

Economic overview and forecast for **2025 Q4**

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I. General Economic Overview, Industry Overview and Company Outlook

Summary of General Economic Overview – United States¹

Overall, the U.S. economy sent mixed signals in the 4th quarter of 2025, with weaker-than-expected GDP growth driven primarily by consumer spending and investment. While weak GDP growth was partially attributed to lower government spending amid the shutdown, the inflation outlook remained elevated, payroll growth remained sluggish and concentrated in a small number of sectors, and the housing market continued to show signs of weakening. Although the inflation outlook remained above the Federal Reserve Board's target rate, the jobs market remained soft, leading the Federal Reserve Board to cut interest rates and signal a more cautious stance on future interest rate cuts.

Domestic production growth was positive in the quarter. An increase in consumer spending and investments contributed to GDP growth, partially offset by a decline in federal government spending.

Inflation was in line with expectations despite higher prices in most categories compared to the previous quarter. Higher supply and concerns about softening U.S. and global economies led to lower crude oil prices. In response, the Federal Reserve cut the target interest rate and signaled that additional, albeit more moderate, rate cuts are likely in the coming months.

A frequent bright spot for the economy in recent years, the job market remained soft in the 4th quarter of 2025, with the unemployment rate steady, labor force participation slightly lower, and sluggish nonfarm employment growth. Still, the labor market remains well within the bounds of full employment.

Capital markets posted gains in the 4th quarter, shaking off economic uncertainty, a rising inflation outlook, and higher import tariffs. The tech-heavy NASDAQ indexes, broader S&P 500, and most Dow Jones Industrial indexes registered gains during the quarter. The Dow Jones Utility index declined during the quarter.

Housing market data continued showing signs of losing momentum, with slower price growth in several metro areas. As sales remained constrained by elevated interest rates, unsold housing inventory increased compared to the previous year. Still, prices in all four U.S. regions continued to rise year-over-year.

FOMC members' short-term domestic production forecast was revised slightly upward, and the inflation outlook was revised slightly downward. The unemployment forecast was unchanged, while forecasts of longer-term economic performance were minimally revised.

¹ Economic Outlook Update™ Q4 2025 published by TagniFi, LLC, © 2026.

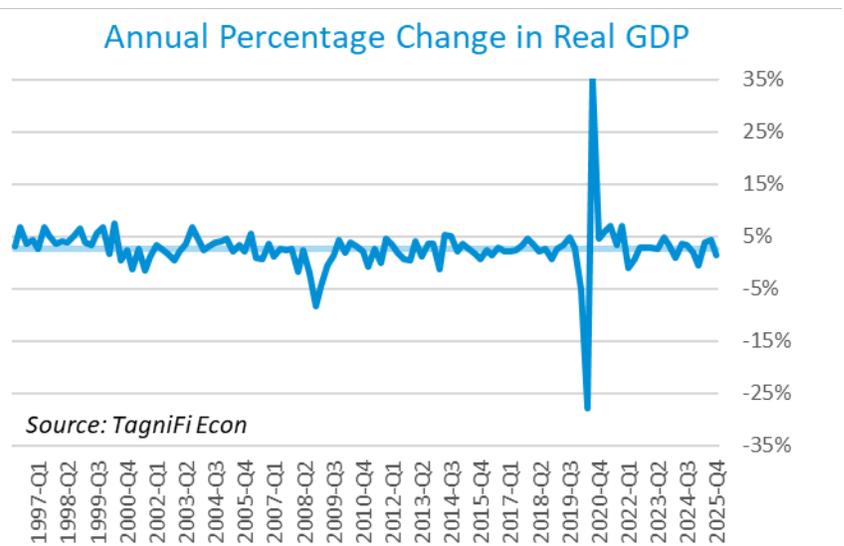


Economic Highlights

- The Philadelphia Fed’s coincident index of economic activity in the U.S. rose 0.2% in December 2025 and 0.4% during the 4th quarter.
- The U.S. dollar index decreased 0.3% during the 4th quarter of 2025 and was down 7.4% from the prior year.
- Real GDP expanded at an annualized rate of 1.4% during the 4th quarter of 2025.
- The effective federal funds rate decreased to 3.75% in the 4th quarter.
- The 1-year and 2-year annual treasury yields ended the 4th quarter at 3.48% and 3.47%, respectively. The benchmark 10-year treasury yielded 4.18% at the end of the quarter, while the 30-year treasury yielded 4.84%.
- The unemployment rate ended the 4th quarter at 4.4%, unchanged from the prior quarter. Nonfarm payrolls decreased by 0.1 million jobs in the 4th quarter.
- The Consumer Price Index for all items rose 2.7% for the year ended December 2025. Excluding volatile energy prices, the annual increase was 2.7%.
- Crude oil prices ended the 4th quarter at \$57.26 per barrel, down 9.4% from the prior quarter and down 21.0% year-over-year.
- New home starts increased 5.7% between September 2025 and December 2025 to stand at 1.4 million in December 2025. Total new home starts were down 7.3% year-over-year.
- The NASDAQ Composite gained 2.6% during the 4th quarter. The S&P 500 gained 2.3%, and the Dow Jones Industrial Average reported a slightly higher gain of 3.6%, while the Dow Jones Transportation and Composite Averages were up 10.4% and 4.0%, respectively, during the quarter. The Dow Jones Utility Average was down 4.5% during the quarter.

Business Activity

Real gross domestic product (GDP)⁵ increased at a weaker-than-expected annualized rate of 1.4% during the 4th quarter of 2025, down from 4.4% in the third quarter. The increase in the 4th quarter GDP reflects increases in consumer spending and investment, partly offset by decreases in government spending and exports. Imports, which are a subtraction in the calculation of GDP, decreased during the quarter. The contraction in Q4 imports is likely to reflect the impact of higher tariffs. While the slower-than-expected Q4 growth might be temporary amid the government shutdown, it may also raise concerns that the U.S. economic momentum is slowing.

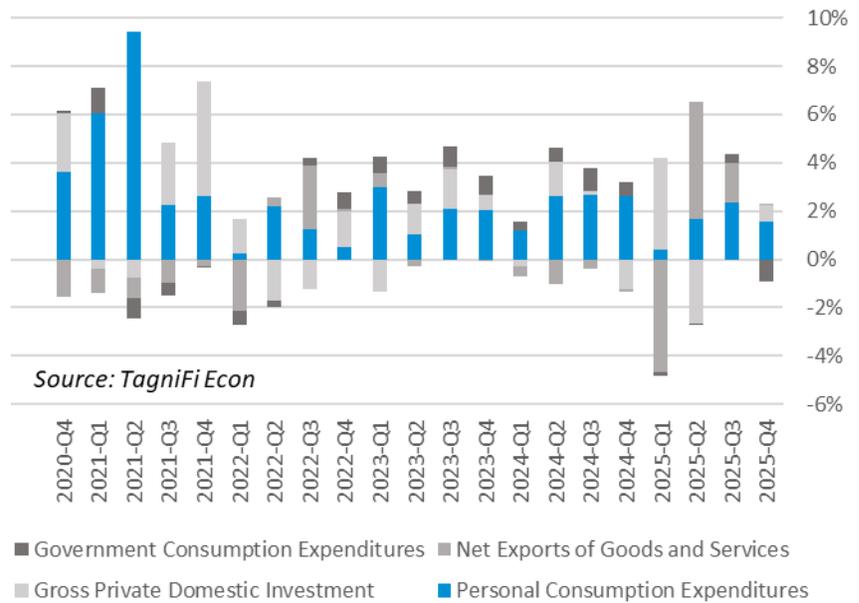


⁵ U.S. Bureau of Economic Analysis, Real Gross Domestic Product [GDPC1], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1>, February 23, 2026.



Personal consumption expenditures⁶ (PCE) had a positive 1.6% effect on real GDP in the 4th quarter, down from 2.3% in the 3rd quarter. A rise in spending on services, especially health care (including hospital and outpatient services), housing and utilities, recreational services, and financial services and insurance (such as portfolio management and investment advice services) contributed to PCE growth. Spending on nondurable goods increased, and spending on durable goods declined during the fourth quarter of 2025. The increase in spending on nondurable goods was primarily driven by clothing and footwear, partially offset by food and beverages and gasoline and other energy goods. The decrease in durable goods was primarily attributed to motor vehicles and parts, partially offset by an increase in the recreational goods and vehicles category.

Contributions to Percent Change in Real GDP



Source: TagniFi Econ

Gross domestic private investment⁷ had a positive impact on the GDP, increasing the 4th quarter real GDP estimate by 0.7%. Investment in inventories increased during the quarter, reflecting an expansion in manufacturing inventories. Wholesale inventories increased during the quarter, partially offset by a decrease in retail inventories. The increase in nonresidential fixed investment reflected robust growth in information processing equipment, computers and peripheral equipment, intellectual property, and research and development categories. Residential fixed investment declined slightly in the 4th quarter.

Government expenditures⁸ declined sharply in the 4th quarter, subtracting 0.9% from real GDP. The contraction in government spending was primarily attributed to a decline in federal consumption following the government shutdown in the fourth quarter. Both defense and nondefense federal government consumption declined during the quarter. State and local government spending increased during Q4 2025.

Net exports⁹ increased slightly in Q4, contributing 0.1% to real GDP, as both imports (which have a negative impact on GDP) and exports decreased. The decrease in exports was led by industrial supplies and materials (including declines in nonmonetary gold and other precious metals). For imports, the decrease in imported goods was partially offset by an increase in services.

⁶ U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Personal consumption expenditures [DPCERY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DPCERY2Q224SBEA>, February 23, 2026.

⁷ U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Gross private domestic investment [A006RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A006RY2Q224SBEA>, February 23, 2026.

⁸ U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Government consumption expenditures and gross investment [A822RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A822RY2Q224SBEA>, February 23, 2026.

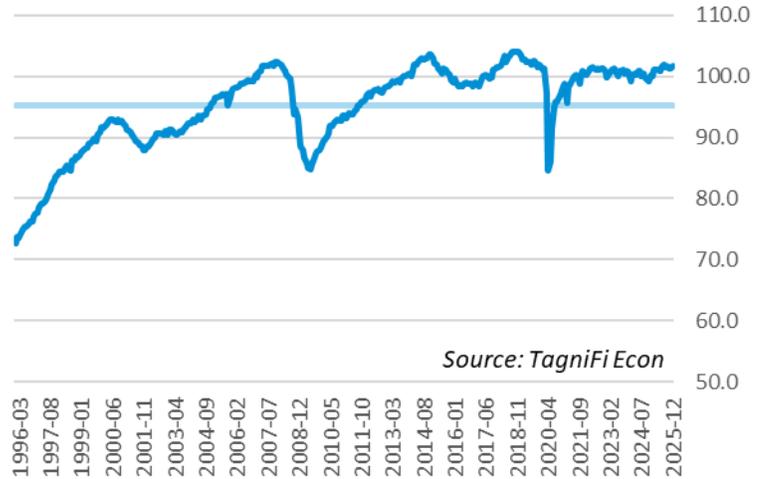
⁹ U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Net exports of goods and services [A019RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A019RY2Q224SBEA>, February 23, 2026.



Economists polled by the Livingston Survey¹⁰ in December 2025 projected real GDP to rise to an annual rate of 2.0% in the 2nd half of 2025, remain at an annual rate of 2.0% in the 1st half of 2026, and continue to grow at an annual rate of 1.9% in the 2nd half of 2026.

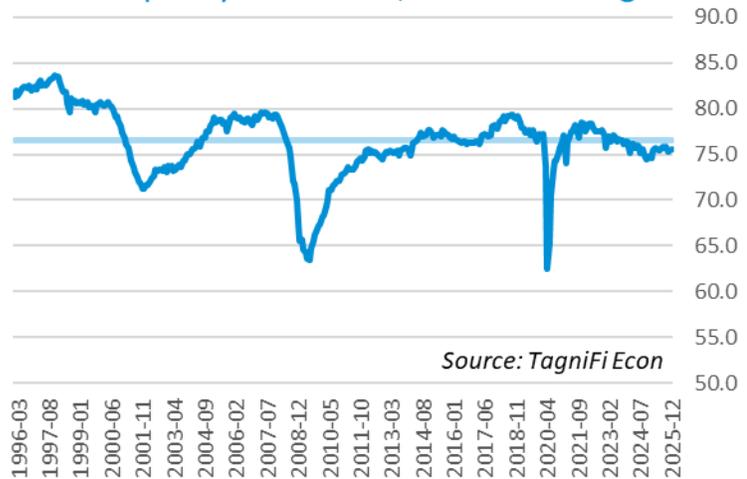
The Industrial Production Index¹¹ is an economic indicator that measures real output for all facilities located in the United States manufacturing, mining, and electric and gas utility sectors. The index stood at 101.6 at the end of the 4th quarter, down 0.1% from the 3rd quarter.

Industrial Production Index



The Capacity Utilization Index¹², which attempts to capture industrial output as a percentage of the economy’s maximum production capacity, ended the 4th quarter at 75.1%. December’s level was below the 30-year average of 76.5% for this metric and down slightly from the previous quarter.

Capacity Utilization, Manufacturing



¹⁰ Federal Reserve Bank of Philadelphia, The Livingston Survey June 2025, [economic release], retrieved from <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/livingston-2025-12>, February 23, 2026.

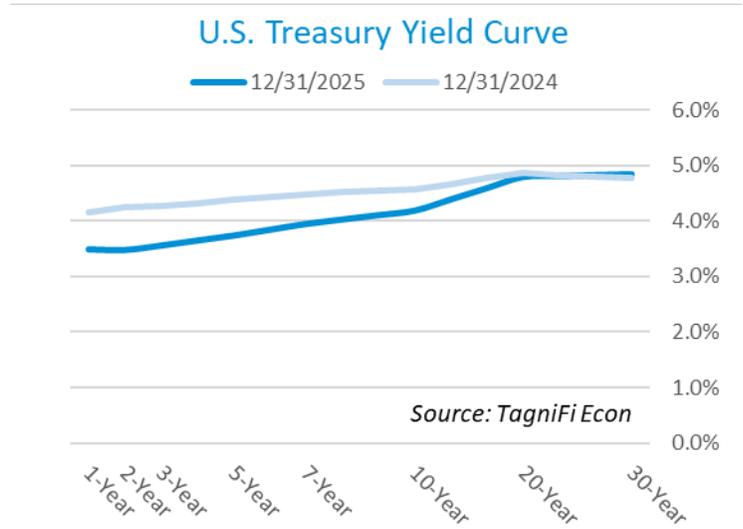
¹¹ Board of Governors of the Federal Reserve System (US), Industrial Production Index [INDPRO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/INDPRO>, February 23, 2026.

¹² Board of Governors of the Federal Reserve System (US), Capacity Utilization, Manufacturing (NAICS), retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MCUMFN>, February 23, 2026.

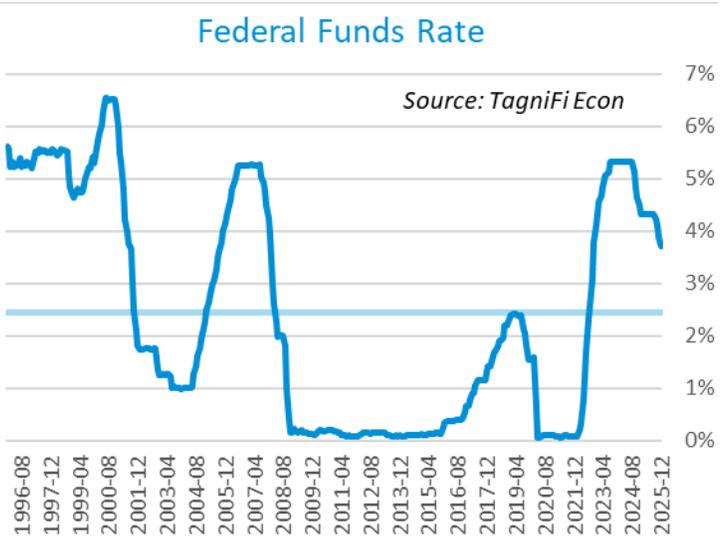


Interest Rates

Treasury yields¹³ for periods of one year recorded mixed readings, with 1-year through 10-year yields declining, 20-year yield remaining practically unchanged, and 30-year yield increasing during the 4th quarter. The closely watched two-year yield remained below the ten-year rate for the sixth consecutive quarter. The 1-year and 2-year annual treasury yields ended the 4th quarter at 3.48% and 3.47%, respectively. The benchmark 10-year treasury yielded 4.18% at the end of the quarter, while the 30-year treasury yielded 4.84%.



In the 4th quarter of 2025, the Federal Reserve twice cut the federal funds target rate¹⁴ - first, in October 2025 to a range of 3.75% to 4.00%, followed by a December 2025 cut to a range of 3.50% to 3.75%. Following aggressive fourth quarter cuts and amid persisting concerns about a softening economic outlook and a cooling employment market, the FOMC signaled a potentially more gradual approach to future easing. Overall, the Q4 interest rate range reflects a decline from the 23-year high of 5.25% to 5.50%. The effective federal funds rate declined to 3.75% in the 4th quarter.



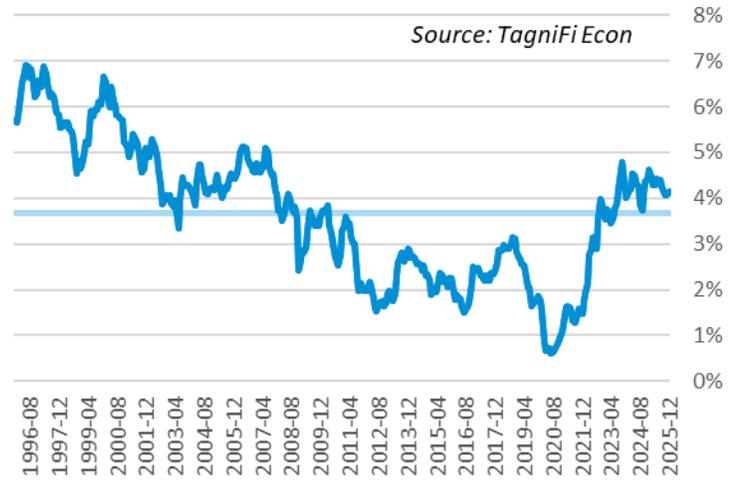
¹³ Selected Interest Rates Instruments, Yields in percent per annum, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/release/tables?rid=18&eid=289&od=2025-03-31#>, February 23, 2026.

¹⁴ Board of Governors of the Federal Reserve System (US), Federal Funds Target Range - Upper Limit [DFEDTARU], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DFEDTARU>, February 23, 2026.



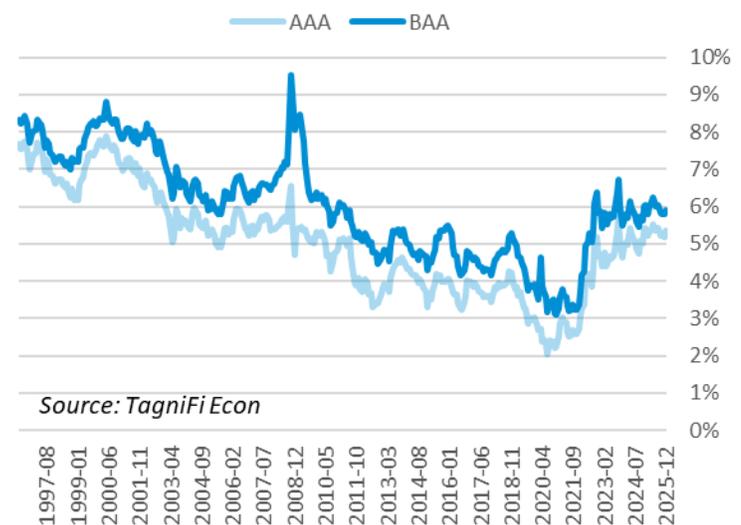
The yield on the benchmark 10-year U.S. treasury¹⁵ ended the 4th quarter at 4.18%, up 0.02% from the previous quarter and above the average yield of 3.67% over the last 30 years.

10-Year US Treasury Yield



Moody's Baa Corporate Bond Yield Index¹⁶ ended the 4th quarter of 2025 at 5.90%, up 0.07% from the previous quarter. Moody's less-risky Aaa¹⁷ Bond Yield Index increased by 0.13% during the quarter to 5.35%.

Moody's Corporate Bond Yields



¹⁵ Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DGS10>, February 23, 2026.

¹⁶ Moody's, Moody's Seasoned Baa Corporate Bond Yield [DBAA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DBAA>, February 23, 2026.

¹⁷ Moody's, Moody's Seasoned Aaa Corporate Bond Yield [DAAA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DAAA>, February 23, 2026.



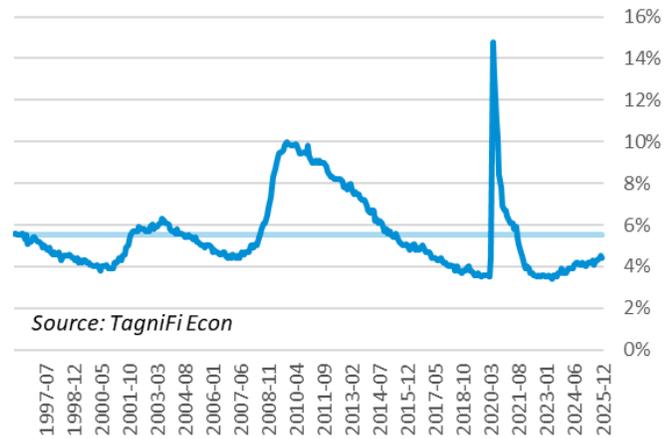
Employment

The jobs market, a bright spot in the US economy throughout the pandemic recovery, showed mixed results in the 4th quarter. The official unemployment rate¹⁸ ended the quarter at 4.4%, unchanged from the prior quarter’s unemployment rate of 4.4% and well below the 30-year historical average of 5.5%. The unemployment rate remained within the 4.0% to 5.0% range accepted as an equilibrium level of “full employment.” The labor force¹⁹ inched up by 0.2 million workers during the quarter, while the labor force participation rate²⁰ decreased slightly to 62.4% in December 2025, 0.9 percentage points below its pre-pandemic level. Economists polled by the Livingston Survey in December 2025 projected the unemployment rate to stand at 4.5% in December 2025, and remain at that level through December 2026.

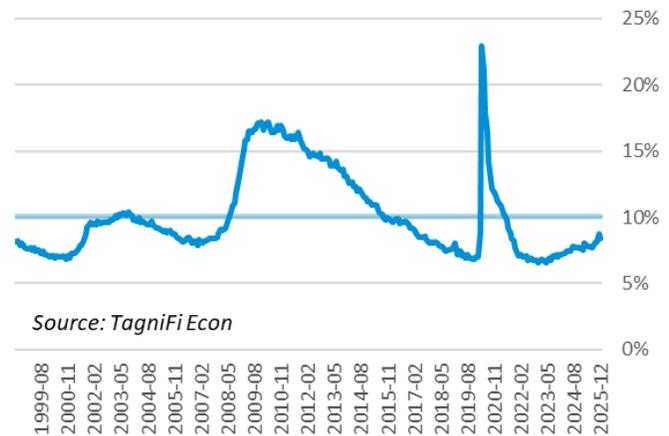
In December 2025, nonfarm worker quits²¹ stood at 3.1 million, up 0.3% over the month and up 3.4% over the year. Job openings²² totaled 6.5 million in December 2025, 2.0 times the number of resignations. The job openings count decreased by 5.6% and 12.9% from November 2025 and December 2024, respectively.

The U-6 unemployment rate²³ is an alternative measure of unemployment with a broader definition, including groups such as discouraged workers who are not actively searching for jobs but want full-time work and part-time workers who want full-time work. The U-6 unemployment rate has generally followed the same pattern as the official rate and stood at 8.4% in December.

Civilian Unemployment Rate



U-6 Unemployment Rate



¹⁸ U.S. Bureau of Labor Statistics, Civilian Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATE>, February 23, 2026.

¹⁹ U.S. Bureau of Labor Statistics, Civilian Labor Force Level [CLF16OV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CLF16OV>, February 23, 2026.

²⁰ U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CIVPART>, February 23, 2026.

²¹ U.S. Bureau of Labor Statistics, Quits: Total Nonfarm [JTSQUL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSQUL>, February 23, 2026.

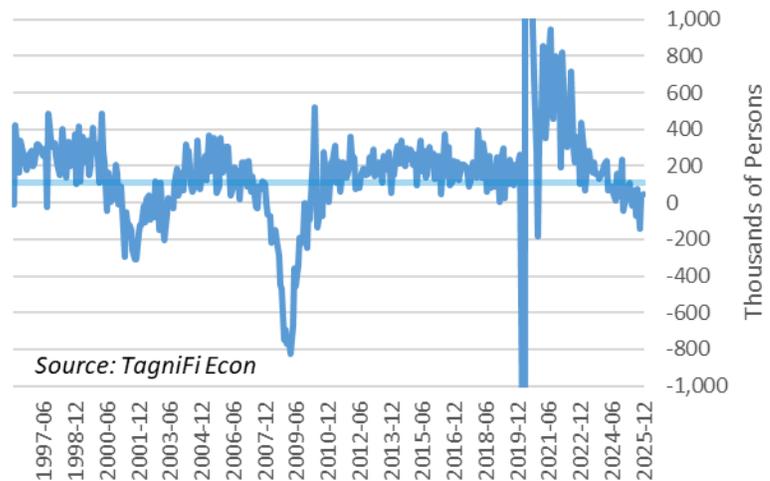
²² U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm [JTSJOL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSJOL>, February 23, 2026.

²³ U.S. Bureau of Labor Statistics Total Unemployed, Plus All Persons Marginally Attached to the Labor Force, Plus Total Employed Part Time for Economic Reasons, as a Percent of the Civilian Labor Force Plus All Persons Marginally Attached to the Labor Force (U-6) [U6RATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/U6RATE>, February 23, 2026.



Nonfarm payrolls²⁴ shed 0.1 million jobs in the 4th quarter and added 0.1 million in the month of December, suggesting an overall weakness in the employment market. U.S. nonfarm payrolls in December totaled 158.5 million jobs, up 0.2 million from the prior December. December's job market growth was primarily concentrated in health care, food services and drinking places, and social assistance. Retail jobs declined in December 2025.

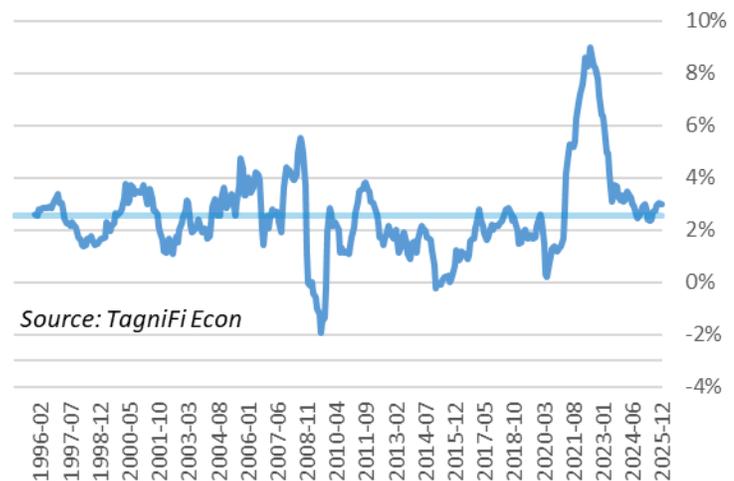
Change in Nonfarm Payrolls



Inflation

In the 4th quarter of 2025, inflation kept a more moderate pace compared to previous years with significant inflationary pressures. The Consumer Price Index²⁵ for all items rose 2.7% for the year ended December 2025. Since last December, notable price increases have included shelter, medical care (including medical care services), utilities, personal care, and food. Prices for gasoline declined year-over-year. Excluding volatile energy prices²⁶, the annual increase was 2.7%. The average price of a gallon of gas²⁷ in the U.S. decreased 8.7% since September 2025 to stand at \$3.05 at the end of the 4th quarter. December's average price was 3.0% lower than the one year prior.

Consumer Price Index



The Consumer Price Index increased by 0.3% in December 2025 compared to November 2025. In the month of December, prices increased in most categories, including food at home and away from home, utilities, new vehicles, apparel, shelter, transportation services, and medical care services. Prices for energy commodities and used cars and trucks were a notable exception, declining during the month.

The Federal Reserve, which had been taking aggressive action to curb inflation with a series of target interest rate hikes totaling 5.25 percentage points from March 2022 to July 2023, cut the target rate in both November and December 2024, bringing the total rate cut to 1.00% in 2024. In the first half of 2025, the Fed left the interest rate unchanged. However, the Fed continued with the cuts in September 2025, reducing the interest rate by an additional 0.25%. In the 4th quarter of 2025, the Federal Reserve cut the interest rate by 0.25% in both October and December, bringing the total 2025 interest rate cuts to 0.75%.

²⁴ U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm Payrolls [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS>, February 23, 2026.

²⁵ U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, February 23, 2026.

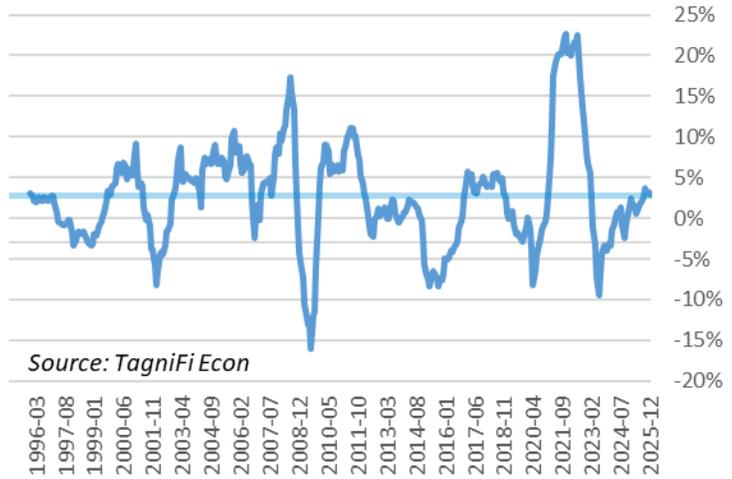
²⁶ U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Energy in U.S. City Average [CPILEGSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPILEGSL>, February 23, 2026.

²⁷ U.S. Bureau of Labor Statistics, Average Price: Gasoline, Unleaded Regular (Cost per Gallon/3.785 Liters) in U.S. City Average [APU000074714], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/APU000074714>, February 23, 2026.



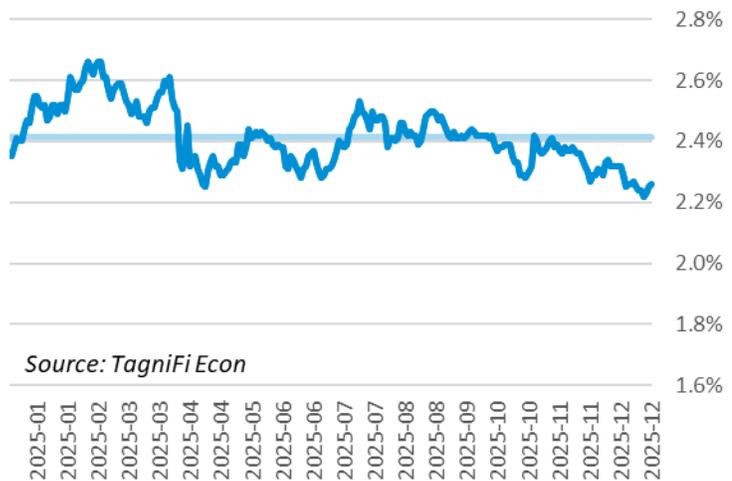
Wholesale inflation has been quicker to regulate than consumer inflation. The Producer Price Index²⁸ decreased by 0.5% in the 4th quarter and increased 2.9% since December 2024. The average annual increase over the last 30 years was 2.7%.

Producer Price Index



The 5-year breakeven inflation rate²⁹, an indicator of the market's inflation expectations for the period, decreased to 2.3% at the end of the 4th quarter from 2.4% at the end of the 3rd quarter.

5-Year Breakeven Inflation Rate



²⁸ U.S. Bureau of Labor Statistics, Producer Price Index for All Commodities [PPIACO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PPIACO>, February 23, 2026.

²⁹ Federal Reserve Bank of St. Louis, 5-Year Breakeven Inflation Rate [T5YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T5YIE>, February 23, 2026.



U.S. crude oil³⁰ prices decreased in the 4th quarter, settling at \$57.26 per barrel at the end of the quarter amid higher OPEC supply and ongoing concerns about softening U.S. and global economies. Crude prices ended the 4th quarter down 9.4% from the prior quarter and down 21.0% year-over-year.

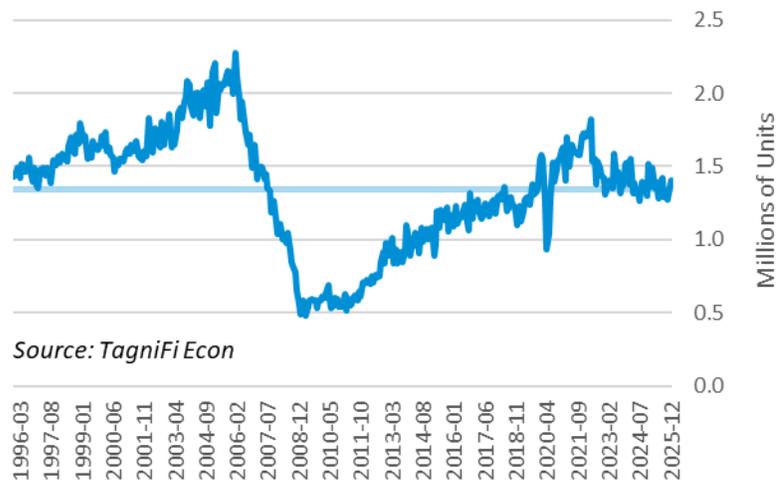
West Texas Intermediate (WTI)



Housing

The inventory of unsold homes decreased by 18.1% in December compared to the previous month and increased by 3.5% from December 2024. The median existing home sales price was up 0.4% compared to last year. The median sales price increased year-over-year in all four US regions.³¹ New home starts³² increased 5.7% between September 2025 and December 2025 to stand at 1.4 million, reflecting an increase in single-family and a decrease in multifamily home starts during the three-month period. Total new home starts were down 7.3% year-over-year and remained on par with their 30-year average of 1.3 million.

New Housing Starts



³⁰ U.S. Energy Information Administration, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma [DCOILWTICO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DCOILWTICO>, February 23, 2026.

³¹ NAR, Existing Home Sales Climb to Near 3-Year High in December; [https://eyeonhousing.org/2026/01/existing-home-sales-climb-to-near-3-year-high-in-december/#:~:text=According%20to%20the%20National%20Association%20of%20Realtors,price**%20\\$405%2C400%2C%20up%200.4%25%20from%20last%20year](https://eyeonhousing.org/2026/01/existing-home-sales-climb-to-near-3-year-high-in-december/#:~:text=According%20to%20the%20National%20Association%20of%20Realtors,price**%20$405%2C400%2C%20up%200.4%25%20from%20last%20year), February 23, 2026.

³² U.S. Bureau of the Census, Housing Starts: Total: New Privately Owned Housing Units Started [HOUST], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/HOUST>, February 23, 2026.



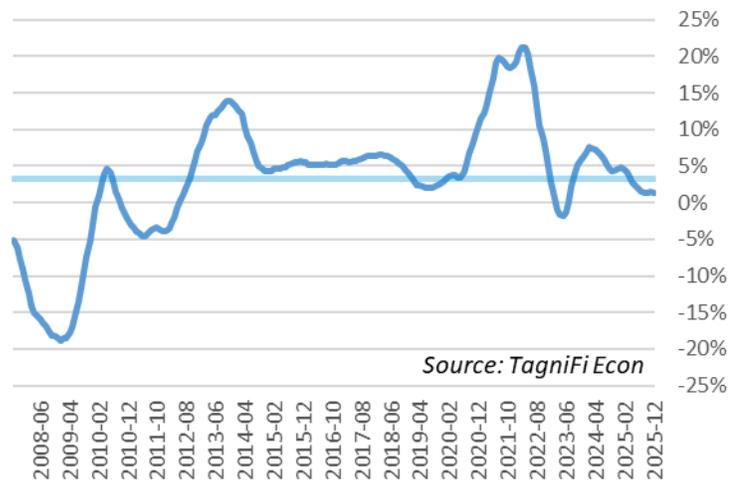
The cost of financing for would-be homebuyers decreased during the 4th quarter, with the 30-year fixed-rate mortgage³³ down 0.15 percentage points to an average of 6.15% at the end of December 2025. The average rate was 1.64% lower than its peak of 7.79% in late October 2023.

30-Year Mortgage Rate



The S&P Case-Shiller Home Price Index (20-city)³⁴ for December 2025 was 1.0% higher compared to September 2025 and 1.5% higher since December 2024. While 10 of the 20 cities recorded year-over-year increases, prices declined in 7 cities and remained practically unchanged in 2 cities. Tampa, Dallas, Phoenix, and Denver indexes fell 3.8%, 1.4%, 1.4%, and 1.3%, year-over-year, respectively. Chicago, New York, Cleveland, and Boston reported the highest annual gains of 5.7%, 5.1%, 3.4%, and 1.8%, respectively. While the housing data shows significant regional variations, overall Q4 2025 readings signal a broad weakening of the housing market due to high interest rates and tighter financial conditions.³⁵

S&P Case-Shiller Home Price Index



³³ Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MORTGAGE30US>, February 23, 2026.

³⁴ S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index [SPCS20RSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SPCS20RSA>, February 23, 2026.

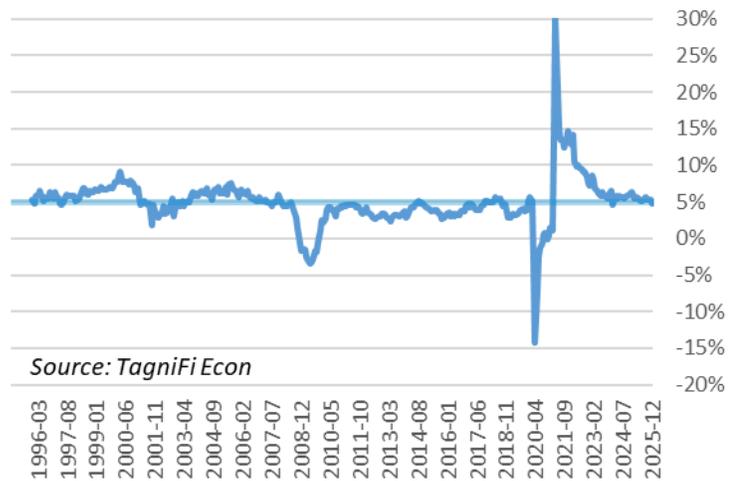
³⁵ S&P COTALITY CASE-SHILLER INDEX REPORTS ANNUAL GAIN IN NOVEMBER 2025; <https://www.spglobal.com/spdji/en/index-announcements/article/sp-cotality-case-shiller-index-reports-annual-gain-in-november-2025/>, February 23, 2026.



Consumer Spending

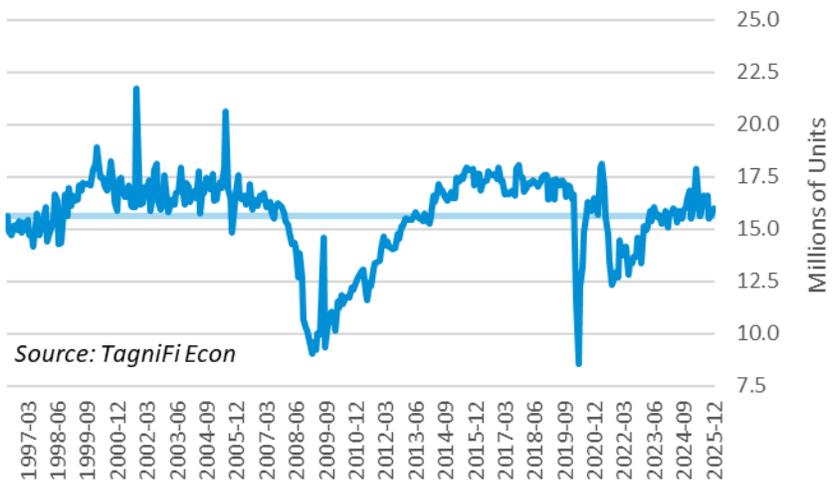
Personal Consumption Expenditures (PCE)³⁶ rose 1.3% in the 4th quarter to \$21.5 trillion and 4.7% over the same quarter last year. Spending increased in December for services such as healthcare services, financial services and insurance, housing and utilities, food services and accommodations, and transportation services.³⁷ Goods spending also increased, especially for gasoline and other energy goods, offset by a decline in motor vehicles and parts, clothing and footwear, and recreational goods and vehicles.

Personal Consumption Expenditures



Auto manufacturers reported autos and light trucks sold³⁸ at an annual rate of 16.0 million in December, down 3.6% from September. New vehicle prices³⁹ decreased 0.4% during the 4th quarter, remaining near their record high. Used car prices⁴⁰ decreased 0.1% from September to December.

Auto and Light Truck Sales



³⁶ U.S. Bureau of Economic Analysis, Personal Consumption Expenditures [PCE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCE>, February 23, 2026.

³⁷ U.S. Bureau of Economic Analysis, Personal Income and Outlays, December 2025; <https://www.bea.gov/news/2026/personal-income-and-outlays-december-2025>, February 23, 2026.

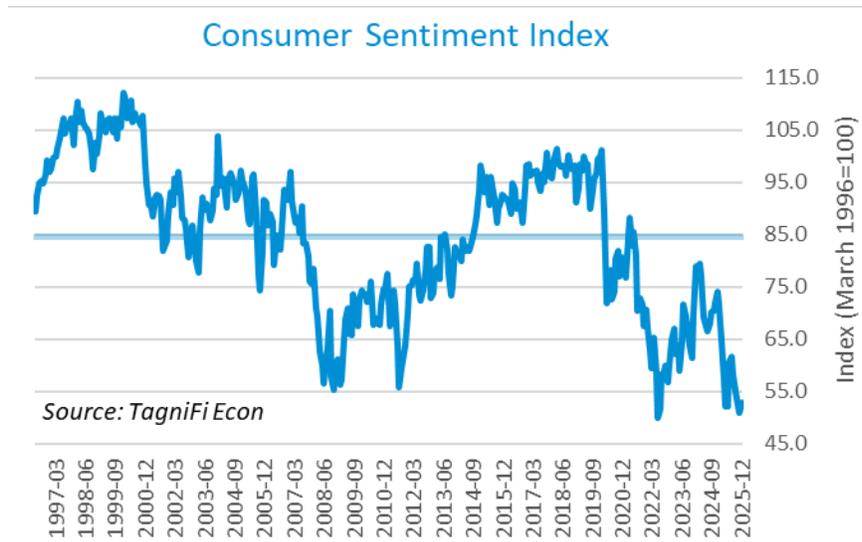
³⁸ U.S. Bureau of Economic Analysis, Light Weight Vehicle Sales: Autos and Light Trucks [ALTSALES], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/ALTSALES>, February 23, 2026.

³⁹ U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average [CUUR0000SETA01], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUUR0000SETA01>, February 23, 2026.

⁴⁰ U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average [CUSR0000SETA02], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUSR0000SETA02>, February 23, 2026.

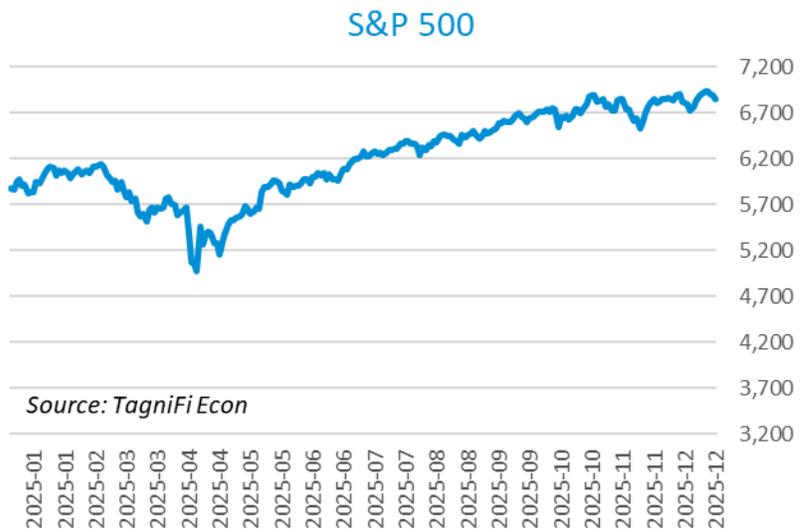


The University of Michigan’s consumer sentiment index⁴¹ stood at 52.9 in December, down from 55.1 in September 2025 and a steep decline from 74.0 recorded in December 2024. The index dropped to 51.0 in November before slightly rebounding in December. The index bottomed at its all-time low of 50.0 in June 2022. Economic uncertainty amid trade wars, inflation concerns related to higher tariffs, and a cooling labor market likely weighed on consumer sentiment and contributed to a sharp downturn in the sentiment index since its December 2024 high. The index was down 28.5% year-over-year and well below its 30-year average of 84.6.



Capital Markets

The table below shows the quarterly, year-to-date, and 12-month performance of the major U.S. equity indices. The stock market ended the quarter and the year on a positive note, shaking off economic uncertainty, building on third-quarter gains, and rebounding from heavy first-quarter losses to report annual gains.



⁴¹ University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UMCSENT>, February 23, 2026.



The fourth-quarter market gains were broad-based, with most major indexes rising from the 3rd quarter of 2025. During the quarter, the NASDAQ Composite and the NASDAQ 100 added 2.6% and 2.3%, respectively. The broader S&P 500 added 2.3%, while the Dow Jones Industrial Average registered an increase of 3.6%. Other blue-chip-focused Dow Jones averages—Transportation and Composite—were up 10.4% and 4.0%, respectively, during the 4th quarter. The Dow Jones Utility index declined 4.5% during the quarter.

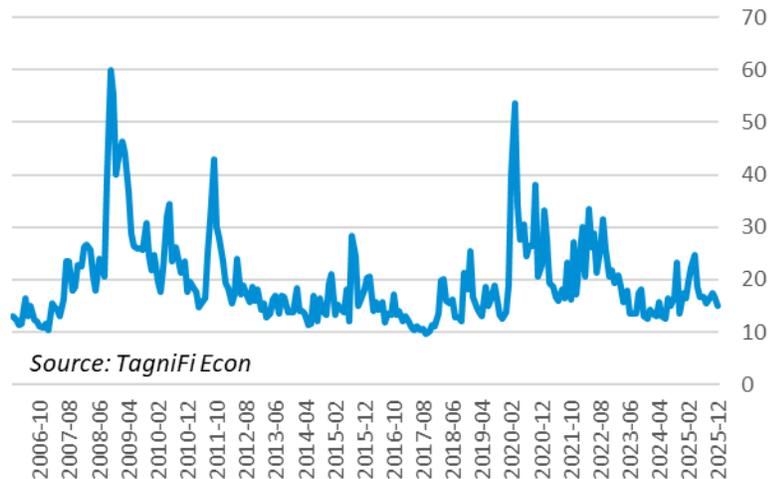
Equity Index	Closing Value	% Change		
		Quarter	YTD	12-Mo.
S&P 500	6,845.50	2.3%	16.4%	16.4%
Dow Jones Industrial Average	48,063.29	3.6%	13.0%	13.0%
Dow Jones Composite Average	14,943.26	4.0%	11.6%	11.6%
Dow Jones Transportation Average	17,357.19	10.4%	9.2%	9.2%
Dow Jones Utility Average	1,068.07	-4.5%	8.7%	8.7%
NASDAQ Composite	23,241.99	2.6%	20.4%	20.4%
NASDAQ 100	25,249.85	2.3%	20.2%	20.2%

The corporate bond indexes gained during the 4th quarter, with the ICE BofA US Corporate Index⁴² gaining 0.8% and the ICE BofA US High Yield Index⁴³ adding 1.3%, reflecting a strong quarter for corporate bonds.

Bond Index	Closing Value	% Change		
		Quarter	YTD	12-Mo.
ICE BofA US Corporate Bond Index	3,587.21	0.8%	7.8%	7.8%
ICE BofA US High Yield Bond Index	1,867.06	1.3%	8.5%	8.5%

Volatility Index (VIX)

As measured by the VIX⁴⁴, stock market volatility ended the 4th quarter of 2025 at 15.0, down 8.2% over the prior quarter and down 13.8% year-over-year. The VIX Index climbed to 26.4 on November 20th before receding to 15.0 at the end of the quarter.



Source: TagniFi Econ

⁴² Ice Data Indices, LLC, ICE BofA US Corporate Index Total Return Index Value [BAMLCC0A0CMTRIV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLCC0A0CMTRIV>, February 23, 2026.

⁴³ Ice Data Indices, LLC, ICE BofA US High Yield Index Total Return Index Value [BAMLHYH0A0HYM2TRIV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLHYH0A0HYM2TRIV>, February 23, 2026.

⁴⁴ Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/VIXCLS>, February 23, 2026.



Outlook

The FOMC cut the interest rate by 0.5% in the 4th quarter, noting a weakening job market and signaling a more cautious approach to future interest rate cuts. The Fed revised the near-term PCE inflation outlook slightly downward, and real GDP growth forecasts slightly upward. The median unemployment projection remained unchanged. Minimal adjustments were made to longer-term projections for any of the three indicators.

The FOMC revised the projections for Personal Consumption Expenditures (PCE) inflation⁴⁵ to 2.85% in 2025. The updated 2026, 2027, and 2028 projections stood at 2.40%, 2.10%, and 2.00%, respectively. Real GDP⁴⁶ projections stood at 1.70% for 2025 and 2.30%, 2.10%, and 1.95% for 2026, 2027, and 2028, respectively. The forecast unemployment rate⁴⁷ stood at 4.55% for 2025 and 4.35%, 4.25%, and 4.15% for 2026, 2027, and 2028. The Board revised projections of future target rates⁴⁸ to stand at 3.75% in 2025 and additional easing to bring the rates to 3.20% by the end of 2028. The committee emphasized its long-term goal of maximal employment and 2% inflation. While the committee noted that inflation remains a concern, the members emphasized that risk is shifting toward weakening job market conditions.

FOMC Summary of Economic Projections				
Year	Real GDP	PCE	Unemployment	Fed Funds
2025	1.70%	2.85%	4.55%	3.75%
2026	2.30%	2.40%	4.35%	3.25%
2027	2.10%	2.10%	4.25%	3.25%
2028	1.95%	2.00%	4.15%	3.20%

⁴⁵ Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Personal Consumption Expenditures Inflation Rate, Central Tendency, Midpoint [PCECTP1CTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCECTP1CTM>, February 23, 2026.

⁴⁶ Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product [GDPC1CTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1CTM>, February 23, 2026.

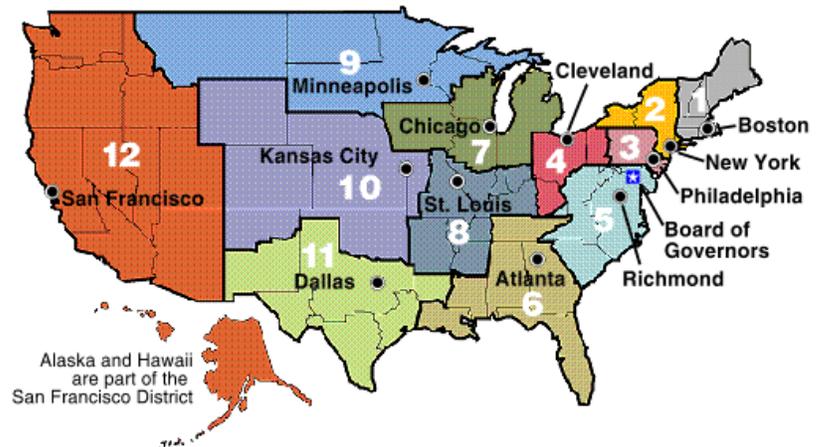
⁴⁷ Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Central Tendency, Midpoint [UNRATECTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATECTM>, February 23, 2026.

⁴⁸ U.S. Federal Open Market Committee and Federal Reserve Bank of St. Louis, *FOMC Summary of Economic Projections for the Fed Funds Rate, Range, Midpoint [FEDTARCTM]*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FEDTARCTM>, February 23, 2026.



Midwest Economy⁴⁹

Economic activity in the Seventh District was little changed over the reporting period and contacts expected a slight decline in activity over the next year. Consumer spending and construction and real estate demand rose slightly; employment was flat; nonbusiness contacts saw no change in economic activity; business spending fell slightly; and manufacturing activity declined modestly. Prices rose moderately, wages were up modestly, and financial conditions loosened modestly. Net farm income in 2025 was similar to 2024.



Labor Markets

Employment was flat over the reporting period, but contacts expected a slight increase over the next 12 months. Contacts frequently reported hiring only to replace departing employees, including retirees. Among those hiring, there was little change in worker availability, with very few contacts indicating difficulty finding workers. Employment placement agencies reported no change in demand on balance, with increased hiring by the hospitality sector offsetting further decreases in manufacturing. However, some contacts in fabricated metals manufacturing again reported a need for more skilled workers and a few contacts across a range of industries indicated some desire to increase employment. Wages were up modestly. Benefits grew moderately, with continued reports of higher health insurance costs.

Prices

Prices rose moderately on balance in late November and December and contacts expected a similar pace of growth over the next 12 months. Producer prices rose moderately. Nonlabor input costs rose moderately, with contacts highlighting higher costs for energy (particularly electricity) and raw materials. Manufacturing contacts continued to attribute some increases in raw materials prices to tariffs, while a few construction contacts reported little effect of tariffs on their operating costs. Consumer prices rose moderately, and one retail industry analyst said that to date about half of tariff-related cost increases had been passed through to consumers.

Consumer Spending

Consumer spending increased slightly overall over the reporting period. Non-auto retail spending was up modestly. Holiday sales came in largely as expected, though spending growth was stronger in November than in December. Sales growth was driven by promotions as retailers carefully managed their inventory, with the intensity of promotions similar to last year. Categories with notable growth were computers, software, and apparel while categories with lower spending included furniture, appliances, and jewelry. Leisure and hospitality spending was unchanged on balance; while spending at restaurants increased slightly, most travel-related categories were down. However, contacts reported improved hotel occupancy trends in December for Chicago properties and stronger event bookings for 2026. New light vehicle sales rose slightly, although dealers noted that consumers were opting to keep vehicles for longer before trading in. Used vehicle sales were steady, though some dealers in markets with large Hispanic populations reported noticeably weaker sales.

Business Spending

Business spending declined slightly in late November and December. Capital expenditures fell a bit, but contacts expected a slight increase in the coming year. Demand for truck transportation was flat on balance and rates continued to be soft. One consultant for the freight transportation industry expected that low profits could lead some small fleets to go out of business in the coming year. Retail inventories were a little lower than normal for a

⁴⁹ Primary Source: Federal Reserve, Beige Book – January 14, 2026, “Summary of Commentary on Current Economic Conditions” Extracted wholly or largely verbatim and/or substantially paraphrased.



post-holiday season. Stocks of new vehicles were comfortable, but low for used vehicles. Manufacturing inventories were a little high.

Construction and Real Estate

Construction and real estate activity increased slightly on balance over the reporting period. Residential construction declined slightly, with demand remaining soft for larger remodeling projects. Residential real estate activity edged down. Inventory levels rose while prices and rents were little changed. Nonresidential construction was flat. Construction remained strong for public projects, notably schools, and select sectors such as senior housing and data centers. However, new construction continued to be constrained by relatively high material and labor costs. Commercial real estate activity increased modestly, and developers noted that robust demand for data centers was contributing to strong competition for industrial-zoned land. Vacancy rates decreased slightly, with one contact highlighting a decline at retail centers. Prices and rents both edged up.

Manufacturing

Manufacturing demand decreased modestly overall in late November and December. Steel sales edged down. Fabricated metals orders declined moderately due to lower demand from a variety of industries. Machinery demand decreased. Auto production was up slightly, while heavy truck production decreased slightly. Some manufacturers noted longer lead times or shortages of raw materials, including of metals and rare earth minerals.

Banking and Finance

Financial conditions loosened modestly in late November and December. On balance, bond prices were flat, equity values rose slightly, and volatility fell modestly. Business loan demand was flat on net. Business loan rates fell modestly across the board but terms tightened slightly. Business loan quality fell slightly overall, with a few contacts noting a decline in quality for commercial real estate loans. In the consumer sector, loan demand increased modestly on net, in part due to increases in auto loans. One contact reported a small increase in bridge loans for homeowners. Loan quality increased slightly, with one contact noting improved quality for home equity loans and another for auto loans. Consumer loan rates fell modestly but terms tightened slightly.

Agriculture

District net farm income for 2025 was about the same as in 2024 and was higher than previously expected, after corn and soybean prices rallied in the fourth quarter despite a large harvest. Most livestock operations maintained their profitability. Contacts were "cautiously optimistic" about the recent announcement of federal government financial support. Still, with input costs elevated, contacts expected tight margins for crop operations in 2026, with some concerned that input costs could be boosted further by demand generated by government support. Farm borrowers felt some relief from lower interest rates. Specialty crop yields varied in 2025 but were mostly lower, with contacts citing labor costs and availability as major challenges. Cattle prices increased while hog and dairy prices declined. Egg prices were down modestly despite minor outbreaks of avian influenza. Contacts again mentioned trade concerns as uncertainty about tariff negotiations lingered and South American growers were on track for a large crop of corn and soybeans.

Community Conditions

Community, nonprofit, and other nonbusiness contacts described stable economic conditions overall, though with continued softening in the labor market and increased pressures from inflation. State and municipal government contacts reported stable conditions while noting some uncertainty about the impact of weaker labor markets on consumer spending. Small business contacts were feeling the impact of federal policies, including tariffs and changes to small business support programs. Leaders of social service organizations were relying on collaborations to sustain service delivery in the face of funding changes. High utility costs were straining household budgets, resulting in high demand for food assistance and other supports, like housing and transportation.