



Economic and Monetary Policy Update

February 26, 2026



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Regional Executive



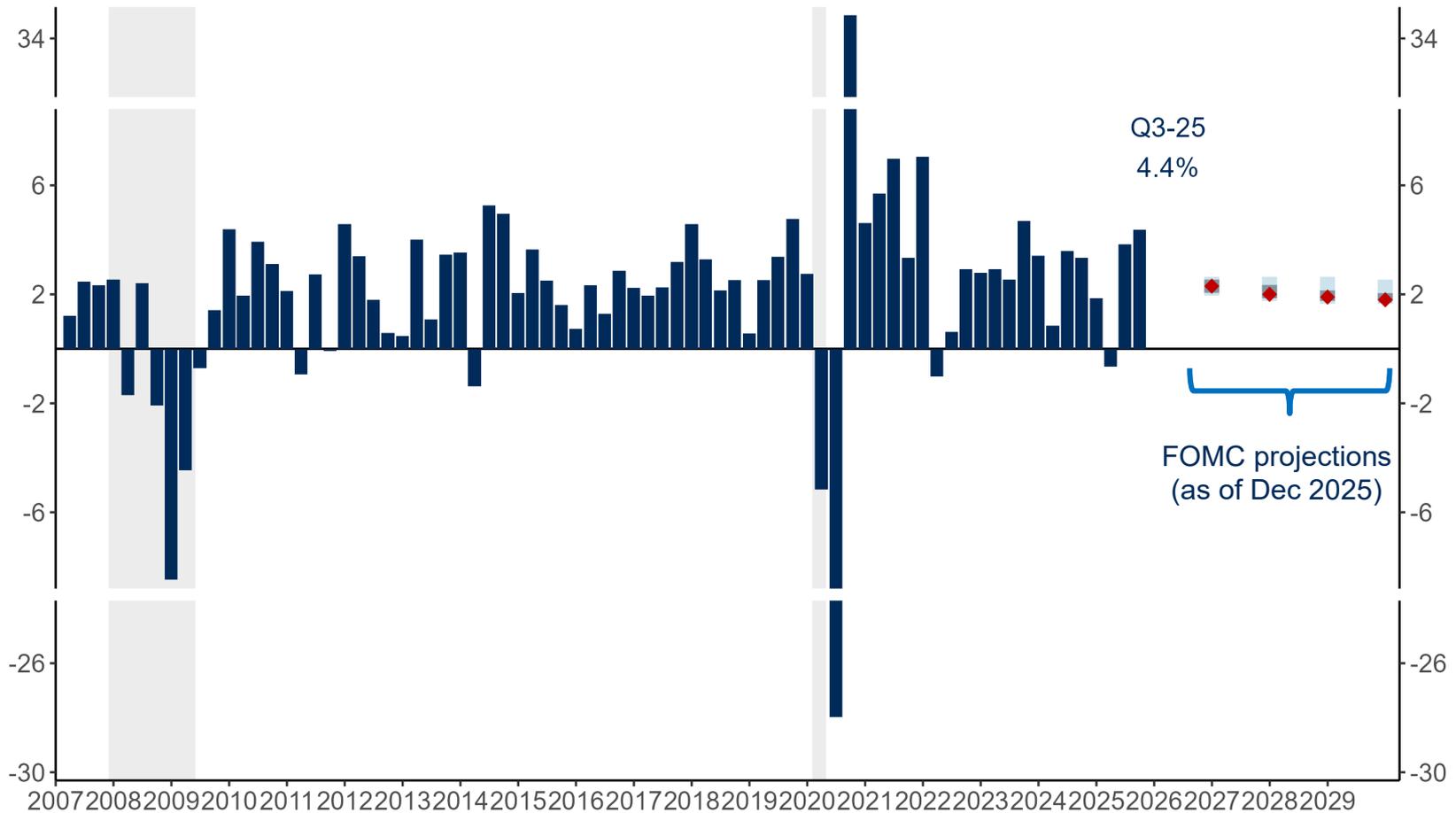
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US Economic Update

GDP Growth was solid in Q3 ...

Real Gross Domestic Product

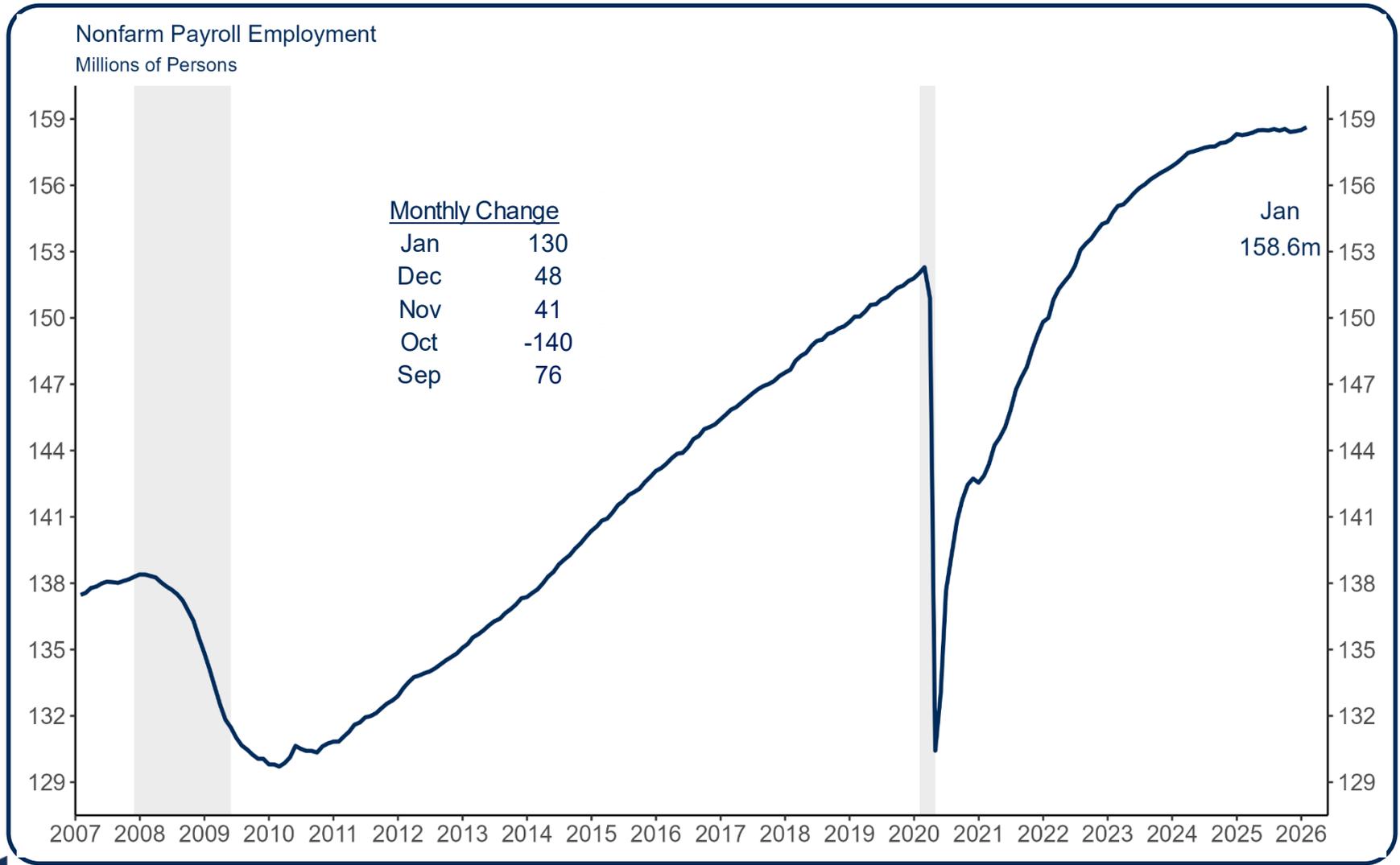
Percent change from previous quarter at annual rate



Note: Projection is the median, central tendency, and range from the December 2025 Summary of Economic Projections. Red dots indicate median projections. Projections of change in real gross domestic product (GDP) are from the fourth quarter of the previous year to the fourth quarter of the year indicated.

Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

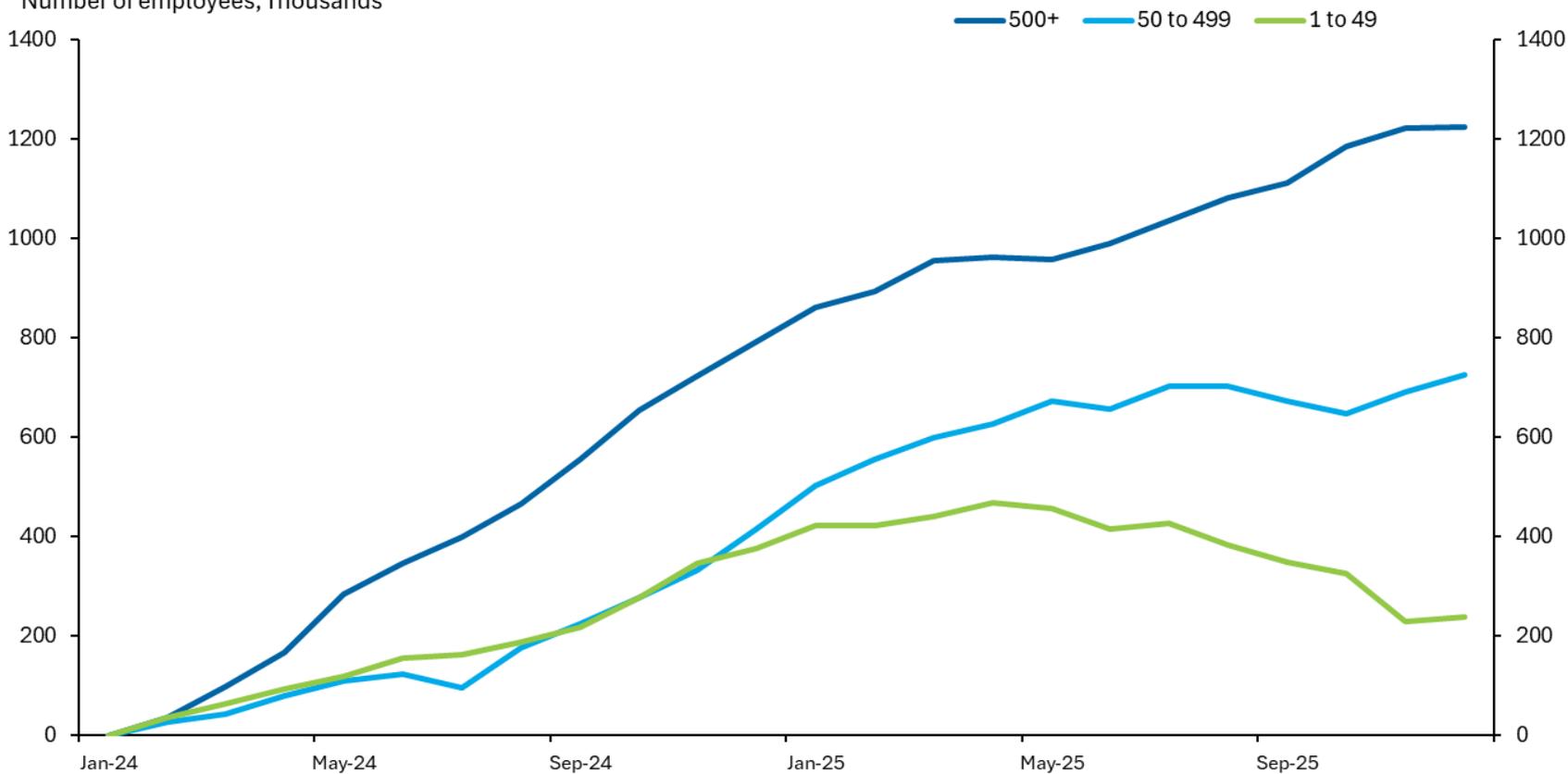
.. but job growth has almost stalled



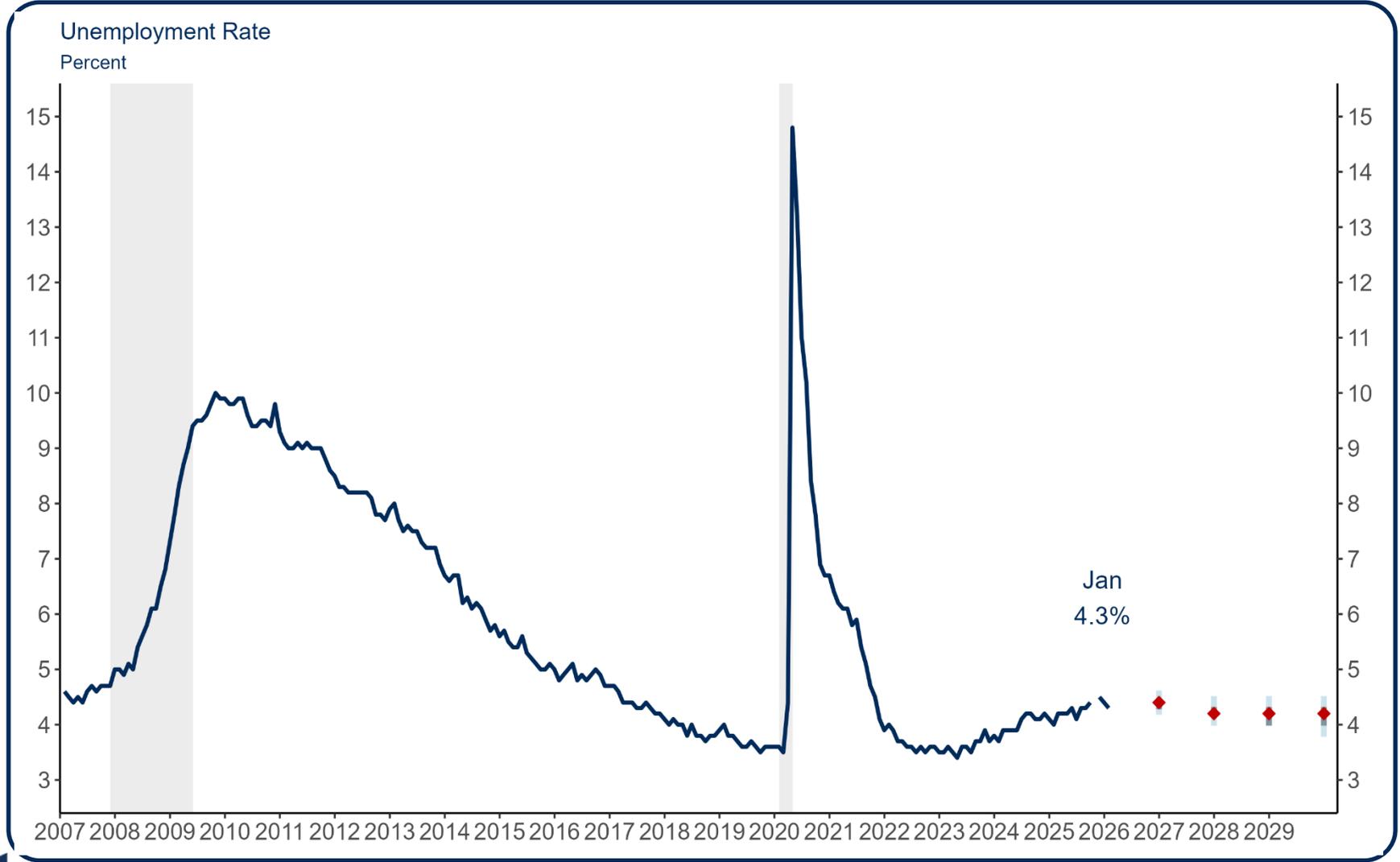
Most of the pullback in hiring demand has been from small firms

Cumulative Change in Employment since January 2024 by Firm Size

Number of employees, Thousands



Unemployment has drifted higher, but remains low

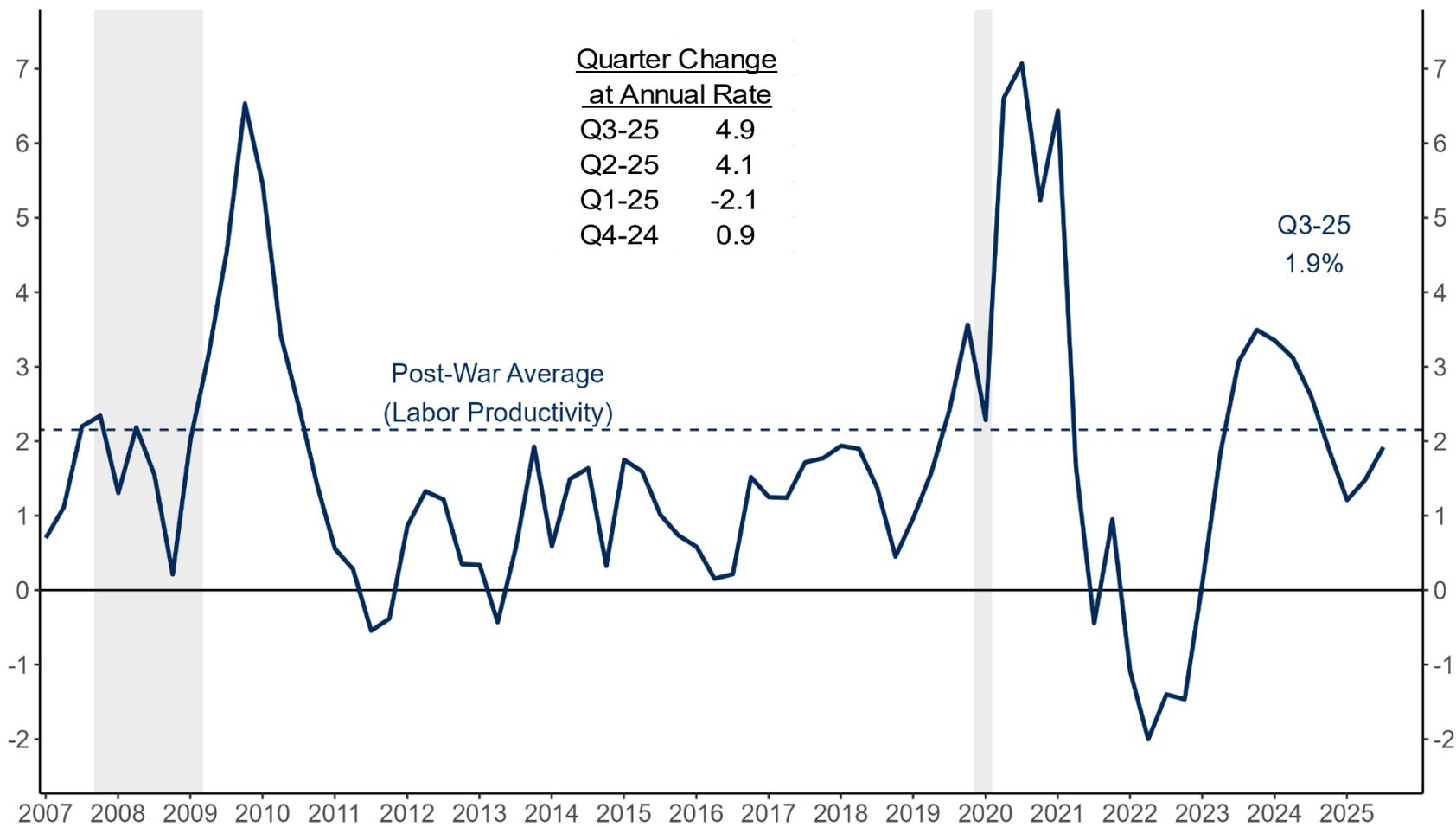


Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the December 2025 meeting. Red dots indicate median projections.

Source: Bureau of Labor Statistics & Board of Governors via Haver Analytics 7

Productivity growth helps solve the puzzle

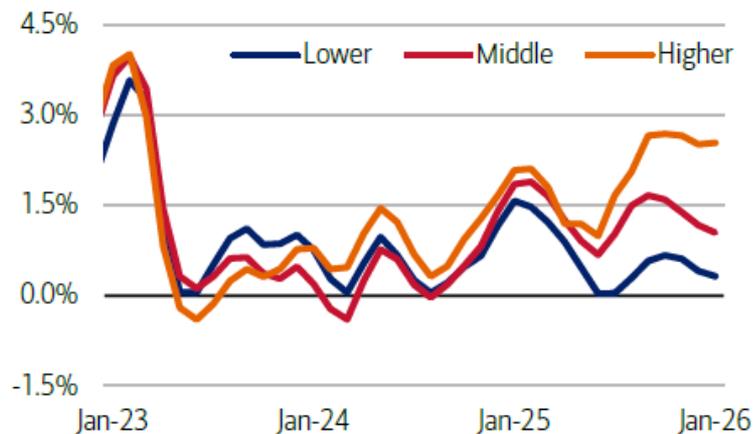
Labor Productivity, Nonfarm Business
Year over Year Percent Change



Higher income households are seeing faster income and spending growth

Exhibit 4: Lower-income households' spending growth was 0.3% YoY in January, compared to 2.5% for higher-income households

Total credit and debit card spending per household, according to Bank of America card data, by household income terciles (3-month moving average, YoY%, SA)

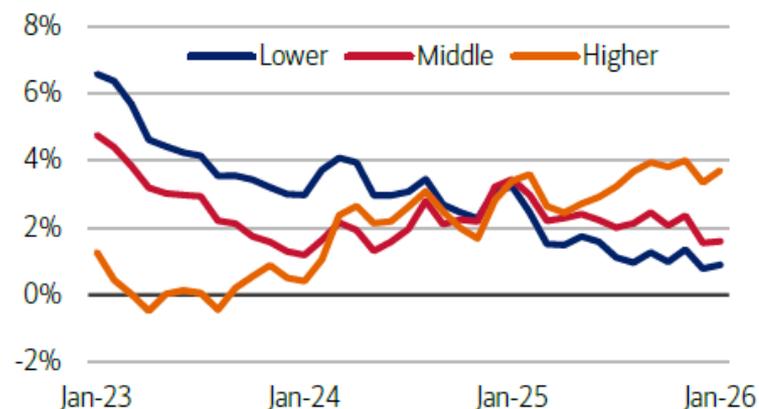


Source: Bank of America internal data

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Exhibit 5: In January, higher-income households' wage growth was 3.7% YoY, while growth for lower- and middle-income households was approximately 0.9% and 1.6% YoY, respectively

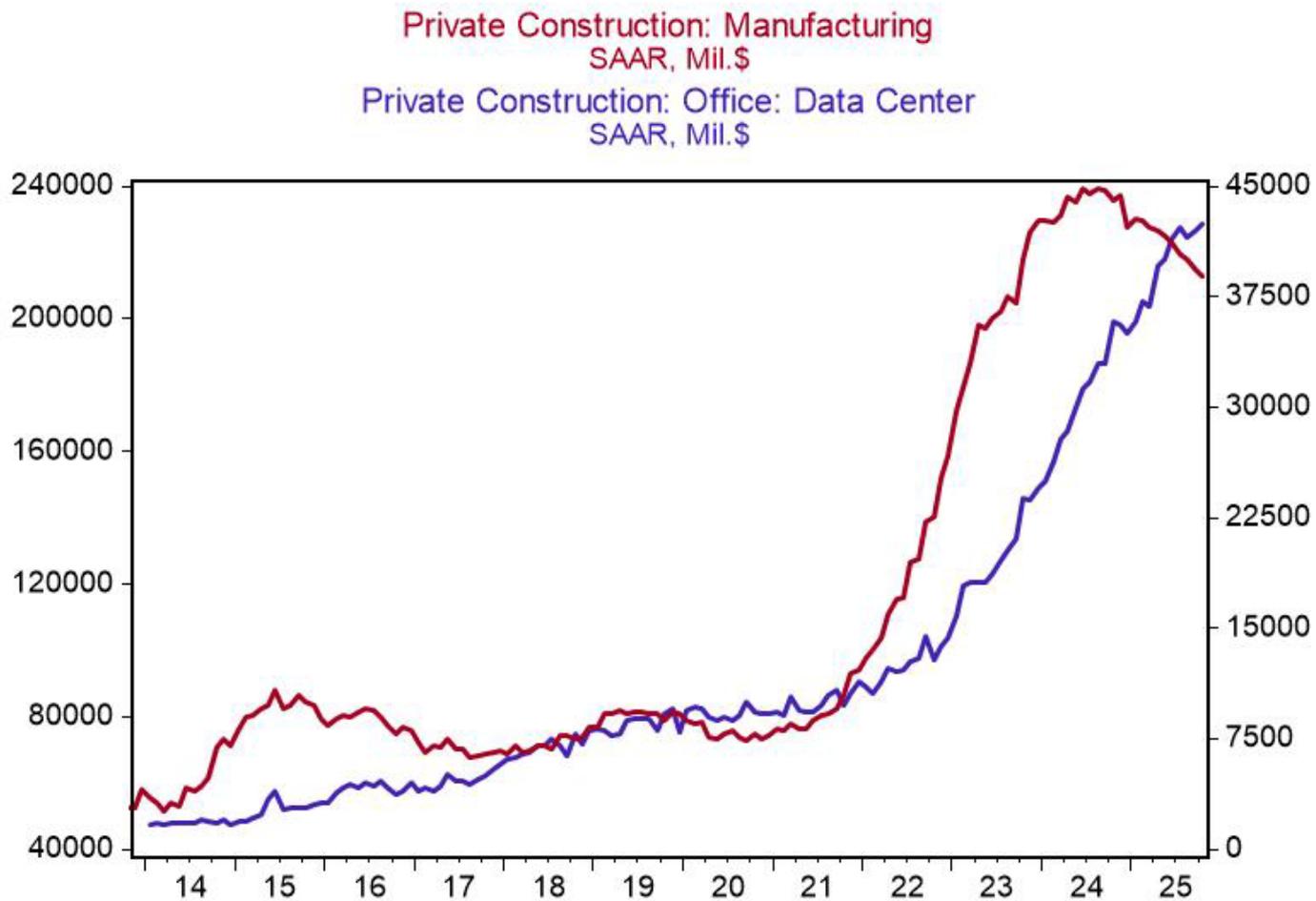
After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit data (3-month moving average, YoY%, SA)



Source: Bank of America internal data

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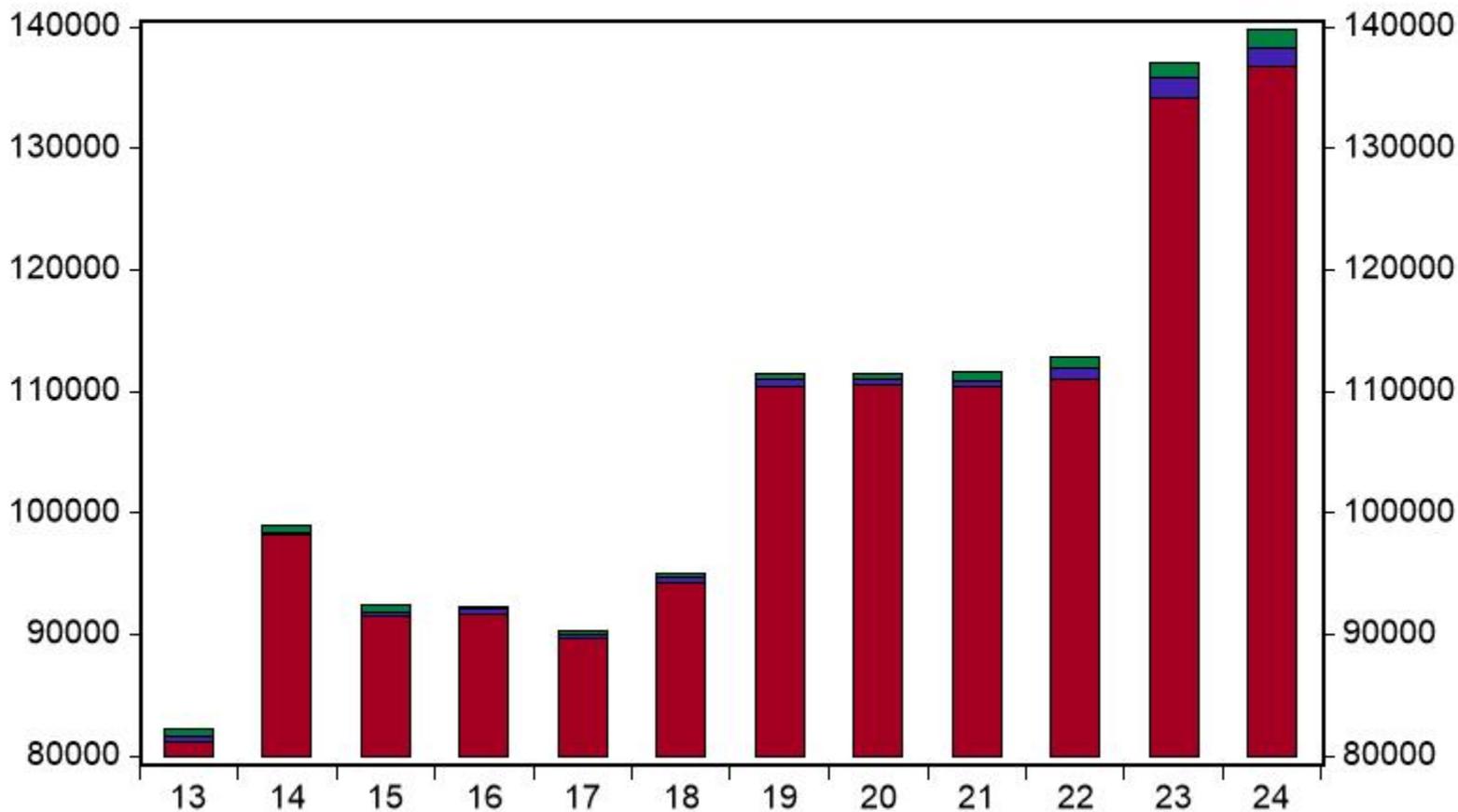
The AI buildout is still growing, but has manufacturing peaked?



Source: Census Bureau/Haver Analytics

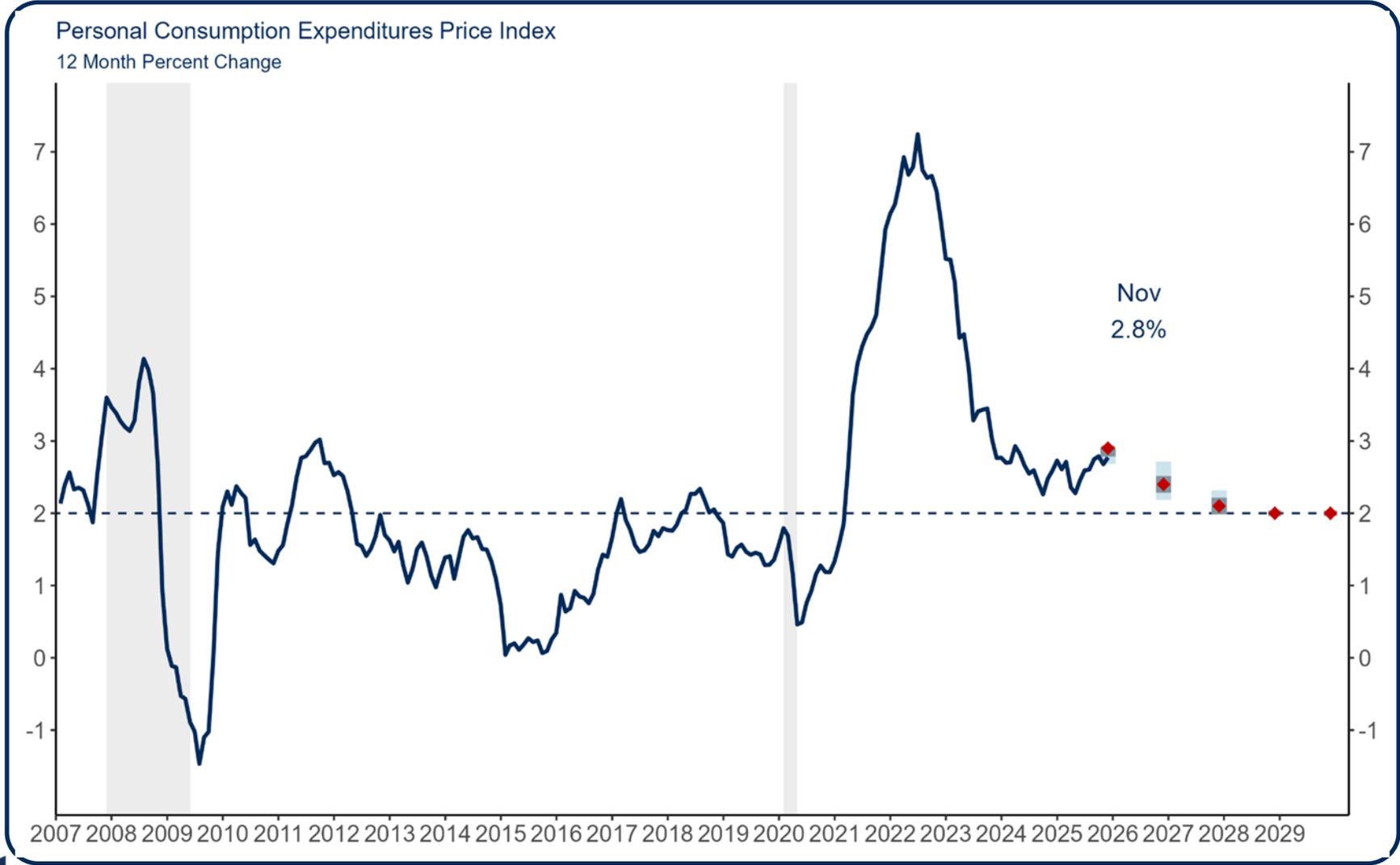
Power needs are in focus, but are there other constraints?

Private Construction Spending: Power (Mil.\$)
Private Construction Spending: Sewage and Waste Disposal (Mil.\$)
Private Construction Spending: Water Supply (Mil.\$)



Source: Census Bureau/Haver Analytics

Inflation remains stubbornly above 2%, but is likely to fall



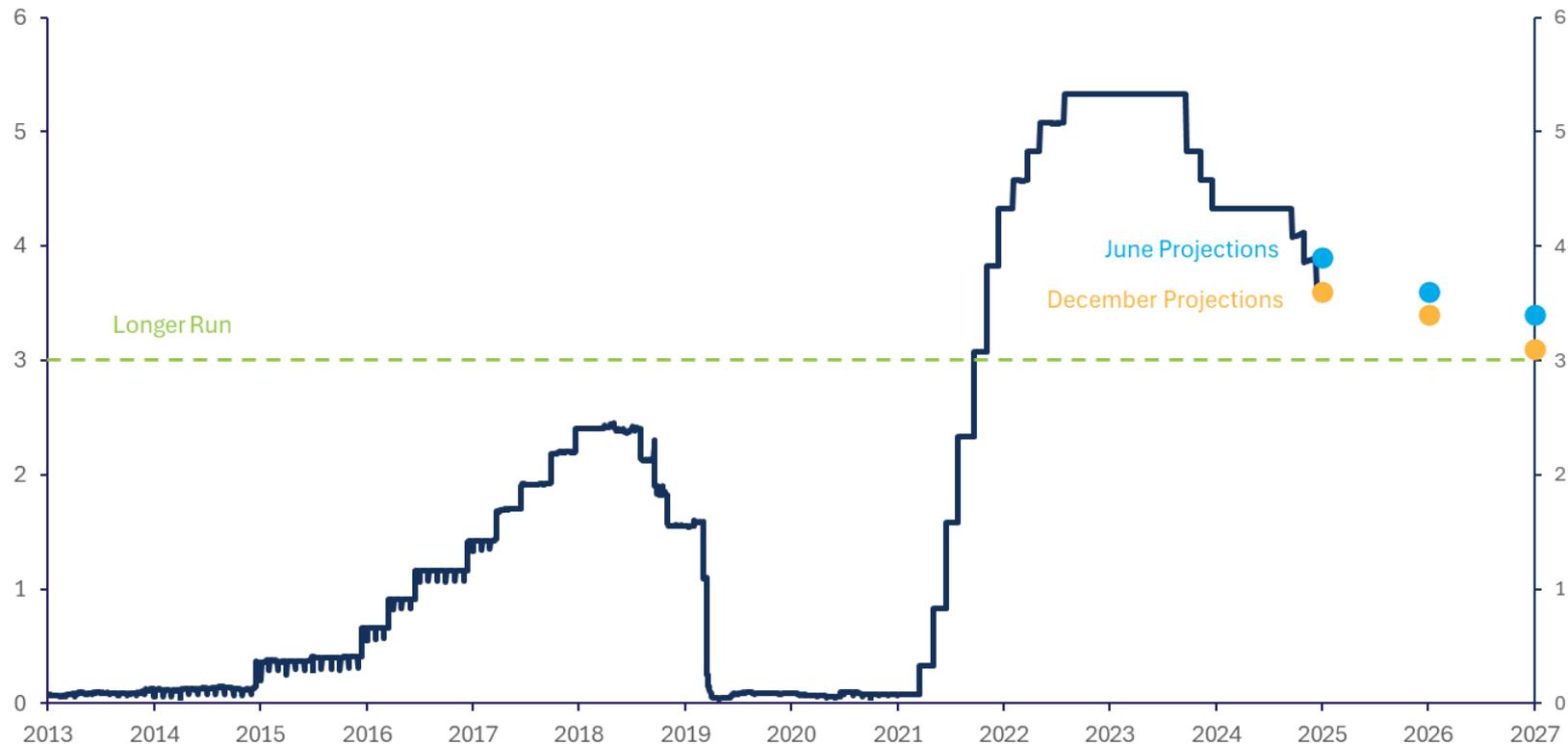
Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the December 2025 meeting. Red dots indicate median projections.

Source: BEA via Haver 12

The FOMC lowered interest rates three times in 2025

Fed Funds Rate

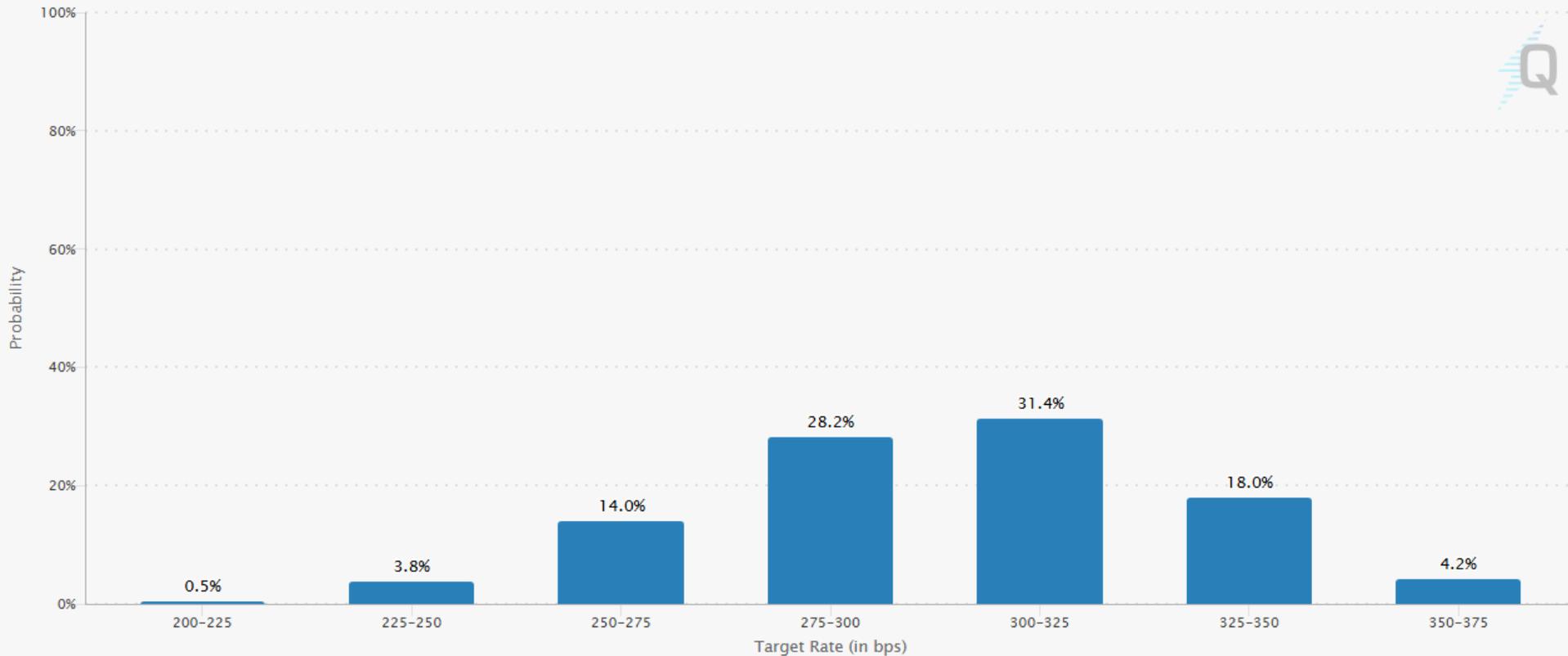
percent



Markets largely expect two rate cuts in 2026

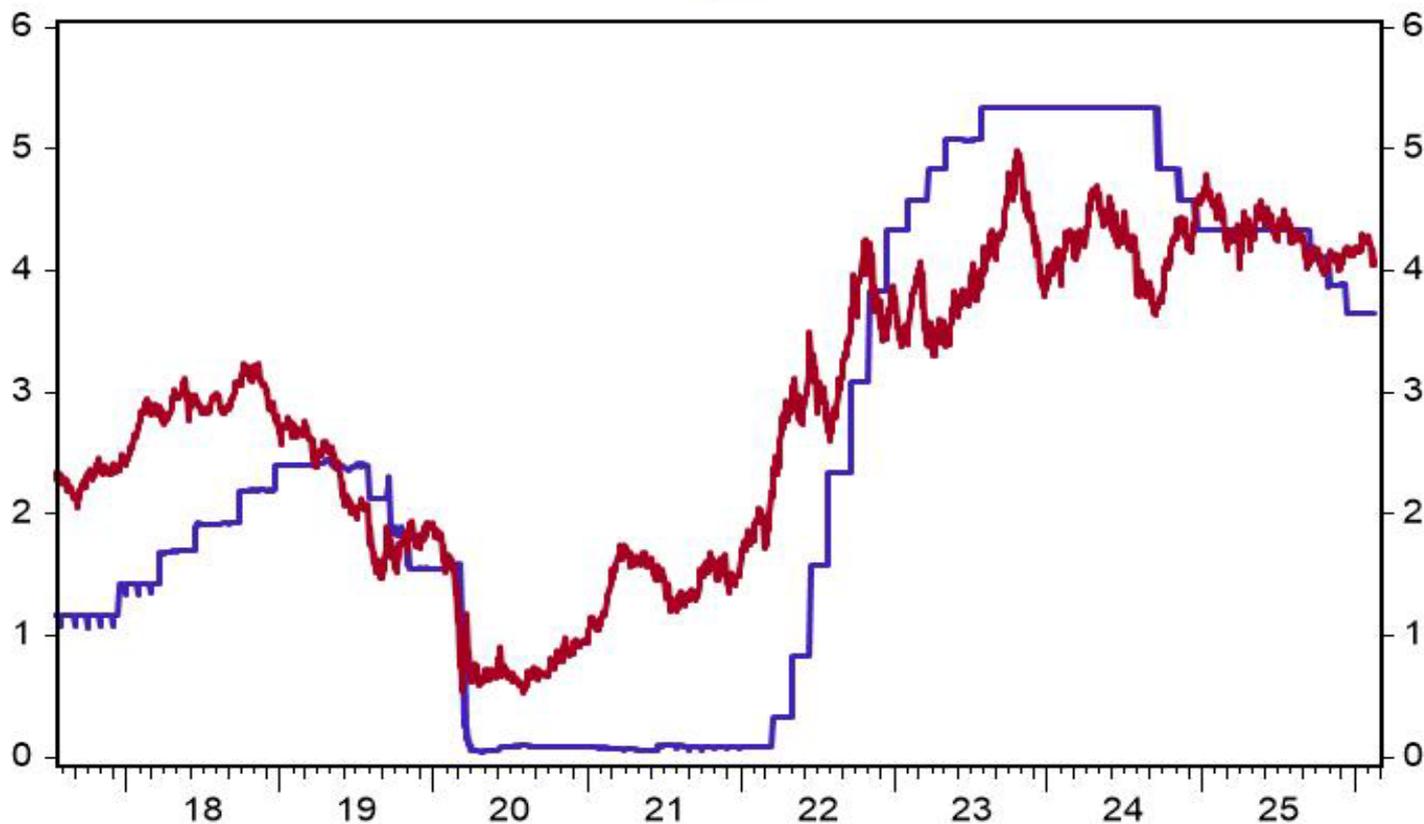
Target Rate Probabilities for 9 Dec 2026 Fed Meeting

Current target rate is 350-375



Reminder that long rates follow a different path

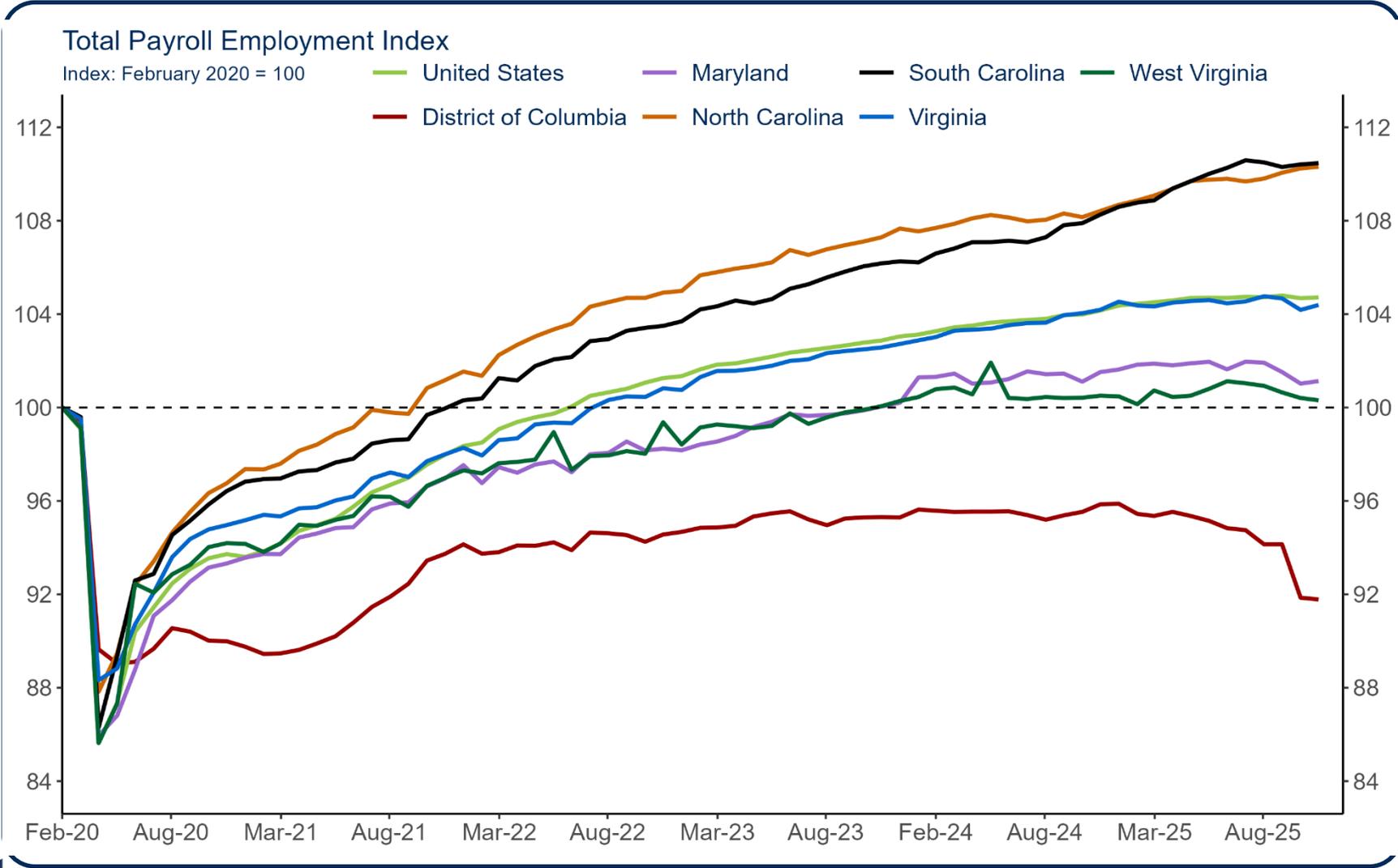
10-Year Treasury Note Yield at Constant Maturity
% p.a.
Federal Funds [Effective] Rate
% p.a.



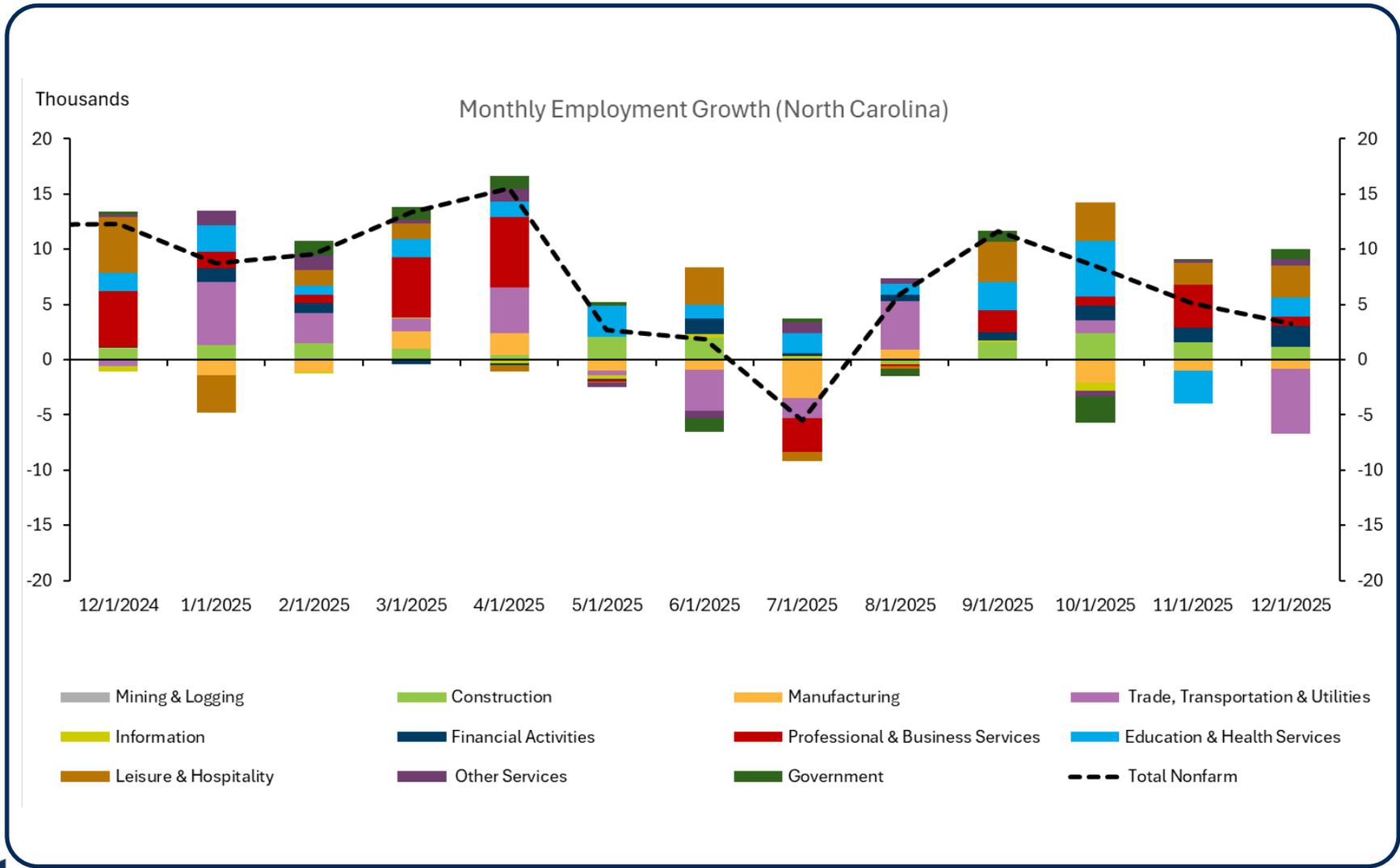
Source: Federal Reserve Board/Haver Analytics

Regional Economic Update

The Carolinas lead the way in job growth ...

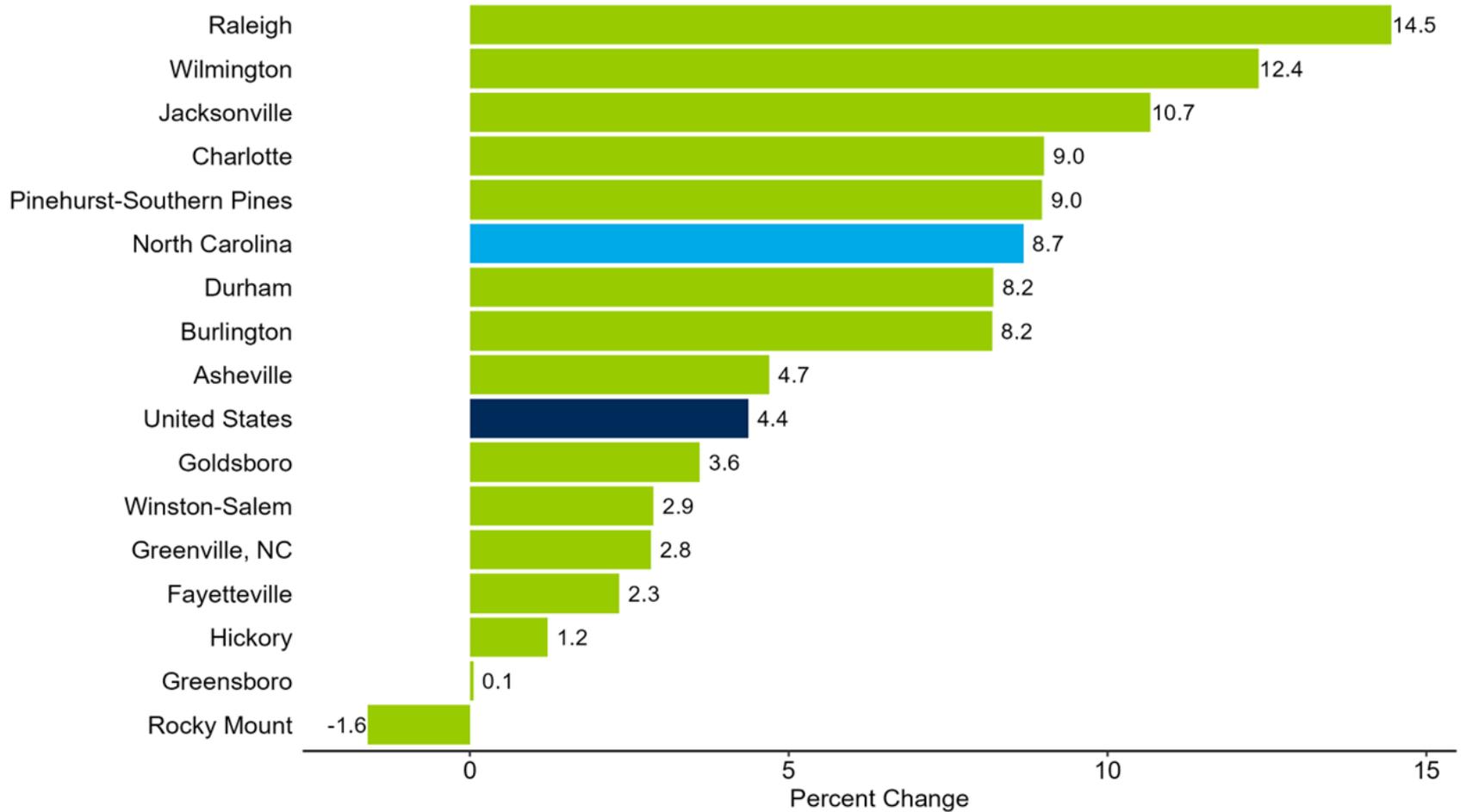


... even though North Carolina's job growth slowed in 2025



Raleigh leads the way in post-COVID employment growth ...

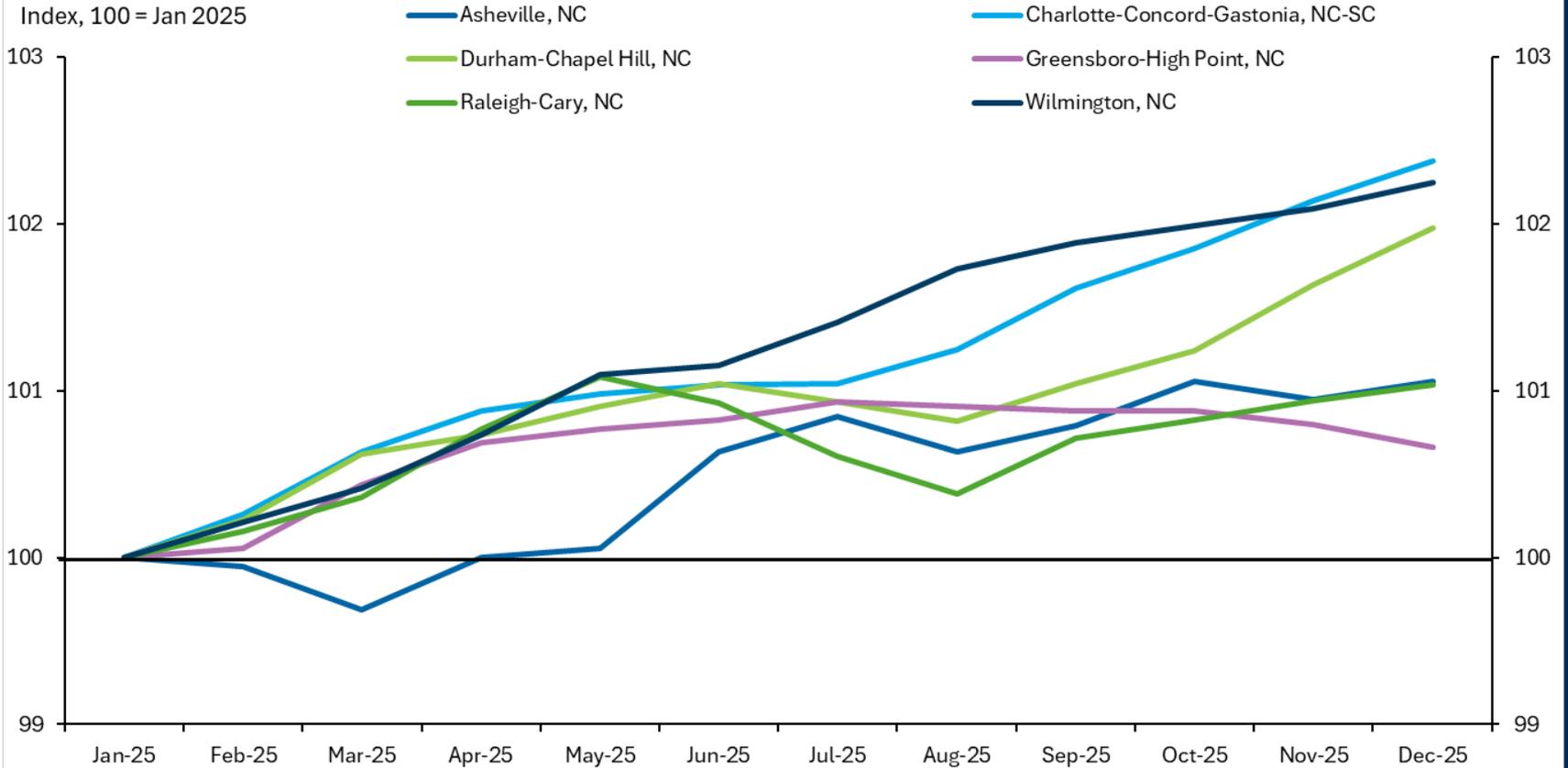
Employment Change from February 2020 to November 2025



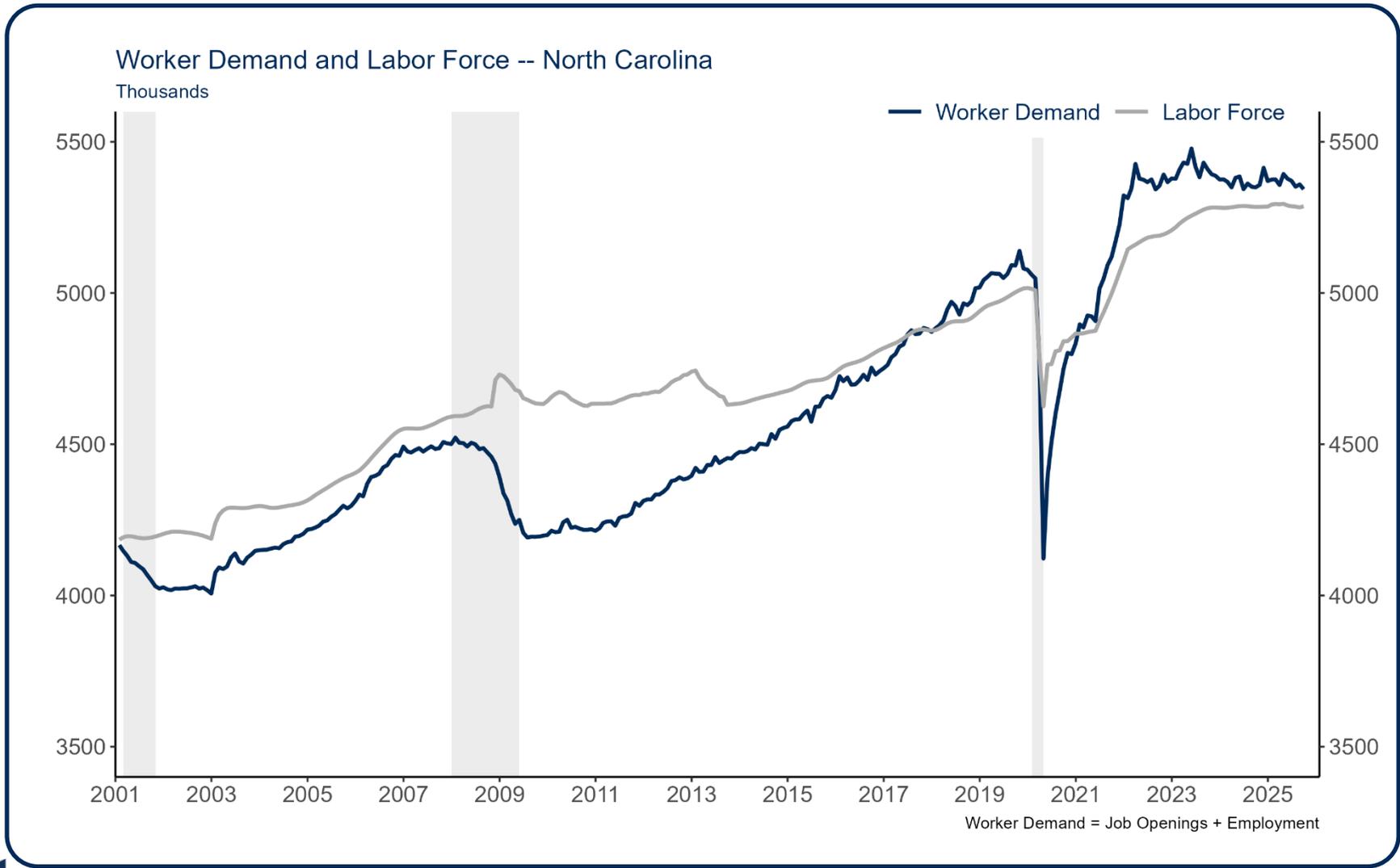
... but momentum slowed (comparatively) for Raleigh in 2025

1 Year Employment Growth

Index, 100 = Jan 2025

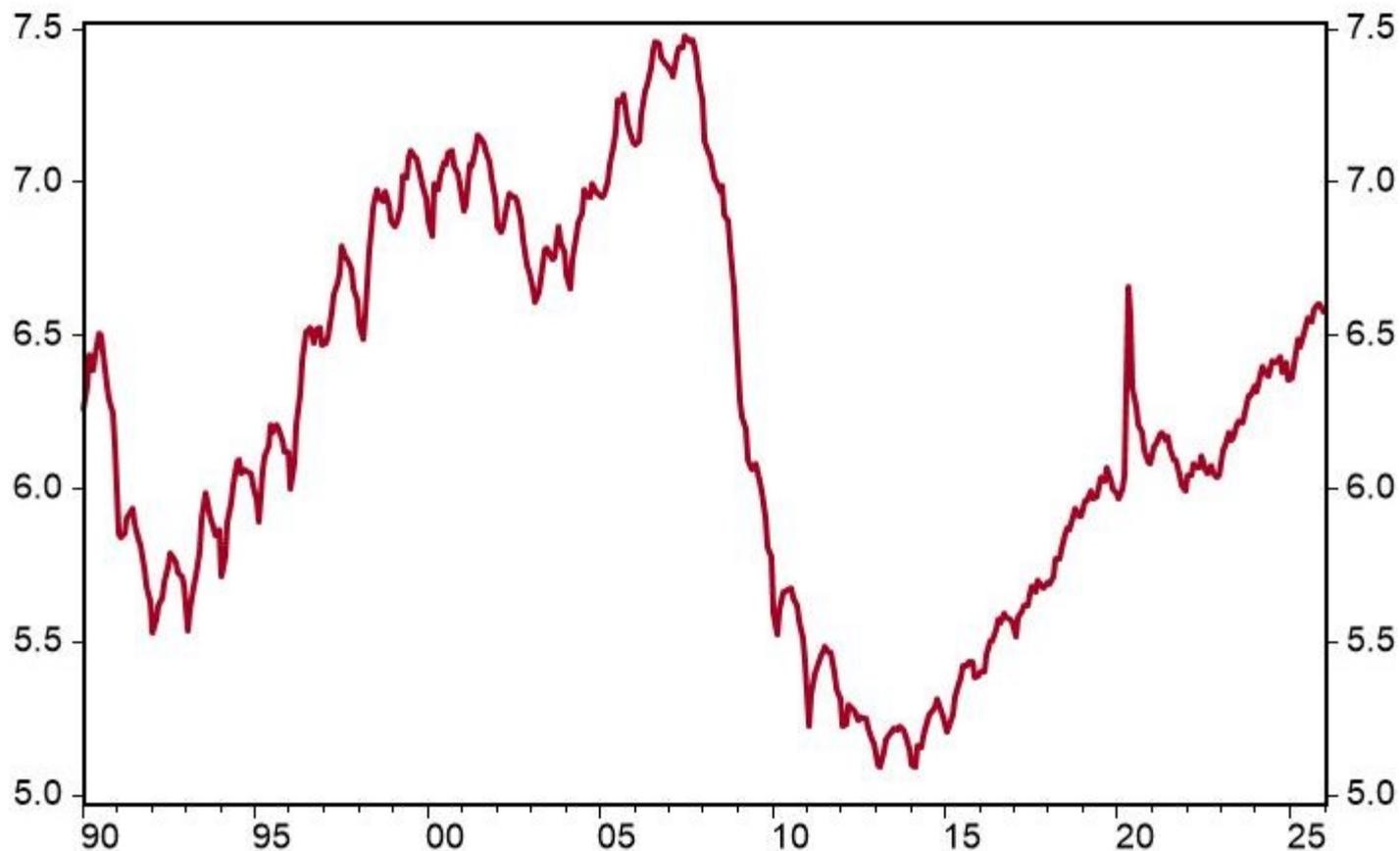


Labor is tight and likely to remain so in NC ...



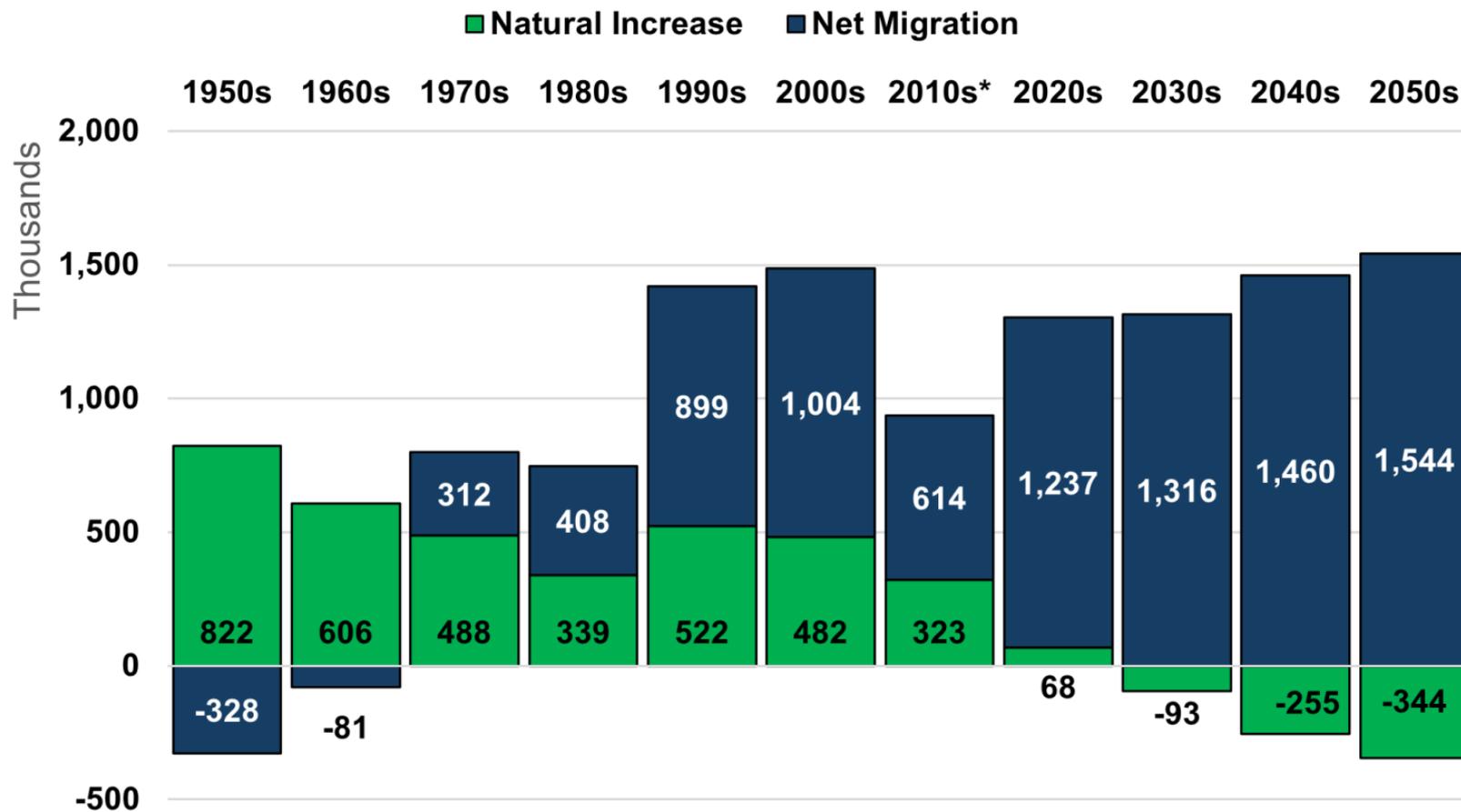
... especially in the construction industry

Construction employment as a share of total employment

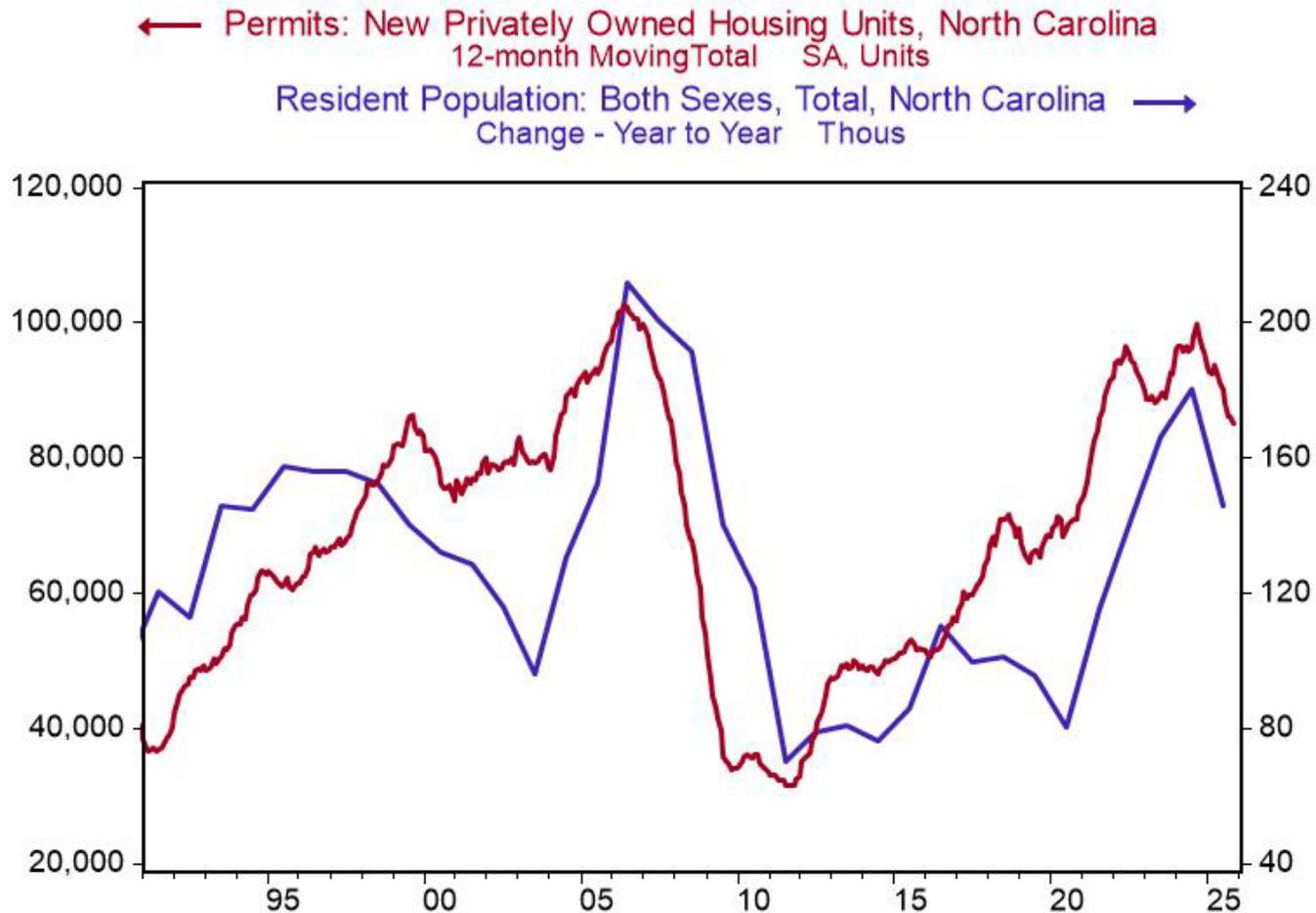


Source: Haver Analytics

NC expected to be the 7th most populous state within ten years



NC homebuilding pace better than most

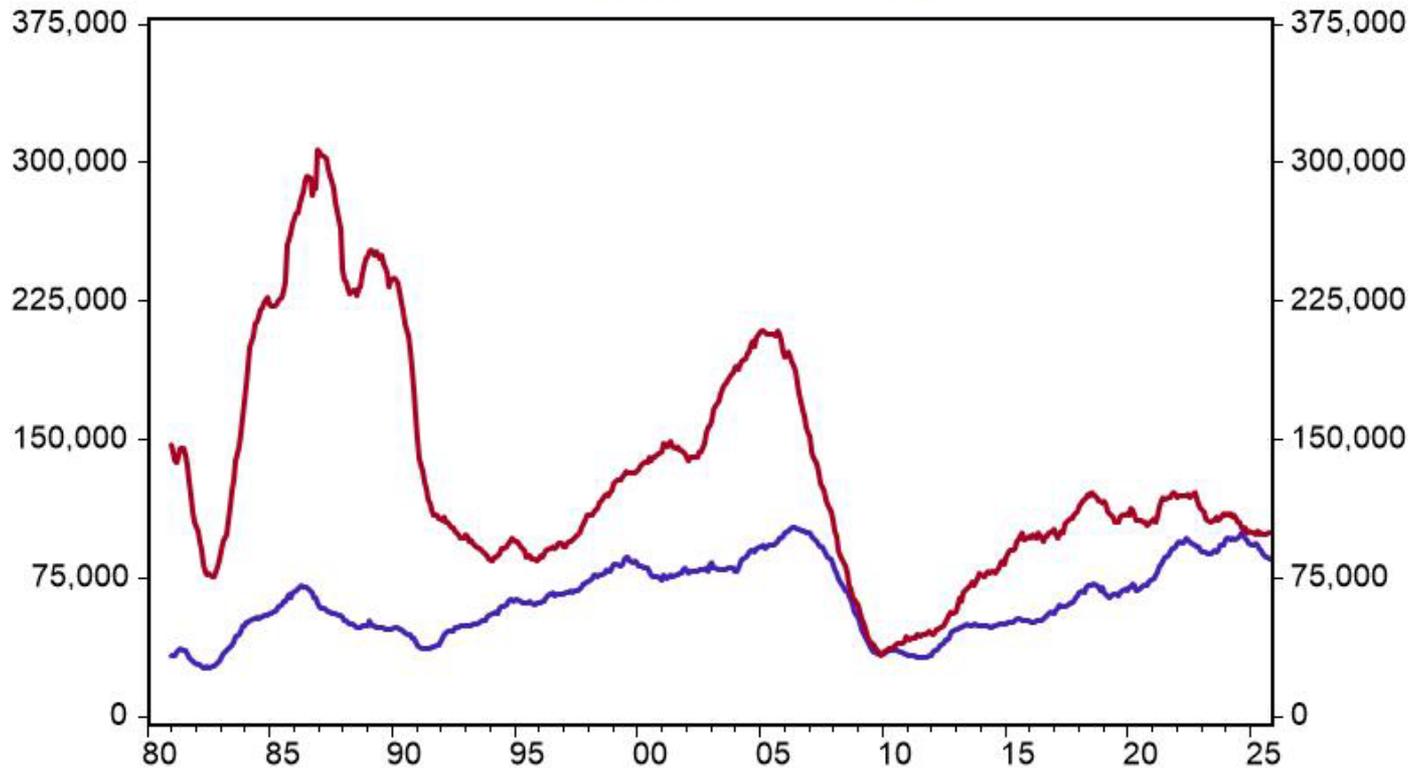


Sources: Census Bureau/Haver Analytics, Census Bureau

NC homebuilding pace better than most

Permits: New Privately Owned Housing Units, California
12-month Moving Total SA, Units

Permits: New Privately Owned Housing Units, North Carolina
12-month Moving Total SA, Units

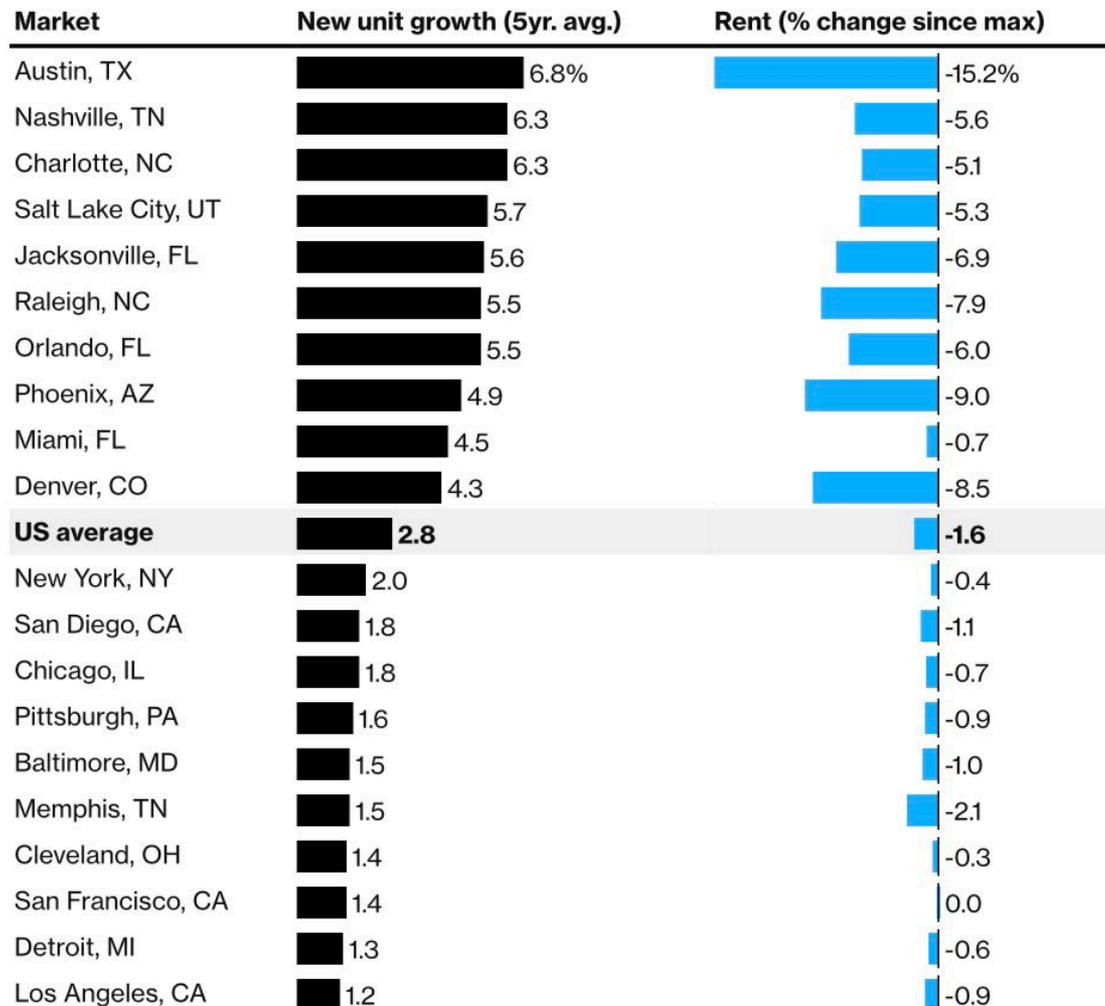


Source: Census Bureau/Haver Analytics

Increasing supply helps affordability

Rents Fell in Cities That Built More

Cities that built more new apartments in recent years largely saw rents plummet. Cities that built less did not.



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Questions/Comments?

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