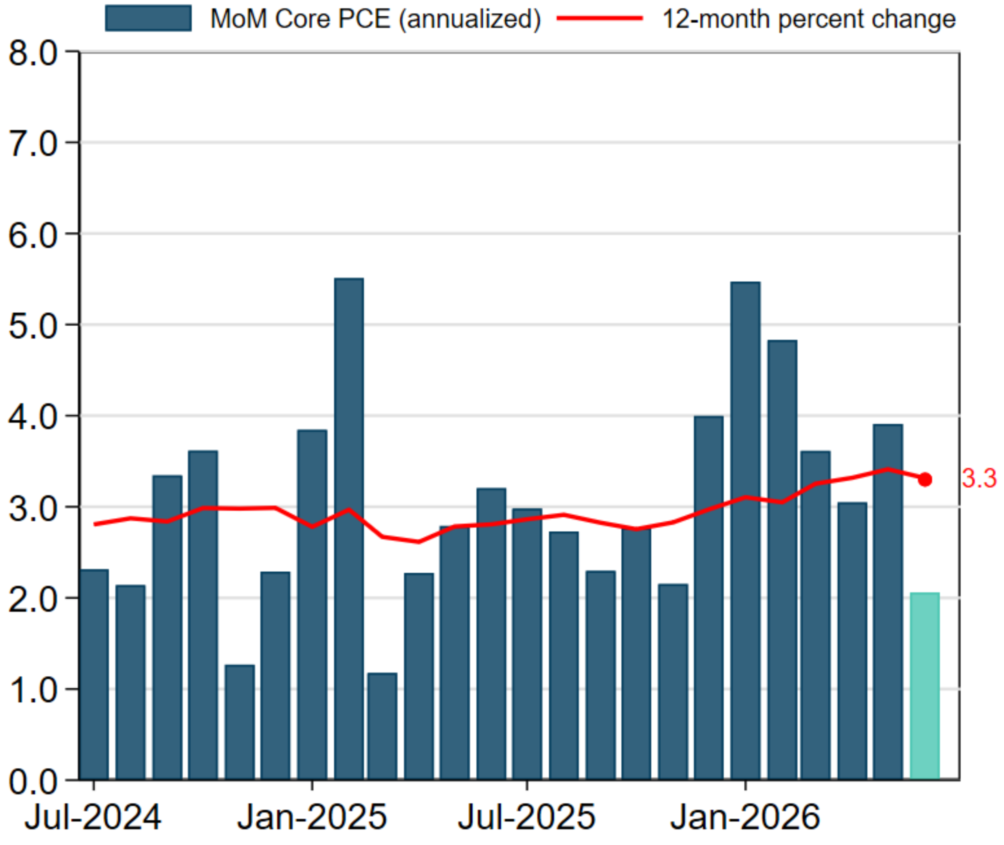
CORE CPI INFLATION

PERCENT



CORE PCE INFLATION

PERCENT



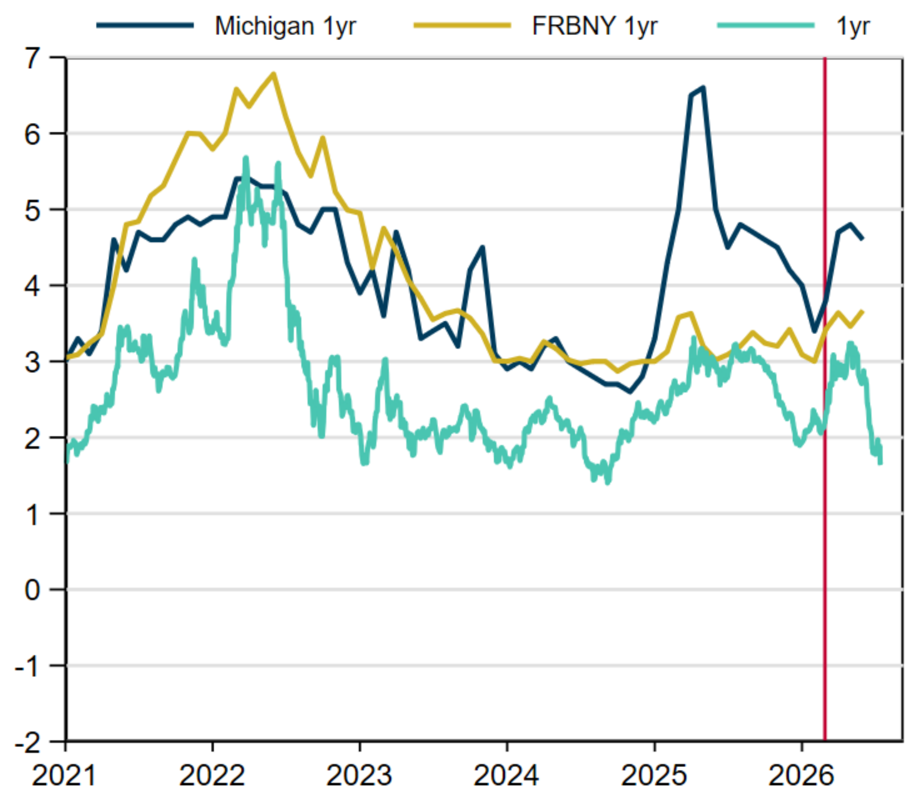
Note: Lighter blue indicates estimates.
Source: Bureau of Economic Analysis.

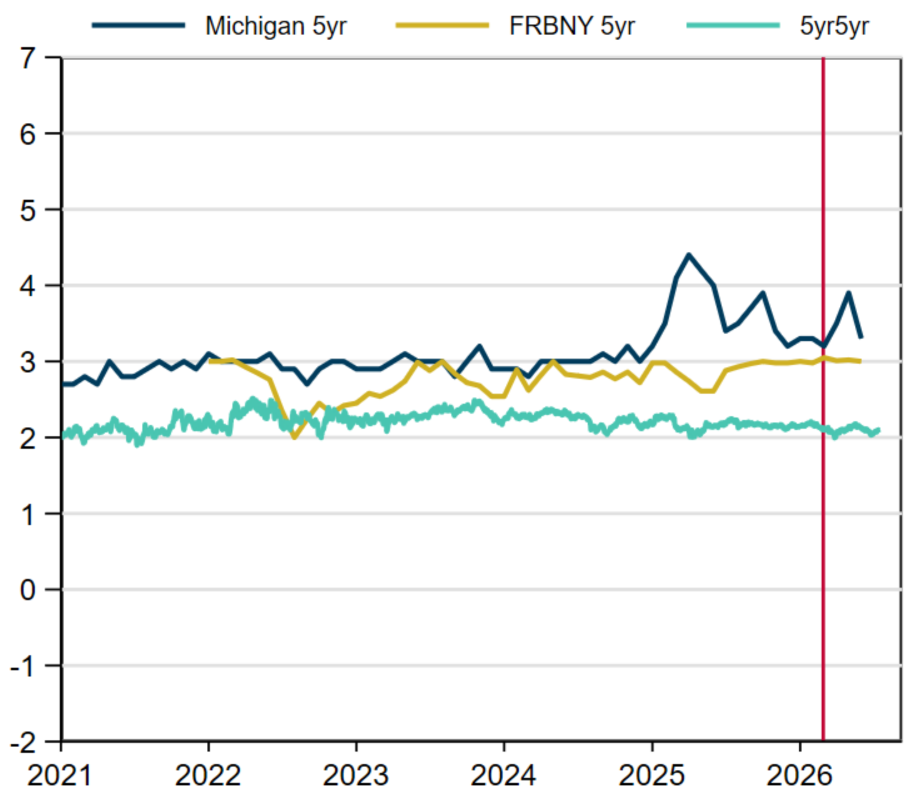
INFLATION EXPECTATIONS REMAIN ANCHORED

NEAR-TERM

LONGER-TERM

PERCENT





Note: Market-based series have -30bps adjustments.
Source: University of Michigan, Federal Reserve Bank of New York, Bloomberg.

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RECAP OF ECONOMIC DEVELOPMENTS

- Incoming data reflect impact of higher energy prices
  - Headline inflation has picked up notably (before retracing somewhat in June)
  - Real consumption growth has been soft

- But the aggregate economy has generally been resilient
  - AI build-out has boosted business investment (& core prices)
  - Labor market appears broadly in balance

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OF MINNEAPOLIS

THE NINTH DISTRICT'S 2026 MIDYEAR OUTLOOK

July 17, 2026

Joe Mahon

Regional Outreach Director

FEDERAL RESERVE BANK OF MINNEAPOLIS

DISCLAIMER

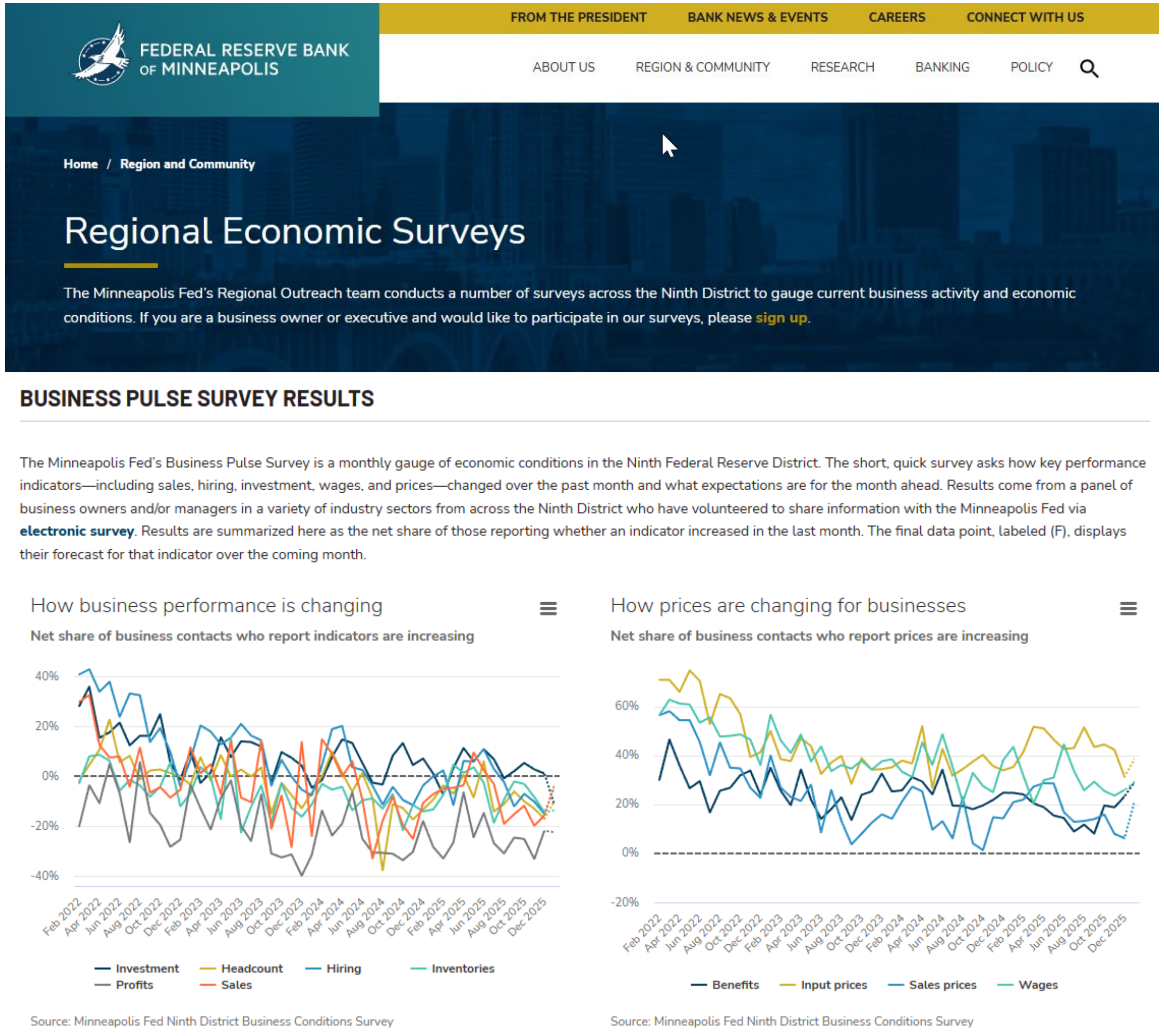
The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

TODAY'S PRESENTATION

- Minneapolis Fed Business Pulse survey
  - Become a source!
- Survey results
  - Activity increasing since Jan. 1, so are price pressures
- Midyear outlook
  - Expectations mildly optimistic, despite year not going as planned

MINNEAPOLIS FED BUSINESS PULSE SURVEY

- Monthly survey, four years running
- Highly-engaged business contacts representing all industries, firm sizes, and District states
- Tracks a variety of business indicators and prices, looking one month back and forward
- Results published on minneapolisfed.org



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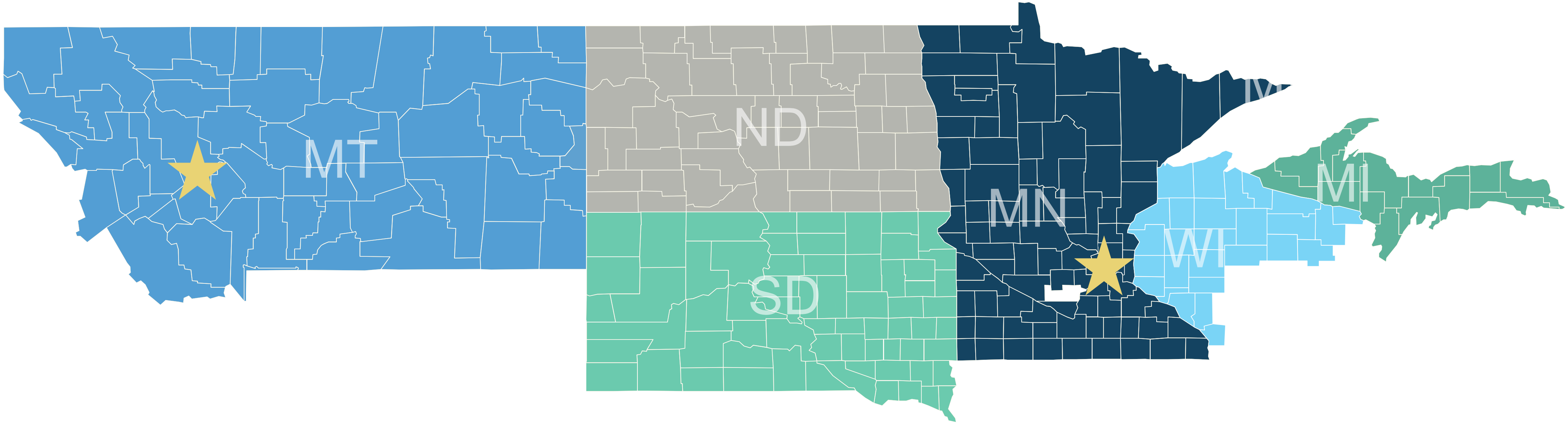
SHARE YOUR INSIGHTS WITH THE FED

Sign up to become a survey respondent

www.research.net/r/fedbizpulse

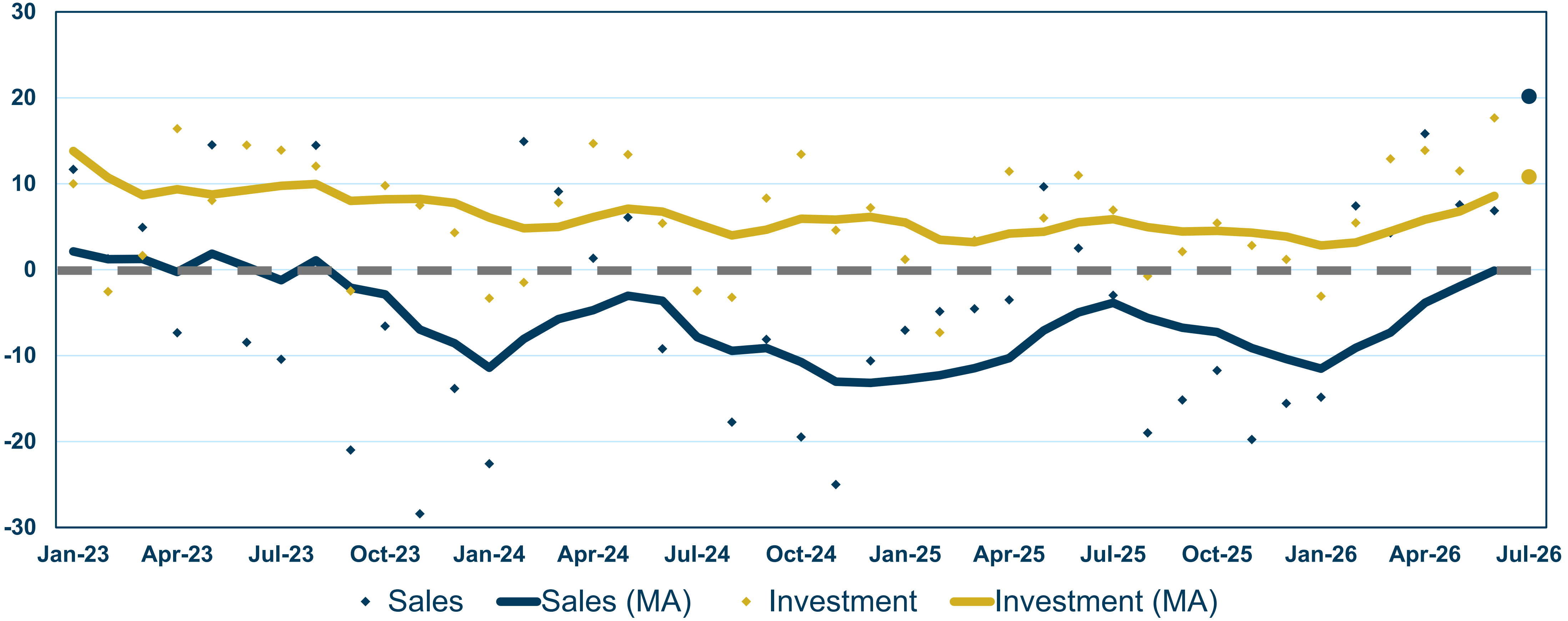
THE FED'S NINTH DISTRICT



SURVEY RESULTS

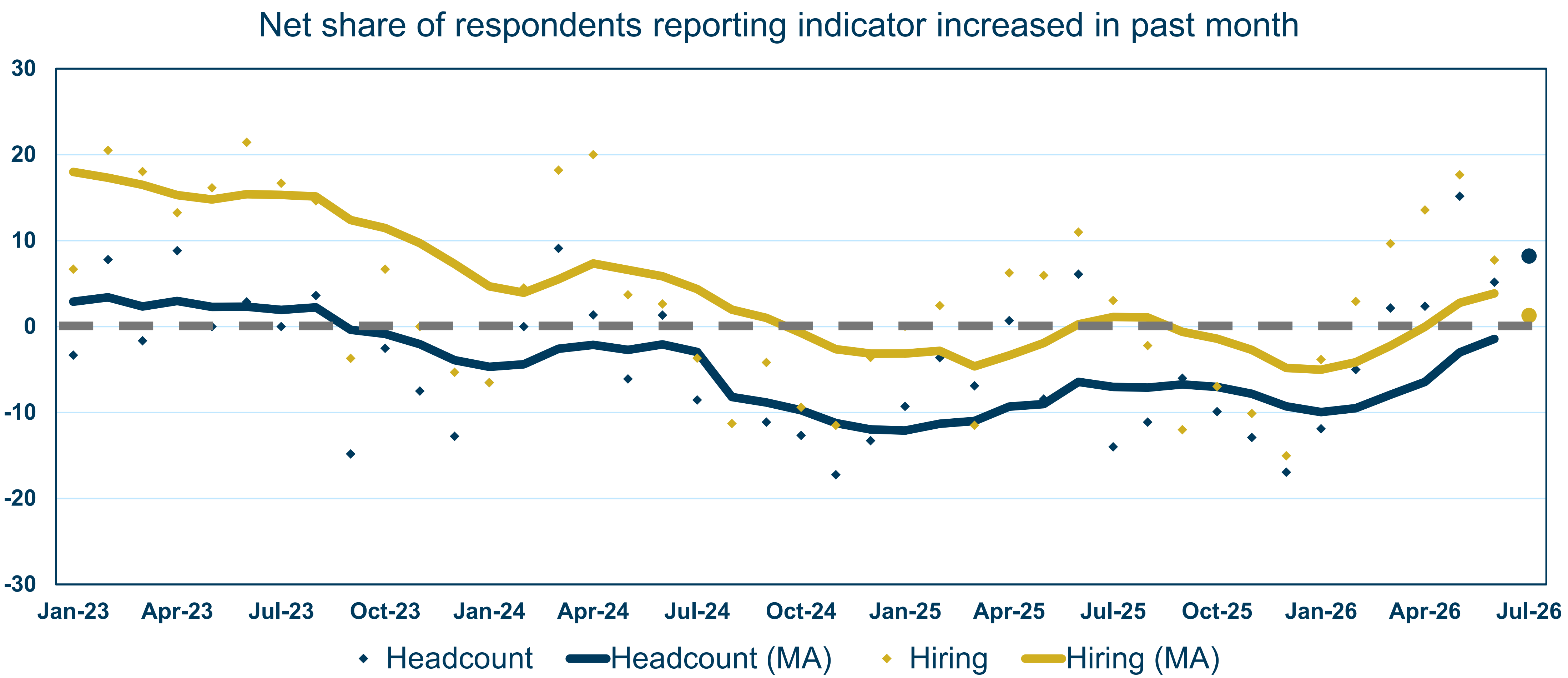
BUSINESS PERFORMANCE

Net share of respondents reporting indicator increased in past month



SURVEY RESULTS

EMPLOYMENT



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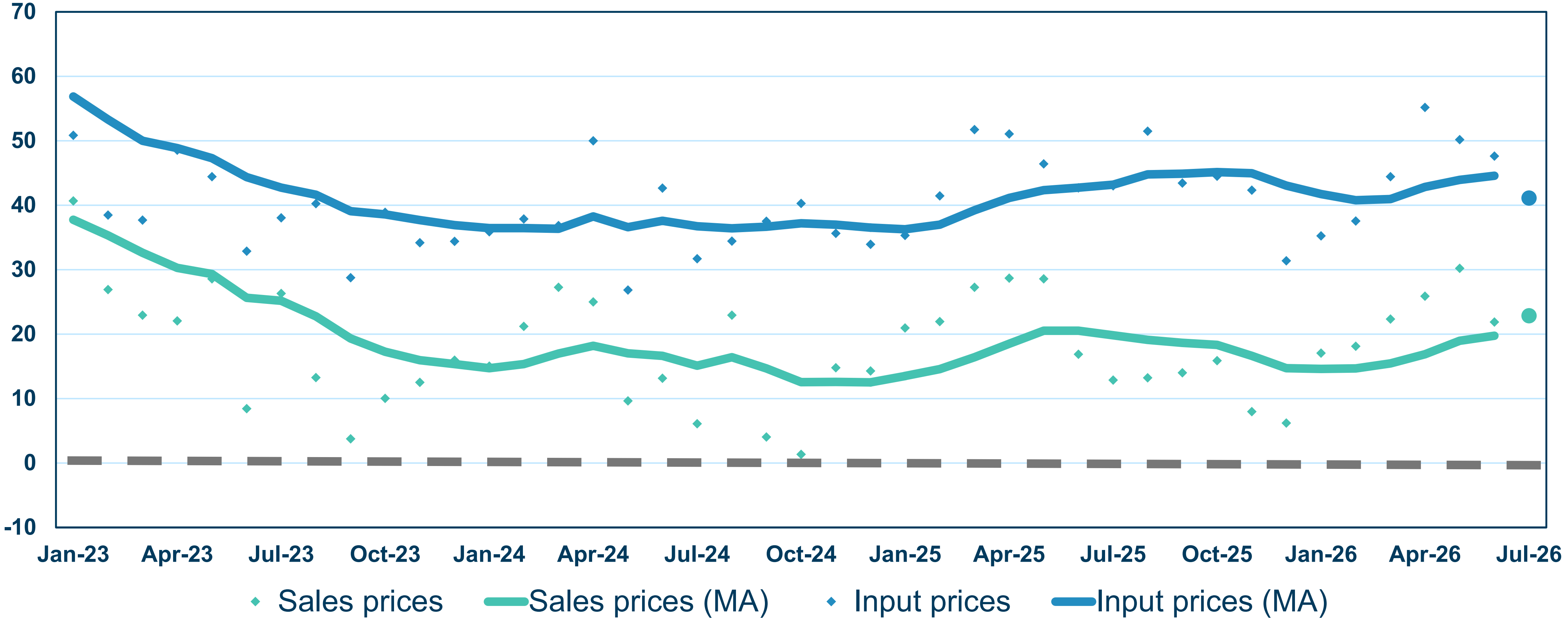
SURVEY RESULTS

PRICES

Net share of respondents reporting prices increased in past month



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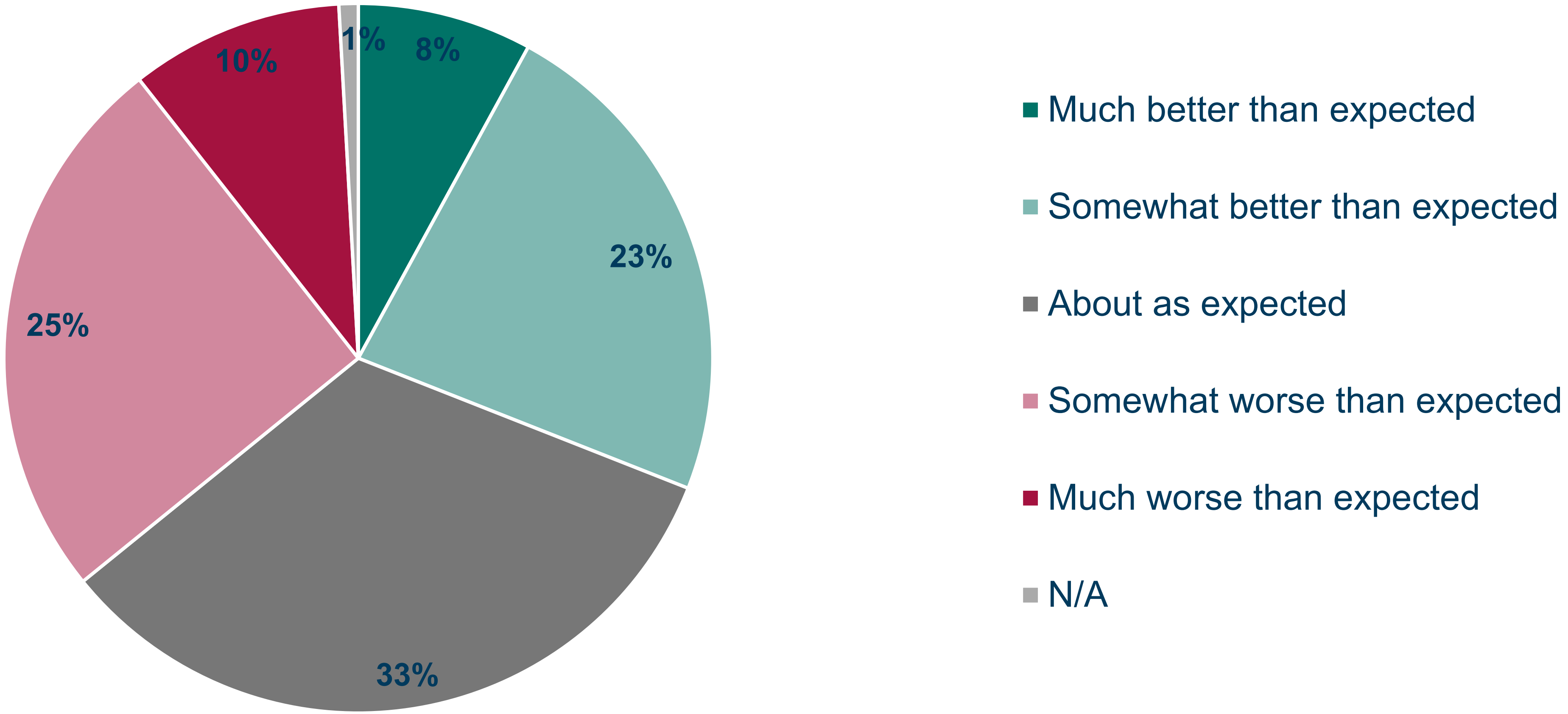
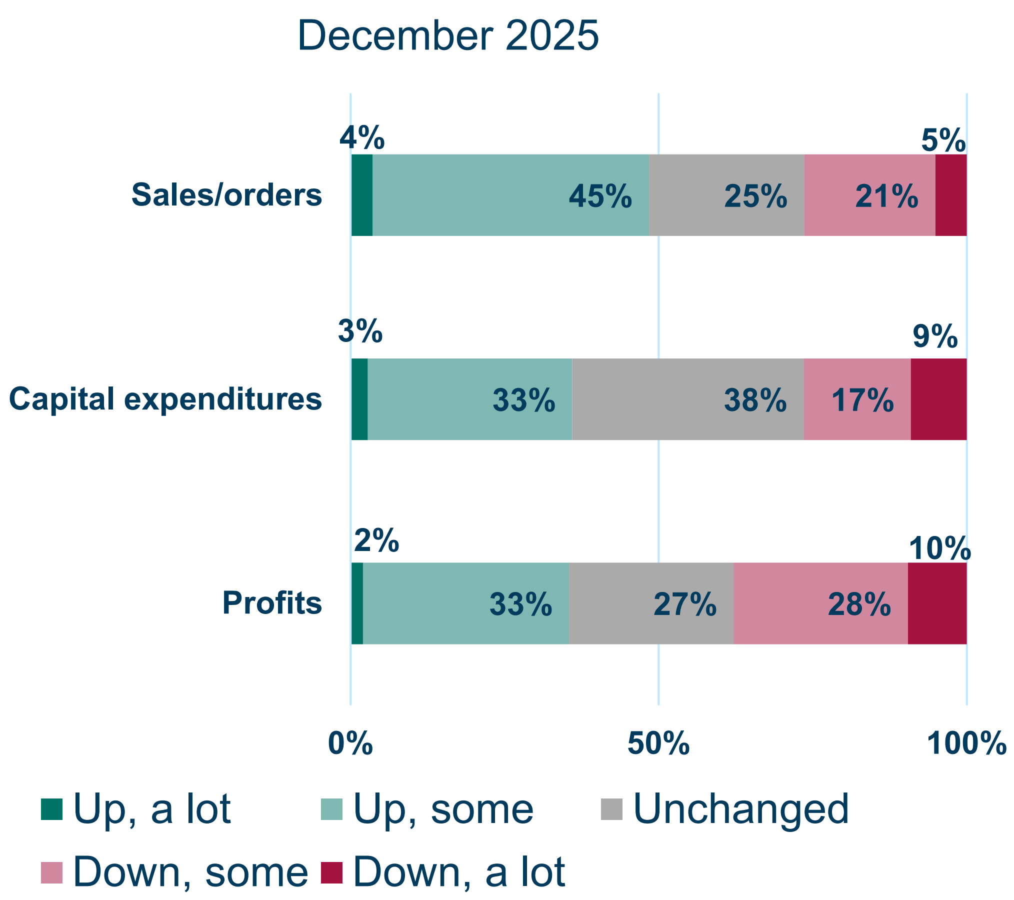
ECONOMIC OUTLOOK

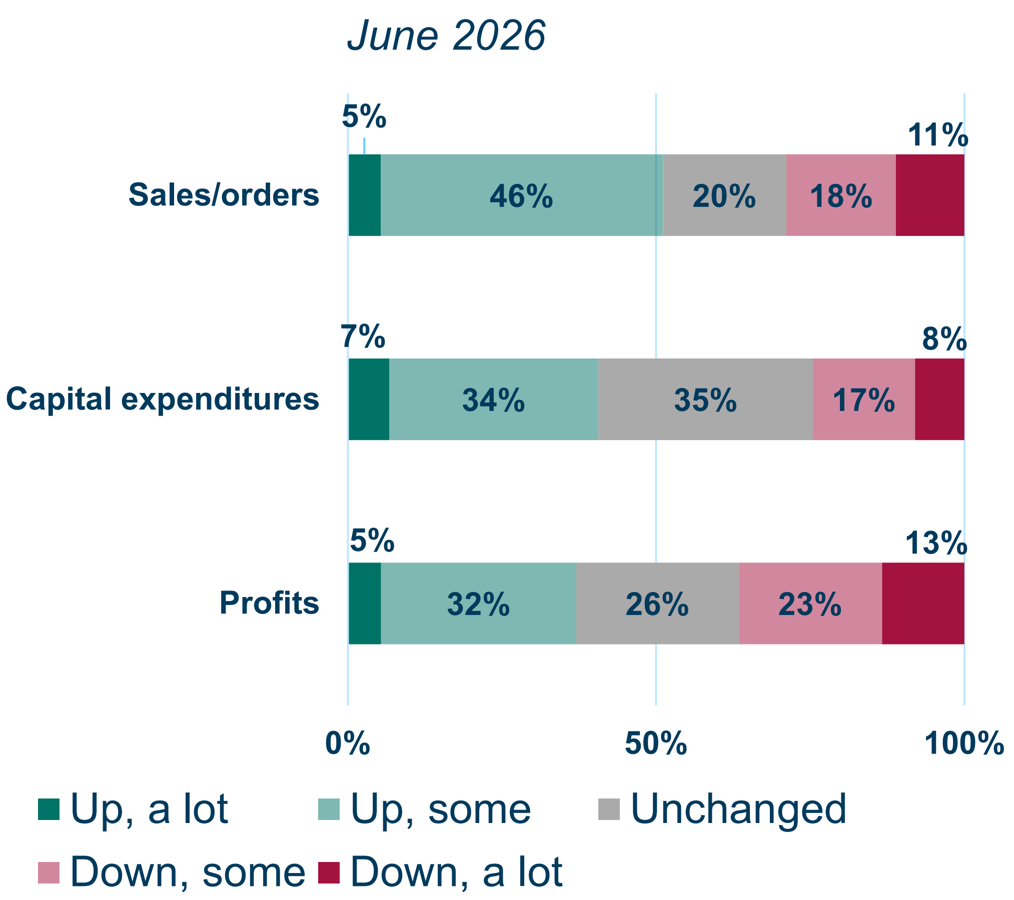
HOW HAS YOUR OPERATION PERFORMED IN THE FIRST HALF OF 2026 (TO DATE) RELATIVE TO YOUR EXPECTATIONS AT THE BEGINNING OF THE YEAR?



ECONOMIC OUTLOOK

HOW DO YOU EXPECT OPERATIONS TO CHANGE IN 2026 COMPARED WITH 2025?





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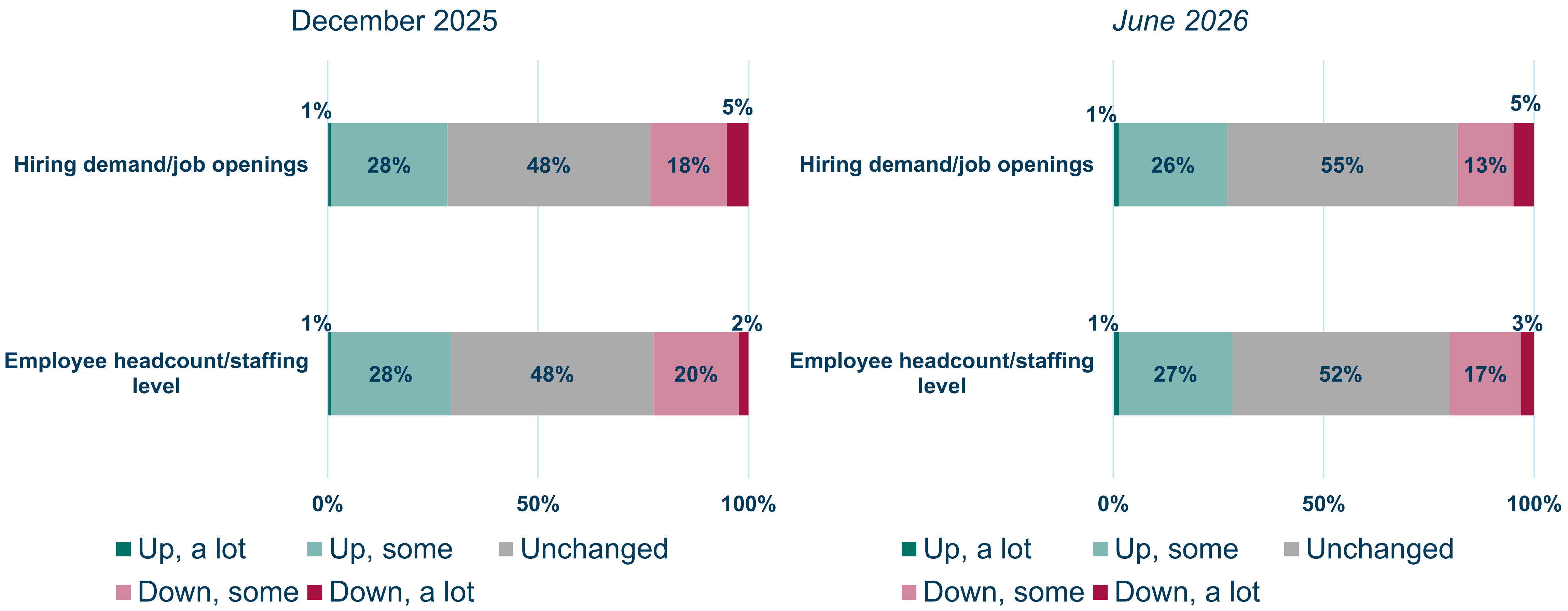
ECONOMIC OUTLOOK

HOW DO YOU EXPECT STAFFING TO CHANGE IN 2026 COMPARED WITH 2025?



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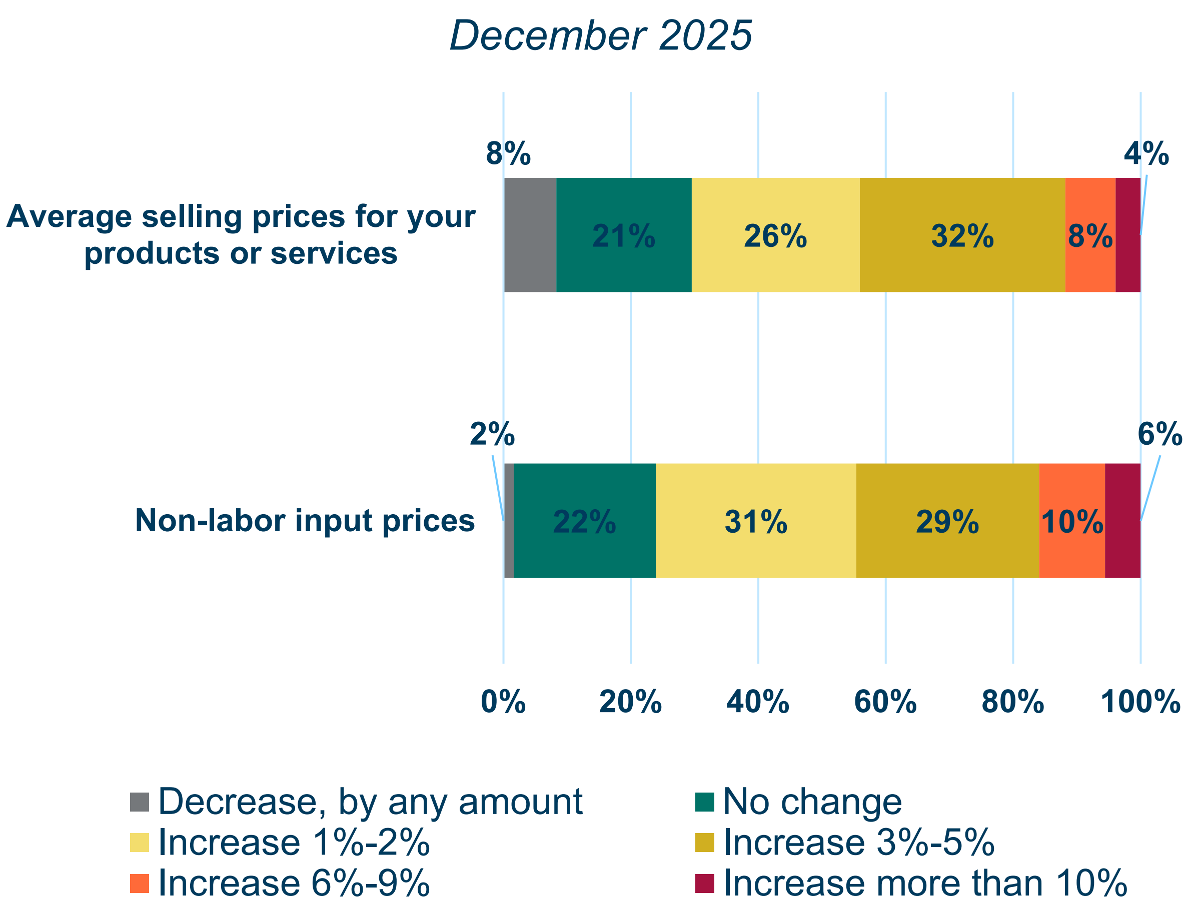
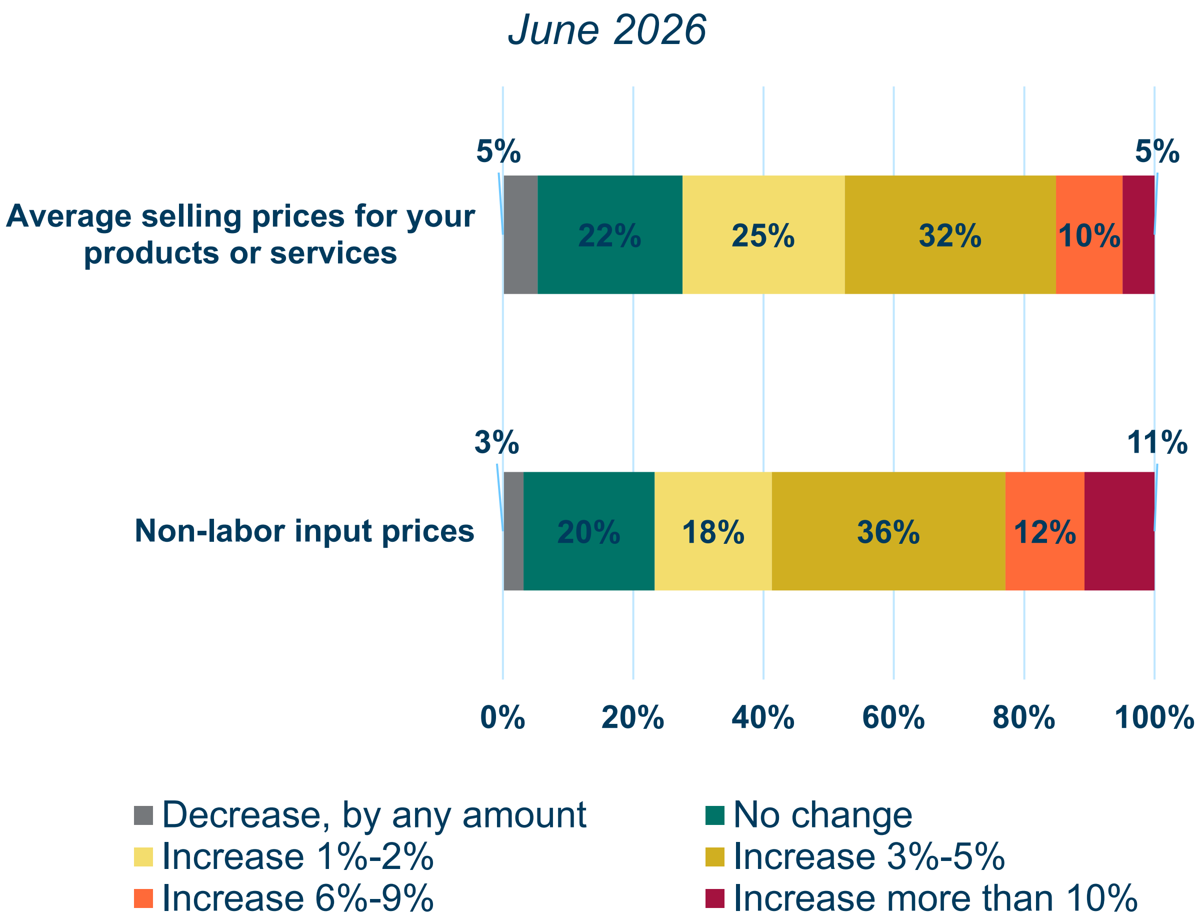
ECONOMIC OUTLOOK

HOW DO YOU EXPECT PRICES TO CHANGE IN 2026 COMPARED WITH 2025?





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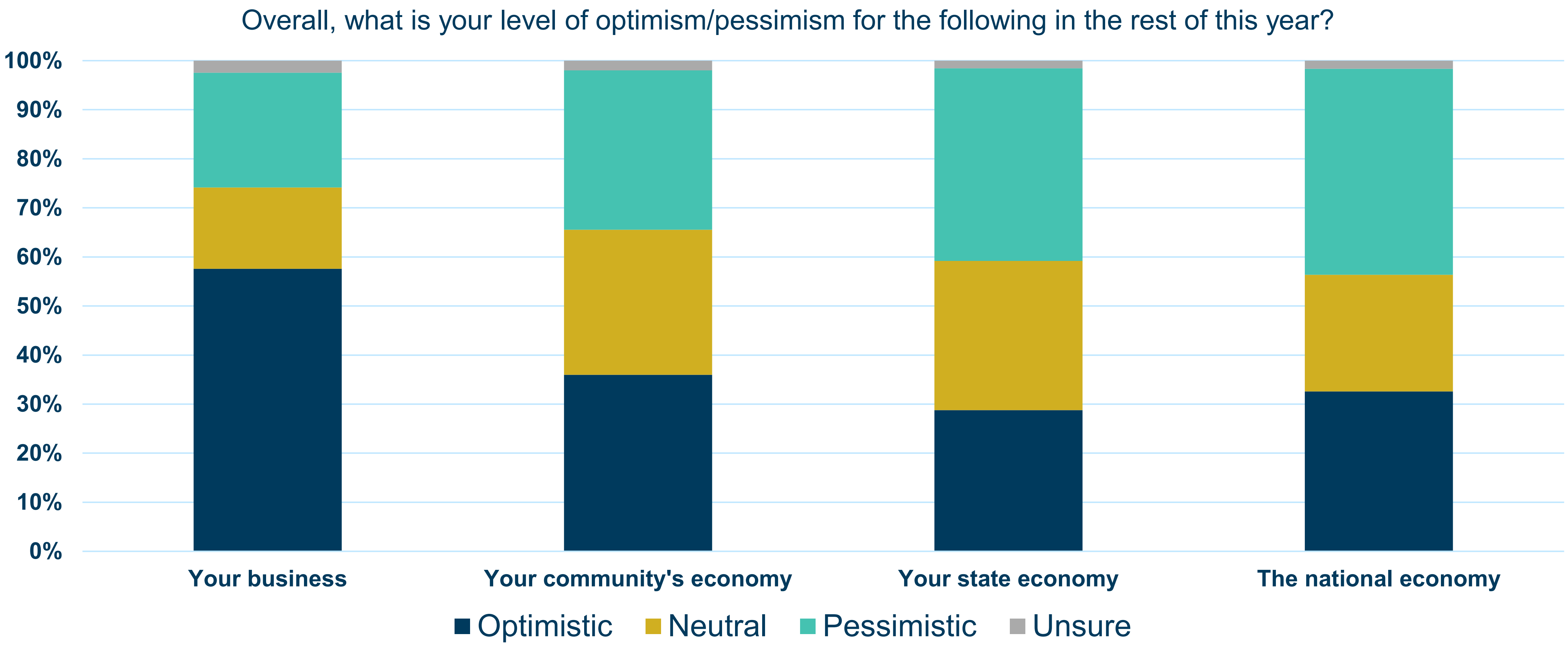
BUSINESSES NET OPTIMISTIC, ECON OUTLOOK PESSIMISTIC



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