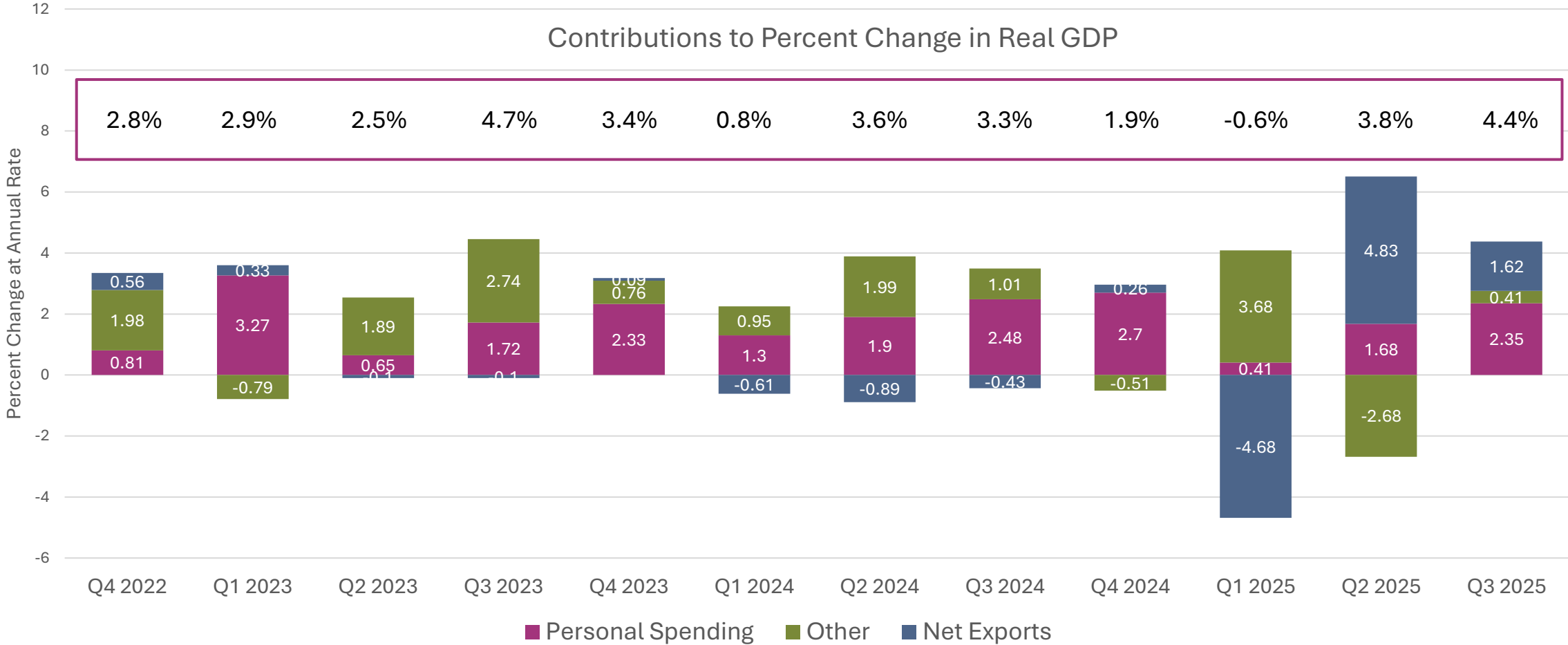




# 2026 Economic Outlook and Update

Nancy E. Johnshoy, CFA

# Real GDP Skewed by Net Exports – Consumer Solid



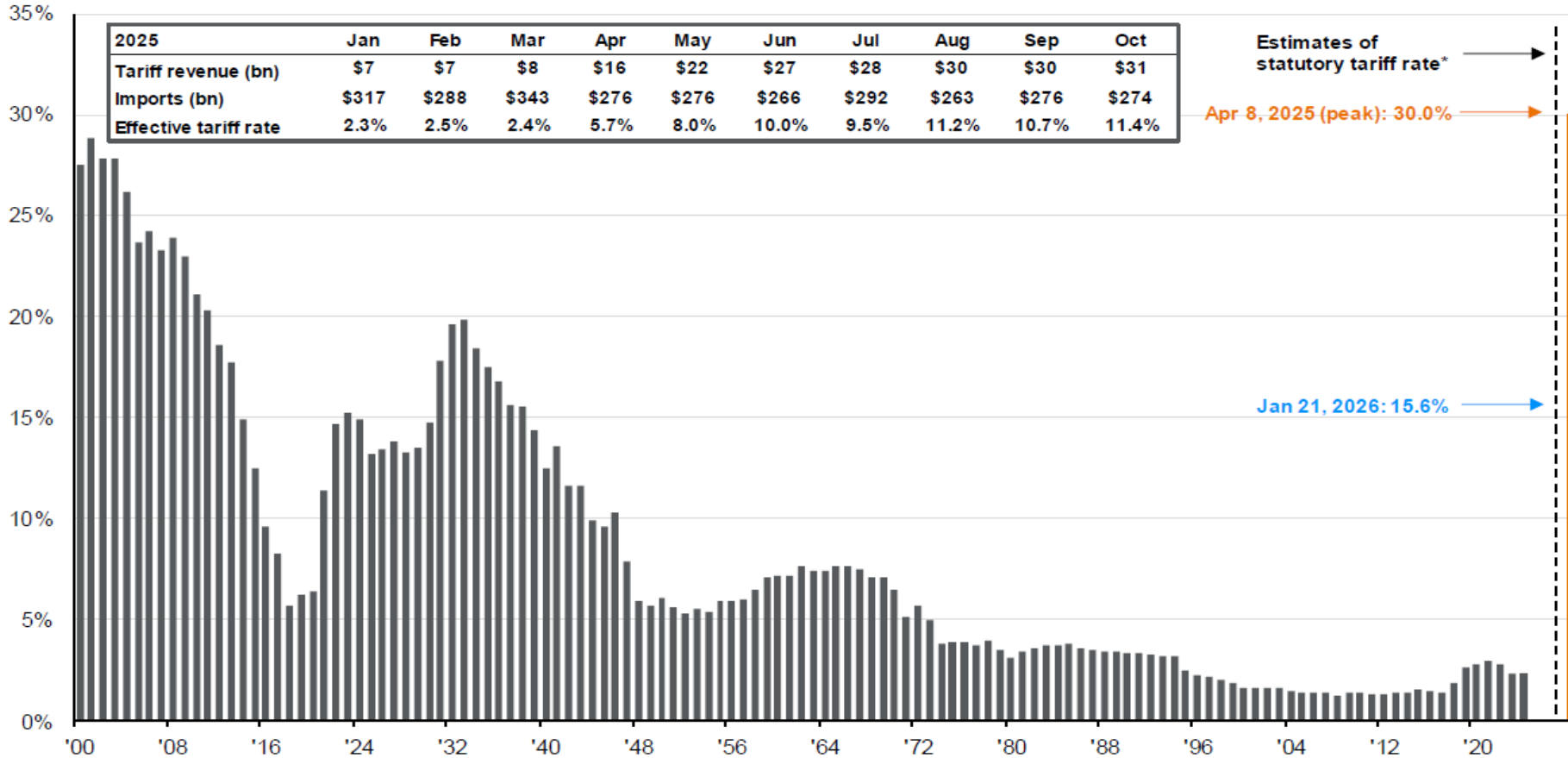
Source: U.S. Bureau of Economic Analysis, Initial estimate

“Other” category includes nonresidential and residential fixed investment, change in private inventories, and government expenditures.

# Tariffs Signal Major Shift in Foreign Trade Policy

## Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2024



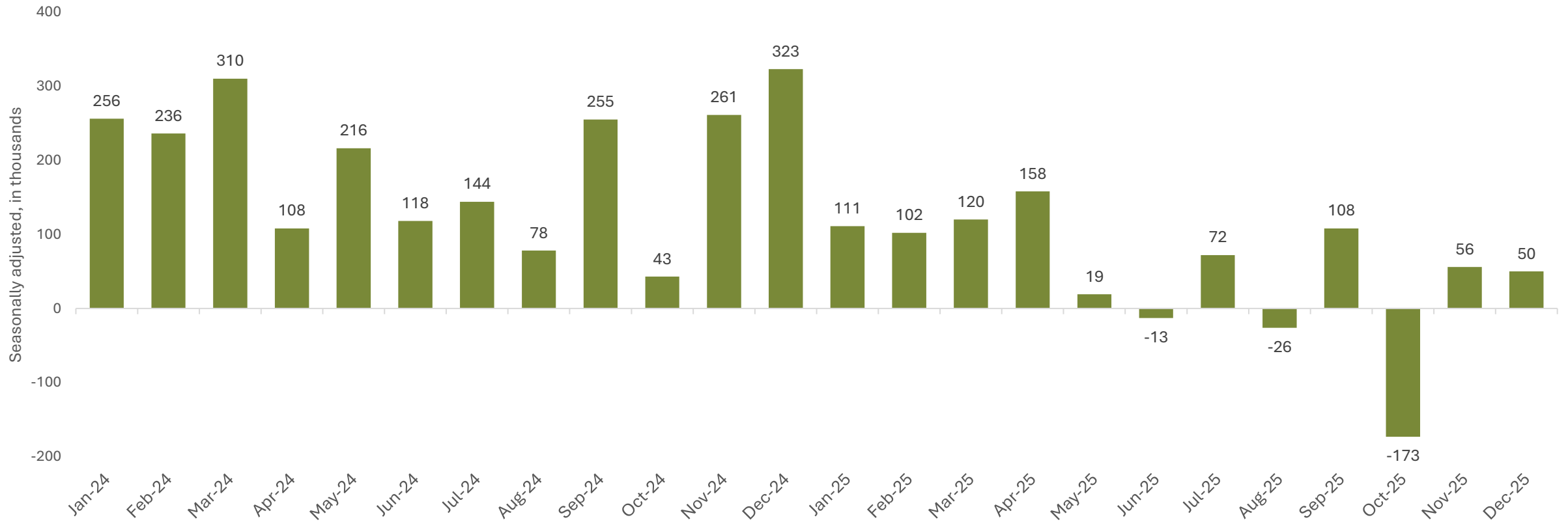
Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management.

For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. \*Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of January 21, 2026.

# Pace of Job Growth Softens

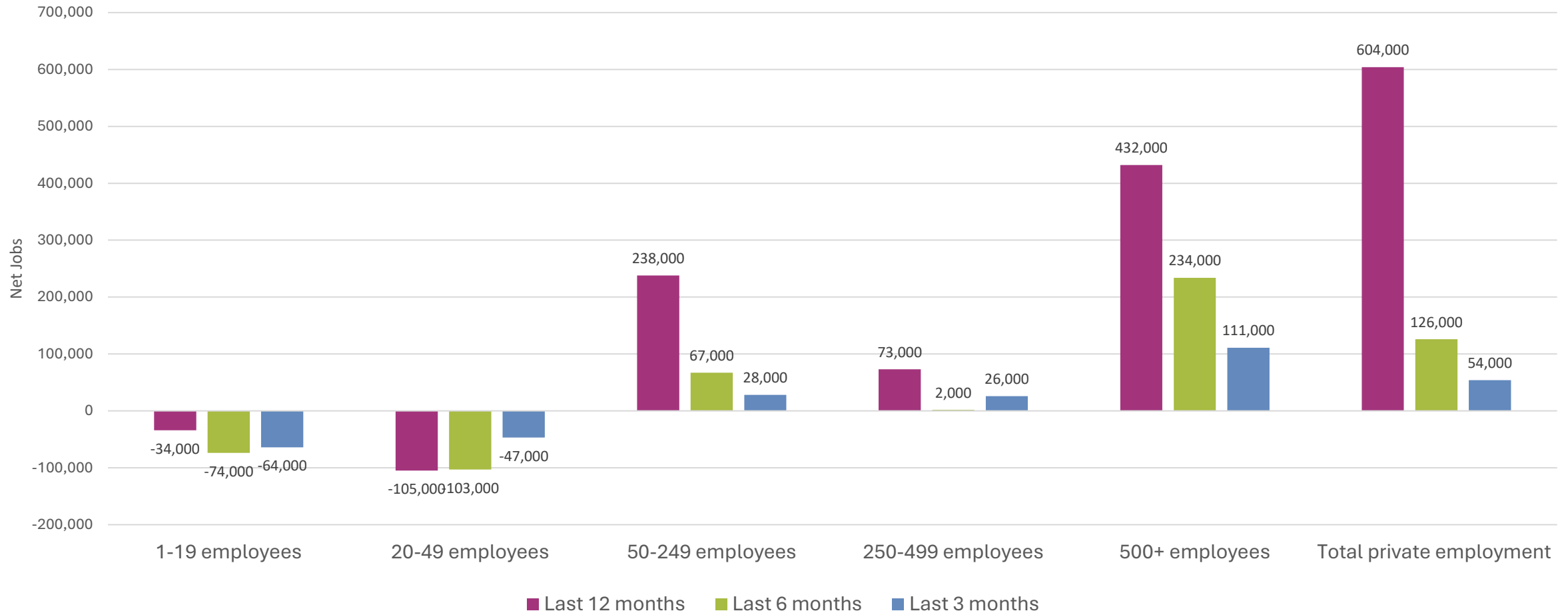
December 2025 Unemployment Rate 4.4%



Source: U.S. Bureau of Labor Statistics

# Private Employment Data

## Change in Employment By Establishment Size

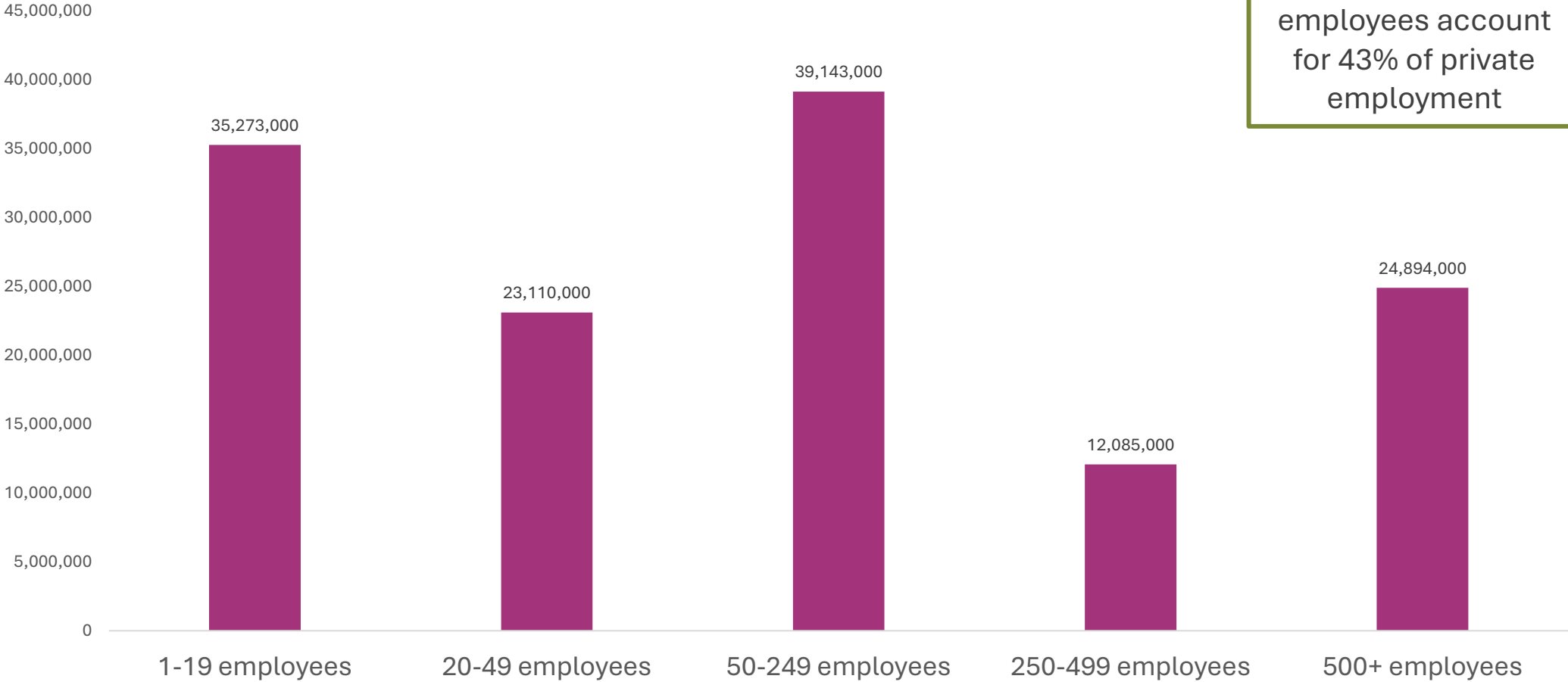


Source: ADP Research

# Small Businesses, Big Impact

Private Employment By Business Size

Businesses with fewer than 50 employees account for 43% of private employment



Source: ADP Research

# Local Area and Wisconsin Employment Picture

Milwaukee – Waukesha – West  
Allis:

Civilian Labor Force 802,400

Employment 778,500

Unemployment 23,900

Unemployment Rate 3%

Wisconsin

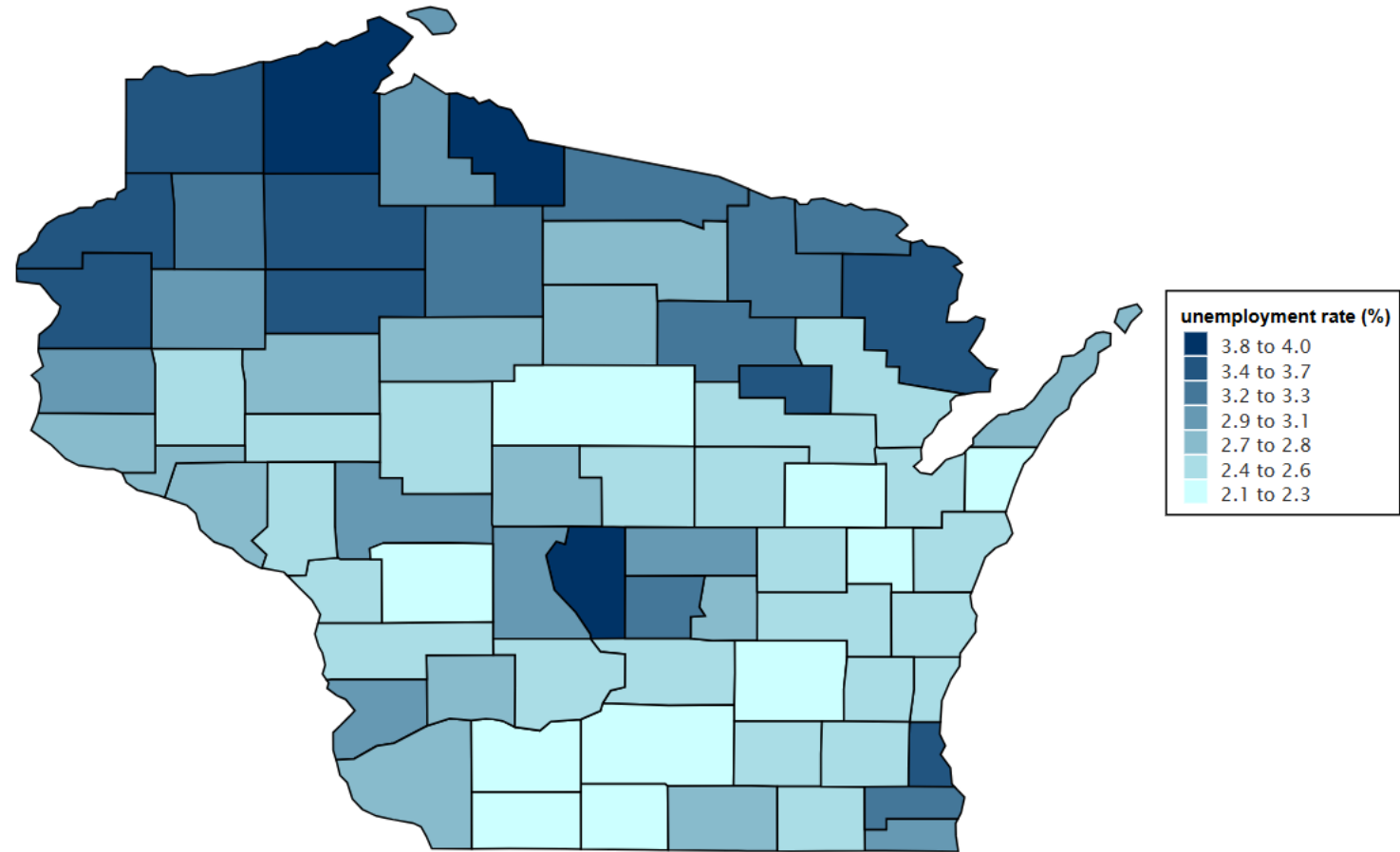
Unemployment Rate 3.1%

National

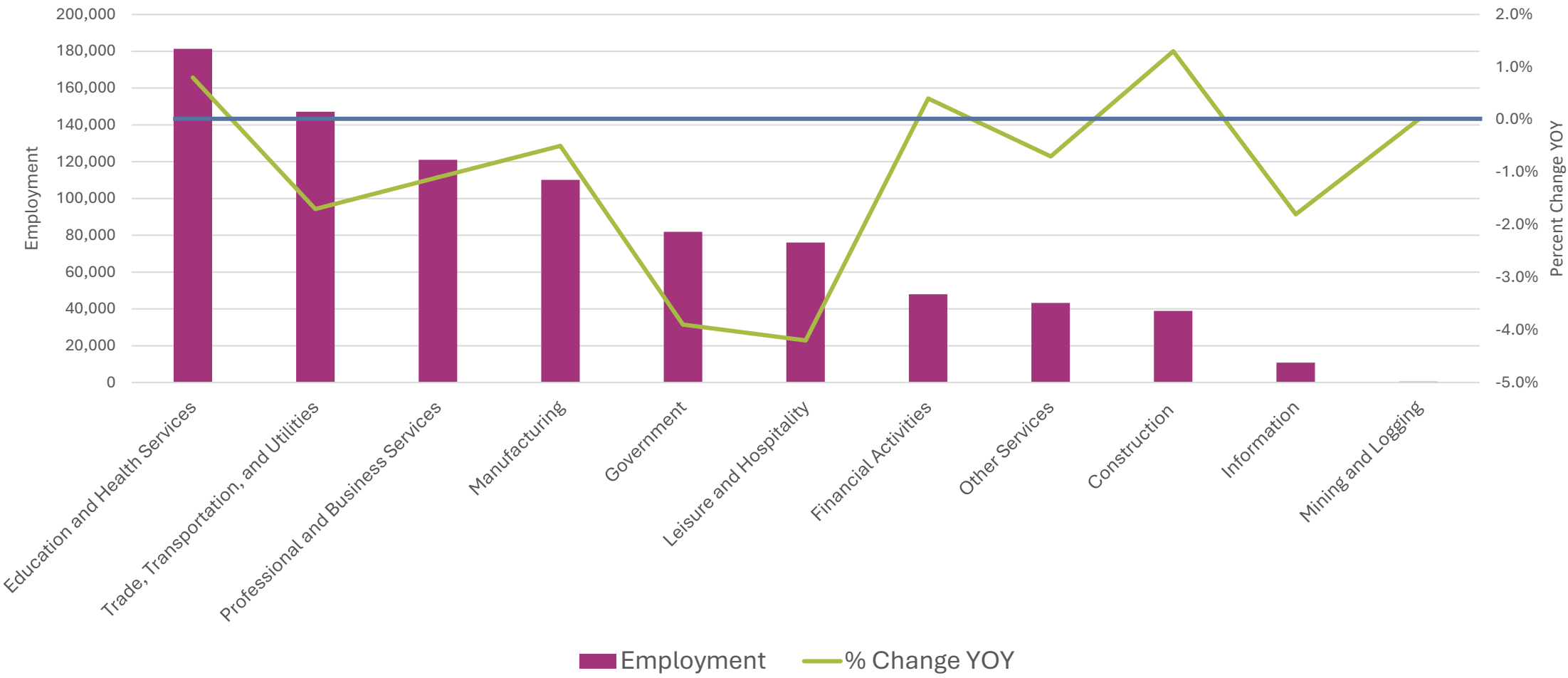
Unemployment Rate\* 4.4%

\* As of December 2025

Unemployment rates by county, not seasonally adjusted, Wisconsin November 2025

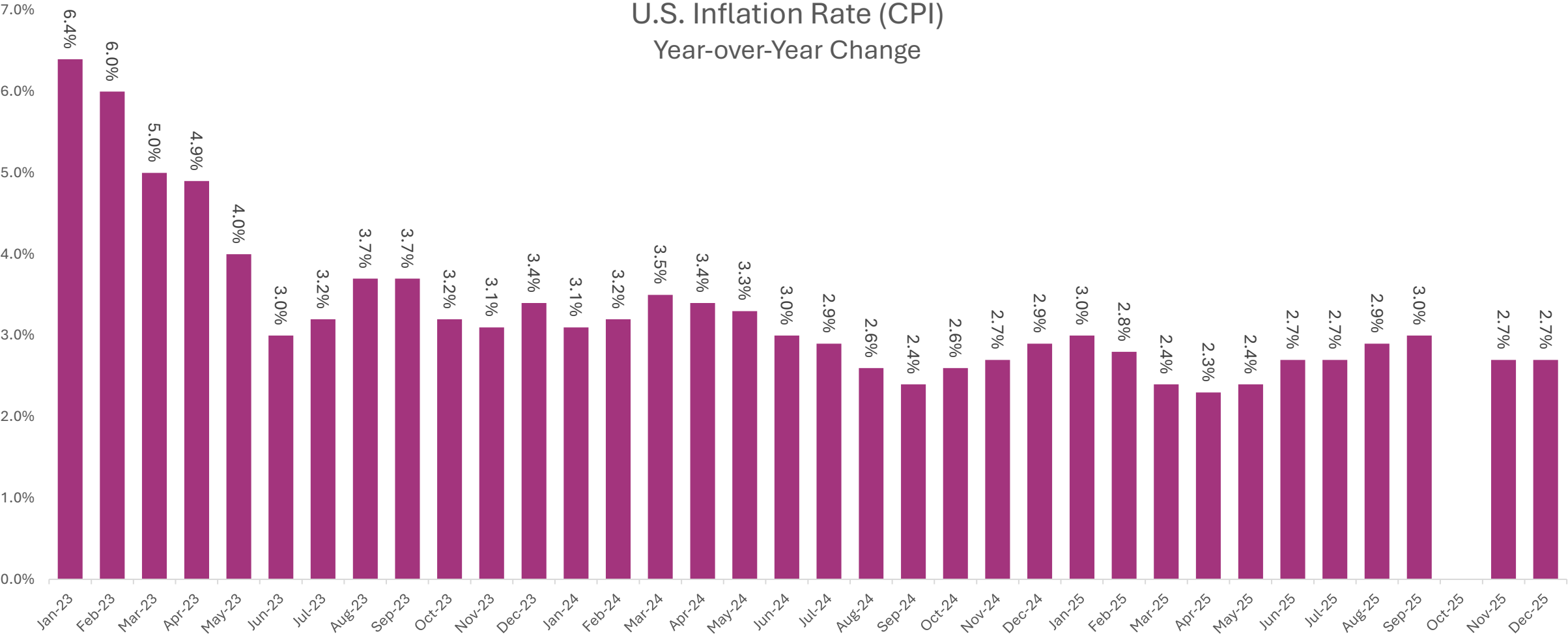


# Area Employment By Sector



Source: Bureau of Labor Statistics  
Not seasonally adjusted

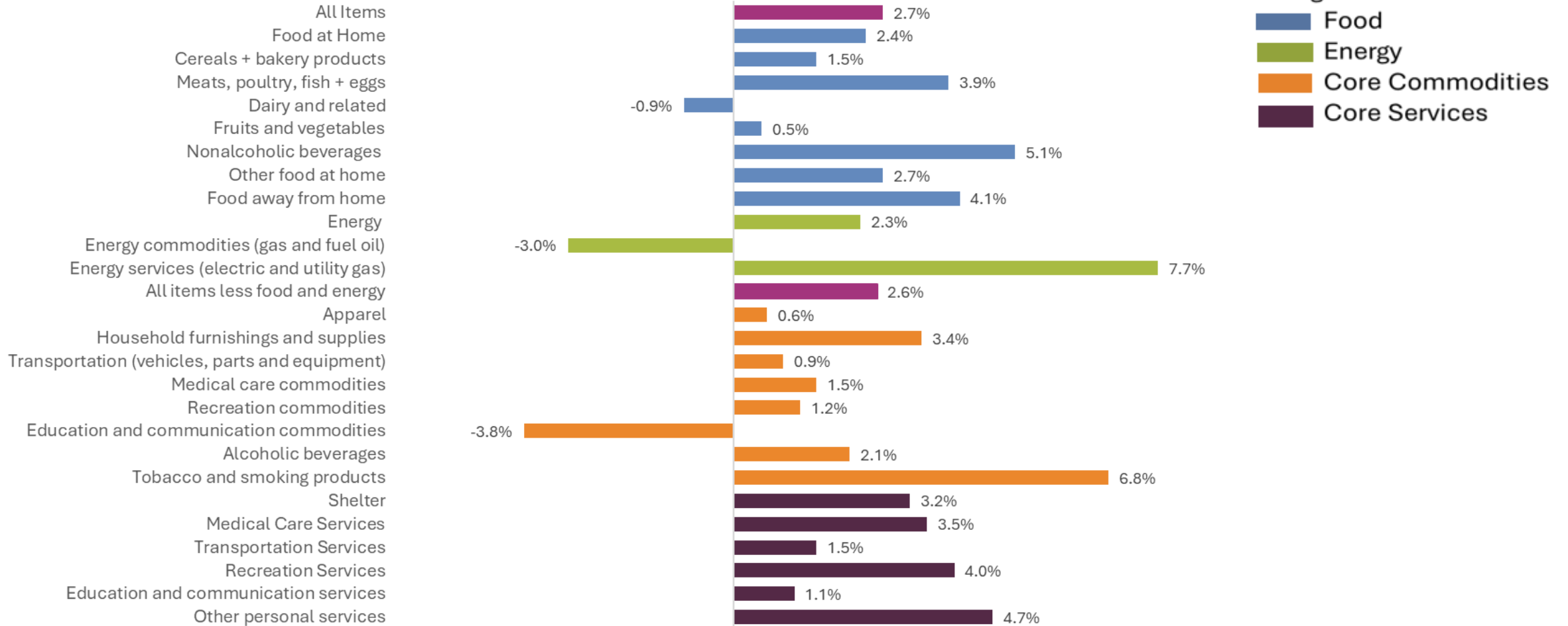
# Inflation Holds Steady at 2.7%



Source: U.S. Bureau of Labor Statistics

# U. S. Inflation by Category

Year over Year Percent Change as of December 2025



Source: U.S. Bureau of Labor Statistics

# 2026 Economic Outlook

- **Demand Drivers:** Strong investment in AI infrastructure and robust consumer spending among upper income households continue to support demand. While 4<sup>th</sup> quarter GDP growth was likely soft due to tariffs and the government shutdown, we anticipate a rebound in the first half of the year fueled by surging income tax refunds. However, growth is expected to fade later in the year without additional stimulus.
- **Inflation Outlook:** Inflation is likely to rise early in the year as strong consumer demand enables retailers to pass along tariff-related costs. Weak housing and low gasoline prices should help contain inflation, with a trend toward moderation by year-end.
- **Employment Trends:** Slower GDP growth, reduced labor supply, and significant federal government job cuts contributed to weaker employment growth in 2025. Both hiring and layoffs remain low but the downside risks to the labor market have risen in recent months.
- **Base Case Forecast:**
  - GDP growth: ~2%
  - Inflation: Peaks near 3.5% before easing later in the year
  - Unemployment: Moderates from current levels by year-end



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