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RESEARCH

Economics

US Economic Survey: Mid-Year 2026

Forecasts from the SIFMA Economist Council
Assessing the Economic Landscape and Monetary Policy

Published: July 2026

Key Takeaways

- **Economic Growth:** The median outlook for real GDP in SIFMA's H1 2026 economic forecast stands at 2.2% for Q4 2026 vs. Q4 2025 (unchanged from H2 2025 forecast) and 2.0% for Q4 2027 vs. Q4 2026. Survey participants saw upside risks to growth from AI-related CapEx, pullback in energy prices and increased consumer spending and cited AI investment correction, geopolitical risk escalation and further increase in energy prices as downside risks.
- **Inflation:** 89% of respondents saw inflation expectations remaining anchored, even as estimates for core PCE, at 3.2% (Q4 2026 vs. Q4 2025) and 2.5% (Q4 2027 vs. Q4 2026) remain well above the Fed's 2% target. The forecast for annual growth in core CPI, at 2.9% (Q4 2026 vs. Q4 2025) is modestly lower than the forecast made at the end of last year, with core CPI expected to decline further to 2.4% by Q4 2027.
- **Monetary Policy:** Following three cuts to the Fed's policy rate in 2025, respondents see no cuts in 2026, with the majority seeing one to two cuts in 2027. Almost 2/3 of respondents believe that a Fed hike that ends the equity market rally and causes long-end borrowing rates to spike poses a higher risk than no Fed hike leading to accelerating inflation.

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Setting the Scene

A Message from Our Co-Chairs

The U.S. economic outlook has remained remarkably stable since our last 2H 2025 Economist Council survey despite rapidly evolving shocks and underlying structural changes. The overall GDP growth outlook for 2026 at 2.2% Q4/Q4 remains resilient, but uneven, as robust AI driven business investment overshadows consumers contending with slower job growth, deteriorating real disposable income growth, and diminished personal savings. Strong stock market gains and bigger-than-normal income tax refunds likely helped revive real consumer spending growth in the second quarter, even as lower-income households struggle with rapidly rising energy prices and a resurgence in inflation due to the Middle East conflict. Half of survey participants noted their 2026 outlook weakened since the beginning of the year, often citing the Middle East conflict, higher energy prices, and lower consumer spending. Only 22% of respondents reported their 2026 growth outlook had improved.

Survey participants saw a number of upside risks to growth especially from AI-related CapEx, lower energy prices, and resilient consumer spending. Nonresidential fixed investment is forecast at a robust 6.1% Q4/Q4 in 2026 up from 5.6% in 2025. At the same time, downside risks to growth from trade policy and tariffs and immigration have diminished since the last survey but are being replaced by rising concern over the potential of an AI bubble, geopolitical risk escalation, higher energy prices, and tighter monetary policy.

Forecasters generally agreed that realized inflation and expected inflation and labor market developments would have the greatest impact on U.S. economic growth over the next 12 to 18 months, followed closely by the use of AI and global conflict and war. Asked about the impacts of AI in the next 12-18 months, most (83%) saw a boost to GDP growth from greater fixed investment, while a somewhat smaller percentage (67%) saw it also boosting GDP growth due to greater productivity. Encouragingly, only 22% thought AI would reduce overall hiring or weaken profit margins over the near term. On the downside, most participants (72%) also thought AI was adding to inflationary pressures due to greater CapEx spending.

Given the spike in energy prices, on-going conflict in the Persian Gulf, and resilient domestic demand, forecasters have marked up their forecasts for PCE and CPI inflation this year to 3.5% and 3.4% respectively Q4/Q4, more than a half a percentage point higher than where inflation ended last year. Core PCE and CPI measures are also expected to end 2026 well above the Fed's 2.0% target at 3.2% and 2.9% respectively Q4/Q4 before moderating to a still above target 2.5% and 2.4% in 2027.

Forecasters cited growth in domestic demand, geopolitical conflict (oil prices), supply chain issues, and inflation expectations as the key factors impacting their outlook for core inflation. Concerns about the inflationary impacts from trade policy and tariffs and wage growth moved much further down forecasters' list. On a brighter note, a majority of forecasters (56%) saw core PCE inflation eventually moderating back to the Fed's 2.0% target on its own accord without a significant growth slowdown or monetary tightening needed, though 80% did not see that occurring until the first half of 2028 at the earliest.

On the labor market front, the Economist Council sees continuing signs of stabilization and resilience. Average monthly nonfarm payroll growth is expected to average around 70k a month in 2026 and 47k a in 2027, a measurable improvement from last year's paltry 10k a month job growth average. This is close to economists'

estimates of breakeven job growth where labor demand just balances labor supply and is expected to keep the U.S. unemployment rate steady at around 4.3% through 2027.

On the monetary policy outlook, the Council appears less concerned about the chance of a Fed rate hike than the futures market with only 22% of respondents thinking the Fed would hike the Fed funds rate by the end of the year, and only a third (33%) thinking the Fed should hike rates this year. On the other hand, a significant percentage (33% of survey respondents) thought the level of the neutral fed funds rate was far higher than the FOMC median projection at between 3.5% and 4.0%, limiting the prospect for future Fed rate cuts without fueling inflationary pressures. The median forecast is that the Fed funds rate will remain at current levels though the first quarter of 2027 with the policy rate starting to decline in the second quarter of 2027. In contrast, longer term 10-year and 30-year Treasury yields are expected to remain “sticky” very near their current levels throughout the forecast horizon (Q2 2027).

On the question of the Fed’s balance sheet, 88% of Economist Council respondents thought the current $6.7 trillion level was about right, with only 13% indicating the Fed balance sheet should be substantially lower.

A majority of survey participants also believe the new Fed Chair Kevin Warsh will make significant changes to Fed policy and communications, including eliminating the dot plot, placing greater focus on trimmed mean inflation, reducing and changing the composition of the Fed balance sheet, along with holding fewer post-FOMC press conferences.

On fiscal policy, the Economist Council was highly skeptical that policymakers in Washington, D.C. would be able to reduce the Federal deficit as a share of GDP in 2026. 77% of respondents reported being very or somewhat doubtful the deficit would shrink as a share of GDP this year while only 6% reported being somewhat confident. Even so, nearly all participants thought the impact on Federal government financing costs (Treasury yields) was modest. 41% thought the impact was fifteen basis points or less on the 10-year Treasury yield with 94% saying it was less than 25 basis points.

As you will see in this report, the Economist Council generally sees a robust and resilient U.S. economic and labor market outlook through 2027 that continues to run at or slightly above its potential. Developments regarding the AI investment boom, equity valuations, productivity and labor market impacts loom large. However, it is important to acknowledge a sizable percentage of respondents (61%) reported an elevated 15% to 30% chance of a negative quarter of GDP growth over the coming year, highlighting the unusual level of uncertainty that still exists in the economic outlook. Often-cited reasons for a possible downturn among Council members included risks of a sizable equity market decline (53%), weak payroll growth (24%), or a geopolitical event (18%).

-- Scott Anderson, Ph.D., Managing Director, Chief U.S. Economist, BMO Capital Markets and Co-Chair of the SIFMA Economist Council

-- Douglas Porter, CFA, Managing Director, Chief Economist, BMO Capital Markets and Co-Chair of the SIFMA Economist Council

U.S. Economy: Mid-2026 Outlook

The U.S. economy completed the first half of 2026 with still resilient—albeit uneven—growth despite elevated uncertainty surrounding inflation, trade policy, fiscal sustainability, and labor availability. While overall GDP in the first quarter rose by an annualized 2.1%—the same growth rate observed for the calendar year of 2025 as a whole—the composition of growth differed markedly from the end of 2025.

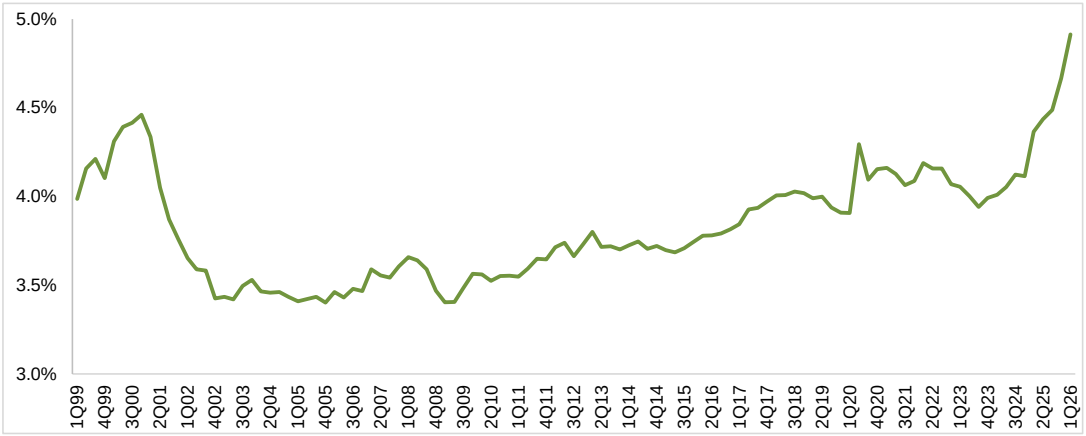
Table 1: Contribution to Change in Real GDP by Quarter, %

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Personal Consumption	0.42	1.68	2.34	1.30	0.37
Non-Residential Fixed Investment	1.24	0.98	0.44	0.33	1.42
Change in Private Inventories	2.58	-3.44	-0.12	0.14	0.23
Net Exports	-4.68	4.83	1.62	-0.22	-0.37
All Other	-0.16	-0.25	0.12	-1.05	0.45
TOTAL	**-0.60**	**3.80**	**4.40**	**0.50**	**2.10**

Source: BEA, SIFMA estimates

Growth in Q1 consumption reflected a dramatic softening in real spending on household services. (Outside of the COVID era, the percentage decline in household service spending was the greatest since the Global Financial Crisis in 2009.) In contrast, investment associated with artificial intelligence, cloud infrastructure, and semiconductor capacity soared—with nonresidential fixed investment contributing more than 1.4 pp to overall quarterly growth. As of Q1 2026, private fixed investment in information processing equipment and software as a percentage of GDP reached the highest level in almost three decades, having accelerated dramatically over the last several quarters.

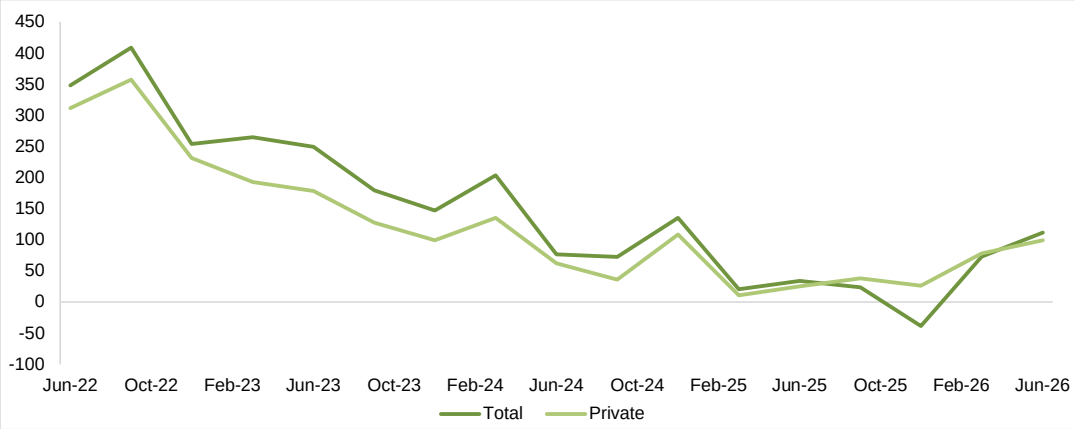
Chart 1: Private Fixed Investment in Information Processing Equipment and Software as % of GDP



Source: BEA, SIFMA estimates

Adding to this backdrop is the growing role of artificial intelligence in shaping expectations for both labor markets and productivity, particularly the extent to which rapid technological adoption ultimately translates into stronger output per worker, higher potential economic growth, and compositional changes in employment rather than broad-based job displacement. Early evidence suggests that AI has influenced capital spending more rapidly than labor demand to date, with a potential AI boom (and bust) cited as the top risk factors by survey participants as sources of upside (and downside) risk to their forecasts. While the productivity benefits of AI may take time to materialize in employment data, the broader labor market has already begun to cool for more traditional cyclical reasons. Job creation has slowed considerably from the extraordinary pace observed immediately following the pandemic, with recent revisions showing monthly payroll gains averaging roughly 100,000. Yet despite this cooling, the unemployment rate remains low by historical standards.

Chart 2: Quarterly Average Gain in Payrolls, 000s

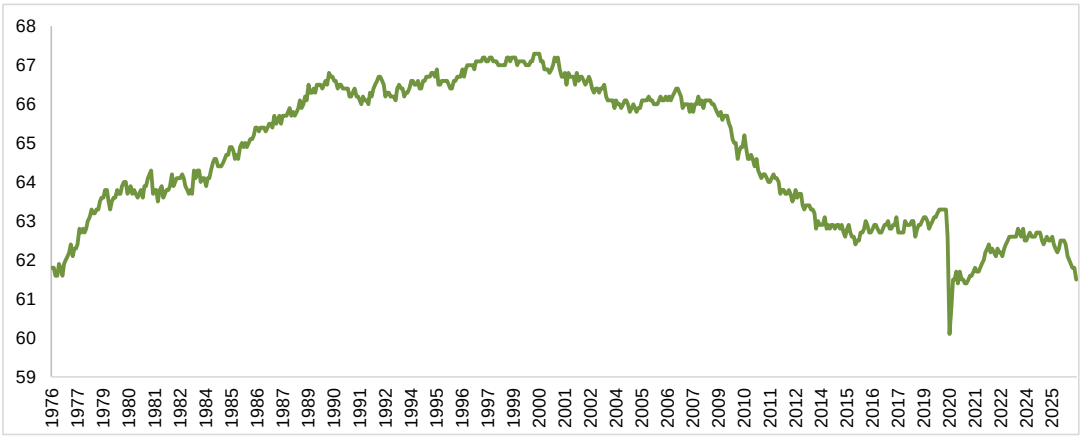


Source: BEA, SIFMA estimates

Of particular note, the labor force participation rate declined to 61.5% in June, the lowest reading outside of the pandemic since 1976. The decline helps explain why the unemployment rate remained at 4.2% in June 2026, with data suggesting roughly 720,000 individuals exited the labor force during the month. Whether this unusually large decline reverses in coming months remains uncertain, although survey participants see only a gradual uptick in the participation rate to 62% in 2026 (annual average) before moderating to 61.8% in 2027. More broadly, however, labor force growth is likely to remain constrained by structural demographic forces—including an aging population, elevated retirements, and lower levels of immigration—which have reduced the economy's available labor supply.

While these trends may help keep the unemployment rate lower than would otherwise be expected during periods of slower hiring, they also reduce potential economic growth and could contribute to labor shortages and upward pressure in wages. From a monetary policy perspective, a structurally tighter labor market complicates the Federal Reserve's effort to return inflation to target without materially weakening employment.

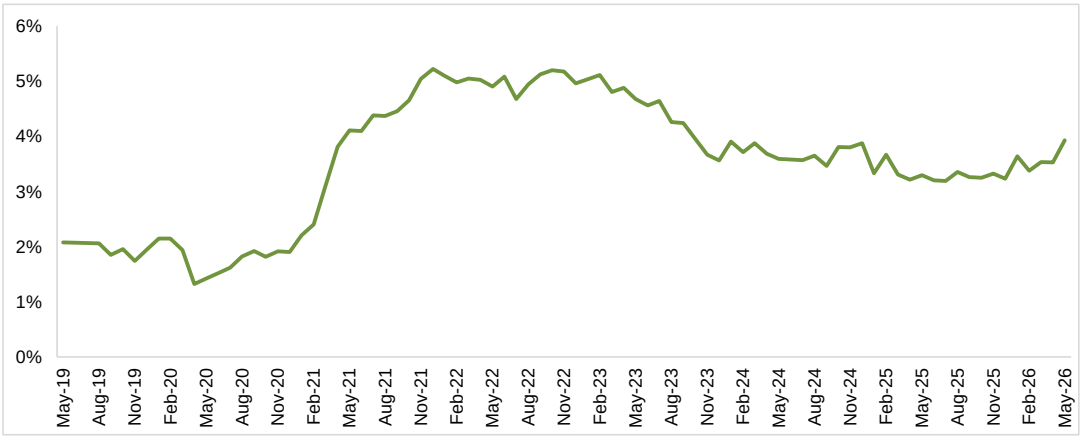
Chart 3: Labor Force Participation Rate, % (Seasonally Adjusted)



Source: BLS, SIFMA estimates

As FOMC Chair Kevin Warsh assumes leadership of the Federal Reserve, policymakers face the difficult task of preserving labor market resilience and sustaining the economic expansion, all while attempting to bring inflation back to its 2% long-run objective—a level last observed in 2021. Although supply-chain disruptions have largely dissipated and goods inflation has returned closer to historical norms, services inflation—particularly within labor-intensive sectors—continues to exert upward pressure on prices.

Chart 4: PCE Price Index: Services Excluding Energy and Housing, YoY % Change



Source: BEA, SIFMA estimates

To date, financial markets have largely priced in additional monetary tightening before year-end. However, with inflation remaining elevated, labor market conditions gradually normalizing, and geopolitical and trade-related risks clouding the outlook, the Committee is likely to retain a highly data-dependent approach, leaving the path of monetary policy unusually uncertain.

Survey Highlights

Economic Growth

(Forecasts on page 13, survey responses for economic outlook start on page 17)

Lower optimism characterized respondents' most recent expectations for economic growth, with half of survey participants noting a deterioration in their 2026 outlook and only half as many reporting an improvement. Despite the weakened forecasts, survey respondents expressed less concern over recession risks in H1 2026 than in H2 2025, with all participants putting recession risks in the next year at 30% or below. (By contrast, in H2 2025, roughly 70% of respondents saw recession risks below 30%.) A sizable equity market decline and weak payrolls were seen as the most likely catalysts for possible negative growth in H2 2026, although a weaker labor market is now seen as less of a threat than in the last survey. Instead, a "correction" in AI investment rose to the top of forecasters' concerns along escalation of geopolitical conflicts and higher energy prices. Increased AI CapEx was also quoted as the top upside risk to the economic forecasts, with the most likely AI-driven impact in the next 12-18 months including a boost to GDP from both greater fixed investment and productivity gains. At the same time, forecasters see greater CapEx spending as a source of inflationary pressures.

Inflation

(Forecasts on page 13, survey responses to inflation questions start on page 26)

Participants' inflation forecasts show a steep increase from current levels through 2026. Headline CPI and PCE projections now stand at 3.4% and 3.5% in 2026, respectively, largely impacted by the latest oil and energy price increases. While both are projected to decline by 2027 to 2.4% and 2.3%, respectively, these levels would still sit above the Fed's target levels. Core measures are also expected to increase, albeit more modestly, in 2026 and fall by 2027 to 2.4% for core CPI and 2.5% for core PCE. Despite higher projections, majority of respondents (56%) expect inflation to decrease to 2% on its own accord, with 60% of those expecting it to happen in 1H 2028. Growth in domestic demand remained the top factor in the outlook for core inflation, with geopolitical conflict / oil prices as a close second.

Chart 5: CPI & Core CPI Forecasts (4Q/4Q)

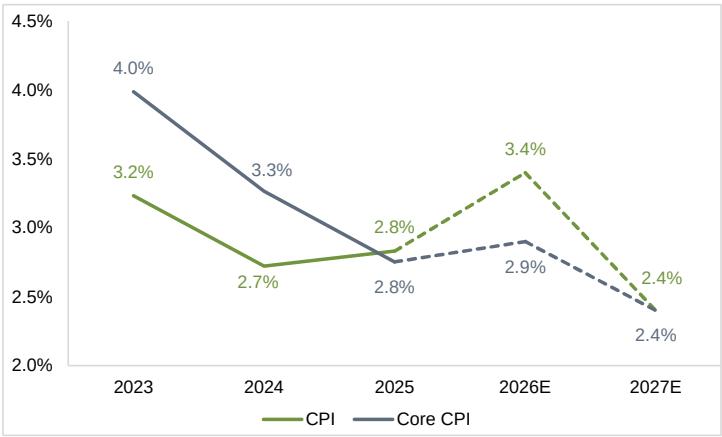
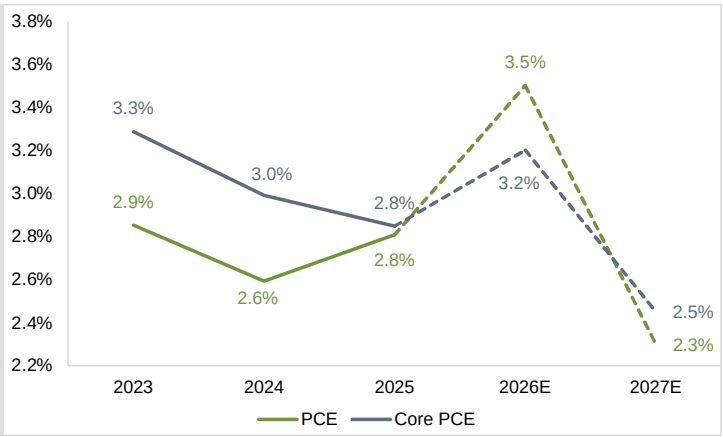


Chart 6: PCE & Core PCE Forecasts (4Q/4Q)



Source: BEA, BLS, SIFMA Economist Council

Labor Market

(Forecasts on page 13, survey responses to labor market questions start on page 32)

The forecast for the average annual rate of labor force participation rate was revised down from the 2H 2025 survey, with the labor force participation rate projected to move below 62.0% over the next two years. Additionally, 61% of survey participants expect minimal (0% to 0.5%) growth in the labor force while 1/3 expect the labor force to shrink in 2026 and 2027. The unemployment rate is projected to hold at 4.3% through 2027; 61% of respondents believe that this level is consistent with a core PCE inflation rate of 2%. For the unemployment rate to stay unchanged, survey participants believe that monthly payrolls would have to increase by just 35,000 to 70,000.

Fed Policy

(Forecasts on page 13, survey responses to monetary policy questions start on page 23)

Kevin Warsh was confirmed by the Senate in May 2026 and is now serving as the 17th chair of the Federal Reserve. The Economist Council believes that the main changes to the Fed policy and communication during Warsh's tenure will be elimination of the dot plot, greater focus on trimmed mean inflation, and a reduction of the Fed's balance sheet despite the majority (63%) believing that the current level of $6.7 trillion in assets is appropriate for the economy.

Most survey participants (78%) think that the Fed will not hike rates by year-end, despite the futures markets pricing in an over 50% change of a hike. Additionally, 67% of respondents think that the Fed shouldn't cut rates by end-2026. Almost 2/3 of respondents believe that a greater risk to the economy is a rate hike (resulting in a spike of long-end borrowing rates) than no hike (leading to accelerating inflation). For most respondents, the estimate of the neutral nominal Fed funds rate hasn't changed over the last year and is in range of 3.0% to 3.5%.

Market Outlook

(Rate forecasts on page 14, survey responses to fiscal policy risks and market risks questions start on page 28)

Participants placed a 0% to 20% chance on a 20% market pullback in the next year and were somewhat split on whether the US Dollar will weaken in the second half of 2026 with 44% expecting modest strengthening and 31% expecting modest further weakness.

Expectations for a dramatic sell-off in Treasuries were also limited; participants see a gradual increase of 30 bps in 10Y yields through 2026, but somewhat surprisingly, see 30-year mortgage rates falling by 10 bps over the same period.

Rates for 2Y Treasury notes are expected to gradually decrease from current level of 3.97% to 3.73% by end-2Q27. The median forecast for 10Y Treasury rates is largely unchanged from current levels, ending 2Q27 at 4.40%. Top factors in the outlook for yield through end-2026 were inflation and inflationary expectations, the rate of US economic activity, and the outlook for U.S. monetary policy.

78% of forecasters stated that they were "somewhat doubtful" or "very doubtful" that the fiscal deficit, currently at 6% of GDP, will decline in 2026. Respondents believe that the current level of the deficit has only a modest impact (15-25 bps) on Treasury yields.

Comparing Current and Prior Surveys

Below we compare results from the current and prior surveys for questions that were repeated in each survey – we adapt the survey to the current economic environment each time – to gauge changes in estimates of the economic outlook. For questions where responses were ranked, we show the top three answers from each survey.

	June 2026 Current Survey	November 2025 Last Survey	Change
Economic Indicators (Median)	**(2026E)**	**(2026E)**	
Real GDP (4Q/4Q)	+2.2%	+2.2%	No change
Real Personal Consumption (4Q/4Q)	+1.6%	+1.9%	-0.3 pp
Nonresidential Fixed Investment (4Q/4Q)	+6.1%	+3.2%	+2.9 pp
Residential Fixed Investment (4Q/4Q)	-1.5%	+2.7%	-4.2 pp
Unemployment Rate (annual average)	+4.3%	+4.4%	-0.1 pp
Labor Force Participation Rate (annual average)	+62.0%	+62.4%	-0.4 pp
CPI (4Q/4Q)	+3.4%	+2.6%	+0.8 pp
Core CPI (4Q/4Q)	+2.9%	+2.8%	+0.1 pp
PCE (4Q/4Q)	+3.5%	+2.5%	+1.0 pp
Core PCE (4Q/4Q)	+3.2%	+2.5%	+0.7 pp
Rates (Median)	**(4Q26E)**	**(4Q26E)**	
Federal Funds Rate (lower bound, end of period)	3.555%	3.125%	+0.43 pp
2-Year UST Yield (quarterly average)	3.99%	3.70%	+0.29 pp
10-Year UST Yield (quarterly average)	4.50%	4.45%	+0.05 pp
30-Year Fixed Mortgage (quarterly average)	6.50%	6.25%	+0.25 pp

Note: Current survey June 22 – July 10, 2026; Last survey November 5 – November 13, 2025. Questions and/or ranges may change across surveys.

	June 2026 Current Survey	November 2025 Last Survey	Change
Macro Environment			
Factors having the greatest impact on US economic growth over the next 12-18 months	1. Realized inflation rates and expectations 2. Labor market developments 3. Use of AI	1. U.S. fiscal policy 2. Labor market developments 3. Household financial conditions	Realized inflation rates and expectations became a top factor, and use of AI became a top 3 factor
Top risks to economic forecasts - upside	1. AI-related CapEx 2. Lower energy prices 3. Consumer spending	1. Trade policy / reduced tariffs 2. Economy / productivity gains 3. Economy / consumer spending	AI-related CapEx and lower energy prices became top 3 upside factors
Top risks to economic forecasts - downside	1. AI bubble 2. Geopolitical risk escalation 3. Higher energy prices	1. Economy / recession 2. Economy / weaker labor market 3. Higher inflation	AI bubble, geopolitical risk escalation, and higher energy prices became top 3 downside factors
What probability do you assign to real GDP growth falling below 0% in any quarter in 2026?	15% to 30% (61% of respondents)	15% to 30% (50% of respondents)	Increased consensus
Has your estimate of the long-term growth rate changed in the last 12 months?	No, stayed the same (72% of respondents)	No, stayed the same (50% of respondents)	Higher percentage of respondents with an unchanged view
Monetary Policy			
Neutral federal funds rate	3.0% to 3.5% (56% of respondents)	3.0% to 3.5% (66.7% of respondents)	Decreased consensus
Has your estimate of the neutral nominal federal funds rate changed over the last twelve months?	No, stayed the same (56% of respondents)	No, stayed the same (72.7% of respondents)	Lower percentage of respondents with an unchanged view

Note: Current survey June 22 – July 10, 2026; Last survey November 5 – November 13, 2025. Questions and/or ranges may change across surveys.

	June 2026 Current Survey	November 2025 Last Survey	Change
Inflation			
Factors most important in your outlook for core inflation	1. Growth in domestic demand 2. Geopolitical conflict / Oil prices 3. Supply chain issues	1. Growth in domestic demand 2. Trade policy including tariffs 3. Wage growth	Geopolitical conflict / oil prices and supply chain issues replaced trade policy and wage growth in top 3
Inflation expectations to become unanchored	No (89% of respondents)	No (90% of respondents)	Essentially no change
Market Risks			
Factors having the greatest impact on long-term Treasury yields	1. Inflation / inflationary expectations 2. The rate of U.S. economic activity 3. Outlook for U.S. monetary policy including pace of quantitative tightening	1. The rate of U.S. economic activity 2. Inflation / inflationary expectations 3. Outlook for U.S. monetary policy including pace of quantitative tightening	Inflation / inflationary expectations moved to top place
Labor Market			
Where do you see the LFPR over the next two years	Moving below 62.0% (65% of respondents)	Remaining between 62.0% and 63.0% over the next two years (80% of respondents)	Expected lower LFPR
What average annual rate of labor force growth do you expect in 2026 and 2027?	0% to <0.5% (61% of respondents)	0.5% to <1.0% (55.6% of respondents)	Expected lower annual rate of labor force growth
What range of initial jobless claims is consistent with no growth in non-farm payrolls?	Between 250K to 275K (41% of respondents)	Between 250K to 275K (77.8% of respondents)	Decreased consensus
What level of the U-3 rate is consistent with a core PCE inflation rate of 2%?	4%-4.5% (61% of respondents)	4%-4.5% (55.6% of respondents)	Essentially no change

Note: Current survey June 22 – July 10, 2026; Last survey November 5 – November 13, 2025. Questions and/or ranges may change across surveys.

Full Survey Results: Forecast Tables

Economic Indicators: Annual

(%, unless indicated)	2024	2025	2026E	2027E
Real GDP (4Q/4Q)	2.4	2.0	2.2	2.0
Real Personal Consumption (4Q/4Q)	3.4	2.1	1.6	1.9
Nonresidential Fixed Investment (4Q/4Q)	0.9	5.6	6.1	3.8
Residential Fixed Investment (4Q/4Q)	1.3	-3.8	-1.5	1.8
Real Government Spending (4Q/4Q)	3.6	-1.2	1.5	0.7
Non-Farm Employment Monthly Change (000s, annual average)	121.6	9.7	70.5	46.9
Unemployment Rate (annual average)	4.0	4.3	4.3	4.3
Labor Force Participation Rate (annual average)	62.6	62.4	62.0	61.8
Average Hourly earnings (4Q/4Q)	4.1	3.9	3.5	3.4
Real Disposable Income (4Q/4Q)	2.4	1.0	0.9	1.6
Personal Savings Rate (annual average)	5.5	4.6	3.5	4.0
CPI (4Q/4Q)	2.7	2.8	3.4	2.4
Core CPI (4Q/4Q)	3.3	2.8	2.9	2.4
PCE deflator (4Q/4Q)	2.6	2.8	3.5	2.3
Core PCE deflator (4Q/4Q)	3.0	2.8	3.2	2.5
Industrial Production Index (Y/Y)	-0.7	1.1	2.5	1.5
Housing Starts (Y/Y)	-3.6	-1.0	0.0	1.5
S&P Cotality Case-Shiller U.S. National Home Price Index (Y/Y)	5.1	2.2	1.5	1.9
Federal Budget ($B, FY)	(1,831.0)	(1,775.4)	(1,950.0)	(2,075.0)

Economic Indicators: Quarterly

(%)	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E
Real GDP (Q/Q, annualized)	2.1	2.4	2.3	2.0	2.0	2.0
Real Personal Consumption (Q/Q, annualized)	0.5	2.1	1.7	1.6	1.9	2.0
Nonresidential Fixed Investment (Q/Q, annualized)	11.0	7.5	5.2	3.8	3.5	3.5
Residential Fixed Investment (Q/Q, annualized)	-7.8	1.9	1.5	1.5	1.5	2.8
CPI (Y/Y)	2.7	3.8A	3.5	3.5	3.1	2.0
Core CPI (Y/Y)	2.5	2.7A	2.7	2.9	2.9	2.6
PCE (Y/Y)	3.1	3.9	3.6	3.5	2.9	2.2
Core PCE (Y/Y)	3.1	3.4	3.3	3.2	2.8	2.5

Note: CPI and Core CPI data for 2Q26 are actual figures.

Rates

(%)	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E
Fed Funds Rate (lower bound, EOP)	3.500	3.500	3.500	3.500	3.500	3.375
2-Year UST Yield (quarterly average)	3.58	3.97	3.99	3.93	3.85	3.73
10-Year UST Yield (quarterly average)	4.20	4.42	4.50	4.45	4.40	4.40
30-Year Fixed Mortgage Rate (quarterly average)	6.11	6.42	6.50	6.44	6.40	6.35

Sources: Board of Governors of the Federal Reserve System, Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), Congressional Budget Office, US Census Bureau, US Treasury, S&P Dow Jones Indices LLC, SIFMA Economist Council, SIFMA estimates

Full Survey Results: Charts

Economic Indicators & Rates Forecasts

Chart 7: GDP Growth Forecasts (4Q/4Q), By Year

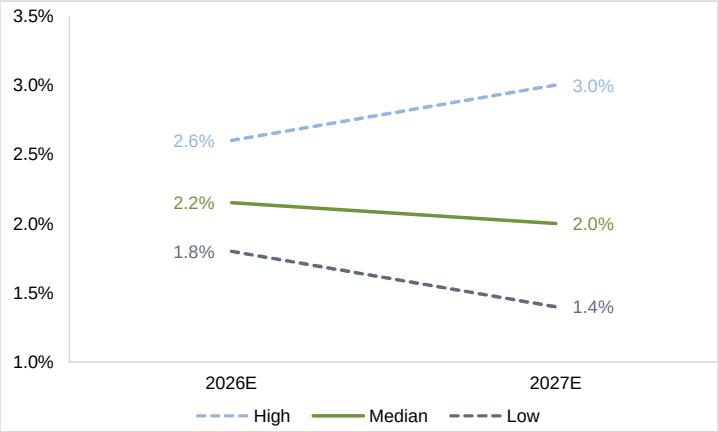


Chart 8: Real GDP Growth Forecasts (Q/Q), By Quarter

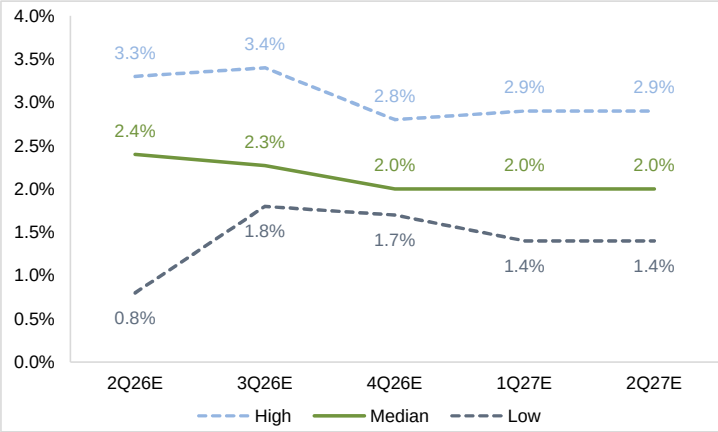


Chart 9: 2026 Real GDP Growth Forecast, Evolution

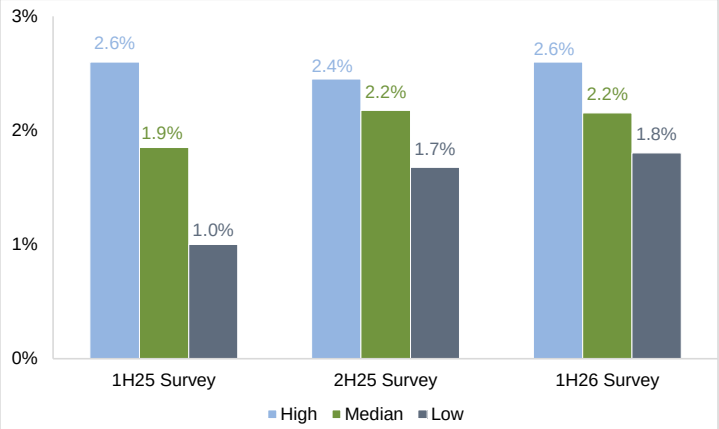
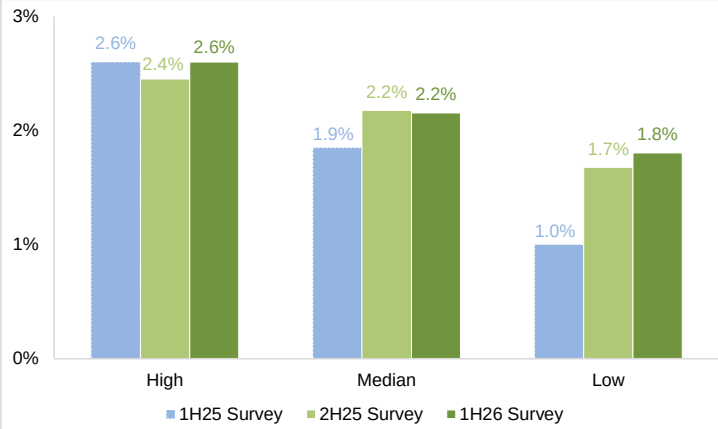


Chart 10: 2026 Real GDP Growth Forecast, Evolution



Sources: Bureau of Economic Analysis (BEA), SIFMA Economist Council, SIFMA estimates
Note: SAAR = seasonally adjusted annual rate.

Chart 11: CPI & Core CPI Forecasts (4Q/4Q)

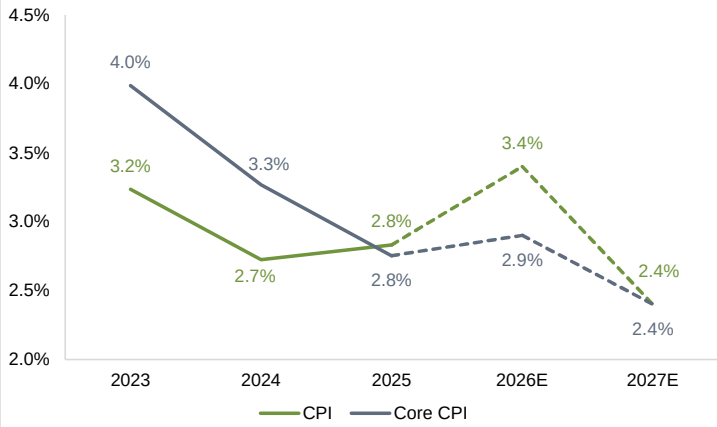


Chart 12: CPI & Core CPI Forecasts (Y/Y)

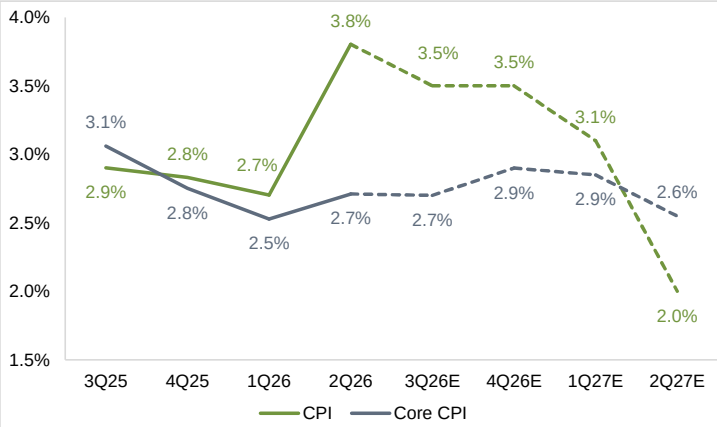


Chart 13: PCE & Core PCE Forecasts (4Q/4Q)

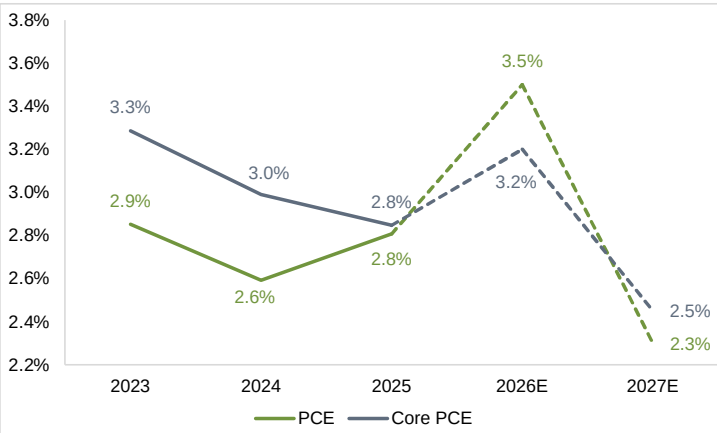


Chart 14: PCE & Core PCE Forecasts (Y/Y)

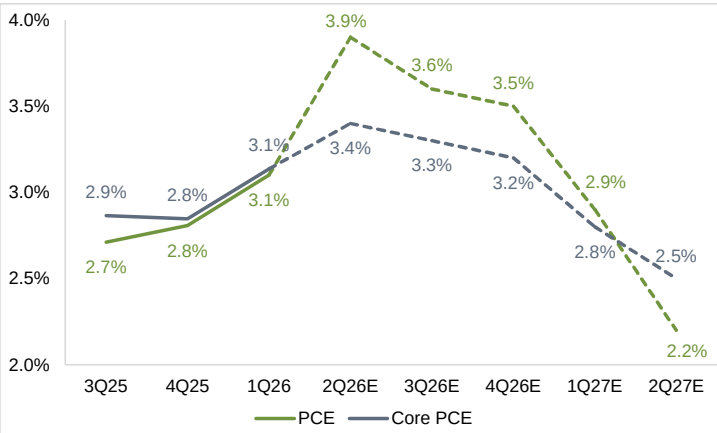


Chart 15: Employment Situation Forecasts

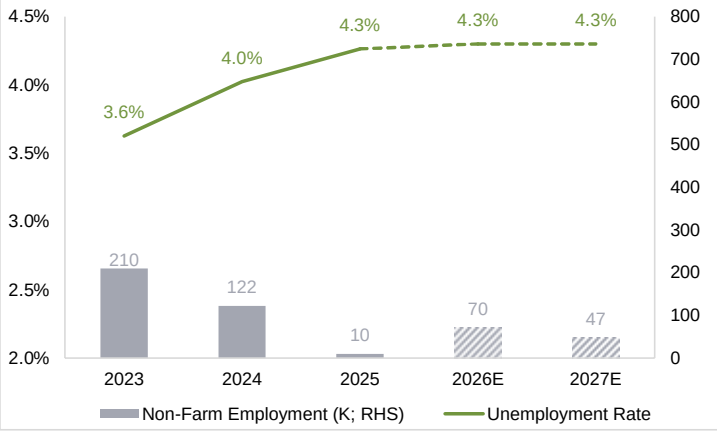
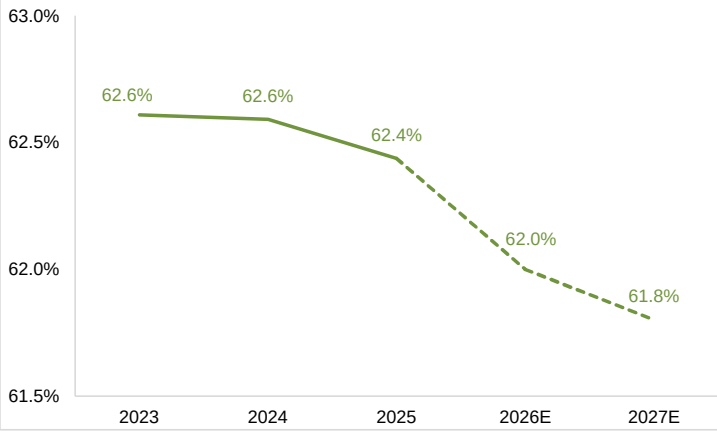


Chart 16: Labor Force Participation Rate Forecast



Sources: Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), SIFMA Economist Council, SIFMA estimates

Chart 17: Consumer Spending & Earnings Growth

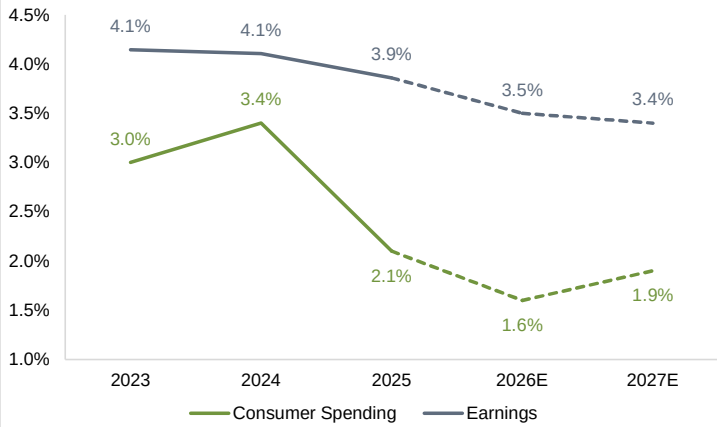
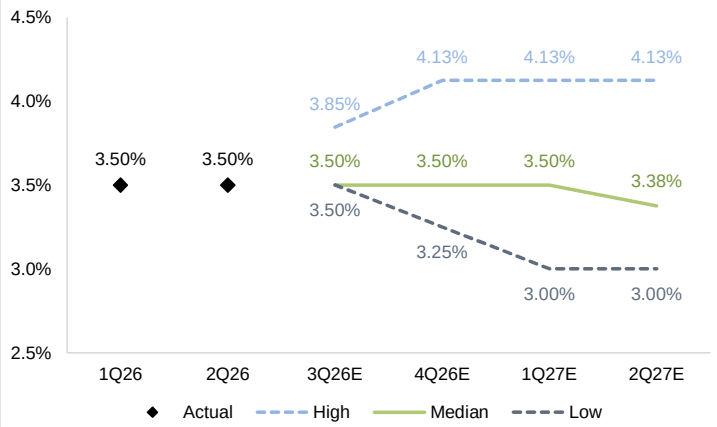


Chart 18: Federal Funds Target Rate (Lower Bound)



Source: Bureau of Economic Analysis (BEA), SIFMA Economist Council

Chart 19: 2-Year UST Yield

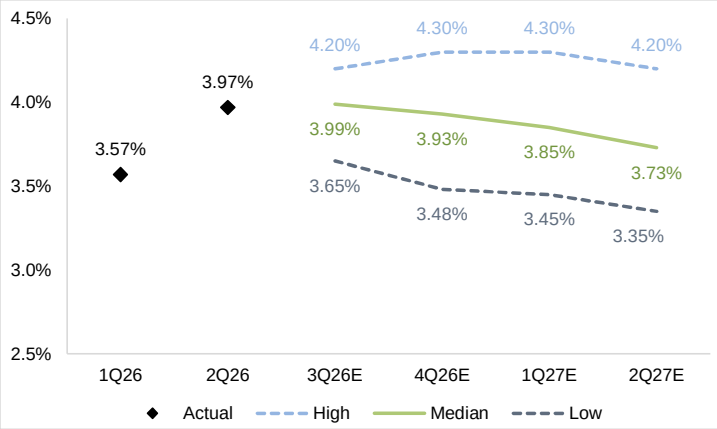


Chart 20: 10-Year UST Yield

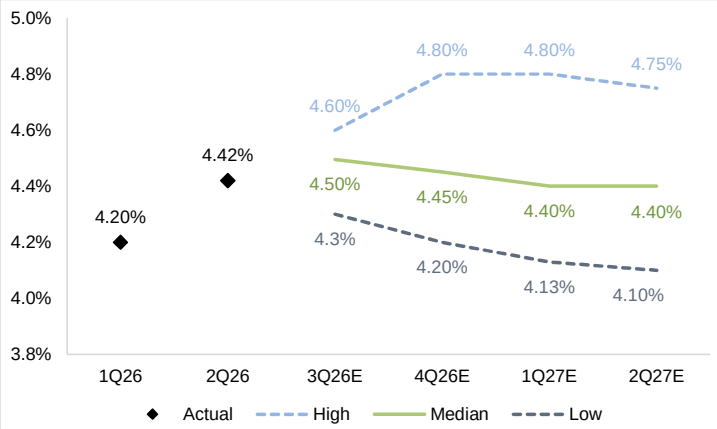
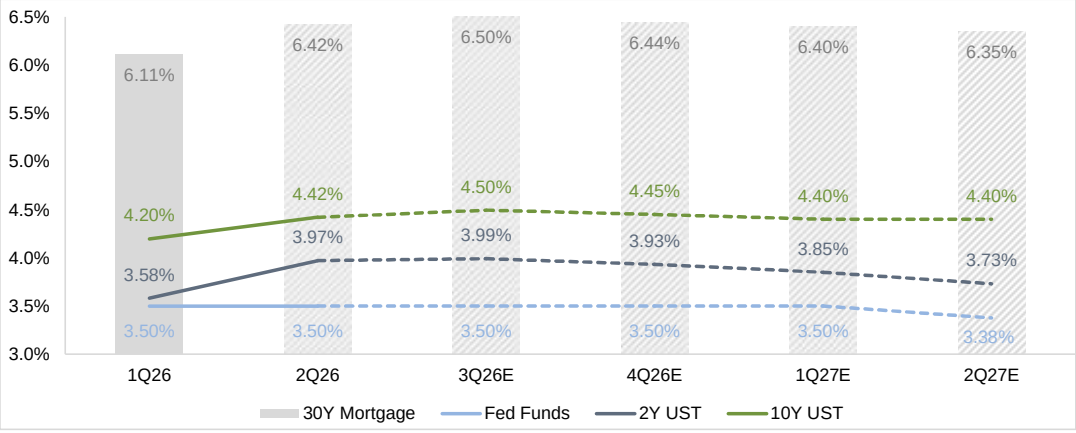


Chart 21: UST & Mortgage Rate Expectations

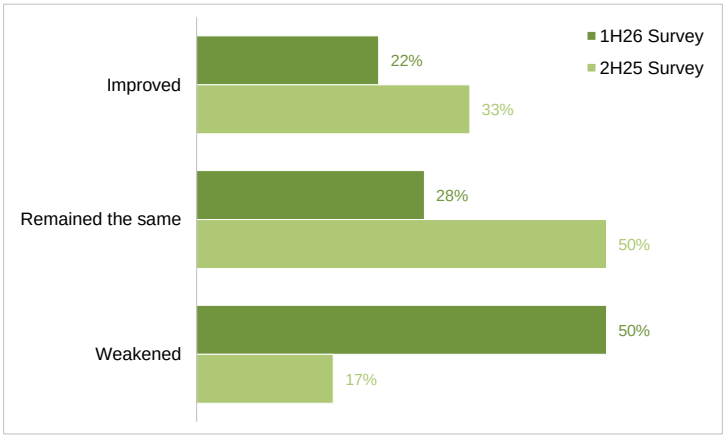


Source: Freddie Mac, US Treasury, SIFMA Economist Council

Economy

Q. Has your overall outlook for 2026 economic growth improved or weakened this year?

Chart 22: Change in 2026 Economic Growth Outlook



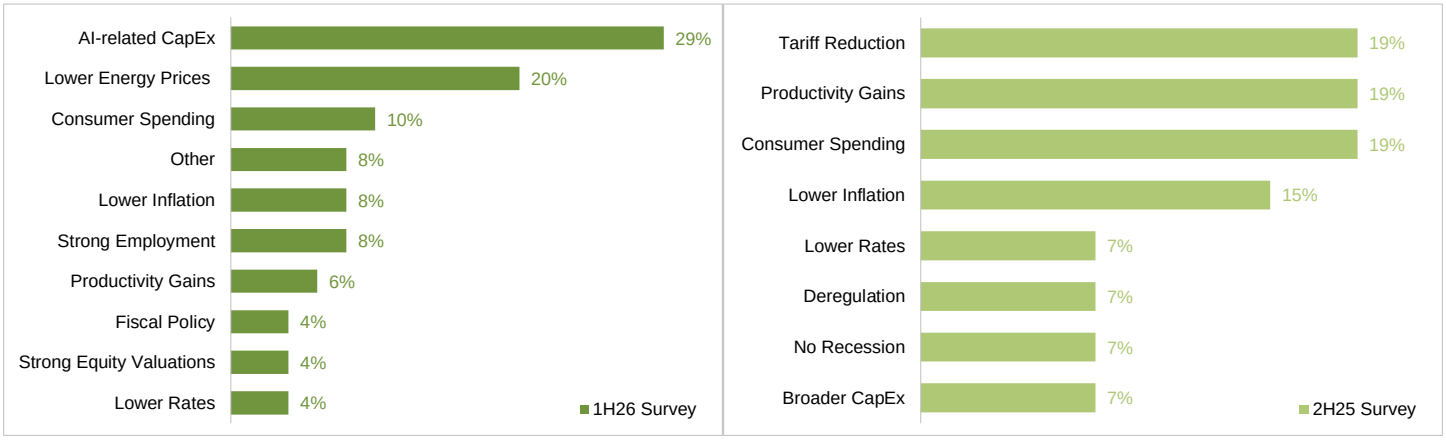
Q. If "Improved" or "Weakened," what has been the largest factor contributing to your changed view?

Respondents' improvement factors included: stronger pace of AI-related CapEx, stronger labor market demand, and improved manufacturing driven by lower inventory/sales levels.

Respondents' weakening factors included: Middle East conflict, energy drag, lower consumer spending, and overhype of AI.

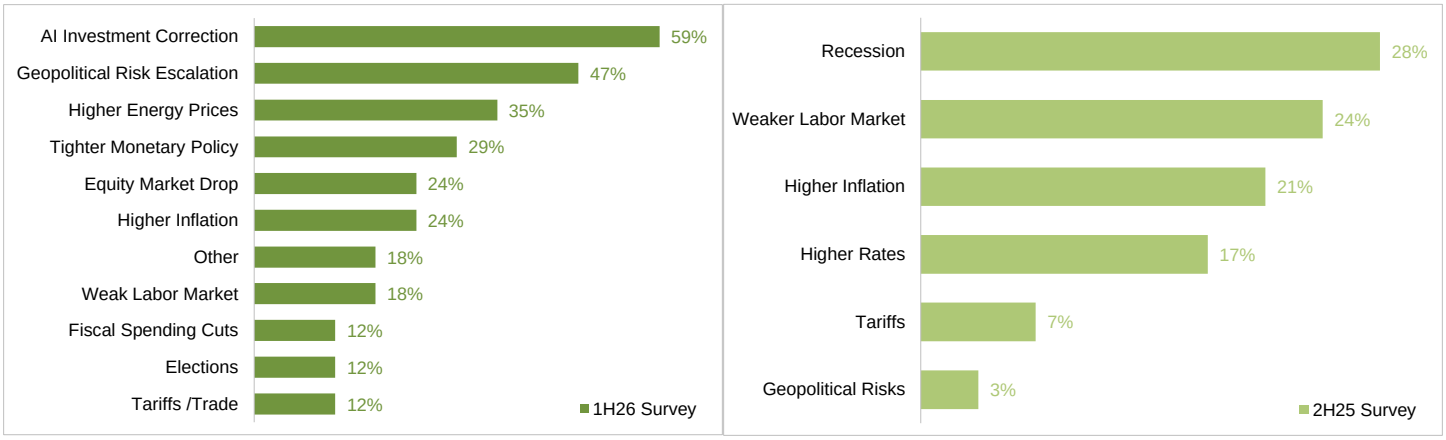
Q. Please list your top three upside/downside risks to your economic forecasts.

Chart 23: Top Upside Risks



Note: Other = Resilient economic activity, business investment, stable balance sheets, more on shoring.

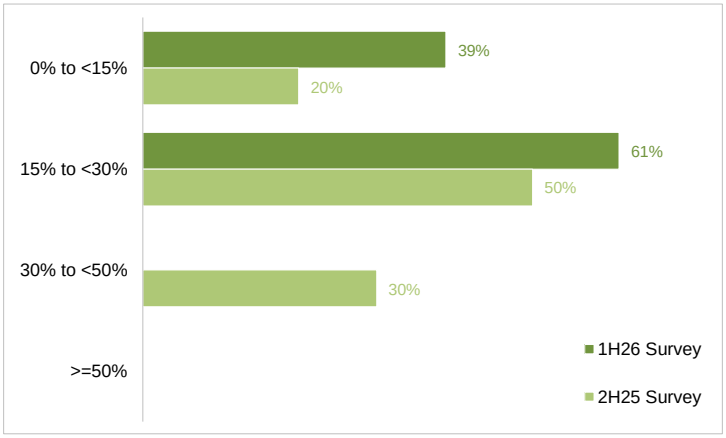
Chart 24: Top Downside Risks



Note: Other = Financial conditions, elevated bond yields, private credit blow-up.

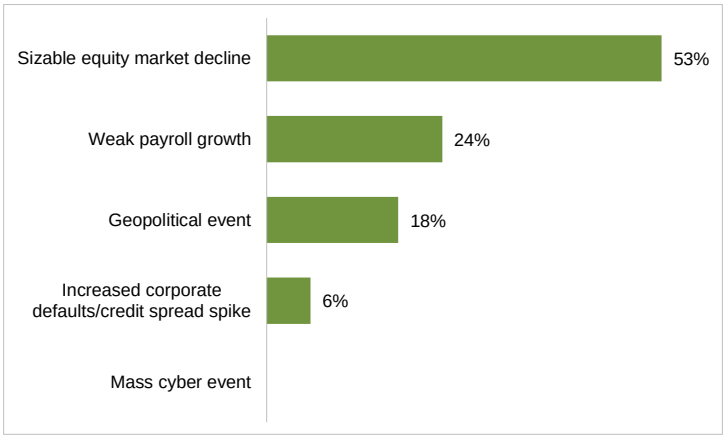
Q. What probability do you assign to real GDP growth falling below 0% in the next four quarters?

Chart 25: Probability of GDP Growth Falling Below 0%



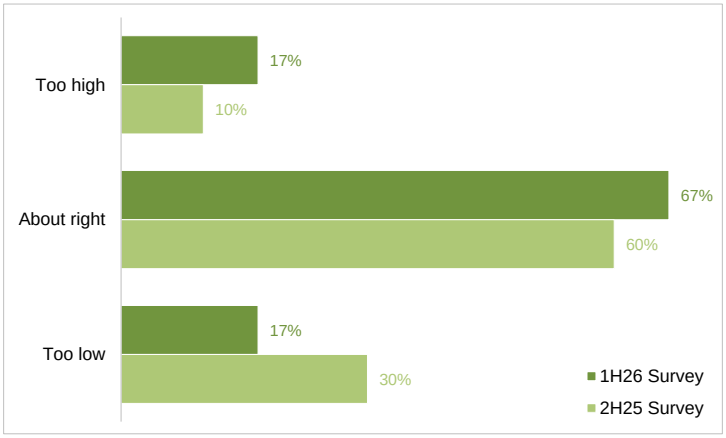
Q. If there was a quarter of negative growth in Q3 or Q4 2026, which of the following would be the most likely catalyst?

Chart 26: Most Likely Catalyst for Negative GDP Growth



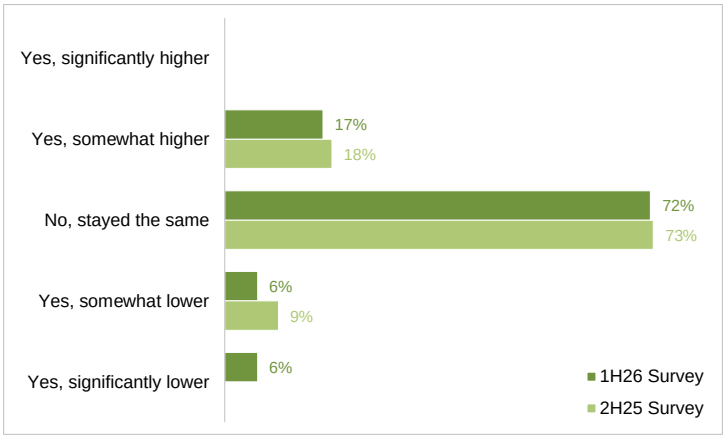
Q. The Fed's longer-run expectation for real GDP growth is 1.8%. Do you think this figure is:

Chart 27: Appropriateness of Fed's Long-Run Expectation for Real GDP Growth



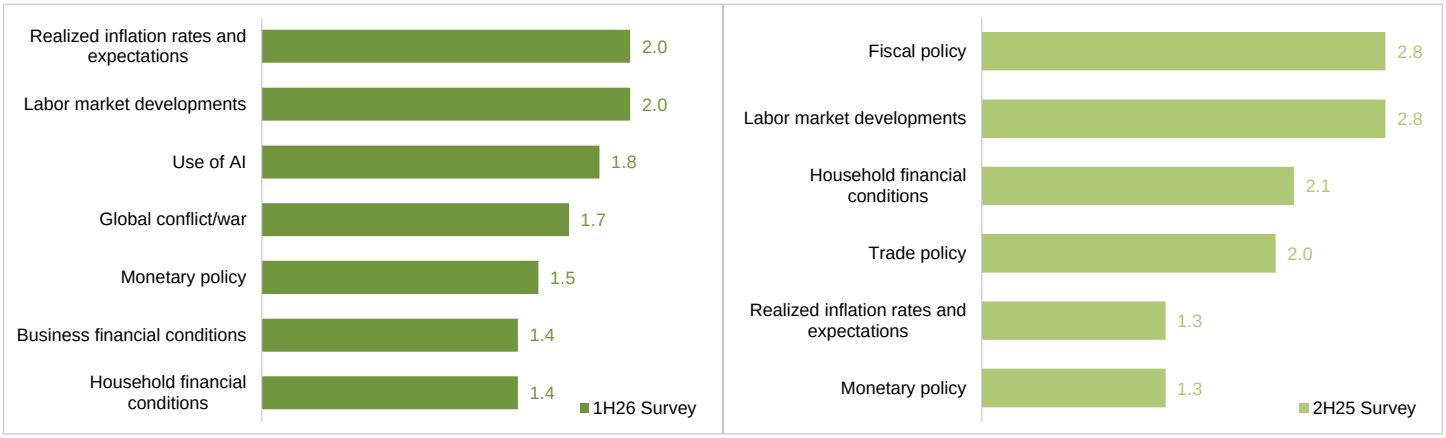
Q. Has your estimate of the long-term potential growth rate of the U.S. economy changed over the last twelve months?

Chart 28: Long-Term Real GDP Potential Growth Rate, Forecast Change



Q. What five factors will have the greatest impact (in terms of magnitude) on US economic growth over the next 12-18 months, either positively or negatively? (Please select and rank up to 5 top factors.)

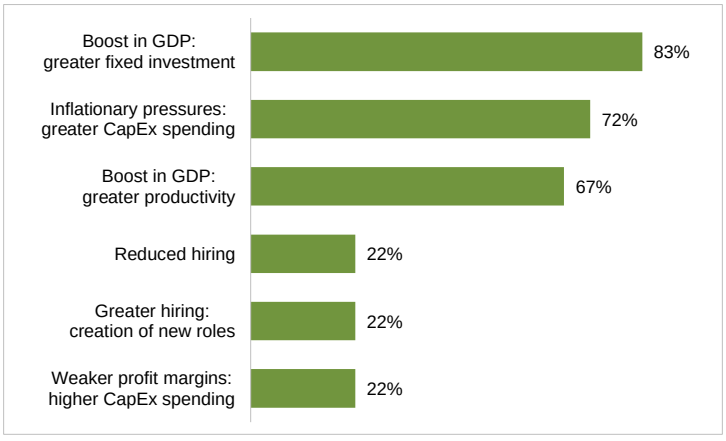
Chart 29: Factors Impacting Growth



Note: Factors receiving a score of 1 or less were removed from the charts. Calculation based on average scores with top factor receiving 5 points.

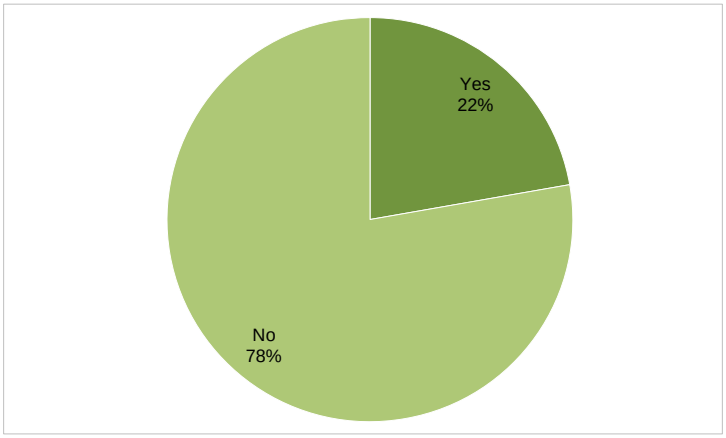
Q. What are the likely impacts of AI in the next 12-18 months? (Please select all that apply.)

Chart 30: Impacts of AI



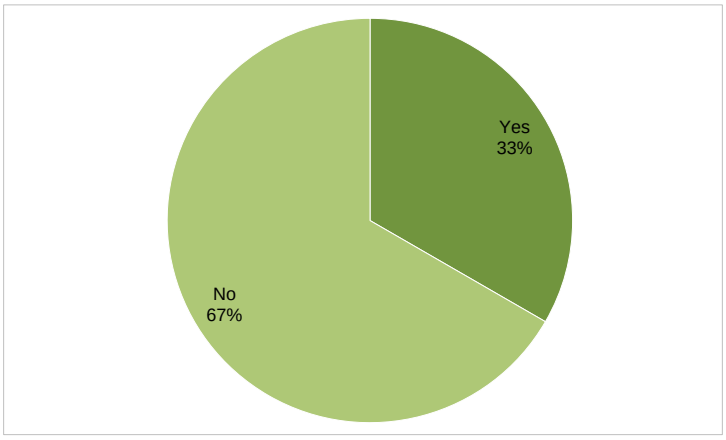
Q. Futures markets are pricing in an > 50% chance of a rate hike by year-end. Do you think the Fed will hike rates by then?

Chart 31: Percentage Who Believe the Fed Will Hike Rates by Year-End



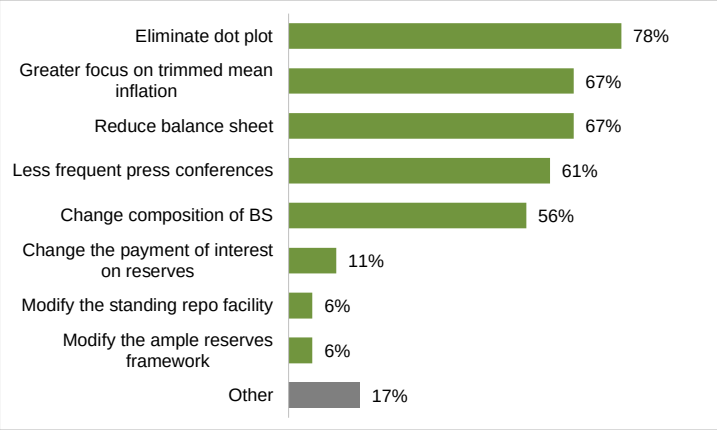
Q. Do you think the Fed should hike rates by year-end?

Chart 32: Percentage Who Believe the Fed Should Hike Rates by Year-End



Q. What changes do you think Chair Warsh will make with respect to Fed policy and communication? (Please select all that apply.)

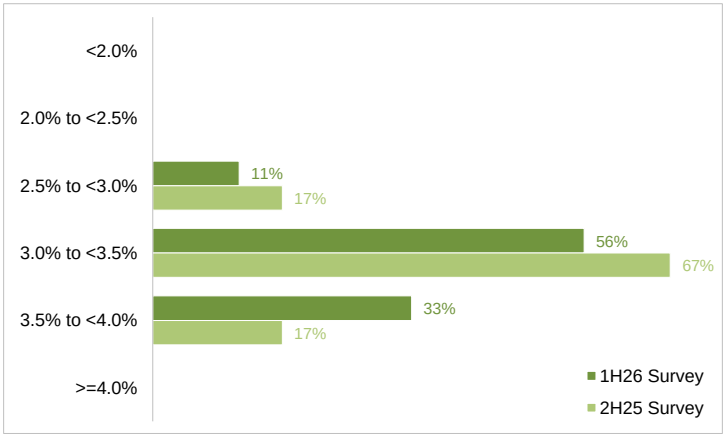
Chart 33: Chair Warsh's Changes



Note: Other = scale back but not eliminate dots and SEP, replace dot plot with another form of projections, encourage discount window use as a regular liquidity tool. BS = Balance Sheet.

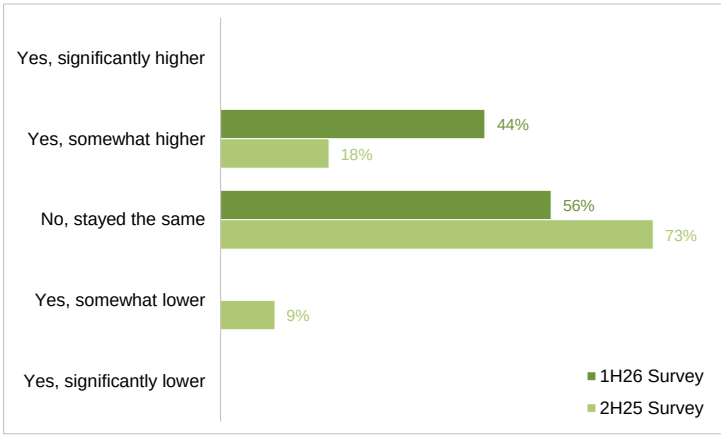
Q. Where do you put the level of the neutral federal funds rate?

Chart 34: Neutral Federal Funds Rate



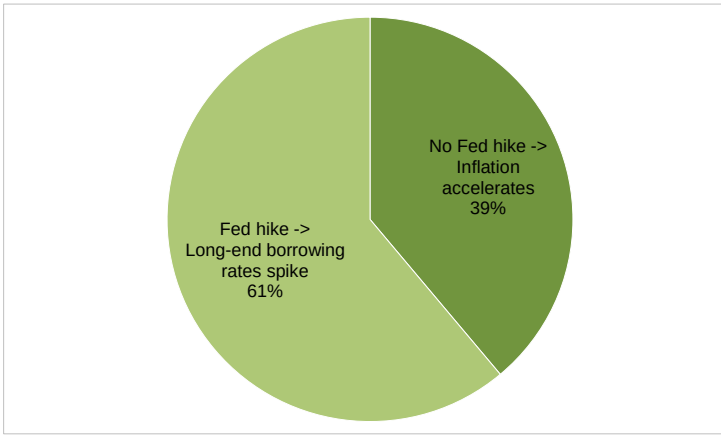
Q. Has your estimate of the neutral nominal Fed funds rate changed over the last twelve months?

Chart 35: Change in Neutral Federal Funds Rate Estimate in Last Year



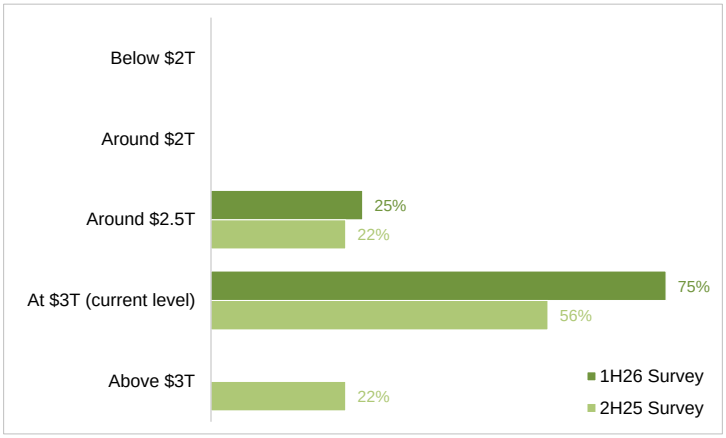
Q. Which presents the greater risk?

Chart 36: Greater Fed Action Risk



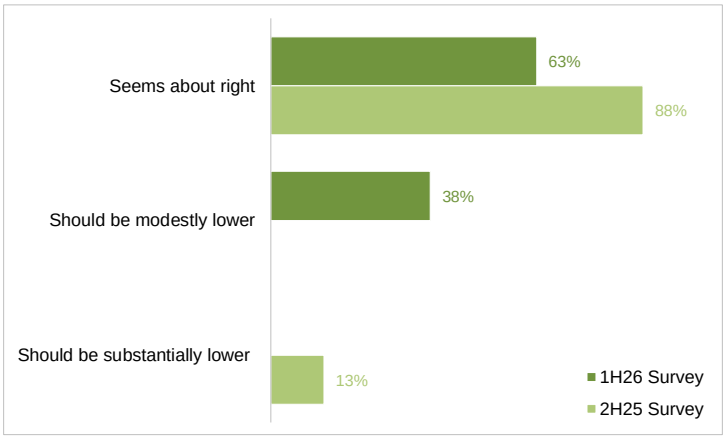
Q. Reserve balances peaked at $4.3T in 2021 and now stand at $3.0T. Where will reserve balances end in December 2026?

Chart 37: Reserve Balances at End-2026



Q. Is the Fed's balance sheet ($6.7T, roughly 1/5 of GDP) at an appropriate level for the economy?

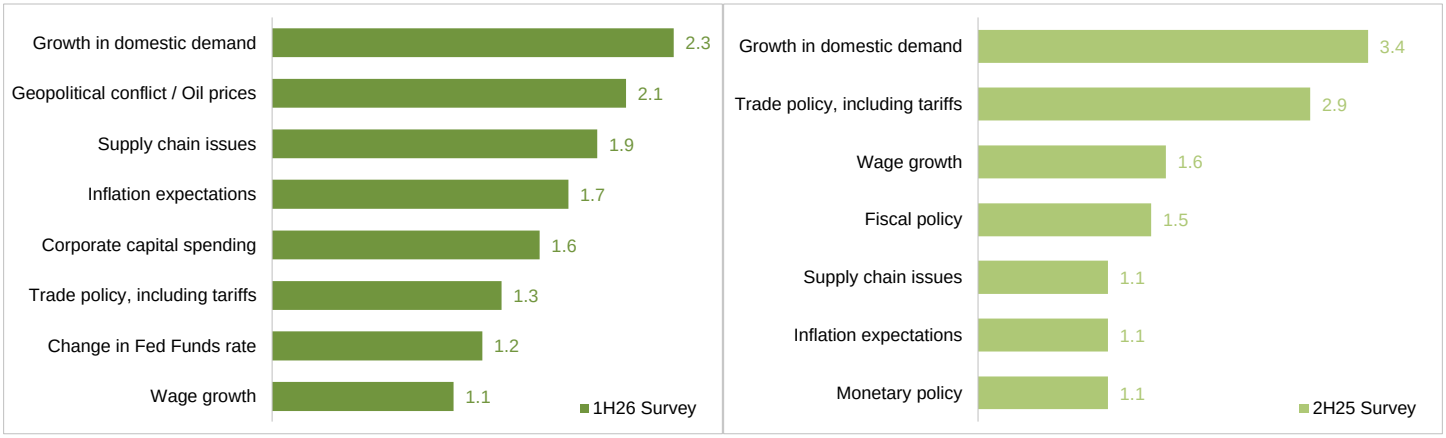
Chart 38: Appropriateness of Fed's Balance Sheet Size



Inflation

Q. What are the five most important factors in your outlook for core inflation? (Please select and rank up to 5 top factors.)

Chart 39: Top Factors in Core Inflation Outlook



Note: Factors receiving a score of 1 or less were removed from the charts. Calculation based on average scores with top factor receiving 5 points.

Q. The year-over-year rate of core PCE inflation has remained above the Fed's 2% target since 2021. At 3.3% YoY (April 2026), will core PCE inflation rate fall to 2% on a sustained basis on its own accord, or will a significant economic slowdown be needed to bring inflation down to 2%? If on its own accord, when?

Note: Core PCE price index showed a 3.4% YoY increase in May 2026.

Chart 40: PCE Inflation Falling Back to 2%: Manner

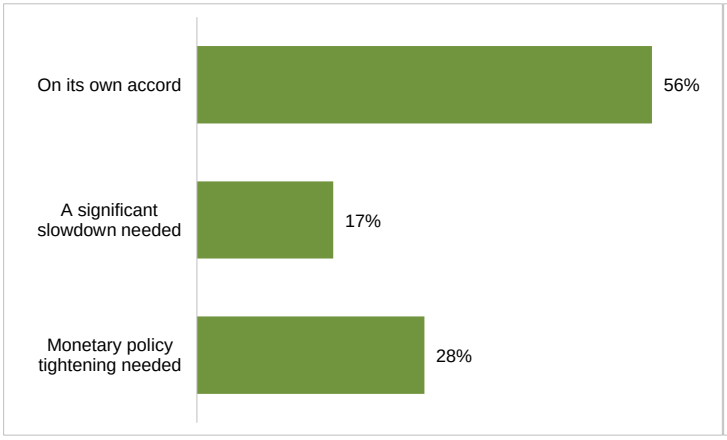
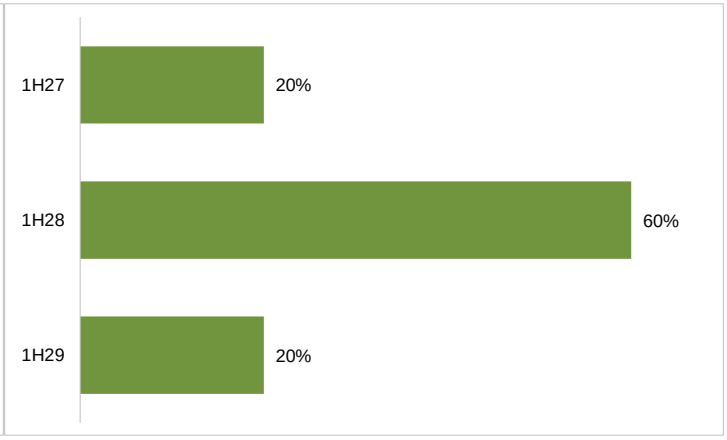
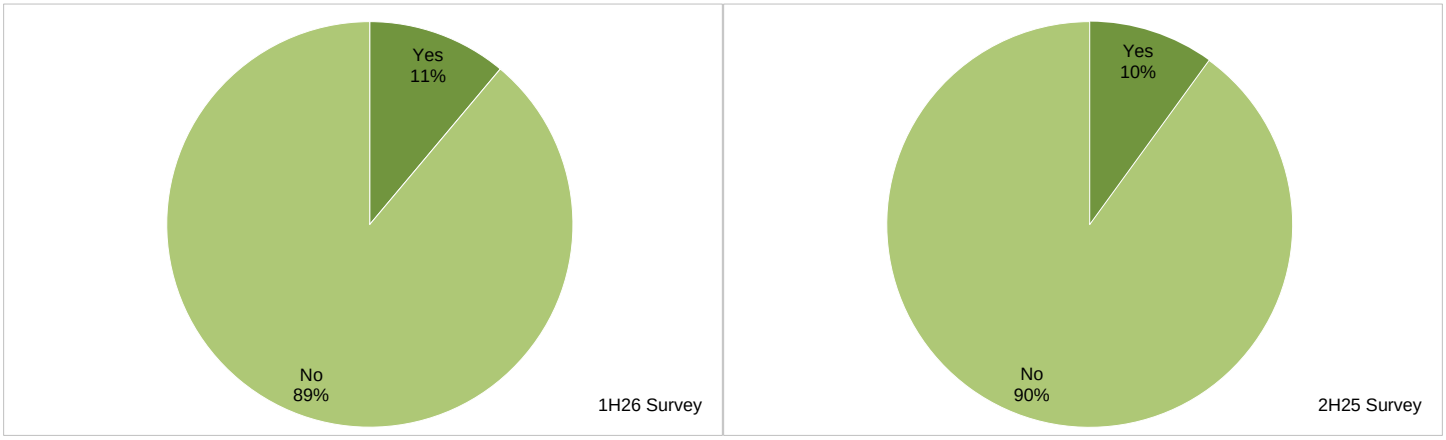


Chart 41: PCE Inflation Falling Back to 2%: Timing



Q. Do you believe inflation expectations will become unanchored in the foreseeable future?

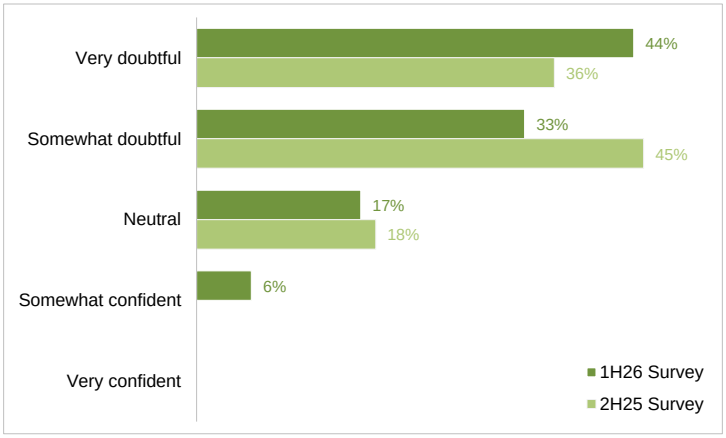
Chart 42: Percentage Seeing Inflation Expectations Becoming Unanchored



Fiscal Policy Risks

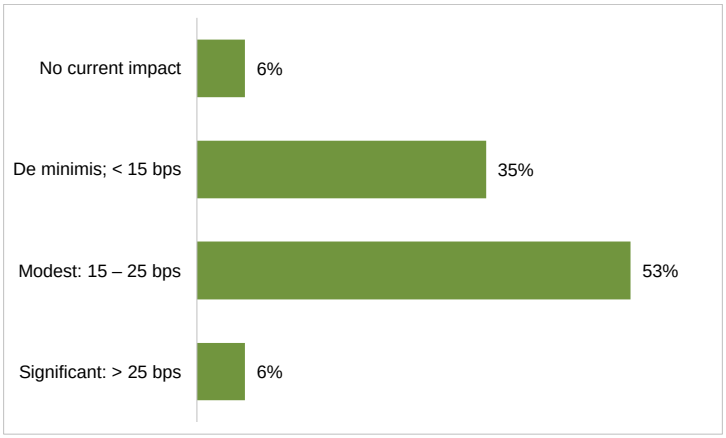
Q. The federal fiscal deficit reached $1.8T in FY 2025, or approximately 6% of GDP. How confident are you that the deficit as a share of GDP in 2026 will decrease relative to 2025?

Chart 43: Confidence in a Decrease of the Fiscal Deficit to GDP Ratio



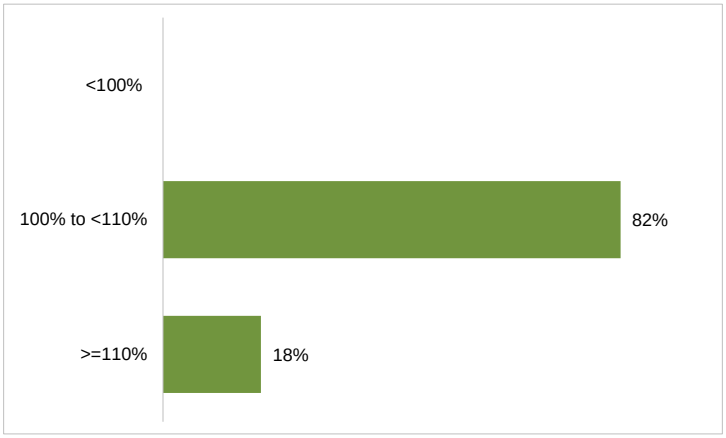
Q. How much does the current level of the federal fiscal deficit affect Treasury yields?

Chart 44: Impact of Fiscal Deficit on Treasury Yields



Q. The average level of government debt held by the public during Q1 2026 was approximately $31.1 trillion, representing roughly 100% of GDP. Where will this figure be in June 2027?

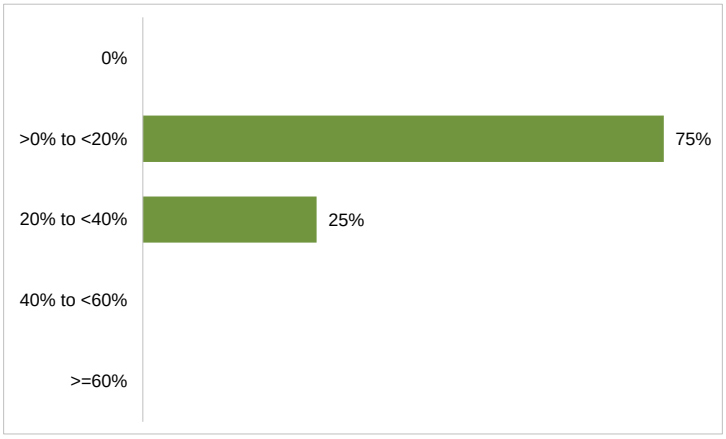
Chart 45: Share of Government Debt Held by the Public to GDP by June 2027



Market Risks

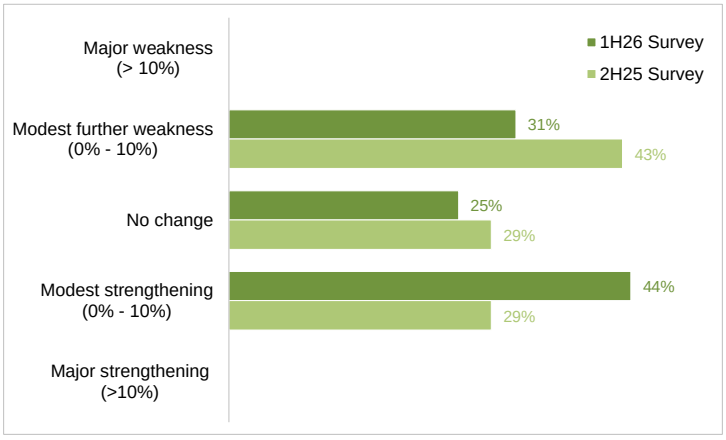
Q. What is the probability that the equity market is 20% lower than current levels in a year?

Chart 46: Probability of 20% Equity Market Pullback within One Year



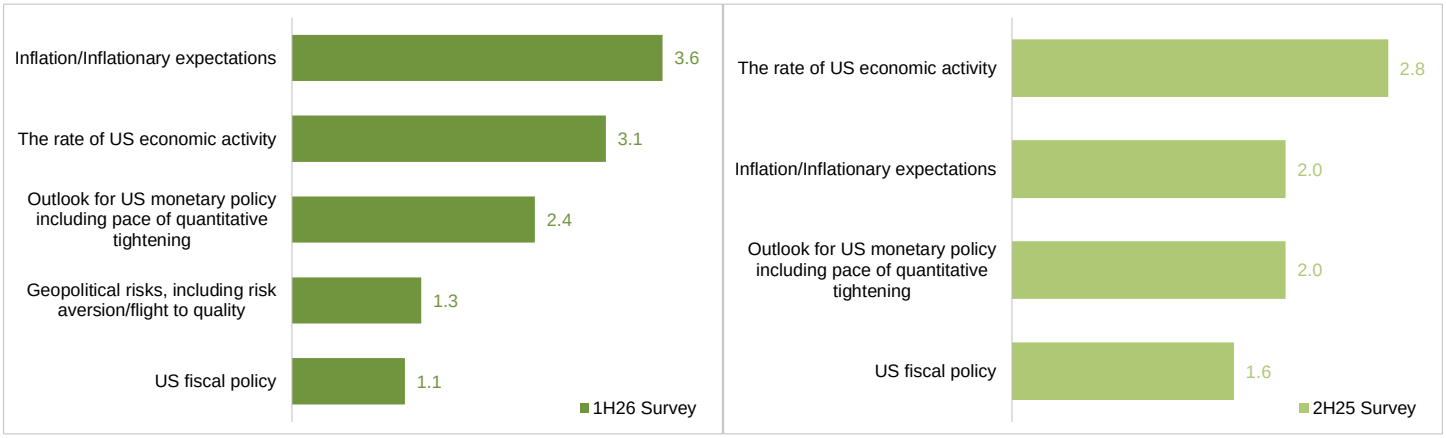
Q. Will the dollar continue to weaken in 2026?

Chart 47: USD Strength/Weakness: Outlook for Balance of 2026



Q. The yield on the 10-year Treasury note is just under 4.5% at present. What are the three most important factors in your outlook for this yield through the end of 2026? (Please select and rank up to 5 top factors.)

Chart 48: Factors Impacting Treasury Yields Through End-2026



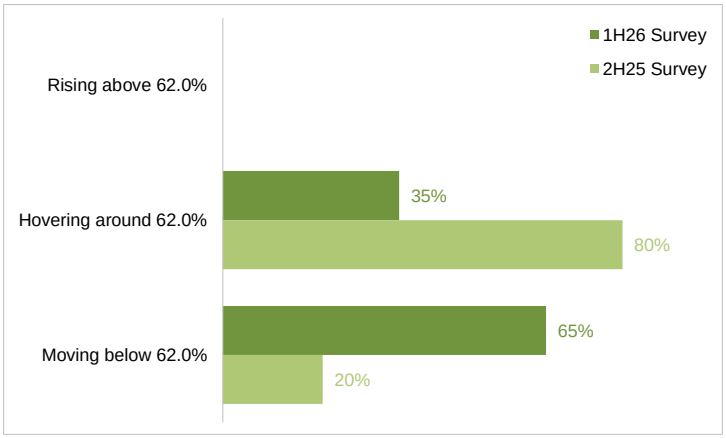
Note: Factors receiving a score of 1 or less were removed from the charts. Calculation based on average scores with top factor receiving 5 points.

Labor Market

Q. The labor force participation rate (LFPR) stood at 61.8% in May 2026. Where do you see the LFPR over the next two years?

Note: Labor force participation rate was 61.5% in June 2026.

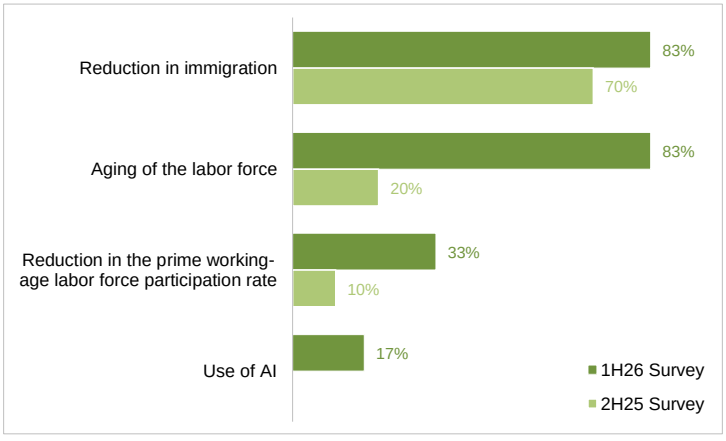
Chart 49: Labor Force Participation Rate Outlook (Next Two Years)



Note: 2H25 choices were: Rising above 63.0%, Remaining between 62.0% and 63.0%, Moving below 62.0%

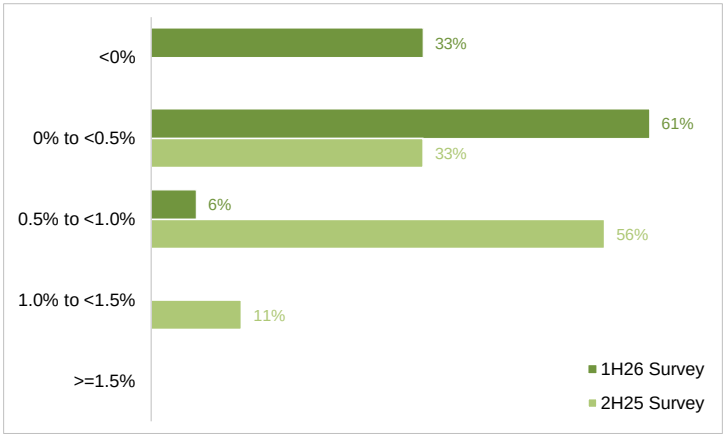
Q. Which of the labor market factors below is most likely to adversely affect economic growth over the next two years? (Please select all that apply.)

Chart 50: Factors to Slow Economic Growth



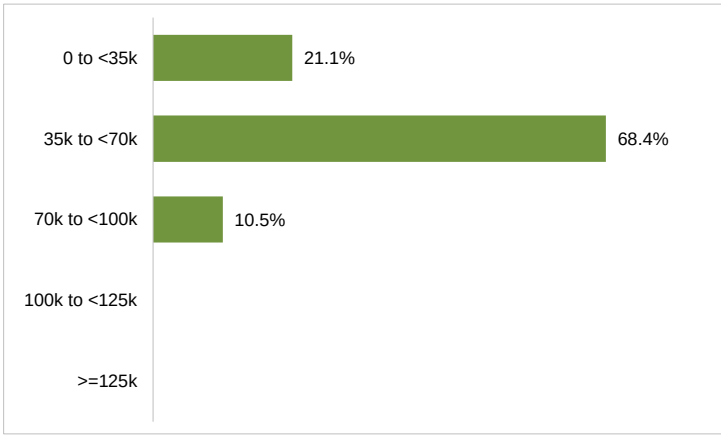
Q. The U.S. labor force grew roughly 0.7% in 2024 and rebounded to 1.8% in 2025. As of May 2026, growth stood at -0.2% Y/Y. What average annual rate of labor force growth do you expect in 2026 and 2027?
Note: Labor force growth was -0.6% Y/Y in June 2026.

Chart 51: Annual Labor Force Growth in 2026 and 2027



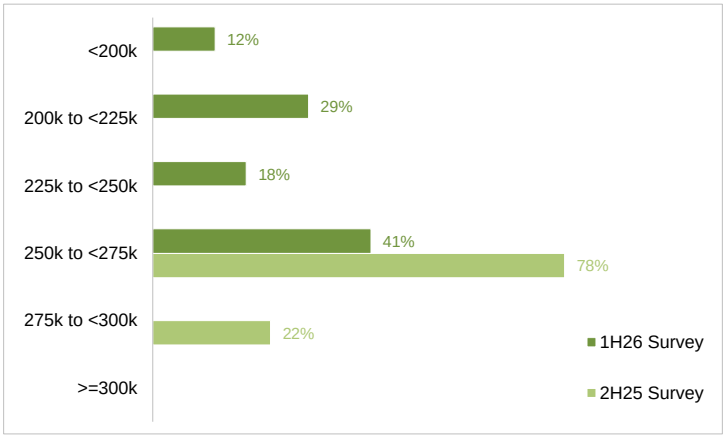
Q. What level of monthly payrolls is consistent with no change in the unemployment rate?

Chart 52: Monthly Payrolls Consistent with No Change in Unemployment Rate



Q. What range in the 4-week moving average of initial jobless claims is consistent with no growth in non-farm payrolls? (219k currently).

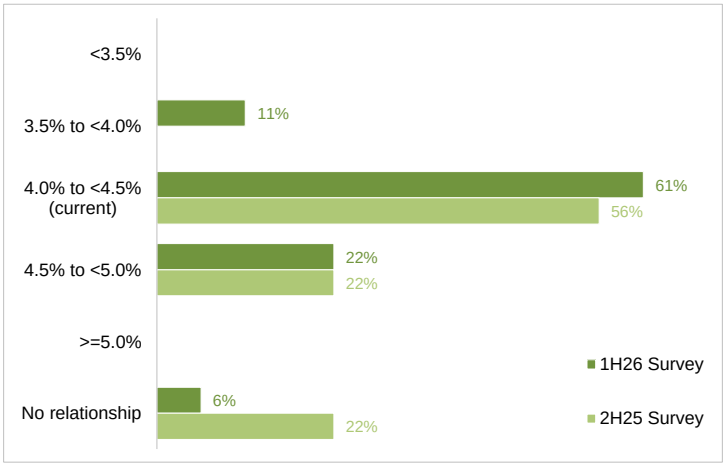
Chart 53: Initial Jobless Claims Consistent with No Change in Non-farm Payrolls



Q. The U-3 unemployment rate is currently 4.3% (May 2026). What level of the U-3 rate is consistent with a core PCE inflation rate of 2%?

Note: U-3 unemployment rate was 4.2% in June 2026.

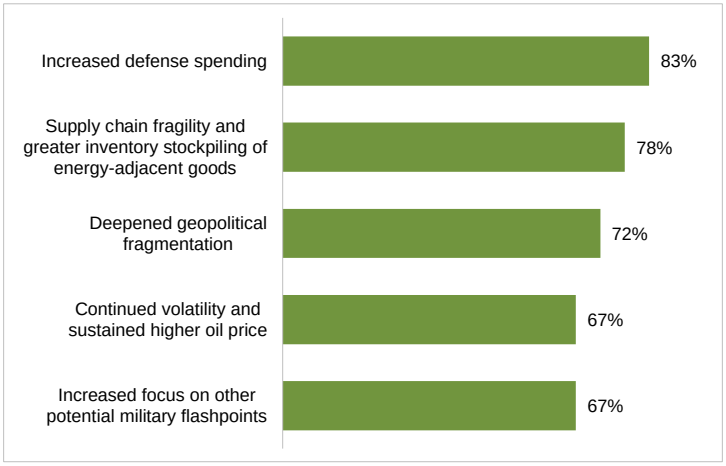
Chart 54: U-3 Rate Consistent with Core PCE of 2%



Geopolitical

Q. What are the longer-term consequences of the US/Iran conflict, assuming there is no active military engagement between the two parties? (Please select all that apply.)

Chart 55: Long-Term Consequences of the US/Iran Conflict



Reference Guide: Economic Landscape

Real GDP Breakout

Chart 56: U.S. Real GDP ($T)

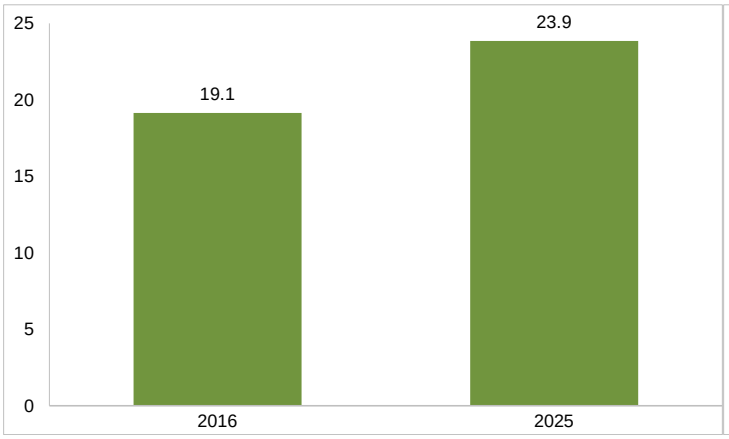
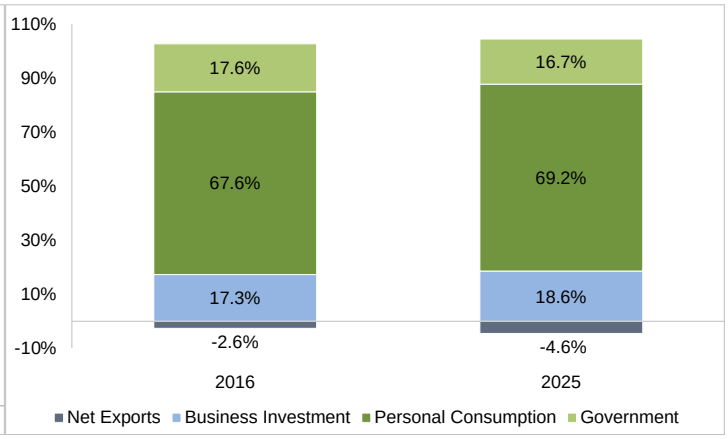


Chart 57: U.S. Real GDP by Category



Source: Bureau of Economic Analysis (BEA), SIFMA estimates

Chart 58: U.S. Real GDP: Personal Consumption ($T)

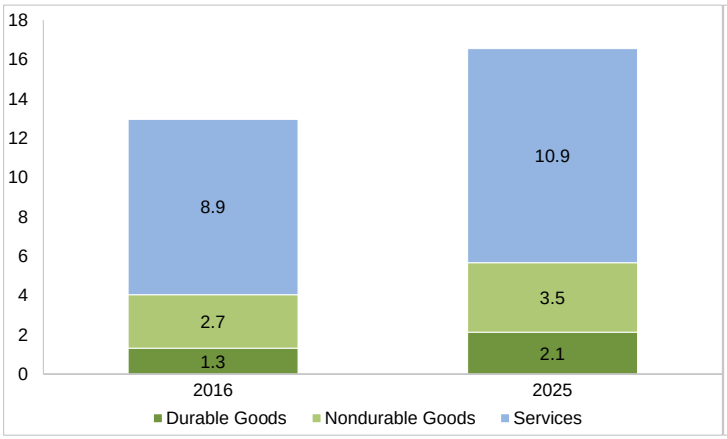
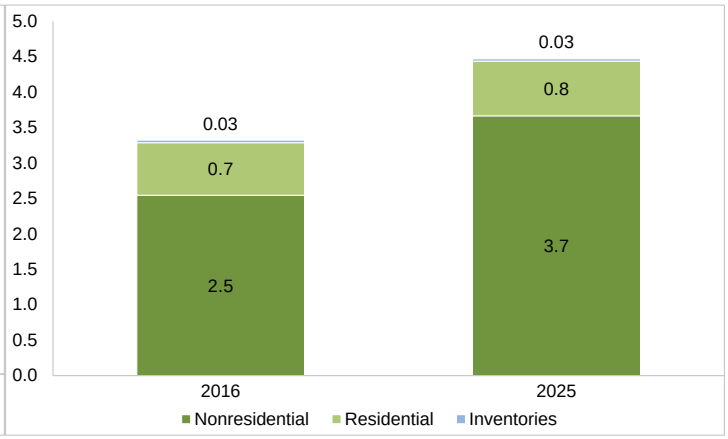


Chart 59: U.S. Real GDP: Business Investment ($T)



Source: Bureau of Economic Analysis (BEA), SIFMA estimates

Chart 60: GDP by Region ($T)

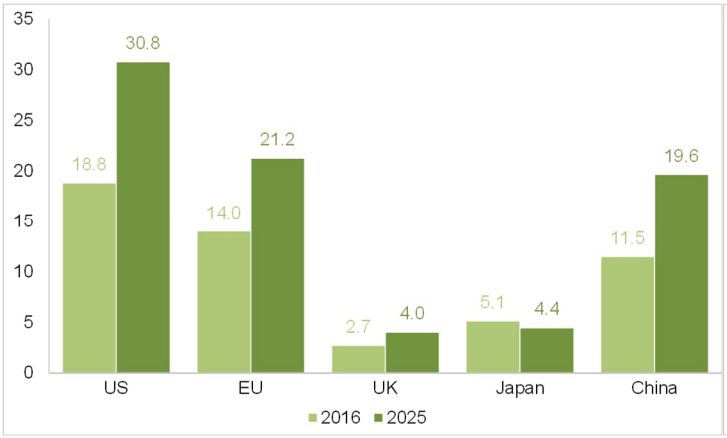
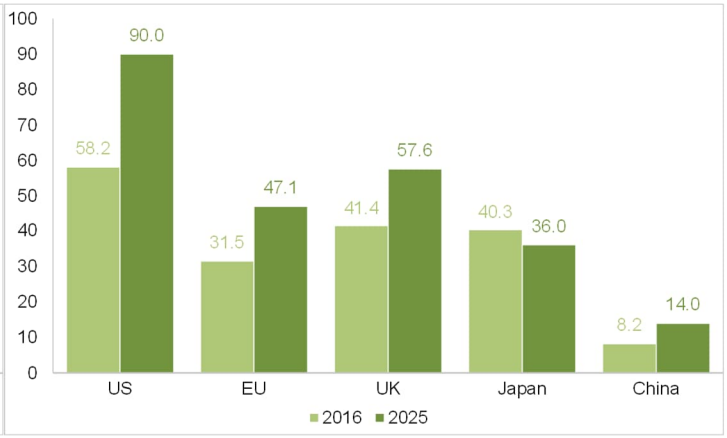


Chart 61: GDP per Capita by Region ($K)



Source: International Monetary Fund (IMF), SIFMA estimates

Employment Breakout

Chart 62: U.S. Employment by Industry (M), 2025

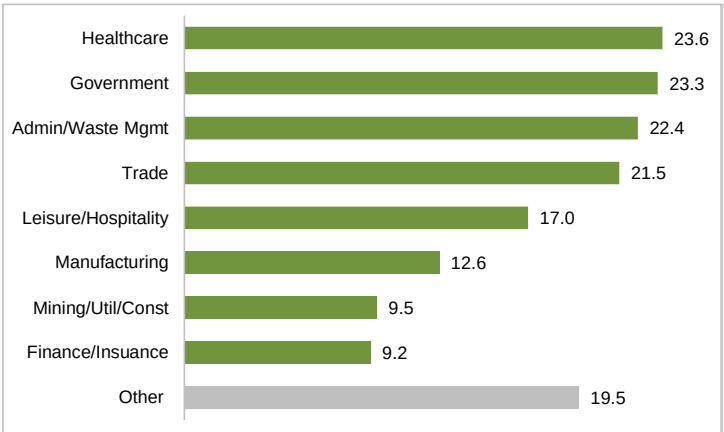


Chart 63: U.S. Employment (M)

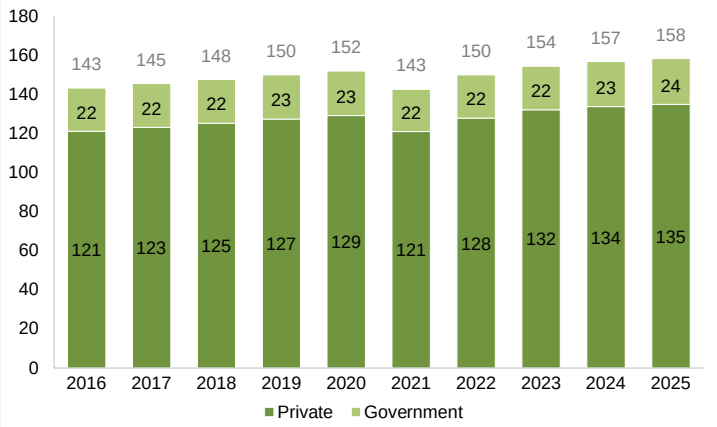


Chart 64: U.S. Employment Statistics, 2025

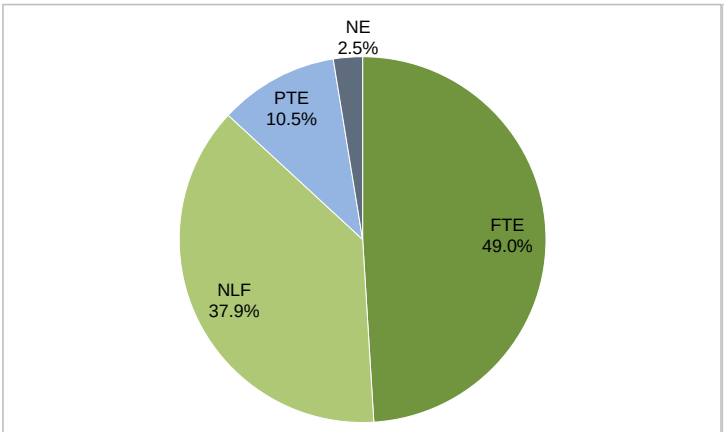


Chart 65: U.S. Unemployment and Labor Participation

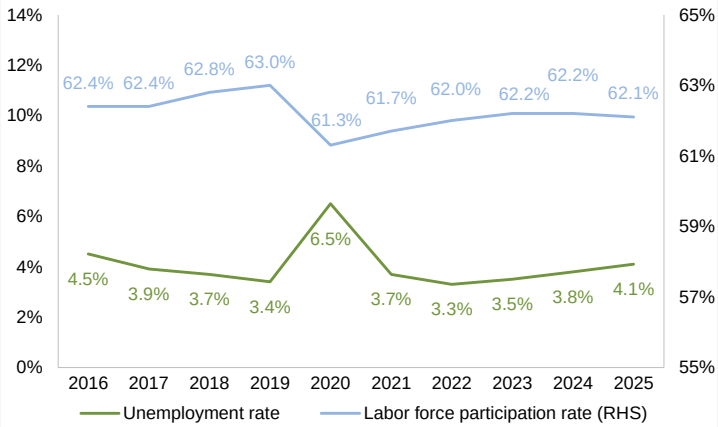
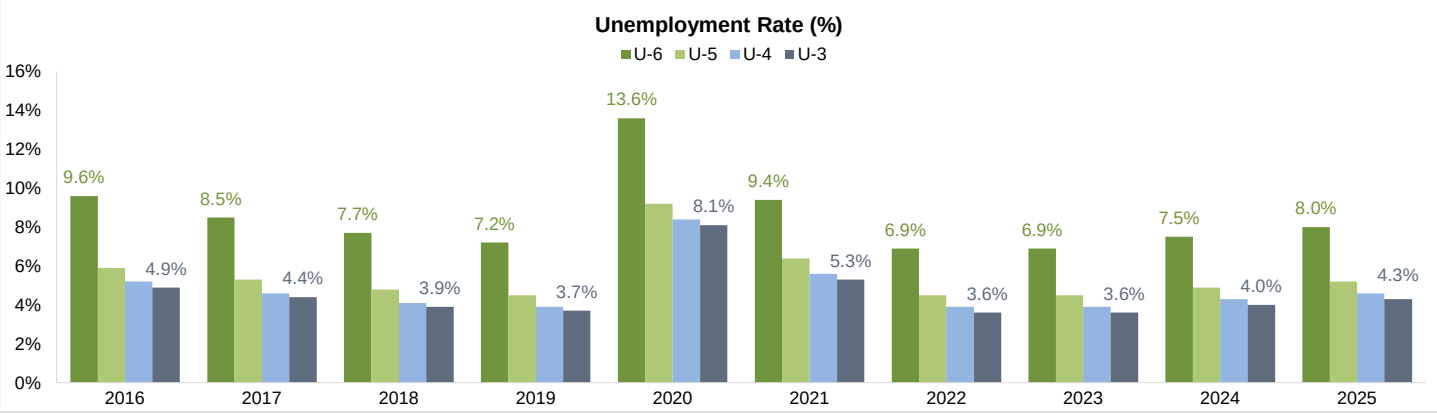


Chart 66: U.S. Unemployment Rate



Source: US Bureau of Labor Statistics (BLS), SIFMA estimates
Note: Other = transportation and warehousing, information, educational services and other services.

Federal Debt and Central Bank Balance Sheets

Chart 67: Debt to GDP by Region

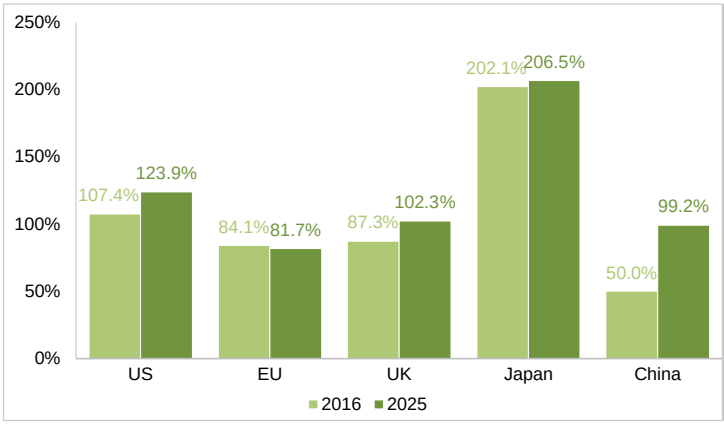


Chart 68: Change in U.S. GDP vs. Public Debt

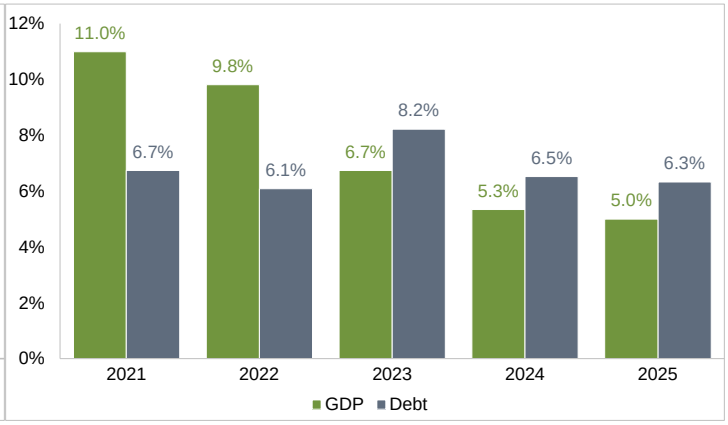


Chart 69: U.S. Fiscal Deficit as % of GDP

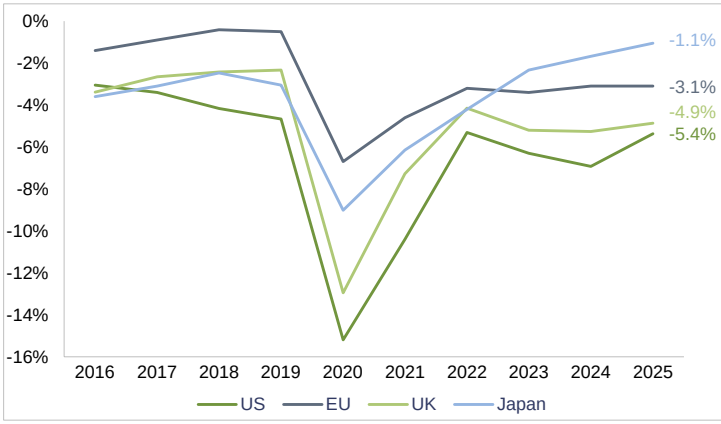


Chart 70: Central Bank BS as % of GDP by Region

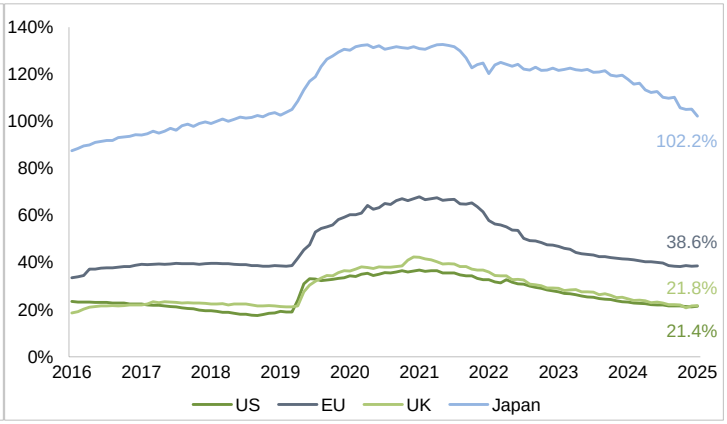


Chart 71: Fed Balance Sheet ($B)

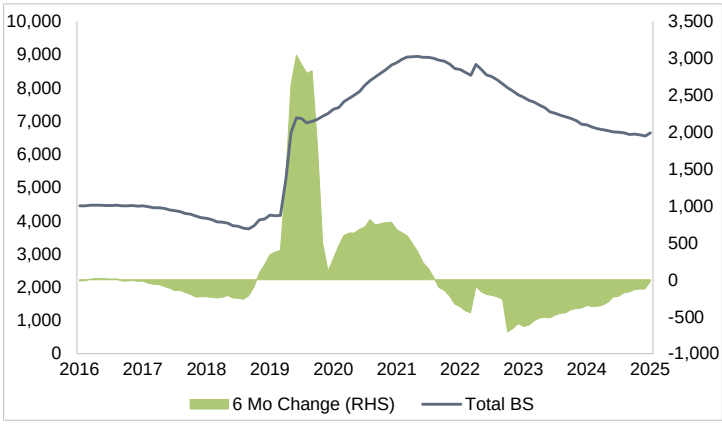
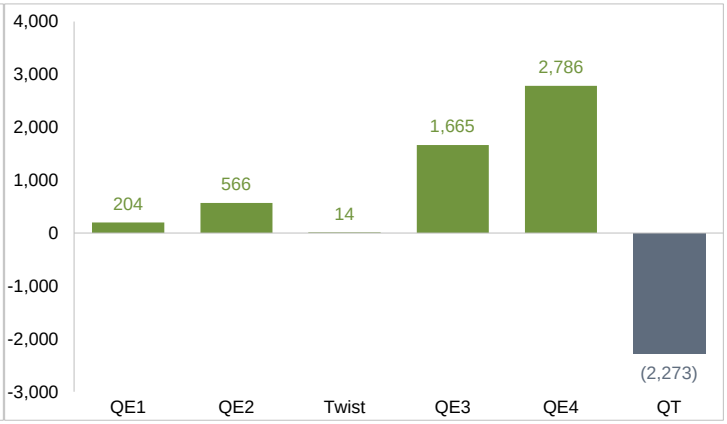


Chart 72: Fed Balance Sheet Changes ($B)



Source: Bloomberg, Bureau of Economic Analysis (BEA), Eurostat, The Federal Reserve, SIFMA estimates
Note: QE1 = 11/26/2008-3/31/2010; QE2 = 11/3/2010-6/29/2011; Twist = 9/21/2011-6/20/2012; QE3 = 9/12/2012-10/29/2014; QE4 = 3/11/2020-5/27/2020; and QT = 6/1/2022-12/31/2025.

Appendix: Terms to Know

- **Statistical analysis**
    - M/M – month-over-month change
    - Q/Q – quarter-over-quarter change
    - Y/Y – year-over-year change
    - Bps – basis points
    - Pps – percentage points

- **Gross Domestic Product (GDP)**: A comprehensive measure of US economic activity, indicating the value of the final goods and services produced without double counting the intermediate goods and services used to produce them. GDP data are seasonally adjusted to remove the effects of yearly patterns – winter weather, holidays, or factory production schedules – to reflect true patterns in economic activity. The Bureau of Economic Analysis (BEA) releases new statistics every month, as it estimates each quarter of GDP three times:
    - Advance estimate – Released one month after the quarter's end; an early look based on the best information available at that time.
    - Second estimate – Incorporates additional source data that were not available the month before, improving accuracy.
    - Third estimate – Incorporates even more source data that were not available the month before; considered the most accurate estimate.

- **Federal Funds Rate (Fed Funds)**: The interest rate at which banks and other depository institutions lend money to each other, typically on an overnight basis. An important monetary policy tool is the Fed's Interest on Reserve Balances (IORB), which sets a floor on the Fed Funds rate under the Fed's "ample reserves" regime.

- **Unemployment**: The unemployment rate represents the number of unemployed people as a percentage of the labor force, which is the sum of the employed and unemployed: (Unemployed ÷ Labor Force) x 100. According to the Bureau of Labor Statistics Current Population Survey, people are classified as not in the labor force if: (a) they were not employed during the survey reference week; and (b) they had not actively looked for work (or been on temporary layoff) in the last 4 weeks. People not in the labor force are those who do not meet the criteria to be classified as either employed or unemployed as defined above and can be classified into several subgroups: (a) people who want a job now; (b) people marginally attached to the labor force (not in the labor force but currently want a job); and (c) discouraged workers (not actively searched for work in the last four weeks).

- **Inflation**: It is reflected quantitatively by an increase in the average price level of a basket of selected goods and services in an economy and represents the rate of decline of purchasing power of a given currency over some period of time. There are multiple components that go into the inflation equation. Pressure points can be influenced by supply side, demand side, and labor-driven factors.
    - Consumer Price Index (CPI) – headline inflation; measures the change in direct expenditures for all urban households for a defined basket of goods and services (three largest components are housing, transportation, and food/beverages)
    - Personal Consumption Expenditures (PCE) – the metric the Fed monitors for monetary policy – measures the change in the prices of goods and services consumed by all households and nonprofit institutions serving households
    - Core CPI or PCE – makes adjustments to remove the source of the most volatile components of the data, i.e. food and energy, to get a measure of the underlying trend in inflation
    - Differences between CPI and PCE include (among others): Basket composition – CPI is based on household purchases (including imports) versus PCE, which is based on what businesses are selling (including capital goods); calculation methodologies – expenditure weights assigned to categories of basket items (housing is a main difference); accounting for basket changes (PCE allows substitution, CPI is always the same basket); CPI covers only out-of-pocket expenditures, PCE includes expenses paid by employers and federal programs; seasonal adjustment differences; PCE includes rural and urban consumers, CPI only urban; PCE includes expenditures from non-profit institutions serving households, CPI households only

Appendix: The SIFMA Economist Council

About the Group

The SIFMA Economist Council brings together chief US economists from more than 30 global and regional financial institutions. SIFMA Research conducts a semiannual US Economic Survey with this group after the June and November Federal Open Market Committee (FOMC) meetings. In these survey reports, we review the Economist Council's forecasts for GDP, unemployment, inflation, and more. We also analyze expectations for future monetary policy moves and how interest rates are expected to evolve.

This survey was conducted between June 22 and July 10, 2026.

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Richard de Chazal, CFA
William Blair Intl. Ltd.

Authors

SIFMA Research
Heidi Learner, CFA, Managing Director, Director of Research
Justyna Romulus, Vice President, Senior Research Associate

Website: www.sifma.org/research
Email: research@sifma.org