FEDERAL RESERVE BANK of ST. LOUIS

2026 BCBA Annual Conference

Economic Conditions across the United States and Kentucky

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Outline of today's talk

July 2026 FOMC Statement + Recent Financial Conditions

Overall Economic Activity

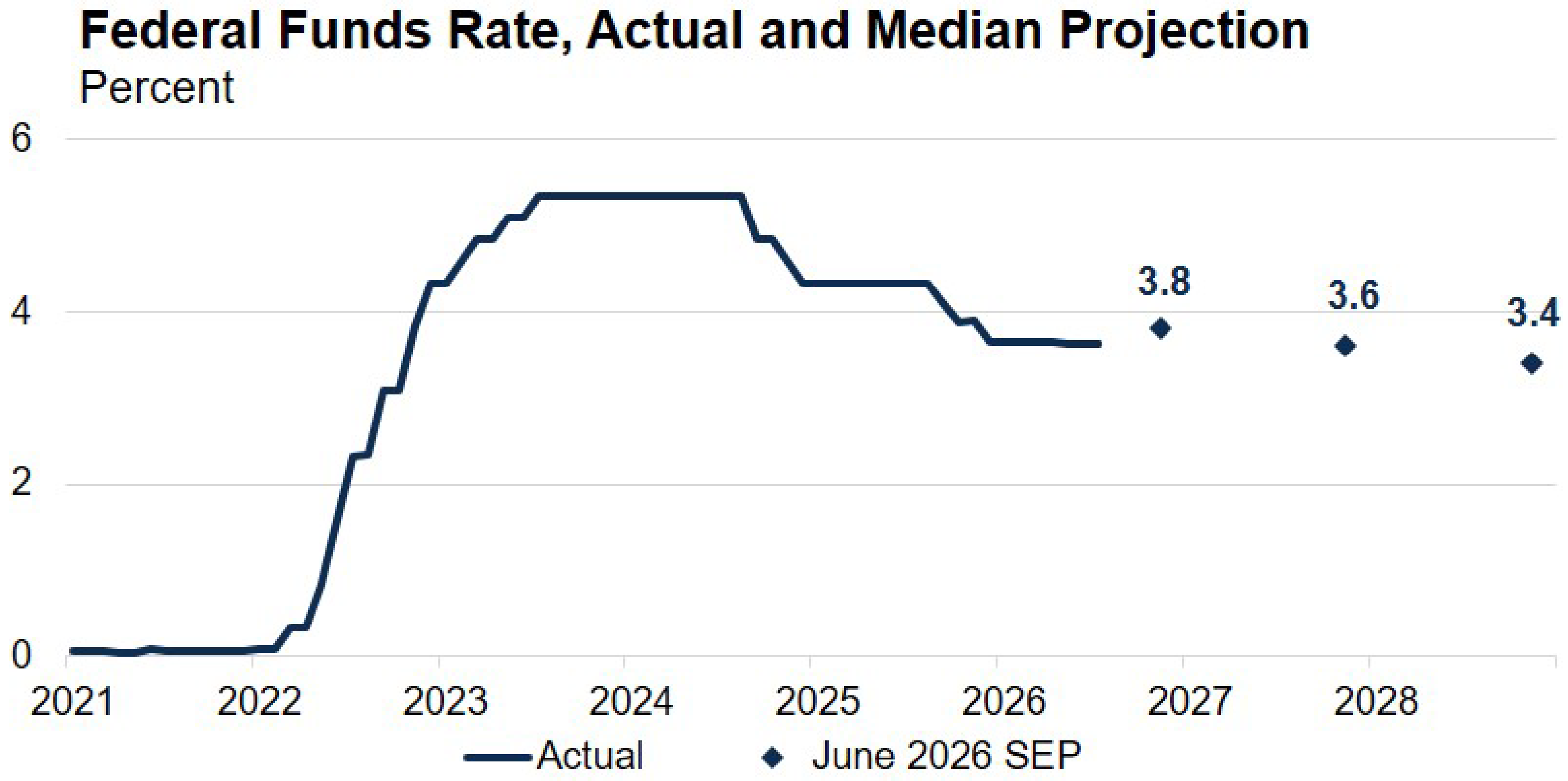
Labor Market Conditions

Inflation + Affordability

July 2026 FOMC Meeting +

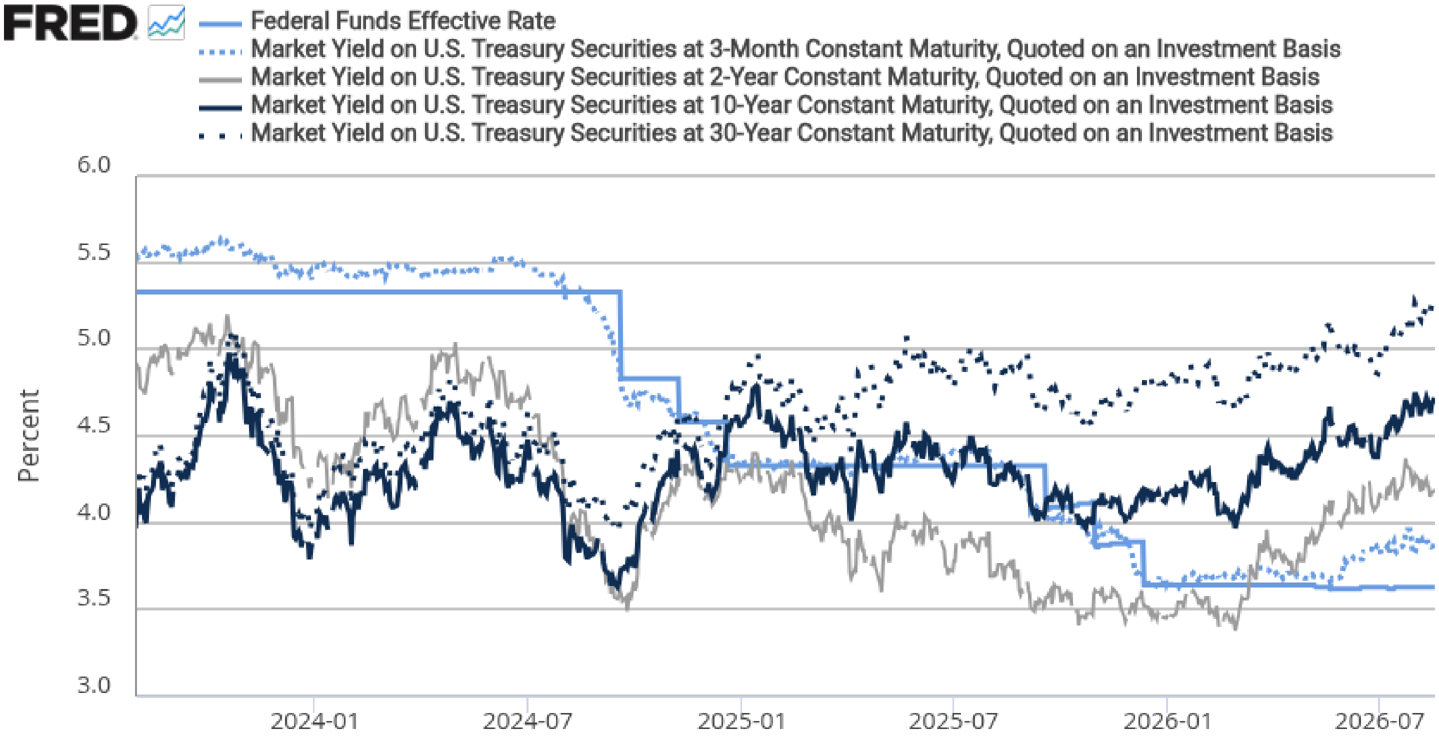
Recent Financial Conditions

FOMC holds policy rate unchanged through July meeting…



Source: June 2026 FOMC Summary of Economic Projections (SEP), Federal Reserve Board; Actual data through July 2026.

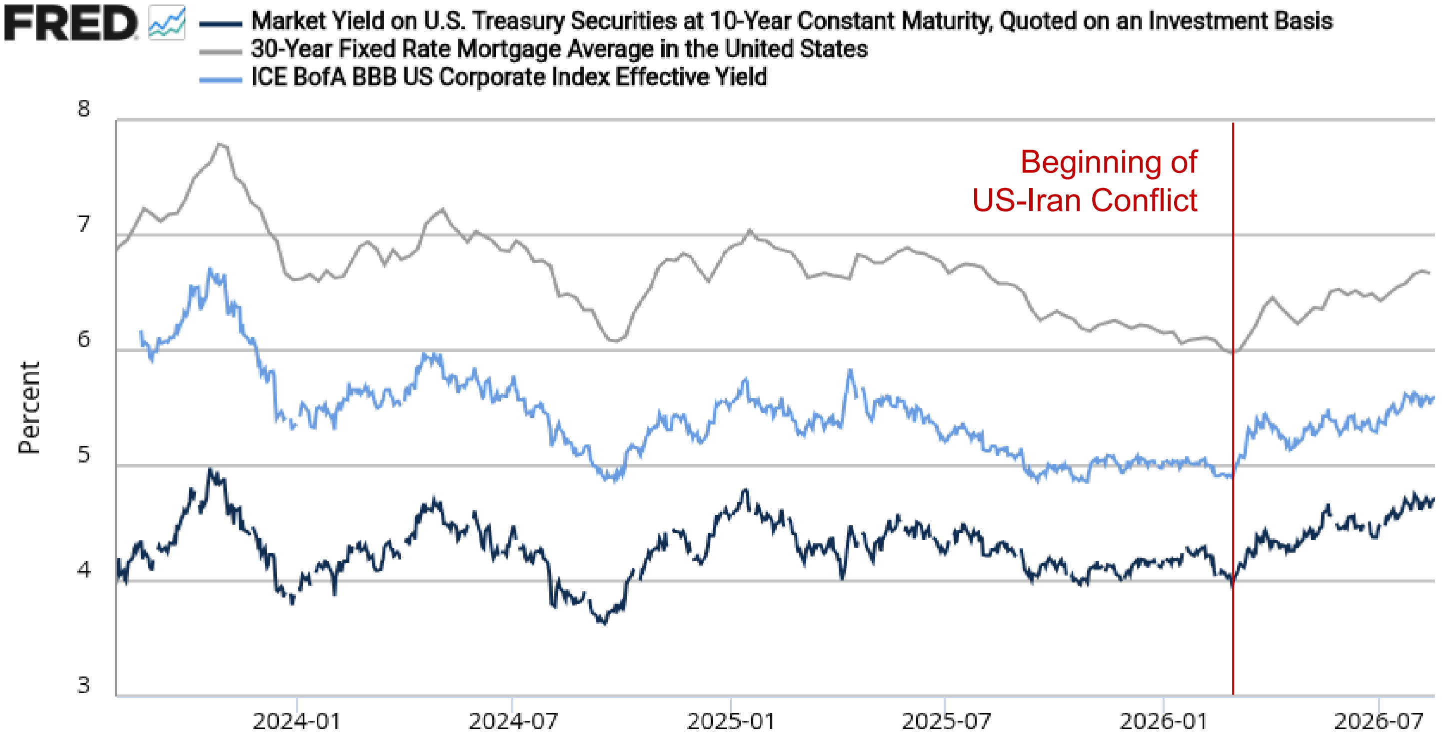
… while market rates rise



Source: Board of Governors of the Federal Reserve System (US) via FRED®

Shaded areas indicate U.S. recessions.

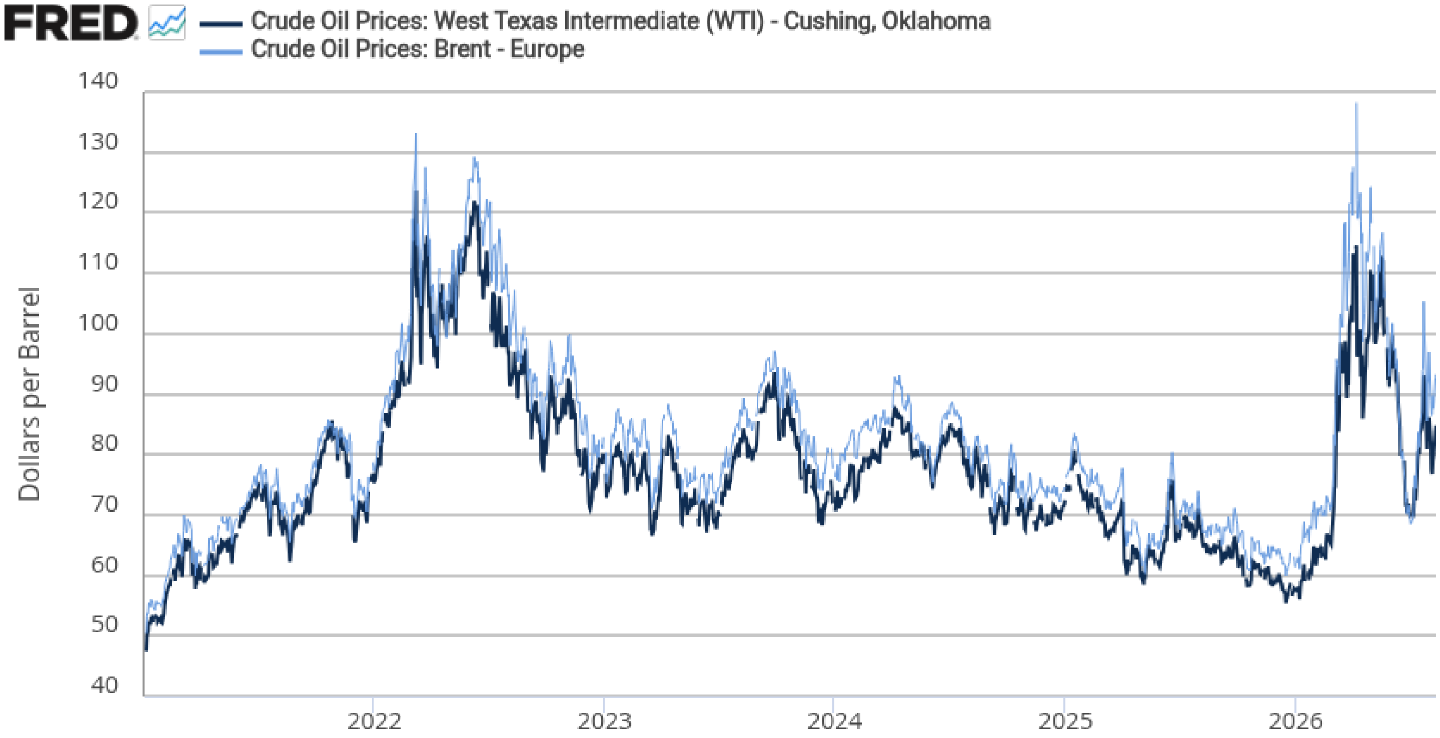
Longer-term Treasuries drive private borrowing costs



Sources: Board of Governors of the Federal Reserve System (US); Freddie Mac; Ice Data Indices, LLC via FRED®

Shaded areas indicate U.S. recessions.

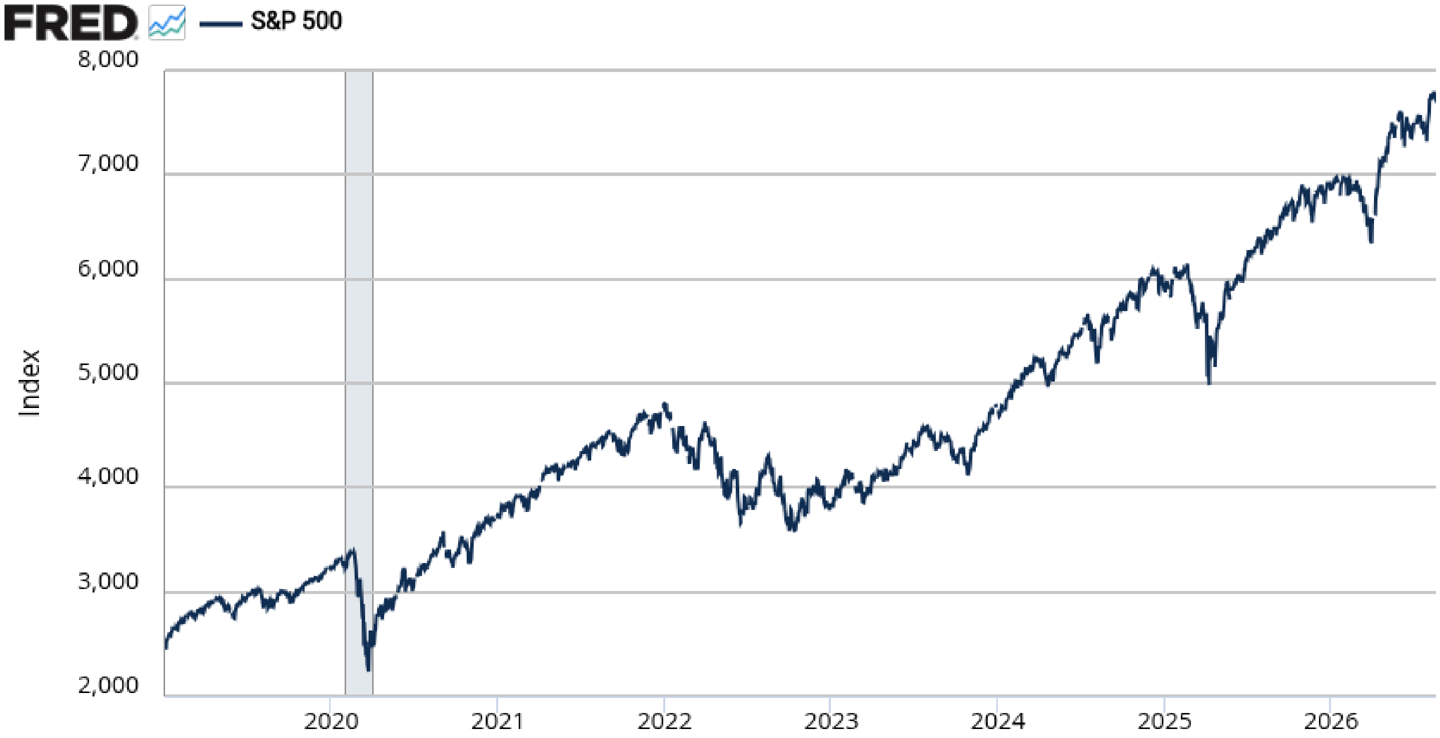
Oil prices rise on renewed geopolitical tensions



Source: U.S. Energy Information Administration via FRED®

Shaded areas indicate U.S. recessions.

Equity values climb to new highs in August



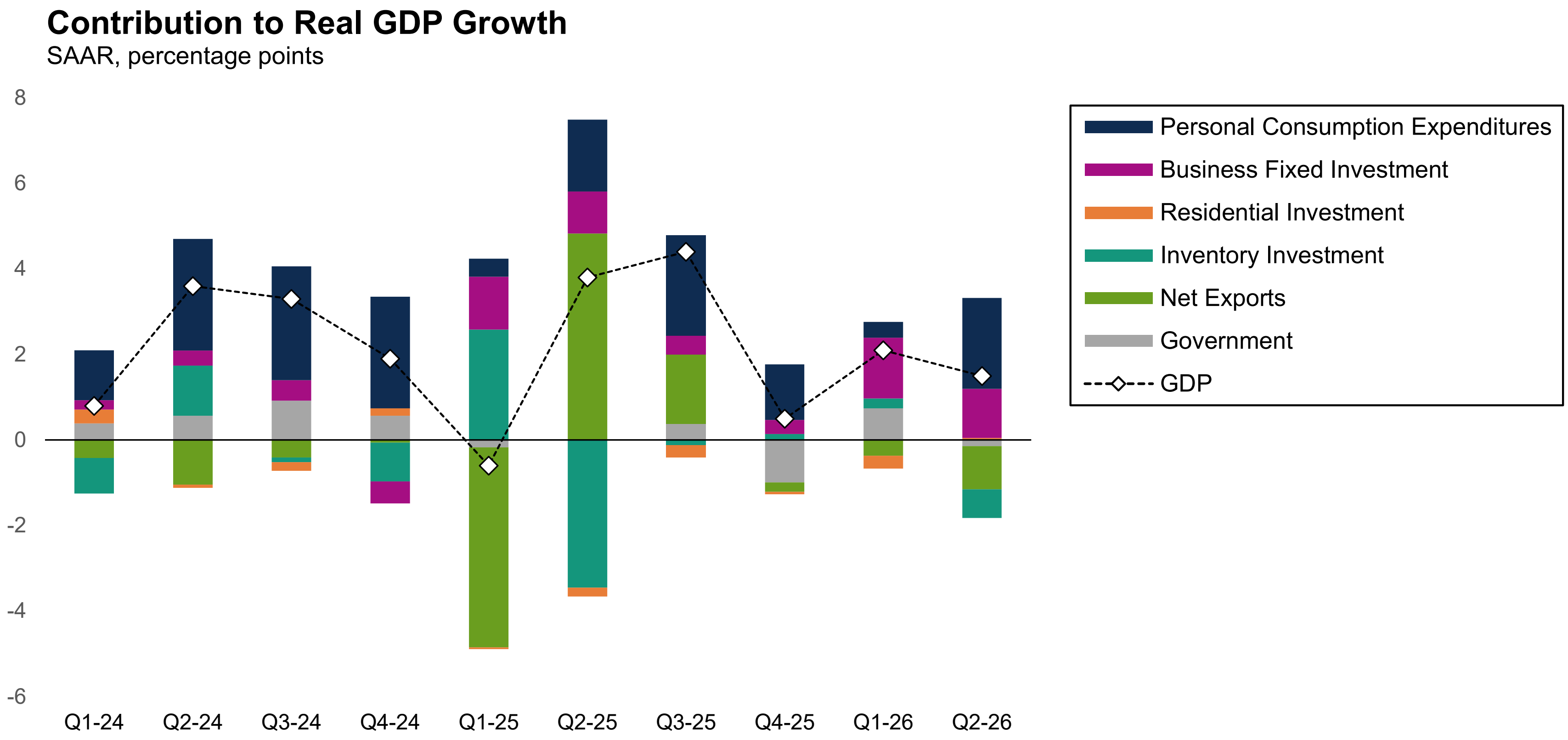
Source: S&P Dow Jones Indices LLC via FRED®

Shaded areas indicate U.S. recessions.

"Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East."

- July 2026 FOMC Statement

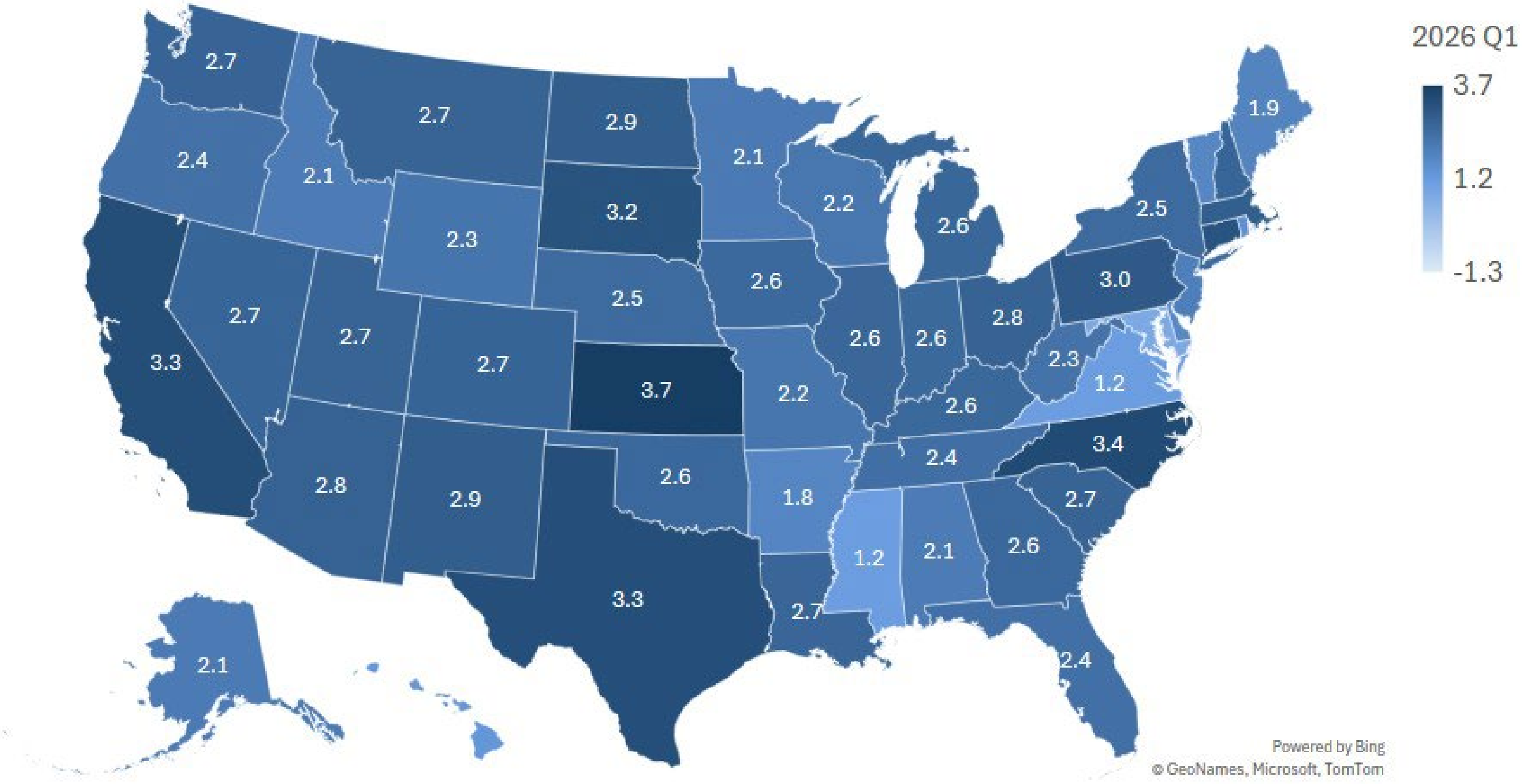
Consumer, business investment drove Q2 growth



Source: Bureau of Economic Analysis

2026 Q1 Real Gross Domestic Product: All Industry Total by State

Percent Change from Year Ago (%)

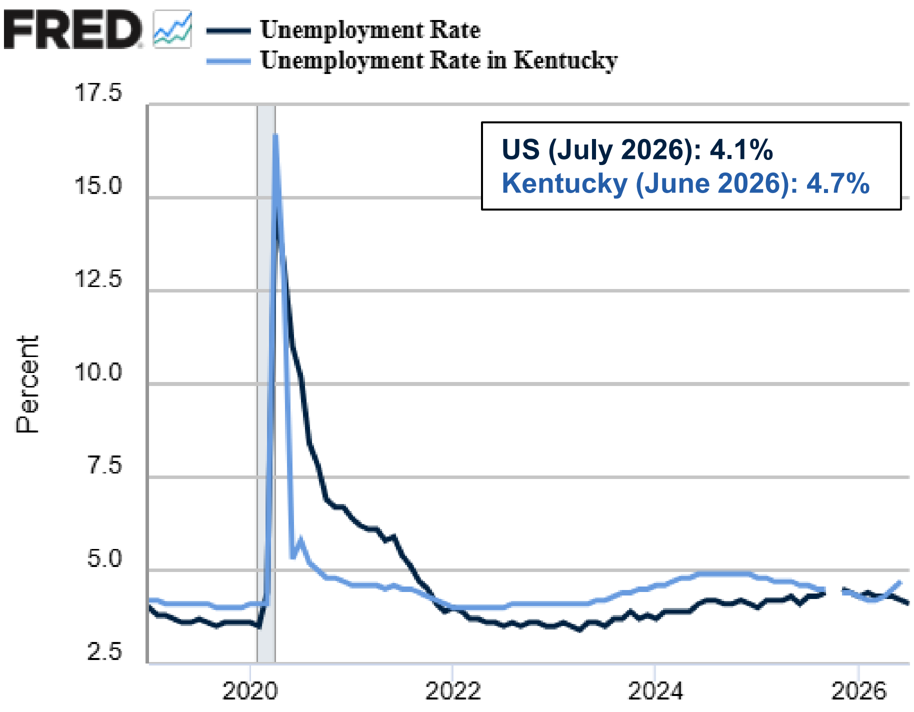


Source: Bureau of Economic Analysis

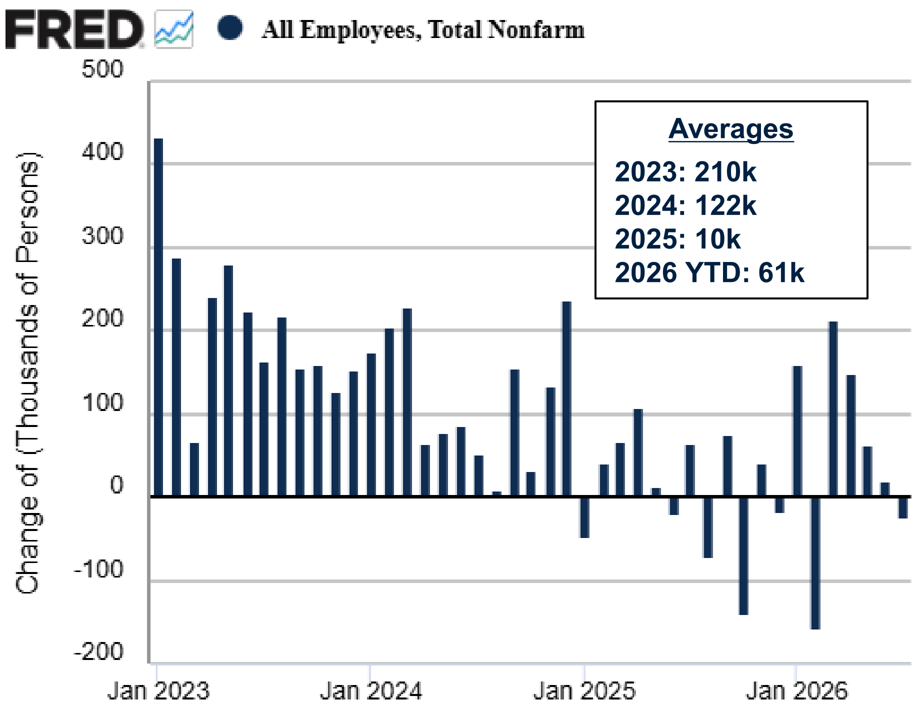
“Job gains have kept pace with the workforce, and the unemployment rate has changed little.”

- July 2026 FOMC Statement

US labor market conditions remain stable, on balance

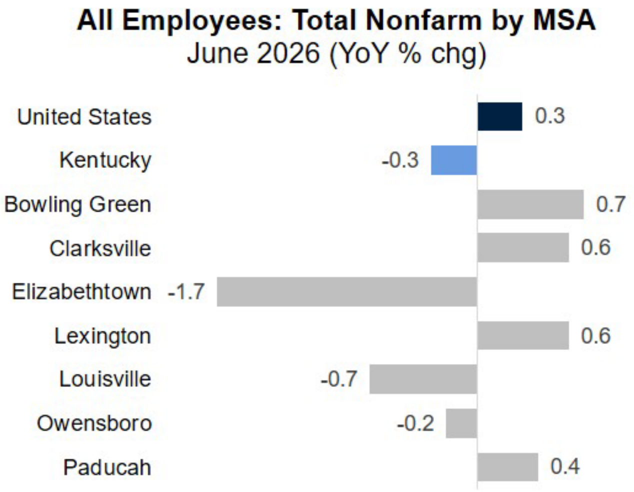


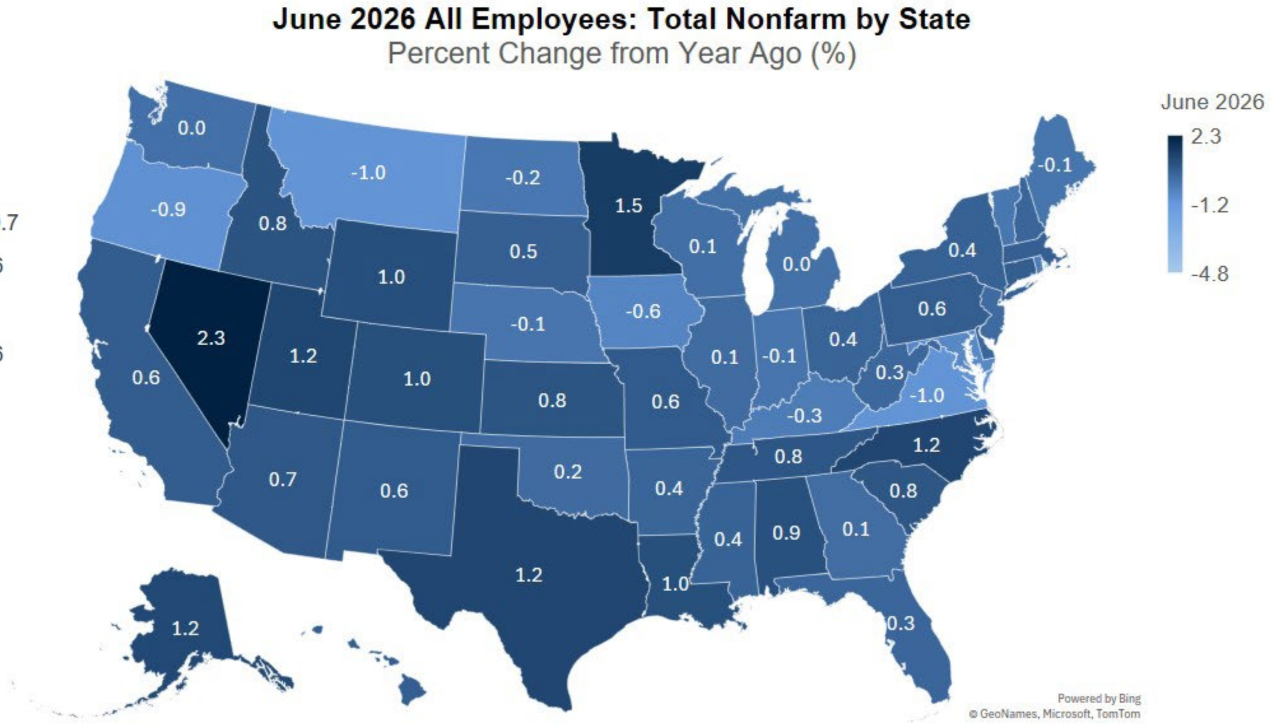
Source: U.S. Bureau of Labor Statistics via FRED®



Source: U.S. Bureau of Labor Statistics via FRED®

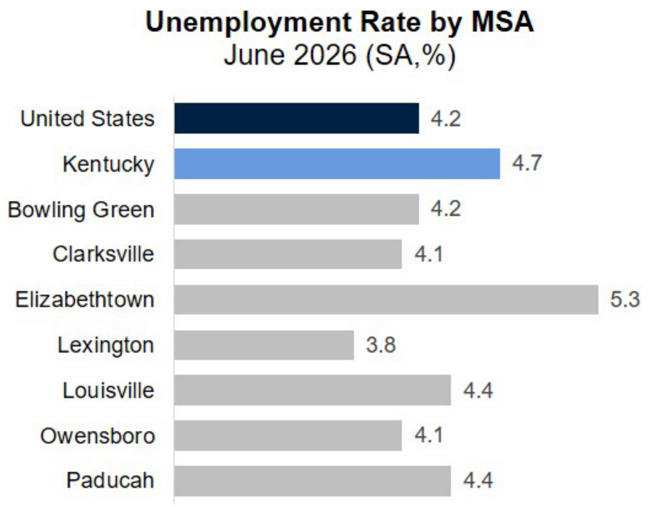
Employment growth mixed across Kentucky metros

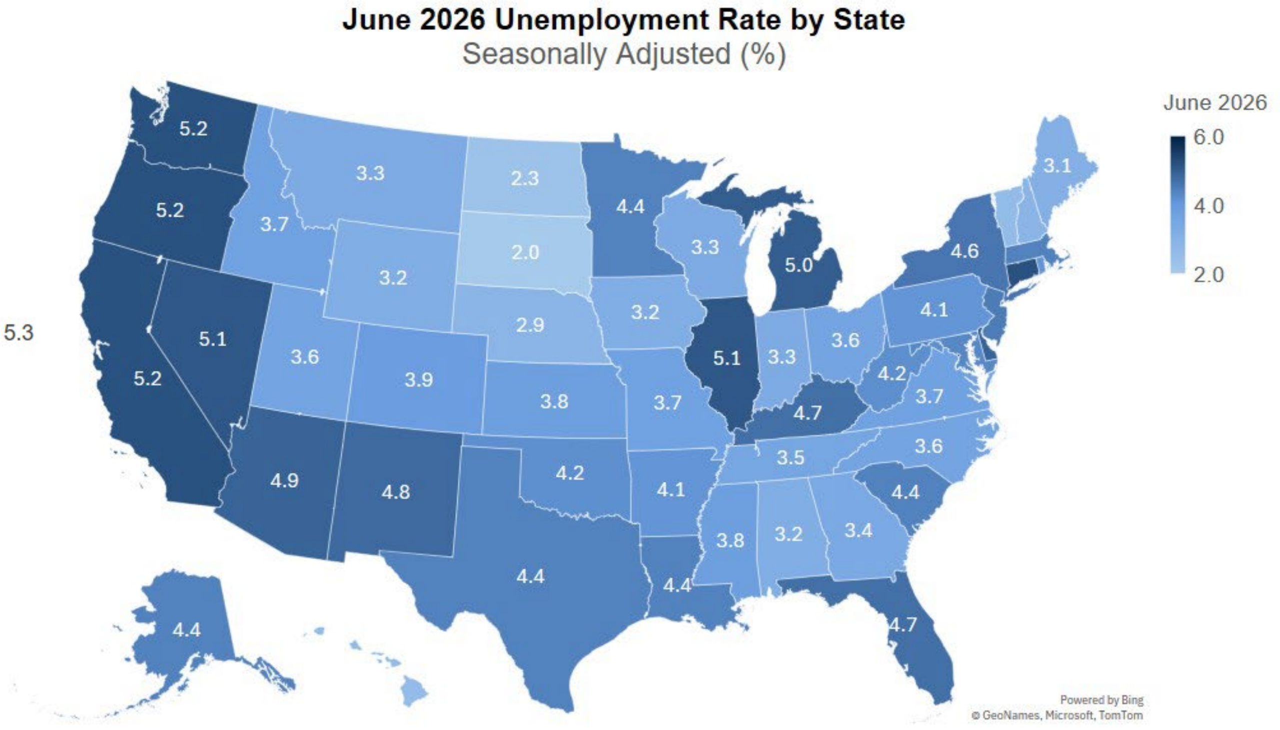




Source: Bureau of Labor Statistics, FRED

Kentucky unemployment rate moves above US average



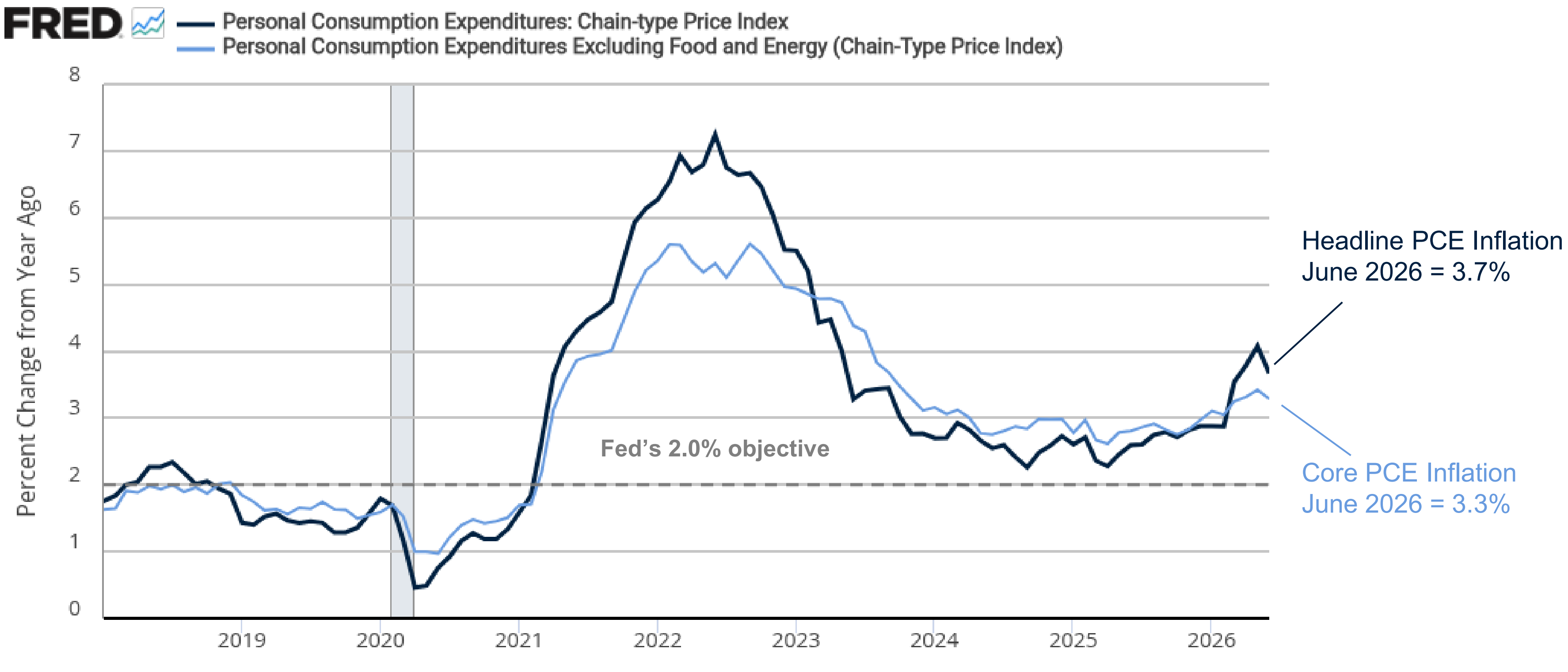


Source: Bureau of Labor Statistics, FRED

“Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability.”

- July 2026 FOMC Statement

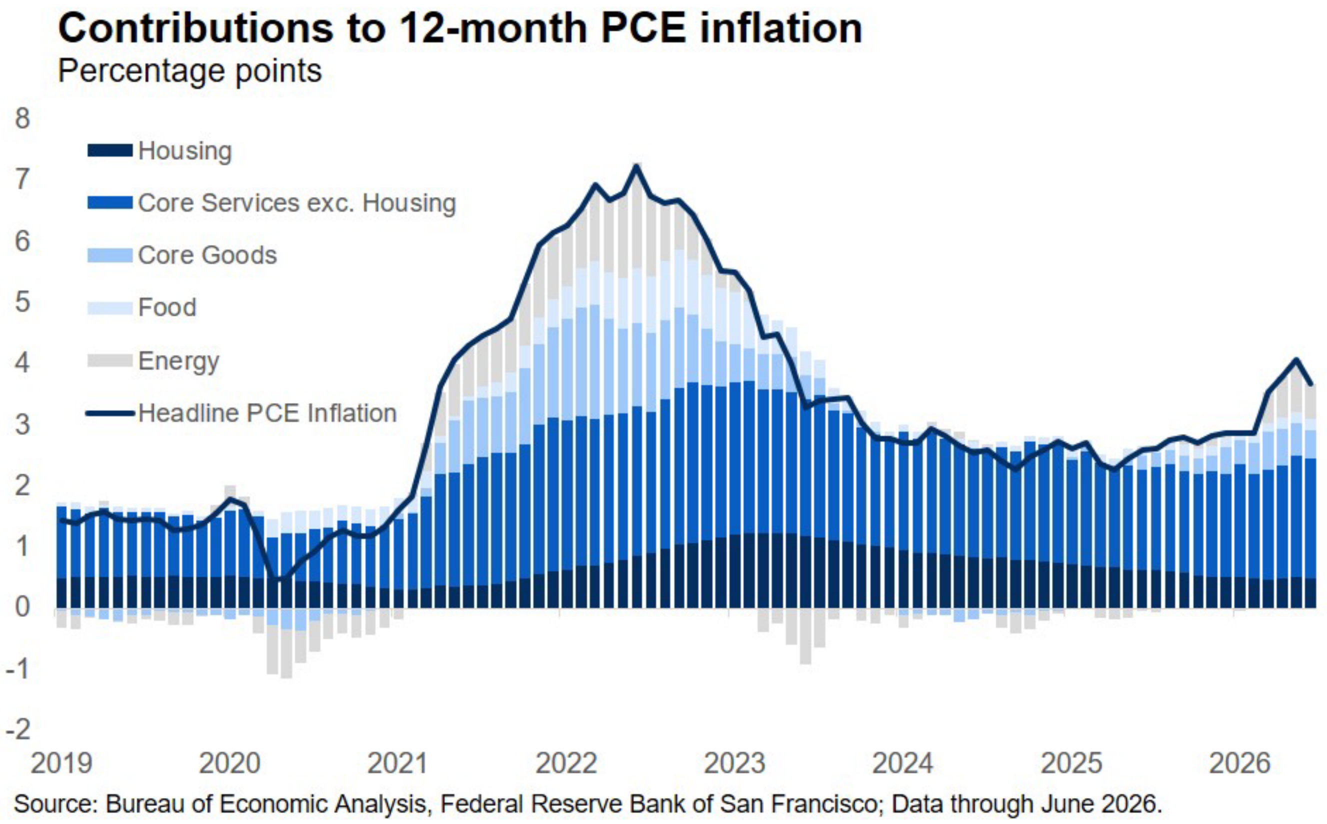
Inflation remains above Fed’s 2% target



Source: U.S. Bureau of Economic Analysis via FRED®

Shaded areas indicate U.S. recessions.

Inflation remains above Fed's 2% target



Key Takeaways

- At its July 2026 meeting, the FOMC left the target for the federal funds rate unchanged at its current range of 3½% to 3¾%, where it has been since December 2025.
- Financial conditions have tightened in recent weeks as oil prices and long-term rates moved higher. Equities, however, remain elevated and supportive of economic growth via household wealth effects.
- Q2 US economic activity reflected solid gains in both consumer spending and business investment. The healthy reading on consumer spending was welcome after a soft Q1.
- On average, US labor market conditions looked stable through mid-2026. A recent uptick in the Kentucky unemployment rate bears watching.
- Focus remains on the persistent overshoot in inflation relative to target, and the FOMC's commitment to bringing inflation back to the 2% objective.

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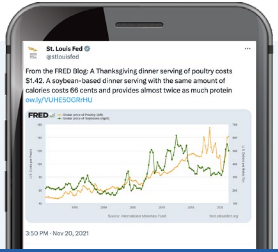

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