



FEDERAL
RESERVE
BANK of
ST. LOUIS

US Regional Economic Outlook

September 2025

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Louisville Branch*

DISCLAIMER

These views are my own and not necessarily those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.



What is the Federal Reserve and why does it matter (to you)?



It's America's central bank,
created by Congress in 1913
to promote financial
stability.

What Does the Fed Do?

KEY FUNCTIONS





Federal Reserve System

CONGRESS

oversees the Federal Reserve System
and its entities.

FEDERAL OPEN MARKET COMMITTEE

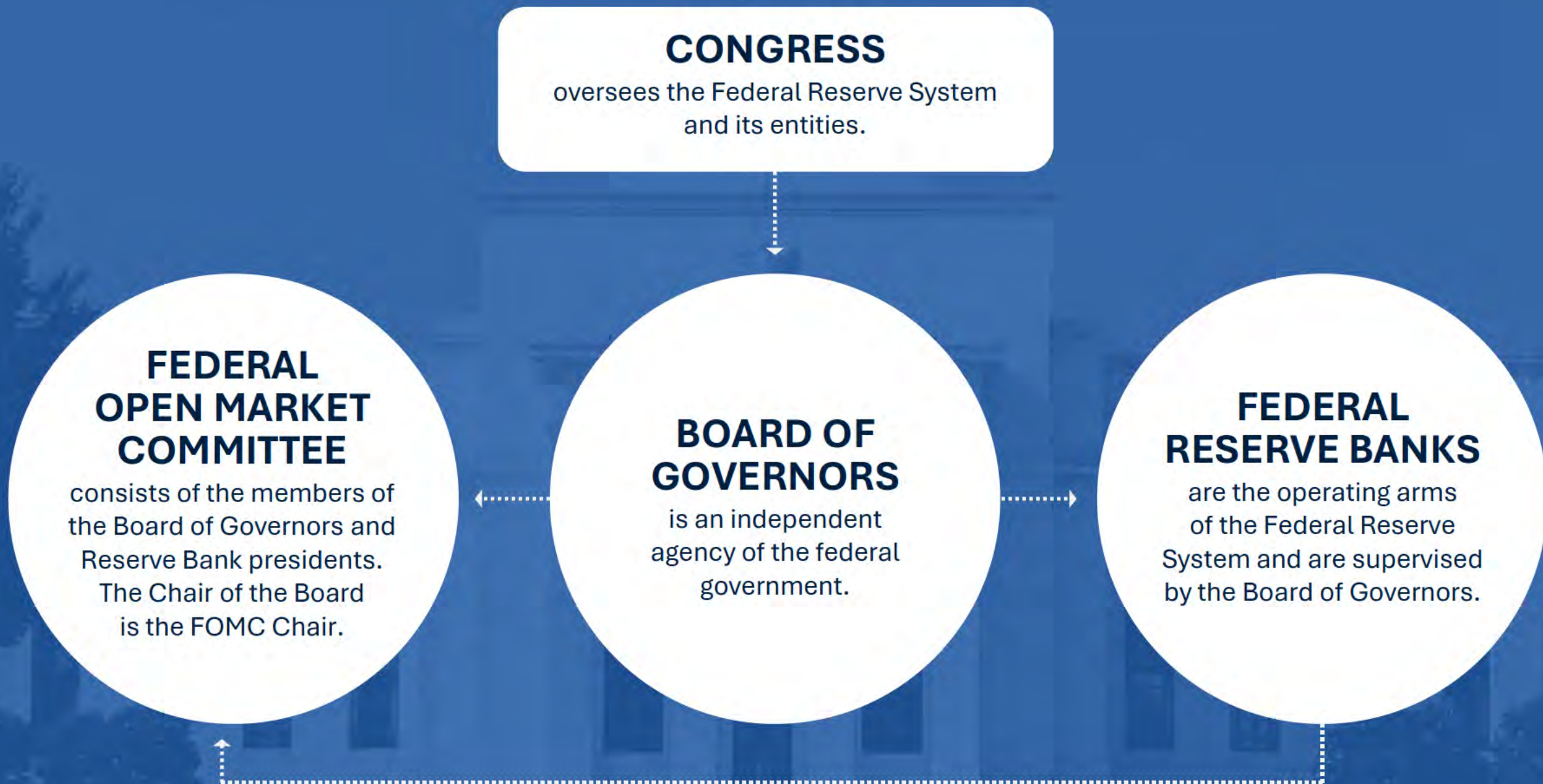
consists of the members of
the Board of Governors and
Reserve Bank presidents.
The Chair of the Board
is the FOMC Chair.

BOARD OF GOVERNORS

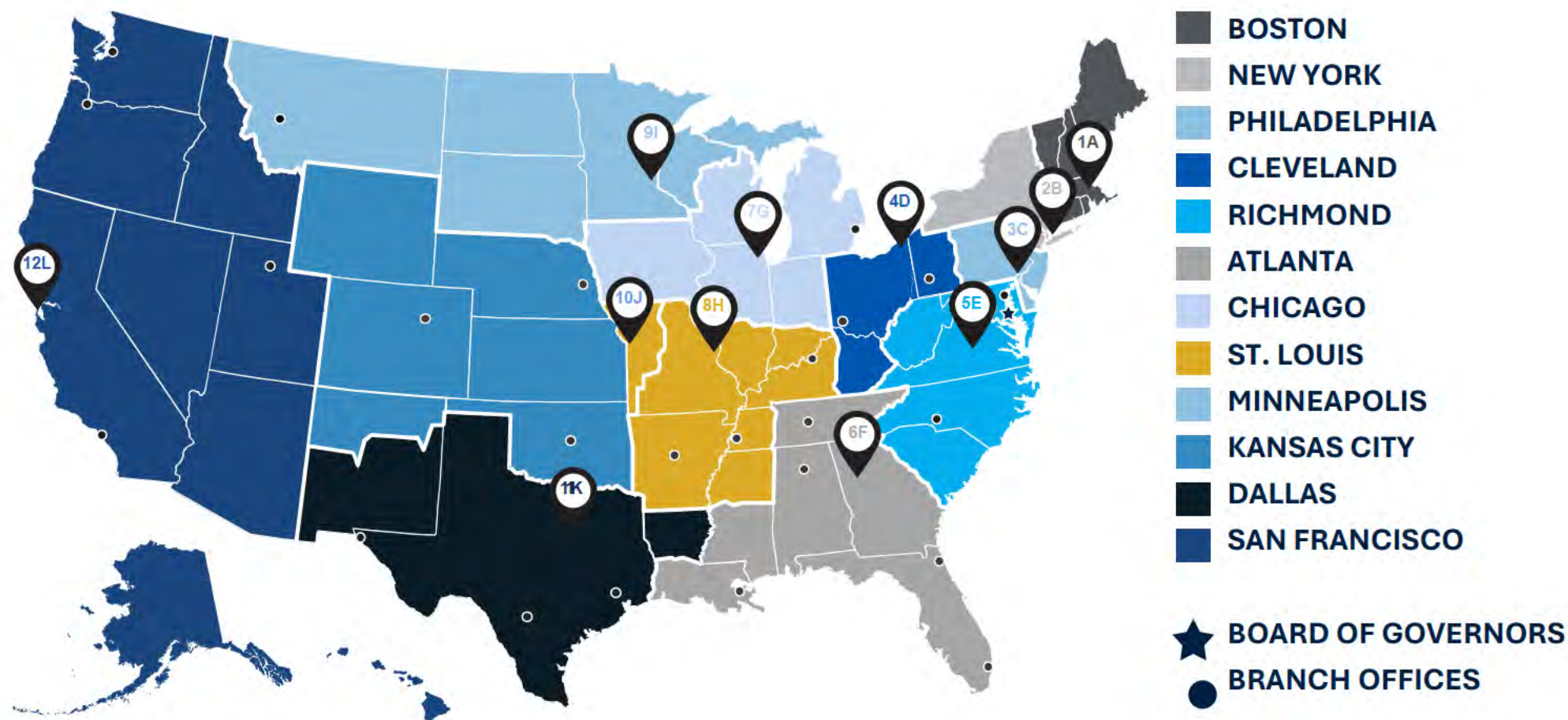
is an independent
agency of the federal
government.

FEDERAL RESERVE BANKS

are the operating arms
of the Federal Reserve
System and are supervised
by the Board of Governors.



Decentralized by Design





The Federal Reserve System: Apolitical and Unbiased

Independent and Accountable



APOLITICAL:

Essential for
monetary policy



AUDITED EXTENSIVELY:

Internal audit
External auditor: KPMG
Board of Governors
GAO

Open and Transparent



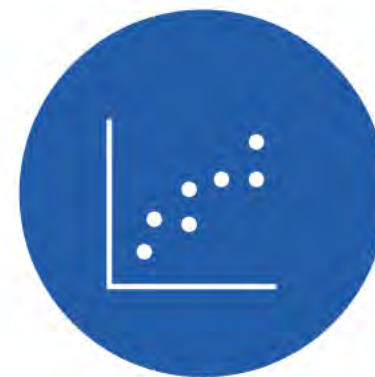
Regular reports
& testimony to
Congress



Statements,
minutes,
transcripts



Press
conferences,
media &
speeches



Economic
forecasts



Inflation
target



Economic Conditions

Recent indicators suggest that growth of economic activity has moderated...The moderation in growth largely reflects a slowdown in consumer spending.

- Chair Powell, September 18th press conference



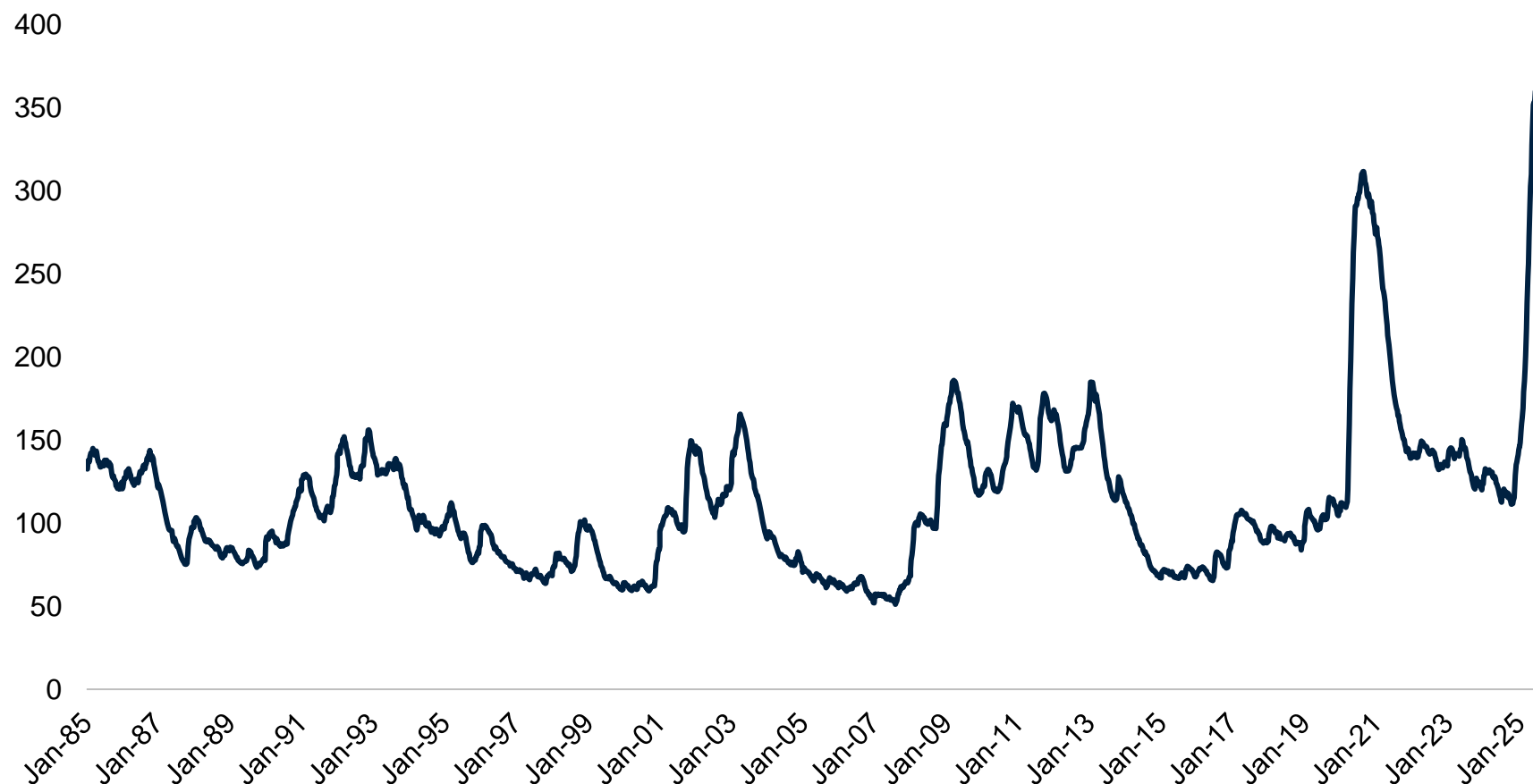
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Economic policy uncertainty shoots above pandemic records

Economic Policy Uncertainty Index for United States

Index 100= Normal conditions

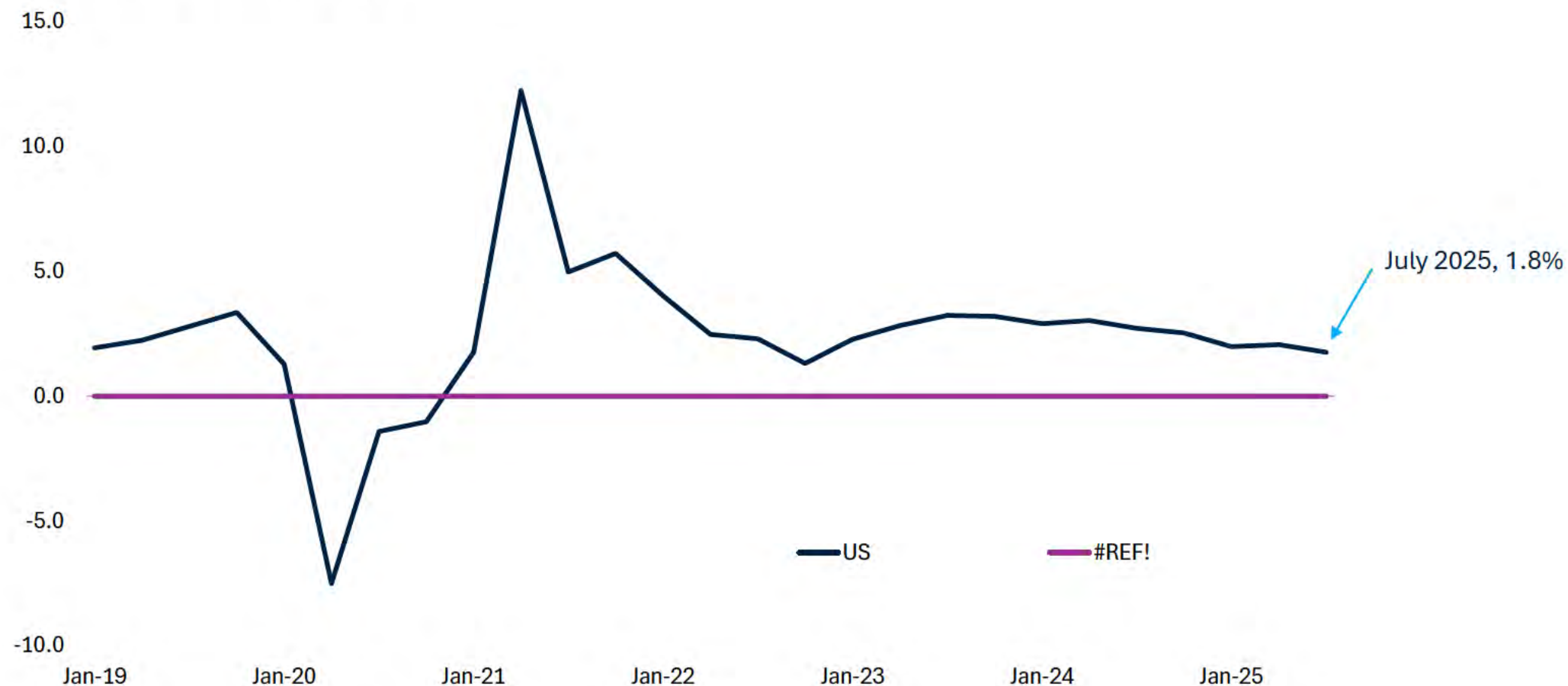


Source: Baker, Scott R.; Bloom, Nick; Davis, Stephen J. via FRED®, 5-day rolling average, Last Obs. 9/19/2025

Real GDP growth has moderated in 2025

Real Gross Domestic Product

Percent change from one year ago

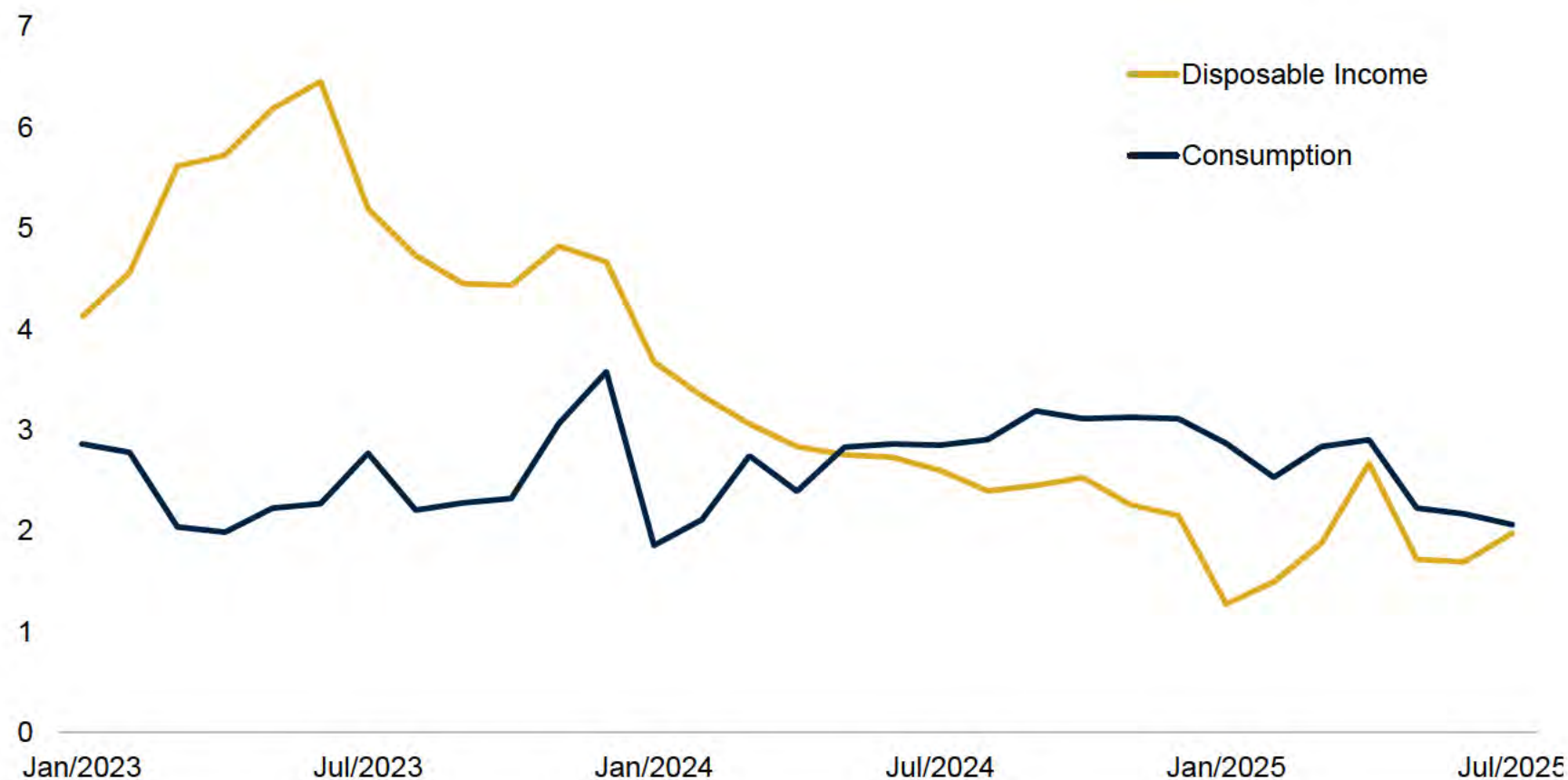


Source: BEA & S&P Global, Last observation 2025:Q3

Slower growth of real income and consumption

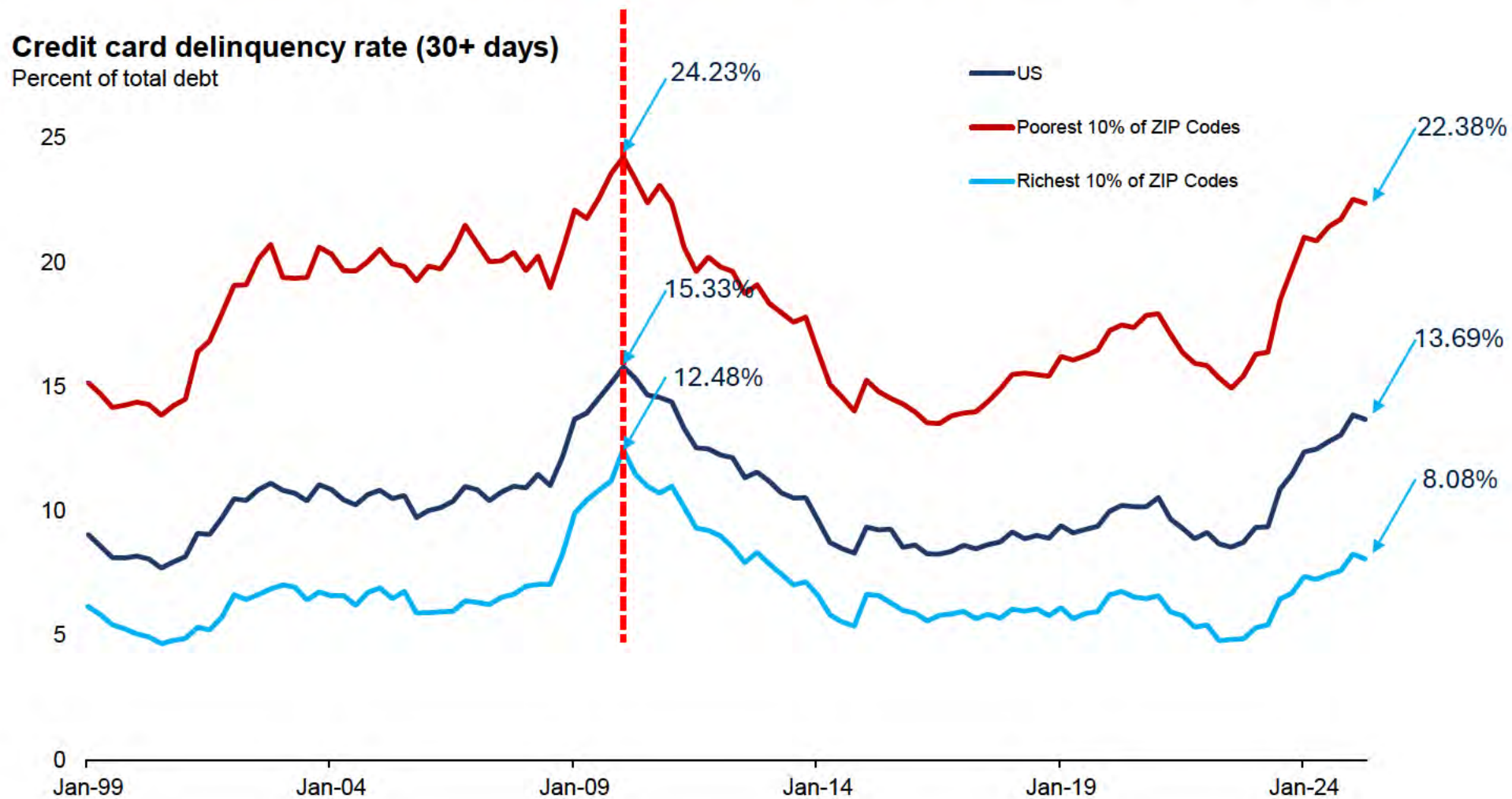
Real personal income and consumption growth

Percent change from one year ago



Source: BEA (Last Obs. 7/25)

Credit card delinquency rates have risen

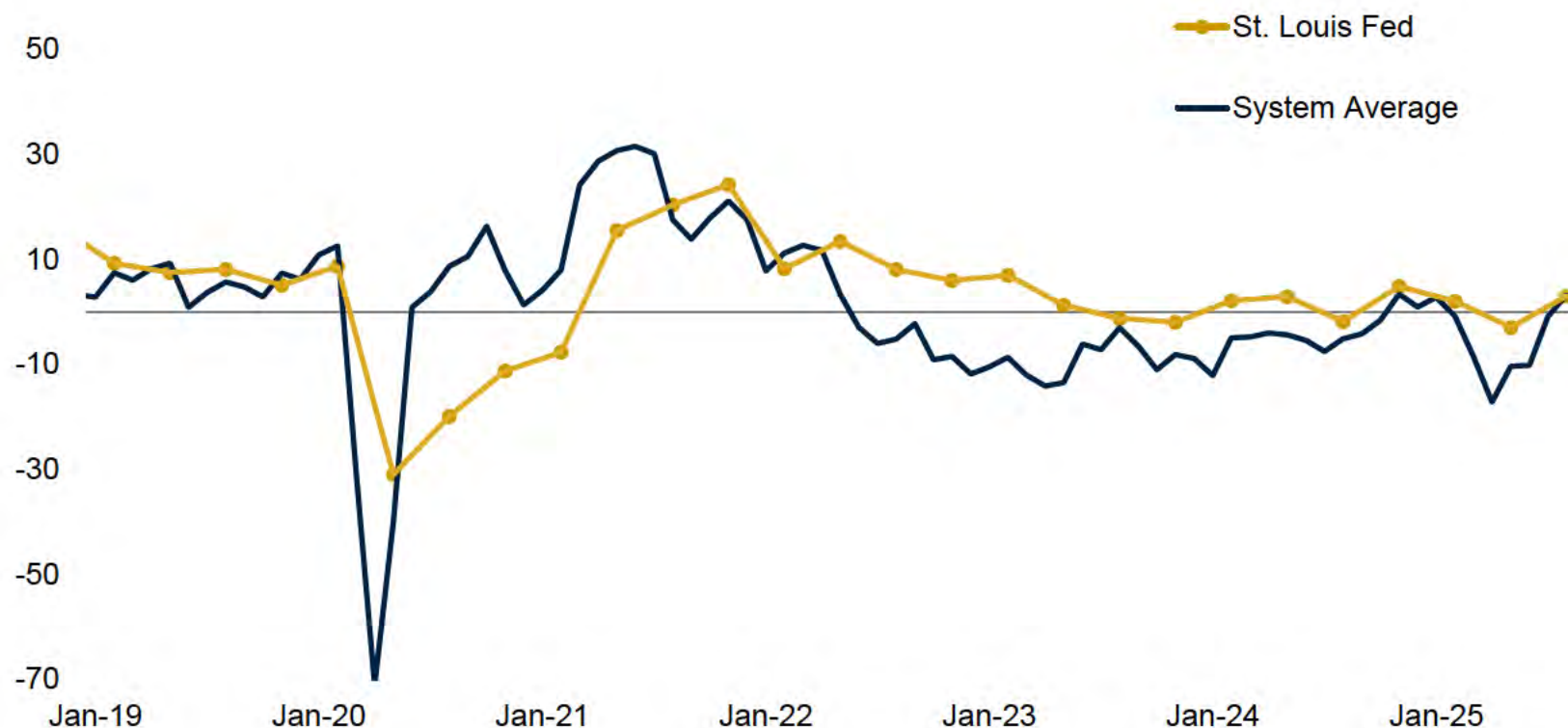


Sources: Federal Reserve Bank of New York/Equifax Consumer Credit Panel, Last Obs. 25:Q2

Surveys indicate weaker economic data possible over next few months

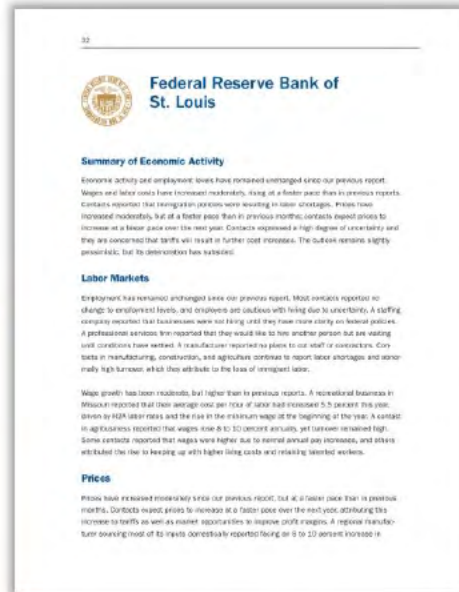
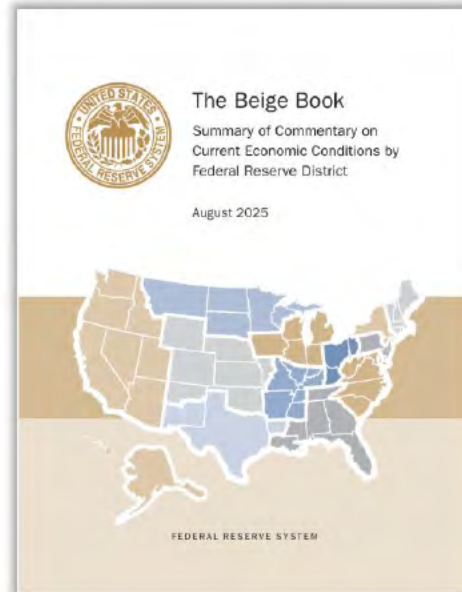
Share of firms reporting improving business activity

Net % of respondents



Sources: Federal Reserve Banks of St. Louis, Dallas, Kansas City, Philadelphia, Richmond. Last Obs. 09/25

Anecdotal Information is critical



FEDERAL RESERVE BANK of ST. LOUIS



What are we hearing from industry contacts?



Uncertainty

Leading to hesitancy and a cautious approach to decision-making

Businesses are delaying hiring and postponing development projects.

Households are pulling back on discretionary purchases

Consumer Spending

Reports have been mixed.

Retailers and hospitality firms are offering deals and promotions to help price-sensitive customers stretch their dollars

Auto sales have been flat to slightly higher, robust demand for auto service parts.



Manufacturing

Higher inventories, weaker than expected sales

Tariffs and trade disruptions are increasing production costs

Contacts are creating plans to regionalize their supply chains

Focus on automation and AI to manage costs and labor shortages

What are we hearing from industry contacts?



Real Estate

More listings, sluggish sales

Home prices are holding steady, and affordability remains an issue.

Commercial construction concentrated in data centers

New activity constrained by higher material costs and financing



Agribusiness

Strained conditions

Row crop prices are below break-even, and high yields not expected to generate positive net income.

Meat and poultry outlook is positive with low feed costs and stable demand.

Trade policy changes have led to higher input costs and lower export demand

Banking

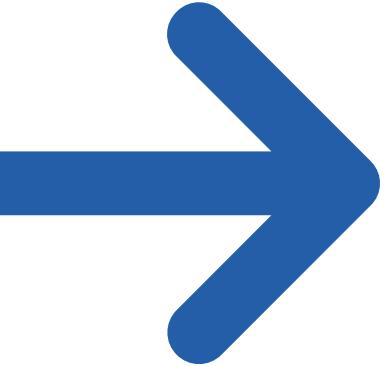
Stable conditions, but concerns about household finances

Loan demand has been slightly better than expected.

A slight increase in small business bankruptcies, but credit portfolios remain strong overall.

Delinquency rates expected to rise in fourth quarter





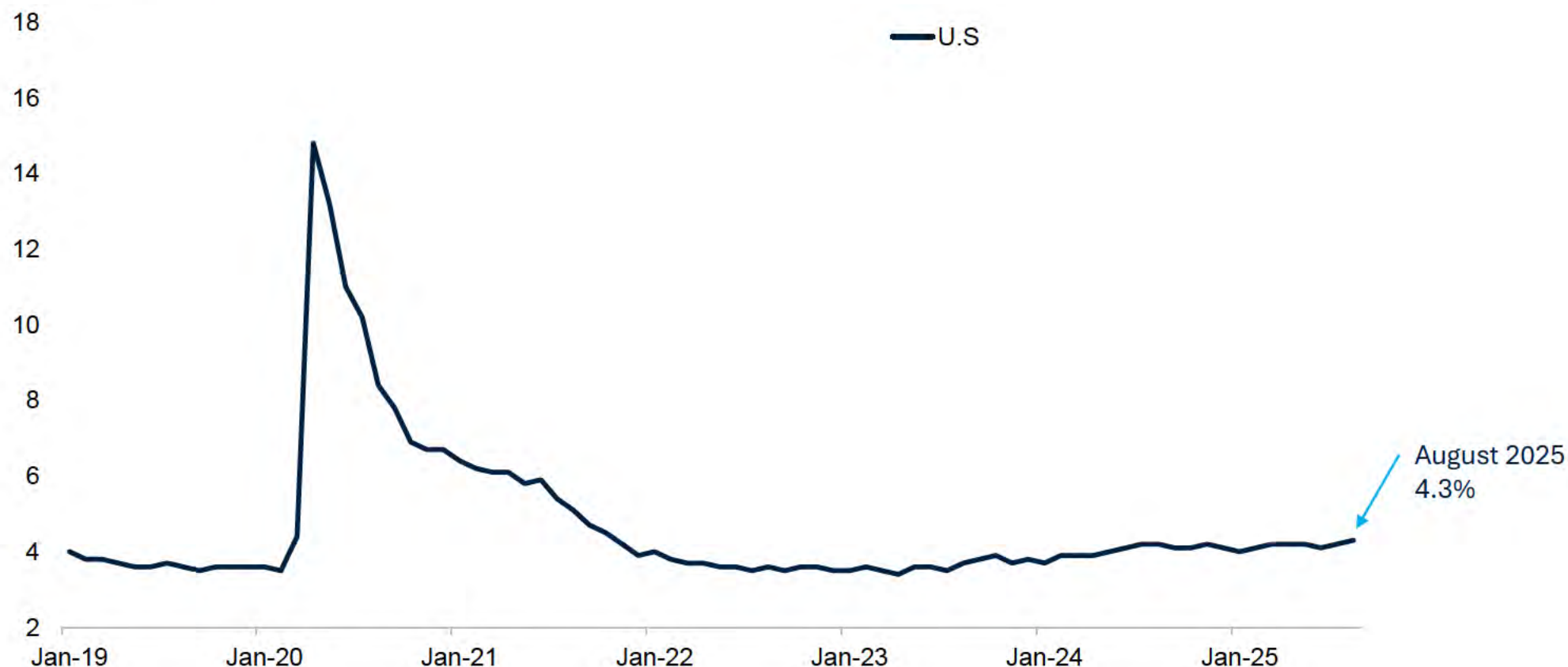
While unemployment remains low, it has edged up. Job gains have slowed and downside risks to employment have risen...A good part of the slowing reflects a decline in the growth of the labor force...Even so, labor demand has softened.

- Chair Powell, September 18th press conference

Jobless rate remains low, but is drifting upward

Unemployment Rate

Percent

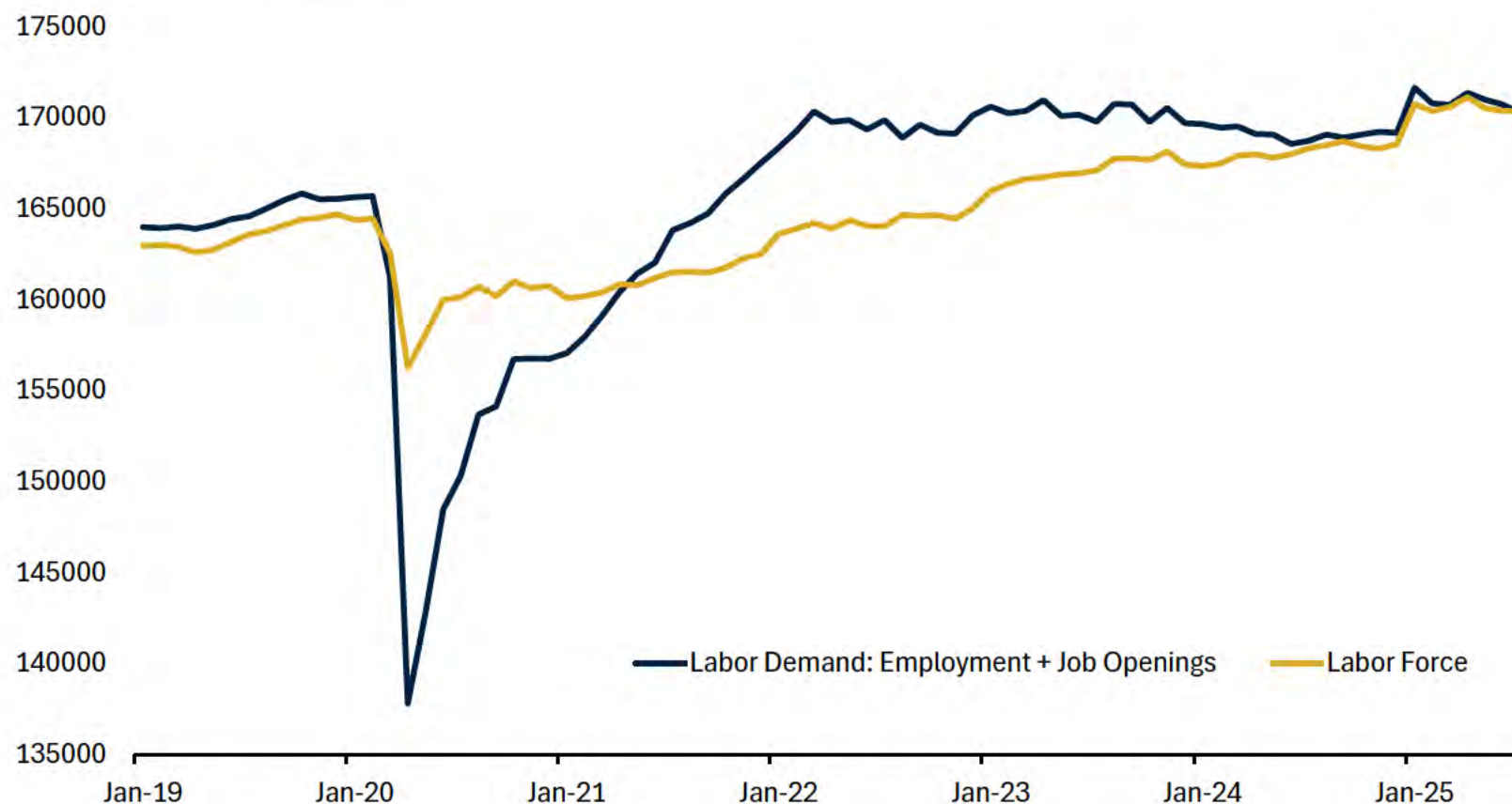


Source: BLS (Last Obs. US: 08/25, Region: 07/25)

Labor supply and demand both cooling, but in balance

Labor Supply and Labor Demand

Thousands



Sources: BLS; Labor Force Last Obs. 07/25

Fewer job openings and fewer workers are quitting

Job Openings Rate
Percent



Job Quits Rate
Percent

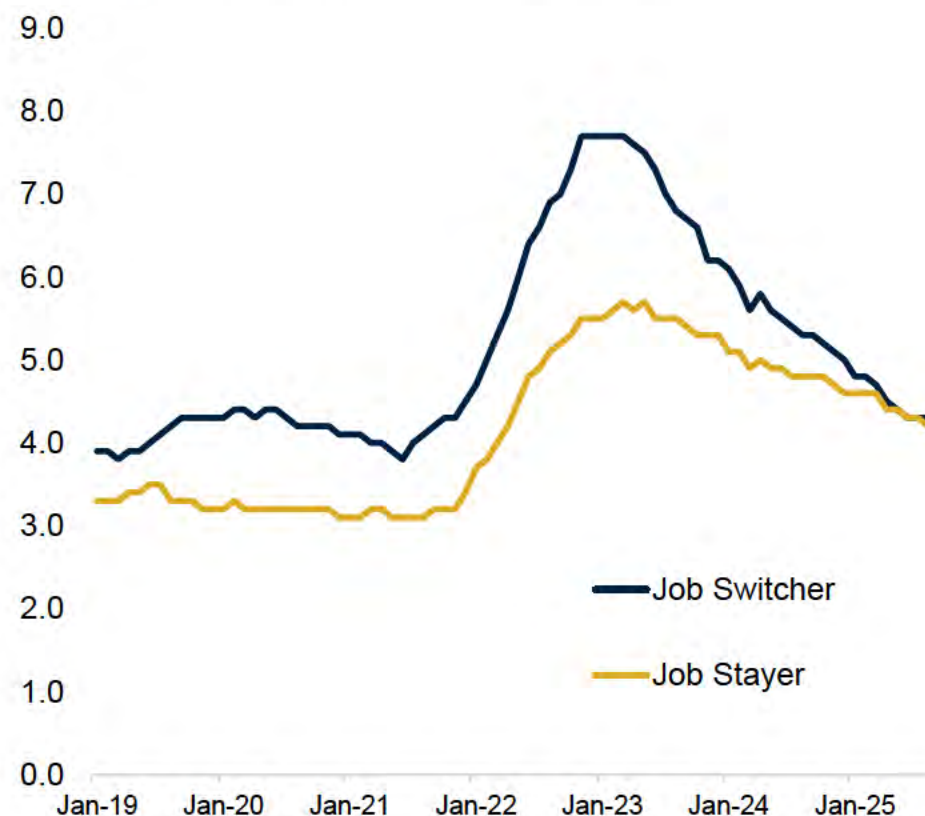


Notes and sources: BLS (Last Obs. 07/25)

Wage growth slows, no relative gains for job switchers

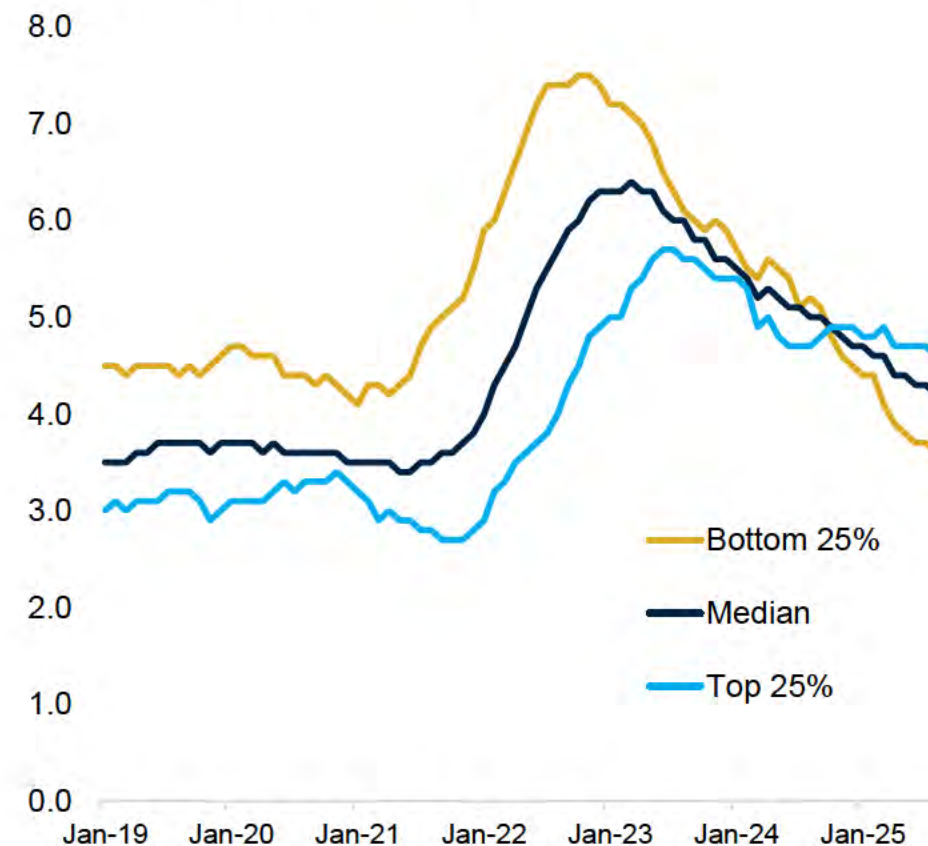
Wage growth by employment status

Percent change from one year ago



Wage growth by wage level

Percent change from one year ago

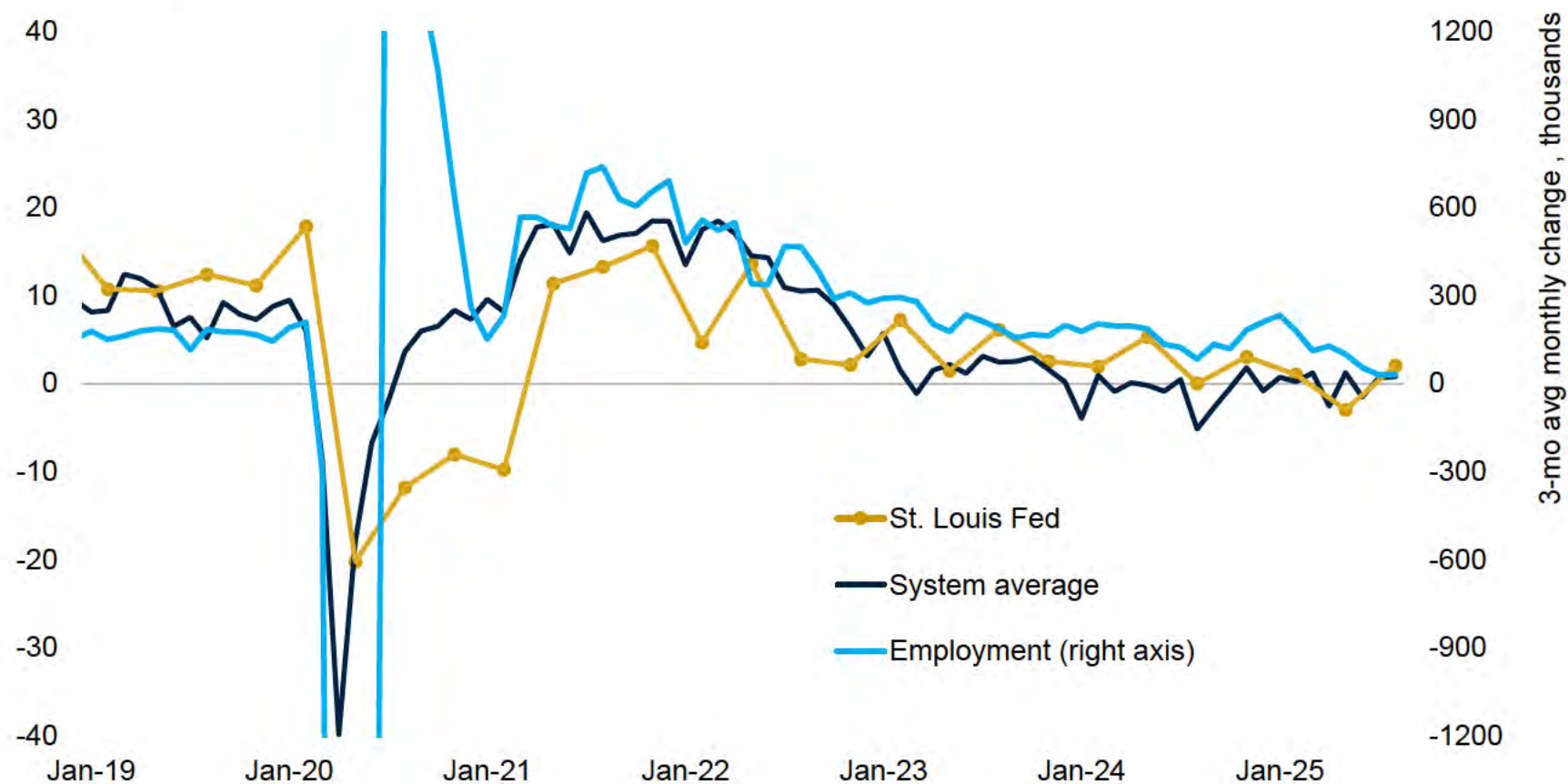


Sources: Federal Reserve Bank of Atlanta (Last Obs. 08/25)

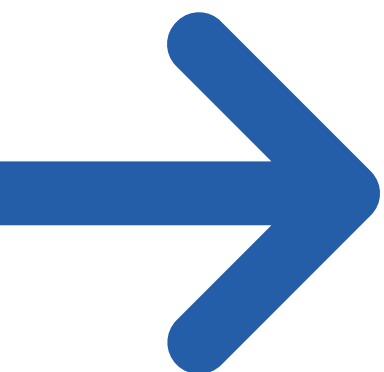
Firms report plans to hold employment stable

Share of firms reporting higher employment

Net % of respondents



Sources: Federal Reserve Banks of St. Louis, Dallas, Kansas City, Philadelphia, Richmond (Last Obs. 8/25), BLS. (Last Obs. 8/25)



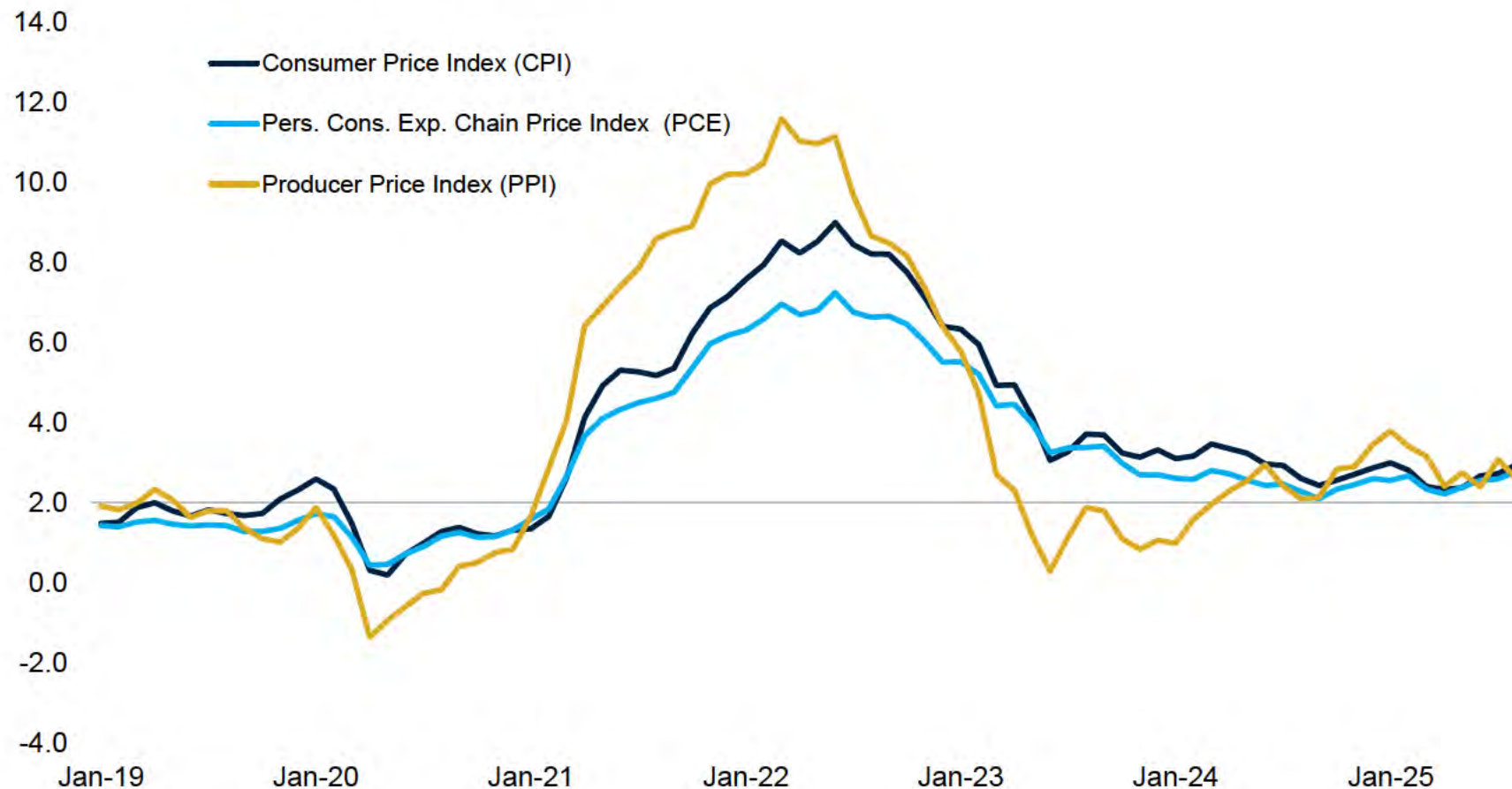
[Inflation] readings are higher than earlier in the year, as inflation for goods has picked up. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have moved up.

- Chair Powell, September 18th press conference

Inflation remains somewhat elevated after cooling sharply

Consumer and producer inflation rates

Percent change from one year ago

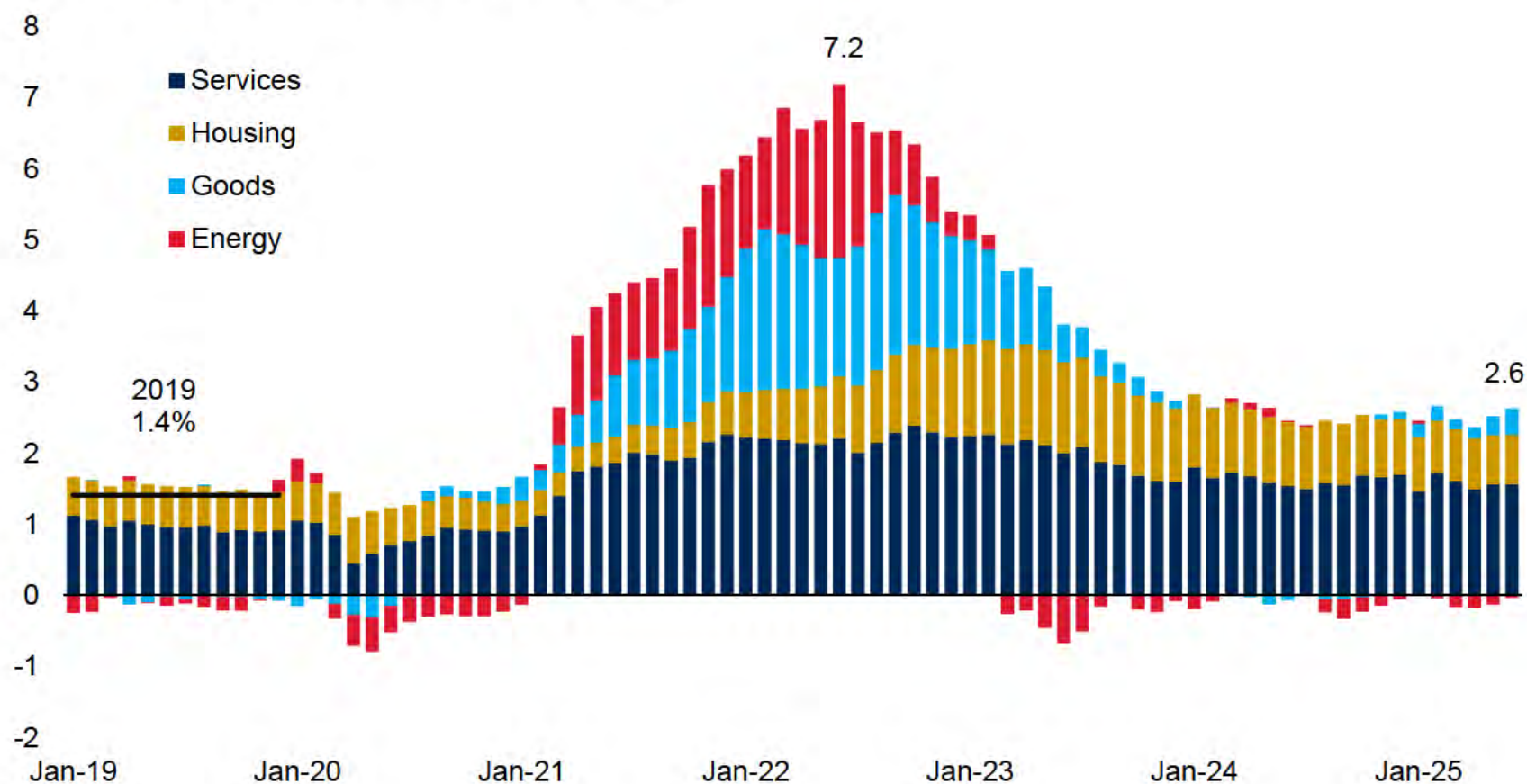


Sources: BLS, BEA, Cleveland Fed; Last obs. (08/2025)

Goods inflation near 0% while housing and services inflation remain slightly higher than pre-pandemic

PCE Inflation by Components

Contribution to the percent change from one year ago

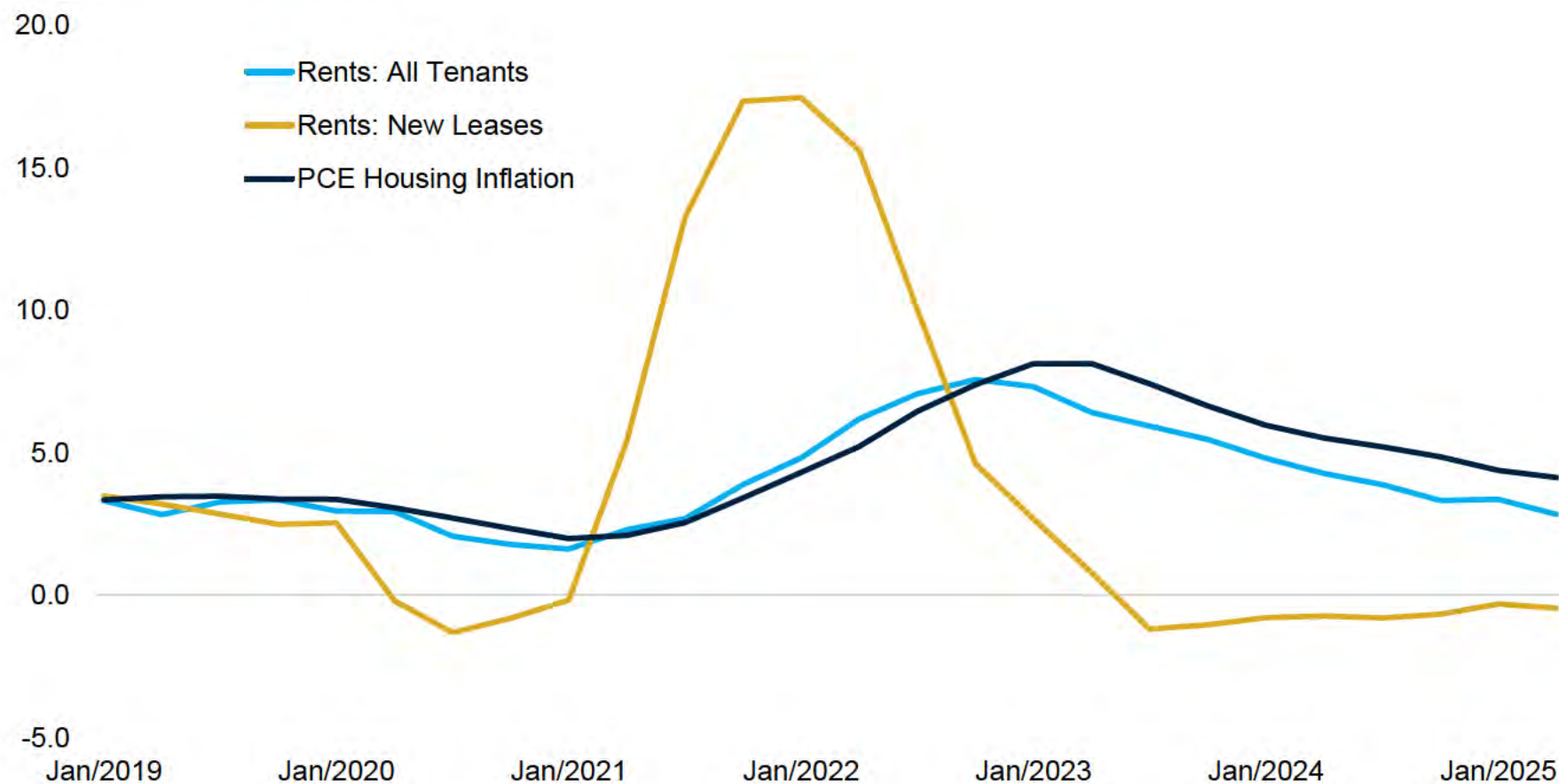


Source: BEA and authors calculations (Last Obs. 06/25)

Market rents indicate slowing of housing inflation

Market Rents and housing inflation

Percent change from one year ago

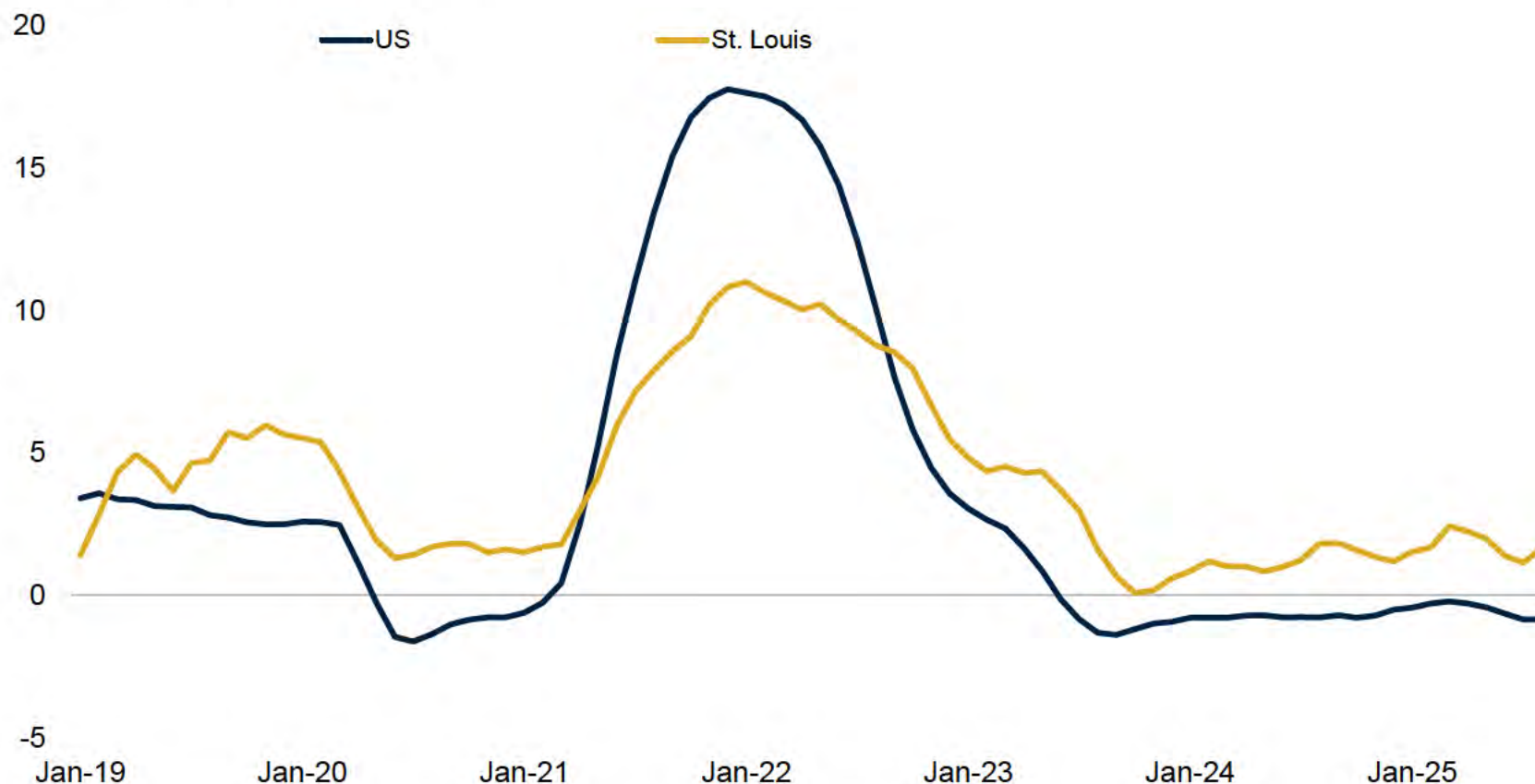


Sources: BLS (All Tenants), BEA (PCE), Apartment List (New Leases) (Last Obs. Apartment List Q2:25) (Last Obs. BLS, BEA Q2:25)

Regional rent growth has been stronger than US average

Rent growth on new leases

Percent change from one year ago

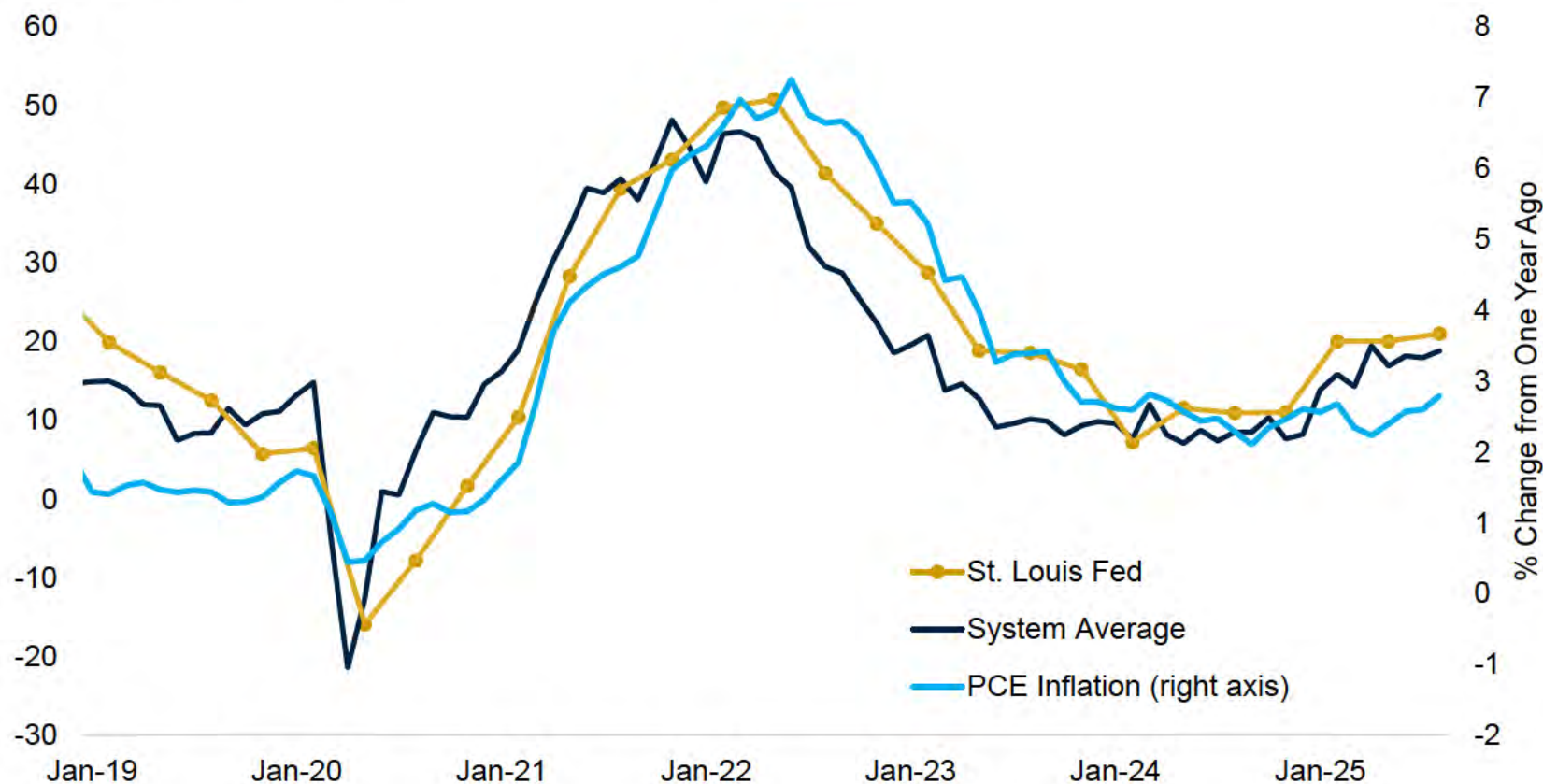


Sources: Apartment List (Last Obs. Q2:25)

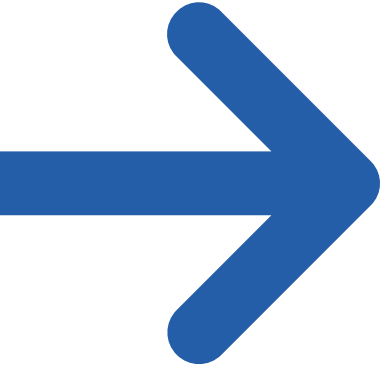
Surveys indicate a greater share of firms raising prices

Share of firms reporting higher prices charged/recieved

Net % of respondents



Sources: Federal Reserve Banks of St. Louis, Dallas, Kansas City, Philadelphia, Richmond (Last Obs. 08/25); BEA/Cleveland Fed (08/25)



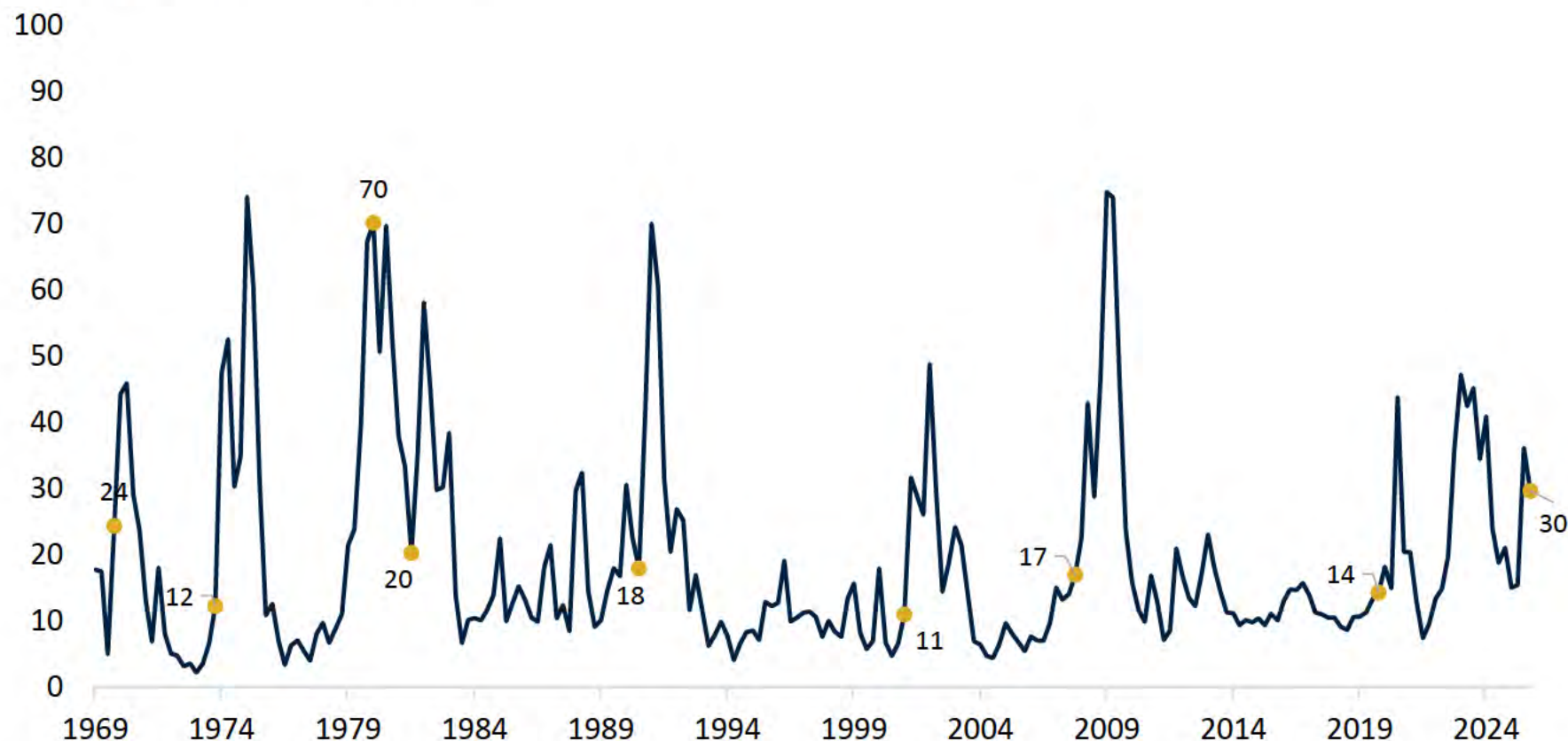
Changes to government policies continue to evolve, and their effects on the economy remain uncertain...risks to inflation are tilted to the upside and risks to employment to the downside, a challenging situation. When our goals are in tension like this our framework calls for us to balance both sides of our dual mandate.

- Chair Powell September 17th press conference

Recession risk increased, but recessions are rarely predicted

The Anxious Index

Probability of Decline in real GDP

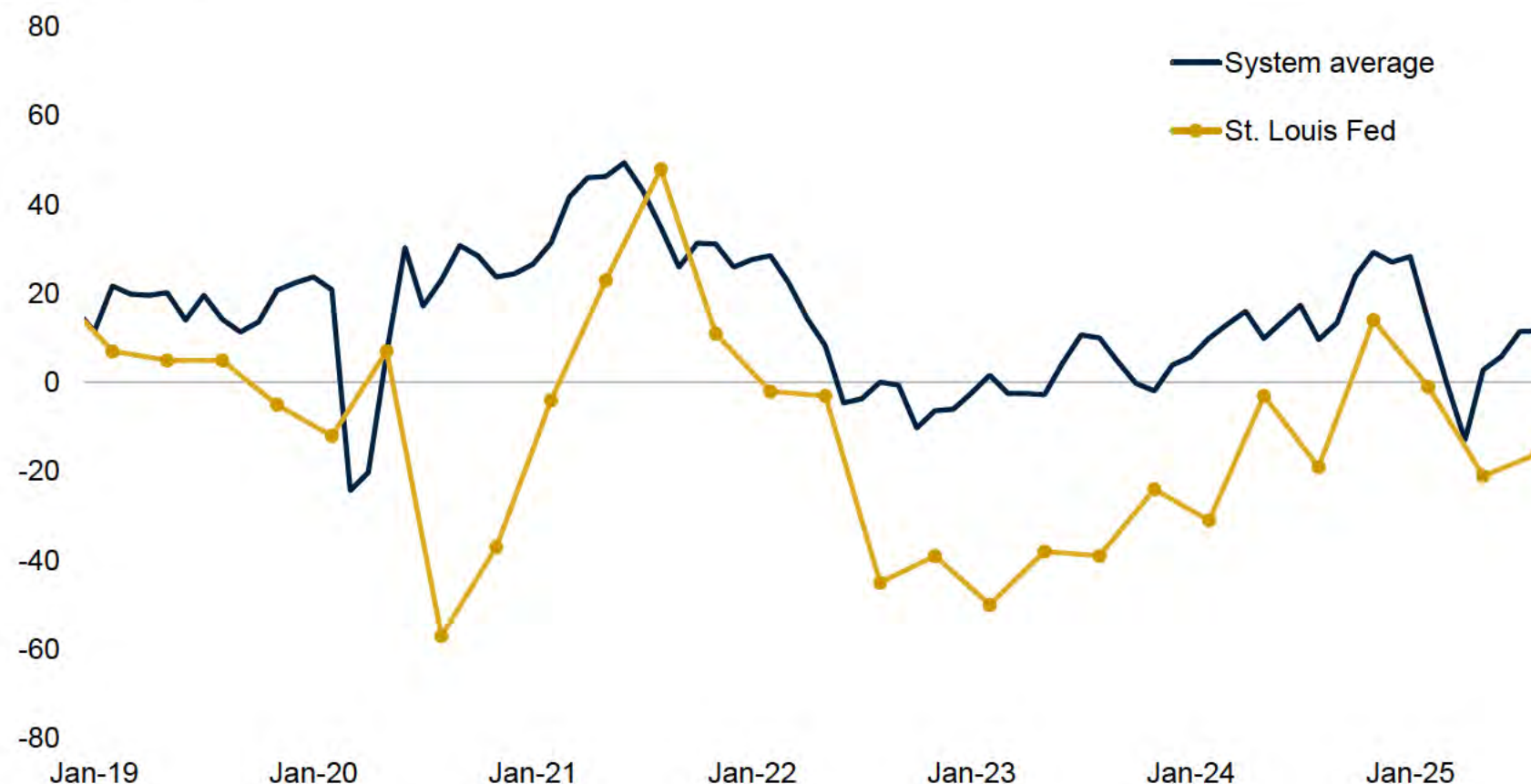


Notes and sources: Shaded areas indicate NBER recessions, Survey of Professional Forecasters (Last Obs. 2025:Q4)

Contacts economic outlook is tepid but improving

Share expecting economic outlook to improve over next 6-12 months

Net % of respondents

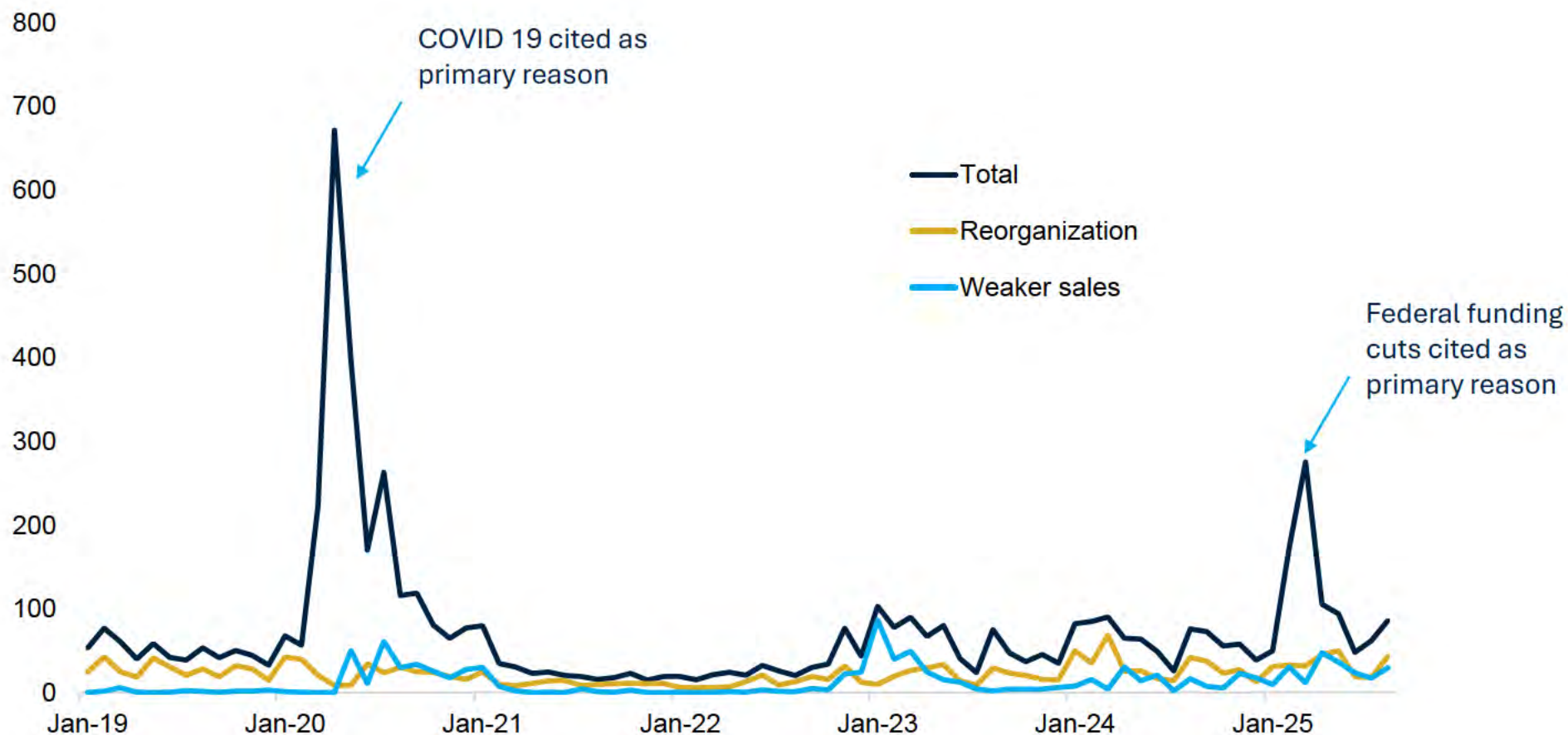


Sources: Federal Reserve Banks of St. Louis, Dallas, Kansas City, Philadelphia, Richmond (Last Obs. 08/25)

Layoff announcements have increased since the start of the year

Announced job cuts by reason

Thousands of Jobs

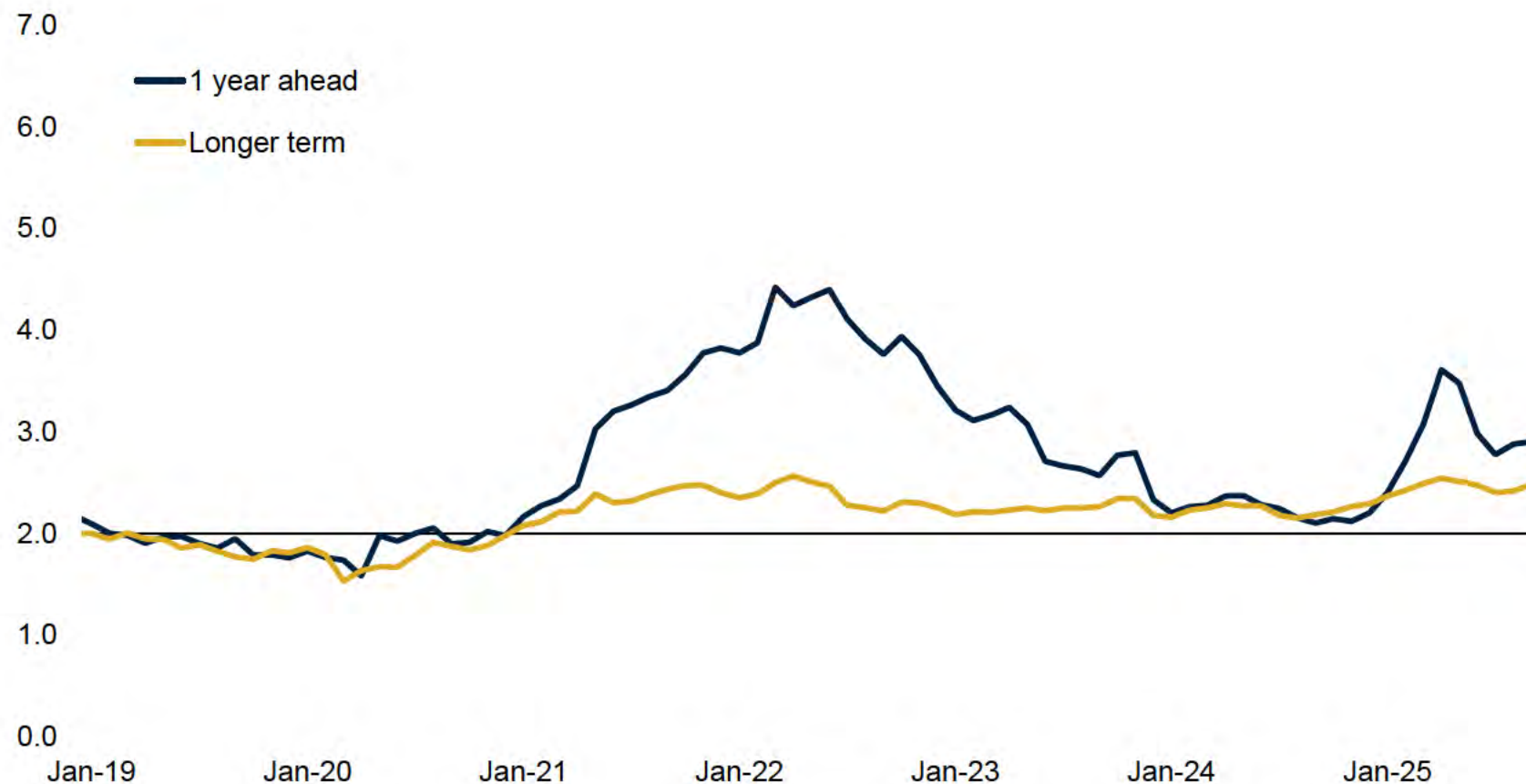


Source: Challenger, Gray, and Christmas, Last Obs. 08/25

Inflation expectations have risen in recent months

Inflation Expectations

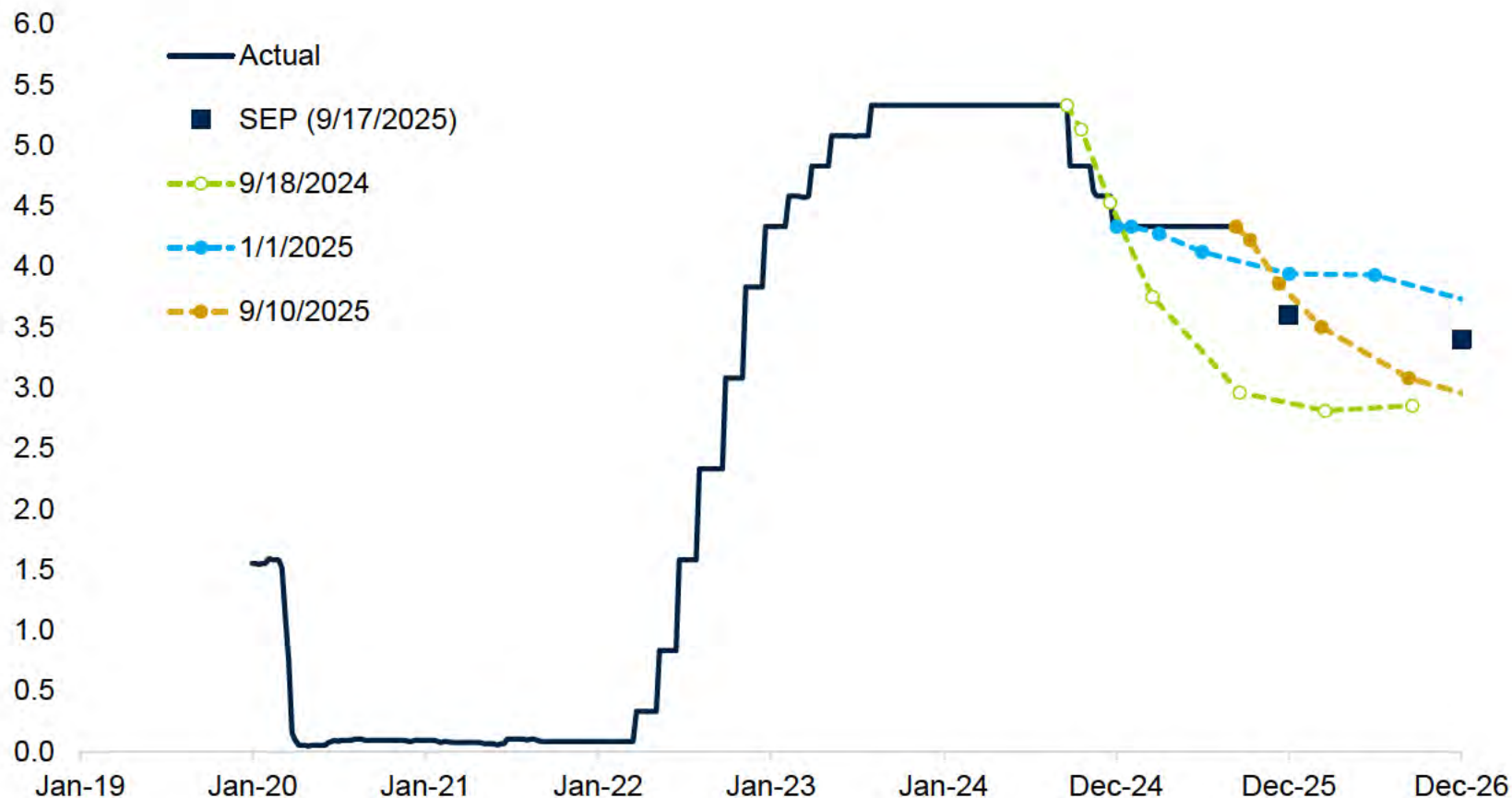
Average annual percent change



Notes and sources: Authors calculations based on data from University of Michigan, FRB NY, Blue Chip Surveys, and US Treasury (Last Obs. 09/25)

Markets expect lower interest rates than 9 months ago

Expected path of the federal funds rate
Percent



Notes and sources: Squares are median FOMC members path of the appropriate fed funds rate. Dashed lines are expected path based on fed funds futures

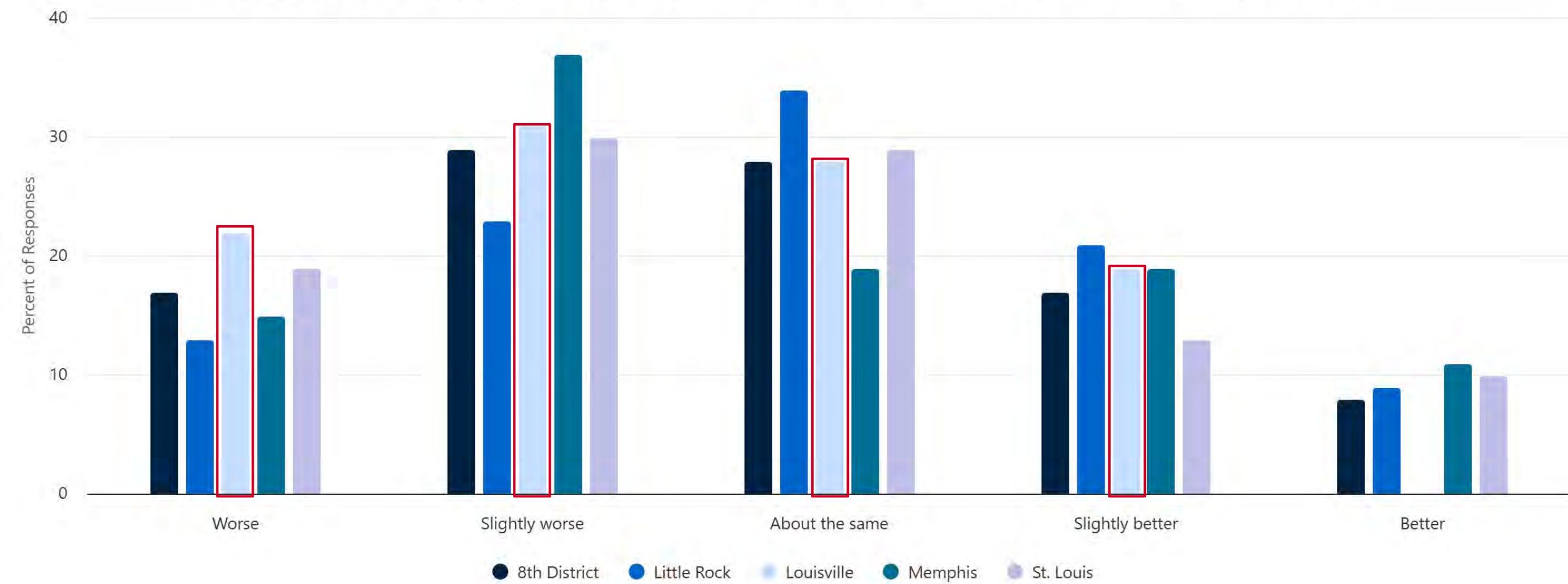
Policymakers expect slower growth and elevated inflation

	2024 (Actual)	2025	2026	Longer run
Change in real GDP	2.5	1.6 <i>1.3 to 2.0</i>	1.8 <i>1.5 to 2.6</i>	1.8 <i>1.7 to 2.5</i>
Unemployment rate	4.2	4.5 <i>4.2 to 4.6</i>	4.4 <i>4.0 to 4.6</i>	4.2 <i>3.8 to 4.5</i>
PCE inflation	2.5	3.0 <i>2.5 to 3.2</i>	2.6 <i>2.2 to 2.8</i>	2.0 <i>2.0 to 2.0</i>
Federal funds rate	4.3	3.6 <i>2.9 to 4.4</i>	3.4 <i>2.6 to 3.9</i>	3.0 <i>2.6 to 3.9</i>

Notes and sources: FOMC Summary of Economic Projections, **September 2025**. Values are for Real GDP and PCE Inflation are Q4/Q4; Unemployment Rate is Q4 average; Federal Funds Rate is value at end of Q4. Longer-run represents where indicators are expected to converge in the absence of further shocks to the economy. Numbers in italics are range of projections.

Mixed picture for regional outlook

Figure 8: How do you expect local economic conditions to change over the next twelve months?



Expectations for Improvement

Net percent of Louisville Zone Economic Conditions Responses

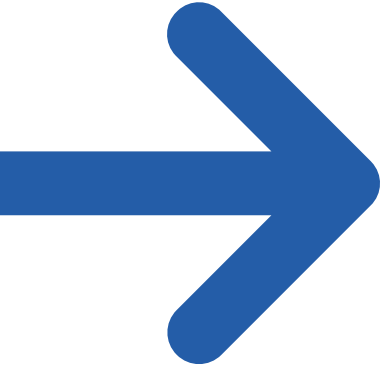




Final Thoughts

Key takeaways

- Economic activity has slowed in the first half of year, and uncertainty has risen. Changes in trade policy will have varying direct-effects on firms and economic sectors.
- Contacts expect little to no change in their employment levels and wage growth is slowing. There are increasing reports of layoffs, and attrition rates have declined. *Risks to job growth are tilted to the downside.*
- Inflation pressures remain moderate, but inflation expectations have risen, in part due to tariffs and higher costs of necessities. *Risks appear tilted toward the upside.*
- Financial conditions are accommodative, and the economy is not performing as though restrictive policy were holding it back inappropriately.
- FOMC's current policy stance guards against risks on the employment side of the mandate while remaining focused on persistently above-target inflation.



We understand that our actions affect communities, families, and businesses across the country. Everything we do is in service to our public mission and we at the Fed will do everything we can to achieve our maximum employment and price stability goals.

- Chair Powell September 17th press conference



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Please take a few minutes and
share your insights on economic
conditions

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