

2026 Economic Outlook: Key Takeaways for Clients

The U.S. economy enters 2026 on solid footing, though conditions remain uneven across industries and income levels. Below are important highlights from our recent economic update webinar featuring [Anoop Mishra \(Federal Reserve Bank of Atlanta\)](#) and [John Norris \(Oakworth Capital Bank\)](#).

ECONOMIC GROWTH

- GDP growth is expected to remain steady around 2 to 2.5%.
- Early volatility in 2025 was driven by trade and inventory timing, not economic weakness.
- The economy is large and slow-moving, making sharp reversals unlikely.

CONSUMERS AND BUSINESS CONDITIONS

- Upper-income households continue to drive consumer spending.
- Middle- and lower-income consumers remain under pressure.
- AI-related infrastructure and energy investment remain strong, while housing and real estate lag.

LABOR MARKETS

- Hiring has slowed, but layoffs remain limited.
- Wage growth has normalized near 3%.
- Employers are prioritizing productivity over headcount expansions.

INFLATION AND COST PRESSURES

- Inflation remains elevated at around 2.7 to 3%.
- Essential goods and services continue to rise faster than discretionary items.
- Businesses face margin pressure as pricing power weakens.



INTEREST RATES AND FEDERAL RESERVE POLICY

- The Fed has already cut rates approximately 175 basis points.
- Policymakers are approaching a neutral rate environment.
- Additional rate cuts may be limited due to inflation risks.

HOUSING MARKET OUTLOOK

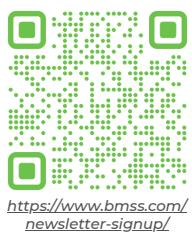
- Mortgage rates are unlikely to return to historic lows.
- Housing affordability is more likely to improve through price stabilization.
- Sales activity should normalize gradually over time.

ARTIFICIAL INTELLIGENCE AND THE FUTURE OF WORK

- AI is improving productivity rather than eliminating jobs.
- Professional services may see slower job growth.
- Skilled labor shortages are expected to persist.

BOTTOM LINE

The economic outlook for 2026 points to steady growth, persistent cost pressures, cautious hiring, and increased reliance on productivity and technology. Strategic planning and adaptability remain key as we continue moving into 2026.



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