Special Edition: Economic Insight

U.S. Regional Outlook

February 2026



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Prepared for STIFEL | STIFEL BANK & TRUST

Executive Summary

Varying from state to state and across regions, the country as a whole continues to face both new opportunities in 2026 as well as lingering themes carried forward from last year. With a generally positive growth trend, labor market conditions remain relatively stable, although firms continue to face difficulties sourcing and retaining skilled labor. Investment levels, while positive, continue to be impacted by tariff and new trade policies. As such, most businesses are, or are considering, passing on at least some costs to consumers. Additionally, while a retrenchment in prices has been recorded, housing broadly continues to face affordability limitations caused by elevated mortgage rates and low inventory levels.

Through the Lens of the Federal Reserve's Beige Book: U.S. Labor Market

Northeast/East

- **Boston:** Employment was *"unchanged on balance."*
- **New York:** Employment *"continued to decline slightly."*
- **Philadelphia:** Employment *"appeared to increase modestly."*
- **Richmond:** Employment *"remained unchanged."*

Six of the 15 states and Washington D.C. reported unemployment rates that are higher than the December national average (4.4%).

Midwest

- **Cleveland:** Employment was *"flat on net."*
- **Chicago:** Employment was *"flat."*
- **St. Louis:** Employment was *"generally unchanged."*
- **Minneapolis:** Employment was *"down slightly."*
- **Kansas City:** Employment was *"improved slightly."*

Four of the 18 states in these districts reported unemployment rates that are higher than the December national average (4.4%).

South

- **Atlanta:** Employment was *"flat to slightly down."*
- **Dallas:** Employment held *"largely steady."*

None of the eight states in these districts reported unemployment rates that are higher than the December national average (4.4%).

West

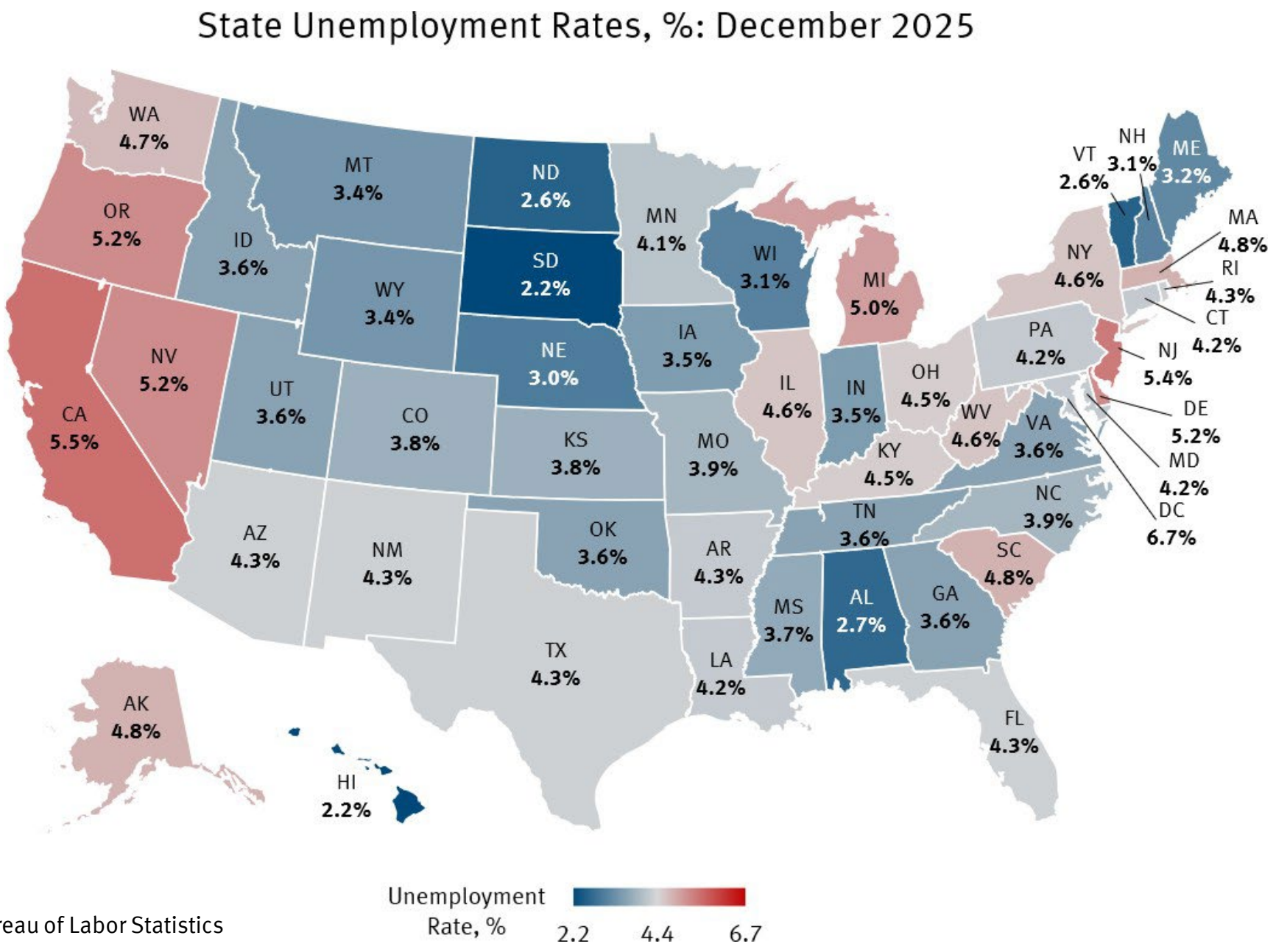
- **San Francisco:** Employment was *"stable on net."*

Five of the nine states in this districts reported unemployment rates that are higher than the December national average (4.4%).

National Summary: According to the latest edition of the Federal Reserve's Beige Book, employment across the 12 Federal Reserve Districts *"was mostly unchanged."* Additionally, firms continued to report challenges finding *"skilled labor."*

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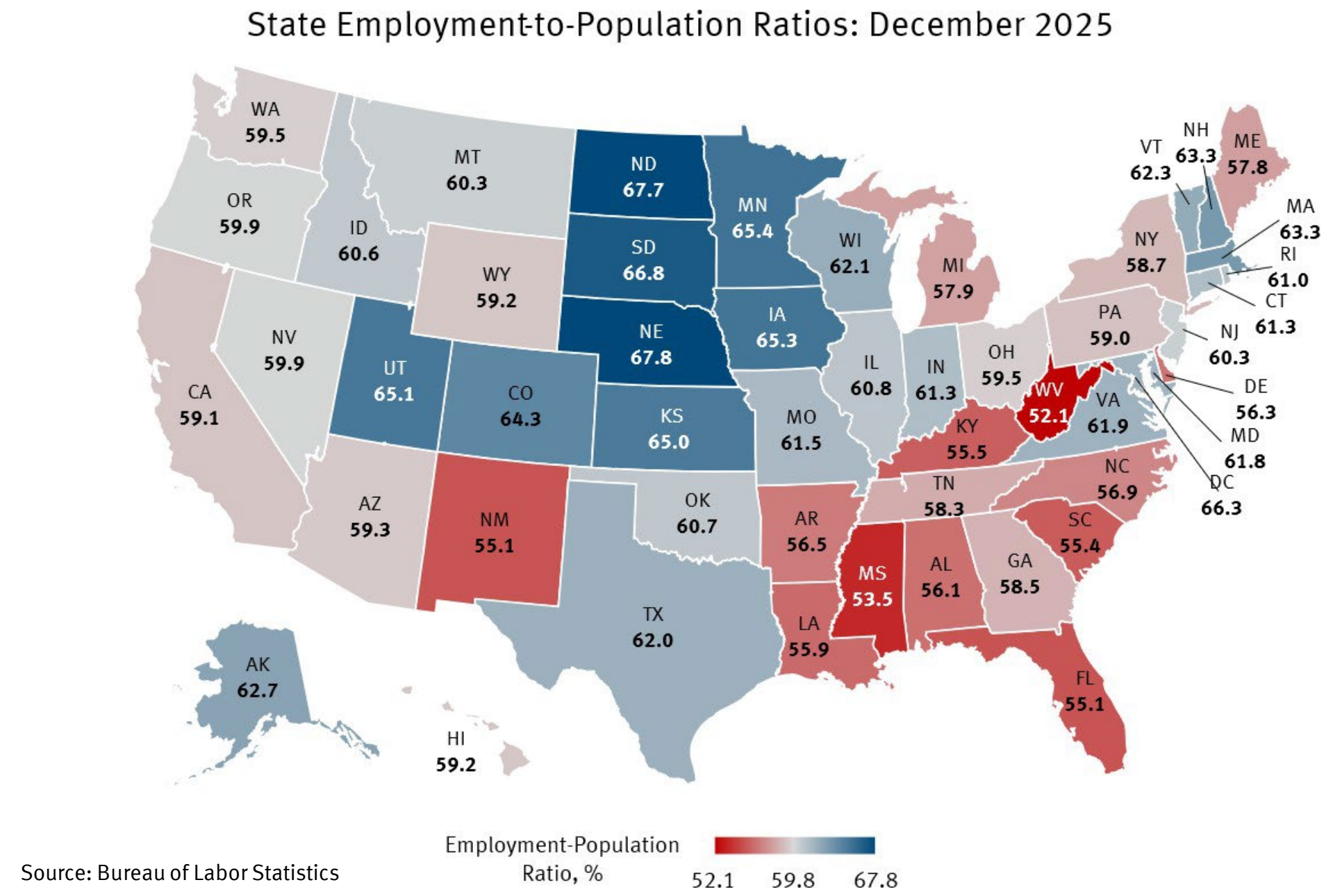
Unemployment Rate by State: Higher Unemployment Rates in the West and Parts of the East



Source: Bureau of Labor Statistics

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Employment-to-Population Ratios: Less Jobs per Workers in South, Parts of East



Source: Bureau of Labor Statistics

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Through the Lens of the Federal Reserve's Beige Book: Real Estate and Construction

Northeast/East

- **Boston:** Home sales slowed *"moderately,"* while condo sales were *"even."*
- **New York:** Home sales *"picked up with continued strong demand and limited supply."*
- **Philadelphia:** Home sales *"continued to decline slightly."*
- **Richmond:** Home sales experienced a *"typical winter modest slowdown."*

Midwest

- **Cleveland:** Home sales *"increased in recent weeks."*
- **Chicago:** Home sales *"edged down"* with inventories rising and prices and rents *"little changed."*
- **St. Louis:** Home sales *"remained unchanged."*
- **Minneapolis:** Overall construction activity in the region dropped with residential construction posting the *"largest decline."*
- **Kansas City:** *No mention of residential housing market.*

South

- **Atlanta:** Home sales *"improved marginally"* as mortgage rates continued to fall.
- **Dallas:** Housing market conditions remained *"challenging."*

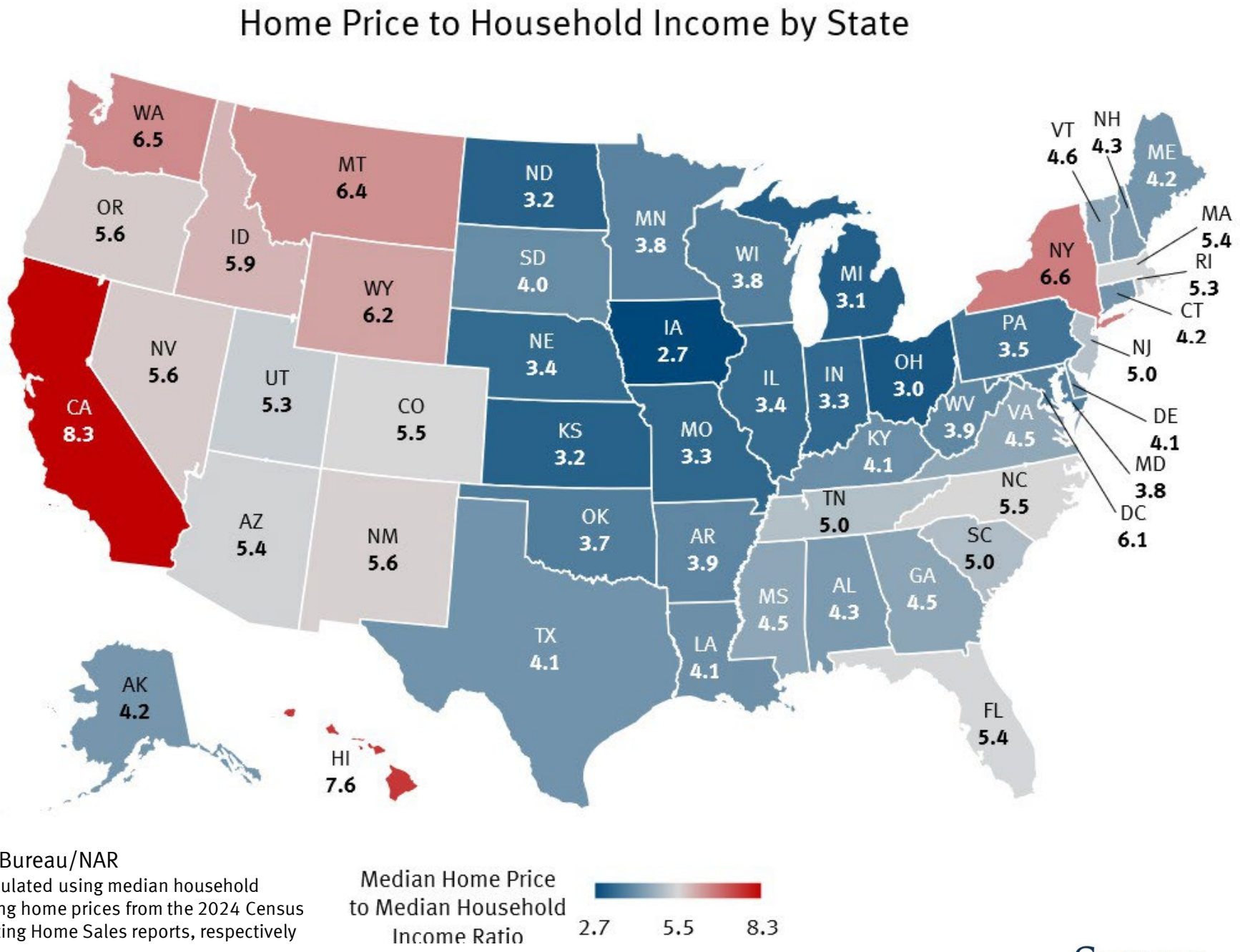
West

- **San Francisco:** Housing market conditions were *"generally stable"* with some contacts reporting signs of improved demand due to declining mortgage rates.

National Summary: While some housing market metrics have shown improvement – offering at least marginal relief to home buyers – overall, the U.S. housing sector continues to face ongoing challenges from elevated mortgage rates to still low inventory levels which will continue to impact affordability.

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Homeowner Affordability in the U.S. Varies Significantly by Region

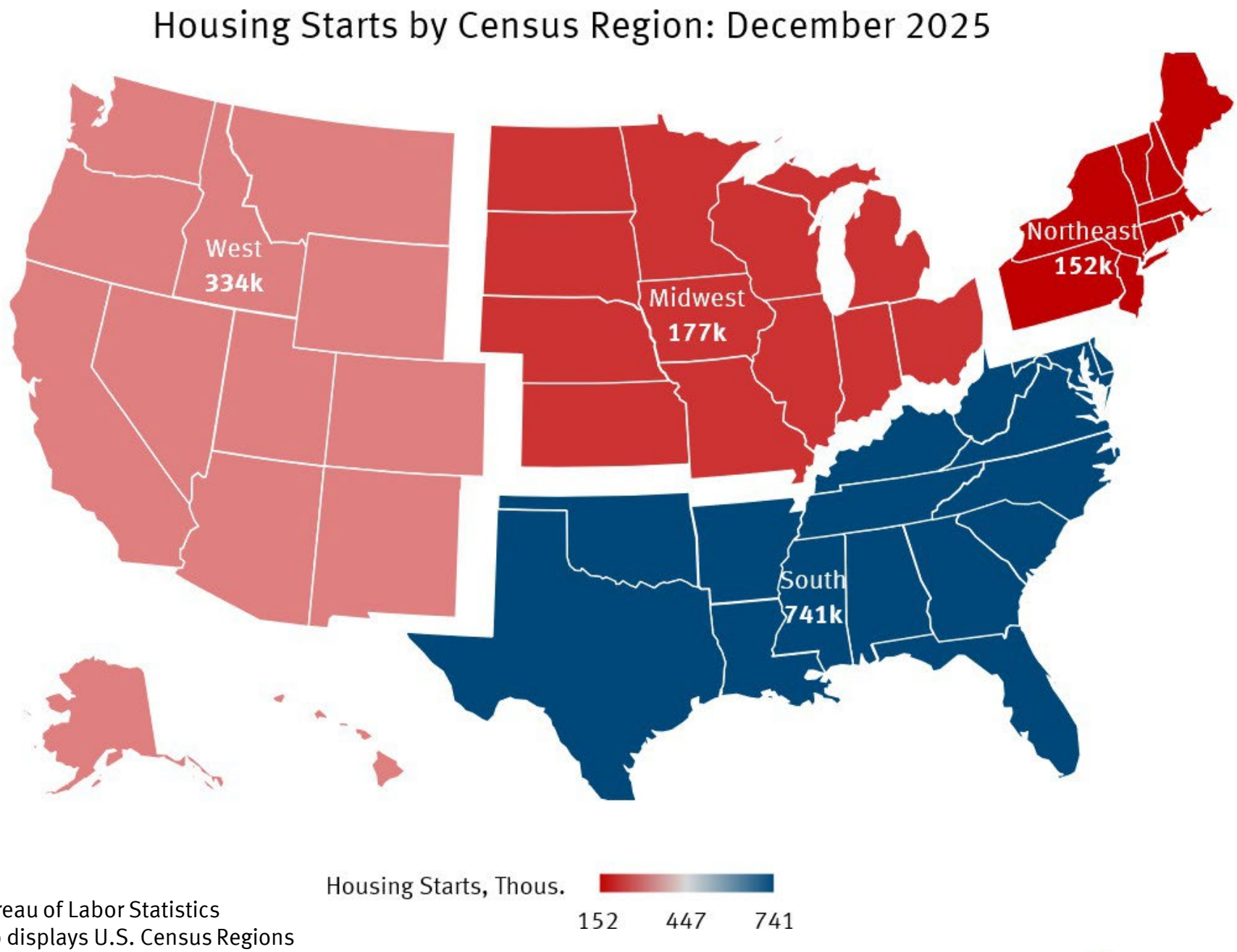


Source: Census Bureau/NAR

*Note: Index is calculated using median household incomes and existing home prices from the 2024 Census and Nov 2025 Existing Home Sales reports, respectively

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Housing Starts Highest in South, Lagging in Northeast and Midwest



Source: Bureau of Labor Statistics
*Note: Map displays U.S. Census Regions

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Through the Lens of the Federal Reserve's Beige Book: Economic Activity

Northeast/East

- **Boston:** Economic activity "*edged up further*" due to a "*slight increase*" in overall consumer spending.
- **New York:** Economic activity "*declined modestly*" despite an increase in consumer spending over the holiday season.
- **Philadelphia:** Economic activity "*rebounded to a slight pace of growth*" from a decline in the prior period as employment levels increased "*modestly.*"
- **Richmond:** Economic activity rose at a "*modest rate*" due to increased consumer spending on some goods.

Midwest

- **Cleveland:** Business activity "*increased slightly*" despite a "*modest*" decline in consumer spending.
- **Chicago:** Economic activity was "*little changed*" with contacts expecting a "*slight decline*" over the next year.
- **St. Louis:** Economic activity "*modestly increased*" due to holiday sales and the re-opening of the government.
- **Minneapolis:** Economic activity was "*flat*" despite a rise in consumer spending.
- **Kansas City:** Economic activity "*increased slightly.*"

South

- **Atlanta:** Economic activity "*grew slightly*" with retail sales rising "*modestly*" over the holidays.
- **Dallas:** Economic activity "*held steady*" with the outlook "*cautious*" as a result of a possibility of a slowdown in demand and the potential inflationary impact of tariffs.

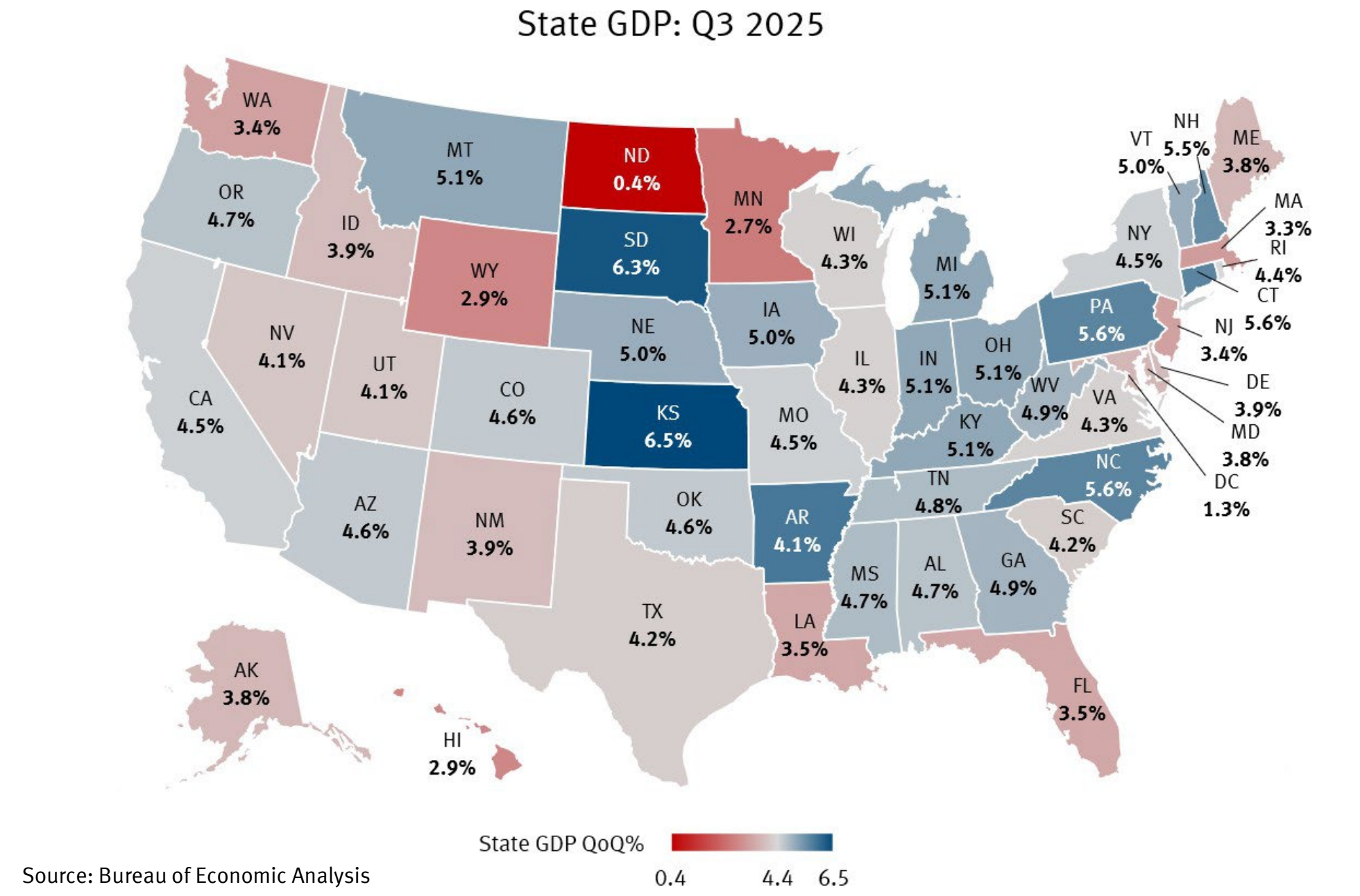
West

- **San Francisco:** Economic activity "*expanded modestly*" with the outlook "*improved.*"

National Summary: Economic activity rose at a "*slight to modest pace,*" an improvement from the prior report which reported "*little change.*" The updated language, however, is somewhat of an understatement as GDP rose an average 2.9% pace in the second half of 2025. Going forward, the outlook is "*mildly optimistic.*"

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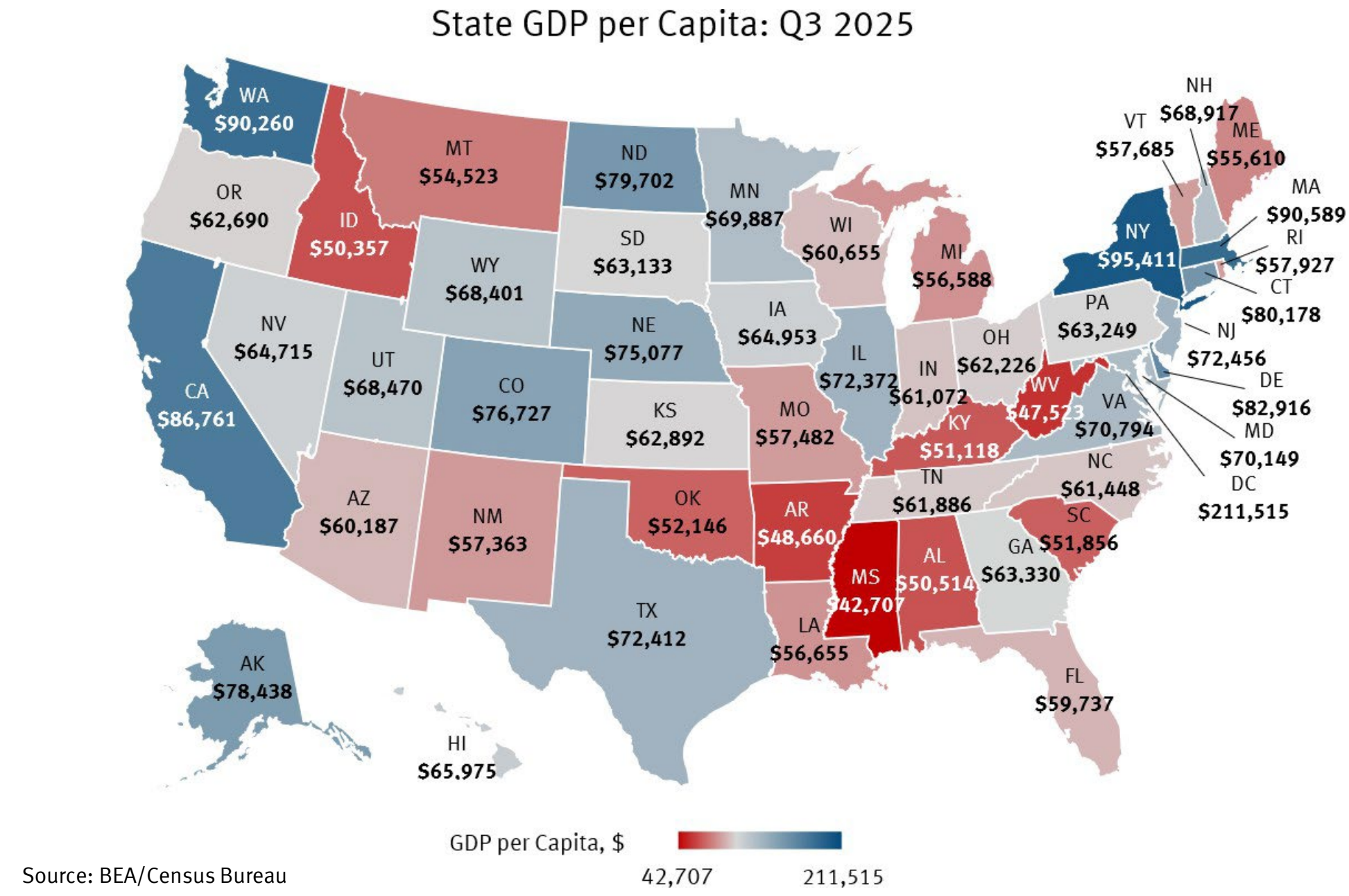
GDP Rose in all 50 States along with D.C. in the Third Quarter



Source: Bureau of Economic Analysis

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GDP per Capita Highlights Differences in Investment and Labor Across State Lines

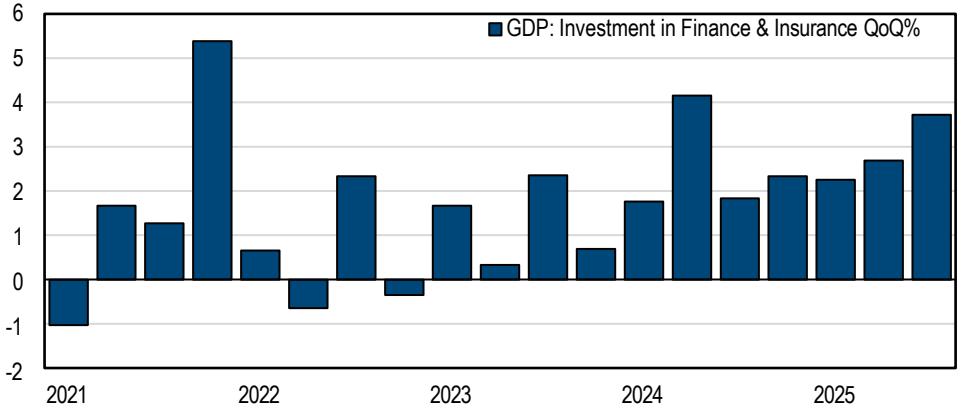


Source: BEA/Census Bureau

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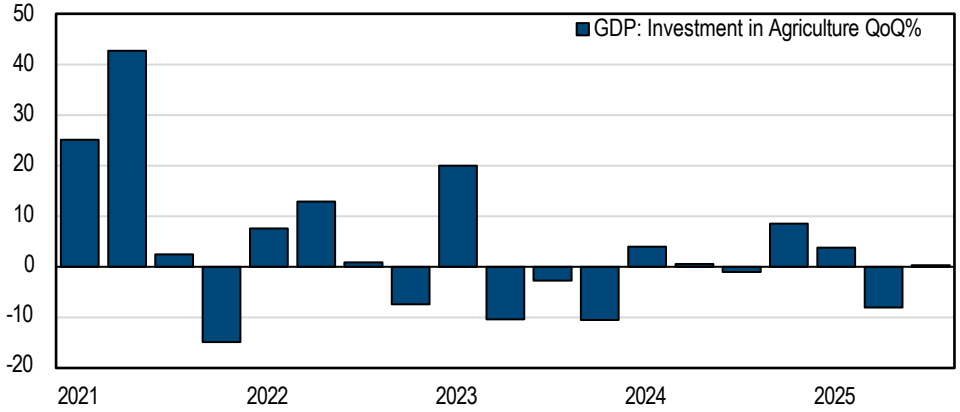
Key Regional Sectors

Northeast/East



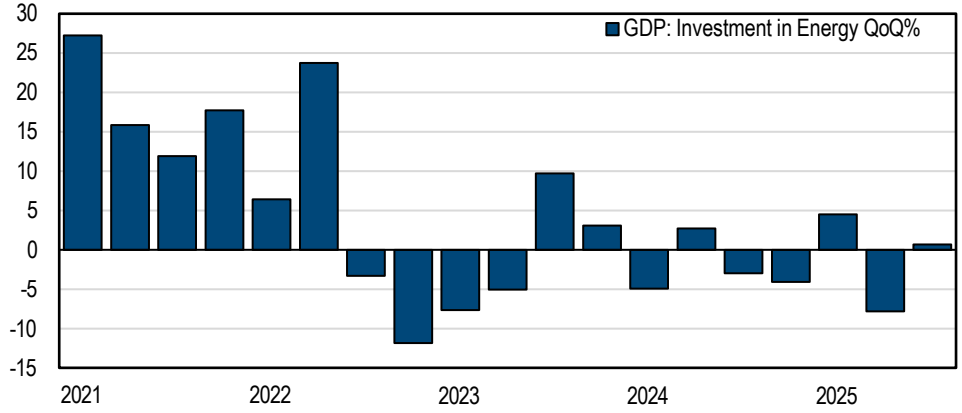
Source: Bureau of Economic Analysis

Midwest



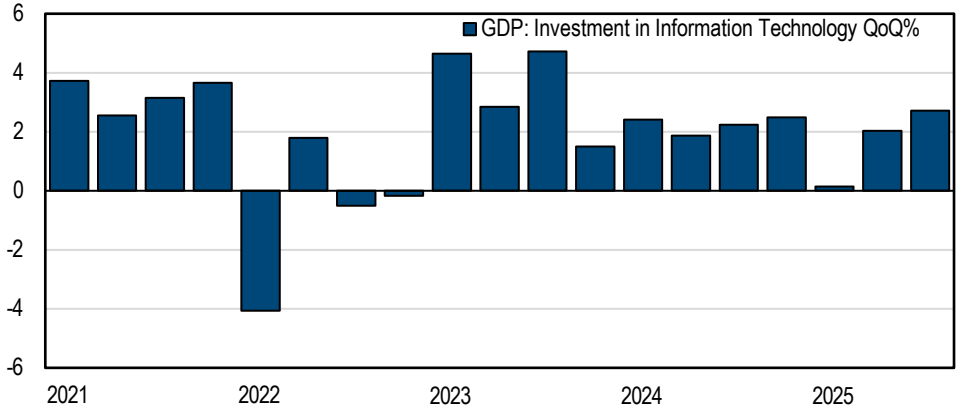
Source: Bureau of Economic Analysis

South



Source: Bureau of Economic Analysis

West



Source: Bureau of Economic Analysis

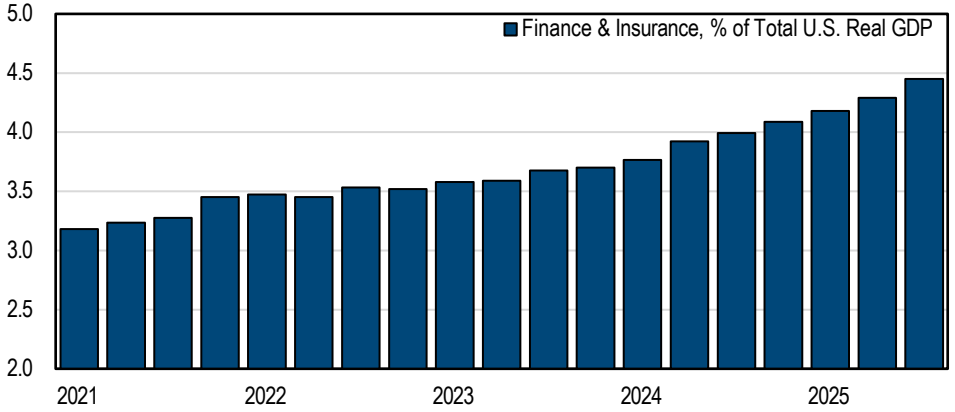
Regional GDP Summary: Investment in finance and insurance continues to be strong in the Northeast region of the U.S., rising 3.7% in the third quarter, the eleventh consecutive quarterly increase, and investment in IT continues to drive growth in the West, gaining 2.7% in Q3, the strongest pace since Q3 2023 and in line with an average 2.5% gain per quarter over the past three years.

On the other hand, agriculture investment rose just 0.3% in the third quarter after falling 8.0% in the second quarter as tariffs and new trade policies continue to impact investment levels. Energy investment in the South, meanwhile, rose 0.7% in Q3 after falling 7.8% the quarter prior. Since the start of 2023, energy investment has fallen an average 1.1% in the Southern region of the U.S.

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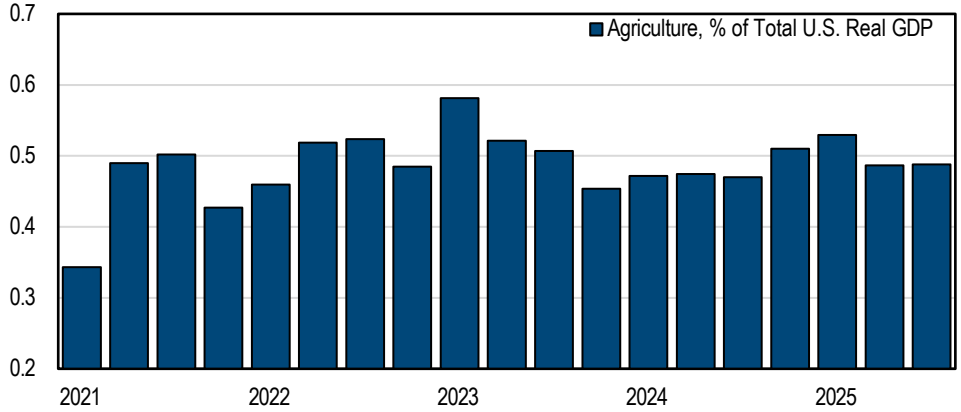
Key Regional Sectors: Contribution to Total U.S. GDP

Northeast/East



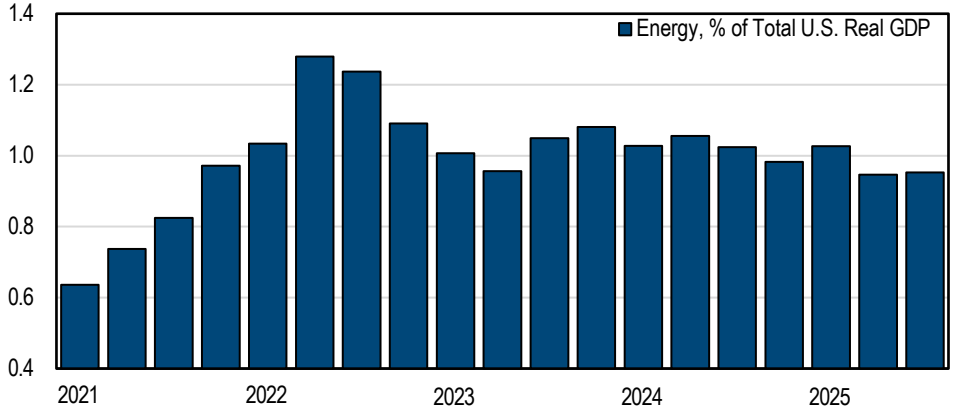
Source: Bureau of Economic Analysis

Midwest



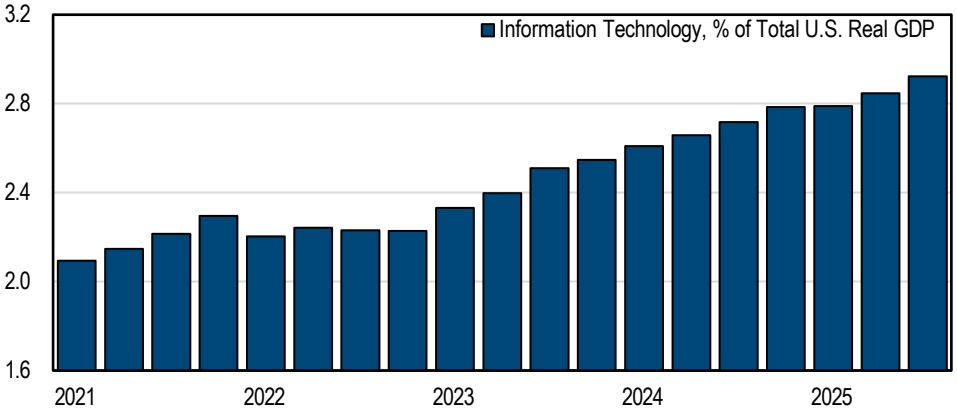
Source: Bureau of Economic Analysis

South



Source: Bureau of Economic Analysis

West



Source: Bureau of Economic Analysis

Regional GDP Summary: Investment in finance and insurance as a percentage of U.S. real GDP continues to grow, rising from 3.2% at the start of 2021 to 4.5% in Q3 2025 with investment in IT also posting strong growth in the West, increasing from 2.1% of U.S. GDP in the beginning of 2021 to 2.9% in Q3 amid higher demand for generative artificial intelligence (AI) products.

On the other hand, agriculture investment in the Midwest held steady, contributing 0.5% to total U.S. GDP in Q3. Energy investment in the South, meanwhile, held steady with a 0.5% contribution to total GDP in Q3, albeit marking a smaller contribution from a near-term high of 1.3% in Q2 2022 as higher borrowing costs and heightened policy uncertainty have slowed some recent projects.

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Through the Lens of the Federal Reserve's Beige Book: Regional Challenges

Northeast/East

- **Boston:** Some manufacturers noted they intend to pass on part of the cost increase from tariffs to consumers in 2026.
- **New York:** Contacts noted rising health insurance costs were a significant burden, along with rising electricity costs. Additionally, contacts noted price pressures from tariffs were pushing up prices.
- **Philadelphia:** Tourism continued to decline and contacts reported that consumers continued to face affordability issues.
- **Richmond:** Tariff-related cost increases put upward pressure on prices.

Midwest

- **Cleveland:** Contacts reported that tariffs drove price increases across multiple sectors.
- **Chicago:** Contacts mentioned trade concerns as uncertainty around tariffs lingered.
- **St. Louis:** Manufacturers reported that despite moderate price increases, they continued to absorb the cost of tariffs by reducing profit margins.
- **Minneapolis:** Health-care and insurance costs continued to be a noted concern with some vendors reporting a rise in prices due to tariffs.
- **Kansas City:** Firms reported cost pressures remained uneven with prices of inputs moving higher.

South

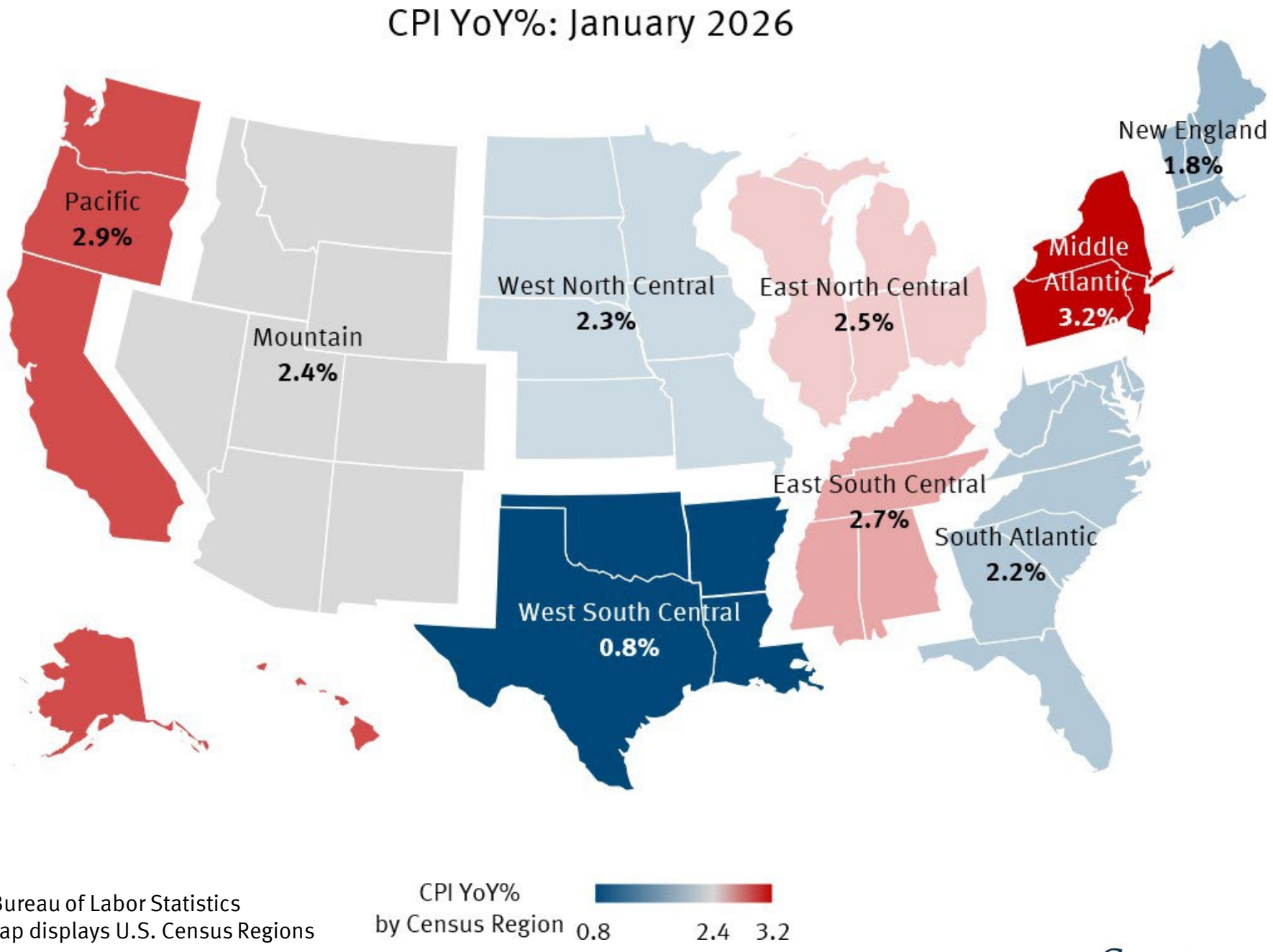
- **Atlanta:** Retailers reported mixed pricing strategies as some passed on greater price increases to consumers, while others used promotional discounts to drive overall demand.
- **Dallas:** Contacts reported a combination of absorbing cost increases from tariffs and passing some on to customers as price pressures remained moderate.

West

- **San Francisco:** Several businesses reported price hikes to offset higher levies and rising costs of insurance and other inputs such as raw materials.

National Summary: Increased cost pressures from healthcare to raw materials continue to create challenges, and some Districts noted manufacturers' intent to pass on at least some of the cost increase from tariffs to consumers.

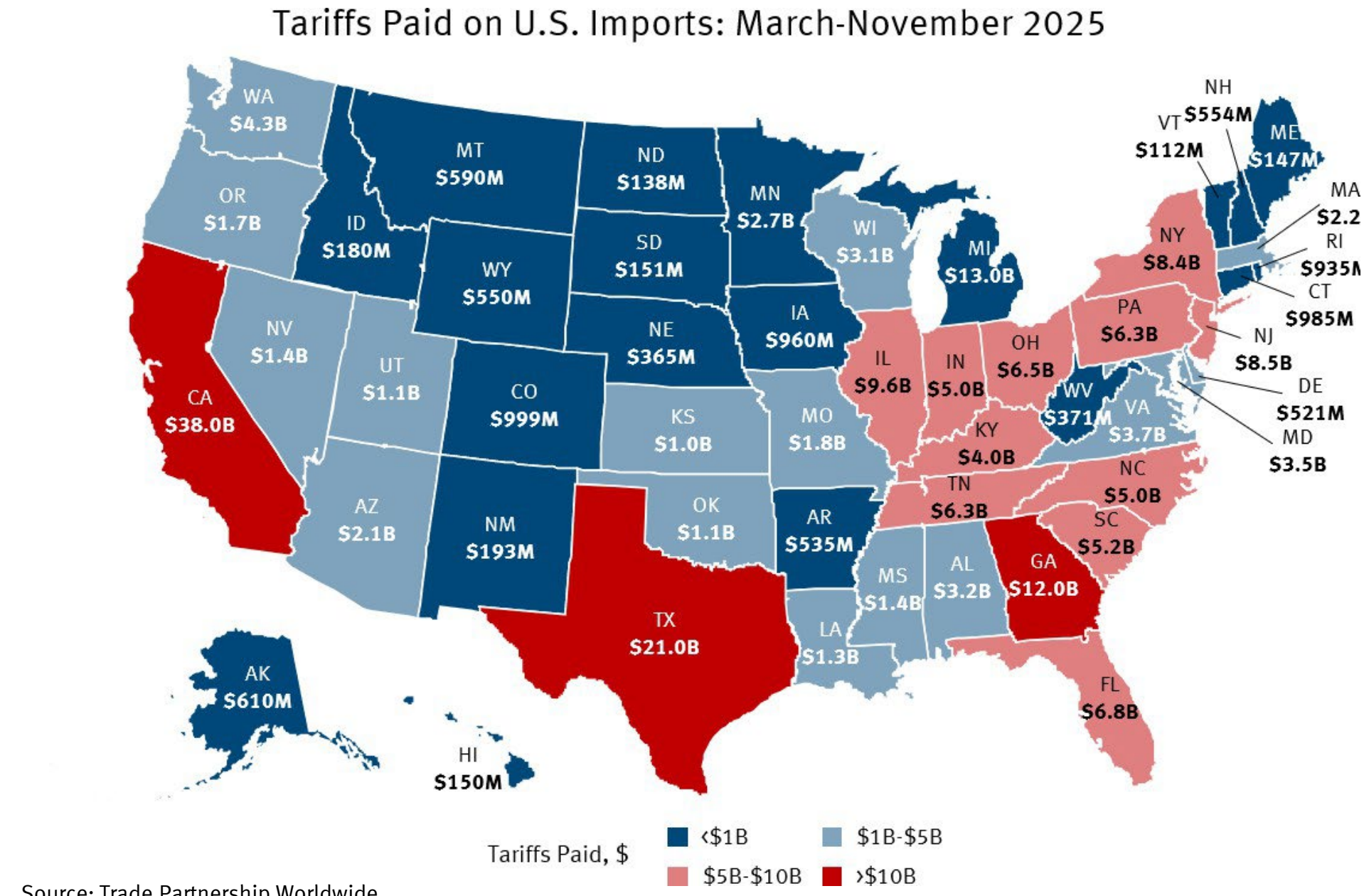
Upwards Pressure on Prices Remain Primary Concern



Source: Bureau of Labor Statistics
*Note: Map displays U.S. Census Regions

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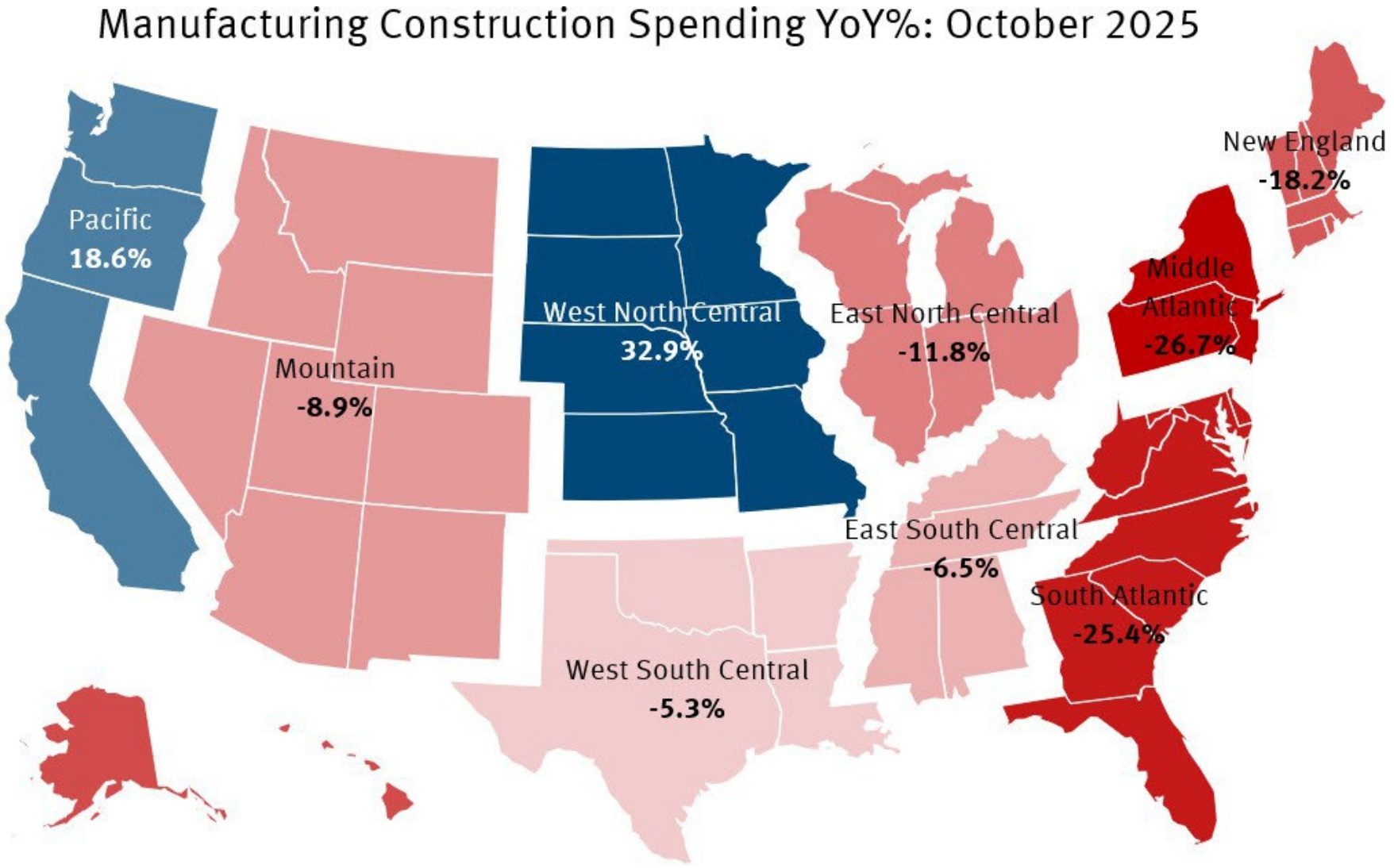
Tariff Uncertainty Continues with Eastern and Coastal States Paying Much Higher Levies



Source: Trade Partnership Worldwide

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International Investments Could Spur Manufacturing Spending



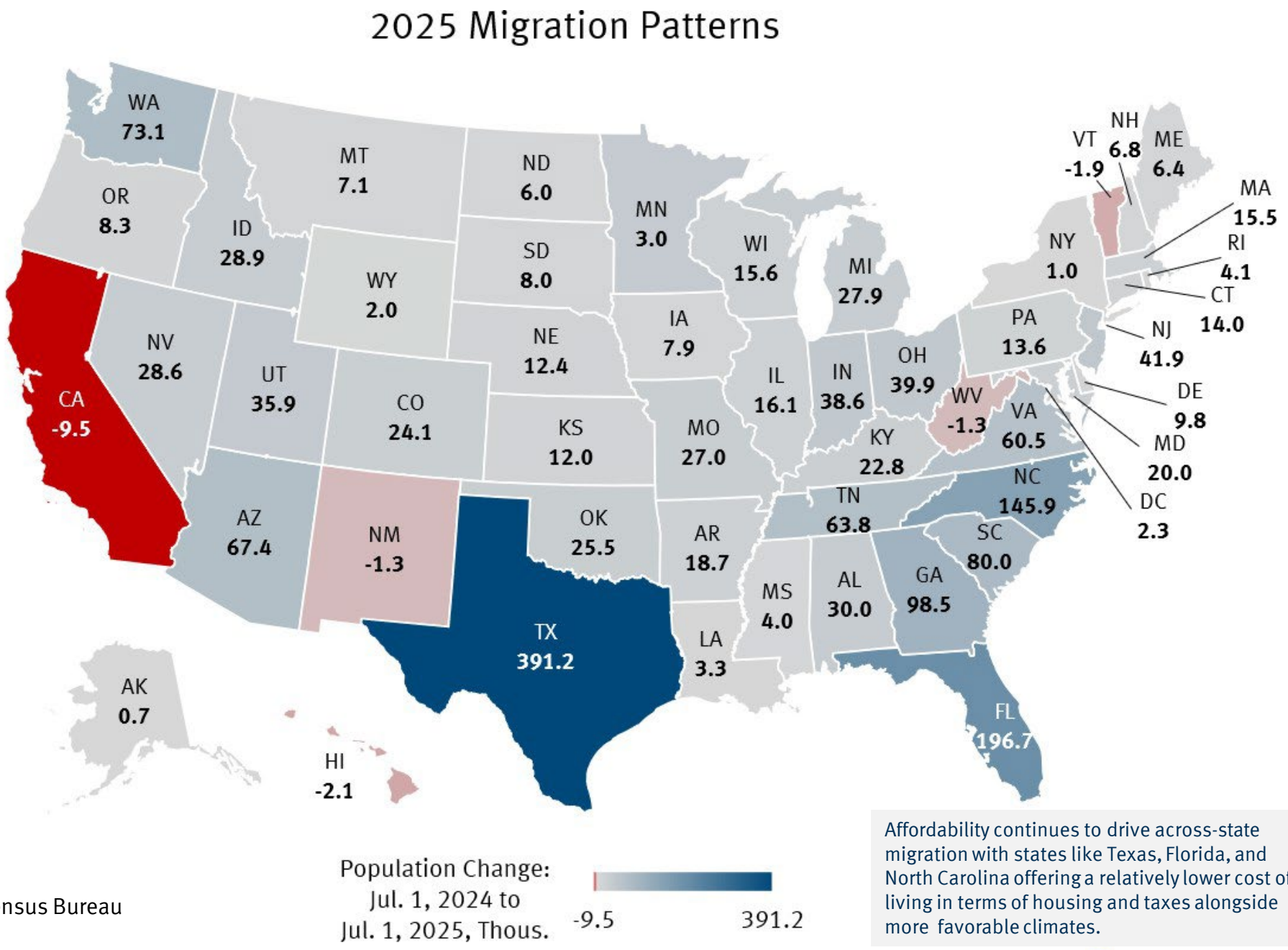
Source: Bureau of Labor Statistics
*Note: Map displays U.S. Census Regions

A total of $9.6 billion in proposed international domestic investments could prompt manufacturing investment in areas of the country that are lacking investment such as the South and East.

YoY = year over year

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Migration Patterns Continue to Create Opportunities and Challenges Across the Country



Source: Census Bureau

Affordability continues to drive across-state migration with states like Texas, Florida, and North Carolina offering a relatively lower cost of living in terms of housing and taxes alongside more favorable climates.

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