



BMO BUSINESS OUTLOOK

BMO experts providing insights on the U.S. business and economic outlook.

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NATIONAL BUSINESS OUTLOOK



Tony Sciarrino
Head, U.S. Commercial Bank
BMO

The U.S. business environment enters 2026 with cautious optimism and improving visibility. After an extended period marked by policy uncertainty, rate volatility, and shifting global dynamics, including renewed geopolitical tensions, business leaders are beginning to re-engage more deliberately and with greater clarity. While uncertainty has not disappeared, the “rules of the road” are becoming clearer, allowing companies to move from a posture of pause to one of selective execution.

Across the country, client conversations reflect a consistent theme: fundamentals matter more than ever. Business owners are focused on productivity, capital efficiency, and disciplined growth rather than expansion for its own sake. Many leaders spent much of the past year waiting for greater certainty around interest rates, trade policy, regulation, and geopolitics. As monetary policy eases and economic conditions stabilize, pent-up demand for capital is beginning to surface, though activity remains uneven by sector and structure.

Artificial intelligence is central to this shift—but in a more pragmatic way. If 2025 was defined by AI exploration and experimentation, 2026 is shaping up to be a year of execution. Companies are moving beyond hype and focusing on how AI can be deployed to improve productivity, streamline operations, and redeploy resources toward higher-value growth opportunities. Importantly, AI is changing how leaders think about labor. In recent CEO discussions, labor scarcity—long a dominant concern—has receded as a top risk, replaced by questions around how technology can rebalance workloads and improve efficiency without undermining growth or culture.

Capital markets activity is showing early signs of thawing. Loan demand is beginning to improve

as rate cuts work their way through the system, though longer-term rates remain a constraint. M&A activity is picking up selectively, with strategic buyers and well-capitalized sponsors pursuing bolt-on acquisitions while remaining cautious on new platform investments. Private equity transaction volumes remain below historical norms, but pipelines are rebuilding, and confidence is growing that the second half of the year could mark a more sustained recovery. Equity markets and IPO activity remain important indicators to watch, as they often signal broader re-acceleration in deal flow.

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The defining characteristic of the current environment is not a lack of opportunity, but the need for execution—deploying capital, technology, and talent with discipline as conditions normalize.”

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Sector performance continues to diverge. Commercial real estate activity has rebounded meaningfully in pockets, particularly in student housing and healthcare-related assets, where demographic trends and structural demand remain strong. Asset-based lending tied to manufacturing, consumer products, and inventory-driven businesses is also gaining momentum as companies adapt supply chains and manage working capital more actively. At the same time, sponsor-backed transactions and certain technology sub-sectors remain more cautious as investors assess how AI disruption reshapes long-term business models.”

Inflation and consumer behavior remain key watch points. While inflation has moderated, costs remain structurally higher than in the pre-pandemic period, and consumers continue to adjust spending habits accordingly. Because consumer activity drives the majority of U.S. economic output, sustained pressure on purchasing power would have broader implications for growth. That reality reinforces the importance of productivity gains and margin discipline at the company level.

Looking ahead, the defining characteristic of the current environment is not a lack of opportunity, but the need for execution. Capital is available, technology is advancing rapidly, and growth opportunities remain sizable across markets and industries. The companies that will outperform are those that remain front-footed—willing to invest thoughtfully, deploy technology with purpose, and pursue growth while others hesitate. In a more normalized but still complex environment, disciplined execution—not waiting for perfect conditions—will be the key differentiator for U.S. businesses in the year ahead.

The “rules of the road” for business growth in 2026

- Execution over timing as uncertainty fades
- AI shifts from experimentation to productivity
- Capital markets thaw selectively, not broadly
- Discipline and flexibility define outperformers



NATIONAL ECONOMIC OUTLOOK



Sal Guatieri
Senior Economist

After exceeding expectations last year, U.S. economic growth looks to remain solid at 2.4% in 2026 as tailwinds persist while headwinds subside. A solid push from AI-driven business spending, record equity values, and stimulative fiscal, regulatory, and monetary policies should more than counter lingering effects from the trade war, federal government cutbacks, and immigration curbs. However, by pushing oil prices and inflation higher, and weakening global demand, confidence and equity markets, the Iran war threatens to slow growth this year.

On February 20, the Supreme Court ruled that the international emergency duties, which account for more than half of new tariffs, are unlawful. However, the ruling will only partially curb the Administration's protectionist ambitions, and new duties are expected under other trade authorizations. The USMCA will be reviewed this year and we assume talks will extend at least into next year. While Canada and Mexico have more to lose if the U.S. withdraws (after giving six months' notice), the economy would slow moderately amid disrupted supply chains and new counter-duties. We also assume the U.S. will extend a one-year trade truce with China, averting a sharp rise in tariffs between the two countries.


Cuts to federal government spending and jobs peaked last year, suggesting a diminished drag in 2026. The same applies for immigration curbs, even as deportations continue. The earlier partial shutdown of the federal government, the longest on record, likely carved more than one percentage point from Q4 GDP growth, slowing it to 1.4% annualized. However, the subsequent reopening will support a Q1 rebound.

Easing headwinds will allow prevailing tailwinds to dominate in 2026. Big Tech plans to boost

spending on AI infrastructure (data centres, chip plants, and even energy sources to run it all), while other businesses are investing heavily in AI systems to drive productivity. The latter will weigh on employment, though evidence of a material effect to date remains mixed (our research suggests it's too early to tell). Whether AI spending can deliver a meaningful productivity payoff will likely determine whether the equity rally continues or corrects. An equity correction—with ten mostly AI-related companies accounting for more than a third of the S&P 500 market cap—would reverse the wealth effect that's driving upper-income household spending.

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Supportive fiscal and monetary policy, positive wealth effects, and the AI investment boom should propel U.S. growth in 2026, even as geopolitical and inflation risks persist.
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The OBBBA's full impact will be felt in 2026 amid increased spending on defense and border security and lower taxes. The latter reflects increases in the State and Local Tax deduction, the standard claim for seniors, and the child tax credit, along with no taxes on most overtime pay and tips and accelerated deductions for business capital expenses. On net, tax breaks will reduce personal withholding rates and boost refunds this year, lifting consumer spending moderately. However, reduced subsidies for private health insurance and



Medicaid, student loans, and food stamps will provide a partial offset. Total fiscal support could add half a percentage point to economic growth this year.

The strong economy, however, is not translating into many new jobs. Companies are trying to cut costs by improving efficiencies, with annual labour productivity growth trending at more than a 2% rate. Nonfarm payroll gains averaged just 6,000 in the three months to February and would have declined if not for healthcare and social assistance. We expect the current unemployment rate of 4.4% to edge higher this year before declining in 2027.

Despite the soft job market, inflation remains somewhat elevated, partly due to tariffs. While annual CPI inflation has slipped to 2.4% in January and the core rate to a near five-year low of 2.5%, shutdown-related data distortions (especially in calculating rents) contributed to the moderation. In fact, core PCE price growth rose to 3.0% in December. Moreover, rising oil prices stemming from the Iran war have led to a 0.3-pts upward revision to our headline inflation call to 2.7% in 2026.

The Fed stood pat on January 28 after three straight rate cuts. The policy statement offered little guidance on the direction of future moves; however, Chair Powell hinted that the FOMC could remain on hold for some time, given improved economic growth and somewhat elevated inflation. He also said it was hard to tell whether lingering upside risks to inflation and downside risks to employment were evenly balanced, emphasizing that future policy decisions will be data driven. As a result, we no longer expect a rate trim in March, though we do expect two more moves totaling 50 bps by year-end. This will require continued weak job growth, further progress on inflation toward the 2% target, and the ability of incoming Fed Chair Kevin Warsh (assuming he is confirmed by the Senate Banking Committee) to push the 12-member FOMC in a more dovish direction. However, even with easier monetary policy, concerns about the Fed's independence, inflation, and a large federal budget deficit will likely limit the 10-year Treasury yield from falling below 4% this year.

ARIZONA

BUSINESS OUTLOOK



Tony Sciarrino
Head, U.S. Commercial Bank
BMO

Arizona's business environment has shifted from rapid post-pandemic expansion to a more measured and deliberate growth phase. As economic conditions normalize, companies across the state are operating with greater caution and clarity, prioritizing durability over acceleration. Slower headline growth, softer hiring trends, and a cooling real estate backdrop have tempered momentum, but underlying fundamentals remain intact, supporting a gradual and sustainable path forward.

Client conversations increasingly center on fundamentals. Cash flow, margins, and balance-sheet strength are taking priority as borrowing costs remain elevated, and economic signals remain mixed. Growth strategies are still in place, but execution has become more selective, with fewer large, front-loaded commitments and greater emphasis on flexibility and downside protection. Mergers and acquisitions continue to generate interest, particularly among well-capitalized buyers seeking scale, talent, or strategic capabilities, though deal activity remains disciplined, and valuation expectations have reset from recent peaks.

Technology investment remains an important lever, but the focus has shifted toward practicality. Across industries, companies are prioritizing automation, data visibility, and decision-support tools that improve efficiency and resilience rather than transformational initiatives with uncertain payback. While labor market pressures have eased from prior highs, hiring has become more cautious as job growth slows and unemployment trends higher. Competition for specialized talent persists, reinforcing the need to extend productivity through technology and process improvement.

Industry fundamentals are mixed but generally constructive. Advanced manufacturing and semiconductors remain central to Arizona's long-term growth profile, supported by reshoring activity, federal investment, and the state's role in national supply chains. At the same time, near-term performance in durable goods manufacturing, wholesale trade, and construction has softened, reflecting weaker demand and higher financing costs. Technology and software companies are settling into a more sustainable operating rhythm, with a sharper focus on profitability and capital discipline. Healthcare and social assistance continue to benefit from population growth and demographic trends, providing one of the steadiest sources of demand and employment across the state.

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Arizona's economy is settling into a more measured phase, with businesses emphasizing balance sheet strength, efficiency, and selective investment.

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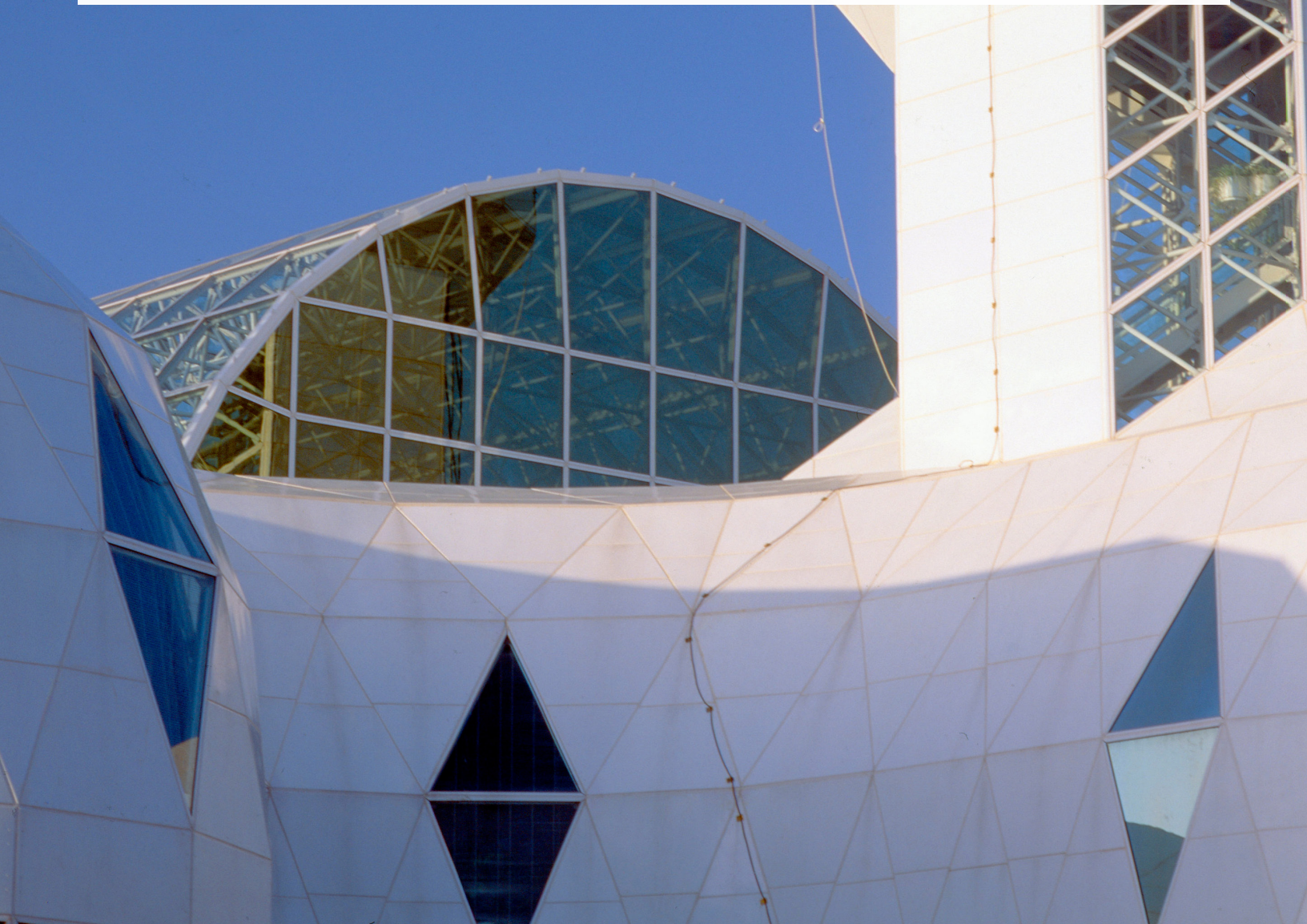
Real estate conditions remain a key swing factor. Arizona's outsized exposure to housing means the cooling residential market is weighing broader activity. Home prices have stabilized, inventories have risen meaningfully, and transaction timelines have lengthened, shifting leverage toward buyers. With many homeowners locked into low-rate mortgages, new construction and build-to-rent communities are driving much of the market activity. Commercial

and industrial development is holding up better than office-oriented real estate, though project timing remains sensitive to financing conditions and demand visibility.

Arizona's leadership community continues to be a differentiating strength. Business owners are pragmatic and forward-looking—quick to adjust tactics in response to slowing growth, rising unemployment, and shifting labor dynamics, while remaining focused on long-term opportunities. That combination of discipline, adaptability, and thoughtful investment positions Arizona companies to remain resilient and competitive as economic signals gradually improve heading into 2026.

Arizona's Growth Is Normalizing

- Manufacturing and semiconductors anchor outlook
- Housing inventories reshape real estate dynamics
- Healthcare remains a steady demand driver
- Flexibility and discipline guide investment



ARIZONA

ECONOMIC OUTLOOK



Priscilla Thiagamoorthy
Senior Economist

Following a post-pandemic surge, Arizona's economy lost steam in 2025, with Q3 GDP growth coming in at around 2% y/y—well below the 5% growth rate seen at the end of 2024. This makes the state more vulnerable to economic headwinds. Durable goods manufacturing and wholesale trade subtracted from growth and construction activity remained muted overall. Meantime, the real estate sector—though still the biggest economic driver—eased to the slowest pace since 2019 amid softer housing market conditions. On the flip side, industries like finance and insurance, along with professional, scientific, and tech services contributed the most to growth.

The Grand Canyon State has posted muted job gains over the last couple of years. The state added 24,600 jobs for all of 2025, a 0.8% y/y increase. This was the slowest annual growth rate in over 15 years (outside the pandemic), right behind the 0.5% gain in 2024. Despite weak hiring, the labor force picked up to 2.5% in 2025, adding nearly 93,000 individuals by December. Still, aging demographics and tighter immigration policies are working to slow population growth and create more volatile labor supply conditions. The jobless rate has been steadily rising, from a record-low of 3.3% (March 2024) to 4.3% more recently (December 2025). Wage growth eased and hiring turned more cautious as the broader U.S. job market cooled. Job gains were extremely uneven, with declines seen in manufacturing, trade/transportation/utilities, and information sectors. Meantime, healthcare & social assistance remained the primary engine of job growth.

Arizona is among the top three states with the highest exposure to real estate. After years of rapid price appreciation, the median home price has

stabilized around \$435,000, according to Zillow. Inventory levels in the Phoenix metro area have surged to a 4.3-month supply, providing buyers with significantly more leverage and pushing the average days-on-market to roughly 75 days. While 30-year mortgage rates recently dipped toward 6.0%, many potential sellers remain "locked-in" to ultra-low pandemic-era rates, limiting available supply of existing homes. Consequently, the market is heavily driven by new construction and build-to-rent communities.

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After a post pandemic surge, Arizona's economy cooled in 2025, though improving conditions point to modest momentum in 2026.

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Looking ahead, it is our view that the state will likely see modestly improving economic signals in 2026. Following a year marked by slower economic growth, easing labor market conditions, and still-elevated inflationary pressures, we are expecting a slight pickup in economic activity, supported especially by technology investment, lower borrowing costs, and improving macroeconomic conditions.

NORTHERN CALIFORNIA BUSINESS OUTLOOK



Amr Guendia
MD, Northern California & Pacific Northwest

Northern California enters 2026 in a gradually stabilizing—but highly uneven—economic environment. The region continues to be powered by AI-driven investment, steady logistics activity, and a partial rebound in tourism, while broader growth remains constrained by weak labor market dynamics, elevated housing costs, tariff pressures, and tightening credit conditions. Economic momentum is increasingly concentrated in capital-intensive and technology-led segments, rather than translating into broad-based employment growth.


AI investment remains the region’s dominant growth engine. Late-2025 venture rounds and a cautiously reopening exit market have reinforced the Bay Area’s global leadership position. In fiscal 2025, the region captured approximately \$126 billion in AI-related venture capital—roughly 60% of global AI VC investment. However, this activity remains highly concentrated, with half of all U.S. venture dollars flowing into a very small share of deals. Corporate capital allocation mirrors this pattern, with spending heavily skewed toward AI infrastructure and hyperscale data-center investment. While this investment provides an important offset to trade uncertainty and tariff-related volatility, its labor impact has so far been limited.

Regional employment conditions remain fragile. Overall job levels are holding roughly steady, with gains in health care, education, leisure, and hospitality offset by continued declines in information, professional services, and other white-collar sectors. Ongoing tech layoffs nationally—including more than 45,000 announced in early 2026—continue to weigh on Bay Area sentiment and reinforce the region’s “low-hire, low-fire” dynamic. As labor force growth modestly outpaces job creation, unemployment has edged higher, contributing to cautious household behavior despite rising equity wealth among higher-income households.

Commercial real estate conditions remain bifurcated. The office market continues to split sharply by quality. Class A properties are absorbing space, while overall San Francisco office vacancy remains elevated at approximately 32.8%. Industrial markets are showing early signs of improvement, with Northern California posting its first positive net absorption since early 2023, supported by logistics, advanced manufacturing, and data-center-related demand. Credit conditions remain selective, with lenders prioritizing sponsors, assets, and sectors tied to durable cash flows.

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Northern California’s
economy is powered by AI
investment, but the benefits
remain concentrated, leaving
labor markets and housing
affordability under pressure.
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Housing affordability remains one of the region’s most significant structural challenges. While home-price growth has slowed and recent interest-rate cuts have provided modest relief, prices remain among the highest in the nation. State and municipal governments are accelerating policy responses aimed at increasing supply, including transit-oriented development and legislation to streamline approvals and repurpose existing structures. While permitting activity has begun to improve, affordability constraints continue to limit mobility, workforce growth, and broader consumer spending.



Tariffs enacted through 2025 remain top of mind for clients, raising input costs and delaying investment decisions across multiple industries. Recent legal developments have prompted companies to revisit pricing strategies, balancing margin protection against increasingly price-sensitive consumers. Tariff-induced inflation continues to pressure both consumers and small businesses, contributing to softer economic momentum at the start of 2026. Outside of AI-driven infrastructure spending, many companies are delaying capital expenditures, restructuring supply chains, and expanding inventory buffers. Hardware manufacturing, construction, retail, and food and beverage face the greatest pressure, while export-oriented agricultural producers have performed comparatively better. The Port of Oakland ended 2025 with balanced and steady import-export volumes, providing some stability for trade-dependent sectors.

Taken together, Northern California's outlook remains defined by contrast. AI-led capital investment and infrastructure spending continue to anchor growth, while labor markets, housing affordability, and trade-related uncertainty limit broader economic transmission. Businesses that are succeeding in this environment are pairing disciplined capital deployment with selective AI adoption, strong liquidity management, and operational flexibility. While near-term growth will remain uneven, the region's innovation leadership positions it well for longer-term opportunity as conditions normalize.

A Region of Sharp Contrasts

- AI drives capital investment, not jobs
- Office markets remain bifurcated
- Housing affordability limits mobility
- Discipline and liquidity define success

NORTHERN CALIFORNIA ECONOMIC OUTLOOK



Scott Anderson
Ph.D., Chief U.S. Economist

Northern California, and the Bay Area in particular, is once again California's primary growth engine thanks to the AI revolution. Bay Area hyperscalers are planning over \$600 billion in capital expenditures in 2026 a 69% increase from 2025 spending levels. Unfortunately, very little of that stronger economic activity and spending is yet benefitting the Northern California labor market outlook.

The Bay Area is the poster child of the low-hire and low-fire economy. San Francisco-Oakland-Fremont MSA saw nonfarm payrolls decline by 0.7% year-on-year through December 2025, well-below the California average of -0.1% and nation's 0.1% gain. Over the past year only a handful of sectors like health care and education, leisure and hospitality, and other services have managed to add to payrolls. This leaves the overall labor market outlook for the Bay Area on a shaky foundation. The Bay Area's unemployment rate has continued to edge higher as labor force growth exceeds the pace of job creation. The Bay Area's unemployment rate increased to 4.5% in November in-line with the national average, but up from a post-pandemic low of 2.7% in August 2022.

Housing affordability remains a significant headwind for the Bay Area housing market, though slowing home price growth, lower mortgage rates than a year ago, and rapidly rising technology stock prices are providing some stability to region's home values and housing demand. According to the California Association of Realtors, only 23% Bay Area households could afford to purchase a median-priced single-family home with a median home price of \$1.26 million in Q4 2025. This compares to 39% of households in the U.S. able to afford the median single-family home at \$414.9 thousand.

Bay Area home prices were unchanged from a year ago in December as price declines in Marin, Contra Costa, and Sonoma Counties offset strong double-digit price increases in San Mateo and the city

of San Francisco. Higher tier housing is performing better as deep pocketed households remain undeterred while lower and middle-tiered housing is feeling the affordability strain with more seeing discounts. Bay Area building permits jumped in October and have been averaging 23% above year ago levels between August and October as Fed rate cuts lead to some additional residential building activity in the region.

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The Bay Area is once again California's primary growth engine, though AI driven investment has yet to translate into broad based employment gains.
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Sacramento's labor market has struggled to create jobs outside of health care and leisure and hospitality with nonfarm payrolls sinking 0.4% from a year ago through December. Sacramento's unemployment rate is well-above the nation's, rising to 5.2% in November from a post-pandemic low of 3.5% in July 2022. Housing remains relatively more affordable in Sacramento than the Bay Area with 30% of households able to afford the median priced home at \$539k in the fourth quarter. Even so, market activity has been weak with existing single-family home sales virtually flat in December and up just 0.1% from a year ago with the median home price sliding 2.8% over the period. Builder sentiment is improving as the Fed cuts interest rates with building permits jumping 45% from a year ago in October.

SOUTHERN CALIFORNIA BUSINESS OUTLOOK



Robert Luce
DIG Pacific Region Head

Southern California enters the coming months with better visibility but a still-mixed operating environment. Stabilizing interest rates are providing a modest tailwind, helping companies across Los Angeles, Orange County, and San Diego plan with greater confidence. At the same time, growth remains constrained by a cooling labor market, elevated unemployment, and persistent affordability pressures. Momentum is concentrated in select sectors—including aerospace and defense, life sciences, and advanced manufacturing—while consumer-exposed industries continue to face headwinds. Overall conditions are improving, but progress remains highly segmented.

This more uneven backdrop is shaping a more disciplined and selective approach among business owners. Most clients are not retreating, but they are proceeding selectively, prioritizing investments with clear productivity or revenue impact. Caution around consumer demand, labor availability, and cost structures remains elevated, particularly in Los Angeles, where job growth has lagged the broader region. AI adoption has become an increasingly important part of strategic discussions. While concerns around workforce disruption remain—especially in media and professional services—companies increasingly recognize that delayed adoption carries competitive risk.

Businesses positioning themselves well are focusing on targeted, high-return initiatives. These include hiring specialized technical talent, modernizing operations, and selectively deploying AI to automate workflows, improve forecasting, and enhance customer engagement. In Los Angeles, renewed but still measured activity in entertainment production, along with demand for modern industrial space, is supporting opportunities tied to logistics and advanced manufacturing, even as consolidation and job losses continue to weigh on the broader media ecosystem. In San Diego, stronger labor market dynamics and sustained investment in life sciences,

technology, and aerospace and defense are supporting continued R&D activity and innovation-led growth.

Across the region, flexibility has become a defining characteristic of well-positioned companies. By contrast to earlier years, scenario planning has become more common, with leaders avoiding over-commitment amid lingering uncertainty around consumer spending, housing, and labor conditions. Diversifying revenue streams, maintaining conservative leverage, and preserving strong banking relationships remain priorities. Importantly, AI adoption is increasingly paired with disciplined change management, with companies focusing on practical, near-term use cases rather than experimentation for its own sake.

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Southern California’s recovery is improving but uneven, with growth concentrated in aerospace, life sciences, and defense as affordability and labor pressures persist.
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Looking ahead to 2026, Southern California’s diversity remains its core advantage, but recovery is expected to be gradual rather than broad-based. High housing costs, slowing in-migration, and uneven job creation will continue to cap near-term growth, particularly in Los Angeles. Even so, stabilizing inflation, easing tariff pressures, and strength in innovation-driven sectors should support a steadily improving environment over time. Companies that remain focused, adaptable, and disciplined are best positioned to capture opportunities as conditions improve.

An aerial photograph of a city at sunset. The sky is a mix of orange, yellow, and grey. In the background, there are rolling hills and mountains. The middle ground shows a residential area with many houses and trees. In the foreground, there are several large, modern office buildings with flat roofs, some with solar panels. A multi-lane road with traffic is visible, along with parking lots and more trees.

Improving Visibility, Uneven Recovery

- Los Angeles labor market remains soft
- San Diego outperforms on innovation
- Housing affordability constrains growth
- AI adoption focuses on efficiency

SOUTHERN CALIFORNIA ECONOMIC OUTLOOK



Scott Anderson
Ph.D., Chief U.S. Economist

The Southern California labor market is largely treading water with narrow job growth coming from only a handful of sectors and most industries gradually reducing net payrolls. However, more signs of life are expected to take root in the Southern California economy this year. On a brighter note, Southern California's unemployment rate appears to be leveling out though it remains elevated compared to the nation.

Job growth over the past year has been somewhat stronger in Orange County (+0.7%) and San Diego (+0.3%) than the broader L.A. metro area which saw a 0.1% decline in nonfarm jobs. The L.A. metro saw strong job gains in the education and health care sector, but only modest job gains in a handful of other sectors like leisure and hospitality, and government. Most Southern California industries are shedding net jobs with tariff and inflation impacted industries like construction, manufacturing, professional and business services, and trade and transportation getting hit particularly hard. Information and financial service firms have also been consistently shedding jobs in the region. Consolidation in the film and television industry and fears of widespread job loss in the industry due to AI will remain a significant headwind on the region's labor market. But with tariff rates on the decline and inflation expected to soon peak, the shock to the region's manufacturers, construction, and transportation industry should ease as the year progresses. The L.A. metro area unemployment rate, at 5.5% in November, is a full percentage point above the national average, but has come down a bit from its September 2024 peak of 5.7%.

The housing affordability problems are among the worst in the country in Southern California, though slowing home price appreciation and lower mortgage rate have helped improve the affordability picture a bit. According to the California Association

of Realtors, only 17% Los Angeles households could afford to purchase a median-priced single-family home with a median home price of \$830k in Q4 2025 in San Diego only 15% of households could afford the median-priced home of \$994k. This compares to 15% of Los Angeles households and 12% of San Diego households that could afford a median priced home in Q4 2024. The inland areas of San Bernardino, Riverside, and the Imperial Valley offer some of the best affordability in the region with median home prices closer to a half million.

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While job growth remains limited, easing inflation and tariffs should reduce pressure on Southern California's most exposed industries this year.
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Southern California home price appreciation has been mixed over the past year with relatively strong price gains in the more affordable Imperial Valley (+21.5%) and moderate price appreciation of 1.6 to 2.6% in San Diego, Orange, San Bernadino, Riverside, and Ventura Counties. L.A. metro area home prices as a whole were down 1.0% from a year ago as Los Angeles County home prices fell 2.4%. Southern California builders remain cautious as poor housing affordability, slowing in-migration, and rising construction costs limit both supply and demand and force many to offer buyers' incentives. L.A. building permits were 15% above year ago levels in October, while permits in San Diego plunged 41%.

COLORADO BUSINESS OUTLOOK



Tony Sciarrino
Head, U.S. Commercial Bank
BMO

Across Colorado, the business environment is defined by balance and durability rather than acceleration. After several years of outsized growth, activity has cooled to a more sustainable pace, and business leaders are responding with measured confidence. While headline economic growth has been volatile, underlying conditions point to a normalization phase marked by slower job creation, tighter household income growth, and more selective capital deployment. Companies are moving forward deliberately—neither rushing to invest nor pulling back materially in the face of uncertainty.

Client conversations continue to focus on fundamentals. Margins, cash flow, and capital efficiency are receiving heightened attention as borrowing costs remain elevated, and revenue growth moderates. Growth strategies are still in place, but execution has become more intentional. Owners are favoring phased investments, smaller initiatives, and tighter return thresholds rather than large, front-loaded commitments. Interest in mergers and acquisitions persists—particularly among well-capitalized buyers—but transactions are taking longer to complete as underwriting assumptions become more conservative, and financing conditions remain a gating factor.

Technology remains a unifying theme across nearly every sector. Rather than aspirational spending, businesses are focused on practical application—using automation, data, and digital tools to manage labor constraints, improve productivity, and protect margins amid slower income and employment growth. While hiring pressures have eased modestly, competition for specialized and technical talent remains elevated, reinforcing the need for operational leverage and workforce efficiency.

Industry conditions are mixed but broadly constructive. Construction and infrastructure-related activity continues to hold up in select areas, supported by public investment and long-term demographic

trends, even as housing affordability challenges and slower population growth weigh on residential development. Office-oriented projects remain under pressure, particularly in urban cores. Technology- and innovation-driven businesses, including software and AI-enabled services, are settling into a more disciplined operating rhythm, with greater emphasis on commercialization, profitability, and cash generation. Energy, aerospace, and advanced manufacturing continue to benefit from reshoring trends and federal investment, though project timing has become more sensitive to financing costs and demand visibility. Outdoor recreation, tourism, and lifestyle-oriented sectors remain a differentiating strength for Colorado, supporting service-sector employment and the state's long-term talent appeal, even as growth moderates.



Colorado businesses are prioritizing durability over acceleration, deploying capital deliberately as income growth, housing affordability, and hiring remain constrained.



A defining strength of the Colorado market is adaptability. Business owners tend to be pragmatic and forward-looking, adjusting quickly to changing conditions while maintaining a long-term perspective. That mindset—combined with disciplined capital deployment, practical use of technology, and a focus on fundamentals—is helping Colorado businesses navigate a slower and more uneven growth environment while remaining competitive and positioned for opportunity as conditions stabilize.

Colorado's Growth Has Shifted Gears

- Tech remains a strength, not a panacea
- Housing affordability limits expansion
- Denver lags broader state performance
- Execution and efficiency take priority



COLORADO

ECONOMIC OUTLOOK



Scott Anderson
Ph.D., Chief U.S. Economist

Colorado's economic growth jumped to 4.6% at an annualized rate in Q3 2025 somewhat above the nation's 4.4% annualized pace. But the state's personal income growth lagged at just 2.2%, putting Colorado in the lowest quintile of all states. Lackluster job and personal income growth could be an on-going headwind for Colorado's consumers and economy in 2026. We forecast Colorado GDP growth of 2.9% in 2026 with modest job growth of around 0.6%.

Colorado's labor market is modestly outperforming the U.S. average with job growth of 0.8 over the past twelve months through December. By sector, job creation remains mixed with strong growth coming from information, education and health care, other services, and leisure and hospitality. A strong tech and start-up ecosystem in the Denver-Boulder corridor and a high concentration of tech and STEM talent is continuing to attract new information jobs to the state. Tariffs, rising costs, poor housing affordability and automation are driving net job loss in Colorado construction, mining, trade and transportation, and financial service sectors. Even so, the unemployment rate in Colorado is dropping as modest labor force growth of 0.8% over the past year has allowed the state's unemployment rate to fall to 3.8% in December far below the U.S. average of 4.4% and the 4.8% unemployment rate the state had as recently as last May.

Denver's labor market is showing very little growth. In fact, nonfarm payrolls have been nearly flat over the past two years underperforming the state as a whole. Denver's economy created only 800 net jobs from December 2024 to December 2025 a meager 0.1% increase in-line with the U.S. average. Education and health care, information, government, and other services, have been the primary job creators, while thou-

sands of net jobs are being shed in tariff impacted sectors such as construction and mining, manufacturing, trade and transportation, professional and business services, and finance.

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Despite solid headline growth, weaker job and income trends present a meaningful headwind for Colorado's economy heading into 2026.

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Slowing in-migration and population growth is hampering the housing market recovery in Colorado, even as affordability remains stretched. Residential building permits remain moribund, well-below their pre-pandemic trend, and down 2.6% from a year ago in October. Lack of Colorado homebuilding has yet to lift existing home prices, as home prices in the state were up just 0.6% from a year ago in the third quarter down from 3.6% back in October 2024.

FLORIDA

BUSINESS OUTLOOK



Chris McDaid
DIG Southeast Region Head

Florida's economy continues to outperform the national average, even as growth moderates from the exceptionally strong pace of recent years. Real economic activity remains supported by above-average population growth, consumer spending, and one of the most competitive business climates in the country. While the environment is transitioning toward more normalized conditions, increased predictability is allowing businesses to plan with greater clarity and discipline.

Business sentiment across the state reflects cautious confidence. Companies are navigating moderating consumer activity, a softening labor market, housing affordability constraints, and a cooling—but still historically elevated—tourism cycle. These dynamics have tempered near-term decision-making, particularly for consumer-exposed businesses. Even so, Florida's economic base remains broad and resilient. Continued net in-migration, a large and growing workforce, and a favorable tax and regulatory framework continue to support strong corporate and middle-market activity. Lending demand remains sensitive to interest-rate expectations, but borrower engagement is improving as financial conditions stabilize and visibility into mid-2026 improves.

Sector performance has become more uneven, aligning closely with statewide economic priorities. Industries central to Florida's formal target strategy—including aerospace, life sciences, information technology, advanced manufacturing, logistics, and the recently added AgTech sector—continue to attract investment and job creation. These sectors benefit from Florida's infrastructure, access to domestic and global markets, and steady inflows of skilled labor, helping offset softness in housing-adjacent and discretionary consumer segments.

Housing and real estate conditions remain a key factor for the broader economy. After a meaningful cooling phase driven by affordability pressures,

overbuilding in select markets, and higher financing costs, activity appears to be stabilizing. While pricing remains under modest pressure, improving builder sentiment, easing mortgage rates, and a gradual rebalancing of inventories are laying the groundwork for a recovery in residential development. Commercial real estate conditions are also stabilizing. Following a national rebound in CRE lending in late 2025—led by multifamily and industrial assets—momentum is beginning to extend into Florida's higher-growth corridors, though underwriting remains disciplined.



Florida remains a relative outperformer, though growth is moderating as housing conditions, labor markets, and consumer activity normalize from recent highs.



Looking ahead, Florida's outlook is best characterized as measured optimism. Labor-market normalization, elevated costs, and uneven sector performance will require continued prudence around credit, capital allocation, and project timing. At the same time, the state's long-term fundamentals—population growth, economic diversification, infrastructure investment, and a business-friendly policy environment—remain firmly intact. As growth settles into a more sustainable trajectory, Florida is well positioned to continue outperforming the national economy over the medium to long term, with housing recovery serving as a critical catalyst.



Florida's Growth Engine Is Resetting

- Population inflows remain supportive
- Housing is the key swing factor
- Targeted industries offset labor softness
- Long term fundamentals remain intact

FLORIDA

ECONOMIC OUTLOOK



Michael Gregory
CFA, Deputy Chief Economist

Florida continues to register Top 10 economic performance. Real GDP expanded 3.0% y/y in 2025 Q3, stronger than the 2.4% national average and ranking it 5th among states. But this praiseworthy performance was even better in the previous period (Q2) when Florida's economic growth topped the state leaderboard. The slippage partly reflected a cooling real estate sector, which makes up of 21% of the Sunshine States's economy... more than any other state.



Florida continues to rank among the top performing states, but the pace of growth now hinges on a sustained recovery in the housing market.



Eroding affordability (high prices, mortgage rates and insurance premiums) and overbuilding (more among multifamily units and in South Florida) have combined to curb housing activity. However, according to Redfin, the statewide cooling trend may be ending. In the three months to January, the volume of home sales edged up 1.2% y/y after falling more than 8% y/y during last spring. Median prices are still dropping, by an average of -0.2% y/y in the latest interval. Falling prices hit a nadir around -2½% y/y mid-2025 amid modest nationwide home price gains. And the statewide market is slowly moving back into better balance, the inventory trend peaked last spring with levels in the latest period down 5.5% y/y.

Of course, the 'ace in the hole' for Florida housing, let alone many other sectors of the economy, remains the state's high net inward migration. The latest tally (2025 Q3) pegged Florida population growth at 1.5% y/y, above all other states.

Note that the recent slippage in relative economic performance also reflected contracting agricultural output owing to drought, with 2025 ranking as the sixth-driest year on record and there were no landfalling hurricanes this season. Unfortunately, the winter season has also been challenging due to extreme cold weather and further rainfall deficits.

In the labor market, 40k nonfarm payroll jobs were created last year, up 0.4% y/y, with health care and social services along with private educational services accounting for more than all the gains (+51k). Job growth slowed as the year unfolded, perhaps as the cooling real estate sector rippled through the economy. In the first five months, the total gain was 80.5k but in the final seven months the net change was -40.5k. With job gains not keeping pace with population and labor force growth, the unemployment rate has been rising. It sat at 4.3% in December, just a tenth below the contemporaneous national number. At the peak of labor market shortages in 2023, Florida's jobless rate was (a record low) 2.8% versus a 3.4% U.S. aggregate. The key to stronger labor market and economic outcomes this year hinges on a sustained rebound in the housing sector. And, there are other sectors helping such as aerospace, clean tech, ICT, and life sciences (all among the nation's fastest-growing innovation sectors).

GEORGIA

BUSINESS OUTLOOK



Chris McDaid
DIG Southeast Region Head

Georgia's business environment is settling into a slower but still constructive growth phase, broadly tracking the national economic trajectory. While forecasts point to more modest expansion, underlying fundamentals remain intact. Population growth, sustained infrastructure investment, and a strong pipeline of industrial and logistics development continue to support resilience, even as labor markets soften and inflationary pressures linger.

Business sentiment across the state is best described as cautious but improving. Higher funding costs, slower job creation, and uncertainty around trade and global demand have made companies more selective in their decision-making. That said, demand has picked up noticeably in recent quarters. Commercial real estate borrowers—particularly in multifamily—are returning to the market as interest rates stabilize, and capital availability improves. Middle-market companies remain focused on efficiency, automation, and balance-sheet discipline, prioritizing stability while staying positioned for opportunity.

Several industry dynamics are shaping the outlook. Commercial real estate activity rebounded meaningfully in late 2025, led by multifamily lending as investors respond to steady demand and improved financing conditions. Manufacturing and logistics continue to provide long-term support for Georgia's economy, with industrial development extending beyond metro Atlanta and reinforcing the state's role as a Southeast distribution hub. At the same time, Georgia has emerged as a national leader in data center activity. Accelerating investment tied to AI-driven infrastructure is driving demand across construction, power, and higher-skilled services, creating a powerful tailwind for both real estate and technology-adjacent sectors.

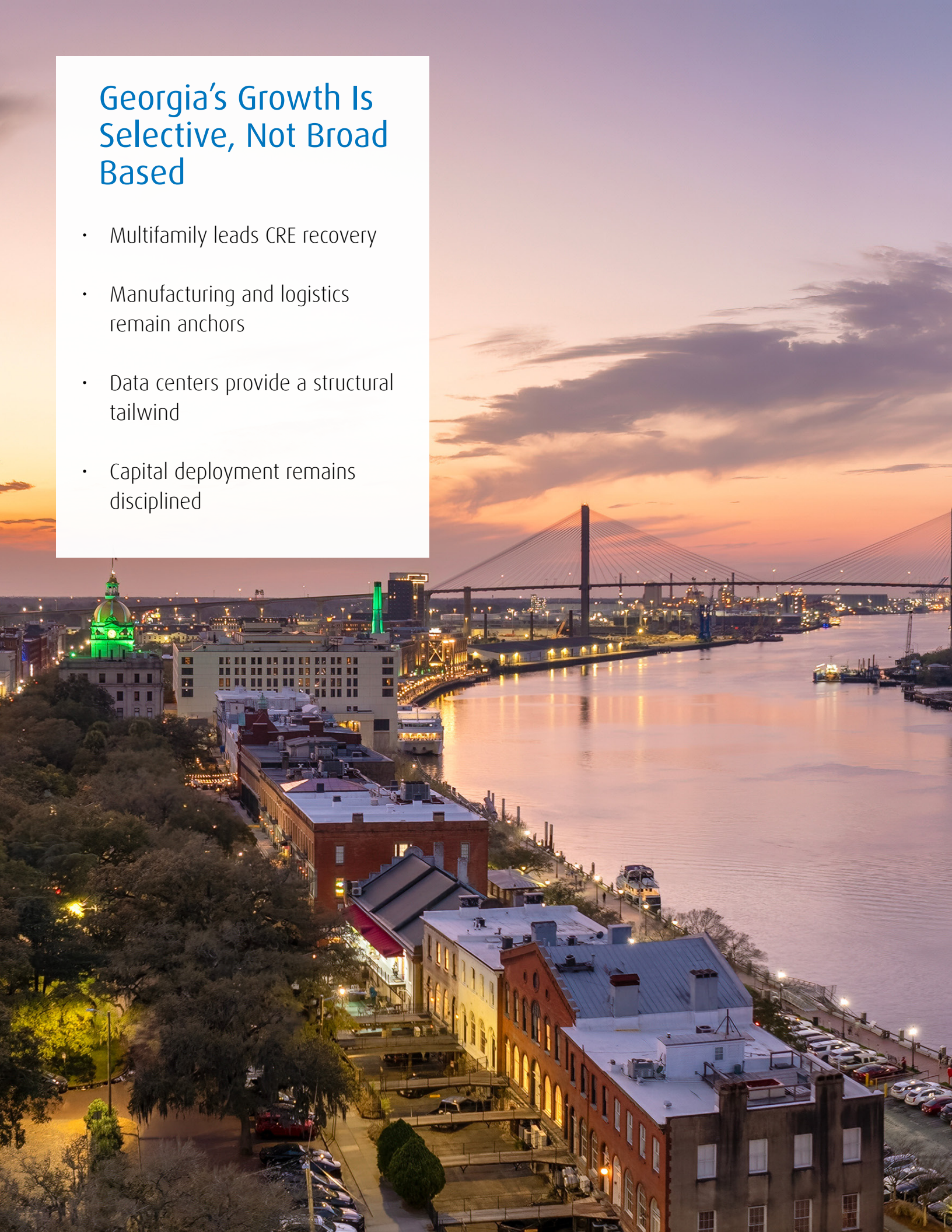
Not all areas are moving in the same direction. Labor market softness has become more visible, particularly in white-collar roles. Slower hiring and selective job losses are creating pressure for service-oriented businesses, especially in corporate services and IT. These dynamics are reinforcing the need for productivity gains and thoughtful cost management, rather than broad-based expansion.

“
Georgia's outlook reflects cautious optimism, with selective lending, multifamily momentum, and infrastructure investment supporting growth amid softer labor conditions.
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Looking ahead, Georgia's outlook reflects cautious optimism. Rate stabilization and renewed lending momentum are constructive tailwinds, while elevated costs and shifting labor dynamics continue to temper near-term expectations. Strategic capital deployment—particularly in multifamily, infrastructure, manufacturing, logistics, and technology-adjacent industries—supports renewed momentum as economic conditions firm. While growth may be more measured, Georgia's long-term competitiveness remains well supported by scale, infrastructure, and diversification.

Georgia's Growth Is Selective, Not Broad Based

- Multifamily leads CRE recovery
- Manufacturing and logistics remain anchors
- Data centers provide a structural tailwind
- Capital deployment remains disciplined



GEORGIA

ECONOMIC OUTLOOK



Michael Gregory
CFA, Deputy Chief Economist

Georgia's economic growth is bang on the national average. Real GDP expanded 2.3% y/y in 2025 Q3, as did the U.S. The state is part of America's southeast swath of strength, sandwiched between league leading South Carolina (3.5% y/y), 5th-ranked Florida (3.0% y/y) and 6th-ranked North Carolina (3.0% y/y). And like its southeast neighbors, Georgia is experiencing above-average population growth, although not to the same degree as the other three. Nevertheless, it means that population-impacted sectors such as real estate along with health care and social services are the largest contributors to economic growth.

Real estate activity, however, has cooled, and it does not appear to have hit bottom yet. According to Redfin, in the three months to January, the volume of home sales slipped 3.3% y/y (interestingly, also in line with the national average) with the median sales price down 0.8% y/y. To put the cooldown in perspective, as we were turning into 2025, unit sales and prices were both growing in the 3% range. Meanwhile, the growth in inventories is still positive but decelerating quickly.

Looking at the next largest contributors to growth highlights Georgia's economic diversity, with 'white collar' sectors (professional, scientific, and technical services along with finance and insurance) driving performance along with 'blue collar' sectors (durable goods manufacturing). The latter also highlights Georgia's international trade exposure (e.g., imports into Georgia represent around 17% of GDP compared to an 11% national average). So too does the state's renowned transportation and logistics cluster (e.g., the Port of Savannah is the third busiest container gateway port in the nation). In consequence, the Administration's restrictive trade policy has been a growth headwind.

But there are tailwinds, such as the state's higher-than-average exposure to data centers and defense spending. Meanwhile, the state is building on its strength. The Port of Savannah is expanding its capacity and a new inland (cargo rail) terminal, Blue Ridge Connector in Gainesville, is scheduled to open May 2026.

“ Georgia is keeping pace with the national economy, supported by population growth and sector diversity, even as trade exposure creates near-term headwinds. ”

Meanwhile, in the labor market, nonfarm payroll employment barely expanded last year (by 7.4k or 0.1%). However, the near-flat result incorporates hefty and almost offsetting industry moves. Included were gains of 19.3k in health care and social assistance, 13k in business administrative and waste management services, and 7k in manufacturing, along with losses of 16.9k in transportation, warehousing, and utilities, and 7.9k in information. Amid slowing (but continued) population and labor force growth, the unemployment rate ended last year where it began, at 3.6%. On balance, we expect Georgia to at least keep pace with the national average this year, if not pull a bit ahead.

ILLINOIS

BUSINESS OUTLOOK



Stephanie Kline
DIG Midwest Region Head

Opportunity is reshaping the outlook for Chicagoland, where businesses across Illinois continue to demonstrate resilience amid evolving economic conditions. Many companies delivered stronger-than-expected financial performance in 2025, reinforcing confidence and accelerating plans for investment, expansion, and strategic repositioning. Rather than retreating in the face of uncertainty, businesses are adapting and moving forward with intent.

Resilience remains a defining feature of the Illinois business environment. Supply-chain disruptions and inventory-cost pressures tied to tariff uncertainty have eased as companies diversify sourcing strategies and make more deliberate decisions around cost absorption and pricing. A stabilizing—and increasingly supportive—interest-rate environment has further improved sentiment, encouraging renewed interest in capital expenditures and longer-term growth initiatives. Employment levels remain steady and broadly aligned with national trends, supported by Chicagoland’s deep pool of skilled blue- and white-collar talent. At the same time, concerns around state and local debt levels and potential tax implications remain top of mind and continue to factor into planning decisions.

Illinois’s diversified economy provides a strong foundation for growth. Companies connected to the expanding data-center ecosystem are benefiting from sustained infrastructure investment and rising demand tied to digital and AI-driven workloads. Food manufacturers and distributors are finding opportunities through product diversification and contract-manufacturing arrangements. Transportation and logistics firms—long a cornerstone of the region—have stabilized modestly despite lingering tariff-related pressures. Staffing firms report uneven but improving demand, with the greatest strength in security, technology, and specialized professional roles.

Looking ahead, liquidity across the market remains stable, and a more constructive policy backdrop—combining interest-rate stabilization, regulatory easing, and emerging tax incentives—is reinforcing confidence in investment decisions. Best practices are becoming clearer: companies are prioritizing balance-sheet resilience, nearshoring or diversifying supply chains, and structuring capital-expenditure plans to capture available incentives while maintaining flexibility. Rather than pursuing growth at any cost, businesses are aligning strategy, capital, and operations more tightly.

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Illinois businesses are converting resilience into opportunity, moving forward with disciplined investment as supply-chain pressures ease and confidence gradually improves.
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As Illinois companies position themselves for the next phase of growth, Chicagoland’s scale, talent base, and economic diversity remain powerful advantages. The environment favors organizations that pair disciplined execution with strategic investment—converting resilience into opportunity in a market that continues to reward adaptability and long-term thinking.



From Resilience to Opportunity in Chicagoland

- Data centers and AI adjacent growth
- Food manufacturing and logistics stability
- Balance sheet discipline over growth at any cost
- Talent depth remains a competitive advantage

ILLINOIS

ECONOMIC OUTLOOK



Michael Gregory
CFA, Deputy Chief Economist

The Illinois economy is picking up its pace. Real GDP grew 2.0% y/y in 2025 Q3, which lifted the state into the middle performance quintile when it is often found in the fourth or fifth grouping. Since 2012 Q2, the economy has managed to outgrow the U.S. economy for only quarter (2018 Q4), and now it is lagging by only 0.3 ppts (U.S. growth was 2.3% y/y).

Two sectors accounted for half of current growth: information along with finance and insurance. Amid buoyant financial markets and with Chicago a leading global financial center, seeing the finance and insurance sector setting the pace is not surprising (it grew 6.0% y/y with an above average GDP share of 8.7%). But the information sector led all broad industries, expanding 12.9% y/y (with a below average 4.1% GDP share which is set to grow). Indeed, Illinois' \$50 billion information sector is currently the fifth fastest growing among states, propelled particularly by activity in the areas of quantum computing and AI. Note that the information sector is also the largest contributor to growth in the U.S. economy as well (where it grew 8.7% y/y with a 5.5% GDP share). The tag team of finance and insurance along with information is further contributing to growth via its influence on another leading sector, professional, scientific, and technical services.

Meanwhile, low population growth and a factor contributing to it; high taxes, remain as perennial growth headwinds. Illinois' population expanded just 0.1% y/y in 2025 Q3 (ranked 41st) but at least it has been steadily positive since mid-2023, after an eight-year run of negatives. In the labor market, nonfarm payroll employment was essentially flat last year (technically dropping by 1.7k). However, the flat result incorporated noticeable offsetting gains (18.3k in health care and social assistance, 7.9k in construction, and 4.5k in infor-

mation) and losses (17.6k in retail trade, and 9.3k in manufacturing). Household surveyed employment contracted more noticeably but with labor force growth falling, the unemployment rate ended 2025 a little lower (4.6%) than where it began (4.9%). Indeed, the jobless rate has been trending down since peaking at 5.1% in April-July 2024.

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Growth in finance, insurance,
and information is lifting
Illinois closer to the national
average, highlighting the state's
increasingly technology-driven
economic mix.
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Amid flat/falling population and job growth, Illinois' housing market is softening. In the three months to January, the volume of home sales dropped 5.4% y/y, according to Redfin. But the median sales price was still up 4.1% y/y, partly supported by constrained inventories despite softening demand. Note that inventories and new listings were both ebbing (on a y/y basis) through the turn of the year. On balance, we are bracing for Illinois' economic growth to take a run at matching (at least) the national average this year.

INDIANA

BUSINESS OUTLOOK



Andrew Hedegard
MD, Michigan & Indiana

Indiana enters 2026 with solid output-driven economic momentum and a clear competitive edge within the Midwest. The state continues to outperform many regional peers, supported by a durable manufacturing base, a probusiness policy environment, and sustained investment in workforce readiness and infrastructure. These factors are reinforcing Indiana's position as a stable, productivity-driven place to operate and invest.

Economic performance remains a key differentiator. Real GDP growth of 2.6% from mid-2024 to mid-2025 exceeded the national pace and surpassed neighboring states, highlighting Indiana's resilience amid broader economic uncertainty. Longstanding advantages—low corporate tax rates, predictable regulatory structures, and high-quality transportation infrastructure—continue to attract and retain employers. The state's role as the "Crossroads of America" remains a practical advantage for manufacturers, distributors, and logistics-dependent businesses navigating complex supply chains, even as employment growth in logistics and transportation has softened.

Public-private initiatives are strengthening the outlook further. Workforce-focused programs led by the Indiana Economic Development Corporation are expanding talent pipelines, supporting entrepreneurship, and improving coordination across regions. These efforts are enabling businesses to deploy labor more strategically, modernize operations, and pursue growth opportunities both organically and through acquisitions. For many companies, M&A is not only a growth lever but also a way to deepen leadership capacity and mitigate persistent labor constraints in a tighter hiring environment.

Manufacturing remains Indiana's economic cornerstone and a primary driver of outperformance. The state leads the nation in manufacturing jobs per

capita and has demonstrated exceptional strength in nondurable goods production, fueled largely by chemical and pharmaceutical manufacturing. Indiana ranks first nationally in pharmaceutical and medicine exports, underscoring both scale and specialization. Notably, this output growth has not translated into broad hiring gains, as employment growth in manufacturing and logistics has lagged despite strong production. Beyond manufacturing, professional and business services, construction, healthcare, and education are contributing to a more diversified growth profile. Employment gains in health and education services have been steady, even as overall job growth remains concentrated in a narrow set of sectors.

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Indiana companies are prioritizing margins and balance sheet strength, with manufacturing and logistics anchoring activity.

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Looking ahead, Indiana's fundamentals remain compelling. Businesses are operating from a position of confidence, supported by stable fiscal policy, infrastructure investment, and a collaborative approach to economic development. While workforce availability remains a long-term consideration, companies that invest in productivity, talent development, and strategic expansion, particularly in globally competitive manufacturing niches, are well positioned to sustain growth in 2026 and beyond, even as labor-market conditions soften.

Indiana's Industrial Strength Persists

- Manufacturing and logistics lead
- Automation boosts productivity
- Capital spending remains deliberate
- Labor availability is a watch point



INDIANA

ECONOMIC OUTLOOK



Priscilla Thiagamoorthy
Senior Economist

Indiana's economy remains robust. Real GDP growth showed solid momentum in 2025Q3, up 3.0% y/y. This marked the second fastest among the 50 states and significantly outpaced the national average (2.3% y/y), signaling strong economic momentum. Growth was driven by an extraordinary 7.6% y/y surge in manufacturing—far outpacing neighboring states and the national average. While the state has a deep "Rust Belt" history, the current boom is largely attributed to the rapid expansion in chemical manufacturing, notably pharmaceuticals. That pushed production in nondurable goods up 11.5% y/y—the single biggest driver of economic growth. Meanwhile, professional, scientific, and technical services also continued to make significant gains amid major investments in AI and R&D. Stellar performance in these industries has collectively worked to fortify Indiana's economy.

Despite stellar economic growth performance, the job market has slowed meaningfully in 2025. Most sectors saw only modest year-over-year increases, while some saw outright declines. Nearly all the jobs added were concentrated in healthcare. And, while the state is a national hub for both manufacturing and logistics, employment gains in these sectors struggled last year. Transportation and warehousing shed 3500 jobs—the most since 2009, while employment in durable goods declined for a third straight year. Growth in labor supply also remains muted. That, along with soft hiring conditions, helped push the jobless rate down 0.2 percentage points to 3.5% in December—well below the national average (4.3%).

Indiana's housing market remains one of the most affordable in the Midwest, though a significant supply crunch continues to put upward pressure on prices. According to Realtor.com, the median home price climbed to approximately \$245,000 in January. Meantime, inventory levels remain lean at roughly a 2.5-month supply, keeping the market firmly in seller's terrain. We expect conditions to remain tight, with modest price growth and a pick-up in activity. Inventory will likely increase as mortgage rates come down further.

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Indiana's industrial base continues to drive growth, though employment gains have moderated as demand normalizes.

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Looking ahead, Indiana's economy is expected to maintain solid growth momentum, while at the same time, see softening labor market conditions. While recent growth in nondurable goods manufacturing has been explosive, the sector is highly sensitive to global demand, supply chain disruptions, tariffs, and transportation costs.

MINNESOTA

BUSINESS OUTLOOK



Philip Sanfilippo
MD, Minnesota

Across Minnesota, businesses are approaching the next phase of the cycle with a disciplined, performance-driven mindset. As economic conditions cool from the volatility of the past two years, and growth runs below the national average, middle-market companies are focused less on rapid expansion and more on execution—prioritizing cost control, productivity, and liquidity as the operating environment stabilizes. Hiring has softened and wage pressure has eased, consistent with broader Ninth District trends, giving companies greater flexibility to reassess staffing models and longer-term investment priorities even as overall labor-market conditions continue to weaken.

A notable shift is emerging in capital spending. After deferring maintenance, equipment replacement, and facility upgrades through the 2024–2025 inflationary period, many Minnesota-based firms are beginning to re-engage. Extended equipment life cycles are reaching practical limits, prompting renewed investment in modernization. These decisions remain highly ROI-driven, with phased execution, disciplined payback expectations, and tighter capital-allocation controls shaping how projects move forward in a slower-growth environment.

Automation and AI enabled productivity tools sit at the center of this reinvestment cycle. With labor availability still constrained and wage floors elevated, companies increasingly view automation as essential rather than optional. Early adopters are already realizing measurable efficiency gains, while significant runway remains across production processes, logistics networks, and administrative functions. Demand is rising for structured financing that aligns asset life with projected returns, particularly for automation packages and productivity-enhancing equipment.

Globally exposed sectors continue to face pressure, especially from softer international demand that weighed heavily on Minnesota exports in 2025.

However, these headwinds are now being absorbed into broader planning rather than driving acute volatility. Even foreign-owned businesses operating in the state—while mindful of higher U.S. cost structures and ongoing tariff uncertainty—are selectively investing where automation can improve competitiveness or mitigate labor constraints.

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Minnesota’s diversified economy is supporting steady activity as healthcare, professional services, and technology provide resilience.

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Minnesota’s structural strengths remain firmly in place, even as near-term growth moderates. The MedTech sector continues to anchor the state’s economy, supporting innovation, specialized manufacturing, and sustained R&D investment across the product lifecycle. Industrial suppliers tied to AI-related data-center infrastructure are seeing improving visibility in 2026 pipelines, while agriculture operators—supported by a firmer income outlook—are advancing targeted automation and energy-efficiency upgrades to offset labor shortages and rising input costs.

Overall, Minnesota companies are balancing caution with selective forward momentum. Productivity, modernization, and capital discipline define the current environment, positioning businesses to strengthen competitiveness while maintaining resilience in a below-trend but more predictable economic landscape.



Diversification Drives Stability

- Healthcare and med tech anchor growth
- Professional services remain resilient
- Investment decisions favor discipline
- Talent availability supports execution

MINNESOTA

ECONOMIC OUTLOOK



Priscilla Thiagamoorthy
Senior Economist

Minnesota's real GDP growth came in at 1.2% y/y in 2025Q3—below the U.S. average (2.3% y/y) and slower than its prior quarter (1.8% y/y). This reflected a combination of industry-specific dynamics, and demographic pressures. Growth in construction activity essentially came to a grinding halt while finance & insurance remained lackluster. That was countered by solid strides in the health care and real estate sectors. Meantime, the state's larger-than-average manufacturing industry saw a notable improvement—particularly in durable goods—after sagging in the first quarter. Still, for all of 2025, exports fell by the most in 16 years amid trade disruptions, suggesting that higher trade barriers proved to be a headwind, rather than a boost for the state's factory sector.

Minnesota's labor market continues to soften. The jobless rate has steadily trended higher, ticking up to 4.1% in December, significantly higher than the cycle low of 2.3% hit in June 2022. The labor force participation rate, at 68.2%, ranks among the highest in the U.S., though it remains significantly below pre-pandemic norms. Health care jobs have grown steadfastly, in line with the national employment picture. But that remains the exception, with most other industries seeing job declines. Sectors like construction, agriculture and hospitality are now facing critical staffing shortages amid demographic shifts.

The state's housing is characterized by moderate price increases, tight supply, and cautious but steady buyer activity. Minnesota Realtor reported the median sale price increased to \$335,400 in January, up 1.5% y/y and a 15.7% annual decline in the number of homes sold. This would suggest softening transaction volumes, even as prices hold firm. Homes are sitting on the market longer than during the peak pandemic-era frenzy, but demand

remains healthy, especially in key metro areas. With gradual improvements in inventory projected for the year, along with potential relief from slowly easing mortgage rates, the state is likely to transition into a more balanced this year—though affordability-challenges remain.

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Economic diversification
continues to support Minnesota
as growth moderates from prior
highs.”

Despite trade uncertainty and other structural adjustments, Minnesota retains meaningful strengths. Its workforce is highly skilled and educated amid a strong concentration of globally competitive firms. Macroeconomic conditions may provide modest support for the state. BMO Economics is forecasting GDP growth to pick up modestly in 2026, driven partly by continued AI-related investment, easing interest rates and stabilizing inflation, even as tariff uncertainty continues.

PACIFIC NORTHWEST BUSINESS OUTLOOK



Brooks Einstein
MD, Washington

The Pacific Northwest continues to benefit from innovation, global connectivity, and high-value industries, but economic momentum has cooled materially heading into 2026. Across Washington and Oregon, growth has moderated, with activity increasingly uneven by sector and geography as slower population growth, restrained technology hiring, and trade uncertainty weigh on the outlook. While cost pressures and political dynamics are increasingly part of the operating backdrop, businesses are adjusting to a period of below-average growth rather than broad-based expansion.

Washington stands out as a national economic heavyweight. Ranking among the top ten U.S. economies by GDP, the state continues to benefit from scale and concentration in technology, aerospace, and professional services. A defining driver of current activity is AI-related investment, which extends beyond software and services into engineering, construction, power, and materials tied to data-center development. After several years of outsized growth, the Seattle metro area is showing signs of stabilization. Home prices have leveled; technology hiring has slowed materially, and broader employment growth has stalled, with job gains in services insufficient to offset losses elsewhere.

Oregon presents a more nuanced picture, with economic activity cooling despite pockets of investment strength. Investment tied to semiconductors, data centers, and AI-adjacent manufacturing continues, supported by expanding investment in semiconductors, data centers, and AI-adjacent manufacturing. At the same time, the Portland metro area experienced notable job losses, with activity increasingly shifting to surrounding markets. The broader Oregon economy remains active, particularly in AI infrastructure, building products and materials, and maritime industries, even as employment has weakened across several goods-producing and trade-exposed sectors. A wave of middle-market company sales over the past decade has also reshaped the landscape,

bringing in new capital and strategic ownership that continues to support reinvestment.

Across the region, quality of life, a highly educated workforce, access to international markets—particularly in Asia—and proximity to natural resources remain powerful attractors for capital and talent. These advantages are increasingly weighed against rising labor costs, higher tax burdens, and elevated housing and living expenses compared with peer states. Population growth has slowed meaningfully, particularly in Oregon, reducing a key historical support for labor supply and housing demand. For many businesses, these pressures are driving sharper focus on productivity, automation, and location strategy rather than deterring investment altogether.



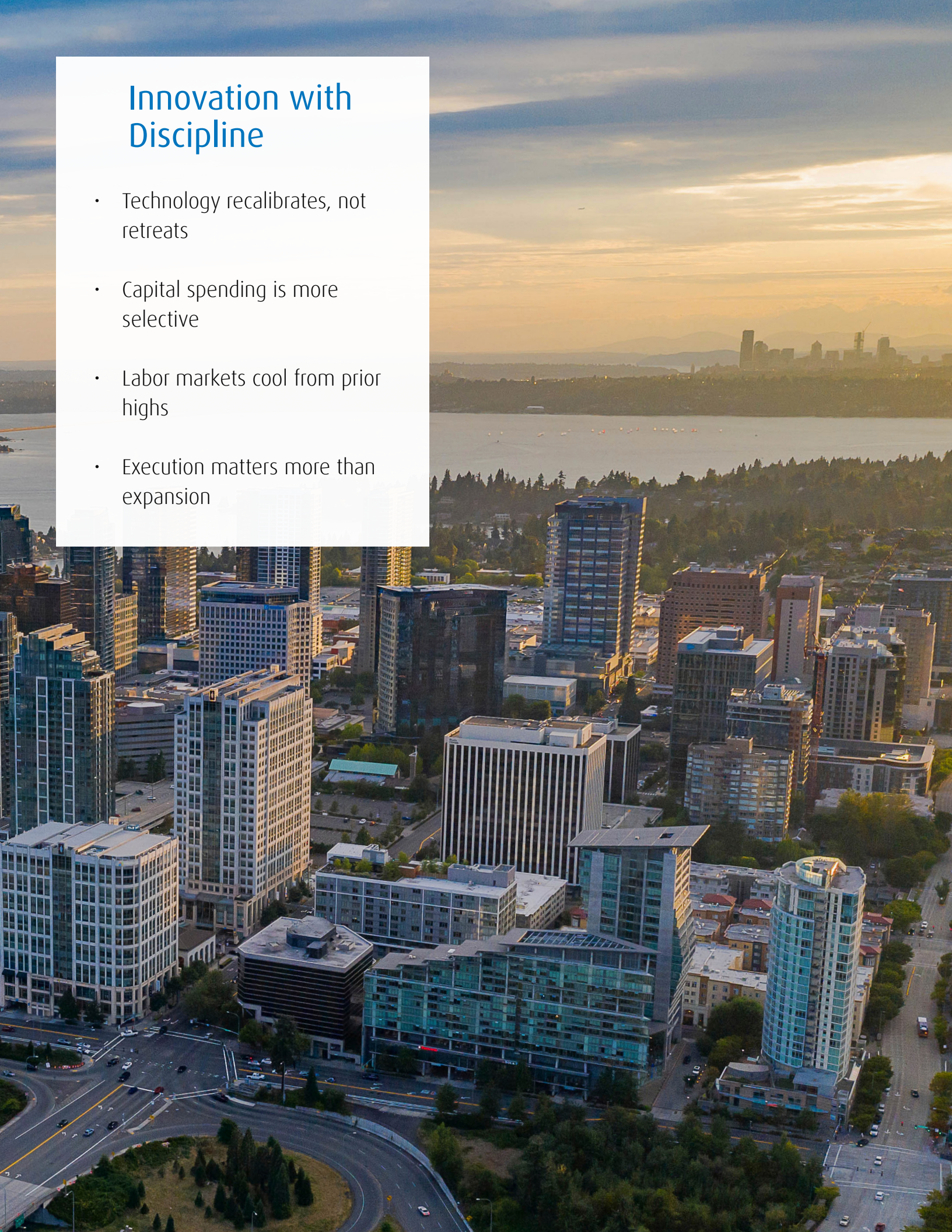
Pacific Northwest businesses are balancing innovation-led opportunity with tighter capital discipline as the technology sector recalibrates.



Looking ahead, the Pacific Northwest reflects a balance of nationally competitive industry strength and pronounced near-term adjustment. Slower labor growth, housing constraints, and political shifts present challenges, but they are being met with adaptation rather than retrenchment. While AI-related infrastructure investment remains a bright spot, the broader outlook for 2026 is characterized by subdued growth, elevated uncertainty, and a heightened reliance on productivity gains rather than hiring to sustain competitiveness.

Innovation with Discipline

- Technology recalibrates, not retreats
- Capital spending is more selective
- Labor markets cool from prior highs
- Execution matters more than expansion



PACIFIC NORTHWEST ECONOMIC OUTLOOK



Scott Anderson
Ph.D., Chief U.S. Economist

Recent GDP data point to a clear deceleration in economic activity across Oregon and Washington, with growth moderating late in 2025 and forecasts signaling subdued momentum into 2026. Economic conditions across the Pacific Northwest cooled notably toward year-end, positioning the region for a period of below-average job growth as slowing population gains, softer consumer demand, restrained technology hiring, and heightened trade uncertainty weigh on activity. While selective service-sector hiring provided modest late-year support, overall employment growth has stalled, leaving the regional outlook increasingly fragile as 2026 begins.

Labor market conditions weakened unevenly across the two states, with the greatest pressure evident in goods-producing industries, trade-exposed sectors, and technology-related employment. Oregon shed approximately 2,200 jobs in December, driven by steep declines in construction, retail trade, and transportation and warehousing. Washington posted modest job gains late in the year, though these were insufficient to offset earlier losses. On a year-over-year basis, employment across the region is flat to negative, with Oregon down 0.5% and Washington down 0.2%, marking Washington's first annual employment decline since the pandemic. Manufacturing has been a notable source of weakness, particularly in Oregon, while retail trade losses have mounted across both states amid slowing real income growth and weaker discretionary spending.

Labor market pressures have been most pronounced in the Seattle–Bellevue–Everett corridor, where slower technology hiring and ongoing workforce restructuring continue to weigh on regional performance. Although leisure and hospitality, health care, education, and government added jobs late in the year, these gains were not broad enough to restore momentum. Outside core

metropolitan areas, job growth has also softened, reflecting cooling demand and reduced investment activity.

Unemployment rates across the Pacific Northwest have trended decisively higher, reflecting both slower job creation and weakening labor force dynamics. Oregon's unemployment rate held at 5.2% in November and December, its highest sustained level outside the pandemic since the mid-2010s. Washington's unemployment rate rose to 4.7%, moving above the national average. In the Seattle region, unemployment increased sharply late in the year as labor force participation declined alongside slowing hiring, pointing to a more constrained labor market entering 2026.

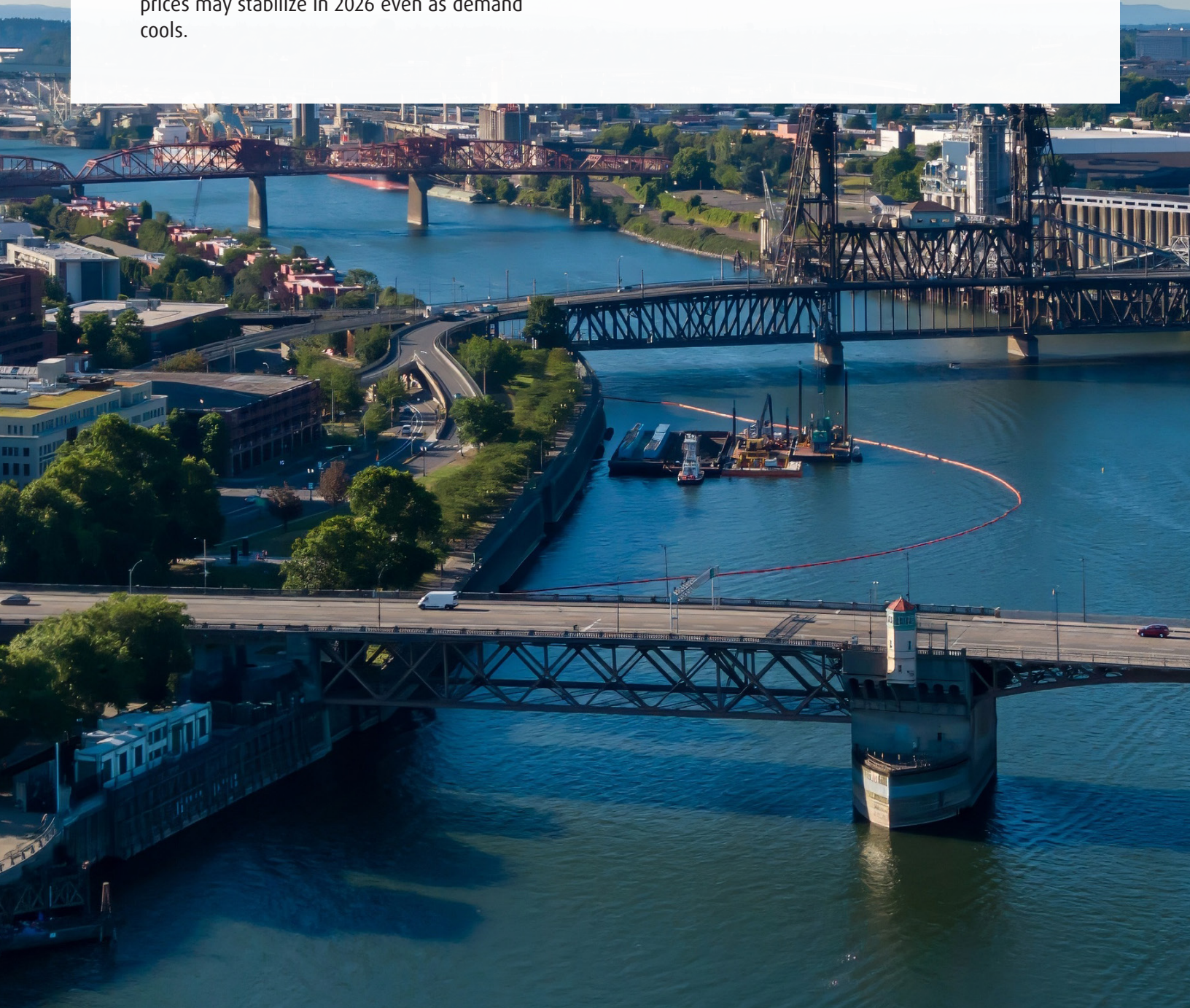
“Growth has slowed as technology employment adjusts, though long-term innovation fundamentals remain intact.”

Population growth, long a key support for regional labor supply and housing demand, has weakened meaningfully. Oregon posted one of the slowest population growth rates in the nation over the past year, adding just 8,200 residents. Washington's population continued to grow faster than the national average, but well below its pre-pandemic pace.

Trade-related headwinds remain a key medium-term risk. Roughly one in eight Oregon jobs, and a significant share in Washington are tied to international trade. While the region main-

tains a goods trade surplus, exposure to new and proposed tariffs poses a growing challenge, particularly for exporters in agriculture, semiconductors, transportation equipment, and advanced manufacturing. Rising uncertainty around U.S. & China trade policy has strained supply chains and dampened business sentiment.

Housing markets are showing early signs of stabilization following a multi-year slowdown. Home prices were broadly flat year over year in late 2025 in both Portland and Seattle, while inventory levels rose meaningfully, especially in Seattle, where active listings increased nearly 28%. Residential construction remains subdued, however, limiting near-term supply growth and suggesting home prices may stabilize in 2026 even as demand cools.



TEXAS

BUSINESS OUTLOOK



Tony Sciarrino
Head, U.S. Commercial Bank
BMO

Momentum across Texas remains strong, driven by population growth, sustained business investment, and resilient labor markets across the state's major metros. Middle market companies continue to expand capacity and pursue growth opportunities, even as they navigate cost pressures and volatility in capital markets. Texas's economic diversification continues to buffer uncertainty and support relative outperformance, even as growth cools from the rapid pace of recent years.

Client behavior reflects a more disciplined growth environment. Business leaders are prioritizing investments with clear, near-term returns while closely managing working capital amid higher inventory and labor costs. At the same time, consolidation is accelerating. A pronounced flight to scale is underway across manufacturing, logistics, healthcare, and business services, as companies pursue acquisitions to enhance capabilities, protect margins, and strengthen competitive positioning in a more moderate growth environment

Sector performance remains uneven but constructive overall. Energy, industrials, technology infrastructure, and financial services continue to anchor statewide growth. Houston remains a global energy center while also advancing investment tied to energy transition, infrastructure, and industrial decarbonization. Recent geopolitical developments have underscored Texas's sensitivity to global energy markets, with higher oil prices providing a near-term boost to the energy sector while increasing cost pressure elsewhere in the economy. Austin continues to benefit from innovation-driven growth across technology and professional services, reinforcing the state's long-term diversification.

Dallas is gaining prominence as a national financial hub. Corporate relocations increased financial services investment, and new market infrastructure are reshaping the region's economic profile and reinforcing North Texas as a magnet for capital and

talent. Elsewhere, commercial real estate, consumer facing businesses, and select segments of construction continue to face margin pressure and evolving demand patterns, requiring greater operational flexibility and tighter execution as housing and interest-rate dynamics normalize.

For business owners, the implications are clear: opportunity remains abundant, but execution has become the differentiator. Companies that are performing well are pairing expansion strategies with rigorous capital discipline, preserving balance sheet flexibility, and investing selectively in initiatives that improve efficiency and scale. Working capital optimization has become a central focus, particularly for businesses managing longer inventory cycles or rising input costs as growth moderates from prior highs.

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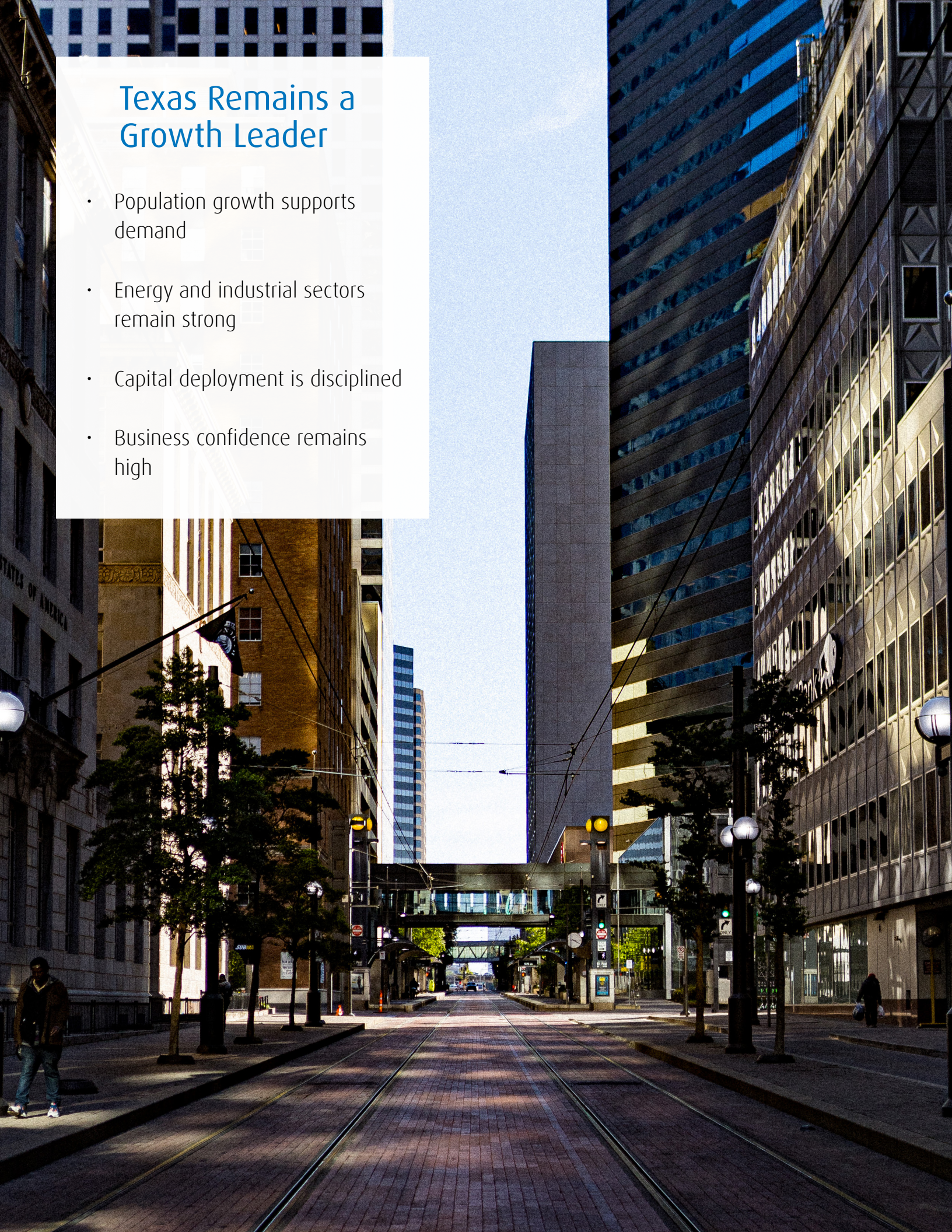
Texas continues to attract capital and talent, even as businesses shift from rapid expansion to disciplined execution.

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Texas's structural advantages—population growth, economic diversity, and a probusiness environment—continue to set it apart. Competitive intensity is rising as national, regional, and nonbank players expand their presence, raising the bar for speed, specialization, and execution. Companies that combine strategic clarity with operational discipline are well positioned to capture the next phase of growth in one of the country's most dynamic commercial markets—even as the expansion becomes more balanced and less frenetic than in recent years.

Texas Remains a Growth Leader

- Population growth supports demand
- Energy and industrial sectors remain strong
- Capital deployment is disciplined
- Business confidence remains high



TEXAS

ECONOMIC OUTLOOK



Priscilla Thiagamoorthy
Senior Economist

Texas has a strong, highly diversified economy. It currently ranks as the 8th largest in the world by nominal GDP, recently overtaking major nations like Russia, Canada, and Italy. Real GDP grew 2.5% y/y in 2025Q3, a bit faster than the national average of 2.3%. Still, growth has slowed from robust gains over the past few years. The state remains the top producer of oil and gas, though mining was little changed in the quarter. The recent Mideast conflict has caused global oil prices to surge sharply, with WTI—the key Texas benchmark—jumping amid intensified supply disruptions and heightened risks. Because Texas is the largest oil-producing state in the U.S., any major upward shift in global oil prices quickly reverberates through its economy and will likely be a net positive for the state’s energy sector, even as it remains a net negative for consumers and the economy as a whole. We anticipate heightened geopolitical tensions, and the impact on oil prices will likely be relatively short-lived. Meantime, Texas has rapidly transformed into a national tech powerhouse, driven by strong job growth, major corporate relocations, massive semiconductor and AI-driven investment, with thriving innovation hubs in Austin, Dallas-Fort Worth, Houston, and San Antonio.

Texas added 132,500 nonfarm jobs last year, a near-1% gain. The state’s labor force hit a record of 15.96 million people in December 2025, aided by strong migration flows. The unemployment rate stood at 4.3%, remaining below the national average. The labor force participation rate held steady near 65%, significantly higher than the national rate of 62.4%. Together, these metrics suggest robust labor market conditions. The Federal Reserve Bank of Dallas projects that Texas employment will increase by 1.1% in 2026, adding more than 150k jobs.

The housing market in the Lone Star state is undergoing a transition. After the explosive growth during the pandemic, the market has cooled, inventory has climbed, and conditions are shifting from a seller’s market toward a more balanced—or even buyer-leaning—market.



Texas remains a relative outperformer, supported by population growth and energy activity as job growth normalizes.



Looking ahead, we remain cautiously optimistic about the economy, amid steady job growth, strong business investment, and a sturdy consumer. Texas remains on track for a moderate, broad-based expansion, outperforming many states despite demographic and policy headwinds.

UTAH

BUSINESS OUTLOOK



Paul Thomsen
MD, Utah

Few states combine growth, resilience, and long-term orientation as consistently as Utah. Supported by still strong but moderating population growth, a young and educated workforce, and a deeply entrepreneurial culture, the state continues to rank among the top business economies in the country. While growth is moderating from historic highs, the prevailing mood among business leaders is constructive and confident – focused not on how fast to grow, but how to grow well in a more normalized expansion environment.

Client conversations across the Wasatch Front and beyond point to a maturing approach to expansion. Business owners remain ambitious, but capital discipline has become more prominent as financing costs stay elevated, and demand growth becomes more measured. Leaders are paying closer attention to cash flow, margins, and capital structure, while still pursuing growth through organic investment and selective acquisitions. Founder-led and family-owned businesses are using this period to plan long-term scale, succession, and leadership depth rather than short-term acceleration.

Technology remains a defining feature of Utah’s business landscape. Investment in software, automation, and AI is widespread, driven by the need to support productivity and manage growth without over-hiring. Utah’s labor market remains tight by national standards, reflecting structural labor supply constraints even as employer demand cools, and competition for skilled talent continues to shape decision-making. As a result, companies are placing greater emphasis on culture, flexibility, and leadership development to attract and retain employees in a competitive environment. Industry fundamentals remain strong and diversified, though performance is increasingly

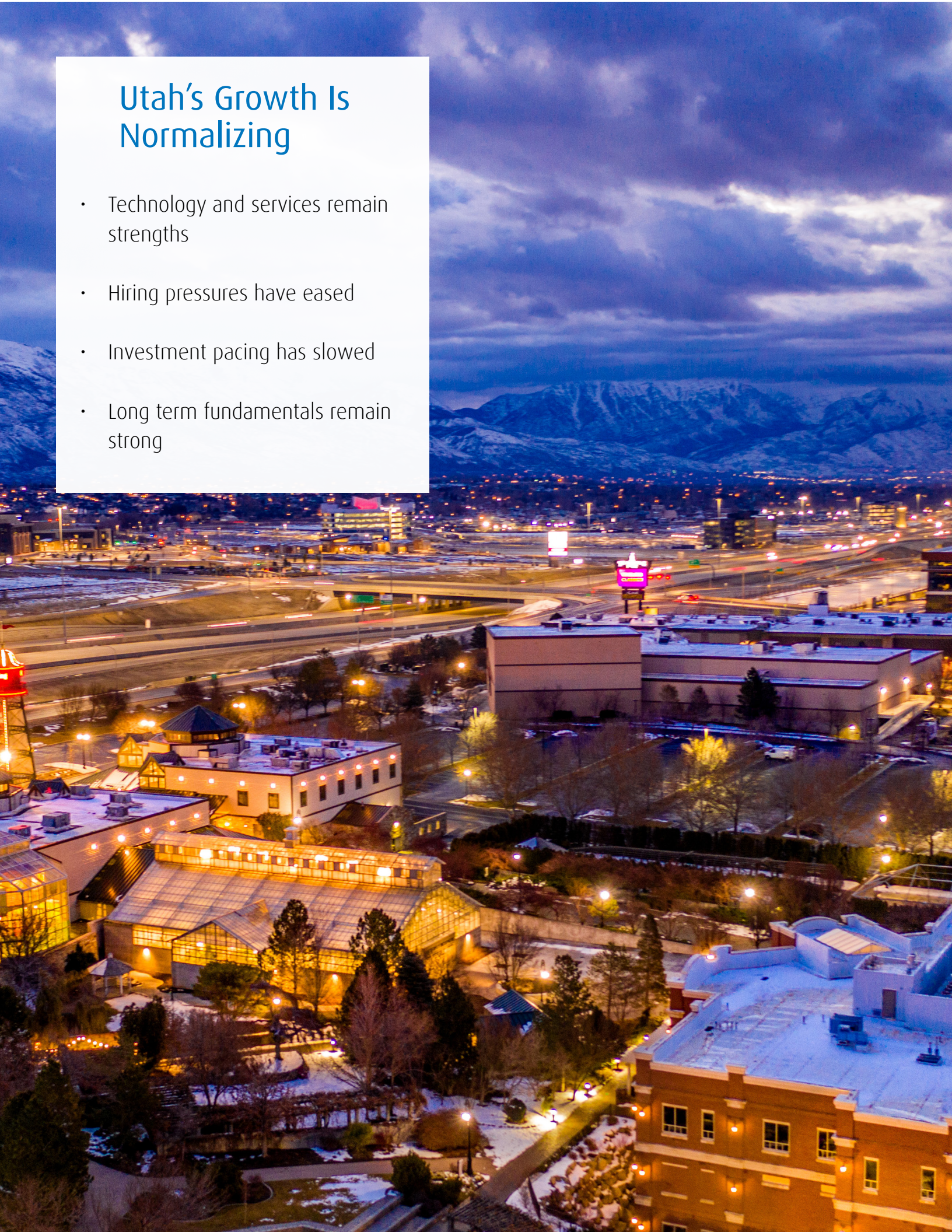
uneven across sectors. Technology, software, and fintech—often referred to collectively as the “Silicon Slopes” ecosystem—continue to anchor the economy, supported by a steady pipeline of young talent and a robust startup environment. Advanced manufacturing and life sciences are expanding alongside reshoring trends and Western supply-chain realignment. Construction and real estate activity remains active, supported by long-term demographic demand, though higher rates and affordability pressures are influencing project pacing and affordability discussions. Professional services and healthcare continue to grow in step with Utah’s expanding population and business base.

“Utah businesses remain confident but more selective, moderating growth plans as hiring pressures ease.”

What consistently differentiates Utah is its long-term mindset. Business leaders tend to think in decades rather than quarters, a perspective reinforced by the state’s pro-business policy environment, strong fiscal management, and repeated top-tier national rankings for economic outlook and business climate. That combination of demographic strength, disciplined leadership, and sustained investment positions Utah to remain one of the most competitive and resilient growth markets in the country – even as near-term growth normalizes and hiring becomes more selective.

Utah's Growth Is Normalizing

- Technology and services remain strengths
- Hiring pressures have eased
- Investment pacing has slowed
- Long term fundamentals remain strong



UTAH

ECONOMIC OUTLOOK



Scott Anderson
Ph.D., Chief U.S. Economist

Utah's economic momentum cooled modestly after a steady 2025, setting up the state for moderate but below-trend job growth in 2026 as trade uncertainty, and slowing migration reshape the expansion. Nonfarm payrolls rose 1.2% year-over-year in December 2025, adding 21,800 jobs, while the unemployment rate held at a low 3.6%, continuing to outperform the national average.



Utah's economy is cooling from rapid expansion, though population growth supports above-average fundamentals.



Private-sector job gains were led by education and health services, professional and business services, construction, and financial activities, although several cyclical industries—including trade and transportation, manufacturing, and natural resources—posted year-over-year job losses. Job openings remain elevated, with fewer unemployed workers than available positions, though labor-force participation has edged lower and employer demand has cooled after several years of rapid post-pandemic expansion. Forward-looking indicators point to normalization rather than a downturn.

Population trends underscore this shift toward more measured growth. Utah's population reached roughly 3.55 million in mid-2025, expanding 1.3% year-over-year—still among the fastest rates nationally but down from prior years. For the first time this decade, natural increase accounted for most of the growth as net migration slowed sharply, driven by a significant decline in international inflows. Despite the easing, Utah remains among the top states for population growth, providing structural support for long-term labor-force, consumer, and housing demand.

Housing market conditions are stabilizing after rapid appreciation in recent years. Statewide home prices rose 4.4% year-over-year in December 2025, but rising inventories and longer days on market point to a rebalancing between buyers and sellers as affordability deteriorates. Construction activity remains steady but has moderated, with permitting consistent with continued supply growth at a more sustainable pace.



WISCONSIN BUSINESS OUTLOOK



Dave Anderson
DIG North Region Head

Wisconsin businesses are entering 2026 from a position of resilience rather than acceleration. After a solid performance in 2025, most companies remain optimistic despite elevated economic and political noise. While uncertainty persists around monetary policy, geopolitics, and domestic politics, Wisconsin’s business community continues to demonstrate resilience—adapting quickly and focusing on stability, productivity, and long-term execution. At the same time, businesses are operating within a structurally constrained growth environment, shaped by long-running labor shortages and slower relative economic expansion compared with the national average.

Client sentiment across the state is constructive and forward-looking. Business leaders consistently describe a positive operating climate and an ability to navigate economic cycles through creativity and flexibility. Many companies have spent the past several years strengthening balance sheets and reducing leverage, positioning themselves well to operate effectively despite limited labor availability. As a result, clients are increasingly focused on expansion opportunities in 2026, including acquisitions. In addition to driving scale, M&A activity is viewed as a strategic lever to deepen leadership benches and mitigate persistent labor constraints.

Operationally, businesses are prioritizing efficiency and productivity. With labor markets tight – a function of demographic pressures and low participation rather than strong hiring demand – particularly in skilled trades, companies are finding ways to “do more with less,” optimizing existing workforces through process improvement and technology adoption. Investments in automation and digital tools are rising, not as a

replacement for labor, but to extend capacity and support sustainable growth in a constrained hiring environment.

Manufacturing and construction continue to anchor Wisconsin’s economy, even as both sectors navigate labor scarcity, tariff exposure, and margin pressure. While backlogs provide some near-term visibility, employment growth has been uneven, reinforcing the need for disciplined capital planning and productivity-focused investment rather than broad expansion.



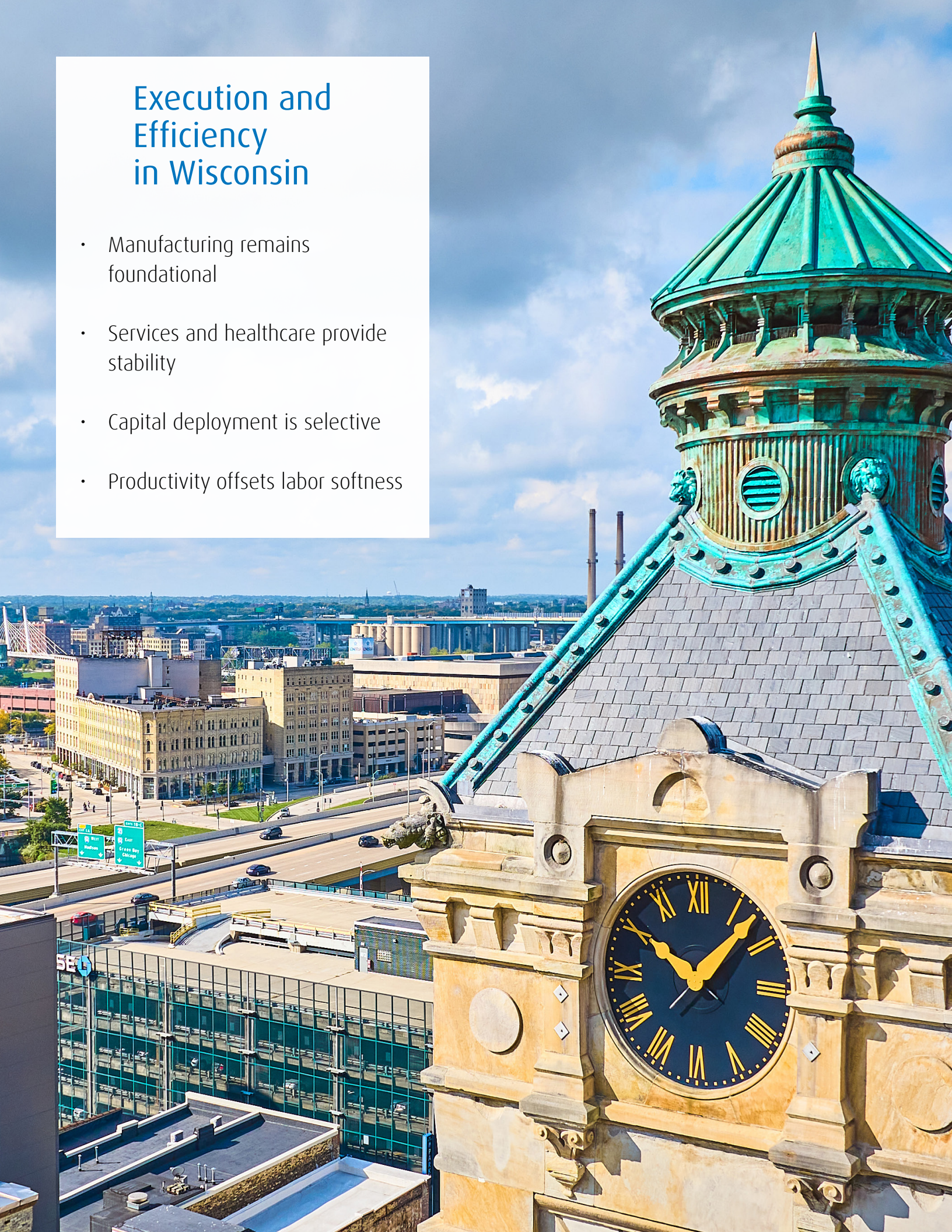
Wisconsin businesses are leaning into efficiency and disciplined execution as manufacturing adapts to a slower, more normalized cycle.



Looking ahead, labor remains the most significant structural challenge. Demographic trends are tightening the workforce, particularly in trades, and elevated housing prices and rental costs are increasingly affecting companies’ ability to recruit and retain talent. Even so, Wisconsin businesses remain focused on execution. There is a broad recognition that the fundamentals of the domestic economy are sound, and that success will come from staying disciplined, investing strategically, and growing primarily through efficiency and scale rather than workforce expansion, tuning out short-term noise in favor of long-term opportunity.

Execution and Efficiency in Wisconsin

- Manufacturing remains foundational
- Services and healthcare provide stability
- Capital deployment is selective
- Productivity offsets labor softness



WISCONSIN

ECONOMIC OUTLOOK



Michael Gregory
CFA, Deputy Chief Economist

Wisconsin's economic growth continues to lag the national average. Real GDP expanded 1.5% y/y in 2025 Q3 (with the U.S. at 2.3% y/y), ranking #39 among states. Underperformance is a perennial problem. Except for one quarter (2022Q3), the Badger State has lagged the national norm consistently for more than a decade. Aside from the state's above-average exposure to more cyclical industries such as manufacturing and agriculture, which can beget temporary bouts of underperformance, the dominant drag on Wisconsin's relative economic performance is its chronically constrained labor supply.

The state's unemployment rate ended last year at 3.1%, which matched the sixth lowest in the nation. The combination of this low rate with slow growth contrasts with New Hampshire, also with a 3.1% jobless rate but posting Top 10 economic growth. Wisconsin is among the states with the oldest labor force, applying downward pressure on the participation rate (which hit a record low 62.1% in November) and the unemployment rate. The Administration's tightening of immigration regulations is problematic for a state trying to attract workers. For the record, payroll jobs were still up 6.7k in 2025 (or +0.2% y/y), paced by healthcare and social assistance (+10.9k), arts, entertainment, and recreation (+6.3k), and construction (+5.1k). This was partly offset by losses in retail trade (-5.9k), business administrative and waste management services (-5.1k), and manufacturing (-3.8k).

Turning back to GDP, manufacturing and agriculture were among the foremost growth influencers in the latest interval. Durable goods manufacturing expanded around 4% y/y, despite the headwinds of tariffs (that raise the cost of intermediate goods) and retaliation (by Canada and China...

Wisconsin's first and third largest export markets, respectively). Both countries relaxed their retaliatory actions in September and November, respectively, but, as of 2025 Q3, agricultural activity was still reeling from China's purchasing pullback along with the mix of falling prices (e.g., for dairy products) and rising costs (e.g., for fertilizer). However, in a nod to economic diversity, the largest contributor to growth was finance and insurance.

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Manufacturing stabilization
and healthcare growth are
supporting Wisconsin's economy
amid higher costs and softer
demand.
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Meanwhile, housing affordability, an historical advantage for the state, is eroding. Amid the volume of home sales slipping 2.1% y/y in the three months ending January (according to Redfin), the median sale price was up 4.3% y/y, not having registered a negative result since these figures began in 2012. (Note: FHFA figures show negatives around the Great Recession.) The erosion of affordability is also problematic for a state attempting to attract workers. On balance, Wisconsin's labor force challenges remain the key factor affecting economic performance this year, with sturdy factory output and rebounding agriculture lending a hand.

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