

Central PA Chapter, Financial Executives International: Current Economic Developments

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Topics Covered Today: Current Economic Developments

- General economic conditions
 - Consumer spending remained flat for the most part; however, there are some signals of concerns for future spending.
- Labor market conditions
 - The overall labor market may have bottomed out with recent evidence of stability; however, conditions vary substantially by industry.
- Inflation and monetary policy
 - Inflation remains above the target. Recent developments in Iran have resulted in higher inflation expectations at least in the short run.

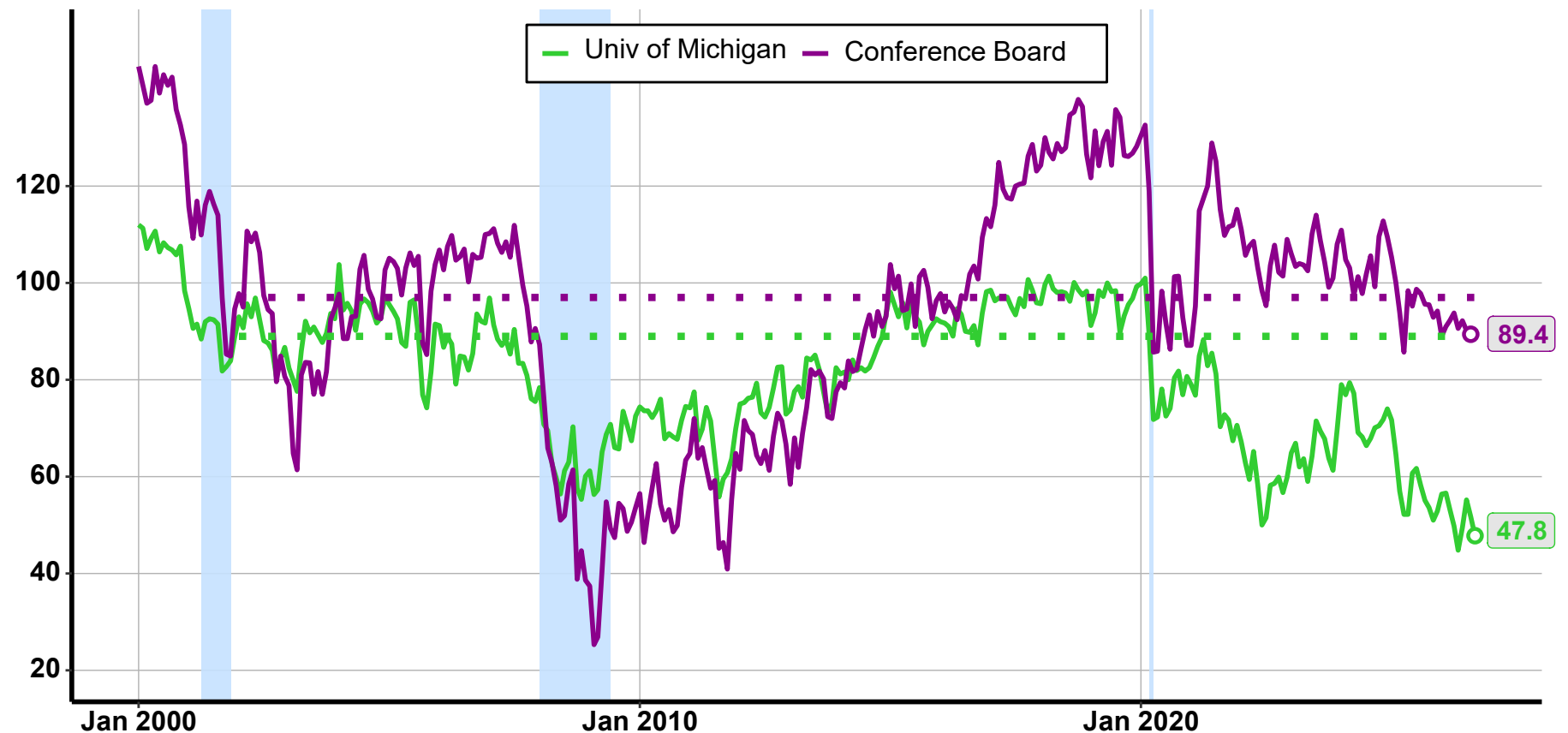
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Consumer Confidence Indexes

- Relative to a year ago, consumers' current sentiment has fallen.
- *“Year-ahead expectations for both personal finances and business conditions plunged. With a resurgence in fuel prices and trade tensions, consumers anticipate greater pressures on their pocketbooks to come.”*
— September 2026 University of Michigan Survey report

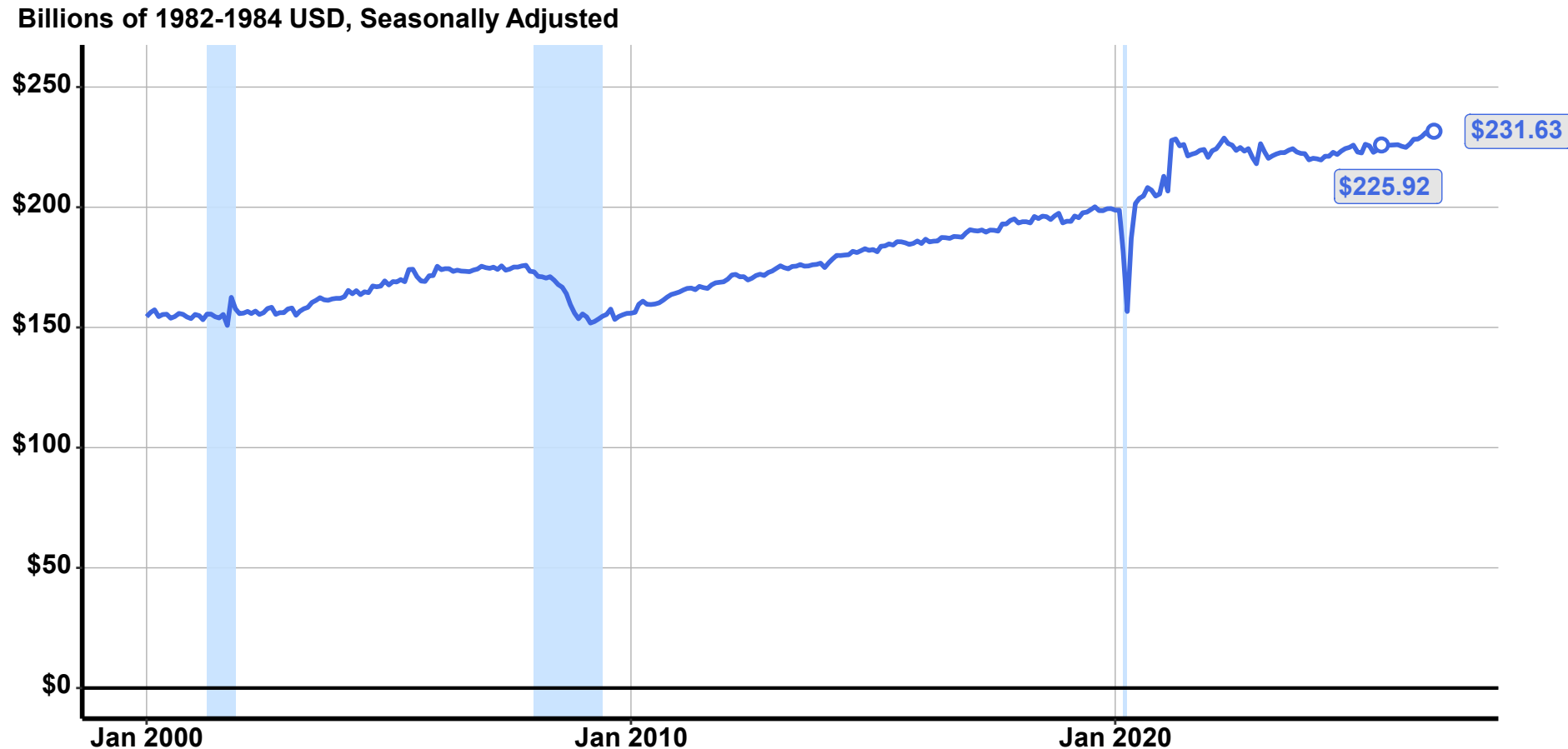
Index (U Mich: 66Q1 = 100, Conference Board: 1985=100)



Source: University of Michigan and Conference Board via Haver Analytics
Months plotted: Jan 2000 to Sep 2026

Inflation Adjusted Total Monthly Retail Sales

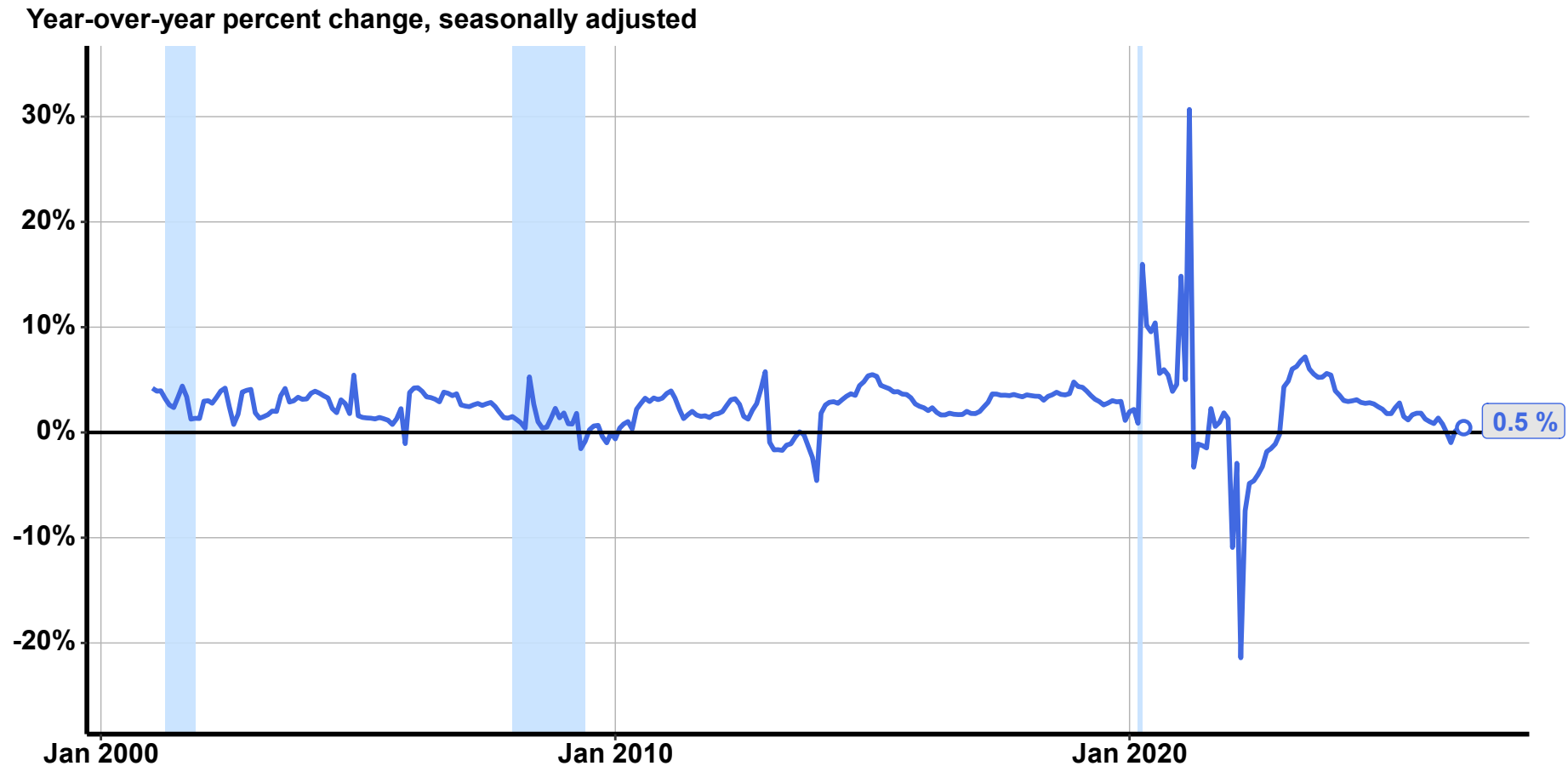
- Consumer spending increased slightly over the past year but basically remained flat.
- Essentially no growth for the past few years, but also no significant decline either.
- At the same time, income growth has noticeably slowed down during the same period (next slide).



Source: US Census Bureau
Months plotted: Jan 2000 to Aug 2026

Real Disposable Income Growth, United States

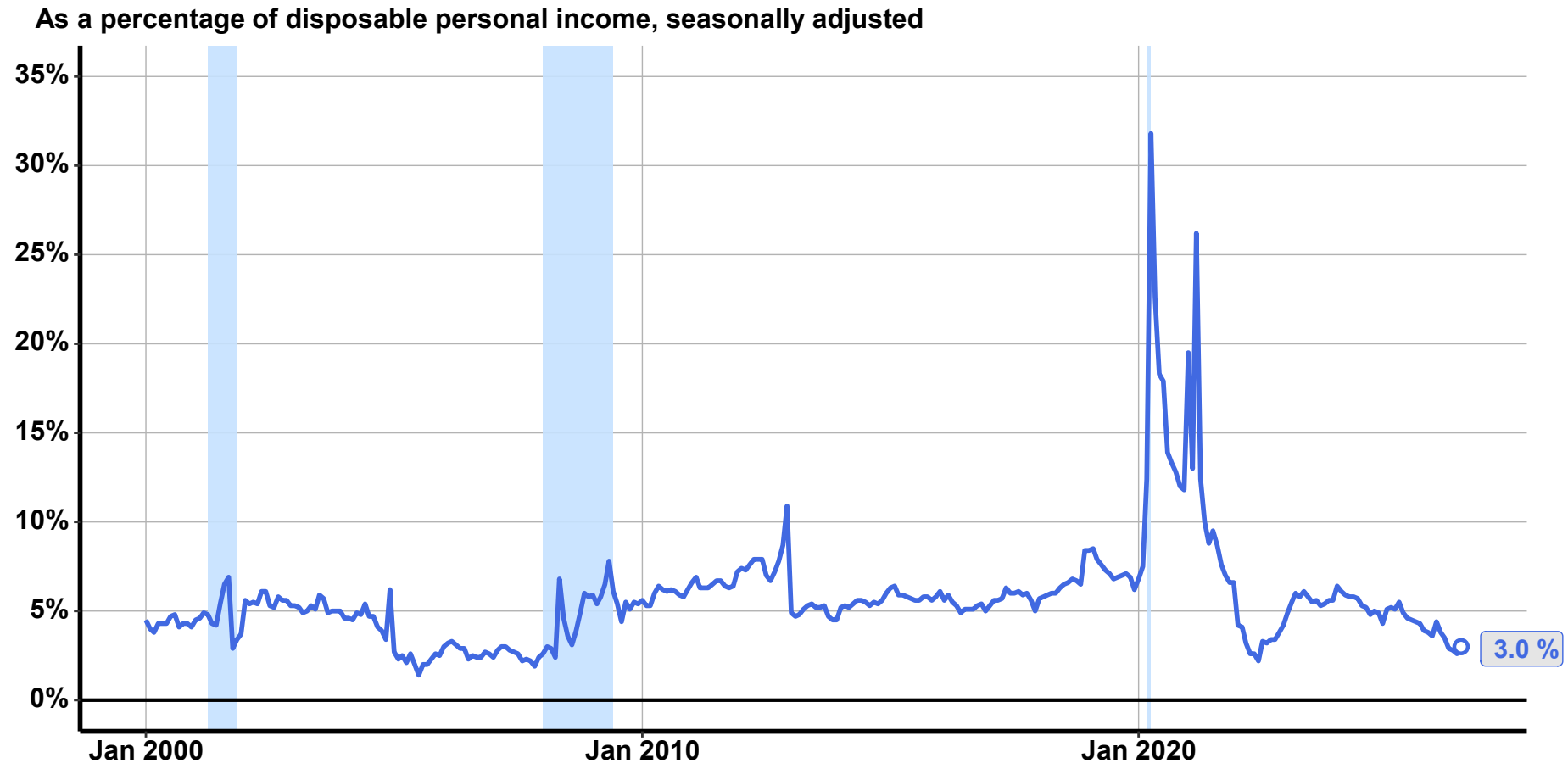
- Growth rate for inflation-adjusted after-tax income has been declining consistently since June 2023.
- It turned negative in March for the first time since the end of 2022.



Source: Bureau of Economic Analysis via Haver Analytics
Months plotted: Jan 2001 to Jul 2026

Personal Saving Rate, United States

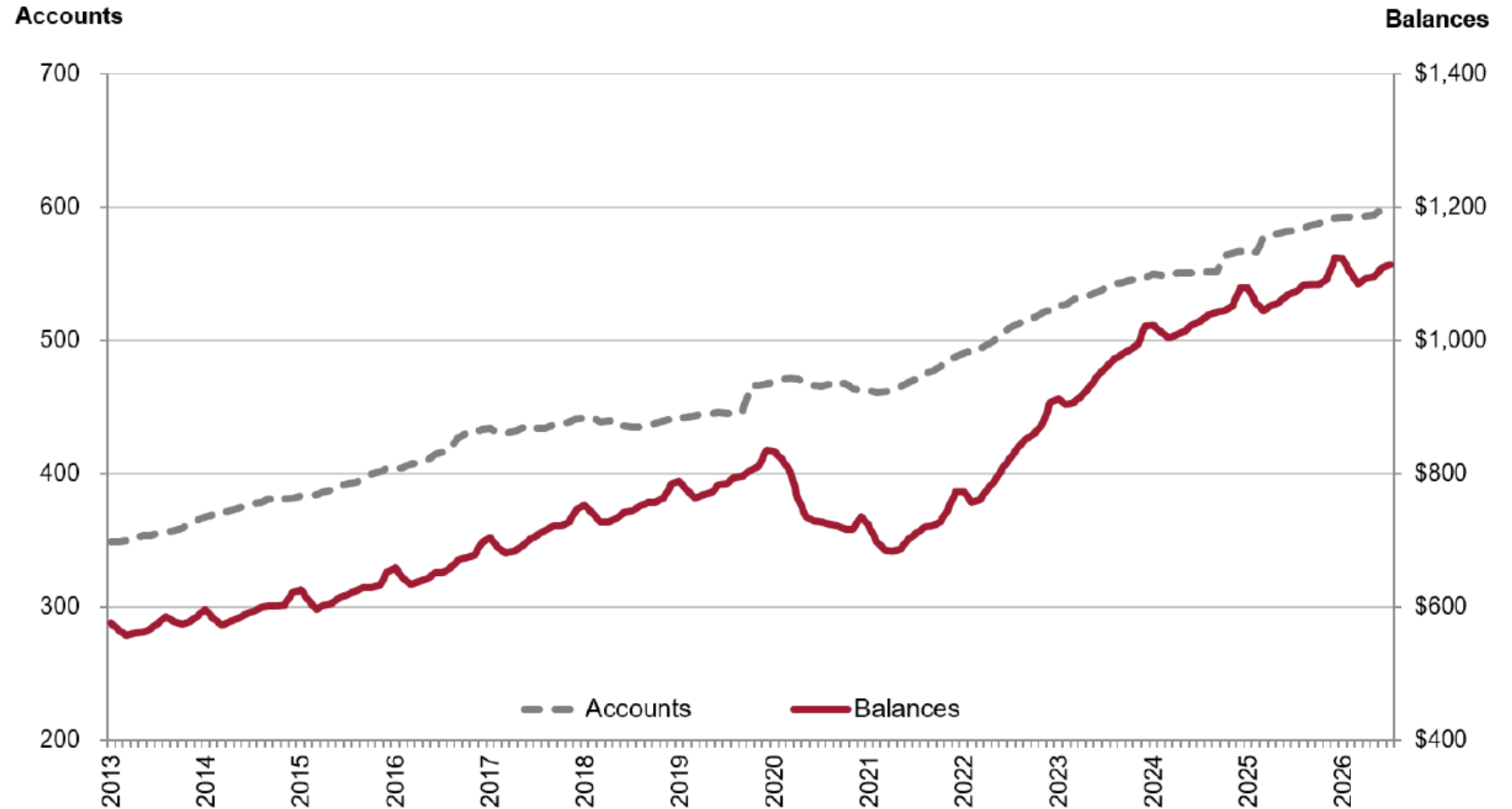
- Personal saving rate has continued to fall, suggesting that at least some of the consumption has been financed by reducing savings.



Source: Bureau of Economic Analysis
Months plotted: Jan 2000 to Jul 2026

Credit Card Outstanding Loans, United States

- As the savings rate continued to fall, credit card balance (red line) has continued to rise – 3.8% increase year-over-year as of July to \$1.1T.
- In mid-2022, the total outstanding balance was around \$800B.
- Could this be a concern for future spending?



Source: Equifax
Last month plotted: Jul 2026

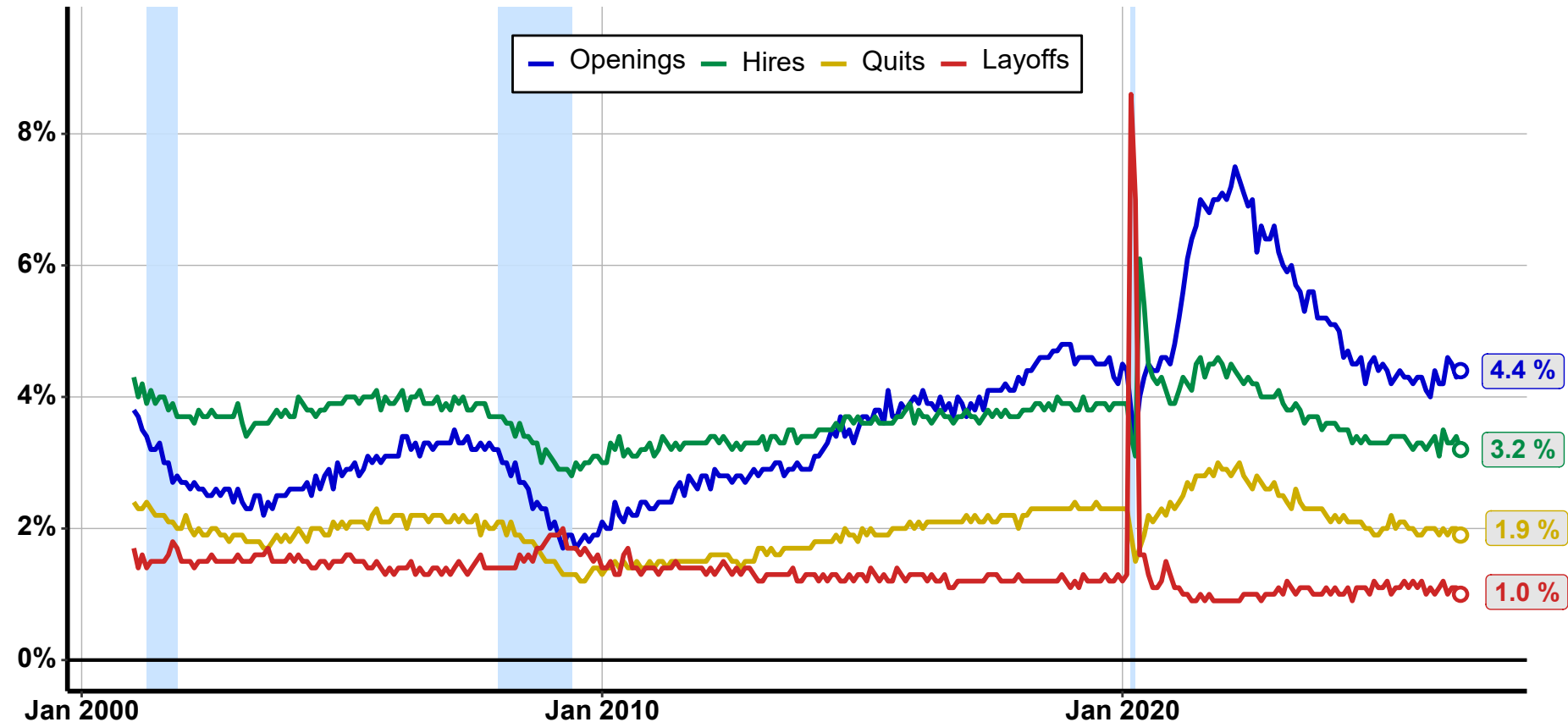
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Job Openings and Labor Turnover Survey, The U.S.

- Openings, hires, and layoffs rates all changed little over the last few months: “low hire, low fire” labor market.
- Quits rate also changed little and stayed low – suggesting lower attrition, which further reduces the need to hire.

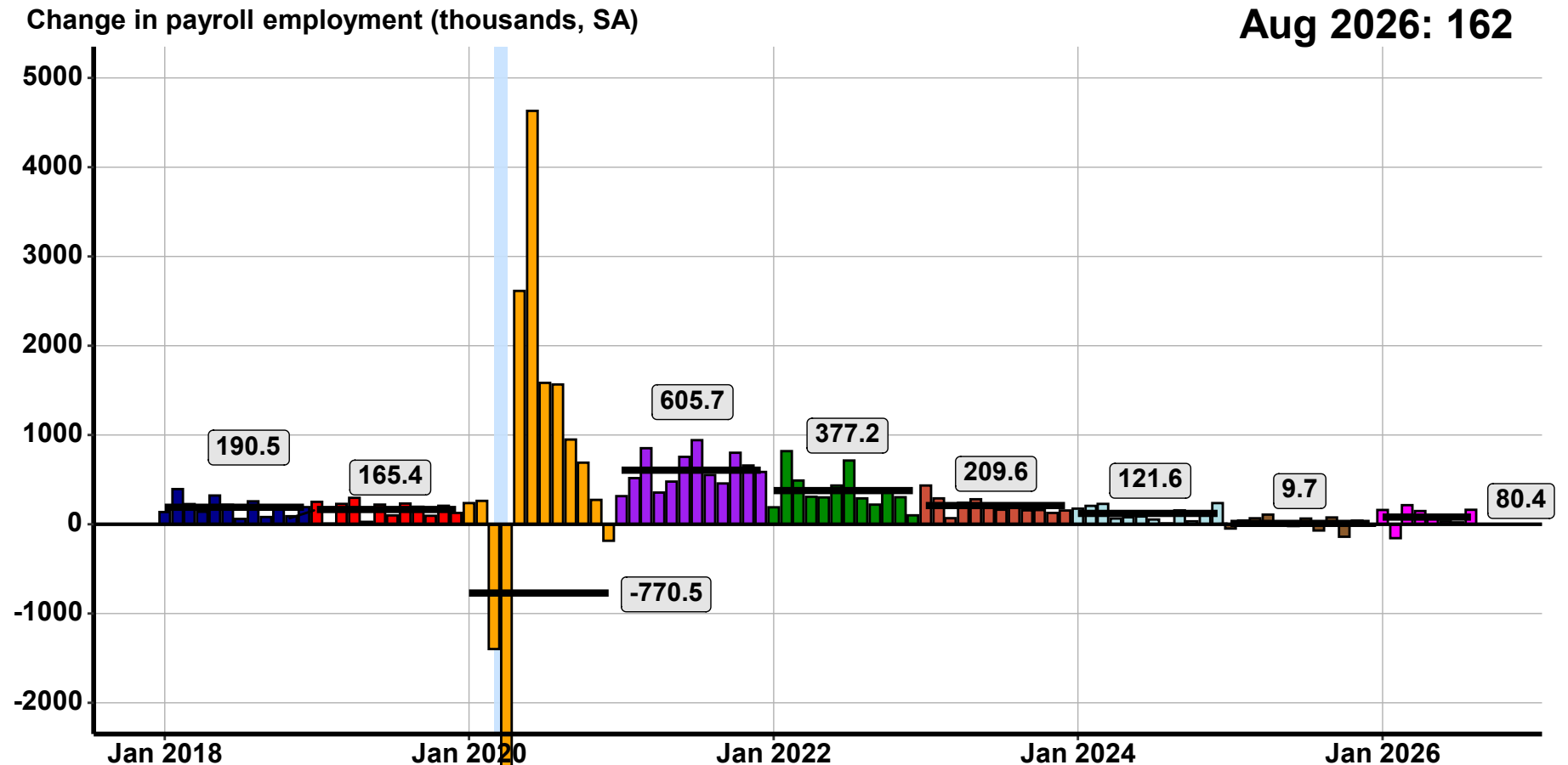
Job Openings, Hires, and Separations (Seasonally Adjusted)



Source: BLS via Haver Analytics
Months plotted: Jan 2001 - Jul 2026

Change in Monthly U.S. Payroll Employment

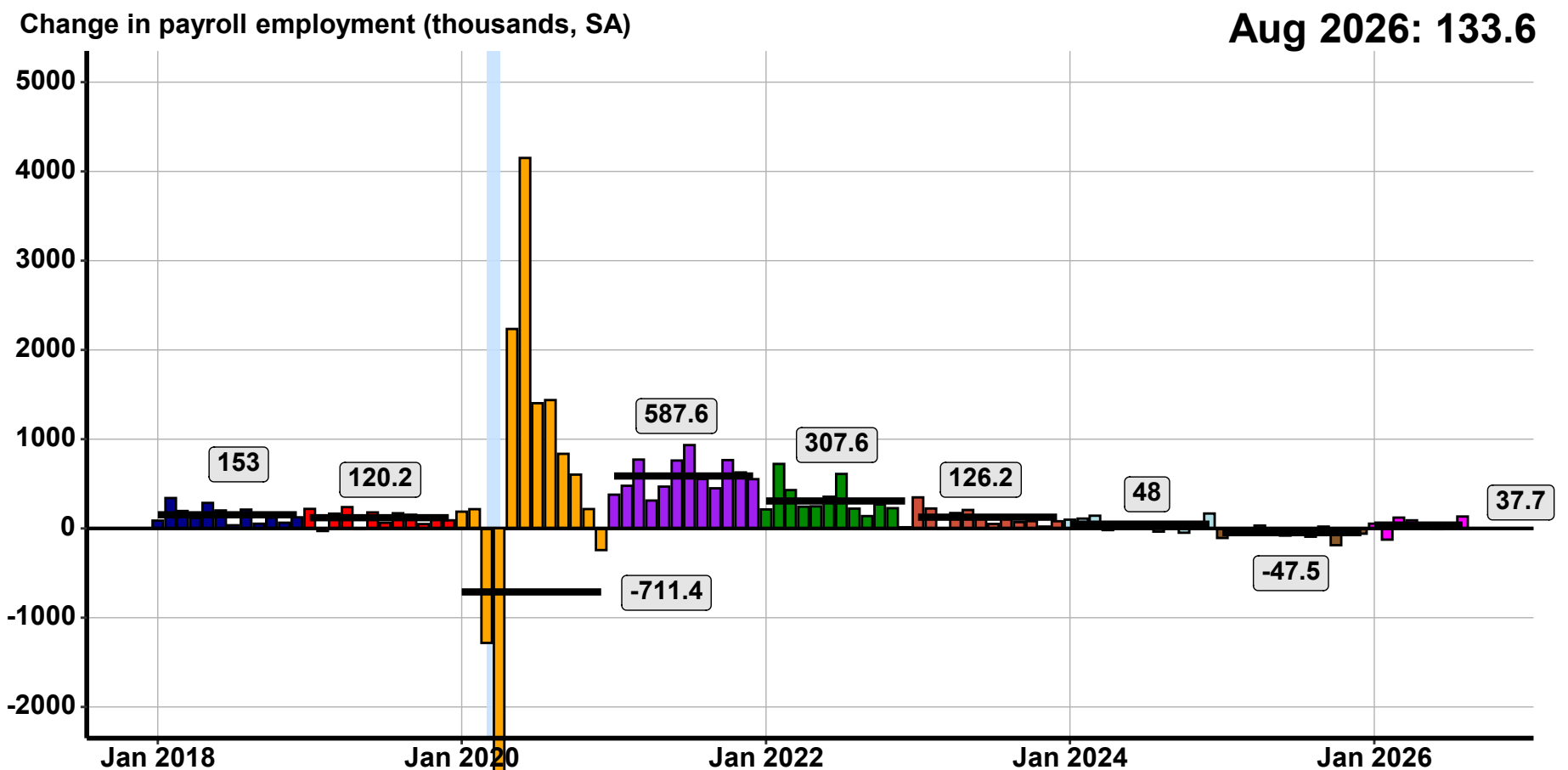
- After years of continuous deceleration, the overall payroll employment data show some signal of stability in the past few months.
- However, this narrative can vary substantially depending on the sector.



Source: BLS via Haver Analytics
Months plotted: Jan 2018 - Aug 2026
Black lines indicate annual averages.

Change in Monthly U.S. Payroll Employment: Excl. Health Care and Social Assistance

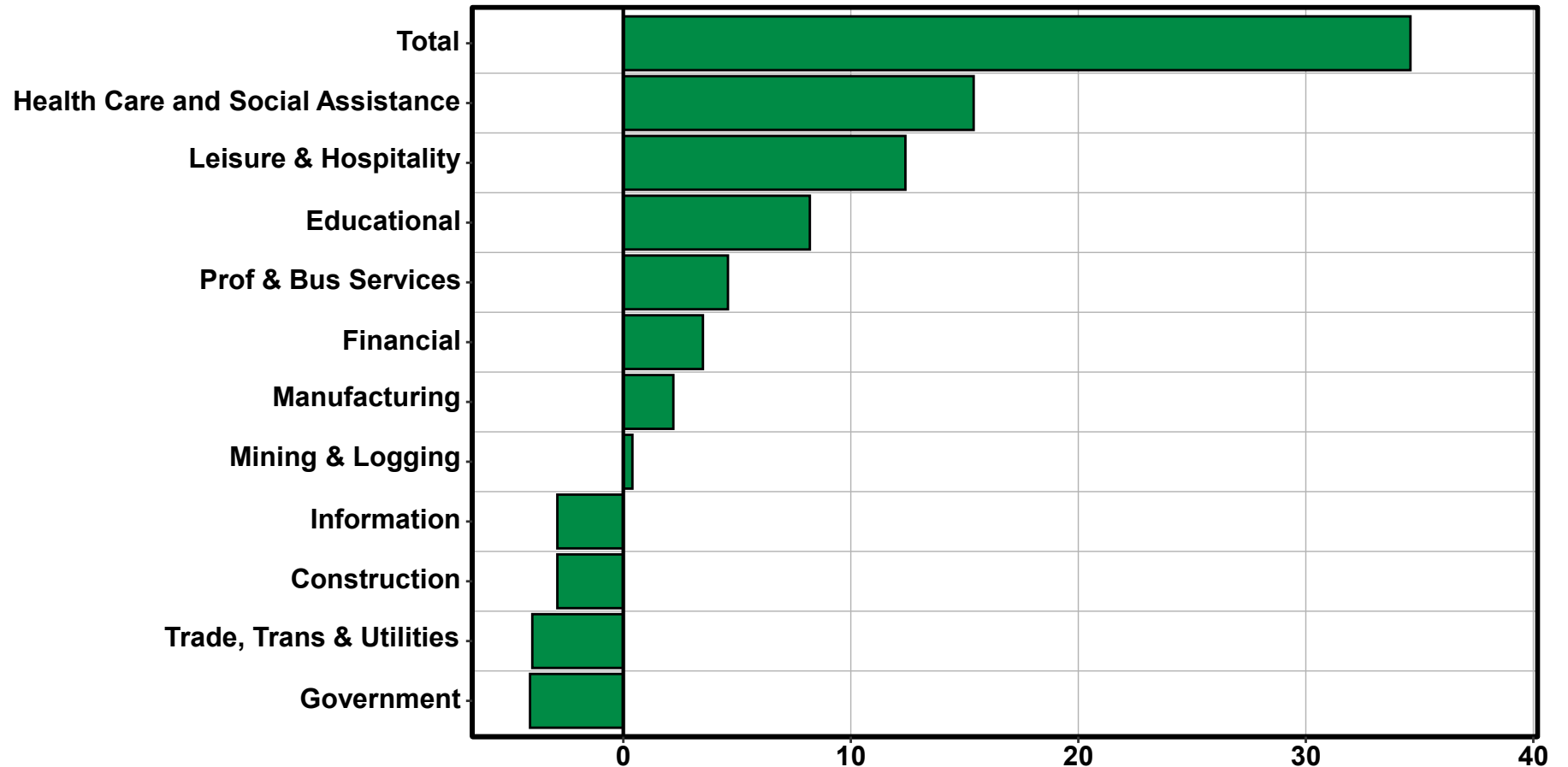
- Job gain in the health care and social assistance sector has accounted for a significant share of overall net job gain for the past few years.
- Excluding the jobs in that sector, we saw a net negative average monthly change in payroll employment in 2025.



Source: BLS via Haver Analytics
Months plotted: Jan 2018 - Aug 2026
Black lines indicate annual averages.

Annual Employment Growth by Sector (in Thousands), PA

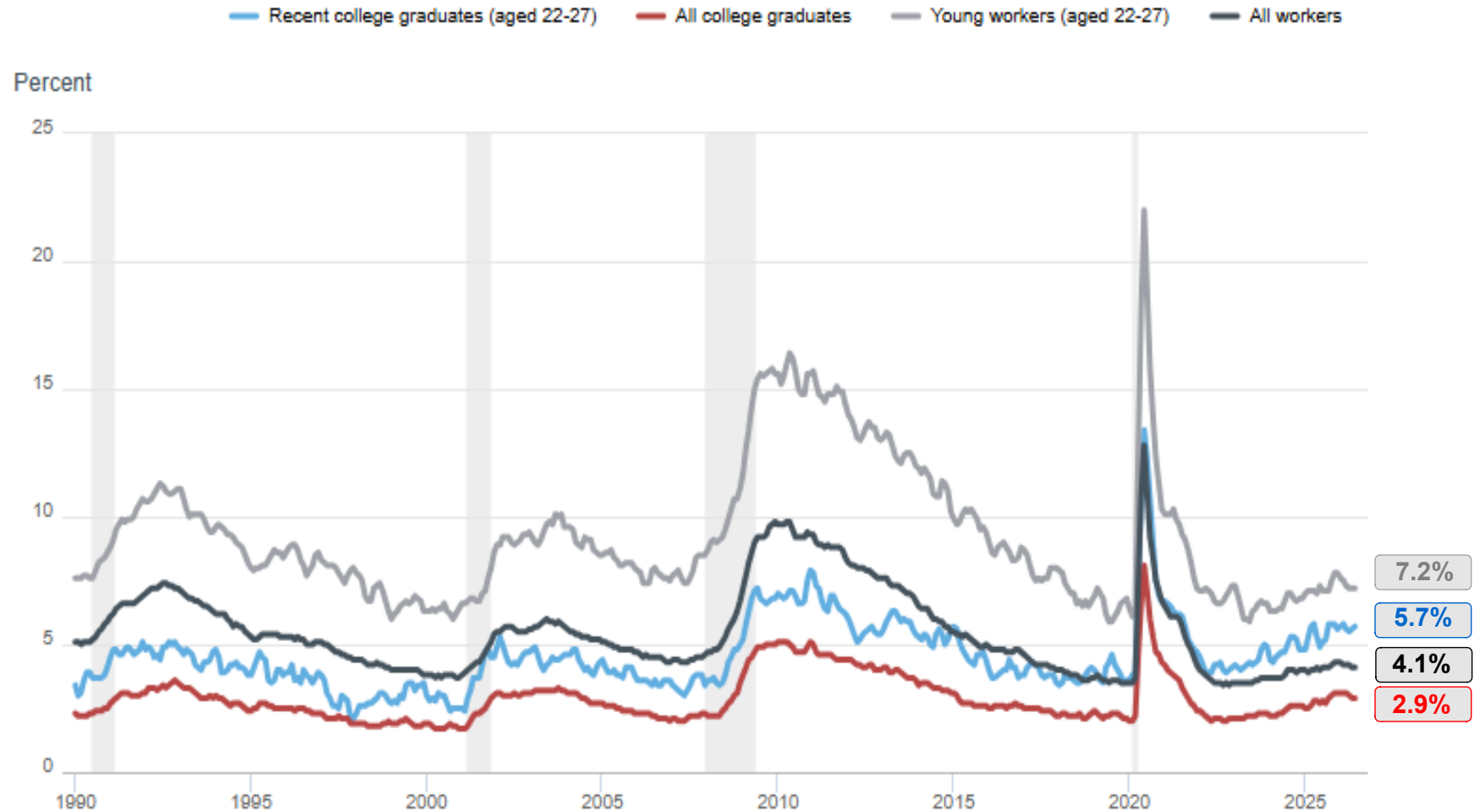
- Most employment sectors have reported a noticeable slowdown over the past few years.
- At this point, only health care services sector is reporting solid growth.



Source: Bureau of Labor Statistics via Haver Analytics
Last month included: Aug 2026

Unemployment Rates, The United States

- Finding a job has become increasingly more difficult for those who are currently unemployed, likely reflecting lower demand for workers in this environment.
- The trend is more apparent among recent college graduates (blue).
- Although it's too early to tell, increased investment in generative AI could lead to further decrease in demand for workers who perform certain tasks.

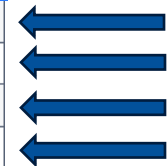


Source: US Census Bureau and Bureau of Labor Statistics via NY Fed
Quarters plotted: Q1 1990 to Q2 2026

Median AI Exposure by Major Occupation Groups

- Median AI exposure score across all occupation is 0.307, indicating that roughly 31% of its tasks will be exposed to AI.
- Some occupations with highest exposure to AI include: business and financial operation, computer/math, sales, and office and administrative support.

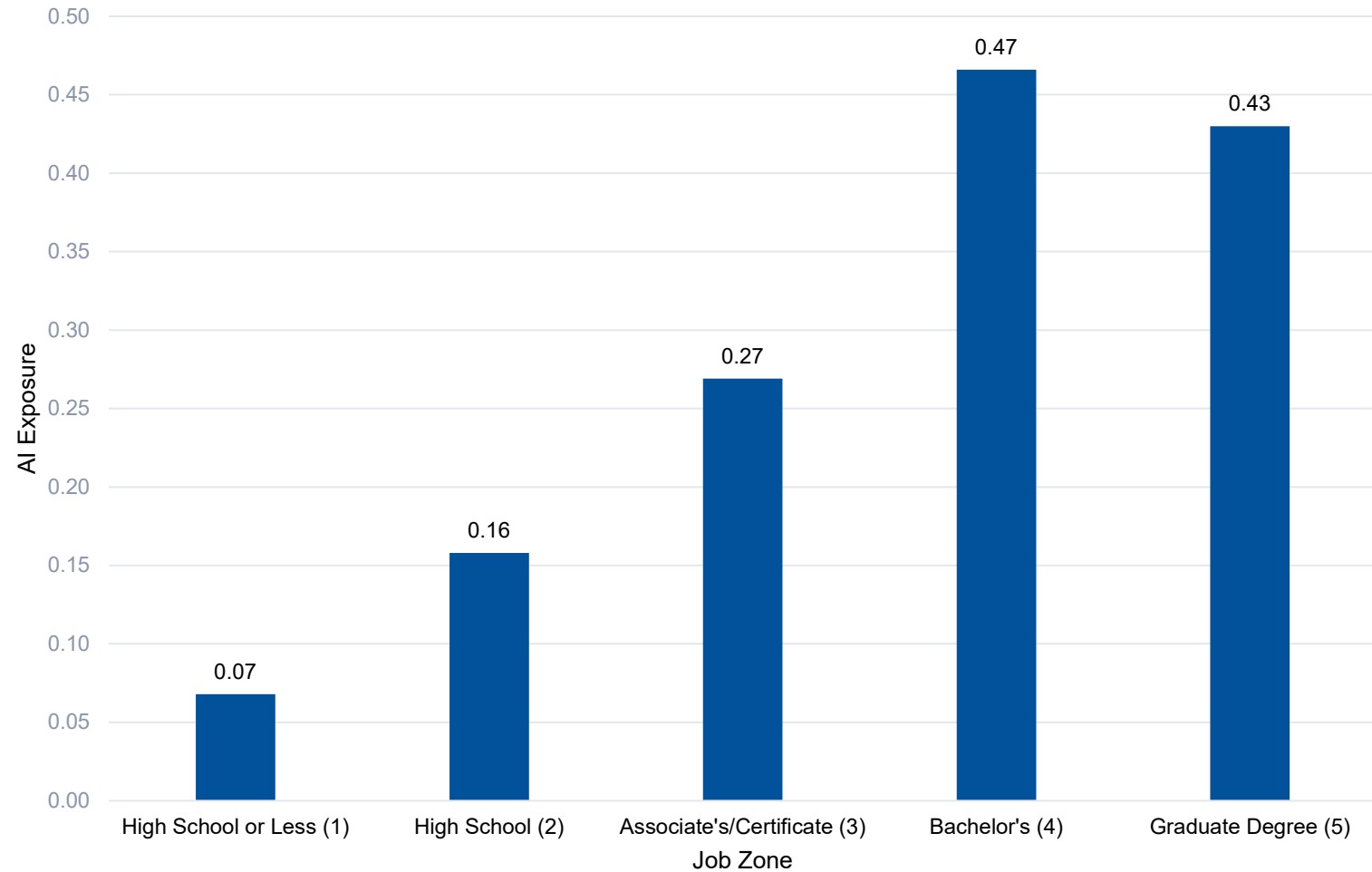
SOC 2-Digit Code	Occupation Group	All	Typically Requires Bachelor's	Does Not Typically Require Bachelor's
00	All occupations	0.307	0.449	0.14
11	Management	0.451	0.45	0.401
13	Business and financial operations	0.504	0.52	0.48
15	Computer and mathematical	0.597	0.598	0.587
17	Architecture and engineering	0.447	0.475	0.353
19	Life, physical, and social science	0.492	0.517	0.323
21	Community and social service	0.351	0.351	NA
23	Legal	0.448	0.371	0.502
25	Educational instruction and library	0.416	0.424	0.376
27	Arts, design, entertainment, sports, and media	0.352	0.474	0.221
29	Healthcare practitioners and technical	0.293	0.319	0.19
31	Healthcare support	0.136	NA	0.136
33	Protective service	0.273	0.278	0.291
35	Food preparation and serving related	0.116	NA	0.116
37	Building and grounds cleaning and maintenance	0.06	NA	0.06
39	Personal care and service	0.233	0.25	0.232
41	Sales	0.52	0.532	0.405
43	Office and administrative support	0.5	0.637	0.486
45	Farming, fishing, and forestry	0.076	NA	0.076
47	Construction and extraction	0.026	NA	0.026
49	Installation, maintenance, and repair	0.082	NA	0.082
51	Production	0.065	NA	0.065
53	Transportation and material moving	0.143	0.273	0.139



Source: FRB Philadelphia – “Occupational Exposure to Generative Artificial Intelligence in the Third Federal Reserve District.”

AI Exposure by Educational Requirement

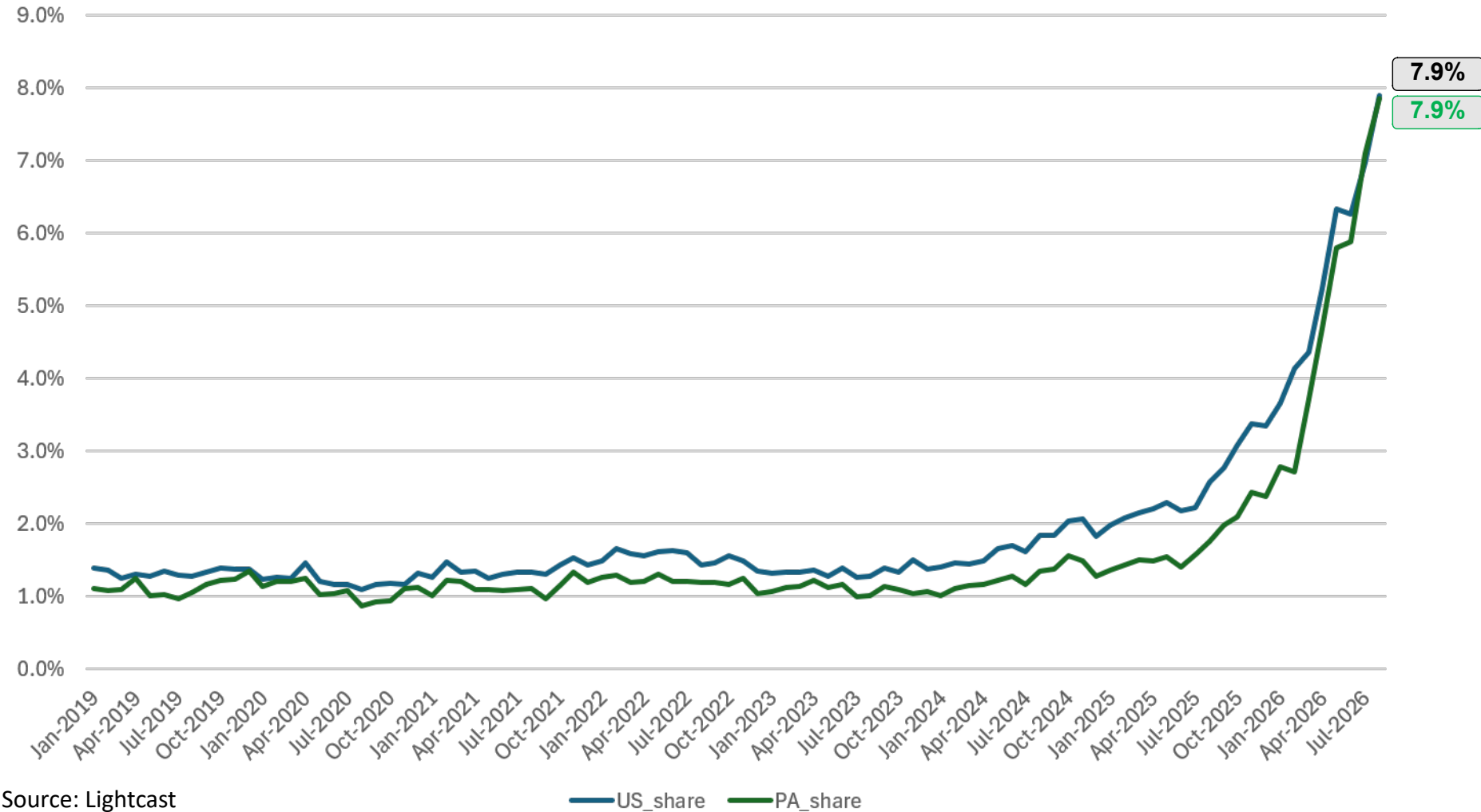
- There is a positive relationship between job zone (educational requirement) and AI exposure across all occupations.
- Occupations requiring more education are generally more exposed to AI.



Source: FRB Philadelphia – “Occupational Exposure to Generative Artificial Intelligence in the Third Federal Reserve District.”

Share of AI Job Postings (as Share of All Job Postings)

- Job postings asking for at least one AI-related skill has increased rapidly since mid-2025.
- However, they still account for a small fraction of all job postings.



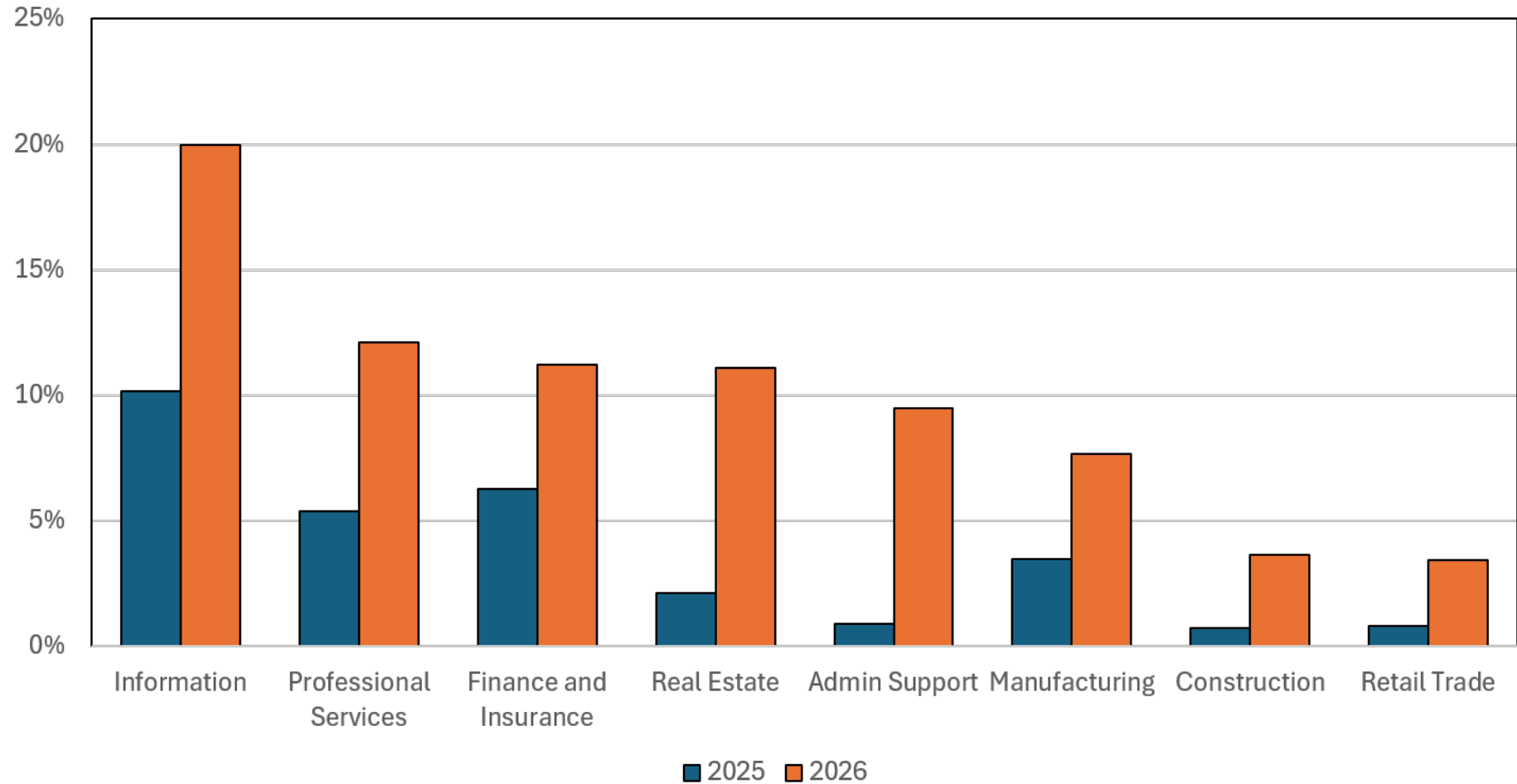
Source: Lightcast

Last month plotted: August 2026

Note: An “AI Job Posting” is defined as a posting whose listed skills are related AI, Autonomous Driving, Natural Language Processing, Neural Networks, Machine Learning, Robotics, and Visual Image Recognition.

Share of AI Job Postings by Industry: DE, NJ, and PA

- The Information sector has been, and continues to be, the leader for interest in workers with AI skills.
- However, other industries are rapidly catching up with strong growth rates over the past 12 months.



Source: Lightcast

Last month plotted: June 2026

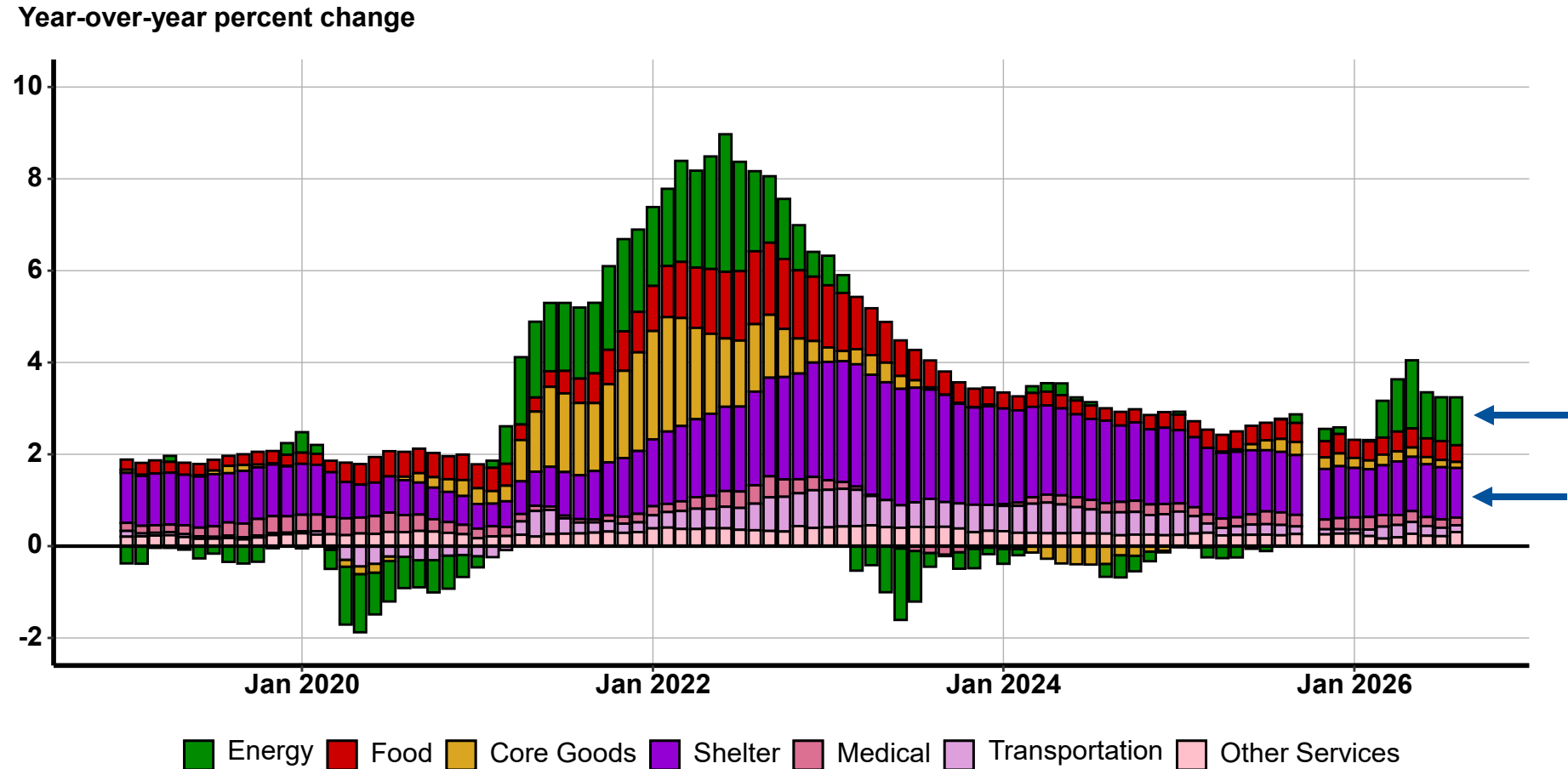
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Contributions to Year-over-Year Consumer Price Index Inflation

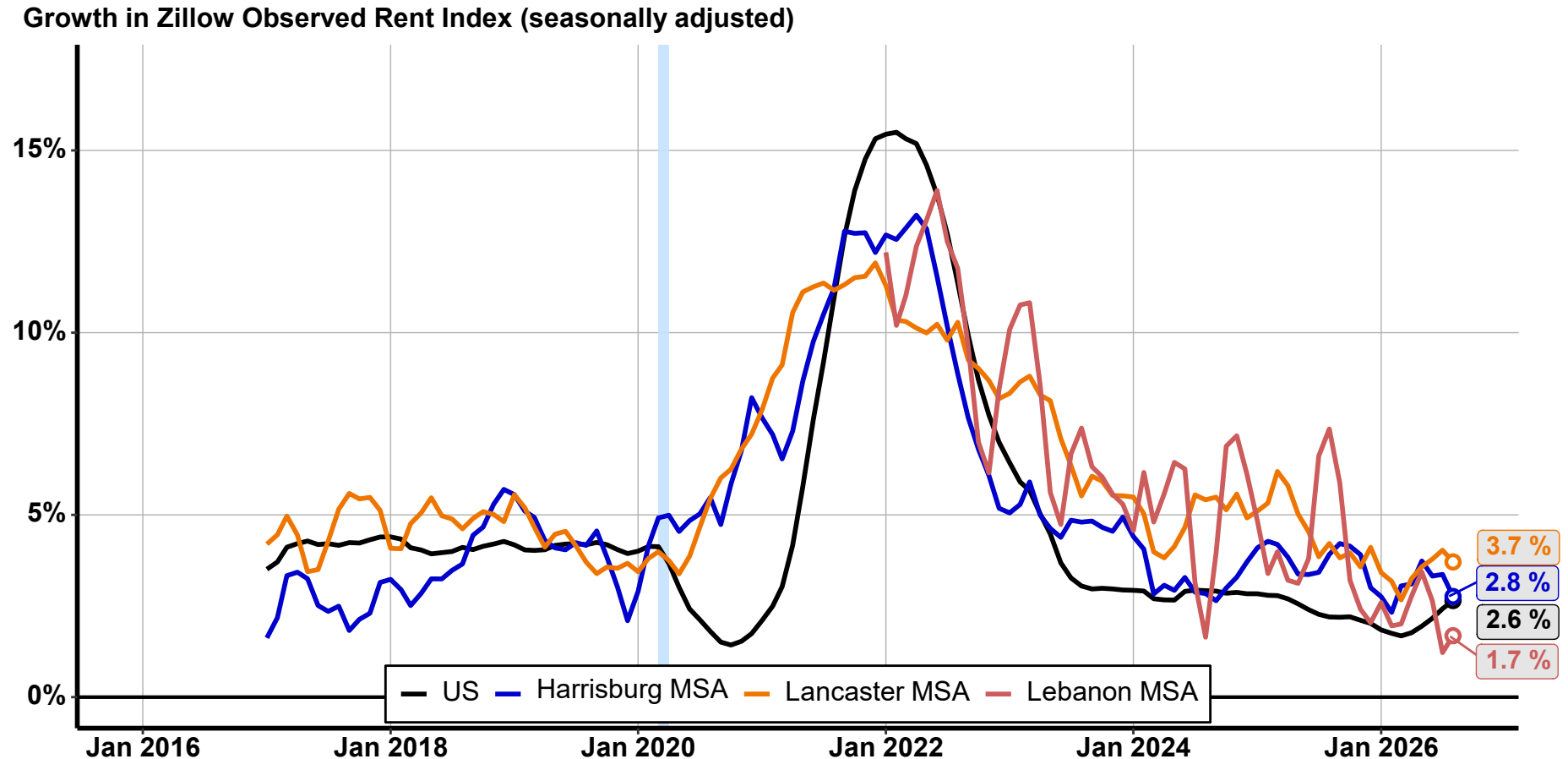
- Shelter prices have consistently played the largest role in inflation over the past few years.
- Contribution from energy category has jumped up significantly since March.



Source: Calculation using data from BLS via Haver Analytics
Months plotted: Jan 2000 - Aug 2026

Year-Over-Year Growth in Zillow Observed Rent Index

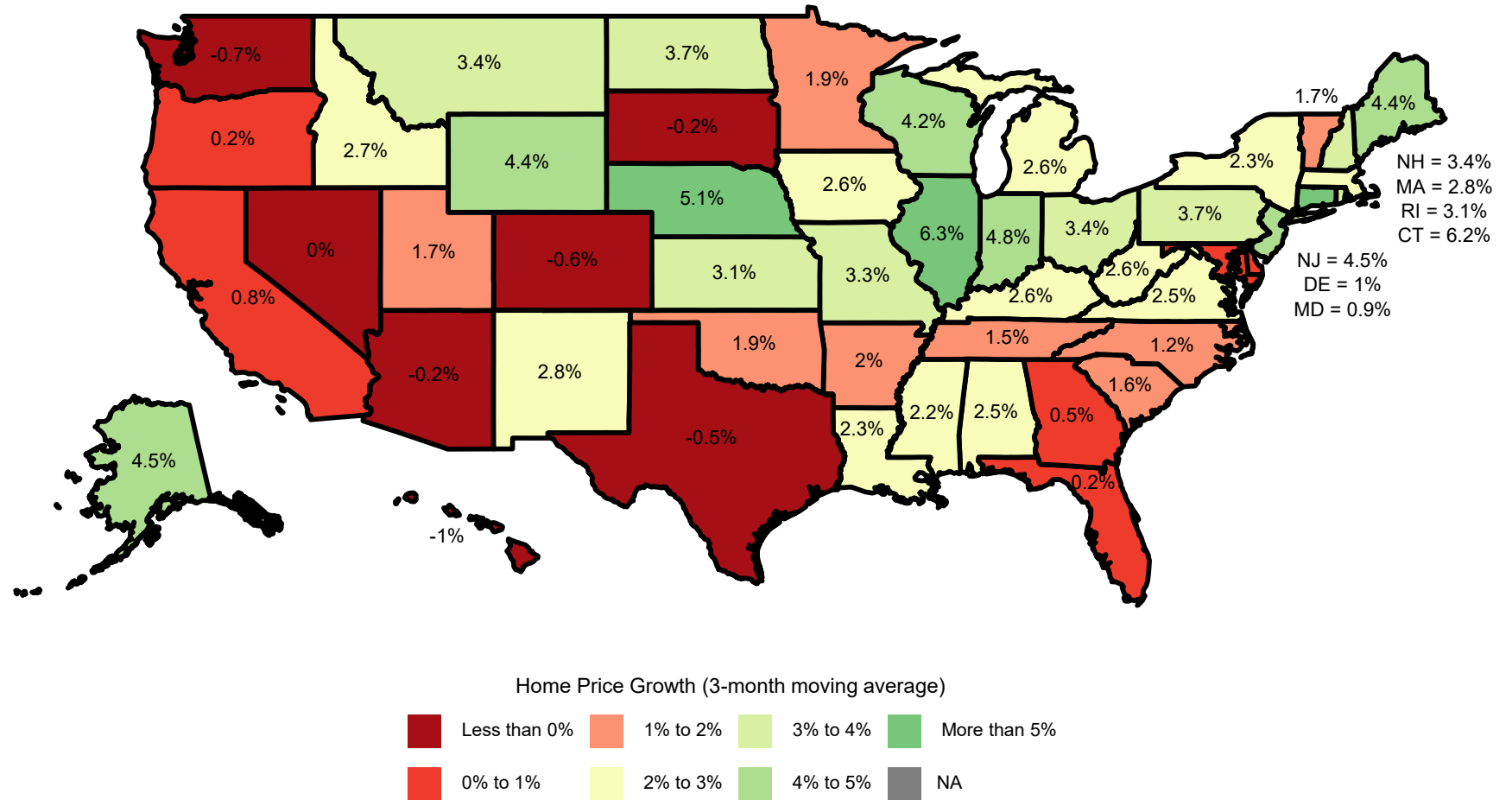
- Rent growth, which feeds into the inflation calculation, has been trending downward.



Source: Zillow via Haver Analytics
Months plotted: Jan 2016 - Aug 2026

Year-Over-Year State Home Price Growth

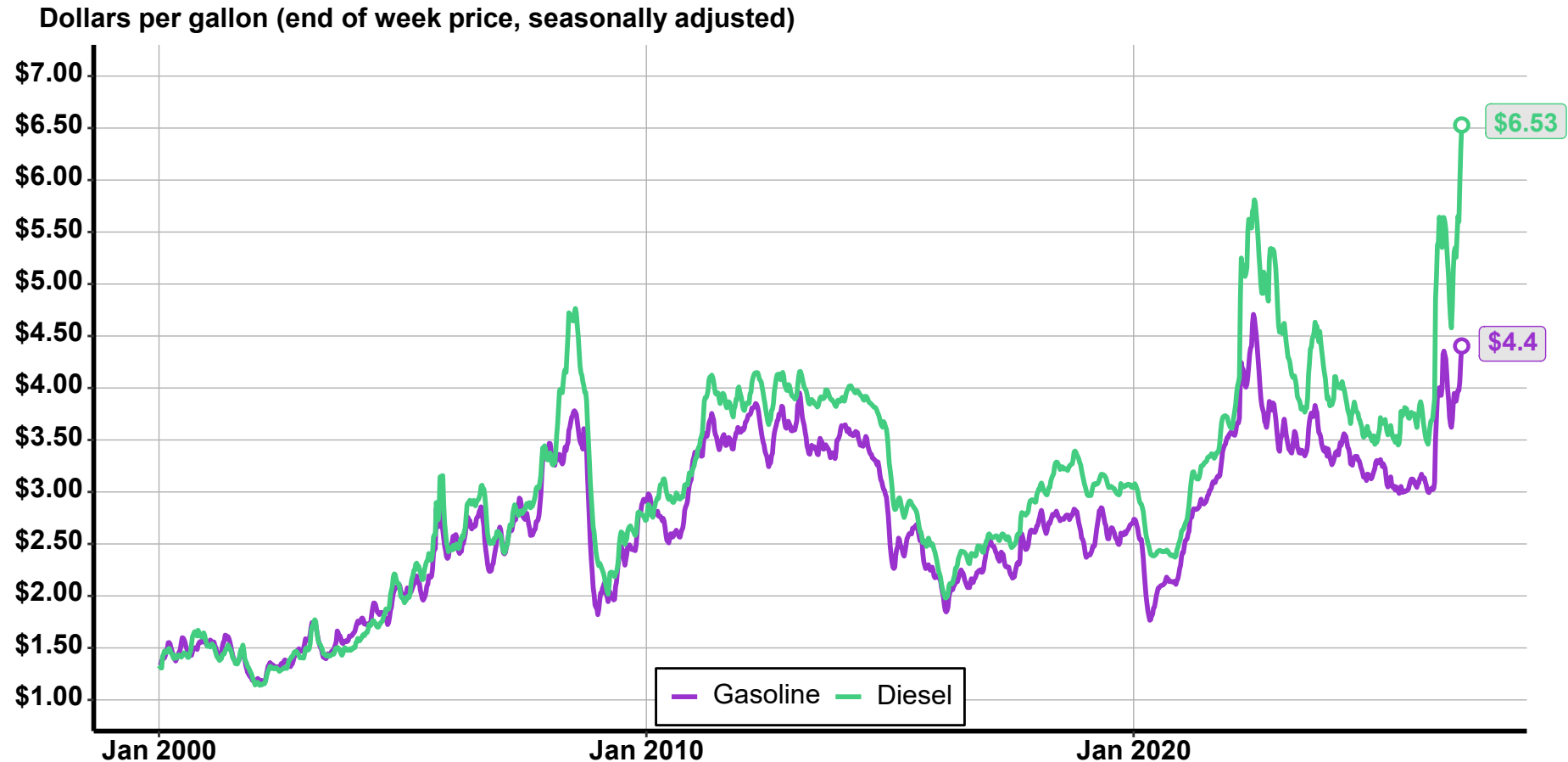
- Slow down in home price growth has been more apparent in Western and Southern parts of the country.
 - 0.7% growth YoY overall (2.7% growth a year ago).
- States in the Mid-West as well as Northeastern regions, continue reporting solid home price growth, albeit at a slower rate relative to a year ago.



Source: Calculations from Core Logic
Last month included: Jul 2026

Retail Gasoline and Diesel Prices (Per Gallon)

- Significant jump in retail fuel price following the conflict in the Middle East.
- Will this spillover to other categories? What are the long-term expectations?



Source: Energy Information Administration via Haver Analytics
Weeks plotted: Dec. 31, 1999 - Sep. 25, 2026

Philly Fed Manufacturing Business Outlook Survey, July 2026

- A significant share of respondents expect both energy and health benefits costs to increase by more than 10% throughout the year.
- Similar results from the nonmanufacturing business survey.

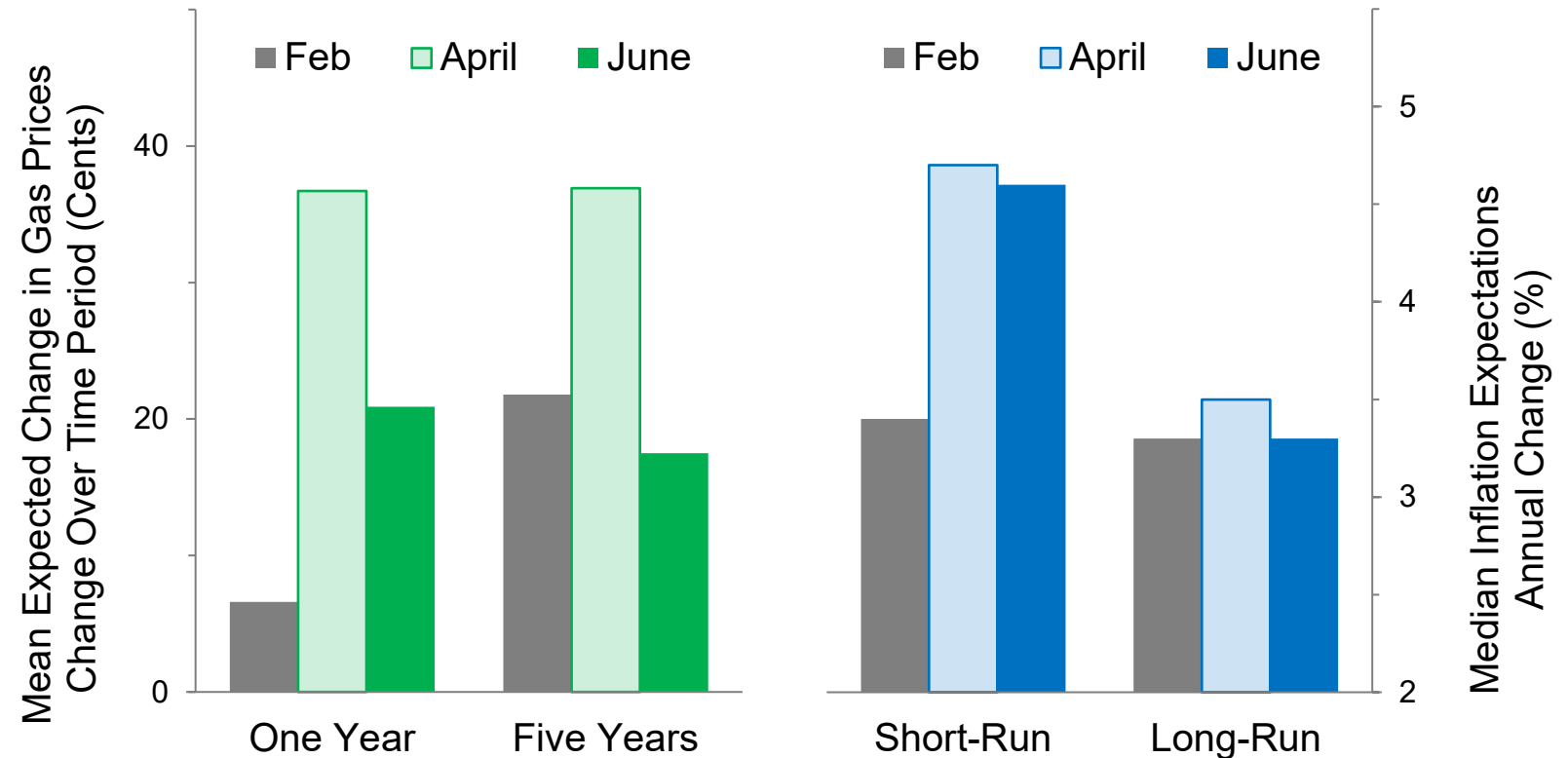
	Energy (%)	Other Raw Materials (%)	Intermediate Goods (%)	Wages (%)	Health Benefits (%)
Decline of more than 1%	10.7	10.7	4.2	3.7	4.0
No change	7.1	10.7	20.8	11.1	16.0
Increase of 1-3%	7.1	14.3	25.0	33.3	20.0
Increase of 3-5%	32.1	42.9	37.5	51.8	16.0
Increase of 5-10%	21.4	21.4	12.5	0	12.0
Increase of more than 10%	21.5	0	0	0	32.0

Question: "What percentage change in costs do you now expect for the following categories over all of 2026?"

Source: Philadelphia Fed Manufacturing Business Survey, July 2026 (responses collected from July 6th to 13th).

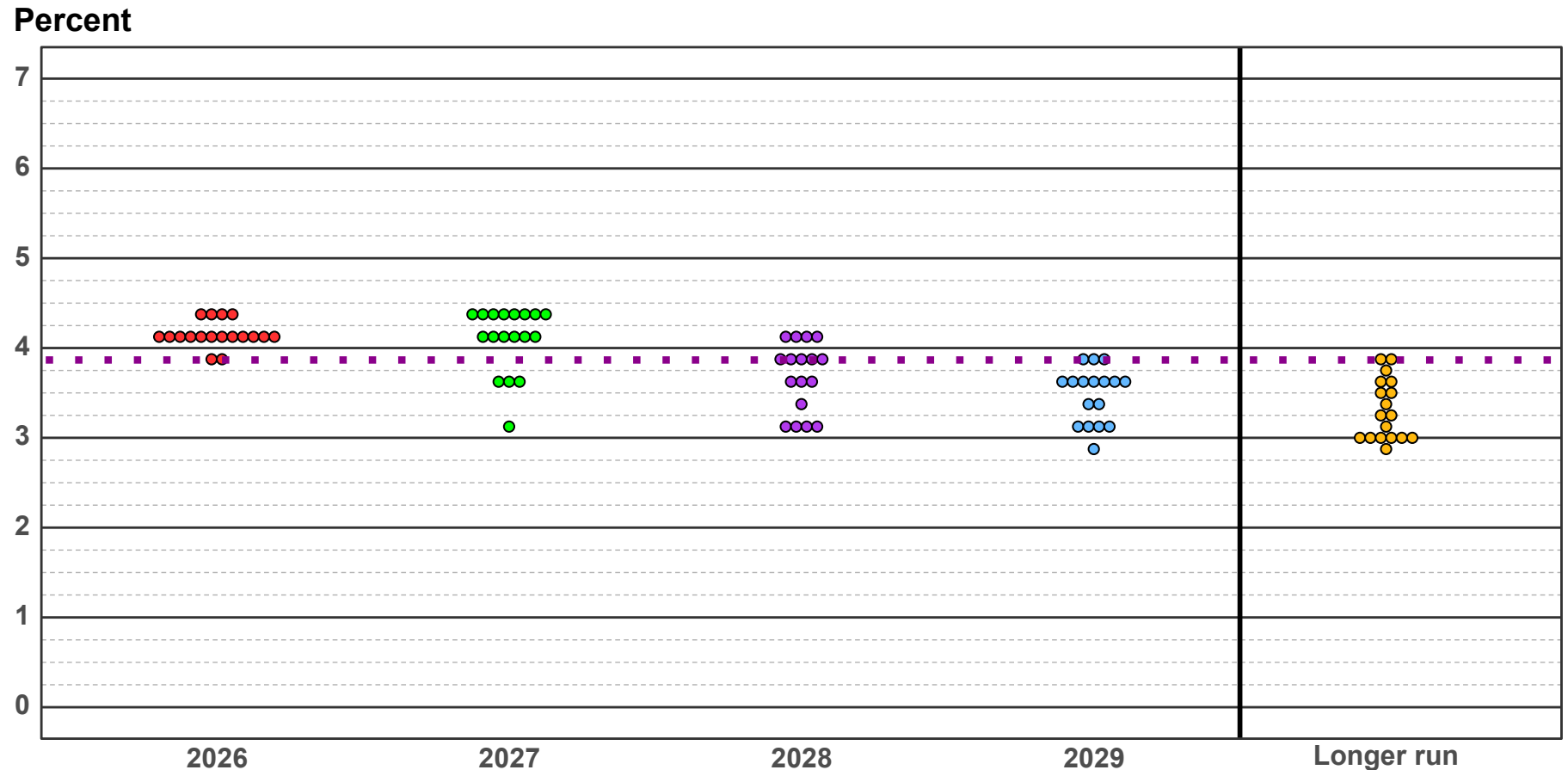
University of Michigan Surveys of Consumers

- Long-run expectations in June were similar to pre-Middle East conflict, while short-run expectations remain elevated.



FOMC Projections of Appropriate Policy (as of September FOMC)

- At the September 2026 Federal Open Market Committee meeting, policymakers voted to hike the target rate.
- Policymakers expect the target rate to remain at or above the current level for the remainder of 2026.



Source: FOMC Projections, September 2026

Purple dashed line indicates the Fed Funds target rate as of the conclusion of the September 2026 FOMC meeting (3.75 – 4%).

Market-Implied Federal Funds Target Rate Probabilities

- Probability based on CME Fed Funds Futures Contracts, as of September 25, 2026.
- Current target: 3.75 – 4%.
- Market expects the rate to stay around 3.75% or higher for the foreseeable future.

FOMC Meeting Date	3.75-4% (Current)	4-4.25%	4.25-4.5%	4.5% or higher
October 27-28, 2026	35.8%	64.2%	0%	0%
December 8-9, 2026	7.3%	41.6%	51.0%	0%
January 26-27, 2027	3.6%	24.3%	46.3%	25.8%
March 16-17, 2027	1.2%	10.3%	31.4%	57.0%

Source: CME Group

Summary

- Activity among consumers remained flat, but there is some cause for concern regarding how they are financing it.
- The labor market continues to signal a “low hire, low fire” environment. Overall net gain in payroll employment needs to be interpreted with caution due to dependency on the health care sector.
- Inflation remains above the target. Higher oil prices resulting from the conflict in the Middle East have raised consumers’ inflation expectations, at least in the short run.

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